

SECTION 2

Medium-Term Growth Scenario



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(May 20, 2022–May 20, 2025)

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Recognition of External Environment in Creation of Medium-Term Management Plan

Recognition of External Environment surrounding ASKUL

Key aspects of external environment			Opportunities for ASKUL and response
1	Falling birth rate and aging population	<ul style="list-style-type: none"> ▶ Ongoing decline in working-age population ▶ Labor shortages 	▶ Further improve logistics automation and labor savings with technology
2	Accelerating growth of e-commerce	<ul style="list-style-type: none"> ▶ Expansion of e-commerce services ▶ Faster digitalization of business processes ▶ Diversification of lifestyles 	▶ Accelerate the speed of growth by maximizing knowledge of both B-to-B and B-to-C e-commerce services
3	Advances in AI and technologies	<ul style="list-style-type: none"> ▶ Increases in business productivity ▶ Stronger competition in terms of utilizing technology in business operation ▶ Need to create new innovations 	▶ Accelerate digital transformation in entire value chain by leveraging AI and technology
4	Fight against infectious diseases	<ul style="list-style-type: none"> ▶ Changes in awareness of epidemic control and infection prevention ▶ Necessity for Business Continuity Plan (BCP) 	▶ Continue to reliably supply products with strong merchandising prowess in the medical field
5	Climate change Sustainability management	<ul style="list-style-type: none"> ▶ Need to implement measures to combat climate change ▶ Shift to environment-friendly management ▶ Solutions for social issues 	▶ Conduct sustainability management by expanding initiatives that integrate sustainability with our businesses
6	New workstyles Borderless corporate activities	<ul style="list-style-type: none"> ▶ Elimination of business / consumer distinction as workstyles change ▶ Changes in awareness of work-life balance 	▶ Establish a competitive advantage as a B-to-B shopping website with teleworking-compatible functions



Promotion of Sustainability Management as unified initiative with our businesses

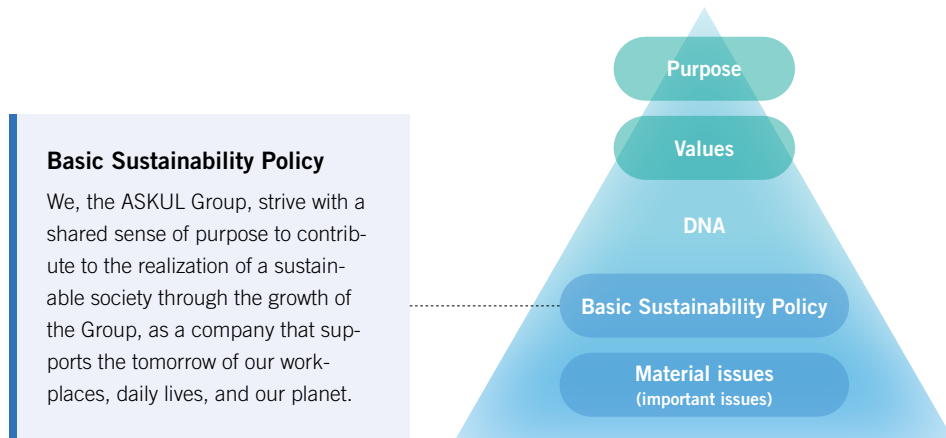
□ P.31

Creation of Medium-Term Management Plan to prosper amid stronger competition

□ P.33

Promotion of Sustainability Management as a Unified Initiative with Our Businesses

In December 2020, ASKUL formulated the Basic Sustainability Policy as a guideline for activities to realize a sustainable society and identified material issues (important issues). We are fulfilling our responsibilities for a sustainable society and for sustaining growth as a corporation by constantly evolving and undertaking initiatives to solve social issues through business activities.



Material Issues (Important Issues) Identification Process

We identified and categorized key issues while referring to international guidelines, internal policies, and the ASKUL WAY. Moreover, through interviews, ASKUL organized and evaluated issues along two axes, “importance for stakeholders” and “importance for ASKUL,” and identified and decided material issues (important issues) in a resolution passed by the Board of Directors.

Identification Process

STEP 1 Identify and evaluate social issues, hypothesize stakeholder demands

We identify social issues that should be examined, including items outlined in the 17 SDGs, GRI, ISO 26000, SASB, IIRC, and other international frameworks, as well as ESG evaluation criteria. In addition, we listed hypothetical demands from each type of stakeholder.

STEP 2 Dialogue with stakeholders

Based on the identified social issues and determined hypotheses, we conduct a survey of employees and interview customers, suppliers, investors, and officers inside and outside the Company about stakeholder expectations and demands of ASKUL as well as the priority issues that we should address.

STEP 3 Align internal and external assessments, identify candidate key issues

We select candidate material issues (important issues) along the two axes of importance based on stakeholder expectations and external viewpoints and the importance and impact for the ASKUL Group.

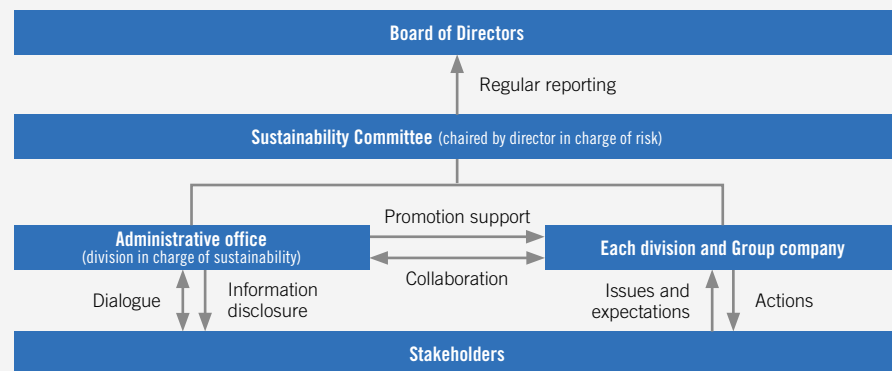
STEP 4 Discuss and evaluate at management level, identify material issues (important issues)

We identify and disclose ASKUL's material issues (important issues) following deliberations by the Board of Directors and ascertaining their appropriateness at the CSR Committee in December 2020 (currently the Sustainability Committee), after receiving and evaluating opinions of all officers, including outside directors, and discussions at Management Meetings.

STEP 5 Review material issues (important issues)

We implement each initiative and periodically review material issues (important issues), targets, and KPIs in light of changes in the business environment, social trends, and KPI attainment.

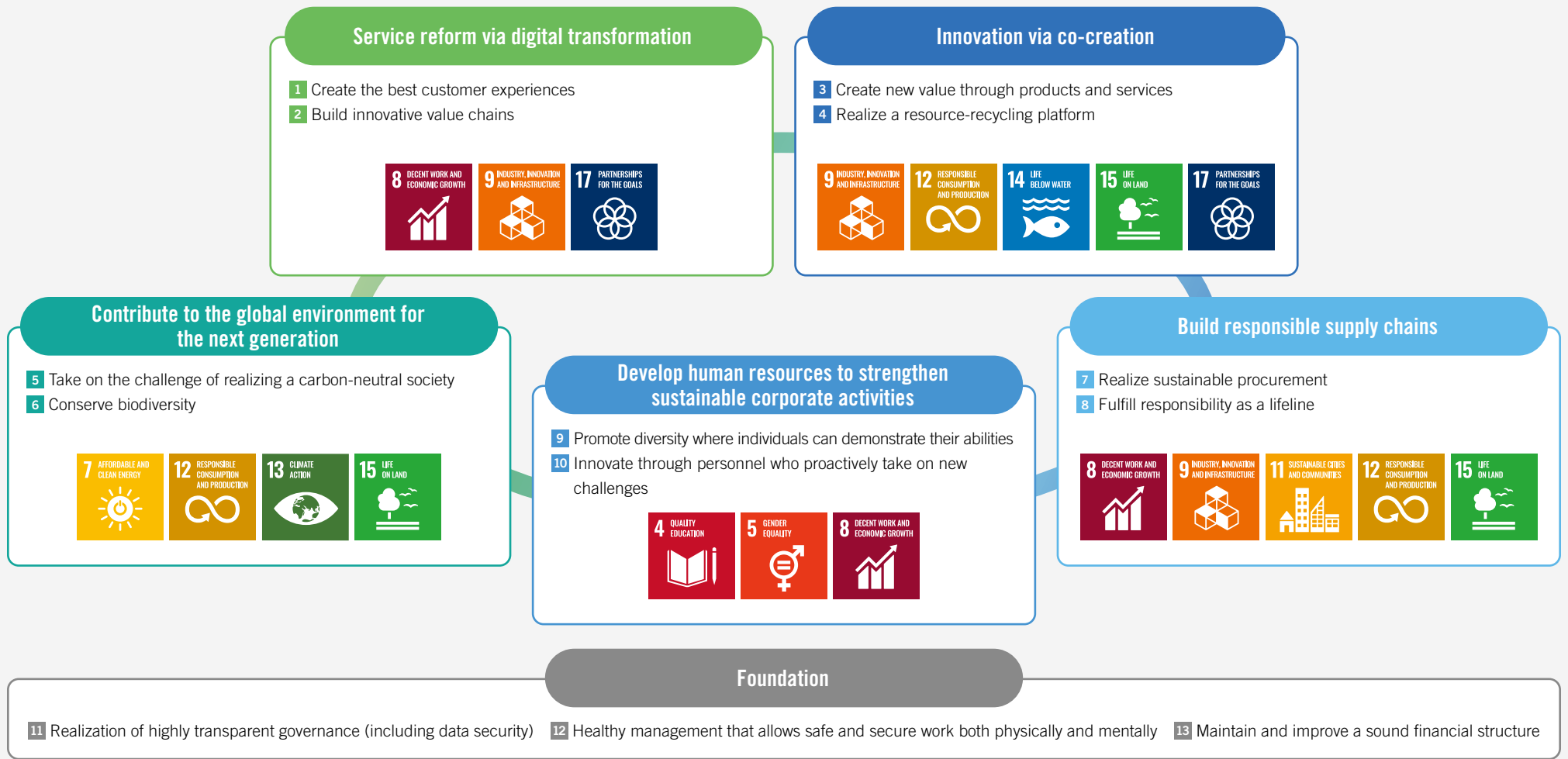
CSR / ESG / Sustainability Promotion Structure



List of ASKUL's Material Issues (Important Issues)

Based on the identified material issues (important issues), ASKUL decided its initiatives and targets through 2030. While reviewing these material issues in the future, we will ascertain progress and regularly reassess each material issue.

List of Material Issues and KPIs  P.76-78



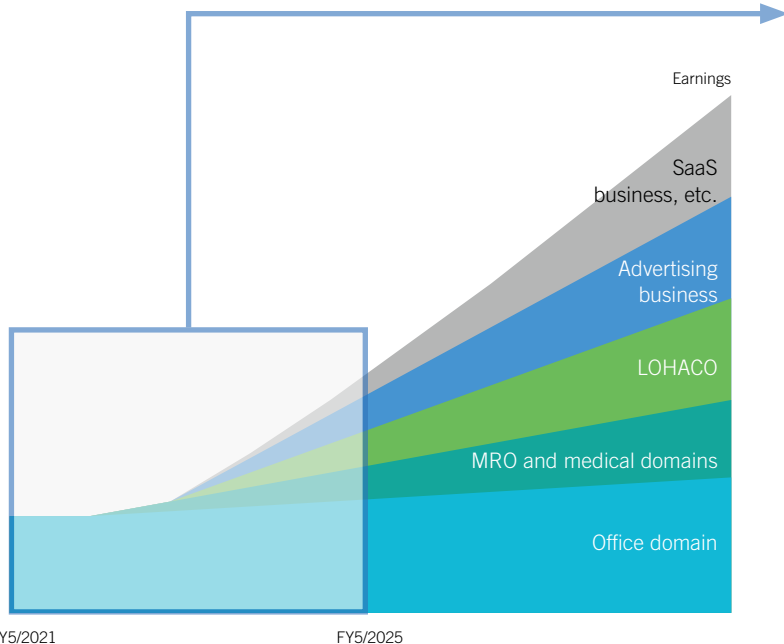
Medium- to Long-Term Corporate Aims

Transformation

E-commerce has not yet been widely adopted in Japan. With the emergence of new workstyles and changes in lifestyles, the e-commerce business is a huge market that is expected to continue growing. ASKUL is leveraging its unique position as both a B-to-B player and B-to-C player in the e-commerce market to pursue strong growth.

In the B-to-B business, we are leveraging our customer base, a strength, and big data to expand in the maintenance, repair, and operations (MRO) and medical domains. Furthermore, ASKUL is keen to expand operations beyond the domain of office supplies mail-order services by launching its advertising business to provide new value to both customers and manufacturers, and the SaaS business to support DX at small and medium-sized businesses. In the B-to-C business, ASKUL aims to reignite growth after becoming profitable.

The ASKUL Group will carve out a position as an infrastructure company to support all workplaces and lifestyles.



Medium-Term Management Plan (May 20, 2022–May 20, 2025)

Transformation from an office supplies mail-order company into an infrastructure company that supports all workplaces and lifestyles

Basic Policies

Sustainable management

Maximize customer value

Transformation to a highly profitable model

Key Strategies

1 Strategic Areas and Expansion of Product Lineups

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2 Establishment of the Most Powerful B-to-B E-Commerce Website

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3 Synergies with Z Holdings

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4 Reform Platforms

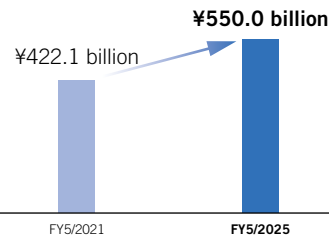
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Management Indicators

		FY5/2019	FY5/2020	FY5/2021	FY5/2022	FY5/2025 (targets)
Consolidated	Net sales (billions of yen)	387.4	400.3	422.1	428.5	550.0
	Operating profit margin (%)	1.2	2.2	3.3	3.3	5.0
	ROE (%)	0.9	11.2	14.0	15.9	20.0
B-to-B non-consolidated basis	Net sales (billions of yen)	289.2	300.4	315.2	317.2	413.5
LOHACO	Net sales (billions of yen)	51.3	48.6	52.8	54.3	74.3

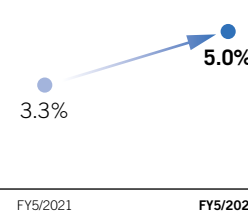
Consolidated Net Sales

Average annual growth **Over 6.0%**

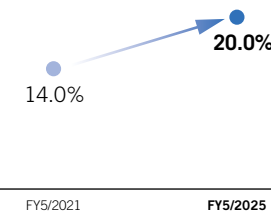


Consolidated Operating Profit Margin

Average annual growth **Over 18.0%**



Consolidated Return on Equity (ROE)



Key Strategies 1 Strategic Areas and Expansion of Product Lineups

B-to-B Business

Strategic Reinforcement of Two Major Areas

The medical domain, such as medical institutions and nursing care facilities, and the MRO domain, including manufacturers, are large markets that are considered growth markets, since e-commerce is poised to expand. Among the sectors with the largest number of registered B-to-B customers at ASKUL, the medical institution/nursing care facility and manufacturing domains are positioned as the two largest strategic sectors for ASKUL. We aim to expand our lineup of specialized products (long-tail products) needed by these sectors as well as increase new customer acquisitions and shopping opportunities.

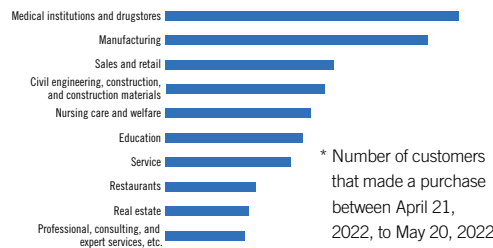
E-commerce market growth potential

Market scale



Note: ASKUL's estimates based on information from the Ministry of Health, Labour and Welfare's Statistics of Production by Pharmaceutical Industry and the Ministry of Economy, Trade and Industry's Statistical Tables by Census of Manufacture Report by Commodity

Top 10 sectors for B-to-B customer numbers*



B-to-B Business

Expansion of Product Lineups

ASKUL will expand the number of products handled, centered on products for the two major strategic sectors, and enhance customer convenience by increasing the number of products in stock available for same-day or next-day delivery. We also aim to maximize value for customers by expanding the scope of ASKUL's most frequently purchased original products.



Messages from Our Customers



Shuichi Amano
General Manager of Technologies, Analysis and Solutions Business Department NIPPON STEEL Eco-Tech Corporation

NIPPON STEEL Eco-Tech Corporation has been using SOLOEL ARENA since 2015. With such features as being able to approve goods purchased online, SOLOEL ARENA is extremely convenient for operational management, and we put this service to use in the management of procurement performance and in efforts to reduce costs. Recently, the lineup of products available on SOLOEL ARENA has been increasing, now including not only copy paper and other office supplies but also highly specialized research materials and physics and chemistry equipment, such as masks, gloves, detector tubes, and chemical cartridges, which we use for conducting experiments and analyses. People at our company are familiar with using ASKUL, so, if we are able to procure specialized materials via ASKUL's services at a cheap price, then I believe the number of internal divisions that will want to use ASKUL's services will increase and that we can lower our overall costs as a company.



Toshiko Nishiyama
Director, Otemachi Sakura Clinic in Toyosu, Tokyo

I give high praise to ASKUL for being able to order products online even after clinic operating hours are over and for the fact that products are delivered in a timely and consistent manner. It is a major inconvenience not knowing what times supplies that we use at our clinic will be delivered, so ASKUL is often my first choice when I am looking to purchase a product. In addition, when COVID-19 was spreading rapidly, I was looking at various stores and websites for masks, and I found that ASKUL's original masks were not only high quality but also very affordable. I therefore have a high level of trust in ASKUL when it comes to quality. As we have limited space at our clinic, I hope that, in the future, ASKUL will expand its lineup of product for clinics, such as specialized furniture that helps save space.

Key Strategies 2 Establishment of the Most Powerful B-to-B E-Commerce Website

B-to-B Business The Most Powerful E-Commerce Website

We aim to provide convenient products and services to all working customers regardless of company size, work location, or format. In order to do so, we are building a new e-commerce website, the New ASKUL Website, that combines the strengths of both our current website for small- and medium sized enterprises and our existing website for mid-tier and larger enterprises.

Evolution through the New ASKUL Website

Evolution 1

We are expanding opportunities for customers to shop around by enticing customers that use e-commerce websites for mid-tier and larger enterprises to go from external search websites directly to our product pages.

Evolution 2

By merging together data from our two websites, we will be able to enhance the precision of one-to-one marketing with AI and propose products more in tune with customer needs.

Evolution 3

We will augment our services by having customers freely use all functionality of the website, from free-of-charge purchasing management functions to volume discounts.

Over the course of the Medium-Term Management Plan, ASKUL anticipates a boost of at least ¥50 billion in sales from the New ASKUL Website, which is positioned as a key project.

B-to-B Business

For sole proprietors to small and medium-sized enterprises



- Fast purchases after searching
- Personalized recommendations

For mid-tier and larger enterprises



- Free purchasing management functions
- Volume discounts



New ASKUL Website



ASKUL

Combines best features of both websites

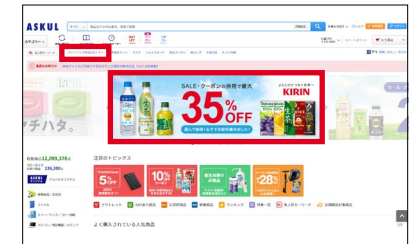
Also has purchasing functions compatible with teleworking

Topic

New Initiative B-to-B Advertising Business

On the New ASKUL Website, we will develop the website advertising business for manufacturers, leveraging our experience gained from the LOHACO website, and turn it into a new earnings pillar in the B-to-B business. As an advertising medium, there are not that many websites specializing in B-to-B e-commerce. Accordingly, manufacturers are greatly interested in and have high expectations for the New ASKUL Website. We intend to build a valuable business model that supports the shopping needs of customers, such as by delivering ads to customers based on their web searches.

Ad placement



Message from an Agent



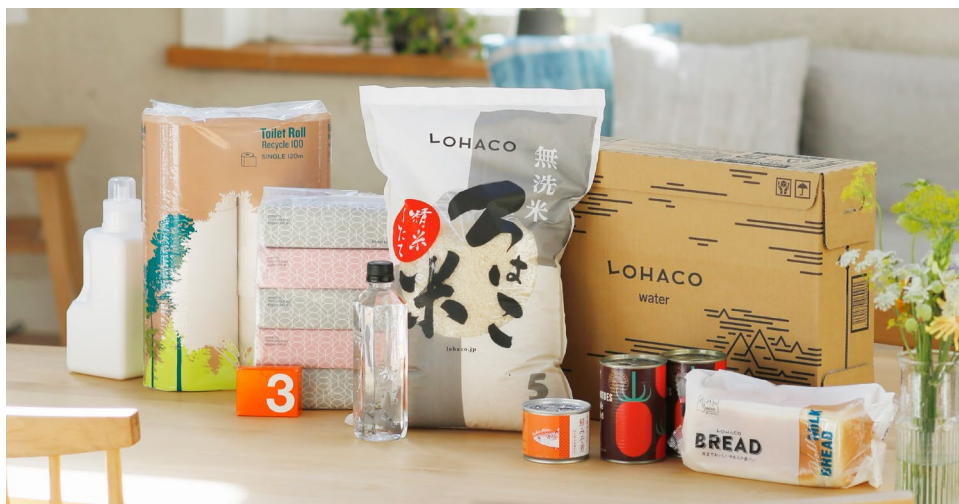
Akira Nakajima
ASKUL Sales Department
ASKUL Sales Division
General Manager,
Executive Officer
Seiwa Business Co., Ltd.

Every year, it seems there is another major event that impairs business continuity, such as a natural disaster or infectious disease. More companies are dealing with not only rising costs but also problems of being able to efficiently and reliably procure products. As we interact with many customers every day, I feel there have been more opportunities to win the approval and support regarding ASKUL's function as a supply procurement infrastructure of not only customers in offices but also customers in all types of workplaces, such as medical and nursing care, retail, and manufacturing. As long as we can get customers to view ASKUL as a company able to reliably deliver a wide range of specialty products, there is a possibility to promote a shift toward customers using ASKUL for the purchase of all consumable products and, in turn, expand our business opportunities as an agent.

Key Strategies 3 Synergies with Z Holdings

LOHACO “Makes Life More Comfortable and Enjoyable”

With LOHACO, we aim to “make life more comfortable and enjoyable” through shopping for daily goods. With an abundant product lineup specializing in daily goods, we can deliver a diverse range of products at designated times as quickly as the next day. We offer customers a fun shopping experience for daily goods that only LOHACO can provide, such as LOHACO exclusive products created in collaboration with manufacturers, and the outlet corner with great deals on products.



LOHACO

Back on a Growth Trajectory to Becoming Profitable

Through collaboration with Z Holdings, we aim to continue expanding sales via ongoing sales promotions. In FY5/2022, the LOHACO Main Store was moved to Yahoo Japan Corporation’s systems platform, reducing fixed costs, which is expected to help the LOHACO business turn profitable in FY5/2023. Through this major turning point for LOHACO, ASKUL aims to increase sales by ¥20 billion during the Medium-Term Management Plan and then continue on a path of steady growth.



LOHACO-exclusive coupon



Summer PayPay Festival

Message



Takao Ozawa
Outside Director

As an outside director, my role is to act as a bridge for generating synergies with the Z Holdings Group with the objective of maximizing corporate value at ASKUL. In addition to my position as a director of Z Holdings Corporation, I was appointed CEO of Yahoo Japan Corporation in 2022, facilitating more responsible undertakings. I am constantly mindful of not losing the balance between growth at ASKUL and the Group, and I am keen to make further contributions to ASKUL.

ASKUL is undergoing a transformation from an office supplies mail-order

company into a company operating in a wider range of fields that will require digital transformation. In addition to dialogues at the Board level, I think that communication within the Group has been smoothed out as a result of personnel exchanges, such as Yahoo Japan employees being dispatched to ASKUL to help with IT and systems. Both companies are moving in the right direction by maximizing the mutual use of needed assets.

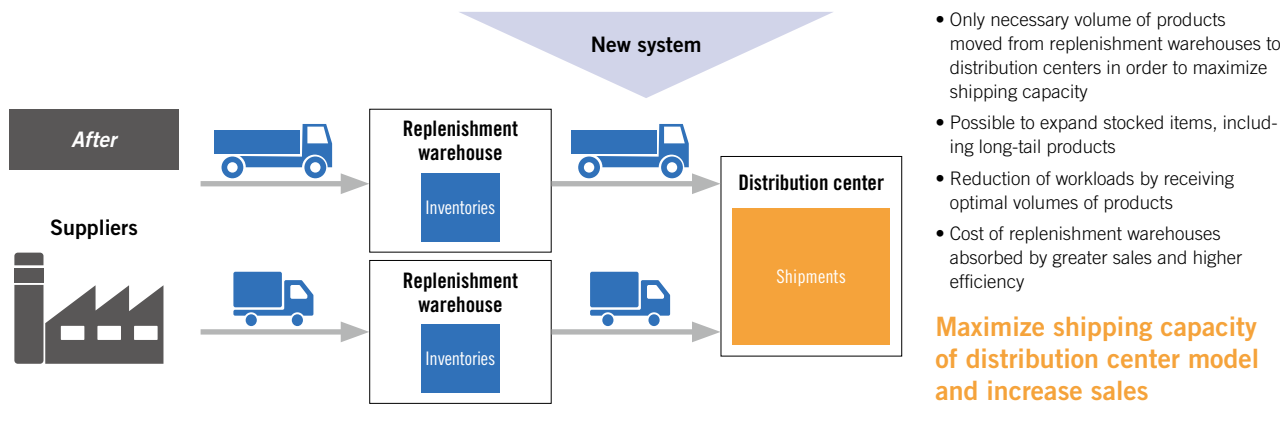
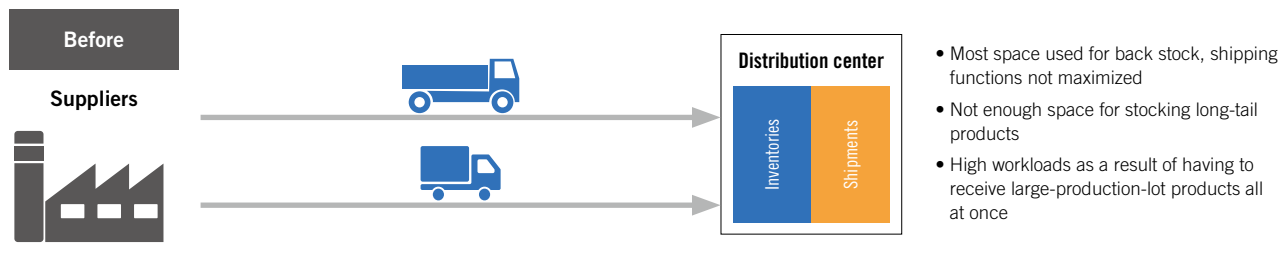
However, the contributions of Z Holdings are still limited in nature. If synergies can be generated in B-to-B as well as B-to-C businesses, I believe ASKUL can provide value to both customers and society. Although Yahoo Japan had been a main partner, pursuing the potential of synergies with such Group companies as LINE Corporation, PayPay Corporation, and Z Holdings’ parent company Softbank Corporation can lead to the maximization of ASKUL’s corporate value.

Key Strategies 4 Reform Platforms

Distribution Center Restructuring

Previously, ASKUL had a problem maximizing the shipping capacity of its distribution centers, since storage space had to expand as the number of products increased, while its distribution centers processed the receipt and storage of products purchased and imported from overseas. In the Medium-Term Management Plan, the Company is planning to have distribution centers specialize in outgoing shipments and to use external warehouses for pre-handling and replenishing functions. Long-tail products had been shipped directly to customers from manufacturers and suppliers without being stored in our distribution centers, and therefore required a few more days for delivery. Going forward, however, the use of external warehouses should allow us to stock long-tail products at our distribution centers, and we aim to expand sales further by offering same-day or next-day deliveries of long-tail products.

Flexibly expand items by using logistics support centers



Topic

ASKUL Tokyo Distribution Center (DC)

In November 2022, the ASKUL Tokyo DC began operating as a cutting-edge flagship center in eastern Japan. Featuring the latest logistics equipment, it is our most highly automated distribution center. Compared with other distribution centers of a similar scale, the ASKUL Tokyo DC boasts highly dense storage with 1.5 times the storage efficiency and 2.6 times the number of stocked items. It also boasts the highest productivity with 1.3 times the shipping capacity and a 20% reduction in warehouse operating costs.*¹ As a twin to AVC*² Kansai, our core center in western Japan, the ASKUL Tokyo DC is the core center covering eastern Japan. It is a key distribution center for achieving the Medium-Term Management Plan by maximizing shipping capacity and increasing the number of stocked items, in addition to ensuring shipping capacity for the eastern Japan region as the B-to-B business grows.

*¹ Comparison of leased area with ALP Yokohama, a distribution center of comparable rented space in the Kanto region with the latest equipment

*² AVC: ASKUL Value Center



Address	JMT Kasai Building A, 4-3-1 Rinkaicho, Edogawa Ward, Tokyo
Site area	185,000 m ² (about 55,962 <i>tsubo</i> *)
Floor space	56,255 m ² (about 17,017 <i>tsubo</i> *)
No. of floors	Five floors aboveground (all floors rented)
Investment amount	¥10.5 billion

* *Tsubo* is a Japanese unit of area measurement and, roughly 3.3 m²

Key Strategies 4 Reform Platforms

Fusion of B-to-B and B-to-C Distribution Centers and Delivery Functions

In the B-to-B and B-to-C businesses, distribution centers are operated separately for the B-to-B business and the B-to-C business due to differences in the types of stocked products, timing of product replacement, and fluctuations in shipment volumes. Only some distribution centers can be used for both businesses. By using external warehouses, we can reform the structure of our distribution centers to maximize their shipping capacity. With more flexibility in the operations of distribution centers, we are able to share distribution centers in the B-to-B business and the B-to-C business and share inventories. It will be possible to ship out LOHACO products from B-to-B distribution centers, expanding the range of products available for next-day delivery, while reducing out-of-stock products, thereby improving the level of customer service.

In addition to distribution centers, ASKUL is fusing together B-to-B and B-to-C deliveries. We began to externally provide our independently developed delivery management system “Torakkuru” so that our delivery partners who previously only handled B-to-B deliveries will be able to perform B-to-C deliveries. B-to-C deliveries require a different level of service than B-to-B deliveries, which have high rates of successful deliveries on the first attempt and high-density delivery areas, such as being able to comply with designated delivery times and accept redelivery requests. Through its delivery management system that fulfills these needs, ASKUL aims to improve delivery efficiency through mixed deliveries of B-to-B and B-to-C parcels and increasing the number of delivery partners able to offer refined services.

Leveraging its know-how in e-commerce distribution, the Company will improve the quality of delivery services and the efficiency of distribution by fusing together B-to-B and B-to-C delivery services with its distribution centers.

B-to-B deliveries

- ▶ Deliveries usually successful on first attempt
- ▶ High-density deliveries to office districts and buildings

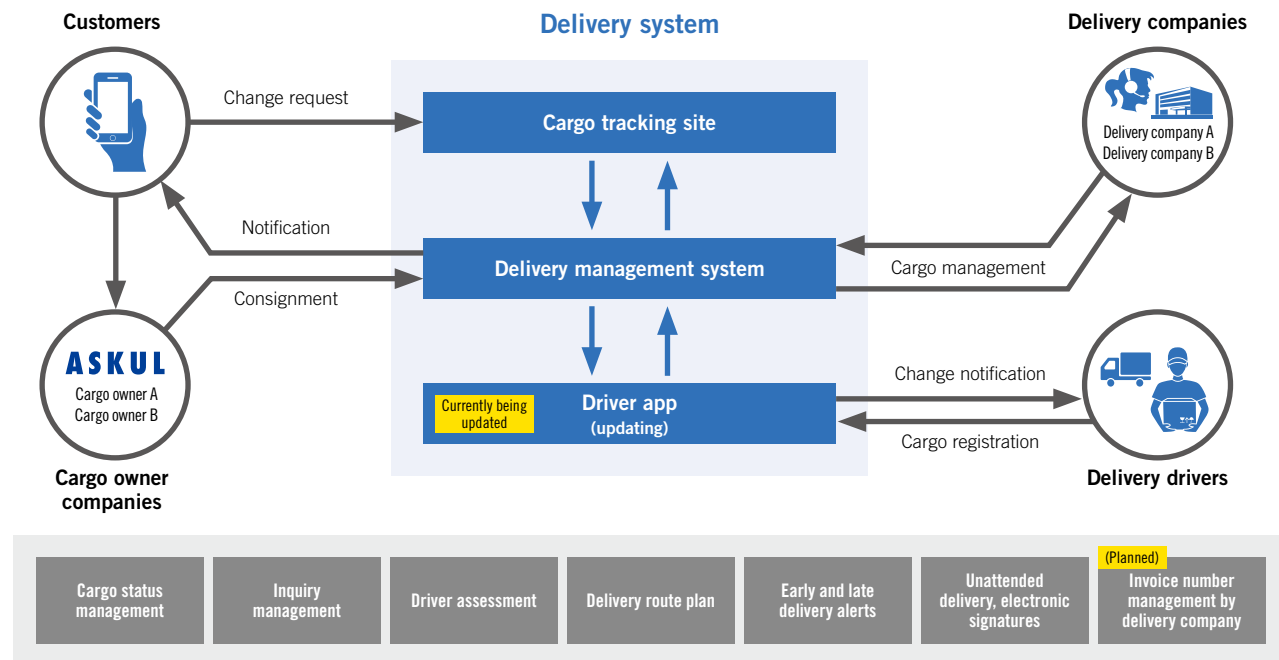
B-to-C deliveries

- ▶ Designated delivery times
- ▶ Multiple delivery attempts or unattended deliveries
- ▶ Detailed instructions, such as delivery to parcel lockers

▶ Partnerships centered on “Torakkuru”—a delivery management system that leverages big data

“Torakkuru” is a delivery management system developed with big data accumulated from ASKUL’s own logistics operations. In June 2021, we began providing this system to delivery partners who cover the last mile of ASKUL’s logistics system, reducing workloads and improving the level of delivery services. Drivers can use smartphones loaded with this system to enter and confirm important information about parking spaces at delivery destinations, for example, and automatically generate delivery route plans that take into account road congestion. It is able to handle all aspects of delivery work, including changing delivery times and confirming requests for redelivering missed packages. Using “Torakkuru,” our delivery partners can visualize delivery conditions and offer complex delivery services without increasing workloads, which translates into better quality of delivery services for customers.

Delivery management system “Torakkuru”



Platform that provides delivery assistance, realizes high productivity by leveraging knowledge, and enables high-quality deliveries

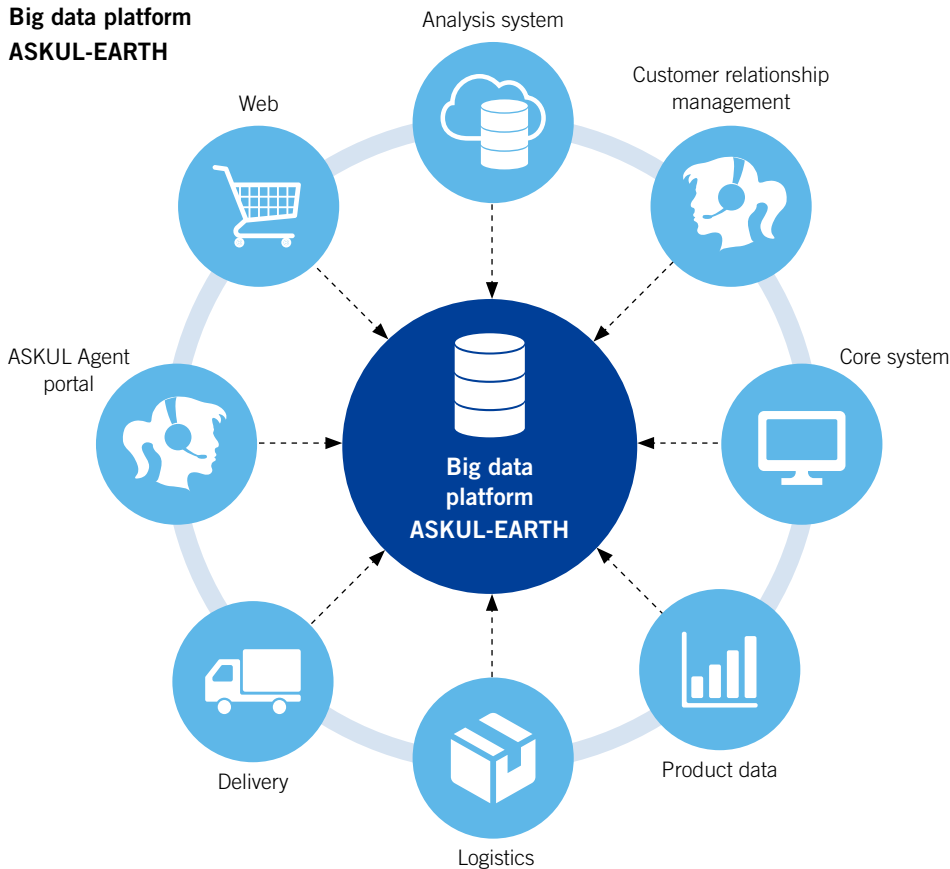
Key Strategies 4 Reform Platforms

Use of ASKUL's Data for Digital Transformation (DX) in Value Chain

Through the big data platform ASKUL-EARTH, ASKUL is gathering and sharing massive amounts of data generated by all processes and systems in ASKUL's value chain. By doing so, ASKUL is building a framework for analyzing and leveraging accumulated big data across the entire organization.

In addition, we offer ASKUL DX ACADEMY, a training program for all employees to acquire the necessary skills and knowledge for using this data. Through these initiatives, we are advancing DX through the utilization of big data.

Big data platform ASKUL-EARTH



Message

Technology and data are essential components of ASKUL's business model as an e-commerce company.

Since its founding, ASKUL has expanded and evolved its wide-ranging customer services, from its office supplies and faxing orders, to the LOHACO business for individual customers, as well as purchasing services for large corporations. This is all made possible by three capabilities: our ability to incorporate the latest technological trends in our businesses; our technological capabilities for developing proprietary ASKUL technologies, such as developing algorithms that increase the efficiency of delivery routing, and developing user interfaces that help customers quickly find the products they need; and data analysis technologies that enable the effective measurement of various sales promotion strategies and highly precise demand forecasting based on large quantities of data on purchasing.

To achieve the goals in our Medium-Term Management Plan, we believe we must strengthen and improve these

three capabilities in a balanced fashion across the entire Company, in addition to stepping up the hiring of highly specialized engineers and data scientists. The Company has created the ASKUL DX ACADEMY as a training program for reskilling existing employees. We also offer training programs in highly specialized technologies for engineers. For regular employees, we provide data scientist training programs to teach them advanced ways to use the volumes of data accumulated in ASKUL-EARTH in their own work areas.

After receiving training, many of our employees believe that they can make change possible on their own accord. In addition to engineers and data scientists, all employees are in a position to help advance DX at ASKUL.

By accelerating these initiatives, we aim to create new value for customers.



**Kazuyuki
Ikeda**
Executive Officer,
CDXO Technology Unit

New Corporate Structure

To realize the Medium-Term Management Plan, ASKUL aims to reinforce business execution capabilities and organizational collaboration. Accordingly, on March 1, 2022, ASKUL launched a new corporate structure with the objective of hiring the next generation of people who will guide us into the future.

ASKUL Business Unit	ASKUL Sales Unit	LOHACO Business Unit	Merchandising Unit	Logistics Unit	Technology Unit	Customer Service Unit	Corporate Unit	Legal & Security Unit
Saori Onsen Executive Officer Newly appointed	Katsuhiro Kawamura Director, COO* ¹ Executive Officer	Takeshi Narimatsu Executive Officer Newly appointed	Mizuki Takehisa Executive Officer Newly appointed	Tamami Ito Executive Officer Newly appointed	Kazuyuki Ikeda Executive Officer, CDXO* ² Newly appointed	Hideo Sakurai Executive Officer	Tsuguhiro Tamai Director, CFO* ³ Executive Officer	Hiroyuki Ueno Executive Officer, CHO* ⁴ CSO* ⁵

*1 Chief operating officer

*2 Chief digital transformation officer

*3 Chief financial officer

*4 Chief human relations & healthcare officer

*5 Chief security officer

Message



Katsuhiro Kawamura
Director, COO

Realization of One ASKUL with Strong Self-Propulsion (Advance the Chemistry of Seven Business Units)

ASKUL has announced its Medium-Term Management Plan through the fiscal year ending May 20, 2025. In the context of business continuity, however, it also needs to create business strategies and business models with an eye to 2030 and beyond.

The B-to-B indirect materials market, which is expected to shift toward e-commerce in the future, is said to be worth around over ¥5 trillion. The e-commerce market that ASKUL has spent 30 years building and nurturing is only worth ¥1 trillion of this overall market. Closing this gap would lead to greater efficiencies in the procurement process for indirect materials at Japanese firms and help revitalize Japan's economy, in my opinion.

In Japan's B-to-C market, the e-commerce ratio is only around 8%, indicating there is considerable potential for growth. ASKUL has the ability to create and operate websites, logistics capabilities, product procurement capabilities, and a large customer base in both the B-to-B and B-to-C markets. These functions are separated under the seven business units I manage as COO.

We must organically fuse together these functions in the creation of business models for 2030 and beyond, and to this end we are promoting collaboration among business units, personnel exchanges, and launching Companywide projects. As COO, I am ready to create a robust business structure for One ASKUL while grasping and handling the situation on the front lines and monitoring data in all business domains.

CFO Message

We aim to accelerate sales growth by getting our B-to-B business back on a growth trajectory.

Tsuguhiro Tamai
Director and CFO

ASKUL's First-Ever Medium-Term Management Plan

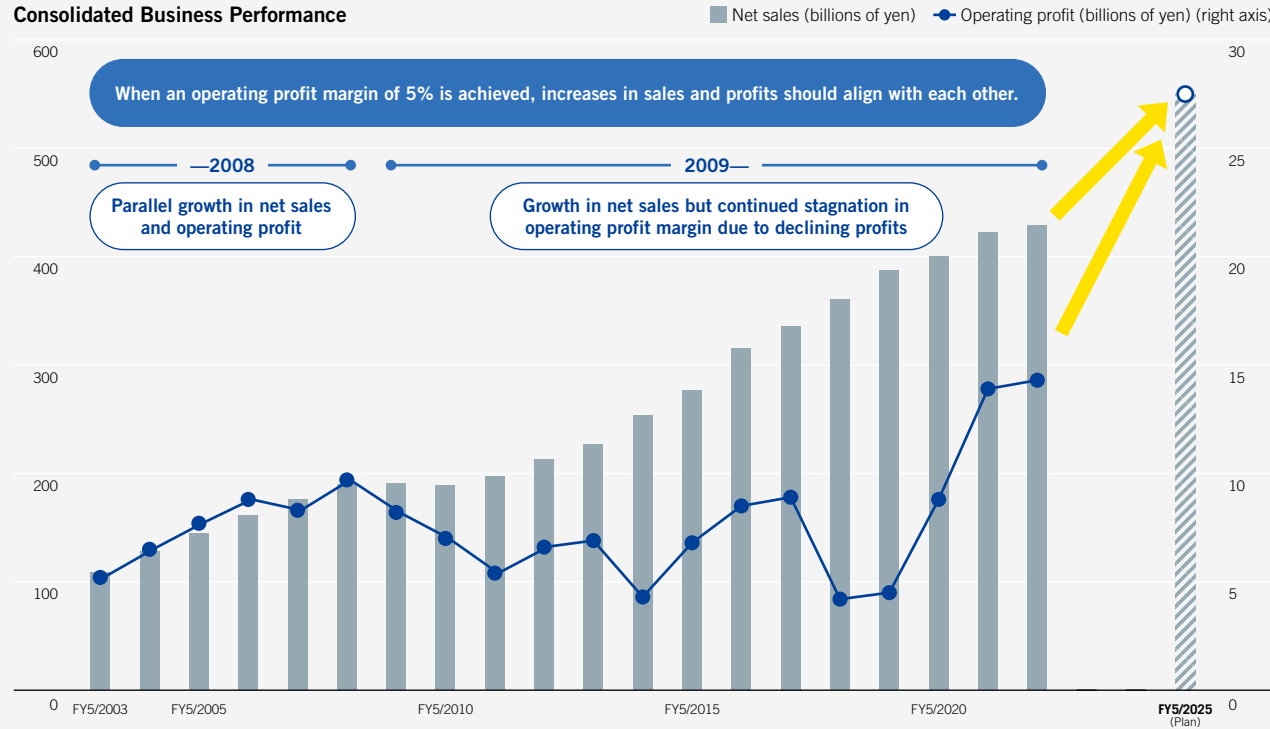
In the fiscal year ended May 20, 2022, ASKUL commenced its first-ever Medium-Term Management Plan. With the dramatic changes in the e-commerce (EC) industry, in which we carry out our operations, we had maintained the belief that announcing medium-term targets and being held to them would restrict our level of management flexibility. However, this approach ultimately led to short-sighted management, and in reflection of this unfortunate development, we decided to announce our first-ever Medium-Term Management Plan. An example of this short-sighted management would be when we entered into a business and capital alliance with Yahoo Japan Corporation in 2012 to pursue challenges in the B-to-C business. Amid expectations that the barriers between the B-to-B domain and the B-to-C domain would disappear due to technological advancements, we made efforts to maintain our leading position in the B-to-B domain. However, due to the impacts of Japan's logistics crisis and other factors, our B-to-C business incurred significant losses, and as a result our policies in B-to-B business became overly defensive. In retrospect, it is my opinion that we should have adopted a broader view of the

market and implemented measures that had a greater degree of flexibility. Our competitors then began to grow rapidly, and we felt a strong sense of crisis that the measures we enacted to protect our B-to-B business conversely had the potential to make it weaker. In light of these circumstances, we established restoring the profitability of LOHACO, which has been a long-standing issue, and getting our B-to-B business back on a growth trajectory as important themes under the Medium-Term Management Plan.

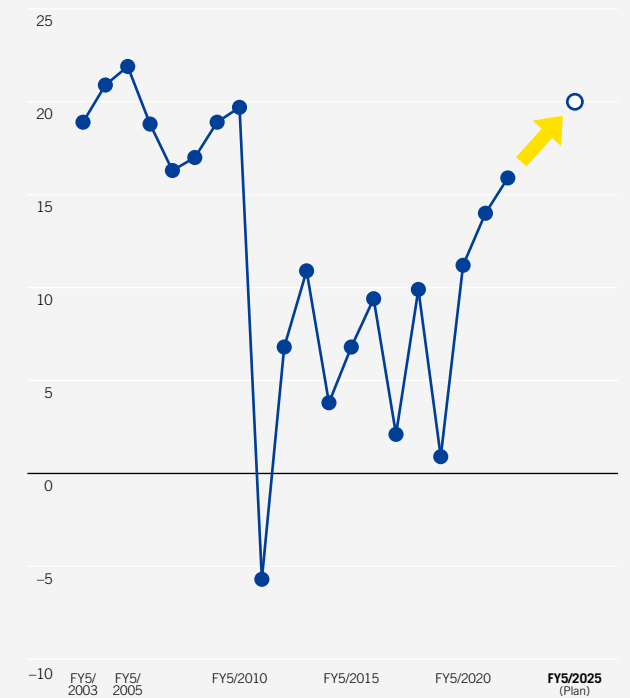
Targets of the Medium-Term Management Plan

Against this backdrop, realizing growth and improving the profitability of our B-to-B business have been positioned as major targets of the Medium-Term Management Plan. To that end, in the fiscal year ending May 20, 2025, we aim for consolidated net sales of ¥550.0 billion. For operating profit, rather than setting a specific amount, we aim to achieve an operating profit margin of 5.0%. As you can see in the graph on the next page, we previously achieved the above figure for operating profit and we are aiming to do so once more under the current plan. Moreover, as a key management indicator, the Company is striving for return on equity (ROE) of 20.0%. In the past, we maintained ROE at this level. However, ROE has since contracted due to a decline in profitability following the rollout of LOHACO and to the temporary increase in shareholders' equity—the denominator in the ROE formula—as a result of the incorporation of capital from Yahoo Japan. In the fiscal year ended May 20, 2022, ROE reached over 15%, owing in part to the recording of record-high profits and the acquisition of treasury stock.

Consolidated Business Performance



ROE (%)



ASKUL has established a position as Japan’s leading office supplies mail-order company. However, the target of “Transformation from an Office Supplies Mail-Order Company” into an infrastructure company that supports all workplaces and lifestyles, which we have adopted under the current plan, conveys our desire to achieve renewed growth in our B-to-B business and, at the same time, realize Companywide growth and profitability. To date, ASKUL has excelled in the mail-order sales of

commodity products, the best example of which being copy paper. We refer to such products as “head products.” As said products can be sold in large quantities, however, price competition is extremely intense. We have thus far been able to generate profits even from products sold at a low price and in bulk by drawing on the strengths of our logistics capabilities. Our Transformation from an Office Supplies Mail-Order Company does not mean that we will abandon the office supplies

mail-order business. Rather, it signals our intention to pursue challenges in new domains, such as expanding sales of long-tail products,* while preserving the office supplies mail-order business as an important strength.

* Specialized products that are ordered at a low frequency. Long-tail products are multi-type products that are sold in low volumes. The term “long tail” comes from the long tail of an XY graph.

Review of the First Year of the Medium-Term Management Plan

It is true that we fulfilled our profit targets. However, in regard to our B-to-B business, despite reaching our profit targets, we were unfortunately unable to attain our sales targets. In the fiscal year ended May 20, 2021, sales related to medical and nursing care grew due to special demand spurred by the COVID-19 pandemic. As a result, net sales grew by over 5% in the fiscal year ended May 20, 2021. With the absence of said demand and the prolongation of the pandemic, our market gradually contracted, particularly for copy paper, in the fiscal year ended May 20, 2022. We possess extremely strong original products from the perspectives of cost, quality, and the environment and have continued to achieve sales growth while expanding our market share. However, with the prolongation of the pandemic, the workstyles of our customers have been undergoing dramatic changes, and the shift to paperless offices is progressing rapidly. These factors had an adverse impact on the Company's performance in the first year of the Medium-Term Management Plan.

Positioning and Strategies for the Second Year of the Medium-Term Management Plan

ASKUL positions the second year of the Medium-Term Management Plan, the fiscal year ending May 20, 2023, as a period in which it will significantly increase sales in its B-to-B business. Our ultimate goal is not to prioritize sales; rather, we aim to achieve structural reforms through sales growth and, in turn, reinforce our profit structure. We therefore must execute

strategies at a greater speed. To grow sales in new domains, it is important to first accelerate efforts to increase the number of products we handle. Our target for the fiscal year ending May 20, 2023, is to increase the number of products we handle to 14 million, and by the fiscal year ending May 20, 2025, the final year of the plan, we have set a target to raise this number to 18 million. However, we will take on the challenge of achieving this target ahead of schedule. We handle a large number of consumable "head products," and as such we boast the e-commerce site with the most interactions with corporate customers. Amid growing labor shortages, there will be a greater need to make purchases in an easier and more convenient manner in the future. I believe we will be able to meet said need by making it possible to purchase long-tail products on our website for ordering consumables.

With regard to the New ASKUL Website, one of the major pillars of our Medium-Term Management Plan, in July 2022 we opened up access to our website for mid-tier and larger enterprises, which contributed greatly to increased sales. Our B-to-B website comprises two websites: one for small and medium-sized enterprises (SMEs) and one for mid-tier and larger enterprises. The website for SMEs has always had open access, allowing shoppers to reach product pages directly from external search engines such as Yahoo and Google. This type of response to landing page optimization (LPO) provides a major boost to sales. In fact, 40% of all sales on our website for SMEs, which enables LPO, come through external search engines. Meanwhile, our website for mid-tier and larger enterprises had previously been closed, meaning it had no direct leads from external search engines. Now that we have opened this website to allow direct access from external search engines, we will further enhance our listing advertisements going forward. To that end, ASKUL will double its B-to-B sales

promotion expenses, centered on listing advertisements, from their current level. This spending is not for the purpose of temporarily increasing sales but rather to encourage customers to purchase long-tail products through our website on an ongoing basis. In this way, the increase in sales promotion expenses will serve as a strategic measure to realize sustainable sales growth. As described above, we will seek to get our B-to-B business back on a growth trajectory by synergizing our efforts to increase the number of products we handle, open up access to our website, and expand sales promotions.

Results for the Fiscal Year Ended May 20, 2022, and Forecasts for the Fiscal Year Ending May 20, 2023 (by Business)

	Fiscal 2022			Fiscal 2023		
	Results	YoY (%)	Reference value* (%)	Forecasts	YoY (%)	
(Billions of yen)						
Net sales	B-to-B business	348.0	100.8	102.0	367.8	105.7
	LOHACO	54.3	102.8	104.4	60.2	110.9
	B-to-C business	70.6	103.0	104.6	77.6	109.9
	E-commerce business	418.6	101.2	102.4	445.5	106.4
	Logistics and other businesses	9.8	117.3	–	10.0	101.8
	Consolidated total	428.5	101.5	102.7	455.5	106.3
	Operating profit (loss)	B-to-B business	17.0	84.6	–	14.0
LOHACO		(2.9)	–	–	0	–
B-to-C business		(2.4)	–	–	0.3	–
Year-end bonuses (including allowances), etc.		(0.2)	–	–	–	–
E-commerce business		14.3	95.7	–	14.4	100.4
Logistics and other businesses		(0)	–	–	0.1	–
Consolidated total	14.3	102.8	–	14.5	101.3	

* Reference value is based on the assumption that the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) was applied from the previous fiscal year.



Also, the Company aims to achieve profitability in the LOHACO business during the fiscal year ending May 20, 2023, and thereafter it will work to realize further growth of the business from the fiscal year ending May 20, 2024, and onward. To do so, we will strengthen sales promotions in collaboration with Z Holdings Corporation, work to improve our websites' user interface and user experience to encourage users to shop around, and enhance logistics efficiency by leveraging the logistics foundation of our B-to-B business.

Capital Policy and Cash Allocation

ASKUL boasts a balance sheet that can steadily generate operating cash flows. Over the four-year period of the Medium-Term Management Plan, we plan on investing ¥30.0 billion. However, we intend to maintain annual operating cash flows at a level between ¥17.0 billion and ¥18.0 billion, keeping the amount of investment within the scope of said cash flows. If we are able to

establish a structure under which we can steadily execute our investment plans and sustainability realize profits, we should be able to generate even more cash, which we can allocate to M&As or initiatives to bolster our B-to-B business.

Also, we believe it is imperative to further enhance our capital efficiency moving forward. Based on this belief, we acquired five million shares of treasury stock in the fiscal year ended May 20, 2022. With regard to shareholder returns, our basic policy is to increase dividends in accordance with profit growth. In the fiscal year ending May 20, 2023, we expect to increase the full-year dividend by only ¥1 per share. This is because there will be increases, including temporary ones, in fixed costs, as we focus on getting our B-to-B business back on a growth trajectory with a view to enhancing profitability in the future. From the fiscal year ending May 20, 2024, and onward, we are confident of being able to increase dividend payments even more through further profit growth. In these ways, the Company places great importance on the second year of the Medium-Term Management Plan in terms of realizing the plan's targets, as it strives to achieve profitability in the LOHACO business, return the B-to-B business to a growth trajectory, and nurture the seeds of new businesses that will blossom by the fiscal year ending May 20, 2025. By doing so, we will be able to achieve greater successes with our initiatives from the next and following fiscal years.

I will now introduce the three management indicators that underpin our financial position and upon which we place great emphasis. The first one is earnings before interest, taxes, depreciation, and amortization (EBITDA), which is an indicator of our ability to generate cash flows. The next one is ROE, which serves as an indicator of how efficiently we are generating profits from shareholders' equity. The final one is a cash conversion cycle (CCC), the most unique of these three indicators. The CCC involves

management without assets or, in other words, focusing on owning only that which gives us a competitive advantage, thereby realizing a balance sheet that does not require working capital and shortening inventory turnover times. Through the CCC, we have been able to build an operating structure that can generate cash from the balance sheet, and this in turn has enabled us to consistently generate operating cash flows at a level that exceeds operating profit. In this way, the CCC represents one of our major strengths.

My Role as CFO

ASKUL believes that companies engaging in honest corporate activities gain the trust and support of society. Guided by this belief, we champion the concept of ethical e-commerce and will position the promotion of sustainable services that conserve the environment and resolve social issues as the foundation for our growth moving forward. In the fiscal year ended May 20, 2022, we were unable to achieve the Medium-Term Management Plan's main target of accelerating growth in our B-to-B business. To that extent, our top priority in the second year of the plan is to realize a solid recovery and accelerate growth in new domains such as MRO and medical care. As CFO, I am determined to preserve the condition of our balance sheet, which is one of our major strengths, through such means as generating cash flows by maintaining a robust financial base and reducing fixed assets via the promotion of an "asset-light" business model. By doing so, I will ensure that we steadily maintain a robust financial base by being defensive in order to be offensive going forward.

Tsuguhiro Tamai

Director and CFO