

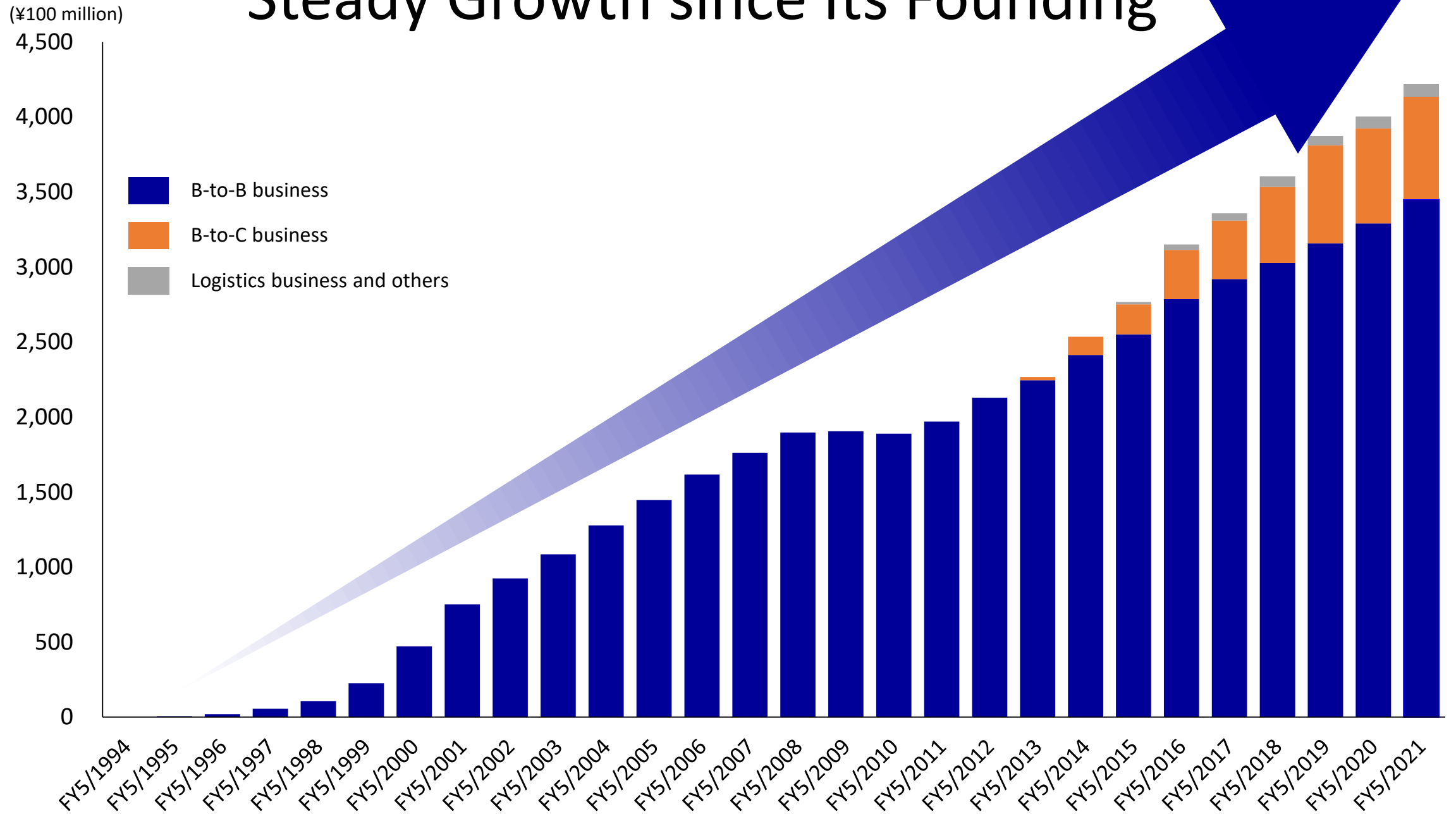
Translation updated  
in July 26<sup>th</sup>, 2021

From FY5/2022 to FY5/2025  
**Medium-Term  
Management Plan**

July 2, 2021  
ASKUL Corporation

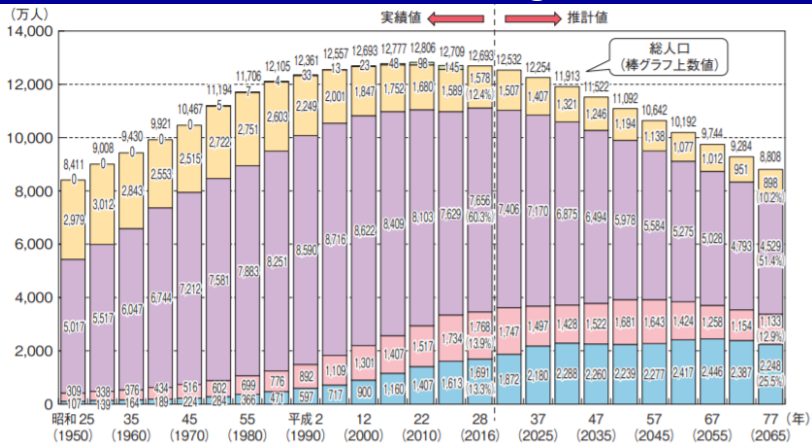


# Steady Growth since Its Founding



# Business Environment Surrounding ASKUL

Declining birthrates, aging population, and labor shortage



Acceleration of the shift to EC



Evolution of AI and technology



Fight against infectious disease



Climate change and sustainable management



New work styles and borderless between BtoB and BtoC



# Huge Growth Market

B-to-B Market size

**12.6 trillion yen + $\alpha$**   
(something extra)

Medical field : ¥4.2 trillion

MRO field : ¥8.4 trillion

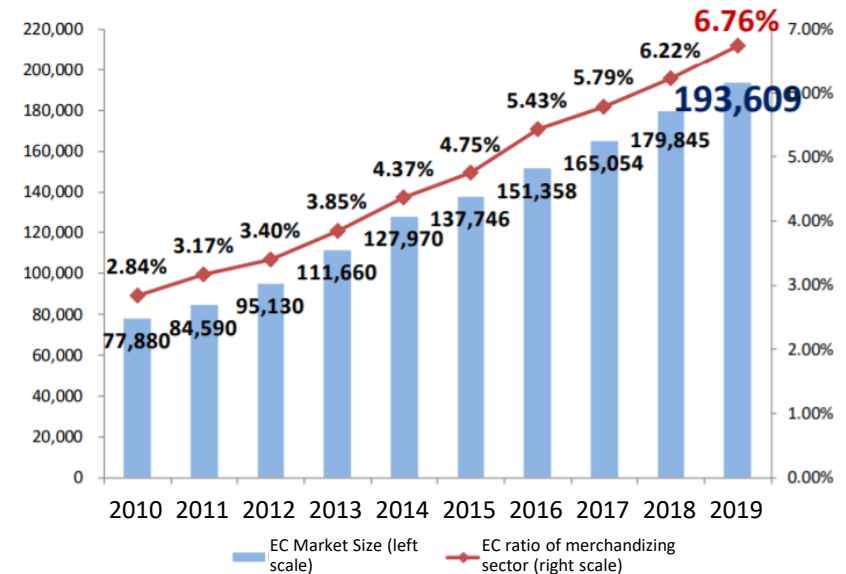
**+ $\alpha$**

\* Estimated by ASKUL, based on “Statistics of Production by Pharmaceutical Industry” by Ministry of Health, Labour and Welfare and “Census of Manufacture Report by Commodity” by Ministry of Economy, Trade and Industry, etc.

B-to-C Ratio of EC

Expanding from 6.76%

Trend in B-to-C EC Market Size in Japan (100 million yen)



Source: 2019 E-commerce Market Survey (Ministry of Economy, Trade and Industry)

# Medium-Term Management Plan to Survive Intensifying Competition



# Competitive Advantage Supporting Steady Growth

Customer base and big data



ASKUL original products



EC logistics

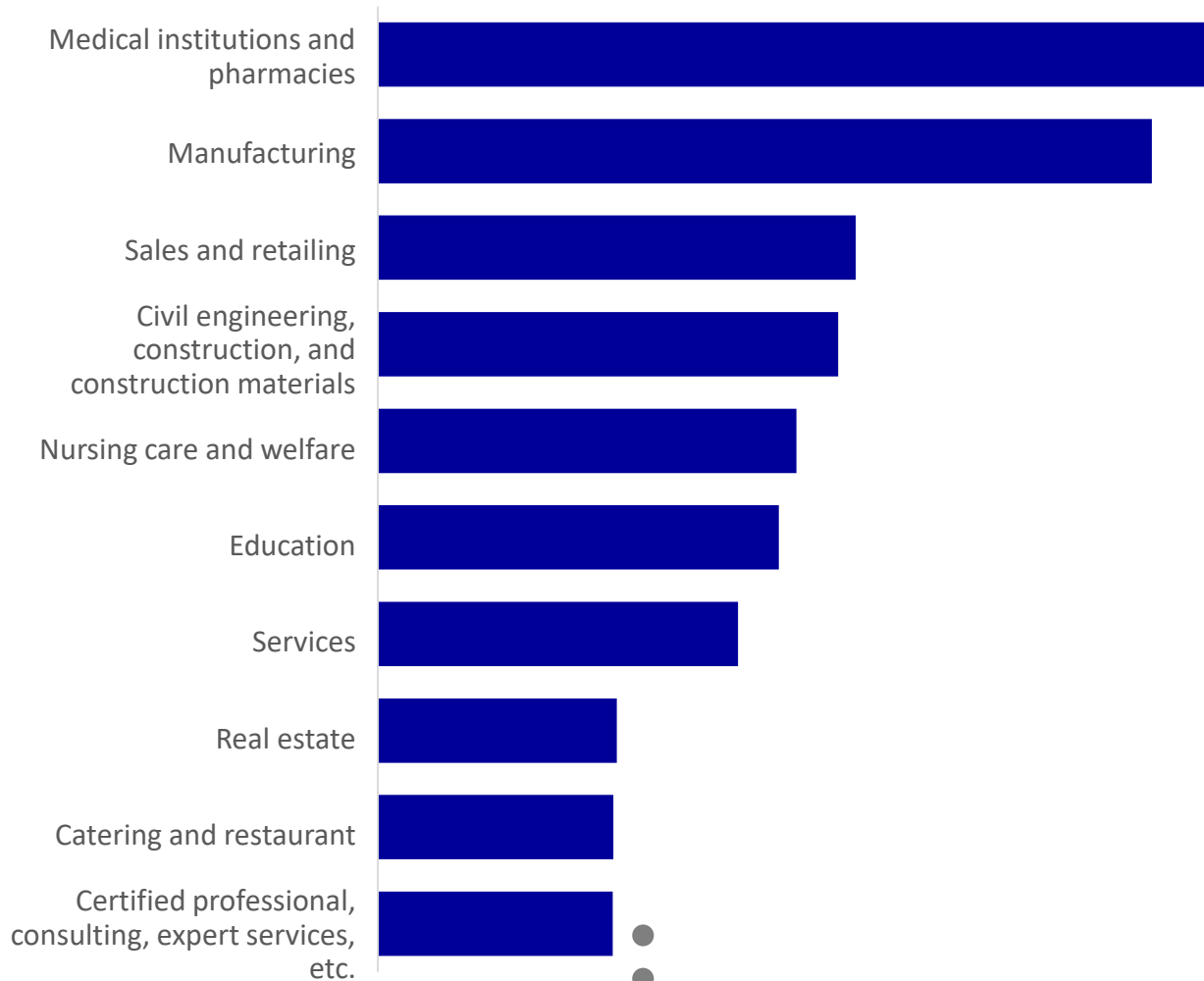


Z Holdings Group



# Diverse Customer Bases and Big Data

B-to-B Number of customers  
in Top 10 industries\*1



One of Japan's largest amounts  
of B-to-B big data\*2

Cumulative  
purchase  
amount

More than **¥3 trillion**

Cumulative  
number of  
orders

More than **500 million**

Annual  
page views

More than **1.2 billion**

\*1 Number of customers who made purchases in May 2021

\*2 Subject period: From May 21, 2006 to May 20, 2021



# Unique EC Logistics

Logistics infrastructure that realizes nationwide same-day and next-day delivery



Highly automated distribution facilities



100% in-house operation of warehouses in the Group





# What Has to Be Achieved by 2025

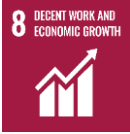


















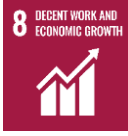




## Transformation from Office Supplies Mail Order

: To become an infrastructure company that supports all workplaces and lifestyles

Purpose (raison d'être)

Continuously bringing delight  
to our workplace, life, the planet  
and tomorrow.

# Materialities (Key Issues)

Materialities (Key Issues)		Related SDGs				
<b>DX</b>	<p>Service reform via DX</p> <ul style="list-style-type: none"> <li>● Create the best customer experience</li> <li>● Build an innovative value chain</li> </ul>					
<b>Co-creation</b>	<p>Innovation via co-creation</p> <ul style="list-style-type: none"> <li>● Realize a resource circulation system</li> <li>● Create new value through products and services</li> </ul>					
<b>Environment</b>	<p>Contribute to the global environment for the next generation</p> <ul style="list-style-type: none"> <li>● Challenge to realize a carbon neutral society</li> <li>● Conserve biodiversity</li> </ul>					
<b>Supply Chain</b>	<p>Build a responsible supply chain</p> <ul style="list-style-type: none"> <li>● Realize sustainable procurement</li> <li>● Complete responsibilities as a lifeline</li> </ul>					
<b>Human resource</b>	<p>Develop human resource to strengthen sustainable corporate activities</p> <ul style="list-style-type: none"> <li>● Innovate with proactive human resources</li> <li>● Promote diversity where individuals can demonstrate their abilities</li> </ul>					
<b>Foundation</b>	<ul style="list-style-type: none"> <li>● Maintain and improve sound financial structure</li> <li>● Achieve highly transparent governance (including information security)</li> <li>● Healthy management that allows safe and secure work both physically and mentally</li> </ul>					

# Medium-Term Management Plan Basic Policy



Sustainable  
management

Maximization of  
customer value

Change to  
a highly  
profitable model



# Promote Solutions to Environmental Issues by Integrating Them into Business

Draw on activities done so far and accelerate the activities

Realization of  
a carbon neutral  
society

Realization of  
a resource  
circulation system

Expansion and  
reinforcement of  
environmentally  
friendly products



A pair of hands is shown from the bottom, cupping a small, vibrant green seedling with several leaves and a mound of dark soil. The background is a soft-focus green, suggesting an outdoor setting with sunlight filtering through leaves, creating a bokeh effect. The overall tone is positive and eco-friendly.

# ASKUL Moving to “Ethical E-Commerce”

Sustainable services that consider environmental conservation  
and solving social issues

# Management Indicators

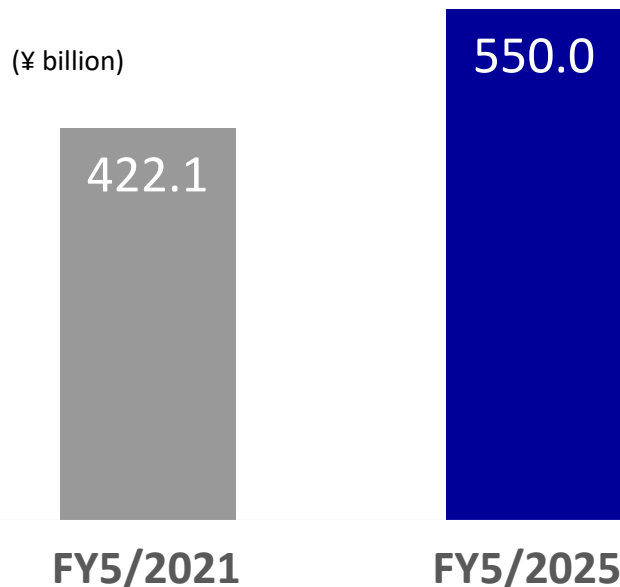
FY5/2025

Net Sales ¥550 billion Operating Income Ratio 5%

Cumulative investments from FY5/2022 to FY5/2025: More than ¥30 billion

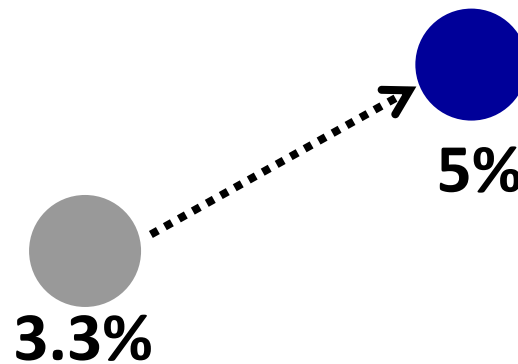
Consolidated net sales

Annual average growth rate:  
**Over 6%**

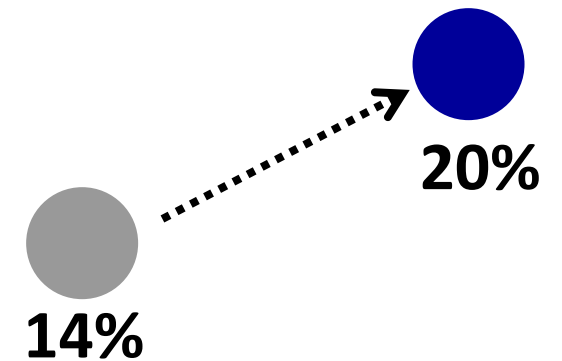


Consolidated operating income ratio

Annual average growth rate:  
**Over 18%**



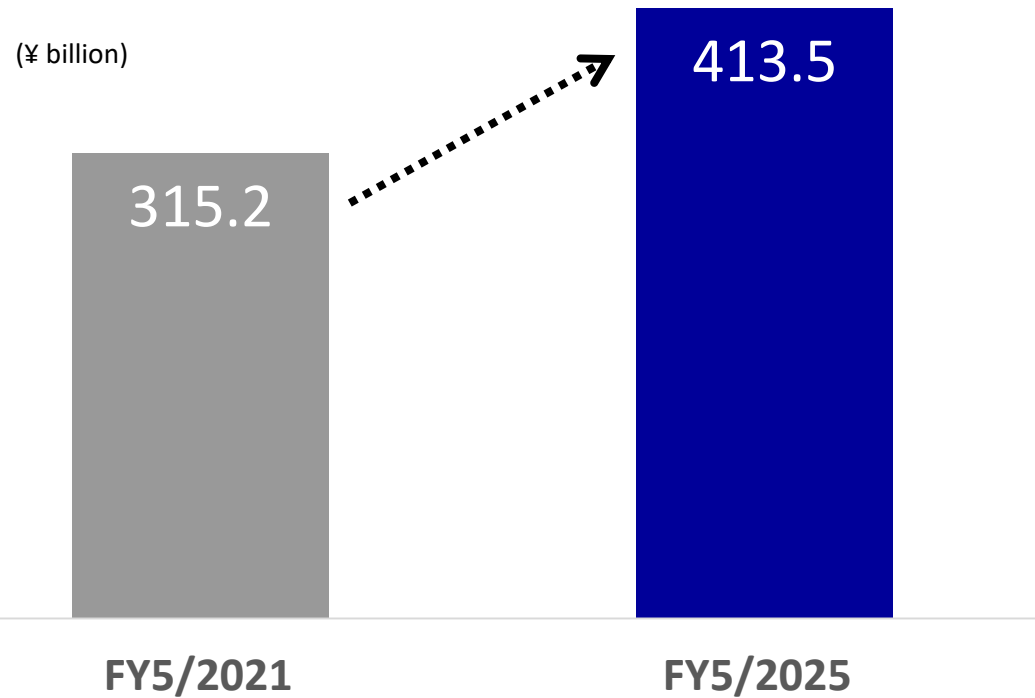
Consolidated return on equity (ROE)



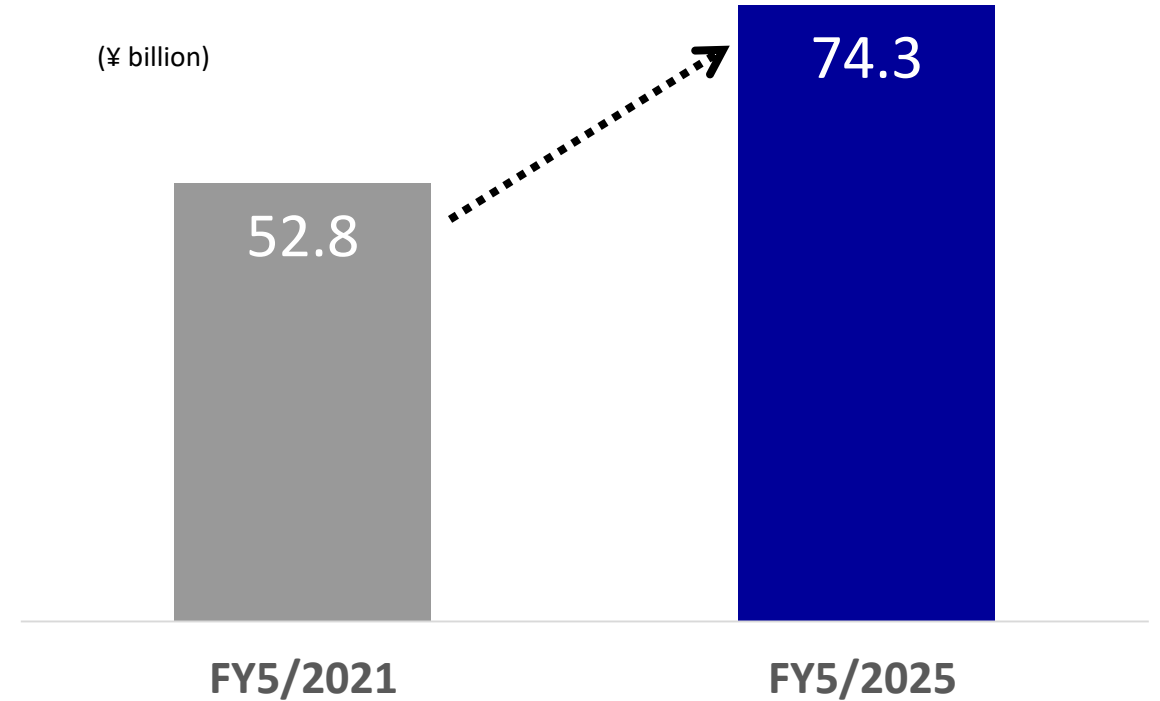


# FY5/2025 Net Sales by Business

[B-to-B non-consolidated]  
To double-digit growth  
in the final year



[LOHACO]  
Turn profitable and grow again



# Medium-Term Growth Scenario

Establishment of the most powerful B-to-B EC website

Strategic industries and expansion of product assortments

Synergies with Z Holdings Group

Reform of the platform

- ✓ Consolidated net sales  
¥550 billion
- ✓ B-to-B  
To double-digit growth
- ✓ LOHACO  
To become a profitable business

FY5/2021

FY5/2022

FY5/2023

FY5/2024

FY5/2025

# Top-Priority Strategies

1. Strategic industries and expansion of product assortments
2. Establishment of the most powerful B-to-B EC website
3. Synergies with Z Holdings Group
4. Reform of the platform

# Top-Priority Strategies

1. Strategic industries and expansion of product assortments
2. Establishment of the most powerful B-to-B EC website
3. Synergies with Z Holdings Group
4. Reform of the platform



# Two Major Industries to Strengthen Strategically



Medical care  
and nursing care



Manufacturing

# Expansion of Product Assortments

Frequency of  
making  
purchases

Low

High

## Number of Products

Widespread expansion centering  
on products  
for strategic industries

**2 times**  
(18 million items)

## Products in stock

Expansion of “Come tomorrow”  
(i.e., next-day delivery, the  
meaning of ASKUL in Japanese)  
products

**4 times**  
(330,000 items)

## ASKUL original products

Superiority in pricing and quality  
Expansion of environmentally  
friendly products

**1.4 times**  
(12,000 items)

# Top-Priority Strategies

1. Strategic industries and expansion of product assortments
- 2. Establishment of the most powerful B-to-B EC website**
3. Synergies with Z Holdings Group
4. Reform of the platform

# The Most Powerful B-to-B EC Site

For individual business owners and small and medium-sized businesses



- Fastest purchasing from search
- Personalized recommendations



For mid-level and large enterprises



- A free-of-charge function to manage purchasing
- Volume discounts



New ASKUL website <FY5/2023>

# ASKUL

## Combine the strong features of both websites

Also has purchasing function compatible with teleworking.

**NEW**

# ASKUL

Improvement in purchase frequency  
and purchase amount per customer

Improvement in the retention rate  
through consolidation of purchases

Effects of the new EC website

Cumulative sales

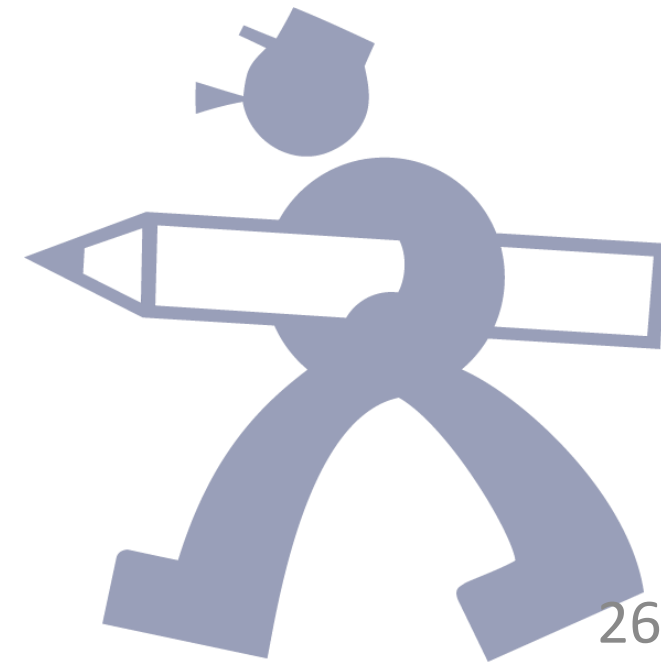
increase of

over

¥50 billion

# Top-Priority Strategies

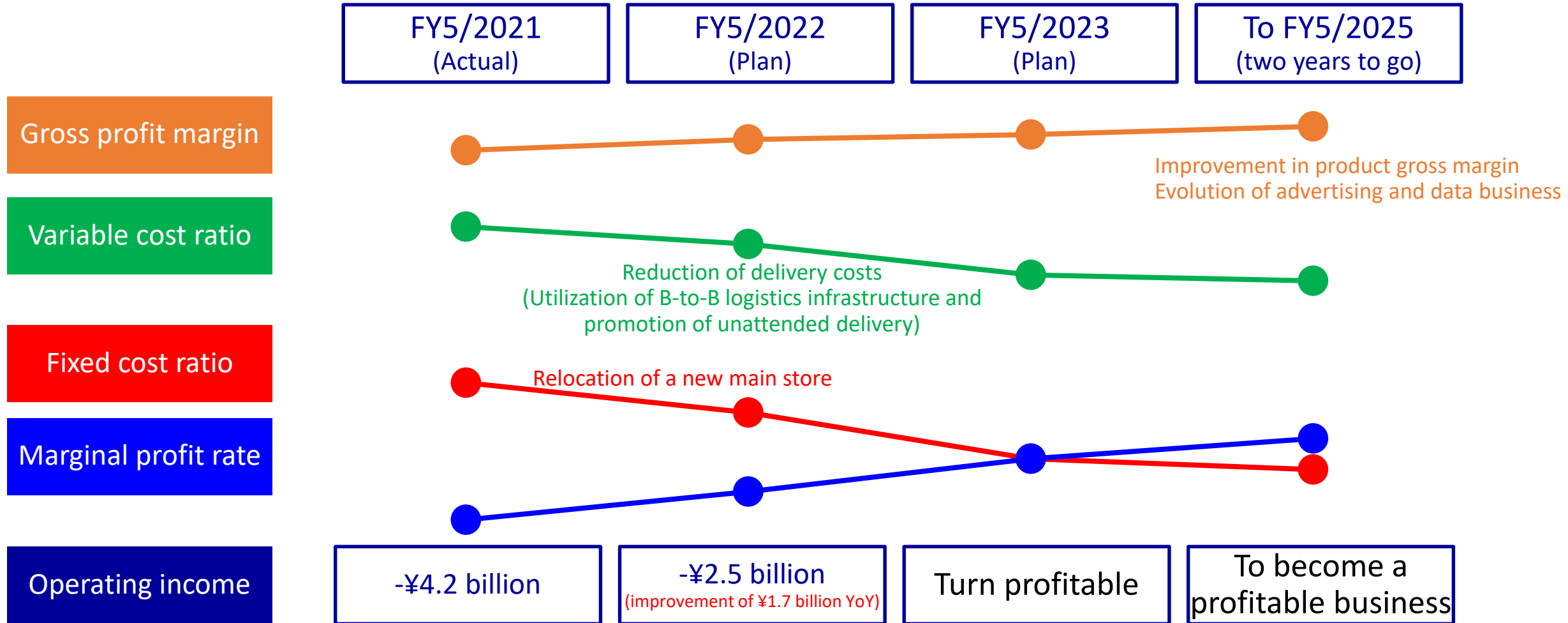
1. Strategic industries and expansion of product assortments
2. Establishment of the most powerful B-to-B EC website
- 3. Synergies with Z Holdings Group**
4. Reform of the platform





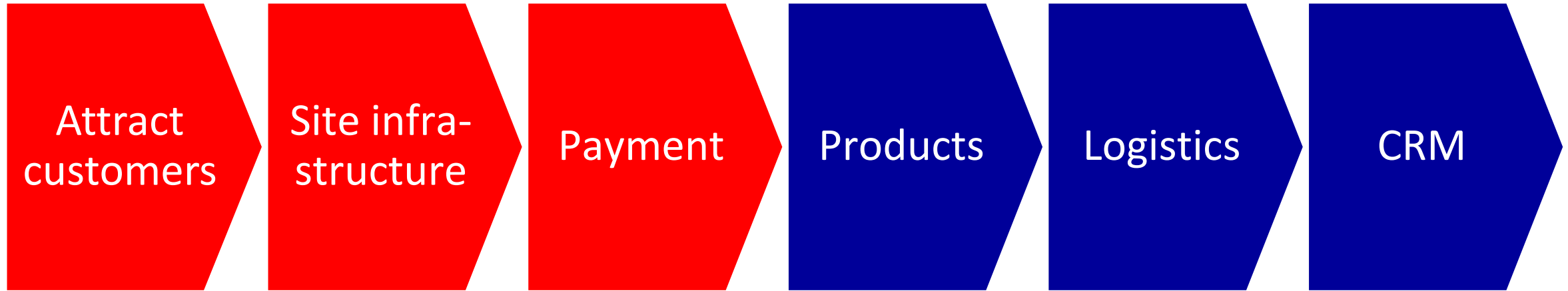
# Put on Track for Regrowth and Develop It into Profitable Business

(FY5/2025 is a waypoint)



# Develop Strengths for Further Growth

LOHACO value chain



Make full use of  
Z infrastructure

**YAHOO!**  
JAPAN

Focus resources  
on strengths

**LOHACO**  
by **ASKUL**

# Maximize Synergies of Two Stores



LOHACO PayPay Mall Store

Focus on NB  
Expansion of  
new customers

×

LOHACO Main Store

Focus on  
original products  
Expansion of LOHACO  
fans

LOHACO Main Store also adopts the same point-multiplication as PayPay Mall Store

NB and original products

Reinforce next-day delivery

**LOHACO**  
by **ASKUL**



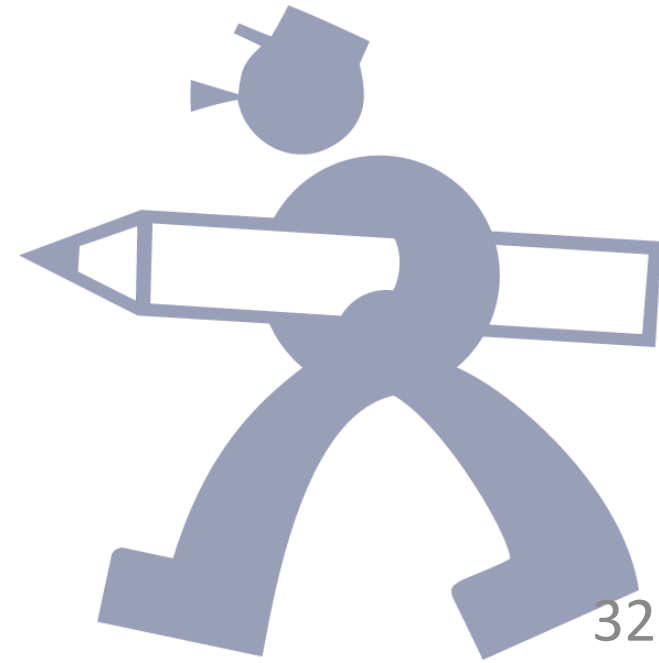
What LOHACO wishes to realize

# Make Your Life Easy and Enjoyable



# Top-Priority Strategies

1. Strategic industries and expansion of product assortments
2. Establishment of the most powerful B-to-B EC website
3. Synergies with Z Holdings Group
- 4. Reform of the platform**





# What to Bring into Reality

Evolve Competitive High-Speed  
Logistics to Bring Long-Tail to  
“Come tomorrow (ASKUL)” as Well

# Implementation Measures for Reform of Platform

1. Structural reform of distribution centers
2. Integration of B-to-B and B-to-C logistics
3. Value chain DX

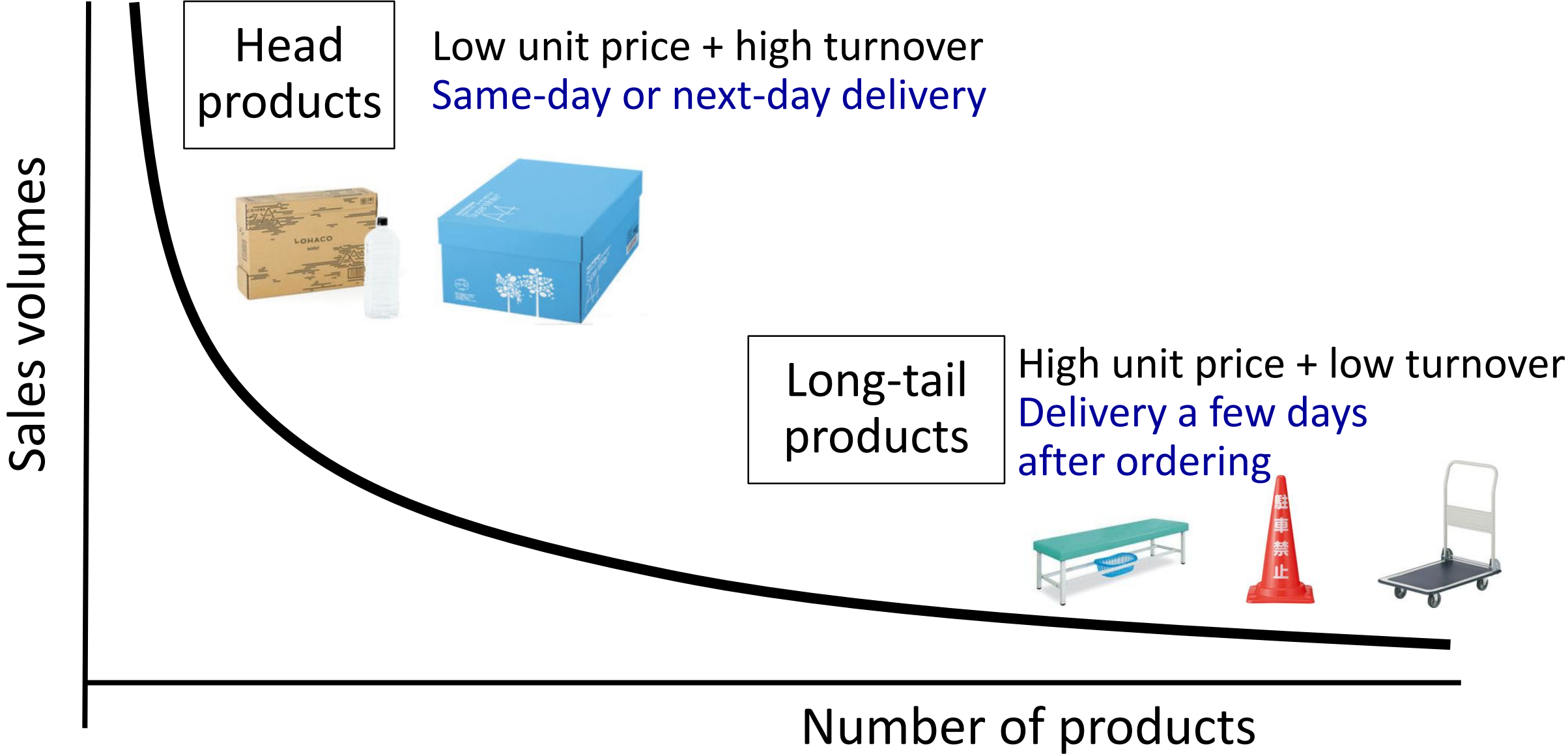
# Implementation Measures for Reform of Platform

1. Structural reform of distribution centers

2. Integration of B-to-B and B-to-C logistics

3. Value chain DX

# Hybrid Product Strategy



# Hybrid Product Strategy

Head products

Low unit price + high turnover  
Same-day or next-day delivery

Long-tail will also “Come tomorrow”

products

Delivery a few days after ordering

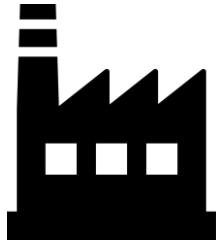


Number of products

# Flexible Expansion of Items through Utilization of Logistic Support Distribution Centers

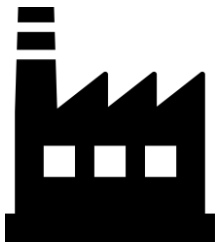
Before

Cargo in containers from overseas, etc.



After

Cargo in containers from overseas, etc.



- Creation of the space for long-tail products
- Ease in workload for receiving products
- Solution to shortage of products

↓  
Sales  
Expansion



# Implementation Measures for Reform of Platform

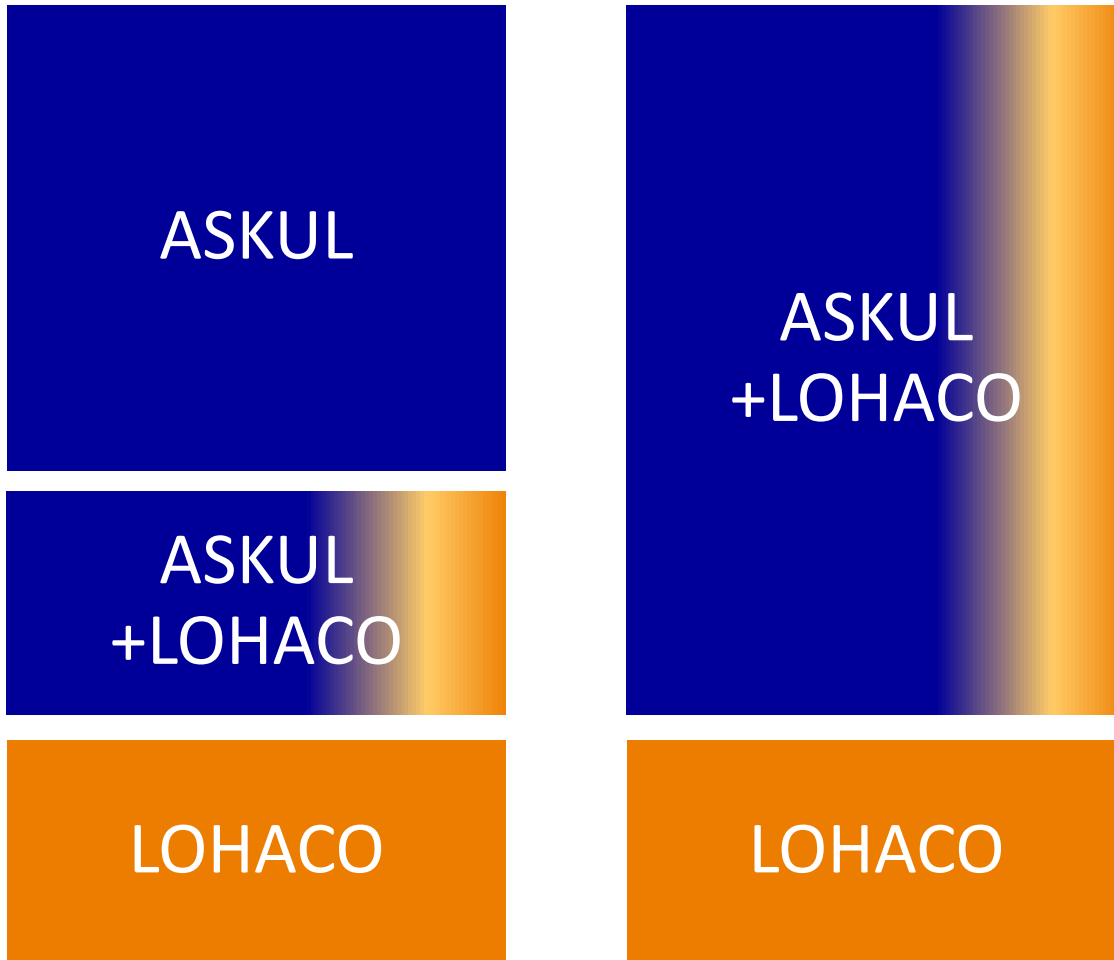
1. Structural reform of distribution centers

**2. Integration of B-to-B and B-to-C logistics**

3. Value chain DX

# Improve Delivery Quality and Delivery Efficiency

Before → After



- Share inventory
- Make a delivery management system open
- Promote of B-to-B and B-to-C mixed delivery
- Unattended delivery is also optional



Improve delivery quality

Expansion of  
“Come Tomorrow (ASKUL)”  
products

# Implementation Measures for Reform of Platform

1. Structural reform of distribution centers

2. Integration of B-to-B and B-to-C logistics

**3. Value chain DX**

# Enhance Customer Value with Value Chain DX



Optimization by data and AI, and labor-saving by making better use of robots

Fastest purchasing

Reduction in stock shortage

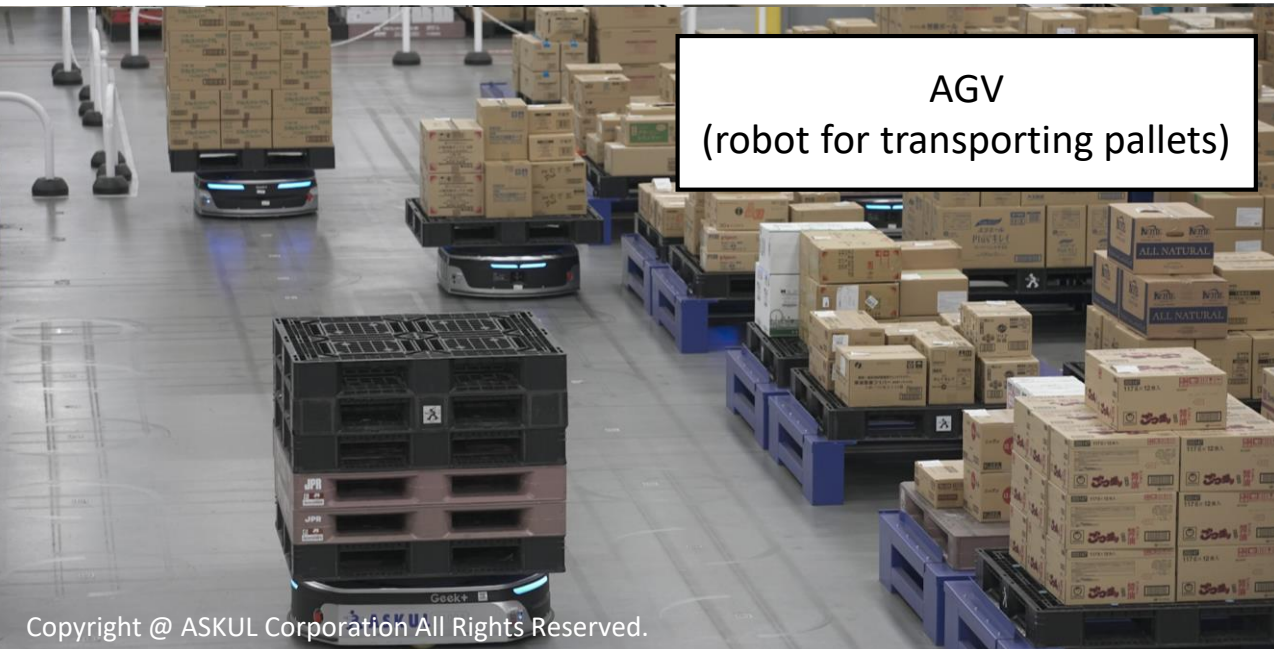
Shortest delivery

Resource-saving delivery

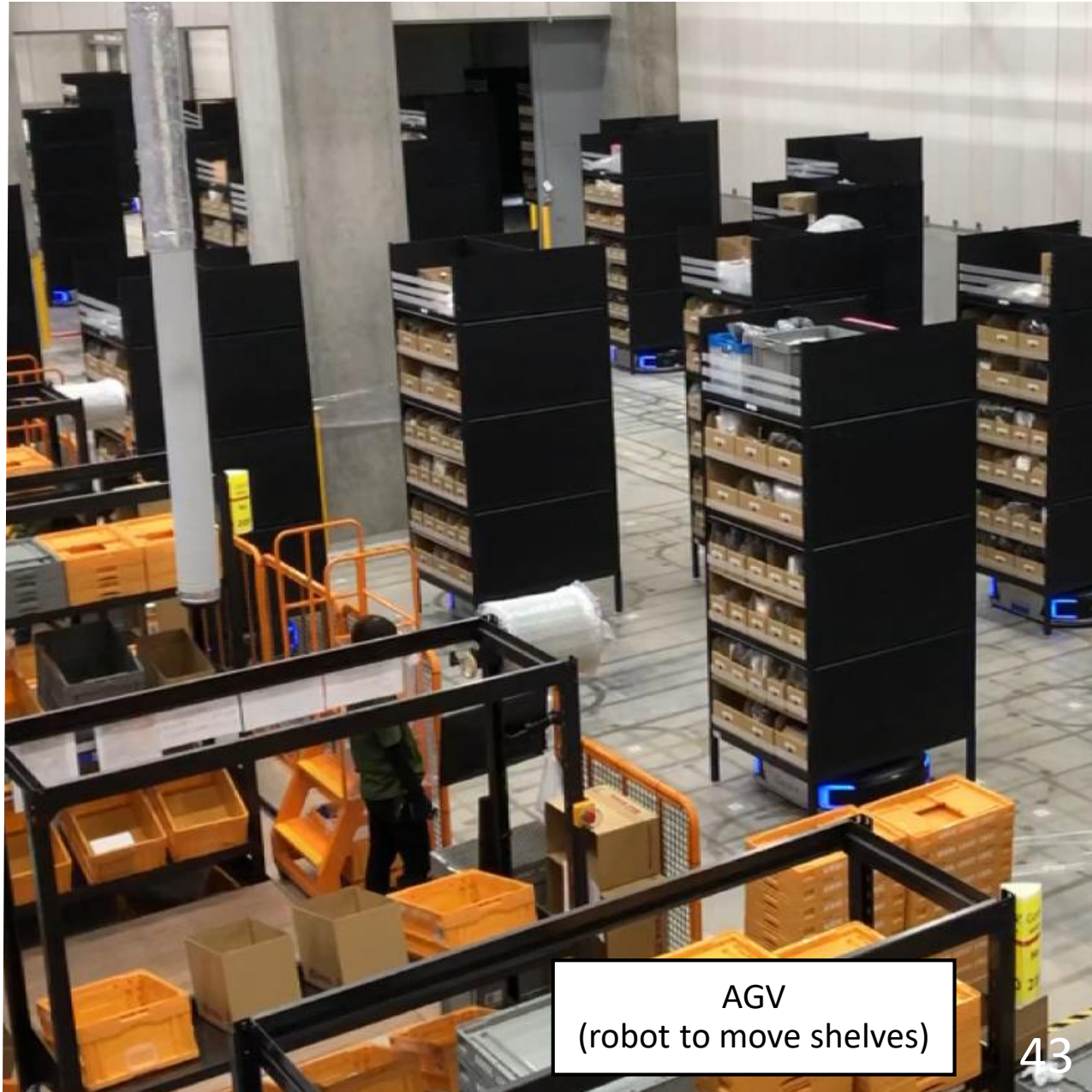
# Expansion of Adoption of Practical AI Robots



Depalletizing robot  
(automatic unloading process robot)



AGV  
(robot for transporting pallets)



AGV  
(robot to move shelves)





# Construction of Most Advanced Core Distribution Center in East Japan

## “ASKUL Tokyo DC” has been Completed in July

(Scheduled to start operation in the summer of 2022)



# For Further Enhancing Corporate Value

# Medium-Term Growth Scenario

Establishment  
of new services

Establishment of the most  
powerful B-to-B EC website

Strategic industries and  
expansion of product assortments

Synergies with Z Holdings Group

Reform of the platform

To areas other  
than product  
sales\*

\* The above is not included in the  
performance plan.

FY5/2021

FY5/2022

FY5/2023

FY5/2024

FY5/2025

# Services that utilizes overwhelmingly strong customer bases and big data in B-to-B

Areas to explore

Services for small and medium-sized business

Services for medical and nursing care

Our DNA

Advancing forward  
for our customers

From FY5/2022 to FY5/2025  
Medium-Term  
Management Plan  
Supplementary Material



# Recognition of Background and Current Situation

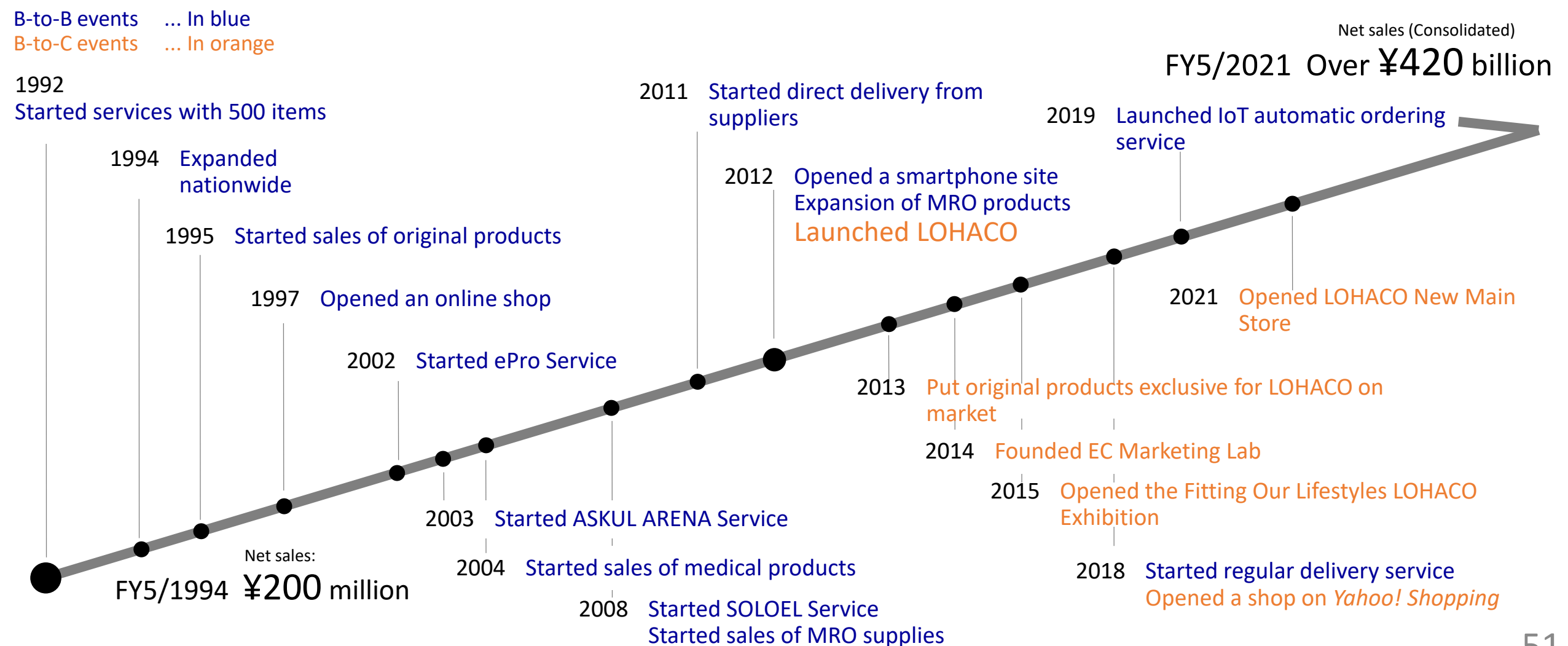




# Steady Growth since Its Founding



ASKUL has achieved steady growth since its founding by evolving and refining its products and services while responding to customer voices and changes in the times.





## Recognition of important environments

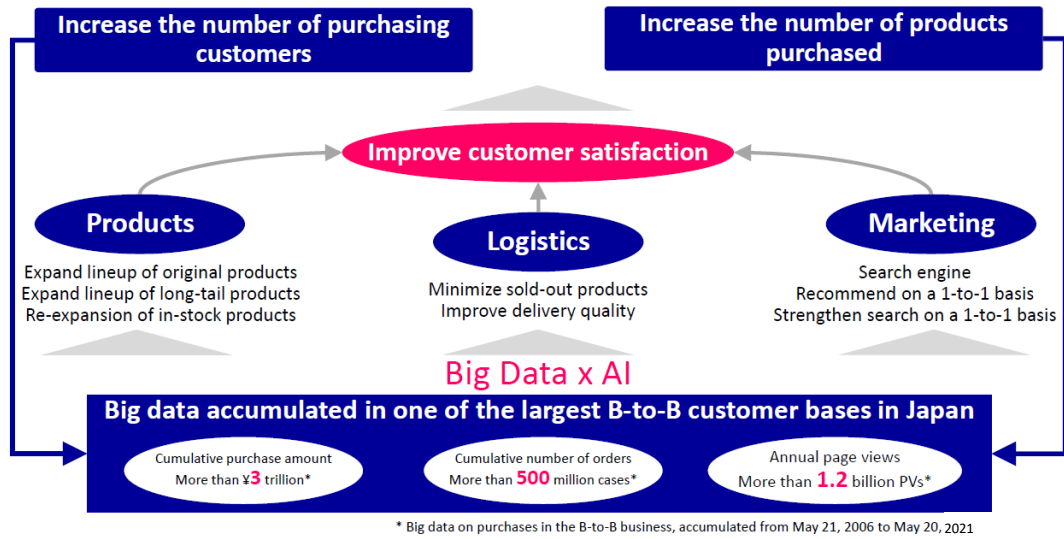
- 1 Declining birthrates, aging population, and labor shortage**
  - Continual decline in the working-age population
  - Labor force shortage
- 2 Acceleration of the shift to EC**
  - Expansion of EC service
  - Acceleration of digitization of business process
  - Changes to lifestyles
- 3 Evolution of AI and technology**
  - Higher business productivity
  - Intensified competition in technology utilization
  - Need to create new innovation
- 4 Fight against infectious disease**
  - Change of attitudes toward prevention of infection
  - Necessity of BCP
- 5 Climate change Sustainable management**
  - Implementation of countermeasures against climate change
  - Shift to environmentally conscious management
  - Solution of social issues
- 6 New work styles Borderless operations**
  - Disappearance of the B-to-B and B-to-C classification due to changes to work styles
  - Changes to attitudes toward work life balance, etc.

## Opportunities and responses in ASKUL

- 1 Further reinforce logistics automation and labor-saving by using technology**
- 2 Realize one-step-above growth by maximizing the knowledge of EC service in both B-to-B and B-to-C**
- 3 Speed up the DX of the entire value chain by leveraging the capability to use AI and technology**
- 4 Sustain stable product supply on the back of strong MD power in the medical field**
- 5 Expand the effort by integrating with business and put sustainable management into practice**
- 6 Establish competitive superiority as a B-to-B purchasing site equipped with a function to accommodate the need for teleworking**



## 1 Customer base and big data



- Diverse customer bases covering a broad range of industries
- Overwhelming big data accumulated in one of the largest B-to-B customer bases in Japan

## 2 EC logistics

- ✓ **Sophisticated EC logistics platform**
- ✓ Platform of same-day and next-day delivery and operational know-how
- ✓ Sophisticated logistics system and facility-designing know-how
- ✓ ASKUL LOGIST's know-how of operating distribution centers
- ✓ Automated purchasing mechanism and operational know-how





## 3 ASKUL original products

- ✓ Product development capabilities to meet customer needs
- ✓ Partnerships with suppliers
- ✓ Turn standard products in workplaces into original products

Realized both differentiation and reinforcement of profitability at the same time

- Started with seven original products in 1995
- The number of products exceeded 10,000 as of May 2021
- Expanded into MRO and medical products, thereby covering all workplaces

Merchandise category



## 4 Z Holdings Group

- April 2012: Business and capital alliance
- October 2012: LOHACO launched  
Combined Yahoo's overwhelming ability to attract customers and payment function with ASKUL's strengths in product development, logistics and CRM
- March 2018: A shop opened on *Yahoo! Shopping*  
Expanded the number of new customers as new features were added, such as coordinated display of a variety of services and content for attracting customers of Yahoo
- November 2019: Transited to PayPay Mall Store  
Moved from Yahoo! Shopping Store as PayPay Mall was launched
- June 2021: LOHACO New Main Store opened  
LOHACO new Main Store that uses Yahoo's system platform (cross-shopping engine) opened



# Room for Growth and Untapped Fields in EC Market



## B-to-B Market size

**12.6 trillion yen+α**  
(something extra)

Medical field : ¥8.4 trillion

MRO field : ¥4.2 trillion

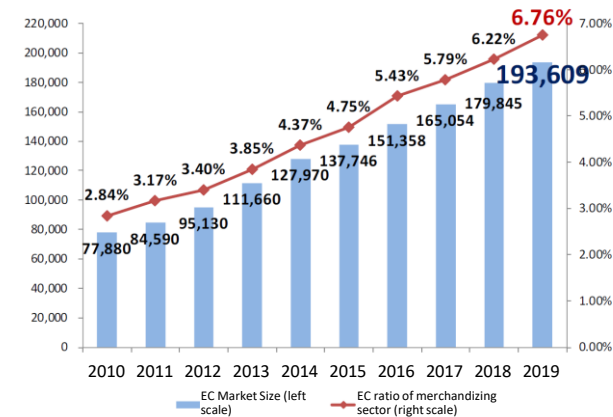
**+α**

\* Estimated by ASKUL, based on "Statistics of Production by Pharmaceutical Industry" by Ministry of Health, Labour and Welfare and "Census of Manufacture Report by Commodity" by Ministry of Economy, Trade and Industry, etc.

- ✓ Huge growth market with the size of ¥12.6 trillion when combining the medical and MRO fields
- ✓ Other areas are also expected to shift to EC in the future, indicating room for further growth (+α)

## B-to-C Ratio of EC

**Expanding from 6.76%**



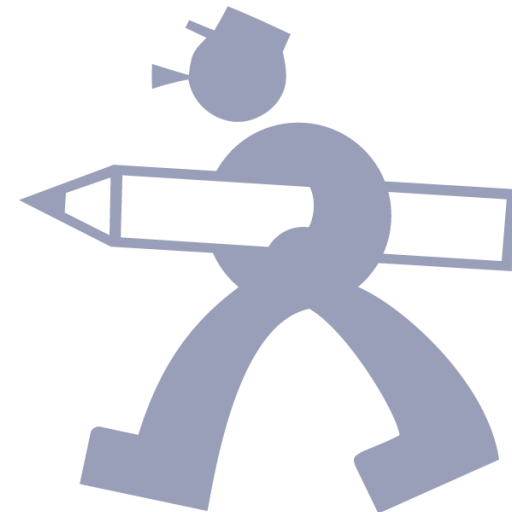
Source: "FY2019 E-Commerce Market Survey" by METI

According to the "2019 E-Commerce Market Survey" published by the Ministry of Economy, Trade and Industry, the ratio of e-commerce in the B-to-C market is 6.76%, which is low compared to those in other countries, and there are also a number of untapped fields, so further growth can be projected in the future.

Reference: EC ratio overseas

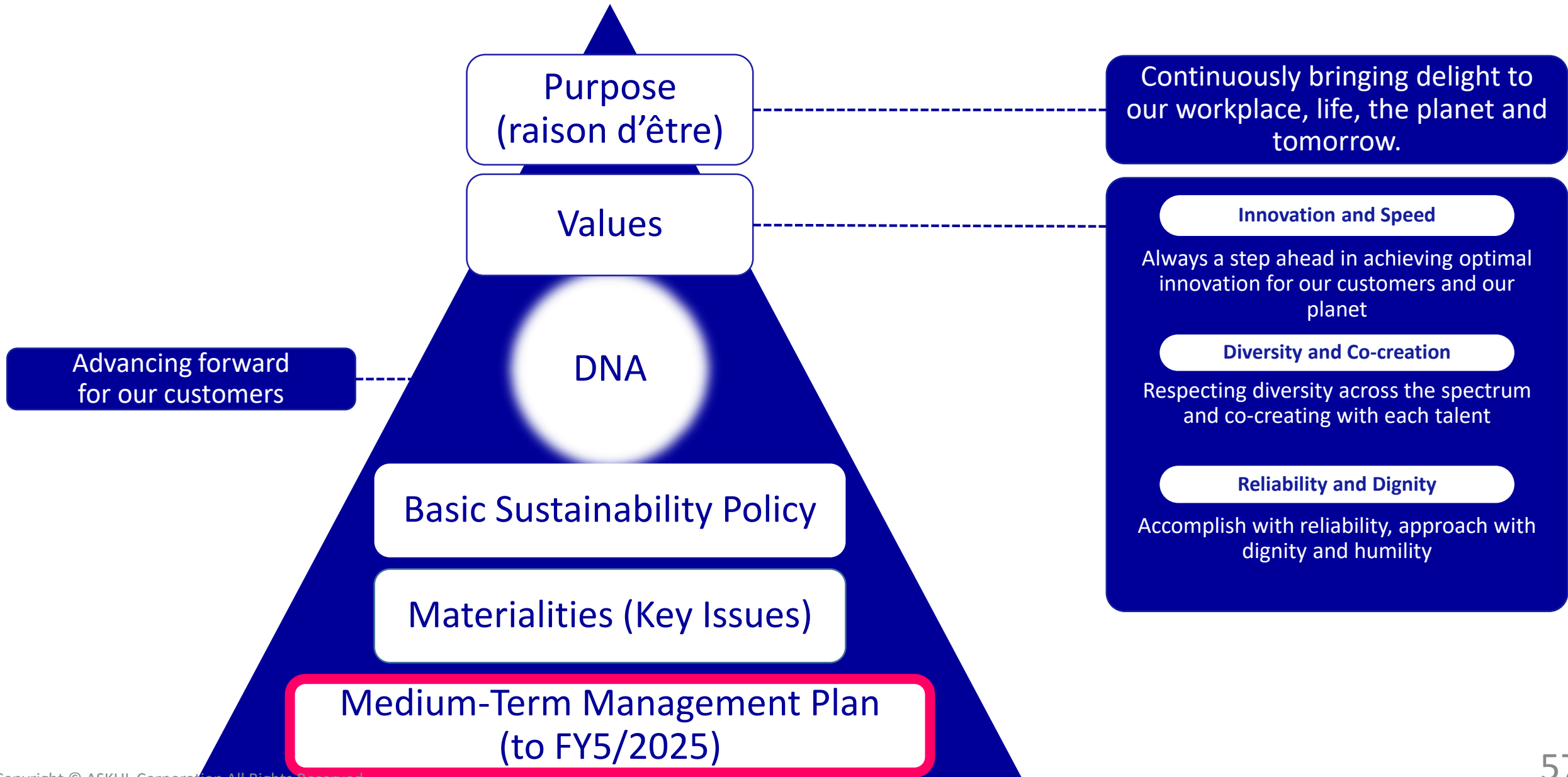
Sources: eMarketer, June 2020 "US Ecommerce 2020" and "UK Ecommerce 2020"  
USA → 14.5% UK → 27.5%

# Overall Picture of Medium-Term Management Plan





# Positioning of Medium-Term Management Plan





What Has to Be Achieved in 2025

Transformation from Office Supplies Mail Order : To become an infrastructure company that supports all workplaces and lifestyles

Basic Policy

1. Sustainable management
2. Maximization of customer value
3. Change to a highly profitable model

Top-Priority Strategies

- (1) Strategic industries and expansion of product assortments
- (2) Establishment of the most powerful B-to-B EC site
- (3) Synergies with Z Holdings Group

---

- (4) Reform of the platform
  - Structural reform of distribution centers
  - Integration of B-to-B and B-to-C logistics
  - Value chain DX

Accelerate growth by offering a wide assortment of products and the most powerful EC site to customers in all workplaces

Realize same-day and next-day delivery of long-tail products by advancing high-speed logistics, which is ASKUL's overwhelming strength

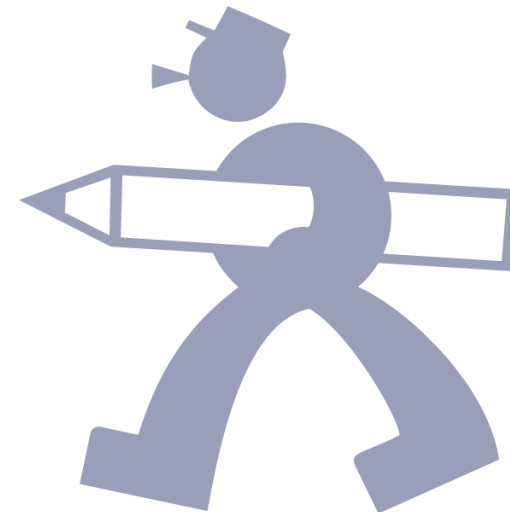
# Management Indicators



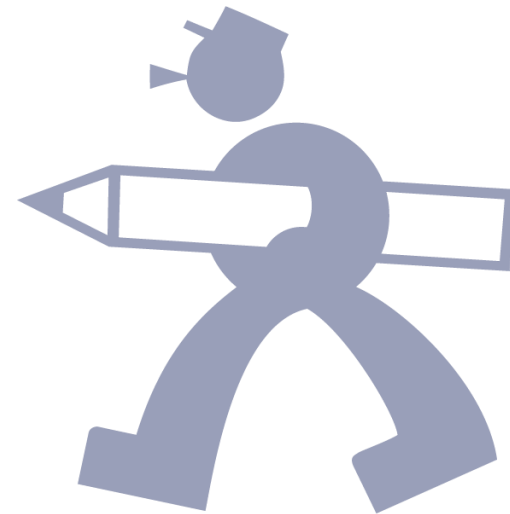
		FY5/2019 (Actual)	FY5/2020 (Actual)	FY5/2021 (Actual)	FY5/2022 (Plan)	FY5/2025 (Plan)	
Financial indicators	Group Consolidated	Net sales (¥100 million)	3,874	4,003	4,221	4,300	5,500
		Operating income ratio (%)	1.2	2.2	3.3	3.3	5.0
		ROE (%)	0.9	11.2	14.0	-	20.0
	B-to-B non-consolidated	Net sales (¥100 million)	2,892	3,004	3,152	3,232	4,135
	LOHACO	Net sales (¥100 million)	513	486	528	545	743
Non-financial indicators	Number of Products* (Items)		8.9 million		-	18 million	
	Products in stock* (items)		80 thousand		-	330 thousand	
	Original products* (items)		8 thousand		-	12 thousand	
		*Applicable to B-to-B business					
Investment plan	Plan to invest more than ¥30 billion over four years from FY5/2022 to FY5/2025 • ASKUL Tokyo DC (equipment) ¥7.7 billion • New ASKUL website (system) ¥4 billion • Investment in DX ¥4 billion, etc.						

# Key Strategies

- ASKUL Business
- LOHACO Business
- Reform of the platform
- Human resource strategy
- Sustainability
- Group company strategy



# ASKUL Business





## 1 Strategic industries and expansion of product assortments

- Position medical and nursing care and manufacturing as strategic industries
  - The number of medical and nursing care customer registrations has expanded since the publication of "ASKUL Medical & Care Catalog" for medical and nursing care facilities in 2004.
  - The number of products handled has increased mainly in MRO since the acquisition of a stock in AlphaPurchase Co., Ltd. in 2010.
  - Customer bases in essential industries have taken root.
- Realization of a full lineup of specialty products for strategic industries and "Come tomorrow"
  - Purchase amount per customer increases due to purchase of products for professionals addition to office supplies.

## 2 New site grand opening (scheduled during FY5/2023)

- A new site is established by integrating ASKUL website (for small and medium-size enterprises) and SOLOEL ARENA website (for mid-level and large enterprises)
  - The most powerful B-to-B purchasing site that not only combines the features of both sites but also accommodates the need for teleworking
- The effects are expected to increase sales by over ¥50 billion on a cumulative basis (by FY5/2025)
  - Improvement in purchase frequency and purchase amount per customer
  - Prevention of losing customers through aggregation of purchases

## 3 With agents

- Function and role of ASKUL agents
  - Tasked with functions and roles that meet changes to the environment of the B-to-B business
    - New customer acquisition
    - Customer credit management and collection of payments
    - Fine-tuned customer relations contributes to enhancing customer loyalty
- Relationship of co-existence and co-prosperity
  - Co-existence and co-prosperity in the optimum form suitable to a changing market environment

## 4 1-to-1 marketing

- Approach to customers with paper media
  - The frequency of publishing catalogs was reduced from twice a year to once a year from February 2021.
  - Sales promotion through 1-to-1 product-proposing media, based on selecting products on display for each customer by utilizing AI
- Digital marketing
  - Implement 1-to-1 digital marketing by utilizing big data and AI, and expand the number of customers who "Buy anything from ASKUL" in accordance with their usage stage



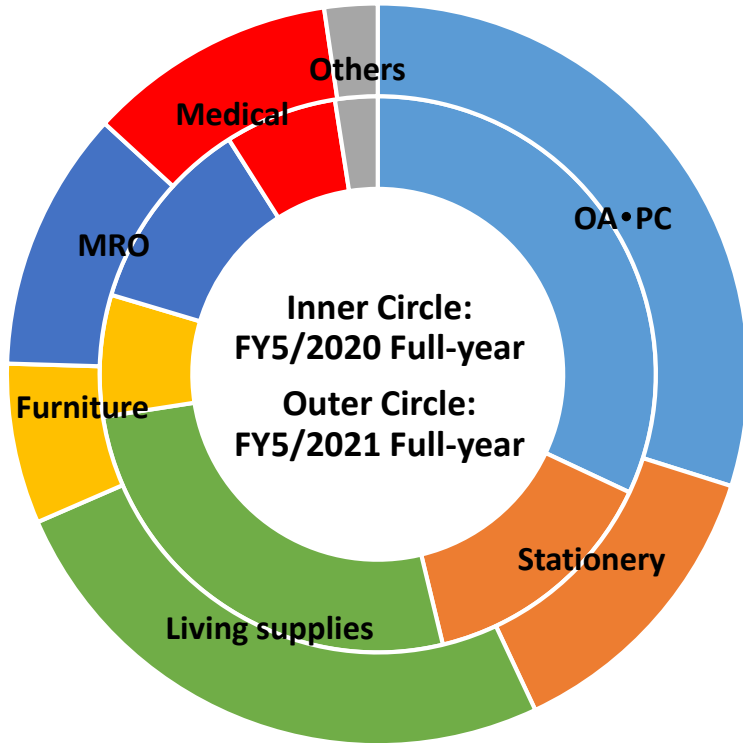
# ASKUL Business Strategic Industries and Expansion of Product Assortments



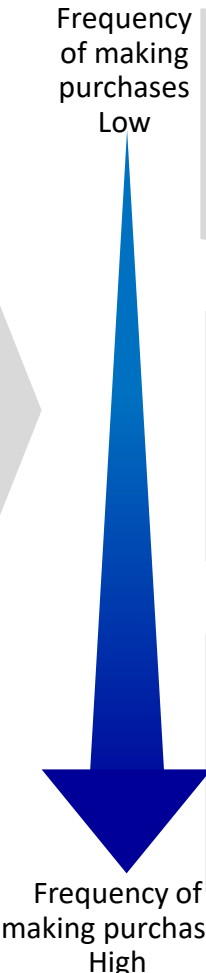
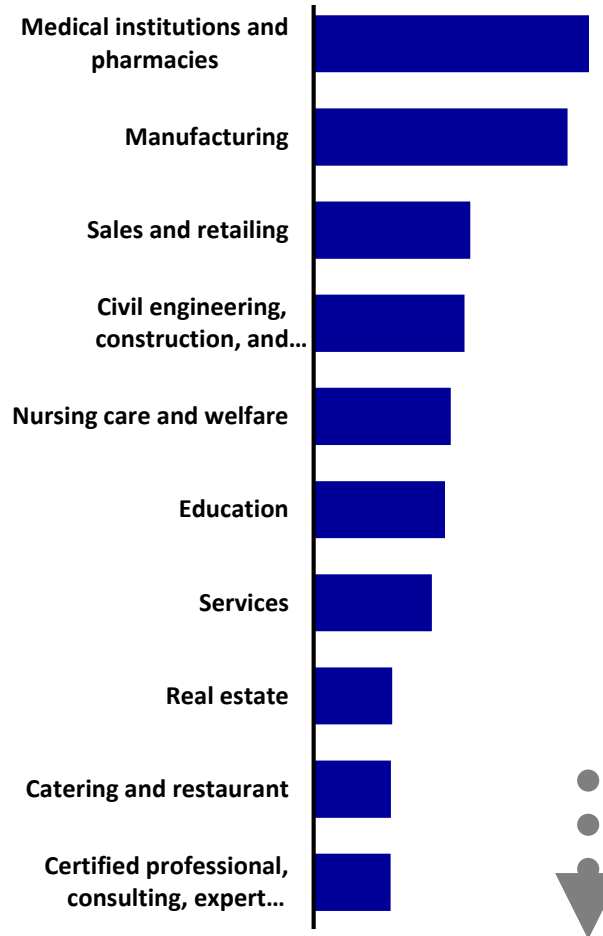
- Growth in office supplies for usual offices, in which ASKUL traditionally excels, is weak due to the shift to teleworking and acceleration in paperless at work
- On the other hand, necessities, such as medical equipment and MRO, have been strong partly due to the shift to EC.

- Today, the share of customers, such as medical, nursing-care and manufacturing other than offices, is high

- Expand product assortments mainly in merchandise for professionals in essential industries (high prices and high profit). Compared with May 2021, double the number of products, quadruple products in stock and increase original products 1.4 times.



B-to-B Number of customers in Top 10 industries



**Number of products**  
Widespread expansion centering on products for strategic industries **2 times** (18 million items)

**Products in stock**  
Expansion of "Come tomorrow\*" products that are always purchased **4 times** (330,000 items)  
\*next-day delivery, the meaning of ASKUL in Japanese

**ASKUL original products**  
Superiority in pricing and quality Expansion of environmentally friendly products **1.4 times** (12,000 items)

# ASKUL Business Establishment of the most powerful B-to-B EC Site




- Two EC sites, one for small and medium-sized businesses and the other for middle-level and large enterprises, will be integrated into one. Unique and the most powerful B-to-B EC site “New ASKUL website” that integrates the strengths of both sites will be established. The website provides products and services that every customer at work needs, regardless of the size of their company or the location and format of their workplace.

**Before**

**After**

For individual business owners and small and medium-sized companies



[Advantages]


- Open EC native website
- Accuracy in 1-to-1 recommendations is high.
- The more experience in purchasing, the easier to make purchases.
- Barriers for registration are low.
- Selectable payment methods (credit cards are accepted)
- Coupon promotions and points are available.

[Issues]

- Accommodate the need to manage purchases

Differences in service levels between the two sites

For mid-level and large enterprises



[Advantages]

- Companies can perform purchasing management (a closed purchasing management site).
- Volume discounts are available in which customers buy more, the more discounts they receive.

[Issues]

- Unable to access directly from a search engine
- Credit cards are not accepted.



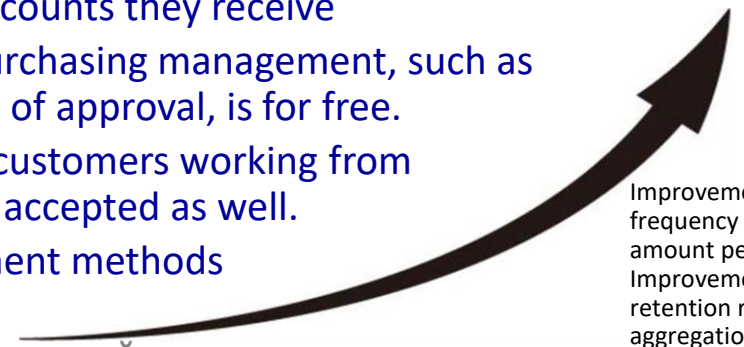
FY5/2023  
 Launch of the new ASKUL website that combines the strong features of both sites



**More convenient for all customers at work**

- Open EC website
- Reachable from search engine
- 1-to-1 recommendations by Data x AI
- Coupons and points can be also used.
- Volume discounts in which customers buy more, the more discounts they receive
- The use of purchasing management, such as the workflow of approval, is for free.
- Orders from customers working from home can be accepted as well.
- Various payment methods

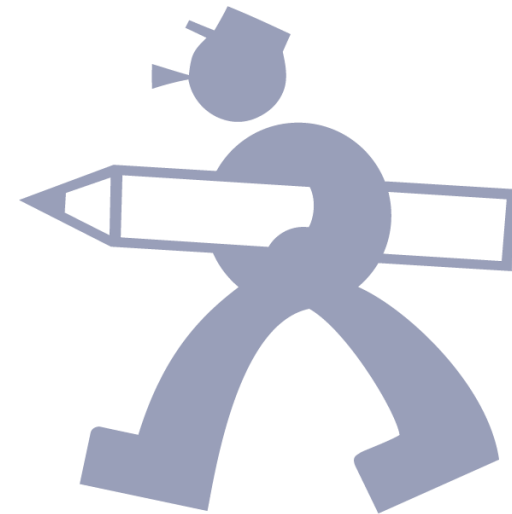
A cumulative sales increase of over ¥50 billion is expected.



Improvement in purchase frequency and purchase amount per customer  
 Improvement in the retention rate through aggregation of purchases

FY5/2022    FY5/2023    FY5/2024    FY5/2025

# LOHACO Business





## 1 Store and service strategy

- Maximize synergies between PayPay Mall Store and Main Store.
  - PayPay Mall Store focuses on NB and increases the number of new customers (attraction of customers).
  - New Main Store focuses on original products and expands the number of fans (taking root).
  - Both stores apply the same points rate.
- Enhance delivery speed and delivery quality
  - Add the products and expand next-day deliveries by utilizing the B-to-B logistics foundation

## 2 Product strategy

- Services that “make your life easy and enjoyable.”
  - Propose original value products that are unique to LOHACO and products that solve the problems of customers’ lifestyles.
  - Promote an ethical perspective (GO Ethical) and make efforts to reduce waste.

## 3 Advertising and data business (for makers)

- Develop data analysis and marketing know-how as new businesses in addition to advertising business.
  - Aim to become the most powerful digital marketing partner that connects customers with makers and creates value together.
  - Engineers and data scientists create value to deliver.

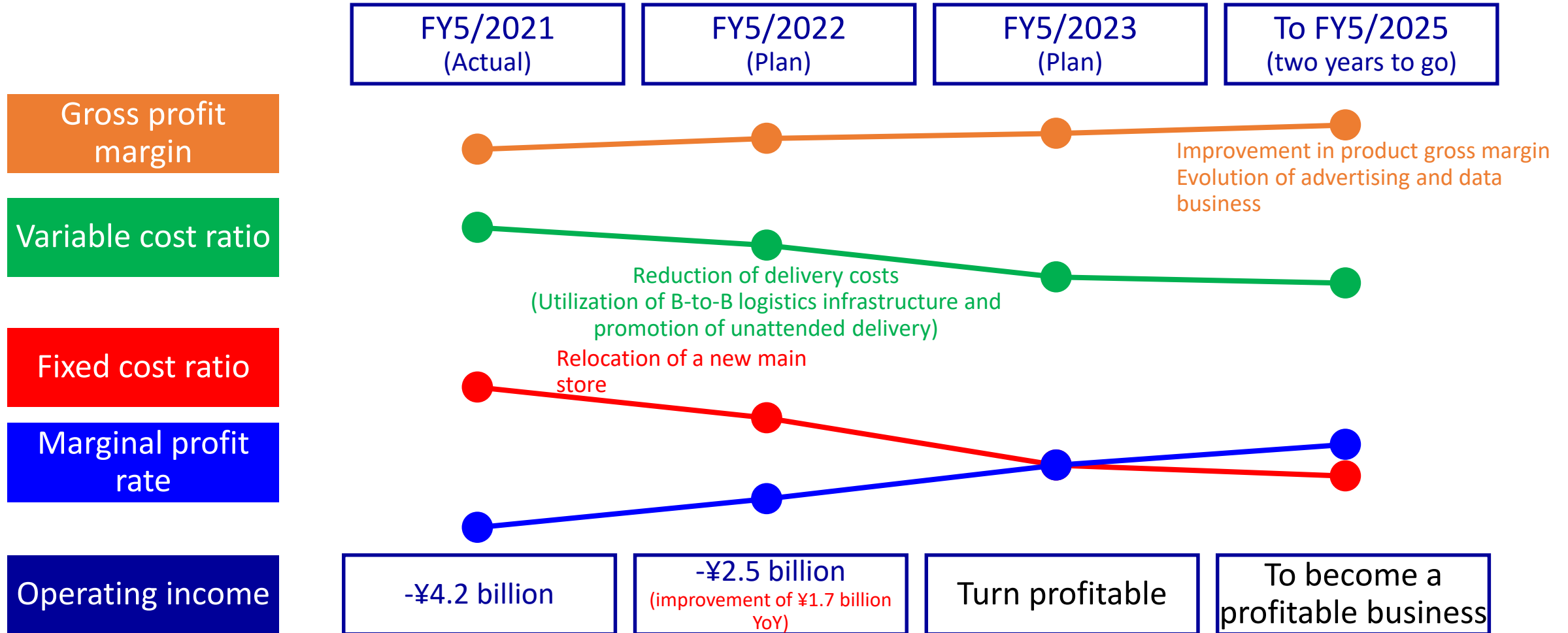
## 4 Synergies with Z Holdings Group

- Utilize Z Holdings' overwhelming customer bases.
  - Attract customers mainly through promotional activities in Cyber Sunday and PayPay Mall.
  - Cooperate in advertising, payment settlement, etc.
- Reduce costs and manhours by utilizing the platform of Z Holdings, and LOHACO will concentrate its management resources on its strengths (merchandise, logistics and CRM)

# LOHACO Business Roadmap



- In FY5/2021, progress made as planned with operating loss ending at ¥4.2 billion.
- For FY5/2022 as well, the plan is to invest in sales promotion to realize sales growth on the assumption that losses will decrease as scheduled.
- Aim to turn profitable in FY5/2023 and to further grow beyond FY5/2025.



# LOHACO Business Store Strategy (PayPay Mall Store/New Main Store) and Product Strategy



- Leverage the respective roles and features of PayPay Mall Store and the Main Store and maximize synergies between both stores  
[PayPay Mall Store] Expand the number of new customers who will flow from Z Holdings' customer base, which is among the largest in Japan  
[Main Store] Expand the number of fans and strengthen customer loyalty by proposing highly stylish original products and problem-solving products



LOHACO PayPay Mall Store

Focus on NB  
(makers' brands)  
Expansion of new  
customers

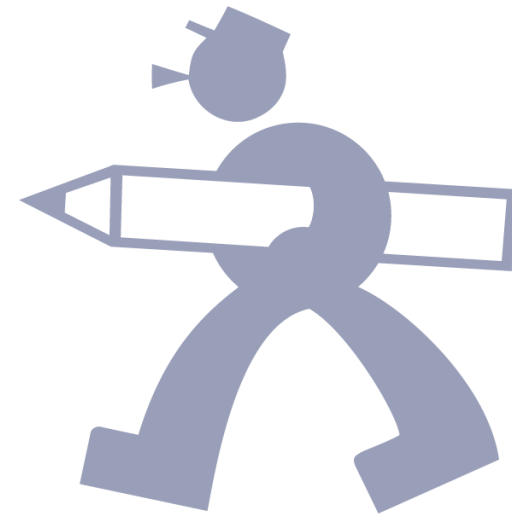


LOHACO Main Store

Focus on original  
products  
Expansion of  
LOHACO fans

LOHACO Main Store also adopts the same point-multiplication as PayPay Mall Store

# Reform of the platform







What will be realized

Evolve high-speed logistics that is a strength and realize “Come tomorrow” (next-day delivery, the meaning of “ASKUL” in Japanese) for long-tail products.

- Expand next-day deliveries of long-tail products, which currently shipped directly from suppliers, to enhance customer satisfaction and grow the topline

Initiative

## Measures

## Contents

Structural reform of distribution centers

- Expand the range of products flexibly and maximize the shipping capacity of distribution centers by utilizing logistics support distribution centers

Integration of logistics of B-to-B and B-to-C

- Respond to increased LOHACO shipment volumes through total optimization of distribution centers.
- Enhance the efficiency of delivery by promoting B-to-B carriers’ delivering B-to-C.

DX of value chain

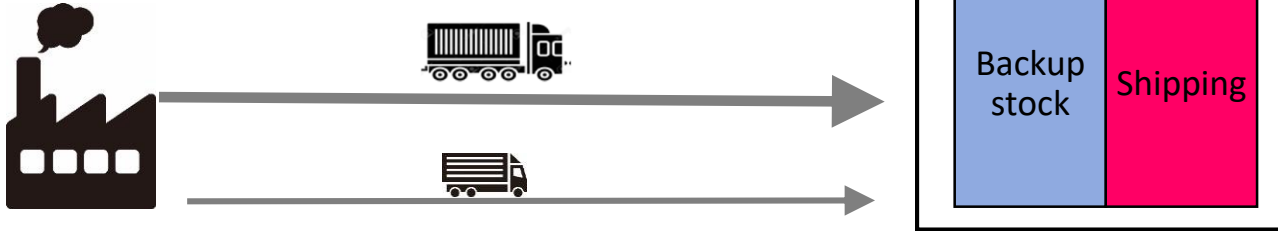
- Increase efficiency in both deliveries from suppliers and the operation of ASKUL distribution centers
- Switch to cascade-type order placing
- Optimize stock placement to minimize split shipments of the same order
- Automatically determine a shipping distribution center that minimizes delivery costs



## Expand the number of products flexibly by utilizing logistics support distribution centers

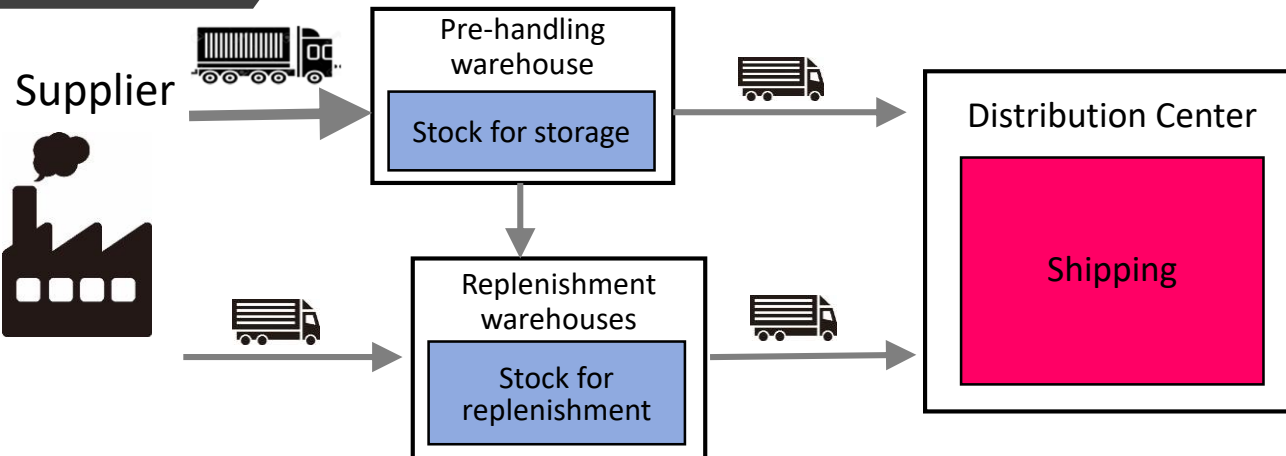
Before

Supplier



New scheme

After



- ✓ Much of the space of distribution centers is occupied with products for storage since purchased products are sent and stored in distribution centers
- ✓ It is very difficult to expand the inventory space for long-tail products
- ✓ Workload for distribution centers is high since large-lot products arrive there at once

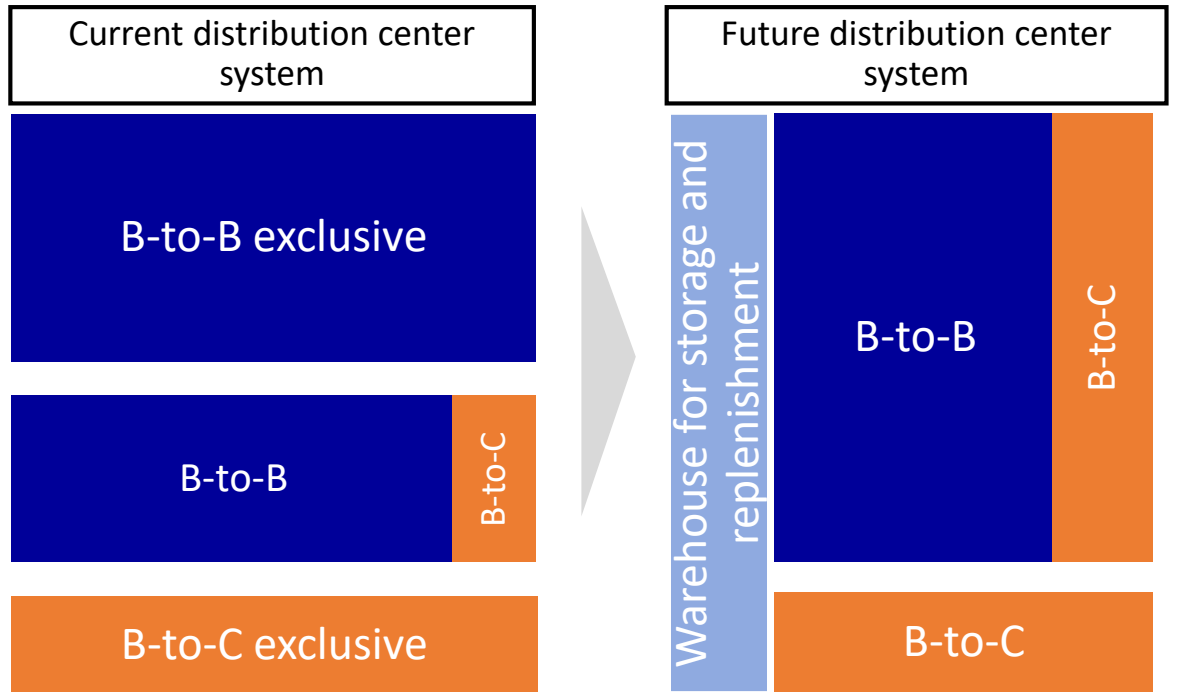
- ✓ Utilize logistics support distribution centers and replenish each distribution center
- ✓ Lower workload when large-lot products arrive
- ✓ Expand the inventory space of distribution centers and increase the number of products in stock including long-tail products
- ✓ Absorb the costs of logistics support distribution centers via sales expansion and higher efficiency

**Maximize the shipping capacity of  
distribution centers and expand sales**



## Improvement of efficiency by integrating B-to-B and B-to-C concerning distribution centers and deliveries

Expand the number of products for next-day delivery  
Respond to bigger shipment volumes resulting from the growth of LOHACO



Only a few are double-role distribution centers

Expand the product shipment space of distribution centers by utilizing pre-handling and replenishing warehouses, and realize shipments of LOHACO from B-to-B dedicated centers

### B-to-B delivery

- ✓ The ratio of the absence of recipients is low
- ✓ Concentrated in business districts and buildings, density of deliveries is high

### B-to-C delivery

- ✓ Designated delivery hours
- ✓ Absence and re-deliveries often happen
- ✓ Fine-tuned handling, such as handover of goods at delivery boxes

Make a delivery management system an open platform

Expand B-to-C deliveries by B-to-B carriers  
Enhance delivery quality to customers, increase next-day deliveries and enhance delivery efficiency



## Increase customer value by DX of value chain



DX	Higher speed	Variable order quantities	Use of robots	Inventory placement optimization	AI personalization	Improvement in split shipments	Adoption of AI
	Increase in volume and speed	Stabilization of delivery volumes	Decrease in workload	Decrease in delivery cost	Improvement in accuracy of sales promotion	Decrease in delivery cost	Enhancement in delivery efficiency

Optimization by data and AI, and labor-saving by making better use of robots

Customer values	Sufficient information on products	Decrease in stock shortage	Fastest shipment	Fastest delivery	Fastest purchasing	Saving of cardboard boxes	Fastest delivery
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# Reform of the Platform DX of Value Chain (1)



**Case 1. Ordering** Improve the efficiency of both the delivery of products by suppliers and the operation of ASKUL distribution centers

**Before**

Delivery volumes fluctuate every day even from the same supplier, and this destabilizes the acceptance system of distribution centers.

**After**

Delivery volumes and acceptance volumes become stable, and the efficiency of both suppliers and ASKUL keeps improving.

**Case 2. Ordering** Switch to cascade-type ordering

Solving the shortage of long tail products

**ASKUL**

**Case 3. Storage** Optimization of inventory placement to minimize split shipments of an order

A simulator indicates inventory placement that optimizes the delivery cost of a product by setting the stock capacity and shipping capacity of each distribution center and the stock volume of each product as constraints

**Case 4. Shipping** Automatically determine a distribution center for shipment to minimize shipping costs

A logic to minimize split shipments automatically determines distribution centers that ship products in accordance with the content of each order.

- ✓ Presence or absence of long-tail products
- ✓ Ability or non-ability to complete an order at the distribution center nearest the addressee
- ✓ Ability or non-ability to complete an order at a distribution center near the addressee



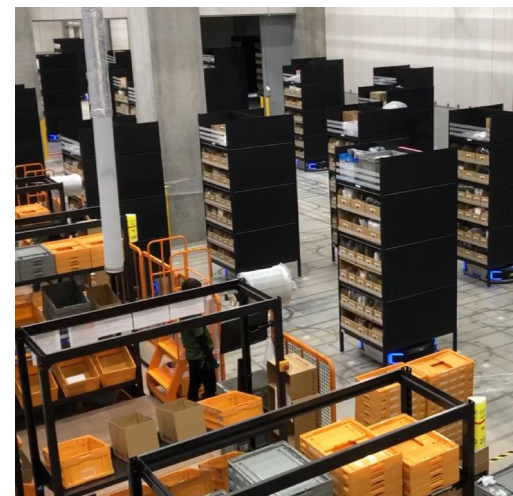


## Expansion of Adoption of Practical AI Robots

### AGV\* (robot for transporting pallets)

- ✓ One unit can transport a maximum of one ton of pallets.
- ✓ Automate a task that an operator executes with a hand fork.

(AVC Kansai)



### AGV\* (shelf-transporting robot)

- ✓ To the work station.  
Reduce the number of staff by having automatic transportation of product shelves.

(ASKUL Miyoshi Center)

### Depalletizing robot (automatic unloading process robot)

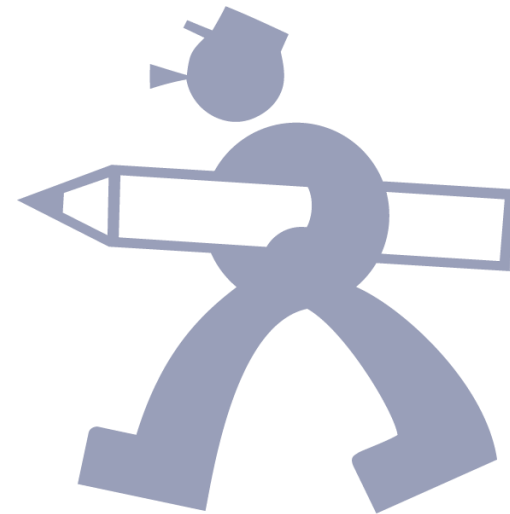
- ✓ Replace the task of transporting products near conveyors in the task of shipping cases that demand high workload.
- ✓ Reduce person-hours and improve the labor environment through automation.

(ALP Yokohama)

\*Abbreviation for Automated Guided Vehicle



Human resource strategy  
Sustainability  
Group company strategy







## Human resource development that supports sustainable corporate activities

### Promote diversity where individuals can demonstrate their abilities

Realization of an environment  
in which diverse human resources can demonstrate  
their abilities and play an active role



- |   |   |
|---|---|
| <b>Senior system</b> <ul style="list-style-type: none"><li>■ Self-assessment training</li><li>■ Support for side job/second job</li><li>■ Second Career Challenge System</li><li>■ Extension of retirement age and senior evaluation system</li></ul> | <b>Vitalization of human resources</b> <ul style="list-style-type: none"><li>■ 360-degree survey</li><li>■ Employee engagement survey</li></ul> |
|---|---|

### Innovate with proactive human resources

Development of human resources taking on more  
challenges and environmental improvement based on DX



- |   |  |
|---|--|
| <b>Develop a system that encourages people to take on challenges</b> <ul style="list-style-type: none"><li>■ New evaluation system</li><li>■ New promotion/demotion system</li><li>■ Performance-linked bonus</li><li>■ Internal recognition system</li></ul> | <b>Human resource development</b> <ul style="list-style-type: none"><li>■ Company-wide development plan including DX human resources</li></ul> |
|---|--|



## Promote “sustainable management” through activities integrated with business

E

- Realization of a carbon neutral society  
"2030 CO<sub>2</sub> Zero Challenge," "RE100" and "EV100"
- Establishment of a resource circulation platform
- Expansion and reinforcement of environmentally friendly products

S

- Realization of sustainable procurement
- Social support in cooperation with suppliers and customers
- Support for emergency supplies at the time of a disaster

G

- Realization of highly transparent governance
- Strengthening of group governance



Materialities (Key Issues)		Related SDGs				
<b>DX</b>	<p>Services reform via DX</p> <ul style="list-style-type: none"> <li>● Create the best customer experience</li> <li>● Build an innovative value chain</li> </ul>					
<b>Co-creation</b>	<p>Innovation via co-creation</p> <ul style="list-style-type: none"> <li>● Realize a resource circulation system</li> <li>● Create of new value through products and services</li> </ul>					
<b>Environment</b>	<p>Contribute to the global environment for the next generation</p> <ul style="list-style-type: none"> <li>● Challenge to realize a carbon neutral society</li> <li>● Conserve biodiversity</li> </ul>					
<b>Supply chain</b>	<p>Build a responsible supply chain</p> <ul style="list-style-type: none"> <li>● Realize sustainable procurement</li> <li>● Complete responsibility as lifeline</li> </ul>					
<b>Human resources</b>	<p>Develop human resource to strengthen sustainable corporate activities</p> <ul style="list-style-type: none"> <li>● Innovate with proactive human resources</li> <li>● Promote diversity where individuals can demonstrate their abilities</li> </ul>					
<b>Foundation</b>	<ul style="list-style-type: none"> <li>● Maintain and improve sound financial structure</li> <li>● Achieve highly transparent governance (including information security)</li> <li>● Healthy management that allows safe and secure work both physically and mentally</li> </ul>					



Aim to become the most powerful EC while making groupwide efforts to complement the functions



## Logistics

ASKUL LOGIST  
**ASKUL** Logist

- ✓ In-house operation of distribution centers and small-lot delivery services
- ✓ Provide state-of-the-art and best logistics and delivery services

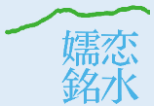
## Products

AlphaPurchase



- ✓ Sales of MRO products  
Facility management
- ✓ Pursue synergies by expanding products for field supplies

Tsumagoi Meisui



- ✓ Manufacture and sale of natural mineral water
- ✓ Development and production of drinking water suitable for EC

Charm



- ✓ Mail order sales of pet products and living organisms
- ✓ Pursue synergies between pet goods EC and living supplies EC

## Customer contact points

BUSINESSMART



- ✓ ASKUL agent
- ✓ Pursue an innovative agent model

SOLOEL



- ✓ Sales representative of SOLOEL Enterprise
- ✓ Accelerate adoption of purchasing solutions for large enterprises



This material contains the ASKUL Group's current plans and performance outlook.

These plans, forecasts, and other forward-looking statements represent ASKUL's plans and forecasts based on information that is currently available. Actual performance may differ from these plans and forecasts due to a variety of conditions and factors that could occur in the future. This material does not represent promises or guarantees regarding the achievement of these plans. This material has not been audited by certified public accountants or auditing firms.

For the purpose of this material, LOHACO refers to the online mail-order business for general consumers launched in October 2012 in alliance with Yahoo Japan Corporation. B-to-B refers to business-to-business transactions. B-to-C refers to business-to-consumer transactions. MRO refers to Maintenance, Repair and Operation, and in this material primarily refers to indirect materials consumed at work sites by companies. "PJ Trylion (Project Trylion)" is a project for constructing a new ASKUL website that integrates the site for small and medium-sized businesses and the one for mid-level and large enterprises. Its name is intended to represent the goal "Try for sales of 1 trillion yen."

This material occasionally uses abbreviations, referring to ASKUL Logi PARK as ALP, ASKUL Value Center as AVC, Demand Management Center as DMC, and Digital Transformation as DX. The "DC" in ASKUL Tokyo DC stands for Distribution Center.

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