# Making everyone more comfortable in their everyday life

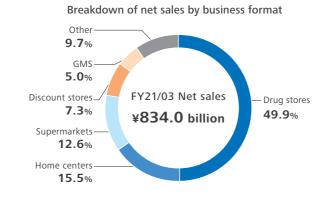
# Sales

# 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**



# 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 made 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

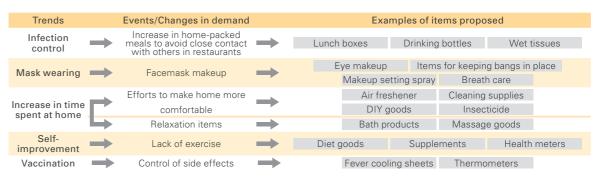


# Examples of proposals made during the COVID crisis

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.







# 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 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



Each manufacturer arranges for a check stock levels, creating a complex situation with many companies coming and going in-store...

Retailers can deal with multiple manufacturers altogether at the same time! This not only reduces costs but also brings a greater sense of unity to sales

ISM things happen, ISM staff gather sales space information

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

and verify why certain products sell, and collaborate with ARATA to come up with proposals based on this.

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

# Creation of effective sale space Verification of why certain products sell Proposal of effective sales initiatives

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

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 inhouse 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 Thailand ARATA THAILAND SIAM ARATA Vietnam ARATA VIETNAM

# **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 ARATA ARATA Administration Provision of knowhow built up by ARATA as a wholesale trading company Boost to corporate strength Logistics Sales Systems Production capabilities Utilization of Zhong Shang Group's capabilities in China China

## 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

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.



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

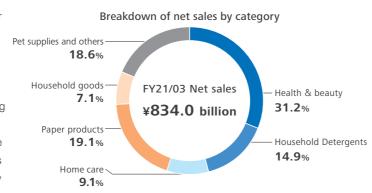
# **Products**

# 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





Healthcare



Household Detergents Clothing detergents Home-related cleaners Dishwashing and kitchen detergents



**Home Care** Insecticide Air fresheners and deodorizers Batteries

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.



Household goods Kitchen supplies Cooking implements



Paper products Tissue Toilet paper ine hygiene products



Pet supplies Pet food Pet supplies

▶ P.21-22



# 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

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 2020 2019 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,

South Korea

**CNP Laboratory** 

Popular skin care

a renowned skin

clinic in Korea



China ZEESEA Art makeup brand originating in China



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

revitalize the entire cosmetics category.

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

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 kitcen Reliable Imabari towel brand

# **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 JAPELL Co., Ltd., an ARATA Group company, in 2019, and has continued to expand as a result of JAPELL'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, JAPELL 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."





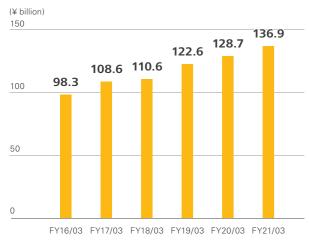
The company name is derived from "Japan Pet Life Library," encapsulating the hope to serve as a library where all things related to the lives of pets are collected and stored.

# JAPELL's businesses

# Core trading company business

In its core trading company business, JAPELL 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, JAPELL 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 JAPELL



# Store business

Japell Partnership Service Co., Ltd., which is a subsidiary of JAPELL. operates the store development business, incorporating JAPELL'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

JAPELL 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**

JAPELL 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**

JAPELL 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.

JAPELL 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, JAPELL 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, JAPELL 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 JAPELL 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. JAPELL 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

# 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.

Chiba Center

# ARATA's Logistics Network

(A) Ishikari Center





6 Kitakami Center



Tsukuba Center



Saitama Center

# **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.



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

Inventory quantity Seasonality Purchasing quantity Category trends Sales quantity Product characteristics Variation by day of week

using productivity management system

Advantages of using AI 3 Labor-saving in manager operations

workload is required.

in management operations.

Semi-automated shift management

4 Elimination of unnecessary man hours

# "White Logistics"

1 Improvement in accuracy of staffing



2 Improvement in level of staffing management

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.
- Avoidance of peak congestion hours when making deliveries
- 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!

### Warehouse entry time reservations system —

We, therefore, launched a demonstration experiment of semi-

automated shift management using Al-based forecasting of goods volume and workload. Al 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

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.



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

# **Realizing stable distribution**

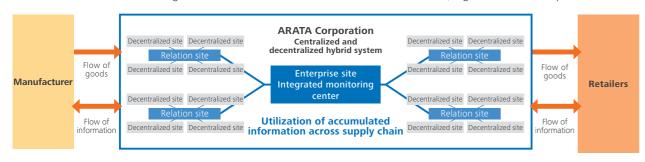
# **System**

# 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

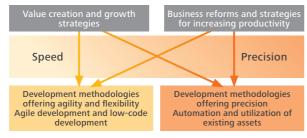
In 2005, we began system integration and developed ARATA's backbone GENESIS system. In-house development of key parts of the system enables not only black box minimization but also speedy system adaptation without the hassle of placing orders with IT vendors.

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.

# Communication between companies and between systems Job management Key functions developed in-house System monitoring App distribution Business applications

# 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.



Development methodologies in line with strategies and frontline needs

# 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

Al 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 Al-based optical character recognition (OCR). This contributes to labor saving in back-office operations.

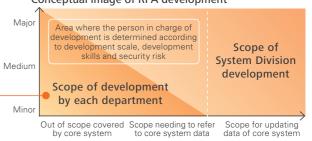
Use of AI in logistics P.24

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

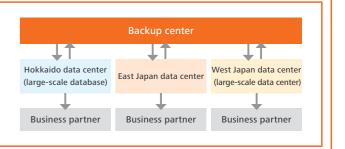
With the System Division and DX Promotion Office playing main roles, each operational site has a person in charge of RPA to quickly resolve any small issues. The focus is not only on improving productivity but also developing digital human resources for the future.

\* 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

