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Recognizing the External Environment and Addressing Resource Shortages and Other Prominent Issues

Promoting Recognition of the External Environment that Surrounds ASKUL, Identifying Issues and Opportunities, and Determining Actions to Be Taken

By positioning significant changes in the Company and external environment as risks and opportunities, and by identifying resource shortages and other issues in the Company and viewing them as future opportunities, we are taking various actions to implement strategic measures geared toward enhancing our corporate value over the medium to long term.

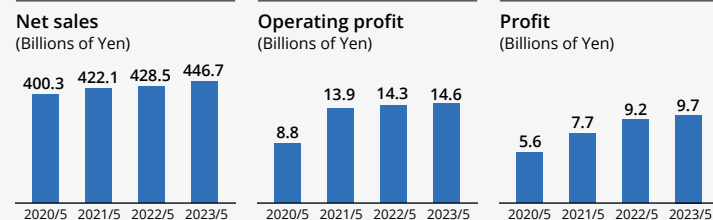
Key Aspects of External Environment		ASKUL's Issues and Opportunities	Actions / Relevant Pages
1	Falling birthrate and aging population <ul style="list-style-type: none"> Labor shortages due to ongoing decline in working-age population Aging and diversifying workforce 	<ul style="list-style-type: none"> Reducing logistics burden, improving efficiency, and maintaining and improving service levels New services and advancements through co-creation with customers and suppliers 	<ul style="list-style-type: none"> Improve logistics automation, labor saving, and digital transformation through use of technology Various procurement, sales, and distribution measures <p>➔ P.45-48</p>
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 	<ul style="list-style-type: none"> Promptly responding to changes in purchasing behavior Expanding products and services to meet increasing customer experience expectations and diverse needs Securing IT personnel and establishing a flexible system to promote projects 	<ul style="list-style-type: none"> Maximize and integrate product and business expertise in both B-to-B and B-to-C businesses <p>➔ P.44</p>
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 operations Need to create new innovations 	<ul style="list-style-type: none"> Promoting evolution of entire value chain by: <ul style="list-style-type: none"> Leveraging state-of-the-art technologies including AI Developing proprietary technologies Utilizing large volumes of data 	<ul style="list-style-type: none"> Establishment and utilization of a big data platform Development and reskilling of digitally literate personnel within the Company and at affiliates <p>➔ P.58</p>
4	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 	<ul style="list-style-type: none"> Achieving and implementing sustainability management that connects stakeholders and helps resolve social issues Spreading sustainability values, promoting movement, and driving behavioral change 	<ul style="list-style-type: none"> Performance of function as sustainable hub and promotion and realization of ethical e-commerce <p>➔ P.27-31</p>
5	New workstyles <ul style="list-style-type: none"> Elimination of business/consumer distinction as workstyles change Changes in awareness of work-life balance 	<ul style="list-style-type: none"> Utilizing customer feedback and data to co-create and resolve issues together with manufacturers Developing and expanding original products and services that adapt to changes in workstyles and lifestyles 	<ul style="list-style-type: none"> Integration of B-to-B and B-to-C businesses and development and expansion of products and services that take into account mindset of "work as just one aspect of life" <p>➔ P.27 ➔ P.49-50</p>
6	Need to strengthen human capital <ul style="list-style-type: none"> Growing interest in human capital investment Need to secure, invest in, and develop human resources as source of competitive advantage and value creation 	<ul style="list-style-type: none"> Developing human resources to strengthen sustainable corporate activities Innovating with proactive human resources Promoting diversity where individuals can demonstrate their abilities 	<ul style="list-style-type: none"> Priority measures and initiatives for human resource development: 1) Digitally literate personnel, 2) Personnel who can help to realize ethical e-commerce, and 3) Next generation of executive officers Initiatives for strengthening human capital <p>➔ P.42-43 ➔ P.72-73</p>

ASKUL's Sustainable Financial Strategy for Realizing Social Optimization

Financial Results for the Fiscal Year Ended May 20, 2023

The fiscal year ending May 20, 2025 will be the final year of ASKUL's Medium-Term Management Plan. With the goals of the final year of the plan in mind, in the fiscal year ended May 20, 2023, we invested in growth to achieve our two major goals of changing the curve of our B-to-B business growth trajectory and making LOHACO profitable for the full fiscal year. As a result, we achieved both goals and overcame the impacts of yen depreciation and inflation to post record-high net sales and operating profit in our consolidated full-year results.

In addition, in the fiscal year ended May 20, 2023, we began operation of the ASKUL Tokyo Distribution Center (DC) and launched the New ASKUL Website—two major investment projects of the Medium-Term Management Plan. Based on these achievements, we regard the period as one in which steady business progress was made toward achieving the goals of the final year of our Medium-Term Management Plan.

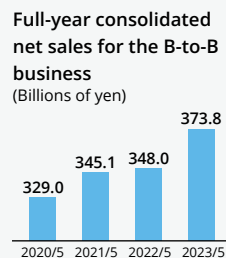


The B-to-B Business

The Trajectory of the Sales Growth Curve is Changing

A key factor in changing the trajectory of the sales growth curve in the B-to-B business was the combination of three priority measures: expanding the product range, opening up access to the SOLOEL ARENA website, and investing further in sales promotion activities.

Serving as a precursor to certain functions of the New ASKUL Website, the SOLOEL ARENA website expanded the product lineup while opening up a traffic path for customers to



transition from external search websites directly to our product pages. Furthermore, we made web advertising a priority investment to strengthen this traffic path and achieve our goals.

As a result, the product lineup expanded to 12.47 million items at the end of the fiscal year under review. Thanks to the opening of the SOLOEL ARENA website, we have seen the generation of ¥15.4 billion in sales as well as a boost in value per order due to the expansion of opportunities for customers to shop around and add further purchases to their orders of maintenance, repair, and operations (MRO) supplies and medical products, which are strategic categories.

[P.55](#) Key Strategies 2 Establishment of the Most Powerful B-to-B E-Commerce Website

In addition, sales increased due in part to flexible price revisions. As a result, the sales growth rate settled at 107.4% year on year, which we assess as having changed the trajectory of the growth curve.

Operating Profit Also Exceeds Initial Target

Although the yen's depreciation temporarily lowered the gross profit margin, the Company responded by taking measures such as flexibly revising prices. Moreover, the logistics cost to sales ratio was also reduced as a result of measures to raise the unit sales price per box. Although profits decreased due to the implementation of growth investments, operating profit also exceeded the planned level.

Full-Year Consolidated B-to-B Business Net Sales and Operating Income for the Fiscal Year Ended May 20, 2023

	Results	Year on year	Compared with target
Net sales	¥373.8 billion	107.4%	101.6%
Operating profit	¥14.7 billion	87.0%	105.1%

Favorable Progress Made in Two Major Investment Projects with Flexible Changes to Plans

One of the two major investment projects, the ASKUL Tokyo DC, a state-of-the-art flagship distribution center in East Japan for supporting B-to-B growth, began operations on November 21, 2022.

Plans for the New ASKUL Website, another investment project, had to be revised due to an increase in labor hours needed for system development, but the project is progressing well under the revised plans.

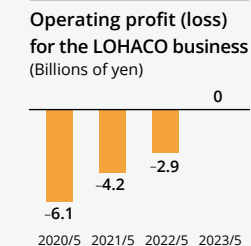
[P.57](#) Key Strategies 4 Reform Platforms

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The B-to-C Business (LOHACO)

Profitability Achieved for the Full Fiscal Year as Planned

Due to the burning down of ASKUL Logi PARK Metropolitan (Iruma District, Saitama Prefecture) in 2017 and the parcel delivery crisis, the operating loss of the LOHACO business temporarily expanded to nearly ¥9.0 billion. In December 2019, the Company declared that the LOHACO business would return to profitability by the fiscal year ended May 20, 2023 through cost structure reform. Since then, LOHACO's losses have been steadily reduced. In the fiscal year ended May 20, 2023, which was positioned as a period for culminating all of our efforts, the business achieved profitability for the full year as planned.



[P.13](#) History of Taking on Challenges and Evolution B-to-C Business

While we were able to achieve significant sales growth by implementing large-scale sales promotion measures, we experienced a period in which profit margins shrank. However, our efforts to improve gross profit and reduce logistics costs, the biggest costs in e-commerce, were particularly successful.

Specifically, efforts to improve gross profit included improving the gross profit mix by developing the website's user interface (UI) and user experience (UX) design, narrowing down reward point sources through efficient sales promotion measures, and flexibly revising prices.

We achieved further improvement in the sales unit price per box by implementing sales promotion measures to induce customers to buy in bulk and revising the threshold for free shipping*, which led to an improvement in the ratio of sales to delivery costs.

In addition, measures such as providing our proprietary delivery management system to delivery partners to integrate B-to-B and LOHACO deliveries and promote unattended delivery to reduce

ASKUL's Sustainable Financial Strategy for Realizing Social Optimization

the costs of returning parcels to depots, and smoothing out shipping operations in warehouses by offering Otoku Designated Delivery are also contributing to reduced logistics costs.

[P.57](#) Key Strategies [4](#) Reform Platforms

[P.56](#) Key Strategies [3](#) Synergies with Z Holdings (Currently LY Corporation)

Achieving profitability for a full fiscal year is just one milestone for the LOHACO business. Going forward, we will steer the business toward renewed growth on the basic premise that it will maintain full-fiscal-year profitability over the medium and long term.

* Criteria for the value of orders for which the Company bears the basic delivery charge

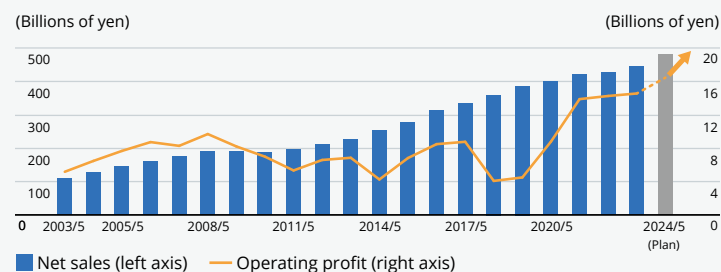
Net Sales Declined

In the first quarter, sales grew as a result of large-scale sales promotions. From the second quarter onward, however, the sales growth rate for the full fiscal year was 85.0% (for LOHACO on a non-consolidated basis) due to changes to marketing campaigns.

Plan for the Fiscal Year Ending May 20, 2024

Accelerating Sales Growth and Beginning Profit Growth to Significantly Increase Profit

In the fiscal year ending May 20, 2024, we plan to continue to accelerate changes in the trajectory of our sales growth curve and change the trajectory of our profit growth curve as we head toward the final year of the Medium-Term Management Plan.



We are focusing our efforts to realize the plan for the B-to-B business. Two key factors in these efforts are the acceleration of sales growth and the improvement of the gross profit margin, which temporarily declined in the fiscal year ended May 20, 2023.

Accelerating Sales Growth

In the B-to-B business, we plan to increase net sales by ¥43.1 billion through the following key measures.

① Launching the New ASKUL Website

The New ASKUL Website went fully live in July 2023, and we expect to see further benefits arise from greater accessibility as more customers become able to directly access all of the product pages of the SOLOEL ARENA website.

[P.55](#) Key Strategies [2](#) Establishment of the Most Powerful B-to-B E-Commerce Website

② Further enhancing online sales promotions

In the fiscal year ended May 20, 2023, we achieved sales growth by increasing online sales promotion expenses by ¥1.0 billion from the fiscal year ended May 20, 2022 as a growth investment. In the year ending May 20, 2024, we plan to increase online sales promotion expenses by ¥1.7 billion with a view to implementing mass advertising.

③ Increasing order unit price

We plan to continue to expand our product lineup, focusing on strategic category products, and to improve and devise sales methods to achieve an increase in the unit price per customer order.

④ Increasing Group companies' net sales

We expect FEED Corporation, which became a subsidiary in February 2023, to contribute to the Company's overall performance as its net sales will be included in our consolidated financial results from the fiscal year ending May 20, 2024.

[P.54](#) Key Strategies [1](#) Strategic Areas and Expansion of Product Lineups

Working to Improve the Gross Profit Margin Ratio

In the B-to-B business, we plan to increase the gross profit margin ratio by approximately 1% by implementing the following key measures.

① Improving the profitability of mainstay products

In the fiscal year ended May 20, 2023, we saw a fall in the profitability of several mainstay products due to the depreciation of the yen, resulting in a temporary decline in the gross profit margin ratio. However, we are confident that we will see an improvement in said ratio in the fiscal year ending May 20, 2024, as the foreign exchange position of the products in question recovers.

② Shifting to more profitable product categories

We will also introduce high-unit price items, with a focus on strategic category products, while working to expand sales of products with high gross profit potential by refining and devising sales methods.

③ Increasing commission income from the advertising business

The advertising arm of our B-to-B business, which began full-scale operations in the fiscal year ended May 20, 2023, has been well received by manufacturers, who are also advertisers, as there is no similar existing model. We therefore expect an increase in commission income to contribute to gross profit in the fiscal year ending May 20, 2024.

Reigniting Growth in the LOHACO Business

We expect the current trend to continue until the third quarter, when the effects of changes to marketing campaigns have run their course for the year. We aim to achieve renewed growth from the fourth quarter onward by creating a business structure that can achieve sound growth without being affected by large-scale sales promotions, through such measures as expanding LOHACO's product lineup through synergies with the B-to-B business, while strengthening cooperation with Group services such as Yahoo! Shopping and LINE.

Linking Sustainability Initiatives to Lower Logistics Costs

The plan for the fiscal year ending May 20, 2024 anticipates an increase in logistics costs due to the so-called "2024 issue*" in logistics, rising labor costs associated with inflation, and soaring gas prices.

* The possibility of not being able to transport goods due to insufficient transportation capacity caused by the enforcement of a 960-hour overtime cap for truck drivers and other regulations starting in April 2024, which will result in shorter working hours

ASKUL's Sustainable Financial Strategy for Realizing Social Optimization

As one of our new measures, we plan to raise the standard amount per order for which we bear the basic delivery fee from ¥1,000 (including tax) to ¥2,000 yen (including tax) for B-to-B services, effective November 1, 2023. Considering the severe labor shortage in the logistics industry, we will promote this increase as one of the sustainability initiatives that form part of our ethical e-commerce efforts targeting the resolution of social issues. With the understanding and cooperation of our customers, we will also promote unattended delivery; our Otoku Designated Delivery service geared toward equalizing the shipping volume of ordered products; and the automation and digital transformation (DX) of various logistics processes.

[P.46](#) [Aiming Toward a New Logistics Model: Three Paths to Resolving Issues](#)

[P.57](#) [Key Strategies](#) [4 Reform Platforms](#)

Achieving Significant Profit Growth in the Fiscal Year Ending May 20, 2025 Changing to a High-Profit Model

One of the most significant elements in our ability to achieve record profits in the fiscal year ended May 20, 2023 was the improvement of the unit sales price per box in the B-to-B business.

In the LOHACO business, we have positioned improving the unit price per box as one of the key tasks for returning to profitability, and we have been successful in this regard. As one of the measures to create synergies between the B-to-B and LOHACO businesses under the new corporate structure implemented in March 2023, we have begun earnest efforts to improve the sales unit price per box in the B-to-B business based on the relevant know-how we have cultivated in the LOHACO business. As a result, the unit sales price per box in the B-to-B business for the fourth quarter of the fiscal year under review was 109.9% compared with the same period of the previous fiscal year, resulting in a substantial reduction in delivery costs equivalent to ¥700.0 million (¥3.0 billion on an annualized basis) during the same period.

In our business, which covers all aspects of e-commerce down to the last mile, increasing the unit sales price per box will reduce delivery costs, the largest cost in e-commerce, and will significantly change our profit structure. We will continue to make improvements in

relation to this KPI, which we regard as the most important KPI for realizing the change to a highly profitable model, one of the basic policies of the Medium-Term Management Plan.

Although we plan to increase fixed costs to some extent by implementing growth investments in the fiscal year ending May 20, 2024, we aim to absorb fixed costs and reduce overall SG&A expenses by improving the unit sales price per box.

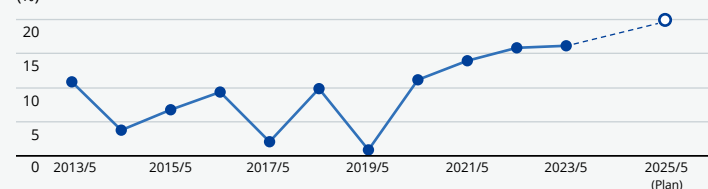
The above-mentioned measures will enable the Company to start realizing profit growth in the fiscal year ending May 2024, which will lead to significant profit growth in the final year of the Medium-Term Management Plan (the fiscal year ending May 20, 2025), when fixed cost increases will have eased off.

Aiming for ROE of 20.0%: Our Approach to Investments

ROE for the fiscal year ended May 20, 2023 was 16.2% (on a consolidated basis).

We experienced a period of significant decline due to the burning down of ASKUL Logi PARK Metropolitan (Iruma District, Saitama Prefecture) in 2017 and the parcel delivery crisis. Over the past few years, however, we have been steadily improving the efficiency of our management and continuously improving ROE.

ROE over the past 11 years (%)



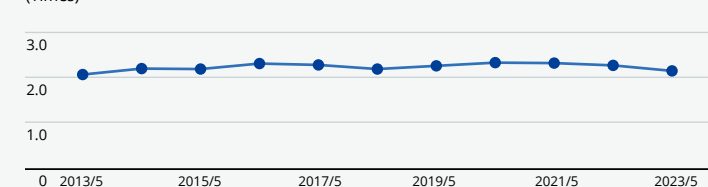
The following explains our basic approach to achieving our target ROE of 20% in the fiscal year ending May 20, 2025, the final year of the Medium-Term Management Plan, and specific initiatives to this end.

Key Points for Improving ROE

The Company maintains a healthy and sound balance sheet. Through the refinement of a business model that keeps total assets at an appropriate level and efficiently increases sales, we aim to make efficient use of the capital entrusted to us by our shareholders.

For example, we have maintained a consistent total asset turnover ratio even during periods of declining ROE by implementing a business model that minimizes accounts receivable by using our proprietary demand forecasting system that maintains optimal inventory levels.

Asset turnover ratio over the past 11 years (Times)



Another key point is our ability to generate cash.

The cash conversion cycle stands at -27.4 days (for the fiscal year ended May 20, 2023), which indicates that the Company always has cash on hand—a contributing factor to the formation of a solid balance sheet.

These structural factors are the basis of the Company's ROE improvement, which is further enhanced by the implementation of a clear approach to investments.

Approach to Investments

In order to limit unnecessary asset growth, the Company's basic approach is to focus investments in areas that help it differentiate itself from competitors. On the other hand, for assets that do not readily lead to differentiation, such as land and buildings, the Company is promoting an "asset-light" management approach.

ASKUL's Sustainable Financial Strategy for Realizing Social Optimization

Investments that Help Differentiate the Company from Its Competitors

A typical example is the investments we make in our distribution centers.

We invest in material-handling equipment to be installed in our distribution centers and do not acquire real estate such as buildings or land. If certain requirements such as location and capacity are met, we consider the building itself less likely to be a differentiator. The ASKUL Tokyo DC, which began operations in November 2022, is also a leased building (annual rent: approximately ¥1.2 billion), with most of the investment capital allocated to material-handling equipment.

The adoption of such equipment is extremely important in maintaining and enhancing the speed of delivery, which is a differentiating factor and strength of the Company. Material-handling equipment that automates as many operations as possible at distribution centers is key to meeting the needs of customers seeking next-day delivery of commodity products, which are purchased frequently and at low unit prices, while at the same time pursuing cost efficiency.

We also adopt the same mindset when investing in software. One example is our investment in the development of the New ASKUL Website, which went fully live in July 2023. The New ASKUL Website provides a one-stop service to meet the purchasing needs of all B-to-B customers, from small and medium-sized enterprises to large corporations, and allows visitors to the website to use various functions free of charge.

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The Company has positioned this as one of the most important strategies in its Medium-Term Management Plan and has made the largest software investment in its history (totaling ¥15.0 billion) on the premise that it could be a key factor for medium- to long-term growth.

In addition, we are considering investments that will differentiate our business from a sustainability perspective. Based on our belief that human capital serves as a source of the differentiation that we aim for, we introduced performance-linked bonuses in the fiscal year ended May 20, 2022, and basic salary increases beginning in the fiscal year ending May 20, 2024, to reduce the cost-of-living burden on employees brought about by inflation.

One of the major criteria for investments, including with regard to non-financial capital, is that the investment should be a differentiating factor that contributes to our medium- to long-term growth. Accordingly, we carry out such investments after careful scrutiny.

Total investment for the fiscal year ended May 20, 2023	¥14.6 billion
Investment in the ASKUL Tokyo DC (material-handling equipment)	¥5.3 billion
Investment in the New ASKUL Website	¥5.4 billion

In the fiscal year ended May 20, 2023, the second year of the Medium-Term Management Plan, ROE was 16.2%.

We have positioned the fiscal year ending May 20, 2024, the third year of the plan, as a period to change the trajectory of the profit growth curve while accelerating sales growth. Furthermore, in the final year of the plan, the fiscal year ending May 20, 2025, we aim to achieve significant profit growth and bring ROE to 20.0%. We will continue to focus on ROE and promote highly capital-efficient management.

Topic

Communication with Shareholders and Investors

The Company believes that engaging in dialogue with all shareholders and investors is important for achieving sustainable growth.

Opinions, requests, and concerns are regularly fed back to the management team, as well as to general employees through webinars and other means, in an effort to enhance corporate value.

In principle, the representative director, directors, senior management, and executive officers handle actual dialogue with shareholders, taking into consideration the shareholders' intentions and the main concerns of the meeting. Fair disclosure rules are respected, with the utmost care taken to avoid leakage of insider information.

Figures for the Fiscal Year Ended May 20, 2023

① Number of meetings with analysts and investors

Meeting body	Meetings held
Individual meetings	255
Financial results briefings and Q&A sessions	4
Facility tours	1
Small meetings hosted by brokerage firms	12

② Number of internal communication briefings with analysts and institutional investors

Scope of report	Sessions held
Board of Directors	2
Management Committee	4
General employees	12

③ Attendance of shareholders at the 59th Annual General Meeting of Shareholders

Attendance method	Attendees
In-person	13
Online	57



Tsuguhiro Tamai
Director, CFO

Takahiro Kazahaya
UBS Securities Japan Co., Ltd.
Global Research
Senior Analyst, Head of Japan
Consumer

CFO and Analyst Dialogue

**Aiming to Enhance Long-Term Corporate Value
through Our Transformation from
an Office Supplies Mail-Order Company**

We invited analyst Takahiro Kazahaya of UBS Securities Japan Co., Ltd., to talk with director and CFO Tsuguhiro Tamai about the path to ASKUL's long-term growth.

Takahiro Kazahaya

UBS Securities Japan Co., Ltd., Global Research
Senior Analyst, Head of Japan Consumer

Mr. Kazahaya has been engaged in research and analysis of the retail sector for more than 15 years. He joined Isetan (now Mitsukoshi Isetan) in 2000, and later started his coverage of the retail sector as an analyst at Nomura Securities. He served as a senior analyst in the retail sector at Deutsche Securities from September 2009, and became head of equity research and managing director at Credit Suisse Securities (Japan) from October 2019.

**Consistently Executing Plans Based on Our Purpose
and Corporate Philosophy**

Kazahaya: I would like to start by saying that, with LOHACO turning profitable, it seems that the fog has truly lifted for ASKUL. Having embarked on a journey of self-discovery, I feel that the Company has now reached a stage in which it has clear direction, with everyone pulling together toward the same end.

Tamai: Besides the challenges associated with LOHACO, we have also faced a distribution center fire, the Great East Japan Earthquake, and many other issues. Under a new corporate structure, the then-newly appointed president was wondering how best to lead the Company and decided that we needed to send out a clearer message, so he formulated Our Purpose from the ground up.

Kazahaya: The Company has achieved a great balance. In terms of its purpose and corporate philosophy, I don't necessarily feel that the Company is getting ahead of itself in its vision. What needs to be done is clear and consistent with the direction of the Company,

CFO and Analyst Dialogue

so I think investors are looking on with peace of mind. In addition, resolving LOHACO's deficit has been a major challenge up to this point, but it was successfully brought to profitability in the fiscal year ended May 20, 2023. This has led to rising expectations that the Company can firmly address the issues it sets forth.

Tamai: I believe it is extremely important to convey a solid and accurate picture of the true scale of ASKUL in our communications with our shareholders. We recognize that meetings with shareholders and investors are not so much for the purpose of improving our stock price, but rather an opportunity to receive an array of insights into ASKUL's future growth. It is important that we show continuity from the previous fiscal year to the current fiscal year and where we are headed in the future. In the current fiscal year, we are working to change the curve of trajectory for our profit growth in addition to our sales growth. Although many have responded that we are quite aggressive in our targets, we have taken great care to explain the rationale of our Medium-Term Management Plan step by step while executing its strategies. We believe that if we can achieve a change in our profit growth trajectory while disclosing results by quarter, we will be able to raise expectations even higher.

Kazahaya: Oftentimes, medium-term management plans are formulated based on past numbers, but ASKUL is consistent in its approach from its corporate philosophy and purpose to its setting of targets. It clearly defines its vision, and the results follow. I personally believe that a company's net sales go hand in hand with customer satisfaction, but it is important to clearly outline the approach taken to achieve such targets. As an analyst, I seek to look beyond the numbers to confirm whether a company's activities are in line with its stated philosophy and purpose, and whether its plans are consistent with its vision.

Promoting Cohesion between LOHACO and the B-to-B Business, Transitioning to a Stage of Greater Synergies

Kazahaya: I sometimes feel uncertain whether I fully understand the positioning of the LOHACO business and would like to reaffirm the Company's rationale for promoting LOHACO, which operates as part of its B-to-C business, while its B-to-B business is providing such great value to society.

Tamai: In line with the theme of our Medium-Term Management Plan, through our transformation from an office supplies mail-order company, we are shifting to the living supplies, MRO, and medical fields that are indispensable to our customers. This is a testament to our efforts with LOHACO, which have allowed us to scale our operations while tapping into the B-to-C market. In the future, boundaries separating the B-to-B and B-to-C businesses are likely to disappear. With an eye to future growth, we must firmly expand the strengths that we have in our original products, which are a feature of the B-to-B business, to LOHACO as well. We are also looking to expand our range of environment-friendly products—another of our strong points. The integration of the B-to-B business with LOHACO is of great significance to ASKUL, as it will unify its platforms and improve efficiency while maintaining LOHACO's profitability. Going forward, I believe that we will transition to a stage of expanding synergies between the B-to-B and B-to-C businesses, and in doing so, we must also disclose the indicators of such synergies.

Solutions Business and Ethical E-Commerce

Kazahaya: I have long felt that ASKUL's potential lies not only in selling goods, but also in solving various problems faced by companies, and therein lies an opportunity for future growth. To unlock this potential, in addition to developing the ability to accurately identify a company's issues, I believe it is important for



ASKUL to accumulate data and demonstrate the ability to make data-based proposals to customers.

Tamai: We are only halfway to achieving our transformation from an office supplies mail-order company. With our investment plan limited to B-to-B e-commerce, we must proactively invest in other areas. We will continue to invest in B-to-B growth while aiming for further profitability. In other words, we will focus on ethical e-commerce as the basis for our next stage of growth while ensuring that our existing businesses experience solid growth and increased profitability. In recent years, we have seen a drastic change in the awareness of environmental issues among our customers and have accumulated big data on the environment through our comprehensive involvement in all processes from product development through to logistics. Our plan is to utilize

CFO and Analyst Dialogue



this data for future business opportunities. For example, all companies are having difficulty calculating CO₂ emissions, namely Scope 3, and we are considering offering a service that provides a solution to this issue. For our customers, the ability to purchase products in a simple, single transaction is a given, but in addition we would like to establish a business that allows them to rely on ASKUL for solutions—with full support for the environmental soundness of such solutions.

Kazahaya: ASKUL is a company with great potential and tremendous opportunities. At the same time, it also offers value in building up its efforts over time, much like the cumulative action of herbal medicine. There are very few mail-order catalog companies that have been able to successfully transition to e-commerce, but I believe ASKUL is one of those few. I often use the words

“evolution” and “deepening” in my reports. ASKUL is always evolving while at the same time working to deepen its business operations. In this sense, taking into consideration macro trends, I see only opportunities for ASKUL in the future. I believe that, by 2025, for the first time, e-commerce will have the largest share among the major business categories in the Japanese retail market, and it will overtake supermarkets to become No. 1. That doesn't mean, however, that all e-commerce will be successful. The issues facing ASKUL's customers will continue to change and diversify over the next five to ten years, and this in itself is a business opportunity. I believe that the Company's steady and diligent efforts will lead to the enhancement of corporate value, net sales growth, and customer satisfaction.

Tamai: I am pleased to hear our efforts described as steady and diligent. The current ASKUL is truly the result of progress earned step by step. As Mr. Kazahaya said, our net sales depend on the support of our customers, so we must work to further improve customer satisfaction. We are an internet company engaged in e-commerce and have a real-world logistics network. Since our founding, we have passed on the DNA of advancing forward for our customers, listening honestly to feedback and translating it into the evolution and deepening of our business operations. Even the most technologically advanced internet companies cannot easily imitate the cumulative development and improvement that is made possible by having an integrated value chain from product planning to last-mile delivery. I believe that our strength lies in our on-site capabilities. We are Japan's leading office supplies mail-order company. Through realizing our transformation, we will make it possible for companies to purchase from ASKUL all the indirect materials they need. As Japan's population declines, labor shortages will become more apparent. Amid this backdrop, there

will surely come a time when people will want to entrust all of their needs to a reliable company. We are in the best possible position right now, and our philosophy and approach align with the situation. Along with technological innovation, we will make big data freely available to provide useful information to customers and earn greater trust, which will lead to greater improvement in customer satisfaction. We hope to create a virtuous cycle that leads to further sales and profits.

Aiming to Improve Long-Term Corporate Value by Transitioning to Our Next Stage of Growth

Kazahaya: ASKUL is not biased toward any company in the products it handles. Even within a particular category, the lineup comprises products from a variety of companies, which I believe gives the Company's business partners peace of mind. I feel that this is an inherently interesting aspect of ASKUL. The fact that ASKUL has become such a promising company is in itself valuable. Its business model transcends national borders. There are potential customers all over the world, regardless of industry or size, facing similar issues, and therein lies great potential for providing solutions. As such, I believe that we can expect great things from the Company.

Tamai: I think the key to our overseas expansion is whether we can demonstrate, as we do in Japan, our strength in providing solutions to our customers' problems, not only through the sale of office mail-order supplies but also in enabling the purchase of all kinds of indirect materials in one place. In the next medium-term management plan, we will begin by firmly outlining a path to open up possibilities beyond the sale of goods in Japan.

CHO Message



Tamami Ito
 CHO*, Executive Officer, Human Relations &
 General Affairs Unit

* Chief human relations & healthcare officer

Aiming to be an organization that leads the Company's transformation by bridging the gap between management and the front lines and forging connections between people and businesses

ASKUL's Approach to Human Capital

ASKUL is an e-commerce company that supports all workplaces and lifestyles, and its employees are both providers and recipients of its services. The fact that we take personal delight in the services we create gives rise to a virtuous cycle of growth for both individuals and society. Therefore, we consider human resources, who are the very source of our competitive edge and the agents of value creation, to be our most valuable asset.

Our human resource policy, which was formulated in March 2023, is linked to the ASKUL WAY and reflects the Company's approach to human capital in terms of both its people and organization.

[P.72](#) Strengthening Human Capital

The Role of HR

Traditionally, HR has focused more on day-to-day operations and operational roles, such as managing personnel systems and processes to create a productive organizational infrastructure and improve employee commitment and competence. Nowadays, however, it is increasingly important for HR to integrate human resource management into business activities and lead the way in implementing change. As CHO, I would like to transform ASKUL's HR into a proactive organization by firmly linking management and business strategies with personnel strategies, and by having HR function as a partner in the execution of the strategies of each of the Company's business units.

As the first step in this transformation, from the fiscal year ending May 20, 2024, we have appointed a dedicated Human Resource Business Partner* (HRBP) to each business unit. The HRBP takes on the role of working with division heads to contribute to the achievement of each division's goals from a personnel-oriented perspective, with the goal of improving divisional performance. Executive officers

of each unit meet with the HRBP once a month to discuss staffing, the direction of new organizations, employee development, and measures to be taken based on survey results. In addition, attending unit meetings and keeping abreast of strategies, the progress of measures to achieve said strategies, and any issues that arise enables HRBPs to work on providing appropriate support while aligning their perspectives with each unit. Although it has only been around six months since the HRBP initiative was launched, each HRBP now spends more time in contact with each division as a representative of HR, which I feel has helped to eliminate barriers to discussion and has brought HR and each division closer together than ever before.

* Human Resource Business Partner: One of the human resource functions of a company. As a partner to executive officers of the company's business units, the role of the HRBP is to support the execution of strategies from both individual and organizational perspectives.

Appointment of a Human Resource Business Partner (HRBP)

(Human Resource Business Partner)

- ▶ **Objective:** To improve divisional performance
- ▶ **Role:** To contribute to the achievement of each division's goals from a personnel-oriented perspective
- ▶ **Activities:**
 - Engaging in workforce planning
 - Attending regular meetings with executive officers of each unit
 - Participating in unit meetings
 - Addressing inquiries and consultations from unit members
 - Supporting promotion of the ASKUL WAY, etc.
 - Attending final recruitment interviews
 - Attending evaluations and personnel development meetings

CHO Message

Human Resource Strategy for Realizing the Medium-Term Management Plan

We have set forth three priority measures in our human resource strategy for realizing the Medium-Term Management Plan.

The first measure is securing and developing digitally literate personnel. Amid concerns about labor shortages, the need for digitally literate personnel is increasing exponentially. Such personnel will serve as the management foundation for making full use of technologies to respond to the drastically changing business environment and implementing changes as promptly as possible. We are ramping up the recruitment of specialists and actively taking on new graduates and mid-career hires while simultaneously reskilling existing members to raise Companywide levels. As an example of such reskilling efforts, the Data Science Course, which is part of the ASKUL DX ACADEMY, has completed its fifth semester and, as of the fiscal year ended May 20, 2023, 18.6% of all employees have emerged from the course as human resources well versed in the field of data science and are honing their practical skills in their respective departments. Another feature of the Company's reskilling and skill-building opportunities is that they are provided on a voluntary basis.

The second measure is developing personnel who can contribute to ethical e-commerce. To strengthen and raise the effectiveness of our approach to ESG-related issues, we are working to introduce medium-term incentives that incorporate ESG into our evaluation indicators. In particular, we believe that changes in the awareness and behavior of division heads and general managers, who form the backbone of the management team, will have the greatest impact on the Company's businesses and organizations, so we are initially focusing our efforts on this level of management. ASKUL aims to achieve ethical e-commerce that continues to generate social and economic value through innovation.

P.83 ESG-Linked Compensation Scheme

The third measure is nurturing the next generation of senior management. In order for ASKUL to continue to thrive in the next 30 to 50 years through disruptive innovation, we realize that selecting and developing management candidates is a key management issue.

Why "Relations and Healthcare"?

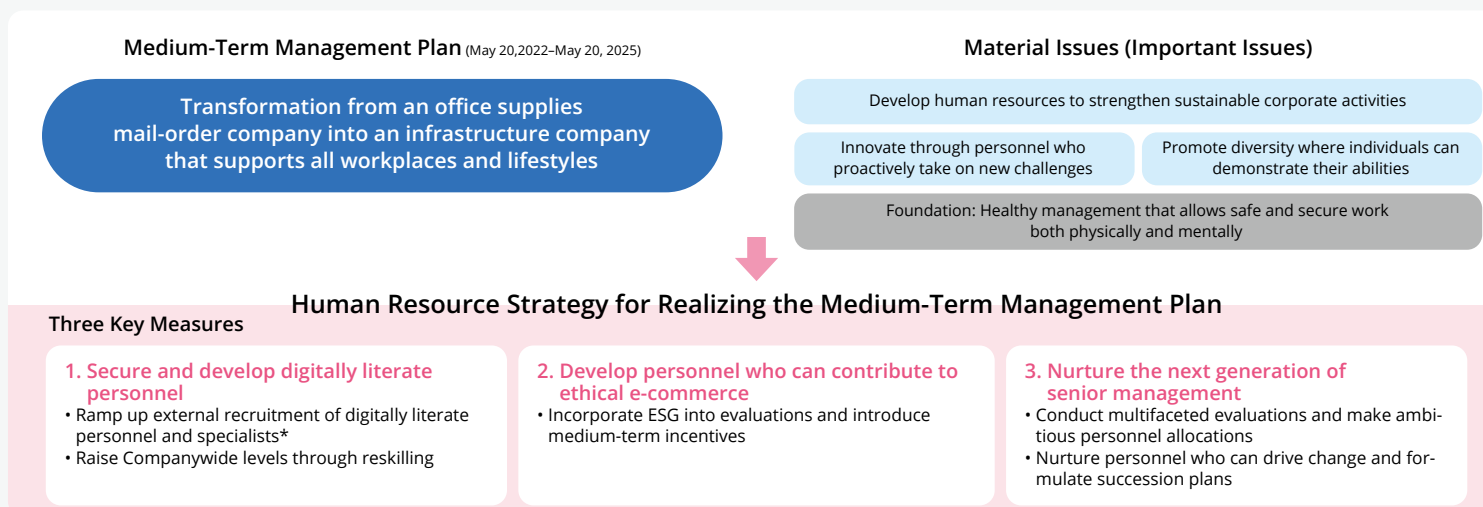
The term CHO is a common abbreviation of chief human officer. ASKUL, however, refers to its CHO as chief human relations & health-care officer. While strategies, systems, and relationships are all important matters for both individuals and organizations, ASKUL places the greatest emphasis on the relationships it maintains with employees. Thus, we have incorporated "relations" into the CHO title as an expression of ASKUL's intention for employees (individuals) and the Company (organization) to achieve a win-win relationship.

In addition, health and productivity management that enables employees to work safely and with peace of mind while being in good physical and mental health is an important foundation for business growth. We believe that healthcare is particularly important in the promotion of health and productivity management, and we have expressed this idea by including "healthcare" alongside "relations" in our CHO title.

As CHO, my role is to forge connections between people and businesses and to bridge the gap between management and the front lines to realize ASKUL's mission and vision and contribute to the enhancement of corporate value. By determining what kind of human resources are needed to achieve management strategies and how our organization should operate, I aim to drive forward the integration of management strategies and our human resource strategy. I joined ASKUL in 2003 and was appointed CHO in March 2023 after serving in the Product Division, Sales Division, Customer Support Division, as executive officer of the Logistics Unit, and as director of a logistics subsidiary. Although I started with no human resource experience, I would like to leverage the strengths in both management and the front lines that I have gained through experience over the course of my career to give back to the organization.

I will continue to bridge the gap between management and the front lines and to forge connections between people and business through active communication while striving to maintain close relationships with employees. Furthermore, I will help to enhance corporate value by further reinforcing ASKUL's core competencies of human resources who proactively take on challenges and the ability of diverse individuals to co-create and generate new value.

P.72 Strengthening Human Capital



* IT engineers, data scientists, logistics engineers, etc.

EC Business Unit and EC Product Unit Executive Officer's Message

Aiming for ethical e-commerce that adapts to changing customer needs

The purpose of this new organizational integration is to leverage the knowledge of our B-to-B and LOHACO businesses to efficiently provide highly user-friendly services and achieve ethical e-commerce.

We started out with separate business units because corporate and individual customers differed in their purchasing behavior and the product lineups they buy. In recent years, however, customer needs have changed. Largely due to the spread of teleworking, corporate customers are increasingly making purchases in ways similar to individual customers, while living supplies have become a growing category in the B-to-B business.

In response, with this integration we will not only expand products through a joint B-to-B and B-to-C approach, but also work to further evolve marketing measures and services by making use of combined know-how. Specifically, LOHACO, which had previously relied heavily on Yahoo! Shopping's promotional measures, has been able to attract more customers on its own by deploying the external customer attraction know-how cultivated in our B-to-B operations. In addition, supplier collaborative sales promotion measures are evolving to take advantage of the scale of both channels. Meanwhile, in advertising for manufacturers, we are seeing synergistic effects in many areas, such as expansion in B-to-B advertising sales achieved by horizontally deploying our leading B-to-C knowledge.

The feeling I get when running a team that integrates both businesses is a mixture of both sides' individualities, and instead of $1+1=2$, it is the start of a major, chemical reaction driven change. Since our teams are able to consider all kinds of customer needs, whether they be B-to-B or B-to-C, the new EC Business Unit is seeing more and more discussions about future visions for our business, with suggestions such as "I bet our customers would love it if we could offer this kind of service," or "With additional synergies from LY Corporation, I bet we could do this kind of thing." We will continue to do our utmost to deliver ethical e-commerce that forms an integral part of workplace and daily life.

In March 2023, ASKUL carried out major organizational reforms aimed at driving next-generation growth, and established a new EC Business Unit, which integrates the previous ASKUL Business Unit and LOHACO Business Unit. This new configuration will maximize synergies between both businesses and drive comprehensive growth for ASKUL in the e-commerce business. The IT front office functions of each business unit will be consolidated into the new EC Product Unit. In addition to achieving a flexible project implementation framework, we will further strengthen the cultivation of IT human resources.

Aiming to move more system production in-house and accelerate ASKUL's business

Over the past few years, the state of competition in the market has grown more intense, and we see the need to augment our technology to enable us to grow our business in the online world.

The success of the initiatives required for ASKUL's growth will depend nearly entirely on how skillfully we are able to make use of technology. For example, we will continue to evolve the market-place experience, with stress-free product searches so our customers can easily find what they are looking for. We will also pursue more sophisticated marketing aimed at acquiring new customers through a range of external online media as well as nurturing existing customers in the marketplace. We therefore formed the EC Product Unit so as to consolidate the expertise of our tech personnel and enhance productivity, and that is the reason behind this organization reconfiguration.

We have plans to move more system production in-house over the next few years with two main objectives in mind. The first is very basic: to speed up system development. The second is to create a team that can take the initiative in helping to maximize business KPIs. Specifically, we aim to see more engineers get involved from the business design stage, collaborate with the departments in charge, and design and develop systems capable of maximizing sales, and then repeat the PDCA cycle in that manner.

Whereas the EC Business Unit runs the business side of things, the EC Product Unit will team up with the EC Business Unit and create a relationship in which sometimes it provides systems level support and other times works shoulder to shoulder to help speed up operations for both units, and ultimately accelerate the evolution of ASKUL's business.



Saori Onsen
Executive Officer,
EC Business Unit

Shinichi Hokari
Director, CTO,
Executive Officer,
EC Product Unit

ASKUL's Logistics for Resolving Social Issues

ASKUL's Logistics Platform: Enabling Same-Day and Next-Day Deliveries

To enable same-day and next-day deliveries to customers across Japan, the ASKUL Group operates 10 distribution centers nationwide. Roughly 70% of parcels are delivered through the Company's own distribution management system.

In addition to utilizing external warehouses and building a digital network between distribution centers, ASKUL operates a procurement system that prevents shortages of items as much as possible by sharing inventory data among distribution centers and flexibly stocking up inventories by using external warehouses close to its distribution centers. Furthermore, in order to deliver products in just one box as much as possible, the Company has created a system that automatically changes the distribution centers from which products are shipped out depending on the state of inventories.

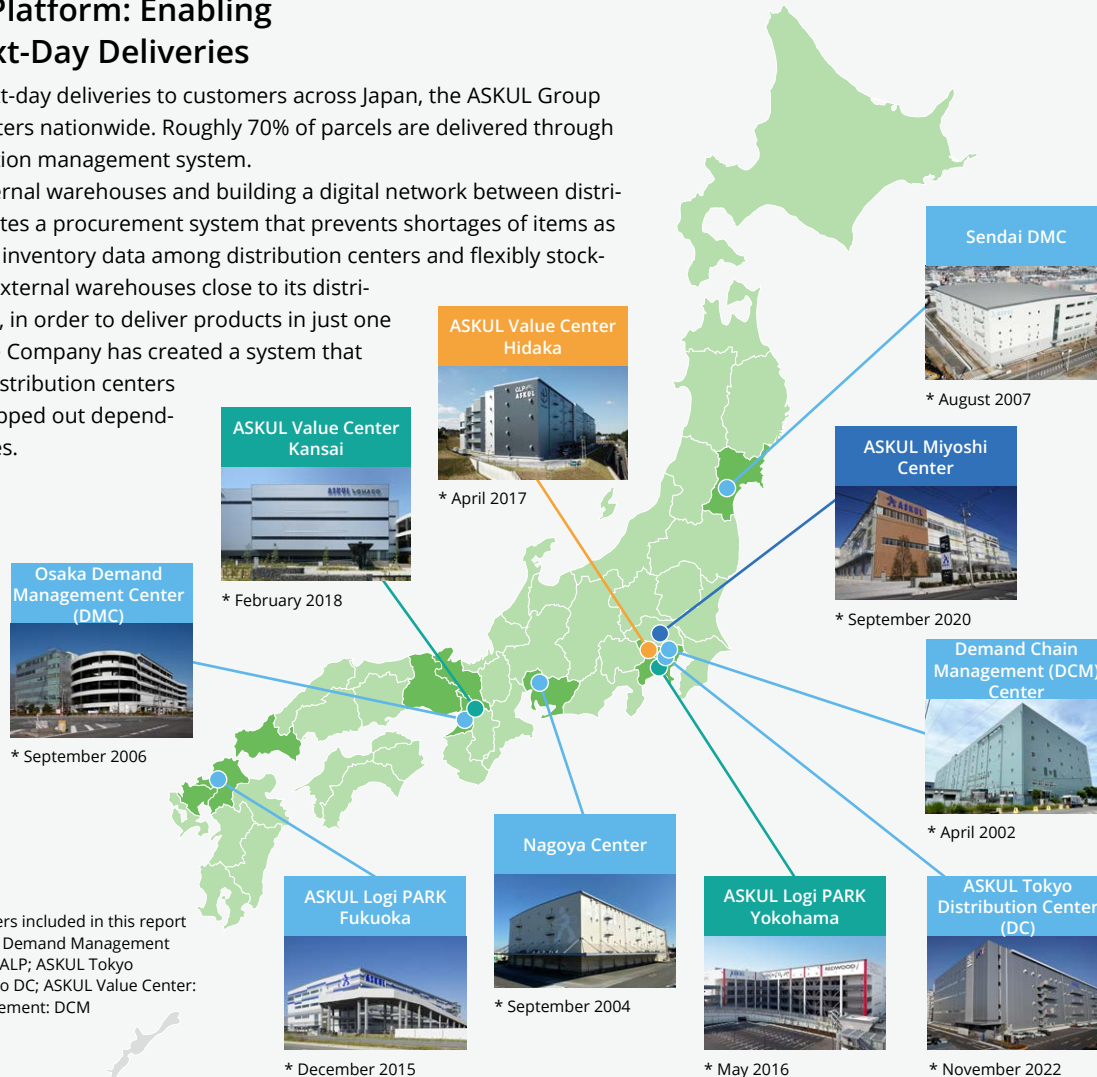
Distribution Centers

- Only B-to-B business
- B-to-B and B-to-C businesses
- Only B-to-C business
- Pre-handling and third-party logistics business

- Same-day delivery area
- Next-day delivery area

Note: Certain ASKUL distribution centers included in this report use the following abbreviations. Demand Management Center: DMC; ASKUL Logi PARK: ALP; ASKUL Tokyo Distribution Center: ASKUL Tokyo DC; ASKUL Value Center: AVC; and Demand Chain Management: DCM

* Date each center began operations



Message



Takeshi Narimatsu
Executive Officer,
Logistics Unit

Aiming to Achieve Sustainable Logistics in E-Commerce

The labor shortage in Japan, stemming from the country's declining birthrate and aging population, is affecting various industries. The logistics sector in particular is facing an extreme crisis, with a projected 36% supply shortage by 2030, and the e-commerce industry is no exception.

We believe that we can provide sustainable solutions to the structural issues faced by the logistics industry while maintaining the basic values that our customers seek from e-commerce

logistics, such as low costs, high quality, and short delivery times.

To this end, "digital transformation (DX)" and "co-creation" will be our keywords going forward. We are strongly promoting DX to reduce workloads, shorten working hours, and automate various logistics processes, including package receipt, warehouse operations, transportation, and delivery.

Our most recent success stories include the robotization of heavy labor processes in our distribution centers and the development of an application that helps to improve delivery driver productivity, and we plan to announce many more such measures in the future.

We will also focus on developing products and services that lighten the burden on logistics. We have been developing original products that improve logistics efficiency by leveraging our ability to take control of the entire value chain while creating new services with the cooperation of our customers, such as our Otoku Designated Delivery service that levels out the shipping volume of ordered products. However, I believe it is necessary to further expedite our development efforts going forward.

Amid growing social awareness of logistics issues—particularly the "2024 issue"—I feel that the way our customers think about our services is also changing. We will continue to transform issues into new value through co-creation with our customers and suppliers.

ASKUL's Logistics for Resolving Social Issues

Aiming Toward a New Logistics Model: Three Paths to Resolving Issues

Logistics Technology 01

Transportation and Delivery

1) Establishment of Collaborative Line-Haul Transportation Network
This system incorporates the transfer of inventory between ASKUL's distribution centers into the transportation process in which suppliers deliver from their warehouses to ASKUL's, thereby combining the cargo of both companies on the same truck. As a result, truck loading ratios are improved, and CO₂ emissions are decreased by reducing the number of vehicles used for transportation.

2) MOVO Berth Reservation System

We have introduced the MOVO berth registration system in all of our distribution centers. This system enables vehicle drivers who are delivering goods to distribution centers to reserve a berth for incoming shipments prior to arrival, thereby significantly reducing the amount of time drivers have to wait when making deliveries. This initiative also aims to address the pressing matter at the center of the "2024 issue"—a reduction in drivers' working hours.

3) Order Volume Leveling [Figure 1](#)

Since 2022, ASKUL has been conducting a field trial aimed at reducing the number of vehicles used for transportation and cutting CO₂ emissions by leveling out the order volume at the time ASKUL places orders with its suppliers. The system uses proprietary AI developed from the perspective of an e-commerce business and marks a shift away from the conventional order-by-order method in which order volumes fluctuate in line with demand. Having achieved a certain degree of success, we are expanding the initiative to include multiple suppliers.

4) Optimization of Inventory Placement [Figure 2](#)

Since 2021, we have been optimizing inventory placement and inventory volumes at our distribution centers. Using voluminous data on shipment histories, inventory levels for each product, shipment capacity, and storage capacity at distribution centers, we optimize inventory assignment and volume at each distribution center by determining the best inventory placement for each product based on evolutionary computing methods. We strive to reduce delivery costs by using the power of technology to eliminate split deliveries.

Figure 1 : Order Volume Leveling

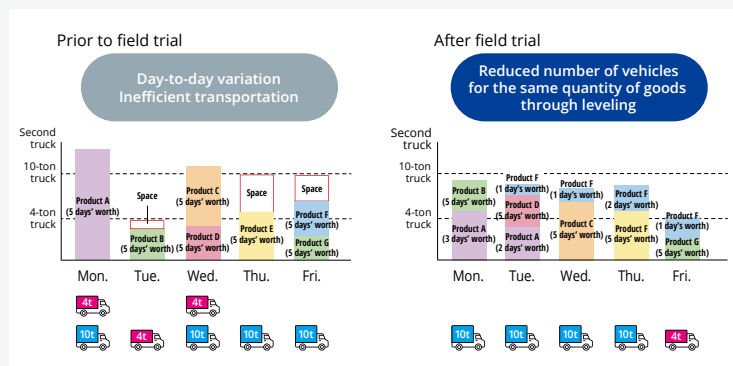


Figure 2 : Optimizing Inventory Placement



Logistics Technology 03

Warehouse Work

ASKUL has introduced a large number of robots at its distribution centers. Their introduction is based not only on the goal of improving productivity but our desire to reduce the burden on workers and create an environment in which employees can work comfortably for many years. State-of-the-art robots can reduce workloads and improve productivity by replacing humans in particularly physically demanding tasks, such as walking long distances and carrying heavy objects.

[P.47](#) Automation and big-picture digital transformation

[P.48](#) Logistics robotics and automation

[P.57](#) ASKUL Tokyo DC

Logistics Technology 02

Working with Customers to Achieve Sustainable Delivery

1) Revision of B-to-B threshold for free shipping

Amid calls to address worker shortages and improve labor conditions at logistics sites in response to the proliferation of e-commerce in recent years, we plan to raise the amount per order for which we bear the basic delivery fee from ¥1,000 (including tax) to ¥2,000 yen (including tax) for B-to-B services, effective November 1, 2023. By encouraging customers to buy in bulk where possible, we are jointly contributing to improving workstyles at logistics sites.

Until October 31, 2023	From November 1, 2023
¥1,000 (including tax)	¥2,000 (including tax)

2) Expansion of opportunities to shop around

LOHACO has implemented sales measures to encourage an increase in shopping traffic, such as offers in which discounts are applied to orders placed in bulk. By ordering in bulk, customers can not only purchase at a more reasonable price than usual but also contribute to reducing environmental impact and driver load.

3) Promotion of unattended delivery

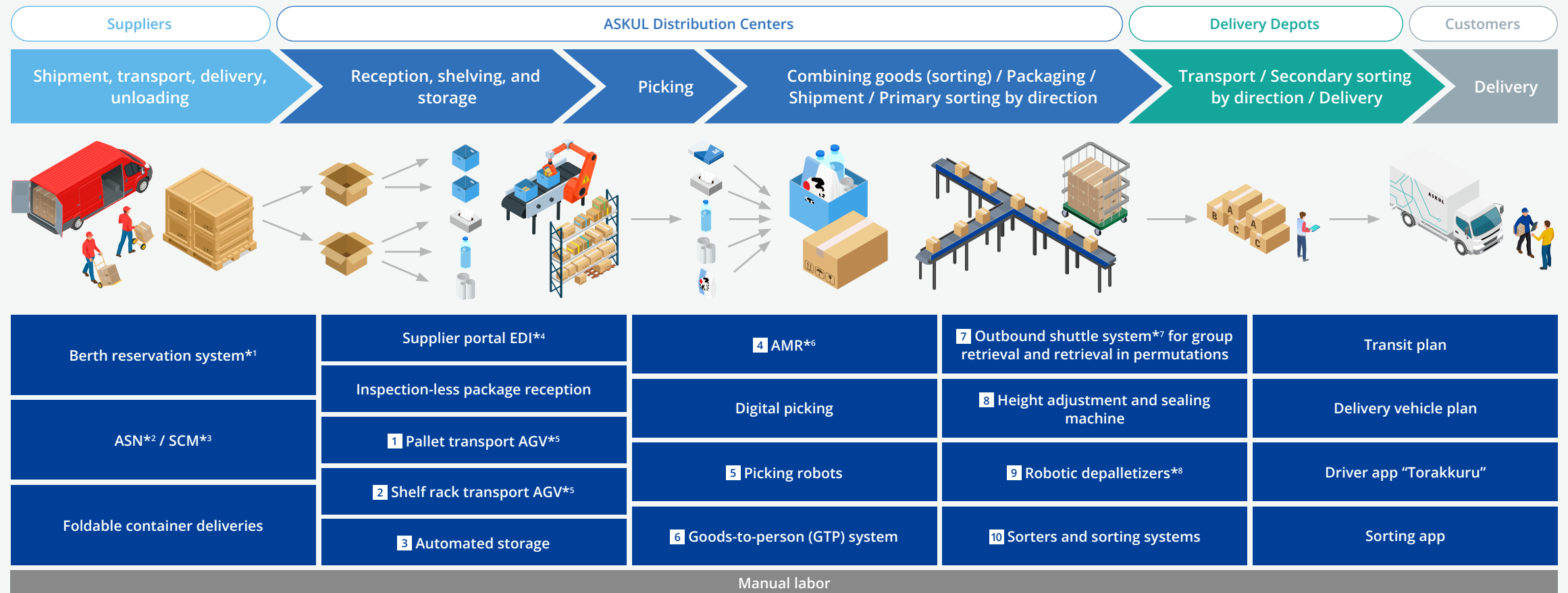
Since May 2023, LOHACO has made unattended delivery, in which parcels are left by the customer's front entrance, the default setting as part of its efforts to achieve environment-friendly delivery. This initiative will not only lower CO₂ emissions by reducing the number of redeliveries needed due to missed parcels but will also help reduce the burden on drivers.

4) Otoku Designated Delivery [P.56](#)

ASKUL's Logistics for Resolving Social Issues

Automation and Big-Picture Digital Transformation in ASKUL's Logistics

ASKUL is digitally transforming its processes, fusing together the power of machines and workers, and designing its logistics operations based on the perspective of overall optimization, from upstream to downstream operations. These efforts are resulting in lighter workloads for employees and logistics without wasteful costs.



*1 Short for "truck berth." A berth reservation system involves loading and unloading packages at spaces set aside in parking lots for trucks.

*2 ASN = Advanced shipping notice. ASN is a notification usually used by suppliers to provide detailed shipment information (delivery date, product information, volume, etc.) to distribution centers in advance.

*3 SCM = Shipping carton (container) marking. SCM refers to delivery labels with barcodes that are attached to *Oricon*, foldable containers, as well as to other types of containers. Using SCM, recipients of packages can confirm content details, tracking numbers, and other information without actually opening the package.

*4 EDI = Electronic data interchange. EDI involves the electronic handling of forms between companies, such as purchase orders, order sheets, delivery notices, and invoices, via networks.

ASKUL's Logistics for Resolving Social Issues

Logistics
Technology

03

Warehouse Work

Logistics Robotics and Automation

At each of ASKUL's 10 distribution centers nationwide, robots are installed that are suitable for each location and service provided. In addition, ASKUL's logistics specialists are involved in robotics-related design from the initial stages of establishing each logistics center.

ASKUL TECHNOLOGISTICS

Reception, shelving, and storage

Picking

1 Pallet transport AGV



Pallets full of incoming products are transported to the intake facility of the automated warehouse, increasing work efficiency by reducing the need for workers.

1 center

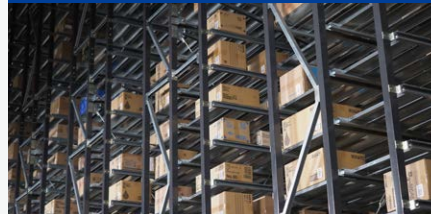
2 Shelf rack transport AGV



Products on racks of shelves are moved to the picking worker, thereby reducing the distance walked by warehouse workers and increasing their productivity.

2 centers

3 Automated storage



Products can be stored up to the height of the ceiling, maximizing storage density.

7 centers

4 AMR



The distance walked by picking workers is sharply reduced, increasing their productivity.

1 center

5 Picking robots



These arm-type robots use 3D-image recognition to automatically generate a movement plan to identify and pick out 2,000 varieties of products.

2 centers

Picking

Combining goods (sorting) / Packaging

Shipment / Primary sorting by direction

6 GTP system



This picking (goods-to-person) system transports products to the location of workers.

3 centers

7 Outbound shuttle system for group retrieval and retrieval in permutations



This shuttle system picks up products on multiple routes and moves them to packaging stations based on individual orders.

6 centers

8 Height adjustment and sealing machine



Packaging equipment folds and lids cardboard boxes in order to minimize the sizes of boxes to fit the merchandise.

7 centers

9 Robotic depalletizers



These arm-type robots move cases of products from pallets to conveyor belts, helping reduce the workloads of employees.

1 center

10 Sorters and sorting systems



Sorters are controlled by systems to divide products by their outgoing direction and delivery carrier.

All centers

*5 AGV = Automated guided vehicle

*6 AMR = Autonomous mobile robot. AMR makes use of sensing technologies, such as cameras and sensors, and AI to create maps of the environment in which they move and confirm their own location, allowing them to move while avoiding people and obstacles.

*7 Shuttle system: This is a type of equipment that can conduct deliveries to and from automated warehouses and other locations at high speeds.

*8 Depalletize: Work involving unloading individual packages off a pallet. Devices that conduct this work are referred to as "depalletizers" (opposite of palletize = to stack packages on a pallet).

Co-Creation with Manufacturers

ASKUL's Unique Product Development that Leverages Partnerships to Deliver Solutions for Our Customers and for Society

Point

01



Product development inspired by customer feedback

- ▶ Daily customer feedback shared throughout the Company
- ▶ Analysis of customer feedback by merchandisers and formulation of hypotheses based on social issues
- ▶ Partnering with manufacturers and suppliers to create value through problem-solving products for our customers and for society

Point

02



Visualization of environmental standards that enable environmentally based product comparison

- ▶ Formulation of "ASKUL Product Environmental Standards" (P.28) (30 items in total), which consist of three main categories: Containers & Packaging, Products themselves, and Mechanisms
- ▶ Visualization of our Product Environmental Standards in quantified form as Environmental Scores (P.28) listed on product pages

Point

03



Specifications that take delivery efficiency, receiver burden, and storage into consideration

- ▶ Bundling of items in one shipping package as much as possible so as to reduce CO₂ emissions during shipping and reduce the burden on the receiver
- ▶ Products and packaging that take into consideration delivery efficiency and distribution center storage efficiency
- ▶ Product size and specifications that take into account ease of storage after receiving

Development of original, value-generating products through co-creation with manufacturers inspired by customer feedback

To embody our DNA, which is "advancing forward for our customers," we take constant heed of our customers' feedback and collaborate with manufacturers and suppliers to develop original products. We plan and develop problem-solving products by pursuing comprehensive benefits from a wide range of perspectives, from user-friendliness and price to design tailored for location of use, delivery efficiency, and environmental consideration.

Original product development starts with picturing each individual customer's face and imagining the situations in which the product will be used. Our merchandisers carefully analyze customer feedback, at times conducting surveys and information-gathering, and formulate hypotheses regarding customer problems and genuinely desired functions and designs. Original products are created by repeated going through the hypotheses and verification process with manufacturers and suppliers, and we continue to make improvements thereafter.

We pay particular attention to quality control during the development process. Merchandisers and quality control departments visit production plants in advance and conduct thorough inspections of production lines and a range of other aspects, allowing us to market products with rigorously verified quality.

In March 2023, we integrated our B-to-B business and LOHACO business (B-to-C business) to maximize synergies between the two. We will evolve product merchandising into a unified team, and going forward we will accelerate product development by combining the expertise cultivated in both businesses.



Co-Creation with Manufacturers

B-to-B original products

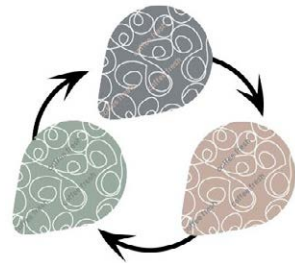
We started in 1995 with a seven-item lineup of stationery products. In 2005 we began collaborating with Scandinavian designers, and have won rave reviews for products that provide both amenity in the workplace as well as designs tailored to customer interaction situations. In recent years, we have been focusing on original product development of specialized products for medical institutions, nursing care facilities, and manufacturing industries.



Alkaline batteries (D, C, AA, AAA)*

Based on customer feedback complaining about how confusing battery sizes can be, we came up with a simple design that clearly indicates battery size at a glance. This is a long-selling product line that has ranked among the top selling batteries since 2005.

* Battery sizes in Japan are: D=1, C=2, AA=3, AAA=4



Coffee creamers

Coffee creamers are essential items used at restaurants, cafés or for serving guests or customers. Customer feedback includes the common complaint that once the creamer packets are taken out of their plastic package, it is no longer possible to tell the expiration date. This inspired us to design creamer packets with lid colors that change every three months. Thus, through the power of design, we made it possible to identify the time of purchase.



Genba-no-Chikara brand brake & parts cleaner Quick Dry

We created this maintenance, repair, and operations (MRO) product line out of the desire to help customers working in hands-on manufacturing and logistics fields in terms of both improved productivity and more affordable prices. We developed an original line of essential products for maintenance professions, which have won over customers for their superb cost-effectiveness.

B-to-C original products

LOHACO original products began in 2013 with the launch of a line of freezer bags developed in collaboration with Scandinavian designers. We have since developed a lineup focused on products integral to daily life, such as LOHACO Rice, which is polished the day it is shipped, and LOHACO Water, which comes in containers that are easy to carry and easy to store at home as well.



LOHACO Water

Our LOHACO Water brand mineral water comes in bottles that fit into shipping boxes, which enables them to be bundled in the same package along with other products. We continue to evolve the lineup with packaging strategies to accommodate needs such as efficient e-commerce delivery, environmental considerations, and customer-friendly handling and use.



LOHACO Rice

Out of the desire to deliver fresh, delicious, newly polished rice to the customer, we installed rice polishers within distribution centers that handle LOHACO deliveries. Since October 2015, we have been delivering LOHACO Rice (polished rice and pre-washed rice), which is made from carefully selected brands of brown rice and polished on the day of shipment.



Pet training pads

Our original pet training pads are designed to enable visible storage, and are available in sizes that can be bundled with other products. To meet the needs of customers dealing with the odor of pet training pads due to the increased time spent at home during the COVID-19 pandemic, in 2022 we launched a premium variety featuring charcoal and citric acid double strength deodorization.

Message



Ms. Shoko Takatsu
Nippon Paper Creca Co., Ltd.
Director, General Manager,
Marketing General Planning
Division

Scottie Flower Pack triple long-lasting toilet rolls were developed in response to a simple question from Askul: “Can you roll the toilet paper any longer to reduce the hassle of frequent replacement?”

When it came to product development, we struggled to come up with something that is both high quality, i.e., easy to use and soft on the skin, as well as lasting three times longer. We also took product size into account to make logistics more efficient, and conducted countless loading tests. Ultimately, we succeeded in reducing materials and improving transportation efficiency, thus lowering CO₂ emissions by 41% compared with standard

toilet roll products.

Originally, the idea was to find a solution to consumers’ concerns, but I feel that we went beyond that and have developed a product that delivers *Shihoyoshi* (four-way satisfaction)* by reducing CO₂ emissions and making effective use of resources.

Doing co-creation with ASKUL is a constant series of new challenges. I also feel that the biggest feature as well as appeal is that we can take the next step using big data-based analysis and verification. We have made further progress in expanding the products we develop with ASKUL, but toilet rolls in particular have been the driving force

behind our major decision to promptly discontinue regular-length rolls and shift over entirely to the long-lasting kind.

We would like to continue to grow together by implementing further initiatives that factor in sustainability, “continuously bringing delight to B-to-B and B-to-C customers as well as life, the planet and tomorrow.”

* *Shihoyoshi* (four-way satisfaction) means it is good for the consumer (the customer), the manufacturer, the distributor, and the earth.



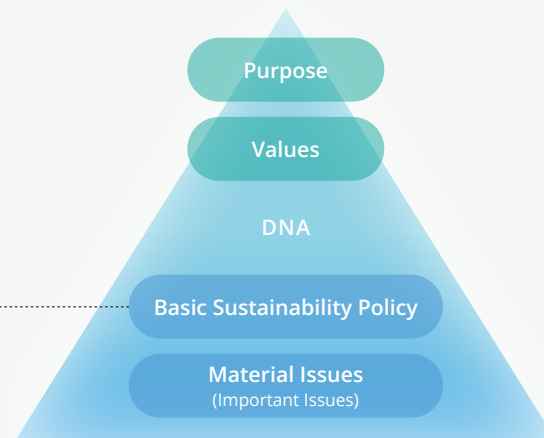
Scottie Flower Pack triple long-lasting toilet rolls

Promotion of Sustainability Management as a Unified Initiative with Our Businesses

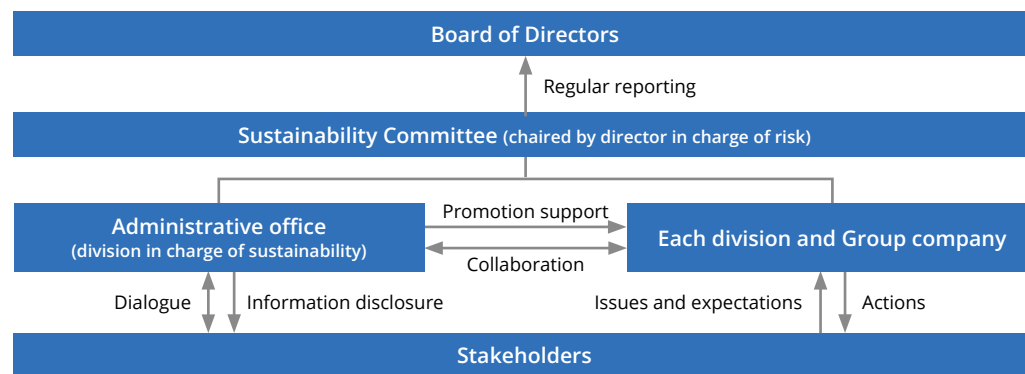
In December 2020, ASKUL formulated the Basic Sustainability Policy as a guideline for activities to realize a sustainable society and identified material issues (important issues). We are fulfilling our responsibilities for a sustainable society and for sustaining growth as a corporation by constantly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

Basic Sustainability Policy

We, the ASKUL Group, strive with a shared sense of purpose to contribute to the realization of a sustainable society through the growth of the Group, as a company that supports the tomorrow of our workplaces, daily lives, and our planet.



CSR / ESG / Sustainability Promotion Structure



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 having ascertained 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.

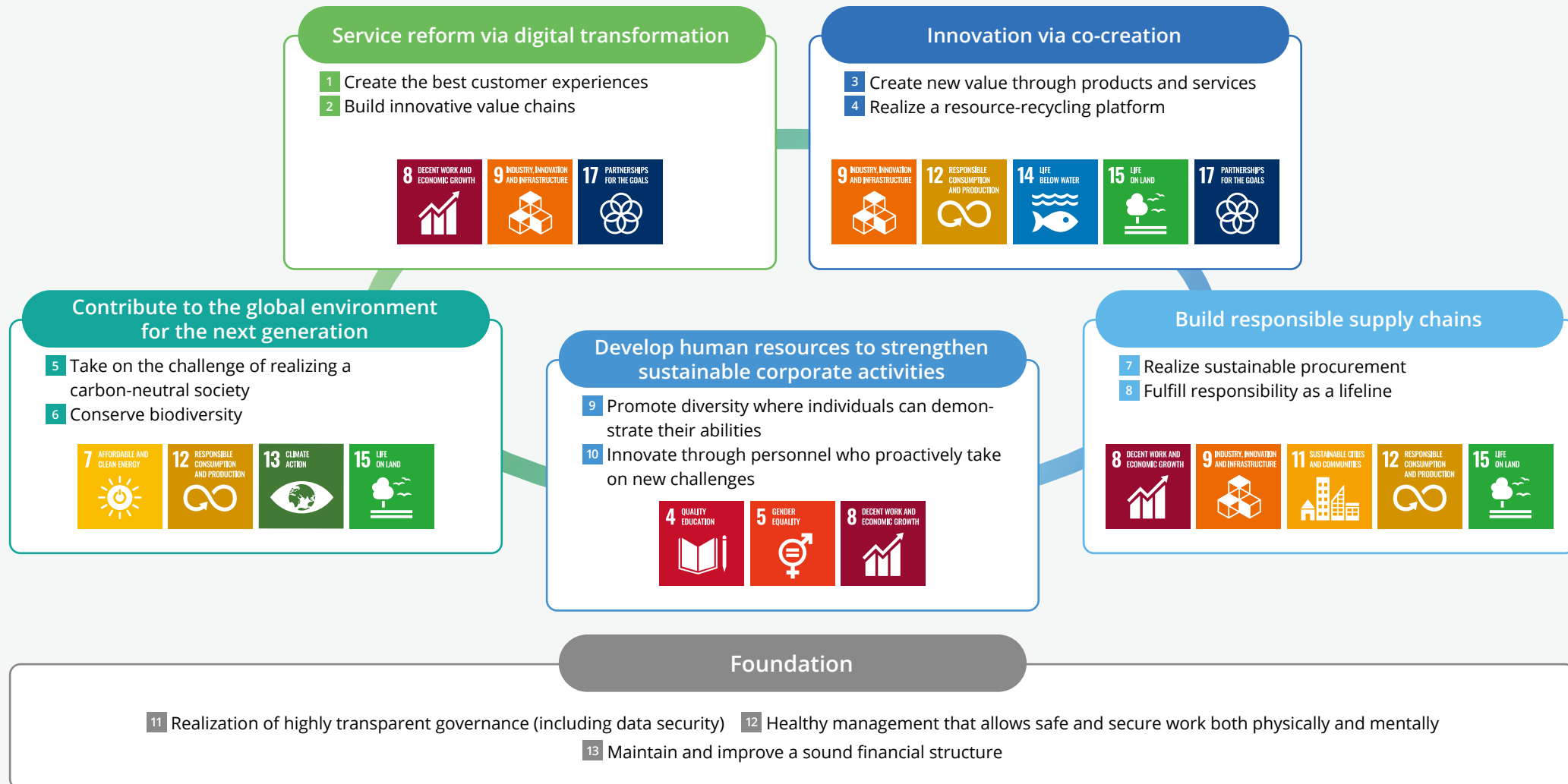
STEP 5 Review material issues (important issues)

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.

List of ASKUL's Material Issues (Important Issues)

Based on the identified material issues (important issues), ASKUL has 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.93-95



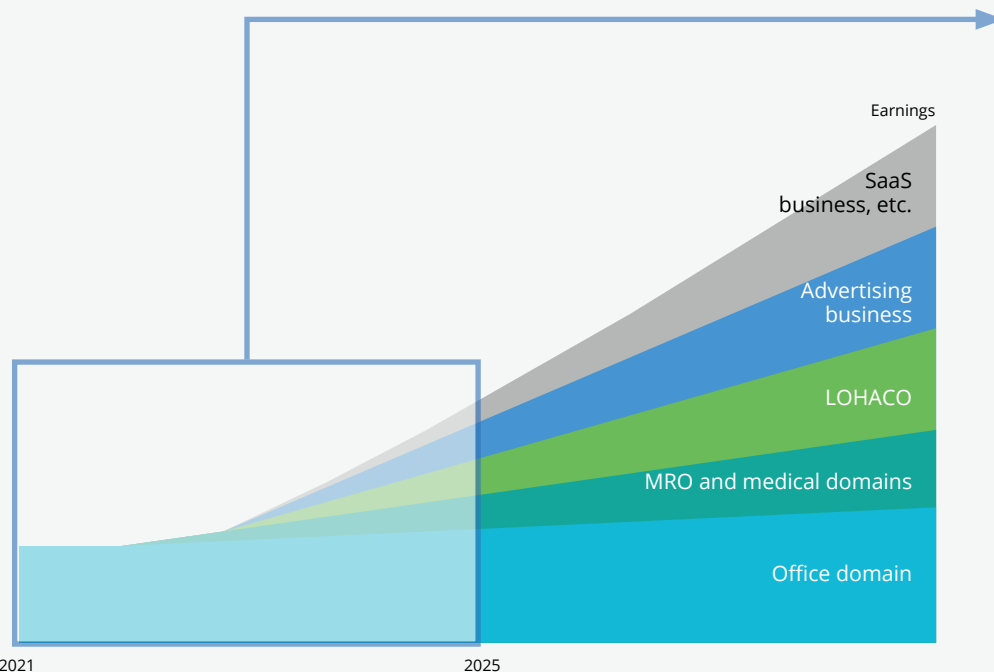
Medium- to Long-Term Corporate Aims

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 enterprises. 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

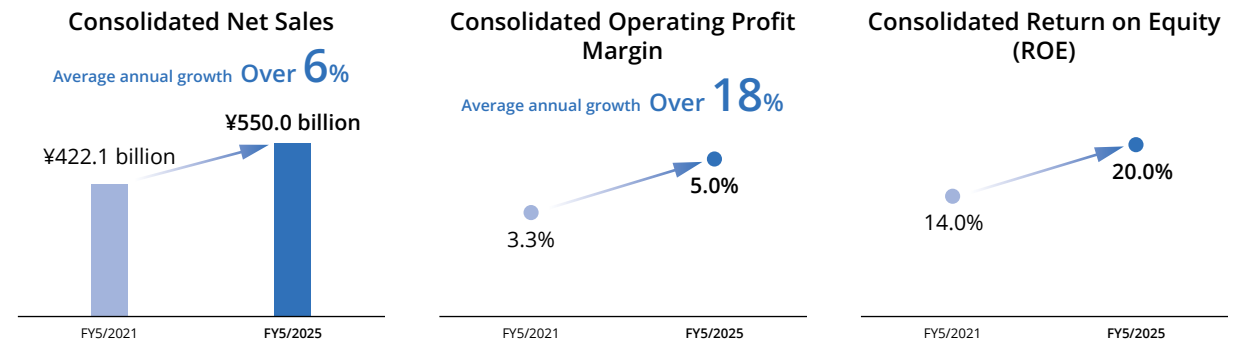
- Sustainable management
- Maximize customer value
- Transformation to a highly profitable model

Key Strategies

- Strategic Areas and Expansion of Product Lineups [P.54](#)
- Establishment of the Most Powerful B-to-B E-Commerce Website [P.55](#)
- Synergies with Z Holdings (Currently LY Corporation) [P.56](#)
- Reform Platforms [P.57](#)

Management Indicators

		FY5/2019	FY5/2020	FY5/2021	FY5/2022	FY5/2025 (targets)
Consolidated	Net sales (billions of yen)	400.3	422.1	428.5	446.7	550.0
	Operating profit margin (%)	2.2	3.3	3.3	3.3	5.0
	ROE (%)	11.2	14.0	15.9	16.2	20.0
B-to-B non-consolidated basis	Net sales (billions of yen)	300.4	315.2	317.2	336.7	413.5
	LOHACO Net sales (billions of yen)	48.6	52.8	54.3	46.1	74.3



Key Strategies 1 Strategic Areas and Expansion of Product Lineups

Strategic Reinforcement of Two Major Areas B-to-B Business

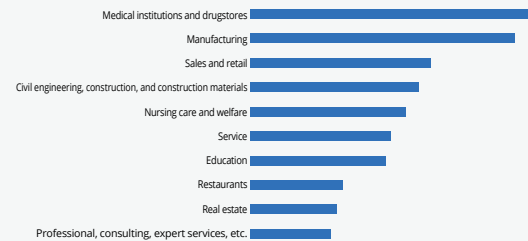
The medical domain, such as medical institutions and nursing care facilities, and the MRO domain, including manufacturers, are large markets that are considered growth markets, since e-commerce is poised to expand. Among the sectors with the largest number of registered B-to-B business customers at ASKUL, 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



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 business customer numbers*



* Number of customers that made a purchase between April 21, 2022, to May 20, 2023

Expansion of Product Lineups B-to-B Business

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.



Purchasing frequency

Low

High

Topics

Group Strategy for Product Expansion



MRO category products

We provide a wide range of specialized products needed at construction and building sites by customers in the manufacturing industry, one of the two major strategic sectors, and we continue to expand that lineup by utilizing the supplier network of indirect materials purchasing solution services provided by our group company AlphaPurchase Co., Ltd. We enable one-stop purchasing of everything from consumables to indirect materials, making our customers' purchasing operations easier and more convenient.



Products for the dental industry

FEED Corporation, which newly joined the ASKUL Group in February 2023, operates the FEED Dental e-commerce business, which is widely recognized by dental clinics nationwide. It carries a wide range of specialized products needed by the dental industry, such as high-cost-performance dental materials and supplies. We aim to maximize synergies across our entire Group, such as by expanding the range of products we handle and expanding our sales channels by mutually leveraging the customer bases of both companies.

Message



Ms. Emi Christine Niwa
Clinical Manager
dental associates ShikaYotsuya

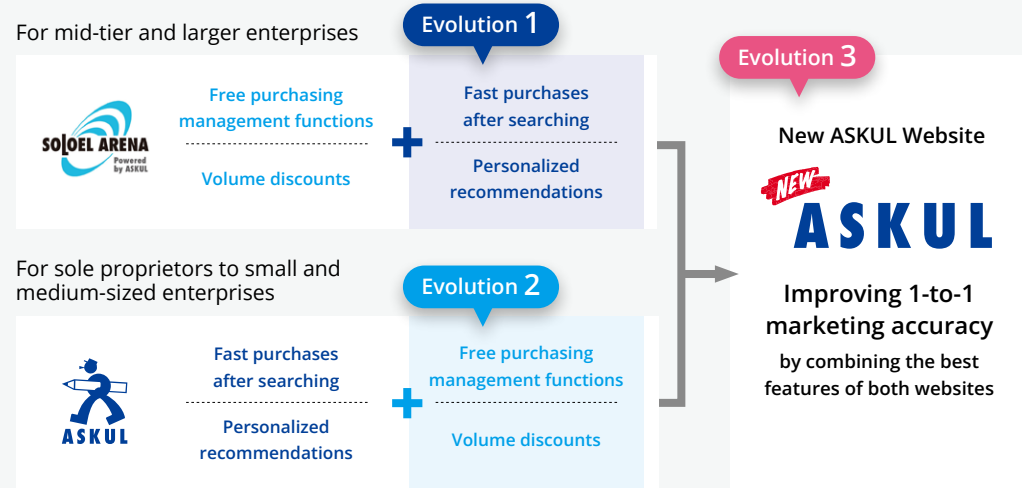
The advantage of using ASKUL is that, as the phrase "next-day delivery" suggests, what you need is delivered right when you need it, and the wide variety of products available gives you palpable freedom of choice as well. These days, opportunities to search for and purchase products online are gradually increasing, and I think it would be even easier if you could purchase dental materials along with consumables. We currently purchase denture cases, articulating paper, and other such items from FEED Dental, and if we were able to place orders simultaneously with our usual source, ASKUL, I think we would make wider-ranging orders. Sometimes there are problems when some products are out of stock, but in those cases, the customer service is very considerate, and we are able to obtain alternative products over the phone. We look forward to seeing even more environment-friendly, high-quality, and affordable products going forward.

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

New ASKUL Website

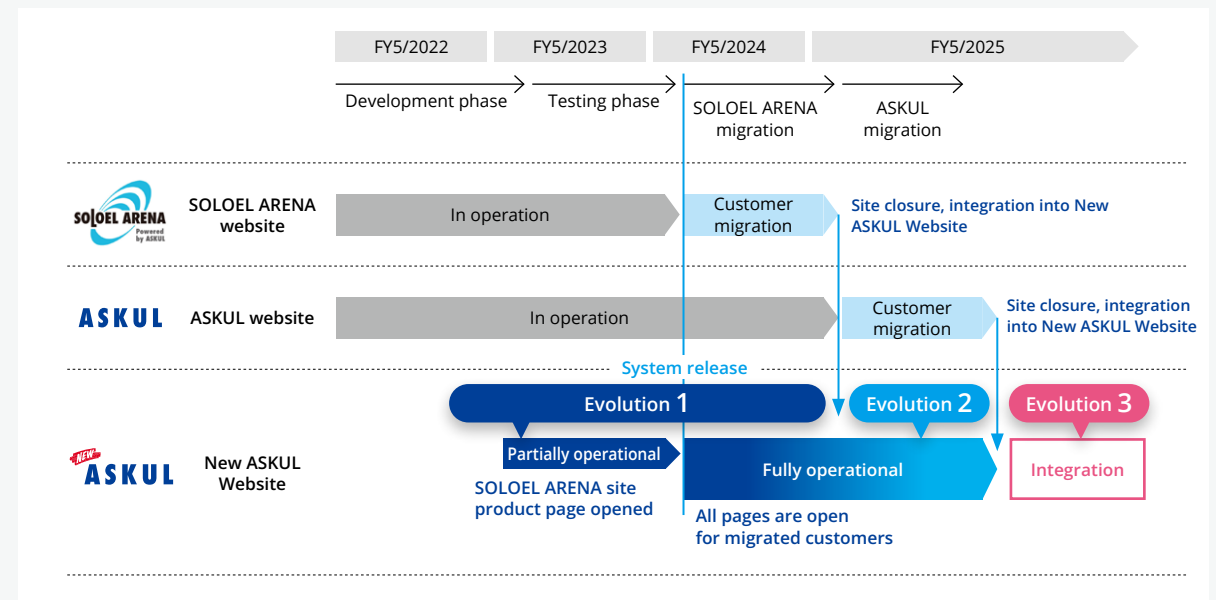
We aim for further sales growth by taking our two e-commerce sites, our ASKUL site for sole proprietors and small and medium-sized enterprises, and our SOLOEL ARENA website for mid-tier and larger enterprises, and merging them into one to provide convenient products and services to all working customers regardless of company size, work location, or format.

The sales boosting effect of the New ASKUL Website is positioned as a core project of our Medium-Term Management Plan.



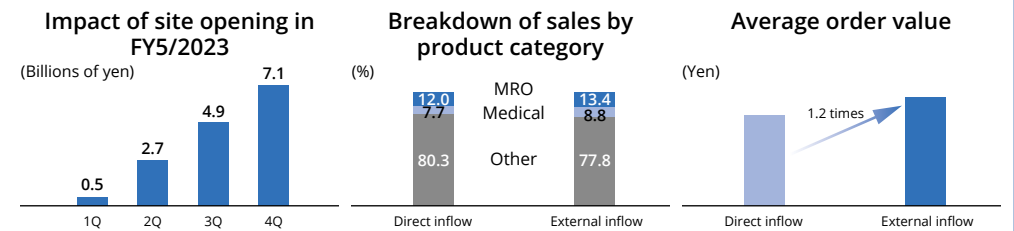
Schedule

The New ASKUL Website was made fully operational in July 2023, with all pages open to the public. We plan to gradually migrate SOLOEL ARENA customers over to using the new site over the next 12 months or so. We then plan to migrate customers of our ASKUL website for sole proprietors and small and medium-sized enterprises thereafter.



Evolution 1 Opening of SOLOEL ARENA for mid-tier and larger enterprises

At the end of July 2022, we partially opened the product pages of our SOLOEL ARENA website for mid-tier and larger enterprises. Until then, the site was a closed site that could not be reached by external search engines, but with the opening of the site, external inflow of customer traffic has increased, contributing to sales of ¥15.4 billion over the previous fiscal year. The strategic MRO and medical categories have grown to account for a greater portion of external inflow, and average order value is also on the rise thanks to greater shopping opportunities.



Notes: Scope of statistics: SOLOEL ARENA website from July 27, 2022 to May 20, 2023 External inflow: Transit from external sources such as search engines Direct inflow: Bookmarks

Key Strategies **3** Synergies with Z Holdings (Currently LY Corporation)

LOHACO “Makes Life More Comfortable and Enjoyable” **LOHACO**

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.



Return to Growth through Store Integration **LOHACO**

We achieved profitability in the fiscal year ended May 20, 2023 by implementing sales promotions in collaboration with Z Holdings Corporation and reducing fixed costs by utilizing Yahoo Japan Corporation’s system platform.

To achieve a new phase of growth going forward, in October 2023 we merged our existing LOHACO Main Store and LOHACO Yahoo! Store and commenced operations as a single Yahoo! Shopping Store. The user-friendly app enjoyed by so many customers remains the same, and the website’s user interface, which we uniquely evolved with the LOHACO Main Store, has been deployed for the Yahoo! Shopping Store, which will make it easier for customers to shop around. Additionally, campaigns that were previously available only at Yahoo! Shopping Stores will now be applied to all customers, thus maximizing their promotional effect. What’s more, since two stores will be merged into one, we also expect to reduce operational costs.

We will steadily move forward with renewed growth by improving the shopping experience for our customers and further increasing profitability.

Topic

“Otoku Designated Delivery” (Value-Added Designated Delivery Services) Initiative for Sustainable E-Commerce Services

In August 2022, we commenced trial runs on “Otoku Designated Delivery” (value-added designated delivery services) with Yahoo! Corporation at the LOHACO Main Store and LOHACO Yahoo! Store (then the LOHACO PayPay Mall Store). The service enables customers to earn PayPay points by specifying a later-than-standard delivery date. At either LOHACO store, orders without a specified date are generally delivered the next day at the earliest, but if the customer is not in a hurry, they can earn PayPay points by selecting a later-than-standard delivery date. Our hope was that this would allow us to spread out the heavier shipping and delivery loads accompanying particularly high-volume days, thus making logistics more stable and efficient. With this in mind, we tested out this initiative on Sundays when orders tend to be heaviest.

Customers ended up selecting the Otoku Designated Delivery option on approximately 50% of all orders received. The results also showed that many customers used the service regardless of the points value awarded, and that the delivery time demands differed depending on the type of product purchased. In terms of logistics as well, by spreading out delivery dates, we were able to achieve our goal of normalizing shipments. Thus, the initiative proved to be beneficial both for our customers and for LOHACO. Some customers want goods to be delivered the next day at the earliest, while others would rather pay a better price if they don’t necessarily need their order delivered right away. This new initiative enables us to meet both needs while also alleviating logistics issues. We continue to implement the initiative, and have currently switched to offering the service on days with a number five in the date and major sales promotion days.



Key Strategies 4 Reform Platforms

Distribution Center Structural Reform

Under our Medium-Term Management Plan, we have implemented initiatives to maximize our distribution centers' shipping capacity by making use of nearby external warehouses and other facilities to overcome the structural problem of inventory storage taking up too much space as our product lineups expand.

Having completed those first-stage efforts, the next step is to aim for inventory of 330,000 items by the fiscal year ending May 20, 2025, which is a goal of our Medium-Term Management Plan. To that end, we will augment the facilities of our largest distribution center, AVC* Kansai, which serves as our core center in the western Japan area.

By installing the latest equipment (for a total investment of ¥3.6 billion), we will be able to enhance storage efficiency and store 330,000 items, as well as accelerate product lineup expansion and further increase shipping capacity, and thereby build an environment for next-day delivery of long-tail products.

* ASKUL Value Center

Streamlining Delivery through BC Integration

We are making deliveries more efficient by promoting mixed deliveries of B-to-B and B-to-C parcels through two main initiatives.

The first is to provide our in-house developed delivery management system "Torakkuru" to our delivery partners. 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. By providing a delivery management system that fulfills these needs so that our delivery partners who previously only handled B-to-B deliveries will be able to perform B-to-C deliveries, we have increased the number of delivery partners able to offer refined services. As a result, mixed deliveries of B-to-B and B-to-C parcels are also increasing, thus boosting delivery efficiency.

The other initiative is promoting unattended deliveries at LOHACO. In response to the increased customer needs for unattended deliveries due to the COVID-19 pandemic, since May 2023, LOHACO has set unattended deliveries as the standard delivery method nationwide, and the number of orders with no designated delivery time requirements has increased dramatically. As a result, delivery partners who previously handled only B-to-B deliveries now have more opportunities to perform mixed deliveries of B-to-C parcels, thus streamlining delivery.

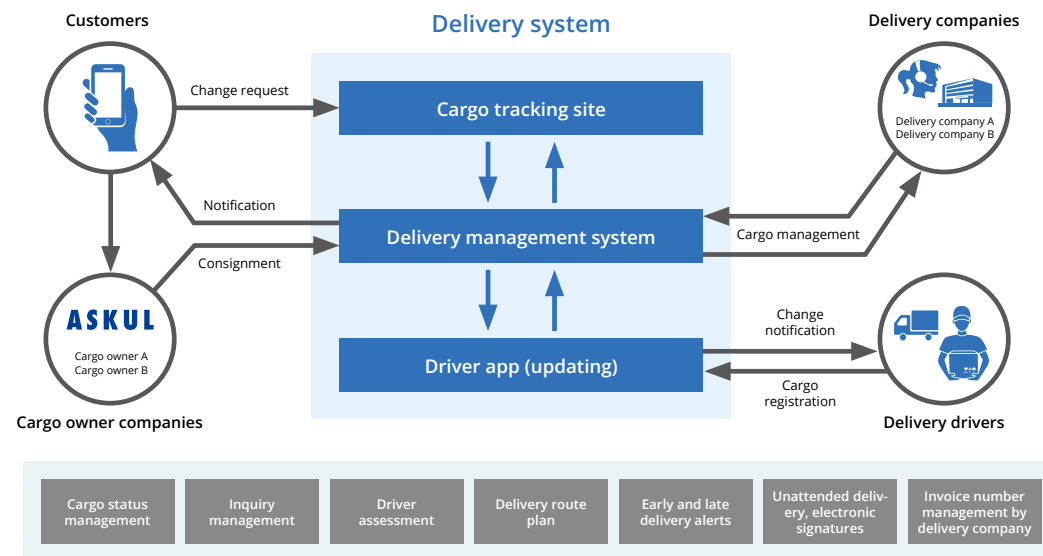
ASKUL Tokyo Distribution Center (DC)

The ASKUL Tokyo Distribution Center has been operating smoothly since it commenced operations in November 2022. The center will continue to fulfill its role as a cutting-edge flagship center for eastern Japan by increasing the number of stocked items and further improving logistics efficiency through the introduction of the latest logistics equipment, contributing to lower logistics costs.

▶ 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 the 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.

One of our initiatives, the "Data Science Class," provides an educational program for general employees to help them make advanced use of the large amount of data accumulated in ASKUL-EARTH in their own departmental operations.

The program was launched in the fiscal year ended May 20, 2021, and as of the end of the fiscal year ended May 20, 2023, 18.6% of all employees have completed it, and those graduates have used various opportunities to produce results directly connected to business and contribute to the enhancement of our corporate value. We will continue to focus on developing DX human resources, with the goal of having 30% of all employees complete the training by the end of the fiscal year ending May 20, 2025.

In May 2023, this initiative was listed as one of the selection criteria for "Digital Transformation Stocks (DX Stocks) 2023" jointly implemented by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange, Inc.

Big data platform ASKUL-EARTH



Message



Kazuyuki Ikeda
Executive Officer, CDXO
Technology Unit

Since its founding, ASKUL has expanded and evolved its wide-ranging customer services, from its office supplies mail-order services for small and medium-sized enterprises, centered on catalogs and faxing orders, to the e-commerce LOHACO business for individual customers, as well as indirect materials bulk purchasing services for large corporations.

This evolution is made possible by three capabilities: 1) our ability to incorporate the latest technological in our businesses and services; 2) 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 3) our ability to utilize data to quickly formulate and verify highly precise demand forecasting and digital marketing measures using 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 operates the ASKUL DX ACADEMY as a training program for reskilling all employees. We are particularly focusing on strengthening data utilization capabilities, and we provide data scientist training programs for all employees to teach them advanced ways to use the volumes of data held by ASKUL in their own work areas. Approximately 20% of employees have already taken the course, and they are leading the spread of DX using big data in each department throughout the Company.

In the fiscal year ending May 20, 2024, to further expand and speed up these efforts, we will provide ASKUL's big data and educational programs to agents, who are the points of contact with ASKUL customers, and product suppliers. In so doing, together with our partner companies, we will consider ways to create new value for our customers.

