



**Income targets achieved for FY5/2018,
goal for FY5/2019 is stable operating income growth
Stepping up investment in logistics reform costs,
with the goal of achieving a leap forward in the medium term**

Goals are to achieve low-cost operations through enhancing logistics productivity,
strengthening delivery structure, and logistics sharing

In the BtoC business, we will expand our scale by increasing the number of products
and strengthening our customer platform, opening the way to improved profitability

In the BtoB business, we are aiming for continued increases in net sales and income,
growing profits through both head products and non-stock items

July 4, 2018
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. B-to-C refers to business-to-consumer 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, ASKUL Value Center and Open Platform by ASKUL, the words "ALP," "AVC," "OPA" are used, respectively, in this material.

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- I Consolidated Performance for FY5/18
- II FY5/2019 Consolidated Financial Forecasts
- III Establishing a competitive advantage
 - Platform innovation
 - Expansion of B-to-C Business
 - Higher BtoB sales and profits to continue

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Summary of Consolidated Performance for FY5/2018

	FY5/2017		FY5/2018				
	Actual ¥million	% of net sales	Revised forecast (published Nov. 9) ¥million	Actual ¥million	% of net sales	% of revised forecast	YoY change %
Net Sales	335,914	100.0	365,000	360,445	100.0	98.8	107.3
Gross Profit	76,755	22.8	—	85,515	23.7	—	111.4
Selling, General and Administrative Expenses	67,890	20.2	—	81,323	22.6	—	119.8
Operating Income	8,865	2.6	3,800	4,192	1.2	110.3	47.3
Ordinary Income	8,866	2.6	3,500	3,940	1.1	112.6	44.4
Extraordinary Income	4,946	1.5	—	11,497	3.2	—	232.4
Extraordinary Loss	11,643	3.5	—	7,028	1.9	—	60.4
Net Income Attributable to Owners of the Parent	1,014	0.3	4,000	4,693	1.3	117.3	462.5

➤ Net sales

Hit a record high

YoY change % +7.3%

➤ Gross profit margin

**Significant improvement of +0.9 points
over previous fiscal year**

➤ SG&A expenses

One-time charges in logistics (including fixed costs)

¥ 5.0 billion

Increase in fixed costs at AVC Hidaka/Kansai etc.

¥ 3.1 billion (see p.9)

4Q strategic costs + performance-linked bonuses

¥ 0.9 billion

Offset increase in delivery costs through
reductions achieved through **KAIZEN activities etc.**

➤ Operating income, ordinary income, and profit

ahead of plan

FY5/2018 Consolidated Performance [By Business]

		FY5/2017	FY5/2018	
		¥billion	¥billion	YoY change %
Net sales	B-to-B business	291.9	302.6	+ 3.7
	LOHACO	39.0	41.7	+ 7.0
	B-to-C business (including Charm)	39.0	50.7	+ 30.0
	E-commerce business	330.9	353.3	+ 6.8
	Logistics business and other	4.9	7.1	+ 43.7
	Consolidated total	335.9	360.4	+ 7.3
Operating income	B-to-B business (excluding below)	14.6	17.7	+ 21.5
	Increase in fixed expenses for the alternative center (including one-time charge)	—	(0.8)	—
	Deterioration of logistics productivity	(0.6)	(1.7)	—
	B-to-B business	14.0	15.2	+ 8.6
	LOHACO (excluding below)	(4.3)	(4.8)	—
	Increase in fixed expenses for the alternative center (including one-time charge)	—	(1.2)	—
	Deterioration of logistics productivity	(0.2)	(1.5)	—
	LOHACO	(4.6)	(7.6)	—
	B-to-C business (including Charm)	(4.6)	(7.5)	—
	Intermediate total	9.3	7.6	- 18.2
	Strategic costst+performance-linked bonuses	—	(0.9)	—
	One-time charges/increase in fixed costs due to launch of AVC Kansai	—	(2.8)	—
	E-commerce business	9.3	3.7	- 59.5
	Logistics business and other	(0.5)	0.3	—
	Consolidated total	8.8	4.1	- 52.7

➤ Net sales

BtoB business **growth continues, +3.7% YoY**

B-to-C business grew **30.0%**, backed by positive impacts of **consolidation with Charm**

➤ Operating income

B-to-B business: **Up 21.5% to ¥17.7 billion**

LOHACO business: **Down by ¥4.8 billion**
(including rising delivery costs)

Alternative center fixed cost increases
(including one-time charges)

¥2.0 billion

Temporary deterioration in logistics productivity **¥3.2 billion**

4Q strategic costs (strategic sales promotion/pricing etc.)

+ performance-linked bonuses

¥0.9 billion

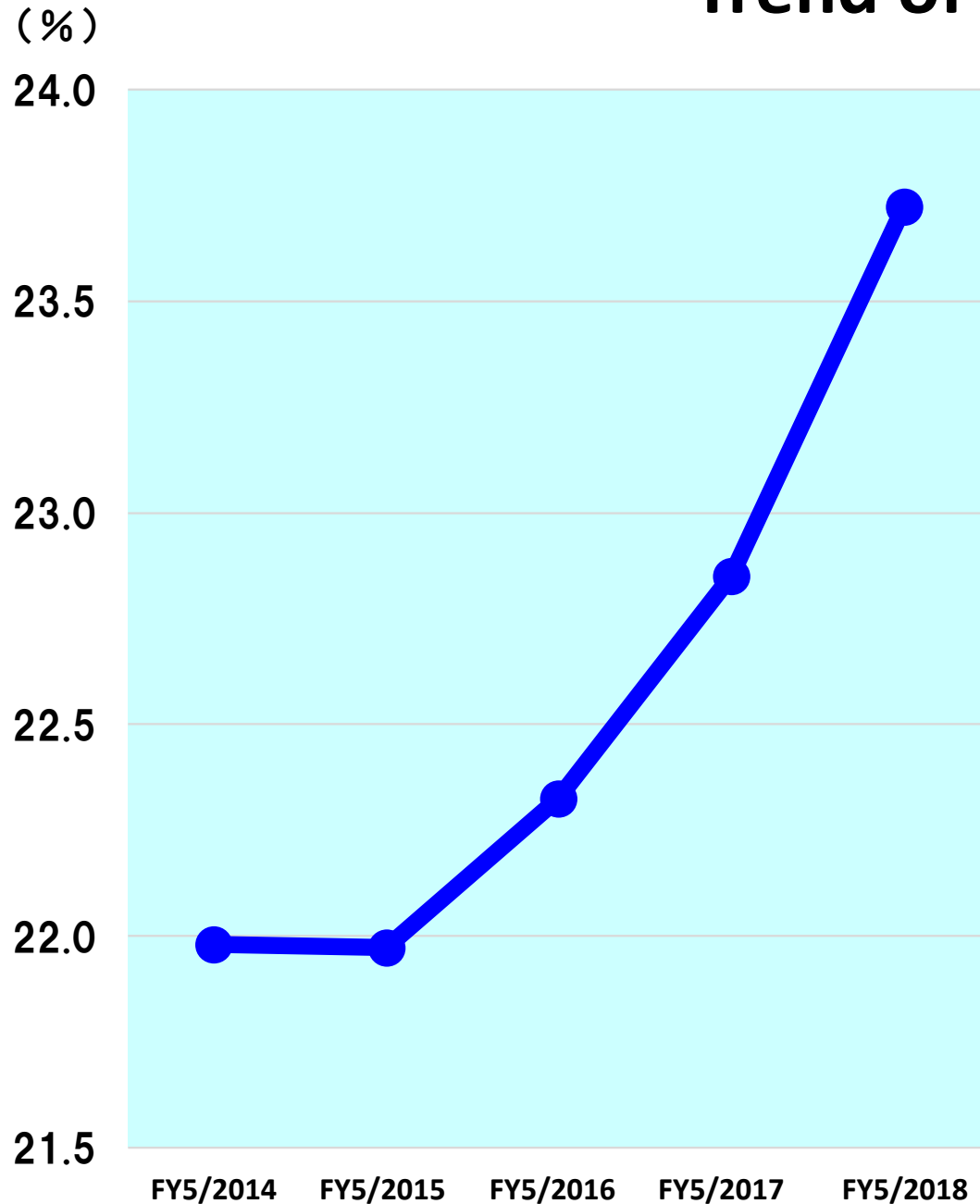
Increase in fixed costs (including one-time charges)
due to the launch of AVC Kansai

¥2.8 billion

Logistics business and other **¥0.3 billion** due to fees and from
asset management business (after inter-company elimination)

Trend of Gross Profit Margin

Consolidated



Significant improvement
both in B-to-B and B-to-C businesses

12th year of KAIZEN activities, participation by all employees had energizing effect

Results of activities for FY5/18

Items tackled: **838**

Around **¥12 billion** in cost reductions

Example: Automation of the input of product information led to a reduction in consignment expenses
Optimization of sales lots/inventory allocation led to reduced delivery costs

Continued cost-reduction activities
Increases in logistics and delivery costs were partly offset

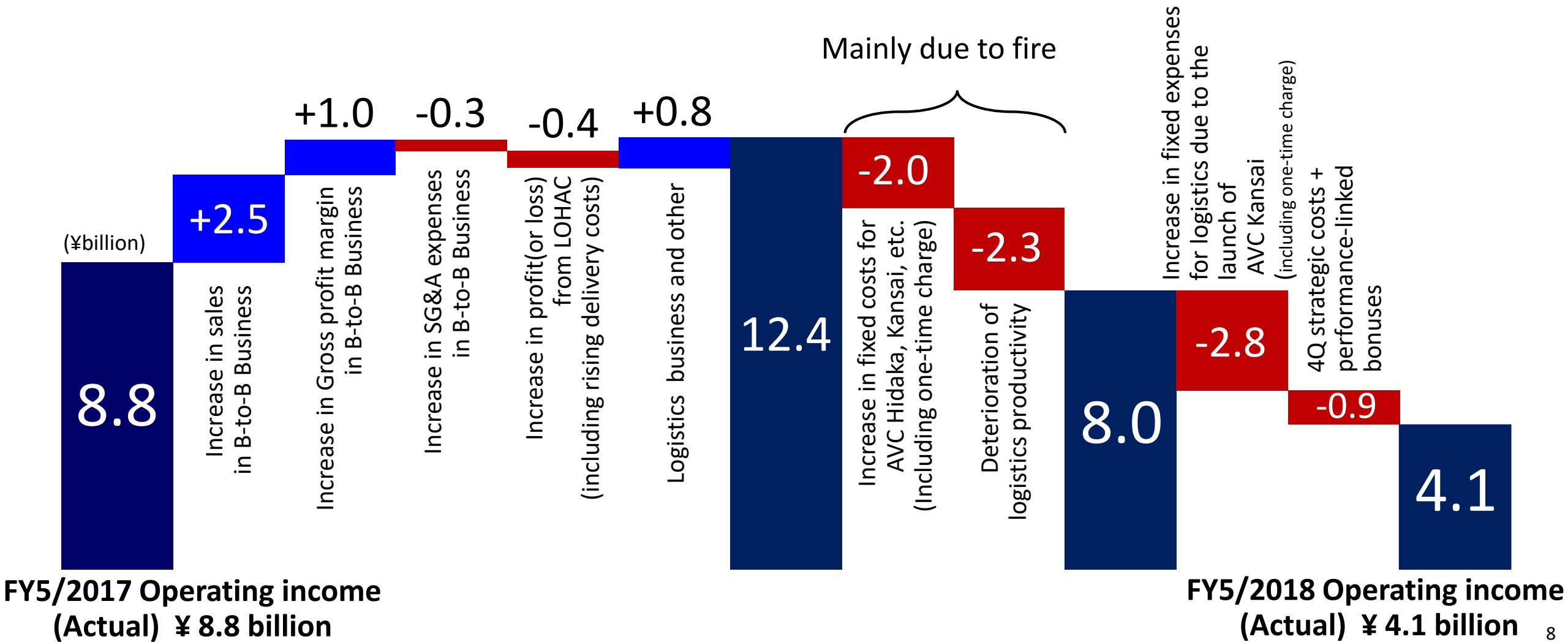
Factors Affecting FY5/2018 Consolidated Operating Income

FY5/2017 (Actual)

Net sales	+6.6% YoY
Gross profit margin	22.8%
SG&A expense ratio to sales	20.2%

FY5/2018 (Actual)

Net sales	+7.3% YoY
Gross profit margin	23.7%
SG&A expense ratio to sales	22.6%



Status of Two Major Tasks

(Unit: ¥100 million)

		1Q		2Q		3Q		4Q		Total	
		(Forecast)	(Actual)	(Forecast)	(Actual)	(Forecast)	(Actual)	(Forecast)	(Actual)	(Forecast)	(Actual)
Kanto Region	One-time charge • Deterioration of logistics productivity (24-hour operation, etc.) • Land rent for alternative center, etc.	9.2	9.3	5.6	7.1	5.0	5.6	3.6	5.0	23.6	27.2
	Regular recurring expenses • Land rent and depreciation for AVC Hidaka and Shisuna	3.2	3.1	4.2	4.1	4.7	4.7	4.9	4.8	17.0	16.9
	Kanto Region Total	12.5	12.5	9.8	11.3	9.7	10.4	8.5	9.9	40.7	44.2
Kansai Region	One-time charge • Deterioration of logistics productivity (24-hour operation, etc.) • Land rent, moving expenses, etc. before full-fledged operation (Feb.2018) of AVC Kansai	2.5	2.4	13.8	10.8	8.6	7.6	1.6	2.7	26.6	23.6
	Regular recurring expenses • Land rent and depreciation for AVC Kansai after full-fledged operation (Feb. 2018)	0.0	0.0	0.5	0.5	5.9	5.1	8.6	8.7	15.1	14.3
	Kansai Region Total	2.5	2.4	14.4	11.3	14.5	12.7	10.3	11.6	41.8	38.0
Grand Total		15.0	14.9	24.3	22.6	24.3	23.1	18.8	21.5	82.6	82.2

Regular recurring expenses

As planned

One-time charges

Mainly AVC Hidaka
Delayed improvements in productivity
¥0.14 billion (see p.10 for details)

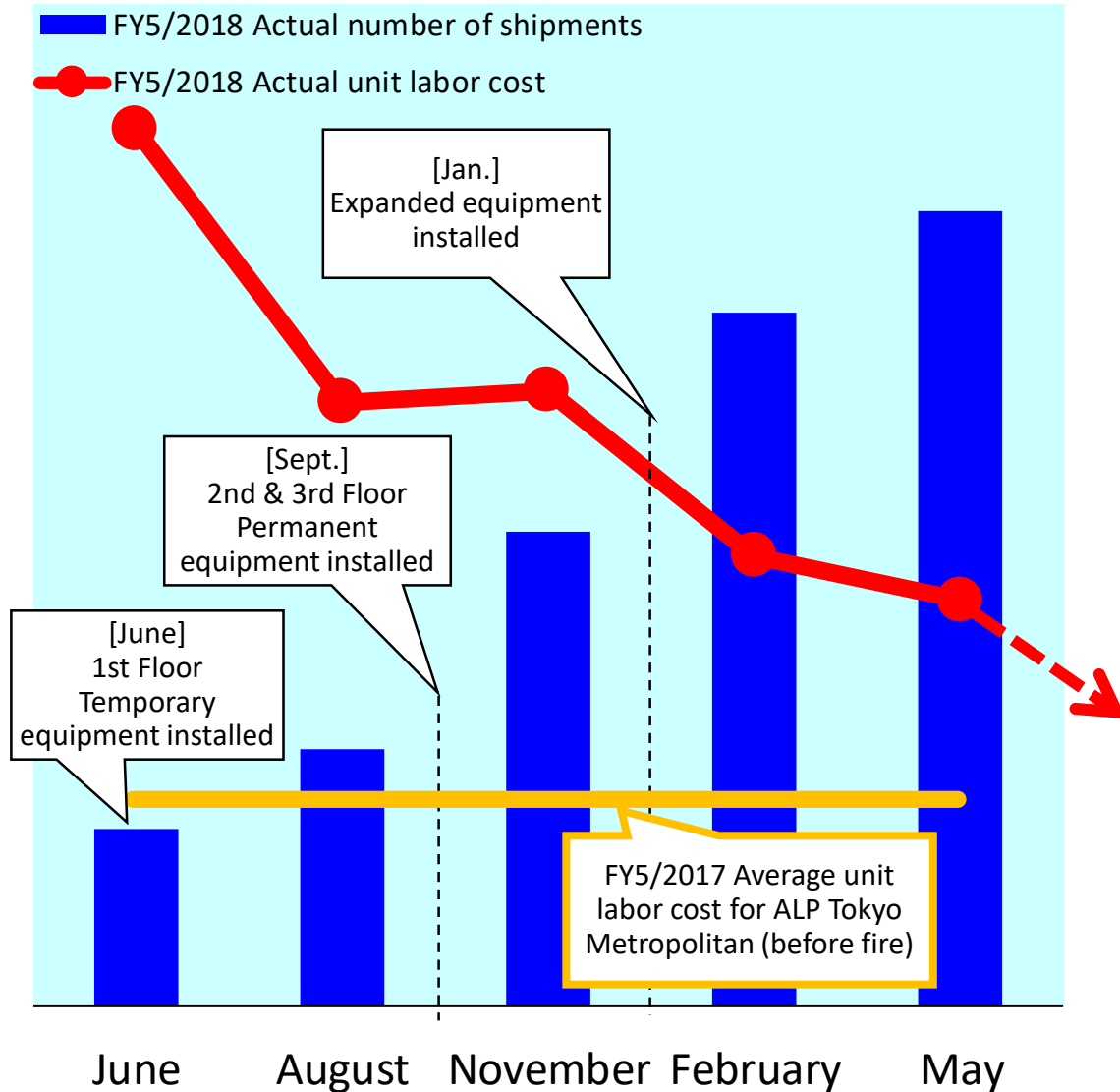
Aiming to resolve during FY5/2019

Mainly AVC Kansai
Monthly lag in consumables budget
¥0.11 billion

Productivity is roughly in line with plan, to improve further in FY5/2019

ASKUL Value Center Hidaka

Trend in number of shipments and unit labor cost per shipment



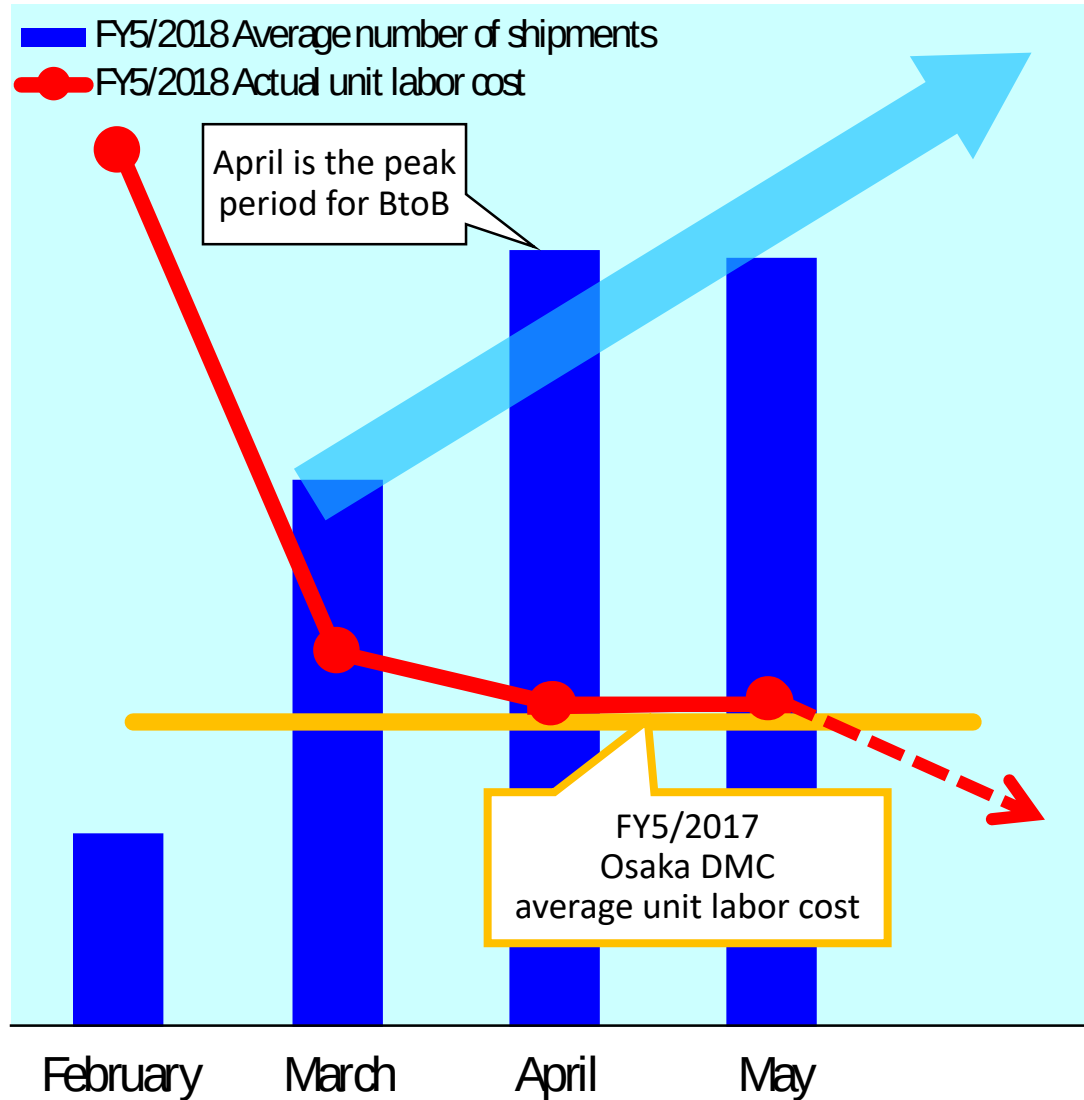
Center exclusively for LOHACO

Issues		Solutions
Shipment peak	Peaks and troughs in shipments caused by campaigns	Make use of points to equalize shipment peaks
Equipment	Material handling equipment Divergence from design values	Improvements to material handling equipment
Skill level	Operational skill level of staff	Improve skill level through training

Aiming to resolve failure of AVC Hidaka to achieve productivity targets during FY5/2019

ASKUL Value Center Kansai

Trend in number of shipments and unit labor cost per shipment



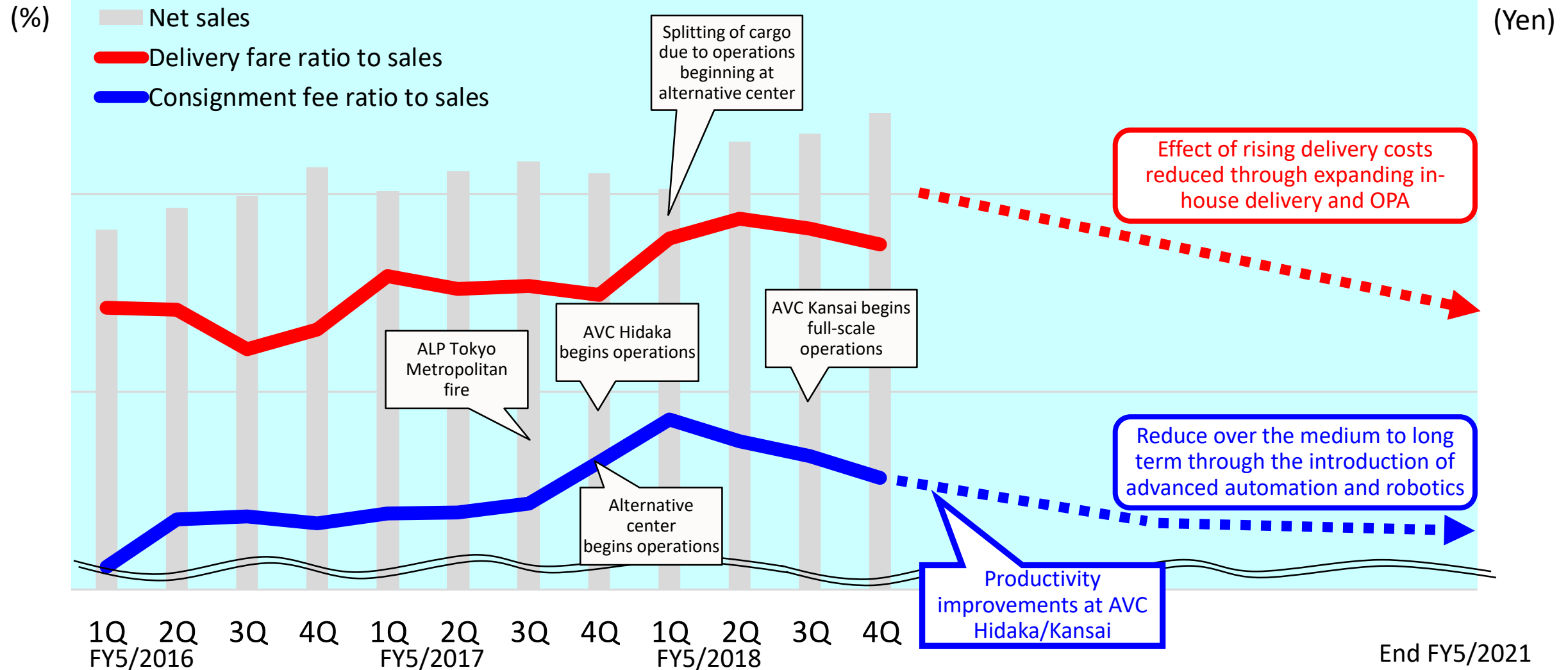
Fastest ever launch for Askul's largest ever center

Achieved productivity level of previous centers within three months of launch

Productivity to increase further as volumes rise going forward

Reduction in delivery rate/business consignment expense ratio

Consolidated



Goals are to achieve low-cost operations through enhancing logistics productivity, strengthening delivery structure, and logistics sharing

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FY5/2019 Consolidated Financial Forecasts

	FY5/2018		FY5/2019		
	Actual ¥billion	% of net sales	Plan ¥billion	% of net sales	YoY change %
Net Sales	360.4	100.0	390.0	100.0	+ 8.2
Gross Profit	85.5	23.7	92.7	23.8	+ 8.5
Selling, General and Administrative Expenses	81.3	22.6	86.7	22.2	+ 6.7
Operating Income	4.1	1.2	6.0	1.5	+ 43.1
Ordinary Income	3.9	1.1	5.8	1.5	+ 47.2
Net Income Attributable to Owners of the Parent	4.6	1.3	3.5	0.9	- 25.4

- Net sales growth to continue, +8.2%
- Gross profit margin +0.1 points YoY
 - Posting of fees from asset management business in FY5/2018 (+0.2 points)
- SG&A expense ratio to sales -0.4pt forecast
 - ✓ Improved logistics productivity
 - ✓ Increases in fixed costs (mainly AVC Hidaka/Kansai)
 - ✓ Delivery costs to remain at high level
 - ✓ Stepping up investment in logistics reform costs etc. of ¥2.2 billion (see p.15)
- Operating/ordinary income
 - More than 40% growth forecast
- Net income attributable to owners of the parent
 - After excluding off-balance-sheet effect of logistics center in FY5/2018, real income to grow

FY5/2019 Consolidated Financial Forecasts [by Business]

		FY5/2018	FY5/2019	
		Actual ¥billion	Plan ¥billion	YoY change %
Net sales	B-to-B business	302.6	316.0	+ 4.4
	LOHACO	41.7	54.8	+ 31.3
	B-to-C business (including Charm)	50.7	67.3	+ 32.9
	E-commerce business	353.3	383.4	+ 8.5
	Logistics business and other	7.1	6.6	- 7.4
	Consolidated total	360.4	390.0	+ 8.2
Operating income	B-to-B business	13.6	15.0	+ 10.3
	LOHACO	(8.9)	(6.7)	—
	B-to-C business (including Charm)	(8.8)	(6.5)	—
	Intermediate total	4.7	8.5	+ 79.2
	Strategic costst+performance-linked bonuses (only FY5/2018)	(0.9)	(2.2)	—
	E-commerce business	3.7	6.3	+ 65.9
	Logistics business and other	0.3	(0.3)	—
	Consolidated total	4.1	6.0	+ 43.1

➤ Net sales forecast

BtoB business **rock-solid growth to continue, +4.4%**

LOHACO to grow **+31.3% YoY to ¥54.8 billion**

➤ Operating income forecast*

BtoB business to be **¥15.0 billion +10.3%**

LOHACO **losses to shrink**

Logistics reform costs etc. **¥2.2 billion**

- ✓ Expanded use of in-house delivery/advanced logistics automation
- ✓ Strengthen sales promotions (both BtoB, BtoC)
- ✓ Strengthen system platform for e-commerce

* The AVC Hidaka/Kansai fixed costs that were categorized by business in the FY5/2018 income statement, and the temporary deterioration in logistics productivity, have been allocated to operating income for the BtoB business and LOHACO respectively.

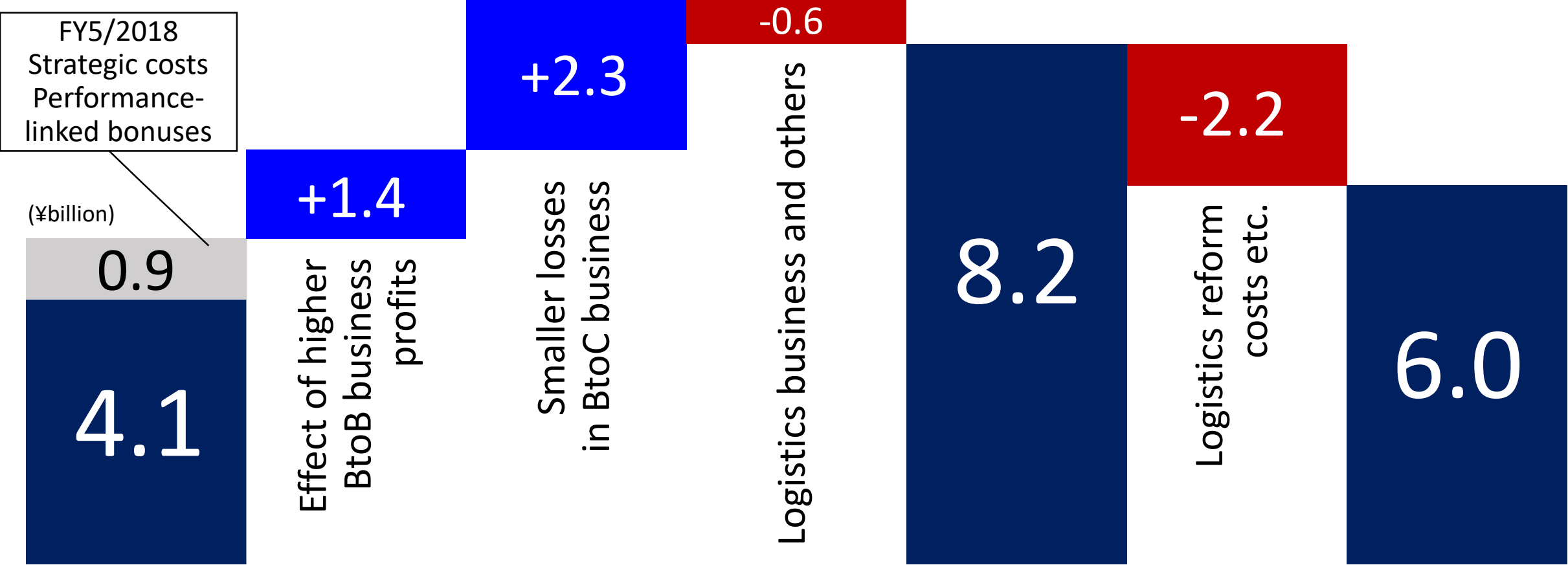
Factors Affecting FY5/2019 Consolidated Operating Income Forecasts

FY5/2018 (Actual)

Net sales	+7.3% YoY
Gross profit margin	23.7%
SG&A expense ratio to sales	22.6%

FY5/2019 (Plan)

Net sales	+8.2% YoY
Gross profit margin	23.8%
SG&A expense ratio to sales	22.2%



FY5/2018 Operating income
(Actual) ¥4.1 billion

FY5/2019 Operating income
(Forecast) ¥6.0 billion

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Background to entering BtoC market

Taking up the BtoC challenge

Sense of crisis

Logistics market undergoing dramatic change due to e-commerce, fences between BtoB and BtoC will disappear

Excerpt from the material of Annual General Meeting of Shareholders in August 2013

Advanced logistics automation

Winning in Logistics Business Leads to Winning in E-Commerce Business.

Excerpt from materials for financial results briefing in December 2013

The World Is Moving Simultaneously

Utilize big data AI

Excerpt from the material of Annual General Meeting of Shareholders in August 2016

Robots

Fintech

One-to-One

Environmental delivery

Big Data

Growth Hacker

AI (Artificial Intelligence)

IoT

Producer-

Push through bold changes while looking ahead of the curve

The flow of change

Platform innovation

B-to-C business

B-to-B business

2018 Apr
ASKUL Robotics Lab begins operations

2018 Feb AVC Kansai begins operations

2017 Apr AVC Hidaka begins operations

2016 Aug
Happy On Time begins

2016 May ALP Yokohama begins operations

2015 Dec ALP Fukuoka begins operations

2013 Jul ALP Tokyo Metropolitan begins operations

2018 May
Y ! store opened

2017 Nov
Fresh produce EC
IY Fresh begins

2017 May
charm Inc. made wholly owned subsidiary

2014 Feb
LOHACO EC Marketing Lab set up

2012 Oct
LOHACO service begins

Leverage BtoC know-how to utilize big data/AI

Evolution of 1to1 site

Provide products for everything from the office to all other workplaces

Shift from previous catalog business to e-commerce

In FY5/2019, focus is on establishing competitive edge

Platform innovation

Goals are to achieve low-cost operations through enhancing logistics productivity, strengthening delivery structure, and logistics sharing

Improvement in SG&A ratio

Expansion of B-to-C Business

In the BtoC business, we will expand our scale by increasing the number of products and strengthening our customer platform, opening the way to improved profitability

Improvement in gross profit margin

Higher BtoB sales and profits to continue

Aiming for continued increases in net sales and income, growing profits through both head products and non-stock items

Expansion in net sales

Increasing returns

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Platform innovation

Expansion of B-to-C Business

Higher BtoB sales and profits to continue

Significant changes in market environment

Parcel delivery crisis

Labor shortages

Continue to worsen in logistics /
delivery industries

Japan e-commerce market

Intensifying competition

Accelerating alliances and mergers between
major players in retail and mail-order

**Accelerating business model change to next-generation
e-commerce companies**

**Accomplish a leap forward
in the medium term**

Platform innovation

- (1) Advanced logistics automation
- (2) Strengthening of Delivery Structure
- (3) Logistics sharing using Open Platform by ASKUL

Advanced logistics automation

ASKUL Value Center Kansai



- Location: 3-34-1 Kishibe-minami, Suita, Osaka
- Site area: Approx. 75,000 m²
- Floor area: Approx. 165,000 m²
- Leased area: Approx. 146,000 m²
- No. of floors: Four stories above ground (all buildings are leased)

Renting started on September 1, 2017

Full-fledged operation was launched in February 2, 2018.

Launched as ASKUL's largest and most advanced logistics center

(i) Largest scale

(equivalent to 4.5 times the size of Hanshin Koshien Stadium)

Realized optimized logistics operations for western Japan

(aiming to attain shipment amount of ¥100 billion in future)

(ii) Operational efficiency improved through labor saving

(Improved by 19% compared with the conventional unit labor cost per order*)

* Unit labor cost per order: Comparison with Osaka DMC of FY5/2017

Investment of ¥14.9 billion in the most advanced logistics equipment

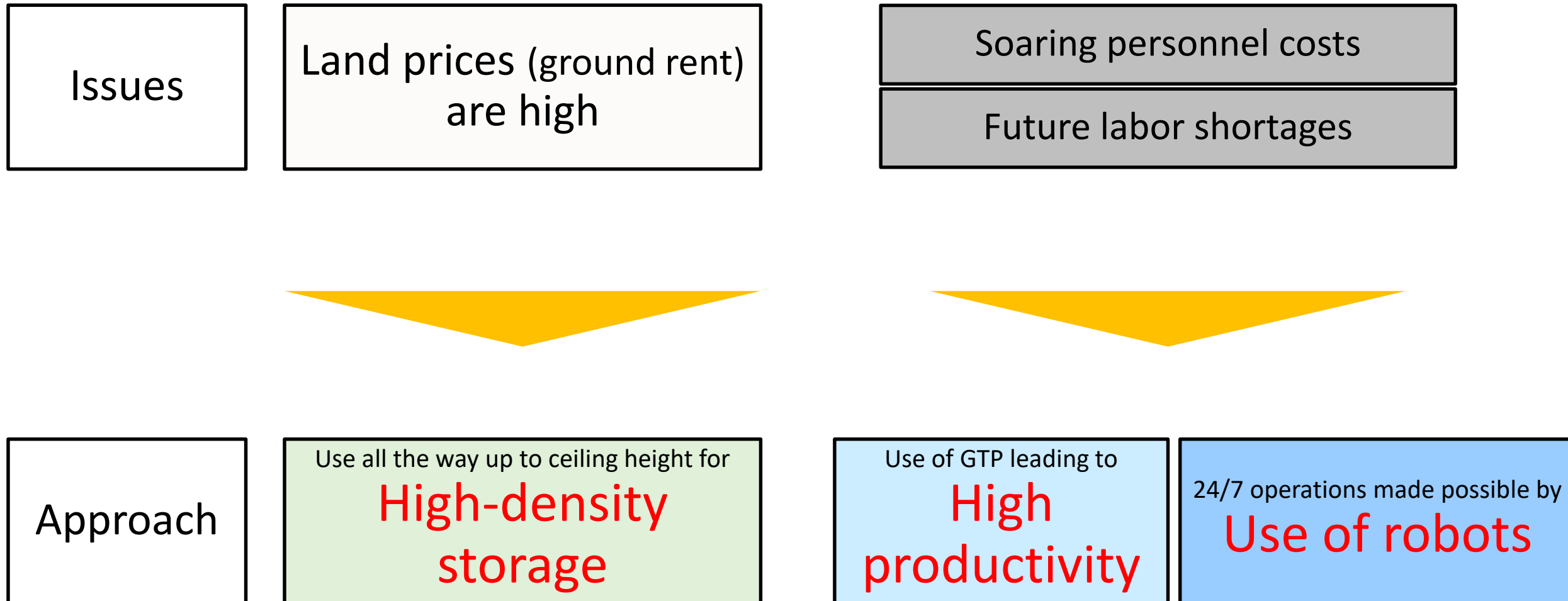
Impact of northern Osaka earthquake (June 18) on AVC Kansai, and response

From the perspective of Askul's business continuity plan (BCP), the building was constructed with a **seismically isolated structure**, which is the foundation for advanced logistics automation and reduced use of labor



- ✓ Despite being close to the epicenter, there was **absolutely no impact on the automation facilities**, and operations within the facility recovered satisfactorily after the earthquake
⇒ We remain confident in our promotion of advanced logistics automation and reduced use of labor
- ✓ We provided emergency supplies to Suita City, in accordance with the “Agreement on cooperation with regard to supplying goods and materials at times of natural disaster”
⇒ Realizing a logistics center that is useful to the region

Large/urban centers enable us to differentiate delivery service



Concept

“A distribution center where people don't walk”

ALP Yokohama (Start operation in 2016)

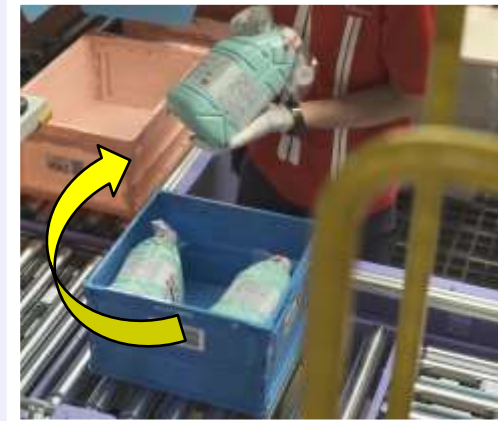
Introduced “Goods To Person” (GTP) in March 2016,
and worked to validate the approach



High-density storage
Warehouse is three
times the height



3D handling robot
Productivity
increases five-fold



Zero-walking,
fixed-location
picking

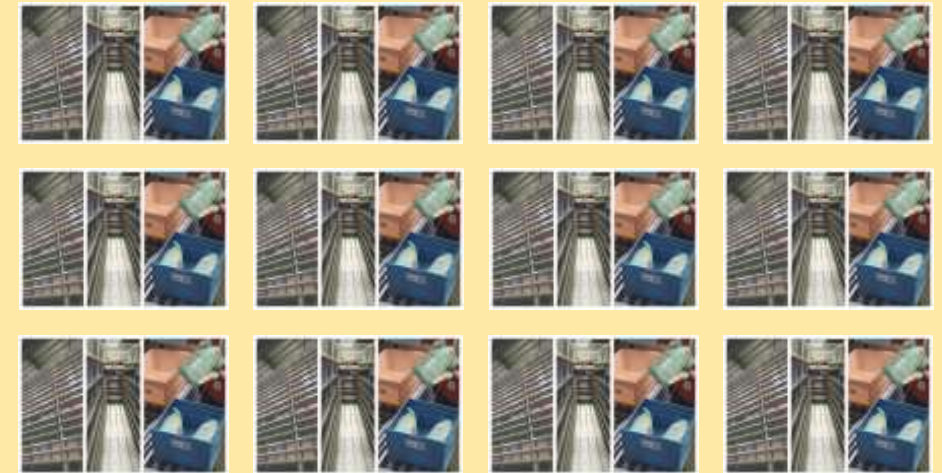
Concept

“A distribution center where people don't walk”

ALP Yokohama



AVC Kansai

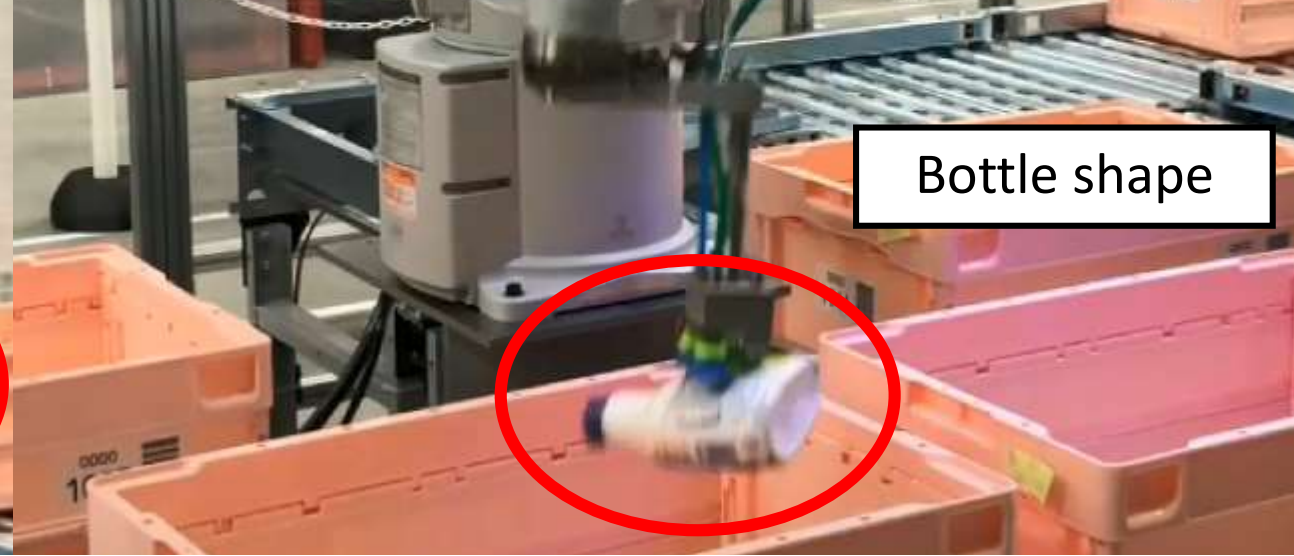
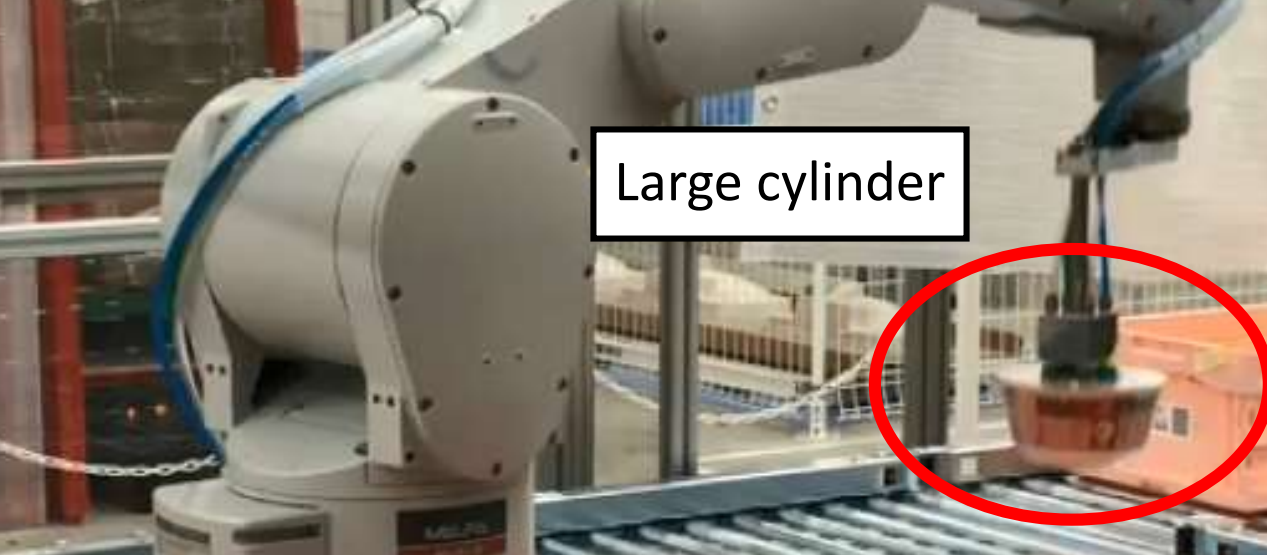


We will introduce GTP on **10 times the scale**, and pursue greater efficiencies and reduced use of labor

Furthermore, we will shift to robots for picking

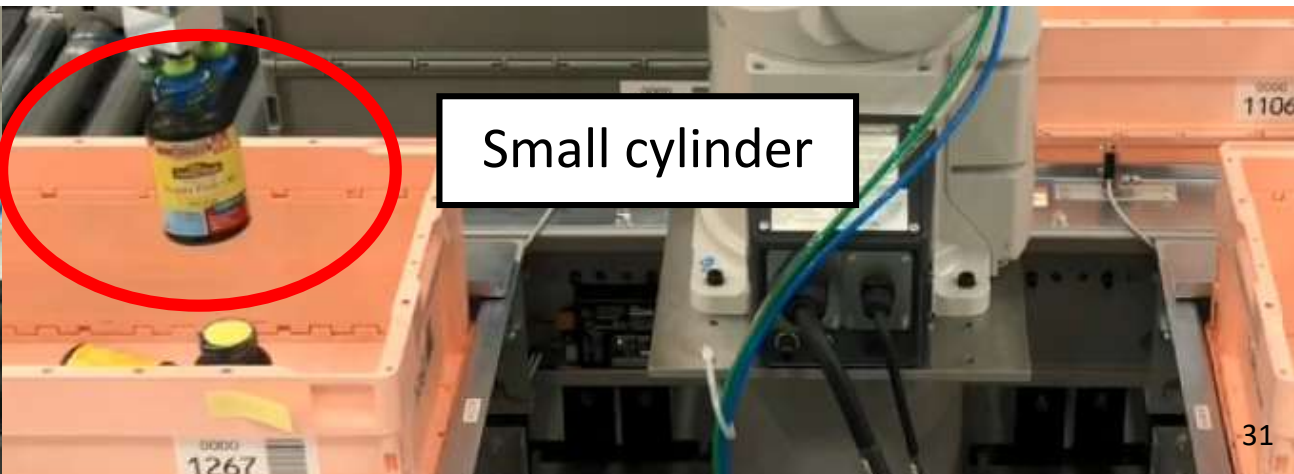
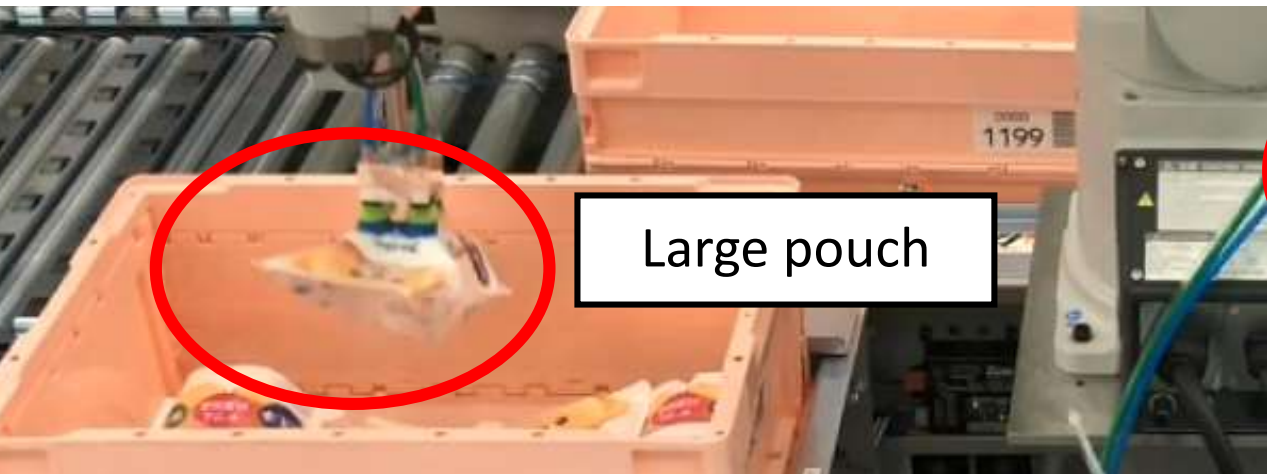
ASKUL Robotics Lab.

Further research and development
aimed at raising productivity



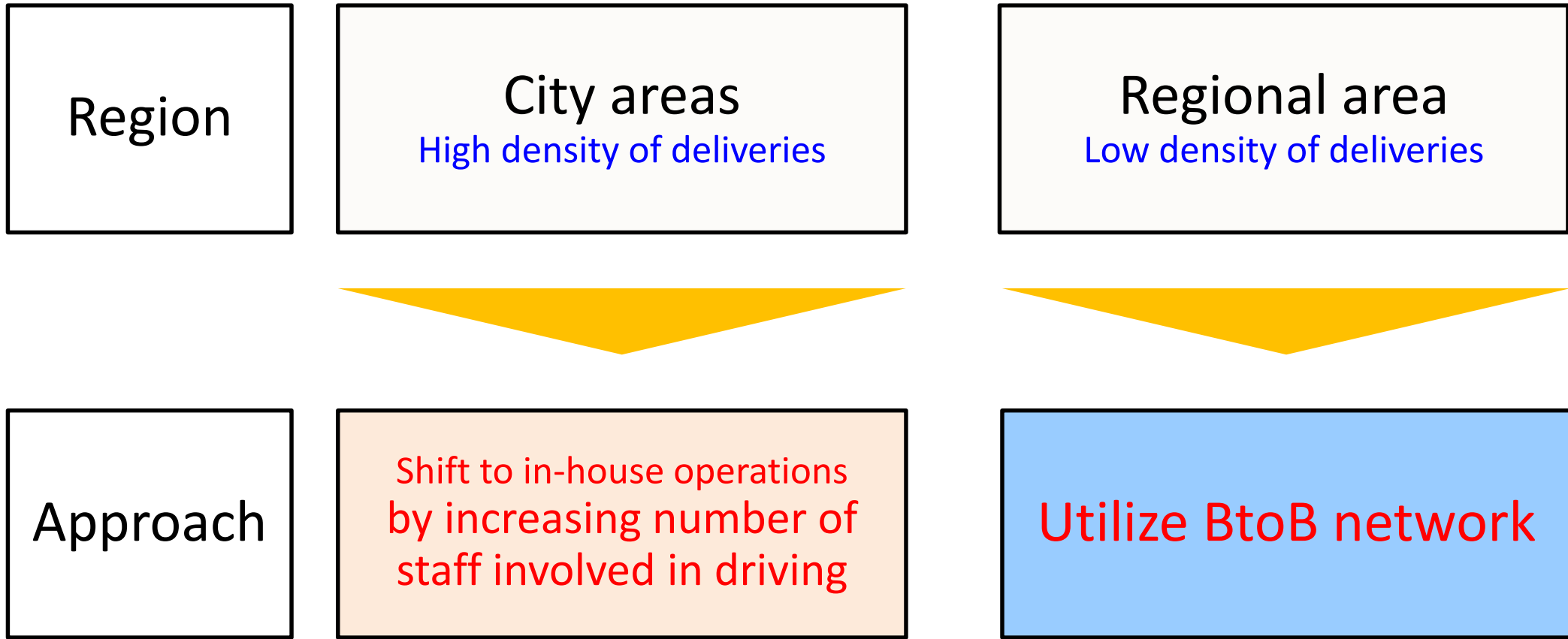
Number of parts that can be picked up: around 10% of inventory items (2016) → **approximately 50%** (2018)

We are now able to grasp of products with a variety of shapes
Picking productivity is increasing to **four times** that of 2016



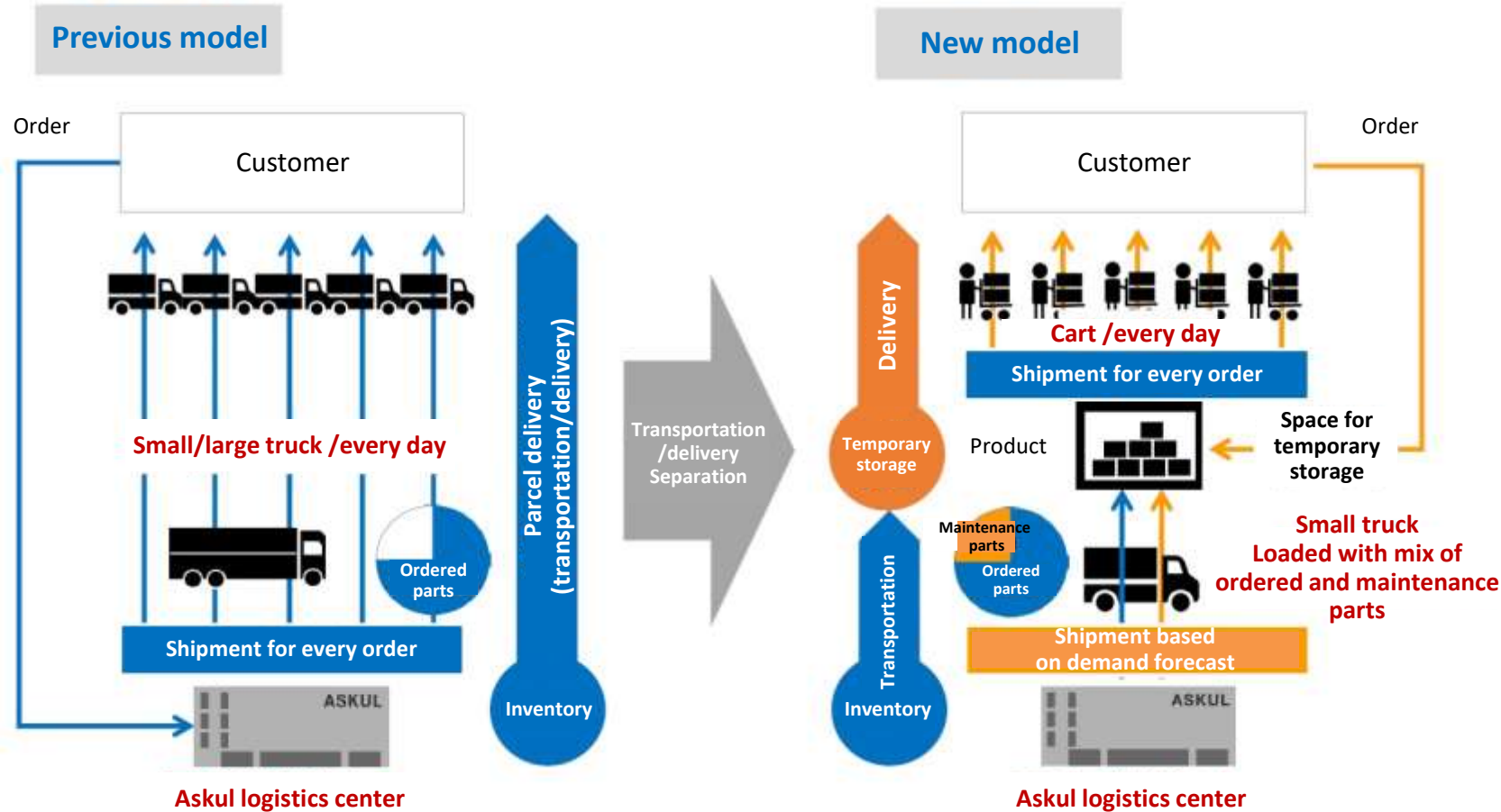
Strengthening of Delivery Structure

～Preparing for delivery innovation～



Aim to increase delivery density by expanding sales and promoting OPA, and reduce the delivery cost ratio by expanding the in-house delivery area

Verification testing of new, small cargo delivery model begins on July 12



Point

- ✓ Expand number of carriers for the last mile of the delivery
- ✓ Demand forecasting based on big data approach to purchasing/delivery

Utilizing the “System to Remove Gray Zone Areas” over which METI has jurisdiction, we will establish a new delivery model that is optimized for EC (patents pending)

Logistics sharing using Open Platform by ASKUL

Positioning of new business model

B-to-B business

Stable, increasing returns

LOHACO

Return to growth + improved profitability

Platform (logistics/delivery, marketing)

Offer the platform externally to obtain additional income

Open P Platform by ASKUL

Offer delivery structure, and logistics facilities with advanced automation utilizing robotics, big data, AI etc., outside the company

“Logistics sharing”

Open Platform by ASKUL

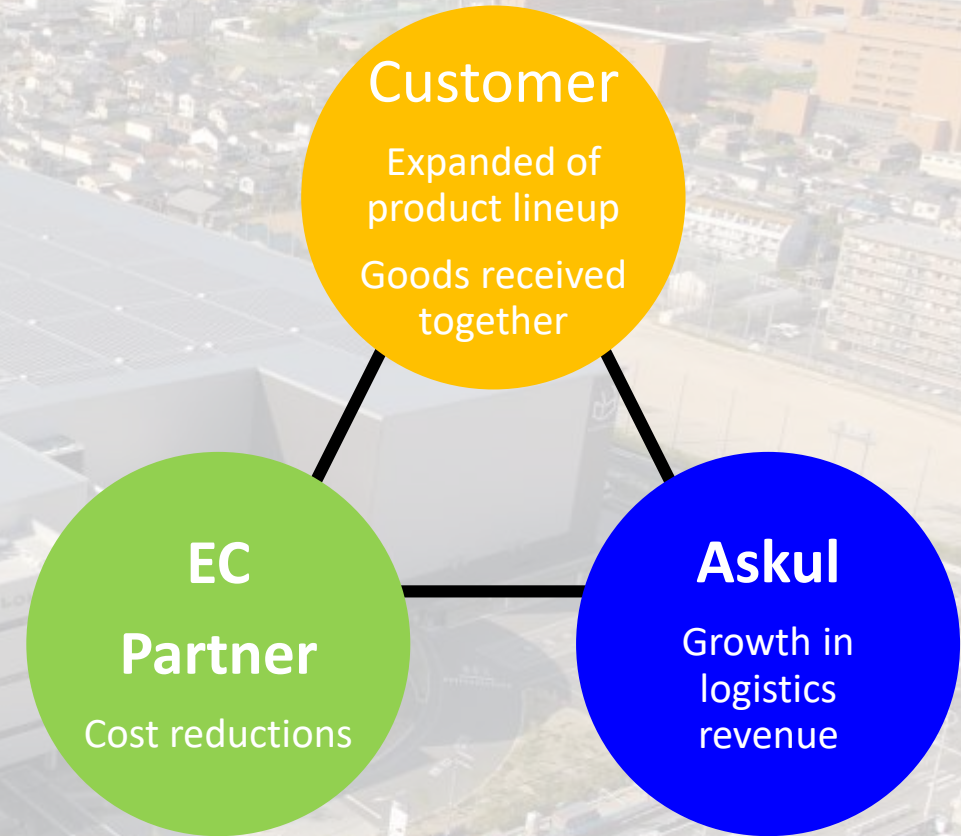
With manufacturers/those opening a marketplace store

(1) We share inventory

(2) We send at the same time as LOHACO, or in same packaging



Raise volume and density for greater efficiency



Win-Win-Win
with sharing of benefits

Future investments in logistics centers

- ASKUL Logi PARK Tokyo Metropolitan to re-start (scheduled for 5/2021)
- Furthermore, we are considering reconstructing the logistics center in preparation for increased volumes in the Kanto area, and the start of OPA



Goals are to **achieve low-cost operations**
through enhancing logistics productivity,
strengthening delivery structure,
and logistics sharing



We will achieve a fundamental resolution of the most important issue facing e-commerce, which is the soaring cost of delivery, by using technology and operations

**Prepared to build the future
of Japan's e-commerce**

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B-to-C

Targeting consumers



Total value of BtoC logistics*

(¥100 million)

700

600

500

400

300

200

100

0

FY5/2013

FY5/2014

FY5/2015

FY5/2016

FY5/2017

FY5/2018

FY5/2019

Plan

FY5/2018 Actual

¥ 51.4 billion

FY5/2019

Plan

¥69.2billion

YoY change -34%

Increase in scale

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

LOHACO EC Marketing Lab starts 5th period

To 129 companies

[Companies continuing to participate from the third term (118 companies)]

Earth Chemical Co., Ltd., iRobot Japan G.K., 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., Atsugi Co., Ltd., 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, Cow Brand Soap Kyoshinsha Co., Kewpie Corporation, Kirin Brewery Company, Limited, Kirin Beverage Company, Limited, KING JIM CO., LTD., GlaxoSmithKline Consumer Healthcare Japan Co., Ltd., Kracie Home Products, Ltd., Gekkeikan Sake Co., Ltd., Koikeya Co., Ltd., KOSE COSMEPORT Corporation, 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., Takeda Consumer Healthcare Company Limited, Saraya 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., Nisshin Foods Inc., Kellogg Japan G.K., Nippon Paper Crexia Co., Ltd., NH Foods Ltd., Hill's-Colgate (JAPAN) Ltd., Nihon L'Oréal K.K., Nestlé Japan Ltd., HABA Laboratories, Inc., HOUSE WELLNESS FOODS CORPORATION, HOUSE FOODS CORPORATION, Harada Tea Processing Co., Ltd., Hikari Miso Co., Ltd., ., Hitachi Consumer Marketing, Inc., FANCL CORPORATION, FUKUSUKE CORPORATION, FUJIFILM Corporation, Fumakilla Limited, PLUS Corp. Stationery Company, The Procter & Gamble Company of Japan Limited, Pentel Co., Ltd., Bausch Lomb Japan Co., Ltd., POKKA SAPPORO Food & Beverage Ltd., Mars Japan Limited, Marukome Co., Ltd., Maruha Nichiro Corporation, Maruman Corporation, Mandom Corporation, Mizkan Co., Ltd., Isetan Mitsukoshi Holdings Ltd., Mitsubishi Pencil Tokyo Hanbai Co., Ltd., Meiji Co., Ltd., Melodian Co., Ltd., MORINAGA & CO., LTD., Yakult Health Foods, Co., Ltd., Yamaki Co., Ltd., YAMAZAKI Corporation, Yamato Co., Ltd., 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., LIHIT LAB Co., Ltd. Reckitt Benckiser Japan Ltd., LEC, Inc., ROHTO Pharmaceutical Co., Ltd., Lotte Co., Ltd., Wacoal Corp. (In Japanese syllabary order)

[Newly participating companies (6 companies)]

Nisshin OilliO Group, Ltd., Nisshin Seifun Group Inc., HAGOROMO FOODS CORPORATION., Panasonic Consumer Marketing Co.,Ltd., Pigeon Corporation., L'OCCITANE JAPON K.K (In Japanese syllabary order)

[Friendship partners (5 companies)]

Adobe Systems Incorporated, Google Japan Inc., Hitachi, Ltd., Facebook Japan Inc., Yahoo Japan Corporation (In Japanese syllabary order)

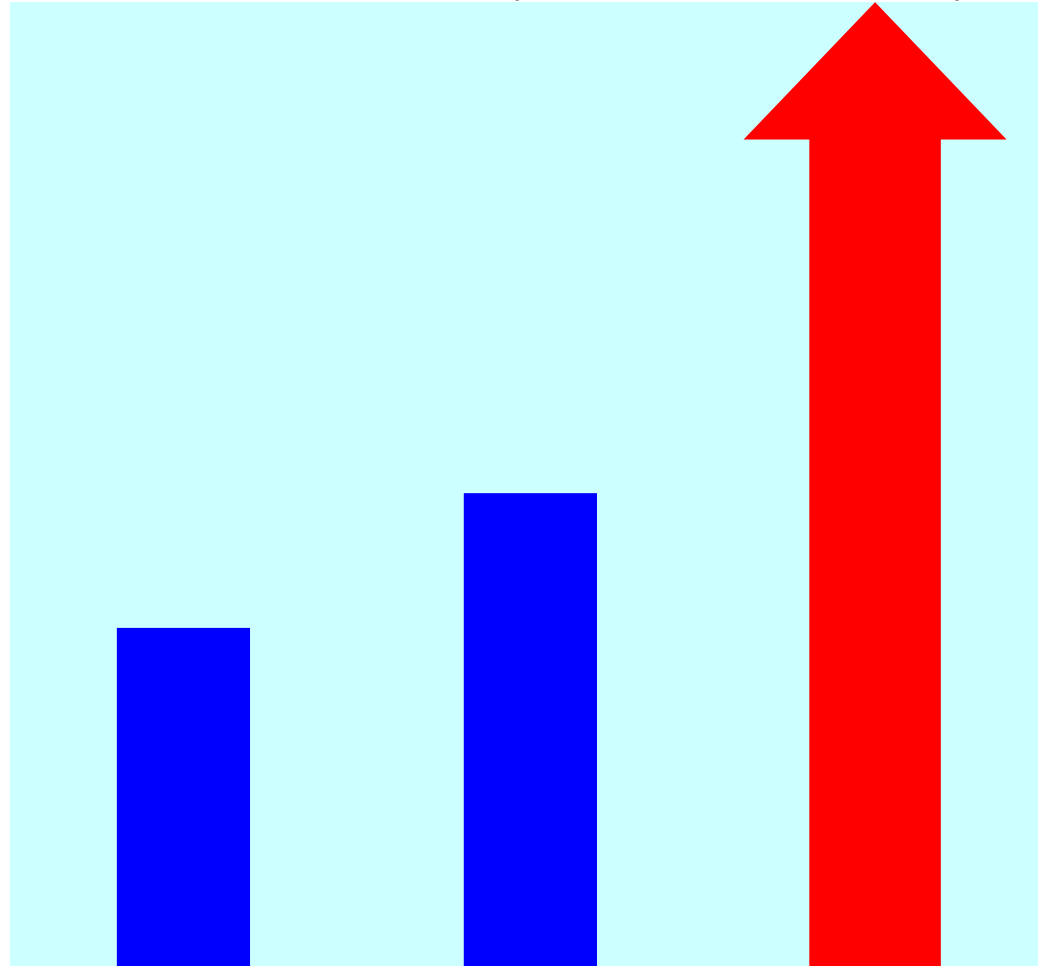
Expansion of B-to-C Business

- (1) Increasing the number of products and strengthening high value-added products
- (2) Strengthen customer platform by expanding channels
- (3) Strengthen system platform (UI/UX improvements)
- (4) Grow fee income from marketplace/advertising etc.

Increasing the number of products and
strengthening high value-added products

Expand lineup of standard products

LOHACO number of products in inventory



**Number of products
in inventory**

Double

Goal is to expand net sales and
increase purchase price per order

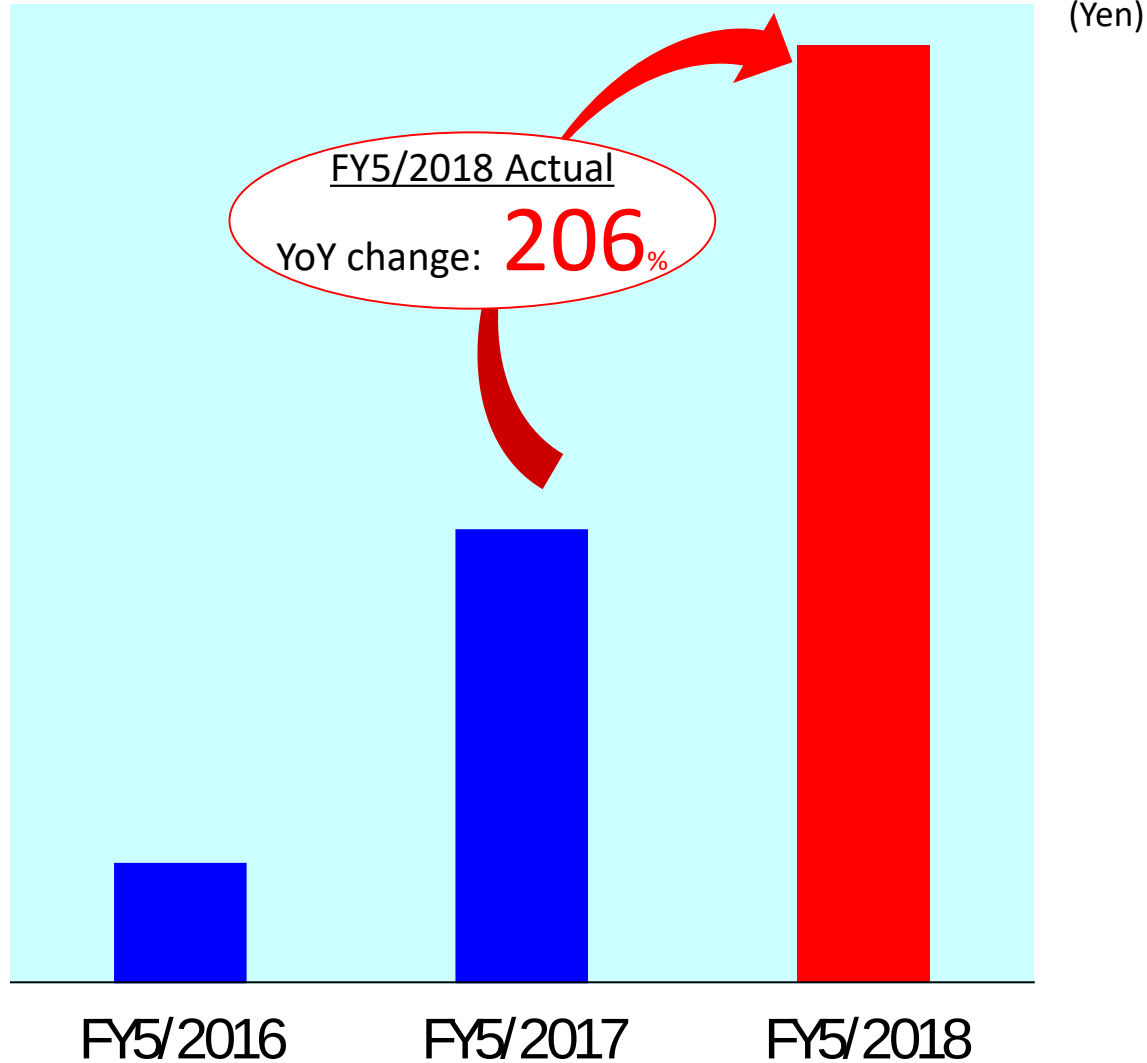
end of
FY5/2017

end of
FY5/2018

end of
FY5/2019
Plan

Strengthening high value-added products (design products exclusive to e-commerce)

Fitting Our Lifestyles LOHACO Exhibit Trend of Sales Growth*



Fitting Our Lifestyles
LOHACO 2018 Exhibition
Scheduled to be held
in October 2018

Going forward, reinforce further
through co-creation with
manufacturers

**Improved
profitability**

*Net sales includes products for which the advance sales period at LOHACO has ended

Strengthening high value-added products (promote shift to private brands)

Bolster existing original products



+

Strengthen lineup of original goods from LOHACO



Soft-pack tissues
Launched June 20



LOHACO Water
(410ml)
Scheduled for
launch in July



Oral care products
(toothbrushes etc.)
Scheduled for launch in July

Expand sales of Original goods*



Improved profitability

* Original goods includes those with sales limited to Askul (LOHACO)

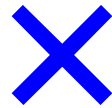
Fresh produce EC (IY fresh)

IY Fresh



**Strengthen
product lineup**

- ✓ Strengthen meal kits
- ✓ Started adding ready-made meals and sashimi etc. to product lineup



Improve UI/UX

- ✓ Broaden recipe videos
- ✓ Improve site wiring



**Thoroughly polish the
service in target areas**

Polish the service

**Aim to expand
area within
metropolitan
Tokyo**

Strengthen customer platform
by expanding channels

LOHACO new customer numbers



(people)

LOHACO
Yahoo!ショッピング店
To open
in May 21

**Acquire new customers
by opening a store in
Yahoo! Shopping**



**Accelerating
growth**

March 2017
(Directly after fire)

September 2017
(Full recovery)

June 2018

LOHACO Head Office

Strengthen system platform
(UI/UX improvements)

Strengthen
personalization
(1 to 1)

Always being strengthened

Improve our
speed

Always tuning and improving speed

Promote simplification
of site routes

Always being improved

Continuous
improvements in
search accuracy

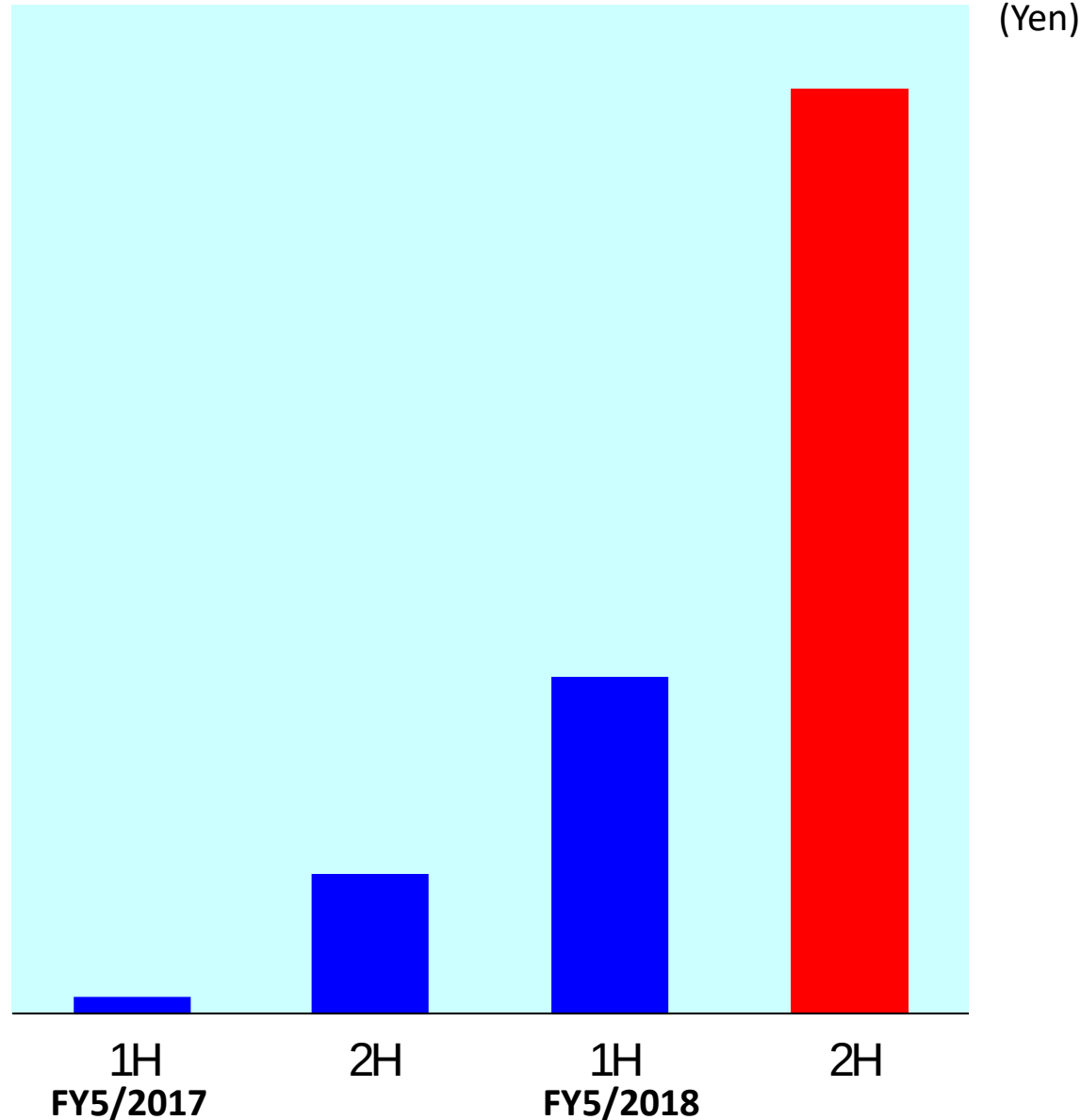
Currently introducing new search
engine on a trial basis

Improve system platform to reduce opportunity losses

Grow fee income
from marketplace/advertising etc.

Expand marketplace

LOHACO marketplace total value distributed



Total value
distributed has
grown dramatically



Growth
in fee income

Growth in advertising fee income

Advertising fee income

(Yen)

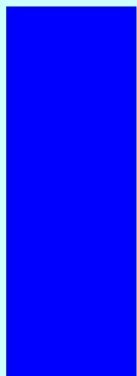
By making use of big data,
we aim to create a
Win-Win-Win structure
with customers and
manufacturers

Growth

in fee income



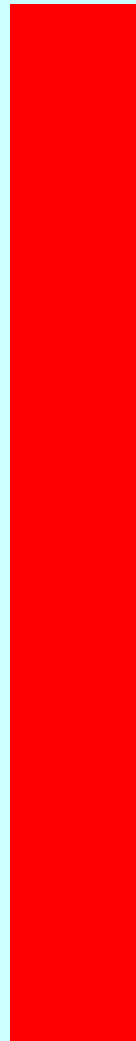
1H
FY5/2017



2H



1H
FY5/2018



2H



In the BtoC business, we will expand our scale by increasing the number of products and strengthening our customer platform, opening the way to improved profitability

- I Consolidated Performance for FY5/18
- II FY5/2019 Consolidated Financial Forecasts
- III Establishing a competitive advantage
 - Platform innovation
 - Expansion of B-to-C Business
 - Higher BtoB sales and profits to continue

For Offices Involved in BtoB Business



ASKUL

BtoB sales



FY5/2019 Forecast
¥3.16 billion

Stable growth



Continued increases
in net sales and
income

FY5/2002 FY5/2004 FY5/2006 FY5/2008 FY5/2010 FY5/2012 FY5/2014 FY5/2016 FY5/2018

Global financial crisis

Great East Japan Earthquake

Conceptual drawing of BtoB strategy



Maximize opportunities on both axes
to win customers and purchases

BtoB business Stable growth / continued increases in sales and profits

- (1) Further increase in the ratio of head product original goods
- (2) Grow market share through rapid growth in non-stock items
- (3) Grow net sales via the Internet

Further increase in the ratio of head product
original goods



Expansion in original products

As of May 20

More than **8,500** items



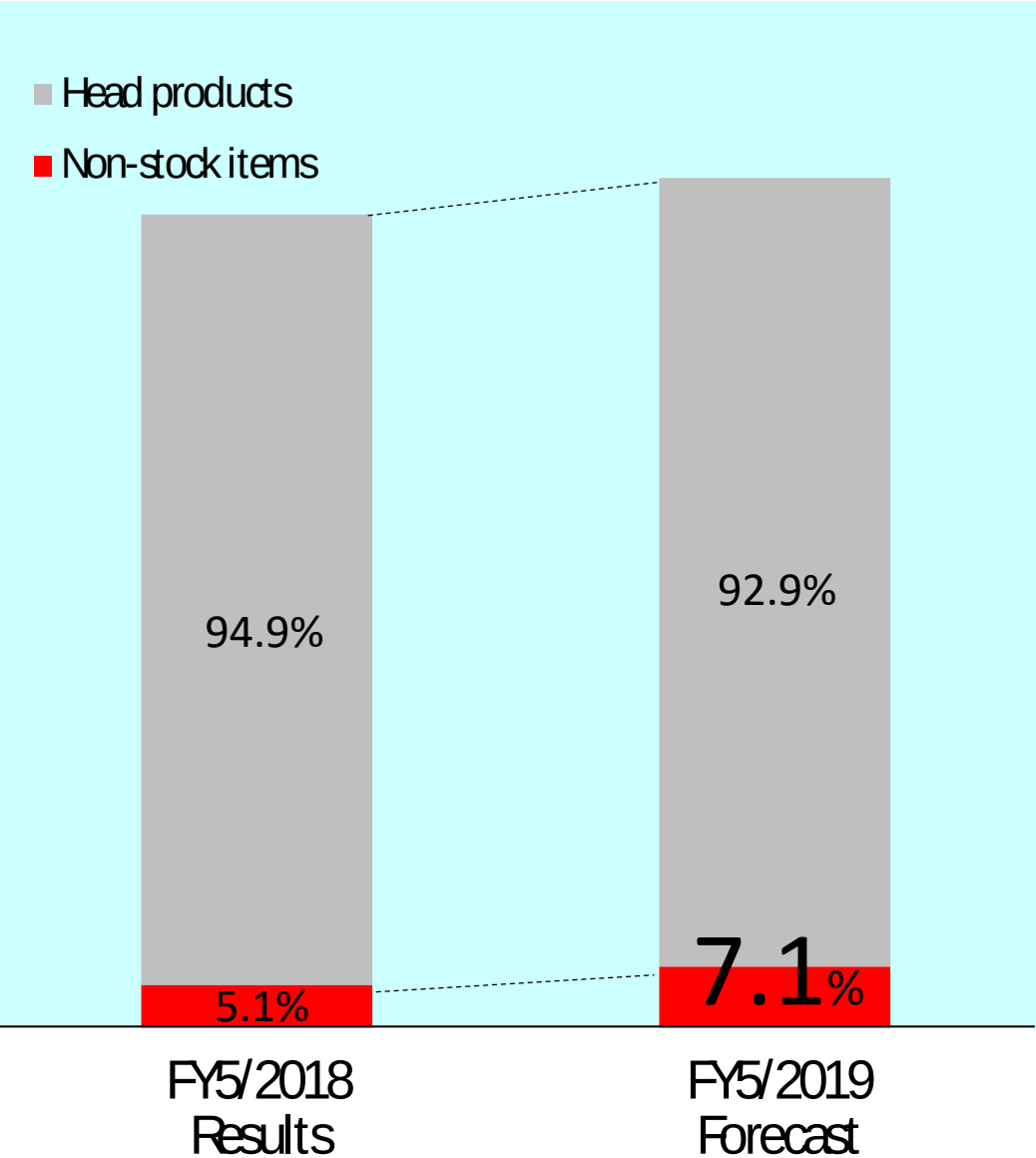
Medium-term target:

10,000 items

* Original products includes products exclusive to Askul

Grow market share through rapid growth
in non-stock items

BtoB sales as a percentage of net sales



(¥100 million)

Sales of non-stock items

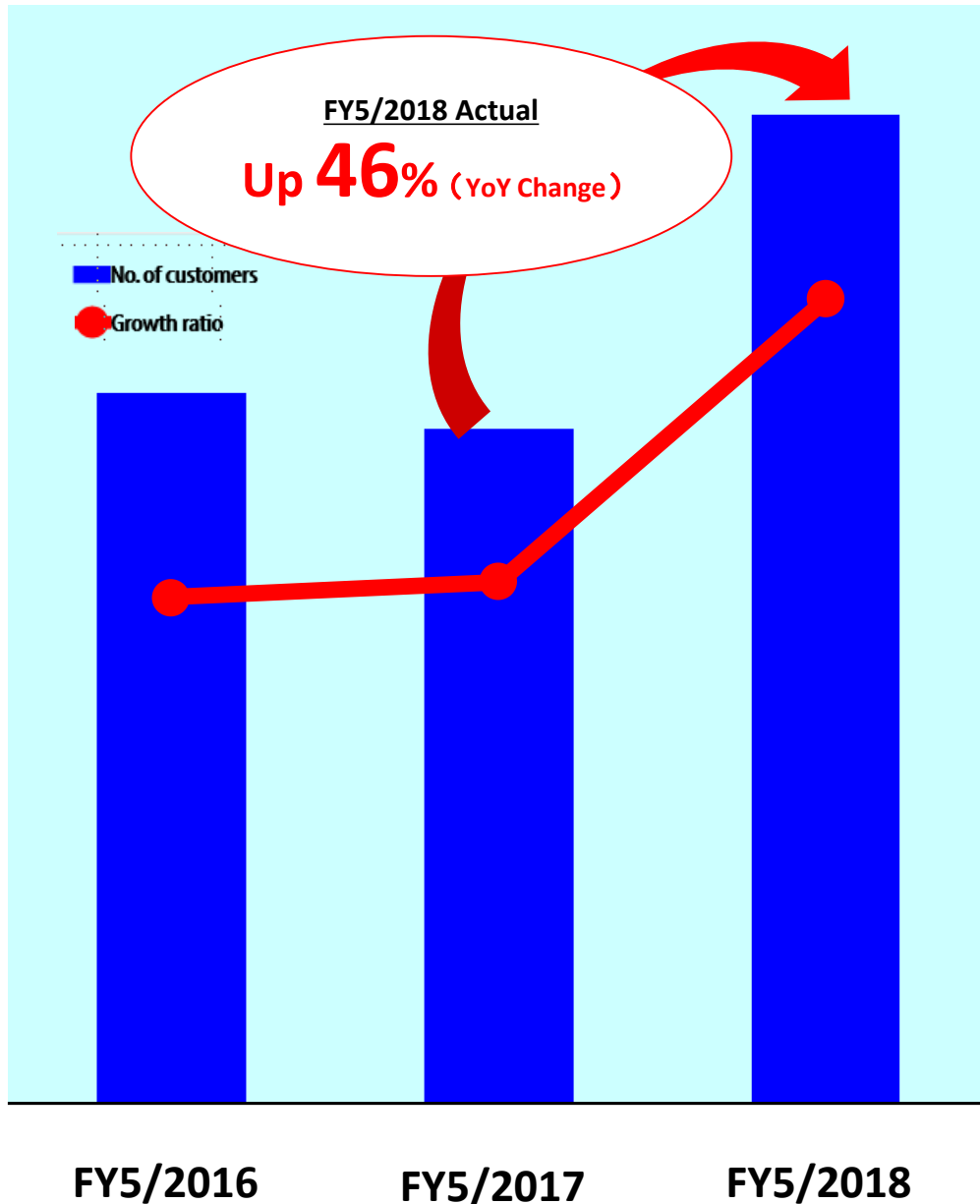
FY5/2019 Forecast YoY

145%

Expanding sales via the Internet

Number of new customers registered on
ASKUL website and growth ratio

(%)



Grow net sales via the Internet

Simplified new web-form for registration

(Substantial changes in designs of on-line registration forms)

+

Settlement by personal credit cards

(Implementation of various means for settlement)

+

Developing new customer-acquisition measures through agents

(Follow up on customers through face-to-face meeting)



Strengthen Internet Advertising
Expanding sales



In the BtoB business, we are aiming for continued increases in net sales and income, growing profits through both head products and non-stock items

Appendix

FY5/2018 net sales by item

Non-consolidated

	FY5/ 2017		FY5/ 2018	
	¥billion	YoYChange %	¥billion	YoYChange %
OA & PC	93.9	+1.5	94.9	+1.1
Stationery	43.4	+3.3	44.2	+1.9
Living supplies	97.6	+11.4	104.6	+7.2
Furniture	22.2	+0.6	22.8	+2.4
MRO	28.2	+12.1	30.1	+6.8
Others (Medical, etc.)	20.5	+10.0	22.5	+9.8
Total	306.0	+6.1	319.4	+4.3

New record set
at non-consolidated
level also

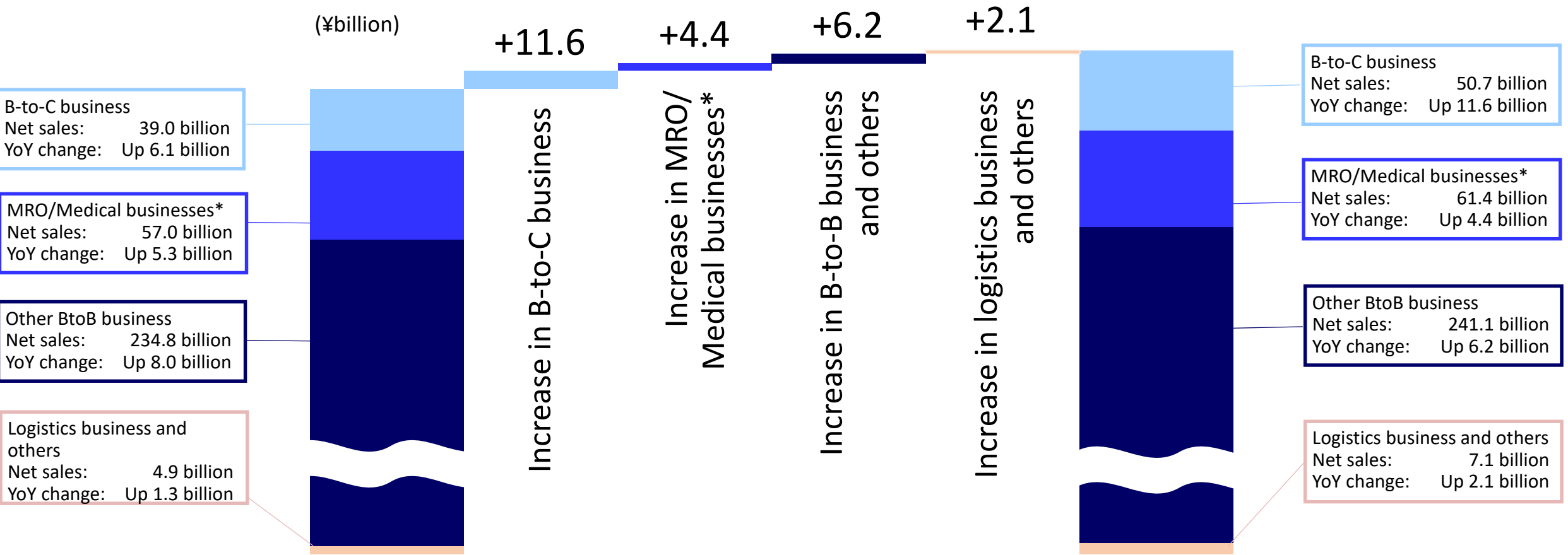
Factors Affecting FY5/2018 Consolidated Net Sales

FY5/2017 (Actual)

Net sales: ¥ 335.9 billion
 YoY change: Up ¥ 20.8 billion
 YoY: Up 6.6%

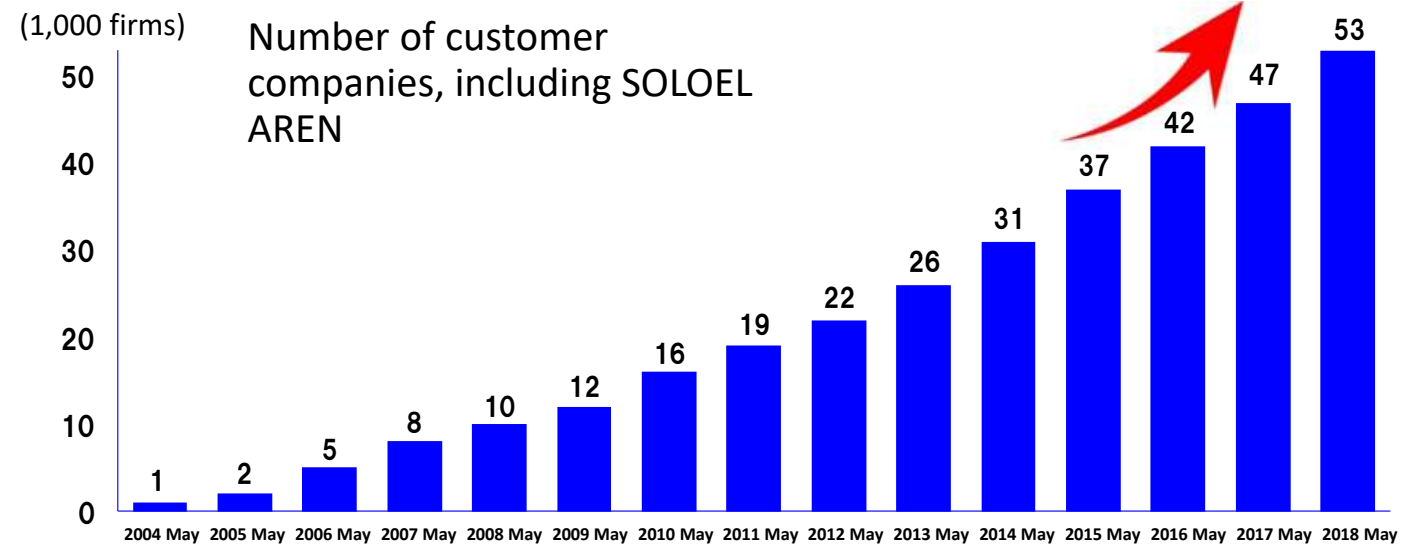
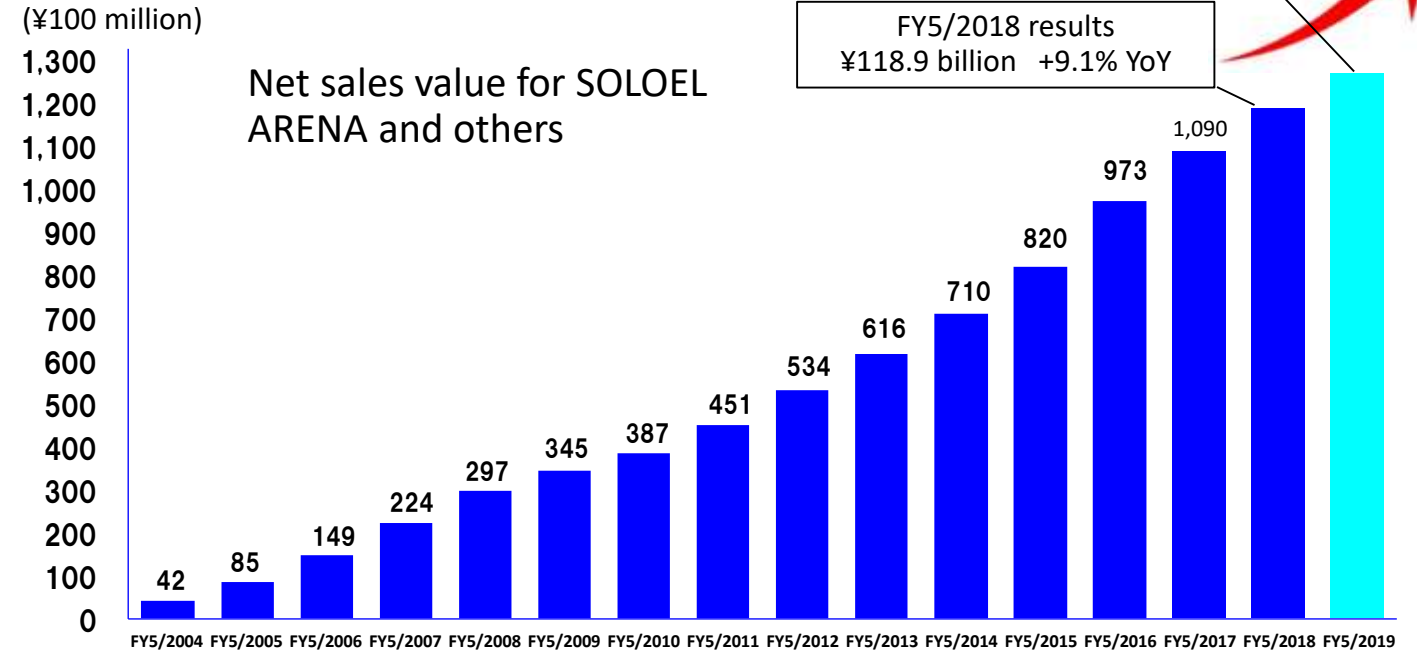
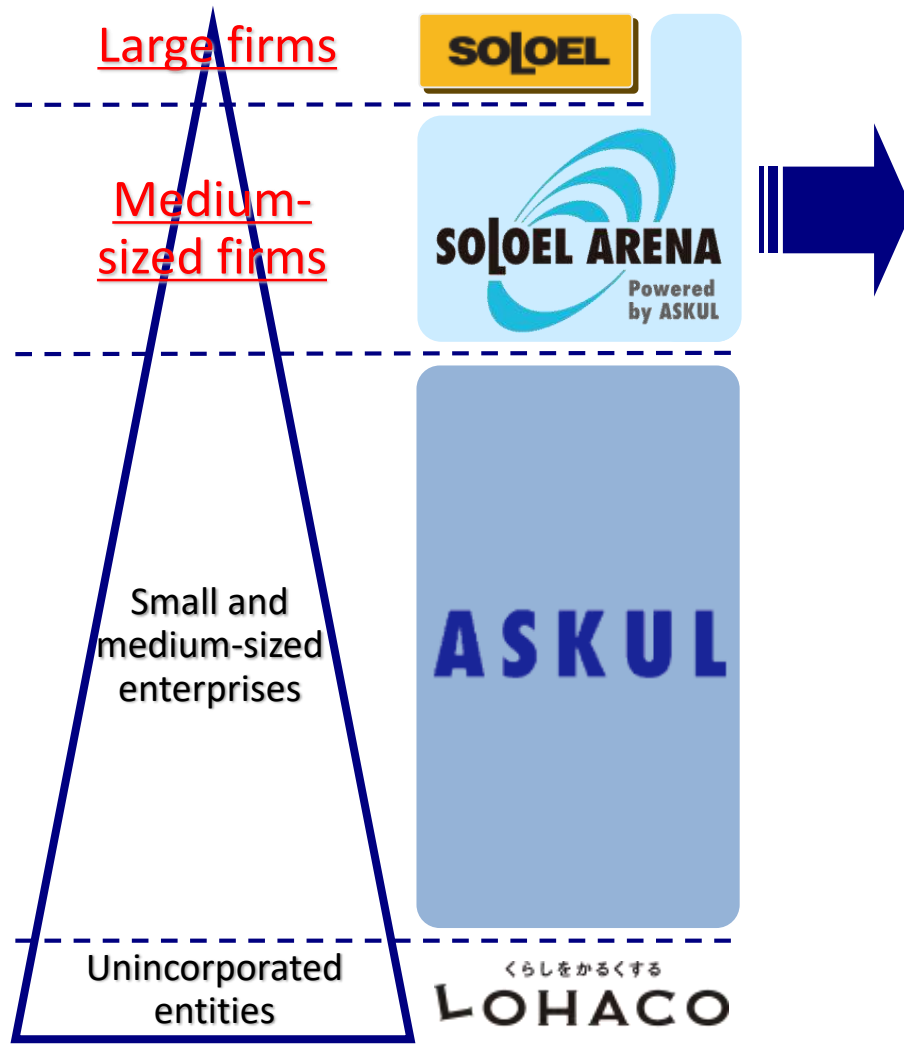
FY5/2018 (Actual)

Net sales: ¥ 360.4 billion
 YoY change: Up ¥24.5 billion
 YoY: Up 7.3%



* MRO/Medical businesses do not include LOHACO portion.

Steady Growth in SOLOEL ARENA



In F5/2019, we are aiming at 11.6% growth, with the BtoB business driving growth.

FY5/2018 Consolidated Gross Profit and SG&A Expenses

Gross profit: ¥85.5 billion YoY change: Up ¥8.7 billion

Gross profit margin 23.7% YoY Change: Up 0.9p.p.

- ✓ Both BtoB and BtoC businesses saw significant improvements due to the favorable effects of foreign exchange positions in the first half, cost reduction activities, and rising market share for original goods
- ✓ Fees from the asset management business also made a contribution

SG&A expenses: ¥81.3 billion YoY Change: Up ¥13.4 billion

Ratio of SG&A expenses to net sales: 22.6% YoY Change: Up 2.4p.p.

Breakdown of major YoY change factors in SG&A expenses

- ✓ Temporary reduction in logistics productivity
(Mainly due to 24-hour operation caused by fire and an increase in personnel costs because of rising manual operation and outsourcing costs): Up ¥5.0 billion
- ✓ AVC Kansai/alternative center fixed cost increases
(increases in rents and depreciation): Up ¥3.1 billion

FY5/2018 Consolidated Capital Expenditures

Capital expenditure: ¥20.4 billion (Annual plan ¥24.9 billion)

AVC Kansai logistics equipment, etc.

¥13.0 billion

AVC Hidaka material handling equipment, etc.

¥3.7 billion

(Ref.) Depreciation and amortization of software:

¥4.7 billion (Annual plan: ¥5.0 billion)

Investment details

(¥ million)

Item	FY5/2017	FY5/2018	
	Amount	Amount	YoY Change
[Capital expenditure]	4,555	20,478	+349.6%
Property, plant and equipment	1,956	16,995	+769.1%
Intangible assets	2,599	3,482	+34.0%

Construction in progress (Note 2)	747	67	-90.9%
Software in progress (Note 2)	901	1,834	+103.4%

(Note 1) Capital expenditure is stated on an accrual basis.

(Note 2) Construction in progress and software in progress above present balances at the end of the period under review, and partially include consumption and other taxes.

FY5/2018 Share of Orders Placed on the Internet of Net Sales and Original Goods

Share of orders placed on the Internet of net sales

	FY5/2017	FY5/2018	YoY change
Orders via the Internet	80.0%	81.2%	+1.2 p.p.
Other	20.0%	18.8%	-1.2 p.p.

(Note 1) Percentages are based on orders placed.

ASKUL original products

(Unit: item)

	May of FY5/2017	May of FY5/2018	YoY Change
Number of original goods	8,045	8,929	+884
Share of non-consolidated net sales (of which, share of B-to-B business)	30.1% (34.7%)	27.9% (35.1%)	-2.2 p.p. (+0.4 p.p.)

Note 1: Each figure includes the products listed in Health & Nursing Care Catalogs and Medical Pro Catalogs.

Note 2: The number of original goods includes those with sales limited to Askul Also, the calculation includes not only those items sold via catalogs but also items sold only via the Internet.

Note 3: The calculation of original goods as a percentage of net sales includes original copy paper.

Note 4: From 4Q FY5/2018, the calculation of BtoB original goods as a percentage of net sales uses BtoB business inventory sales as the denominator.

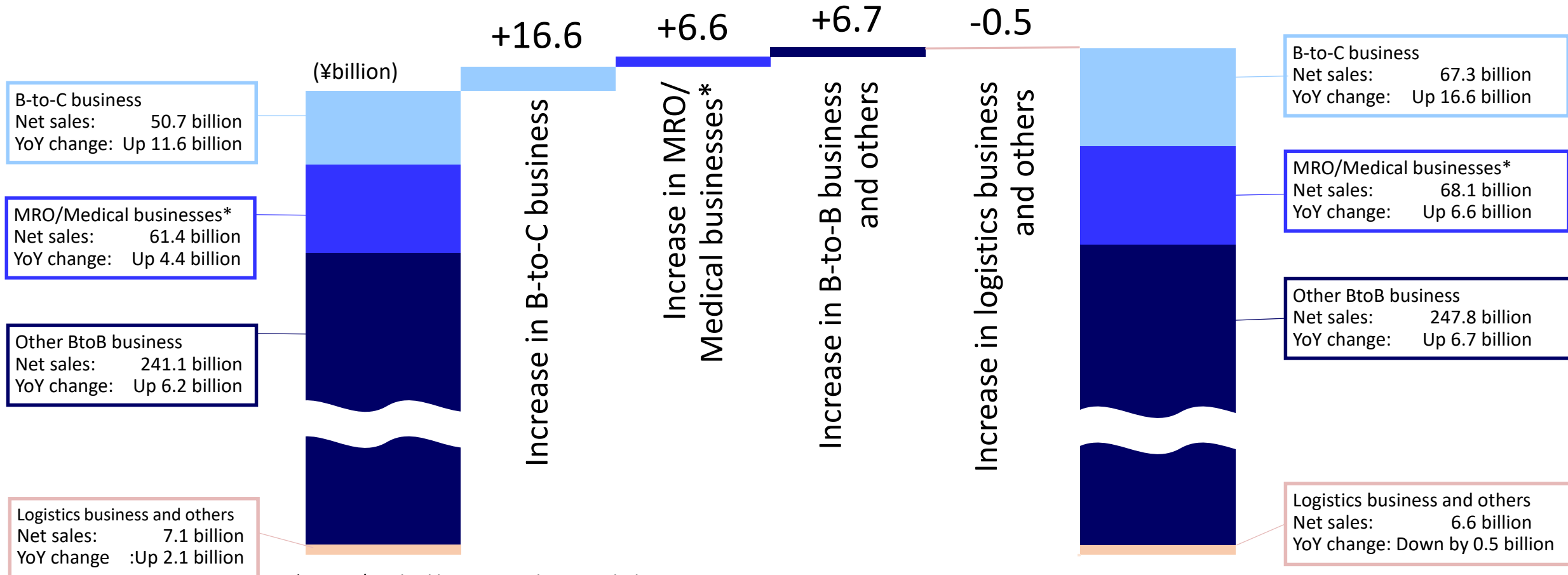
Factors Affecting FY5/2019 Consolidated Net Sales (Forecast)

FY5/2018 (Actual)

Net sales: 360.4 billion
YoY change: Up +24.5 billion
YoY: Up 7.3%

FY5/2019 (Forecast)

Net sales: 390.0 billion
YoY change: Up +29.5 billion
YoY: Up 8.2%



Factors Affecting FY5/2019 Consolidated Capital Expenditure (Forecast)

Capital expenditure ¥ 11.2 billion

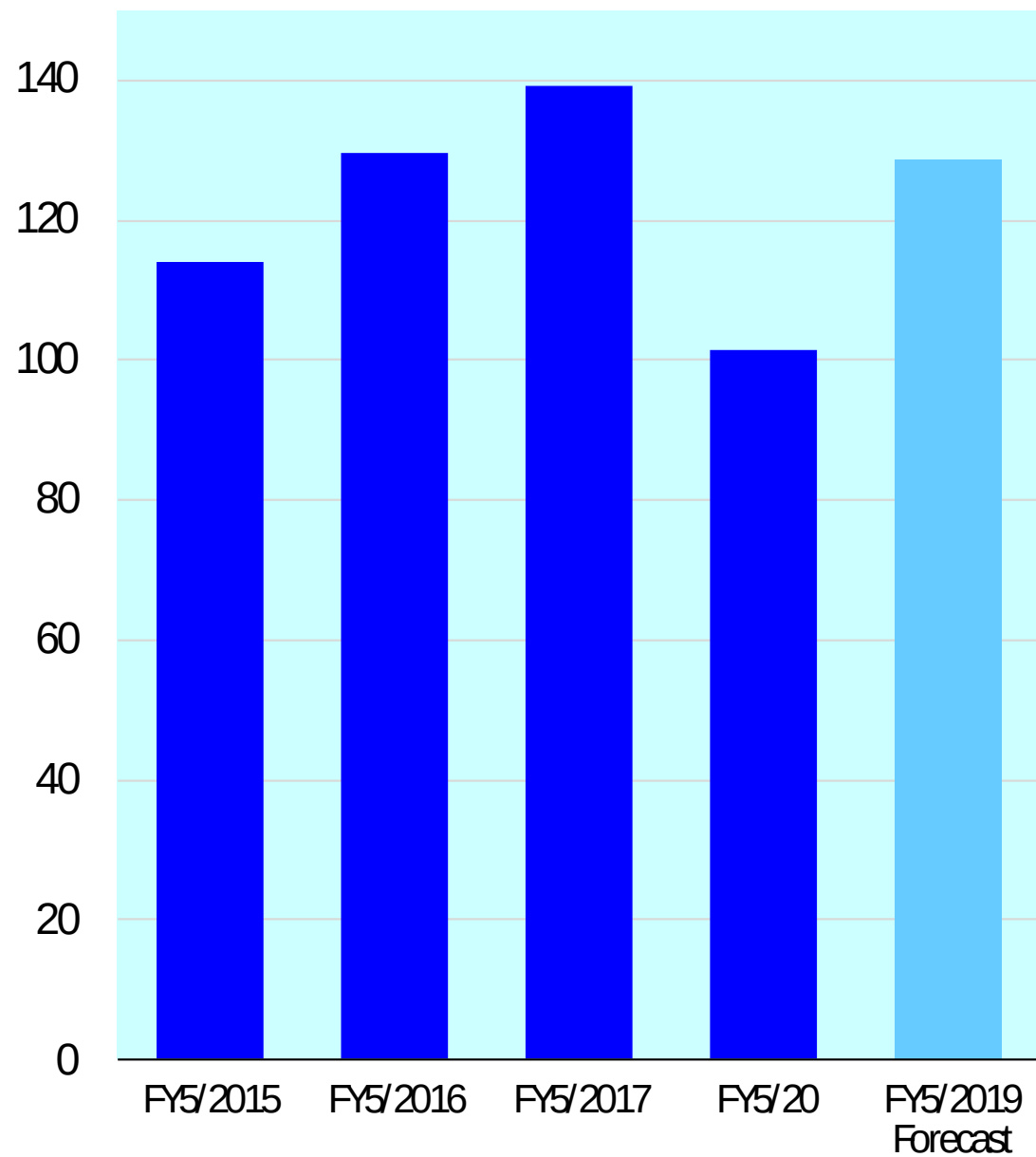
[Breakdown of main items]

- New product database ¥ 1.2 billion
- AVC Kansai-related ¥ 1.1 billion
- OPA-related ¥ 0.7 billion
- Tsumagoi-Meisui facilities ¥ 0.7 billion

(Reference) Depreciation/software amortization ¥6.1 billion (up ¥1.4 billion YoY)

EBITDA

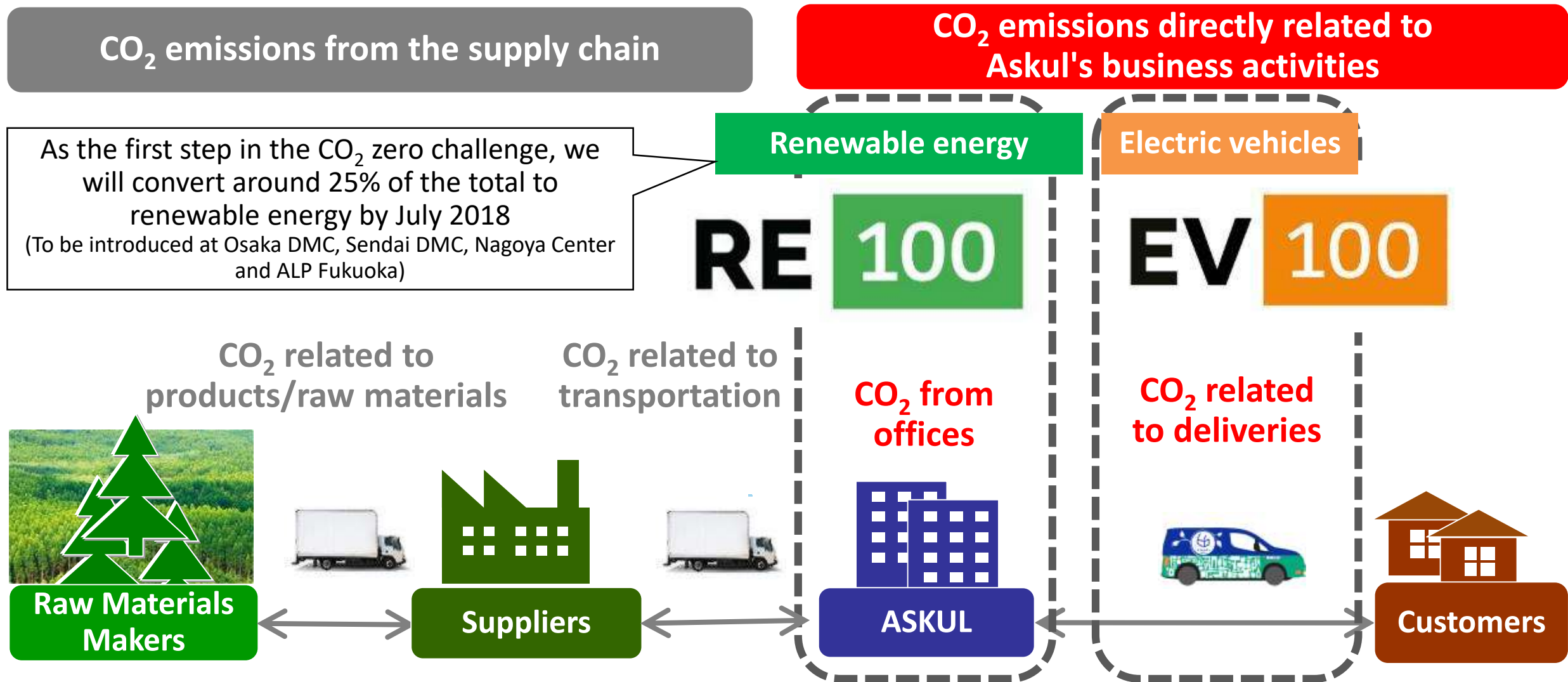
(¥100 million)



**FY5/2019 EBITDA
forecast to recover
steadily**

Joined international RE100*¹ and EV100*² initiatives

Membership of both initiatives is a first in Japan, goal is to achieve targets by 2030



*1 An initiative begun by UK/international NGO "The Climate Group" in 2014, whereby companies signed up to the initiative set a target to convert all of their power consumption to renewable energy

*2 An initiative begun by UK/international NGO "The Climate Group" in 2017, whereby companies signed up to the initiative set a target to use electric vehicles and promote consideration for the environment.