

# ARATA INTEGRATED REPORT 2022

# Realize your dreams. Change your daily lives.



## Contents

<b>About ARATA</b>	Twenty Years of Progress	03
	Value Creation Process	05
<b>Message from the Management</b>	Message from the President	07
	Message from the Vice President	13
	Roundtable Talk with Management Strategy Team Members	15
<b>Value Creating Business Model</b>	Making Everyone More Comfortable in Their Everyday Life	17
	Realizing Stable Distribution	25
<b>ESG Supporting Value Creation</b>	Stakeholder Engagement	29
	Basic Policy, Material Issues	30
	The Environment	31
	Human Resources	35
	Regional Communities	38
	Governance, Message from the Chairman	39
	Message from Outside Directors	43
<b>Corporate Data</b>	Financial Summary	51
	Corporate Data	53

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

Formed through the consolidation of a number of wholesalers from across Japan into one entity, ARATA has now—thanks to your support—celebrated the 20th anniversary of its establishment.

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

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

## Editorial Policy

In the fiscal year ended March 2018, the ARATA Group issued an inaugural integrated report, aiming to communicate to shareholders, investors, and all other stakeholders in an easy-to-understand manner the management strategies targeting an increase in corporate value.

This report presents information that is highly important to the Group, including the Group's business activities, financial information, and nonfinancial information critical to explaining the growth strategies in the medium-term management plan, both compactly and based on integrated considerations.

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

## Reference Guideline

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



## Organizations Covered

ARATA CORPORATION and Group companies

## Period Covered by This Report

April 1, 2021–March 31, 2022

The report includes some activities in fiscal year ending March 2022.

## Forward-Looking Statements


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

# Twenty Years of Progress

In April 2022, ARATA celebrated the 20th anniversary of its establishment. ARATA was formed by consolidating the long histories and traditions of a number of powerful wholesalers from across Japan into a single entity. Since then, we have implemented mergers to expand our area of coverage, established subsidiaries to strengthen our products categories and boost our capabilities, listed our shares on the Tokyo Stock Exchange, and expanded our operations overseas. Going forward, we will continue making progress, aiming to be a company which contributes to the daily lives of consumers in Japan and the rest of Asia and which continues to serve the world.

**ARATA Logo**

The three wings on our logo represent manufacturers, wholesalers, and retailers. The logo expresses our desire to serve society through optimized distribution, where we "turn the wheels" of supply chain management, to build an extremely low-cost distribution structure that constantly brings satisfaction to consumers.




**Origin of Company Name**

"ARATA" means "making each day new" in Japanese. It was described in a story in the ancient Chinese book Great Learning, about Tang Wang who engraved words on his wash basin about the importance of striving to make each new day better than the previous day and read these words each morning to admonish himself. This name was chosen in 2001 from among 2,236 employee entries.

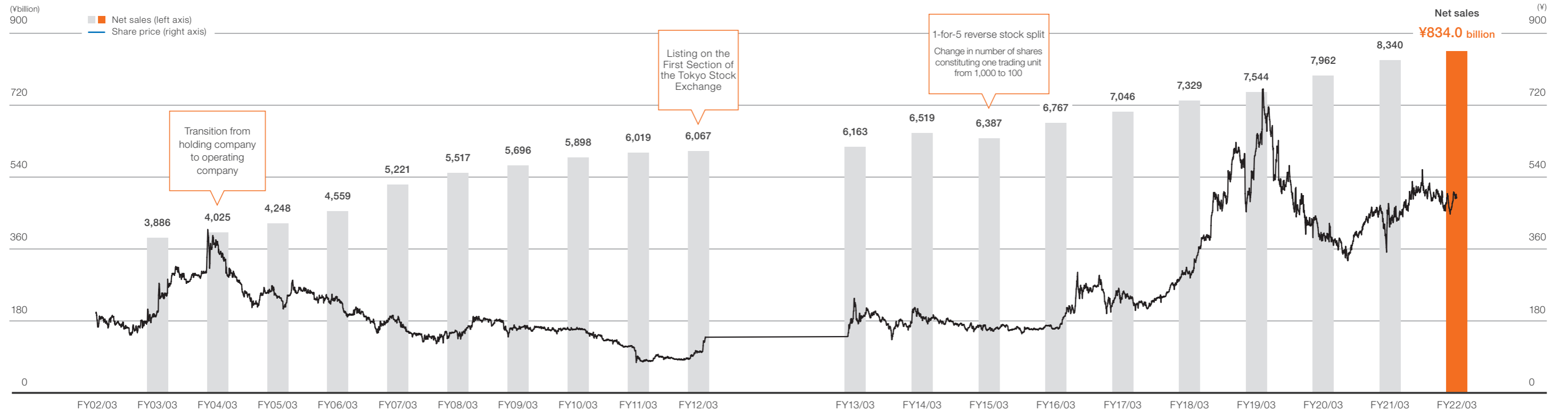
あらた

**Mascot Character: ARATAN**



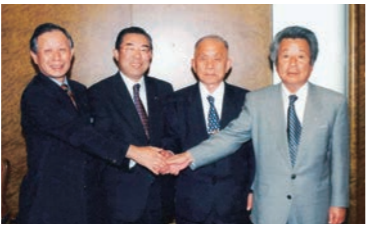
Introduced in 2003, following an open call to employees for design entries. Designed to look like the letter "A."



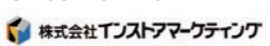


## Changes in Net Sales (Consolidated) and Stock Price






- Established ARATA CORPORATION through the merger of Daika K.K., Ito-I Co., Ltd., and Sunvic Co., Ltd.
- Made Japell Co., Ltd. into a subsidiary
- Established DENTSU RETAIL MARKETING INC.
- Transitioned to an operating company following the integration of Tokukura Co., Ltd.


- Established ISM CORPORATION
- Listed on the Second Section of the Tokyo Stock Exchange
- Launched first product under ARATA's own private brand "addgood"
- Concluded a business cooperation agreement with NIPPON ACCESS, INC. and Alfresa Holdings Corporation

- Established ARATA (THAILAND) CO.,LTD. in Bangkok, Thailand
- Established SIAM ARATA CO.,LTD. in joint venture with Saha Group Co., Ltd. in Bangkok, Thailand
- Listed on the First Section of the Tokyo Stock Exchange
- Established ARATA (Shanghai) Trading Co., Ltd. in Shanghai, China as a subsidiary
- Established JAPPELL (HONG KONG) CO., LIMITED in Hong Kong, China

- Established ARATA VIETNAM COMPANY LIMITED in Ho Chi Minh City, Vietnam
- Established D-Nee Cosmetics Co., Ltd.



\* As a result of a change in the number of shares constituting one trading unit (from 1,000 shares to 100 shares) and a reverse stock split (one-for-five) with an effective date of August 1, 2015, the Company's trading unit in trading on the Tokyo Stock Exchange was changed from 1,000 shares to 100 shares from September 27, 2015. Stock price data prior to September 2015 has, therefore, been revised to reflect the effect of the reverse stock split.

# Value Creation Process

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

Value Creating Business Model  
**One of Japan's largest wholesale trading companies in the cosmetics and daily goods categories**

Management Philosophy

**Continue to serve the world**

## Outcomes

**Economic value**  
**Medium-Term Management Plan 2023**

Targets for FY23/03  
**Net sales:** ¥870.0 billion  
**Operating profit:** ¥13.3 billion  
**Ordinary profit:** ¥14.0 billion  
**ROE:** 9% level

**Long-Term Management Vision 2030**

by FY30/03  
**Net sales exceeding ¥1 trillion**

» P.12

## Social value

### Consumers

Encounters with new products  
 Comfortable everyday life

### Shareholders and investors

Stable shareholder returns  
 Constructive dialogue  
 Transparent information disclosure

### Business partners

Appropriate transactions  
 Improvement in supply chain efficiency

### Employees

Work environment where employees can continue working for a long time  
 Provision of opportunities to develop skills

### Local Communities

Contribution to development of sustainable cities and communities

### Natural environment

Response to climate change  
 Creation of a recycling-oriented society



## Output

Products Handled  
 FY2022/03 consolidated net sales

### Health & Beauty

¥263.7 billion

### Paper Products

¥170.6 billion

### Household Detergents

¥125.8 billion

### Home Care

¥71.2 billion

### Household Goods

¥59.9 billion

### Pet Supplies & Others

¥165.6 billion

## Material Issues

### Business

Making everyone more comfortable in their everyday life

Sales >> P.17-18  
 E-commerce and Overseas >> P.19-20  
 Products >> P.21-24

Realizing stable distribution

Logistics >> P.25-26  
 System >> P.27-28

### Management base

Contributing to environment by creating a positive cycle in the supply chain

Environment >> P.31-34

Enriching everyone's everyday life

Local Communities >> P.38

### ESG

Being a great place to work

Human Resources >> P.35-37

Building a robust governance framework

Governance >> P.39-50

## Input

Characteristics and strengths  
 FY22/03

Human capital  
 Approximately 3,000 employees

Manufacturing capital  
 42 logistics centers across Japan  
 Investment amount: ¥7.3 billion

Financial capital  
 Net assets ¥96.1 billion  
 Total assets ¥271.3 billion

Intellectual capital  
 Proposal capabilities based on analysis of POS data from around 8,700 stores

### Social relationship capital

Trust-based relationships with about 1,200 manufacturers and about 3,500 retailers

## Environmental changes

### Society's expectations of ARATA

**Pandemic**  
 Increased demand for health supplies

**Natural disasters**  
 Stable distribution  
 Contribution of decarbonization

**Labor shortage**  
 Active participation and career advancement of diverse human resources

**Changing lifestyles**  
 Supply of products which meet changing demand

**Low birthrate and aging population**  
 Population decline  
 Improvement in quality of life  
 Proposal of high value added products

**Advances in technology**  
 Response to DX

**Globalization**  
 Distribution of Japanese products overseas  
 Distribution of overseas products in Japan

**Manufacturers**  
 Purchasing products and information  
 Approx. 1,200 companies  
 Approx. 100,000 items

**ARATA**  
 Creating added value as a centralized products and information  
 FY22/03 net sales ¥857.0 billion

**Retailers**  
 Providing products, information and sales expertise  
 Approx. 3,500 companies  
 Approx. 45,000 stores

Consumers

**Sustainable growth driven by value creation cycle**

## Message from the President

**ARATA aims to be a company that supports affluent lifestyles and is continuously useful to society.**

### Hiroaki Suzaki

Representative Director and President, Executive Officer  
General Manager of Corporate Strategy Planning Department



### Business Environment and Business Results

#### Record net sales for a seventh successive year and record ordinary profit for a third successive year

ARATA achieved record net sales and profits in the fiscal year ended March 31, 2022, setting new records for net sales for the seventh successive year and ordinary profit for the third successive year. We continue to grow even in the face of drastic environmental changes.

Although the impact of the COVID-19 pandemic has continued for longer than initially expected, business performance has remained strong due to the expansion of in-store shares due to the steady continuation of sales activities, the recovery of the cosmetics category, and the continuous growth of the pet category.

Our proactive approach and differentiation strategies for the proposal of exclusive and preferential distribution products—such as cosmetics and in-bath hair care—have been successful.

Although the market environment has changed significantly over the past two and a half years, with changes in the sales methods of customers and the shopping behavior of consumers, all of our employees have focused successfully on the numerous strategies that we have put forward in response to these changes. In addition to responding to changes in demand during the COVID-19 pandemic, we believe that making effective use of the capabilities that we have cultivated over the course of our many years in the industry has led to record-high performance.

I feel that having been able to continue growing even during the COVID-19 pandemic has given us a lot of confidence. Based on this, we have made upward revisions to our consolidated earnings forecast and target

figures for the fiscal year ending March 31, 2023, the final year of Medium-Term Management Plan 2023.

### Progress on Medium-Term Management Plan 2023

#### Strengthening the management base with a view to Long-Term Management Vision 2030

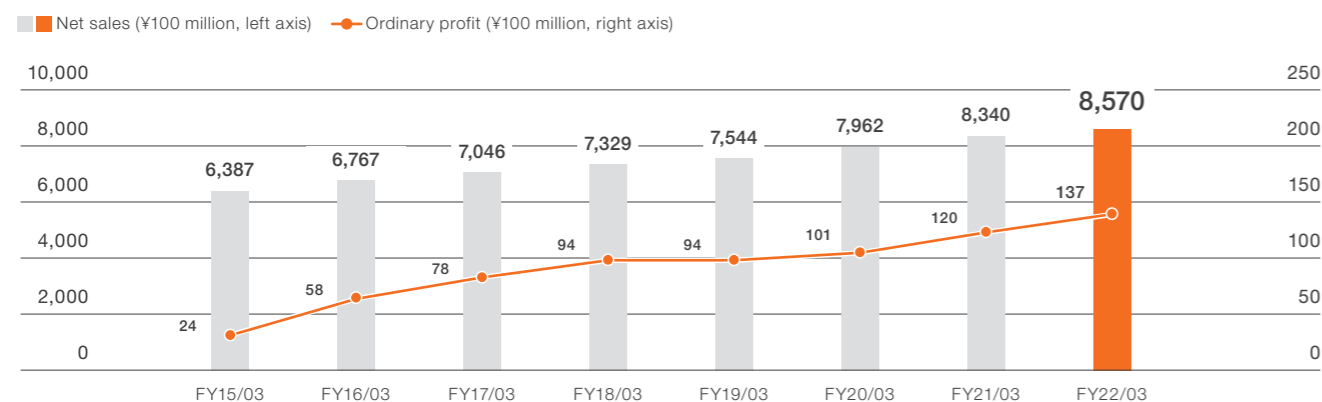
The fiscal year ending March 31, 2023, will be the final year of Medium-Term Management Plan 2023. With factors such as the situation in Ukraine, soaring energy prices and raw material costs, and the rapid depreciation of the yen, the outlook for the Japanese economy overall is both uncertain and unstable.

Despite these conditions, in April 2021, ARATA launched the Management Strategy Team Meeting to discuss issues that should be addressed now, identified through backcasting with an eye to Long-Term Management Vision 2030. Medium-Term Management Plan 2023 is only a waypoint for achieving our long-term vision. The important thing is to lay the foundation for 2030. We will continue to further strengthen our management base through improvements to business processes, logistics efficiency, and financial soundness. Based on this management base, we aim to accelerate growth by implementing growth strategies in our future medium-term management plans.

With our transition to a new market category in April 2022, we were now listed on the Prime Market of the Tokyo Stock Exchange. Because we have chosen to move to the Prime Market, expectations from the market will be higher than ever. In order to respond to these expectations, we will work to enhance our corporate structure and governance system.

With regard to credit ratings acquired from the Japan Credit Rating Agency (JCR), our long-term issuer rating,

### Net Sales and Ordinary Profit



#### Raised targets for final fiscal year (FY23/03) of Medium-Term Management Plan

	Before revision	After revision	Increase
Net sales	¥8,450 billion	¥8,700 billion	+¥250 billion
Operating income	¥115 billion	¥133 billion	+¥18 billion
Ordinary income	¥120 billion	¥140 billion	+¥20 billion
ROE	9% level	9% level	-

rating outlook and credit rating were upgraded in April 2022. Our stability has been recognized, and our fundraising capabilities are improving.

With regard to our dividend policy, as of the fiscal year ended March 31, 2022, we have changed from a basic policy of stable dividends to a policy that also considers dividend payout ratio. Going forward, we would like to gradually improve our dividend payout ratio to 30%.

In the fiscal year ended March 31, 2022, we paid annual dividends of ¥121 per share, which included ¥5 to commemorate the 20th anniversary of our establishment. For the fiscal year ending March 31, 2023, we forecast an annual dividend payout of ¥136 per share at a dividend payout ratio of 24.4%, which we are working to improve toward 30%.

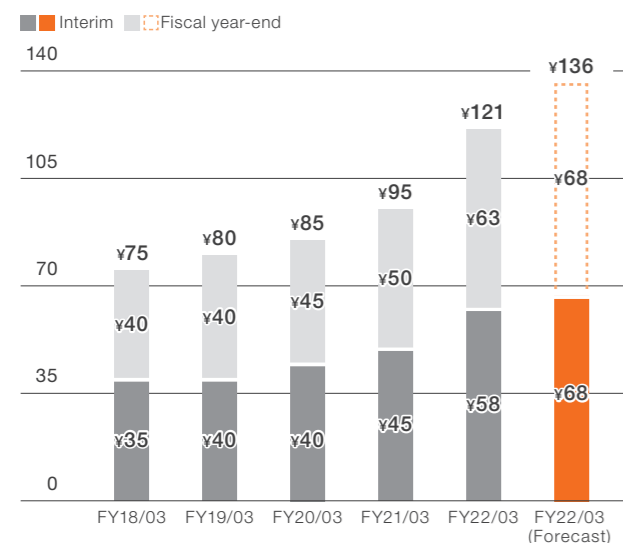
### Dividend policy

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

We have now decided to change our shareholder return policy to be more aware of the dividend payout ratio while still taking stable dividends into consideration as before, and we will gradually increase the dividend payout ratio to a target of 30%.

Going forward, we will return profits to shareholders in accordance with this policy, whilst taking into consideration our business results for each period and investments in growing businesses.

#### Dividends per share



#### Consolidated dividend payout ratio

18.8%	20.1%	20.6%	19.8%	22.9%	24.4%
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### Growth Strategy and Improving Productivity

#### Strengthening business categories, sales strategies, logistics efficiency and digital transformation (DX)

A key pillar of our growth strategy is to strengthen our business categories. In terms of efforts to strengthen the cosmetics category, which we have been pursuing for some time, we have acquired exclusive and preferential distribution rights in Japan for Asian cosmetics brands from countries such as South Korea, China and Taiwan. By taking a proactive approach to selling these new products and brands, we are developing a product lineup that is unique to ARATA.

In the cosmetics category—through the functions of our subsidiary D-Nee Cosmetics, which was established in October 2021—we will cooperate with overseas manufacturers to develop marketing and sales strategies for the Japanese market.

Until now we have been engaged primarily in the wholesale business. Although the wholesale business will remain our main business going forward, we feel that it will be difficult to continue growing with wholesale operations alone with factors such as Japan's low birthrate, aging society and rapid decline in population size. While marketing and sales strategies used to be the job of manufacturers, we believe that we can drive our business forward with a different sense of speed by tackling new challenges in this area.

We will also utilize the data and insights that we have accumulated over the past 20 years to help expand our business into new areas. In addition to selling products, we believe that commercializing these intangible assets will lead to opportunities for growth.

Expanding our business domain beyond the wholesale business will also improve our business structure. We believe that expanding our business domain will act as a new source of stimulation and vitality for our employees, and aim to achieve this as part of our growth strategy.

In terms of improving productivity, we are engaged in efforts to improve logistics efficiency. We have logistics centers of varying sizes, from small to large-scale facilities, and are taking appropriate measures to improve efficiency based on the characteristics of each center. To suppress logistics cost ratios even amid rising labor and logistics costs in the future, it will also be important for us to utilize the latest labor-saving techniques.

Until now, we have been working in accordance with various rules and manuals formulated in the past. Although naturally we have revised some things along the way, the fundamental ideas have not changed much.



I see this as a time to consider whether the way we are working matches the current era.

Digital transformation (DX) will enable us to see our way to a work system that matches our growth strategy, and the roles that each of our departments should play.

As an example of current DX efforts, we have commenced proof-of-concept testing to predict amounts of materials and workload using AI. Swift and highly precise shift management can help not only to enable optimal personnel allocations but also to save on managerial duties.

We believe that the purpose of DX is to build a strong corporate structure by taking measures like these that can be utilized and appreciated in the workplace.

### ESG Initiatives

#### Responding to climate change, exploring measures to enable active roles for diverse human resources, and donating to local communities to commemorate the 20th anniversary of our establishment

Sustainability is an important item in our Long-Term Management Vision, and the importance of ESG initiatives is increasing in light of significant changes in the environment.

With regard to the environment, we see responding

to climate change as an important issue, and have set a numerical target of reducing CO<sub>2</sub> emissions by 50% in comparison with 2013 levels by 2030. As announced in June 2022, we support the TCFD recommendations, participate in the TCFD Consortium and disclose information based on the TCFD recommendations. We will continue in our efforts to expand information disclosure by conducting more detailed analyses and exploring measures for responding to the risks and opportunities that climate change poses to our business.

In order to help create a recycling-oriented society, which is another key issue, we would like to contribute by creating a positive cycle as an intermediate distributor (or "middleman") in the supply chain.

We have been working continuously to reduce the number of returned products for some time. While initially we only considered product returns on a monetary basis, we have now switched to a quantity basis, in consideration of the impact they have on the environment. Since two years ago we have also been considering the impact of product returns on a weight basis, in terms of CO<sub>2</sub> emission equivalent. We are now engaged in efforts to see the extent to which we can reduce product returns each year in terms of monetary amount, quantity (tens of thousands of units) and weight (tons of CO<sub>2</sub> emissions).

In relation to human capital, we will aim to become a company that facilitates active participation and career advancement of diverse human resources in the interests of sustainable growth. As a numerical target for gender

diversity in management, we have set a target of 4.5% for female employees in managerial positions (at the level of section manager or above) by the fiscal year ending March 31, 2026. To achieve this target, it is important for us to carry out specific measures and design appropriate systems. We will continue to consider these measures in conjunction with a review of our personnel system.

In 2020, we launched an Employee Awareness Survey in which employees evaluate their jobs, work styles and corporate culture of ARATA. Based on the results of this survey, we are working to create a more comfortable working environment by considering improvements to our personnel system and other aspects of life within the company.

We are working to deepen our relationship with local communities, as a community-based company. In April 2022 we conducted donation activities at head office and each branch office, donating to local communities in celebration of the 20th anniversary of our establishment. Although initially we considered giving commemorative gifts to employees, we eventually came to the conclusion—with the approval of the employee association—that we should give back to the communities that have been supporting us for the past 20 years. After consultation with local governments, we donated hygiene products to help combat the COVID-19 pandemic, sanitary products and disposable diapers as support for women and children.

With respect to governance, there is a real sense that our transition to a company with an Audit and Supervisory Committee in the last fiscal year has resulted in greater transparency and oversight. It has also increased the number of opportunities for outside directors to voice their opinions, and has made discussions at meetings of the Board of Directors livelier than ever before.

At the General Meeting in June 2022, we increased the number of independent outside directors by one, bringing the ratio of outside officers in the Board of Directors to 40%. Going forward, we will continue in our efforts to create a more robust governance system.

**ARATA's Mission and Raison D'Être**

**Delivering a stable supply of daily necessities and enriching people's lives through encounters with attractive products**

Since its establishment, ARATA has adopted and worked toward the realization of its management philosophy "Continue to serve the world." Daily necessities account for a large proportion of the items we supply, so there is real significance in us delivering them stably and continuing to support people's daily lives, and I feel that

we have fulfilled an important mission by doing so. At the same time, cosmetics and pet supplies are also products that color and enrich people's lives.

Continuing to serve the world through honest business activities that meet with the approval of all stakeholders, including employees, business partners, local communities, shareholders and investors, providing encounters with products that offer value, enriching the lives of consumers, and becoming a company that can enrich the lives of its workers both financially and spiritually... I believe that this is our mission and our raison d'être: the reason for our existence.

In April 2022, we were privileged to be able to celebrate the 20th anniversary of our establishment. In April 2002, we established the holding company ARATA CORPORATION together with Daika Kabushiki Kaisha, Ito-I Co., Ltd. and Sunvic Co., Ltd., and became listed on the JASDAQ. Since then, we have expanded our business, with the additions of companies such as Tokukura Co., Ltd., Kioseki Co., Ltd. and Japell Co., Ltd. to the Group. There were some hard times, but when I think about it now it feels like it all happened so quickly.

Over the past 20 years our sales, profits, market capitalization and stock price have all grown significantly. This is thanks to all those who deeply understood and supported our business, including customers, manufacturers, logistics companies and systems vendors.

Of course, it is due not only to the support of outside parties but also to the activities of our employees—past and present—that we have been able to celebrate our 20th anniversary. I would like to take this opportunity to express my heartfelt gratitude to all of you.

Looking ahead to the next ten years, we have formulated the Long-Term Management Vision 2030. Under this vision, we will seek to expand our business domains by leveraging the knowledge and insights that we have cultivated over the past 20 years, while at the same time maintaining the wholesale business in Japan as our core focus. We will also expand our overseas business operations by targeting the Asian region. The numerical sales target of ¥1 trillion is not our goal. The entire Group will work together and push ahead toward the realization of our Long-Term Management Vision 2030.

Please look forward to ARATA's future as we evolve into a robust, fair and fun company.

**Towards sustainable growth**

In face of dramatic changes in society and the environment, ARATA has established Long-Term Management Vision 2030, which takes a long-term perspective and sets out the direction for the next ten years, to clarify the fundamentals of management

and enable all employees to approach activities in a unified manner. Going forward, we will work toward the realization of our long-term vision by setting milestones—in the form of Medium-Term Management Plans—and striving for further growth in our activities.

### Long-Term Management Vision 2030

**To "continue to serve the world" in the midst of environmental change**

**Realize your dreams. Change your daily lives.**

**Changes in Our Operating Environment (Risks and Opportunities)**

- Pandemic
- Climate Change Frequent occurrence of natural disasters
- Decline in the Japanese population World population growth
- Purchasing and lifestyle format changes
- Globalization
- Accelerated evolution of technology

**Target**

by FY30/03

**Net sales exceeding ¥1 trillion**

**Material ESG issues**

- Environment** Contributing to environment by creating a positive cycle in the supply chain
- Human Resources** Being a great place to work
- Local Communities** Making life richer and more comfortable for everyone
- Governance** Robust governance framework to support sustainable growth

**SUSTAINABLE DEVELOPMENT GOALS**

**Five Subject Headings**

We have internally set and shared across the ARATA Group concrete strategies and specific targets under five subject headings, in order to realize Long-Term

Management Vision 2030.

The whole Group is working together on activities under these headings.

01

Domestic Business

Promptly meet changing demand

Wholesale in Japan

Overseas Business

Logistics services

Products

Store management

EC • B2C

02

Overseas Business

Establish a base for production and sales in China and the ASEAN region

Overseas Business

Intangible assets Business

03

New Business

Leverage strengths as middleman in the distribution chain to branch out into new domains

04

Management base

Transform into base which will facilitate growth

Capital Strategy

Human Resources

Systems/DX

Logistics

05

Sustainability

ESG for the realization of a sustainable society

ESG

Message from the Vice President

Enriching people's lives: From intermediary to core presence

Yoichi Suzuki

Vice Chairman of the Board of Directors  
Head of Group Administration and Chair of Group DX Promotion Committee



Smart SCM Platform

- Predicting demand, reducing waste, and speeding up the flow of goods and information

Over the past two years, the global economy and society have been turned upside down by the COVID-19 pandemic. In 2020, when a state of emergency was declared in Japan, the country's GDP fell sharply. Even now, there is no clear path toward strong economic growth. The conflict between Russia and Ukraine has also had an impact, preventing the free flow of people, goods and money around the world, and the systems by which companies had been internationalizing their supply chains—with the aim of securing the best locations and well-developed environments—are now beginning to crumble.

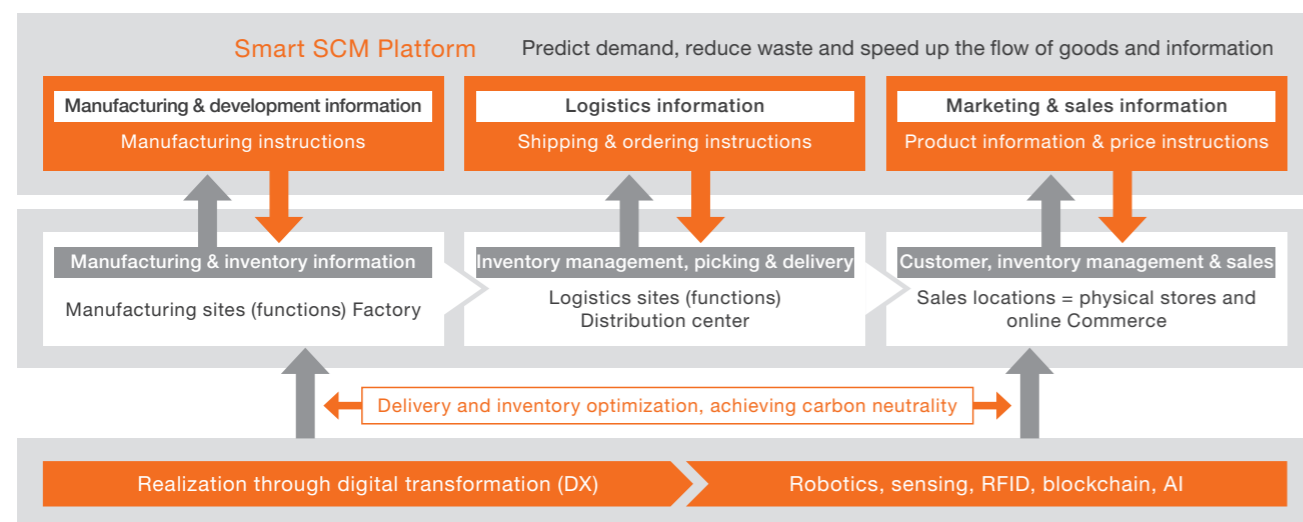
Two key judgment criteria in management are concentration and deconcentration. Going forward, it will be important to avoid concentrating management resources (human resources, data, supply chain, etc.) in one place and focus on risk reduction—rather than conventional cost reduction—through a deconcentration of resources.

For companies in the distribution industry that handle daily necessities, like ARATA, it will be necessary to shift from a "just-in-case" model of reducing inventory on hand and emphasizing efficiency to a "just-in-case" model of preparing for emergencies.

Having the largest selection of products while maintaining the smallest possible inventory poses a conflict of demands which is a key issue in supply chain management. We believe that offering a product lineup that satisfies customers with marketing capabilities and an order-receipt system that spans the supply chain will lead to the solution of this issue.

This is the basic concept for our Smart SCM Platform. We believe that predicting demand, reducing waste, and speeding up the flow of goods and information are social issues, and we are making significant strides toward achieving overall optimization and carbon neutrality.

Smart SCM Platform concept



Management where growth can be appreciated firsthand - Firm communication with stakeholders -

I think that, if we consider market capitalization as an indicator that reflects cumulative amounts to date (financial statements) and amounts forecast for the future (guidance), we can say that it is one indicator that represents corporate value.

An important factor in increasing market capitalization is to explain the company's mission and raison d'être (i.e., reason for existing) to stakeholders and help them to understand its long-term commitment.

The added value created by a company lies in its earning power and its distribution of that earning power. The source of earning power is gross profit (net sales minus purchases). Based on our corporate strategy we determine when and how much of the profit obtained to invest in who (or what), with respect to our stakeholders. It is important for us to communicate our allocation of cash flow based

on that strategy to stakeholders, and to share progress and continue communication.

As with the logistics functions that support our management base, we think that it is important to position investment in human resources as an asset that creates value, to take investment risks, and to ensure proper communication with stakeholders regarding this.

Going forward, we will aim to end the trade-off relationship between companies and employees, or between companies and investors—such as where increasing wages will increase labor costs, or increasing dividends will reduce cash flow—and achieve a style of management where everyone can appreciate growth firsthand, by drawing in those around us, making them feel interested that such ideas exist, and making them feel that they want to work together with us.

Medium-Term Management Plan 2023

Investing in growth and enhancing shareholder returns

Medium-Term Management Plan 2023 ends with the fiscal year ending March 31, 2023. The plan is being implemented as follows.

1 Basic strategy

Realize "product development and sales space proposals" through marketing which takes changes in lifestyles and values due to advances in digital technology into consideration, and achieve competitive sale activities and low-cost operations through "labor-saving logistics centers" utilizing the latest technologies.

2 Investment plan and cash allocations

Invest actively in logistics functions, overseas business operations, product development capabilities and the creation of a workplace environment where diverse human resources can engage in active roles, which are all indispensable for future business expansion, with growth investment and dividends as key priorities for profit allocation. Improve shareholder returns with a target of 30% dividend payout ratio, and carry out acquisitions of treasury shares in an appropriate manner based on comprehensive judgment of a range of factors including the stock price trend and medium and long-term management strategies.

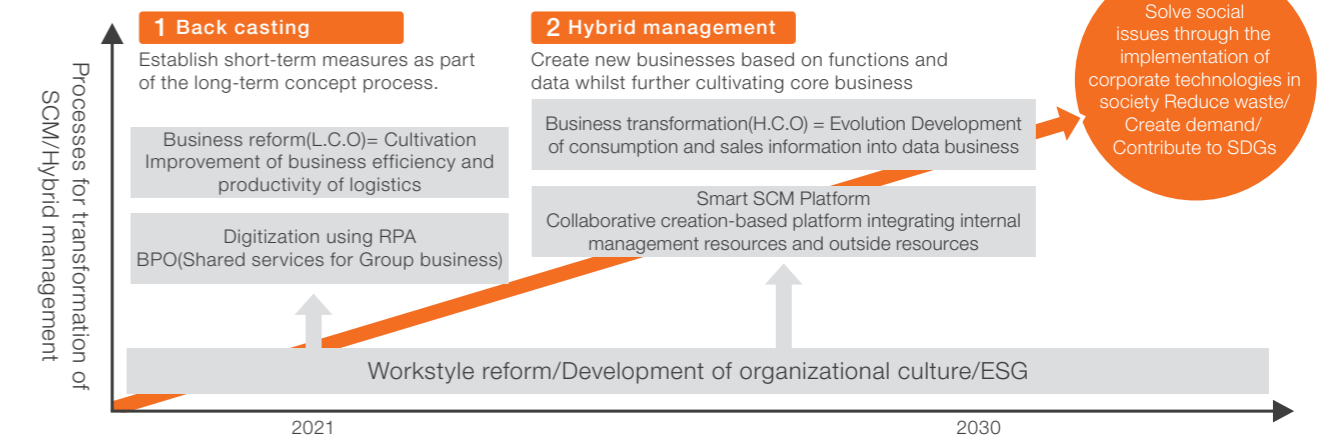
Management with a view to victories ten years from now

- Attempting to shift from intermediary to the core of the supply chain -

Going forward, we will aim to achieve hybrid management that builds new businesses based on functions and data, while increasing the added value and productivity of our existing core business.

intermediary position in the supply chain, but play a core role in the supply chain by making fully effective use of marketing thinking and the latest technologies, leading the future of the industry as a key player.

We will not only coordinate supply and demand from an



\* L.C.O (Low cost operation) H.C.O (Highly competitive operation)



## A vision for ARATA in 2030 and beyond

Roundtable talk with Management Strategy Team members



**Takahiro Furiyoshi**  
Director and Managing Executive Officer  
General Manager of Corporate Strategy Planning and Manager of Business Development

**Yoshiro Uryu**  
Director and Managing Executive Officer  
General Manager of Administration and General Manager of Human Resources

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

### Transformation through Management Strategy Team meetings

**Furiyoshi** Management Strategy Team meetings began as an unprecedented initiative in which the General Managers of all the functional divisions of ARATA's head office assembled to exchange opinions on long-term management strategies. Due to the fundamental importance of management from a long-term perspective—which had been expressed by outside directors—and the timing of the 20th anniversary of ARATA's establishment, the Management Strategy Team was formed based on an idea proposed by President Suzuki, who was also the General Manager of Corporate Strategy Planning at the time.

**Hatanaka** In the past, there was a tendency for exchanges being limited to between the Company's functional divisions involved in each project. But the formation of the Management Strategy Team had the effect of accelerating and stimulating more lively discussions and information sharing which transcended the conventional boundaries that existed between divisions. Through the creation of Long-Term Management Vision 2030, I believe that we have now become able to incorporate thinking from a long-term perspective, with a top-down view of not only

our own divisions but also of the entire Company.

**Furiyoshi** At our first meeting in May 2021, the team split into two smaller teams and brainstormed ideas for ARATA's vision for 2030. Both teams came up with many ideas that led to our current Long-Term Vision.

**Uryu** In these discussions we also discussed ESG, and our awareness of sustainability grew stronger.

At the same time, there are many issues to be addressed when it comes to specific measures and target setting. I think that everyone felt the difficulty of setting ambitious goals from a long-term perspective. The discussion between the three of us when we were setting our final goals left a strong impression on me.

**Hatanaka** That's right. I think that it was a good opportunity for all of the division managers to come together and discuss major issues that cannot be solved by individual divisions alone, and that this enabled us to set goals from a different long-term perspective than what we had been able to do in the past.

**Furiyoshi** Through our Management Strategy Team meetings, there has been a greater sense of speed in our decision-making. It became easier for us to secure the functions needed to achieve our goals and make decisions about investments in the Long-Term Management Vision 2030—which everyone agreed upon.

**Uryu** The Company's personnel system is intensively

discussed as an item that is essential for achieving our Long-Term Vision. Since it will take time for us to make full-scale changes to the system, from April 2022, we have also taken steps in advance, such as a salary increase of ¥10,000 on monthly salaries for ARATA employees. We hope that it will act as a source of momentum for future growth.

### Steps toward achieving Long-Term Management Vision 2030

**Furiyoshi** In order to achieve our Long-Term Vision, it is important for all ARATA Group employees—including those at branch offices—to empathize with the vision, be convinced of it, and have a united sense of will to achieve it. Each branch office is also formulating plans for 2030, and there are various issues to be addressed, in terms of personnel, logistics and strategy aspects. Going forward as General Manager of Corporate Strategy Planning, I will spare no effort in convincing employees in the workplace, facilitating cooperation between head office and branch offices.

**Uryu** While I think that there will be some difficulties for us to overcome in renewing our understanding of the scale of issues faced by each branch office and formulating specific measures to address them, we have built a solid foundation for the whole Company to move forward in the same direction.

**Furiyoshi** Long-Term Management Vision 2030 also incorporates the strategies and goals of Group companies, and JAPPELL has set out ambitious plans as the No.1 wholesaler for pet-related products. Until now, there has not been much involvement between Group members. I hope that now, with the formation of this team, we will be able to collaborate in terms of both logistics and human resources aspects, and create synergy effects.

**Hatanaka** From the perspective of Group companies, I think it would be good if instore marketing (ISM) and D-Nee Cosmetic were not simply contained within ARATA, and if we could revitalize the entire supply chain through transactions with other companies. Although we are all part of the same ARATA Group, the Group will become more attractive as a whole if we develop by leveraging the strengths and characteristics of each Group member. I want us to appreciate the importance of both unity and independence.

### Aspirations as General Managers

**Furiyoshi** I consider overseas strategies to be very important in our growth strategy. Although overseas businesses are still developing and have not been able to make much of a significant contribution in terms of numbers, I would like to

build them up one by one as part of the key foundation for our growth.

Another new challenge is that of intangible assets. There is an opportunity for us to utilize the data accumulated as a wholesale business throughout the supply chain. I would like us to establish new businesses that are useful to society.

**Uryu** In terms of human resources, we have set a target for the ratio of female managers as an indicator of the level of active participation by diverse human resources—to help give rise to innovation, which is essential for growth. We are also focusing on the next generation who will play key roles at ARATA in 2030 and beyond. The essential prerequisite is to create personnel systems and environments where all employees, including women and young people, can work comfortably and play active roles. I want to create a strong organization with an eye to the future, where employees can make effective use of their diverse skills, and to properly evaluate employee motivation and achievements and link this to increases in motivation.

**Hatanaka** To be a company that is chosen by both manufacturers and customers as a wholesaler, I believe that the role of the Product Merchandising Division is to create a lineup of attractive products. Until now, ARATA's sales capabilities had been our major strength, but in recent years we have also gained recognitions for our product competitiveness. Going forward, we will continue to supply products that enrich people's lives and strive to differentiate ourselves from other companies, with unique products that only ARATA can offer.

### Being a company that values people

**Uryu** While the "spirit of challenge" is one of the qualities that we look for in employees at ARATA, until now, we have had a corporate culture that was more "solid and steady." Long-Term Management Vision 2030 is not simply an extension of what we have done so far, but a set of ambitious goals.

**Furiyoshi** Yes, I agree. Looking ahead to 2030 and beyond, we must tackle new challenges and overcome them as a united team.

Recently, the use of video content within the company has progressed, and the number of opportunities for us to see the efforts of employees has increased. I feel that we have many very talented human resources. I would like to continue our discussions as the Management Strategy Team as we work to create an ARATA that values such employees and enables each of them to play active roles in a wider range of situations.



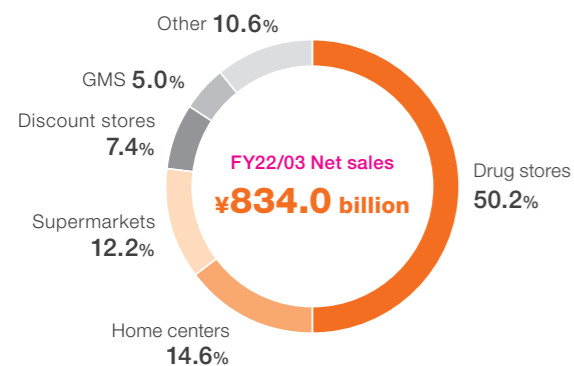
## Sales

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 Management Departments of seven branch offices nationwide that deal with community-based retailers, and the Sales Administration Department, 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.

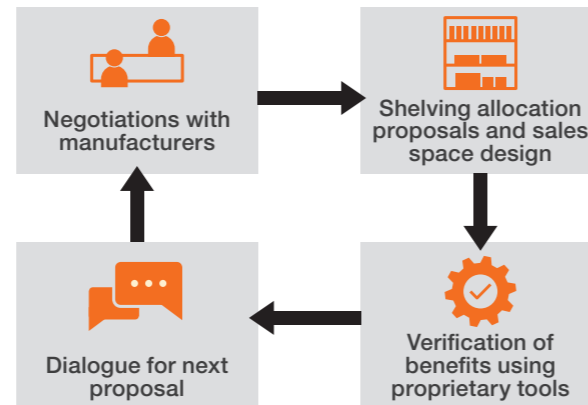
### Breakdown of net sales by business format



## 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 of sales using analysis tools and linking them to future proposals based on analysis results.



### Ability to make credible proposals based on qualitative and quantitative information

Analysis materials based on POS data, materials on the characteristics and trends of each category, and "Sales Information" summarizing trend information and product information are powerful tools supporting ARATA's ability to make sales proposals.

#### Store Navi: Qualitative information

Sales personnel submit information such as store best sellers and sales ideas. Raw data is used to make proposals to retailers!

**More than 5,000 pieces of information are submitted each week**



Sales Information

#### ARMS: Quantitative information

Covers a wide range of data ranging from analysis by category, business format and brand to ID-POS analysis by gender and age. Ability to make credible proposals based on multifaceted analysis and information

**POS data of approximately 8,000 stores**

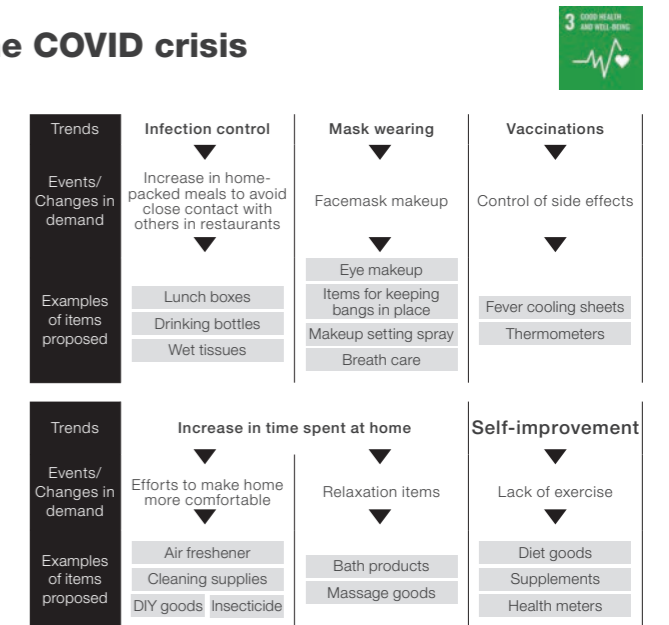


Store Navi topics

## Examples of proposals made during the COVID crisis

Throughout the ongoing COVID crisis, we have supported the everyday lives of consumers by proposing to retailers not only infection control items but also products to make everyday life more comfortable and products for the new normal.

By staying abreast of dramatic changes in demand through the analysis of POS data, we continue making the products people need readily available.



## 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.

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 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.

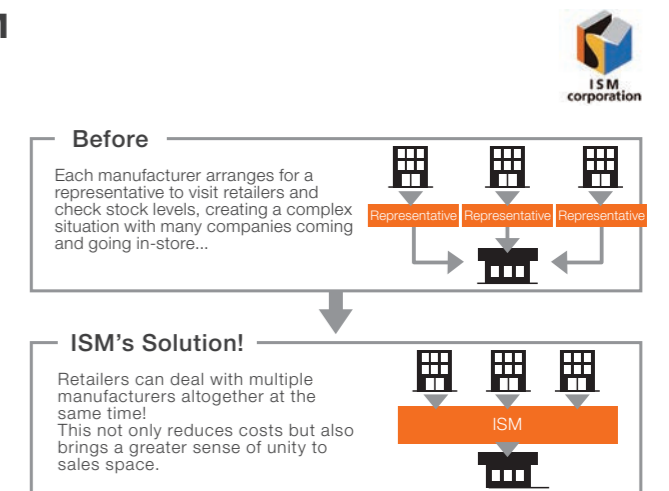
### Field solutions

Supporting approximately 5,000 retailers nationwide  
**Personnel engaged in periodic support operations: 3,600 (every month)**  
**Personnel providing additional spot services: Approximately 3,000**



### Instore promotions

ISM plans and produces effective promotional tools and measures for retailers, manufacturers and consumers based on its thorough knowledge of stores.



### Creation of effective sale space

Instore realization of new product launches and plan implementation  
 Negotiations for the placement of promotional goods and the rollout of advantageous sales spaces

### Verification of why certain products sell

Collection and provision of qualitative information such as selling price and rollout information  
 Verification of results of initiatives such as sales spaces and promotional goods through tools such as AB test

### Proposal of effective sales initiatives

Proposals in collaboration with ARATA  
 Negotiations for advantageous instore sales space and negotiations for the placement of promotional goods, etc.

**Helping expand the sales and improve the operational efficiency of manufacturers and retailers!  
 Helping make shopping for fun for consumers!**



## E-commerce

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

Shopping on e-commerce websites is an option which is essential for consumers. In Japan, the e-commerce merchandising market is gaining momentum at an accelerated pace, and has shown substantial growth due to the effects of the COVID-19 pandemic, expanding to 121.71% of the 2019 level in 2020 and 108.61% of the 2020 level in 2021 (according to the E-commerce Market Survey by the Ministry of Economy, Trade and Industry).

In 2010 we established the EC Department, which deals exclusively with e-commerce companies, which have to address a range of issues that differ from those faced by physical stores.

Since retailers with physical stores have also been focusing on online sales in recent years, in April 2022 we placed the EC Department under the direct control of the Sales Division.

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 market is expected to continue to diversify and grow in the future, it is also 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.



### Providing support to resolve issues as opportunities specific to e-commerce companies

Unlike physical stores, e-commerce stores have no constraints on product display space and are, therefore, required to offer extensive product lineups and handle large numbers of products. We have developed a framework which allows us to meet the specific needs of e-commerce companies—such as heavy, bulky, rarely stocked products—whilst taking advantage of the strength of our overwhelming product lineup in the cosmetics and daily necessities categories.

ARATA has a range of capabilities ranging from making proposals based on information on top-selling products it has accumulated as an intermediary, through to the introduction of original added-value products and the provision of online sales-promotion support.

#### Special feature pages on e-commerce sites

We propose special features on seasonal items, trending cosmetics and other topics. We roll out those special features on e-commerce company sites.

#### Sale of products as sets through product assortment capabilities

We propose the sale of products as sets, for example, main unit and refill, through product assortment capabilities as middleman in distribution chain.



#### Original products for EC companies

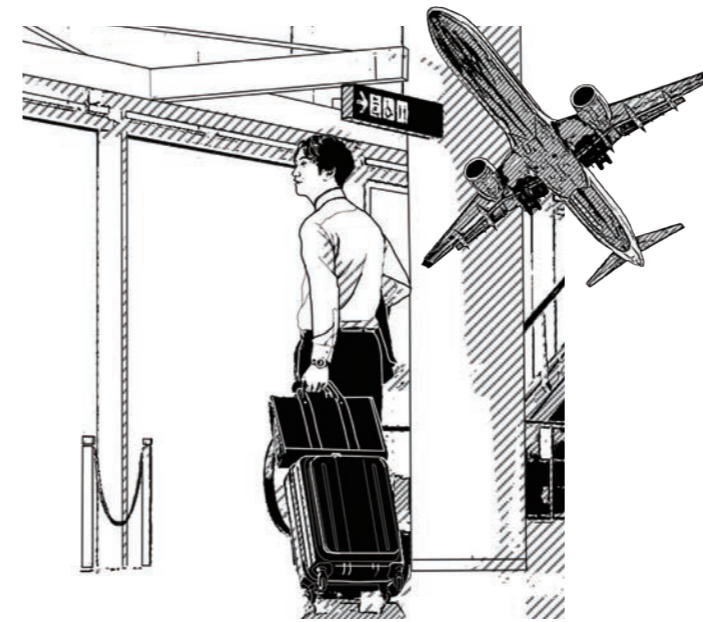
Sale of original products for EC companies such as large assortments of in-house developed products or items with a simplified design



Large assortment of scented flower bubble bath, hana shukan, produced by Hibiya Kadan



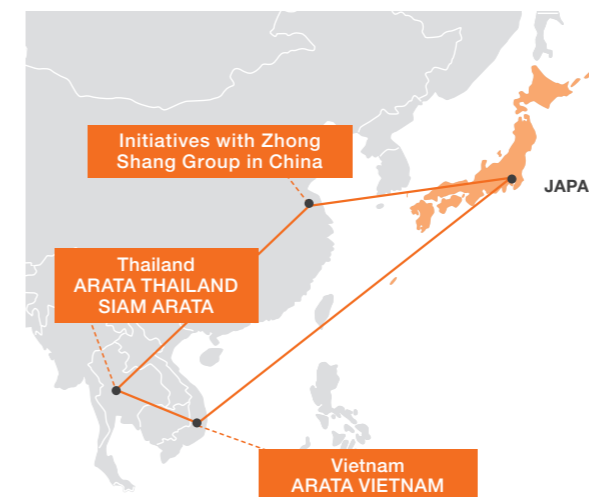
Changed the design of our self-developed dehumidifier product to a simpler design that blends in with living spaces, as an exclusive product for EC companies.



## 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. Moving forward, a key part of our growth strategy under Long-Term Management Vision 2030 is to achieve dynamic business expansion through the bidirectional linking of these three countries and Japan.



### Initiatives with Zhong Shang Group in China

Based on the belief that collaboration with local partners is the most effective way to meet the needs of a huge market like China, we made a capital contribution to the Zhong Shang Group with which we formed a business alliance in 2020 to further strengthen our partnership.

By making our wholesale industry knowhow available and utilizing the Zhong Shang Group's production and logistics capabilities and e-commerce sites in China, we hope to produce synergies.

#### Partnership strategy



### 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.

We have adapted to changes in demand during the COVID crisis by broadening the scope of product categories and products handled from cosmetics that we had primarily been handling.

In addition, 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 established ARATA VIETNAM COMPANY LIMITED in 2020. We are now conducting negotiations with Japanese manufacturers and local retailers and laying the foundations for business expansion in the post-COVID era.



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

### Active participation and career advancement of foreign nationals in overseas business

In our overseas business, the active participation and career advancement of human resources with knowledge about the countries we are operating in and language skills is essential. In the Business Development Division and Overseas Business Division at Head Office, ARATA employs a total of five foreign nationals (from China and Taiwan), including one occupying a managerial position.

At overseas subsidiaries, we have a total of 12 locally employed staff members and our policy is to promote the active participation and career advancement of foreign nationals to strengthen our overseas business in the future.



## Products

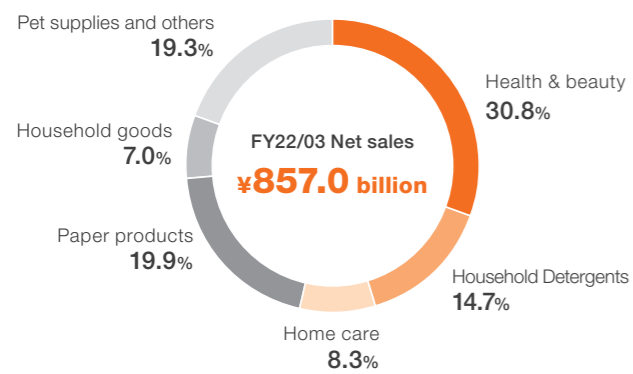
### Procuring products to make people's everyday lives more comfortable Creating new demand

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.

### Breakdown of net sales by category



## 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.

Health & beauty	Household Detergents	Home Care
Cosmetics Cosmetic accessories Hair and body care Healthcare	Clothing detergents Home-related cleaners Dishwashing and kitchen detergents	Insecticide Air fresheners and deodorizers Batteries
Household goods	Paper products	Pet supplies
Kitchen supplies Cooking implements Cleaning equipment	Tissue Toilet paper Diapers Feminine hygiene products	Pet food Pet supplies

**>> P.23**

### 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 the cosmetics category

Since the merger of former subsidiary Arata Fashion in 2019, we have been continually strengthening the cosmetics category. Despite a temporary decrease in demand, reflecting fewer opportunities to go out due to the COVID crisis, the Cosmetics Business Division at Head Office and the sales personnel in the cosmetics sales departments of each branch office have driven steady growth in sales, and cosmetics are recognized as another one of ARATA's strengths.

Asian cosmetics—especially Korean cosmetics—have been attracting a great deal of attention on the cosmetics market in recent years. Statistics on imports of cosmetics to Japan show a sharp rise in imports from South Korea, whilst posts about Asian cosmetics on social media are increasing year by year. Even during the COVID-19 pandemic, with many people wearing masks, there has still been demand for eye makeup and skincare products. As opportunities to go out increase in the future, there will be growing expectations for cosmetics in general.

In the Asian cosmetics segment, we offer popular brands as exclusive and preferential distribution items. We plan to increase sales of such products in the future to revitalize the entire cosmetics category.

### Enhancement of cosmetics-related product lineup

We established our subsidiary D-Nee Cosmetics in October 2021 as one measure to strengthen our capabilities in the cosmetics category. We are enhancing our lineup of Asian cosmetics—which continue to display popularity—and engaging in all aspects from product planning to sales as a manufacturing and sales business to create an attractive lineup to meet the needs of consumers.

### Japanese distributor for JUNG SAEM MOOL

ARATA has signed a sales distribution contract with ITOCHU Corporation for the South Korean cosmetics brand JUNG SAEM MOOL.



### Manufacture and sale of MOIDITE

In August 2022, we launched a line of feminine hygiene care items as Fem Tech products.



## In-house study sessions to deepen product knowledge

Due to changes in the social environment, product demand also changes from day to day. As a company that offers a wide range of products, we must maintain a deep understanding of the characteristics of the products and situations in which consumers use them.

In addition to provision of information from manufacturers, we also hold in-house study sessions within the company and take other measures to equip sales representatives with correct and up-to-date product knowledge to utilize in their proposal activities to retailers.



In house workshop held at head office. Zoom is used to connect with branch offices and conduct role-playing activities.

### Fem Tech study sessions

Fem Tech is the name given to a category that is currently gaining attention, with products and services that use technology to address women's health issues. The sanitary care and absorbent hygiene products handled by ARATA are also part of the Fem Tech category. In June 2022 we held large-scale in-house study sessions and workshops to promote understanding of this category. More than 500 employees from around Japan participated via Zoom, with the active exchange of ideas at the workshop leading to new proposals.





## Products Pet Supply

Providing support at every stage, from first encounters with the pets which brighten our 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. Since 2020, the breeding of pets has been in an upward trend, reflecting demand for pets as a remedy for loneliness during the pandemic, and pet supplies are expected to remain in demand in the future.

With a history of more than 50 years, JAPPELL is Japan's leading trading company for pet-related products and has achieved continuous growth based on the motto "communicate with our community through pets."

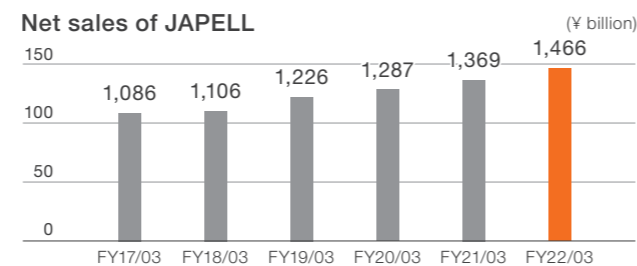


The company name is derived from "Japan Pet Life Library," encapsulating the hope to serve as a library where all things related to the lives of pets are collected and stored.

## 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 Japanese 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 280 stores, including franchise stores in home centers across Japan.



### 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.



### Overseas Business

JAPPELL imports products extensively from countries around the world, including the United States, Canada, Southeast Asian countries and China, and it has a location in Los Angeles. It has also established a local corporation, Japell Hong Kong.



## 2022 Pet Trade Show

On March 23 and 24, 2022, JAPPELL held a comprehensive pet trade show for the first time in three years, under the theme of "Mental and Physical Health from a Happy Life with Pets." Over 200 manufacturers participated, with JAPPELL making fully produced proposals, from product introduction to sales space proposal. The JAPPELL corner featured original product booths and themed booths such as the SDGs Corner, summarizing the SDG-related initiatives of each manufacturer.



## Construction of new center in Kanagawa to commence operation in 2022

Completed in November 2021, the new Kanagawa center has an array of around 1,200 solar panels on its roof.

It also has a park which will be open to local residents and aims to be a logistics center which is environmentally friendly and exists in harmony with the local community.



Address	1981-1 Sanda, Atsugi City, Kanagawa Prefecture
Total floor area	Approx. 4,480 tsubo
Trading volume	Approx. ¥10 billion (Forecast for 2022/3)

## Animal Care House, contributing to society through pets

In 2021 JAPPELL opened Animal Care House in Kazo City, Saitama Prefecture, offering short-term and long-term care services for dogs, cats and other pets.

Due to advances in veterinary care and other factors, pets are expected to live longer, leading to an increase in pets requiring nursing care and, with owners growing older and facing health issues, including sudden hospitalization, more and more people are expected to struggle to take care of their pets.

With a view to solving such issues and contributing to society, JAPPELL provides a comfortable safe space for dearly loved pets to stay through Animal Care House.



### Employee comments



Leader  
**Kenji Saito**

Pet Care Advisor

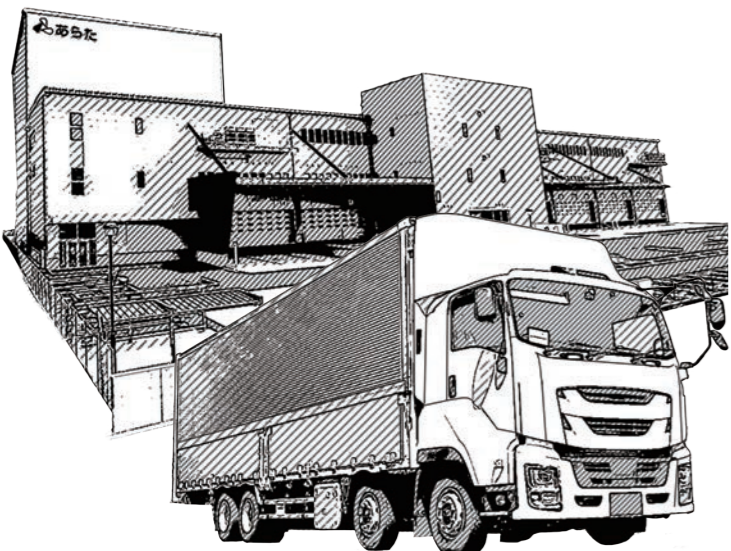
Whilst working in sales at a pet shop of a JAPPELL subsidiary, I felt acutely the need for a home for elderly dogs when I heard customers say that they wanted a pet but were worried about what would happen to their pet when they grew old. This prompted me to apply. JAPPELL is a wholesaler and trading company for pet supplies but offers opportunities to get involved not only in sales but also in various pet-related businesses, which I find appealing and feel is an advantage.



**Namiki Motoya**

Pet Care Advisor

I learned the value of pet nursing care services from my time at an animal vocational college and my experience caring for my own dog. I hope to contribute to the happiness of owners and their pets through Animal Care House.



# Logistics

## 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 33 logistics centers (LCs), including 11 large-scale LCs with annual shipments of between ¥15 billion and ¥40 billion, 5 depots, 4 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.

### ARATA's Logistics Network



## Strengths in Logistics

### Highly efficient logistics centers

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.

Our large logistics centers have automated pallet warehouses ①, and products which are to be shipped in cases are sent directly to a case sorter and grouped according to delivery route or store.

Meanwhile, products to be shipped in smaller quantities are picked out on the floor for items sold separately using AIMAS picking carts with built-in scales ②. Scanning the product's barcode prevents the wrong product from being picked, while weight detection using the scale prevents the wrong quantity from being selected, resulting in ultra-precise shipping operations, with a delivery precision of 99.999%.

Collapsible containers containing picked products are temporarily stored in collapsible container automated warehouses ③ before being grouped according to delivery route or store, like the products in cases, and being delivered to retailers.

In addition, our Kyushu-Minami Center, which started operation in 2018, is equipped with AI depalletizing robots ④ and uses AI to automatically replenish cases.

① Automated pallet warehouse



② AIMAS



③ Collapsible container automated warehouse



④ AI depalletizing robots



## Launch of demonstration experiment of AI-based workload forecasting

At our logistics centers, many part-time workers are engaged in receiving shipments, picking and other operations. Adjusting staffing (shifts) according to daily fluctuations in the volume of goods is an important task which takes up a great deal of managers' time.

Since inaccuracy in the adjustment of shifts leads to wastefulness such as an increase in overtime hours or overstaffing, accurate forecasting of goods volume and workload is required.

We, therefore, launched a demonstration experiment of semi-automated shift management using AI-based forecasting of goods volume and workload. AI forecasts based on analysis of past data are corrected by logistics managers, enabling highly accurate, speedy shift management. This initiative can be expected to increase warehouse efficiency and save labor in management operations.

### “White Logistics”



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 continuously implementing a range of initiatives to improve the efficiency of logistics and reduce truck drivers' waiting time and loading and unloading time.

#### Initiatives

- ① Improvement of manufacturers' logistics through proposals and cooperation
- ② Introduction of warehouse entry time reservation system
- ③ Efforts to speed up the receiving process through the use of pallets, etc.
- ④ Avoidance of peak congestion hours when making deliveries
- ⑤ Promotion of written contracts of carriage

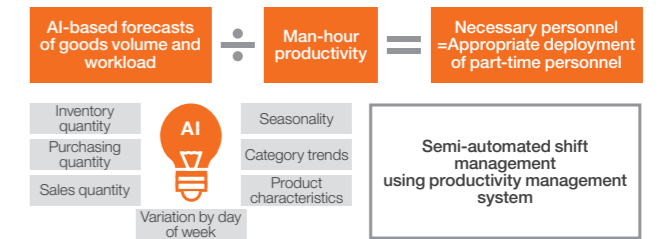
### Pallet transportation of household paper products

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



Switch from manual loading and unloading to pallet delivery reduces loading and unloading time from **90 minutes to 20 minutes!**

Reduction in truck waiting time and improvement in warehouse productivity helps reduce costs, is better for the environment, and improves drivers' working conditions.



#### Advantages of using AI

- ① Automated pallet warehouse
- ② Improvement in level of staffing management
- ③ Labor-saving in manager operations
- ④ Elimination of unnecessary man hours

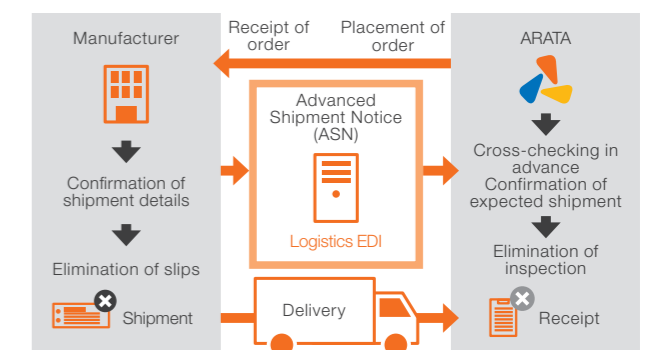
### Warehouse entry time reservations system

This system has been introduced at all planned sites and is currently in operation at 23 locations. 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 inspections through use of Advanced Shipping Notice (ASN) data

ARATA has undertaken a demonstration experiment to eliminate the use of paper slips and inspections in collaboration with PLANET, INC. and five manufacturers.

This is an initiative which involves sending advanced shipping notices (ASNs) to allow purchase order and delivery information to be cross-checked in advance. Since ASNs obtained in advance of receipt are checked against information on the products to be actually received, the initiative helps improve productivity by facilitating receipt through the simplification of inspections and other procedures and by making the entire process paperless through the use of electronic slips.





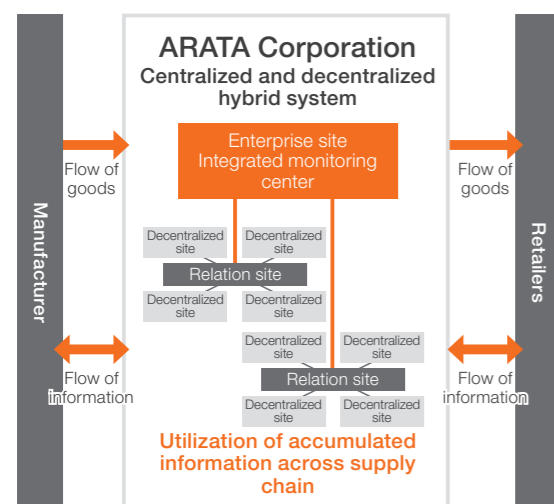
# System

## 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.



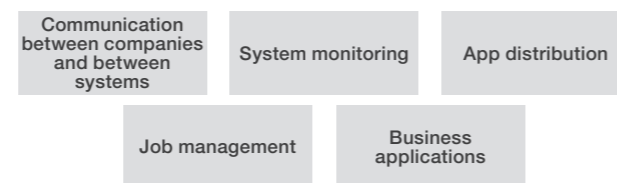
## System which responds accurately and promptly to frontline needs

### 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

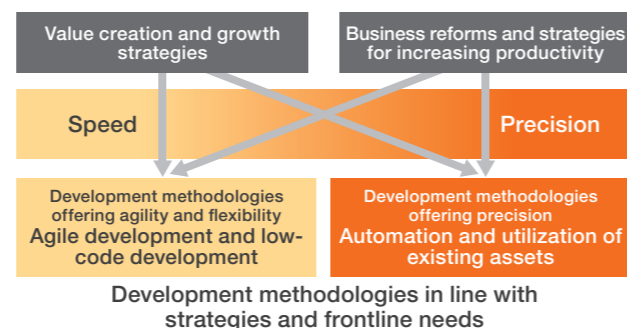


## Two system development styles, and HR development which strikes a balance between offense, defense and meeting immediate needs

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.



## IT Medium-Term Business Plan

To support ARATA's Long-term Management Vision and Medium-Term Management Plan strategies from a system perspective, we drew up strategies under an “IT Medium-Term Management Plan,” aiming to create an information system for efficiently realizing growth strategies whilst resolving issues faced by each functional division. Our system engineers are implementing this plan in cooperation with each Division. We are pushing ahead with DX initiatives to create an information system to support our 2030 vision.

## 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.

Use of AI in logistics >> P.26

## 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.

## 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. Under the leadership of the ESG Promotion Office, we have also established the Information Leak Countermeasures Subcommittee to consider countermeasures to address changing digital risks. 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.

### Main points of IT Medium-Term Management Plan

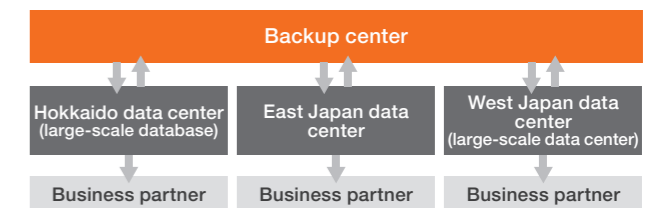
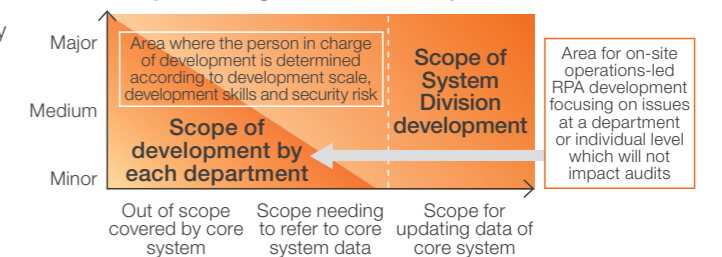
- Management support
- Enhancement of sales support functions
- Improvement of efficiency, energy conservation, labor savings, and automation → Utilization of AI, RPA and other technology
- Enhancement of information system scalability and flexibility in preparation for changes in the future

## RPA (Robotic Process Automation) implementation

### Operations-led RPA implementation

Each operational site has a person in charge of RPA to quickly resolve any small issues, with the System Division and DX Promotion Committee playing the main roles. The focus is not only on improving productivity but also developing digital human resources for the future.

### Conceptual image of RPA development



### Functions developed to date as information leak countermeasures

- Making permissions necessary for viewing material information online
- Changing MFP print settings
- Centralizing the use of online storage
- Banning the use of USB drives
- Introducing backup cloud function

# Stakeholder Engagement

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

## Shareholders and Investors

- General Meeting of Shareholders (hybrid combination of actual attendance and live streaming)
- Distribution of financial results briefing materials, videos, and fact books
- Individual interviews (about 40–80 times per year)
- Integrated reports
- Distribution of IR information on the corporate website
- IR seminars for individual investors
- SR activities based on shareholder surveys (Dialogues with persons responsible for exercising voting rights of overseas and domestic institutional investors)
- Disclosure of information in English (website, financial summaries, financial results briefing materials and integrated reports)
- Analyst reports by Shared Research Inc.

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

ARATA utilizes video streaming to provide information to more shareholders and investors while controlling the spread of COVID-19 infections. 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.

July 2022  
Radio Nikkei Asazai



### Disclosure of information in English

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



### SR activities

SR activities are conducted with the aim of holding dialogues with top institutional investors through continuous shareholder surveys, with a primary focus on ESG issues.



## Business Partners

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

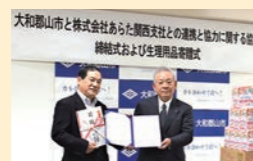


## Employees

- Live streaming of messages from senior management once a month
- Video streaming of Long-Term Management Vision 2030 briefings
- Internal newsletter ARATAN
- Employee awareness surveys
- Internal whistleblowing system and compliance desk
- Training and education schemes, e-learning
- Qualification acquisition incentive system

## Local Communities

- Partnership agreements with local governments in readiness for times of disaster
- Social contribution activities
- Donations
- Acceptance of students for work experience
- Participation in local community events



## Global Environment

- Decarbonization initiatives
- Disclosure of information
- Concerning the environment
- 3R initiatives together with Ministry of the Environment
- Waste reduction through
- Reduction of product returns



# Environment Social Governance



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

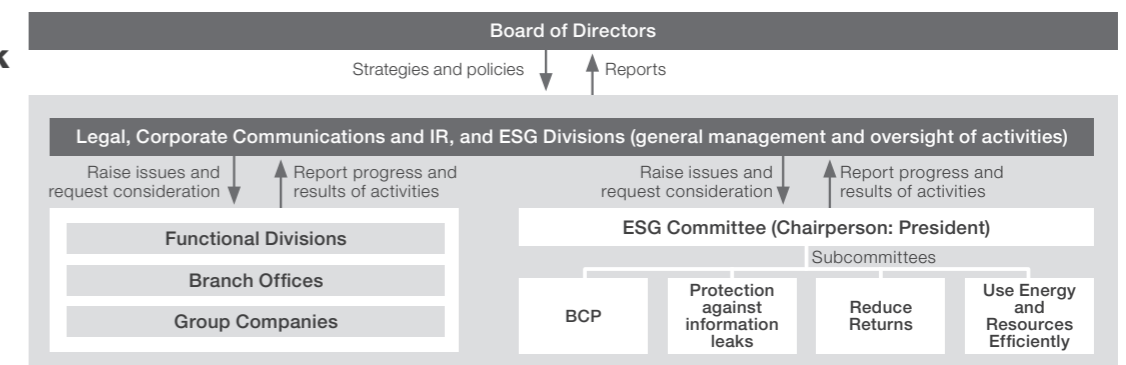


Guided by our management philosophy of “continuing to serve the world,” we aim for sustainable growth and development together with the rest of society. We must build a stronger foundation of trust with all stakeholders and cultivate the development of our entire supply chain in a way that promotes efficiency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

## ESG Material Issues (Materiality)

Material Issues	The Company that ARATA Strives to Be	Key measures	Matters to be achieved or goals
<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>● Reduction of CO<sub>2</sub> emissions through increased efficiency and other measures</li> <li>● Reduce Returns</li> <li>● 3R Activities</li> <li>● Reduction of energy use and natural resource consumption</li> </ul>	<ul style="list-style-type: none"> <li>● CO<sub>2</sub> emissions: 50% reduction (2030 target)</li> <li>● Returns intensity: 15% reduction (from 2019 levels)</li> <li>● Retailers participating in 3R campaign 15,000 stores(2021)</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>● Enhancement of systems for the realization of diverse work styles</li> <li>● Conducting employee surveys</li> <li>● Enhancement of training and development systems</li> <li>● Encouragement to obtain qualifications</li> </ul>	<ul style="list-style-type: none"> <li>● Female manager ratio 4.5%(2026 target)</li> <li>● Tentative implementation of flexible work styles including working from home and staggered work hours</li> <li>● Increasing salary levels</li> <li>● Enhancement of childcare and nursing care systems</li> </ul>
<b>Regional Communities</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>● Social contribution activities at business sites</li> <li>● Conclusion of supply of goods agreements with local governments</li> </ul>	<ul style="list-style-type: none"> <li>● Construction of BCP alternative logistics network</li> <li>● Donations to regional local governments, etc.</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>● Shift to a company with an Audit and Supervisory Committee</li> <li>● Reform of Board of Directors</li> <li>● Compliance measures</li> <li>● Protection against information leaks</li> </ul>	<ul style="list-style-type: none"> <li>● Activities at Nomination and Remuneration Committee</li> <li>● Provision of training on business legal affairs and compliance</li> </ul>

## Promotion Framework





# Environment

## Environment Fostering a Virtuous Cycle in the Supply Chain

ARATA helps protect the environment through initiatives which harness its capabilities as a middleman to create a positive cycle in the supply chain.

We position “action on climate change” and “creation of a recycling-oriented society” as material issues among environmental considerations and are implementing a wide range of initiatives to address them



## Response to climate change

### Information disclosure based on the TCFD recommendations

ARATA recognizes risks related to climate change as a material issue and aims to contribute to the creation of a sustainable society, by reducing 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 have conducted analyses in accordance with the TCFD recommendations

and disclosed information in line with their framework, in our annual securities report submitted in June 2022. We will continue to enhance our information disclosure to fulfill our responsibilities for accountability to our stakeholders.



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

### Governance

ARATA has established an ESG Promotion Office, as a specialized department to promote ESG, and an ESG Committee, membership of which includes all outside officers. The ESG Committee—which is chaired by the Representative Director and President—meets four times a year to set numerical targets for ESG activities, including measures against climate change, and to deliberate and make decisions regarding measures to manage their state of achievement and drive these activities forward. The Board of Directors provides overall supervision, receiving reports on matters judged important by the ESG Committee and deliberating and making decisions as necessary.



### 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 pre-industrial levels can be limited to less than 2°C. Transition risks are high, but physical risks are lower than in the 4°C scenario.
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	Description
Risks	Transition risks	<ul style="list-style-type: none"> <li>Policies and regulations: Increase in costs due to introduction of carbon taxes and emissions trading, etc.</li> <li>Technology: Increase in investment costs accompanying the introduction of equipment that supports decarbonization</li> <li>Reputation: Decline in sales due to a decline in reputation if measures to address climate change are inadequate</li> </ul>
	Physical risk	<ul style="list-style-type: none"> <li>Acute: Damage caused by suspension of business operations and interruptions to logistics operations at distribution centers with a high risk of typhoons and storm surges</li> <li>Chronic: Increase in energy costs due to rising temperatures and increased procurement costs for renewable energy</li> </ul>
		Opportunities

### Risk Management

ARATA's Legal, Corporate Communications and IR, and ESG Divisions 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

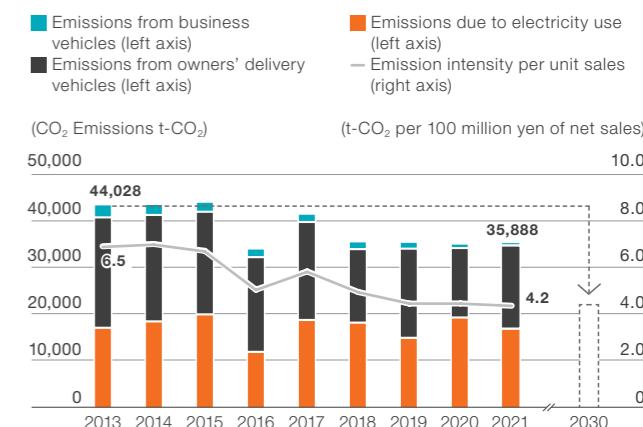
consider appropriate countermeasures. The Legal, Corporate Communications and IR, and ESG Divisions serve as a contact point for measures that have been decided and implement initiatives in cooperation with other divisions to reduce risks.

### Metrics and Targets

ARATA has set numerical targets for mitigating climate change. Going forward, we will proceed with the calculation of CO<sub>2</sub> emissions and Scope 3 emissions on a Group consolidated basis. At the same time, we will formulate energy-saving measures from a long-term perspective (such as upgrading to high-efficiency equipment at logistics centers and other locations) and CO<sub>2</sub> reduction plans through the use of renewable energy, and implement them as we work to achieve our targets.

**CO<sub>2</sub> emissions in 2030**  
**50%**  
 reduction compared to 2013

### Changes in CO<sub>2</sub> Emissions (Non-consolidated Basis)



## Initiatives to reduce CO<sub>2</sub> emissions

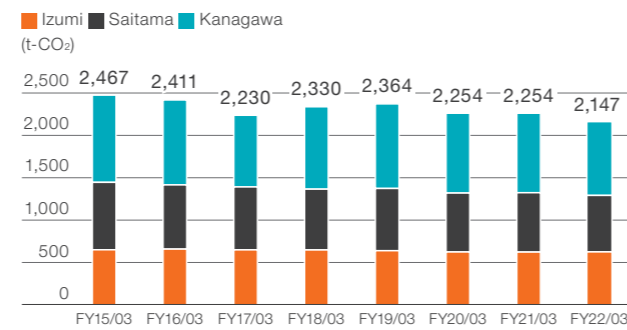
### Solar power generation

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.

Completed in November 2021, the new Kanagawa center of JAPPELL Co., Ltd., an ARATA Group company, also has solar panels on its roof.

We are committed to promoting the use of renewable energy across the Group.

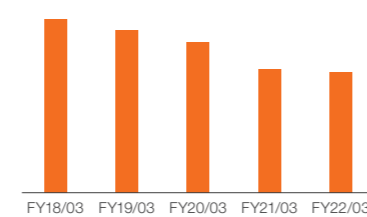
Reduction in CO<sub>2</sub> emissions through solar power generation



### Replacement of commercial vehicles with more eco-friendly vehicles

In 2018, we gradually started replacing our fleet of around 700 commercial vehicles with hybrid vehicles or other more eco-friendly models, and, as of the end of March 2022, approximately 85% of our fleet is now eco-friendly. Through these activities, we are helping to reduce gasoline consumption and cut exhaust emissions.

Commercial vehicle gasoline consumption



**Commercial vehicle gasoline consumption**  
FY22/03  
**31% reduction**  
(from FY18/03 levels)

## 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 eco-friendly products, we are helping reduce plastic.



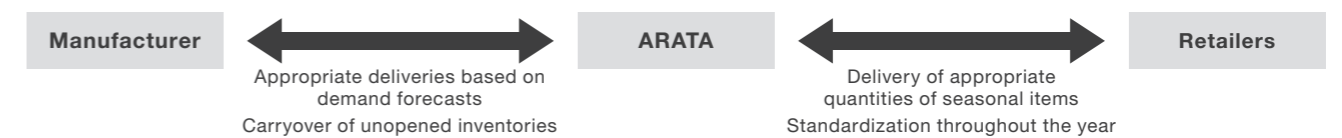
Number of participating stores		Results of Let's Choose! 3R Campaign 2021
2017	Approx. 1,100 stores	Total reduction in plastic Approx. 2,811.0t
2018	Approx. 4,700 stores	
2019	Approx. 6,800 stores	Amount of recycled plastic used Approx. 205.2t
2020	Approx. 12,000 stores	
2021	Approx. 15,000 stores	

\*Based on results published by the Ministry of the Environment

### Reduce Returns

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

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

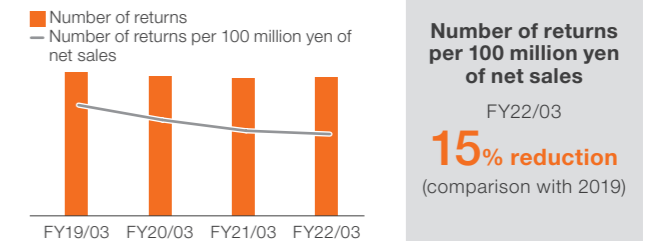


#### Status of reduction of returns

The Returns Reduction Subcommittee—consisting of the representatives of the Sales Division and each branch office—has been setting reduction targets and working continuously to reduce returns.

From the viewpoint of reducing transport CO<sub>2</sub> emissions and reducing waste, we are targeting reduction in terms of “volume” and our goal is to reduce the annual number of returns by 2 million units from the previous year.

#### Trend in the number of returns



### Initiative to collect empty plastic containers for recycling

We support activities to reduce the generation of plastic waste and to promote plastic recycling and we have joined the Saitama Prefecture Platform for Sustainable Use of Plastic established by Saitama Prefecture.

In collaboration with Unilever Japan, which has also joined the platform, we have launched an initiative to collect the empty containers of shampoo and other products manufactured by Unilever from employees (around 400) at our Saitama Center.



### Cooperating in ASKUL's "Used Plastic Recycling Value Chain" demonstration experiment

We are supporting the “Used Plastic Recycling Value Chain” demonstration experiment of ASKUL Corporation, which was selected as a “FY2020 Demonstration Project for a Plastic Resource Circulation System toward a

Decarbonized Society” by the Ministry of the Environment, and we are cooperating with activities to collect plastic folders. The collected plastic folders are recycled into materials used to make new plastic products.



Plastic folders collected in April-July 2021  
**Approx. 77Kg**

#### Replacement of plastic folders with paper folders

We replaced the plastic folders which we used to present to business partners as new year's gifts with paper folders. The paper folders use 70% less plastic.



# Social

## Human Resources

### Becoming a Company Where Employees Find Work Fulfilling

ARATA considers employees to be collaborative partners who share our goals. Based on the perspective that we cannot grow unless all our employees do as well, we place importance on promoting diversity in thought, values, and points of view among our employees, as well as the free exchange of opinions between them and creating a better environment. We are investing in human resources, enhancing our personnel schemes, and building a system that enables diverse working styles, to become a company that employees can feel motivated to work for over the long term.



### Respect for human rights

We are strongly committed to respecting the fundamental human rights and diversity of everyone, including our employees and business partners. We clearly specify the following policies on human rights on our corporate website and in a booklet called ARATA Policies which all employees carry around with them and we seek to instill these policies in employees through training and other means.

**ARATA Policies From "5. Our Stance" in the ARATA Corporate Code of Conduct.**

- 4** We shall respect each other's human rights, character and individuality as partners and create work environments that allow everyone to realize their full potential.
- 7** We shall not allow discrimination or harassment based on factors such as nationality, religion, race, gender, educational background and age, and shall respect fundamental human rights.

### Promotion of diversity

The generation of innovation through the employment of diverse human resources, without making any distinction according to nationality, gender, age or other characteristics, is necessary to achieve sustainable corporate growth and, in face of increasing labor shortages due to population decline, we consider the creation of environments in which diverse employees can work long term as an important theme for us. One issue that the Company must tackle is the low ratio of

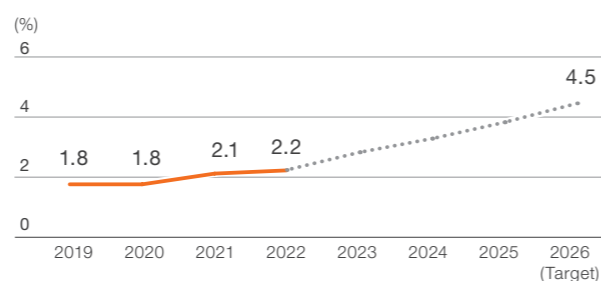
female managers. We believe that one of the results of creating a work environment where all employees can work comfortably through the development of various systems and mechanisms will be an increase in the ratio of female managers.

In addition, we will actively encourage the employment of seniors, people with disabilities, and foreign nationals. Having diverse employees work over the long term will lead to company growth and improved corporate value.

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

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

Changes in ratio of female managers (section chief or higher) and estimated increase towards target



### Implementation of employee engagement survey

In 2020, we began conducting employee awareness surveys to assess employee attitudes towards aspects such as their own work, work styles and ARATA's organizational culture using a five-option multiple-choice evaluation system. In addition to the multiple-choice evaluation, there is also a message field, allowing the opinions of employees to be delivered directly to senior management.

By identifying issues from the results of these awareness surveys and linking them to improvements in our personnel

systems, we aim to create a workplace environment where employees can work with motivation and enthusiasm.

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

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

### Enhancement of systems for the realization of diverse work styles

To support changes in employees' lifestyles and improve their work-life balance, we are establishing systems to enable diverse work styles and create an environment where employees can continue working at ARATA in the long term. We will continue expanding and enhancing systems according to future changes in the environment.

Support for changing lifestyles	
Prenatal and postnatal leave, childcare leave (up to second birthday)	Reduced schedules for employees engaged in childcare (until children finish third grade)
Job return (re-employment) system	Nursing care leave system to provide care for sick children or family members (up to 15 days)

Diverse work styles	
Telework and staggered working hours *Provisional system during the COVID-19 pandemic	Hourly paid leave
Improving employee health	

Improving employee health	
Free cancer screenings	Free influenza vaccinations
Special leave for employees being treated for "Big Three"	

### Basic Human Resources Data

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

Basic Human Resources Data	FY 20/03	FY 21/03	FY 22/03
Total	2,112	2,089	2,060
Number of employees (persons)	Male	1,598	1,566
	Female	514	523
Number of new employees (persons)	Male	10	25
	Female	11	17
Number of mid-career hires (persons)	Male	16	24
	Female	12	17
Average years of service	Male	19.7	20.1
	Female	13.3	13.7
Ratio of female managers (section chief or higher)(%)	1.8	2.1	2.2
Ratio of female managers (supervisor) (%)	5.1	5.3	6.2
Ratio of female employees in career-track positions or higher (%)	12.3	13.0	15.4
Number of employees from overseas* (persons)	44	25	25
Number of people with disabilities (%)	2.32	2.48	2.42

\*Including technical intern trainees from overseas.

Degree of Utilization	FY 20/03	FY 21/03	FY 22/03
Paid leave use rate (%)	55	50	51
Number of employees taking childcare leave (persons)	Male	25	21
	Female	37	49
Ratio of employees returning to work after childcare leave (%)	100	91.8	100
Number of employees on reduced schedules(persons)	52	61	59
Number of employees taking leave to provide nursing care for children (persons)	63	60	73
Number of employees taking nursing care leave(persons)	14	18	27

## Development Policies and Training

Believing that the personal growth of employees leads to a company's overall growth, ARATA has established a wide range of training programs to strengthen employees' skills at every career stage, from new employee to manager.

We are also considering enhancement of training programs to promote the active participation and career advancement of diverse human resources.

### Main training and development programs

Managers	Training for newly appointed managers		Management support training	Ael E-training navi (e-learning for all employees)	Correspondence courses
	Training for newly appointed team leaders				
Regular employees	Management		Career training	Compliance Mental health Diversity ESG Labor management IT literacy BCP etc.	Obtaining qualifications Support program
	Proposal-type training (sales)	Warehouse management and guidance training (logistics)			
	Target setting and PDCA training	Data analysis skills training			
	Sales training for new employees	OJT trainer program			
Basic training for new employees					

### Continued provision of online training during COVID-19 pandemic

Since the start of the COVID-19 pandemic in 2020, we have provided online training via Zoom. Using the features of Zoom, we have frequently organized group work and various other activities which have given rise to lively two-way exchange and led to effective education and training.

We are considering taking advantage of the benefits of online training and providing training online on an ongoing basis even after the pandemic comes to an end.



Training for newly appointed leaders

### Encouragement of the acquisition of qualifications

To meet the needs of retailers and, in turn, those of consumers, we encourage our employees to obtain qualifications to gain a high level of knowledge and ability within the distribution industry and to improve their own individual skills.

Retail Marketing Skills Test: Number of successful applicants	2019	Qualification aimed at developing human resources with advanced expertise on products, sales techniques, purchasing, inventory management, marketing, etc. necessary for sales
	39	
	2020	
	28	

Japan Cosmetics Certification: Number of successful applicants	2019	Qualification which confers a wide range of beauty knowledge covering aspects such as the ingredients and effects of cosmetics and nail care
	155	
	2020	
	141	

Logistics Skills Test: Number of successful applicants	2019	Only public qualification in the logistics management sector demonstrating a systematic understanding of logistics related knowledge
	38	
	2020	
	42	

### 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.

### Donations to commemorate the 20th anniversary of ARATA's establishment

In celebration of the 20th anniversary of our establishment, in April 2022, we made donations from head office and each branch office to regional local governments—in areas where our business sites are located—in gratitude for their support of our development over the past 20 years as a community-based wholesaler.

Our donations focused primarily on the items such as masks and disinfectants as measures against the COVID-19 pandemic, as well as everyday essentials such as diapers and sanitary products to support children and women. We received certificates of appreciation from each local government and organization.



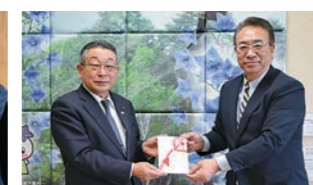
#### Hokkaido Branch

Sapporo City Council of Social Welfare



#### Tohoku Branch

Kitakami City, Ohira Village



#### Metropolitan Branch

Asaka City, Yashio City, Tsukuba City



#### Head Office

Solaputi Kids' Camp



#### Kansai Branch

Yamatokoriyama City



#### Chubu Branch

Inazawa City, Konan City



#### Kyushu Branch

Fukuoka Prefecture, Kagoshima Prefecture



#### Chushikoku Branch

Okayama City, Tottori City, Tokushima City, Saka Town (Aki District)



# Governance

Corporate  
Governance

## Building a strong governance framework to support sustainable growth

Message from the Chairman

## Becoming a company that is robust, fair and fun

Nobuyuki Hatanaka

Chairman of the Board of Directors



### Governance framework to support ARATA's "Ideal Structure"

I am Director and Chairman, and I am also Chairman of the Board of Directors. Having taken a step back, I now have a broader perspective from when I was Chairman whilst also serving as President, and this has further heightened my awareness of governance. I am proud that meetings of the Board of Directors are now very lively, reflecting efforts to run meetings with emphasis on discussion rather than approval. With our shift to the Company with an Audit and Supervisor Committee format, the oversight function is clearer than before, and management transparency is now even greater. Going forward, we aim to further enhance governance and increase management capability through a framework which integrates an Audit and Supervisory Committee, Directors who are not Audit and Supervisory Committee Members, and a Nomination and Remuneration Committee.

### Sincerely addressing ESG

Our listing on the TSE Prime Market means that we will need to continue raising our caliber as a company in the future. In particular, it is important for us to sincerely address ESG issues. Also from the perspective of the environment and climate change, I see the wholesale industry as a positive presence with considerable social significance. The wholesale industry is in the middle of the supply chain, and its presence can increase the efficiency of distribution. The CO<sub>2</sub> emissions produced by delivery vehicles can be reduced through the consolidation of distribution operations by wholesalers instead of uncoordinated transactions between manufacturers and retailers. Going forward, I would like us to continue to take environmentally friendly action based on an awareness of issues such as the number of deliveries, the number of returns and waste, and translate this into solutions to supply chain issues and contributions to the global environment.

### Promotion of female participation and career advancement in the workplace

With estimates that the ratio of male to female full-time employees in the Company ten years from now will be 60:40, the current percentage of women in managerial roles is low, and I recognize this as a major issue. When I listen to the opinions of female employees, there are many who say they are not suitable for leadership, or do not have the right qualities. I think this is mainly due to the imprinting of the image of leadership in a traditionally male-dominated organization. It is an image of charisma, of being able to make a quick decision before anyone can say yes or no, and leading subordinates from the forefront. However, I think that this kind of command hierarchy, command-and-control leadership will begin to disappear in the future. It is said that the leadership qualities that will be sought after in the future are empowerment, the ability to cheer up team members, organizational design and internal coordination, rewards and feedback to subordinates, extroversion, global perspective, tenacity, and emotional intelligence quotient. The fact that survey results show that women often meet these requirements has also moved me. This discussion also leads to diversity. I believe that the addition of even a single female employee, non-Japanese national or young person to the Group—and not only limited to the Board of Directors and the Management Council—will bring together new perspectives and insights and increase the breadth and depth of discussions.

### Training the next generation of senior management

In June 2021, we increased the number of Directors from our pool of human resources in their 40s and 50s, with the intention of developing the next generation of managers. In contrast with a Management Council, which brings together only managers from within the Company, the Board of Directors enables Outside Directors with expertise in fields such as finance, trading companies, IT, law and accounting to voice lively opinions and ask questions, providing the perfect training opportunity to develop managers. Similarly, members of our voluntarily established Nomination and Remuneration Committee hold interviews with employees of a certain rank for the purpose of identifying and developing next-generation managers. Interviews consist

in discussions on set themes, with Outside Directors assessing the content of discussions. However, internal managers and Outside Directors ask different questions and assess different points. Such exposure to the thinking of Outside Directors gives managers broader insight, leads to personal development, and provides opportunities that stimulate them as candidates for the next generation of top-level managers.

### Becoming a company that is kind to people, society and the planet

In order to be kind, a company must also be robust. Robustness means the ability to earn. Given that generating profit is proof that a company is providing added value commensurate with that profit, companies must be hungry to generate profit. However, results are meaningless unless they are achieved by fair methods. Value comes from perpetually generating profits in a fair manner. Corporate culture is also important. A workplace where employees can work with enthusiasm and a sense of fun, free harassment or discrimination is a prerequisite for corporate activities. If our goal is to be a company which is kind to people, society and the planet, I believe that this goal will not be accomplished without robustness, fairness and fun.


ARATA celebrated the 20th anniversary of its founding in April 2022. Shouldering part of the distribution economy, we have grown into the company we are today through consolidation of the long histories and traditions of a number of powerful wholesalers from across Japan into a single entity, in line with our management philosophy "continue to serve the world." One could say that 20 years is a relatively short period of time, but we have gained a lot of precious experience during that time. I want us to harness that experience as a source of wisdom for our next phase of growth.

Crises like the COVID crisis have been a painful reminder that the products we handle are daily necessities and the work we do is indispensable for society. I expect that our employees have also been reminded of ARATA's social significance. Whatever times or circumstances we live in, ARATA plays a role in the social infrastructure and the foundations of daily life. We should continue to go about our business with a sense of pride.

We humbly ask our stakeholders for their continued support and encouragement.

## Board of Directors (As of June 24, 2021)

### Directors



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

12/12

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



**Yoichi Suzuki**  
Vice Chairman of the Board of Directors  
Head of Group Administration and Chair of Group DX Promotion Committee

12/12

Yoichi Suzuki assumed office as Representative Director in 2007, and has focused on strengthening the Company's management base—including the administrative, business planning, and system divisions—as well as improving CSR activity systems, promoting IR activities and reforming business structure through digital transformation. In April 2022 he took on the role of managing the Group's overall business operations as Vice Chairman, and is aiming to improve overall group productivity and expand synergy effects and working to enhance the Group's governance system.



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

12/12

Hiroaki Suzuki has worked in the sales and product divisions since joining the Company, and has extensive business experience and knowledge within the Company. He assumed the position of Representative Director and President, Executive Officer in 2017, and has led the Company's management since then. He has built a solid track record and produced successful results, and contributed to achieving the targets of the Company's previous medium-term management plan that started from the fiscal year ended March 2018. He is currently promoting each strategy in the Medium-Term Management Plan 2023 towards the Long-Term Management Vision 2030.



**Hideo Ishii**  
Outside Director

12/12

Hideo Ishii served as Director and President at Japan Investor Solutions & Technologies Co., Ltd., and has experience in overseeing the entire business of a company. He has served as Outside Director since 2018. As a corporate manager, he makes judgments and expresses opinions, from objective viewpoints, on the execution of the Company's business.



**Akira Iwasaki**  
Outside Director

12/12

Akira Iwasaki has served as executive officer and CIO at several companies related to finance and systems. He has a wealth of knowledge and experience in general management, as well as systems and IT, therefore he is capable of providing judgment and comments on Company matters, including corporate management and the Systems Division, for effective business execution from an objective viewpoint. Appointed as an outside director of the Company in 2020.



**Yuji Nasu**  
Outside Director

New Appointment

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 was appointed to the position of Outside Director in June 2022, in the hope that he will make judgments and points regarding the Company's management and appropriate execution of business from an objective perspective.

Status of Attendance at Board of Directors' Meetings (FY22/03)
Status of Attendance at Audit and Supervisory Committee Meetings (FY22/03)
Status of Attendance at Audit & Supervisory Board Meetings (FY22/03)

### Directors who are Audit & Supervisory Committee members



**Toshiyuki Omote**  
Director and Vice President,  
General Manager of Sales

12/12

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



**Takahiro Furiyoshi**  
Director and Managing Executive Officer,  
Executive General Manager of Corporate Strategy Planning Department and Development Strategy

12/12

Takahiro Furiyoshi has worked in the sales division and is well-versed in the distribution sales workplace, and has specialist knowledge in the field. In 2015 he became General Manager of Sales. Since 2017, he has been Director and Managing Executive Officer, and General Manager of Business Development Division, engaging in efforts for the development of new businesses and growth of the overseas business, which will be key pillars for the next generation of ARATA's business. From 2022, he has been implementing strategies for achieving Long-Term Management Vision 2030 as General Manager of Corporate Strategy Planning.



**Yoshiro Uryu**  
Director and Managing Executive Officer,  
General Manager of Administration and General Manager of Human Resources

12/12

Yoshiro Uryu has worked in the sales and business planning divisions, and has extensive business experience and knowledge in the Company. He had managed a branch as President of Kyushu Branch from 2016, and from 2019 was involved in formulating the Long-term Management Vision as General Manager of Corporate Strategy Planning. In his current role as Managing Executive Officer, General Manager of Administration and General Manager of Human Resources, he is working on development of human resources who will lead the Company in the future.



**Mikihisa Ito**  
Director  
Member of Audit & Supervisory Committee

12/12 10/10 2/2


As Director and Managing Executive Officer, President of Kyushu Branch, Deputy General Manager of Sales & Sales Planning Department, and Manager of International Business Division, Mikihisa Ito has experience in both sales and general management. He is in charge of subsidiaries, understands how the Group's business operates as a whole, and has full knowledge of a wide range of business operations. These characteristics enable him to be even more effective in monitoring general management and in his auditing duties. He became a Director who is an Audit & Supervisory Committee member in June 2021.



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

12/12 10/10 2/2

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



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

12/12 10/10 2/2


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



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

12/12

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



**Akihito Mizuno**  
Director  
President and CEO of Japell Co., Ltd.

12/12

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



**Yoshihisa Aoki**  
Outside Director

12/12

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

### Executive Officer

**Toshio Nakagawa**  
Senior Managing Executive Officer  
President of Kansai Branch

**Futoshi Imazu**  
Executive Officer  
President of Kyushu Branch

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

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

**Shichiro Izaki**  
Executive Officer  
Logistics Supervisor of Kansai Branch

**Nakaba Nebashi**  
Executive Officer  
General Manager of Operations and Manager of Accounting and Finance

**Seiichi Kochiya**  
Managing Executive Officer  
President of Metropolitan Branch

**Hideyuki Yamada**  
Executive Officer  
General Manager of IT Planning

**Nobutaka Tsuchiya**  
Executive Officer  
General Manager of Legal, Corporate Communications and IR and ESG Divisions, and Manager of Legal Affairs, General Affairs and Administration, and ESG Promotion

**Yoshihisa Morishima**  
Senior Executive Officer  
President of Chubu Branch

**Hidehiro Tanaka**  
Executive Officer  
Corporate Strategy Planning Manager of International Business

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

**Koki Nakagawa**  
Executive Officer  
President of Chushikoku Branch

## Message from Outside Directors



**Yoshihisa Aoki**  
Outside Director

It has been five years since I was appointed as an Outside Director. During that time, ARATA's business performance has been improved significantly through the efforts of its management and employees, with profitability improving by around 1.75 times—from ordinary profit of approximately ¥7.8 billion in the fiscal year ended March 31, 2017, to ¥13.7 billion yen in the fiscal year ended March 31, 2022—and giving the Company a revenue base of around ¥10 billion in annual ordinary profit. In addition to the Company's efforts, thanks to the support of our stakeholders, we have also been able to gain recognition from customers and manufacturers.

We are not satisfied with this alone, however, and the question of how to continue ARATA's development in the future will be a key issue going forward. We are now engaged in company-wide efforts to determine what kind of company we will transform into and how we will meet the expectations of stakeholders as we head toward 2030. I believe that one key point is the question of just how seriously ARATA's management and employees will address this issue and produce results.

As an Outside Director, I believe that my key role is not only to oversee the state of execution of duties by Directors, but also to offer my advice and cooperation for the development of the Company.

I believe that the development of human resources is the most important issue for ARATA to achieve further development. Times are changing, with global climate change and changes in international relations. Going forward it will be necessary to have human resources who can make decisions without fearing change, and I believe that it is a matter of urgency to develop human resources who have the creativity and imagination to create something new, from scratch. I also participate in employee training and various other activities to help develop human resources, albeit in a very small way, and I truly hope that this will enable the development of many diverse human resources who can support the development of ARATA as soon as possible.

ARATA is engaged in various initiatives with a view to the future, such as enhancing its product lineup to meet customer needs, building a highly efficient logistics system, and expanding its overseas business, primarily targeting Asia. If ARATA can implement these measures steadily and accurately, I am sure that it will be able to achieve significant growth.

As an Outside Director, I would like to provide sufficient support for these initiatives from the sidelines. The Board of Directors deliberates on many growth-oriented investment proposals, and I hope to provide appropriate advice based on my practical experience in banking and insights gained through corporate management, in order to help facilitate appropriate decision-making.

It is also essential for us to develop human resources who will support this growth. ARATA's Nomination and Remuneration Committee, which is composed primarily of Outside Directors, conducts training interviews with young managers and next-generation executive candidates. Going forward, I would like to communicate as much information as possible on outsider perspectives and ways of thinking, to contribute to the growth of these individuals, through these training interviews and other opportunities.



**Hideo Ishii**  
Outside Director



**Akira Iwasaki**  
Outside Director

As a wholesale trading company dealing in daily necessities, ARATA has achieved major steady growth through integration as one company after multiple mergers. But as business environment continues to undergo major changes, I think the time has come for ARATA to make its next move with a view to the future. Last year, we formulated Long-Term Management Vision 2030. I believe that ARATA—which acts as an intermediary between manufacturers, retailers, and customers—has sufficiently deep knowledge of both sides of the business to provide support, and that the scope of its activities will continue to expand going forward.

The point that I would like to focus on in particular is digital transformation (DX). The major pillars for the Company to increase in size and achieve further growth are the transformation of internal system and ways of working, and the training of digital human resources. The foundation that will support the transformation of ARATA's business is a new system. There are many contributions that can be made, such as improving productivity, establishing communications infrastructure, and expanding the Company's business through the use of data. I would like to leverage my experience to help support these efforts.

I joined Sumitomo Corporation in 1980 and was involved in machinery and electrical-related domestic operations and import and export operations for 40 years. During that time, I spent six years stationed in Germany, where I gained experience in establishing an overseas operating company. For the last ten years, I have been involved in corporate management since the establishment of Sumitomo Shoji Machinex, created through a merger of regional companies in Tokyo, Nagoya and Osaka regions, and served as president for six years.

Based on this experience and knowledge, and through my advice, I will work to help ARATA become a company in which all of the employees who will support it five to ten years from now can play even more active roles, with the aim of ARATA's continued growth and improvement in corporate value.



**Yuji Nasu**  
Outside Director (newly appointed)



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

At the Annual General Meeting of Shareholders in June 2021, the Company resolved to transition to the "Company with an Audit and Supervisory Committee" format. The purpose of this was to increase the delegation of authority for business execution to an operational level and seek to strengthen the monitoring function of the Board of Directors.

One year has now passed since the transition, and discussions at the Board of Directors have become more active. As a result, in some cases, we have been able to draw useful conclusions that had led to risk hedging for the Company. My position has changed from an Audit and Supervisor Board Member and I now have voting rights at Board meetings as a Director, and I approach Board meetings with an even greater feeling of tension and discipline.

Due to the nature of ARATA's business, capital investments and investment financing are required on an ongoing basis, and I can really appreciate the importance of correctly understanding and judging opportunities and risks that will lead to the growth of the Company. In my role as an Outside Director and Audit and Supervisory Committee Member, I make efforts to involve myself in discussions on all matters and give recommendations for the creation of mechanisms that will enable us to make decisions based on sufficient information.

At the same time as the transition to a "Company with an Audit and Supervisory Committee" format, the number of internal directors was increased. Many comments are now made by both internal Directors and Outside Directors at Board meetings, resulting in livelier discussions. Regarding the operation of the Board of Directors itself, efforts for continuous improvement have been made based on the opinions of the Audit and Supervisory Committee Members and other Directors. I now feel that our deliberations have become more balanced, opportunities to deliberate on medium- to long-term business strategies have increased, and constructive discussions have become more frequent.

As for my own role as an Outside Director who is also a member of the Audit and Supervisory Committee, also based on the fact that I am lawyer, I would like to be able to actively express my opinions on promoting active roles for women, as well as conducting audits focusing on matters such as governance, compliance, and risk management.



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

# Corporate Governance

## Basic Approach

The ARATA CORPORATION Group consolidates the long histories and traditions of a number of powerful wholesalers from across Japan into a single entity. We strive to contribute to Japanese industry and the local regions where we operate as we shoulder a part of the distribution economy.

We therefore fulfill this role with a strong “frontier spirit,” remembering the importance of cooperation, mutual trust, and humility at all times. At the same time, under our management philosophy of maintaining initiatives that “continue to serve the world,” we will actively develop our business, continuing to contribute to society by being a company that provides outstanding, essential wholesaling functions in line with our management vision of “creating beautiful, clean, and comfortable lifestyles.”

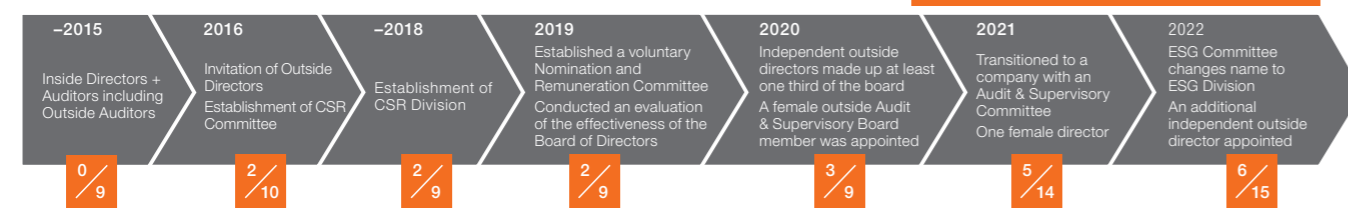
The Group believes that improving corporate value means improving business performance through sustained business activities, but that it also requires carrying out the various responsibilities expected by stakeholders. As a company, it is especially important

that ARATA quickly discloses information on activities to investors, employees, business partners, and others, and enhances the transparency of management. Based on this approach, we have shifted from a Company With an Audit and Supervisory Board to a Company with an Audit and Supervisory Committee in June 2021.

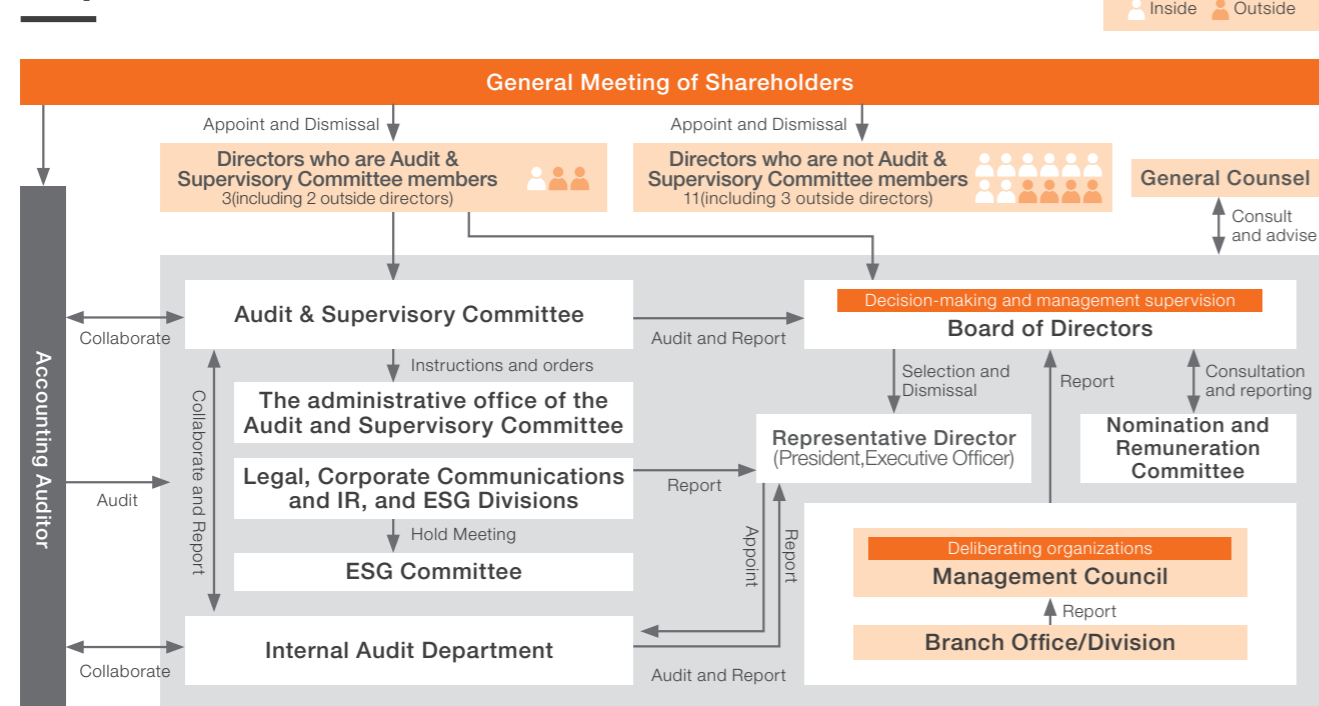
In addition, in the course of conducting business activities, we recognize that fulfilling our corporate social responsibility (CSR), such as compliance, environmental measures, and respect for human rights, is as important as improving business performance, and we believe that the management oversight of the Group by these stakeholders is implemented by the Board of Directors and the Audit and Supervisory Committee.

We believe that the role of directors who are members of the Audit and Supervisory Committee is to ensure the sound and sustainable growth of the company, and we will build a system to further strengthen the supervisory function with the aim of establishing a high-quality corporate governance system that will live up to the trust of society.

## Changes to strengthen the governance framework



## Corporate Governance Framework



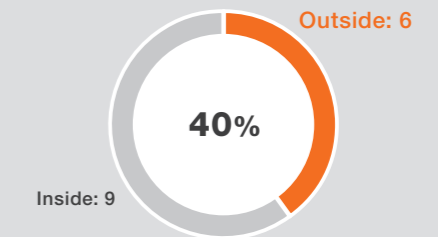
## Corporate Governance Structure

### Board of Directors

The Board of Directors meets once a month, in principle. It makes decisions on matters prescribed by laws and regulations as well as other important management-related matters and supervises business execution.

The following skills matrix shows the expertise and experience which each member of the Board of Directors (i.e. Director) is expected to have.

### Ratio of independent outside directors



### Number of Meetings in FY22/03 12 times

- Features of the Board of Director**
- The chairperson shall not be an executive officer
  - Ratio of outside directors: 40%
  - All Outside Directors shall be independent officers

### Skill matrix

Skills	Description of skills
Management	Experience and skills in corporate management as a corporate representative
Financial accounting	Knowledge of finance and accounting from a management perspective / experience in financial companies / qualifications as a certified public accountant
Marketing and Sales	Knowledge of marketing such as purchasing and sales of cosmetics and daily necessities, our core businesses, and skills relating to sales as a wholesaler
Personnel/Labor management	Skills in management of human resources, which are the source of corporate value creation, and internal control
Strategy planning	Skills in formulating product strategies, logistics strategies and IT / systems strategies, etc., relating to ARATA's business operations
SDGs and ESG	Skills to engage in ESG activities, based on a sustainability-based approach
Compliance and Legal affairs	Skills to oversee management from a legal perspective / qualifications as an attorney
Global	Skills to understand management from a global perspective / experience in overseas business management

Name	Number of Independent Directors	Title	Skills						
			Management	Financial accounting	Marketing and Sales	Personnel/Labor management	Strategy planning	SDGs and ESG	Compliance and Legal affairs
Nobuyuki Hatanaka		Chairman of the Board of Directors	●			●	●		●
Yoichi Suzuki		Vice Chairman of the Board of Directors	●	●		●	●	●	●
Hiroaki Suzuki		Representative Director and President	●		●	●	●	●	
Toshiyuki Omote		Director and Vice President			●		●	●	
Takahiro Furiyoshi		Director and Managing Executive Officer	■		●		●	●	●
Yoshiro Uryu		Director and Managing Executive Officer		■	●	●	●	●	
Hidetaka Hatanaka		Director and Managing Executive Officer		●	●		●	■	
Akihito Mizuno		Director	●		●	●	●	●	
Yoshihisa Aoki	●	Outside Director	●				●	●	●
Hideo Ishii	●	Outside Director	●	●			●	●	●
Akira Iwasaki	●	Outside Director	●				●	●	●
Yuji Nasu	●	Outside Director	●				●	●	●
Mikihisa Ito		Director, Member of Audit and Supervisory Committee	●		●	●	●	●	●
Satoshi Hiramitsu	●	Outside Director, Member of Audit and Supervisory Committee		●			●	●	●
Tomoko Sakamoto	●	Outside Director, Member of Audit and Supervisory Committee				●	●	●	●

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

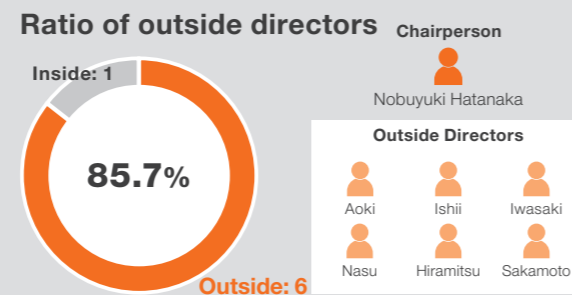


## Corporate Governance

### Nomination and Remuneration Committee

The Company established the Nomination and Remuneration Committee as a voluntary consultative body to the Board of Directors to ensure that Outside Directors have to opportunity to participate in and advise on decision-making regarding the nomination and remuneration of directors, and to strengthen independence, objectivity and accountability and further enhance the corporate governance framework in this regard. The Committee meets four times a year, in principle.

**Number of Meetings in FY22/03 8 times**



- Features of Nomination and Remuneration Committee**
- He committee chairperson shall not be an executive officer
  - Ratio of Outside Directors: 87.5%
  - All Outside Directors shall be independent officers

### Role of the Nomination and Remuneration Committee

- Matters relating to proposals on the election or dismissal of Directors to be submitted to the General Meeting of Shareholders
- Matters relating to the election or dismissal of Representative Directors and Directors with Specific Titles to be submitted to the Board of Directors
- Matters relating to the election or dismissal of executive officers to be submitted to the Board of Directors
- Matters relating to proposals on the remuneration of Directors to be submitted to the Board of Directors
- Matters relating to the policy for determining the details of remuneration for individual Directors (excludes Audit & Supervisory Committee members) to be submitted to the Board of Directors
- Matters relating to the details of remuneration for individual Directors (excludes Audit & Supervisory Committee members) (\*delivery of report to the Representative Director and President in response to a request from Representative Director and President)
- Matters relating to the remuneration of executive officers
- Matters relating to succession planning and successor development
- Matters relating to development of female managers
- Other important matters relating to the management of each ARATA Group company besides the foregoing deemed necessary by the Board of Directors

### Committee activities: Management interviews

Regarding succession planning (successor development), which is recognized as a particularly important part of the Nomination and Remuneration Committee's role, the committee conducted group interviews involving 24 senior managers split across two days in November 2021. 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.

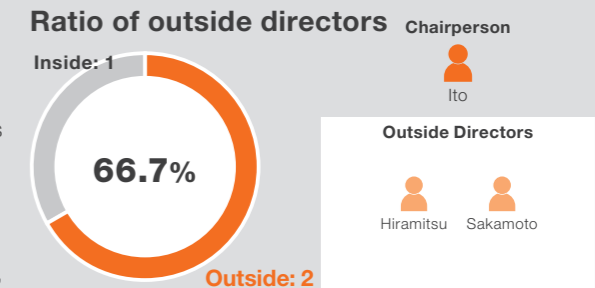
Further, the committee provided individual feedback to participants, adopting an approach which focused on the identification and development of successor candidates.

#### Interview themes(excerpt)

- Diversity Initiatives
- Personnel evaluation and development through personnel evaluation
- Management strategies in view of future environmental changes (globalization, Japanese economy, industry trends, technological advances, etc.) and ARATA's strengths and weaknesses
- Qualities sought in a leader and own self-improvement in view of these

### 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, especially full-time members, to audit the appropriateness of business execution through attendance at Management Council meetings and other important meetings, while also facilitating the sharing of issues based on reports of business audits by the Internal Audit Department.



**Number of Meetings in FY22/03 Audit and Supervisory Board: 2 times**  
**Audit and Supervisory Committee: 10 times**

\*In June 2021, the Company shifted from a Company with an Audit and Supervisory Board to a Company with an Audit and Supervisory Committee.

### Evaluating the effectiveness of the Board of Directors

Since 2019 ARATA has been conducting evaluations of the effectiveness of its Board of Directors, to make corporate governance function effectively.

Based on the results of the 2022 effectiveness assessment, the following items for improvement will be implemented going forward.

#### Items for improvement

- Improvement of materials submitted to the Board in relation to investments and strategies
- Enhanced monitoring of investments and strategies at Board meetings

These improvement measures are also some of the items noticed by the Audit and Supervisory Committee, and have led to the enhancement of the Company's governance

### Officers' remuneration(2022/03)

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

The Company's remuneration program consists of

Officer category	Number of eligible officers (persons)	Total amount of remuneration, etc. (¥ million)	Total amount of remuneration, etc. by type (¥ million)		
			Base remuneration	Performance-linked bonuses	Provision for BBT
Directors (Outside Directors)	10(3)	315(24)	222(24)	-	92(-)
Directors who are Audit & Supervisory Committee members (Outside Directors)	3(2)	19(9)	19(9)	-	-
Audit & Supervisory Board members (Outside Audit & Supervisory Board members)	4(2)	9(3)	9(3)	-	-
<b>Total (Outside Directors)</b>	<b>17(7)</b>	<b>344(36)</b>	<b>251(36)</b>	<b>-</b>	<b>92(-)</b>

\* In June 2021, the Company shifted from a Company with an Audit and Supervisory Board to a Company with an Audit and Supervisory Committee.

system both in terms of making effective use of effectiveness evaluations and exercising the supervisory functions of Audit and Supervisory Committee Members.

### Cross-shareholdings

Category	FY19/03	FY20/03	FY21/03	FY22/03
Number of shares (stock)	104	101	97	97
Number of shares (stock) of listed companies	64	62	58	58
Total consolidated balance sheet amount (¥ million)	9,195	8,410	9,895	8,911
Total amount of listed companies (¥ million)	9,039	8,260	9,715	7,932
Ratio to consolidated net assets (%)	11.42	10.15	10.87	9.27

base remuneration, performance-linked bonuses and stock remuneration (Board Benefit Trust or BBT). Base remuneration is based on factors such as business results and employees' salary increase rate, length of service, business management skills, achievements and degree of contribution, and the Company's policy is adopt a design which reflects factors such as right of representation, responsibilities of position, and contribution to management.

## Compliance

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

In terms of the compliance structure, the Legal Department within the Legal, Corporate Communications and IR, and ESG Divisions serves as a legal consultation point for the entire company and promotes group-wide activities to raise compliance awareness by handling

### Position toward compliance in the ARATA Corporate Conduct Guidelines

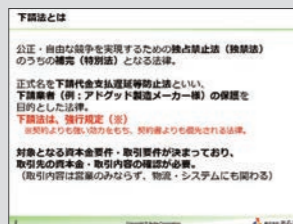
- 1 We recognize the importance of corporate ethics and management soundness, and will endeavor to disclose a wide range of accurate information promptly to increase management transparency.
- 2 We will execute our day-to-day business operations in compliance with the Companies Act, the Financial Instruments 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

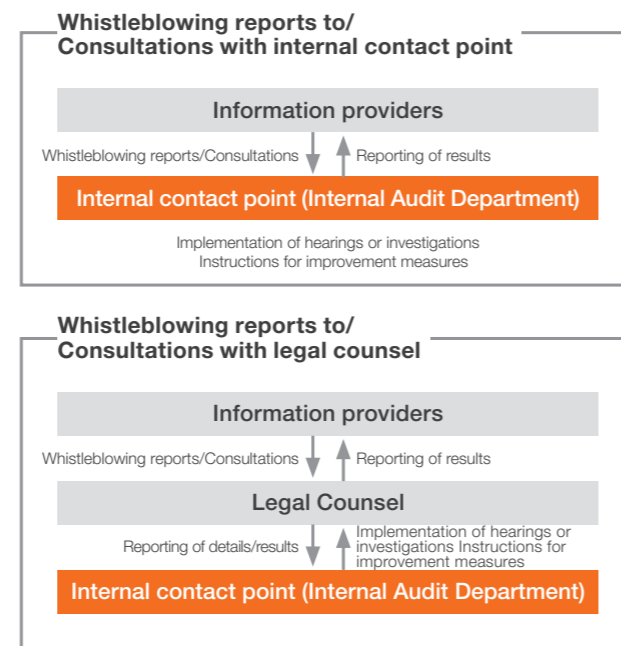
2021–  
Delivered seminars covering the Subcontract Act and other relevant laws and basic knowledge about contracts as part of training for sales personnel.



compliance training, checking contracts and offering consultations on industry regulations.

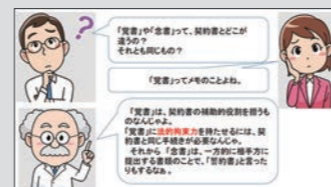
We have also established an internal hotline and an external compliance counter as a whistleblowing system for compliance issues, to quickly detect and correct misconduct through consultation and reporting of organizational or individual violations of laws and regulations, and to strengthen compliance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

### Structure of ARATA Hotline



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

2022–  
We distribute regular “Legal Teacher” content that allows employees to enjoy learning the basics of corporate legal affairs.



## Risk Management

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

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

With regard to risks for the Group as a whole, the Legal,

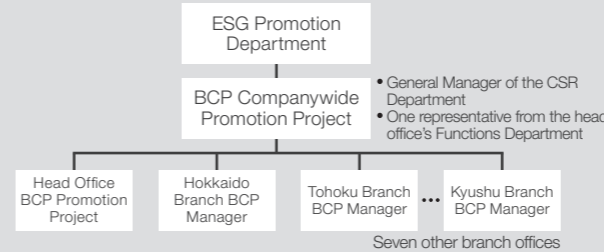
Corporate Communications and IR, and ESG Divisions and the Internal Audit Department coordinate with Group companies to manage risks. The Company's directors also concurrently serve as directors and corporate auditors of Group companies, and collect information at Board meetings, etc.

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

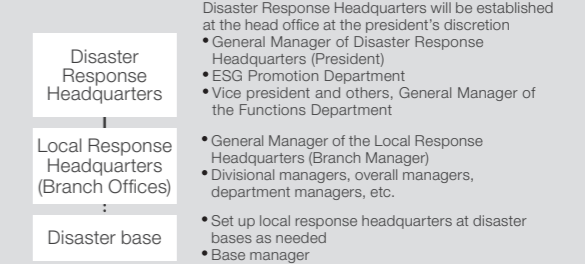
### Business Continuity Plan (BCP)

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

#### Regular BCP Promotion Structure (Planning)



#### Disaster Response Structure



#### BCP alternative logistics

ARATA has built an alternative logistics network for all distribution centers, as a contingency for in the event that one center becomes unable to ship products due to the impact of a disaster or a cluster of infectious diseases, etc.

#### Handling Typhoons and Floods

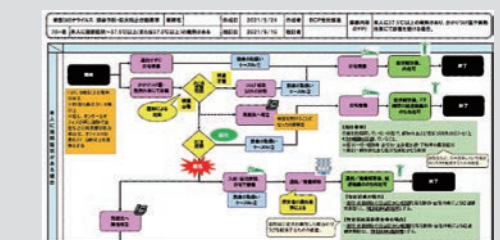
- Check hazard maps to evaluate the risk of damage to all centers and offices.
- Prepare action protocols and stockpiles based on disaster risk assessments.
- Use ARATA Disaster Prevention Day (part of the Company's disaster prevention activities) to consider how to respond in the event of a disaster.



Head office stockpiles (left) and stockpiled items (right)

#### Handling Pandemics

- Established a response headquarters and instructed all sites to implement rigorous preventive measures
- Formulated infection prevention and spread prevention standards and raised awareness about action to be taken.
- Issued instructions for installation and stockpiling for products to respond to the pandemic (thermometers, masks, hand sanitizer (alcohol), plastic gloves, face guards, protective clothing, etc.)
- Issued instructions for temperature measurement, installation of hand sanitizer (alcohol), and visitor record management
- Improved workplace environments to avoid close contact (the Three Cs)
- Implemented staggered working hours, telework and web conferencing, and asked employees to refrain from direct meetings to avoid the risk of infection

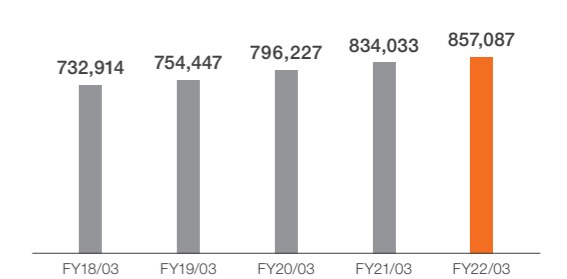


COVID-19 infection prevention/spread prevention protocol flowchart

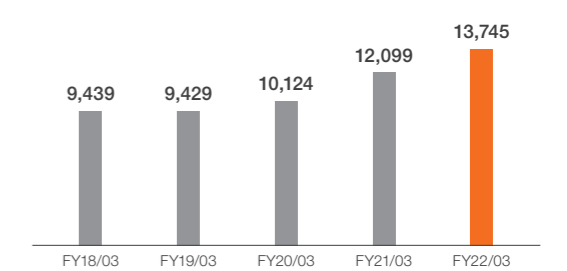
## Financial Summary

	FY12/03	FY13/03	FY14/03	FY15/03	FY16/03	FY17/03	FY18/03	FY19/03	FY20/03	FY21/03	FY22/03
<b>Operating Results</b>											
Net sales (¥ millions)	606,705	616,327	651,954	638,792	676,743	704,610	732,914	754,447	796,227	834,033	<b>857,087</b>
Operating profit (¥ millions)	4,174	3,726	4,472	2,461	5,699	7,384	8,857	8,892	9,326	11,521	<b>12,743</b>
Operating income margin (%)	0.7	0.6	0.7	0.4	0.8	1.0	1.2	1.2	1.2	1.4	<b>1.5</b>
Ordinary profit (¥ millions)	3,915	3,605	4,388	2,469	5,811	7,842	9,439	9,429	10,124	12,099	<b>13,745</b>
Ordinary profit margin (%)	0.6	0.6	0.7	0.4	0.9	1.1	1.3	1.2	1.3	1.5	<b>1.6</b>
Profit attributable to owners of parent (¥ millions)	1,628	1,768	2,435	1,124	3,244	4,863	6,361	6,903	7,191	8,200	<b>9,009</b>
Return on sales (%)	0.3	0.3	0.4	0.2	0.5	0.7	0.9	0.9	0.9	1.0	<b>1.1</b>
<b>Financial Condition</b>											
Total assets (¥ millions)	202,506	206,699	221,202	211,840	219,689	222,974	243,698	243,614	249,712	255,455	<b>271,315</b>
Net assets (¥ millions)	47,324	49,044	51,041	53,911	55,941	59,613	71,472	80,515	82,901	91,017	<b>96,172</b>
Equity ratio (%)	23.4	23.7	23.1	25.4	25.5	26.7	29.3	33.0	33.2	35.6	<b>35.4</b>
D/E ratio (times)	1.5	1.4	1.5	1.2	1.1	0.9	0.7	0.5	0.5	0.4	<b>0.4</b>
<b>Cash Flows</b>											
Cash flows from operating activities (¥ millions)	-720	9,959	1,481	21,955	7,594	12,637	11,649	9,513	5,262	14,071	<b>6,545</b>
Cash flows from investing activities (¥ millions)	-4,575	-4,054	-5,878	-6,775	-3,360	-3,155	-2,924	-880	-2,742	-5,157	<b>-7,205</b>
Cash flows from financing activities (¥ millions)	5,257	-7,699	7,246	-13,990	-1,791	-9,948	-4,501	-6,678	-3,833	-5,828	<b>-911</b>
<b>Management Indicators</b>											
Return on assets (%)	1.9	1.7	2.0	1.2	2.6	3.5	4.0	3.9	4.1	4.8	<b>5.2</b>
Return on equity (%)	3.4	3.6	4.8	2.1	5.9	8.4	9.7	9.1	8.8	9.4	<b>9.6</b>
Net income margin (%)	0.27	0.29	0.37	0.18	0.48	0.69	0.87	0.91	0.90	0.98	<b>1.05</b>
Total assets turnover (%)	3.00	2.98	2.95	3.02	3.08	3.16	3.01	3.10	3.19	3.26	<b>3.16</b>
Financial leverage (times)	4.28	4.22	4.34	3.93	3.93	3.74	3.41	3.03	3.01	2.81	<b>2.82</b>
Labor cost (¥ millions)	29,511	28,453	28,584	27,631	28,902	29,135	29,836	29,685	30,909	32,329	<b>32,168</b>
Ratio of labor cost to net sales (%)	4.9	4.6	4.4	4.3	4.3	4.1	4.1	3.9	3.9	3.9	<b>3.8</b>
Packing and delivery expenses (¥ millions)	17,345	14,848	15,776	16,012	17,572	17,888	18,834	20,255	21,965	22,337	<b>22,922</b>
Ratio of Packing and delivery expenses to net sales (%)	2.9	2.4	2.4	2.5	2.6	2.5	2.6	2.7	2.8	2.7	<b>2.7</b>
<b>Capital Investment</b>											
Capital investment (¥ millions)	4,548	4,931	7,809	7,943	3,845	4,383	6,828	3,325	4,988	5,525	<b>7,353</b>
Depreciation and amortization (¥ millions)	3,348	3,631	3,975	4,317	4,526	4,452	4,353	4,455	4,281	4,290	<b>4,522</b>
<b>Per Share Data</b>											
Cash dividend (¥)	40	40	50	50	55	65	75	80	85	95	<b>121</b>
Dividend payout ratio (%)	38.2	34.9	31.6	68.5	26.1	19.6	18.8	20.1	20.6	19.8	<b>22.9</b>
Earnings per share (¥)	21.12	22.93	31.60	72.96	210.43	330.95	399.12	397.71	413.03	480.58	<b>527.63</b>
Book-value per share (¥)	613.56	635.91	661.84	3,496.31	3,627.53	4,054.51	4,285.43	4,546.87	4,861.37	5,332.81	<b>5,631.37</b>
Number of employees	2,977	2,960	2,924	2,917	2,914	2,926	3,023	3,016	2,984	2,997	<b>2,972</b>

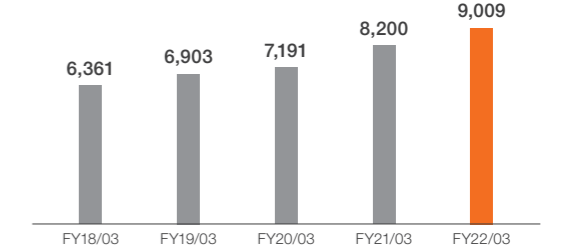
### Net sales (¥ millions)



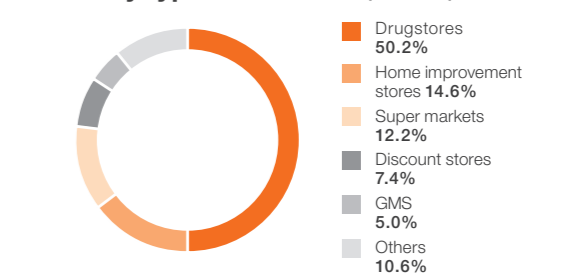
### Ordinary profit (¥ millions)



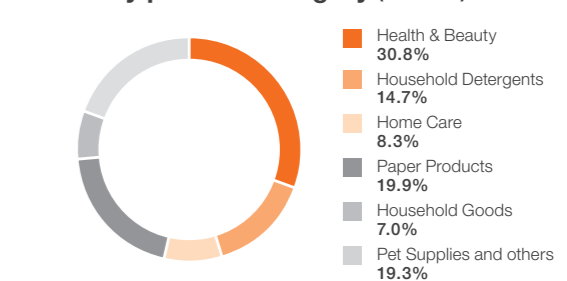
### Profit attributable to owners of parent (¥ millions)



### Sales by type of business (FY22/03)



### Sales by product category (FY22/03)



\*As of the fiscal year ended March 31, 2022, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied to all figures.

## Company Outline (FY22/03)

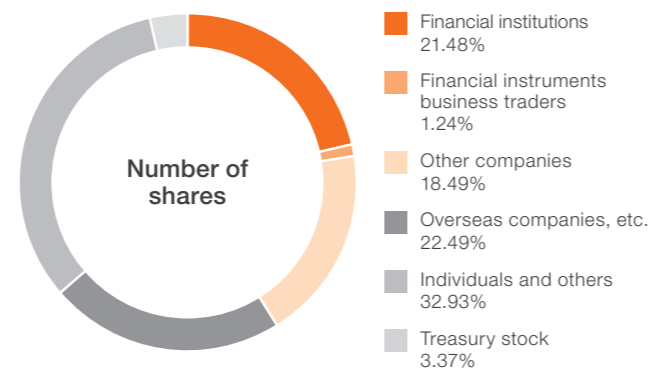
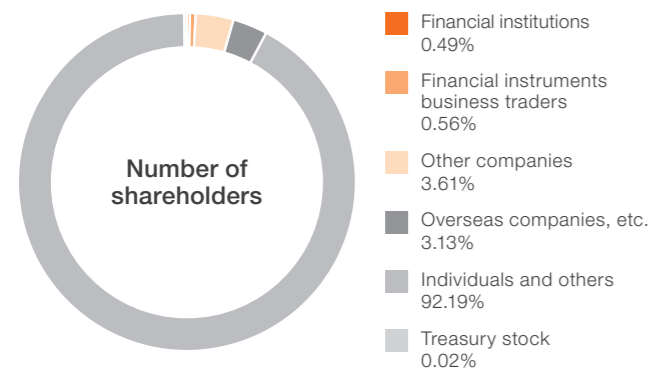
<b>Registered Company Name</b>	ARATA CORPORATION
<b>Head Office</b>	East 21 Tower, 6-3-2 Toyo, Koto-ku, Tokyo 135-0016, Japan
<b>Date Established</b>	April 1, 2002
<b>Capital</b>	¥8,568 million

<b>Stock Listing</b>	Tokyo Stock Exchange (securities code: 2733)
<b>Shareholder Registry Administrator and Special Account Management Institution</b>	Mitsubishi UFJ Trust and Banking Corporation
<b>Number of Employees</b>	2,972 (non-consolidated: 2,060)
<b>Website</b>	URL: <a href="https://www.arata-gr.jp/en/">https://www.arata-gr.jp/en/</a>

## Stock Information (as of March 31, 2022)

<b>Number of shares authorized</b>	30,000,000
<b>Number of shares issued</b>	18,027,640
<b>Number of shareholders</b>	4,852

## Shareholder Composition (as of March 31, 2022)



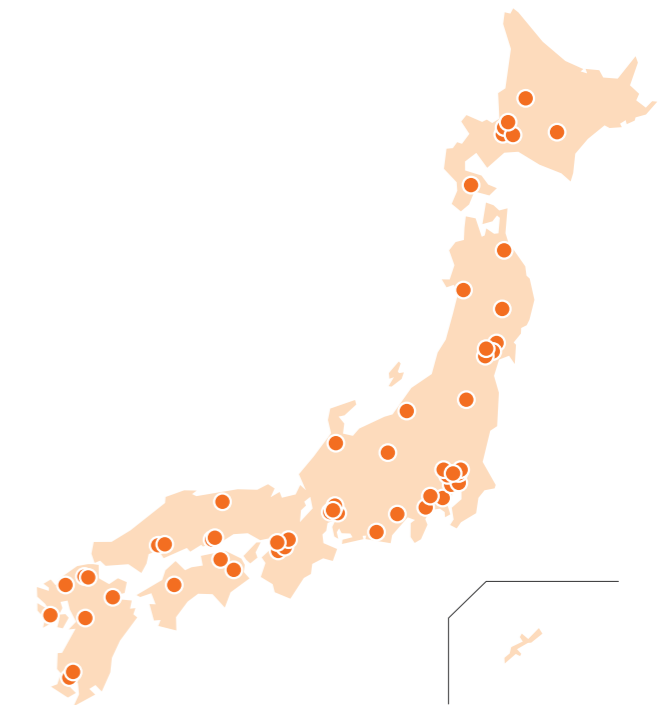
## Principal Shareholders (as of March 31, 2022)

	Number of shares held (thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,147	12.33
Otowa Shokusan Co., Ltd.	1,081	6.21
ARATA Employee Shareholding Association	801	4.60
NORTHERN TRUST CO.(AVFC) RE FIDELITY FUNDS	678	3.89
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	635	3.64
Custody Bank of Japan, Ltd. (Trust Account)	629	3.61
Lion Corporation	481	2.76
Nobuyuki Hatanaka	459	2.64
Custody Bank of Japan (Account E in Trust)	343	1.97
The Nomura Trust & Banking Co., Ltd.	293	1.68

- ARATA holds 607,000 shares of treasury stock, but these are excluded from the above principal shareholders. Further, 343,000 shares held by Custody Bank of Japan, Ltd. (Trust Account E) related to the Board Benefit Trust (BBT) system are not included in the above 607,000 shares of treasury stock.
- Treasury stock is excluded when calculating shareholding ratios.

## Domestic Bases

Head Office	Tohoku area
<b>Hokkaido area</b>	Tohoku Branch
Hokkaido Branch	Sendai Office, Sendai Center
Sapporo Office	Akita Office, Akita Center
Sapporo Center	Hachinohe Office
Hakodate Office	Iwate Office
Asahikawa Office, Asahikawa Center	Minami Tohoku Office
Obihiro Office, Obihiro Center	Kitakami Center
Ishikari Center	Fukushima Center
Hokkaido Cosmetic Center	Tohoku Cosmetic Center
<b>Metropolitan area</b>	<b>Chubu area</b>
Metropolitan Branch	Chubu Branch
Higashi Kanto Office	Nagoya Office
Chiba Center	Hokuriku Office, Hokuriku Center
Saitama Office, Saitama Center	Shizuoka Office, Shizuoka Center
Kanagawa Office	Suruga Office
Koshinetsu Office	Konan Center
Matsumoto Office	Heiwa Center
Tsukuba Center	
Koshigaya Center	<b>Kansai area</b>
Kitakanto Center	Kansai Branch
Kanagawa Center	Izumi Center
Yokohama Center	Koriyama Center
Misato Depo	Kansai Cosmetic Center
Shiraoka Depo	
Metropolitan Cosmetic Center	



Chugoku and Shikoku area	Kyushu area
Chushikoku Branch	Kyushu Branch
Okayama Office, Okayama Center	Fukuoka Office
Hiroshima Office	Nagasaki Office, Nagasaki Depo
Hiroshima Center	Oita Office
Tottori Office, Tottori Center	Kumamoto Office, Kumamoto Depo
Tokushima Office, Tokushima Center	Kagoshima Office, Kyushu-Minami Center
Takamatsu Office, Takamatsu Center	Kyushu-Kita Center
Matsuyama Office, Matsuyama Center	
Household Goods Center	

## Group Companies

Domestic group companies	
Japell Co., Ltd.	Wholesaling operations related to pet supplies
Japell Partnership Service Co., Ltd.	Retail sale of pet-related products, pet styling and grooming, recruiting of franchised stores
PET LIBRARY Co., Ltd.	Retail sale of pets, pet food, and pet supplies
Mobby Co., Ltd.	Online sales of pet-related products
Vet's Choice Japan Corporation	Import and sale of pet food and pet supplies, manufacture, purchase and sale of pet-related miscellaneous goods
ISM CORPORATION	Store management company
Living Arata Co., Ltd.	Wholesaling of home goods
D-Nee Cosmetics Co., Ltd.	Import/export, manufacturing and sale of cosmetics
DENTSU RETAIL MARKETING INC.	In-store marketing (market analysis, sales promotion planning, in-store branding, results validation)
Asahi Keshohin Hanbai Co., Ltd.	Wholesaling of cosmetics, perfumed soap, toothpaste, food and beverages, textile products, and miscellaneous goods
Overseas group companies	
Kairaotai (Shanghai) Trading Co., Ltd.	Wholesaling of home goods, etc.
JAPPELL(HONG KONG)CO., LIMITED	Retailing, wholesaling, and import/export sales of pet-related products, as well as other related services
ARATA(THAILAND)CO., LTD.	Wholesale business in Thailand
SIAM ARATA CO., LTD.	Wholesale business in Thailand
ARATA VIETNAM COMPANY LIMITED	Wholesale business in Vietnam, etc.