July 17, 2019

To whom it may concern:

Company Name	ASKUL Corporation
Representative	Shoichiro Iwata, President and CEO (Code No. 2678, Tokyo Stock Exchange First Section)
Contact: Name and job title	Tsuguhiro Tamai, Executive Officer and CFO Phone: 03-4330-5130

Yahoo Japan Corporation's Demand for the President's Resignation and ASKUL's Proposal for Dissolving the Alliance with Yahoo Japan Corporation

ASKUL Corporation (hereinafter referred to as "We", "Our", "Us", or "the Company"), hereby announces that the Company has proposed to Yahoo Japan Corporation (hereinafter referred to as "Yahoo"), the Company's largest shareholder, that the business and capital alliance (hereinafter referred to as "the Alliance") with Yahoo be dissolved.

1. Background

In April 2012, we entered into a business and capital alliance agreement with Yahoo, and Yahoo became the largest shareholder at 42.47% (approximately 45% at present) of our voting rights. We also launched LOHACO service, a B-to-C E-commerce site, in accordance with the business and capital alliance. The business and capital alliance agreement was renewed after Yahoo's consolidating ASKUL in conformity with IFRS in May 2015 and the agreement is still in effect.

In January 2019, Yahoo requested the Company consider whether the LOHACO business may be transferable to Yahoo, and the relevant conditions if that is the case. After deliberations at a meeting of the Board of Independent Directors and a meeting of the Board of Directors in the following month, we notified Yahoo that we will not propose transfer the business to Yahoo.

On June 27 of the same year, Yahoo President and Representative Director Kentaro Kawabe visited us to demand the resignation of ASKUL President and CEO Iwata (hereinafter referred to as "President Iwata"), and expressed his intention to oppose the reappointment of President Iwata as a director at the Ordinary General Meeting of Shareholders to be held on August 2. We resolved at the Board of Directors meeting held in July in conformity with predetermined procedures, including the deliberation of the Nomination and Compensation Committee, that all the present directors be reappointed in accordance with the proposal by the Committee.

Considering the difference in management philosophy between Yahoo and us, the loss of the spirit of an equal partnership agreed upon under the business and capital alliance agreement, and Yahoo's excessive

infringement of our independence as a listed company over the past six months, we decided that we are no longer able to continue efforts to achieve the goal of jointly leading the B-to-C E-commerce business that both companies had strived to realize through the alliance. As a result, we proposed to Yahoo that the Alliance be terminated.
As is described in the attachment to this release, after July 10 we delivered to Yahoo a written inquiry and a letter of proposal to dissolve the Alliance. We received inquiries from Yahoo regarding a transfer of the shares of our stock and conditions of transfer, to which we replied.

For FY 5/2020, we expect consolidated operating income to grow significantly by 8.8 billion yen (an 94.7% increase year-on-year). Having overcome a fire at our logistics center and the impact of a delivery crisis since 2017, we will accelerate the effort to realize an e-commerce business that would maximize the synergy of our three businesses; B-to-B, B-to-C, and logistics businesses.
* Material for the financial report for FY5/2019 (announced on July 3, 2019)
https://pdf.irpocket.com/C2678/Uxy1/yH62/a8Am.pdf

2. Points of the matter
(1) Conflict with the spirit of the business and capital alliance agreement
Under the business and capital alliance agreement between the two companies, Yahoo virtually becomes our controlling shareholder, although we are a listed company. Taking this into consideration, in order to protect the interests of our minority shareholders, as a result of the negotiations with Yahoo based on the deliberations of the Special Committee and the Board of Independent Directors, which comprised primarily of outside officers, we incorporated the following distinguishing conditions:
i) An independence clause for the Company and LOHACO
The agreement begins with a Purpose and Spirit clause expressly stating that "spirit of equal partnership" and the independence of the Company and LOHACO shall be respected by Yahoo to the maximum extent. The agreement also includes a clause providing that the operation of LOHACO shall be separate from Yahoo! Shopping and Yahoo! Auction operated by Yahoo.
ii) A clause regarding the acceptance of directors from Yahoo
Yahoo has the right to nominate candidates for one full-time director and one part-time director of the Company. On the other hand, the clause requires the other candidate directors to be appointed at a meeting of the Board of Directors of the Company, while respecting the recommendation by the Nomination and Compensation Committee of the Company.
iii) A clause enforcing clear goal setting and good faith
In order to embody the grand objective of both companies “to become the provider of the best e-commerce experience" through LOHACO, the Company shall, in consultation with Yahoo, proactively conduct measures that it considers best at each point in time on its own initiative, while Yahoo is required to cooperate with the Company in a sincere manner.
The series of actions by Yahoo are in conflict with the spirit of the business and capital alliance agreement, and we consider termination of the Alliance the most appropriate solution.

(2) Yahoo’s behavior departs from the governance process

We have proactively established appropriate corporate governance systems including the appointment of independent directors for making appropriate management decisions where necessary. A sound corporate governance system is essential for sustainable growth and the improvement of medium to long term corporate value.

While approximately 45% of our shares are owned by Yahoo as an effective controlling shareholder, as mentioned above, we, as a listed company, have appointed five outside directors (three of them are independent directors) out of ten, and agendas concerning the selection of directors to be submitted to a meeting of shareholders are discussed at the Nomination and Compensation Committee prior to an approval of the Board of Directors, to which we accord full respect.

As shown in the attachment, the Independent Board of Directors of the Company has submitted to us a written opinion calling for review of the Alliance (we have yet to decide whether to exercise the right to request a sale of shares under the business and capital alliance agreement).

3. Reasons for publication

We publicized the matter for the following reasons:

(1) It involves a change in approximately 45% of shares of our stock, and it relates to the termination of the Agreement and a possible rejection of reappointing President Iwata as a director, which is important information to disclosure to the shareholders.

(2) This is a forcible exercise of rights by a controlling shareholder that cannot be overlooked from a governance perspective, and which must be disclosed to the stakeholders of the Company.

(3) We consider the information must be provided to the shareholders with voting rights prior to the General Meeting of Shareholders, which is approaching.

Shareholders will be updated as we will announce developments in a timely and appropriate manner.

<References>

1. Notice of the 56th Annual General Meeting of Shareholders

https://pdf.irpocket.com/C2678/Uxy1/dJ1G/TjN3.pdf

2. Background in detail

April 27, 2012	The Company and Yahoo entered into a business and capital alliance agreement.
October 22, 2012	B-to-C e-commerce business LOHACO started.
May 19, 2015	The business and capital alliance agreement was partially renewed.
January 15, 2019	Yahoo requested that we consider the possibility of transferring the LOHACO business to Yahoo and relevant conditions for transfer where practicable.
February 26, 2019	The above matter was discussed at the Board of Independent Directors (*1) and the Board of Directors of the Company. We resolved at the Board of Directors to continue the business in accordance with a new strategy (*2) without transferring it to Yahoo. We replied to Yahoo on the same day. Yahoo replied that it appreciated our sincere consideration. No request for review was made.
May 8, 2019	We resolved at the Nomination and Compensation Committee (* 3) on the next candidate directors. In light of the business progress in consideration, we determined that the continuation of the current management system is the most appropriate, and plans to submit to the Board of Directors a proposal to reelect all the existing directors at the 56th Annual General Meeting of Shareholders.
June 5, 2019	The Nomination and Compensation Committee explained regarding the next director candidates. No objection was made by the participants including Director Ozawa and Director Koshimizu (*4).
June 27, 2019	Yahoo President and Representative Director Kentaro Kawabe visited us to demand the resignation of President Iwata.
July 1, 2019	President Iwata replied to Yahoo that he would consult with the Board of Directors based on a report by the Nomination and Compensation Committee in accordance with a predetermined procedure.
July 3, 2019	We resolved again at the Nomination and Compensation Committee, while taking into consideration Director Ozawa's opinion from Yahoo's point of view, to maintain the policy adopted on May 8, 2019. On the same day, the Board of Directors of the Company passed a resolution on a proposal of the election of directors to be submitted to the 56th Annual General Meeting of Shareholders. Director Ozawa and Director Koshimizu abstained. The proposal was approved unanimously.
July 10, 2019	The Board of Independent Directors submitted to us a written statement on the matter (see the attachment).
July 10, 2019	We submitted a written inquiry to Yahoo regarding the 56th Annual General Meeting of Shareholders.
July 12, 2019	We informed Yahoo of intention to start negotiations on termination of the Alliance.
July 16, 2019	Yahoo replied to our written inquiry. Yahoo also asked questions prior to starting to consult on the termination of the Alliance.

July 17, 2019	Yahoo announced that it will vote against the reappointment of President Iwata as a director at the 56th Annual General Meeting of Shareholders of the Company.
July 17, 2019	We submitted to Yahoo a written reply to their questions prior to starting to consult on the termination of the Alliance.

*1 A voluntary committee consisting of three independent outside directors and three outside auditors.

*2 A new strategy for LOHACO was publicized on December 14, 2018, with the announcement of second quarter financial results. We declared our focus on shifting to our own unique-value e-commerce. Director Ozawa and Director Koshimizu from Yahoo did not express their objection during the deliberation of the new strategy planning at the Board of Directors.

*3 A voluntary committee, chaired by an outside director, consisting of one internal director, three independent outside directors, one independent outside auditor, and one outside expert.

*4 Director Ozawa and Director Koshimizu represent Yahoo.

<Attachment>

July 10, 2019

To the Board of Directors of ASKUL Corporation:

The Board of Independent Directors of ASKUL Corporation
Kazuo Toda, Outside Director
Hideaki Miyata, Outside Director
Atsushi Saito, Outside Director
Takaharu Yasumoto, Outside Auditor
Mikinao Kitada, Outside Auditor
Rinji Watanabe, Outside Auditor

In light of the communication with Yahoo Japan Corporation (hereinafter referred to as "Company Y") regarding the transfer of the LOHACO business and the recent demand of Company Y for the resignation of President Iwata, the Independent Board of Directors has serious concerns about the maintenance and continuation of the business and capital alliance agreement, and hereby states an opinion as follows.

1 Communication with Company Y regarding the transfer of the LOHACO business

In order to maximize the corporate value of both companies, ASKUL (hereinafter referred to as “We” or “Our” or “Us” or “the Company”), as the operator of LOHACO, entered into a business and capital alliance agreement with Company Y with an aim to maintain and develop the B-to-C business LOHACO under a spirit of equal partnership (concluded on April 27, 2012; renewed on May 19, 2015, hereinafter referred to as the “Agreement").

However, Company Y sent the Company a "Proposal regarding LOHACO" dated January 15, 2019, requesting to discuss the possibility of the transferability of the LOHACO business to Company Y and relevant conditions where practicable, and a reply in writing.

The Independent Board of Directors sincerely examined the issues including the possibility of transfer of the LOHACO business to Company Y upon the request of the Board of Directors of the Company. As a result, the Board concluded that (i) it is not a time to consider the transfer of the LOHACO business because a change in LOHACO business strategy was publicized at the 2Q financial announcement on December 14, 2018 after a series of discussions at the Steering Committee,[1] and a subsequent discussion at the meeting of the Board of Directors of the Company on December 5 of the same year[2], and an implementation of relevant measures had just started; and (ii) the Company must demonstrate a clear

[1] The Steering Committee is an organization established under the Agreement composed of the representative directors of the Company and Company Y, or members assigned by them. The Committee is held once a month in principle to discuss important issues regarding the Alliance and shares the progress thereof.

[2] The Board of Directors meeting held on December 5, 2018 was attended by the two directors representing Company Y, who expressed no objection.

image of EC that the LOHACO business aims for.

After examining the opinion of the Independent Board of Directors, the Company resolved at the Board of Directors meeting[3] held on February 26, 2019, to reply Company Y that it did not reach the conclusion to propose the transfer of the LOHACO business from the Company, and returned a written reply accordingly to Company Y on the same day. Company Y replied in writing that it “deeply appreciates your sincere effort". Subsequently, the Company has not received any objection or suggestions from Company Y.

2 Company Y's demand for the resignation of President Iwata

The Company has steadily implemented various measures in accordance with the LOHACO Business Strategy (Business Restructuring) announced on December 14, 2018. Development of LOHACO original goods, further development of unique-value goods, such as original-design products exclusive to E-commerce, through collaboration with manufacturers and a strategic shift to a price increase including free shipping charges contributed to a steady growth of operating profit from the EC business including the LOHACO business for the 3rd and 4th quarters of FY 5/2019.

After ensuring that the LOHACO business reconstruction efforts had been implemented and operating profit has been improving, the Nomination and Compensation Committee determined that it is the most appropriate for the existing directors to continue to serve for the next term and resolved to reappoint the existing ten directors at the meeting held on May 8, 2019, and decided to submit the resolution to the Board of Directors to be held on July 3, 2019, as an opinion of the Nomination and Compensation Committee.

However, on June 27, 2019, the President and General Manager of the Legal Affairs Department at Company Y visited the Company to notify President Iwata that (i) Company Y decided at its management meeting that it would oppose a proposal for the appointment of directors including President Iwata at the Annual General Meeting of Shareholders of the Company; (ii) Company Y would leave the selection of the next president to the Company; and (iii) in cases where a proposal of the appointment of directors, including President Iwata, is submitted to the Board of Directors meeting to be held on July 3, 2019, two directors representing Company Y will abstain and Company Y will announce opposition at the Annual General Meeting of Shareholders, requesting the resignation of President Iwata.

President Iwata replied to the President of Company Y that the Nomination and Compensation Committee has the discretion to appoint the next president. At the meeting of the Nomination and Compensation Committee of the Company held on July 3, 2019, taking into consideration the explanation of an outside director representing Company Y, the Committee determined and resolved that it is the most appropriate to reappoint the existing ten directors as was initially planned.

The Company then resolved at the Board of Directors meeting held on the same day[4], taking into consideration the report of the Nominating and Remuneration Committee, to submit a proposal to reappoint the ten existing directors to the Annual General Meeting of Shareholders.

As a reason for demanding the resignation of President Iwata, Company Y pointed out sluggish performance but did not specifically mention to the separation of the LOHACO business. Meanwhile, at a

[3]At the Board of Directors meeting held on February 26, 2019, a part-time director and the president of PLUS Corporation claimed opposition and two directors representing Company Y were absent.

[4] At the Board of Directors meeting held on July 3, 2019, a part-time director and the President of Company P objected, and two outside directors representing Company Y abstained.

meeting between President Iwata and the President of PLUS Corporation (the second largest shareholder of the Company, hereinafter referred to as “Company P”) (also a part-time director of the Company), President Iwata was informed that Company Y notified Company P that the resignation of President Iwata is necessary in order to separate the LOHACO business from the Company and Company Y assumes the separation would be executed by the end of the year.

3 Opinions of the Board of Independent Directors

(1) As far as looking at the progress of the communication regarding the transfer of the LOHACO business with Company Y and Company Y’s demand for the resignation of President Iwata, the Board of Independent Directors must say that the two companies are facing not only a major difference of opinion regarding the future management policy of the LOHACO business, but also difficulties in cooperatively exchanging constructive opinions to find a better management policy.

While the management of the Company must sincerely pay attention to major shareholders’ opinions concerning its poor performance, the Company and Company Y are responsible for cooperating in the LOHACO business under the Agreement. Nevertheless, Company Y requested a transfer of the LOHACO business only one month after a structural reform strategy was determined and publicized based on series of discussions at the Steering Committee, in which both companies are involved, which we think is in conflict with the spirit of the Agreement.

In response to our comment that "it is not appropriate to consider a transfer of the LOHACO business at this time because we have just announced a change in the LOHACO business strategy and started implementing various measures", Company Y replied, “we deeply appreciate your sincere effort." After that, Company Y has never proposed any concrete alternatives to our management policy. In the meantime, the Nomination and Compensation Committee of the Company reviewed the next candidate directors and determined it would be most appropriate to continue with the current management, and proceeded with the nomination process.

Despite understanding the background of the discussions for appointing the next candidate directors at the Nomination and Compensation Committee of the Company, Company Y demanded the resignation of President Iwata just before the scheduled date of the Nomination and Compensation Committee meeting and the Board of Directors meeting (July 3, 2019), on which the proposal of the appointment of directors will be submitted to the Annual General Meeting of Shareholders. This is nothing less than an act to ignore the decision-making process of the Nomination and Compensation Committee of the Company as a listed company, taking advantage of their strength in numbers. Article 3.2 (3) of the business and capital alliance agreement provides that a proposal for the appointment of the Company's directors shall be decided by the Board of Directors with full respect to the report by the Nomination and Compensation Committee established by the Company. In this perspective, Company Y’s demand for the resignation of President Iwata is not only against the spirit of the above noted provision, but lacks respect for the governance of the Company, a listed company, that is extremely regrettable.

(2) The Board of Independent Directors considers that, no matter what restrictions the business and capital alliance agreement has, it is extremely insincere for Company Y to request transferring the

LOHACO business to Company Y without notifying its policy for managing the business in the future, and demand for the resignation of President Iwata, who rejected its request, just before the day of the Annual General Meeting of Shareholders, ignoring the process of the Nomination and Compensation Committee and threatening to oppose at the meeting.

Judging by the series of communications, it has become difficult for the Company and Company Y to engage in constructive consultation and cooperation for the structural reform of the LOHACO business, and it is recognized that achieving the purpose of the Agreement has become extremely difficult. The Committee believes that the Company's management should review the alliance partnership with Company Y (including the pros and cons of exercising the right to demand for sales under the Agreement) and start negotiating with Company Y as soon as possible.

(3) Since a specific proposal for transferring the LOHACO business to Company Y has yet to be made by Company Y at this time, the Board of Independent Directors is unable to determine based on a clear comparative assessment of which would contribute to the Company’s corporate value, putting into practice the reconstruction of the LOHACO business currently undertaken by the Company or transferring the LOHACO business.

However, the Board of Independent Directors believes that the transfer of the LOHACO business to Company Y needs careful consideration because it falls under a conflict-of-interest transaction with a controlling shareholder that is also a competitor company.

In particular, the Company's B-to-B business and the LOHACO business are inseparable and indispensable to each other like wheels on a car, and there is a risk that the transfer of the LOHACO business may weaken the remaining B-to-B business of the Company. Taking this into account, the transfer of the LOHACO business to Company Y should be carefully examined from the perspective of protecting the interests of minority shareholders other than Company Y.

LOHACO is a promising e-commerce business, though it has recorded negative growth the last few years. In fact, as a result of implementing various measures in accordance with the LOHACO business strategy announced in December 2018 (structural reform), operating profit for the second half of FY 5/2019 is on a steady recovery path. Transferring the LOHACO business to Company Y from a short-run perspective without assessing these circumstances may adversely affect the Company’s corporate value to a considerable extent in the long term, and infringe on the interests of minority shareholders other than Company Y.

When negotiating with Company Y, the Company’s management (or the management reshuffled at the upcoming Annual General Meeting of Shareholders, if applicable) must carefully examine whether the transfer of the LOHACO business to Company Y as the controlling shareholder contributes to the enhancement of the Company’s corporate value and whether it will not infringe the interests of the Company's minority shareholders. It should be noted that an unreasonable judgement as a result of the examination may fall under the category of a failure to perform duties as a director.