

# Realize your dreams. Change your daily lives.

ARATA CORPORATION is one of Japan’s largest wholesale trading companies in the cosmetics and daily goods categories.

Formed through the consolidation of a number of wholesalers from across Japan into one entity, ARATA is now, thanks to your support, celebrating the 20th anniversary of its founding.

Today, when the way we live is changing dramatically, ARATA’s mission is to be a company which not only makes available the products which meet the need of these changing times but also realizes people’s dream of “living a comfortable life forever.”

Keeping in mind our steadfast management philosophy “Continue to serve the world,” we will deliver ARATA value, which makes everyday life richer and more comfortable.



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## Editorial Policy

In the 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 nonfinancial 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, 2020–March 31, 2021  
The report includes some activities in fiscal year ending March 2022.

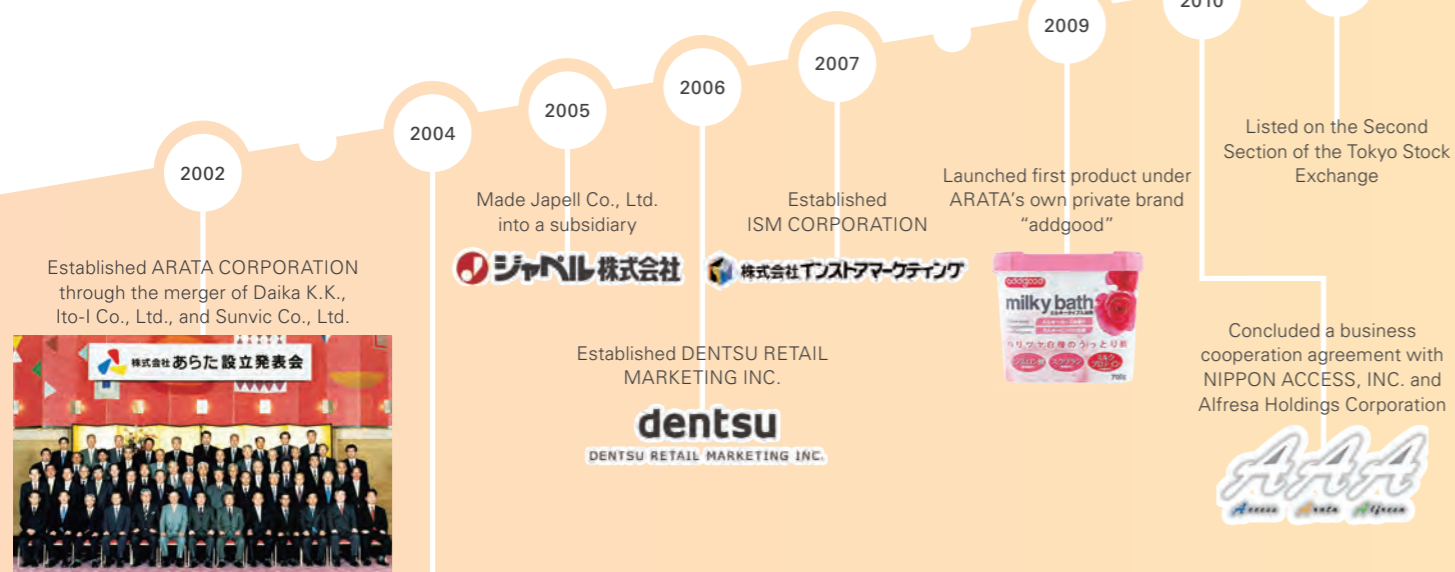
## Forward-Looking Statements

This report contains forward-looking statements about future plans, strategies and operating performance forecasts. These statements were based on reliable information available 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.



## Twenty Years of Progress

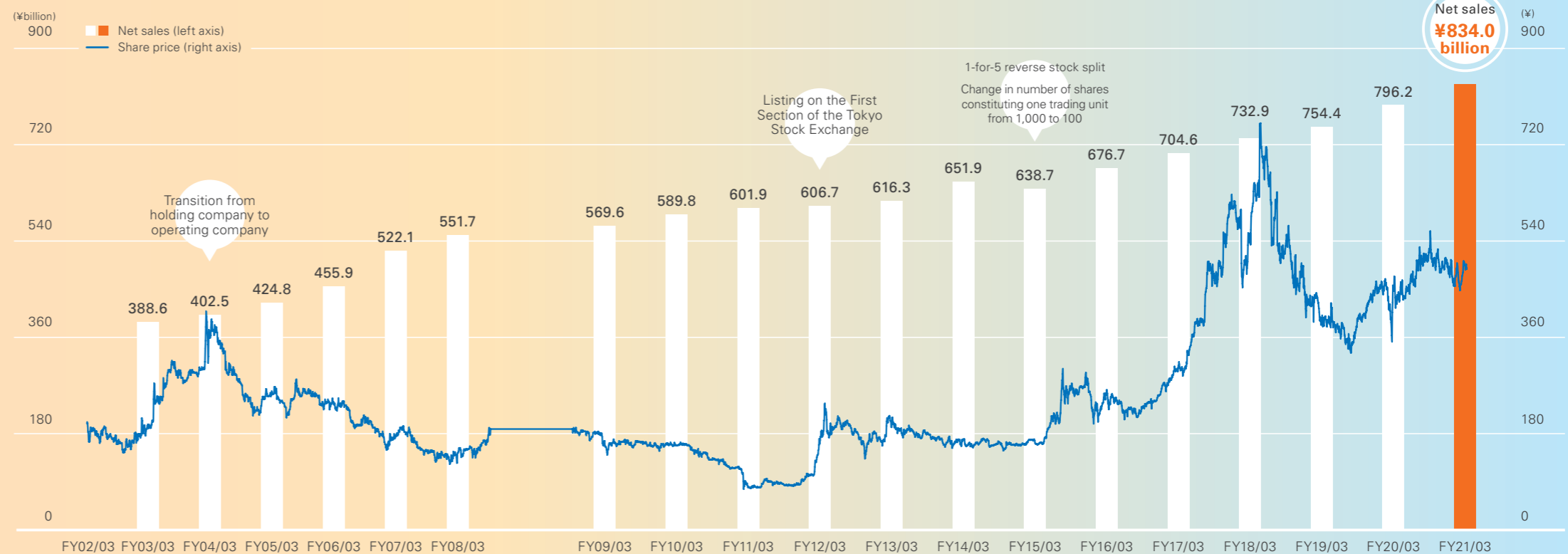
In April 2022, ARATA will celebrate the 20th anniversary of its founding. ARATA was formed by consolidating the long histories and traditions of a number of powerful wholesalers from across Japan into a single entity. Since then, we have implemented mergers to expand our area of coverage, established subsidiaries to strengthen our products categories and boost our capabilities, listed our shares on the Tokyo Stock Exchange, and expanded our operations overseas. Going forward, we will continue making progress, aiming to be a company which contributes to the daily lives of consumers in Japan and the rest of Asia and which continues to serve the world.



### Growth in 20 Years

	2002	2021
<b>Market capitalization</b>	¥19.7 billion	▶ <b>¥88.4 billion</b> (as of March 31, 2021)
<b>Stock price</b>	¥1,850	▶ <b>¥4,905</b> (closing value on March 31, 2021)
<b>Operating profit</b>	¥1.2 billion	▶ <b>¥11.5 billion</b> (as of March 31, 2021)

### Changes in Net Sales (Consolidated) and Stock Price



#### ARATA Logo

The three wings on our logo represent manufacturers, wholesalers, and retailers. The logo expresses our desire to serve society through optimized distribution, where we "turn the wheels" of supply chain management, to build an extremely low-cost distribution structure that constantly brings satisfaction to consumers.



#### Origin of Company Name

"ARATA" means "making each day new" in Japanese. It was described in a story in the ancient Chinese book Great Learning, about Tang Wang who engraved words on his wash basin about the importance of striving to make each new day better than the previous day and read these words each morning to admonish himself. This name was chosen in 2001 from among 2,236 employee entries.

#### Mascot Character: ARATAN

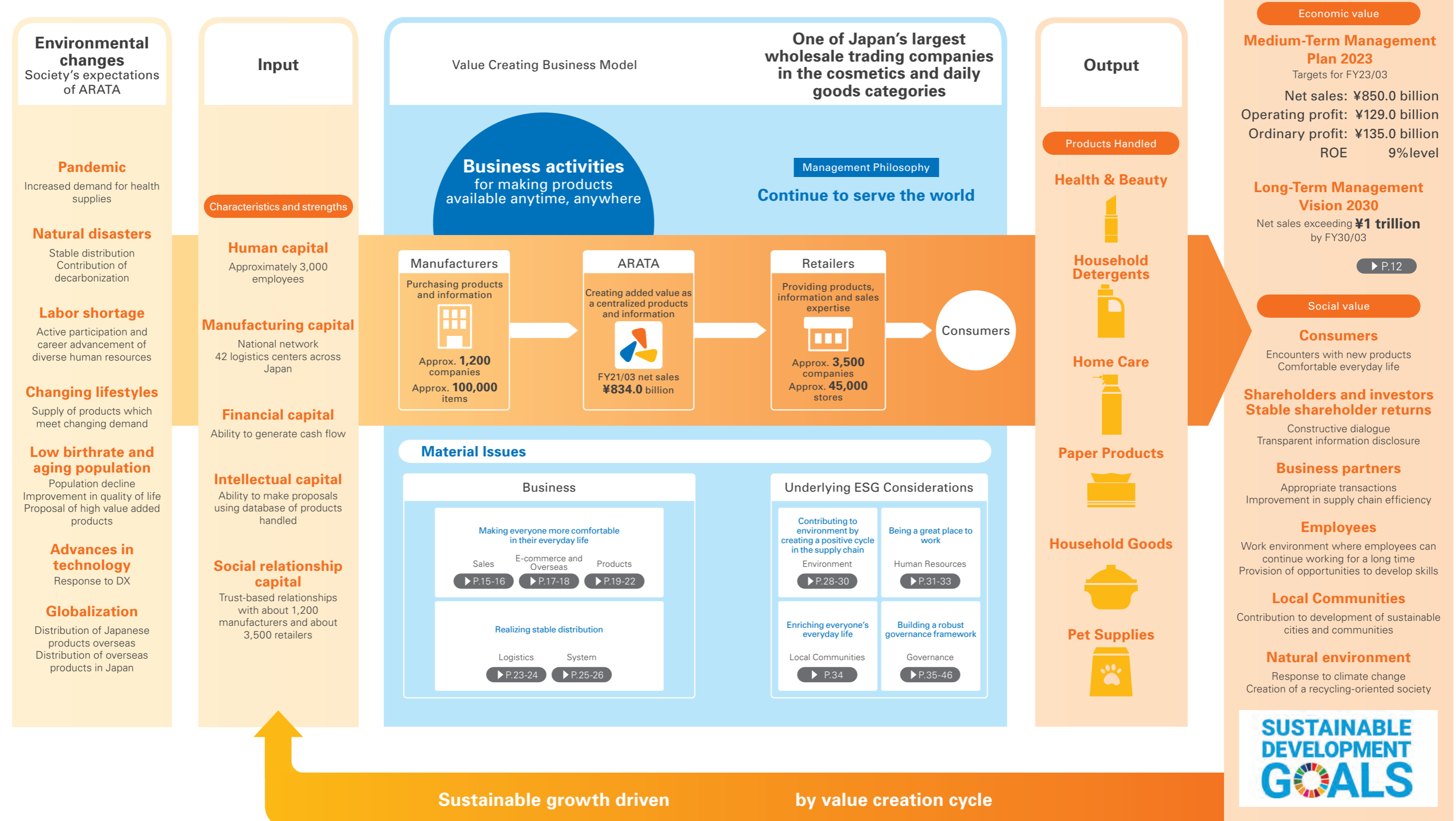
Introduced in 2003, following an open call to employees for design entries. Designed to look like the letter "A."



\* As a result of a change in the number of shares constituting one trading unit (from 1,000 shares to 100 shares) and a reverse stock split (one-for-five) with an effective date of August 1, 2015, the Company's trading unit in trading on the Tokyo Stock Exchange was changed from 1,000 shares to 100 shares from September 27, 2015. Stock price data prior to September 2015 has, therefore, been revised to reflect the effect of the reverse stock split.

## Value Creation Process

ARATA aims to realize sustainable corporate growth by conducting business activities based on material issues (materiality) and developing alongside stakeholders through the creation of economic and social value.



Message from the President



Aiming to be a company where all employees are passionate about making dreams of an "affluent and comfortable life" come true

Hiroaki Suzuki

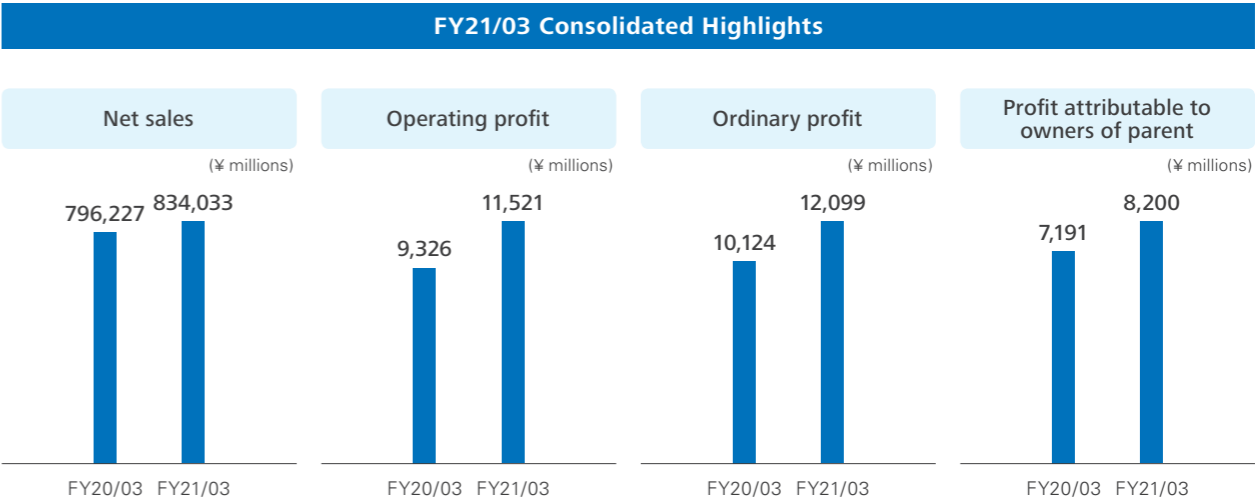
Representative Director and President, Executive Officer  
General Manager of Corporate Strategy Planning Department

Business Environment and Business Results

Operating income and ordinary income targets under Medium-Term Management Plan achieved in first fiscal year of plan

ARATA succeeded in achieving all targets for the final fiscal year of Medium-Term Management Plan 2023, except the net sales target, in the fiscal year ended March 31, 2021, which was the first fiscal year of the plan. Whilst demand for makeup and cosmetics and inbound demand were dealt a huge blow by the COVID-19 pandemic, expansion in demand for masks and disinfectant and increased home consumption resulted in strong business results. We believe that our strong performance can be attributed to

past efforts to improve productivity and increase business efficiency which are now reaping rewards, in addition to other factors such as our wide range of product categories and business formats, smooth communication through online meetings from the initial stages of the COVID crisis, and the stable operation of our logistics centers. We see the possibility of improving our business results still further, even after the COVID crisis comes to an end, through our existing strategy of strengthening categories such as cosmetics and pet supplies, and the implementation of new measures. In view of this, we have raised our consolidated forecasts for the fiscal year ending March 31, 2022 and our targets for the final fiscal year of Medium-Term Management Plan 2023. We have also changed our basic policy on shareholder returns from a policy of paying stable dividends to a policy which also shows an awareness of the dividend payout ratio. Going forward, we will gradually increase the dividend payout ratio to a target of 30%.



Significant changes in demand due to the COVID crisis

- Wide range of categories handled and wide range of business formats
- Smooth communication through online meetings
- Stable and continuous operation of distribution centers

Maintenance of strong performance through flexible adaptation to change

In recent years, natural disasters such as earthquakes, typhoons and floods are becoming more frequent, and we are acutely aware of the importance of BCP. Since a large proportion of the products we handle are daily necessities, our logistics operations can never stop. Further, in the early days of the COVID crisis, panic buying of certain products occurred and the ability to procure products was required. Ensuring the quality of products is also an essential part of the wholesaler's role and we continue to deliver products which retailers and consumers can sell/use with peace of mind. The need to ensure employee safety during the COVID crisis also prompted us to review workstyles. Moving forward, we will continue shifting towards a framework which allows each division to work more efficiently. On the sales front, the integration of online and offline sales is an issue which needs to be addressed. Especially when it comes to products, it is important to actually see, touch and try

the goods and we are, therefore, considering how we will approach this in the future. The COVID crisis has served as an opportunity reminding all employees once again of the importance of fulfilling our social responsibility as a middleman in the chain of distribution.

Progress on Medium-Term Management Plan 2023

Strengthening management soundness, improving productivity, and increasing growth potential

The fiscal year ending March 31, 2022 is the second year of Medium-Term Management Plan 2023. In terms of the progress of strategies and measures, we feel that, despite the uncertainties caused by COVID, positive results

are steadily being produced. As a result of transition to a company with an Audit and Supervisory Committee at the General Meeting in June 2021, management soundness was further strengthened. Meanwhile, we have been working to improve productivity by embracing DX to make all operations across the entire Group more advanced and efficient and to strengthen the management base. Given that we live in a society with a declining birth rate and aging population where the working age population is set to decrease in the future, I feel we must not only seek to improve efficiency but also change the very way in which work is done.

With a view to increasing growth potential, we will expand our overseas business, targeting the Asia region. Though it would be difficult to move Japan's style of wholesale operations to overseas markets without some kind of modification, we see a whole range of business opportunities. However, it would take time for us to start up a business from scratch on our own and so in China we formed a capital alliance with the Zhongshang Group (Guangzhou Zhongshang Investment Holding Group Co., Ltd.) as our business partner. Looking to the future, we will help enhance corporate value by providing the wholesale industry knowhow we have built up in Japan

to the Zhongshang Group, and we will also accelerate the growth of both companies by implementing new strategies that utilize the resources of the Zhongshang Group including its factories and its logistics functions and EC sites in China.

Moreover, from a long-term perspective, we intend make the lives of consumers in ASEAN and other regions more prosperous in the future through integration of our business strategies in Japan, China, Thailand and Vietnam.

In Japan, we have strengthened the cosmetics category and synergies have been created through expansion in products handled and business partners as a result of the merger with Fashion Arata Corporation in April 2019. We handle popular brands of Asian cosmetics which are attracting increasing attention recently, mainly Korean cosmetics, as exclusive merchandise. These brands are also highly rated by retailers, and sales in the cosmetics category have shown strong year-on-year growth in the fiscal year ending March 31, 2022. In some instances, cosmetics sales have struggled to grow during the COVID crisis but we now sense solid growth. Assuming that the COVID crisis comes to an end and mask wearing is no longer mandatory, sales are sure to grow.

Hopes for Long-Term Management Vision 2030

Creation of Management Strategy Team to develop more concrete strategies with specific targets

Our Management Strategy Division, made up of a select few individuals, used to take the lead in drawing up our strategies but, in April 2021, we created a Management Strategy Team to develop more concrete strategies. Concurrently serving as the Head of the Management Strategy Division, I myself assembled the team, with the Heads of functional divisions such as sales, products, business development and HR as members. The team discusses matters for achievement of the Long-Term Management Vision 2030 such as concrete strategies, deadlines and specific targets.

Since we are the middleman between manufacturers and retailers in the distribution chain, we operate under various constraints. Our target is to achieve net sales exceeding ¥1 trillion by 2030 but more important than achieving this target is the transformation of our business structure. The question of how we expand our business domains whilst at the same time achieving further growth in our current core wholesale business is a crucial question in the context of Long-Term Management Vision 2030.

On the domestic market in the future, population decline will lead to decreased sales of consumer goods and slower growth. Labor shortages and rising wages will inevitably impact our operations. In the retail industry, corporations are increasing in scale through mergers and retailers are also becoming increasingly demanding in relation to us wholesalers. We also understand that we have a corporate responsibility to actively implement ESG initiatives including actions on climate change. In conclusion, sustainable growth on the strength of the wholesale business alone will no doubt gradually become more and more difficult.

Going forward, whilst focusing on the wholesale business, we intend to branch out into new domains, with "goods" and "markets" as keywords. "Goods" refers to both products and information assets.

In the past, we have introduced to market numerous products which we developed ourselves and for several years now we have been focusing on developing high quality and high value added products with unique functions. We believe that to strengthen such initiatives further in the future, we need to also build a framework which allows us wider involvement in all processes

including development, pricing and sales promotions. The question of how to utilize our information assets as a middleman in the distribution chain is also a strategy essential for long-term growth.

Another keyword is "sales space." The rise of e-commerce in recent years has been astonishing but sales in physical stores which allow consumers to see, touch and check out daily necessities directly are also important. Our group company ISM CORPORATION supports the sales promotion activities of manufacturers and the realization of instore sales by retailers from various perspectives. Our contribution to the creation of effective sales spaces through the demonstration of our capabilities results in encounters with products which brighten up consumers' lives.

Additionally, both in Japan and overseas, we are considering forming alliances with partners that possess expertise in order to achieve growth in the long run. We are ready and willing to collaborate with companies that have the knowledge we lack in order to grow together.

ESG Initiatives

Helping achieve the SDGs through activities aimed at creating social value

Since its establishment, ARATA has adopted and realized the management philosophy "Continue to serve the world." We believe that our business, which consists of supporting people's lives though the stable delivery of daily necessities, can itself contribute to the realization of a sustainable society. And it is our understanding that continuing to serve the world through honest business activities that meet with the approval of our stakeholders, namely employees, business partners, local communities, shareholders and investors, and creating social value constitutes ESG initiatives.

In terms of the "environment," our contribution will be to create a positive cycle in the supply chain as a middleman aiming to combat climate change and realize a recycling-oriented society.

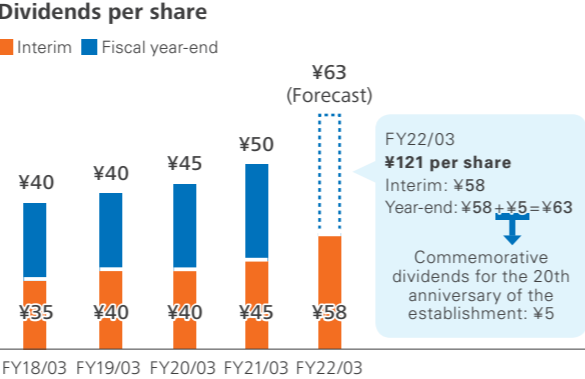
In relation to "human capital," we will aim to promote the active participation and career advancement of diverse human resources in the interests of sustainable growth. In connection with our global business, we will actively hire global human resources and mid-career professionals and steadily increase diversity. We feel that the comments and views of such human resources

Dividend policy

ARATA considers enhancing corporate value and returning profits to shareholders to be important priorities for management and based on our basic dividend policy of stable, continuous payment of dividends, we have paid dividends based on comprehensive consideration of various factors, including our business results, financial condition and future business expansion.

We have now decided to change our shareholder return policy to be more aware of the dividend payout ratio while still taking stable dividends into consideration as before, and we will gradually increase the dividend payout ratio to a target of 30%.

Going forward, we will return profits to shareholders in accordance with this policy, whilst taking into consideration our business results for each period and investments in growing businesses.



Medium-Term Management Plan 2023

Raised targets for final fiscal year (FY23/03) of Medium-Term Management Plan

	Before revision	After revision	Increase
Net sales	¥845.0 billion	¥850.0 billion	+¥5.0 billion
Operating income	¥11.5 billion	¥12.9 billion	+¥1.4 billion
Ordinary income	¥12.0 billion	¥13.5 billion	+¥1.5 billion
ROE	9% level	9% level	-



are also stimulating for ARATA's regular employees. Recently, we have been considering environment development and system reform to promote the active participation and career advancement of women. We recognize the importance of active participation and career advancement of women, and the importance of promoting management understanding, changing management's way of thinking, and creating an organizational culture conducive to this. We are also committed to creating an environment that makes all employees keen to work for us long term including improving the welfare benefits for contract employees and part-time workers.

In relation to "local communities," we would like to make life richer and more comfortable for everyone though active participation in various CSR activities as a community-based company with sites all over Japan.

With respect to "governance," our transition to a company with an Audit and Supervisory Committee has resulted in greater transparency and oversight and has made discussions at meetings of the Board of Directors livelier than ever before. Regarding the reorganization of the Tokyo Stock Exchange in April 2022, we have confirmed that we meet the listing criteria for the Prime Market in the new market segments and we have passed a resolution concerning selection of the prime market. Under the leadership of the Board of Directors, we also plan to hold in-depth discussions concerning our response to the even higher level of corporate governance required for companies listed on the Prime Market.

ARATA's Mission and Raison D'Être

Continue supporting people's lives whatever the circumstances

Our biggest strength is our human capital. ARATA Policies, which all employees carry around, include guiding principles for realizing our management philosophy, and mention "integrity and humility and effort" and "trust and a favorable impression." These principles are repeated over and over again at every opportunity, including induction training, various other types of training and morning meetings, becoming rooted in employees' consciousness and helping to build relationships with business partners. I believe that this is our strength and the source of our competitiveness.

As the current COVID crisis has also reminded me, providing a stable supply of daily necessities in an emergency such as a pandemic or a natural disaster is a key responsibility of ours. We handle other goods besides necessities such as household goods, cosmetics and pet supplies and these are products which enrich consumers' lives.

Our Long-Term Management Vision 2030 slogan "Realize your dreams. Change your daily lives" encapsulates ARATA's desire to use its capabilities to realize the seemingly obvious, but one and only dream that people share of "wanting to spend enriching and comfortable time every day for many years to come." Please continue to look forward to our enthusiastic progress.

Towards sustainable growth

In face of dramatic changes in society and the environment, ARATA has established Long-Term Management Vision 2030, which takes a long-term perspective and sets out the direction for the next ten years, to clarify the fundamentals of management and enable all employees to approach activities in a unified manner. Going forward, we will work towards realization of our long-term vision by establishing milestones every three years in the form of medium-term management plans and striving for further growth in our activities.

Changes in Our Operating Environment (Risks and Opportunities)



To "continue to serve the world" in the midst of environmental change

Long-Term Management Vision 2030

Realize your dreams. Change your daily lives.

By enriching lives through our capabilities, we will realize the seemingly obvious, but one and only dream that people share of "spending enriching and comfortable time every day for many years to come."

Target

Net sales exceeding  
¥1 trillion  
by FY30/03

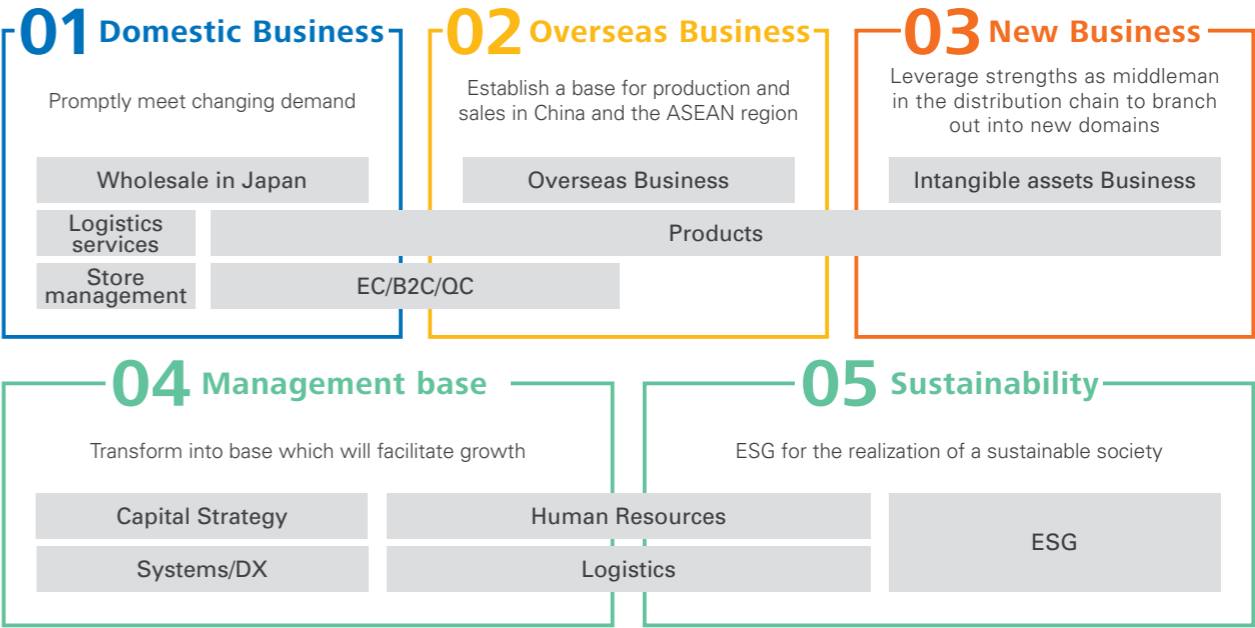
Material ESG issues

Environment	Contributing to environment by creating a positive cycle in the supply chain
Human Resources	Being a great place to work
Local Communities	Making life richer and more comfortable for everyone
Governance	Robust governance framework to support sustainable growth

SUSTAINABLE DEVELOPMENT GOALS

Five Subject Headings

We have internally set and shared across the ARATA Group concrete strategies and specific targets under five subject headings, in order to realize Long-Term Management Vision 2030. The whole Group is working together on activities under these headings.



## Message from the Vice President



**Yoichi Suzuki**  
Representative Director and  
Vice President  
Head of Administration and  
Head of DX Promotion

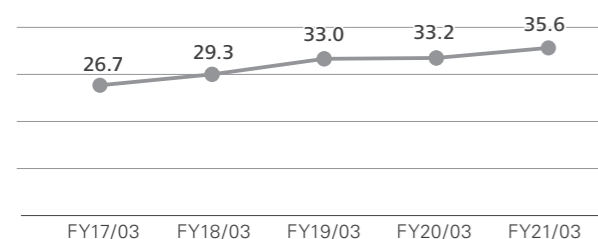
**Communicating our strong business results and appealing growth strategies**  
- ARATA's Approach for "SDG"-

### Communicating our growth strategies

"Although ARATA has steadily increased its earnings and grown during the COVID-19 pandemic, and your position in the industry as a business that is indispensable for society has become more firmly established, your stock price growth is weak in comparison and there should be a little more growth momentum." This is a comment made by a major institutional investor during a meeting we had in early November 2021.

If we trace our business results back 10 years to the fiscal year ended March 31, 2011, net sales in the fiscal year ended March 31, 2021 are around 1.4 times higher than

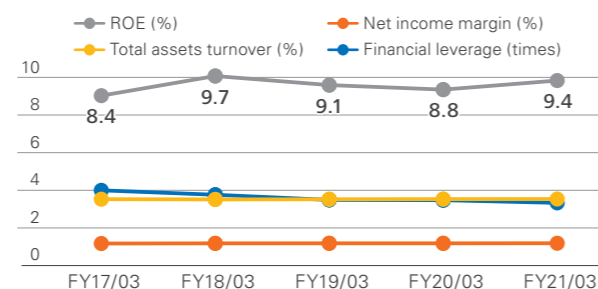
#### Change in equity ratio (%)



the level 10 years ago and our profitability has increased significantly, with ordinary income almost tripling.

With an equity ratio exceeding 35% and ROE reaching the 9% level, we have also strengthened our financial position, achieving both safer management and higher profitability.

Going forward, we believe we need to further improve the quantity and quality of our communication with stakeholders, communicate our strong business results and appealing growth strategies that draw people in, and build strong relationships of trust.



### Long-term strategy - Aim for hybrid management

Under Long-Term Management Vision 2030, we have begun activities with sustainability based on ESG considerations and the SDGs at the core of our management strategies. Unless we secure sufficient time for the development of new products and technologies and the R&D budget is maintained, the financial returns

will not lead to any improvement in corporate value.

To realize our long-term management vision, while increasing the added value and productivity of our existing core wholesale business, hybrid management which aims to create highly profitable new businesses through management which creates new businesses based on

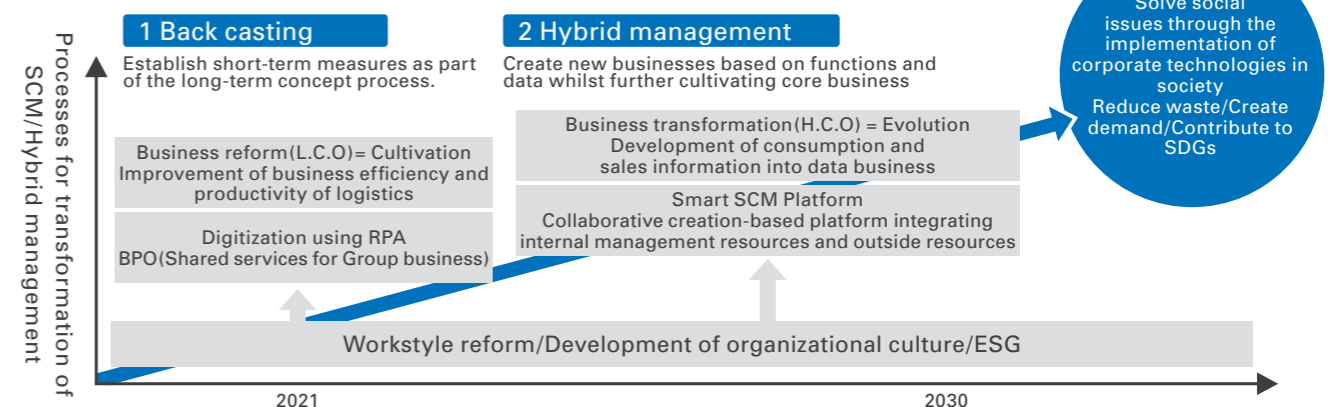
functions and data, namely "business reform (cultivation) and business transformation (evolution)" is essential.

The Group's mission is to have the management capability to meet demand by striking a balance between production, inventories and consumption, to maximize profit and cashflow, and to provide a stable supply of products and information and maintain the capabilities needed to support the lives of customers/consumers. During the COVID crisis, product demand has fluctuated

constantly, the balance between online and offline sales channels has also shifted, and production and logistics functions continue to be severely impacted.

When it comes to adjusting the supply-demand balance, initiatives at a company level alone have no hope of being sufficiently effective and we believe it is important to create a platform (Smart SCM Platform concept) that transcends companies and will transform the supply chain, and that the sharing of functions is key.

### Smart SCM Platform concept



### Financial strategy- Actively invest in growth and enhance shareholder returns

The basic strategy and investment plan under Medium-Term Management Plan 2023 (2021-2023) are as follows.

#### 1. Basic strategy

Realize "product development and sales space proposals" through marketing which takes changes in lifestyles and values due to advances in digital technology into consideration, and achieve competitive sale activities and low-cost operations through "labor-saving logistics centers" utilizing the latest technologies.

#### 2 Investment plan and cash allocations

We will make total investment of ¥30 billion yen (over three years) alongside appropriate cash management and profit distributions. When distributing profits, we will prioritize investment in growth and shareholder returns.

#### Investment in growth

- 1 Strengthen logistics functions
- 2 Reduce total business volume through automation
- 3 Strengthen product development capability
- 4 Strengthen management and sales support system
- 5 Establish systems and training aimed at achieving active participation and career advancement of diverse human resources

#### Shareholder returns

Be mindful of improving the stock price in the medium and long term and gradually increase the consolidated dividend payout ratio to 30%. Carry out acquisitions of treasury shares in an appropriate manner based on comprehensive judgment of a range of factors including the stock price trend and medium- and long-term management strategies. Enhance shareholder returns on the back of our strong business results

### ARATA's "S.D.G."-driven growth

ARATA will achieve growth through a combination of Sustainable, Digital and Glocal.

Sustainable	Digital	Glocal
For the creation of a sustainable business model: "We will achieve the highly efficient and stable supply of the products and services which enrich daily life."	For the creation of new business: "We will contribute to improving the efficiency of the entire supply chain by utilizing the latest digital technology."	Think globally, Act locally. "With world-class concepts and technologies, we will engage in activities from a customer perspective in line with their living environment."

We will take on challenges for the future with a "healthy tension," and communicate our strong business results and appealing growth strategies which will draw people in.

Making everyone more comfortable in their everyday life

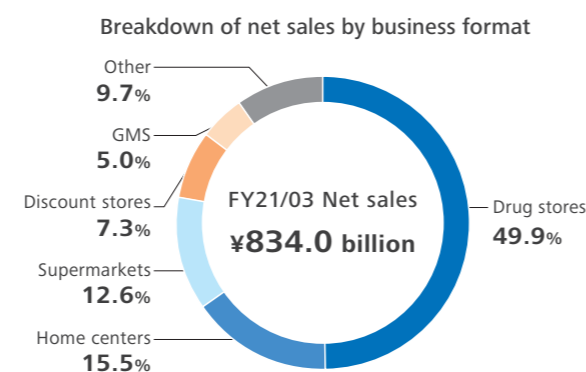
## Sales

**Close to people's everyday lives through transactions  
with around 3,500 retailers (45,000 stores) nationwide**

The sales capabilities which support our core wholesale business in Japan are split between the National Chain Stores Division, which deals with national retail chains, a total of around 1,000 sales personnel, who belong to the Sales Management Departments of seven branch offices nationwide that deal with community-based retailers, and the Sales Administration Department, which is a specialist team engaged in the aggregation and data analysis of market and product information essential for proposals to retailers.

We have a wide range of transactions with approximately 3,500 retailers with varying business formats. "Human resources with the ability to get things done" who understand trends and retailers' needs and immediately reflect these in

stores, and the "ability to make credible proposals based on qualitative and quantitative information" make it possible for us to offer services according to retailer characteristics.

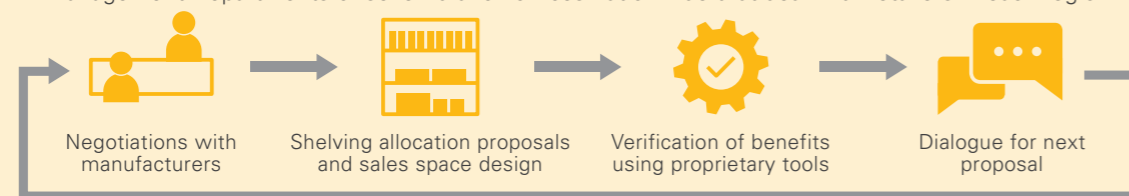


### Strengths of sales operations



#### Human resources with the ability to get things done

ARATA's sales operations are split between the National Chain Stores Division, which deals with national retail chains, and a total of around 1,000 sales personnel, who belong to the Sales Management Departments of seven branch offices nationwide that deal with retailers in each region.



#### Ability to make credible proposals based on qualitative and quantitative information

Analysis materials based on POS data, materials on the characteristics and trends of each category, and "Sales Information" summarizing trend information and product information are powerful tools supporting ARATA's ability to make sales proposals.

**Store Navi: Qualitative information**  
Sales personnel submit information such as store best sellers and sales ideas. Raw data is used to make proposals to retailers!

**More than 5,000 pieces of information are submitted each week**

**ARMS: Quantitative information**  
Covers a wide range of data ranging from analysis by category, business format and brand to ID-POS analysis by gender and age. Ability to make credible proposals based on multifaceted analysis and information

**POS data of approximately 8,000 stores**



Sales Information



### Examples of proposals made during the COVID crisis

Throughout the ongoing COVID crisis, we have supported the everyday lives of consumers by proposing to retailers not only infection control items but also products to make everyday life more comfortable and products for the new normal.

By staying abreast of dramatic changes in demand through the analysis of POS data, we continue making the products people need readily available.



Trends	Events/Changes in demand	Examples of items proposed
Infection control	Increase in home-packed meals to avoid close contact with others in restaurants	Lunch boxes, Drinking bottles, Wet tissues
Mask wearing	Facemask makeup	Eye makeup, Items for keeping bangs in place, Makeup setting spray, Breath care
Increase in time spent at home	Efforts to make home more comfortable	Air freshener, Cleaning supplies, DIY goods, Insecticide
	Relaxation items	Bath products, Massage goods
Self-improvement	Lack of exercise	Diet goods, Supplements, Health meters
Vaccination	Control of side effects	Fever cooling sheets, Thermometers



### Provision of store support through ISM

The reactivation of store space is an important issue for retailers and manufacturers that is directly linked to sales.

Our efforts to support stores predate the establishment of ARATA Corporation, and we have received support from many business partners. In 2007,

the ARATA Group established the instore marketing company ISM Corporation as a subsidiary. ISM draws on the wide range of transactions and vast knowledge which only a national wholesaler can have to provide solutions and services to support stores.

#### Field solutions

Supporting approximately 5,000 retailers nationwide  
Personnel engaged in periodic support operations 3,600 (every month)  
Personnel providing additional spot services Approximately 3,000

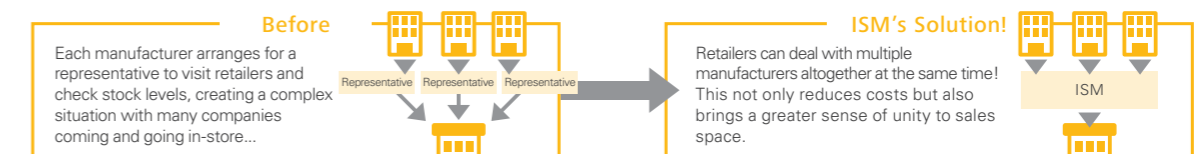


#### Instore promotions

ISM plans and produces effective promotional tools and measures for retailers, manufacturers and consumers based on its thorough knowledge of stores.



Use of bookend signage instore



The same members of staff visit the same stores on a regular basis to monitor store progress and maintain sales space. Whilst improving sales and reducing lost sales opportunities by strengthening the ability of stores to make

things happen, ISM staff gather sales space information and verify why certain products sell, and collaborate with ARATA to come up with proposals based on this.

#### Creation of effective sale space

Instore realization of new product launches and plan implementation  
Negotiations for the placement of promotional goods and the rollout of advantageous sales spaces

#### Verification of why certain products sell

Collection and provision of qualitative information such as selling price and rollout information  
Verification of results of initiatives such as sales spaces and promotional goods through tools such as AB test

#### Proposal of effective sales initiatives

Proposals in collaboration with ARATA  
Negotiations for advantageous instore sales space and negotiations for the placement of promotional goods, etc.

**Helping expand the sales and improve the operational efficiency of manufacturers and retailers!  
Helping make shopping for fun for consumers!**

Making everyone more comfortable in their everyday life

## E-commerce

### Meeting the needs of the rapidly expanding e-commerce market with ARATA's unique capabilities

Shopping on e-commerce websites is an option which is essential for consumers. In Japan, the e-commerce merchandizing market has shown substantial growth due to the effects of the COVID crisis, including requests to refrain from going out, expanding to 121.71% of the 2019 level in 2020 (according to e-Commerce Market Survey by the Ministry of Economy, Trade and Industry).

Since 2010, we have had a unit to deal exclusively with e-commerce companies which face a range of issues

unlike those confronting physical stores. Currently, these needs are met by the vast information to which only a middleman in the distribution chain has access, and the EC Commerce Division, which makes sales promotion proposals specifically for e-commerce.



### Leveraging our capabilities to address e-commerce specific issues

Unlike physical stores, e-commerce stores have no constraints on product display space and are, therefore, required to offer extensive product lineups and handle large numbers of products. Whilst taking advantage of our strength of handling many products in the cosmetics and daily necessities categories, we have developed a framework which allows us to meet the specific needs of e-commerce such as heavy, bulky, rarely stocked products. The COVID crisis caused growth in demand

#### Special feature pages on e-commerce sites

Proposal of special features on seasonal items, trending cosmetics and other topics Rollout of special features to sites of e-commerce companies

#### Sale of products as sets through product assortment capabilities

Proposal of sale of products as sets, for example, main unit and refill, through product assortment capabilities as middleman in distribution chain



for e-commerce stores to accelerate, and retailers with physical stores also stepped up their e-commerce initiatives. ARATA has a range of capabilities for solving issues specific to e-commerce, ranging from making proposals based on the information it has accumulated as a middleman through to the introduction of in-house developed, added value products and the provision of online sales promotion support.

#### Original products for EC companies

Sale of original products for EC companies such as large assortments of in-house developed products or items with a simplified design

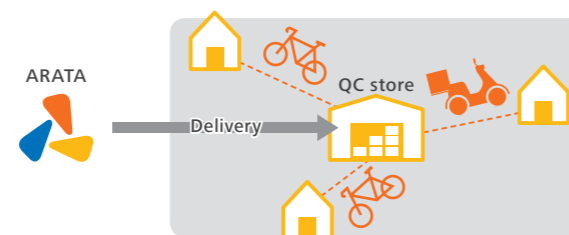
Large assortment of scented flower bubble bath, hana shukan, produced by Hibiya Kadan



### QC initiatives

Quick commerce (QC) is e-commerce where the ordering and delivery cycle is completed in under one hour. QC is attracting attention due to the rising popularity of food deliveries during the COVID crisis.

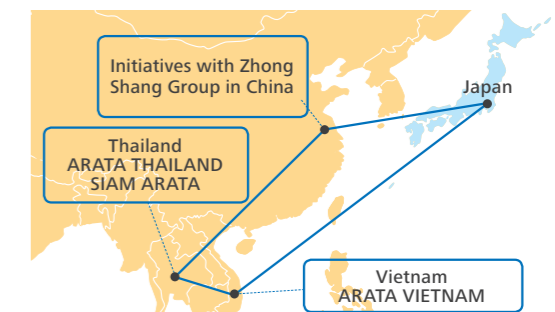
We have started doing business with companies involved in QC in the daily necessities category.



## Overseas

### Steadily advancing into Asia markets through network linking China, Thailand, Vietnam and Japan

In our overseas business, we are currently operating in China, Thailand and Vietnam. It would be extremely difficult to move Japan's style of wholesale operations to overseas markets, which have different business practices, without some kind of modification. Our business operations take the circumstances of each country into consideration and have been tailored to each specific country. Moving forward, a key part of our growth strategy under Long-Term Management Vision 2030 is to achieve dynamic business expansion through the bidirectional linking of these three countries and Japan.

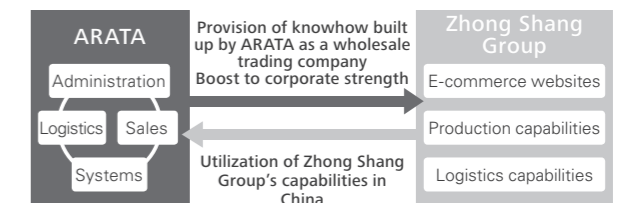


### Initiatives with Zhong Shang Group in China

Based on the belief that collaboration with local partners is the most effective way to meet the needs of a huge market like China, we made a capital contribution to the Zhong Shang Group with which we formed a business alliance in 2020 to further strengthen our partnership.

By making our wholesale industry knowhow available and utilizing the Zhong Shang Group's production and logistics capabilities and ecommerce sites in China, we hope to produce synergies.

#### Partnership strategy



### Thailand

ARATA THAILAND operates as the importer, while SIAM ARATA operates as the seller. Thailand is a market where Japanese products are very popular and represents a huge opportunity.

We have adapted to changes in demand during the COVID crisis by broadening the scope of product categories and products handled from cosmetics that we had primarily been handling.

In addition, new sales channels in Thailand have also opened up, which will be crucial for the implementation of ASEAN strategy measures.

### Vietnam

In Vietnam, the fastest growing economy in the ASEAN region and a country that has good relations with Japan and is expected to continue growing in the future, we established ARATA VIETNAM COMPANY LIMITED in 2020. We are now conducting negotiations with Japanese manufacturers and local retailers and laying the foundations for business expansion in the post-COVID era.



Ho Chi Minh City, Vietnam  
Building in which office is located

### Active participation and career advancement of foreign nationals in overseas business

In our overseas business, the active participation and career advancement of human resources with knowledge about the countries we are operating in and language skills is essential. In the Business Development Division and Overseas Business Division at Head Office, ARATA employs a total of five foreign nationals (from China and

Taiwan), including one occupying a managerial position. At overseas subsidiaries, we have a total of 12 locally employed staff members and our policy is to promote the active participation and career advancement of foreign nationals to strengthen our overseas business in the future.

Making everyone more comfortable in their everyday life

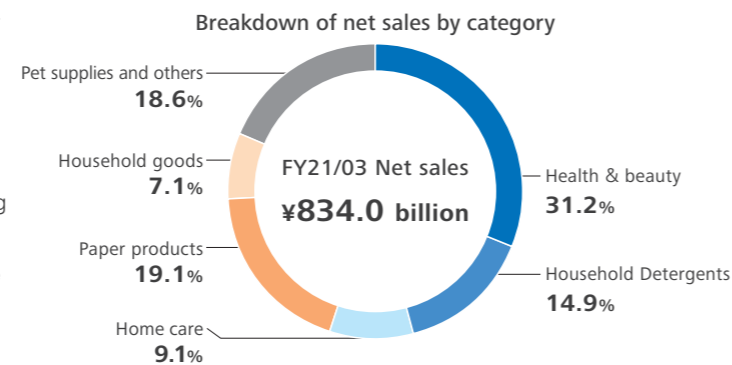
## Products

### Procuring products to make people's everyday lives more comfortable Creating new demand

We have a wide range of products which are essential for everyday life. Our product lineup consists of approximately 100,000 items and we deal with as many as 1,200 manufacturers.

In the cosmetics and daily essentials categories, new products are launched in continuous succession according to people's needs and trends.

"Product procurement capacity" for assessing the value and appeal of each single product and procuring products that consumers want and will therefore sell is a capability which is crucial for a wholesaler.



### Strengths of product operations



#### Products handled

Our strength lies in our transactions not only with leading manufacturers but also with small and mid-sized manufacturers which handle unique products, and in our appealing product lineup which includes exclusive items, priority access items and items developed in-house. Also

in the paper products, household goods and pet supplies categories, we have large market shares. This array of categories is the reason we can flexibly adapt to significant shifts in demand as seen in the COVID crisis.



#### Product procurement

Product procurement or merchandizing is the responsibility of merchandizers working at Head Office and branch offices. It covers a wide range of operations including the proposal of sales plans, the proposal of sales promotions, analysis of sales, and the identification of new manufacturers.

By combining information on market trends in each category held by manufacturers with information we accumulate such as information on the best sellers in store and POS analysis, we identify the "products which will sell," enriching the everyday lives of consumers, thus achieving strategic product procurement (merchandizing).



#### Proposal of plans

Based on the sales plans drawn up by Head Office alone, we propose more than 300 sales plans a year. Collaboration between the Sales Division and branch offices results in the speedy instore realization, and steady accomplishment of sales results earns us support from our business partners.



#### Management of master data

Accurate management of more than 100,000 items of master data underpins our distribution capabilities. Master data includes not only basic information such as price information but also additional information such as items for managing compliance with the Subcontract Act, enabling the systematic checking of compliance with legislation.

### Strengthening the cosmetics category

Since the merger of Arata Fashion, which was a subsidiary, in April 2019, we have been continually strengthening the cosmetics category. Despite a temporary decrease in demand, reflecting fewer opportunities to go out due to the COVID crisis, the Cosmetics Business Division at Head Office and the sales personnel in the cosmetics sales departments of each branch office have driven steady growth in sales, and cosmetics are recognized as another one of ARATA's strengths.

To meet the requirements of retailers in regard to cosmetics as well as the needs of consumers, we encourage acquisition of the Japan Cosmetics Certification, and have many sales personnel with high levels of expertise in cosmetics working for us.

#### Japan Cosmetics Certification

Qualification which confers a wide range of beauty knowledge covering aspects such as the ingredients and effects of cosmetics and nail care

#### Number of successful applicants

2019	2020
155	141

#### Asian cosmetics

On the cosmetics market in recent years, "Asian cosmetics," especially Korean cosmetics, have been attracting a great deal of attention. Statistics on imports of cosmetics to Japan also show a sharp rise in imports from South Korea, whilst posts about Asian cosmetics on social media such as Twitter are increasing year by year. Even during the COVID crisis when masks are worn,

there is still been demand for eye makeup products and skincare products, and if opportunities to go out increase in the future, there will be mounting expectations for cosmetics in general. In the Asian cosmetics segment, we offer popular brands as exclusive items and we plan to increase our handling of such products in the future to revitalize the entire cosmetics category.



**South Korea**  
**CNP Laboratory**  
Popular skin care brand produced by a renowned skin clinic in Korea



**China**  
**ZEESEA**  
Art makeup brand originating in China



**Taiwan**  
**heme**  
Genderless makeup brand developed in Taiwan

### Product development

The product development business started with the development of bath salts and dehumidifying agents in 2009, for the purpose of revitalizing the stores of retailers that do not have their own private brands. We are currently strengthening the development of products with designs not found in national brand products and products with an added-value-type concept.

Going forward, we plan to strengthen our cosmetics related product pipeline to create a product development business which provides the products consumers want, with a view to increasing sales of our own products in China, Thailand and Vietnam through collaboration with the overseas business.

#### Products developed in collaboration with Lettuce Club Magazine

ARATA is involved in collaborative product development with Lettuce Club Magazine. We conducted a survey of Lettuce Club readers and developed products which the Editorial Department of Lettuce Club selected from many prototypes as being the "easiest to use."

This resulted in highly original products developed from the perspective of users, something only ARATA, with its wide range of transactions, can do.



**Product Number 1**  
**A kitchen sponge which fits**

Long, thin shape which fits easily into the hand and is also good for washing inside cups and water bottles. Three-layered structure which creates lather easily and also drains well.



**Product Number 2**  
**Cloths which are just the right size**

Large cloths 60 cm in length and just the right thickness for wiping a large plate in one go. Beige color suited to the kitchen Reliable Imabari towel brand

Making everyone more comfortable in their everyday life

## Products (Pet Supplies)

Providing support at every stage, from first encounters with the pets which brighten our lives through to everyday pet care

The pet business, which is one of our key strengths, was integrated into JAPPELL Co., Ltd., an ARATA Group company, in 2019, and has continued to expand as a result of JAPPELL's expertise. Since 2020, the breeding of pets has been in an upward trend, reflecting demand for pets as a remedy for loneliness during the pandemic, and pet supplies are expected to remain in demand in the future.

With a history of more than 50 years, JAPPELL is Japan's leading trading company for pet-related products and has achieved continuous growth based on the motto "communicate with our community through pets."



ジャペル株式会社

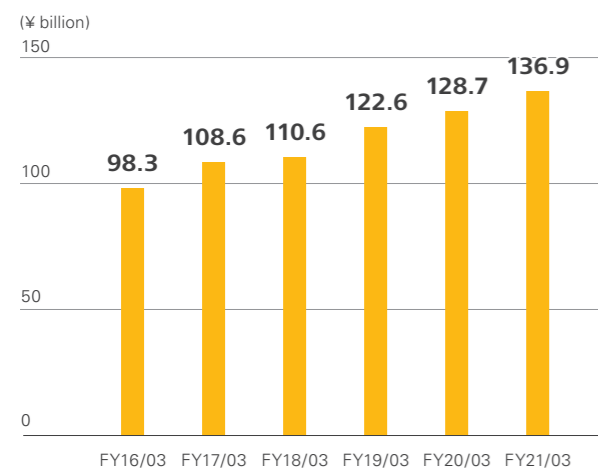
The company name is derived from "Japan Pet Life Library," encapsulating the hope to serve as a library where all things related to the lives of pets are collected and stored.

## JAPPELL's businesses

### Core trading company business

In its core trading company business, JAPPELL wholesales all kinds of pet-related items, ranging from pet foods and pet-related supplies through to various types of live animals including dogs and cats. In addition, JAPPELL has built an organization capable of responding flexibly to various requests from customers and giving them support by demonstrating the capabilities to develop Japanese original products and make system-driven analysis and proposals, implementing a mechanism for smoothly receiving and placing orders, establishing a distribution network that connects domestic and overseas locations for swift, prompt action, etc.

### Net sales of JAPPELL



### Store business

Japell Partnership Service Co., Ltd., which is a subsidiary of JAPPELL, operates the store development business, incorporating JAPPELL's knowhow as a general trading company for pet-related products. Japell Partnership Service has a network of 280 stores, including franchise stores in home centers across Japan.



### E-commerce business

JAPPELL operates Pet Wagon, an e-commerce site for pet grooming supplies and equipment for professional pet groomers for the approximately 25,000 pet grooming salons nationwide. The site handles a wide range of grooming salon essentials, ranging from shampoo to scissors and dog baths.



### Overseas Business

JAPPELL imports products extensively from countries around the world, including the United States, Canada, Southeast Asian countries and China, and it has a location in Los Angeles. It has also established a local corporation, Japell Hong Kong.



## Development of original products

JAPPELL fully utilizes its information gathering capability and knowhow as the leading trading company for pet-related goods and works to develop products which meet customer needs.

JAPPELL has a line-up of around 1,300 products ranging from basic items to pet food and supplies designed to promote the health of customers' precious pets.



## Construction of new center in Kanagawa to commence operation in 2022

Completed in November 2021, the new Kanagawa center has an array of around 1,200 solar panels on its roof.

It also has a park which will be open to local residents and aims to be a logistics center which is environmentally friendly and exists in harmony with the local community.

Address	1981-1 Sanda, Atsugi City, Kanagawa Prefecture
Total floor area	Approx. 4,480 tsubo
Trading volume	Approx. ¥10 billion (Forecast for 2022/3)



## Animal Care House, contributing to society through pets

In April 2021, JAPPELL opened Animal Care House in Kazo City, Saitama Prefecture as a new business, offering short-term and long-term care services for dogs, cats and other pets.

Due to advances in veterinary care and other factors, pets are expected to live longer, leading to an increase in pets requiring nursing care and, with owners growing older and facing health issues, including sudden hospitalization, more and more people are expected to struggle to take care of their pets.

With a view to solving such issues and contributing to society, JAPPELL provides a comfortable safe space for dearly loved pets to stay through Animal Care House.



## Employee comments



Leader  
Kenji Saito  
Pet Care Advisor

Whilst working in sales at a pet shop of a JAPPELL subsidiary, I felt acutely the need for a home for elderly dogs when I heard customers say that they wanted a pet but were worried about what would happen to their pet when they grew old. This prompted me to apply. JAPPELL is a wholesaler and trading company for pet supplies but offers opportunities to get involved not only in sales but also in various pet-related businesses, which I find appealing and feel is an advantage.



Namiki Motoya  
Pet Care Advisor

I learned the value of pet nursing care services from my time at an animal vocational college and my experience caring for my own dog. I hope to contribute to the happiness of owners and their pets through Animal Care House.

## Realizing stable distribution

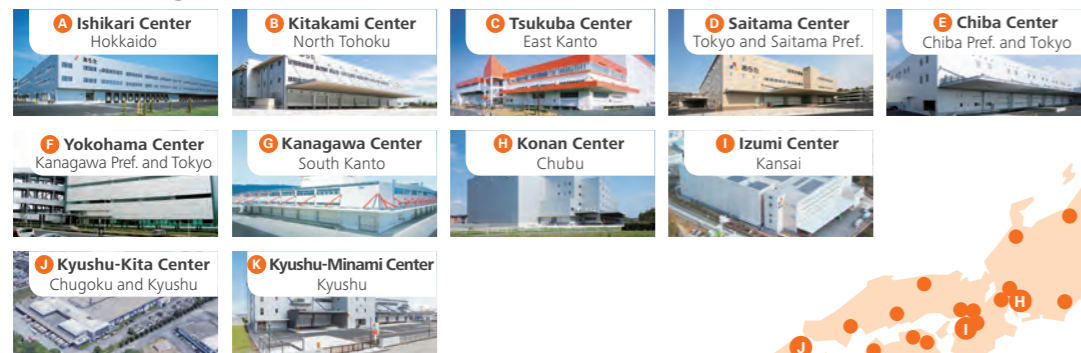
## Logistics

## Leveraging our national logistics network, including 11 large LCs, to improve supply chain efficiency

To fulfil our fundamental responsibility as a wholesaler of ensuring the stable and accurate delivery of products from as many as 1,200 manufacturers to retailers across Japan, ARATA has established a nationwide network consisting of 33 logistics centers (LCs), including 11 large-scale LCs with annual shipments of between ¥15 billion and ¥40 billion, 5 depots, 4 cosmetic centers, and more than 100 contract warehouses for flexibly

accommodating fluctuations in demand. Our nationwide network of large, mid-sized and small centers also helps spread risk from a BCP perspective. By demonstrating our advanced logistics capabilities as a middleman in the distribution chain, we aim to optimize the supply chain for greater efficiency and contribute to the realization of a sustainable society.

## ARATA's Logistics Network



## Strengths in Logistics

## Highly efficient logistics centers

Our logistics centers feature a wide range of material handling equipment, to achieve efficient delivery of all kinds of products with different logistics needs. To continue operating our centers without any interruption to supply in the future despite long-term risks such as labor shortages or pandemics like the COVID-crisis, we plan to step up our investment in logistics operations, including automation. Our large logistics centers have automated pallet warehouses **1**, and products which are to be shipped in cases are sent directly to a case sorter and grouped according to delivery route or store. Meanwhile, products to be shipped in smaller quantities are picked out on the floor for items sold separately using

AiMAS picking carts with built-in scales **2**. Scanning the product's barcode prevents the wrong product from being picked, while weight detection using the scale prevents the wrong quantity from being selected, resulting in ultra-precise shipping operations, with a delivery precision of 99.999%. Collapsible containers containing picked products are temporarily stored in collapsible container automated warehouses **3** before being grouped according to delivery route or store, like the products in cases, and being delivered to retailers. In addition, our Kyushu-Minami Center, which started operation in 2018, is equipped with AI depalletizing robots **4** and uses AI to automatically replenish cases.

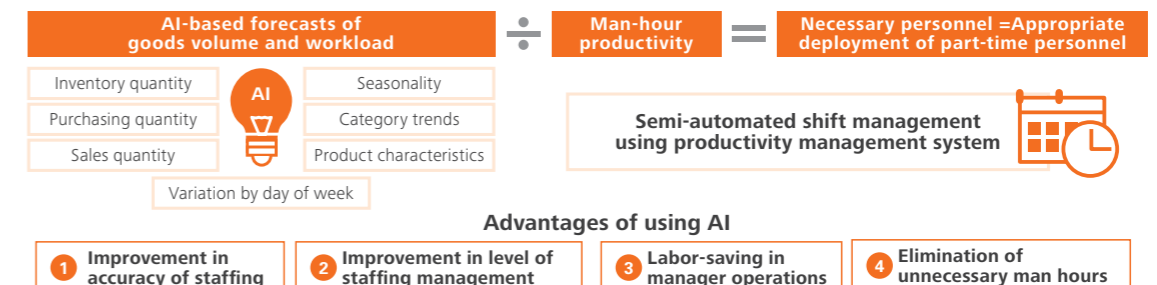
**1 Automated pallet warehouse****2 AiMAS****3 Collapsible container automated warehouse****4 AI depalletizing robots**

## Launch of demonstration experiment of AI-based workload forecasting

Inside our centers, many part-time workers are engaged in receiving shipments, picking and other operations. Adjusting staffing (shifts) according to daily fluctuations in the volume of goods is an important task which takes up a great deal of managers' time. Since inaccuracy in the adjustment of shifts leads to wastefulness such as an increase in overtime hours or overstaffing, accurate forecasting of goods volume and

workload is required.

We, therefore, launched a demonstration experiment of semi-automated shift management using AI-based forecasting of goods volume and workload. AI forecasts based on analysis of past data are corrected by logistics managers, enabling highly accurate, speedy shift management. This initiative can be expected to increase warehouse efficiency and save labor in management operations.



## "White Logistics"



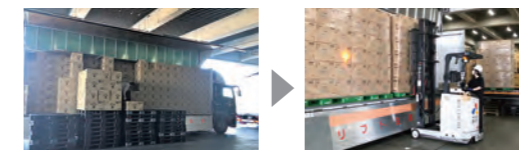
We were one of the first wholesalers to support the "White Logistics Promotion Campaign" advocated by the Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Economy, Trade and Industry, and Ministry of Agriculture, Forestry and Fisheries, and we are continuously implementing a range of initiatives to improve the efficiency of logistics and reduce truck drivers' waiting time and loading and unloading time.

## Initiatives

- 1 Improvement of manufacturers' logistics through proposals and cooperation
- 2 Introduction of warehouse entry time reservation system
- 3 Efforts to speed up the receiving process through the use of pallets, etc.
- 4 Avoidance of peak congestion hours when making deliveries
- 5 Promotion of written contracts of carriage

## Pallet transportation of household paper products

We were quick to cooperate with Daio Paper Corporation over the use of pallets and are currently cooperating with a joint pallet collection experiment and an experiment to use the pallets for transporting diapers and hygiene products.



Switch from manual loading and unloading to pallet delivery reduces loading and unloading time from **90 minutes to 20 minutes!**

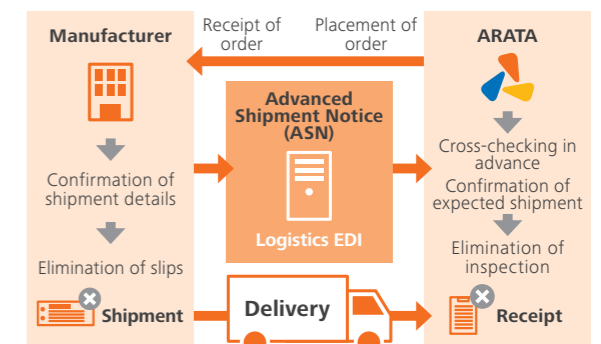
Reduction in truck waiting time and improvement in warehouse productivity helps reduce costs, is better for the environment, and improves drivers' working conditions.

## Warehouse entry time reservations system

We have currently introduced the system at 17 sites and plan to introduce it at a further 8 sites in 2022. The system not only reduces drivers' wait times (by around 40%), it also enables us to use warehouse entry time reservations to guide trucks to berths and appropriately deploy personnel, helping us improve efficiency.

## Elimination of inspections through use of Advanced Shipping Notice (ASN) data

ARATA has launched a demonstration experiment to eliminate slips and inspections in collaboration with PLANET, INC. and five manufacturers. This is an initiative which involves sending advanced shipping notices (ASNs) to allow purchase order and delivery information to be cross-checked in advance. Since ASNs obtained in advance of receipt are checked against information on the products to be actually be received, the initiative helps improve productivity by facilitating receipt through the simplification of inspections and other procedures and by making the entire process paperless through the use of electronic slips.



## Realizing stable distribution

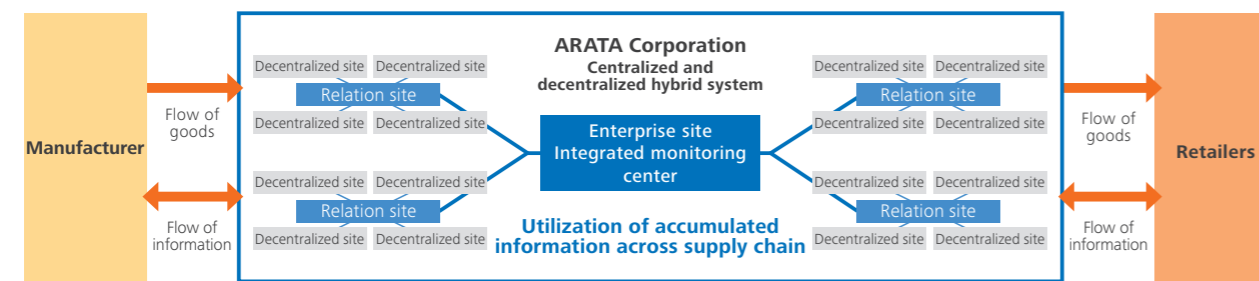
## System

## Promoting system capabilities to support stable distribution and DX in response to environmental changes

Advanced system capabilities are essential for stable product distribution. Our system is an open system with a hybrid structure combining "centralization and decentralization" that covers the whole of Japan. The system was newly created through utilization of the system capabilities of each of the merged logistics companies.

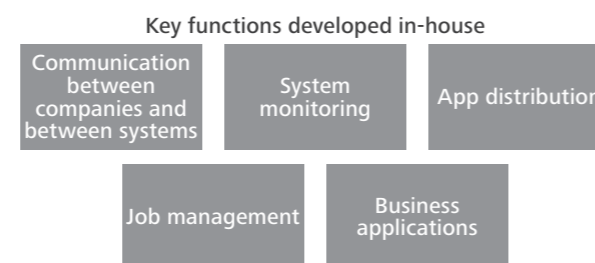
Positioned between retailers and manufacturers, ARATA accumulates a wide range of information.

With a view to establishing an information platform which will enable effective utilization of the accumulated information not only by us but across the supply chain, we are pushing ahead with the creation of a strategic information system and information network for optimizing groupwide operations based on an accurate understanding of environmental changes gained through feedback from sales, logistics and other operations.



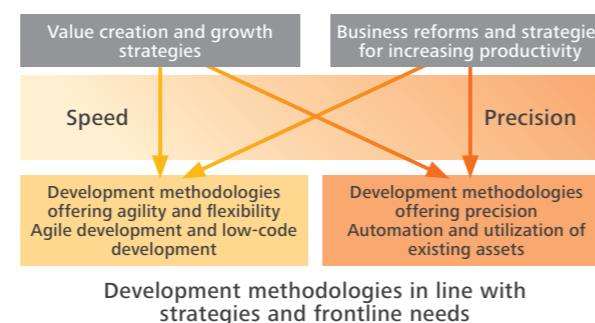
## System which responds accurately and promptly to frontline needs

In 2005, we began system integration and developed ARATA's backbone GENESIS system. In-house development of key parts of the system enables not only black box minimization but also speedy system adaptation without the hassle of placing orders with IT vendors. The use of a "loosely coupled system," in which functions related to business are modularized and connected through an information linkage platform to make modules independent of each other, affords flexibility and scalability, and we have built a flexible information system which allows us to adapt not only to internal organizational changes but also engineer shortages, various initiatives introduced by business partners, and increasingly rapid social changes and technological advances.



## Two system development styles, and HR development which strikes a balance between offense, defense and meeting immediate needs

To make our information system resilient to change, we adopt not only development methodologies which offer precision but also agile development and low-code development methodologies which offer agility and flexibility, to quickly reflect the needs of business operations and business partners in our system. In addition to development based on existing methodologies and technologies, we are also constantly researching the latest methodologies and technologies to incorporate the benefits of technological advances into our business operations. The development of human resources capable of striking the right balance between "offense," "defense" and "meeting immediate needs" supports ARATA's information system.



## IT Medium-Term Business Plan

To support ARATA's Long-term Management Vision and Medium-Term Management Plan strategies from a system perspective, we drew up strategies under an "IT Medium-Term Management Plan," aiming to create an information system for efficiently realizing growth strategies whilst resolving issues faced by each functional division. Our system engineers are implementing this plan in cooperation with each Division. We are pushing ahead with DX initiatives to create an information system to support our 2030 vision.

## Main points of IT Medium-Term Management Plan

- Management support
- Enhancement of sales support functions
- Improvement of efficiency, energy conservation, labor savings, and automation
- ➡ Utilization of AI, RPA and other technology
- Enhancement of information system scalability and flexibility in preparation for changes in the future

## Research of latest technologies and utilization in business

Use of AI  
Automation of ordering

AI predicts quantities to be ordered in the future based on order information learned from retailers. Our ordering management system ALICE calculates quantities to be ordered to ensure sufficient inventories to meet these orders. This results in highly accurate ordering operations.

## AI-OCR

Handwritten and digital invoices and slips are automatically registered in the database through AI-based optical character recognition (OCR). This contributes to labor saving in back-office operations.

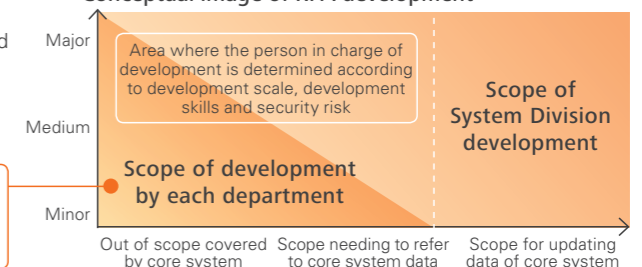
Use of AI in logistics ▶ P.24

Area for on-site operations-led RPA development focusing on issues at a department or individual level which will not impact audits

RPA (Robotic Process Automation) implementation  
Operations-led RPA implementation

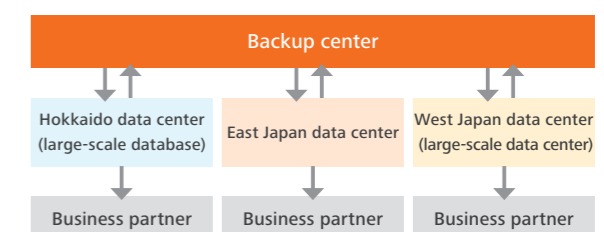
With the System Division and DX Promotion Office playing main roles, each operational site has a person in charge of RPA to quickly resolve any small issues. The focus is not only on improving productivity but also developing digital human resources for the future.

## \* Conceptual image of RPA development



## IT-BCP

For maintaining the system environment which supports reliable logistics even at the time of large-scale disasters such as earthquake and flood, we have built large-scale databases at data centers in two locations, one in eastern Japan and one in western Japan. We have also built a separate backup center in case of disaster.



## Information Security Initiatives

We have established Confidential Information Management Regulations and Information Security Management Regulations as internal regulations to protect important information exchanged with business partners. Under the leadership of the CSR Promotion Office, we have also established the Information Leak Countermeasures Subcommittee to consider countermeasures to address changing digital risks. The System Division take actions based on the decisions through new development, the consideration of the use of outside tools or other technological means and develops and operates an information security infrastructure which will allow us to implement business and projects safely, securely and efficiently.

## Functions developed to date as information leak countermeasures

- 1 Making permissions necessary for viewing material information online
- 2 Changing MFP print settings
- 3 Centralizing the use of online storage
- 4 Banning the use of USB drives
- 5 Introducing backup cloud function





### Basic Approach: “Robust, Fair, and Fun”

Guided by our management philosophy of “continuing to serve the world,” we aim for sustainable growth and development together with the rest of society.

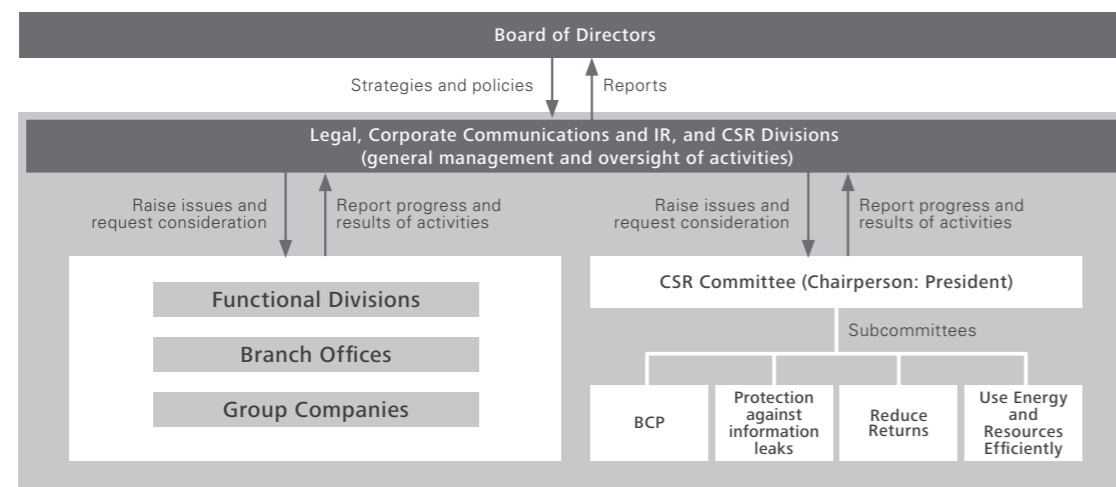
We must build a stronger foundation of trust with all stakeholders and cultivate the development of our entire supply chain in a way that promotes efficiency and that considers the environment.

By realizing a business strategy that makes people’s lives richer and more enjoyable, we can also enjoy our work. Through such business activities, we will bring about sustainable improvement in our corporate value.

### ESG Material Issues (Materiality)

Material Issues	The Company that ARATA Strives to Be	Key measures	Matters to be achieved or goals
<b>Environment</b> Action on climate change Creation of a recycling-oriented society Energy saving and resource conservation	A company that creates virtuous cycles in the supply chain	<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions through increased efficiency and other measures</li> <li>Reduce Returns</li> <li>3R Activities</li> <li>Reduction of energy use and natural resource consumption</li> </ul>	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions 19.2% reduction (from 2013 levels)</li> <li>Returns intensity 11.3% reduction (from 2018 levels)</li> <li>Retailers participating in 3R campaign 15,000 stores(2021)</li> </ul>
<b>Human Resources</b> Respect for human rights Promotion of Diversity Development and training of human resources	A company that employees feel is worth working for	<ul style="list-style-type: none"> <li>Enhancement of systems for the realization of diverse work styles</li> <li>Design of systems aimed at acquisition of Eruboshi and other certification</li> <li>Enhancement of training and development systems</li> <li>Encouragement to obtain qualifications</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of flexible work styles including working from home and staggered work hours</li> <li>Female manager ratio 4.5%(2026 target)</li> </ul>
<b>Regional Communities</b> BCP Community-based social contribution	A company that continues to deliver comfortable lives to consumers	<ul style="list-style-type: none"> <li>BCP activities</li> <li>Social contribution activities at business sites</li> <li>Conclusion of supply of goods agreements with local governments</li> </ul>	<ul style="list-style-type: none"> <li>Formulation of crisis level-specific BCP plans of functional divisions</li> <li>Conclusion of agreements with local governments</li> </ul>
<b>Governance</b> Corporate Governance Compliance Risk Management	Building a strong governance framework to support sustainable growth	<ul style="list-style-type: none"> <li>Shift to a company with an Audit and Supervisory Committee</li> <li>Reform of Board of Directors</li> <li>Compliance measures</li> <li>Protection against information leaks</li> </ul>	<ul style="list-style-type: none"> <li>Activities at Nomination and Remuneration Committee</li> <li>Provision of training on business legal affairs and compliance</li> </ul>

### Promotion Framework



## Environment Fostering a Virtuous Cycle in the Supply Chain

ARATA helps protect the environment through initiatives which harness its capabilities as a middleman to create a positive cycle in the supply chain. We position "action on climate change" and "creation of a recycling-oriented society" as material issues among environmental considerations and are implementing a wide range of initiatives to address them.



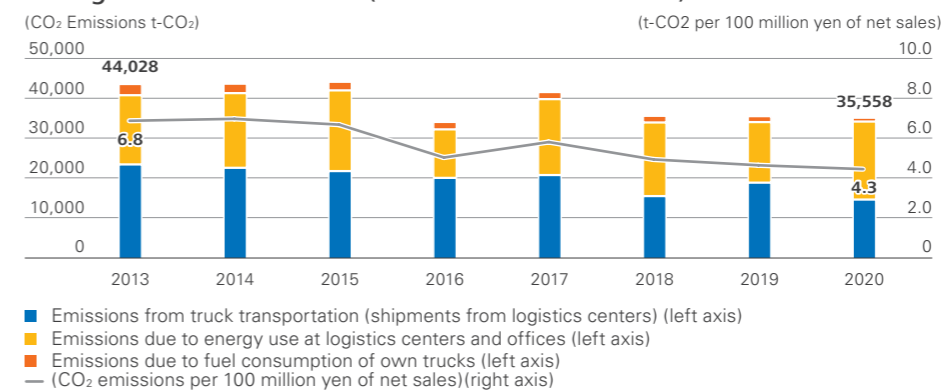
### Response to climate change

#### Reduction of CO<sub>2</sub> emissions

Natural disasters caused by abnormal weather conditions are a material issue which, also in the context of ARATA's business activities, cannot be ignored. Through our business activities as an intermediate distributor, we will create a

positive cycle in the supply chain, which will lead to concrete action on climate change in the form of the continuous implementation of initiatives to reduce CO<sub>2</sub> emissions, and which will help protect the environment.

#### Changes in CO<sub>2</sub> Emissions (Non-consolidated Basis)



CO<sub>2</sub> emissions in 2020  
**19.2%**  
 reduction  
 (from 2013 levels)

#### Reduce Returns

The daily goods industry is an industry where existing products are replaced with new products, merchandise is often replaced each season, and returns tends to occur. The returns process which involves removing and sending back products is labor-intensive and costly for retailers, manufacturers and wholesalers like ARATA, and it also has an impact on the environment due to the

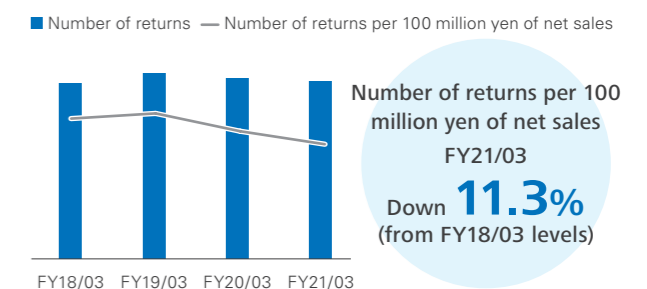
transportation and disposal of goods. Improvement of supply chain efficiency through cooperation with retailers and manufacturers and industrywide activities to reduce returns is naturally positioned as an important initiative which will lead to the creation of common shared value (CSV), yielding economic benefits and helping solve environmental problems.



#### Status of reduction of returns

Since the establishment of the CSR Division in 2018, the "Returns Reduction Subcommittee," consisting of the representatives of the Sales Division and each branch office, has been setting reduction targets and promoting reduction. From the viewpoint of reducing transport CO<sub>2</sub> emissions and reducing waste, we are targeting reduction in terms of "volume" and our goal is to reduce the annual number of returns by 2 million units from the previous year.

#### Trend in the number of returns



## Creation of a recycling-oriented society

### 3R Activities

As part of our role collaborating with the Ministry of the Environment and connecting retailers and manufacturers, we conduct an annual Let's Choose! 3R Campaign, aimed at expanding understanding and support for the 3Rs.

Through increased sales of refillable products and eco-friendly products, we are helping reduce plastic.

Number of participating stores		Results of Let's Choose! 3R Campaign 2020
2017	Approx. 1,100 stores	Total reduction in plastic <b>2,002.2t</b>
2018	Approx. 4,700 stores	
2019	Approx. 6,800 stores	Amount of recycled plastic used <b>156.1t</b>
2020	Approx. 12,000 stores	
2021	<b>Approx. 15,000 stores</b>	

\*Based on results published by the Ministry of the Environment



### Initiative to collect empty plastic containers for recycling

We support activities to reduce the generation of plastic waste and to promote plastic recycling and we have joined the Saitama Prefecture Platform for Sustainable Use of Plastic established by Saitama Prefecture.

In collaboration with Unilever Japan, which has also joined the platform, we have launched an initiative to collect the empty containers of shampoo and other products manufactured by Unilever from employees (around 400) at our Saitama Center.



### Cooperating in ASKUL's "Used Plastic Recycling Value Chain" demonstration experiment

We are supporting the "Used Plastic Recycling Value Chain" demonstration experiment of ASKUL Corporation, which was selected as a "FY2020 Demonstration Project for a Plastic Resource Circulation System toward a Decarbonized Society" by the Ministry of the

Environment, and we are cooperating with activities to collect plastic folders. The collected plastic folders are recycled into materials used to make new plastic products.

Plastic folders collected in April-July 2021

Approx. **77Kg**



### Replacement of plastic folders with paper folders

We replaced the plastic folders which we used to present to business partners as new year's gifts with paper folders. The paper folders use 70% less plastic.



## Energy saving and resource conservation

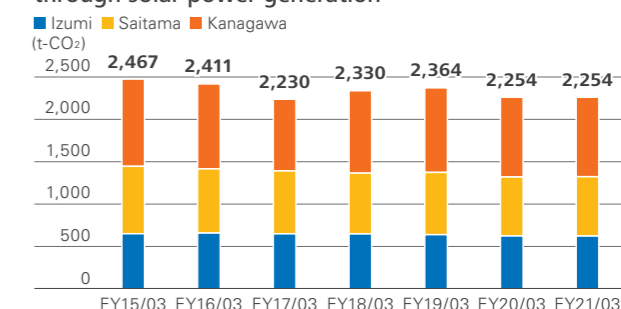
### Solar power generation

We currently have solar panels on the roofs of three logistics centers in Izumi, Saitama and Kanagawa and are helping reduce CO<sub>2</sub> emissions by generating renewable energy.

Completed in November 2021, the new Kanagawa center of JAPPELL Co., Ltd., an ARATA Group company, also has solar panels on its roof.

We are committed to promoting the use of renewable energy across the Group.

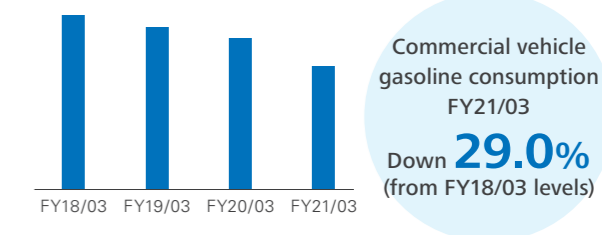
### Reduction in CO<sub>2</sub> emissions through solar power generation



### Replacement of commercial vehicles with more eco-friendly vehicles

In 2018, we gradually started replacing our fleet of around 700 commercial vehicles with hybrid vehicles or other more eco-friendly models, and, as of the end of September 2021, 77% of our fleet is now eco-friendly. Through these activities, we are helping to reduce gasoline consumption and cut exhaust emissions.

### Commercial vehicle gasoline consumption



### Initiatives to conserve paper resources

#### Recycling of waste cardboard

We have installed cardboard balers at 19 large and mid-sized logistics centers across Japan. The large amounts of cardboard waste generated in day-to-day delivery and shipment operations are compacted into cubes by the balers and used to make toilet paper and other recycled paper products by waste paper recyclers.



#### Use of eco-friendly paper

We are gradually starting to switch the paper we use internally for printing, business cards, in-house newsletters and magazines, and various other publications to FSC certified or PEFC certified paper or paper compounded with wastepaper pulp.

### Examples of use of eco-friendly paper

Copy paper	Posters
ARATA Monthly	Hotline manual
In-house magazine	Disaster Countermeasures
Business cards	Pocket Manual
Company envelopes	ARATA Policies



Human Resources

# Becoming a Company Where Employees Find Work Fulfilling

Our Company considers employees to be collaborative partners who share our goals. Based on the perspective that we cannot grow unless all our employees do as well, we place importance on the promotion of diversity in thought, values, and points of view among our employees, as well as the free exchange of opinions between them and creating a better environment.

The COVID-19 pandemic has been an opportunity for us. It reaffirmed the importance of our social mission in delivering life's necessities while ensuring the health and safety of our employees. We are promoting a drastic review of of working styles and the creation of a system that creates diverse working styles to become a company that employees can feel motivated to work for over the long term.



## Respect for human rights

We are strongly committed to respecting the fundamental human rights and diversity of everyone, including our employees and business partners. We clearly specify the following policies on human rights

on our corporate website and in a booklet called ARATA Policies which all employees carry around with them and we seek to instill these policies in employees through training and other means.



ARATA Policies  
From "5. Our Stance" in the  
ARATA Corporate Code of  
Conduct.

- 4 We shall respect each other's human rights, character and individuality as partners and create work environments that allow everyone to realize their full potential.
- 7 We shall not allow discrimination or harassment based on factors such as nationality, religion, race, gender, educational background and age, and shall respect fundamental human rights.

## Promotion of diversity

The generation of innovation through the employment of diverse human resources, without making any distinction according to nationality, gender, age or other characteristics, is necessary to achieve sustainable corporate growth and, in face of increasing labor shortages due to population decline, we consider the creation of environments in which diverse employees can work long term as an important theme for us.

One issue that the Company must tackle is the low ratio

of female managers. We believe that one of the results of creating a work environment where all employees can work comfortably through the development of various systems and mechanisms will be an increase in the ratio of female managers.

In addition, we will actively encourage the employment of seniors, people with disabilities, and foreign nationals. Having diverse employees work over the long term will lead to company growth and improved corporate value.

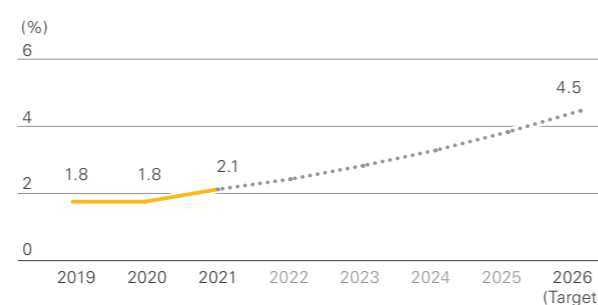
### Priority: Initiatives to promote the active participation and career advancement of women

We have identified promotion of the active participation and career advancement of women as one of our priorities when it comes to promoting diversity, and set targets for this.

We have set the target ratio of female managers in 2026/3, which is the final fiscal year of the Medium-Term Management Plan, at 4.5%.

The key to achieving this is to create personnel systems and environments that keep all employees, regardless of gender, highly motivated and allow them to keep working for us long term.

#### Changes in ratio of female managers (section chief or higher) and estimated increase towards target



## Basic Human Resources Data (All figures are on a non-consolidated basis, excluding temporary and part-time employees)

Basic Human Resources Data		FY19/03	FY20/03	FY21/03
Number of employees (persons)	Total	2,061	2,112	2,089
	Male	1,576	1,598	1,566
	Female	485	514	523
Number of new employees	Male	17	10	25
	Female	20	11	17
Number of mid-career hires (persons)	Male	23	16	24
	Female	10	12	17
Average years of service	Male	19.6	19.7	20.1
	Female	13.6	13.3	13.7
Ratio of female managers (section chief or higher)(%)		1.8	1.8	2.1
Ratio of female managers (supervisor) (%)		3.4	5.1	5.3
Ratio of female employees in career-track positions or higher (%)		9.7	12.3	13.0
Number of employees from overseas*		6	44	25
Number of people with disabilities		2.35	2.32	2.48

Degree of Utilization		FY19/03	FY20/03	FY21/03
Paid leave use rate (%)		43	55	50
Number of employees taking childcare leave (persons) (Users of spousal maternity leave in case of male employees)	Male	28	25	21
	Female	31	37	49
Ratio of employees returning to work after childcare leave (%)		100	100	91.8
Number of employees on reduced schedules		49	52	61
Number of employees taking leave to provide nursing care for children		85	63	60
Number of employees taking nursing care leave		11	14	18

\* data include technical intern-trainees from overseas

### Enhancement of systems for the realization of diverse work styles

We are supporting the realization of diverse work styles and changes in employees' lifestyles, striving to improve work-life balance, and putting in place systems aimed at creating an environment that allows employees to keep

working for us long term. We will continue expanding and enhancing systems according to future changes in the environment.

Diverse work styles	Support for changing lifestyles	Improving employee health
Working from home	Prenatal and postnatal leave, childcare leave (up to second birthday)	Free cancer screenings
Staggered work hours	Reduced schedules for employees engaged in childcare (until children finish third grade)	Free influenza vaccinations
Hourly paid leave	Job return (re-employment) system	Special leave for employees being treated for "Big Three"
Management of attendance via smartphone	Nursing care leave system to provide care for sick children or family members (up to 15 days)	

### Systems introduced in 2021, etc.

COVID-19 vaccination leave	Special leave is granted to all employees including part-time employees on the day of vaccination and for two days afterwards in the event of side effects	Allowance for working from home	A daily allowance of 200 yen is paid to cover the utilities and other expenses of employees working from home
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## Implementation of employee engagement survey

In 2020, we began conducting the Employee Awareness Survey, to assess employee attitudes towards their own work and work style and the organizational culture. Our

aim is to use the survey results to inform improvements to systems and other aspects and to develop an environment which makes employees feel motivated and comfortable.

Aspects of ARATA's work environment which have been greatly improved (five-grade evaluation)			Agreement with following statements about our corporate culture		
Company's future potential	3.67	Improvement of 0.24 points from the previous year ↑	Values customer satisfaction	76.1%	Improvement of 2.0 points from the previous year ↑
Work styles	3.52	Improvement of 0.18 points from the previous year ↑	Attaches importance to social contribution	55.3%	Improvement of 5.7 points from the previous year ↑

## Development Policies and Training

Believing that the personal growth of employees leads to a company's overall growth, ARATA has established a wide range of training programs to strengthen employees' skills at every career stage, from new employee to manager.

We are also considering enhancement of training programs to promote the active participation and career advancement of diverse human resources.

### Training and development programs



### Continued provision of online training during COVID-19 pandemic

Since the start of the COVID-19 pandemic in 2020, we have provided online training via Zoom. Using the features of Zoom, we have frequently organized group work and various other activities which have given rise to lively two-way exchange and led to effective education and training.

We are considering taking advantage of the benefits of online training and providing training online on an ongoing basis even after the pandemic comes to an end.



Training for newly appointed leaders in 2021

### Encouragement of the acquisition of qualifications

To meet the needs of retailers and, in turn, those of consumers, we encourage our employees to obtain qualifications to gain a high level of knowledge and ability within the distribution industry and to improve their own individual skills.

Retail Marketing Skills Test: Number of successful applicants		
2019	39	Qualification aimed at developing human resources with advanced expertise on products, sales techniques, purchasing, inventory management, marketing, etc. necessary for sales
2020	28	

Japan Cosmetics Certification: Number of successful applicants		
2019	155	Qualification which confers a wide range of beauty knowledge covering aspects such as the ingredients and effects of cosmetics and nail care
2020	141	

Logistics Skills Test: Number of successful applicants		
2019	38	Only public qualification in the logistics management sector demonstrating a systematic understanding of logistics related knowledge
2020	42	

## Regional Communities Making life more comfortable for everyone

The Company has many bases across Japan and, out of the desire to build harmonious relationship with local people and create a framework for us to help each other, we actively participate in local activities with the aim of strengthening ties with local communities.

Furthermore, for ARATA, which handles essential goods, business continuity plans (BCPs) are also an important priority. ▶ P.46



### CSR activities in each area/at each site

We participate in various CSR activities locally at a branch office or site level.

#### Number of participating sites by type of activity



#### Conclusion of agreement on stable supply of everyday goods with Yamatokoriyama City in Nara Prefecture.

Yamatokoriyama City in Nara Prefecture and our Kansai Branch Office concluded an agreement on the stable supply of everyday goods.

Moreover, to support efforts to tackle the issue of "period poverty" in Japan, i.e. the phenomenon where women facing financial difficulties due to the pandemic or other factors cannot afford to purchase sanitary items, the Kansai Branch Office also presented Yamatokoriyama City with around 200 packs of sanitary items.



Left: Kiyoshi Ueda, Mayor of Yamatokoriyama City

Right: Toshio Nakagawa, Senior Managing Executive Officer and General Manager of Kansai Branch Office

#### Support for Solaputi Kids' Camp

Based on the slogan of our Long-term Management Vision: "Realize your dreams. Change your daily lives," we have been continuously supporting the activities of Solaputi Kids' Camp since 2020. Solaputi Kids' Camp is a facility offering a back-to-nature experience alongside medical and nursing care which helps to realize the dreams of children diagnosed with serious diseases.



Corporate  
Governance**Building a strong governance framework  
to support sustainable growth****Message from the Chairman****Becoming a fair and robust company  
where employees can work with  
enthusiasm and a sense of fun****Nobuyuki Hatanaka**

Chairman of the Board of Directors

**Governance framework to support  
ARATA's "Ideal Structure"**

Since its founding, ARATA has conducted business activities day in, day out based on the company motto that "working is the human path, the way of sincerity, and the way of gratitude." To put this motto into my own words, I believe it can be expressed as "be robust, be fair, have fun, and be kind." A company has to be kind to people and society. In order to be kind, it must be robust. A company cannot simply be robust, it must be fair. And the employees who work for it must have fun. It is the role of governance to properly support this, and I consider it to be the role of the Board of Directors to draw up strategies in relation to governance.

I am Director and Chairman, and I am also Chairman of the Board of Directors. Having taken a step back, I now have a different, broader perspective from when I was Chairman of the Board of Directors whilst also serving as President, and this has strengthened my awareness of governance. I am proud that meetings of the Board of Directors are now very lively, reflecting efforts to run meetings with emphasis on discussion rather than approval.

Our search for a desirable framework for making Board meetings even livelier led us to the conclusion that the "Company with an Audit and Supervisory Committee" format might be the framework closest to the improved style of Board meetings and we decided to transition to a company with an Audit and Supervisory Committee. Given that our Outside Directors always used to attend Board meetings as a matter of course and had even said that "ARATA's Board meetings are fun" and "very worthwhile," we concluded that a format whereby we have them all attend Board meetings with voting rights would be desirable. When we asked our Audit and Supervisory Committee Members for their impressions after the transition, we were very glad to hear them say they were "working hard, unaware of any



change from before." This is proof that the style of our Board meetings prior to transition was already comparable to a Company with an Audit and Supervisory Committee.

The oversight function is clearer than before and management transparency is now even greater. Going forward, we aim to further strengthen governance and increase management capability through a framework which integrates an Audit and Supervisory Committee, Directors who are not Audit and Supervisory Committee Members, and a Nomination and Remuneration Committee.

**Sincerely focusing on ESG  
as a listed company**

To be honest, when we listed our shares on the First Section of the Tokyo Stock Exchange, I had mixed feelings about listing. Now, however, I truly feel that it is the companies that continue to respond to society's needs which will continue to be required by society. Developments such as the revisions to Japan's Corporate Governance Code in 2021 and our selection of the Prime Market as our new market segment on Tokyo Stock Exchange means that we will need to continue further raising our "caliber" as a company in the future. We intend to sincerely focus on ESG, including stronger governance as explained earlier.

Also from the perspective of the environment and climate change, I see the wholesale industry as a positive presence with considerable social significance. The wholesale industry is in the middle of the supply chain, and its presence can increase the efficiency of distribution. For example, the CO<sub>2</sub> emissions produced by delivery vehicles can be reduced through the consolidation of distribution operations by wholesalers instead of uncoordinated transactions between manufacturers and retailers. I hope to see the wholesale industry, as the middleman in the distribution system, continuing to take action on the environment based on an awareness of issues such as the number of deliveries, the number of returns and waste, and translating this into solutions to supply chain problems and contributions to the environment.

**Developing next-generation  
managers and promoting  
the active participation and  
career advancement of women**

At the General Meeting of Shareholders in June 2021, we increased the number of Directors with the intention of developing next-generation managers. With the Management Council, which brings together managers from within the company, alone, there are always limits to the opinions that are expressed. At meetings of the Board of Directors in contrast, Outside Directors with expertise in fields such as finance, trading companies, IT, law and accounting also voice their opinions, providing the perfect training opportunity to develop managers.

Similarly, our voluntarily established Nomination and Remuneration Committee holds interviews with employees of a certain rank for the purpose of identifying and developing next-generation managers. Interviews consist in discussions on set themes, with Outside Directors assessing the content of discussions. However, internal managers and Outside Directors ask different questions and assess different points. Such exposure to the thinking of Outside Directors makes employees aware that they need to have not only the knowledge gained through their jobs but also much broader insight. After all, it is important to grow through first-hand experience in order to become a manager.

Needless to say, I also struggled when I went from being the president of an SME to an executive at a large enterprise. Working at one company, you inevitably tend to get caught up in that company's values. Feeling a strong sense of danger that management would, therefore, not be able to adapt to changes in the management environment, we created opportunities to provide stimulation for next-generation management candidates.

Meanwhile, another issue we need to address is promotion of the active participation and career advancement of women. With some expressing the view that the ratio of male to female

employees in the Company will be 60:40 in 10 years from now, I believe that the current percentage of women in managerial roles is low and needs to be raised. However, it is not just about the ratio. It is important to create career opportunities for women that motivate and inspire ambition. I would like us to create an environment in which women are allowed to advance rapidly in a wide variety of specialist fields, leading to many women in managerial positions.

**Aiming to be a robust,  
fair and fun company to  
enable us to be kind to people,  
society and the planet**

As I said at the beginning, we should aim to a company that is "robust, fair and fun." I believe that robustness is very important for a company. Robustness means the ability to make a profit. Given that generating profit is proof that a company is providing added value commensurate with profit, I believe that a company should aspire to this. However, this has to be done by fair methods. This means perpetually generating profit in a fair manner. In addition, the corporate culture is also important. A work place where employees can work with enthusiasm and a sense of fun without harassment or any kind of discrimination is a prerequisite. And then, ARATA needs to be "kind." If our goal is to be a company which is kind to people, society and the planet, then this will not be accomplished without robustness, fairness and fun- it is fair to say that all these elements are important.

ARATA will celebrate the 20th anniversary of its founding in April 2022. Shouldering part of the distribution economy, we have grown into the company we are today through consolidation of the long histories and traditions of a number of powerful wholesalers from across Japan into a single entity, in line with our management philosophy "continue to serve the world." Initially following the merger of operations, we were sometimes unable to demonstrate our full potential due to differences in corporate culture and values. It has taken us 20 years to gradually become unified. I want us to harness our 20-year history and the wisdom we have gained for our next phase of growth. Not "gain new insights by studying the past" but rather "respecting tradition, creating something new."

Crises like the COVID crisis have been a painful reminder that the products we handle are daily necessities and the work we do is indispensable for society. I expect that our employees have also been reminded of ARATA's social significance. I imagine that our customers have also felt that they need us. Whatever times or circumstances we live in, ARATA plays a role in the social infrastructure and the foundations of life and we should continue to go about our business with pride.

We humbly ask our stakeholders for their continued support and encouragement.

## Board of Directors (As of June 24, 2021)

Status of Attendance at Board of Directors' Meetings (FY21/03)

Status of Attendance at Audit & Supervisory Board Meetings (FY21/03)

### Directors



**Nobuyuki Hatanaka**  
Chairman of the Board of Directors

12/12

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, and has led the Company on the current growth path. From 2017, he took charge of the Group as Representative Director and Chairman & CEO, and since 2019 has been showing the right direction for the Group as Chairman of the Board of Directors, while leading deliberations informed by the opinions of Outside Directors as Chair of the voluntarily established Nomination and Compensation Committees.



**Hiroaki Suzuki**  
Representative Director and President, and General Manager of Corporate Strategy Planning

12/12

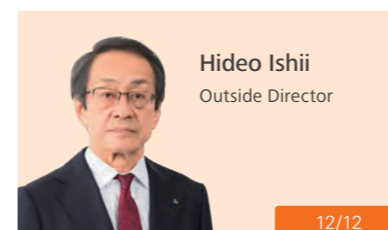
Hiroaki Suzuki has worked in the sales and product divisions since joining the Company, and has extensive business experience and knowledge within the Company. He assumed the office as Representative Director and President, Executive Officer in 2017, and has led the Company's management since then. He has steadily built an excellent track record and has produced successful results. In addition, he contributed to achieving the targets of the Company's new medium-term management plan that started from the fiscal year ended March 2018. He is currently promoting each strategy in the Medium-Term Management Plan 2023 towards the Long-Term Management Vision 2030.



**Yoichi Suzuki**  
Representative Director and Vice President, Head of Administration, and Head of DX Promotion

12/12

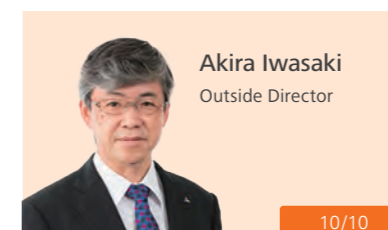
Yoichi Suzuki has worked mainly in the administrative division and has extensive experience and knowledge within the Company. He assumed office as Representative Director in 2007, and has strengthened the management base including the administrative, business planning, and system divisions. In his current role as Representative Director and Executive Vice President, Head of Administration, and Head of DX Promotion, he has been focusing on enhancing the administrative divisions, promoting DX, improving the CSR systems, and promoting IR activities.



**Hideo Ishii**  
Outside Director

12/12

Hideo Ishii served as Director and President at Japan Investor Solutions & Technologies Co., Ltd., and has experience in overseeing the entire business of a company. He has served as Outside Director since 2018. As a corporate manager, he makes judgments and expresses opinions, from objective viewpoints, on the execution of the Company's business.

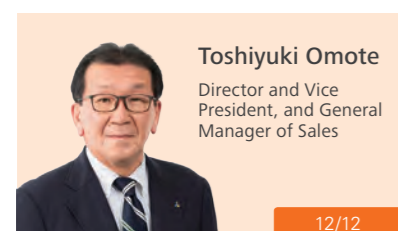


**Akira Iwasaki**  
Outside Director

10/10

Akira Iwasaki has served as executive officer and CIO at several companies related to finance and systems. He has a wealth of knowledge and experience in general management, as well as systems and IT, therefore he is capable of providing judgment and comments on Company matters, including corporate management and the Systems Division, for effective business execution from an objective viewpoint. Appointed as an outside director of the Company in 2020.

### Directors who are Audit & Supervisory Committee members



**Toshiyuki Omote**  
Director and Vice President, and General Manager of Sales

12/12

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 role as Director and Executive Vice President, and General Manager of Sales, he works on the strategies for expanding business and profits by strengthening the sales abilities, as he has been doing to date.



**Takahiro Furiyoshi**  
Director and Managing Executive Officer, General Manager of Business Development and Manager of Development Strategy

12/12

Takahiro Furiyoshi has worked in the Sales Division and is well-versed in logistics sites, and has specialist knowledge in the field. Since 2015, he has played a significant part in the expansion of the business as General Manager of Sales. 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.



New Appointment

**Yoshiro Uryu**  
Director and Managing Executive Officer, General Manager of Human Resource, and Manager of Personnel

- / -

Yoshiro Uryu has worked in the sales and business planning divisions, and has extensive business experience and knowledge in the Company. He had managed a branch as President of Kyushu Branch from 2016, and from 2019, played a part as General Manager of Corporate Strategy Planning in achieving growth of the Company's business. In his current role as Managing Executive Officer, General Manager of Human Resource, and Manager of Personnel, assumed in June 2021, he is working on development of human resources who will lead the Company in the future.



**Mikihiisa Ito**  
Director Member of Audit & Supervisory Committee

12/12

12/12

As Director and Managing Executive Officer, President of Kyushu Branch, Deputy General Manager of Sales & Sales Planning Department, and Manager of International Business Division, Mikihiisa 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 enable him to be even more effective in monitoring general management and in his auditing duties. He became a Director who is an Audit & Supervisory Committee member in June 2021.

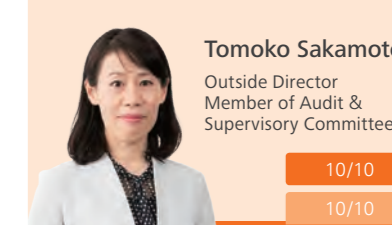


**Satoshi Hiramitsu**  
Outside Director Member of Audit & Supervisory Committee

12/12

12/12

Satoshi Hiramitsu, having significant specialized knowledge as a Certified Public Accountant, has been monitoring the Company's business as a whole and has contributed to effective audits as an outside member of the Audit & Supervisory Board of the Company since 2012. He became a Director who is an Audit & Supervisory Committee member in June 2021.



**Tomoko Sakamoto**  
Outside Director Member of Audit & Supervisory Committee

10/10

10/10

Tomoko Sakamoto has rich experience as an attorney at law as well as significant insight into corporate legal affairs. Accordingly, she can monitor and audit the Company's management from an independent standpoint by leveraging these abilities. She served as an Outside Audit & Supervisory Board member of the Company from 2020 and became a Director who is an Audit & Supervisory Committee member in June 2021.

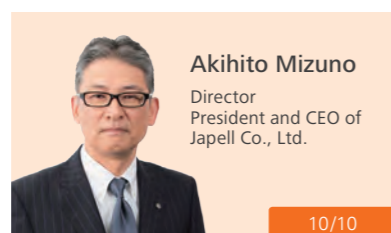


New Appointment

**Hidetaka Hatanaka**  
Director and Managing Executive Officer, General Manager of Product Merchandising

- / -

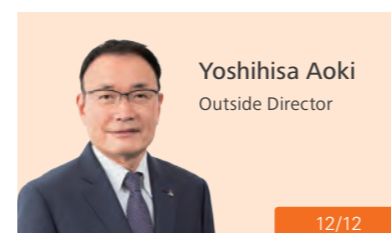
Hidetaka Hatanaka has worked in the sales and product divisions, and has extensive business experience and knowledge in the Company. From 2015, he played a part as President of Kansai Branch in achieving growth of the Company's business. He has served as Managing Executive Officer and General Manager of Product Merchandising since 2020 and became a Director in June 2021, and has worked on enhancing the handling of attractive products which are at the core of the Company.



**Akihito Mizuno**  
Director President and CEO of Japell Co., Ltd.

10/10

Since 2016, Akihito Mizuno has served as President and CEO of Japell Co., Ltd., the leading specialist wholesaler of pet products and a subsidiary of the Company. He has been instrumental in driving the company's business growth and raising the position in the industry. Appointed as Director of the Company in 2020.



**Yoshihisa Aoki**  
Outside Director

12/12

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.

### Executive Officer

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

**Hironori Maekawa**  
Senior Executive Officer  
General Manager of Logistics

**Hidehiro Tanaka**  
Executive Officer  
Manager of International Business

**Hitoshi Takiguchi**  
Managing Executive Officer  
President of Hokkaido Branch

**Futoshi Imazu**  
Executive Officer  
President of Kyushu Branch

**Koki Nakagawa**  
Executive Officer  
President of Chushikoku Branch

**Seiichi Kochiya**  
Managing Executive Officer  
President of Metropolitan Branch

**Shichiro Izaki**  
Executive Officer  
Logistics Supervisor of Kansai Branch

**Takuya Chiba**  
Executive Officer  
President of Tohoku Branch

**Yoshihisa Morishima**  
Senior Executive Officer  
President of Chubu Branch

**Hideyuki Yamada**  
Executive Officer  
General Manager of IT Planning

## Message from Outside Directors



**Yoshihisa Aoki**  
Outside Director

### From what perspective do you make comments at meetings of the Board of Directors?

An Outside Director's key functions are to oversee the status of performance of duties by Directors and to offer advice on the sustainable development of the enterprise in question and enhancement of its corporate value. At Board meetings, I make comments whilst checking whether the officers of departments in charge of projects are implementing them in compliance with the law and are executing business based on sufficient analysis of the merits and risks, and whether appropriate advice and control is being given/exercised by each Director in relation to matters being deliberated. I also make comments for reference based on my past experiences or on aspects which need to be borne in mind. In my opinion, meetings of the Company's Board of Directors are lively and are run well.

### Tell us about the importance of diversity (women and foreign nationals)

I believe that, in business, work is done more effectively when the perspectives and insights of diverse individuals are harnessed. Companies should create pleasant and comfortable working environments for women and foreign nationals and pool their wisdom, and ARATA is working hard to address this. It is mostly women who have the decision-making power when it comes to buying the products handled by ARATA and I believe there is much scope for the career advancement of women in the Company in areas such as product development and sales. Meanwhile, ARATA is stepping up its operations overseas and it is obviously important to draw on the local workforce in the countries in which it intends to operate. I would like to see diverse people working together and learning from each other and making ARATA a "fair and robust company where employees can work with enthusiasm and a sense of fun." And I hope to see a woman or a foreign national appointed as an executive officer as soon as possible.

### How have meetings of the Board of Directors changed since you took office?

At Board meetings, discussions on proposals are now even livelier than before. Not only that, but there is now scope for discussion in the form of special deliberations, giving us more opportunity to discuss the direction we will take when approaching important matters beforehand. You could say that because we make judgments carefully in this way, multi-faceted discussions are held. At the same time, I feel that Board meetings offer an opportunity for the development of managers, especially for young Directors, as the exposure to the opinions of Outside Directors with diverse backgrounds seems to be stimulating.

### How important are environmental initiatives for the Company?

As a wholesaler which coordinates distribution, the Company can be described as a presence which, through wisdom and ingenuity, is capable of controlling the CO<sub>2</sub> emissions of delivery vehicles. With companies listed on the Tokyo Stock Exchange's Prime Market required to disclose environmental information such as business risks associated with climate change, society is growing more and more vigilant about deterioration in the environment. ARATA is resolved to actively focus on reducing CO<sub>2</sub> as part of its responsibility as a wholesaler and is diligently working to address this issue through measures such as the establishment of an internal CSR Committee.



**Akira Iwasaki**  
Outside Director

### Tell us about your role as an Outside Director one year on?

I believe that an Outside Director's basic role is to offer advice to strengthen corporate governance based on an objective outside assessment of the company's activities and the status of the Board of Directors but I think that an Outside Director must also engage in activities which can contribute to a company's growth and development. In ARATA's case, I feel that ARATA has implemented reforms in areas such as the way the Board of Directors operates and transition to a company with an Audit & Supervisory Committee, creating an environment which allows Outside Directors to be more deeply involved in the running of the company, and that ARATA is still evolving. As for me personally, I am also involved in IT-related support, which is my area of expertise.

### Tell us about the importance of "DX"

DX stands for digital transformation and means transformation through the use of digital technologies. It is not a matter of simply using information technology. In ARATA's case, DX means harnessing digital technology to support transformation of the entire company in order to achieve the 2030 long-term vision. We will create the systems for this based on an ongoing assessment of the kind of company ARATA wants to be and what it needs to do to achieve this. I also believe it is important that the rewards are enjoyed not only within the Company but also by the Company's customers.



**Hideo Ishii**  
Outside Director



**Satoshi Hiramitsu**  
Outside Director  
Member of Audit &  
Supervisory Committee

### What changes have been made to strengthen ARATA's governance since you assumed office?

Back when I became an officer of the Company, there were only two Outside Audit and Supervisory Board Members—a lawyer and a certified public accountant. Since then, Outside Directors from various industries including a financial institution, a general trading company and an IT-related enterprise have been elected, and each of them actively makes recommendations to the Company and identifies any issues based on their respective experience. This has created an environment which keeps Outside Directors on their toes when they attend meetings and discussions at Board meetings are much livelier.

Furthermore, at the General Meeting of Shareholders in June 2021, the Company decided to transition to a Company with an Audit & Supervisory Committee. Going forward, the Company will increase the delegation of authority for business execution to an operational level and seek to strengthen the monitoring function of the Board of Directors. I truly feel that the Company's governance framework is steadily improving.

### What action was taken in response to KAM?

From the fiscal year ended March 31, 2021, disclosure of key audit matters (KAM) in the Independent Auditor's Report began. Regarding the first fiscal year to which the new reporting standards applied, the Audit and Supervisory Board Members (at the time) engaged in repeated opinion exchanges and discussions with the Accounting Auditor and the Company's executives to determine what kind of matters would be reported as KAM and the details of disclosures. KAM are the matters which the Accounting Auditor judges to be of most significance in its audit of a company's accounts. Accordingly, it was not the case that Audit & Supervisory Board Members selected the matters independently, rather they engaged in exchanges of opinions to determine why the Accounting Auditor judged a given event to be a KAM, and whether the information contained in disclosures would help investors and other stakeholders accurately understand and judge the Company's actual situation.

### How do you see your role as Audit and Supervisory Committee Member in the Board of Directors?

Now I am an Audit and Supervisory Committee Member, I have voting rights at Board meetings as Director. At ARATA, Outside Audit and Supervisory Board Members have always been comparatively vocal at Board meetings and their opinions have always been taken on board and so I do not sense any major change. However, as an Audit & Supervisory Committee Member, I am now in a position where I will also conduct audits to verify appropriateness and I have realized again that I am also required to actively make comments from this kind of perspective.

Since I am also a lawyer, I will focus on governance, compliance and risk management and hope to be able to make recommendations from the viewpoint of improving Board meetings and changing the way they are run with a view to enhancing corporate value.

### What areas of ARATA's governance should be improved?

I recognize that the Company has created an environment in which problems identified by Audit and Supervisory Board Members or Audit and Supervisory Committee Members are promptly considered and addressed. I also think that, at meetings of the Board of Directors, both Outside Directors and internal Directors now make more comments, and substantive discussions are held, resulting in livelier meetings.

Since the Board of Directors is now a forum where substantive discussions can be held, I believe that, in the current situation where new business initiatives are starting to increase, the advance collection, examination and analysis of necessary information with a sense of urgency is important to prevent missed opportunities and that it is becoming more and more imperative to develop a structure that allows fuller deliberation based on such information and analysis.



**Tomoko Sakamoto**  
Outside Director  
Member of Audit &  
Supervisory Committee

## Corporate Governance

### Basic Approach

The ARATA CORPORATION Group consolidates the long histories and traditions of a number of powerful wholesalers from across Japan 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 therefore fulfill this role with a strong “frontier spirit,” remembering the importance of cooperation, mutual trust, and humility at all times. At the same time, under our management philosophy of maintaining initiatives that “continue to serve the world,” we will actively develop our business, continuing to contribute to society by being a company that provides outstanding, essential wholesaling functions in line with our management vision of “creating beautiful, clean, and comfortable lifestyles.”

The Group believes that improving corporate value means improving business performance through sustained business activities, but that it also requires carrying out the various responsibilities expected by stakeholders. As a company, it is especially important that ARATA quickly discloses information on activities to investors, employees, business partners, and others, and enhances the transparency of management. Based on this approach, we have shifted from a Company With an Audit and Supervisory Board to a Company with an Audit

and Supervisory Committee in June 2021.

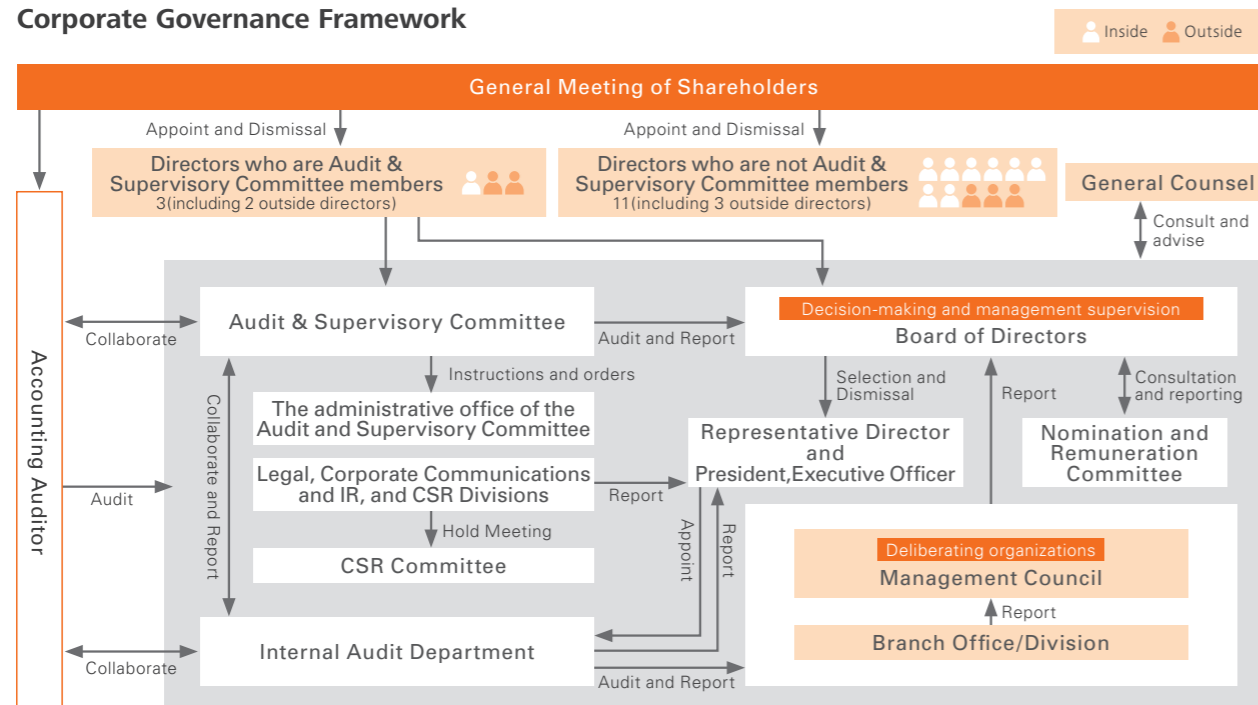
In addition, in the course of conducting business activities, we recognize that fulfilling our corporate social responsibility (CSR), such as compliance, environmental measures, and respect for human rights, is as important as improving business performance, and we believe that the management oversight of the Group by these stakeholders is implemented by the Board of Directors and the Audit and Supervisory Committee.

We believe that the role of directors who are members of the Audit and Supervisory Committee is to ensure the sound and sustainable growth of the company, and we will build a system to further strengthen the supervisory function with the aim of establishing a high-quality corporate governance system that will live up to the trust of society.

### Changes to strengthen the governance framework

- 2017 Increased the number of independent outside directors to three
- 2018 Established a business unit dedicated to ESG
- 2019 Established a voluntary Nomination and Remuneration Committee  
Conducted an evaluation of the effectiveness of the Board of Directors
- 2020 Independent outside directors made up at least one third of the board  
A female outside Audit & Supervisory Board member was appointed
- 2021 Transitioned to a company with an Audit & Supervisory Committee

### Corporate Governance Framework



### Corporate Governance Structure

#### Shift to a company with an Audit and Supervisory Committee

Looking to realize its “ideal” Board of Directors, the Company transitioned to a Company with an Audit & Supervisory Committee at the General Meeting of Shareholders held in June 2021.

#### Purpose of transition to a company with an Audit & Supervisory Committee

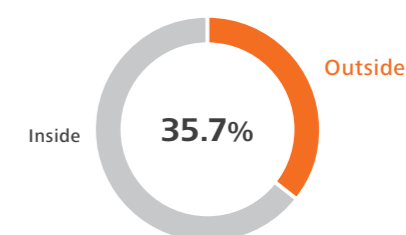
- 1 Improve the transparency of management and strengthen the supervisory function
- 2 Expedite decision-making and reform the Board of Directors
- 3 Achieve active participation of independent outside officers in management
- 4 Strengthen governance and strengthen management through three pillar framework consisting of Board of Directors, Audit & Supervisory Committee and Nomination and Remuneration Committee

#### Board of Directors

The Board of Directors meets once a month, in principle. It makes decisions on matters prescribed by laws and regulations as well as other important management-related matters and supervises business execution.

The Board of Directors specified the following requirements as the expertise and experience which each Director is expected to have. In line with a policy of improving the selection of Director candidates in the future, the Company plans to select candidates via the Nomination and Remuneration Committee according to the following process.

#### Ratio of outside directors



#### Features of the Board of Director

- The chairperson shall not be an executive officer
- Outside Directors shall make up at least one-third of the Board of Directors
- All Outside Directors shall be independent officers

Number of Meetings in FY21/03 **12** times

#### Skill matrix

Process for using skill matrix

- 1 The Board of Directors specifies the skills required
- 2 It judges which skills are lacking in the current Directors
- 3 It makes adjustments for any excess or deficiency in certain skills through the election or dismissal or internal and outside directors

Number of Independent Directors

Name	Management	Financial accounting	Marketing and Sales	Personnel/Labor management	Strategy planning	SDGs and ESG (CSR Committee Members)	Compliance and Legal affairs	Global
Nobuyuki Hatanaka	●			●	●			●
Hiroaki Suzuki	●		●	●	●	●		
Yoichi Suzuki	●	●		●	●	●	●	
Toshiyuki Omote			●		●	●		
Takahiro Furiyoshi	●		●		●			●
Yoshiro Uryu		●	●	●	●	●		
Hidetaka Hatanaka		●	●		●	●		
Akihito Mizuno	●		●	●	●			
Yoshihisa Aoki	●				●	●		●
Hideo Ishii	●	●		●		●		
Akira Iwasakiz	●			●		●		●
Mikihisa Ito	●		●	●		●		●
Satoshi Hiramitsu		●				●	●	
Tomoko Sakamoto				●		●	●	

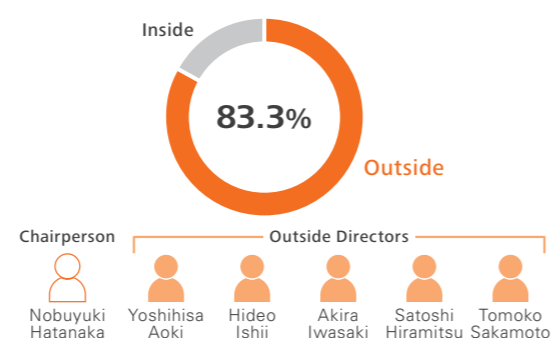
## Corporate Governance

### Nomination and Remuneration Committee

The Company established the Nomination and Remuneration Committee as a voluntary consultative body to the Board of Directors to ensure that Outside Directors have to opportunity to participate in and advise on decision-making regarding the nomination and remuneration of directors, and to strengthen independence, objectivity and accountability and further enhance the corporate governance framework in this regard. The Committee meets four times a year, in principle.

**Number of Meetings in FY21/03 4 times**

Ratio of outside directors



#### Features of Nomination and Remuneration Committee

- The committee chairperson shall not be an executive officer
- Outside Directors shall make up at least two thirds of the committee
- All Outside Directors shall be independent officers

### Role of the Nomination and Remuneration Committee

- (1) Matters relating to proposals on the election or dismissal of Directors to be submitted to the General Meeting of Shareholders
- (2) Matters relating to the election or dismissal of Representative Directors and Directors with Specific Titles to be submitted to the Board of Directors
- (3) Matters relating to the election or dismissal of executive officers to be submitted to the Board of Directors
- (4) Matters relating to proposals on the remuneration of Directors to be submitted to the Board of Directors
- (5) Matters relating to the policy for determining the details of remuneration for individual Directors (excludes Audit & Supervisory Committee members)
- (6) Matters relating to the details of remuneration for individual Directors (excludes Audit & Supervisory Committee members) (\*delivery of report to the Representative Director and President in response to a request from Representative Director and President)
- (7) Matters relating to the remuneration of executive officers
- (8) Matters relating to succession planning and successor development
- (9) Matters relating to development of female managers
- (10) Other important matters relating to the management of each ARATA Group company besides the foregoing deemed necessary by the Board of Directors

### Committee activities: Management interviews

Regarding succession planning (successor development), which is recognized as a particularly important part of the Nomination and Remuneration Committee's role, the committee conducted group interviews involving 25 senior managers split across three days in October 2020. The interviews were held in the form of group discussions, with Outside Directors who sit on the committee taking a leading role in asking questions about social issues, management issues and other topics from a manager perspective.

Further, in November 2020, the committee provided individual feedback to participants over four days, adopting an approach which focused on the identification and development of successor candidates.

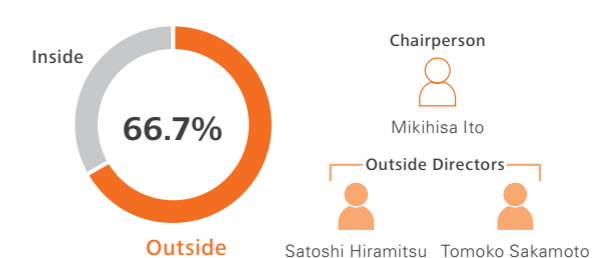
#### Interview themes(excerpt)

- 1 Diversity Initiatives
- 2 Personnel evaluation and development through personnel evaluation
- 3 Management strategies in view of future environmental changes (globalization, Japanese economy, industry trends, technological advances, etc.) and ARATA's strengths and weaknesses
- 4 Qualities sought in a leader and own self-improvement in view of these

### Audit & Supervisory Committee

The Audit & Supervisory Committee meets at least once a month, in principle, and the Audit & Supervisory Committee members attend meetings of the Board of Directors and audit the status of management and business execution. The Company has also put in place a framework which allows Audit & Supervisory Committee members, especially full-time members, to audit the appropriateness of business execution through attendance at Management Council meetings and other important meetings, while also facilitating the sharing of issues based on reports of business audits by the Internal Audit Department.

Ratio of outside directors



**Number of Meetings in FY21/03 12 times**

\*Number of meetings of the Audit & Supervisory Board due to transition to a Company with an Audit & Supervisory Committee in June 2021

### Evaluating the effectiveness of the Board of Directors

The Board of Directors analyzes and evaluates its overall effectiveness to verify to what extent the Board of Directors contributes to the effective functioning of the Company's corporate governance and to identify any issues and seek improvement. The Board discusses the results of their evaluation and determines where it needs to improve.

In April 2021, the Company conducted a survey to evaluate the effectiveness of the Board of Directors, coinciding with the shift to a Company with an Audit & Supervisory Committee. The survey included some questions relating to the operation of the Audit & Supervisory Committee and the survey results will be used to inform the operation of the Audit & Supervisory Committee from June 2021.

### Cross-shareholdings

The Company has an optimal level of cross-shareholdings based on a judgment of the economic rationale and necessity of cross shareholdings, including whether they contribute to long-term business relationships or sustainable improvement in corporate value. Once a year, the Board of Directors carefully examines each stock against a holding policy established by financial and trading business units and verifies whether the return/ risk of holding each stock are appropriate to its capital cost from a medium-to-long-term perspective.

Category	FY19/03	FY20/03	FY21/03
Number of shares (stock)	104	101	97
Number of shares (stock) of listed companies	64	62	58
Total consolidated balance sheet amount (¥ million)	9,195	8,410	9,895
Total amount of listed companies (¥ million)	9,039	8,260	9,715

### Officers' remuneration (2021/3)

The Company's policy is that remuneration for Directors (excludes Outside Directors) should be set at a level which gives Directors an incentive to strive for sustainable growth and the Nomination and Remuneration Committee is required to discuss remuneration with reference to the external environment and remuneration levels at listed companies of a similar size operating in similar types of industry.

The Company's remuneration program consists of

Officer category	Number of eligible officers (persons)	Total amount of remuneration, etc. (¥ million)	Total amount of remuneration, etc. by type (¥ million)		
			Base remuneration	Performance-linked bonuses	Provision for BBT
Directors (Outside Directors)	9(3)	263(22)	187(22)	-	75(-)
Audit & Supervisory Board members (Outside Audit & Supervisory Board members)	5(3)	38(12)	38(12)	-	-

\* In the fiscal year ending March 2022, the Company shifted from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee.

## Compliance

ARATA is working to strengthen compliance across the entire Group. We indicate our position toward compliance in the ARATA Corporate Conduct Guidelines.

In terms of the compliance structure, each legal section within the Legal, Corporate Communications and IR, and CSR Divisions serves as a legal consultation point for the entire company and promotes groupwide activities to raise compliance awareness by handling compliance training, checking contracts and providing consultation

### Position toward compliance in the ARATA Corporate Conduct Guidelines

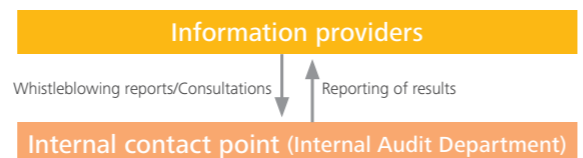
- We recognize the importance of corporate ethics and management soundness, and will endeavor to disclose a wide range of accurate information promptly to increase management transparency.
- We will execute our day-to-day business operations in compliance with the Companies Act, the Financial Instruments and Exchange Act and other relevant laws and regulations and will maintain sound corporate management.
- We will perform accounting procedures in accordance with the law and will not engage in antisocial behavior such as accounting fraud.
- We will not participate in improper transactions with the company for personal gain.
- We will not undertake work in the same industry outside the company.
- We will be resolute in standing against unjust demands by antisocial forces and will have absolutely no dealings or any ties whatsoever with antisocial forces.

related to industry regulations.

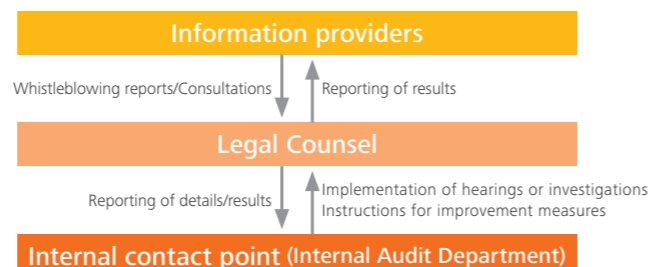
Moreover, as part of a reporting system for compliance-related information, the Company established an internal hotline and external compliance desk. These services offer consultations and accept complaints concerning possible misconduct to discover and correct misconduct at the earliest possible date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

### Structure of ARATA Hotline

#### Whistleblowing reports to/ Consultations with internal contact point



#### Whistleblowing reports to/ Consultations with legal counsel

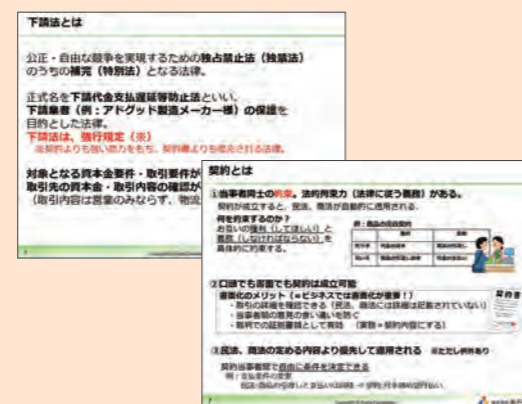


### Raising awareness through business legal affairs and compliance training

Since being established in 2017, Legal Section (now Legal Division) has conducted in-house trainings to comply with law and regulations related to business activities.

In 2020, we made explanatory materials with audio concerning our response to the revisions to the Civil Code available online and it has been viewed by all employees.

In 2021, we began delivering "Business Legal Affairs" seminars covering the Subcontract Act and other relevant laws and basic knowledge about contracts as part of training for sales personnel, in an effort to raise awareness about and instill compliance.



## 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 our 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.

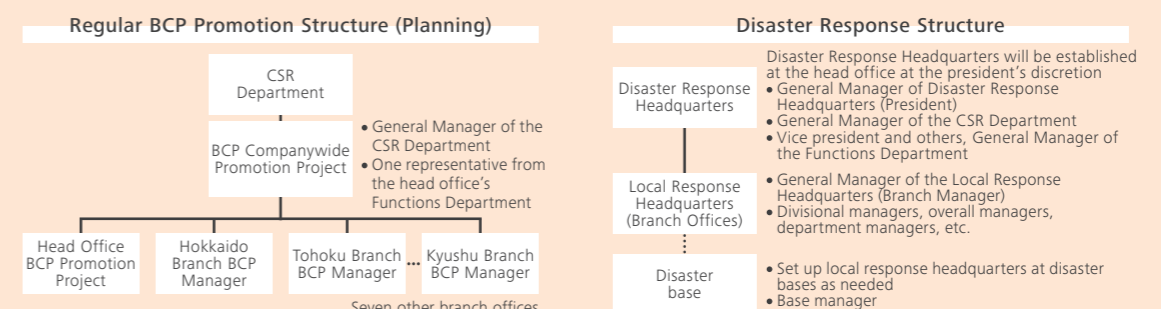
To control risks to the Group as a whole, the CSR ARATA is working to strengthen compliance across the entire Group. We indicate our position toward compliance in the ARATA Corporate Conduct Guidelines. We also changed the Legal section to the Legal Division in April 2020 to serve as a legal

consultation center for the entire Company. This department handles compliance training, checks contracts, and provides consultation related to industry regulations, among other tasks, and promotes raising companywide 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)

To protect lives and fulfill our social mission as a wholesaler when a natural disaster such as an earthquake or typhoon or a devastating crisis such as a pandemic occurs, we formulate a business continuity plan (BCP), which we strengthen or update every year.



#### Activities in 2021

We continued task force-led activities in response to the COVID-19 pandemic which began in 2020. Head Office also produced a manual for persons temporarily staying in the company in accordance with the Metropolitan Tokyo Ordinance on Measures for Stranded Persons as well as BCP Responses by Head Office Functional Division/Crisis Level.

#### Handling Typhoons and Floods

- Check hazard maps to evaluate the risk of damage to all centers and offices.
- Prepare action protocols and stockpiles based on disaster risk assessments.
- Use ARATA Disaster Prevention Day (part of the Company's disaster prevention activities) to consider how to respond in the event of a disaster.



Head office stockpiles (left) and stockpiled items (right)

#### Handling Pandemics

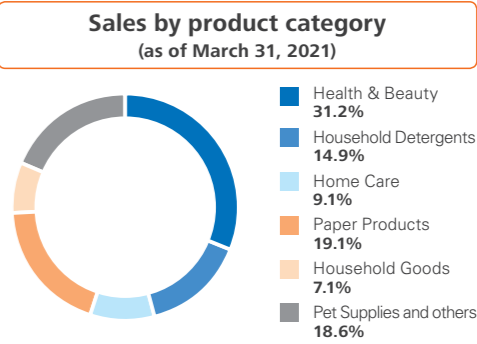
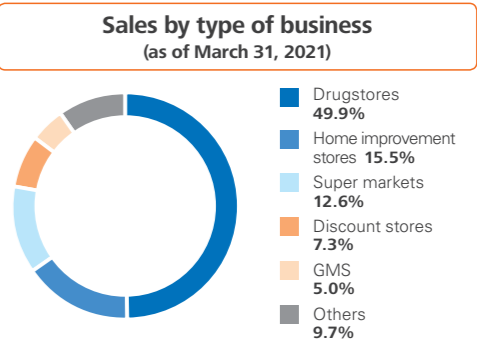
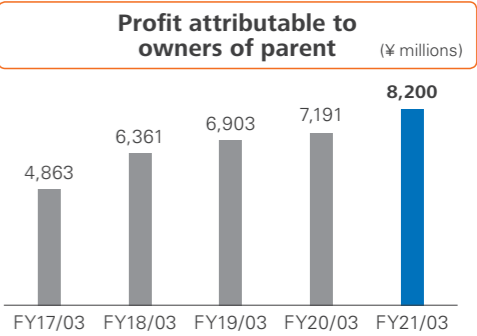
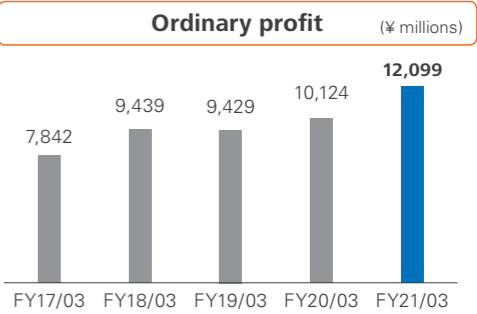
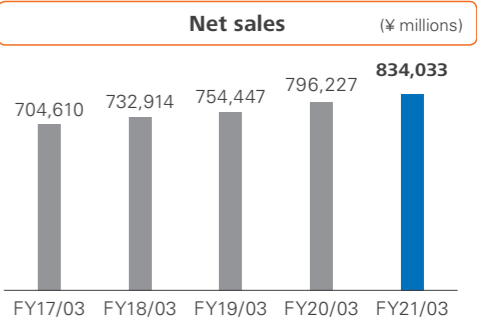
- Established a Countermeasures Headquarters and instructed all bases to implement preventive measures.
- Formulated infection prevention and spread prevention standards and raised awareness about action to be taken.
- Prepared infection prevention products (thermometers, masks, hand sanitizer, vinyl gloves, face guards, protective clothing, etc.) and requested bases to stockpile them.
- Instructed bases to measure employee temperatures twice a day. Installed hand sanitizer. Implemented record-keeping of visitors.
- Improved work environments to avoid the "three Cs."
- Implemented staggered commuting, teleworking, and web conferencing, and held back on in-person meetings to lower the risk of infection.



COVID-19 infection prevention/spread prevention protocol flowchart

Financial Summary

	FY11/03	FY12/03	FY13/03	FY14/03	FY15/03	FY16/03	FY17/03	FY18/03	FY19/03	FY20/03	FY21/03
<strong>Operating Results</strong>											
Net sales (¥ millions)	601,949	606,705	616,327	651,954	638,792	676,743	704,610	732,914	754,447	796,227	834,033
Operating profit (¥ millions)	286	4,174	3,726	4,472	2,461	5,699	7,384	8,857	8,892	9,326	11,521
Operating income margin (%)	0.0	0.7	0.6	0.7	0.4	0.8	1.0	1.2	1.2	1.2	1.4
Ordinary profit (¥ millions)	4,257	3,915	3,605	4,388	2,469	5,811	7,842	9,439	9,429	10,124	12,099
Ordinary profit margin (%)	0.7	0.6	0.6	0.7	0.4	0.9	1.1	1.3	1.2	1.3	1.5
Profit attributable to owners of parent (¥ millions)	1,015	1,628	1,768	2,435	1,124	3,244	4,863	6,361	6,903	7,191	8,200
Return on sales (%)	0.2	0.3	0.3	0.4	0.2	0.5	0.7	0.9	0.9	0.9	1.0
<strong>Financial Condition</strong>											
Total assets (¥ millions)	191,541	202,506	206,699	221,202	211,840	219,689	222,974	243,698	243,614	249,712	255,455
Net assets (¥ millions)	45,665	47,324	49,044	51,041	53,911	55,941	59,613	71,472	80,515	82,901	91,017
Equity ratio (%)	23.8	23.4	23.7	23.1	25.4	25.5	26.7	29.3	33.0	33.2	35.6
D/E ratio (times)	1.4	1.5	1.4	1.5	1.2	1.1	0.9	0.7	0.5	0.5	0.4
<strong>Cash Flows</strong>											
Cash flows from operating activities (¥ millions)	1,919	-720	9,959	1,481	21,955	7,594	12,637	11,649	9,513	5,262	14,071
Cash flows from investing activities (¥ millions)	-3,227	-4,575	-4,054	-5,878	-6,775	-3,360	-3,155	-2,924	-880	-2,742	-5,157
Cash flows from financing activities (¥ millions)	2,697	5,257	-7,699	7,246	-13,990	-1,791	-9,948	-4,501	-6,678	-3,833	-5,828
<strong>Management Indicators</strong>											
Return on assets (%)	2.2	1.9	1.7	2.0	1.2	2.6	3.5	4.0	3.9	4.1	4.8
Return on equity (%)	2.2	3.4	3.6	4.8	2.1	5.9	8.4	9.7	9.1	8.8	9.4
Net income margin (%)	0.17	0.27	0.29	0.37	0.18	0.48	0.69	0.87	0.91	0.90	0.98
Total assets turnover (%)	3.14	3.00	2.98	2.95	3.02	3.08	3.16	3.01	3.10	3.19	3.26
Financial leverage (times)	4.20	4.28	4.22	4.34	3.93	3.93	3.74	3.41	3.03	3.01	2.81
Labor cost (¥ millions)	27,998	29,511	28,453	28,584	27,631	28,902	29,135	29,836	29,685	30,909	32,329
Ratio of labor cost to net sales (%)	4.7	4.9	4.6	4.4	4.3	4.3	4.1	4.1	3.9	3.9	3.9
Packing and delivery expenses (¥ millions)	30,492	17,345	14,848	15,776	16,012	17,572	17,888	18,834	20,255	21,965	22,337
Ratio of Packing and delivery expenses to net sales (%)	5.1	2.9	2.4	2.4	2.5	2.6	2.5	2.6	2.7	2.8	2.7
<strong>Capital Investment</strong>											
Capital investment (¥ millions)	4,625	4,548	4,931	7,809	7,943	3,845	4,383	6,828	3,325	4,988	5,525
Depreciation and amortization (¥ millions)	2,983	3,348	3,631	3,975	4,317	4,526	4,452	4,353	4,455	4,281	4,290
<strong>Per Share Data</strong>											
Cash dividend (¥)	35	40	40	50	50	55	65	75	80	85	95
Dividend payout ratio (%)	51.8	38.2	34.9	31.6	68.5	26.1	19.6	18.8	20.1	20.6	19.8
Earnings per share (¥)	13.52	21.12	22.93	31.60	72.96	210.43	330.95	399.12	397.71	413.03	480.58
Book-value per share (¥)	592.00	613.56	635.91	661.84	3,496.31	3,627.53	4,054.51	4,285.43	4,546.87	4,861.37	5,332.81
Number of employees	3,010	2,977	2,960	2,924	2,917	2,914	2,926	3,023	3,016	2,984	2,997



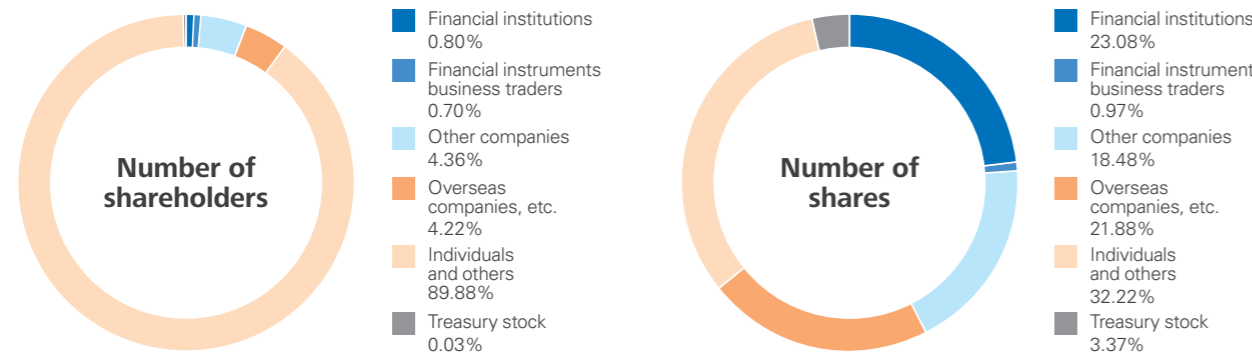
Company Outline

Registered Company Name	ARATA CORPORATION	Stock Listing	Tokyo Stock Exchange (securities code: 2733)
Head Office	East 21 Tower, 6-3-2 Toyo, Koto-ku, Tokyo 135-0016, Japan	Shareholder Registry Administrator and Special Account Management Institution	Mitsubishi UFJ Trust and Banking Corporation
Date Established	April 1, 2002	Number of Employees	2,997 (nonconsolidated: 2,089)
Capital	¥8,568 million	Website	URL: <a href="https://www.arata-gr.jp/en/">https://www.arata-gr.jp/en/</a>

Share Information (as of March 31, 2021)

Number of shares authorized	30,000,000
Number of shares issued	18,027,640
Number of shareholders	3,717

Shareholder Composition (as of March 31, 2021)



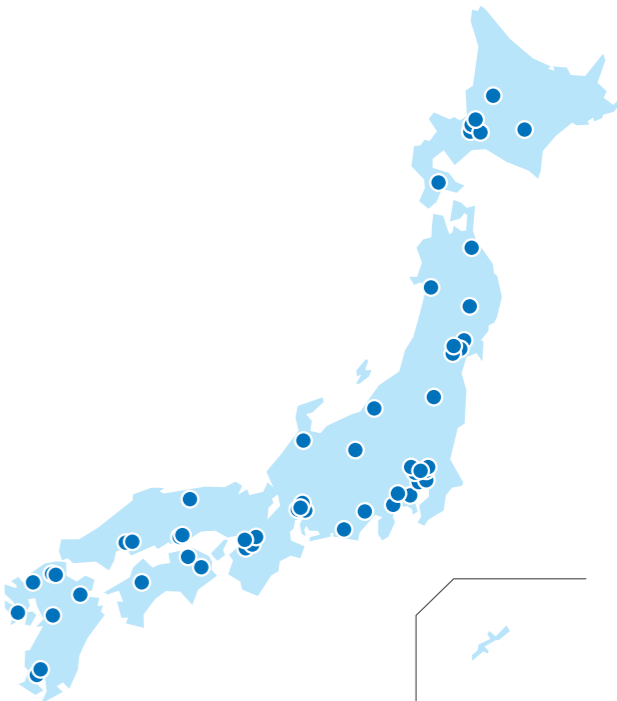
Principal Shareholders (as of March 31, 2021)

	Number of shares held (thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,196	6.87
Otowa Shokusan Co., Ltd.	1,081	6.21
ARATA Employee Shareholding Association	849	4.87
Custody Bank of Japan, Ltd. (Trust Account)	827	4.75
Northern Trust Co. (AVFC) re Fidelity Funds	678	3.89
State Street Bank and Trust Client Omnibus Account OM02 505002	635	3.64
Lion Corporation	481	2.76
Nobuyuki Hatanaka	459	2.64
Custody Bank of Japan (Account E in Trust)	352	2.02
The Government of Norway	329	1.89

1. The number of shares is rounded down to the nearest unit.
2. ARATA holds 607,000 shares of treasury stock, but these are excluded from the above principal shareholders. Further, 352,000 shares held by Custody Bank of Japan, Ltd. (Trust Account E) related to the Board Benefit Trust (BBT) system are not included in the 607,000 shares of treasury stock held by the Company.
3. The investment ratio is computed after the deduction of the 607,000 shares of treasury stock.

Domestic Bases

<b>Head Office</b>	<b>Tohoku area</b>
<b>Hokkaido area</b>	Tohoku Branch
Hokkaido Branch	Sendai Office, Sendai Center
Sapporo Office	Akita Office, Akita Center
Sapporo Center	Hachinohe Office
Hakodate Office	Iwate Office
Asahikawa Office, Asahikawa Center	Minami Tohoku Office
Obihiro Office, Obihiro Center	Kitakami Center
Ishikari Center	Fukushima Center
Hokkaido Cosmetic Center	Tohoku Cosmetic Center
<b>Metropolitan area</b>	<b>Chubu area</b>
Metropolitan Branch	Chubu Branch
Higashi Kanto Office	Nagoya Office
Chiba Center	Hokuriku Office, Hokuriku Center
Saitama Office, Saitama Center	Shizuoka Office, Shizuoka Center
Kanagawa Office	Suruga Office
Koshinetsu Office	Konan Center
Matsumoto Office	Heiwa Center
Tsukuba Center	<b>Kansai area</b>
Koshigaya Center	Kansai Branch
Kitakanto Center	Izumi Center
Kanagawa Center	Settsu Center
Yokohama Center	Koriyama Center
Misato Depo	Kansai Cosmetic Center
Shiraoka Depo	
Metropolitan Cosmetic Center	



<b>Chugoku and Shikoku area</b>	<b>Kyushu area</b>
Chushikoku Branch	Kyushu Branch
Okayama Office, Okayama Center	Fukuoka Office
Hiroshima Office	Nagasaki Office, Nagasaki Depo
Hiroshima Center	Oita Office
Tottori Office, Tottori Center	Kumamoto Office, Kumamoto Depo
Tokushima Office, Tokushima Center	Kagoshima Office, Kyushu-Minami Center
Takamatsu Office, Takamatsu Center	Kyushu-Kita Center
Matsuyama Office, Matsuyama Center	
Household Goods Center	

Share Prices (Fiscal year from April 1, 2016 to March 31, 2021)

