

**NOTICE**

The slides in this presentation has been translated using a mechanical automatic translation service. In some cases, the translation may be inaccurate or unintended. Please use this service with the understanding that translations are not always accurate.

# **ARATA Corporation**

## **Fiscal Year Ending March 2024**

### **Financial Results**





# **Progress of Medium-Term Management Plan 2026**

# Progress of Medium-Term Management Plan 2026



## Long-term Management vision 2030

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

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 2023

Medium-Term  
Management Plan 2026

Medium-Term  
Management Plan 2029

Long-term  
Management vision 2030

## 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.

**FY03/2026  
Targets**

**Net sales**

**JPY1 trillion**

**Ordinary  
income**

**JPY20 billion**

**ROE**

**10% level**

**Dividend  
payout ratio**

**achieve the target  
ahead of schedule  
FY03/2024 30%**

**FY03/2024  
Results**

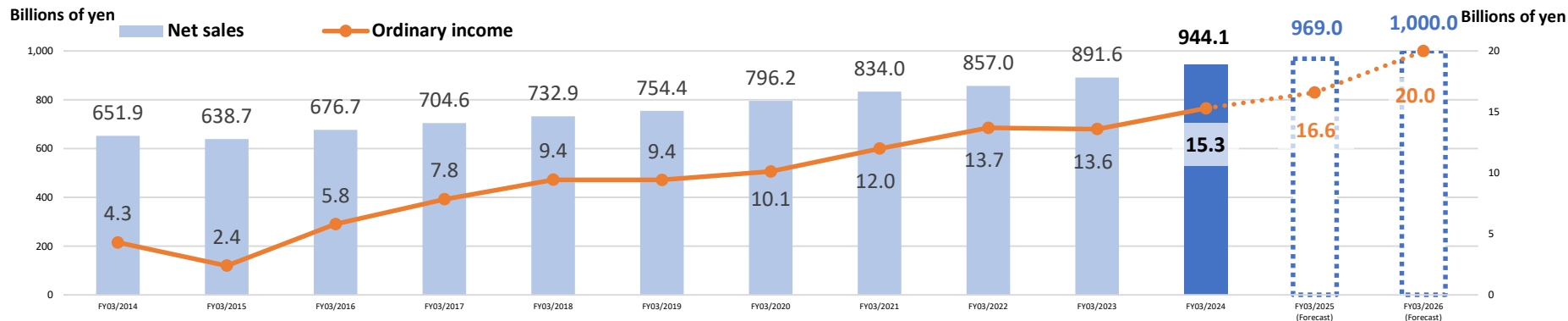
**JPY944.1 billion**

**JPY15.3 billion**

**9.7%**

**30.5%**

**Achieved PBR1.01 times as of the end of March 2024**



# Progress of Medium-Term Management Plan 2026



Medium-Term Management Plan 2026 Strategy	FY03/2024 Results
<p><b>Growth Strategy</b></p> <ul style="list-style-type: none"> <li>- Expansion of H&amp;B and pet categories</li> <li>- Strengthening Uniqueness by Expanding Monopoly and preferred distribution products</li> </ul>	<p>➡</p> <ul style="list-style-type: none"> <li>▪ "ARATA Collection2024" Exhibition Held</li> <li>▪ Established new cosmetic brand "3650"</li> </ul>
<p><b>Strengthen foundation</b></p> <ul style="list-style-type: none"> <li>- Improve operational efficiency and logistics productivity by implementing IT Medium-Term Management Plan</li> <li>- Transformation into Human Capital Management: New personnel system implemented in April 2023</li> </ul>	<p>➡</p> <ul style="list-style-type: none"> <li>▪ Implementation of various IT medium-term plan measures</li> <li>▪ Improve logistics productivity</li> <li>▪ A restricted stock incentive plan for employee stock ownership will be introduced</li> <li>▪ Improve employee salary levels by revising the salary system</li> </ul>
<p><b>Sustainability</b></p> <ul style="list-style-type: none"> <li>- Collaborate with suppliers to reduce CO<sub>2</sub> as the core of the supply chain</li> <li>- Strengthen the governance structure</li> </ul>	<p>➡</p> <ul style="list-style-type: none"> <li>▪ First response to CDP: C rating</li> <li>▪ Acquisition of "Eruboshi" Certification (2 stars)</li> <li>▪ Formulation of ESG related policies</li> </ul>
<p><b>Financial Strategy</b></p> <ul style="list-style-type: none"> <li>- Increase in cash in by expanding sales, improving profitability, and improving asset turnover</li> <li>- Aggressive investment in business growth and foundation building / Implement agile shareholder value creation measures</li> </ul>	<p>➡</p> <ul style="list-style-type: none"> <li>▪ Implemented 3 stock and shareholder measures               <ol style="list-style-type: none"> <li>① Share buyback: Share buyback of up to JPY3 billion</li> <li>② Stock split: 2-for-1 stock split</li> <li>③ Revised dividends (increased dividends): Implemented dividend increases in line with earnings forecast revisions</li> </ol> </li> </ul>
<p>By investing in growth and creating shareholder value with an awareness of exceeding PBR1 multiples</p> <p><b>Further enhancement of Corporate Value</b></p>	<p><b>Achieved PBR1.01 times as of the end of March 2024</b></p>



# **FY03/2024 Results**

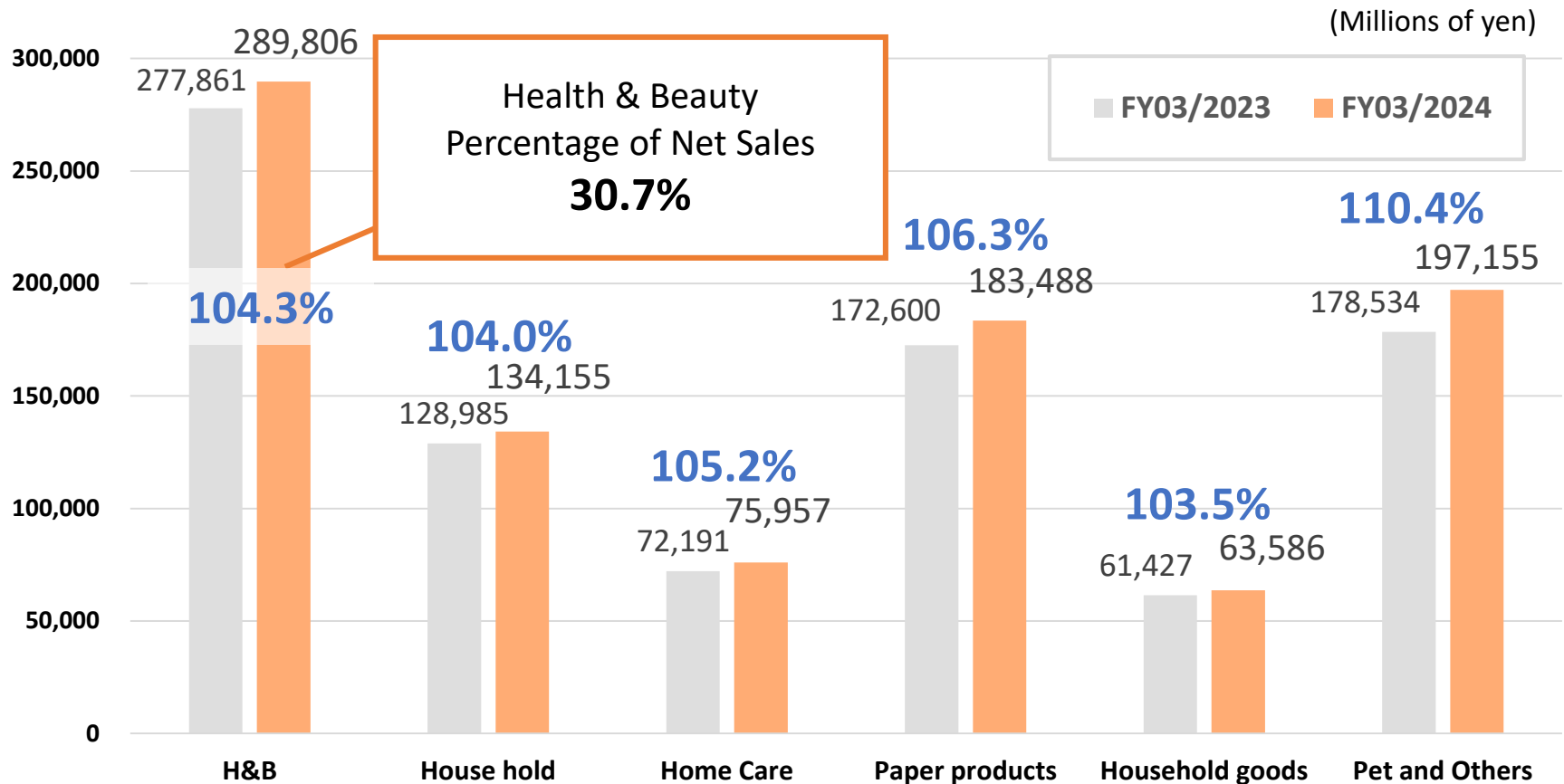


## ■ Consolidated Statements of Income Record high Net sales and ordinary income

(Millions of yen)	FY03/2023	FY03/ 2024	YoY change		Planning	Versus forecast	
	Results	Results	Change	Rate (%)		Change	Rate (%)
Net sales	891,600	<b>944,149</b>	52,548	105.9	928,000	16,149	101.7
Gross profit	86,805	<b>92,418</b>	5,612	106.5	-	-	-
SG&A expenses	73,993	<b>77,909</b>	3,916	105.3	-	-	-
Operating income	12,812	<b>14,508</b>	1,695	113.2	14,900	▲ 391	97.4
Ordinary income	13,680	<b>15,341</b>	1,661	112.1	15,700	▲ 358	97.7
Profit attributable to owners of parent Net Income	8,223	<b>10,322</b>	2,099	125.5	10,500	▲ 177	98.3



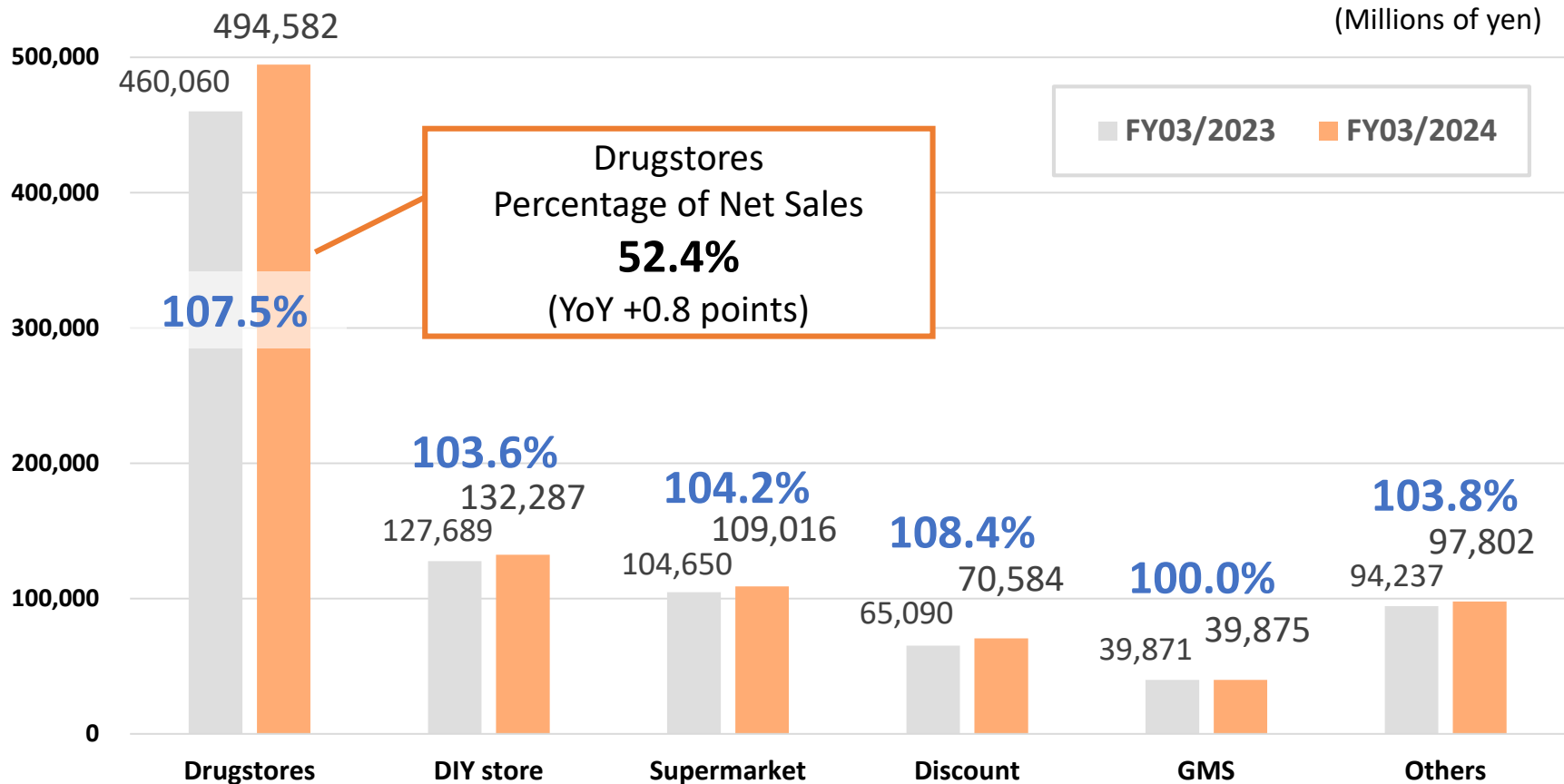
## ■ Sales by Category (YoY)



- 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&Band pets

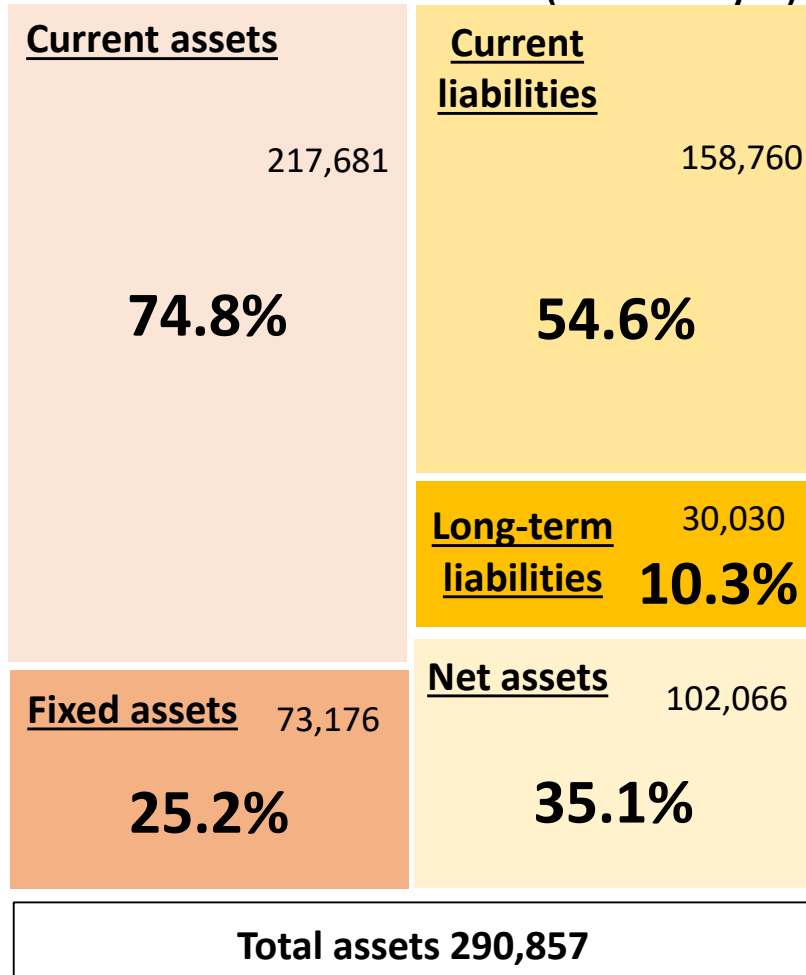




## ■ Consolidated Balance Sheets

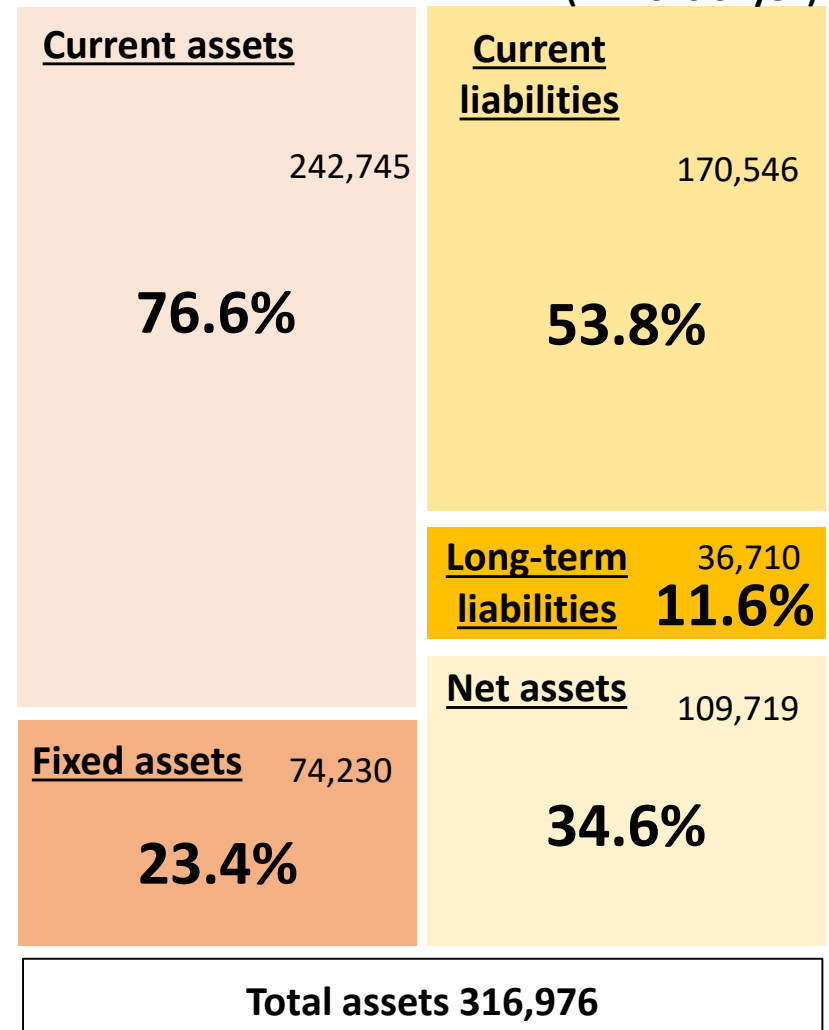
### FY03/2023

(Millions of yen)



### FY03/2024

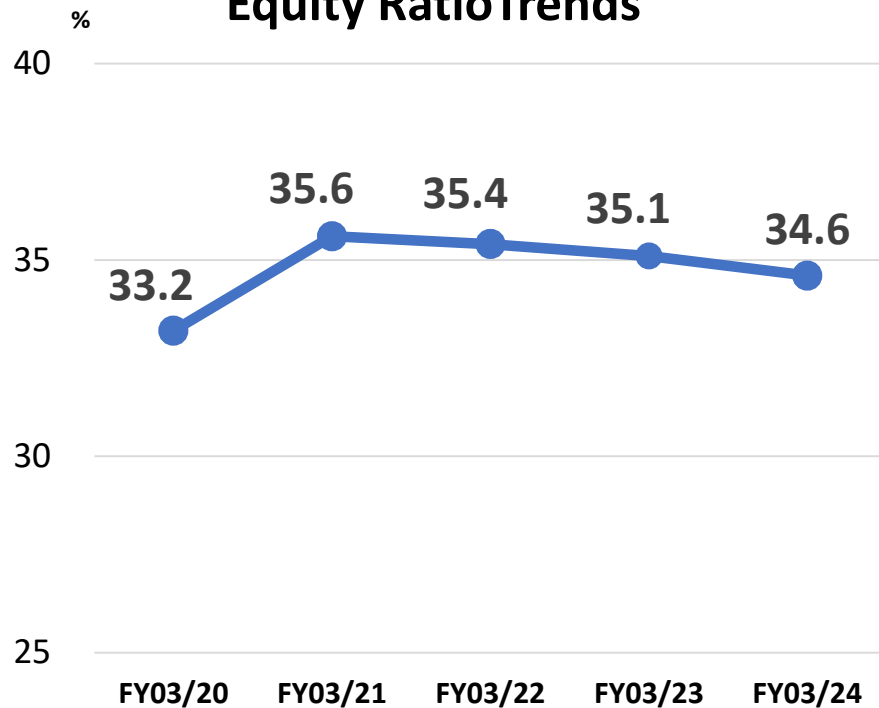
(Millions of yen)



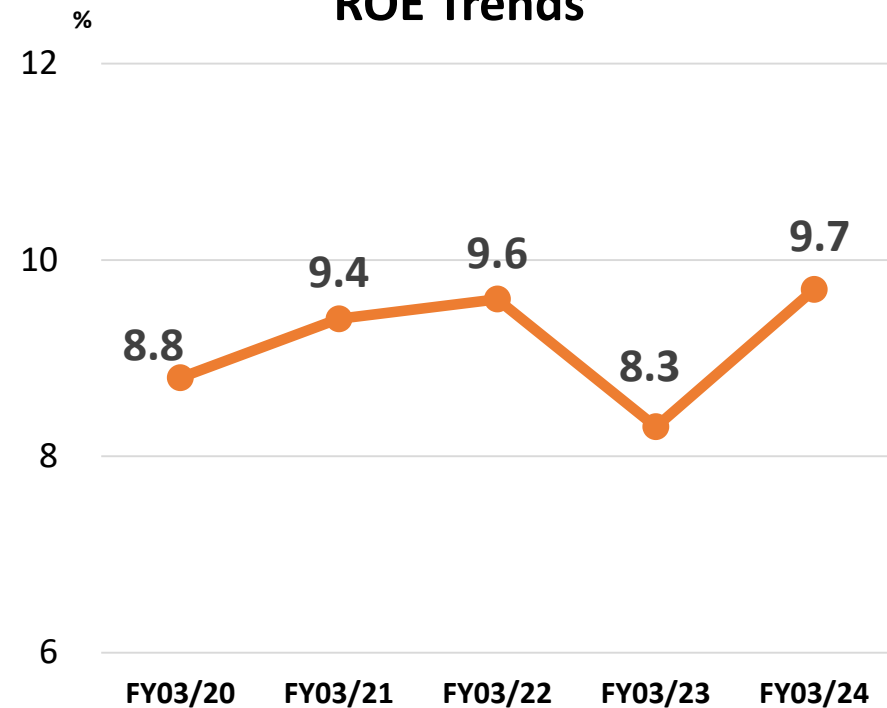


## ■ Ratio of net worth and ROE

### Equity Ratio Trends



### ROE Trends



**Improve financial soundness and ensure profitability**



## ■ FY03/2024 Factors

### Record-high sales for the ninth consecutive year

**Net sales: JPY944.149 billion    YoY: +JPY52.548 billion    105.9%**

#### FY03/2023 Cumulative

Net sales YoY **104.0%**

- 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

#### FY03/2024 Cumulative

Net sales YoY **105.9%**

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



## ■ FY03/2024 Factors

Record high Ordinary income

**Ordinary income: JPY15.341 billion YoY: +JPY1.661 billion 112.1%**

**Gross profit: JPY92.418 billion YoY: +JPY5.612 billion 106.5%**

**Gross margin: 9.79% YoY +0.05 points**

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

**SG&A: JPY77.909 billion YoY: +JPY3.916 billion 105.3%**

**SG&A ratio: 8.25% YoY improve 0.05 points**

- Higher fares due to the impact of the 2024 problem
  - Prior investment in growth strategies for the future
    - Investment in sales promotion expenses for brand development and in IT/DX promotion
    - Increase in expenses due to holding exhibitions aimed at expanding transactions
    - 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 0.10 points)

**Profit attributable to owners of parent: JPY10.322 billion YoY: +JPY2.099 billion 125.5%**

- Application of tax credits under the tax system to promote wage increases

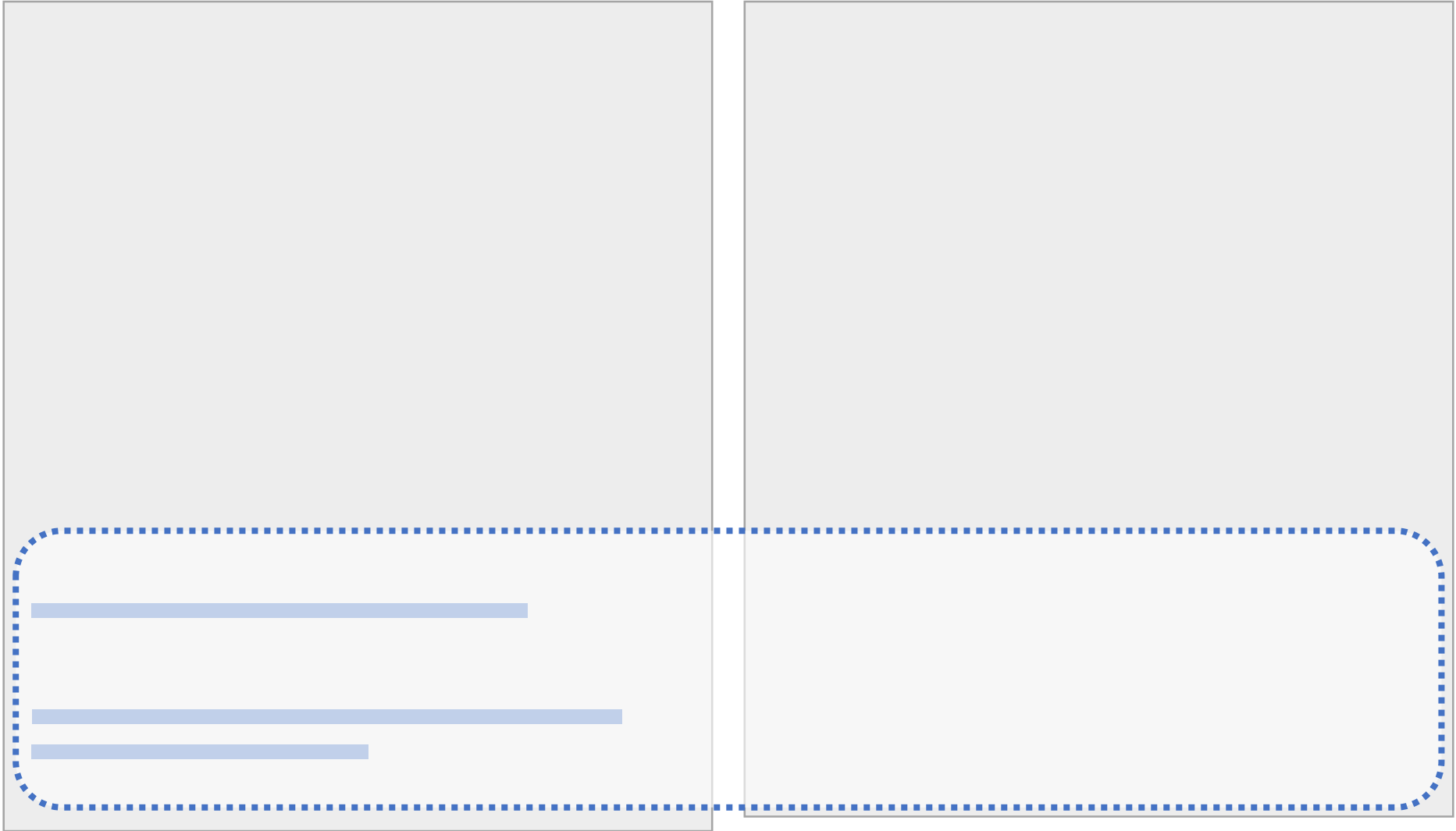


## ■ Consolidated Statements of Income (Accounting period)

(Millions of yen)	The first half(Q1-Q2)			Q3			Q4		
	FY03/2023 Results	FY03/2024 Results	YoY (%)	FY03/2023 Results	FY03/2024 Results	YoY (%)	FY03/2023 Results	FY03/2024 Results	YoY (%)
Net sales	445,220	471,388	105.9	233,776	247,730	106.0	212,603	225,029	105.8
Gross profit	43,065	46,181	107.2	22,671	24,407	107.7	21,069	21,828	103.6
SG&A expenses	36,698	38,208	104.1	18,940	19,953	105.3	18,354	19,748	107.6
Operating income	6,366	7,973	125.2	3,730	4,454	119.4	2,715	2,079	76.6
Ordinary income	6,913	8,424	121.8	3,871	4,575	118.2	2,895	2,342	80.9
Profit attributable to owners of parent Quarterly Net income	4,651	5,687	122.3	2,582	3,049	118.1	989	1,586	160.3



# ■Q4 FY03/2024 Factors



## ■Q4 Initiatives for Achieving Medium-Term Management Plan 2026: Improving Gross Profit

### ARATA Collection 2024

**2024 March**

**Held the first corporate-wide exhibition in Tokyo**



**In addition to manufacturers' exhibition booths,  
We proposed our focus products, in-store  
management functions, and information  
dissemination using Social Media**

**Customer Visitors: About 1,600 people  
Participating manufacturers: 164 companies**

### “3650” Brand Expansion

**June 2023**

**Launched new cosmetic brand “3650”  
→Strengthen sales promotion**



#### ✓Topics

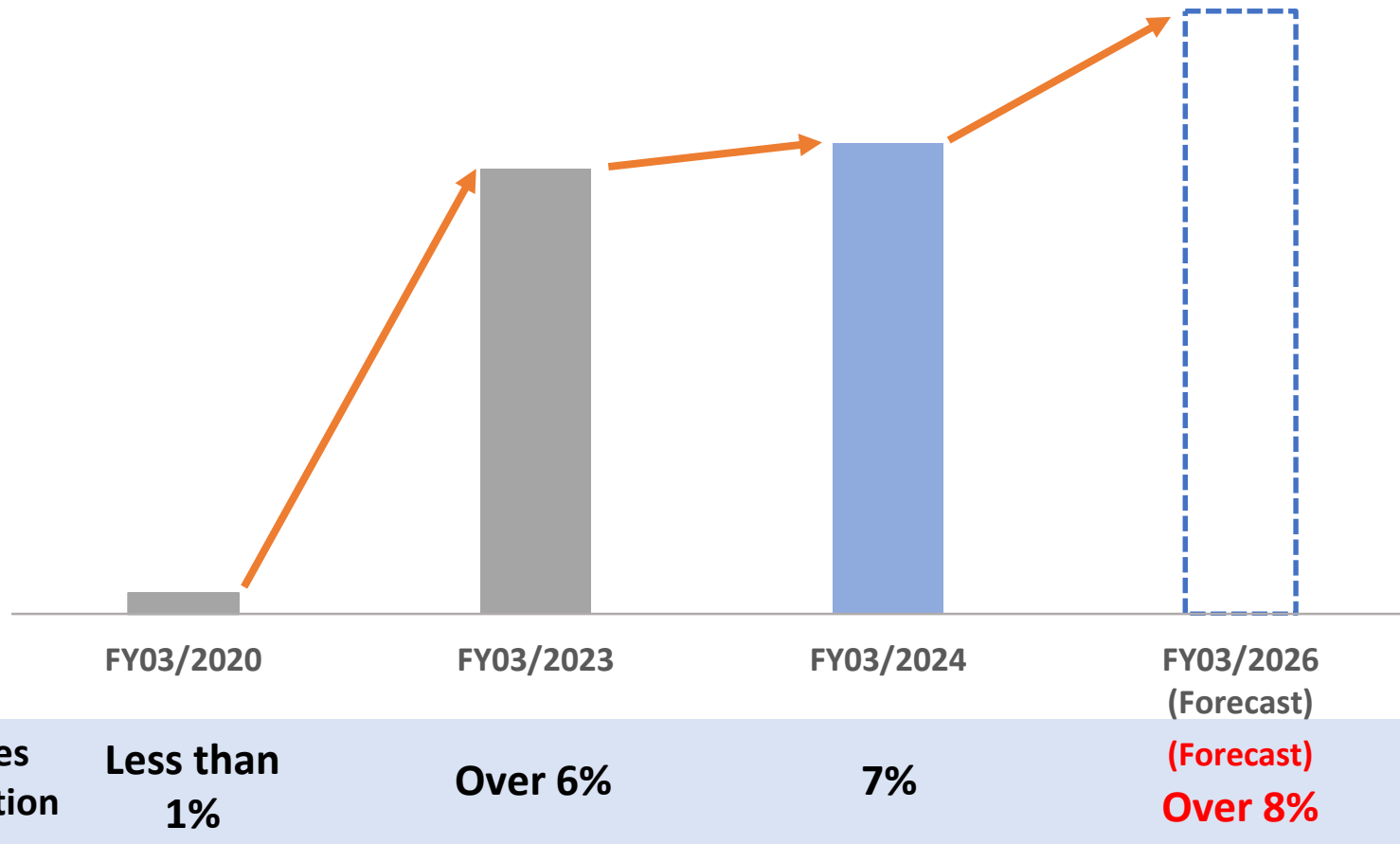
**✓ 3650 eyeliner acquired an “A rating” in LDK magazine**  
Red in the Red Liner division in the Missing Liner Division  
“Liquid Eyeliner Sheer Red” and “Liquid Eyeliner Gray” received  
A ratings in the red liner division and the Effortless liner division,  
respectively.

**By expanding in-store market share, developing new customers,  
and expanding Monopoly and preferred distribution products,  
Aim to improve gross profit**



## ■Q4 Initiatives for Achieving Medium-Term Management Plan 2026: Improving Gross Profit

### Net Sales of Monopoly and Preferred Distributed Products



**Steady progress toward medium-term plan 2026 forecast**



## ■Q4 Initiatives for Achieving Medium-Term Management Plan 2026: Controlling SG&A Expenses

### Implementation of IT Medium-Term Management Plan

#### Strengthen development by utilizing external consulting

- Automated ordering based on AI order forecast
- Efficiency of sales activities
- Efficiency of order-receiving operations
- Digitization of the expense application system
- Renovation of systems for human capital management
- Transitioned to GoogleWorkspace with communication tools

Aim to improve productivity and reduce costs in the sales, logistics, operations, products, and ordering departments

### Improve logistics productivity

- Efficiency of delivery with manufacturers
  - Labor savings in receipt operations through the use of ASN data
  - Introduction of a delivery cost management system toward higher loading ratios
  - Volume forecast and control of warehouse workforce
  - Improve picking logic using AI
  - Introduction of the latest materials handling systems
- (Productivity 1.6 times)



AI palletizing robot

By implementing IT Medium-Term Management Plan,  
and improving logistics efficiency throughout the supply chain,  
**Increase profit per employee by controlling SG&A expenses**



## ■ Earnings forecast

(Billions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent Net Income
FY03/2023 Results	891.6	12.8	13.6	8.2
	105.9%	113.2%	112.1%	125.5%
FY03/2024 Results	944.1	14.5	15.3	10.3
	102.6%	112.3%	108.2%	106.6%
FY03/2025 Forecast	969.0	16.3	16.6	11.0
	103.2%		120.5%	
FY03/2026 Forecast	1,000.0	-	20.0	-

## Accelerating Growth to Achieve Medium-Term Management Plan 2026



# **Medium-Term Management Plan 2026 Measures**

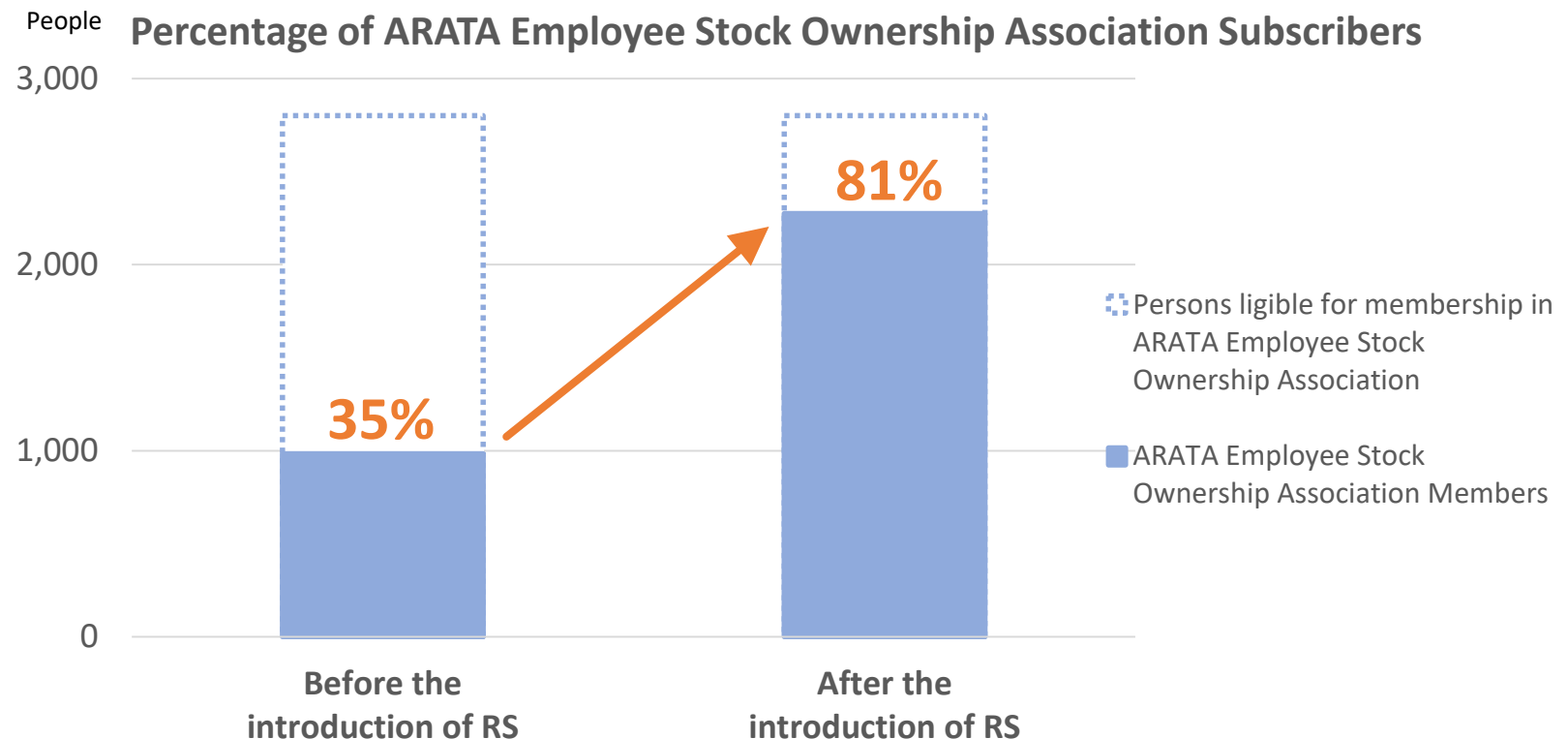
- Strengthen foundation**
- Sustainability**
- Financial Strategy**



## ■Medium-Term Management Plan 2026: Strengthen foundation 〈Transformation into Human Capital Management〉

### Investing in human capital with a view to the future

- Improve employee salary levels by revising the salary system
- Payment of performance-based bonuses to increase employee motivation
- Introduction of a restricted stock incentive plan for Employee Stock Ownership Association (RS)



## ■Medium-Term Management Plan 2026: Sustainability

- **CDP response**  
First-year C assessment
- **Awarded the Excellence Award at the Supply Chain Innovation Award 2023 by Japel Co., Ltd.**  
Efforts to improve shipping efficiency and truck rotation conducted in cooperation with 3 companies:  
Unicharm Corporation and K.R.S. Corporation
- **March 8, 2024 Acquired “Eruboshi” Certification (2 stars)**  
Recognized by the Minister of Health, Labour and Welfare as an excellent company promoting the active participation of women  
→Promoting Continuous Initiatives to Acquire 3 Stars in the Future
- **Acquired MSCI ESG rating "AA assessment"**  
※We have been selected as a constituents of the following 3 ESG indexes for domestic equities adopted by GPIF
  - MSCI Japan ESG Select Leaders Index
  - Morningstar Japan ex-REIT Gender Diversity Tilt Index
  - S&P/JPX Carbon Efficient Index
- **Formulation of ESG related policies**  
Declaration of Health Management, Sustainability Policy, and Multi-Stakeholder Policy



### ✓Topics

- ✓ Due to the formulation of a Multi-Stakeholder policy and an increase in the total amount of Salary of employees, application of tax credits under the tax system to promote wage increases



## ■ Medium-Term Management Plan 2026: Financial Strategy 〈3 Shares and Shareholder Measures〉

### ① Share buyback

Acquisition period: November 8, 2023 to November 7, 2024

Total amount of shares to be acquired: Up to JPY3 billion

#### ▶ Cumulative treasury stock acquired through April 30, 2024

**Total Number of Shares Taken: 575.1 thousand shares**

**Total amount of shares acquired: JPY1,820,060.5 thousand**

### ② Stock split: 2-for-1 stock split

#### ▶ Stock split already executed on January 1, 2024

### ③ Revised dividends (increased dividends): Implemented dividend increases in line with earnings forecast revisions

#### ▶ FY03/2024 Dividend: Interim JPY41.5, Term end JPY51, Total JPY92.5 (YoY +JPY24.5)

※Converted to the amount after the stock split

	FY03/2023		FY03/2024	
	Interim	Term end	Interim	Term end
Market capitalization	JPY74.0 billion	JPY73.1 billion	JPY100.6 billion	<b>JPY118.9 billion</b>
PBR	0.70 times	0.68 times	0.89 times	<b>1.01 times</b>
Number of Shareholders	6,335 persons	5,476 persons	5,761 persons	<b>6,545 persons</b>

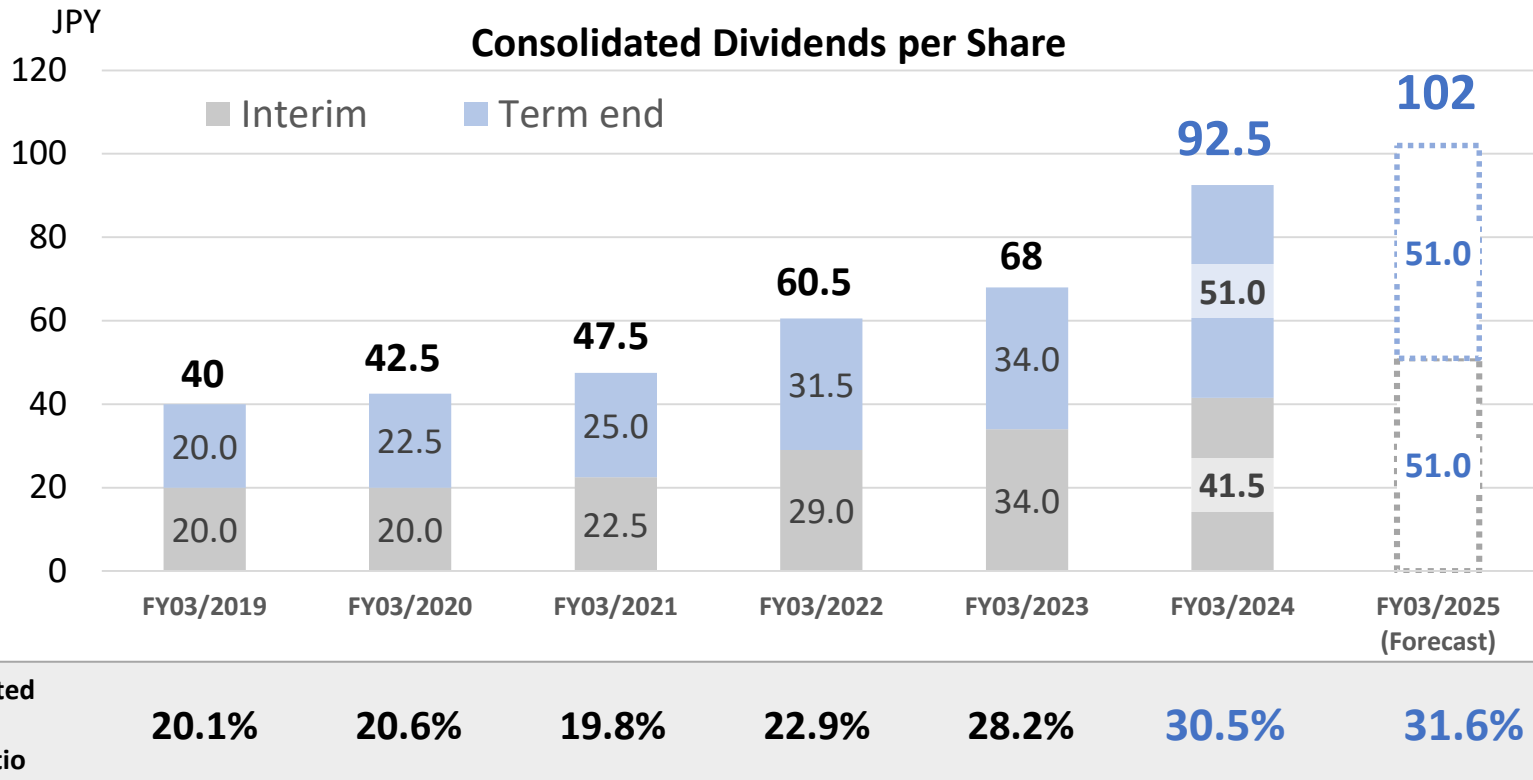


## ■Medium-Term Management Plan 2026: Financial Strategy 〈Shareholder return〉

Dividend policy: Aim to further improve dividend payout ratio while considering stable dividends

FY03/2024: Interim JPY41.5, Term end JPY51, Total JPY92.5 (YoY +JPY24.5)  
9th consecutive year of dividend increases

FY03/2025 forecast: Interim JPY51, Term end JPY51, Total JPY102 (YoY +JPY9.5)



※On January 1, 2024, our common stock was split into 2:1. Figures prior to that date are converted to the post-split amount.



- This material is solely for information purposes and should not be construed as a solicitation. This document (including the performance plan) has been prepared by us based on reliable information currently available, but it involves risks and uncertainties, and we assume no responsibility for its accuracy or completeness.
- You should use it at your own discretion. We assume no responsibility for any losses that may result from making investment decisions based entirely on the forecasts, targets, etc. contained in this document.

**IR inquiry address**

**kouhou-honsya@arata-gr.jp**