

# Stakeholder Engagement

ARATA actively engages in dialogues with stakeholders as part of its efforts to increase corporate value through sustainable growth. We provide information on our business activities to each stakeholder by various means and receive their opinions on our company. By relaying this information back to our senior management team as feedback, we recognize issues to be addressed and strive to achieve better business management and information disclosure.



### Business Partners

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

ARATA Collection 2024

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

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

Number of participating manufacturers: **164**

### Local Communities

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

### Global Environment

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

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

### Employees

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

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

### Shareholders and Investors

- General Meeting of Shareholders (hybrid combination of actual attendance and live streaming)
- Distribution of financial results briefing materials, videos, and fact books
- Individual interviews (about 40–80 times per year)
- Integrated reports
- Distribution of IR information on the corporate website

- IR seminars for individual investors
- SR activities based on shareholder surveys (Dialogues with persons responsible for exercising voting rights of overseas and domestic institutional investors)
- Disclosure of information in English (website, financial summaries, financial results briefing materials and integrated reports)
- Analyst reports by Shared Research Inc.

#### Video streaming of General Meeting of Shareholders and financial results briefings

ARATA utilizes video streaming to provide information to more shareholders and investors. Transcripts are also distributed.

#### IR for individual investors

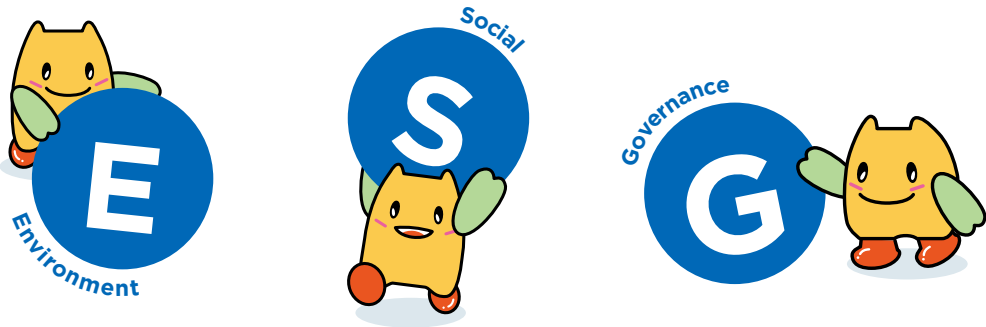
ARATA executives speak at various IR seminars for individual investors, including online IR, radio and live (in-person) events held throughout Japan.

#### Disclosure of information in English

ARATA has launched an English language website equivalent of its Japanese website to enhance disclosure of information to overseas institutional investors. From the fiscal year ended March 31, 2022, financial summaries and financial results briefing materials are also released in English.

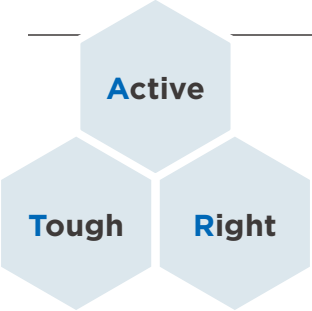
#### SR activities

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



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

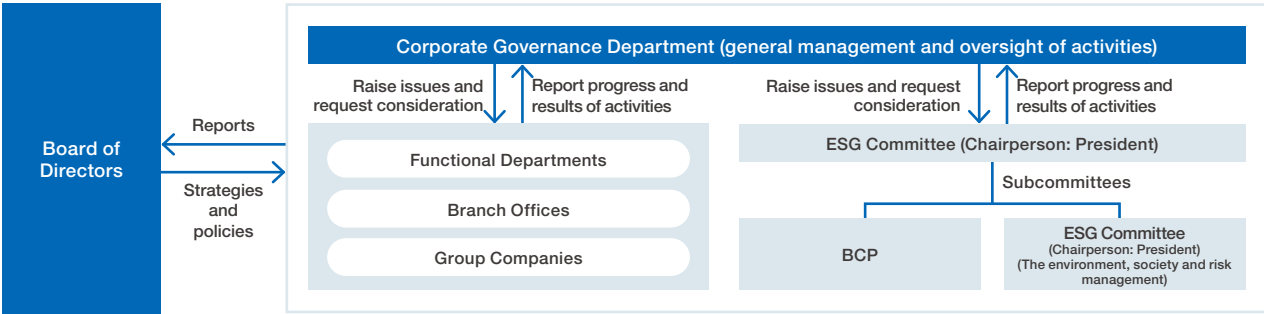
Guided by our management philosophy of “continue to serve the world,” we aim for sustainable growth and development together with the rest of society. We must build a stronger foundation of trust with all stakeholders and cultivate the development of our entire supply chain in a way that promotes efficiency and considers the environment. By realizing a business strategy that makes people’s lives more prosperous and enjoyable, we can also enjoy our work. Through such business activities, we will bring about sustainable improvement in our corporate value.



## ESG Material Issues (Materiality)

Material Issues	The Company that ARATA Strives to Be	Main Measures for FY March 2024
<b>Environment</b> Action on climate change Creation of a recycling oriented society Energy saving and resource conservation	A company that creates virtuous cycles in the supply chain	<ul style="list-style-type: none"><li>Information disclosure based on the TCFD recommendations</li><li>When we first responded to the CDP questionnaire in 2023, we obtained a score of C.</li><li>Energy conservation measures for reducing GHG emissions (the replacement of air conditioners and lighting and the complete transition of the fleet of company vehicles for sales activities to environmentally-friendly vehicles)</li><li>3R campaign 2023 with approximately 20,000 stores participating in the campaign</li></ul>
<b>Human Resources</b> Respect for human rights Promotion of Diversity Development and training of human resources	A company that employees feel is worth working for	<ul style="list-style-type: none"><li>Initiatives for respecting human rights (training to prevent harassment, etc.)</li><li>Formulation of the Sustainability Policy in the Supply Chain</li><li>Development of policy for the advancement of DEI and the proposal of A&amp;J project measures</li><li>Distribution of guidebooks for increasing employees' understanding of different programs</li><li>Declaration of Health Management and organization of health seminars</li><li>Enrichment of training programs, companywide IT skill education, training for employees who apply, and training for logistics management personnel</li></ul>
<b>Human Resources</b> BCP Community-based social contribution	A company that continues to deliver comfortable lives to consumers	<ul style="list-style-type: none"><li>BCP activities</li><li>Programs in collaboration with university students</li><li>Participation in the Children's Food Alliance</li></ul>
<b>Governance</b> Corporate Governance Compliance Risk Management	Building a strong governance framework to support sustainable growth	<ul style="list-style-type: none"><li>Disclosure of the Board of Directors skill matrix</li><li>Managers' group discussions and officers' panel discussions organized by the Nomination and Remuneration Committee</li><li>Improvements based on the assessment of effectiveness of the Board of Directors</li><li>Measures to increase employee awareness of compliance</li><li>Protection against information leaks</li></ul>

## Promotion Framework



### External recognition

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

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# Environment



## Fostering a Virtuous Cycle in the Supply Chain

ARATA helps protect the environment through initiatives which harness its capabilities as a middleman to create a positive cycle in the supply chain. We position “action on climate change” and “creation of a recycling-oriented society” as material issues among environmental considerations and are implementing a wide range of initiatives to address them.

### ARATA Group Environmental Policy

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

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



## Response to climate change

### Information disclosure based on the TCFD recommendations

ARATA recognizes risks related to climate change as a material issue and aims to contribute to the creation of a sustainable society, by reducing CO<sub>2</sub> emissions and balancing global environmental conservation with economic activities through activities that create a positive cycle in the supply chain. We recognize identifying and responding to risks and opportunities relating to climate change as a material management issue. Based on this, we conduct analyses in accordance with the TCFD recommendations and disclose information in line with their framework, in our annual securities report. We will continue to enhance our information disclosure to fulfill our responsibilities for accountability to our stakeholders.



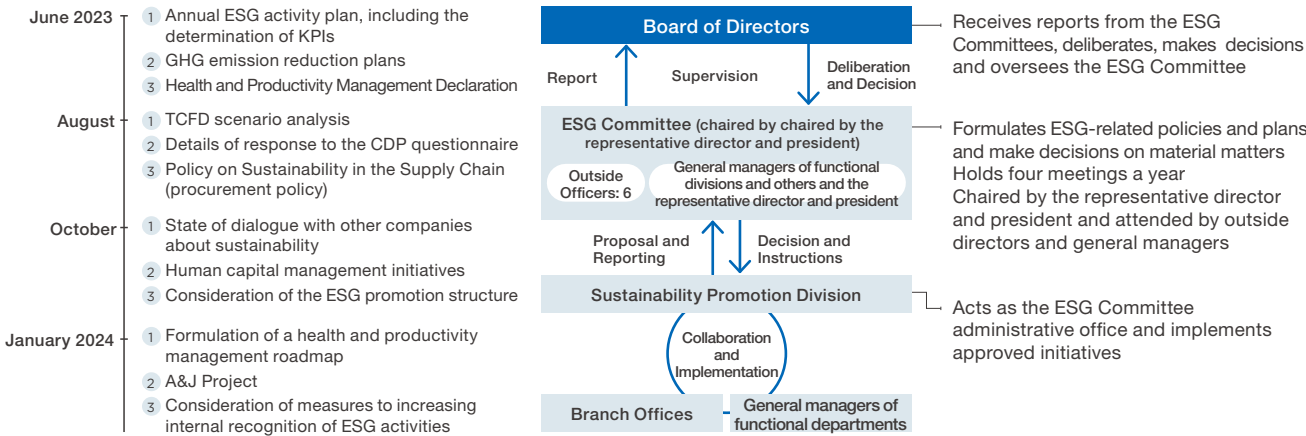
In June 2022, we endorsed the TCFD recommendations and joined the TCFD consortium, which is composed of companies and financial institutions that endorse the recommendations.

### Governance

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

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

### ESG Committee meeting agenda in FY24/03



### Strategy

We conduct scenario-based analyses to identify and understand the financial and business impacts of future

climate-related risks and opportunities under different scenarios (see table below) and evaluate the resilience of our strategies.

### Reference Scenario

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

### Risks and Opportunities

While the impact of climate change poses a major risk to ARATA's business, strategy, and finances, it could also present an opportunity to address the issues due to changes in consumer needs throughout the entire supply chain, including manufacturers and retailers, by leveraging ARATA's

functions as a wholesaler and trading company.

The following risks and opportunities are considered to have a high-level impact on ARATA at the present time. We will continue to conduct scenario analysis and review risks and opportunities on a regular basis.

Category	Type	Level of impact		Description	Materialization timing
		1.5 °C/2 °C	4 °C		
Transition risks	Policies and regulations	Medium	Minor	Increase in costs due to introduction of carbon taxes and emissions trading, etc.	Short to medium term
	Technology	Major	Medium	Increase in investment costs accompanying the introduction of equipment that supports decarbonization	Short to medium term
	Reputation	Medium	Minor	Decline in sales due to a decline in reputation if measures to address climate change are inadequate	Medium to long term
Physical risks	Acute	Medium	Major	Damage caused by suspension of business operations and interruptions to logistics operations at distribution centers with a high risk of typhoons and storm surges	Short to medium term
	Chronic	Minor	Medium	Increase in energy costs due to rising temperatures and increased procurement costs for renewable energy	Short to medium term
Opportunities	Resource efficiency	Medium	Minor	Improvement in delivery efficiency due to implementing energy-saving measures and resulting reduction in costs	Short to medium term
	Products and services	Medium	Minor	Increase in sales due to the increased volume of environmentally friendly products handled	Medium to long term
		Medium	Minor	Improvement in productivity from reducing CO <sub>2</sub> emission reductions in the supply chain and resulting reduction in costs	Medium to long term
	Market	Minor	Medium	Improvement in reputation and acquisition of new business opportunities by actively promoting measures to address climate change	Medium to long term
	Resilience	Minor	Medium	Increase in transactions by enhancing logistics resilience in times of disaster	Medium to long term

Level of impact Major: Significant impact on business and finance Medium: Some impact on business and finance Minor: Minor impact on business and finance  
Occurrence timing Short term: -2026 Medium term: -2030 Long term: 2050

### Risk Management

The Corporate Governance Headquarters has identified companywide risks and opportunities related to sustainability. Corporate Governance Headquarters work to identify company-wide risks, including climate-related risks. The ESG Committee and Board of Directors then comprehensively

assess the magnitude of impact of such risks on management and consider appropriate countermeasures. Corporate Governance Headquarters serve as a contact point for measures that have been decided and implement initiatives in cooperation with other divisions to reduce risks.

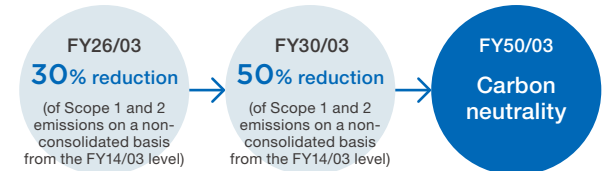
### Metrics and Targets

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

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

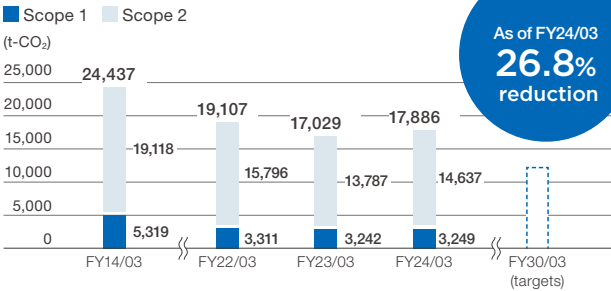
measures from a long-term perspective (such as upgrading to high-efficiency equipment at logistics centers and other locations) and GHG emissions reduction plans through the use of renewable energy, and implement them as we work to achieve our targets.

### GHG emissions Reduction targets



\* As of March 2024, Scope 1 and 2 emissions on a non-consolidated basis are included in our calculations. In the future, we will calculate emissions on a consolidated basis and we will calculate emissions. We will study targets as needed.

### GHG emissions (Scope 1 and 2)





Initiatives to address Scope 3 emissions

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

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

GHG Scope3

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

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

Initiatives to reduce GHG emissions

Energy conservation

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



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

Energy creation

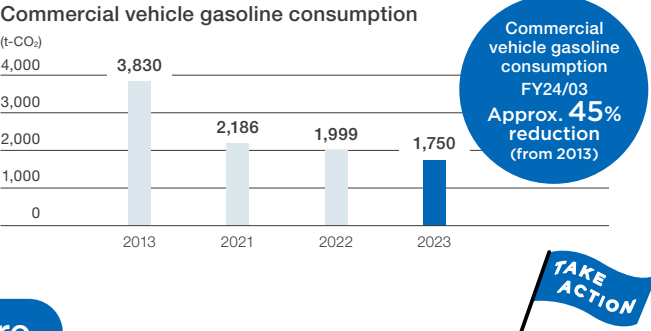
We currently have solar panels on the roofs of three logistics centers in Izumi, Saitama and Kanagawa and are helping reduce CO<sub>2</sub> emissions by generating renewable energy.

To procure electricity generated from renewable sources of energy, an on-site power purchase agreement (PPA) has been signed utilizing the rooftop of the Kanto Logistics Center, which was relocated last year.



Replacement of commercial vehicles with more eco-friendly vehicles

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



Expansion of information disclosure

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

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



Creation of a recycling-oriented society

3R Activities

As part of our role collaborating with the Ministry of the Environment and connecting retailers and manufacturers, we conduct an annual Let's Choose! 3R Campaign, aimed at expanding understanding and support for the 3Rs.

Through increased sales of refillable products and ecofriendly products, we are helping reduce plastic.



Number of participating stores

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

Reduce Returns

The daily goods industry is an industry where existing products are replaced with new products, merchandise is often replaced each season, and returns tend to occur. The returns process which involves removing and sending back products is labor-intensive and costly for retailers, manufacturers and wholesalers like ARATA, and it also has an impact on the environment due to the transportation

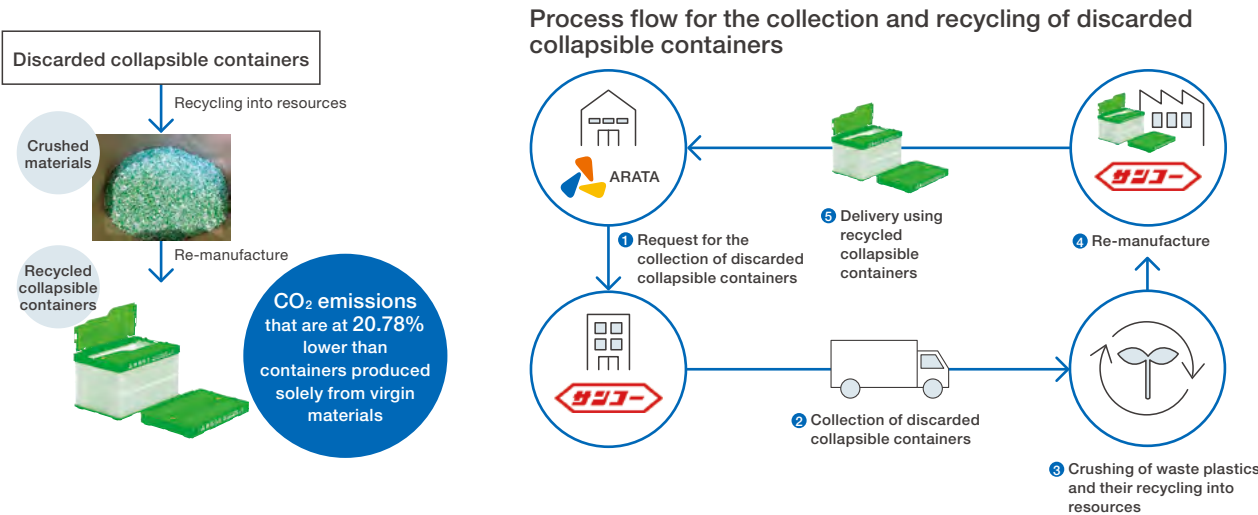
and disposal of goods. In addition to improving supply chain efficiency through industry-wide activities to reduce returns in cooperation with retailers and manufacturers, it is also regarded as an important initiative that will lead to the creation of common shared value (CSV), yielding economic benefits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



The closed-loop recycling of collapsible containers

In a new initiative for the circular use of plastics, we began the closed-loop recycling of collapsible containers with SANKO Co.,Ltd. a manufacturer of logistical materials. These containers are indispensable in the delivery of products in our logistics operations. Damaged and discarded collapsible containers are recycled into new collapsible containers,

resulting in CO<sub>2</sub> emissions that are at 20.78% lower than containers produced solely from virgin materials. These recycled collapsible containers are used by us, leading to the circular use of resources. We first started this initiative in the Metropolitan area, but we will continue it and expand it into other areas.



## Human Resources



### Becoming a Company Where Employees Find Work Fulfilling

ARATA considers employees to be collaborative partners who share the same goals. Based on the idea that we cannot grow unless all our employees also grow, we value the promotion of the diversity of the thoughts, values, and perspectives of our employees, as well as the free exchange of opinions between them and the creation of a better environment. We are investing in human resources, enhancing our personnel schemes, and building a system that enables diverse working styles, to become a company that employees can feel motivated to work for over the long term.

### Respect for human rights

We are strongly committed to respecting the fundamental human rights and diversity of everyone, including our employees and business partners. In December 2022, we formulated the ARATA Group Human Rights Policy. It can be viewed on our website. For our employees, we clearly specify our policy on respecting human rights in the ARATA Policies booklet that all employees carry with them. We seek to familiarize them with these policies through training and other means.

ARATA Group Human Rights Policy  
<https://www.arata-gr.jp/en/csr/social/>

#### Anti-harassment training

P.57 Page on compliance

ARATA Policies  
From “5. Our Stance” in the ARATA Corporate  
Code of Conduct.

4

We shall respect each other's human rights, character and individuality as partners and create work environments that allow everyone to realize their full potential.

7

We shall not allow discrimination or harassment based on factors such as nationality, religion, race, gender, educational background and age, and shall respect fundamental human rights.

### Policy on Sustainability in the Supply Chain

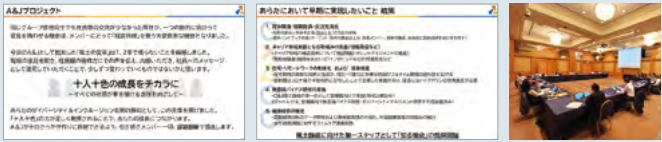
The ARATA Group runs its businesses together with many business partners. We are aware that we are required to implement initiatives to address human rights issues and environmental issues not only within our group but also in the supply chain. We have formulated the Policy on Sustainability in the Supply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

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

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

## A&J Project

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



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

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

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

### Promotion of DEI

Proposed by the A&J Project

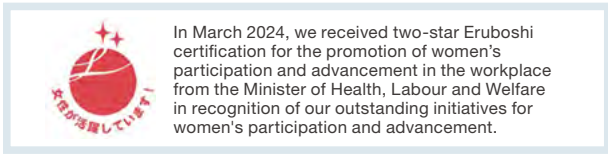
We understand that our creating an environment that enables diverse people to work for us long term is a significant issue in this environment where the population shrinkage is aggravating the labor shortage.

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



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

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



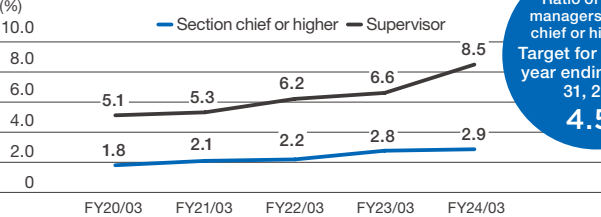
### Organization of workshops on unconscious bias

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



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

#### Percentage of female managers



Proposed by the A&J Project

### Initiatives for a healthy work-life balance

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

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

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

Content of the briefing on the programs

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

#### Encouraging male employees to take childcare leave

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

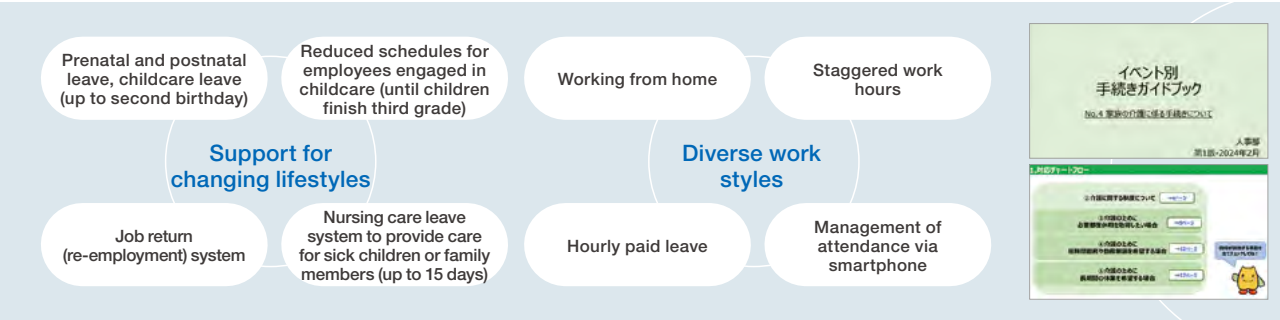




Enhancement of systems for the realization of diverse work styles

To support changes in employees' lifestyles and improve their work-life balance, we are working to create an environment where employees can continue working at ARATA in the long term.

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



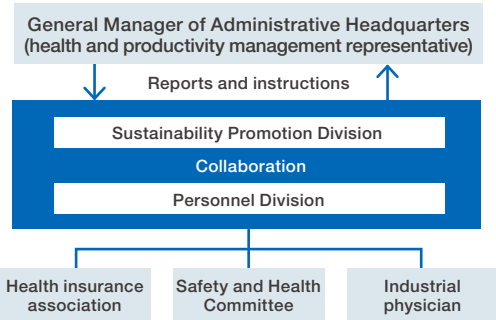
Implementation of health and productivity management

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

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

Health and Productivity Management Declaration

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



Priority initiatives for health and productivity management

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

Enhance health promotion programs

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

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

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

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



Implementation of employee engagement survey

In 2020, we began conducting employee awareness surveys to assess employee attitudes towards aspects such as their own work, work styles and ARATA's organizational culture using a five-option multiple-choice evaluation system.

By identifying issues from the results of these awareness surveys and linking them to improvements in our personnel systems, we aim to create a workplace environment where employees can work with motivation and enthusiasm.

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

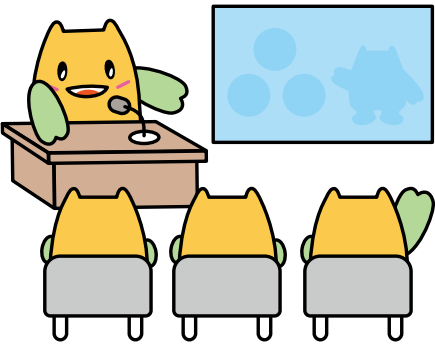
Page on personnel strategy (results of employees' opinion survey conducted in February 2024)

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

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

\*Including technical intern trainees from overseas.

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



Increasing employees' ESG awareness

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

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



Development Policies and Training

Human Resource Development Policy

The ARATA Group seeks to be a company where all employees have job satisfaction and want to work long term. To encourage every individual employee to act towards the achievement of challenging and ambitious goals, we have constructed an environment with fair and impartial personnel evaluations. This enables the personnel achieving good things, irrespective of their age, to display their potential in high-ranking positions early in their careers.

We have established a wide range of training programs to strengthen employees' skills at every career stage, from new employee to manager.

Main training and development programs

In-person training

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

Online training

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

Self-development training

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

E-Learning

Arata e-learning library

Ael E研修ナビ

～あなたな知識、学びに出会える(Ael)場～

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

Application-type training

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

OJT

- OJT trainer program

Training for selected personnel

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

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

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

E-learning programs on common subjects

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

98 subjects available

E-learning programs on sales-related subjects

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

54 subjects available

Other topics

E-learning programs on logistics-related subjects

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

15 subjects available

Other topics

Companywide IT Skill Education

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

E-Learning

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

Application-type online training

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

Encouragement to obtain qualifications

- IT passport
- Information security management

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

Employee comments

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

Regional Communities

Making life more comfortable for everyone

The Company has many bases across Japan and, out of the desire to build harmonious relationship with local people and create a framework for us to help each other, we actively participate in local activities with the aim of strengthening ties with local communities. Furthermore, for ARATA, which handles essential goods, business continuity plans (BCPs) are also an important priority.

Collaboration event with 24 students at Prof. Hondo's seminar at Tokyo Keizai University

On August 5, 2024, we jointly held a meeting for making marketing proposals with a focus on the detergent category with 24 students that participated in Professor Takayasu Hondo's seminar at Tokyo Keizai University.

We began to organize joint events with this university in April 2021. We have given advice based on our expertise to the students submitting proposals based on their analyses. The students were split into four teams. They analyzed the status quo, surveyed market needs and selected targets from their own perspectives to create effective marketing promotion proposals, such as the creation of sales spaces and POP displays, from a practical perspective.

Hiroaki Suzuki, ARATA's president, and Seiichi Kochiya, the

General Manager of Sales, expressed their astonishment and appreciation for the advanced proposals of the teams. This was also a beneficial opportunity for us.

Participation in the Children's Food Alliance

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

The Children's Food Alliance is an initiative for centrally gathering food and daily necessities provided by multiple manufacturers mainly in the food industry and us as a wholesaler of daily necessities and distributing them to aid

groups for children across the country through Kodomo Takushoku Oendan, a general incorporated association in the Florence Group.

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

45

46

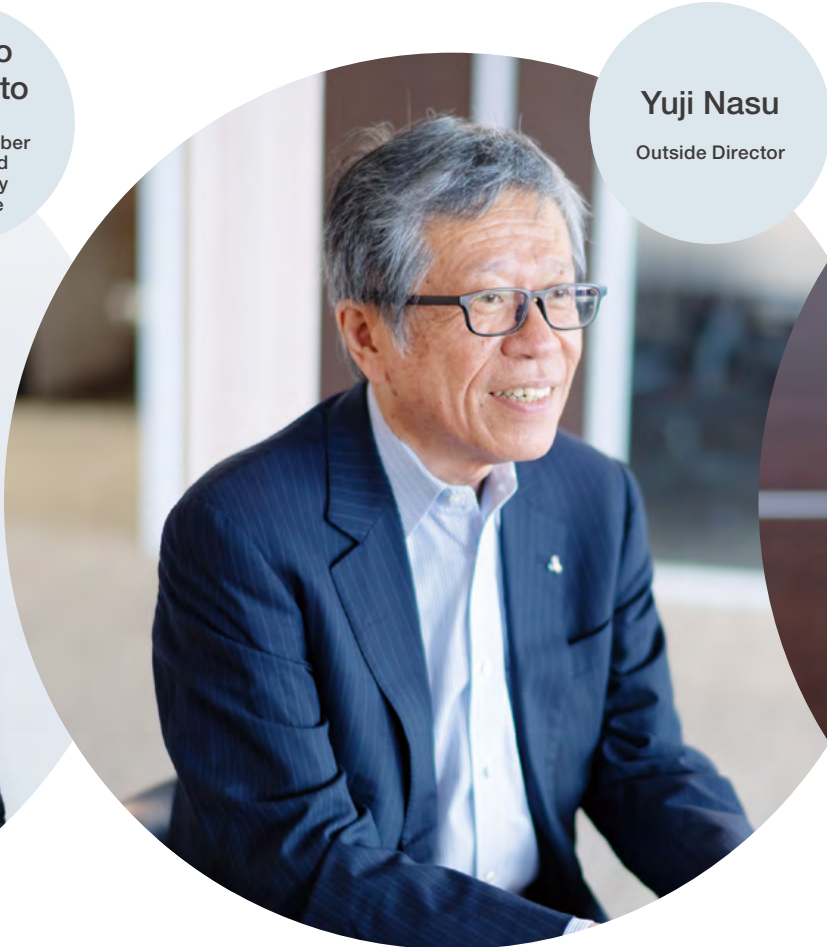




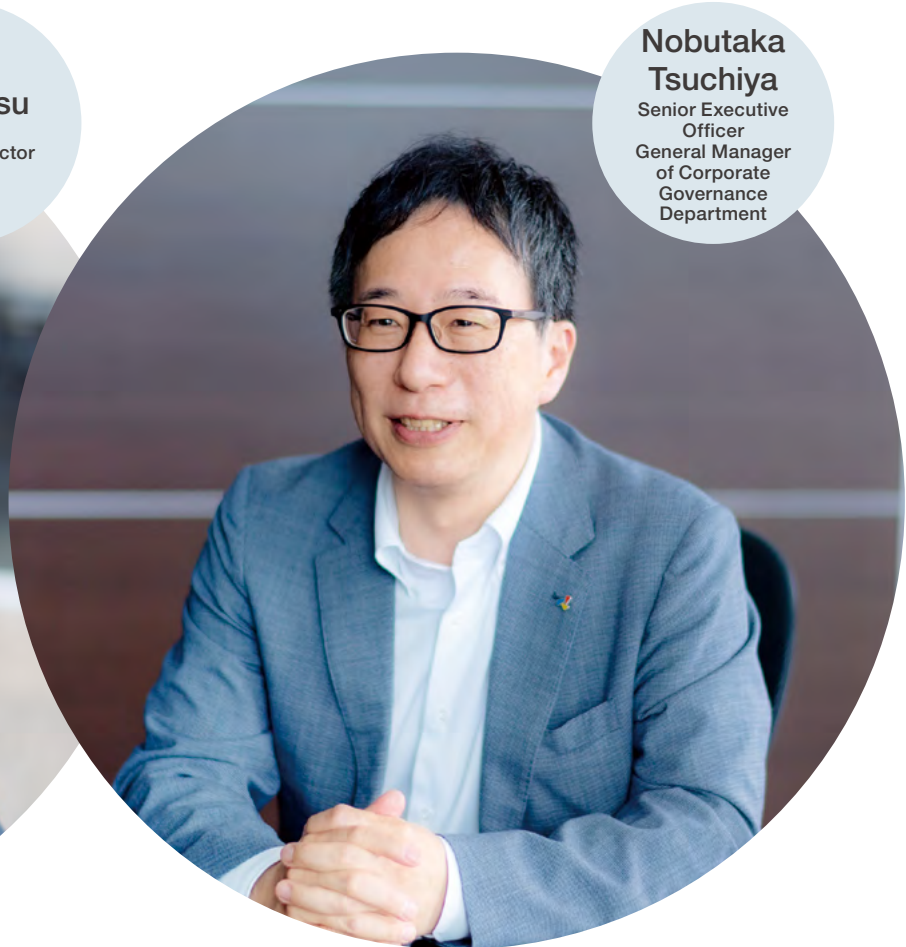
**Nobuyuki Hatanaka**  
Chairman of the Board of Directors



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



**Yuji Nasu**  
Outside Director



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

Special Feature

# Discussion

Governance Roundtable

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Discussion

Effect of the panel discussion for continuously enhancing governance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Review of the roundtable talk

**Tsuchiya** Could you review today's roundtable talk?

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

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

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

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

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

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





# Governance

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

### Directors



12/12

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

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



11/12

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

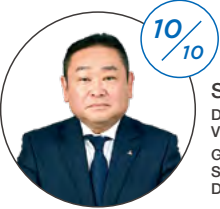
Hiroaki Suzuki has worked in the sales and product divisions since joining the Company, and has extensive business experience and knowledge within the Company. He assumed the position of Representative Director and President, Executive Officer in 2017, and has led the Company's management since then. He has built a solid track record and produced successful results, and contributed to achieving the targets of the Company's previous medium-term management plan that started from the fiscal year ended March 2021. He is currently promoting each strategy in the Medium-Term Management Plan 2026 to achieve the Long-Term Management Vision 2030.



12/12

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

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



10/10

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

Seiichi Kochiya has expertise in distribution practices based on his experience in logistics and sales. In 2018, he began playing a part in achieving the growth of the business as Executive Manager and President of Capital Area Branch. Currently, as Director and Executive Vice President and Head of Sales, he works on strategies to increase profit and the results of the business by increasing the strength of sales.



12/12

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

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



12/12

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

Hidetaka Hatanaka has worked in the sales and product divisions, and has extensive business experience and knowledge in the Company. From 2015, he played a part as President of Kansai Branch in achieving growth of the Company's business. He has served as Executive Officer and General Manager of Product Merchandising since 2018. He became Director and Managing Executive Officer, General Manager of Product Merchandising in 2021, and has worked on enhancing the handling of attractive products, which is a crucial part of the Company's operations.



12/12

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

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



12/12

**Yuji Nasu**  
Outside Director

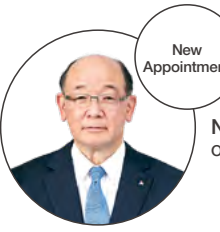
As president and representative director of a Sumitomo Corporation Group company, he has high-level expertise and experience in overseeing all aspects of corporate management. He supervises the management of the Company and its appropriate execution of business and gives advice from an objective perspective.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



10/10

**Noriko Yao**  
Outside Director

Noriko Yao capitalizes on her abundant experience, specialist knowledge and deep insight as an international lawyer to provide appropriate advice on management and the execution of business and to oversee and audit the Company's administration of business from an independent standpoint. She accepted the position of an Outside Director of the Company in June 2023.



New Appointment

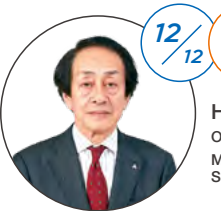
**Norio Konishi**  
Outside Directors

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

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

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

### Directors who are Audit & Supervisory Committee members



12/12

10/10

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

Hideo Ishii has experience in overseeing the entire business of a company due to serving as Director and President at Japan Investor Solutions & Technologies Co., Ltd. and in other posts. He was appointed Outside Director of the Company in 2018. He makes judgments and remarks on the Company's management from an objective viewpoint. He became a Director who is an Audit and Supervisory Committee member in June 2023.



12/12

12/12

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

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



12/12

12/12

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

Tomoko Sakamoto has rich experience as an attorney at law as well as significant insight into corporate legal affairs. Accordingly, she can monitor and audit the Company's management from an independent standpoint by leveraging these abilities. She served as an Outside Audit & Supervisory Board member of the Company from 2020 and became a Director who is an Audit & Supervisory Committee member in June 2021.

### Executive Officers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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





### Discussions by the Board of Directors

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

### Major Board of Directors agenda items

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

### Voluntary Nomination and Remuneration Committee

The Company established the Nomination and Remuneration Committee as a voluntary consultative body to the Board of Directors to ensure that Outside Directors have to opportunity to participate in and advise on decision-making regarding the

Number of Meetings in FY24/03 7 times

#### Features of Nomination and Remuneration Committee

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

### Manager group discussions

Discovering the next generation of management executives and developing female managers are considered to be among the important roles that the Nomination and Remuneration Committee must play. For these purposes, in fiscal year ended March 31, 2024, the committee organized group discussions involving a total of 35 managers, including both men and women. The interviews were held in the form of group discussions, with Outside Directors who sit on the committee taking a leading role in asking questions about social issues, management issues and other topics from a manager perspective.

The interviews focus on finding and developing human resources to become a company that will continue to grow in 2030 and beyond.

#### Example group discussion subjects

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

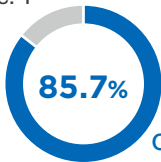
of our businesses, industry trends, strategies and other matters. The relevant executive directors or other personnel may explain significant matters to outside directors prior to Board of Directors meetings or take other actions regarding significant matters.

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

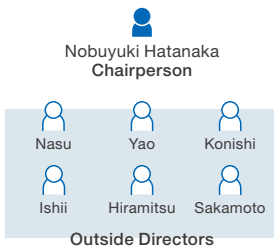
nomination and remuneration of directors, and to strengthen independence, objectivity and accountability and further enhance the corporate governance framework in this regard.

#### Outside Director ratio

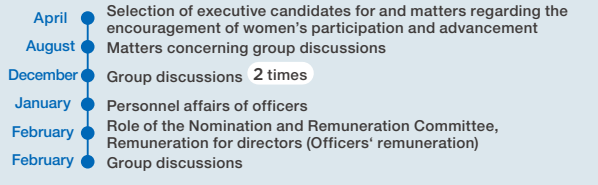
Inside: 1



Outside: 6



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



### Officer panel discussion

P.47-50

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

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

Subject Transformation of the corporate culture

Panelists One director and four executive officers

Coordinator Chair of the Nomination and Remuneration Committee

Participants Directors (including outside directors) and executive officers

### Audit & Supervisory Committee

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

Number of Meetings in FY24/03 12 times

### Evaluating the effectiveness of the Board of Directors

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

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

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

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

#### Outside Director ratio



Outside: 3



### Cross-shareholdings

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

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

### Officers' remuneration(FY24/03)

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

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

(Notes) 1. As of the final date of the fiscal year concerned, the Company had 11 directors, excluding Audit and Supervisory Committee members, and three directors who are also Audit and Supervisory Committee members. The figures above do not include one director who is not an Audit and Supervisory Committee member, because this director receives no remuneration.  
2. The total amount of remuneration for Directors does not include employee salaries for the Directors who concurrently serve as employees.

Compliance

ARATA has presented its stance on legal compliance in the ARATA Corporate Conduct Guidelines, and is working to enhance compliance throughout the Group.

In terms of the compliance structure, the Legal Department serves as a point of contact regarding legal affairs for the entire company. Through its cross-divisional activities including checks of contracts and responses to inquiries

- Position toward compliance in the ARATA Corporate Conduct Guidelines
- 1

We recognize the importance of corporate ethics and management soundness, and will endeavor to disclose a wide range of accurate information promptly to increase management transparency.
- 2

We will execute our day-to-day business operations in compliance with the Companies Act, the Financial Instruments and Exchange Act and other relevant laws and regulations and will maintain sound corporate management.
- 3

We will perform accounting procedures in accordance with the law and will not engage in antisocial behavior such as accounting fraud.
- 4

We will not participate in improper transactions with the company for personal gain.
- 5

We will not undertake work in the same industry outside the company.
- 6

We will be resolute in standing against unjust demands by antisocial forces and will have absolutely no dealings or any ties whatsoever with antisocial forces.

Initiatives to raise employees' awareness of compliance

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

We work constantly to improve, instill, and thoroughly spread

2022 ~

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

Example Legal Teacher content subjects

■ Difference between memoranda of understanding, letters of intent and contracts

■ Corporate governance and internal control

■ Consumer Contract Act

■ Product Liability Act

■ Insider Trading Regulations

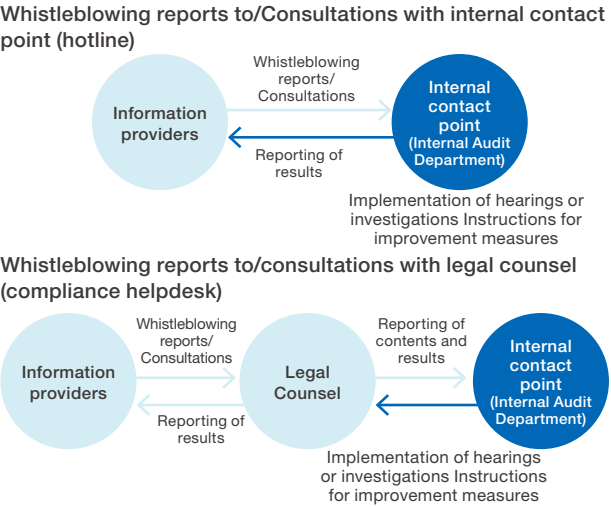
regarding business-related laws, it strives to improve compliance awareness.

We have also established an internal hotline and an external compliance counter as a whistleblowing system for compliance issues, to quickly detect and correct misconduct through consultation and reporting of organizational or individual violations of laws and regulations.

Structure of ARATA Hotline

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

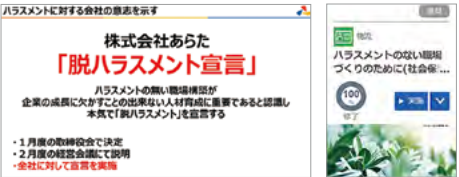
In so doing, we strive to prevent illegal or dishonest conduct and to quickly identify it.



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

2023 ~

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



Risk Management

ARATA works to identify various risks throughout the Group in conducting business as a corporate entity, and in particular to identify risks that affect the Company's financial standing and social credibility, in order to maintain and enhance corporate value and financial soundness.

With regard to risks to the Company, reports on the state of business execution and business results at head office and branch offices are given at Management Council meetings held every month, and progress toward the achievement of targets is checked. Compliance is also checked to help prevent fraud and risks.

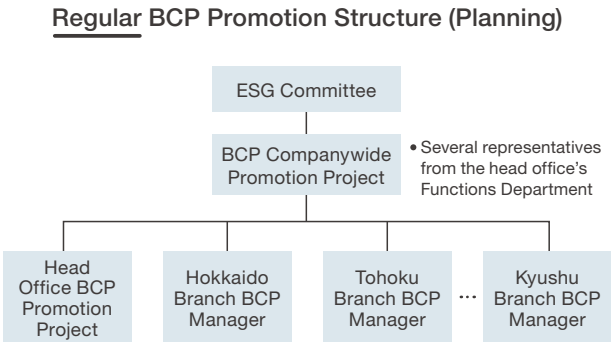
Business Continuity Plan (BCP)

To protect lives and fulfill our social mission as a wholesaler when a natural disaster such as an earthquake or typhoon or a devastating crisis such as a pandemic occurs, we formulate a business continuity plan (BCP), which we strengthen or update every year.

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

Basic Policy of BCP

- We will make checking the safety of our employees and their family members and ensuring their safety our top priority.
- We will recognize the importance of the social missions of wholesalers, and we will work on restoration and efforts to deliver products and cooperate to achieve the early recovery of our supply chain.
- We will provide education and training on our BCP to ensure that our organizations will conduct activities smoothly.



Enhance disaster response capacity

• Check hazard maps to evaluate the risk of damage to all centers and offices.

• Prepare action protocols and stockpiles based on disaster risk assessments.

• Use ARATA Disaster Prevention Day (part of the Company's disaster prevention activities) to consider how to respond in the event of a disaster.

• Distribute ARATA's disaster response handbook to all employees

**Response to the Noto Peninsula Earthquake**

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

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

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

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

In the event of an emergency, ARATA launches a response headquarters headed by a representative director to investigate the facts, and has established a system for ensuring timely and appropriate reporting to—and deliberation by—the Board of Directors and Audit and Supervisory Committee.

