



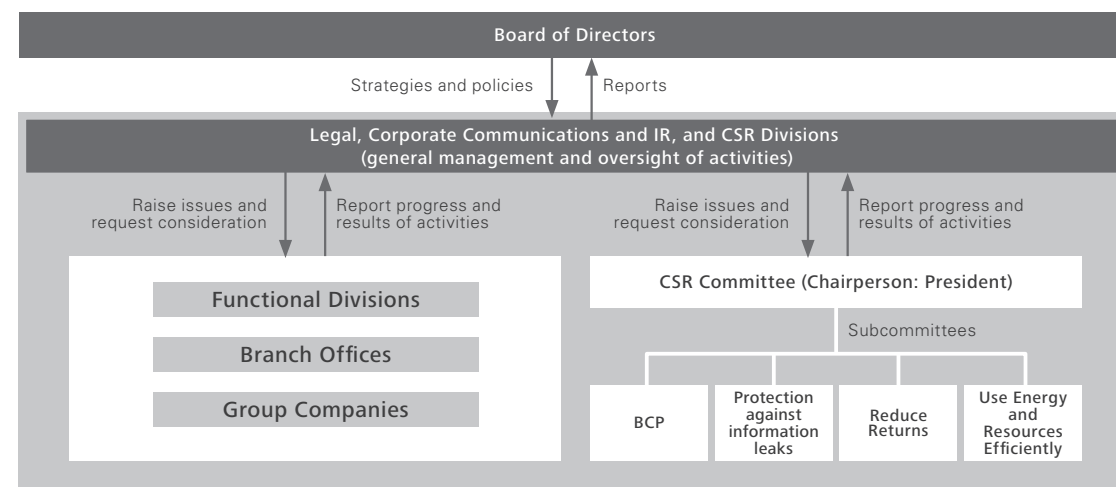
Basic Approach: “Robust, Fair, and Fun”

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 |
|---|--|--|---|
| Environment 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"> Reduction of CO₂ emissions through increased efficiency and other measures Reduce Returns 3R Activities Reduction of energy use and natural resource consumption | <ul style="list-style-type: none"> CO₂ emissions 19.2% reduction (from 2013 levels) Returns intensity 11.3% reduction (from 2018 levels) Retailers participating in 3R campaign 15,000 stores(2021) |
| Human Resources 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"> Enhancement of systems for the realization of diverse work styles Design of systems aimed at acquisition of Eruboshi and other certification Enhancement of training and development systems Encouragement to obtain qualifications | <ul style="list-style-type: none"> Implementation of flexible work styles including working from home and staggered work hours Female manager ratio 4.5%(2026 target) |
| Regional Communities BCP Community-based social contribution | A company that continues to deliver comfortable lives to consumers | <ul style="list-style-type: none"> BCP activities Social contribution activities at business sites Conclusion of supply of goods agreements with local governments | <ul style="list-style-type: none"> Formulation of crisis level-specific BCP plans of functional divisions Conclusion of agreements with local governments |
| Governance Corporate Governance Compliance Risk Management | Building a strong governance framework to support sustainable growth | <ul style="list-style-type: none"> Shift to a company with an Audit and Supervisory Committee Reform of Board of Directors Compliance measures Protection against information leaks | <ul style="list-style-type: none"> Activities at Nomination and Remuneration Committee Provision of training on business legal affairs and compliance |

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.



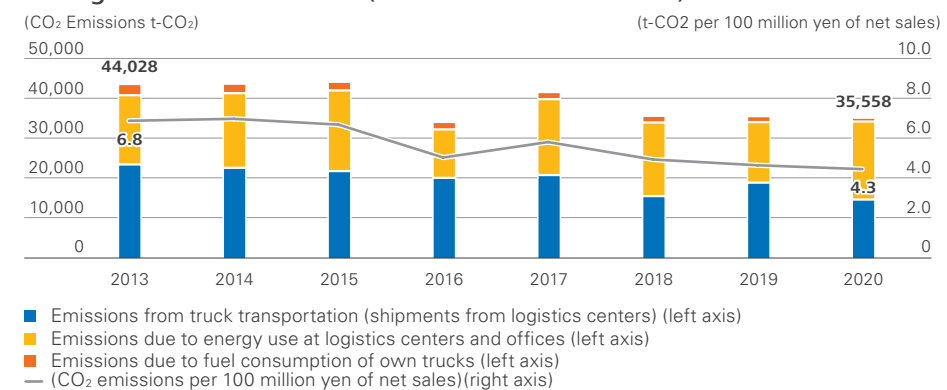
Response to climate change

Reduction of CO₂ 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 CO₂ emissions, and which will help protect the environment.

Changes in CO₂ Emissions (Non-consolidated Basis)



CO₂ 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

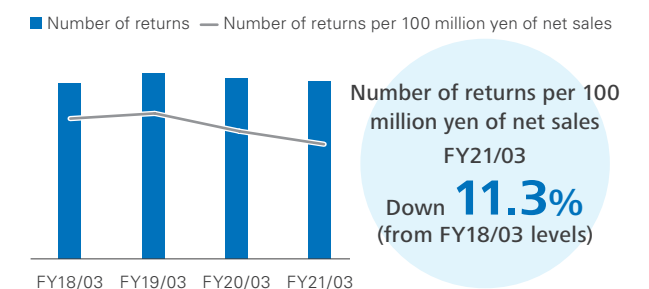
transportation and disposal of goods. Improvement of supply chain efficiency through cooperation with retailers and manufacturers and industrywide activities to reduce returns is naturally positioned as an important initiative which will lead to the creation of common shared value (CSV), yielding economic 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 CO₂ 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 2,002.2t |
| 2018 | Approx. 4,700 stores | |
| 2019 | Approx. 6,800 stores | Amount of recycled plastic used 156.1t |
| 2020 | Approx. 12,000 stores | |
| 2021 | Approx. 15,000 stores | |

*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

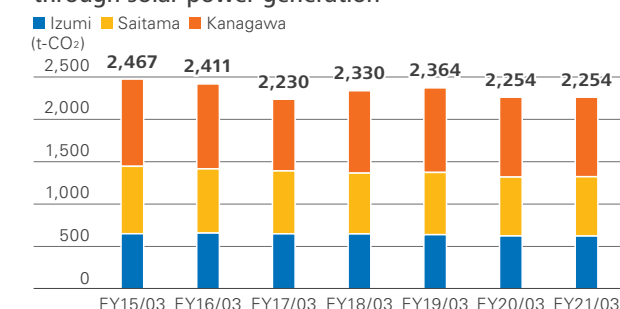
Solar power generation

We currently have solar panels on the roofs of three logistics centers in Izumi, Saitama and Kanagawa and are helping reduce CO₂ 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.

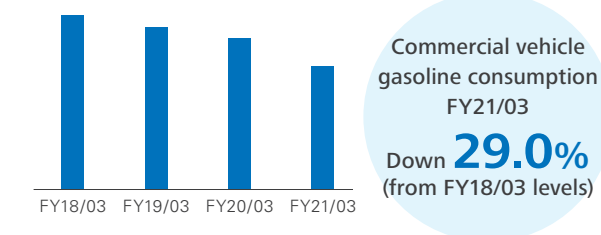
Reduction in CO₂ emissions through solar power generation



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 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.

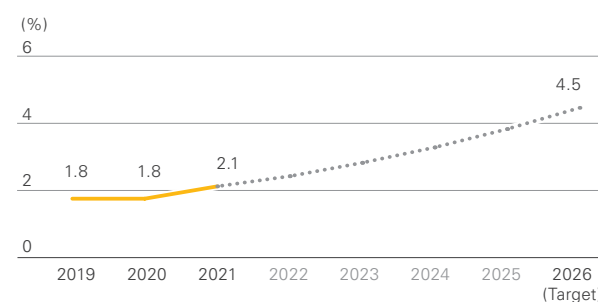
Priority: Initiatives to promote the active participation and career advancement of women

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 |
|-----------------------------------|--|--|---|

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 CO₂ 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.

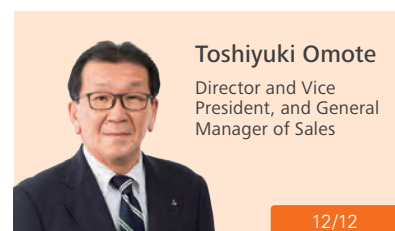


Akira Iwasaki
Outside Director

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.

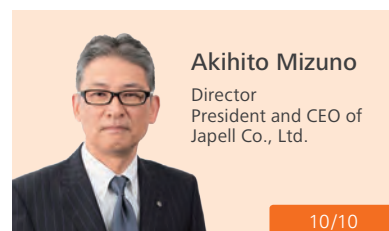


New Appointment

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 CO₂ 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 CO₂ 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.



Hideo Ishii
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.



Akira Iwasaki
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.

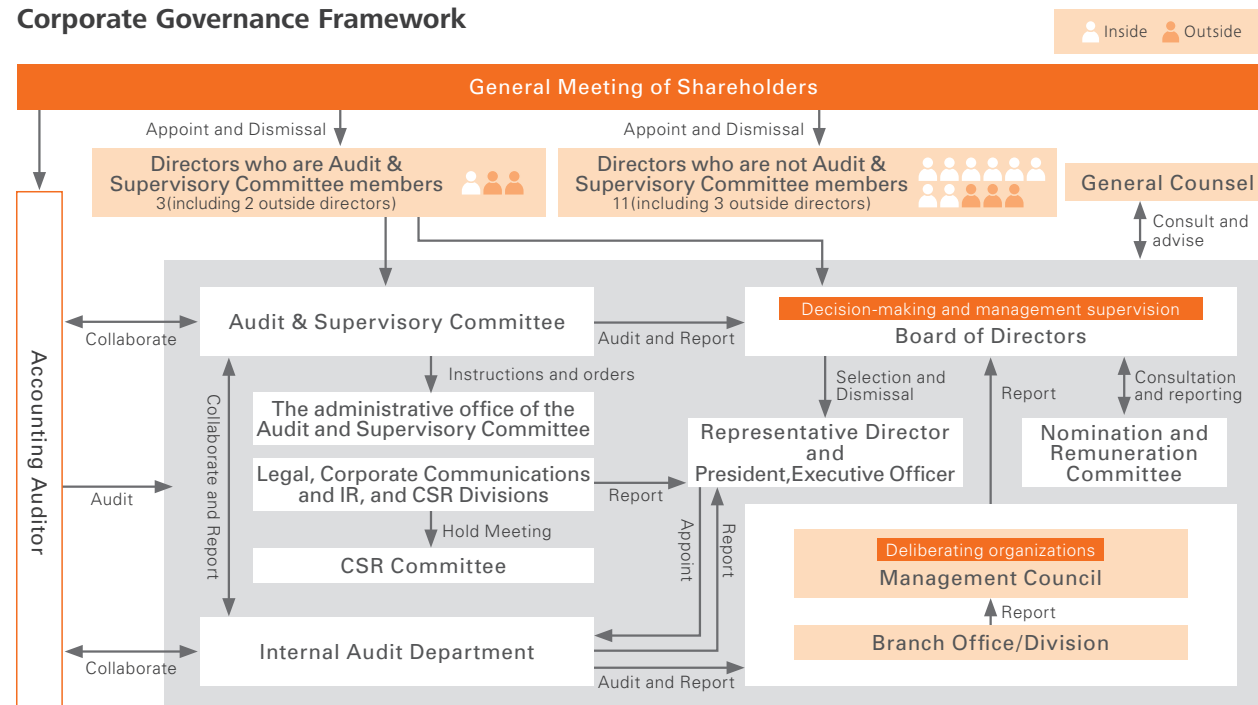
In addition, in the course of conducting business activities, we recognize that fulfilling our corporate social responsibility (CSR), such as compliance, environmental measures, and respect for human rights, is as important as improving business performance, and we believe that the management oversight 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

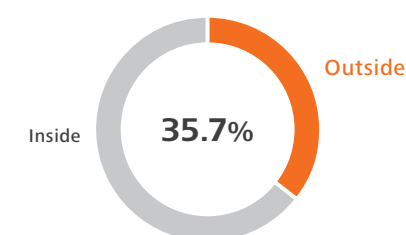
- 1 Improve the transparency of management and strengthen the supervisory function
- 2 Expedite decision-making and reform the Board of Directors
- 3 Achieve active participation of independent outside officers in management
- 4 Strengthen governance and strengthen management through three pillar framework 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 | | | | ● | | ● | ● | |

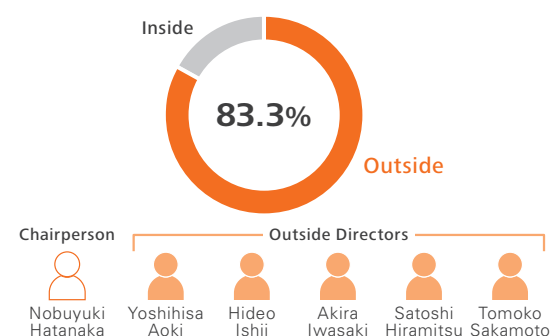
Corporate Governance

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.

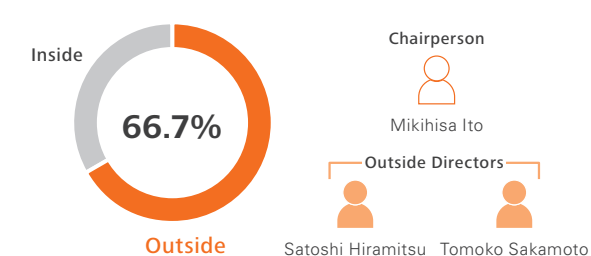
Interview themes(excerpt)

- 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

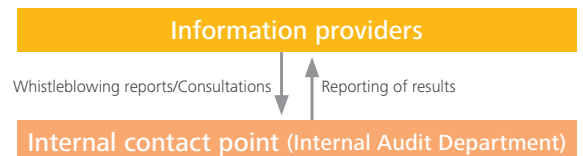
- We recognize the importance of corporate ethics and management soundness, and will endeavor to disclose a wide range of accurate information promptly to increase management transparency.
- We will execute our day-to-day business operations in compliance with the Companies Act, the Financial Instruments 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.

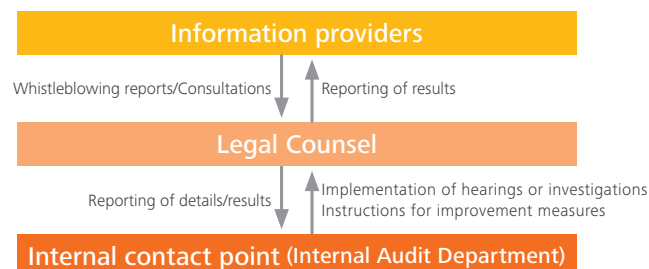
Moreover, as part of a reporting system for compliance-related information, the Company established an internal hotline and external compliance desk. These services offer consultations and accept complaints concerning possible misconduct to discover and correct misconduct at the earliest possible date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

Structure of ARATA Hotline

Whistleblowing reports to/ Consultations with internal contact point



Whistleblowing reports to/ Consultations with legal counsel

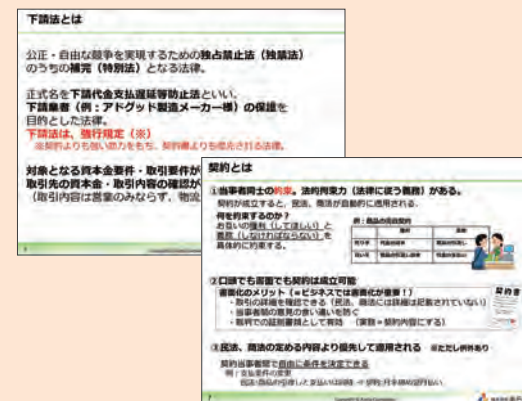


Raising awareness through business legal affairs and compliance training

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.

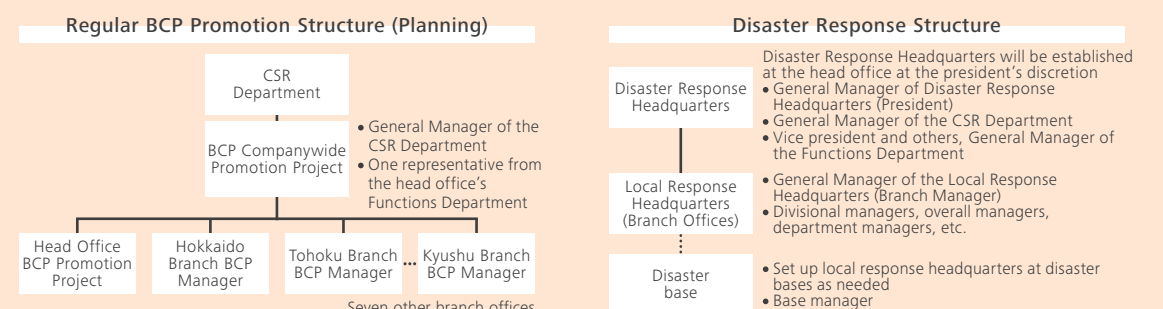
To control risks to the Group as a whole, the CSR ARATA is working to strengthen compliance across the entire Group. We indicate our position toward compliance in the ARATA Corporate Conduct Guidelines. We also changed the Legal section to the Legal Division in April 2020 to serve as a legal

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

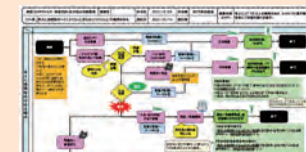
- Check hazard maps to evaluate the risk of damage to all centers and offices.
- Prepare action protocols and stockpiles based on disaster risk assessments.
- Use ARATA Disaster Prevention Day (part of the Company's disaster prevention activities) to consider how to respond in the event of a disaster.



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