

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”

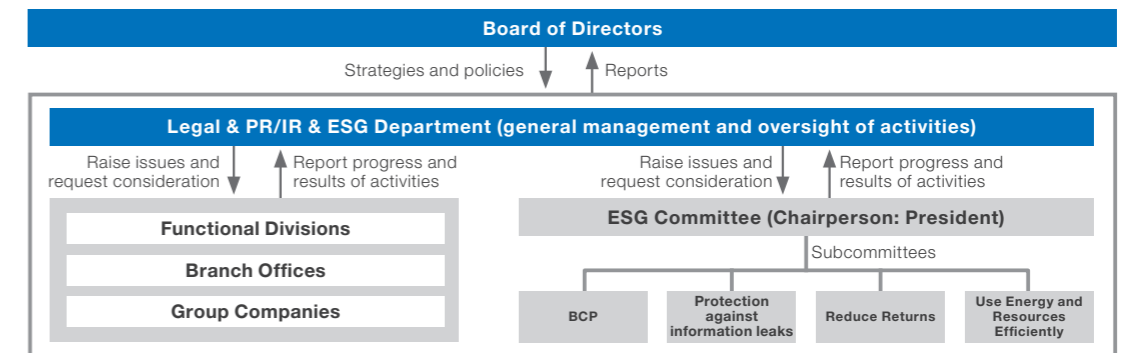


Guided by our management philosophy of “continuing to serve the world,” we aim for sustainable growth and development together with the rest of society. We must build a stronger foundation of trust with all stakeholders and cultivate the development of our entire supply chain in a way that promotes efficiency 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	<ul style="list-style-type: none"> Reduction of CO₂ emissions through increased efficiency and other measures Reduce Returns 3R Activities Reduction of energy use and natural resource consumption 	<ul style="list-style-type: none"> CO₂ emissions: 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	<ul style="list-style-type: none"> Enhancement of systems for the realization of diverse work styles Conducting employee surveys Enhancement of training and development systems Encouragement to obtain qualifications 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> BCP activities Social contribution activities at business sites Conclusion of supply of goods agreements with local governments 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Shift to a company with an Audit and Supervisory Committee Reform of Board of Directors Compliance measures Protection against information leaks 	<ul style="list-style-type: none"> Activities at Nomination and Remuneration Committee Provision of training on business legal affairs and compliance

Promotion Framework



Environment

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.



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

ESG Committee meeting agenda in FY23/03

June	<ol style="list-style-type: none"> Annual ESG activity plan, including the determination of KPIs Compliance with the TCFD recommendations: CO₂ emissions and reduction plan Promotion of female participation and advancement Contributing to the local community BCP
September	<ol style="list-style-type: none"> Formulation of a human rights policy Discussions for health and productivity management Workstyle review project BCP: 21st Disaster Prevention Day TCFD disclosure State of information sharing with external parties
December	<ol style="list-style-type: none"> Announcement of the Human Rights Policy and human rights due diligence ESG/Sustainability: Next medium-term management plan and long-term vision Human resource-related disclosures Discussions for enhanced compliance with the TCFD recommendations and for responding to the CDP questionnaire
March	<ol style="list-style-type: none"> Priority issues related to ESG until 2026/medium-term ESG plan 2026 Report on anti-harassment training Composition of the ESG Committee for the next fiscal year

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
				Increase in transactions by enhancing logistics resilience in times of disaster	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

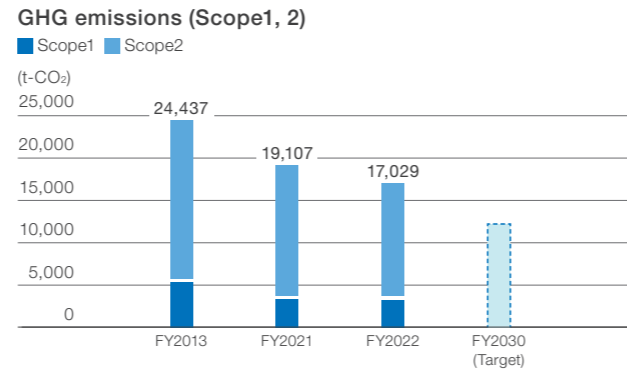
We have set the following numerical targets for climate change mitigation.

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% reduction (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.

same time, we will formulate energy-saving measures from an extensive and long-term perspective (such as upgrading to high-efficiency equipment at logistics centers and other locations) and GHG emissions reduction plans through the use of renewable energy, and implement them as we work to achieve our targets.



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.

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

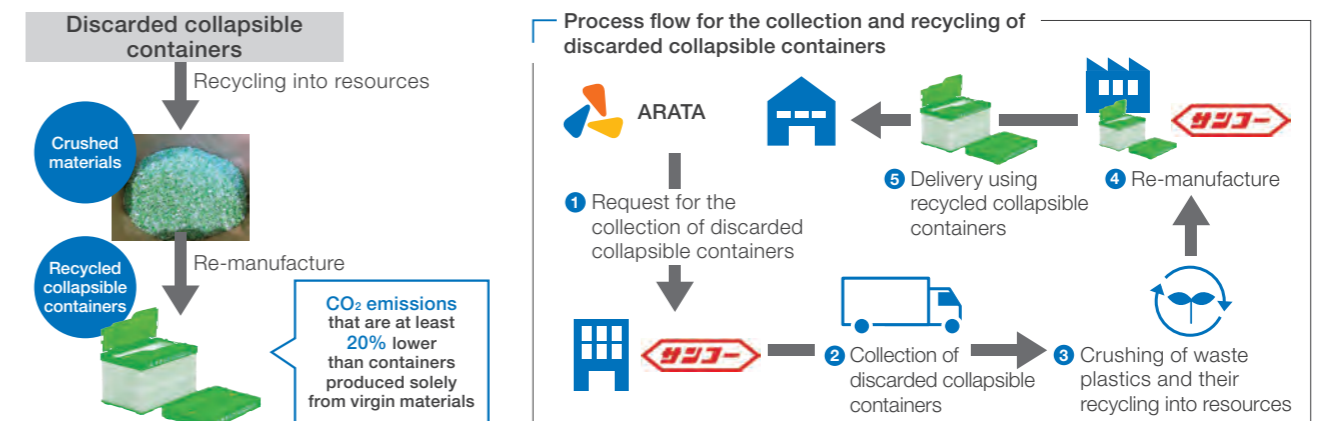
and disposal of goods. In addition to improving supply chain efficiency through industry-wide activities to reduce returns in cooperation with retailers and manufacturers, it is also regarded as an important initiative that will lead to the creation of common shared value (CSV), yielding economic benefits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

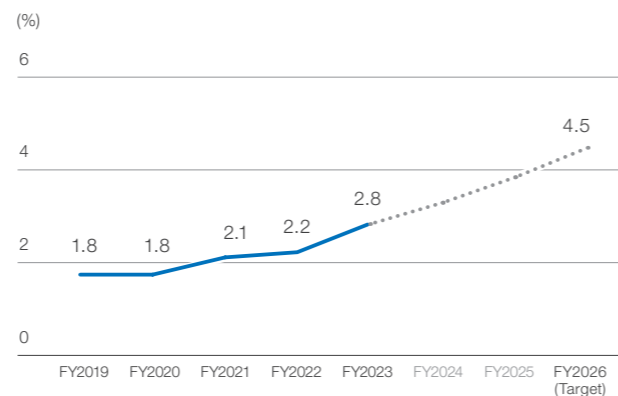
The generation of innovation through the employment of diverse human resources, without making any distinction according to nationality, gender, age or other characteristics, is necessary to achieve sustainable corporate growth and, in face of increasing labor shortages due to population decline, we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



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

We have set women's empowerment as a priority item in promoting diversity, and have set the target ratio for female managers (section manager class and above) at 4.5% by the fiscal year ending March 2026—the final fiscal year of the next Medium-Term Management Plan. In April 2022 we conducted online interviews with female employees at each branch office, to help build a personnel system and working environment that enables female employees to continue working enthusiastically. Issues are being shared and improvement measures discussed at meetings of the Management Council and other deliberating bodies.

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.

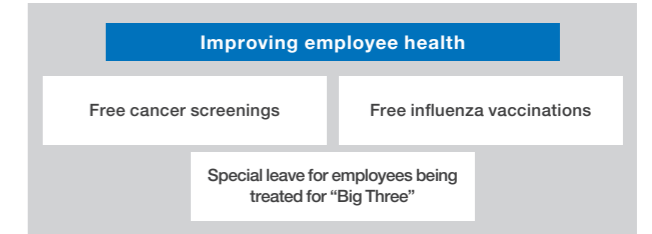
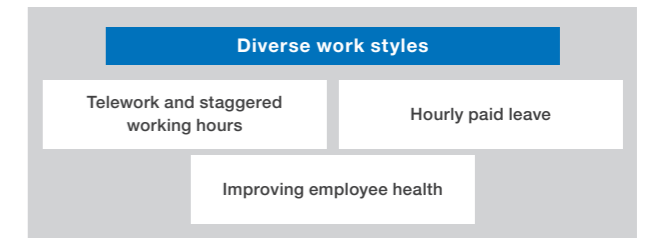
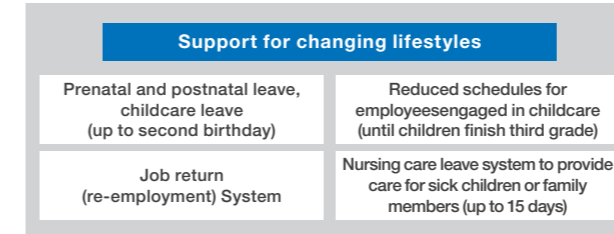
As one improvement measure based on the survey results, we increased the salary levels from April 2022. We also enhanced our childcare and nursing care schemes to increase flexibility of work styles.

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

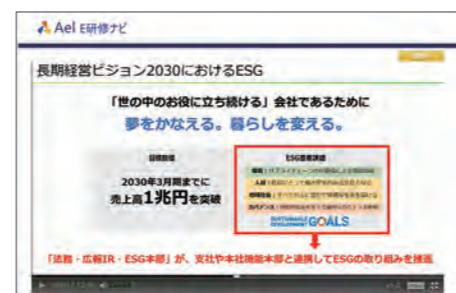
Managers	Training for newly appointed managers		Company-wide IT skill Education	Ael E-training navi e-learning for all employees	Qualification acquisition support system Cosmetic Skill Certification Logistics skills test Retail marketing skills test Information Technology Passport Examination Information 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

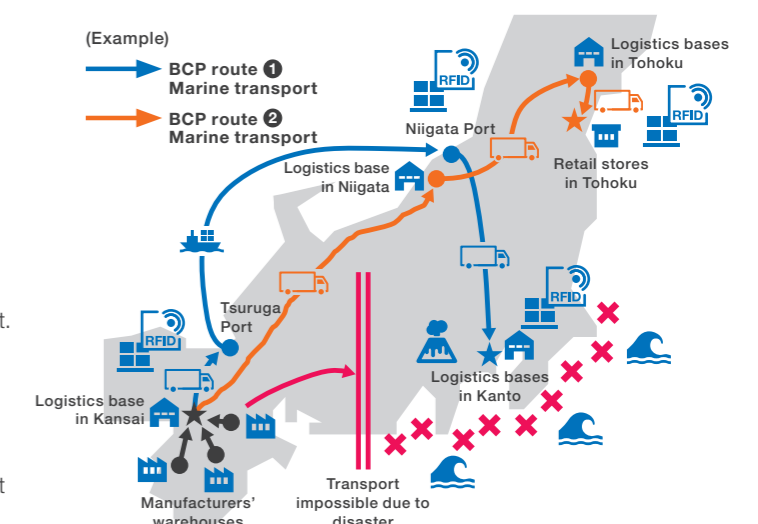
In January 2023, ARATA took part in a demonstration experiment on the development of distribution and logistics networks utilizing joint deliveries in disaster-hit areas using RFID tags during a hypothetical major disaster. The project was commissioned by the Ministry of Economy, Trade and Industry for 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

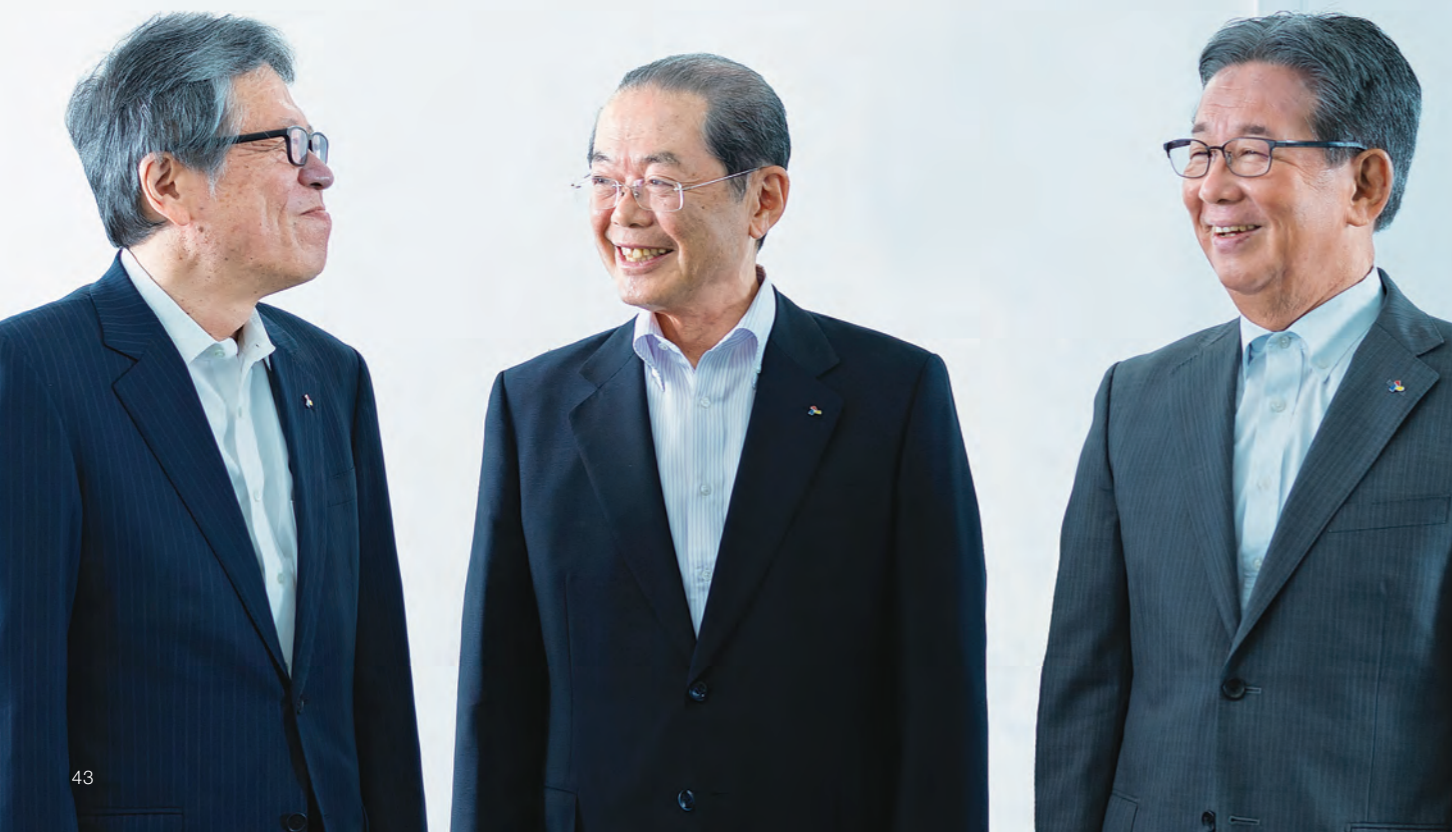




Trialogue of Three Directors

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 a 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 succeeded 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)

┆ Status of Attendance at Board of Directors' Meetings (FY23/03)
┆ Status of Attendance at Audit and Supervisory Committee Meetings (FY23/03)

Directors



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

12 / 12

Nobuyuki Hatanaka has been responsible for the Company's management since assuming office as Representative Director and President, Executive Officer in 2007. He strives for expansion and growth of the Company's business, and has led the Company on the current growth path. From 2017, he took charge of the Group as Representative Director and Chairman & CEO, and since 2019 has been showing the right direction for the Group as Chairman of the Board of Directors, while leading deliberations informed by the opinions of Outside Directors as Chair of the voluntarily established Nomination and Compensation Committees.



Hiroaki Suzuki
 Representative Director and President
 Chair of ESG Committee
 General Manager of Corporate Strategy Planning

12 / 12

Hiroaki Suzuki has worked in the sales and product divisions since joining the Company, and has extensive business experience and knowledge within the Company. He assumed the 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

12 / 12


Toshiyuki Omote has held several managerial positions in the Sales Division. Since 2010, he has served as Executive Officer and Manager of National Chain Store Division of the Sales & Sales Planning Department, and has played a large part in strengthening the Company's sales activities and in achieving business growth. In his current role as Director and Executive Vice President, and General Manager of Sales, he works on the strategies for expanding business and profits by strengthening the sales abilities, as he has been doing to date.



Yuji Nasu
 Outside Director

10 / 10

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

11 / 12

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

12 / 12

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

12 / 12

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

12 / 12

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



Tomoko Sakamoto
 Outside Director, Member of Audit and Supervisory Committee

12 / 12

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

12 / 12

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.

12 / 12

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



Yoshihisa Aoki
 Outside Director

12 / 12

As a Representative Director at ITOCHU Corporation's Food Company, Yoshihisa Aoki has extensive experience and deep insight into global corporate management. He has served as outside director since 2017, has offered strong advice on the entire range of management, and has been engaged in enhancing the Company's corporate governance.

Executive Officer

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

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

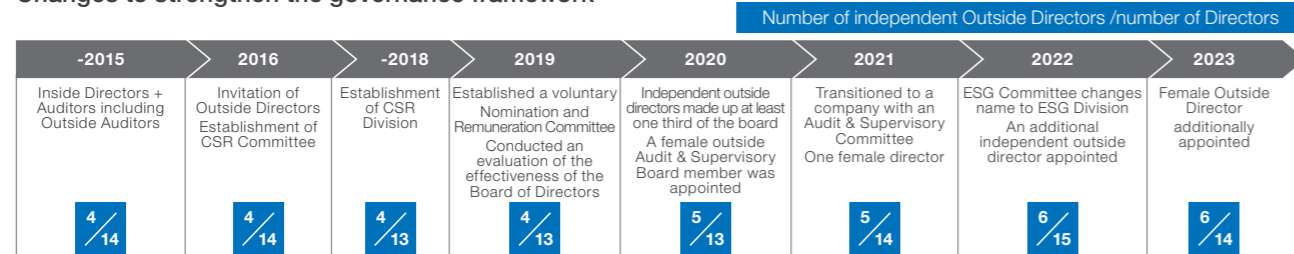
on activities to investors, employees, business partners, and others, and enhances the transparency of management.

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.

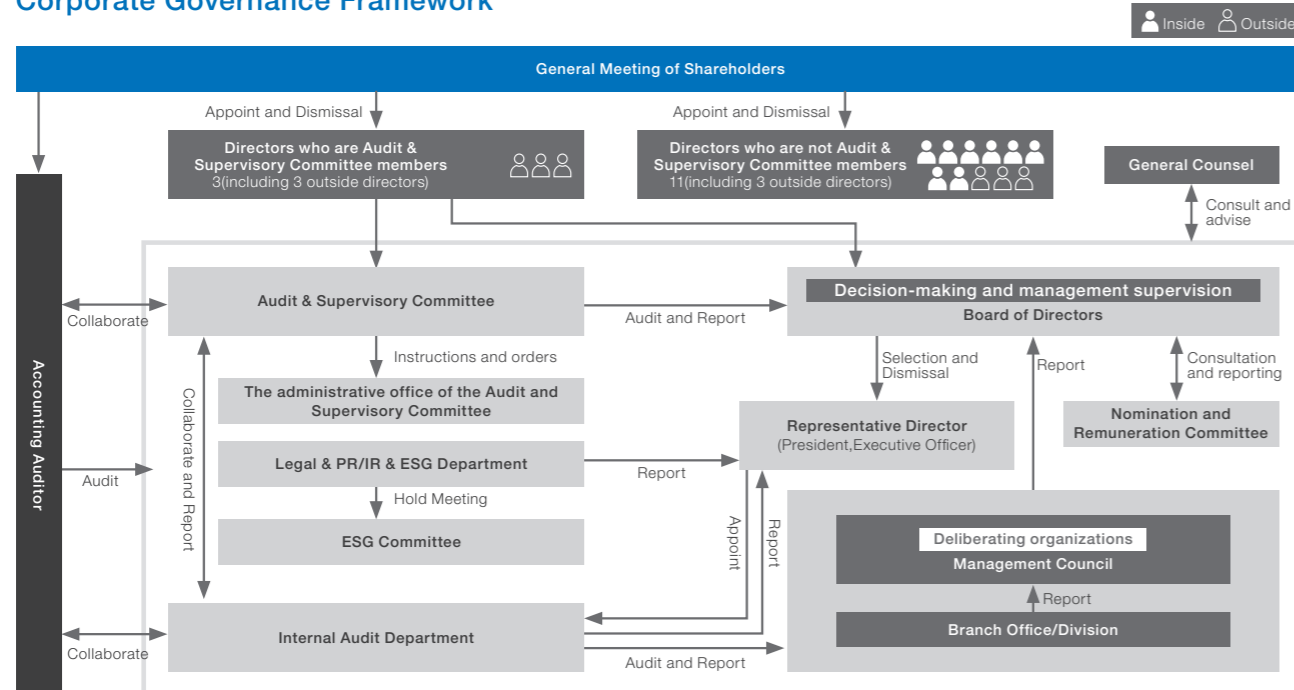
In addition, in the course of conducting business activities, we recognize that fulfilling our corporate social responsibility (CSR), such as compliance, environmental measures, and respect for human rights, is as important as improving business performance, and we believe that the management oversight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

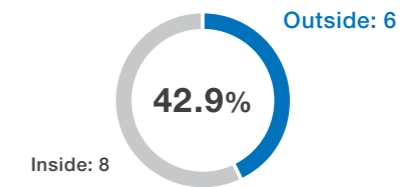
Board of Directors

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



- Features of the Board of Director**
- The chairperson shall not be an executive officer
 - Ratio of outside directors: 42.9%
 - All Outside Directors shall be independent officers

Skill matrix

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.
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.
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.
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.
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.
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.
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.

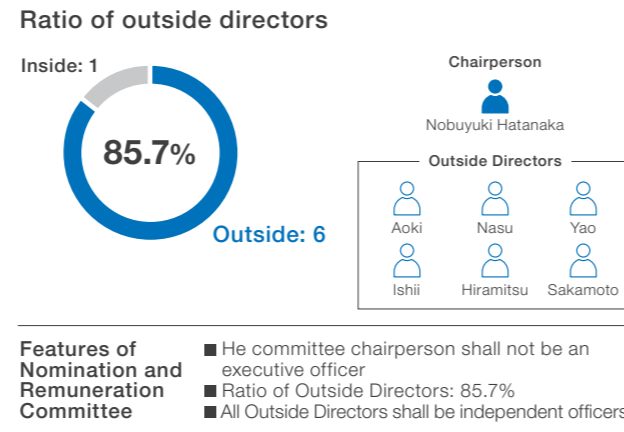
Name	Number of Independent Directors	Title	Business strategy	Management	Financial accounting	Personnel/Labor management	Sustainability	Compliance and Legal affairs	Global
Nobuyuki Hatanaka		Chairman of the Board of Directors		●					
Hiroaki Suzuki		Representative Director and President	●	●		●	●		
Toshiyuki 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



Role of the Nomination and Remuneration Committee

- Matters relating to proposals on the election or dismissal of Directors to be submitted to the General Meeting of Shareholders
- Matters relating to the election or dismissal of Representative Directors and Directors with Specific Titles to be submitted to the Board of Directors
- Matters relating to the election or dismissal of executive officers to be submitted to the Board of Directors
- Matters relating to proposals on the remuneration of Directors to be submitted to the Board of Directors
- 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
- 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)
 - Matters relating to the remuneration of executive officers
 - Matters relating to succession planning and successor development
 - Matters relating to development of female managers
 - 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)

- Contribution to the Company through performance and other works
- Progress towards fulfilling the targets in the medium- and long-term strategies
- Activities for ESG improvements
- 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)

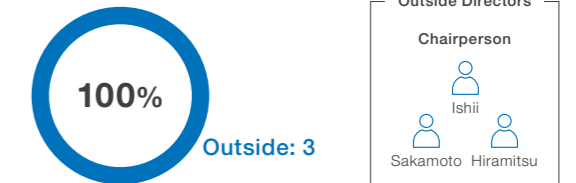
The Company's policy is that remuneration for Directors (excludes Outside Directors) should be set at a level which gives Directors an incentive to strive for sustainable growth and the Nomination and Remuneration Committee is required to discuss remuneration with reference to the external environment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

The Company's remuneration program consists of

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.

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.

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

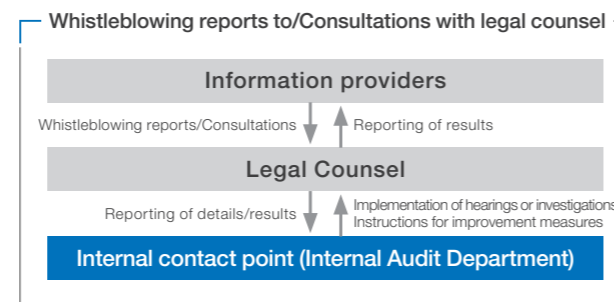
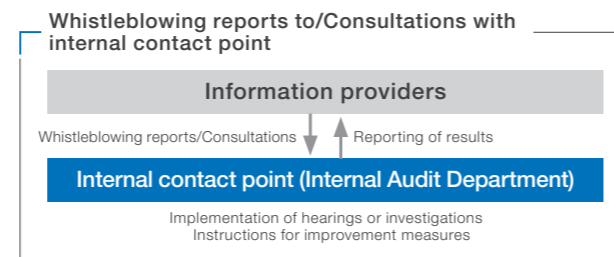
offering consultations on industry regulations.

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.

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.

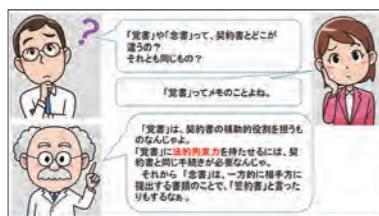
Structure of ARATA Hotline



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.



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.

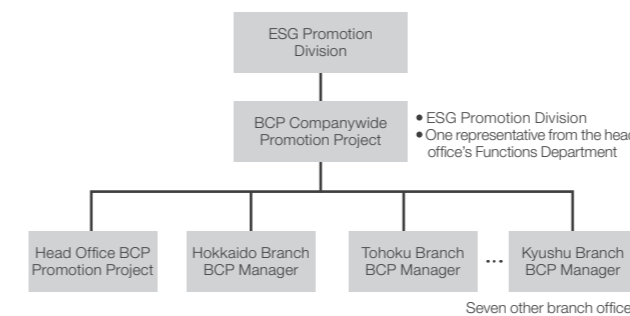
Business Continuity Plan (BCP)

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.

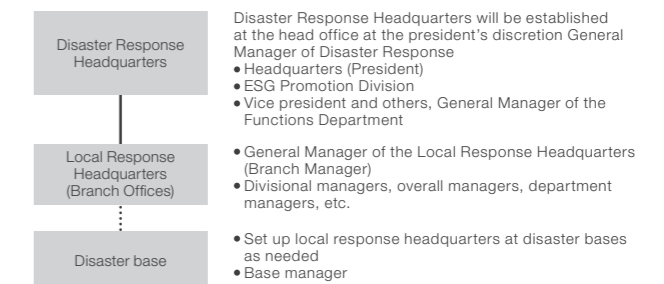
Basic Policy of BCP

- 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)



Disaster Response Structure



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)

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.

