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ARATA Corporation

Q3 of Fiscal Year Ending March 2024 Financial Results





■ Q3 FY03/2024 Highlights

Market Environment

Due to the transition of COVID-19
to common infections disease
Increased flow of people

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

**Increased consumer
awareness of
saving money**

Q3 of FY03/2024

Implementation of the Medium-Term Management Plan 2026

Promotion of category strategies

Curtailment of SG&A ratio and
improvement of profit ratio

Record high Net sales

**Record high
Ordinary income**



■ Consolidated Statements of Income for the Q3 FY03/ 2024

(Millions of JPY)	Q3 FY03/2023	Q3 FY03/2024	YoY change		Planning	Progress rate
	Results	Results	Change	Rate (%)		Rate (%)
Net sales	678,996	719,119	40,122	105.9	928,000	77.5
Gross profit	65,736	70,589	4,853	107.4	-	-
SG&A expenses	55,638	58,161	2,522	104.5	-	-
Operating income	10,097	12,428	2,330	123.1	14,900	83.4
Ordinary income	10,785	12,999	2,214	120.5	15,700	82.8
Profit attributable to owners of parent Quarterly Net profit	7,233	8,736	1,502	120.8	10,500	83.2



■ Q3 FY03/2024 factors

Record high Net sales**Net Sales : JPY719.119 billion YoY: +JPY40.122 billion 105.9%**

Q3 FY03/2023 Cumulative

Net sales YoY **104.0%**

Q3 FY03/2024 Cumulative

Net sales YoY **105.9%**

- Improvement of product unit price
 - Increase in sales of high-volume products and high-value-added products/
Increase in prices due to soaring raw material costs
- Increase sales of Monopoly and preferred distribution products
- Success of existing focus categories (H&B and pets)
- Responding to Demand Changes Associated with the Transition of COVID-19 to Class 5
 - Decrease in sales of corona-related products such as medical masks and sterilized sheets
Increase in sales of cosmetics and other products due to an increase in in personnel flows and opportunities to go out

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



■Q3 FY03/2024 factors

Record high Ordinary income

Ordinary income: JPY12.999 billion YoY: +JPY2.214 billion 120.5%

Gross profit : JPY70.589 billion YoY: +JPY4.853 billion 107.4%

Gross margin: 9.82% YoY +0.14 points

- Strong sales of exclusive products such as cosmetics and hair care products/
Improvement in unit prices

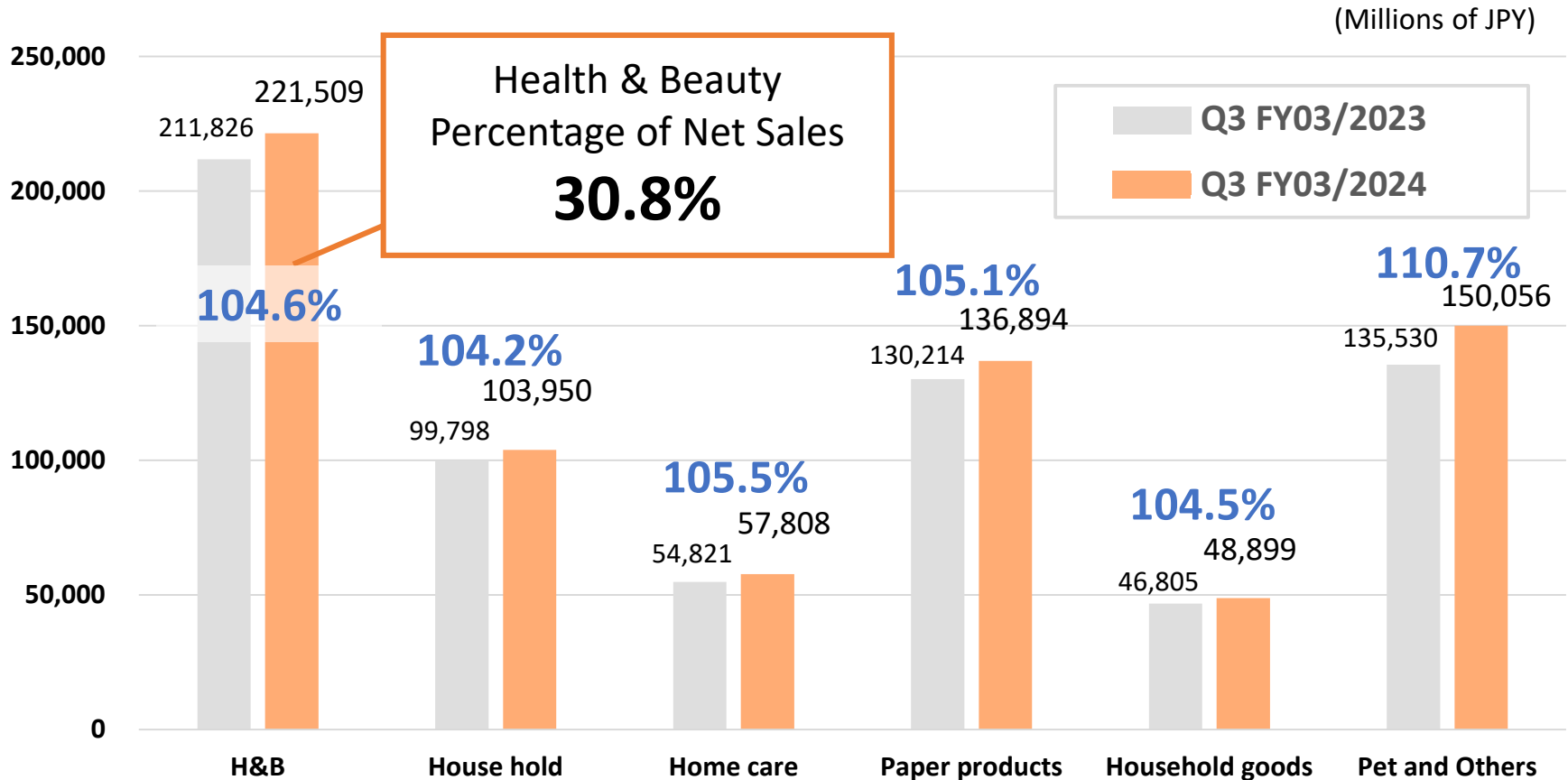
SG&A expenses: JPY58.161 billion YoY: +JPY2.522 billion 104.5%

SG&A ratio: 8.09% YoY improve 0.10 points

- Increase in logistics costs due to soaring fuel costs
 - Improvement of employee salary levels under the new personnel and overall increase in personnel expenses
- ⇔ Decrease in personnel expense ratio by improving warehouse and operational productivity through the implementation of IT Medium-Term Management Plan measures
(personnel expenses ratio YoY improve 0.13 points)



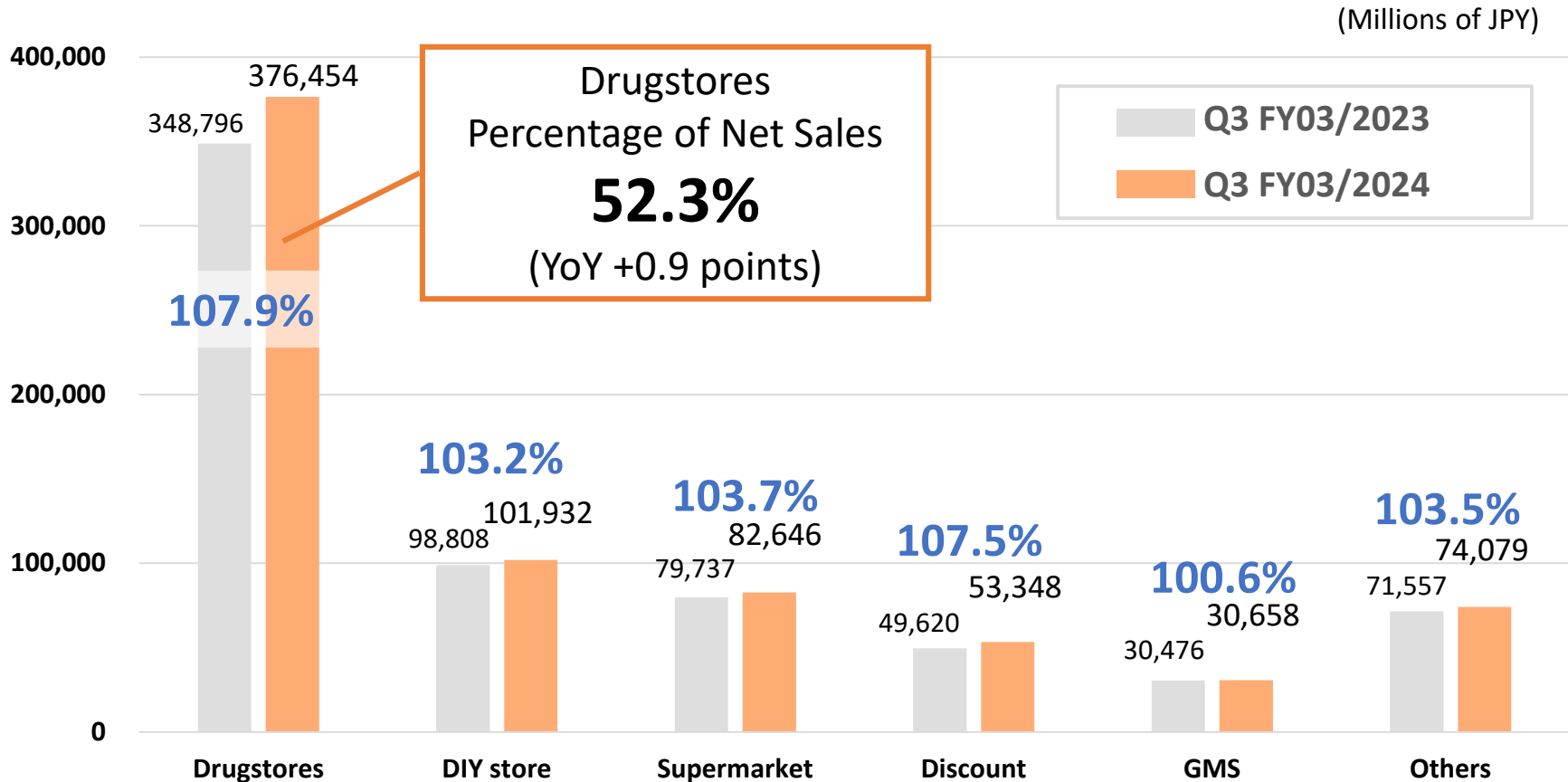
■ Sales by Category (YoY)



- 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



■ Net Sales by Business Category (YoY)



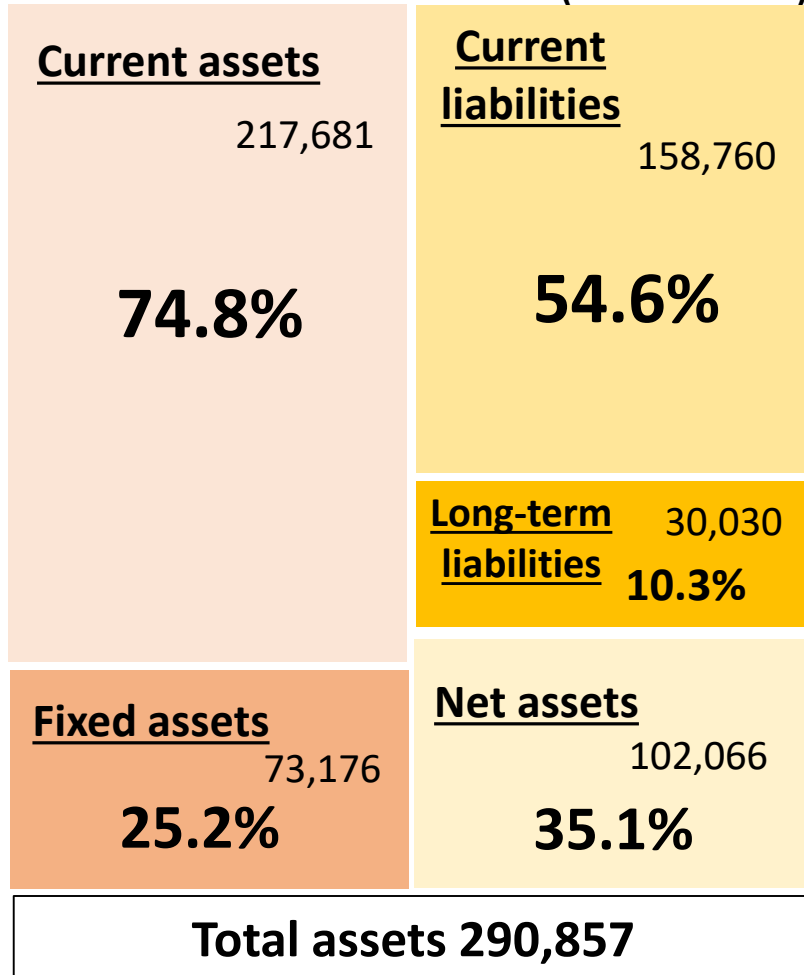
- Drugstore: Increase sales due to expanded transactions and strategic expansion of H&B and pets



■ Consolidated Balance Sheets

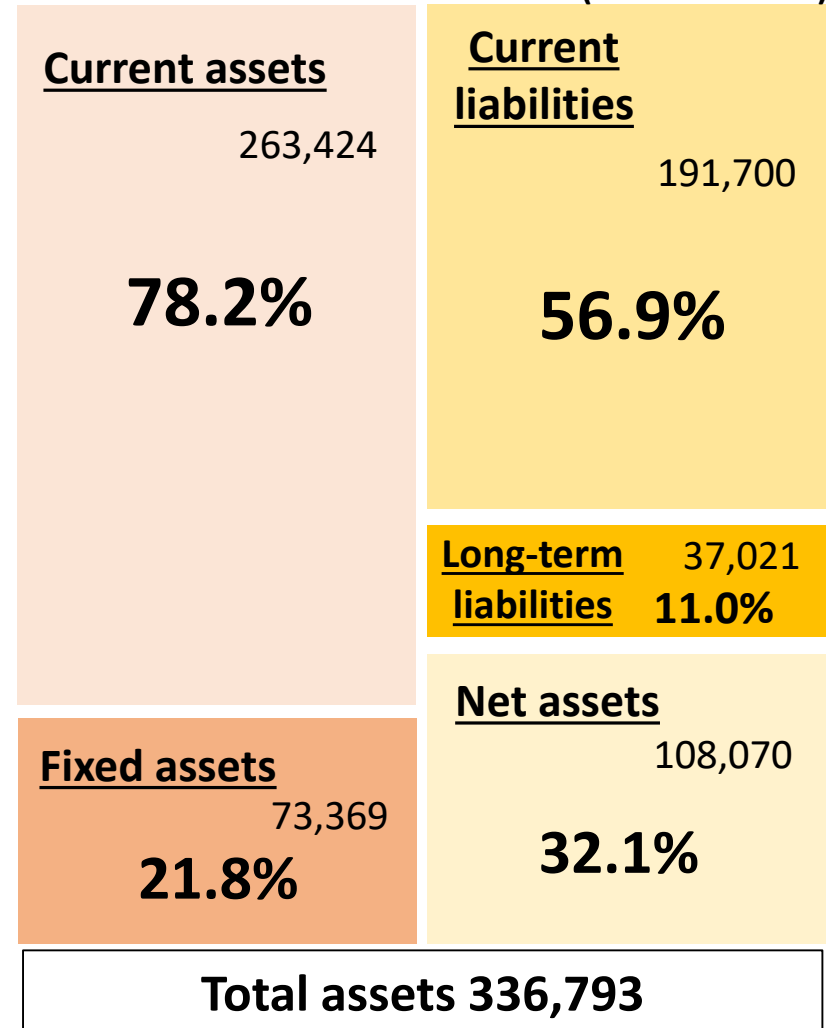
FY03/2023

(Millions of JPY)



Q3 FY03/2024

(Millions of JPY)





Topics



■ Medium-Term Management Plan 2026 Measures : Share buyback

Resolution of the Board of Directors on November 7, 2023 regarding the acquisition of treasury stock

Reasons for acquisition

To return profits to shareholders, improve capital efficiency, and become flexible in line with the business environment for the implementation of capital policy

Total Number of Shares Taken

Up to 1.2 million shares
(3.4% of the total number of issued shares excluding treasury stock)

Total amount of shares acquired

Up to JPY3 billion

Acquisition period

November 8, 2023-November 7, 2024

Cumulative treasury stock acquired through January 31, 2024

Total Number of Shares Taken : 349.5 thousand shares

Total amount of shares acquired : JPY1,097,939.5 thousand

※On January 1, 2024, a 2-for-1 stock split of common stock was implemented.

For details, please refer to the press release released on February 1, 2024.

<https://ssl4.eir-parts.net/doc/2733/tdnet/2387106/00.pdf>



■ Medium-Term Management Plan 2026 Measures : Transformation into Human Capital Management

In addition to the new personnel system implemented from April 2023 as an investment in human capital for the future, to enhance employee benefits, raise awareness of management participation, and share value with shareholders, **a restricted stock incentive plan for employee stock ownership will be introduced**

At a meeting of the Board of Directors on February 6, 2024

Discussion on the disposal of treasury stock as restricted stock

Payment date

June 7, 2024

Type and number of shares to be disposed of
90 thousand shares of our common stock (*)

Disposal value

JPY 3,230 per share

Total amount disposed

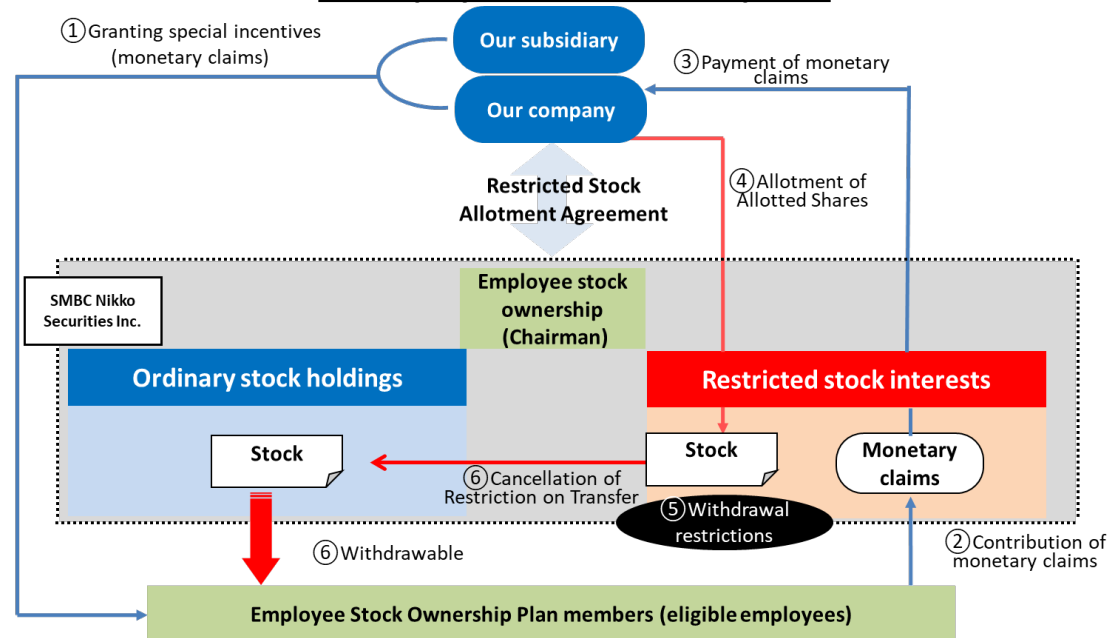
JPY 290.7 million (*)

Disposal method (to be allocated)

Through third-party allotment
(Aarata Employee Stock Ownership Plan
90 thousand shares)

*Maximum value calculated assuming a uniform grant of 30 shares to employees (up to 3000 employees)

Structure of the Restricted Stock Incentive Plan for Employee Stock Ownership Plan



For details, please refer to the press release released on February 6, 2024.



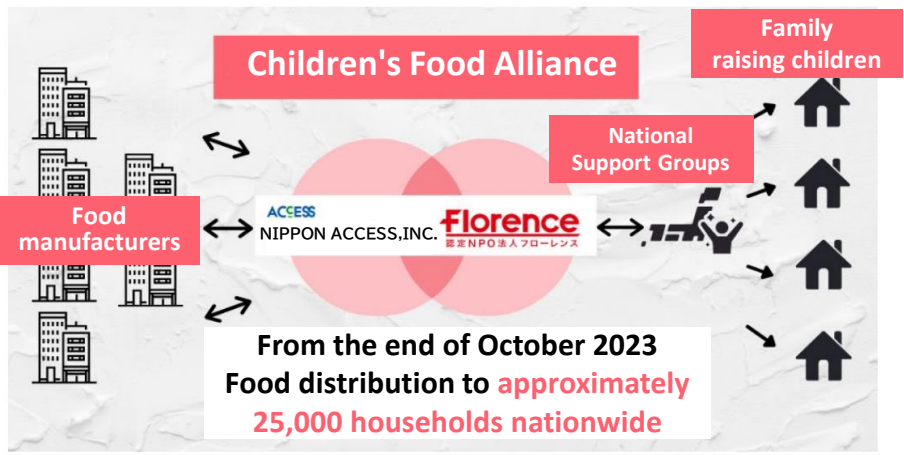
■Society : Contribution to local communities

Contribution to local communities

Donated products to the Children's Food Alliance

In November 2023, Our company donated goods to the Children's Food Alliance, which NPO Florence and NIPPON ACCESS,INC. are working on.

Efforts to distribute products to children's support organizations nationwide



For details, please refer to ESG news.
<https://www.arata-gr.jp/csr/news/?year=2023>

Mission as a social infrastructure

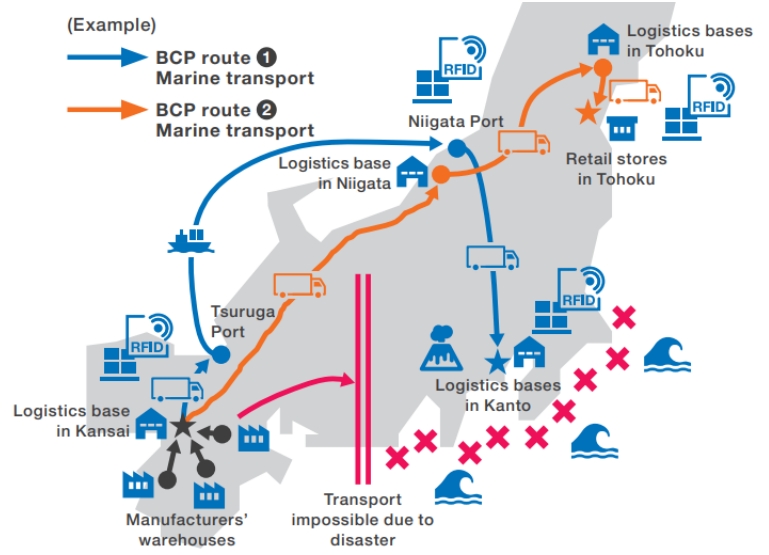
Participation in demonstration experiment on joint deliveries of daily necessities to disaster-hit areas in a hypothetical major disaster

■Hypothetical disaster

The routes on the Pacific side of Japan for supplying goods to the Kanto and Tohoku regions is disrupted by a major disaster such as an earthquake or tsunami.

BCP route ①: Marine transport using ferries

BCP route ②: Overland transport involving multiple logistics bases





■Social : Business Continuity Plan (BCP) Measures for Disasters

January 1, 2024 Noto Peninsula Earthquake

Restored the next day in the afternoon and started shipping

While placing the highest priority on the safety of employees, all employees worked together to respond quickly so that the company could return to business activities as soon as possible to fulfill its social mission.

〈Japan Standard Time〉

January 1, 2024

16:06 a magnitude 5.5 earthquake struck (seismic intensity 5 upper)

16:10 a magnitude 7.6 earthquake struck (seismic intensity 7)



Began confirming the safety of employees in the disaster area



18:00 Confirmation of status in the office building

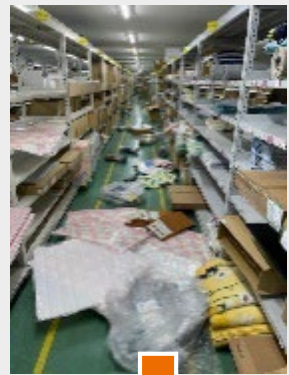


January 2, 2024

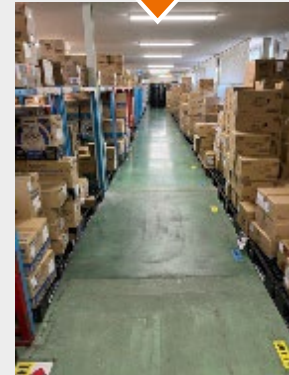
Morning Restoration by employees supporting the affected areas and neighboring areas



Afternoon Warehouse restoration / Shipment started



Recovery





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