

# INTEGRATED REPORT 2019



## Greetings

Thank you for taking the time to read ARATA's *Integrated Report 2019*.

We would like to begin with a brief introduction of ARATA CORPORATION.

ARATA was founded in 2002 as a wholesaler handling a wide range of everyday items, such as cosmetics and pet goods, that make everyone's lives more comfortable. Our Company was formed by consolidating a number of powerful wholesalers from across Japan, incorporating their long histories and traditions into a single entity. We strive to contribute to Japanese industry and the local regions where we operate as we shoulder a part of the distribution economy.

We leverage all of our strengths to fulfill our mission of delivering a diverse array of products supplied by manufacturers to retailers in every part of Japan—no matter the time of day or the season. We aim to continue to be a company that serves society.

In Japanese, our Company name, ARATA, means "making each day new." This was described in a story in the ancient Chinese book *Great Learning*, about Tang Wang, who engraved on his wash basin words about the importance of striving to make each new day better than the previous day, and he read those words every morning to remind himself.

There is much more we would like you to know about ARATA. We have created this integrated report to communicate what we are doing to "make each day new," and to describe the character of our Company, our activities, and what grounds our business. We also hope to show how these attributes have changed over time, and how we see them developing in the future.

We hope that our stakeholders will have a deeper understanding of our Company after reading this report. We humbly ask for your continued support and encouragement.

**Nobuyuki Hatanaka**  
Executive Chairman

**Hiroaki Suzuki**  
Representative Director  
and President, Executive Officer



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## Editorial Policy

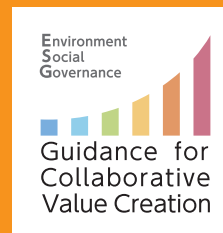
In fiscal year ended March 2018, the ARATA Group issued an inaugural integrated report, aiming to communicate to shareholders, investors, and all other stakeholders in an easy-to-understand manner the management strategies targeting an increase in corporate value.

This report presents information that is highly important to the Group, including the Group's business activities, financial information, and non-financial information critical to explaining the growth strategies in the medium-term management plan, both compactly and based on integrated considerations.

The Group will revise the content of this report every year in the hope of enhancing it as a tool to facilitate dialogue with all stakeholders.

## Reference Guideline

*Guidance for Collaborative  
Value Creation*  
(Ministry of Economy,  
Trade, and Industry)



## Organizations Covered

ARATA CORPORATION and Group companies

## Period Covered by This Report

April 1, 2018–March 31, 2019  
The report includes some activities in fiscal year ending March 2020.

## Forward-Looking Statements

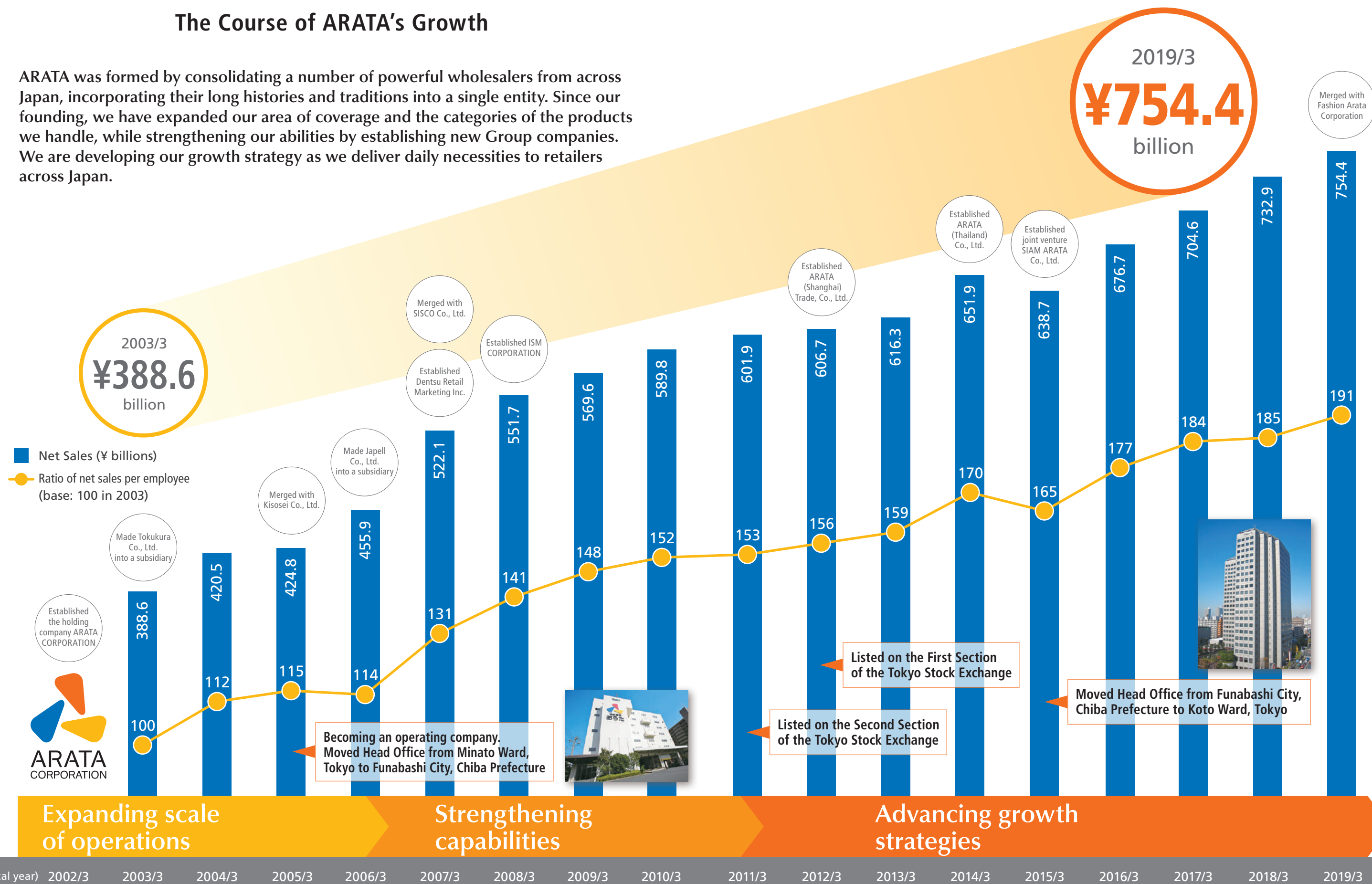
This report contains forward-looking statements about future plans, strategies and operating performance forecasts.

These statements were based on reliable information that was at the time. As such, these statements include risks and uncertainties, and ARATA CORPORATION bears no responsibility for the accuracy or completeness of these statements. Please note that actual results may differ substantially from the Company's outlook.



# The Course of ARATA's Growth

ARATA was formed by consolidating a number of powerful wholesalers from across Japan, incorporating their long histories and traditions into a single entity. Since our founding, we have expanded our area of coverage and the categories of the products we handle, while strengthening our abilities by establishing new Group companies. We are developing our growth strategy as we deliver daily necessities to retailers across Japan.



# ARATA's Value Creation Story

## External Environment

### Lifestyle changes

- the 100-year life
- Value and life planning, diversification of workstyles

### Demographic changes

- Low birthrate and longevity
- Lack of workers
- Concentration of urban population
- Workstyle reform

### Innovation

- Information technology
- AI, Internet of Things (IoT)
- Cashless transactions
- Automation
- Aggregation and analysis of information

### Economic situation

- World population growth
- Environmental problems
- Financial problems
- Emerging protectionism
- Tourism Nation

### Natural disaster / abnormal weather

- Earthquakes
- Typhoons
- Business Continuity Plan (BCP)



## Wholesale trading companies in the cosmetics and daily goods category

### National Network

7 Branches  
33 Distribution Centers  
6 Cosmetics Distribution Centers  
7 Depots

### Products Handled



## Financial and Capital Strategies

## Corporate Social Responsibility / Corporate Culture

## Corporate Governance

Product

## Retail business



Drugstores  
Home improvement stores  
Supermarkets  
General merchandise stores (GMS)  
Discount shops  
E-commerce

Product



Consumer

Aggregation and analysis of information

## Contribution to Society

### Value for Society

Providing a reliable supply of goods

Boosting the efficiency of the entire supply chain  
= reducing social costs

Comfortable lifestyles

Discovering better products, enjoying shopping

### Economic Value Contribution

Net sales

Operating profit

Profit

Dividends

## Manufacturing company



Product

Aggregation and analysis of information

Planning proposal



Sales Department

Information provision

Store support



Logistics

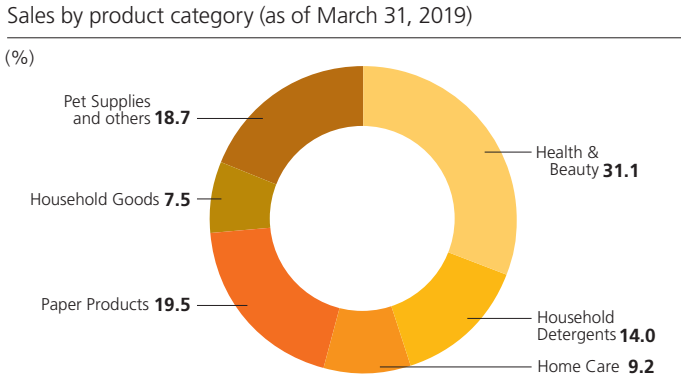
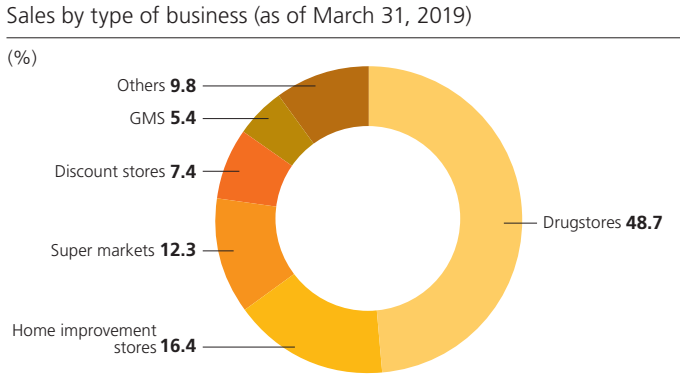
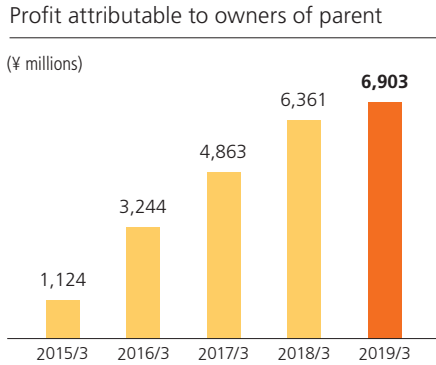
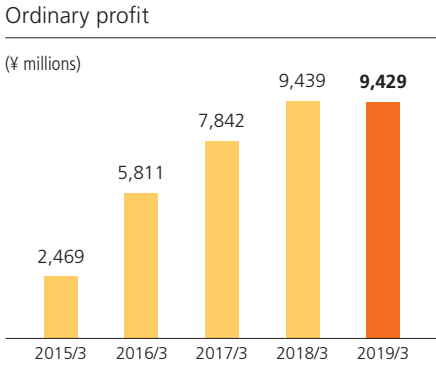
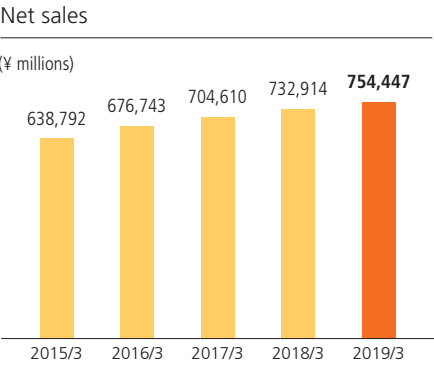
Pickup / deploy

Advanced delivery

Inventory efficiency

# Financial Summary

		2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3
<b>Operating Results</b>												
Net sales	(¥ millions)	569,687	589,858	601,949	606,705	616,327	651,954	638,792	676,743	704,610	732,914	754,447
Operating profit (loss)	(¥ millions)	(1,259)	71	286	4,174	3,726	4,472	2,461	5,699	7,384	8,857	8,892
Operating income (loss) margin	%	(0.2)	0.0	0.0	0.7	0.6	0.7	0.4	0.8	1.0	1.2	1.2
Ordinary profit	(¥ millions)	2,315	3,888	4,257	3,915	3,605	4,388	2,469	5,811	7,842	9,439	9,429
Ordinary profit margin	%	0.4	0.7	0.7	0.6	0.6	0.7	0.4	0.9	1.1	1.3	1.2
Profit attributable to owners of parent	(¥ millions)	205	1,295	1,015	1,628	1,768	2,435	1,124	3,244	4,863	6,361	6,903
Return on sales	%	0.0	0.2	0.2	0.3	0.3	0.4	0.2	0.5	0.7	0.9	0.9
<b>Financial Condition</b>												
Total assets	(¥ millions)	183,757	183,235	191,541	202,506	206,699	221,202	211,840	219,689	222,974	243,698	243,614
Net assets	(¥ millions)	43,379	44,751	45,665	47,324	49,044	51,041	53,911	55,941	59,613	71,472	80,515
Equity ratio	%	23.6	24.4	23.8	23.4	23.7	23.1	25.4	25.5	26.7	29.3	33.0
D/E ratio	(times)	1.6	1.4	1.4	1.5	1.4	1.5	1.2	1.1	0.9	0.7	0.5
<b>Cash Flows</b>												
Cash flows from operating activities	(¥ millions)	1,344	9,502	1,919	(720)	9,959	1,481	21,955	7,594	12,637	11,649	9,513
Cash flows from investing activities	(¥ millions)	(2,372)	(2,070)	(3,227)	(4,575)	(4,054)	(5,878)	(6,775)	(3,360)	(3,155)	(2,924)	(880)
Cash flows from financing activities	(¥ millions)	608	(8,175)	2,697	5,257	(7,699)	7,246	(13,990)	(1,791)	(9,948)	(4,501)	(6,678)
<b>Management Indicators</b>												
Return on assets	%	1.3	2.1	2.2	1.9	1.7	2.0	1.2	2.6	3.5	3.9	3.9
Return on equity	%	0.5	2.9	2.2	3.4	3.6	4.8	2.1	5.9	8.4	9.7	9.1
Net income margin	%	0.04	0.22	0.17	0.27	0.29	0.37	0.18	0.48	0.69	0.87	0.92
Total assets turnover	%	3.10	3.22	3.14	3.00	2.98	2.95	3.02	3.08	3.16	3.01	3.10
Financial leverage	%	4.24	4.10	4.20	4.28	4.22	4.34	3.93	3.93	3.74	3.41	3.03
Labor cost	(¥ millions)	27,561	28,062	27,998	29,511	28,453	28,584	27,631	28,902	29,135	29,836	29,685
Ratio of labor cost to net sales	%	4.8	4.8	4.7	4.9	4.6	4.4	4.3	4.3	4.1	4.1	3.9
Packing and delivery expenses	(¥ millions)	29,239	30,677	30,492	17,345	14,848	15,776	16,012	17,572	17,888	18,834	20,255
Ratio of Packing and delivery expenses to net sales	%	5.1	5.2	5.1	2.9	2.4	2.4	2.5	2.6	2.5	2.6	2.7
<b>Capital Investment</b>												
Capital investment	(¥ millions)	4,169	2,697	4,625	4,548	4,931	7,809	7,943	3,845	4,383	6,828	3,325
Depreciation and amortization	(¥ millions)	2,752	2,836	2,983	3,348	3,631	3,975	4,317	4,526	4,452	4,353	4,455
<b>Per Share Data</b>												
Cash dividend	¥	20	25	35	40	40	50	50	55	65	75	80
Dividend payout ratio	%	147.6	29.0	51.8	38.2	34.9	31.6	68.5	26.1	19.6	18.8	20.1
Earnings per share	¥	2.74	17.26	13.52	21.12	22.93	31.60	72.96	210.43	330.95	399.12	397.71
Book-value per share	¥	577.97	596.32	592.00	613.56	635.91	661.84	3,496.31	3,627.53	4,054.51	4,285.43	4,546.87
Number of employees		2,941	2,970	3,010	2,977	2,960	2,924	2,917	2,914	2,926	3,023	3,016





Message from chairman

ARATA is a group of employees who strive to play a role in the world by anticipating changes in society from a consumer perspective.

Nobuyuki Hatanaka  
Executive Chairman



From Undistinguished Competitor to Company of Choice

Evaluating our management from the time I became the company president in April 2007 to the present, I think I would give us a passing grade. We have grown, working proactively to understand complex changes in social and market environments while putting internal systems in place.

The past 10 years has been a period of tough competition in our industry. In particular, DIY stores, drugstores, and other chain retailers have grown rapidly, encroaching on our business of wholesaling cosmetics and daily goods.

We have expanded our management base to match the store opening and growth strategies of our customers, and have pursued an optimization strategy for our entire supply chain.

Our industry is currently characterized by companies that mostly follow along in the same direction, competing on the basis of quality and price. I do not think this business model will stand for the next 10 years.

I said earlier that I gave the Company a passing grade. The reason I can't give us full marks is that one problem is unresolved: how we approach the next era of

our business.

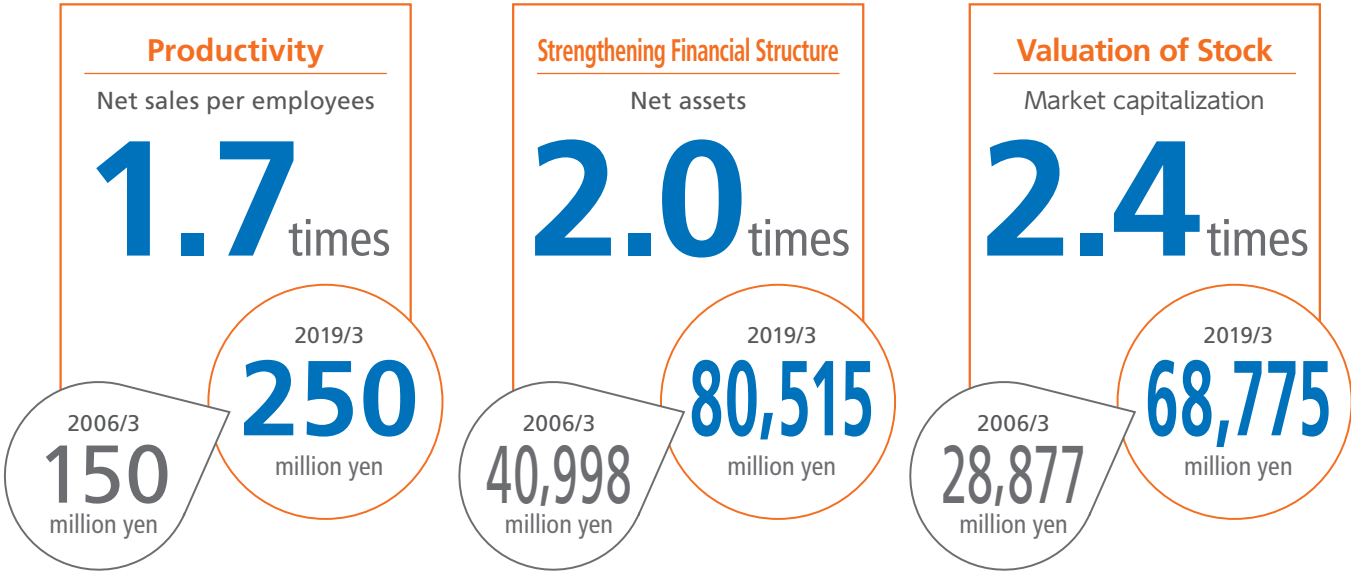
In particular, I think the need to review our business in Japan from the ground up is becoming more urgent, as we face, in earnest, the pending graying of society and a declining birthrate.

The market for products for elderly consumers will grow as it becomes more common for people to live to be 100 years old. On the other hand, the number of Japanese households is expected to begin to decline in 2025, which will cause a contraction in the demand for marketing proposals and in products aimed at retailers' target customers: nuclear families with one to two children.

Unlike in the era of mass production and sales when companies emphasized low prices, I think we are in a transitional period where there will be a need for companies that can advise manufacturers and retailers on how to sell higher-end products.

Going forward, we will strive to convince our stakeholders that we can handle consumers' strict product selection standards. We will also endeavor to demonstrate the benefits and appeal of doing business with us.

Results of Operations





The Purpose of Wholesaling and the Future of ARATA

Since the distribution industry is heading toward a massive transition, we have to continue to prepare for the future.

Rather than narrowly pursuing the goals directly in front of us, we must constantly think about our strategy for increasing our corporate value, while focusing on the purpose of our business and our ideal of how the Company should operate.

Companies continually introduce new products in the cosmetics and daily goods industries. At ARATA, we seek to discover high-quality products regardless of the size of the manufacturer, and we strive day after day to broaden our supply chain. In this way, we are able to deliver new products to our retailers that enrich the everyday lives of consumers. This valued practice is the core of our business as a wholesaler.

I think our purpose partly consists in our strength in product discovery and cultivation. We have grown to our current size by responding to changes in the needs of consumers and retailers employing various business formats. Our strength in product discovery and cultivation, and the high evaluation we have received for these attributes, has enabled us to demonstrate our value to customers, no matter who they are. At first glance, the spread of online shopping appears to be a risk factor for our Company. However, I think we will remain the supplier of choice even for continuously expanding e-commerce companies due to our proven ability to source good products and to effectively broaden product lineups.

Becoming a Robust, Fair, and Fun Company

Since our founding, we have carefully considered how a wholesaler should ideally operate, and we have grown to become an industry leader. Despite various challenges, I have always prioritized employee motivation and the desire for personal growth. As a result, I have repeatedly heard our business partners say, “ARATA is a company that does business with a human touch.”

The business world is moving away from a first-at-all-costs competitive environment to one where business value is paramount. The Company will not be perfect until we reach the point of constantly striving to provide this type of value. Our employees, rather than passively expecting the Company to take care of them, must

recognize the significance of their work and be highly motivated to succeed.

According to *ARATA Policies*, our booklet of corporate philosophy written by one of our veteran managers, “working is the human path, the way of sincerity, and the way of gratitude.” In considering the way we work, there are some ways in which we need to change our interpretation of value. Rather than seeing work as an obligation to be fulfilled, we should approach our tasks at ARATA with an entrepreneurial mindset. I would like to see our Company pursue new possibilities in wholesaling through each transition in the way we work, while continuing to be robust, fair, fun, and full of humanity.

Challenges for the Next Generation

As the business environment approaches a momentous turning point, I think sustained growth in sales and profits is important. The way I see it, sales reflect popularity, and profits reflect knowledge. Both are important, as is the balance between them.

We need to think about business from a new perspective if we hope to succeed with our initiatives in both the Japanese and global markets. As well, we need

to strengthen our abilities in product development, e-commerce, and distribution.

I have high expectations for the new Corporate Strategy Planning Department that we established this fiscal year. In the next 10 or 20 years, I would like to see the young people who drive our business tackle challenges of the new era head on, to think seriously about their solutions, and to build a new business culture.

■ Review of Business Performance

(¥ millions)	2006/3	2019/3	Change
Net sales	455,986	754,447	1.7 times
Operating profit	(2,518)	8,892	Significant increase in profitability
Profit before income taxes	685	10,152	14.8 times
Profit attributable to owners of parent	213	6,903	32.4 times
Number of employees (people)	3,040	3,016	Slightly decline



Message from President

While looking 10 years into the future, we are making steady progress under our current medium-term management plan. Our long-term growth strategy is to differentiate ourselves by reinforcing our peripheral businesses.

Hiroaki Suzuki  
Representative Director  
and President, Executive Officer

Results for the Year Ended March 31, 2019

The fiscal year ended March 31, 2019 was challenging for a number of reasons. The shrinking market, caused by population decline, created fierce competition. In addition, unseasonable weather and a succession of natural disasters resulted in lost business opportunities and led to higher costs for us. However, our Company aggressively made moves that bolstered, while expanding, sales of products with high profit margins, and we implemented measures to raise productivity to achieve the targets set in our medium-term management plan.

Due to these activities, consolidated net sales for the fiscal year under review were up 2.9% year on year to ¥754,447 million, operating profit rose 0.4% year on year to ¥8,892 million, ordinary income fell by 0.1% year on year to ¥9,429 million, and profit attributable to owners of parent rose by 8.5% year on year to ¥6,903 million.

For nonoperating income and expenses, ARATA established a commitment line of ¥50 billion to secure the working capital necessary for future sales growth with more stability and under more favorable conditions. Our Company also booked initial fees for corporate bonds issued in July and a public offering to raise capital for medium- to long-term growth as a nonoperating expense. We were also able to reduce interest payments (lowering interest-bearing debt and securing funding with better conditions) and to suppress the negative effects of reducing the reversal of allowance for doubtful accounts booked as nonoperating income in the previous fiscal year.

Concerning extraordinary items, ARATA sells shares in business partners based on specific goals and economic considerations as stipulated in our corporate governance code. We will continue to review our policies to achieve increased productivity through the use of capital.

A Business Strategy Aimed at Being the Best Company We Can Be 10 Years from Now

This is the last year of our current medium-term management plan that began when I took office as representative director and president & COO in April 2017.

Each of our management plans covers three years, but I prefer to think in terms of business strategy toward an ideal form of our Company 10 or 20 years down the road. For example, when considering where I want ARATA to be

in 10 years, I think about how to add value over the course of three medium-term management plans and how to set clear milestones to measure our progress.

Next, I will discuss what our Company has achieved under the current medium-term management plan along with the initiatives we have planned going into the next one.

Most Recent Business Results and the Plan

(¥ millions)	2018/3	2019/3	2020/3 (plan)
Net sales	732,914	754,447	771,000
Ordinary profit	9,439	9,429	10,000
Profit attributable to owners of parent	6,361	6,903	6,500
Return on equity: %	9.7	9.1	9% level



Action Plan 1. Continue to Formulate a Growth Strategy

Initiatives to strengthen sales in certain categories are progressing according to plan. Consumer needs are diversifying and retailers these days will not choose to buy from wholesalers who do not specialize.

In Health & Beauty, we have consolidated the Group by integrating Fashion Arata, our former subsidiary. We have also recently established the Cosmetics Business Department, which specializes in cosmetics sales.

We will strengthen our cosmetics operations by applying, to the nationwide ARATA Group network, Fashion Arata's highly specialized product discovery and market cultivation strengths.

In Pet Goods, we have decided to consolidate products formerly handled by both ARATA and the Japell subsidiary to now be solely under the management of Japell. Concentrating our Company's pet-related products in this way should allow us to further leverage Japell's specialized strengths.

I would also like to point to the positive effects on logistics that consolidating pet-related products should have. Up to this point, our Company has handled pet goods, toiletries, Paper Products, and cosmetics in the same logistics centers. Unlike most of the products in these categories, some pet-related products, such as pet food, have expiration dates. Consolidating all pet goods at Japell should help to further optimize our logistics. It should also contribute to our Company's ability to make comprehensive proposals tailored to the needs of retailers that cover everything from pet food and goods to pet insurance and live animals.

Finally, we will strive to expand the Household Goods category. In the fiscal year ended March 31, 2019, this category accounted for ¥56.6 billion in sales, making ARATA the second-largest player in the Household Goods wholesaling industry. Going forward, we will aim to expand our share in this category to take the top position in the industry.

Action Plan 3. Further Strengthen the Management Base

Seventeen years have passed since ARATA's founding and the time has come to review our business processes. Of course, much of the content of our manuals, rules, and systems can still be usefully applied to our operations. Nonetheless, we established the Business Reform Division in the Corporate Strategy Planning Department and are implementing some dramatic reforms.

Managing earnings in a more sophisticated way is overdue. In the past, earnings were managed at each branch, but now we are promoting initiatives to build a companywide organizational structure for responding promptly to changes for increasingly diverse and complex customer needs.

Earnings management was previously done at the branch level, but we have now switched to managing the earnings received from transactions with our largest customers at our head office. As a result, we were able to analyze the activity costs in each region, such as the

sales personnel structure and the logistics costs at a companywide level.

Today, we manage the earnings from 90% of our sales on a companywide basis. Getting to this point took about two to three years and involved roughly 60% of our Company's salespeople to help us review earnings management, but the effort resulted in our head office and branches being able to communicate smoothly.

We are also moving forward with consolidation of indirect departments. Originally, each of our seven branch offices had its own indirect departments that handled various tasks. We have already consolidated these functions into five locations, and we aim to transfer some of these functions to the head office by the end of this fiscal year.

By reviewing business tasks and implementing robotics process automation (RPA), we intend to optimize the tasks performed by indirect departments.

Action Plan 2. Laying the Foundation for the Future

We established the Business Development Department to help us transition to becoming the best company we can be in 10 or 20 years' time. This department develops new businesses while operating our overseas business and managing our relationships with

e-commerce companies.

We have not yet achieved our targeted speed of business development, but we are beginning to see definite results, such as the conclusion of agency contracts with several cosmetics companies in Southeast Asia.

We are cautiously breaking into overseas markets due to the necessity to develop a deep understanding of how business customs differ from those of Japan. However, my impression is that our opportunities overseas have become more promising.



Toward to the Next Growth Period

While we can be relatively certain that the market for some products, such as oral care items for seniors, will grow in the future, I think it is difficult to count on significant market growth on the whole.

To grow in a maturing domestic market, it is essential to use our current general wholesaling business base of ¥750 billion in sales to strengthen our peripheral businesses and to formulate a growth strategy so we can differentiate ourselves from our competitors.

Dentsu Retail Marketing (DRM; established through joint investment with Dentsu) and our subsidiary ISM Corporation have enjoyed sales growth every year. I believe combining the two companies' product promotion strengths (employing targeted social media) with ARATA's rich product knowledge and expertise for improving retail spaces (built through direct visits to the main stores in each region) will enable us to drum up

new sales through store management and promotional activities, even when business is slow. We will strive to build a new business that goes beyond simple wholesaling using cutting-edge IT technology and the large database we have built up through transactions with manufacturers and retailers.

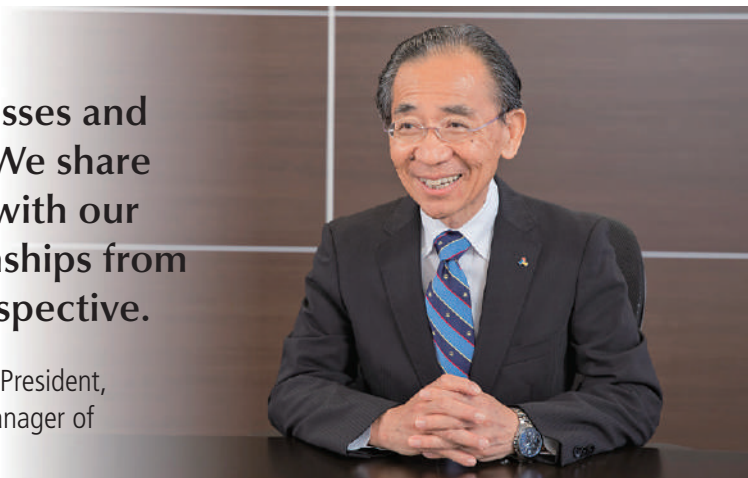
The slogan of our medium-term management plan is "Connecting things, connecting experiences, and connecting people." We have moved beyond merely connecting things and are now able to connect experiences too. All we have to do to fulfill the promise of this slogan is to improve our services so that we can connect people. Results are paramount, but I would also like to see us aggressively pursue CSR activities and become a company that is highly evaluated for our social contributions as well as our business performance.

Message from Vice President

Our policy is to emphasize core businesses and create a profitable business structure. We share our key performance indicators (KPIs) with our stakeholders, building win-win relationships from a long-term (10-year) management perspective.

Yoichi Suzuki

Representative Director and Vice President,  
Executive Officer and General Manager of  
Administration Department



Basic Financial Strategy

We intend to increase profits, while paying close attention to balancing earnings growth and improvements in efficiency, and by steering the Company with a management strategy focused on cash acquisition and profit growth through higher sales.

In order of priority, we will emphasize our core businesses to improve the return on assets, in this way increasing the return on equity. Improving the return on equity will grow our cash flow—indicated by return on invested capital and return on capital employed—and we intend to become a formidable company that exceeds the expectations of our shareholders.

Improving our extensive logistics network is essential to boosting the Company’s profitability. The cost of constructing a logistics center depends on the size and location, and we assume that this requires an investment of at least ¥5 billion. The Company’s average operating cash flow over the past three years, at ¥11.2 billion, exceeds that level. However, I would like to have

some more leeway, given our need to consider strengthening and expanding our intricate logistics network, which can respond to future changes in our business.

We will secure the necessary funds by building an unparalleled financial system that is able to keep pace with our investment goals. We will do this by combining improvements in Group-wide capital efficiency with a better turnover for current assets and liabilities (improving the balance of accounts receivable, inventories, and accounts payable), by reducing non-current assets (efficiency improvements through sale and greater liquidity, and safety improvements), and by raising funds through capital markets.

We will achieve next-level growth by building a profitable business structure supported by increasing profits and through accelerated asset turnover. To do this, we will improve how we raise funds to invest for growing our businesses.

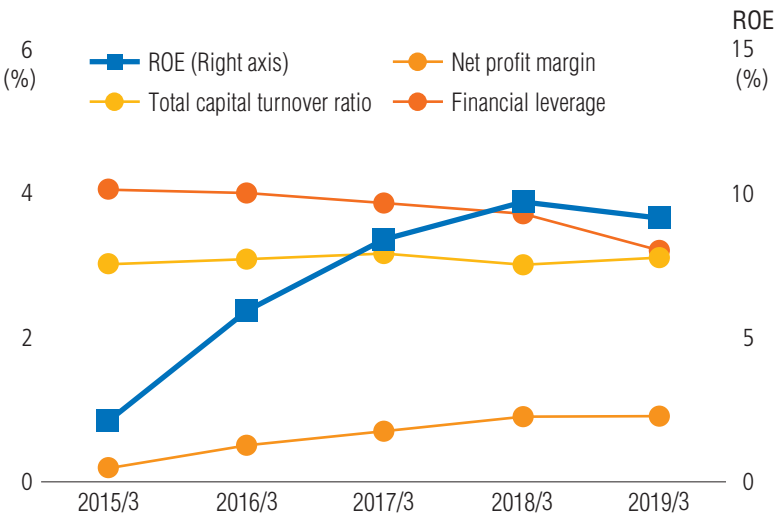
Initiatives for Enhancing Corporate Value

Building our businesses appropriately is essential to boosting corporate value. Whether our Company is perceived to be building business appropriately hinges on our ability to solve problems that arise from societal change in socially acceptable ways. For this reason, strengthening corporate governance is essential.

We intend to increase our share price and market capitalization by investing in a way that bears in mind the cost of equity, by strengthening our management

abilities by hiring people from outside the company, by converting to the IFRS international standard for accounting, and by sharing our objectives with stakeholders through improved disclosure.

We will contribute to society through our core businesses as we strive to improve the working environment for our employees. We aim for excellence as we implement this aggressive financial strategy in support of the Group businesses based on our ten-year vision.



Return on Equity

With improved profit as our ultimate objective, we will increase operating profit and the asset turnover ratio, realizing higher profitability and efficiency.

We strive for balance in financial leverage, aiming for an equity ratio of 35%.

2018/3 (¥ millions)				2019/3 (¥ millions)			
Current assets		171,256	70.3%	Current liabilities		145,831	59.9%
Notes and accounts receivable-trade		97,321		Notes and accounts payable-trade		89,112	
Inventories		29,997		Short-term borrowings		31,869	
Non-current assets		72,442	29.7%	Non-current liabilities		26,394	10.8%
				Bonds payable		424	
				Long-term loans payable		11,347	
Net assets		71,472	29.3%	Net assets		71,472	29.3%
Total assets		243,698		Total assets		243,614	

Notes and accounts receivable-trade: 101.5% YoY  
Interest-bearing debt: ¥7.1 billion reduction YoY

Notes and accounts payable-trade: 101.0% YoY  
Net assets: up ¥9.0 billion YoY

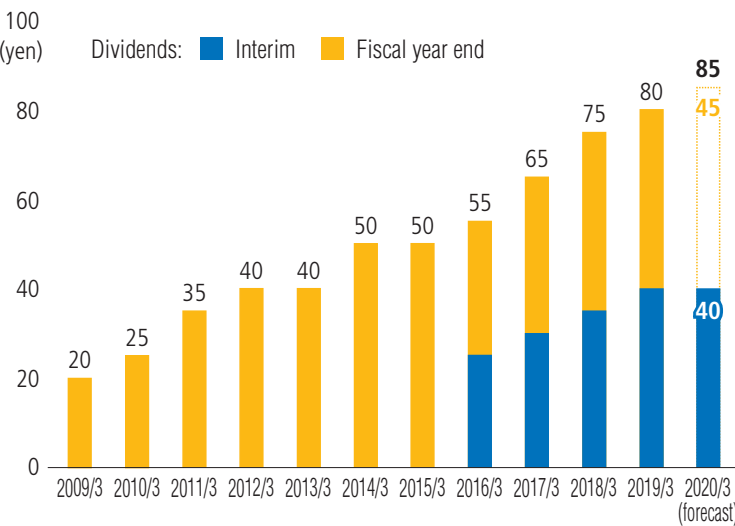
Equity ratio: 33.0% (+3.7pt YoY)

D/E ratio: 0.45 (-0.16 YoY)

Capital Policy

The Company established a commitment line of ¥50 billion in April 2018, and in July 2018 this was raised by ¥10.6 billion through a public stock offering and by issuing convertible bonds to increase the equity ratio.

We will further develop our investment efficiency by continuing to improve capital efficiency through action, such as centralizing the management of Group cash flows, reducing current and non-current assets, and improving our ability to raise funds in capital markets.



\* A share merger was executed on August 1, 2015. The dividend amounts have been calculated and stated as if this share merger had been executed on April 1, 2010.

Shareholder Returns

We place the highest management priority on returning profits to our shareholders, while striving for continuous improvement in our corporate value.

Our basic policy is to maintain stable dividends while giving comprehensive consideration to factors such as annual results for each of our businesses, our financial condition, and future business growth.



Sales

ARATA's sales team constantly monitors retailers' expectations and makes every effort to work out any necessary changes on-site. We use data while we work with retailers and manufacturers to bring smiles to the faces of our consumers.

Toshiyuki Omote | Director and Senior Managing Executive Officer, General Manager of Sales & Sales Planning Department



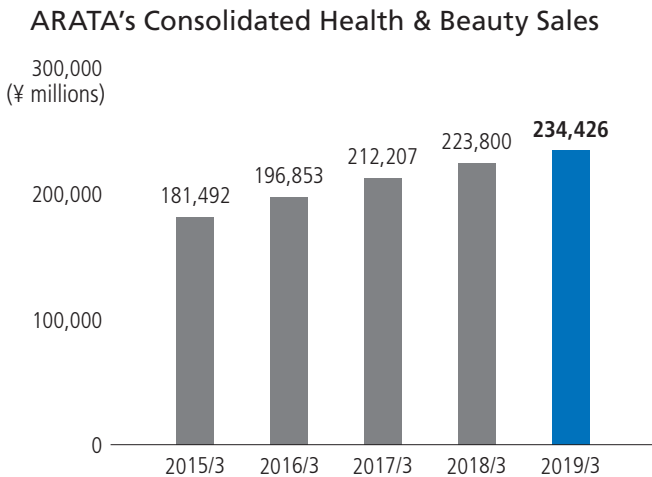
We are faced with accelerating change in the external environment as the population declines and the birthrate falls. We must meet this change head on, attempting to predict the consumer environment of the future while exploring the concrete measures we can take to adapt. In considering what we can do to continue to meet retailers' expectations, I believe our role is to design salesfloors that drive sales, and I place a major emphasis on this perspective.

The Company derives strength from the ability to develop proposals based on qualitative and quantitative information derived by proprietary tools. Retailers continue to transform at a breakneck pace, notably through the introduction of self-checkout and unmanned stores. To properly consider these transformations, it is

important to continue to visit salesfloors in person. We can respond to rapid market corrections by around 1,000 sales staff across Japan using a tool that checks information concerning sales in local stores and customer response to new products in near real time. We have also started to analyze sales and develop proposals based on ID-POS data. Simply appealing to customers with functionality will not be enough to generate sales in the expanding market for senior-oriented products. I intend to pursue a bold sales strategy based on promising trends discovered through analysis of retailer sales mechanisms and consumer behavior data.

Focusing on Health & Beauty Shows Promise for Continued Growth

We expect demand for products in the Health & Beauty category to remain strong going forward. An increase in the number of active seniors has caused products that combat aging, such as premium cosmetics and oral care products, to do well, and the entire health and beauty market has been increasing every year. The sales of our products in the Health & Beauty category are growing steadily. We expect sales and profits to rise for more products in the Health & Beauty category than in other categories. Therefore, we will do our best to increase sales in this category, including exploring opportunities for joint product development and online sales promotions.



Strengthening Proposal Skills

Beyond simply delivering products, we develop and manage optimized proposals for retailers based on the commercial process up until the point of sale.

One of ARATA's strengths is excellence in analysis-based proposal-driven sales targeted at retailers. We use our "TentoNavi" tool developed over many years to gather store information and our proprietary POS analysis tool, "ARMS," for analyses including ID-POS and market area analysis. The resulting knowledge base differentiates us from our competition: We have the ability to develop proposals that meet the varied needs of retailers.

Unfiltered feedback from ARATA's sales staff (qualitative information)

Supported by analytical tools (quantitative information)

TentoNavi

ARATA's proprietary system enables approximately 1,000 sales staff to quickly share store information.



Data Analysis

Analyzes data, filtering by a number of parameters, such as product category, consumer age and gender, market area, and business type.



Responding to Environmental Change

Targeting Different Products Based on Social and Demographic Changes

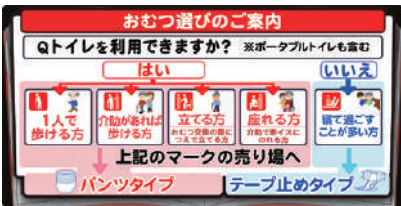
In 2036, one out of three people in Japan will be 65 or over. In the cosmetics and daily goods market, it is important to offer merchandise that appeals to the needs and preferences of seniors.

Through cooperation with retailers and manufacturers, we will conduct sales promotions that heighten the appeal of the functionality and convenience of senior-oriented products, such as oral care, supplements, and adult diapers.

The increase in the ratio of seniors means that demand will be higher for products related to the keywords *health* and *anti-aging care*. We expect these factors to cause continued expansion in the Health & Beauty category.

To better supply this growth market, we jointly established, in April 2019, a Cosmetics Business Department with our subsidiary, Fashion Arata Corporation, which specializes in wholesaling cosmetics and light clothing (see page 28). We are aiming for further expansion of our operations by adding ARATA's nationwide network and our strengths in data analysis to Fashion Arata's highly specialized expertise in product discovery and proposal development in the cosmetics industry.

An original in-store display developed by subsidiary ISM Corporation's sales promotion workshop



Improving visibility for seniors using floor displays

Business Development

Viewing the future in global terms.  
Broadening every individual’s perspective  
and applying “big picture thinking”  
to our business.

Takahiro Furiyoshi

Director and Managing Executive Officer,  
General Manager of Business Development Department  
(Concurrently) Manager of Development Strategy  
(Concurrently) Manager of EC Business



As General Manager of the Business Development Department, I handle our relationships with Japanese e-commerce companies and manage our overseas operations. Working in my division calls for a high degree of specialization, since we cover unfamiliar business areas that are susceptible to dramatic change. For this reason, I am careful not to let my subordinates become too near-sighted or over-specialized.

Looking back on the previous fiscal year, we were mostly able to execute our initiatives based on our plans. Our contribution to earnings is still limited, however, and this poses a problem for our business.

As the Japanese e-commerce market grows year by year, our Company is developing joint business plans (JBPs) to solve issues in sales, distribution, systems, and other areas for e-commerce

companies and the manufacturers that supply them.

Legal distribution channels for cross-border e-commerce are likely to increase due to regulatory changes cracking down on under-the-table commerce. We plan to take full advantage of these new opportunities.

In our overseas operations, we are starting to feel the benefits of increasing transaction volume with our customers in Thailand. However, since the business culture in Thailand is very different from that of Japan, it is difficult to transplant our Japanese wholesaling practices without some modifications. We need to understand the local business culture and move head in a cooperative way.

We are leveraging the abilities of ARATA and our affiliates in e-commerce and overseas operations while laying the groundwork for the future by finding new retailers and by developing new businesses.

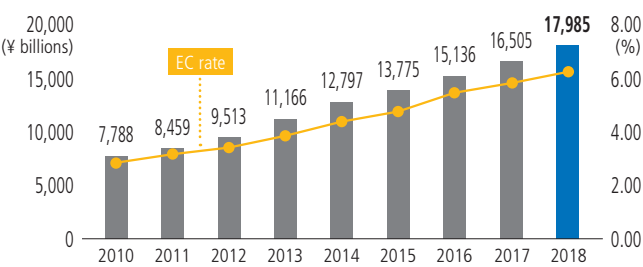
The Continually Expanding Japanese E-Commerce Market

E-commerce reaching record highs  
in both overall and relative market size

The e-commerce market continues to grow. According to the Ministry of Economy, Trade, and Industry, the Japanese business-to-consumer (B2C) e-commerce market grew by 9.0% in 2018 to a record high of approximately ¥18 trillion. Moreover, e-commerce as a percentage of all trade, grew 0.43 of a percentage point to 6.22% over the same period.

The growth of e-commerce is accelerating globally as well. In 2018, the global e-commerce market was US\$2.84 trillion, with cross-border e-commerce accounting for US\$676 billion. As shown in the graph on the right, the countries with the largest and the second largest e-commerce markets, the US and China, purchase a huge amount from Japan, suggesting that they have a high opinion of Japanese products. Cross-border e-commerce seems to be on track to grow by double digits for the foreseeable future. This growth presents a massive opportunity for our Company.

Japanese E-Commerce Market



Cross-Border E-Commerce Market

Countries (Consumers)	Purchased from Japan	Purchased from US	Purchased from China	Total
Japan (YoY)		250.4	26.1	276.5
		7.6%	7.4%	7.6%
US (YoY)	823.8		568.3	1,392.1
	15.6%		15.0%	15.3%
China (YoY)	1,534.5	1,727.8		3,262.3
	18.2%	18.5%		18.4%
Total (YoY)	2,358.2	1,978.3	594.4	4,930.9
	17.3%	17.0%	14.6%	16.9%

Source: E-Commerce Market Survey (Ministry of Economy, Trade, and Industry)

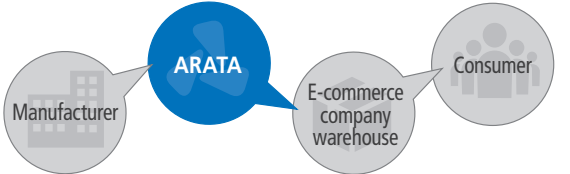
E-Commerce Division

Providing unique added value derived from being close to retailers and consumers

The e-commerce market has grown rapidly, but logistics costs continue to rise, raising the likelihood that leading online businesses will begin emphasizing strategies favoring profitability over growth. I think the related wholesaling industry is also heading for a turning point, so we need to display our unique strengths as a top-choice wholesaler as much as possible.

Online sales differ from in-store sales because online sellers don't have to worry about limited display space. This means that consumers expect online sellers to handle an enormous number of products. Our Company will leverage our strength in handling a large number of products to capture this e-commerce demand. At the same time, we will invest

strategically in our distribution skills and information systems so that we can meet the demand particular to e-commerce, for example, for heavy or bulky products that few brick-and-mortar stores can carry. Moreover, e-commerce companies have found our Company's sales data—accumulated over many years and continuously updated in real time—to be extremely useful for their marketing.



International Business Division

Promoting mutually beneficial relationships among  
retailers and manufacturers in Southeast Asia

We currently operate overseas in Thailand and China. We started doing business with Japanese retailers that have moved into the Thai market as well as local medium-sized cosmetics chains, increasing the number of products we handle after concluding agency agreements with Japanese cosmetics and toiletries manufacturers. Our sales are steadily growing thanks to these relationships.

As the demand for Japanese goods grows overseas, we carefully search for reliable local companies to carry our products rather than selling them to retailers indiscriminately. In this way, we are promoting business in Southeast Asia by building relationships that are beneficial to both retailers and manufacturers.



The reception area at ARATA (Thailand) Co., Ltd.



A store in Hong Kong operated by subsidiary Japell Co., Ltd.

Business Development Division

Strengthening initiatives with promising cross-border e-commerce  
companies while searching for opportunities to develop new business

China's new e-commerce law took effect in January 2019. The law is intended to clamp down on Chinese visitors to Japan who buy large amounts of Japanese merchandise and attempt to resell it illegally in their home country. This law has made business more stable for companies that conduct

cross-border e-commerce through legal channels.

The Business Development Division promotes the expansion of business with cross-border e-commerce companies. We are also the main division responsible for developing new and innovative opportunities.



# ▶▶▶ Logistics

Showing leadership in the supply chain;  
linking production to consumption.  
Developing optimal logistics systems  
and cultivating talent.

Yuzo Ono

Director and Managing Executive Officer,  
General Manager of Logistics Department  
(Concurrently) Manager of Logistics Solutions Division



For many of our customers, for example, supermarkets and drugstores, the tasks of sorting, managing, and displaying the cosmetics and daily goods that we supply are extremely labor intensive. For this reason, retailers often entrust us with these tasks. Our Company is known for the ability to comprehensively handle these responsibilities; We use product information analysis to revitalize stores, and we manage operations with our high-precision, low-cost logistics system.

I believe our ability to develop management strategies that consider industry growth from the perspective of consumers and retailers is a strength that comes from our independent position. The distribution industry is undergoing a paradigm shift: the number of retail stores is declining and e-commerce is growing,

leading many people to claim that wholesalers are no longer needed because manufacturers can now sell directly to retailers. ARATA is focused on developing talented people who can envision new services and functionality that only wholesalers will be able to provide and to bring those ideas to fruition, no matter how the environment changes.

Our immediate task is to counter the structural factors that add costs, such as increases in the cost of shipping and wages. We are stepping up our efforts to respond to these forces in several ways, including improving logistics by cooperating with manufacturers and retailers, by reducing the amount of time spent inspecting and sorting products, and by increasing the number of trainees coming from overseas.

## Equipment Supporting Our High-Efficiency, High-Precision Logistics

We have started using automated pallet warehouse systems<sup>1</sup> in our large logistics centers. Products shipped from automated warehouses in cases are sent to case sorters, and then organized by company, delivery route, and store.

At the same time, items shipped in units smaller than a case are picked on an assigned floor by AiMAS,<sup>2</sup> a type of cart with a built-in scale. Scanning the product's barcode prevents the wrong product from being picked, while weight detection used in conjunction with the scale prevents the wrong quantity from being selected. Moreover, we can prevent any product from being sent to the wrong company based on which scale performs the

detection. This system has resulted in ultra-precise shipping operations, with a delivery error rate of less than 1/100,000.

After the picking process is completed by AiMAS, the collapsible containers are temporarily stored in a warehouse.<sup>3</sup> From there, just as with products in cases, the containers are organized by company, delivery route, and store, and then delivered to retailers.

In addition, products returned from retailers are sorted according to the details for each manufacturer, product, etc. by our 10 return sorting machines<sup>4</sup> nationwide, allowing us to efficiently return products.



## Dealing with a Shortage of Personnel

### Making Work at Logistics Centers Easier

The shortage of workers will be an even more serious issue in the future as the aging of society and the low birthrate continue.

ARATA is tackling the shortage of workers through reforms involving new systems and logistics equipment.

For the first time as a company, we introduced depalletizing robots equipped with AI technology at the Kyushu-Minami Center that went online in Kagoshima in June 2018. Cameras mounted on the robots recognize cardboard boxes of different sizes and automatically replenish the stock of products. In addition to saving labor, one of the main purposes of using of these machines is to lessen the physical burden on workers by having the machine handle tasks that require heavy lifting. I think that making our logistics centers easier places to work for people of all ages will help to mitigate the shortage of personnel.



AI depalletizing robots:  
Two robots are capable of processing 900 cases per hour.

## Solving Problems in the Logistics Industry

### Better Working Conditions for Drivers

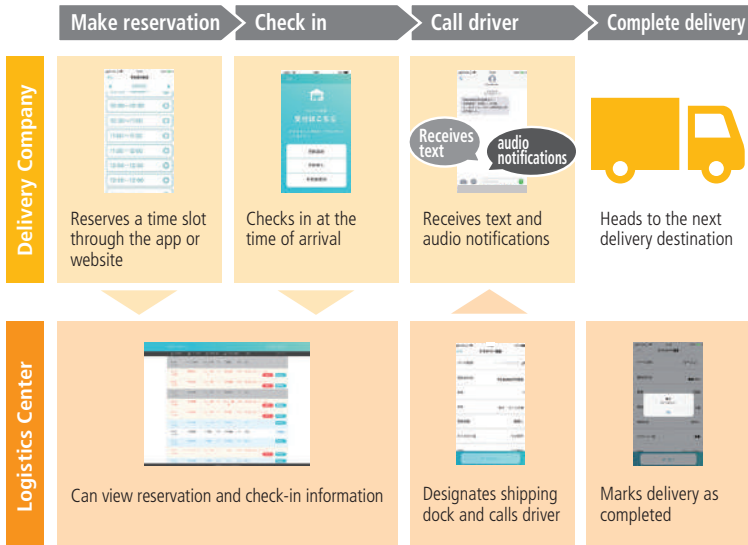
In July 2019, we announced the promotion of better working conditions for our drivers. Specifically, we improved the working environment for truck drivers, for whom there is an intensifying shortage, using the guidelines recommended by

three government ministries (MLIT, METI, and MAFF). We expect that this will guarantee stability in distribution—vital to the lives of citizens and economic production—while contributing to economic growth.

#### ARATA's implementation of better working conditions for drivers

1. Cooperate with manufacturer distribution improvement proposals
2. Introduce a reservation system for warehouse entry times\*
3. Shorten the time required to unload shipments using pallets
4. Plan deliveries to avoid congestion
5. Promote the documentation of shipping contracts

**\*Warehouse Entry Time Reservation System**  
In April 2019, ARATA adopted the telesa-reserve reservation system developed by TSUNAGUTE Co., Ltd. to shorten wait times for drivers. In addition to helping to deal with long standby times for truck drivers, this initiative will reduce CO<sub>2</sub> emissions from idling trucks. ARATA plans to implement this system at all locations within two years.



Organizational Management and Personnel Development

Making our management structure more efficient in a changing environment to carry ARATA into the future. Focusing on personnel development.

Yoichi Suzuki Representative Director and Vice President, Executive Officer and General Manager of Administration Department



Supporting the Diversity of Employees

Career Training System

The Company trains employees based on the Arata Organization Development (AOD) system. This system offers training for all employees on every career track, from new hires to managers, and is premised on the belief that the growth of the individual leads to growth for the whole Company. The Company has specialized staff and dedicated rooms to conduct training, which is mainly led by in-house lecturers. The system teaches trainees and helps nurture our corporate culture.

Management	Advanced Manager Training
	Manager Training
	Leader Training
	Training for New Managers
General Staff	“Step Up” Training
	Third-Year Sales Training
	Second-Year Sales Training
	One-Year Follow Up Training
	Introductory Sales Course for New Employees
	Master Course for New Employees
	Training Course to Foster Understanding among New Employees



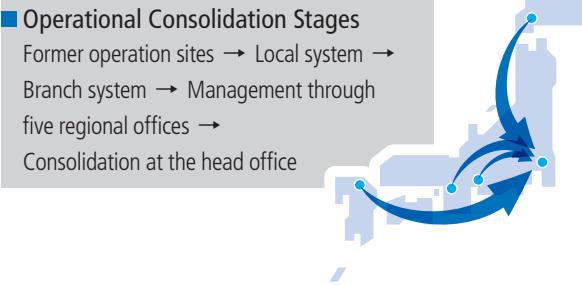
Operational Consolidation

When ARATA was founded in 2002, we had over 100 locations (due in part to being formed through a merger) that we managed by assigning management personnel to each location.

We subsequently reorganized, shifting from decentralized local management to management directed through regional branches, and we consolidated management tasks at the regional offices to improve efficiency. We are again reorganizing our management in light of drastic changes in the business environment, including developments in IT and worker shortages. Our

aim is to build a structure that will remain efficient 10 or 20 years down the road.

These reforms will move managerial tasks at regional offices that can be further consolidated to our head office, allowing the Company to hire fewer managers and to achieve higher efficiency.



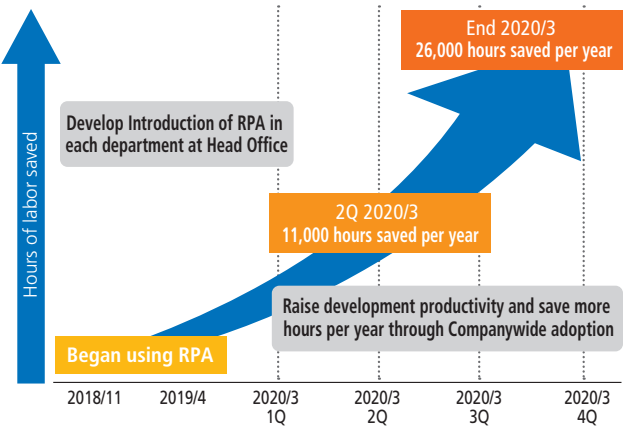
Improving Efficiency

We must review our operations when consolidating management tasks to improve efficiency. As we move forward, we will review the entire management manual, eliminating redundancies and inessential processes. We have also started to streamline tasks by developing systems and shortening the checking process by increasing the precision of the tasks.

We recently gained substantial improvements in productivity—by over 11,000 hours of labor per year (as of September 30, 2019)—by automating repetitive tasks through the introduction of robotic process automation (RPA). In the future, for more thorough organizational reforms we will broaden the target of improvements in efficiency to include sales and logistics.

Introduction of Robotics Process Automation (RPA)

The Company introduced RPA in November 2018, saving approximately 11,000 hours of labor per year (as of September 30, 2019). We will apply RPA to the rest of the Company’s operations where it is feasible. We aim to eliminate 26,000 hours of labor per year through RPA by March 31, 2020.



Incentives to Obtain Certifications

ARATA incentivizes employees to obtain certifications so that they can develop advanced knowledge and abilities in the distribution industry, in this way empowering them to meet the needs of retailers and consumers.

<b>1</b> Employees Who Passed the Official Business Skill Test in Retail Marketing	2017: 24 2018: 49 2019: 30	<b>2</b> Employees Who Passed the Japanese Cosmetic Licensing Test	2017: 18 2018: 15 2019: 10	<b>3</b> Employees Using the Incentive System for Obtaining Certifications	2017: 131 2018: 141 2019: 165
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A certification aiming at the development of personnel with the specialized knowledge and techniques required for retail marketing, including purchasing, inventory management, marketing techniques, etc.

(Note) The 2019 figure refers to employees who passed the first test of two offered in 2019.

This certification allows test takers to develop a broad knowledge of cosmetics, covering areas such as the properties of ingredients in cosmetics and finger nail products.

ARATA encourages employees to obtain certifications that will better qualify them for their duties and increase their skills as individuals. The Company shoulders a part of the test fees for employees who pass certification tests.

E-Learning for Management

We have implemented e-learning as a way to further educate the Company’s 700 managers. The first year of the mandatory program includes six lessons focusing on strengthening governance. After the lessons, our managers meet according to their respective divisions to highlight important points and discuss their thoughts on the material and how to put these ideas into practice at the Company.



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Special  
Feature

# ARATA's Cosmetics Business

Offering broad support:  
covering everything from salesfloors to promotions

We established the Cosmetics Business Department in April 2019 to strengthen the Health & Beauty category by absorbing our former subsidiary, Fashion Arata Corporation, which specialized in wholesaling cosmetics, cosmetics accessories, and light clothing.

By establishing this department, we expanded our product selection and sales channels while fine-tuning how we offer greater value to retailers by merging Fashion Arata's highly specialized sales skills with ARATA's comprehensive strengths as a wholesaler that has a nationwide network.

Consumer needs are diverse, and the market calls for more than simple proposals about what kind of

products to sell. Instead, wholesalers must provide proposals on entire categories of products, operations at the point of sale, promotional activities, and other considerations.

Our Cosmetics Business Department develops showroom displays that bring these types of proposals to life so that retailers can see them directly and be persuaded to use them in their stores. The Cosmetics Business Department was established to focus on retail stores as the starting point from which to develop optimal proposals for both retailers and manufacturers after discovering the needs of consumers and fully understanding how the stores and salesfloors operate.

## Products Handled

Makeup products

Cosmetics accessories

Trendy products

Specially developed / exclusive merchandise

Light clothing

Body care products

Skin care products

## Comment from a Staff Member

Aya Nekomiya

Team Leader  
Cosmetics Business Department



### The Significance of ARATA's Work in Cosmetics

After joining the Company, I was assigned to then-subsubsidiary Fashion Arata Corporation, and I began work in sales. I have continued to serve the same customers after April 2019 when ARATA absorbed Fashion Arata and established the Cosmetics Business Department. So, my work, centered on selling products to retailers specializing in cosmetics, has not changed very much.

However, my duties at ARATA involve more than simply selling products. Rather, my work is characterized by developing proposals for retailers based on the most recent information and that are suited to the business formats and trends of retailers, including the interests and concerns of consumers. I believe these skills are the Company's strengths. For that reason, we maintain an in-house showroom to reproduce salesfloor layouts that appeal to the senses.

Another advantage of having a showroom is that it allows us to promote our cosmetics to customers who do not yet buy cosmetics from us but who the Company serves in other areas. Viewing our products in person is an impactful way for existing customers to see our expertise in cosmetics.

As part of another initiative, ARATA seeks to step up cosmetics licensing for employees. All Cosmetics Sales Division staff are already licensed by the Japan Cosmetic Licensing Association, but the Company plans to increase these certifications companywide now that Fashion Arata has been absorbed. Those of us involved in sales are experts in cosmetics, of course; The certification program is intended to deepen understanding of and heighten appreciation for cosmetics among the rest of ARATA's staff.

I think product development linked with sales activity will rise in importance in the near future. Promoting the acquisition of cosmetics licensing for all employees will make it possible to have deep

discussions within the Company, and it will be useful in developing proposals for retailers and guiding them through our process.

I mentioned before that the content of my work has not changed much since ARATA transformed the former subsidiary into our new business department. Yet two things have changed dramatically: the scale of activity and expectations both from within and outside the Company. Today, the market for health and beauty products is exploding. The Cosmetics Business Department can now pursue Fashion Arata's former business with the unified strength of ARATA behind it. The resources at our disposal have increased far beyond what they were, and our amount of contact with retailers is on the rise.

We now have more clients, requiring us to send out large amounts of information and many proposals. Information travels both ways, however, so the information we receive has also grown significantly. The resulting larger pool of data makes us even more sensitive to market trends.

We will continue to maximize our strengths by promoting initiatives that our stakeholders both inside and outside the Company can count on and by exhibiting "business excellence that keeps us one step ahead of market growth."



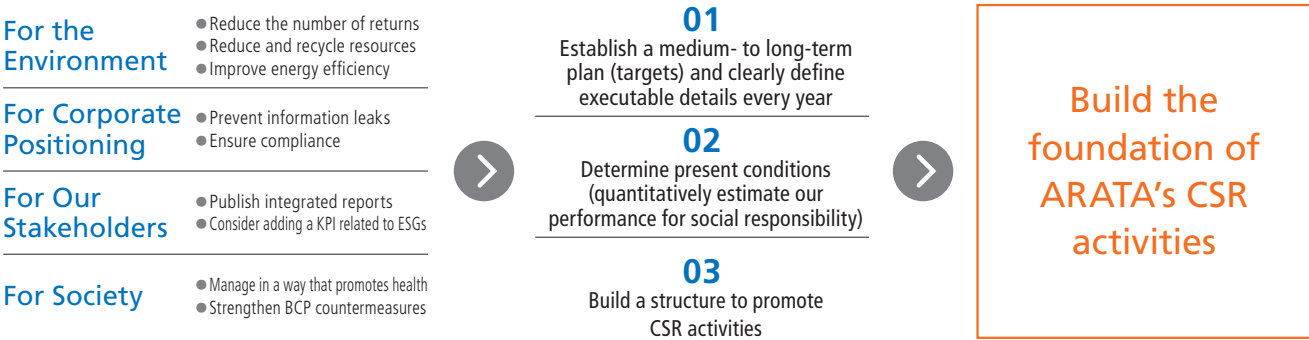
Our showroom will also feature items based on seasonal themes in addition to displaying recommended items from each manufacturer.



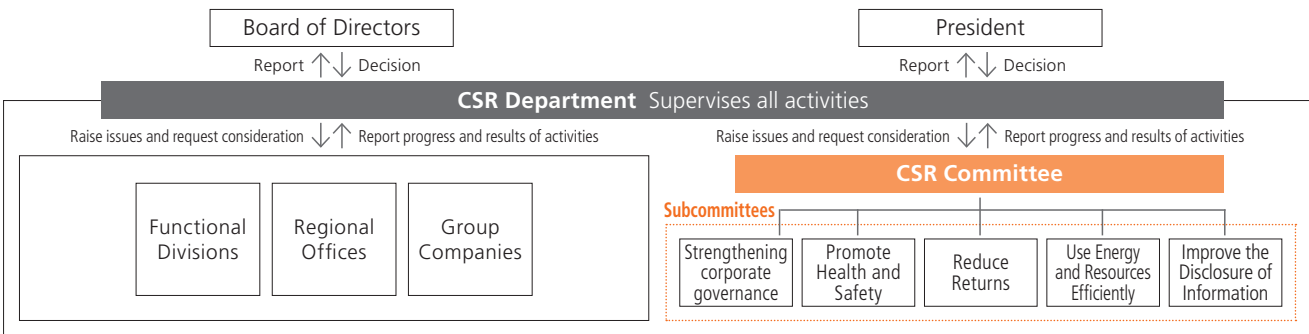
Corporate Social Responsibility

We established the CSR Department in April 2018 to strengthen our CSR activities and to focus more on contributing to society. The CSR Department manages the Company's CSR activities along with compliance and corporate governance. We will reinforce these activities to fulfill our corporate social responsibility and contribute to further sustainable growth for our businesses and corporate value.

Priority CSR Issues for the Fiscal Year ended March 31, 2019



CSR Activity Promotion Structure



"The Best Company We Can Be" Coming Together to Develop a Corporate Culture

Shigeo Aihara

Managing Executive Officer,  
Manager of General Affairs & Personnel Division,  
Administration Department  
(Concurrently) General Manager of CSR Department



In the process of its business expansion to date, ARATA's has not always ensured enough opportunities for companywide discussion from a strategic management standpoint or how we should fulfill our social roles and responsibilities.

When I first started work as head of the CSR Division at the beginning of fiscal year ended March 31, 2019, I set about trying to build a foundation for continuous CSR activities. Toward that aim, I created opportunities to speak with employees about the social significance and importance of delivering products to consumers, which is our function as an intermediary in the distribution industry. Those efforts laid the groundwork for us to think about our social duties, and I sensed that it was a turning point for our Company.

As a concrete environmental CSR initiative, we joined the 3R\* activities being promoted by the Ministry of the Environment. Every year we connect retailers and manufacturers with the Ministry of the Environment and hold an annual consumer campaign called the "Choose! 3R" campaign. This year was the third year, and the number of retailers joining the campaign has gone up every year, helping the initiative gain more attention within the distribution industry.

Going forward, there will be more calls for companies to show their involvement in environmental CSR activities. The next issue on our agenda is to actively and correctly disclose information concerning our CSR activities that will help communicate to all of our stakeholders that ARATA is a company growing in a sustainable way.

We will continue to grow while bearing in mind our key CSR objectives so that we can become the best company we can be.

\*3Rs stands for reduce, reuse, and recycle. 3R activities aim to create a recycling-oriented society that uses the earth's limited resources effectively and sustainably.

CSR Priority Issues

Related Issues	Initiatives	Ideal Situation
The Environment		
Initiatives to reduce our environmental burden		In our corporate activities, by practicing environmental countermeasures based on our own standards, we are contributing to the realization of a society where sustainable development is possible and where both global environmental conservation and economic growth can be achieved.
Initiatives for eco-friendly wholesale operations		To establish a wholesale business that is friendly to the environment and by developing a supply chain management system with a focus on eco-friendliness, we are contributing to the realization of a society where sustainable development is possible, and where both global environmental conservation and economic growth can be achieved.
Initiatives for environmental protection		By building and operating a system where environmental activities go through a PDCA cycle and the environmental burden is reliably reduced, we are contributing to the realization of a society where sustainable development is possible and where both global environmental conservation and economic growth can be achieved.
Management Approach		
Initiatives for corporate governance		With transparent corporate management and open information disclosure, we achieve corporate growth and development, have happy employees, and are fulfilling our social responsibilities.
Achieving a healthy corporate culture		To encourage all executive officers and employees to act in harmony with our corporate philosophy and corporate ethics, the ARATA Policies and the ARATA Corporate Conduct Guidelines are well understood and followed throughout the ARATA Group.
Protecting intellectual property		We protect our intellectual property (IP) rights and respect the protection of our own IP rights as well as those of other companies.
Ensuring fair competition and business operations		We promote effective corporate management by complying with all laws and regulations related to competition and business transactions and by engaging in fair and impartial business practices.
Ensuring compliance		We promote appropriate corporate management by firmly complying with the ARATA Policies, the ARATA Corporate Conduct Guidelines, the related Insider Trading Management Regulations, and other rules throughout the ARATA Group.
Improving internal controls		We promote effective corporate management by analyzing possible risks, and through an internal control system, we find ways to prevent those risks from occurring.
Protecting information		We have earned the trust of our stakeholders by strictly implementing security management, including dealing with cyberattacks and combating data leaks, and by putting in place a system that allows us to continue business in the event of a fire or other disaster.
For Our Stakeholders		
Initiatives to increase the efficiency of the overall supply chain		We are creating a comfortable life for all stakeholders by boosting the efficiency of the entire supply chain.
Initiatives to ensure fair marketing and information disclosure		We are helping to provide a comfortable life by proactively and accurately providing appropriate information to all stakeholders.
Initiatives for stakeholders		We understand the needs of stakeholders by interacting with them, and we are building relationships of trust by reflecting those needs in our corporate activities.
Initiatives for shareholders		We are maintaining growth in response to the trust our shareholders place in us, and are continuing to return profits at a level that is among the highest in the industry. In order to promote effective corporate management, we are striving to clarify responsibilities and improve management capabilities. We are proactively disclosing management information and promoting corporate management that is trusted.
Respecting human rights and prohibiting discrimination		We are contributing to the realization of a bright and open society free of discrimination by endeavoring to raise awareness of human rights in the workplace and by creating a workplace environment where each employee's individuality and abilities are respected.
Ensuring respect for diversity		Our people work together while trusting and respecting one another, regardless of differences in age, gender, nationality, type of employment, or presence/absence of a disability.
Creating inviting and pleasant workplaces		We are providing fair workplaces for self-actualization with an emphasis on autonomy, and are fostering a corporate culture that allows people to have a dream and acquire confidence and pride. In addition, we are forming a robust organization that offers freedom, and where people respect each other's values.
Assuring work safety		We are establishing an environment that places top priority on the health and safety of our employees, and we are providing a comfortable working environment.
Properly utilizing and developing human resources		We are forming an organization that is the leader in the distribution industry, in which people are not merely satisfied with their current situation but strive to improve their own abilities and are constantly taking on new challenges.
Society		
Conducting social contribution activities		We are building relationships of trust by contributing to a range of activities that address the needs of local communities and society, such as those for children and the elderly as well as cultural and sports activities. In these ways, we contribute to a healthy, robust society and to the improvement of health and well-being.
Initiatives for BCPs and IT-BCPs		We recognize our role as a company that handles life's necessities, and are continuing to contribute to society even during times of disaster or during a crisis.



# Corporate Governance

## Basic Approach

ARATA’s management philosophy requires that we fulfill our role as a wholesaler in the distribution industry with a strong “frontier spirit,” remembering the importance of cooperation, mutual trust, and humility at all times while maintaining initiatives that “continue to serve the world.” In line with this management philosophy, the ARATA Group is proactively developing businesses and improving corporate value.

As part of this philosophy, the ARATA Group believes that improving corporate value means improving business performance through sustained business activities and carrying out the various responsibilities expected by stakeholders.

As a company, it is especially important that ARATA

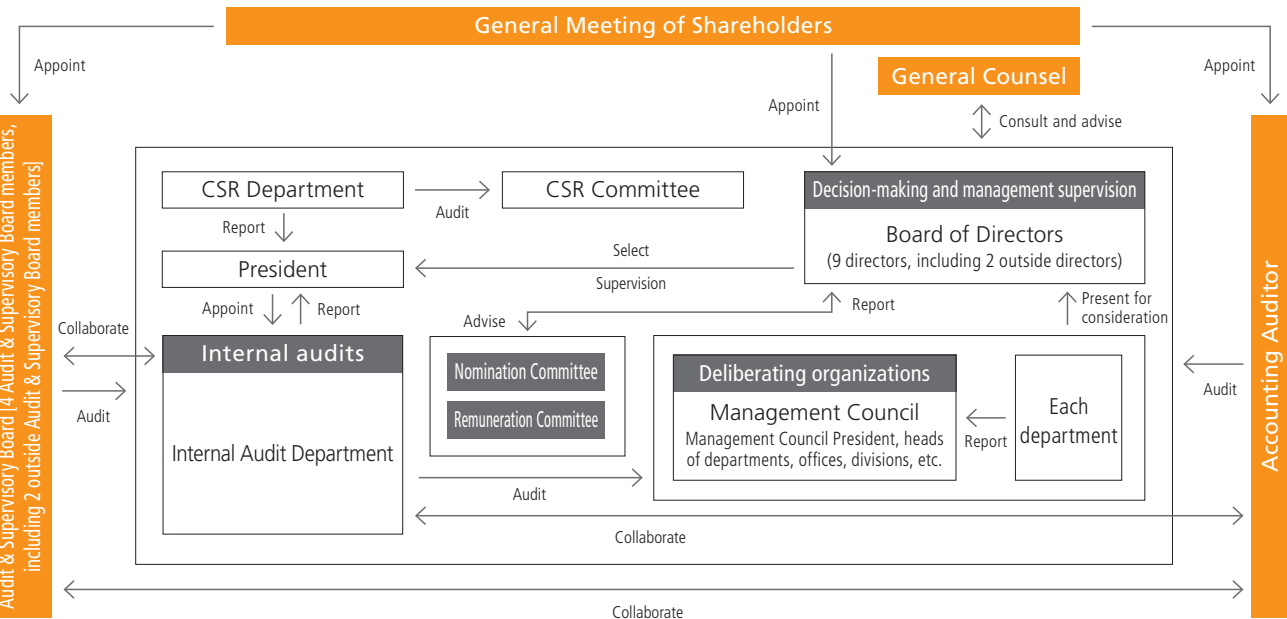
quickly discloses information on activities to all stakeholders and enhances the transparency of management. In addition, in the course of conducting business activities, we recognize that fulfilling our corporate social responsibility (CSR) is as important in the same as improving business performance, and the Company believes that the management oversight of the ARATA Group by stakeholders is implemented by the Board of Directors and the Audit & Supervisory Board.

Based on this approach, we believe that the role of the directors and Audit & Supervisory Board members is to secure the sound and sustainable growth of the Company and to establish a good corporate governance system that deserves the trust of society.

## History of Corporate Governance Reform

	2016/3	2017/3	2018/3	2019/3
Directors	10 (including 2 outside directors)	11 (including 3 outside directors)	9 (including 2 outside directors)	9 (including 2 outside directors)
Organizations	Compliance Committee	CSR Committee	CSR Committee and CSR Department	CSR Committee and CSR Department Voluntary Nomination and Remuneration Committee

## Corporate Governance Framework



## Structure of Main Organizations

	Total	Inside directors	Outside directors	Audit & Supervisory Board members	Chairman
Board of Directors	13	7	2	4	Executive Chairman

Number of meetings in 2019/3  
**12**

The Board of Directors meets once a month, in principle. In addition to those items that are required by law, the directors work on important issues related to management and supervise the execution of business.

	Total	Inside directors	Outside Auditors	Chairman
Audit & Supervisory Board	4	2	2	Standing Audit & Supervisory Board members

Number of meetings in 2019/3  
**12**

The Audit & Supervisory Board meets, in principle, at least once a month. All of the members attend Board of Directors meetings and audit the management and progress versus business objectives. Standing members, and occasionally others, also ensure correct conduct by attending Management Council meetings and other important meetings, receiving reports on the execution of business, and conducting location audits.

	Total	Inside directors	Outside directors	Outside Auditors	Chairman
Voluntary Nomination Committee	5	1	2	2	Executive Chairman
Voluntary Remuneration Committee	5	1	2	2	Executive Chairman

Number of meetings in 2019/3  
Nominating committee (Pre-meeting) **2**  
Compensation committee (Pre-meeting) **2**

To further strengthen the system of corporate governance, ARATA established a Nomination Committee as well as a Remuneration Committee, or voluntary advisory bodies of the Board of Directors to increase objectivity when deciding on the nomination and remuneration of directors and to explain their responsibility for these decisions. The committees will meet, in principle, once every quarter in their inaugural year (the fiscal year ending March, 2020).

	Total	In-house	Outside directors	Audit & Supervisory Board members	Chairman
CSR Committee	15	Directors 4 Executive officers and others 5	2	4	Representative Director and President

Number of meetings in 2019/3  
**2**

ARATA established the CSR Department in April 2018 to handle all CSR activities and to maintain the CSR structure and compliance system for the entire Group through the CSR Committee, chaired by a representative director. The CSR Committee, in principle, meets at least once a quarter.

## Evaluating the Effectiveness of the Board of Directors

The Board of Directors analyzes and evaluates itself on general effectiveness so that corporate governance can be more effectively. The Board gauges its contribution to the Company to uncover problems and to make improvements. The Board discusses the results of their evaluation at the next Board of Directors meeting and determines where it needs to improve.

Evaluation Criteria
1. The Board’s operational status
2. The Board’s role and supervisory function
3. Respect for the opinions of investors and other stakeholders
4. Director support system
5. Contribution to and participation in Company affairs
6. Progress on issues raised in the previous year’s evaluation

# Messages from Our Outside Directors



• Yoshihisa Aoki  
• Outside Director

## Looking Back on ARATA's Corporate Governance in the Fiscal Year Ended March, 2019

Discussion at Board of Directors meetings occur only after hearing the views and opinions of every director. I sense our discussions have become livelier since I first took up my position on the Board. Going forward, I think that we must cultivate a new generation of executive managers that will share their thoughts even more proactively and listen carefully to what others have to say.

My experience at a general trading company has given me a global perspective outside of the wholesaling industry and I see my role as observing management from this perspective, as well as raising any issues I find. I think my critical perspective makes it easier for the other directors to make negative comments. By bring up issues, the Board as a whole can hold discussions and make decisions only after fully understanding the negative aspects in addition to the positive ones. This can help us find solutions to problems and opportunities for market expansion.

Outside directors should not wait to be presented with company information. Instead, they must proactively request information from the Company. ARATA is always responsive to my requests and I often visit the Company's main logistics centers and the

various business departments to gain more information, as needed.

## The Future of Wholesaling

Change is not limited to the wholesaling industry, but occurs in the social environment as a whole. To continue to grow as a business, it is important to maintain a structure that can endure these changes. We do this not by seeking short-term profit, but rather by balancing our "offense"—innovative strategies with a view to ensuring our success ten or twenty years down the line—with our "defense," constantly thinking about alternatives when conditions are unfavorable and our efforts at solving problems do not work well.

It is important to have a sense of urgency in responding to change. The information that our upper management, people on the scene, and each division can get is different. We can work on issues cooperatively by sharing information horizontally and vertically within the company, and I believe this will have the effect of increasing the speed with which we can solve problems.

The Corporate Strategy Planning Department plays an enormous role in drafting our business plans. It is necessary for the Company's representatives to take the same perspective as regular employees when considering the company's ideal situation. The Corporate Strategy Planning Department is engaged in research on the next medium-term management plan. While having high expectations for what they will be able to produce, I hope to advise them based on the knowledge I have gained so far.

I also think we should emphasize the development of the next generation of managers. Our first priority for our employees is to ensure that they complete their allotted tasks, and we have been almost 100% successful from this perspective.

Going forward, it is important to create a climate in which employees closely involved in business processes can raise issues and propose solutions as well as new initiatives. I think it is important, as soon as possible, to prepare and execute training and other measures for the development of employees.



• Hideo Ishii  
• Outside Director

## Looking Back on ARATA's Corporate Governance in the Fiscal Year Ended March, 2019

In my previous work in banking doing sales and industrial surveys, I was fortunate to be able to observe the activities of various companies. In addition to working in multiple industries, such as banking, real estate, IT, and pension funds, I have experience in many other areas, including human resources, planning, compliance, and management. By leveraging these experiences in my tenure as an outside director, I hope to deliver valuable practical insight rather than mere abstract advice. Fortunately, the Board of Directors, and especially Chairman Hatanaka, want to hear the opinions of outside directors as much as possible. We conduct meetings in an extremely open style, which makes it easy to communicate.

During the year that has passed since I took up my post as an outside director, I have strongly felt that ARATA is a company that places much value on customers. I have also felt the warmth and consideration the Company has for employees. I think it is important to streamline company management while maintaining this level of virtue as a company. The Company has already expanded the activities of the CSR Committee and voluntarily established a Nomination Committee and Remuneration Committee to strengthen corporate

governance. As an outside director, I would like to see further increases in the flow of information as a way to strengthen the corporate governance system.

The Board of Directors distributes documentation before meetings so that we can closely examine the materials beforehand. In addition, I have opportunities to attend other meetings and committees, which means I have the opportunity to deepen my understanding of ARATA's business strategies.

## The Board of Directors Going Forward

First, as an outside director, I sit on the voluntarily established Nomination and Remuneration Committees, and I intend to promote activities to ensure that nominations and remuneration are rationally justified. The Committees also have the mission of cultivating the next generation of management. I hope to contribute to the Company on this point as well. I think it is absolutely necessary to develop the next generation of management if we want to increase our corporate value in the future, and I intend to take on this task aware of its extreme importance.

In the near future, Japan will come face to face with the aging society and a low birthrate, so Japanese companies must consider the thorny issue of how to deal with this new economic environment. However, further progress in IT, the diffusion of AI, and more globalization will make room for businesses to develop and evolve in dramatic ways. Companies must develop robust management strategies in order to respond to the changing environment, reliably achieving sustainable growth and steadily enhancing corporate value. Therefore, I think it is important for all ARATA employees to come together to develop strategies that will help the Company succeed. As an outside director, I plan to use my experience to offer substantial support throughout the process of building those strategies.



Risk Management

Aiming to maintain and increase corporate value as well as improve financial health, ARATA attempts to determine the various risks of operating this type of business. The Group especially strives to uncover risks that might affect financial condition or trustworthiness.

The Company protects against risks and fraudulent activity by checking for compliance in real time along with earnings and progress versus targets—at the same time as the details concerning the completion of tasks at the head office and regional offices are reported and reviewed in monthly Management Council meetings.

To control risks to the Group as a whole, the CSR Department and Internal Audit Department cooperate over risk management with each Group company. In addition, our directors and Audit & Supervisory Board members concurrently serve as directors and auditors at Group companies and gather information at the Board of Directors and other meetings.

In addition, the Company maintains a system to handle emergencies promptly and appropriately. When an emergency occurs, a risk management committee, chaired by a representative director, is formed to determine the facts of the incident and to report their findings to ARATA's Board of Directors and the Audit & Supervisory Board for deliberation.

Business Continuity Plan (BCP)

We have formulated a BCP to ensure employee safety and to fulfill our social mission as a wholesaler when a natural disaster occurs, such as a major earthquake or typhoon or other crisis that could cause serious damage.

ARATA Disaster Prevention Day

In early September every year, all employees attend lectures about our BCP, conduct evacuation drills, and experience simulations of natural disasters as part of ARATA Disaster Prevention Day. The drills at the head office are coordinated by the disaster command center expressly set up so the Company is better prepared for a disaster.



ARATA Disaster Prevention Day (September 5, 2019)

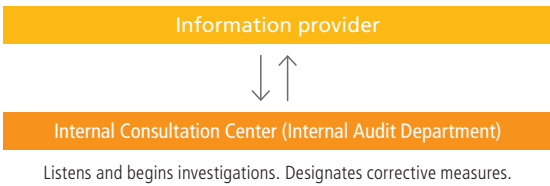
Compliance

ARATA is working to strengthen compliance across the entire Group. We indicate our position toward compliance in the ARATA Corporate Conduct Guidelines. We also established the Legal & Public Relations Division in April 2017 to serve as a legal consultation center for the entire Company. This division handles compliance training, checks contracts, and provides consultation related to industry regulations, among other tasks, and strives to raise companywide awareness of compliance through its activities.

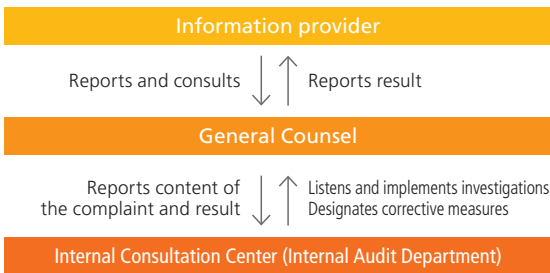
Moreover, as part of a reporting system for compliance-related information, the Company established an internal hotline and external compliance desk. These services offer consultations and accept complaints concerning possible misconduct by individuals or organizations in order to discover and correct misconduct at the earliest possible date, and to reinforce compliance management.

ARATA Hotline

Internal reporting and consultation desk



Reporting to and consulting with a general counsel



Investor Relations (IR) Activities

We intend to help everyone in the market better understand our Company, including our domestic and overseas shareholders, institutional investors, securities analysts, and individual investors. We are undertaking several initiatives to ensure that we receive accurate valuations so that we can build long-term relationships of trust.

We proactively conduct IR activities to meet these goals, disclosing information appropriately and quickly on topics such as our management strategy and financial situation.

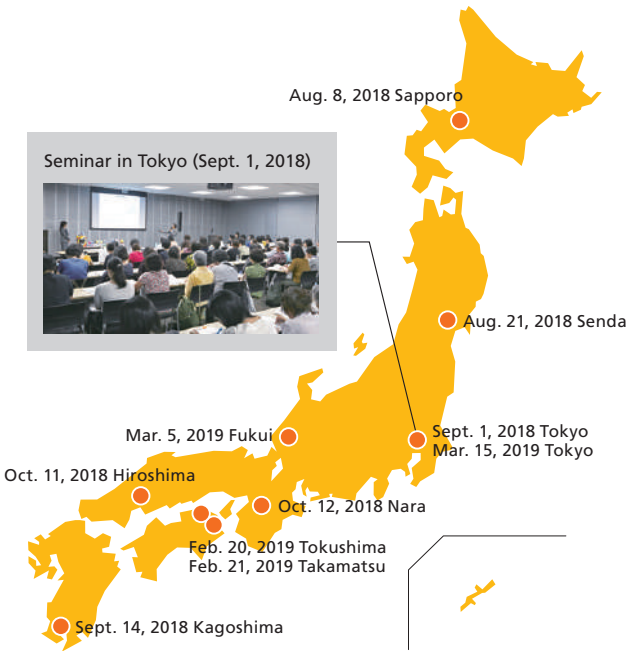
IR Activities in Fiscal Years Ended March 31, 2018 and 2019

	2018/3	2019/3
Results briefings	2	2
Individual meetings with institutional investors	41	85
Telephone conferences with institutional investors	14	18
Overseas IR roadshow	0	1
Conferences with overseas institutional investors	0	2
Information sessions for individual investors	11	10
Percentage of shares held by overseas companies	16.7%	20.6%
Number of shareholders	3,454	3,882

In the fiscal year ended March, 2019, we expanded the scope of our IR activities. In addition to conducting individual meetings and telephone conferences with institutional investors and securities analysts from Japan and overseas, we hosted 11 information sessions for individual investors in various locations throughout Japan. We also held an overseas IR roadshow for the first time, and we attended conferences with overseas institutional investors.

Company Information Sessions Held for Individual Investors in the Fiscal Year ended March 2019.

ARATA participates in seminars hosted by securities companies and The Securities Analysts Association of Japan.



Exhibition at the 50th Anniversary IR Seminar of Nomura Holdings' Funabashi Branch

On July 9, 2019, ARATA gave a presentation at the 50th anniversary seminar for individual investors of Nomura Holdings' Funabashi Branch held at Funabashi Civic Culture Hall.

Our Company was headquartered in Funabashi (in Chiba Prefecture) until 2014, and we still have connections to the area. We were able to explain our Company's value and describe our strengths through discussions during the seminar and presentations at our exhibition booth to the approximately 700 visitors.





# Board of Directors

As of June 26, 2019



## Audit & Supervisory Board Members

**1 Mikihisa Ito**  
Standing Audit & Supervisory Board Member

As Director and Managing Executive Officer, President of Kyushu Branch, Deputy General Manager of Sales & Sales Planning Department, and Manager of International Business Division, Mikihisa Ito has experience in both sales and general management. He is in charge of subsidiaries, understands how the Group's business operates as a whole, and has full knowledge of a wide range of business operations. These characteristics will enable him to be even more effective in monitoring general management and in his auditing duties, and as such he has been selected to carry out the role of standing Audit & Supervisory Board member.

**3 Satoshi Hiramitsu**  
Outside Audit & Supervisory Board Member

Satoshi Hiramitsu can apply his specialized knowledge as a certified public accountant to monitor general management and conduct better auditing for the Company. As such, he has been selected as an outside Audit & Supervisory Board member.

**2 Taketoshi Saito**  
Standing Audit & Supervisory Board Member

As Executive Officer, President of Kitakanto-Koshinetsu Branch, Taketoshi Saito has experience in sales and general management and has strong knowledge of a wide range of business operations. These characteristics will enable him to be even more effective in monitoring general management and in his auditing duties, and as such he has been selected to carry out the role of standing Audit & Supervisory Board member.

**4 Takashi Doi**  
Outside Audit & Supervisory Board Member

Takashi Doi can apply his specialized knowledge as a certified lawyer to monitor general management and conduct better auditing for the Company. As such, he has been selected as an outside Audit & Supervisory Board member.

## Directors

**1 Nobuyuki Hatanaka**  
Executive Chairman

Nobuyuki Hatanaka has been responsible for the Company's management since assuming office as Representative Director and President, Executive Officer in 2007. He strives for expansion and growth of the Company's business with his superior management skills and leadership, and has led the Company on the current growth path. In 2017, he took office as Representative Director and Chairman & CEO, and has been responsible for overseeing the entire ARATA Group. He has fulfilled the role of making important business decisions and supervising business operations. He was appointed Chairman of the Board of Directors in June 2019 and is well qualified to raise the Group's corporate value going forward.

**4 Toshiyuki Omote**  
Director and Senior Managing Executive Officer, General Manager of Sales & Sales Planning Department

Since joining the Company, Toshiyuki Omote has held several managerial positions in the sales division. Since 2010, he has served as Executive Officer and Manager of National Chain Store Division of the Sales & Sales Planning Department, and has played a large part in strengthening the Company's sales activities and in achieving business growth. In his current roles as Director and Senior Managing Executive Officer, and General Manager of Sales & Sales Planning Department, he works on strategies for growing the business and profits by strengthening sales abilities, as he has been doing to date. He is well qualified for the task of increasing the Company's corporate value.

**7 Haruki Kataoka**  
Director, Chairman and CEO of Japell Co., Ltd.

Since 2007, Haruki Kataoka has served as President and CEO of Japell Co., Ltd., the leading specialist wholesaler of pet products and a subsidiary of the Company, and has played a key part in the company's business growth with his strong leadership. He has also contributed to the development of the pet industry as a whole. Since 2008, as a director of the Company he has offered advice on execution of the business based on his abundant knowledge and experience. He is well qualified for the task of increasing the Company's corporate value.

**2 Hiroaki Suzuki**  
Representative Director and President, Executive Officer

Hiroaki Suzuki has worked in the sales and product divisions since joining the Company, and has extensive business experience and knowledge within the Company. He assumed the office as Representative Director and President, Executive Officer in 2017, and has led the Company's management since then. He has steadily built an excellent track record and has produced successful results. In addition, he has pushed ahead with the Company's new medium-term management plan that started in the fiscal year ended March 2018, and has worked on management issues and challenges. He is expected to demonstrate strong leadership, which will contribute to future business growth of the Company, and he is well qualified to further increase ARATA's corporate value.

**5 Yuzo Ono**  
Director and Managing Executive Officer, General Manager of Logistics Department, (Concurrently) Manager of Logistics Solution Division

Yuzo Ono has worked in the sales, business planning and logistics divisions since joining the Company, and has extensive experience and knowledge within the Company. He was responsible for the management of Kyushu Branch from 2011 to 2015, and since then has served as the head of the Corporate Planning Division, which is central to the development of the medium-term management plan that ends in the fiscal year ending March 2020. In his current roles as Director and Managing Executive Officer, and General Manager of Logistics Department, he strives for realizing low-cost operations by improving in the accuracy and efficiency of the operations of the Company's logistics. He is also well qualified for the task of increasing the Company's corporate value.

**8 Yoshihisa Aoki**  
Outside Director

As a Representative Director at ITOCHU Corporation's Food Company, Yoshihisa Aoki has extensive experience and deep insight into global corporate management. He has served as outside director since 2017, has offered strong advice on the entire range of management, and has been engaged in enhancing the Company's corporate governance. He is well qualified for the task of increasing the Company's corporate value.

**3 Yoichi Suzuki**  
Representative Director and Vice President, Executive Officer and General Manager of Administration Department

Since joining the Company, Yoichi Suzuki has worked mainly in the administrative division and has extensive experience and knowledge within the Company. He assumed office as Representative Director in 2007, and has strengthened the management base including the administrative, business planning, and system divisions. In his current roles as Representative Director and Executive Vice President, Executive Officer and General Manager of Administration, he has worked on enhancing the administrative division, improving the CSR structure, and promoting IR activities. He is well qualified for the task of increasing the Company's corporate value.

**6 Takahiro Furiyoshi**  
Director and Managing Executive Officer, General Manager of Business Development Department (Concurrently) Manager of Development Strategy (Concurrently) Manager of EC Business

Takahiro Furiyoshi has worked in the sales division since joining the Company. He is well versed in logistics sites, and has specialist knowledge in the field. Since 2015, he has been engaged in strengthening sales activities as General Manager of Sales and has played a significant part in the expansion of the business. Since 2017, he has been Director and Managing Executive Officer, and General Manager of Business Development Department in development of new businesses and growth of the overseas business, which will be the pillars of future operations. He is well qualified for the task of increasing the Company's corporate value.

**9 Hideo Ishii**  
Outside Director

Hideo Ishii has lent outstanding assistance in various industries, such as banking and real estate, and in the field of corporate pensions. At Japan Investor Solutions & Technologies Co., Ltd., he served as Director and President and has experience in overseeing a company's entire business. As for corporate management, he is a capable person who can make a judgment and express opinions from objective viewpoints on execution of the Company's business.

## Executive Officer

Senior Executive Officer  
**Toshio Nakagawa** President of Kansai Branch

Managing Executive Officer  
**Yutaka Ohashi** Head of Cosmetics Business Department

**Shigeo Aihara** General Manager of CSR, Manager of General Affairs & Personnel Division, Administration Department

**Hitoshi Takiguchi** President of Hokkaido Branch

Executive Officer  
**Hiroaki Iwabuchi** Logistics Supervisor of Hokkaido Branch

**Futoshi Imazu** Deputy General Manager of Sales & Sales Planning Department

**Hidetaka Hatanaka** General Manager of Product Merchandising Department, Manager of Product Merchandising Division, and Manager of Product Development Division

**Yoshiro Uryu** General Manager of Corporate Strategy Planning Department

**Hironori Maekawa** President of Tohoku Branch

**Yoshihisa Morishima** President of Chubu Area Branch

**Seiichi Kochiya** President of Capital Area Branch

**Shichiro Izaki** Logistics Supervisor of Kansai Branch

**Hideyuki Yamada** General Manager of IT Planning Department

**Hidehiro Tanaka** Manager of International Business Division, Business Development Department

**Hisayuki Murao** President of Kyushu Branch



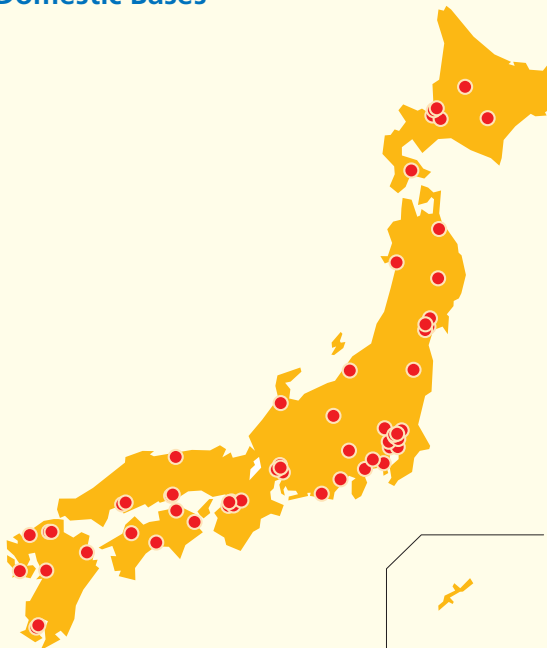
Company Outline

Registered Company Name	ARATA CORPORATION
Head Office	East 21 Tower, 6-3-2 Toyo, Koto-ku, Tokyo 135-0016, Japan
Date Established	April 1, 2002
Capital	¥8,568 million (as of March 31, 2019)
Stock Listing	Tokyo Stock Exchange (securities code: 2733)
Shareholder Registry Administrator and Special Account Management Institution	Mitsubishi UFJ Trust and Banking Corporation
Number of Employees	3,016 (nonconsolidated: 2,061)
Website	URL: <a href="http://www.arata-gr.jp/company/en/data.html">http://www.arata-gr.jp/company/en/data.html</a>



Head Office

Domestic Bases



Metropolitan area

Capital Area Branch  
Higashi Kanto Office  
Chiba Office, Chiba Center  
Saitama Office, Saitama Center  
Kanagawa Office  
Koshinetsu Office  
Matsumoto Office  
Kofu Office  
Tsukuba Center  
Koshigaya Center  
Kitakanto Center  
Kanagawa Center  
Yokohama Center  
Misato Depo  
Shiraoka Depo  
Metropolitan Cosmetic Center

Kansai area

Kansai Branch  
Izumi Center  
Mihara Center  
Koriyama Center  
Kansai Cosmetic Center

Chugoku and Shikoku area

Chushikoku Branch  
Okayama Office, Okayama Center  
Hiroshima Office  
Hiroshima Center  
Tottori Office, Tottori Center  
Tokushima Office, Tokushima Center  
Takamatsu Office, Takamatsu Center  
Matsuyama Office, Matsuyama Center  
Kochi Office  
Household Goods Center

Head Office

Hokkaido area

Hokkaido Branch  
Sapporo Office  
Sapporo Center  
Hakodate Office  
Asahikawa Office, Asahikawa Center  
Obihiro Office, Obihiro Center  
Ishikari Center  
Hokkaido Cosmetic Center

Tohoku area

Tohoku Branch  
Sendai Office, Sendai Center  
Akita Office, Akita Center  
Hachinohe Office  
Iwate Office  
Minami Tohoku Office  
Kitakami Center  
Fukushima Center  
Tohoku Cosmetic Center

Chubu area

Chubu Area Branch  
Nagoya Office  
Hokuriku Office, Hokuriku Center  
Shizuoka Office, Shizuoka Center  
Suruga Office  
Konan Center  
Heiwa Center  
Chubu Cosmetic Center

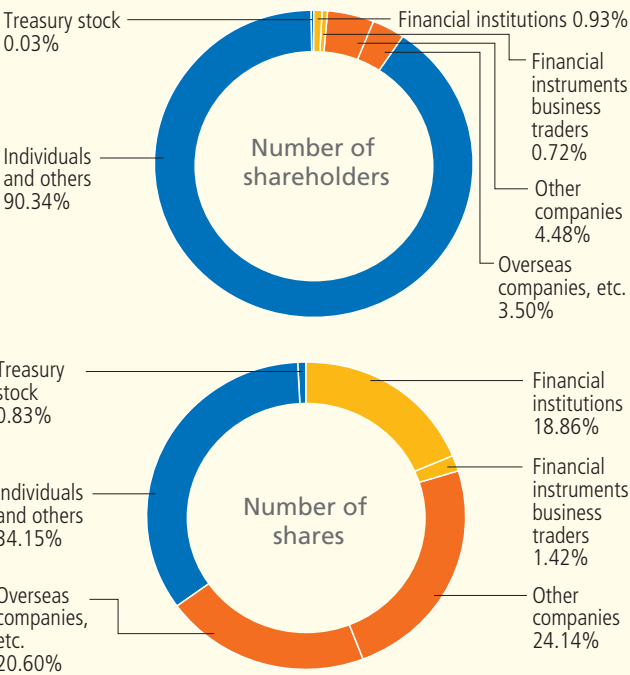
Kyushu area

Kyushu Branch  
Fukuoka Office  
Nagasaki Office, Nagasaki Depo  
Oita Office, Oita Depo  
Kumamoto Office, Kumamoto Depo  
Kagoshima Office, Kyushu-Minami Center  
Kyushu-Kita Center  
Kyushu Cosmetic Center

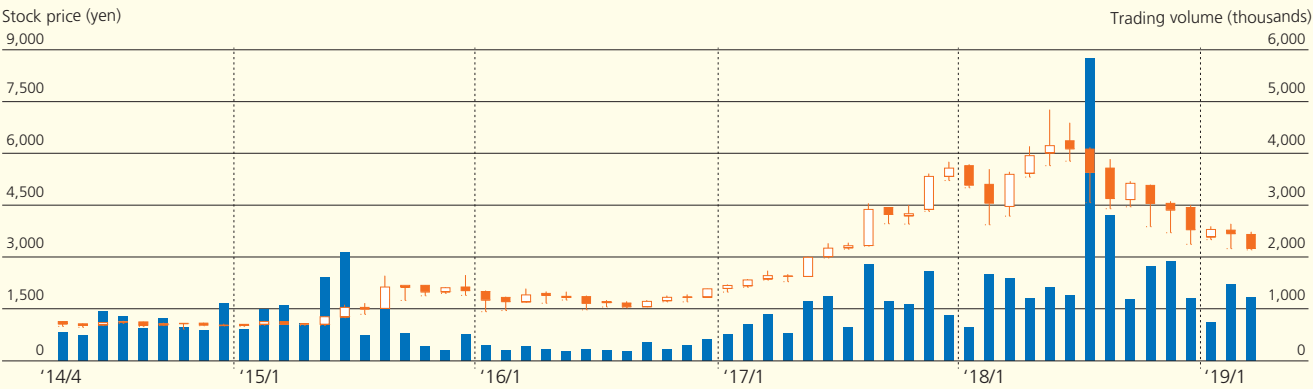
Stock Data

Number of shares authorized	30,000,000
Number of shares issued	18,027,640
Number of shareholders	3,882

Shareholder Composition



Stock Price Chart



On August 1, 2015, ARATA executed a five-to-one reverse stock split and revised the number of shares making up one unit of stock from 1,000 to 100. Consequently, on September 27, 2015 the trading unit for the Company's shares on the Tokyo Stock Exchange was changed from 1,000 to 100. (Note: For convenience, share price data prior to August 2015 has been converted to include the effects of the consolidation)

Principal Shareholders

	Number of shares held (Thousands)	Shareholding ratio (%)
OTOWASYOKUSAN. Co., Ltd.	1,081	6.05
ARATA Employee Shareholding Association	945	5.29
The Master Trust Bank of Japan, Ltd.	825	4.62
Lion Corporation	721	4.04
Japan Trustee Services Bank, Ltd.	707	3.96
NORTHERN TRUST CO. (AVFC) SUB A/C USL NON TREATY (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Services Department)	509	2.85
Nobuyuki Hatanaka	461	2.58
NORTHERN TRUST CO. (AVFC) Re Iedu Ucits Clients Non Lending 15 Pct Treaty Account (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Services Department)	435	2.43
The Government of Norway (Standing proxy: Citibank, N.A., Tokyo Branch)	430	2.41
Gomei Kaisha Kisosei Shoten	344	1.93

1. The number of shares is rounded down to the nearest unit.
2. ARATA holds 150,000 shares of treasury stock, but these are excluded from the above principal shareholders.
3. The investment ratio is computed after the deduction of the 150,000 shares of treasury stock.