

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.

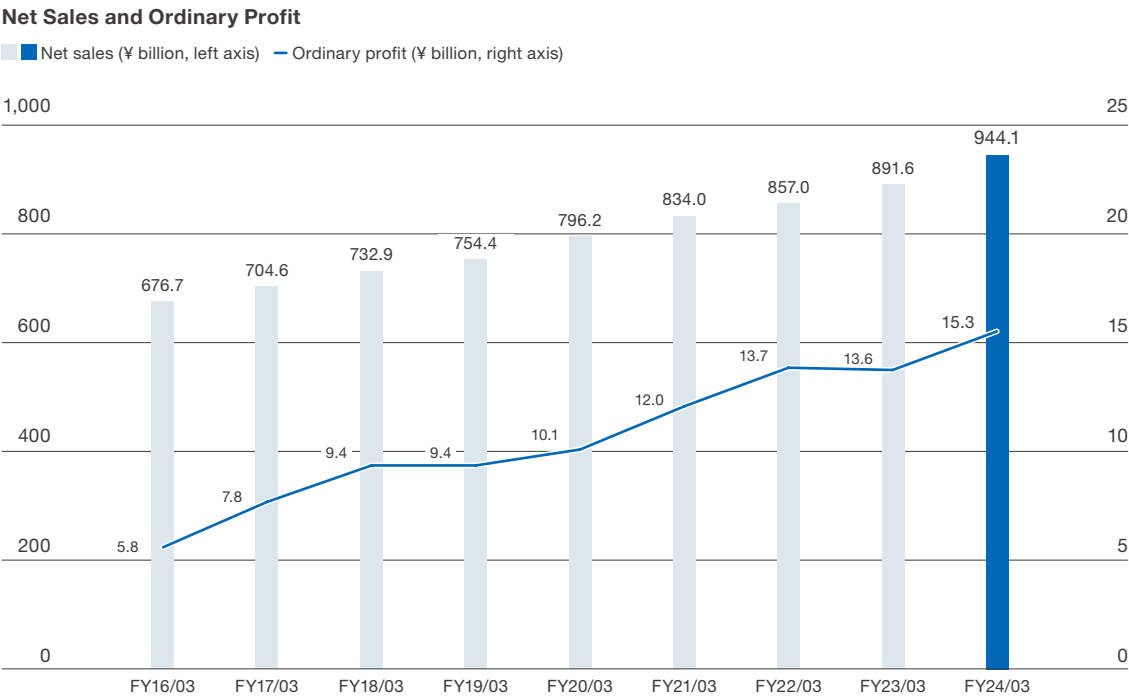
Net sales by category and net sales by business format were higher than in the previous fiscal year in all categories and business formats. As a consequence, we achieved a robust performance.

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



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

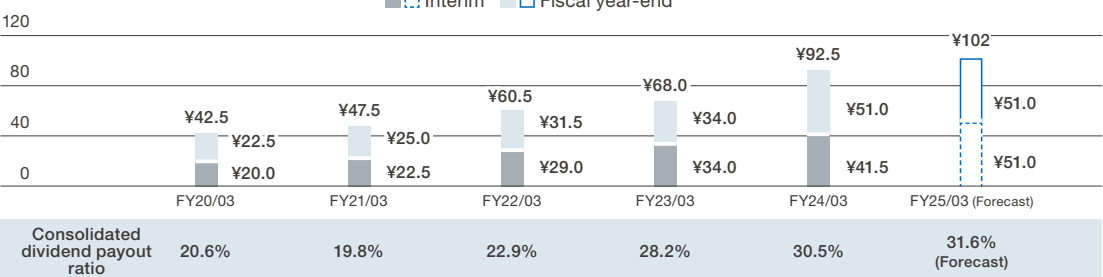
Dividend policy

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 CO₂ 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 CO₂. 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

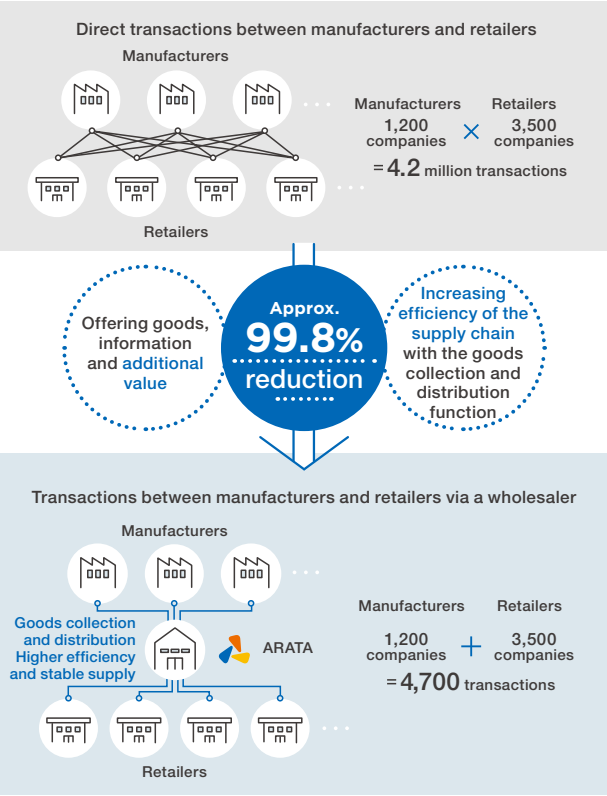
the target of 30% set in the Medium-Term Management Plan 2026. We will aim to achieve a consolidated dividend payment ratio of 31.6% for the fiscal year ending March 31, 2025.

ARATA's Mission and Raison D'Être

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

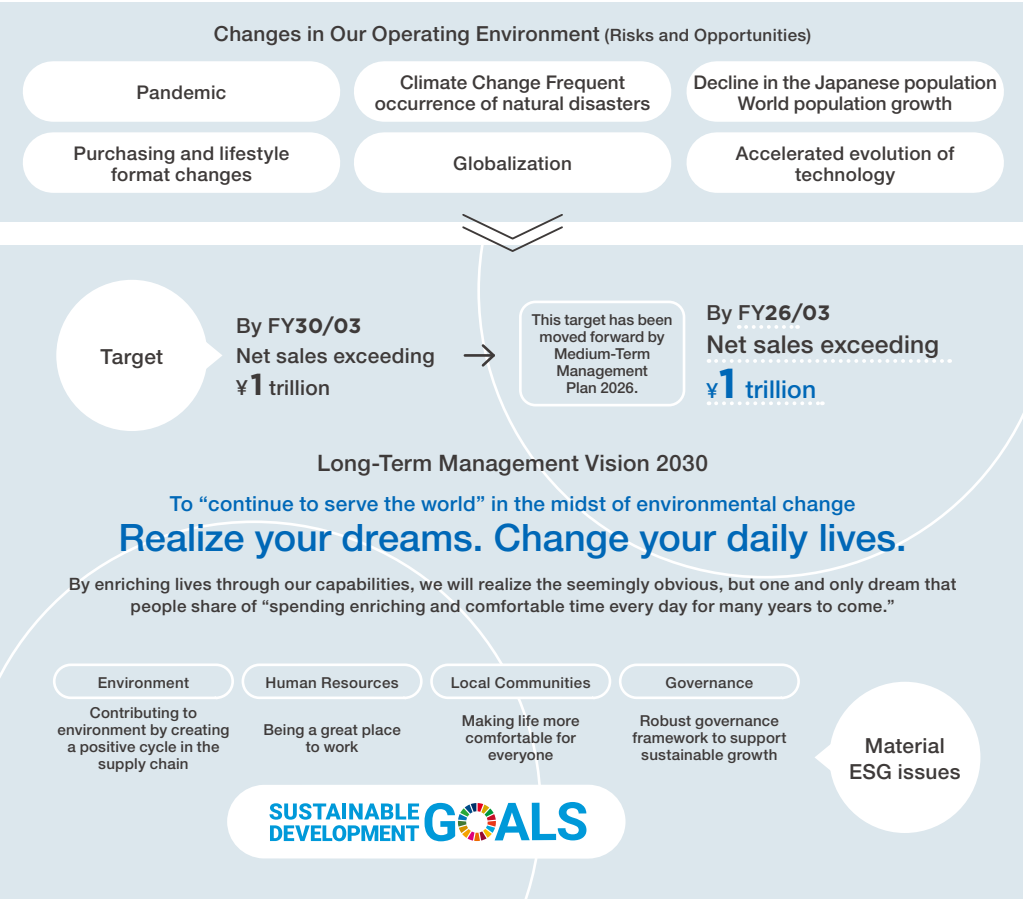
The wholesale business is our core business. Unlike other countries, Japan has a large number of manufacturers and retailers. The existence of wholesalers is very significant to the development of the distribution industry. The practice of delivering daily goods without missed items to stores across 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.



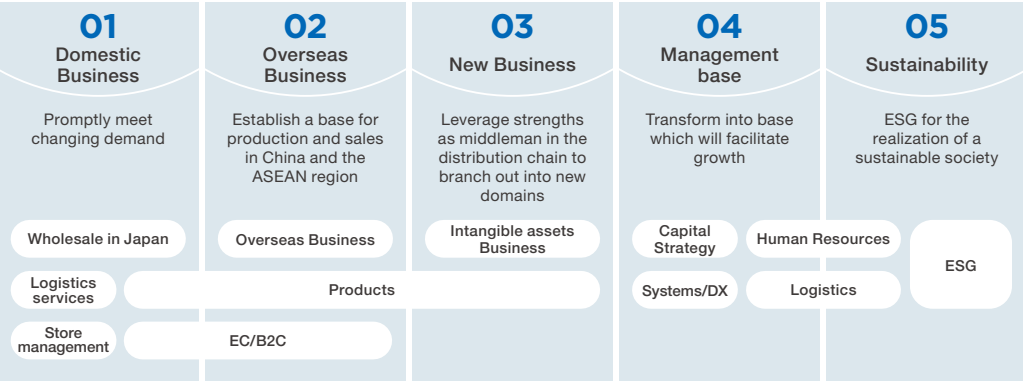
Towards sustainable growth

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.



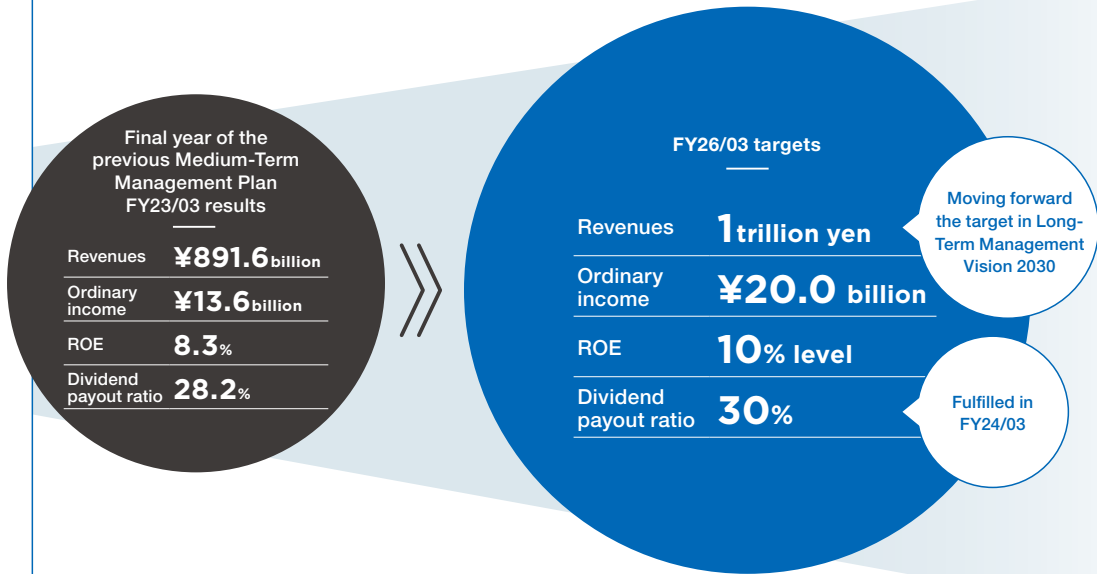
Medium-Term Management Plan 2026

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 | Growth strategies <ul style="list-style-type: none">Achieve continued growth of the wholesale businessStrengthen product procurement, planning and development functions |
| Climate change | Carbon neutrality | Stability | Enhancement of infrastructure <ul style="list-style-type: none">A logistical reform, an IT reform and promotion of digital transformation (DX) with a view to increasing productivityTransform to human capital management |
| Soaring resource prices | Rising prices of fuels and products | Sustainability | Sustainability <ul style="list-style-type: none">Environmental contributionStrengthening the corporate governance structure |
| Pandemic | Changing lifestyles | Shareholder value | |
| Advances in technology | Intensification of competition between companies | Information delivery | |
| 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">Expand the health & beauty category and the pet supplies categoryExpand exclusive and preferential distribution items to strengthen originality | <ul style="list-style-type: none">Held the "ARATA Collection 2024" P.35Launched a new cosmetic brand of "3650" P.28 |
| Enhancement of infrastructure <ul style="list-style-type: none">Implement measures in the IT Medium-Term Management Plan to streamline operations and to increase logistics productivityTransform to human capital management | <ul style="list-style-type: none">Implemented different measures in the IT Medium-Term Management Plan P.19-22Improved logistics efficiency P.31-32Introduced a restricted share incentive program for the employees shareholding association P.18Started implementing of a new personnel system P.18 |
| Sustainability <ul style="list-style-type: none">Reduce CO₂ in collaboration with business partners as central player in the supply chainStrengthen the corporate governance structure | <ul style="list-style-type: none">Responded to the CDP questionnaire for the first time: C score received P.39Acquired 2-star Eruboshi certification P.42Formulated ESG-related policies P.37-45 |
| Financial strategy <ul style="list-style-type: none">Increase net sales and profitability and speed up asset turnover for increasing cash-inMake proactive investment in business growth and construction of foundationsTake swift measures to create shareholder value | <p>Implemented three measures for shares and shareholders P.15</p> <ol style="list-style-type: none">Purchase of treasury shares: Acquire treasury shares for a maximum of ¥3 billion or a maximum of 1.2 million sharesStock split: At rate of two shares per shareAdjustment (increase) of dividends: In line with the guidelines for the dividend payout ratio of 30% |

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

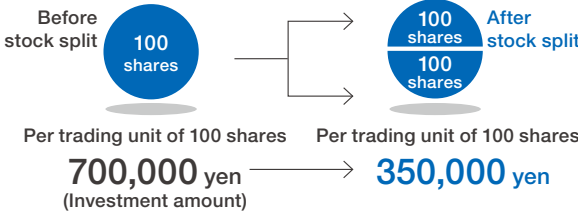
On January 1, 2024, the Company conducted a two-for-one split of its common shares.
The total number of shares acquired is the figure after the split.

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



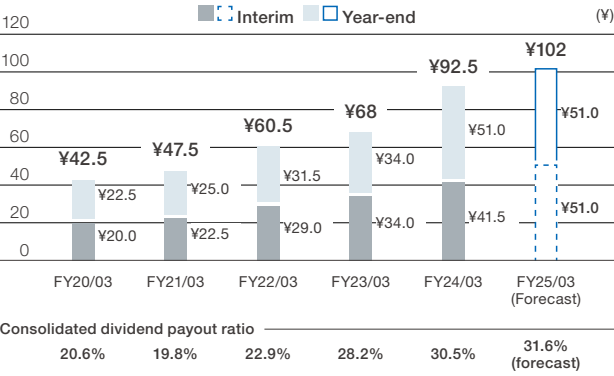
3 Adjust (increase) dividends

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

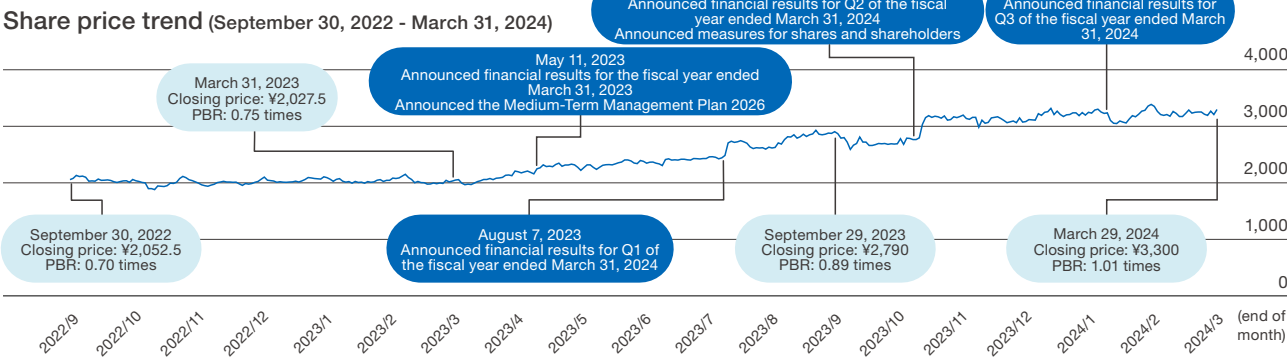
| (Yen) | Annual dividends for the fiscal year ended March 31, 2024 | | |
|---|---|----------|--------|
| | Interim | Year-end | Total |
| Initial forecast (announced on May 11, 2023) | 41.50 | 41.50 | 83.00 |
| Increase dividends in line with the guidelines for the dividend payout ratio of 30% | 41.50 | 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



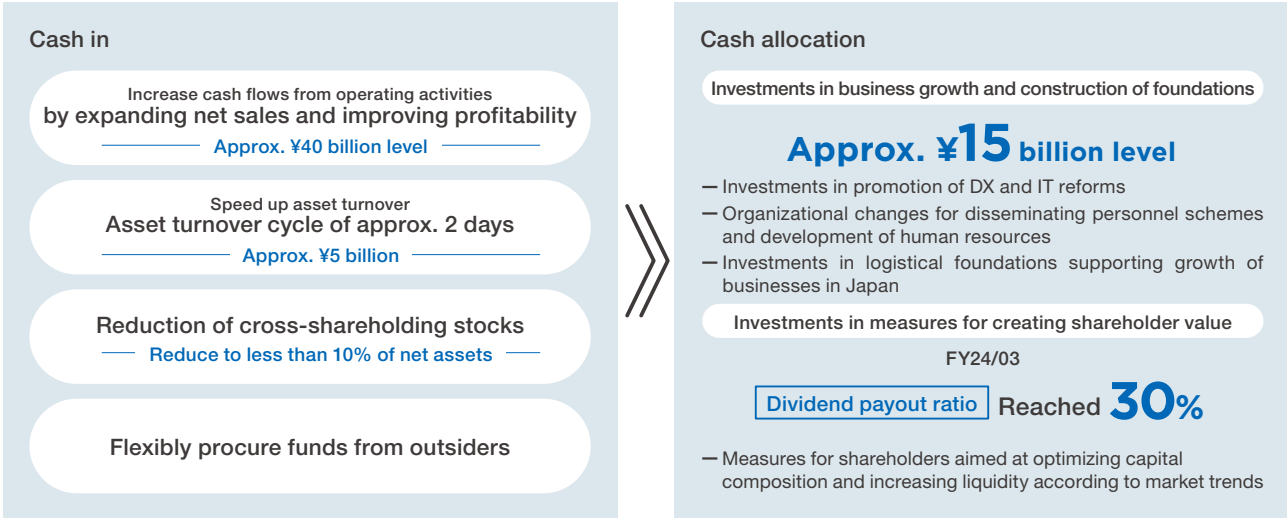
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Medium-Term Management Plan 2026 Enriching shareholder returns by investing mainly in business growth and construction of foundations

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.

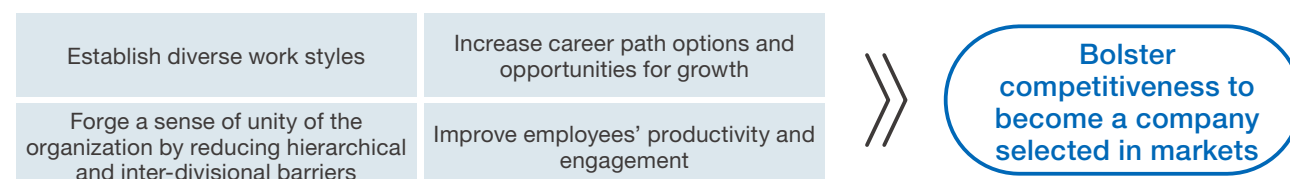


Hiroyuki Kawano
General Manager of
Personnel Department,
and Manager of
Personnel Division

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

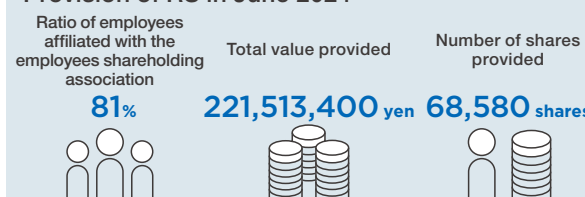
Changing the personnel evaluation system

→ Clarifying the evaluation of the level of achievement against personal goals and behavioral indicators, aiming for a clear and fair evaluation

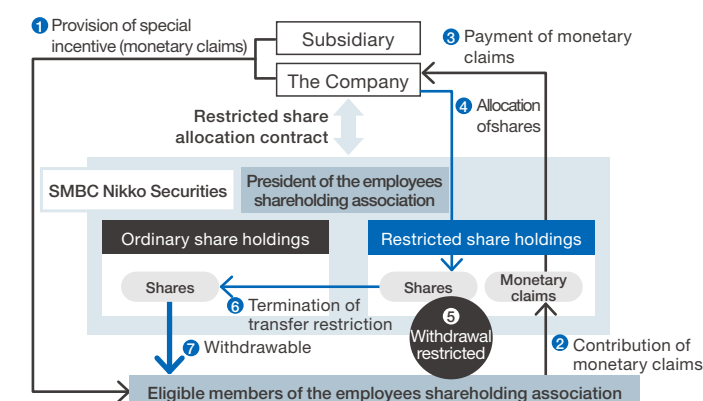
Introducing a restricted share (RS) incentive program for the employees shareholding association

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.

Provision of RS in June 2024



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 |
|------------------------------|---------------|-----------------------|-------------------|----------------------|-----------------------|---------------------------------|
| Score (on a five-step scale) | 3.2 | 3.2 | 3.4 | 4.0 | 3.6 | 3.7 |
| Year-on-year | +0.20 | +0.14 | +0.17 | +0.14 | +0.11 | +0.11 |

KPI
Intent to stay with the company
2026 target
4.0

Special Feature

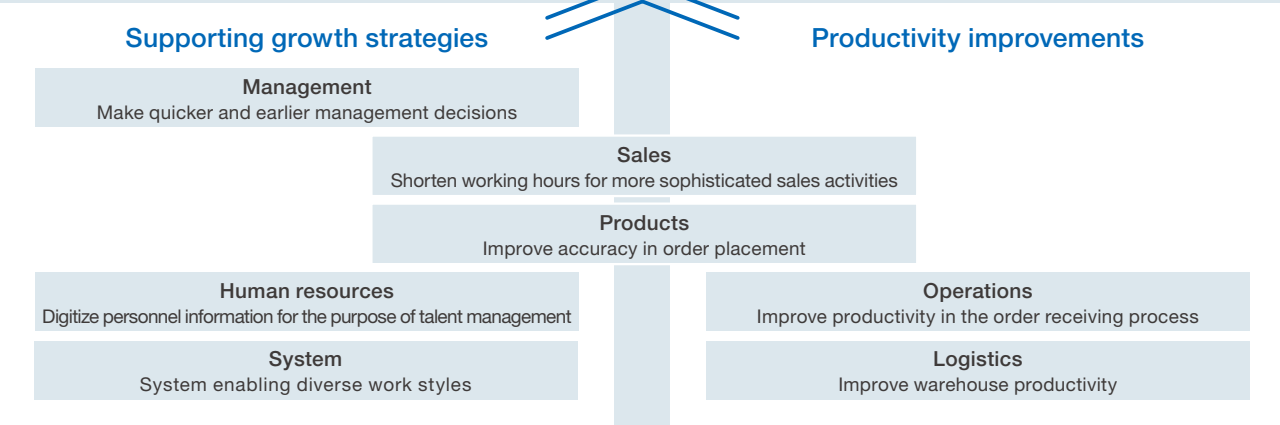
IT Medium-Term Management Plan Supports ARATA's Growth



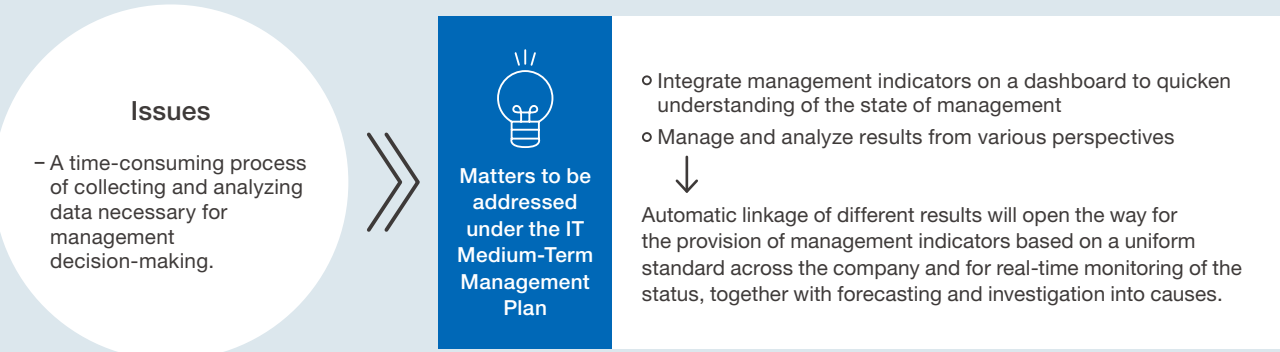
To build information systems that help realize Long-Term Management Vision 2030, we have been pursuing system innovation in line with the IT Medium-Term Management Plan since the Vision was adopted in around 2020. We launched seven subcommittees for different domains. In collaboration with business units 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

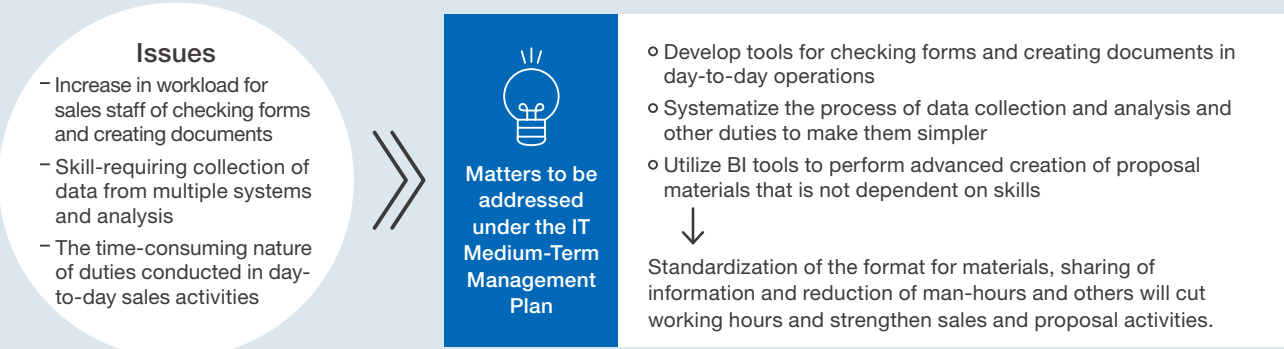


Comment from an employee serving as a subcommittee member

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

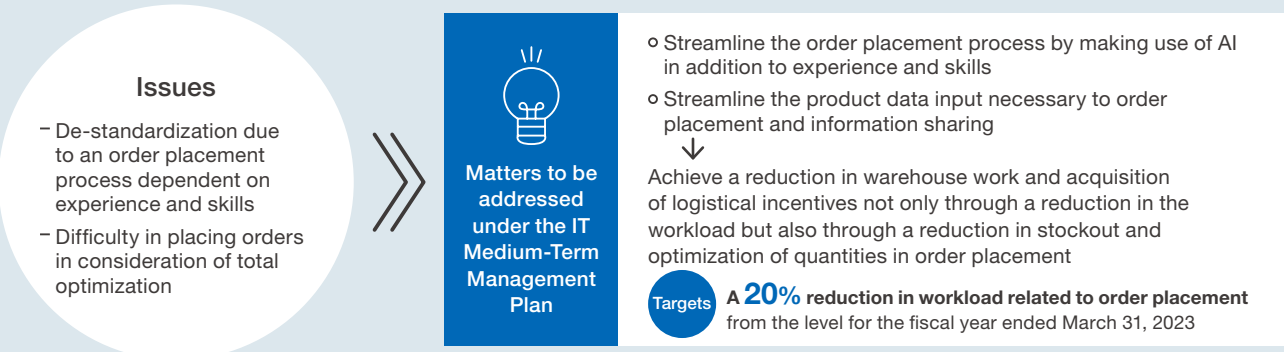


Comment from an employee serving as a subcommittee member

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



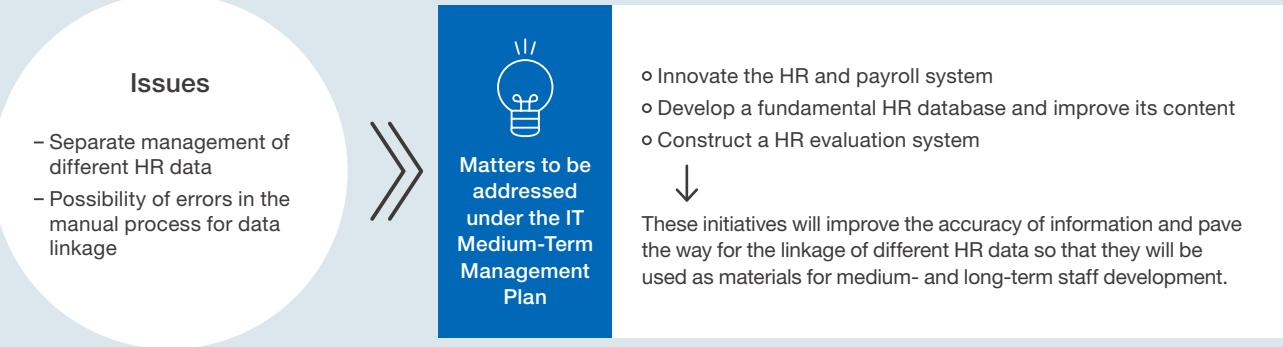
Comment from an employee serving as a subcommittee member

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

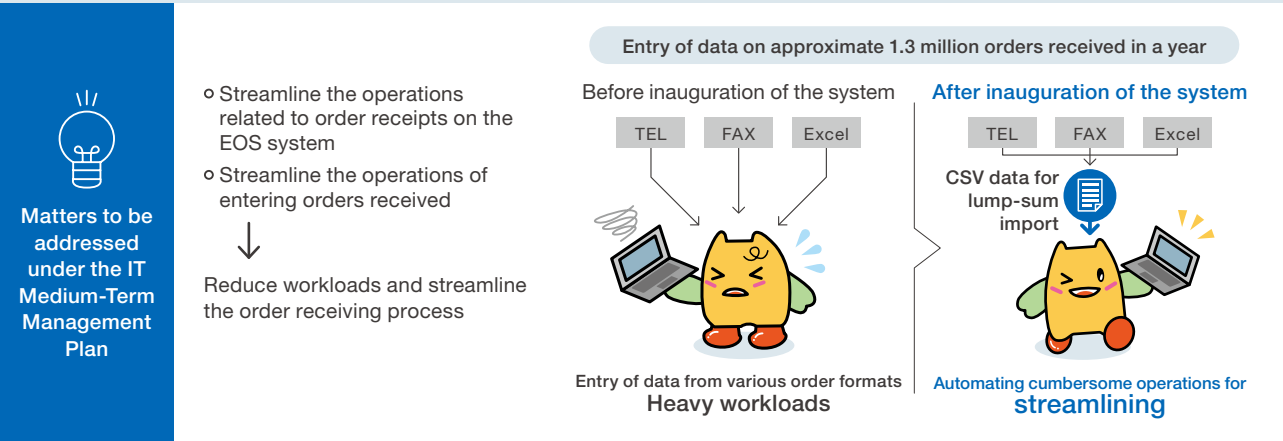


Comment from an employee serving as a subcommittee member

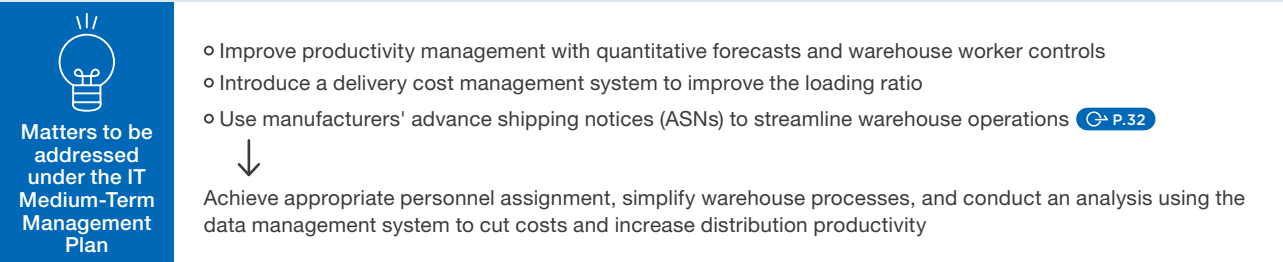
We worked on innovation of the HR and payroll system and on revising operations with the help of the IT Planning Department. I feel that we achieved linkage with other systems and created an environment that would encourage the use of the system by incorporating suggestions from the IT Planning Department 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.

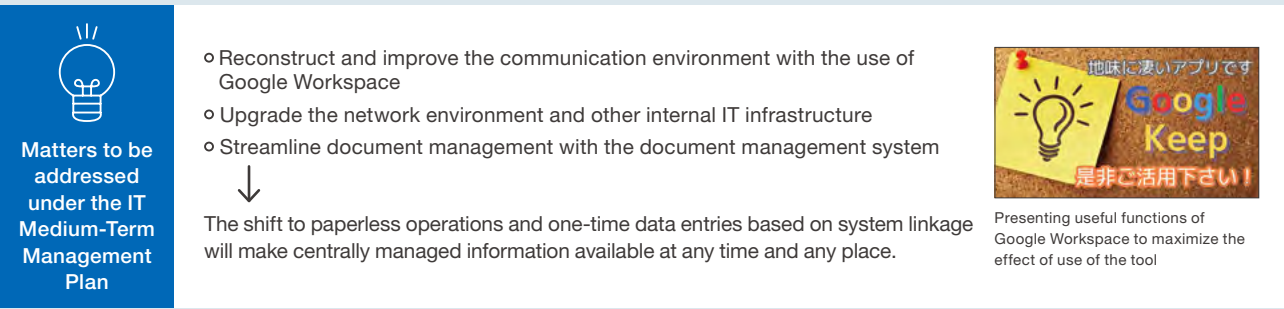
Operations Improve productivity in the order receiving process



Logistics Improve warehouse productivity



System System enabling diverse work styles



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.