



ASKUL

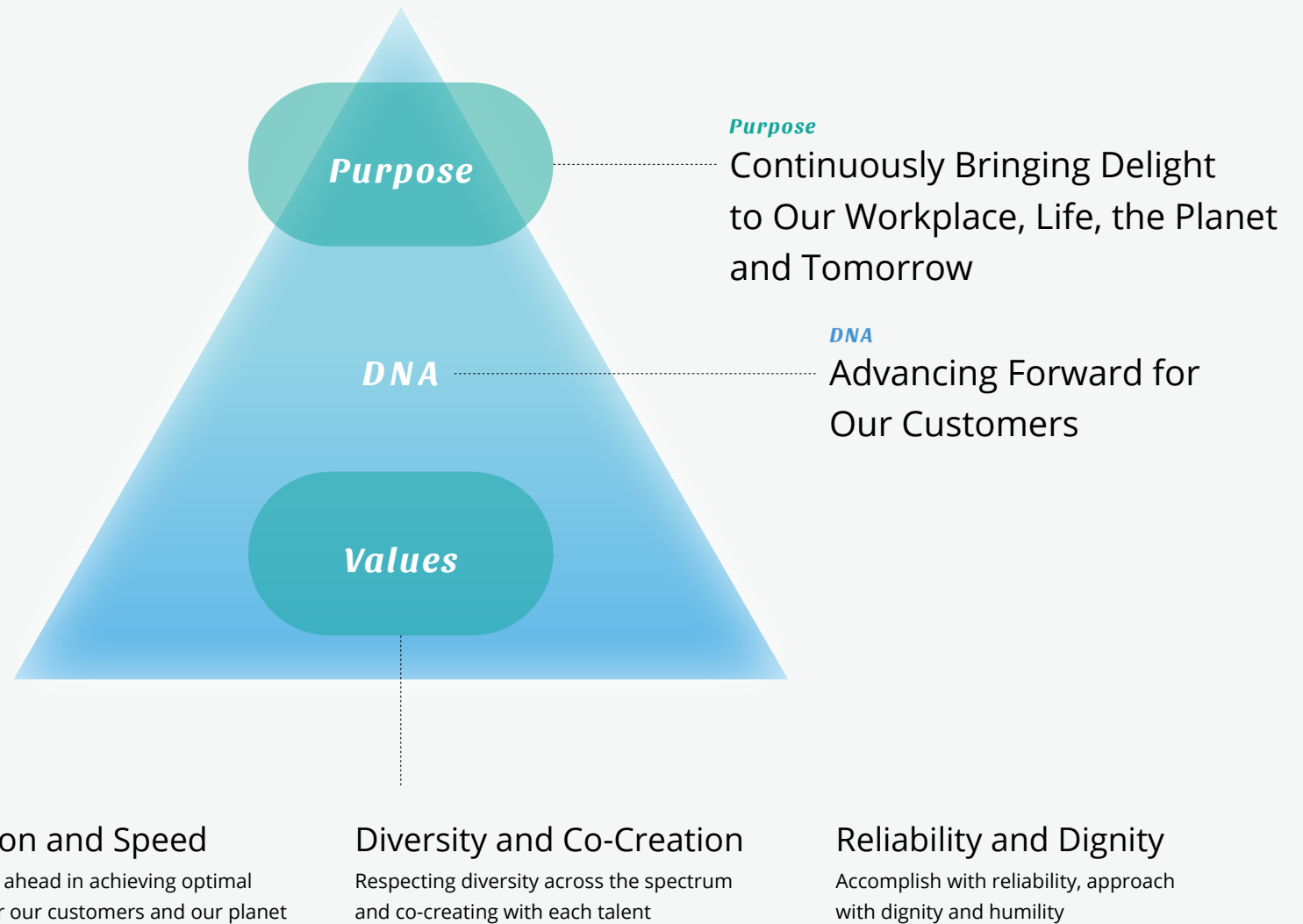
ASKUL Report 2023

ASKUL WAY

Under the ASKUL WAY, which we updated in December 2020, we have newly positioned our corporate philosophy of “Advancing forward for our customers”—an ideal we have valued since our founding—as our unchanging DNA that we will pass from generation to generation, no matter how much we change as a company.

This DNA will underpin Our Purpose, which conveys the reason why we exist and what our responsibilities are to society, and Our Values, which represent the ideals we must maintain in order to realize Our Purpose.

The ASKUL WAY serves as the cornerstone for transforming ourselves as a company in accordance with change, and the actions that employees carry out in accordance with the ASKUL WAY will provide the driving force toward creating a new ASKUL.





Akira Yoshioka

Representative Director,
President and CEO,
ASKUL Corporation

CEO Message

Aiming to Be the De Facto Standard for Ethical E-Commerce

Reflecting on the fiscal year ended May 20,
2023 and looking at key themes for
the fiscal year ending May 20, 2024

Record-High Net Sales and Profits Posted and Two Major Goals Achieved

In the fiscal year ended May 20, 2023, we posted record-high net sales and operating profit. We also achieved two of our major goals, which were to change the curve of our B-to-B business growth trajectory and make LOHACO profitable for the full fiscal year. Net sales in the B-to-B business increased 7.4% year-on-year and are on track to achieve double-digit growth in the fiscal year ending May 20, 2024. LOHACO, our online mail-order business for general consumers, also turned profitable after being in a deficit since its launch. I consider the achievement of these goals to be a step in the right direction.

We have positioned the fiscal year ending May 20, 2024 as the year to start promoting profit growth and accelerating sales growth, which will in turn lead to significant profit growth in the final year of the Medium-Term Management Plan. The key to this is to implement efforts to increase customer convenience and satisfaction more thoroughly than ever before.

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Convenience would be greatly enhanced if customers can get everything they need in a single transaction. However, increasing the number of products we offer is meaningless if people do not buy them. We must also make it easier for customers to buy our products by improving the quality of our services, enabling stress-free communication with customer service representatives and delivery drivers, and reducing waste through appropriate packing.

If we offer more products and customers buy them, it is a matter of course that sales and profits will increase. We will work expeditiously in this regard to accelerate the growth of the Company.

Starting with Our Ideal Future and Working Backwards

As CEO, I strive to make flexible decisions while looking ahead from long-term, medium-term, and short-term perspectives. I believe it is important to always keep abreast of changes that lie ahead and make timely decisions, which sometimes includes changing past decisions.

Currently, the entire Company is pulling together to achieve the goals of the Medium-Term Management Plan, which runs through the fiscal year ending May 20, 2025, but what is currently lacking is a backcasting perspective. I feel that we should decide what we will focus on in the future by working backward from our ideal vision for 2030, and then doing the same for 2050.

In addition to setting goals, it is important that I share with employees our reasons for pursuing said goals. Results can differ greatly depending on whether employees are fully convinced in this regard or whether they feel that they are

being forced into doing something. As CEO, I am always conscious of delivering messages that sufficiently convey our intentions to employees.

As one initiative to ensure that my messages reach all of our employees, I have been holding CEO town hall meetings, in which I engage in dialogue with five to six employees at a time. The meetings have been held twice a week for a cumulative total of more than 140 times since January 2022. When talking with employees at town hall meetings, I sometimes felt that what I communicated on a day-to-day basis was not being conveyed very well. The meetings have given me an opportunity to reaffirm the need to explain things more carefully.

Initiatives for Achieving Our Transformation from an Office Supplies Mail-Order Company

Unlearning Knowledge and Skills from Previous Successes for Further Growth

We are only halfway to achieving our transformation from an office supplies mail-order company, a key theme of our Medium-Term Management Plan.

But why are we promoting this transformation in the first place? One answer to this question is that we hope to realize the ASKUL WAY and Our Purpose, which is advancing forward for our customers, and to enhance our raison d'être. Frankly speaking, however, it is because we have a strong sense of crisis as to whether ASKUL can survive into the future.



We have thoroughly refined our business in the field of mail-order services for offices and have achieved a certain degree of success. In recent years, however, the internet environment has been enhanced and many competing e-commerce businesses have emerged. There are many businesses that can provide comparable products to ours at similar prices and delivery times. In other words, ASKUL's business model is becoming obsolete.

To ensure our survival in the future, we must evolve our existing business model and further reinforce the significance of our existence to society. It is particularly vital that we update our values in line with the changing values of our customers.

Customers today want to purchase a variety of products in a single transaction. Many people do not necessarily feel the need for all items to be delivered quickly as long as they can all be bought at once. During a recent visit to a facility run by one of our customers, I noticed that they were using restroom supplies and products provided by a competitor. When I asked the customer why they chose another

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company even though our products were superior in price and quality, they replied, “We want to devote more time to our work so that our visitors feel comfortable. If we can do all of our shopping on one e-commerce site to achieve this, we will do so, even if the price of some items is a little higher than others. We don’t care about a difference of one yen.”

We invest a lot of time in procurement to achieve that one-yen difference. This is by no means a negative thing; it is an important undertaking. For a long time, we held the belief that corporate purchasing must always involve a fixed price,

but we feel that this is no longer appropriate for the times. Today, the number of e-commerce companies that change their prices in a short period of time is increasing, and many customers have accepted this approach.

Evidently, our customers’ values have changed dramatically. We too need to unlearn knowledge and skills that are no longer valid, rather than clinging to the values that have supported our growth so far. This is no easy task, but I expect our employees to show dynamism and leadership in making it happen.

Combining Our B-to-B and B-to-C Organizations

One of our initiatives to evolve our values is combining our B-to-B and B-to-C organizations. The previously separate business operation structures for each of the services have been integrated to form the EC business.

Both our B-to-B and B-to-C business models entail selling products on the internet, but in the past, the needs of their respective customers were very different. Therefore, even though they shared similar tasks such as logistics and product purchasing, they were completely separate organizations.

For example, the B-to-C business required dynamic changes in both service content and price, and delivery at a specified time was a must. In contrast, the B-to-B business offered fixed prices, and although it promised next-day delivery, there was no specification of times.

However, in recent years, customers have come to accept frequent price changes even in the B-to-B market, and while in the past we focused on office supplies such as copy paper, sales of these products have declined in recent years as many offices have gone paperless, and sales of everyday

goods have increased. The B-to-B business handles almost the same everyday goods as the B-to-C business. In addition, with the prevalence of unattended deliveries in the B-to-C market, opportunities to deliver items at a specified time have greatly decreased. Unattended deliveries can be handled through the B-to-B system.

As a result of these changes, the need to separate the B-to-B and B-to-C organizations has fallen in recent years, and since it is also inefficient to divide our management resources in this way, the decision was made to integrate the two organizations. At first, some employees were somewhat bewildered by the differences in culture, but thanks in part to the executive officer’s repeated explanations of the significance of the integration, employees are now gradually becoming accustomed to the EC business. We will accelerate the evolution of the EC business by combining our B-to-B and B-to-C expertise.

Focusing on Succession Planning

In any organization, renewal is essential, and it is not good for one person to remain at the top for too long. At the same time, frequent turnover of leadership is also undesirable. It is important to have a succession plan in place to ensure appropriate renewal of leadership.

Since 2020, the second year of my tenure as president and CEO, I have been working on the plan for my succession. I have been engaged in extensive discussions with independent outside directors, through which we have determined how to objectively select successor candidates and what methods to use in their development. We have currently selected around 20 successor candidates based on the eight



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criteria we have set. The aforementioned ability to unlearn knowledge and skills from past successes and the capacity to act unbound by convention are also included in the selection criteria.

In March 2023, we renewed our organizational structure based on the succession plan. For example, we selected Mizuki Takehisa, who was a member of our inaugural cohort of new graduate hires, as executive officer of the Merchandising Unit. Since she is still in her early thirties, her selection may seem like an attempt to rejuvenate the senior management team, but this is not the case. We believe that age is irrelevant, as long as the employee is deemed to have qualities that form the basis of the criteria for selection, such as the ability to unlearn old knowledge and skills and be dynamic.

As we are just getting started on the current succession plan, we intend to review it from time to time along with our list of potential successors.

[P.19](#) ASKUL's Organizational Structure (New Executive Officer Structure)

Ensuring That the Proportion of Female Managers Is on a Par with the Proportion of Female Employees

Under the "2530" initiative, the Company has set a target of 30% women in management positions by 2025. However, we consider this target to be just an initial goal and only a milestone in our progress. Even without being conscious of these figures, there should be a gender balance in the Company as a whole, and the ratio of women to men in management positions should naturally be the same.

Japan's efforts to address the gender gap are lagging far behind international standards. Japan has dropped to a

record low of 125th place in the 2023 Global Gender Gap Index, which quantifies the gender gap between men and women. While there are many managers in Japan who do not feel a sense of crisis in this situation, I believe that as a publicly listed company we must correct this attitude.

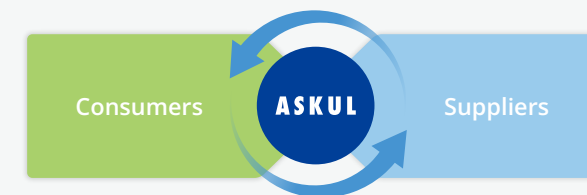
At the same time, when increasing the percentage of women in managerial positions, we must not appoint unsuitable personnel simply for the sake of making up the numbers. I believe that one way to appropriately increase the percentage of female managers is to ensure a firmly gender-balanced structure at the managerial stage, when they will be performing management duties for the first time.

What I found empirically most effective in accelerating the spread of awareness of the issue within the Company was to visualize numerically the ratio of women to men in each division and the ration of women to men in managerial positions. Until we did that, I had the impression that the many of our employees were not able to think of the issue as a personal concern, but once the numbers were published, the awareness of each division clearly changed. After this, I have noticed that each department is keenly aware of this number during restructures.

The Direction of ASKUL's Advancement

Becoming a Hub for Open Innovation

Since 2022, ASKUL has been stating that it will be a hub for suppliers and consumers. This statement reflects our desire to connect various people and organizations and function as a mechanism for open innovation.



Many manufacturers are seeking information on other companies' SDG initiatives and are willing to participate if they see a business opportunity. We have received many requests for ASKUL to become a hub for sharing information.

I feel that this is a result of the fact that we are highly regarded by many manufacturers as having a high awareness of the Sustainable Development Goals (SDGs). In contrast to purchases made in brick-and-mortar stores, those made through e-commerce can be converted into data. From the perspectives of both the SDGs and marketing, we see expectations for ASKUL to create a place for innovation, where the utilization of purchase data may lead to the creation of things that were previously unthinkable. To respond to the requests from manufacturers, we will be promoting various initiatives that enable us to become a hub, such as forums, events, and opportunities for co-creation.

Aiming to Be the De Facto Standard for Ethical E-Commerce

As CEO, the first thing I am asked to do is to show ASKUL's vision and the direction of its advancement. To be honest, I am not the visionary type, but I believe it is important to establish a management ethos that will never waver.

Ethical e-commerce is a term we have developed as an answer to the above, meaning the provision of sustainable

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services that combine both economic and social value.

The term “ethical” does not only refer to environmental initiatives. To prevent people from buying up hygiene products during the COVID-19 pandemic in 2020, the Company identified those genuinely in need via purchase data and sold the products to them at the regular price. We could have increased prices to boost our sales figures, but we gave priority to being ethical, and chose the action that offered the highest value to society. Just like in this example, ethical e-commerce is about constantly striving to be ethical and aiming to resolve social issues—even those that do not concern the environment.

We are also working on various other initiatives to put ethical e-commerce into practice. These include our Product Environmental Score, which visualizes the degree to which products are environment-friendly, the introduction of electric vehicles, and Loop Professional for ASKUL, for selling products that use reusable containers.

[P.28-31](#) Movement

Some of these initiatives are sufficiently profitable to begin with, while many are not. Even if it is difficult to monetize such efforts, we would like our employees to share with us the idea of having the will to try first. From there, we will work out how we can achieve both social and economic value.

Currently, however, what we can do to realize ethical e-commerce is a question that our employees are working on individually. Those who are able to grasp the concept will promote it more and more, but the challenge is that they are in the minority. We will continue to work to create an

easy-to-understand framework for clarifying the concept of ethical e-commerce, setting medium- to long-term targets, and prioritizing activities.

[P.26](#) The Ethical E-Commerce ASKUL Aims to Achieve

We aim to make ethical e-commerce the de facto standard in the future. For example, we want to make it a matter of course for the Product Environmental Score to be listed on all e-commerce sites and give rise to a situation in which many people wonder what times were like before the score. I dream of a future where what we pioneered will eventually become commonplace and set an example for many people, thereby contributing to a better world.

In order to support such efforts through our internal structure, we have added ESG initiatives to the items used to evaluate the compensation of managers at the general manager level and above, starting in the fiscal year ending May 20, 2024. In the future, we intend to expand this initiative to other management positions.

[P.83](#) Policies and Procedures for Determining Director and Audit & Supervisory Board Member Compensation

Building a Co-Creative Ecosystem for SMEs

An area we would like to focus on in the future is supporting small and medium-sized enterprises (SMEs) throughout Japan. With purchasing as the entry point, we would like to support the digital transformation (DX) of other back-office operations as well. Our new service, Bizraku, was launched in

October 2022 precisely for this purpose, targeting small and medium-sized enterprises that are considering digitalization but do not know how to start, or do not have in-house IT personnel. But we cannot, on our own, support SMEs to an ever-higher level. I believe that it is necessary to build a co-creative ecosystem by having various companies join our platform.

This is just a personal thought, but I believe that if we can create an ecosystem that supports back-office DX in SMEs, we can expand it to the world. Japan is the first country in the world to face the issues of a declining population, falling birthrate, and aging society. There are no prior cases of typical companies providing behind-the-scenes support for SMEs, not even overseas. We have touchpoints with over five million customers across a wide range of industries nationwide. We will leverage the high potential of this management resource to develop systems for supporting SMEs.

In order to support SMEs, it is essential to balance economic value and social value. Business scale and sales are important, but I believe that the most important thing is to work with sincerity and integrity. We would be delighted for any company that shares our aspirations and is willing to cooperate with us to join our ecosystem.

January 2024

Akira Yoshioka
President and CEO, ASKUL Corporation

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Editorial Policy

ASKUL Report 2023 is a communication tool that integrates financial and non-financial information on the current status and future of ASKUL's medium- and long-term value creation efforts based on ASKUL's strategic mission of "transformation from an office supplies mail-order company." We will continue to make efforts to further enhance the contents of the report so that a wide range of readers, including shareholders and other investors, can deepen their understanding of the Company.

▶ Reporting Period

June 2022 to May 2023 (fiscal 2023), with some information added through October 2023

▶ Referenced Guidelines

- GRI Sustainability Reporting Standards
- International Integrated Reporting Framework, International Financial Reporting Standards
- Environmental Reporting Guidelines (2018), Ministry of the Environment
- Ministry of Economy, Trade and Industry's Value Co-Creation Guidance
- ISO 26000:2010 Guidance on social responsibility

▶ Date of Publication

January 2024

▶ Production Structure and Process

The production process, management involvement, and approval procedures for this report are as follows.

Production Process

The Corporate Communications Division (IR, PR, and Sustainability divisions) served as the secretariat, while other divisions of the Corporate Unit and the production company served as project members. Under this structure, the planning and overall layout of the report was examined and formulated, and the production process was advanced with based on discussions by management and through the cooperation of executive officers and personnel in charge of each business unit.

Management Involvement and Approval Procedures

In examining production in general, and the value creation process in particular, we have held discussions through the following venues.

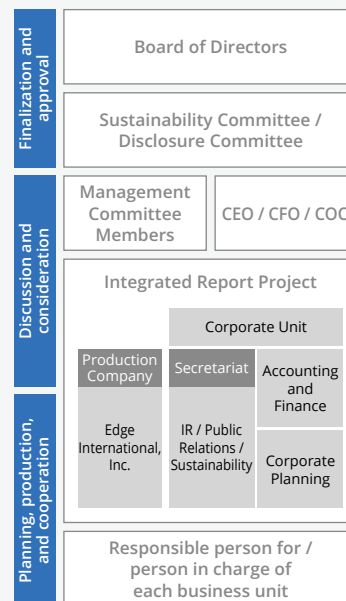
- Editorial meetings including the CFO (11 internal meetings, 16 including external meetings, and other meetings as needed)
- Discussions and review meetings on composition, policy, design, etc., including the CEO and CFO
- Discussions at Management Meetings and review meetings attended by the same members

In disclosing and issuing the report, we obtained the approval of the Board of Directors and the Disclosure Committee, based on the opinions of and confirmation by the Sustainability Committee.

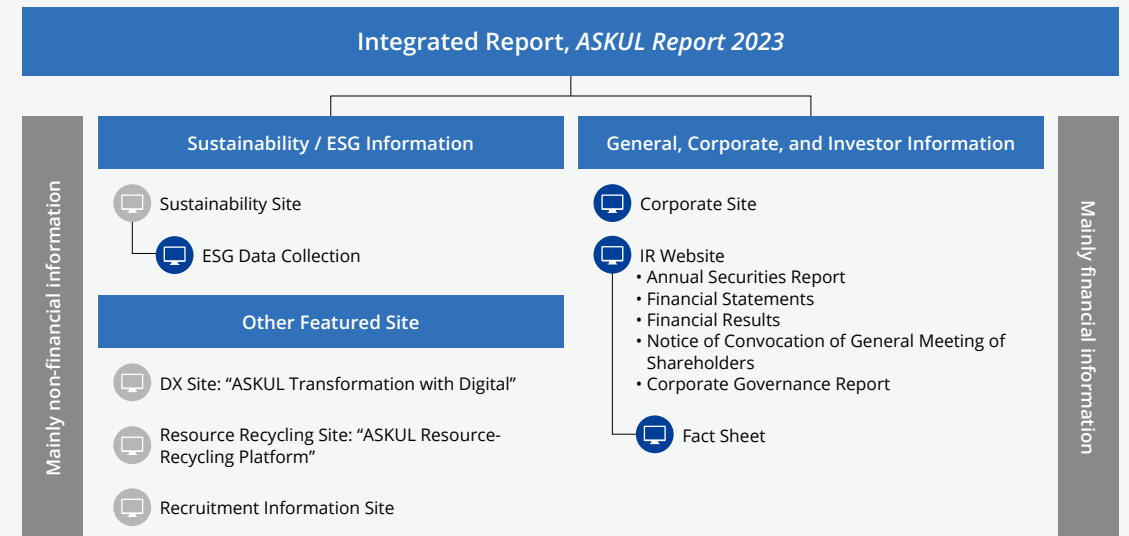
Based on the above process, I, as the person responsible for issuing this report, hereby state that the process and contents of this report are appropriate.

Issuing Officer: Tsuguhiro Tamai, Director, CFO, Executive Officer of Corporate Unit

▶ Structure



Disclosure Framework



About the Cover Image

The image on the cover of this report conveys ASKUL's Purpose of "continuously bringing delight to our workplace, life, the planet and tomorrow."



Other Affiliated Companies Listed in This Report

On October 1, 2023, Z Holdings Corporation reorganized its Group structure, integrating LINE Corporation and Yahoo Japan Corporation and changing its corporate name to LY Corporation. In principle, the corporate name for LY Corporation used in this report is the one that the company used when the matter described occurred.

Note Regarding Forward-Looking Statements

The current plans, forecasts, strategies, and other statements in this report include forward-looking statements based on our judgment in light of the information available to us at the time the materials were prepared. Please be aware that a number of factors could cause actual future results to differ materially from those projected. Among the risks and uncertainties that could affect our results of operations are economic conditions surrounding our business environment, market competition, exchange rates, taxes, or other factors.

Detailed Information on Financial Results

For detailed information on financial results and financial information, please refer to the Annual Securities Report (Japanese only) on the "IR Information" section of our corporate website.

<https://www.askul.co.jp/kaisya/english/ir/>