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ARATA

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ARATA INTEGRATED REPORT 2023

***Realize
your dreams.***

***Change
your daily lives.***



ARATA INTEGRATED REPORT 2023

Corporate Message

Realize your dreams. Change your daily lives.

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

A large number of wholesalers from across the country joined together to form ARATA in 2002.

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

With our steadfast management philosophy of “continuing to serve the world” firmly in mind, we will continue to deliver ARATA value— making everyday life richer and more comfortable.

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Editorial Policy

In the fiscal year ended March 2018, the ARATA Group issued an inaugural integrated report, aiming to communicate to shareholders, investors, and all other stakeholders in an easy-to-understand manner the management strategies targeting an increase in corporate value. This report presents information that is highly important to the Group, including the Group’s business activities, financial information, and nonfinancial information critical to explaining the growth strategies in the mediumterm management plan, both compactly and based on integrated considerations.

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

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



Organizations Covered

ARATA CORPORATION and Group companies

Period Covered by This Report

April 1, 2022–March 31, 2023
The report includes some activities in fiscal year ending March 2024.

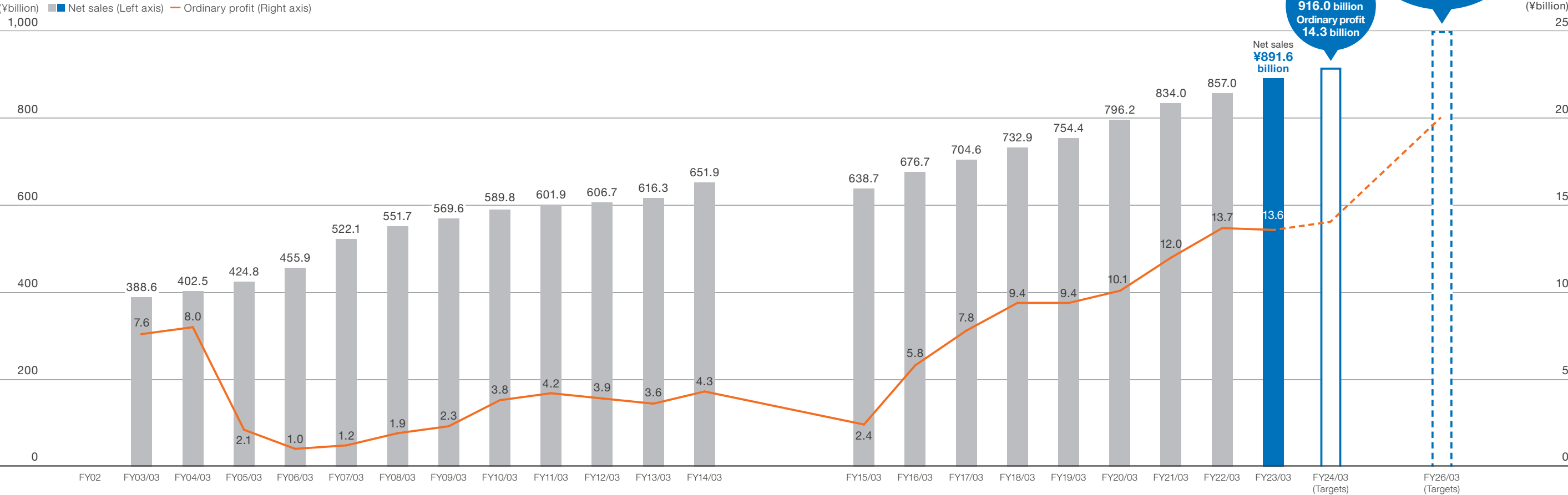
Forward-Looking Statements

This report contains forward-looking statements about future plans, strategies and operating performance forecasts. These statements were based on reliable information available at the time. As such, these statements include risks and uncertainties, and ARATA CORPORATION bears no responsibility for the accuracy or completeness of these statements. Please note that actual results may differ substantially from the Company’s outlook.

History of Value Creation

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

Net Sales and Ordinary Profit (Consolidated)



ARATA's value creation to address social issues

2000s

Nationwide coverage in response to upsizing of retailers and strengthening of products categories

2010s

Expansion to overseas and boosting of capabilities

2020s

Response to change and diversification of lifestyles

2002

Established ARATA CORPORATION through the merger of Daika K.K., Ito-I Co., Ltd., and Sunvic Co., Ltd.

2004

Transitioned to an operating company following the integration of Tokukura Co., Ltd.

2005

Made Japell Co., Ltd. into a subsidiary

2007

Established ISM CORPORATION

2009

Launched first product under ARATA's own private brand "addgood"

2010

Concluded a business cooperation agreement with NIPPON ACCESS, INC. and Alfresa Holdings Corporatio

2011

Listed on the Second Section of the Tokyo Stock Exchange

2012

Listed on the First Section of the Tokyo Stock Exchange

2012

Established ARATA (Shanghai) Trading Co., Ltd. in Shanghai, China as a subsidiary

2013

Established JAPELL (HONG KONG) CO., LIMITED in Hong Kong, China

2013

Established ARATA (THAILAND) CO.,LTD. in Bangkok, Thailand

2015

Established SIAM ARATA CO.,LTD. In joint venture with Saha Group Co., Ltd. in Bangkok, Thailand

2020

Established ARATA VIETNAM COMPANY LIMITED in Ho Chi Minh City, Vietnam

2020

Established Long-Term Management Vision 2030

2021

Established D-nee Cosmetic Co., Ltd.

2022

Moved to the Prime Market following the Tokyo Stock Exchange's restructuring of markets

2023

Established Medium-Term Management Plan 2026

Established ARATA CORPORATION

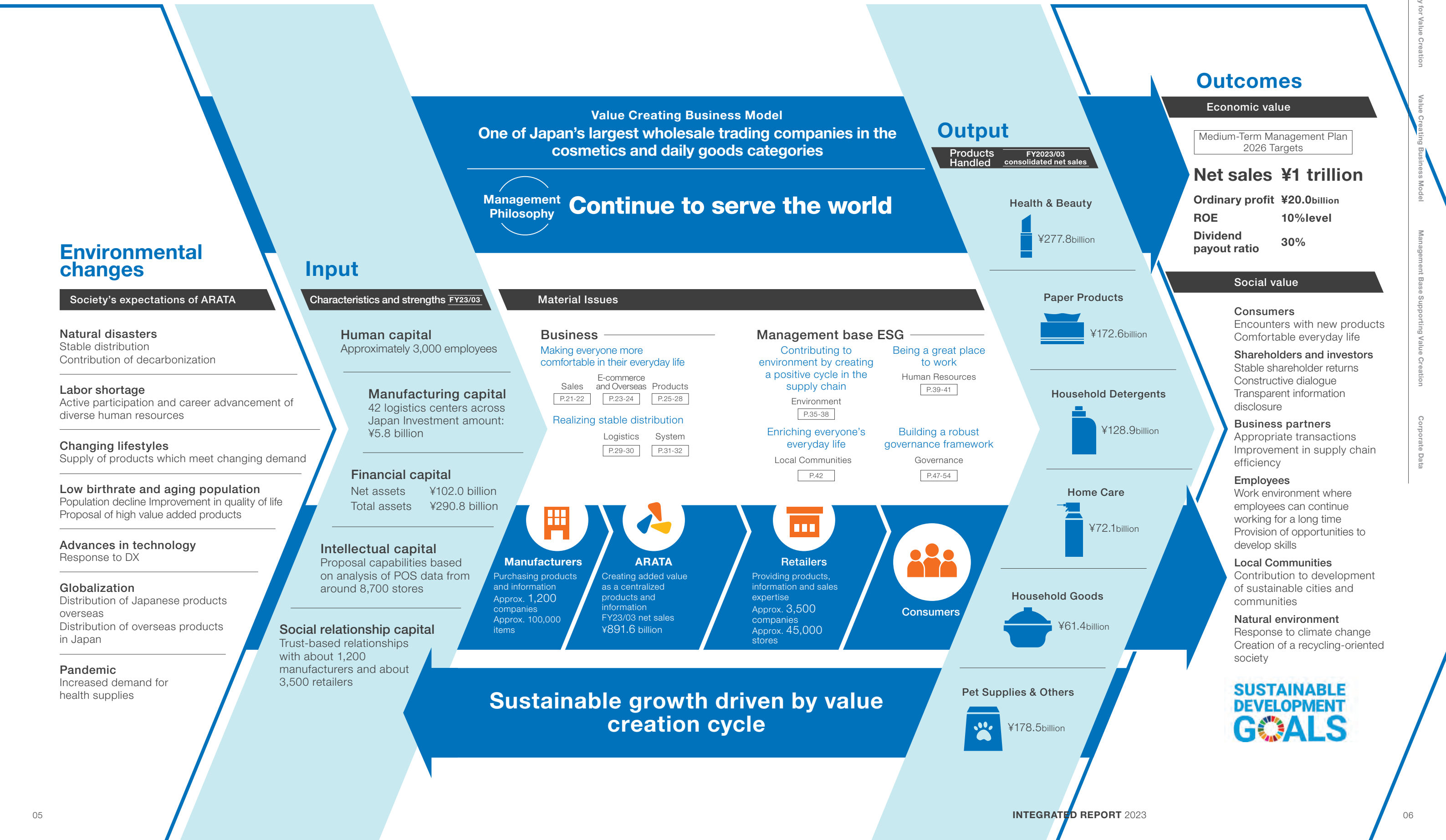
Listed on the First Section of the Tokyo Stock Exchange

Established Long-Term Management Vision 2030

Established Medium-Term Management Plan 2026

Value Creation Process

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





MESSAGE

Accelerate growth to continuously increase corporate value ARATA aspires to be a company that remains of service to societ

Hiroaki Suzuki

Representative Director and President,
General Manager of
Corporate Strategy Planning

Business Environment and Business Results

Positive expansion of transactions and success in categories that we focused on led to record net sales for the eighth consecutive year

Positive expansion of transactions and success in categories that we focused on led to record net sales for the eighth consecutive year during the fiscal year ended March 31 2023, we experienced very drastic changes, including increasing demand for products related to COVID-19, increasing product prices and increasing heating and lighting expenses due to the situation in Ukraine and consumers becoming more conservative in their purchasing due to the increasing price of goods. In this market environment, we steadily continued sales activities to increase our in-store market share and increase our handling of exclusive items and preferential distribution items, chiefly in the categories of health and beauty and pet supplies. Thus, we again achieved record high net sales for the eighth straight fiscal year.

Net sales by category rose from the previous fiscal year in all categories. Net sales by business format indicate that drugstores achieved a huge growth of sales and that the performance of home centers and discount stores was healthy. Meanwhile, supermarkets and GMSs struggled. We see this as reflecting a reactionary fall following the special demand during the pandemic.

Profit temporarily fell below the planned target due to the reduction of the gross profit margin following our strategic step to increase the in-store market share. It returned to an upward trend in the second half.

Review of Medium-Term Management Plan 2023

Steady progress in Phase 1 of Long-Term Management Vision 2030

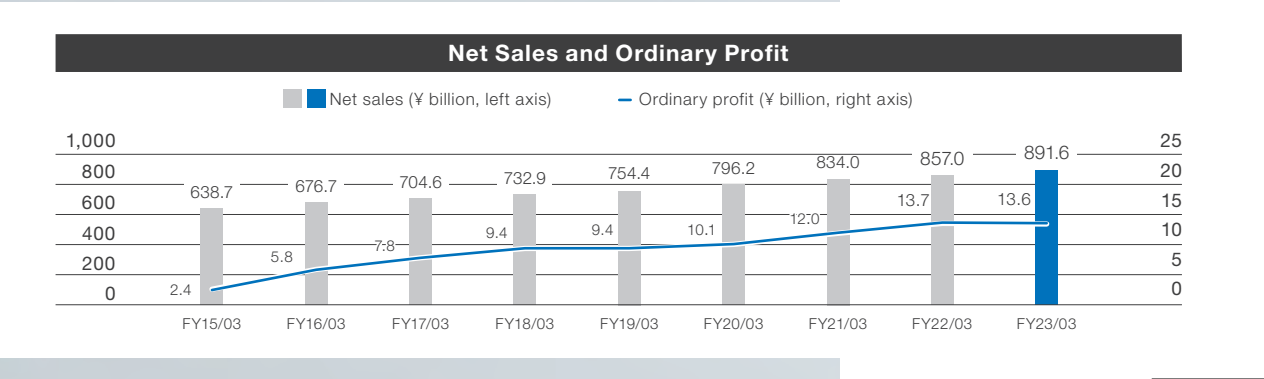
This three-year period of the vision was the most turbulent one in the two decades since ARATA's establishment. It started with the outbreak of COVID-19, which was followed by the conflict between Ukraine and Russia, soaring raw materials prices and the sharp depreciation of the Japanese yen. Lifestyles have also changed, as seen in home consumption and teleworking. I feel that we have moved into a new market

environment. The Ukrainian situation and rising energy prices hugely impacted purchase quantities and prices. However, we have been working to improve operations, streamline logistics and increase our financial stability since before these events, which allowed us to overcome the harsh conditions. When I look back, I feel that we carried out improvement efforts a little ahead of schedule to adapt to the changing market situation. Net sales grew ¥95.4 billion in the three-year period. Profit also rose steadily, although it fell slightly below the target. In my mind, our efforts in the three-year period, including cost control, can be very highly rated.

I believe that the greatest factor behind our positive performance was that we formulated Long-Term Management Vision 2030 and shared it with all our employees. We made clear what we wanted to be like 10 years from that time, the things that we had to strengthen and the preparations we had to make under what structure to reach the state we aspired to achieve, the things we will do during the current medium-term management plan and during the next one in accordance with the milestones we set for the three medium-term management plans towards 2030. This allowed everyone to work intensively on measures determined by the management team.

Category strategies are a pillar of our growth strategy. We identified the categories we would strengthen and significantly changed our logistics structure and staffing accordingly. For example, we strengthened the health & beauty category through an absorption-type merger with Fashion Arata Corporation, which was a subsidiary dealing in cosmetics. We also strengthened the pet supplies category by transferring ARATA's pet supplies business to a subsidiary, Japell Co., Ltd. This coincided with the COVID-19 pandemic. Net sales increased 11.2% in the health & beauty category and 20.8% in the pet supplies category from their levels in the fiscal year ended March 31, 2020.

The share of sales that are exclusive items and preferential distribution items was less than 1% in the fiscal year ended March 31, 2020. It rose to more than 6% in the fiscal year ended March 31, 2023. Exclusive items and preferential distribution items are not merely highly profitable. When our merchandising is involved in sales promotion aspects, we can accumulate expertise regarding store production and business knowledge of ways to increase sales figures. In the end, this will lead to our customers profiting.



I feel that the overseas strategy has been delayed somewhat. In Japan, states of emergency were declared for specific regions and specific periods. In China and Vietnam, cities would be suddenly locked down, stopping business. In March 2023, the performance of our partner companies concerned with the overseas strategy slumped due to China's zero-COVID policy. We thus recorded an impairment loss on investment. However, we have had some unexpected discoveries. For example, we had prepared face masks to address PM 2.5. During the pandemic, their sales rose explosively. In Thailand, people did not habitually prepare meals themselves. However, when the night markets were closed, demand for gas stoves and cylinders expanded dramatically. These are just examples of the latent demand outside Japan. In the future, we will carefully develop strategies and strive to capture this demand.

Regarding the dividend policy, we used to have the basic stance of paying stable dividends. From the fiscal year ended March 31, 2022 onwards, we are also paying attention to the payout ratio. According to this policy, we paid a full-year dividend of ¥136 per share for the fiscal year ended March 31, 2023. For the fiscal year ending March 31, 2024, we forecast the payment of a full-year dividend of ¥166 per share with a payout ratio of over 30%.

Medium-Term Management Plan 2026

Accelerating our activities aimed at continued growth in view of Long-Term Management Vision 2030

We have recently formulated Medium-Term Management Plan 2026. It is positioned as the second milestone of Long-Term Vision 2030. While implementing measures conducted during the previous plan, we will carry out new measures in the three-year period, accelerating the growth strategies in growth businesses, the business foundations and human resources. Specifically, we will strive to achieve the net sales goal of ¥1 trillion in the fiscal year ending March 31, 2026. This goal was set in Long-Term Management

Vision 2030. We will also move the target payout ratio target of 30% forward, aiming to achieve it in the fiscal year ending March 31, 2024. In addition, we will pay attention to achieving a price book value ratio (PBR) greater than 1. We will allocate cash in consideration of measures for creating shareholder value while focusing on growth investments to increase corporate value. Regarding cash allocation, we are planning to invest approximately ¥15 billion in growth and the construction of our foundation during the three-year period, in addition to ordinary capital investment.

The outlook for the Japanese economy as a whole is uncertain and unstable, with the circumstances regarding Ukraine, rising raw material prices and the downward trend of the yen. In addition, the 2024 Problem as it is called in the logistics industry in Japan, which involves a decrease in transport capacity, is looming. Unknown issues will emerge in succession in the future. The ARATA Group will steadily prepare for the issues it can anticipate from a long-term perspective looking three and ten years into the future, rather than a perspective thinking only a year into the future. I feel that we will certainly be able to meet the goals we have set if we can achieve positive results through these preparations.

Before the establishment of Long-Term Management Vision 2030, we tended to focus on the current figures. Now we are thinking about the measures that should be taken during Medium-Term Management Plan 2029, the next medium-term management plan, while seeking to achieve the numerical targets set in Medium-Term Management Plan 2026. The practice of paying attention to the next steps while viewing the current situation is taking root in the company. If we create a spiral of looking toward the next ten years in Medium-Term Management Plan 2029, we will become a stronger company.

We are a wholesaler and we have no goods to sell and no selling space. Our wholesale function is important but there are no guarantees that it will continue to expand as it does today in 20 or 30 years in a business environment where the population will shrink and the market will contract. To ensure our business continuity, we need to actively use what we have cultivated

and expand our business into new areas. Under our private brand, addgood, we are working to develop original products. A subsidiary established in October 2021, D-nee Cosmetic Co., Ltd., has launched the new brand. We understand it is vital to continue increasing our knowledge and expertise by trying new things and expand our business quickly. To start, we will strive to improve our performance and invest in funds and human resources to enter new business domains.

Growth Strategies and Strengthening the Business Foundation

Implementing a range of measures and transforming human capital management for the continued growth of the wholesale business and the increase of productivity

We will pursue a growth strategy of maintaining the stable growth of the wholesale business, our main business. Specifically, we will continue category strategies to increase market share in the health & beauty category and in the pet supply category. Regarding market share and in-store market share, we will continue to focus on the Tokyo, Osaka and Nagoya areas and on future growth potential. We aspire to develop new products based on the information collected from manufacturers and retailers and deliver attractive products from unknown small and medium-sized manufacturers and overseas manufacturers to consumers. For this purpose, we will bolster our product procurement, planning and development functions to widen our lineup of exclusive items and preferential distribution items. In doing this, we will strengthen the ARATA Group's originality. We will work towards the goal of increasing the share of sales that are exclusive items and preferential distribution items to over 8% in the fiscal year ending March 31, 2026.

To strengthen our business foundation, we will reform logistics and IT and promote our digital transformation (DX) with a view toward increasing productivity. In April 2023, we separated the IT Innovation DX Promotion Department from

the IT Planning Department. It now works in collaboration with the Management Strategy Team Meeting. Specifically, we will begin operating many of the mechanisms for utilizing IT that we have developed during the previous medium-term management plan to streamline operations, reduce the labor required and achieve paperless operations. In terms of logistics, we will introduce state-of-the-art materials handling equipment to increase productivity. We will also use IT- and AI-based demand forecasting, workload forecasting and productivity management systems to optimize personnel. We will seek a total effect of more than ¥2.5 billion from these efforts in the fiscal year ending March 31, 2026. With this combination of IT utilization and Personnel strategy, we will optimally assign personnel and enter growth fields to support the growth of sales through these growth strategies.

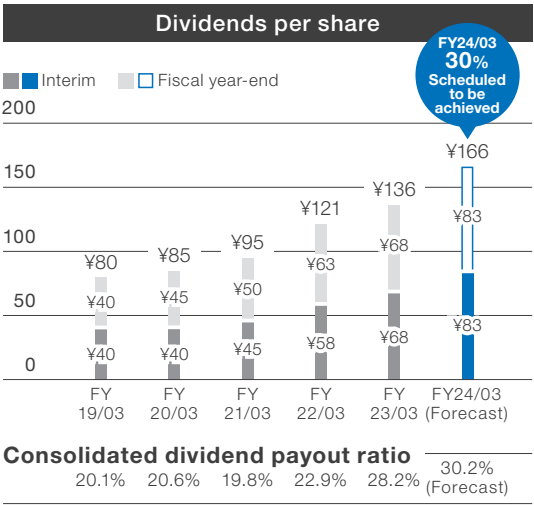
In connection with the Personnel strategy, in April 2023 we launched a new personnel system involving a nearly ¥1 billion per year investment as the first phase of the transformation of our human capital management. We have revised the salary system to increasing salaries an average of 10%. We will implement fair evaluations based on people's abilities and motivation irrespective of age or gender to increase employee motivation and satisfaction. We have revised the requirements for promotion. This has paved the way for earlier promotions. Instead of the seniority system, it facilitates younger personnel and female employees displaying their potential. Traditionally, people in career track positions who could not be transferred had no opportunity to become managers. Now, we have introduced the position of area managers, giving them the opportunity for promotion. In addition, we are endeavoring to introduce programs to stimulate the organization through job rotation and by opening paths for people with diverse lifestyles. We will also invest in staff training to build a framework that ensures that individual employees can exert their capabilities to the maximum extent possible. Thus, we will construct a strong organization through Personnel strategies that look to the future beyond 2030.

Dividend policy

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

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

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





Sustainability Efforts

Response to climate change and implementation of highly transparent management

In our efforts to enable sustainability, we are particularly focused on environmental contribution and the enhancement of our governance structure.

Regarding environmental contribution, we will accelerate our activities towards achieving the targets set in Medium-Term Management Plan 2023. Regarding our response to climate change, a top priority issue, we will collaborate with business partners as a wholesaler at the heart of the supply chain and accelerate the disclosure of information to reduce CO₂ emissions. We have set the target of reducing CO₂ emissions 30% by the fiscal year ending March 31, 2026 and 50% by the fiscal year ending March 31, 2030. Our goal is to achieve carbon neutrality by 2050 as required by the Japanese government. We will continue energy conservation measures which include the replacement of air conditioners and lighting with LEDs and increase our use of renewable energy through power purchase agreements (PPAs) in our efforts to meet these targets.

Regarding governance, we transitioned to being a company with an Audit and Supervisory Committee in June 2021. I realize that this has resulted in greater transparency and oversight. The Board of Directors and the Nomination and Remuneration Committee are creating succession plans to discover, cultivate and appoint personnel who will be the next generation of management. We will stimulate discussion and activities to increase diversity and increase the ratio

of female managers. In June 2023, two women became directors, which will bring more diversity to the deliberations of both the Board of Directors and the Nomination and Remuneration Committee.

ARATA's Mission and Raison D'Être

Becoming a company capable of continuing to contribute to society in a wide variety of ways.

Since our establishment, we have pursued our management philosophy of continuing to serve the world and working towards it's achievement. Daily necessities are a large proportion of the items we deal in. It is important that we continue to support consumers' lives by continuing to supplying these items. In addition, cosmetics and pets enrich people's lives. We feel that we have been playing these important roles. As our company grows, we can serve society in more diverse ways, including logistics, employment, tax payment and environmental conservation. We are aware that contributing to society in ways like these is a mission that we have to fulfill and we are proud that we can continue to contribute.

After the first three years of Long-Term Management Vision 2030, we feel that we have made steady progress. In the next three years, we will strive to unflinchingly achieve significant growth like no other company has before. We humbly ask our stakeholders for their continued support.

Please look forward to ARATA's future as we evolve to be robust, fair and fun company.

Towards sustainable growth

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

Changes in Our Operating Environment (Risks and Opportunities)

Pandemic	Climate Change Frequent occurrence of natural disasters	Decline in the Japanese population World population growth
Purchasing and lifestyle format changes	Globalization	Accelerated evolution of technology

Long-Term Management Vision 2030

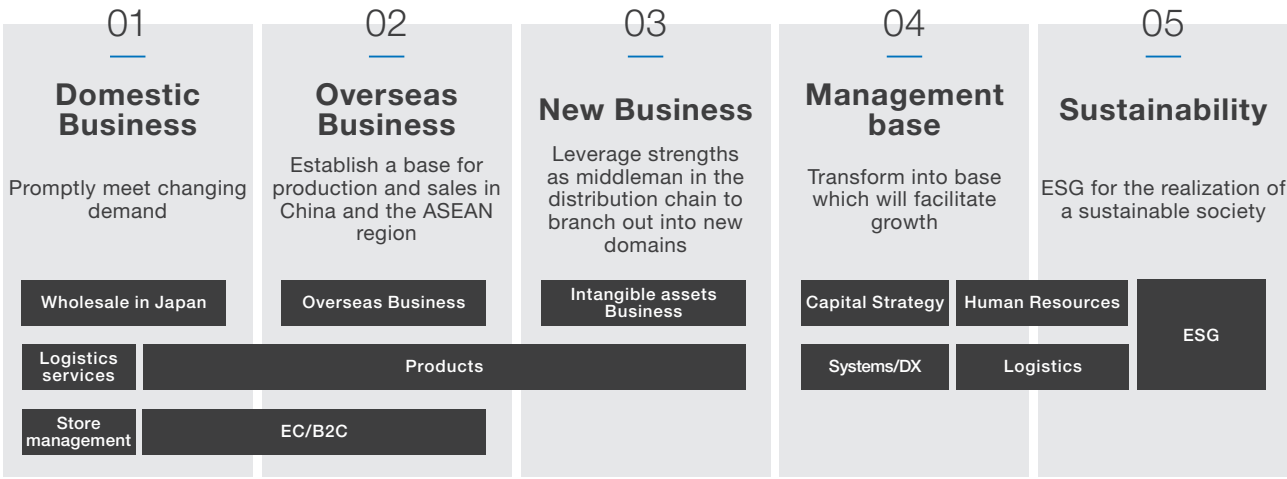
To “continue to serve the world” in the midst of environmental change
**Realize your dreams.
Change your daily lives.**

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

Target	Material ESG issues								
By FY30/03 Net sales exceeding ¥1 trillion	<table><tr><th>Environment</th><th>Human Resources</th></tr><tr><td>Contributing to environment by creating a positive cycle in the supply chain</td><td>Being a great place to work</td></tr><tr><th>Local Communities</th><th>Governance</th></tr><tr><td>Making life richer and more comfortable for everyone</td><td>Robust governance framework to support sustainable growth</td></tr></table>	Environment	Human Resources	Contributing to environment by creating a positive cycle in the supply chain	Being a great place to work	Local Communities	Governance	Making life richer and more comfortable for everyone	Robust governance framework to support sustainable growth
Environment	Human Resources								
Contributing to environment by creating a positive cycle in the supply chain	Being a great place to work								
Local Communities	Governance								
Making life richer and more comfortable for everyone	Robust governance framework to support sustainable growth								
This target has been moved forward by Medium-Term Management Plan 2026.									
By FY26/03 Net sales exceeding ¥1 trillion	SUSTAINABLE DEVELOPMENT GOALS								

Five Subject Headings

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

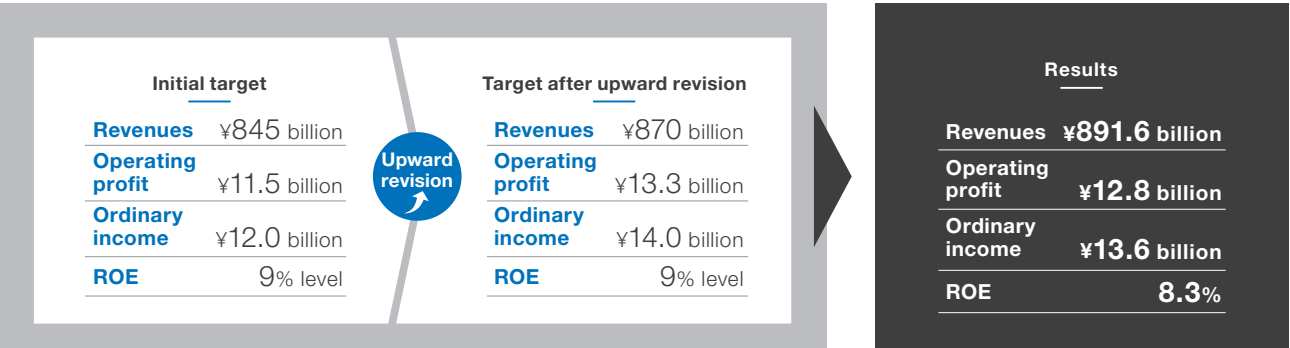


Medium-Term Management Plan 2023

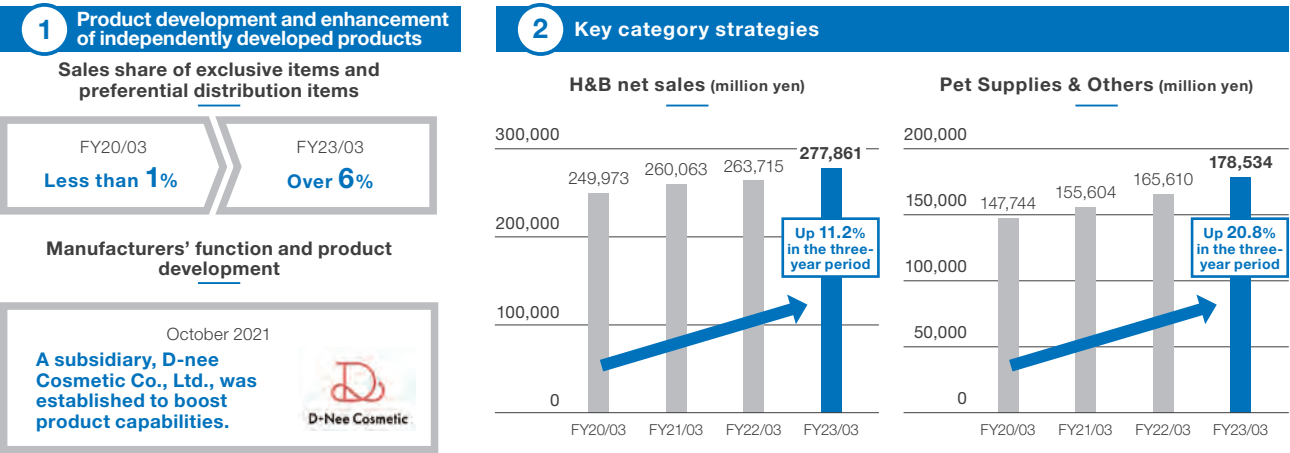
Review

ARATA formulates and implements three three-year-long medium-term management plans that serve as milestones towards achieving Long-Term Management Vision 2030. For Phase 1, we implemented Medium-Term Management Plan 2023 that was due to end in the fiscal year ended March 31, 2023.

Medium-Term Management Plan 2023



Details of initiatives



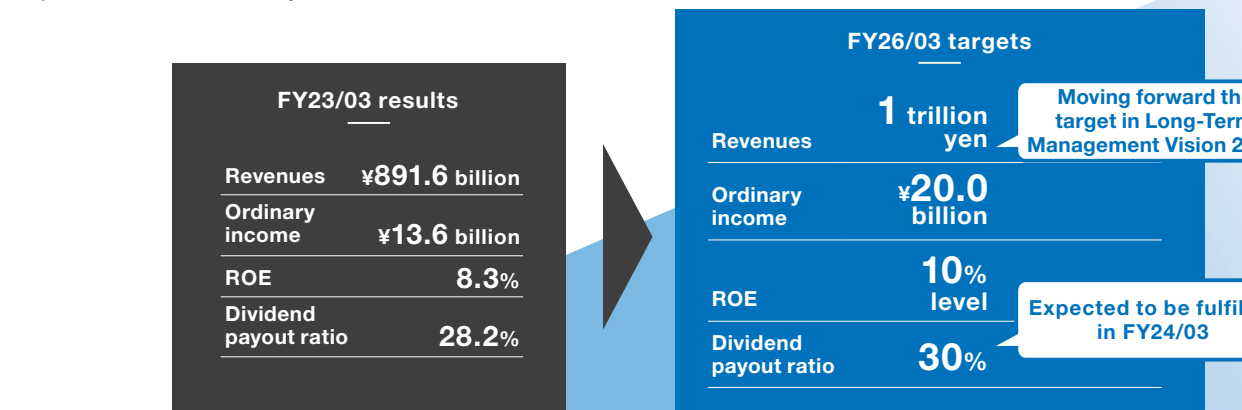
Medium-Term Management Plan 2026

For Phase 2 towards Long-Term Management Vision 2030, we have formulated Medium-Term Management Plan 2026, which is due to finish in the fiscal year ending March 31, 2026. We define the three years under this plan as a period for achieving significant results from the measures taken in the previous medium-term management plan and as a period for pursuing new initiatives for further growth. We will thus speed up our growth.

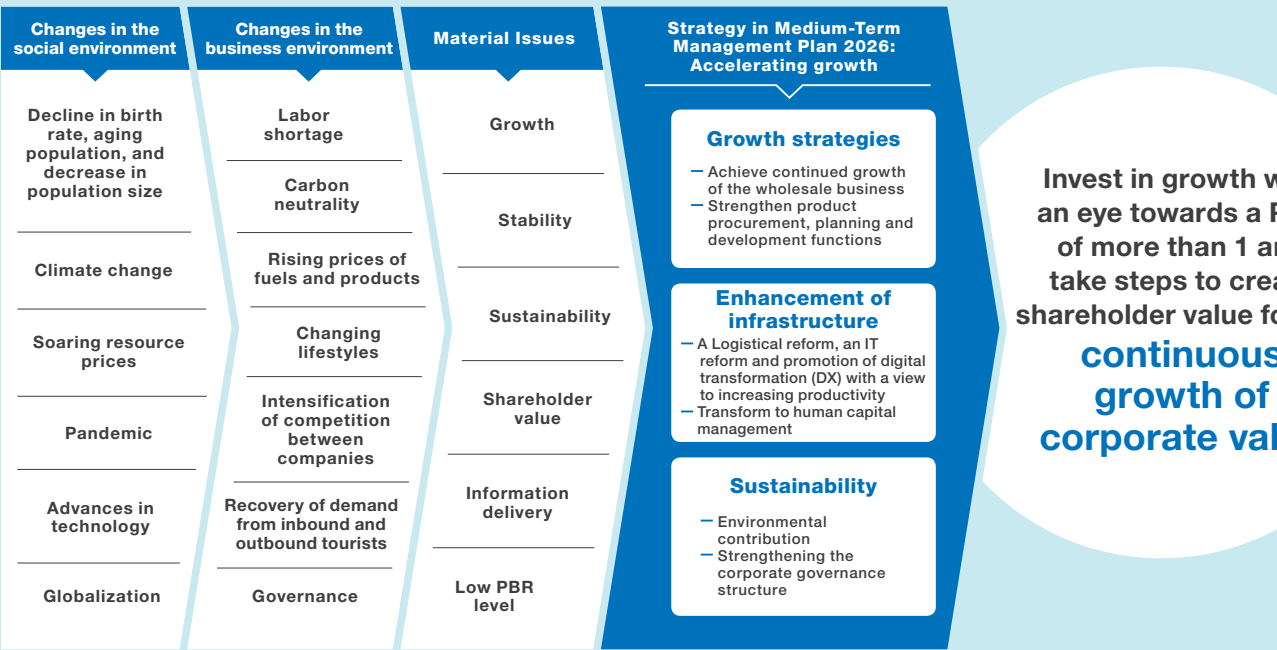
Objective of Medium-Term Management Plan 2026

Accelerating growth

Accelerate growth strategies in Growth Businesses, Business Foundations and Human Resources to achieve the net sales target in Long-Term Management Vision 2030 ahead of schedule. Demonstrate our presence in corporate growth with a view to the future beyond 2030 and further increase corporate value with an eye towards a PBR of more than 1



Management environment and material issues in Medium-Term Management Plan 2026



Financial Strategy

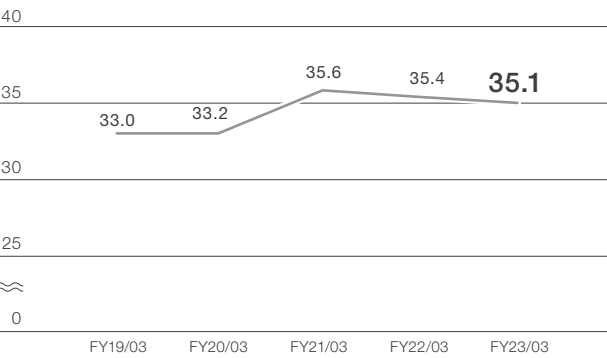
Serving as an engine of growth strategies and building an environment that constantly keeps the PBR level above 1

The financial strategy means to allocate management esources

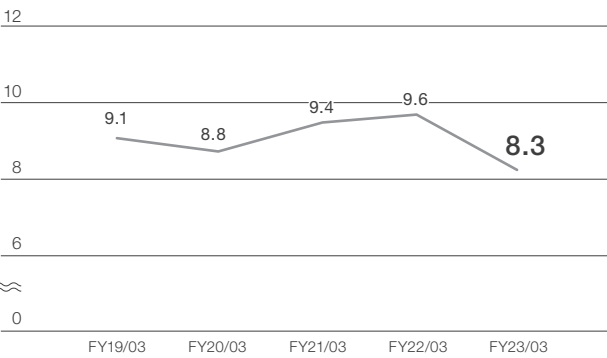
The financial strategy is defined as serving to allocate management resources for maximizing corporate value. It focuses on the three pillars of ROE management, investment decisions and the shareholder return policy. We aim to offer services (functions) that transcend customers' expectations to consistently generate profits over the long term, to win the trust of society and to continue communicating our growth strategies to stock markets in an effort to maximize our corporate value.

Long-Term Management Vision 2030 seeks a form of management in which its two aims, namely financial soundness and profitability, do not conflict with each other from a long-term perspective even though they appear to be in trade-off relationship in the short term. Instead of focusing on the statement of income for maximizing periodic profit, we value balancing it with the balance sheet by setting a target of maximizing return on equity (ROE).

Change in equity ratio (%)



Change in ROE (%)



Improve financial soundness and maintain profitability

* For the fiscal year ended March 31, 2023, ROE dropped after an extraordinary loss of approximately ¥0.8 billion (a loss on valuation of investment securities) was recorded. If this temporary loss was disregarded, ROE would have been around 9.2%.

Medium-Term Management Plan 2026

— Enriching shareholder returns by investing mainly in business growth and construction of foundations

Medium-Term Management Plan 2026 ends with the fiscal year ending March 31, 2026. The plan is being implemented as follows.

Cash in

Increase cash flows from operating activities by expanding net sales and improving profitability

Approx. ¥40 billion

Speed up asset turnover
Asset turnover cycle of approx. 2 days

Approx. ¥5 billion

Reduction of cross-shareholding stocks

Reduce to less than 10% of net assets

Flexibly procure funds from outsiders

Cash allocation

Investments in business growth and construction of foundations

Approx. ¥15 billion

- Investments in promotion of DX and IT reforms
- Organizational changes for disseminating personnel schemes and development of human resources
- Investments in logistical foundations supporting growth of businesses in Japan

Investments in measures for creating shareholder value

FY24/03

Dividend payout ratio

Forecasted to reach 30%

- Measures for shareholders aimed at optimizing capital composition and increasing liquidity according to market trends

* Asset turnover cycle: Number of days of accounts receivable, inventory and accounts payable

Proactive investment and optimal capital development

We will procure the funds needed for investment from outsiders who support our growth strategies under competitive conditions. We will inform outside stakeholders of our corporate appeal, such as our growth potential and robust management foundations. We will share with insiders what outsiders expect from us. On the basis of that, we will create actions plans to ensure

that our working-level staff will carry them out. This cycle allows us to procure funds more competitively.

Paying attention to achieving a proper balance between shareholders' equity and interest-bearing debt, we will work to minimize costs and establish optimal capital structure for maximizing corporate value.

Aiming for a PBR of more than 1– Heightening ROE and PER

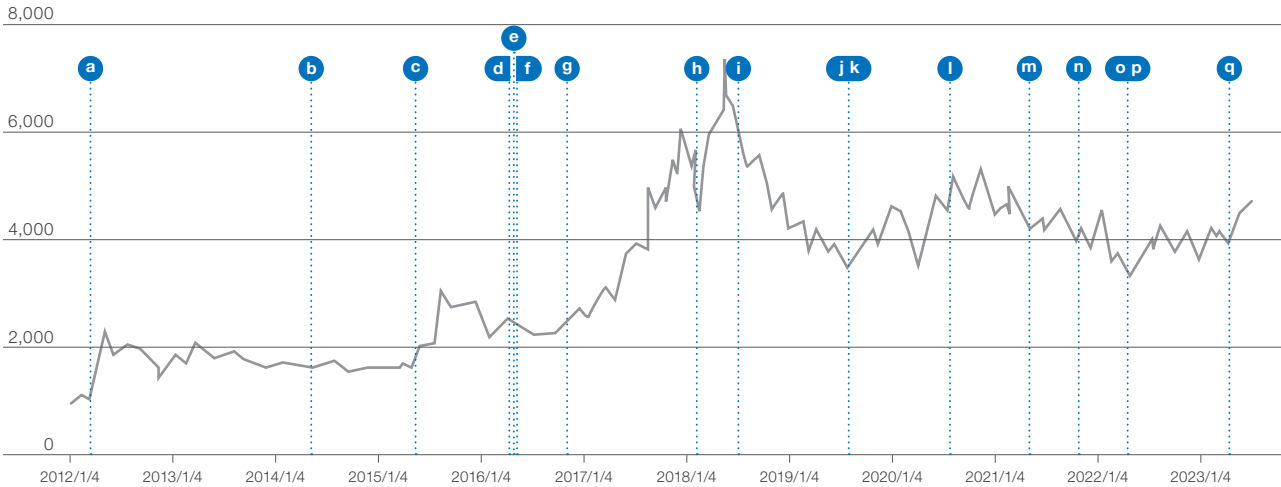
To achieve higher ratings from stock markets, we will strive to constantly create corporate value that exceeds the capital cost beyond an ROE of 10%. In tandem with that, we will focus on the price earnings ratio (PER). Setting a target of ¥1 trillion in net sales and a 2% ordinary profit margin, we will work to attain a huge increase in

profitability in the fiscal year ending March 2026.

Instead of putting conservation of management resources first, we pay attention to total shareholder return (TSR). Our proposals based on appropriate financial analyses serve as an engine of our growth strategies. We will work to create an environment where the PBR value will stably remain above 1.

Share price trend and actions (Jan. 2012 - Jun. 2023)

Share price trend (yen)



Key measures

a	2012/03/19	Listing on the First Section of the Tokyo Stock Exchange and commemorative dividends announced
b	2014/05/13	Increase in dividends of surplus announced (Year-end dividend: ¥9 to ¥10)
c	2015/05/27	Revision to dividend forecast and interim dividend payment announced following a five-for-one consolidation of shares (Interim dividend: ¥0 to ¥25, Year-end dividend: ¥10 to ¥25)
d	2016/05/13	Increase in dividends of surplus announced (Year-end dividend: ¥25 to ¥30)
e	2016/06/02	Convertible bonds issued (to procure ¥6 billion)
f	2016/06/06	Acquisition of treasury shares through ToSTNeT-3 transactions announced (Up to ¥3 billion)
g	2016/11/02	Upward revision to dividend forecast announced (Year-end dividend: ¥30 to ¥35)
h	2018/02/05	Upward revision to dividend forecast announced (Year-end dividend: ¥35 to ¥40)
i	2018/07/04	Convertible bonds issued and public offering implemented (to procure a total of ¥10.6 billion)

j	2019/08/02	Acquisition of treasury shares by market buying announced (up to ¥3 billion)
k	2019/08/07	Acquisition of treasury shares through ToSTNeT-3 transactions announced (up to approx. ¥0.53 billion)
l	2020/08/04	Upward revision to dividend forecast announced (Interim dividend: ¥40 to ¥45)
m	2021/05/10	Increase in dividends of surplus announced (Year-end dividend: ¥45 to ¥50)
n	2021/11/04	Increase in dividends of surplus announced (Interim dividend: ¥50 to ¥58, Year-end dividend: ¥55 to ¥63 *including 20th anniversary commemorative dividend of ¥5)
o	2022/04/04	A policy of raising dividend payout ratio in steps to 30% announced
p	2022/04/13	Listing on the Prime Market following the Tokyo Stock Exchange's market restructuring
q	2023/05/11	JCR rating upgraded to A-

Revision of personnel schemes

Uryu We revised our personnel scheme in April 2023 to make the company an organization where the personnel supporting fundamental businesses and growth strategies towards the achievement of Long-Term Management Vision 2030 are able to fully display their individual capabilities and where all personnel can keep working for the long term and have job satisfaction. I hope you will open up about what you feel and about changes of people around you.

Sogawa I am a sales person. I am very happy that base salaries and bonuses increased. People of my generation will likely be increasingly motivated by increased salaries. Other staff members who joined the same year that I did and later are also happy with the change.

Koyano My current duties are in logistics. When my superior explained to me how much salaries would change in a year, I was quite surprised. My colleagues sounded happy, saying that the significant change will change their motivation. I feel that their motivation increased.

Sasa I was transferred to Personnel Department this past April.

When I explained our personnel systems to the people receiving job offers, I myself felt strongly that pay would really increase. I feel that many will probably realize this for the first time when they see the amount of their bonus. However, an improvement in the evaluation will result in a rise in pay and a worsening of the evaluation results in a pay reduction. In my managerial position, I feel pressure as a person who evaluate others.

Uryu I agree. The recent revision included a change in the personnel evaluation scheme. It is not a mere change to an evaluation sheet. The point is to develop a fair and appropriate evaluation framework.

Komine I am working for the section in charge of training. My duties are training regarding goal setting and PDCA for second-year personnel and personnel evaluation training for newly appointed leaders. I explain the difference between equality and fairness through role playing. In staff education, I endeavor to ensure fair evaluations by ensuring the harmonization of supervisors' and subordinates' goals.

Tsukahara The requirements for promotion was revised to make it possible for us to work at higher levels earlier. That is a big change for young and middle-level employees. The new

personnel guidebook includes a diagram of the promotion system that gives employees clearer pictures of their future possible annual income and position. I feel that the new personnel systems help us picture our career in the future.

Komine Several people will be promoted early this July. It is a valuable opportunity to train newly appointed managers. Although they have different ages, genders and duties, they will gather in a single place for training. I think that is stimulating. I believe that the company will be stronger if it has a culture that motivates us to constantly improve. We, the training staff, aim to increase people's awareness that learning is fun.

Uryu Brilliant. The organization cannot become stronger if its members merely think about what they want it to be like. In the future, we will offer learning opportunities while understanding the weaknesses and deficiencies of the company.

Sasa What do the sales personnel think about the replacement of their fixed overtime allowance with an allowance system that pays for the overtime worked?

Sogawa When the overtime allowance was fixed, I sometimes opened my laptop after returning home and on weekends. After the change to the current allowance system, I try to finish my work on time or, if I have to apply to work overtime, finish it by a specific time. The difference between working and my personal time became more clear.

Uryu Interesting. Hearing about the actual situation through feedback like this is valuable. Do you have any problems, such as a hesitation to submit applications to work overtime?

Sogawa I have had no problems so far. In my office, we discuss with superiors why the overtime is necessary before

applying to work overtime.

Uryu The system changed on the condition that it would not hamper necessary overtime. I feel that a point we should consider is how to improve it to reduce the differences in the workloads of individuals on a team.

Tsukahara Determining whether or not overtime is necessary after understanding the workload of the team as a whole and of each member is a heavy burden on managers. The burdens leaders carry vary depending the number of subordinates they have and on other conditions.

Sasa Since managers are not paid overtime, there are concerns that the workload may concentrate on leaders, who are one rank below managers.

Uryu I feel that it is necessary to continue to change systems in an agile manner in consideration of problems like that.

Career plans and life plans

Uryu Could you speak about your career plans and life plans?

Komine I have been engaged in training for three years. Just recently this job has become interesting and rewarding. I began to feel like becoming a manager to continue my personal development. Do young employees want to be managers?

Sogawa People have the impression that the work burdens on managers are heavy. I feel that many young people think it is better not to go any further than a high non-managerial position in their main career track in consideration of salary and workload.

Special Feature
Personnel Strategy
General Manager of Personnel Department Meets Staff Members in Roundtable Talk

Development of personnel and an organization for the future

Building a strong organization towards 2030

Tomoko Komine

Training, Personnel Department, Head Office

Currently assigned to Training and engaged in personnel training after gaining experience in sales

Shogo Sogawa

Kanagawa Office, Sales 3, Metropolitan Branch

Serving different corporate customers as a salesperson in his fourth year at the company he joined after graduation

Yukiko Sasa

Team Leader, Personnel Planning Team, Personnel Department

Engaging in new graduate recruitment as a team leader following promotion to this position and transfer to Personnel Department in April 2023 after working in sales



Yoshiro Uryu

Director and Senior Managing Executive Officer
General Manager of Administration, General Manager of Personnel Department and Deputy General Manager of Corporate Strategy Planning

Extensive business experience and knowledge, currently responsible for the development of the personnel who will support the future of the company and for implementation of growth strategies

Keita Koyano

Saitama Center, Logistics Supervision, Metropolitan Branch

Engaged in shipping operations at a logistics center after joining the company mid-career

Yumi Tsukahara

Team Leader, Business Supervision, Metropolitan Branch

Transferred to Business Supervision at the branch in April 2023 following promotion to a team leader position in 2021 with experience in public relations, investor relations and ESG

DIALOGUE

General Manager of Personnel Department Meets Staff Members in Roundtable Talk

Koyano In reality, many logistics staff members think that it is easier to work when you are not a manager in consideration of the workload and responsibilities.

Tsukahara Another problem is that people's impression of managers is fixed. The fixed idea of management positions includes long working hours, strong motivation, high-level capabilities and an abundance of vigor. I suppose that fewer employees will hesitate to become managers if people from a wide variety of backgrounds are appointed to management positions. I believe diverse managers are a clue toward a solution.

Sasa Would you feel like becoming a manager if there were a manager close to you who finishes work on time every day?

Sogawa I want to be a manager like that. Shortening the service period required for promotion is attractive to me. I will aim to become a manager in the shortest possible period of time. To achieve this, I will accumulate experience and develop management and other capabilities in a small number of years.

Uryu Since the revision of the promotion requirements, everyone is now fairly evaluated irrespective of age for promotion purposes. I expect that managers will be younger in the future.

Sasa I have long had the goal of becoming a leader while working shorter hours as a salesperson. If I can become a leader this way, supervisors and junior workers will realize that being this new type of leader is possible, and their thinking will change. This fiscal year, I was transferred to Personnel Department when I was promoted to a leader position while working shortened working hours. As a result, my promotion was a bit different than what I had sought. I should continually update my role models according to the changes of the times.

Koyano I had a baby last year. I consulted with my boss and colleagues about childcare leave, and they warmly approved my taking leave. Time with my family is very important. I hope to be a leader who will be able to provide good training to subordinates and share information about tasks within the team so that all team members are able to work appropriate hours.

Sasa I have two children and I have taken maternity leave and childcare leave twice. I have realized that raising children is harder than I expected.

Koyano I took about three months of childcare leave. My wife was happy that I had access to the leave. I am grateful to the company and to my workplace colleagues.

Uryu The number of men that are taking long periods of childcare leave is still limited. I hope that it will be normal in the company someday. Is there anything the training team can do to provide support?

Komine Life plans differ from person to person. We would like to offer trainees opportunities to discover what they want to be. More staff members will take childcare leave if they think it will make them happy. In my case, my acquisition of a national career consultant qualification gave me the opportunity to think about my own career plan. Personally,

I want to set up a career consulting office and leverage my qualification to help people in the future.

Sasa I feel it is necessary to change not only people's personal career plans but also the atmosphere in workplaces.

Uryu In my view, we should stress the importance of personnel development in manager training and improve the capabilities of the organization. Then, the burdens on individuals will be dispersed and it will be easier to take childcare leave.

Tsukahara It is difficult to draw up plans independently. Interviews and training are important. At ARATA, the opportunities to interact beyond departmental boundaries are limited. I hope that the head office and branches, the branches themselves, and the department will interact more, capitalizing on job rotation and other strategies. This will increase the number of opportunities to learn about diverse workstyles, irrespective of age or gender.

Sogawa I suppose that if someone is the first to take leave, it may be easy for others to follow suit. I took 19 consecutive days off during Japan's Golden Week holiday this year for my honeymoon. Junior staff members told me that my example made it easier for them to take consecutive days off.

Uryu If this story is shared through our internal newsletter and other means, it may impact staff in other offices.

Komine When I was a salesperson, I had some tasks that I had to do personally. Even on non-working days, my phone continued to ring at times. If you believe that no other staff member can do your tasks, you will feel that you cannot take any days off. It is important to build relationships with team members to increase the visibility of tasks and share them.

Tsukahara Is it easy to share tasks in a shift system like the logistics team uses?

Koyano Well, there are four people on my team. When I was taking childcare leave, the remaining three people shared my tasks.

Uryu It is a question of the standardization of tasks. It is a significant issue connected to productivity. We will address it in tandem with digital transformation.

Expectations for ARATA in the future

Uryu Do you have any wishes regarding programs, changes or other things, or any questions?

Sogawa The COVID-19 pandemic is coming to an end. What views does Personnel Department now have about the future of working from home?

Uryu The drawback of working from home that I am most concerned about is a decline in organizational capabilities due to lack of communication. In addition, ARATA has some tasks that cannot be fulfilled by working from home. I feel it is difficult to introduce a uniform rule. Our policy on working is that office work is the basic form of working for the purposes of forging a sense of unity within the organization

and maximizing performance. However, instead of returning to the pre-pandemic state, we are thinking of introducing many different styles of working depending on the job type in a step-by-step manner. So, we have developed guidelines for working from home and put them into provisional practice. We will study measures to correct problems that are identified and move to the next steps.

Tsukahara This fiscal year, the personnel evaluation sheet has more items than it did before. I hope to have an opportunity to hearing how I will be evaluated not only from my boss but also from colleagues, subordinates and staff in other departments.

Uryu I see. What is called the 360°evaluation has both advantages and disadvantages. We are thinking of using the results of the staff attitude survey and stress checks in managers' personnel evaluations. Managers are asked to examine the state of their workplace and to consider and carry out actions to improve it.

Sasa I believe that women-friendly workplaces essentially mean workplaces that are friendly to all employees irrespective of gender. Looking at the matters related to this, I most appreciate an environment that is compatible with the events in women's lives. Allowing men to take childcare leave or to work shortened working hours is very helpful to their families. I believe that more families would be happier if ARATA were to be a leader in the development of environments that enable men to easily take leave.

Tsukahara Few male employees work shortened working hours. This may be because they are worried about losing their position. The recent revision paves the way toward a

shift to deciding on shortened working hours in six-month increments. If it were possible to work shortened working hours in quarterly or monthly increments, more people would choose to work then.

Sasa I feel there are some differences in the thinking of different organizations. I understand that it may be somewhat inevitable because organizations are run by humans. However, I do not think it is desirable for something that is good in some workplaces to be bad in others. That should be corrected. In this sense, I hope that Personnel Department will be powerful or have a presence throughout the company.

Komine Those of us on the training team hope that trainees will receive training while they are creating their life and career plans. Hypothetically, if I established a career consulting office, it would help individual trainees develop life plans that are suited to them and help them take advantage of the personnel schemes. I estimate that the turnover rate might be reduced if there was a place where new employees and young staff members can consult people about the problems they face.

Uryu I imagine it is a tough role, but let's work together as Personnel Department to lead.

I hope that the recent revision of the system will gradually change the seniority system and transform the company so that its atmosphere is more open. This has been a very valuable opportunity to directly listen to your opinions. I will study them and I will be revising the scheme so that it is more flexible and able to change more quickly. We will endeavor to increase employee engagement and transform the company so that people want to continue working in its workplaces long term. Thank you very much.



Sales

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

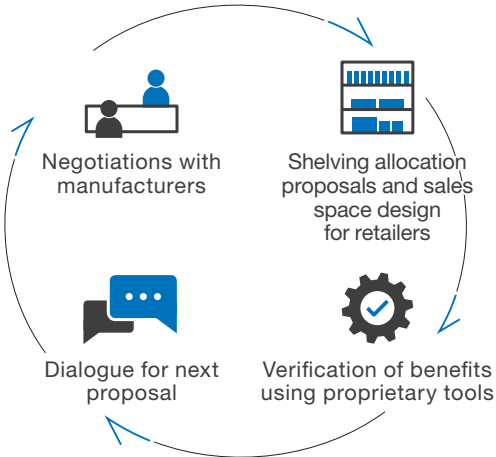
The sales capabilities which support our core wholesale business in Japan are split between the National Chain Stores Division, which deals with national retail chains, a total of around 1,000 sales personnel, who belong to the Sales Management Departments of seven branch offices nationwide that deal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

We have a wide range of transactions with approximately 3,500 retailers with varying business formats. “Human resources with the ability to get things done” who understand trends and retailers’ needs and immediately reflect these in stores, and the “ability to make credible proposals based on qualitative and quantitative information” make it possible for us to offer services according to retailer characteristics.

Strengths of sales operations

Human resources with the ability to get things done

ARATA's approximately 1,000 sales personnel nationwide deal with retailers, creating productive sales floors through a PDCA cycle of conducting business negotiations with manufacturers, making sales space proposals to retailers based on information acquired, verifying the effectiveness of sales using analysis tools and linking them to future proposals based on analysis results.



Ability to make credible proposals based on qualitative and quantitative information

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

Store Navi: Qualitative information

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

ARMS: Quantitative information

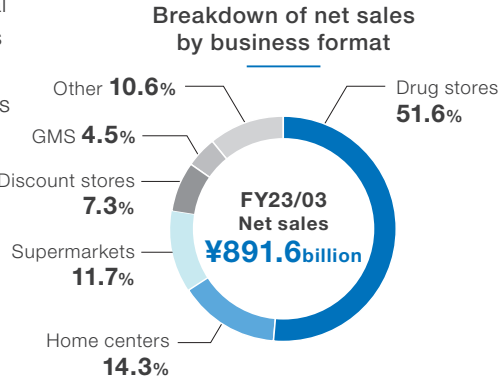
Covers a wide range of data ranging from analysis by category, business format and brand to IDPOS analysis by gender and age. Ability to make credible proposals based on multifaceted analysis and information

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

Sales Information

POS data of approximately **8,700 stores**

Store Navi topics



Organizing the ARATA Collection to increase the appeal of proposals

We hold a product exhibition tailored to the changes in society and in consumers’ attitudes understood through our independent analyses. Called the ARATA Collection, it proposes not only products but also successful selling spaces. During the COVID-19 pandemic, the event was

held at separate branches and attracted a large number of retailers. We propose products that are suited to the needs of consumers and constantly deliver enriched products that support consumers’ lives.

Example



The Hokkaido Branch held a Proposing Valuable Selling Spaces Appealing to Consumer Insights Characterized by Positive Savings and the Polarization of Consumption event. The branch believes that increasing consumer interest in being economical indicates a recent change in their attitudes.

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. We have been focused on storefront support since our founding, and have earned the support of many retailers.

Our efforts to support stores predate the establishment of ARATA Corporation, and we have received support from many business partners. In 2007, the ARATA Group established the instore marketing company ISM Corporation as a subsidiary. ISM draws on the wide range of transactions and vast knowledge which only a national wholesaler can have to provide solutions and services to support stores.

Field solutions

Supporting approximately 5,000 retailers nationwide

Personnel engaged in periodic support operations ▶ **3,600** (every month)

Personnel providing additional spot services ▶ Approximately **3,000**



Instore promotions

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



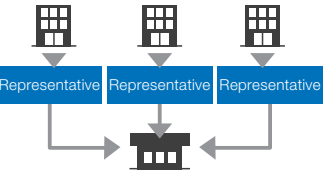
In addition to monitoring store progress and maintaining sales spaces, ISM shares details of negotiations with ARATA's sales staff to increase the ability to produce desired stores to help expand sales, reduce opportunity loss and reduce returned goods.

In collaboration with ARATA's sales personnel, ISM's expert staff help retailers with store launches and renovations to improve store display performance.



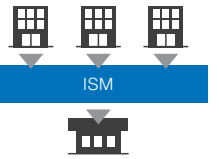
Before

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



ISM's Solution!

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 space.



Collaboration between retailers, manufacturers and ARATA

Creation of effective sale space

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



Verification of why certain products sell

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

Helping expand the sales and improve the operational efficiency of retailers and manufacturers!

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. The COVID-19 pandemic increased the momentum of the e-commerce merchandising market. It is expected to continue expanding in the future.

In 2010 we established the E-Commerce Division, which deals exclusively with e-commerce companies, which have to address a range of issues that differ from those faced by physical stores.

Since retailers with physical stores have also been focusing on online sales in recent years, in April 2022 we placed the E-Commerce Division, under the direct control of the Sales Division. Leveraging the wealth of information from upstream to downstream that we have accumulated as a wholesaler, we propose products and sales promotions tailored to the particular characteristics of e-commerce companies and share expertise with sales personnel at brick-and-mortar stores.

While the e-commerce market is expected to continue to diversify and grow in the future, it is expected that issues in logistics will grow as sales increase, and various business opportunities can be anticipated in this market.

In Long-Term Management Vision 2030, we will also research and consider B-to-C business.



Providing support to resolve issues as opportunities specific to e-commerce companies

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. We have developed a framework which allows us to meet the specific needs of e-commerce companies—such as heavy, bulky, rarely stocked products— whilst taking advantage of the strength of our overwhelming product lineup in the cosmetics and daily necessities categories.

ARATA has a range of capabilities ranging from making proposals based on information on top-selling products it has accumulated as an intermediary, through to the introduction of original added-value products and the provision of online sales promotion support.

Special feature pages on e-commerce sites

We propose special features on seasonal items, trending cosmetics and other topics. We roll out those special features on e-commerce company sites.

Sale of products as sets through product assortment capabilities

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



Products for e-commerce companies

Original products

We develop original products in collaboration with manufacturers and e-commerce companies. We also propose products with packaging materials and sizes that change in light of environmental considerations.

Private brand products

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



Original independently developed products for e-commerce are offered under the Paenna brand.



Large assortment of scented flower bubble bath, hana shukan with four different floral flavors.



Changed the design of our self-developed dehumidifier product to a simpler design that blends in with living spaces, as an exclusive product for EC companies.

Overseas

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

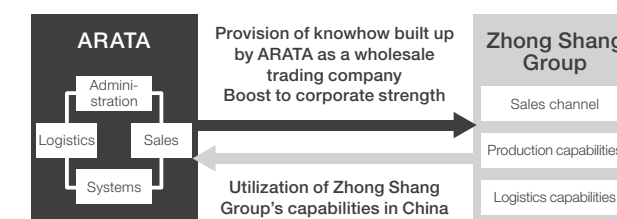
In our overseas business, we are currently operating in China, Thailand and Vietnam. It would be extremely difficult to move Japan's style of wholesale operations to overseas markets, which have different business practices, without some kind of modification. Our business operations take the circumstances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

Initiatives with Zhong Shang Group in China

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

We will offer our know-how as a wholesaler and harness Zhong Shang Group's online and offline sales channels, manufacturing, and logistics functions in China to create synergies.

Partnership strategy Provision



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 addition to personnel hired locally, the International Business at the Head Office has six staff members from China and Taiwan, including one manager.

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.

They are conducting activities to widen the categories of items and the variety of items handled and increasing our preferential distribution items. 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.



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

Website launched to share more information



In February 2023, ARATA VIETNAM COMPANY LIMITED launched its own website. Sharing information about the products it handles, the website distributes information about better products to consumers. It also serves as a local point of contact for inquiries. Since its launch, it has been receiving a large number of inquiries. In the future, it will be linked to social media to share promotional information. Thus, it will increase local recognition.



<https://aratavietnam.com/>

Products

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

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

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

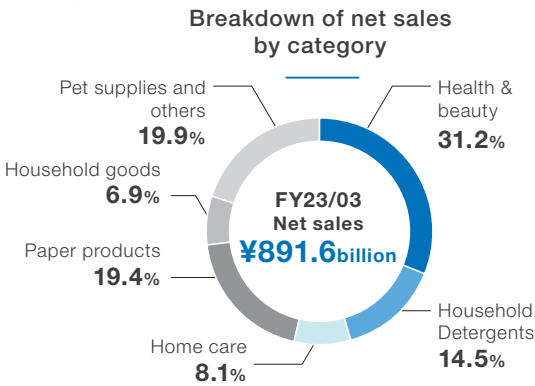
“Product procurement capacity” for assessing the value and appeal of each single product and procuring products that consumers want and will therefore sell is a capability which is crucial for a wholesaler.

Strengths of product operations

Products handled

Our strength lies in our transactions not only with leading manufacturers but also with small and mid-sized manufacturers which handle unique products, and in our appealing product lineup which includes exclusive items, priority access items and items developed in-house. Also in the paper products, household goods and pet supplies categories, we have large market shares. This array of categories is the reason we can flexibly adapt to significant shifts in demand as seen in the COVID crisis.

Principal items			
Health & beauty	Household goods	Home Care	Household Detergents
Cosmetics Cosmetic accessories Hair and body care Healthcare	Kitchen supplies Cooking implements Cleaning equipment	Insecticide Air fresheners and deodorizers Batteries	Clothing detergents Home-related cleaners Dishwashing and kitchen detergents
Paper products	Pet supplies		
Tissue Toilet paper Diapers Feminine hygiene products	Pet food Pet supplies		
		>> P.27	



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.

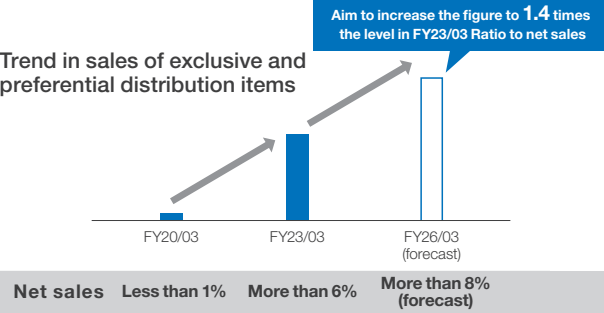
Strengthening the cosmetics category

Strengthening originality

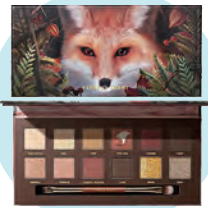
Since the merger of former subsidiary Arata Fashion in April 2019, we have been continually strengthening the cosmetics category. Following the steady growth of sales, cosmetics is also being recognized as a strength of ARATA. We will work to expand the distribution of cosmetics through nationwide logistical networks including not only variety stores and drugstores, which have a high cosmetics selling capacity, but also regional supermarkets.

After COVID-19 was reclassified as a class 5 infectious disease in Japan, some changes have been observed in society, such as an increase in the number of opportunities to go out and the rise in the number of people who do not wear face masks. Accordingly, high hopes have been placed on the cosmetic category as a whole. In the cosmetics market, Asian cosmetics, centering on cosmetics from South Korea, continue to attract attention. We hold popular Asian cosmetic brands as exclusive or preferential distribution items. We will increase

our handling of these products and increase originality with a view toward revitalizing the cosmetics category as a whole. We aim to increase the ratio of sales of exclusive and preferential distribution items to consolidated net sales to more than 8% for the fiscal year ending March 31, 2026 with an eye toward the achievement of Long-Term Management Vision 2030.



South Korea
MAD PEACH
A makeup brand produced by a famous Korean make-up artist



China
PERFECT DIARY
The makeup brand that won the first place in the makeup ranking at China's largest e-commerce event



Taiwan
heme
Genderless makeup brand developed in Taiwan

D-Nee Cosmetic’ enrichment of its product lineup

We established our subsidiary D-Nee Cosmetic in October 2021 as one measure to strengthen our capabilities in the cosmetics category. Taking advantage of ARATA’s nationwide logistical network, it carries out one-stop operations including brand operations, product planning, manufacturing, advertising strategies, distribution and

sales. With the mission of creating new value and increasing it, D-Nee Cosmetic will provide products that appeal to consumers in accordance with the needs of the times leveraging its advantages in the comprehensive production of cosmetics.

Launch of a new brand – 3650 (san roku go zero)

In June 2023, the new brand 3650 (san roku go zero) was announced. Under the slogan, “Enjoy a new you with makeup that is a step above,” it focuses on high-level functionality matched to trends. An eye liner was released as the brand’s inaugural product. The brand name embodies its aspiration to provide users with delight that is 10-times greater 365 days a year through makeup.



Enhancement of cosmetics-related product lineup

- Japanese distributor for JUNG SAEM MOOL

ARATA has signed a sales distribution contract with ITOCHU Corporation for the South Korean cosmetics brand JUNG SAEM MOOL.



- Manufacture and sale of MOIDITE

In August 2022, we launched a line of feminine hygiene care items as Fem Tech products.



Products – Pet Supplies

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

The pet business, which is one of our key strengths, was integrated into JAPPELL Co., Ltd., an ARATA Group company, in 2019, and has continued to expand as a result of JAPPELL's expertise. Amid the growing demand for comfort during the COVID-19 pandemic, the number of newly adopted pets increased. The brisk demand for pet supplies is expected to increase in the future.

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



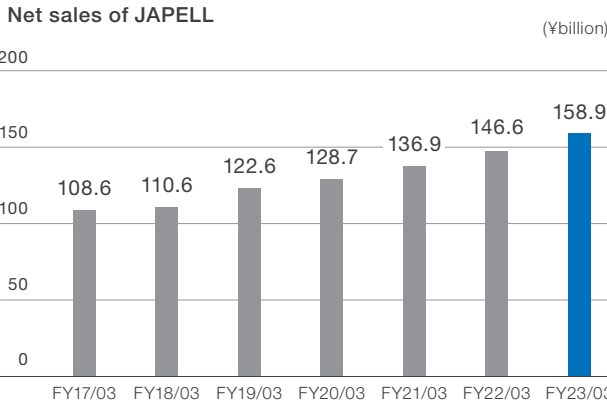
The company name is derived from "Japan Pet Life Library," encapsulating the hope to serve as a library where all things related to the lives of pets are collected and stored.



JAPPELL's businesses

Core trading company business

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



Store business

Japell Partnership Service Co., Ltd., which is a subsidiary of JAPPELL, operates the store development business, incorporating JAPPELL's knowhow as a general trading company for pet-related products.

Japell Partnership Service has a network of 280 stores, including franchise stores in home centers across Japan.



E-commerce business

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



Overseas Business

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



2023 Pet Trade Show

On April 19 and 20, 2023, JAPPELL held a comprehensive pet trade show, entitled "Mental and Physical Health Arises from a Happy Life with Pets." Nearly 180 manufacturers participated in the show, exhibiting fully produced proposals including product displays and sales space suggestions.

JAPPELL's booth showcased its original products and presentations designed by employees themselves regarding care for frail people, aquaterrariums and other subjects.



Animal Care House, contributing to society through pets

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

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

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



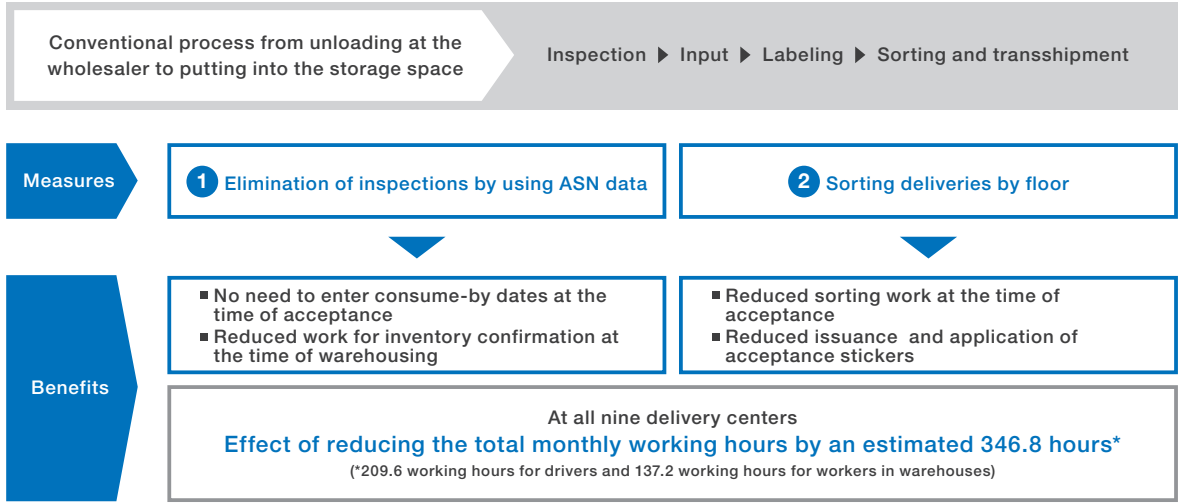
Supply Chain Innovation Award 2023 Excellent Award won



Japell Co., Ltd., an ARATA Group company, Unicharm Corporation and K.R.S. Corporation won Excellent Awards at Supply Chain Innovation Award 2023 presented by the Ministry of Economy, Trade and Industry, for their joint initiative to increase the efficiency of cargo reception and truck turnover.

To increase truck turnover and operational efficiency to

address the shortage of warehouse workers and increase the accuracy of deliveries, they took measures, first by eliminating inspections using advance shipping notice (ASN) data, and second by sorting deliveries by floor. At nine delivery centers, it was confirmed that these measures reduced the total monthly working hours by an estimated 346.8 hours.



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

Strengths in Logistics

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



- 1 Automated pallet warehouse**
Independent settings of high, middle and low shelves for efficient storage
Automated operations for transport, storage, discharge and inventory management
- 2 AiMAS**
Preventing errors in items, quantities and delivery destinations to achieve ultra-high accuracy with a misdelivery rate of less than 0.001%

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.

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.



- 3 Collapsible container automated warehouse**
Temporarily storing collapsible containers that underwent picking and assorting these containers randomly transported by company, store and route
- 4 AI depalletizing robots**
Paving the way for the automatic replenishment of cases and for lower burdens of case handling work and nightly work

Launch and transfer the Kanto Logistics Center

The logistics center dedicated to TSURUHA HOLDINGS INC. which had been operated since May 2009 in the city of Yachiyo in Chiba Prefecture, was transferred to a built-to-suit (BTS) facility of GLP Japan Inc. constructed in the same premises in March 2023.



State-of-the-art material handling systems newly introduced
- Case shipping capacity to increase productivity

Necessary personnel	15%reduction	▶	Creating a labor saving center with productivity that is 1.6 times as high as that of the conventional center
Shipping capacity	Up36%		

Automated case storage and retrieval system
Improving storage and cargo handling efficiency
Increasing productivity on the assigned floor

Case shuttle
Optimizing replenishment
Reducing labor undershoots

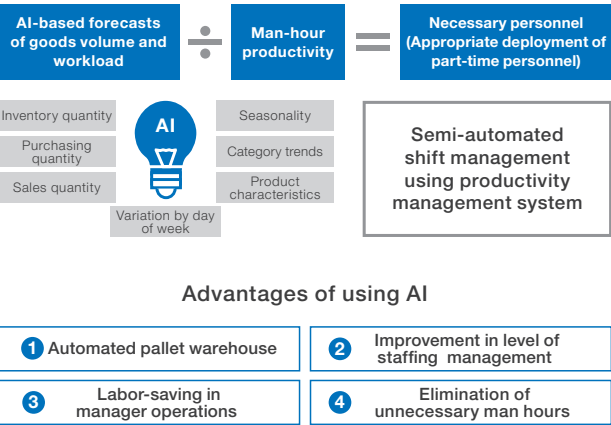
Palletizing robots
Reducing the burden of cargo loading work

AMR
Easing heavy work

Launch of demonstration experiment of AI-based workload forecasting

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

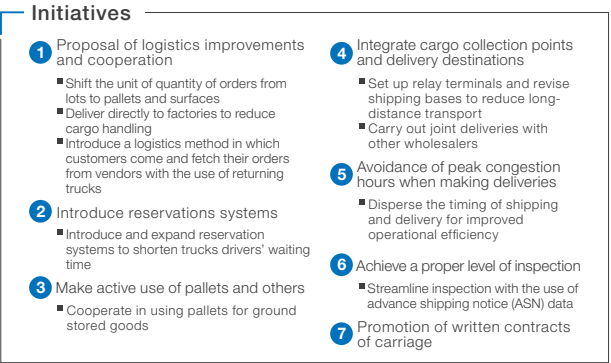
We, therefore, launched a demonstration experiment of semi-automated shift management using AI-based forecasting of goods volume and workload. AI forecasts based on analysis of past data are corrected by logistics managers, enabling highly accurate, speedy shift management. This initiative can be expected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



“White Logistics”

As 2024 looms, the so-called the 2024 problem in logistics (i.e. truck driver shortage) is attracting attention. Businesses must improve working conditions for logistics workers and increase productivity in line with the White Logistics campaign.

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 implementing a range of initiatives to improve the efficiency of logistics and reduce truck drivers' waiting time and loading and unloading time. We will be concurrently conducting initiatives for this campaign, given that they also help reduce the use of vehicles for delivery and also attenuate other environmental impacts.



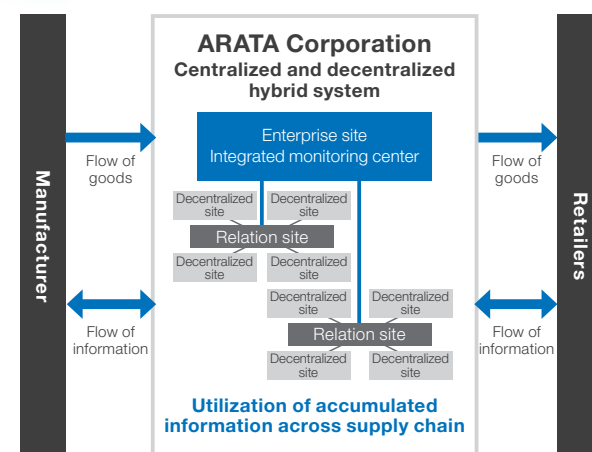
System

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.



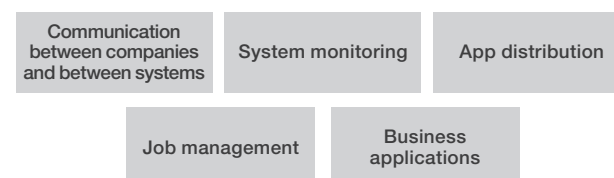
System which responds accurately and promptly to frontline needs

Responding to changes through in-house developed, loosely coupled system

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.

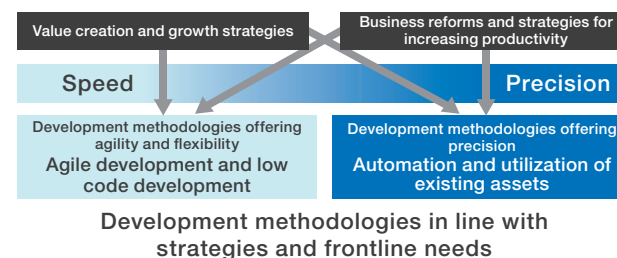
Key functions developed in-house



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

To make our information system resilient to change, we adopt not only development methodologies which offer precision but also agile development and low-code development methodologies which offer agility and flexibility, to quickly reflect the needs of business operations and business partners in our system.

In addition to development based on existing methodologies and technologies, we are also constantly researching the latest methodologies and technologies to incorporate the benefits of technological advances into our business operations. The development of human resources capable of striking the right balance between “offense,” “defense” and “meeting immediate needs” supports ARATA's information system.



IT Medium-Term Business Plan

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

Research of latest technologies and utilization in business

Use of AI

Automation of ordering

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

AI-OCR

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

Use of AI in logistics >> P.30

Launch of IT Innovation DX Promotion Department

In April 2023, ARATA launched the IT Innovation DX Promotion Department. It will accelerate streamlining of internal operations, which may induce changes in work styles at individual organizations. From the perspective of systems, it will step up digital transformation (DX) efforts to support the entire supply chain.

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. Going forward, we will speed up the shift to the backup cloud.

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 ESG Promotion Division we have also established the Information Leak Countermeasures Subcommittee to consider countermeasures to address changing digital risks. The System Division takes actions based on the decisions through new development, the consideration of the use of outside tools or other technological means and develops

Main points of IT Medium-Term Management Plan

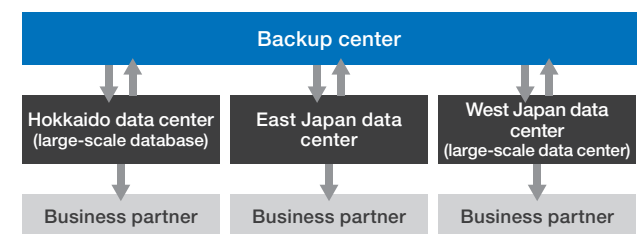
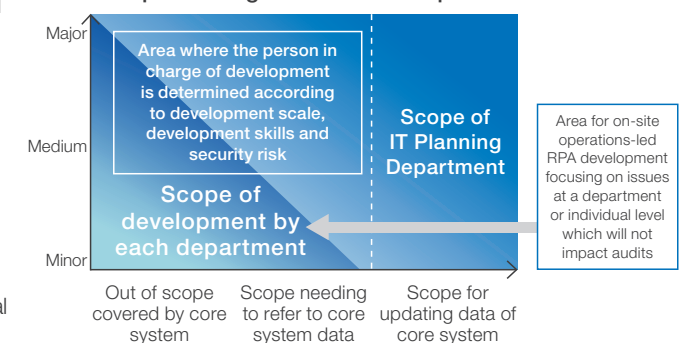
- Management support
- Enhancement of sales support functions
- Improvement of efficiency, energy conservation, labor savings, and automation → Utilization of AI, RPA and other technology
- Enhancement of information system scalability and flexibility in preparation for changes in the future

RPA (Robotic Process Automation) implementation

Operations-led RPA implementation

Each operational site has a person in charge of RPA to quickly resolve any small issues, with the System Division and DX Promotion Committee (currently IT Innovation DX Promotion Department) playing the main roles. The focus is not only on improving productivity but also developing digital human resources for the future.

Conceptual image of RPA development



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

Stakeholder Engagement

ARATA actively engages in dialogues with stakeholders as part of its efforts to increase corporate value through sustainable growth. We provide information on our business activities to each stakeholder by various means and receive their opinions on our company. By relaying this information back to our senior management team as feedback, we recognize issues to be addressed and strive to achieve better business management and information disclosure.

Shareholders and Investors

- General Meeting of Shareholders (hybrid combination of actual attendance and live streaming)
- Distribution of financial results briefing materials, videos, and fact books
- Individual interviews (about 40–80 times per year)
- Integrated reports
- Distribution of IR information on the corporate website
- IR seminars for individual investors
- SR activities based on shareholder surveys (Dialogues with persons responsible for exercising voting rights of overseas and domestic institutional investors)
- Disclosure of information in English (website, financial summaries, financial results briefing materials and integrated reports)
- Analyst reports by Shared Research Inc.

Video streaming of General Meeting of Shareholders and financial results briefings

ARATA utilizes video streaming to provide information to more shareholders and investors. Transcripts are also distributed.



IR for individual investors

ARATA executives speak at various IR seminars for individual investors, including online IR, radio and live (in-person) events held throughout Japan.



Live streaming using logmi IR Live in May 2023

Disclosure of information in English

ARATA has launched an English language website equivalent of its Japanese website to enhance disclosure of information to overseas institutional investors. From the fiscal year ended March 31, 2022, financial summaries and financial results briefing materials are also released in English.



SR activities

SR activities are conducted with the aim of holding dialogues with top institutional investors through continuous shareholder surveys, with a primary focus on ESG issues.



Business Partners

- Signing various agreements
- Holding product briefings
- Provision of information through exhibitions
- Provision of market and product information
- External newsletter ARATA Monthly



Employees

- Live streaming of messages from senior management once a month
- Video streaming of Long-Term Management Vision 2030 briefings
- Internal newsletter ARATAN
- Employee awareness surveys
- Internal whistleblowing system and compliance desk
- Training and education schemes, e-learning
- Qualification acquisition incentive system

Local Communities

- Partnership agreements with local governments in readiness for times of disaster
- Social contribution activities
- Donations
- Acceptance of students for work experience
- Participation in local community events



Global Environment

- Decarbonization initiatives
- Disclosure of information concerning the environment
- 3R initiatives together with Ministry of the Environment
- Waste reduction through Reduction of product returns



Basic ESG policy “Robust, Fair, and Fun”

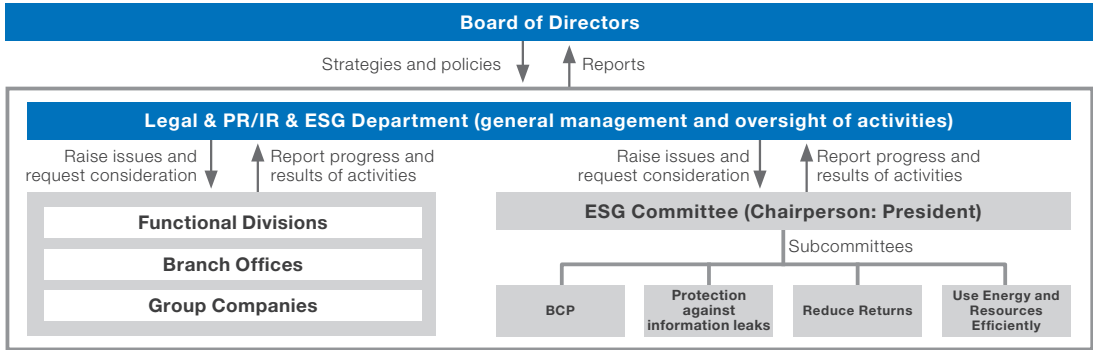


Guided by our management philosophy of “continuing to serve the world,” we aim for sustainable growth and development together with the rest of society. We must build a stronger foundation of trust with all stakeholders and cultivate the development of our entire supply chain in a way that promotes efficiency 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	● Reduction of CO ₂ emissions through increased efficiency and other measures ● Reduce Returns ● 3R Activities ● Reduction of energy use and natural resource consumption	● CO ₂ emissions: 50% reduction (2030 target) ● Retailers participating in 3R campaign 19,000 stores(2022)
Human Resources Respect for human rights Promotion of Diversity Development and training of human resources	A company that employees feel is worth working for	● Enhancement of systems for the realization of diverse work styles ● Conducting employee surveys ● Enhancement of training and development systems ● Encouragement to obtain qualifications	● Female manager ratio 4.5%(2026 target) ● Increasing salary levels ● Enhancement of childcare and nursing care systems
Regional Communities BCP Community-based social contribution	A company that continues to deliver comfortable lives to consumers	● BCP activities ● Social contribution activities at business sites ● Conclusion of supply of goods agreements with local governments	● Construction of BCP alternative logistics network ● A company with robust distribution and logistics networks that cover its entire supply chain
Governance Corporate Governance Compliance Risk Management	Building a strong governance framework to support sustainable growth	● Shift to a company with an Audit and Supervisory Committee ● Reform of Board of Directors ● Compliance measures ● Protection against information leaks	● Activities at Nomination and Remuneration Committee ● Provision of training on business legal affairs and compliance

Promotion Framework



Environment

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

Information disclosure based on the TCFD recommendations

ARATA recognizes risks related to climate change as a material issue and aims to contribute to the creation of a sustainable society, by reducing CO₂ emissions and balancing global environmental conservation with economic activities through activities that create a positive cycle in the supply chain. We recognize identifying and responding to risks and opportunities relating to climate change as a material management issue. Based on this, we conduct analyses in accordance with the TCFD recommendations

and disclose information in line with their framework, in our annual securities report. We will continue to enhance our information disclosure to fulfill our responsibilities for accountability to our stakeholders.



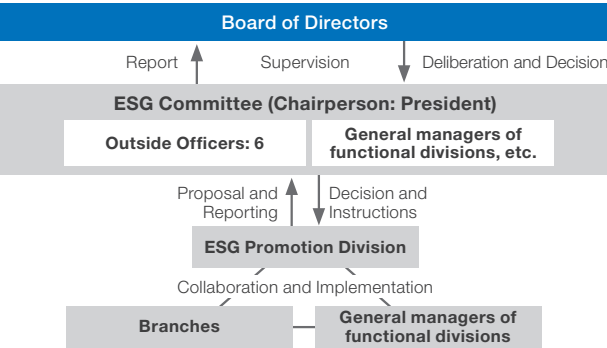
In June 2022, we endorsed the TCFD recommendations and joined the TCFD consortium, which is composed of companies and financial institutions that endorse the recommendations.

Governance

ARATA has established an ESG Promotion Office, as a specialized department to promote ESG, and an ESG Committee, membership of which includes all outside officers. The ESG Committee—which is chaired by the Representative Director and President—meets four times a year to set numerical targets for ESG activities, including measures against climate change, and to deliberate and make decisions regarding measures to manage their state of achievement and drive these activities forward. Receiving reports on matters that are deemed important by the ESG Committee, the Board of Directors deliberates and makes decisions as needed to oversee the entire supply chain.

ESG Committee meeting agenda in FY23/03

June	<ul style="list-style-type: none">1 Annual ESG activity plan, including the determination of KPIs2 Compliance with the TCFD recommendations: CO₂ emissions and reduction plan3 Promotion of female participation and advancement4 Contributing to the local community5 BCP
September	<ul style="list-style-type: none">1 Formulation of a human rights policy2 Discussions for health and productivity management3 Workstyle review project4 BCP: 21st Disaster Prevention Day5 TCFD disclosure6 State of information sharing with external parties
December	<ul style="list-style-type: none">1 Announcement of the Human Rights Policy and human rights due diligence2 ESG/Sustainability: Next medium-term management plan and long-term vision3 Human resource-related disclosures4 Discussions for enhanced compliance with the TCFD recommendations and for responding to the CDP questionnaire
March	<ul style="list-style-type: none">1 Priority issues related to ESG until 2026/medium-term ESG plan 20262 Report on anti-harassment training3 Composition of the ESG Committee for the next fiscal year



Roles

Board of Directors
Receives reports from the ESG Committees, deliberates, makes decisions and oversees the ESG Committee
ESG Committee
Formulates ESG-related policies and plans and make decisions on material matters Holds four meetings a year Chaired by the representative director and president and attended by outside directors and general managers
ESG Promotion Division
Acts as the ESG Committee administrative office and implements approved initiatives

Strategy

We conduct scenario-based analyses to identify and understand the financial and business impacts of future climate-related risks and opportunities under different scenarios (see table below) and evaluate the resilience of our strategies.

Reference Scenario

Category	Scenario outline	Key references
1.5°C / below 2°C scenario	A scenario in which policies / regulations are implemented to create a decarbonized society and the global increase in temperatures from pre-industrial levels can be limited to less than 2°C. Transition risks are high, but physical risks are lower than in the 4°C scenario.	<ul style="list-style-type: none">● IEA World Energy Outlook 2022. Sustainable Development Scenario● IPCC RCP2.6
4°C scenario	A scenario in which no new policies or regulations are introduced, and global energy-derived CO ₂ emissions continue to increase. Transition risks are lower but physical risks are higher in comparison with the 1.5°C / below 2°C scenario.	<ul style="list-style-type: none">● IEA World Energy Outlook 2022. Started Policies Scenario● IPCC RCP8.5

Risks and Opportunities

While the impact of climate change poses a major risk to ARATA's business, strategy, and finances, it could also present an opportunity to address the issues due to changes in consumer needs throughout the entire supply chain, including manufacturers and retailers, by leveraging

ARATA's functions as a wholesaler and trading company. The following risks and opportunities are considered to have a high-level impact on ARATA at the present time. We will continue to conduct scenario analysis and review risks and opportunities on a regular basis.

Category	Type	Level of impact		Description	Materialization timing
		1.5°C / 2°C	4°C		
Transition risks	Policies and regulations	Medium	Minor	Increase in costs due to introduction of carbon taxes and emissions trading, etc.	Short to medium term
	Technology	Major	Medium	Increase in investment costs accompanying the introduction of equipment that supports decarbonization	Short to medium term
	Reputation	Medium	Minor	Decline in sales due to a decline in reputation if measures to address climate change are inadequate	Short to medium term
Physical risk	Acute	Medium	Major	Damage caused by suspension of business operations and interruptions to logistics operations at distribution centers with a high risk of typhoons and storm surges	Short to medium term
	Chronic	Minor	Medium	Increase in energy costs due to rising temperatures and increased procurement costs for renewable energy	Short to medium term
Opportunities	Resource efficiency	Medium	Minor	Improvement in delivery efficiency due to implementing energy-saving measures and resulting reduction in costs	Short to medium term
	Products and services	Medium	Minor	Increase in sales due to the increased volume of environmentally friendly products handled	Medium to long term
	Market	Medium	Minor	Improvement in productivity from reducing CO ₂ emission reductions in the supply chain and resulting reduction in costs	Medium to long term
	Resilience	Minor	Medium	Improvement in reputation and acquisition of new business opportunities by actively promoting measures to address climate change	Medium to long term

[Level of impact]

Major: Significant impact on business and finance
Medium: Some impact on business and finance
Minor: Minor impact on business and finance

[Occurrence timing]

Short term: -2026
Medium term: -2030
Long term: 2050

Risk Management

ARATA's Legal & PR/IR & ESG Department work to identify company-wide risks, including climate-related risks. The ESG Committee and Board of Directors then comprehensively assess the magnitude of impact of such risks on management and consider appropriate

countermeasures. Legal & PR/IR & ESG Department serve as a contact point for measures that have been decided and implement initiatives in cooperation with other divisions to reduce risks.

Metrics and Targets

We have set the following numerical targets for climate change mitigation.

Going forward, we will proceed with the calculation of GHG emissions (Scope 1 and Scope 2) and other categories of Scope 3 emissions on the ARATA Group consolidated basis. At the

GHG emissions Reduction targets	FY26/03 30% reduction (of Scope 1 and 2 emissions on a non-consolidated basis from the FY14/03 level)
	FY30/03 50% resuction (of Scope 1 and 2 emissions on a non-consolidated basis from the FY14/03 level)
	FY50/03 carbon neutrality

* As of March 2023, Scope 1 and 2 emissions on a non-consolidated basis are included in our calculations. In the future, we will calculate emissions on a consolidated basis and we will calculate Scope 3 emissions. We will study targets as needed.

GHG Scope12

	FY2013 (Base Year)	FY2020	FY2021	FY2022
Emissions (t-CO ₂)	24,437	22,009	19,107	17,029
Reduction rate (Compared with FY2013)	–	9.9%	21.8%	30.3%

GHG Scope3 (FY2022)

Scope 3 category		FY2020	FY2021	FY2022
Total		14,990	17,946	2,747,141
Category 1	Purchased products and services	–	–	2,708,174
Category 2	Capital goods	–	–	7,747
Category 3	Fuel- and energy-related activities	–	–	2,997
Category 4	Transportation and distribution (upstream)	14,990	17,946	24,913
Category 5	Waste generated by operations	–	–	627
Category 6	Business travel	–	–	259
Category 7	Employee commute	–	–	2,423

* From the current fiscal year onwards, more Scope 3 emissions categories are included in the scope of our calculations. In the future, we will gradually expand the scope of our calculation to include other categories.

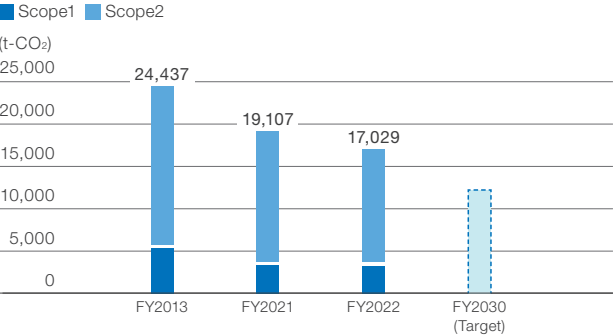
Initiatives to reduce GHG emissions

To reduce our GHG emissions, we are implementing energy conservation measures including the installation of LED lighting, the replacement of air conditioners with higher-efficiency air conditioners and the shift of company vehicles to environmentally-friendly vehicles. In addition, we will proactively utilize renewable energy, including the procurement

of electricity derived from renewable energy sources and the installation of photovoltaic power generation systems.

It is not possible to reduce Scope 3 emissions without reduction efforts throughout the supply chain. We will work with suppliers to reduce emissions.

GHG emissions (Scope1, 2)



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 ecofriendly products, we are helping reduce plastic.



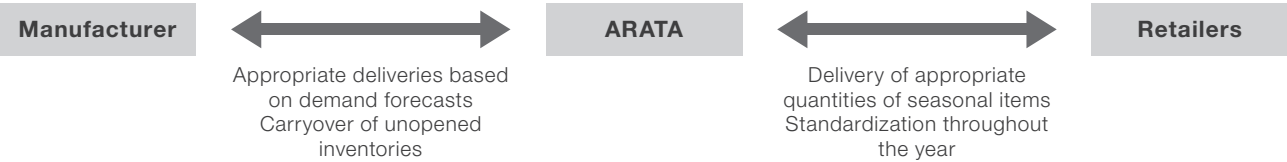
Number of participating stores		Results of Let's Choose! 3R Campaign 2022
2017	Approx. 1,100 stores	Total reduction in plastic Approx. 2,583.0t
2018	Approx. 4,700 stores	
2019	Approx. 6,800 stores	Amount of recycled plastic used Approx. 457.5t
2020	Approx. 12,000 stores	
2021	Approx. 15,000 stores	
2022	Approx. 19,000 stores	

* Based on results published by the Ministry of the Environment

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 tend 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

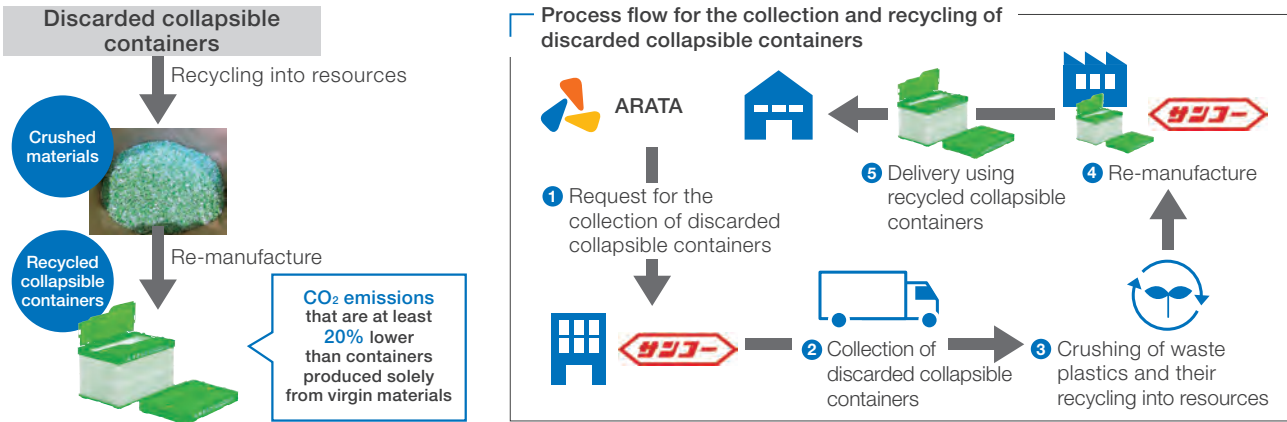
and disposal of goods. In addition to improving supply chain efficiency through industry-wide activities to reduce returns in cooperation with retailers and manufacturers, it is also regarded as an important initiative that will lead to the creation of common shared value (CSV), yielding economic benefits and helping solve environmental problems. ARATA is therefore engaged in ongoing activities to reduce returns.



The closed-loop recycling of collapsible containers

In a new initiative for the circular use of plastics, we began the closed-loop recycling of collapsible containers with SANKO Co.,Ltd. a manufacturer of logistical materials. These containers are indispensable in the delivery of products in our logistics operations. Damaged and discarded collapsible

containers are recycled into new collapsible containers, resulting in CO₂ emissions that are at least 20% lower than containers produced solely from virgin materials. These recycled collapsible containers are used by us, leading to the circular use of resources.



Social

Human Resources

Becoming a Company Where Employees Find Work Fulfilling



ARATA 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 promoting 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. We are investing in human resources, enhancing our personnel schemes, and building a system that enables 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. In December 2022, we formulated the ARATA Group Human Rights Policy. It can be viewed on our website. For our employees, we clearly specify our policy on respecting human rights in the ARATA Policies booklet that all employees carry with them. We seek to familiarize them with these policies through training and other means.

ARATA Group Human Rights Policy
<https://www.arata-gr.jp/en/csr/social/>

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

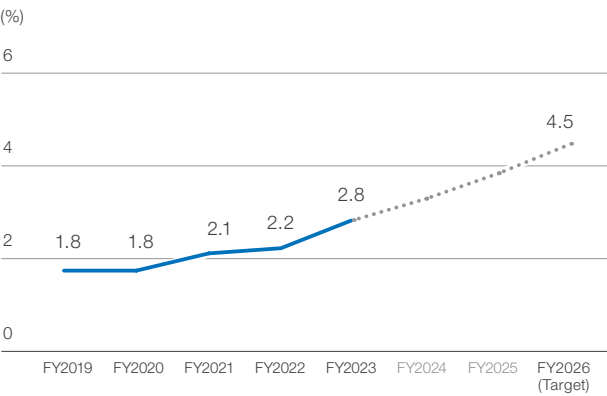
The generation of innovation through the employment of diverse human resources, without making any distinction according to nationality, gender, age or other characteristics, is necessary to achieve sustainable corporate growth and, in face of increasing labor shortages due to population decline, we 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.

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



Implementation of employee engagement survey

In 2020, we began conducting employee awareness surveys to assess employee attitudes towards aspects such as their own work, work styles and ARATA's organizational culture using a five-option multiple-choice evaluation system.

In addition to the multiple-choice evaluation, there is also a message field, allowing the opinions of employees to be delivered directly to senior management.

By identifying issues from the results of these awareness surveys and linking them to improvements in our

personnel systems, we aim to create a workplace environment where employees can work with motivation and enthusiasm.

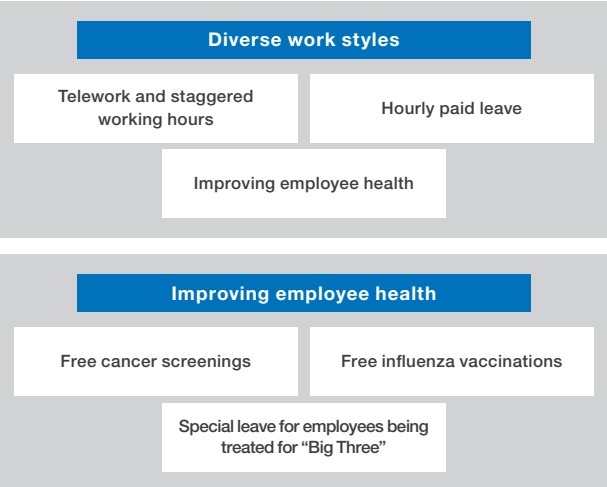
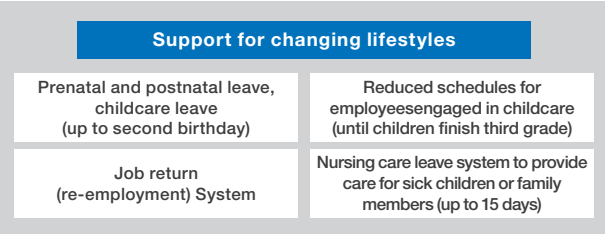
As one improvement measure based on the survey results, we increased the salary levels from April 2022. We also enhanced our childcare and nursing care schemes to increase flexibility of work styles.

Going forward, we will continue to conduct surveys to foster a sense of trust between the company and its employees.

Enhancement of systems for the realization of diverse work styles

Policy on the improvement of the labor environment

To support changes in employees' lifestyles and improve their work-life balance, we are working to create an environment where employees can continue working at ARATA in the long term.



Basic Human Resources Data

(All figures are on a non-consolidated basis, excluding temporary and part-time employees)

Basic Human Resources Data		FY21/03	FY22/03	FY23/03
Number of employees (persons)	Total	2,089	2,060	1,998
	Male	1,566	1,530	1,476
	Female	523	530	522
Number of new employees (persons)	Male	25	14	17
	Female	17	11	16
Number of mid-career hires (persons)	Male	24	16	13
	Female	17	11	8
Average years of service (years)	Male	20.1	20.1	20.3
	Female	13.7	14.1	14.8
Ratio of female managers (section chief or higher)(%)		2.1	2.2	2.8
Ratio of female managers (supervisor) (%)		5.3	6.2	6.6
Ratio of female employees in career track positions or higher (%)		13.0	15.4	16.1
Number of employees from overseas* (persons)		25	25	28
Number of people with disabilities (%)		2.48	2.42	2.58

*Including technical intern trainees from overseas.

Degree of Utilization		FY21/03	FY22/03	FY23/03
Paid leave use rate (%)		50	51	52
Number of employees taking childcare leave (persons)	Male	21	25	36
	Female	49	31	48
Ratio of employees returning to work after childcare leave (%)		91.8	100	93.8
Number of employees on reduced schedules(persons)		61	59	55
Number of employees taking leave to provide nursing care for children (persons)		60	73	82
Number of employees taking nursing care leave(persons)		18	27	23

Development Policies and Training

Human Resource Development Policy

The ARATA Group seeks to be a company where all employees have job satisfaction and are able to work long term. To encourage every individual employee to act towards the achievement of challenging and ambitious goals, we have constructed an environment with fair and impartial personnel evaluations. This enables the

personnel achieving good things, irrespective of their age, to display their potential in high-ranking positions early in their careers.

We have established a wide range of training programs to strengthen employees' skills at every career stage, from new employee to manager.

Main training and development programs

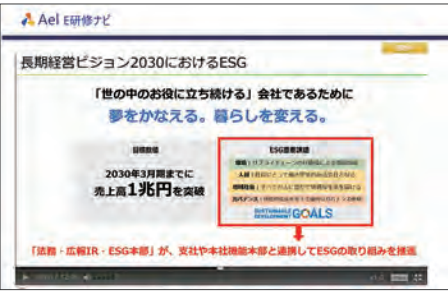
Managers	Training for newly appointed managers		Company-wide IT skill Education	Ael E-training navi e-learning for all employees	Qualification acquisition support system Cosmetic Skill Certification Logistics skills test Retail marketing skills test Information Technology Passport Examination Information security management Other
	Training for newly appointed team leaders				
Regular employees	Management				
	Proposal-type training II	On-site management training PLUS			
		On-site management training			
	Proposal-type training I	Training on warehouse management and skills for guiding young personnel			
		Target setting and PDCA training			
	Sales training for new employees	Data analysis skills training			
	OJT trainer program				
Basic training for new employees					

Ael E-training navi

Apart from in-person training programs, we provide Ael E Training Navi e-learning programs for all employees.

Ael E Training Navi provides high-quality learning opportunities on the Intranet. They are available to all employees irrespective of department or position whenever they are needed.

At present, there are 134 different pieces of e-learning content. We will continue to provide active learning opportunities to staff members.



Ael E-training navi

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	2021	20	Qualification aimed at developing human resources with advanced expertise on products, sales techniques, purchasing, inventory management, marketing, etc. necessary for sales
	2022	14	

Cosmetic Skill Certification: Number of successful applicants	2021	82	Qualification which confers a wide range of beauty knowledge covering aspects such as the ingredients and effects of cosmetics and nail care
	2022	54	

Logistics SkillsTest: Number of successful applicants	2021	34	Only public qualification in the logistics management sector demonstrating a systematic understanding of logistics related knowledge
	2022	14	

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.

Collaboration event with 24 students at Prof. Hondo's seminar at Tokyo Keizai University

On August 4, 2023, we jointly held a meeting for making marketing proposals with a focus on the fabric softener category with 24 students that participated in Professor Takayasu Hondo's seminar at Tokyo Keizai University.

We began to organize joint events with this university in April 2021. We have given advice based on our expertise to the students submitting proposals based on their analyses.

The students were split into four teams. They analyzed the status quo, surveyed market needs and selected targets from their own perspectives to create effective marketing promotion proposals from a practical perspective. This was also a beneficial opportunity for us.



Participation in demonstration experiment on joint deliveries of daily necessities to disaster-hit areas in a hypothetical major disaster

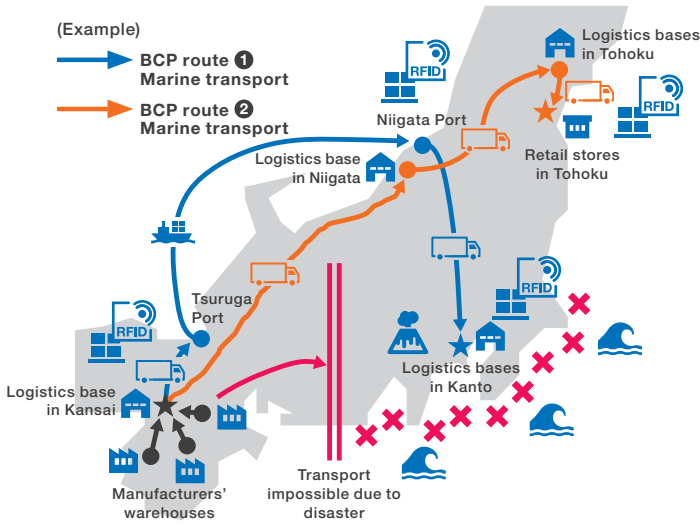
In January 2023, ARATA took part in a demonstration experiment on the development of distribution and logistics networks utilizing joint deliveries in disaster-hit areas using RFID tags during a hypothetical major disaster. The project was commissioned by the Ministry of Economy, Trade and Industry for the construction of a platform for streamlined distribution and logistics and the creation of added value (the creation of examples for increasing the resilience of distribution using IoT technologies) in FY2022.

In a hypothetical scenario where goods needed to be transported from western Japan through Niigata as a key logistics point on the Sea of Japan side of Japan to the Kanto and Tohoku regions when the main roads and other means of transport to the Kanto region have been disrupted by an earthquake, tsunami or other major disaster on the Pacific side, the experiment tested joint deliveries using two routes. One was a marine transport route and the other was an overland transport route. In January, a demonstration experiment of the marine transport route was conducted first. It was confirmed that manufacturers and wholesalers were able to instantly identify the locations of daily necessities.

As a company dealing in daily necessities, we will work with our entire supply chain to build a strong distribution and logistics network to smoothly supply goods even in the event of a large-scale disaster.

Diagram of the demonstration experiment

Hypothetical disaster	The routes on the Pacific side of Japan for supplying goods to the Kanto and Tohoku regions is disrupted by a major disaster such as an earthquake or tsunami.
BCP route ①	Marine transport using ferries
BCP route ②	Overland transport involving multiple logistics bases

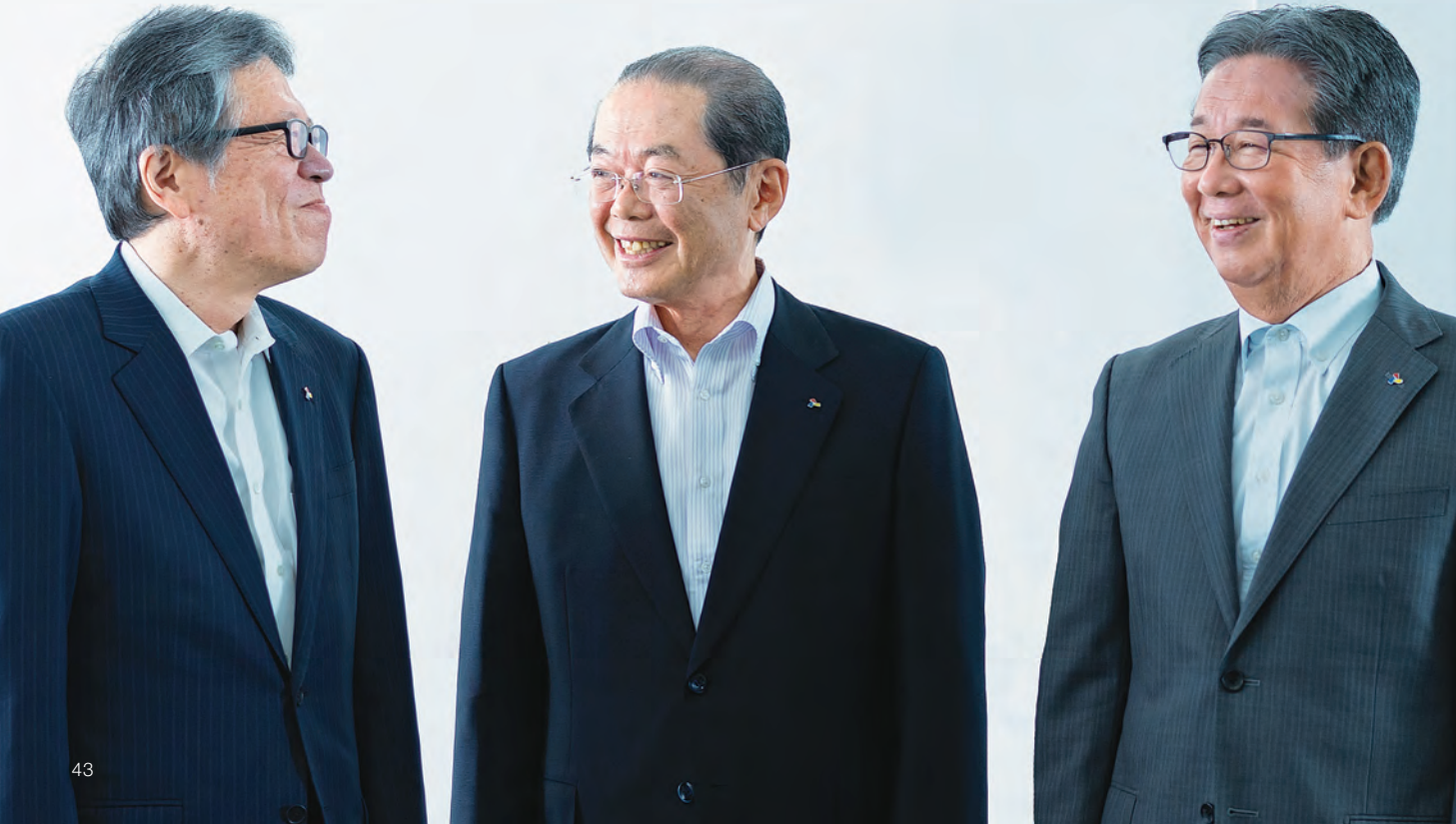




Trialogue of Three Directors

Working towards the establishment of a sound governance framework

Nobuyuki Hatanaka ✕ Mikihisa Ito ✕ Yuji Nasu



An ever-evolving governance framework

Hatanaka ARATA established its Nomination and Remuneration Committee in 2019 and it became a company with an Audit and Supervisory Committee in 2021. What is your view on the Company's governance framework?

Ito I was appointed to be a director in 2008, a corporate auditor in 2018 and an Audit and Supervisory Committee member in 2021. From these different positions, I have watched the governance structure change. To start with the conclusion, I feel that it has been steadily becoming better in line with the size of the company. At the beginning, the Board of Directors made decisions after listening to the details of proposals from the execution team. Gradually, the division of roles became clearer. In 2012, we had our first outside directors. At that time I realized the importance of utilizing the wisdom of people outside the organization. The outside directors advised us in the process of changing from being a company with a Board of Company Auditors to a company with an Audit and Supervisory Committee, which enabled us to share the idea that the change must not be a mere formality. Today, we discuss the remarks of individual directors. We now have a mechanism for monitoring issues that need to be monitored at future meetings. As Chairman of the Board of Directors, Mr. Hatanaka deeply understands the positions of the individual committees and worked to enhance them. I am convinced that his efforts led to the establishment of the governance system with its well-balanced proactive and defensive functions.

Hatanaka Following the outside directors joining us and listening to their opinions about management from different perspectives, our awareness of governance began to increase. The biggest task of the Nomination and Remuneration Committee is to choose the next president. We will carry out the successor development plan in a transparent manner. Our change into a company with an Audit and Supervisory Committee made the exchange of opinions at Board of Directors meetings more lively. Outside our company, there has been a trend towards the reduction of internal directors and increasing the number of outside directors. I am planning to introduce young personnel who will play active roles in the future to the Board of Directors to

give them opportunities to improve their management skills. Mr. Nasu, you have been a director for a year. What are your honest impressions?

Nasu After my first month as a director, I had come to like ARATA very much. The company has very clear philosophy, sense of mission and orientation, and it also has a solid foundation supporting it. Seeing every single employee working hard and seriously, I realize that it is really a brilliant company. The Board Directors very actively discusses issues and I comment without hesitation about the things that I have discovered. Centering around the chairperson, the administrative office works fine. I feel that discussions are deeper every time a meeting is held. Regarding weaknesses, the members seem to be so serious that they have a strong sense of avoiding going beyond the scope of their own duties. During the COVID-19 pandemic, it was difficult to communicate. Even so, they looked a bit too reserved because they respected each other's positions too much. I feel there is room for building more organic relationships between the head office and the branches.

Issues in the assessment of the effectiveness of the Board of Directors

Hatanaka Our Board of Directors analyzes and assesses its own overall effectiveness to ensure the effective implementation of corporate governance. What issues you do feel are involved in this process?

Ito Currently, we use an assessment sheet created internally to gather data. I suppose that our internal assessments are at a certain level. Outside Japan, more and more companies have nomination committees and it is becoming a standard to have assessments performed by external parties. However, we as a company with an Audit and Supervisory Committee function sufficiently. I think that we should place greater emphasis on internal assessments than on external ones. It is an possible option to introduce an assessment sheet that is prepared outside to make the assessment more objective.

Nasu It is very difficult to evaluate effectiveness. My basic attitude is a spirit of working for the company. It is the opposite of the concept of the spirit of working for yourself. I believe that remarks based on prioritizing yourself or your



The whole company will be united for the acceleration of growth

Nobuyuki Hatanaka
Chairman of the Board
(Chairman of the Board of Directors)

Dialogue of Three Directors

organization over the company will weaken governance. When we pay attention to commenting in line with the for-the-company principle, board members will perform their functions and the Board of Directors will be more effective.

Hatanaka Who chairs the Board of Directors may be one of the factors that affect the assessment of effectiveness of the Board of Directors. Today, the option of choosing the chairperson from among the outside directors is being discussed. Now I am Chairman of the Board of Directors but not representative director. In fact, my way of seeing things now is different, or more independent, than when I was representative director and president and also an executive officer. If the Board of Directors is more objective and rated to be more effective when it is chaired by an outside director, we may adopt this option in the future.

Views on Medium-Term Management Plan 2026

Hatanaka The new Medium-Term Management Plan 2026 has been developed. What do you have to say about it from a third-party point of view?

Ito Traditionally, ARATA had developed its plans by thinking from the start to the end. Then, we steadily fulfilled the targets. However, when we formulated Long-Term Management Vision 2030 and Medium-Term Management Plan 2023, we thought ten years into the future for the first time. This was a major change comparable with changing from zero to one. I often say that the difference between zero and one is significant while the gap between one and ten is small. This effort was revolutionary. I feel that Medium-Term Management Plan 2026 represents a stronger determination to try new things. I think we should prepare best-case and worst-case scenarios in addition to the base scenario. Our customers include e-commerce companies. However, if we make pessimistic assumptions such as a sharp plunge in sales after manufacturers begin direct sales and other e-commerce developments, we may have more creative targets or targets that are more worth attempting.

Nasu I think this is an excellent plan. Instead of a conventional plan made through the accumulation of on-site efforts, first, we have Long-Term Management Vision 2030, and we reached some milestones during Medium-Term

Management Plan 2023. Next, we will strive towards the next milestones. The new medium-term management plan sets rather challenging targets, but it also has a growth strategy and proposes the strengthening of our foundation and the enhancement of the environment. I find it very impressive.

Hatanaka It is good that the premise of the plan was Long-Term Management Vision 2030 and it was modified with a view toward quickly realizing it. I feel the phrase “acceleration of growth” will be understandable to employees. In the 20-year period since our foundation, we have concentrated on uniting the companies we have merged with and building the foundation of our business. In the past few years, the seeds we have sown have sprouted and we have become ready. We have harmonized internal and external goals and announced a single goal. I think this is really innovative. In the future, we will focus on sustainability transformation (SX) and aim for both corporate sustainability and social sustainability. I am sure that we have made our first step towards pursuing not only business performance but also ESG efforts towards aligning our corporate goals with the goals of society in accordance with the changes in society.

Nasu Monitoring is vital to the realization of the plan. We are able to monitor quantitative performance looking at things such as net sales and ordinary profit. The difficulty lies in qualitative performance. Take the strengthening of our foundation, for example. If we clarify the things that should be done this year, next year and the year after next in the areas of information technology (IT) and digital transformation (DX) and create a work schedule with a timeline, the Board of Directors will be able to watch the progress. As an outside director, I will give advice on plans that are hard to accomplish without taking risks in this situation.

Hatanaka For the current year, a price book value ratio (PBR) of more than one will be at the heart of the deliberations of the Board of Directors. We will substantially discuss what is necessary for raising the company’s share price at Board of Directors’ meetings. We will monitor the Board of Directors and participate in its operations regarding the fundamental subjects of the share price, the results of the business, the growth strategy and the methods for making information about them known to the public.

Paying attention to working for the company to ensure that board members perform their functions

Yuji Nasu
Outside Director



Building governance that has a good balance of proactive and defensive actions

Mikihisa Ito
Former Director, Member of Audit and Supervisory Committee

Investing in human capital to build an organization

Hatanaka We have recently revised our personnel system. Let me hear what both of you think about it.

Nasu The new personnel systems is a fairly decisive step for the company. I was surprised to hear that the pay system revision would increase wages by as much as 10% on average. The new system includes fair evaluations that are not swayed by age or gender, early promotion, the introduction of a program for senior employment and area manager positions, and measures for the active participation and career advancement of women. I think that it has been flexibly designed. In society, the number of people calling for pay raises are increasing. In anticipation of this, we have already raised wages in April. This convinces me that we have succeed in implementing management that looks toward the future. We have changed the personnel system for the better. Now, we are aware that it is also our duty to ensure that employees understand this new system accurately, and we will make efforts to do this.

Ito Under the new personnel system, the people achieving good results will have their pay increase and people who do not will have their pay decrease. It will be difficult to determine how to inform the staff. Under the new system, not everyone will be happy. Everyone that works hard will be happier. New systems always have both upsides and downsides. There are several advantages but also disadvantages. The point is that we should examine the unexpected issues that develop to swiftly remedy them. In the past, efforts to achieve sustainability were seen as contradictory to business. I believe they will surely be compatible with business in the medium and long term. Of course, they may appear to conflict when looking at just the current fiscal year. I feel it is important that the management team believe that the sustainability efforts will become compatible as they are continued.

Hatanaka It is not that only the personnel system was changed. This was an opportunity to think deeply about human capital management. Surprisingly, worker engagement in the company is much lower in Japan than in other countries, but at the same time a survey shows that their intention to change jobs is low. How we increase employee engagement

is a significant key to our continuous growth. Japanese prime minister Fumio Kishida announced that his government would invest 1 trillion yen in support for re-skilling over five years. We need to use re-skilling to internally develop the personnel who will play active roles in our growth areas. The people responsible for human resources management in the future will need to perform not only the conventional duties of the heads of personnel affairs organizations, but also the roles expected of chief human resources officers (CHROs). They are to talk with employees, give advice when consulting employees about their career plans, increase employee motivation and development, and maximize the value of human resources. I believe that this is the utilization of human capital and it is human capital management.

Message to Stakeholders

Hatanaka Finally, please share a message with our stakeholders.

Nasu I aspire to develop a mechanism that makes it easier for people to submit proposals regarding things they want to do at ARATA and what they want ARATA to be like. To accelerate growth, I will propose measures that unite everyone in moving forward.

Ito I have visited customers and told them we are a wholesaler that understands both manufacturers and retailers. Today, ARATA is a platform that surpasses the wholesaler framework. Our functions are said to be collection and distribution. We do collect and distribute not only goods but also information. I hope that you will be confident that we are addressing complicated multi-dimensional permutations and combinations of issues called the Value Added Network (VAN) and that you will understand our corporate value.

Hatanaka I will seek to reach perfection in terms of the performance of a chairperson. I will propose ideas to the management team from a broad perspective. I will communicate the same message internally and externally. I believe that forming a good picture and uniting the whole company towards the acceleration of growth will be necessary for success. We will think deeply about being robust, fair and fun again. We will make steps forward towards the accomplishment of Medium-Term Management Plan 2026.

Governance

Board of Directors (As of June 27, 2023)

Directors



Nobuyuki Hatanaka
Chairman of the Board of Directors
Chair of the Nomination and Remuneration Committee

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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
Chair of ESG Committee
General Manager of Corporate Strategy Planning

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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 position of Representative Director and President, Executive Officer in 2017, and has led the Company's management since then. He has built a solid track record and produced successful results, and contributed to achieving the targets of the Company's previous medium-term management plan that started from the fiscal year ended March 2021. He is currently promoting each strategy in the Medium-Term Management Plan 2026 to achieve the Long-Term Management Vision 2030.



Toshiyuki Omote
Director and Executive Vice President
General Manager of Sales

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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.



Yuji Nasu
Outside Director

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As president and representative director of a Sumitomo Corporation Group company, he has high-level expertise and experience in overseeing all aspects of corporate management. He supervises the management of the Company and its appropriate execution of business and gives advice from an objective perspective. He accepted the position of an Outside Director of the Company in June 2022.



Noriko Yao
Outside Director

New Appointment

Noriko Yao capitalizes on her abundant experience, specialist knowledge and deep insight as an international lawyer to provide appropriate advice on management and the execution of business and to oversee and audit the Company's administration of business from an independent standpoint. She accepted the position of an Outside Director of the Company in June 2023.



Yoshiro Uryu
Director and Senior Managing Executive Officer
General Manager of Administration, General Manager of Personnel Department and Deputy General Manager of Corporate Strategy Planning

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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 was involved in formulating the Long-term Management Vision as General Manager of Corporate Strategy Planning. Currently, he serves as Director, Senior Managing Executive Officer, General Manager of Administration, General Manager of Personnel Department and Deputy General Manager of Corporate Strategy Planning. He works to develop personnel who will support the Company in the future and to carry out growth strategies.



Seiichi Kochiya
Director and Senior Managing Executive Officer
President of Capital Area Branch and Deputy General Manager of Sales

New Appointment

Seiichi Kochiya has expertise in distribution practices based on his experience in logistics and sales. In 2018, he began playing a part in achieving the growth of the business as Executive Manager and President of Capital Area Branch. From April 2023 onwards, he has served as Senior Managing Executive Officer, President of Capital Area Branch and Deputy General Manager of Sales. He strives to implement strategies to increase profit and the results of the business by increasing the strength of sales from a companywide perspective.



Takahiro Furiyoshi
Director and Managing Executive Officer
General Manager of International Business and Manager of Business Development

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Takahiro Furiyoshi has worked in the sales division and is well-versed in the distribution sales workplace, and has specialist knowledge in the field. In 2015 he became General Manager of Sales. Since 2017, he has been Director and Managing Executive Officer, and General Manager of Business Development Division, engaging in efforts for the development of new businesses and growth of the overseas business, which will be key pillars for the next generation of ARATA's business. Since April 2023, he has also been serving as General Manager of International Business to carry out measures for achieving Long-Term Management Vision 2030.



Hideo Ishii
Outside Director, Member of Audit and Supervisory Committee

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Hideo Ishii has experience in overseeing the entire business of a company due to serving as Director and President at Japan Investor Solutions & Technologies Co., Ltd. and in other posts. He was appointed Outside Director of the Company in 2018. He makes judgments and remarks on the Company's management from an objective viewpoint. He became a Director who is an Audit and Supervisory Committee member in June 2023.



Satoshi Hiramitsu
Outside Director, Member of Audit and Supervisory Committee

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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 and Supervisory Committee

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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.



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

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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 Executive Officer and General Manager of Product Merchandising since 2018. He became Director and Managing Executive Officer, General Manager of Product Merchandising in 2021, and has worked on enhancing the handling of attractive products, which is a crucial part of the Company's operations.



Akihito Mizuno
Director, Representative Director and President of Japell Co., Ltd.

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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

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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

Hitoshi Takiguchi
Senior Managing Executive Officer
President of Hokkaido Branch

Yoshihisa Morishima
Senior Executive Officer
President of Chubu Branch

Hironori Maekawa
Senior Executive Officer
General Manager of Logistics

Futoshi Imazu
Executive Officer
President of Chushikoku Branch

Shichiro Izaki
Executive Officer
Logistics Supervisor of Kansai Branch

Hideyuki Yamada
Executive Officer
General Manager of IT Reform and DX Promotion

Hidehiro Tanaka
Executive Officer
General Manager of International Business Division, International Business Department

Koki Nakagawa
Executive Officer
Manager of sales, Sales & Sales Planning Department

Takuya Chiba
Executive Officer
President of Tohoku Branch

Nakaba Nebashi
Executive Officer
General Manager of Operations and Manager of Accounting and Finance
Deputy General Manager of IT Reform and DX Promotion

Nobutaka Tsuchiya
Executive Officer
General Manager of Legal, Corporate Communications and IR and ESG Divisions, and Manager of Legal Affairs, General Affairs and Administration, and ESG Promotion

Masayoshi Nishio
Executive Officer
President of Kyushu Branch

Masayuki Shimizu
Executive Officer
President of Kansai Branch

Koichi Kuroda
Executive Officer
International Business HQs (Temporary assignment) Deputy General Manager at Xin Zhong Shang

Status of Attendance at Board of Directors' Meetings (FY23/03)

Status of Attendance at Audit and Supervisory Committee Meetings (FY23/03)

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

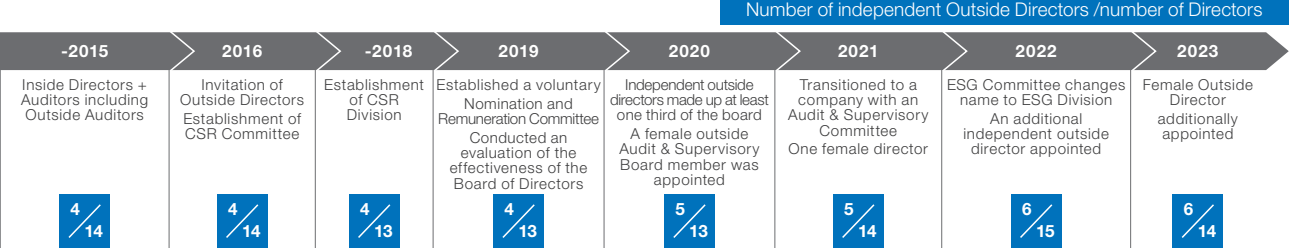
on activities to investors, employees, business partners, and others, and enhances the transparency of management.

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.

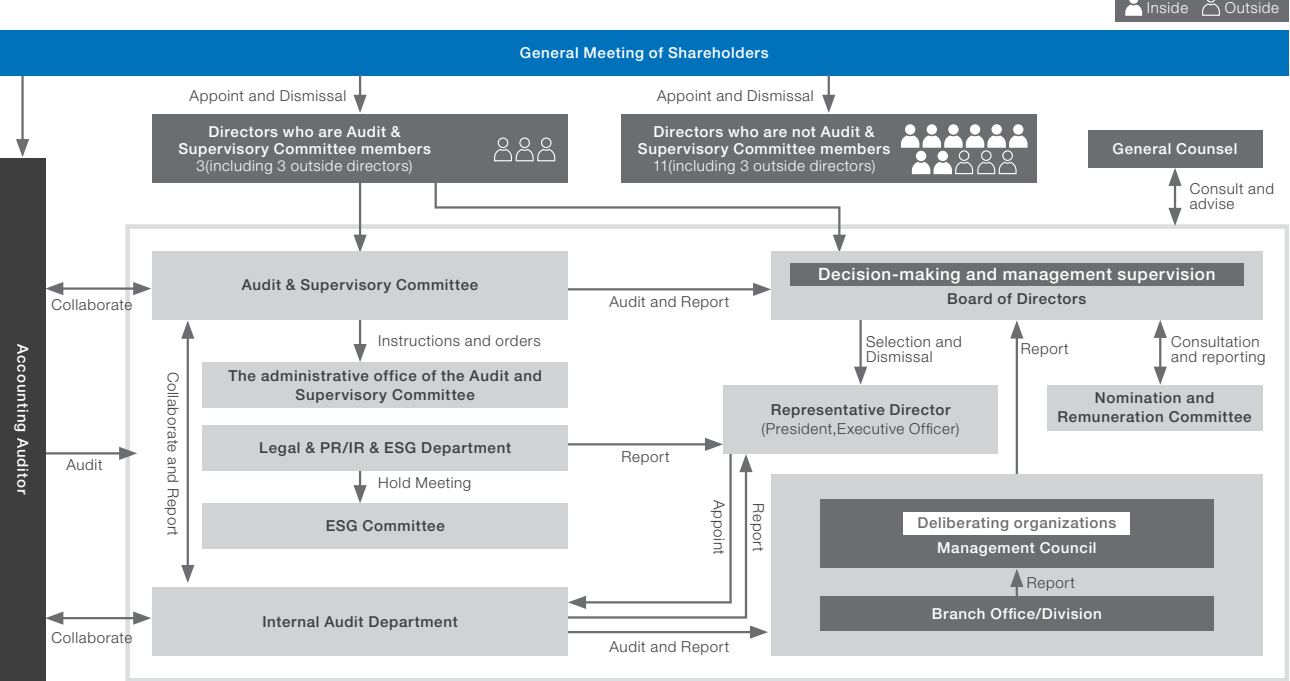
In addition, in the course of conducting business activities, we recognize that fulfilling our corporate social responsibility (CSR), such as compliance, environmental measures, and respect for human rights, is as important as improving business performance, and we believe that the management oversight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



Corporate Governance Framework



Corporate Governance Structure

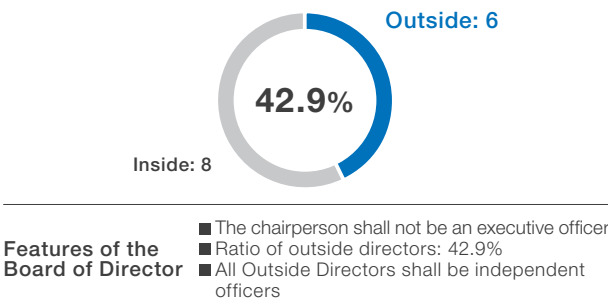
Board of Directors

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 following skills matrix shows the expertise and experience which each member of the Board of Directors (i.e. Director) is expected to have.

Number of Meetings in FY23/03 12 times

Ratio of independent outside directors



Skill matrix

Skills	Description of skills	Skills	Description of skills
Business strategy	Continuous growth requires that directors hold advanced knowledge and a good deal of experience regarding marketing, logistics, information technologies and systems from purchases to sales related to the wholesale business as well as the ability to comprehensively develop and implement business strategies from medium- and long-term perspectives.	Sustainability	The fulfillment of the sustainability-related targets set in Long-Term Management Vision 2030 and the shift to ESG management require considerable knowledge in the area of sustainability.
Management	The development and implementation of strategies for continuous growth requires expertise in business and knowledge of industry trends as well experience and achievements in corporate management.	Compliance and Legal affairs	The establishment of a robust governance structure that serves as the foundation for continuous growth requires directors to have a good deal of knowledge about risk management and corporate governance and be skilled in overseeing management from a legal perspective.
Financial accounting	The development of financial strategies for increasing corporate value requires ample knowledge and experience in the area of financial affairs and accounting from an administrative point of view. People with experience working for financial firms and people qualified as certified public accounts are considered to have knowledge and skills in financial affairs and accounting.	Global	The enlargement of the overseas business, a key issue in Long-Term Management Vision 2030, requires that directors have a global perspective with experience and skills in the management of businesses overseas.
Personnel/Labor management	The realization of Long-Term Management Vision 2030 and the continual growth of corporate value require directors with solid knowledge and experience in personnel affairs, organizations and internal control, based on the idea that a company's most important asset is its personnel.		

Name	Number of Independent Directors	Title	Business strategy	Management	Financial accounting	Skills Personnel/Labor management	Sustainability	Compliance and Legal affairs	Global
Nobuyuki Hatanaka		Chairman of the Board of Directors		●					
Hiroaki Suzuki		Representative Director and President	●	●		●	●		
Toshiyuki Omote		Director and Executive Vice President	●				●		
Yoshiro Uryu		Director and Senior Managing Executive Officer	●	●	●	●	●		
Seiichi Kochiya		Director and Senior Managing Executive Officer	●	●			●		
Takahiro Furiyoshi		Director and Managing Executive Officer	●	●					●
Hidetaka Hatanaka		Director and Managing Executive Officer	●		●		●		
Akihito Mizuno		Director	●	●		●			
Yoshihisa Aoki	●	Outside Director		●			●		●
Yuji Nasu	●	Outside Director		●			●		●
Noriko Yao	●	Outside Director				●		●	●
Hideo Ishii	●	Outside Director, Member of Audit and Supervisory Committee		●	●	●	●		
Satoshi Hiramitsu	●	Outside Director, Member of Audit and Supervisory Committee			●		●	●	
Tomoko Sakamoto	●	Outside Director, Member of Audit and Supervisory Committee				●	●	●	

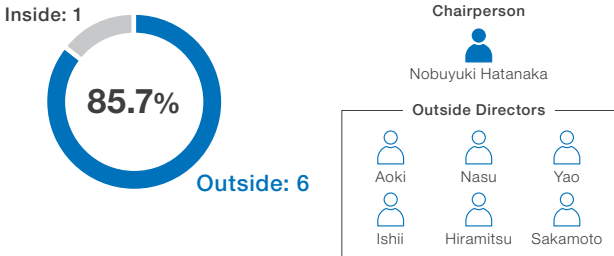
Corporate Governance

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 FY23/03 6 times

Ratio of outside directors



- Features of Nomination and Remuneration Committee
- He committee chairperson shall not be an executive officer
 - Ratio of Outside Directors: 85.7%
 - 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) to be submitted to the

- Board of Directors
- (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) and identification of the generation of management, which are recognized as a particularly important part of the Nomination and Remuneration Committee's role, the committee conducted group interviews involving 42 senior managers twice in November 2022 and February 2023. 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.

The interviews focus on finding and developing human resources to become a company that will continue to grow in 2030 and beyond.

Interview themes(excerpt)

- 1 Contribution to the Company through performance and other works
- 2 Progress towards fulfilling the targets in the medium- and long-term strategies
- 3 Activities for ESG improvements
- 4 Personnel management in the Company and in organizations

Board of Directors

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.

Evaluating the effectiveness of the Board of Directors

Since 2019 ARATA has been conducting evaluations of the effectiveness of its Board of Directors, to make corporate governance function effectively. Following the evaluation of effectiveness in 2023, directors raised issues, including the following. They are set to discuss how to address them in the future.

- Items for improvement
- Quicker publication of materials and agendas
 - Regular monitoring of investment projects and strategies
 - Workshops on the revision of laws and the Tokyo Stock Exchange's listing criteria

To address the issues mentioned above, we will discuss them as agenda items in future Board of Directors meetings to implement improvements.

Officers' remuneration (FY23/03)

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

Ratio of outside directors



Number of Meetings in FY23/03 12 times

Cross-shareholdings

Category	FY21/03	FY22/03	FY23/03
Number of shares (stock)	97	97	97
Number of shares (stock) of listed companies	58	58	58
Total consolidated balance sheet amount (¥ million)	9,895	8,911	8,458
Total amount of listed companies (¥ million)	9,715	7,932	8,280
Ratio to consolidated net assets (%)	10.87	9.27	8.29

base remuneration, performance-linked bonuses and stock remuneration (Board Benefit Trust or BBT). Base remuneration is based on factors such as business results and employees' salary increase rate, length of service, business management skills, achievements and degree of contribution, and the Company's policy is adopt a design which reflects factors such as right of representation, responsibilities of position, and contribution to management.

Officer category	Total amount of remuneration, etc. (¥ million)	Total amount of remuneration, etc. by type (¥ million)			Number of eligible officers (persons)
		Base remuneration	Performance-linked bonuses	Provision for BBT	
Directors (Outside Directors)	327(28)	233(28)	-	94(-)	11(4)
Directors who are Audit & Supervisory Committee members (Outside Directors)	25(12)	25(12)	-	-	3(2)
Total (Outside Directors)	353(40)	259(40)	-	94(-)	14(6)

(Notes)1. As of the final date of the fiscal year concerned, the Company had 12 directors, excluding Audit and Supervisory Committee members, and three directors who are also Audit and Supervisory Committee members. The figures above do not include one director who is not an Audit and Supervisory Committee member, because this director receives no remuneration.
2. The total amount of remuneration for Directors does not include employee salaries for the Directors who concurrently serve as employees.
3. The performance indicator for the performance-linked remuneration is ordinary profit.

Compliance

ARATA has presented its stance on legal compliance in the ARATA Corporate Conduct Guidelines, and is working to enhance compliance throughout the Group.

In terms of the compliance structure, the Legal Department within Legal & PR/IR & ESG Department serves as a legal consultation point for the entire company and promotes group-wide activities to raise compliance awareness by handling compliance training, checking contracts and

Position toward compliance in the ARATA Corporate Conduct Guidelines

- 1

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.
- 2

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.
- 3

We will perform accounting procedures in accordance with the law and will not engage in antisocial behavior such as accounting fraud.
- 4

We will not participate in improper transactions with the company for personal gain.
- 5

We will not undertake work in the same industry outside the company.
- 6

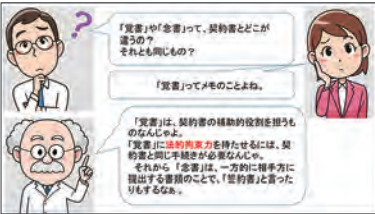
We will be resolute in standing against unjust demands by antisocial forces and will have absolutely no dealings or any ties whatsoever with antisocial forces.

Initiatives to raise employees' awareness of compliance

We conduct continuous in-house training to comply with laws and regulations relating to business activities, with the Legal Department playing a central role. We work constantly to improve, instill, and thoroughly spread compliance

2022-

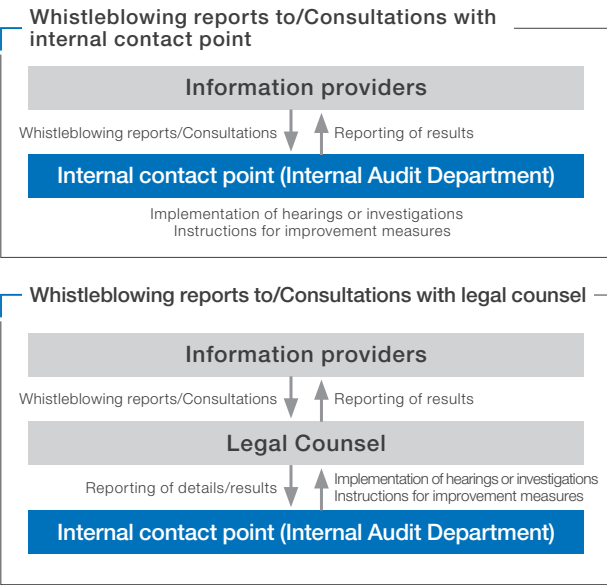
We distribute regular “Legal Teacher” content that allows employees to enjoy learning the basics of corporate legal affairs.



offering consultations on industry regulations.

We have also established an internal hotline and an external compliance counter as a whistleblowing system for compliance issues, to quickly detect and correct misconduct through consultation and reporting of organizational or individual violations of laws and regulations, and to strengthen compliance management.

Structure of ARATA Hotline



awareness throughout the Company by providing explanations at various meetings and distributing materials to all employees whenever laws and regulations are revised.

2023-

We organize harassment training provided by a lecturer to prevent the harassment of any employee.



Risk Management

ARATA works to identify various risks throughout the Group in conducting business as a corporate entity, and in particular to identify risks that affect the Company's financial standing and social credibility, in order to maintain and enhance corporate value and financial soundness.

With regard to risks to the Company, reports on the state of business execution and business results at head office and branch offices are given at Management Council meetings held every month, and progress toward the achievement of targets is checked. Compliance is also checked to help prevent fraud and risks.

With regard to risks for the Group as a whole, Legal & PR/

IR & ESG Department and the Internal Audit Department coordinate with Group companies to manage risks. The Company's directors also concurrently serve as directors and corporate auditors of Group companies, and collect information at Board meetings, etc.

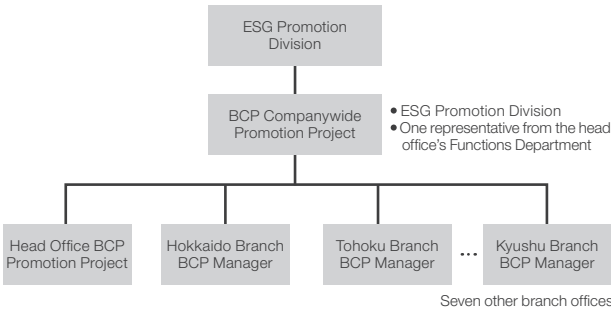
In the event of an emergency, ARATA launches a response headquarters headed by a representative director to investigate the facts, and has established a system for ensuring timely and appropriate reporting to— and deliberation by—the Board of Directors and Audit and Supervisory Committee.

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.

- Basic Policy of BCP**
- We will make checking the safety of our employees and their family members and ensuring their safety our top priority.
 - We will recognize the importance of the social missions of wholesalers, and we will work on restoration and efforts to deliver products and cooperate to achieve the early recovery of our supply chain.
 - We will provide education and training on our BCP to ensure that our organizations will conduct activities smoothly.

Regular BCP Promotion Structure (Planning)



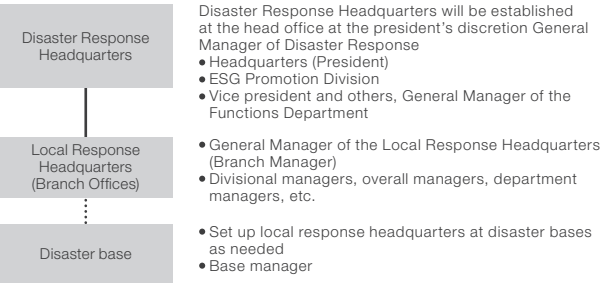
Enhance disaster response capacity

- 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.
- Distribute ARATA's disaster response handbook to all employees



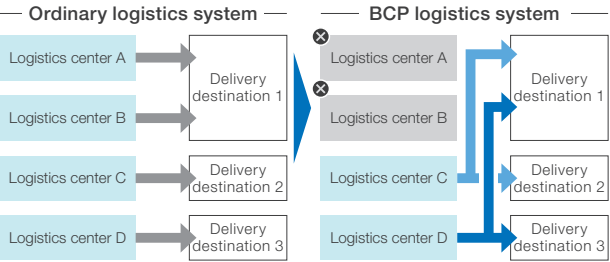
Head office stockpiles (left) and stockpiled items (right)

Disaster Response Structure



BCP alternative logistics

ARATA has built an alternative logistics network for all distribution centers, as a contingency for in the event that one center becomes unable to ship products due to the impact of a disaster or a cluster of infectious diseases, etc.

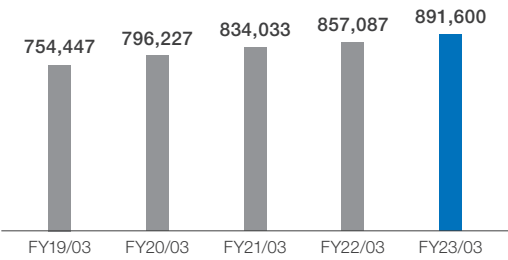


Financial Summary

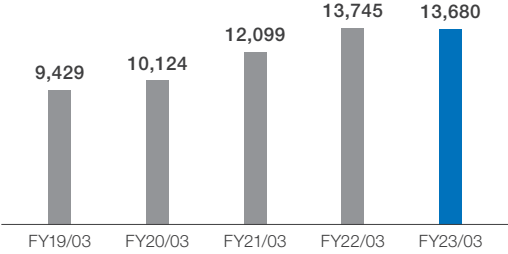
	FY13/03	FY14/03	FY15/03	FY16/03	FY17/03	FY18/03	FY19/03	FY20/03	FY21/03	FY22/03	FY23/03
Operating Results											
Net sales (¥ millions)	616,327	651,954	638,792	676,743	704,610	732,914	754,447	796,227	834,033	857,087	891,600
Operating profit (¥ millions)	3,726	4,472	2,461	5,699	7,384	8,857	8,892	9,326	11,521	12,743	12,812
Operating income margin (%)	0.6	0.7	0.4	0.8	1.0	1.2	1.2	1.2	1.4	1.5	1.4
Ordinary profit (¥ millions)	3,605	4,388	2,469	5,811	7,842	9,439	9,429	10,124	12,099	13,745	13,680
Ordinary profit margin (%)	0.6	0.7	0.4	0.9	1.1	1.3	1.2	1.3	1.5	1.6	1.5
Profit attributable to owners of parent (¥ millions)	1,768	2,435	1,124	3,244	4,863	6,361	6,903	7,191	8,200	9,009	8,223
Return on sales (%)	0.3	0.4	0.2	0.5	0.7	0.9	0.9	0.9	1.0	1.1	0.9
Financial Condition											
Total assets (¥ millions)	206,699	221,202	211,840	219,689	222,974	243,698	243,614	249,712	255,455	271,315	290,857
Net assets (¥ millions)	49,044	51,041	53,911	55,941	59,613	71,472	80,515	82,901	91,017	96,172	102,066
Equity ratio (%)	23.7	23.1	25.4	25.5	26.7	29.3	33.0	33.2	35.6	35.4	35.1
D/E ratio (times)	1.4	1.5	1.2	1.1	0.9	0.7	0.5	0.5	0.4	0.4	0.4
Cash Flows											
Cash flows from operating activities (¥ millions)	9,959	1,481	21,955	7,594	12,637	11,649	9,513	5,262	14,071	6,545	10,969
Cash flows from investing activities (¥ millions)	-4,054	-5,878	-6,775	-3,360	-3,155	-2,924	-880	-2,742	-5,157	-7,205	-4,281
Cash flows from financing activities (¥ millions)	-7,699	7,246	-13,990	-1,791	-9,948	-4,501	-6,678	-3,833	-5,828	-911	-3,311
Management Indicators											
Return on assets (%)	1.7	2.0	1.2	2.6	3.5	4.0	3.9	4.1	4.8	5.2	4.9
Return on equity (%)	3.6	4.8	2.1	5.9	8.4	9.7	9.1	8.8	9.4	9.6	8.3
Net income margin (%)	0.29	0.37	0.18	0.48	0.69	0.87	0.91	0.90	0.98	1.05	0.92
Total assets turnover (%)	2.98	2.95	3.02	3.08	3.16	3.01	3.10	3.19	3.26	3.16	3.07
Financial leverage (%)	4.22	4.34	3.93	3.93	3.74	3.41	3.03	3.01	2.81	2.82	2.85
Labor cost (¥ millions)	28,453	28,584	27,631	28,902	29,135	29,836	29,685	30,909	32,329	32,168	32,717
Ratio of labor cost to net sales (%)	4.6	4.4	4.3	4.3	4.1	4.1	3.9	3.9	3.9	3.8	3.7
Packing and delivery expenses (¥ millions)	14,848	15,776	16,012	17,572	17,888	18,834	20,255	21,965	22,337	22,922	23,733
Ratio of Packing and delivery expenses to net sales (%)	2.4	2.4	2.5	2.6	2.5	2.6	2.7	2.8	2.7	2.7	2.7
Capital Investment											
Capital investment (¥ millions)	4,931	7,809	7,943	3,845	4,383	6,828	3,325	4,988	5,525	7,353	5,848
Depreciation and amortization (¥ millions)	3,631	3,975	4,317	4,526	4,452	4,353	4,455	4,281	4,290	4,522	4,604
Per Share Data											
Cash dividend (¥)	40	50	50	55	65	75	80	85	95	121	136
Dividend payout ratio (%)	34.9	31.6	68.5	26.1	19.6	18.8	20.1	20.6	19.8	22.9	28.2
Earnings per share (¥)	22.93	31.60	72.96	210.43	330.95	399.12	397.71	413.03	480.58	527.63	481.57
Book-value per share (¥)	635.91	661.84	3,496.31	3,627.53	4,054.51	4,285.43	4,546.87	4,861.37	5,332.81	5,631.37	5,977.02
Number of employees	2,960	2,924	2,917	2,914	2,926	3,023	3,016	2,984	2,997	2,972	2,924

* The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) is applied for all figures for the fiscal year ended March 31, 2022 and later.

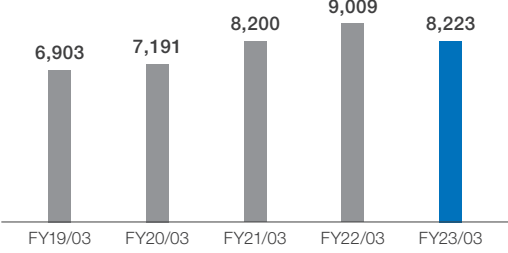
Net sales (¥ millions)



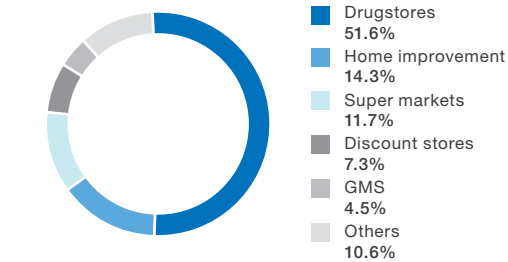
Ordinary profit (¥ millions)



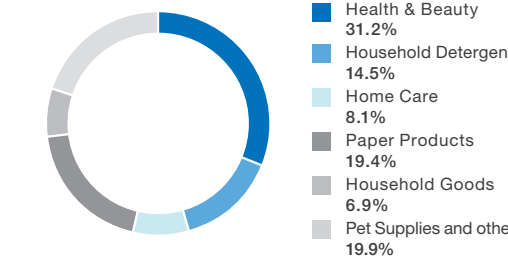
Profit attributable to owners of parent (¥ millions)



Sales by type of business (FY23/03)



Sales by product category (FY23/03)



Company Outline (FY23/03)

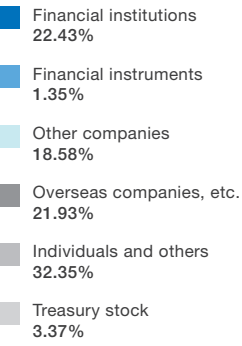
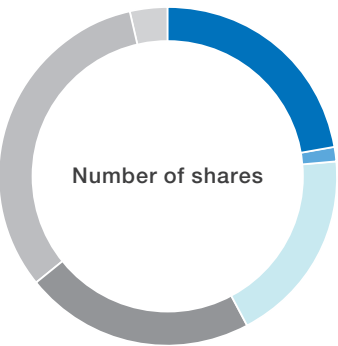
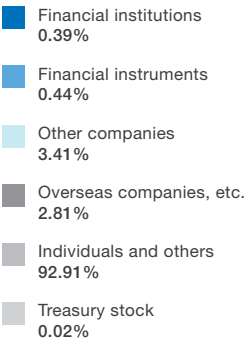
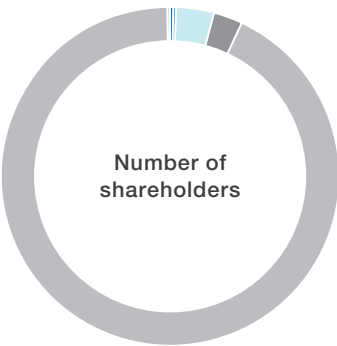
Registered Company Name	ARATA CORPORATION
Head Office	East 21 Tower, 6-3-2 Toyo, Koto-ku, Tokyo 135-0016, Japan
Date Established	April 1, 2002
Capital	¥8,568 million

Stock Listing	Tokyo Stock Exchange (securities code: 2733)
Shareholder Registry Administrator and Special Account Management Institution	Mitsubishi UFJ Trust and Banking Corporation
Number of Employees	2,924(non-consolidated: 1,998)
Website	https://www.arata-gr.jp/en/

Stock Information (as of March 31, 2023)

Number of shares authorized	30,000,000
Number of shares issued	18,027,640
Number of shareholders	5,476

Shareholder Composition (as of March 31, 2023)



Principal Shareholders (as of March 31, 2023)

	Number of shares held (thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd.	2,150	12.35
OTOWASYOKUSAN. Co., Ltd.	1,081	6.21
ARATA Employee Shareholding Association	762	4.38
Custody Bank of Japan, Ltd.	724	4.16
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	645	3.70
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	594	3.41
Lion Corporation	481	2.76
Nobuyuki Hatanaka	460	2.64
The Nomura Trust and Banking Co., Ltd.	419	2.40
Custody Bank of Japan, Ltd.(Trust Account E)	343	1.97

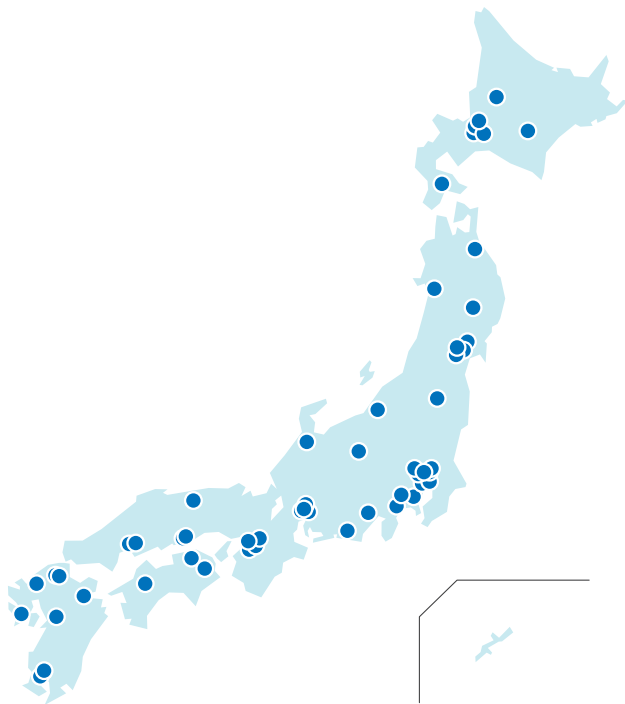
1. ARATA holds 607,000 shares of treasury stock, but these are excluded from the above principal shareholders. Further, 343,000 shares held by Custody Bank of Japan, Ltd. (Trust Account E) related to the Board Benefit Trust (BBT) system are not included in the above 607,000 shares of treasury stock.
2. Treasury stock is excluded when calculating shareholding

Domestic Bases (as of March 31, 2023)

Head Office	Tohoku area
Hokkaido area	Tohoku Branch
Hokkaido Branch	Sendai Office, Sendai Center
Sapporo Office	Akita Office, Akita Center
Sapporo Center	Hachinohe Office
Hakodate Office	Iwate Office
Asahikawa Office, Asahikawa Center	Minami Tohoku Office
Obihiro Office, Obihiro Center	Kitakami Center
Ishikari Center	Fukushima Center
Hokkaido Cosmetic Center	Tohoku Cosmetic Center

Metropolitan area	Chubu area
Metropolitan Branch	Chubu Branch
Higashi Kanto Office	Nagoya Office
Chiba Center	Hokuriku Office, Hokuriku Center
Saitama Office, Saitama Center	Shizuoka Office, Shizuoka Center
Kanagawa Office	Suruga Office
Koshinetsu Office	Konan Center
Matsumoto Office	Heiwa Center

Tsukuba Center	Kansai area
Koshigaya Center	Kansai Branch
Kitakanto Center	Izumi Center
Kanagawa Center	Koriyama Center
Yokohama Center	Kansai Cosmetic Center
Misato Depot	
Shiraoka Depot	
Yamanashi Depot	
Metropolitan Cosmetic Center	



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

Group Companies

Domestic group companies	
Japell Co., Ltd.	Wholesaling operations related to pet supplies
Japell Partnership Service Co., Ltd.	Retail sale of pet-related products, pet styling and grooming, recruiting of franchised stores
PET LIBRARY Co., Ltd.	Retail sale of pets, pet food, and pet supplies
Mobby Co., Ltd.	Online sales of pet-related products
Vet's Choice Japan Corporation	Import and sale of pet food and pet supplies, manufacture, purchase and sale of pet-related miscellaneous goods
ISM CORPORATION	Store management company
Living Arata Co., Ltd.	Wholesaling of home goods
D-Nee Cosmetic Co., Ltd.	Import/export, manufacturing and sale of cosmetics
Asahi Keshohin Hanbai Co., Ltd.	Wholesaling of cosmetics, perfumed soap, toothpaste, food and beverages, textile products, and miscellaneous goods
Overseas group companies	
Kairaotai (Shanghai) Trading Co., Ltd.	Wholesaling of home goods, etc.
JAPELL(HONG KONG)CO., LIMITED	Retailing, wholesaling, and import/export sales of pet-related products, as well as other related services
ARATA(THAILAND)CO., LTD.	Wholesale business in Thailand
SIAM ARATA CO., LTD.	Wholesale business in Thailand
ARATA VIETNAM COMPANY LIMITED	Wholesale business in Vietnam, etc.