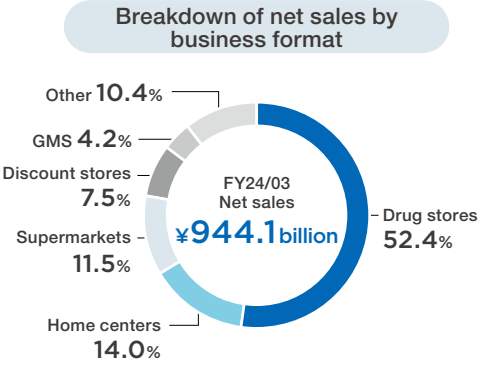


Close to people’s everyday lives through transactions with around 3,500 retailers (45,000 stores) nationwide

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

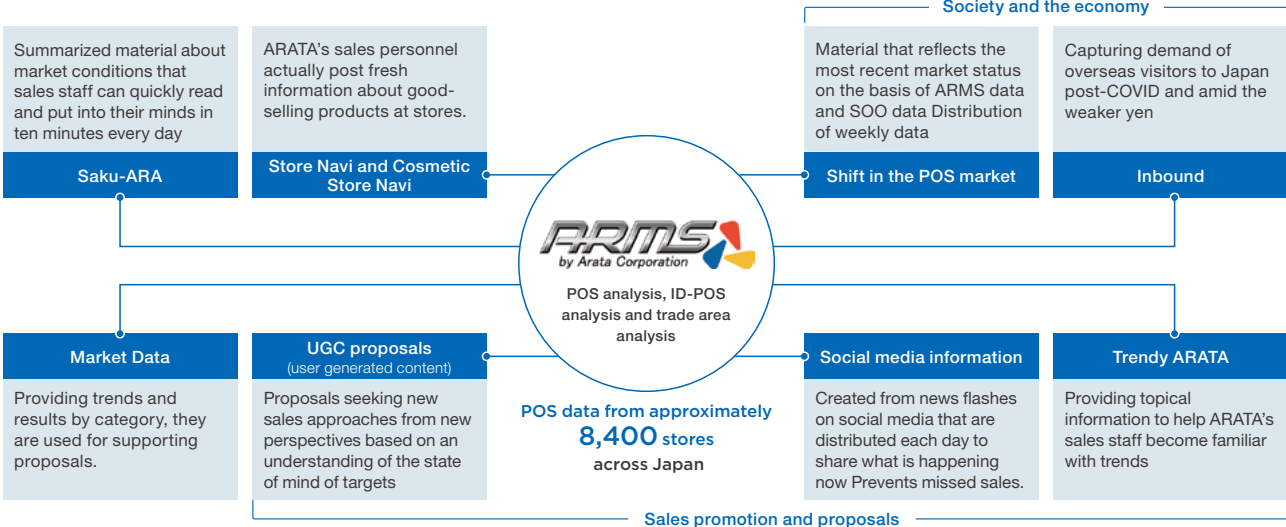
Human resources with the ability to get things done

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.

**TAKE ACTION**

X	Instagram	Instagram
<b>@ARATA_lifestyle</b>	<b>@arata_media_jp</b>	<b>@hibiplus_arata</b>
<b>Targets</b>	<b>Targets</b>	<b>Targets</b>
<ul style="list-style-type: none"><li>• Aged around 40</li><li>• Women</li><li>• Homemakers with jobs</li></ul>	<ul style="list-style-type: none"><li>• I their 20s, 30s and 40s</li><li>• Women</li></ul>	<ul style="list-style-type: none"><li>• Ages in the range from 15 to 35 years old</li><li>• Women</li></ul>
<b>Presenting all categories of products handled by ARATA</b>	<b>Presenting a wide range of daily necessities, household goods and cosmetics</b>	<b>Providing the latest information on femcare, makeup, hair care and body care</b>

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

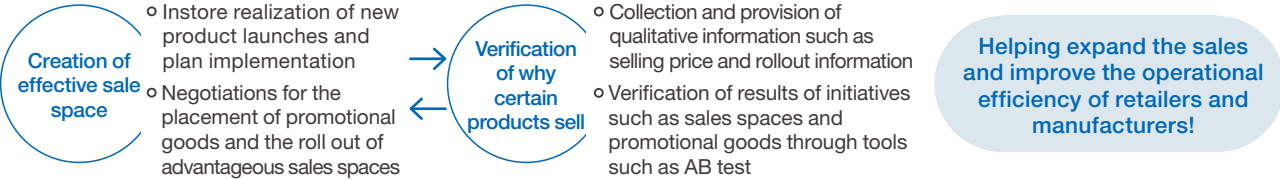
**3,600 (every month)**

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.



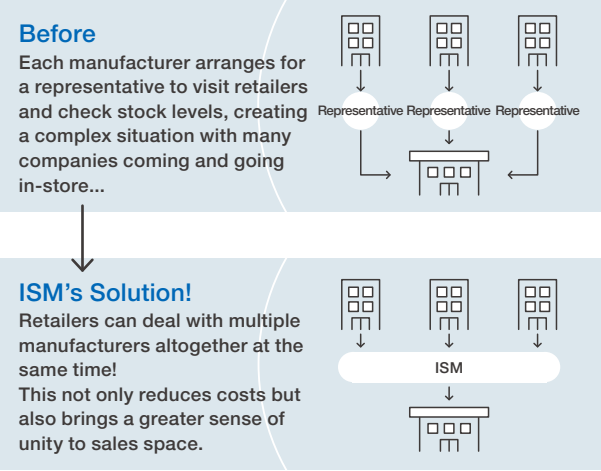
Planning and production of original tools

In-store signage  
Video marketing



Planning and implementation of in-store campaigns

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

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.



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

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.

Export from Japan

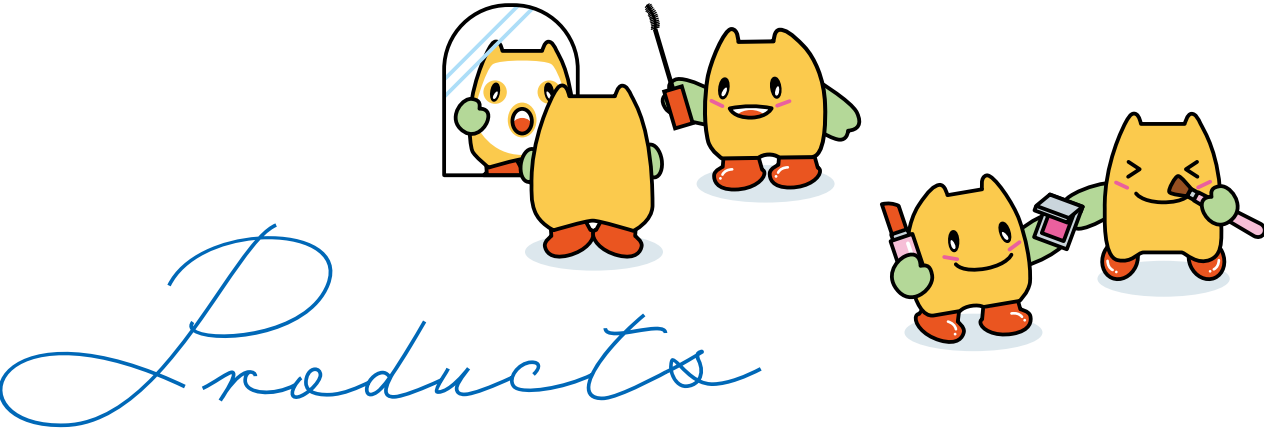
The International Business Department deals with exports to Asian countries. We are working to expand sales channels while increasing knowledge about circumstances, laws and regulations that differ from country to country. The cross-border e-commerce business sells products and services to customers 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.



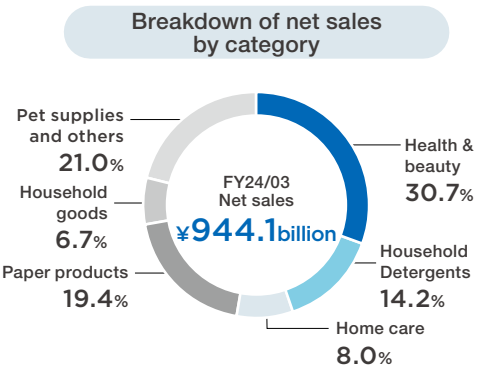




Procuring products to make people’s everyday lives more comfortable Creating new demand

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

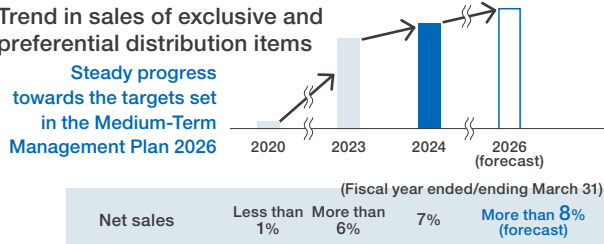
Based on the sales plans drawn up by Head Office alone, we propose more than 300 sales plans a year. Collaboration between the Sales Division and branch offices results in the speedy instore realization, and steady accomplishment of sales results earns us support from our business partners.

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

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.

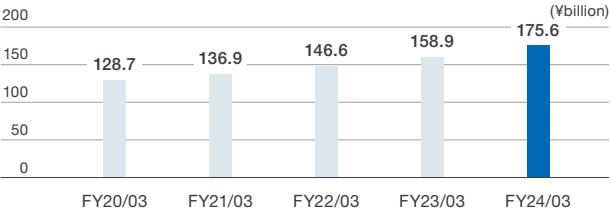


Overseas Business

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

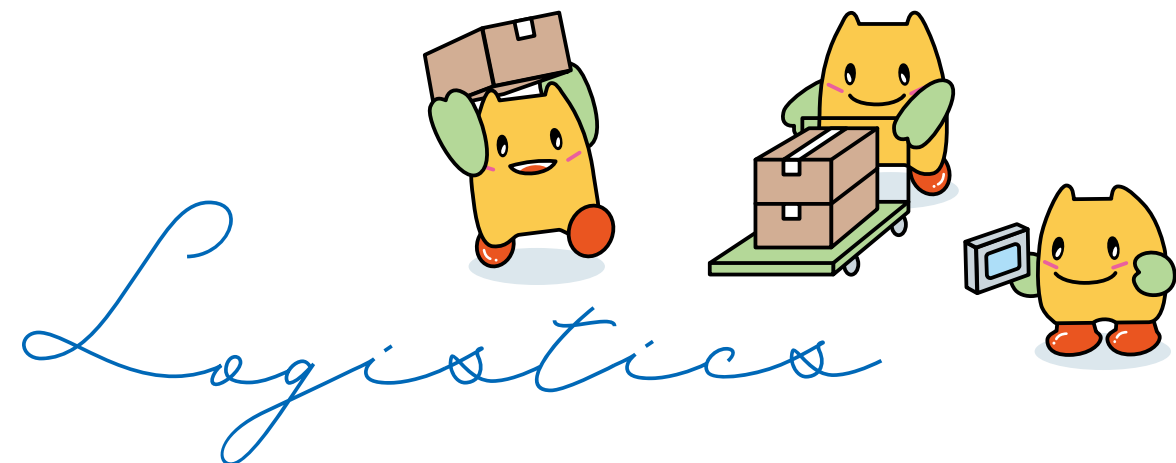
The Pet Trade Show is a B2B exhibition where visitors can directly pick up real pet food and pet items, listen directly to explanations from manufacturers' sales and development personnel and place orders for products on the spot. It takes place in spring each year. Usually with the help of around 180 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.

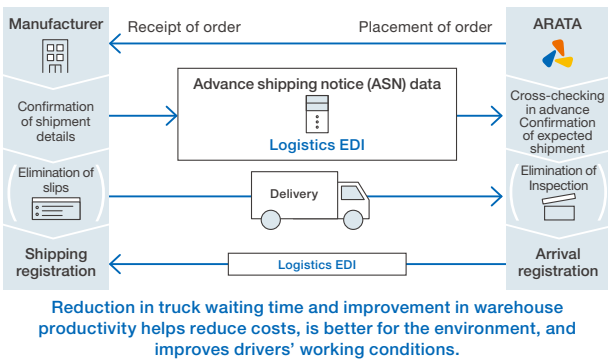
Warehouse entry time reservations system

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

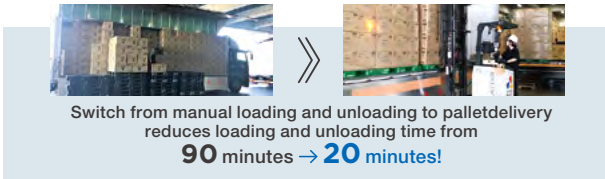


**Initiatives** Collaboration with the Logistics Subcommittee guided by the IT Medium-Term Management Plan

- 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**

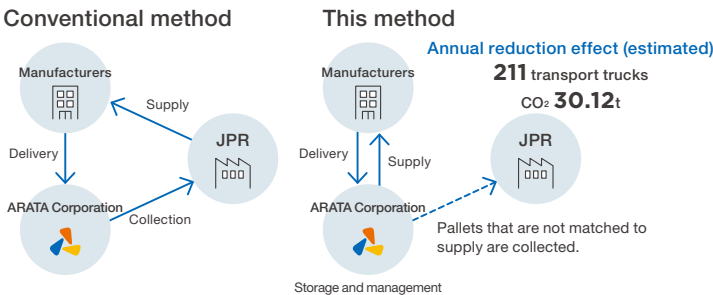
Pallet transportation of household paper products

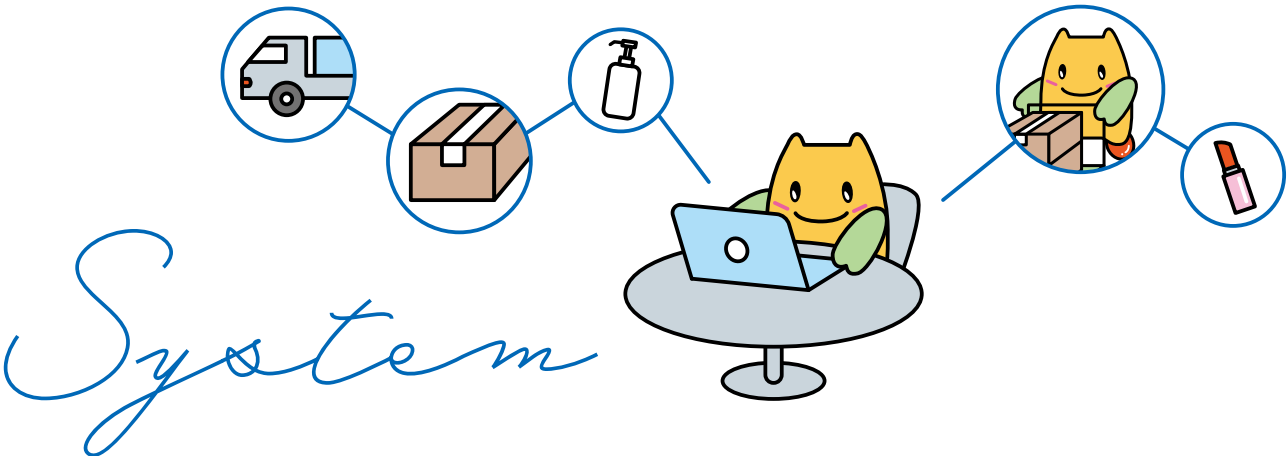
We began cooperating with Daio Paper Corporation in the use of pallets at an early stage and are currently engaged in joint pallet collection and in the use of pallets for transporting diapers and hygiene products.



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.



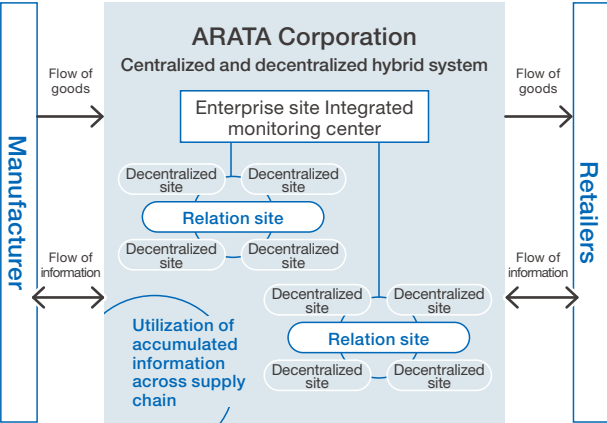


Promoting system capabilities to support stable distribution and DX in response to environmental changes

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.



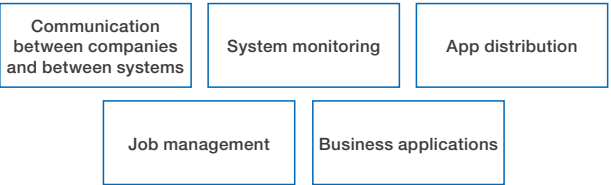
System which responds accurately and promptly to frontline needs

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.

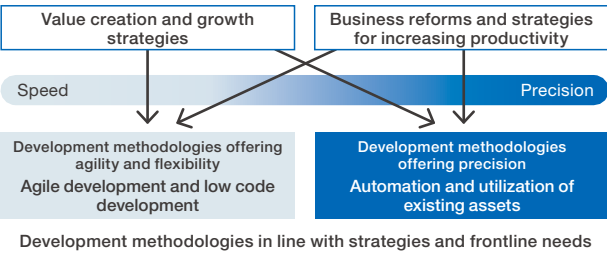
Key functions developed in-house



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.

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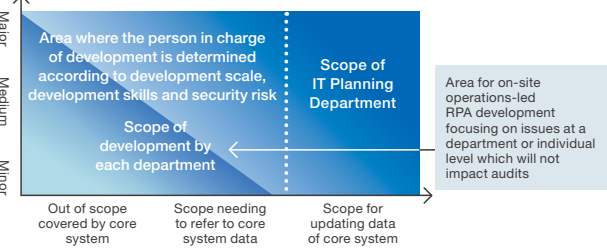
RPA (Robotic Process Automation) implementation

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

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