Making everyone more comfortable in their everyday life

Sales

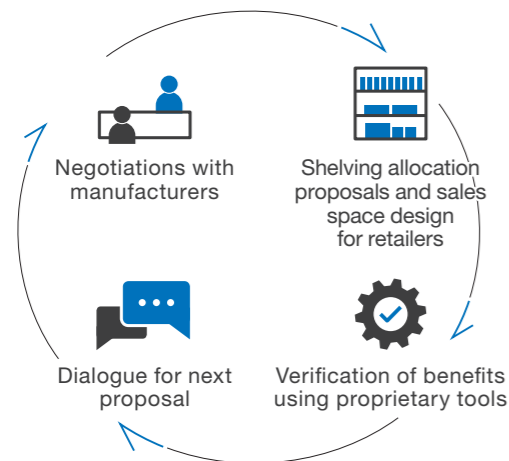## Close to people's everyday lives through transactions with around 3,500 retailers (45,000 stores) nationwide

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

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

Breakdown of net sales by business format

Drug stores **51.6%**
Other **10.6%**
GMS **4.5%**
Discount stores **7.3%**
Supermarkets **11.7%**
Home centers **14.3%**

FY23/03 Net sales **¥891.6 billion**

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.

- Negotiations with manufacturers
- Shelving allocation proposals and sales space design for retailers
- Verification of benefits using proprietary tools
- Dialogue for next proposal

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

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

Sales Information

Store Navi topics
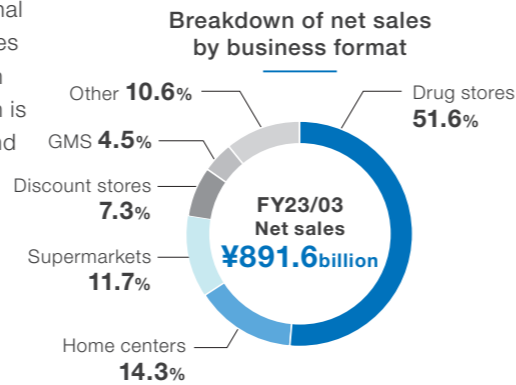
Organizing the ARATA Collection to increase the appeal of proposals

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.

ISM corporation

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...

Representative | Representative | Representative
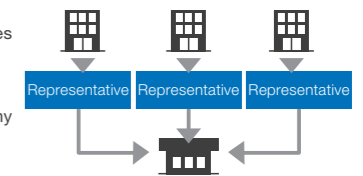
ISM's Solution!

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.

ISM
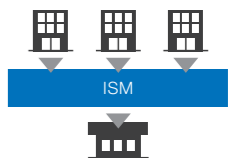
Collaboration between retailers, manufacturers and ARATA

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.

Manufacturers

ARATA

E-commerce company warehouses

Consumers

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

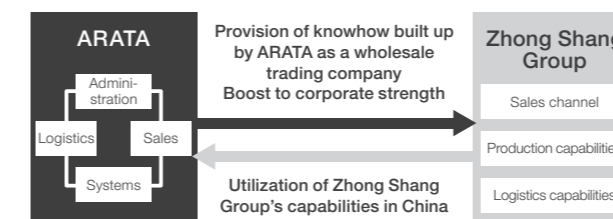## Steadily advancing into Asia markets through network linking China, Thailand, Vietnam and Japan

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

ARATA
- Administration
- Logistics
- Sales
- Systems

Provision of knowhow built up by ARATA as a wholesale trading company Boost to corporate strength

Utilization of Zhong Shang Group's capabilities in China

Zhong Shang Group
- Sales channel
- Production capabilities
- Logistics capabilities

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.

Breakdown of net sales by category

Pet supplies and others **19.9**%

Household goods **6.9**%

Paper products **19.4**%

Home care **8.1**%

FY23/03 Net sales ¥891.6billion

Health & beauty **31.2**%

Household Detergents **14.5**%

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
Cosmetics Cosmetic accessories Hair and body care Healthcare	Kitchen supplies Cooking implements Cleaning equipment

Home Care	Household Detergents
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
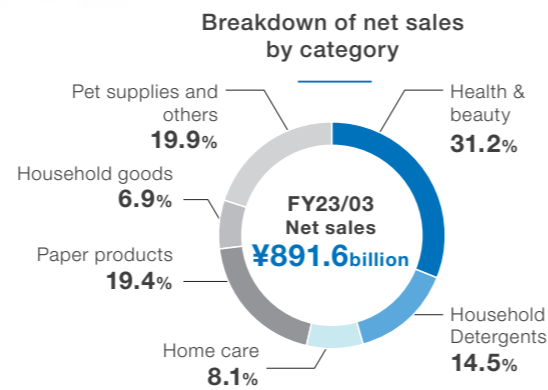
Product procurement

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.
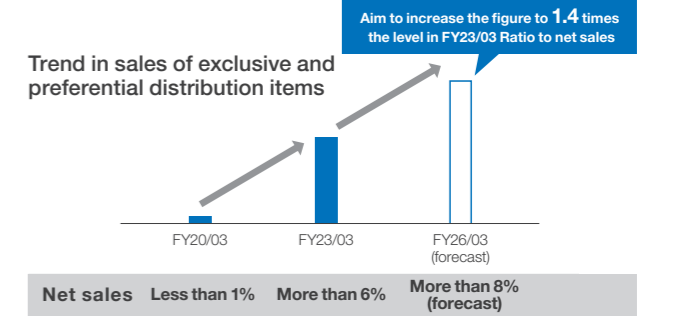
Strengthening the cosmetics category

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.

Trend in sales of exclusive and preferential distribution items

Aim to increase the figure to **1.4** times the level in FY23/03 Ratio to net sales

	FY20/03	FY23/03	FY26/03 (forecast)
Net sales	Less than 1%	More than 6%	More than 8% (forecast)

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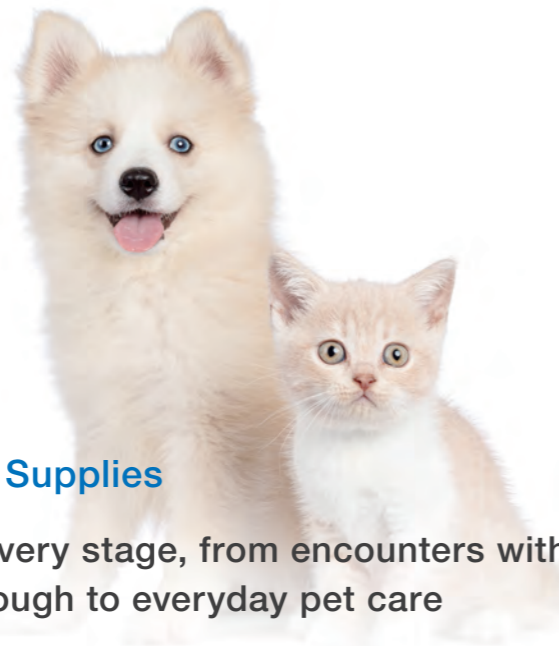
ARATA has signed a sales distribution contract with ITOCHU Corporation for the South Korean cosmetics brand JUNG SAEM MOOL.

- 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 JAPELL Co., Ltd., an ARATA Group company, in 2019, and has continued to expand as a result of JAPELL'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, JAPELL is Japan's leading trading company for pet-related products and has achieved continuous growth based on the motto "communicate with our community through pets."
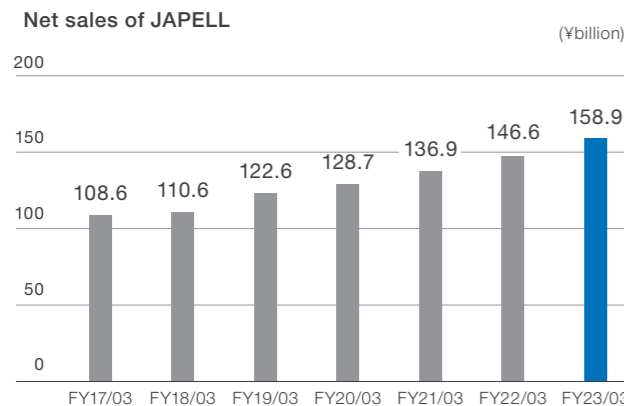
The company name is derived from "Japan Pet Life Library," encapsulating the hope to serve as a library where all things related to the lives of pets are collected and stored.

JAPELL's businesses

Core trading company business

JAPELL wholesales all kinds of pet-related items, ranging from pet foods and pet-related supplies to live animals including dogs and cats. In addition, JAPELL has built an organization capable of responding flexibly to various

requests from customers and giving them support by demonstrating the capabilities to develop Japanese original products and make system-driven analysis and proposals, implementing a mechanism for smoothly receiving and placing orders, establishing a distribution network that connects domestic and overseas locations for swift, prompt action, etc.

Net sales of JAPELL

(¥billion)

| FY17/03	FY18/03	FY19/03	FY20/03	FY21/03	FY22/03	FY23/03
108.6	110.6	122.6	128.7	136.9	146.6	158.9

Store business

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

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

E-commerce business

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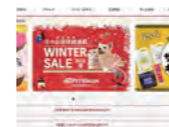
Overseas Business

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

2023 Pet Trade Show

On April 19 and 20, 2023, JAPELL 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.

JAPELL'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 JAPELL 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 equiring nursing care and, with owners growing older and facing health issues, including sudden hospitalization, more and more people are expected to struggle to take care of their pets.

With a view to solving such issues and contributing to society, JAPELL provides a comfortable safe space for dearly loved pets to stay through Animal Care House.
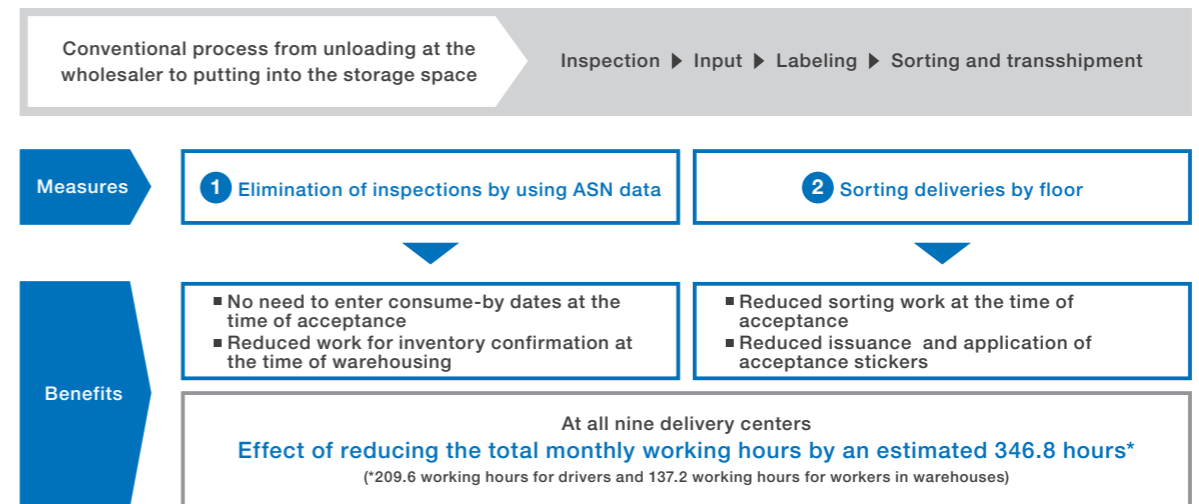
Supply Chain Innovation Award 2023 Excellent Award won

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.

Conventional process from unloading at the wholesaler to putting into the storage space
Inspection ▶ Input ▶ Labeling ▶ Sorting and transshipment

Measures

1 Elimination of inspections by using ASN data

2 Sorting deliveries by floor

Benefits

- No need to enter consume-by dates at the time of acceptance
- Reduced work for inventory confirmation at the time of warehousing

- Reduced sorting work at the time of acceptance
- Reduced issuance and application of acceptance stickers

At all nine delivery centers
Effect of reducing the total monthly working hours by an estimated 346.8 hours*
(*209.6 working hours for drivers and 137.2 working hours for workers in warehouses)

Logistics

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

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

than 100 contract warehouses for flexibly accommodating fluctuations in demand. Our nationwide network of large, mid-sized and small centers also helps spread risk from a BCP perspective. By demonstrating our advanced logistics capabilities as a middleman in the distribution chain, we aim to optimize the supply chain for greater efficiency and contribute to the realization of a sustainable society.

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

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.

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%

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.

This center is equipped with state-of-the-art material handling systems employing AI and other technologies for labor savings. It thus provides a safe and worker-friendly environment. This logistics center not only addresses the sustainable development goals (SDGs) but meets TSURUHA HOLDINGS INC. sustainability policy.

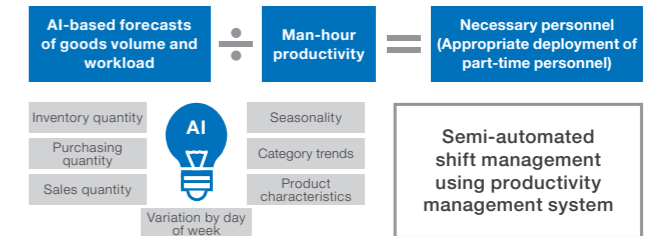**State-of-the-art material handling systems newly introduced - Case shipping capacity to increase productivity**

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.

AI-based forecasts of goods volume and workload ÷ Man-hour productivity = Necessary personnel (Appropriate deployment of part-time personnel)

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

Semi-automated shift management using productivity management system

Advantages of using AI
1 Automated pallet warehouse
2 Improvement in level of staffing management
3 Labor-saving in manager operations
4 Elimination of unnecessary man hours

"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.

「ホワイト物流」推進運動 賛同企業

Initiatives

1 Proposal of logistics improvements and cooperation
- Shift the unit of quantity of orders from lots to pallets and surfaces
- Deliver directly to factories to reduce cargo handling
- Introduce a logistics method in which customers come and fetch their orders from vendors with the use of returning trucks

2 Introduce reservations systems
- Introduce and expand reservation systems to shorten trucks drivers' waiting time

3 Make active use of pallets and others
- Cooperate in using pallets for ground stored goods

4 Integrate cargo collection points and delivery destinations
- Set up relay terminals and revise shipping bases to reduce long-distance transport
- Carry out joint deliveries with other wholesalers

5 Avoidance of peak congestion hours when making deliveries
- Disperse the timing of shipping and delivery for improved operational efficiency

6 Achieve a proper level of inspection
- Streamline inspection with the use of advance shipping notice (ASN) data

7 Promotion of written contracts of carriage

Pallet transportation of household paper products

We began cooperating with Daio Paper Corporation in the use of pallets at an early stage and are currently engaged in joint pallet collection and in the use of pallets for transporting diapers and hygiene products.

Switch from manual loading and unloading to palletdelivery reduces loading and unloading time from 90minutes ▶ 20minutes!

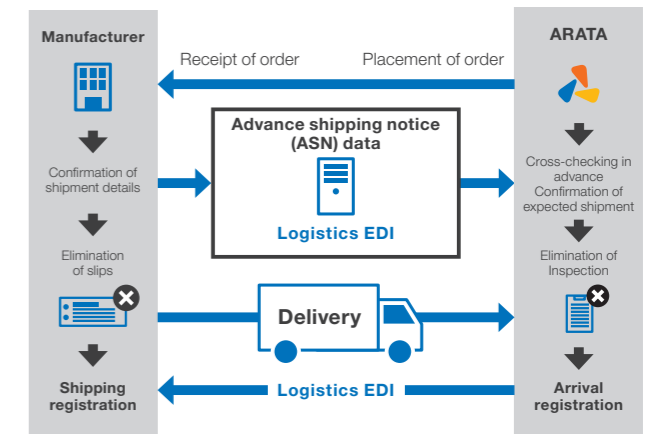### Warehouse entry time reservations system

This system has been introduced at all planned sites and is currently in operation at 27 locations. The system not only reduces drivers' wait times (by around 40%), it also enables us to use warehouse entry time reservations to guide trucks to berths and appropriately deploy personnel, helping us improve efficiency.

Elimination of inspection by using ASN data

ARATA is conducting a demonstration experiment at Saitama Center and other centers with PLANET,INC. and five manufacturers with a view to eliminating paper slips and inspection.

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

Schematic of operation using ASN data

Manufacturer — Receipt of order / Placement of order — ARATA
Confirmation of shipment details
Elimination of slips
Advance shipping notice (ASN) data — Logistics EDI
Cross-checking in advance Confirmation of expected shipment
Elimination of Inspection
Delivery
Shipping registration — Logistics EDI — Arrival registration

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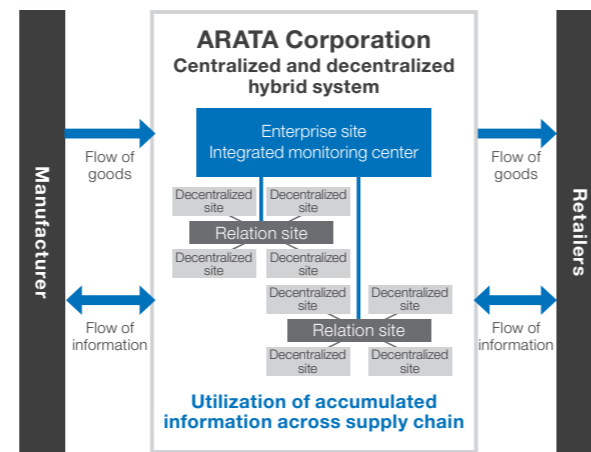
System

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.
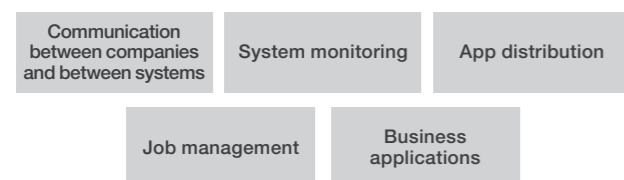
ARATA Corporation
Centralized and decentralized hybrid system

Manufacturer — Flow of goods / Flow of information

Enterprise site
Integrated monitoring center

Decentralized site / Relation site / Decentralized site / Decentralized site / Relation site / Decentralized site

Retailers — Flow of goods / Flow of information

Utilization of accumulated information across supply chain

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.
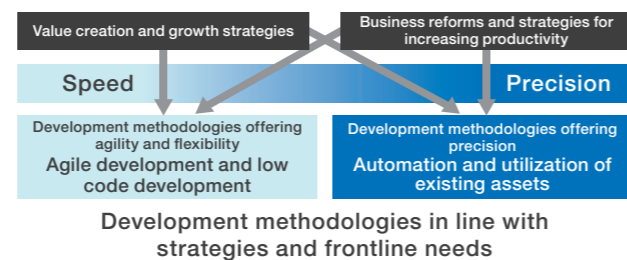
Key functions developed in-house

- Communication between companies and between systems
- System monitoring
- App distribution
- Job management
- Business applications

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

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

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

Value creation and growth strategies / Business reforms and strategies for increasing productivity

Speed / Precision

Development methodologies offering agility and flexibility
Agile development and low code development

Development methodologies offering precision
Automation and utilization of existing assets

Development methodologies in line with strategies and frontline needs

IT Medium-Term Business Plan

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

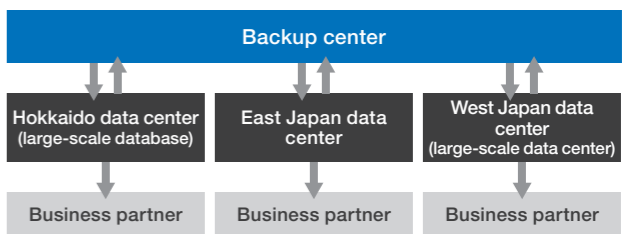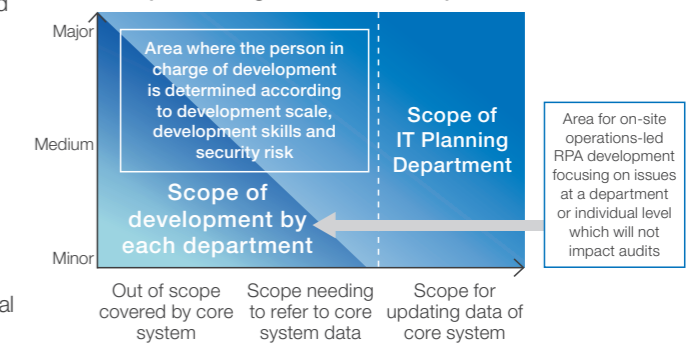### Main points of IT Medium-Term Management Plan

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

Research of latest technologies and utilization in business

Use of AI

Automation of ordering
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.

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

Major / Medium / Minor

Area where the person in charge of development is determined according to development scale, development skills and security risk

Scope of IT Planning Department

Scope of development by each department

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

Out of scope covered by core system / Scope needing to refer to core system data / Scope for updating data of core system

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.

Backup center

Hokkaido data center (large-scale database) / East Japan data center / West Japan data center (large-scale data center)

Business partner / Business partner / Business partner

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 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