



2Q operating income grew 230% YoY
Achieved operating income that exceeded the plan
toward a V-shaped earnings recovery

December 17, 2019
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 purpose of this material, LOHACO refers to the online mail-order business for general consumers launched in October 2012.

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 acronyms "ALP," "AVC," "OPA" are used, respectively, in this material.

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I Consolidated Performance for 2Q FY5/2020

II Business Strategies for the Future

2Q FY5/2020 Consolidated Performance

(¥million)	Cumulative results for 2Q FY5/2019		Cumulative results for 2Q FY5/2020		
		% of net sales %		% of net sales %	YoY change %
Net Sales	191,437	100.0	199,625	100.0	+4.3
Gross Profit	45,267	23.6	47,121	23.6	+4.1
Selling, General and Administrative Expenses	44,238	23.1	43,653	21.9	-1.3
Operating Income	1,029	0.5	3,468	1.7	+236.9
Ordinary Income	958	0.5	3,393	1.7	+254.1
Net Income Attributable to Owners of the Parent	315	0.2	2,192	1.1	+594.0

- Net sales Up 4.3%
- Gross profit margin 23.6%
- SG&A expenses ratio
Down 1.2 points YoY
- Achieved a significant
increase in operating income,
ordinary income,
and net income

Comparison of Consolidated Performance in 2Q FY5/2020

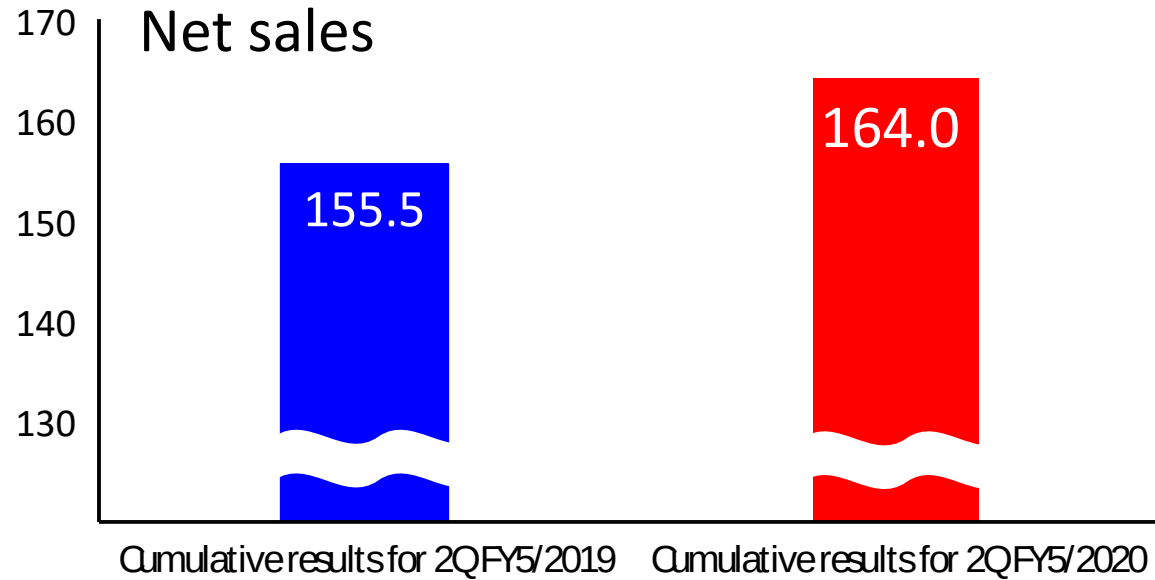
(Quarterly Results by Business)

(¥billion)

		FY5/2019				FY5/2020			
		1Q	2Q	3Q	4Q	1Q	2Q	YoY change	YoY change %
Net Sales	B-to-B business	76.3	79.2	78.8	81.4	79.5	84.4	5.2	+6.6
	LOHACO	12.5	13.1	13.1	12.4	12.3	11.7	(1.3)	-10.6
	B-to-C business (including Charm)	15.9	16.6	16.6	15.9	16.0	15.6	(1.0)	-6.2
	E-commerce business	92.3	95.9	95.5	97.3	95.5	100.1	4.2	+4.4
	Logistics business and other	1.6	1.5	1.5	1.6	2.3	1.5	0.0	+3.2
	Consolidated total	93.9	97.4	97.0	98.9	97.8	101.7	4.2	+4.4
Operating income	B-to-B business	2.6	3.6	3.7	4.1	3.0	3.7	0.1	+2.7
	LOHACO	(2.6)	(2.3)	(2.1)	(1.9)	(1.7)	(1.7)	0.6	-
	B-to-C business (including Charm)	(2.6)	(2.3)	(2.1)	(1.9)	(1.8)	(1.7)	0.6	-
	E-commerce business	(0)	1.2	1.5	2.2	1.2	2.0	0.7	+59.4
	Logistics business and other	(0)	(0.1)	(0.1)	(0.1)	0.2	(0)	0.0	-
	Consolidated total	(0.1)	1.1	1.4	2.0	1.4	1.9	0.8	+74.3

2Q FY5/20 Consolidated Performance (BtoB Business)

(¥billion)

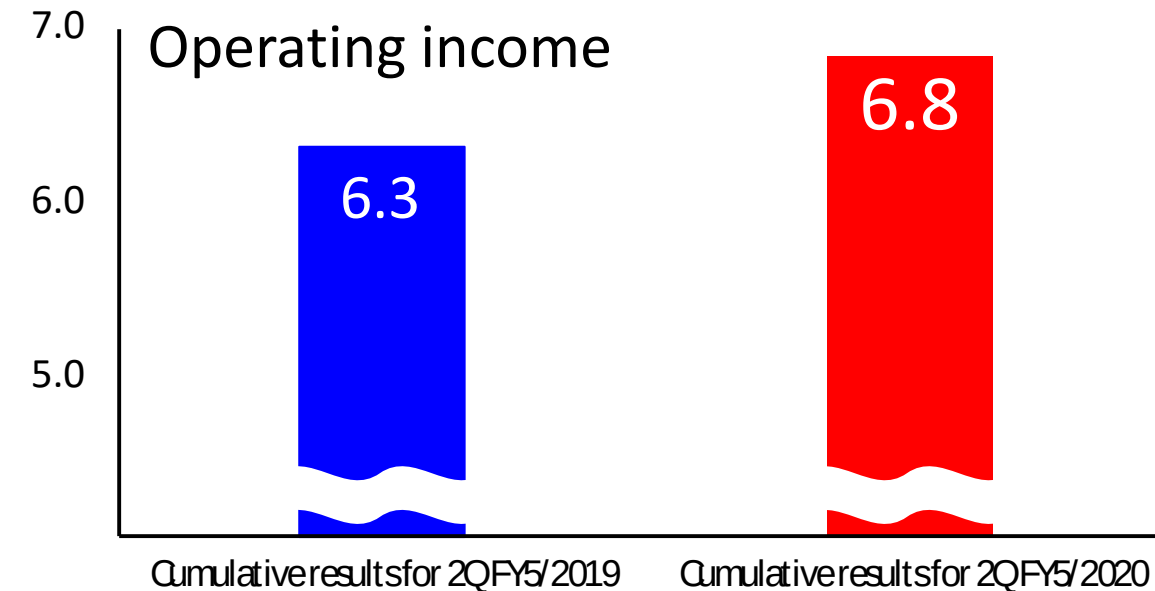


Net sales

Up 5.4% YoY

Sales of long-tail products
maintained high growth
(up 24% YoY)

(¥billion)



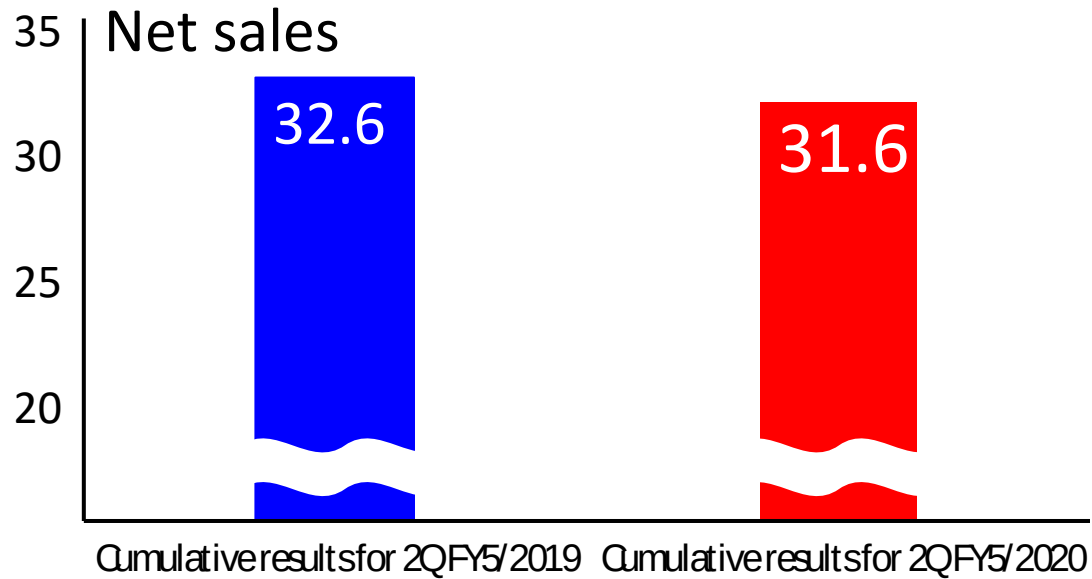
Operating income

Up 8.5% YoY

Cost increase due to measures
implemented to respond to the
consumption tax increase was within
expectations
Profit continued a growth trend

2Q FY5/20 Consolidated Performance (BtoC Business)

(¥billion)

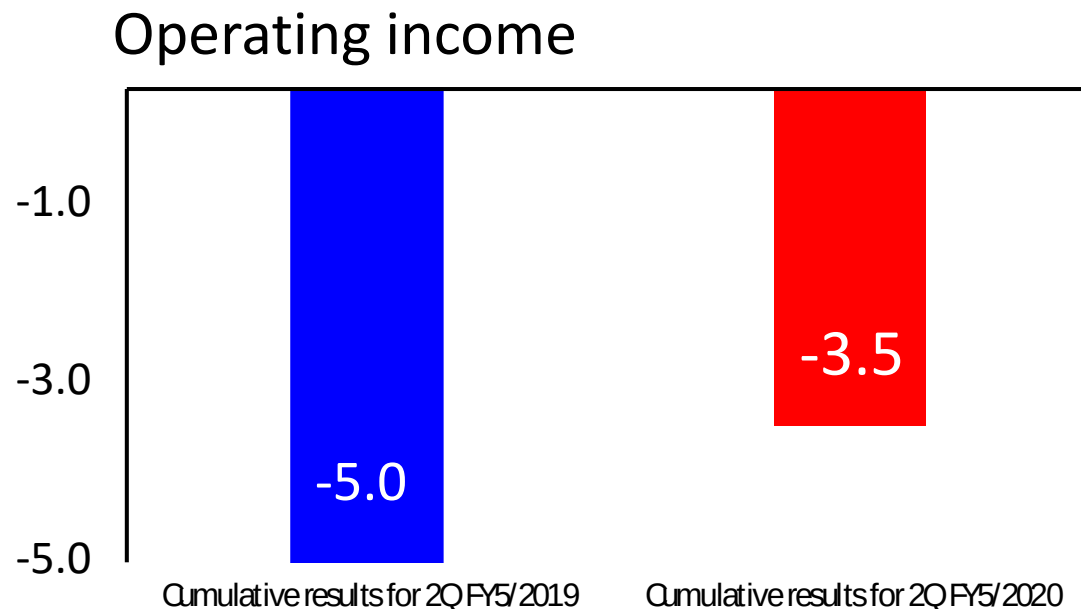


➤ Net sales

Down 3% YoY

Prioritized structural reform toward shifting to E-commerce with unique values

(¥billion)



➤ Operating income

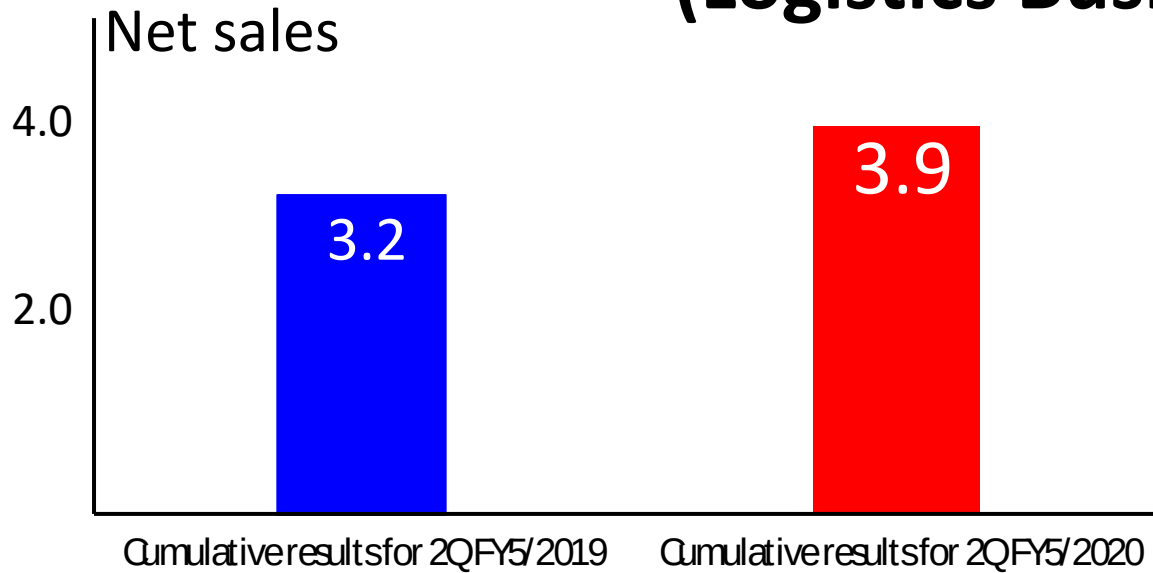
Up ¥1.5 billion YoY

Steadily on its way to achieving the full-year operating income improvement target of ¥2.8 billion

(LOHACO: Gross profit margin improvement of 1.4 points and variable cost ratio reduction of 3.6 points)

2Q FY5/20 Consolidated Performance (Logistics Business and Others)

(¥billion)



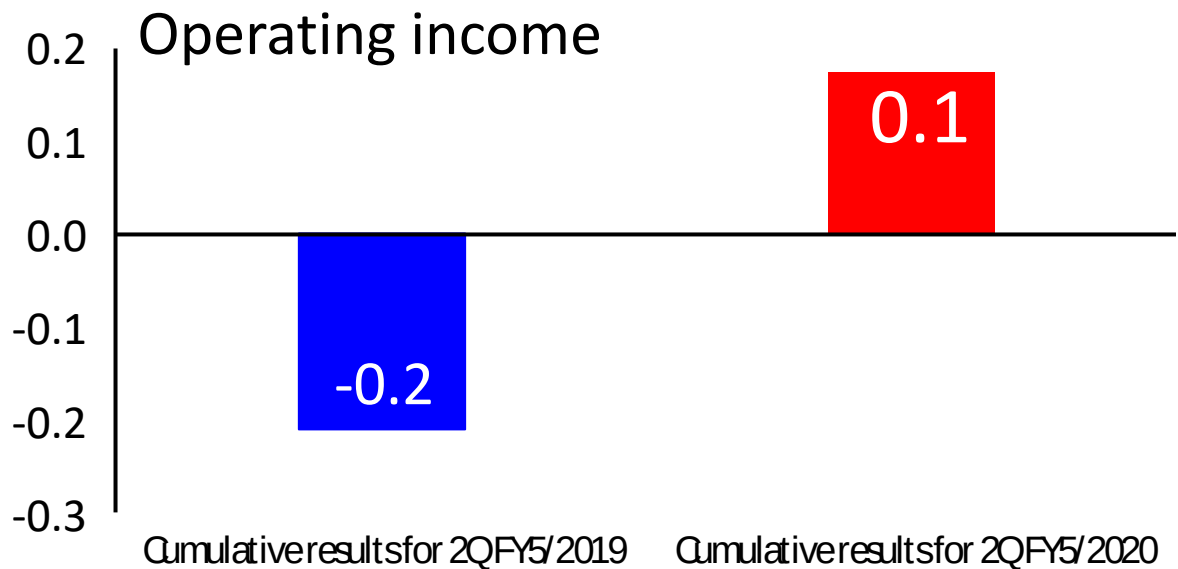
➤ Net sales

Up 22.2% YoY

Expansion of delivery service operations contracted out by companies outside the Group

Recorded large amount of AM fees* in 1Q

(¥billion)



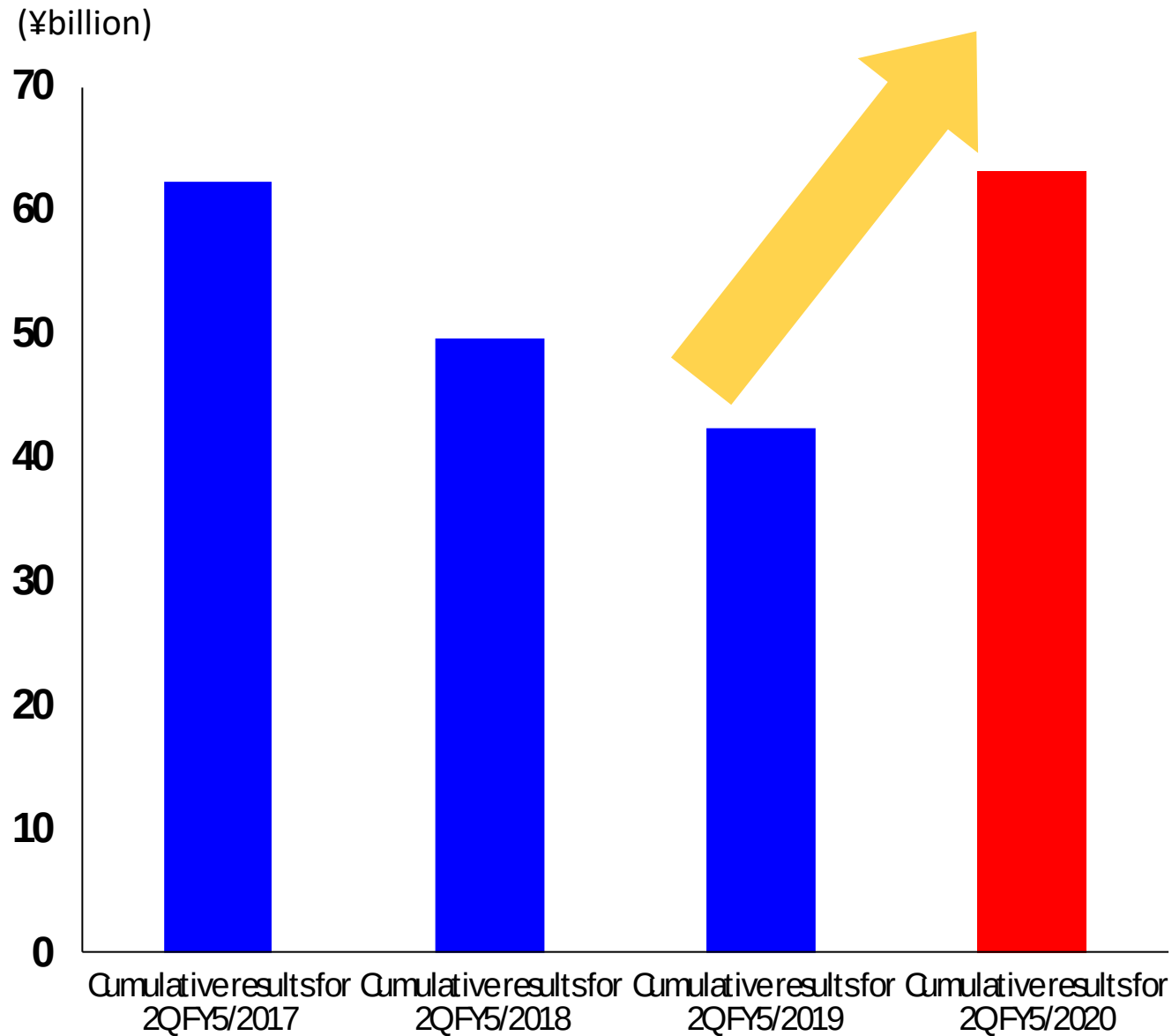
➤ Operating income

Up ¥0.3 billion YoY

In addition to posting AM fees in 1Q, improved profit from delivery service operations contracted out by companies outside the Group

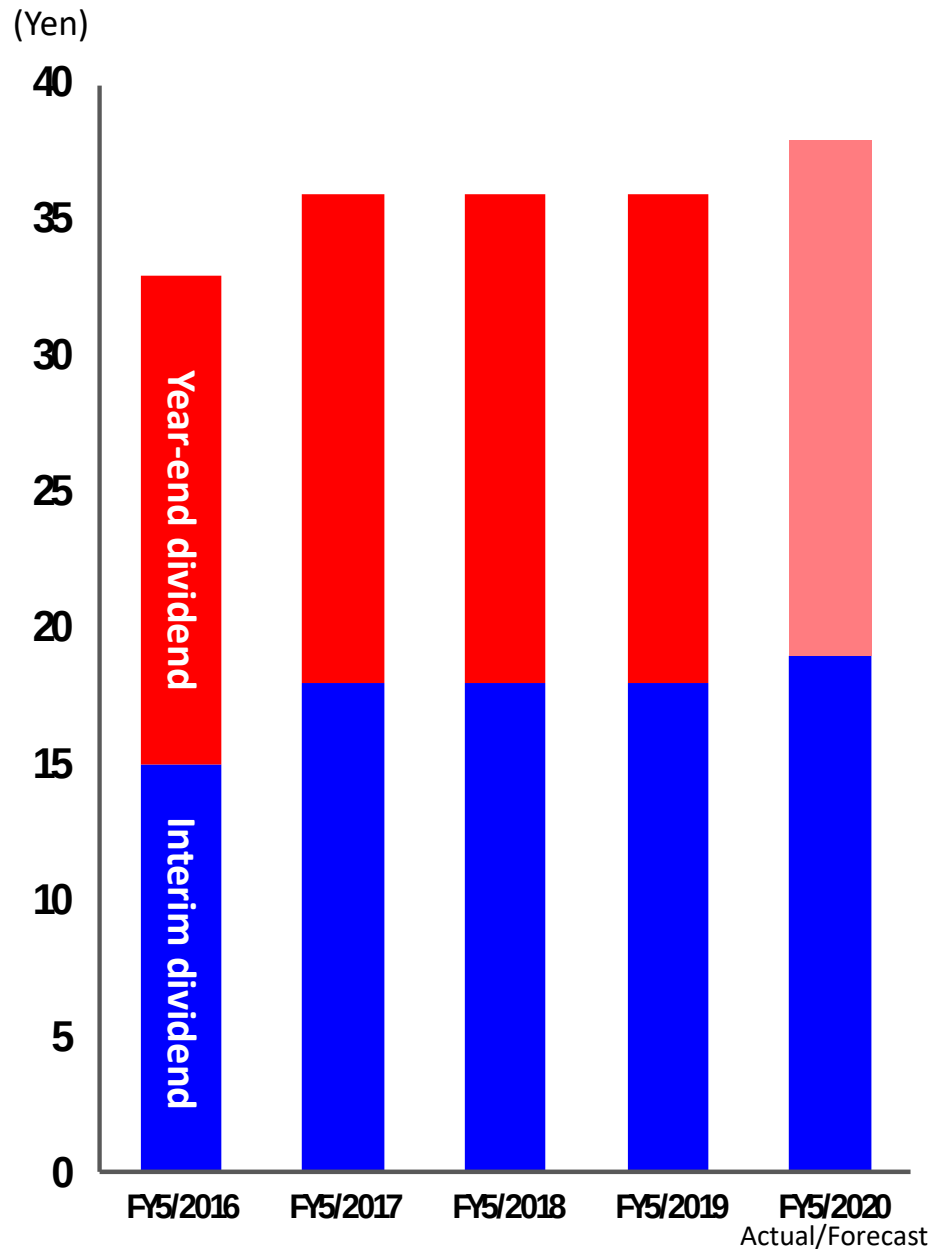
* AM fees: Fees received as consideration for the asset management service provided by Eco Properties Corporation, a consolidated subsidiary of the Group

Trend of EBITDA



Steadily on
track to
reaching a
record high

Increased interim dividend in line with the period-start plan



FY5/2020 interim dividend
⇒ Dividend per share: ¥19

Dividend increase of ¥1
compared to FY5/2019
Annual dividend is planned to
increase ¥2 to ¥38 per share

FY5/2020 Consolidated Financial Forecasts

(¥billion)	FY5/2019		FY5/2020		
	Actual	% of net %	Plan	% of net %	YoY change %
Net Sales	387.4	100.0	404.0	100.0	+4.3
Gross Profit	91.6	23.6	97.6	24.2	+6.5
Selling, General and Administrative Expenses	87.0	22.5	88.8	22.0	+2.0
Operating Income	4.5	1.2	8.8	2.2	+94.7
Ordinary Income	4.4	1.1	8.6	2.1	+94.6
Net Income Attributable to Owners of the Parent	0.4	0.1	5.4	1.3	+1,143.1

No change
from the
period-start
plan

LOHACO will further strengthen selection and concentration and reduce the break-even point to improve its profit structure toward achieving profitability by FY5/2023

In the BtoB business, continue on a steady growth path
Continue focusing on expanding the number of customers and long-tail products by implementing E-commerce strategies

BtoC

Targeting consumers



LOHACO

Further strengthen selection and concentration

Achieve the profit plan for FY5/2020 and turn to profitability by FY5/2023

Focus point (i) Further increase gross profit margin

- ✓ Accelerate the speed of development of products with unique values and strengthen strategic categories

Focus point (ii) Achieve both reduction in logistics costs and improvement of delivery service quality

- ✓ Pursue differentiation by honing the strength of in-house logistics (from operation of logistics centers to delivery service)

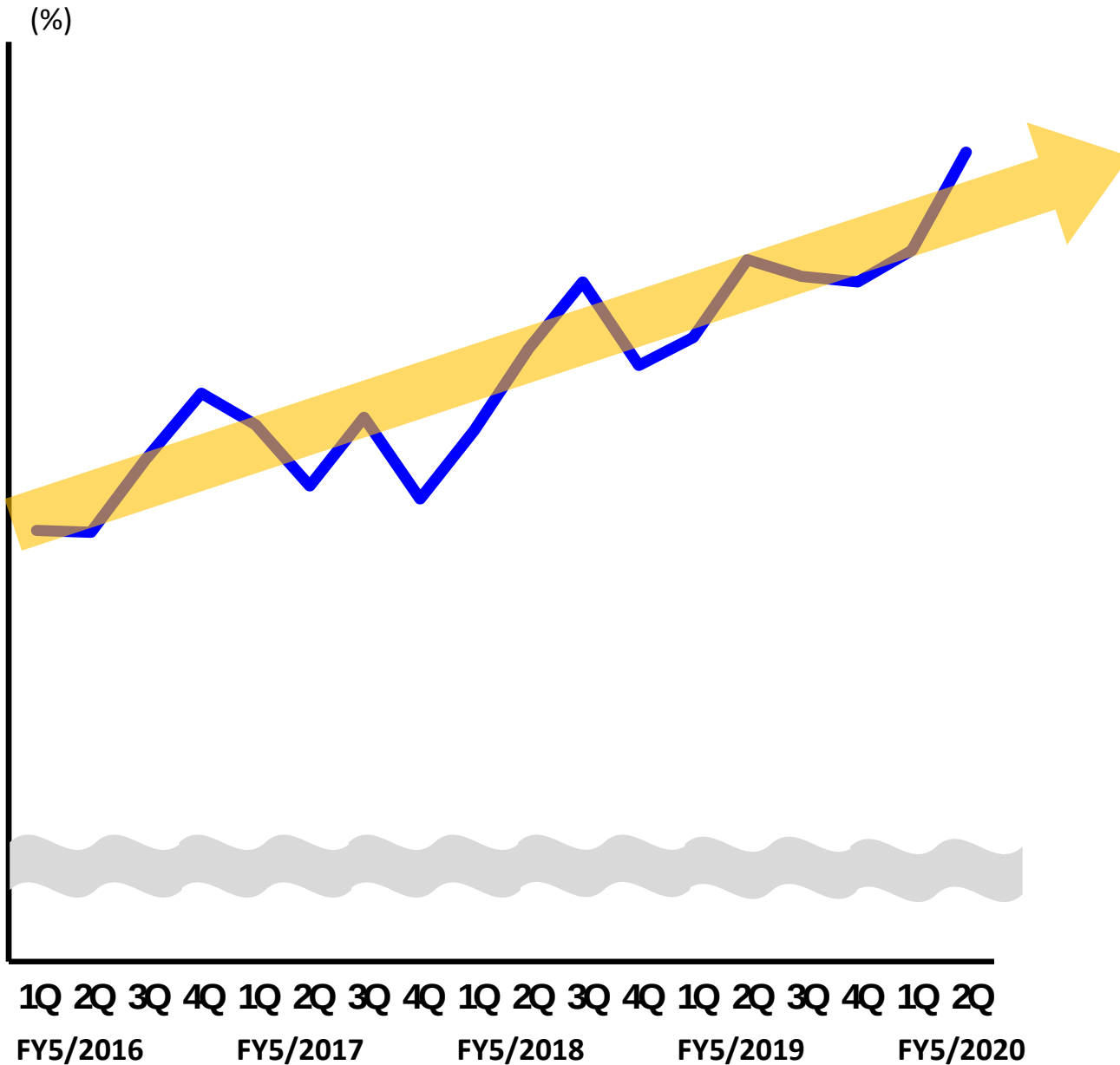
Focus point (iii) Further strengthen collaboration with Yahoo

- ✓ Strengthen website functions and sales promotion at LOHACO PayPay Mall Store through collaboration with Yahoo to expand net sales at the Store
- ✓ LOHACO Main Store will pursue the reduction of software investment, cost reduction such as SG&A expenses, and revision or abolition, etc. of services to lower the break-even point toward improving the profit structure

The outline of the plan to turn LOHACO to profitability will be released by the time the full-year financial results for FY5/2020 are released (in July 2020)

Focus point (i)
Further increase gross profit margin

LOHACO's Gross Profit Margin

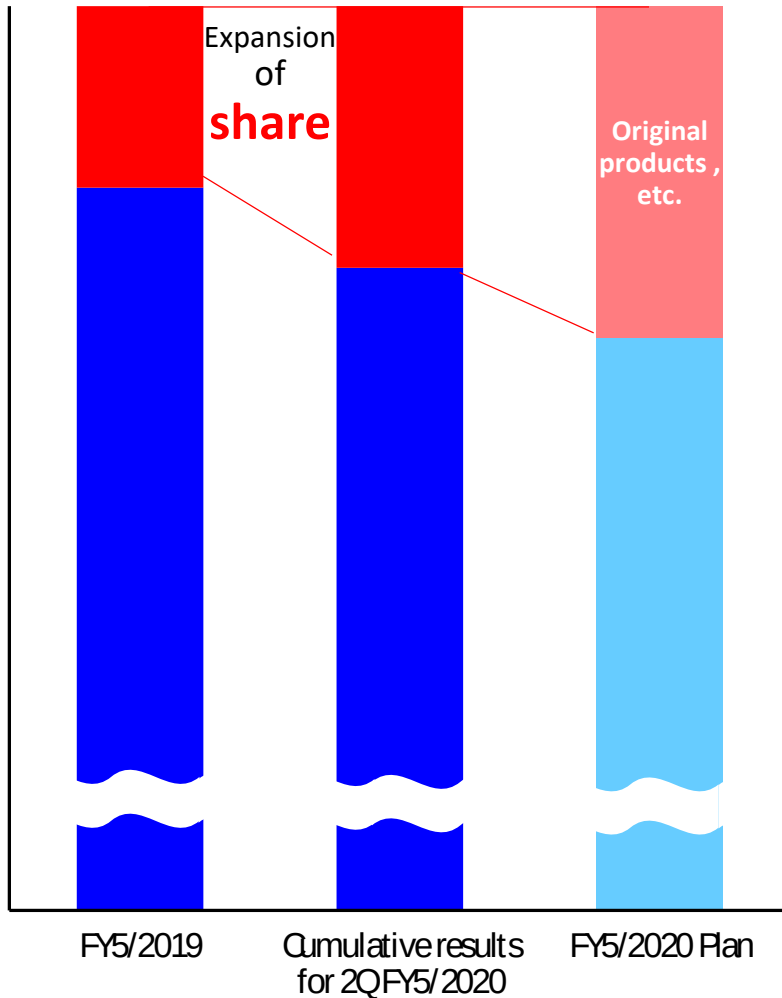


Improving
steadily

Expansion of Products with Unique Values

Total sales of LOHACO original products and design products exclusive to E-commerce as a percentage of net sales*

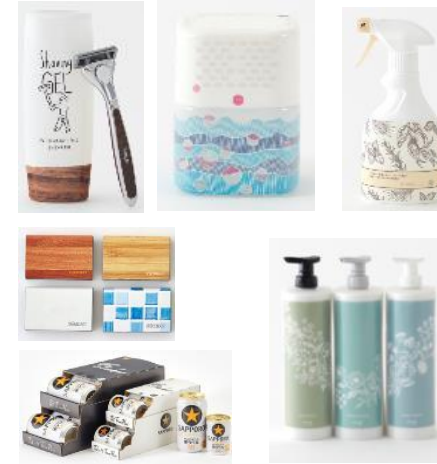
(%)



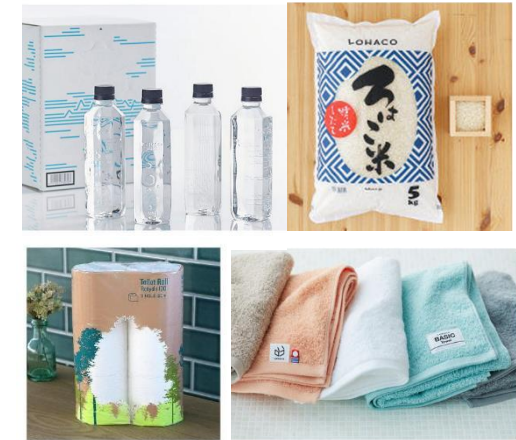
Strengthen sales of BtoB original products



Launch design products exclusive to E-commerce



Launch LOHACO original products

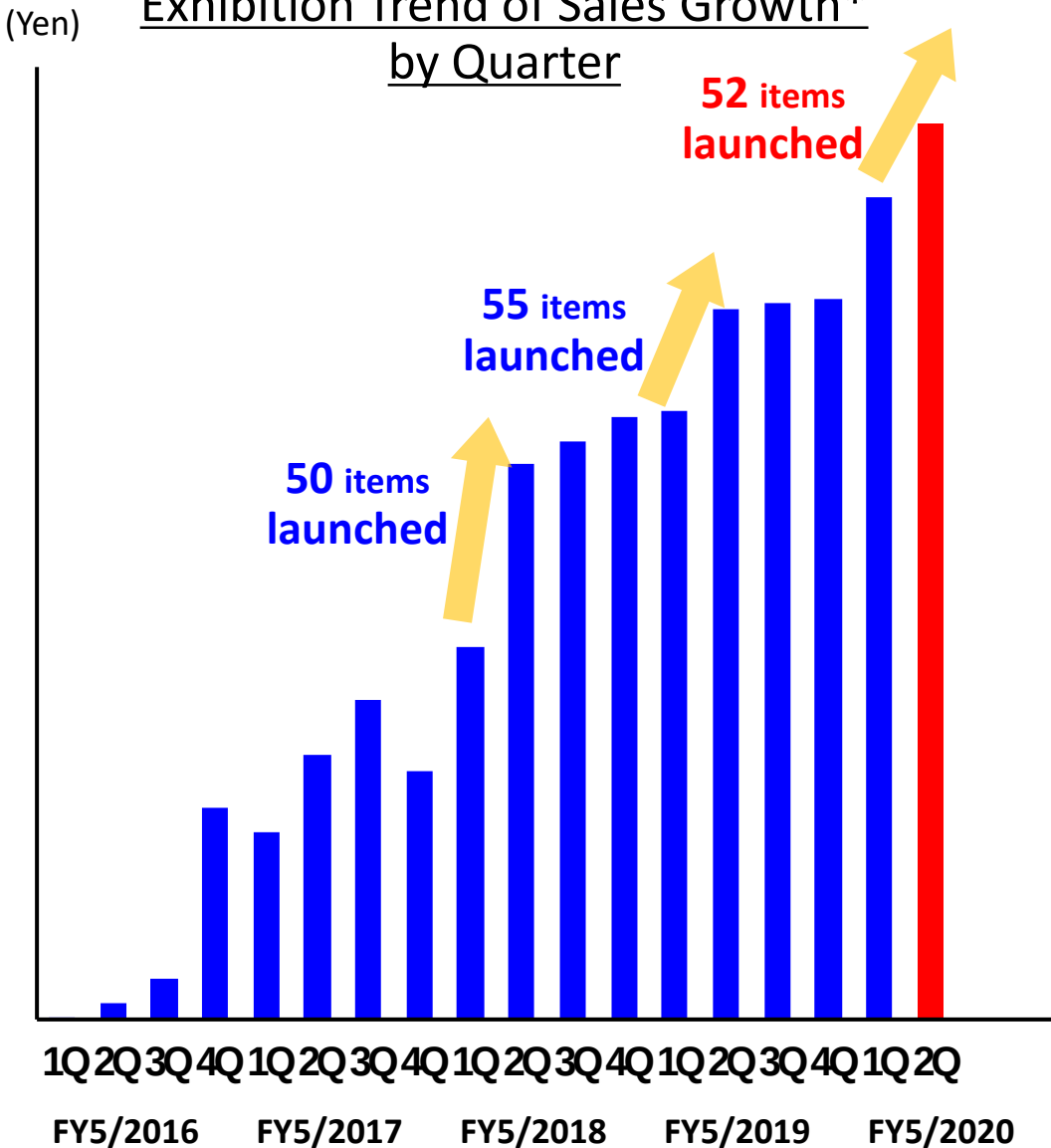


Improvement in
Gross Profit Margin

* Calculated taking LOHACO inventory products sales as denominator. 16

Design Products Exclusive to E-commerce

“Fitting Our Lifestyles” LOHACO Exhibition Trend of Sales Growth* by Quarter



“Fitting Our Lifestyles LOHACO Exhibition 2019”
(in Omotesando)

Oct. 19 (Sat.) – Oct. 22 (Tue.), 2019, featuring 52 items
provided by 45 participants companies



Further focus on sales expansion by reinforcing co-creation with makers

Improvement in gross profit margin

* Net sales include products for which the advance sales period at LOHACO has ended. 17

Launch LOHACO Original Products

Foods



Toilet paper



Kitchen supplies



Towels/slippers



Further accelerate the speed of product development

Improvement in Gross Profit Margin

Strengthen Strategic Categories (Cosmetics)

Launched “COSME DAYS,” a large-scale cosmetics sales promotion campaign

LOHACO Main Store



PayPay Mall Store



- ✓ 1Q: Achieved sales growth at roughly the same rate as the overall sales growth without running a large-scale sales promotion campaign
- ✓ 2Q: Launched a large-scale sales promotion campaign at LOHACO Main Store (in September)
⇒ Achieved sales growth that exceeds the overall sales growth

- ✓ From November 25 to December 2
The first simultaneous sales promotional campaigns were held at LOHACO Main Store and PayPay Mall Store
Domestic sales orders received in the cosmetics category increased more than **100%***

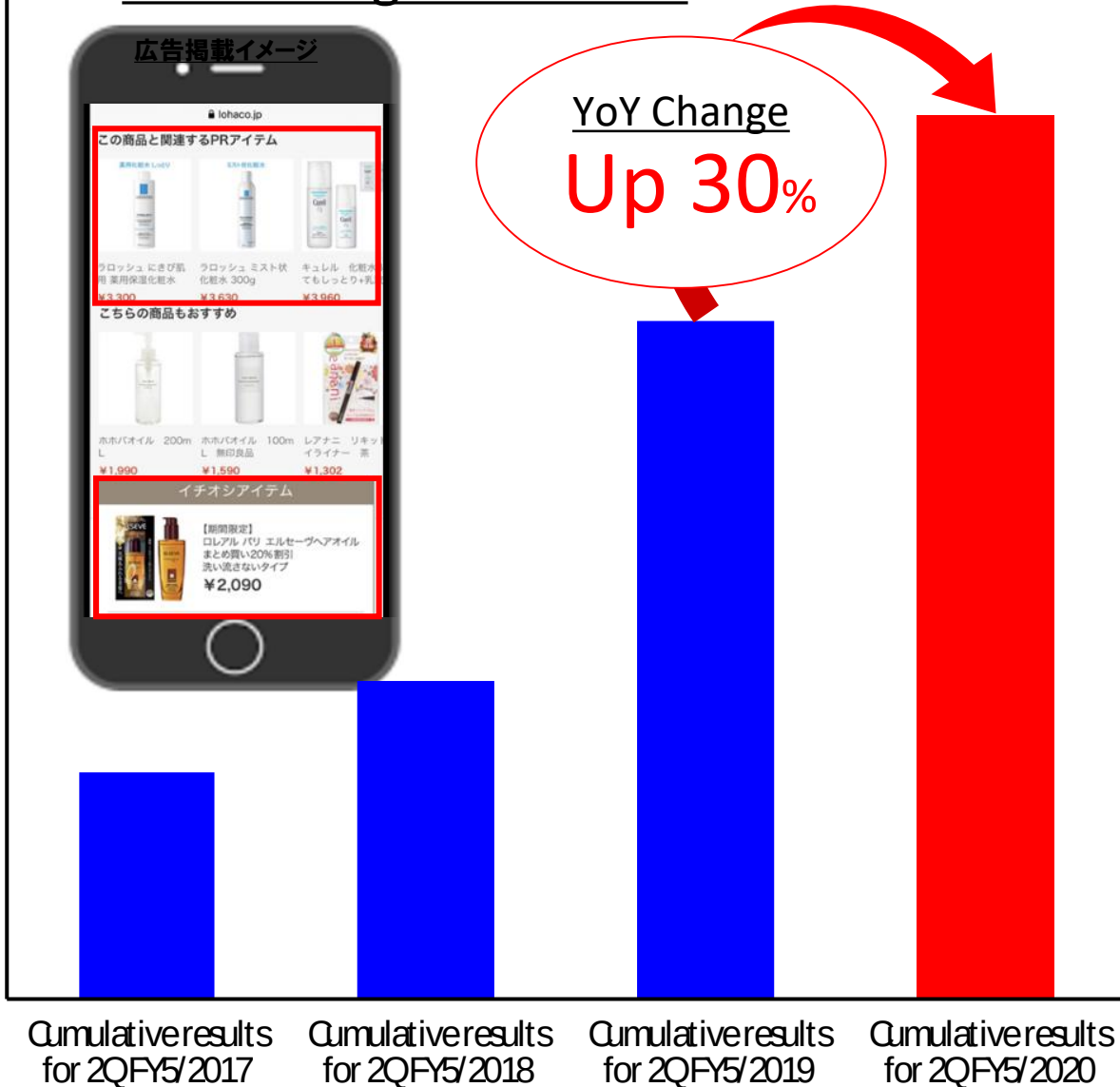
* YoY growth calculated based on sales orders received during the sales promotion campaign period.

Improvement in Gross Profit Margin

Advertising Fee Income

(Yen)

Advertising fee income



Strengthen strategic categories/products, etc., by using big data

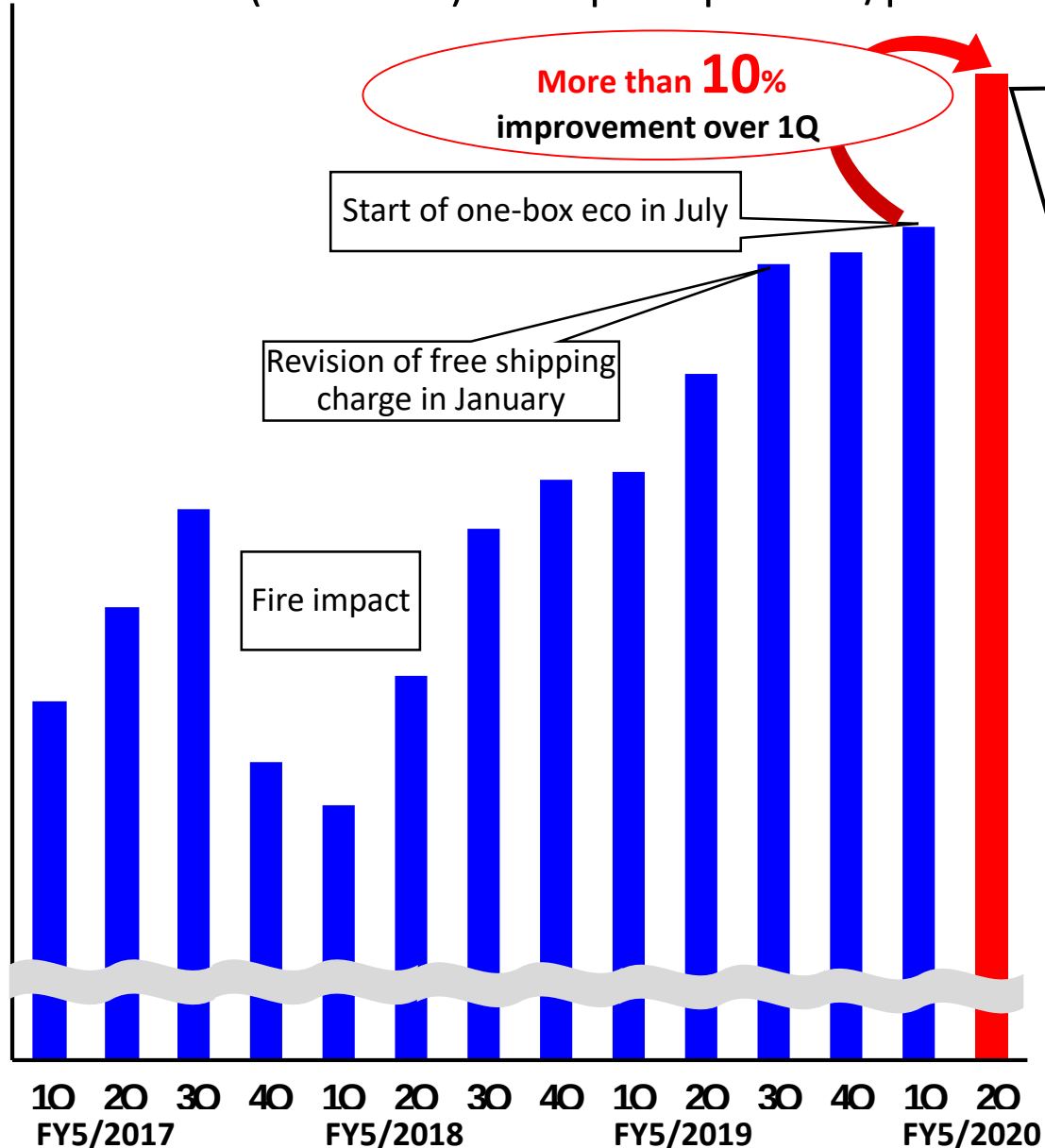
Maintain a win-win relationship with makers

Focus point (ii)

Achieve both reduction in logistics costs and
improvement of delivery service quality

LOHACO (domestic) Sales Price Per Unit/Per Box

(Yen) LOHACO (domestic) sales price per unit/per box



- ✓ Expansion of available items for one-box eco* service
With addition of about 150 items in 2Q, the number of available items has increased to about 1,900 items
- ✓ Started bundling other items in with orders of beer cases (24 cans)
- ✓ Effects of sales promotion campaign at PayPay Mall Store (starting November 1)

* One-box eco

Service offering a free shipping charge for beverage orders up to a total of 18 kg per box to promote purchases that use up the weight limit per box by setting prices of sets of beverages, such as bottled water and tea, lower than when purchased by case unit in order to reduce delivery costs

Reducing delivery costs

Focusing efforts also on strict adherence to delivery time and improvement of packing quality

Focus point (iii)

Further strengthen collaboration with Yahoo

Strengthen PayPay Mall Store

Share of sales at PayPay Mall Store
(Yahoo! Shopping Store*)
in net sales of LOHACO



Further strengthen website
functions and sales promotion
through collaboration with Yahoo



Improved profit through expansion
of sales at PayPay Mall Store

* Following the opening of the store on PayPay Mall launched on October 16, 2019, LOHACO Yahoo! Shopping Store moved to LOHACO PayPay Mall Store.

For Offices Involved in BtoB Business



ASKUL

Net Sales in BtoB

FY5/2020 Plan

¥329.1 Billion

(Yen)



Global financial crisis

Great East Japan Earthquake

FY5/2002 FY5/2004 FY5/2006 FY5/2008 FY5/2010 FY5/2012 FY5/2014 FY5/2016 FY5/2018 FY5/2020

Aiming to
achieve record
net sales for 10
consecutive
fiscal years

Conceptual Drawing of BtoB Strategy



Maximize opportunities on both axes to win customers and ensure purchases

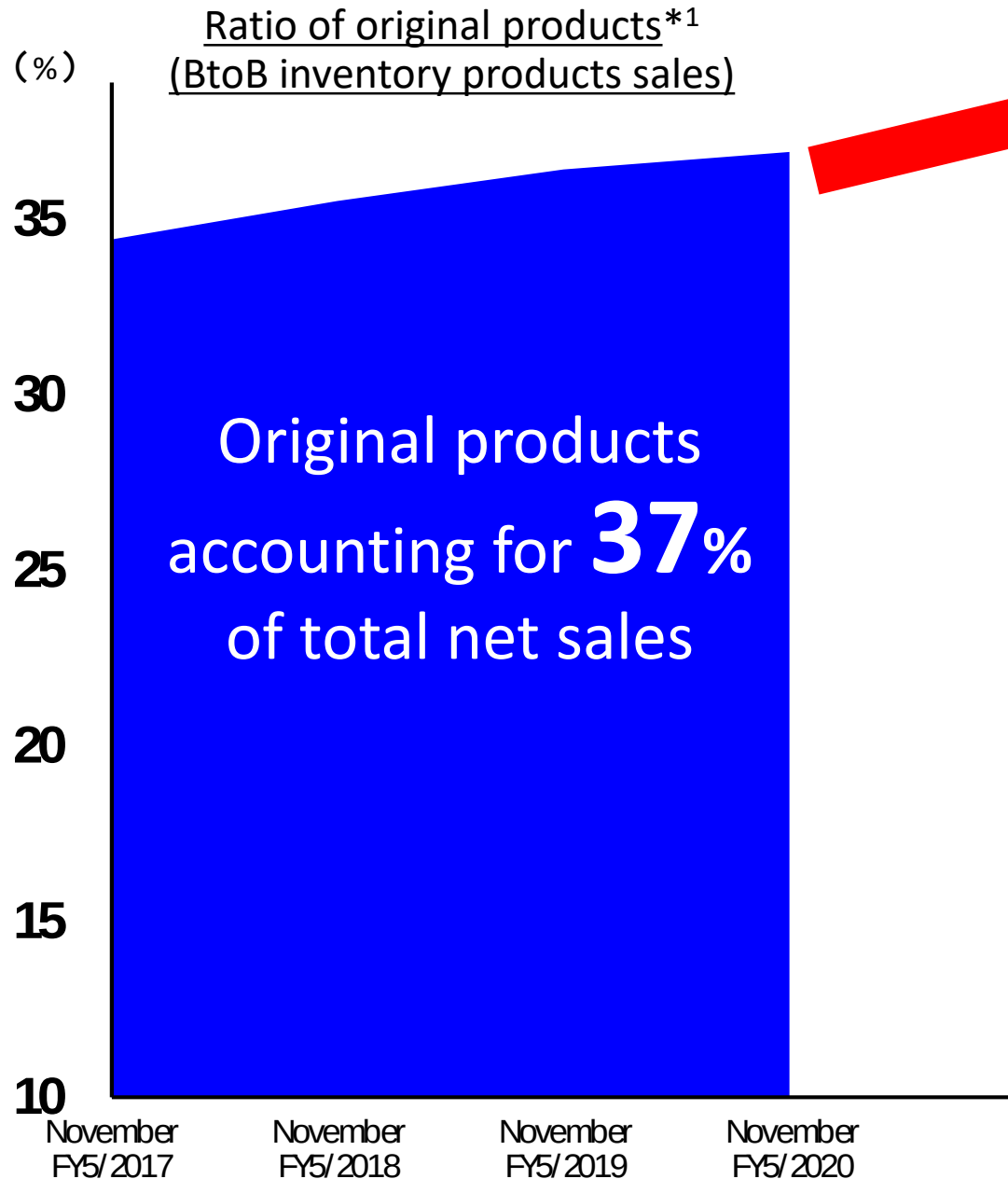
BtoB Business Stable Increases in Sales and Profits

- (i) Further accelerate sales expansion of original products
- (ii) Expansion of share backed by significant growth of long-tail products
- (iii) Increase in net sales backed by continued progress on website

(i) Further accelerate sales expansion of original products

Expansion in Original Products

Non-consolidated



Number of original products*²

As of Nov. 20 Around **8,600** items

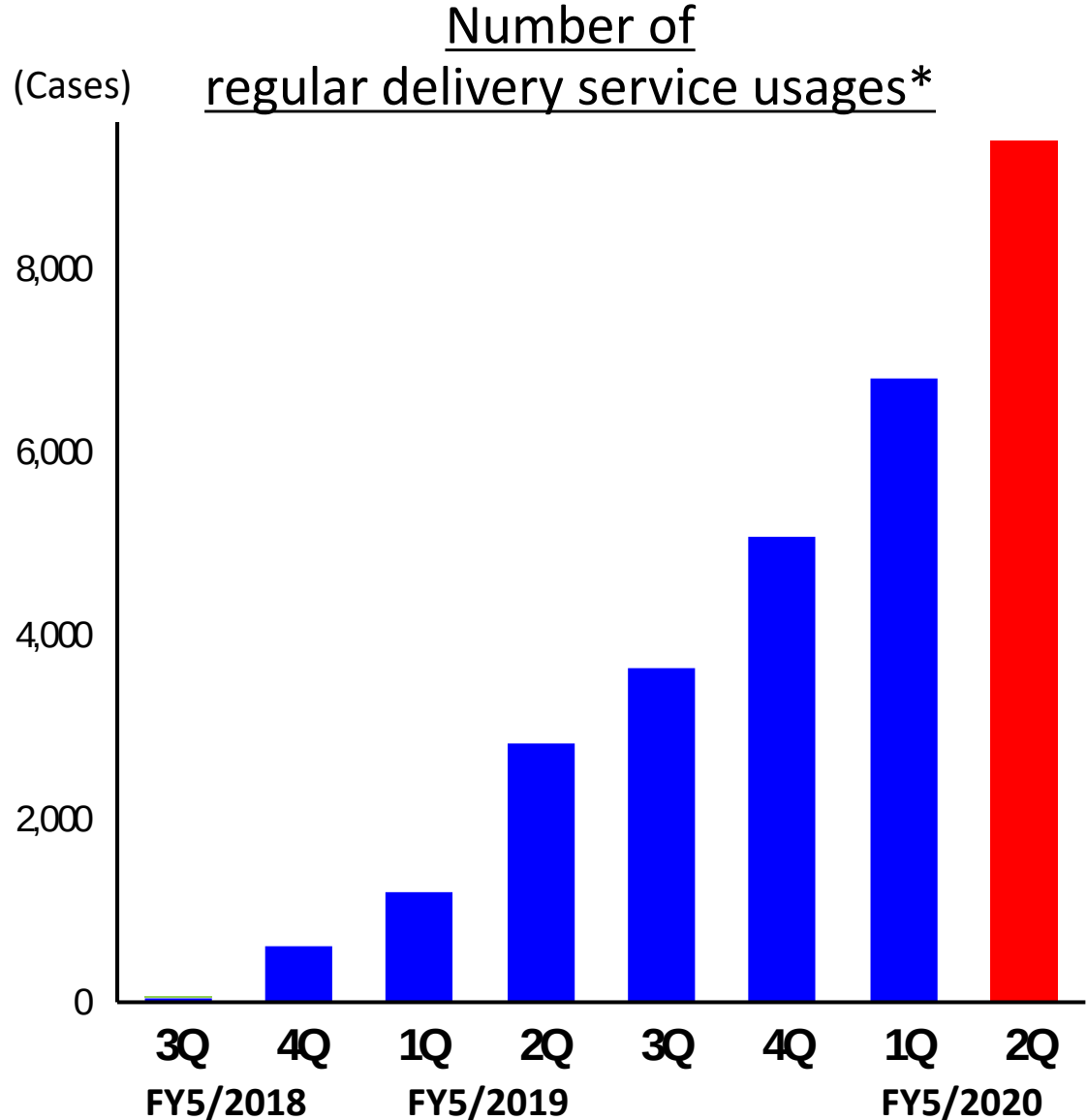


Achieving both
**product differentiation and
profitability improvement**

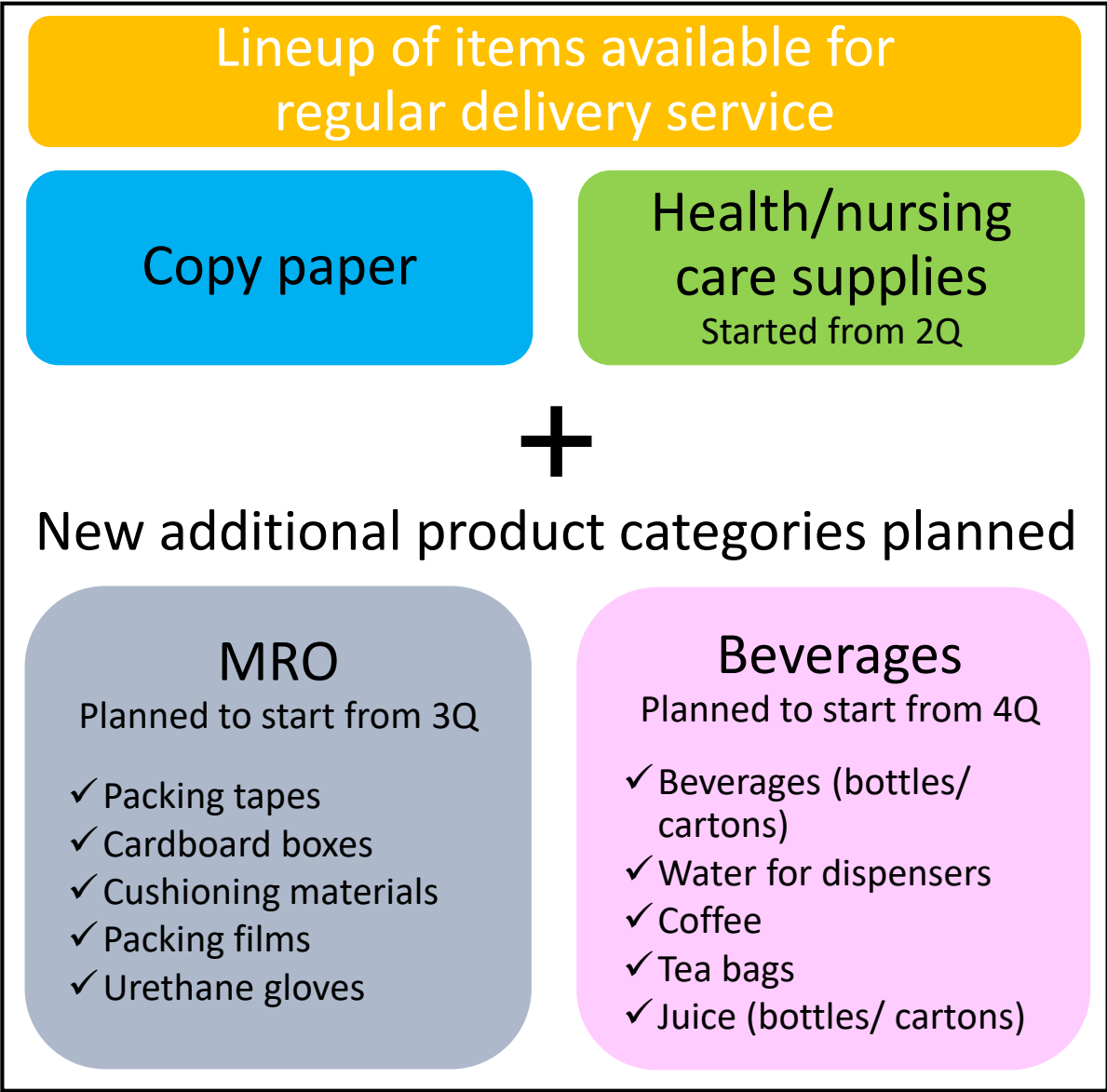
*¹ Original products includes products exclusive to Askul

*² Excluding original products exclusive to LOHACO

Accelerate Sales Expansion of Original Products and Strengthen Customer Base by Expanding Regular Delivery Service



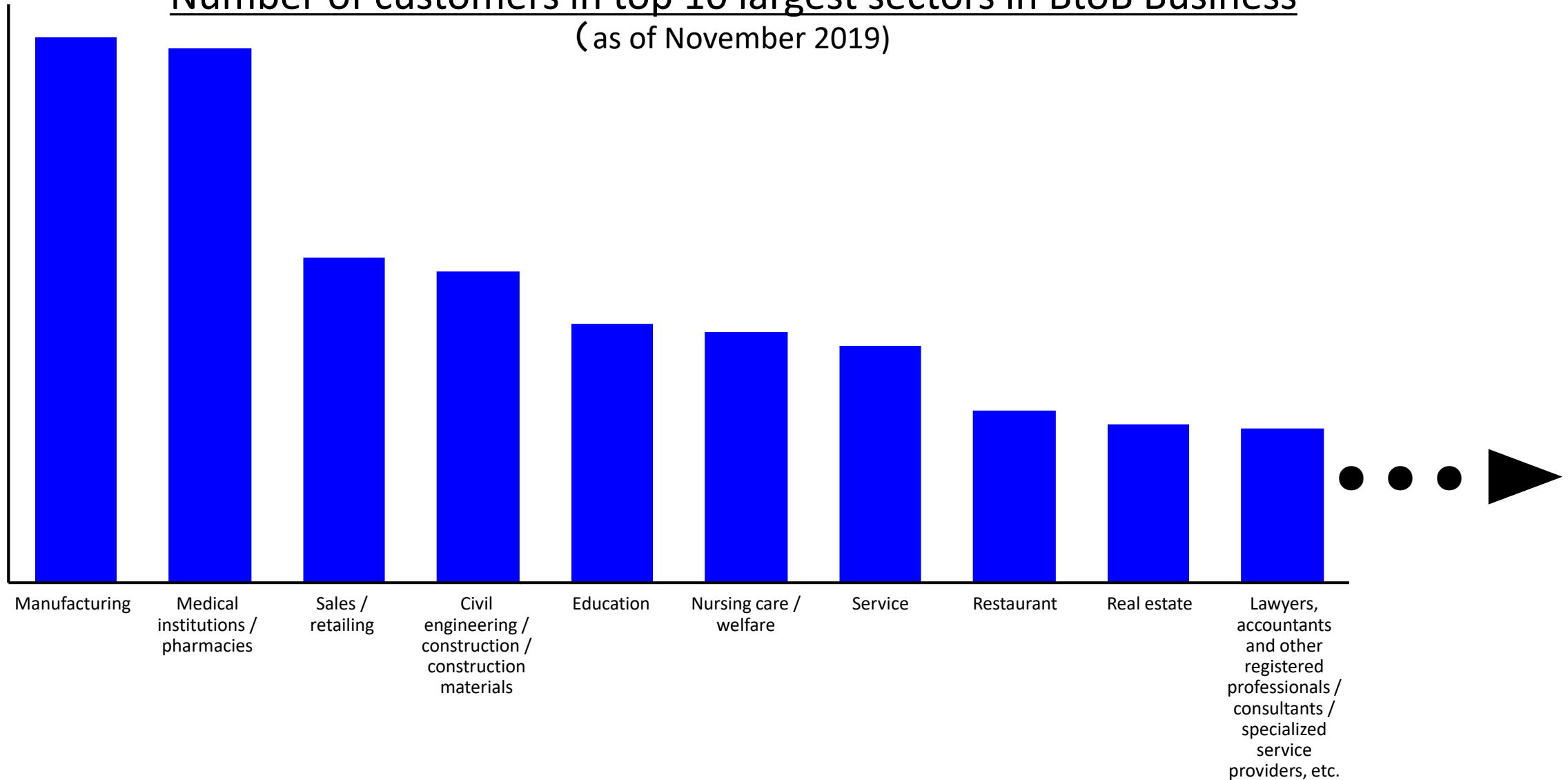
* Number of regular delivery service usages as of the end of each quarter



(ii) Expansion of share backed by significant growth of long-tail products

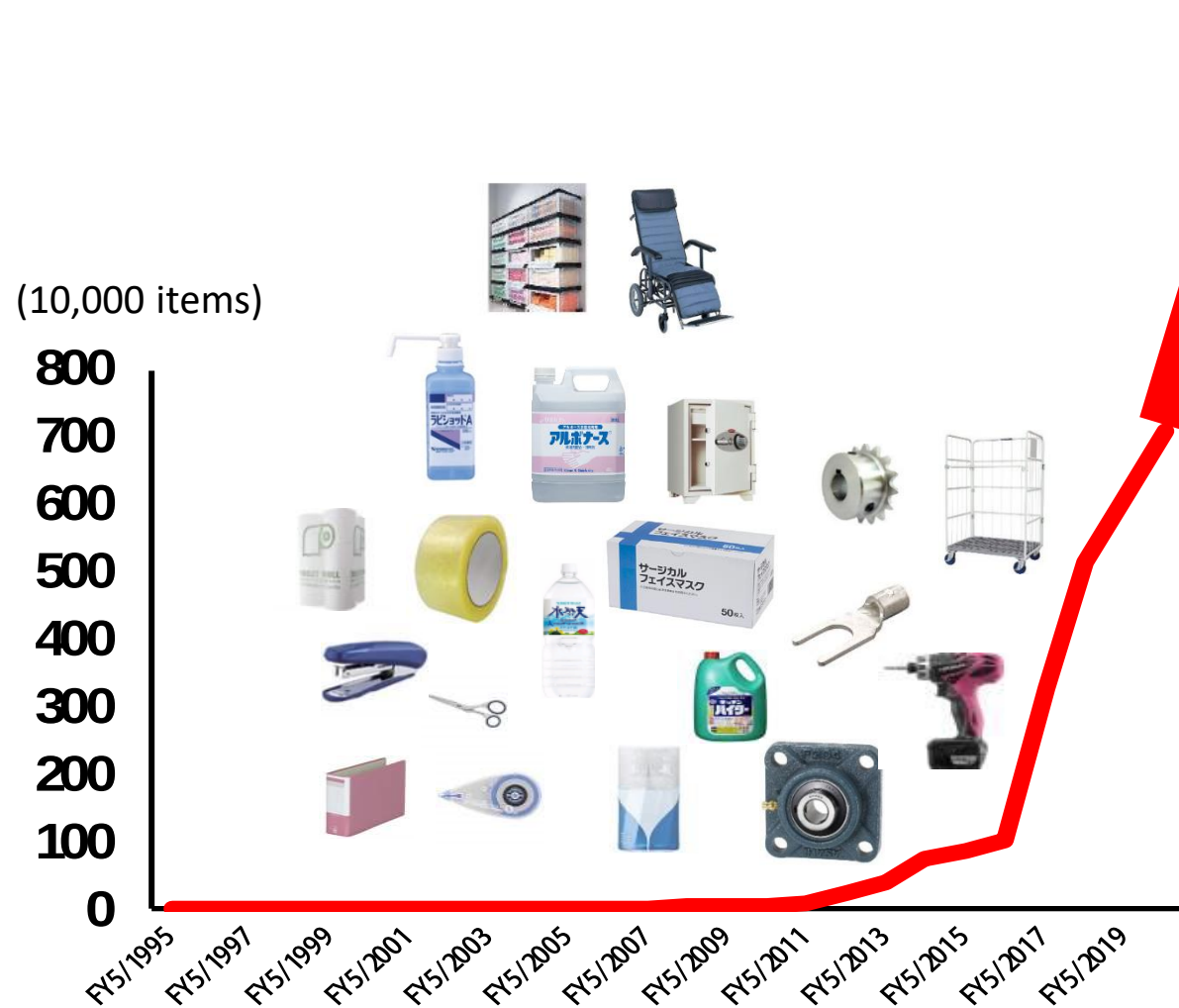
Expansion of Customer Sectors in BtoB Business

Number of customers in top 10 largest sectors in BtoB Business
(as of November 2019)



Aim to expand the lineup of long-tail products to meet needs in all sectors

Growth through Expanding the Number of Products Available



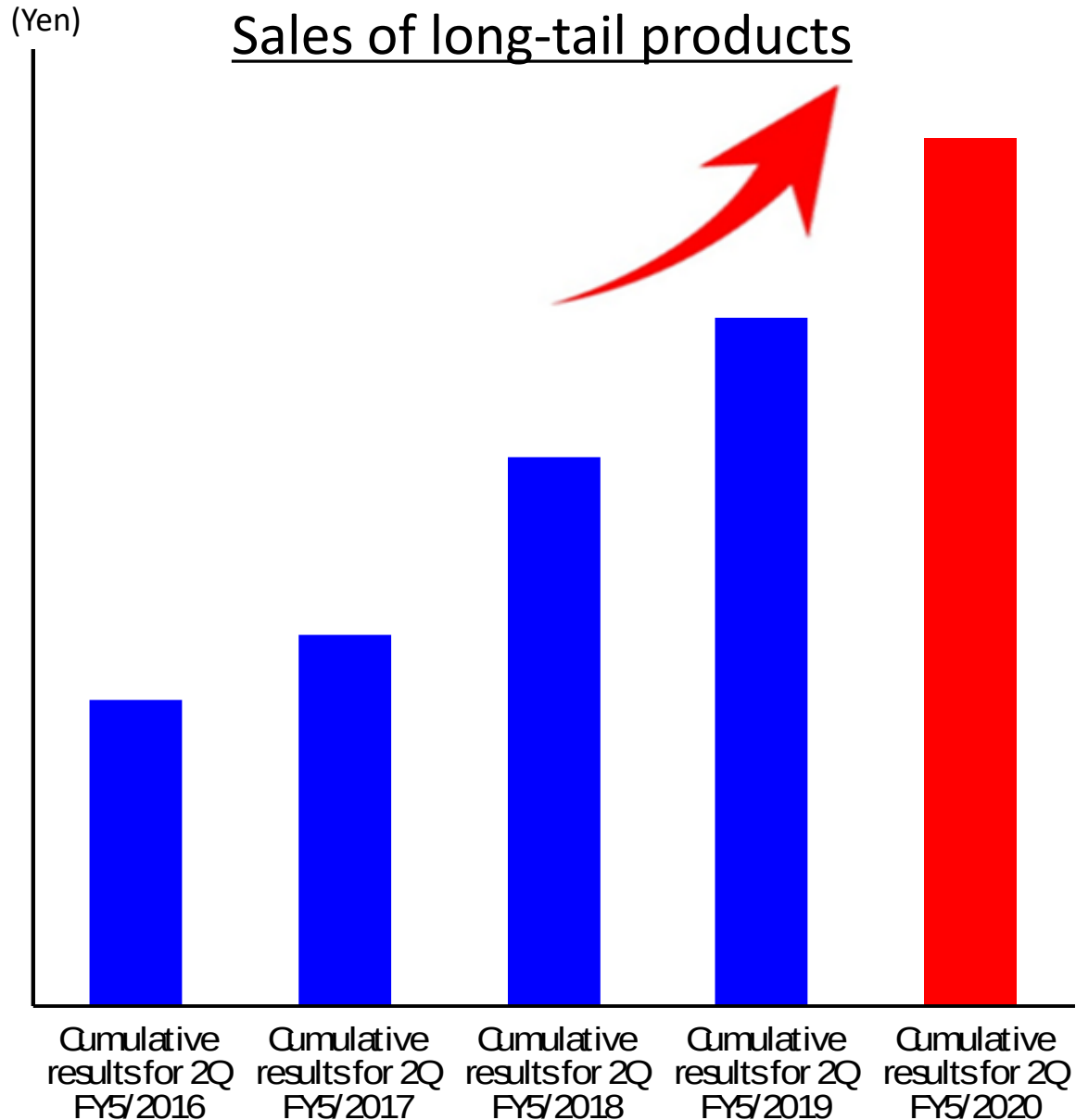
As of Nov. 20
Around **7.1 million** items

Going forward, will
**strengthen product
lineup**
in all categories

**Growth in
net sales**

Long-tail Products Will Contribute to Sales Growth

Non-consolidated



Long-tail products

Sales for FY5/2020 2Q cumulative (YoY change)

Up 24%

BtoB business sales as a percentage of net sales

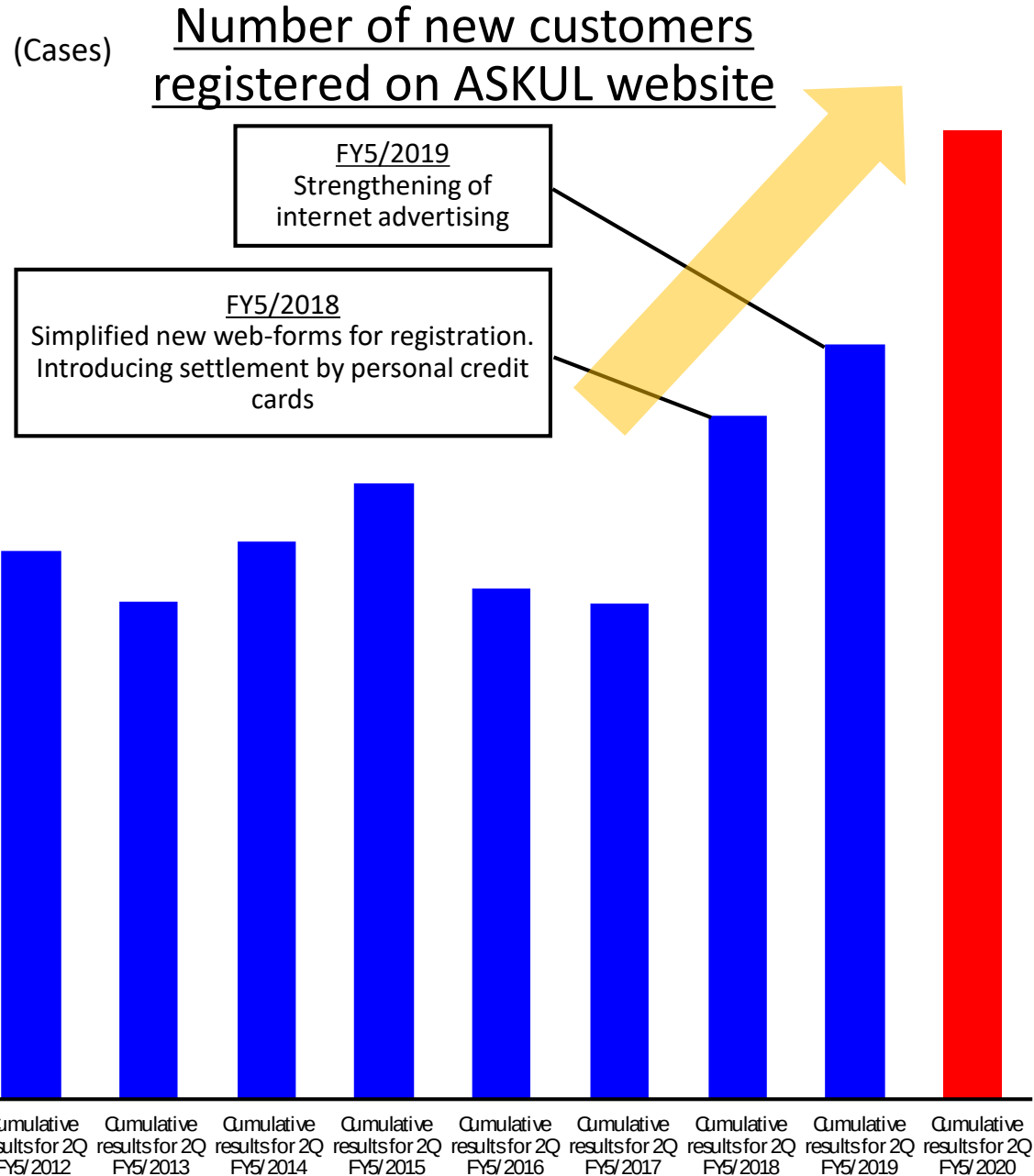
FY5/2019
6.1%
(Actual)

FY5/2020
2Q cumulative
6.8%
(Actual)

FY5/2020
7.3%
(Plan)

(iii) Increase in net sales backed by continued progress on website

Expansion of New Customers Acquired Via Search Engines



Number of customers acquired via the website

New record set

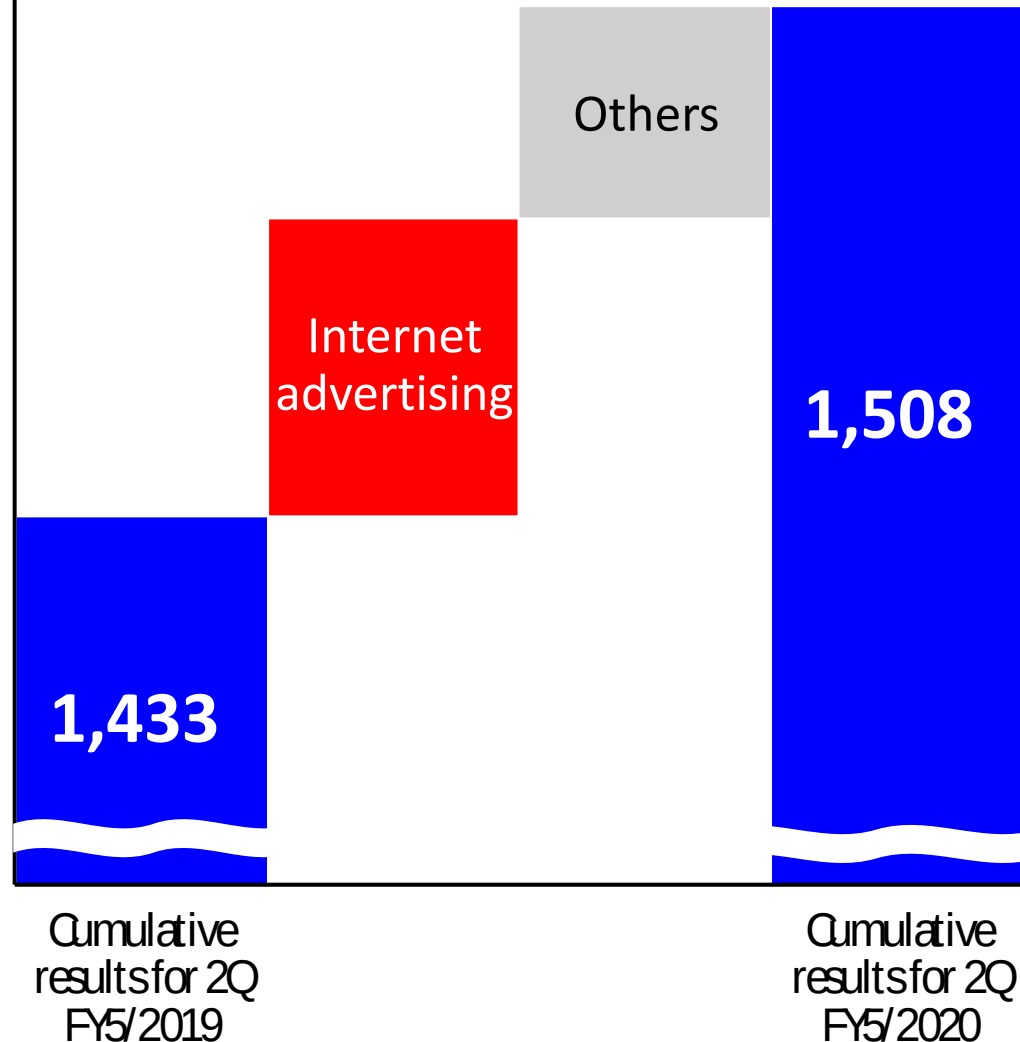
Serving as a driving force for continuous growth

Accelerate Growth through Internet Advertising

Non-consolidated

BtoB business (non-consolidated)
factors for sales growth

(¥100 million)



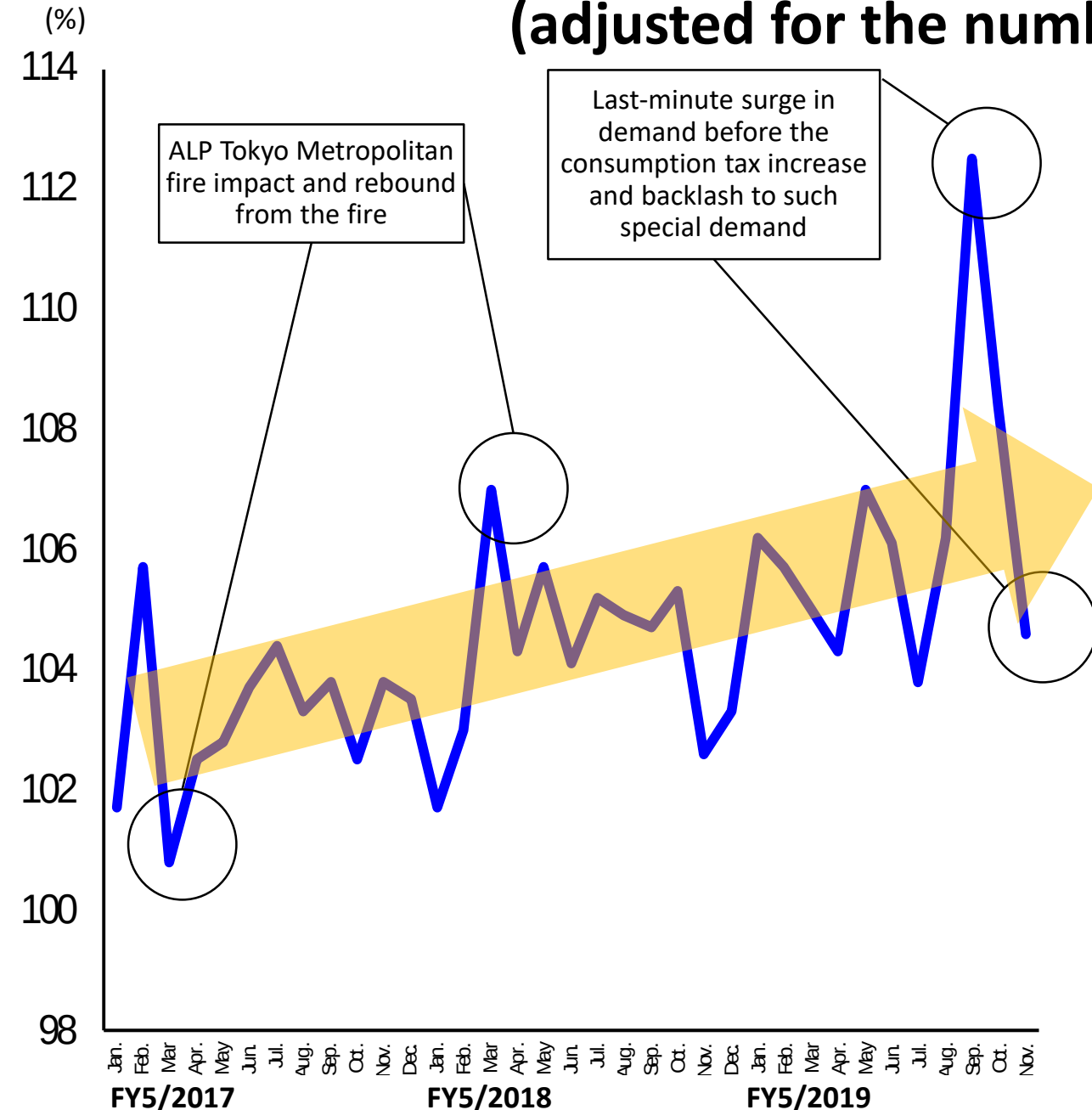
By strengthening Internet advertising
**Increase number of
customers and expand
purchase products categories**



**Contribute to
sales growth**

BtoB business only YoY Change in Monthly Net Sales (adjusted for the number of operation days)

Non-consolidated



**Continued
growth
achieved in the
last few months**

Appendix

2Q FY5/2020 Net Sales by Item

Non-consolidated

(¥billion)	Cumulative results for 2Q FY5/2019		Cumulative results for 2Q FY5/2020	
		YoY Change %		YoY Change %
OA&PC	48.0	+3.7	49.6	+3.5
Stationery	21.6	+2.5	21.9	+1.4
Living supplies	59.6	+18.7	61.2	+2.7
Furniture	10.6	+2.9	10.4	-2.6
MRO	16.3	+10.2	17.5	+7.4
Others (Medical, etc.)	12.7	+18.8	14.0	+9.7
Total	169.1	+10.1	174.8	+3.4

Mainstay
products
driving growth

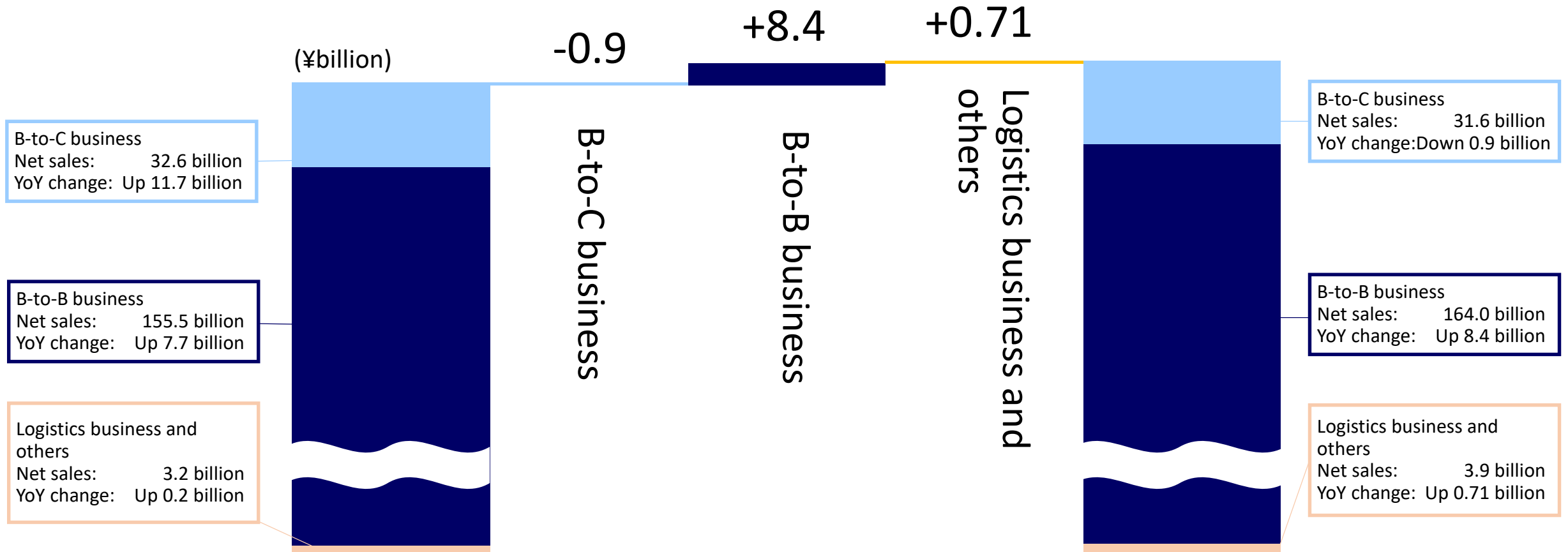
Factors Affecting 2Q FY5/2020 Consolidated Net Sales

2Q FY5/2019 (Actual)

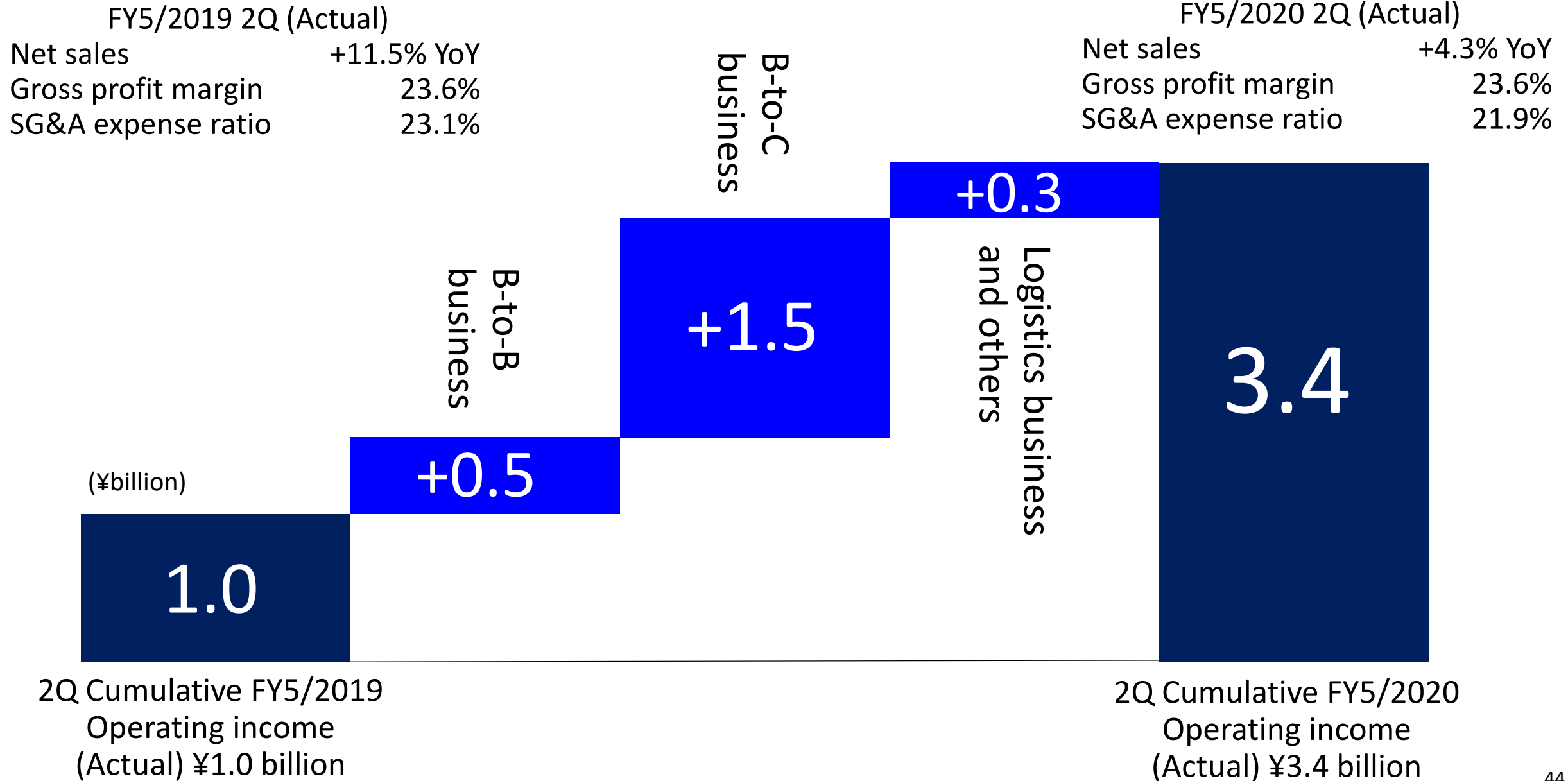
Net sales: ¥191.4 billion
YoY change: Up 19.7 billion
YoY change: Up 11.5%

2Q FY5/2020 (Actual)

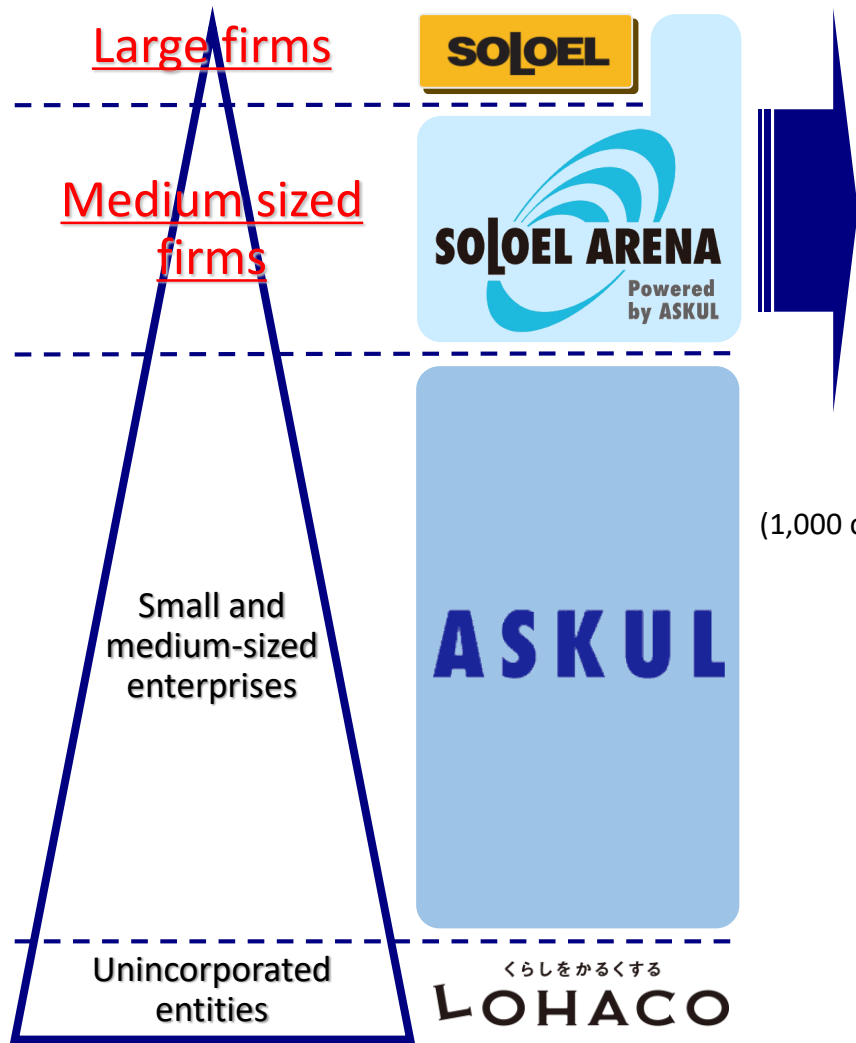
Net sales: ¥199.6 billion
YoY change: Up 8.1 billion
YoY change: Up 4.3%



Factors Affecting 2Q FY5/2020 Consolidated Operating Income

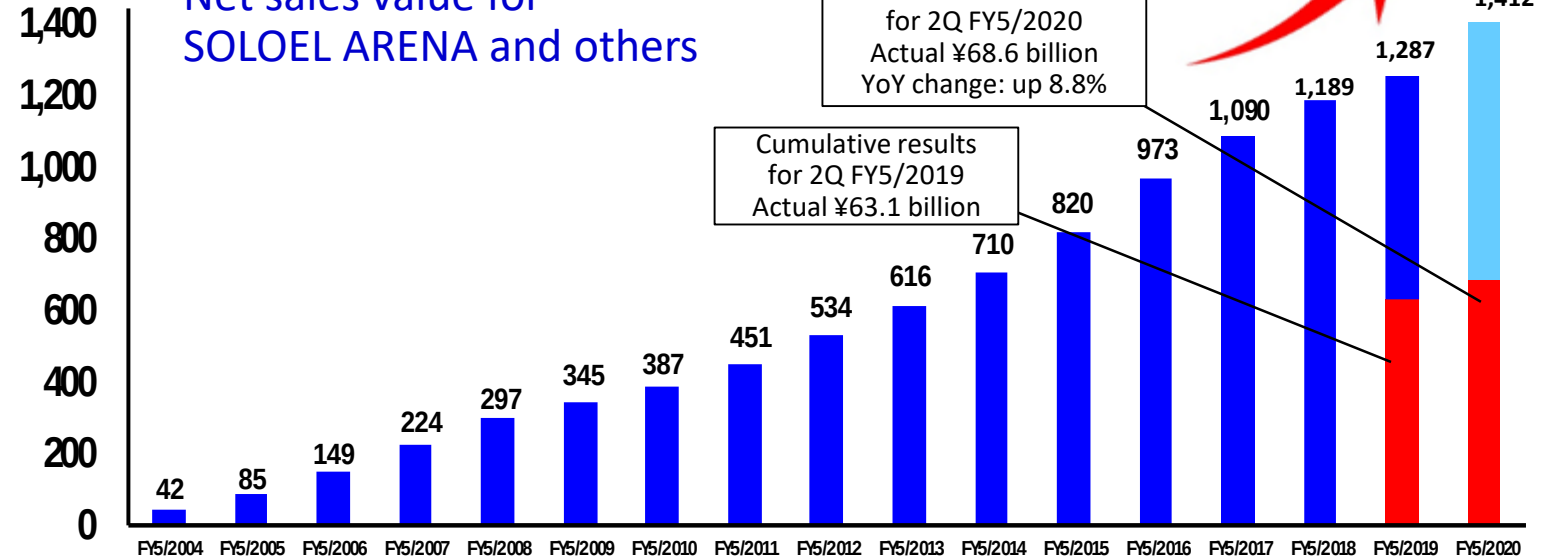


Steady Growth in SOLOEL ARENA



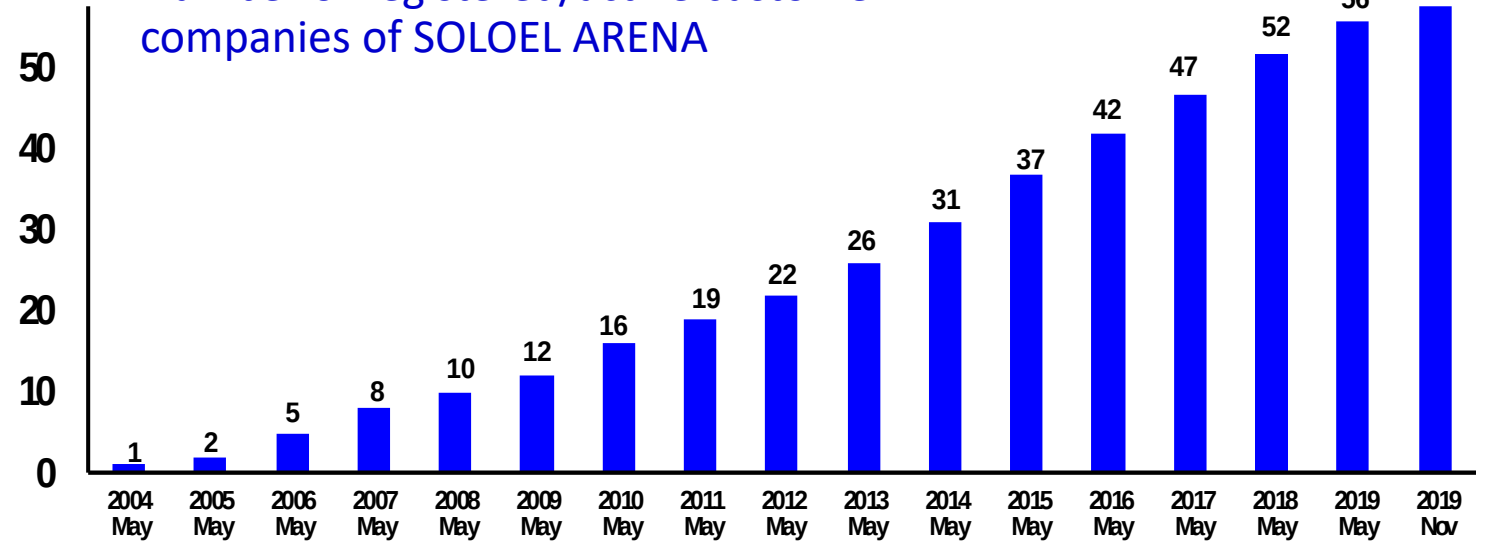
(¥100 million)

Net sales value for
SOLOEL ARENA and others



(1,000 companies)

Number of registered/active customer
companies of SOLOEL ARENA



Cumulative results for 2Q FY5/2020 achieved 8.8% YoY growth, driving the growth of the BtoB business

2Q FY5/2020 Consolidated Gross Profit, SG&A Expenses

Gross profit: ¥47.1 billion YoY change: +¥1.8 billion

Gross profit margin: 23.6%, the same level as the previous corresponding period

- Gross profit margin of the BtoB business declined temporarily due to the impact of measures implemented to respond to the consumption tax increase (logistics leveling coupon, etc.).
- Gross profit margin of the LOHACO business improved steadily.

SG&A expenses: ¥43.6 billion YoY change: -¥0.5 billion

Ratio of SG&A expense to net sales: 21.9% YoY change: -1.2 p.p.

- Improved the variable cost ratio of the LOHACO business mainly through reduction of delivery costs.

Breakdown of major YoY change factors in SG&A expenses

- Personnel costs +¥0.3 billion
- Delivery costs -¥0.7 billion

2Q FY5/2020 Consolidated Capital Expenditures

Capital expenditures ¥2.5 billion (Annual plan: ¥7.4 billion)

Facilities expansion (Introduction of robots to AVC Kansai, etc.) ¥0.78 billion

LOHACO-related software, etc. ¥0.23 billion

Data base for new products, etc. ¥0.17 billion

(Ref.) Depreciation and amortization of software: ¥2.6 billion (Annual plan: ¥5.6 billion)

Investment details

(¥ million)

Item	2Q FY5/2019	2Q FY5/2020	
	Amount	Amount	YoY Change
[Capital expenditures]	3,416	2,520	-26.2%
Property, plant and equipment	1,722	1,010	-41.4%
Intangible assets	1,693	1,509	-10.9%
Construction in progress (Note 2)	854	191	-77.6%
Software in progress (Note 2)	2,440	773	-68.3%

(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 quarter under review, and partially include consumption and other taxes.

2Q FY5/2020 Share of Orders Placed on the Internet of Net Sales and Original Products

Non-consolidated

Share of orders placed on the Internet of net sales

	2Q FY5/2019	2Q FY5/2020	YoY Change
Orders via the Internet	83.4%	84.4%	+1.0 p.p.
Other	16.6%	15.6%	-1.0 p.p.

(Note 1) Percentages are based on orders placed.

ASKUL original products

(Items)

	November of FY5/2019	November of FY5/2020	YoY Change
Number of original products	8,935	9,500	+565
Share of non-consolidated net sales (of which, share of B-to-B business)	29.0% (36.5%)	30.1% (37.0%)	+1.1 p.p. (+0.5 p.p.)

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

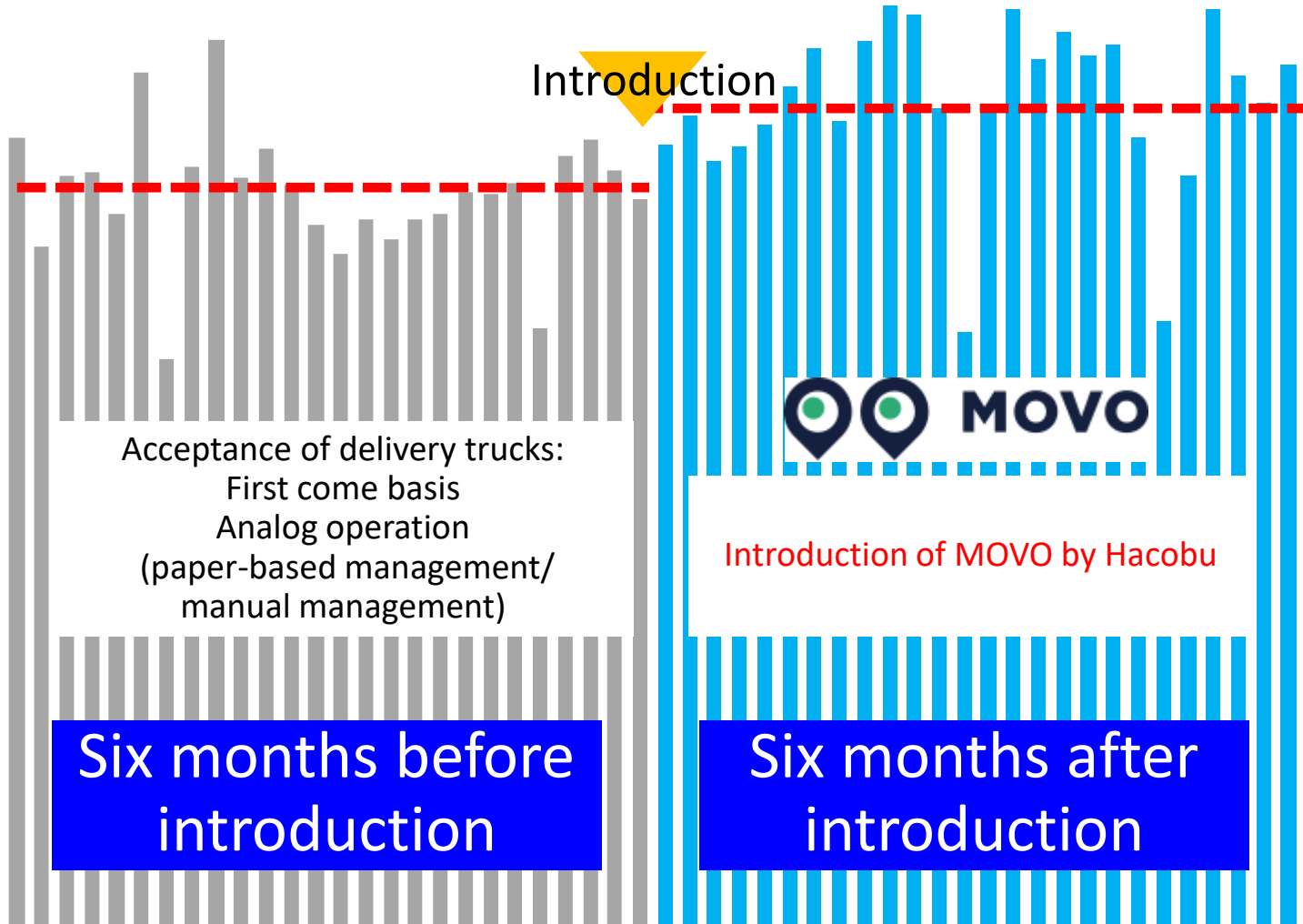
Note 2: The number of original products includes those with sales limited to Askul. Also, the calculation includes not only those items sold via catalogs but also items sold only via the Internet.

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

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

Improved Receiving Productivity Through the Introduction of the Receiving Berth* Reservation System

Receiving productivity at AVC Kansai



Receiving productivity
Improved more than
10%

Average truck standby time
Reduced to less than
1/3

* Space for docking trucks inside the logistics facilities for loading and unloading cargo between trucks and warehouses

The system has been introduced to six logistics centers after verifying the effects at AVC Kansai and is scheduled to be deployed to other logistics centers.

ASKUL Environmental Forum 2019

(held on October 24, 2019, supported by the Ministry of the Environment)

Participated in by 357 people from 183 companies
including customer companies and makers

The theme of the fourth forum:

“What companies can do to create the future of people and the earth”

Providing an opportunity to consider the promotion of measures to adapt to climate change in accordance with the Climate Change Adaption Act that came into effect in December 2018

The first forum (in 2016)

“Exploring collaboration between companies”

The second forum (in 2017)

“Promoting collaboration between companies”

The third forum (in 2018)

“Utilizing collaboration between companies”

ASKUL Environmental Forum 2019



Selected as a “Company Participating in the Model Project Toward Achieving SBT*” by the Ministry of the Environment

Selected as the only retail company for the “Model Project for Supporting the CO₂ Reduction Plan Toward Achieving SBT in 2019” by the Ministry of the Environment (in October 2019)

* SBT is an initiative to promote companies setting science-based emission reduction targets (SBT: Business equivalent of 2°C target) to achieve a 2°C target (an effort to keep warming well below 2°C and maintain it at 1.5°C) in the Paris Agreement. ASKUL’s emission reduction target was certified as an SBT by the international initiative “Science Based Targets” in August 2018.

SBT-approved CO₂ emission reduction target

(The ASKUL Group as a whole)

Target to be achieved by FY5/2031

Scope 1 and Scope 2* : **0 (zero) emissions**

Scope 3 : **Reduced by 12%**

* Scope 1 Emissions: Direct emissions of GHG from the combustion of fuels, etc., by sources owned

Scope 2 Emissions: Indirect emissions from the use of electricity, heat, and steam provided by others

Scope 3 Emissions: All indirect emissions (not included in Scope 2) that occur in the supply chain



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

