



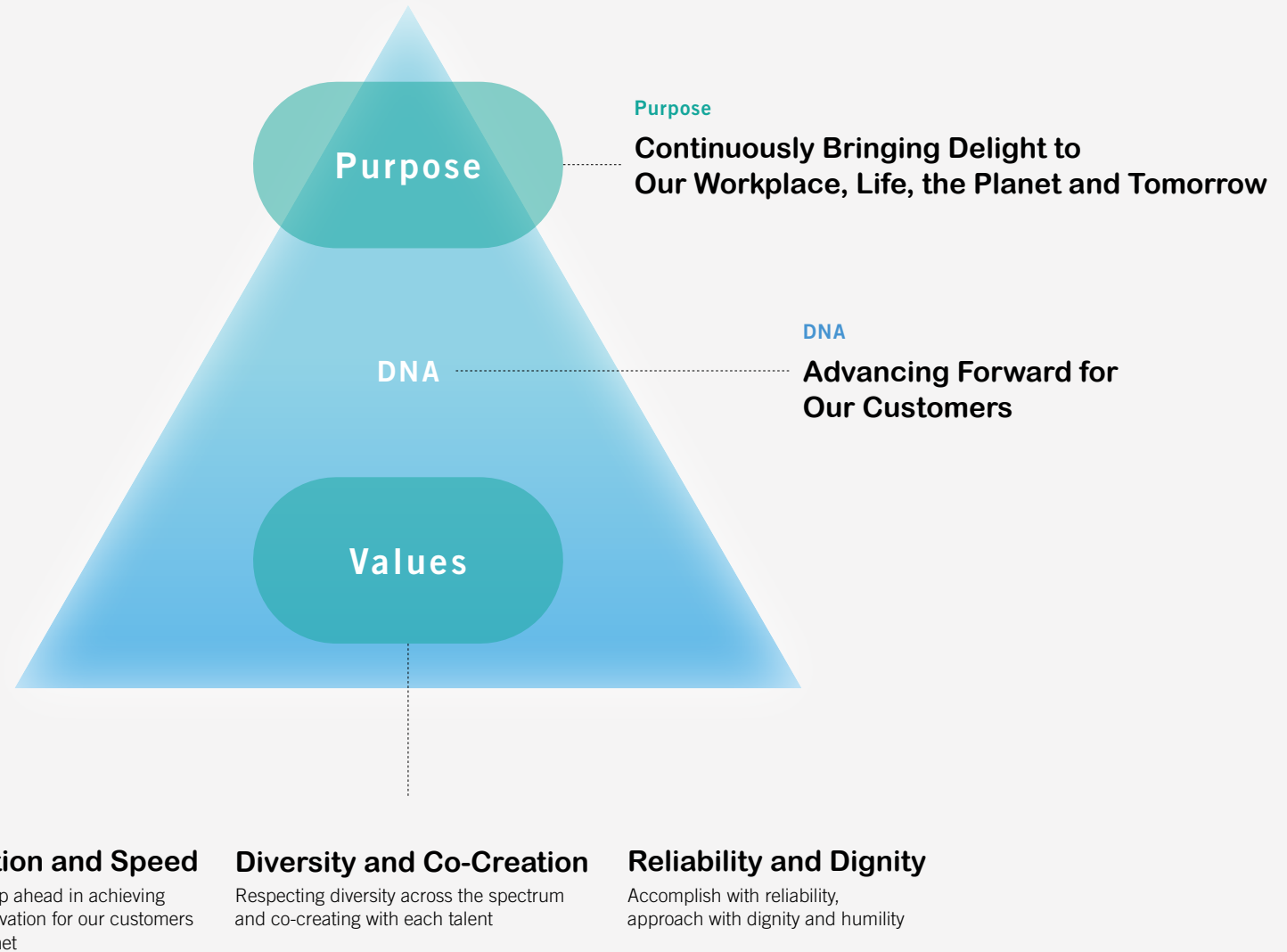
ASKUL Report 2022

ASKUL WAY

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

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

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



CEO Message

Akira Yoshioka

Representative Director,
President and CEO,
ASKUL Corporation

Continuously Bringing Delight to Our Workplace, Life,
the Planet and Tomorrow

The Publication of ASKUL's First-Ever Integrated Report

I would like to extend a warm greeting to all our stakeholders as we publish our first-ever integrated report. “Guaranteeing the next-day delivery of even just one pencil”—this was our philosophy at the time of our founding. Guided by this philosophy, we have taken on the challenge of launching unique businesses previously thought to be impossible and have constantly moved forward together with our customers and other stakeholders. Based on this history, I am confident that ASKUL has tremendous potential going forward. In this report, we provide explanations on the current state of ASKUL as well as its future prospects.

The Beliefs Encapsulated in Our Purpose

In 2020, we established Our Purpose as “continuously bringing delight to our workplace, life, the planet and tomorrow.” In this era of rapid change, it is crucial that all ASKUL employees unite themselves under one banner,

making decisions and acting in a timely and autonomous manner. The approach of “advancing forward for our customers” is engraved in ASKUL’s DNA, which has remained unchanged and embodied in the way in which we have conducted our business since our founding. However, by defining Our Purpose as the social responsibilities we aim to fulfill beyond the aforementioned approach, I aimed to establish a foundation based on which employees can make decisions and act independently. To explain the main concepts behind the wording of Our Purpose, “Continuously bringing delight to our workplace, life, the planet and tomorrow,” the beginning part was chosen as we exist to support people’s work and daily lives, while the end part was adopted to convey not only a sense of speed but also our desire to contribute to an even better future for the planet in earnest.

By embodying Our Values, which we established in unison with Our Purpose, I hope and expect all ASKUL employees to both foster a spirit of taking on challenges and valuing teamwork and thoroughly adopt an approach of being proactive, constructive, and action-oriented. In these unpredictable times, I want all employees to understand that they are the ones who can create their own futures. The first value of “Innovation and Speed” defines how we ourselves must change if we are to advance forward with our customers. The second value of “Diversity and Co-Creation” emphasizes the importance of co-creating as a team while incorporating and respecting a diverse array of opinions. The third value of “Reliability and Dignity” represents the attributes that we must maintain as we pursue these endeavors going forward.

Ethical E-Commerce

Our Mission to Realize a “Trade On” That Strikes a Balance between Social Value and Economic Value

The social environment has changed significantly due to the impacts of the COVID-19 pandemic, which in turn has led to major changes in the lifestyles of our customers, including the entrenchment of teleworking. The notion that work is to be done in an office has also changed. In our mainstay B-to-B business, sales of office supplies were down due to the popularization of teleworking and paperless offices. Meanwhile, we saw expanded sales of hygiene and household products to customers in essential industries such as healthcare, nursing care, manufacturing, and logistics, an accomplishment that demonstrates the strengths of our extensive customer base in various industries and our broad range of product lineups. In our B-to-C business, new demand has emerged, such as the response to stay-at-home consumption and the increased burden of housework, which has fueled a dramatic shift toward the use of e-commerce (EC) for purchasing of daily necessities. The shift toward EC is accelerating in both our B-to-B and B-to-C businesses, and competition in our EC business is intensifying.

In terms of the macroeconomic environment, changes are occurring at an unprecedented speed, including the emergence of labor shortages due to Japan’s declining birth rate and aging population, the evolution of technologies, and the growing demand for the realization of a sustainable society. Under these circumstances, we will strive to embody our DNA of “advancing forward for our customers” in order to simultaneously realize sustainability and benefits for our customers. In other words, we will engage in “ethical e-commerce” so that we may offer products and



services that benefit our customers while meeting demand for contributing to society. Through ethical e-commerce, we aim to become a company that does not burden the environment and actively contributes to society. Moreover, as a player in the EC industry, our mission is to realize a “trade on” that strikes a balance between social value and economic value. To fulfill this mission, we will realize a genuine transformation of ASKUL’s services so that the use thereof offers not only the highest possible convenience but also optimal contributions to resolving social issues.

Transformation from an Office Supplies Mail-Order Company

Under our Medium-Term Management Plan, we adopted the target of transforming from an office supplies mail-order company to an infrastructure company that supports all workplaces and lifestyles. As part of this transformation,

in the fiscal year ending May 20, 2025, we aim to achieve consolidated net sales of ¥550.0 billion, over ¥100.0 billion more than the current level, an operating profit ratio of 5.0%, and return on equity of 20.0%. We have formulated three basic policies with the aim of reaching these targets: “realization of sustainable management,” “maximization of customer value,” and “change to a highly profitable business model.” Guided by these policies, we will move forward by integrating the resolution of social issues into our business operations.

In our B-to-B business, customers from a wide array of essential industries across Japan, primarily small and medium-sized enterprises (SMEs), make use of our services. Drawing on this leading-class domestic customer base, we will evolve our B-to-B business into a one-stop, easy-to-use EC site. To that end, in addition to conventional office supplies, we will expand our lineup of products used

in the workplace by customers of essential industries, such as healthcare, nursing care, and manufacturing, and increase our number of environment-friendly, original products. With LOHACO, an online mail-order service offered in our B-to-C business whose mission is to make life more comfortable and enjoyable, we will work together with manufacturers to realize the development of unique products that both benefit consumer lifestyles and contribute to sustainability. At the same time, we will promote collaboration with Z Holdings Group, in services such as Yahoo!, LINE, and PayPay, which has significant online capabilities in terms of attracting customers. In these ways, we will seek to regrow and expand our customer base.

Furthermore, we will actively pursue new business development by leveraging the strengths provided to us by our impressive customer base comprising mainly SMEs. By doing so, we will roll out a variety of services that go beyond simply the purchase of goods and help resolve the issues SMEs face.

I believe that the overall success of our Medium-Term Management Plan hinges on technology. We are therefore accumulating know-how pertaining to digital transformation (DX), including the utilization of big data and artificial intelligence, and collaborating with Z Holdings Group to strengthen efforts to nurture personnel well versed in DX.

Management Foundation

Corporate Governance

We are currently moving forward with preparations to align our corporate governance system so that it conforms with Japan’s revised Corporate Governance Code. Although there are various areas needing improvement, we believe

that our corporate governance system is functioning appropriately. At meetings of the Board of Directors, there are lively exchanges of opinions from diverse standpoints, with outside directors voicing their frank opinions, and sometimes harsh recommendations, based on perspectives from their individual areas of expertise. In these ways, I believe the Board is engaging in decision-making in consideration of a wide variety of opinions and perspectives. Since 2021, discussions at Board meetings have focused on the formulation and progress of the Medium-Term Management Plan as well as on the initiatives required to achieve the targets of the plan. For quite some time, outside officers have stated their opinions on the importance of discussions from a medium- to long-term perspective. Based on the need for discussions that focus on the next decade and beyond, we have been holding repeated discussions on how to expand the scale of our operations and promote structural reforms centered on “transformation from an office supplies mail-order company,” in order to become an infrastructure company that supports all workplaces and lifestyles.

In addition, we create opportunities for the exchange of opinions between major shareholders and independent officers on a regular basis in an effort to deepen communication from the perspective of how best to enhance ASKUL’s corporate value. We also actively promote dialogue between our independent officers and those of major shareholders. Through such efforts, we are striving to foster a mutual understanding by strengthening communication within the parent–subsidiary listing relationship.

Diversity

Companies and society at large comprise a diverse group of people in terms of gender, nationality, age, beliefs,



physical and mental capabilities, and other attributes. From the perspective of corporate management, ensuring diversity serves as a means to reduce risks, conceive new ideas, and realize appropriate and sound management.

Guided by this basic awareness, we have adopted the target of achieving a ratio of female managers of 30% by 2025 (goal hereinafter referred to as “2530”), which we aim to realize through the enhancement of our unconscious bias training as well as our appointment policies, development programs, and work environments. We fully understand that we are in a phase of needing to correct the male-dominated thinking regarding the active role of women caused by adherence to uniformity to date.

Diversity and Co-Creation is a Value that will last forever, and our 2530 target represents our first step to better respect diversity. It is simply a shared target that will be used to visualize our initiatives toward achieving diversity and to serve as a waypoint on our journey toward becoming a truly diverse organization. Thinking from a long-term perspective, it is my hope that we become a company where diversity naturally flourishes and where mutual respect is commonplace, even if the word “diversity” is not used consciously by the Company.

ASKUL’s Strengths and Corporate Culture

Target of Becoming a Company Chosen for Its Ethical E-Commerce by Leveraging the Strength of Our Customer Base

One of our greatest strengths is the customer base we have in our B-to-B business. The large number of customers from various industries that make use of our services

provide us with a vital management resource. Through this management resource, we have been able to collect a wide range of data, which has helped us evolve our logistics operations, services, and product development. I believe that our robust customer base represents the fruit of our efforts to continuously evolve our business from the customer’s perspective since our founding. I feel that the starting point of said evolution was when ASKUL was still a division of PLUS Corporation. At that time, we began handling the products of a major competing stationery manufacturer. It was an utterly unthinkable move for one single manufacturing division to begin selling the products of a competing manufacturer. Additionally, selling products that until then had been priced individually by each wholesaler at the same price, and sometimes at a cheaper price, in a catalog was believed to be irrational. However, this is now commonplace in the industry, and I feel that taking on the challenge of going against the norm reflects the nature of ASKUL itself and embodies Our DNA of “advancing forward for our customers.” This type of corporate culture has been steadily passed down in ASKUL to this day.

In the fiscal year ending May 20, 2023, we are promoting the structural transformation of ASKUL from an office supplies mail-order company to an infrastructure company that supports all workplaces and lifestyles. We are also working to build a foundation for transitioning to a business model that both contributes to sustainability and realizes profit growth so that we can become a company of choice for ethical e-commerce. It is my opinion that the next generation of employees will enhance and evolve ASKUL’s operating system, which has continued for 30 years since the Company’s founding. Further, the leaders who will oversee the next 30 years of the Company will embody the ASKUL WAY. What is truly important for these leaders is

that they possess the ambition and enthusiasm to exemplify Our Purpose. By successfully completing our structural transformation, I firmly believe that ASKUL will be even more essential to its customers, able to better contribute to the resolution of social issues, and have the capability to enrich its employees to a greater extent than ever before.

Going forward, the way that we invigorate SMEs will become a vital issue. To that end, we need to boost productivity, including through digitalization, and overcome labor shortages, which are considered to be issues that impact all of Japan. ASKUL has one of the largest customer bases of SMEs and their offices in Japan. The services that we provide to these customers have tremendous latent potential, and doing so is extremely rewarding work for us, including in the sense of contributing to society. We therefore remain committed to achieving Our Purpose of “continuously bringing delight to our workplace, life, the planet and tomorrow.”

I ask that you look forward to ASKUL’s future as we pursue these endeavors going forward.

January 2022

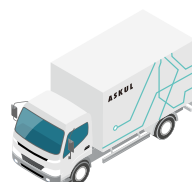
Akira Yoshioka
President and CEO, ASKUL Corporation

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Editorial Policy

ASKUL Report 2022 is a communication tool that integrates financial and non-financial information on the current status and future of ASKUL's medium- and long-term value creation efforts based on ASKUL's strategic mission of "transformation from an office supplies mail-order company." We will continue to make efforts to further enhance the contents of the report so that a wide range of readers, including shareholders and other investors, can deepen their understanding of the Company.

▶ **Reporting Period**

June 2021 to May 2022 (fiscal 2022), with some information added through October 2022

▶ **Referenced Guidelines**

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

▶ **Date of Publication**

January 2023

▶ **Production Structure and Process**

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

Production Process

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

Management Involvement and Approval Procedures

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

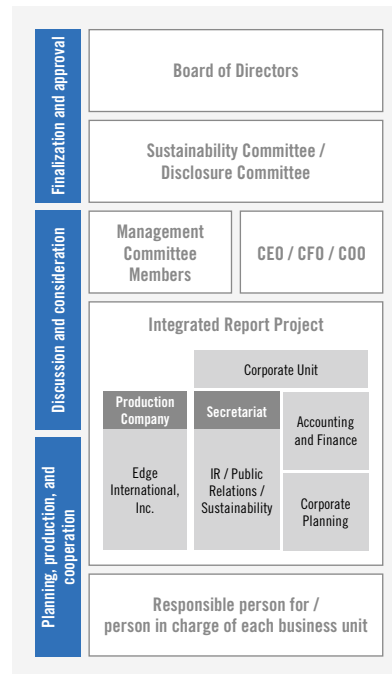
- Editorial meetings including the CFO (27 internal meetings, 19 including external meetings, and other meetings as needed)
- Discussions and review meetings on composition, policy, design, etc., including the CEO and CFO (10 times)
- Discussions at Management Meetings and review meetings attended by the same members (7 times in total)

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

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

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

▶ **Structure**



Disclosure Framework



About the Cover Image

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



Note Regarding Forward-Looking Statements

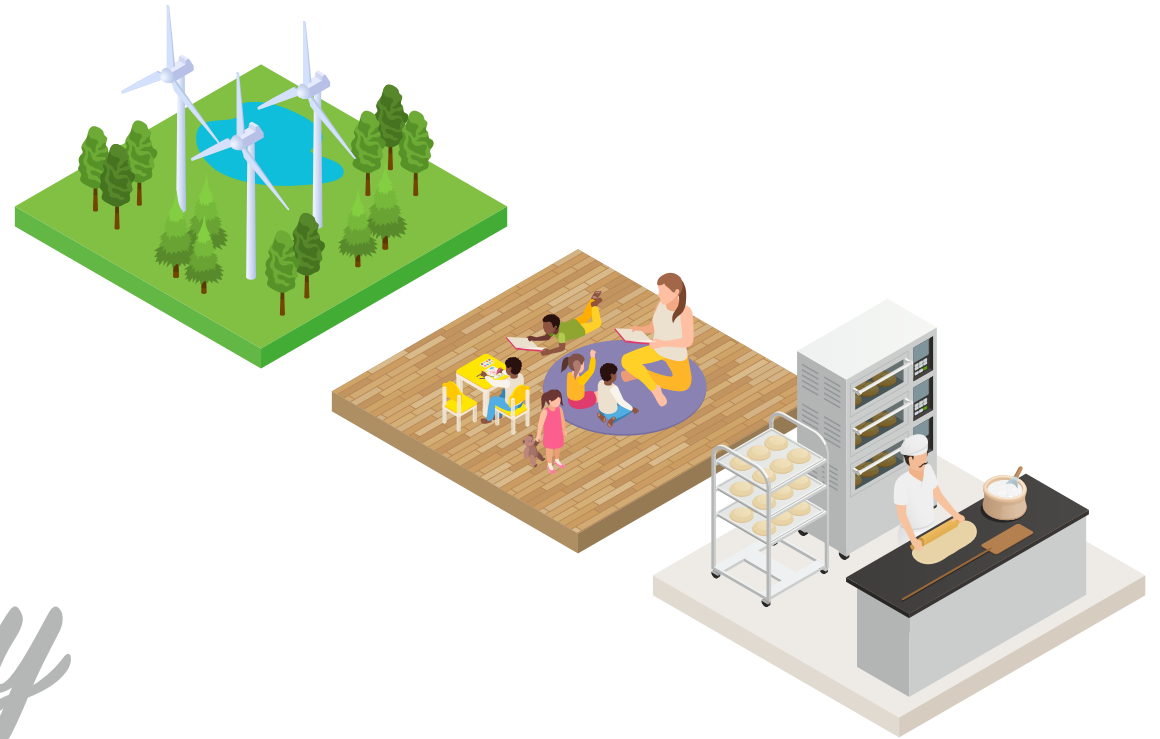
The current plans, forecasts, strategies, and other statements in this report include forward-looking statements based on our judgment in light of the information available to us at the time the materials were prepared. Please be aware that a number of factors could cause actual future results to differ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

Detailed Information on Financial Results

For detailed information on financial results and financial information, please refer to the Annual Securities Report (Japanese only) on the "IR Information" section of our corporate website. <https://www.askul.co.jp/kaisyua/english/ir/>

SECTION 1

Value Creation Story



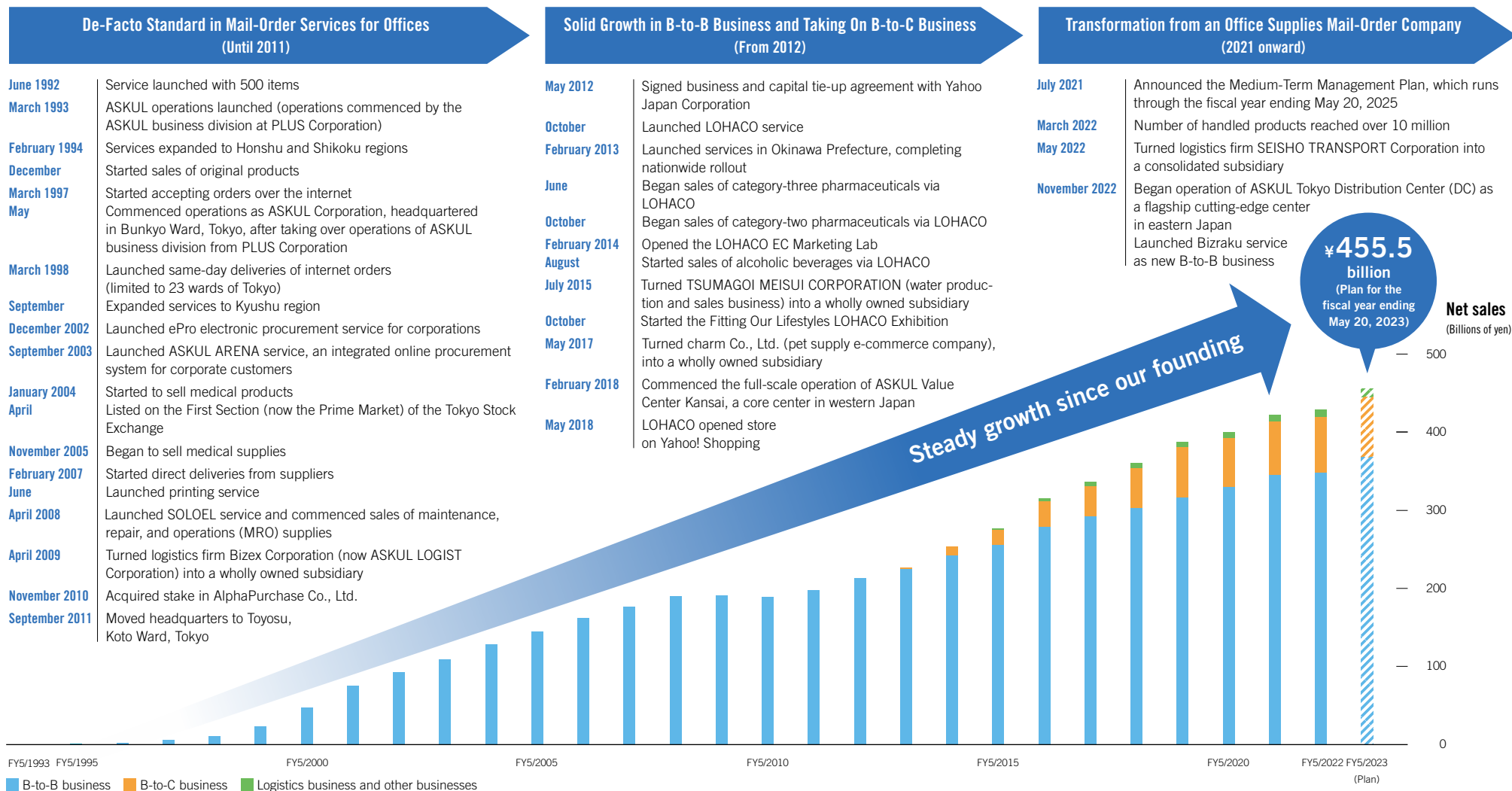
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History of Taking On Challenges and Evolution

ASKUL began by offering to deliver a single pencil by the next day.

ASKUL began as a total office support service provider that quickly and precisely delivered the products and services needed by offices. While responding to the opinions of our customers and the changing times, we have continued to grow steadily since our founding by evolving and refining our products and services. We are also expanding the scope of our business operations to include consumer lifestyle products.



History of Taking On Challenges and Evolution

B-to-B Business

Making the Traditional Distribution Structure More Functional and Logical

When ASKUL began offering services, with the exception of a few large companies, it was commonplace for office workers to walk to their nearest store to buy office supplies. In response, in 1993 ASKUL began offering total support services with the aim of delivering office supplies to all customers by the next business day.

ASKUL's services have continuously evolved. First, the Company changed the distribution structure, which previously entailed many layers involving manufacturers, primary wholesalers, secondary wholesalers, and retailers, in order for products made by manufacturers to reach customers. More specifically, the Company consolidated functions in purchasing, inventory management, and sales and eliminated

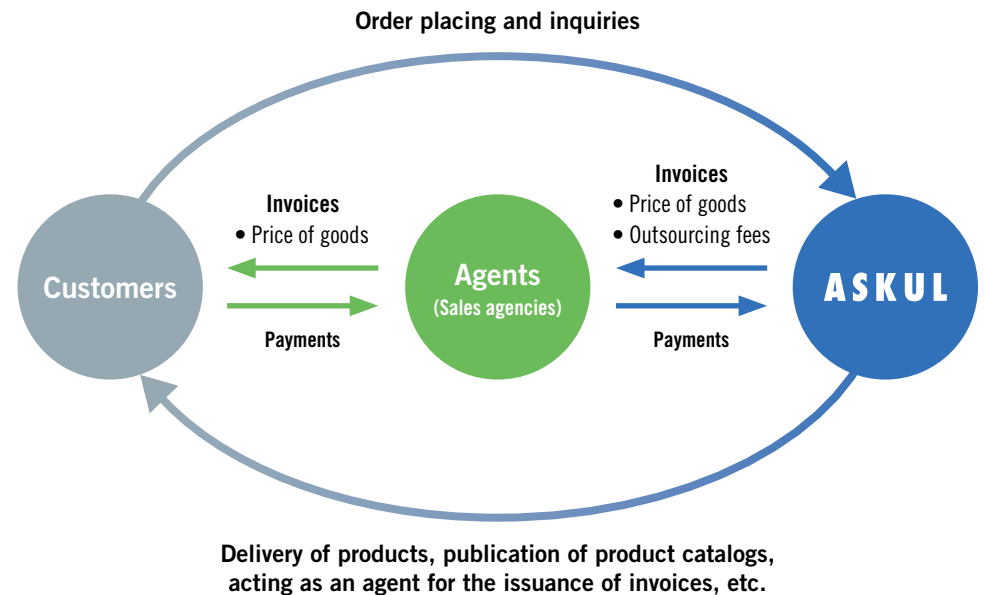
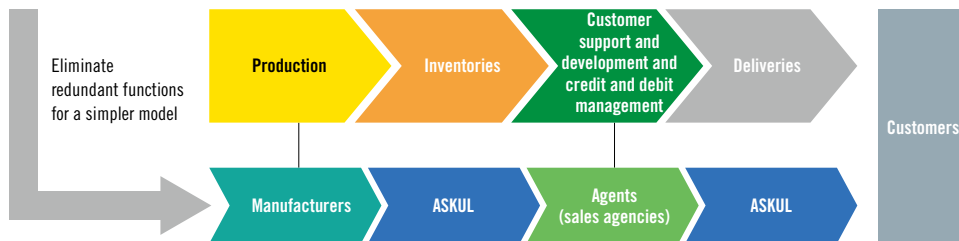
redundant operations while cutting time and costs. The ASKUL Model was created as a new distribution system that emphasizes “social optimization,” or in other words, smoothing out the flow of information along with the aforementioned changes, and “functionalism,” where the most qualified players handle individual functions and roles.

Instead of setting up sales locations nationwide, retail stores, such as stationery stores across the country, participate as ASKUL Agents and provide services alongside ASKUL while developing and supporting customers and managing credits and debits.

Traditional Distribution Structure



ASKUL Model



History of Taking On Challenges and Evolution

B-to-C Business

Phase 1 (2012–2016)

Business Launch

ASKUL, which anticipated that the barriers between the B-to-B business and the B-to-C business would disappear through technological innovation, decided to adopt a proactive approach, rather than a conservative one, and made a full-scale entrance into the e-commerce business for individual consumers.

To that end, in April 2012 ASKUL announced a business and capital tie-up with Yahoo Japan Corporation (now Z Holdings Corporation). As equal partners, both companies began to collaborate on combining ASKUL's strengths in product lineups, sales prices, logistics systems, and customer support with Yahoo Japan's strengths in attracting customers and payments.

Thereafter, ASKUL launched the LOHACO service and set up a distribution center (ASKUL Logi PARK Metropolitan) to bolster it. With the aim of leveraging the direct transactions it has with many manufacturers, in 2014 ASKUL opened the LOHACO EC Marketing Lab, thereby expanding net sales to ¥30.0 billion by 2016, four years after the launch of the e-commerce business.

Materials at time of announcement

Phase 2 (2017–2018)

Major Changes in Business Environment

In February 2017, ASKUL Logi PARK Metropolitan (Iruma District, Saitama Prefecture), which handled shipments for LOHACO in eastern Japan, was burnt to the ground. Having lost this shipment capacity, ASKUL built the ASKUL Value Center Hidaka as a new distribution center, but it took nine months to fully restore services. During this period, the volume of deliveries to individual homes skyrocketed as the e-commerce market grew sharply. However, at the same time the cost of deliveries rose quickly amid shortages of drivers, triggering a parcel delivery crisis. The LOHACO business thus saw a growing deficit, and earnings languished.

ASKUL safely navigated the worsening business environment by expanding its delivery service, a strength, and embarking on reforms to the logistics structure in a bid to improve delivery efficiency.



External view of ASKUL Value Center Hidaka

Phase 3 (from 2019)

Transformation of Earnings Structure

In December 2018, management pivoted the Company toward creating proprietary value in e-commerce with the aim of realizing sustainable services. In December 2019, ASKUL declared it would become profitable in the fiscal year ending May 20, 2023, through reforms to its cost structure. The Company worked to expand its original products and reduce the logistics cost ratio by combining B-to-B and B-to-C delivery networks and promoting unattended deliveries, in addition to cutting fixed costs by launching a new LOHACO Main Store.

ASKUL intends to become profitable by expanding sales channels, such as opening a LOHACO store in the PayPay Mall Store,* and leveraging synergies with Z Holdings Corporation.

* PayPay Mall was integrated with Yahoo! Shopping in October 2022.



LOHACO Main Store



LOHACO Yahoo! Store

ASKUL's Businesses

B-to-B Business

Our mission is to fulfill our social responsibility by supplying products to all workplaces as a lifeline for working people. Based on this mission, the Company operates two websites: ASKUL, a website for small and medium-sized enterprises, and SOLOEL ARENA, a website for mid-tier and larger companies. Through these websites, customers can shop from a selection of more than 12 million products in one place, ranging from office supplies, living supplies, and furniture to specialized goods for the manufacturing and construction sectors, general medical products—such as for healthcare, nursing care, and drugstores—medical materials including pharmaceuticals, and medical equipment. ASKUL advances the B-to-B business while coordinating with AlphaPurchase Co., Ltd., which sells maintenance, repair, and operation supplies and engages in the facility management business; SOLOEL Corporation, which provides purchase solutions for large companies; and BUSINESSSMART CORPORATION, which carries out the ASKUL agent business.

Consolidated net sales

¥348.0 billion

Consolidated operating profit

¥17.0 billion

ASKUL

Alpha Purchase

SOLOEL

アスクル正規取扱販売店
ビジネススマート株式会社
BUSINESSSMART CORPORATION

B-to-C Business

LOHACO, which is derived from the phrase “lots of happy communities,” is based on the concept of “making our lives easier.” LOHACO by ASKUL (the LOHACO Main Store) and the LOHACO Yahoo! Store are the two channels via which customers can shop for approximately 145,000 products (as of July 2022) that range from beverages, foods, detergents, kitchen supplies, pharmaceuticals, cosmetics, and other daily necessities to pet products, interior goods, and LOHACO original products. The Company aims to offer unique e-commerce sites for daily necessities through a combination of its capabilities in the B-to-B business—such as product development and procurement capabilities, logistics and delivery networks, and customer responsiveness—and the strengths of Yahoo Japan Corporation—namely, customer appeal and payment services. charm Co., Ltd., which operates an e-commerce site for pet and gardening products, is popular among users of e-commerce malls, contributing to the growth of the B-to-C business.

Consolidated net sales

¥70.6 billion

Consolidated operating loss

¥2.4 billion

LOHACO

charm

Logistics Business

Using the logistics know-how accumulated in its own e-commerce business, ASKUL provides logistics and small-cargo transportation services to companies, in addition to product storage, warehouse management, and delivery services for manufacturers and direct-order companies, through ASKUL LOGIST Corporation and SEISHO TRANSPORT Corporation.

Consolidated net sales

¥9.0 billion

Consolidated operating loss

¥0.0 billion

ASKUL Logist 西湘運輸株式会社

Other Businesses

TSUMAGOI MEISUI CORPORATION sources high-quality natural spring water from melted snow at the base of Mt. Azumaya, one of Japan's 100 famous mountains. The company produces and sells bottled natural mineral water using an integrated quality management system.

Consolidated net sales

¥0.7 billion

Consolidated operating loss

¥0.0 billion

嬌恋銘水

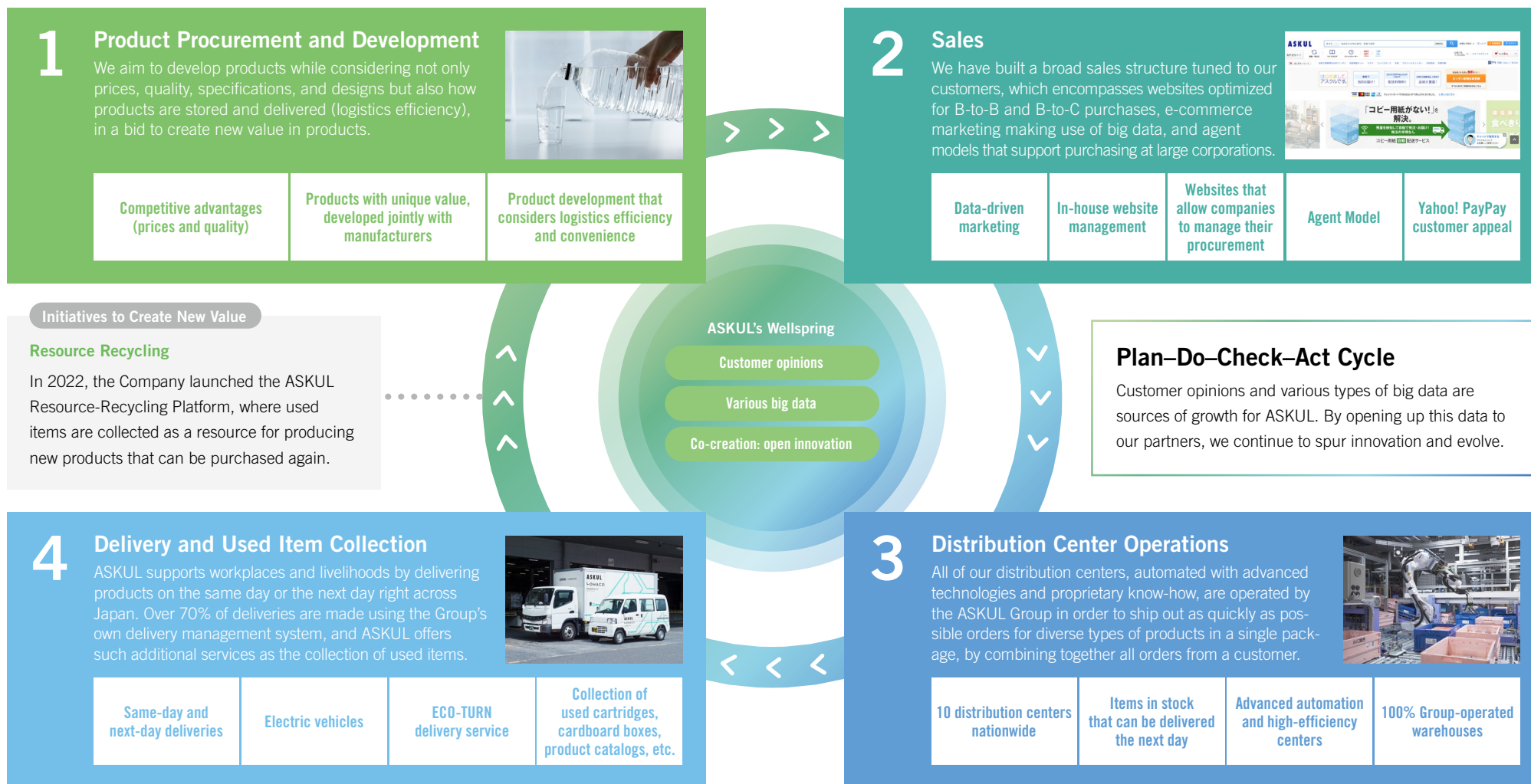
Net Sales Ratios



Business Model

Ethical E-Commerce That Is Continuously Bringing Delight

ASKUL aims to offer ethical e-commerce through the provision of sustainable services that consider solutions to environmental and social issues. Throughout the entire e-commerce value chain, from product development to delivery, we aim to create a sustainable distribution platform of the highest efficiency while delivering delight to customers and the planet.



ASKUL's Strengths

Source of Growth

Customer Base

In the B-to-B business, the number of registered customer IDs has surpassed 4.8 million,*1 as businesses of all sizes and from all sectors leverage our services. The total number of LOHACO customers is roughly 9.3 million,*2 and we aim to increase the number of LOHACO fans.

*1 As of the end of May 2022

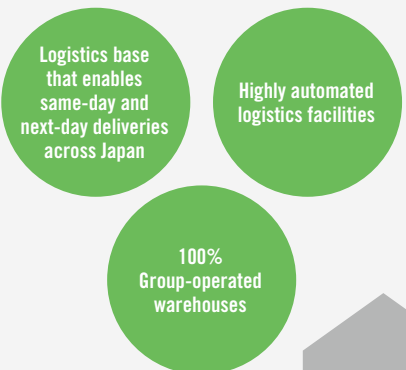
*2 As of August 2022



A Unique Evolution Focused on E-Commerce

E-Commerce Logistics

Since its inception, ASKUL has continued to evolve its e-commerce logistics know-how and networks that enable same-day and next-day deliveries across the nation, with various types of products stored and then delivered in a single package.



Co-Creation

The products and services offered by ASKUL would not be possible without the cooperation of other companies, such as manufacturers, suppliers, delivery carriers, agents, and call center partners. Co-creation is one of ASKUL's greatest strengths that generates value for the customer, together with the Company's partners, as ASKUL relays the feedback from its customers to said partners.

Evolving Services and Enabling High-Precision Data-Driven Marketing

Big Data

Voluminous and diverse big data on orders, product reviews, and logistics data, for example, is analyzed by in-house data analysts and used to evolve services and provide high-precision data-driven marketing.

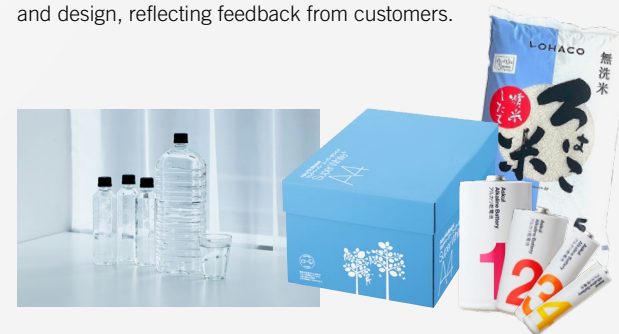


Note: Big data on purchases in the B-to-B business and LOHACO business has been accumulated from May 21, 2006, to May 20, 2022.

Satisfying Customer Needs

Original Products


ASKUL focuses on the development of original products that satisfy customer needs in terms of quality, specifications, prices, and design, reflecting feedback from customers.



Business Capital


The various types of capital that ASKUL has accumulated along with its stakeholders are deployed as a resource in management and businesses to create new value and reinvest this added value, thereby sustaining growth and improving corporate value over the medium and long terms.

Note: Figures are for the fiscal year ended May 20, 2022, or as of May 20, 2022, aside from those with an explanatory note.



Financial Capital

Consolidated



Strong ability to generate cash flows

Total asset turnover **2.27** times

CCC*1 – **26.6** days

*1 Cash conversion cycle

Shareholder composition for creating business synergies

Z Holdings Corporation's shareholding percentage **44.9 %**

Total assets

¥188.0 billion

Net assets

¥57.2 billion



Manufactured and Sales Capital

Consolidated



Distribution centers

10 centers*2

*2 100% Group-operated locations


Investment in plant, property and equipment

¥31.2 billion*3

*3 Total over past five years (fiscal year ended May 20, 2018—fiscal year ended May 20, 2022)

Software investment

¥21.6 billion*3



Human Capital



Ratio of mid-career hires

Non-consolidated

72.5 %

No. of employees

Consolidated

3,380

System engineers

Non-consolidated

158

Ratio of women in management

Non-consolidated


22.2 %

No. of delivery drivers

Consolidated


Approx. 3,400^{*4}

*4 Number of delivery drivers (employees and contract employees) at ASKUL-operated sales locations (18 locations)



Co-Creation Capital (Social Capital) and Intellectual Capital

Non-consolidated



Suppliers

1,225 companies

Sales agents (sales agencies)

1,163 companies

LOHACO EC Marketing Lab participants

P.27

119 companies

Customer base

Registered customer IDs (B-to-B business) Over **4.8 million**

No. of buying customers (B-to-C business) **9.3 million*5**

Customer feedback (B-to-B business and B-to-C business) **2.13 million opinions per year**

*5 Total cumulative number of customers since LOHACO services launched (October 2012–August 2022)

Product planning and development capabilities

Original products About **11,000 items** (28.2% of sales)

Networks with overseas designers **45 units**


Popular service brands

ASKUL recognition ratio **84.0 %*6**

*6 (ASKUL survey) Multiple answers about how users came to select their e-commerce provider among six companies that directly sell products used in workplaces; September 2022 survey, provided by Macromill, Inc.


E-commerce logistics know-how

Ability to design and operate highly automated distribution centers (including patents)



Natural Capital

Consolidated



Electricity used

P.48

52,967,000 kWh,
including **24,407,000 kWh of renewable energy** (46.1%)

Value Creation Process

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

Accomplishments / direction

- ▶ Transformation from office supplies mail-order company
- ▶ Sustainability transformation (SX) Ethical e-commerce

Value Proposition

Value created from material issues (important issues)

- Service reform via digital transformation (DX)**
 - ▶ Create the best customer experiences
 - ▶ Build an innovative value chain
- Innovation via co-creation**
 - ▶ Create new value through products and services
 - ▶ Realize resource-recycling platforms
- Contribution to the global environment for the next generation**
 - ▶ Take on the challenge of realizing a carbon-neutral society
 - ▶ Conserve biodiversity
- Build responsible supply chains**
 - ▶ Realize sustainable procurement
 - ▶ Fulfill responsibility as a lifeline
- Develop human resources to strengthen sustainable corporate activities**
 - ▶ Promote diversity where individuals can demonstrate their abilities
 - ▶ Innovate through personnel who proactively take on new challenges

Economic value (FY5/2025 consolidated target)

Net sales **¥550.0 billion** (Average annual growth of over 6.0%)

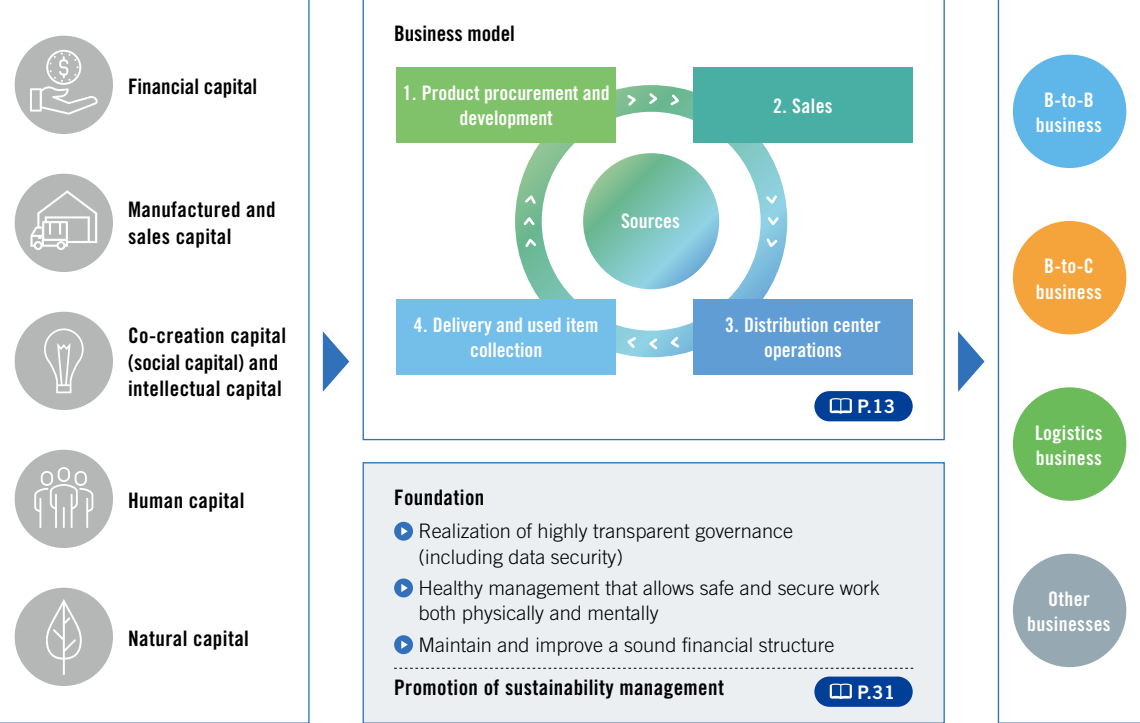
Operating profit ratio **5.0%** (Average annual growth of over 18.0%)

ROE **20.0%**

Changes in business environment surrounding ASKUL

- ▶ Falling birth rate and aging population of Japan, shortage of workers
- ▶ Acceleration of transition to e-commerce
- ▶ Advances in AI and technology
- ▶ Responses to infectious diseases
- ▶ Climate change and sustainability management
- ▶ New workstyles and borderless corporate activities

Business Capital **Business Activities** **OUTPUT**



DNA Advancing Forward for Our Customers

Values Innovation and Speed / Diversity and Co-Creation / Reliability and Dignity



I constantly update our e-commerce website by rapidly adding the products customers truly desire.

ASKUL Business Unit,
E-Commerce Development
Mitsuki Mikata



Together with our customers, I aim to propose ideas for new products and services that bring delight for the world tomorrow.

ASKUL Sales Unit, Agent Sales
Minaki Yamada



I am working to help create and operate websites that are safe and easy to use, making them more convenient for customers and incorporating even the smallest request.

Technology Unit, ICT Solutions Ryosuke Miwa



Through our products and services, I am making efforts toward realizing an environment that brings delight to customers.

Corporate Unit, Sustainability & Environment
Takemi Tachibana



I aim to create systems that deliver products for the convenience of customers, delivery carriers, and ASKUL, with the aim of bringing delight to all involved.

Logistics Unit, Delivery Network Mai Akasaki

Continuously Bringing Delight to Our Workplace, Life, the Planet and Tomorrow

I hope to create a brighter future together by creating systems and environments where ASKUL's people can take on new challenges with peace of mind.

Human Relations & General Affairs Unit
Yutaka Nakanishi



I am involved in co-creating environments that customers can safely use now and in the future, while continuously refining my specializations and working together with other departments.

Legal & Security Unit Wataru Asami

I always think of customers in our business activities so that they will have pleasant experiences using ASKUL's products and services.

Customer Service Unit Emiko Fukuda



I aim to provide enjoyable shopping experiences to users through my design capabilities that leverage my roots and global perspective.

LOHACO Business Unit, Design Yatong Wang



I am helping to provide customers with optimal work environments, developing products that are tailored to diverse workstyles and which help customers solve their problems.

OAPC & Stationery Unit, OAPC
Tomohiro Tamura



SPECIAL FEATURES

Continuously Bringing Delight



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27 **SPECIAL FEATURE 3:** Co-Creation Platform for Maximizing Customer Value: The LOHACO EC Marketing Lab



Akira Yoshioka
President and CEO
ASKUL Corporation

Peter David Pedersen
Executive Director of NELIS
Sustainability Advisor
ASKUL Corporation

SPECIAL FEATURE 1

Discussion

Discussing the “Ethical E-Commerce” That ASKUL Aims to Achieve through Sustainability Transformation

ASKUL is currently promoting a sustainability transformation (SX), in which it will transform its business model with a focus on sustainability. Looking beyond the completion of its SX, ASKUL is setting its sights on realizing “ethical e-commerce,” which seeks to resolve various social issues, including those pertaining to business. In this section, ASKUL President and CEO Akira Yoshioka and the Company’s Sustainability Advisor Peter David Pedersen have a conversation regarding what SX and ethical e-commerce entail and how these concepts influence the evolution of ASKUL as a company.

Making Our Business Model Itself Sustainable

Yoshioka: I believe that SX involves the simultaneous achievement of corporate sustainability (sustainability of a company's earnings power) and social sustainability (sustainability of society in the future). In other words, SX aims to achieve a "trade on" in which we transition to a business model that can both maximize profits and contribute to sustainability without any compromise between the two. In terms of ASKUL's business, SX means that we make such efforts as visualizing the environmental friendliness of our products, expanding the number of environment-friendly products, promoting resource-saving packaging, and reducing CO₂ emissions during product deliveries through the use of electric vehicles, and generating profits while doing so.

I am of the opinion that it is important to have our customers feel that they are contributing to sustainability simply by using our services. To that end, we need to pursue a business model transformation that is as extensive as changing the operating system of a computer.

Pedersen: Transformation is an important word that relates closely to the Sustainable Development Goals (SDGs). Transformation in the sense of SX refers to change that is qualitative, not superficial.

I believe there are three drivers for realizing a genuine transformation, whether it be of a company, government, or even a country, and I refer to these drivers collectively as "SVT." The "S" stands for "systems," including regulations and business models; "V" for values; and "T" for technologies and tools. When promoted in unison, these three drivers will lead to a successful transformation, but if promoted separately, they will lead to no substantial change at all.

Northern European countries have excelled at aligning these three drivers to transform governments and industries, whereas Japan has struggled to do so. This is why there has been a delay in realizing a true transformation in Japan. Recently, however, I feel that the government and industrial sector in Japan have finally joined in lockstep toward realizing a true transformation.

When it comes to SVT within corporate activities, companies need to appropriately consider the business models they employ and the technologies they use and take steps to ensure that initiatives toward sustainability lead to enhanced corporate value and competitiveness. Currently, many companies are struggling to do so, as attempting to achieve social sustainability while increasing profits has the potential to significantly raise the prices of their products. This is not an issue that a single company can resolve, thus collaboration between industry and government is absolutely essential. Recently, we have started to see a trend toward such collaboration, and I feel that Japan is currently in a transitional phase.

Yoshioka: To resolve these kinds of issues, which stand in the way of transformation, it is important for companies to have

the ability to make breakthroughs and take decisive action. For example, at ASKUL, we built a platform for the recycling of clear plastic folders. Ordinarily, one might think that there is no need to do something so troublesome. However, we decided to pursue this initiative, and once we did, we found that many other companies had an interest in following suit. As time went on, the number of companies participating in our clear plastic folder recycling platform continued to increase. I received an unexpected comment from a member of one participating company saying that they were glad to have more content to write about in their integrated report.

Pedersen: For me, the only way to truly make breakthroughs is to take action. One of the most unfortunate aspects regarding the organizational culture of Japanese companies is that there tends to be a large number of people who search for reasons why an innovative initiative or activity cannot be implemented. I have always considered such people to be part of the "no-go tribe." To remedy this situation, corporations need to increase the number of people who are part of a "can-do tribe," or in other words, people who will look for ways to take on a challenge, no matter how difficult it may seem.

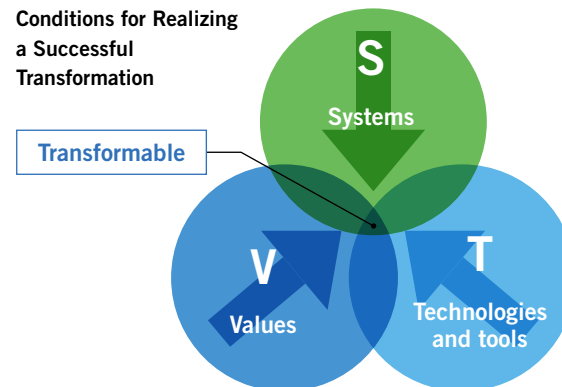
Taking action is the first step in creating a so-called ripple effect. As one must throw a stone in a pond to cause ripples to spread, breakthroughs cannot be made without an action being taken.

Adopting Ethics as the Prerequisite for Corporate Value Enhancement

Pedersen: Mr. Yoshioka, could you please tell us about the "ethical e-commerce" for which you are advocating?

Yoshioka: I believe that, going forward, ethics will become the most important aspect of a corporation. Specifically, it will be

Conditions for Realizing a Successful Transformation



crucial for corporations to be ethical and honest within all of their corporate activities, including not only the interactions between colleagues working together at the same company but also the approach to customers and all other stakeholders.

Environmental issues are an example of issues that require an ethical response. I am often asked why we do not refer to our approach as “sustainability e-commerce,” and the answer is that we believe it is important to include both environmental issues and social issues in our scope of consideration and address such issues in a more ethical manner.

Investors are now starting to evaluate companies based on whether or not they are implementing SX and ethical e-commerce. In other words, if a company does not implement such policies, then their corporate value will decrease.



Peter David Pedersen

Peter David Pedersen was born in Denmark in 1967. He first came to Japan from Denmark as a high school student in 1984. Following his graduation from the Institute of Anthropology, University of Copenhagen, in 1995, he returned to Japan and began his career. He co-founded E-Square Inc. in 2000, becoming its president and representative director in 2011. Since 2015, he has served as executive director of NELIS—Next Leaders’ Initiative for Sustainability. Since 2019, Mr. Pedersen has been a professor at Shizenkan University. Further, he has been an external director of MARUI GROUP Co., Ltd., since 2021 and of Meiji Holdings Co., Ltd., since 2022. He was appointed as a sustainability advisor of ASKUL Corporation in 2021.

This is why it is extremely important to consider the extent to which we are promoting SX and ethical e-commerce.

I believe that the concept of ethical e-commerce resembles the “doughnut economics” proposed by economist Kate Raworth in 2011.

In doughnut economics, the center hole of the doughnut represents the portion of people that lack access to life’s essentials, while the crust of the doughnut depicts the condition of the global environment that is being burdened beyond the acceptable limits by such factors as climate change and air pollution. The space in between the crust and the center hole is an area in which humanity has no social shortages and the environment is appropriately protected. The idea is that humanity should strive to prosper within this area between the crust and the center hole.

I believe that doughnut economics and ethical e-commerce share common ground because it is also important in ethical e-commerce to establish a framework that needs to be protected and then grow therein.

Pedersen: You are referring to what doughnut economics calls the “safe and just space for humanity,” and we must consider what actions need to be taken to realize such a space as quickly as possible. Ms. Raworth has been labeled an “alternative economist,” but I do not think there is anything “alternative” about what she is saying. Rather, she is stating the obvious. Without finding such a space, humanity as we know it will cease to exist.

Yoshioka: I feel there are many aspects of today’s society that deviate from the doughnut. There are also many people who are successful under the current state of capitalism and who have trouble accepting the ideas espoused by doughnut economics. However, this attitude must change if we are to realize a sustainable society.



I believe there are three important elements to consider in order for ASKUL to realize a true transformation. The first element is reforming our awareness and behavior. For this element, I, as the president and CEO, will strive to communicate the ASKUL WAY, our corporate philosophy, and the significance of ethical e-commerce while engaging in dialogue with our employees. By doing so, I hope to foster a sense of inspiration among our employees. I also believe we need to reward and appreciate employees who take action to address challenging issues in a highly visible manner.

The second element is human resource development. Technologies and digitalization are essential parts of SX. To that end, we have been focusing our efforts on reforming our organization through digital transformation (DX), including implementing our own unique training program in 2021 to cultivate human resources who are digitally savvy within the Company.

The third element is the assumption of a leading role in starting movements that engage our stakeholders. At our LOHACO EC Marketing (ECM) Lab, which has realized successful co-creation activities with roughly 120 consumer goods manufacturers, we have made the sales data of LOHACO accessible to participating parties. In addition to enabling participating parties to leverage said data in their own marketing and product development activities, the LOHACO ECM Lab is involved in the creation of sustainable products made of product packaging thanks to the participation of companies that handle ink and materials. Moreover, based on the belief that we need to integrate our marketing activities with efforts to resolve social issues, we are striving to further expand product development frameworks to enhance added value, including the sharing of test marketing data and the reduction of waste loss through the sale of unused products via LOHACO Outlet.

Striving to Become a Hub for Sustainability

Yoshioka: It is also important to engage our suppliers, such as those we purchase products from, and our customers, to whom we sell our products. I feel that we are in a position where we can become a hub for sustainability, and I hope to leverage this position in a highly effective manner.

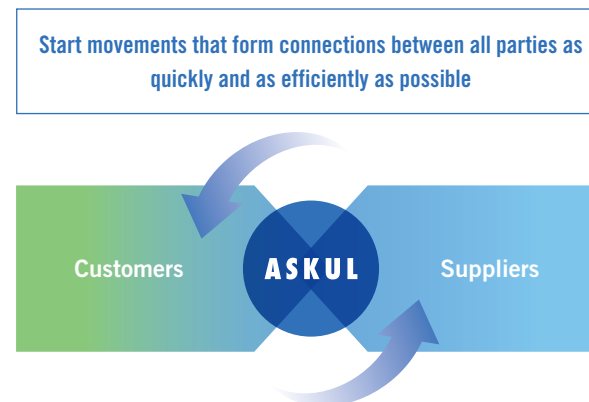
Pedersen: I think becoming a hub for sustainability is an excellent idea. In attempting to realize ethical e-commerce, I think one of ASKUL's most pressing issues is that its business model focuses on small profits and quick returns. Because of this, there is a strong possibility that shareholders and other investors might be happy with the Company's sustainability

approach but demand to generate more profits. This is an extremely difficult area to navigate.

Yoshioka: The first step is to enhance our overall profit margins by expanding the range of our original products and products we handle based on consideration of the environment: for example, specialized products used by customers working in the medical, manufacturing, and construction industries. Furthermore, it is crucial that we enhance our efficiency by optimizing our overall supply chain through the use of IT and AI.

One of ASKUL's strengths is its unrivaled network of small and medium-sized enterprises (SMEs) in Japan. The delay in the promotion of digitalization at SMEs is believed to be a serious issue. To that end, I believe we can draw on our long-cultivated trust-based relationships with SMEs to provide them with services that help promote the digitalization of their procurement management and administrative operations. If we are able to commercialize such services, that would increase the productivity of SMEs and, in turn, increase profits for ASKUL.

Conceptual Diagram of ASKUL as a Sustainability Hub



Pedersen: How many customers does ASKUL currently have?

Yoshioka: We have approximately five million customers, many of which are SMEs.

Pedersen: That is quite an impressive number. ASKUL is in a position where it can aggressively pursue sustainability, so I feel that supporting the digitalization of SMEs is an excellent strategy.

The name ASKUL means “delivering tomorrow,” correct? With such a name, I would love to see ASKUL transform itself into a company that can “deliver tomorrow.” I hope that ASKUL can create a situation where its customers can facilitate sustainability in various processes simply by doing business with ASKUL and, in turn, contribute to the SDGs. Creating such a situation would greatly contribute to ASKUL's sales activities.

My first hope is that ASKUL changes the mindset of its employees, encouraging them to adopt the idea of aggressively pursuing sustainability and making profits while doing so. This is something that I am very much looking forward to as ASKUL pursues its endeavors.

SPECIAL FEATURE 2

Optimizing Value Chains through Digital Transformation:

Logistics Technology

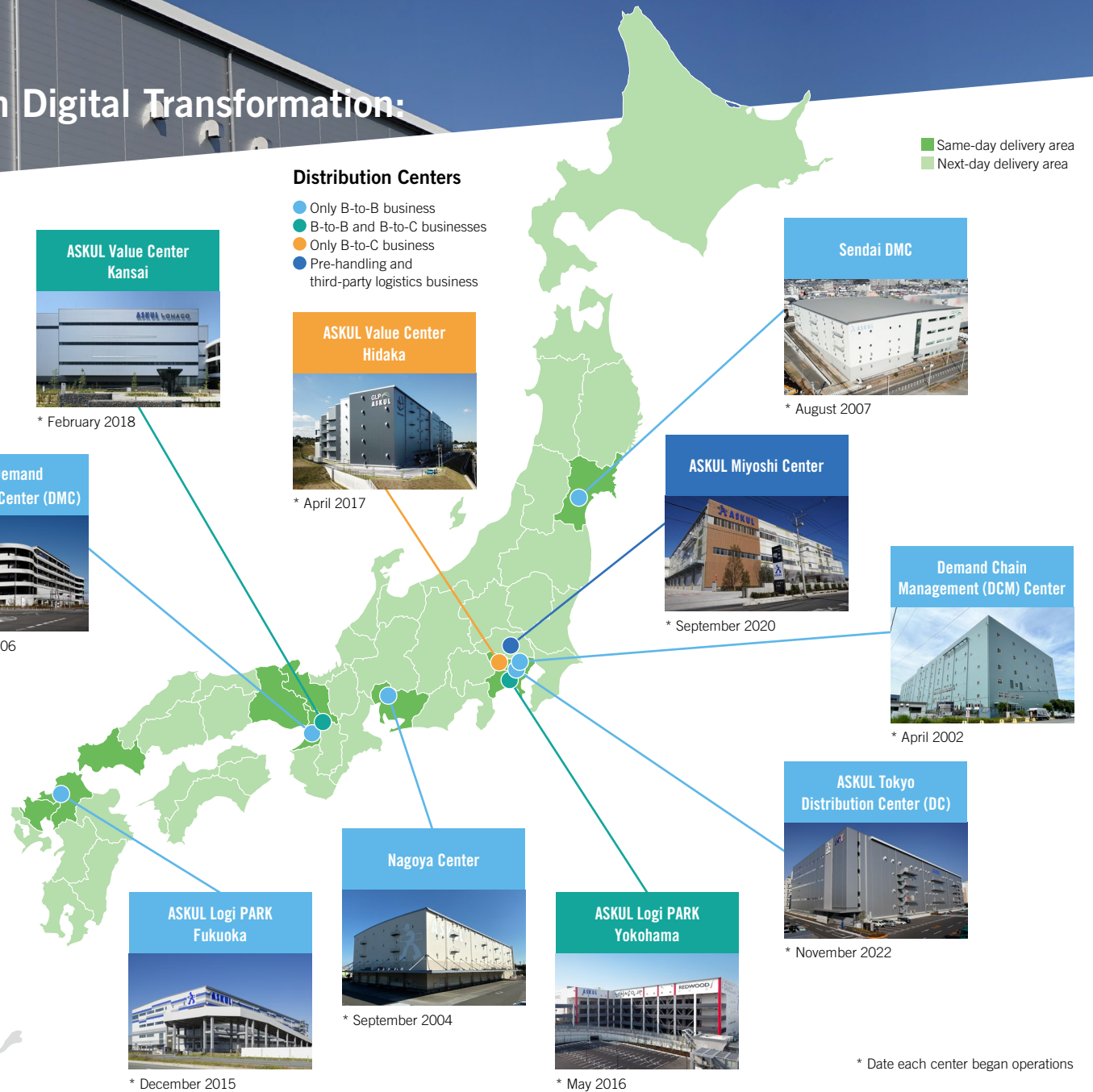
ASKUL's Logistics Platform: Enabling Same-Day and Next-Day Deliveries

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

Use of External Warehouses and Digital Network for Distribution Centers

Having built a digital network, ASKUL operates a procurement system that prevents shortages of items 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.

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

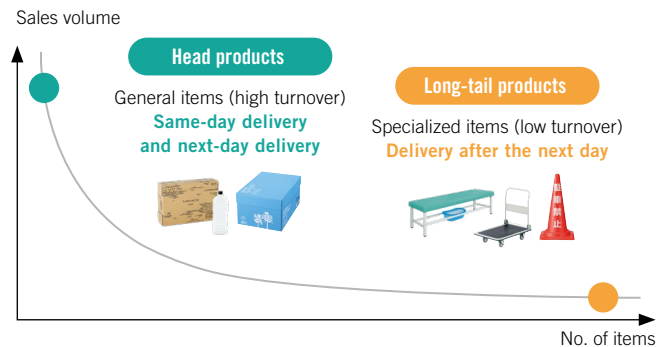
Optimizing Value Chains through Digital Transformation:

Logistics Technology

Head Products and Long-Tail Products

ASKUL's directly operated distribution centers mainly stock high-turnover head products that are frequently ordered, while long-tail products—such as items for the medical, nursing care, and manufacturing sectors—are delivered directly to customers from suppliers' bases. As it is important to know when products used in day-to-day work will arrive, ASKUL has built a system where customers can place orders with peace of mind, even for products that are delivered directly from suppliers, by displaying delivery dates on its website based on information from the shipping base and delivery destination.

Hybrid Product Strategy

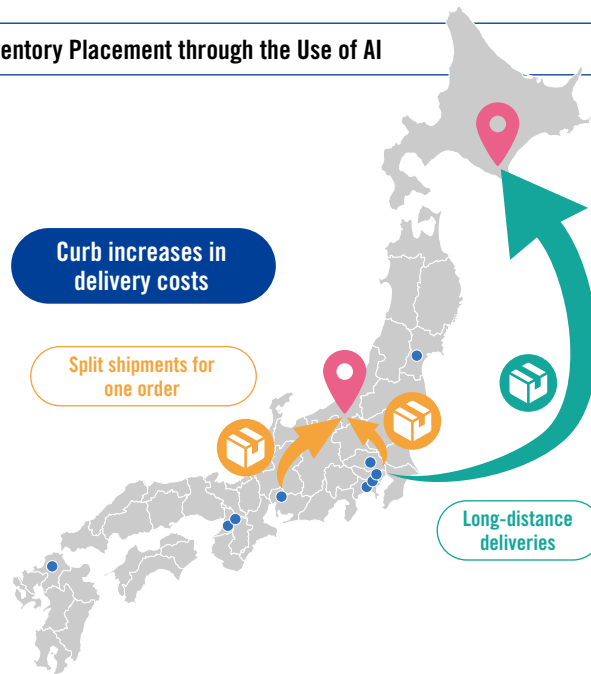


Topic

Initiatives to Reduce Delivery Costs, the Largest Cost in E-Commerce

Optimizing Inventory Placement through the Use of AI

There are limits on the quantity of products that can be stored at distribution centers, and the same products are not stored at all distribution centers. When a single order requires the shipment of products from multiple distribution centers, problems can arise, such as long-distance deliveries of products shipped out from distribution centers further away. The receiver who has to handle the multiple deliveries also has to do more work, all of which increases delivery costs. We are therefore working to solve this problem at the root with technologies that do not depend on the experience of on-site workers. Since December 2021, ASKUL has been conducting joint research with the University of Electro-Communications and TIMEINTERMEDIA, Inc., in an industry-academia collaboration to advance evolutionary computation and develop algorithms therefor in the AI field, with the aim of optimizing inventory allocations in distribution centers. Using voluminous data on shipment histories, inventory levels for each product, shipment capacity, and storage capacity at distribution centers, we aim to optimize inventory assignment and volume at each distribution center by determining the best inventory placement for each product based on evolutionary computing methods. We aim to reduce delivery costs by using the power of technology to eliminate multiple package deliveries for the same order.



Message



Tamami Ito
Executive Officer
Logistics Unit

In Japan, logistics is facing an unprecedented crisis, with a logistics shortage of 36% being forecast by 2030. As the e-commerce market expands due to changes in consumer purchasing behavior, increasing worker shortages in the logistics field mean that traditional operations will be unable to keep up in this expanding market. We must therefore create a new logistics model that solves structural issues in e-commerce.

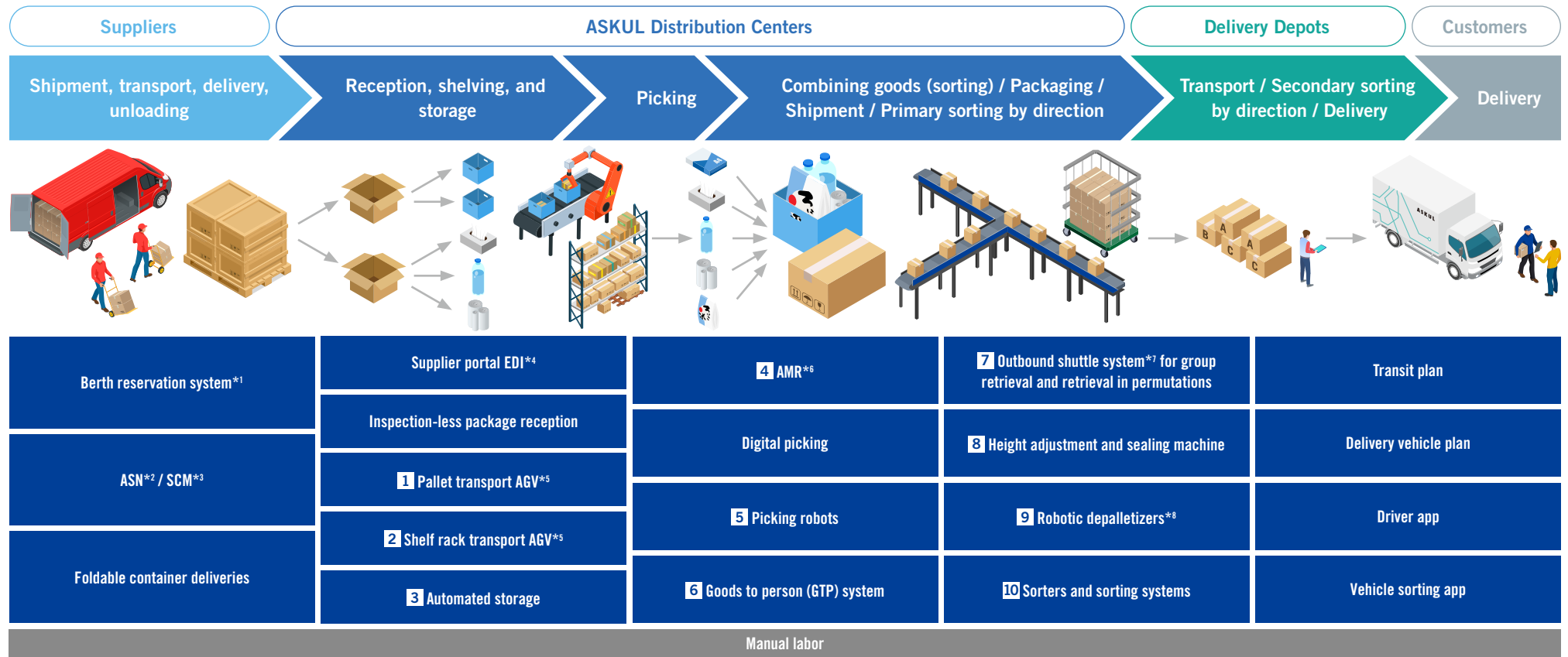
ASKUL is well versed in business management at each stage of the value chain, from product development and registration to sales, logistics, and delivery. Leveraging this strength, the Company is pushing forward with the digital transformation (DX) of individual processes, including through the promotion of product development that gives consideration to logistics efficiency and the installation of robots to lighten workloads and conserve labor for warehouse work. Going forward, ASKUL intends to realize sustainable logistics by providing new value to customers, in addition to reducing internal costs and workloads while accelerating operations.

Optimizing Value Chains through Digital Transformation:

Logistics Technology

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.

Please see [P.26](#) for explanations on [1](#) through [10](#).

Optimizing Value Chains through Digital Transformation:

Logistics Technology

Logistics Robotics and Automation



Receipt, shelving, and storage

Picking

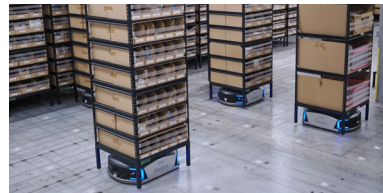
1 Pallet transport AGV



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

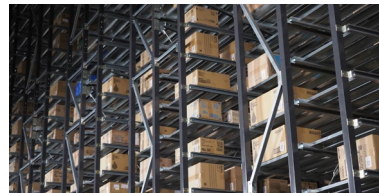
2 Shelf rack transport AGV



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

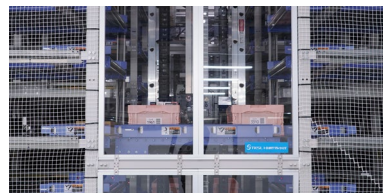
6 GTP system



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.

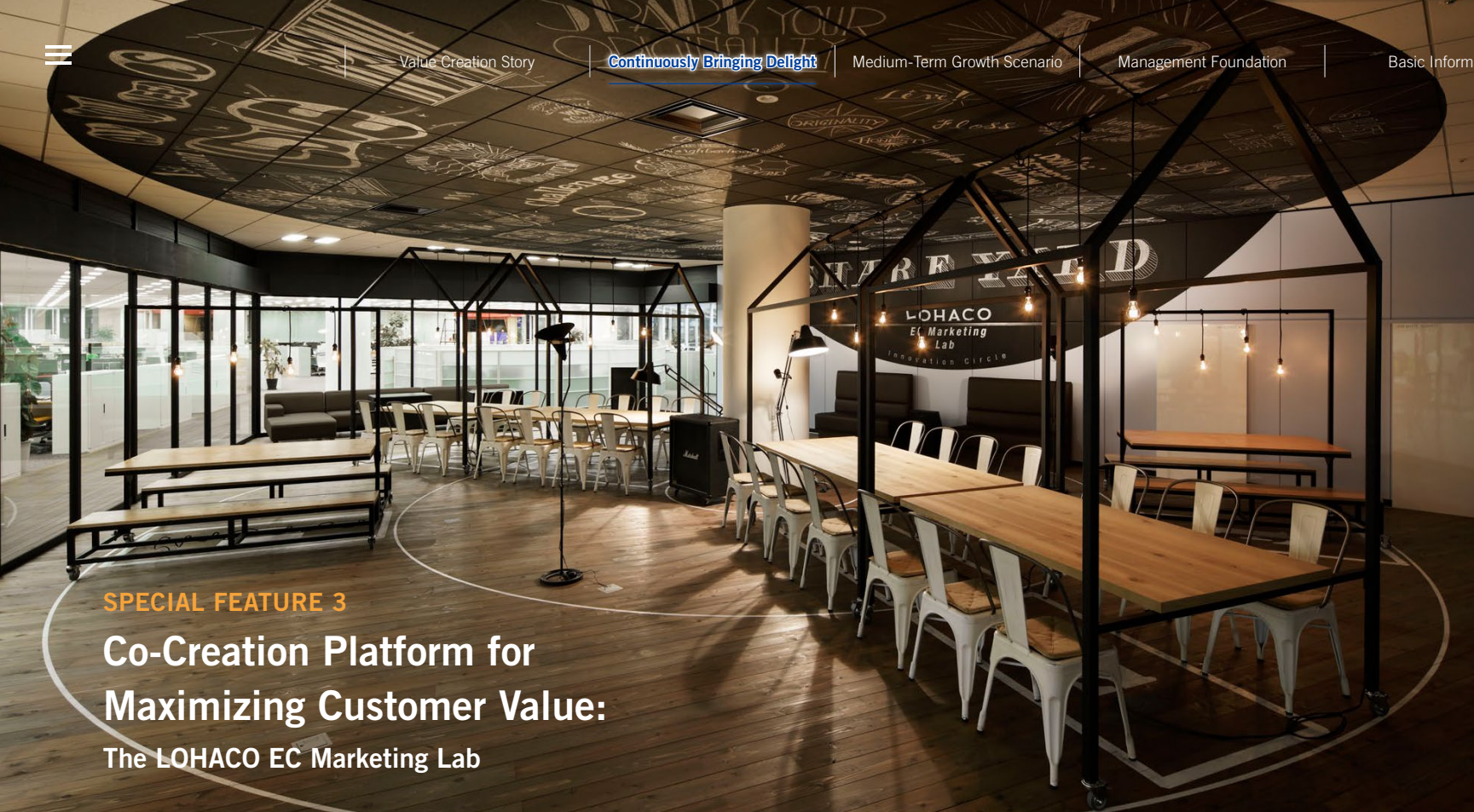
All centers

*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)



SPECIAL FEATURE 3

Co-Creation Platform for Maximizing Customer Value: The LOHACO EC Marketing Lab

What is the LOHACO EC Marketing Lab?

The LOHACO EC Marketing Lab (LOHACO ECM Lab) was launched in February 2014 at a research center in ASKUL's head office as an initiative to research and rapidly implement new marketing methods that use big data in the era of e-commerce. With leading Japanese manufacturers and other companies*1 participating in this initiative, we are researching effective and efficient e-commerce marketing methods and developing know-how in view of customer needs. We openly share information and knowledge among the participating companies through case studies and study groups, realizing a co-creation platform for maximizing customer value in ways that go beyond sector and company borders.

*1 As of 2022, the LOHACO ECM Lab's ninth period of operation, 119 companies participated in the lab, which has around 480 researchers.

Opening Up of Big Data

Based on the Company's idea that data should be returned to and used by society, ASKUL makes available to participants in the LOHACO ECM Lab various data*2 on e-commerce held by LOHACO, such as data on customers, purchases, products, access logs, inquiries, reviews, and deliveries. Companies participating in the lab are able to view the data of all other participating companies, in addition to their own data, facilitating a deeper understanding of customer purchasing behavior, preferences, and lifestyles through the analysis of big data.

*2 Such data excludes names, dates of birth, and other personal information.

Since 2014

Purpose of activities

1

Aim for a win-win-win scenario for consumers, manufacturers, and distributors through the healthy development of e-commerce

2

Implement effective and efficient marketing activities with the open use of big data

3

Contribute to society and support the daily livelihoods of consumers by spreading e-commerce

Co-Creation Platform for Maximizing Customer Value: The LOHACO EC Marketing Lab

Creation of Fitting Our Lifestyles Design

Fitting Our Lifestyles Design is an innovation that came out of the LOHACO ECM Lab. With the concept of shifting from private brand (PB) products centered on distribution to consumer brand (CB) products focused on consumers, ASKUL and manufacturers are jointly pursuing an open concept for designs and products that customers will want to place in visible locations, rather than putting them away in a cabinet at home, while moving away from package designs that place too much emphasis on displaying product information so that we can encourage consumers to buy them from retail store shelves.

It has been proven that sales of consumer brand products via LOHACO will increase because they are placed in visible locations and therefore used more frequently, while offering compelling and unique value as products that can only be bought at LOHACO. They also help manufacturers solve their own issues and create new opportunities to develop products uniquely suited to e-commerce.

In addition to changing the package designs of existing products, we are expanding initiatives to release a large number of products developed from scratch.

In 2019, ASKUL started to develop environment-friendly products that fit naturally into people's lifestyles, under the slogan "One Step Forward! Fitting Our Lifestyles," in addition to pursuing better designs and emphasizing the theme of sustainability. We will continue to develop products with manufacturers that combine sustainable elements, maintaining our dedication to good designs and easy-to-use specifications while also considering what we can do through our products to enable environment-friendly lifestyles.



Kaorinokura Maruboshi Yuzu 150 ml
special design bottle 150 ml

nepia krafco



LOHACO Exhibition

Fitting Our Lifestyles LOHACO Exhibition

The Fitting Our Lifestyles LOHACO Exhibition is held as an event to showcase consumer brand products created by the LOHACO ECM Lab. This exhibition is a special opportunity for LOHACO to come into contact with customers, and it was held as an in-person event five times from 2015 until 2019, drawing crowds of people with companies aiming to sell their products. Due to the COVID-19 pandemic, however, the exhibition moved online from 2020, and the frequency of the exhibition was increased with the aim of seamlessly introducing new products to customers throughout the year.

Message

from Participating Company



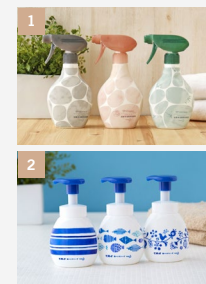
Kotaro Nuriya
Kao Corporation
Senior Executive Officer

We have participated in the Fitting Our Lifestyles LOHACO Exhibition since 2015 with the objective of advancing our e-commerce marketing activities. Kao jointly developed and sells Resesh, an ASKUL-exclusive product, based on the Fitting Our Lifestyles Design.

The package was designed to only fit in with the lifestyles of consumers, and it does not convey the functionality or name of the product at a glance. At the time, the design was adventurous in that it broke most of our internal design rules, but we decided that the functionality of the product can be adequately described on the e-commerce web page.

As a manufacturer, we tend to create products based on our own principles. However, in working with ASKUL, we became aware that the Fitting Our Lifestyles Design has some overlap with good manufacturing practices, resulting in a successful experience that allowed us to consider aspects from the customer's perspective.

In addition to creating market-places through data analysis, we believe these efforts will lead to more efficient ideas for marketing activities based on customer-driven analysis in product development.



1 Resesh Disinfectant EX Natural Stone Design Bottle
2 Biore u Foaming Hand Soap, Porcelain Design, Mild Citrus Scent

SECTION 2

Medium-Term Growth Scenario



- 30 Recognition of External Environment in Creation of Medium-Term Management Plan
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- 32 List of ASKUL's Material Issues (Important Issues)
- 33 Medium- to Long-Term Corporate Aims / Medium-Term Management Plan
(May 20, 2022–May 20, 2025)

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

Recognition of External Environment surrounding ASKUL

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



Promotion of Sustainability Management as unified initiative with our businesses

□ P.31

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

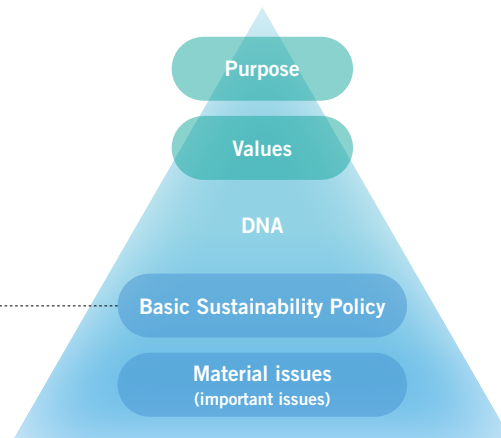
□ P.33

Promotion of Sustainability Management as a Unified Initiative with Our Businesses

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

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.



Material Issues (Important Issues) Identification Process

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

Identification Process

STEP 1 Identify and evaluate social issues, hypothesize stakeholder demands

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

STEP 2 Dialogue with stakeholders

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

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

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

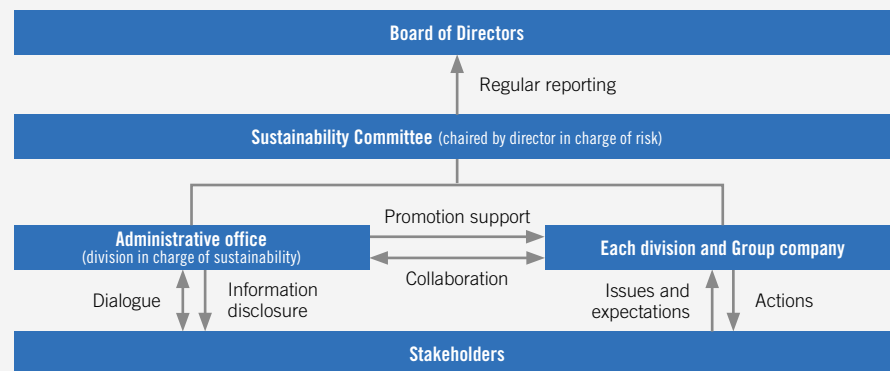
STEP 4 Discuss and evaluate at management level, identify material issues (important issues)

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

STEP 5 Review material issues (important issues)

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

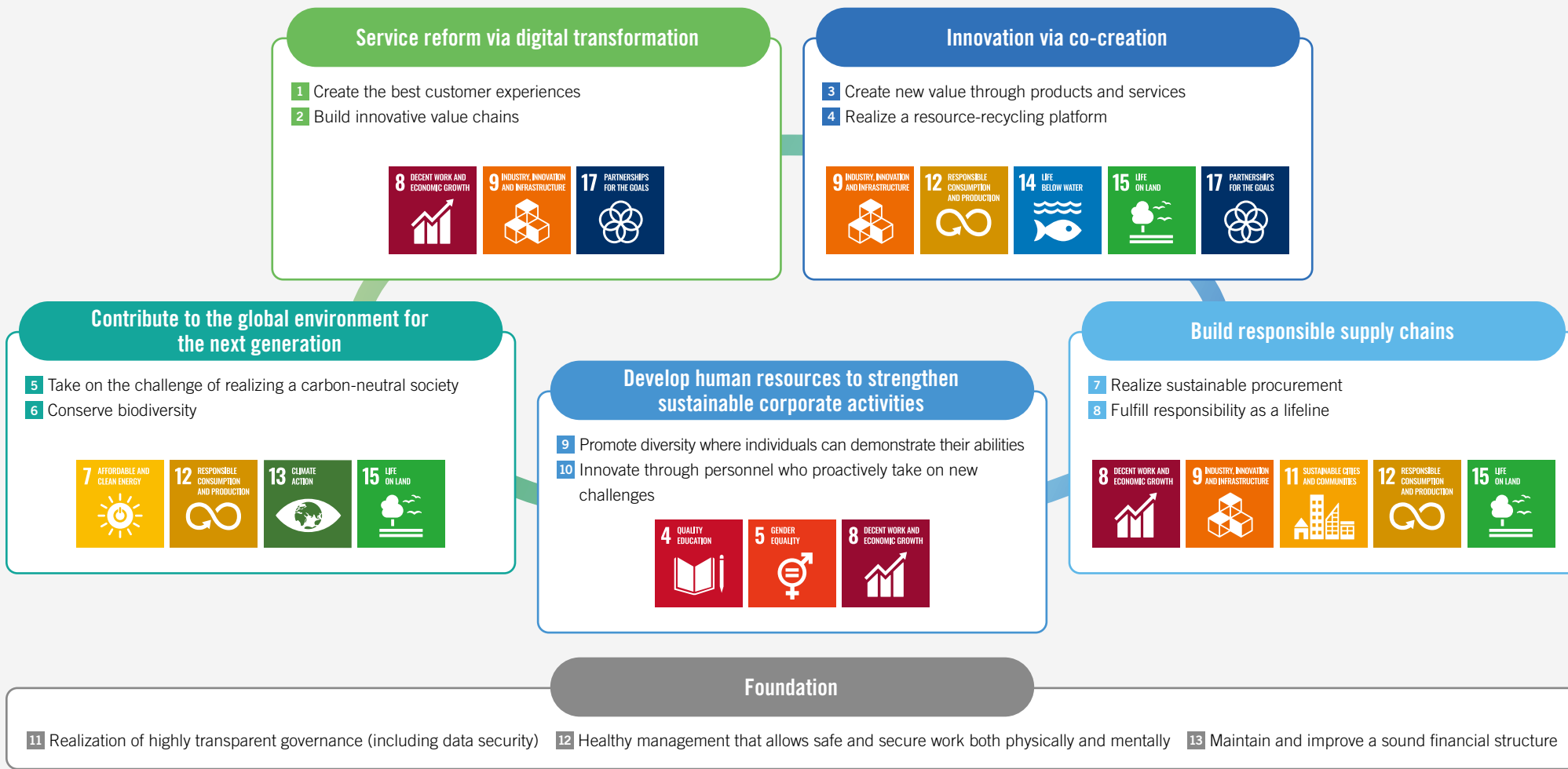
CSR / ESG / Sustainability Promotion Structure



List of ASKUL's Material Issues (Important Issues)

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

List of Material Issues and KPIs  P.76-78



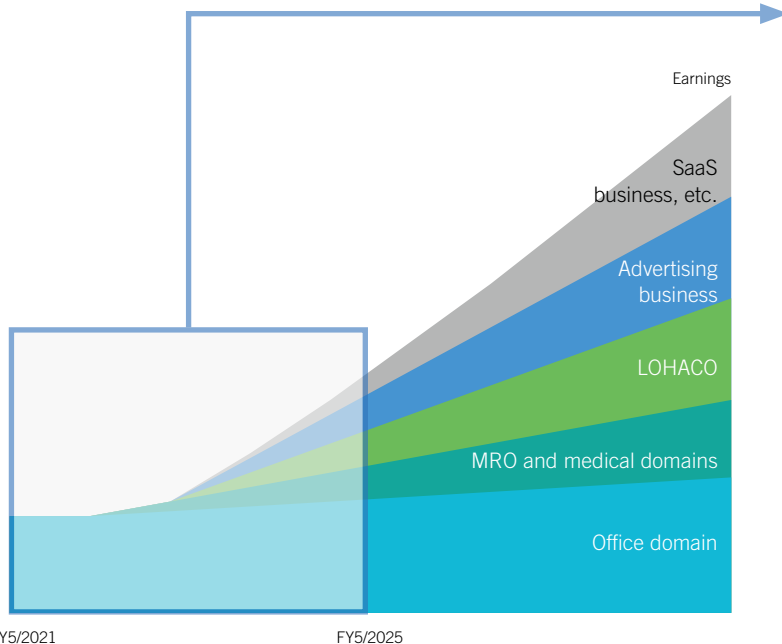
Medium- to Long-Term Corporate Aims

Transformation

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

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

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



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

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

Basic Policies

Sustainable management

Maximize customer value

Transformation to a highly profitable model

Key Strategies

1 Strategic Areas and Expansion of Product Lineups

P.34

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

P.35

3 Synergies with Z Holdings

P.36

4 Reform Platforms

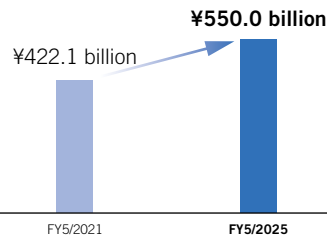
P.37

Management Indicators

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

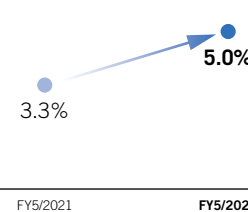
Consolidated Net Sales

Average annual growth **Over 6.0%**

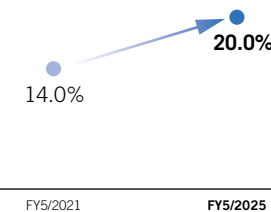


Consolidated Operating Profit Margin

Average annual growth **Over 18.0%**



Consolidated Return on Equity (ROE)



Key Strategies 1 Strategic Areas and Expansion of Product Lineups

B-to-B Business

Strategic Reinforcement of Two Major Areas

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

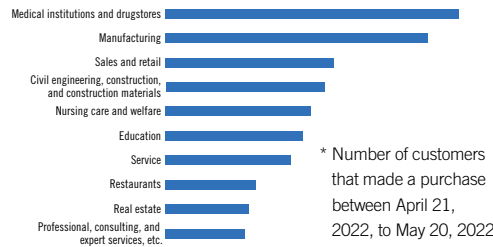
E-commerce market growth potential

Market scale



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

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



B-to-B Business

Expansion of Product Lineups

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



Messages from Our Customers



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

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



Toshiko Nishiyama
Director, Otemachi Sakura Clinic in Toyosu, Tokyo

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

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

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

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

▶ Evolution through the New ASKUL Website

Evolution 1

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

Evolution 2

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

Evolution 3

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

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

B-to-B Business

For sole proprietors to small and medium-sized enterprises



- Fast purchases after searching
- Personalized recommendations

For mid-tier and larger enterprises



- Free purchasing management functions
- Volume discounts



New ASKUL Website



ASKUL

Combines best features of both websites

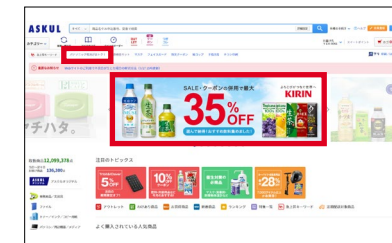
Also has purchasing functions compatible with teleworking

Topic

New Initiative B-to-B Advertising Business

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

Ad placement



Message from an Agent



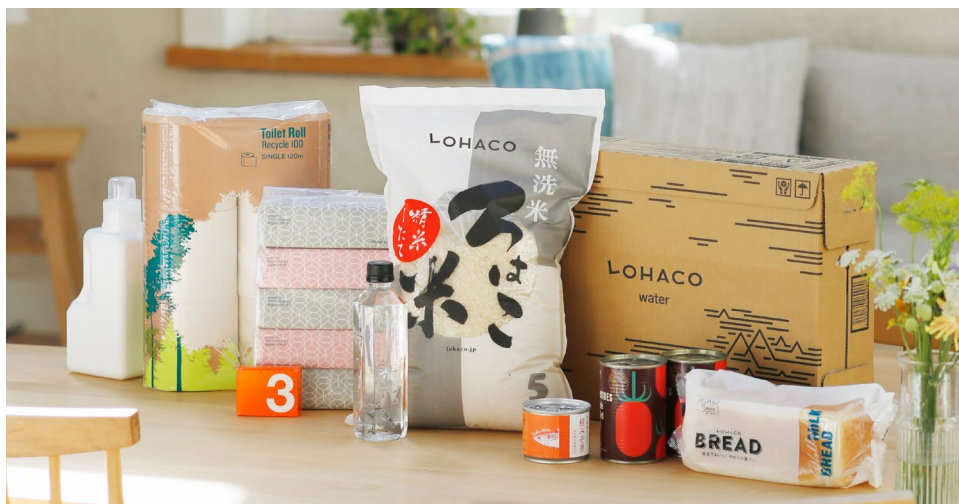
Akira Nakajima
ASKUL Sales Department
ASKUL Sales Division
General Manager,
Executive Officer
Seiwa Business Co., Ltd.

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

Key Strategies 3 Synergies with Z Holdings

LOHACO “Makes Life More Comfortable and Enjoyable”

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



LOHACO

Back on a Growth Trajectory to Becoming Profitable

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



LOHACO-exclusive coupon



Summer PayPay Festival

Message



Takao Ozawa
Outside Director

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

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

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

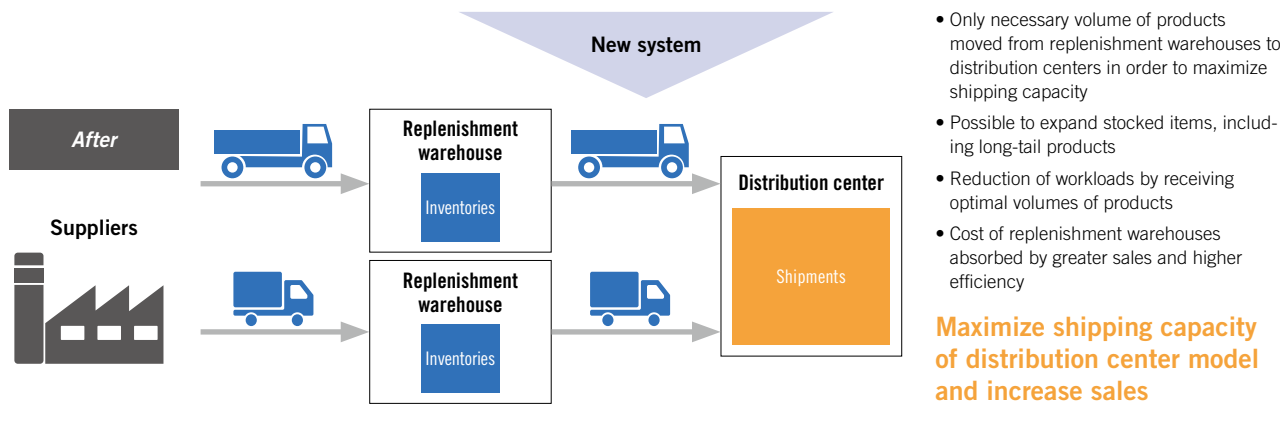
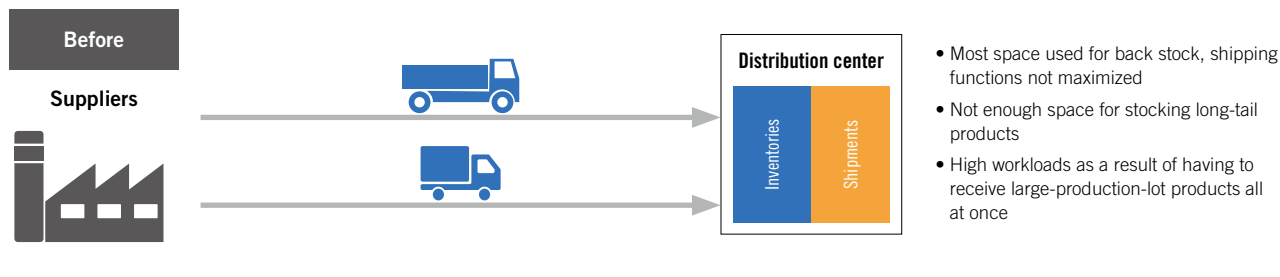
However, the contributions of Z Holdings are still limited in nature. If synergies can be generated in B-to-B as well as B-to-C businesses, I believe ASKUL can provide value to both customers and society. Although Yahoo Japan had been a main partner, pursuing the potential of synergies with such Group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

Key Strategies 4 Reform Platforms

Distribution Center Restructuring

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

Flexibly expand items by using logistics support centers



Topic

ASKUL Tokyo Distribution Center (DC)

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

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

*² AVC: ASKUL Value Center



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

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

Key Strategies 4 Reform Platforms

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

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

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

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

B-to-B deliveries

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

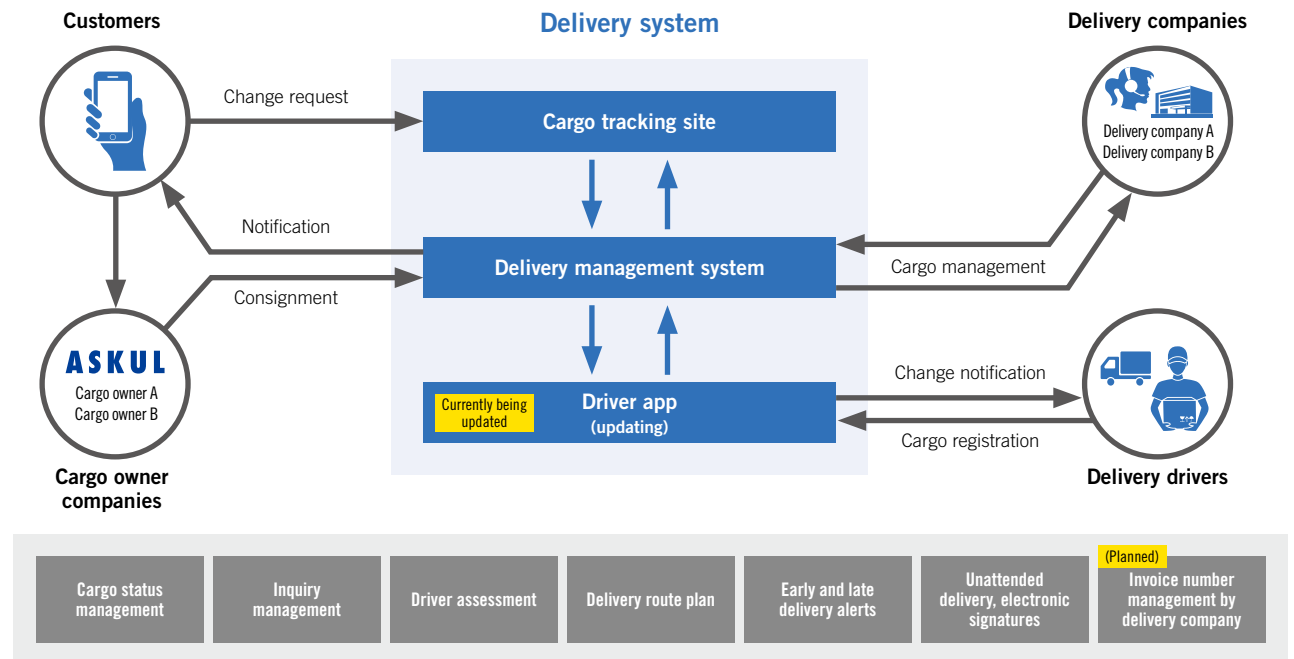
B-to-C deliveries

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

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

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

Delivery management system “Torakkuru”



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

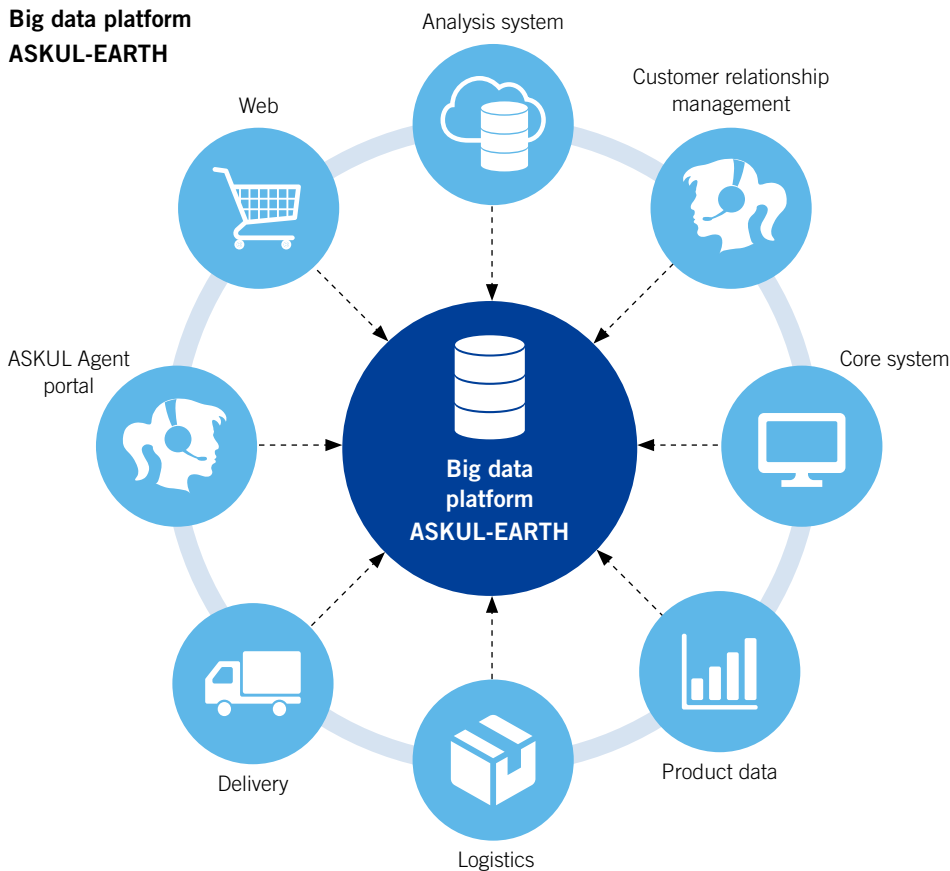
Key Strategies 4 Reform Platforms

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

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

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

Big data platform ASKUL-EARTH



Message

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

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

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

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

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










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



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

New Corporate Structure

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

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

*1 Chief operating officer

*2 Chief digital transformation officer

*3 Chief financial officer

*4 Chief human relations & healthcare officer

*5 Chief security officer

Message



Katsuhiro Kawamura
Director, COO

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

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

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

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

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

CFO Message

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

Tsuguhiro Tamai
Director and CFO

ASKUL's First-Ever Medium-Term Management Plan

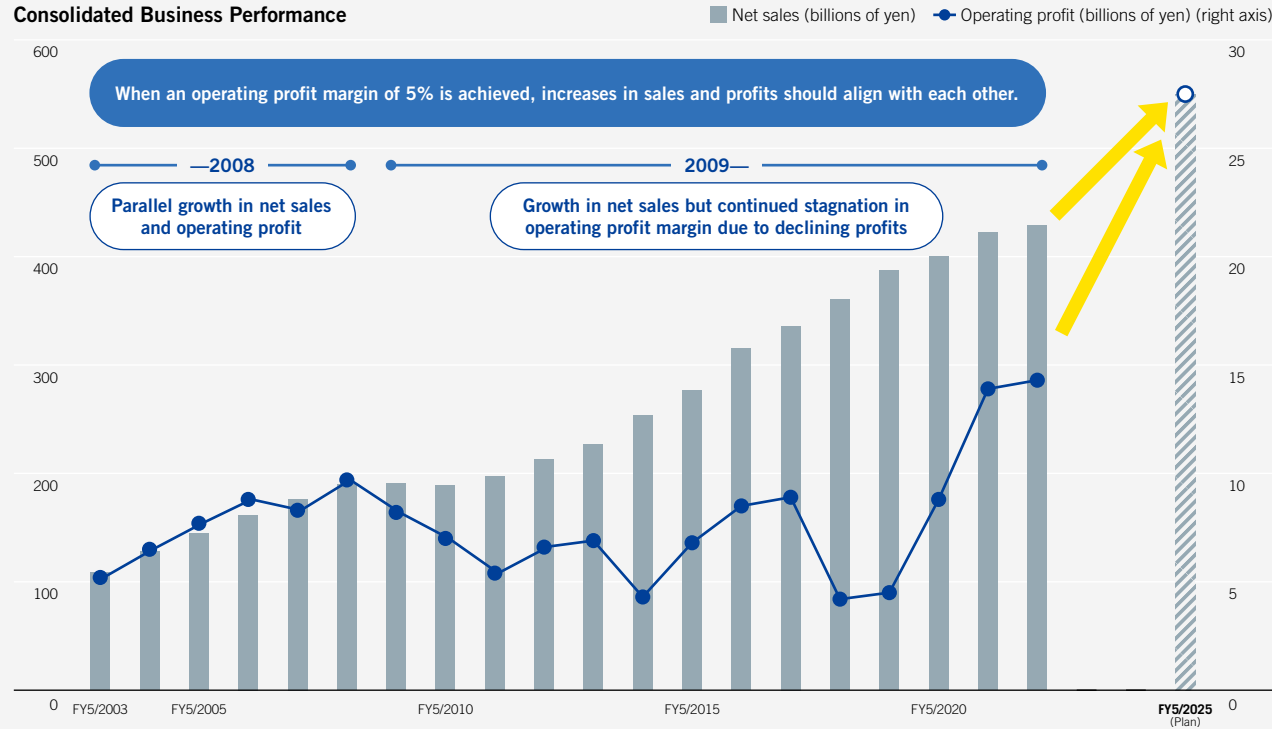
In the fiscal year ended May 20, 2022, ASKUL commenced its first-ever Medium-Term Management Plan. With the dramatic changes in the e-commerce (EC) industry, in which we carry out our operations, we had maintained the belief that announcing medium-term targets and being held to them would restrict our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

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

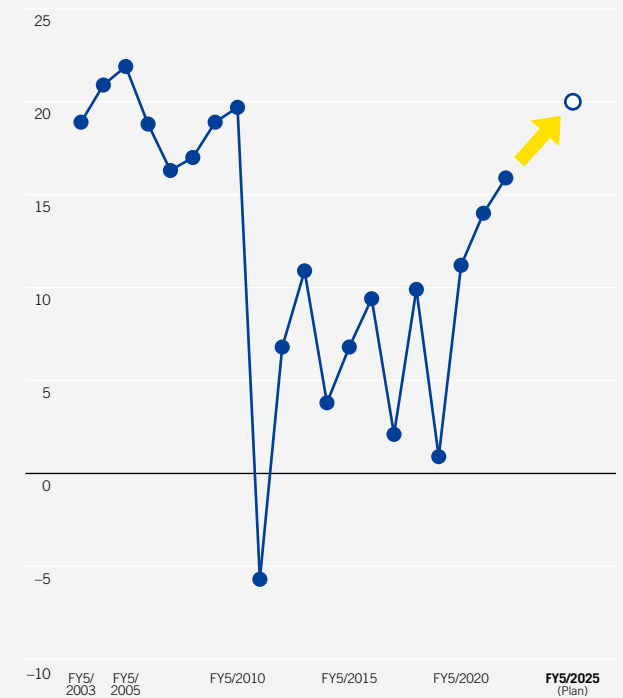
Targets of the Medium-Term Management Plan

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

Consolidated Business Performance



ROE (%)



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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

Capital Policy and Cash Allocation

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

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

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

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

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

My Role as CFO

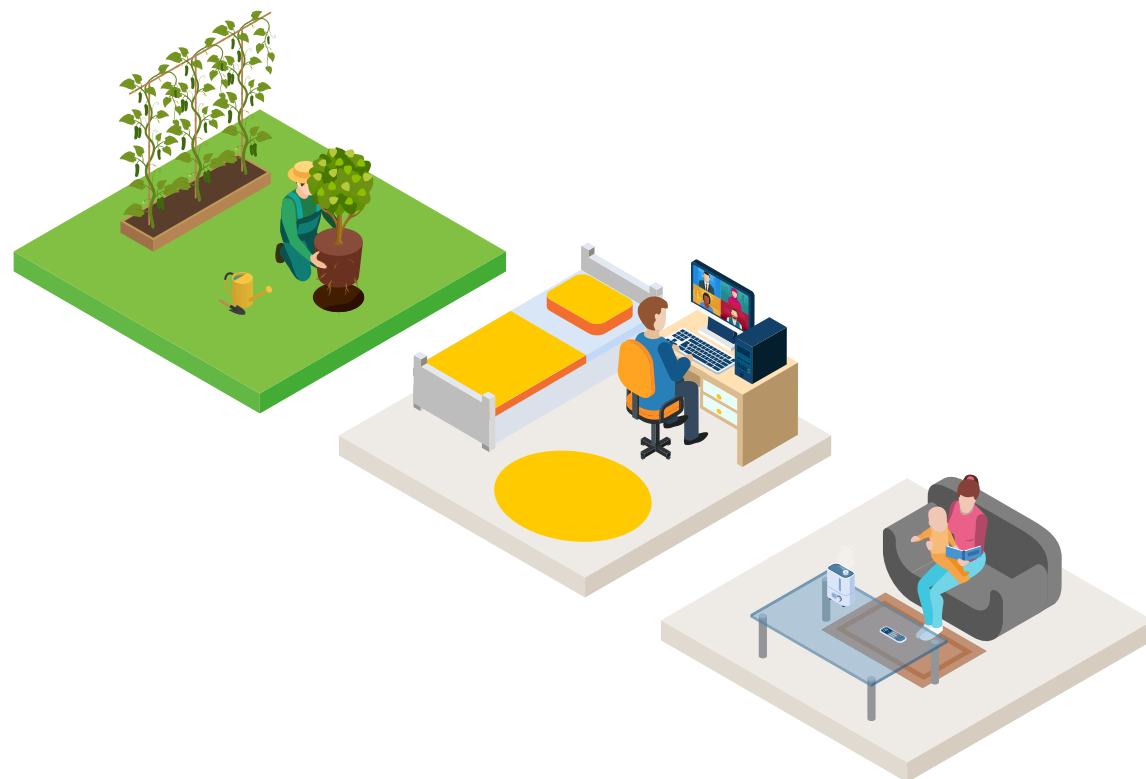
ASKUL believes that companies engaging in honest corporate activities gain the trust and support of society. Guided by this belief, we champion the concept of ethical e-commerce and will position the promotion of sustainable services that conserve the environment and resolve social issues as the foundation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

Tsuguhiro Tamai

Director and CFO

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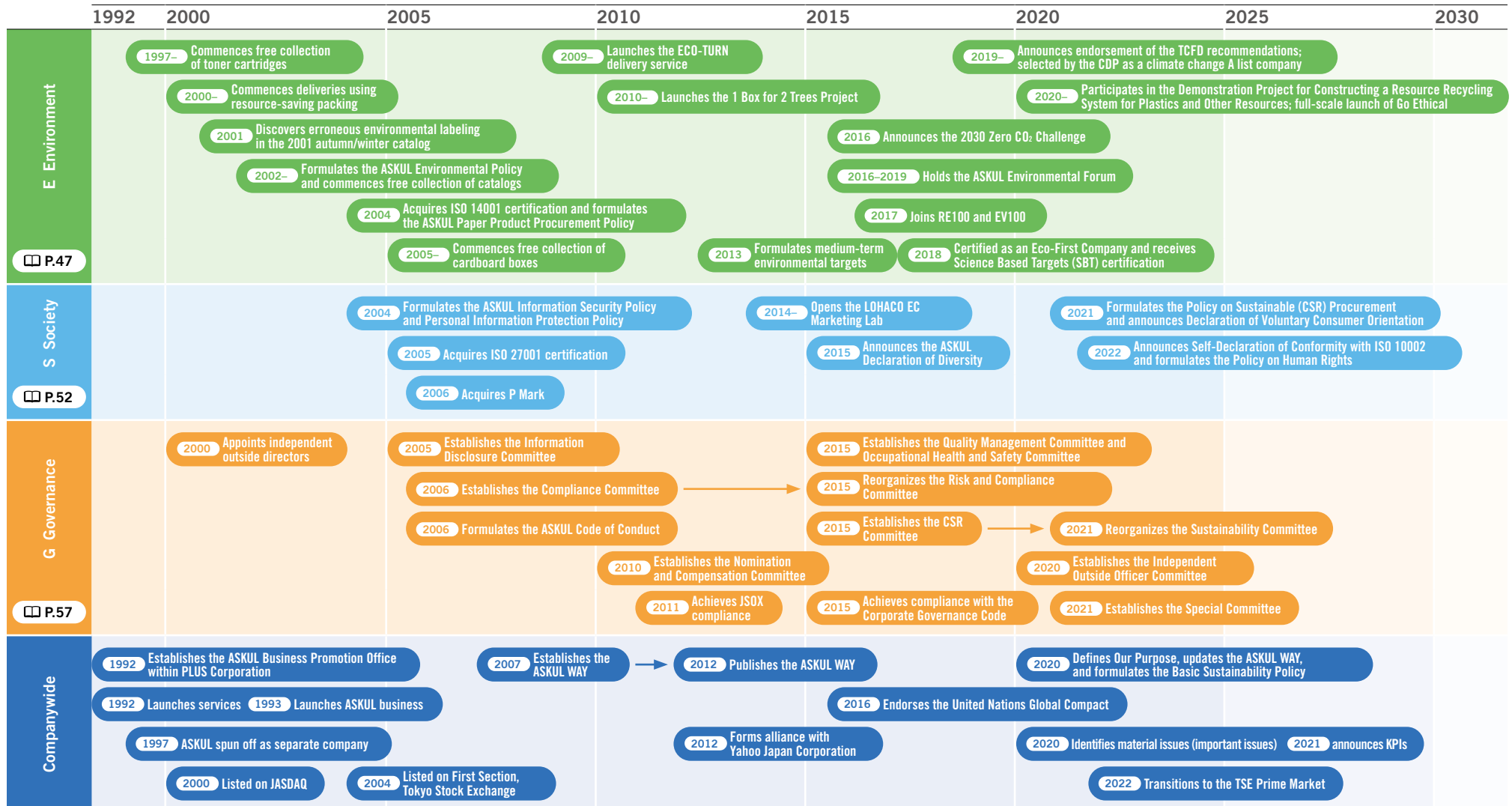
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ESG and Sustainability Initiatives

Advancing forward for our customers based on DNA passed along since our founding and promoting daily advances, ASKUL continues to develop, take on challenges, and expand initiatives and systems in the areas of ESG and sustainability in response to business growth, social trends, and various management issues.



Environmental Management and Eco-Platform

We, the ASKUL Group, are committed to contributing to a global environment that will lead to future generations through our business activities as a company that supports our workplace, life, the planet, and tomorrow.

ASKUL Environmental Policy

• Realizing a Carbon-Neutral Society

ASKUL views climate change caused by global warming as a risk that will significantly impact its business activities, hence it will make efforts to use energy efficiently while promoting CO₂ reductions throughout the supply chain.

• Building a Resource-Recycling Platform

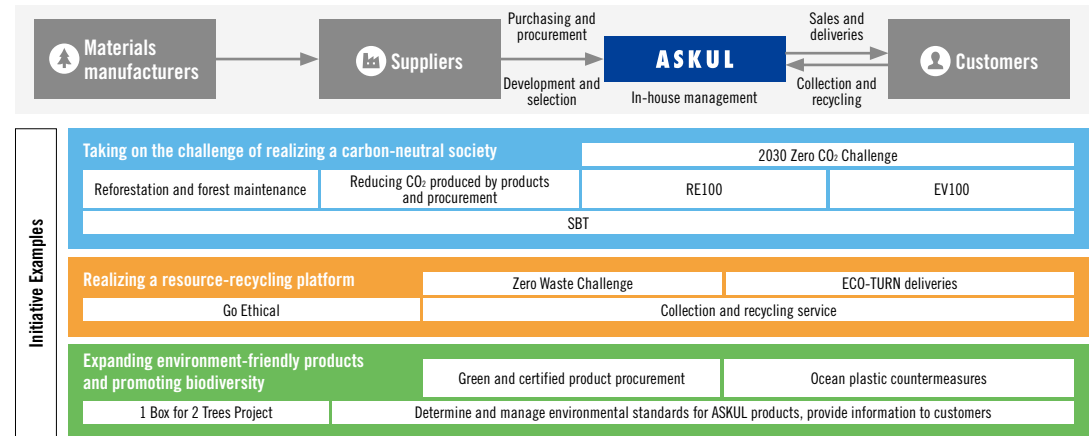
ASKUL will develop the supply chain as a resource-recycling platform for reducing waste, promoting the collection and recycling of used products and other resources, and utilizing limited resources effectively.

• Conserve Biodiversity

ASKUL will fulfill its responsibilities as a business utilizing timber and other natural resources, preventing environmental pollution while making an effort to consider ecosystems and coexist with nature.

▶ ASKUL Eco-Platform

Our goal is to create the most efficient and environment-friendly distribution platform, so that the more often customers use ASKUL, the more they positively impact the environment.



Origins of Environmental Management

In the 2000s, a period shortly after ASKUL's founding, authorities identified erroneous environmental labeling in our catalogs, and an environmental NGO pointed out the possibility of illegal logging practices in the country where our original copy paper is manufactured overseas. These two incidents led to our adoption of environmental management, which takes a sincere and transparent approach to protecting the environment.



Climate Change and Carbon Neutrality

A dialogue between ASKUL's president and CEO and scientists who authored the IPCC's Fifth Assessment Report led to a major shift focusing on climate change.



Resource Recycling

Hearing customers refer to ASKUL as "GOMIKURU" (or, "here comes the garbage") due to the large amounts of cushioning material are used in packaging products for delivery led to resource-recycling initiatives and more efficient use of resources.



Environment-Friendly Products and Biodiversity

Erroneous environmental labeling led to today's provision of environment-friendly products, and the concerns of an environmental NGO about deforestation led to sustainable procurement and biodiversity initiatives.

▶ Environmental Goals for 2030

Goals pertaining to environmental issues and challenges that ASKUL aims to achieve by 2030 are as follows.

	Goals	Action Plan and KPIs	Goal Achievement Timeline
Realize a carbon-neutral society	ASKUL Group 2030 Zero CO ₂	<ul style="list-style-type: none"> Achieve 2030 Zero CO₂ Challenge Advance reforestation and other CO₂ absorption efforts Provide environmentally-friendly delivery methods to customers 	<p>2030</p> <p>Plan preparation in progress</p> <p>Plan preparation in progress</p>
	Reduce CO ₂ throughout the supply chain	<ul style="list-style-type: none"> Achieve Science Based Targets (SBT) (reduce Scope 3 CO₂ emissions by 12%) Complete visualization of product CO₂ and reduction contribution calculations 	<p>2030</p> <p>2025</p>
	Realize and implement resource-recycling services	<ul style="list-style-type: none"> Create and launch resource-recycling services 	<p>2025</p>
Build a resource-recycling platform	Zero Waste Challenge	<ul style="list-style-type: none"> Achieve zero product waste Achieve 100% recycled packing materials* 	<p>2030</p> <p>2030</p>
	Expand number of certified products handled	<ul style="list-style-type: none"> Expand certification of wood and paper products 	<p>Plan preparation in progress</p>
Conserve biodiversity	Implement ocean plastic pollution issue countermeasures	<ul style="list-style-type: none"> Cooperate with municipalities in collecting ocean plastic 	<p>Plan preparation in progress</p>

* Upon arrival at distribution centers

For environmental and all other material issues (important issues) and KPIs, please refer to List of Material Issues (Important Issues) and KPIs [P.76](#).

Climate Change and Carbon Neutrality

ASKUL views climate change caused by global warming as a risk with the potential to significantly impact business activities, hence it promotes CO₂ reductions throughout the supply chain.

2030 Zero CO₂ Challenge

In July 2016, we announced the 2030 Zero CO₂ Challenge at ASKUL Environmental Forum 2016.

In November 2017, we simultaneously participated in RE100*¹ and EV100*² to promote 100% renewable energy and 100% electric vehicle initiatives.

▶ RE100

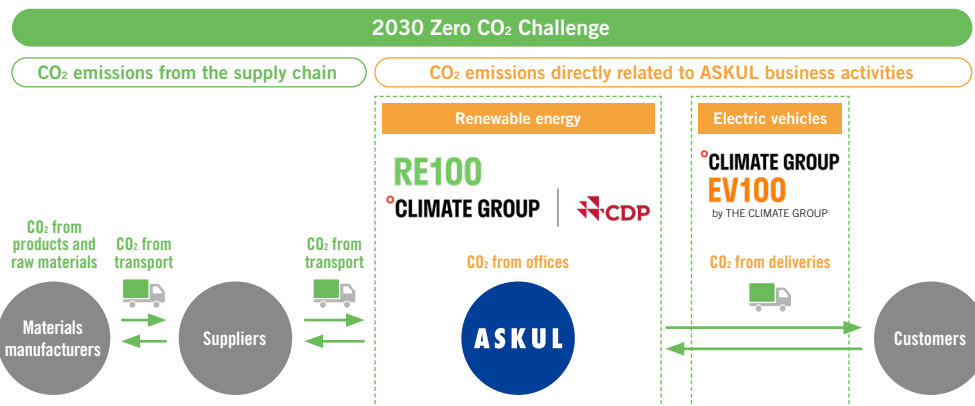
- Medium-term goal
100% renewable energy usage at the Toyosu Headquarters and distribution centers by 2025
- Goal
100% renewable energy usage at all Group companies, including subsidiaries, by 2030

▶ EV100

- Initiatives
Convert 100% of delivery vehicles owned or leased by ASKUL LOGIST Corporation, a Group company responsible for distribution center operations and deliveries, to electric vehicles (EVs) by 2030.

*1 RE100: A global business initiative in which participating corporations aim to procure 100% of energy used in business operations from renewable energy sources

*2 EV100: A global business initiative in which participating corporations aim to convert all vehicles used for business operations to electric vehicles

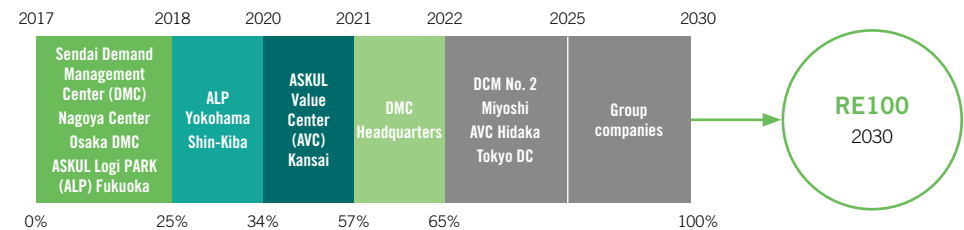


Introduction of Renewable Energy

After participating in RE100, ASKUL began introducing renewable energy in distribution centers in 2018.

At the end of May 2022, eight distribution centers and the Toyosu Headquarters had converted to renewable energy, bringing the Group's overall renewable energy usage rate to approximately 65%.

Our goal is to utilize renewable energy at all ASKUL Group business sites and distribution centers by 2030.



Introduction of Electric Vehicles

In 2016, we introduced 12 Nissan e-NV200 electric vehicles to use for last mile personal services. In January 2020, we introduced two Mitsubishi FUSO eCanter light-duty trucks, mainly for the delivery of furniture and other large items, as well as transportation to depots. In May 2021, we introduced seven Mitsubishi Motors MINICAB Mitsubishi innovative Electric Vehicle (MiEV) electric vans for last mile service.

In August 2020, the Shin-kiba Center, our last mile delivery base, switched to the use of electricity derived from renewable energy, resulting in zero CO₂ emissions emitted when charging and driving electric vehicles.



Left: Mitsubishi FUSO eCanter light-duty truck
Right: Mitsubishi Motors MINICAB-MiEV



Response to TCFD Recommendations



ASKUL views climate change as one of the most important issues affecting business and incorporates it into its management strategies. In March 2019, we thus announced our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Governance

ASKUL's president and CEO participates in Board of Directors' meetings to discuss management strategies, business plans, and important business operations and is responsible for all responses to environmental issues, including climate change.

The Environmental Management System (EMS) Manager Meeting, comprising the president and CEO, directors, executive officers, and related division heads, is held quarterly to confirm the status of climate-related issues and discuss and implement measures aimed at their resolution. Important matters reported on and discussed at EMS Manager meetings are submitted or reported to the Risk and Compliance Committee and Sustainability Committee, which are subordinate to the Board of Directors, chaired by the director in charge of risk management, and composed of representative directors, ASKUL directors, and other members.

Matters of particularly high importance reported to these committees are submitted or reported to the Board of Directors, which provides the necessary and appropriate guidance and advice and monitors their implementation.

Risk Management

In accordance with ISO 14001, at least once a year, the environmental management manager and Environmental Secretariat identify climate-related risks and opportunities within environmental aspects (elements that directly or indirectly impact the environment), compliance with laws and regulations, issues in external and internal environments, and stakeholder needs and expectations, the results of which are reviewed and approved by members of the EMS Manager Meeting.

Each division sets environmental targets and takes action to achieve them based on the Environmental Management Program (EMP). Progress toward environmental targets is monitored at quarterly EMS Manager meetings and is subject to an annual management review conducted by the president and CEO.

In line with risk management regulations, risk management officers in each business division in charge of business activities identify climate-related risks (and opportunities) that will substantially impact operations, both now and over the long term, and then formulate response plans and regularly monitor plan execution. These Companywide risks (and opportunities) are checked against and integrated with climate change risks (and opportunities) identified in light of the Environmental Secretariat's short- to long-term time frame.

Strategy

ASKUL conducted scenario analyses in its mainstay e-commerce business to accurately ascertain physical and transition risks and identify business opportunities related to climate change assuming the two global warming scenarios of 1.5°C and 4°C.

Response policies were formulated for high-impact risks and opportunities based on business impact assessments.

We will develop countermeasures to enhance our ability to avoid and mitigate risks while proactively incorporating opportunities into our business.

Risks and opportunities		Impact on business	Assumed annual impact		
			4°C	Under 2°C	
Transition risks	Policies and regulations	Taxation	• CO ₂ emissions tax	-	Approx. ¥600 million
		Regulations	• Higher product costs in line with regulatory compliance and material switchovers	-	●
	Market	Energy prices	• Higher crude oil prices and electricity and fuel costs	○	-
	Products and services	Changing customer orientation	• Low product costs prioritized over environmental performance	●	-
	Technologies	Low-carbon technologies	• Higher vehicle procurement costs	-	Approx. ¥600 million
Physical risks	Chronic	Weather and climate change	• Higher electricity costs at each site	○	○
			• Higher product prices in line with forest resource scarcity	○	○
	Acute	Extreme weather and other events	• Higher purchase prices due to supplier damage	○	○
• Higher expenses due to delivery delays, accidents, and other events			Approx. ¥100 million	Approx. ¥100 million	
Opportunities	Products and services	Changing customer preferences	• Increasing demand for low-carbon products	-	●
		Circular economy	• Expansion of collection services; more business opportunities	-	●
	Technologies	Low-carbon technologies	• Operating cost benefits from EVs	-	Approx. ¥100 million

● Major impact ○ Impact

Indicators and Targets

1 Disclosure of Climate-Related Risk and Opportunity Assessment Indicators and Management Targets

In 2020, ASKUL identified material issues requiring a focused response and formulated a material issue action plan. Target achievements have been assessed in light of action plan KPIs.

2 Scope 1, Scope 2, and Scope 3 GHG Emissions

Please refer to the following page on our website for details on the ASKUL Group's Scope 1, Scope 2, and Scope 3 GHG emissions.



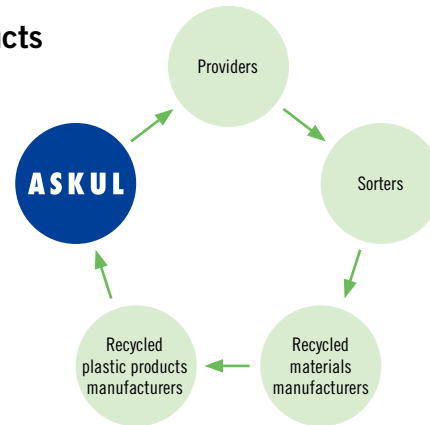
Resource Recycling

We will develop the supply chain as a resource-recycling platform for reducing waste, promoting the collection and recycling of used products and other resources, and utilizing limited resources effectively.

Creating a Recycling Value Chain of Used Plastic Products

The Act on Promotion of Resource Circulation for Plastics went into effect in April 2022, heightening the importance of business efforts aimed at recycling plastic resources.

In line with the Ministry of the Environment's Fiscal 2020 Demonstration Project for a Plastic Resource Circulation System toward a Decarbonized Society, ASKUL conducted a demonstration project from fiscal 2020–fiscal 2022 involving the collection of clear plastic folders made of a single material and almost identical in shape for the purpose of recycling and reusing them to make new products. After the demonstration project, we commenced full-fledged operation of the ASKUL Resource-Recycling Platform and are engaged in the recycling of plastic resources.



Demonstration Project Results

Demonstration 1 Collection as Raw Materials

We collected used clear plastic folders to use as a resource from businesses (including individual business operators and municipalities) throughout Japan. Approximately 400 companies participated nationwide, providing ASKUL with about 3,400 boxes of clear plastic folders weighing nearly 49 tons (project target was 40 tons).

Demonstration 2 Development and Manufacture of Products Made from Recycled Plastic

▶ Productization

ASKUL has created numerous prototypes of clear plastic folders, files, and ballpoint pens through horizontal recycling, at the request of many of the customers who provided these resources, demonstrating the feasibility of bringing these items to market as products.

▶ CO₂ reduction effect

Through this demonstration project, we learned that, compared with the manufacture of plastic products using virgin plastic derived from petroleum, manufacturing products using plastic materials leads to a 204-ton reduction in CO₂ per 40 tons of raw material.

Go Ethical

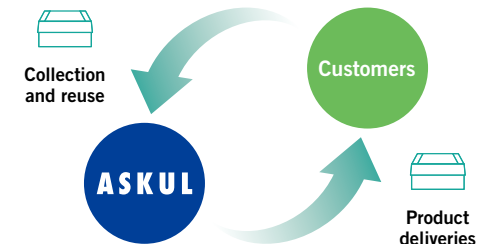
Go Ethical is an initiative whereby products returned to manufacturers from stores that have no quality issues other than old packaging or other minor imperfections are sold at outlet prices rather than disposed of as waste. LOHACO, which focuses on ethical e-commerce, promotes independent initiatives based on the SDGs while co-creating with product manufacturers.



The Go Ethical Initiative won the Fiscal 2022 Good Design Award, which is operated by the Japan Institute of Design Promotion.

ECO-TURN Delivery

The ECO-TURN delivery system distributes products in containers (folding containers/returnable boxes) that are collected for reuse in subsequent deliveries. This system reduces the number of cardboard boxes and amount of paper packing materials customers must dispose of, while also enabling ASKUL to reduce the amount of packaging materials used. ECO-TURN deliveries commenced in April 2009 after customers referred to ASKUL as “GOMIKURU” (or, “here comes the garbage”), pointing out that packaging used for deliveries created too much garbage. Going forward, ASKUL will maintain efforts aimed at providing corporate and individual customers with environment-friendly deliveries.



Expansion of Environment-Friendly Products and Conservation of Biodiversity

Efforts with Suppliers

Handling more than 12 million products, ASKUL's environmental considerations include targeting sustainable product procurement. We are working alongside suppliers to realize a supply chain supported by society and customers in response to global demand for decarbonization, resource recycling, and biodiversity.

▶ 1 Box for 2 Trees Project

An entire redwood or eucalyptus tree is required to make one box (5,000 sheets) of ASKUL original copy paper, which is manufactured in Indonesia. Since August 2010, ASKUL ensures that two trees are planted for every box of copy paper purchased by customers. Trees that are planted, grown, and harvested comprise the tree farm used to create the copy paper.

Number of trees planted under the 1 Box for 2 Trees Project
Approximately 205.1 million trees
 October 2010–September 2022

Industrial Reforestation Report
 Industrial Reforestation Reports are issued in accordance with customer purchase volumes.

▶ Formulating the ASKUL Product Environmental Standards

In 2022, we formulated the new ASKUL Product Environmental Standards for all original products. These standards facilitate the incremental scoring of items related to containers and packaging; the product itself; and factories, transportation, schemes, and other mechanisms. Going forward, by visualizing the level of individual products' environmental contributions, we will promote more environment-friendly products.

ASKUL Product Environmental Standards (Overview)

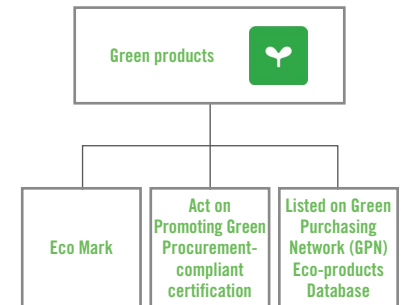
Large category	Medium / small categories		Evaluation criteria example (30 items total)
Containers and packaging	Raw materials	Paper, plastic, certification, and printing	Recycled used paper and other materials and FSC® certified products
	Design	Lightweight, resource saving, and disposable	Degree of improvements, ease of sorting
Products	Raw materials	Forest products, plastic, and certification	Materials with low environmental impact and certified products
	Design	Lightweight, resource saving, and disposable	Degree of improvements, ease of sorting
Structure	Reuse	Collection and recycling	Independent collection and use of recycled materials
	Others	Environmental initiatives	Calculate and reduce CO ₂

Efforts with Customers

We strive to provide customers with appropriate and easily understandable information to encourage the purchase of environment-friendly products from ASKUL. Additionally, to ensure that an even greater number of customers choose environment-friendly products, we are striving to expand our lineup of various Green and Forest-Certified products.

▶ Green Products

ASKUL designates all products that have Eco Mark certification, comply with the Act on Promoting Green Procurement, or are listed in the Green Purchasing Network Eco-products Database with a "Green Products List" mark in catalogs and on its website, indicating to customers that they have made a green purchase. Of the nearly 39,000 products listed in the 2022 ASKUL Catalog, about 14,500 items are green products.



▶ Forest-Certified Products

ASKUL makes an effort to develop and handle forest-certified products, having acquired FSC CoC certification* in June 2005 and PEFC CoC certification in May 2010. As a seller of paper and wood products, we are expanding our range of forest-certified products to promote responsible procurement. At present, we offer an assortment of forest-certified products in our mainstay wooden furniture series, as well as copy paper, notebooks, blank forms, and other paper products.

All of our original copy paper and tissues are forest certified products.

* CoC: Chain of Custody certification. A certification system for managing the wood product processing and distribution process that confirms that timber used to make wood and wood products is derived from forests that have received forest management certification.



Communication and Cooperation with Stakeholders

ASKUL gratefully receives and listens carefully to a variety of feedback and guidance regarding the expectations, requests, and realizations of a wide range of stakeholders, including customers, shareholders, investors, partner companies, employees, and society. We incorporate this feedback into business and management while continuously responding to social changes and expectations, which we believe will lead to the creation of socially significant new value and the resolution of various social issues.

Suppliers, agents, and delivery partners



Customers



Employees



Shareholders and investors



ASKUL

Communities and society



Global environment



Stakeholders	Examples of communication and measures
Customers	<ul style="list-style-type: none"> ▶ Customer inquiries and interaction through social media networking ▶ Furniture showroom tours ▶ Fitting Our Lifestyles LOHACO Exhibition <p>P.56</p>
Shareholders and investors	<ul style="list-style-type: none"> ▶ Annual General Meeting of Shareholders ▶ Earnings announcements and retail investor briefings
Partner companies (business partners)	<ul style="list-style-type: none"> ▶ Product quality improvement efforts ▶ Promotion of sustainable procurement and conducting of CSR procurement and auditing <p>P.53</p>
	<ul style="list-style-type: none"> ▶ LOHACO EC Marketing Lab <p>P.27–P.28</p>
	<ul style="list-style-type: none"> ▶ Agent conferences ▶ ASKUL Agent Awards
Delivery partners	<ul style="list-style-type: none"> ▶ Delivery Partner Awards ▶ White Logistics* initiative
Employees	<ul style="list-style-type: none"> ▶ Employee Satisfaction Survey and Labor-management Committee ▶ Employee evaluations, interviews, and career self-assessments ▶ Various levels of engagement (CEO town hall meetings, etc.) <p>P.54–P.55</p>
Communities and society	<ul style="list-style-type: none"> ▶ Communication with local communities at each business site ▶ Cooperation with and support of NPO and NGO activities ▶ Cooperation with policies and agreements and coordination of disaster-response agreements with municipalities <p>P.53</p>

* White Logistics is an initiative that seeks to ensure stable logistics operations needed for daily life and industrial activities while also contributing to economic growth.

Human Rights, Supply Chain Initiatives, and Social Contributions

Human Rights

The ASKUL Group firmly communicates its commitment to respecting human rights and ensures this stance is clear throughout the Group, while promoting collaborations with various stakeholders in an effort to facilitate respect for human rights in all business activities. These efforts have been codified in the ASKUL Group Policy on Human Rights.

▶ Initiatives

We have established processes to properly assess our impact on human rights and conduct human rights due diligence to identify, prevent, and mitigate human rights risks.



ASKUL Group Policy on Human Rights (Excerpt)

- **Commitment to respecting human rights**
- **Support for international human rights principles**
- **Human rights due diligence, grievance mechanisms, and remediation**
- **Human rights-related initiatives**
 - ① Emphasis on diversity and on the prohibition of discrimination and harassment
 - ② Prevention of forced labor and child labor
 - ③ Working-hour and wage controls
 - ④ Respect for freedom of association and the right to collective bargaining
 - ⑤ Maintenance of employee safety and health
 - ⑥ Freedom of expression and privacy protections
- **Dialogues and collaborations with stakeholders**

Sustainable Procurement

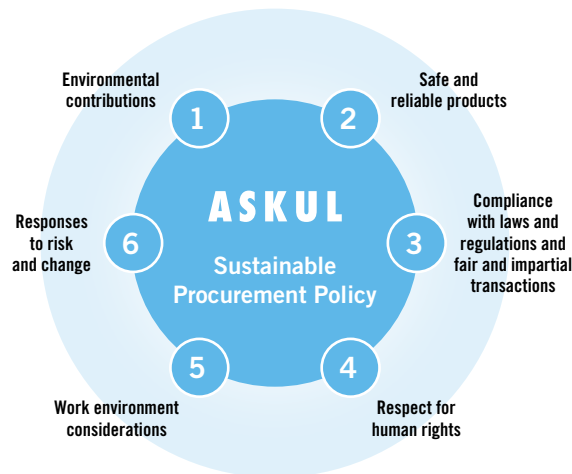
▶ ASKUL Sustainable Procurement Policy

The ASKUL Sustainable Procurement Policy was formulated in April 2021 as part of efforts to build a responsible supply chain.

This policy considers the environment, safety, human rights, and other issues aimed at striking a balance between the fulfillment of social responsibilities and sustainable development throughout the supply chain to ensure the sustainable provision of safe and reliable products to customers. On this basis, we will confirm the implementation status of this policy throughout the supply chain going forward.

▶ Initiatives

ASKUL implements supplier compliance issue surveys and conducts on-site inspections of plants that manufacture private brand (PB) products on a contractual basis.



Social Contributions

▶ Support through Products

Since 2011, ASKUL has worked alongside customers and manufacturers in support of reconstruction efforts following the Great East Japan Earthquake, with 1% of the purchase price of eligible ASKUL original products used for reconstruction in the three prefectures of the Tohoku region affected by the earthquake. In addition, since 2021, we have implemented the East Japan Recovery and Business Support Project to assist businesses that contribute to regional revitalization and issue resolution.

In terms of environmental support, 3% of the purchase price for plastic shopping bags that protect the ocean is used to assist efforts underway in Tsushima, Nagasaki Prefecture, aimed at preventing ocean plastic.



▶ East Japan Recovery and Business Support Project



▶ Plastic shopping bags that protect the ocean

▶ Disaster-Response Agreements with Municipalities

After a fire at one of our distribution centers in 2017, in addition to implementing comprehensive fire prevention systems at distributions centers, we reexamined the role distribution centers should play in local communities. Based on our desire to earn the trust of local residents through the operation of safe and secure distribution centers and thus contribute to local communities, ASKUL has concluded disaster-response agreements with municipalities at each distribution center.

Disaster-Response Agreements with Municipalities (as of October 2022)

Municipalities	Main bases and areas	Overview
Edogawa Ward, Tokyo	ASKUL Tokyo DC and other locations	• Cooperation with provision of relief materials (fee-based)
City of Chiba	Citywide	• Procurement of relief materials (ASKUL) • Transport of relief materials (ASKUL LOGIST)
Tokyo Metropolitan Government	Tokyo metropolitan area	• Cooperation with provision and transport of relief materials (fee-based) • Free use of ASKUL facilities as relief material collection points, etc.
City of Fukuoka	ASKUL Logi PARK Fukuoka	• Cooperation with provision of relief materials (fee-based)
City of Suita	ASKUL Value Center Kansai	• Free use of ASKUL facilities as relief material collection points • Cooperation with provision of relief materials (fee-based)
City of Hidaka	ASKUL Value Center Hidaka	• Cooperation with provision of relief materials (fee-based)

Human Resource Strategy

Basic Approach

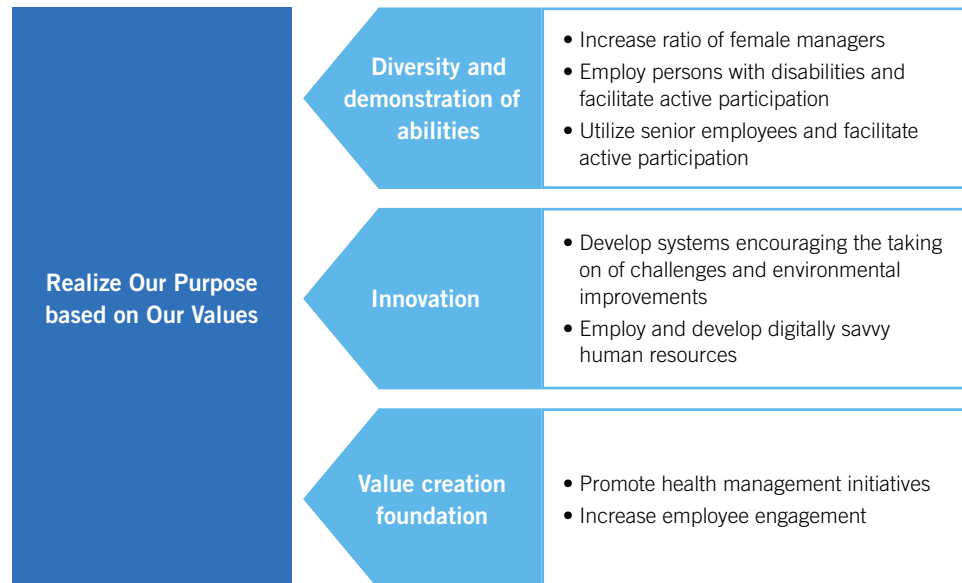
To realize Our Purpose, it is important for all employees to deepen their understanding of and empathy for ASKUL's Values and direction; increase their independence, autonomy, and ability to create value; and take actions in accordance with their will to achieve change.

ASKUL supports individual growth by focusing on the strengths of each employee, drawing them out, and utilizing them, rewarding both achievements and the taking on of challenges.

We also believe it is essential to create a work environment where diverse employees can work with peace of mind.

In terms of human capital investments to achieve these aims, we are developing systems and promoting initiatives that contribute to human resource development, diversity, and employee health.

Initiatives to Be Achieved under Our Human Resource Strategy by 2030



Human Resource Development and Career Support

In response to changing times and the various life stages of each employee, ASKUL implements various training programs and introduces systems empowering employees to envision their ideal self, learn and grow independently, take on challenges proactively, and work with enthusiasm while making the most of their capabilities.

Various Measures

ASKUL DX ACADEMY (DX Academy)

The ASKUL DX ACADEMY was established in 2021 as part of our human resource development efforts in terms of digital transformation.

We develop human resources who will promote business transformation through the use of basic content (for all employees) and specialized content (for engineers).

Z Academia / Z Sustainability Academia

Z Academia, a corporate university within the Z Holdings Group, aims to realize business growth and create synergies through the gathering and exchange of knowledge. Z Sustainability Academia, which opened in May 2022, aims to balance social and corporate sustainability through literacy improvements and other efforts.

Career and Transfer Declarations

This system enables employees to declare their future career plans and submit career transfer requests to supervisors and the Company. It supports the acquisition of apposite growth opportunities in line with individual preferences.

Internal Recruiting and Secondary Work (Concurrent Duties)

Unlike Company mandates, this system enables employees to apply for and concurrently work in other divisions or on other projects at their own discretion. This initiative facilitates different perspectives, experiences, and opportunities for performance and growth.

Secondary Work System

Employees can apply in advance for secondary work, as long as it does not interfere with core duties. ASKUL expects that experiences outside the Company will lead to growth and, as a result, improved performance in core duties.

Others

- Career design training
- KAIZEN AWARD (in-house award system)*
- Level-, specialization-, and theme-based training
- Seminars (nursing care, financial planning, etc.)

* An award system recognizing individuals and teams that have contributed to KAIZEN activities, in which employees work on a Companywide basis to eliminate wasteful use of expenses and time with the goal of enhancing health and productivity management.

Human Resource Strategy

Diversity

The 2015 ASKUL Declaration of Diversity establishes three pillars aimed at utilizing diverse human resources, promoting diverse workstyles, and cultivating a corporate culture that embraces diversity.

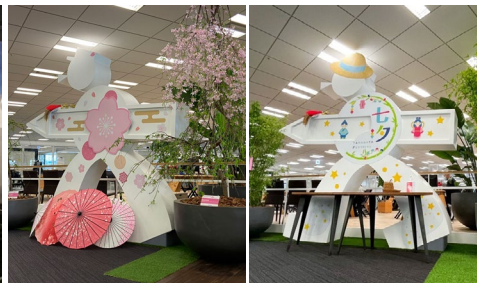
Since December 2020, we have also been promoting diversity to maximize individual capabilities as one aspect of our material issues (important issues).

▶ Initiatives

Cultivating a corporate culture and awareness for realizing Diversity and Co-Creation and Innovation and Speed	<p>Promoting the advancement of women and measures for improving the ratio of female managers</p> <ul style="list-style-type: none"> Announcement of the 2530 target (30% female manager ratio by 2025) Development of next-generation leaders, including female director and Audit & Supervisory Board member candidates <p>Conducting training aimed at recognizing unconscious bias</p>
Providing opportunities for self-realization and support for career development	<p>Lifestyle support leave system: Employees can utilize educational support leave, volunteer support leave, and second life support leave.</p> <p>Employee-selected workstyle system: Employees can work until the age of 65 in accordance with the days of the week and business hours selected by the employee at age 60.</p>
Flexible workstyles	<p>Workstyles independent of time and location</p> <ul style="list-style-type: none"> Teleworking system: Applies to all employees. Limitations on frequency of use were removed in 2020 Flextime system: Core hours were eliminated in 2020 Other efforts include the digitization of approval seals and the expansion of online meeting facilities
Supporting work-life balance	<ul style="list-style-type: none"> Hourly paid leave system: Paid leave can be taken in one-hour increments. ASKUL Thanks Holiday: Special paid leave can be taken for five or 10 days after working continuously for five or 10 years, respectively. Nursing care leave and shorter working hours for nursing care systems: Paid leave can be taken for up to one year per family member. Childcare leave system: Paid leave can be taken from birth until the child's second birthday. Shorter working hours for childcare system: Can be utilized until April 20 of the fourth year of elementary school Child nursing care leave: Paid leave can be taken for as many days as necessary while the child is in elementary school.
External evaluations and endorsement of and participation in external initiatives	<p>Received Eruboshi three-star certification, Kurumin mark (level one certification), etc.</p> <p>Note: For additional information, please see External Evaluations and External Endorsement and Participation LP P.80.</p>



CEO town hall meeting



Decorations bursting with festivity and seasonal trees serve as catalysts for communication.

Health Management, Occupational Health and Safety, and Comfortable Workplaces

ASKUL creates an environment in which employees with sound minds and bodies can work with peace of mind, constituting the basis upon which we continuously bring delight to our customers. We are engaged in health management while flexibly responding to changing workstyles caused by the COVID-19 pandemic.

▶ Initiatives

Health and safety and health management systems	<ul style="list-style-type: none"> Establishment and appointment of a chief human relation & health care officer (CHO) Monitoring and supervision by the Occupational Health and Safety Committee Work site status confirmation and support conducted through the Health Committee and Labor Committee Employee health management and measures promoted by the Health Care Team
Mental and physical care for employees (health management)	<p>Health Management Office: Public health nurses (senior industrial counselors) and industrial physicians provide consultation on health issues, and human resource staff provide consultation on career and skills development.</p> <ul style="list-style-type: none"> Kokoresuto public health nurse consultations: Available as a casual consultation service for preventive purposes Employee Assistance Program (EAP): In cooperation with external organizations, 24-hour telephone and online consultations, face-to-face counseling, and other services are provided at no cost. <p>Wellness Room: Employee acupuncturists and practitioners of moxibustion are available for low-cost massages.</p>
Creating a safe, secure, and comfortable work environment	<p>Cafés and employee cafeterias: In addition to café spaces (headquarters) that can be used anytime, some distribution centers provide nutritionally balanced meals to employees at no cost.</p> <p>Infectious disease countermeasures: Masks, disinfectant, and antiseptic mouthwash are always available throughout the Company.</p>
Others	<ul style="list-style-type: none"> Determination and reduction of working hours and overtime Ascertaining paid leave utilization status and increase in paid leave utilization rate

Employee Engagement

Enhancing engagement with our employees and deepening their empathy toward and mutual understanding of ASKUL improve employee satisfaction, which leads to invigorating the organization, increasing motivation, reducing turnover, creating value, and improving business performance.

▶ Initiatives

One-on-one (growth) meetings	<p>Time is provided for regular one-on-one dialogues between supervisors and team members, typically around 30 minutes per week. In addition to encouraging growth and fostering mutual understanding, this is an important opportunity from the perspective of ascertaining and confirming the physical health of employees engaged in teleworking.</p>
360-degree feedback	<p>Implemented annually so that employees can receive feedback from coworkers on their work performance with the aim of making employees more aware of their actions and fostering growth. Note: This feedback is not reflected in individual evaluations.</p>
CEO town hall meetings	<p>Meetings are held regularly with all employees as an opportunity for direct dialogues between the CEO and small groups (five to six employees) regarding the current state of ASKUL and future initiatives, among other topics. Video of the CEO's message is made available, making these meetings a valuable opportunity for interactive communication.</p>
Employee satisfaction surveys	<p>Surveys began in 2010. Survey results are shared internally and with the management team, leading to improvement efforts and new measures and policies.</p>

Customer Engagement

Basic Policy on Response to Customers

We will listen carefully to customer feedback and become a company that continuously brings delight to our workplace, life, the planet and tomorrow.

Specifically, we will proactively engage in the following three priority issues.

- 1 Maintain our promises to customers
- 2 Create mechanisms for improvements and internal sharing based on customer feedback
- 3 Create a management cycle facilitating product and service advances

ASKUL Self-Innovation Indicators

Indicators employees use to question whether the work they are engaged in is creating new value for customers

- Are current products and services sufficient?
- Are customers pleased with our services?
- Are we creating burdens or inconvenience for customers?
- How much trouble was caused by burdening customers?
- Are we keeping our promise to customers and have we retained their trust?
- Are we inspiring customers?
- Are customers empathetic?
- Are we providing customers with a sense of camaraderie?
- Is customer happiness facilitating my personal happiness?
- Do customers want to utilize ASKUL again?
- Are we doing our best for customers?

Customer Satisfaction Management System (Conforms with ISO 10002)

On March 22, 2022, ASKUL announced that its customer response operation process complies with the ISO 10002 international standard.

Going forward, we will listen carefully to customer feedback, with all employees adopting a customer-oriented perspective, as we continue to make further advances.

Improvement Activities Based on Customer Feedback


ASKUL regards the quality of its customer service as a key management indicator. With the aim of delivering safe and reliable products and services to customers, we established the Quality Management Committee, comprising the president and CEO, management, and related department heads, which holds monthly discussions on improving quality and strengthening quality management functions. Among these issues, those deemed most important are taken up by the Customer Satisfaction Improvement Committee, which makes swift efforts toward service quality improvements based on customer feedback.

Cultivating Corporate Culture and Awareness

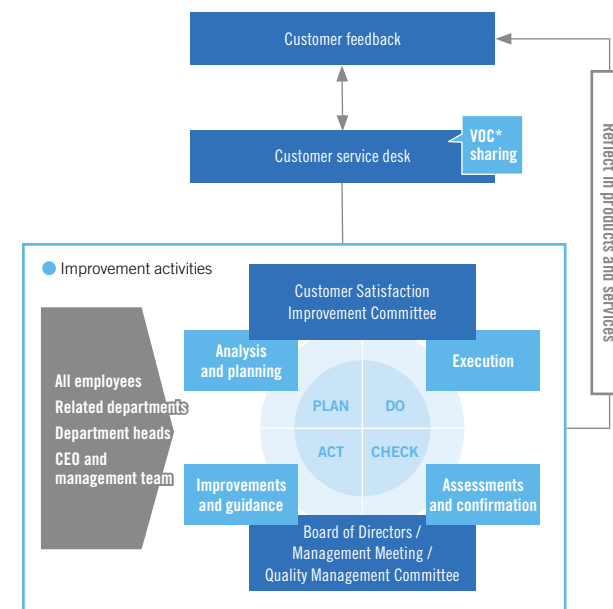
Daily customer feedback received by the Customer Service Desk is compiled and shared internally through the Opinion Digest and Product Requests. ASKUL also created the VOC Portal website on its intranet to provide customer feedback on issues in various areas, among other efforts, to ensure employees are aware of and share customer feedback.

Voluntary Consumer-Oriented Declaration

Having endorsed the Consumer-Oriented Management initiative promoted by the Consumer Affairs Agency, we formulated and promote efforts under the ASKUL Voluntary Consumer-Oriented Declaration. Through this declaration, we have made clear our intention to incorporate customer feedback in our products, services, and business strategies with a view to realizing Our Purpose of “Continuously bringing delight to our workplace, life, the planet and tomorrow.”

 Promoting Consumer-Oriented Management (Voluntary Consumer-Oriented Declaration)

PDCA Cycle Based on Customer Feedback



* VOC: Voice of customer



Directors and Audit & Supervisory Board Members (as of October 31, 2022)



Yoshitaka Asaeda*

Kazuo Tsukahara*
(seated)

Tsuguhiro Tamai
(seated)

Akira Yoshioka

Katsuhiro Kawamura

Yumiko Ichige*
(seated)

Toshio Imamura

Tadahisa Imaizumi

Shinichi Hokari

Naomi Aoyama*

Takao Ozawa

Genri Goto*

Miyuki Nakagawa*

* Independent outside officer

Directors and Audit & Supervisory Board Members (as of October 31, 2022)

Directors



Akira Yoshioka
Representative Director, President and CEO*¹



Tsuguhiro Tamai
Director, CFO*²
In charge of risk management, finance and accounting, information disclosure, management and quality key performance indicators (KPIs)
Executive Officer of Corporate Unit
Important Concurrent Positions
• Director, AlphaPurchase Co., Ltd.



Katsuhiko Kawamura
Director, COO*³
Executive Officer of ASKUL Sales Unit
Important Concurrent Positions
• President and Representative Director, SOLOEL Corporation



Shinichi Hokari
Director



Takao Ozawa
Outside Director
Important Concurrent Positions
• Director, Senior Managing Corporate Officer, and E-Commerce CPO, Z Holdings Corporation
• President and Representative Director, President Corporate Officer, CEO,*¹ Yahoo Japan Corporation
• Director, ZOZO, Inc.
• Outside Director, Demae-can Co., Ltd.
• Director, Ozawa Research Institute



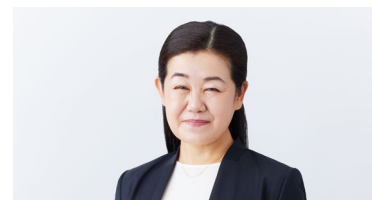
Yumiko Ichige
Outside Director, Independent Officer
Important Concurrent Positions
• Partner, Nozomi Sogo Attorneys at Law
• Outside Director, FOOD & LIFE COMPANIES LTD.
• Outside Audit & Supervisory Board Member, Idemitsu Kosan Co., Ltd.



Genri Goto
Outside Director, Independent Officer
Important Concurrent Positions
• CEO, Kotozna, Inc.
• Chairman, Kotozna (China Office)
• Managing Director, Kotozna Singapore Pte. Ltd.



Kazuo Tsukahara
Outside Director, Independent Officer
Important Concurrent Positions
• Outside Director, DIC Corporation



Naomi Aoyama
Outside Director, Independent Officer
Important Concurrent Positions
• Representative Director, style bis Inc.
• Outside Director, IZUMI Co., Ltd.



Tadahisa Imaizumi
Director
Important Concurrent Positions
• President & Chief Operating Officer, PLUS Corporation

Audit & Supervisory Board Members



Toshio Imamura
Full-time Audit & Supervisory Board Member



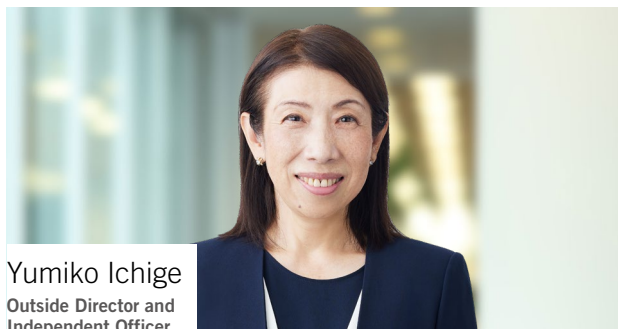
Yoshitaka Asaeda
Outside Audit & Supervisory Board Member, Independent Officer
Important Concurrent Positions
• Director, Yoshitaka Asaeda Certified Public Accountant Office
• Outside Corporate Auditor, WingArc1st Inc.
• Outside Director, THE SHIMANE BANK, LTD.



Miyuki Nakagawa
Outside Audit & Supervisory Board Member, Independent Officer
Important Concurrent Positions
• Professor, Chuo Law School, Chuo University
• Outside Director, Nissan Chemical Corporation
• Representative, Kousui Law Office
• Outside Audit & Supervisory Board Member, FANCL CORPORATION
• Outside Director, NITTO KOGYO CORPORATION
• Outside Audit & Supervisory Board Member, Shinsei Bank, Limited

*¹ Chief executive officer
*² Chief financial officer
*³ Chief operating officer

Independent Outside Director and Audit & Supervisory Board Member Messages



Yumiko Ichige
Outside Director and
Independent Officer

New executive officers have been appointed along with the start of a new head office structure in the fiscal year ending May 20, 2023.

In the drawing up of succession plans, the Nomination and Compensation Committee created standards for the nomination of executive officers from the standpoint of becoming a company that spurs innovation. ASKUL has put into place a three-pronged system based on a nomination and evaluation process, training, and rotations. Through the nomination process and interviews with candidates, the committee was able to map out a diverse range and fair number of core human resources who will be responsible for leading ASKUL into the future. These human resources should participate in discussions about long-term strategy from a long-term view of where the Company should be in 10, 20, and 30 years. The succession plans for executive officers are an important and inseparable element of the Company's long-term business strategy.

ASKUL is a listed subsidiary, and it has established the Special Committee, which I chair, with only independent outside officers in accordance with the Corporate Governance Code. In the fiscal year ended May 20, 2022, we proposed to the Board of Directors a system for controlling conflicts of interest in routine transactions with related parties. Furthermore, in the context of improving corporate value and protecting the interests of shareholders, the relationship between independent outside officers and ASKUL's parent company, as well as our relationship with the controlling shareholders and the management of ASKUL itself, should be equidistant from each other while being mindful of Group merits, namely, the pursuit of synergies. For example, opportunities are regularly set up for independent outside directors to exchange opinions with the parent company and major shareholders in order to align our vectors on management policies. As a listed subsidiary of the Z Holdings Group, ASKUL aims to establish new best practices for parent-subsubsidiary listings by building a new framework for governance that takes the interests of general shareholders into account.



Genri Goto
Outside Director and
Independent Officer

I like that ASKUL's Medium-Term Management Plan points to ethical e-commerce as the direction the Company should move toward, and I think the plan calls for stable growth. I believe ASKUL is a company with the potential to aim higher through inorganic growth.

In the 1990s, ASKUL created new value by delivering to customers what they needed by the next day, even if it was just one pencil. This continues to exist in ASKUL's DNA today. As the times change, being able to deliver to customers what they need right now will require unlearning the past and innovating the future. In other words, ASKUL should spur innovation with new products and services while reassessing its strengths and carefully choosing its options.

One of ASKUL's strengths is being one of the vital parts of the Softbank Group. Parts that are absent in ASKUL's own undertakings can be complemented by the strengths of the entire Group and lead to innovation on a new trajectory, which then leads to the creation of new businesses and value. We will consider new directions for ASKUL while monitoring corporate governance as the Company creates new business models that go beyond e-commerce.



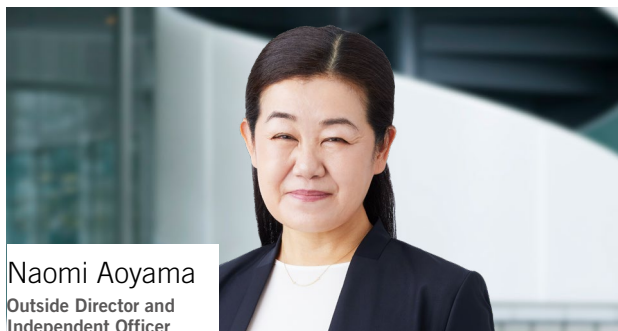
Kazuo Tsukahara
Outside Director and
Independent Officer

Since 2020, when I became an independent outside director, ASKUL's governance structure and relationships with principal shareholders have evolved.

For starters, ASKUL's approach to outside directors has greatly changed. Under the old system, the main emphasis lay on simply having outside directors, but now the executives of the Company are taking a much more sincere approach and listening carefully to the opinions of outside directors. Going beyond mere formalities, I believe the Company's willingness to comply has improved significantly.

ASKUL has deepened its relationship of trust with principal shareholders Z Holdings Corporation and PLUS Corporation. Since this relationship is basically one between the parent company and a subsidiary, the interests of both parties align for the most part, but not entirely. This parent-subsubsidiary relationship of trust should not be viewed as one of collusion with each other, but must be nurtured so that the interests of minority shareholders are always at heart. In meetings with Z Holdings that have been regularly held since 2021, in addition to having this relationship of trust, discussions have started to take place more often on ways to maximize synergies between the two companies. As an outside director, I will fulfill my role to ensure that ASKUL's strengths as a listed subsidiary can be used to their fullest extent.

Independent Outside Director and Audit & Supervisory Board Member Messages



Naomi Aoyama
Outside Director and Independent Officer

For the past 20 years or so, I have gained experience in managing e-commerce operations and facilitating communications between companies and their customers. ASKUL's website has many high-quality customer reviews of products that are useful references for other shoppers, allowing the Company to build good relationships with its customers. I aim to help ASKUL make further strides in this area.

At any company, I emphasize the importance of employees among all stakeholders. Employees are the ones who create and provide services, so if a company values its employees, then it naturally can value its customers as well. This approach ultimately leads to benefits for shareholders. The life events of employees are a microcosm of issues faced by customers, and ASKUL can benefit from these life experiences in its operations as a distributor.

Since ASKUL is the listed subsidiary of its parent company, shareholders and other stakeholders are right to monitor the Company's efforts to protect the interests of minority shareholders, and corporate governance is a vital endeavor in this respect. I can adopt perspectives that other Board members cannot, such as efforts to make customers and employees happy, and contribute to the advancement of corporate governance as a member of a team with perspectives from multiple angles.



Yoshitaka Asaeda
Outside Audit & Supervisory Board Member and Independent Officer

Since 2019, I believe ASKUL has struck and kept a very good balance as a company with major shareholders and controlling shareholders. In light of the balance of power with major shareholders and controlling shareholders, various discussions have been held at ASKUL about whether it is maximizing its own corporate value and whether the interests of minority shareholders are being protected in the end. I think the Company has set up an effective system of checks and balances.

I believe ASKUL should transform itself to provide new customer experiences instead of simply expanding existing businesses as a leader in the e-commerce sector. To this end, it will be important to discuss the future direction and strategies for the Company for the next 10 to 20 years.

The Board of Directors should discuss and verify how much risk should be taken in order to improve corporate value. The Board of Directors is where such decisions should be made. In the important role of an outside Audit & Supervisory Board member, I must not forget to provide support by monitoring whether the business execution side is aggressively and properly pushing down on the accelerator (whether risks are being taken properly). As an independent outside Audit & Supervisory Board member, I will do my best to help ASKUL improve its corporate value over the long term while distinguishing between normal times and times of emergency.



Miyuki Nakagawa
Outside Audit & Supervisory Board Member and Independent Officer

Outside Audit & Supervisory Board members are expected to conduct strict audits of management from a neutral and objective standpoint, going beyond "defensive" audits to apply the brakes to the policies of senior management when necessary. In order to accelerate initiatives in sustainable management, I believe auditors are expected to also conduct "offensive" audits in where they proactively and knowledgeably state their opinions on matters of importance.

I practice Zen meditation as a part of my daily routine, and take the phrase "self-interest and altruism" to heart. Like both sides of a coin, having both self-interest and altruism makes me whole. In this context, I believe corporate governance is key to taking a broader view of whether a company, in the pursuit of profits, is also working for the benefit of stakeholders, the environment, and society all at the same time.

As a female public prosecutor, after I took childcare leave for the first time, I continued to work while raising my child. Compared with 30 years ago, the number of working women has increased, but Japan's gender gap index is still at a low level. There are systems in place so that women can continue working while raising children, but I think it is now becoming more difficult for women to do so. Alongside marriage and childbirth, I think that offering both men and women diverse career choices and ways to lead their lives will be key to improving diversity at ASKUL.

Corporate Governance

Basic Approach to Corporate Governance

In line with the ASKUL WAY, comprising Our Purpose of “Continuously bringing delight to our workplace, life, the planet and tomorrow,” Our Values, and Our DNA, we listen carefully to customers, shareholders, investors, partners, employees, and all other stakeholders throughout society with the aim of contributing to the resolution of various social issues through the ongoing creation of new, socially significant value.

To this end, ASKUL will strive to enhance corporate governance through transparent, fair, prompt, and resolute decision-making based on compliance management to achieve sustainable growth and enhance corporate value over the medium to long term.

Board of Directors' Composition

In consideration of diversity, the Board of Directors comprises a distinct group of directors with different backgrounds in terms of knowledge, expertise, experience, and business capabilities.

The number of directors on the Board is stipulated in the Articles of Incorporation, and shall be maintained appropriately so that the Board of Directors functions as effectively and efficiently as possible, with a focus on the following two perspectives:

- Adequate diversity in management decision-making and supervision
- Substantial and sufficient discussions at Board of Directors' meetings

In this way, ASKUL ensures that the Board of Directors functions effectively in terms of important management decision-making and supervisory functions, with the aim of ensuring overall diversity and a balance between knowledge, experience, and capabilities while maintaining an appropriate size.

Further, ASKUL appoints multiple independent outside directors to incorporate the extensive experience, deep insight, broad knowledge, and solid expertise of directors from outside the Company into ASKUL's management. This is done in an attempt to maintain and strengthen management supervision efficacy from an independent and objective standpoint and improve management transparency.

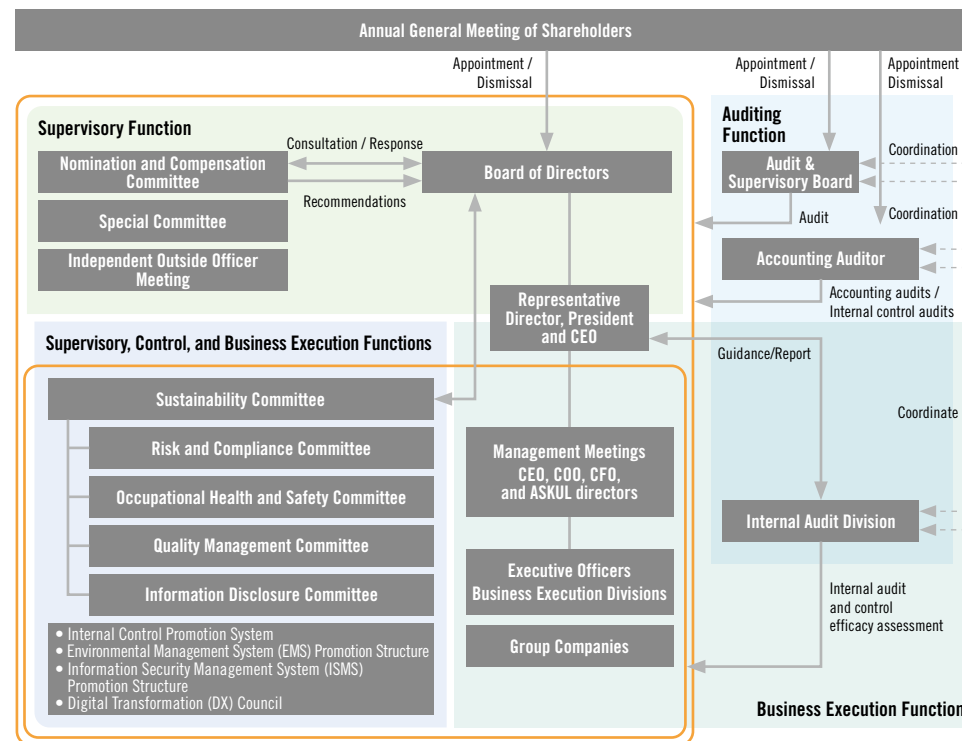
Audit & Supervisory Board Composition and Accounting Auditor

The ASKUL Audit & Supervisory Board comprises at least one full-time Audit & Supervisory Board member and one or more outside Audit & Supervisory Board members. The number of Audit & Supervisory Board members is stipulated in the Articles of Incorporation and shall be maintained appropriately so that audits of the execution of duties by directors can be implemented in the most effective and efficient manner.

In appointing Audit & Supervisory Board members, ASKUL selects candidates possessing the appropriate experience and capabilities, as well as the requisite financial, accounting, and legal knowledge, with at least one member possessing sufficient knowledge of finance and accounting.

Giving consideration to the consecutive years of auditing performed by the previous accounting auditor, ASKUL appointed Deloitte Touche Tohmatsu LLC as its new accounting auditor at the Annual General Meeting of Shareholders held in August 2022, in anticipation of audits from a new perspective and of the enhanced efficiency of audits on a Groupwide basis.

Corporate Governance Structure (as of August 4, 2022)



Corporate Governance

Current Committee Compositions

As of August 4, 2022

Committee name	Directors									Audit & Supervisory Board members				Executive officers and other members	Overview and activities	Number of meetings in FY5/2022
	Akira Yoshioka	Tsuguhito Tamai	Katsuhiko Kawamura	Shinichi Hokari	Takao Ozawa	Yumiko Ichige	Genri Goto	Kazuo Tsukahara	Naomi Aoyama	Tadahisa Imaizumi	Toshio Imamura	Yoshitaka Asaeda	Miyuki Nakagawa			
					Outside	Outside	Independent	Outside	Independent	Outside	Independent	Outside	Independent			
Nomination and Compensation Committee	○					○	○	◎	○					This committee deliberates policies, procedures, and specific proposals regarding the appointment and dismissal of key officers and employees, including directors and the president and CEO, compensation, and succession planning. (Members comprise all independent outside directors and the president and CEO.)	23	
Supervision Special Committee						◎		○			○			Comprising solely independent outside directors, this committee deliberates matters that contribute to the protection of minority shareholder interests and ensures fairness and impartiality among shareholders from a perspective independent of controlling shareholders. Note: Corresponds to "Special committee composed of independent persons including independent director(s)" in Corporate Governance Code 4-8 (3).	4	
Independent Outside Officer Meeting						○	○	◎	○		○	○		Comprising solely independent outside directors, this committee meets to freely exchange information and opinions on important matters related to corporate governance, business, and management. Note: Corresponds to "Meetings composed of independent outsiders" in Corporate Governance Code 4-8 (1).	6	
Sustainability Committee	○	◎	○	○		■				■	■		○*1 *2 □	This committee deliberates and determines issues and policies concerning sustainability and ESG while monitoring other committees to fulfill ASKUL's social responsibility, achieve sustainable growth, and enhance corporate value over the medium to long term.	12	
Supervision, control, and execution Risk and Compliance Committee	○	◎	○	○									○*3 □	In addition to managing risks, this committee aims to understand, manage, and respond to risk and compliance issues to ensure compliance with laws, regulations, and internal and external rules and norms.	12	
Occupational Health and Safety Committee		○	○	○				■		■			◎*1 ○	This committee determines and responds to occupational health and safety conditions in order to ensure the safety of all staff and employees and to improve their physical and mental health, as well as increase productivity and heighten morale.	12	
Supervision, control, and execution Quality Management Committee	○	○	○	○						■			◎*2 ○ □	This committee works to improve the quality of services and products handled throughout the value chain to increase customer trust and satisfaction, as well as provide customers with products that are safe and reliable.	11	
Information Disclosure Committee		◎											○	This committee makes disclosure-related decisions aimed at enhancing management transparency and ensuring the timely and appropriate disclosure of information.	36	
Execution Management Meeting	◎	○	○	○									□	Chaired by the president and CEO, these meetings are held to carefully examine and decide on proposals related to business execution.	40	

◎ Chair ○ Members ■ Advisors □ Observers and other members

*1 Executive officer of unit in charge of human resources
*2 Executive officer of unit in charge of customer support
*3 Executive officer of unit in charge of legal affairs

Corporate Governance

Director and Audit & Supervisory Board Member Skills Matrix and Reasons for Appointment

As of August 4, 2022

Name Position in the Company	Skills and experience										Reasons for appointment
	Management strategy	ESG and sustainability	E-Commerce	Products	Logistics	Global experience	Accounting and finance	IT and Digital transformation	Human resources, labor affairs, and human resource development	Legal affairs, intellectual property, and risk management	
Akira Yoshioka Representative Director, President and CEO	●		●	●							As representative director, president and CEO, Mr. Yoshioka has led sustainable business growth despite the COVID-19 pandemic. He possesses extensive business experience and a solid track record at ASKUL, with knowledge of e-commerce business operations, and is able to appropriately fulfill his duties as president.
Tsuguhiko Tamai Director, CFO	●	●					●			●	Mr. Tamai possesses extensive business experience and a solid track record at ASKUL. He also possesses knowledge of finance, public relations, IR, and other areas that allows him to fulfill his responsibilities as CFO of the Company, which aims to strengthen governance and sustainably enhance corporate value.
Katsuhiro Kawamura Director, COO	●		●	●	●			●			Mr. Kawamura possesses extensive business experience and a solid track record at ASKUL, including executive officer positions in various divisions, and business management knowledge enabling him to appropriately fulfill his duties as chief operating officer.
Shinichi Hokari Director			●					●			Leveraging his advanced expertise and experience in internet-based platform development and e-commerce business, as well as extensive business experience and a solid track record at Yahoo Japan Corporation, Mr. Hokari is a suitable director of the Company, which works to achieve sustainable corporate value enhancement through the promotion of digital transformation (DX).
Takao Ozawa Outside Director	●		●	●	●			●			Mr. Ozawa possesses a high degree of insight and broad knowledge in the fields of internet business and e-commerce, as well as extensive management experience in public service corporations targeting corporate management and social activities.
Yumiko Ichige Outside Director	●	●						●	●	●	Ms. Ichige started out her career as a corporate attorney and possesses highly specialized expertise and work experience in the fields of corporate governance, compliance, and intellectual property gained through experience as a lawyer. In the past, she served as an outside director and outside audit & supervisory board member at multiple companies, and as an officer at the Japan Federation of Bar Associations and public-interest corporations.
Genri Goto Outside Director	●		●	●	●			●			Mr. Goto possesses extensive experience and a track record that includes the launch of an innovative online pharmaceutical sales business that he managed as CEO for many years, driving the growth of this business in the e-commerce market. He also has a wealth of experience and deep insight in the digital services field.
Kazuo Tsukahara Outside Director	●					●			●		After being responsible for a wide range of operations (including an overseas assignment) at a heavy-industry manufacturer engaged in global business, Mr. Tsukahara served as the company's executive vice president. Having served as an outside director at multiple companies to date, he possesses extensive business experience and a solid track record in corporate management, as well as deep insight and strong ethics.
Naomi Aoyama Outside Director		●	●	●							Having established a consumer-oriented marketing support company, Ms. Aoyama possesses a high degree of expertise and extensive experience as an advisor on corporate social media management and e-commerce.
Tadahisa Imaizumi Director	●								●		Mr. Imaizumi strives to ensure management stability by strengthening relationships with major shareholders, possesses a deep understanding of ASKUL corporate and organizational culture based on his experience as an employee, as well as extensive management experience related to human resource development.
Toshio Imamura Full-Time Audit & Supervisory Board Member	●								●		Mr. Imamura possesses extensive business experience and a solid track record at ASKUL in the areas of accounting and finance, information disclosure, risk, and human resources. Since August 2017, he has appropriately performed his function of supervising business execution as a full-time Audit & Supervisory Board member.
Yoshitaka Asaeda Outside Audit & Supervisory Board Member						●	●				As a certified public accountant, Mr. Asaeda has practical experience and professional expertise in global accounting and auditing and, in addition to management experience in global organizations, he served as an outside director and outside audit & supervisory board member in several companies to date.
Miyuki Nakagawa Outside Audit & Supervisory Board Member		●								●	Ms. Nakagawa worked for many years as a prosecutor for the Tokyo District Public Prosecutors Office and elsewhere and has practical experience in legal circles. In addition to her expertise as a legal professional, she serves as an outside director and outside audit & supervisory board member in several companies.

Corporate Governance

Policies and Procedures for the Appointment and Dismissal of Directors, Audit & Supervisory Board Members, and Senior Management

Policies and procedures associated with the nomination of directors and Audit & Supervisory Board members, as well as the appointment and dismissal of senior management, are as follows.

▶ Policies and Procedures for the Nomination of Director Candidates and the Appointment and Dismissal of Senior Management

Candidates for ASKUL directors and senior management must possess the following qualities:

- Sound member of society with good business sense
- Broad, flexible viewpoints, possessing ambition, leadership, and other management qualities and capabilities
- Ability to formulate visions, ability to implement change, be customer-oriented, and high ethical standards as set forth in the ASKUL WAY

In selecting candidates, ASKUL takes diversity of the Board of Directors into consideration based on the recognition that multifaceted supervision will contribute to the promotion and expansion of business and facilitate appropriate supervision in accordance with given management conditions, therefore nominating the most suitable candidates for director.

Each year, all ASKUL directors are subject to appointment by resolution of the Annual General Meeting of Shareholders.

Director candidates (including substitute directors) and senior management are selected by the Board of Directors after fair, transparent, and rigorous reviews and responses by the Nomination and Compensation Committee, which is composed entirely of independent outside directors and the president and CEO.

Regarding the appointment of ASKUL directors concurrently serving as directors or corporate auditors at other listed companies, duties shall be limited to a reasonable extent, enabling the director to dedicate sufficient time to fulfilling their responsibilities as an ASKUL director.

Regarding CEO dismissals, after clarifying the reason for dismissal, in the event of a major disqualification based on appointment criteria, substantial declines in corporate value, damage to ASKUL social value or reputation caused by the CEO, or when radical change becomes necessary, the Nomination and Compensation Committee decides on dismissal proposals, which are then confirmed by a Board of Directors' resolution.

Further, in the event a senior management team member deviates from the above requirements, the Nomination and Compensation Committee conducts fair, transparent, and rigorous reviews and reports the situation to the Board of Directors, which will then resolve to dismiss said member. The Board of Directors also makes determinations in light of voluntary resignations, organizational changes, and the revision of roles and responsibilities. In addition to the above, the dismissal of a director requires resolution at the Annual General Meeting of Shareholders.

▶ Policies and Procedures for the Nomination of Audit & Supervisory Board Member Candidates

Candidates for ASKUL Audit & Supervisory Board membership must possess the following qualities:

- Excellent character, insight, capabilities, a wealth of experience, and high ethical standards
- Persons who understand and share the ASKUL WAY and corporate culture
- Appropriate experience, capabilities, and knowledge of requisite financial, accounting, and legal matters

In selecting candidates, ASKUL takes Audit & Supervisory Board diversity into consideration based on the recognition that multifaceted supervision will contribute to the promotion and expansion of business and facilitate appropriate supervision in accordance with given management conditions, nominating the most suitable candidates for Audit & Supervisory Board membership.

Further, one or more Audit & Supervisory Board members must have sufficient knowledge of finance and accounting matters.

Audit & Supervisory Board member candidates (including substitute members) are selected by the Nomination and Compensation Committee upon preliminary consultation with the Audit & Supervisory Board, which conducts fair, transparent, and rigorous reviews and then reports to the Board of Directors, which makes decisions based on approval from the Audit & Supervisory Board. Regarding the appointment of ASKUL Audit & Supervisory Board members concurrently serving as directors or corporate auditors at other listed companies, duties shall be limited to a reasonable extent, enabling said member to dedicate sufficient time to fulfilling their responsibilities as an ASKUL Audit & Supervisory Board member.

Standards for Determining Independence

Based on the Designation Criteria for Independent Officers, ASKUL designates all outside officers not falling under the following categories as independent officers with their consent.

- A** Individuals for whom ASKUL is a major supplier or business executor
- B** Individuals who are major ASKUL suppliers or in charge of business execution
- C** Consultants and other professionals who have received large cash payments or other compensation from ASKUL within the past five years, or who belong to consulting firms or other organizations
- D** ASKUL, parent company, or subsidiary executive officers, directors, or Audit & Supervisory Board members
- E** Major ASKUL shareholders
- F**
 - ① Close relatives of persons described in **A** – **E**.
 - ② ASKUL, parent company, or subsidiary accounting advisors



Corporate Governance Report: Principle 4–9. Criteria for Independence and Qualification of Independent Outside Directors

Corporate Governance

Protection of Minority Shareholders

ASKUL formulated Related-Party Transaction Management Regulations to carefully determine the rationality of transactions and the appropriateness of transaction proposals to ensure that transactions with related parties do not harm ASKUL or the common interests of its shareholders, nor give rise to such concerns.

Further, in line with a resolution by the Board of Directors at a meeting held on August 4, 2021, ASKUL enhanced its Board of Directors' supervisory function to appropriately improve ASKUL and ASKUL Group corporate governance and ensure management transparency. The Special Committee was also established as a permanent advisory body to the Board of Directors for the purpose of protecting the interests of minority shareholders and ensuring fairness and impartiality in important transactions, as well as transactions where the interests of controlling shareholders and major shareholders with an equivalent level of control (dominant shareholders) conflict with those of minority shareholders.

Policy on Ensuring Shareholder Rights and Equality

Stocks Held for Strategic Purposes

ASKUL formulated and manages the Policy on Ensuring Shareholder Rights and Equality, and as of May 20, 2022, held no listed company shares for the purpose of shareholder stability, referred to as stocks held for strategic purposes.

ASKUL maintains strategic shareholdings deemed important for Group strategic purposes, such as utilizing advanced technologies from outside the Company or strengthening relationships through business alliances. The Board of Directors or other governing body determines whether to continue holding or dispose of strategic shareholdings after examining the appropriateness of said holdings.

Information Disclosure

ASKUL proactively and impartially discloses information in accordance with applicable laws and regulations for shareholders and investors, including management-related matters and the status of business activities.

Company information is disclosed in a timely and appropriate manner, with efforts made to ensure accuracy at all times and, when necessary, consider the necessity of maintaining confidentiality. In addition to information that must be disclosed due to legal requirements, ASKUL makes proactive efforts to disclose environmental, social, and governance information and other non-financial information.

ASKUL views the disclosure of information as one of its most critical management responsibilities and strives to ensure information is easily understandable and highly useful for shareholders, investors, and other stakeholders.

ASKUL Disclosure Policy

Topic

ASKUL Governance Enhancements

Given the existence of controlling shareholders, ASKUL established and manages a system aimed at ensuring management independence and avoiding conflicts of interest, as well as protecting minority shareholders and maintaining fairness and impartiality from the perspective of enhancing corporate value over the medium to long term.

Response through systems and frameworks

- ▶ Appointment of multiple independent directors*
- ▶ Director selection process through the Nomination and Compensation Committee, comprising entirely independent outside directors and the President and CEO
- ▶ Authority held by the Nomination and Compensation Committee and the Special Committee
 - Granted authority to investigate matters without waiting for consultation from the Board of Directors and provide the Board with opinions, advice, and recommendations
 - Given the right to express opinions regarding items they have reported or provided advice on at the Annual General Meeting of Shareholders and other meetings

Handling of conflict-of-interest transactions

- ▶ Established and operate the Special Committee
 - Established as a permanent advisory body to the Board of Directors
 - Comprising entirely independent Company directors (designed to facilitate the formation of teams, including experts and other members, in the event of an emergency)
 - Supervises the system for monitoring transactions with related parties, including the reasonableness and appropriateness of transaction terms
- ▶ Transactions managed in accordance with Related-Party Transaction Management Regulations

Communication measures

- ▶ Opportunities for regular and constructive dialogue and exchanges of opinions between independent directors and major shareholders
- ▶ Opportunities for regular and constructive dialogue and exchanges of opinions among members of management
- ▶ When officers selected for appointment, statements of aspiration from each candidate disclosed for shareholder review

* Independent directors (Board of Directors and Audit & Supervisory Board member total) 6/13 (46.2%) (as of October 2022)

Corporate Governance

Evaluating Board of Directors' Effectiveness

To continuously improve the effectiveness of the Board of Directors, ASKUL has analyzed and evaluated the overall effectiveness of the Board of Directors since 2015, targeting all directors and Audit & Supervisory Board members.

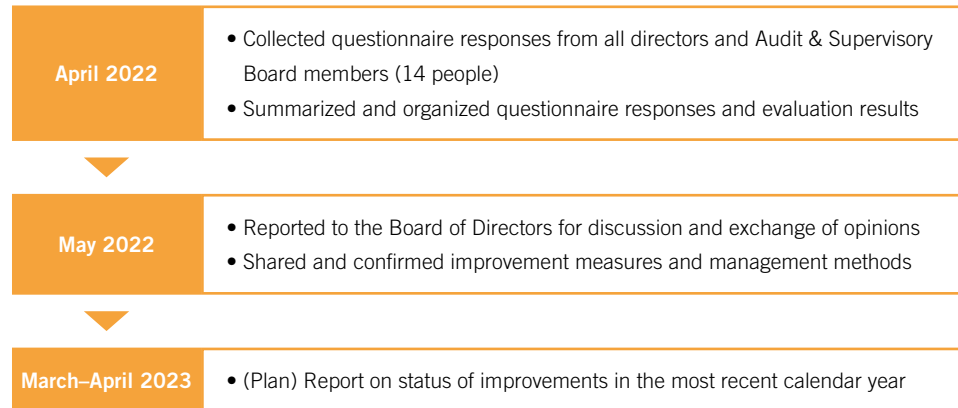
▶ Evaluation Method

The most recent evaluation was conducted by questionnaire in April 2022 and, based on the results of the questionnaire analysis and other factors, we evaluated the overall effectiveness of the Board of Directors.

Questionnaire details (approximately 40 items total)

- | | |
|--|--|
| 1 Board of Directors' composition | 4 Self-evaluations |
| 2 Board of Directors' management status | 5 Decision-making processes, etc. |
| 3 Support system for outside directors and Audit & Supervisory Board members | 6 External communications |
| | 7 Feedback regarding effectiveness evaluations |

Evaluation Process from Fiscal 2022–Fiscal 2023



▶ Evaluation Results

In light of the evaluation results, it was determined that the Board of Directors effectively fulfills its responsibilities and roles based on its diverse member composition, which ensures effective and appropriate management supervision, and energetic and constructive deliberations leveraging the knowledge and experience of each member.

Going forward, ASKUL will consider the appropriateness of the Board of Directors' size and composition in pursuit of greater diversity. Further, with regard to Board of Directors' management, we continue to make efforts ensuring the careful examination of agenda items, the early distribution of reference materials, and the provision of explanations of technical terms, among other efforts aimed at providing easily understandable meeting materials. The chairman of the Board of Directors and the Board secretariat lead ongoing improvement efforts that, depending on the issue, include pre-meeting briefings.

Issues Identified and Responses Going Forward

- Review of Board of Directors' composition (appropriateness of size, diversity, etc.)
- Careful examination of themes necessitating discussion and deliberation
- Expanded support for outside directors, sharing of industry information, etc.
- Prompt distribution of meeting materials, sharing of meeting minutes, etc.
- Reports and sharing of member activity details

(Reference) Issues and Responses Identified in Previous Evaluation

- Provision of easily understandable materials and information
- On-site inspections at distribution centers and other facilities
- Reports on communications with general shareholders and investors

Corporate Governance

Policies and Procedures for Determining Director and Audit & Supervisory Board Member Compensation

▶ ASKUL Director Compensation (Monetary and Non-Monetary Compensation)

Monetary Compensation

Comprises a fixed portion (monthly compensation) and performance-linked compensation

① Basic Compensation

Individually determined as fixed monthly remuneration reflecting market levels and expected roles

② Performance-Linked Compensation

Calculated in line with **A** annual performance target achievement levels (with upper and lower limits) and **B** individual evaluations

Non-Monetary Compensation

Restricted Stock Compensation (Performance Provisos)

- Purpose: To promote the further sharing of value with shareholders as an incentive to sustainably enhance ASKUL corporate value
- Conferred amount and number of shares: The amount conferred is determined based on an amount equivalent to 15% of basic compensation (annual amount), taking into consideration factors such as position, expected role, and share price trends.

Note: In order to achieve loftier goals and contribute to significant Group growth, ASKUL makes the achievement of certain performance conditions a requirement for the lifting of transfer restrictions.
(Example: achievement of either consolidated net sales or consolidated operating profit targets)

▶ ASKUL Director Compensation

Type	Compensation details	Compensation calculation methods	Purposes, reasons, and supplemental explanations	Payments	Actual amount (compensation ratio)* Unit (millions of yen)
Non-Monetary Compensation	Restricted stock compensation (with performance provisos)	The amount conferred is determined in accordance with the amount of basic compensation, position held, expected role, share price trends, and other factors.	<ul style="list-style-type: none"> • Medium- to long-term incentive • Share value with shareholders • Motivation to achieve loftier goals 	<div style="border: 1px solid black; padding: 5px;"> Performance Provisos If consolidated net sales and operating profit exceed Medium-Term Management Plan targets (each fiscal year), transfer restrictions are lifted. </div>	19 (10.6%)
Monetary Compensation	② Performance-linked compensation (Variable portion) (Remitted as an executive bonus)	A Annual performance target achievement rate x B Individual evaluation	<ul style="list-style-type: none"> • Performance-linked compensation varies in accordance with the rate of achievement for consolidated EBITDA target • Reason for adopting this indicator: To secure profits while actively executing the necessary investments 		57 (31.8%)
	① Basic compensation (Fixed portion) (Remitted as monthly compensation)	Determined individually based on market levels and expected role			103 (57.6%)

A Linked to consolidated EBITDA* target achievement rate (Upper / lower limits set between 85% and 115%)

85% 100% 115%

* Actual performance in fiscal 2022

* EBITDA = Earnings before interest, taxes, depreciation, and amortization
(Operating profit + Depreciation + Amortization of software + Amortization of goodwill)

▶ Outside Director and Outside Audit & Supervisory Board Member Compensation

Only basic compensation is provided in light of individual roles and independence.

Corporate Governance

Compliance


Based on the recognition that compliance is a prerequisite for management, the Company has established, disseminated, and complies with the ASKUL Code of Conduct (Code of Ethics and Conduct), the *Compliance Manual*, and a variety of other regulations in accordance with the ASKUL WAY. Further, in addition to supervision by the Risk and Compliance Committee and monitoring through internal auditing and other efforts, education and training on various laws and regulations are provided on a regular basis to deepen understanding of compliance and create an environment facilitating the sound execution of duties.

▶ Anti-Corruption and Corporate Ethics

ASKUL Code of Conduct (Code of Ethics and Conduct)

The ASKUL Code of Conduct was formulated in June 2006, promulgated through internal efforts to spread information and raise awareness.

As a document upon which all our activities are based, the ASKUL Code of Conduct incorporates the ASKUL WAY, comprising Our Purpose of “Continuously bringing delight to our workplace, life, the planet and tomorrow,” Our Values, and Our DNA and defining the basic rules of conduct that should be observed by employees and all stakeholders, including customers, shareholders, investors, partners, and co-workers, while maintaining high ethical standards and a spirit of compliance with the law.

 ASKUL Code of Conduct (Code of Ethics and Conduct)

ASKUL Code of Conduct (Code of Ethics and Conduct) (Content)

- I ASKUL Code of Conduct Positioning
- II For Customers
- III For Shareholders and Investors
- IV For Society
- V For Partner Companies
- VI For Social Assets and Information
- VII For ASKUL Co-Workers
- VIII ASKUL Code of Conduct Management

▶ ASKUL Hotline (Internal Reporting System)

The ASKUL Hotline (internal reporting system) was established as part of the ASKUL Group’s internal control system in order to prevent misconduct and business risks before they occur, while invigorating the Group’s self-correcting mechanism.

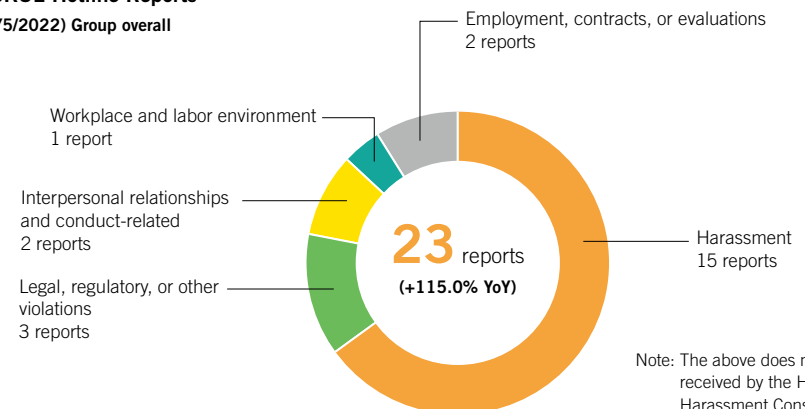
ASKUL employees can use the ASKUL Hotline, which is separate from regular business lines, to report or inform in the event they discover inappropriate conduct, such as violations of laws and regulations, as well as violations of the duty of confidentiality or unfavorable investigation or treatment of whistleblowers and cooperating parties (or discover suspicions of the aforementioned conduct). Employees using this hotline are able to make reports anonymously.

In addition to CSR, Legal Affairs, Human Resource, Internal Audit, and other relevant divisions, Audit & Supervisory Board members and an outside consultation service are available as points of contact, creating a system aimed at quickly identifying suspicious activities from the perspective of compliance.

In addition, ASKUL strictly prohibits the unfavorable treatment of whistleblowers, including discrimination against them and other acts of retaliation, as well as adverse impacts on their performance evaluations as a result of making a report. Individuals or department heads who treat whistleblowers unfavorably may be subject to disciplinary actions or other measures.

The ASKUL Hotline reception desk and investigation and response team conduct fair and impartial inquiries and, if the fact-finding investigation confirms the existence of inappropriate conduct, violations of the duty of confidentiality, or unfavorable investigation or treatment of whistleblowers and cooperating parties, etc., the progress and results are reported, without delay, to the Risk and Compliance Committee, creating a system for the implementation of response measures.

ASKUL Hotline Reports (FY5/2022) Group overall



Risk Management

List of All Risks (Details)

Basic Approach

Risk Management Basic Policies and Action Guidelines

- 1 ASKUL and the ASKUL Group manage risks by addressing all matters with the potential of impeding sustainable Group growth; compliance with laws, regulations, social norms, and internal rules; including ethical behavior guidelines; and our ability to conduct business appropriately, achieve sustainable growth, and enhance corporate value over the medium to long term.
- 2 In the event specific risks were to occur, ASKUL, Group officers, and employees will place the highest priority on human life and physical safety, comply with laws and ethics, and act with moral integrity and honesty.

Management Structure

General Manager	President and CEO	Appropriate allocation of management resources necessary for planning, implementing, inspecting, reviewing, and ensuring the execution of internal risk response plans
Implementation Manager	Director in charge of risk management	Formulates various risk response plans, oversees plan execution, and coordinates efforts throughout the Company
Risk Management Officer	Business units Group companies	Manages and follows up on risk responses as executive officer of each business unit and project
Risk Management	Person in charge of divisions (supervisory divisions)	Promotes various risk responses for each department and project
Personnel Involved in Risk Response Activities	Departments (each department)	Implements various risk responses
Risk Management Secretariat	Person in charge of CSR	Promotes PDCA within risk management activities

Risk Management PDCA Cycle



Main Risks and Initiatives

Risks that impact future management performance are identified and assessed as significant risks. Of these, risks that senior management determine as having a particularly significant impact on Group business continuity from a Companywide, cross-functional perspective are defined as particularly significant risks (top risks), for which the necessary countermeasures are formulated.

List of Particularly Significant Risks (Top Risks) and Main Responses and Countermeasures (Excerpt)

Particularly important risks recognized by the Company, as well as main responses and countermeasures for each risk, are as follows.

Risk item	Risk details	Main responses and countermeasures
Common risks Concerns and countermeasures	<ul style="list-style-type: none"> Significant costs or losses incurred due to direct damage, legal liabilities, and other factors Loss of public trust or damage to reputation due to degradation or suspension of business and services 	<ul style="list-style-type: none"> Invest in requisite management resources
1 Employee life, health, and work-related injuries, etc.	<ul style="list-style-type: none"> Loss of human resources, including employee life and health, due to accidents, disasters, and long working hours 	<ul style="list-style-type: none"> Maintain and manage vehicles and other equipment, implement thorough safety training Conduct thorough disaster prevention measures, manage working hours
2 Business continuity and supply chain fragmentation*	<ul style="list-style-type: none"> Natural disasters surpassing expectations, widespread outbreak of infectious diseases, damage from fires and other disasters, supply chain fragmentation, etc. 	<ul style="list-style-type: none"> Establish multiple bases handling orders and inquire and several distribution centers Conduct ongoing review of business continuity plan Conduct periodic inspections of fire prevention equipment and management structure enhancements
3 Changing global conditions, including wars, economic sanctions, infectious diseases, and other threats	<ul style="list-style-type: none"> Country risks affecting places of origin and supply chains, geopolitical risks, infectious diseases, natural disasters and other conditions leading to difficulties in procuring raw materials and merchandise, price hikes, exchange rate volatility, etc. 	<ul style="list-style-type: none"> Request that suppliers establish stable product supply systems Implement supply chain revisions, including changes that include transitioning to the manufacture of products within Japan
4 - 6	Note: For information on system failures, personal or confidential information leaks, or related issues, please refer to Information Security LD P.70 .	
7 Compliance with laws, regulations, social demands, and governance	<ol style="list-style-type: none"> Compliance violations (violations of laws and regulations, fraud, etc.) Insufficient or unsuccessful responses and efforts related to social issues Serious internal control deficiencies and additional costs 	<ul style="list-style-type: none"> Formulated the ASKUL Code of Conduct, ensure thorough compliance Create and manage compliance systems and mechanisms Ensure an appropriate understanding of education and awareness activities, legal reforms, and other issues, implementing the necessary measures Promote proactive efforts to resolve global social issues Develop and manage internal controls related to financial reporting based on the Financial Instruments and Exchange Act
8 Inadequate retention or training of human resources	<ul style="list-style-type: none"> Failure to retain human resources, declining retention rate Inability to develop human resources capable of responding to change, value of human labor becoming obsolete 	<ul style="list-style-type: none"> Implement human resource development measures and mechanisms improving employee motivation Improve employee retention by promoting workstyle reforms and improving the working environment Promote diversity, respecting differences that include gender, age, race, and nationality Introduce and develop a human resource evaluation system supporting the taking on of challenges for growth and change
9 Business model obsolescence	<ul style="list-style-type: none"> Delayed business model transformation, customer defection 	<ul style="list-style-type: none"> Develop human resources to promote innovation and transformation, introduce and develop human resource evaluation systems

* Regarding climate change initiatives and responses to Task Force on Climate-related Financial Disclosure (TCFD) recommendations under **2** above, please refer to Response to TCFD Recommendations in the "Environment" section [LD P.49](#).

Risk Management

Business Continuity Planning

ASKUL has created a business continuity plan in response to various emergency situations based on the ASKUL Business Continuity Plan Basic Policy. The business continuity plan defines the structure of the Disaster Response Headquarters and various responses and procedures in the event of an emergency. All work sites stock water, food, and emergency evacuation bags. Further, to heighten efficacy when executing business continuity plans, we review plans and manuals in each division. In addition to ensuring the safety of employees, ASKUL will maintain efforts to provide services to customers even during emergency situations and keep its promise of next-day deliveries.

Recognizing that our business is a lifeline for customers, we will do our utmost to ensure the continued supply of ASKUL services based on the following policies to fulfill our social responsibilities in the event of a disaster.

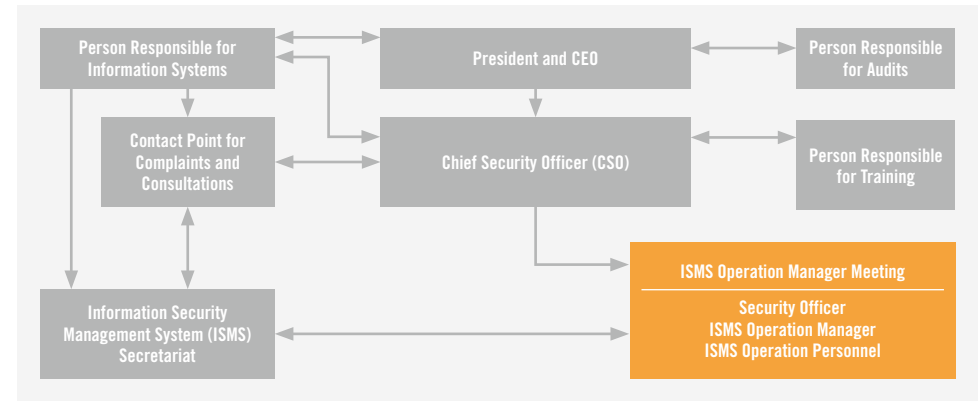
ASKUL Business Continuity Plan Basic Policy

- ① Ensure highest priority is placed on ensuring the safety of all constituent members, including the employees supporting ASKUL business and their families
- ② Attempt to minimize damage to neighboring communities and ensure the safety of local residents
- ③ Strive to supply products and services in coordination with local communities, governments, and suppliers
- ④ Engage in support efforts aimed at reconstruction and recovery

Information Security

Having established the ASKUL Information Security Policy and Personal Information Protection Policy, ASKUL declares its aim of realizing a distribution platform that makes extensive and efficient use of information and IT with maximum consideration for information security and personal information, which all customers can utilize with peace of mind. Further, recognizing information security risk management as one of our most important management strategies, we will protect information assets from information leaks, unauthorized access, and a wide range of other threats. To ensure business continuity, we make efforts toward information security, personal information protection, the implementation of safety control measures for handling specified personal information (My Number, etc.), and comply with the Act on the Protection of Personal Information in all business activities.

Information Security Structure



List of Particularly Significant Risks (Top Risks) and Main Responses and Countermeasures (Information Security Only)

Risk items	Risk details	Main responses and countermeasures
4 System damage and cyberattacks	<ul style="list-style-type: none"> Includes attacks from outside the system, unauthorized access, system failures or stoppage due to sudden increases in access attempts, and the leakage, destruction, or falsification of information or other data 	<ul style="list-style-type: none"> Includes server reinforcement, decentralization and modernization, expanded communication line capacity, core system duplication, backup system maintenance, security enhancements, etc.
5 Large-scale system development, capital expenditures, etc.	<ul style="list-style-type: none"> Significant delays or suspension of system releases System and equipment obsolescence due to IT advances Insufficient or delayed impact of investments 	<ul style="list-style-type: none"> Engagement in thorough preparation, meticulous planning and execution, and adequate verification of returns on investments
6 Personal or confidential information leaks	<ul style="list-style-type: none"> Personal or confidential information destruction, falsification, leakage, unauthorized provision to competitors, etc. 	<ul style="list-style-type: none"> Acquired information security management system certification (JIS Q 27001) Acquired PrivacyMark certification (JIS Q 15001)

For all other critical risks (top risks) and main responses and countermeasures, please see the "Risk Management" section [P.69](#).

SECTION 4

Basic Information



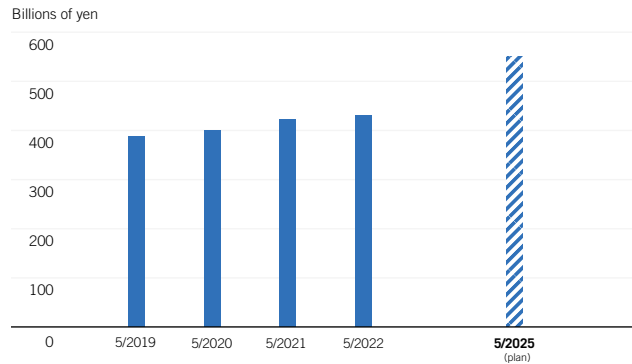
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Financial Highlights (On a consolidated basis excluding dividends per share information)

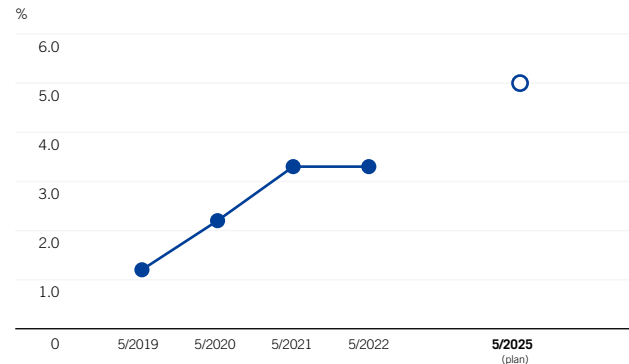
Net Sales

We aim to achieve net sales of ¥550.0 billion by the final year of the Medium-Term Management Plan by changing the curve of our sales growth trajectory by transforming from an office supplies mail-order company.



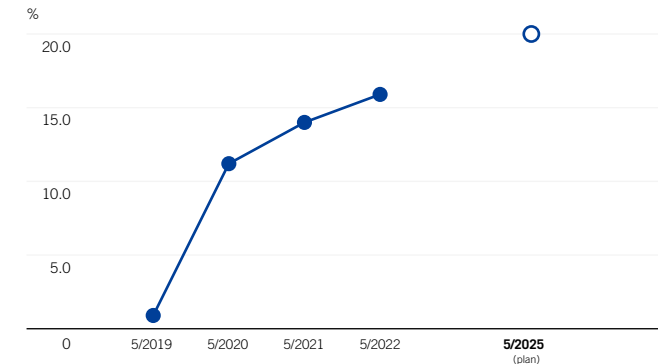
Operating Profit Margin

We aim for an operating profit margin of 5.0% in the final year of the Medium-Term Management Plan by enhancing the profitability of the LOHACO business and reforming the earnings structure of the B-to-B business.



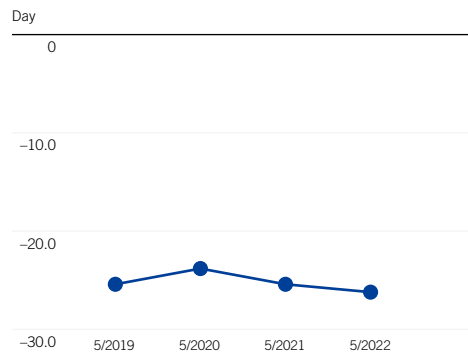
ROE

We aim for ROE of 20.0% in the final year of the Medium-Term Management Plan through improvements in business profitability and capital efficiency.



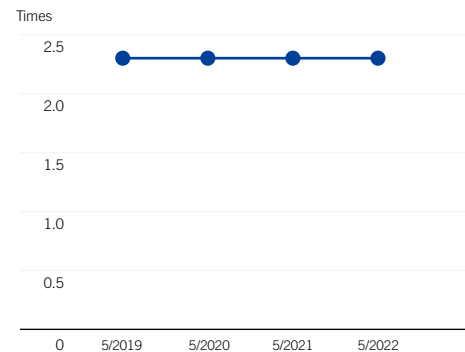
Cash Conversion Cycle*1 (CCC)

CCC is the source of our ability to generate cash flows, thereby serving as a major strength of the Company. We will strive to maintain the CCC at its current level.



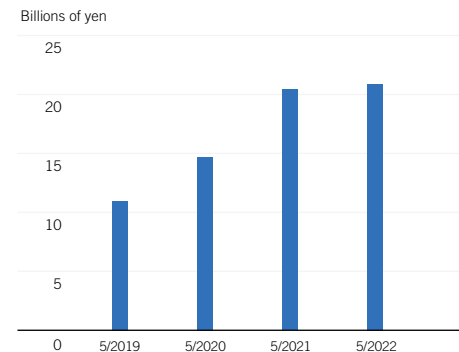
Total Asset Turnover Ratio

We will maintain the total asset turnover ratio at its current level by continuously expanding our businesses through the efficient utilization of invested capital.



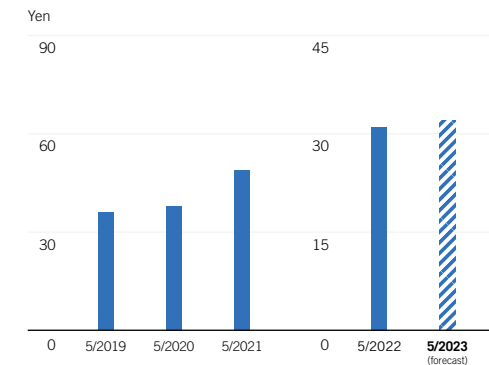
EBITDA*2

We aim to further enhance our ability to generate cash flows by maximizing the effects of investments.



Dividends per Share

We continue to increase dividends in accordance with profit growth.



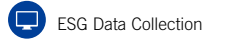
*1 CCC = Days to convert accounts receivable + Days to convert inventories – Days to convert accounts payable

*2 EBITDA = Operating profit + Depreciation + Amortization of software + Amortization of goodwill
Note: Amounts used are from the consolidated statements of cash flows.

Note: Effective May 21, 2021, a 2-for-1 stock split was conducted.

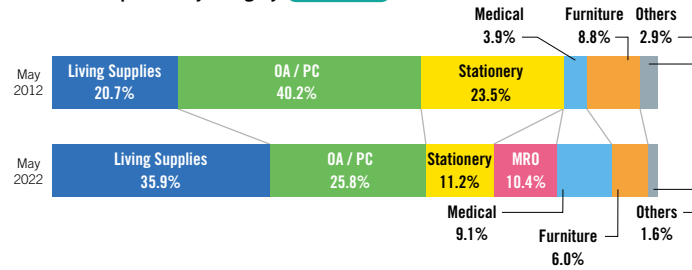
Non-Financial Highlights

Figures are for the fiscal year ended May 20, 2022, or as of May 20, 2022, aside from those with an explanatory note.



Business-Related Data

Net Sales Composition by Category Non-consolidated



Ratio of Net Sales in the Internet Domain Non-consolidated



Total Area (in Tsubo*) of Distribution Centers in Operation Non-consolidated



Note: The above includes the number of tsubo of ASKUL Miyoshi Center in the logistics business, which is used to store products of manufacturers and e-commerce operators.

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

Number of Customer Inquiries and Chatbot Responses Non-consolidated

Chatbot introduction: September 2016 in B-to-B business, September 2014 in B-to-C business

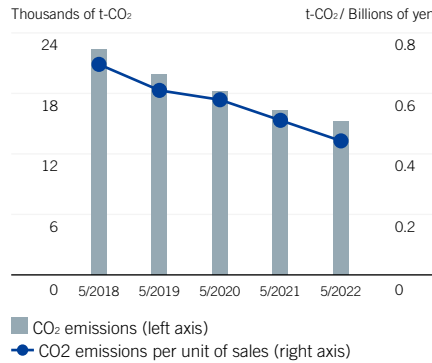


Communication with Customers

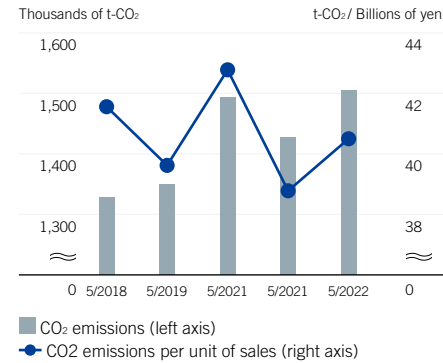
ESG

CO₂ Emissions / CO₂ Emissions per Unit of Sales

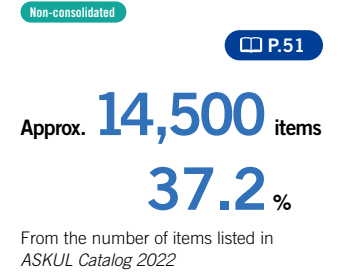
Scope 1 + Scope 2 Consolidated



Scope 1 + Scope 2 + Scope 3 Non-consolidated



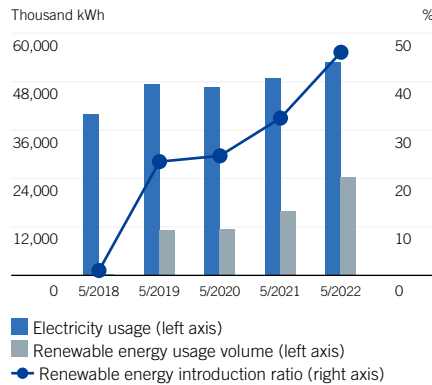
Number / Ratio of Green Products Non-consolidated



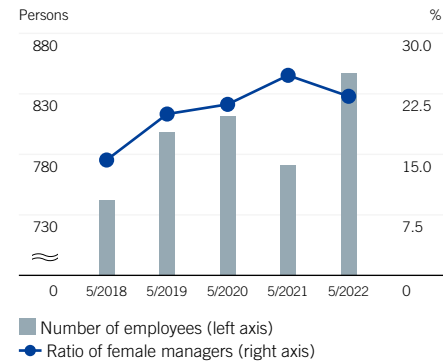
Number of Forest-Certified (FSC / PEFC) Products Non-consolidated



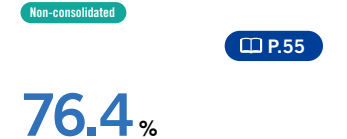
Electricity Usage / Renewable Energy Usage Volume and Introduction Ratio Consolidated



Number of Employees / Ratio of Female Managers Non-consolidated



Ratio of Employees Taking Paid Leave Non-consolidated



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Consolidated 11-Year Summary

Fiscal years ended / As of May 20

Unit: Millions of yen (except as otherwise noted)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Consolidated Financial Indicators											
Net sales	212,932	226,610	253,408	276,759	315,024	335,914	360,445	387,470	400,376	422,151	428,517
Gross profit	47,490	50,613	55,701	60,814	70,328	76,755	85,515	91,606	95,683	104,378	105,072
Selling, general and administrative expenses	40,873	43,733	51,425	53,965	61,810	67,890	81,323	87,085	86,862	90,455	90,763
Operating profit	6,617	6,880	4,276	6,849	8,517	8,865	4,192	4,520	8,821	13,923	14,309
Ordinary profit	6,504	7,241	4,449	6,959	8,574	8,866	3,940	4,418	8,656	13,850	14,270
Profit attributable to owners of parent	2,301	5,812	2,165	4,032	5,255	1,014	4,693	434	5,652	7,758	9,206
EBITDA	10,277	10,174	8,858	11,408	12,953	13,927	10,143	10,952	14,722	20,418	20,869
Capital expenditures	2,621	3,620	24,467	4,528	10,528	4,555	20,478	6,042	5,486	10,428	10,484
Depreciation	780	662	1,728	1,892	2,168	2,469	2,949	3,590	3,017	3,160	3,292
Amortization of software	2,262	2,012	2,211	1,979	1,473	1,668	1,774	1,882	2,373	2,755	2,538
Interest-bearing debt	6,124	3,981	7,400	7,074	14,719	23,426	34,703	32,101	29,704	28,407	25,201
Net assets	51,698	56,935	58,073	60,945	51,242	46,231	49,344	48,631	52,825	59,203	57,271
Total assets	109,011	110,151	119,976	132,667	139,552	155,678	173,713	169,112	174,146	190,107	188,024
Operating cash flows	9,720	3,871	11,534	12,227	13,831	16,227	10,150	6,215	16,609	15,998	17,952
Investing cash flows	(2,366)	(3,873)	(20,785)	(8,293)	(11,663)	(5,217)	(1,588)	(5,962)	(6,055)	(9,079)	(10,748)
Financing cash flows	29,045	(3,910)	(1,453)	(2,001)	(10,606)	7,241	6,553	(4,950)	(4,761)	(3,919)	(14,674)
Sales growth rate (%)	108.0	106.4	111.8	109.2	113.8	106.6	107.3	107.5	103.3	105.4	101.5
Gross profit margin ratio (%)	22.3	22.3	22.0	22.0	22.3	22.8	23.7	23.6	23.9	24.7	24.5
Operating profit margin (%)	3.1	3.0	1.7	2.5	2.7	2.6	1.2	1.2	2.2	3.3	3.3
Capital adequacy ratio (%)	46.7	51.0	48.0	45.8	36.6	29.6	28.3	28.6	30.1	30.9	30.2
Cash conversion cycle (CCC) (days)	(27.5)	(25.6)	(23.4)	(23.3)	(23.0)	(26.3)	(28.6)	(25.4)	(23.8)	(25.4)	(26.6)
ROE (%)	6.8	10.9	3.8	6.8	9.4	2.1	9.9	0.9	11.2	14.0	15.9
Total asset turnover ratio (times)	2.35	2.07	2.20	2.19	2.31	2.28	2.19	2.26	2.33	2.32	2.27
Per-Share Information (¥)											
Basic earnings per share (EPS)	74.01	107.50	39.75	73.29	100.50	19.75	92.15	8.52	110.78	75.83	90.83
Net assets per share (BPS)	942.40	1,038.04	1,049.66	1,101.12	984.64	905.01	964.46	948.44	1,027.37	573.57	582.43
Dividends per share	30	30	30	30	33	36	36	36	38	49	31
Non-Consolidated Business Performance Indicators											
B-to-B Business											
Net sales (billions of yen)	212.9	224.5	241.2	255.1	278.5	291.9	302.6	315.8	329.0	345.1	348.0
Operating profit (billions of yen)	6.6	8.2	9.3	10.7	13.3	14.0	13.5	14.2	15.4	20.1	17.0
Number of products handled (millions of items)	0.2	0.4	0.7	0.8	1.1	3.3	5.1	6.1	7.4	8.9	11.7
Number of products in stock (thousands of items)	40.6	53.1	63.0	61.5	66.1	75.5	75.8	82.1	89.0	96.6	129.8
Number of original products (thousands of items)	3.6	4.3	5.7	5.7	7.4	7.8	8.1	8.4	8.6	8.7	8.7
Ratio of original products to net sales (%)	14.1	15.7	17.6	18.9	19.8	20.6	35.1	36.4	34.2	34.1	35.4
LOHACO Business											
Net sales (billions of yen)	—	2.1	12.1	19.9	32.8	39.0	41.7	51.3	48.6	52.8	54.3
Operating loss (billions of yen)	—	(1.3)	(2.9)	(3.2)	(3.4)	(4.6)	(9.3)	(9.2)	(6.1)	(4.2)	(2.9)

Notes:

- The Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) as of the fiscal year ended May 20, 2022. As a result, the method for recording net sales and SG&A expenses has changed.
- Capital expenditures are recorded based on cash flows in each accounting period.
- Operating cash flows differ significantly based on whether there is a bank holiday at the beginning and/or end of the fiscal period.
- The calculation of CCC, ROE, and the total asset turnover ratio is based on the fiscal-year-end average of the account times of the balance sheet.

- ASKUL Corporation conducted a 2-for-1 stock split of common stock on May 21, 2021. "Basic earnings per share" and "Net assets per share" have been calculated on the assumption that said stock split was implemented at the beginning of the fiscal year ended May 20, 2021.
- Net sales and operating profit in the B-to-B business are listed based on consolidated results.
- The number of products handled, products in stock, and original products in the B-to-B business are as they were as of the end of the relevant fiscal year. The ratio of original products to net sales is based on the results of the relevant fiscal year-end.
- Since the second quarter of the fiscal year ended May 20, 2018, original copy paper has been included in the calculation of the ratio of original products to net sales.

Consolidated Financial Statements (Abridged)

Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (May 20, 2021)	Fiscal year under review (May 20, 2022)
Assets		
Current assets	143,291	136,964
Non-current assets	46,815	51,059
Property, plant and equipment	24,966	24,285
Intangible assets	11,036	15,455
Investments and other assets	10,812	11,319
Total assets	190,107	188,024
Liabilities		
Current liabilities	108,786	100,686
Non-current liabilities	22,117	30,066
Total liabilities	130,903	130,753
Net Assets		
Shareholders' equity	58,819	56,838
Accumulated other comprehensive income	(42)	(82)
Share acquisition rights	(5)	0
Non-controlling interests	431	514
Total net assets	59,203	57,271
Total liabilities and net assets	190,107	188,024

Consolidated Statements of Income

(Millions of yen)

	Previous fiscal year (May 20, 2021)	Fiscal year under review (May 20, 2022)
Net sales	422,151	428,517
Cost of sales	317,769	323,444
Gross profit	104,378	105,072
Selling, general and administrative expenses	90,455	90,763
Operating profit	13,923	14,309
Non-operating profit	348	319
Non-operating expenses	421	359
Ordinary profit	13,850	14,270
Extraordinary profit	8	230
Extraordinary losses	2,582	629
Profit before income taxes	11,277	13,871
Profit	7,756	9,295
Profit attributable to owners of parent	7,758	9,206

Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (May 20, 2021)	Fiscal year under review (May 20, 2022)
Cash flows from operating activities	15,998	17,952
Cash flows from investing activities	(9,079)	(10,748)
Cash flows from financing activities	(3,919)	(14,674)
Cash and cash equivalents at beginning of period	63,260	66,259
Cash and cash equivalents at end of period	66,259	58,789

List of Material Issues (Important Issues) and KPIs

	Goal	Action plan / KPI	Target year attainment	Results of initiatives (as of May 20, 2022)	Fiscal year ending May 20, 2023 initiatives / Target	
Digital transformation	1 Create the Best Customer Experiences	Refine and evolve existing services	Customer retention rate: 2 pts. improvement Note: Compared with fiscal year ended May 20, 2021	2030	<ul style="list-style-type: none"> Enhanced one-to-one information provision to customers Implementation of measures to improve searchability 	<ul style="list-style-type: none"> Strengthening of the site's one-to-one orientation Consideration of optimization of delivery services
			Improved primary resolution rate of inquiries from 85% to 90% Note: Compared with fiscal year ended May 20, 2021	2025	One-time resolution rate: 87.2%	Rate of inquiries being resolved with the first response: 88%
		New service offerings and customer experience evolution	Evolution of easy and convenient purchasing function through technology	Plan preparation in progress	Consideration of new measures such as automated delivery	<ul style="list-style-type: none"> Continuation of surveys and assessment of effectiveness Discussions with suppliers
	2 Build Innovative Value Chains	Evolution of the entire value chain	Realization of a mechanism for zero product shortages caused by ASKUL	2030	Development of methods for collecting data related to missing goods	Consideration of countermeasures based on collected data
			Improved delivery quality and achievement of zero delivery delays	2025	<ul style="list-style-type: none"> Flexible and variable fleet structure Late delivery alert function implemented in driver terminals 	Distribution of delivery loads by coordinating information, visualization of delivery status at all sales offices, and thorough raising of awareness of quality
		Evolution of product information	Establishment of an open product-information-sharing platform that transcends stakeholder boundaries	2030	Product data maintenance under consideration	Commencement of data linkage project with some suppliers
Co-Creation	3 Create New Value through Products and Services	Environment-friendliness of original products	Establishment of environmental standards and negative lists for original products	2023	<ul style="list-style-type: none"> Establishment of Environmental Standards for Original Products Negative list (hazardous substances, etc.) formulated and utilized 	<ul style="list-style-type: none"> Announced the Environmental Standards for Original Products Implemented product development in accordance with the Environmental Standards for Original Products
		Solving of social issues through new services	Realization of a sales platform for products scheduled for disposal by manufacturers: achieved a cumulative reduction in product disposal of one million units	2025	Reduction in number of items disposed: Approx. 318,000	Reduction in disposal: Approx. 333,000 items / year
			Support for "vulnerable shoppers": study of support contents (establishment of local commerce services, etc., to cope with depopulation in rural areas)	2025	Information being collected and reviewed regarding needs	Progress with service design and study
	4 Realize a Resource-Recycling Platform	Realization and implementation of resource-recycling service	Establishment and start of resource-recycling service	2025	Review and coordination of collection schemes and contractors	<ul style="list-style-type: none"> Collection test conducted Consideration of recycling / reuse customers
		Zero Waste Challenge	Achieve zero product waste	2030	Visualization of discarded products and reasons, data sharing	Planning
			Achieved total recycling of packaging materials	2030	Palletizing of recycled packaging film (Kanto site)	Consideration of expansion to Kansai site

List of Material Issues (Important Issues) and KPIs

	Goal	Action plan / KPI	Target year attainment	Results of initiatives (as of May 20, 2022)	Fiscal year ending May 20, 2023 initiatives / Target	
Environment	5 Take On the Challenge of Realizing a Carbon-Neutral Society	Achievement of the 2030 Zero CO ₂ Challenge	2030	<ul style="list-style-type: none"> Scope 1 + Scope 2 discharge: 15,254 t-CO₂ (-32% vs. fiscal year ended May 20, 2018) Renewable energy progress: Approx. 65% 	<ul style="list-style-type: none"> Study and implementation of CO₂ reduction measures Promotion of RE100 and EV100 	
		ASKUL Group Zero CO ₂				
		Efforts to absorb CO ₂ through afforestation, etc.	Plan preparation in progress	Beginning of negotiations with some local authorities	Planning	
		Provide environment-friendly delivery methods to customers	Plan preparation in progress	System modifications to expand coverage of cargo consolidation	Planning	
	Reduction of CO ₂ throughout the supply chain	Achievement of Science Based Targets (12% reduction in Scope 3 CO ₂)	2030	Start of survey on CO ₂ emissions of original products	<ul style="list-style-type: none"> Continuation of surveys and effectiveness measurement studies Consultations with suppliers 	
		Completion of visualization of CO ₂ emissions produced by products and calculation of contribution to reduction	2025	Start of survey on CO ₂ emissions of original products	<ul style="list-style-type: none"> Visualization of CO₂ emissions of original products Consideration of expanding survey scope 	
6 Conserve Biodiversity	Expansion of range of certified products handled	Expansion of range of certified wood and paper products	Plan preparation in progress	—	Planning	
	Tackling of the problem of marine plastic pollution	Cooperation with local authorities in collecting marine ocean plastic	Plan preparation in progress	Donations made to Tsushima City (approx. ¥300,000)	Planning	
Supply Chain	7 Realize Sustainable Procurement	Supplier surveys and audits	Conducting of CSR surveys of suppliers	2025	Surveys conducted (approx. 1,100 companies covered, response rate of approx. 80%)	Publication of results of individual hearings and responses
			Implementation of audits at original product contract manufacturing plants	2025	Determination of the subject of the initial audit	Conducting of initial audit and development of subsequent audit plans
		Non-supplier business partner surveys	Conducting of ASKUL confidence surveys of all business partners	2025	—	Study of the outline of implementation (content, target group, etc.)
	8 Fulfill Responsibility as a Lifeline	Expansion of range and stable supply of "lifeline products"	Establishment of a stable supply system for "lifeline products"	2030	Analysis of customer surveys, data on orders received during past disasters, etc.	<ul style="list-style-type: none"> Determination of eligible products Development of measures to deal with stock, sales, deliveries, etc.
		Building of resilient logistics networks	Distribution center layouts based on seismic isolation and redundancy	2030	Development of future distribution center plans, including seismic isolation	Planning
			Building of resilient supply chains that can respond immediately to demand fluctuations and contingencies	2030	<ul style="list-style-type: none"> Clarification of past BCP issues and response measures Formulation of contingency response decision-making criteria and study of systemization 	<ul style="list-style-type: none"> Seismic upgrading of existing sites and development of restoration plans Structuring and systematization of recovery operations
Platform-based disaster relief	Signing of disaster relief agreements with local authorities (conclusion with municipalities where all ASKUL distribution centers are located)	2025	Confirmation of current situation and systems	Implementation of checks with local authorities where distribution centers are located and formulation of final plans		

List of Material Issues (Important Issues) and KPIs

	Goal	Action plan / KPI	Target year attainment	Results of initiatives (as of May 20, 2022)	Fiscal year ending May 20, 2023 initiatives / Target	
Human Resources	9 Promote Diversity Where Individuals Can Demonstrate Their Abilities	Ratio of female managers	30.0% female manager ratio achieved	2025	22.2%	25.0%
		Employment of persons with disabilities	Compliance with and improvement of the employment rate of persons with disabilities	2030	Employment rate: 1.8% (5 persons short)	Achievement of the legal employment rate (2.3%)
		Senior system	Operation of the Second Career Challenge system	2025	Internal Secondary work system launched	Continued implementation
	10 Innovate through Personnel Who Proactively Take On New Challenges	Human resource development that encourages taking on of challenges and environmental improvements	Design and operation of internal award schemes	2023	System in development	Planning and implementation of award schemes based on Our Purpose and Our Values
		Recruitment and development of DX personnel	Development and implementation of Companywide development plans (including DX personnel development)	Plan preparation in progress	<ul style="list-style-type: none"> Preparation of education systems Various training courses, etc. 	Planning
		30 DX personnel recruited annually (new graduates and mid-career hires)	2030	Actual: 15 against a target of 20 (75% achieved)	Recruitment target: 20 mid-career hires, 10 new graduates	
Foundation	11 Realization of Highly Transparent Governance (Including Data Security)	Strengthening of Group governance	Zero cases of misconduct or serious legal violations (ongoing)	2030	<ul style="list-style-type: none"> Compliance training implemented: All employees (non-consolidated) Zero serious non-compliance cases 	<ul style="list-style-type: none"> Ongoing education and promotion of hotline use Zero serious non-compliance cases
		Ensuring of information security	Zero serious security incidents (ongoing)	2030	Zero major accidents	<ul style="list-style-type: none"> Achievement of zero major accidents Formulation of recurrence prevention measures and strengthening of education and awareness-raising
	12 Healthy Management That Allows Safe and Secure Work Both Physically and Mentally	Improved healthcare	Initiatives toward and promotion of health management	Plan preparation in progress	<ul style="list-style-type: none"> Drafting of a framework for the direction to be taken Priority study of measures based on health checkup data, etc. 	<ul style="list-style-type: none"> Review of industrial physician system and development of data infrastructure Analysis of current situation and planning of measures
		Strengthening of engagement	Improved employee satisfaction and engagement	Plan preparation in progress	—	<ul style="list-style-type: none"> Planning Implementation of talent management system
	13 Maintain and Improve a Sound Financial Structure	Improvement of profitability	Achievement of the Medium-Term Management Plan Net sales of ¥550.0 billion, operating profit margin of 5.0%, and ROE of 20.0%	2025	Net sales of ¥428.5 billion, operating profit margin of 3.3%, and ROE of 15.9%	Net sales of ¥455.5 billion and operating profit margin of 3.2%; ROE undetermined
		Financial base	Building of a strong financial base to support the Medium-Term Management Plan CCC (cash conversion cycle) –20 days	2025	About –26.2 days	–20 days in fiscal year ending May 20, 2025

Glossary

Business	ASKUL Agent	In the Company's B-to-B business, "ASKUL Agent" refers to a designated distributor determined by each customer. ASKUL Agents are responsible for acquiring and maintaining customers and collecting receivables. As of May 20, 2022, the Company had over 1,100 ASKUL Agents in operation across Japan.
Business	Ethical e-commerce	A type of sustainable e-commerce that the Company aims to realize. Ethical e-commerce considers environmental conservation and the resolution of social issues and aims to help facilitate sustainable behavior among customers simply through the use of ASKUL's services.
Business	SKU item number	Stands for stock keeping unit. SKU is a unit of stock management used when orders are received or when inventory management is conducted. In ASKUL's case, SKU is used as a unit of sale. Utilized in combination with item volumes (type of product), SKU is an important unit of measurement for distinguishing between, for example, products of the same type that have differing numbers contained in their respective unit.
Business	MRO	Stands for maintenance, repair, and operations. MRO refers to equipment, tools, repair materials, and other consumables used in the frontline operations of factories, construction sites, and other locations. MRO has traditionally referred to materials that serve as secondary materials (indirect materials), which are different from raw materials (direct materials) needed for the production process.
Business	Supplier	"Supplier" refers to the companies and organizations from which the Company purchases products. ASKUL purchases products directly from manufacturers and also purchases products indirectly through general trading companies and wholesalers. As of May 20, 2022, ASKUL had been procuring products from approximately 1,200 suppliers.
Business	Supplier direct delivery (product)	"Supplier direct delivery" refers to a service where products (referred to as "direct delivery products") are sent to the hands of customers directly from suppliers, without passing through the Company's warehouses. This term is similar to the term "cross dock products," which refers to products that pass through warehouses without being stored and are shipped to customers together with warehouse inventory.
Business	CB product	Stands for consumer brand product, a term coined by ASKUL. At the LOHACO EC Marketing Lab, ASKUL is developing and rolling out a large number of "consumer-oriented design products," which are products designed to enhance the quality of consumers' lives, in collaboration with manufacturers.
Business	B-to-B B-to-C	"B-to-B" stands for business to business and indicates transactions between companies. "B-to-C" represents business to consumer (customer) and refers to transactions between companies and consumers. B-to-B has served as the core business of the Company since its founding. In terms of B-to-C, the Company offers the LOHACO business.
Business	PB product Original product	ASKUL develops and sells a wide range of PB (private brand) products, including products developed based on customer feedback; products developed in collaboration with manufacturers that give consideration to the environment, design, and quality; and products tailored to mail-order and e-commerce sales that do not need to stand out to consumers at storefronts. Notes: 1. The opposite of PB is national brand (NB). 2. "Original product" includes such products as PB products, products jointly developed with manufacturers, and limited-time-only products.

Logistics	Oricon	<i>Oricon</i> , which means "foldable container," are used when products need to be transported using a conveyor belt. The Company's ECO-TURN shipping method makes use of <i>Oricon</i> .
Logistics	Supply chain Value chain	The supply chain is the entire physical sequence through which a product travels from the area of production to the hands of customers. The value chain represents the sequence of value brought about by a product. "Upstream" refers to processes in the sequence that are closer to the raw material stage, and "downstream" refers to those that are closer to the consumer stage.
Logistics	Automated storage	ASRS is a massive system that automatically stores, on shelves, packages that have been transported via conveyor belts. ASKUL has installed and operates ASRSs at all of its distribution centers. ASRS stands for automated storage and retrieval system. P.26
Logistics	3PL	Stands for third-party logistics. This term refers to a type of business that takes on logistics design and proposal work in a comprehensive manner, as a third party in place of the shipping company.
Logistics	Carrier	"Carrier" refers to a delivery company. Specifically, it is a company that owns trucks and other modes of transportation and has personnel who carry out the transportation business on its own.
Logistics	Pallet	"Pallet" refers to a flat transport structure used to transport and unload products and move and store products within a warehouse. Multiple pallets are often stacked on top of each other and moved with equipment such as forklifts and hand lifts. Transportation and shipping methods that make use of pallets are often referred to as "pallet method" and "palletization."
Logistics	Picking	"Picking" is a type of work performed within a warehouse. Picking involves picking out products from a fulfillment center in accordance with customer orders. Picking is used in such terms as "digital picking," a system that uses digital displays to support picking work, and "total picking," a method where multiple shipping orders are listed together and then sorted by item.
Logistics	Last mile	"Last mile" refers to the last leg of the journey that involves moving goods from the transportation hub to the customer. Enhancing the quality of service while reducing costs in the last mile, which serves as an important contact point with customers, are becoming important strategic elements for EC business operators, including ASKUL.
Logistics	Long-tail product (opposite of head product)	Compared with "head products," which are general-purpose products that are ordered at a high frequency, long-tail products are specialized products that are ordered at a low frequency. Long-tail products are multi-type products that are sold in low volumes. The term "long tail" comes from the long tail of an XY graph.


External Evaluations

2022
FTSE Blossom Japan Sector Relative Index
Selected as a constituent of the FTSE Blossom Japan Sector Relative Index




FTSE Blossom Japan Sector Relative Index

2018
Selected as a constituent of the S&P/JPX Carbon Efficient Index




**S&P/JPX
カーボン
エフィシエント
指数**

2018
Recognized as an Eco-First Company by Japan's Ministry of the Environment




ECO 1 FIRST

2019-2021
Named on the CDP's climate change A List (highest rating) for three consecutive years




**CDP
DISCLOSURE LEADER ACTION
A LIST
2021
CLIMATE**

2018
Received approval from the international Science Based Targets initiative (SBTi)




**SCIENCE
BASED
TARGETS**
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

2022
Selected as CDP Supplier Engagement Leader




**CDP
SUPPLIER
ENGAGEMENT
LEADER
2021**

2016
Obtained the Tomonin mark from the Ministry of Health, Labour and Welfare (The "Tomonin" mark, created by the Ministry of Health, Labour and Welfare, can be used by companies that strive to ensure workplace environments enable employees to balance work and nursing care)




仕事と介護の両立支援

2019
Registered by the Tokyo Metropolitan Government as a "company promoting a good balance between family and work"




**家族と仕事の両立を
推進しています**

2017
Obtained Ministry of Health, Labour and Welfare of Japan's Kurumin mark (stage 1 certification)




くろみん

2017
Received the highest three-star rating in the certification system known as Eruboshi, based on the Act on Promotion of Women's Participation and Advancement in the Workplace




女性が活躍しています

2021
Certified by the Ministry of Economy, Trade and Industry as a DX Certified Operator



DX認定

Received the Best IT Award (Transformation Area) at the 2021 IT Awards of the Japan Institute of Information Technology



IT賞
Japan Institute of Information Technology
Information Technology Award

Selected by the Securities Analysts Association of Japan for the Award for Excellence in Corporate Disclosure (FY2021)
Second place in the retail sector as a "company with significant improvement in disclosure"

Selected by Japan's Ministry of Economy, Trade and Industry as one of the Noteworthy DX Companies 2022 within the Digital Transformation Stock (DX Stock) of the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange



**DX注目企業2022
Digital Transformation**


External Endorsement and Participation

2019
First Japanese EC operator to express support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)



TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

2014
Participation in the Japan Climate Leaders' Partnership (Japan-CLP)




JCLP

2017
Declaration to achieve 100% renewable energy use across the Group by 2030, and participation in RE100




**RE100
CLIMATE GROUP**

2017
Declaration that 100% of owned/leased delivery vehicles ASKUL LOGIST will be EVs by 2030 and joins participation in EV100



**CLIMATE GROUP
EV100**

2018
Endorsement as one of the member companies of the Japan Climate Initiative's (JCI) greenhouse gas emission reduction target message for 2030




**JAPAN
CLIMATE
INITIATIVE**

2009
Participation in the Japan Business Initiative for Biodiversity (JBIB)




JBIB
企業と生物多様性イニシアティブ

2016
Participation in the United Nations Global Compact (UNGC)




**WE SUPPORT
UN GLOBAL COMPACT**

2016
Participation in the meeting of supporters of the Declaration of Action of the Male Leaders Coalition for Empowerment of Women of the Cabinet Office




行動宣言
働く女性の活躍を加速する
男性リーダーの会

2021
Participation in 30% Club Japan



**30% Club
GROWTH THROUGH DIVERSITY**

2019
Declaration of support and voluntary action for the White Logistics* promotion campaign



**「ホワイト物流」
推進運動**

2021
Endorsement of Consumer Affairs Agency's consumer-oriented management and formulation of Voluntary Declaration of Consumer Orientation (July 2021)



**消費者
志向経営**

* White Logistics is an initiative that seeks to ensure stable logistics operations needed for daily life and industrial activities while also contributing to economic growth.

Group Network

All ASKUL Group companies strives to increase their value while complementing the Group as a whole by performing functions such as strengthening the customer base, expanding the range of commercial products, and operating logistics infrastructure.

			B-to-B Business	B-to-C Business	Logistics Business	Other Business
	ASKUL LOGIST Corporation http://www.askulogist.co.jp/ (Japanese only)	<ul style="list-style-type: none"> • Distribution center warehouse operations, as well as small-lot delivery operations • Providing state-of-the-art and best-in-class logistics and delivery services Toyosu, Koto-Ward, Tokyo Hideo Amanuma, President and Representative Director	●	●	●	
	BUSINESSMART CORPORATION http://www.businessmart.co.jp/ (Japanese only)	<ul style="list-style-type: none"> • ASKUL Agent • Pursuing an innovative agent model Toyosu, Koto-Ward, Tokyo Norio Tanabe, President and Representative Director	●			
	SOLOEL Corporation http://www.soloel.com/ (Japanese only)	<ul style="list-style-type: none"> • Sales representative of SOLOEL Enterprise • Promoting the introduction of purchasing solutions for large companies Shinjuku, Shinjuku-Ward, Tokyo Katsuhiro Kawamura, President and Representative Director	●			
	AlphaPurchase Co., Ltd. https://www.alphapurchase.co.jp/ (Japanese only)	<ul style="list-style-type: none"> • Sale of MRO products and facility management • Pursuing synergies through expansion of factory-based commercial products Mita, Minato-Ward, Tokyo Masayuki Tada, President and CEO	●			
	TSUMAGOI MEISUI CORPORATION http://www.tsumagoi-meisui.com/ (Japanese only)	<ul style="list-style-type: none"> • Production and sale of natural mineral water • Development and production of drinking water suitable for e-commerce Tsumagoi Village, Agatsuma-gun, Gunma Prefecture Minoru Toyota, President and Representative Director	●	●		●
	charm Co., Ltd. https://www.charm.co.jp/ (Japanese only)	<ul style="list-style-type: none"> • Mail-order sales of pet supplies and living organisms • Pursuing synergies between e-commerce for pet products and daily necessities Ora Town, Ora District, Gunma Prefecture Tsutomu Imai, Representative Director		●		

Corporate / Stock Information (as of May 20, 2022)

Corporate Information

Company name	ASKUL Corporation https://www.askul.co.jp/kaisya/english/
Established	March 1993 (Founded by PLUS Corporation, which transferred the ASKUL business to a dormant company established in 1963)
Capital	¥21,189 million
Representative director	Akira Yoshioka
Location of head office	Toyosu Cubic Garden, 3-2-3 Toyosu, Koto Ward, Tokyo 135-0061 TEL: (+81) 03-4330-5001 (representative)
Employees	3,380 employees (consolidated basis)
Fiscal year-end	May 20

Stock Information

Stock exchange	Listed on Tokyo Stock Exchange, Prime Market
Securities code	2678
Total number of shares authorized	169,440,000
Total number of shares issued	97,518,800 Note: The total number of shares issued includes 71,871 treasury shares.
Number of shareholders	37,543
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited
Number of shares per unit	100 shares
Annual General Meeting of Shareholders	August of each year
Industry	Retail
Analyst coverage	12 analysts https://www.askul.co.jp/kaisya/english/ir/stock/analyst.html

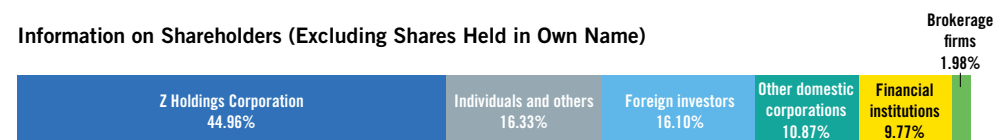
Major Shareholders

Shareholder name	Number of shares held (thousands of shares)	Shareholding ratio (%)
Z Holdings Corporation	43,808	44.96
PLUS Corporation	10,331	10.60
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,616	5.76
Shoichiro Iwata	1,874	1.92
Custody Bank of Japan, Ltd. (Trust Account)	1,871	1.92
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,871	1.92
Hidehisa Imaizumi	1,592	1.63
Tadahisa Imaizumi	1,580	1.62
SMBC Nikko Securities Inc.	1,572	1.61
Sohei Imaizumi	996	1.02

Notes:

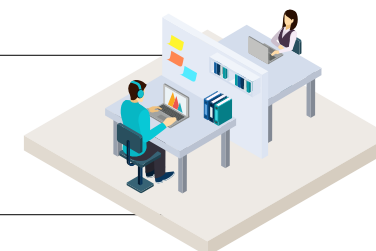
- The number of shares held is rounded down to the nearest thousand shares, and shareholding ratios are rounded to the first decimal place.
- Shareholding ratios are calculated excluding treasury shares.
- The number of shares held by The Master Trust Bank of Japan, Ltd. (Trust Account), includes 5,578,000 shares related to trust operations.
- The number of shares held by Custody Bank of Japan, Ltd. (Trust Account), includes 1,855,000 shares related to trust operations.

Information on Shareholders (Excluding Shares Held in Own Name)



Inquiries about the integrated report:

- Corporate Unit, Corporate Communications
- IR Division: ir@askul.com
- PR Division: press@askul.co.jp
- Sustainability Division: SDGs@askul.com



ASKUL