FY5/2017

Summary of Consolidated Performance

Both Net Sales and Operating Income increased in FY5/2017. Will move forward proactively in FY5/2018, aiming to achieve record highs in FY5/2019.

-Complete restoration from adverse impacts from the fire of 4Q and creation of new values by launching AVC Hidaka and Kansai

-Expansion of sales basis by broadening range of goods, etc., and evolution to e-commerce platforms

July 4, 2017

ASKUL Corporation

Note:
This material contains the 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 that is 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 indirect materials consumed at work sites by companies.

Since the presentation of the overview of consolidated financial statements for the fiscal year ended May 31, 2016, ASKUL has been reporting its operating performances by dividing its organization into the segments of the E-commerce business, Logistics business, and Other. The E-commerce business deals with sales of OA and PC supplies, stationery, office living supplies, office furniture, foods, alcoholic beverages, pharmaceuticals, cosmetics, etc. The logistics business refers to logistics and package transport services that target corporations.

As abbreviations of ASKUL Logi Park and ASKUL Value Center, the words "ALP" and "AVC" are used, respectively, in this material.

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FY5/2017 Consolidated Financial Results

	FY5/2016		FY5/2017				
	Actual ¥million	% of net sales	Revised forecast ¥million	Actual ¥million	% of net sales	% of revised forecast	YoY change %
Net Sales	**315,024**	100.0	**335,000**	**335,914**	100.0	100.3	+6.6
Gross Profit	**70,328**	22.3	—	**76,755**	22.8	—	+9.1
Selling, General and Administrative Expenses	**61,810**	19.6	—	**67,890**	20.2	—	+9.8
Operating Income	**8,517**	2.7	**8,000**	**8,865**	2.6	110.8	+4.1
Ordinary Income	**8,574**	2.7	**8,000**	**8,866**	2.6	110.8	+3.4
Extraordinary Income	**1,855**	0.6	—	**4,946**	1.5	—	+166.6
Extraordinary Loss	**1,859**	0.6	—	**11,643**	3.5	—	—
Net Income before taxes	**8,569**	2.7	—	**2,169**	0.6	—	-74.7
Net Income Attributable to Owners of the Parent	**5,255**	1.7	**Unsettled**	**1,014**	0.3	—	-80.7

- **Net sales**

Hit a record high with a 6.6% increase YoY

- **Gross profit margin**

Plus 0.5 p.p. from the preceding FY

- **SG&A Expenses**

Increase in fixed expenses for the alternative center (including one-time charge), and temporary deterioration of logistics productivity: ¥1.4 billion

- **Operating and ordinary income**

Achieved growth

- **Extraordinary income**

Insurance proceeds: ¥4.9 billion

- **Extraordinary loss**

Including ¥11.2 billion impacts from the fire

- **Net income**

Achieved surplus by absorbing negative impacts from the fire

[Reference] Impacts on FY5/2017 Consolidated Financial Results Due to the Fire

Range of damage/loss	Item	Amount posted in 3Q	Amount posted for FY5/2017
Loss of inventory assets	Inventory assets	¥2.5 billion	¥2.5 billion
Provision for reconstruction calculated based on book value at acquisition	Property, plant and equipment	¥6.6 billion	¥6.6 billion
Additional provision for dismantlement, removal, and temporary fencing		-	¥1.2 billion
Loss of property, plant and equipment		¥0.7 billion	¥ 0.7 billion
Compensation for employees' leave of absence		¥0.1 billion	¥0.1 billion
Total		¥10.1 billion	¥11.2 billion

Posting of ¥11.2 billion as extraordinary loss

Summary of Recurrence Prevention Committee's Activities

Chairman: Shoichiro Iwata, President and Chief Executive Officer

Committee members include external experts.

Items directed and confirmed by Recurrence Prevention Committee

Initial measures	Establishment of operational manuals for initial actions for fire extinguishment Implementation of a large-scale fire drill
Facilities	Confirmation of operating capability of existing fire-prevention facilities and fire extinguishers Measures responding to new guidelines from authorities
Management system	Bolstering of the management system through continued checks and improvement

Thorough implementation of measures on left to ensure prevention of recurrence













Large-scale comprehensive fire drill conducted by Saitama Seibu Fire Department on June 15, 2017 (at AVC Hidaka)

FY5/2017 Consolidated Financial Results [By Business]

		FY5/2016	FY5/2017	
		¥ billion	¥ billion	YoY change %
Net sales	B-to-B business	278.5	291.9	+4.8
	LOHACO	32.8	39.0	+18.8
	E-commerce business	311.3	330.9	+6.3
	Logistics business and other	3.6	4.9	+36.8
	Consolidated total	315.0	335.9	+6.6
Operating income	B-to-B business (excluding below)	13.3	14.9	+12.6
	Increase in fixed expenses for the alternative center (including one-time charge)	—	(0.3)	—
	Deterioration of logistics productivity	—	(0.6)	—
	B-to-B business	13.3	14.0	+5.3
	LOHACO (excluding below)	(2.7)	(2.8)	—
	More proactive sales promotion	(0.6)	(0.9)	—
	Revolution of delivery service	—	(0.4)	—
	Increase in fixed expenses for the alternative center (including one-time charge)	—	(0.1)	—
	Deterioration of logistics productivity	—	(0.2)	—
	LOHACO	(3.4)	(4.6)	—
	E-commerce business	9.8	9.3	-5.2
	Logistics business and other	(0.4)	(0.5)	—
	Intermediate total	9.3	8.8	-4.8
	Term-end bonus, etc.	(0.4)	—	—
	Share-price-linked incentive	(0.3)	—	—
	Consolidated total	8.5	8.8	+4.1

➢ Net sales

B-to-B business: Up 4.8% YoY

LOHACO: ¥39 billion, up 18.8% YoY due to the impacts of the fire (significantly lower than the planned ¥48 billion)

➢ Operating income

B-to-B business on income level: ¥14.9 billion, up 12.6% YoY Increased fixed costs for the alternative center (including one-time charge): -¥300 million

Temporary deterioration of logistics productivity: -¥600 million

LOHACO business on income level: -¥2.8 billion due to the fire's impact on sales

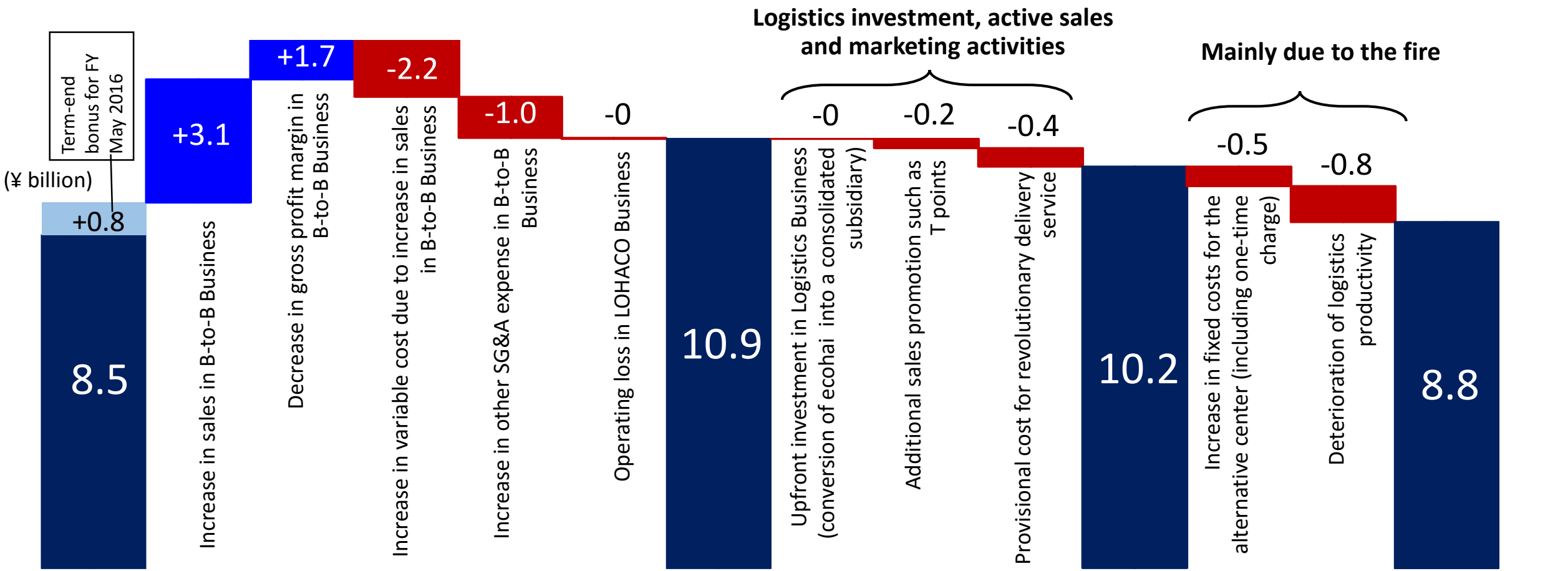
Increased fixed costs for alternative center (including one-time charge): -¥100 million

Temporary deterioration of logistics productivity: -¥200 million

Factors Affecting FY5/2017 Consolidated Operating Income

FY5/2016 (actual)
Net sales growth YoY 13.8%
Gross profit margin 22.3%
SG&A expense ratio to sales 19.6%

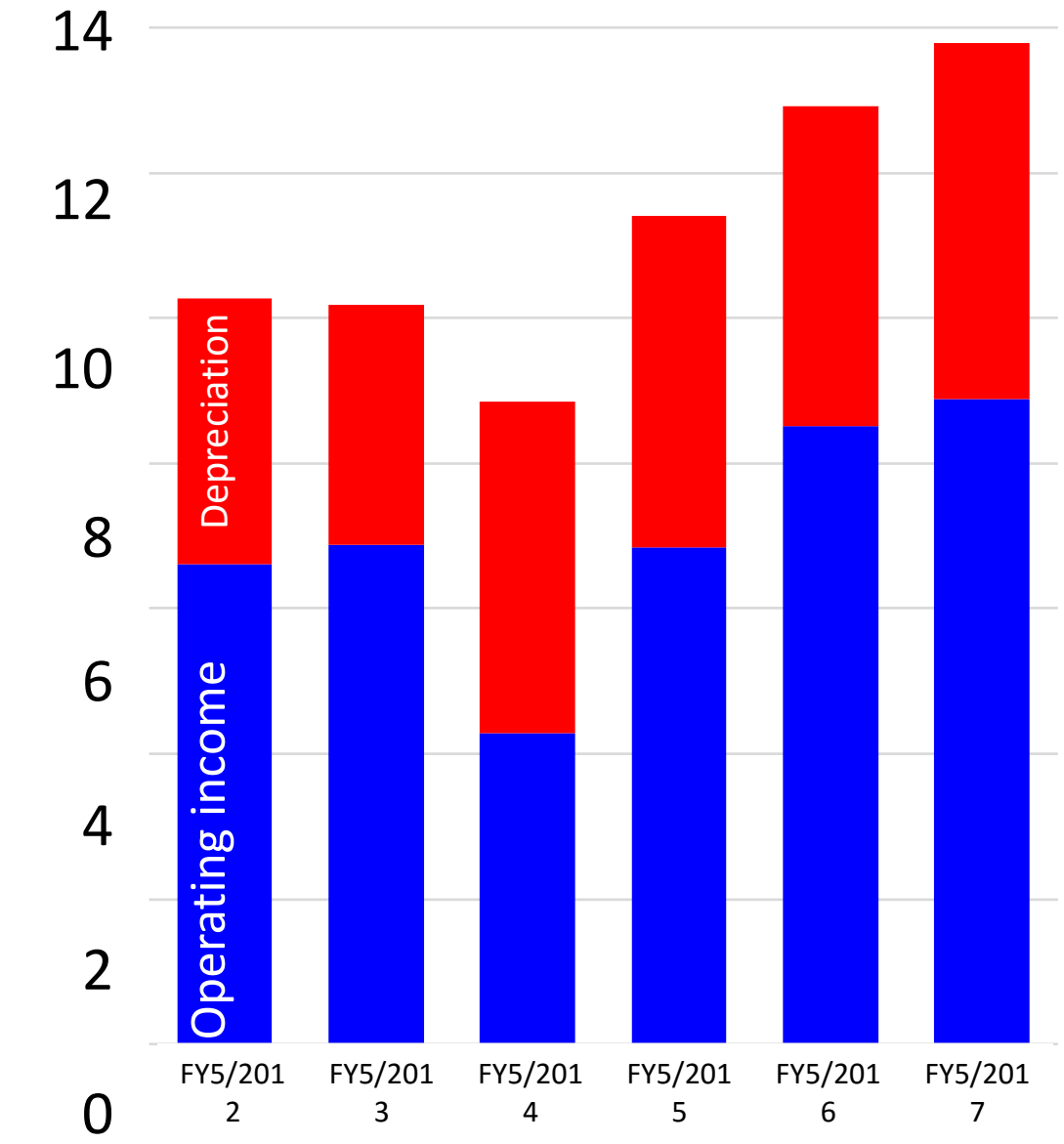
FY5/2017 (actual)
Net sales growth YoY 6.6%
Gross profit margin 22.8%
SG&A expense ratio to sales 20.2%



FY5/2016 Operating income (actual)¥8.5 billion

FY5/2017 Operating income (actual) ¥8.8 billion

Trends of EBITDA



Increase in operating income

+

upfront investment

FY5/2017

EBITDA

at record high level

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Forecast of FY5/2018 Consolidated Financial Results

	FY5/2017		FY5/2018		
	Actual ¥ billion	% of net sales	Plan ¥ billion	% of net sales	YoY change %
Net Sales	**335.9**	100.0	**365.0**	100.0	+8.7
Gross Profit	**76.7**	22.8	**86.1**	23.6	+12.2
SG&A Expenses	**67.8**	20.2	**82.6**	22.6	+21.7
Operating Income	**8.8**	2.6	**3.5**	1.0	-60.5
Ordinary Income	**8.8**	2.6	**3.0**	0.8	-66.2
Profit Attributable to Owners of the Parent	**1.0**	0.3	**1.5**	0.4	+47.8

- **Net sales**
  Continued growth at an 8.7% increase YoY
- **Gross profit margin**
  Expected to be +0.8 p.p. YoY
- **SG&A expenses**
  Deterioration of logistics productivity: ¥2.9 billion
  (Impacts on SG&A expense ratio to sales: +0.8 p.p.)
- **Increase in fixed costs for logistics (including one-time charge): ¥5.2 billion**
  (Impacts on SG&A expense ratio to sales: +1.4 p.p.)
- **Operating income**
  ¥3.5 billion

Forecast of FY5/2018 Consolidated Financial Results [By Business]

		FY5/2017 Actual ¥billion	FY5/2018 Plan ¥billion	FY5/2018 YoY change %
Net sales	B-to-B business	291.9	305.0	+4.5
	LOHACO	39.0	45.5	+16.6
	B-to-C business (including Charm)	39.0	54.5	+39.7
	E-commerce business	330.9	359.5	+8.6
	Logistics business and other	4.9	5.5	+10.9
	Consolidated total	335.9	365.0	+8.7
Operating income	B-to-B business (excluding below)	14.6	15.7	+8.0
	Increase in fixed expenses (including one-time charge)	—	(0.9)	—
	Deterioration of logistics productivity	(0.6)	(1.4)	—
	B-to-B business	14.0	13.4	-4.1
	LOHACO (excluding below)	(4.3)	(3.9)	—
	Increase in fixed expenses for the alternative center (including one-time charge)	—	(1.0)	—
	Deterioration of logistics productivity	(0.2)	(1.4)	—
	LOHACO	(4.6)	(6.5)	—
	B-to-C business (including Charm)	(4.6)	(6.4)	—
	E-commerce business	9.3	6.9	-25.5
	Logistics business and other	(0.5)	(0.3)	—
	Intermediate total	8.8	6.6	-24.7
	Increase in fixed expenses for logistics due to the launch of AVC Kansai (including one-time charge)	—	(3.1)	—
	Consolidated total	8.8	3.5	-60.5

➢ **Net sales**

B-to-B business: Steady growth to continue with a 4.5% increase YoY

LOHACO business: ¥45.5 billion, a 16.6% increase YoY

➢ **Operating income**

B-to-B business: ¥15.7 billion

Increased fixed costs for the alternative center (including one-time charge): -¥900 million

Temporary deterioration of logistics productivity: -¥1.4 billion

LOHACO business to improve on income level

Increased fixed costs for the alternative center (including one-time charge): -¥1.0 billion

Temporary deterioration of logistics productivity: -¥1.4 billion

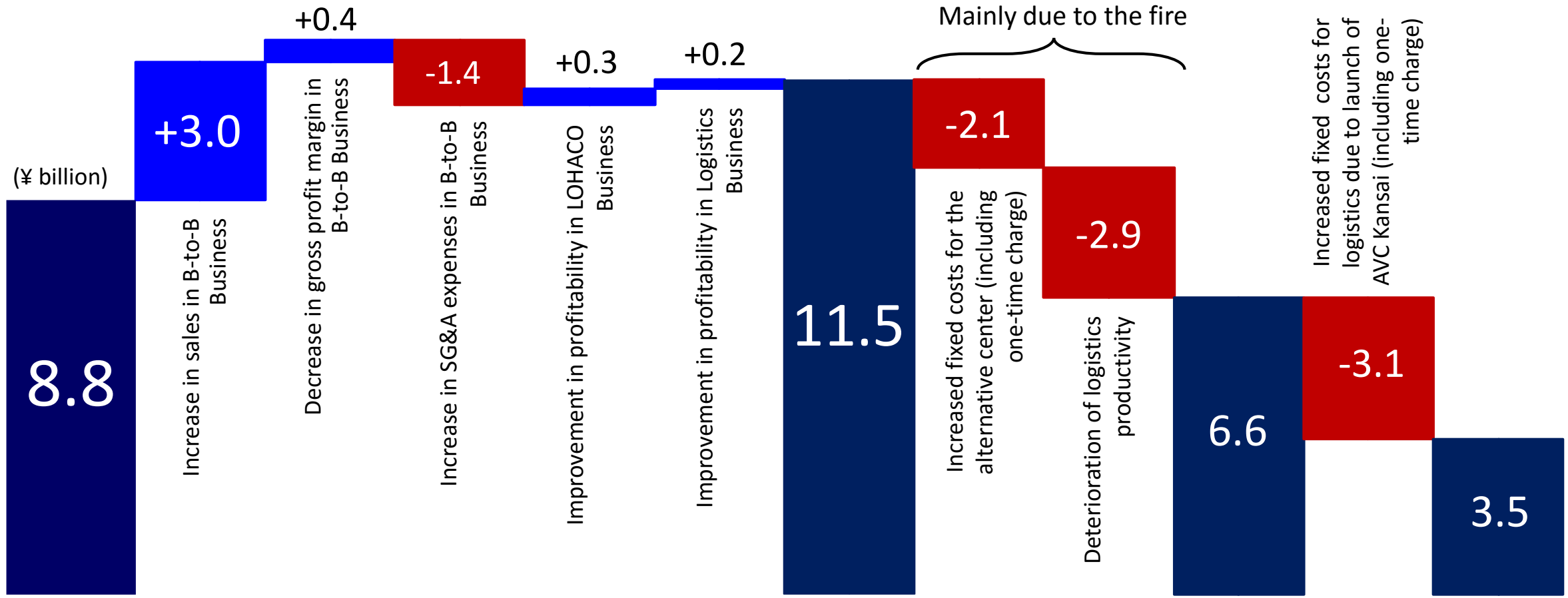
Due to launch of AVC Kansai

Increased fixed costs for logistics (including one-time charge): -¥3.1 billion

Factors Affecting FY5/2018 Consolidated Operating Income (Plan)

FY5/2017 (actual)
Net sales growth rate YoY 6.6%
Gross profit margin 22.8%
SG&A expense ratio to sales 20.2%

FY5/2018 (plan)
Net sales growth rate YoY 8.7%
Gross profit margin 23.6%
SG&A expense ratio to sales 22.6%



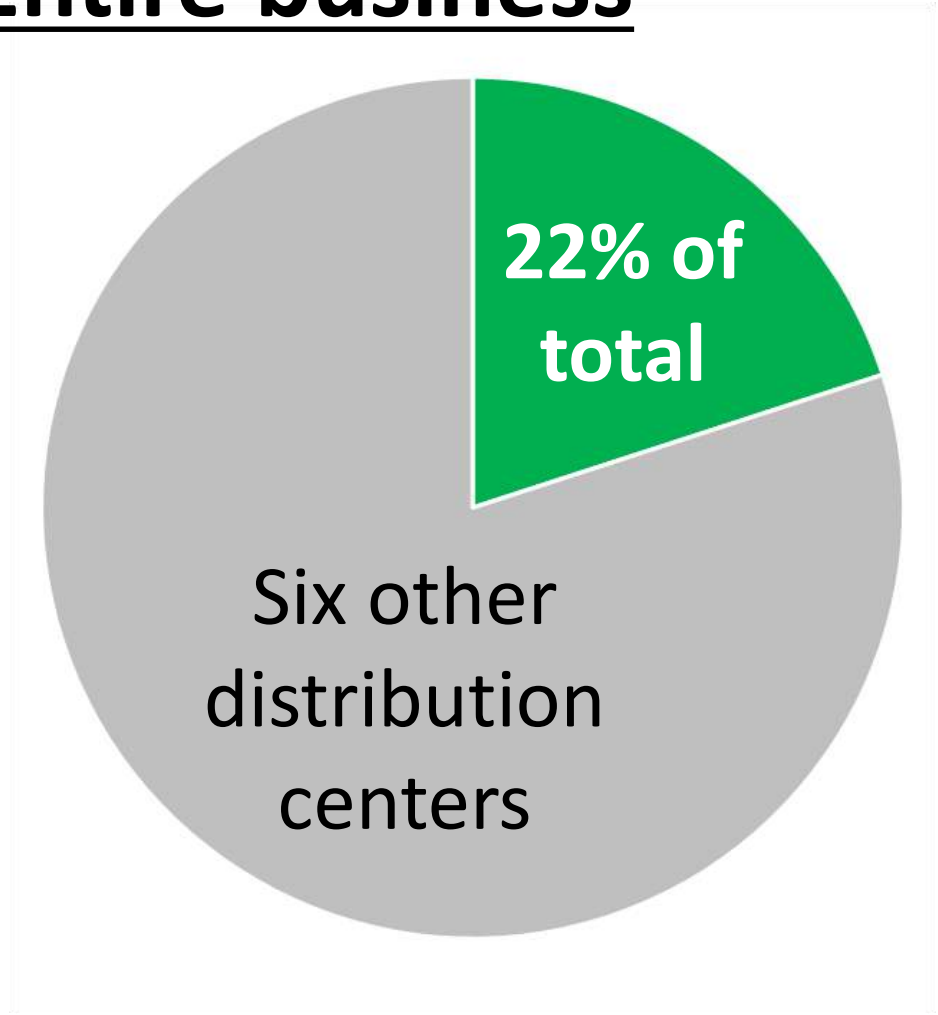
FY5/2017 Operating income (actual) ¥ 8.8 billion

FY5/2018 Operating income (plan) ¥ 3.5 billion

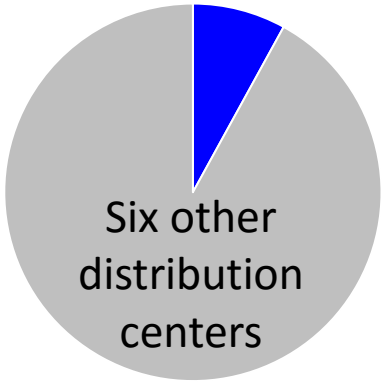
ASKUL Logi PARK Tokyo Metropolitan's Proportion in Distribution Volume (before the fire)

Data as of 3Q FY5/2017

Entire business



B-to-B business



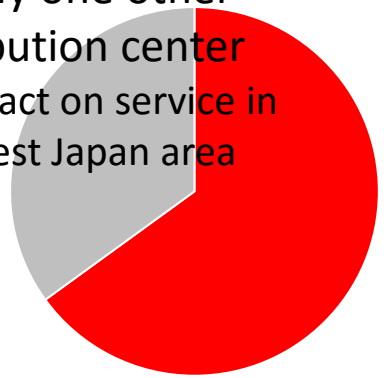
9% of B-to-B business

Small proportion and limited impacts

LOHACO

Mainly one other distribution center

*No impact on service in the west Japan area



62% of LOHACO

Significant proportion

Launch of New Distribution Centers to Expand Delivery Capacity

Continued employment of 350 staff



45,300 m^2
as of April 2017



5,400 m^2 as of
March 2017



Data as of 3Q
FY5/2017

23,500 m^2 as of
April 2017



11,700 m^2 for
two bases as of
March 2017

Highest priority: Continued employment of staff working at ASKUL Logi PARK Tokyo Metropolitan, and early restoration

Launch of ASKUL Value Center (AVC) Kansai
Largest, Cutting-Edge Logistics Center



AVC Kansai
(scheduled to launch in February 2018)



Sendai DMC



DCM Center



Osaka DMC



ASKUL Logi PARK Yokohama



ASKUL Logi PARK Fukuoka



Nagoya Center

Solutions for Two Major Tasks related to Operating Performance (Summary)

(¥ billion)

			FY5/2018 1Q	2Q	3Q	4Q	
Kanto area	Major task: Restoration from impact of fire	One-time charge	0.92	0.56	0.5	0.36	•Decrease in 24-hour operation •Absorption of alternative center's costs Further improvement in FY5/2019
			Total 2.36				
		Regularly recurring expenses	0.32	0.42	0.47	0.49	Improvement in fixed costs ratio to sales from FY5/2019 onward, backed by sales growth
			Total 1.71				
Kansai area	Major task: Strengthening of delivery capacity	One-time charge	0.25	1.38	0.86	0.16	•Improvement in operation ratio at highly efficient centers •Absorption of implementation costs Further improvement in FY5/2019
			Total 2.66				
		Regularly recurring expenses	0.0	0.1	0.59	0.86	Improvement in fixed costs ratio to sales from FY5/2019 onward, backed by sales growth
			Total 1.51				

Solutions for Two Major Tasks related to Operating Performance (details)

Kanto area

(¥ billion)

		FY5/2018 1Q	2Q	3Q	4Q	Total	
Variable expenses	**One-time charge** Deterioration of logistics productivity (24-hour operation, manual work at the alternative center, etc.)	0.76	0.45	0.41	0.28	1.92	• Decrease in 24-hour operation • Absorption of the alternative center Further improvement in FY5/2019
Fixed expenses	**One-time charge** Land rent for the alternative center, etc.	0.16	0.11	0.08	0.08	0.44	
	Regularly recurring expenses AVC Hidaka, land rent for Shinsuna, and depreciation	0.32	0.42	0.47	0.49	1.71	Improvement in fixed cost ratio to sales from FY5/2019 onward, backed by sales growth
	Total fixed expenses	0.49	0.53	0.55	0.57	2.16	
Total expenses		1.25	0.99	0.97	0.86	4.08	

One-time charge	0.92	0.56	0.50	0.36	2.36	
Regularly recurring expenses	0.32	0.42	0.47	0.49	1.71	

Solutions for Two Major Tasks related to Operating Performance (details)

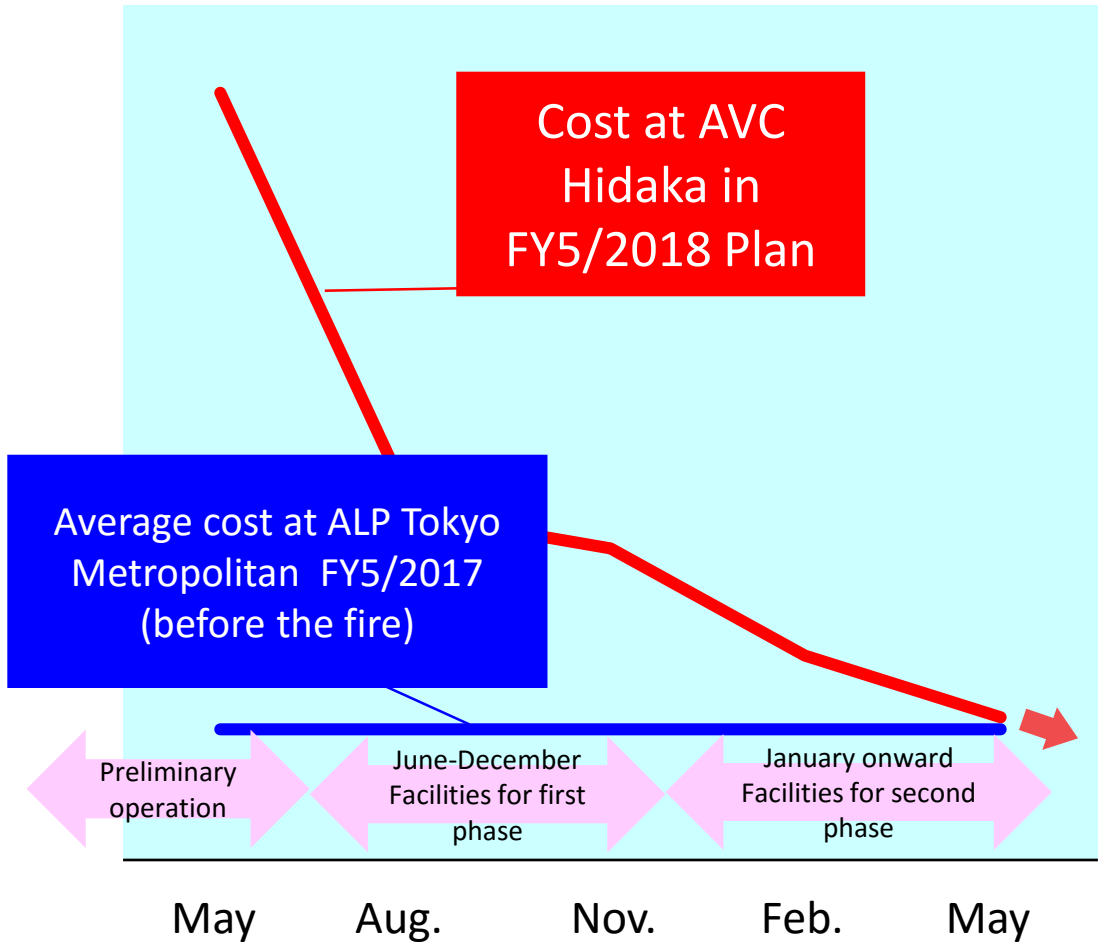
Kansai area

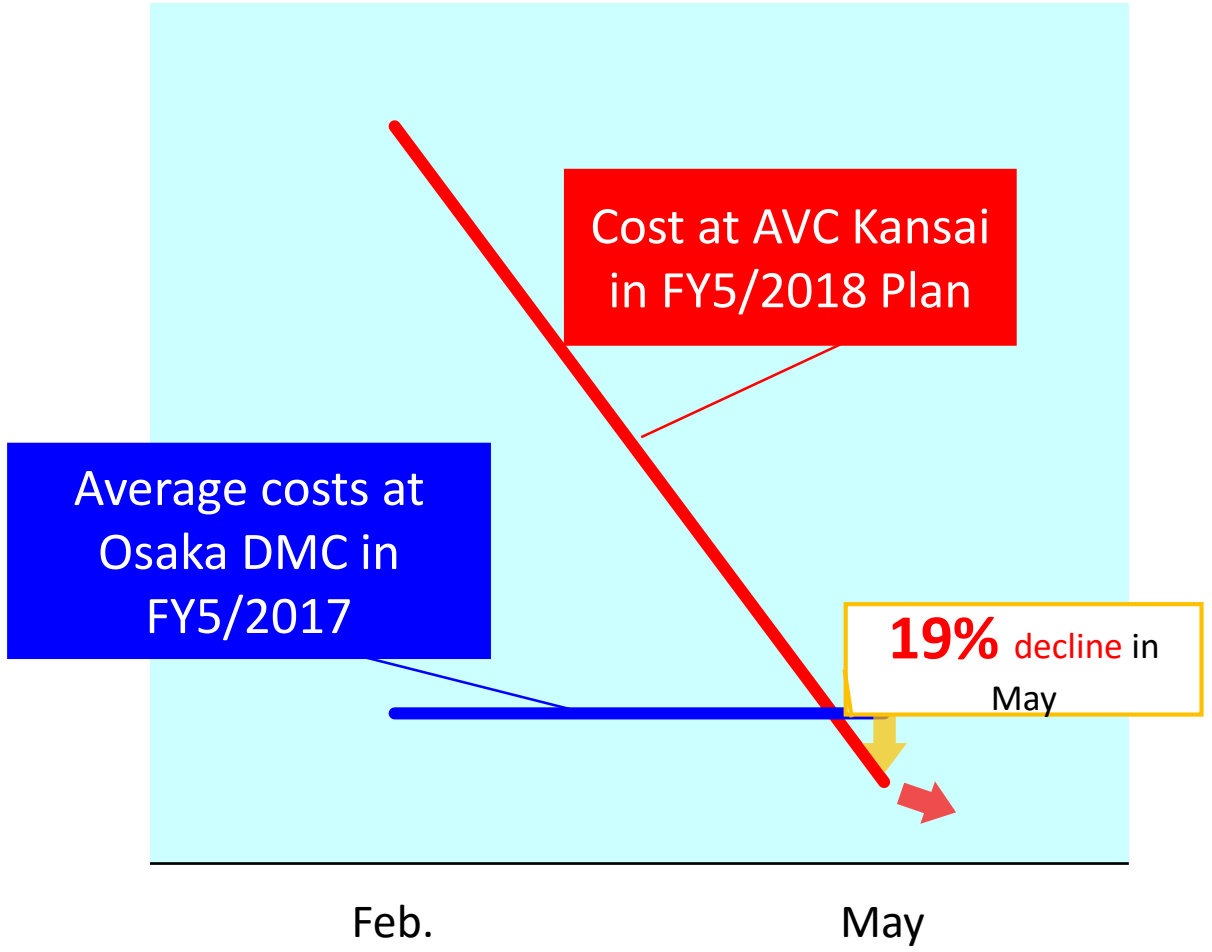
(¥ billion)

		FY5/2018 1Q	2Q	3Q	4Q	Total	
Variable expenses	**One-time charge** Deterioration of logistics productivity (24-hour operation)	0.22	0.32	0.40	0.05	1.00	• Improvement in operating ratio at highly efficient logistics centers • Elimination of implementation costs Further improvement in FY5/2019
Fixed expenses	**One-time charge** Rents, moving expenses, etc. before full-fledged operation of AVCKansai (Feb. 2018)	0.03	1.05	0.46	0.10	1.65	
	Regularly recurring expenses Rents and depreciation after full-fledged operation of AVCKansai (Feb. 2018)	0.00	0.05	0.59	0.86	1.51	Improvement in fixed cost ratio to sales from FY5/2019 onward, backed by sales growth
	Total fixed expenses	0.03	1.11	1.05	0.97	3.17	
Total expenses		0.25	1.44	1.45	1.03	4.18	
One-time charge		0.25	1.38	0.86	0.16	2.66	
Regularly recurring expenses		0.00	0.05	0.59	0.86	1.51	

Focus on Launch of AVC Hidaka and Kansai in FY5/2018

Trends of Labor Unit Cost per Order

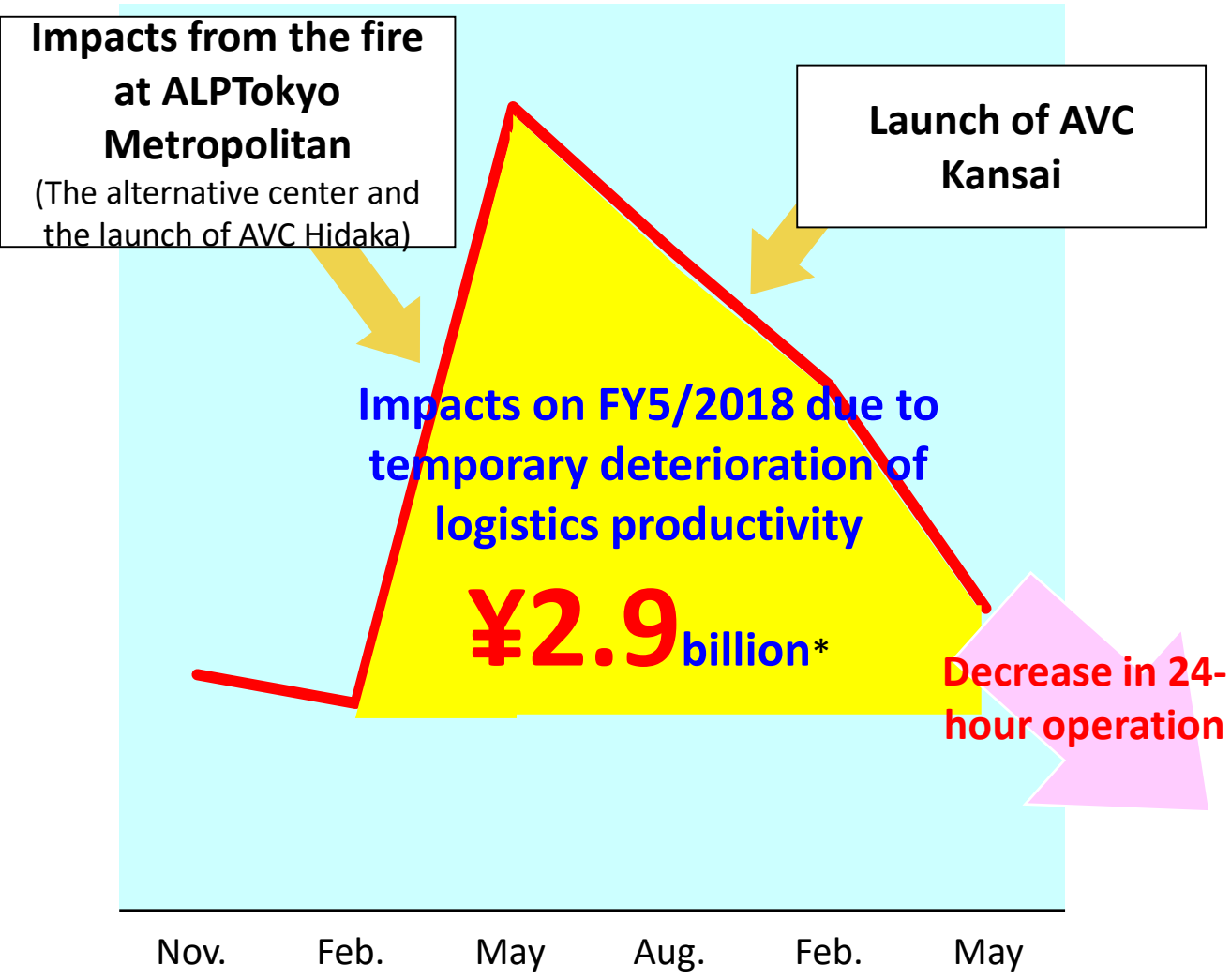




In FY5/2019, logistics productivity is expected to recover to the level before the fire.

Focus on Launch of AVC Hidaka and Kansai in FY5/2018

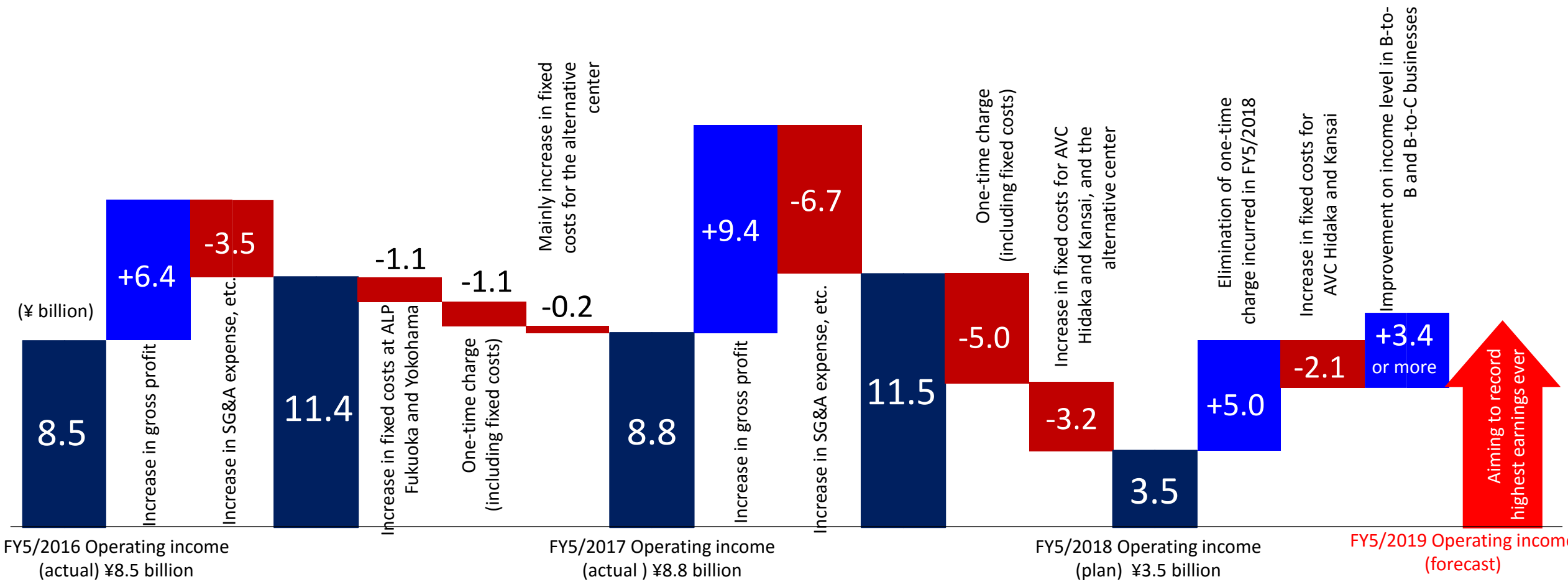
Trends of labor unit cost per order at the entire Group



Recovery of productivity in FY5/2019

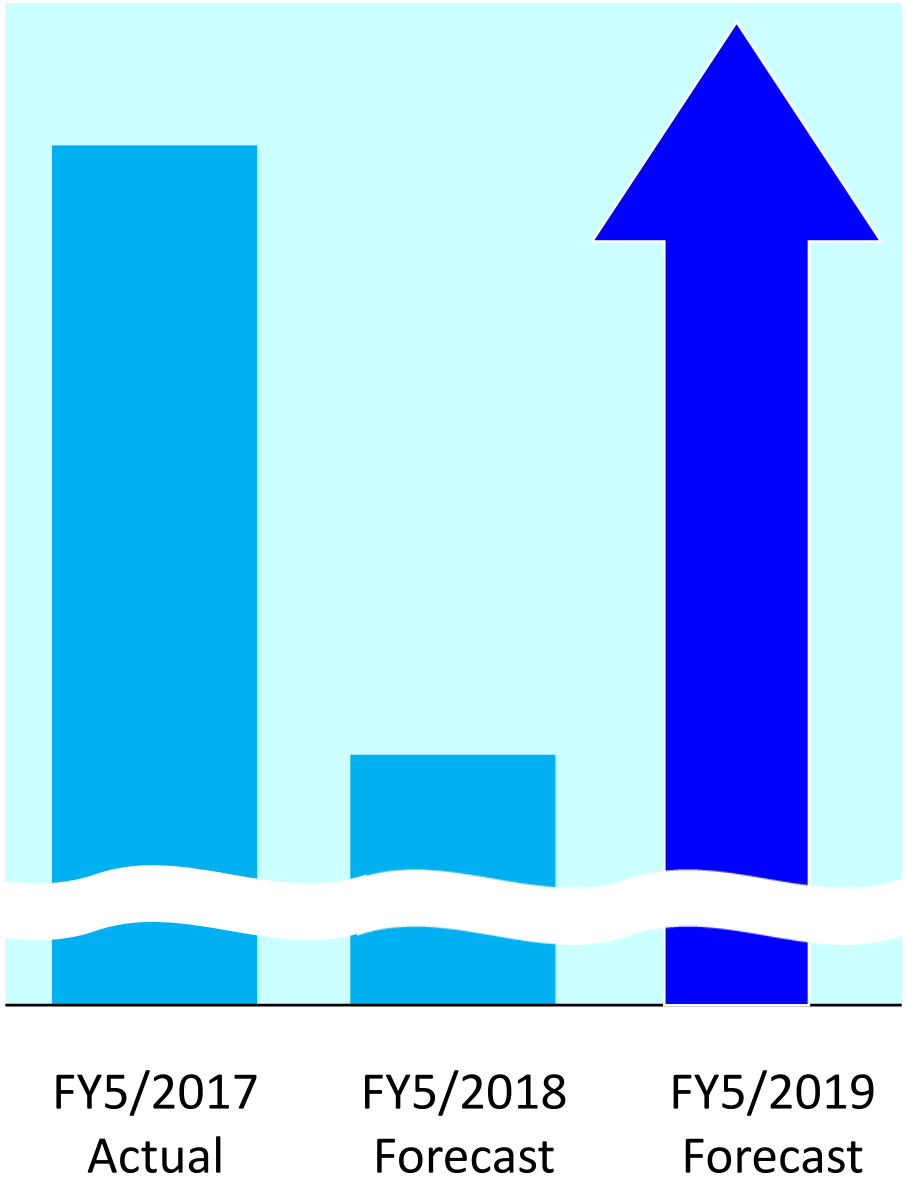
* In addition to the cost related to the deterioration of logistics productivity, there is one-time fixed cost of ¥2.0 billion mainly due to the alternative center and launch of AVC Hidaka and Kansai.
Total one-time charge associated with logistics is ¥ 5.0 billion.

One-time Charge in FY5/2018 To Be Eliminated in FY5/2019



For operating performance in FY5/2019, we aim to hit a record high with earnings.

Trends of consolidated operating income



V-shaped recovery in FY5/2019

ASKUL aims to achieve a profitability level that outperforms a record high in earnings.

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E-Commerce to Advance from the Dawn to Growth Period

(i) Arrival of the growth period of second-generation e-commerce

(ii) Emergence of third-generation e-commerce along with the emergence of further devices

(iii) Logistics and delivery to become the most competitive toward commoditization of e-commerce

Moving toward the e-commerce base as platform.com

ASKUL's strength
Two main platforms

Platform moving toward
more open environment

Logistics and delivery

marketing

AND

Strengthening of collaboration among companies

ASKUL, as a leading platform company, to advance e-commerce toward blue oceans

FY5/2018 is the Year for Proactive Actions

Major proactive initiatives

1. **AVC Hidaka to launch as ASKUL's first logistics center dedicated to LOHACO**
2. **AVC Kansai to launch as ASKUL's largest, cutting-edge logistics center**
3. **ASKUL Value Center to serve as a way to create new profits**
4. **Expansion of the Group's in-house delivery system**

Major proactive initiatives

1

Launch of AVC Hidaka, the first logistics center dedicated to LOHACO

Evolution of new logistics center dedicated to LOHACO

(i) Significant expansion of product lineups in stock

(ii) Responses to fluctuations due to changing popular items, impacts from campaign, etc.

(iii) New picking method by leveraging the feature of a large share of night orders

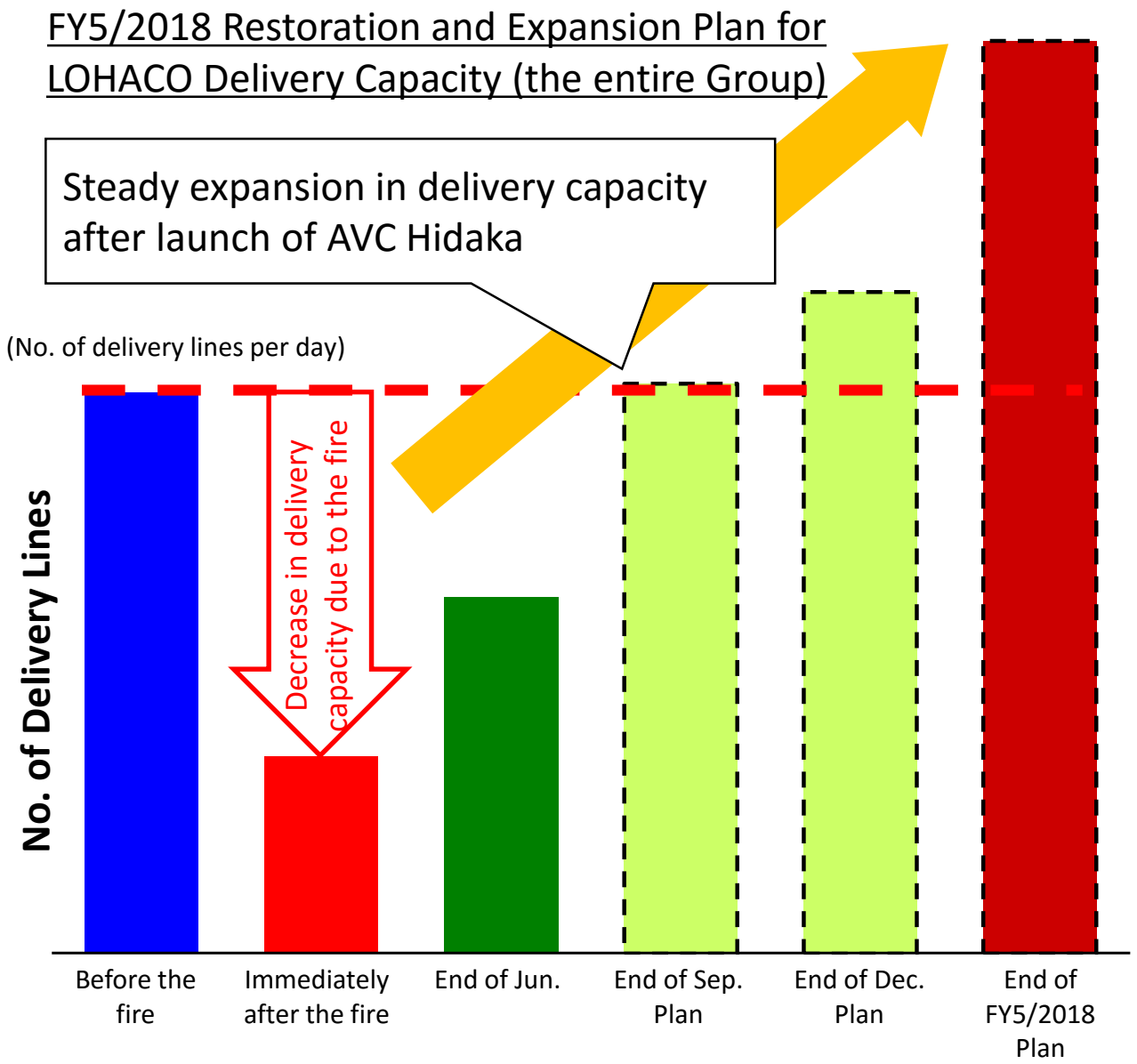
Execution of ¥3.8 billion investment in logistics suited for the characteristics of LOHACO (plan)

Note: LOHACO to post a deficit during 1-3Q due to the fire's impacts, and turn to a surplus from 4Q onward

Major proactive initiatives

1

Launch of AVC Hidaka, the first logistics center dedicated to LOHACO



Delivery capacity

to recover by the end of September, and increase by more than 60% from the level before the fire by the end of FY5/2018

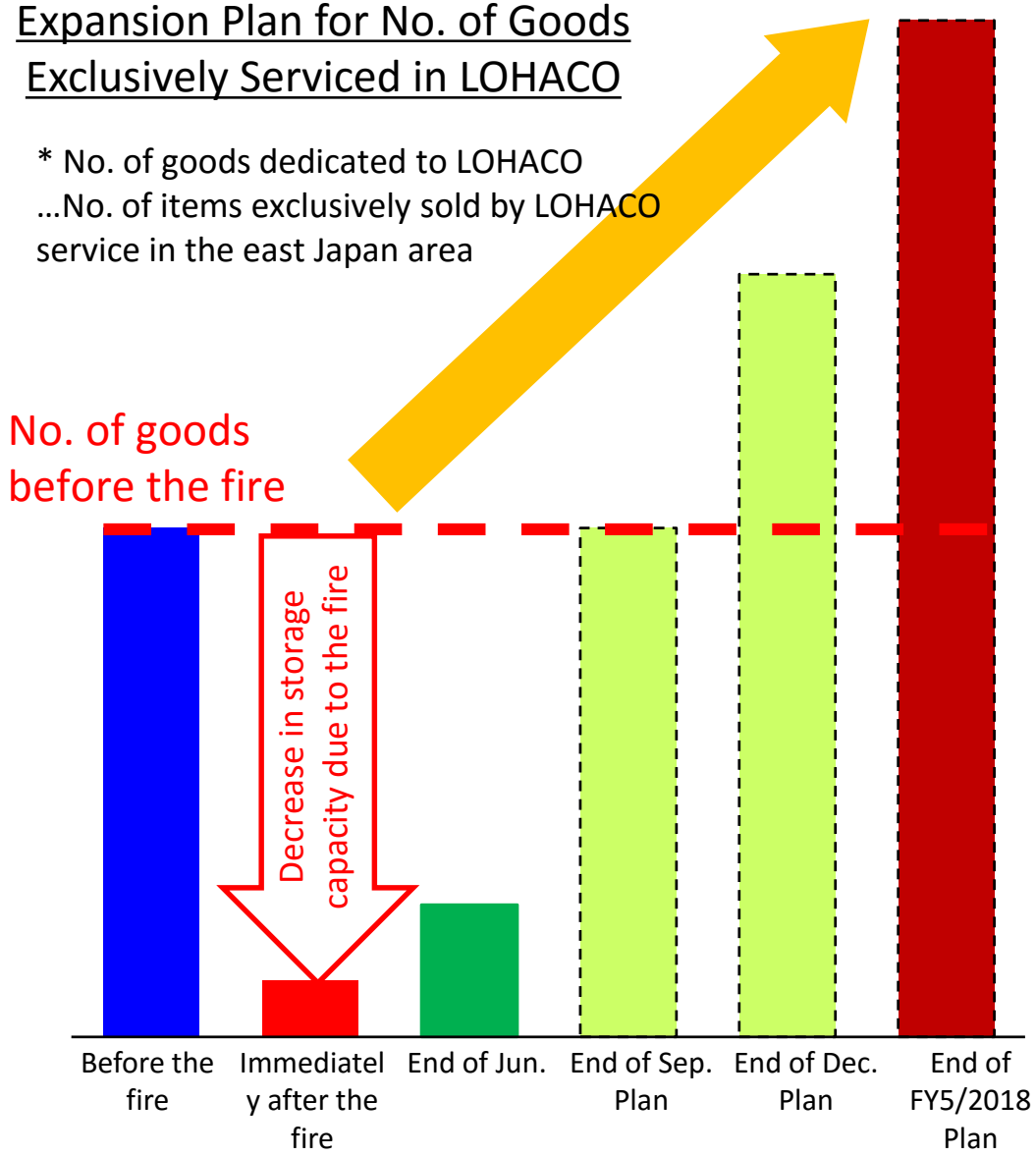
Major proactive initiatives

1

Launch of AVC Hidaka, the first logistics center dedicated to LOHACO

FY5/2018 Restoration and Expansion Plan for No. of Goods Exclusively Serviced in LOHACO

* No. of goods dedicated to LOHACO
…No. of items exclusively sold by LOHACO service in the east Japan area



Number of goods

to be restored by the end of September, and double from the level before the fire, by the end of FY5/2018, meeting customers' requests.

Major proactive initiatives 2

Launch of AVC Kansai, the ASKUL's largest, cutting-edge logistics center



- Location: 3-166-12 Kishibeminami, Suita City, Osaka
- Site area: approx. 75,000 m^2
- Floor area: approx. 165,000 m^2
- No. of floors: 4 stories above ground (rented for the entire building)

Renting to start in early Sep. 2017
Full-fledged operation to start in early Feb. 2018

Characteristics of AVC Kansai

(i) Largest scale (4.5 times the size of Koshien Stadium)
Establishment of the optimum logistics in west Japan
(Future goal is to achieve delivery amount of ¥100 billion)

(ii) Improvement in operational efficiency with labor-saving operations
(19% improvement in internal operating cost*)
•Internal operating cost at Osaka DMC, compared to the cost of FY5/2017

Investment of ¥14.9 billion in new logistics facilities

Major proactive initiatives

3

ASKUL Value Center to Serve as a Way to Create New Profits

- ✓ **Development of realistic advertisement and sales promotion by employing Big Data**
  (Inclusion of flyers and makers' samples suited for data segments)

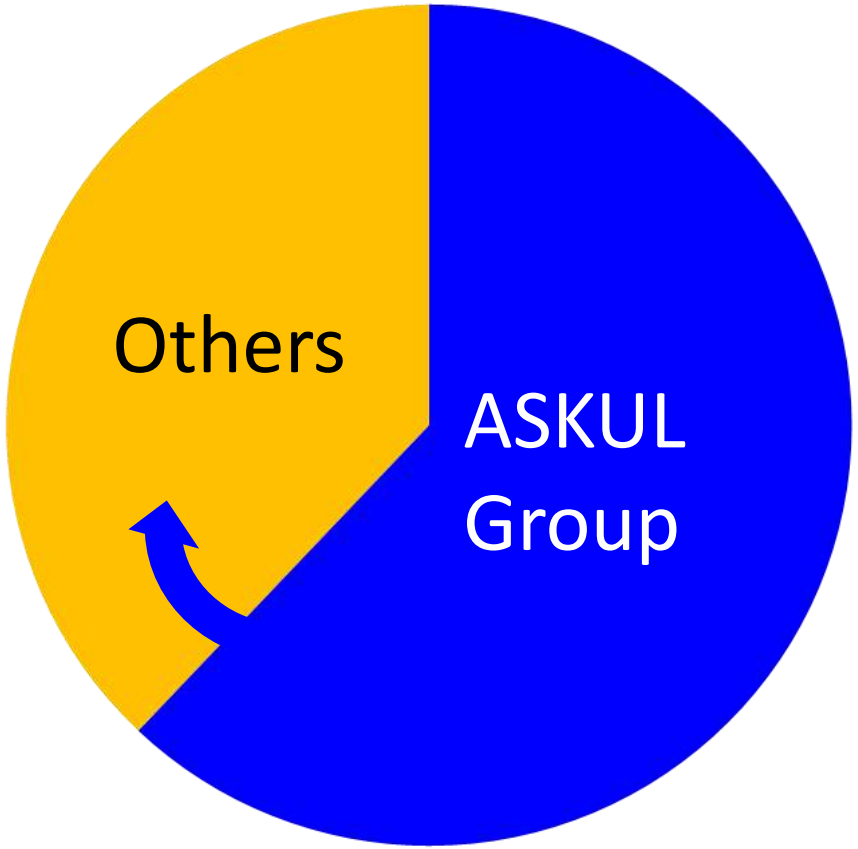
- ✓ **Boosting sales and profits by adopting entrusted fulfillment services provided by external contractors**

Transformation of the logistic center from a cost center to a profit center by broadening services

Major proactive initiatives

4

Expansion of the Group's in-house delivery system



Measures to be implemented:

(i) Increasing the number of the Group's own drivers

(ii) Expansion of Happy On Time services (reduction in absence ratio)

(iii) Revolution toward visualized delivery by using Big Data and AI

(iv) Full usage of ecohai

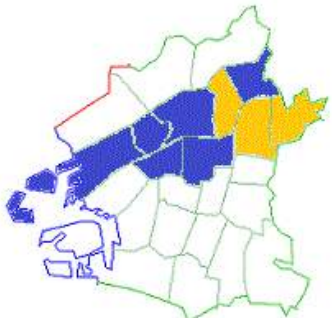
The advantage of the Group's in-house delivery system will be further enhanced.

Major proactive initiatives

4

Expansion of the Group's in-house delivery system

Happy On Time

	At the launch	As of April 5	End of FY5/2017	As of July 20 (plan)
Tokyo	 Chiyoda, Chuo, Koto, Minato, Setagaya wards	 Shibuya (Mar. 29), Shinagawa (Mar. 31) wards	 Shinjuku, Meguro, Ota wards	
Osaka	 Kita, Fukushima, Konohana wards		 Nishi, Chuo, Asahi wards	 Miyakojima, Tsurumi, Joto wards

Subsequent expansion into Tokyo's 23 wards and Osaka's 24 wards

Boost delivery volume through accelerated growth and further expand delivery areas, while simultaneously optimizing costs.

Major proactive initiatives

4

Expansion of the Group's in-house delivery system

Happy On Time

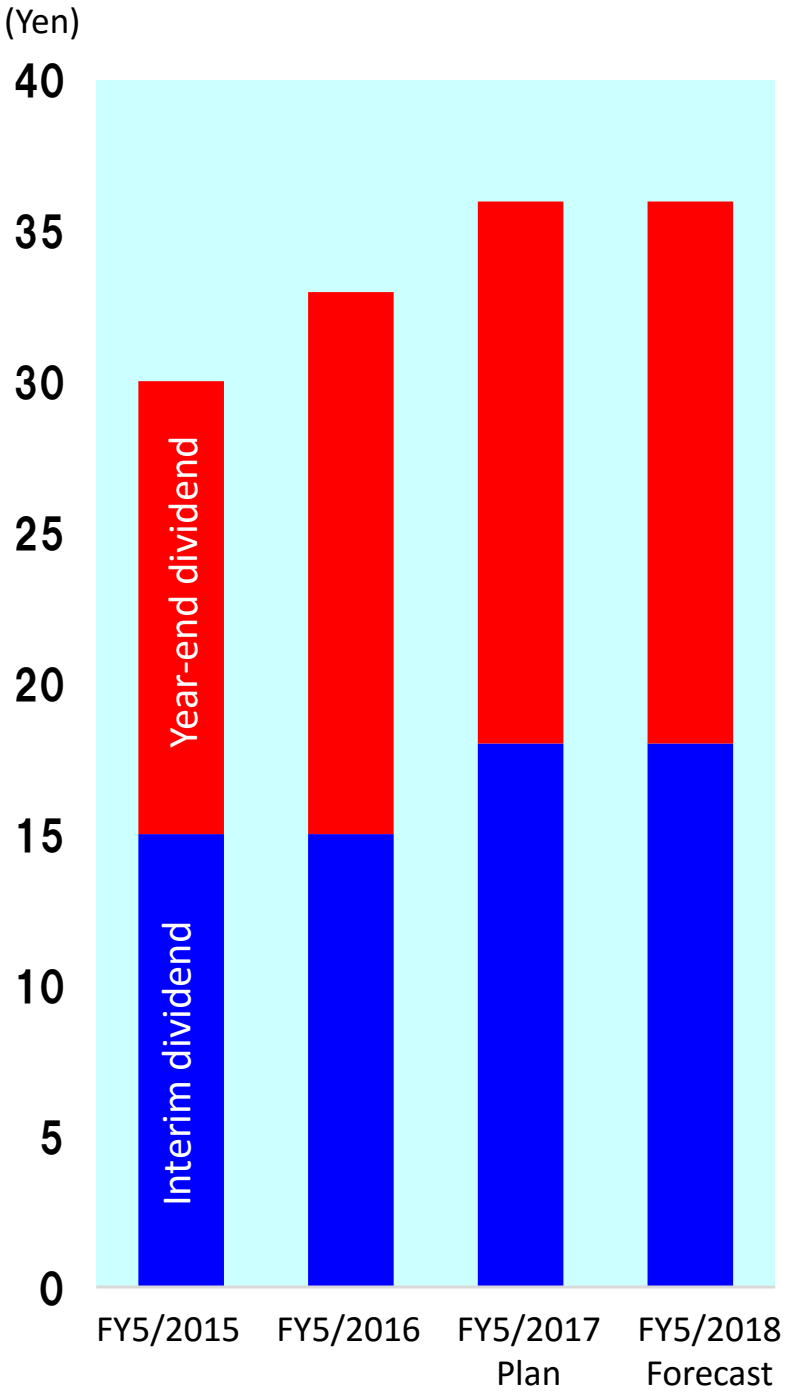


To be released soon

Careful response to customers' requests at the time of delivery

Further improvement in absence ratio, a social challenge

Latest absence ratio of 2.5% → 1% level



The factor causing the profit decline was temporary. Stable dividend distribution will be maintained.

Dividend for FY5/2017 (Plan)

➔Annual dividend per share: ¥36

(interim dividend of ¥18, year-end dividend of ¥18)

Dividend for FY5/2018 (Forecast)

➔Annual dividend per share: ¥36

(interim dividend of ¥18, year-end dividend of ¥18)

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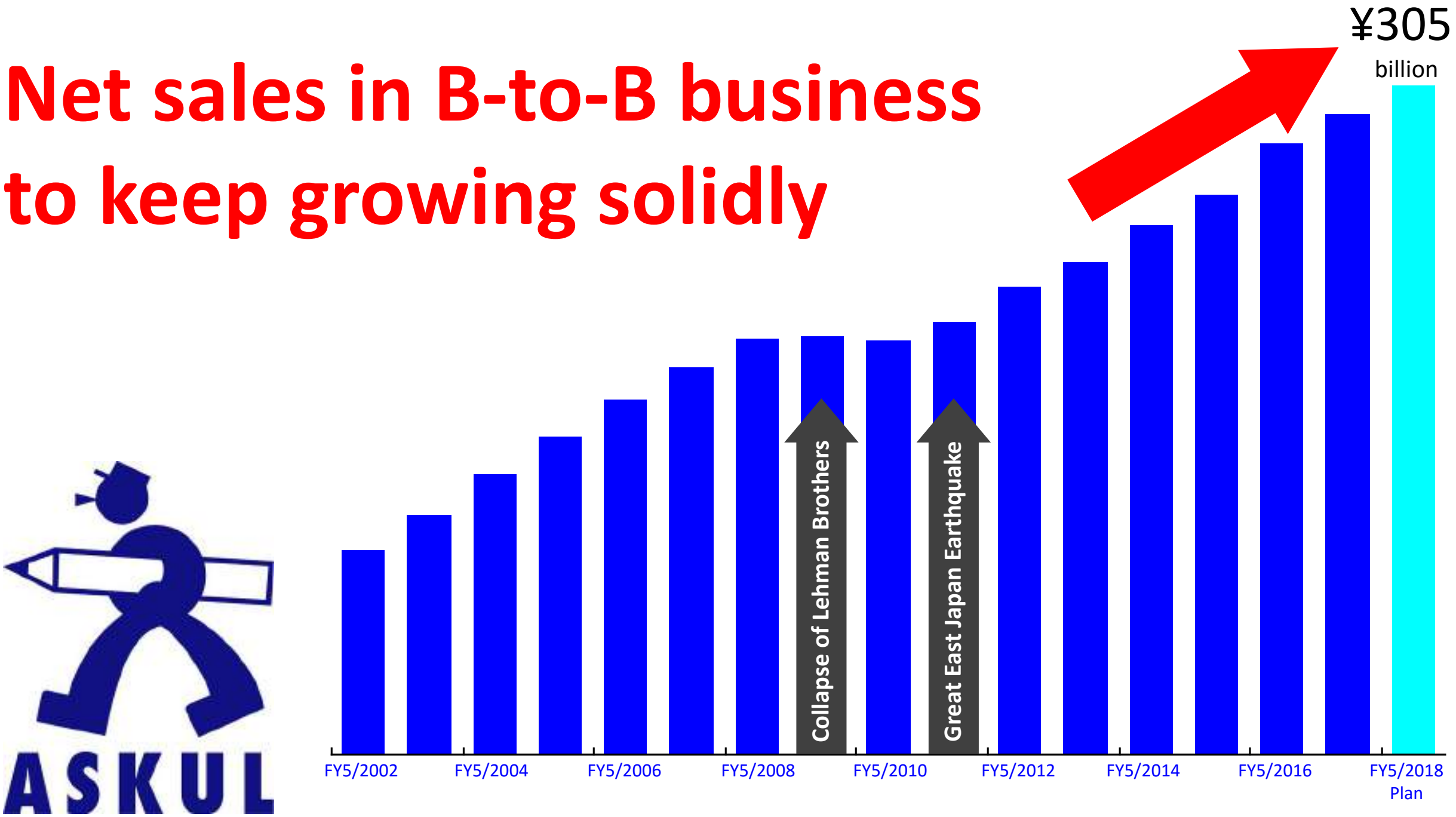
For Offices Operating B-to-B Business

SOLOEL ARENA
Powered by ASKUL

ASKUL

Net sales in B-to-B business to keep growing solidly



J.D. Power Asia Pacific
2017 Japan Customer Satisfaction Survey on E-Commerce Retail Service of Office Supplies

Overall satisfaction rating

No. 1 Award

* The above is based on the result of the survey which was responded by 3,800 offices with five or more personnel nationwide, concerning on-line shopping of office supplies for corporations.

2017 Oricon
Japan Customer Satisfaction Ranking

E-Commerce Retail of office supplies
(satisfaction rating)

No. 1 Award





Growing from a No.1 position
in the e-commerce sale of office supplies

to a dominant No. 1 position in B-to-B business

Strategic Image of B-to-B Business in FY5/2018

Sales volume

Strengthening of popular items

Further release of private brand (PB) products with competitive prices



Daily-use paper



Detergents

Release of 5 million items by assigning a dedicated group



Coating goods

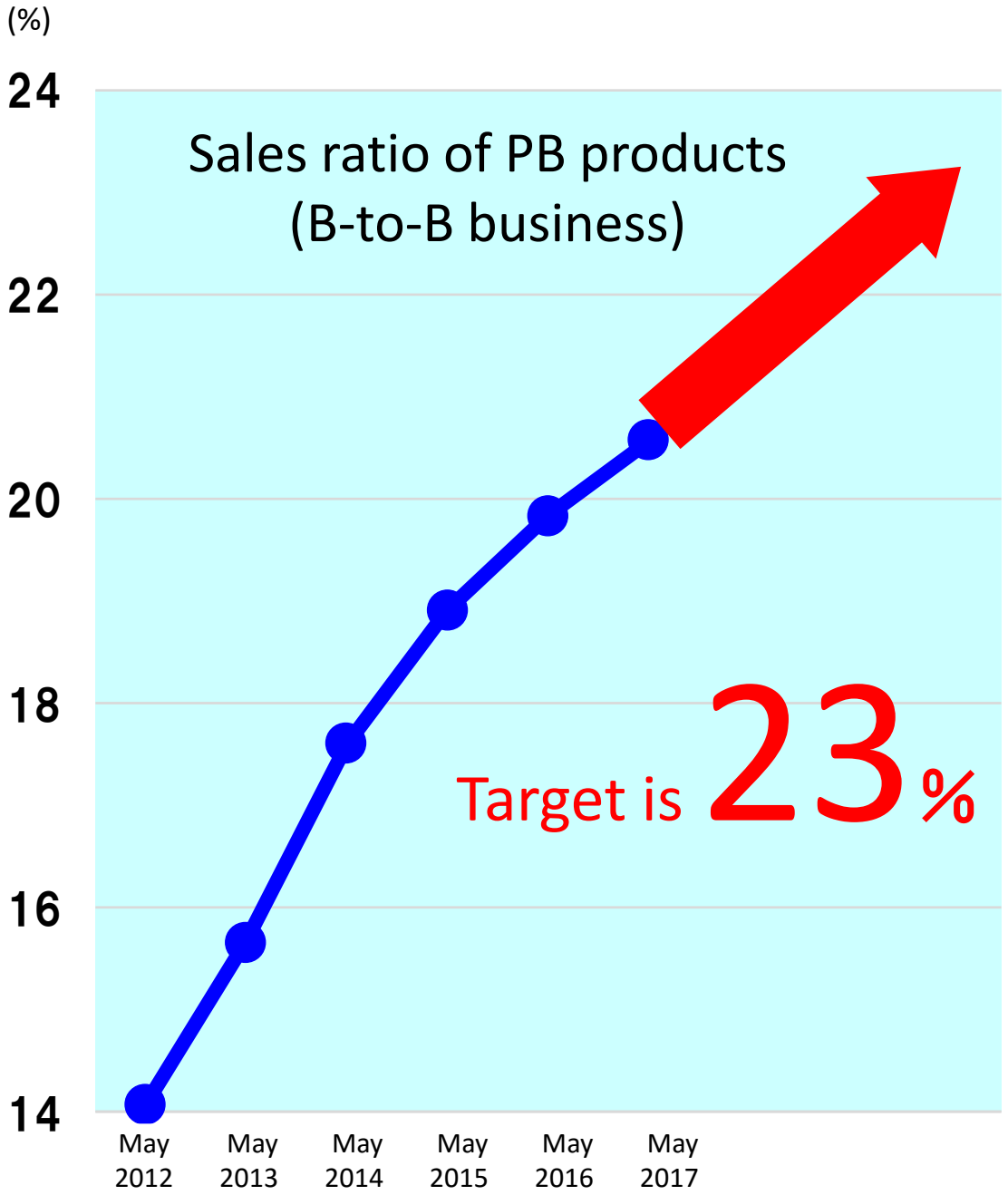


Construction tools

Expansion of products intended for long-tailed distribution

Number of goods

Maximize opportunities for attracting customers and purchases by enhancing both sales volume and number of goods



Private-brand products to be broadened

to approx. 7,900 items

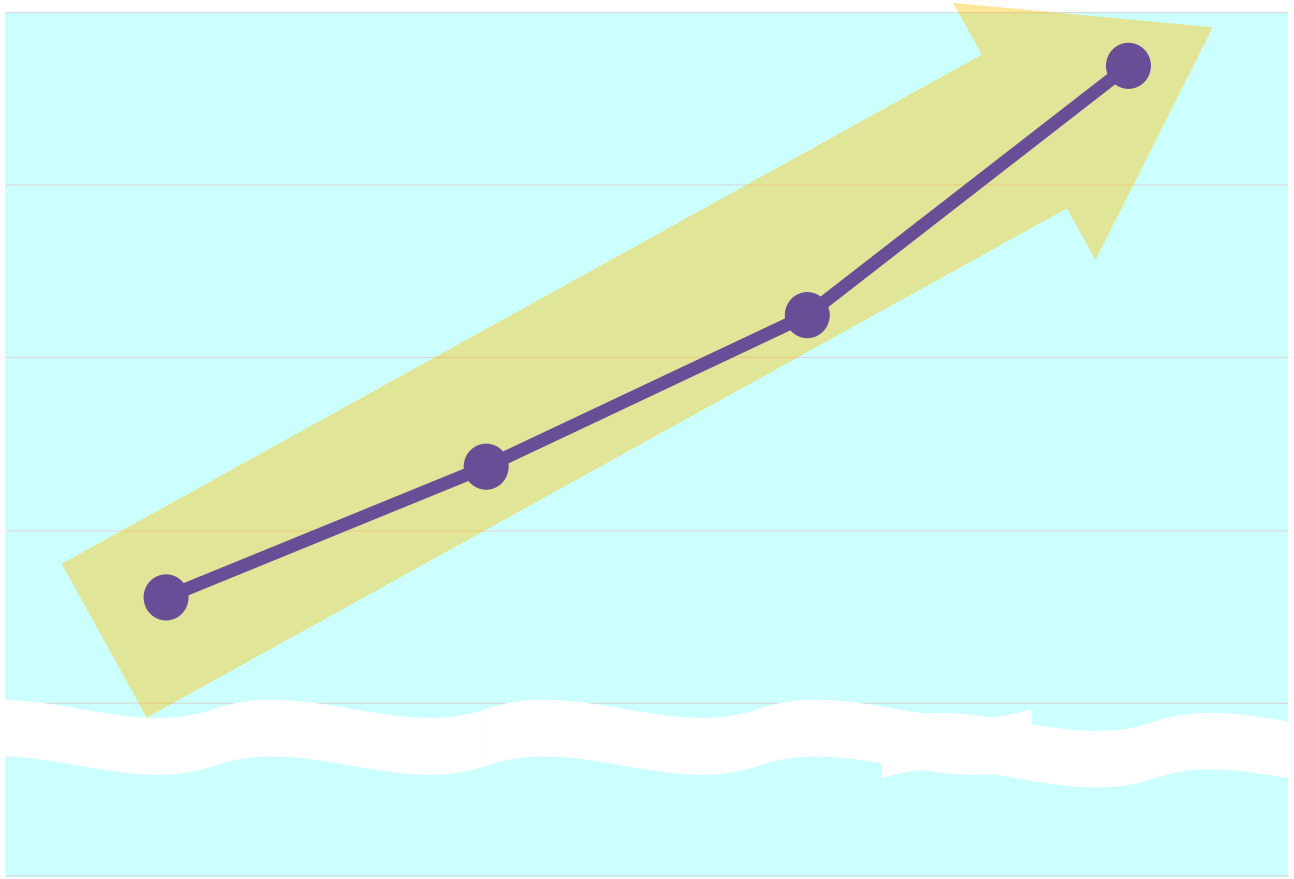
(+800 items)

This will enable us to achieve differentiation and firm profitability simultaneously.

* Net sales of original copier papers are not included in net sales of original products (numerators) used for the calculation of the above shares.

Trends of Gross Profit Margin in B-to-B Business

Non-consolidated basis



FY5/2014 FY5/2015 FY5/2016 FY5/2017

Continued improvement to be focused on

Further Broadening of Range of Goods on E-Commerce Shopping Site

(Ten thousand items)

1,000

500

300

200

100

0

Expansion of number of items

5 million items to be released by the end of FY5/2018

3.3 million items actually available as of May 2017



FY5/1995 FY5/1997 FY5/1999 FY5/2001 FY5/2003 FY5/2005 FY5/2007 FY5/2009 FY5/2011 FY5/2013 FY5/2015 FY5/2017

Maximum Usage of Logistics Networks Nationwide



Osaka DMC

Same-day and next-day delivery services of non-stocked items to start in advance in some areas from July 3.



AVC Kansai (to launch in Feb. 2018)



Sendai DMC



DCM Center



ASKUL Logi PARK Yokohama



ASKUL Logi PARK Fukuoka



Nagoya Center

Closer collaborative work with suppliers will help us broaden the range of items and reduce delivery time simultaneously.

TRUSCO モノづくり大辞典

オレンジブック



















Launch of quick delivery services for

160,000 popular items listed

in

Trusco Orange Book

Start from Kansai area

Number of goods for sale and delivery areas to be expanded further in coming months

Further Evolution of Services with Application of Internet of Things (IoT) and Artificial Intelligence (AI)

The following items represent some services implemented in FY5/2017.
IoT and AI will be further employed moving forward.



Automatic delivery service for replacement ink cartridges



Automatic order

IoT

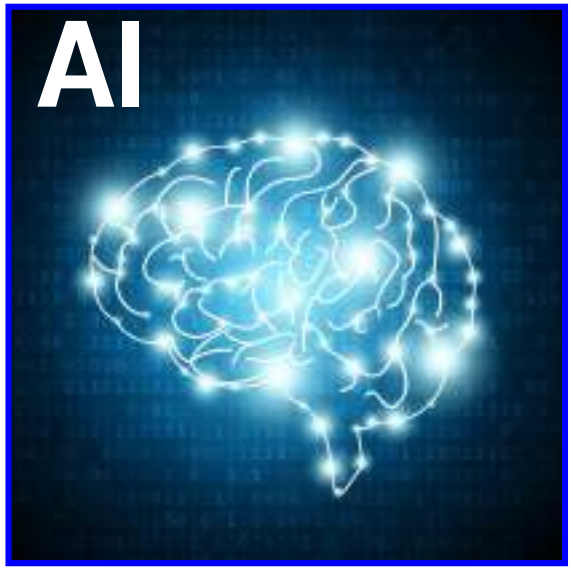
Service registration and customer information

Automatic delivery of ink cartridges

(i) No incorrect orders
(ii) Reduction in person-hours for order work(iii) Elimination of empty ink cartridges

ASKUL

As the second step for services using IoT, delivery of toner-related items to be launched.



Automatic generation of advertising slogans

Big Data

AND

AI





B-to-B business aims to establish a dominant No.1 position at all workplaces by expanding product lineups and bolstering e-commerce technology.

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B-to-C
Targeting consumers





Conversion of Charm Co., Ltd., a major e-commerce retailer for pets goods, into a wholly-owned subsidiary of ASKUL

charm × LOHACO くらしをかるくする

Outline of Charm Co., Ltd.
Business line: E-commerce retailer of pet goods and living things like fish, birds, etc.
Lineups: about 50,000 items (ranging from pet food for dogs and cats to marine goods, tropical fish and private-brand items)
Net sales: ¥12.9 billion (FY11/2016)





Maximum usage of synergy with LOHACO

Lineup
About 50,000 items

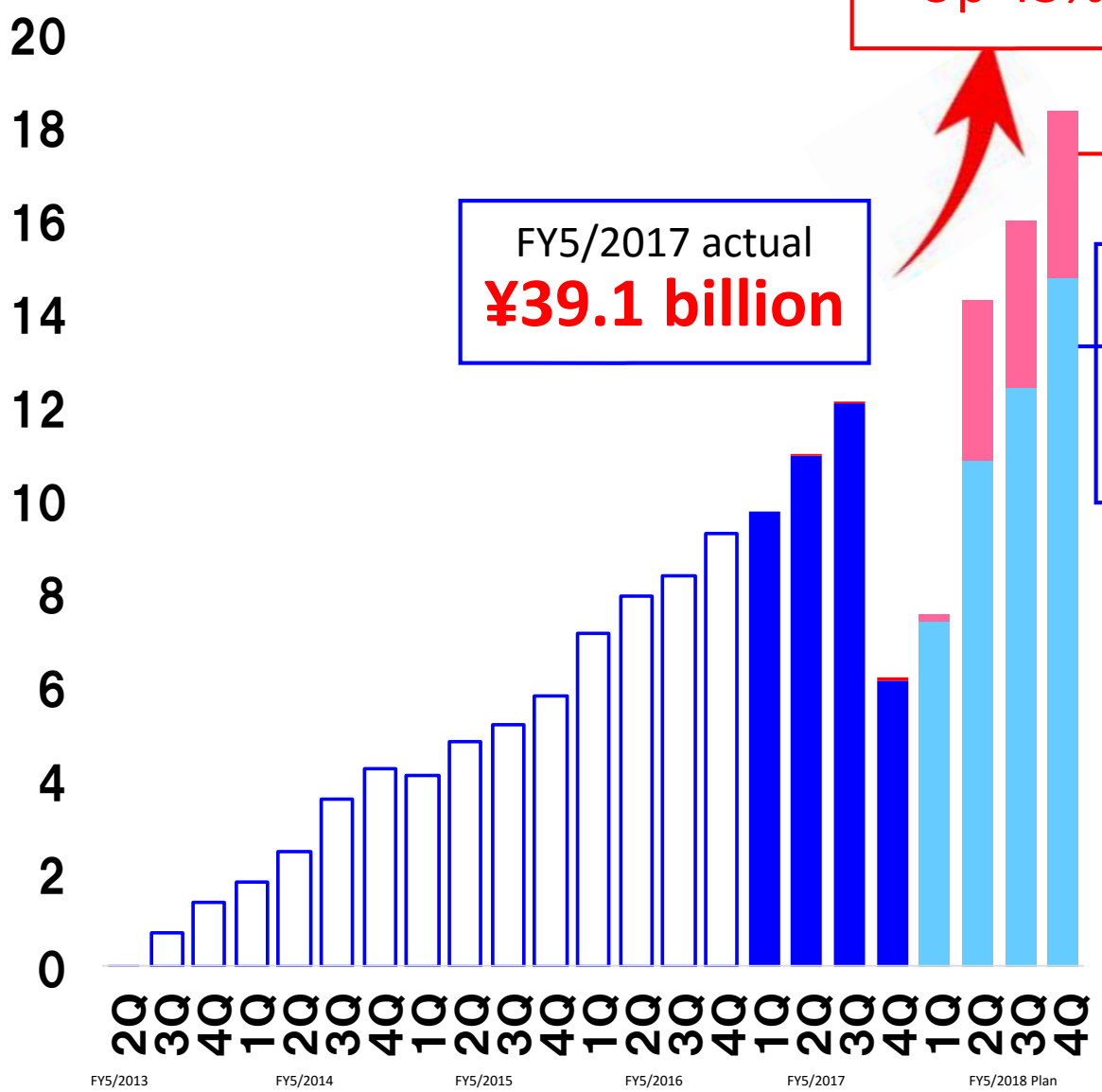
Customers
About 60% of customers are women mainly in their 40s

Delivery
Quick delivery
Delivery system with temperature management, etc.

The acquisition has enabled ASKUL to accelerate growth and strengthen profitability simultaneously.

*Acquired all the shares on July 3, 2017.

Trends of Total Logistics Amount
(¥ billion) In B-to-C Business* on Quarterly Basis



FY5/2018 plan
¥56.3 billion
Up 43% YoY

FY5/2018 plan
Charm and others

FY5/2017 actual
¥39.1 billion

FY5/2018 plan
LOHACO net sales ¥45.5 billion

Collaboration with manufacturers
and
Broadening of goods
and
Re-acquisition of many customers

Robust increase in logistics amount

* Total logistics amount in B-to-C business is the sum of LOHACO net sales, sales of products via LOHACO market places, and sales at Charm.

Start of Fourth-Term Activities of LOHACO E-commerce Marketing Lab

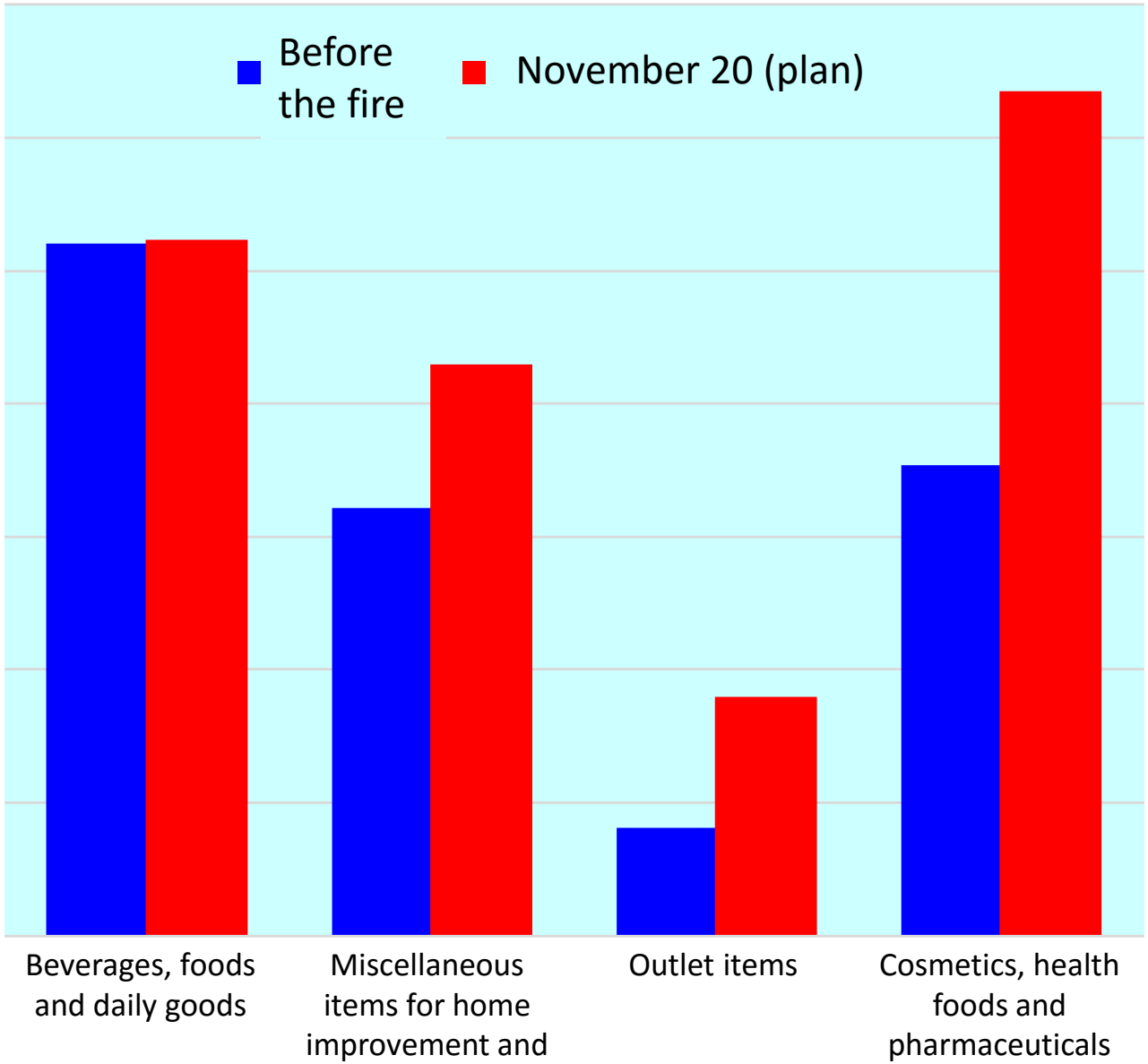
To 124 companies from 102

Companies continuing to participate from the third term (100 companies)
Asahi Soft Drinks Co., Ltd., Asahi Kasei Home Products Corporation, Asahi Healthcare Business Unit of Asahi Group Foods, Ltd., Wakodo Business Unit of Asahi Group Foods, Ltd., Asahi Breweries, Ltd., Ajinomoto Co., Inc., AJINOMOTO GENERAL FOODS, INC., Anheuser-Busch In Bev Japan KK,S. Ishimitsu & Co., Ltd., ITOCHU-SHOKUHIN Co., Ltd., ITO EN, LTD., Ujinotsuyu Seicha Co., Ltd., Ezaki Glico Co., Ltd., SSK Sales Co., Ltd., SSP Co., Ltd., ST Trading Corporation, S&B Foods Inc., NS FaFa Japan Co., Ltd., Oji Nepia Co., Ltd., Otsuka Pharmaceutical Co., Ltd., ORBIS Inc., Kao Group 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, KING JIM CO., LTD., Gekkeikan Sake Co., Ltd., Koikeya Co., Ltd., Coca-Cola Customer Marketing Company, Limited, KOKUYO Co., Ltd., KOBAYASHI PHARMACEUTICAL CO., LTD., THERMOS K.K., Sapporo Breweries Ltd., Sunstar Group Oral Care Company, Suntory Liquors Limited, Suntory Foods Limited, J-Oil Mills, Inc., Shiseido Japan Co., Ltd., Shachihata Inc., JOHNSON COMPANY, LIMITED, Johnson & Johnson K.K. Consumer Company, 3M Japan Limited, ZEBRA CO., LTD., DAIICHI SANKYO HEALTHCARE CO., LTD., DAIO PAPER CORPORATION, Taisho Pharmaceutical Co., Ltd., DAINIHON JOCHUGIKU Co., Ltd., TAIHO PHARMACEUTICAL CO., LTD., TOKIWA Pharmaceutical Co., Ltd., TOMBOW PENCIL CO., LTD., Nagatanien Co., Ltd., NICHIBAN CO., LTD., NISSIN CISCO CO., LTD., NISSIN FOOD PRODUCTS CO., LTD., Kellogg Japan G.K., Nippon Paper Crecia Co., Ltd., Hill's-Colgate (JAPAN) Ltd., Nihon L'Oréal K.K., Nature's Way Co., Ltd., Nestlé Japan Ltd., Nature Lab. Co., Ltd., HABA Laboratories, Inc., HOUSE WELLNESS FOODS CORPORATION, HOUSE FOODS CORPORATION, Harada Tea Processing Co., Ltd., Hikari Miso Co., Ltd., FANCL CORPORATION, FUJIFILM Corporation, PLUS Corp. Stationery Company, The Procter & Gamble Company of Japan Limited, Pentel Co., Ltd., POKKA SAPPORO Food & Beverage Ltd., Mars Japan Limited, Marukome Co., Ltd., Maruha Nichiro Corporation, Mizkan Co., Ltd., Isetan Mitsukoshi Holdings Ltd., Mitsubishi Pencil Tokyo Hanbai Co., Ltd., Meiji Co., Ltd., Melodian Co., Ltd., MORINAGA & CO., LTD., YAMAZAKI Corporation, UCC UESHIMA COFFEE CO., LTD., Unicharm Corporation, Universal Paper Co., Ltd., Unilever Japan Customer Marketing K.K., Lion Corporation, LION TRADING Co., Ltd., Ryohin Keikaku Co., Ltd., Reckitt Benckiser Japan Ltd., LEC, Inc., ROHTO Pharmaceutical Co., Ltd., Lotte Co., Ltd., Wacoal Corp.
(In Japanese syllabary order)

Newly participating companies (20 companies)
Earth Chemical Co., Ltd.. Atsugi Co., Ltd., Eisai Co., Ltd., Cow Brand Soap Kyoshinsha Co., Ltd., GlaxoSmithKline Consumer Healthcare Japan Co., Ltd., Kracie Home Products, Ltd., JINS, Inc., Takeda Consumer Healthcare Company Limited, Saraya Co., Ltd., Nisshin Foods Inc., NH Foods Ltd., Hitachi Consumer Marketing, Inc., Fukusuke Corporation, Fumakilla Limited, Maruman Corporation, Mandom Corporation, Yakult Health Foods, Co., Ltd., Yamaki Co., Ltd., Yamato Co., Ltd., LIHIT LAB Co., Ltd. (In Japanese syllabary order)

Friendship partners (four companies)
Google Limited Company, Hitachi, Ltd., Facebook Japan Inc., Yahoo Japan Corporation (In Japanese syllabary order)

Number of goods in LOHACO Stock (East Japan Area)



Reinforcement of lineups of highly profitable goods

Like cosmetics and miscellaneous items for home improvement and repairs.

Acceleration of growth

+

Strengthening of profitability

LOHACO “Everyday Items” Exhibition 2017
To be held in early October 2017





LOHACO “Everyday Items” Exhibition 2016 (Oct. 28, 2016-Nov. 6 at Tokyo Midtown)

Bolstering of lineups of goods designed for consumers’ daily living

Added value

+

Strengthening of profitability

Participating manufacturers up to 48 companies from 36



Reinforcement of sales of existing private-brand products

+

Broadening of lineups of private brands exclusively for LOHACO

Expand sales of private brand items

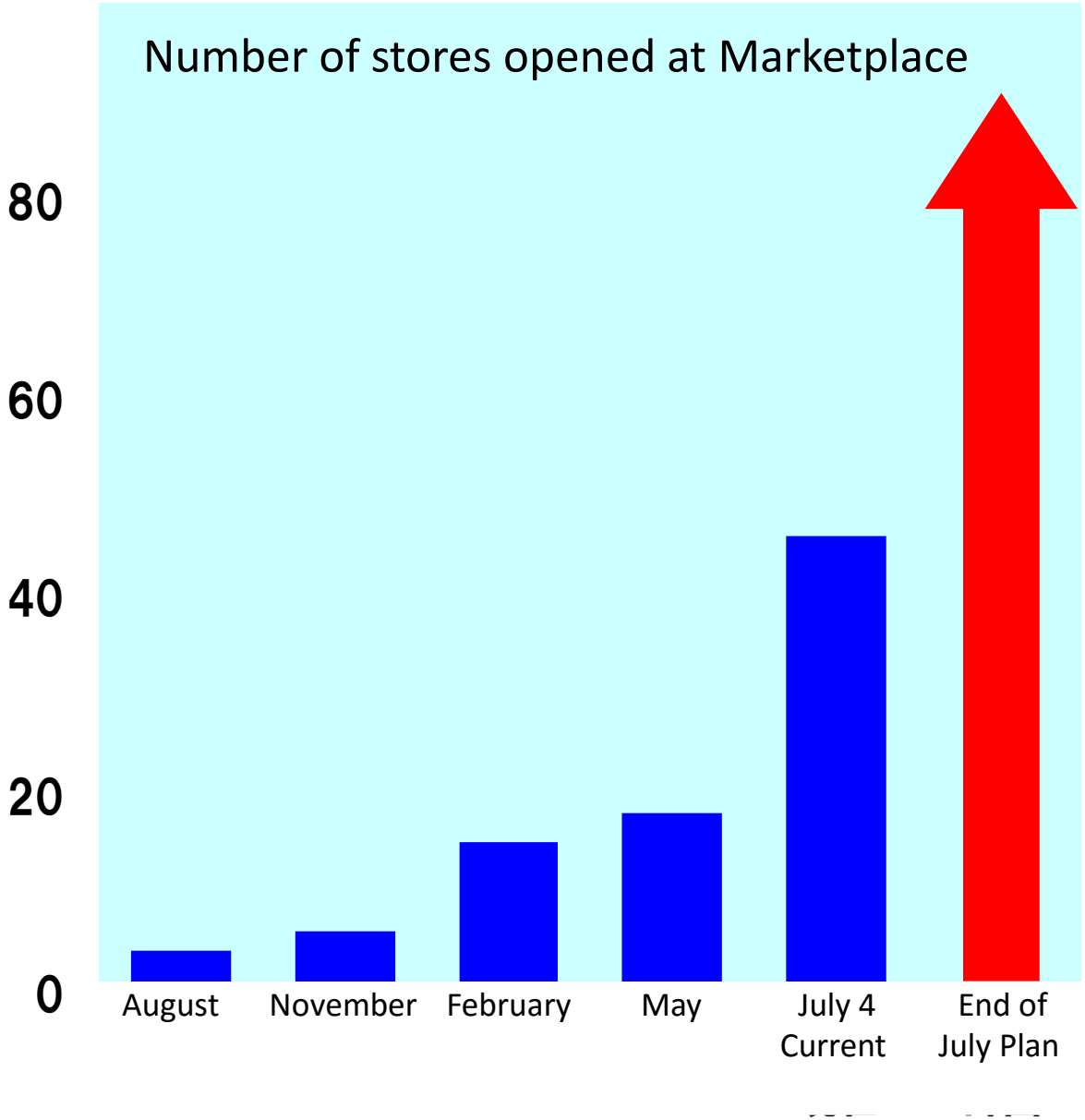
with know-how gained from B-to-B business

Acceleration of growth

+

Strengthening of profitability

Broadening of Product Lineups by Enhancing Categories of the Marketplace



Addition of new categories like foods, home electric appliances, etc.

over 80 stores over 1.6 million items

(to be released at the end of July)

Expecting significant growth in commissions received

Softbank subscribers (main line)

32.4 million people

Yahoo monthly-pay subscribers (including premium subscribers)

17.73 million IDs



LOHACO users

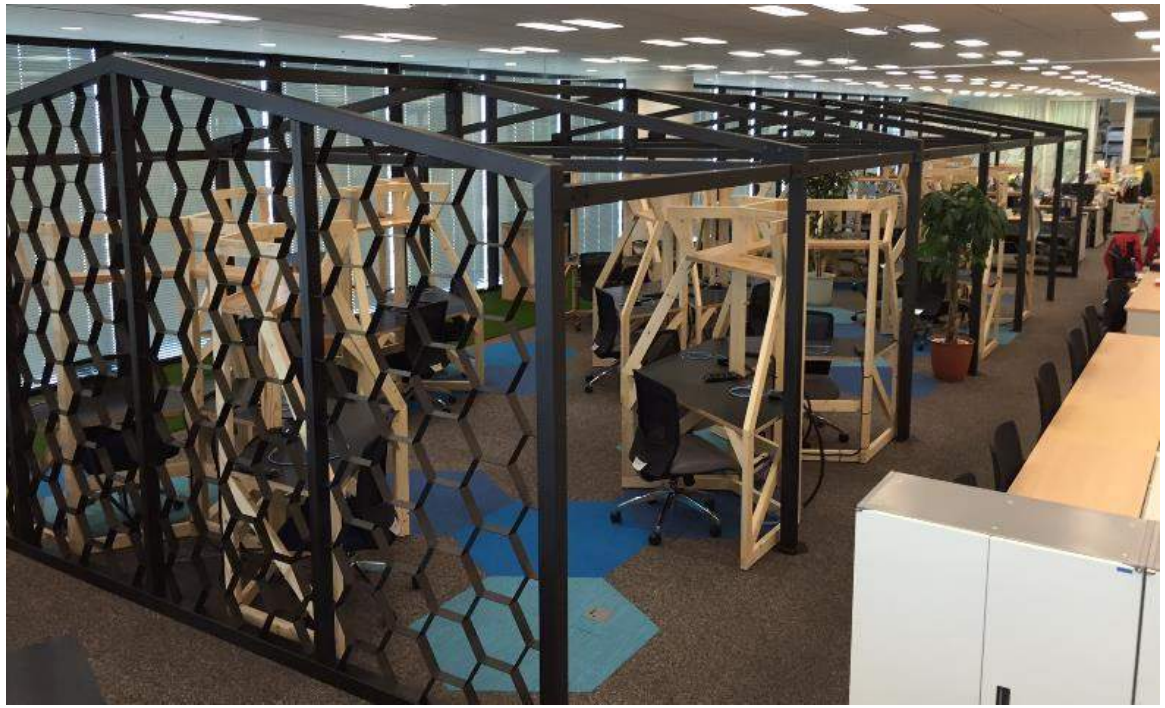
3.80 million people

Re-launch of major customer acquisition campaign

after complete restoration of LOHACO

Return to a track toward high growth

ASKUL Technology Center To Be Launched



(The above shows the inside of the current EC Growth Engineering Office)

Big Data
and
AI
and
Robots

+

In-house engineers

ASKUL Technology Center

Place: Toyosu Foresia

(Building adjacent to the headquarters)

Acceleration of growth

by strengthening technology

LOHACO aims to become No.1 in second-generation e-commerce by broadening range of goods and strengthening e-commerce technology.

Appendix

FY5/2017 Net Sales by Product Category

Non-consolidated

	FY5/2016		FY5-2017	
	¥ billion	% of net sales	¥ billion	% of net sales
OA&PC	92.6	+5.1	93.9	+1.5
Stationery	42.0	+7.2	43.4	+3.3
Living Supplies	87.6	+27.3	97.6	+11.4
Furniture	22.1	+6.7	22.2	+0.6
MRO	25.2	+16.2	28.2	+12.1
Others (Medical, etc.)	18.6	+14.9	20.5	+10.0
Total	288.3	+13.1	306.0	+6.1

Posted a record high on a non-consolidated basis

Continued double-digit growth in mainstay products

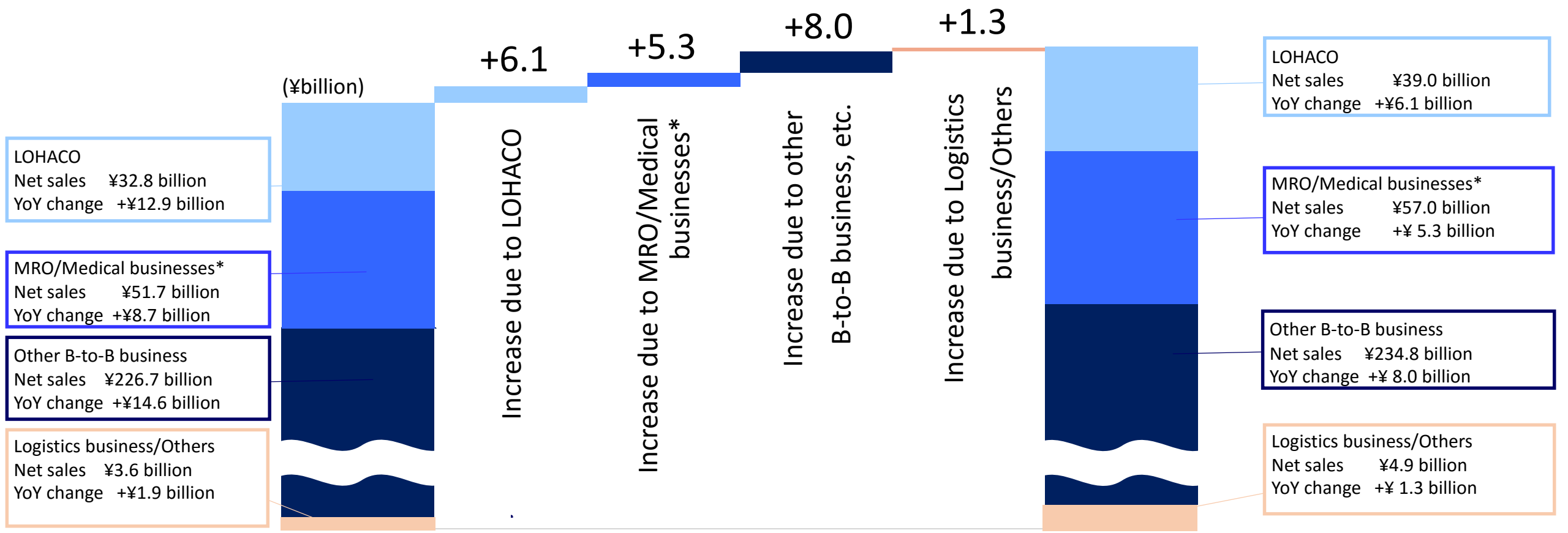
Factors Affecting FY5/2017 Consolidated Net Sales

FY5/2016 (actual)

Net sales	¥315.0 billion
YoY change	+¥38.2 billion
YoY change	+13.8%

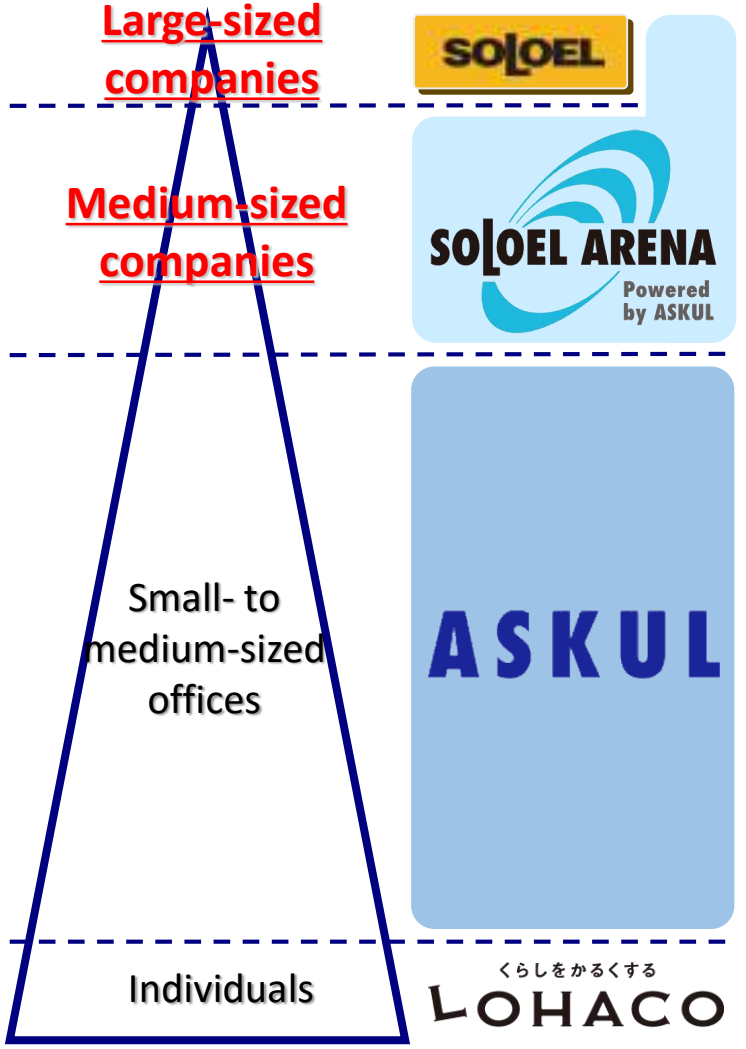
FY5/2017 (actual)

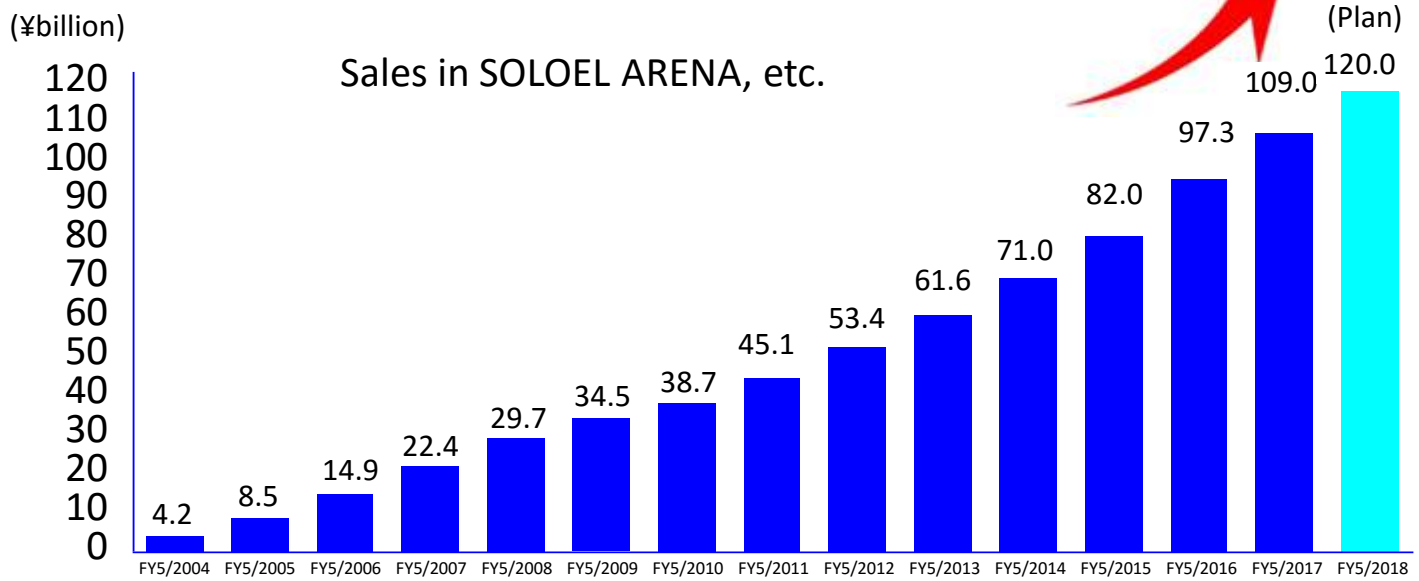
Net sales	¥335.9 billion
YoY change	+¥20.8 billion
YoY change	+6.6%

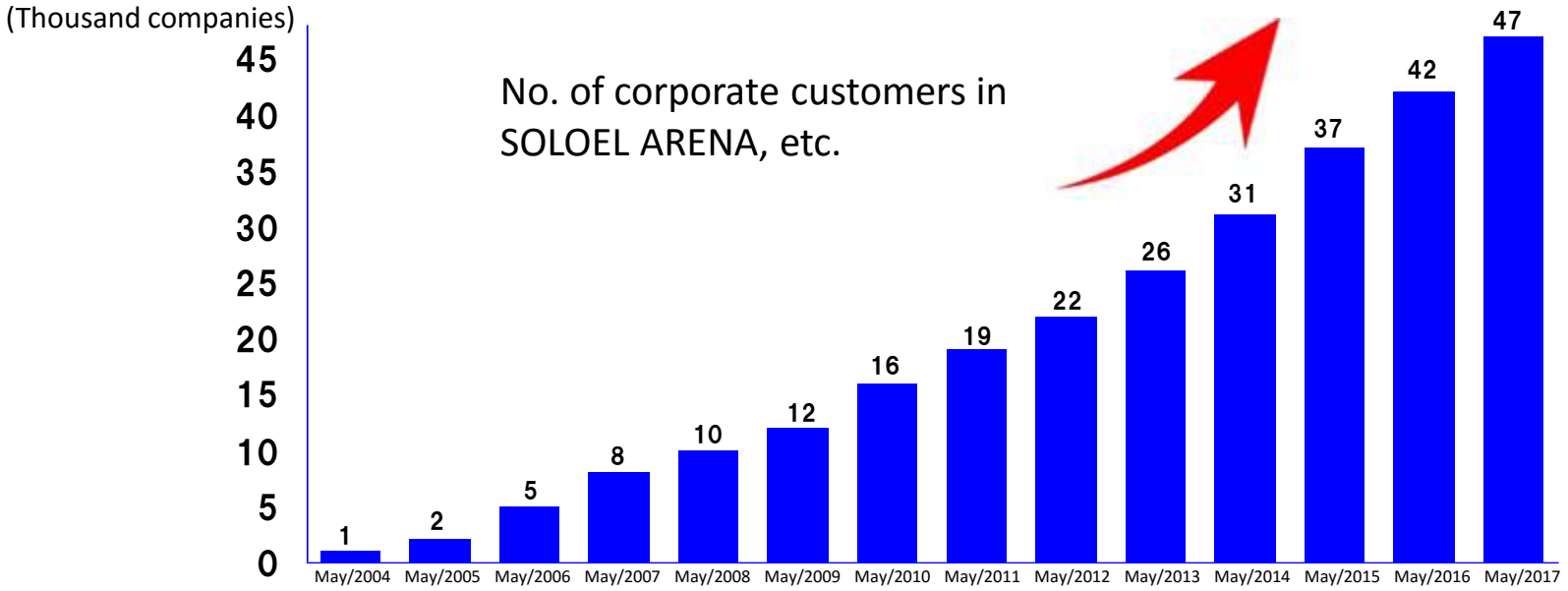


* MRO/Medical Businesses do not include the LOHACO portion.

SOLOEL ARENA is Expanding Steadily







Sales growth of 12.0% YoY achieved in FY5/2017. Target for FY5/2018 is ¥120.0 billion.

FY5/2017 Consolidated Gross Profit, SG&A Expenses

Gross profit: ¥76.7 billion **YoY change: +¥6.4 billion**

Gross profit margin: 22.8% YoY change: +0.5 p.p.

Trends of quarterly gross profit margin

1Q: 22.3% 2Q: 22.8% 3Q: 23.3% 4Q: 23.0%

Improved mainly due to change to favorable position in foreign exchange rates from 2Q onward and increased share of ASKUL original products

SG&A expenses: ¥67.8 billion **YoY change: +¥6.0 billion**

Ratio of SG&A expense to net sales: 20.2% YoY change: + 0.6 p.p.

Trends of quarterly ratio of SG&A expenses to net sales

1Q: 20.8 % 2Q: 19.9% 3Q: 19.8% 4Q: 20.4%

- The ratio of SG&A expenses to net sales in 1Q rose as expected, due to increased fixed costs in ALP Fukuoka and Yokohama, in addition to sales promotion costs for broadcasting TV commercials, etc.

The ratio steadily declined in 2Q through 3Q, backed by solid sales growth, as well as steady operations, etc. at the new logistics center. The ratio temporarily deteriorated in 4Q due to impacts from the fire at ALP Tokyo Metropolitan.

FY5/2017 Consolidated Capital Expenditures

Capital expenditure: ¥4.5 billion (Annual plan: ¥6.4 billion)

Reinforcement of logistics centers with installment of material handling equipment, etc.: ¥1.2 billion

LOHACO site renovation: ¥0.9 billion

(Ref.) Depreciation and amortization of software: ¥4.1 billion (Annual plan: ¥4.6 billion)

Investment details

(¥ million)

Item	FY5/2016	FY5/2017	
	Amount	Amount	YoY change
Capital expenditure (Note 2)	10,528	4,555	-56.7%
Property, plant and equipment (Note 2)	8,292	1,956	-76.4%
Intangible assets	2,235	2,599	+16.3%
Construction in progress (Note 3)	215	747	+246.9%
Software in progress (Note 3)	562	901	+60.3%

(Note 1) Capital expenditure is stated based on an accrual basis.
(Note 2) Expenditure for FY5/2016 was high due to recording of investment in ASKUL Logi PARK Fukuoka and ASKUL Logi PARK Yokohama.
(Note 3) Construction in progress and software in progress partially include consumption and other taxes.

FY 5/2017 Share of Orders Placed on the Internet in Net Sales, ASKUL Original Products

Share of orders placed on the Internet in net sales

	FY5/2016	FY5/2017	YoY Change
Orders via the Internet	78.8%	80.0%	+1.2 p.p.
Other	21.2%	20.0%	-1.2 p.p.

(Note 1) The percentages are based on orders placed.

ASKUL original products

(Items)

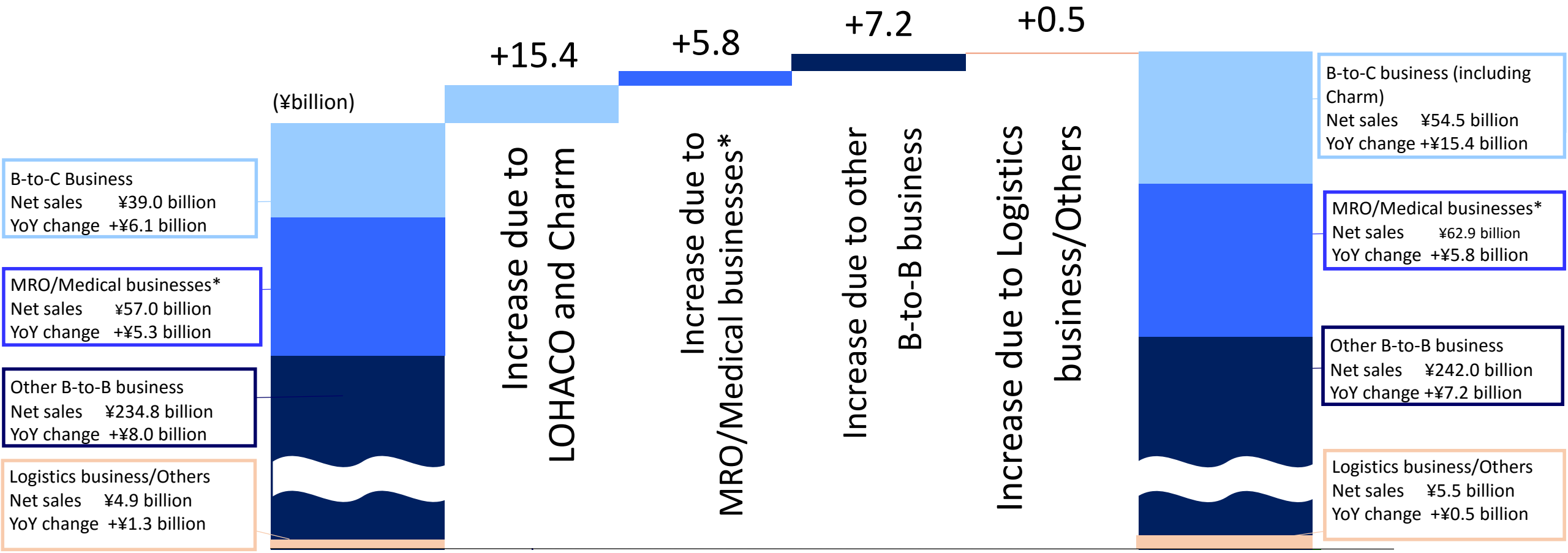
	May 2016 (single month)	May 2017 (single month)	YoY Change
Number of original products	7,025	8,045	+1,020
Share in non-consolidated net sales (of which share in B-to-B Business)	17.8% (19.8%)	19.2% (20.6%)	+1.4 p.p. (+0.8 p.p.)

(Note 1) The figures above are the results for the month of May each year.
(Note 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.
(Note 3) Each figure includes the products listed in Health & Nursing Care Catalogs and Medical Pro Catalogs
(Note 4) Effective the second quarter of FY5/2017, the number of original products has included items sold via the Internet, as well as those sold via catalogs.

Factors to Affect FY5/2018 Consolidated Net Sales (Plan)

FY5/2017 (actual)
Net sales ¥335.9 billion
YoY change +¥20.8 billion
YoY change +6.6%

FY5/2018 (plan)
Net sales ¥365.0 billion
YoY change +¥29.0 billion
YoY change +8.7%



* MRO/Medical Businesses do not include the LOHACO portion.

FY5/2018 Consolidated Capital Expenditure (Plan)

Capital expenditure: ¥24.9 billion

Major items

- Material handling equipment, etc. in AVC Kansai: ¥14.9 billion
- Material handling equipment, etc. in AVC Hidaka: ¥3.8 billion

(Ref.) Depreciation and amortization of software: ¥5.0 billion
(YoY change: +¥0.9 billion)