Disclaimer
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News Release dated: December 17, 2014

To whom it may concern:

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(Code No.: 2678, Tokyo Stock Exchange First Section)
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# FY5/2015 1st Half Performance

## (Consolidated financial summary for first half of fiscal year ending May 2015)

ASKUL Corporation (hereinafter referred to as the "Company") herewith attach the "FY5/2015 1st Half Performance" (Consolidated financial summary for first half of fiscal year ending May 2015 ) to provide supplementary information with respect to the "Summary of Consolidated Financial Results for First Half of Fiscal Year Ending May 2015 (Japanese GAAP)."

These supplementary materials include forward-looking statements concerning current plans and the outlook for operating results. These statements are based on plans and forecasts that use currently available information. Forward-looking statements are not promises or guarantees about the future because actual operating results may differ from the Company's outlook for a variety of reasons.

These supplementary materials are unaudited and have not been reviewed by certified public accountants or auditors.

FY5/2015 1st Half Performance

# Accelerate Speed of Growth and Boost Returns Further

## Double-digit Growth in 1st Half, Both in Sales and Profits

December 17, 2014

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Notes:
This material contains ASKUL Group's current plans and performance outlook. These plans, forecasts, and other forward-looking statements represent ASKUL's plans and forecasts based on information currently available. Actual performance may differ from these plans and forecasts due to a variety of conditions and factors that could occur in the future. This material does not represent promises or guarantees regarding the achievement of these plans. The terms such as Largest, Optimum, Fastest, Best are used for illustrative purposes and do not guarantee such achievement.
This material has not been audited by certified public accountants or auditing firms.

For the purposes of this material, LOHACO refers to the online mail-order business for general consumers, launched in October 2012 in alliance with Yahoo Japan Corporation.
B-to-B refers to business-to-business transactions.

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# I. First Half Results

– Double-digit Growth in Sales and Profits –

# II. Strengthening of Logistics Capability

– Pursuit of Higher Efficiency –

# III. Status of LOHACO Business

– Shift Gears for Becoming No. 1 in Second-generation E-commerce –

# IV. Status of B-to-B Business

– Accelerate Speed of Growth and Boost Returns Further –

# FY5/2015 1H Consolidated Performance

| | FY5/2014 1H | | FY5/2015 1H | | | | |
|---|---|---|---|---|---|---|---|
| | Actual (¥million) | % of sales | Actual (¥million) | % of sales | Plan (¥million) | % of plan | YoY change (%) |
| Net Sales | 119,215 | 100 | 131,944 | 100 | 132,500 | 99.6 | 110.7 |
| Gross Profit | 26,678 | 22.4 | 28,690 | 21.7 | 29,100 | 98.6 | 107.5 |
| Selling, General and Administrative Expenses | 25,211 | 21.1 | 27,053 | 20.5 | 27,100 | 99.8 | 107.3 |
| Operating Income | 1,467 | 1.2 | 1,637 | 1.2 | 2,000 | 81.9 | 111.6 |
| Ordinary Income | 1,523 | 1.3 | 1,705 | 1.3 | 1,980 | 86.1 | 112.0 |
| Net Income | 558 | 0.5 | 885 | 0.7 | 1,000 | 88.5 | 158.7 |

- Double-digit growth in net sales by overcoming the impact of the consumption tax increase
- A -¥270 million impact of a temporary loss at a subsidiary on operating income
- Double-digit growth in all of operating, ordinary and net income

# FY5/2015 1H Consolidated Performance (By Business)

| | | FY5/2014 1H Actual (¥billion) | FY5/2015 1H Actual (¥billion) | YoY change (%) |
|---|---|---|---|---|
| Net sales | B-to-B Business, etc. | 114.9 | 123.0 | 107.0 |
| | LOHACO | 4.2 | 8.9 | 208.1 |
| | Total | 119.2 | 131.9 | 110.7 |
| Operating income | B-to-B Business, etc. | 2.8 | 3.6 | 128.9 |
| | LOHACO | -1.3 | -1.7 | - |
| | Subtotal | 1.4 | 1.9 | 130.1 |
| | Temporary loss at a subsidiary | - | -0.2 | - |
| | Total | 1.4 | 1.6 | 111.6 |

## ➢ Net sales

B-to- B Business, etc.:

Growth rate has been accelerated

LOHACO:

More than doubled

## ➢ Operating income

B-to- B Business, etc.:

Returns increased 28.9% YoY

LOHACO:

Actively implementing growth measures

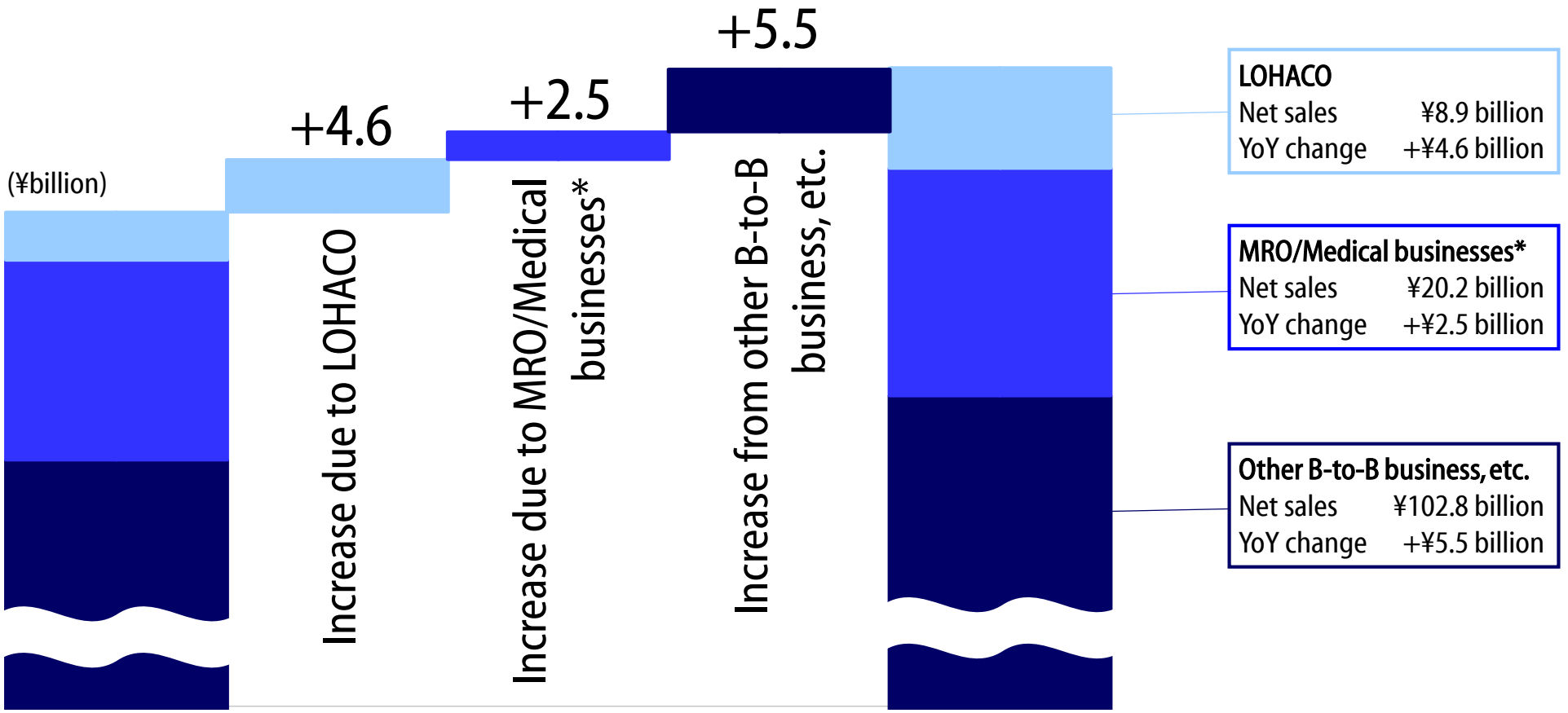
# Factors Affecting FY5/2015 1H Consolidated Net Sales

**FY5/2014 1H (actual)**

| | |
|---|---|
| Net sales | ¥119.2 billion |
| YoY change | +¥9.4 billion |
| YoY growth | +8.6% |

**FY5/2015 1H (actual)**

| | |
|---|---|
| Net sales | ¥131.9 billion |
| YoY change | +¥12.7 billion |
| YoY growth | +10.7% |




*MRO/Medical businesses do not include LOHACO portion

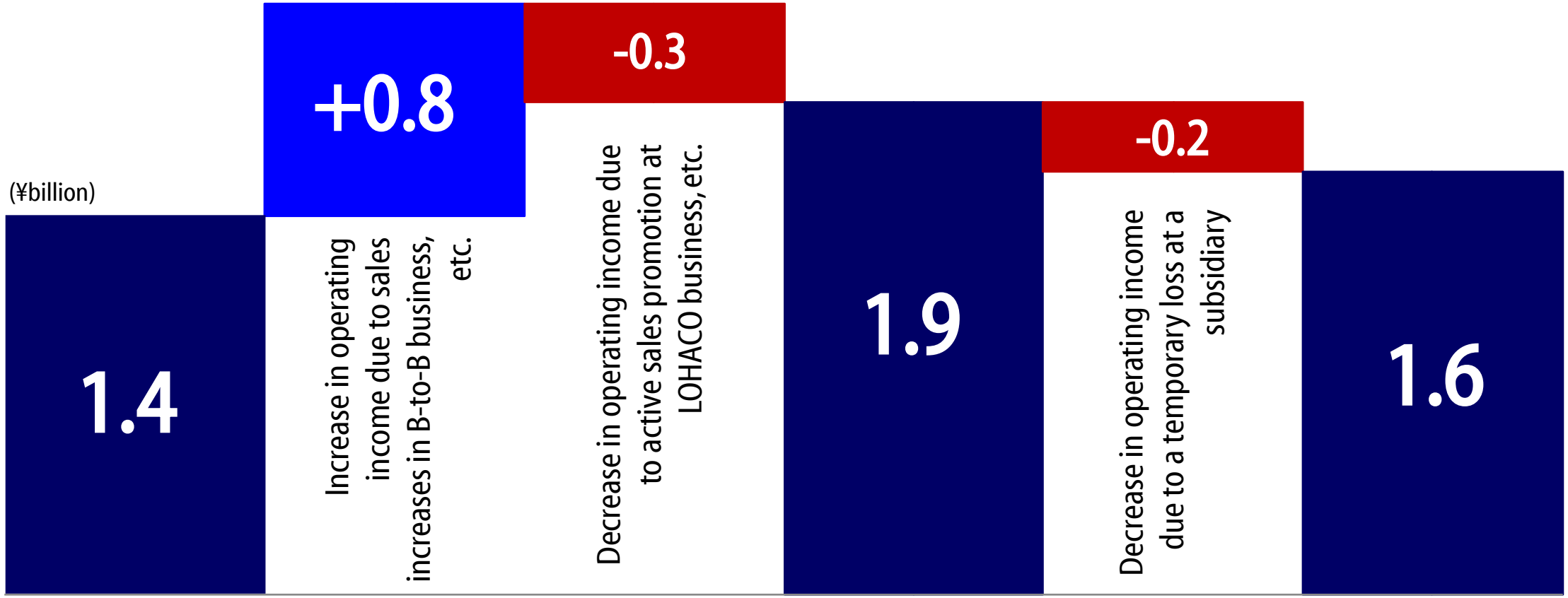
# Factors Affecting FY5/2015 1H Consolidated Operating Income

**FY5/2014 1H (actual)**

| | |
|---|---|
| Net sales growth YoY | +8.6% |
| Gross profit margin | 22.4% |
| SG&A expense ratio | 21.1% |

**FY5/2015 1H (actual)**

| | |
|---|---|
| Net sales growth YoY | +10.7% |
| Gross profit margin | 21.7% |
| SG&A expense ratio | 20.5% |




FY5/2014 1H operating income (actual) ¥1.4 billion

FY5/2015 1H operating income (actual) ¥1.6 billion

# FY5/2015 1Q and 2Q Consolidated Performances (By Business)

| | | FY5/2015 1Q Actual (¥billion) | FY5/2015 2Q Actual (¥billion) | QoQ change (%) |
|---|---|---|---|---|
| Net sales | B-to-B Business, etc. | 59.0 | 64.0 | 108.7 |
| | LOHACO | 4.0 | 4.8 | 117.9 |
| | Total | 63.0 | 68.9 | 109.3 |
| Operating income | B-to-B Business, etc. | 1.2 | 2.3 | 185.6 |
| | LOHACO | -0.9 | -0.8 | - |
| | Subtotal | 0.3 | 1.5 | 401.0 |
| | Temporary loss at a subsidiary | - | -0.2 | - |
| | Total | 0.3 | 1.2 | 329.6 |

## ➢ B-to-B Business, etc.

Profitability increased significantly
(a 1.5 p.p. improvement in the ratio of operating income to net sales)

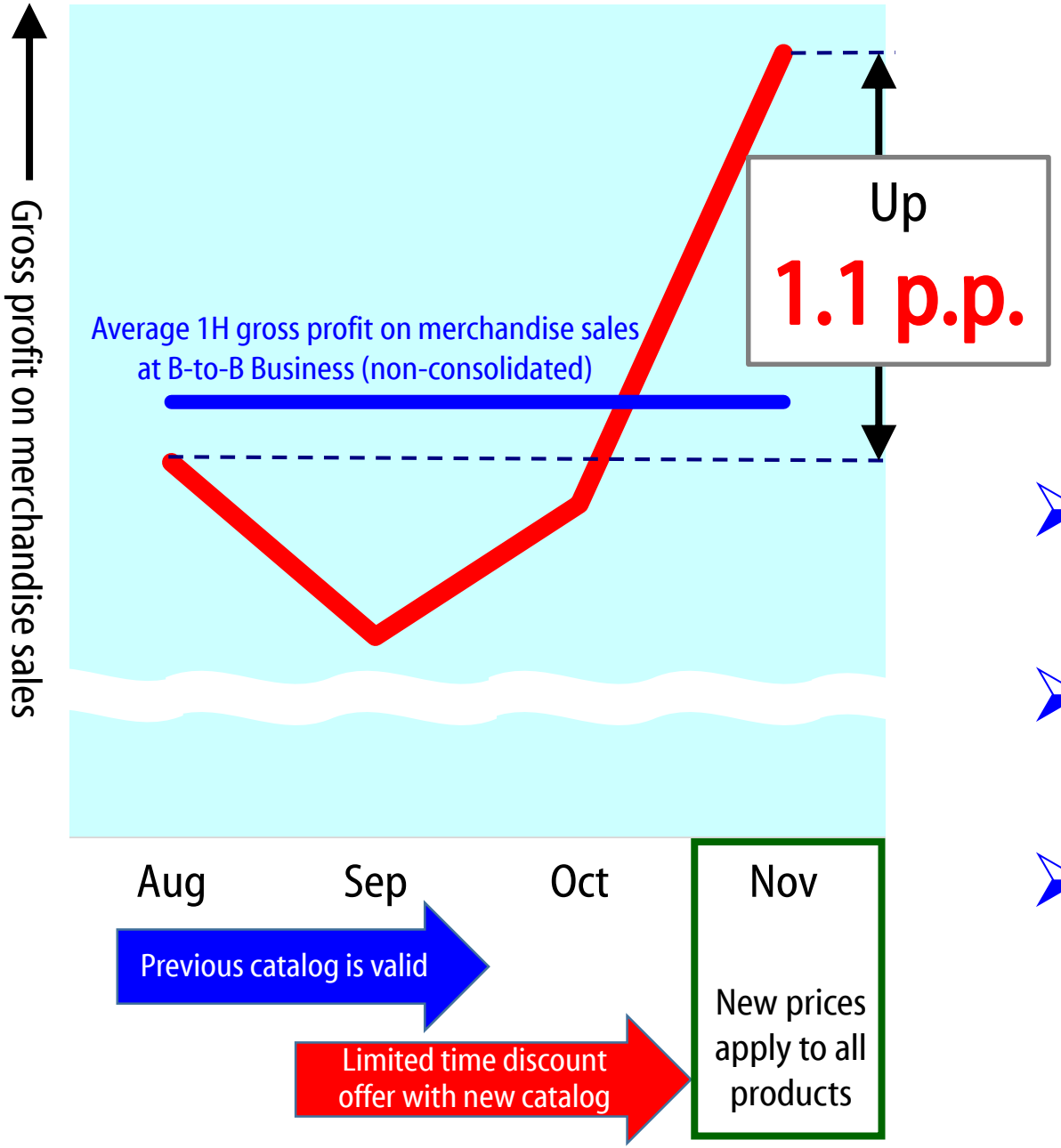
## ➢ LOHACO

Operating loss narrowed
(top line has been robust)

## ➢ Overall

Operating income grew four-fold from the previous quarter
(excluding the impact of the temporary factor)

# Trend of Gross Profit* on Merchandise Sales at B-to-B Business (Non-consolidated)




## Maintained price competitiveness and carried out price revision

- Latest profitability has significantly improved
- The number of customers continues to increase
- Net sales have increased reflecting increased average customer spending

*The figures have been calculated by excluding sales promotion premium and incentives for agents, etc.

# FY5/2015 Full-year Consolidated Performance Plan

| | FY5/2014 Full-year Actual | | FY5/2015 Full-year Plan | | |
|---|---|---|---|---|---|
| | Amount (¥billion) | % of net sales | Amount (¥billion) | % of net sales | YoY change (%) |
| Net Sales | 253.4 | 100 | 277.0 | 100 | 109.3 |
| Gross Profit | 55.7 | 22.0 | 61.5 | 22.2 | 110.4 |
| Selling, General and Administrative Expenses | 51.4 | 20.3 | 55.0 | 19.9 | 107.0 |
| Operating Income | 4.2 | 1.7 | 6.5 | 2.3 | 152.0 |
| Ordinary Income | 4.4 | 1.8 | 6.4 | 2.3 | 145.2 |
| Net Income | 2.1 | 0.9 | 3.4 | 1.2 | 157.0 |

Latest profitability has been improving

The full-year plan is left unchanged

# FY5/2015 2H Consolidated Performance Plan (By Business)

| | | FY5/2014 2H Actual (¥billion) | FY5/2015 2H Plan (¥billion) | YoY change (%) |
|---|---|---|---|---|
| Net Sales | B-to-B Business, etc. | 126.3 | 131.9 | 104.4 |
| | LOHACO | 7.8 | 13.0 | 167.1 |
| | Total | 134.1 | 145.0 | 108.1 |
| Operating Income | B-to-B Business, etc. | 4.3 | 6.1 | 139.3 |
| | LOHACO | -1.5 | -1.2 | – |
| | Total | 2.7 | 4.8 | 174.0 |

## ➢ Net sales

Taking into consideration the reaction to the last-minute demand before the consumption tax increase

## ➢ Operating income

Logistics productivity has been firmly improving

Profitability is rising due to price revision, etc.

# FY5/2015 Company-wide Policy

**Further improve logistics efficiency to become No. 1 in e-commerce**
**Evolve logistics service through innovation**

**Solid B-to-B business to focus on growth fields**
**Steadily generate sales and profits**

**Continue to focus on top line in LOHACO business**
**Growth engine is e-commerce marketing that starts from customers**

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– Accelerate Speed of Growth and Boost Returns Further –


One Who Controls Logistics
Controls E-commerce
Logistics Capability
That Supports the
Growth of LOHACO
07
06
LOHACO

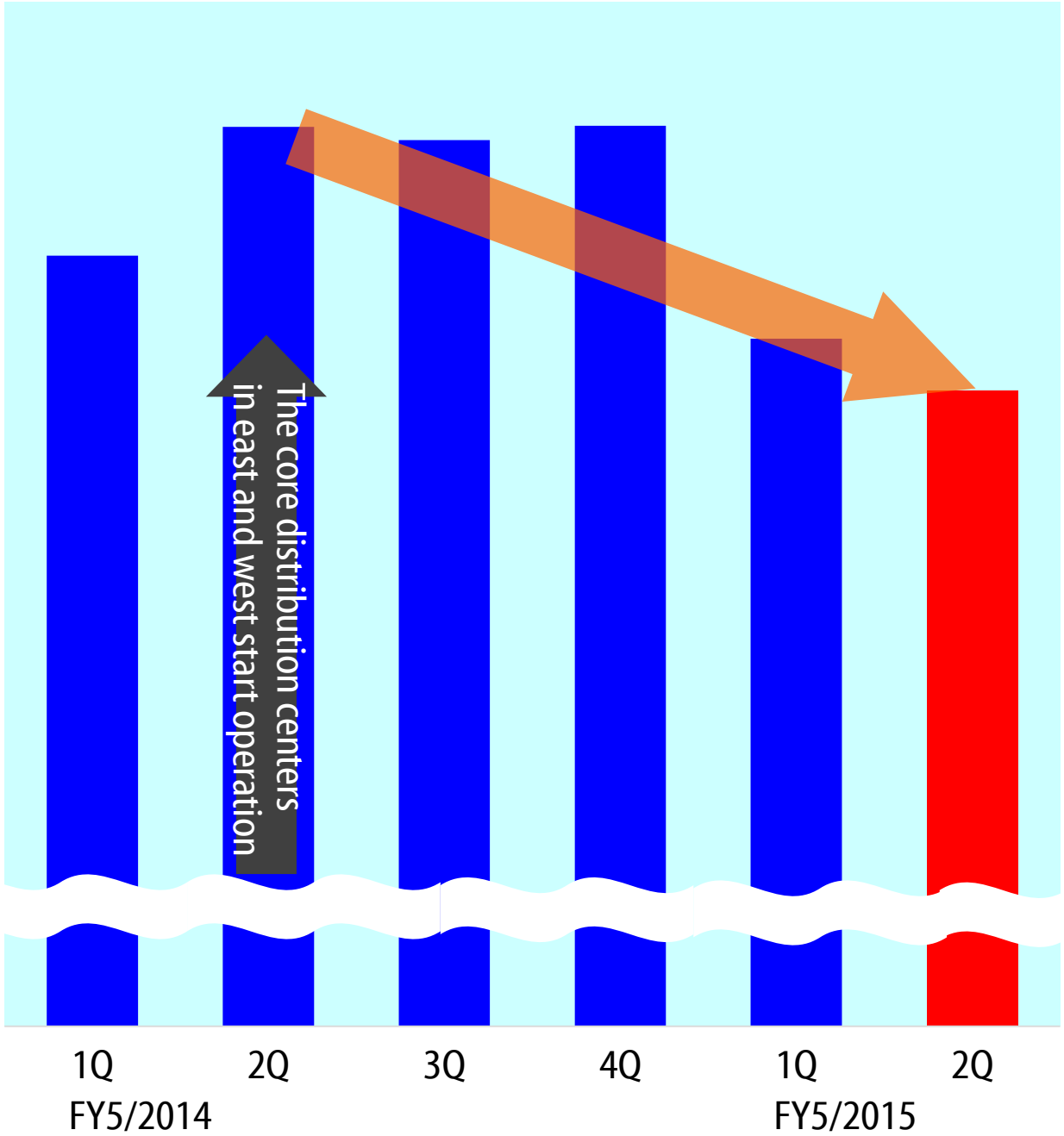
# Initiatives for Improving Logistics Efficiency in FY5/2015

Warehouse operation

| Initiative being implemented | Progress in the 1st half |
|---|---|
| (1) Center operation (local operation perspective): 1Q | Stable operation in line with plan |
| (2) Material handling equipment and system (engineer's perspective): 2Q | Investments completed<br>Results from 3Q onwards |
| (3) Business process, model (business perspective): 2Q, 3Q | To focus from now on |

# Average Warehouse Operation Unit Cost of All Centers

Warehouse operation



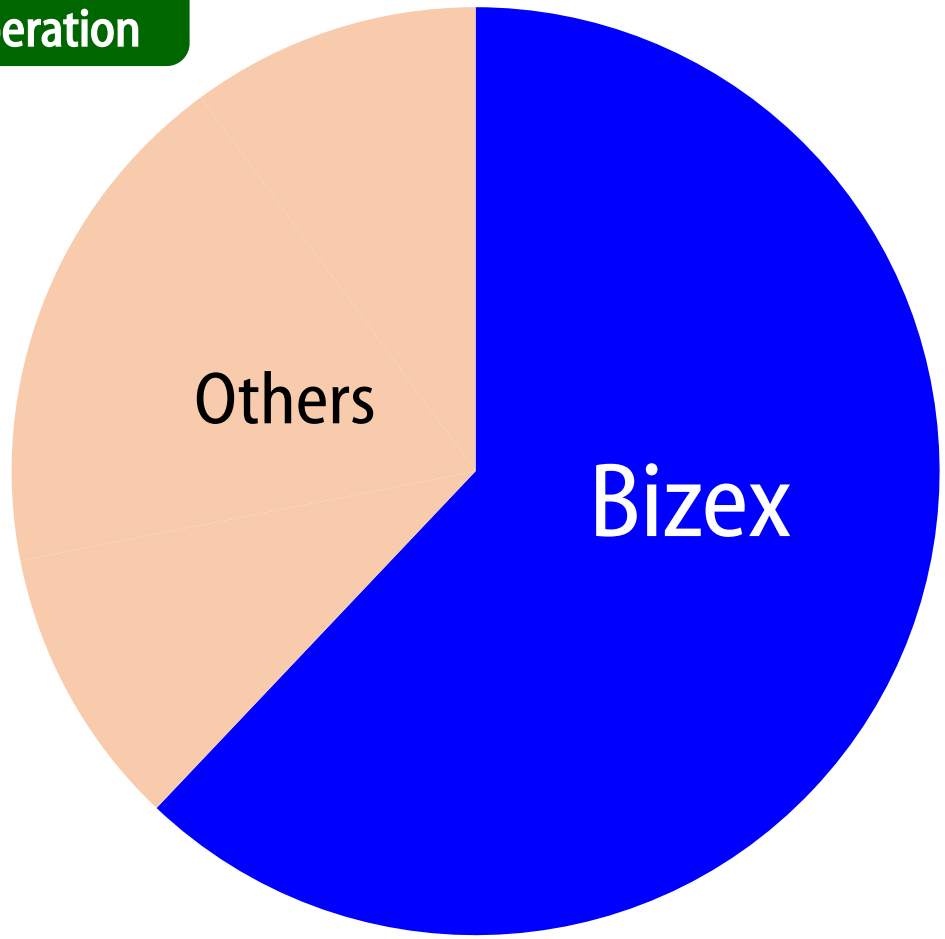

## Improvement from the local operation perspective

- Optimized distribution of inventory products
- Leveling of packing and replenishment operation
- Optimization of man-hour management

**Productivity has improved significantly**

Delivery operation

# Delivery share in ASKUL Group



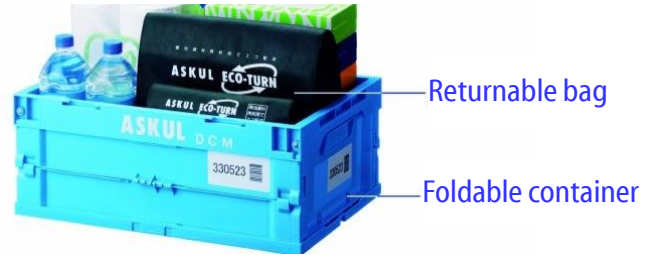

Performance for Jun–Nov 2014 (based on the number of parcels)

## About 60%

## Covers high density areas

Value-added services such as ECO-TURN Delivery*, etc. are being offered in the B-to-B business




# Controls company-wide delivery costs

*ECO-TURN Delivery is an environment-friendly delivery service that uses foldable containers to eliminate packing materials and waste.
We have switched returnable bags to paper bags from late August 2013 onwards


Further Strengthening of
Overwhelming Logistics Capability
Aim to become No.1 in second-generation
e-commerce by accelerating the pace of business
growth while evolving the logistics service

# I. First Half Results

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– Accelerate Speed of Growth and Boost Returns Further –

ASKUL × YAHOO! JAPAN



# Second-generation e-commerce as envisioned by LOHACO




Daily use

Whenever, wherever

EC for daily necessities

くらしをかるくする
LOHACO

# Structural Strengths

ASKUL

Largest Product Range
Optimum Price
Fastest Distribution System
Best Customer Support

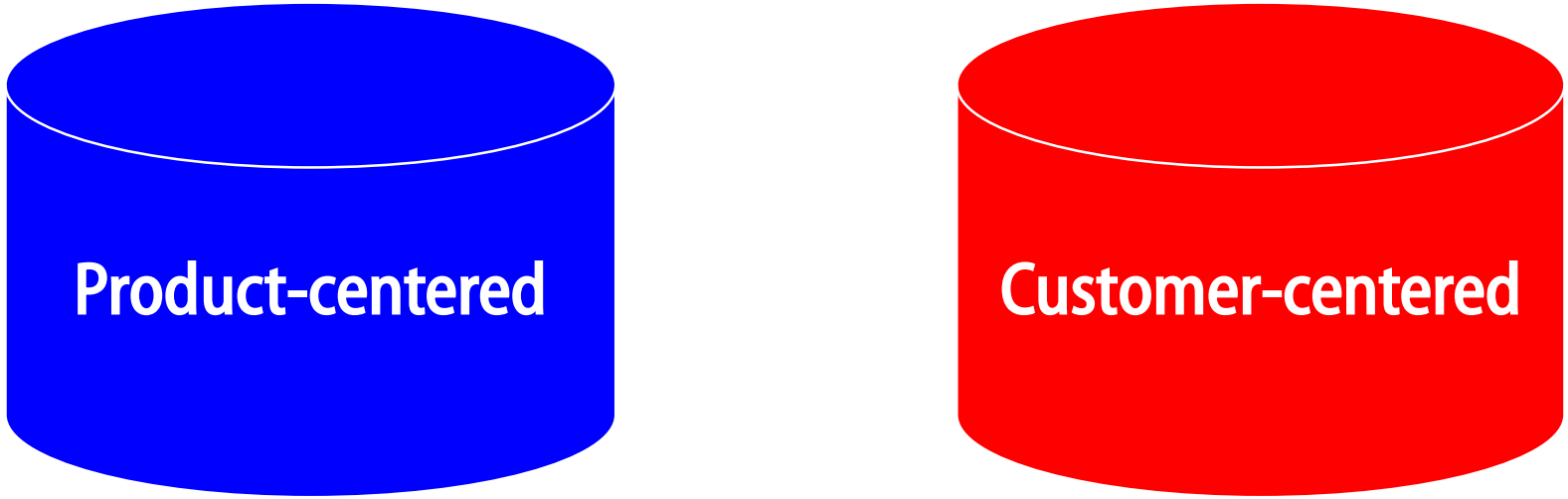
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YAHOO! JAPAN

Best Customer Appeal
Best Settlement

Customer Appeal → Product Range → Price → Settlement → Distribution → Customer Support

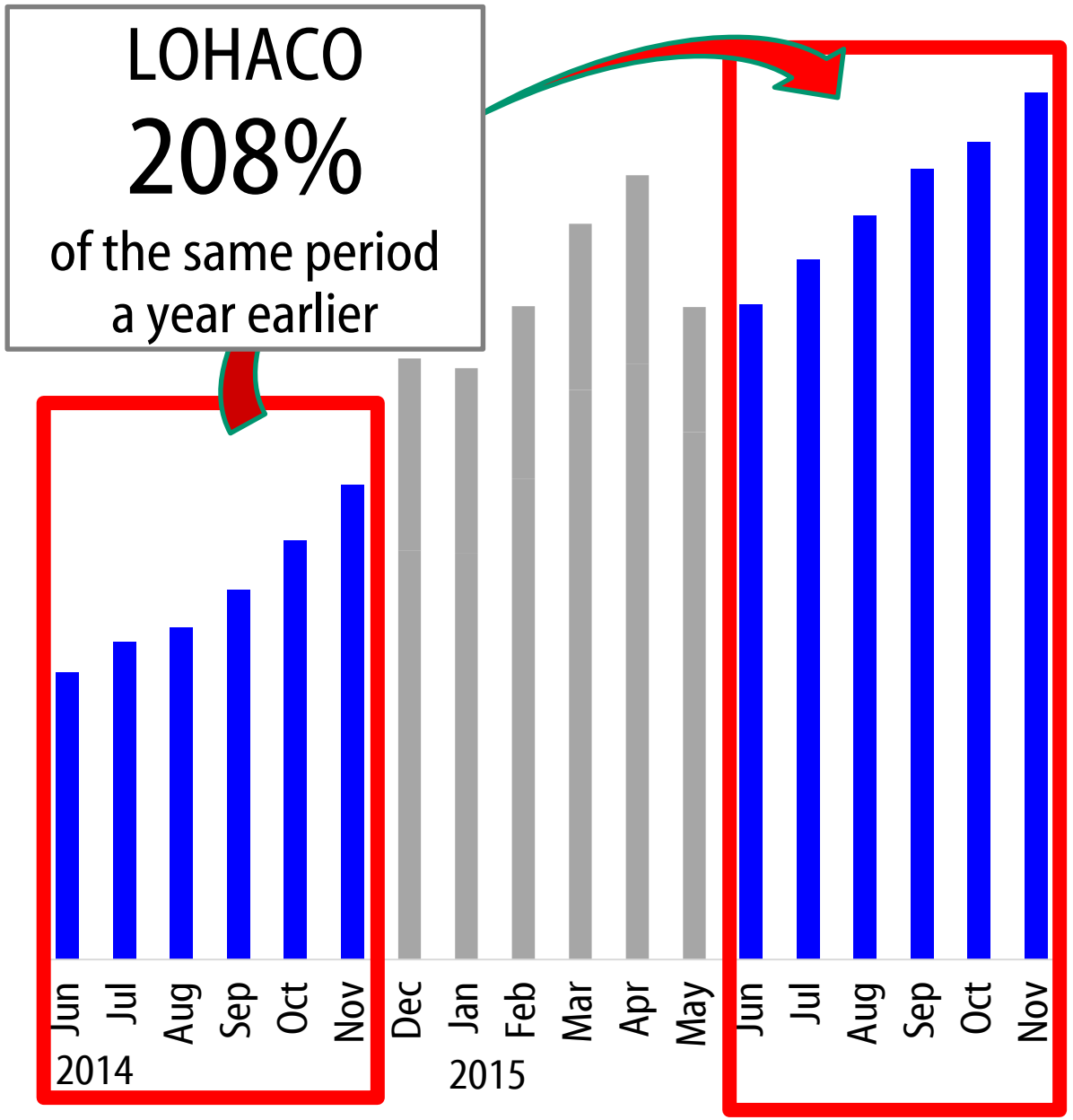
# Shifting Gears towards No.1 in Second-generation e-commerce




Measures to be crystallized based on big data analysis of these two axes

Aim for net sales expansion and profitability improvement

## LOHACO Business Net Sales Trend

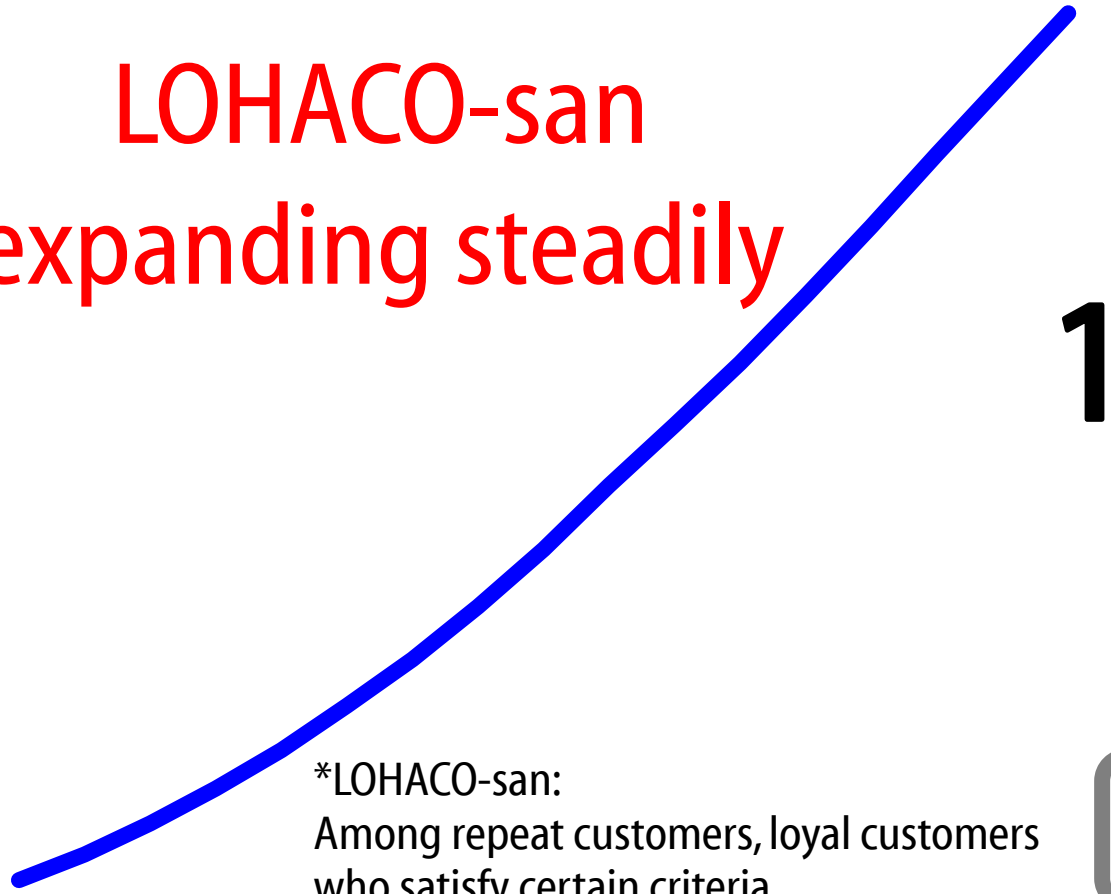



# LOHACO net sales to grow significantly towards becoming No.1 in second-generation e-commerce

# Second-generation e-commerce Steadily Spreading

## Trend in LOHACO-san*

LOHACO-san
expanding steadily




*LOHACO-san:
Among repeat customers, loyal customers who satisfy certain criteria

**The next milestone**

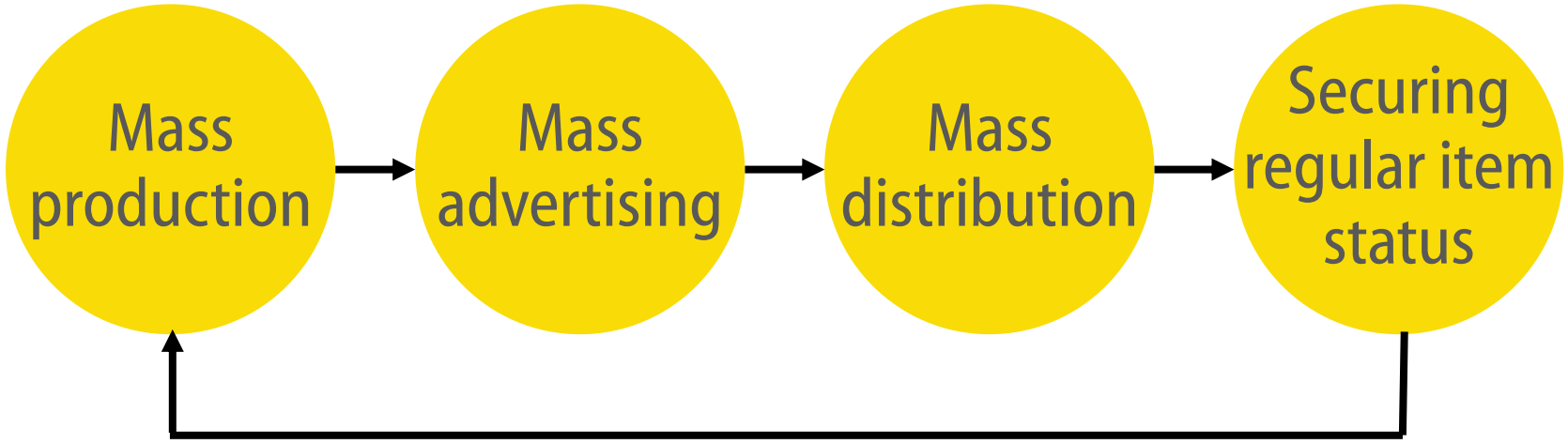
**1 million people**

**150,000 people**
**in about 2 years**

The number of LOHACO-san

# Taking on Challenge to Enable Distribution Process from Customer Perspective

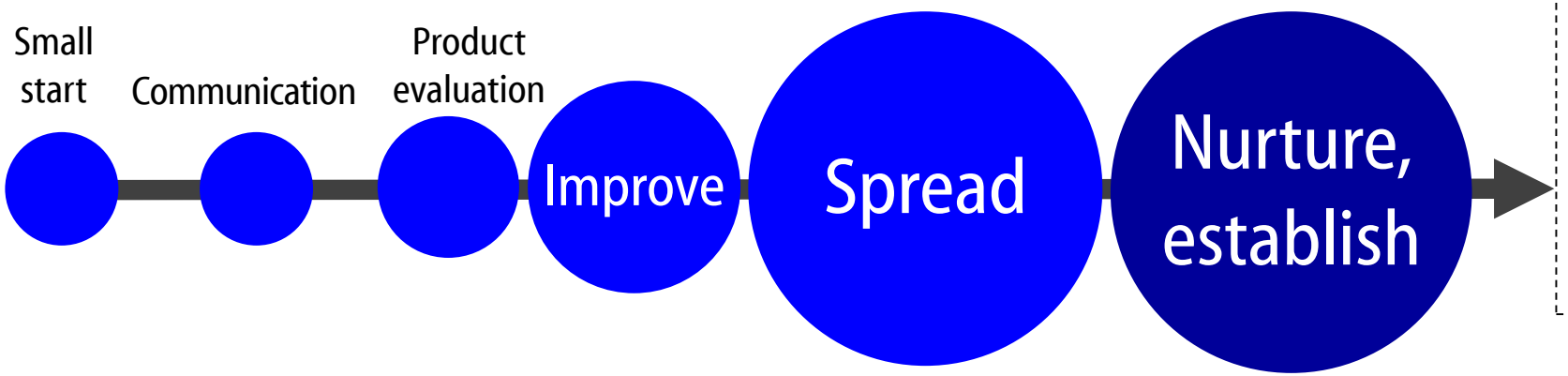
## Conventional process




## Issues facing manufacturers

(1) Immediate startup
(2) Upfront investment
(3) Negotiation for regular item status
(4) Reduction of regular items, inventory disposal, own-brand products

## LOHACO's process




## Innovation

(1) Small start
(2) High-speed implementation of PDCA
(3) Visualization of evaluation
(4) Expansion at low cost




We will focus on further vitalization of existing stores from now on

Pursue profits through added value

# LOHACO Web Marketing Consortium




Date: November 19, 2014 (Wednesday)

Venue: Grand Hyatt Tokyo

Participants: 307 officials from 145 companies

# LOHACO will shift gears in pursuit of further expansion

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ASKUL

ASKUL INTERNET SHOP

SOLOEL ARENA

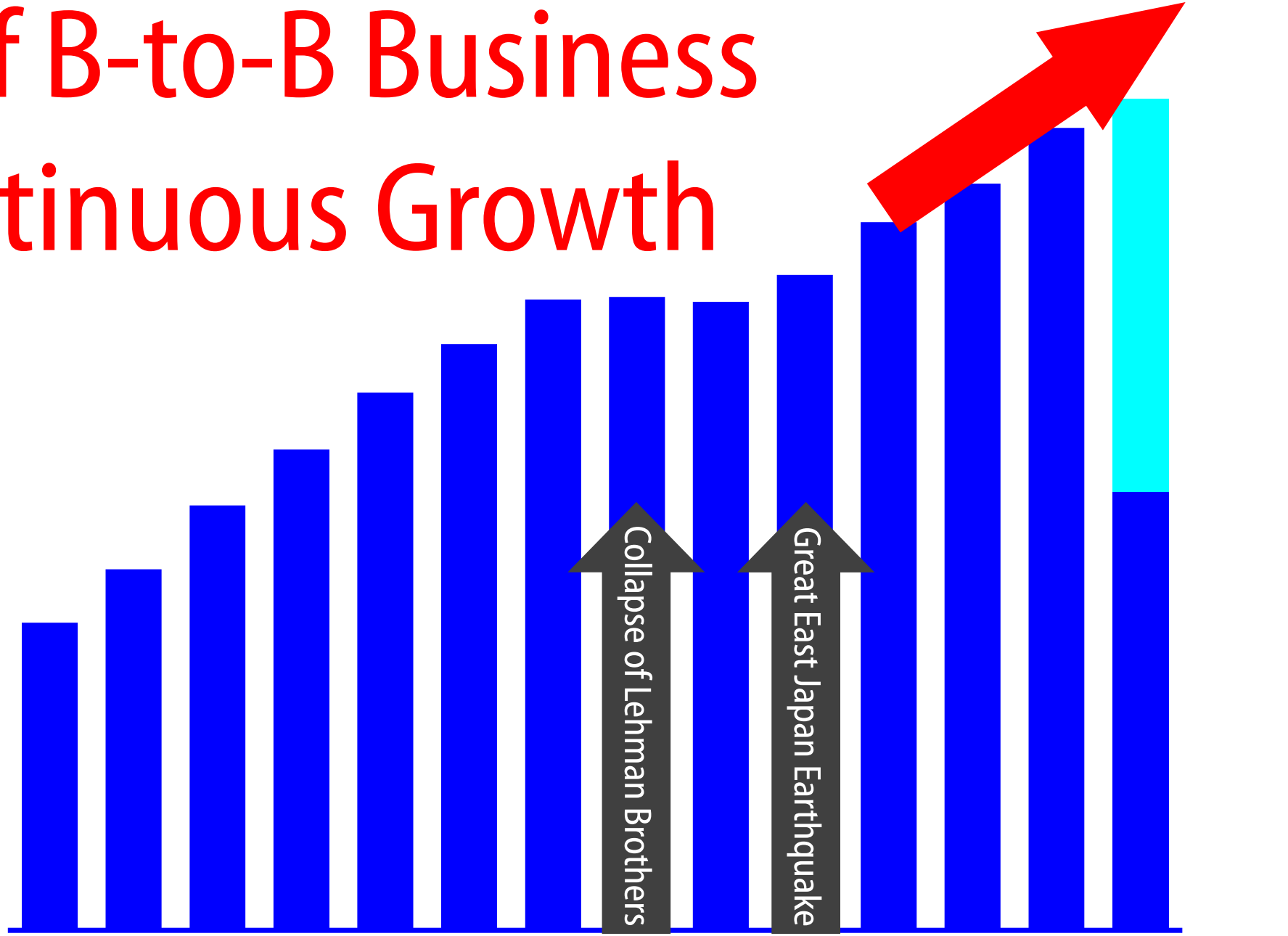
Powered by ASKUL

# Targeting B-to-B Business

ASKUL + MEDeTOMO

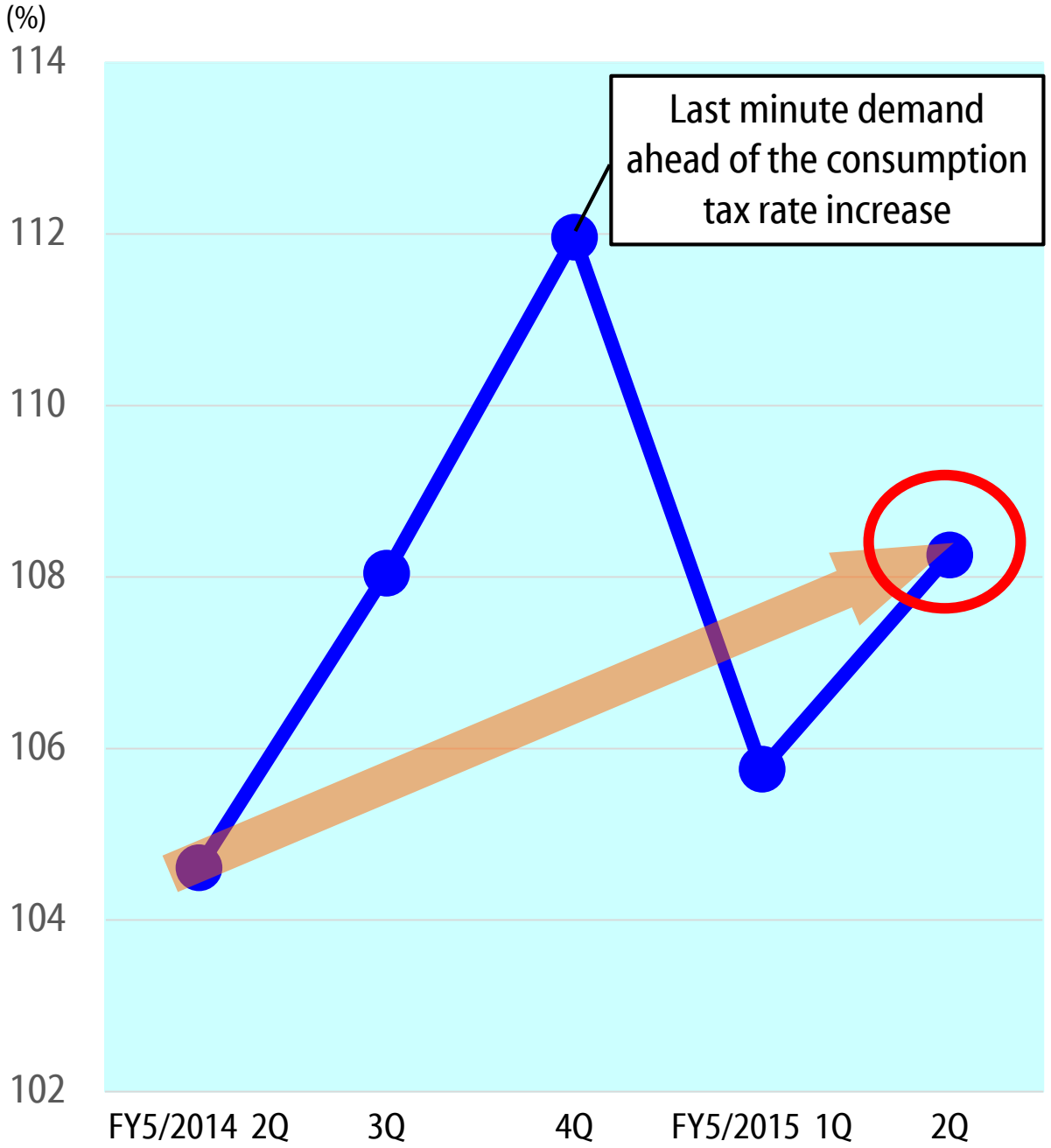
SOLOEL

# Net Sales of B-to-B Business to Post Continuous Growth




*Trend of B-to-B business's net sales (non-consolidated)

# Trend of YoY Change in Net Sales of B-to-B Business, etc.




Net sales increased 8.3% in 2Q compared with the same period a year earlier

By overcoming the reaction to the last minute demand ahead of the consumption tax rate increase

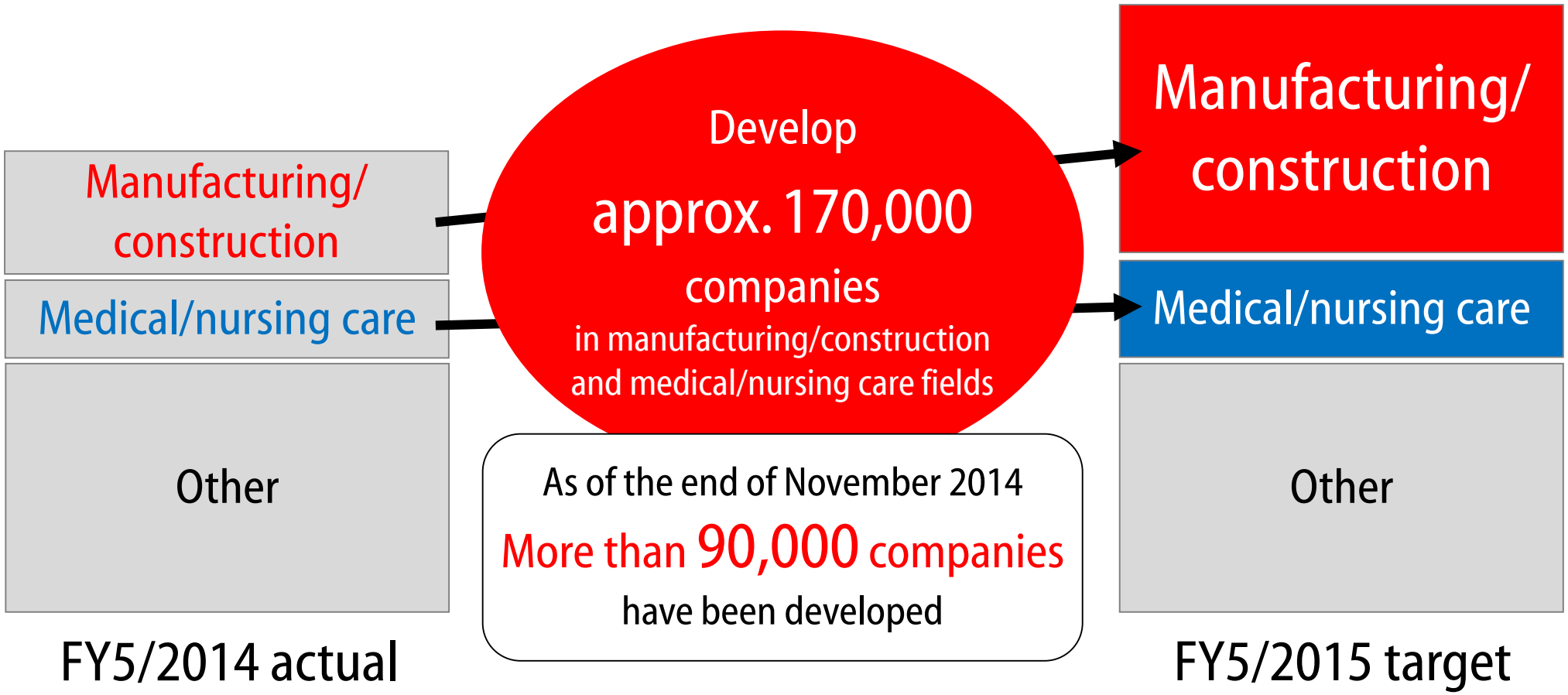
# 3 Measures That Support Growth of B-to-B Business

**Increase the number of customers (primarily in manufacturing and medical/nursing care)**

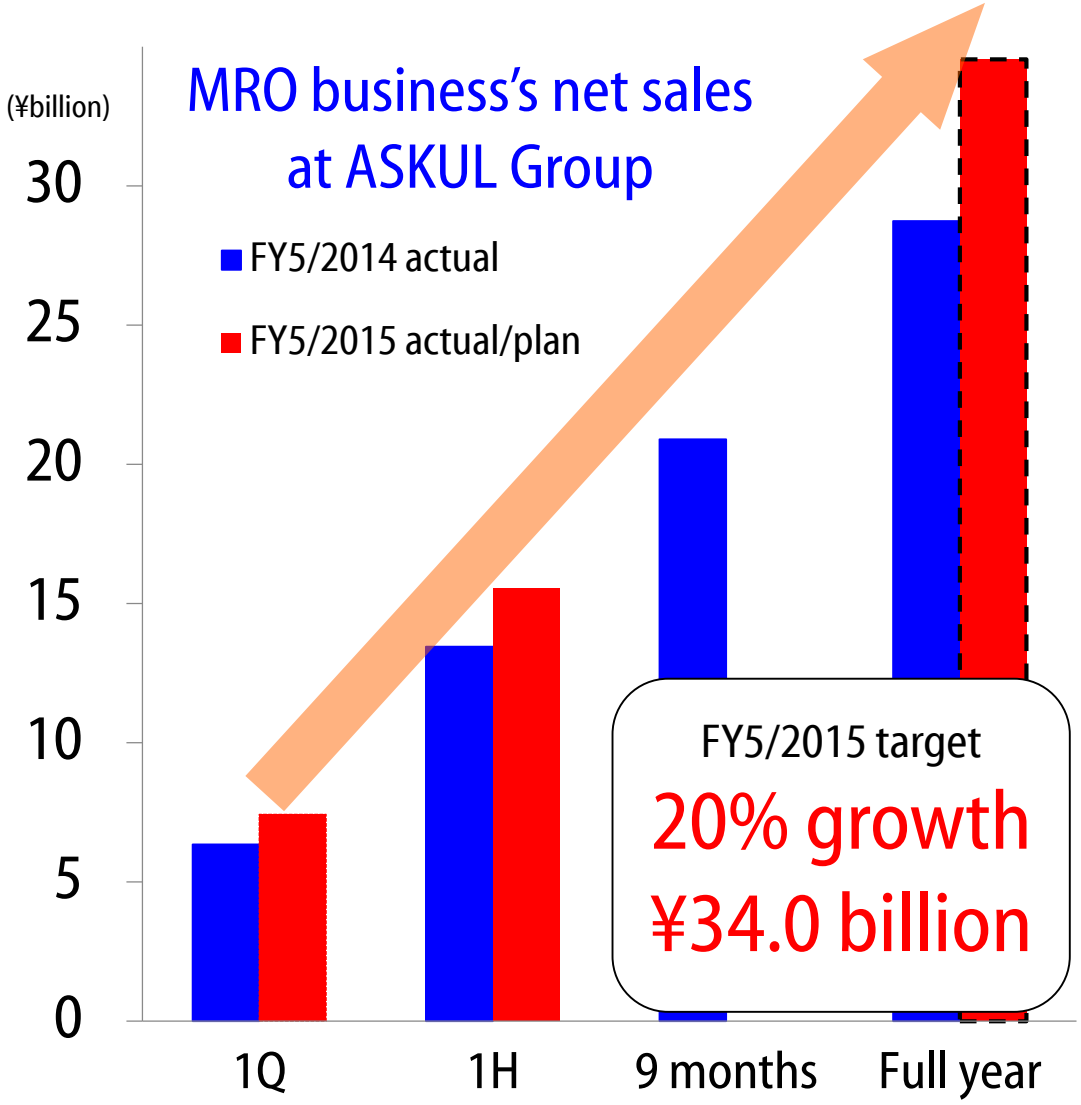
**Introduce new high-demand products (MRO, medical)**

**Evolve e-commerce purchasing website to boost active customer rate**

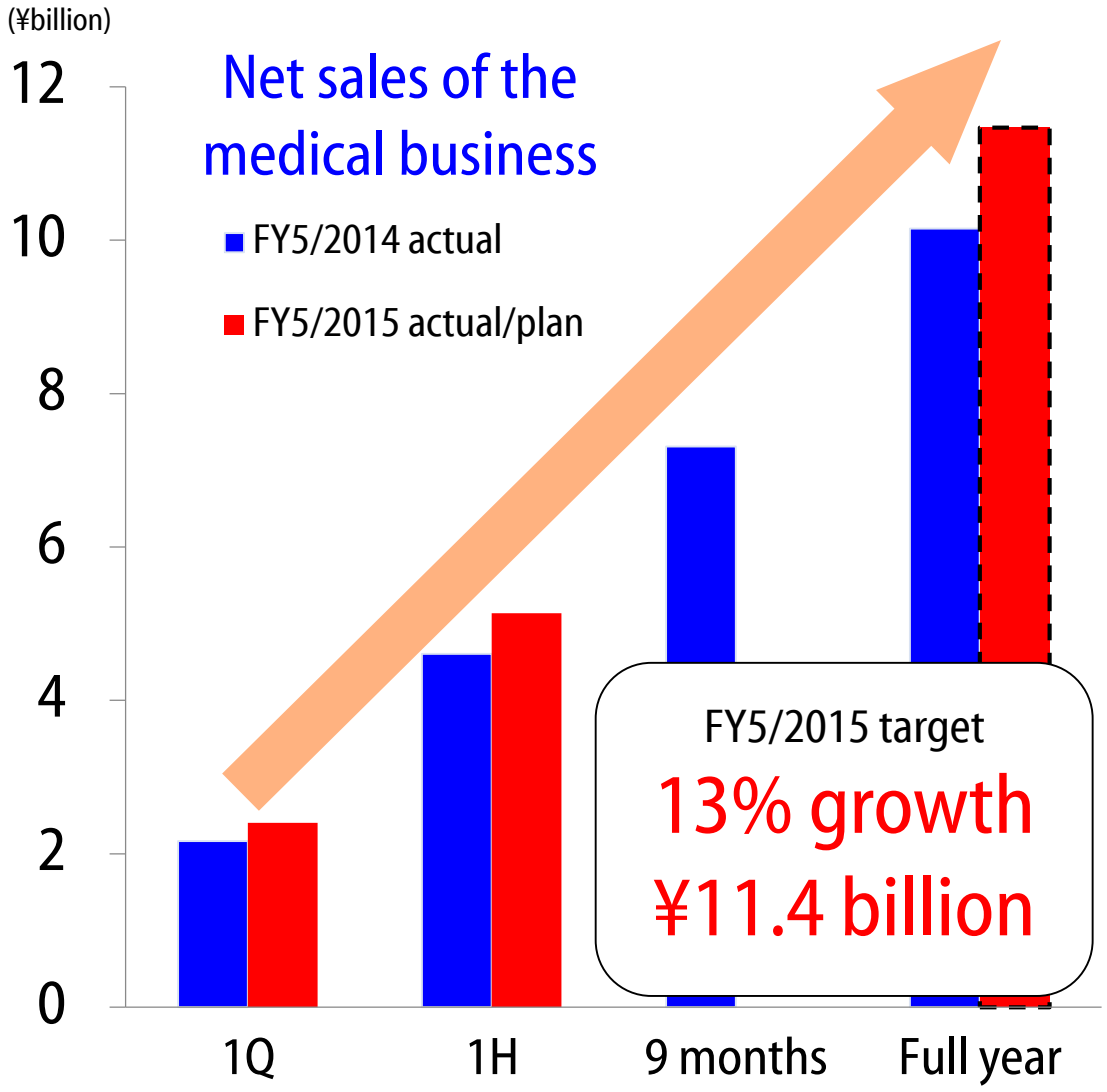
# Increase the Number of Customers (Primarily in Manufacturing and Medical/Nursing Care)



# Net Sales in Growth Areas Continue to Expand

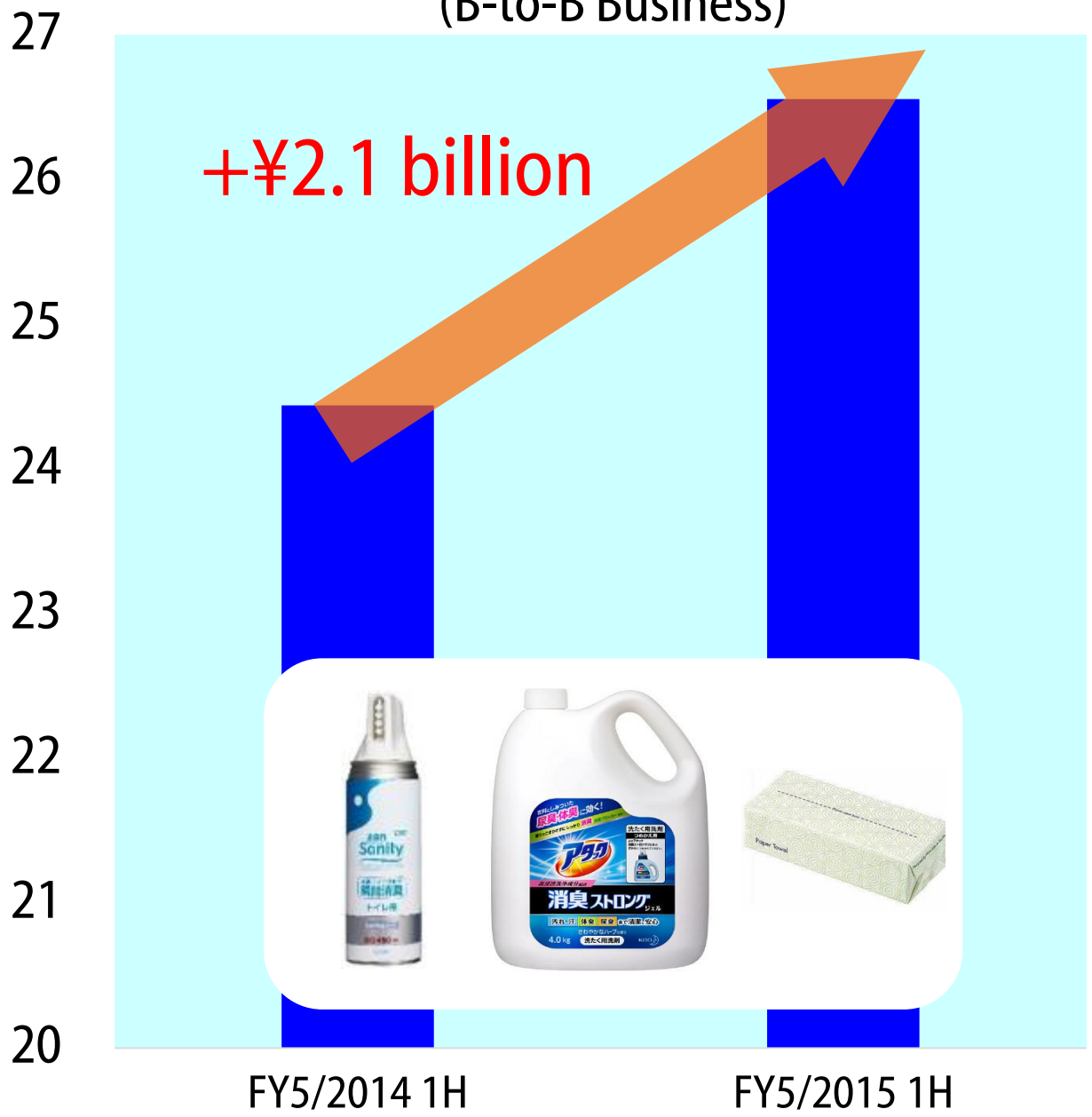



*Including sales through LOHACO




*Including products sold through LOHACO (LOHACO DRUG pharmaceuticals, etc.)

## Trend of Living Supplies Net Sales (B-to-B Business)




*Excluding sales through LOHACO

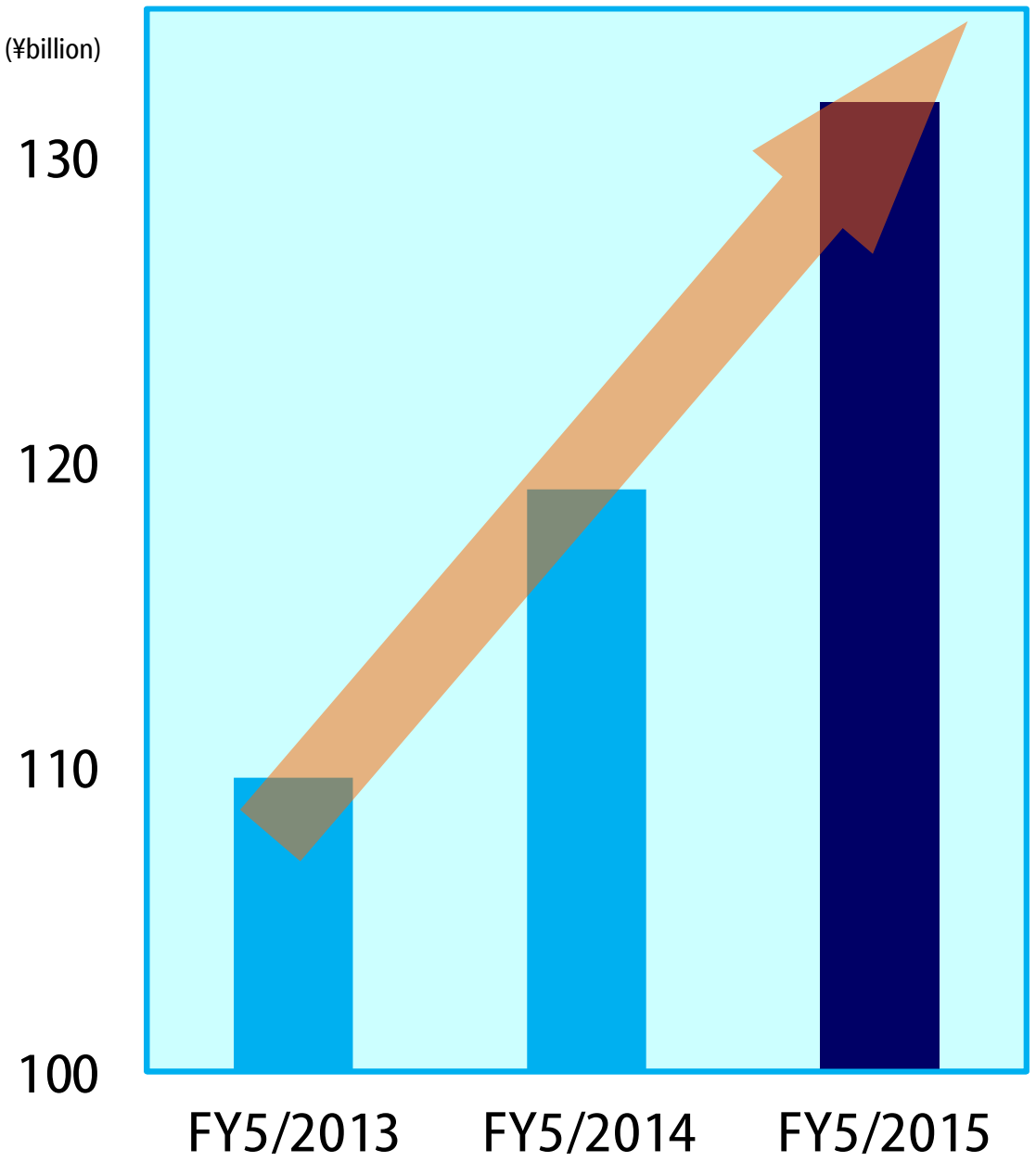
- The number of customers in manufacturing/construction and medical/nursing care expanded
- Focus on offering new products targeting these customers in all categories

**Speed of growth of existing categories led by living supplies has been accelerated**


B-to-B business advancing towards development of new markets and further bolstering of profits

# Appendix

# Trend in FY5/2015 1H Consolidated Net Sales




## Marked a record high

## Achieved net sales exceeding ¥130.0 billion

# FY5/2015 1H Net Sales by Product Category

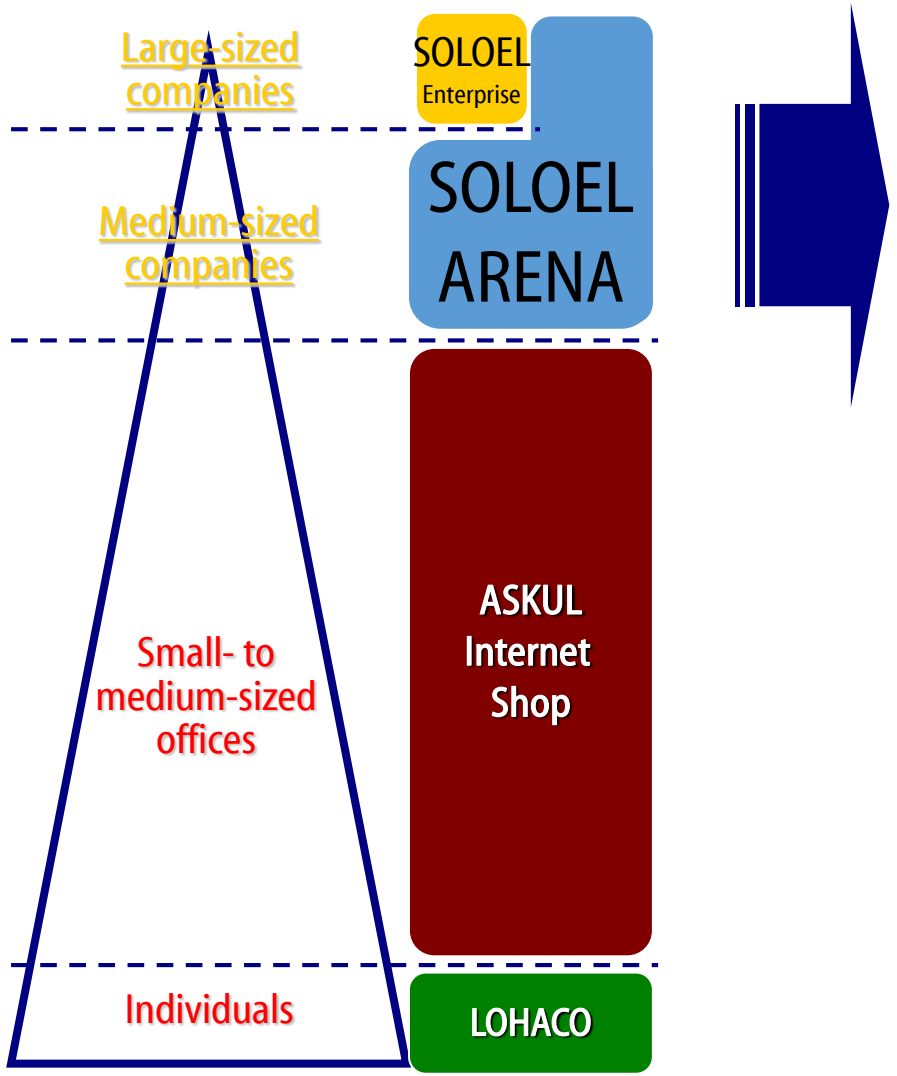
Non-consolidated

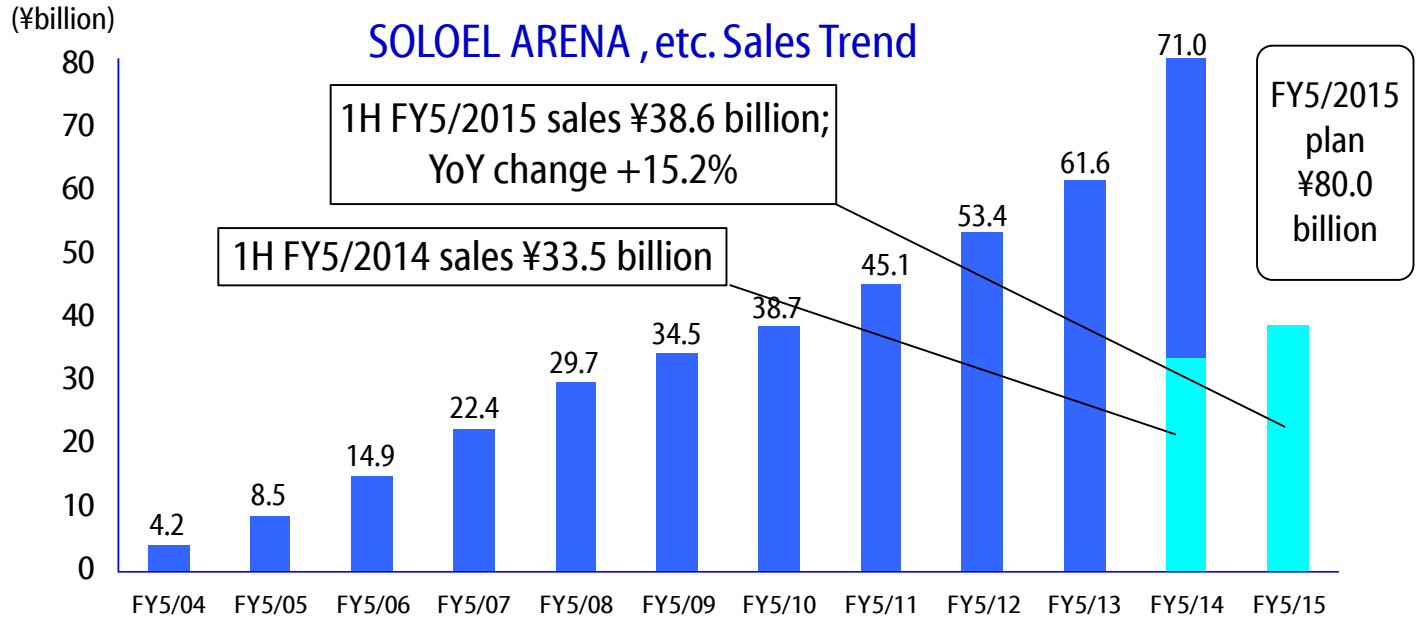
| | 1H FY5/2014 | | 1H FY5/2015 | |
|---|---|---|---|---|
| | Amount (¥million) | YoY change (%) | Amount (¥million) | YoY change (%) |
| OA&PC | 414 | 103.8 | 428 | 103.3 |
| Stationery | 254 | 107.3 | 273 | 107.8 |
| Living Supplies | 272 | 120.4 | 332 | 122.2 |
| Furniture | 87 | 103.2 | 95 | 108.3 |
| Others (Medical, etc.) | 81 | 112.7 | 92 | 113.2 |
| Total | 1,110 | 108.9 | 1,222 | 110.1 |

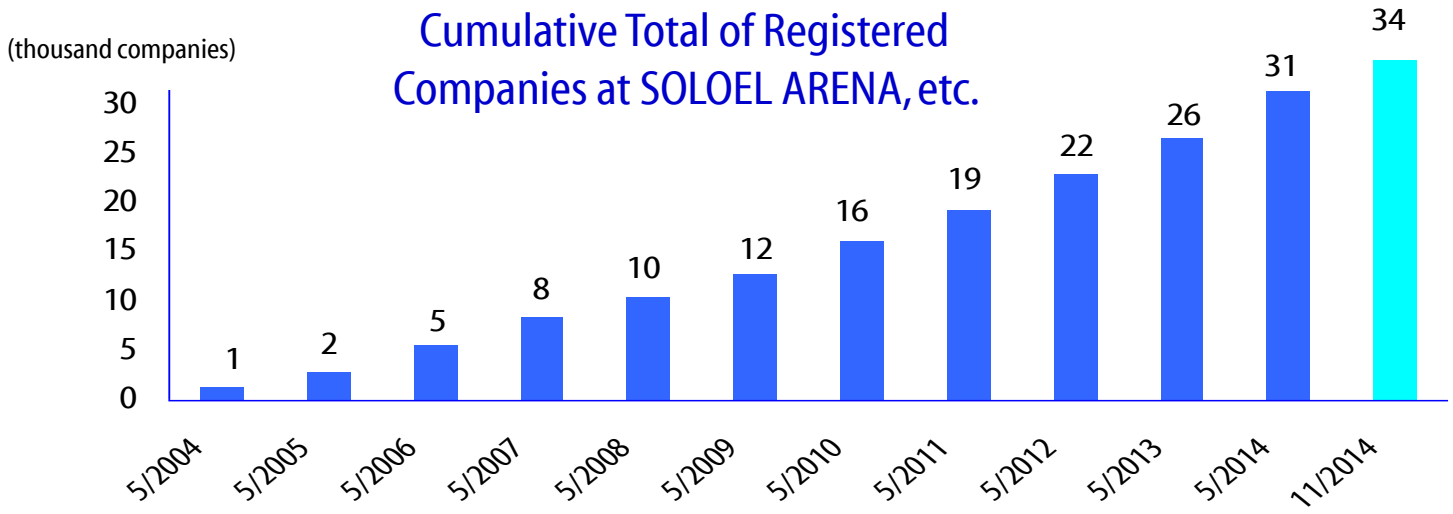
Non-consolidated net sales were also a record

Positive growth in all categories

# SOLOEL ARENA Expanding Steadily

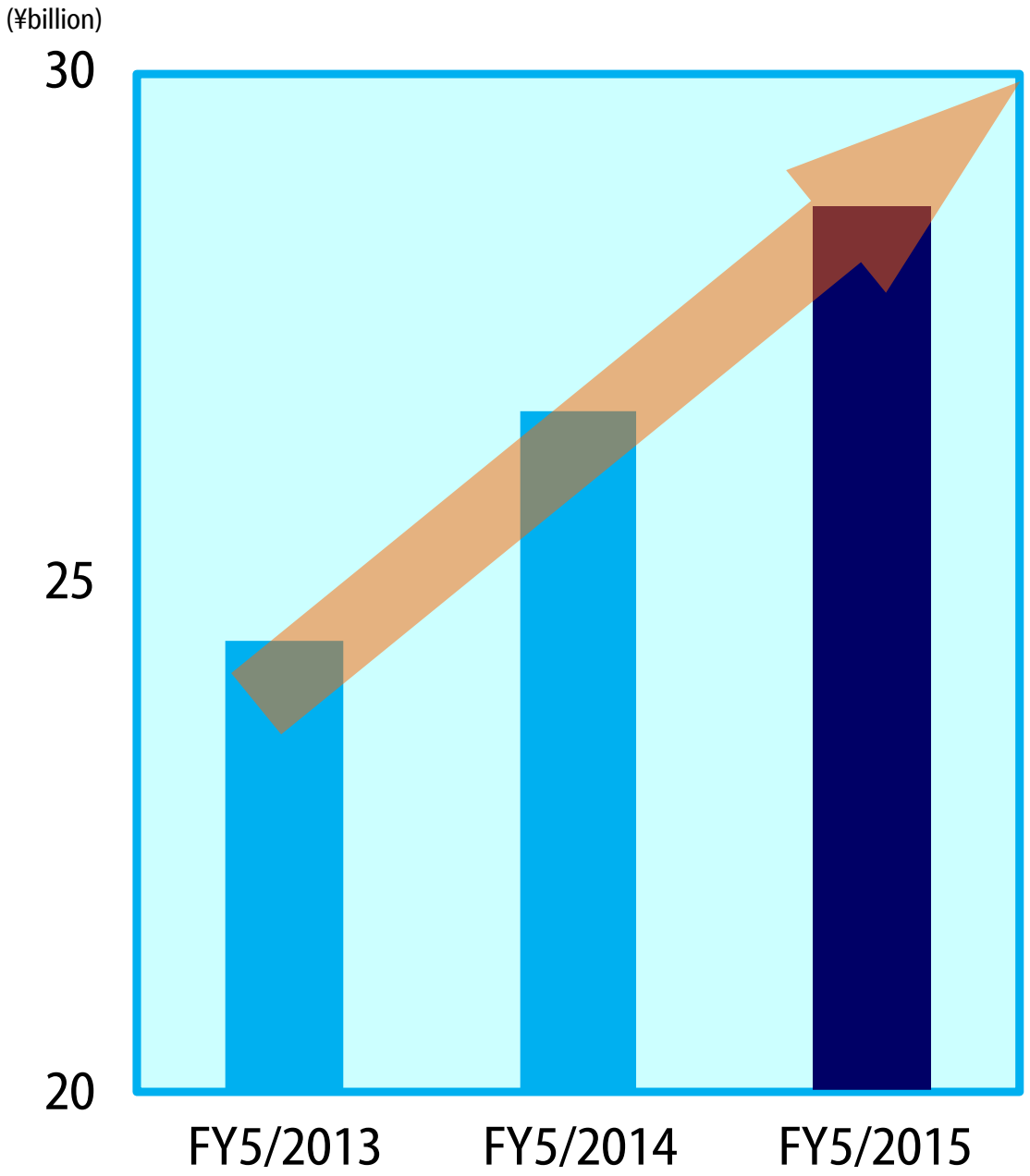



**Sales increased 15.2% on year, exceeding full-year plan of 12.7%**

# FY5/2015 1H Trend in Consolidated Gross Profit




## Marked a record high

## Steadily accumulating profit reflecting sales increase

# 《Appendix》 Consolidated Gross Profit, SG&A Expenses, Capital Expenditures

## Gross profit: ¥28.6 billion YoY change: +¥2.0 billion

Gross profit margin: 21.7% YoY change: -0.6 p.p.; gap with the plan: -0.2 p.p.

- Declined temporarily due to increase in cost of sales reflecting the weaker yen and higher raw material price as well as LOHACO's pricing strategy → The latest figure has improved significantly

## SG&A expenses: ¥27.0 billion YoY change: +¥1.8 billion

Ratio of SG&A expenses to net sales: 20.5% YoY change: -0.6 p.p.; gap with the plan: -0.2 p.p.

- Normalized and satisfactory due to favorable impact of lower fixed cost ratio thanks to cost reduction and sales increase and improvement in logistics productivity, which had worsened temporarily

(Ref.) Advertising and sales promotion expenses: ¥950 million

## Capital expenditures: ¥1.6 billion (Annual plan: ¥6.3 billion)

(Major investment) ASKUL Logi PARK Fukuoka logistics base enhancement ¥0.5 billion

(Ref.) Depreciation and amortization of software: ¥2.0 billion (Annual plan: ¥4.1 billion)

# 《Appendix》

## (1) Share of orders placed on the Internet in net sales

| | 1H FY5/2014 | 1H FY5/2015 | YoY change |
|---|---|---|---|
| Orders via the Internet | 73.1% | 76.1% | +3.0 p.p. |
| Other | 26.9% | 23.9% | -3.0 p.p. |

Note 1: The percentages above are based on orders placed.

## (2) ASKUL original products

(items)

| | November 2013 (single month) | November 2014 (single month) | YoY change |
|---|---|---|---|
| Number of original products | 5,113 | 5,863 | +750 |
| Share in net sales | 16.3% | 18.6% | +2.3p.p. |

Notes:

1. The figures above are the results for the month of November each year.
2. Net sales of original products used as the numerators in calculating the shares in net sales do not include net sales of original copier paper.
3. The figures for the number of original products do not include the products listed in Medical & Care Catalogs and Medical Pro Catalogs.

# 《Appendix》

## (3) Capital Expenditures

(¥million)

| Item | 1H FY5/2014 | 1H FY5/2015 | |
|---|---|---|---|
| | Amount | Amount | YoY change |
| [Capital expenditures] | 20,648 | 1,652 | 8.0% |
| Property, plant and equipment | 19,573 | 977 | 5.0% |
| Intangible assets | 1,075 | 674 | 62.8% |
| Construction in progress Note 2 | 252 | 733 | 290.6% |
| Software in progress Note 2 | 68 | 276 | 406.6% |

Notes:

1. Capital expenditures are stated on an accrual basis and do not reflect reductions.
2. Construction in progress and software in progress partially include consumption and other taxes.