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Printed in Japan

ARATA INTEGRATED REPORT 2024

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

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

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

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



Medium-Term  
Management Plan  
**2023**

## TAKE ACTION

This is the main subject of Integrated Report 2024.

The fiscal year ended March 31, 2024 was the first year of the Medium-Term Management Plan 2026 when we did TAKE ACTION in many ways for expansion. We drew up a strategy for expansion and instituted new initiatives.

This report showcases our strategies and initiatives for accelerating growth in accordance with the Medium-Term Management Plan 2026 towards the Long-Term Management Vision 2030 and beyond.

Long-Term Management Vision 2030  
**Realize your dreams.  
Change your daily lives.**

Medium-Term  
Management Plan  
**2026**  
**Accelerating  
growth**

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## Editorial Policy

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

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

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



## Organizations Covered

ARATA CORPORATION and Group companies

## Period Covered by This Report

April 1, 2023–March 31, 2024

The report includes some activities in the fiscal year ending March 2025.

## Forward-Looking Statements

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

# History of Value Creation

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

(¥billion)  
1,000

Net Sales and Ordinary Profit (Consolidated)

■ Net sales (Left axis) — Ordinary profit (Right axis)

800

600

400

200

0

FY02 FY03/03 FY04/03 FY05/03 FY06/03 FY07/03 FY08/03 FY09/03 FY10/03 FY11/03 FY12/03 FY13/03 FY14/03 FY15/03 FY16/03 FY17/03 FY18/03 FY19/03 FY20/03 FY21/03 FY22/03 FY23/03 FY24/03 FY25/03 (Forecast) FY26/03 (Forecast)

FY26/03 (Forecast)

Medium-Term  
Management Plan  
2026

Net sales ¥1 trillion  
Ordinary profit 20.0 billion

FY25/03 (Forecast)

Net sales: ¥969.0 billion  
Ordinary profit: 16.6 billion

Net sales  
¥944.1  
billion

(¥billion)  
25

20

15

10

5

0

## ARATA's value creation to address social issues

2000s  
Nationwide coverage in response to upsizing of retailers and strengthening of products categories

2010s  
Expansion to overseas and boosting of capabilities

2020s  
Response to change and diversification of lifestyles

2002

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



Established ARATA CORPORATION

2004

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

2005

Made Japell Co., Ltd. into a subsidiary

2007

Established ISM CORPORATION

2009

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

2010

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

2011

Listed on the Second Section of the Tokyo Stock Exchange

2012

Listed on the First Section of the Tokyo Stock Exchange



Listed on the First Section of the Tokyo Stock Exchange

2012

Established Kairaotai (Shanghai) Trading Co., Ltd. in Shanghai, China as a subsidiary (its shares were transferred to JAPPELL Co., Ltd. in March 2024.)  
Established JAPPELL (HONG KONG) CO., LIMITED in Hong Kong, China

2013

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

2015

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

2020

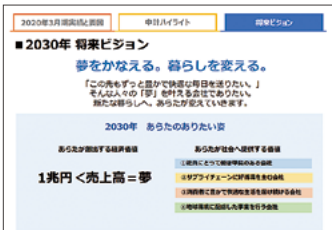
Established ARATA VIETNAM COMPANY LIMITED in Ho Chi Minh City, Vietnam

2020

Established Long-Term Management Vision 2030

2021

Established D-Nee Cosmetic Co., Ltd.



Established Long-Term Management Vision 2030

2022

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

2023

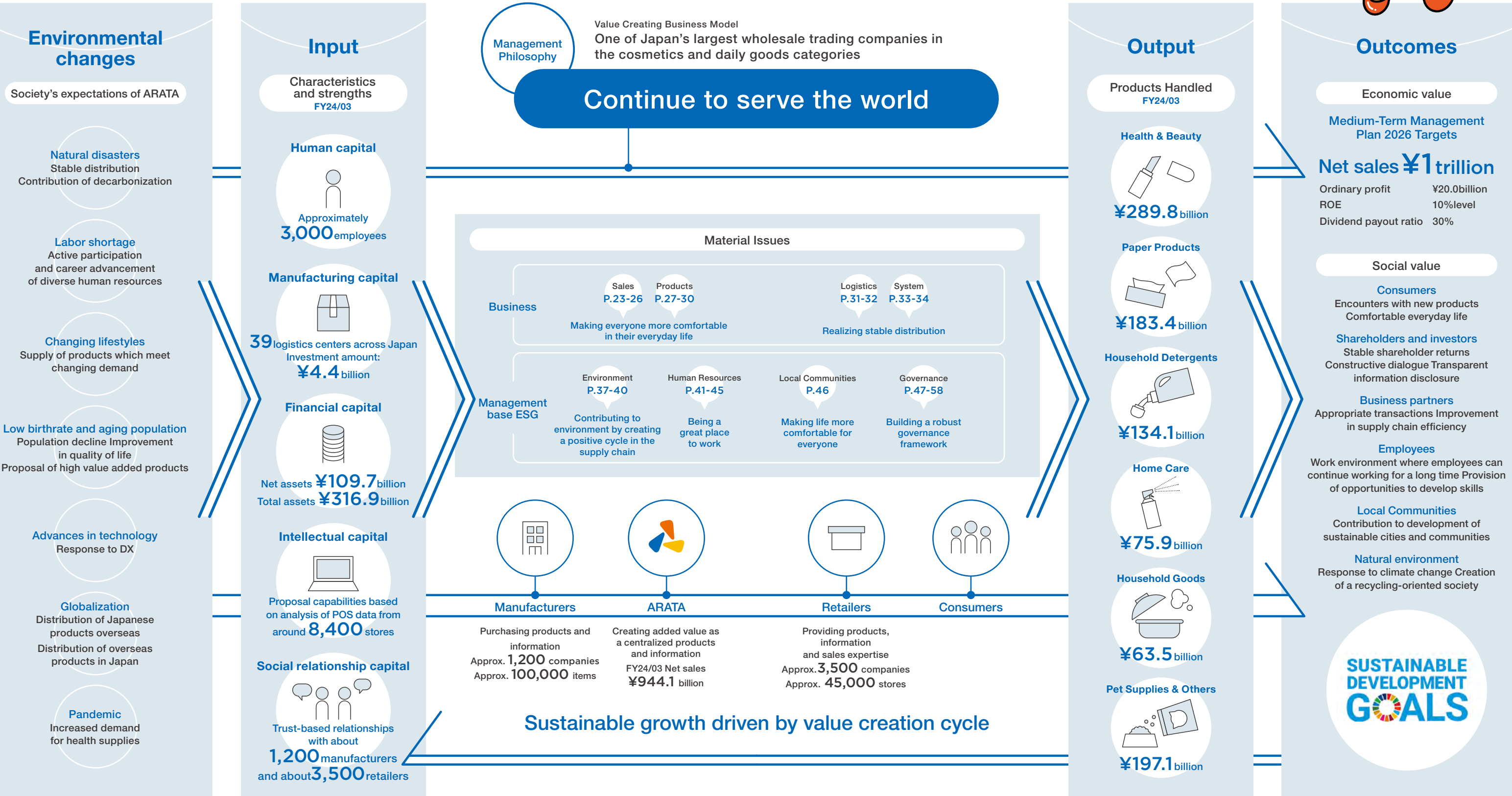
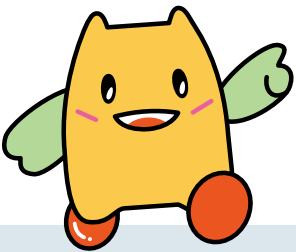
Established Medium-Term Management Plan 2026



Established Medium-Term Management Plan 2026

Value Creation Process

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





# Message

Accelerating our growth strategies in terms of growth businesses, business foundations and human resources to achieve consistent increases in corporate value with an eye to the future beyond 2030.



Hiroaki Suzuki  
Representative Director and President

Business Environment and Business Results  
**Net sales marked a new high for the ninth consecutive year**  
**Ordinary profit also achieved a record high**

For the fiscal year ended March 31, 2024, net sales reached a new record high for the ninth consecutive year. We were able to offset the fall in sales of COVID-19-related products that followed the reclassification of COVID-19 as a Class 5 Infectious Disease in Japan, as well as conservative consumer behavior amid the inflation that followed the rise in raw material prices, with increases in unit prices of products, the expansion of our priority categories of health & beauty and pet supplies, and stronger sales of exclusive items and preferential distribution items.

Net sales by category and net sales by business format were higher than in the previous fiscal year in all categories and business formats. As a consequence, we achieved a robust performance.

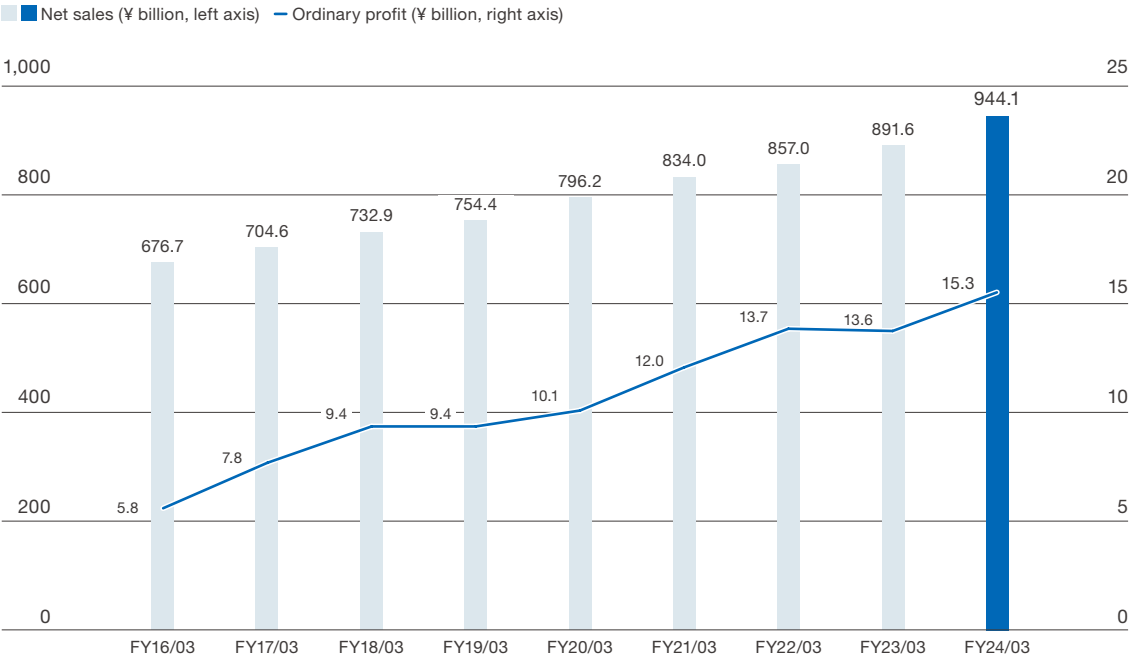
Ordinary profit also set a new record high as a result of efforts to increase both warehouse and work productivity to reduce the ratios of labor costs and of selling, general and administrative (SG&A) expenses. This helped counter a rise in transport fares linked to what is known as the 2024 Problem in the logistics industry in Japan, as well as the upward pressure on SG&A expenses from upfront investment made as part of our growth strategies for the future.

Review of the fiscal year ended March 31, 2024  
**A good start to Phase 2 for Long-Term Management Vision 2030**  
**Active upfront investment also made**

I believe that the greatest reason for our strong performance is that all our employees share the Long-Term Management Vision 2030 we have formulated. Three medium-term management plans until 2030 constitute milestones towards the vision. They make clear what issues we should focus on in the periods of the separate plans and we can address them intensively. In particular, the previous medium-term management plan that constituted Phase 1 finished in a very good situation. We were able to truly feel the ARATA Group's capabilities. Past medium-term management plans had a quantitative emphasis. In the future, we will also focus on the qualitative aspect. We will share the values behind the quantitative targets, such as why we are striving to meet them. I feel that this will lead to employee satisfaction, fulfillment, workstyles, productivity and other benefits and will ultimately be reflected in our highest net sales and profit ever.

In the fiscal year ended March 31, 2024, COVID-19 was reclassified as a Class 5 Infectious Disease in Japan. That stimulated human activities in Japan and beyond. The number of inbound tourists surpassed the pre-COVID level. However, in contrast to the shopping sprees we saw in the

Net Sales and Ordinary Profit



pre-COVID period, the target of consumption is increasingly shifting from tangible goods to experience. In addition, inflation has dampened consumer spending. Under these market circumstances, I felt we had to act proactively, not reactively. Corporate growth does not always follow a constant upward trend. Therefore, I felt that it was time to invest in further growth when we were on an upward trend. Consequently, we made active upfront investments in the fourth quarter.

The first investment was in brand cultivation. A subsidiary, D-Nee Cosmetics Co., Ltd., released two liquid eyeliner models under a new cosmetic brand of “3650” in June 2023. They were A-rated in the categories of reddish eyeliners and effortless eyelines by the March 2024 issue of cosmetic review magazine “LDK the Beauty.”

In addition, in March 2024 we organized our first general companywide exhibition, “ARATA Collection 2024.” It was an investment in boosting the in-store market share and finding new business partners. It was joined as exhibitors by 164 major manufacturers based in Japan and overseas to propose new products and other items of focus. It also presented our original items, store management functions, distribution of information on social media and other services. The two-day exhibition was lively on both days, attracting approximately 1,600 visitors. That allowed us to secure new promising business partners we had failed to cultivate. That led to strengthening the foundations for the wholesale business.

Another investment was in advancing information technologies (IT) and digital transformation (DX). We launched the “IT Innovation DX Promotion Department” in April 2023. We deployed outside consultants to step up development. We instituted different measures in the IT medium-term management plan to achieve higher productivity and lower costs in sales, logistics, operation, merchandise and order placement. We are taking steps to increase delivery efficiency and streamline warehouse operations in cooperation with business partners, while introducing cutting-edge material handling equipment to accelerate efforts to heighten logistical productivity.



I see that we sowed favorably in the first year of Phase 2 for realizing the Long-Term Management Vision 2030.

Outlook for the fiscal year ending March 31, 2025  
**Confident in meeting the targets in the Medium-Term Management Plan 2026**

For the fiscal year ending March 2025, we forecast sales of 969.0 billion yen, operating profit of 16.3 billion yen, ordinary profit of 16.6 billion yen, and profit attributable to owners of parent at 11.0 billion yen. The growth rates may look slightly lower than for the fiscal year ended March 31, 2024. We are striving to fulfill the net sales target of ¥1 trillion set for 2030 earlier than originally scheduled, and to attain ordinary profit of ¥20 billion. It is quite a challenge.

Some of the seeds sown in the fiscal year ended March 31, 2024 may bloom immediately, while others may not begin to sprout smoothly. Amid very turbulent changes in society, new problems continue to spring up one after another. We will operate business while facing and dealing with these problems. However, I feel confident in meeting the numerical targets, and you can count on it.

Growth Strategies and Strengthening the Business Foundation  
**Expanding exclusive items and preferential distribution items in the wholesale business and continued investment in human capital management**

Based on our growth strategies, we will seek to maintain the stable growth of our core wholesale business and also strive to expand our business into new fields. In the wholesale business, we will continue to institute category strategies to increase market share in the health & beauty category and in the pet supplies category. In the past several years, we have worked to bolster the Group's originality by expanding exclusive items and preferential distribution items. As a result, their sales share reached 7% for the fiscal year ended March 31, 2024. Maintaining this momentum, we will aim to increase the sales share of exclusive items and preferential distribution items to over 8% in the fiscal year ending March 31, 2026.

Outside the country, we established Xinlehua(Guangzhou) International Trading Co.,LTD. in the Chinese city of Guangzhou in January 2024. It attains quick development in collaboration of a corporate partner that has a close relationship with the Chinese government. Currently, the yen is weak, giving Japan-made products an advantage. In the future, we expect to see high quality products made at the factory in China. The Group has the experience of successfully developing an original product in Thailand in 2022. We will pursue original product development in China as well. We are thinking of bolding trying to step into new domains other than the wholesale business.

The Long-Term Management Vision 2030 has a slogan: “Realize your dreams. Change your daily lives.” Expansion into new business domains is a dream for the future. I believe that increasing new businesses will make people's dreams come true. The actions for doing this will include developing new products, launching new projects and planning sales promotion in addition to the operation of the existing wholesale business. From the perspective of personnel, it will give them broader perspectives and possibilities than in the case of recruiting and discovering personnel merely on the

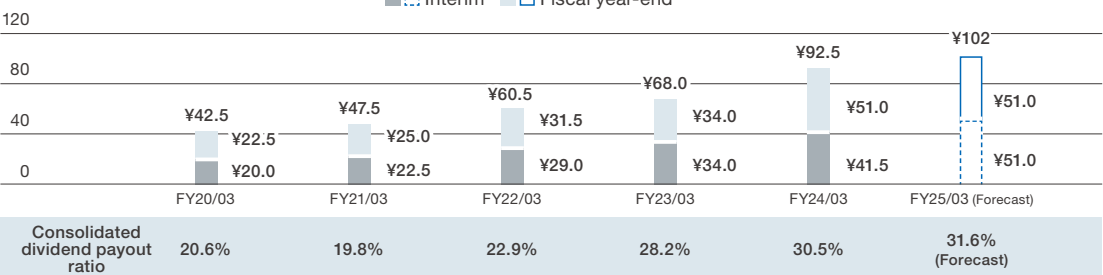
**Dividend policy**

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

financial condition and future business expansion.

While giving consideration to stable dividend payment, we will continue to pay attention to the dividend payout ratio and to return profits to shareholders.

**Dividends per share**



On January 1, 2024, the Company conducted a two-for-one split of its common shares. The figures for the interim dividends for the fiscal year ended March 31, 2024 and earlier have been converted to the figures after the stock split.

basis of conventional divisions and departments.

To bolster our foundations, we made investments in human capital with an eye to the future. Specifically, we revised the personnel system for raising employees' wage levels and paid performance-linked bonuses aimed at boosting their motivation. After we introduced a restricted share incentive program for the employees shareholding association, the ratio of employees affiliated with this association increased from 35% to 81%. I believe that employees will feel a greater sense of unity when they aware that their achievements will be reflected in the share price and linked with their asset building.

The biggest issue is the labor shortage. As a response to this, we are recruiting more staff members at each region in addition to the batch recruitment at head office. Traditionally, people in career track positions who could not be transferred had no opportunity to become managers. Now, we have introduced the position of area managers, giving them the opportunity for promotion. We already recognize problems such as manager workloads. I understand that we need to take swift action. Apart from that, we will ease the dress code, improve welfare, reduce overtime work and introduce job rotation for stimulating the organization as well as other programs for providing a wide range of work style options. Thus, we will construct a strong organization through human resources strategies that look to the future beyond 2030.

Sustainability Efforts  
**“AA” rating from MSCI ESG Ratings  
Two-star Eruboshi certification obtained**

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

Our environmental initiatives include reducing CO<sub>2</sub> emissions from business activities and initiatives for creating a virtuous cycle in the supply chain. They are conducted with a view to balancing between conservation of the global environment and economic activities. In 2024, we earned an AA rating for the first time from the MSCI ESG Rating. We also replied to the CDP questionnaire on climate change for the first time and received a C score from the CDP. We will step up our initiatives to address environmental

issues in a bid to receive higher ratings in the future.

We are also working hard to reduce returned goods. The returns process which involves removing and sending back products is labor-intensive and costly for retailers, manufacturers and wholesalers, and it also has an impact on the environment due to the disposal of goods. We monitor returned goods in quantities from the perspective of sales operations. We also track them in tons from an environmental standpoint and endeavor to reduce them to an appropriate level. However, the quantity and weight of returned goods rise in proportion to sales and the volume in circulation. I think we need to discuss whether or not the measured level is appropriate from the viewpoint of sustainability in comparison with corporate growth, instead of merely measuring whether the level has risen or fallen.

This idea applies not only to reducing the volume of returned goods but also to other measures for reducing CO<sub>2</sub>. In accordance with this idea, our ESG Committee draws up systematic scenarios towards 2030 and 2050.

With regard to governance, we are a company with an audit and supervisory committee. Our management operates with a high level of transparency. We define the promotion of female participation and advancement as a priority matter for enhancement in diversity, equity and inclusion (DEI). We have set a goal of attaining a ratio of female managers (at the level of heads of sections and higher) of 4.5% by the fiscal year ending March 31, 2026. To fulfill this goal, we have developed a new personnel system, among other programs. We took steps such as increasing the number of female managers and maintaining the ratio of female new graduates in career track positions. In March 2024, we were awarded two-star Eruboshi certification in recognition of efforts to help women keep their careers and a wide variety of career options. We will continue our efforts with a view to receiving three-star Eruboshi certification. In addition, we launched the “A&J Project” jointly with a subsidiary Japell Co., Ltd. Aimed at resolving issues faced by DEI advancement, it provides lectures on unconscious biases and seminars on health problems particular to women in order to boost understanding. We will also make vigorous efforts to obtain Kurumin certification for companies providing outstanding support for childcare and recognition as an outstanding organization of KENKO Investment for Health.



Financial Strategies

Attaining a PBR of over 1 as of the end of March 2024 with three measures for shares and shareholders

Based on our financial strategies, we are working to increase net sales and profitability for boosting cash flows from operating activities, to speed up asset turnover for increasing cash inflow, and to reduce cross-shareholdings. With regard to cash allocation, we made proactive investment in business growth and the construction of the foundations and carried out three measures for shares and shareholders in order to flexibly create shareholder value. The first of the three measures is to acquire treasury shares. By November 7, 2024, we will acquire treasury shares for up to ¥3 billion or 1.2 million treasury shares. The second is to carry out a stock split. A 2-for-1 stock split is planned, with the effective date being January 1, 2024. And the third is to adjust dividends. For the fiscal year ended March 31, 2024, we increased dividends in accordance with the revision to our earnings forecast. This with the ninth consecutive year in which we increased dividends. An opportunity for this improvement arose from a demand from the Tokyo Stock Exchange for "action to implement management that is conscious of cost of capital and stock price." The above measures increased the market capitalization and the number of shareholders. As of the end of March 2024, price book-value ratio (PBR) stood at 1.01. We will stay conscious of keeping PBR over 1, and will continue to conduct measures to create shareholder value, including advancing investment for growth.

For shareholder returns, we will strive to increase the dividend payout ratio while giving consideration to stable dividend payment. For the fiscal year ended March 2024, the consolidated dividend payout ratio reached 30.5% to reach

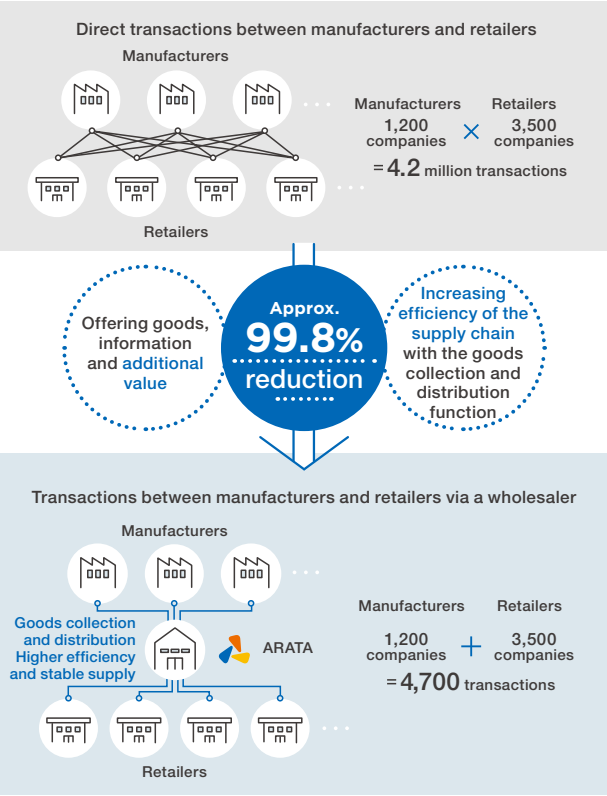
the target of 30% set in the Medium-Term Management Plan 2026. We will aim to achieve a consolidated dividend payment ratio of 31.6% for the fiscal year ending March 31, 2025.

ARATA's Mission and Raison D'Être

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

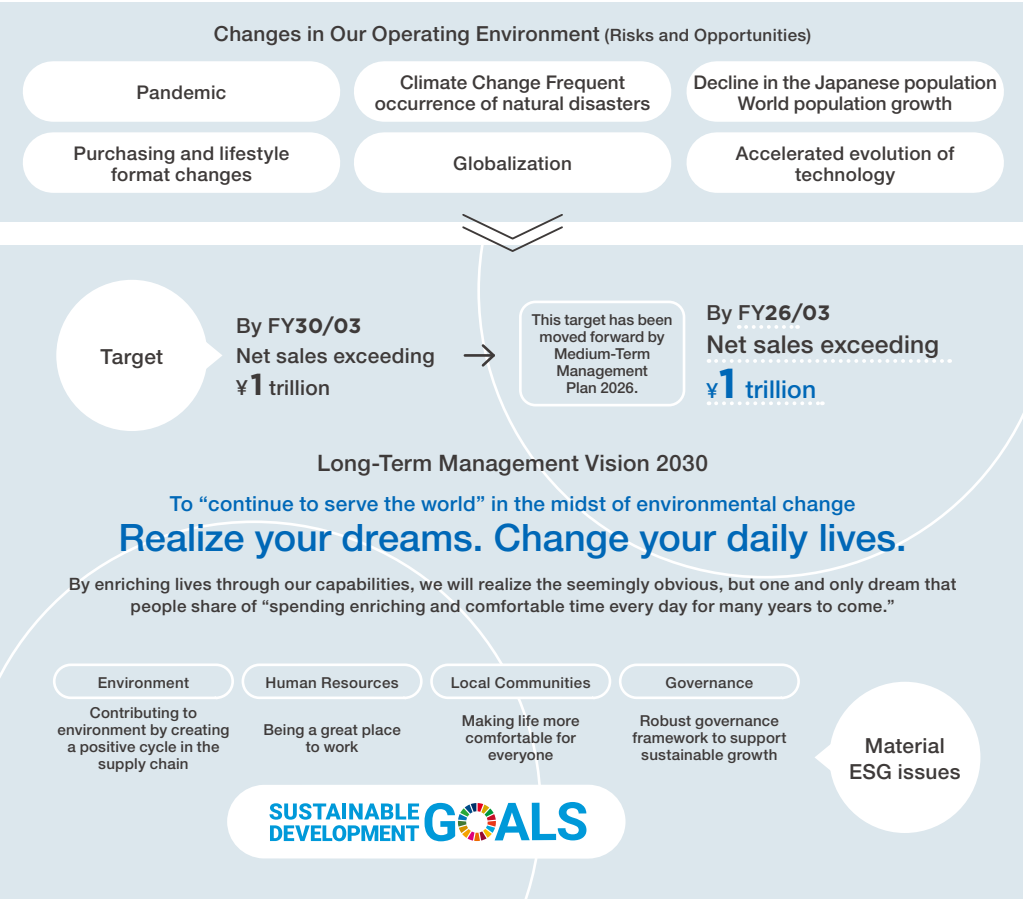
The wholesale business is our core business. Unlike other countries, Japan has a large number of manufacturers and retailers. The existence of wholesalers is very significant to the development of the distribution industry. The practice of delivering daily goods without missed items to stores across the country so that new products will instantly hit store shelves is not seen overseas. It is supported by the goods collection and distribution function played by wholesalers. The distribution industry also performs the function of cutting distribution costs and helps reduce the impact on the environment. Japan is a disaster-prone country. Dealing with many different daily goods and maintaining facilities all over the country, we have a significant mission of delivering supplies in emergency situations. In the wake of the Noto Peninsula Earthquake on January 1, 2024, all our employees worked as one to take swift action for an early return to business activities to fulfill our social mission, while putting their safety first. By the afternoon of the following day, we had restored operations and started shipping.

Our activities are based on our management philosophy, which reads "Continue to serve the world." The term "the world" encompasses a wide range of stakeholders, such as shareholders, investors, retailers, manufacturers, business partners, consumers and employees. To serve these stakeholders, we will continuously step up our corporate culture of "a tough, right and active company." We hope you will look forward to ARATA's future.



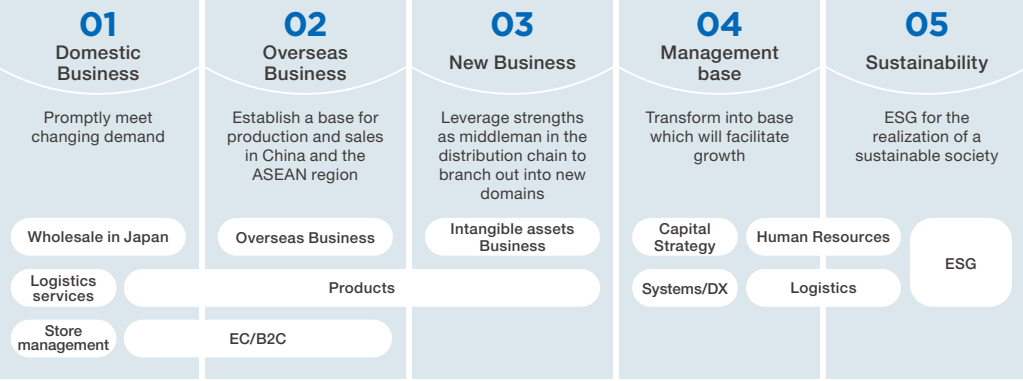
Towards sustainable growth

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



Five Subject Headings

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



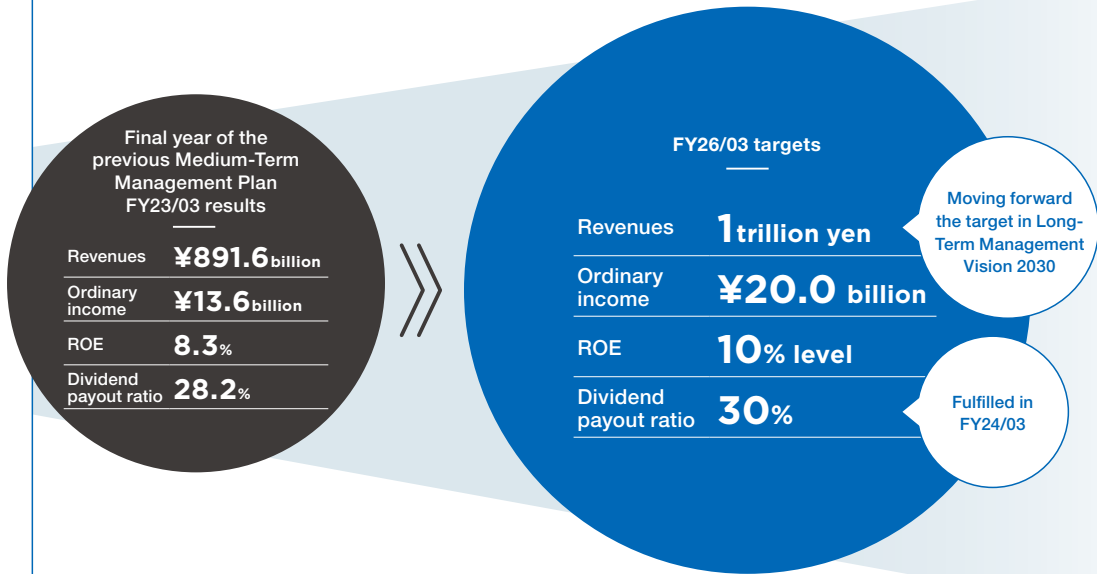
# Medium-Term Management Plan 2026

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

## Objective of Medium-Term Management Plan 2026

### Accelerating growth

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



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

Changes in the social environment	Changes in the business environment	Material Issues	Strategy in Medium-Term Management Plan 2026: Accelerating growth
Decline in birth rate, aging population, and decrease in population size	Labor shortage	Growth	<b>Growth strategies</b> <ul style="list-style-type: none"><li>Achieve continued growth of the wholesale business</li><li>Strengthen product procurement, planning and development functions</li></ul>
Climate change	Carbon neutrality	Stability	
Soaring resource prices	Rising prices of fuels and products	Sustainability	<b>Enhancement of infrastructure</b> <ul style="list-style-type: none"><li>A Logistical reform, an IT reform and promotion of digital transformation (DX) with a view to increasing productivity</li><li>Transform to human capital management</li></ul>
Pandemic	Changing lifestyles	Shareholder value	
Advances in technology	Intensification of competition between companies	Information delivery	<b>Sustainability</b> <ul style="list-style-type: none"><li>Environmental contribution</li><li>Strengthening the corporate governance structure</li></ul>
Globalization	Recovery of demand from inbound and outbound tourists	Low PBR level	
	Governance		

Invest in growth with an eye towards a PBR of more than 1 and take steps to create shareholder value for the **continuous growth of corporate value**

# Progress of the Medium-Term Management Plan

The fiscal year ended March 31, 2024 was one in which we pursued a number of initiatives towards growth in the first fiscal year of the Medium-Term Management Plan 2026. Our performance is steadily progressing towards meeting the targets set for the fiscal year ending March 31, 2026. At the end of March 2024, the price book-value ratio (PBR) reached 1 and the dividend payout ratio 30%.

## Forecasts

	FY23/03 results		FY24/03 results		FY25/03 (forecast)		FY26/03 (forecast)
Net sales	891.6	105.9%	944.1	102.6%	969.0	103.2%	1,000
Operating profit	12.8	113.2%	14.5	112.3%	16.3	-	-
Ordinary profit	13.6	112.1%	15.3	108.2%	16.6	120.5%	20.0
Profit attributable to owners of parent	8.2	125.5%	10.3	106.6%	11.0	-	-

Accelerate growth towards meeting the targets in the Medium-Term Management Plan 2026

## Strategies in the Medium-Term Management Plan 2026 and measures taken in the fiscal year ended March 31, 2024

	Strategy of Medium-Term Management Plan 2026	Measures taken in the fiscal year ended March 31, 2024
Growth strategies	<ul style="list-style-type: none"><li>Expand the health &amp; beauty category and the pet supplies category</li><li>Expand exclusive and preferential distribution items to strengthen originality</li></ul>	<ul style="list-style-type: none"><li>Held the "ARATA Collection 2024" <a href="#">P.35</a></li><li>Launched a new cosmetic brand of "3650" <a href="#">P.28</a></li></ul>
Enhancement of infrastructure	<ul style="list-style-type: none"><li>Implement measures in the IT Medium-Term Management Plan to streamline operations and to increase logistics productivity</li><li>Transform to human capital management</li></ul>	<ul style="list-style-type: none"><li>Implemented different measures in the IT Medium-Term Management Plan <a href="#">P.19-22</a></li><li>Improved logistics efficiency <a href="#">P.31-32</a></li><li>Introduced a restricted share incentive program for the employees shareholding association <a href="#">P.18</a></li><li>Started implementing of a new personnel system <a href="#">P.18</a></li></ul>
Sustainability	<ul style="list-style-type: none"><li>Reduce CO<sub>2</sub> in collaboration with business partners as central player in the supply chain</li><li>Strengthen the corporate governance structure</li></ul>	<ul style="list-style-type: none"><li>Responded to the CDP questionnaire for the first time: C score received <a href="#">P.39</a></li><li>Acquired 2-star Eruboshi certification <a href="#">P.42</a></li><li>Formulated ESG-related policies <a href="#">P.37-45</a></li></ul>
Financial strategy	<ul style="list-style-type: none"><li>Increase net sales and profitability and speed up asset turnover for increasing cash-in</li><li>Make proactive investment in business growth and construction of foundations</li><li>Take swift measures to create shareholder value</li></ul>	<p>Implemented three measures for shares and shareholders <a href="#">P.15</a></p> <ol style="list-style-type: none"><li>Purchase of treasury shares: Acquire treasury shares for a maximum of ¥3 billion or a maximum of 1.2 million shares</li><li>Stock split: At rate of two shares per share</li><li>Adjustment (increase) of dividends: In line with the guidelines for the dividend payout ratio of 30%</li></ol>

Invest in growth with an eye towards a PBR of more than 1 and take steps to create shareholder value for the **continuous growth of corporate value** PBR of 1.01 attained as of the end of March 2024



# Financial Strategy

Aiming at increasing market capitalization,  
growth strategies with future potential and achievements /  
**Measures for shares and shareholders** are needed

Decision made to carry out the following measures for shares and shareholders

**1 Purchase of treasury shares**

Acquire treasury shares for a maximum of  
¥3 billion or a maximum of 1.2 million shares

**2 Stock split**

Share split at a rate of two shares  
for one share

**3 Adjust (increase) dividends**

Increase dividends in line with the  
guidelines for the dividend payout  
ratio of 30%

**1 Purchase of treasury shares**

**Reasons for acquisition**

Shareholder return, improvement of capital efficiency and  
implementation of flexible capital policies according to the  
management environment

**Total number of shares to acquire**

A maximum of 1.2 million shares (3.4% of the shares issues,  
excluding treasury shares)

**Total amount of shares to be acquired**

Maximum of ¥3 billion

**Acquisition period**

From November 8, 2023 to November 7, 2024

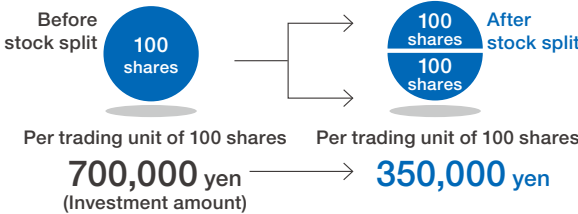
On January 1, 2024, the Company conducted a two-for-one split of its common shares.  
The total number of shares acquired is the figure after the split.

**2 Stock split**

**Share split at a rate of two shares for one share**

The Company conducted a two-for-one stock split effective of  
January 1, 2024 for the purpose of building an environment in  
which investors can more easily make investments, to increase  
both the number of investors and the liquidity of its shares.

e.g. Calculated on the assumption that the share price is  
¥7,000 and on a per trading unit (of 100 shares) basis



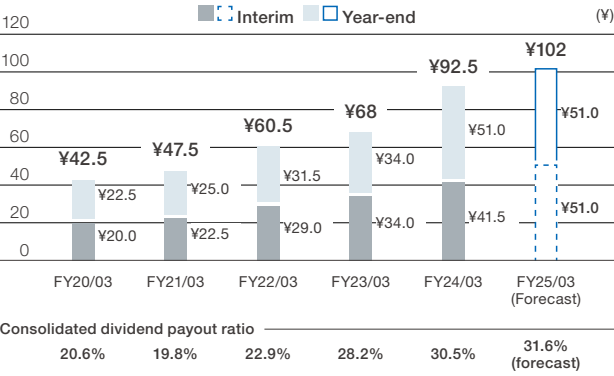
**3 Adjust (increase) dividends**

Increase dividends in line with the guidelines for the dividend payout ratio of 30%

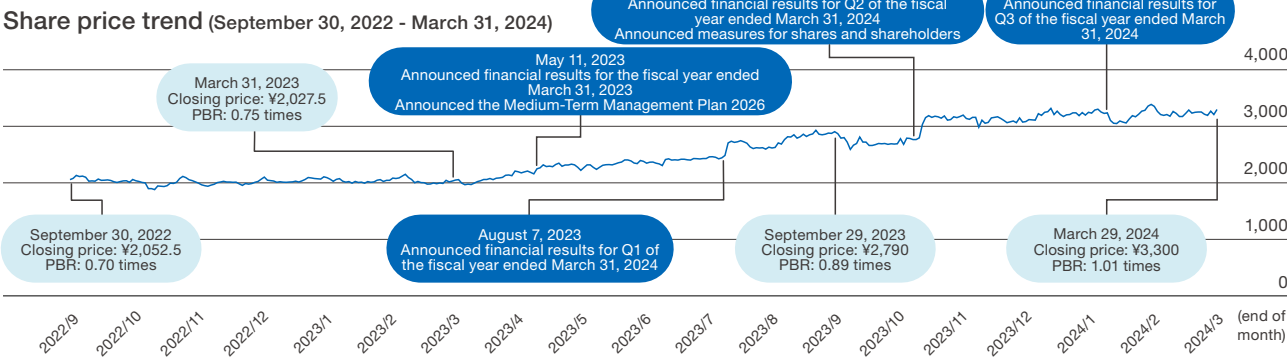
(Yen)	Annual dividends for the fiscal year ended March 31, 2024		
	Interim	Year-end	Total
Initial forecast (announced on May 11, 2023)	41.50	41.50	83.00
Increase dividends in line with the guidelines for the dividend payout ratio of 30%	41.50	51.00	92.50
Dividend paid for FY ended March 31, 2023	34.00	34.00	68.00
Change from the previous fiscal year	+7.50	+17.00	+24.50

Dividends increased for the ninth straight year to fulfill the dividend payout ratio target of 30% set in the  
Medium-Term Management Plan 2026

**Dividends per share**



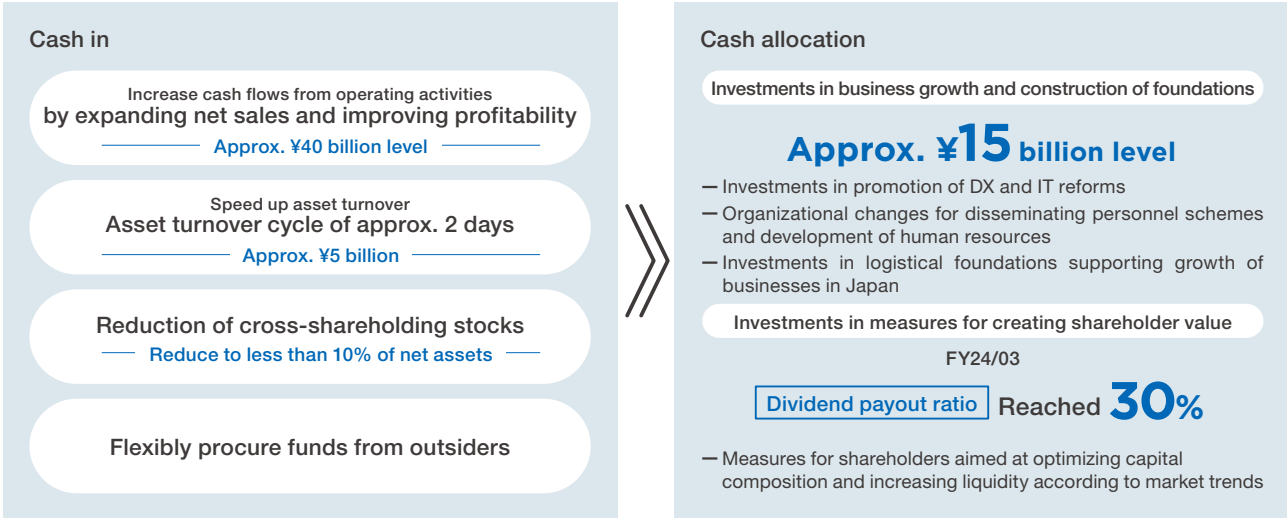
On January 1, 2024, the Company conducted a two-for-one split of its common shares. The figures for the interim dividends for the fiscal year ended March 31, 2024 and earlier have been converted to the figures after the stock split.



On January 1, 2024, the Company conducted a two-for-one split of its common shares. The figures for the interim dividends for the fiscal year ended March 31, 2024 and earlier have been converted to the figures after the stock split.

Medium-Term Management Plan 2026 Enriching shareholder returns by investing mainly in business growth and construction of foundations

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



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

**Comment from the personnel in charge**

Aiming for continued growth through corporate activities beyond expectations of  
stakeholders while fulfilling responsibility as a company supporting social infrastructure

**Proactive investment**

The ARATA Group serves consumers' life through business. We are convinced that our continued provision of a high level of additional value will lead to happiness of all stakeholders and to growth of the whole society. When making an investment decision, we examine whether or not it is a sound and proactive risk-taking. We will make ambitious investments in personnel, systems and logistics to achieve long-term improvement in corporate value and maximum returns of profits to stakeholders.

**Achieving the optimum capital structure**

Sound and stable financial foundations are indispensable to firm implementation of investments for growth under advantageous conditions. We will continuously advance

the expertise in procurement that we have accumulated. We will seek a balance between shareholders' equity and liabilities suited to diversifying investments, financial details and market conditions of the times. In addition, we will make effective use of real estate, securities and other assets and improve the cash conversion cycle (CCC) to help boost investment efficiency and soundness.

We have traditionally defined maximization of return on equity (ROE) as the most significant value and endeavored to heighten our corporate value with maximization of cash flows from operating activities, proactive investment activities and sound financial foundations as driving forces. We will continue to implement well-balanced measures from a long-term perspective.



**Nakaba Nebashi**  
Senior Executive Officer,  
General Manager of Operations,  
and Deputy General Manager  
of IT Innovation DX Promotion  
Department

# Human Resource Strategy


## Changing human capital management to consistently increase corporate value

We have a company motto: "Working is the human path." I suppose that this idea itself is universal, but its interpretation will change with the times. We see employees as partners sharing the same purpose and respective their diversity. We have been working to provide workplace environments where individual employees can display their potential to the fullest degree and to make ourselves into a company where they can keep working. In the future, we will need to forge a culture where individual employees feel motivated and satisfied and feel like continuing to work for the Company. I am certain that it will help us adapt to rapidly changing social circumstances and accelerate our corporate growth. The key to this

achievement is a change based on the idea of human capital management. In other words, it is a personnel strategy.

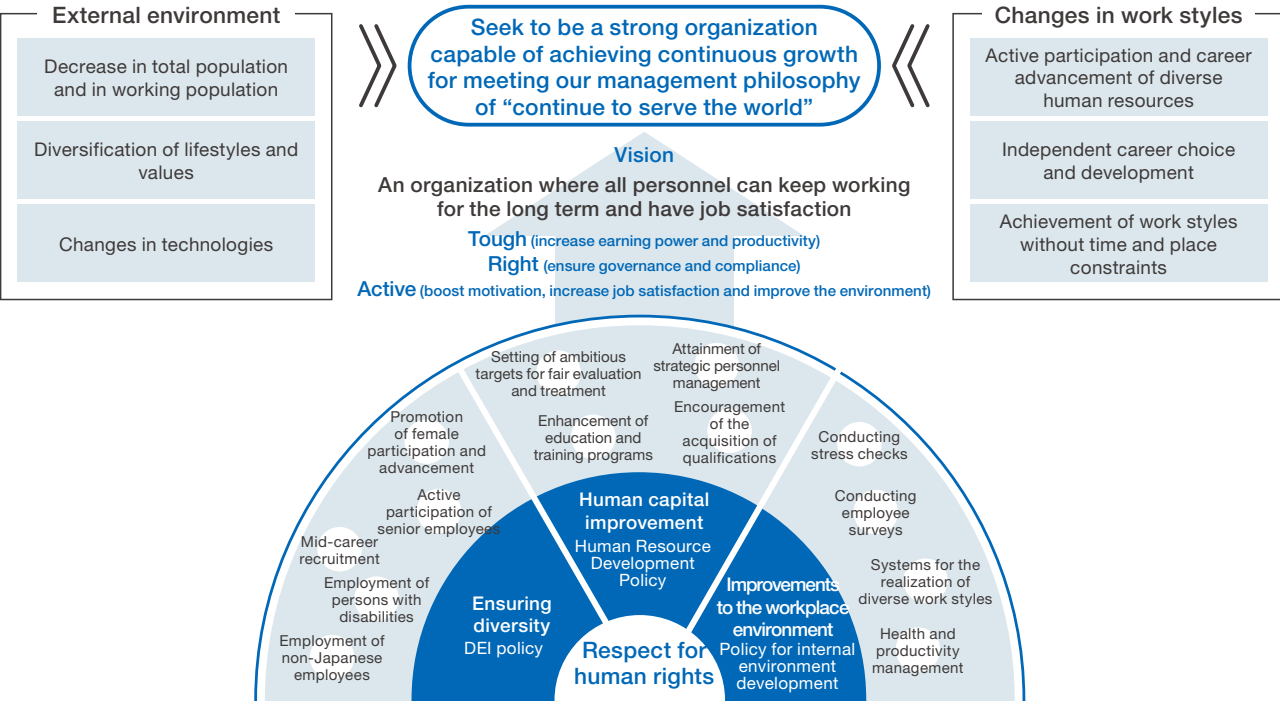
In Phase 1 of the Medium-Term Management Plan 2026 for realizing the Long-Term Management Vision 2030, subtitled "Realize your dreams. Change your daily lives," we introduced a new personnel system. In the next phase of change, we will continue our existing measures and introduce job rotation to stimulate the organization. We will also step up investment in staff education.

We will continue to vigorously carry out strategies that will maximize the value of our personnel in a bid to further increase our corporate value.

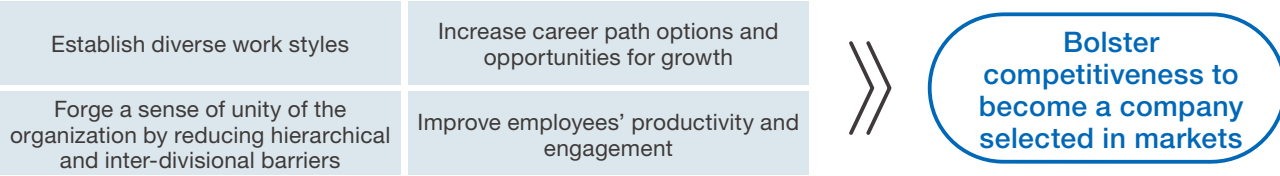


**Hiroyuki Kawano**  
General Manager of Personnel Department, and Manager of Personnel Division

## Basic Approach to Human Resources



## Keys to growth



## Initiatives in the fiscal year ended March 31, 2024

### Started implementing of a new personnel system

We revised the personnel system in April 2023. This revision marks the first phase of change towards human capital management. We started with the investment mainly in salaries and bonuses so that all the employees would feel the change. We also added and enhanced some programs.

**Slogan of the personnel strategy**  
**Development of personnel and an organization for the future**  
-Building a strong organization towards 2030

**Investing approximately ¥1 billion**  
in the whole of the new personnel system in the year-long period (fiscal year ended March 31, 2024)

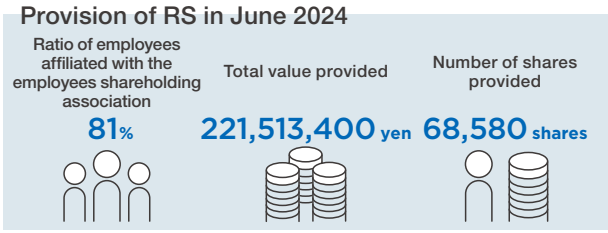
**Average corporate salary increase rate: 3.60%**  
\* Cited from Requests for and Settlements of Spring Wage Increases among Major Private Companies in 2023

**The Company's salary increase rate: 8% on average**  
\*incl. periodic salary increases

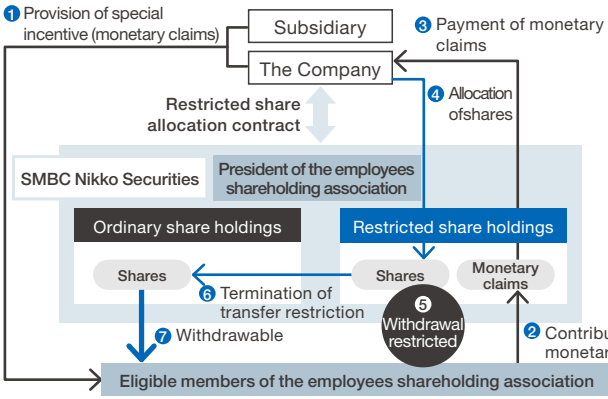
- Major additions and enhancements in the new personnel system**
- Launch a new job category of Area Manager**  
→ Increasing options for promotion to managers while maintaining assignment to a specific region
  - Revise programs for senior employees' active roles**  
→ Creating an environment for long service of employees to utilize their extensive knowledge for corporate growth
  - Revise the job return program (to open the way for promotion to regular employees)**  
→ Offering opportunities of using knowledge and skills built up in the Company to play active roles again
  - Revise requirements for promotion**  
→ Paving the way for early promotion according to competence, irrespective of the age
  - Revise the number of job category changes**  
→ Easing the limit on the number of changes so that the Company can give consideration to both the career path and life events
  - Changing the personnel evaluation system**  
→ Clarifying the evaluation of the level of achievement against personal goals and behavioral indicators, aiming for a clear and fair evaluation

### Introducing a restricted share (RS) incentive program for the employees shareholding association

The program has been introduced for the purposes of enriching welfare for employees, helping them with asset building, nurturing their sense of participation in management and advancing the sharing of value through ownership of the Company's shares. With the introduction of this program, we encouraged employees to join the employees shareholding association. Today, 81% of all the employees in the Group are members of the association.



### Mechanism of the restricted share (RS) incentive program for the employees shareholding association



### Effect observed from the employee opinion survey

We conducted an employee opinion survey in February 2024, less than a year after the start of implementation of the new personnel system in April 2023. Rises in scores were observed in relevant items. The new personnel system is considered to have had some effect of improving employees' engagement. The survey response rate remained high at 97.1%.

Survey in February 2024	Salary levels	Clarity of evaluation	Work-life balance	Acquisition of leave	Employee satisfaction	Intent to stay with the company	KPI
Score (on a five-step scale)	3.2	3.2	3.4	4.0	3.6	3.7	Intent to stay with the company 2026 target 4.0
Year-on-year	+0.20	+0.14	+0.17	+0.14	+0.11	+0.11	



Special Feature

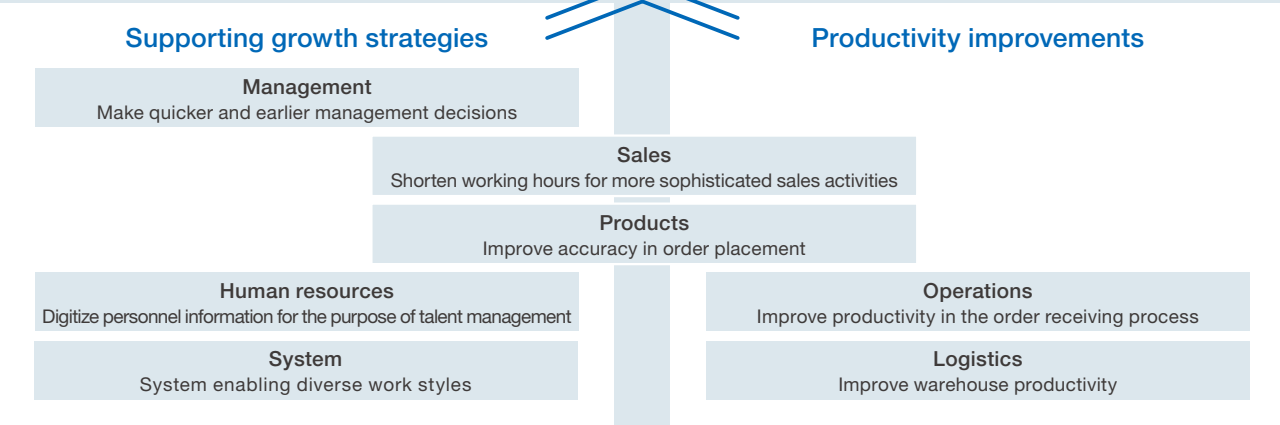
# IT Medium-Term Management Plan Supports ARATA's Growth



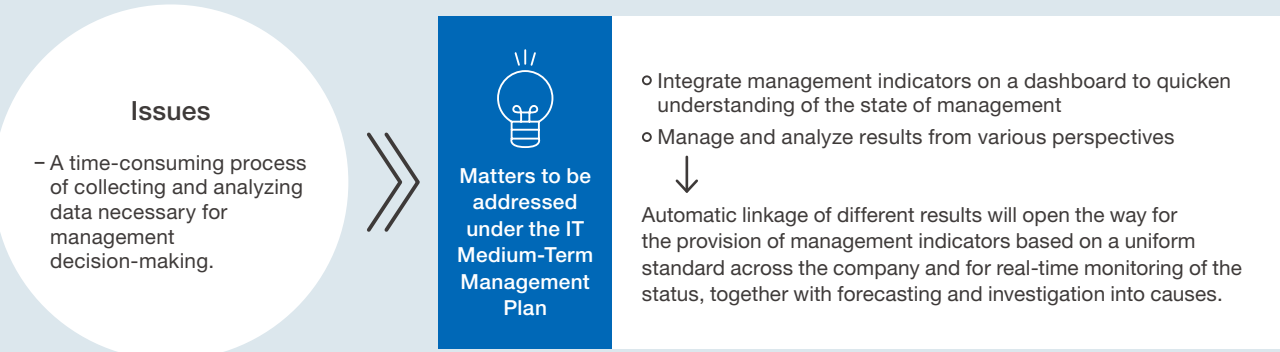
To build information systems that help realize Long-Term Management Vision 2030, we have been pursuing system innovation in line with the IT Medium-Term Management Plan since the Vision was adopted in around 2020. We launched seven subcommittees for different domains. In collaboration with business units and the IT Planning Department, they work on system innovation to introduce information technologies (IT) and digital transformation (DX) in different areas based on the various strategies under the Medium-Term Management Plan.

Medium-Term Management Plan 2026: Enhancement of infrastructure  
Innovation in logistics and information technologies (IT) and implementation of digital transformation (DX) to boost productivity and while achieving a transformation to human capital management

Aiming to produce an effect of ¥2.5 billion



## Management Make quicker and earlier management decisions

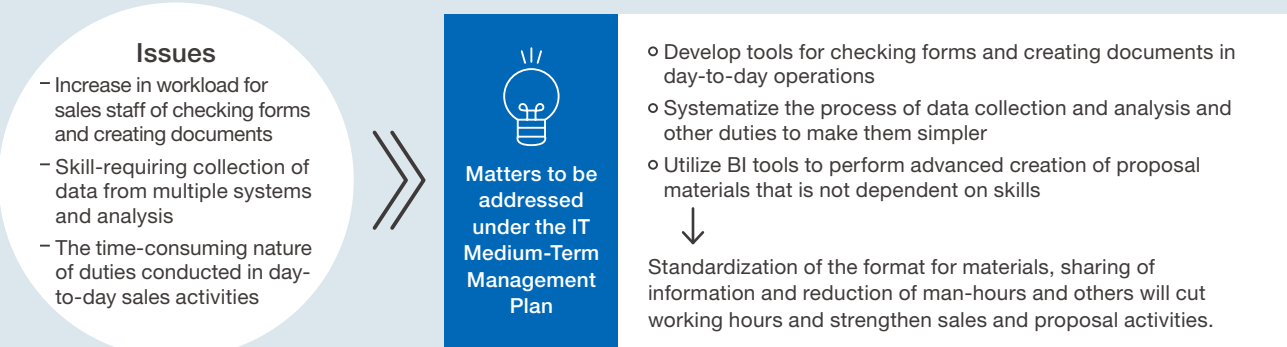


Comment from an employee serving as a subcommittee member

Our tasks include analysis for supporting management decision-making.  
Analyzing management indicators from different angles amid rapid environmental changes requires collecting a large volumes of information. This process requires considerable time.  
To reduce the time required for data collection and allow more time for the analysis, we used business intelligence (BI) tools to create a ledger for management on a daily basis. That shifted us from the practice of asking for reports on results data and analysis findings to a culture of acquiring them on our own. This in turn paved the way for standardized management of management indicators

throughout the company and established a mechanism in which the necessary data could be immediately obtained whenever necessary. We then held discussions for building an even better system for managing and analyzing results from different perspectives. We thus worked to integrate management indicators on a dashboard to speed up understanding of the status of management.  
A future issue is to ensure that what is seen from findings of the standardized analysis is properly understood and permeates the company. We will successively put different mechanisms constructed into place to push ahead with mindset reform and business innovation and to produce positive results from them.

## Sales Shorten working hours for more sophisticated sales activities

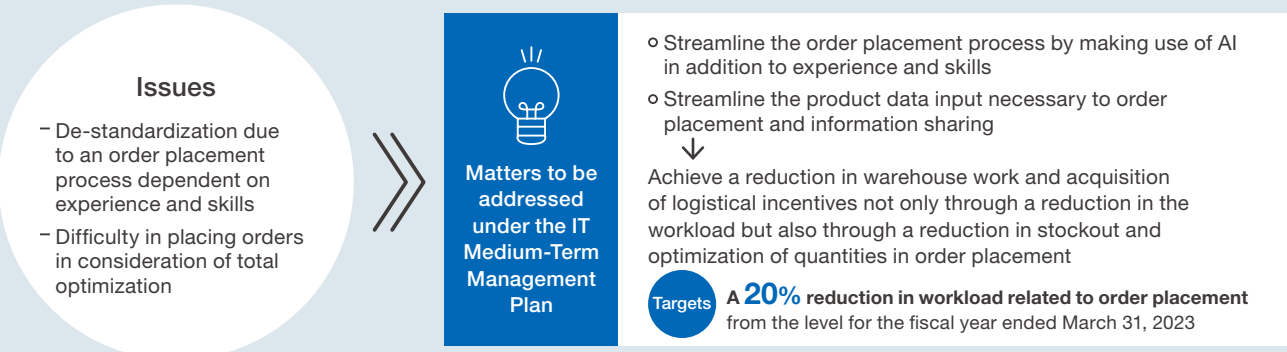


Comment from an employee serving as a subcommittee member

The sales subcommittee under the IT Medium-Term Management Plan actively communicated the points to be redressed for increasing efficiency, accuracy and paperless operations from the standpoint of sales personnel and held discussions for remediation. The discussions pointed out a number of matters that should be remedied. We will address them in order of greater expected effect.  
In addition, we exchanged opinions many times not only about the content but about the user-friendly screen layout with the IT Planning Department. I feel that we were thus able to undertake more intensive innovation.

After putting the system we developed into operation, we conducted a survey to learn that 29% of the respondents had less overtime and 59% had more time for sales activities. It seems that many sales staff found a positive effect. In addition, some sales personnel thanked those of us involved with the IT Medium-Term Management Plan.  
Going forward, we must further instill the new system we have constructed and ensure that it is used more frequently. We will continue to upgrade the analysis of our shipment data and the market in a bid to construct a system that helps all sales personnel make higher-level proposals to customers.

## Products Improve accuracy in order placement



Comment from an employee serving as a subcommittee member

At present, we are working to the streamline the process with the use of AI for automated order placement. The frequency of use and the accuracy are improving every year. We hope that it will be the main driving force in the order placement process. At present, the automated order placement operates in a form based on the past record and logic. In the future, we will effectively introduce AI-based demand forecasting and other features to achieve higher accuracy in order placement. Meanwhile, we will hold active discussions at the

subcommittee for identifying issues involved in the part that has yet to be automated and on how to cope with them.  
In addition to reducing the order placement workloads, we will improve the precision in order placement to ensure inventory optimization and to reduce stockout in hopes that they will help boost productivity. Moreover, we will move ahead with automation of order placement with a view to evolving it into a system that will streamline the whole supply chain in consideration of total optimization.



Special Feature IT Medium-Term Management Plan Supports ARATA's Growth

Human Resources Digitize personnel information for the purpose of talent management

Issues

- Separate management of different HR data
- Possibility of errors in the manual process for data linkage

Matters to be addressed under the IT Medium-Term Management Plan

- o Innovate the HR and payroll system
- o Develop a fundamental HR database and improve its content
- o Construct a HR evaluation system

↓

These initiatives will improve the accuracy of information and pave the way for the linkage of different HR data so that they will be used as materials for medium- and long-term staff development.

Comment from an employee serving as a subcommittee member

We worked on innovation of the HR and payroll system and on revising operations with the help of the IT Planning Department. I feel that we achieved linkage with other systems and created an environment that would encourage the use of the system by incorporating suggestions from the IT Planning Department into it. Individual employees are to enter their fundamental personnel data. The user interface for entry was switched from Excel to an online form. This enhancement in user interface provided benefits for employees. The system for HR evaluation has also been switched from Excel to the

cloud in cooperation with the IT Planning Department. The new system has been in operation since this fiscal year. With regard to individual matters to be addressed, we discussed and shared information, issues and measures at regular meetings on the HR system that took place every month, and at task meetings on separate matters that were held as needed in order to prevent inconsistencies. In so doing, we execute the measures without trouble. I believe that what is learned from the initiatives will be a key element to talent management that will be implemented by the HR Department.

Operations Improve productivity in the order receiving process

Matters to be addressed under the IT Medium-Term Management Plan

- o Streamline the operations related to order receipts on the EOS system
- o Streamline the operations of entering orders received

↓

Reduce workloads and streamline the order receiving process

Entry of data on approximate 1.3 million orders received in a year

Before inauguration of the system

After inauguration of the system

Entry of data from various order formats  
Heavy workloads

Automating cumbersome operations for streamlining

Logistics Improve warehouse productivity

Matters to be addressed under the IT Medium-Term Management Plan

- o Improve productivity management with quantitative forecasts and warehouse worker controls
- o Introduce a delivery cost management system to improve the loading ratio
- o Use manufacturers' advance shipping notices (ASNs) to streamline warehouse operations

↓

Achieve appropriate personnel assignment, simplify warehouse processes, and conduct an analysis using the data management system to cut costs and increase distribution productivity

System System enabling diverse work styles

Matters to be addressed under the IT Medium-Term Management Plan

- o Reconstruct and improve the communication environment with the use of Google Workspace
- o Upgrade the network environment and other internal IT infrastructure
- o Streamline document management with the document management system

↓

The shift to paperless operations and one-time data entries based on system linkage will make centrally managed information available at any time and any place.

Presenting useful functions of Google Workspace to maximize the effect of use of the tool

Constructing system infrastructure that supports ARATA's growth strategies

Background until the start of initiatives under the IT Medium-Term Management Plan

The IT Medium-Term Management Plan started by drawing a picture of what ARATA aspires to be like in 10 years and the state of information technologies supporting the latest Medium-Term Management Plan in view of the visions of the management and working-level personnel as well as issues facing them.

In advance, I visited individual branches to interview them about issues. I selected 30 issues that we should tackle with higher priority from among nearly 280 major and minor issues. We launched subcommittees for different functions. They study and carry out specific measures in consideration of the level of importance, speed, cost and effect.

In the past, we took steps mainly in the area called backbone systems for distribution, sales, merchandise, operations and others. Now, we have expanded the scope to other functions. We are working on IT implementation especially in personnel and management strategies.

Method, measurement of effect, and others

Some IT measures aim to achieve quantitative effects to boost productivity, while others seek qualitative effects, such as enhancing employee satisfaction or facilitating smooth communication. For these measures, we actually survey workers and measure their effects from the survey findings.

For example, sales staff have many different duties and deal with a wide range of sales steps. The degree of effect that these steps have cannot be simply measured. To measure the effect, we conducted a survey of sales employees. The findings suggest that the steps successfully give them time for business talks with customers and for serving customers at stores.

We ask manufacturers to send advance shipping notice (ASN) data to us in order to streamline the cargo reception process. This streamlining curtails manufacturers' delivery drivers' standby time. They and we do share the positive effect produced.

Some steps make use of AI, but at the current stage,

Shinji Miyazaki  
Executive Officer and General  
Manager of IT Planning Department

they do not completely depend on it. We always compare answers found from our logic with those proposed by the AI to determine which to introduce to our operations.

Introduction of Google Workspace

Over the past dozen years or so, we used ARATA's original portal and e-mail systems. The IT Innovation DX Promotion Department and the IT Planning Department have worked together on innovation in the systems after they called on staff in different functional divisions to take part in demonstration trials and other activities. To resolve the causes of current dissatisfaction, ensuring newcomers and mid-career entrants can use the systems without trouble and conforming to de facto global standards, we introduced Google Workspace.

It has accelerated information sharing and opened the way for real-time collaborative processes. We have shifted from our traditional individual work using paper documents and files to team-based collaborative work. The chat function enables staff members to immediately communicate with the president.

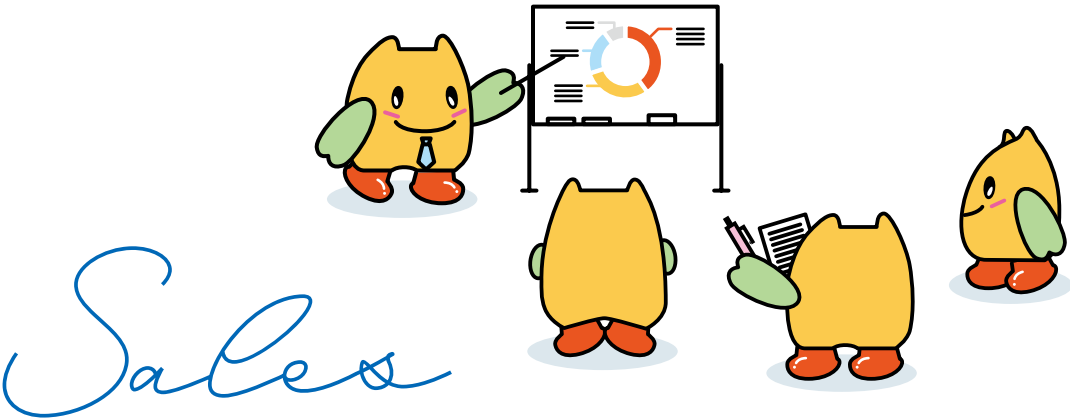
Future issues and goals

Some time has passed since consideration started on this IT Medium-Term Management Plan. Some of its items already requires new steps. In addition, we need to strive not only to introduce IT solutions but also to innovate all operations from an additional perspective of DX.

Looking 10 to 20 years ahead, we are planning to carry out a new DX project and system innovation. Moving forward, we will replace conventional work practices with new approaches using IT and AI technologies and accelerate transformation. We will thus build an environment in which all employees can harness their potential and enjoy greater job satisfaction, which can translate into services for customers and society and our own business growth. We will aspire to become a strong, right and joyful company.

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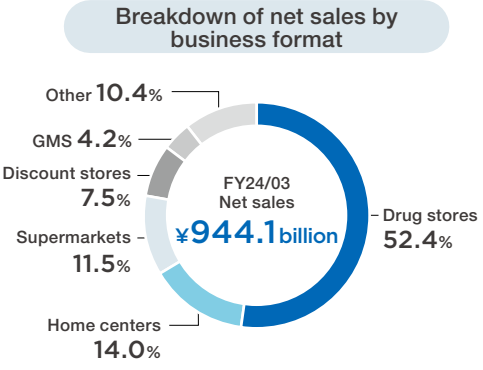
22



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 Operations Division of seven branch offices nationwide that deal with community-based retailers, and the Sales Management Division, which is a specialist team engaged in the aggregation and data analysis of market and product information essential for proposals to retailers.

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



Strengths of sales operations

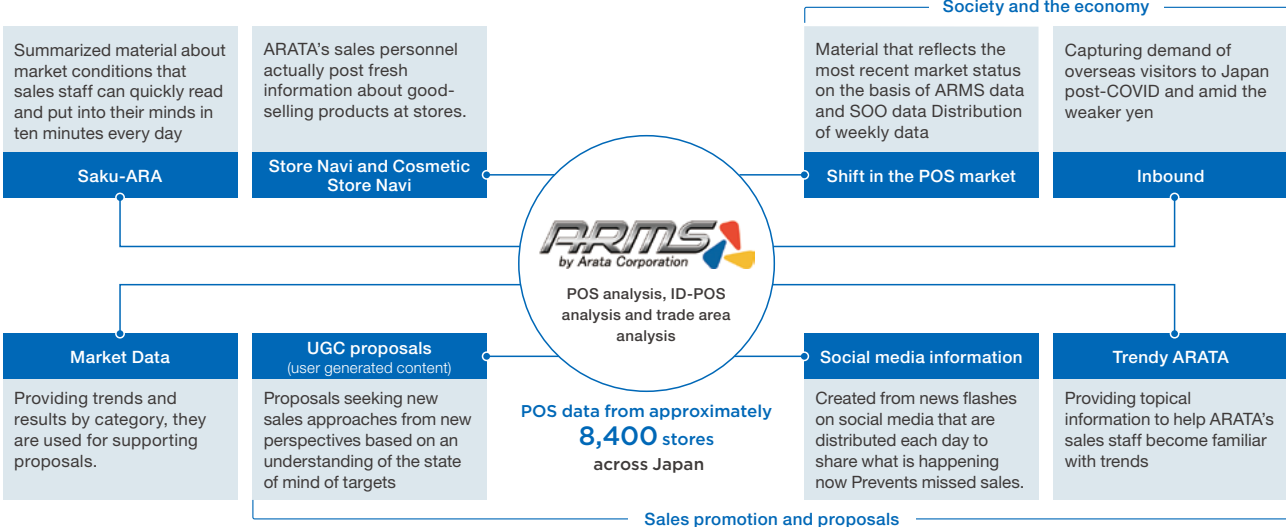
Human resources with the ability to get things done

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

Ability to make credible proposals based on qualitative and quantitative information

We use quantitative information with ARMS and qualitative information such as Store Navi from various angles. ARMS is our original tool that performs a wide range of analyses from the POS analysis by category, by business format and by brand to the ID-POS analysis by gender and by age group. This information opens the way for proposals tailored to the characteristics of individual retailers.

Powerful tools that support the proposal capabilities of ARATA’s sales personnel



Initiatives in the Sales Division

Meeting the needs of the rapidly expanding e-commerce market with ARATA's unique capabilities

The E-Commerce Division has been under the direct control of the Sales Division since April 2022. Leveraging the wealth of information we have accumulated as a wholesaler from upstream to downstream, we propose products and sales promotions tailored to the particular characteristics of e-commerce companies.

While the e-commerce business 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.

Selling seasonal products throughout the year to reduce the number of product returns

Given persistent and extreme heat and warm winters in recent years, demand for sunscreen, insecticide and insect repellents and other seasonal products is lasting longer with each year.

In this environmental change, we propose selling seasonal products throughout the year as a suggested sales space design that re-ponds to consumer demand. That reduces the burden on retailers of handing returns and helps to lower transport and waste. To streamline the entire supply chain, we will expand a new concept of standard products for wholesalers at the heart of the supply chain and achieve collaboration among manufacturing, distribution and sales func-tions as a way to reduce returns.

Store information and social media

In a situation where diverse sources of information and word of mouth are mixed together, we use reliable ARMS data to distribute information on selling items in the past and at present and on future products that draw attention on individual tools. We use daily, weekly, monthly and other data separately to make proposals to retailers and proposals suited for characteristics in separate categories.



**Saku-ARA**  
It is material about outline market analysis, POS market shifts, inbound tourist market information and other areas that sales staff can put into your mind in ten minutes every month. It includes market trends (ARMS), market conditions, trends in sales of seasonal products, market status by business category, points for proposals, inbound tourist market information, trends in POS sales at duty-free cashiers, monthly top sales ranking in POS sales at duty-free cashiers, suggestions on sales approaches, hot information on social media, forecast from past social media posts, and clues to sales.



**Market Data**  
This materials covers market information by category. It makes an analysis on the basis ARMS data from 8,400 stores, SOO data from around 1,300 stores and ID-POS data about approximately 7 million shoppers. It is updated twice a year, in June and in December, to help make shelving allocation proposals.

Embarking on our approaches through our social media accounts

In recent years, campaigns on social media have significant impacts on market growth or shrinkage. We launched the SNS Promotion Section in January 2024. We use three accounts to distribute content that interests different target groups. We will also make proposals on sales space design in linkage with social media.

**X**

**ARATA lifestyle**

@ARATA\_lifestyle

Targets

- Aged around 40
- Women
- Homemakers with jobs

Presenting all categories of products handled by ARATA

**Instagram**

**ARATA beauty & health**

@arata\_media\_jp

Targets

- I their 20s, 30s and 40s
- Women

Presenting a wide range of daily necessities, household goods and cosmetics

**Instagram**

**hibiplus\_arata**

@hibiplus\_arata

Targets

- Ages in the range from 15 to 35 years old
- Women

Providing the latest information on femcare, makeup, hair care and body care

Launching social medial accounts for creating big sellers

We launched our social media accounts on the X and Instagram platforms in October 2023 with the aspiration of making our products and their charm better known to the public. We post a range of content on the subjects of beauty, health and comfort. We boast a breadth of information unique to a wholesale trading company, including the latest information on cosmetics and useful information on daily necessities and household goods. We are

trying many different activities such as influencer gifting and the creation of point-of-purchase displays using posted images. Our goal is to create big sellers on our own initiative by increasing product recognition, encouraging purchases and strengthening sales on social media.

**Haruka Yuhara**  
SNS Promotion Section, Sales Management Division,  
Sales & Sales Planning Department





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

Field solutions

Personnel engaged in periodic support operations

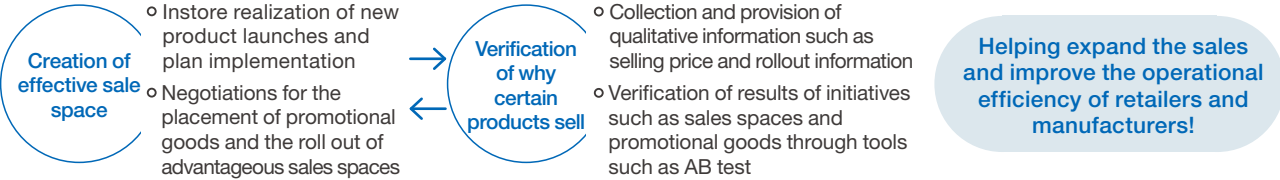
**3,600 (every month)**

Personnel providing additional spot services

**Approximately 3,000**

Supporting over 5,000 retailers nation-wide. The same members of staff visit the same stores on a regular basis to monitor store progress and maintain sales space. They increase the ability to produce desired stores to help expand sales, minimize opportunity loss and reduce the number of returned goods. They make good use of store man-agement and investigation systems to achieve timely reporting of selling space situations and sharing of quantitative information based on the sales space analysis. They thus quickly understand product sales trends and propose better sales space designs.

Collaboration between retailers, manufacturers and ARATA

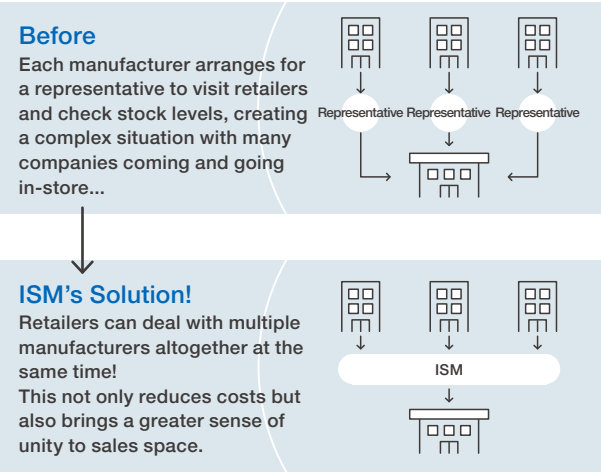


Instore promotions

We plan and produce effective promotional tools and measures for retailers, manufacturers and consumers based on its thorough knowledge of stores. We provide a one-stop service including planning original campaigns that will lead to purchases at stores, implementation of the campaigns and measurement of their effect. That helps improve sales performance. Our activities range widely from campaigns for simple manufacturers to joint campaigns with manufacturers. We are able to do this because we are a wholesale trading company group.



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. Going forward, we will aim to create new value in the process of digital transformation (DX) in distribution as a front runner in store management.



Sales promotion solutions that combine real and digital approaches

We design and plan media promotion using traditional and online media and propose measures for increasing visitors to stores. We will enhance collaboration with stores and effective appeal to targets in a bid to encourage their purchases.

**Collaboration among ARATA, D-Nee Cosmetics and ISM**

We placed digital signage advertisements of the “3650” brand for cosmetics provided by D-Nee Cosmetics. We placed multiple ads in central Sapporo and additionally used online media to gain brand recognition. At the same time, we increased in-store exposure at retailers. That produced considerable positive effect on sales.

Content for staff education into professionals

We offer staff education content for internal e-learning called Ael E-Training Navi. We created a manual for practical operations to develop staff with high expertise. In collaboration with ARATA's sales personnel, ISM's staff help retailers with store launches and renovations to improve store display performance.



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. There are some issues that we should overcome, including

language and cultural differences and complication of distribution. We will conduct marketing strategies for technological advancement and improve-ment in customer experience and create new business models to achieve dynamic business expansion through bidirectional linking of these three countries and Japan. It is a key part of our growth strategy under the Long-Term Management Vision 2030.

China

We regard the country of 1.4 billion people where quality of life continues to improve as a priority market. We established a new company under the name of XIN LE HUA (GUANGZHOU) INTERNATIONAL TRADING CO., LTD. in January 2024. By operating a local subsidiary, we will adapt to the fast-changing market and to local commercial practices. In addition, we will strengthen the network with manufacturers and customers in China. Harnessing the merchandising capabilities we have cultivated in Japan, we will expand new businesses both online and offline.



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 estab-lished ARATA VIETNAM COMPANY LIMITED in 2020. It is holding business talks with Japanese manufacturers and with local retailers, and is conducting locally based sales activities.



Export from Japan

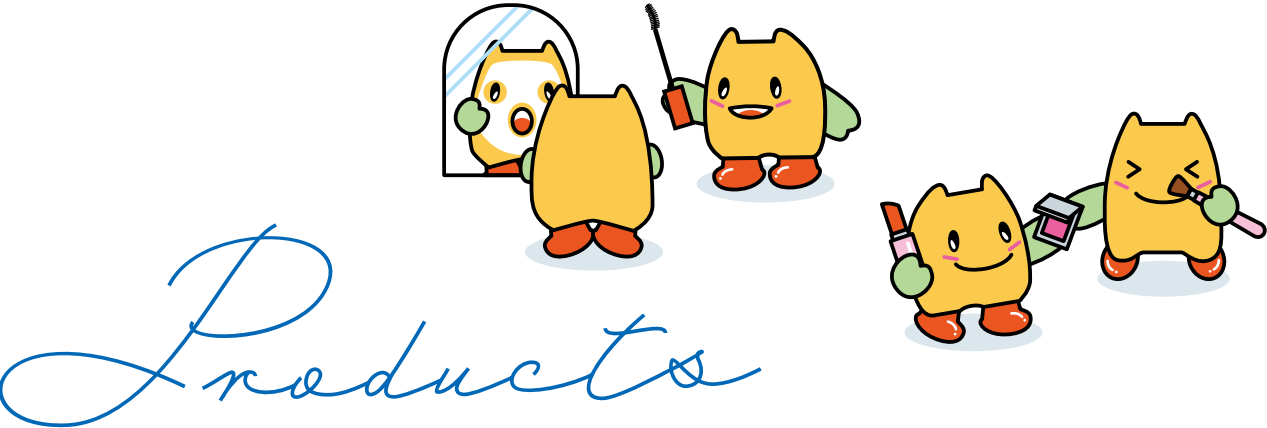
The International Business Department deals with exports to Asian countries. We are working to expand sales channels while increasing knowledge about circumstances, laws and regulations that differ from country to country. The cross-border e-commerce business sells products and services to customers in other countries. The market has been growing rapidly in recent years. In particular, China and the rest of Asia lead the growth of the overall cross-border e-commerce market in line with population growth and the rise in Internet diffusion rate. We have built an organizational structure for swiftly responding to the fast-changing cross-border e-commerce market in a bid to improve the level of the whole overseas business.

Global expansion that capitalizes on group synergy

We collect information on surrounding countries from our bases in four different countries and share it to help with business expansion in the Asia and ASEAN markets. In recent years, there has been a growing interest in pets in Asian countries. To approach the pet market, we have built closer ties with Japell Co., Ltd., one of the ARATA Group companies.



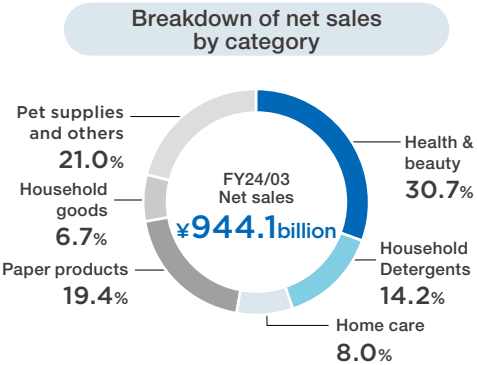




Procuring products to make people’s everyday lives more comfortable Creating new demand

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

In the cosmetics and daily essentials categories, new products are launched in continuous succession according to people’s needs and trends. “Product procurement capacity” for assessing the value and appeal of each single product and procuring products that consumers want and will therefore sell is a capability which is crucial for a wholesaler.



Strengths of product operations

Products handled

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

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

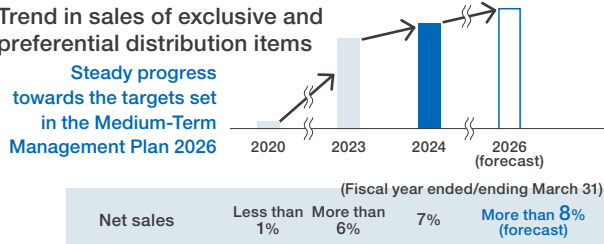
Based on the sales plans drawn up by Head Office alone, we propose more than 300 sales plans a year. Collaboration between the Sales Division and branch offices results in the speedy instore realization, and steady accomplishment of sales results earns us support from our business partners.

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 of the health & beauty category

We using our nationwide distribution network to expand the distribution of cosmetics. In addition to Japanese brands, Asian cosmetic brands, mainly South Korean, 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.



D-Nee Cosmetics enrichment of its product lineup

We established our subsidiary D-Nee Cosmetics Co.,Ltd 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 Cosmetics will provide products that appeal to consumers in accordance with the needs of the times leveraging its advantages in the comprehensive production of cosmetics.

**3650**  
san roku go zero

3650 (san roku go zero)

We announced an eye liner in June 2023 and released it as the first item under this brand. In October, we released a mascara as the second item. The brand name embodies its aspiration to provide users with delight that is 10-times greater 365 days a year through makeup.

**JUNG SAEMMOOL**

ARATA has signed a sales distribution contract with ITOCHU Corporation for the South Korean cosmetics brand JUNG SAEMMOOL. As a Japanese distributor, we are working to promote the brand.

**LIENJANG**

LIENJANG

Skin care products that take advantage of bare skin were created at a clinic that is very popular in South Korea, which attracts Japanese visitors. In March 2024, the clinic launched its first branch in Japan. Sales were started mainly at variety stores and drugstores.

Initiatives for femcare

To innovate sales spaces for femcare, we organized internal workshops and cultivated suppliers and sales destinations. We provide cross-merchandising proposals that combine daily necessities, clothing items and other items in various categories. These proposals are unique to us as a wholesale trading company.

In 2023, we placed our first femcare displays in several exhibitions including the Japan Drugstore Show and the Femtech Fes! event.

Paying attention to changing lifestyles of today's women and to shifts in the social environment, we identified a major subject of “creating sales spaces for new normal women.” Our objective is to solve issues peculiar to women that are hidden behind the changes. We then launched a “MOIDITE” brand for feminine hygiene care items. Currently, products under this brand are handled at 5,100 stores. In April 2024, the Japan Femtech Association registered this brand in its 12th certification of femtech brands of products and services.



Opening up new possibilities for the wholesale business

Products under the femtech brand of “MOIDITE” are D-Nee Cosmetics’ first proprietary products. At first, there was concern about the reaction to them given that the company had many male employees. However, after workshops were actually held, many sales staff members regarded related issues as their own and took action. I felt the value of our existence as I saw a reaction that was more positive than I had expected. With regard to overseas brands, we are working hard to support marketing that will produce product

appeal matched with the Japanese market. Dealing with new products will give us access to new information that differs from the usual, supports forays into new categories and assists overseas manufacturers in launching operations in Japan. That will also open up new possibilities for the wholesale business. I believe that this is where D-Nee Cosmetics has roles to play.

**Tomomi Usami**  
D-Nee Cosmetics Co., Ltd.  
Manager







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

The pet business, which is one of our key strengths, was integrated into JAPPELL Co., Ltd., an ARATA Group company, in 2019, and has continued to expand as a result of JAPPELL's expertise. The pet market is expected to continue to grow, given that pets' life expectancy has increased in recent years and that people are now more health-conscious.

Japell has more than 50 years of history. Under the motto of enriching the lives of pets and humans, we are a leading trading company that specializes in pets.



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



JAPPELL's businesses

Core trading company business

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

Store business

Japell Partnership Service Co., Ltd., which is a subsidiary of JAPPELL, operates the store development business, incorporating JAPPELL's knowhow as a general trading company for pet-related products. Japell Partnership Service has a network of 300 stores, including franchise stores in home centers across Japan.

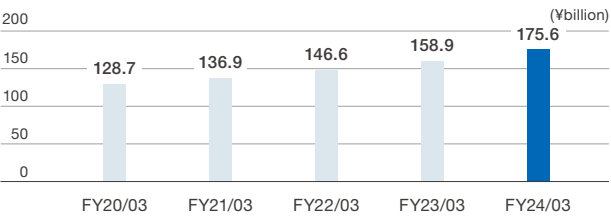


Overseas Business

We conduct export and import activities mainly to and from the ASEAN region. We are also working on cross-border e-commerce. We have established a subsidiary in Hong Kong to support overseas customers.

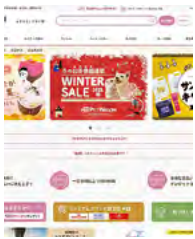


Net sales of JAPPELL



E-commerce business

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



Care house business

Taking care of aged pets is now a social issue. To address this problem, we run care houses for aged dogs and cats in the animal care house business. We will provide 24/7 care for your pets at those times when you are unable to look after them yourself.



Wanwan Undokai (Dog and Owner Fun Day)

With a view to revitalizing local communities and promoting pets and their owners, we organize Wanwan Undokai events every year. The 24th event in Aichi Prefecture took place in 2023. The first such event in the Kanto region was held in October 2023. This event provides a joyful opportunity for exercise that dogs and their owners can join together. It also serves as an opportunity for locals to build closer part-nerships with pets. Each year, the event is lively. In addition, it plays a significant role in proposing healthy lifestyles to locals and strengthening the bonds in the community through exchanges among dog owners.



2024 Pet Trade Show

On March 20 and 21, 2024, JAPPELL held a comprehensive pet trade show with a theme of "Mental and Physical Health from a Happy Life with Pets" and with a secondary theme of "Smile and Discovery." In addition to booths of nearly 180 manufacturers, JAPPELL operated its own original booth to propose many different solutions in a bid to ensure that the lives of pets and humans will be filled with smiles and that there will be some discovery every day. The original booth showcased a wide range of frozen food items for dogs and cats. The market for such products is expected to grow. Apart from that, it presented home electric appliances for pets, such as automatic water and feed supply systems and monitoring cameras as well as goods for going out in view of an increase in opportunities of going outdoors after lifting of COVID-related restrictions.



JAPPELL's original booth



**Frozen food for dogs and cats**  
The booth demonstrated a wide range of food items, including cakes and other sweets as well as prepared food and pouched food. These products will drive the future growth of our business. With the use of JAPPELL's distribution network, it is possible to ship small lots.



**Home electric appliances for pets**  
The booth displayed monitoring cameras, automatic water and feed supply systems and other goods that enrich life with pets. For Generation Z, which has a high percentage of users of home electric appliances for pets, JAPPELL proposed a sales space that was designed to give a look and feel for conveying the value of products.



**Goods for going out**  
The booth showed outdoor goods and items for dealing with pet waste during the walk and post-walk care items. It made proposals that would encourage pet owners to purchase one extra item.

Making the lives of pets and humans into better ones, full of smiles

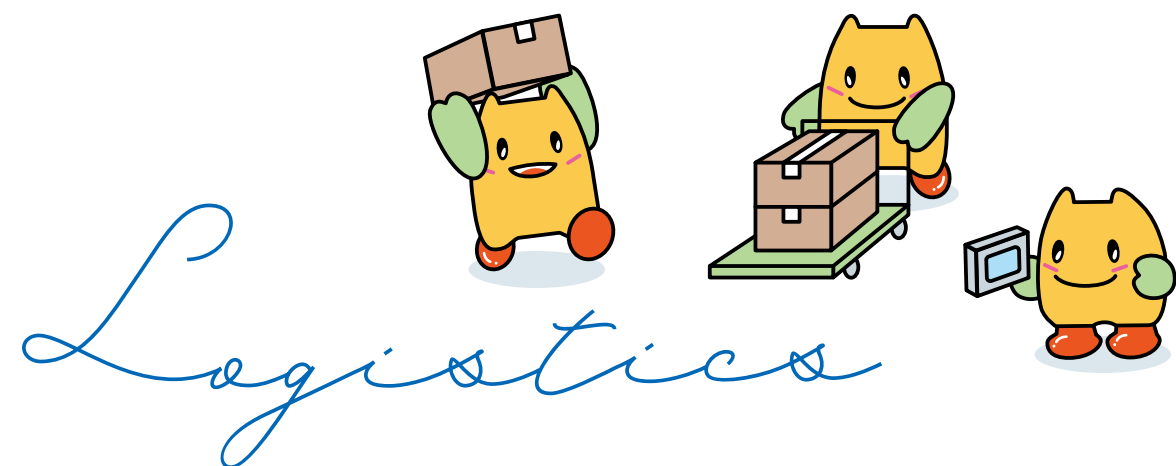
The Pet Trade Show is a B2B exhibition where visitors can directly pick up real pet food and pet items, listen directly to explanations from manufacturers' sales and development personnel and place orders for products on the spot. It takes place in spring each year. Usually with the help of around 180 manufacturers as exhibitors, it attracts visits from a large number of customers. The entire industry struggles in terms of quantity although the unit price rose after repeated upward price revisions. To solve this issue facing the industry, JAPPELL's planning team devised an event that would lead to proposals for cultivating

new markets and to purchases of extra items. We believe that the event offered new discoveries to our customers. The 2025 Pet Trade Show will be held at a different venue, namely at the South Exhibition Hall of the Tokyo Big Sight. With a theme of "Smiles and Growth," it will show new suggestions in the hope that the lives of pets and humans will be better ones, full of smiles.

**Eri Atobe**  
Japell Co., Ltd.  
Leader, Products Section, Products Department,  
First Sales Division







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 31 logistics centers (LCs), including 11 large-scale LCs with annual shipments of between ¥15 billion and ¥40 billion, 5 depots, 3 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

Core trading company business

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.

Introducing material handing equipment to reduce labor

In addition to the new center currently being developed, we are working to introduce automated guided vehicles (AGVs) with a view toward increasing the logistical productivity of existing centers. They are currently in operation at one center. We will consider introducing them at other centers while studying their utilization for various purposes.



Material handling equipment operating at our logistics centers



**Automated pallet warehouse**  
Independent settings of high, middle and low shelves for efficient storage  
Automated operations for transport, storage, discharge and inventory management



**AiMAS**  
Preventing errors in items, quantities and delivery destinations to achieve ultra-high accuracy with a misdelivery rate of less than 0.001%



**Collapsible container automated warehouse**  
Temporarily storing collapsible containers that underwent picking and assorting these containers randomly transported by company, store and route



**AI depalletizing robots**  
Paving the way for the automatic replenishment of cases and for lower burdens of case handling work and nightly work

Seeking to maximize the effect of investments in material handling equipment in collaboration with on-site personnel

The New Center Development Department has been holding internal briefings on example material handling equipment and logistics centers since it was established. These briefings are part of the department's efforts to raise awareness of problems impacting logistics and to increase understanding of specific measures to address these problems. In this environment, we had an opportunity to present automated guided vehicles (AGVs) as a measure for reducing heavy workloads, ensuring safety, and addressing the labor shortage. A center requested that the introduction of AGVs be considered, so I visited it in person and actively listened to the opinions of the on-site workers to

create a plan for their effective introduction.

This was so helpful that the AGVs were introduced and they have had a greater effect than was expected.

We will continue to aim to build a logistics foundation that supports our growth and helps streamline logistics operations.



An AGV tows a carrier loaded with collapsible containers. It emits audible and visible warnings to notify workers of its location to prevent collisions with workers.

**Ryuji Tachibana**  
New Logistics Center Development Division, Logistics Department



Improving the logistics structure that supports growth

We established the New Center Development Department under the Logistics Division in April 2022. To improve our logistics structure in accordance with the growth strategy laid out in Long-Term Vision 2030, we announced a plan to build new centers in the Hokkaido and Kansai regions.

We will introduce state-of-the-art robots and material handling systems to establish logistics centers that require less labor, are safe, and are worker-friendly.

Land acquisition for a new center in Hokkaido

Location	Okadama-cho, Higashi-ku, Sapporo, Hokkaido
Area of land acquired	Approx. 41,754 m <sup>2</sup> (Approx. 12,630 tsubo)
Date of acquisition	July 9, 2024
Amount invested in land	Approx. 1,350 million yen (incl. costs of land development and others)

Construction of a new center in Kansai

Name	Arata Kansai New Center (tentative)
Address	5 Yada, Higashisumiyoshi-ku, Osaka-shi, Osaka
Land area	Approx. 17,754 m <sup>2</sup> (Total floor area: Approx. 38,498 m <sup>2</sup> )
Scheduled opening date	2028
Floors	Four floors above ground

A built-to-suit logistics facility equipped with state-of-the-art material handling systems



Accelerating White Logistics to address 2024 problem in 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.

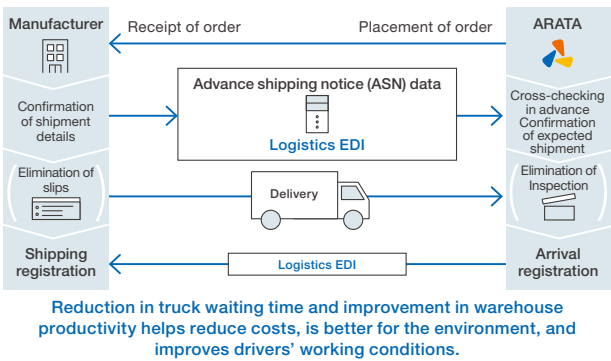
Warehouse entry time reservations system

This system has been introduced at all planned sites. 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

We have begun using ASN data together with PLANET, INC. and with manufacturers. This means that accuracy of purchase orders and deliveries can be cross-checked in advance. At the time an order is received, the ASN data obtained in advance is checked against the information about the products to be received by the customer. This initiative helps improve productivity by facilitating the reception of orders by simplifying inspections and introducing electronic slips for paperless operations.

Schematic of operation using ASN data



**Initiatives** Collaboration with the Logistics Subcommittee guided by the IT Medium-Term Management Plan

- 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**

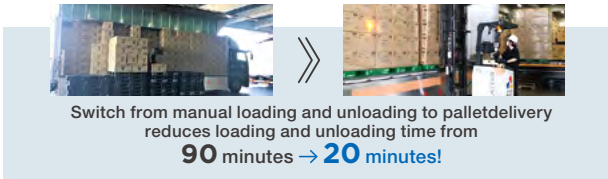
  - Set up relay terminals and revise shipping bases to reduce longdistance transport
  - Carry out joint deliveries with other wholesalers
- ⑤ **Avoidance of peak congestion hours when making deliveries**

  - 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**

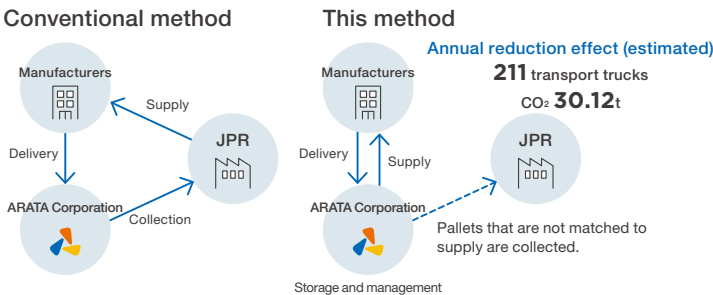
Pallet transportation of household paper products

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.

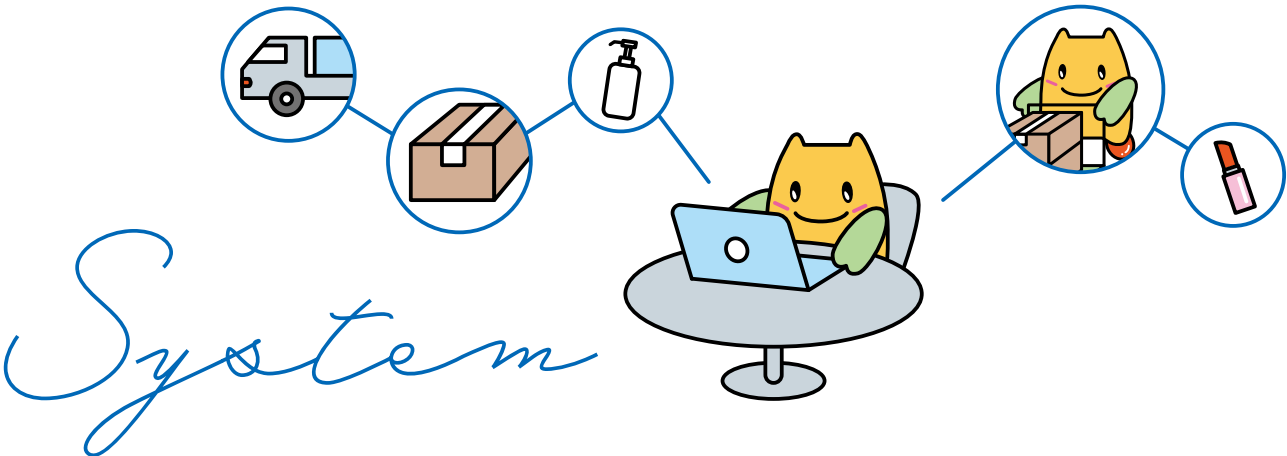


Reducing Transportation Vehicles and CO<sub>2</sub> Emissions through Collaboration with Japan Pallet Rental Corporation

We store and manage pallets used for deliveries from manufacturers. In collaboration with Japan Pallet Rental Corporation (JPR), we supply empty pallets directly to manufacturers to reduce the number of trucks necessary for the collection of pallets and to reduce CO<sub>2</sub> emissions. This method is currently implemented at one center. In the future it will be expanded to other centers.





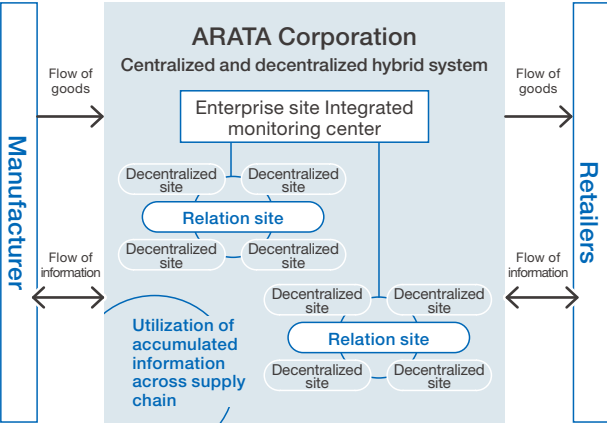


Promoting system capabilities to support stable distribution and DX in response to environmental changes

Advanced system capabilities are essential for stable product distribution. Our system is an open system with a hybrid structure combining “centralization and decentralization” that covers the whole of Japan. The system was newly created through utilization of the system capabilities of each of the merged logistics companies.

Positioned between retailers and manufacturers, ARATA accumulates a wide range of information.

With a view to establishing an information platform which will enable effective utilization of the accumulated information not only by us but across the supply chain, we are pushing ahead with the creation of a strategic information system and information network for optimizing groupwide operations based on an accurate understanding of environmental changes gained through feedback from sales, logistics and other operations.



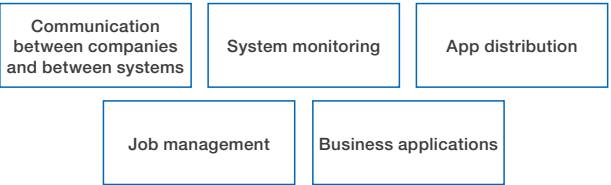
System which responds accurately and promptly to frontline needs

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

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

The use of a “loosely coupled system,” in which functions related to business are modularized and connected through an information linkage platform to make modules independent of each other, affords flexibility and scalability, and we have built a flexible information system which allows us to adapt not only to internal organizational changes but also engineer shortages, various initiatives introduced by business partners, and increasingly rapid social changes and technological advances.

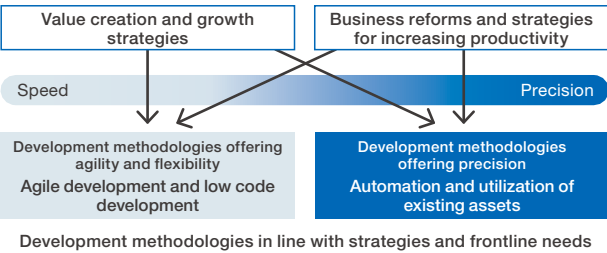
Key functions developed in-house



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

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

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



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.

**Generative AI**  
We began using generative artificial intelligence (AI) in a phased manner in 2023. Using AI to generate text and documents shortens working time. The time freed in this way is spent on value-added tasks to increase productivity. We use our own private generative AI system. Without the risk of an information leakage, it will be more extensively used not only in sales and administrative tasks but also in logistics tasks.

Companywide IT skill education

We defined companywide IT skill education as a priority issue for the fiscal year ended March 31, 2024. We distributed 18 different pieces of content for learning various things about IT systems on ARATA's original Ael E-Learning Navi e-learning system. ARATA encourages employees to acquire IT skills qualifications to improve their IT literacy.

P.45 Page on human resource development

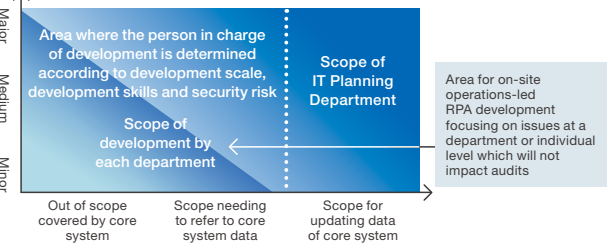
RPA (Robotic Process Automation) implementation

The IT Innovation DX Promotion Department plays a central role in the implementation of RPA and RPA staff are appointed at each division across the company. They work to ensure that routine work and small matters are done quickly using RPA.

In the fiscal year ended March 31, 2024, there was an approximate 6,500 hour reduction in working hours, mainly in operational divisions. In the future, we will spread RPA to branches and divisions that have yet to introduce it in order to increase its positive effect.

We will work not only to improve productivity but also to increase the number of personnel involved in RPA development to cultivate personnel who are familiar with digital technologies with an eye toward the future.

Conceptual image of RPA development



Employing RPA to reduce workload

As an RPA staff member in the Personnel Department, I automated the process of counting errors in the attendance data for the whole company and sending separated data online to attendance management personnel at individual bases. In the past, separate people individually carried out the counting work. Transmitting this information via the Internet has reduced the time necessary for counting while maintaining the same detailed checking of the data, resulting in a company-wide reduction of the workload. For myself, automation has freed up time that I now spend creating ideas, planning and developing initiatives to streamline or automate other tasks within the Personnel Department.



Hisashi Kawano, Personnel Division, Personnel Department

IT-BCP

For maintaining the system environment which supports reliable logistics even at the time of large-scale disasters such as earthquake and flood, we have built large-scale databases at data centers in two locations, one in eastern Japan and one in western Japan. We have also built a separate backup center in case of disaster. Going forward, we will speed up the shift to the backup cloud.

Information Security Initiatives

We have established Confidential Information Management Regulations and Information Security Management Regulations as internal regulations to protect important information exchanged with business partners. In addition, we established the Information Leak Countermeasures Subcommittee as a subcommittee subordinate to the ESG Committee and selected its members from across the company. 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.

The subcommittee updates the checklist on information leak countermeasures as appropriate and provides opportunities to increase all employees' awareness of the prevention of information leaks.

Functions and initiatives implemented as information leak countermeasures

- Making permissions necessary for viewing material information online
- Changing MFP print settings
- Centralizing the use of online storage
- Prohibition of the use of flash drives to output data
- Introducing backup cloud function
- Purchases of additional shredders for the proper disposal of confidential documents
- Integration of trash bins to reduce the risk of an information leak from paper media

# 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.



### Business Partners

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

ARATA Collection 2024

In March 2024, ARATA Collection 2024 was held in Tokyo as a comprehensive company-wide exhibition. It was visited by a large number of business partners.

Number of visitors, including retailers:  
Approx. **1,600**

Number of participating manufacturers: **164**

### Local Communities

- Partnership agreements with local governments in readiness for times of disaster
- Social contribution activities
- Donations

### Global Environment

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

**P.37 - 40** ESG/Environment

### Employees

- Live streaming of messages from senior management once a month
- Distribution of internal public relations information
- Dialogues between Nisshinkai, an employees' society, and officers
- Publication of quarterly internal newsletter ARATAN

**P.41 - 45** ESG/Human Resource

### 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

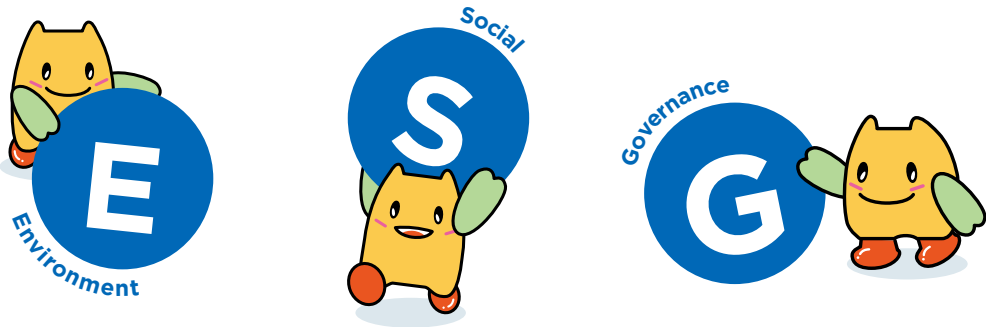
ARATA executives speak at various IR seminars for individual investors, including online IR, radio and live (in-person) events held throughout Japan.

#### 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.

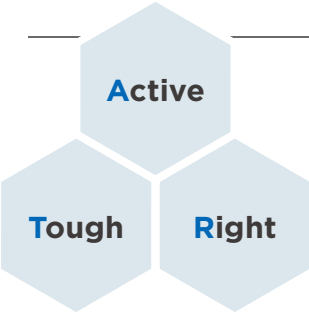
#### SR activities

SR activities are conducted to engage in a dialog about ESG issues with the people at institutional investors responsible for the exercise of voting rights.



## Basic ESG policy “Robust, Fair, and Fun”

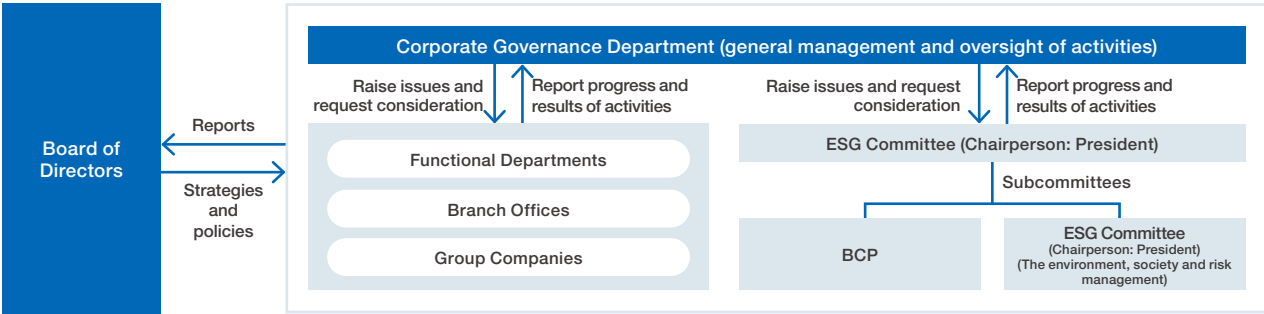
Guided by our management philosophy of “continue to serve the world,” we aim for sustainable growth and development together with the rest of society. We must build a stronger foundation of trust with all stakeholders and cultivate the development of our entire supply chain in a way that promotes efficiency and considers the environment. By realizing a business strategy that makes people’s lives more prosperous and 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	Main Measures for FY March 2024
<b>Environment</b> 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"><li>Information disclosure based on the TCFD recommendations</li><li>When we first responded to the CDP questionnaire in 2023, we obtained a score of C.</li><li>Energy conservation measures for reducing GHG emissions (the replacement of air conditioners and lighting and the complete transition of the fleet of company vehicles for sales activities to environmentally-friendly vehicles)</li><li>3R campaign 2023 with approximately 20,000 stores participating in the campaign</li></ul>
<b>Human Resources</b> 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"><li>Initiatives for respecting human rights (training to prevent harassment, etc.)</li><li>Formulation of the Sustainability Policy in the Supply Chain</li><li>Development of policy for the advancement of DEI and the proposal of A&amp;J project measures</li><li>Distribution of guidebooks for increasing employees' understanding of different programs</li><li>Declaration of Health Management and organization of health seminars</li><li>Enrichment of training programs, companywide IT skill education, training for employees who apply, and training for logistics management personnel</li></ul>
<b>Human Resources</b> BCP Community-based social contribution	A company that continues to deliver comfortable lives to consumers	<ul style="list-style-type: none"><li>BCP activities</li><li>Programs in collaboration with university students</li><li>Participation in the Children's Food Alliance</li></ul>
<b>Governance</b> Corporate Governance Compliance Risk Management	Building a strong governance framework to support sustainable growth	<ul style="list-style-type: none"><li>Disclosure of the Board of Directors skill matrix</li><li>Managers' group discussions and officers' panel discussions organized by the Nomination and Remuneration Committee</li><li>Improvements based on the assessment of effectiveness of the Board of Directors</li><li>Measures to increase employee awareness of compliance</li><li>Protection against information leaks</li></ul>

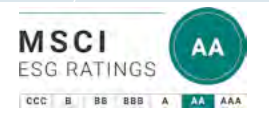
## Promotion Framework



### External recognition

We obtained an AA rating from MSCI Inc. in the MSCI ESG Rating. We were also selected to be a constituent of the MSCI Japan ESG Select Leaders Index, which is an ESG index used by the Government Pension Investment Fund (GPIF).

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# 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.

### ARATA Group Environmental Policy

The ARATA Group has formulated the ARATA Group Environmental Policy to preserve the global environment. The ARATA Group is implementing initiatives with a view toward the establishment of a sustainable society.

ARATA Group Environmental Policy  
<https://www.arata-gr.jp/en/csr/environment/>



## 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 CO<sub>2</sub> 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.



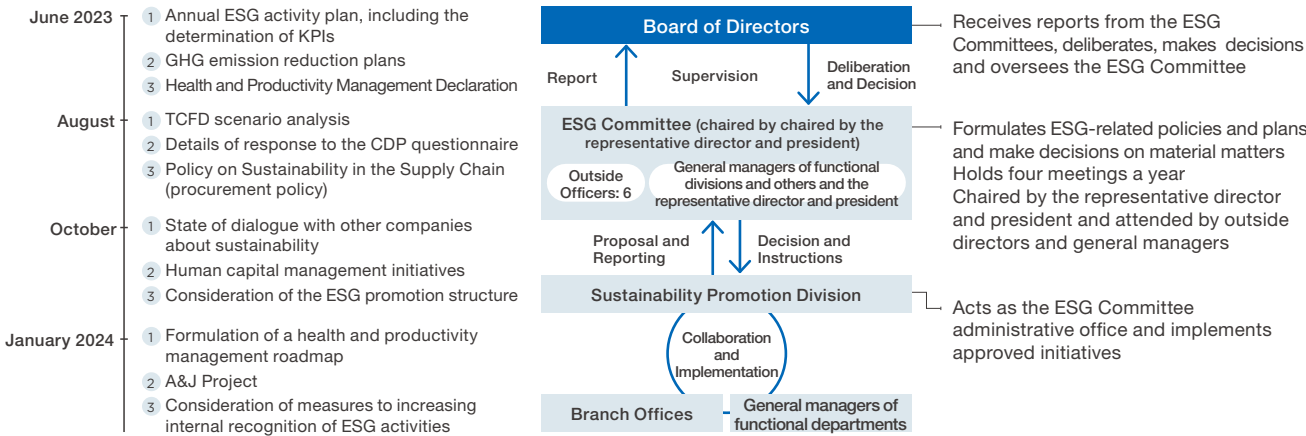
In June 2022, we endorsed the TCFD recommendations and joined the TCFD consortium, which is composed of companies and financial institutions that endorse the recommendations.

### Governance

ARATA has established the Sustainability Promotion Department as a specialized department promoting ESG initiatives, and an ESG Committee whose members include all of the outside officers. The ESG Committee is chaired by the representative director and president. It holds

four meetings per year to assess and discuss risks and opportunities related to sustainability. The Board of Directors provides overall supervision by receiving reports on matters judged important by the ESG Committee and deliberating and making decisions as necessary.

### ESG Committee meeting agenda in FY24/03



### 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
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 preindustrial levels can be limited to less than 2 °C. Transition risks are high, but physical risks are lower than in the 4 °C scenario.
4 °C scenario	A scenario in which no new policies or regulations are introduced, and global energy-derived CO <sub>2</sub> emissions continue to increase. Transition risks are lower but physical risks are higher in comparison with the 1.5 °C/below 2 °C scenario.

### 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	Medium to long term
Physical risks	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
		Medium	Minor	Improvement in productivity from reducing CO <sub>2</sub> emission reductions in the supply chain and resulting reduction in costs	Medium to long term
	Market	Minor	Medium	Improvement in reputation and acquisition of new business opportunities by actively promoting measures to address climate change	Medium to long term
	Resilience	Minor	Medium	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

The Corporate Governance Headquarters has identified companywide risks and opportunities related to sustainability. Corporate Governance Headquarters 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. Corporate Governance Headquarters serve as a contact point for measures that have been decided and implement initiatives in cooperation with other divisions to reduce risks.

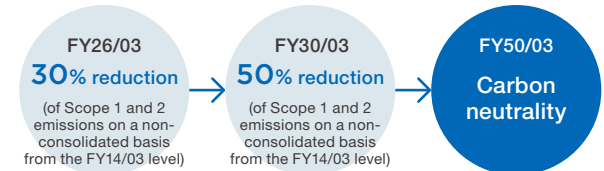
### Metrics and Targets

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

In the future, we will calculate the Scope 1 and 2 GHG emissions of the Group on a consolidated basis. At the same time, we will formulate extensive energy-saving

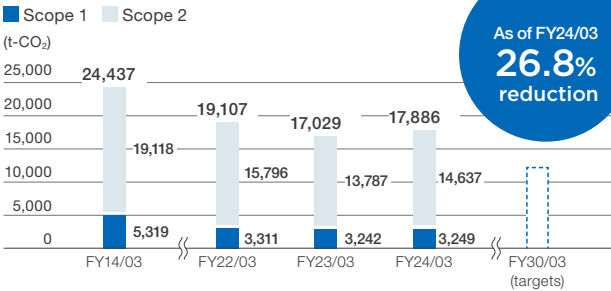
measures from a long-term perspective (such as upgrading to high-efficiency equipment at logistics centers and other locations) and GHG emissions reduction plans through the use of renewable energy, and implement them as we work to achieve our targets.

### GHG emissions Reduction targets



\* As of March 2024, 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 emissions. We will study targets as needed.

### GHG emissions (Scope 1 and 2)





Initiatives to address Scope 3 emissions

With a view toward the establishment of a sustainable supply chain, we began calculating Scope 3 emissions in FY2022 to clarify them. In the future, we will implement initiatives to

calculate and reduce the Scope 3 emissions of the Group on a consolidated basis.

GHG Scope3

		Emissions (t-CO <sub>2</sub> )			
Scope 3 category		FY2020	FY2021	FY2022	FY2023
Total		14,990	17,946	3,497,208	3,565,897
Category 1	Purchased products and services	—	—	2,707,967	2,805,197
Category 2	Capital goods	—	—	7,747	11,628
Category 3	Fuel- and energy-related activities	—	—	2,907	2,909
Category 4	Transportation and distribution (upstream)	14,990	17,946	24,913	23,103
Category 5	Waste generated by operations	—	—	663	1,368
Category 6	Business travel	—	—	260	255
Category 7	Employee commute	—	—	2,423	2,370
Category 11	Use of sold products	—	—	212,010	193,248
Category 12	End-of-life treatment of sold products	—	—	538,318	525,819

\* The scope of calculation was expanded in FY2022. Since then, the nine categories specified above have been included in the scope of our calculations.

Initiatives to reduce GHG emissions

Energy conservation

To conserve energy, we will systematically implement a range of measures to reduce CO<sub>2</sub> emissions. They include the introduction of a demand monitoring system to reduce maximum power consumption, the transition to LED lighting and the replacement of air conditioners with more efficient equipment. Individual locations have their own independent measures to conserve energy in place to reduce their environmental impact.



\* The SMARTMETER ERIA demand sensor from NIHON TECHNO CO., LTD.

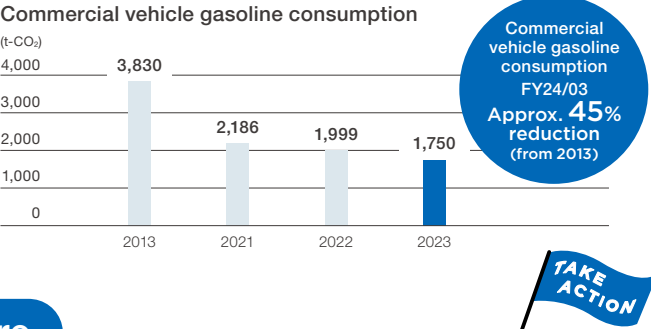
Energy creation

We currently have solar panels on the roofs of three logistics centers in Izumi, Saitama and Kanagawa and are helping reduce CO<sub>2</sub> emissions by generating renewable energy. To procure electricity generated from renewable sources of energy, an on-site power purchase agreement (PPA) has been signed utilizing the rooftop of the Kanto Logistics Center, which was relocated last year.



Replacement of commercial vehicles with more eco-friendly vehicles

In 2018, we started gradually replacing our fleet of around 700 commercial vehicles with hybrid vehicles or other more eco-friendly vehicles. As of the end of March 2024, all of our fleet is now eco-friendly. Through these activities, we are helping to reduce gasoline consumption and cut exhaust emissions. We will also consider replacing these vehicles with electric vehicles as our next step.



Expansion of information disclosure

For the first time in FY2023, we responded to the CDP's climate change questionnaire and received a score of C. The CDP is a global standard for the corporate disclosure of environment-related information. In the future, we will actively disclose our

environment-related information via the CDP questionnaire, integrated reports and other measures. We endeavor to realize a sustainable society through business activities.



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

2017	2018	2019	2020	2021	2022	2023
Approx. 1,100 stores	Approx. 4,700 stores	Approx. 6,800 stores	Approx. 12,000 stores	Approx. 15,000 stores	Approx. 19,000 stores	Approx. 20,000 stores

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

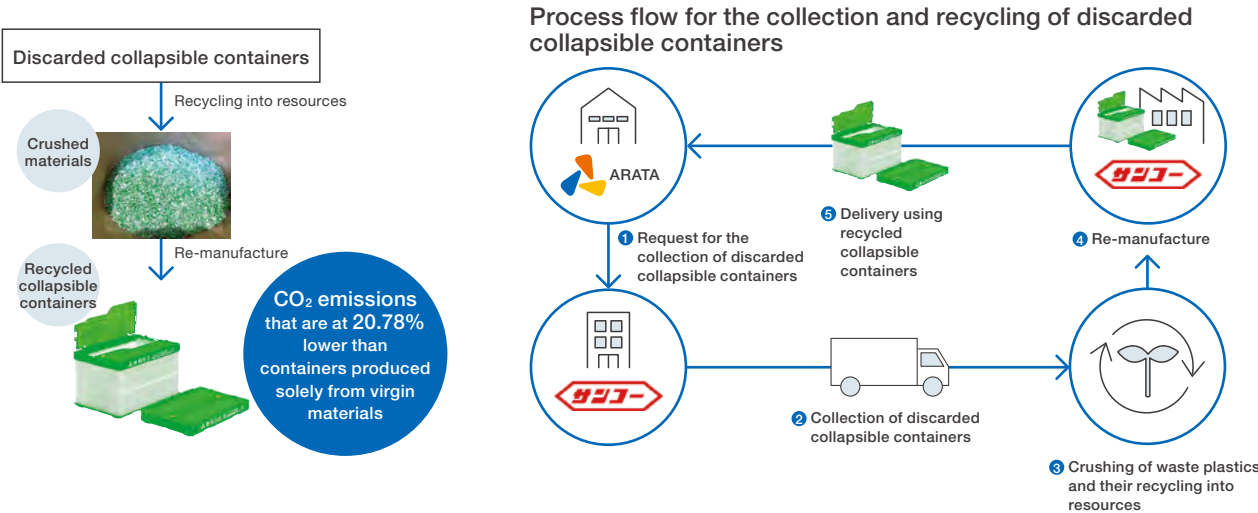
and disposal of goods. In addition to improving supply chain efficiency through industry-wide activities to reduce returns in cooperation with retailers and manufacturers, it is also regarded as an important initiative that will lead to the creation of common shared value (CSV), yielding economic benefits 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 CO<sub>2</sub> emissions that are at 20.78% lower than containers produced solely from virgin materials. These recycled collapsible containers are used by us, leading to the circular use of resources. We first started this initiative in the Metropolitan area, but we will continue it and expand it into other areas.



## Human Resources



### Becoming a Company Where Employees Find Work Fulfilling

ARATA considers employees to be collaborative partners who share the same goals. Based on the idea that we cannot grow unless all our employees also grow, we value the promotion of the diversity of the thoughts, values, and perspectives of our employees, as well as the free exchange of opinions between them and the creation of 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.

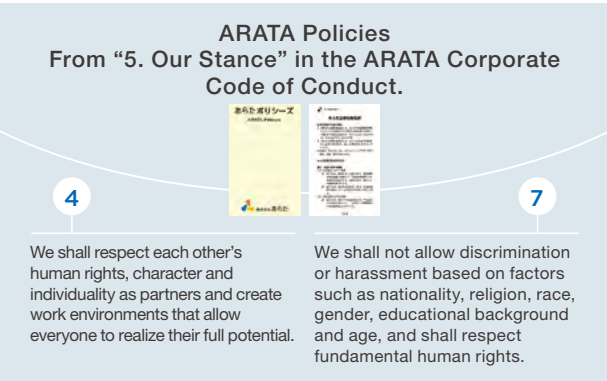
### Respect for human rights

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/>

#### Anti-harassment training

P.57 Page on compliance



### Policy on Sustainability in the Supply Chain

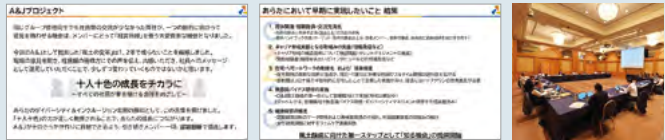
The ARATA Group runs its businesses together with many business partners. We are aware that we are required to implement initiatives to address human rights issues and environmental issues not only within our group but also in the supply chain. We have formulated the Policy on Sustainability in the Supply Chain as we seek to create a sustainable society based on our supply chain that we have established

together with suppliers. We will endeavor to construct a sustainable supply chain that includes our business partners in a step-by-step manner.

Policy on Sustainability in the Supply Chain  
<https://www.arata-gr.jp/en/csr/social/>

## A&J Project

In July 2023, a total of 11 women employees from the ARATA Group company JAPPELL Co., Ltd. and from ARATA, launched the A&J Project for advancing diversity, equity and inclusion (DEI) in the ARATA Group as a whole. The project members are employees with diverse backgrounds. Based on the idea that a company where women can play active roles is a company where everyone can do so, they proposed ideas to the management team with the goal of creating a company that is friendly to all employees and where employees can display their potential. Through these efforts, tangible initiatives were implemented. It also helps participating employees build their careers independently.



#### Proposals from the A&J Project at meetings of the Board of Directors and the Management Council

- Both companies' issues and measures to solve them
- Proposal regarding the formulation of a DEI policy
- Prioritization of initiatives using a matrix detailing degree of impact and viability
- Matters to be achieved quickly
  - Provision of information related to childcare leave and the enhancement of interaction
  - Career building support
  - Advancement in people working from home or working remotely
  - Organization of workshops on unconscious bias
  - Advancement of health and productivity management
- Messages from project members to the management team

After proposing ideas to the management team, the project determined that its first phase objective would be establishing a DEI culture. Aware that its first step should be providing opportunities to learn, it organized a briefing on programs and a seminar with an outside lecturer.

### Promotion of DEI

Proposed by the A&J Project

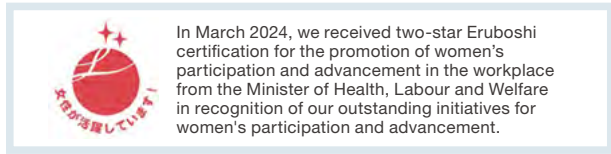
We understand that our creating an environment that enables diverse people to work for us long term is a significant issue in this environment where the population shrinkage is aggravating the labor shortage.

We will continue our ongoing initiatives and also take new measures to accelerate our actions.



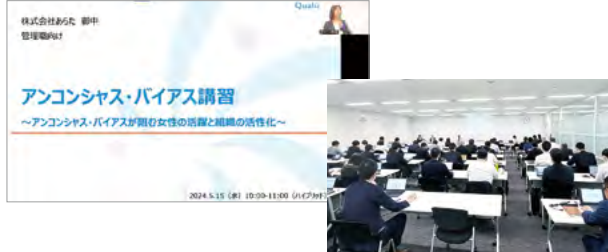
### Priority: Initiatives to promote the active participation and career advancement of women

We see our low percentage of managers that are women as a problem and we have defined the promotion of the participation and advancement of women as a priority matter in our promotion of DEI. We have set the target of 4.5% of our managers (section chiefs and higher) being women by the fiscal year ending March 31, 2026, which is the fiscal year of Medium-Term Management Plan 2026. Accordingly, we are continuously and positively endeavoring to achieve this goal. The number of



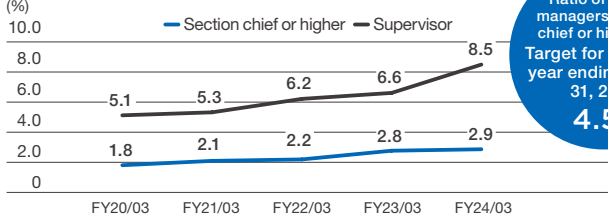
### Organization of workshops on unconscious bias

An Awareness of the biases that individuals have internally will help increase the soundness of communication and revitalize the workplace environment. As an initial step in the creation of a DEI culture, we organized two separate workshops on unconscious bias, one for managers and the other for general employees.



women in section chief positions and other equivalent posts is increasing, and the number of women in this generation of prospective candidates for section chief and equivalent management positions. We will positively work on recruitment and increasing the number of women in career track positions.

#### Percentage of female managers



Ratio of female managers (section chief or higher)(%)  
Target for the fiscal year ending March 31, 2026  
4.5%

Proposed by the A&J Project

### Initiatives for a healthy work-life balance

#### Organization of a briefing and an exchange meeting on the childcare leave programs

In response to the opinions directly received from the employees participating in the A&J Project, we held a webinar briefing on the programs for all employees and an exchange meeting for people taking childcare leave and young staff members.

The webinar video has been viewed by not only employees taking or interested in childcare leave but also by many employees including young staff members and people in management positions. The webinar was not confined to the explanation of the program. It also discussed real issues regarding money and examples of remarks that are considered harassment. All employees can view the webinar video at any time through Ael E-training navi on the Intranet. We will continue these efforts in the future.

- Content of the briefing on the programs
- Programs formulated by the national government and by the company
  - Measures taken by superiors and colleagues regarding employees taking or planning to take childcare leave
  - Preparations being done by employees taking or planning to take childcare leave

#### Encouraging male employees to take childcare leave

To create a culture where male employees do not hesitate to take childcare leave, we set a target of 100% of eligible male employees taking childcare leave in the fiscal year ending March 31, 2026. We encourage male employees to take childcare leave by, for example, featuring comments from male employees who have taken childcare leave in our internal newsletter.

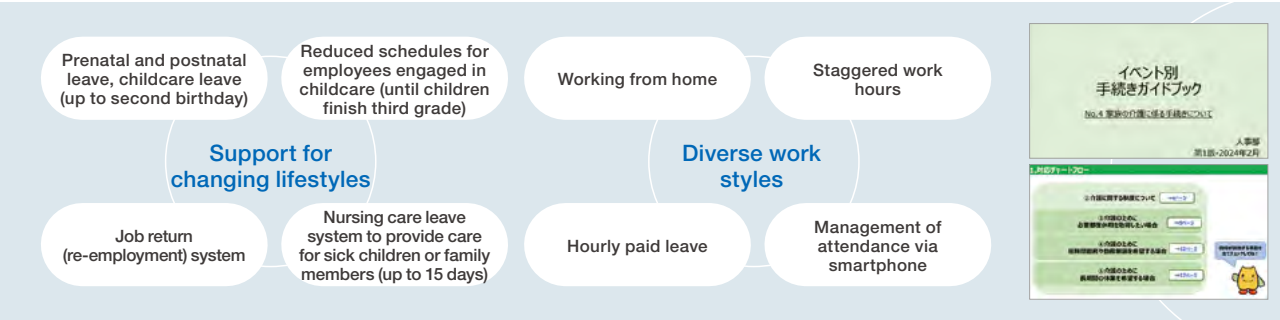




Enhancement of systems for the realization of diverse work styles

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.

We publish guidebooks for procedures for different life events, such as job transfers, marriage, the birth of a child and nursing care. They help employees and their departments quickly gather necessary information when a life event occurs.



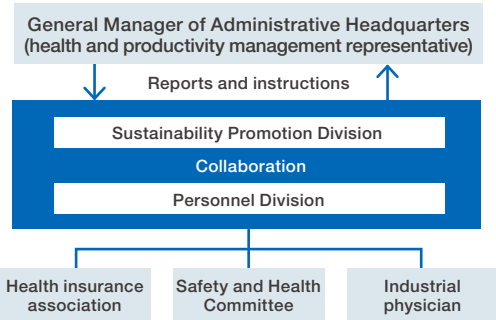
Implementation of health and productivity management

We have announced and declared to people inside and outside the company that our corporation will support the health of our staff and strive to create an energized workplace environment.

We will hold seminars to help improve staff health literacy and carry out efforts to continuously improve health and productivity management initiatives.

Health and Productivity Management Declaration

One of our key ESG issues is “to be a rewarding company to work for.” We recognize that maintaining and improving the health of our employees is an important management issue so that they can continue to work enthusiastically for the long term. To ensure that each and every one of our employees can lead a fulfilling and healthy life, both physically and mentally, we, as a company, will support our employees in maintaining and improving their health and strive to create an energetic work environment.



Priority initiatives for health and productivity management

- Ensure that all the employees undergo regular general health checks
- Carry out stress checks to create a stress-free workplace environment
- Encourage personnel to take annual paid leave with a view toward ensuring that an average of 12 days or more of paid is taken
- Reduce the percentage of employees who smoke

Enhance health promotion programs

- Free cancer screenings for three major types of cancer
- Special leave for employees being treated for any of the three major diseases
- Free influenza vaccinations

Women's health seminar Proposed by the A&J Project

A large number of our employees in logistics centers and other bases are women, and we deal in femtech products. Together with group company JAPPELL Co., Ltd., we jointly held a seminar with an outside lecturer.

Many personnel, ranging from general employees to officers, watched the seminar online to learn about building a culture in which they will pay attention to and care for the people around them, irrespective of gender or age, and to encourage them to do so.



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.

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.

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

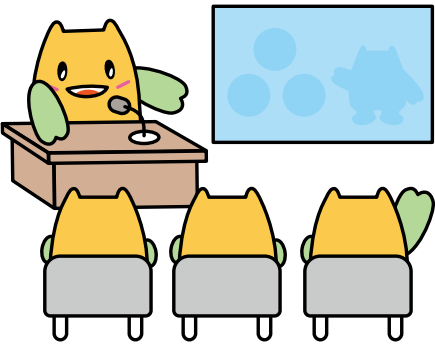
Page on personnel strategy (results of employees' opinion survey conducted in February 2024)

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

Basic Human Resources Data	FY 22/03	FY 23/03	FY 24/03
Total	2,060	1,998	1,965
Number of employees (persons)			
Male	1,530	1,476	1,427
Female	530	522	538
Number of new employees (persons)			
Male	14	17	23
Female	11	16	30
Number of mid-career hires (persons)			
Male	16	13	27
Female	11	8	21
Average years of service (years)			
Male	20.1	20.3	20.4
Female	14.1	14.8	14.9
Ratio of female managers (section chief or higher)(%)	2.2	2.8	2.9
Ratio of female managers (supervisor) (%)	6.2	6.6	8.5
Ratio of female employees in career track positions or higher (%)	15.4	16.1	17.9
Number of employees from overseas* (persons)	25	28	21
Number of people with disabilities (%)	2.42	2.58	2.70

\*Including technical intern trainees from overseas.

Degree of Utilization	FY 22/03	FY 23/03	FY 24/03
Paid leave use rate (%)	51	52	63
Number of employees taking childcare leave (persons)			
Male	25	36	33
Female	31	48	20
Ratio of employees returning to work after childcare leave (%)	100	93.8	100
Number of employees on reduced schedules(persons)	59	55	76
Number of employees taking leave to provide nursing care for children (persons)	73	82	110
Number of employees taking nursing care leave(persons)	27	23	28



Increasing employees' ESG awareness

Our company promotes ESG awareness among our employees through internal newsletters and our intranet platform, “Ael E Training Navi,” providing regular information updates. Furthermore, the Sustainability Promotion Division publishes a monthly communication, “Connecting SDGs Awareness Survey Results to Action,” which analyzes the results of our monthly SDGs awareness surveys. By identifying challenges and

implementing improvements to our systems and processes, we aim to foster a motivating and supportive work environment. We will continue these surveys to build trust between the company and its employees. This communication features the sub-theme, “What You and ARATA Can Do,” clearly explaining individual actions employees can take toward each SDG goal and highlighting company initiatives.



Development Policies and Training

Human Resource Development Policy

The ARATA Group seeks to be a company where all employees have job satisfaction and want 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

In-person training

- Basic training for new employees
- Sales training for new employees
- Target setting and PDCA training
- Training for newly appointed team leaders
- Training for newly appointed managers
- Basic training on rating by company
- Proposal-type training


Online training

- Basic training for new employees hired mid-career
- Training for core personnel
- Training on skills for logistics operations I, II and III
- Training for primary evaluators

Self-development training

- Recommended qualifications
  - Retail Marketing Skills Test
  - Cosmetics certification
  - Logistics skills test
  - IT passport
  - Information security management
  - MOS etc.

E-Learning



E-training content available on **167** subjects

Application-type training

- Proposal-type training II
  - POS analysis
  - Store Manager etc.
- Companywide IT skills training
  - Workflow creation

OJT

- OJT trainer program

Training for selected personnel

- Training for the development of logistics managers
- Training on logistical numerical analysis
- Training on rating by company

**ARATA's original Ael E-Training navi e-learning system**

Ael E-Training navi is an e-learning system for all employees. It provides all of them, irrespective of department or position, with high-quality learning opportunities whenever they need them. At present, there are 167 different pieces of e-learning content. We will continue to provide active learning opportunities to staff members.

E-learning programs on common subjects

- Course on diversity
- Harassment Prevention Course
- Childcare leave exchange meetings (explanation of the program)
- Basic financial affairs and accounting
- A course covering the fundamentals of Japan's Subcontracting Act (Act Against Delay in Payment of Subcontracting Fees), including its purpose, key provisions, and penalties for violations

98 subjects available

Other topics

E-learning programs on sales-related subjects

- Data analysis
- Presentation
- SWOT analysis of the current status and the discovery of opportunities
- How to sell: skills for business negotiations
- Handling of pharmaceuticals under the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices

54 subjects available

Other topics

E-learning programs on logistics-related subjects

- Creation of harassment-free workplaces
- Part-time employee labor management
- Commentary on warehouse management check sheets
- Explanation of inventory variance tables
- Guide to inventory inspections

15 subjects available

Other topics

Companywide IT Skill Education

In the fiscal year ended March 31, 2024, we provided various content to provide companywide IT skills education. The goals were to improve productivity through digitalization, ensure our personnel acquire the IT skills necessary for the fulfillment of their duties and to improve their IT literacy to enable them to adapt to changes in the environment. Many employees voluntarily watched the content to learn.

E-Learning

- IT literacy
- Computers and programs
- Basic Internet skills
- System development
- Information security
- Pivot tables in Microsoft Excel

Application-type online training

Training on workflow creation

- 1 E-learning, pre-work assignments
- 2 Online training
- 3 Improving productivity by digitalizing trainees' tasks and organizing and reviewing tasks by visualizing them.

Encouragement to obtain qualifications

- IT passport
- Information security management

A total of **135 employees** submitted applications.

Employee comments

Working for a department involved in risk management, I felt I needed knowledge about risk management and submitted an application when the qualification was recommended. With the help of the training staff, I passed the qualification exam. I am now confident in my knowledge and leverage it in my work.

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 5, 2024, we jointly held a meeting for making marketing proposals with a focus on the detergent 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, such as the creation of sales spaces and POP displays, from a practical perspective.

Hiroaki Suzuki, ARATA's president, and Seiichi Kochiya, the General Manager of Sales, expressed their astonishment and appreciation for the advanced proposals of the teams. This was also a beneficial opportunity for us.

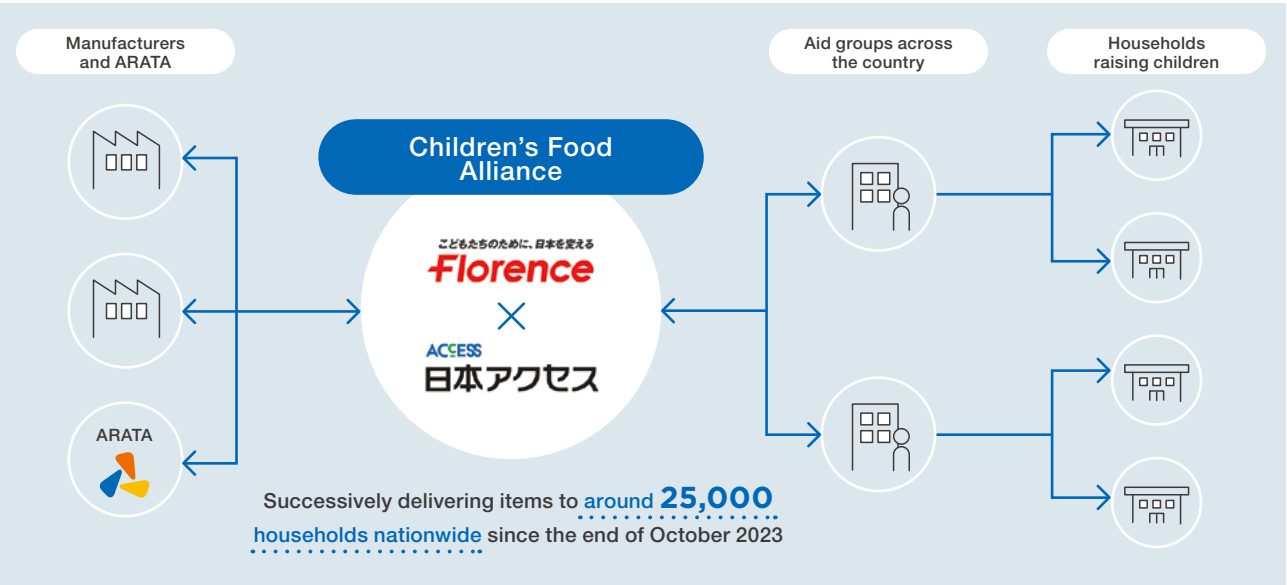


Participation in the Children's Food Alliance

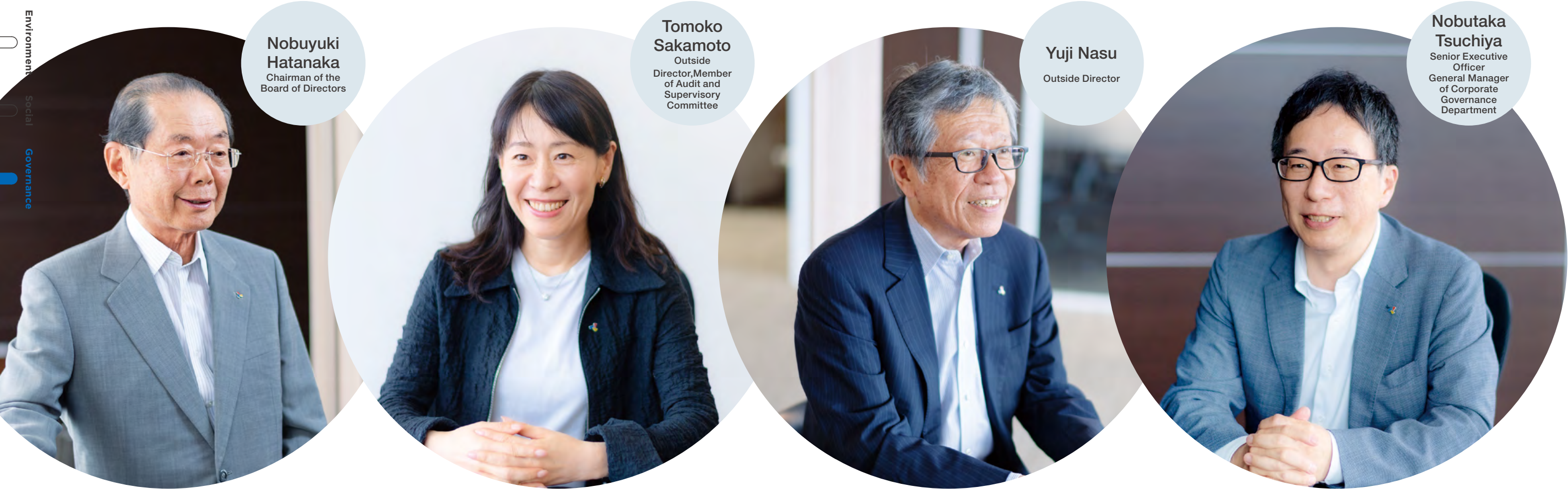
In support of the Children's Food Alliance jointly operated by NPO Florence and NIPPON ACCESS, INC., we donated some goods to it in October 2023.

The Children's Food Alliance is an initiative for centrally gathering food and daily necessities provided by multiple manufacturers mainly in the food industry and us as a wholesaler of daily necessities and distributing them to aid groups for children across the country through Kodomo Takushoku Oendan, a general incorporated association in the Florence Group.

Sponsored by us and 33 food manufacturers, the third delivery we participated in provided a total of 261,000 items—around 237,000 food items and approximately 24,000 daily necessity items to about 25,000 households.







**Nobuyuki Hatanaka**  
Chairman of the Board of Directors

**Tomoko Sakamoto**  
Outside Director, Member of Audit and Supervisory Committee

**Yuji Nasu**  
Outside Director

**Nobutaka Tsuchiya**  
Senior Executive Officer  
General Manager of Corporate Governance Department

Special Feature

# Discussion

Governance Roundtable

## Passing on ARATA's Corporate Culture to the Next Generation

### Passing down the company motto, "Working is the human path," to the next generation

**Tsuchiya** Several days ago, our first panel discussion took place. Its main subject was transforming the corporate culture. Our outside directors, executive officers and higher-level personnel participated in it. Nobuyuki Hatanaka, chairman of the Board of Directors, was the coordinator and Seiichi Kochiya, a vice president, and four presidents of area branches were the main panelists. This roundtable talk will discuss the subject of the corporate culture based on the panel discussion. Let me start by looking at the background behind the panel discussion.

**Hatanaka** The Nomination and Compensation had held group discussions to discovering prospective management executives and developing them. These discussions were so high quality that we found that they should not be confined to a small group. In addition, we felt that executives sharing their values between themselves was insufficient. For these reasons, we held the panel discussion. There are two types of corporate value that we should reinforce. One is financial corporate value, such as

a company's financial results. This type of value is presented in financial statements. The other is non-financial corporate value. Simply put, it is the corporate culture, I suppose.

**Tsuchiya** From the viewpoint of an outside director, do you see any differences between other companies' corporate cultures and ours?

**Sakamoto** Lately, there have been more and more companies formulating objectives regarding their existence, their social significance, what they aim to be like or similar objectives, calling it their purpose. Many companies create Purposes, although they differ a little from their corporate culture. They publish them in messages from their presidents to share them with people inside and outside the company. At ARATA, executives present their awareness of issues during panel discussions, interviews and other occasions and provide opportunities to actively discuss issues. Efforts like these are rarely seen in other companies and I suppose they are a part of our corporate culture.

**Nasu** The phrase in the management philosophy, "continue to serve the world," impresses me. I feel it universally embodies the role we play. At the same time, in ARATA Policies\* there is the phrase, "Our main business is wholesaling and . . . we can see our future development through our advancing this business."

\*A booklet that collects the company motto, company creed, slogan and other important matters that represent our fundamental corporate principles and the essence of our management.

Currently, we are working to develop products and working on other projects that are different from wholesaling. I feel we need to change our approach to be more in line with our vision.

**Hatanaka** In my opinion, we, including our employees, should re-examine the meaning of the phrase "Working is the human path" at the beginning of our company motto. Working increases humans' capabilities. Globally, Japanese companies are ranked low in terms of productivity, but by clearly separating work and our personal lives, eliminating waste, and engaging with diverse values beyond those within the company, our perceptions about work could shift, perhaps leading to the ultimate understanding that "Working is the human path." Today, Eiichi Shibusawa's The Analects and the Abacus is interpreted to mean sustainability and business. The things we understand from his words are very important what we will understand from words. We will dare to preserve the phrase "Working is the human path" and pass it down to the next generation, since it reflects our founder's aspirations.

**Tsuchiya** I see. What was your honest impression of the ARATA Policies when you first heard of them?

**Sakamoto** I felt they were a bit stiff or outdated. At the same time,

their meanings are so broad that they are linked to diverse work styles and sustainability. I suppose it would be better if we discussed what "Working is the human path" means and establish a common understanding.

**Nasu** When I worked as a representative in the past, I talked with employees about the analect, "A man of noble character esteems wealth and is scrupulous in seeking ethical ways to acquire it." At that time, I interpreted it as saying that making a profit, as important as it is, must be done using method that conform to governance principles. However, the interpretation of it may vary from person to person.

**Hatanaka** The era when our company motto was formulated is totally different from today. Values are now more diverse today than at that time. That is why I feel the analect was a sensational expression to use to raise the issue.

**Sakamoto** Essentially, the word work includes the meaning of working with joy. However, some people inevitably take this word itself negatively.

**Hatanaka** Exactly. So, I believe that it is important for us to additionally seek to be Tough, Right, Active. These qualities are a part of our corporate culture.



Effect of the panel discussion for continuously enhancing governance

Tsuchiya Then, what position should the panel discussion take in the context of passing down the corporate culture of being Tough, Right, Active to the next generation, or the context of enhancing governance?

Nasu It was my first opportunity to listen to employees' opinions in a public setting. Non-panelist executives also contributed actively to the conversation. I felt it was very good. I hope that the panel discussions on carefully selected subjects will be continued.

Hatanaka All the participants significantly attempted to reach a consensus and realized the differences between each other in a public discussion. The first event took place with executive officers and higher-ranked personnel. I hope that similar events will be held at branches and other locations. The chat tool is certainly useful, but it is also important to discuss issues in-person to fill gaps in people's understanding. When there is an atmosphere that enables them to discuss issues voluntarily instead of being obliged to, workers will grow.

Nasu To share the corporate culture and ensure it becomes entrenched, it is important to directly engage in dialog on site. It is also important for executives to keep communicating the corporate culture.

Sakamoto Of course it is important that executives talk about it. It is also important to provide opportunities for workers to think about it themselves. It is also good to ask individual workers for their opinions.

Hatanaka Yes, I agree. Currently, we have established a network using financial corporate value in the form of financial results. We will have to shift to a state in which the network is maintained by non-financial corporate value, specifically the corporate culture. It is insufficient to merely read the ARATA Policies. It is necessary to think deeply about them. First, managers must work to improve their own mindsets. For example, some managers still take on intimidating personas. This make conversation difficult. They need to have a mindset of growing together with subordinates

instead of giving them instructions. Then, they will share the perspectives of different people and gain new insight.

Nasu According to our company creed, our personnel are equal as human beings.

Tsuchiya Managers' ways of thinking and their approaches must change with the times. For this purpose, you think that the scope of panel discussions should be expanded to general workers.

Hatanaka Yes. I feel that panel discussions may provide a way of sharing information and values that is impossible through the chat.

Sharing the corporate culture with branches, other bases and the whole Group

Tsuchiya When you are at the head office, you may see the president and the chairman of the board. At branches and other bases, there are no opportunities to communicate with top executives. There used to be a gathering of personnel responsible for the branches and bases. I wonder if something like this is needed.

Nasu I feel we need it. I feel that communication between the head office and the branches is not always going well.

Sakamoto I suppose it is better that we have more opportunities to talk with people at the branches and that they do not have to be limited to in-person meetings.

Hatanaka We should create opportunities to discuss not only financial results and operations but also the corporate culture. Regarding the enhancement of corporate governance, it is important to assess management itself, in addition to monitoring for misconduct and assessing investment risks. Our Nomination and Compensation Committee includes outside directors to visualize corporate management activities such as the process of electing the next president. We believe that this is an effective way to increase employee motivation, as personnel management is very transparent from the viewpoint of the employees.

Tsuchiya But I feel that it is not sufficiently known to employees. As a person in charge of governance and public relations, I will increase internal communication.

Hatanaka I am looking forward to your activities. A key to communication is systematization. I suppose there are still lots of problems to be addressed.


Tsuchiya We have nearly 3,000 staff members, including the people working for group companies.

Hatanaka ARATA CORPORATION was established as a holding company in 2002. It is composed of people who have come from different companies.

Sakamoto From the point of view of someone outside the company, it integrates different companies which have different cultures. I am astonished to see it this united.

Hatanaka Thank you. Our corporate culture has changed considerably over the past 22 years.

Tsuchiya Twenty-two years have passed since ARATA was established. As an outside director, what do you want its corporate culture to be like?

Nasu Personally, I am interested in the A&J Project,  P41 which is run jointly with the employees of an ARATA Group company, JAPPELL Co., Ltd. I hope that other companies in the Group will seek to have the same corporate culture.

Hatanaka You're right, we still have work to do in terms of group governance. I believe that Group management rather than the management of companies on a standalone basis will become increasingly important.

Tsuchiya Outside Japan, we have bases in China, Thailand and Vietnam. They may be connected only by financial corporate value. Regarding governance, what issues have our outside directors observed?

Nasu I find it doubtful that comprehensive optimization will be achieved in the current situation where branches are responsible for their profitability. This was discussed in the panel discussion. The same can be said regarding the question of where to invest in logistics. It is necessary to scrutinize the issue of comprehensive optimization and partial optimization more deeply.

Hatanaka It is a difficult issue. It is important that the head office take the initiative in management, but we should have more discussions about how we should delegate authority.

Tsuchiya Regarding recruitment, regional bases started independent recruitment activities in addition to the en masse recruitment of the head office.

Hatanaka It is true that many people want to work in Tokyo, Osaka and Nagoya, but there must be some who strongly wish to work in their local area. There are some future things that can only been foreseen by the head office, and there are some realities that can only be recognized on site. It is really important how we manage them.

Nasu Because of the system where the branches are responsible for their own profitability, the branches would tend to hire a minimum number of workers if the authority for recruiting was delegated to them. Recruitment at the head office is important when we think of it as an investment for development in the future.

Stimulating the discussions of the Board of Directors and the Audit and Supervisory Committee

Tsuchiya What is your view on the deliberations of the Board of

Directors and the Audit and Supervisory Committee from the viewpoint of a culture that stimulates discussion?

Sakamoto The atmosphere of the Board of Directors makes it easy to communicate. The Audit and Supervisory Committee submits our remarks each year, and the Board quickly takes action to address them. I feel that the spirit of management is one of changing the company for the better. That makes us realize that the management team has a "Working is the human path" mindset. I hope that it will be better known to employees as well. As in the recent panel discussion, we are working positively to implement new ideas. We will not change this stance.

Tsuchiya Ms. Sakamoto, you have been an outside director for three years. Have you felt there have been any changes?

Sakamoto The members of the Board of Directors changed. And I feel that we outside directors now have more opportunities to comment at Board of Directors meetings than we did in the past.

Nasu Two years have passed since I was appointed. Since then, I have felt that it is easy for me to share my opinions and I have found no obstacles to doing so.

Hatanaka Remarks and stimulus from people outside the company are important indeed. If we fail to handle address them, our efforts are pointless. This fiscal year, we invited Mr. Norio Konishi to be an outside director. An active representative director has joined as an outside director. I hope that this will make a difference in the remarks of attendees and further stimulate discussions.

Review of the roundtable talk

Tsuchiya Could you review today's roundtable talk?

Sakamoto I feel it is important that each of us think about what management thinks about and what the company motto means to share a common perception and to pass them down to the next generation in a form that is in line with the times.

Nasu I have long liked the phrase of "For the company" very much. I believe that it is significant to have an atmosphere in which anyone can voice their opinion for the company irrespective of age, gender, position, nationality or any other attribute.

Hatanaka The mindsets of workers are really changing. Japanese athletes wish to compete in the Olympic Games and to see the Japanese national flag hoisted there. I hope that workers will wish to work for ARATA and to strengthen their company like the athletes. My mission is to discover how to achieve this.

Nasu I suppose this depends on how much affection they feel for ARATA. I became fond of it after I became an outside director.

Sakamoto I suppose that Japanese Olympians compete not only for the country but also for their own dignity. So I suppose what matters is whether or not they can feel proud of working for ARATA. In this sense, I feel that their pride may be influenced by company's name recognition and other factors.

Hatanaka I see. Some kind of program or system could be able to support it. Anyway, we will continue our efforts to build our corporate culture with a view toward making ARATA a Tough, Right, Active company. Thank you for your cooperation.

Discussion

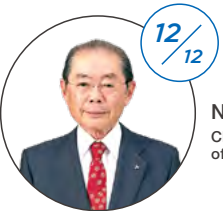




# Governance

## Board of Directors (As of June 25, 2024)

### Directors



12/12

**Nobuyuki Hatanaka**  
Chairman of the Board  
of Directors

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.



11/12

**Hiroaki Suzuki**  
Representative Director  
and President  
Chair of ESG Committee

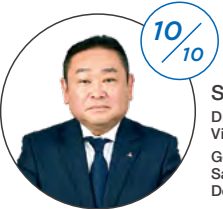
Hiroaki Suzuki has worked in the sales and product divisions since joining the Company, and has extensive business experience and knowledge within the Company. He assumed the position of Representative Director and President, Executive Officer in 2017, and has led the Company's management since then. 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.



12/12

**Toshiyuki Omote**  
Director and Executive  
Vice President  
General Management

Toshiyuki Omote has held several managerial positions in the Sales Division. In 2010, he was appointed Executive Officer and Manager of National Chain Store Division of the Sales & Sales Planning Department. In this position, he played a significant role in strengthening the Company's sales activities and in achieving business growth. In his current post of Director and Executive Vice President and General Management, he focuses on strengthening and supervision of overall business strategies for expanding business and profits.



10/10

**Seiichi Kochiya**  
Director and Executive  
Vice President  
General Manager of  
Sales & Sales Planning  
Department

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. Currently, as Director and Executive Vice President and Head of Sales, he works on strategies to increase profit and the results of the business by increasing the strength of sales.



12/12

**Yoshiro Uryu**  
Director  
Senior Managing  
Executive Officer  
General Manager of  
Corporate Strategy  
Planning Department,  
and Administrative  
Headquarters

Yoshiro Uryu has worked in the sales and business planning divisions, and has extensive business experience in the Company and associated knowledge. In 2021, he was appointed Director, Managing Executive Officer and General Manager of Personnel Department, where he sought to develop personnel who will play central roles in the future. Currently, he serves as Director, Senior Managing Executive Officer, General Manager of Corporate Strategy Planning and General Manager of Administration to implement growth strategies for accomplishing the IT Medium-Term Management Plan 2026.



12/12

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

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.



12/12

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

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.



12/12

**Yuji Nasu**  
Outside Director

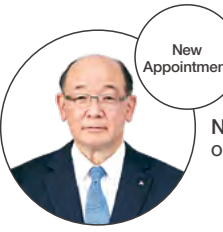
As president and representative director of a Sumitomo Corporation Group company, he has high-level expertise and experience in overseeing all aspects of corporate management. He supervises the management of the Company and its appropriate execution of business and gives advice from an objective perspective.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



10/10

**Noriko Yao**  
Outside Director

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.



New  
Appointment

**Norio Konishi**  
Outside Directors

Norio Konishi has experience in overall corporate management as President and Representative Director of Yamaboshiya Co., Ltd. He has many years experience working in the food industry. With the use of expertise and experience that are not typically found in a wholesaler of daily necessities and cosmetics, he makes appropriate judgments and remarks on business execution from an objective perspective. In June 2024, he was appointed as an outside director of the Company.

○ Status of Attendance at Board of Directors' Meetings (FY24/03)

○ Status of Attendance at Audit and Supervisory Committee Meetings (FY24/03)

### Directors who are Audit & Supervisory Committee members



12/12

10/10

**Hideo Ishii**  
Outside Director  
Member of Audit &  
Supervisory Committee

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.



12/12

12/12

**Satoshi Hiramitsu**  
Outside Director  
Member of Audit &  
Supervisory Committee

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.



12/12

12/12

**Tomoko Sakamoto**  
Outside Director  
Member of Audit &  
Supervisory Committee

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.

### Executive Officers

**Hitoshi Takiguchi**  
Senior Managing Executive  
Officer  
President of Hokkaido Branch

**Takahiro Furiyoshi**  
Managing Executive Officer  
General Manager of International  
Business Department, Manager  
of Business Development  
Division, and Chairperson and  
General Manager of XIN LE HUA  
(GUANGZHOU) INTERNATIONAL  
TRADING CO., LTD. (temporary  
assignment)

**Yoshihisa Morishima**  
Senior Executive Officer  
Corporate Strategy Planning  
Department, stationed at Chubu  
Branch

**Hironori Maekawa**  
Senior Executive Officer  
General Manager of Logistics  
Department

**Futoshi Imazu**  
Senior Executive Officer  
President of Chushikoku  
Branch

**Nakaba Nebashi**  
Senior Executive Officer  
General Manager of  
Administration Department  
and Deputy General Manager of  
IT Innovation DX Promotion  
Department

**Nobutaka Tsuchiya**  
Senior Executive Officer  
General Manager of Corporate  
Governance Department,  
and Manager of Legal,  
PR/IR, General Affairs,  
Sustainability Promotion Division

**Shichiro Izaki**  
Executive Officer  
Manager of Logistics Operations  
Division of Kansai Branch

**Hideyuki Yamada**  
Executive Officer  
General Manager of IT Innovation  
DX Promotion Department

**Koki Nakagawa**  
Executive Officer  
Manager of Sales Division

**Takuya Chiba**  
Executive Officer  
President of Tohoku Branch

**Masayoshi Nishio**  
Executive Officer  
President of Kyushu Branch

**Masayuki Shimizu**  
Executive Officer  
President of Kansai Branch

**Koichi Kuroda**  
Executive Officer  
International Business Department  
Deputy General Manager of XIN  
LE HUA (GUANGZHOU)  
INTERNATIONAL TRADING CO.,  
LTD. (temporary assignment)

**Katsunori Takase**  
Executive Officer  
President of Capital Area  
Branch

**Atsushi Kitayachi**  
Executive Officer  
President of Chubu Branch

**Shinji Miyazaki**  
Executive Officer  
General Manager of IT Planning  
Department

**Yasuo Tanaka**  
Executive Officer  
Manager of Corporate Strategy  
Planning Division,  
and International Business  
Division

## 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.”

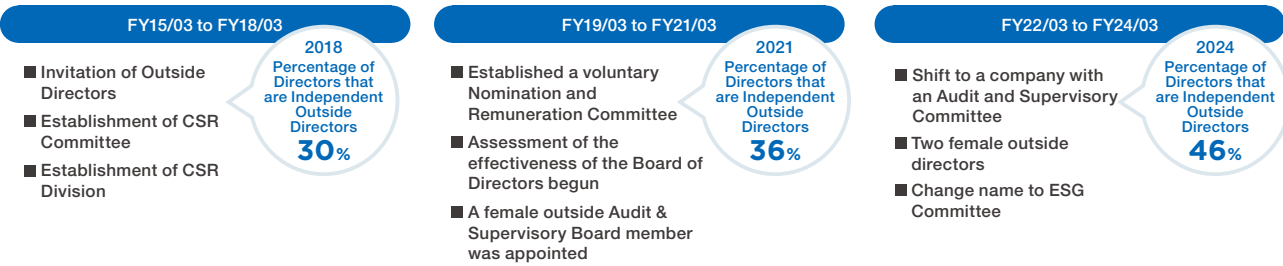
The Group believes that improving corporate value means improving business performance through sustained business activities, but that it also requires carrying out the various responsibilities expected by stakeholders. As a company, it is especially important that ARATA quickly discloses information

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.

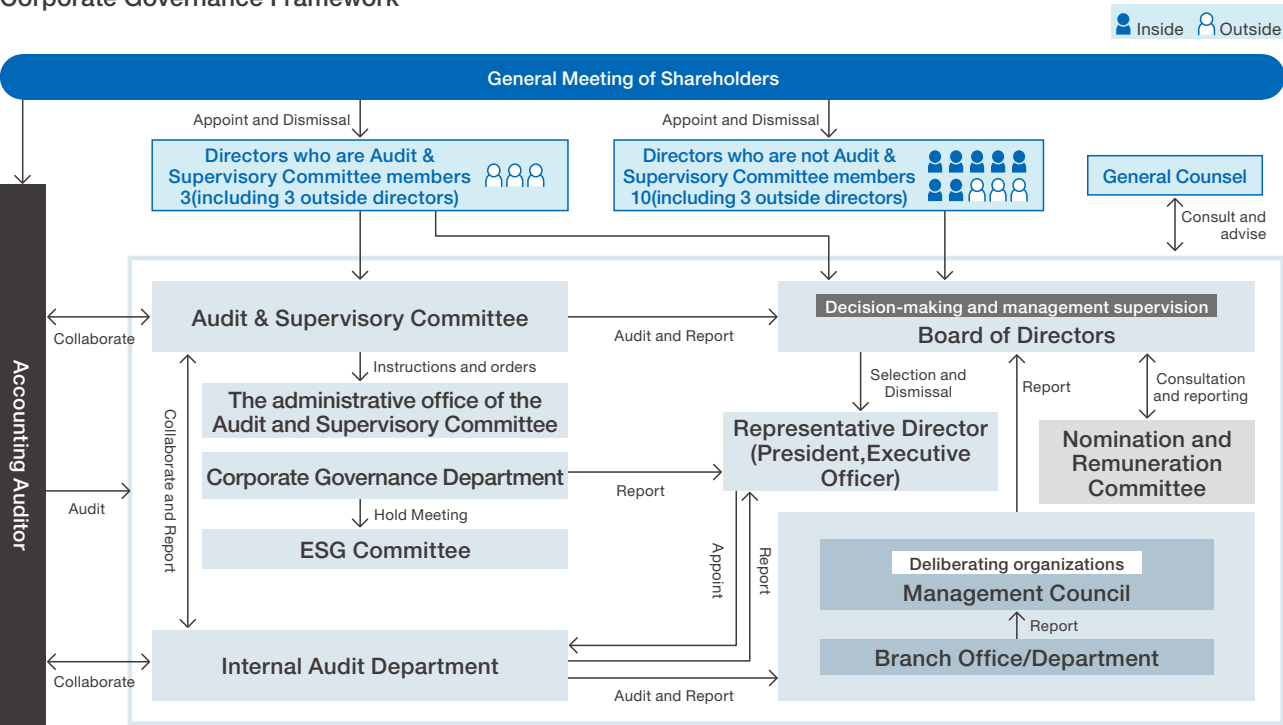
In addition, in the course of conducting business activities, we recognize that fulfilling our corporate social responsibility (CSR), such as compliance, environmental measures, and respect for human rights, is as important as improving business performance, and we believe that the management oversight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



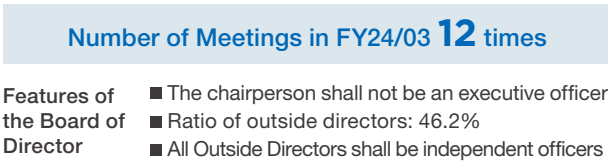
### Corporate Governance Framework



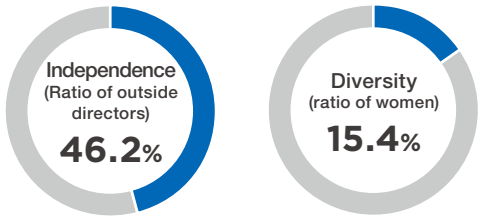
### Corporate Governance Structure

#### ● 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.



#### Skill matrix

Skills	Description of skills	Skills	Description of skills
Management	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.	Compliance and Legal affairs	The establishment of a robust governance structure that serves as the foundation for continuous growth requires directors to have a good deal of knowledge about risk management and corporate governance and be skilled in overseeing management from a legal perspective.
Financial accounting	The development of financial strategies for increasing corporate value requires ample knowledge and experience in the area of financial affairs and accounting from an administrative point of view. People with experience working for financial firms and people qualified as certified public accounts are considered to have knowledge and skills in financial affairs and accounting.	Business strategy	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.
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.	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.
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.	Logistics & DX	Soaring logistics costs due mainly to the 2024 problem in logistics and rising personnel expenses require directors with knowledge of logistics and digital transformation (DX). They will be required to bolster productivity through reforming logistics at the heart of the wholesale business and to execute DX by introducing information and digital technologies throughout the business.

Name	Number of Independent Directors	Title	Management	Financial accounting	Personnel/Labor management	Skills	Compliance and Legal affairs	Business strategy	Global	Logistics & DX
Nobuyuki Hatanaka		Chairman of the Board of Directors	●							
Hiroaki Suzuki		Representative Director and President	●			●		●		
Toshiyuki Omote		Director and Executive Vice President				●		●		●
Seiichi Kochiya		Director and Executive Vice President	●			●		●		◎
Yoshiro Uryu		Director, Senior Managing Corporate Officer		●	●			●		◎
Hidetaka Hatanaka		Director, Managing Executive Officer		●		●		●	◎	
Akihito Mizuno		Director	●		●			●	◎	
Yuji Nasu	1	Outside Director	●			●			●	
Noriko Yao	1	Outside Director			●		●		●	
Norio Konishi	1	Outside Director	●					●		●
Hideo Ishii	1	Outside Director, Member of Audit and Supervisory Committee	●		●	●				
Satoshi Hiramitsu	1	Outside Director, Member of Audit and Supervisory Committee		●		●	●			
Tomoko Sakamoto	1	Outside Director, Member of Audit and Supervisory Committee			●	●	●			

● Skills and experience possessed ◎ Skills expected to be acquired in the future



### Discussions by the Board of Directors

We are working to distribute meeting materials earlier to encourage active discussions at the Board of Directors meetings. We also ensure that outside directors attend Management Council meetings as appropriate to increase their understanding

### Major Board of Directors agenda items

Medium- and long-term plans	Issues in individual businesses in line with Medium-Term Management Plan 2026, the determination of KPIs and progress in them.
Sustainability	Reports from the ESG Committee, reports on A&J Project activities and the Sustainability Policy
Officer related	Reports from the Nomination and Remuneration Committee, personnel matters and compensation
Governance related	Assessment of the effectiveness of the Board of Directors, cross-shareholdings, and annual plans regarding the monitoring of the Board of Directors
Personnel related	New personnel management system and disclosure of information about human capital Share incentive program for employees

### Voluntary 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

Number of Meetings in FY24/03 7 times

- Features of Nomination and Remuneration Committee
- The chairperson of the committee does not concurrently serve as an executive officer.
  - Outside Director ratio: 85.7%
  - All Outside Directors shall be independent officers

### Manager group discussions

Discovering the next generation of management executives and developing female managers are considered to be among the important roles that the Nomination and Remuneration Committee must play. For these purposes, in fiscal year ended March 31, 2024, the committee organized group discussions involving a total of 35 managers, including both men and women. 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.

#### Example group discussion subjects

- 1 ARATA's strengths and weaknesses
- 2 The future of ARATA and the industry
- 3 Issues in current duties and improvement initiatives
- 4 What I pay attention to as a manager
- 5 To help women to act energetically as managers

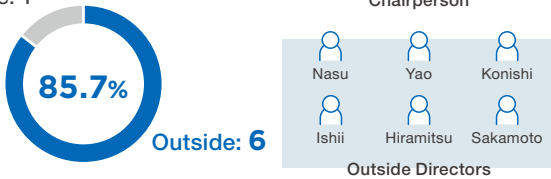
of our businesses, industry trends, strategies and other matters. The relevant executive directors or other personnel may explain significant matters to outside directors prior to Board of Directors meetings or take other actions regarding significant matters.

IT and DX related	Report on the progress of IT Medium-Term Management Plan 2026 and consideration of DX measures and reforms
Audit	Matters identified by Audit and Supervisory Committee members (strengthening approval monitoring)
Internal control related	Internal audit reports and J-SOX
Financial affairs and accounting related	Financial statements, budgeting, planning and procurement of funds
Investment opportunities	Overseas businesses, logistics plans and new businesses

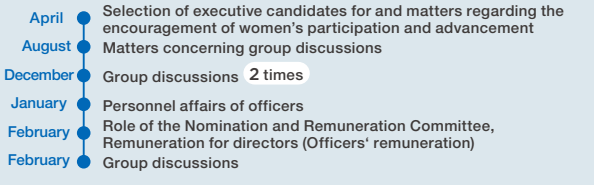
nomination and remuneration of directors, and to strengthen independence, objectivity and accountability and further enhance the corporate governance framework in this regard.

### Outside Director ratio

Inside: 1



### Main activities and agenda of the Nomination and Remuneration Committee (in the fiscal year ended March 31, 2024)



### Officer panel discussion

P.47-50

To develop the manager group discussions started in 2020, we organized an officer panel discussion for the first time in May 2024.

After five officers discussed the subject, participants asked questions and commented. The discussion was active.

Subject	Transformation of the corporate culture
Panelists	One director and four executive officers
Coordinator	Chair of the Nomination and Remuneration Committee
Participants	Directors (including outside directors) and executive officers

### Audit & Supervisory Committee

The Audit & Supervisory Committee meets at least once a month, in principle, and the Audit & Supervisory Committee members attend meetings of the Board of Directors and audit the status of management and business execution. The Company has also put in place a framework which allows Audit & Supervisory Committee members to audit the appropriateness of business execution through attendance at Management Council meetings and other important

Number of Meetings in FY24/03 12 times

### Evaluating the effectiveness of the Board of Directors

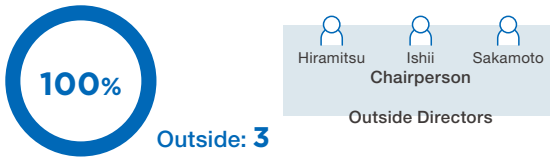
Since 2019 ARATA has been conducting continuous evaluations of the effectiveness of its Board of Directors, to make corporate governance function effectively. In March 2024, a questionnaire was distributed to the Board of Directors. As a result, individual directors submitted improvement proposals, some of which are shown below. The implementation of these proposals is being considered.

- Creation of materials for meetings with a limited number of points to fully discuss significant issues
- Provision of multiple opportunities to deliberate large investment projects
- Sufficient deliberation by the people responsible for implementation
- Connecting the agenda of the Management Council to the agenda of the Board of Directors
- Establishment of a task force to further advance materials for meetings

meetings, while also facilitating the sharing of issues based on reports of business audits by the Internal Audit Department.

In addition, issues with the management of business are presented to the Board of Directors as matters identified by Audit and Supervisory Committee members and they are discussed at the Board meeting to increase the effectiveness of the Board of Directors.

### Outside Director ratio



### Cross-shareholdings

Regarding cross-shareholdings, the Board of Directors studies the shareholding policies that are formulated annually for each individual stock by the division and the organization in charge of transactions in accordance with judgment criteria, such as the importance of the cross-shareholding in management strategies, the securing of a return that is appropriate in consideration of the cost of shareholding including the cost of capital, and the medium- and long-term improvement in corporate value. When doing so, the board uses the size of transactions, business revenue and dividend revenue as reference indicators. For any cross-shareholding that the board identifies as performing poorly in terms of the economic rationality of continuing to hold the stock, we will sell the shares we hold at an appropriate timing in consideration of economic circumstances, gain and loss on transfer and other factors after engaging in dialog with the company that issued the stock. proposals is being considered.

Category	FY22/03	FY23/03	FY24/03
Number of shares (stock)	97	97	91
Number of shares (stock) of listed companies	58	58	54
Total consolidated balance sheet amount (¥ million)	8,911	8,458	9,383
Total amount of listed companies (¥ million)	7,932	8,280	9,267
Ratio to consolidated net assets (%)	9.27	8.29	8.55

### Officers' remuneration(FY24/03)

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.

Officer category	Total amount of remuneration, etc. (¥ million)	Amount of remuneration by type (¥ millions)			Number of eligible officers (persons)
		Base remuneration	Performance-linked bonuses	Provision for BBT	
Directors (excluding Directors who are Members of the Audit and Supervisory Committee and Outside Directors)	374	202	77	94	8
Directors (Audit and Supervisory Committee Members) (excluding Outside Directors)	3	3	-	-	1
Outside Officers	50	50	-	-	8

(Notes) 1. As of the final date of the fiscal year concerned, the Company had 11 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.

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 serves as a point of contact regarding legal affairs for the entire company. Through its cross-divisional activities including checks of contracts and responses to inquiries

Position toward compliance in the ARATA Corporate Conduct Guidelines	
1	We recognize the importance of corporate ethics and management soundness, and will endeavor to disclose a wide range of accurate information promptly to increase management transparency.
2	We will execute our day-to-day business operations in compliance with the Companies Act, the Financial Instruments and Exchange Act and other relevant laws and regulations and will maintain sound corporate management.
3	We will perform accounting procedures in accordance with the law and will not engage in antisocial behavior such as accounting fraud.
4	We will not participate in improper transactions with the company for personal gain.
5	We will not undertake work in the same industry outside the company.
6	We will be resolute in standing against unjust demands by antisocial forces and will have absolutely no dealings or any ties whatsoever with antisocial forces.

Initiatives to raise employees' awareness of compliance

We conduct continuous in-house training to comply with laws and regulations relating to business activities, with the Legal Department playing a central role.

We work constantly to improve, instill, and thoroughly spread

2022 ~

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

Example Legal Teacher content subjects

- Difference between memoranda of understanding, letters of intent and contracts
- Corporate governance and internal control
- Consumer Contract Act
- Product Liability Act
- Insider Trading Regulations

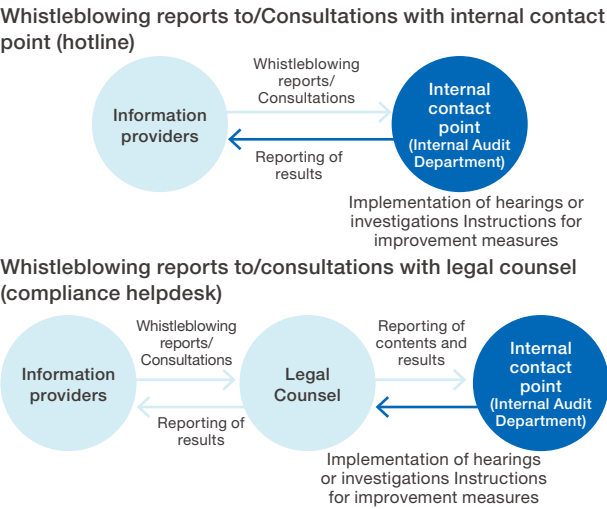
regarding business-related laws, it strives to improve compliance awareness.

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.

Structure of ARATA Hotline

We have established a hotline and a compliance counter as our whistleblowing system. We will carefully manage whistleblowing reports as confidential information in accordance with internal regulations. We will keep the matters confidential and conduct investigations in a way that protects the personal information of whistleblowers and other persons associated with the reports. If the investigation confirms any misconduct, we will take strict action against those responsible and swiftly implement corrective measures and measures to prevent any recurrence.

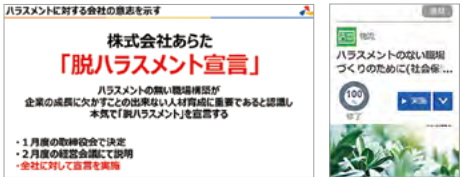
In so doing, we strive to prevent illegal or dishonest conduct and to quickly identify it.



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

2023 ~

We have published the Anti-Harassment Declaration to address discrimination, prejudice and inequality and foster sound workplace environments. To prevent all harassment, we provide anti-harassment training with content that is specifically tailored to general employees and part-time employees working for logistics centers.



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.

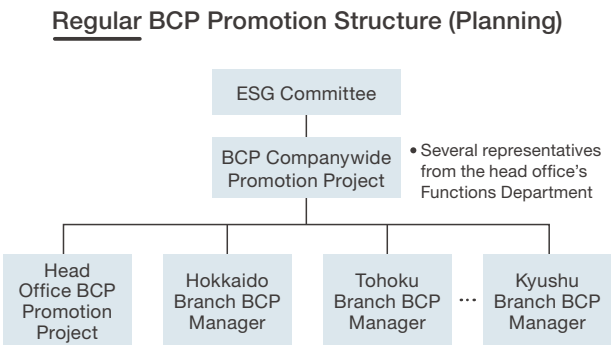
Business Continuity Plan (BCP)

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.

In addition, "ARATA Disaster Prevention Week" is organised every year and disaster preparedness is implemented at the level of each site.

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.



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

Response to the Noto Peninsula Earthquake

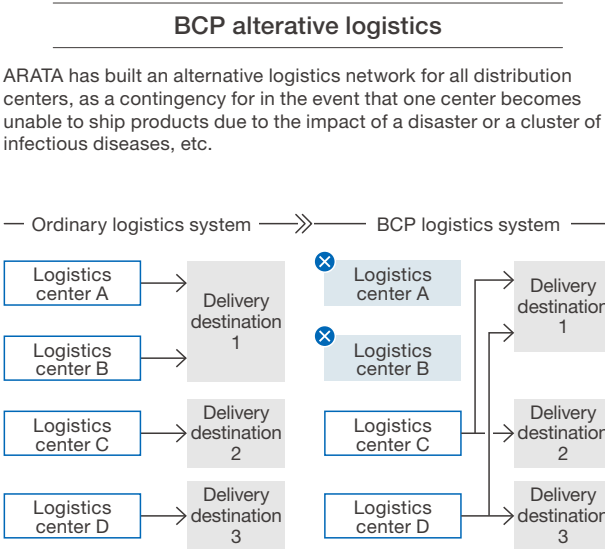
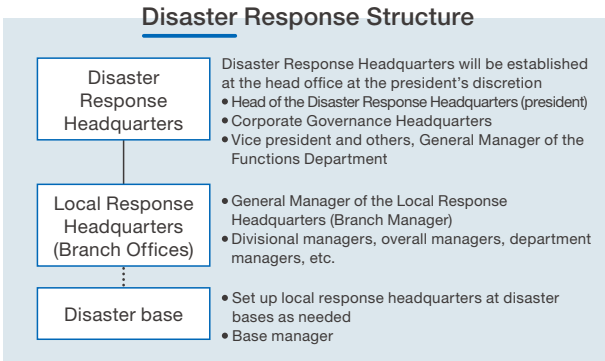
The Noto Peninsula Earthquake on January 1, 2024 affected our Hokuriku Center and brought shipments to a halt temporarily.

After checking the staff's safety, the employees of this center and other staff members in neighboring areas took part in restoration work, quickly delivering supplies that are necessary for life. On the afternoon of the following day, January 2, the center resumed shipments.

When the disaster occurred, we optimally implemented our BCP to fulfill our duties to society as a wholesaler.

Regarding risks faced by the Group as a whole, the Corporate Governance Headquarters and the Internal Audit Department coordinate with Group companies to manage risks. The Company's directors or executive officers also concurrently serve as directors and corporate auditors of Group companies, and collect information at Board of Directors meetings and other opportunities.

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.

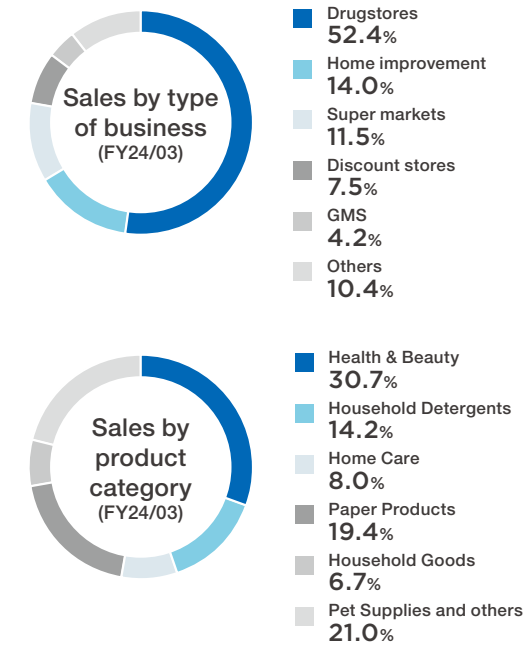
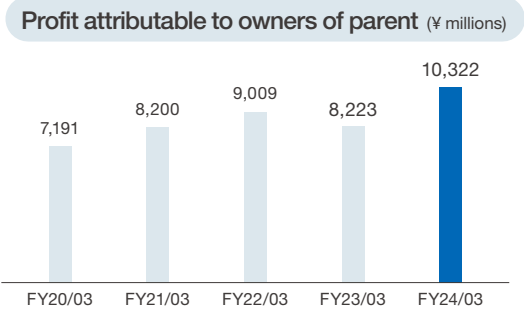
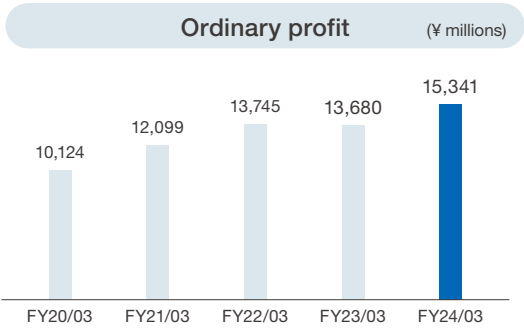
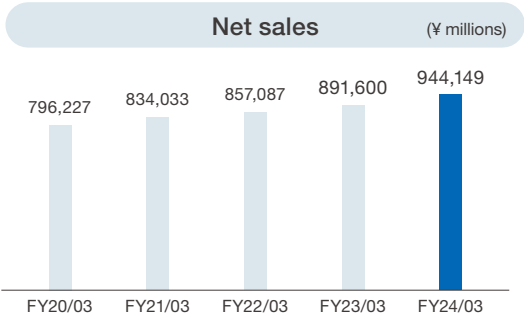




Financial Summary

	FY14/03	FY15/03	FY16/03	FY17/03	FY18/03	FY19/03	FY20/03	FY21/03	FY22/03	FY23/03	FY24/03
Operating Results											
Net sales (¥ millions)	651,954	638,792	676,743	704,610	732,914	754,447	796,227	834,033	857,087	891,600	944,149
Operating profit (¥ millions)	4,472	2,461	5,699	7,384	8,857	8,892	9,326	11,521	12,743	12,812	14,508
Operating income margin (%)	0.7	0.4	0.8	1.0	1.2	1.2	1.2	1.4	1.5	1.4	1.5
Ordinary profit (¥ millions)	4,388	2,469	5,811	7,842	9,439	9,429	10,124	12,099	13,745	13,680	15,341
Ordinary profit margin (%)	0.7	0.4	0.9	1.1	1.3	1.2	1.3	1.5	1.6	1.5	1.6
Profit attributable to owners of parent (¥ millions)	2,435	1,124	3,244	4,863	6,361	6,903	7,191	8,200	9,009	8,223	10,322
Return on sales (%)	0.4	0.2	0.5	0.7	0.9	0.9	0.9	1.0	1.1	0.9	1.1
Financial Condition											
Total assets (¥ millions)	221,202	211,840	219,689	222,974	243,698	243,614	249,712	255,455	271,315	290,857	316,976
Net assets (¥ millions)	51,041	53,911	55,941	59,613	71,472	80,515	82,901	91,017	96,172	102,066	109,719
Equity ratio (%)	23.1	25.4	25.5	26.7	29.3	33.0	33.2	35.6	35.4	35.1	34.6
D/E ratio (times)	1.5	1.2	1.1	0.9	0.7	0.5	0.5	0.4	0.4	0.4	0.3
Cash Flows											
Cash flows from operating activities (¥ millions)	1,481	21,955	7,594	12,637	11,649	9,513	5,262	14,071	6,545	10,969	14,059
Cash flows from investing activities (¥ millions)	-5,878	-6,775	-3,360	-3,155	-2,924	-880	-2,742	-5,157	-7,205	-4,281	-5,305
Cash flows from financing activities (¥ millions)	7,246	-13,990	-1,791	-9,948	-4,501	-6,678	-3,833	-5,828	-911	-3,311	-4,556
Management Indicators											
Return on assets (%)	2.0	1.2	2.6	3.5	4.0	3.9	4.1	4.8	5.2	4.9	5.0
Return on equity (%)	4.8	2.1	5.9	8.4	9.7	9.1	8.8	9.4	9.6	8.3	9.7
Net income margin (%)	0.37	0.18	0.48	0.69	0.87	0.91	0.90	0.98	1.05	0.92	1.09
Total assets turnover (%)	2.95	3.02	3.08	3.16	3.01	3.10	3.19	3.26	3.16	3.07	2.98
Financial leverage (times)	4.34	3.93	3.93	3.74	3.41	3.03	3.01	2.81	2.82	2.85	2.89
Labor cost (¥ millions)	28,584	27,631	28,902	29,135	29,836	29,685	30,909	32,329	32,168	32,717	33,678
Ratio of labor cost to net sales (%)	4.4	4.3	4.3	4.1	4.1	3.9	3.9	3.9	3.8	3.7	3.6
Packing and delivery expenses (¥ millions)	15,776	16,012	17,572	17,888	18,834	20,255	21,965	22,337	22,922	23,733	25,690
Ratio of Packing and delivery expenses to net sales (%)	2.4	2.5	2.6	2.5	2.6	2.7	2.8	2.7	2.7	2.7	2.7
Capital Investment											
Capital investment (¥ millions)	7,809	7,943	3,845	4,383	6,828	3,325	4,988	5,525	7,353	5,848	4,402
Depreciation and amortization (¥ millions)	3,975	4,317	4,526	4,452	4,353	4,455	4,281	4,290	4,522	4,604	4,610
Per Share Data											
Cash dividend (¥)	25	25	27.5	32.5	37.5	40	42.5	47.5	60.5	68	92.5
Dividend payout ratio (%)	31.6	68.5	26.1	19.6	18.8	20.1	20.6	19.8	22.9	28.2	30.5
Earnings per share (¥)	15.8	36.48	105.22	165.48	199.56	198.86	206.52	240.29	263.82	240.78	303.02
Book-value per share (¥)	330.92	1748.16	1813.77	2027.26	2142.72	2273.44	2430.69	2666.41	2815.69	2988.51	3,252.26
Number of employees	2,924	2,917	2,914	2,926	3,023	3,016	2,984	2,997	2,972	2,924	2,893

\* The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) is applied for all figures for the fiscal year ended March 31, 2022 and later.  
\* On January 1, 2024, the Company carried out a two-for-one split of its common stock. Figures for periods before the split have been adjusted to reflect the figures after the split.



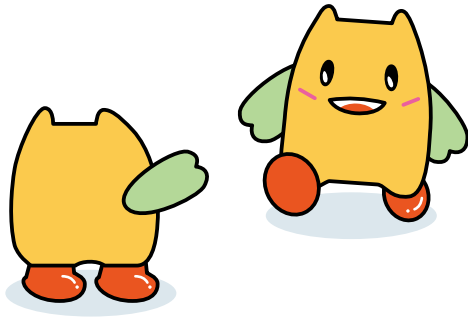
Company Outline (FY24/03)

Registered Company Name	ARATA CORPORATION
Head Office	East 21 Tower, 6-3-2 Toyo, Koto-ku, Tokyo 135-0016, Japan
Date Established	April 1, 2002
Capital	¥8,572 million

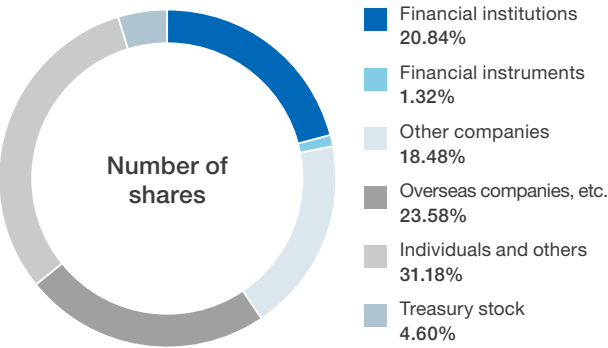
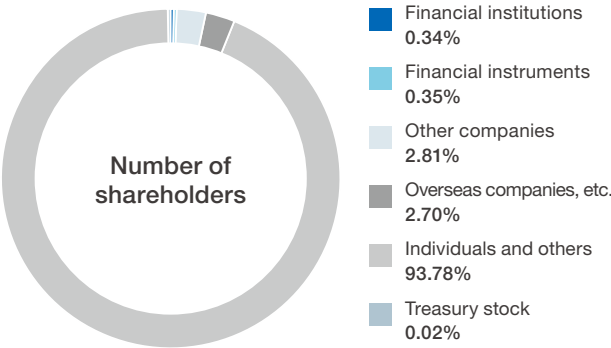
Stock Listing	Tokyo Stock Exchange (securities code: 2733)
Shareholder Registry Administrator and Special Account Management Institution	Mitsubishi UFJ Trust and Banking Corporation
Number of Employees	2,893 (non-consolidated: 1,965)
Website	https://www.arata-gr.jp/en/

Stock Information (as of March 31, 2024)

Number of shares authorized	60,000,000
Number of shares issued	36,057,424
Number of shareholders	6,545



Shareholder Composition (as of March 31, 2024)

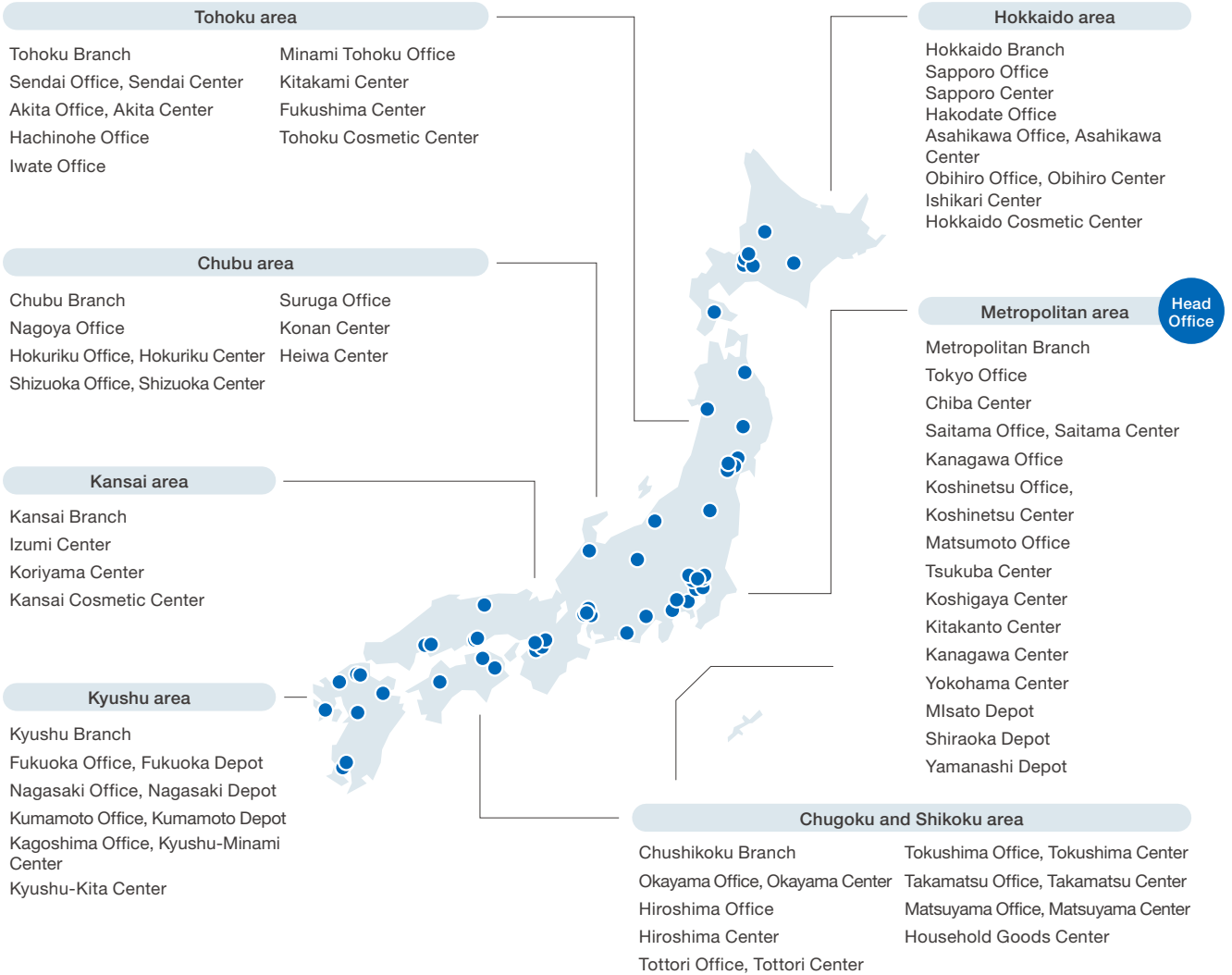


Principal Shareholders (as of March 31, 2024)

	Number of shares held (thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd.	4,076	11.86
Otowa Shokusan Co., Ltd.	2,163	6.29
ARATA Employee Shareholding Association	1,409	4.10
Custody Bank of Japan, Ltd.	1,374	3.99
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	1,297	3.77
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	1,176	3.42
Lion Corporation	962	2.79
Nobuyuki Hatanaka	921	2.68
The Nomura Trust and Banking Co., Ltd.	796	2.31
Custody Bank of Japan,Ltd.(Trust Account E)	665	1.93

(Notes) 1. The number of shares excludes fractional shares.  
2. ARATA holds 1,660 thousand shares of treasury stock, but these are excluded from the above principal shareholders. Further, 665 thousand shares held by Custody Bank of Japan, Ltd. (Trust Account E) related to the Board Benefit Trust (BBT) system are excluded from the above 1,660 thousand shares of treasury stock.  
3. Treasury stock is excluded when calculating shareholding

Domestic Bases



Main Group Companies

Domestic group companies

Japell Co., Ltd.	Wholesaling operations related to pet supplies
Japell Partnership Service Co., Ltd.	Pet styling and grooming, recruiting of franchised stores
PET LIBRARY Co., Ltd.	Retail sale of pet-related products
Mobby Co., Ltd.	Online sales of pet-related products
Vet's Choice Japan Corporation	Import and sale of pet food and pet supplies, manufacture, purchase and sale of pet-related miscellaneous goods
ISM CORPORATION	Store management company
Living Arata Co., Ltd.	Wholesaling of home goods
D-Nee Cosmetics Co., Ltd.	Import/export, manufacturing and sale of cosmetics
Asahi Keshohin Hanbai Co., Ltd.	Wholesaling of cosmetics, perfumed soap, toothpaste, food and beverages, textile products, and miscellaneous goods

Overseas group companies

JAPELL (HONG KONG) CO., LIMITED	Retailing, wholesaling, and import/export sales of pet-related products, as well as other related services
Kairaotai (Shanghai) Trading Co., Ltd.	Wholesaling of pet-related products in the People's Republic of China and other related services
ARATA (THAILAND) CO., LTD.	Wholesale business in Thailand
SIAM ARATA CO., LTD.	Wholesale business in Thailand
ARATA VIETNAM COMPANY LIMITED	Wholesale business in Vietnam, etc.
XIN LE HUA (GUANGZHOU) INTERNATIONAL TRADING CO., LTD.	Wholesaling of daily goods and other products in the People's Republic of China and the import/export of these goods