FY5/2016 First Nine Month Performance

Nine-Month Net Income Grows 1.9 Times to Record

Net Sales Also Highest Ever, Expanding by a Record ¥27.7 Billion

Maximizing Synergies between B-to-B and LOHACO Businesses by Leveraging Big Data and in Collaboration with Manufacturers

March 16, 2016

Disclaimer
This is an English translation of the captioned presentation material. This translation is prepared and provided for the purpose of the convenience of non-Japanese-speaking people.
All readers are recommended to refer to the original version in Japanese of the presentation material for complete information.

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.

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.
MRO refers to Maintenance, Repair and Operation, and in this material primarily refers to the indirect materials consumed at work sites by companies.

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I First Nine Month Results

II Status of B-to-B Business

III Status of LOHACO Business

IV Topics

Revision to FY5/2016 Full-year Consolidated Earnings Forecasts

	FY5/2015	FY5/2016		
	Actual (¥billion)	Initial forecast (¥billion)	Revised forecast (¥billion)	YoY change %
Net Sales	276.7	304.5	312.0	+12.7
Operating Income	6.8	8.0	8.5	+24.1
Ordinary Income	6.9	8.0	8.5	+22.1
Net Income* attributable to owners of the parent	4.0	4.4	5.0	+24.0

*The term is used based on the revision to rules regarding Accounting Standard for Business Combinations, terms, format and preparation method of consolidated financial statements. It is Net Income in the FY5/2015 results.

Achieved the full-year net income target earlier than planned

Aim to add more while strengthening LOHACO sales promotion

FY5/2016 First Nine Month Consolidated Performance

	FY5/2015 9 mo. (¥million)	FY5/2015 9 mo. % of net sales	FY5/2016 9 mo. (¥million)	FY5/2016 9 mo. % of net sales	YoY change %
Net Sales	201,898	100.0	229,620	100.0	+13.7
Gross Profit	43,987	21.8	51,487	22.4	+17.0
Selling, General and Administrative Expenses	40,060	19.8	44,652	19.4	+11.5
Operating Income	3,926	1.9	6,834	3.0	+74.1
Ordinary Income	4,002	2.0	6,802	3.0	+70.0
Net Income* attributable to owners of the parent	2,295	1.1	4,400	1.9	+91.7

*The term is used based on the revision to rules regarding Accounting Standard for Business Combinations, terms, format and preparation method of consolidated financial statements. It is Net Income in the FY5/2015 first nine month results.

- Double-digit growth in net sales
  Record increase of ¥27.7 billion
  Up 13.7% YoY
- Gross profit margin improved
  Up 0.6 points YoY
- Ratio of SG&A expenses to net sales improved
  Down 0.4 points YoY
- Operating income up 74.1%
  Net income up 91.7%
  Renewed record

FY5/2016 First Nine Month Consolidated Performance (By Business)

		FY5/2015 9 mo. (¥billion)	FY5/2016 9 mo. (¥billion)	FY5/2016 9 mo. YoY %
Net Sales	B-to-B business, etc.	187.7	206.0	+9.7
	LOHACO	14.1	23.5	+66.7
	Consolidated total	201.8	229.6	+13.7
Operating Income	B-to-B business, etc.	6.7 3.6%	11.1 5.4%	+65.4
	LOHACO (excl. active sales promotion)	-2.5	-2.2	—
	Further active sales promotion	-	-0.6	—
	LOHACO	-2.5	-2.9	—
	Subtotal	4.2	8.1	+94.8
	Temporary loss at a subsidiary	-0.2	—	—
	Distribution center relocation expenses	-	-0.6	—
	Expenses for handling volume increase	-	-0.6	—
	Consolidated total	3.9	6.8	+74.0

➢ Net sales

B-to-B business, etc. maintained strong growth

LOHACO up 66.7% YoY to ¥23.5 billion

➢ Operating income

B-to-B business, etc. up 65.4% YoY to ¥11.1 billion

Operating income to net sales ratio was 5.4%

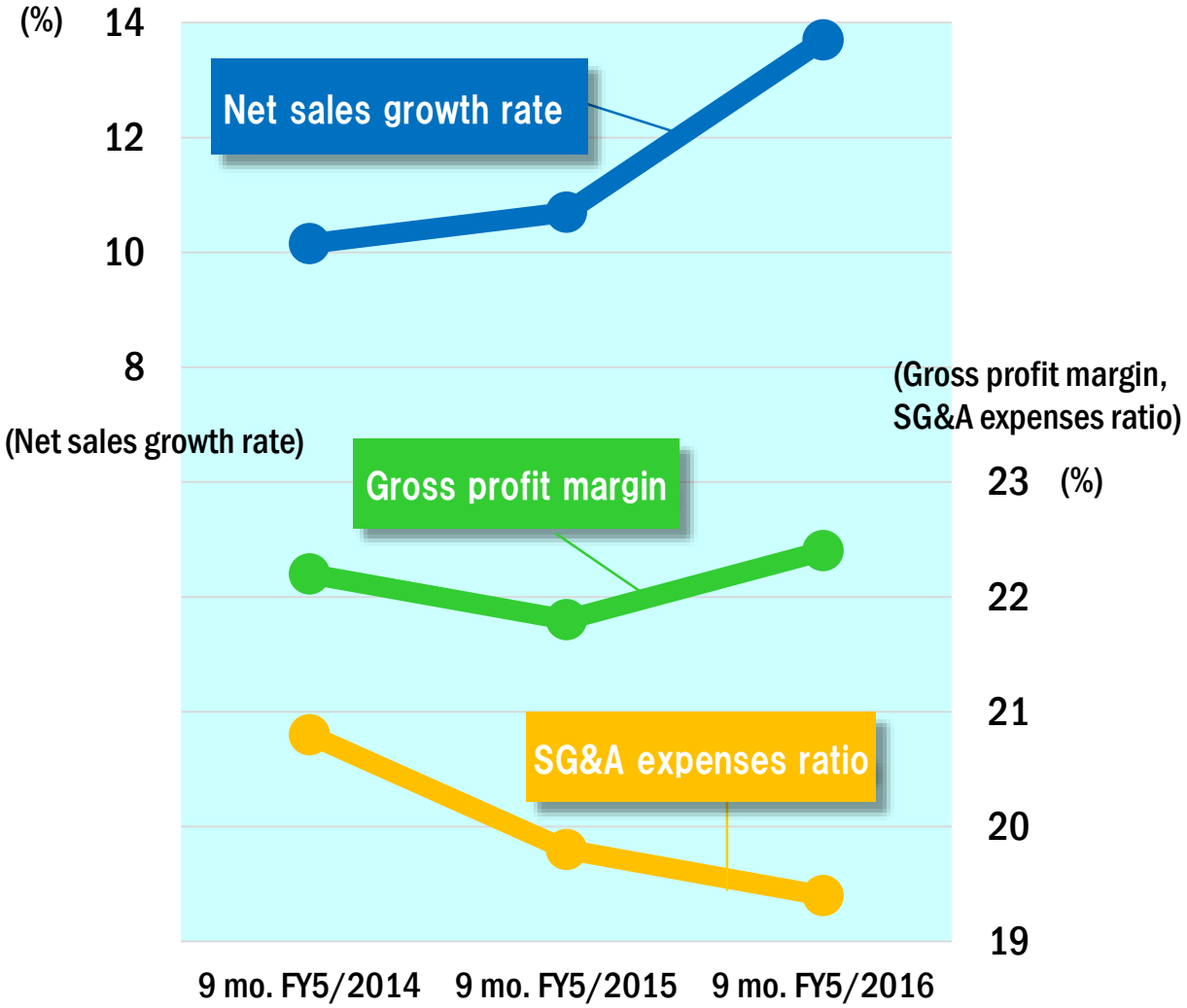
including the -¥0.2 billion impact of making ecohai Co., Ltd. a subsidiary

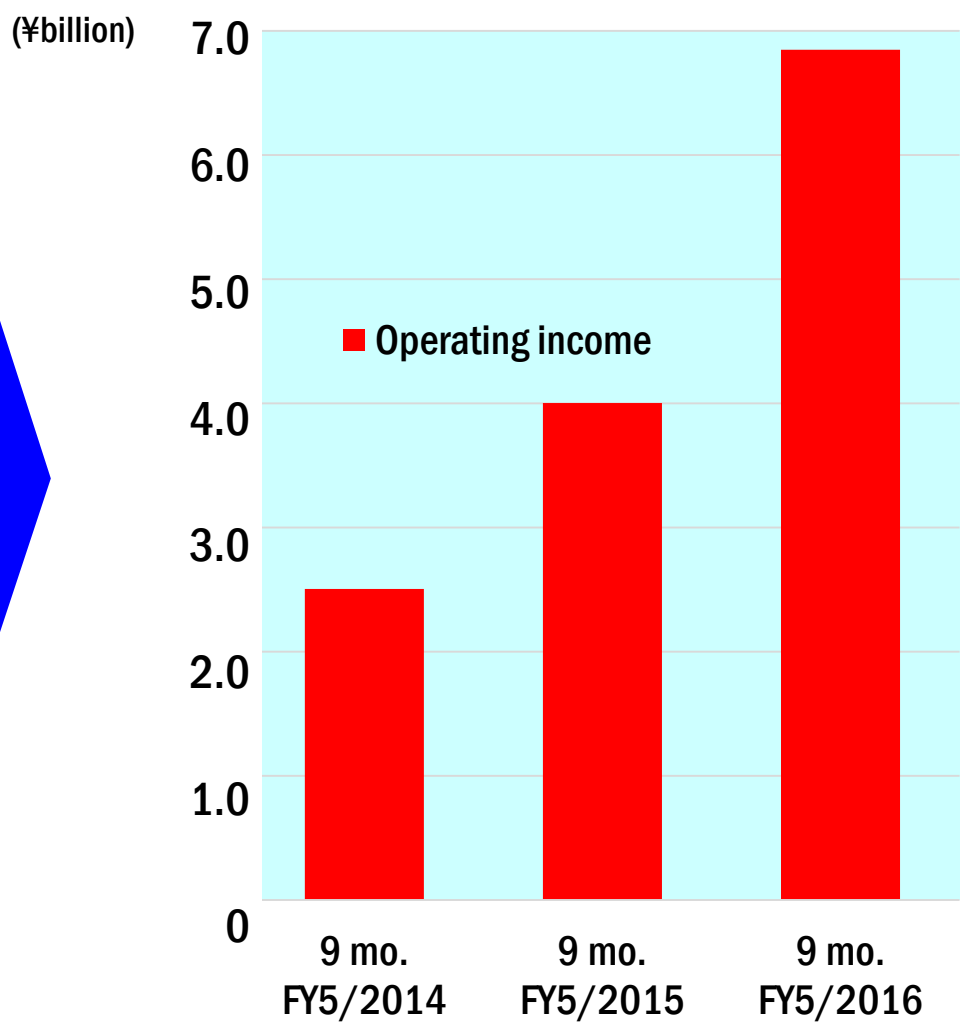
⇒Expense of upfront investment for strengthening delivery with an eye on a medium- to long-term business expansion and realizing earth-friendly delivery

Profitability of LOHACO improved

Expenses for handling volume increase: ¥0.6 billion

2Q: ¥0.5 billion and 3Q: ¥0.1 billion





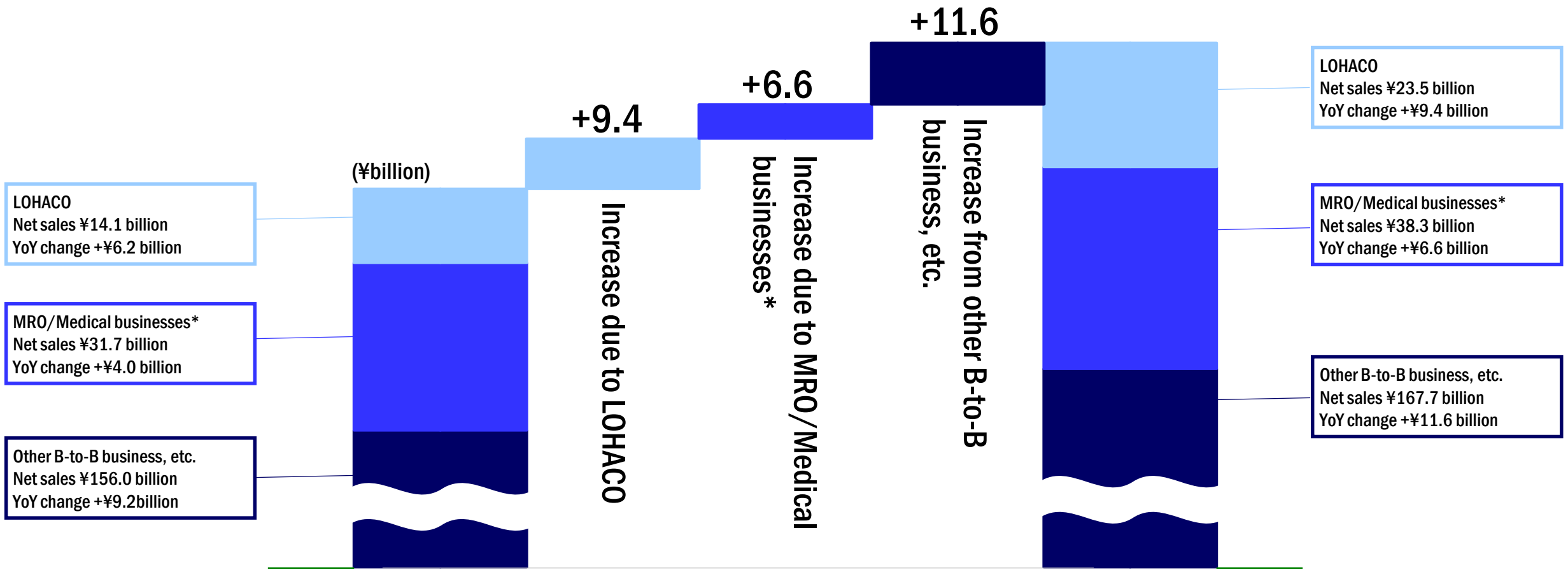
Net sales growth rate rises＋Gross profit margin rises＋SG&A expenses ratio improves

Continuing with virtuous circle of profit creating ability

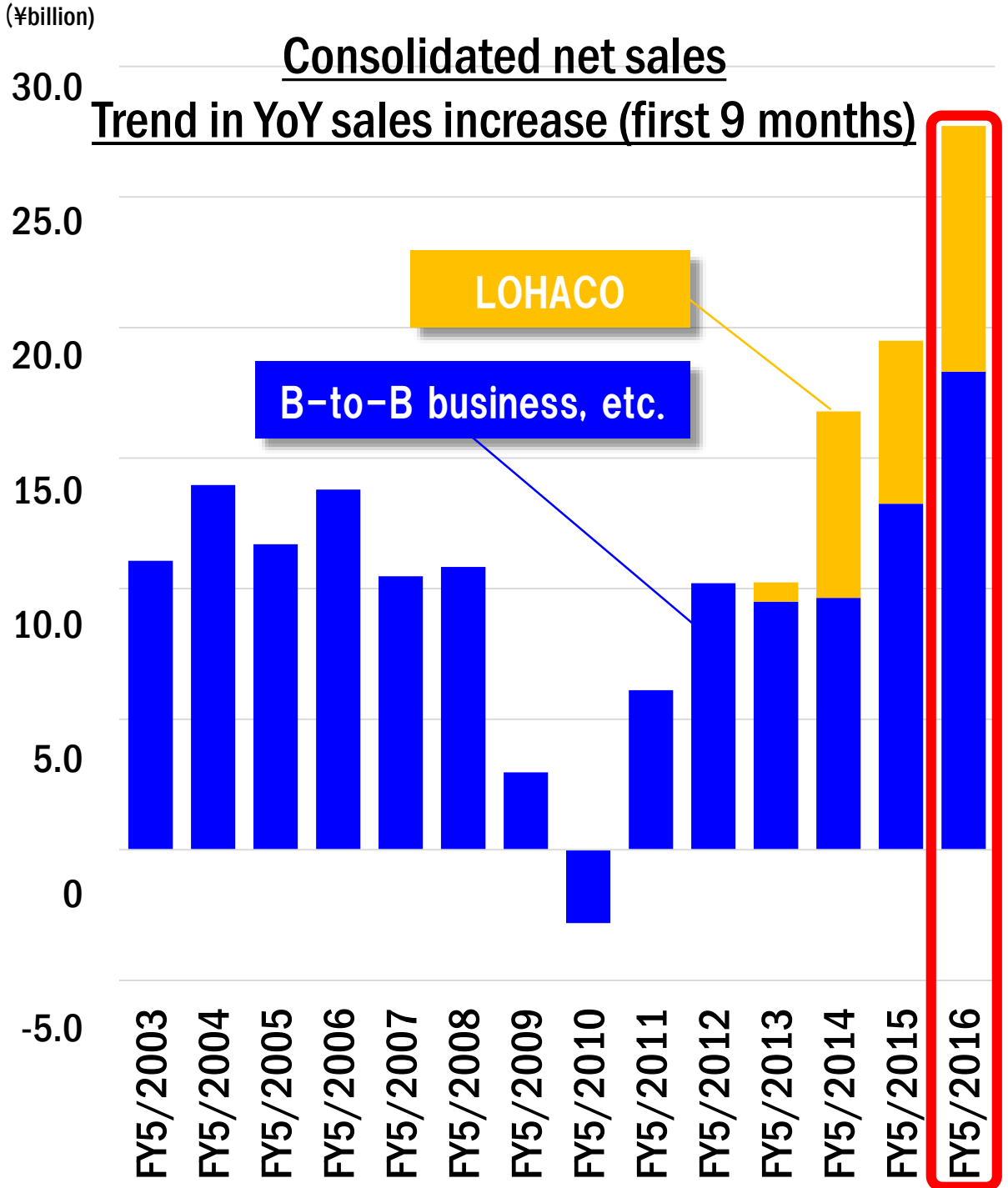
Factors Affecting FY5/2016 First Nine Month Consolidated Net Sales

FY5/2015 9 mo. (actual)
Net sales ¥201.8 billion
YoY change +¥19.4 billion
YoY growth +10.7%

FY5/2016 9 mo. (actual)
Net sales ¥229.6 billion
YoY change +¥27.7 billion
YoY growth +13.7%



*MRO/Medical businesses do not include LOHACO portion



Record net sales increase

¥27.7 billion

Continuing with implementation of company-wide relentless cost reduction activities

Continuing Waste Busters/Cost Busters initiatives from FY5/2007
All employees are implementing the activities
by participating and proposing ideas

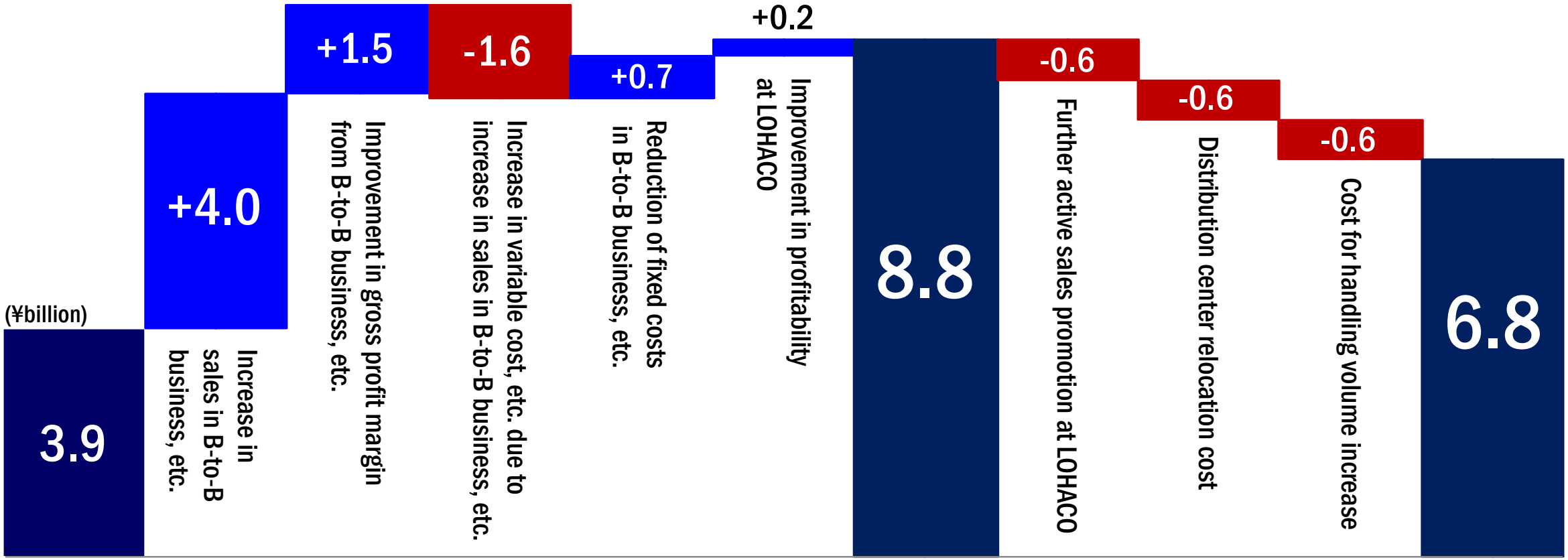
Currently total of 673 projects are in progress (as of Feb. 20)

In the first nine months of FY5/2016,
approx. ¥560 million has been reduced

Factors Affecting FY5/2016 First Nine Month Consolidated Operating Income

FY5/2015 9 mo.(actual)
Net sales growth YoY +10.7%
Gross profit margin 21.8%
SG&A expense ratio 19.8%

FY5/2016 9 mo.(actual)
Net sales growth YoY +13.7%
Gross profit margin 22.4%
SG&A expense ratio 19.4%



FY5/2015 9 mo. operating income (actual) ¥3.9 billion

FY5/2016 9 mo. operating income (actual) ¥6.8 billion

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ASKUL

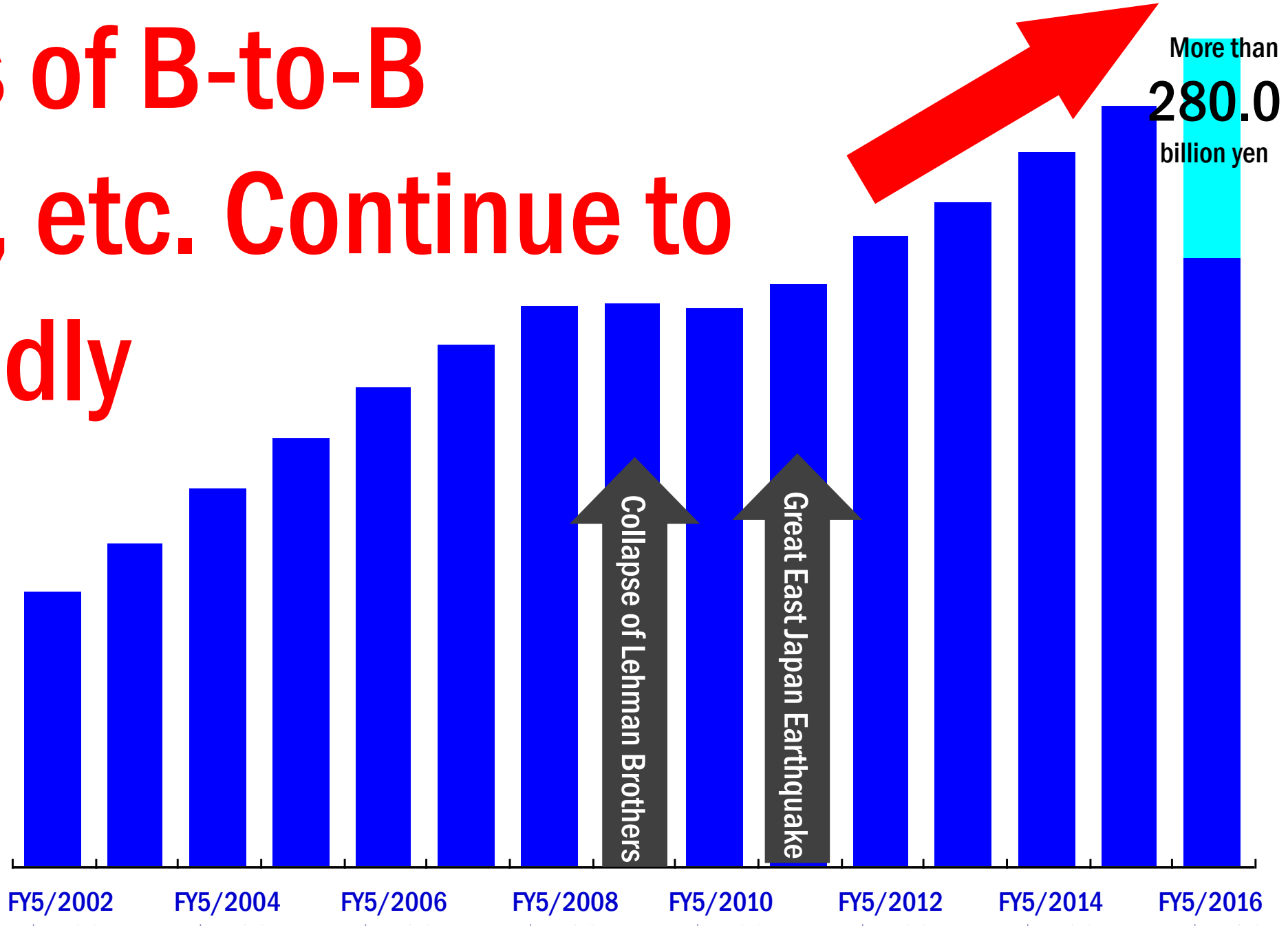
SOLOEL ARENA
Powered by ASKUL

Targeting B-to-B Business

ASKUL + MEDeTOMO

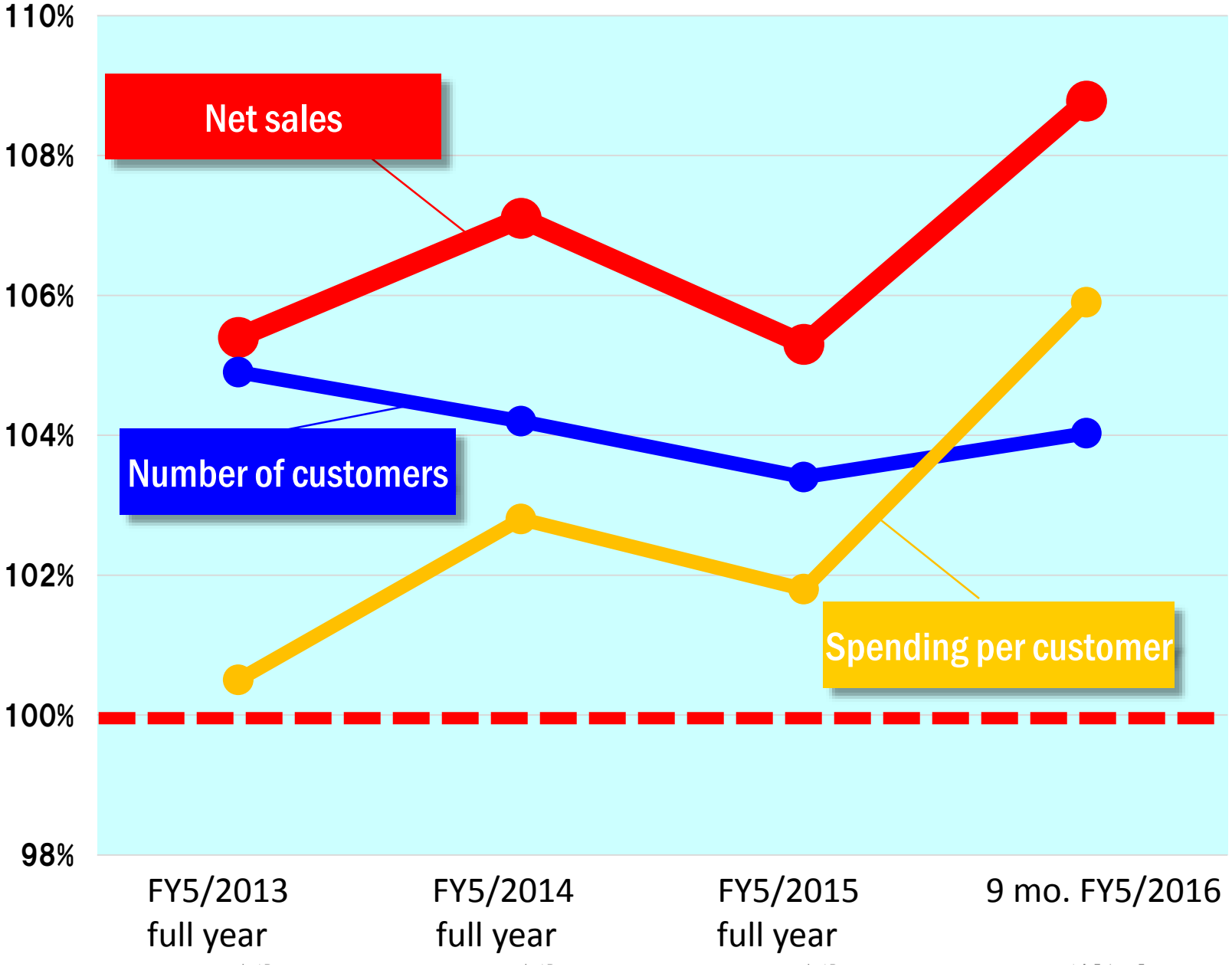
SOLOEL

Net Sales of B-to-B Business, etc. Continue to Grow Solidly



B-to-B Business: Trends of YoY Change of Net Sales/Number of Customers/ Spending Per Customer

Non-consolidated



Increase in number of customers

×

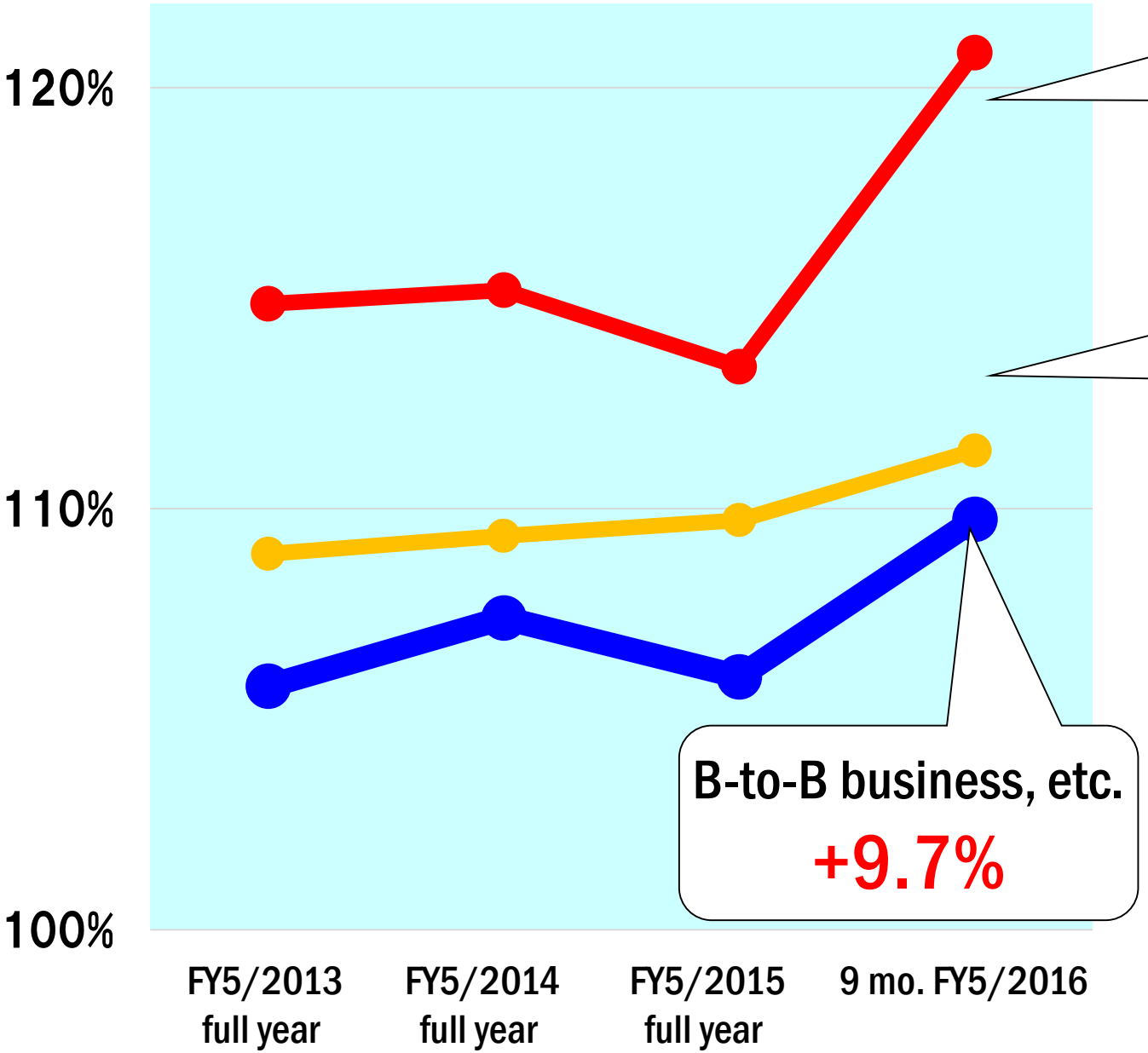
Increase in number of items purchased

Increase in unit cost per item purchased

=

Accelerated growth of net sales

B-to-B Business, etc.: Trend in YoY Change of Net Sales by Category



MRO+Medical
+20.8%

Living Supplies
+11.4%

Strong showing in strategic categories, driving the growth of B-to-B business, etc.

Enhancing MRO Business 現場のチカラ Own-brand Products

Expand line-up of industry-category-specific specialty goods

Industry-category-specific general-purpose products

New high-demand products

Ultra general-purpose products for any industry categories

High-demand products

Rust-preventing lubricants/silicone spray



Banding bands



Work gloves





Enhancing MRO Business 現場のチカラ Own-brand Products

Expand line-up of

Rust-preventing lubricants/silicone spray

Banding bands

Enhanced regular products for manufacturing industry

Exceeded 1,000 items

Ne

Ultra general-purpose products for any industry categories

High-demand products





Enhance Medical Products, Further Accelerate Growth



Medical & Care Catalog
2016 Spring Special Issue

✔ Distribute the catalog to customers in all industries

Further explore demand for office sanitary products

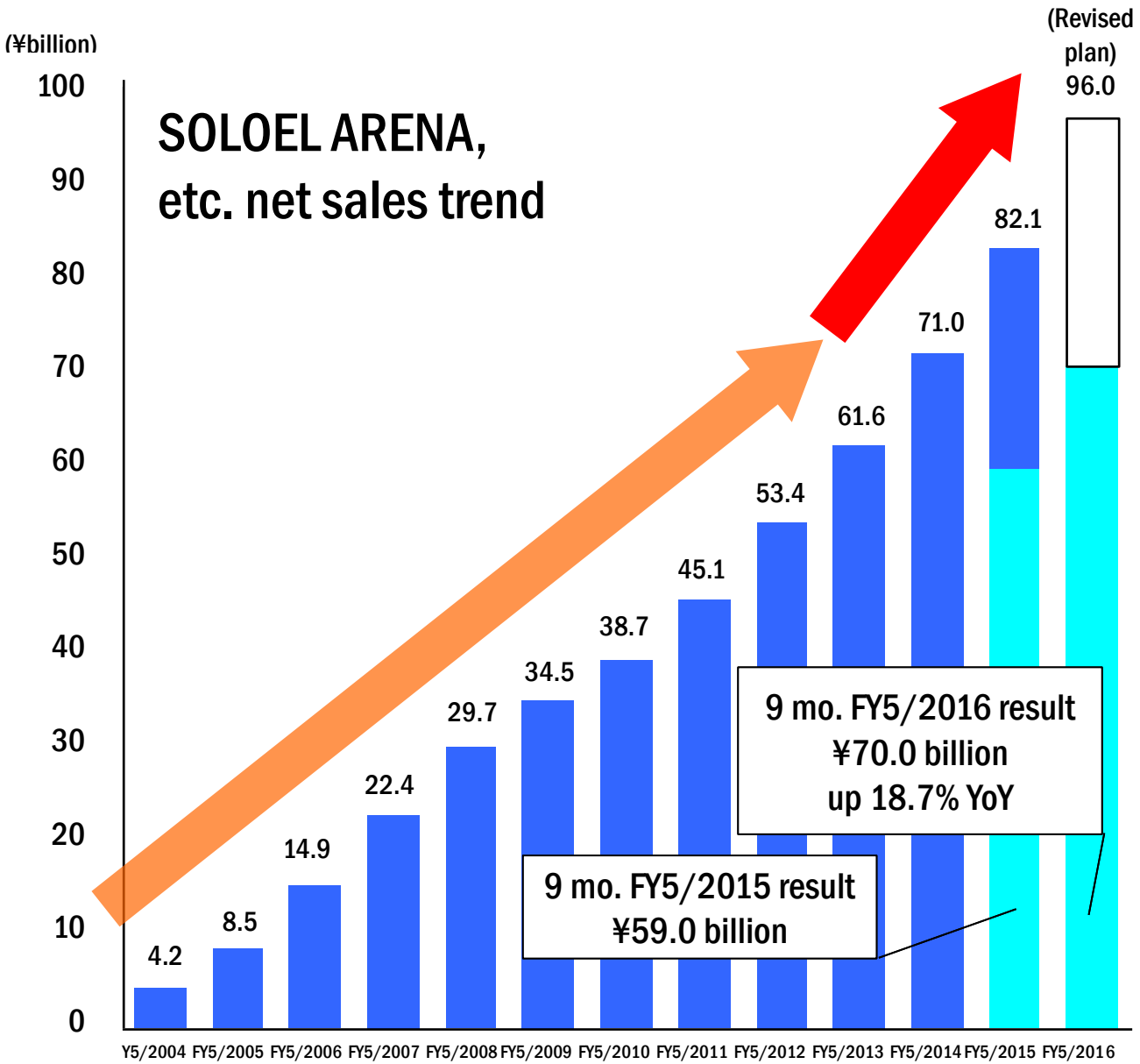
✔ Enhance own-brand products

Enhance general purpose products for office and regular health and nursing care items

✔ Expand the number of products it offers

The number of items offered on the website to increase from 40,000 items to more than 50,000 items

Evolution of Electronic Purchasing System Website SOLOEL ARENA



Accelerating growth through improvement of EC functions

Up 18.7% YoY

exceeding the initial
full-year plan of 14.5%

Impact of SOLOEL ARENA Functional Improvement

(Comparison of June 2015 and February 2016)

✓ Improved the process of purchasing from order record

⇒ Net sales via order record approx. 2 times

✓ Strengthened recommendation function utilizing big data

⇒ Net sales via suggestion/recommendation approx. 2.5 times





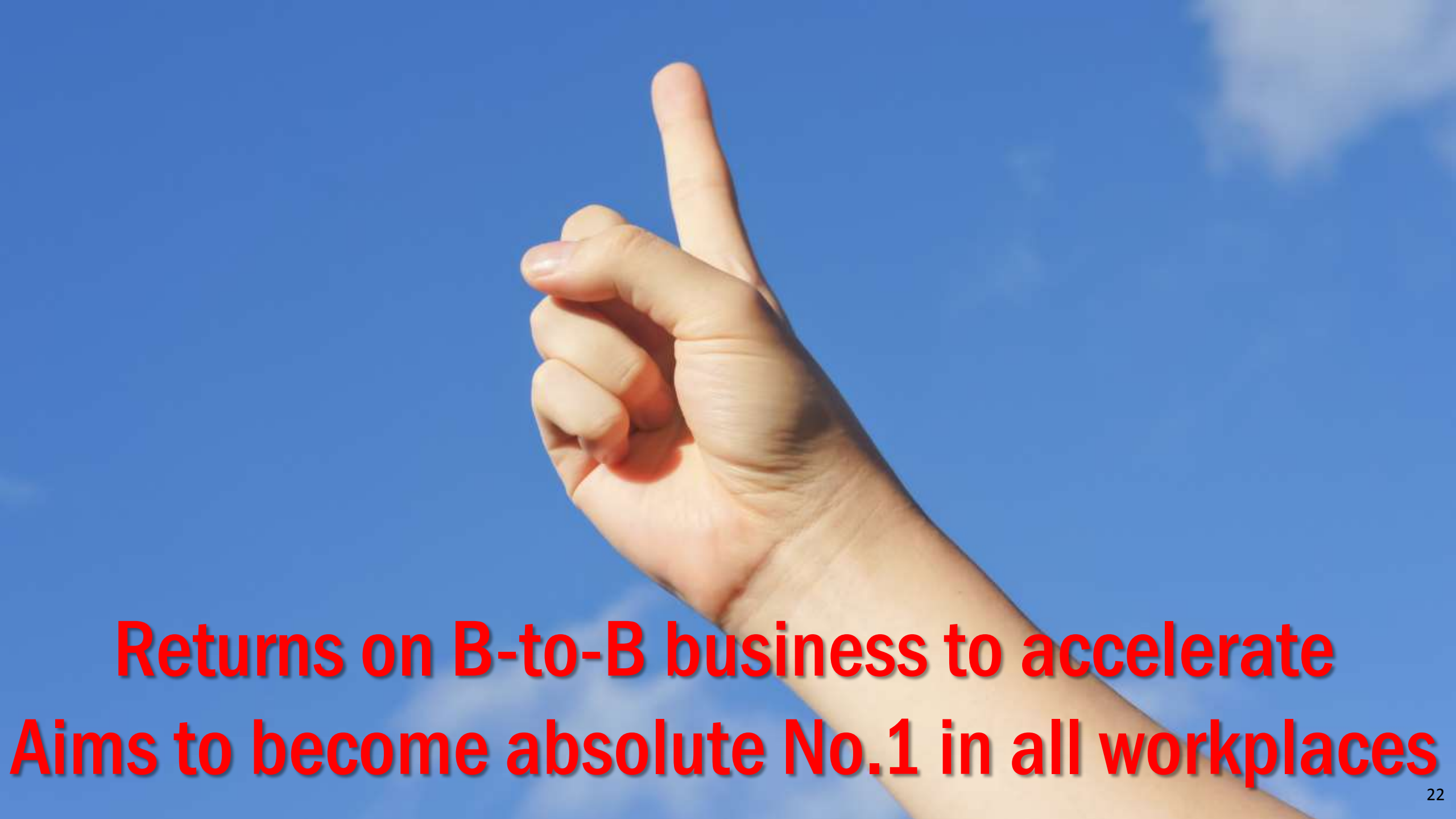
ASKUL Catalog Spring/Summer 2016

Released in February 2016

Latest catalog for offices

Prices of regular products are unchanged

Firmly maintaining competitive edge and profitability


Returns on B-to-B business to accelerate
Aims to become absolute No.1 in all workplaces

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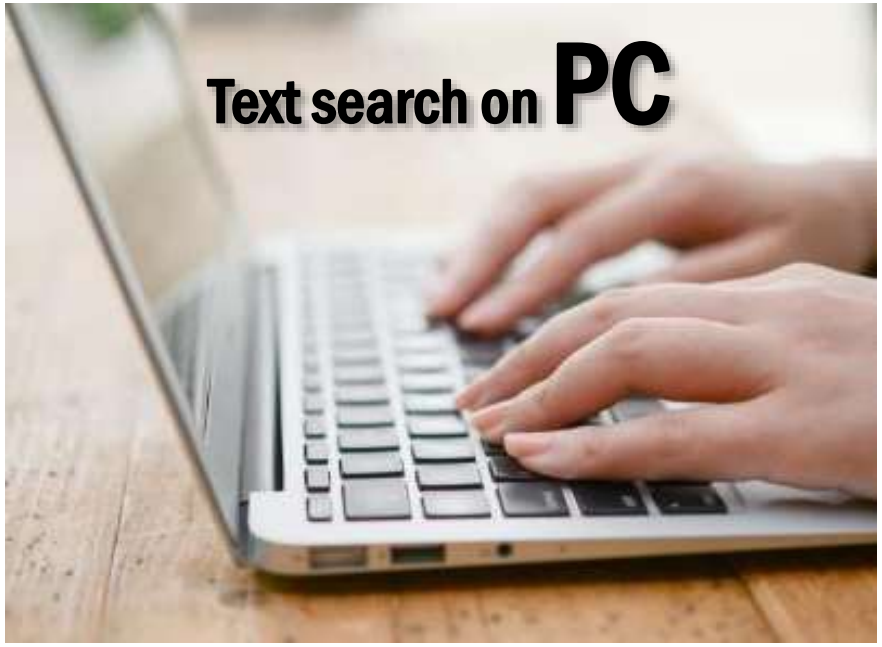
ロハコ
App Store からダウンロード
Google play ですに入れよう
Apple と Apple ロゴは米国および他の国々で登録された Apple Inc. の商標です。App Store は Apple Inc. のサービスマークです。
Google Play、Google Play ロゴは、Google Inc.の商標です。パケット通信料はお客様の自己負担です。一部対応していないスマートフォンがあります。

1st generation

Long-tail EC
for purchasing single hobby items



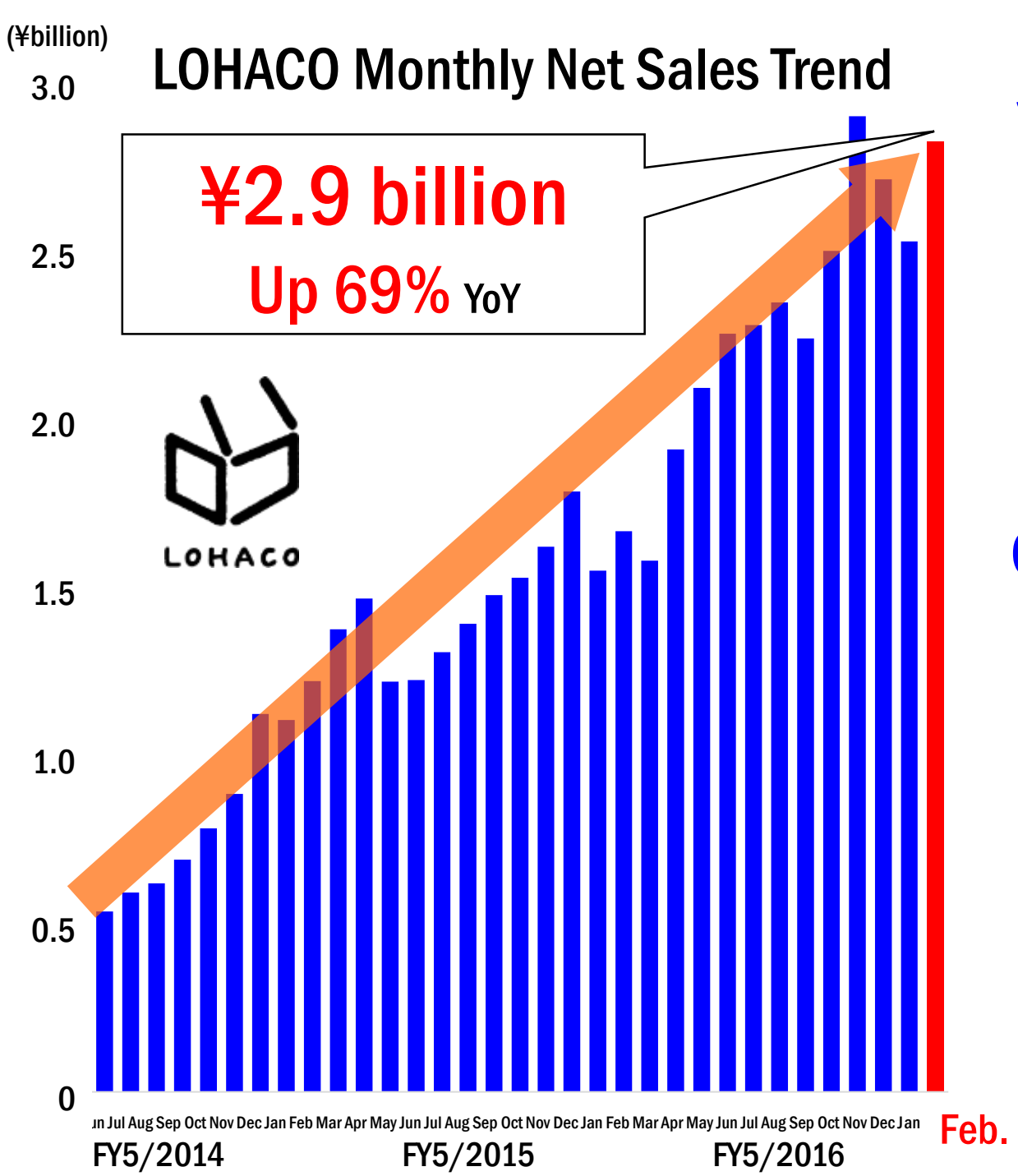


2nd generation

Daily use EC
whenever, wherever







Strengthened collaboration with manufacturers

+

Effective utilization of T point in collaboration with Yahoo! JAPAN

Continued growth at high rate

LOHACO E-commerce Marketing Lab to Start Third-Term Activities

Participating companies to further increase from 55

Companies participated in second-term

*As of Jan. 22, 2016

Asahi Soft Drinks Co., Ltd., Asahi Breweries, Ltd., Ajinomoto Co., Inc., AJINOMOTO GENERAL FOODS, INC., ITO EN, LTD., ITOCHU-SHOKUHIN Co., Ltd., Ezaki Glico Co., Ltd., SSP Co., Ltd., ST Trading Corporation, Oji Nepia Co., Ltd., Otsuka Pharmaceutical Co., Ltd., Kao Customer Marketing Co., Ltd., KAGOME CO., LTD., KATAOKA & CO., LTD., KAMEDA SEIKA CO., LTD., CALBEE, Inc., KEY COFFEE INC., Kikkoman Beverage Company, Kikkoman Food Products Company, Kewpie Corporation, Kirin Brewery Company, Limited, Kirin Beverage Company, Limited, Koikeya Co., Ltd., Coca-Cola Customer Marketing Company, Limited, KOBAYASHI PHARMACEUTICAL CO., LTD., Sapporo Breweries Ltd., Suntory Liquors Limited, Suntory Foods Limited, Shiseido Company, Limited, 3M Japan Limited, DAIO PAPER CORPORATION, NISSIN FOOD PRODUCTS CO., LTD., Kellogg Japan G.K., Nippon Paper Crecia Co., Ltd., Nestlé Japan Ltd., HOUSE FOODS CORPORATION, FUJIFILM Corporation, The Procter & Gamble Company of Japan Limited, POKKA SAPPORO Food & Beverage Ltd., Mizkan Co., Ltd., Melodian Co., Ltd., MORINAGA & CO., LTD., UCC UESHIMA COFFEE CO., LTD., Unicharm Corporation, Unilever Japan Customer Marketing K.K., Lion Corporation, Ryohin Keikaku Co., Ltd., ROHTO Pharmaceutical Co., Ltd., Lotte Co., Ltd., Wakodo Co., Ltd., ORBIS Inc., Hikari Miso Co., Ltd., Nihon L'Oréal K.K., Isetan Mitsukoshi Holdings Ltd., HABA Laboratories, Inc.

(Honorifics omitted)

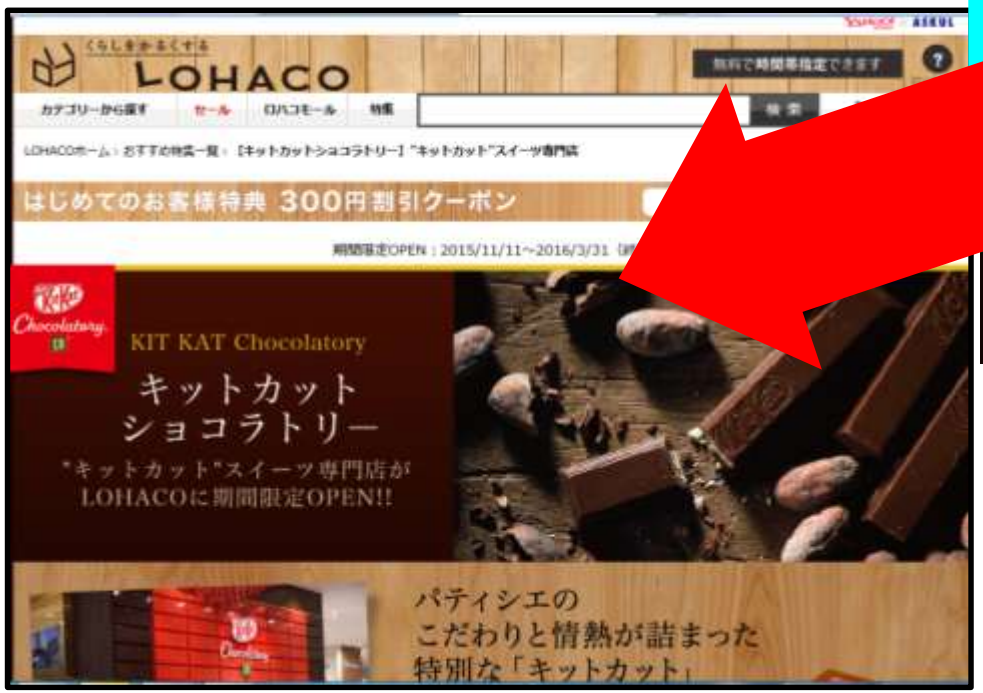
A stream of food, pharmaceutical and cosmetics manufacturers have expressed their intention to participate

Strengthen Collaboration with Manufacturers (1)

-Attract more customers through collaboration with brand websites-

Launched in Nov. 2015

KitKat Chocolatory by Nestlé Japan





LOHACO net sales of Nestlé Japan chocolate products
(3Q of FY5/2016)

Up 8 fold YoY

Strengthen Collaboration with Manufacturers (2)

-Manufacturers counting on LOHACO to provide new sales channel-





[Commemorating opening] Full-line trial kit including FTE mask

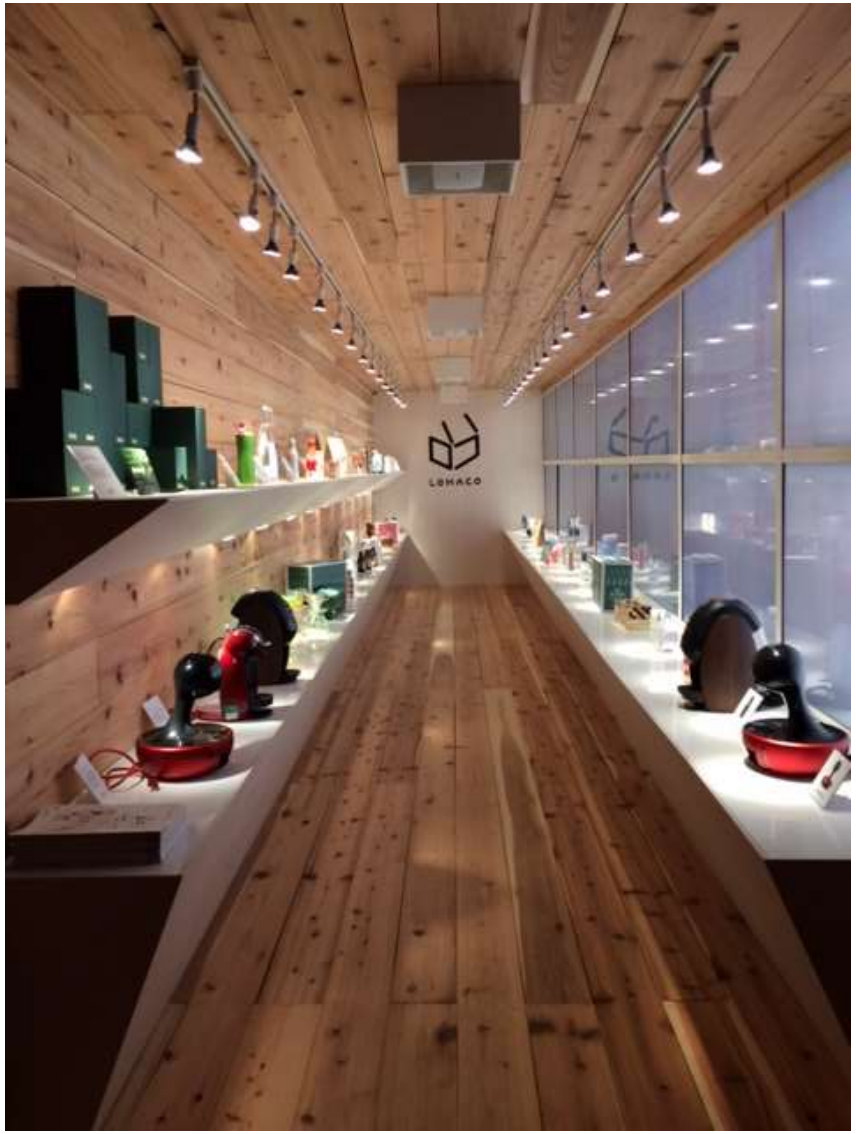
First time in Japan through pure EC company

In the first 10 days from the launch on February 19

5 times the planned sales

Off to smooth start

-Developing New Products with 21 Manufacturers Participating in E-commerce Marketing Lab-



Developed products from the perspective of people, under the theme of EC product design concept:

Design that blends Into a living space

Participated in TOKYO DESIGN WEEK 2015*

*Held from Oct. 24 to Nov. 3, 2015
Venue: in front of Meijijingu Gaien Meiji Memorial Picture Gallery

Strengthen Collaboration with Manufacturers (3)

-Package designs leveraging e-commerce's feature have been received well-



Limited sales through ASKUL and LOHACO

(As of March 16, 2016)

Net sales have been strong

Also propagation through SNS has been contributing to improvement of LOHACO's presence

Strengthen Collaboration with Manufacturers (4)

-Package designs leveraging e-commerce's feature have been received well-





Differentiate by offering high value added products

Net sales have been strong

-Maximize Synergies between B-to-B and LOHACO-

ASKUL







LOHACO

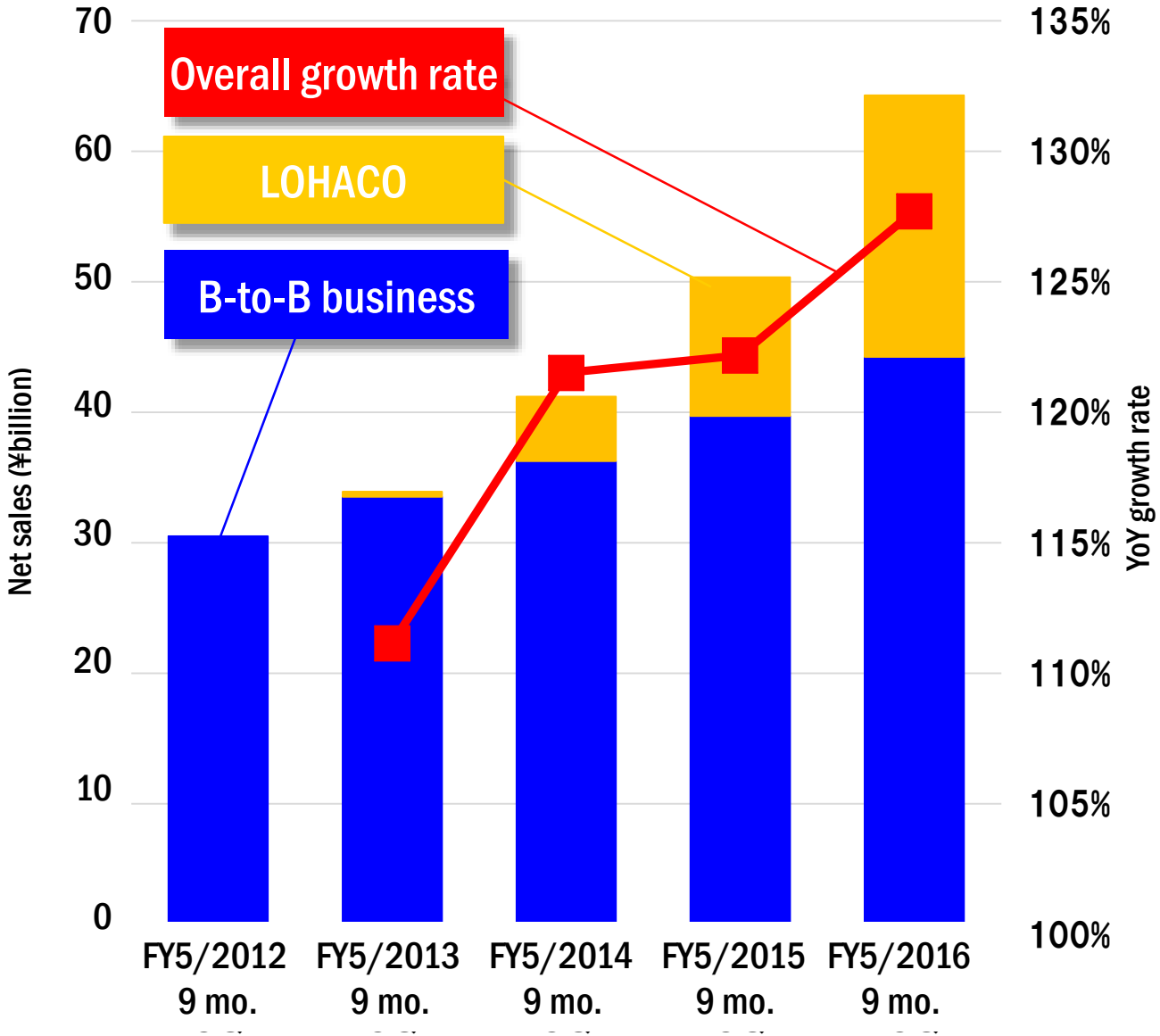






Trend in Living Supplies Net Sales (9 mo.) and Their Growth Rate

Non-consolidated



Growth rate of living supplies accelerated by synergies between B-to-B and LOHACO

Net sales doubled in 4 years

Collaboration with Yahoo! JAPAN

-Sales promotion targeting Yahoo! Premium Members-



Yahoo! Premium Members

Approx. 10 million people

Guiding them straightaway with special coupons



LOHACO

Increase LOHACO-san in one shot

LOHACO to implement more active sales promotion and take on the challenge of earnings structure reform

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ASKUL Logi PARK Fukuoka

Operation started on Dec. 30, 2015

Off to smooth start









ASKUL Logi PARK Yokohama

Preparation is steadily in progress

towards full opening in May 2016





Shift to the 2 centers has been progressing smoothly

Business Alliance with Money Forward, Inc.

ASKUL

Platform of goods

×

Money Forward

Platform of money

Create new values and solve social issues with combination of e-commerce and FinTech

Money Forward, Inc.

Established: May 2012

Capitalization: 1,880 million yen

Business: Development and offering of money-related platforms including automated housekeeping book/asset management services and cloud service for businesses

To Offer Low-price, High Quality Cloud Service to Offices

ASKUL

Offer all goods and services required in the office to more than 1.4 million customers

+

MFクラウド (MF Cloud)

Support improvement of operational and production efficiency at more than 500,000 customers

Original cloud service for ASKUL

(to start in summer 2016)

MFクラウド for ASKUL (temporary name)

(MF Cloud)



Offer LOHACO's Original Housekeeping Book Service to Individual Customers

LOHACO

Offer quick shopping of daily necessities to a cumulative total of more than 2.5 million customers

+

Money Forward

Enable automation of household bookkeeping and visualization of family finances to more than 3.5 million customers

Original application seamlessly linked with LOHACO (to start in summer 2016)

EC連動型 家計簿サービス

LOHACO家計簿 (temporary name)

Powered by Money Forward

EC-linked household bookkeeping service
LOHACO Housekeeping Book



Appendix

FY5/2016 Nine Month Net Sales by Product Category

Non-consolidated

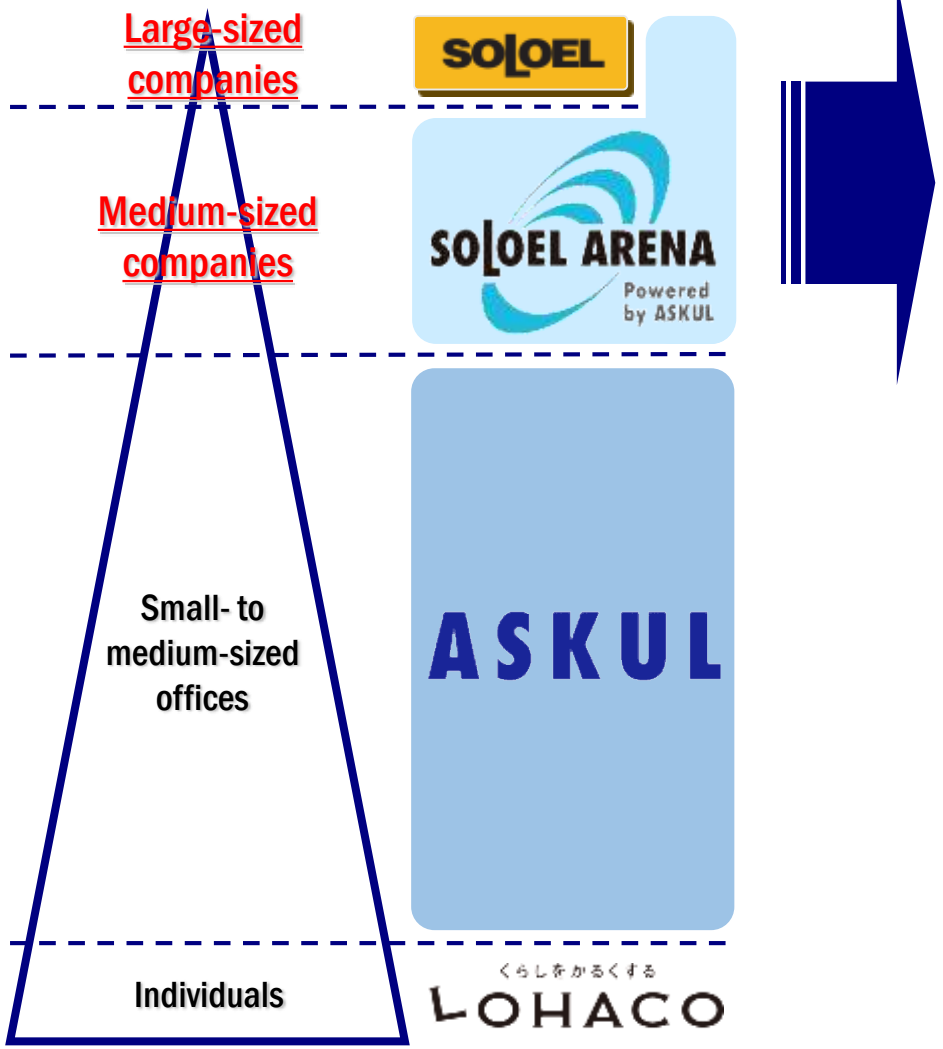
	FY5/2015 9 mo. ¥billion	FY5/2015 9 mo. YoY change %	FY5/2016 9 mo. ¥billion	FY5/2016 9 mo. YoY change %
OA&PC	65.0	+2.4	68.3	+5.1
Stationery	28.0	+5.0	30.0	+7.2
Living Supplies	50.3	+23.0	64.2	+27.7
Furniture	14.0	+8.0	15.0	+6.6
MRO	15.8	+15.2	18.3	+16.0
Others (Medical, etc.)	12.1	+7.2	13.8	+14.0
Total	185.4	+9.6	209.9	+13.2

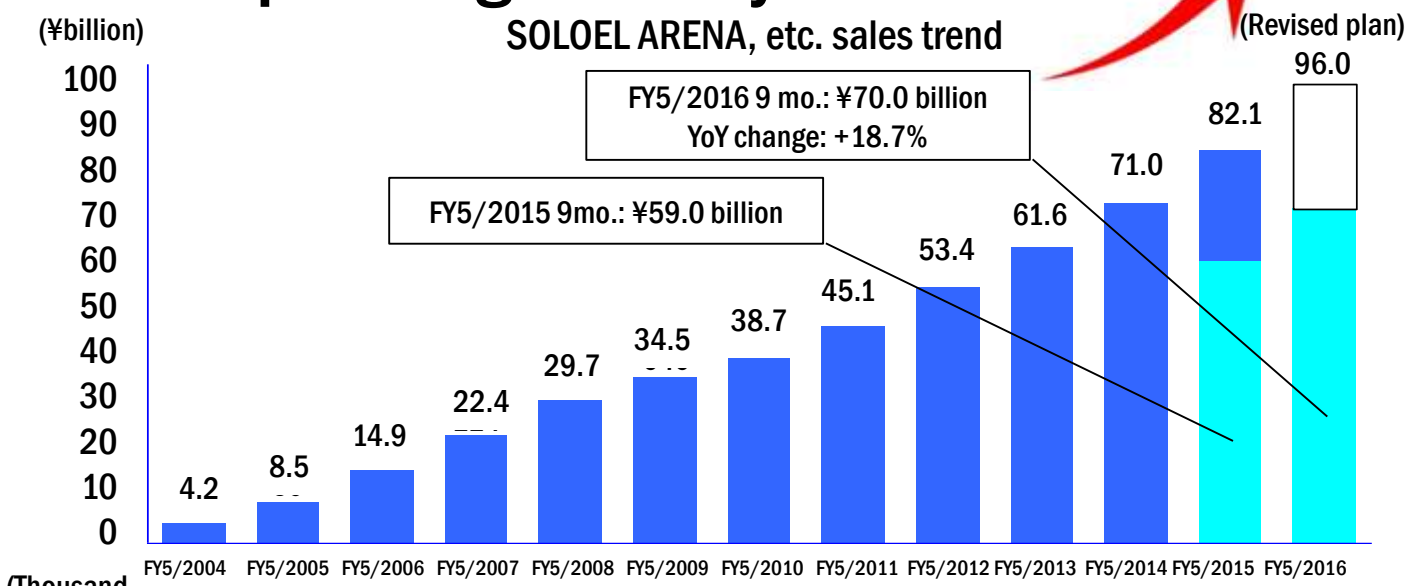
*MRO is listed as a category from FY5/2016

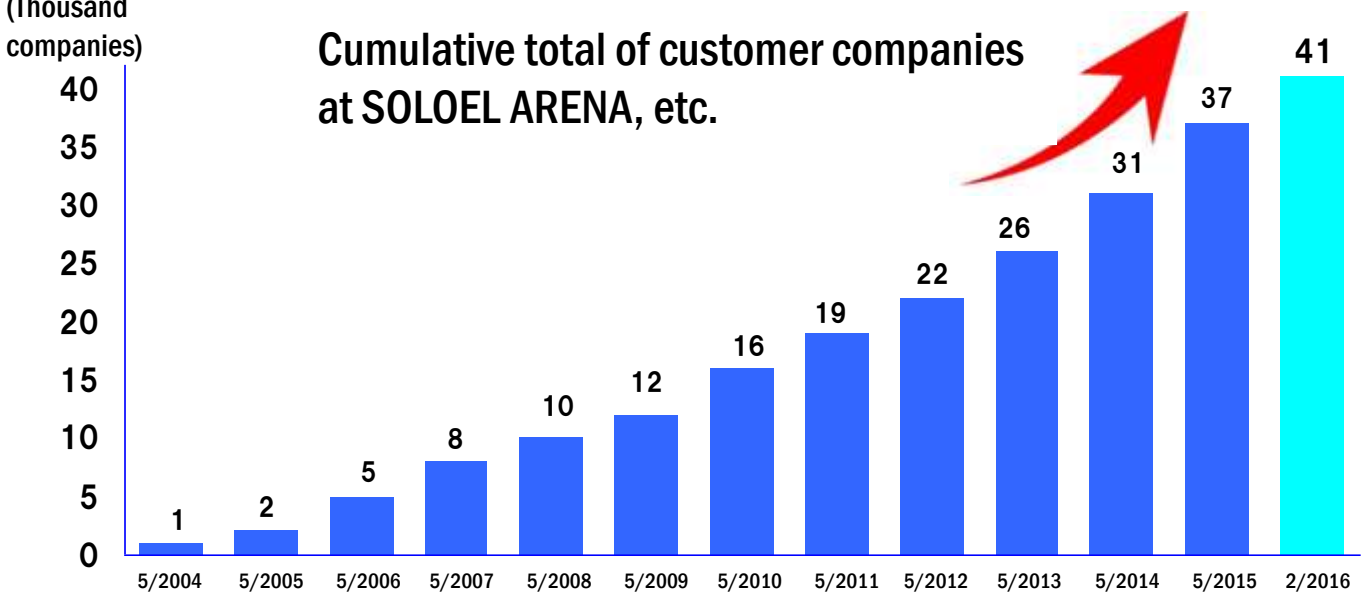
Non-consolidated net sales were also a record

Mainstay products continued double-digit growth

SOLOEL ARENA Expanding Steadily







Sales increased 18.7% on year, exceeding initial full-year plan of up 14.5%

New Catalog Released



ASKUL Catalog Spring/Summer 2016

Released in February 2016

Total pages	1,272 pages
Listed products	**About 34,600 items**
Newly offered products	**About 2,250 items**
Original products	**About 6,150 items**
Green products	**About 12,600 items**

<Reference>

Overview of *ASKUL Catalog Autumn/Winter 2015*

Total pages: 1,280 pages

New Catalog Released: Originality



Originality

New Catalog Released: Competitiveness



Competitiveness

Environment Topics – We Will Continue with “Tree Farm” to Sow, Nurture, Harvest -



1 box for 2 trees

コピー用紙1箱のご購入が 2本の植林につながる プロジェクトです。

持続可能な原材料調達のために。

わたしたちは、お客様に安心してコピー用紙を使い続けていただくために、2010年10月に持続可能な原材料調達を確認するプロジェクト「1 box for 2 trees」をスタートしました。5年にわたってアスクル社員が見守ってきた植林木は2015年に収穫され、アスクルオリジナルコピー用紙の原材料に加わりました。販売量以上の産業植林をこれからも確認していきます。

2015年11月撮影 インドネシア共和国 リアウ州



産業植林の実績	
場所	インドネシア共和国 ジャンビ州、リアウ州
植林総面積	約66,200ha （東京ドーム約14,100個分）
植林本数	約9,560万本

2015年12月時点

現[illegible]り組んでいきます!



PEFC認証

インドネシア製のコピー用紙に、世界最大の森林認証ラベルがつきました![1]

このたび、インドネシア製アスクルオリジナルコピー用紙はPEFC認証製品になりました。[2]PEFC認証は、責任ある原材料調達と持続可能な森林管理の証です。信頼される認証システムとして国際的に高く認められており、現在40カ国で運用され、その森林総面積は2億6,800万haに及びます。

[1] [illegible]



日本一使われている[1] アスクルの インドネシア製コピー用紙。

[1] 2015年1月～12月の販売数量。アスクル調べ。
(製造委託先：アジアペルパインターナショナル社)



ベン・ガニバーグ[1]

PEFC評議会事務局長

「アスクルのオリジナルコピーペーパーがPEFC認証製品の仲間入りをしたことを、心から歓迎します。これを機会に、日本の皆さまにPEFC森林認証のことをもっと知っていただければうれしく思います。」(2016年1月)



Environment

FY5/2016 First Nine Month Consolidated Gross Profit, SG&A Expenses

Gross profit: ¥51.4 billion YoY change: +¥7.4 billion

Gross profit margin: 22.4% YoY change: +0.6 p.p.

- Continued procurement cost reduction activities, synergies between B-to-B business and LOHACO (volume increase), price revision (firmly maintaining competitive edge)

SG&A expenses: ¥44.6 billion YoY change: +¥4.5 billion

Ratio of SG&A expenses to net sales: 19.4% YoY change: -0.4 p.p.

- While we spent on further sales promotion for LOHACO, relocation of distribution center, and handling of increased volume, the ratio of SG&A expenses to net sales improved on the back of reduction of fixed costs

<Breakdown of main factors causing fixed cost reduction>
- Amortization of software: -¥0.4 billion
- Subcontract expenses: -¥0.2 billion

FY5/2016 Nine Month Consolidated Capital Expenditures

Capital expenditures: ¥8.6 billion (Annual plan: ¥13.2 billion)

ASKUL Logi Park Fukuoka ¥5.2 billion
ASKUL Logi Park Yokohama ¥1.6 billion

Investment details

(Ref.) Depreciation and amortization of software: ¥2.6 billion (Annual plan: ¥3.8 billion)

(¥million)

Item	First nine months of FY5/2015	First nine months of FY5/2016	
	Amount	Amount	YoY change
[Capital expenditures]	2,340	8,652	+269.7%
Property, plant and equipment	1,308	7,241	+453.4%
Intangible assets	1,031	1,411	+36.8%
Construction in progress Note 2	676	1,889	+179.2%
Software in progress Note 2	178	532	+197.9%

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.

FY5/2016 Nine Months Share of Orders Placed on the Internet in Net Sales, ASKUL Original Products

Share of orders placed on the Internet in net sales

	FY5/2015 9 mo.	FY5/2016 9 mo.	YoY change
Orders via the Internet	76.5%	78.6%	+2.1p.p.
Other	23.5%	21.4%	-2.1p.p.

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

ASKUL original products

(items)

	February 2015 (single month)	February 2016 (single month)	YoY change
Number of original products	5,863	7,293	+1,430
Share in non-consolidated net sales	17.5%	17.6%	+0.1 p.p.
(of which B-to-B business)	(18.6%)	(19.5%)	(+0.9 p.p.)

Notes:

1. The figures above are the results for the month of February 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. Each figure includes the products listed in Medical & Care Catalogs and Medical Pro Catalogs.