

June 19, 2023

Arata Corporation

Hiroaki Suzaki

Representative Director and President

Supplementary Explanation of Proposal No. 1 and No. 2 at Our 21st Annual General Meeting of Shareholders

Dear Shareholders

With regard to Proposal No. 2, Election of Three (3) Directors Who Are Audit and Supervisory Committee Members, to be resolved at the 21st Annual General Meeting of Shareholders to be held on June 27, 2023, ISS (Institutional Shareholder Services), a proxy voting advisory firm, has recommended shareholders vote "AGAINST" the candidate, Mr. Hideo Ishii, as he is not considered to be independent according to ISS standards. We have examined the "AGAINST" recommendation made by ISS and would like to provide a supplemental explanation once again, through the following points below, regarding our judgment that Mr. Hideo Ishii is independent. With regard to Proposal No. 1, Election of Eleven (11) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members), we would also like to provide the following supplementary explanation regarding the independence of Ms. Noriko Yao, a candidate for the position.

1. Supplementary Explanation of Our Reasons for Determining that Mr. Hideo Ishii, a Candidate for Director of the Audit and Supervisory Board Member, is Independent

a. Cooling Off Period

It has already been more than 15 years (cooling-off period) since he left Mizuho Corporate Bank, Ltd. (Now, Mizuho Bank) in March 2008, we do not believe that he has any influence from or on Mizuho Bank, Ltd.

(hereinafter referred to as the Bank) and we believe that his independence is secured by the passage of time.

b. Transactions with Open Financial Institutions (Open Banking)

The Bank is one of 13 financial institutions from which we have borrowings. The selection of financial institutions is determined by the Administration Department, which is the executive division, taking into consideration the current transaction status and interest rates offered by many financial institutions. Our Company has extensive business relationships with other financial institutions, all of which we maintain well-balanced, high-quality business partnerships with. There is no evidence that Mr. Hideo Ishii was involved in any transactions between our Company and the Bank during his tenure with the Bank.

c. Separation of Execution and Oversight in Transactions with Financial Institutions

Regarding decision-making on investment and loan projects, our Board of Directors has established mandates according to the amount of the investment or loan and deliberates on "whether or not to make investments and loans," on projects that exceed a certain amount. The Administration Department, which is the executive division, is responsible for deciding which financial institutions to procure funds from.

d. Dissolution of Strategic Shareholdings

We determine the economic rationale for strategic shareholdings on an individual stock basis, and once a year, the Administration Department, the executive finance division, takes the lead in formulating a policy and the Board of Directors decides on the strategic shareholdings. In accordance with this policy, all of the 5,300 shares of Mizuho Financial Group, Inc. that we had at the end of the fiscal year in March 2023, were sold in May 2023 and the strategic shareholding was dissolved, ensuring independence from the financial institution. (Mizuho Financial Group, Inc. did not hold any shares of our Company as of March 31, 2023.)

(Summary)

With respect to the independence of Mr. Hideo Ishii, we have determined that there is no possibility of conflict of interest and that he is able to perform his duties as a director from a fair and neutral standpoint for the following reasons.

1. Already 15 years have passed since he has left the Bank.
 2. The bank is one of many financial institutions we conduct transactions with.
 3. Decisions on financial institutions for borrowing are made by the Administration Department, which is the executive division.
 4. All 5,300 shares of Mizuho Financial Group, Inc. held by our Company in the fiscal year ended March 31, 2023, were sold in May 2023.
2. Supplementary Explanation of Reasons for Determining that Ms. Noriko Yao, a Director Candidate for the Proposal No. 1: Election of Eleven (11) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members). is independent.

Ms. Noriko Yao, a Director Candidate for Proposal No. 1: Election of Eleven (11) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members), is a partner of TMI Associates ("TMI"), with which our Company has concluded an advisory agreement with since April 2021, but is not the attorney in charge of the Company and TMI is only one of our Company's several legal advisory firms (5 companies in total). Therefore, we believe that she is independent, there is no possibility of a conflict of interest, and that she is able to perform her duties as a Director from a fair and neutral standpoint.

Advisory fees are less than 0.001% of sales for the year ending March 31, 2023.

End