



## **ARATA CORPORATION**

Earnings Investor Briefing for FY2022

May 11, 2023

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## Event Summary

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<b>[Company Name]</b>	ARATA CORPORATION
<b>[Company ID]</b>	2733-QCODE
<b>[Event Language]</b>	JPN
<b>[Event Type]</b>	Earnings Announcement
<b>[Event Name]</b>	Earnings Investor Briefing for FY2022
<b>[Fiscal Period]</b>	FY2023 Annual
<b>[Date]</b>	May 11, 2023
<b>[Number of Pages]</b>	27
<b>[Time]</b>	15:00 – 15:21 (Total: 21 minutes, Presentation: 21 minutes)
<b>[Venue]</b>	Webcast
<b>[Venue Size]</b>	
<b>[Participants]</b>	
<b>[Number of Speakers]</b>	1 Hiroaki Suzaki                      Representative Director and President

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- ▶ **FY03/2023 results**
- ▶ **Reflection on Medium-Term Management Plan 2023**
- ▶ **New Medium-Term Management Plan 2026**

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**Suzaki:** Thank you very much for watching. I am Hiroaki Suzaki, Representative Director and President of ARATA CORPORATION. I would like to explain our financial results for the fiscal year ended March 31, 2023.

Today, I will explain our business results for the fiscal year ended March 31, 2023, followed by a review of the medium-term management plan 2023, which ended on March 31, 2023, and finally, the new medium-term management plan 2026, which will end on March 31, 2026.

From now on, the medium-term management plan 2023 will be referred to as the previous midterm plan and the medium-term management plan 2026 as the new midterm plan.

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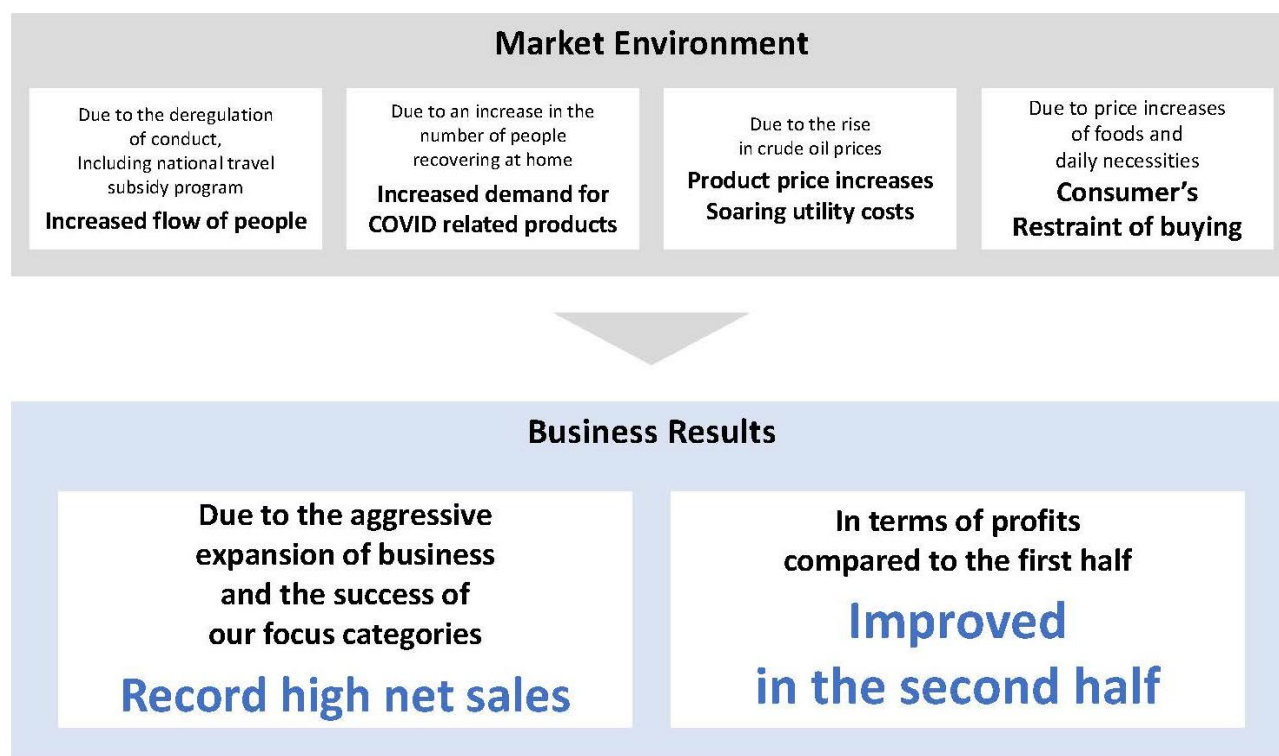
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■ FY03/2023 Highlights



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First, I will explain our financial results for the fiscal year ended March 31, 2023.

As for the market environment in the fiscal year ended March 31, 2023, the market environment changed a lot. While the human flow increased due to changes in awareness of COVID-19, lifestyles, and systems, there were times when the number of people infected with the coronavirus increased. Demand for the coronavirus-related commercial products increased, product prices and utility costs rose due to soaring raw material costs triggered by the situation in Ukraine, and consumers were reluctant to buy due to product price increases. As in the past few years, the year was a year of extreme change.

Under these circumstances, we achieved record sales thanks to our category strategy, which we have consistently implemented before and throughout the COVID-19 pandemic.

Although profits did not reach the plan due to a temporary negative impact from prioritizing transaction expansion, there was a significant recovery in profits in H2 after October. In the year, we were able to take action to achieve our long-term Management Vision 2030.

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■ Consolidated Statements of Income

(Millions of yen)	FY03/2022	FY03/2023	YoY change		Planning	Versus forecast	
	Results	Results	Change	Rate (%)		Change	Rate(%)
Net sales	857,087	<b>891,600</b>	34,513	104.0	870,000	21,600	102.5
Gross profit	84,440	<b>86,805</b>	2,365	102.8	-	-	-
SG&A expenses	71,697	<b>73,993</b>	2,295	103.2	-	-	-
Operating income	12,743	<b>12,812</b>	69	100.5	13,300	▲487	96.3
Ordinary income	13,745	<b>13,680</b>	▲65	99.5	14,000	▲319	97.7
Profit attributable to owners of parent Net income	9,009	<b>8,223</b>	▲786	91.3	9,500	▲1,276	86.6

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Under these circumstances, the consolidated statement of income for the fiscal year ended March 31, 2023 shows the results as shown.

Net sales totaled JPY891.6 billion, a record high of 104% of the previous year's level and 102.5% of the plan.

Operating income was JPY12.812 billion, slightly higher than the previous year but 96.3% of the plan.

Ordinary income was JPY13.68 billion, slightly lower than the previous year and 97.7% of the plan.

Net income attributable to shareholders of the parent company was JPY8,223 million, 91.3% of the previous year's level and 86.6% of the plan.

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■ Consolidated Statements of Income(**Accounting period**)

(Millions of yen)	The first half (Q1-Q2)			Q3			Q4		
	FY03/2022 Results	FY03/2023 Results	YoY (%)	FY03/2022 Results	FY03/2023 Results	YoY (%)	FY03/2022 Results	FY03/2023 Results	YoY (%)
Net sales	429,493	445,220	103.7	223,387	233,776	104.7	204,206	212,603	104.1
Gross profit	42,498	43,065	101.3	21,823	22,671	103.9	20,118	21,069	104.7
SG&A expenses	35,396	36,698	103.7	18,270	18,940	103.7	18,030	18,354	101.8
Operating income	7,101	6,366	<b>89.7</b>	3,553	3,730	<b>105.0</b>	2,088	2,715	<b>130.0</b>
Ordinary income	7,564	6,913	<b>91.4</b>	3,774	3,871	<b>102.6</b>	2,406	2,895	<b>120.3</b>
Profit attributable to owners of parent Net income	5,214	4,651	<b>89.2</b>	2,406	2,582	<b>107.3</b>	1,389	989	<b>71.3</b>

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Let us take a closer look at operating income and ordinary income.

Operating income was negative at 89.7% of the previous year's level in H1 but was positive at 105% of the previous year's level in Q3 and 130% of the previous year's level in Q4.

Ordinary income was also negative at 91.4% in H1 but increased to 102.6% in Q3 and 120.3% in Q4, indicating a recovery in profits in H2 of the fiscal year.

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■ FY03/2023 factors **Record-high sales for the eighth consecutive year**

**Net Sales : YoY 104.0%**

- ▶ Expansion of in-store share by steadily accumulating sales activities
- ▶ Expand sales through highly specialized proposals in the pet business
- ▶ Increase sales of Monopoly and preferred distribution products, mainly H&B

**Ordinary income : YoY 99.5%**

**Gross profit : 9.74% (▲0.11 points YoY)**  
 +Factors: Strong sales of exclusive cosmetics, hair care, etc./ Improvement in product unit price (104.4% YoY)  
 -Factors: Temporary decline in profit ratio due to measures to expand in-store share

**SG&A expenses : 8.30% (▲0.07 points YoY)**

- ▶ Restraint of YoY changes in Expenses (103.2%) compared to Net Sales (104.0%)
  - ⇒ Control personnel expenses by reviewing the optimal allocation of personnel, etc. (personnel expenses: YoY 101.7%)
  - ⇒ Improve logistics efficiency by utilizing the latest logistics equipment (logistics costs: YoY 103.5%)

**Profit attributable to owners of parent Net income : YoY 91.3%**

- ▶ Impairment loss due to deterioration in business performance of partner companies due to China's Zero-COVID policy (approx. JPY800 million)

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I will now explain the factors behind our business performance.

Sales for the fiscal year ended March 31, 2023 marked a record high for the eighth consecutive year, and the Company has maintained stable growth by steadily expanding the scale of its sales even in a rapidly changing environment.

The main reasons for the increase in sales were an increase in in-store market share due to the accumulation of sales activities, growth in the health and beauty business centered on cosmetics and pet supplies business, which we have continued as important measures in the midterm plan, and sales expansion of strategic exclusive and priority distribution products.

Profits were negatively impacted by a temporary decline in gross profit margin resulting from measures to increase in-store market share but are on a recovery track in H2 due to strong sales of high unit-price merchandise, such as seasonal merchandise, overall product price increases, and expansion of exclusive and priority distribution products.

As for SG&A expenses, the Company curbed personnel costs by reviewing optimal personnel assignments and other measures and curbed the rate of increase in expenses relative to the rate of increase in sales by reviewing order units, consolidating deliveries, and improving logistics efficiency through the use of state-of-the-art distribution equipment. We reduced SG&A expenses by 0.07 percentage points compared to the previous year, and it contributed to the profits.

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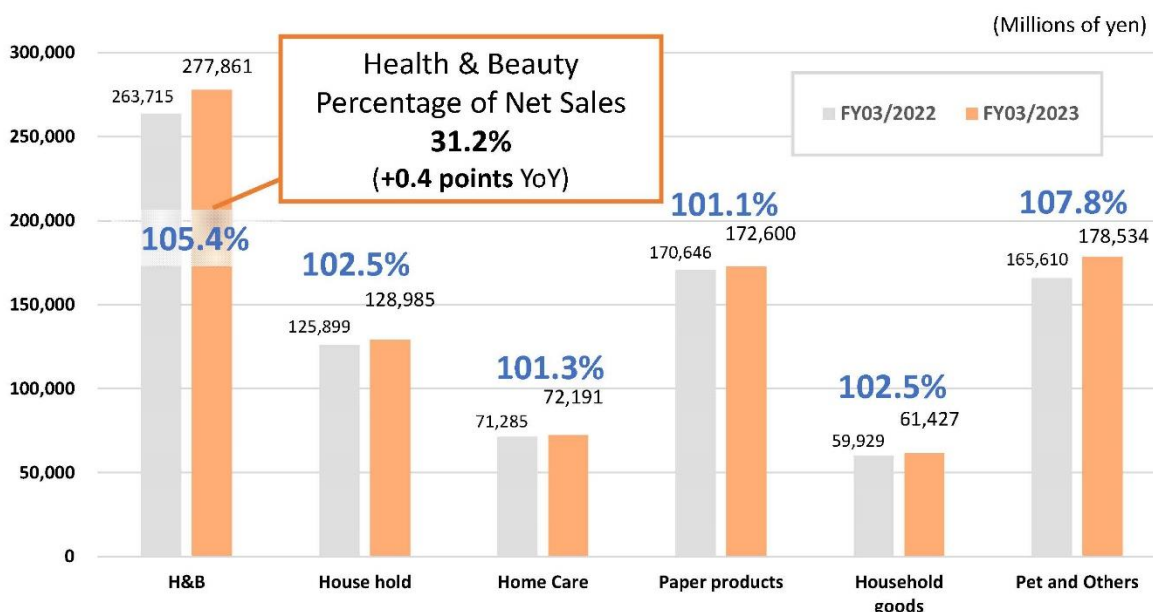


The major negative factor for net income attributable to shareholders of the parent company was an impairment loss of approximately JPY800 million for the investment in a partner company in the overseas strategy to ensure proper accounting treatment due to the deteriorating performance of the partner company in the overseas strategy as a result of China's zero-COVID-19 policy.

## FY03/2023 results



### ■ Sales by Category (YoY)



- ▶ **H&B:** Increase in sales of high-priced hair care products, increase in sales of makeup cosmetics due to increased opportunities to go out
- ▶ **Pets:** Strong sales of high value-added foods due to higher unit prices and aging of pets

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Looking at sales by category, sales in all categories were higher than in the previous year. Among them, the health and beauty and pet supplies categories, which we have been strengthening, showed a significant increase over the previous year, showing the results of the measures taken in the previous midterm plan.

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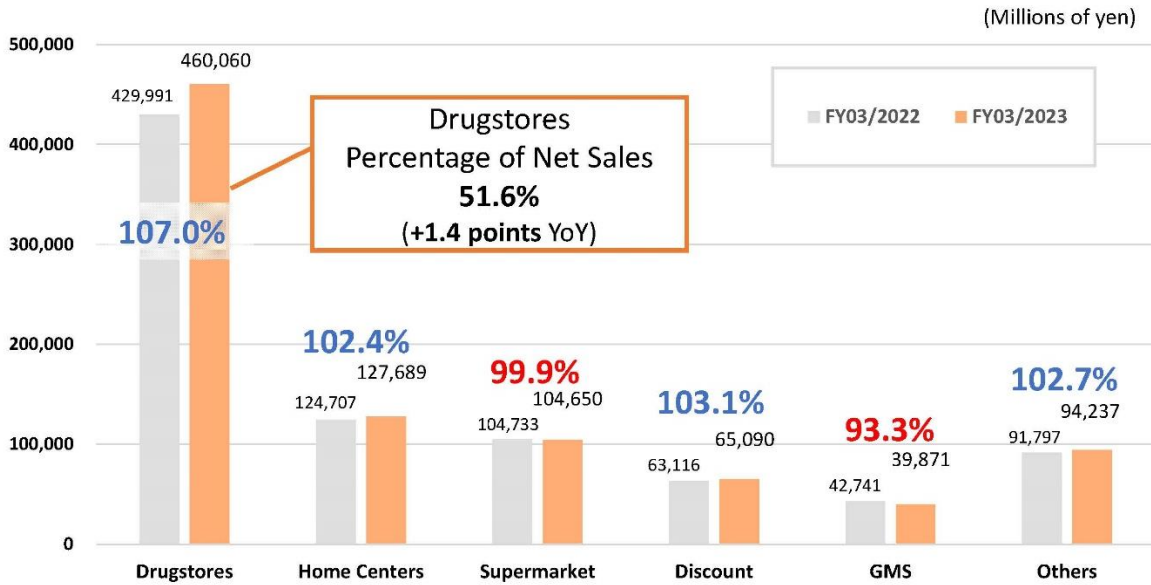
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■ Sales by Business Category (YoY)



► **Drugstores:** Increase in sales due to expanded transactions

Looking at sales by business type, drugstores grew significantly to 107%, and the type accounted for 51.6% of the total sales, up 1.4 percentage points from the previous year.

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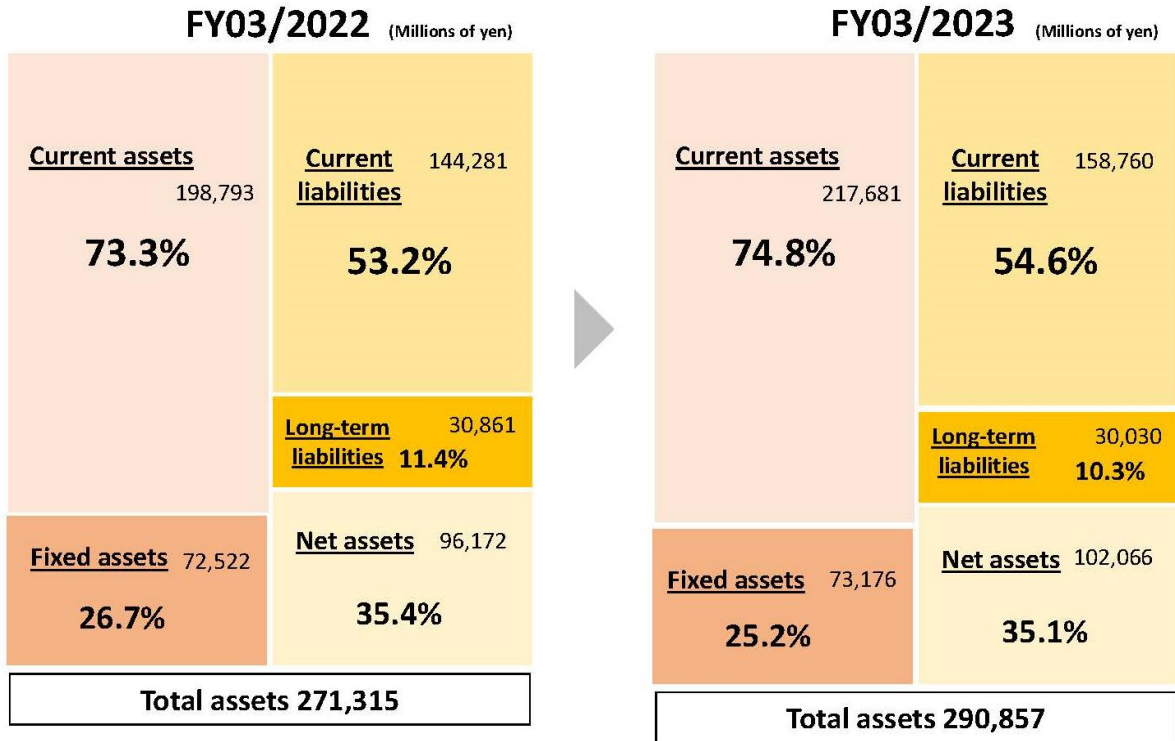
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■ Consolidated Balance Sheets



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The consolidated balance sheet is shown here.

Total assets amounted to JPY290,857 million, up approximately JPY19.5 billion from the end of the previous period. Net assets totaled JPY102,066 million, an increase of approximately JPY5.9 billion from the end of the previous period.

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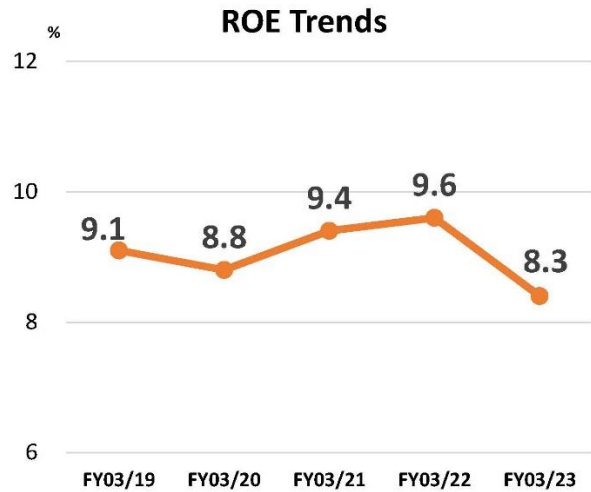
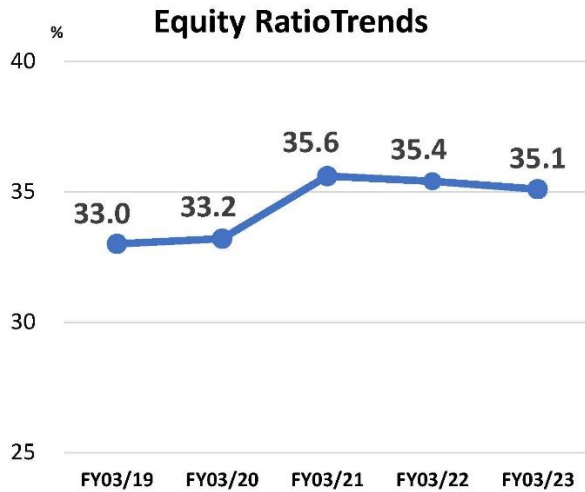
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■ Ratio of net worth and ROE



**Improve financial soundness and ensure profitability**

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Here is a graph showing the capital adequacy ratio and ROE over the past five years.

The capital adequacy ratio has remained steady and has been maintained in the 35% range.

ROE was 8.3%, below the target of 9%, due to a decrease in the amount of net income, which was affected by the impairment loss.

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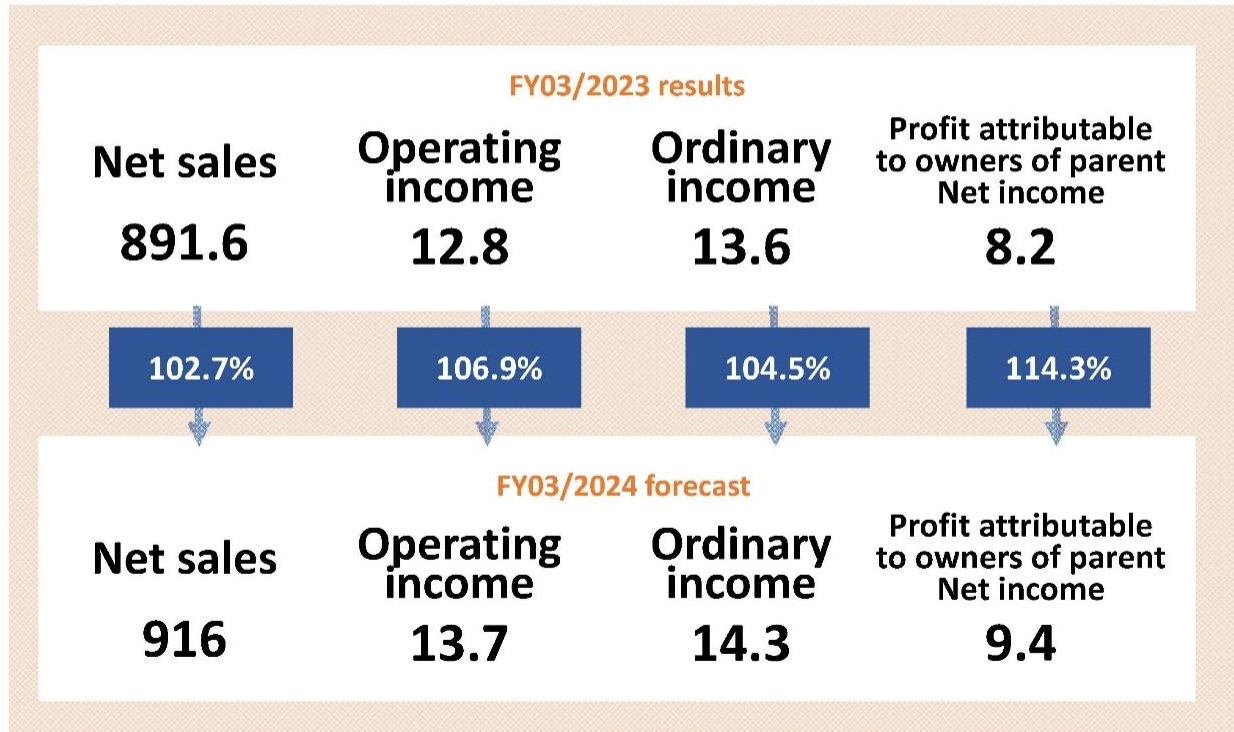
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■ Earnings forecast

(Billions of yen)



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Based on the above performance, we are forecasting net sales of JPY916 billion, operating income of JPY13.7 billion, ordinary income of JPY14.3 billion, and net income of JPY9.4 billion for the fiscal year ending March 31, 2024. This year is the year in which the new medium-term plan starts. We will implement measures to achieve the targets for the final year of the plan, 2026.

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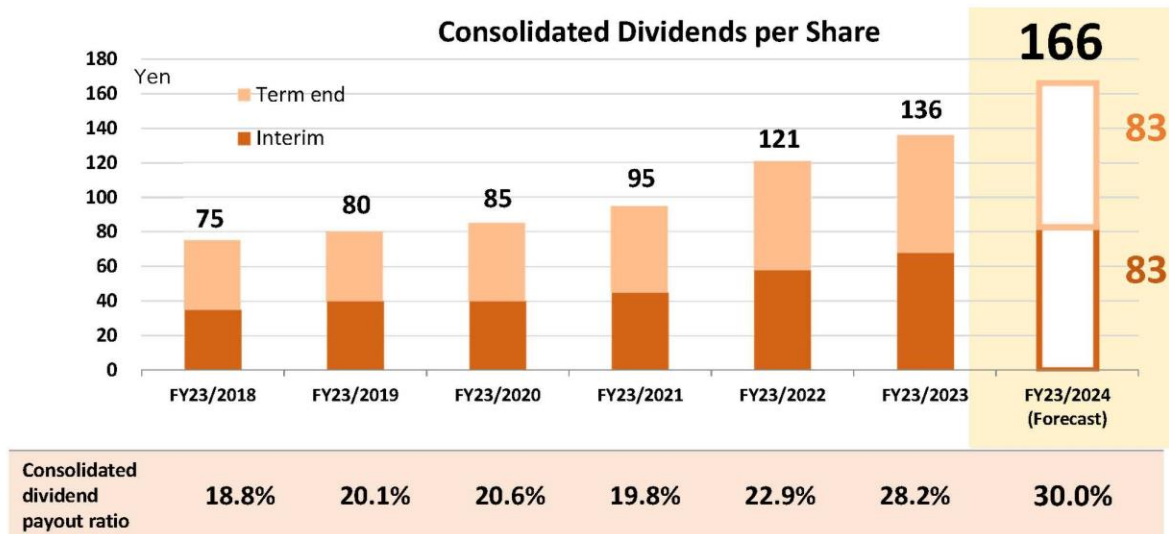


■ Shareholder Returns

**Dividend policy:** Stepwise increase from FY03/2022 with the goal of achieving a 30% payout ratio on a consolidated basis

**FY03/2023 :** Interim:JPY68, Term end:JPY68, Total:JPY136 (YoY+JPY15)

**FY03/2024 (Forecast) :** Interim:JPY83, term end:JPY83, Total:JPY166 (YoY+JPY30)



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Next, I will explain shareholder returns.

While taking into consideration stable dividends, the Company has changed its dividend policy with an awareness of the dividend payout ratio from the fiscal year ended March 31, 2022 and will increase shareholder returns in stages, with a target of 30%.

In line with this policy, for the fiscal year ended March 31, 2023, the dividend payout ratio was 28.2%, 5.3 percentage points higher than in the previous fiscal year, in an effort to increase shareholder value.

Furthermore, we plan to achieve a dividend payout ratio of 30% for the fiscal year ending March 31, 2024 ahead of schedule. The forecast dividend for the full year is JPY166 per share, consisting of an interim dividend of JPY83 per share and a year-end dividend of JPY83 per share, for a payout ratio of 30% based on the forecasted net income of JPY9.4 billion for the next fiscal year.

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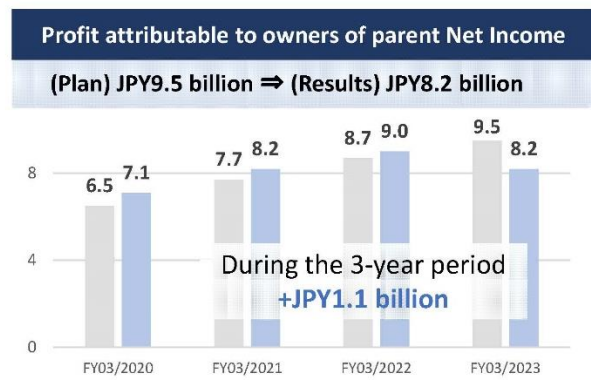
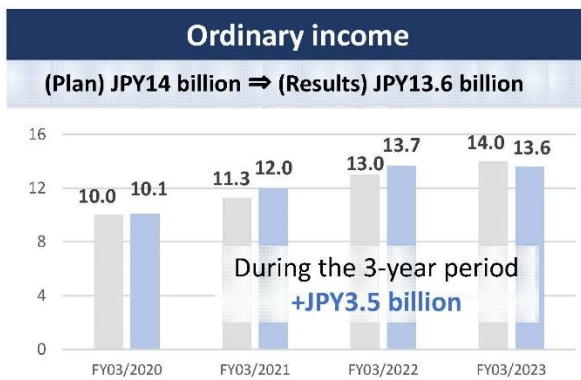
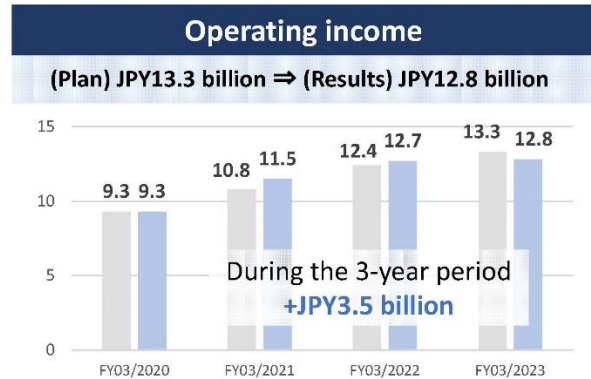
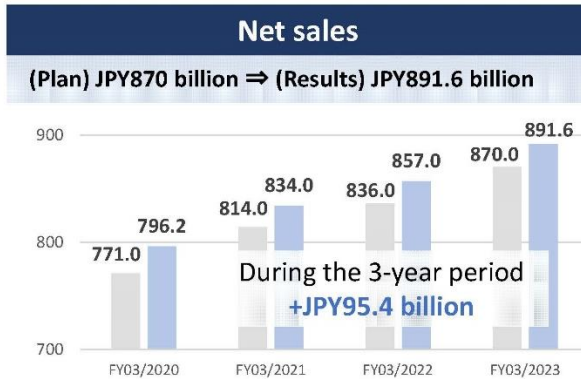


## Reflection on Medium-Term Management Plan 2023



### Planned figures and results

■ Plan ■ Results (Billions of yen)



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Next, I will explain the new medium-term plan.

First, I would like to begin with a review of the previous medium-term management plan that has been implemented to date.

As explained earlier for the fiscal year ended March 31, 2023, net sales exceeded the plan. Profits fell short of the plan, but compared to three years ago, the fiscal year ended March 31, 2020, when the previous midterm plan began, net sales increased JPY95.4 billion, operating income and ordinary income increased JPY3.5 billion, and net income attributable to shareholders of the parent company increased JPY1.1 billion. The Company grew substantially.

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### [Key points: Business Strategy]

Unachieved for the profit plan	
<b>Gross profit : 9.74%, YoY ▲ 0.11 points</b>	
⇒ Temporary impact of in-store share expansion measures in the final fiscal year ※Improved from the first half (▲ 0.22 points) to the second half (▲ 0.01 points)	
<b>Net income attributable to owners of the parent Net Income: YoY ▲ JPY786 million</b>	
⇒ Earnings deteriorated due to the impact of China's Zero-COVID policy by partner companies in overseas strategy Impairment loss on investment (approx. JPY800 million) was recognized in order to ensure proper accounting treatment.	
Achievement and action for the profit plan	
<b>Product development: Strengthen products developed in-house</b>	
▶ <b>Net Sales composition of Monopoly and preferred distribution products:</b> <b>less than 1% (FY03/2020) ⇒ over 6% (FY03/2023)</b>	
▶ <b>Manufacturers' functions, Product development: Product expansion by D-Nee Cosmetics Co., Ltd.</b>	
<b>Category strategy</b>	
▶ <b>H&amp;B increased 11.2% compared to FY03/2020</b>	
▶ <b>Pets increased 20.8% compared to FY03/2020</b>	
<b>ESG</b>	
▶ <b>Target setting</b>	Reduce CO <sub>2</sub> emissions by 50% (FY03/2030) Proportion of women in managerial positions 4.5% in 2026
▶ <b>Strengthening Governance</b>	Strengthening Transparency through Board Reform and Nominating and Compensation Committee

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To summarize the past three years, in terms of profits, we had been performing well until the fiscal year ended March 31, 2022, but fell short due to a decline in profit margins in the fiscal year ended March 31, 2023. As explained earlier, this is because of a temporary factor due to in-store market share expansion measures and is already on the road to recovery.

Other major strategies are progressing well, with a steady increase in the volume of our own exclusive and priority distribution products due to the strengthening of our product procurement, planning and development functions, and steady expansion in the health and beauty and pet supplies categories enhancement strategies, which we are continuing to implement as category strategies.

With regard to ESG initiatives, we have set various goals and have started activities to achieve them.

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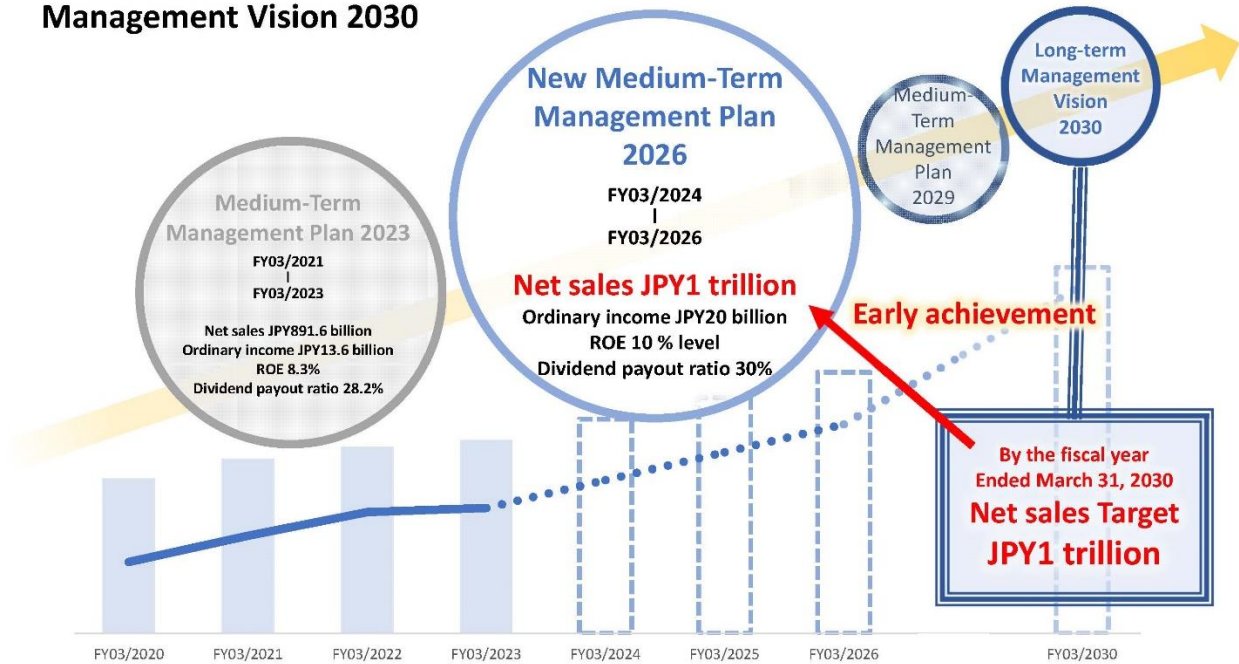
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## ■ Positioning of Medium-Term Management Plan 2026 in Long-Term Management Vision 2030



### Medium-Term Management Plan 2026: 3 Years to Accelerate Growth toward the Targets of the 2030 Vision

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Next, I will explain the new medium-term plan.

The new medium-term management plan is positioned as the second phase of milestones toward the long-term Management Vision 2030. It will be three years of major realization of measures prepared in the previous medium-term management plan and three years of new measures for further growth. We will accelerate our growth.

Specifically, we will achieve the goal of JPY1 trillion in net sales, which was one of the goals of the 2030 vision, in the fiscal year ending March 31, 2026.

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## New Medium-Term Management Plan 2026



### Long-term Management vision 2030

#### Realize your dreams. Change your daily lives.

By the fiscal year  
Ended March 31, 2030  
**Net sales Target**  
**JPY1 trillion**

The dream to spend enriching and comfortable time every day for many years to come.  
We want to be a company that can make peoples' "dreams come true."  
ARATA will change your life. A new daily life.

### Medium-Term Management Plan 2026 Themes

#### Accelerating growth

Accelerate growth strategies in Growth Businesses, Business Foundations, and Human Resources to achieve net sales target in Long-Term Management Vision 2030 ahead of schedule. We will demonstrate our presence in corporate growth with a view to the future of 2030 and further increase corporate value with a view to exceeding PBR1 multiples.

FY03/2023 Results	Net sales JPY891.6 billion	Ordinary income JPY13.6 billion	ROE 8.3%	Dividend payout ratio 28.2%
	↓	↓	↓	↓
<b>FY03/2026 Targets</b>	<b>JPY 1 trillion</b>	<b>JPY 20 billion</b>	<b>10% level</b>	<b>achieve the target ahead of schedule FY03/2024 30%</b>

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We will explain the themes and key measures of the new medium-term management plan.

In order to achieve the long-term Management Vision 2030, which was created at the same time as the previous medium-term management plan, the new medium-term management plan is based on the theme of "Acceleration of Growth." We aim to accelerate growth strategies in growth businesses, infrastructure, and human resources to achieve the sales targets of the long-term Vision 2030 early. We aim to further increase our corporate value with a view to achieving a P/B ratio in excess of 1x by establishing a presence through corporate growth that looks beyond 2030.

We are moving forward to achieve our new three-year goals of JPY1 trillion in net sales, JPY20 billion in ordinary income, and ROE in the 10% range. As for the dividend payout ratio, we aim to achieve 30% by the fiscal year ending March 31, 2024 ahead of schedule.

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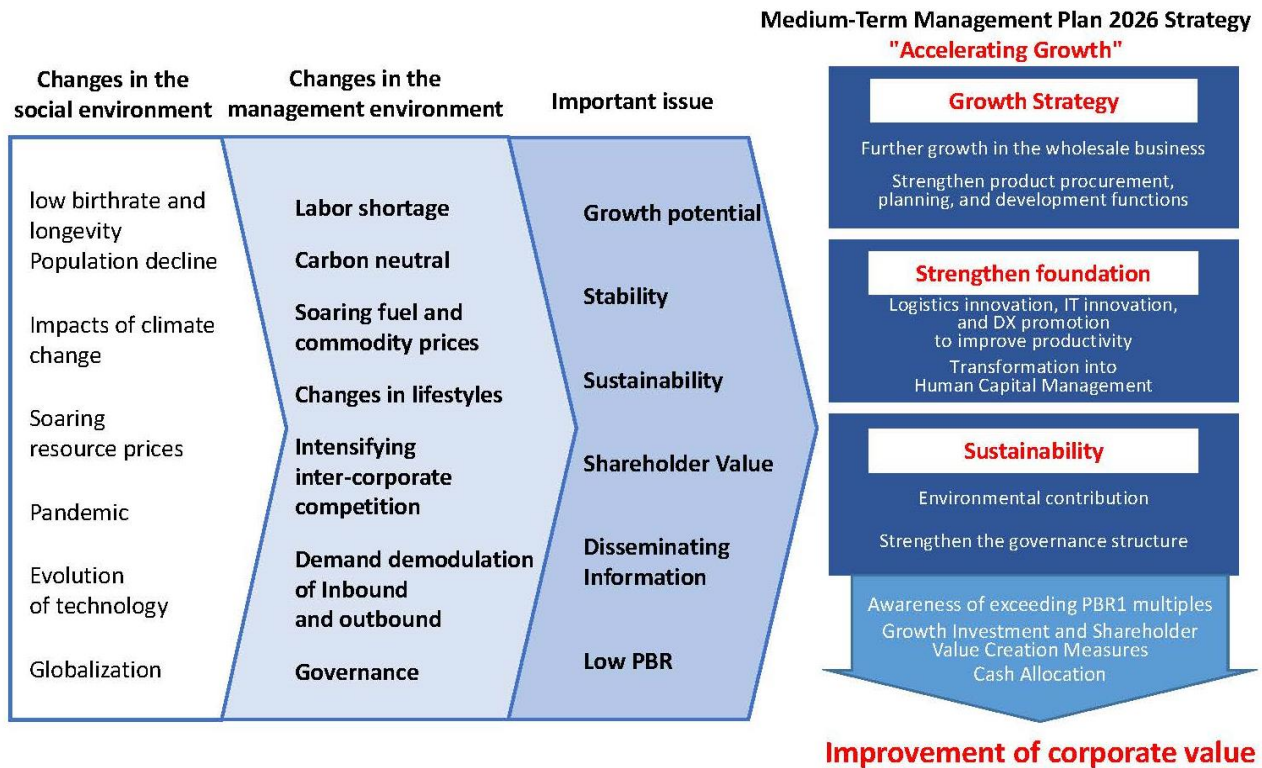
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## ■ Management Environment and Important Issues in Medium-Term Management Plan 2026



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Changes in the social and business environment in the new medium-term management plan are shown here.

In this environment, we believe that our key issues to accelerate our growth are growth potential, stability, sustainability, shareholder value, information dissemination, and the low P/B ratio of less than 1x.

To resolve these issues and to achieve our long-term Management Vision 2030, we will promote growth strategies, foundation reinforcement, and sustainability through the specific strategies in our medium-term management plan 2026.

Furthermore, we will accelerate growth and increase corporate value by realizing cash allocation based on growth investments and taking into account measures to create shareholder value, with an eye on a P/B ratio in excess of 1x.

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## New Medium-Term Management Plan 2026



**Growth strategy:** Further growth in the wholesale business ⇒ Target a 12% increase in Net Sales for FY03/2026

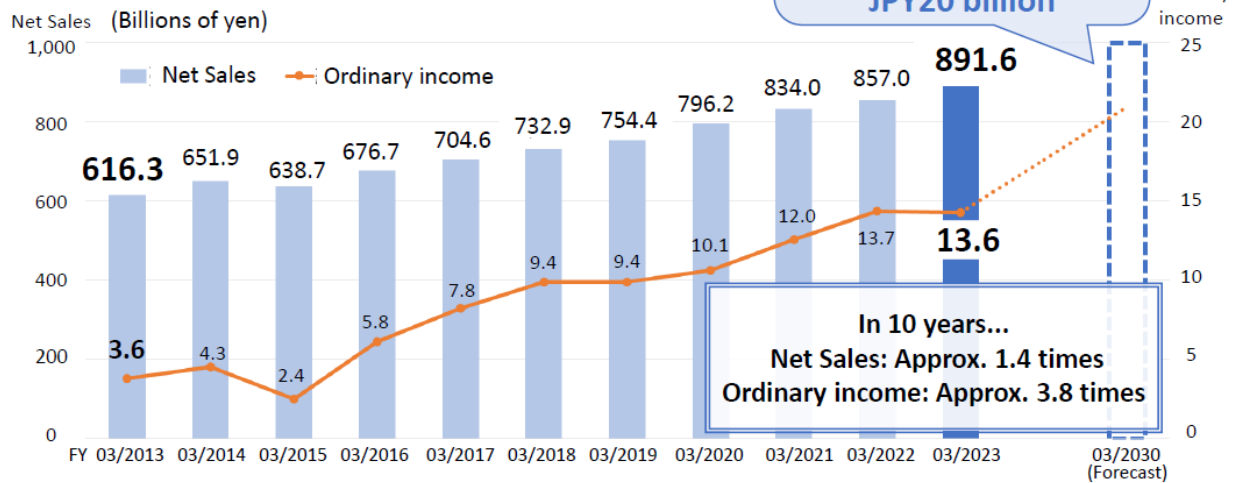
### Domestic Wholesale Business: Continuity Strategy (Core / Growth)

Continue stable growth in the wholesale business, the core of the business

- ▶ Expand scale by promoting category strategies
- ▶ Focus on the Tokyo, Nagoya, and Osaka areas with growth potential

**Targets for FY03/2026**

Net sales  
JPY1 trillion  
Ordinary income  
JPY20 billion



**In 10 years...**  
Net Sales: Approx. 1.4 times  
Ordinary income: Approx. 3.8 times

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I will now explain the measures of the new medium-term plan.

First, as a growth strategy, I would like to explain our wholesale business, which is the core of our business.

We will continue to promote our existing category strategy. We will maintain stable growth in market and in-store share by focusing on the Tokyo, Nagoya, and Osaka areas, which are expected to continue to grow.

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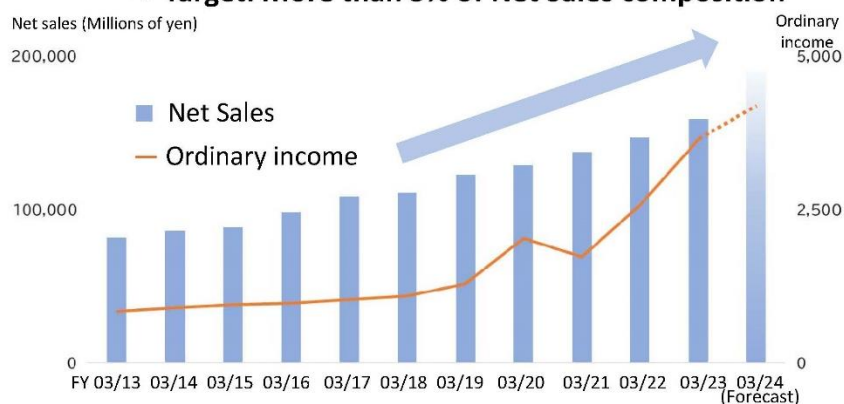


**Growth strategy:** Further growth in the wholesale business ⇒ Target a **12%** increase in Net Sales for FY03/2026

## Pet business strategy

### Domestic Wholesale Business: Acquire an Overwhelming Share of the Focused Pet Market

- ▶ Implementation of strategies and profit management for each customer
- ▶ Implementation of thorough gross profit management for each product
- ▶ Strengthen of EC business: Establishment of E-Commerce Division  
**BtoBtoC ▪ BtoB, etc. (including overseas transactions)**  
**⇒ Target: More than 3% of Net Sales composition**



**Continue stable growth**

**In 10 years...**  
**Net Sales**  
**Approx. 1.9 times**  
**Ordinary income**  
**Approx. 4.3 times**

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In the pet supplies business, which is one of our category strategies, we will leverage the expertise of our subsidiary, Japell Co., Ltd., the number one pet specialty wholesaler, to capture further market share and take on the challenge of new initiatives over the next three years.

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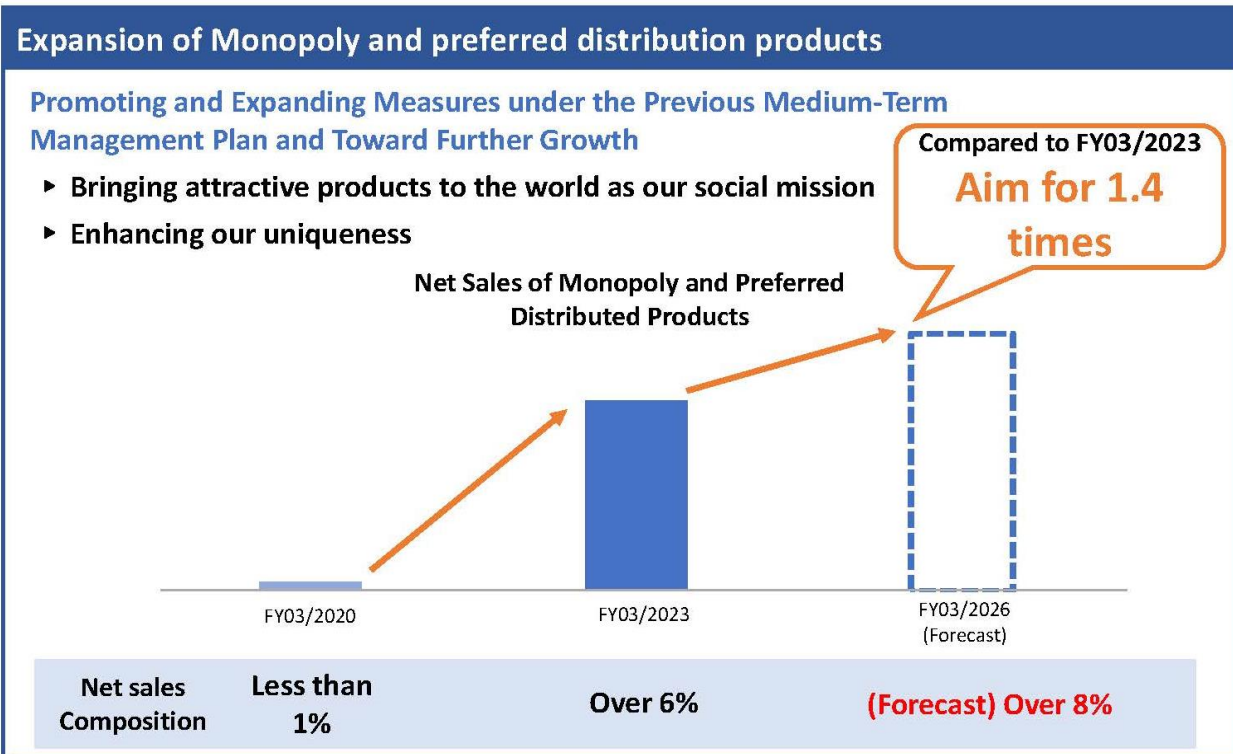
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**Growth strategy:** Strengthen product procurement, planning, and development functions



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In addition, in order to deliver to consumers new products based on information gathered from manufacturers and retailers, as well as attractive products from small- and medium-sized manufacturers and overseas manufacturers that are not yet known, we will strengthen our functions of product procurement, planning and development and expand them as exclusive and priority distribution products, and thereby we will strengthen the uniqueness of the Group.

Exclusive and priority distribution products have already grown significantly as a result of our efforts to strengthen them in the previous midterm business plan, and we aim to further increase their sales by more than 1.4 times compared to March 2023 in the new midterm business plan.

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**Strengthen foundation:** Logistics innovation, IT innovation, and DX promotion to improve productivity

### Realization of benefits through IT utilization

#### Practice of measures under IT Medium-Term Management Plan

- ▶ Start putting into practice of the system developed in the previous medium-term management plan to improve productivity
- ▶ System to achieve operational efficiency, labor saving, and paperless operations

#### Productivity Improvement: Link to IT Medium-Term Management Plan

- ▶ Improve productivity by introducing state-of-the-art materials handling equipment
- ▶ Optimize personnel by introducing demand forecasting, warehouse workload forecasting, and productivity management systems

**Aim to realize benefits  
in excess of JPY2.5 billion**

**Linked to Human Resources strategy**

**Optimal allocation and adoption of human resources to growth fields**

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Next, we will realize the benefits of IT utilization as a way to strengthen our infrastructure.

Many of the systems developed in the previous medium-term management plan will be put into operation in the new medium-term management plan. We will promote business efficiency, labor-saving, manpower-saving, and paperless operations.

In logistics, in addition to improving productivity by introducing state-of-the-art material handling equipment, we will optimize our workforce by introducing demand forecasting, in-store workload forecasting, and productivity management systems that make full use of IT, AI, et cetera, aiming for a total effect of over JPY2.5 billion.

By linking this IT utilization with human resource strategy, we will realize optimal personnel allocation and human resource infusion in growth areas and support sales expansion through growth strategies.

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**Strengthen foundation** : Transformation into Human Capital Management

**Penetration of the new personnel system:**

**Become a strong organization for the future by investing in "human capital"**

**Human Capital Management: Building Future People and Organizations**

Started activities to build a new personnel system in FY03/2022

**New personnel system for FY03/2024 : Annual investment of JPY1 billion**

- ▶ **Average 10%UP of salary levels due to revision of salary system**
- ▶ **Fair evaluation and promotion in line with "ability and willingness" without regard to age or gender**
  - ⇒ Individual growth by raising employee motivation
  - ⇒ Lower turnover due to improved employee satisfaction
  - ⇒ Increase in willingness to contribute through the introduction of a system for seniors to play an active role
- ▶ **Cultivating a New corporate climate:** Revitalizing Organizations through Job Rotation
- ▶ **Rethinking of Education and Training Systems:** Improving Employee Capabilities through Investment in Education



**Looking Beyond 2030,**

**By investment in human capital, diverse work styles and flexible institutional design**

**Aim for a Strong Organization**

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Regarding human resource strategy, as the first phase of the transformation of human capital management, a new human resource system, in which approximately JPY1 billion will be invested, was launched in April this year.

The revised salary system will raise the salary level by an average of 10%, including regular salary increases. In addition, fair evaluations will be conducted based on ability and motivation, regardless of age and gender, and promotions will be made in line with these evaluations.

In addition, we will actively conduct job rotations to revitalize the organization and actively introduce and promote the use of systems that enable diverse workstyles.

Furthermore, we will strengthen our investment in employee training and create a system that allows each employee to maximize his or her abilities.

Thus, we will build a strong organization by investing in human capital as our human resource strategy for 2030 and beyond, promoting diverse workstyles and enhancing education.

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**Sustainability:** Environmental contribution / Strengthen the governance structure

**Contributing to the environment through a virtuous cycle in the supply chain and building a robust governance structure**

**Responding to Climate Change: Collaborating with Business Partners as a Core Supply Chain "Wholesaler"**

- ▶ **Strengthen information disclosure to reduce supply chain emissions**  
⇒ Expansion of TCFD disclosures
- ▶ **Efforts to Reduce Emissions of CO<sub>2</sub>**  
⇒ Energy conservation measures (air conditioning and LED switching), reuse of energy (PPA, etc.)

**KPI**

Reduce CO<sub>2</sub> emissions by 30% for FY03/2026※ Compared to 2013, non-consolidated, Scope1/2  
(Reduce CO<sub>2</sub> emissions by 50% for FY03/2030, Carbon neutral in 2050)

Year	Scope 1	Scope 2	Total
2013	5,000	19,437	24,437
2018	4,500	18,077	22,577
2021	4,000	15,107	19,107
2025 (Target)	3,500	13,607	17,107
2030 (Target)	3,000	12,107	15,107
2050 (Target)	0	0	0

**Transparent management**

- ▶ **Nomination and Remuneration Committee Activities**  
⇒ Development, identification and promotion of next-generation management (succession plan), and appointment of 2 female directors
- ▶ **Reform of the management of the Board of Directors based on the results of evaluation the effectiveness of the Board of Directors**

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With regard to sustainability, we will implement activities to achieve the targets set in the previous medium-term management plan and accelerate the pace.

We have set a goal of a 30% reduction in CO<sub>2</sub> emissions by the fiscal year ending March 31, 2026 and a 50% reduction by the fiscal year ending March 31, 2030, and a new goal of carbon neutrality by the year 2050, as required by the Japanese government. We will continue measures implemented in the previous medium-term plan, such as air conditioning and switching to LEDs, and consider the use of renewable energy sources, such as PPA to achieve our goals. In addition, the Board of Directors and the voluntary Nomination and Remuneration Committee will implement a succession plan, including the development, discovery, and promotion of the next generation of management, as well as more specific discussions and activities to promote diversity, particularly to accelerate the increase in the ratio of female managers.

As we have already announced, with the approval of the upcoming shareholders' meeting, two female directors will be appointed to the Board of Directors and the Nomination and Remuneration Committee, and we expect to have a diverse discussion in the Board of Directors and the Nomination and Remuneration Committee.

As our financial strategy to support the above measures, we will further enhance shareholder returns by focusing on investments in business growth and infrastructure building.

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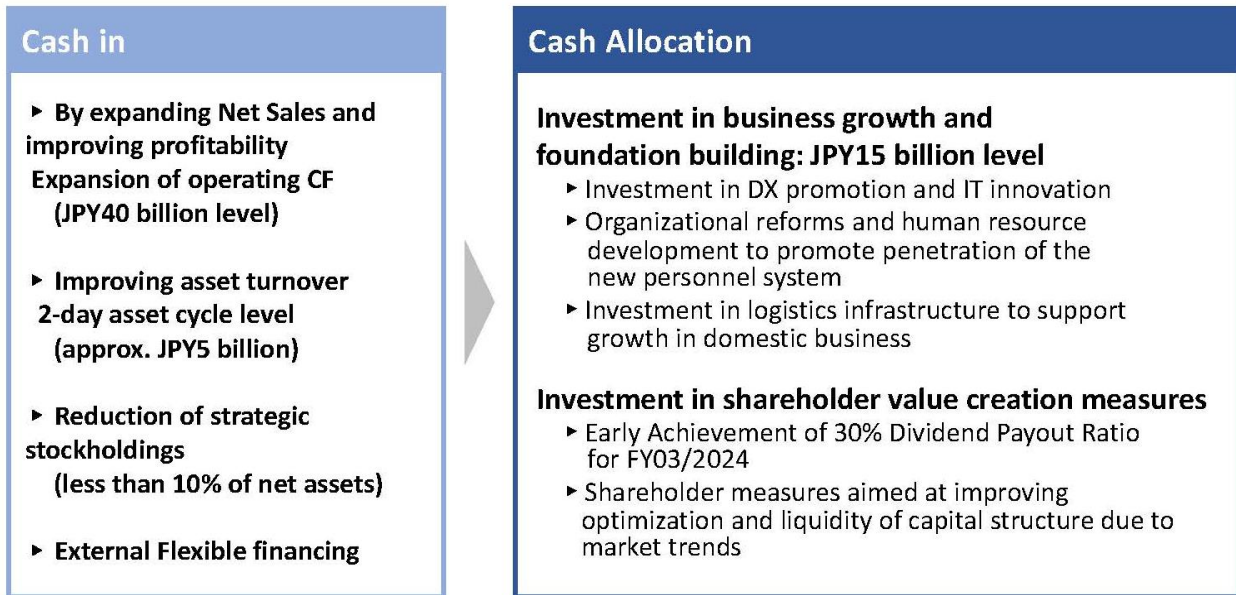






**Financial Strategy:**

**Further enhance shareholder returns with an emphasis on investment in business growth and foundation building**



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Cash-in is shown here.

As for cash allocation, we plan to invest approximately JPY15 billion over the next three years in growth investments and infrastructure building, in addition to normal capital investments, et cetera.

By investing in IT reforms and personnel systems, as we have explained, we will implement measures to achieve the goals of the new medium-term business plan and beyond.

As shareholder value creation measures, with P/B ratio exceeding 1x, strongly kept in mind, we will consider shareholder measures aimed at optimizing capital structure and improving liquidity, depending on market trends, as well as realizing early achievement of a dividend payout ratio of 30% in the fiscal year ending March 31, 2024.

That concludes my explanation.

Thank you very much for watching.

[END]

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