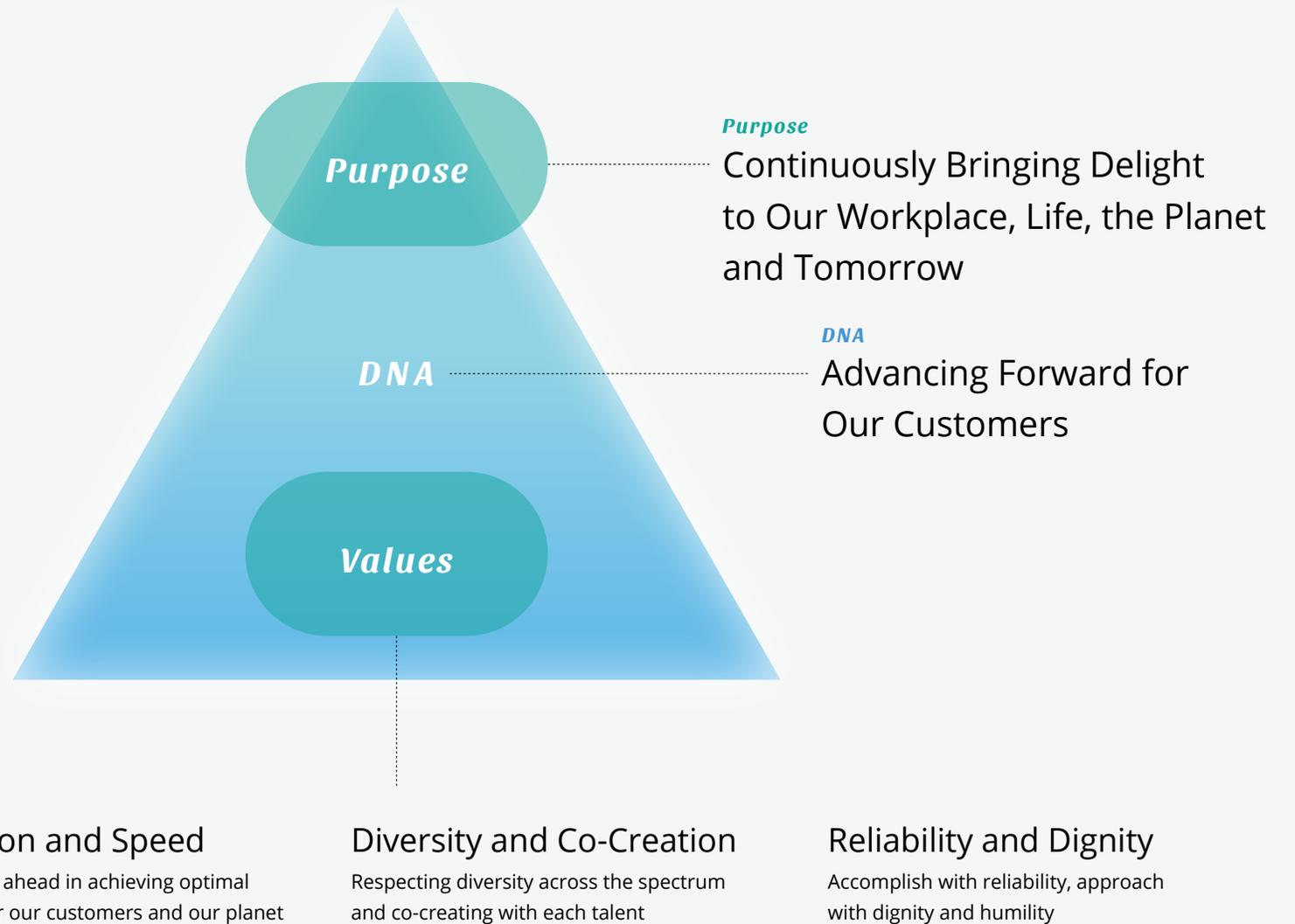


ASKUL WAY

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

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

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





Akira Yoshioka

Representative Director,
President and CEO,
ASKUL Corporation

CEO Message

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

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

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

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

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

CEO Message

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

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

Starting with Our Ideal Future and Working Backwards

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

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

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

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

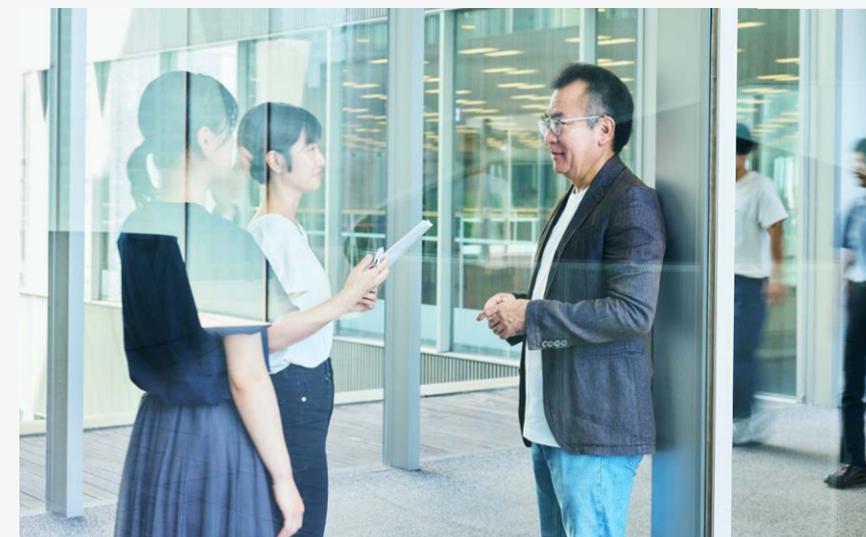
As one initiative to ensure that my messages reach all of our employees, I have been holding CEO town hall meetings, in which I engage in dialogue with five to six employees at a time. The meetings have been held twice a week for a cumulative total of more than 140 times since January 2022. When talking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

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

Unlearning Knowledge and Skills from Previous Successes for Further Growth

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

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



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

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

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

CEO Message

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

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

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

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

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

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

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

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

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

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

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

Focusing on Succession Planning

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

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



CEO Message

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

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

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

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

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

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

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

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

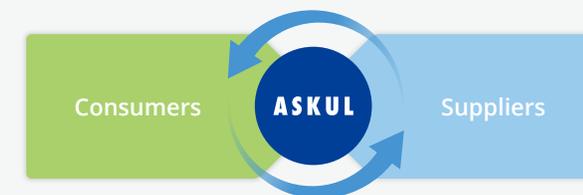
At the same time, when increasing the percentage of women in managerial positions, we must not appoint unsuitable personnel simply for the sake of making up the numbers. I believe that one way to appropriately increase the percentage of female managers is to ensure a firmly gender-balanced structure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

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

The Direction of ASKUL's Advancement

Becoming a Hub for Open Innovation

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



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

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

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

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

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

CEO Message

services that combine both economic and social value.

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

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

[P.28-31](#) Movement

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

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

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

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

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

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

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

Building a Co-Creative Ecosystem for SMEs

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

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

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

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

January 2024

Akira Yoshioka
President and CEO, ASKUL Corporation

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Editorial Policy

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

▶ Reporting Period

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

▶ Referenced Guidelines

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

▶ Date of Publication

January 2024

▶ Production Structure and Process

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

Production Process

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

Management Involvement and Approval Procedures

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

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

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

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

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

▶ Structure



Disclosure Framework



About the Cover Image

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



Other Affiliated Companies Listed in This Report

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

Note Regarding Forward-Looking Statements

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

Detailed Information on Financial Results

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

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

Section 01

What Is ASKUL?

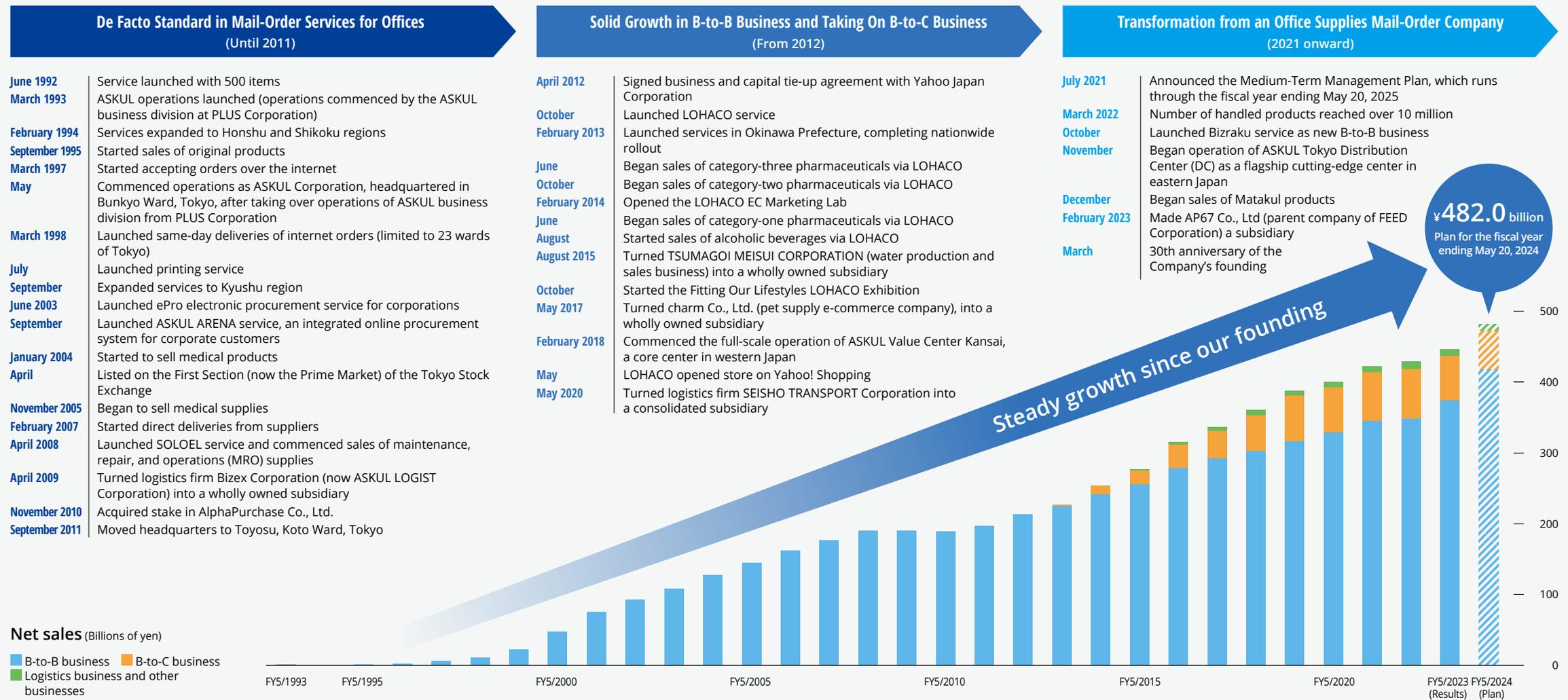
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History of Taking On Challenges and Evolution

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

ASKUL, which began as a total office support service provider that quickly and precisely delivered the products and services needed by offices, celebrated the 30th anniversary of its founding in March 2023. 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 office 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.

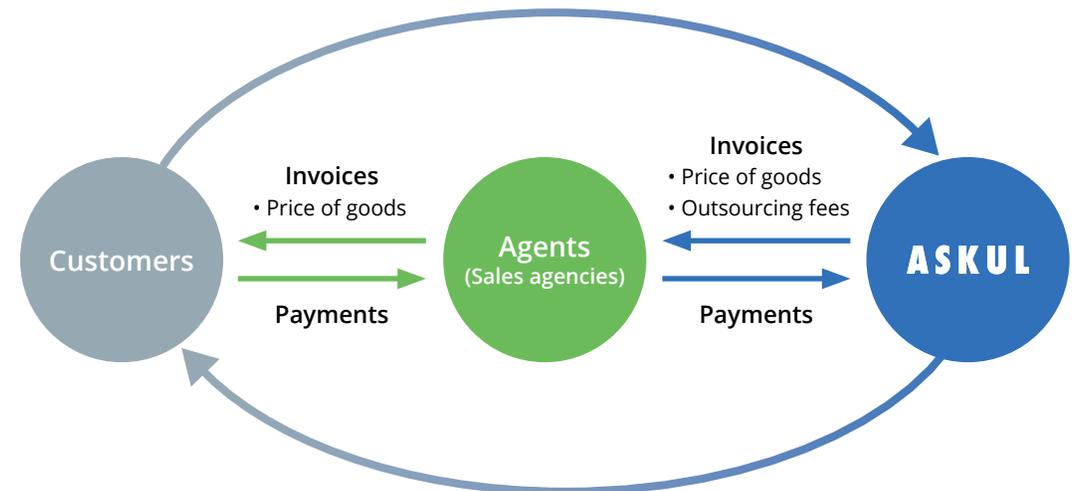
Traditional Distribution Structure



ASKUL Model



Order placing and inquiries



Delivery of products, publication of product catalogs, acting as an agent for the issuance of invoices, etc.

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. As equal partners, both companies began to collaborate, 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 2019, ASKUL declared it would become profitable in the fiscal year ending May 20, 2023, through reforms to its cost structure. While working to expand its original products, the Company broadened its sales channels by leveraging synergies with Z Holdings Corporation to open the LOHACO store on Yahoo! Shopping. As a result of reducing 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, the Company turned a profit in the fiscal year ended May 20, 2023 and is moving forward with store integration and other new initiatives on a new start toward re-growth.



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 enterprises. Through these websites, customers can shop from a selection of more than 12.47 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; FEED Corporation, which operates a mail-order service for the dental industry; SOLOEL Corporation, which provides purchase solutions for large companies; and BUSINESSSMART CORPORATION, which carries out the ASKUL agent business.

Consolidated net sales
¥373.8 billion

Consolidated operating profit
¥14.7 billion

ASKUL 正規取扱販売店
ビジネススマート株式会社
BUSINESSSMART CORPORATION

FEED フィード株式会社

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 (integration of the LOHACO Main Store and the LOHACO Yahoo! Store to operate as one store via Yahoo! Shopping in October 2023) enables customers to shop for 1.06 million products (as of May 2023) 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 LY 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
¥63.2 billion

Consolidated operating profit
¥3.0 billion

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
¥8.7 billion

Consolidated operating loss
-¥3.0 billion

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
¥8.0 billion

Consolidated operating profit
¥0.0 billion

Net Sales Ratios

B-to-B Business 83.7%

B-to-C Business 14.2%

E-Commerce Business 97.9%

Logistics Business 1.9%
Other Businesses 0.2%

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 5.2 million*, as businesses of all sizes and from all sectors leverage our services. The total number of LOHACO customers is roughly 11.0 million*, and we aim to increase the number of LOHACO fans.

* As of the end of May 2023



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.

- Logistics base that enables same-day and next-day deliveries across Japan
- Highly automated logistics facilities
- 100% Group-operated warehouses



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.

- Total purchase amounts: Over ¥4.5 trillion
- Total number of orders: Over 740 million
- Annual page views: Over 2.13 billion

Note: Big data on purchases in the B-to-B business and LOHACO business has been accumulated from May 21, 2006, to May 20, 2023.

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 to long term.

Note: Figures are for the fiscal year ended May 20, 2023 or as of May 20, 2023, aside from those with an explanatory note.



Financial Capital Consolidated

Strong ability to generate cash flows

Total asset turnover **2.15** times
CCC*1 **27.4** days

*1 Cash conversion cycle

Shareholder composition for creating business synergies

Z Holdings Corporation's shareholding percentage **44.95%**

Total assets

¥227.5 billion

Net assets

¥66.8 billion



Manufactured and Sales Capital Consolidated

Distribution centers

10 centers*2

*2 100% Group-operated locations

Investment in plant, property and equipment

¥32.3 billion*3

*3 Total over past five years (fiscal year ended May 20, 2019–fiscal year ended May 20, 2023)

Software investment

¥25.7 billion*3



Human Capital

Ratio of mid-career hires

Non-consolidated

73.6%

No. of employees

Consolidated

3,574

System engineers

Non-consolidated

180

Ratio of women in management

Non-consolidated

23.0%

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

1,254 companies

Sales agents (sales agencies)

1,154 companies

LOHACO EC Marketing Lab participants

114 companies

Customer base

Registered customer IDs (B-to-B business)

Over **5.2** million

No. of buying customers (B-to-C business)

11.0 million*5

Customer feedback (B-to-B business and B-to-C business)

1.73 million opinions per year

*5 Total cumulative number of customers since LOHACO services launched (October 2012–August 2023)

Product planning and development capabilities

Original products

14,139 items
(32.3% of sales)

Networks with designers in Japan and overseas

27 units

Popular service brands

ASKUL recognition ratio **80.8%***6

E-commerce logistics know-how

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

*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 2023 survey, provided by Macromill, Inc.



Natural Capital Consolidated

Electricity used

53,972,000 kWh, including **34,186,000** kWh of renewable energy (63.3%)

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Value Creation Process

Changes in business environment surrounding ASKUL

- Falling birthrate 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

- Financial capital
- Manufactured and sales capital
- Co-creation capital (social capital) and intellectual capital
- Human capital
- Natural capital

Business Activities

Business model

Foundation

- Realization of highly transparent governance (including data security)
- Healthy management that allows safe and secure work both physically and mentally
- Maintain and improve a sound financial structure

Promotion of sustainability management

Output

- B-to-B business
- B-to-C business
- Logistics business
- Other businesses

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

Accomplishments / direction

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

Value Proposition

Value created from material issues (important issues) P.52

- 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

DNA Advancing Forward for Our Customers

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

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%**

ASKUL's Organizational Structure (New Executive Officer Structure)

In March 2023, the existing ASKUL Business Unit and the LOHACO Business Unit were merged to form the newly established EC Business Unit with the aim of optimizing the allocation of resources to the EC business and maximizing synergies between the two businesses. In addition, we have established the new EC Product Unit to consolidate the front-office IT functions of each business division to build a flexible project support system and augment the development of IT personnel. We have also changed the executive officer of the Human Relations & General Affairs Unit to a full-time position from a concurrent position to put greater focus on human capital management.

Units marked "★" are under the jurisdiction of the COO.

- *1 Chief operating officer
- *2 Chief technology officer
- *3 Chief digital transformation officer
- *4 Chief financial officer
- *5 Chief security officer
- *6 Chief human relations & healthcare officer



→ P.44

EC Business Unit ★

Saori Onsen
Executive Officer
Ms. Onsen joined ASKUL in 2002. She has been engaged in the formulation, planning, development and implementation of website strategy in the ASKUL Business Unit and the promotion ASKUL's large-scale website renewal. Since 2022, she has overseen the ASKUL Business Unit as executive officer, and in March 2023, she was appointed executive officer of the EC Division, which encompasses both the B-to-B and B-to-C businesses.



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ASKUL Sales Unit ★

Katsuhiko Kawamura
Director, COO*1, Executive Officer
Mr. Kawamura joined ASKUL in 2001 after working as a construction consultant and in the retail industry. He became an executive officer in 2012, serving as executive officer of the B-to-B Business Planning Unit, Corporate Planning Unit, and Logistics Division, and as director of ASKUL LOGIST Corporation. After overseeing the B-to-C business, he was appointed and currently serves as director, COO, and executive officer of the Sales Division of the Company in 2022, and president and representative director of SOLOEL Corporation.



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Merchandising Unit ★

Mizuki Takehisa
Executive Officer
Ms. Takehisa joined ASKUL in 2001 as its first new graduate hire. She worked as a merchandiser in the Stationery Division and OAPC Division and was involved in the development of many of the Company's original mainstay products. She has also been active in developing services, such as the launch of an automated delivery service for copy paper, which is a frequently ordered item. Since 2022, she has overseen the Merchandising Unit as executive officer.



→ P.45

Logistics Unit ★

Takeshi Narimatsu
Executive Officer
Mr. Narimatsu joined ASKUL in 2007 and was engaged in customer relationship management, promotion, and new service planning before participating in the launch of LOHACO. In 2022, he assumed the position of executive officer in charge of the LOHACO Business Unit and promoted B-to-B data utilization as the director of EC marketing. In March 2023, he was appointed executive officer of the Logistics Unit.



→ P.44

EC Product Unit ★

Shinichi Hokari
Director, CTO*2, Executive Officer
Mr. Hokari joined Yahoo Japan Corporation in 2003, where he was engaged in business and infrastructure development for Yahoo! Shopping and served as general manager of the company's Production and Marketing units. In 2019, he was appointed representative director of Netrust, Ltd., and in 2022, he transferred to ASKUL, where he became a director the same year. He has served in his current position since March 2023.



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Technology Unit ★

Kazuyuki Ikeda
CDXO*3, Executive Officer
After working for a major IT business company and a major distribution retailer, Mr. Ikeda joined ASKUL in 2003, where he was engaged in numerous projects in fields ranging from IT to logistics. His endeavors have included the establishment of core systems in the IT Division and a project to introduce logistics robots in the Logistics Division. In 2016, he was appointed executive officer of the Logistics Unit, and has served in his current position since 2022.



Customer Service Unit ★

Hideo Sakurai
Executive Officer
Mr. Sakurai transferred to ASKUL Corporation in 1997 after working in the ASKUL business division at PLUS Corporation and was appointed general manager of the Customer Solutions Department in 2006. From 2010 to 2012, he served concurrently as president and representative director of BUSINESSMART CORPORATION, and was appointed executive officer of the same company in 2011. Since 2012, he served as executive officer of the Agent Sales Tokyo Metropolitan Area Unit, executive officer of the Stationery Business Unit, and deputy executive officer of the Logistics Unit, before assuming his current position in March 2020.



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Corporate Unit

Tsuguhiro Tamai
Director, CFO*4, Executive Officer
After working in the construction industry, Mr. Tamai joined ASKUL in 2007 and was appointed executive officer of the Finance & Public Relations Office in 2012. He has served as director of AlphaPurchase Co., Ltd., TSUMAGOI MEISUI CORPORATION, and charm Co., Ltd., and assumed his current position of CFO of the Company in 2016. He has also served as executive officer of the Corporate Unit since 2018 and was appointed director in 2020, overseeing risk, accounting and finance, information disclosure, and management and quality KPIs (to present).



Legal & Security Unit

Hiroyuki Ueno
CSO*5, Executive Officer
Mr. Ueno joined ASKUL in 2006. After working in corporate planning and accounting, he was appointed general manager of the Corporate Planning Unit in 2014, and in 2015 became executive officer of the Print on Demand Business Unit. In 2017, he was appointed director of ASKUL LOGIST Corporation, and has served in his current position since 2020. From 2021 to 2023, he served concurrently as executive officer of the Human Relations & General Affairs Unit.

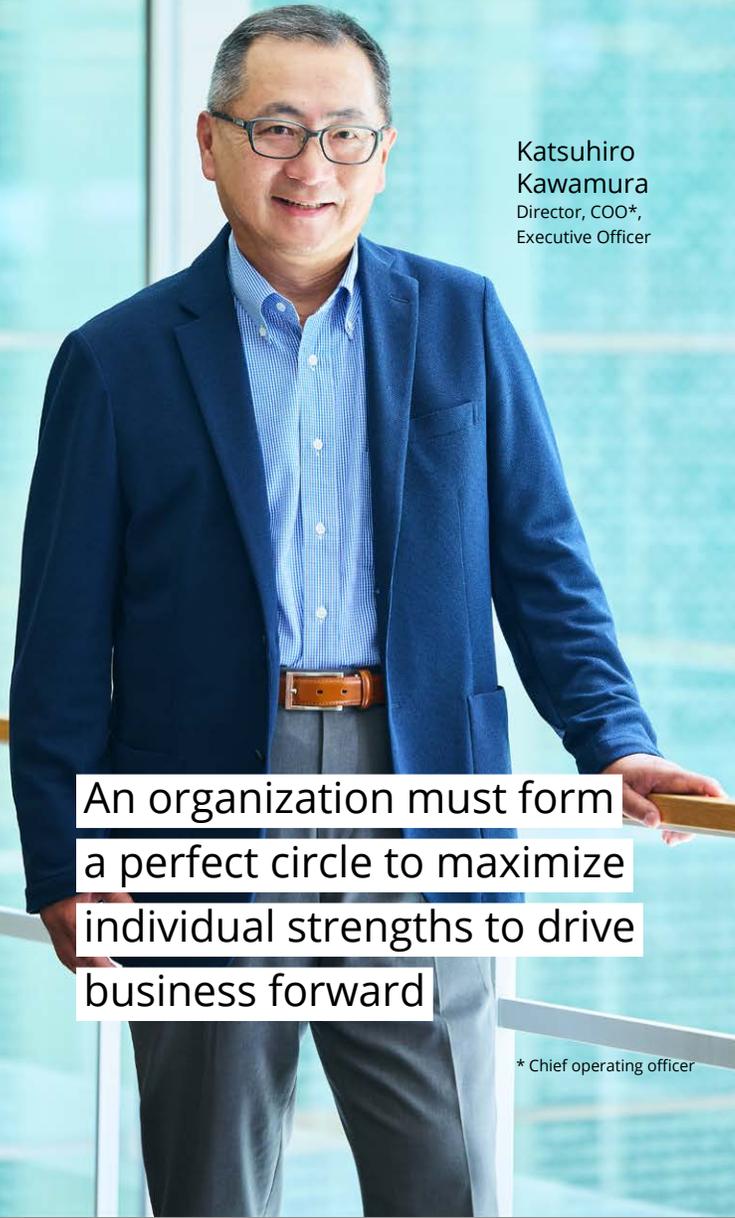


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Human Relations & General Affairs Unit

Tamami Ito
CHO*6, Executive Officer
Ms. Ito joined ASKUL in 2003 after her involvement in launching an office furniture mail-order business at a stationery manufacturer. After launching the furniture business and working in solution sales with the Company, she became the general manager of the Customer Service and Logistics divisions. In 2020, she became director of ASKUL LOGIST Corporation and in 2022 the executive officer of the Logistics Unit of the Company. She has served in her current position as CHO and executive officer since March 2023.

COO Message



Katsuhiro Kawamura
Director, COO*,
Executive Officer

An organization must form a perfect circle to maximize individual strengths to drive business forward

* Chief operating officer

A perfect circle is the strongest shape for an organization

I always envision a perfect circle as I manage the organization as COO. Being a former construction consultant, I often compare things to the design of structures. The circular shape of a tunnel offers the best resistance to forces (earth pressure) coming from multiple directions. The tunnel, when subjected to pressure on all sides, produces an arch effect and in turn a solid structure.

I believe that this idea also translates to operational structures in business. ASKUL's business is centered on e-commerce, and its business units are designed around each of its associated functions, such as products and logistics. In this regard, I picture all business units operating as one. There are currently seven business units that operate under the COO, and only when all of their functions are connected in a circular fashion can a robust business structure take shape. On the other hand, a weak point anywhere in the circle can cause a bottleneck and compromise its overall strength. I believe that my role as COO is to ascertain how best to maintain the circle's shape to drive business forward.

In addition, for ASKUL to achieve nonlinear growth through expansion in each of its business fields, effective utilization of its assets is the fast track to success. As outlined in our current Medium-Term Management Plan and medium- to long-term corporate aims, we have begun work on adding SaaS businesses such as B-to-B advertising businesses and Bizraku to our existing e-commerce business foundation.

Systems and data form the foundation for our evolution

Systems and data are key in building a well-rounded and robust structure for carrying out all processes. In terms of human resources, engineers and data analysts fall into these categories, and we recognize that one of our ongoing challenges is how best

to recruit and nurture personnel who are well-versed in digital transformation (DX).

1 In constructing the New ASKUL Website*, one of the key projects of the Medium-Term Management Plan, costs and schedules were revised significantly from initial plans due in part to a shortage of in-house engineers. While drawing upon the resources and knowledge of Z Holdings (currently, LY Corporation), however, we garnered expertise in handling large-scale projects. At the same time, we raised overall staffing levels dramatically by recruiting engineers. Reflecting on lessons learned from this experience, from the fiscal year ending May 20, 2024, we have established the EC Product Unit, a group of front-end engineers who have worked in tandem with the Technology Unit to establish a structure for operating and rebuilding all of ASKUL's systems.

When weaknesses in the circle become apparent in this way, we will strive to accurately assess the situation at hand and strengthen the organization by reinforcing staffing levels where necessary and assigning the right members to the right places.

ASKUL 30 years from now

3 ASKUL celebrated the 30th anniversary of its founding in March 2023. When I think ahead 30 years from now, I envision our customers saying, "Wasn't ASKUL once in the office supplies mail-order business?" By that time, the scope of our business assets will have expanded and the synergistic effect of this expansion will have given rise to a dramatic increase in new business domains.

4 To achieve this, we will first focus on establishing new business domains that leverage our existing business assets and ensure that they are on track by 2030.

→ P.55 Key Strategies ■ Establishment of the Most Powerful B-to-B E-Commerce Website

Section 02

Ethical E-Commerce and Value Creation



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| Tsushima City and ASKUL |

Why is ASKUL Working on Realizing a Circular Economy in Tsushima City?

26 *Special Feature 02*

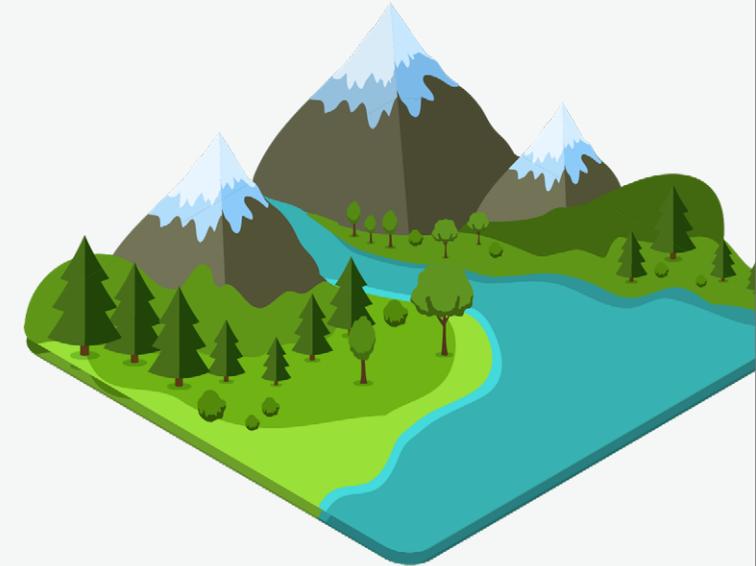
| The Ethical E-Commerce ASKUL Aims to Achieve |

Movement 01 Visualizing the Product Environmental Score

Movement 02 Resource-Recycling Initiatives

Movement 03 Eliminating Unnecessary Waste from the World

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Tsushima City and ASKUL



and **ASKUL**

Why is ASKUL Working on Realizing a Circular Economy in Tsushima City?

Tsuyoshi Maeda

SDGs Promotion Section,
Tsushima City, Nagasaki

Akira Yoshioka

President and CEO,
ASKUL Corporation

In February 2021, Tsushima city in Nagasaki Prefecture and ASKUL signed an SDGs cooperation agreement to promote a circular economy as a measure to address the issue of marine plastic waste in Tsushima city. The city, which was selected as an SDGs Future City in 2020, and ASKUL, which aims to realize resource-recycling platforms, plan to combine their know-how to develop and sell products made from processed and recycled marine plastic waste. Akira Yoshioka, president and CEO of ASKUL, and Tsuyoshi Maeda, who is in charge of promoting the SDGs at the Tsushima City Office, discussed the background of the agreement, the challenges facing Tsushima, the city's appeal, the efforts of both parties to date, and how they plan to develop their activities in the future.

Tsushima City and ASKUL | Why is ASKUL Working on Realizing a Circular Economy in Tsushima City?

Tsushima: A Touchstone in the Resolution of Issues Related to the SDGs

Maeda: With waste washing ashore from not only Japan but various locations overseas, the island of Tsushima suffers from one of the world's largest volumes of marine plastics drifting onto its shores. As sea levels rise year by year due to global warming, waste is now washing up in previously unaffected areas. As there is a lack of sufficient budget and manpower to collect all the waste that washes ashore, the amount of litter accumulating in the natural environment is increasing year by year. The problem of waste in Tsushima is not only related to marine plastics, but also to climate change associated with global warming, the world's growing population, mass consumption, and other matters. I believe that Tsushima is ahead of other places in demonstrating the nature of today's global environmental issues.

On the other hand, Tsushima is a charming place that is rich in diversity. One hundred thousand years ago, Tsushima was connected to the Eurasian continent, and it took its present form as an island 20,000 years ago. As a result, its flora and fauna are a mixture of Tsushima-specific, continental, and

Japanese species. As the gateway to the introduction of continental culture to Japan, the culture is also diverse.

Yoshioka: In many ways, including in regard to its environmental issues and diversity, Tsushima is a microcosm of the issues faced by the world. I also believe that Tsushima is truly the foremost touchstone for resolving SDGs-related issues.

As I stood, shocked, on Tsushima's shores for the first time in February 2023, I thought to myself, "So, this is the cost of economic development and convenience." I had imagined that there would be a small amount of trash washed ashore, but there was waste all over the beach from one end to the other. I soon realized that this was about more than just marine plastics.

Maeda: Even if the trash gets collected, new trash will wash onto the shore. Therefore, to fundamentally resolve the problem, we thought that it was necessary to transform the trash into an effective resource, rather than treating it as waste. To this end, with the cooperation of companies, students, and volunteers, we collect the trash and recycle what can be used as a resource into products. We are also making PR efforts so that people can obtain the products and become aware of the problems that are happening in Tsushima.

Yoshioka: Around July 2020, when the Japanese government introduced a charge for plastic bags as an environmental measure, we began to wonder if we could contribute in some way to resolving the issue of marine plastics. The reason is that charging for plastic bags does not lead to a reduction in plastic waste, so we thought some kind of action was needed.

In the course of various studies, an employee learned about the issue of marine plastics in Tsushima, and after researching the island further, they came to the conclusion that Tsushima would be a good place to transform the solutions to such issues into a business venture, rather than just being a destination for charitable donations.

After that, when I actually visited Tsushima, my desire to do business with the island's inhabitants grew stronger. Much of the trash that washes onto the island's shores bears the languages of other countries, which I believe anyone would naturally find unreasonable. However, the people of the island do not complain at all. They say, "We are no different to them because we are also dumping rubbish into the Pacific Ocean. We want to do whatever we can to give back to local communities in Tsushima, the city that raised us," and they are tackling



Tsuyoshi Maeda

SDGs Promotion Section,
Tsushima City, Nagasaki
Deputy Counselor and Section Chief

Born in Unzen city, Nagasaki Prefecture in 1979, Mr. Maeda majored in tourism at Rikkyo University and its graduate school and moved to Tsushima in 2005 as an employee of the Tsushima Wildlife Conservation Center of the Ministry of the Environment. After engaging in activities to conserve the Tsushima leopard cat, he joined the Tsushima City Government. He is currently in charge of overseeing the promotion of the Sustainable Development Goals (SDGs) in Tsushima city, one of the so-called SDGs Future Cities.



Tsushima City and ASKUL | Why is ASKUL Working on Realizing a Circular Economy in Tsushima City?

the issues of waste and rocky shore denudation. I was impressed by the spirit and ambition of the local people and felt once again that I wanted ASKUL as a company to make a firm commitment to the cause.

ASKUL Has the Power to Redesign Ways of Thinking and Consumer Behavior around the World

Yoshioka: This can be said for all initiatives related to the SDGs, not just those in Tsushima, but if they are made into charitable projects, they will come to halt when a company's performance takes a turn for the worse. Therefore, I think it is essential that even initiatives related to the SDGs are turned into business ventures.

When turning such projects into business ventures, it is important to first grasp the reality of the situation and begin to think about it in your own way. In doing so, you will gain the will to tackle the issues at hand. This is a somewhat spiritual approach, but I consider it important, nonetheless.

In October 2023, we will start to conduct study tours, in which our employees will visit and learn about Tsushima. I believe that visiting the site in person and learning about the reality of the situation will give rise to a change in awareness among our employees, which will in turn enable them to form

connections with the highly ambitious people of Tsushima. **Maeda:** I strongly feel that there are things that only ASKUL can do, and I have high expectations for our joint efforts. I was very impressed by the resource recycling platform promoted by ASKUL to collect used clear plastic folders. Despite the large number of stakeholders and the fact that it is a very costly and labor-intensive initiative, it has grown to involve more than 1,500 companies. We are already taking part by sending clear plastic folders collected on the island.

I feel that ASKUL is a company that has the ability to not only make products out of recycled wastes but also transform and redesign related services and consumer behavior. Of course, we are very happy to be able to create products from Tsushima's waste, but we also hope that we can work to change the ways that the manufacturers and consumers with whom ASKUL is connected think and behave. If we can do that, there will surely come a world where items that were once only trash will become treasures.

Starting a Movement that Engages Stakeholders to Realize a Trade-On

Yoshioka: The biggest issue in our efforts to realize a circular economy is cost. It is important that we forge a clear path to

get the business onto the right track, but at this point in time it is impossible to foresee how much it will cost to get the initiative off the ground. If we continue to calculate how much money we can spend in relation to the SDGs based on sales and operating profit margins, as we have done in the past, it is likely that we will not be able to keep afloat.

However, if we think about how we want the world and our lives to be, and how ASKUL is perceived in that context, it is clear that we need to follow through with this initiative. We also need to look more seriously for ways to overcome the issue of cost.

It is also important for stakeholders to understand and be actively involved in our efforts. I believe that we can ask for the cooperation of the people of Tsushima, but the Company alone cannot take care of everything from trash collection to PR, so we need to involve many stakeholders in our efforts.

Maeda: How would you feel about making the study tours that ASKUL conducts for its employees available to companies in the supply chain? I believe that such efforts can also serve as an answer to the question that will be asked by various people both inside and outside of the Company: Why start with Tsushima? If they could visit Tsushima just once, they would surely gain a strong sense that the issues facing the island are



Tsushima City and ASKUL | Why is ASKUL Working on Realizing a Circular Economy in Tsushima City?

a microcosm of those facing the world.

Yoshioka: That's a great idea. Recently, I have had the impression that many managers of major companies are troubled by the fact that their efforts in regard to the SDGs are limited to corporate social responsibility. I would also like to ask them to join me in visiting Tsushima. I want to tell them that just visiting once will be a profound learning opportunity, where one can experience first-hand everything from the marine plastic issue to climate change and what biodiversity is all about.

Maeda: I believe that innovations that emerge from technological advancements in situations where social issues are not properly recognized are sometimes detrimental to society. However, as is the case with Tsushima, in fields where many of the issues have yet to be digitalized, we should be able to create truly outstanding innovations by if we all work together. As someone who moved to Tsushima, I am sometimes asked why I chose to live here. My answer is that I believe there are innovations that can be created only by carrying out my work in Tsushima.

Yoshioka: Until the COVID-19 pandemic, ASKUL held an environmental consortium once a year. The consortium had many participants, including university professors, representatives from the Ministry of the Environment, manufacturers from our suppliers, and buyers from other companies. Among them are people who have the potential to strongly influence environmental efforts. We hope to reach out to them and invite them to join our efforts.

Maeda: Currently, negotiations are underway between governments to establish an international treaty to eliminate plastic pollution, with the treaty set to be formulated by the end of 2024. While I believe that a treaty would have a considerable impact, I question the tendency for the international community to follow rules made by Europe as a matter of course.

I believe that there are some ideas for resource recycling that only the Japanese can come up with that do not occur to Europeans. As such, we would like to be involved in the rule-making process, and we are pushing to be allowed to promote some of our efforts, including the initiatives we are speaking about today, at the final intergovernmental negotiations to be held in November 2024 in South Korea.

Yoshioka: I feel that we are now in a situation where it is imperative to realize not a trade-off between business and the environment, but a so-called trade-on that combines both. As such, we intend to show that we will take the lead in realizing this trade-on. At present, we have not yet arrived at the point where we can see a clear path to achieving this trade-on, but we hope to be able to present a path that incorporates concrete figures when we announce our next medium-term management plan.

As I mentioned previously, I consider the issues seen in Tsushima to be the cost of the economic development and convenience we have enjoyed thus far, and we cannot afford to pass this burden on to the next generation. I believe that one way to resolve these issues is ASKUL's promotion of ethical e-commerce.

Maeda: Products made from recycled plastic are inevitably more expensive. However, if consumers choose to be ethical in their consumption and feel that buying the product, even at a slightly higher price, will protect the environment and human rights, then we should be able to overcome many of the hurdles we face. I hope that ASKUL will act as a hub for stakeholders and start a movement to create such cultural shifts.

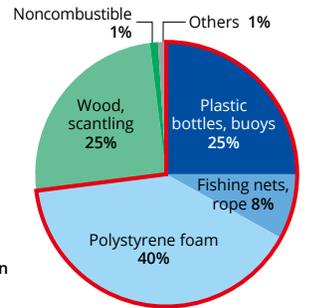
About Tsushima

Tsushima is a border island that floats like a stepping stone between Kyushu and South Korea. Its land is covered by deep forests and is home to rare flora and fauna, including the Tsushima leopard cat, while the sea that surrounds the island is rich with conger eel, blackthroat seaperch, turban shells and other marine life. On the other hand, it faces both local problems such as depopulation and global issues such as marine plastics. However, Tsushima looks at this situation positively, considering itself an "area of advanced issues", and is working to resolve local issues with the aim of becoming a treasure island of self-reliance and circulation. In addition, Tsushima has been selected as an SDGs Future City.



Environmental issues facing Tsushima today

Tsushima's waters are under threat. Climate change is having a serious impact, including rising sea levels, rocky shore denudation and the death of farmed fish and shellfish. Meanwhile marine resources are declining as the world's population grows and the amount of trash flowing from land areas into the sea continues to rise. Tsushima, with its characteristic long north-south length and ria coastline, is located at the entrance to the Sea of Japan and therefore acts as a "breakwater," catching marine litter carried by the ocean currents and seasonal winds. Every year, an estimated 30,000-40,000 cubic meters of trash washes ashore, affecting the island's beautiful natural landscape, ecosystem, and fisheries. Only a quarter (approximately 8,000 cubic meters) of the trash that arrives on its shores can be recovered. Uncollected plastic waste is degraded by waves and UV rays and washed back out by wind and rain, affecting the Sea of Japan and the Pacific Ocean. Unless all the materials are collected as soon as possible, Tsushima could become a generator of microplastics.



Plastics make up 70% of all waste



▲ Rocky shore denudation
Phenomenon in which seaweed beds wither and die from feeding damage by southern species of fish, causing rock surfaces to be exposed

The Ethical E-Commerce ASKUL Aims to Achieve

Ethical E-Commerce

Since its founding, ASKUL has aimed to achieve “social optimization” and has grown by reforming existing distribution models to create new ones while gaining the support of its customers and business partners.

The speed at which changes occur around us has entered an entirely new dimension with the emergence of climate change, labor shortages, human rights issues, and geopolitical risks, as well as the increasing demand to realize a sustainable society.

ASKUL’s Purpose is “continuously bringing delight to our workplace, life, the planet and tomorrow.” E-commerce that embodies this purpose, and that strives to provide products and services that will not only benefit customers but also help resolve social issues, is the ethical e-commerce that ASKUL aims to achieve and our mission.

We promote the use of ASKUL and participation in the ASKUL platform as the most convenient ways to make the greatest contribution to resolving social issues. In doing so, we aim to expand support for our services and evolve as a service that brings delight not only to our customers but also to our business partners while positively contributing to the future of the earth.

To this end, it is important that we adopt a “trade-on” perspective and start a movement that engages our stakeholders.

Trade-On

To date, ASKUL has strived to provide products and services that contribute to resolving social issues—with particular regard to the environment—while responding to customer feedback. On the other hand, the high social value of said products and services does not necessarily translate to economic value. As such, there were times when we proceeded with initiatives while accepting that it was inevitable that they would not be profitable.

One of the key elements in realizing ethical e-commerce is the achievement of a so-called trade-on. In other words, it is necessary to strike a balance between the social value of products and services that lead to the resolution of social issues and economic value. As one facet of this trade-on perspective, we believe it is important to change the way we view economic value. We must not only consider the conventional short-term economic value of increasing sales volumes by refining and adding value to our products and services and reducing costs by scaling production. From now on, we will continuously take on new challenges, focusing also on the long-term economic value of increasing the number of customers and business partners who choose ASKUL because they agree with our corporate stance and values, and who will use our services over the long term, while striving to increase loyalty among our employees and business partners, which will, in turn, spread to all stakeholders.

New Value Being Created by ASKUL

→ P.22

Dialogue: Tsushima City
and ASKUL

→ P.31

Eliminating Unnecessary
Waste from the World

→ P.28

Visualizing the Product
Environmental Score

→ P.45

ASKUL’s Logistics for
Resolving Social Issues

→ P.29

Resource-Recycling Initiatives

→ P.49

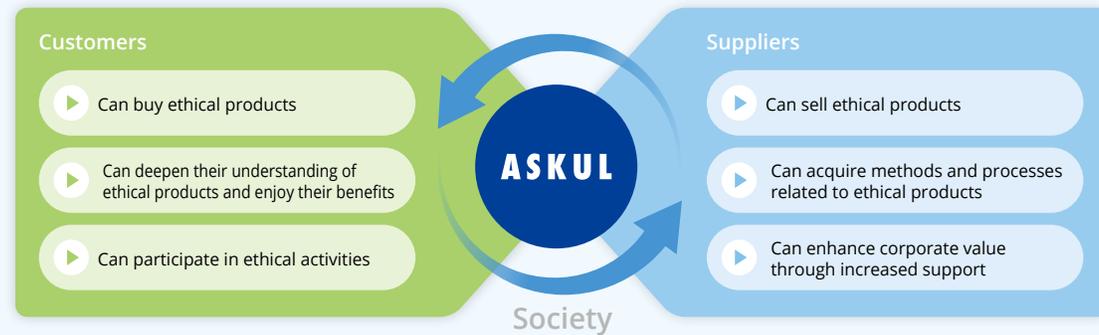
Co-Creation with
Manufacturers

The Ethical E-Commerce ASKUL Aims to Achieve

Movement

Of course, social issues cannot be resolved by one company alone. It is only when we promote continuous co-creation with all stakeholders, including our customers and business partners, that we can begin to see the potential solutions to such issues.

To resolve issues in a sustainable manner, we must create a major movement that promotes a shift in awareness and behavior in society. We hope to spread the value of sustainability to the world and be a leader in creating this movement.



Creating value as a sustainable hub

In our pursuit of starting a movement in the e-commerce domain, we aim to serve as a “sustainable hub” that connects customers and suppliers and creates sustainable value through collaboration. The hub is about conveying sustainable values to customers and creating opportunities for them to change the way they select and purchase products and services, as well as communicating customer feedback to suppliers, incorporating potential needs for products and services into their businesses, and working together to create new value.

One of our biggest strengths is our B-to-B customer base. With over five million customers in all types of industries, we have access to vast and wide-ranging data. This data, which is essential to evolving our products and services, is a key management resource for ASKUL. Using the aforementioned customer feedback and data as a driving force, we hope to create new options for using ASKUL and participating in the ASKUL platform to contribute to resolving social issues by serving as a sustainable hub in our capacity as an e-commerce business.

Message



Mizuki Takehisa
Executive Officer,
Merchandising Unit

Continuously Bringing Delight to All in the Future through the Realization of Ethical E-Commerce

Economic development has enriched our lives in many ways, and we have reveled in the joy of having everything at our fingertips. However, many social issues, such as accelerating global warming, increasing natural disasters, a declining population, falling birthrate, and aging society, are finally threatening our livelihoods in tangible ways. Unless we take this situation seriously and begin to implement breakthrough solutions, we will not be able to pass on the happiness we have felt thus far to future generations.

As a retailer, we have played a role in connecting customers and suppliers through products. In eras to come, rather than simply procuring and selling products, it will be important to consider how we can play a role in promoting sustainable consumption, which is one of the forms of ethical e-commerce we are aiming for.

I feel that our customers and suppliers are also conscious of and feel a sense of crisis toward many social issues. However, I believe that all companies are currently struggling with how to transform this sense of crisis into action. For example, we believe that ASKUL's role as a sustainable hub is to serve as a bridge that connects and resolves customers' concerns about wanting to contribute to society but not knowing which products are ethical, and suppliers' concerns about how to communicate value to customers, while returning value to society.

In the years following the COVID-19 pandemic, the line between work and personal lives has become more blurred than ever before, and the concept of work as just one aspect of life has become increasingly prevalent. In response to these changing times, the merchandiser (MD) organization, which was previously divided into B-to-B and B-to-C, was integrated in March 2023. At the root of this organizational change is a desire to create new value by having both B-to-B and B-to-C perspectives and to conduct merchandising that brings more delight to our customers than ever before.

The Merchandising Unit's goal for ethical e-commerce is to ensure that customers find ASKUL's products appealing and that their purchasing behavior leads to social contribution in a natural way. Realizing this goal is part of ASKUL's mission to continue to bring delight to all in the future.

Merchandiser (MD): Responsible for product development, including product planning and development; determining the product mix; sales and service planning; and pricing

The Ethical E-Commerce ASKUL Aims to Achieve

Movement

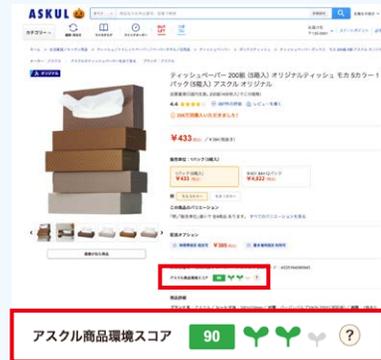
01

▶▶▶ Visualizing the Product Environmental Score

In 2010, we began using the ASKUL Environmental Perspective, a set of 10 qualitative items regarding the environment-friendliness of our products, as our standard.

In the ten years that followed, social issues such as climate change, resource depletion, marine and forest conservation, and waste management materialized and attracted attention.

Accordingly, in 2020, we began reviewing our product environmental standards. In 2021, we identified our areas for contribution as decarbonization; resource conservation and resource recycling; and biodiversity conservation, for which we set 30 quantitative criteria items.



These standards have made it possible to determine what measures should be taken in product development to manufacture products with low environmental impact. We gave each product an environment-friendliness score based on the standards and posted it on our website. As a result, it became easier for customers to select products with low environmental impact and meant that both individuals and corporations could play a part in protecting the environment.

We hope to evolve the way the environmental score is displayed so that it becomes a guidepost for environmental protection while evolving the criteria as technology advances. We will continue in our aim to be one step ahead of the industry.

Customers

- ▶ Can immediately identify products with low environmental impact
- ▶ Can play a natural part in protecting the environment
- ▶ Can find products with low environmental impact from companies other than ASKUL



Manufactures and Suppliers

- ▶ Can ascertain how environmentally friendly products are
- ▶ Can understand what kinds of measures should be taken to make products with low environmental impact
- ▶ Can expand efforts to reduce environmental impact through horizontal deployment to various products of each manufacturer

Formulating the ASKUL Product Environmental Standards

In 2022, we formulated and announced the ASKUL Product Environmental Standards. The evaluation criteria are divided into the categories of packaging, the product itself, and mechanisms, and all products are scored according to the same criteria. As such, there is no concept of a perfect score. While some product groups are difficult to score, manufacturers and merchandisers are sharing their know-how in an effort to raise their scores.

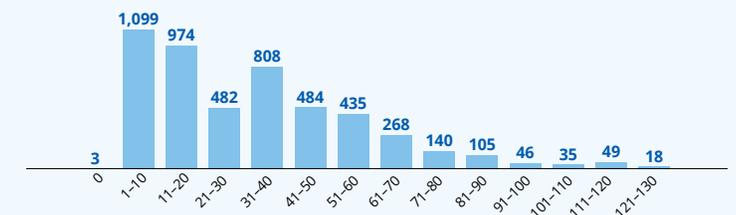
Large category	Medium / small categories	Evaluation criteria example (30 items total)
Containers and packaging	Raw materials	Paper, plastic, certification, and printing Recycled used paper and other materials and FSC certified products
	Design	Lightweight, resource-saving, and disposable Degree of improvements, 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

Please click here to view all 30 criteria items. (Japanese only)

Future Development

- ➔ We will enhance the environmental information we display on our products to make it easier for customers to select environment-friendly products.
- ➔ Together with manufacturers, we will make improvements to products that receive a score of zero to turn them into environment-friendly products.
- ➔ Products from manufacturers who support the initiative will have their scores posted on the website, as will original products.

Distribution of Environmental Scores for Original Products (as of October 31, 2023)



The Ethical E-Commerce ASKUL Aims to Achieve

Movement

02

▶▶▶ Resource-Recycling Initiatives

ASKUL Resource-Recycling Platform
<https://www.askul.co.jp/kaisya/shigen/> (Japanese only)

Resource-Recycling Platform (Clear Plastic Folders) #recycle

Why?

In recent years, plastics have been attracting attention not only from the standpoint of effective use of resources and waste reduction, but also from the perspective of climate change countermeasures, and there is a need to build a value chain that achieves all three Rs plus renewability.

ASKUL started as a mail-order business for office supplies and has sold a large volume of plastic products since its founding. From this standpoint, we considered how the supply chain, including ASKUL, should change in order to shift from a linear economy that leads from sourcing of raw materials to disposal, to a circular economy that avoids waste where possible.

Role

To develop our resource-recycling initiatives and think about how to apply them in the supply chain, we need concrete actions, not just a concept. In April 2022, we launched the ASKUL Resource-Recycling Platform with the aim of collaborating with various businesses to promote a shift to a value chain that achieves resource recycling throughout the product life cycle, from product planning and design to manufacturing, sales, and recycling for use in future products.

Through our activities to collect and recycle used clear plastic folders, we would like to foster ideas for reusing resources that are easy for various entities to participate in.

Customers

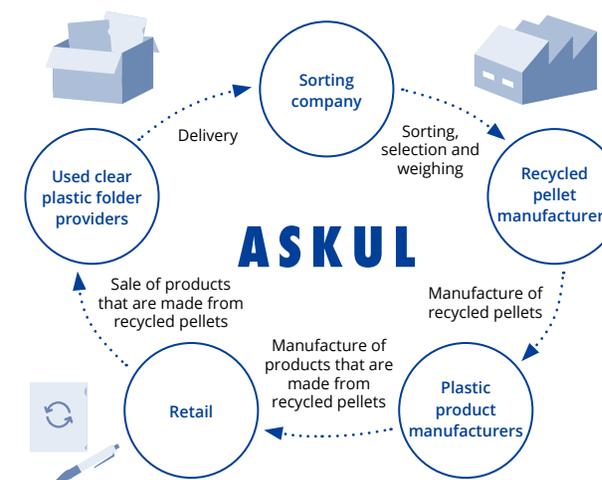
- ▶ Can choose not to throw away items by participating in resource recycling
- ▶ Can achieve a shift in behavior from the cycle buying cheap goods and using them once to knowing what to do with them after use
- ▶ Can procure indirect materials from companies that are engaging in resource recycling

ASKUL

Manufacturers and Suppliers

- ▶ Can provide customers with the option to not throw items away
- ▶ Can play an important role in achieving resource recycling
- ▶ Can trial the use of post-consumer materials

Collecting and Recycling Used Clear Plastic Folders



Shirai Eco Center Co. Ltd.
(Sorting company)



Sorting clear plastic folders

ASEI Co., Ltd.
(Recycled pellet manufacturer)



Making recycled pellets

Providers	Volume collected	Ratio of recycled pellets
1,730 companies	145 metric tons	98.5 %

Note: Cumulative total from January 2021 to September 2023

The Ethical E-Commerce ASKUL Aims to Achieve Movement 02

Example of Commercialization

Matakul, an ASKUL Private Brand

In December 2022, we started selling products using recycled polypropylene made from used clear plastic folders. The challenge of making products using post-consumer materials was made a reality through collaboration with LIHIT LAB. INC., MITSUBISHI PENCIL CO., LTD., and Like-it Inc.



Matakul

- Clear plastic folders made from used clear plastic folders
- Jetstream pens made from clear plastic folders
- Bricks pen stands made from clear plastic folders
- Bricks accessories made from clear plastic folders

TOKYU LAND's Initiative to Transform Used Clear Plastic Folders into Rental Umbrella Handles

Used clear plastic folders collected from tenant companies in office buildings managed by TOKYU LAND CORPORATION are recycled into umbrella handles, which are then used by the tenants of the office buildings. ASKUL's resource recycling platform also helps to further the environmental activities of participating companies.



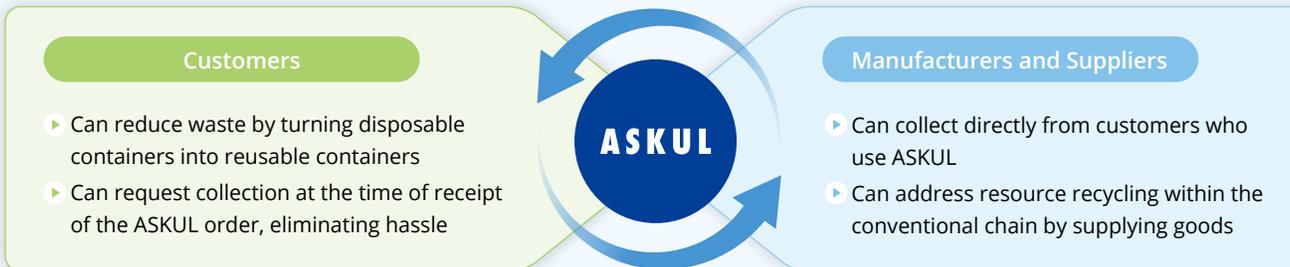
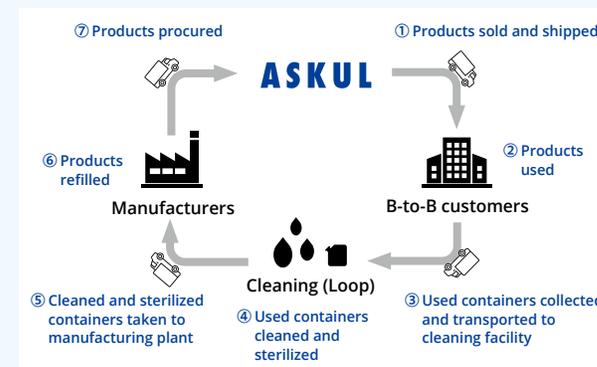
Loop Professional for ASKUL

#reuse

Together with LOOP JAPAN GK, we are taking on the challenge of building a B-to-B-oriented model for reuse. In this model, products ordered from ASKUL are collected after use, and the containers are cleaned and re-filled so that they can be used again.

Within the framework of the three Rs plus renewability, we believe that we can further reduce the environmental impact of plastic products by expanding the scope of our activities to include reuse as well as recycling.

Through field trials in limited regions, we will ascertain the needs of B-to-B customers and identify cost and operational issues with a view to implementing this service.



Message from Loop Japan: The Value of This Initiative and What We Hope to Achieve

Loop is a global platform for reuse. Guided by its mission, "Eliminating the Idea of Waste," Loop promotes a new lifestyle of repeated reuse.

Loop Professional for ASKUL can further reduce environmental impact by leveraging ASKUL's existing platform and logistics network. Through this initiative, we hope to promote reuse more efficiently and more effectively and contribute to the realization of a recycling-oriented society.



Eric Kawabata
Asia Pacific General Manager,
Loop Japan General Manager,
LOOP JAPAN GK

The Ethical E-Commerce ASKUL Aims to Achieve

Movement

03

▶▶▶ Eliminating Unnecessary Waste from the World

Go Ethical (Initiative to Reduce Product Loss and Waste)

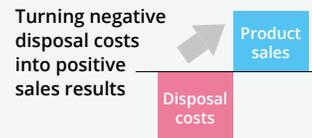
#reduce

Go Ethical is an initiative to sell products that have been discarded by manufacturers for various reasons such as returned goods from stores and defective packaging, even though there are no issues with the quality of the item itself. The products are sold via our regular sales channels to shed light on the issue of reducing product waste rather than just offering discounted prices as is common in outlet sales. The initiative also allows retailers to display in-store the reasons why an item is being sold as a Go Ethical product, therefore ensuring that no brands are harmed and clarifying the situation to customers before they make their purchase.

ASKUL, in its pursuit of ethical e-commerce, promotes its own initiatives based on the SDGs while co-creating with manufacturers, who are the creators of the products.



* Cumulative total waste reduction from May 21, 2021 to August 20, 2023.



Future Development We will work with suppliers and manufacturers throughout the supply chain to address the issue of waste, expand product categories, and begin B-to-B expansion to broaden our activities to reduce waste as much as possible.



Message

ASKUL's Sustainability Advisor



ASKUL: Delivering the Future

Peter David Pedersen
Executive Director of NELIS,
Sustainability Advisor,
ASKUL Corporation

I believe that ethical e-commerce is an initiative that can leverage ASKUL's unique strengths. ASKUL has a customer base of large, medium, and small-sized enterprises throughout Japan, and business partners with whom it collaborates to plan and manufacture products. ASKUL serves as the middle ground between customers and business partners and has the potential to lead and bring to fruition the transformation of a business model that incorporates not only convenience but also future promise. As is shown in the examples presented in this report, I have the impression that steady progress is being made in terms of products made from recycled materials and reduction of waste loss, as a result of extraordinary efforts on the front lines.

In this process, ASKUL is required to work not only as a hub for connecting customers and suppliers, but also as a catalyst for sustainable consumption that is needed in these times. I believe it is possible, through collaborative efforts, to create new, sustainable products that are appealing in ways that customers cannot yet conceive and establish new businesses that cannot be implemented by business partners alone. I look forward to seeing ASKUL take the lead in this journey of transformation.

In a sense, I think the building of this movement goes beyond conventional businesses. And in order for it to truly succeed, relentless innovation and exploration will be essential, not only in product planning and partnerships, but also in communication, marketing, and branding efforts.



Simpler pickup and delivery!
I will help to realize ethical
delivery for customers, drivers,
and for all.

Haruka Tsunoda
Logistics Unit, Delivery Network



I would like to develop a
business structure that enables
us to solve social issues together
with our customers!

Daiki Yasuda
EC Business Unit, B-to-B Business Planning



I will continue to develop
sustainable, original products
that bring genuine delight to
our customers.

Kanako Mikami
Merchandising Unit, Food & Beverages



I will work toward achieving
ethical e-commerce with a clear
vision and goal for the entire
ASKUL Group.

Atsuhiro Baba
Corporate Unit, Corporate Planning



I will continue to help ASKUL
develop at the highest possible
speed to bring delight to both
our customers and to the earth.

Kenjiro Morimoto
EC Product Unit, Engineering Division 1



I will help to ensure the peace
of mind and security of all
stakeholders so that the ethical
e-commerce that ASKUL aims to
achieve will become best practice!

Yuuko Yokoyama
Legal & Security Unit, Security Management



I would like to demonstrate
our prowess in data utilization
to deliver an optimal shopping
experience that is more
personalized with AI!

Yingsha Yang
Technology Unit, ICT Solutions

Ethical E-Commerce & Our Work

**Here are some comments from
ASKUL employees on how they would like to
achieve ethical e-commerce through
their own work.**



I would like to work to identify
ASKUL's greater cause through
sincere customer service.

Riu Wada
Customer Service Unit, Customer
Counselors



I would like to create systems
that allow all employees to work
comfortably, while taking a
broad perspective to think up
ideas for initiatives that will lead
to the future of our planet.

Yuuka Nakayama
Human Relations & General Affairs Unit, HR



I will help to update
our systems and operations,
and together with our agents,
deliver ethical products and
services to our customers!

Yusuke Nakahara
Sales Unit, Agent Sales



Section 03

Ethical E-Commerce and Management Strategies

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

35 ASKUL's Sustainable Financial Strategy for Realizing Social Optimization

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| CFO and Analyst Dialogue |

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

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45 ASKUL's Logistics for Resolving Social Issues

49 Co-Creation with Manufacturers

51 Promotion of Sustainability Management as a Unified Initiative with Our Businesses

52 List of ASKUL's Material Issues (Important Issues)

53 Medium- to Long-Term Corporate Aims / Medium-Term Management Plan
(May 20, 2022–May 20, 2025)

54 Key Strategies



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

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

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

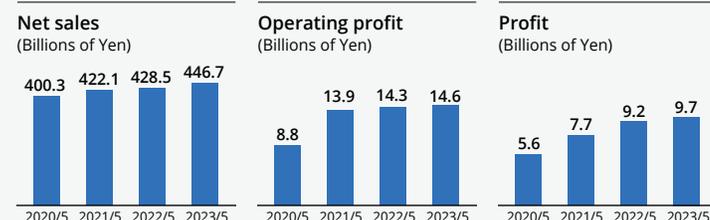
Key Aspects of External Environment		ASKUL's Issues and Opportunities	Actions / Relevant Pages
1	Falling birthrate and aging population <ul style="list-style-type: none"> Labor shortages due to ongoing decline in working-age population Aging and diversifying workforce 	<ul style="list-style-type: none">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

ASKUL's Sustainable Financial Strategy for Realizing Social Optimization

Financial Results for the Fiscal Year Ended May 20, 2023

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

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

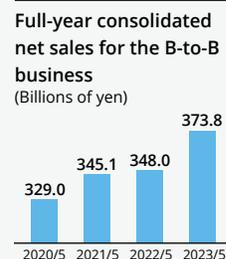


The B-to-B Business

The Trajectory of the Sales Growth Curve is Changing

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

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



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

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

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

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

Operating Profit Also Exceeds Initial Target

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

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

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

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

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

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

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

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

The B-to-C Business (LOHACO)

Profitability Achieved for the Full Fiscal Year as Planned

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



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

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

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

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

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

ASKUL's Sustainable Financial Strategy for Realizing Social Optimization

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

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

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

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

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

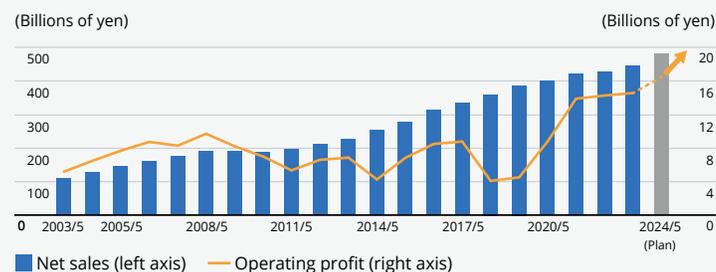
Net Sales Declined

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

Plan for the Fiscal Year Ending May 20, 2024

Accelerating Sales Growth and Beginning Profit Growth to Significantly Increase Profit

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



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

Accelerating Sales Growth

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

① Launching the New ASKUL Website

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

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

② Further enhancing online sales promotions

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

③ Increasing order unit price

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

④ Increasing Group companies' net sales

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

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

Working to Improve the Gross Profit Margin Ratio

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

① Improving the profitability of mainstay products

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

② Shifting to more profitable product categories

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

③ Increasing commission income from the advertising business

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

Reigniting Growth in the LOHACO Business

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

Linking Sustainability Initiatives to Lower Logistics Costs

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

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

ASKUL's Sustainable Financial Strategy for Realizing Social Optimization

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

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

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

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

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

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

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

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

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

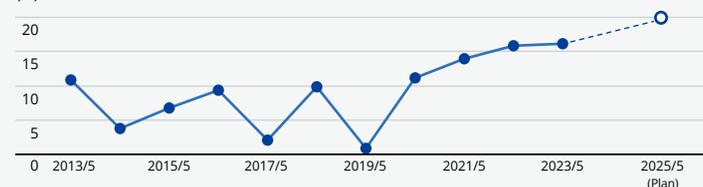
The above-mentioned measures will enable the Company to start realizing profit growth in the fiscal year ending May 2024, which will lead to significant profit growth in the final year of the Medium-Term Management Plan (the fiscal year ending May 20, 2025), when fixed cost increases will have eased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

Aiming for ROE of 20.0%: Our Approach to Investments

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

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

ROE over the past 11 years (%)



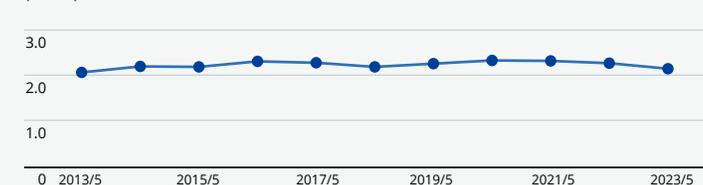
The following explains our basic approach to achieving our target ROE of 20% in the fiscal year ending May 20, 2025, the final year of the Medium-Term Management Plan, and specific initiatives to this end.

Key Points for Improving ROE

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

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

Asset turnover ratio over the past 11 years (Times)



Another key point is our ability to generate cash.

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

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

Approach to Investments

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

ASKUL's Sustainable Financial Strategy for Realizing Social Optimization

Investments that Help Differentiate the Company from Its Competitors

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

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

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

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

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

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

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

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

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

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

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

Topic

Communication with Shareholders and Investors

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

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

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

Figures for the Fiscal Year Ended May 20, 2023

① Number of meetings with analysts and investors

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

② Number of internal communication briefings with analysts and institutional investors

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

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

Attendance method	Attendees
In-person	13
Online	57



Tsuguhiro Tamai
Director, CFO

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

CFO and Analyst Dialogue

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

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

Takahiro Kazahaya

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

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

Consistently Executing Plans Based on Our Purpose and Corporate Philosophy

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

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

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

CFO and Analyst Dialogue

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

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

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

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

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

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

Solutions Business and Ethical E-Commerce

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



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

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

CFO and Analyst Dialogue



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

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

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

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

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

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

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

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

CHO Message



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

* Chief human relations & healthcare officer

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

ASKUL's Approach to Human Capital

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

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

[P.72](#) Strengthening Human Capital

The Role of HR

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

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

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

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

Appointment of a Human Resource Business Partner (HRBP)

(Human Resource Business Partner)

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

CHO Message

Human Resource Strategy for Realizing the Medium-Term Management Plan

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

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

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

[P.83](#) ESG-Linked Compensation Scheme

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

Why "Relations and Healthcare"?

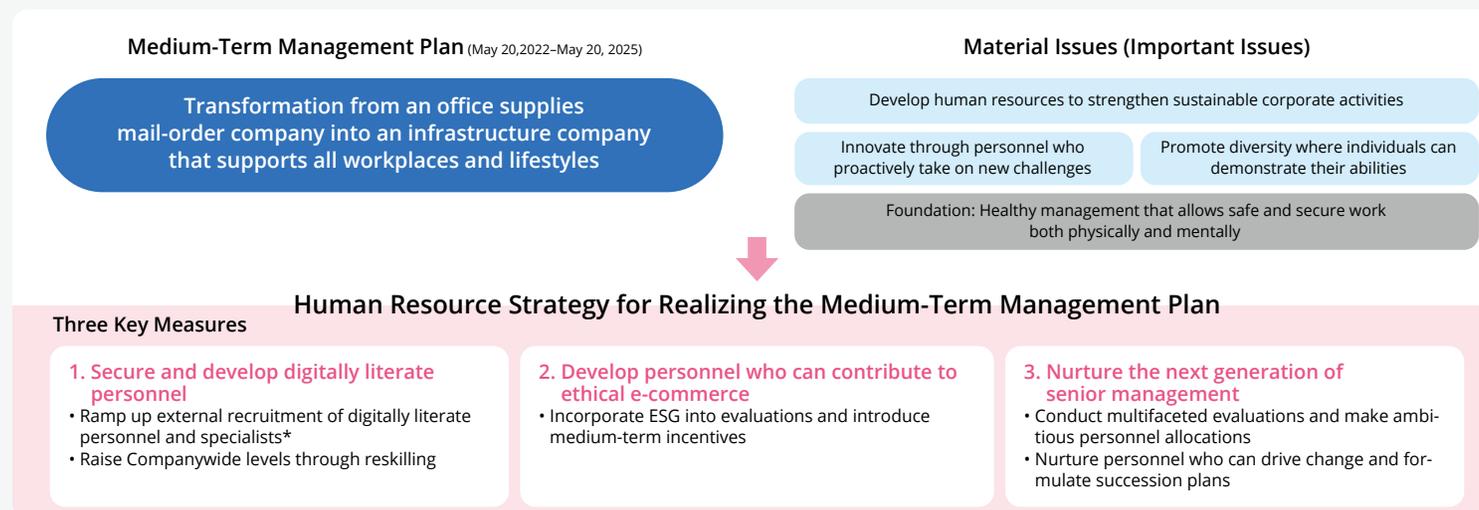
The term CHO is a common abbreviation of chief human officer. ASKUL, however, refers to its CHO as chief human relations & health-care officer. While strategies, systems, and relationships are all important matters for both individuals and organizations, ASKUL places the greatest emphasis on the relationships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

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

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

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

[P.72](#) Strengthening Human Capital



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

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

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

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

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

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

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

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



Saori Onsen
Executive Officer,
EC Business Unit

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

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

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

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

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

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

ASKUL's Logistics for Resolving Social Issues

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

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

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

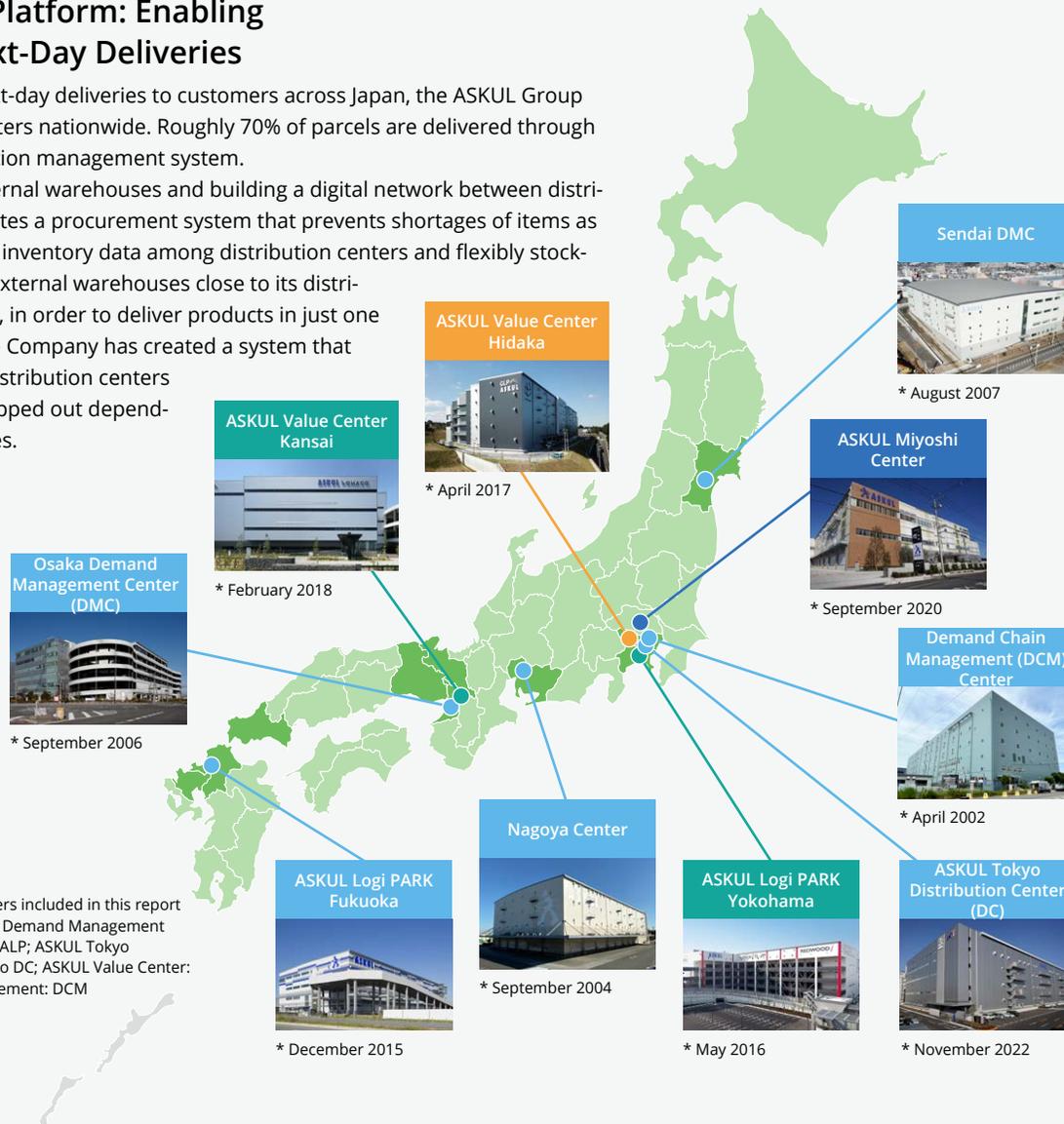
Distribution Centers

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

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

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

* Date each center began operations



Message



Takeshi Narimatsu
Executive Officer,
Logistics Unit

Aiming to Achieve Sustainable Logistics in E-Commerce

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

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

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

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

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

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

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

ASKUL's Logistics for Resolving Social Issues

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

Logistics Technology 01

Transportation and Delivery

1) Establishment of Collaborative Line-Haul Transportation Network

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

2) MOVO Berth Reservation System

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

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

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

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

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

Figure 1 : Order Volume Leveling

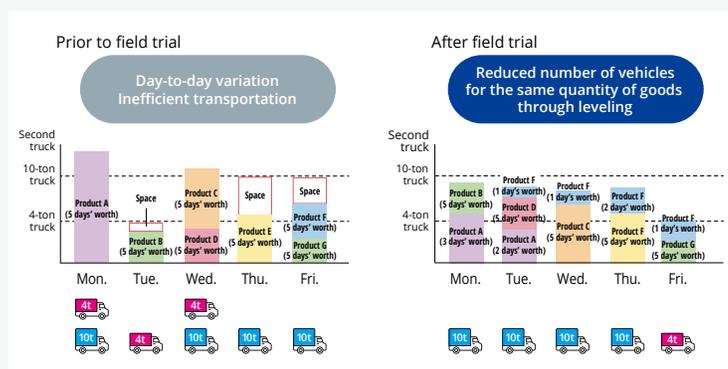


Figure 2 : Optimizing Inventory Placement



Logistics Technology 02

Working with Customers to Achieve Sustainable Delivery

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

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

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

2) Expansion of opportunities to shop around

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

3) Promotion of unattended delivery

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

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

Logistics Technology 03

Warehouse Work

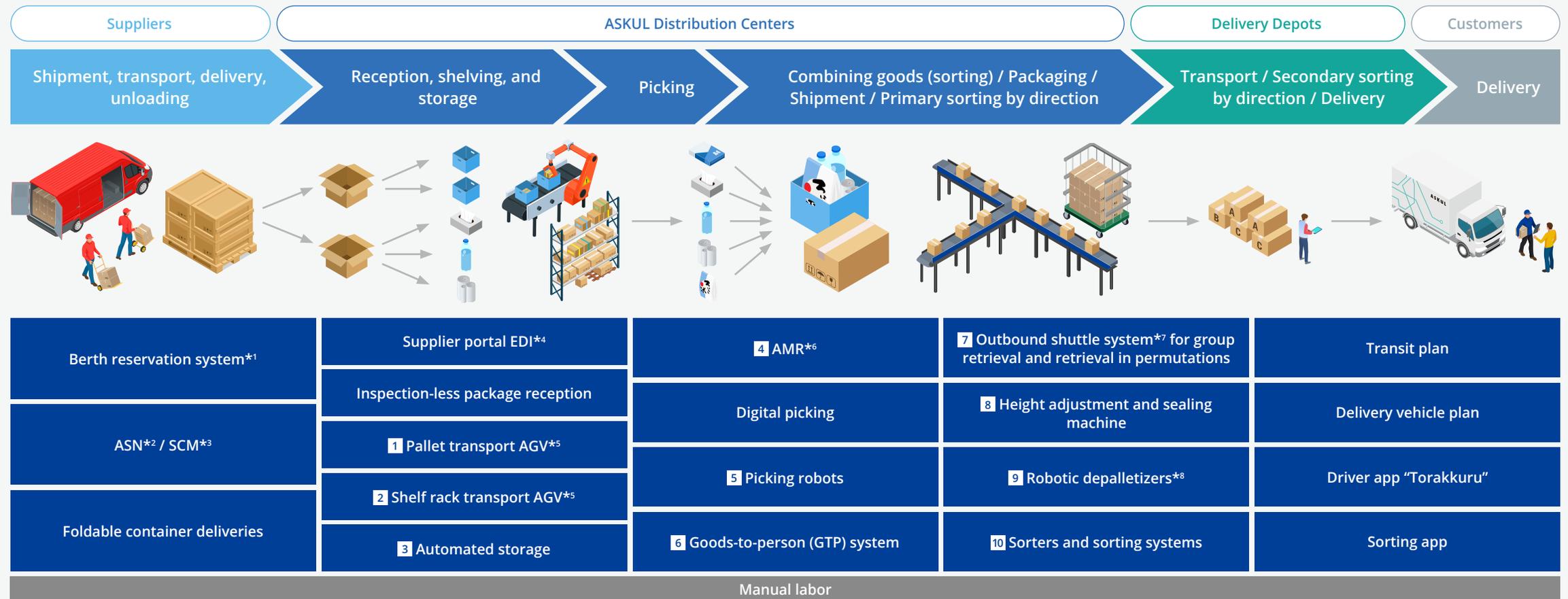
ASKUL has introduced a large number of robots at its distribution centers. Their introduction is based not only on the goal of improving productivity but our desire to reduce the burden on workers and create an environment in which employees can work comfortably for many years. State-of-the-art robots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

- [P.47](#) Automation and big-picture digital transformation
- [P.48](#) Logistics robotics and automation
- [P.57](#) ASKUL Tokyo DC

ASKUL's Logistics for Resolving Social Issues

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

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



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

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

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

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

ASKUL's Logistics for Resolving Social Issues

Logistics
Technology

03

Warehouse Work

Logistics Robotics and Automation

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

ASKUL TECHNOLOGISTICS

Reception, shelving, and storage

Picking

1 Pallet transport AGV



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

1 center

2 Shelf rack transport AGV



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

2 centers

3 Automated storage



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

7 centers

4 AMR



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

1 center

5 Picking robots



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

2 centers

Picking

Combining goods (sorting) / Packaging

Shipment / Primary sorting by direction

6 GTP system



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

3 centers

7 Outbound shuttle system for group retrieval and retrieval in permutations



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

6 centers

8 Height adjustment and sealing machine



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

7 centers

9 Robotic depalletizers



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

1 center

10 Sorters and sorting systems



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

All centers

*5 AGV = Automated guided vehicle

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

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

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

Co-Creation with Manufacturers

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

Point

01



Product development inspired by customer feedback

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

Point

02



Visualization of environmental standards that enable environmentally based product comparison

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

Point

03



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

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

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

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

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

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

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



Co-Creation with Manufacturers

B-to-B original products

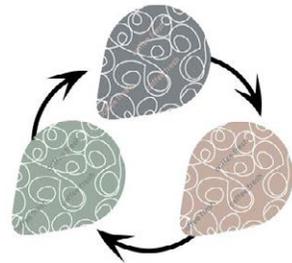
We started in 1995 with a seven-item lineup of stationery products. In 2005 we began collaborating with Scandinavian designers, and have won rave reviews for products that provide both amenity in the workplace as well as designs tailored to customer interaction situations. In recent years, we have been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



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

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

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



Coffee creamers

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



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

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

B-to-C original products

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



LOHACO Water

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



LOHACO Rice

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



Pet training pads

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

Message



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

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

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

toilet roll products.

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

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

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

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

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



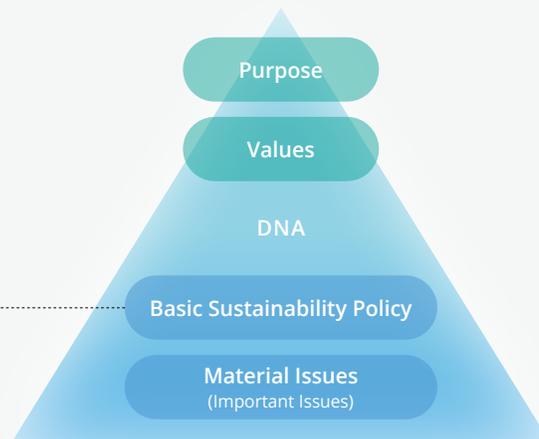
Scottie Flower Pack triple long-lasting toilet rolls

Promotion of Sustainability Management as a Unified Initiative with Our Businesses

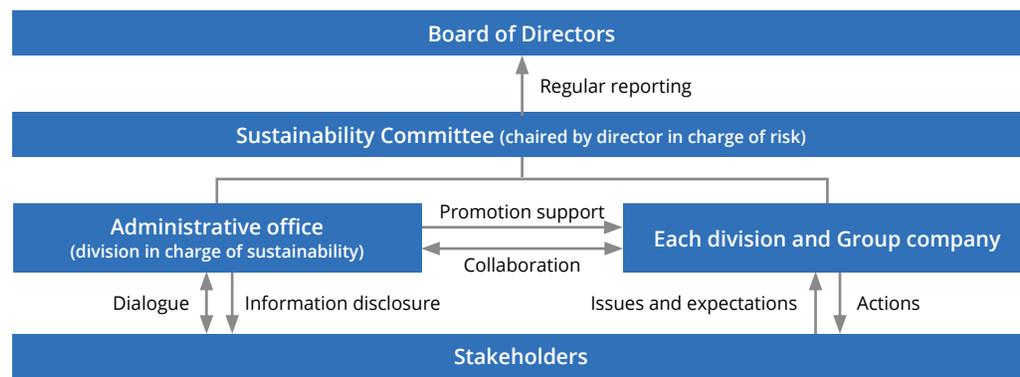
In December 2020, ASKUL formulated the Basic Sustainability Policy as a guideline for activities to realize a sustainable society and identified material issues (important issues). We are fulfilling our responsibilities for a sustainable society and for sustaining growth as a corporation by constantly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

Basic Sustainability Policy

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



CSR / ESG / Sustainability Promotion Structure



Material Issues (Important Issues) Identification Process

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

Identification Process

STEP 1 Identify and evaluate social issues, hypothesize stakeholder demands

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

STEP 2 Dialogue with stakeholders

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

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

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

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

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

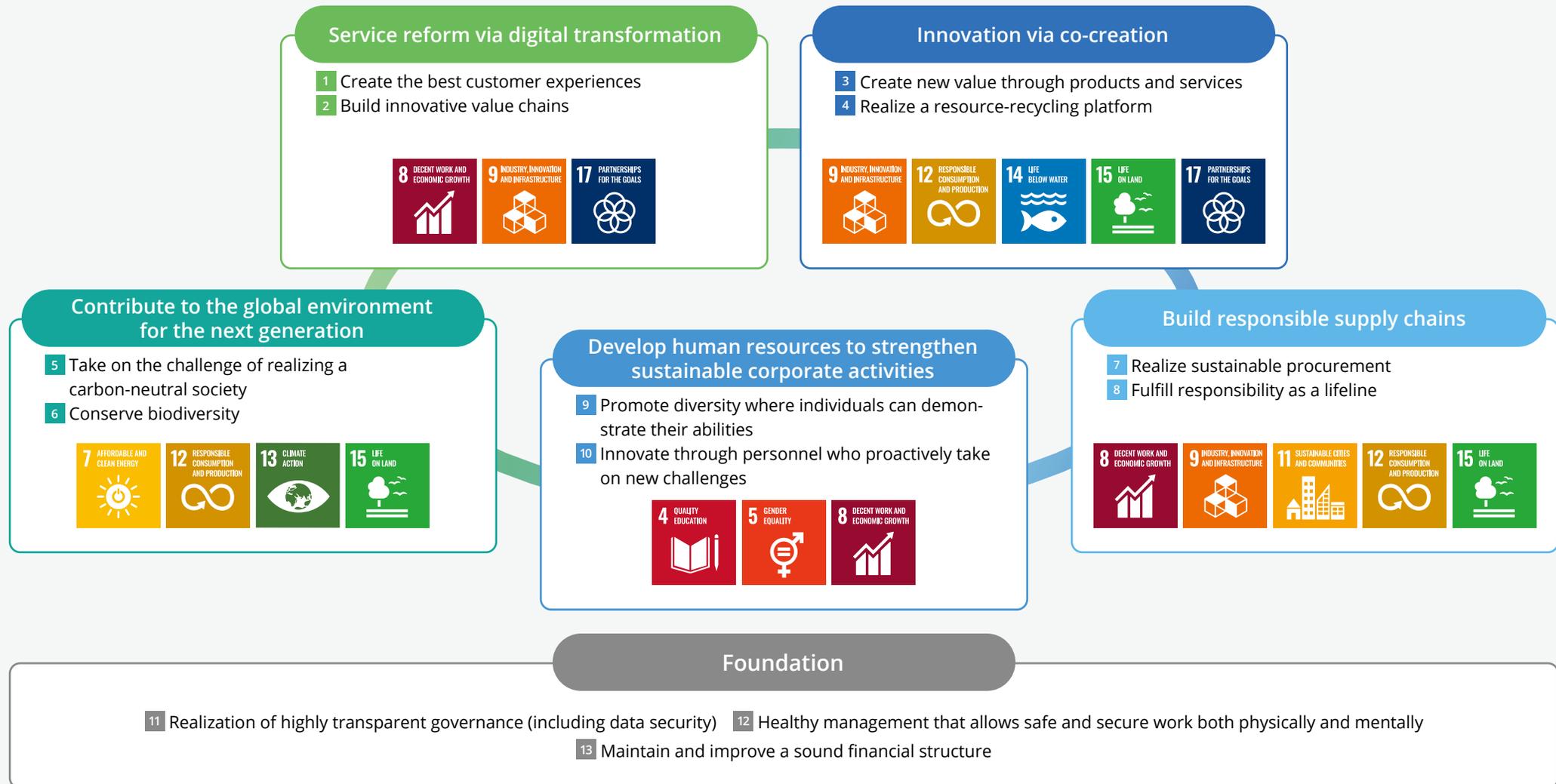
STEP 5 Review material issues (important issues)

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

List of ASKUL's Material Issues (Important Issues)

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

List of Material Issues and KPIs → P.93-95



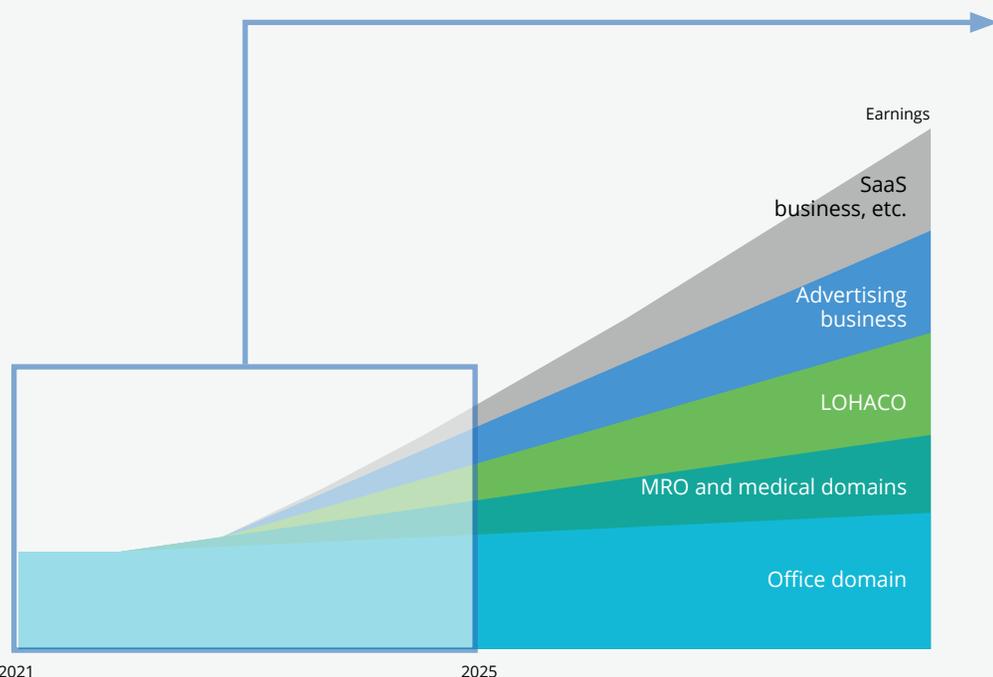
Medium- to Long-Term Corporate Aims

Transformation

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

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

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



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

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

Basic Policies

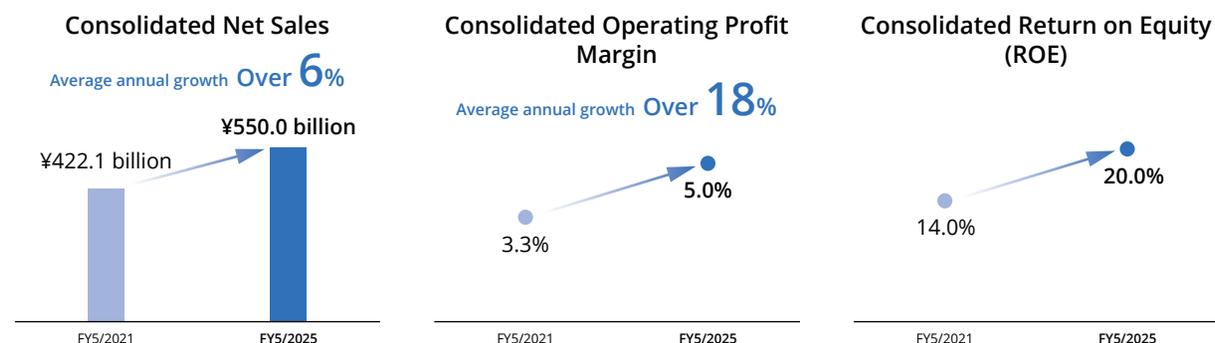
- Sustainable management
- Maximize customer value
- Transformation to a highly profitable model

Key Strategies

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

Management Indicators

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



Key Strategies 1 Strategic Areas and Expansion of Product Lineups

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

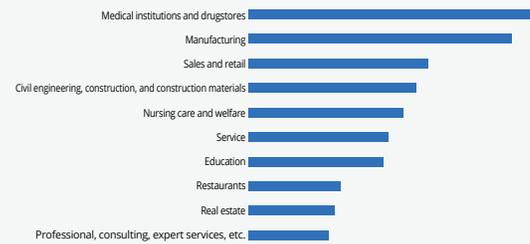
The medical domain, such as medical institutions and nursing care facilities, and the MRO domain, including manufacturers, are large markets that are considered growth markets, since e-commerce is poised to expand. Among the sectors with the largest number of registered B-to-B business customers at ASKUL,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

▶ E-commerce market growth potential



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

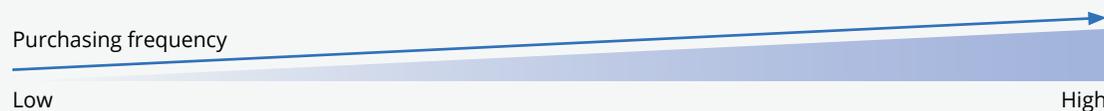
▶ Top 10 sectors for B-to-B business customer numbers*



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

Expansion of Product Lineups B-to-B Business

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



Topics

Group Strategy for Product Expansion



MRO category products

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



Products for the dental industry

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

Message



Ms. Emi Christine Niwa
Clinical Manager
dental associates ShikaYotsuya

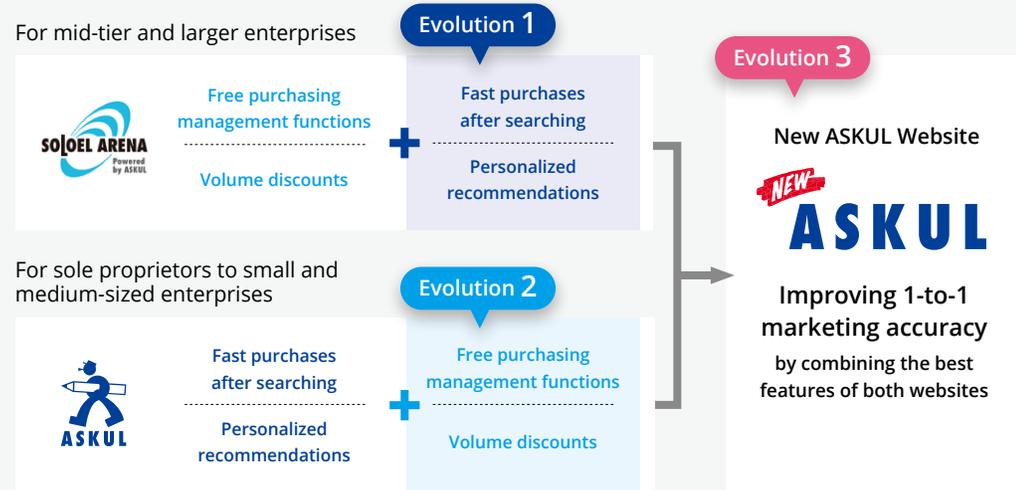
The advantage of using ASKUL is that, as the phrase "next-day delivery" suggests, what you need is delivered right when you need it, and the wide variety of products available gives you palpable freedom of choice as well. These days, opportunities to search for and purchase products online are gradually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

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

New ASKUL Website

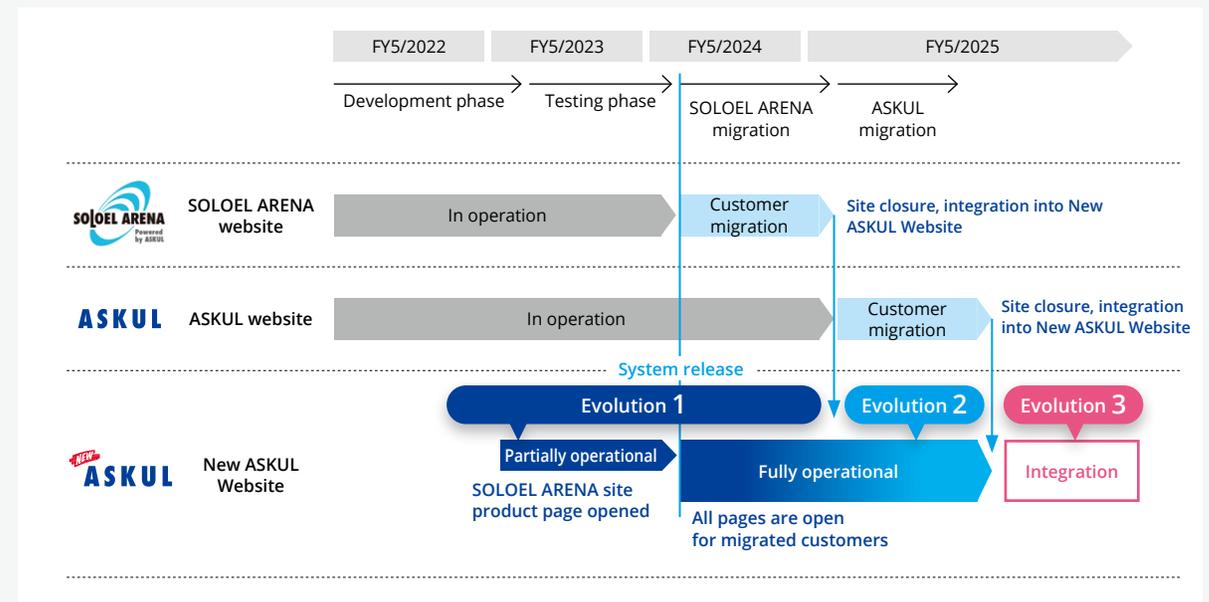
We aim for further sales growth by taking our two e-commerce sites, our ASKUL site for sole proprietors and small and medium-sized enterprises, and our SOLOEL ARENA website for mid-tier and larger enterprises, and merging them into one to provide convenient products and services to all working customers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

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



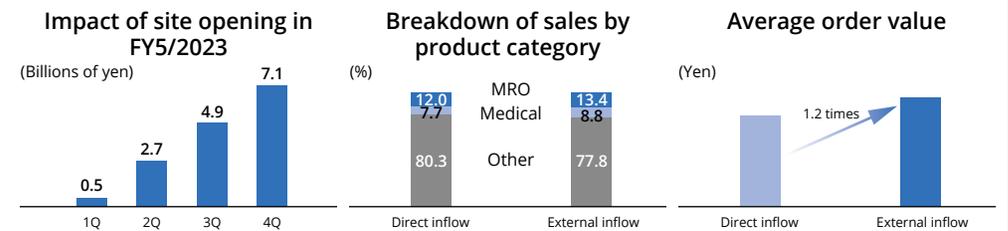
Schedule

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



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

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



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

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

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

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



Return to Growth through Store Integration **LOHACO**

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

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

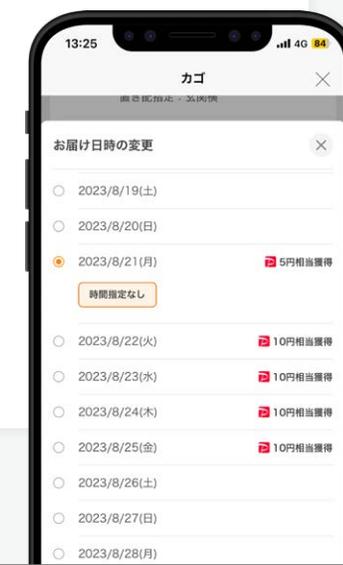
We will steadily move forward with renewed growth by improving the shopping experience for our customers and further increasing profitability.

Topic

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

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

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



Key Strategies 4 Reform Platforms

Distribution Center Structural Reform

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

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

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

* ASKUL Value Center

Streamlining Delivery through BC Integration

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

The first is to provide our in-house developed delivery management system "Torakkuru" to our delivery partners. B-to-C deliveries require a different level of service than B-to-B deliveries, which have high rates of successful deliveries on the first attempt and high-density delivery areas, such as being able to comply with designated delivery times and accept redelivery requests. By providing a delivery management system that fulfills these needs so that our delivery partners who previously only handled B-to-B deliveries will be able to perform B-to-C deliveries, we have increased the number of delivery partners able to offer refined services. As a result, mixed deliveries of B-to-B and B-to-C parcels are also increasing, thus boosting delivery efficiency.

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

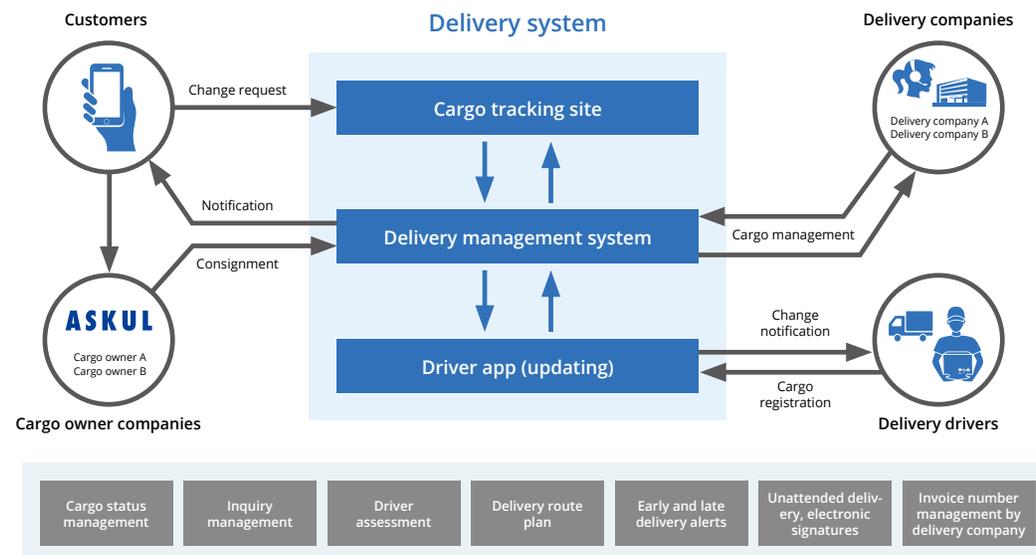
ASKUL Tokyo Distribution Center (DC)

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

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

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

Delivery management system "Torakkuru"



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

Key Strategies **4** Reform Platforms

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

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

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

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

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

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

Big data platform ASKUL-EARTH



Message



Kazuyuki Ikeda
Executive Officer, CDXO
Technology Unit

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

This evolution is made possible by three capabilities: 1) our ability to incorporate the latest technological in our businesses and services; 2) our technological capabilities for developing proprietary ASKUL technologies, such as developing algorithms that increase the efficiency of delivery routing, and developing user

interfaces that help customers quickly find the products they need; and 3) our ability to utilize data to quickly formulate and verify highly precise demand forecasting and digital marketing measures using large quantities of data on purchasing.

To achieve the goals in our Medium-Term Management Plan, we believe we must strengthen and improve these three capabilities in a balanced fashion across the entire Company, in addition to stepping up the hiring of highly specialized engineers and data scientists. The Company operates the ASKUL DX ACADEMY as a training program for reskilling all employees. We are particularly focusing on strengthening data utilization capabilities, and we provide data scientist training programs for all employees to teach them advanced ways to use the volumes of data held by ASKUL in their own work areas. Approximately 20% of employees have already taken the course, and they are leading the spread of DX using big data in each department throughout the Company.

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

Section 04 Management Foundation

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Roundtable Discussion with Outside Directors

Supporting Further Evolution and Innovation



Naomi Aoyama
Outside Director,
Independent Officer

Genri Goto
Outside Director,
Independent Officer

Yumiko Ichige
Outside Director,
Independent Officer

Kazuo Tsukahara
Outside Director,
Independent Officer

ASKUL's four independent outside directors discussed their assessment and expectations of the Company's corporate governance, the benefits of a parent-subsidary listing, and the role the outside directors should play in the future.

Linking ASKUL's Evolved Board of Directors and Corporate Governance to Further Innovation

Aoyama: Since becoming a member of the Board of Directors last fiscal year, I have felt that discussions at ASKUL's Board meetings are very dynamic. In the fiscal year ended May 20, 2023, the Company performed extremely well in terms of both net sales and profits as it worked to achieve the goals of its Medium-Term Management Plan. Upon joining the Quality Management Committee, which underpins the implementation of the Medium-Term Management Plan, I felt a great sense of admiration for how thoroughly the committee quantifies data in regard to products and services. In addition, I have a strong impression that the steadfast attitude of employees toward building service systems will lead to good results. I believe that ASKUL's performance is sustained by its corporate culture and its attitude of flexibility and steady improvement, rather than rigid approaches to KPIs.

Goto: I feel that many developments have taken place at the Company since I was first appointed outside director. Now, younger personnel are actively driving business forward, and as well as speaking out with a sense of responsibility, they have become the ones standing on the front lines of operations and uniting the Company. I recognize that the current Medium-Term Management Plan, under the new structure headed by president and CEO Akira Yoshioka, serves to create a foothold for the transformation of ASKUL going forward, while sustaining the policies of the past. I believe that the Company's deserves a great deal of praise for achieving its numerical targets, as well as for the fact that it has now established a system that will give shape to the next era.

Roundtable Discussion with Outside Directors

Ichige: While we are focusing on the Medium-Term Management Plan, I think it is worth mentioning that this is the first of its kind in ASKUL's history. It is my understanding that the plan was developed using a method of accumulating growth forecasts based on current figures. While the plan's numerical targets cannot be achieved without considerable effort, I feel that the various strategies for achieving them tell a convincing story. To date, the plan's strategies have been implemented in line with this story and steady results achieved. I would like to express my respect for the executive management team for their hard work in this regard. Their efforts to resolve the issue of turning LOHACO profitable are particularly praiseworthy. The challenge for the future will be how to position the LOHACO business moving forward. In other words, how the Company can combine its B-to-B and B-to-C operations to enhance corporate value. I would like the Company to periodically review the Medium-Term Management Plan with this challenge in mind and incorporate this way of thinking into the conception of future plans.

Tsukahara: I have two points I would like to add to what has already been said. The first, is that in March 2022, the Company appointed four executive officers, three of whom are women. Their appointment has added significant youth to the senior management team. A passage from the famous book *Built to Last: Successful Habits of Visionary Companies* introduces the concept of "first getting the right people on the bus." The appointment of officers is a decision based on the rejuvenation and diversity of human resources who are willing to ride together on the "bus" to achieving the Medium-Term Management Plan. After that decision was made, I felt that this "bus" gained remarkable speed. However, the four individuals in question were originally selected as a



demonstration of the Company's intention for them to become parties to the plan's aim of enhancing corporate value. One of the criteria for electing officers is either innovation or creativity, and I hope that the four executive officers will demonstrate even more innovation in their second and subsequent years.

The second point I would like to make concerns the acquisition of FEED Corporation. I believe that there is still a lot of room for growth in e-commerce, and that it is important not to just grow based on ASKUL's market position, but to engage in activities such as M&A that will enable us to envision steps to take a leap forward. I believe that this acquisition is one such step.

Aoyama: In the sense that there are a number of younger members, this is the first time for me to be a part of such a diverse Board of Directors. It is great to see that there so many female executive officers and that everyone actively exchanges opinions. I am keenly aware that it is extremely important, even at the director and senior management levels, to firmly ensure generational diversity and create an environment in which everyone can perform to the best of their abilities.

Ichige: In terms of diversity, the Company has set a fairly ambitious target of achieving a ratio of female managers of 30% by 2025. Achieving this target will require significant effort, but this is where we expect the executive management team to deliver. I believe that achieving a diverse environment in which women make up 30% of all members involved in decision-making, the most important undertaking in corporate



management, will be an extremely important theme going forward.

Goto: Diversity will also play a huge role in innovation. In addition to the development of in-house personnel, I believe that ASKUL can strengthen its ability to generate innovation and foster a new corporate culture by expanding efforts to secure personnel from outside the Company who can look at its operations more objectively and from a bird's-eye view.

Disruptive Innovation Will Create the Pillars of the Next Generation

Aoyama: I also think that diverse human resources will be a source of disruptive innovation. I believe that truly harnessing such diversity and generating innovation by bringing forth various new ideas will be extremely significant for ASKUL going forward.

Tsukahara: The 30th anniversary of ASKUL's founding was a symbolic event. After 30 years, companies often go bankrupt, downsize, or stagnate. I think it is necessary to take a nonlinear approach to considering what ASKUL needs to survive both in the near future and five or six decades from now.

Goto: I feel that the Company is experiencing a kind of an innovation dilemma. ASKUL has achieved a high level of perfection in its operations, so it is difficult for employees to initiate businesses that do not live up to the same level of perfection. It is important for ASKUL to understand that there are numerous opportunities to learn from failures, and that trying out new ideas is important.

Aoyama: Right now, with the rapid expansion of truly disruptive innovations in generative AI, workstyles may no longer simply be an extension of the past. In the field of mail-order sales, it is also possible that offices themselves may change dramatically. We, too, are in a

Roundtable Discussion with Outside Directors

now-or-never situation in which we must keep pace with this disruptive innovation and seriously consider what the Company can offer in this regard. In other words, we need to think of what kind of services and products the Company can provide, and to what kinds of customers.

Goto: From the standpoint of disruptive innovation, I believe the last time that ASKUL made a bold decision was in the launch of LOHACO in 2012. LOHACO was aimed at creating a completely new B-to-C service by leveraging ASKUL's logistics network and collaborating with Yahoo Japan Corporation. Generating innovation in such a fiercely competitive red ocean market will

require a considerable amount of energy from the Company as it forges ahead. However, I believe that overcoming this hurdle will enable the promotion of ethical e-commerce, which will serve as a pillar for future generations.

Creating Benefits from Parent-Subsidiary Listings by Building Relationships of Trust with a Sense of Urgency

Ichige: LY Corporation was established in October 2023. From the perspective of ASKUL and its general shareholders, the greatest benefit of this parent-subsubsidiary listing is the potential to enhance corporate value through synergies with the companies in question and the corporate groups they are part of. As outside directors, we must thoroughly consider what kinds of synergies we can achieve based on the new structure. In terms of conflicts of interest, a permanent Special Committee monitors the framework for day-to-day control of such conflicts, and if an extraordinary conflict of interest arises due to reorganization or other reasons, the committee will examine the situation from the perspective of general shareholders, express its opinions,



and disclose the necessary information. It is also important for other bodies such as the Nomination and Compensation Committee and the Board of Directors to properly discuss any potential strategic conflicts of interest and not lose sight the purpose of the parent-subsubsidiary listing. We also feel that there are benefits in terms of corporate governance synergies that emerge from the monitoring function performed by the majority shareholder. A good example of this is when, at the time of the acquisition of FEED Corporation, an outside director of Z Holdings Corporation (now LY Corporation) clearly analyzed the associated risks and empha-

sized the importance of the post-merger integration (PMI) process based on his diverse M&A experience. In other words, I believe that synergies are also being achieved in the area of risk management.

Aoyama: We are given many opportunities to engage in dialogue with the senior management and outside directors of ASKUL's major shareholders, which I believe has enabled solid communication. I am pleasantly surprised that we are given the opportunity to have our opinions heard on an equal footing, rather than in a hierarchical relationship. In that sense, I think that, even more so than corporate governance, one great benefit of the parent-subsubsidiary listing is that a platform for appropriate communication has been ensured.

Goto: I believe that within LY Corporation, ASKUL's commerce capabilities, including supply chain and logistics functions from product development to last-mile transportation, which the Company has been perfecting to date, have

been outstanding. On the other hand, ASKUL is not yet at the forefront of the digital domain, but I believe that robust synergies are emerging within LY Corporation in this regard.

Tsukahara: I believe that a relationship of trust that has a sense of urgency is key in a parent-subsubsidiary listing. In the relationship between ASKUL and LY Corporation, in addition to the role of ASKUL's Special Committee, ASKUL is independent in the selection of directors and Audit & Supervisory Board members in the Nomination and Compensation Committee, while giving due consideration to its parent company. I believe that the establishment of such a system and the results accumulated therein are necessary to maintain a sense of urgency.

Supporting Innovation and Leadership through the Strengthening of Corporate Governance

Tsukahara: As outside directors, we have to perform our functions at Board of Directors' meetings and in our respective committees. I personally believe that what is required of directors is an understanding

of the liberal arts, which I will keep in mind as I speak out at Board meetings. On the other hand, what is expected of outside directors is to provide knowledge and expertise in relation to corporate strategy and human resource management as specified in the skills matrix. Our most important role is to ensure the development of a succession plan that promotes innovative talent to management positions and to create the pipeline of talent that ASKUL needs to continue to grow. Furthermore, I would like to continue to contribute to faithfully promoting business development in line with the Medium-Term Management Plan.



Roundtable Discussion with Outside Directors

Goto: I am truly impressed by the fact that LOHACO, which operates in a business domain that I have been involved in for many years, has become profitable despite being under an extremely harsh business environment. As ASKUL's operations are getting closer to completion when looked at from a bird's-eye view, we must continue to refine their good points. At the same time, by unlearning some of the knowledge and skills from our successful experiences from the past, we will closely monitor activities geared towards generating disruptive innovation.

Aoyama: Corporate governance is a key element of a company and serves as the foundation of management. In my view, the ultimate goal of corporate governance is to enhance corporate value. With this in mind, I would like the outside directors to assume the responsibility of operating a Board of Directors that spends more time on growth

strategies. I believe that corporate governance is about a trade-on relationship, not an undertaking that inhibits innovation and leadership. It is an endeavor that underpins better innovation and better leadership. As such, I will strive to strengthen ASKUL's corporate governance to enable the Company to achieve further growth.

Ichige: We evaluate the effectiveness of the Board of Directors annually, and one of the remaining challenges in this regard is engaging in strategic discussions with a long-term perspective. In addition to discussing to what extent the Company can generate disruptive innovation in order to achieve significant growth in the future, the outside officers must add depth to various discussions and strengthen ASKUL's offensive and defensive measures from multiple perspectives, based on the premise that the Company will inevitably encounter unknown risks. To aid in strengthening of such measures, it is necessary to conduct training to raise the literacy of officers, on topics such as how industry restructuring will proceed through M&A, in addition to industry and technology trends. In addition, market capitalization and shared prices are important factors in the enhancement of corporate value, and dialogue with investors is becoming even more important as a precondition for this. In the future, I believe that it will be also necessary for outside directors to actively engage in dialogue with investors.



Comment from President Yoshioka Following the Roundtable Discussion

**I have high expectations for
ASKUL's outside directors to
contribute to achieving
long-term significance.**



I often use the analogy of a camera lens to describe the significance of outside directors. It is not uncommon to watch a video of your own golf swing and feel that there is a gap between what you see and your senses at the time. Corporate management requires receiving opinions from objective external parties, including through third-party evaluations, in line with new standards—in other words, global standards. I believe that these functions are indispensable for ASKUL to grow and that they will reduce the risk of going off the right path. Furthermore, I would like to ask the outside directors to be prepared to remove the president from office at any time, with the primary focus being on the enhancement of ASKUL's corporate value. There has to be an atmosphere of “harmonizing with others and never flattering others,” in which outside directors feel they can point out things to us, ASKUL, without deferring to us. Until now, our corporate governance structure has been in the development stage, but I would like to call on all of the independent outside directors to work hard in the future to unlearn knowledge and skills from past successes and catalyze the forming of new ideas to achieve disruptive innovation and long-term significance.

Message from Independent Outside Audit & Supervisory Board Members



Yoshitaka Asaeda
Outside Audit & Supervisory
Board Member,
Independent Officer

ASKUL celebrated the 30th anniversary of its founding in the fiscal year ended May 20, 2023. In a sense, the fiscal year ending May 20, 2024 marks the first year of a new era for the Company.

As Japan's economic strength remains lackluster, there is a limit to how much the Company's businesses can continue to contribute to enhancing corporate value solely by extending their current course. For ASKUL to sustain its operations for another 30 years, it needs to break the mold of conventional wisdom and innovate ideologically, dynamically, and with a results-oriented mindset.

To this end, it is necessary for the Company to take a certain number of risks and adopt an offensive approach. A mechanism (corporate governance) is also needed to guide the Company on how to understand, evaluate, and control said risks. I believe that

being a part of the mechanism of corporate governance is where our significance as Audit & Supervisory Board members lies.

As an Audit & Supervisory Board member, I would like to focus on whether those charged with execution duties and the Board members have a proper grasp of risks and whether those risks are being controlled in the decision-making process.

ASKUL Corporation is a listed subsidiary, but has established the Special Committee, of which I am a member, from the viewpoint of protecting minority shareholders. The Special Committee is responsible for monitoring the fairness of transactions with parties such as dominant shareholders in times of ordinary operation, and if a conflict of interest between dominant shareholders and minority shareholders arises, it evaluates the fairness and impartiality of such

transactions independently from the dominant shareholders and the Company's executive committee.

ASKUL aims to achieve ethical e-commerce. Ultimately, I believe that being ethical is about being a "good neighbor." On an individual level, good neighbors respect each other's individuality and help and care for each other. On an organizational level, good neighbors act with consideration for society and the environment. When this is well-established as the corporate culture, or brand, of an entire organization, it is appreciated and loved by customers and greater society, which leads to the enhancement of corporate value. To this end, corporate governance is essential for ensuring that a company continues to have the right ideas, and that those ideas manifest themselves in the right actions.



Miyuki Nakagawa
Outside Audit & Supervisory
Board Member,
Independent Officer

This year, which marks the 30th anniversary of ASKUL's founding, is my second year as an Audit & Supervisory Board member.

Over the past year, I have participated in Board meetings, Audit & Supervisory Board meetings, and Risk and Compliance Committee meetings.

At Board of Directors' meetings, outside directors actively share their views on agenda items and, at times, propose items that they feel should be discussed by the Board of Directors. As such, I believe that ASKUL's corporate governance structure is functioning sufficiently.

The Audit & Supervisory Board conducts interviews with executive officers to identify the issues facing each division and exchange opinions on how to resolve them. In addition, we collaborate closely with the Internal Audit Division to promptly and accurately respond to issues discovered during audits.

In a dramatically changing business environment, it is becoming increasingly important to strike a balance between risk-taking and risk control to enhance corporate value and establish a sustainable business model.

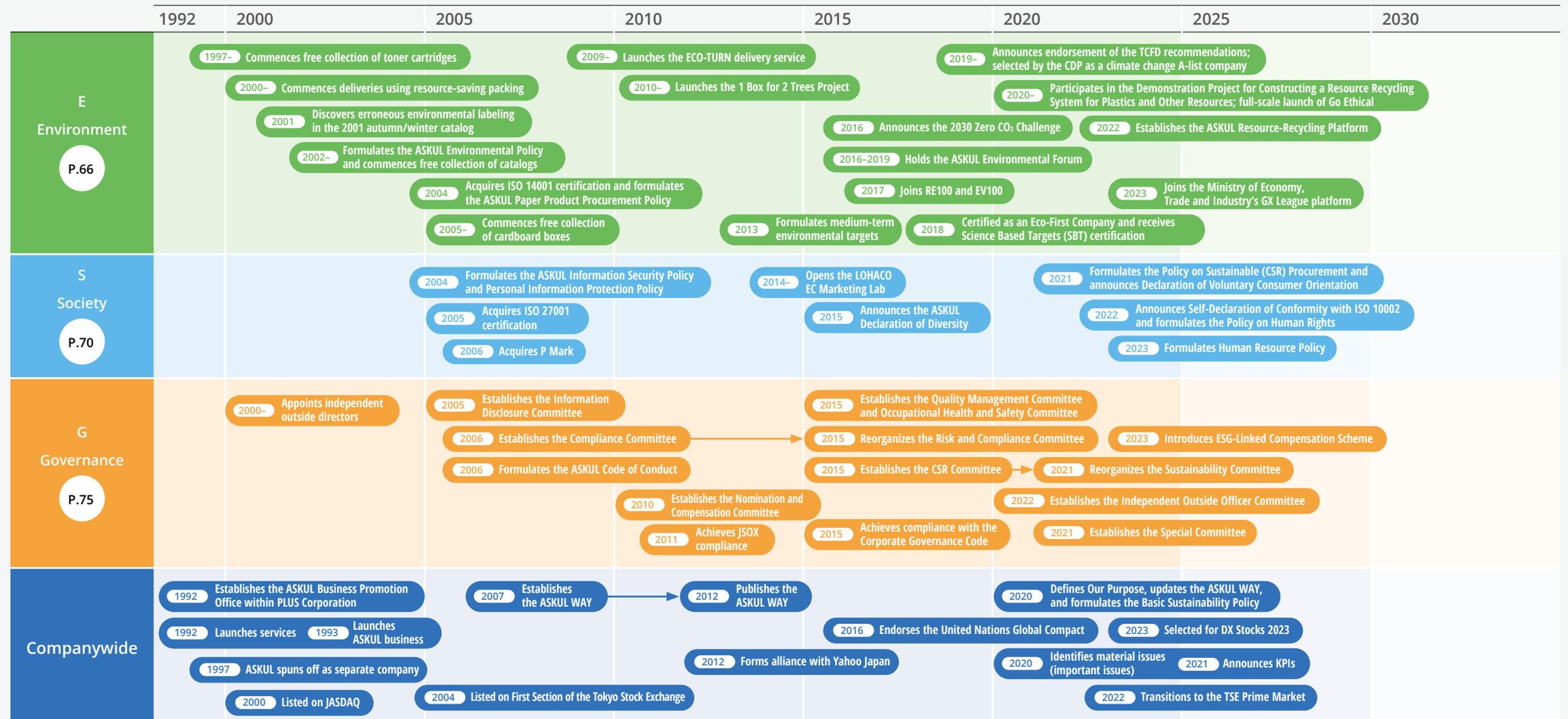
The fiscal year ended May 20, 2023 saw the expansion of Group companies, which included FEED

Corporation joining the ASKUL Group and the listing of AlphaPurchase Co., Ltd. Going forward, it will be necessary to further strengthen the functions of the corporate governance and auditing systems of the entire group.

In the fiscal year ending May 20, 2024, as an outside Audit & Supervisory Board member, I intend to work to expand and strengthen the auditing system not only for ASKUL itself but also for its subsidiaries.

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 passing on a better global environment to future generations through our business activities as a company that continuously brings delight to 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.

• Conserving 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.

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 natural forests 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 materials used in packaging products (a reference to the numerous packing materials included in deliveries) has led to resource-recycling initiatives aimed at conserving and more efficiently using resources.

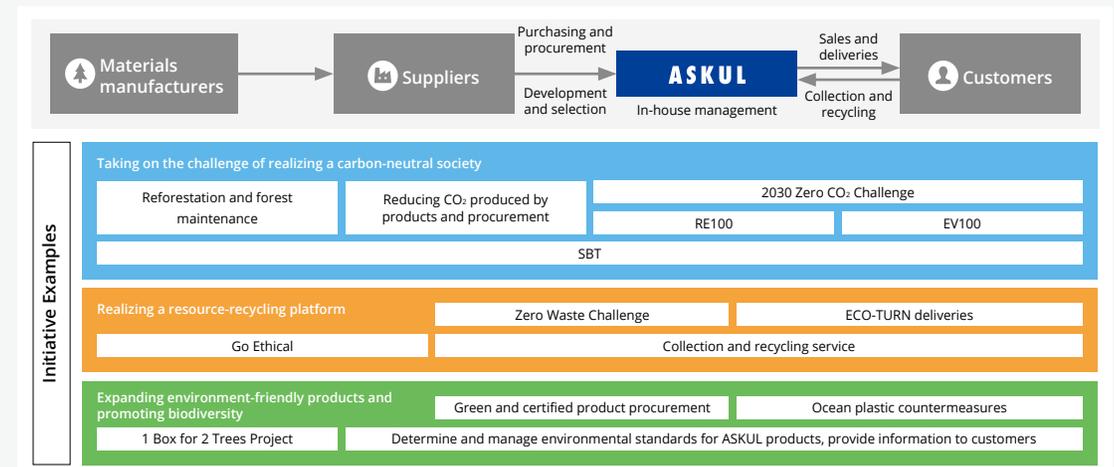


Environment-Friendly Products and Biodiversity

Erroneous environmental labeling has led to more accurate information management and a wider range of environment-friendly products, and the concerns of an environmental NGO about forest resources have led to sustainable procurement and biodiversity initiatives.

▶ ASKUL Eco-Platform

Our goal is to create the most efficient and environment-friendly distribution platform, for the increased positive environmental impact of using ASKUL.



▶ 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
Take on challenges to realize a carbon-neutral society	ASKUL Group 2030 Zero CO ₂	<ul style="list-style-type: none"> Achieve 2030 Zero CO₂ Challenge 2030 Advance reforestation and other CO₂ absorption efforts Provide environment-friendly delivery methods to customers 	<ul style="list-style-type: none"> 2030 Plan preparation in progress Plan preparation in progress
	Reduce CO ₂ emissions throughout supply chain	<ul style="list-style-type: none"> SBT goal: Reduce Scope 3 CO₂ emissions 12% Complete visualization of product CO₂ and reduction contribution calculations 	<ul style="list-style-type: none"> 2030 2025
Realize a resource-recycling platform	Realize and implement resource-recycling services	<ul style="list-style-type: none"> Create, launch, and expand resource-recycling services 	<ul style="list-style-type: none"> 2025
	Zero Waste Challenge	<ul style="list-style-type: none"> Achieve zero product waste 2030 Achieve 100% recycled packing materials* 	<ul style="list-style-type: none"> 2030 2030
Conserve biodiversity	Expand number of certified products handled	<ul style="list-style-type: none"> Expand certification of wood and paper products 	<ul style="list-style-type: none"> Plan preparation in progress
	Implement ocean plastic pollution issue countermeasures	<ul style="list-style-type: none"> Cooperate with municipalities in collecting ocean plastic 	<ul style="list-style-type: none"> Plan preparation in progress

* 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.93-95](#)

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

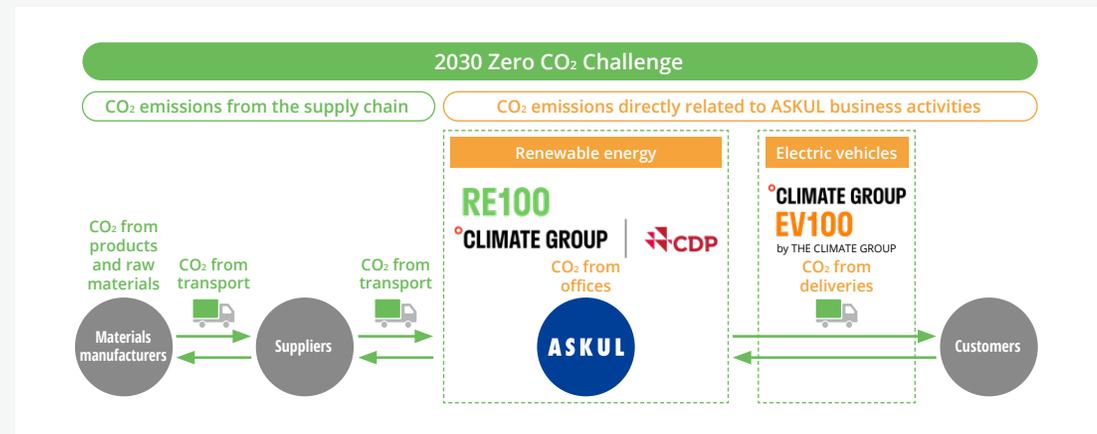
▶ EV100

• 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

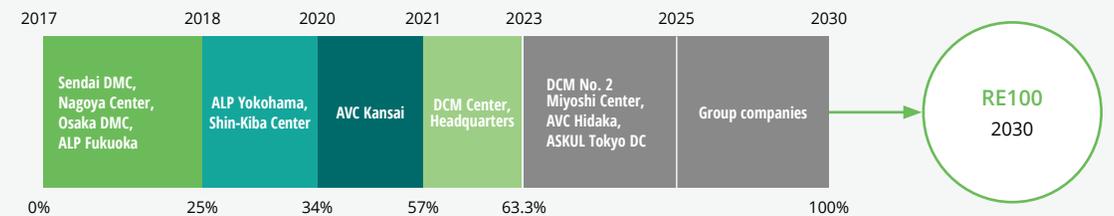


Introduction of Renewable Energy

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

As of the end of May 2023, eight distribution centers and the Toyosu Headquarters had converted to renewable energy, bringing the Group's overall renewable energy usage rate to 63.3%.

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 shipping 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 Truck and Bus Corporation eCanter
Right: Mitsubishi Motors MINICAB MiEV



Response to TCFD Recommendations

Information Disclosure Based on the 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 division heads from each business, 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 comprise 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 below 2°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	-	○
		Regulations	• Higher product costs in line with regulatory compliance and material switchovers	-	●
	Products and services	Changing customer orientation	• Low product costs prioritized over environmental performance	●	-
	Technologies	Low-carbon technologies	• Higher vehicle procurement costs	-	○
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	○	○
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	-	○

● 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.

 ESG Data Collection

Environment-Friendly Products and Initiatives Related to Forest Resources

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 (GPN) 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 approximately 34,000 products listed in *ASKUL Catalog 2023*, about 14,000 items are green products.

▶ Forest-Certified Products

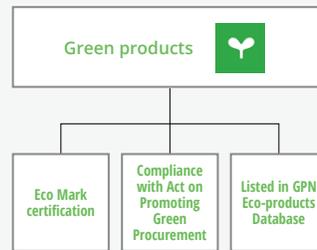
ASKUL makes an effort to develop and handle forest-certified products, having acquired FSC CoC certification* in June 2005 and PEFC CoC certification in May 2010. As a seller of paper and wood products, we are expanding our range of forest-certified products to promote responsible procurement. At present, 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.

▶ 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.

Initiatives Related to Forest Resources

▶ Tsumagoi Village Forest Maintenance Agreement

In August 2023, ASKUL Corporation, Tsumagoi Village, and TSUMAGOI MEISUI CORPORATION signed a joint agreement to engage in forest maintenance in Tsumagoi Village, Agatsuma-gun, Gunma Prefecture.

In recent years, social concern about water resources has increased and there is a need for forests to absorb CO₂ and restore biodiversity. In addition, since ASKUL sells groundwater obtained by TSUMAGOI MEISUI as mineral water, the Company has decided to participate in the forest maintenance of Tsumagoi Village.

Through these activities, we hope to improve water source cultivation and contribute to conserving and restoring natural resources in Tsumagoi Village. We will continue to engage in activities to realize a sustainable society through dialogue and cooperation with municipalities, local communities, and private companies.

▶ 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 220.14 million trees
 October 2010–August 2022



Industrial Reforestation Report

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

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



ASKUL

Shareholders and investors



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.74
Shareholders and investors	<ul style="list-style-type: none"> ▶ Annual General Meeting of Shareholders ▶ Earnings announcements and retail investor briefings
Partner companies (business partners)	<p>Suppliers</p> <ul style="list-style-type: none"> ▶ Product quality improvement efforts ▶ Promotion of sustainable procurement and conducting of CSR procurement and auditing P.71 <hr/> <ul style="list-style-type: none"> ▶ LOHACO EC Marketing Lab
	<p>Agents (sales agencies)</p> <ul style="list-style-type: none"> ▶ Agent conferences ▶ ASKUL Agent Awards
	<p>Delivery partners</p> <ul style="list-style-type: none"> ▶ Delivery Partner Awards ▶ White Logistics* initiative P.72-73
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.71
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

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 were codified in the formulation of the ASKUL Group Policy on Human Rights in February 2022.

▶ 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
- Dialogue 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 2023)

Municipalities	Main bases and areas	Overview
Edogawa Ward, Tokyo	ASKUL Tokyo DC and other locations	• Cooperation with provision of relief materials (fee-based) • Procurement of relief materials (ASKUL)
City of Chiba	Citywide	• 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)

Strengthening Human Capital

Human Resource Policy We expect employees to learn and challenge themselves based on their shared understanding of the ASKUL WAY, to co-create with individuals with diverse personalities, and to create new value. In turn, we will fairly reward employees for their achievements and actions.

ASKUL WAY / Our Purpose, Values, and DNA

Companywide strategy

Overview of our human resource strategy

Human resource development to support sustainable corporate activities



Healthcare and work environment

Initiatives through 2030

ASKUL has put forth the development of human resources to support sustainable corporate activities one of its material issues, and is promoting diversity where individuals can demonstrate their abilities and to innovate through personnel who proactively take on new challenges, as well as focusing on creating a foundation for healthy management that allows safe and secure work both physically and mentally.



Promote diversity where individuals can demonstrate their abilities

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.

Cultivating a corporate culture and awareness for realizing Diversity and Co-Creation and Innovation and Speed

Promoting the advancement of women and measures for improving the ratio of female managers

- ▶ Announcement of the “2530” target (30% women in managerial positions by 2025)
- ▶ Development of next-generation leaders, including executive officer candidates

Providing opportunities for self-realization and support for career development

- ▶ Lifestyle support leave system: Employees can utilize educational support leave, volunteer support leave, and second life support leave
- ▶ Employee-selected workstyle system: Employees can work until the age of 70 in accordance with the days of the week and business hours selected by the employee at age 60

Supporting work-life balance

- ▶ Nursing care leave and shorter working hours for nursing care systems: 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 / Introduction of childcare at birth leave system for new fathers
- ▶ Shorter working hours for childcare system: Can be utilized until April 20 of the fourth year of elementary school
- ▶ ASKUL Thanks Holiday: Special paid leave can be taken for five or 10 days after working continuously for five or 10 years, respectively

Flexible Workstyles

Workstyles independent of time and location

- ▶ 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 digitalization of approval seals and the expansion of online meeting facilities

Strengthening Human Capital



Innovate through personnel who proactively take on new challenges

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.

Human resource development meeting (held twice a year)

This meeting provides a forum for discussion on strategic personnel placement and systematic human resource development with the aim of realizing management strategies.

Development of digitally literate personnel

As of May 20, 2023, 18.6% of all employees have completed the Data Science Course, which is part of the ASKUL DX ACADEMY. We aim to achieve a graduation rate of 30% by May 20, 2025.

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.

Dual employment (secondary work outside the company)

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.

Promotion of independent learning

We support each employee to think about the skills they will need in the future and to learn independently.

- ▶ Learning support system
- ▶ ASKUL DX ACADEMY

Line Yahoo (LY) Academia / Sustainability Academia

LY Academia, a corporate university for LY Corporation and its group companies, aims to realize business growth and synergies through the gathering and exchange of knowledge. Sustainability Academia, which opened in May 2022, aims to balance social and corporate sustainability through literacy improvements and other efforts.

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.

Others

- ▶ Career design training
- ▶ ASKUL WAY Award (in-house award system)
- ▶ Level-, specialization-, and theme-based training
- ▶ Seminars (nursing care, financial planning, etc.)



Healthy management that allows safe and secure work both physically and mentally

Creating an environment in which employees can work with peace of mind and good mental and physical health is the foundation for continuing to bring delight to our customers. ASKUL implements health and productivity management while flexibly responding to changes in workstyles.

Health and safety and health management systems

- ▶ Establishment and appointment of a chief human relations & healthcare 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

Creating a safe, secure, and comfortable work environment

- ▶ 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
- ▶ Masks, disinfectant, and antiseptic mouthwash are always available throughout the Company

Initiatives for enhancing employee engagement

- ▶ One-on-one (growth) meetings
- ▶ 360-degree feedback
- ▶ CEO town hall meetings
- ▶ Engagement surveys
- ▶ Club Activities/Supporter Program

Mental and physical care for employees (health management)

- ▶ 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
- ▶ 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
- ▶ Wellness Room: Employee acupuncturists and practitioners of moxibustion are available for low-cost massages



CEO town hall meeting

Seasonal decorations and trees help to spark communication

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

(Self-Declaration of Compliance with ISO 10002)

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

In the fiscal year ended May 20, 2023, the first year after the declaration, we strengthened our training for customer service and strived to foster a culture in which customer feedback is further linked to the improvement and evolution of our products and services.

Improvement Activities Based on Customer Feedback

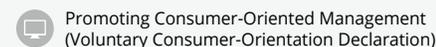
ASKUL regards the quality of its customer service as a key management indicator. We hold a Quality Management Committee meeting every month, attended by the president and CEO and other members of management, to discuss quality improvements. Among the issues discussed, those deemed most important are 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 through Product Requests. ASKUL also created the VOC Portal website to provide customer feedback on issues in various areas. In the fiscal year ended May 20, 2023, we held a VOC seminar, inviting lecturers from other companies to present examples of improvement activities implemented by other companies based on customer feedback.

Voluntary Consumer-Orientation Declaration

Having endorsed the Consumer-Oriented Management initiative promoted by the Consumer Affairs Agency, we formulated and promote efforts under the ASKUL Voluntary Consumer-Orientation 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." In January 2023, Go Ethical, our initiative to eliminate waste loss in the world and deliver savings to consumers and businesses, jointly received the Consumer Affairs Agency Director General Award along with 20 suppliers.

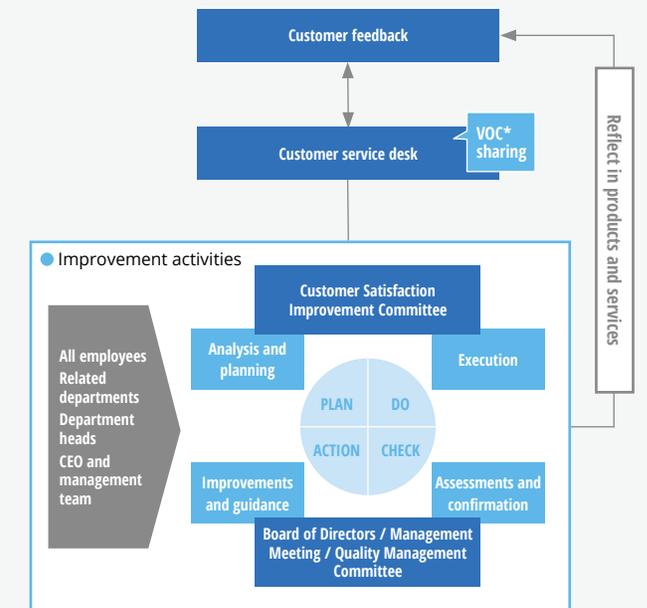


Promoting Consumer-Oriented Management (Voluntary Consumer-Orientation Declaration)



Received the Director-General Prize at the Consumer Affairs Agency's Consumer-Oriented Business Excellence Awards 2022

PDCA Cycle Based on Customer Feedback



* VOC: Voice of customer



Directors and Audit & Supervisory Board Members (as of October 31, 2023)



Yoshitaka Aŕaeda*

Kazuo Tsukahara*

Shinichi Hokari

Akira Yoshioka

Yumiko Ichige* (seated)

Genri Goto*

Toshio Imamura

Tadahisa Imaizumi (seated)

Naomi Aoyama*

Tsuhiro Tamai

Katsuhiro Kawamura

Hironori Koshimizu

Miyuki Nakagawa* (seated)

*Independent outside officer

Directors and Audit & Supervisory Board Members (as of October 31, 2023)

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, CTO*4
Executive Officer of EC Product Unit



Yumiko Ichige
Outside Director, Independent Officer
Important Concurrent Positions
• Partner, Nozomi Sogo Attorneys at Law
• Outside Audit & Supervisory Board Member, Idemitsu Kosan Co., Ltd.
• Outside Director and Audit & Supervisory Board Member, Hitachi Astemo, 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



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



Tadahisa Imaizumi
Part-Time Director
Important Concurrent Positions
• President and Chief Operating Officer, PLUS Corporation



Hironori Koshimizu
Part-Time Director
Important Concurrent Positions
• General Manager, Commerce Company Business Promotion Unit, LY 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
• Representative, Kousui Law Office
• Outside Director, NITTO KOGYO CORPORATION

• Outside Director, Nissan Chemical Corporation
• Outside Audit & Supervisory Board Member, FANCL CORPORATION
• Outside Audit & Supervisory Board Member, Shinsei Bank, Limited

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

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.

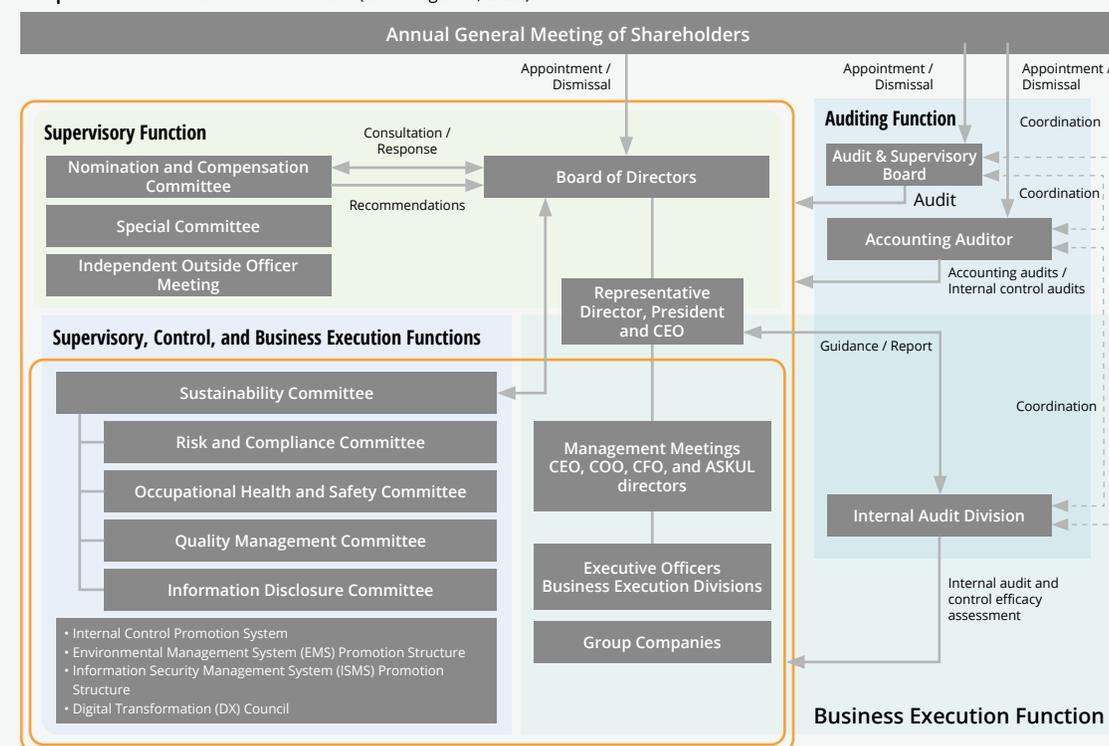
Audit & Supervisory Board Composition and Accounting Auditor

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, 2023)





Corporate Governance

Current Committee Compositions

As of August 4, 2023

Committee name	Directors										Audit & Supervisory Board members			Executive officers and other members	Overview and activities	Number of meetings in FY5/2023
	Akira Yoshioka	Tsuguhiko Tamai	Katsuhiro Kawamura	Shinichi Hokari	Yumiko Ichige	Genri Goto	Kazuo Tsukahara	Neomi Aoyama	Tadahisa Imaizumi	Hironori Koshimizu	Toshio Imamura	Yoshitaka Asaeda	Miyuki Nakagawa			
					Outside Independent	Outside Independent	Outside Independent	Outside Independent	Part-time	Part-time		Outside Independent	Outside Independent			
Supervision	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.)	14
	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)	3
	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)	4
Supervision, control, and execution	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
	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
	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.
Execution	Management Meeting	◎	○	○	○									□	Chaired by the president and CEO, these meetings are held to carefully examine and decide on proposals related to business execution.	36

◎ Chair ○ Member ■ Advisor □ 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, 2023

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.
Katsuhiko 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, CTO			●					●			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).
Yumiko Ichige Outside Director	Outside Independent	●						●	●	●	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	Outside Independent	●	●	●	●			●			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	Outside Independent	●				●			●		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	Outside Independent	●	●	●							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 Part-Time Director	Part-time	●							●		Mr. Imaizumi strives to ensure management stability by strengthening relationships with major shareholders, and 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.
Hironori Koshimizu Part-Time Director	Part-time		●						●		Mr. Koshimizu has been appointed for his potential to create Group synergies owing to his high level of expertise and corporate management experience in the fields of internet business and e-commerce, as well as his past responsibilities at the Company.
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	Outside Independent					●	●				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, has served as an outside director and outside audit & supervisory board member in several companies to date.
Miyuki Nakagawa Outside Audit & Supervisory Board Member	Outside Independent	●								●	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 comprises entirely 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 resolution at the Board of Directors.

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 members to dedicate sufficient time to fulfilling their responsibilities as an ASKUL Audit & Supervisory Board members.

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, its parent company, or subsidiary executive officers, directors, or Audit & Supervisory Board members
- E Major ASKUL shareholders
- F ①Close relatives of persons described in A-E, ②ASKUL, its 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 has formulated the 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.

Corporate Governance Report: Policy on Ensuring Shareholder Rights and Equality

Stocks Held for Strategic Purposes

ASKUL has formulated and manages the Policy on Ensuring Shareholder Rights and Equality, and as of May 20, 2023, 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.

Basic Policy on Information Disclosure and Dialogue with Shareholders

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
 - Comprises 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 the 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 September 2023)

Corporate Governance

Evaluating the 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 annually since 2015, targeting all directors and Audit & Supervisory Board members.

▶ Evaluation Method and Process

The latest evaluation was conducted by questionnaire in April 2023 and, based on the results of questionnaire analysis and other factors, we evaluated the overall effectiveness of the Board of Directors.

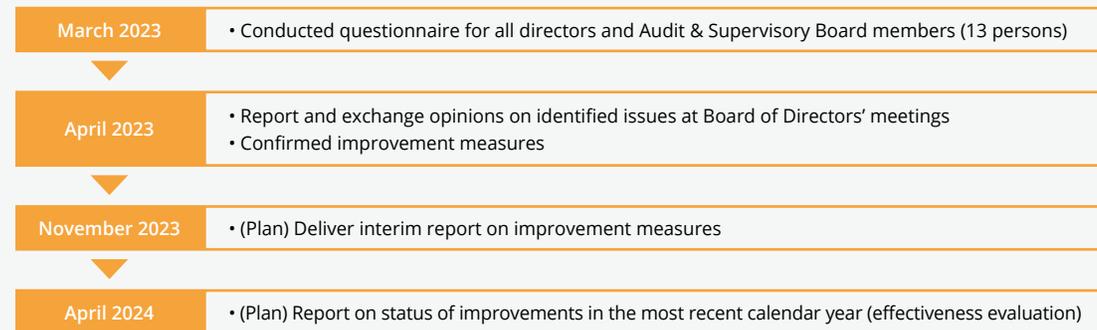
The questionnaire includes multiple questions on each of the following items to assess the effectiveness of the Board of Directors, with responses rated on a five-point scale. Multiple-choice answers and space for free comment is provided for each item.

By having directors include their names on the questionnaire, the Company aims to stimulate discussions at Board meetings and conducts analysis and evaluation according to the attributes of the Board members (inside and outside directors and Audit & Supervisory Board members).

Main Questionnaire Items (approximately 40 questions)

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

Evaluation Process from Fiscal 2023–Fiscal 2024



▶ Issues identified in the previous evaluation and progress of measures taken

- The Board expressed a desire for feedback on the opinions and issues raised by outside directors. The list of issues addressed is updated at the end of each Board of Directors' meeting, and internal measures are being promoted in cooperation with relevant departments.
- The Board expressed its wish to promote the distribution of materials prior to meetings to enable sufficient discussion of particularly important issues. Measures have been taken to expedite the advance distribution

of materials, including the simplification of the materials themselves. The sharing of meeting minutes has been brought forward to enable Board members to review the details and results of discussions.

- The Board expressed its desire to conduct observation visits to the Company's distribution centers to promote understanding of the logistics business.

Visits were made to ALP Yokohama and AVC Kansai in 2021 and 2022, respectively, and visits to ALP Fukuoka and Tokyo DC are planned in the fiscal year ending May 20, 2024.

▶ Results of the effectiveness evaluation

In the latest evaluation (April 2023), the Board of Directors was found to be effectively fulfilling its responsibilities and roles in light of the following: 1) the Board comprises diverse members and is capable of ensuring effective and appropriate management oversight functions with checks from independent outside officers; and 2) the Board engages in dynamic and constructive deliberations by utilizing the knowledge and experience of each Board member.

▶ Issues identified and measures for improvement

Opinions and issues extracted from the questionnaire results, as well as initiatives and policies for addressing and improving upon each issue, are listed below.

- Members requested that sufficient time be set aside for deliberations, and that time be allocated for discussions on growth strategies and other issues. In response, the following improvements will be made.
 - A regular pre-briefing time will be scheduled, and separate discussions held depending on the topic at hand.
 - Opportunities will continue to be provided for the Board of Directors to deliberate on strategic matters without the need to reach conclusions.
 - Time will be allocated to agenda items according to their importance to ensure that sufficient time is available for discussion.
- While some Board members commented that the ratio of independent outside directors to directors is well-balanced, others said that a majority of the Board should comprise outside directors. At the Board of Directors' meeting where the results of the effectiveness evaluation were reported, opinions were exchanged from the perspective of controlling conflicts of interest in listed subsidiaries and making appropriate decisions on investment criteria and investment strategies for investors, and discussions will continue at Nomination and Compensation Committee meetings and the Independent Outside Officer Meeting.
- A forum will be provided for the Board to discuss other matters related to the nomination and compensation of officers as reports are received from the Nomination and Compensation Committee, thereby enhancing discussions on such matters at Board meetings.

▶ Future measures and schedule

Going forward, an interim report will be delivered at the Board of Directors' meeting in November 2023 to confirm and discuss progress made in regard to the abovementioned improvement policies in the first half of the fiscal year and outline plans for measures to be taken in the second half of the fiscal year.

For the next effectiveness evaluation, scheduled to take place in spring of 2024, we will consider evaluation methods that involve independent officers and the enlisting of a third-party organization to establish a system that can guarantee greater objectivity. We plan to report on this at the Board of Directors' meeting in April 2024, along with a summary of the current fiscal year's effectiveness evaluation.

Corporate Governance

Topic

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

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

Monetary Compensation

Comprises basic compensation as fixed-portion (monthly compensation) and performance-linked compensation as follows:

- 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

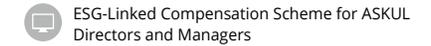
Non-Monetary Compensation

Restricted Stock Compensation (with 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 the sustainable enhancement of the Group's corporate value, ASKUL makes the achievement of certain performance conditions a requirement for the lifting of transfer restrictions. From the fiscal year ending May 20, 2024, in addition to the previous restricted stock compensation (with performance provisos), additional restricted stock compensation (with ESG provisos) will be granted in order to further ensure the effective achievement of ESG goals.

Introduction of an ESG-Linked Compensation Scheme



In August 2023, ASKUL introduced a stock compensation scheme that makes the achievement of ESG indicators a requirement for the lifting of transfer restrictions for managers and other employees at the level of general manager or above, including ASKUL directors and executive officers, to increase the effectiveness of efforts to address ESG issues.

The Company has adopted four criteria (five, including governance, for directors) related to its material issues (important issues) for ESG indicators.

▶ 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;"> Provisos for the lifting of transfer restrictions Performance provisos: Achievement of either consolidated net sales or consolidated operating profit targets ESG provisos: Achievement of the ESG indicators set by the Company </div>	3 (3.3%)
Monetary Compensation	② Performance-linked compensation (Variable portion) (Remitted as an executive bonus)	A Annual performance target achievement level × 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 		24 (22.7%)
	① Basic compensation (Fixed portion) (Remitted as monthly compensation)	Determined individually based on market levels and expected role			

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

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

85% 100% 115%

* Actual performance in fiscal 2023

▶ Outside Director and Outside Audit & Supervisory Board Member Compensation

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

Corporate Governance

Group Governance

▶ Approach and Policy on Group Management

The Company has a listed subsidiary, and the Group's basic policy regarding group management is to strengthen group strategies with federal management to solve social issues, and in accordance with this basic policy, the Group will ensure that individual corporate entities have freedom in their management, share a mission to solve social issues, and moreover, will build a governance structure to achieve this goal and provide the highest value to various stakeholders through the collective strength of the Group.

▶ Measures to Ensure the Effectiveness of Governance Systems of Listed Subsidiaries

The Company recognized that it is important for the listed subsidiary to enhance its corporate value over the medium to long term and to maximize the common interests of all shareholders, including minority shareholders and the Company, and with this perspective in mind, the Company decides to exercise voting rights for each proposal of the listed subsidiary.

In addition, the Company has established the Affiliated Companies Management Regulations for the purpose of management of investees, etc., and requires prior approval or reporting to the Company regarding important decisions made by subsidiaries, including affiliated companies, etc. However, the Company does not require prior approval of listed subsidiaries that would affect the independence of such listed subsidiaries, and makes effort to ensure that it does not unfairly restrict the decision-making of each company.

In the unlikely event that a difference of opinion arises between the two companies with respect to any proposals, the Company will promptly cooperate with independent officers of listed subsidiary AlphaPurchase Co., Ltd., and make the final exercise of voting rights from the perspective of protecting minority shareholders. The Company believes that communication between the two companies is extremely significant in order to prevent differences in policies and views and conflicts of opinion. In addition to nominating one officer or employee of ASKUL as a candidate for director, the Company will promote regular dialogue between the two CEOs, communication between senior management, and close communication with each other down to the administrative level in the Corporate Planning Division, aiming at maximizing synergies.

▶ Significance of Having Listed Subsidiaries

The significance of the Company having listed subsidiaries is as follows. The Company believes that the listed subsidiaries, while being evaluated in the stock market, should be able to maintain good relationships with their customers, business partners, employees, and other stakeholders and engage in their businesses, and that autonomous management taking into consideration the interests of minority shareholders will contribute to the growth of each company's business and enhancement of its corporate value, and ultimately to the enhancement of the overall corporate value of the Group.

AlphaPurchase Co., Ltd.: Engages mainly in the MRO business for B-to-B business and facility management (FM) business. As the use of internet mail-order sales has been expanding in Japan, the Company believes that while maintaining the independence and autonomy of the company as a listed company, collaborating with other Group companies as a member will contribute to the enhancement of the overall corporate value of the Group.

▶ LY Corporation, the Company's Other Affiliated Company

LY Corporation, the Company's other affiliated company, holds 45.0% of the voting rights of the Company; however, the company respects the fact that the Company operates as an independent listed company maintaining independence in its business operations, and although there are some concurrent director positions and acceptance of dispatched directors from the company as described below, the number of such positions is small. Since LY Corporation holds 45.0% of the voting rights of the Company's shares, the Company is included in the scope of consolidation of the company under International Financial Reporting Standards (IFRS). The Company has approved such a situation on the premise of enhancing value for all stakeholders (customers, shareholders, business partners, and employees) and maintaining independence of business operations as a listed company.

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, and is 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.

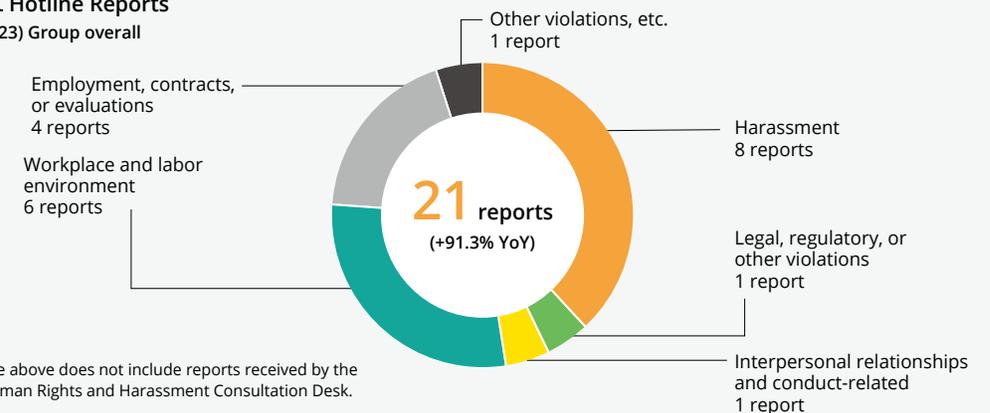
ASKUL employees can use the ASKUL Hotline, which is separate from regular business lines, to report or inform in the event they discover inappropriate conduct, such as violations of laws and regulations, as well as violations of the duty of confidentiality or unfavorable investigation or treatment of 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 resources, 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 (FY5/2023) Group overall



Note: The above does not include reports received by the Human Rights and Harassment Consultation Desk.

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 significant 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"> Occurrence of more widespread and serious natural disasters than anticipated, such as a Nankai Trough earthquake, large-scale outbreak of infectious diseases, damage from fires and other disasters, supply chain fragmentation, etc. Risks related to the business continuity of partner companies 	<ul style="list-style-type: none"> Establish multiple bases handling orders and inquiries and several distribution centers Conduct ongoing review of business continuity plan Conduct periodic inspections of fire prevention equipment and management structure enhancements Maintain good relationships with partner companies
3 Changing global conditions, including wars, economic sanctions, 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 P.87 .	
7 Reputation risk associated with violations of laws and regulations and failure to adapt to social demands	<ul style="list-style-type: none"> ① Compliance violations (violations of laws and regulations, fraud, etc.) ② Insufficient or unsuccessful responses and efforts related to social issues ③ Serious internal control deficiencies and additional costs 	<ul style="list-style-type: none"> Formulate and ensure thorough compliance with the ASKUL Code of Conduct (Code of Ethics and Conduct) Create and manage compliance systems and mechanisms Ensure an appropriate understanding of education and awareness activities, legal reforms, and other issues, implementing 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 / failure to adapt to changing business environment	<ul style="list-style-type: none"> Delayed business model transformation, customer defection Delayed response to legal and institutional changes 	<ul style="list-style-type: none"> Develop human resources to promote innovation and transformation, introduce and develop human resource evaluation systems Early detection and timely response to legal and institutional changes

* 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 [P.68](#).

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.

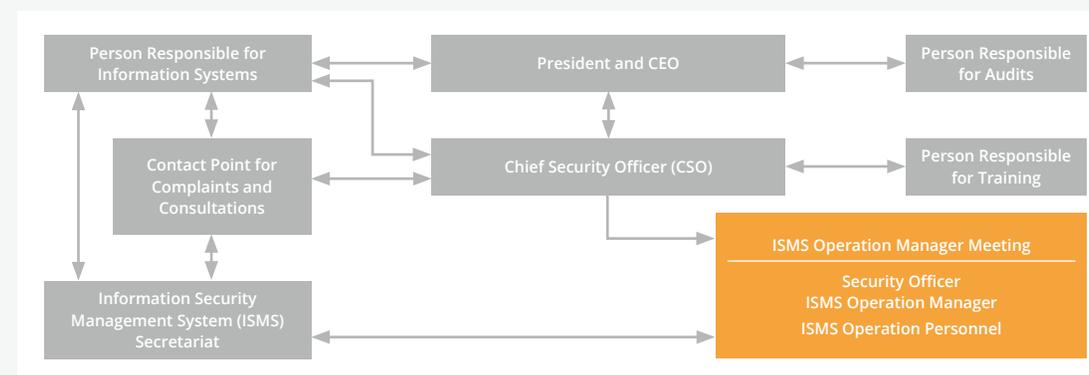
ASKUL Business Continuity Plan Basic Policy

- 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



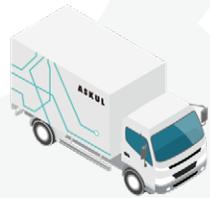
List of Particularly Significant Risks (Top Risks) and Main Responses and Countermeasures (Information Security Only)

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)

For all other critical risks (top risks) and main responses and countermeasures, please refer to Risk Management [P.86](#).

Section 05 Basic Information

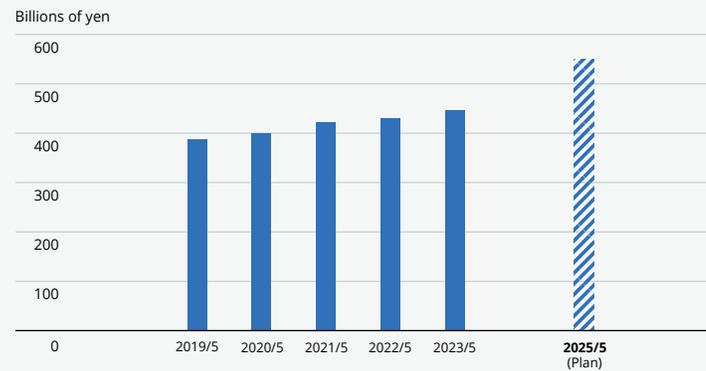
- [89](#) Financial Highlights
- [90](#) Non-Financial Highlights
- [91](#) Consolidated 11-Year Summary
- [92](#) Consolidated Financial Statements (Abridged)
- [93](#) List of Material Issues (Important Issues) and KPIs
- [96](#) Glossary
- [97](#) External Evaluations / External Endorsement and Participation
- [98](#) Group Network
- [99](#) Corporate / Stock Information



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

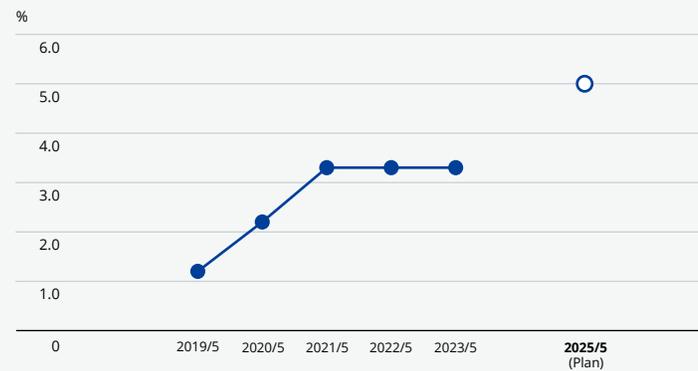
Net Sales

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.



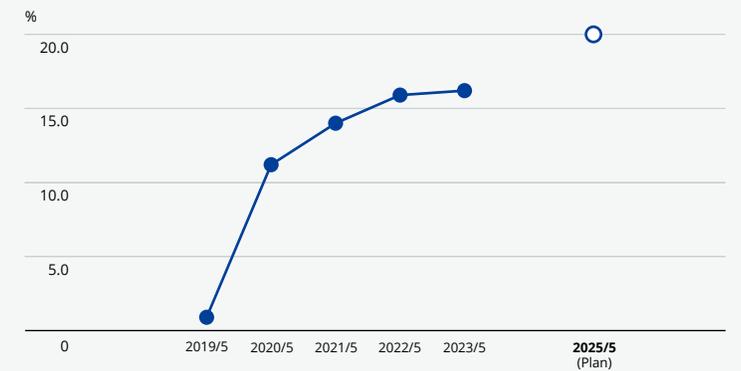
Operating Profit Margin

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.



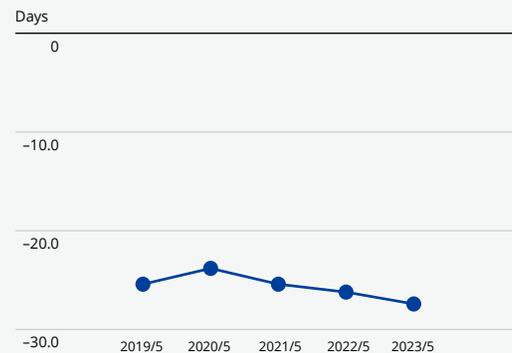
ROE

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)

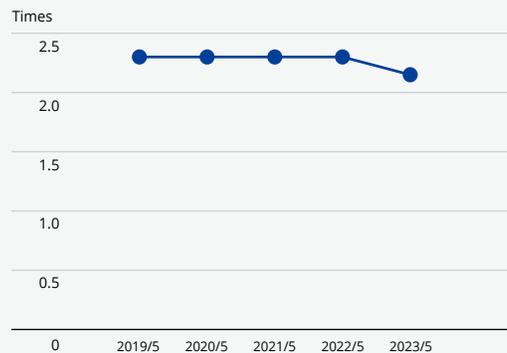
CCC is the source of our ability to generate cash flows, serving as a major strength of the Company. We will strive to maintain the CCC at its current level.



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

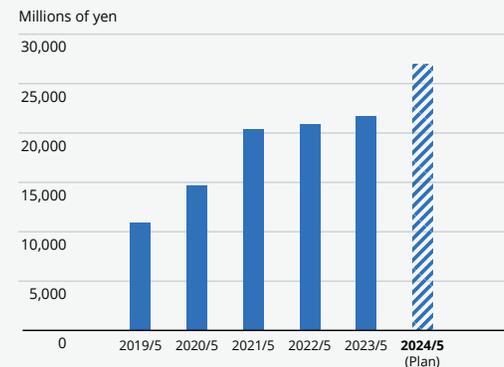
Total Asset Turnover Ratio

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

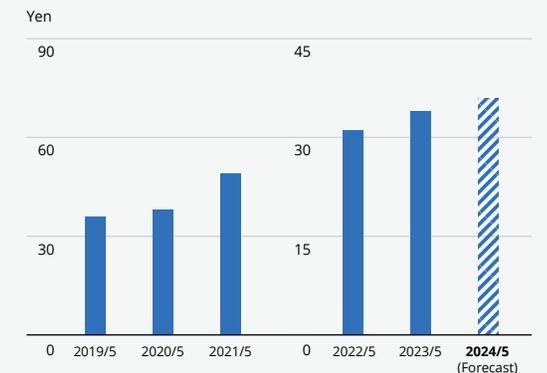
We aim to further enhance our ability to generate cash flows by maximizing the effects of investments.



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

Dividends per Share

We continue to increase dividends in accordance with profit growth.

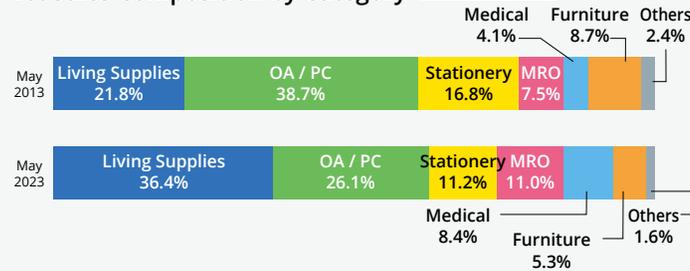


Notes: Effective May 21, 2021, a 2-for-1 stock split was conducted. In commemoration of the 30th anniversary of the launch of service, the year-end dividend for the fiscal year ended May 20, 2023 includes a commemorative dividend of 2 yen per share.

Non-Financial Highlights (Figures are for the fiscal year ended May 20, 2023 or as of May 20, 2023 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



ASKUL's Data Science Class*1 Cumulative Attendance and Completion Rate*2 Non-consolidated



*1 A three-month practical training course aimed at acquiring the skills to freely manipulate in-house data assets and visualize various analyses and analysis results.
 *2 Percentage (%) of persons among the number of employees as of the fiscal year ended May 20, 2023 who have taken and completed ASKUL's designated DX training (excluding retirees).

Number of Customer Inquiries and Chatbot Responses Non-consolidated

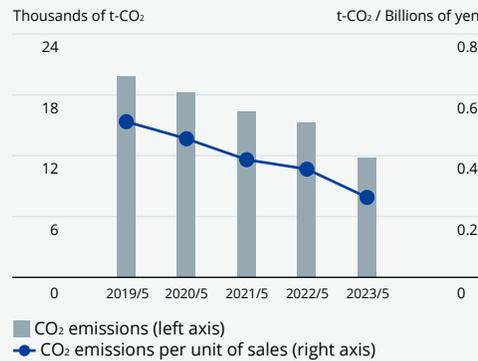


Communication with Customers

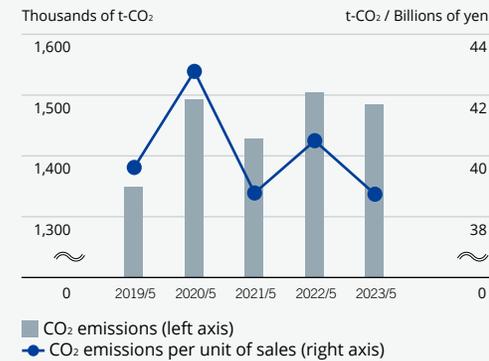
ESG

CO₂ Emissions / CO₂ Emissions per Unit of Sales

Scope 1 + Scope 2 Consolidated



Scope 1 + Scope 2 + Scope 3 Non-consolidated



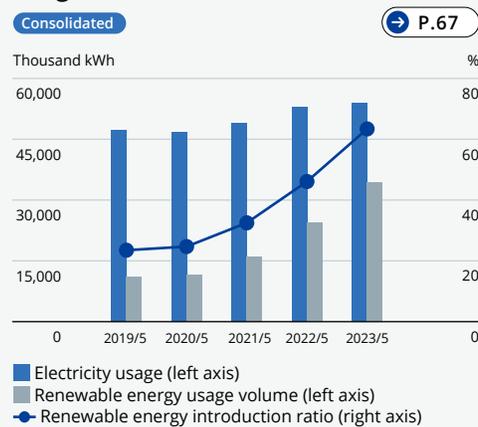
Number / Ratio of Green Products Non-consolidated



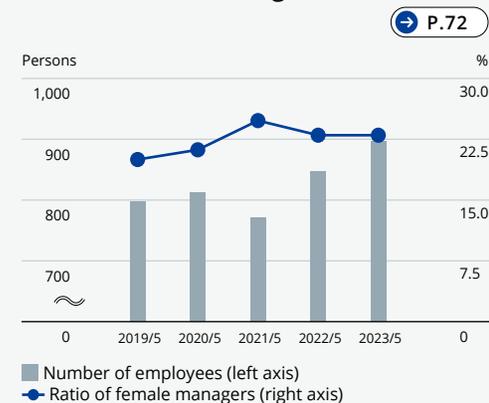
Number of Forest-Certified (FSC® / PEFC) Products Non-consolidated



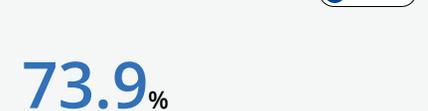
Electricity Usage / Renewable Energy Usage Volume and Introduction Ratio Consolidated



Number of Employees / Ratio of Female Managers Non-consolidated



Ratio of Employees Taking Paid Leave Non-consolidated



Consolidated 11-Year Summary

Fiscal years ended / As of May 20

Unit: Millions of yen (except as otherwise noted)

	2013/5	2014/5	2015/5	2016/5	2017/5	2018/5	2019/5	2020/5	2021/5	2022/5	2023/5
Consolidated Financial Indicators											
Net sales	226,610	253,408	276,759	315,024	335,914	360,445	387,470	400,376	422,151	428,517	446,713
Gross profit	50,613	55,701	60,814	70,328	76,755	85,515	91,606	95,683	104,378	105,072	107,040
Selling, general and administrative expenses	43,733	51,425	53,965	61,810	67,890	81,323	87,085	86,862	90,455	90,763	92,420
Operating profit	6,880	4,276	6,849	8,517	8,865	4,192	4,520	8,821	13,923	14,309	14,620
Ordinary profit	7,241	4,449	6,959	8,574	8,866	3,940	4,418	8,656	13,850	14,270	14,448
Profit attributable to owners of parent	5,812	2,165	4,032	5,255	1,014	4,693	434	5,652	7,758	9,206	9,787
EBITDA	10,174	8,858	11,408	12,953	13,927	10,143	10,952	14,722	20,418	20,869	21,734
Capital expenditures	3,620	24,467	4,528	10,528	4,555	20,478	6,042	5,486	10,428	10,484	14,634
Depreciation	662	1,728	1,892	2,168	2,469	2,949	3,590	3,017	3,160	3,292	3,451
Amortization of software	2,012	2,211	1,979	1,473	1,668	1,774	1,882	2,373	2,755	2,538	2,739
Interest-bearing debt	3,981	7,400	7,074	14,719	23,426	34,703	32,101	29,704	28,407	25,201	40,795
Net assets	56,935	58,073	60,945	51,242	46,231	49,344	48,631	52,825	59,203	57,271	66,876
Total assets	110,151	119,976	132,667	139,552	155,678	173,713	169,112	174,146	190,107	188,024	227,506
Cash flows from operating activities	3,871	11,534	12,227	13,831	16,227	10,150	6,215	16,609	15,998	17,952	20,131
Cash flows from investing activities	(3,873)	(20,785)	(8,293)	(11,663)	(5,217)	(1,588)	(5,962)	(6,055)	(9,079)	(10,748)	(22,929)
Cash flows from financing activities	(3,910)	(1,453)	(2,001)	(10,606)	7,241	6,553	(4,950)	(4,761)	(3,919)	(14,674)	10,232
Sales growth rate (%)	106.4	111.8	109.2	113.8	106.6	107.3	107.5	103.3	105.4	101.5	104.2
Gross profit margin ratio (%)	22.3	22.0	22.0	22.3	22.8	23.7	23.6	23.9	24.7	24.5	24.0
Operating profit margin (%)	3.0	1.7	2.5	2.7	2.6	1.2	1.2	2.2	3.3	3.3	3.3
Capital adequacy ratio (%)	51.0	48.0	45.8	36.6	29.6	28.3	28.6	30.1	30.9	30.2	28.2
Cash conversion cycle (CCC) (days)	(25.6)	(23.4)	(23.3)	(23.0)	(26.3)	(28.6)	(25.4)	(23.8)	(25.4)	(26.6)	(27.4)
ROE (%)	10.9	3.8	6.8	9.4	2.1	9.9	0.9	11.2	14.0	15.9	16.2
Total asset turnover ratio (times)	2.07	2.20	2.19	2.31	2.28	2.19	2.26	2.33	2.32	2.27	2.15
Per-Share Information (¥)											
Basic earnings per share (EPS)	107.50	39.75	73.29	100.50	19.75	92.15	8.52	110.78	75.83	90.83	100.43
Net assets per share (BPS)	1,038.04	1,049.66	1,101.12	984.64	905.01	964.46	948.44	1,027.37	573.57	582.43	658.20
Dividends per share	30	30	30	33	36	36	36	38	49	31	34
Non-Consolidated Business Performance Indicators											
B-to-B Business											
Net sales (billions of yen)	224.5	241.2	255.1	278.5	291.9	302.6	315.8	329.0	345.1	348.0	373.8
Operating profit (billions of yen)	8.2	9.3	10.7	13.3	14.0	13.5	14.2	15.4	20.1	17.0	14.7
Number of products handled (millions of items)	0.4	0.7	0.8	1.1	3.3	5.1	6.1	7.4	8.9	11.7	12.4
Number of products in stock (thousands of items)	53.1	63.0	61.5	66.1	75.5	75.8	82.1	89.0	96.6	129.8	166.3
Number of original products (thousands of items)	4.3	5.7	5.7	7.4	7.8	8.1	8.4	8.6	8.7	8.7	9.6
Ratio of original products to net sales (%)	15.7	17.6	18.9	19.8	20.6	35.1	36.4	34.2	34.1	35.4	38.2
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	46.1
Operating profit (loss) (billions of yen)	(1.3)	(2.9)	(3.2)	(3.4)	(4.6)	(9.3)	(9.2)	(6.1)	(4.2)	(2.9)	0

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.
- Even in the event that accounting principles or notation & presentation methods change, related indicators will not be retroactively revised.

Consolidated Financial Statements (Abridged)

Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (May 20, 2022)	Fiscal year under review (May 20, 2023)
Assets		
Current assets	136,964	155,958
Non-current assets	51,059	71,547
Property, plant and equipment	24,285	27,862
Intangible assets	15,455	32,594
Investments and other assets	11,319	11,091
Total assets	188,024	227,506
Liabilities		
Current liabilities	100,686	120,499
Non-current liabilities	30,066	40,130
Total liabilities	130,753	160,630
Net Assets		
Shareholders' equity	56,838	64,124
Accumulated other comprehensive income	(82)	20
Share acquisition rights	0	0
Non-controlling interests	514	2,729
Total net assets	57,271	66,876
Total liabilities and net assets	188,024	227,506

Consolidated Statements of Income

(Millions of yen)

	Previous fiscal year (May 20, 2022)	Fiscal year under review (May 20, 2023)
Net sales	428,517	446,713
Cost of sales	323,444	339,672
Gross profit	105,072	107,040
Selling, general and administrative expenses	90,763	92,420
Operating profit	14,309	14,620
Non-operating profit	319	200
Non-operating expenses	359	371
Ordinary profit	14,270	14,448
Extraordinary profit	230	200
Extraordinary losses	629	182
Profit before income taxes	13,871	14,467
Profit	9,295	9,953
Profit attributable to owners of parent	9,206	9,787

Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (May 20, 2022)	Fiscal year under review (May 20, 2023)
Cash flows from operating activities	17,952	20,131
Cash flows from investing activities	(10,748)	(22,929)
Cash flows from financing activities	(14,674)	10,232
Cash and cash equivalents at beginning of period	66,259	58,789
Cash and cash equivalents at end of period	58,789	66,223

List of Material Issues (Important Issues) and KPIs

	Goal	Action plan / KPI	Target year attainment	Results of initiatives (as of May 20, 2023)	Initiatives / Targets and plans (fiscal year ending May 20, 2024)	
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	+2.73pts Target for fiscal year ending May 20, 2030, achieved ahead of schedule	Continued efforts to improve market place UI and enhance level of service for non-inventory products, and make other improvements.
			Improved primary resolution rate of inquiries from 85% to 90% Note: Compared with fiscal year ended May 20, 2021	2025	One-time resolution rate: 85.5%	Rate of inquiries being resolved with first response: 86.0%
		New service offerings and customer experience evolution	Evolution of easy and convenient purchasing function through technology	Plan preparation in progress	Consideration of adoption of AI systems for one-to-one information provision to customers	<ul style="list-style-type: none"> Adoption of AI systems for one-to-one information provision to customers Continued consideration of automated deliveries and other features
	2 Build Innovative Value Chains	Evolution of the entire value chain	Realization of a mechanism for zero product shortages caused by ASKUL	2030	Improvement shown through consideration of new data analysis and ordering methods	Reducing stockout rates by analyzing stockout causes and enacting countermeasures accordingly
			Improved delivery quality and achievement of zero delivery delays	2025	Fulfillment rates improving thanks to initiatives such as implementing fleet structure based on advance information, and alert functions on driver terminals	<ul style="list-style-type: none"> Thorough raising of quality awareness through distribution of delivery burdens, visualization of progress, and other measures Countermeasures for individual causes of delay
		Evolution of product information	Establishment of an open product-information-sharing platform that transcends stakeholder boundaries	2030	Work commenced on developing product information linkage system with certain suppliers	<ul style="list-style-type: none"> Operation of product information linkage system with certain suppliers Improvement of supplier information utilization rates
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 and publication of Environmental Standards for Original Products, completion of survey Note: Target achieved in fiscal year ended May 20, 2023 	Continuation of efforts to improve environmental scores for original products
		Solving of social issues through new services	Realization of sales platform for products scheduled for disposal by manufacturers; achieved a cumulative reduction in product disposal of one million units	2025	<ul style="list-style-type: none"> Reduction in number of items disposed: Approx. 558,000/year Cumulative total since June 2021: 876,000 items 	<ul style="list-style-type: none"> Cumulative waste reduction of 1 million items Note: Scheduled to achieve target for fiscal year ending May 20, 2025, ahead of plan
			Support for "vulnerable shoppers"; study of support contents (establishment of local commerce services, etc., to cope with depopulation in rural areas)	Plan preparation in progress	—	Planning
	4 Realize a Resource-Recycling Platform	Realization and implementation of resource-recycling services	Establishment, start, and expansion of resource-recycling services	2025	Conducted horizontal recycling demonstration experiments (recovery tests) for plastic containers	<ul style="list-style-type: none"> Continuation of demonstration experiments (recovery tests) Establishment of collection scheme and consideration of recycling
		Zero Waste Challenge	Achieve zero product waste	2030	Expansion of sales targets for imperfect products	Planning
		Achieved total recycling of packaging materials* * Upon arrival at distribution center	2030	<ul style="list-style-type: none"> Palletizing of recycled packaging film (Kansai site) Implementation of recycling prototyping 	Achievement of recycling from used packaging film	

List of Material Issues (Important Issues) and KPIs

	Goal	Action plan / KPI	Target year attainment	Results of initiatives (as of May 20, 2023)	Initiatives / Targets and plans (fiscal year ending May 20, 2024)	
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"> RE100: Renewable energy progress 63.3% EV100: EV conversion progress 7.3% 	<ul style="list-style-type: none"> RE100: Continuation of efforts for introduction at all centers in 2025 EV100: Promotion and selection of vehicle models suitable for delivery 	
		ASKUL Group 2030 Zero CO ₂	Efforts to absorb CO ₂ through afforestation, etc.	Plan preparation in progress	Consideration of three-party forest maintenance activities with Tsumagoi Village and TSUMAGOI MEISUI	<ul style="list-style-type: none"> Signing of forest maintenance partnership agreements, and forest maintenance planning
			Provide environment-friendly delivery methods to customers	Plan preparation in progress	Cargo consolidation system modifications and improvement	<ul style="list-style-type: none"> Addressing issues associated with cargo consolidation system modifications Consideration of customer incentives and consideration of development and implementation
	Reduction of CO ₂ emissions throughout the supply chain	Science Based Targets objective: 12% reduction in Scope 3 CO ₂ by 2030		2030	Survey and effects measurement on CO ₂ emissions of original products	<ul style="list-style-type: none"> Updating of SBT objectives
		Completion of visualization of CO ₂ emissions produced by products and calculation of contribution to reduction		2025	<ul style="list-style-type: none"> Start of survey on CO₂ emissions of original products Test operation of CO₂ emissions calculation tools 	<ul style="list-style-type: none"> Expansion of scope of original product CO₂ emissions survey
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	<ul style="list-style-type: none"> Donations made to Tsushima city (approx. ¥320,000) On-site inspection through Tsushima City Study Tour 	<ul style="list-style-type: none"> Implementation of Tsushima City Study Tour Planning regular ocean plastic collection activities 	
Supply Chain	7 Realize Sustainable Procurement	Conducting of CSR surveys of suppliers	2025	Implementation of individual information gathering	Planning for a second CSR survey	
		Supplier surveys and audits	Implementation of audits at original product contract manufacturing plants	2025	Applicable factories (factories that are contracted to manufacture original products) Audit and confirmation completed for approximately 20 factories	Continued auditing of applicable factories
		Non-supplier business partner surveys	Conducting of ASKUL confidence surveys of all business partners	2025	Consideration of implementation outline (content, scope, etc.)	Preparation for selecting research methods and applicable data
	8 Fulfill Responsibility as a Lifeline	Expansion of range and stable supply of "lifeline products"	Establishment of stable supply system for "lifeline products"	2030	Confirmation of applicable products	<ul style="list-style-type: none"> Consideration for building a stable supply and sales framework Consideration for securing shipping and delivery means
		Building of resilient logistics networks	Distribution center layouts based on seismic isolation and redundancy Planning and implementation	2030	Based on distribution center medium-term plans, planning for seismic isolation for new facilities.	Consideration for decentralization of Eastern Japan facilities and other such measures
Building of resilient supply chains that can respond immediately to demand fluctuations and contingencies				2030	<ul style="list-style-type: none"> Drawing up of earthquake resistance plans for existing facilities Consideration of structuring and systematization for recovery operations 	<ul style="list-style-type: none"> Earthquake resistance for existing facilities Continued consideration of 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	Gathering information about individual local municipalities	<ul style="list-style-type: none"> Planning for signing of agreements Preparation of in-house manual for actual response 	

List of Material Issues (Important Issues) and KPIs

	Goal	Action plan / KPI	Target year attainment	Results of initiatives (as of May 20, 2023)	Initiatives / Targets and plans (fiscal year ending May 20, 2024)	
Human Resources	9 Promote Diversity Where Individuals Can Demonstrate Their Abilities	Ratio of female managers	30.0% female manager ratio achieved	2025	23.0%	26.0%
		Employment of persons with disabilities	Compliance with and improvement of employment rate of persons with disabilities	2030	Employment rate results: 2.01% (shortage of 3 persons)	Achievement of the legal employment rate (2.3%)
		Senior system	Operation of the Second Career Challenge system	2025	Internal secondary work system (continued implementation)	<ul style="list-style-type: none"> Internal secondary work system (continued implementation) Note: Postponement of other programs
Human Resources	10 Innovate through Personnel Who Proactively Take On New Challenges	Human resource development that encourages taking on challenges and environmental improvements	Design and operation of internal award schemes	2023	Establishment and implementation of ASKUL WAY Award	Conclusion (continuation scheduled)
			Development and implementation of Companywide development plans (including DX personnel development)	Plan preparation in progress	<ul style="list-style-type: none"> Implementation of next generation management training Introduction of learning support system (for all employees) 	Planning
		Recruitment and development of DX personnel	30 DX personnel recruited annually (new graduates and mid-career hires)	2025	Hiring results: 23 mid-career hires, 8 new graduates	Recruitment target: 20 mid-career hires, 30 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"> Continued implementation of education, and promotion of hotline usage Number of disciplinary actions: 3 cases 	<ul style="list-style-type: none"> Promotions of hotline and consideration of external services Continued implementation and rigorosity of compliance education
		Ensuring of information security	Zero serious security incidents (ongoing)	2030	<ul style="list-style-type: none"> Two serious accidents occurred Implementation of recurrence prevention planning, education, and awareness 	<ul style="list-style-type: none"> Elimination of serious accidents Strengthening of risk assessment
	12 Healthy Management that Allows Safe and Secure Work Both Physically and Mentally	Improved healthcare	Initiatives toward and promotion of health management	2024	<ul style="list-style-type: none"> Wellness performance score: 80.9% Changes in the industrial physician framework, changes in stress check content and systemization 	<ul style="list-style-type: none"> Wellness performance score: 83.0% Regular implementation of condition surveys
		Strengthening of engagement	Improved employee satisfaction and engagement • Achieved employee engagement score: 70 points	2025	Employee engagement score: 65.6 points	Employee engagement score: 67.8 points
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: ¥446.7 billion, operating profit margin: 3.3%, ROE: 16.2%	Net sales: ¥482 billion, operating profit margin: 3.4%, ROE undetermined	
	Financial base	Building of a strong financial base to support the Medium-Term Management Plan CCC (cash conversion cycle): -20 days	2025	Approximately -27.4 days	-20 days in fiscal year ending May 20, 2025	

Glossary

Business ASKUL Agent	<p>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, 2023, the Company had over 1,100 ASKUL Agents in operation across Japan.</p>	Logistics <i>Oricon</i> <p><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>.</p>
Business Ethical e-commerce	<p>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.</p>	Logistics Supply chain, Value chain <p>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.</p>
Business SKU item number	<p>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.</p>	Logistics Automated storage <p>Stands for automated storage and retrieval system. ASRS is a massive system that automatically stores, on shelves, packages that have been transported via conveyor belts. ASKUL has installed and operates an ASRS at all of its distribution centers. P.48</p>
Business MRO	<p>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.</p>	Logistics 3PL <p>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.</p>
Business Supplier	<p>"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, 2023, ASKUL had been procuring products from approximately 1,200 suppliers.</p>	Logistics Carrier <p>"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.</p>
Business Supplier direct delivery (product)	<p>"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.</p>	Logistics Pallet <p>"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."</p>
Business CB product	<p>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.</p>	Logistics Picking <p>"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.</p>
Business B-to-B / B-to-C	<p>"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.</p>	Logistics Last mile <p>"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 e-commerce business operators, including ASKUL.</p>
Business PB product, Original product	<p>ASKUL develops and sells a wide range of private brand (PB) 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.</p> <p>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.</p>	Logistics Long-tail product (opposite of head product) <p>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.</p>

External Evaluations

<p>2023 FTSE Blossom Japan Sector Relative Index Selected as a constituent of the FTSE Blossom Japan Sector Relative Index for the second consecutive year</p>	
<p>2018 Recognized as an Eco-First Company by Japan's Ministry of the Environment</p>	
<p>2018 Received approval from the international Science Based Targets initiative (SBTi)</p>	
<p>2023 Selected as constituent of the Morningstar Japan ex-REIT Gender Diversity Tilt Index</p>	
<p>2016 Obtained the Tomonin mark from Japan's 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)</p>	
<p>2017 Obtained the Kurumin mark (stage 1 certification) from Japan's Ministry of Health, Labour and Welfare</p>	
<p>2023 Selected as constituent of the JPX Market Innovation Research, Inc. and Nikkei Inc.'s JPX-Nikkei Index 400</p>	
<p>2021 Certified by Japan's Ministry of Economy, Trade and Industry as a DX Certified Operator</p>	
<p>2023 Awarded the Commissioner's Award for fiscal 2022 for good practices of consumer-oriented management hosted by the Consumer Affairs Agency for ASKUL's Go Ethical initiative</p>	
<p>2023 Selected as a CDP Supplier Engagement Leader for the second consecutive year</p>	
<p>2019 Registered by the Tokyo Metropolitan Government as a "company promoting a good balance between family and work"</p>	
<p>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</p>	
<p>Received the Best IT Award (Transformation Area) at the 2021 IT Awards of the Japan Institute of Information Technology Public Interest Incorporated Association</p>	

External Endorsement and Participation

<p>2019 First Japanese EC operator to express support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)</p>	
<p>2017 Declaration to achieve 100% renewable energy use across the Group by 2030, and participation in RE100</p>	
<p>2018 Endorsement as one of the member companies of the Japan Climate Initiative's (JCI) greenhouse gas emission reduction target message for 2030</p>	
<p>2019 Participation in the Japan Business Initiative for Biodiversity (JBIB)</p>	
<p>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</p>	
<p>2019 Declaration of support and voluntary action for the White Logistics* promotion campaign</p>	
<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.</p>	
<p>2014 Participation in the Japan Climate Leaders' Partnership (Japan-CLP)</p>	
<p>2017 Declaration that 100% of owned/leased delivery vehicles ASKUL LOGIST will be EVs by 2030 and joins participation in EV100</p>	
<p>2023 Expressed endorsement of Japan's Ministry of Economy, Trade and Industry GX League Basic Concept</p>	
<p>2016 Participation in the United Nations Global Compact (UNGC)</p>	
<p>2021 Participation in 30% Club Japan</p>	
<p>2021 Endorsement of the Consumer Affairs Agency's consumer-oriented management and formulation of the Voluntary Declaration of Consumer Orientation (July 2021)</p>	

Group Network

All ASKUL Group companies strive 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 https://www.askullogist.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 https://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 https://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 Toyosu, Koto 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				
	FEED Corporation https://www.feedcorp.co.jp/ (Japanese only)	<ul style="list-style-type: none"> • Sales of dental materials, medical equipment, pharmaceuticals, quasi-drugs, and other medical-related supplies, etc. • Pursues synergies through expansion of medical products and mutual leveraging of customer bases Minato Mirai, Nishi Ward, Yokohama City, Kanagawa Prefecture Michi Yamamoto, Representative Director				

Corporate / Stock Information (as of May 20, 2023)

Corporate Information

Company name	ASKUL Corporation https://www.askul.co.jp/kaisya/english/
Established	March 1993 <small>(Founded by PLUS Corporation, which transferred the ASKUL business to a dormant company established in 1963)</small>
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	3,574 employees (consolidated)
Fiscal year-end	May 20

Stock Information

Stock exchange	Listed on the Tokyo Stock Exchange, Prime Market
Securities code	2678
Total number of shares authorized	169,440,000
Total number of shares issued	97,518,800 <small>Note: The total number of shares issued includes 62,406 treasury shares.</small>
Number of shareholders	42,611
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/corp/english/investor/stock/analyst/

Major Shareholders

Shareholder name	Number of shares held (thousands of shares)	Shareholding ratio (%)
Z Holdings Corporation	43,808	44.95
PLUS Corporation	10,331	10.60
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,138	4.25
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,956	2.01
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	1,629	1.67
Hidehisa Imaizumi	1,592	1.63
Tadahisa Imaizumi	1,580	1.62
SMBC Nikko Securities Inc.	1,559	1.60
Nomura Trust and Banking Co., Ltd. (Trust Account)	1,533	1.57
Shoichiro Iwata	1,524	1.56

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 4,116,000 shares related to trust operations.
- The number of shares held by Nomura Trust and Banking Co., Ltd (Trust Account), includes all shares related to trust operations.

Information on Shareholders (Excluding Shares Held in Own Name)



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