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ARATA Corporation

Q1 of Fiscal Year Ending March 2024 Financial Results





■ Q1 of FY03/2024 Highlights

Market Environment

Due to the transition of
COVID-19 to Class 5
**Increased flow
of people**

Due to an increase in
foreign visitors to Japan
**Growing
inbound demand**

Due to the rise in
crude oil prices
**Soaring utility costs
Raw material cost
increase**

**Increased consumer
awareness of
saving money**

Q1 of FY03/2024

Implementation of the Medium-Term Management Plan 2026

Promotion of category strategies

Record high Net sales

Curtailment of SG&A ratio
improvement of profit ratio

**Record high
Ordinary income**



■ Consolidated Statements of Income

(Millions of JPY)	Q1 of FY03/2023	Q1 of FY03/2024	YoY change		Planning	Progress rate
	Results	Results	Change	Rate (%)		Rate (%)
Net sales	220,051	235,239	15,188	106.9	916,000	25.7
Gross profit	21,534	23,221	1,687	107.8	-	-
SG&A expenses	18,104	18,873	769	104.2	-	-
Operating income	3,429	4,347	917	126.8	13,700	31.7
Ordinary income	3,768	4,669	901	123.9	14,300	32.7
Profit attributable to owners of parent Quarterly Net profit	2,546	3,190	643	125.3	9,400	33.9



■ Q1 of FY03/2024 factors

Record high net sales**Net Sales: JPY235.239 billion YoY: +JPY15.188 billion 106.9%**

Q1 of FY03/2023 Cumulative

Net sales YoY **102.9%**

Q1 of FY03/2024 Cumulative

Net sales YoY **106.9%**

- Increase sales of Monopoly and preferred distribution products
- Responding to Demand Changes Associated with the Transition of COVID-19 to Class 5
 - Increase in sales of cosmetics and other products due to an increase in personnel flows and an increase in inbound demand
 - Decrease in sales of corona-related products such as masks and sterilized sheets
- Success of existing focus categories (H&B and pets)

**Further Sales Growth through
Medium-Term Management Plan 2026 Strategy**



■ Q1 of FY03/2024 factors

Record high recurring profit**Ordinary income: JPY4.669 billion YoY: +JPY901 million 123.9%****Gross profit: JPY23.221 billion YoY: +JPY1.687 billion 107.8%****Gross margin: 9.87% YoY +0.08 points**

+Factor : Strong sales of exclusive products such as cosmetics and hair care
Improved unit prices (YoY 108.4%)

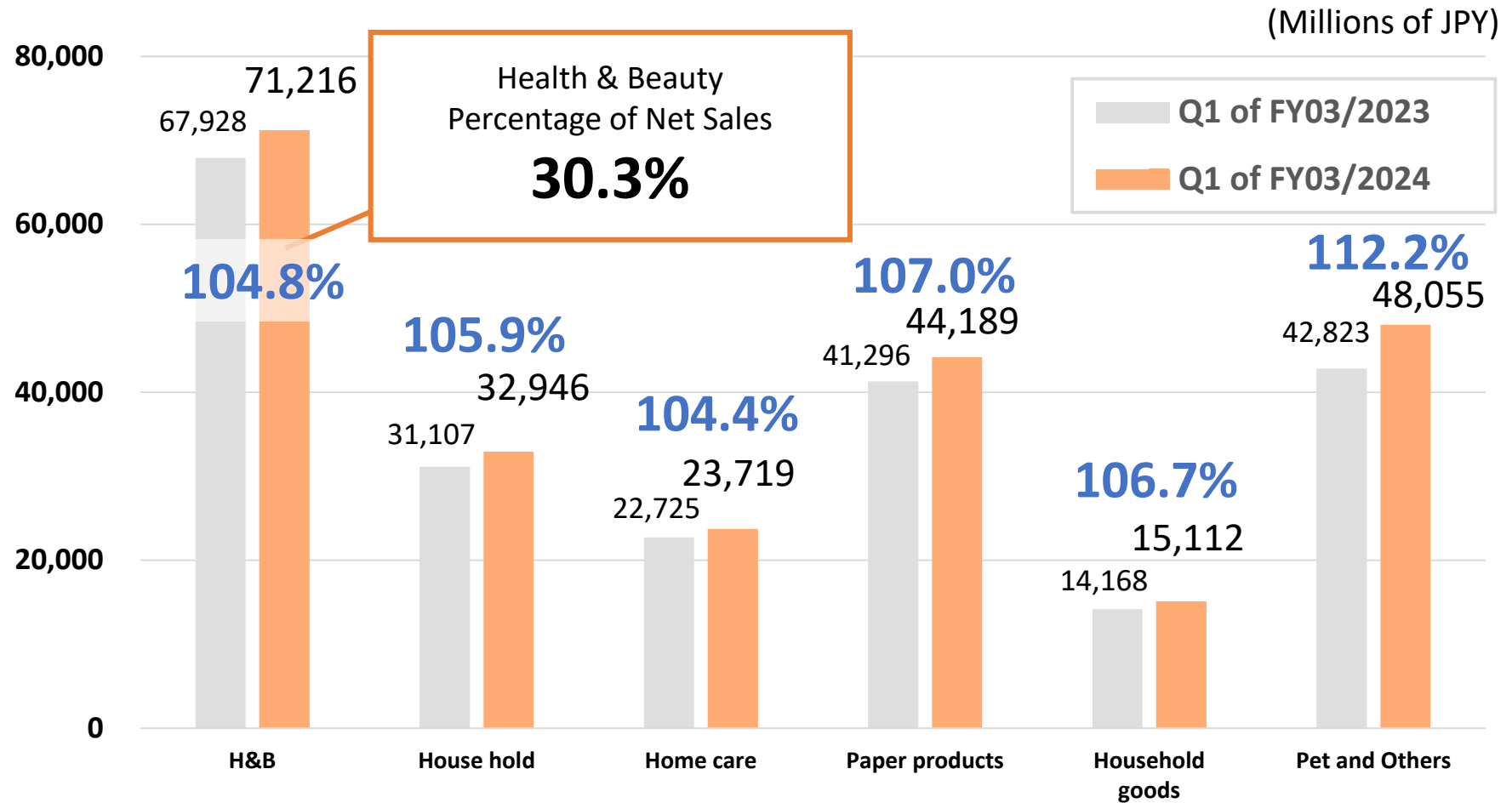
-Factors : Increase in transactions of companies that have generated logistics center fees

SG&A expenses: JPY18.873 billion YoY: +JPY769 million 104.2%**SG&A ratio: 8.02% YoY improve 0.21 points**

- Increase in logistics and utility costs due to soaring fuel costs
 - Increase in personnel expenses due to improvement in employee salary levels resulting from the implementation of the new personnel system
- ⇔ Decrease in personnel expense ratio by improving warehouse and operational productivity through the implementation of IT Medium-Term Management Plan measures (YoY : Sales 106.9% , Personnel expenses 101.7%)



■ Sales by Category (YoY)

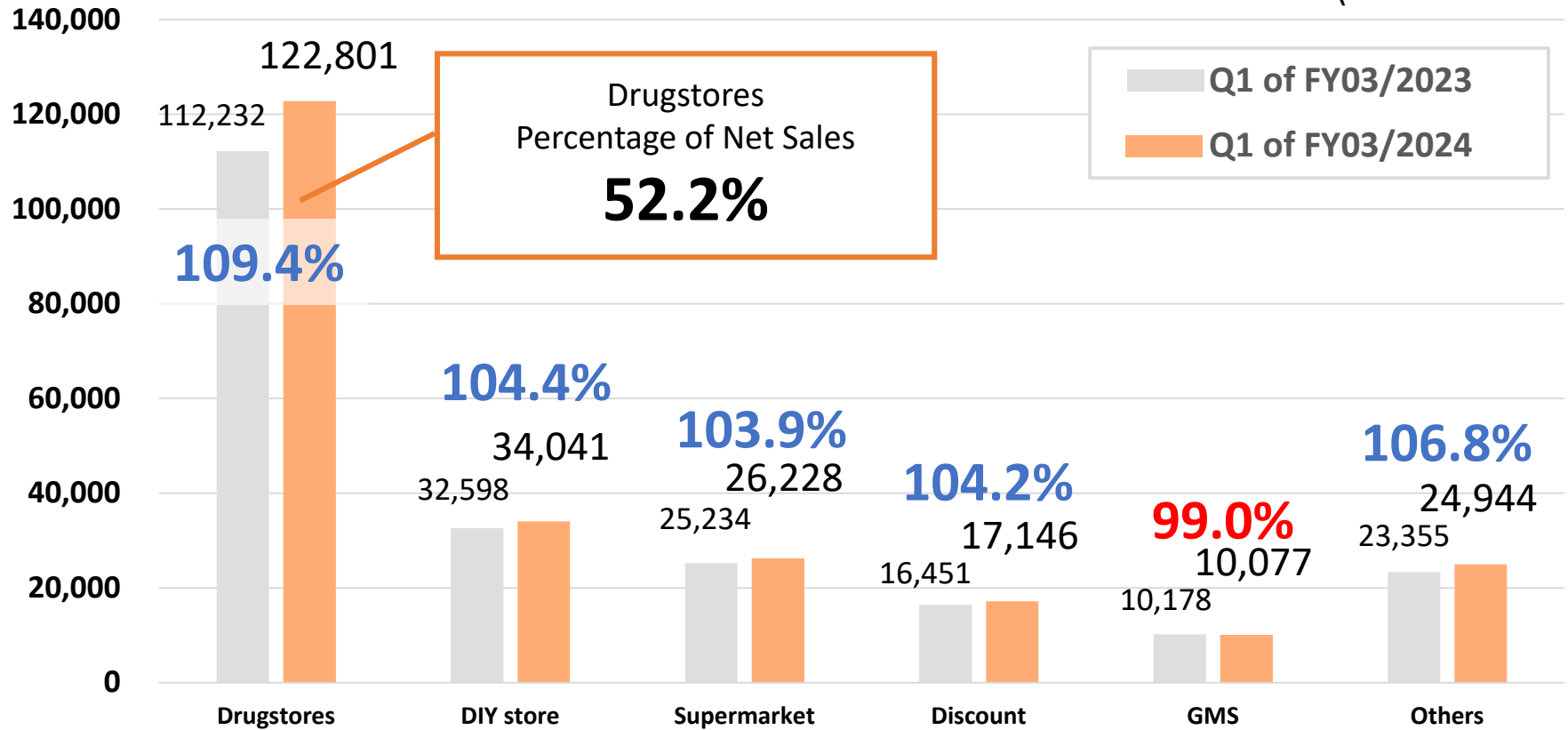


- H&B: Increase in sales of high-priced hair care products, makeup cosmetics due to increased opportunities to go out
- Pets and Others: Improved unit prices and Increase in sales of high value-added foods due to the aging of pets



■ Sales by Business Category (YoY)

(Millions of JPY)



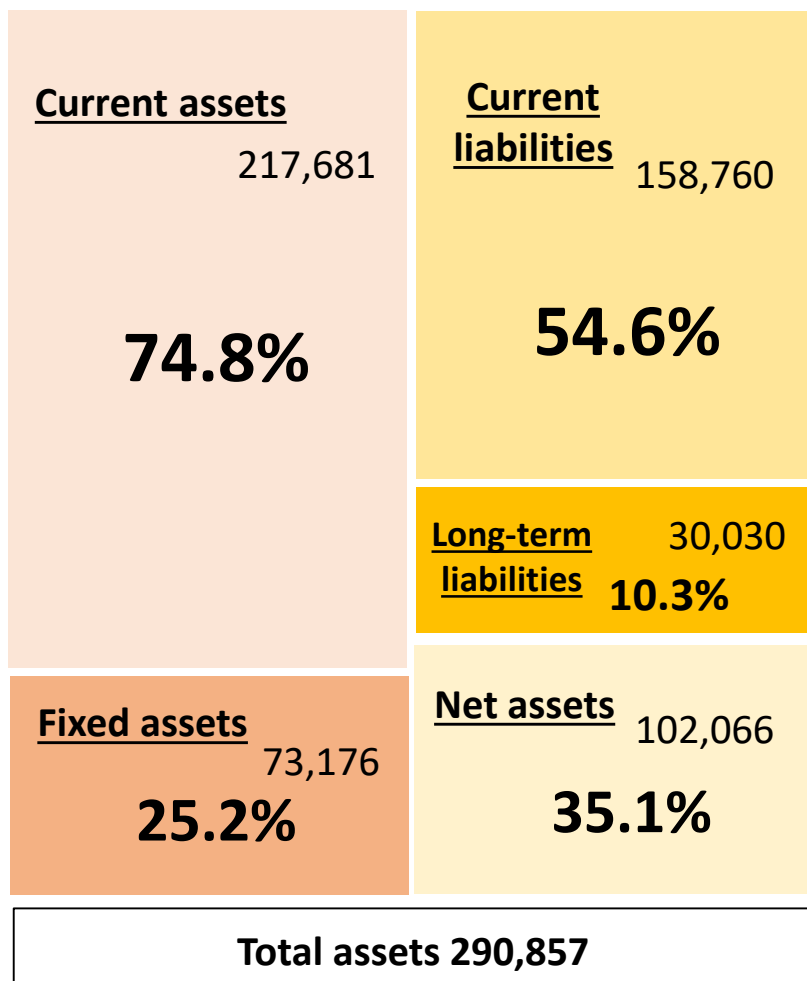
- Drugstore: Increase sales due to expanded transactions and strategic expansion of H&B



■ Consolidated Balance Sheets

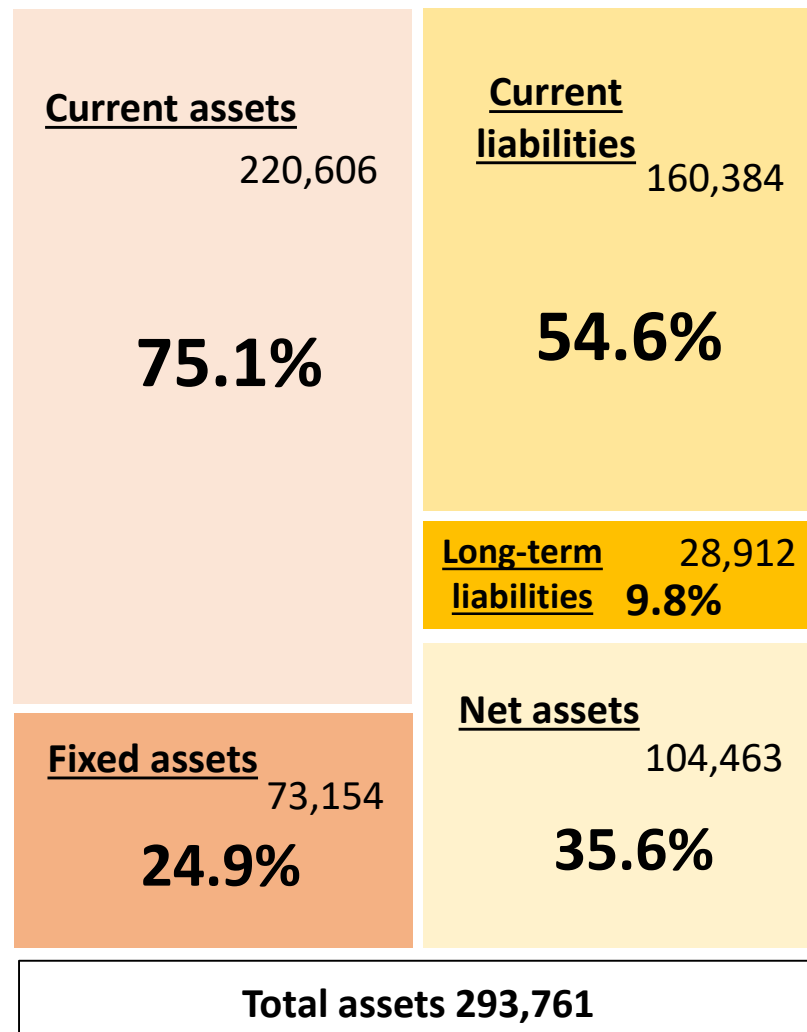
FY03/2023

(Millions of JPY)



Q1 of FY03/2024

(Millions of JPY)





■ Forecasts for FY03/2024

(Millions of JPY)	Q1 of FY03/2024 Results	Q2 of FY03/2024 forecast	Progress(%)	Year-end forecast	Progress(%)
Net sales	235,239	460,000	51.1	916,000	25.7
Operating income	4,347	6,800	63.9	13,700	31.7
Ordinary income	4,669	7,100	65.8	14,300	32.7
Profit attributable to owners of parent (Quarterly / Half) Net Income	3,190	4,700	67.9	9,400	33.9

At the end of Q1

Achieved 50% of Q2 forecast



Steady progress toward Year-end forecast



Topics



■ Medium-Term Management Plan 2026 Strategy

**Enhancing our uniqueness
by expanding monopoly and preferred distribution products**

June 2023

**New cosmetic brands utilizing the Aarata Group's manufacturing capabilities
『3650 (san roku go zero)』 launched**



Official brand site



<https://3650.day/>

<https://www.instagram.com/3650.jp/>

Official Instagram



Plans to expand a number of items in the future



■ Efforts for sustainability



サプライチェーンイノベーション大賞
Supply chain Innovation Award
2023

Award for Excellence



**Efforts to improve shipping efficiency and truck rotation
by elimination of inspection by using ASN data, and sorting and delivery by floor**

ARATA Group company Japell Co., Ltd. is awarded the Excellence Award at the Supply chain Innovation Award 2023, thanks to the initiatives undertaken jointly by the 3 companies with Unicharm Corporation and K.R.S. Corporation to improve delivery efficiency

Introduction effect (estimated)

Cumulative total of monthly work hours for 9 distribution centers

346.8 hours Reduction (Driver: 209.6 hours Warehouse worker: 137.2 hours)

For more information on our ESG news

https://www.arata-gr.jp/cms/topics/upload/pdf/230807_japellSIAward2023.pdf



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