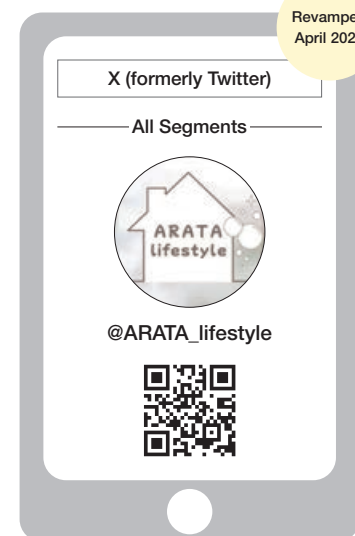




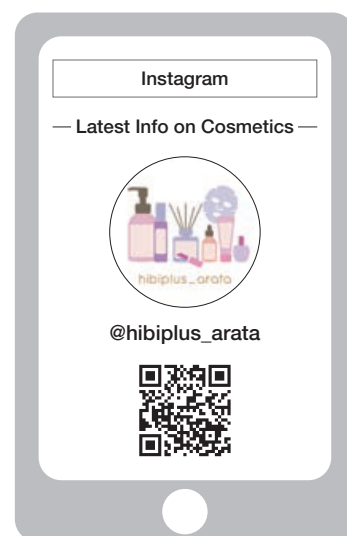
ARATA search

<https://www.arata-gr.jp/en/>

Revamped
April 2025



Revamped
April 2025



ARATA INTEGRATED REPORT 2025

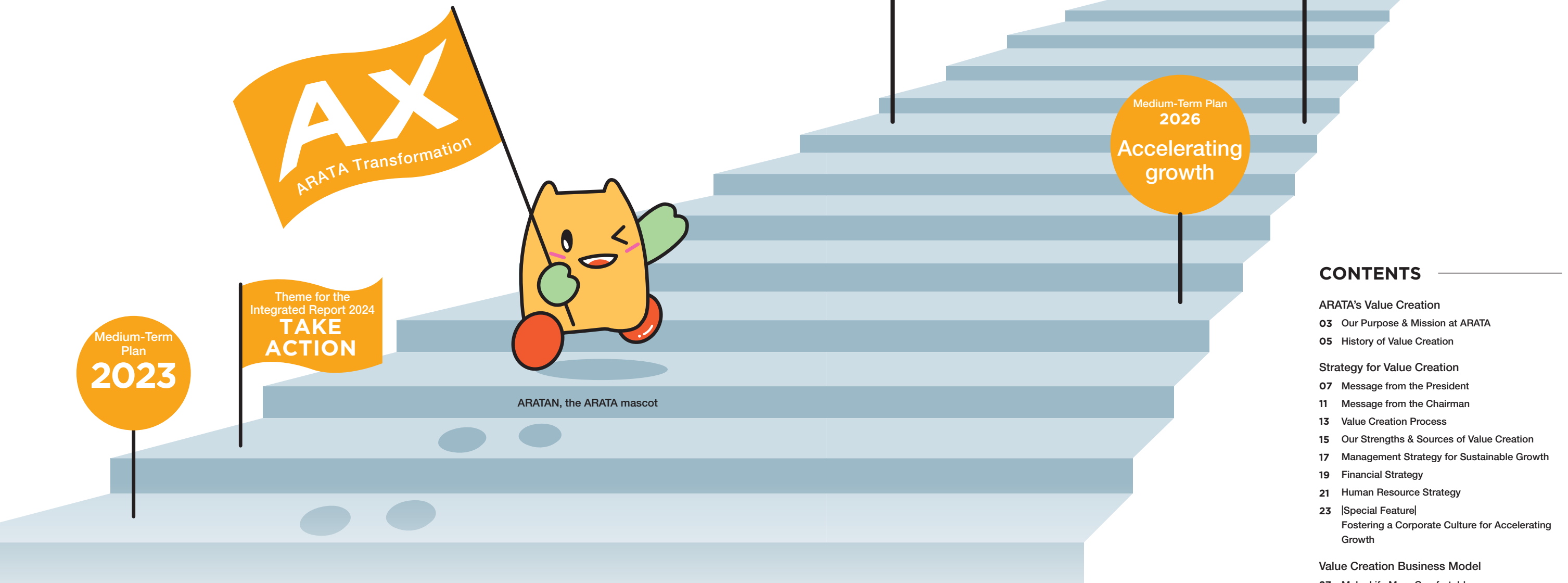
ARATA INTEGRATED REPORT 2025

AX

The theme for the Integrated Report 2025 is “AX (ARATA Transformation).”

The fiscal year ended March 31, 2025, the second year of the Medium-Term Management Plan 2026, was a year in which we strove toward transformation in an effort to achieve sustainable growth by taking the initiatives in TAKE ACTION launched in the previous year to transform our work and organization, rebuild our management foundation, and leverage the assets we have cultivated.

This report showcases our strategies and initiatives for accelerating growth to achieve the Medium-Term Management Plan 2026, then the Long-Term Management Vision 2030 and beyond.



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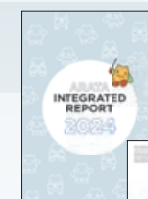
In FY2018, the ARATA Group issued its inaugural integrated report, aiming to communicate to shareholders, investors, and all other stakeholders in an easy-to-understand manner the management strategies aimed at increasing corporate value. This report presents information that is highly important to the Group, including Group business activities, financial information, and non-financial information critical to explaining the growth strategies in the Medium-Term Management Plan in a compact manner based on comprehensive 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)



Themes in the Integrated Reports Aimed at “Accelerating Growth” in the Medium-Term Management Plan 2026



Integrated Report 2024

On the front cover, ARATAN holds mascara from our original cosmetics brand 3650 (san roku go zero), highlighting our new role as a manufacturer.



Integrated Report 2025

On the front cover, ARATAN passes the baton, representing the transformation to the organization wrought by the change in president in April 2025.

Organizations Covered

ARATA CORPORATION and Group Companies

Period Covered by This Report

April 1, 2024–March 31, 2025

The report includes some activities from the fiscal year ending March 31, 2026.

Caution Regarding Forward-Looking Statements

This report contains forward-looking statements about future plans, strategies, and operating performance forecasts. While these statements were created based on reliable information at the time, they include risks and uncertainties, and ARATA CORPORATION bears no responsibility for their accuracy or completeness. Actual results may differ substantially from the Company's outlook.

Our Purpose & Mission at ARATA

ARATA CORPORATION is one of Japan's largest wholesale trading companies dealing in daily necessities and cosmetics.

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

We serve as a bridge between manufacturers and retailers, providing a stable supply of high-quality products to deliver both everyday essentials as well as products for abundant and comfortable living as a part of consumers' daily lives.



Management Philosophy Continue to serve the world

Our ways of life are changing dramatically. ARATA's mission is to be a company that not only delivers products that meet the needs of these changing times, but also achieves the dream of "comfortable living now and forever." Based on the steadfast management philosophy of "continuing to serve the world," ARATA continues to deliver new value to make life even more abundant and comfortable.

The Value ARATA Provides



Fulfilling Our Social Mission, Even in an Emergency

■ Pandemic Response

Amid increased demand for hygiene products such as masks and continued product shortages during the COVID-19 pandemic that began in 2020, we identified high-quality products and maintained a continuous supply to fulfill our mission of delivering safe and secure products to consumers.

While the economy stagnated due to fewer opportunities to go out and lower sales of cosmetics, and many companies experienced poor performance, ARATA made agile product proposals in line with changing consumer purchasing trends and has continued to increase its performance.

■ Response to the Noto Peninsula Earthquake

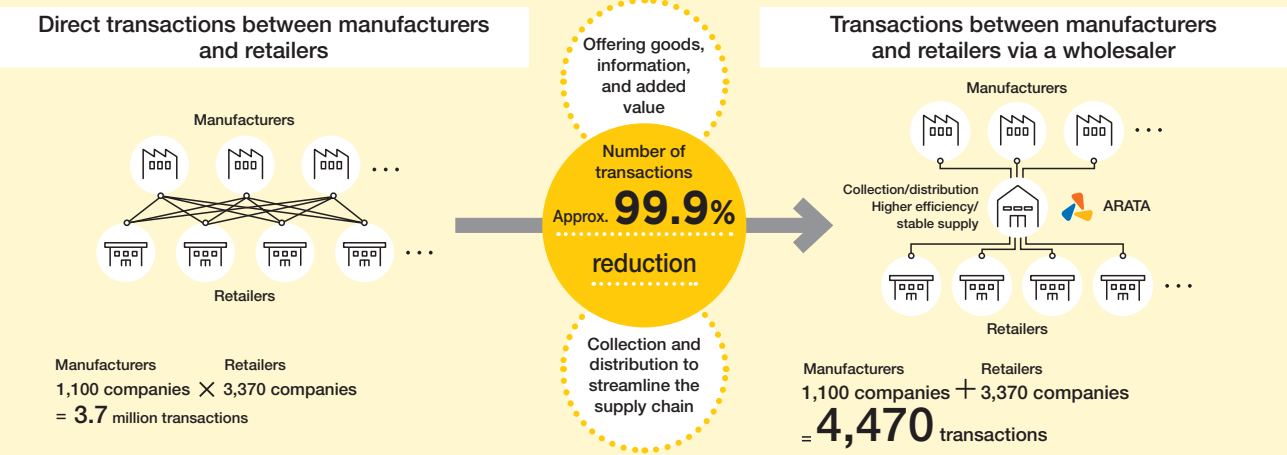
The Noto Peninsula Earthquake on January 1, 2024 affected our Hokuriku office and center, bringing shipments to a temporary halt. After checking employee safety, employees from the affected office and center as well as those from nearby areas participated in recovery efforts in order to deliver essential goods as quickly as possible, resuming shipments on the afternoon of the following day, January 2.

Even in this disaster, we implemented our BCP in an optimal manner to fulfill our duties to society as a wholesaler.

The Role of Wholesalers: Collection and Distribution

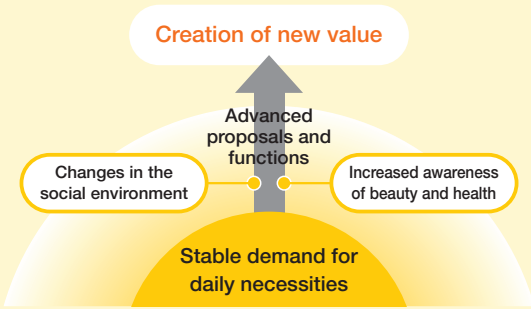
As a wholesaler of daily necessities and cosmetics, ARATA plays a vital role in delivering products that are a part of people's lives anytime, anywhere throughout Japan.

By collecting and distributing goods between manufacturers and retailers, we help streamline the supply chain while providing not only products but information and added value as well. Among consumer goods, the daily necessities and cosmetics we carry are particularly diverse among our consumer goods and often involve small lots and frequent transactions, requiring us to build logistics systems that are more advanced yet lower in cost.



Meeting Changing Demand

The daily necessities and cosmetics ARATA carries are indispensable to people's lives and thus enjoy stable demand. In addition to this stable business environment, rapid changes to the social environment in recent years have led to increased consumer awareness of beauty and health, with a growing preference for related products. This has led to greater demand for more advanced product proposals and distribution. ARATA will continue to respond to social changes in a swift, agile manner as we strive to deliver even greater value.



History of Value Creation

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

2000s

Nationwide response to upsizing of retailers and strengthening product segments

- Establish a nationwide logistics network
- Boost proposal capabilities in partnership with subsidiaries (in-store support, segment development, etc.)

2010s

Strengthening management foundation for sustainable value creation

- Earn social trust
- Strengthen organizational structure
- Expand overseas

2020s

Response to lifestyle changes and diversification

- Pandemic response
- Distinctive product proposals
- Build our role as a manufacturer leveraging our strengths in wholesale

Respond to social changes and deliver even greater value

2002

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



Established ARATA CORPORATION

2004

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

2005

Made Japell Co., Ltd. into a subsidiary

2007

Established ISM CORPORATION

2009

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

2010

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

2011

Listed on the Second Section of the Tokyo Stock Exchange

2012

Listed on the First Section of the Tokyo Stock Exchange



Listed on the First Section of the Tokyo Stock Exchange

2012

Established Kairaotai (Shanghai) Trading Co., Ltd. in Shanghai, China (Its shares were transferred to Japell Co., Ltd. in March 2024)

2013

Established JAPELL (HONG KONG) CO., LIMITED in Hong Kong, China

2013

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

2015

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

2020

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

2020

Established Long-Term Management Vision 2030

2021

Established D-Nee Cosmetic Co.,Ltd.

2022

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

2023

Established Medium-Term Management Plan 2026

2024

Established XIN LE HUA (GUANGZHOU) INTERNATIONAL TRADING CO., LTD. in Guangzhou, China

Medium-Term Management Plan 2026

Net sales: ¥1 trillion
Ordinary profit: ¥18.0 billion

Net Sales and Ordinary Profit (Consolidated)

Legend: ■ Net sales (left axis) — Ordinary profit (right axis)

Fiscal Year	Net Sales (¥ billion)	Ordinary Profit (¥ billion)
2002		7.6
FY03/03	388.6	8.0
FY04/03	402.5	
FY05/03	424.8	2.1
FY06/03	455.9	1.0
FY07/03	522.1	1.2
FY08/03	551.7	1.9
FY09/03	569.6	2.3
FY10/03	589.8	3.8
FY11/03	601.9	4.2
FY12/03	606.7	3.9
FY13/03	616.3	3.6
FY14/03	651.9	4.3
FY15/03	638.7	2.4
FY16/03	676.7	5.8
FY17/03	704.6	7.8
FY18/03	732.9	9.4
FY19/03	754.4	9.4
FY20/03	796.2	10.1
FY21/03	834.0	12.0
FY22/03	857.0	13.7
FY23/03	891.6	13.6
FY24/03	944.1	15.3
FY25/03		
FY26/03 (Forecast)		

05

06



Taking Action from a Medium- to Long-Term Perspective to Achieve Sustainable Growth and Higher Corporate Value

Seiichi Kachiya

Representative Director and President

On Becoming President

A New Leadership Structure Launched to Achieve Long-Term Management Vision 2030

I was appointed Representative Director and President on April 1, 2025. Honestly, I was unsure at first whether I had the capacity to fulfill this role, but with the encouragement of Senior Advisor Hatanaka, who told me that the role of president is the most rewarding and meaningful job one can undertake, I made up my mind and accepted the position. After assuming the presidency, I experienced many hectic days leading up to the General Shareholders meeting. Even afterward, I found myself constantly addressing all manner of internal and external matters, leaving virtually no time to rest. My experience thus far has proven to be an invaluable asset in my new position, especially during my tenure as President of the Capital Area Branch, when I took proactive measures to address a variety of issues despite challenging circumstances. I believe it was this stance that led to my appointment as president.

This transition in leadership came as we entered the final fiscal year of the Medium-Term Management Plan, and I found myself in full agreement with former president Suzaki's view that it would be better if the new president were to formulate and execute the next plan. Executing a plan that I played a central role in creating will allow me to implement it with an even deeper sense of understanding and responsibility. Going forward, I will carefully assess our current progress and revise our strategy as needed to achieve the Long-Term Management Vision 2030, which we established five years ago. For the next Medium-Term Management Plan, which will commence in the fiscal year ending March 31, 2027, ARATA will move forward as a united effort so that this four-year period ties directly to achieving this vision.

Looking Back on FY25/03

Record High Net Sales for the Tenth Consecutive Year
Record High Ordinary Profit for the Second Consecutive Year

In the fiscal year ended March 31, 2025, ARATA made steady progress, with record high net sales for the tenth consecutive year and record high ordinary profit for the second consecutive year. While sales volume has remained flat in recent years, stronger sales of high-value-added products and the impact of price increases due to inflation

have led to higher unit prices. However, we have sensed a weakening of this trend since the second half of the fiscal year. Cost-push inflation also continued, with our business partners experiencing significant increases in human resource and logistics costs. This has led to higher demands from our business partners, creating an even harsher business environment.

Under these circumstances, we decided to focus on taking action from a medium- to long-term perspective, believing that a short-term perspective would lead us in the wrong direction. An example of this is the inventory write-down recorded in our role as a manufacturer. While this represents a short-term loss, we view it as a positive restructuring for medium- to long-term growth.

Excluding short-term and temporary factors, we saw only minor deviations from the plan and were able to achieve solid results for the most part. This was a year in which we built a solid foundation for achieving the major milestone of ¥1 trillion in net sales for the fiscal year ending March 31, 2026.

Outlook and Initiatives for FY26/03

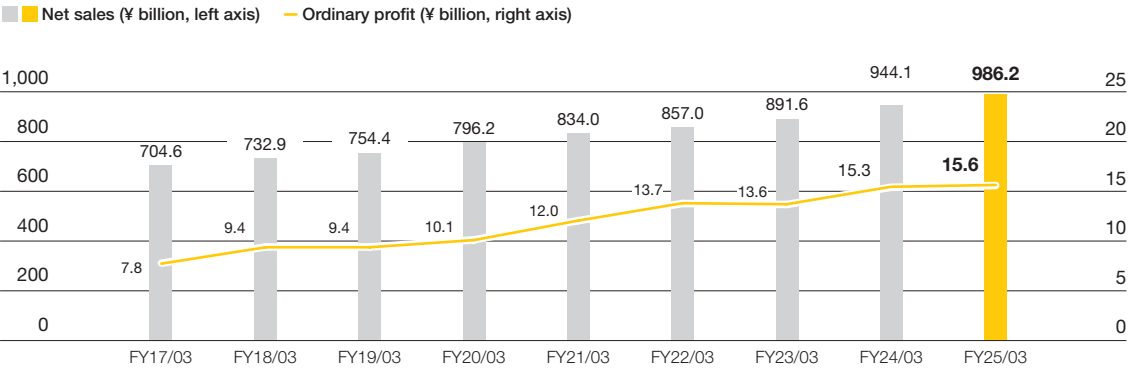
Stronger Earning Power Vital to Achieving ¥1 Trillion in Net Sales

We expect to achieve net sales of ¥1 trillion in the fiscal year ending March 31, 2026, ahead of schedule of our original target of 2030 set in our Long-Term Management Vision. In terms of profit, however, we continue to face harsh conditions. The increases in unit price that have upheld our performance have been petering out, and we also face demands to meet the increasingly sophisticated and stringent requirements of our major business partners as they expand in scale.

Under these circumstances, it is easy to chase short-term profits, but we are still holding our medium- to long-term management perspective. One example is our investment in human capital. We began investing in human capital early on, increasing employee salaries by approximately 20% over the past three years, and we will invest further in the fiscal year ending March 31, 2026. Combined with social changes such as substantial minimum wage increases, costs increase in the short term, creating what could be considered a very challenging situation.

By viewing this from a medium- to long-term perspective, we can interpret this not as a cost but as an investment that will help us secure outstanding full- and part-time employees for the future. I believe we can control the pressing issue of rising costs by implementing measures to

Net Sales and Ordinary Profit (Consolidated)



absorb costs through improved productivity.

Looking back over our progress in the Medium-Term Management Plan 2026, our ESG initiatives, particularly the creation of better working environments through higher salary levels, have yielded solid results. At the same time, we must establish even stronger earning power to achieve sustainable growth as a company. We must now focus on further refining our strength in sales, particularly our highly regarded role in retail support, while continuing to grow our exclusive and preferential distribution items, which have been recent drivers of growth.

We will also explore new growth areas in anticipation of a shrinking Japanese market while nurturing our core domestic wholesale business. Specifically, this means expanding our product segments, strengthening our role as a manufacturer, and promoting international business. While our international business has not yet reached the profit stage, we will continue to build its foundation during the fiscal year ending March 31, 2026 to generate results during the next Medium-Term Management Plan.

Creating the Next Medium-Term Management Plan

Aiming for Further Growth Through Transformation and New Endeavors

Preparations are already underway for the next Medium-Term Management Plan, which will commence in the fiscal year ending March 31, 2027. While I cannot share details at this time, I want it to make a strong impression that “ARATA is changing.”

We will identify our vision and create an environment where all employees can approach their work with shared aspirations and goals. To achieve this, we will communicate with diverse demographics, including junior employees, then formulate a vision that reflects employee input and work toward its adoption, promotion, and achievement.

In terms of performance, we aim to accelerate growth even further based on backcasting from our Long-Term Management Vision 2030. We anticipate further industry restructuring among retailers, which we expect will have a severe impact on the Company as we respond to the upsizing of retailers. To address this, a response policy will be shared through Management Meetings, where the heads

of executive departments come together to discuss initiatives, as well as through the Board of Directors, the Company’s highest decision-making body, and based on this, appropriate measures including monitoring will be put in place.

We will also focus on resolving logistics issues. We have begun joint delivery with competitors, clearly distinguishing between areas of competition and cooperation to promote initiatives aimed at streamlining. By considering collaboration with a wide range of partners, including those from different industries, we will work to reduce waste and improve efficiency. We will also promote streamlining with retailers and manufacturers, with ARATA playing a central role in driving optimization across the supply chain. Through these initiatives, our response to the changing market environment will be swift and agile while achieving both sustainable growth and increased corporate value.

Sustainability (ESG)

Stronger Cybersecurity Measures and Group Governance

ARATA has produced steady results in the areas of Environment (E), Social (S), and Governance (G). I have served as ESG Committee Chair since April 2025 and can see that our sustainability initiatives have recently begun to bear fruit, with a certain level of environmental infrastructure now in place. Specific achievements include improved CDP ratings, Kurumin Certification, KENKO Investment for Health Certification, and inclusion in international ESG investment indices such as MSCI and FTSE. These achievements contribute to higher credibility among investors and help establish a good social reputation, which I believe are important elements in enhancing corporate value.

In addition to maintaining and improving existing certifications and ratings, we will strengthen cybersecurity measures as a new priority issue going forward. With the introduction of the corporate rating system by the Ministry of Economy, Trade and Industry, we anticipate that advanced security levels will be required as a condition for continued business relationships, and as such will identify our target rating level and work to develop appropriate systems.

In terms of governance, creating a stronger structure is a



challenge that must be taken on not just by ARATA but by the entire Group. While we have made progress in improving the diversity and independence of the Board of Directors, such as increasing the ratio of female directors and outside directors, we will build a consistent governance structure that includes all Group companies. Through these initiatives, we will build solid trust from society and achieve sustainable corporate value growth.

Shareholder Returns

Maintaining a Dividend Payout Ratio of 30% or Higher for Stable/Increased Dividends

ARATA will focus on maintaining a P/B ratio above 1 as an indicator of corporate value as we strive to increase performance. Dividend returns to shareholders have increased for ten consecutive fiscal years. While we plan a variety of growth investments going forward, our current policy is to maintain a dividend payout ratio of 30% or higher. For the fiscal year ending March 31, 2026, we forecast an interim dividend of ¥56 and a year-end dividend of ¥56 for annual dividends of ¥112, an increase of ¥10.0 from the previous fiscal year.

Our Mission & Purpose at ARATA

Supporting Essential Infrastructure by Going from an Intermediary to the Core of the Supply Chain

Our business carries the important social mission of supporting the vital infrastructure of daily life. Through the ARATA BCP, we have identified the direction the Company should take even during a natural disaster or other emergency.

We have also established ARATA Disaster Prevention Week and ARATA Disaster Prevention Day and hold annual discussions on how the Company and its employees should respond during a disaster in order to support social infrastructure while putting the safety of employees and their families first.

The way the Company and its employees have worked together in past disasters to ensure business continuity while securing safety reflects the results of these efforts and symbolizes our corporate culture. We will continue to pass down this strength. We also aim to evolve from an intermediary to the core of the supply chain, a presence that spearheads overall optimization while collaborating with partners both upstream and downstream.

Areas that require transformation include fostering a spirit of taking on bold challenges for new businesses and initiatives, as well as improving the speed of decision-making and execution. We will also focus on improving operational efficiency and creating value through the active use of AI and DX, establishing a framework that can respond swiftly to the rapidly changing business environment.

While upholding our management philosophy of “continuing to serve the world” as a universal value, we will drive transformation through decisive action and achieve sustainable growth as an industry leader.

Message to the Reader

Becoming a Next-Generation Wholesaler That Continues to Serve the World

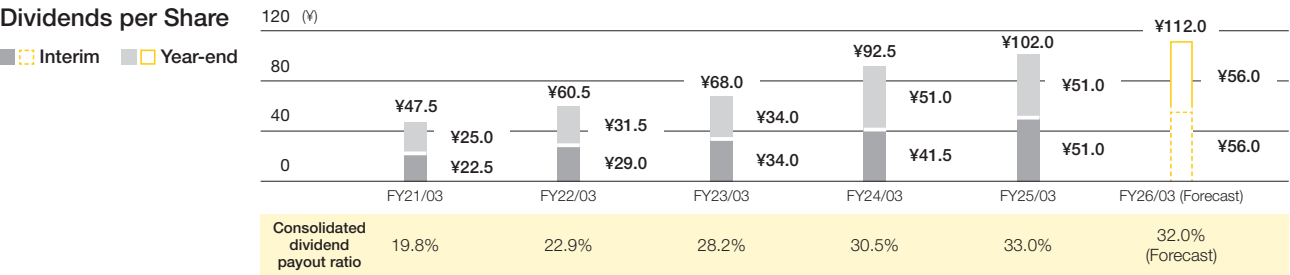
We have achieved steady growth over the past 23 years. Even as we face an increasingly uncertain and challenging business environment ahead, I hope to grow our core domestic wholesale business even further while taking on challenges in new business areas. We aim to transcend the framework of a wholesaler for daily necessities, cosmetics, and pet supplies, refine the added value provided by our distinctive role, and become a next-generation wholesaler that provides the world best. Our goal is to increase not only our quantitative, financial corporate value but also our qualitative, non-financial corporate value to grow as a company that employees take pride in. I ask all of our stakeholders for your continued guidance and support.

Dividend Policy

ARATA considers continuous enhancement of corporate value and shareholder returns to be key management priorities and has paid dividends based on comprehensive consideration of our performance, financial state, future business development, and more

under a basic policy of providing stable, continuous dividends. We will maintain a dividend payout ratio of 30% or higher while providing stable or increased dividends going forward.

Dividends per Share



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



Message

Aiming to Achieve Our Long-Term Vision and Further Increase Corporate Value Under a New Leadership Structure

Hiroaki Suzuki, Chairman of the Board of Directors

8 Years of Challenges and Finding New Paths

I was appointed president in April 2017. At the time, ARATA had been around for 15 years, 13 since it was fully integrated. Both the first and second presidents were owners of former companies that had been integrated, and so I expected the same for the third president. Which is why I was astonished when I, a long-term employee, was appointed. In analyzing our current state and forecasting the future after my appointment as president, I realized that we would eventually reach our limits if we simply continued with our wholesale business in Japan, and I developed a sense of crisis. The major factors behind this are the decline in consumer and working populations as well as major consolidations among domestic retailers.

That is why I searched for new paths in two areas of business. The first is international expansion. While we have expanded into China, Thailand, and Vietnam, the idea of “the superiority of Japanese products” that we initially envisioned has changed rapidly in recent years. What customers in these countries want are products with good functionality, usability, and design at prices they find reasonable. We are currently implementing measures to meet these needs. The second is our role as a manufacturer. Conventional wholesaling has focused solely on procuring from manufacturers and delivering to retailers, thus operating as a business with low inventory risk. However, this alone bears no prospects for sustainable growth, which is why we began developing our own products. This has allowed us to secure profits without being caught up in price competition with other wholesalers. Developing and selling our own products requires new capabilities in merchandising and

more, and while we faced issues with inventory management and other areas in the fiscal year ended March 31, 2025, these experiences have helped us steadily accumulate expertise. These two areas of business have steadily progressed according to plan, and we will continue developing them through greater growth investment.

3 Themes I Have Focused on as President

There are three major themes I have focused on as president.

The first is “standardization.” When I first became president, there was room to improve the overall profitability of the Company which was partially caused by our delay in standardization. Although we had steadily grown the scale of our business over the past ten years since our establishment, individual area branches still retained the characteristics of their former companies. When discussing earnings, differences in background and position led to different interpretations, resulting in people talking past each other even though we used the same accounting terminology. To overcome this situation, I introduced a system for evaluating profitability using the same standards, methods, and language Company-wide, then extracting and improving on issues. The steady performance of ARATA in recent years can be attributed to operational improvements achieved through standardization.

The second is “consolidation.” Product overlap was another issue. Pet supplies overlapped with the Group company JAPPELL, so we transferred all pet supplies to JAPPELL. Cosmetics overlapped with Fashion ARATA, so we integrated its business into the main company. This has

served as the foundation for current growth and profitability in our Pets and Health & Beauty segments.

The third is “the creation of a long-term vision.” Three-year medium-term management plans had limitations for fundamental transformation, such as growth investment and business portfolio development, so we formulated the Long-Term Management Vision 2030. Envisioning where we want to be in ten years and backcasting from there to position our medium-term plans gives employees a sense of conviction in taking on lofty targets.

Management with a ten-year outlook requires the resolve to anticipate unexpected events. In fact, the COVID-19 pandemic occurred while we were creating Long-Term Management Vision 2030, and while demand from inbound tourism shrank, demand for healthcare products and pet supplies increased. Changes to the environment and the times have both positive and negative aspects. It is vital to be agile in response to change while identifying positive aspects and leaning into these without changing our vision for the next ten years. If we maintain this stance going forward, we will achieve our long-term vision, even if it involves some course corrections.

Presidential Transition for the Next Medium-Term Management Plan

This presidential transition was not based on the nomination of the former president, as in the past, but was instead carried out as part of a succession plan by the Board of Directors and the Nomination & Remuneration Committee. Over several years, in cooperation with outside directors, countless interviews and discussions were held with candidates for next-generation executives, which were comprehensively assessed inside and outside the Company, resulting in the appointment of President Kochiya. Although there is still one year left in the Medium-Term Management Plan and Long-Term Management Vision 2030 has reached its midpoint, the reason for this transition is that I believe a new president should formulate the next medium-term plan (2027–2030) based on his/her own policies and accountability as well as spearhead execution of the Long-Term Management Vision 2030.

I look forward to seeing President Kochiya demonstrate strong leadership to further increase ARATA’s corporate value. Increasing corporate value requires stronger earning power in addition to growth for both the Company and its employees. During my eight years as president, I focused on building the foundation for the Company. ARATA now has solid footing and is ready to chart an even steeper growth curve, so I hope President Kochiya will leverage his strengths and take an aggressive approach to achieve further growth.

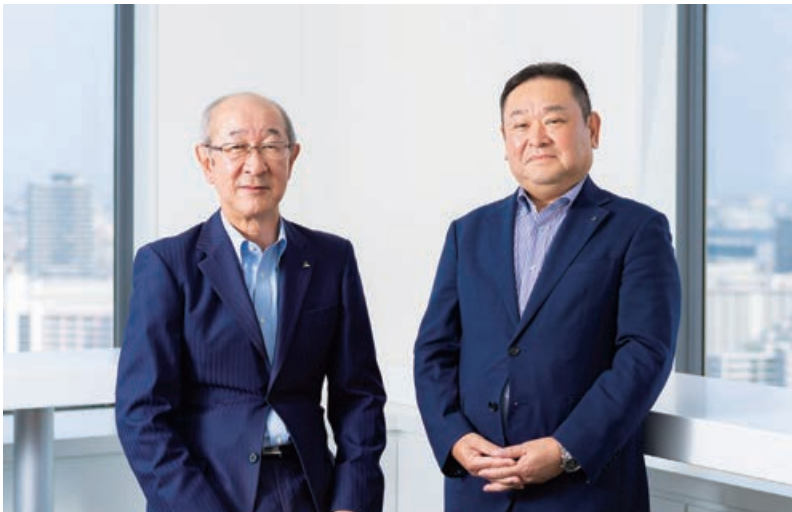
My Role as Chairperson of the Board of Directors and Chair of the Nomination & Remuneration Committee

I will continue to support the growth of the Company in my role as Chairperson of the Board of Directors and Chair of the Nomination & Remuneration Committee. Former-chairperson Hatanaka, my predecessor and now Senior Advisor, established the Nomination & Remuneration Committee, discovered candidates for next-generation executives, and implemented roundtable discussions, group discussions, and panel discussions to incorporate a wide

range of ideas and lay the foundation for our current governance structure. I will work to further enhance the Board of Directors and the Nomination & Remuneration Committee while keeping a close eye on internal and external changes. What I would like to focus on in particular is discovering and developing not only new top-level executives but also mid-level human resources. In addition to our existing systems, I am considering introducing new methods that help candidates themselves become aware of their growth. Now that I have stepped away from execution, it is difficult to measure results quantitatively as I did before, but I will work to strengthen governance and otherwise continue working on initiatives to essentially increase corporate value. Another important task I must take on is evaluating the effectiveness of the executive team led by President Kochiya in achieving the Long-Term Management Vision 2030 from an objective standpoint. Sometimes what is needed is not a push forward but a course correction, so I hope to serve as a brake when necessary in providing advice.

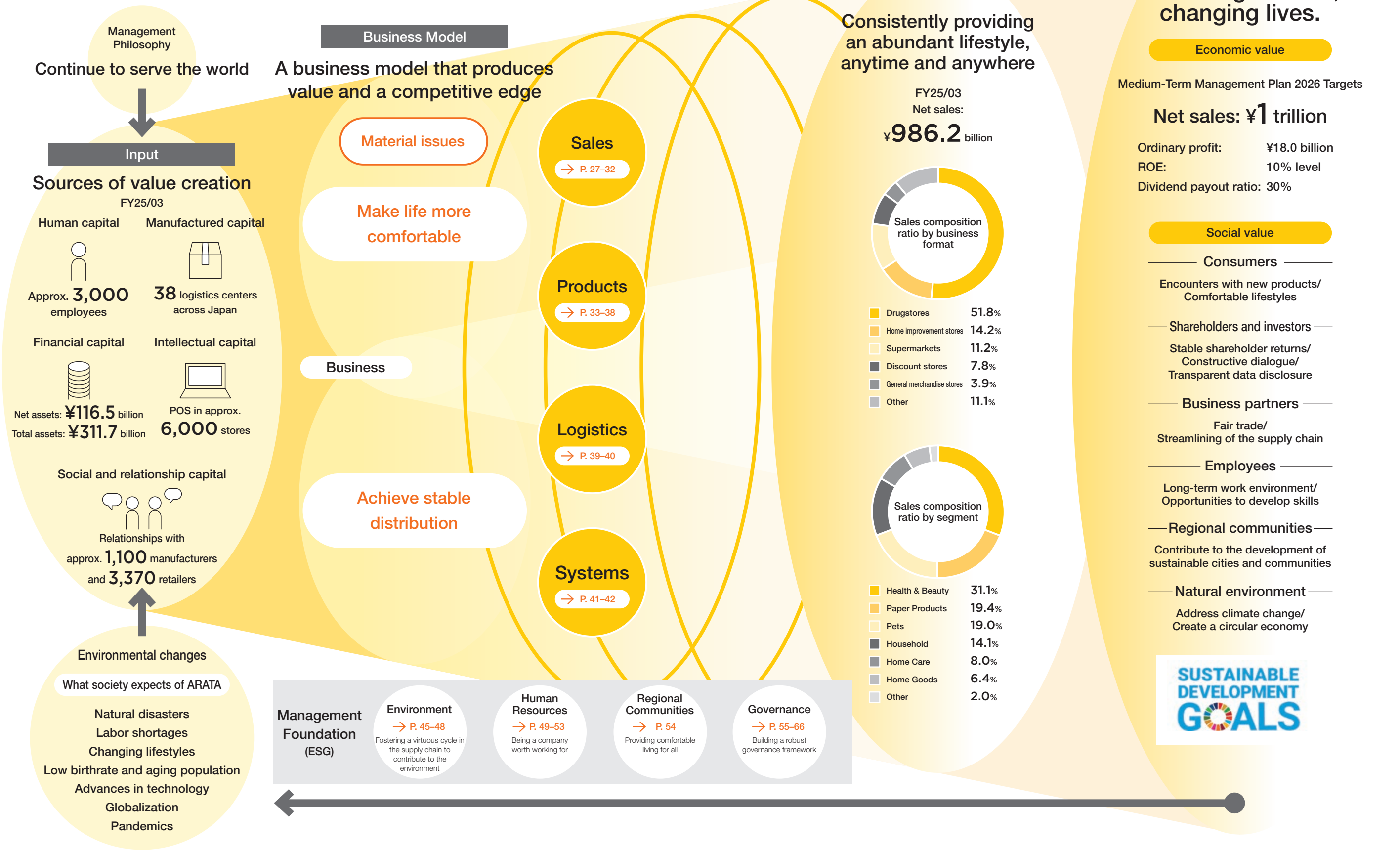
“Continuing to Serve the World” Together with Stakeholders

For these past eight years, I have managed the Company as the chief executive officer. I am deeply aware that our current achievements are only possible thanks to the support and cooperation of many stakeholders, including manufacturers, retailers, business partners, and partner companies. In particular, the ARATA of today, pursuing transformation to achieve Long-Term Management Vision 2030, is supported by the power of each and every employee who has embraced our vision and aided in its execution. Under the new leadership structure, we will further increase corporate value, promote sustainable growth, and strengthen our earning power. The executive side will create plans and work to achieve them, while the supervisory side will work to strengthen governance to support these efforts. In this way, we will enact our management philosophy of “continuing to serve the world” and contribute to all of our stakeholders. I will provide my full support as Chairman and ask all our stakeholders for your continued support.



Value Creation Process

ARATA aims to achieve sustainable corporate growth by conducting business activities based on material issues and creating economic and social value to grow alongside stakeholders.

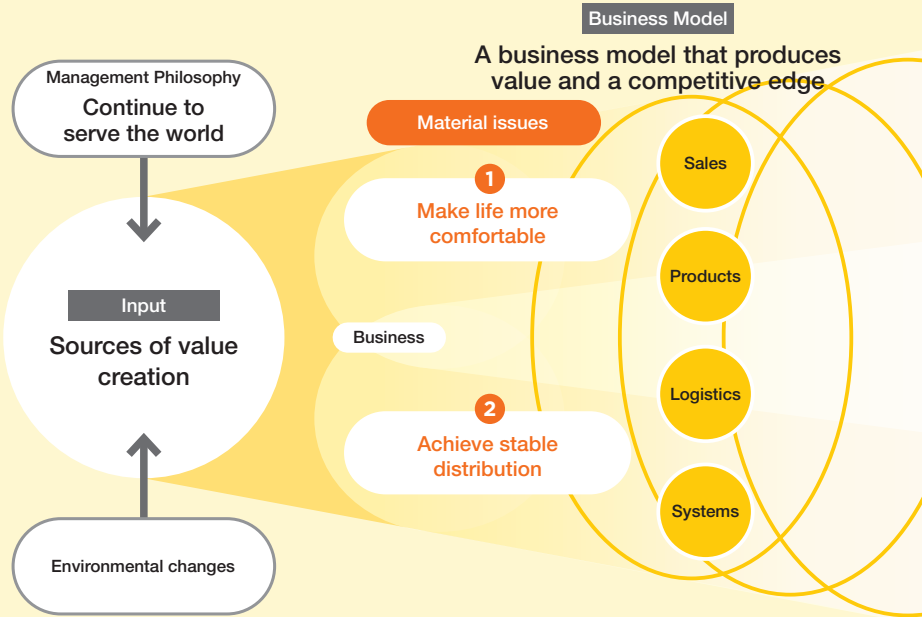


Strengths Produced by Our Sources of Value Creation

A business model that produces value and a competitive edge for a company that continues to serve the world

ARATA provides abundant living to consumers by serving as a bridge for distribution between countless manufacturers and retailers. To fulfill our mission of “continuing to serve the world” through our business activities, ARATA leverages its strengths and cooperation between departments to create all kinds of added value that go beyond merely delivering products.

In order to keep providing the world with new value based on this unchanging spirit despite major social changes, ARATA will, as a company that carries products intrinsic to daily life, work as one to make life more comfortable and achieve stable distribution anytime, anywhere by leveraging our extensive experience, profound insight, and solid capital to its fullest.



1 Make life more comfortable

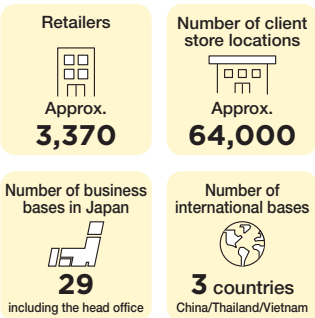
Sales

Part of everyday life thanks to transactions with approx. **3,370 retailers** (nearly 64,000 store locations) across Japan

→ P. 27–32

ARATA, which has approximately 1,000 sales employees nationwide, makes product proposals to offer consumers abundant living. The Company boasts the highest number of transactions with retailers in the industry and leverages the wealth of experience and data cultivated through these relationships to provide high-quality data to retailers. ARATA combines quantitative data obtained from different business formats and regions with qualitative data collected by sales employees at sales floors across Japan to propose “productive sales floors.” Collaboration between Group companies also allows us to provide extensive in-store support for sales promotions, planning, production, and more.

ARATA is focusing on international business as a future growth strategy and has expanded its operations to three countries overseas. We will work proactively to make this a pillar of our growth in the future.



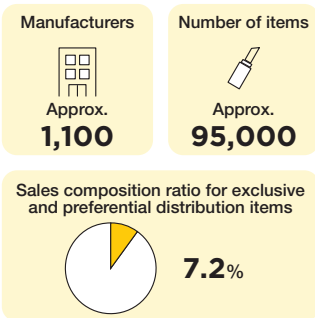
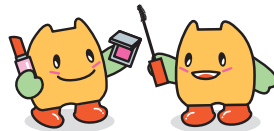
Products

Procuring products to make life more comfortable
Creating new demand

→ P. 33–38

ARATA plays a vital role in identifying products consumers can purchase with peace of mind, creating new value in the market as a wholesaler with extensive data capacity that deals in a wide range of products.

Under our medium-term plan 2026, we are working to expand exclusive and preferential distribution items by partnering with a variety of manufacturers that possess outstanding products, leveraging our nationwide sales network to make proposals to retailers. Furthermore, we have established Group companies with manufacturing capacity to serve as a new pillar of revenue following our wholesale business. We will work to grow these areas even further through product development that leverages the data we have accumulated as a wholesaler.



2 Achieve stable distribution

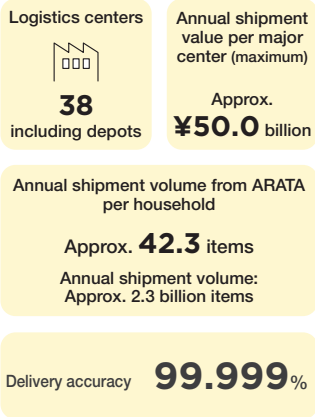
Logistics

A nationwide logistics network that includes 12 major logistics centers to streamline the entire supply chain

→ P. 39–40

ARATA plays a vital role in delivering products throughout Japan through stable, accurate distribution. With the upsizing and diversification of retailers in recent years, we must build more advanced and efficient logistics systems in our role as a wholesaler as well. We have installed a variety of logistics equipment (material handling) and promote streamlining to deliver the necessary products without error. In addition to reinforcing equipment at our bases, we have created logistics that remain uninterrupted even during emergencies through risk distribution that leverages our nationwide logistics network and alternative distribution under our BCP.

We also work in collaboration with our business partners and competitors to address social issues such as the 2024 Logistics Problem as well as environmental issues. ARATA leverages its presence and scale in the distribution industry to promote efficiency and optimization across the entire supply chain as a company that serves as a central player in logistics.



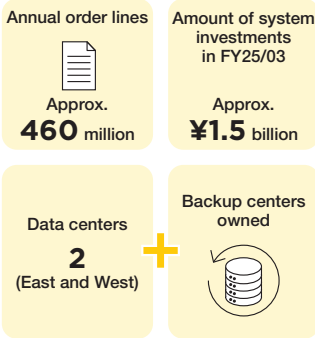
Systems

System features to support stable logistics and DX to address environmental change

→ P. 41–42

For ARATA, which handles logistics between countless manufacturers and retailers, systems that accurately connect data from business partners to deliver products in a reliable manner are the lifeline of our business activities. With the massive accumulation of data and diverse communications taking place at ARATA, a robust system infrastructure is vital. That is why, under the medium-term plan 2026, we are working to reinforce our infrastructure based on the IT Medium-Term Management Plan. By streamlining operations in each department, we aim to boost competitiveness and establish a foundation for sustainable growth.

We are also working to utilize AI and promote DX to grow the Company even further as retailers continue to upsize and diversify. Furthermore, we proactively implement internal training to boost IT skills and information literacy among employees, working to increase Company-wide information security awareness and strengthen our response capacity.

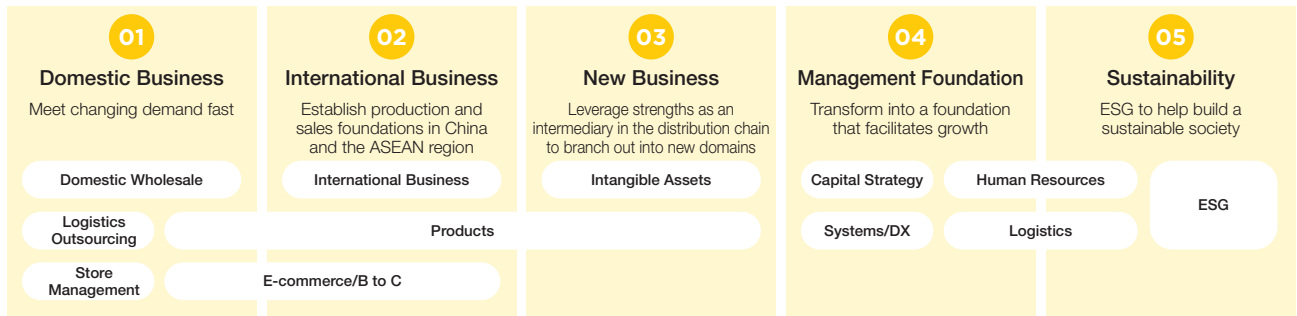


Management Strategy for Sustainable Growth

Long-Term Management Vision 2030

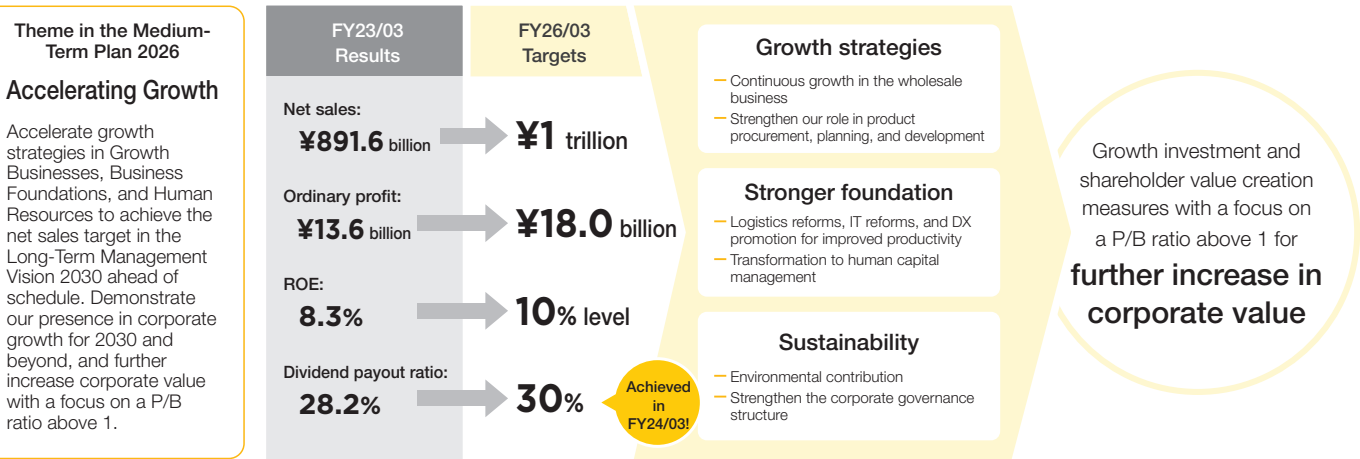
For Sustainable Growth

In the face of dramatic changes in society and the environment, ARATA established the Long-Term Management Vision 2030 in 2020, which takes a long-term perspective in setting out the direction for the next ten years, to identify the fundamentals of management and enable all employees to approach initiatives in a unified manner. We will work to achieve our long-term vision by setting milestones in the form of our Medium-Term Management Plans and striving for further growth.



Medium-Term Management Plan 2026

As Phase 2 for our Long-Term Management Vision 2030, we are promoting the Medium-Term Management Plan 2026, which ends in the fiscal year ending March 31, 2026. We will make these three years a time to fully achieve the initiatives we set in motion during the previous medium-term plan as well as launch new initiatives for further growth as we work to accelerate growth.



Progress of the Medium-Term Management Plan 2026

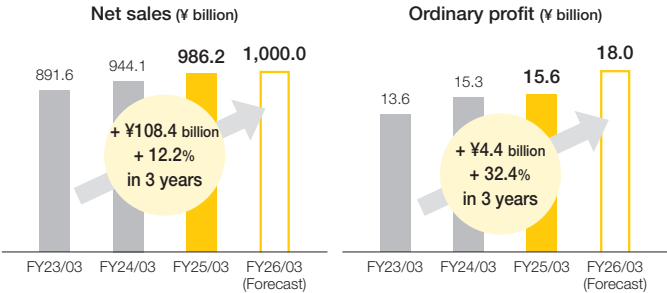
	Strategies in the Medium-Term Plan 2026	FY25/03 Results
Growth strategies	- Expand the Health & Beauty and Pets segments - Expand exclusive and preferential distribution items to increase originality - Acquire new deals	- Increased sales of exclusive and preferential distribution items - Commenced new dealings with convenience store operators - Commenced new dealings with other retail formats
Stronger foundation	- Implement measures in the IT Medium-Term Management Plan to streamline operations and increase logistics productivity - Transformation to human capital management: New human resource system implemented in April 2023	- Increased employee salary levels through salary system revisions - Conducted dialogue with logistics operators to address the 2024 Logistics Problem
Sustainability	- Reduce CO₂ in collaboration with business partners as a central player in the supply chain - Strengthen the corporate governance structure	- CDP response: FY2023 C rating → FY2024 B rating - Acquired Kurumin Certification - Acquired KENKO Investment for Health Certification
Deviations and delays in the plan	- Implemented structural reforms by reviewing our growth strategy in our role as a manufacturer - Implemented active recruitment and system revisions as future human resource strategy - Delays in implementing initiatives in the IT Medium-Term Management Plan and unexpected freight rate increases	

FY26/03 Consolidated Earnings Forecast Revision (¥ million)

	FY26/03 Initial Forecast	FY26/03 Revised Forecast	Difference
Net sales	1,000,000	1,000,000	±0
Operating profit	-	17,280	-
Ordinary profit	20,000	18,000	(2,000)
Profit attributable to owners of parent	-	11,700	-

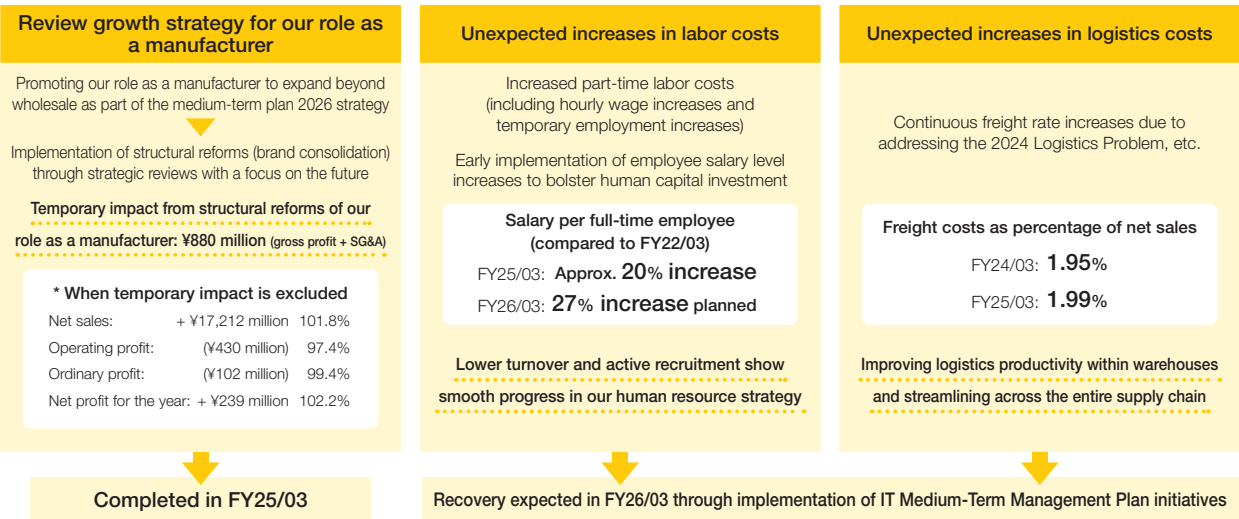
Ordinary profit of ¥20.0 billion expected in FY27/03

Increased Performance over the Three Years of the Medium-Term Plan

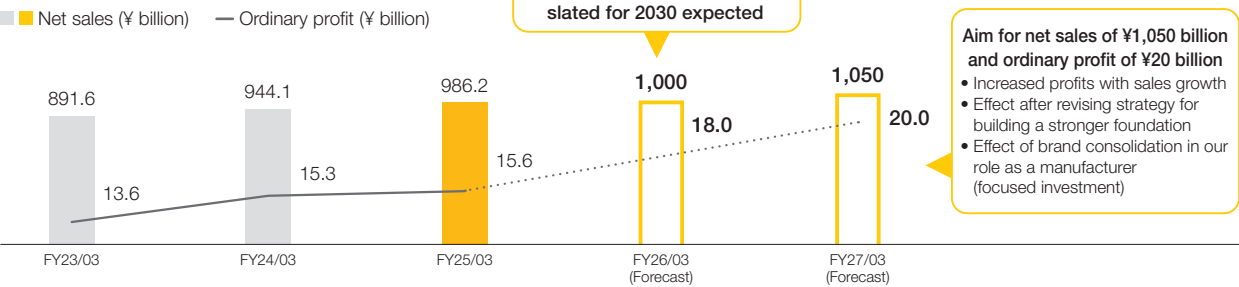


Looking Ahead to the Next Medium-Term Plan

FY25/03 Deviations and Delays in the Medium-Term Plan 2026



Targets for Net Sales and Ordinary Profit



Financial Strategy

Achieving the Long-Term Management Vision 2030 requires promoting a range of growth strategies, strengthening our business foundations, and implementing sustainability strategies. Along with the initiatives in the Medium-Term Management Plan 2026, investments in growth from a long-term perspective are essential for moving forward in a concrete manner.

In implementing these growth investments, we are aware of capital costs and aim to invest in growth that reliably leads to the next stage as we create and promote a financial strategy in an effort to improve our corporate value.

Shareholder Returns (Dividend Policy)

In shareholder returns, we have achieved a dividend payout ratio of 30%, the target set forth in the Medium-Term Management Plan 2026, with our dividend policy being to strive for a stable payout ratio of 30% or higher as we maintain and further increase dividends.

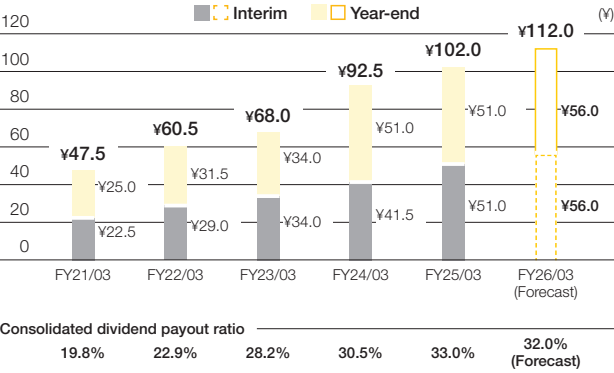
ARATA paid full-year dividends of ¥102 in the fiscal year ended March 31, 2025, an increase of ¥9.5 from the fiscal

year ended March 31, 2024, with the dividends for the fiscal year ending March 31, 2026 forecast at ¥112, a further increase of ¥10, meaning that dividend increases are planned for the 11th year in a row.

By improving ROE and providing stable shareholder returns, ARATA will continue to boost its corporate value.

FY25/03 Dividend Payout Ratio of 33.0%. Maintained a Payout Ratio of 30% or Higher, the Target Set Forth in the Medium-Term Management Plan 2026

Dividends per Share



On January 1, 2024, the Company conducted a two-for-one split of its common shares. Figures for periods before the split have been converted to the figures after the stock split.

Dividend Policy	Maintain and increase dividends with a payout ratio of 30% or higher
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Medium-Term Management Plan 2026

Enhance shareholder returns by investing mainly in business growth and building foundations

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

Cash in

Increased operating cash flow through sales growth and improved profitability

¥40.0 billion level

Improved asset turnover

Asset turnover cycle of around 2 days

Approx. ¥5.0 billion

Reduced cross-shareholdings

Less than 10% of net assets

Flexibly procure funds from external sources

Cash allocation

Investments in business growth and building foundations

¥15.0 billion level

Investments in shareholder value creation measures

FY24/03

Dividend payout ratio 30% reached

Note: Asset turnover cycle refers to the number of days to turn over accounts receivable, inventory, and accounts payable.

Financial and Management Indicators

Under the Medium-Term Management Plan 2026, ARATA has set ROE as a priority indicator for increasing corporate value. We aim to achieve ROE of 10% in the fiscal year ending March 31, 2026, the final fiscal year of the Medium-Term Management Plan, by not only maintaining financial soundness but also by increasing profitability and capital efficiency.

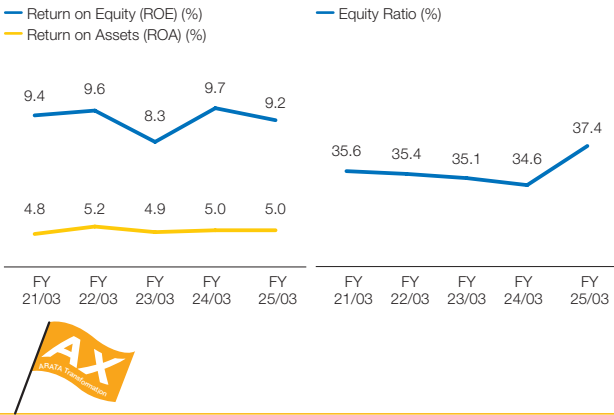
Credit rating by Japan Credit Rating Agency, Ltd. (JCR)

BBB+ >> A-

Increased rank as of April 11, 2022

Maintain stable management

Indicators and Assessments

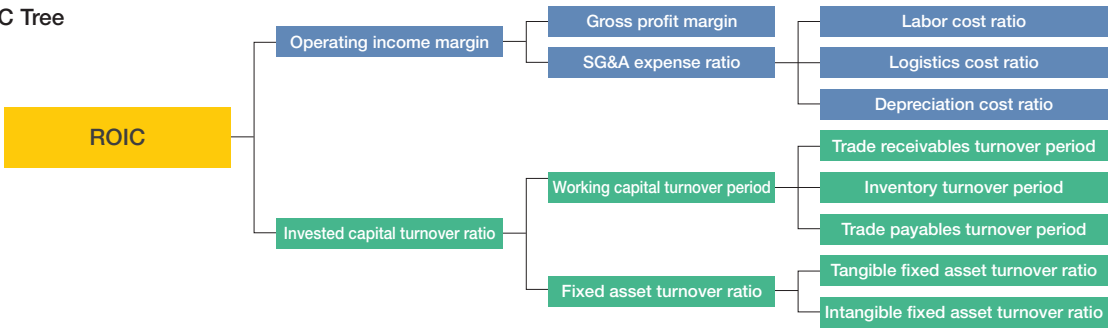


More Advanced Financial Perspectives for the Future

ARATA has worked on ROE as a KPI for measuring improvements in capital productivity. To maximize corporate value, we must accelerate investments not only in foundations but in growth as well, which is why capital productivity indicators for measuring return on investment continue to grow in importance.

Going forward, we will incorporate the concepts of ROIC and EBITDA into processes such as business division assessments, investment reviews, and project management to increase Company-wide awareness of capital costs and return on investment while aiming to achieve financial foundations and investment activities any stakeholder will find easy to understand.

ARATA ROIC Tree



Aim for Sustainable Growth Through Corporate Activities That Go Beyond Stakeholder Expectations While Fulfilling Our Responsibility as Social Infrastructure

To a Growth Strategy

The ARATA Group plays a vital role in the distribution economy for daily necessities and cosmetics and works each day to create more sophisticated operations to fulfill our mission of delivering peace of mind to all consumers.

While the external environment shows increasing uncertainty in politics, economics, foreign affairs, and climate change, we believe the ARATA Group is at a juncture where we must pursue steady, grounded management while also identifying risks and proactively investing in growth with the future in mind.

Financial Strategy

In this context, ARATA's challenges lie in maintaining and strengthening the competitive advantages of our existing businesses to improve profitability while also bolstering initiatives in businesses that will contribute to future growth. These efforts require funds of an appropriate amount for foundational investments focused on human capital,

logistics, and digitalization, as well as growth investments for new business development and M&A.

The ARATA Group has consistently achieved appropriate procurement and utilization backed by our sound and stable financial foundation.

Going forward, we will make bold investments from an even longer-term perspective. To secure the funds necessary for our diversifying investments, we will continue pushing forward with reforms to our transaction foundation (improving CCC and selling cross-shareholdings) while also strengthening our framework to respond appropriately and in a timely manner through diverse procurement methods including loans, bonds, and capital.

Nakaba Nebashi

Senior Executive Officer,
General Manager of Administration Department

Human Resource Strategy

Human Capital Management Reform to Increase Corporate Value

A new human resource system was introduced in April 2023 during Phase 1 of the Medium-Term Management Plan 2026 aimed at achieving the Long-Term Management Vision 2030, “Achieving dreams, changing lives.” In the fiscal year ended March 31, 2025, the second year of the plan, we worked to establish the human resource system while reviewing and enhancing employee benefits and other systems to improve the workplace environment.

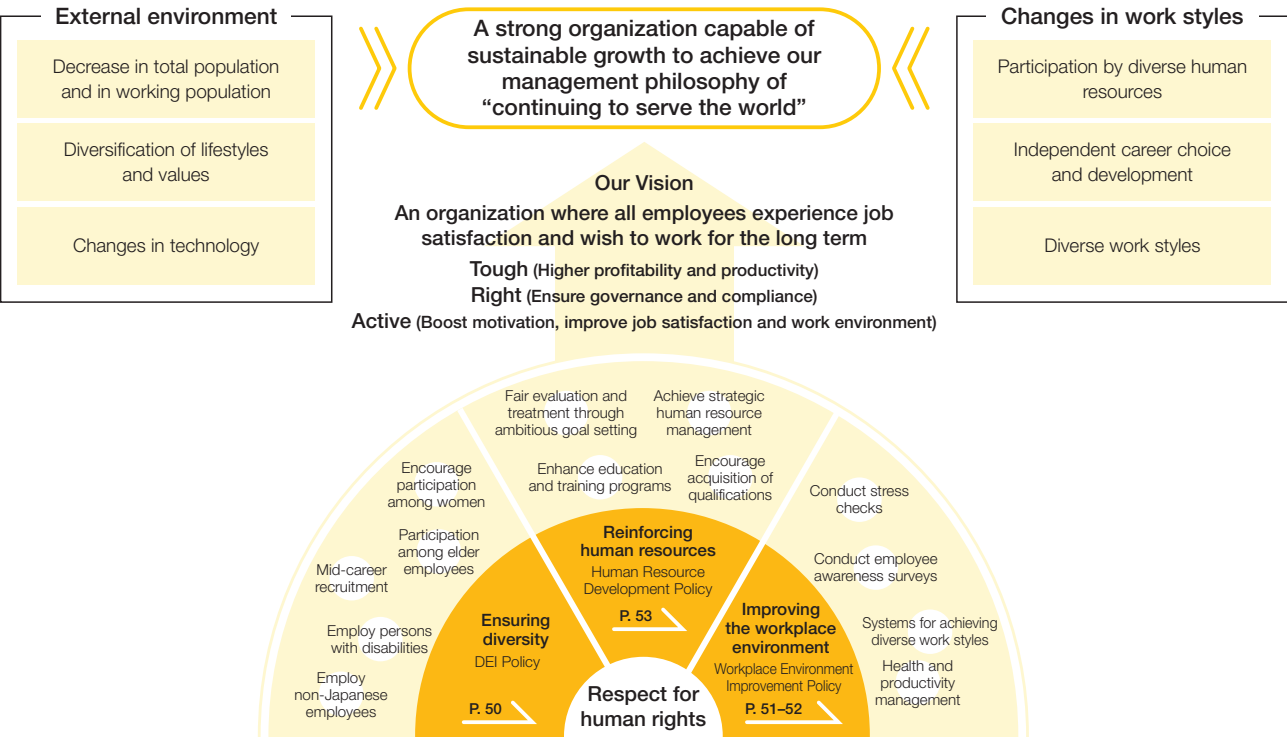
Encouraging individual growth and motivation through systematic development and strategic placement of human resources to maximize individual employee performance is essential for corporate growth. We are working to build a foundation for employee ability development and career planning based on reliable data by managing data on performance evaluations, job history, career plans reflecting individual preferences, and more to establish human resource data on which future talent management will be predicated. Training, which serves as the foundation for human resource development, is conducted by the Training Division within the Personnel Department, which strives daily to create higher levels of training to increase employee expertise and skills.

The Company cannot grow without the growth of individual employees. We will strengthen human resource development and improve the workplace environment even further so that our employees can work under the vision of being Tough, Right, and Active as we aim to increase corporate value alongside employee growth.

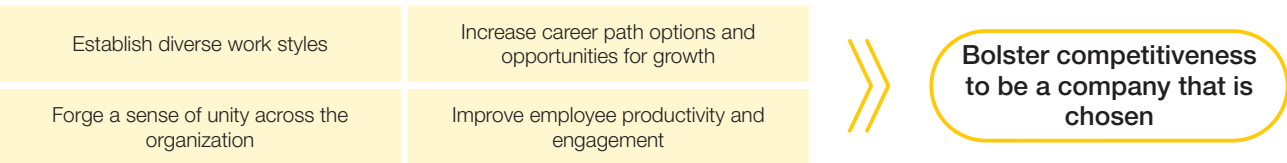
Hiroyuki Kawano
Executive Officer, General Manager of
Personnel Department and
Manager of Personnel Division



Basic Approach to Human Resources



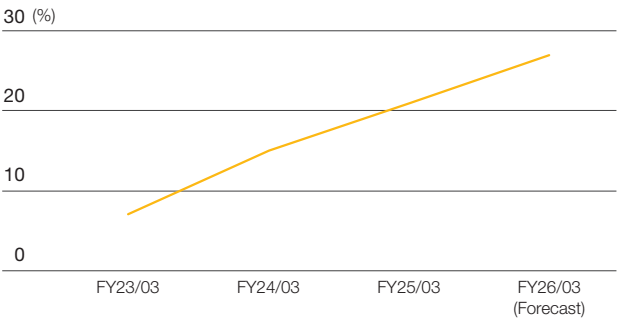
Keys to Growth



Establishing and Further Revising the New Human Resource System

Our human resource system was revised in April 2023 to establish and expand new systems, focusing primarily on salary and bonuses. In the fiscal year ended March 31, 2025, we boosted employee engagement even further through comprehensive investment in human capital such as additional salary level revisions, system reforms, and stronger human resource development, thereby building a foundation for sustainable growth for both the Company and its employees.

Salary Level Increase per Full-time Employee (compared to FY22/03)



Major additions and enhancements in the new human resource system

- Launch the new job category of Area Manager**
→ Increased options for promotion to management positions while maintaining assignment to a specific region
- Revised system for elder employees**
→ Created an environment where employees can thrive longer and utilize their extensive knowledge for corporate growth
- Revised job return system (to allow for promotion to full-time employee status)**
→ Offered opportunities to work again utilizing the knowledge and skills cultivated at ARATA
- Revised promotion requirements**
→ Enabled early promotion according to competence, regardless of age
- Revised the number of job category changes**
→ Eased limits on the number of changes to accommodate both career paths and life events
- Revised the human resource evaluation system**
→ Clarified evaluations for behavioral indicators and the level of achievement of personal goals to create clear, fair evaluations

Reinforcing Human Resources to Accelerate Corporate Growth

Proactive recruitment for the future

While we have veteran employees with extensive knowledge and experience thriving at ARATA, we have a relatively small number of junior employees, creating an “inverted pyramid” structure. We recognize that reinforcing and expanding our junior and mid-career employees is essential to solving this issue, which is why we are conducting proactive recruitment. For new graduates, we have them learn the foundations of business for the area they wish to work in, then consider the growth potential of each and every employee to support diverse career paths. For mid-career hires who are able to hit the ground running, we conduct strategic recruitment with a focus on future candidates for executives in an effort to revitalize the organization and acquire diverse knowledge.

P. 51 Human resource data page:
Recruitment status of new graduates and mid-career hires

Stronger training systems

We focus on skills training to improve employees' expert abilities. Specifically, management training from the Logistics Department has been rolled out to other departments in an effort to strengthen leadership across the organization. We have also strengthened evaluator training in an effort to achieve fair human resource evaluations and are working to improve individual evaluator skills and instill evaluation standards.

P. 53 Development and Training of Human Resources:
Main training & development programs



Effects Observed from the Employee Awareness Survey

We conduct an annual employee awareness survey to assess employee attitudes toward their own work, work styles, ARATA's organizational culture, and more using a five-point scale for evaluation. A comment section is provided in addition to the scale for a system where employee feedback

reaches management directly. The response rate for the awareness survey remains high at 97.2%. Scores have risen in key areas related to improved engagement, and our turnover rate is low compared to industry averages.

February 2025 survey	Satisfaction with evaluation	Job satisfaction	Work style	Leave take-up	Employee satisfaction	Intent to stay with the company	KPI
Score (five-point scale)	3.8	3.8	3.7	4.0	3.6	3.7	Intent to stay with the company 2026 target 4.0
Year-on-year	+ 0.08	+ 0.03	+ 0.20	+ 0.05	+ 0.08	+ 0.02	

Special Feature

Fostering a Corporate Culture for Accelerating Growth

We have promoted a variety of strategies and institutional reforms to achieve sustainable growth under the theme of Accelerating Growth set forth in the Medium-Term Management Plan 2026. ARATA considers employees to be partners connected through a common purpose, with the Company changing for employee growth and employees growing for the sake of Company growth. We believe this virtuous cycle will lead to further acceleration of growth.

However, to maximize this effect and boost corporate value even further, fostering a corporate culture able to bring out the full capabilities of the organization as a whole—in other words, “an organization where each employee can demonstrate their full potential”—is vital. This special feature showcases our initiatives to foster a corporate culture to support Accelerating Growth based on this philosophy.

Think About the Future of the Company and the Self

Round Table Meetings

ARATA aims to align employees and management to build a stronger organization and is implementing initiatives to instill the medium- to long-term management vision and develop human resources. The Round Table Meeting, an initiative for junior and mid-career employees who will lead the next generation that involves members of the Corporate Strategy Planning Department visiting each area, commenced in 2024, with Phase 2 starting in 2025. This provides an opportunity for deeper understanding of the Company through our medium- to long-term management vision and key initiatives while simultaneously hosting discussions on our vision for the ARATA Group ten years from now. It also serves as a springboard for each employee to think about the future of the Company in a way that feels relevant to them.



Feedback from Participants

- I want to share with my coworkers the realization I gained through the meeting, that “it is we ourselves who will create a brighter future.”
- Sharing ideas among participants gave me confidence and served as an opportunity to gain different perspectives.
- Thinking about the future of the Company naturally led me to think about my own future in ten years.
- Through discussions with participants, I felt that ARATA is a company that still has the potential for further growth.
- Ultimately, I want to create a future where everyone involved with the ARATA Group loves the ARATA Group.

Growth for the ARATA Group, Created Through Dialogue

For the ARATA Group to take on long-term goals, we employees must first have confidence that ARATA will grow even more. The Round Table Meeting was launched last year as a first step toward this. This meeting creates the time and space to convey the current state of the ARATA Group, its future vision, and the direction of each department, then discuss the future together. Creating opportunities to view the future of the Company as personally relevant and consider things from different perspectives is what this meeting aims to achieve. We also value frank input from participants on problems with the Company they experience day to day as well as their thoughts on their own future and the Company's. Going forward, we will work to build a stronger organization, where each employee is able to consider the future of the Company and take action.



Sayuri Konishi
Operating Officer, Corporate Strategy Planning Division,
Corporate Strategy Planning Department



Know the Company and Create the Future Together

Strengthen internal communications

With approximately 3,000 employees nationwide, ARATA has developed and grown its community-based business through repeated mergers. However, as we aim for further growth as a nationwide wholesaler, increasing a sense of belonging across the Company and unifying our direction have been challenges. That is why ARATA has positioned

fostering corporate culture as a key management priority and is working to create an environment where, through stronger internal communications, employees possess a deeper understanding of the Company and approach work with a sense of unity.

01 Deep Dive

Internal distribution of press releases

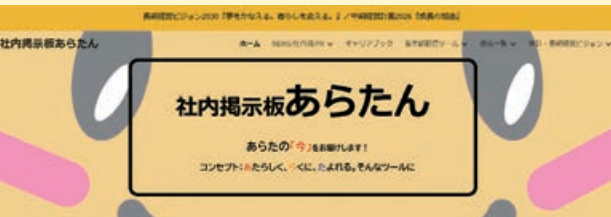
External press releases are conveyed within the Company in a way that is easy to understand so that employees will view them as personally relevant. This is done in an effort to have employees in every department gain a deeper understanding of the latest developments and business strategies at the Company. We also focus on topics from each base and the Group company, issuing approximately 50 newsletters annually.



02 Swift

Launched the internal website ARATA Internal Web Bulletin Board: ARATAN

We revamped our conventional paper-based internal newsletter and began running the ARATA Internal Web Bulletin Board: ARATAN, an internal website, in January 2025. This website enables swift sharing of time sensitive information such as messages from management and PR information from each department and also serves as a communication tool for employee career path information and encouraging collaboration across departments and bases. This creates active two-way communication between the Company and employees, functioning as a more accessible platform for information sharing.



Internal Communications as a Compass for Achieving Long-Term Management Vision 2030

ARATA has offices and logistics centers spanning from Hokkaido to Kyushu and even overseas, with approximately 3,000 employees working across a wide area. To work toward the common goal of achieving the Medium-Term Management Plan 2026 and Long-Term Management Vision 2030, we began operating internal communications in 2024 based on the two pillars “deep dive” and “speed.” Information that leads to the Company transformation and growth is shared not only by management but also by each department and area branch, working together to communicate information when necessary. Going forward, we will scrutinize the content to strengthen internal communications even further so as to boost employee engagement to achieve lofty goals and have all employees work as one to strive toward our Long-Term Management Vision 2030. By sharing the story of our endeavors and growth in a way that resonates, we will foster a culture of autonomous thought and action by each and every employee.



Mina Shibata
Operating Manager, PR/IR Division,
Corporate Governance Department

Promoting DEI for a Workplace Where Individuality Can Shine

The A&J Project

In July 2023, we launched the A (ARATA) & J (JAPPELL) Project with female employees from ARATA and the Group company JAPELL to promote DEI across the entire ARATA Group. Composed of employees from diverse backgrounds, this project aims to make ARATA a company where all workers can thrive regardless of gender or age under the



concept that “a company where women thrive = a company where all employees thrive.” We also utilize online meetings to hold discussions once a month, make recommendations to management, and connect these to concrete initiatives. This also serves as an opportunity for participating employees to proactively shape their own careers.

Initiative Process

- Project launch
- Discuss issues, reasons, and solutions from multiple angles using spreadsheets
- Map and organize solutions from short-, medium-, and long-term perspectives/Visit both companies to identify best practices
- Promote DEI understanding through games/Interview employees on their opinions
- Meetings with the functional departments aimed at implementation
- Proposals to the Board of Directors and Management Meetings/Implement specific measures
- Continuous monitoring implementation even after the project ends

History of activities

Phase 1

July 2023 to May 2024

Through wide-ranging discussions, we reached the conclusion that what the company needs is not just systems but also corporate culture, which is why we implemented efforts under the theme of “fostering a DEI corporate culture” in Phase 1. As the first step in fostering a DEI corporate culture, we held childcare leave system briefings, childcare leave exchange meetings, and DEI seminars by external lecturers. We also discussed how to create a comfortable work environment, including promoting work from home and remote work, and made proposals to management.



Childcare leave exchange meeting between people taking childcare leave and junior employees



Unconscious bias training

P. 50

Phase 2

July 2024 to May 2025

In Phase 2, sales employees from area branches joined to discuss such issues as regional characteristics and balancing parenting with sales work. Delving deeper into discussions from Phase 1 on fostering a DEI corporate culture, we concluded that fostering a better corporate culture requires that employees envision themselves working in the long term and a stronger sense of unity between employees and the company. We proposed increasing a sense of unity by making career development tangible through encounters with diverse role models and periodic changes in assigned duties as well as by bolstering management and communication skills so that systems are transparent and company policies are shared properly.

Career Book: The People Working at ARATA

We created the Career Book: The People Working at ARATA to showcase how our employees work, regardless of age or gender, which is published on the ARATA Internal Web Bulletin Board: ARATAN. In continuing to showcase the work and personal lives of our diverse employees, we hope to create opportunities for employees to learn about work styles and career perspectives at ARATA as well as consider how to forge their own career path.



DEI Promotion Spreads, Feedback Weaves a Better Culture

The A&J Project, a project aimed at creating a company where diverse employees thrive comprised of female employees from the perspective of women’s advancement, also marked the first such initiative to serve as a forum for dialogue across the Group company, where interaction between employees had previously been limited. As we carried out efforts, discussions evolved into a broader goal of creating a company where not only women but all employees can thrive.

Through our efforts, members gained broader perspectives and new insights by learning about other workplaces and Group companies as well as through discussions from a company-wide perspective. Then through dialogue with management, this project served as a valuable opportunity to listen to employees and reaffirm our corporate culture of open communication.

We will work to make the new initiatives created through the A&J Project serve as a catalyst for creating a better corporate culture.



Sustainability Promotion Division (A&J Project Secretariat)

Revitalization of the Entire Organization Through Support for Employee Growth

The Logistics Department has adopted “foundation strengthening through human resource development” as its theme and develops systematic education and training programs centered on four pillars, supporting the growth of each employee to revitalize the entire organization and improve productivity.

Training for creating a better workplace

ARATA has nearly 10,000 part-time employees and temporary staff nationwide for a massive human resource base that supports our business. We held training for creating a better workplace for employees working at logistics centers who supervise several hundred part-time employees at each center. We provided training on knowledge and skills for better communication with part-time employees, how to prevent harassment, ways to promote mutual understanding, and how to build positive relationships, which also served as an opportunity for logistics employees from different centers to interact.

Through training, ARATA employees demonstrate leadership in creating better work environments, allowing

Logistics operations skills training

Management training

Numerical analysis training

Training for creating a better workplace

part-time employees to find satisfaction in their work and approach their duties with peace of mind.



A Step Toward Building a Better Work Environment

At logistics centers, securing human resources with specialized skills and improving productivity are key challenges. That is why we implemented training by experts to promote the creation of an environment where employees better thrive. Across four sessions joined by 179 employees, participants in this training offered a range of opinions on issues such as difficulties in giving adequate criticism due to concerns about harassment, the importance of legal knowledge, the ideal workplace, and raising awareness about one’s own work style, yielding many insights. Through these sessions, I feel we were able to take the first step toward creating an environment where employees have good interpersonal relationships in the workplace and want to keep working for the long term. We will continue to work on improving employee satisfaction through ongoing initiatives.



Makoto Ebana
Operating Officer, Logistics Planning Division, Logistics Department

An Environment That Fosters Free Thinking and Autonomy

To build a workplace environment where each and every employee is able to demonstrate their full potential and work with vitality, we have introduced new initiatives aimed at promoting “open communication in the workplace.” By

fostering flexible thinking unbound by convention, the autonomy to think and act independently, and respect for diversity, we aim to vitalize communication that will lead to new value.

Using the “san” honorific to create open communication in the workplace

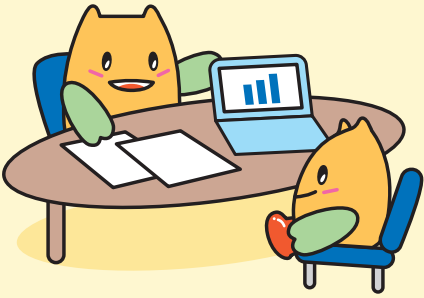
We abolished the conventional practice of using titles and introduced the “san” honorific, where everyone addresses each other with “san” regardless of position or seniority. By removing psychological barriers between employees and building relationships of equals, we aim to create open communication in the organization, where anyone can freely express their opinions. We also believe this will help prevent harassment stemming from failure to use honorifics or using nicknames.



Connecting freedom in personal appearance to innovation

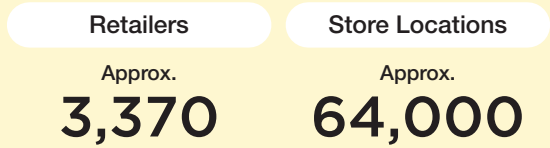
Since August 2024, we have been allowing more freedom in personal appearance, significantly relaxing standards for clothing and hairstyle. We hope this will serve as an opportunity for employees to develop flexible thinking while possessing their own ideas and judgment as they actively consider better work styles. In addition to improving employee motivation, we will evolve into an organization that recognizes diverse values and respects one another, leading to innovation.



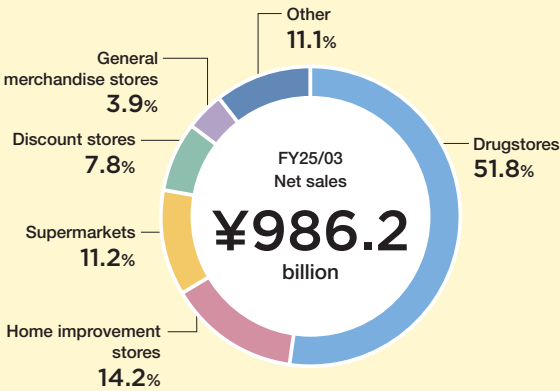


Sales

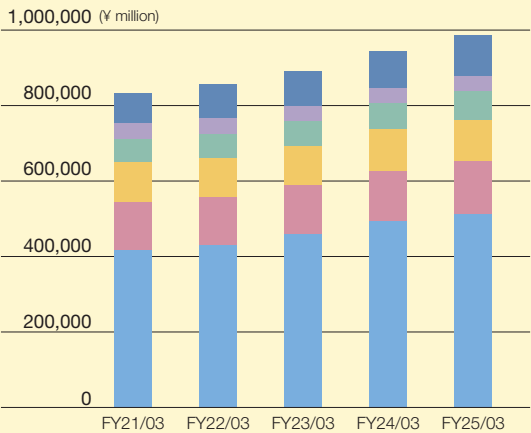
Part of everyday life thanks to transactions with approx. 3,370 retailers (nearly 64,000 store locations) across Japan



Breakdown of Net Sales by Business Format



Net Sales by Business Format



Strengths of the Sales Division

Human resources who get things done to support ARATA's core domestic wholesale business

ARATA does business with nearly 3,370 retailers across different formats and makes proposals that leverage the characteristics of each format and region to create productive sales floors in an effort to expand business even further.



Creating sales through social media

ARATA established the Social Media Promotion Section in January 2024 to address the growing influence of social media on the market. ARATA currently runs three accounts. Design and content have been revamped around the theme of making everyday life better and are tailored to the target audience. ARATA also proactively collaborates with manufacturers and participates in external events, allowing for a wide range of proposals only a wholesale trading company can offer. We will bolster sales floor proposals to tie in with social media to create even greater integration between online and offline promotions as we strive to offer new value to customers.

X (formerly Twitter)

@ARATA_lifestyle
All Segments

Instagram

@arata_media_jp
Daily Necessities & Home Goods

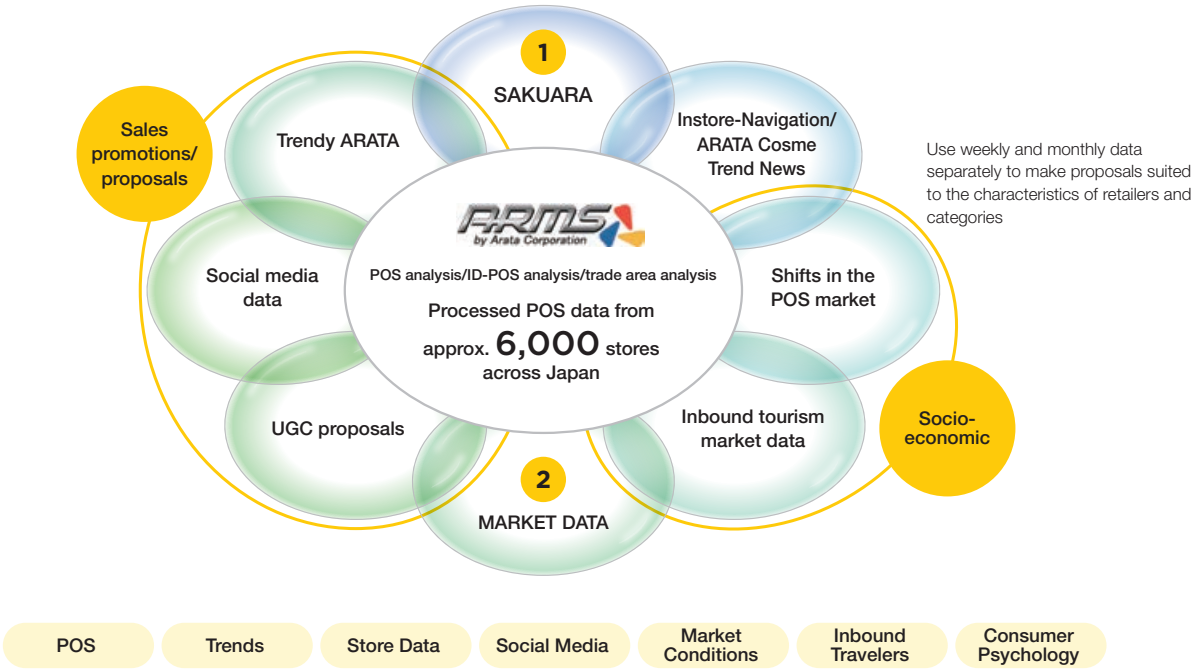
@hibiplus_arata
Latest Info on Cosmetics

Revamped April 2025

The powerful “arms” behind sales proposals at ARATA

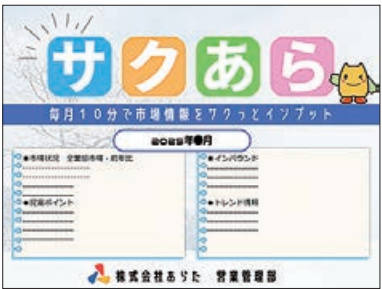
ARATA makes multifaceted proposals using its proprietary analysis tool ARMS to help boost retailer sales. ARMS covers everything from POS analysis by segment, retail format, and brand to ID-POS analysis by gender and age group based on processed POS data from nearly 6,000 store locations

nationwide. The quantitative data from ARMS and qualitative data from features such as Instore-Navigation, in which ARATA Sales compiles raw data on products actually selling at stores, are utilized in a multifaceted way to make proposals tailored to the characteristics of individual retailers.



1 SAKUARA for fast input in just 10 minutes a month

A proprietary analytical materials that allow users to understand market trends in just 10 minutes a month. These materials center on ARMS, compiling shifts in the POS market, data on inbound tourism market, seasonal product sales trends, market conditions by business format, POS sales trends at duty-free registers, proposals for sales approaches, topics trending on social media, predictions based on past posts, and sales tips.



2 MARKET DATA to support proposals

It includes market data for each segment. ARMS data from nearly 6,000 stores, SOO from nearly 1,300 stores, and ID-POS from nearly 7 million people are analyzed. It is updated twice a year (January and June) to help make shelving allocation proposals.



Creating New Value in Wholesale Through Data Sharing

As a wholesaler, ARATA serves as an intermediary between manufacturers and retailers, allowing us to identify successes and failures across the industry as well as changes in the market and consumers. We offer clients SAKUARA, which combines these insights with our proprietary market data tool ARMS. In today's world of high uncertainty, data is a powerful weapon.

Sharing data lets us share cases of success and opportunities with clients as well as share cases of failures at times to help avoid risk, thus helping to revitalize the market. Our mission is to create new value in wholesale through SAKUARA.

Kosuke Tozuka
Operating Officer, Sales Promotion Section,
Sales Management Division,
Sales & Sales Planning Department



Initiatives by the Sales Division

Starting new dealings with convenience stores

As consumer lifestyles diversify and places to purchase daily necessities grow, we began dealing with convenience stores in 2024 as a new sales channel. This is an important step toward simultaneously developing new customers, growing business, and increasing brand value. Going forward, we will optimize our product range to match the customer base of convenience stores and make strategic proposals to maximize brand value.

Uncovering latent demand and creating value amid a shrinking population

We are working to grow our market by uncovering latent demand in the daily necessities market and analyzing purchase rates for each subsegment. Meanwhile, as the population declines, we plan to achieve sustainable growth by researching sales approaches and potential meticulously and working to create new value for the future.

Reducing returns by making seasonal products year-round staples

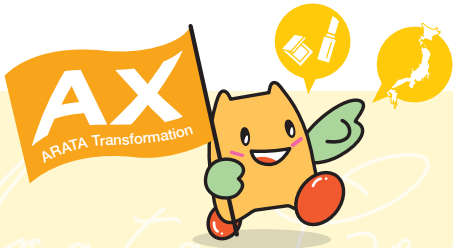
In recent years, prolonged heat waves and mild winters have led to longer periods of demand for seasonal products such as sunscreen and insect repellents. In response to these environmental changes, we have been proposing that retailers make seasonal products year-round staples to create sales floors that meet consumer demand. For retailers, this lightens the workload involved in processing returns and reduces transportation and waste as well. To streamline the entire supply chain, we will reduce returns by expanding new approaches to year-round staples as a wholesaler at the core of the supply chain and achieving collaboration among manufacturers, distributors, and retailers.

Source: ARATA research, FY2023 figures



Special
Feature

ARATA Collection 2025 Held at Area Branches



From events in Tokyo to events at area branches

In March 2024, we hosted ARATA Collection 2024 in Tokyo as a general trade show for the entire Company, which was attended by many of our clients. Based on this experience, we decided to host the event at area branches nationwide in 2025 to address diverse regional needs. Each area branch set its own theme based on regional characteristics and market trends, then planned and hosted its own trade show.

A major feature of these area branch trade shows is that they feature a proposal structure that brings together sales knowledge accumulated on the ground at area branches nationwide with the latest market trends and product knowledge from merchandisers at each area branch. By fusing meticulous service rooted in the community with broad insights cultivated on a nationwide scale to make proposals from deeper, more diverse perspectives, we have developed a unique strength.

Visual appeal through Sales Promoting Workshop

For the individual trade shows, we focused on visual appeal and consistency. Leveraging the expertise of Sales Promoting Workshop, a tool operated by the Group company ISM CORPORATION, we created original promotional items (product boards and POP displays) with a consistent look designed for use on sales floors. Going forward, we will leverage this nationwide network to the fullest and provide optimal solutions tailored to each region's characteristics in order to build strong partnerships with clients and work together toward sustainable development.



Overview of Spring/Summer 2025 Events

From January to March 2025, we proposed ways to sell new spring and summer products in combination with existing products.



In-Store Support from ISM CORPORATION

ISM is an in-store marketing company established as an ARATA Group subsidiary in 2007 that provides in-store sales promotion solutions leveraging insights, expertise, and accumulated data in the distribution industry.

Field Solutions

In-store support for over 5,000 retail stores nationwide, with a robust track record of 120,000 calls annually.

SP Solutions

In-depth store knowledge to plan and create sales promotion tools and initiatives that meet the needs of both retailers and manufacturers.

Physical + Digital Sales Promotion Solutions

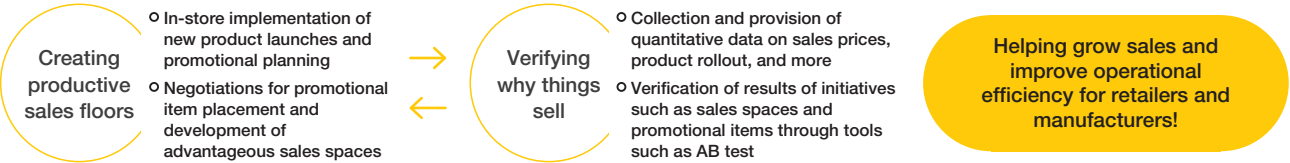
Physical + digital customer acquisition and purchase support at stores using mass media and online media.

Regularly scheduled visits by designated representatives are paid to designated stores to provide in-store follow-up and sales floor maintenance. This contributes to increased sales, reduction of lost opportunities, and fewer returns by strengthening execution at stores. Leveraging in-store management and research systems also allows for timely reporting on sales floor conditions and sharing of quantitative data through sales floor analysis to quickly detect product trends and help create better sales floor proposals.

Regular support staff
3,600 members a month

Spot support staff
Approx. **3,000 members**

Collaboration between retailers, manufacturers, and ARATA



In-store promotions

We plan and produce effective promotional tools and measures for retailers, manufacturers, and consumers based on our thorough knowledge of stores. We also serve as a one-stop shop for planning original campaigns that lead to in-store purchases, in-store implementation, and measuring effectiveness, contributing to increased sales. From individual manufacturer campaigns to joint manufacturer campaigns that only a wholesale trading company group could do, we run a wide variety of campaigns.



Top board (In-store promotional items)

Poster



International Steady Expansion into Asian Markets Through a Network That Connects China, Thailand, Vietnam, and Japan

Our international business currently operates in China, Thailand, and Vietnam. Since applying the Japanese wholesale business style as-is in markets with different business practices is extremely difficult, we have worked to develop these businesses in a way suited to the circumstances of each country. While this involves overcoming such challenges as

differences in language and culture as well as complexities in logistics, we will strive toward dynamic business development as a key element of our growth strategy in the Long-Term Management Vision 2030 through advances in technology, marketing strategies to improve customer experience, and the creation of new business models to mutually connect these three countries and Japan.

Global Expansion Leveraging Group Synergy

We are working to collect and share data on neighboring nations from our three international bases to expand business in the Asian and ASEAN markets. We are also building stronger collaboration with the Group company JAPPELL as an approach to the pet market, which has attracted growing attention in Asian countries in recent years.

2012

China (Shanghai)
Kairaotai (Shanghai) Trading Co., Ltd.
China (Hong Kong)
JAPPELL (HONG KONG) CO., LIMITED

2013

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

2015

Thailand (Bangkok)
SIAM ARATA CO., LTD.

2020

Vietnam (Ho Chi Minh City)
ARATA VIETNAM COMPANY LIMITED

2024

China (Guangzhou)
XIN LE HUA (GUANGZHOU) INTERNATIONAL TRADING CO., LTD.

China

In January 2024, we established XIN LE HUA (GUANGZHOU) INTERNATIONAL TRADING CO., LTD., viewing China as a priority market with its 1.4 billion population and increasing quality of life. Establishing a local subsidiary has allowed us to adapt to the rapidly changing market and local business practices. We are also strengthening our network with manufacturers and clients within China. Harnessing the merchandising capabilities we have cultivated in Japan, we will expand new businesses both online and offline.



Vietnam

In 2020, we established ARATA VIETNAM COMPANY LIMITED in Vietnam, a country that has good relations with Japan and the fastest growing economy in the ASEAN region, where major growth is expected in the future. This company conducts business negotiations with Japanese manufacturers and local retailers for sales activities tied closely to the local market.



Thailand

ARATA (THAILAND) CO., LTD. operates as the importer, while SIAM ARATA CO., LTD. operates as the seller. Thailand is a market where Japanese products are very popular representing a huge opportunity. These companies are working to expand segments and products they carry while increasing our preferential distribution items. New sales channels in Thailand have also opened up, which will be crucial for implementing our ASEAN strategy.

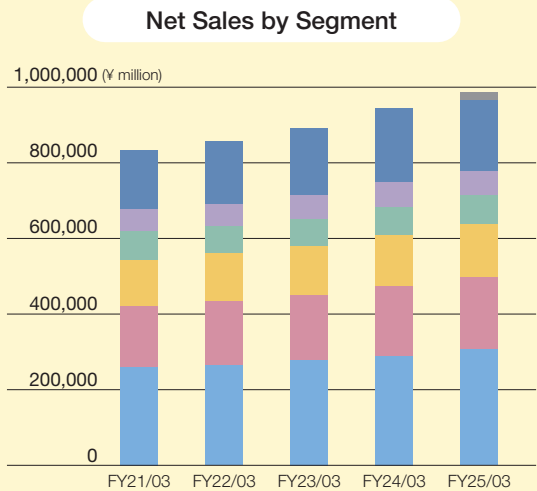
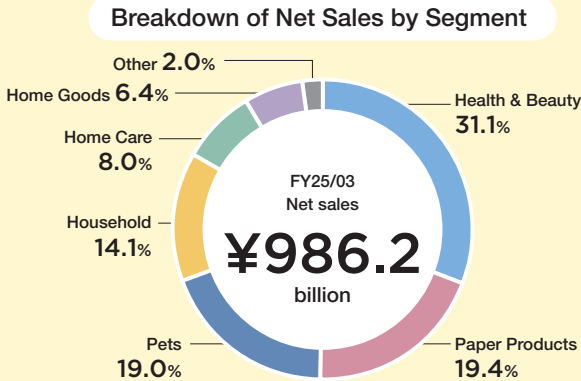
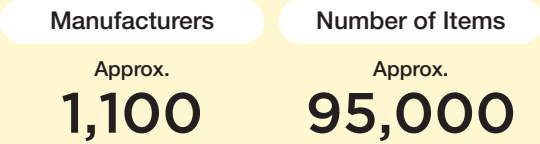
Exports from Japan

The International Business Department deals in the export business to Asia and the world. This department is working to expand sales channels while increasing knowledge about the circumstances, laws, and regulations that differ from country to country. The international e-commerce business, which sells products across borders, is also driving growth in the overall international e-commerce market thanks to population growth in Asia and rising smartphone usage rates. In building an organizational structure that can respond quickly to changes in the environment and customer needs in the rapidly changing international business landscape, we are working to raise the bar for international business overall.



Products

Procuring products to make life more comfortable
Creating new demand



Note: As of the fiscal year ended March 31, 2025, Pets and Other are disclosed separately.

Strength of the Product Merchandising Division

Products carried

Our strengths lie in our dealing not only with major manufacturers but also with manufacturers that offer unique products as well as our compelling product assortment of exclusive and preferential distribution items and products developed in-house. We also possess a large share of supplies for the Paper Products, Home Goods, and Pets segments. This balanced segment composition lets us respond flexibly to major shifts in demand, such as those that occurred during the COVID-19 pandemic.

Management of high-precision product master data

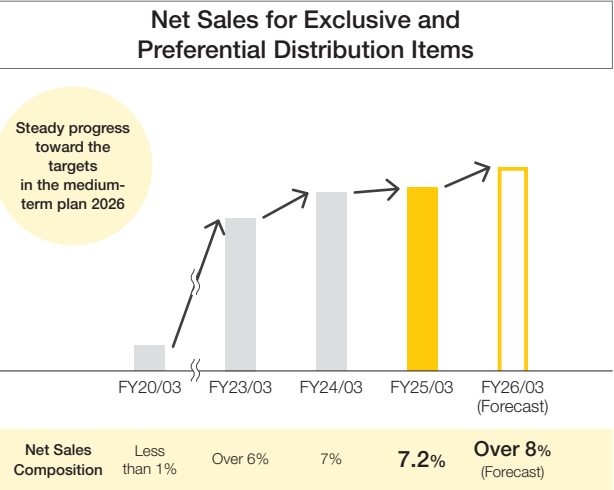
Accurate management of product data for nearly 95,000 items serves as the foundation of our role in distribution. Our systems manage not only basic data such as pricing but also items for managing compliance in the Subcontract Act for a system that lets us check legal compliance.

Planning and development

Over 300 sales plans are proposed each year by our head office alone. Our rapid in-store implementation through collaboration with the Sales & Sales Planning Department and area branches as well as our steady sales results have earned support from retailers.

Exclusive and preferential distribution items

ARATA is focusing on expanding our exclusive and preferential distribution items to increase our uniqueness and boost profitability. Our goal is to increase these items to over 8% of net sales by the fiscal year ending March 31, 2026. This helps differentiate us from other companies and lets us provide new value to customers without resorting to price competition. Going forward, we will achieve sustainable growth by strengthening development and sales of appealing exclusive items that accurately capture market needs, increasing engagement with customers.



Initiatives by the Product Merchandising Division

Making the Health & Beauty segment stronger

We are leveraging our nationwide logistical network to expand the distribution of cosmetics. Asian cosmetic brands not only from Japan but from South Korea and other Asian nations have continued to attract attention. ARATA possesses popular Asian cosmetics as exclusive and preferential distribution items and will continue to expand these offerings while increasing our uniqueness to help revitalize the cosmetics segment overall.

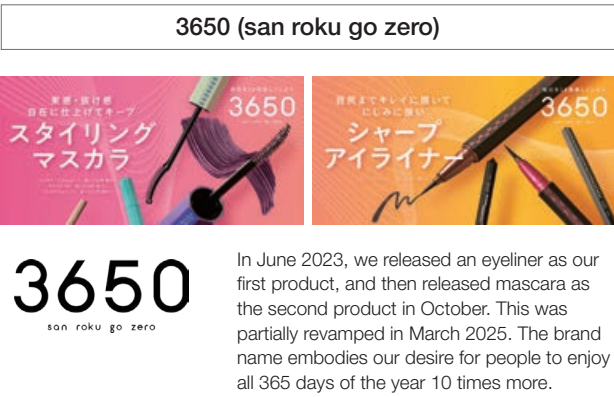
At the JAPAN Drugstore Show, ARATA exhibits annually in a booth specializing in cosmetics to promote new brands and exclusive and preferential distribution items.



Our booth at the 24th JAPAN Drugstore Show

D-Nee Cosmetic for a stronger product range

We established our subsidiary D-Nee Cosmetic Co., Ltd. in October 2021 as a measure to strengthen the cosmetics segment. Leveraging ARATA's nationwide logistical network, we handle everything from brand management, product planning, and manufacturing to advertising strategy, distribution, and sales as a one-stop shop. With "Creating New Value, Enhancing Value." as our mission and comprehensive cosmetics production as our strength, we offer appealing products to consumers that meet today's needs.



Strategic expansion of high-volume, high-value-added products

To address economic conditions and the 2024 Logistics Problem, ARATA is working to strengthen sales of high-volume products such as detergents and other daily necessities to meet consumer needs and streamline logistics. We also aim to ensure profitability in a way less susceptible to price competition and provide new value through strategic expansion of highly distinctive, high-value-added products. Through strategic product policies that adapt to changing market conditions, we aim to achieve sustainable growth.



High-Volume Strategy and Social Responsibility by Addressing Fragrance Pollution

In recent years, consumer awareness of fragrances has changed significantly, with "fragrance pollution"—health problems caused by strong scents—surfacing as a social issue, so that fragrances are now taken into consideration not only for those with chemical sensitivities but in all kinds of settings such as homes with children, medical and nursing care facilities, and schools. To address these social changes and consumer needs, Fabrush offers fragrance-free products as new value rather than eliminating specific

fragrances to help make life more comfortable for those who struggle with scents. We are also addressing the 2024 Logistics Problem by increasing the volume of refill packages to improve transportation efficiency and reduce environmental impact, helping solve these social issues.

Masaru Kuroshima
Operating Manager, Development Section,
Product Development Division,
Product Merchandising Department



Special
Feature

Taking On the Femcare Market— New Options Paving the Way for the Future Through Femcare

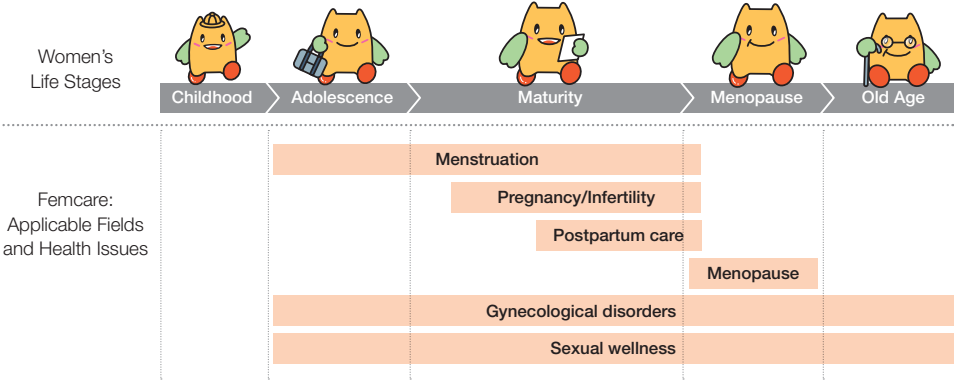


■ What Is Femcare?

Feminine × Care
||
Femcare

A portmanteau of “Feminine” and “Care.” Products and services focused on women’s health and body care.

Note: “Femtech” often refers to approaches that leverage AI and other technologies.



Femcare, which addresses issues unique to women, has drawn significant attention. According to estimates by the Ministry of Economy, Trade and Industry, labor losses and economic losses due to women’s health issues such as menstruation and menopause amount to approximately ¥3.4 trillion annually, which is why products and services that address women’s physical concerns during menstruation, pregnancy, menopause, and all other life stages have gained attention in recent years.

ARATA identified this growing market early on and positioned 2020 as “Year One for Femcare,” actively developing business in this area ever since. To meet latent customer needs, we go beyond conventional frameworks to

fully leverage our strengths as a wholesale trading company that handles a wide range of segments including daily necessities, cosmetics, light apparel, and paper products. Through cross-merchandising combining these diverse products, we offer solutions to address diversifying needs. While shrinking markets due to population decline is a concern, ARATA pursues its business along three axes—improving usage and purchase rates, increasing usage volumes, and raising unit prices—to revitalize and grow the market. Going forward, we will maximize the potential of the femcare market as we aim to both contribute to society and achieve business growth.

■ ARATA's Femcare journey

2020
Year One for Femcare at ARATA

2022
Launched our original intimate care brand MOIDITE

Number of stores
carrying MOIDITE

5,100
stores

7,300
stores

FY2021



“Femcare” added to product strategy. Femcare-related products were collected, and opinions were exchanged.

FY2022



Multiple major internal study sessions and workshops were conducted to promote understanding. Over 500 employees nationwide participated.

FY2023



First exhibition in the Femcare Zone at the 23rd JAPAN Drugstore Show and at other exhibitions such as Femtech Fes.

FY2024



The second consecutive year exhibiting in the Femcare Zone at the 24th JAPAN Drugstore Show. Held seminars and panel discussions.



Participated as a supporting company in the JAPAN FEMTECH ASSOCIATION.

Creating Tomorrow's Normal Today



ARATA is working to strengthen the femcare segment to create sales floors that make the products that support women at every stage of life more accessible. In Japan, many people struggle with not knowing

Mari libuchi
Operating Manager, Product Planning Section,
Sales Promotion Division, Tohoku Branch

what products to choose, and there is a long trial and error process before results are achieved. However, the fact that those working to promote femcare have gained the literacy needed as women to navigate their lives has been a significant benefit. Going forward, we will explore what consumers want from femcare and aim to be a source not only of products but also of accurate knowledge and information on options.

■ Proposals to support women

In addition to offering solutions for creating sales spaces that resonate with women, we work on the following key issues to raise consumer awareness and support women throughout the value chain.

Product Development

Proposals

Helping Promote the
Femcare Business

Improving Internal Literacy

Through our business activities by offering our products and services, the Group communicates social issues as well as our initiatives. We aim to provide consumers with opportunities to learn about femcare and build a foundation for society as a whole to consider and solve these issues together.

Product
Development

Original Intimate Care Brand
MOIDITE



■ Brand concept

The MOIDITE brand symbol draws from Aphrodite, the Greek goddess of love, beauty, and sexuality. “Aphrodite” was combined with “Moi” (French for “I”) to create the name “MOIDITE.” The name MOIDITE embodies our desire for women to enjoy being women.

■ Femtech-Visionary Award

In recognition of our early efforts to launch a femcare brand and create femcare sales floors, we received the Femtech-Visionary Award in February 2025.

Awards (JAPAN FEMTECH ASSOCIATION)

April 2024	Registered in the 12th Femtech Brand Product & Service Certification	February 2025	Femtech-Visionary Award, ARATA Group
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Proposals

Exhibited in the Femcare Zone at the 24th JAPAN Drugstore Show
Booth concept: Connection

* “Femtech Expert” certified by the JAPAN FEMTECH ASSOCIATION is a specialist with systematic knowledge of femtech. This certification can be obtained by completing the JAPAN FEMTECH ASSOCIATION Certification Level 2 Certified Femtech Expert Course.

16 brands, including our 4 main brands and new partner brands, were displayed to provide a place to discover new products. Employees with Femtech Expert* certification communicated the importance of femcare to visitors.



■ Proposals for Disaster Preparedness + Femcare at the Drugstore Show

Emergencies create significant stress, making problems more likely to occur. Our booth made proposals on femcare for disaster preparedness, including talks on how stocking the femcare items you are accustomed to using creates peace of mind. The Social Media Promotion Section also communicates the importance of this through coordinated posts on social media.

Helping Promote
the Femcare
Business

Stronger collaboration with partner companies and related organizations to contribute to the development of the industry as a whole



November 15, 2024
Exhibited at OZmall Healthcare event: “My Health Room”

Participants were given explanations on the features of MOIDITE products, which were then sold.



February 19, 2025
Participated as a supporting company in JAPAN FEMTECH SUMMIT 2025

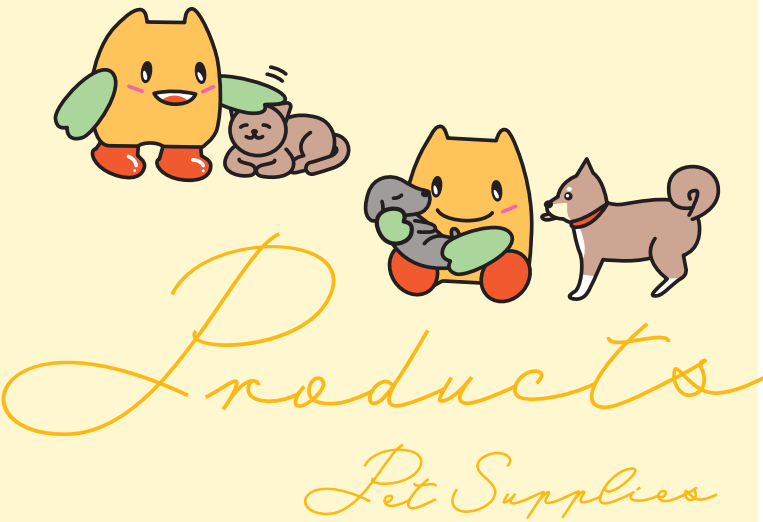
Improving
Internal Literacy

Host virtual menstrual pain seminars
to promote understanding of women’s health issues within the Company



July 15, 2025

As a company that promotes femcare and women’s careers, general managers from each department and approximately 20 managers from divisions with many female employees gathered at our head office to experience menstrual pain and exchange opinions on future work styles.



Support for everything from first encounters to everyday living with the pets that make life brighter

The Pets segment, which is one of our key strengths, was integrated into Japell Co., Ltd., an ARATA Group company, in 2019, and has continued to grow as a result of its expertise. The pet market is expected to grow even further in the future due to longer pet lifespans in recent years and rising health awareness among owners. With over 50 years of history, JAPPELL is the leading comprehensive pet supply trading company in the industry, continuing to grow under the motto of Enriching the Lives of Pets and Humans. Leveraging a nationwide logistical network built across years of experience and specialized knowledge as strengths, JAPPELL plays an important role connecting manufacturers and retailers and ultimately pets and their owners. This allows JAPPELL to provide optimal products to customers and contribute to enriching lives with pets.



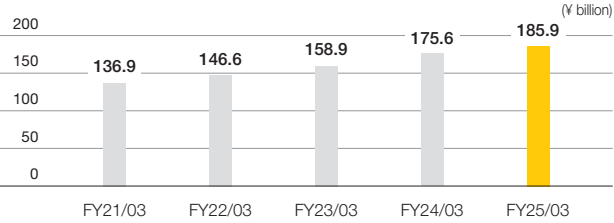
The company name is derived from "Japan Pet Life Library" and reflects the desire to serve as a library for all things related to pets.

JAPPELL's Business

■ Core trading company business

JAPPELL wholesales pet food and other pet supplies as well as items for dogs, cats, and a variety of other animals. JAPPELL has also built an organization capable of responding flexibly to different requests from customers and providing support by leveraging the company's capacity to develop original domestic products, make system-driven analysis and proposals, implement mechanisms to receive and place orders smoothly, establish a logistical network that connects domestic and international bases for swift, prompt action, and more.

Net Sales for JAPPELL (Non-Consolidated)



■ Store business

Our subsidiary Japell Partnership Service Co., Ltd. operates a store development business leveraging the expertise its parent company JAPPELL has cultivated as a comprehensive pet supply trading company. By operating approximately 300 store locations, primarily within other shops, JAPPELL creates opportunities for local customers to access high-quality pet supplies and specialized services close to home.



■ E-commerce business

In our e-commerce business, we provide specialized supplies through PETWAGON, an e-commerce site for nearly 25,000 pet grooming salons nationwide. For general pet owners, we run an information app and online store called ANIMAL CAMPUS to provide comprehensive support for enriching the lives of pets and humans for everyone from professionals to general users.



■ International business

We conduct import and export of pet supplies as well as international e-commerce focused on the ASEAN region. In 2024, we further strengthened our business foundation in China and other global markets by transferring Kairaotai (Shanghai) Trading Co., Ltd. from the parent company ARATA to operate as a subsidiary.



Comprehensive Pet Exhibition



JAPPELL held the 2025 Comprehensive Pet Exhibition on March 18 and 19, 2025. With "Healthy Mind and Body Starts with a Happy Life with Pets" as the theme, we created the subtheme "Smiles + Growth" to help make the lives shared by pets and humans even more abundant and joyful amid major changes.

This exhibition featured booths from nearly 200 manufacturers, with the original booths from JAPPELL offering solutions based on 5 themes, including a skincare section focused on dog health and an interactive display where visitors could experience selecting products from a dog's point of view.

Through this exhibition, we contributed significantly to revitalizing the pet industry as a whole and created a venue for generating new value to enrich the lives of pets and humans.

The JAPPELL Booths



Interactive area for selecting products from a dog's point of view



Doggy skin care area

Wanwan Undoukai—A Fun Event for Pets and Their Owners

We hold the Wanwan Undoukai annually to help revitalize the local community and promote health for both pets and their owners. In Aichi Prefecture, this event has been loved by the community for many years, celebrating its 25th installation in 2024. The field day was also held in Kanto for the second time to great success, helping expand its reach.

This event is popular every year not only as a place where dogs and their owners can enjoy exercising together but also as an opportunity to promote healthy lifestyles to the community. It also plays an important role in building stronger community bonds by promoting interaction among dog owners.



Contributing to Society Through ANIMAL CARE HOUSE

Caring for aging pets has become a social issue in recent years. Longer lifespan for pets increases the need for nursing care, while aging, illness, and hospitalization of owners create an even more serious burden regarding pet care.

To help solve these social issues, we operate ANIMAL CARE HOUSE, a home for elderly dogs and cats, as a pet care house business based on our expertise gained from years of involvement in different pet businesses.

At ANIMAL CARE HOUSE, staff with specialized knowledge and experience work with veterinarians to provide meticulous medical care and nursing tailored to the condition of the individual pet as well as a safe and comfortable environment for elderly dogs and cats that need

special care due to old age or illness. This helps beloved furry family members spend their remaining time in peace and dignity, contributing significantly to pet welfare.

It also plays a vital role in creating a better world for both pets and humans by ensuring lifelong care for elderly pets and mitigating the burden on owners.



Providing Every Dog and Cat with the Same Love and Care as Their Owners

Under the philosophy of "providing every dog and cat with the same love and care as their owners," ANIMAL CARE HOUSE works daily to provide an environment where animals can spend their time in peace and comfort. Thanks to this, we are now in our fifth year and have been receiving many inquiries from clients about boarding and facility tours.

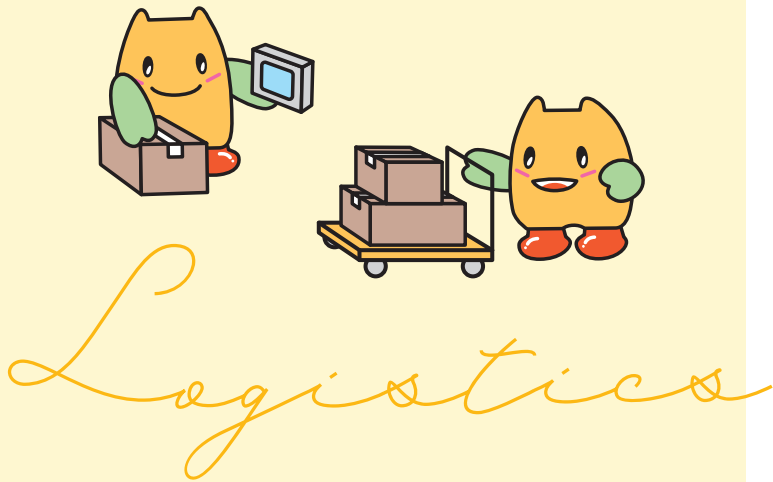
With recent revisions to the Act on Welfare and Management of Animals, standards such as limits on the number of animals that can be housed, housing area per animal, and exercise time have grown increasingly stringent. To address these changes,

ANIMAL CARE HOUSE strictly complies with laws and regulations and strives to create an environment where animals can spend their time in safety and comfort.

Going forward, we will work to communicate the appeal of our facilities, the ideas of each of our employees, and how the elderly cats and dogs here spend their days peacefully to hopefully expand understanding and support for the efforts at ANIMAL CARE HOUSE.

Risa Tatsuki
Assistant Manager,
ANIMAL CARE HOUSE

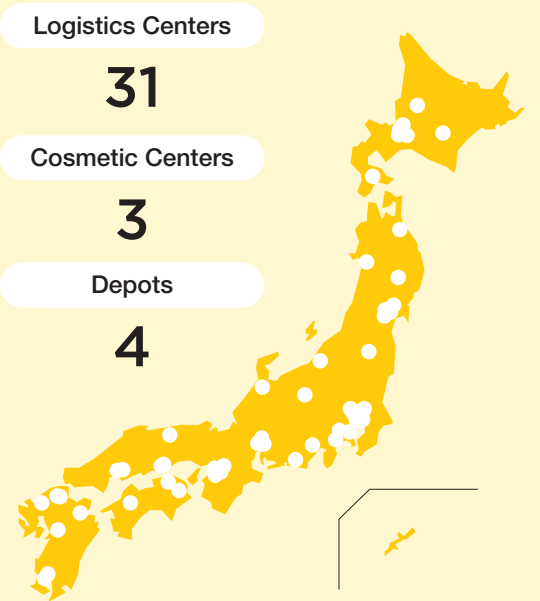




A nationwide logistics network that includes 12 large-scale logistics centers to streamline the entire supply chain

To fulfil the fundamental responsibility as a wholesaler of ensuring stable and accurate delivery of products from as many as 1,100 manufacturers to retailers across Japan, ARATA has established a nationwide network of 31 logistics centers, including 12 large-scale centers with annual shipments of between ¥20 billion and ¥50 billion, 4 depots, 3 cosmetic centers, and more than 100 contract warehouses to flexibly accommodate fluctuations in demand. Our nationwide network of large, mid-sized, and small centers also helps spread risk as part of our BCP. By demonstrating our advanced logistics capabilities as an intermediary in the distribution chain, we aim to streamline and optimize the entire supply chain for greater efficiency and contribute to the creation of a sustainable society.

—The ARATA Logistics Center Network—



Streamlined Logistics Centers

To deliver different types of products with varying logistics needs in a highly efficient manner, ARATA has installed material handling equipment at our logistics centers to help streamline operations. To keep our centers running without any interruptions to supply despite long-term risks such as labor shortages and pandemics like COVID-19, we will continue stepping up our investment in logistics operations, including automation.

In addition to the new center currently being developed, we are working to introduce automated guided vehicles (AGVs) in an effort to increase the logistics productivity of existing centers. Going forward, we will work to introduce these systems at other bases while considering applications for different uses as well.

The material handling equipment at our logistics centers

Automated pallet warehouse Set high, middle, and low shelves for efficient storage Automated operations for transport, storage, shipping, and inventory management	AIMAS Prevents errors in items, quantities, and delivery destinations to achieve ultra-high accuracy with a misdelivery rate of less than 0.001%
Automated collapsible container warehouse Collapsible containers are temporarily stored once picking is complete, and then these randomly transported containers are sorted by company, store, and route	AI depalletizing robots Enabling automatic case refills, reducing heavy workload in case handling work, and making night work possible

TOPICS

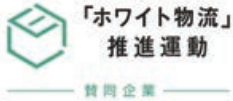
— Launching collaborative logistics initiatives with PALTAC CORPORATION

ARATA started joint deliveries with PALTAC CORPORATION in the West Kanto area in July 2025 as part of efforts to co-create sustainable distribution infrastructure through collaboration in “non-competitive areas.” This is expected to reduce the number of trucks and drivers needed, improve loading efficiency, cut CO₂ emissions by shortening travel distances, optimize logistics costs, and ease workload at stores by reducing delivery frequency. Going forward, ARATA will expand joint deliveries to other regions and delivery destinations to advance co-creation of sustainable logistics infrastructure across the entire supply chain.

Initiative Schematic

Before	PALTAC (FDC Kanagawa) → Delivery location (Tokyo)	ARATA (Chiba Center) → Delivery location (Tokyo)	Number of deliveries × 2
After	PALTAC (FDC Kanagawa) → ARATA (Yokohama Center) → Delivery location (Tokyo)		Number of deliveries × 1

Promoting White Logistics to Address the 2024 Logistics Problem



As the impact of the 2024 Logistics Problem grows increasingly apparent, ARATA is working to promote White Logistics, which aims to improve the labor environment and boost productivity in 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, the Ministry of Economy, Trade and

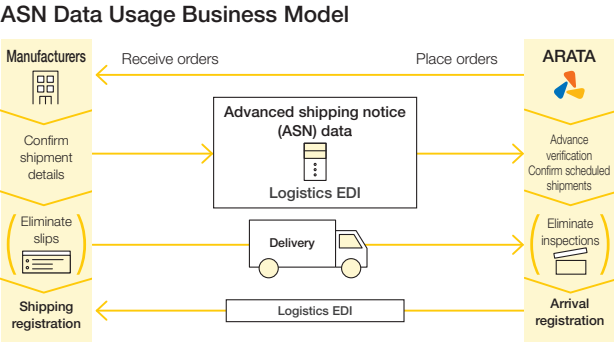
Industry, and the Ministry of Agriculture, Forestry and Fisheries, and are actively implementing a range of initiatives to streamline sustainable supply chain logistics and reduce truck drivers' waiting time and loading and unloading time. These efforts also help reduce environmental impact through fewer delivery vehicles, helping build a sustainable society.

■ Initiatives at ARATA

1 Achieve a proper level of inspection Streamlined inspection using ASN	Logistics improvements and cooperation Shift the unit of quantity of orders from lots to pallets and surfaces	Consolidate cargo collection points/delivery destinations Joint deliveries with other wholesalers	Deliveries outside peak hours Staggered shipping and delivery times
2 Loading dock booking system Reduce driver waiting times	3 Written contracts of carriage	Actively use pallets Use pallets for goods stacked flat	

1 Eliminate inspections using ASN data

Advanced shipping notice (ASN) data has become increasingly important in streamlining the supply chain overall. In response to this trend, ARATA commenced operations of ASN data in collaboration with PLANET, INC. and manufacturers in August 2023. Advance verification of orders and delivery accuracy through ASN data simplifies inspection during receipt of goods. Comparing ASN data obtained in advance with actual incoming product information makes receipt of goods even smoother. This has allowed for paperless digital slips and more, contributing significantly to productivity improvements. We are also proactively expanding the number of manufacturers included to achieve broader streamlining.



Reduced truck waiting times and increased warehouse productivity contribute to lower costs, a better environment, and better working conditions for drivers

2 Loading dock booking system

ARATA began implementing the Telesa-reserve loading dock booking system in 2019. As of August 2025, it is being used at 33 centers. Implementing this system has reduced waiting times by 30% to 70% compared to before. Understanding information on manufacturers, volumes, loading methods, and more in advance also makes it easier to organize work procedures, helping to streamline work planning.



3 Dialogues and contracts to enable sustainable logistics

To build a sustainable and resilient supply chain, ARATA has reviewed and revised its contracts of carriage, emphasizing stronger partnerships with shipping companies. Furthermore, ARATA will host regular dialogues twice a year to build deeper mutual understanding and co-create solutions to shared challenges. This partnership is essential for improving working conditions at shipping companies and achieving stable transportation at ARATA.

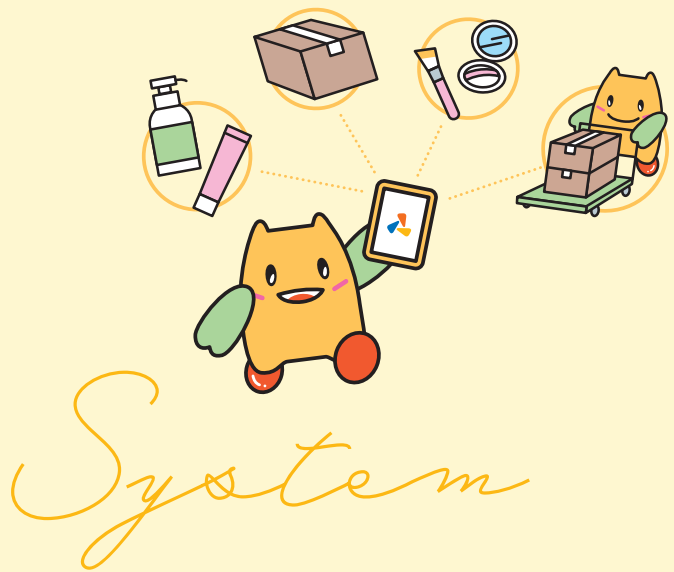
Aiming to Contribute to a Sustainable Logistics Society

One way ARATA is addressing the 2024 Logistics Problem is by working to reduce truck driver waiting times as well as loading and unloading time. These streamlining efforts not only improve working conditions for drivers but also reduce environmental impact through fewer delivery vehicles, which is why ARATA is promoting them as part of its efforts to achieve sustainable logistics. Going forward, ARATA will place even greater focus on streamlining logistics

and achieving a sustainable logistics society by tackling the key challenges of improving response to volume increases around long holidays, further promoting palletization to streamline loading and unloading work, and increasing system integration to optimize the supply chain overall. Through these initiatives, we will help solve social issues.

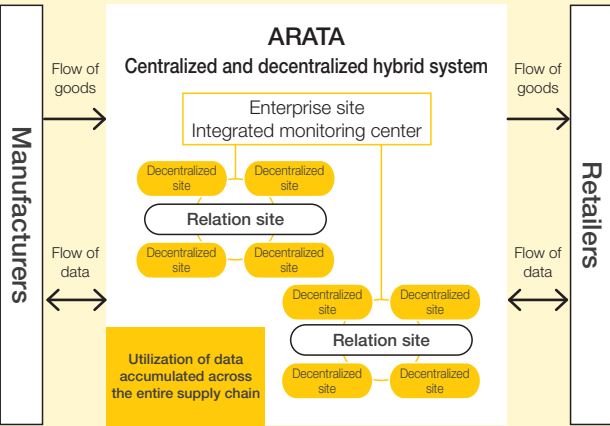
Hiroshi Kubota
Chief Operating Officer, Logistics Planning Division,
Logistics Department





System features to support stable distribution and DX in response to environmental changes

Advanced system capabilities are essential for stable product distribution. ARATA has an open system that provides nationwide coverage through a hybrid centralized-decentralized model built to leverage the best features from each company from prior to the merger. Positioned between retailers and manufacturers, ARATA has accumulated all kinds of data. To establish a data platform that will allow for effective utilization of the data we have accumulated not only in-house but across the entire supply chain, we are working to create a strategic data system and data network that will optimize Company-wide operations based on an accurate understanding of environmental changes gained through feedback from sales, logistics, and other operations.



To maintain a system environment which supports stable logistics even during a major disaster such as an 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.

Researching the Latest Technologies and Using Them in Business

■ Use of AI

— Automation of ordering

AI predicts the quantities that will be ordered in the future based on the order data learned from retailers. Based on those predictions, the order management system ALICE automatically calculates order quantities needed to secure the necessary inventory. This improves both accuracy and efficiency in work related to ordering.

— AI-OCR

AI recognizes and learns from invoices and slips, including handwritten ones, and automatically enters them into a database. This helps save labor in back office work.

— Generative AI

We began implementing generative AI in stages in 2023. Using generative AI for work such as document and material creation has significantly reduced work time. The time created through this is devoted to higher value-added work to improve productivity across the organization. ARATA has also built its own generative AI system, minimizing the risk of data leaks while promoting adoption across the entire Company, including the sales, administrative, and logistics departments.

Initiatives to instill and use generative AI within the Company

Gemini・NotebookLM

基本機能と活用例についてご紹介

- 各ツールの特徴
- 起動方法
- GeminixMeet 活用例
 - > Meet会議の議事録メモ自動作成
- NotebookLM 活用例
 - > 資料の内容をチャット・音声概要で理解する

To promote wider adoption of generative AI, ARATA shares use cases and specific methods of use internally to give all employees an opportunity to learn effective usage methods.

— Promote RPA

At ARATA, the IT Innovation DX Promotion Department spearheads efforts to quickly resolve routine tasks and small issues using RPA by placing RPA staff in departments across the Company.

In the fiscal year ended March 31, 2024, this saved nearly 6,500 hours of work time primarily in operational divisions. Going forward, ARATA will roll out RPA to area branches and departments where it has not yet been introduced to achieve further efficiency gains and results.

These efforts not only contribute to productivity improvements but also help cultivate digital talent for the future by increasing the number of people involved in RPA development.

IT Medium-Term Management Plan

ARATA's IT Medium-Term Management Plan provides powerful support for the strategy of a “stronger foundation” outlined in the Medium-Term Management Plan 2026. By achieving higher productivity through the initiatives in the IT

Medium-Term Management Plan, we aim to improve work efficiency across all departments, boost competitiveness across the Company, and establish a foundation for sustainable growth.

Promoting the strategy of a “stronger foundation” in Medium-Term Management Plan 2026 through streamlining and workplace reform across departments

Supporting growth strategy	Management	Adopt BI tools and create a metrics dashboard - Understand state of business in real time - Faster, higher-quality decision-making	➡	Greater competitiveness through faster management decisions
	Human Resources	Update human resource system and digitalize data - Visualize individual skills and career paths - Strategic human resource development planning and execution	➡	Greater organizational capacity through improved talent management
	Systems	Introduce Google Workspace - Create active communication - Establish a digital foundation for diverse work styles	➡	Greater work efficiency through improved data linking
	Sales	Update and build sales support system - Reduce work time by streamlining and simplifying sales operations - Stronger sales proposal efforts	➡	Greater contribution to sales through improved sales productivity
	Products	Streamline ordering using AI - Minimize stockout risk and optimize inventory - Streamline ordering processes	➡	Optimized inventory and improved profitability
	Operations	Build order processing system - Reduce workload - Reduce human error	➡	Streamlined operations Improved collaboration with business partners
Improving productivity	Logistics	Utilize ASN and implement data management systems - Use ASN to streamline warehouse operations - Use data management systems to improve logistics productivity	➡	Optimized supply chain Greater cost competitiveness

Achieving DX Through the “Will to Change”

In promoting Google Workspace, we realized that DX goes beyond simply introducing new tools or digitizing operations. We are keenly aware that what matters most is reconsidering our long-established ways of working and cultivating a mindset that embraces change. Of course, it takes time for those accustomed to old methods to adapt to new ways of working, and many challenges still remain. Meanwhile, the number of employees embracing new ways of working continues to grow. We will keep working steadily to increase the number of employees who possess this progressive mindset and generate momentum for transformation across the Company.



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. Regarding consideration and decision-making for countermeasures for

evolving digital risks, the IT Planning Department handles technical aspects such as developing new tools or considering usage of external tools, creating and operating a foundation for data security that allows business and projects to be conducted in a safe, secure, and efficient manner.

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 stakeholders through various means and receive their opinions on the Company, which is relayed back to our senior management team as feedback to help us recognize the issues we must address and strive to achieve better business management and data disclosure.

Major Stakeholder Initiatives



- General Shareholders meetings (hybrid meetings of in-person 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 those exercising voting rights of international 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.
- One-on-one meetings

Video streaming of General Shareholders meetings and financial results briefings

ARATA utilizes video streaming to provide information to as many shareholders and investors as possible.



IR for individual investors

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



Disclosure of information in English

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



SR activities

ARATA conducts SR activities to engage in dialogue on ESG issues with institutional investors in charge of exercising voting rights.



Basic ESG Policy: Tough, Right, Active

Guided by our management philosophy, “Continue to serve the world,” we aim for sustainable growth and development together with society.

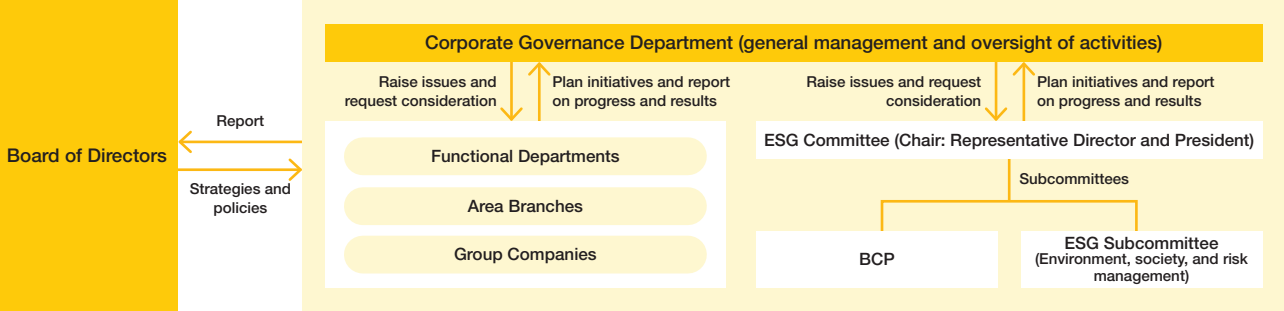
By building a stronger foundation through trust with all of our stakeholders, promoting environmental improvements and streamlining the entire supply chain with integrity, and implementing business strategies that enrich people’s lives, our employees also experience joy in work.

Through these business activities, we will bring about sustainable improvement in our corporate value.

Material Issues in ESG

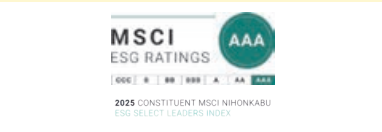
	Material Issues	Our Vision	Main Measures for FY25/03
Environment	Response to climate change Creating a circular economy Energy saving and resource conservation	Fostering a virtuous cycle in the supply chain to contribute to the environment	● Data disclosure based on the TCFD recommendations ● CDP Response (2024: Score of B) ● Energy-saving measures to reduce GHG emissions ● 3R Campaign 2024 joined by approximately 20,000 stores
Human Resources	Supply chain management Promotion of DEI Development and training of human resources Health and productivity management	Being a company worth working for employees	● Measures to ingrain the Sustainability Procurement Policy ● Initiatives to promote DEI (Eruboshi (2-Star) and Kurumin Certification acquired) ● KENKO Investment for Health Certification 2025 ● Enhancement of training programs
Regional Communities	BCP Contribution to regional communities	Providing comfortable living for all	● BCP activities ● Programs in collaboration with university students ● Participation in the Children's Food Alliance
Governance	Corporate governance Compliance Risk management	Building a robust governance framework to support sustainable growth	● Disclosure of the Board of Directors skill matrix ● Managers' group discussions and officers' panel discussions organized by the Nomination & Remuneration Committee ● Improvements based on the assessment of effectiveness of the Board of Directors ● Measures to increase employee awareness of compliance ● Protection against data leaks

Promotion Framework



ESG Stock Index Ratings

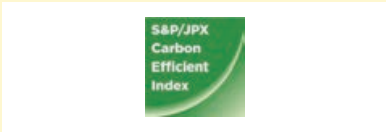
MSCI Japan
ESG Select Leaders Index*



FTSE Blossom
Japan Sector Relative Index



S&P/JPX
Carbon Efficient Index



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Environment



Fostering a virtuous cycle in the supply chain to contribute to the environment

ARATA helps protect the environment through initiatives that harness our capabilities as an intermediary to create a virtuous cycle in the supply chain. We position response to climate change and creation of a circular economy as material environmental issues and are implementing a wide range of initiatives to address these.

ARATA Group Environmental Policy
The ARATA Group has positioned environmental conservation as a key management priority in helping to build a sustainable society. To fulfill our corporate responsibility of addressing climate change, resource depletion, and other global challenges, we have established the ARATA Group Environmental Policy. Under this policy, we will work to reduce our environmental impact throughout all business activities and contribute to a more sustainable society.

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

Response to Climate Change

Data disclosure based on the TCFD recommendations

ARATA recognizes climate change as a critical risk and opportunity in management and aims to balance environmental conservation and economic activities as we work to build a sustainable society. Based on this understanding, we are promoting efforts to reduce GHG emissions and create a virtuous cycle throughout the supply chain. Identifying and responding to climate change-related risks and opportunities is our key management strategy

issue. We conduct our analysis in line with the TCFD recommendations and disclose data in our securities reports based on this framework. We will continue to enhance our data disclosure to fulfill our duty of accountability to our stakeholders.



Governance

ARATA has established the Sustainability Promotion Division as a specialized division promoting ESG initiatives as well as the ESG Committee, whose members include all outside officers. The ESG Committee is chaired by the Representative Director and President and has meetings six

times a year to assess and discuss risks and opportunities related to sustainability. The Board of Directors receives reports on matters judged important by the ESG Committee, then deliberates and makes decisions as necessary to provide overall supervision.

ESG Committee Agenda in FY25/03

- 2024

April

- ESG promotion framework
 - ESG Committee structure
 - Items of consideration for the BCP
 - Health and productivity management
 - Women's health seminars
 - Eruboshi (2-Star) certification acquired
- June

- Ratio of women in management, male childcare leave take-up rates, gender wage gap
 - TCFD disclosure, consideration of risks and opportunities, GHG reduction measures
 - Unconscious bias workshops
 - ESG rating agencies (MSCI rating)
- August

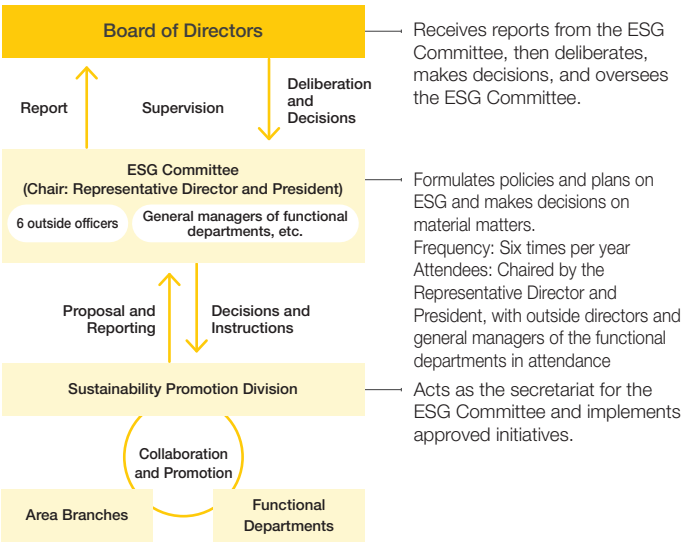
- Formulation of the Environmental Policy
 - Health and productivity management
 - Anti-smoking measures
 - A&J Project report
 - Solaputi Charity Auction
- October

- Reduction of product returns
 - Donation to the Children's Food Alliance
 - On human rights training
 - Health and productivity management
- December

- Overview of ESG efforts
 - Sustainability Procurement Policy
 - Content sharing from the ESG Subcommittee
- 2025

February

- CDP Score of B acquired
 - Kurumin Certification acquired
 - KENKO Investment for Health Certification acquired
 - Internal ESG awareness efforts, ESG news/e-learning



Strategy

ARATA conducts scenario-based analyses to identify and understand the financial and business impacts of future

climate risks and opportunities under different scenarios and evaluate the resilience of our strategies.

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 if we leverage our roles as a wholesale trading company to address issues throughout the supply chain, including manufacturers and retailers, due

to changes in consumer needs. While we plan to continue conducting scenario analyses and reviewing risks and opportunities on a regular basis, the following risks and opportunities are considered to have a high-level impact on ARATA at the present time.

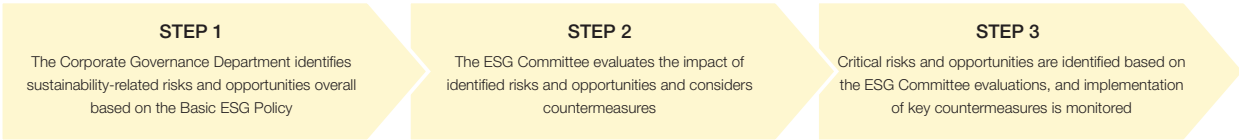
Category	Type	Level of Impact		Description	Occurrence	Measures
		1.5°C/2°C	4°C			
Transition risks	Policies and regulations	Medium	Minor	Increase in costs due to carbon taxes and emissions trading, etc.	Short to medium term	• Install energy-saving equipment and promote the use of renewable energy to reduce GHG emissions
	Technology	Major	Medium	Increase in investment costs accompanying the introduction of equipment that addresses decarbonization	Short to medium term	• Develop and execute long-term capital investment plans for decarbonization
	Reputation	Medium	Minor	Lower sales due to a decline in reputation if measures to address climate change are inadequate	Medium to long term	• Better data disclosure on climate change measures
Physical risks	Acute	Medium	Major	Damage caused by suspension of business operations and interruptions to logistics operations at distribution centers with high risk of typhoons and storm surges	Short to medium term	• Decentralization of logistics centers
	Chronic	Minor	Medium	Increase in energy costs due to rising temperatures and increased procurement costs for renewable energy	Short to medium term	• Build alternative logistics BCP
Opportunities	Resource efficiency	Medium	Minor	Improvement in delivery efficiency as well as lower costs due to energy-saving measures	Short to medium term	• Adopt renewable energy
	Products and services	Medium	Minor	Increase in sales due to increased volume of environmentally-friendly products handled	Short to medium term	• Install highly energy efficient equipment
	Products and services	Medium	Minor	Improvement in productivity as well as lower costs from reducing CO ₂ emissions in the supply chain	Short to medium term	• Optimize delivery routes
	Market	Minor	Medium	Improvement in reputation and acquisition of new business opportunities through actively promoting measures to address climate change	Medium to long term	• Promote joint deliveries
	Resilience	Minor	Medium	Increase in transactions through enhancing logistics resilience in times of disaster	Medium to long term	• Bolster our range of environmentally-friendly products

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

Risk management

The Corporate Governance Department identifies Company-wide risks and opportunities related to sustainability. The ESG Committee and Board of Directors then comprehensively assess the magnitude of impact of such risks on management and consider appropriate countermeasures.

The Corporate Governance Department serves as a contact point for risk measures that have been decided and implements initiatives in cooperation with other departments to reduce risks.

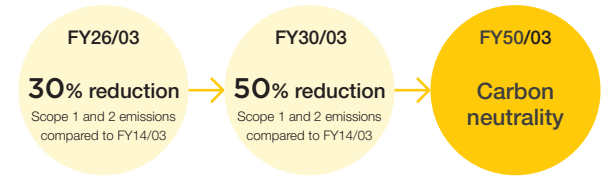


Metrics and targets

We have set the following numerical targets for climate change mitigation. In the future, we will calculate the Scope 1 and 2 GHG emissions of the Group on a consolidated basis and formulate extensive energy-saving measures from a long-term perspective (such as upgrading to high-

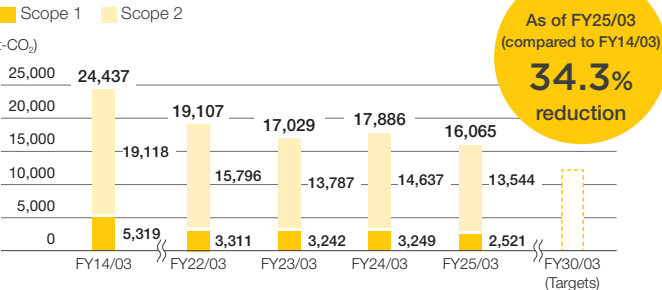
efficiency equipment at logistics centers and other bases) and plans to reduce GHG emissions through the use of renewable energy, then implement these as we work to achieve our targets.

GHG Emissions Reduction Targets



Note: As of the fiscal year ended March 31, 2025, Scope 1 and 2 emissions are non-consolidated; however, in the future, we will calculate emissions on a consolidated basis and examine our targets as needed.

GHG Emissions (Scope 1 and 2; non-consolidated)



Initiatives to address Scope 3 emissions

We began calculating Scope 3 emissions in FY2022 to help create a sustainable supply chain and are working to visualize these emissions. In the future, we will implement initiatives to calculate and reduce the Group's Scope 3 emissions on a consolidated basis.

Scope 3 emissions (non-consolidated)

		Emissions (t-CO ₂)		
Category		FY23/03	FY24/03	FY25/03
Total		3,497,208	3,565,897	3,621,690
Category 1	Purchased products and services	2,707,967	2,805,197	2,944,479
Category 2	Capital goods	7,747	11,628	14,698
Category 3	Fuel- and energy activities	2,907	2,909	2,966
Category 4	Transportation and distribution (upstream)	24,913	23,103	18,558
Category 5	Waste generated by operations	663	1,368	738
Category 6	Business travel	260	255	255
Category 7	Employee commutes	2,423	2,370	2,358
Category 11	Use of sold products	212,010	193,248	113,909
Category 12	End-of-life treatment of sold products	538,318	525,819	523,729

Initiatives to reduce GHG emissions

Energy conservation

To conserve energy, we are systematically implementing a range of measures to reduce CO₂ emissions, including the introduction of a demand monitoring system to reduce maximum power consumption, the transition to LED lighting, and the replacement of air conditioners with more efficient equipment. Individual bases have implemented independent measures to conserve energy, helping to reduce their environmental impact.



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

Energy creation

We have currently installed solar panels on the roofs of three logistics centers in Izumi, Saitama, and Kanagawa and are helping reduce CO₂ emissions by generating renewable energy. To procure electricity generated from renewable energy, an on-site power purchase agreement (PPA) has been signed utilizing the roof of the Kanto Logistics Center, which was relocated last year.



Switch to CO₂-free electricity

To reduce GHG emissions even faster, we are progressively switching electricity at our bases to CO₂-free electricity. In August 2025, we switched all of the electricity over which ARATA has authority to switch, excluding leased properties, to CO₂-free electricity.



Electricity supply certificate at the Kanagawa Center, Capital Area Branch

Improved data disclosure through CDP reporting

ARATA began responding to the CDP (Carbon Disclosure Project), the global standard for corporate environmental disclosure, starting in FY2023. While we received a C rating in the first year, our ongoing efforts to reduce our environmental impact and improve the quality of our data disclosure led to an improved score of B in FY2024.

Going forward, ARATA will continue to proactively disclose environmental data through CDP reporting, integrated reports, and a diverse range of other media. ARATA will further contribute to building a sustainable society by reducing environmental impact through our business activities and maintaining highly transparent data disclosure.



TOPICS

Shifting to consolidated Group GHG emissions calculations

We began calculating GHG emissions for JAPPELL starting in the fiscal year ended March 31, 2024. With the second-largest sales volume after ARATA (non-consolidated), JAPPELL significantly impacts the overall emissions of the Group, which is why this company was prioritized for calculation as our first step toward calculating consolidated GHG emissions.

We will continue considering ways to disclose emissions and set reduction targets for the consolidated Group, including our subsidiaries overseas.

		Emissions (t-CO ₂)	
		FY24/03	FY25/03
Scope 1 (JAPPELL)		469	447
Scope 2 (JAPPELL)		1,011	149
Total		1,480	596

Creating a Circular Economy

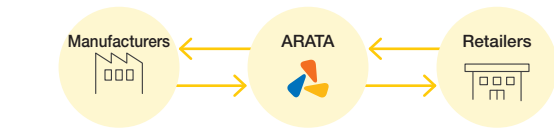
Efforts for the 3Rs

As part of our role connecting retailers and manufacturers with the Ministry of the Environment, we conduct the annual 3R Campaign, aimed at increasing understanding and support for the 3Rs. Through increased sales of refillable and environmentally-friendly products, we are helping reduce plastic.



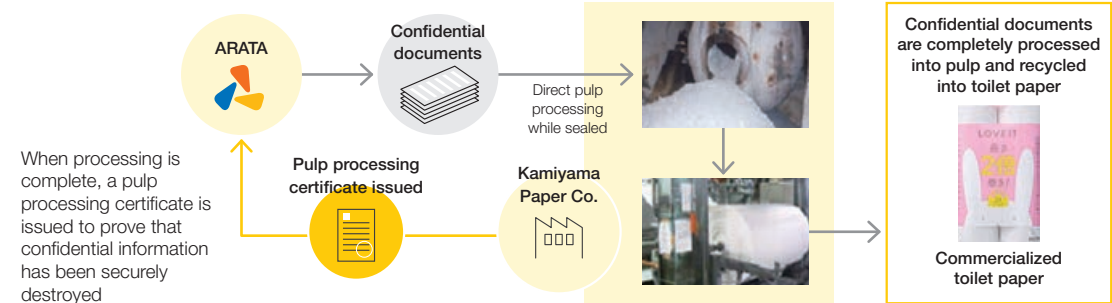
Reduce returns

The daily necessities industry is prone to returns due to frequent replacement of new products and seasonal items. These returns create hassle and costs related to product removal and returns for retailers, manufacturers, and wholesalers such as ARATA. The environmental impact from transportation and disposal is also a major challenge. In response to this challenge, ARATA is working with retailers and manufacturers to promote efforts to reduce returns that involve the entire industry. This is a crucial initiative that both streamlines the supply chain overall and creates shared value through economic benefits and environmental contribution.



Recycling confidential documents into toilet paper

As part of our resource recycling initiatives, ARATA is promoting efforts to regenerate waste documents as toilet paper. At the Tohoku Branch, we process an average of 17 tons of confidential documents into pulp annually through collaboration with Kamiyama Paper Co., then commercialize this as toilet paper.

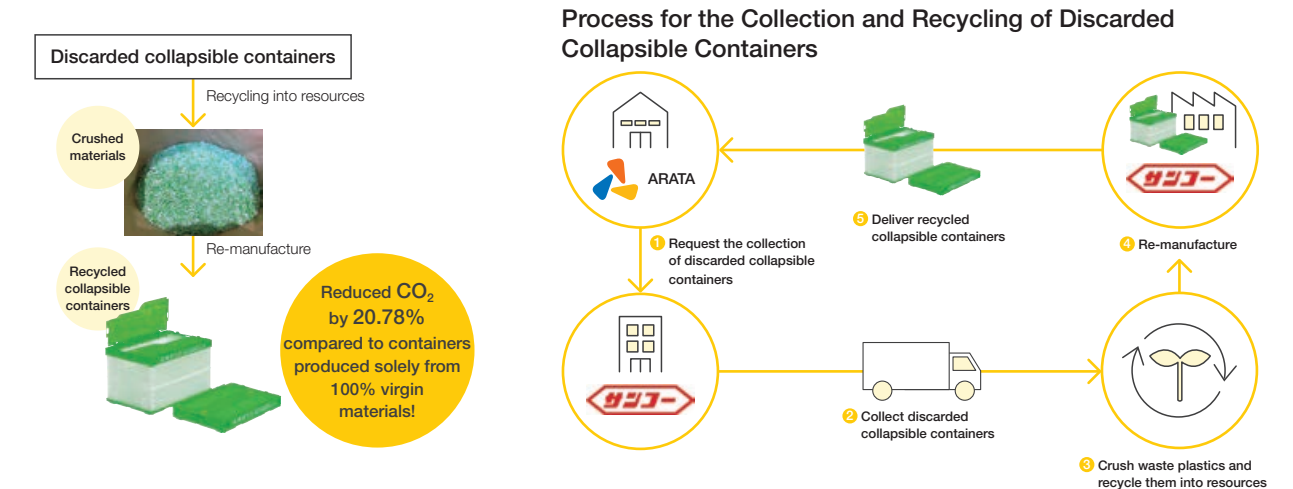


paper. This achieves effective use of paper resources while eliminating the risk of information leaks. Approximately 30 tons of waste documents are recycled into toilet paper annually across ARATA through these efforts and others, contributing significantly to waste reduction and resource recycling.

Closed-loop recycling of collapsible containers

In a new plastics recycling initiative, we began closed-loop recycling of collapsible containers, which are indispensable in the delivery of products in our logistics operations, with SANKO Co., Ltd., a manufacturer of logistical materials. Damaged and discarded collapsible containers are recycled into new collapsible containers, resulting in CO₂ emissions

that are 20.78% lower than containers produced solely from virgin materials. These recycled collapsible containers are used in-house, creating closed-loop resource recycling. This initiative was first started in the Metropolitan area but will be expanded into other areas as part of an ongoing initiative.



Human Rights and Supply Chain

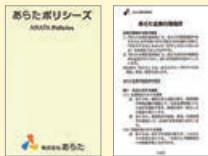
Human Rights

The ARATA Group is committed to respecting the fundamental human rights and diversity of employees, business partners, and all stakeholders involved in our business. As a policy for this, we established the ARATA Group Human Rights Policy in December 2022.

ARATA also clearly outlines its human rights policies for employees in the ARATA Corporate Code of Conduct within the ARATA Policies booklet and works to ingrain these through training and other initiatives.

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

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.

Supply Chain Management

The ARATA Group develops businesses with many business partners. We recognize that addressing human rights and environmental issues is essential not only at ARATA but throughout the entire supply chain. We have established a Sustainability Procurement Policy in the Supply Chain centered on the supply chain we have formed with our suppliers to help build a sustainable society.

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

Procurement policy: In-house briefing

To ingrain the Sustainability Procurement Policy in the Supply Chain, we held briefing sessions for employees in the procurement division on the content of the policy as well as relevant human rights and environmental issues. This helps employees think about sustainability in routine procurement work and creates stronger collaboration with suppliers.

Procurement policy: Adding wording to contracts

To clarify our commitment to sustainability with suppliers, we added wording to our master transaction contracts regarding consent to the Sustainability Procurement Policy in the Supply Chain. This is an important step toward building strong partnerships with suppliers and helping build a more sustainable world.

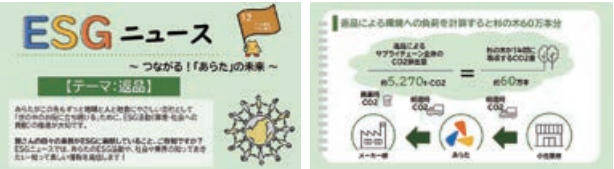
Raising Employee Awareness of ESG

ARATA aims to help create a sustainable society and improve corporate value over the medium to long term, which is why we work to raise awareness so that all employees share a common understanding of ESG and apply it to their everyday work.

As a specific initiative, ARATA uses the ARATA Internal Web Bulletin Board: ARATAN to share timely updates on developments related to ESG as well as Group initiatives as “ESG News.” Ael E-Training Navigation on the Company intranet also provides content on everything from basic ESG knowledge to specific initiatives at ARATA, giving employees opportunities to learn more about ESG.

Through this ongoing information sharing, ARATA is working to boost employee understanding and interest in ESG and foster awareness of ESG as something personally relevant, encouraging action that will help create a sustainable society and improve corporate value.

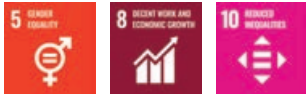
ESG News



Ael E-Training Navigation



Human Resources



Being a company worth working for employees

ARATA considers employees to be partners who share the same goal, and based on the idea that we cannot grow unless our individual employees grow, we respect the diversity of thought, values, and perspectives among employees and focus on free exchange of opinions to create 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.

Promotion of DEI

Sustainable corporate growth requires recruiting diverse human resources regardless of nationality, gender, or age to generate innovation, and with labor shortages worsening due to population decline, we view creating an environment where diverse human resources can work long-term as a key priority. An issue at ARATA is the low ratio of women in management, and we believe that building systems and structures to create a workplace environment where all employees can thrive will also lead to the outcome of a higher ratio of female managers.

We are also working to expand opportunities for elder employees to thrive through our retiree re-employment system. Creating an environment where diverse human

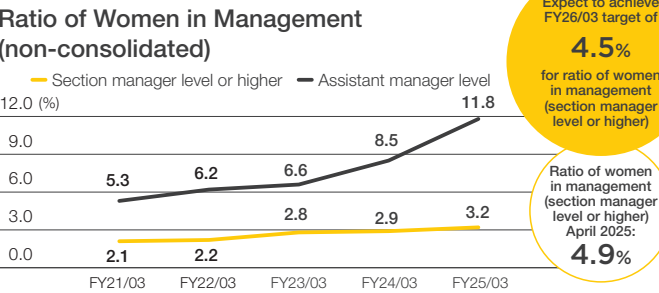
resources can thrive will lead to Company growth and higher corporate value.



■ Priority: Promoting women's advancement in the workplace

ARATA is aware that the low ratio of women in management is an issue and has made promoting women's advancement a priority in its DEI efforts. ARATA has set a goal of 4.5% for the ratio of women in management (section manager level or higher) by the fiscal year ending March 31, 2026, the final fiscal year of the Medium-Term Management Plan 2026, and through continuous and proactive efforts, expects to achieve

this goal. The number of women at the assistant manager level, who serve as candidates for section manager level positions, has increased, and proactive hiring has also increased the number of women in career track positions.



Proposed by the A&J Project

■ The A&J Project

In July 2023, female employees from the ARATA Group company JAPPELL and from ARATA, launched the A&J Project for advancing diversity, equity, and inclusion (DEI) in the ARATA Group. To help ARATA be a company where all employees can thrive, this project makes proposals to management and ties these into concrete initiatives. It also helps participating employees build their careers independently.

■ Unconscious bias training

Awareness of individual internal biases helps increase the soundness of communication and revitalize the workplace environment. In 2024, unconscious bias training was held, featuring different content for managers and general employees. Training to help foster a DEI corporate culture is also planned for October 2025 in this ongoing initiative.

Initiatives for Work-Life Balance

Childcare leave system briefings and exchange meetings

Proposed by the A&J Project

To foster deeper internal understanding of childcare leave, this briefing aimed at all employees presents the system, specific responses by supervisors and colleagues, and examples of words and actions that can lead to harassment. We also held a networking session with childcare leave takers and junior employees in March 2024 and held an exchange meeting for employees on childcare leave aimed at alleviating anxiety about returning to work in March 2025 as part of this ongoing initiative.



- Content of the briefing on systems
- Government and Company systems
 - Measures by supervisors and colleagues regarding employees taking childcare leave
 - Preparations for employees taking childcare leave

Promoting childcare leave among men

To foster a culture where male employees can easily take childcare leave, we have set a goal of 100% male childcare leave uptake for the fiscal year ending March 31, 2026 and promote childcare leave for men through initiatives such as featuring stories from men who have taken childcare leave in our internal newsletter.



- Content of the internal newsletter
- Explanation of Company systems
 - Firsthand accounts from childcare leave takers and supervisors
 - What employees expect from the Company in the future, etc.



In recognition of our initiatives on flexible work styles, creating a workplace environment that actually allows workers to take childcare leave, and more, we received our first Kurumin Certification from the Minister of Health, Labour and Welfare in January 2025 as a company that supports parenting under the Act on Advancement of Measures to Support Raising Next-Generation Children.

Enhanced Systems to Achieve Diverse Work Styles

To support employees through life stage changes and improve work-life balance, the ARATA Group works to achieve diverse work styles and create an environment where employees can continue working long-term. We distribute the Procedure Guidebook organized by life event (transfers, marriage, childbirth, caregiving, etc.) so that employees and departments can quickly access necessary information during these life events.

Support for changes in life stage

- Prenatal and postnatal leave, childcare leave (up to age 2)
- Reduced work hours for childcare (until the child graduates from elementary school)
- Nursing care leave to care for sick children or family members (up to 15 days)
- Job return (re-employment) system

Diverse work styles

- Work from home
- Staggered work hours
- Hourly paid leave
- Management of attendance via smartphone

Human Resource Data (All figures non-consolidated, excluding temporary and part-time employees)

Basic Data		FY23/03 FY24/03 FY25/03		
		Total		
Number of employees	Male	1,998	1,965	1,960
	Female	1,476	1,427	1,398
Number of new graduates hired	Male	522	538	562
	Female	17	23	29
Number of mid-career hires	Male	16	30	31
	Female	13	27	33
Average years of service	Male	8	21	16
	Female	20.3	20.4	20.3
Ratio of women in management (section manager level or higher) (%)	Male	14.8	14.9	14.7
	Female	2.8	2.9	3.2
Ratio of women in management (assistant manager level) (%)	Male	6.6	8.5	11.8
	Female	16.1	17.9	20.6
Ratio of women in career track positions or higher (%)	Male	28	21	23
	Female	2.58	2.70	2.70
Number of non-Japanese employees	Male			
	Female			
Ratio of employees with disabilities (%)	Male			
	Female			

Degree of Utilization		FY23/03 FY24/03 FY25/03		
Paid leave take-up rate (%)		52	63	68
Number of days of paid leave taken		10.0	12.7	12.8
Number of employees taking childcare leave (For men, users of the spouse childbirth leave system)	Male	36	33	37
	Female	48	20	20
Male childcare leave take-up rate (%)		83.7	84.6	94.8
Ratio of employees returning to work after childcare leave (%)		93.8	100	100
Number of employees on reduced work hours		55	76	77
Number of employees on leave to provide nursing care for children		82	110	125
Number of employees on nursing care leave		23	28	39

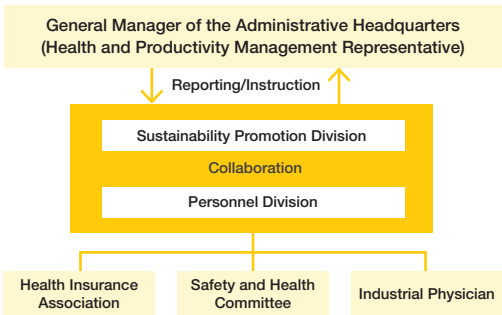
Promoting Health and Productivity Management

We have announced and declared both inside and outside the Company that ARATA will support the health of its employees and strive to create a vibrant workplace environment. We will

hold seminars to help improve employee health literacy and otherwise implement efforts to continuously improve and promote health and productivity management initiatives.

Health and Productivity Management Declaration

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



Priority initiatives for health and productivity management

- Have 100% employees undergo regular general health checks
- Conduct stress checks to create a stress-free work environment
- Encourage take-up of annual paid leave to achieve an annual average of at least 12 days
- Reduce the smoking rate

Enhancing systems for health promotion

- Free screening for the top three cancers
- Special leave for employees undergoing treatment for any of the top three diseases
- Free influenza vaccination program

Initiatives on women's health issues

With many women workers, including at our logistics centers, and also as a company that handles femcare products, ARATA

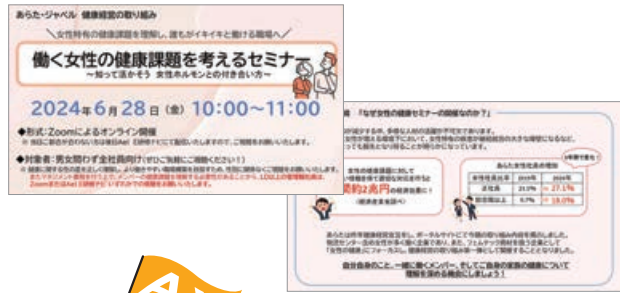
views women's health as a critical issue to continuously address in order to create a workplace where anyone can thrive.

Women's health seminar

Proposed by the A&J Project

ARATA and Group company JAPPELL held a joint seminar led by an external instructor.

Many employees, from general employees to officers, viewed this, helping foster a culture where people are mindful of those around them regardless of gender or age, understand the issues that can arise, and show consideration. This can be viewed by anyone any time on Ael E-Training Navigation on the Company intranet.



Virtual menstrual pain seminar

Participants used the VR device Perionoid to realistically simulate the pain of menstrual cramps, gaining a deeper understanding of women's health issues. In workshops that transcended the boundaries of gender and department, participants had lively discussions on what would make a better workplace environment and exchanged concrete ideas such as leave system take-up, improving work styles, and better communication. Many participants recognized the importance of understanding these issues correctly, and so we will continue this initiative.



The KENKO Investment for Health Certification, jointly run by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi, recognizes organizations that practice particularly excellent health and productivity management. ARATA has stepped up efforts to maintain and improve employee health since the Health and Productivity Management Declaration in August 2023 and received certification in the large enterprise category for the first time in March 2025. We received recognition for our digitalization of health check results, Company-subsidized programs, seminars, initiatives to reduce smoking rates, and more.

Development and Training of Human Resources

The ARATA Group aims to be a company where all employees experience job satisfaction and wish to work for the long term. To have each and every employee work to achieve challenging and ambitious goals, we have built an environment where, through fair and impartial evaluations,

employees who produce results can thrive in high-ranking positions at an early stage, regardless of age. We have also established a wide variety of training programs to support skills at every career stage, from new employees to managers.

Main training & development programs

In-person training

- Basic training for new employees
- Business operation skills training I and II
- Target setting and PDCA training
- Training for newly appointed operating managers
- Training for newly appointed operating officers
- Corporate rating executive employee training
- Training for creating a better workplace

E-learning

Arata e-learning library

Ael E研修ナビ

～あなたの知識、学びに出会える(Ael)場～

191 courses (175 courses developed in-house)

Online training

- Basic training for new mid-career employees
- Logistics mid-career employee follow-up training
- Logistics operation skills training
- Training for core employees
- Training for evaluators
- Generative AI training

Application-based training

- Company-wide IT skills training - Workflow creation

OJT

- OJT trainer program

Self-development training

- Recommended qualifications
 - Retail marketing skills test
 - Cosmetics Skill Certification
 - Logistics skills test
 - IT passport
 - Information Security Management Examination
 - MOS etc.

Selective training

- Upper management development training for logistics
- Entry level management development training for logistics
- Numerical analysis training for logistics
- Generalist training for logistics
- Corporate rating promoter training

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

Ael E-Training Navigation is an e-learning system that provides all employees, regardless of department or position, with high-quality learning whenever needed. We currently have 191 courses, 175 of which were developed in-house, and will continue to provide opportunities for employees to learn proactively.

E-learning on common courses121 courses available

- Diversity course
- Anti-harassment training
- Childcare leave exchange meetings (system briefing)
- Basic knowledge on financial affairs and accounting
- Basic knowledge on Subcontract Act etc.

E-learning on sales courses55 courses available

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

E-learning on logistics courses15 courses available

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

Company-wide IT Skills Education

To improve productivity through digitalization, have employees acquire the necessary IT skills, and boost IT literacy to adapt to environmental changes, we provided a

variety of content in the fiscal year ended March 31, 2024 under the theme of Company-wide IT skills education, with many employees participating proactively.

E-learning

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

Ael E研修ナビ

Application-based online training

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

Qualifications recommended

- IT passport
- Information Security Management Examination

A total of 31 employees applied

Employee comments

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

Regional Community

Provide comfortable living for all

With many bases nationwide, ARATA would like to build relationships of coexistence and mutual support with local communities, which is why we aim to strengthen ties with these communities through active participation in local activities. As a company that handles daily necessities, we have also designated business continuity planning (BCP) as a key priority.

Priority areas

Protecting local communities (BCP)

Enriching life in local communities (Support for women and the next generation)

Collaboration Event with Students at Professor Hondo's Seminar at Tokyo Keizai University

On August 4, 2025, we held a joint marketing proposal meeting focused on the body care segment with students in Professor Takayasu Hondo's seminar at Tokyo Keizai University. ARATA and Tokyo Keizai University have worked on this collaborative project since April 2021, using our expertise to provide advice on proposals created based on student analysis. The students were split into four teams, then analyzed the current state, surveyed market needs, and selected targets based on their points of focus to create effective marketing promotion proposals, such as the creation of sales spaces and POP displays, from a practical perspective.

President Kochiya and General Manager of Product Merchandising Department Hatanaka expressed astonishment and praise for the sophisticated proposals made by each team. This was a beneficial opportunity for us as well.

Participation in the Children's Food Alliance

ARATA supports the Children's Food Alliance, an initiative by NPO Florence, Inc. and NIPPON ACCESS, INC., and has been donating products since 2023. This initiative gathers food and daily necessities provided by multiple manufacturers mainly in the food industry as well as ARATA as a wholesaler of daily necessities, then distributes these to aid groups for children across Japan through Kodomo Takushoku Oendan, a general incorporated association in the Florence Group. Over the past four years, this initiative has supported over 106,000 households with children, and as of the end of FY2024, we delivered a cumulative total of approximately 760,000 food items and daily necessities to families with children at risk of social isolation in cooperation with Kodomo Takushoku organizations nationwide. Since FY2024, we have been delivering donated items three times a year on a regular basis to help create opportunities for stable bonds.

Participation in Solaputi Kids' Camp

ARATA has continuously supported the efforts of the Solaputi Kids' Camp Foundation as a special supporting member since 2020. Solaputi kids' camp is a nature camp operated in the city of Takikawa, Hokkaido, that is equipped with medical and nursing support created so that children battling illness can create irreplaceable memories in nature with their families. ARATA has also donated items to a charity auction held at the JAPAN Drugstore Show since 2024.

Solaputi Kids' Camp Foundation

53

54

Governance

Board of Directors (As of June 24, 2025)

Directors



12/12

Hiroaki Suzuki
Chairman of the Board of Directors

Mr. Hiroaki Suzuki has worked in the sales and product divisions, and has extensive business experience and knowledge in the Company. He has been in office as Representative Director and President since 2017 and has led the Company's management since then. He has steadily built excellent business records and successful results. He is currently 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 & Remuneration Committee.



12/12

Seiichi Kochiya
Representative Director and President
General Manager of Corporate Strategy Planning Department

Mr. Seiichi Kochiya has worked in the logistics and sales divisions, and has expertise in the field of distribution. In 2018, he assumed the office of Executive Officer and President of Capital Area Branch. Since April 2024, he served as Director and Executive Vice President and General Manager of Sales & Sales Planning Department and has played a part in expanding the Company's business and profits through strengthening its sales capabilities. He is currently leading the Company's management in his role as Representative Director and President and General Manager of Corporate Strategy Planning Department.



12/12

Yoshiro Uryu
Director and Executive Vice President
General Manager of Administrative Headquarters and General Manager of IT Innovation DX Promotion Department

Mr. Yoshiro Uryu has worked in the sales and business planning divisions, and has extensive business experience and knowledge in the Company. Since 2021, he has been working on development of human resources who will lead the Company in the future as Director and Managing Executive Officer and General Manager of Personnel Department. In his current role as Director and Executive Vice President, General Manager of Administrative Headquarters, and General Manager of the IT Innovation DX Promotion Department, he has been working on the promotion of growth strategies and enhancement of infrastructure for achieving Medium-Term Management Plan 2026.



12/12

Hidetaka Hatanaka
Director and Senior Managing Executive Officer
General Manager of Product Merchandising Department, Manager of Product Merchandising Division, and Representative Director and President of D-Nee Cosmetic Co., Ltd.

Mr. Hidetaka Hatanaka has worked in the sales and product divisions, and has extensive business experience and knowledge in the Company. Since 2016, he has played a part as Executive Officer and President of Kansai Branch in strengthening the Company's sales activities and in achieving growth of its business. In 2018, he served as Executive Officer and General Manager of Product Merchandising Department, and from 2021 as Director and Managing Executive Officer, General Manager of Product Merchandising Department, and Manager of Product Merchandising Division, he has worked on enhancing the handling of attractive products which are at the core of the Company.



12/12

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

Since 2016, Mr. Akihito Mizuno has served as Representative Director and President of Japell Co., Ltd., the leading specialist wholesaler of pet products and a subsidiary of the Company, and has been instrumental in driving the company's business growth and raising its position in the industry under his strong leadership. He has served as Director of the Company since 2020.



12/12

Yuji Nasu
Outside Director

Mr. Yuji Nasu has a high level of expertise and experience in overall corporate management, including serving as President and Representative Director of Sumitomo Corporation Group company. He provides appropriate supervision and advice on the execution of operations from an objective perspective regarding the Company's management. He has served as Outside Director of the Company since June 2022.



12/12

Noriko Yao
Outside Director

Ms. Noriko Yao draws on her extensive experience, expertise, and high-level insight as an international lawyer to provide appropriate advice on management and business execution and to oversee and audit the Company's management from an independent standpoint. She has served as Outside Director of the Company since June 2023.



10/10

Norio Konishi
Outside Director

Mr. Norio Konishi has experience in overall corporate management as President and Representative Director of Yamaboshiya Co., Ltd. He has many years of experience with logistics in the food industry, which is different from the Company, and utilizes his knowhow and experience not found in the daily necessities and cosmetics wholesale business to make appropriate judgments and remarks on business execution from an objective perspective. He has served as Outside Director of the Company since June 2024.

● Status of Attendance at Board of Directors' Meetings (FY25/03)

● Status of Attendance at Audit & Supervisory Committee Meetings (FY25/03)

Directors Who Are Audit & Supervisory Committee Members



12/12

12/12

Tomoko Sakamoto
Outside Director
Member of Audit & Supervisory Committee

Ms. Tomoko Sakamoto has abundant experience and high-level specialized knowledge concerning corporate legal affairs as an attorney at law. Using her specialized knowledge in compliance and governance in particular, she provides supervision and advice from the perspective of strengthening governance, which requires organizational management, and observing compliance. She has served as Outside Corporate Auditor of the Company since 2020 and as Outside Director who is an Audit & Supervisory Committee member since June 2021.



New election

Emiko Murei
Outside Director
Member of Audit & Supervisory Committee

Ms. Emiko Murei has a high level of specialized knowledge as a Certified Public Accountant and knowledge concerning sustainability. Using her specialized knowledge in accounting in particular, she provides supervision and advice concerning the numerical plan of business strategies from the perspective of a Certified Public Accountant. She has served as Outside Director who is an Audit & Supervisory Committee member since June 2025.



New election

Masatoshi Muto
Outside Director
Member of Audit & Supervisory Committee

Mr. Masatoshi Muto has abundant experience at financial institutions and asset management firms in Japan and overseas, a high level of specialized knowledge and many years of experience in top management, and provides appropriate supervision and advice on the execution of operations from an objective perspective regarding the Company's management. He has served as Outside Director who is an Audit & Supervisory Committee member since June 2025.

Executive Officers

Hitoshi Takiguchi

Senior Managing Executive Officer
Corporate Strategy Planning Department
Stationed in Hokkaido

Masayoshi Nishio

Managing Executive Officer
General Manager of Sales & Sales Planning Department

Hironori Maekawa

Senior Executive Officer
General Manager of Logistics Department

Futoshi Imazu

Senior Executive Officer
President of Chushikoku Branch

Nakaba Nebashi

Senior Executive Officer
General Manager of Administration Department

Nobutaka Tsuchiya

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

Shichiro Izaki

Executive Officer
Manager of Logistics Operations Division of Kansai Branch

Koki Nakagawa

Executive Officer
Manager of IT Innovation DX Promotion Department

Takuya Chiba

Executive Officer
President of Tohoku Branch

Masayuki Shimizu

Executive Officer
President of Kansai Branch

Koichi Kuroda

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

Katsunori Takase

Executive Officer
President of Capital Area Branch

Atsushi Kitayachi

Executive Officer
President of Chubu Branch

Shinji Miyazaki

Executive Officer
General Manager of IT Planning Department

Yasuo Tanaka

Executive Officer
Manager of Corporate Strategy Planning Division, Corporate Strategy Planning Department

Hiroyuki Kawano

Executive Officer
General Manager of Personnel Department and Manager of Personnel Division

Hiroyuki Miyakawa

Executive Officer
Manager of National Chain Stores Division, Sales & Sales Planning Department

Naoki Yamamoto

Executive Officer
Manager of National Chain Stores Division, Sales & Sales Planning Department

Daigo Yamaguchi

Executive Officer
President of Hokkaido Branch

Katsuaki Yuri

Executive Officer
President of Kyushu Branch

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 that strives to contribute to Japanese industry and the regional communities where we operate as a wholesale trading company as part of the logistics economy. That is why we approach matters with a strong frontier spirit passed down since our foundation, always making cooperation, mutual trust, and humility our guiding principles as we continue contributing to society and proactively develop businesses by serving as a company with outstanding, irreplaceable wholesaling functions under our management philosophy of “continuing to serve the world” and a management vision of “creating beautiful, healthy, clean, and comfortable lifestyles.”

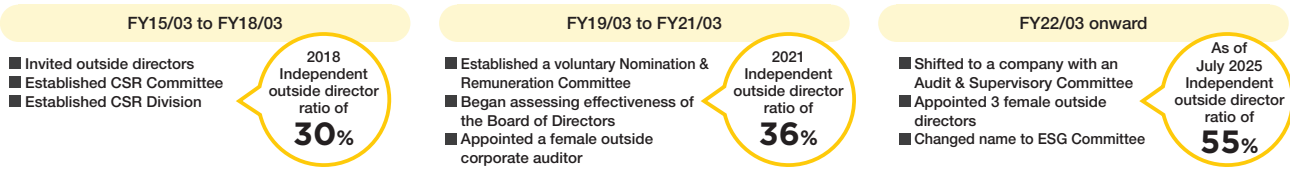
We believe that increasing corporate value means improving performance through ongoing business efforts, and that doing this requires us to fulfill a variety of responsibilities to stakeholders. As a company, it is especially important that ARATA quickly discloses information on

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 & Supervisory Board to a company with an Audit & Supervisory Committee in June 2021.

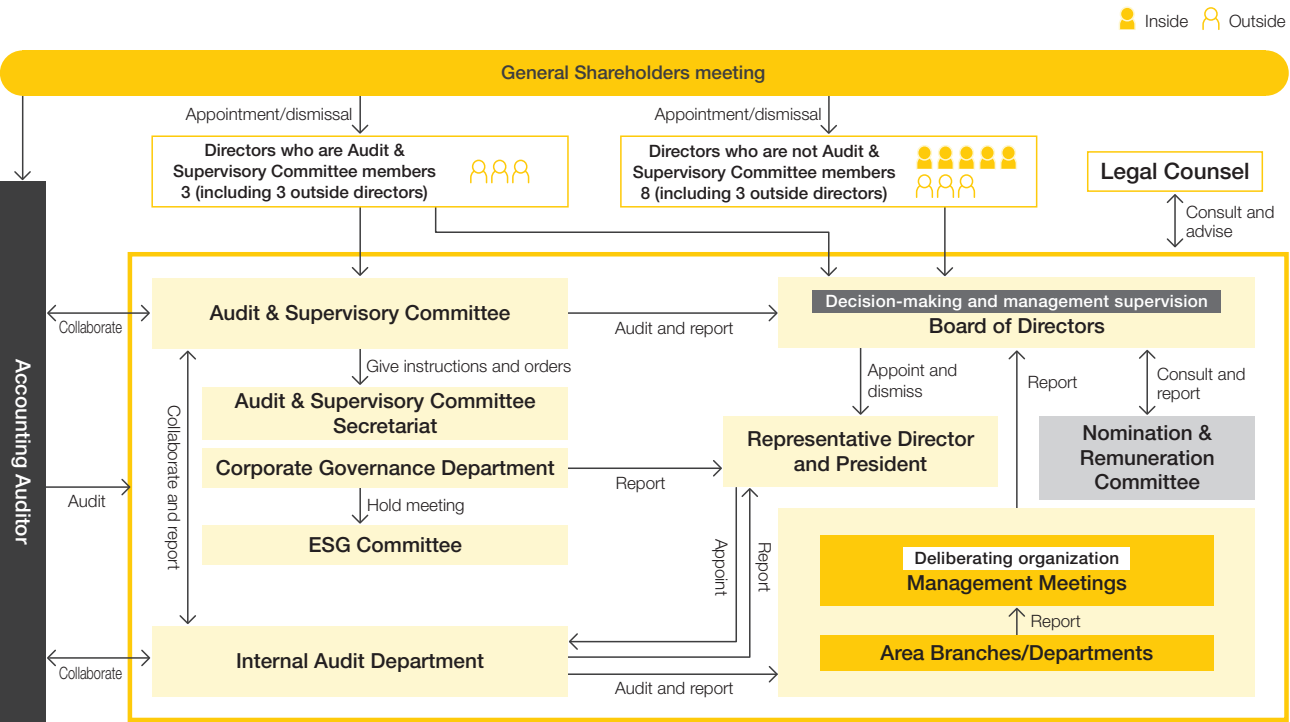
We recognize that in conducting business activities, fulfilling corporate social responsibility (CSR) such as compliance, environmental measures, and respect for human rights is as important as improving performance and believe the Board of Directors and Audit & Supervisory Committee serve as our Group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

We believe that the role of directors who are members of the Audit & Supervisory Committee is to ensure sound and sustainable corporate growth and will build a system to further strengthen its supervisory function as we aim to establish a high-quality corporate governance system that will live up to the trust society has placed in us.

Changes to strengthen governance



Corporate Governance Framework

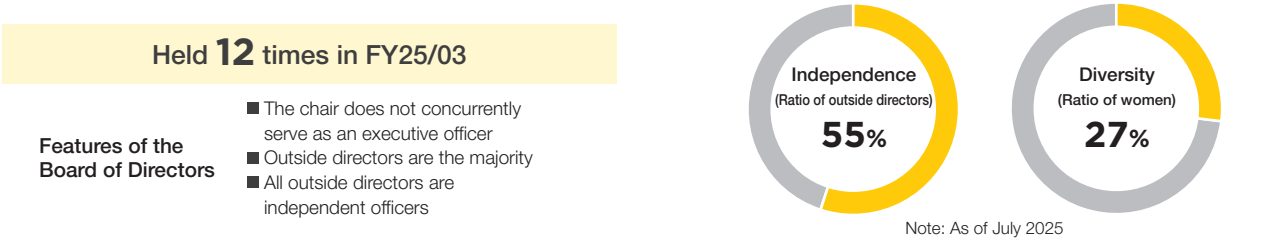


Corporate Governance Structure

Board of Directors

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

The following skills matrix shows the expertise and experience that each director in the Board of Directors is expected to have.



Skills matrix

Skills	Details on Skills & Reason for Selection	Skills	Details on Skills & Reason for Selection
Management	It is necessary to be well-versed in business and industry trends, and have experience and achievements from being involved in management of a company in order to formulate and execute strategies for sustainable growth.	Compliance/Legal Affairs	It is necessary to have directors who possess abundant knowledge related to risk management and corporate governance as well as the skills to supervise management from a legal perspective in order to establish the strong governance structure that will become the foundation for sustainable growth.
Financial Accounting	It is necessary to have abundant knowledge and experience in the field of finance and accounting from a management perspective in order to formulate financial strategies to enhance corporate value. Furthermore, the Company believes that persons who possess experience in financial companies and are qualified as a certified public accountant have knowledge and skills in finance and accounting.	Business Strategy	It is necessary to have directors who possess advanced knowledge and abundant experience related to marketing, logistics, and IT & systems for everything from wholesale purchasing to sale, and who can comprehensively make proposals for and promote business strategies from a medium- to long-term perspective for sustainable growth.
Personnel/Labor Management	It is necessary to have directors who possess solid insight and experience related to personnel, organization, and internal controls, as the Company believes that human resources are the most important asset for achieving Long-Term Management Vision 2030 and enhancing sustained corporate value.	Global	It is necessary to have directors who have a global perspective and possess experience and skills from being involved in international business management in order to expand international businesses, which is an important matter in the Long-Term Management Vision 2030.
Sustainability	It is necessary to have abundant knowledge in the field of sustainability in order to achieve the sustainability-related targets in the Long-Term Management Vision 2030 and reform ESG management.	Logistics/DX	Amid soaring logistics costs due to the 2024 Logistics Problem and rising human resource costs, it is necessary to have directors who possess knowledge of logistics and DX to boost productivity by reforming logistics, a core function of the wholesale business, and promoting DX through IT and digitalization throughout our businesses.

Name	Independent Outside	Gender	Position	Management	Financial Accounting	Personnel/Labor Management	Sustainability	Compliance/Legal Affairs	Business Strategy	Global	Logistics/DX
Hiroaki Suzuki		Male	Chairman of the Board of Directors	●			●		●		
Seiichi Kochiya		Male	Representative Director and President	●			●		●		○
Yoshiro Uryu		Male	Director and Executive Vice President		●	●			●		○
Hidetaka Hatanaka		Male	Director and Senior Managing Executive Officer		●		●		●	○	
Akihito Mizuno		Male	Director	●		●			●	○	
Yuji Nasu	○	Male	Outside Director	●			●			●	
Noriko Yao	○	Female	Outside Director			●		●		●	
Norio Konishi	○	Male	Outside Director	●					●		●
Masatoshi Muto	○	Male	Outside Director, Member of Audit & Supervisory Committee	●	●					●	
Tomoko Sakamoto	○	Female	Outside Director, Member of Audit & Supervisory Committee			●	●	●			
Emiko Murei	○	Female	Outside Director, Member of Audit & Supervisory Committee		●		●				

● Skills & experience possessed ○ Skills anticipated in the future

■ Discussions by the Board of Directors

We are working to distribute meeting materials as early as possible to encourage active discussions at the Board of Directors meetings. We also ensure that outside directors attend Management Meetings as appropriate to increase

Major Board of Directors agenda items

Medium- to long-term plans	Capital cost management, progress and issues in international business and manufacturer business, subsidiaries
Sustainability	ESG Committee report, environment, A&J Project Phase 2 report
Officers	Reports from the Nomination & Remuneration Committee, matters related to officers, and remuneration
Governance	Board of Directors effectiveness assessments, establishing rules, strengthening governance structure, cross-shareholdings
Human resources	Human capital initiatives, discovery, development, and appointment of human resources

■ Evaluating the effectiveness of the Board of Directors

Since 2019, ARATA has continuously conducted evaluations of the effectiveness of its Board of Directors to help corporate governance function effectively.

In March 2025, a questionnaire was distributed to the Board of Directors, and responses were collected and analyzed by the Secretariat. Individual directors submitted proposals for improvements (excerpts shown below), which are being considered for implementation.

Enhance materials for important matters submitted to the Board and strengthen monitoring

- Create an annual schedule for monitoring
- Enhance materials through stronger collaboration between divisions that submit proposals and relevant divisions
- Report the content of prior discussions at executive meetings to the Board of Directors before deliberation

■ Director remuneration (FY25/03)

Remuneration for directors (excluding outside directors) is established under a policy that remuneration should serve as a sound incentive for sustainable growth and is discussed at the Nomination & Remuneration Committee in reference to external circumstances as well as multiple listed companies of similar size in similar industries.

The remuneration system consists of base remuneration,

Officer category	Total amount of remuneration (¥ million)	Amount of remuneration by type (¥ million)			Number of eligible officers
		Base remuneration	Performance-linked bonuses	Provision for BBT	
Directors (excluding Audit & Supervisory Committee members) (of which, outside directors)	295 (25)	204 (25)	- (-)	91 (-)	10 (4)
Directors (Audit and Supervisory Committee members) (of which, outside directors)	24 (24)	24 (24)	-	-	4 (4)
Total (of which, outside directors)	319 (49)	228 (49)	- (-)	91 (-)	14 (8)

Notes: 1. As of the final date of the fiscal year concerned, the Company had 10 directors who are not Audit & Supervisory Committee members and 3 directors who are Audit & Supervisory Committee members. The figures above do not include one director who is not an Audit & Supervisory Committee member because this director does not receive remuneration.

2. The total amount of remuneration for directors does not include employee salaries for the directors who concurrently serve as employees.

their understanding of our businesses, industry trends, strategies, and more. Relevant executive officers or others may explain significant matters to outside directors prior to the Board of Directors meetings.

IT/DX	Grand design for system updates, progress of IT Medium-Term Management Plan, DX Project
Audit	Observations by the Audit & Supervisory Committee
Internal controls	Internal audit reporting (whistleblowing, hotlines)
Financial affairs and accounting	Financial statements, budgeting, capital planning, procurement of funds
Investment projects	Logistics investment, system investment, human capital investment

■ Cross-shareholdings

Once a year, the Board of Directors reviews policies for individual stocks against the shareholding policies formulated by the finance division and the organization in charge of transactions using transaction volume and business revenue and dividend income as reference indicators as well as criteria such as strategic importance to management, returns appropriate in relation to the cost of holding including capital costs and medium- to long-term improvement in corporate value. If the Board determines that the economic rationale for continuing to hold shares is weak, the shares are sold at an appropriate time after dialogue with the company that issued the stock, taking into account economic conditions and gains or losses on transfer.

Category	FY23/03	FY24/03	FY25/03
Number of shares (stock)	97	91	88
Number of shares (stock) of listed companies	58	54	53
Total consolidated balance sheet amount (¥ million)	8,458	9,383	9,167
Total amount of listed companies (¥ million)	8,280	9,267	9,053
Ratio to consolidated net assets (%)	8.29	8.55	7.87

performance-linked bonuses, and stock remuneration (Board Benefit Trust (BBT)), with a policy of designing base remuneration based on factors such as performance, employee salary increase rates, years of service, management ability, achievements, and contributions, while also taking into account representative authority, responsibilities associated with position, and the degree of impact on management, respectively.

Audit & Supervisory Committee

The Audit & Supervisory Committee generally meets at least once a month, and all of its members attend the Board of Directors meetings and audit the state of management and business execution. We have also put in place a framework that allows Audit & Supervisory Committee members to audit the appropriateness of business execution by attending important meetings such as Management Meetings and

Held **12** times in FY25/03

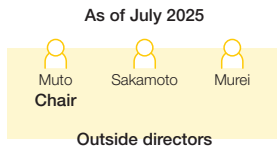
sharing issues based on business audit reports from the Internal Audit Department.

We also have committee members present and discuss management issues as “observations by the Audit & Supervisory Committee” at the Board of Directors meetings to increase effectiveness of the Board of Directors.

Ratio of outside directors



Outside: **3**



Voluntary Nomination & Remuneration Committee

The Company established the Nomination & Remuneration Committee as a voluntary advisory body to the Board of Directors to ensure that outside directors have the opportunity to participate in and advise on decision-making

Held **6** times in FY25/03

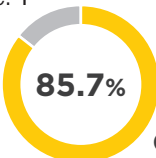
Features of the
Nomination &
Remuneration
Committee

- The chair does not concurrently serve as an executive officer
- Outside director ratio is 85.7%
- All outside directors are independent officers

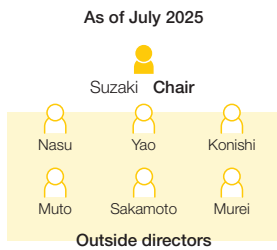
regarding the nomination and remuneration of directors, and to strengthen independence, objectivity, and accountability and further enhance corporate governance framework.

Ratio of Outside Directors

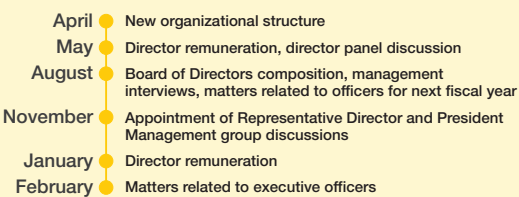
Inside: 1



Outside: **6**



■ Main activities and agenda items discussed by the Nomination & Remuneration Committee (FY25/03)



■ Officer panel discussions [P. 63-66 Governance Roundtable](#)

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

After five officers discussed the theme, participants asked questions and commented, leading to lively discussions.

Theme	Transformation of Corporate Culture
Coordinator	Chair of the Nomination & Remuneration Committee
Panelists	One director and four executive officers
Participants	Directors (including outside directors), executive officers, and Associate Directors



Compliance

ARATA has presented its stance on legal compliance in the ARATA Corporate Code of Conduct and is working to enhance compliance.

As a framework for legal compliance, the Legal Division serves as a point of contact regarding legal affairs for the entire Company and promotes awareness of legal compliance through cross-organizational efforts such as contract reviews and 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.

■ Stance on compliance in the ARATA Corporate Code of Conduct

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.	5	We will not undertake work in the same industry outside the Company.
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.	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.
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.		

ARATA Corporate Code of Conduct
(Japanese only)
<https://www.arata-gr.jp/company/philosophy/#guidelines>

■ Whistleblowing system

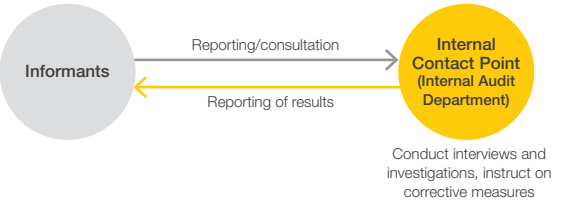
Whistleblowing reports are strictly managed as confidential information based on regulations, and investigations are conducted in a way that protects the personal information of whistleblowers and those being reported. If the investigation confirms any misconduct, we will take strict action against those responsible and swiftly implement corrective measures and recurrence prevention measures.

The Internal Audit Department reports to top management on whistleblower reports as needed, and overall trends such as the number of cases are reported regularly at the Board of Directors meetings and Management Meetings.

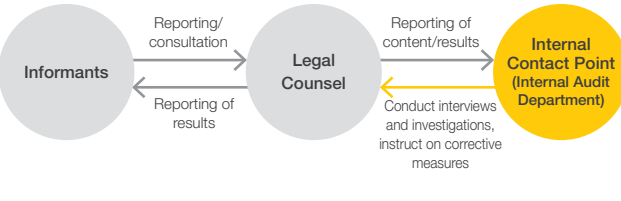
Through these measures, we strive to prevent or catch illegal or dishonest conduct at an early stage.

We have also established a reporting hotline for business partners and other stakeholders working in the supply chain to detect and correct misconduct such as legal violations and corruption at an early stage, and for any human rights violations or similar issues discovered through such reports, we conduct investigations and take remedial measures.

Whistleblowing reports and consultations to internal contact point (Hotline)



Whistleblowing reports and consultations to legal counsel (Compliance counter)



Initiatives to Raise Employee Awareness of Compliance

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

We work constantly to improve, instill, and ingrain compliance awareness throughout ARATA by providing explanations at different meetings and distributing materials to all employees whenever laws and regulations are revised.

From 2022

Started the regular distribution of Legal Teacher, which allows employees to enjoy learning the basics of corporate legal affairs.

Examples of Legal Teacher subjects

■ Whistleblower Protection Act and whistleblower reporting system	■ Insider Trading Regulations
■ Confidentiality obligations	■ Product Liability Act
■ Act Against Unjustifiable Premiums and Misleading Representations	and more for a total of 37 subjects

From 2023

Issued the Anti-Harassment Declaration to address discrimination, prejudice, and inequality and foster a healthy workplace environment, while conducting anti-harassment training featuring different content for managers, general employees, and part-time employees at logistics centers to help prevent harassment.

Risk Management

We work to identify risks throughout the Group in conducting business as a corporate entity, in particular those that affect financial standing and social credibility, in order to maintain and enhance corporate value and financial soundness.

At monthly Management Meetings, we review the reports on business execution and performance of our head office and area branches, verify their progress toward goals, and check compliance to prevent fraud and risks.

With regard to risks across the Group, the Corporate Governance Department and Internal Audit Department coordinate with Group companies to manage risks, while directors or executive officers of the Company also serve as directors or corporate auditors of Group companies to gather information at the Board of Directors meetings and other opportunities.

Furthermore, in the event of an emergency, we have established a system to set up a response headquarters headed by the Representative Director to investigate the facts and report to and deliberate with the Board of Directors and Audit & Supervisory Committee in a timely and appropriate manner.

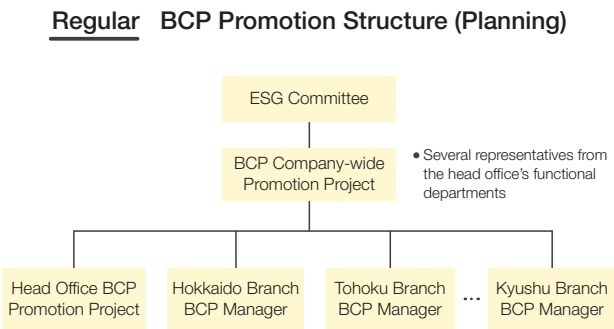
Business Continuity Plan (BCP)

To protect lives and fulfill our social mission as a wholesale trading company 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 will strengthen or update every year.

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

■ Basic BCP policy

- We will make checking the safety of our employees and their family members and ensuring their safety our top priority.
- We recognize the importance of our social mission as a wholesaler and work to restore the supply chain as quickly as possible as well as on restoration and measures to deliver products.
- We will provide education and training on our BCP to ensure that our organizations conduct activities smoothly.

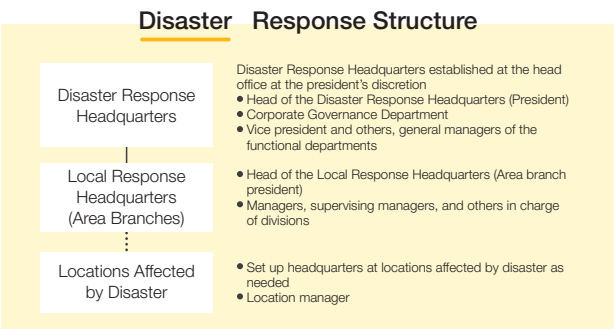


- Responding to natural disasters
- Check hazard maps to evaluate the risk of damage to all centers and offices
 - Prepare action protocols and stockpiles based on disaster risk assessments
 - Consider how to respond in the event of a disaster during ARATA Disaster Prevention Day (part of ARATA's disaster prevention efforts)
 - Distribute the ARATA disaster response handbook to all employees

■ Reviewing our initial response following the Noto Peninsula Earthquake

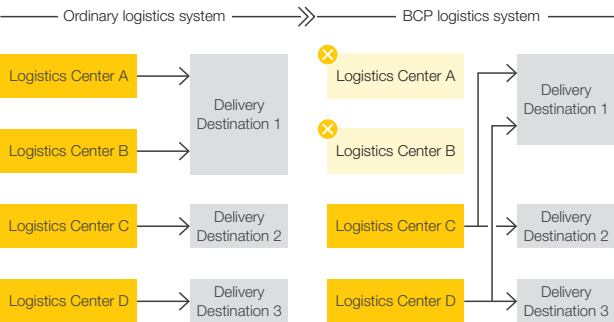
The Noto Peninsula Earthquake on January 1, 2024, damaged our Hokuriku Center, and because it was New Year's Day, many employees were on holiday, meaning that the facility struggled with its initial response.

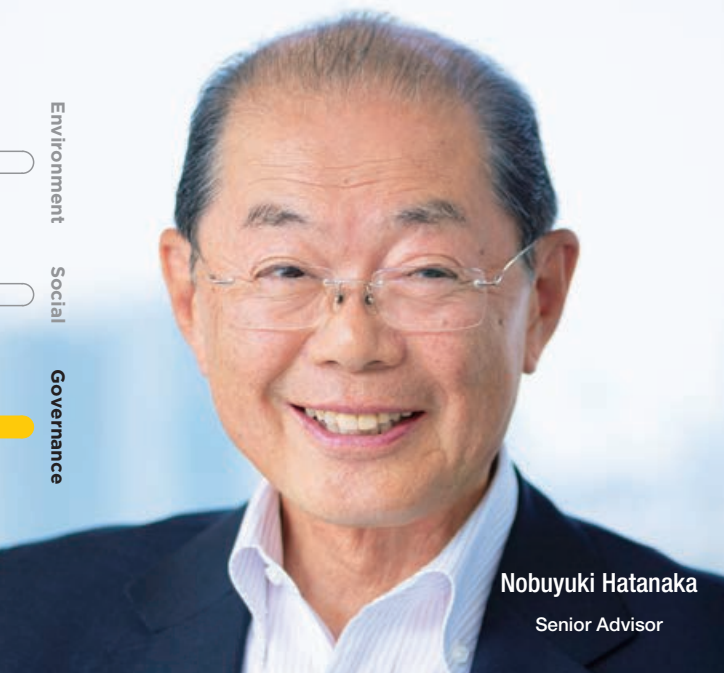
Based on this experience, we have begun documenting initial response to disasters, incorporating the lessons learned from our disaster experience, through the Company-wide BCP Project. By achieving an agile response, ensuring employee safety, and minimizing damage, we aim to restore logistics centers affected by disaster at an early stage to fulfill our social mission.



BCP alternative logistics

ARATA has built an alternative logistics network for all distribution centers as a contingency plan in the event that a center becomes unable to ship products due to a disaster, infectious disease outbreak, etc.





Nobuyuki Hatanaka
Senior Advisor



Tomoko Sakamoto
Outside Director
Member of Audit &
Supervisory Committee



Yuji Nasu
Outside Director



Satoshi Hiramitsu
Previous Outside Director
Member of Audit &
Supervisory Committee



Special
Feature

Governance Roundtable

For the Next Generation: The ARATA Succession Plan



Norio Konishi
Outside Director

Establishing the Nomination & Remuneration Committee in 2019 to Boost Transparency and Discover Human Resources

Hatanaka Previously at ARATA, it was customary for the selection of the next president to be the exclusive prerogative of the outgoing president. However, we felt that this method made it difficult to ensure sound succession and risked skewing values in a single direction as the Company diversified, which is why we decided to establish the Nomination & Remuneration Committee as an independent body in 2019. I understand that some companies form these committees entirely of outside directors, but rather than leaving everything to outside directors, I relinquished my representative authority as Representative Director and Chairman to become committee Chair, while then-President Suzuki participated as an observer when necessary to maintain balance.

The role of the Nomination & Remuneration Committee goes beyond merely selecting the president, encompassing discovery and development of the next president and executives as a major theme, providing candidates with stimulation and opportunities for growth through roundtable discussions and group discussions led by outside directors. Previously, only inside executives conducted human resource evaluations, but we have begun incorporating outside perspectives as well. In women's advancement, we have established venues for group discussions to discover management candidates unconstrained by past customs. Supporting the appointment of women within the Company through both systems and culture is one of the major roles of the Nomination & Remuneration Committee.

Hiramitsu I reread the minutes from the first Nomination & Remuneration Committee meeting as someone who was there at the time. Then-Chair Hatanaka said, "The purpose of this committee is not merely to keep the president in check, but rather to have the president and committee work together as a

family." I feel that this philosophy was reflected in how the committee operated, with its approach of building consensus through repeated discussions from diverse perspectives while respecting the president's ideas and decisions.

Process for Selecting the Next President and the Qualities Required of Executive Management

Hatanaka The next president was selected through interviews between Nomination & Remuneration Committee members and executive management candidates. How was this approach evaluated?

Sakamoto I initially worried that interviews alone would offer limited information and favor strong presenters or highly ambitious candidates, but this was not an issue as we held multiple interviews and had interactions outside the formal sessions. Having all outside directors serve on the Nomination & Remuneration Committee is quite unusual, but this created a fair and transparent process that led to a selection that employees were satisfied with as well.

Nasu Some aspects would have been too demanding for outside directors alone, but having Mr. Hatanaka and Mr. Suzuki join the committee let us hear their perspectives while discussing matters without reservations. Proactive dialogues with candidates outside the formal interviews helped me understand their personality and ideas, which I feel allowed me to express my views candidly.

Hatanaka From the perspective of employees, the fact that leadership is chosen through such a transparent process is itself a major advantage. What qualities do you believe are required of a president or executive management?

Nasu The most important quality for a president or executive manager is the ability to take a bird's-eye view of the company. You cannot chart the next step unless you are able to see the full picture of the business. On top of that, it is vital to determine what milestones you will reach during your tenure. And most important of all affection for the employees. During

the interviews, I asked the candidates, "Who is your most important stakeholder?" and was impressed that they all immediately answered "employees," which made me feel that ARATA has deeply rooted culture of valuing employees.

Konishi While specialized knowledge and skills are crucial for management, I believe that soft skills and EQ (emotional intelligence quotient) are even more important. ARATA in particular is something of a chimera, formed from the merger of several companies, so strong leadership is required to bring together our diverse human resources.

Sakamoto It is vital that strong leadership also includes integrity and consideration for employees. Circling back to working together like family, the ability to lead management forward as a team rather than aim for perfection alone as the top of the company is required.

Hiramitsu To lead an organization this large, communication skills and leadership capability are vital.

Hatanaka The idea of valuing employees is an integral part of ARATA's corporate culture. As we looked ahead to growth over the next decade, I thought that the top leader should take an offensive stance. While there was no significant difference in the overall assessment of candidates, we selected someone skilled at setting clear goals and formulating concrete strategies.

Results of Group Discussions and Panel Discussions

Hatanaka After the executive management interviews, group discussions were held with people in operating officer and higher positions to discover the next-generation of executive candidates and develop the participants themselves, with outside directors serving as moderators. This is an initiative not commonly seen at other companies. What are your impressions of it?

Sakamoto As an attorney, I am unaccustomed to roundtable discussions and am very nervous every time. It serves as valuable opportunity for us to speak directly with employees, and I would imagine that exchanging opinions with outside directors was stimulating for

the participating employees as well. If the insights gained through these discussions are applied to employees' work, that would make this a highly meaningful initiative.

Nasu The venue was very formal, an imposing hotel room with high ceilings that created a distinct tension. Afterward, one participant even told me, "I was extremely nervous." I believe experiencing this question-and-answer session in a tense environment served as an opportunity for growth and self-reflection. Exposure to diverse opinions from people in other departments was also stimulating and served as a good networking opportunity. I've also heard that impressive individuals who stood out in the discussions were later promoted. As of last fiscal year, these are now organized by Personnel Division, so they now serve more as a Company-wide venue for discovery.

Hiramitsu Expanding the scope of the Nomination & Remuneration Committee beyond just candidates for president and directors has created a flexible and unique initiative unparalleled by other companies. This is a valuable opportunity for participants in the discussions to exchange opinions directly with outside directors with whom they rarely speak, while outside directors gain a valuable forum for understanding who the candidates are. The role of a moderator is challenging, and each time I experimented with how to draw out participant comments without speaking too much myself or letting the theme become skewed.

Konishi I began participating when the discussions were being led by Personnel Division. The employees were very nervous, but I was impressed at how outside directors asked careful questions to bring out the strengths of each employee. Typically, outside directors are involved only in the final interviews of the promotion process. It is rare for outside directors to be this deeply involved, making this an extremely meaningful initiative.

Hatanaka The significance of group discussions is not only to discover and develop employees but also to serve as a valuable opportunity for outside directors to understand the Company on a deeper level and

develop affection for it. I hope this creates the sense of unity that is vital in fulfilling the role of outside directors. Having a formal venue effectively helped produce the proper tension to encourage concentration and create a sense of seriousness. To share these meaningful group discussions more broadly, a panel discussion was also held in May 2024. What were your impressions of the executive management and employees at ARATA?

Hiramitsu My impression is that many people express very solid opinions. They approach their work earnestly with a healthy awareness of the issues, and I felt they were serious in a good sense. Ideas and proposals that could only be shared in the closed setting of group discussions have now spread more widely through panel discussions, leading to stimulation and learning across the Company, which is why I think this is a valuable initiative.

Nasu What left an impression on me was how everyone spoke proactively and expressed opinions from different perspectives. Many had constructive opinions they really wished to convey, making the content profoundly significant. I definitely hope this continues in the future.

Discovering and Developing Next-Generation Executive Management Candidates

Hatanaka Can you share your opinions based on your respective positions on discovering and developing next-generation executive management candidates for the future?

Konishi As a member of the Nomination & Remuneration Committee, it is important that I attend Management Meetings and ESG Committee meetings. These meetings give me the chance to observe discussions among the president, executive officers, general managers, and managers, which also provides an opportunity to verify the skills and diversity of director candidates. For information systems and logistics, which require specialized knowledge, I conduct individual interviews whenever possible to gain a deeper

understanding. I feel that, over time, this helps discover and develop executive candidates.

Nasu The executive management candidate interviews led by Personnel Division are an excellent initiative, so I hope we can increase the number of sessions to the extent possible. When developing executive management candidates, hosting training sessions with external lecturers for two days and an overnight stay is also effective. It would be ideal if the executive management candidates there felt free to exchange opinions without reservations and create deeper camaraderie during social gatherings in the evening.

Konishi Deliberately hosting discussions on the Medium-Term Management Plan by executive officers and general managers at a different location strengthens bonds and creates great enthusiasm.

Sakamoto Regarding diversity at the Company, I am particularly focused on women's advancement. This may be a generalization, but I feel that women are still less likely to volunteer themselves as candidates. I hope that by increasing opportunities for women to participate proactively through such venues as group discussions, we can foster their sense of fulfillment and confidence. I believe many will rise to the challenge if they are given roles, experience, and opportunities, so I hope to tie these initiatives into developing more diverse executive talent.

Hiramitsu To be a management executive, one needs to have a vantage point one level higher than their current work, a big-picture view, and broad perspectives. This requires a variety of experiences, so I believe job rotation to provide experience in different departments and duties is needed to cultivate thinking and insights that transcend one's own boundaries.

Hatanaka Looking back over ARATA's history as a merged company, people from different backgrounds have encouraged one another to excel. It's now 23 years since the Company was founded, and the key to the future is to deliberately incorporate outside connections and knowledge. While outside directors have stimulated the Company through their efforts, other forms of outside exchange are also needed to

develop executive management.

The Strengths of New President Kochiya and Expectations for Future Initiatives

Hatanaka Mr. Seiichi Kochiya has been selected as the new president. What are his strengths, and what do you expect from him?

Hiramitsu Mr. Kochiya has a sense of stability as well as strong communication and leadership skills. I hope he fully leverages these strengths and demonstrates his leadership not only in business performance but also in proactively addressing different social issues as a listed company to boost corporate value. From my position as an Audit & Supervisory Committee member, I expect him to strengthen the Group governance structure from a Group management perspective to help make ARATA a more trusted company.

Sakamoto I believe Mr. Kochiya possesses great integrity and the ability to take action. Employees seem positive about Mr. Kochiya as president, and motivation is rising

within the Company. I anticipate that he will continue demonstrating his leadership.

Nasu Mr. Kochiya possesses very strong will. His sense of speed in taking preemptive action before something happens is also a strength. I hope that he will be able to demonstrate his strong leadership and proactively change the path ARATA takes.

Konishi Watching Mr. Kochiya even during his time as Vice President, his growth each time we met at Management Meetings and elsewhere was palpable. Even in just the few months since his appointment, his resolve and stance as a leader have become more profound. He seems highly aware of the importance of improvement and reform to grow the Company further. I hope that, as in the haiku concept of being fluid and transitory, yet eternal and immutable, he will balance innovation with tradition while incorporating AI, DX, and other new technologies proactively to respond flexibly and quickly to the rapidly changing business environment. I also believe he will focus on strengthening governance and promoting human capital management to further increase

ARATA's corporate value.

Hatanaka I believe the best support I can provide is to watch over the Company quietly. Going forward, I intend to solemnly fulfill my role as Senior Advisor.

Expectations and Messages for the Next Chair of the Nomination & Remuneration Committee

Hatanaka Chairman Suzaki will succeed the duties of the Chair of the Nomination & Remuneration Committee. Mr. Suzaki succeeded me as president and fulfilled his duties using a completely different style, so I will deliberately refrain from giving any specific advice. I hope that Mr. Suzaki will sense the tides of the world, respond to the trends of the times, and evolve the Nomination & Remuneration Committee in his own style. If I were to say one thing, it would be that ARATA now needs to be more proactive in maintaining outside connections. If he keeps only that in mind, I believe he will be more than satisfactory in fulfilling his role.

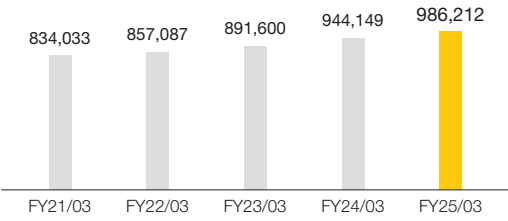
Discussion



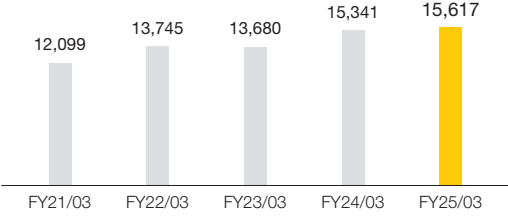
Financial Summary

	FY15/03	FY16/03	FY17/03	FY18/03	FY19/03	FY20/03	FY21/03	FY22/03	FY23/03	FY24/03	FY25/03
Operating Results											
Net sales (¥ million)	638,792	676,743	704,610	732,914	754,447	796,227	834,033	857,087	891,600	944,149	986,212
Operating profit (¥ million)	2,461	5,699	7,384	8,857	8,892	9,326	11,521	12,743	12,812	14,508	14,989
Operating income margin (%)	0.4	0.8	1.0	1.2	1.2	1.2	1.4	1.5	1.4	1.5	1.5
Ordinary profit (¥ million)	2,469	5,811	7,842	9,439	9,429	10,124	12,099	13,745	13,680	15,341	15,617
Ordinary profit margin (%)	0.4	0.9	1.1	1.3	1.2	1.3	1.5	1.6	1.5	1.6	1.6
Profit attributable to owners of parent (¥ million)	1,124	3,244	4,863	6,361	6,903	7,191	8,200	9,009	8,223	10,322	10,358
Return on sales (%)	0.2	0.5	0.7	0.9	0.9	0.9	1.0	1.1	0.9	1.1	1.1
Financial State											
Total assets (¥ million)	211,840	219,689	222,974	243,698	243,614	249,712	255,455	271,315	290,857	316,976	311,728
Net assets (¥ million)	53,911	55,941	59,613	71,472	80,515	82,901	91,017	96,172	102,066	109,719	116,557
Equity ratio (%)	25.4	25.5	26.7	29.3	33.0	33.2	35.6	35.4	35.1	34.6	37.4
D/E ratio (times)	1.2	1.1	0.9	0.7	0.5	0.5	0.4	0.4	0.4	0.3	0.3
Cash Flows											
Cash flows from operating activities (¥ million)	21,955	7,594	12,637	11,649	9,513	5,262	14,071	6,545	10,969	14,059	9,775
Cash flows from investing activities (¥ million)	(6,775)	(3,360)	(3,155)	(2,924)	(880)	(2,742)	(5,157)	(7,205)	(4,281)	(5,305)	(6,363)
Cash flows from financing activities (¥ million)	(13,990)	(1,791)	(9,948)	(4,501)	(6,678)	(3,833)	(5,828)	(911)	(3,311)	(4,556)	(7,977)
Management Indicators											
ROA (%)	1.2	2.6	3.5	4.0	3.9	4.1	4.8	5.2	4.9	5.0	5.0
ROE (%)	2.1	5.9	8.4	9.7	9.1	8.8	9.4	9.6	8.3	9.7	9.2
Net income margin (%)	0.18	0.48	0.69	0.87	0.91	0.90	0.98	1.05	0.92	1.09	1.05
Total assets turnover (%)	3.02	3.08	3.16	3.01	3.10	3.19	3.26	3.16	3.07	2.98	3.16
Financial leverage (times)	3.93	3.93	3.74	3.41	3.03	3.01	2.81	2.82	2.85	2.89	2.67
Labor costs (¥ million)	27,631	28,902	29,135	29,836	29,685	30,909	32,329	32,168	32,717	33,678	34,733
Ratio of labor costs to net sales (%)	4.3	4.3	4.1	4.1	3.9	3.9	3.9	3.8	3.7	3.6	3.5
Packing and delivery expenses (¥ million)	16,012	17,572	17,888	18,834	20,255	21,965	22,337	22,922	23,733	25,690	27,344
Ratio of packing and delivery expenses to net sales (%)	2.5	2.6	2.5	2.6	2.7	2.8	2.7	2.7	2.7	2.7	2.8
Capital Investment											
Capital investment (¥million)	7,943	3,845	4,383	6,828	3,325	4,988	5,525	7,353	5,848	4,402	7,466
Depreciation and amortization (¥ million)	4,317	4,526	4,452	4,353	4,455	4,281	4,290	4,522	4,604	4,610	4,768
Per Share Data											
Cash dividend (¥)	25	27.5	32.5	37.5	40	42.5	47.5	60.5	68	92.5	102
Dividend payout ratio (%)	68.5	26.1	19.6	18.8	20.1	20.6	19.8	22.9	28.2	30.5	33.0
Earnings per share (EPS) (¥)	36.48	105.22	165.48	199.56	198.86	206.52	240.29	263.82	240.78	303.02	309.55
Book value per share (BPS) (¥)	1,748.16	1,813.77	2,027.26	2,142.72	2,273.44	2,430.69	2,666.41	2815.68	2,988.51	3,252.26	3,490.50
Number of employees	2,917	2,914	2,926	3,023	3,016	2,984	2,997	2,972	2,924	2,893	2,923

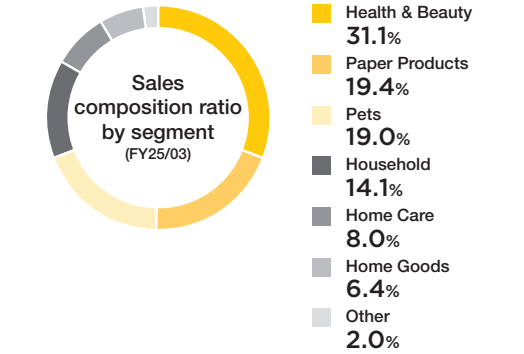
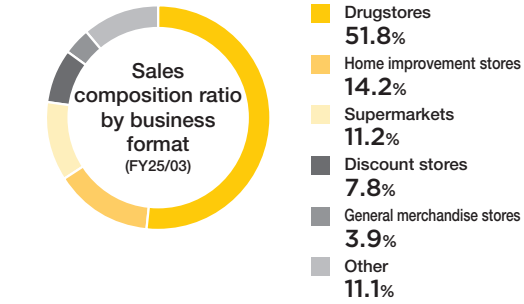
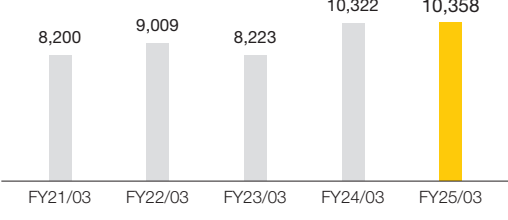
Net sales (¥ million)



Ordinary profit (¥ million)



Profit attributable to owners of parent (¥ million)



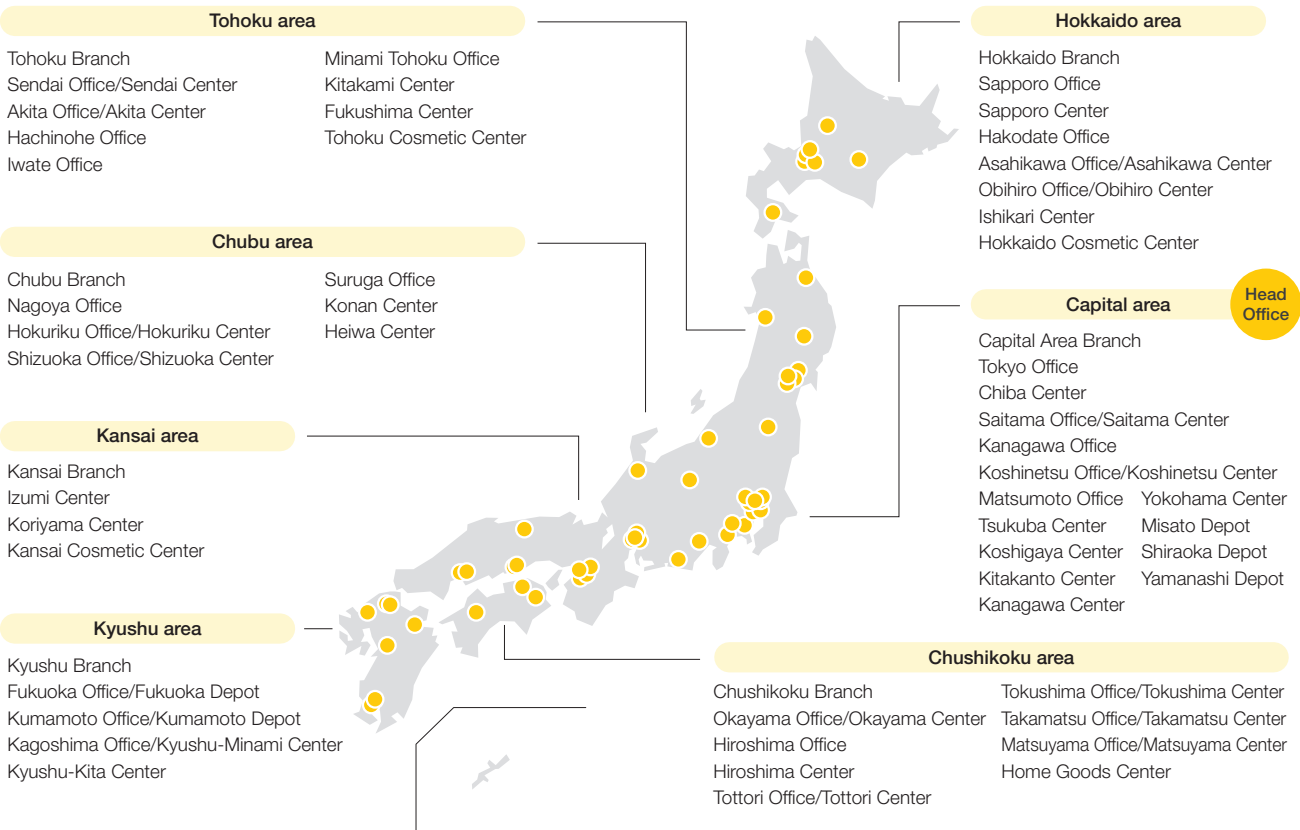
Notes: 1. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) is applied for all figures for the fiscal year ended March 31, 2022 and later.
2. On January 1, 2024, the Company conducted a two-for-one split of its common shares. Figures for periods before the split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

Company Information

Company Outline (FY25/03)

Registered Company Name	ARATA CORPORATION	Stock Listing	Tokyo Stock Exchange Prime Market (securities code: 2733)
Head Office	East 21 Tower, 6-3-2 Toyo, Koto-ku, Tokyo 135-0016, Japan	Shareholder Registry Administrator and Special Account Management Institution	Mitsubishi UFJ Trust and Banking Corporation
Date Established	April 1, 2002	Number of Employees	2,923 (non-consolidated: 1,960)
Capital	¥8,572 million	Website	https://www.arata-gr.jp/en/

Domestic Bases



Major Group Companies

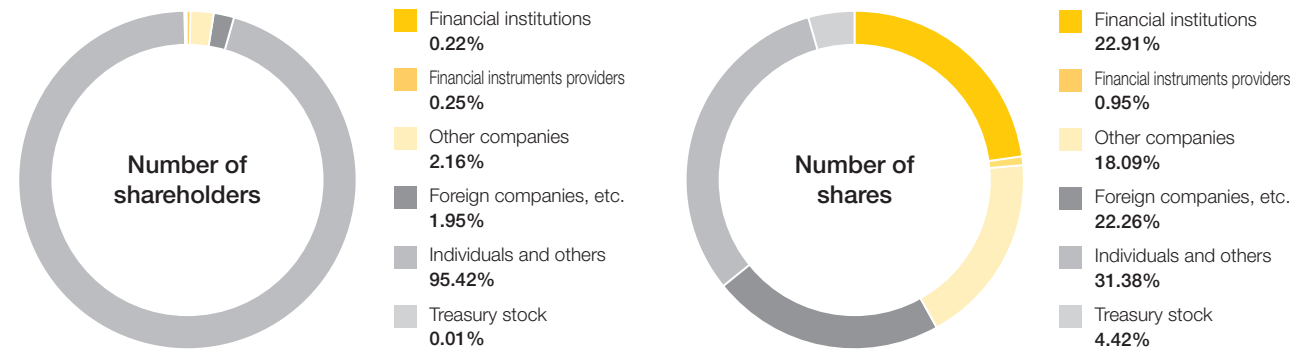
Domestic Group Companies	Japell Co., Ltd.	Wholesaling operations related to pet supplies
	Japell Partnership Service Co., Ltd.	Pet styling and grooming, recruiting of franchised stores
	PET LIBRARY Co., Ltd.	Sales of pets, pet foods, and pet-related products
	Mobby Co., Ltd.	Online sales of pet-related products
	Vet's Choice Japan Corporation	Import and sale of pet food and pet supplies, manufacture, purchase and sale of pet-related miscellaneous goods
Affiliates	ISM CORPORATION	Store management company
	D-Nee Cosmetic Co.,Ltd.	Import/export, manufacturing and sale of cosmetics
	Asahi Keshohin Hanbai Co., Ltd.	Wholesaling of cosmetics, perfumed soap, toothpaste, food and beverages, textile products, and miscellaneous goods
Overseas Group Companies	JAPELL (HONG KONG) CO., LIMITED	Retailing, wholesaling, and import/export sales of pet-related products, as well as other related services
	Kairaotai (Shanghai) Trading Co., Ltd.	Wholesaling of pet-related products in the People's Republic of China and other related services
	ARATA (THAILAND) CO., LTD.	Wholesale business in Thailand
	SIAM ARATA CO., LTD.	Wholesale business in Thailand
	ARATA VIETNAM COMPANY LIMITED	Wholesale business in Vietnam, etc.
	XIN LE HUA (GUANGZHOU) INTERNATIONAL TRADING CO., LTD.	Wholesaling and export of daily necessities and other products in the People's Republic of China

Stock Information (As of March 31, 2025)

Stock Information

Number of shares authorized	60,000,000	Number of shares issued	36,057,424	Number of shareholders	8,841
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Shareholders & Shareholding Ratio



Major Shareholders

	Number of shares held (thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd.	4,214	12.23
Otowa Shokusan Co., Ltd.	2,163	6.28
ARATA Employee Shareholding Association	1,403	4.07
Custody Bank of Japan, Ltd.	1,360	3.94
BBH FOR FIDELITY LOW-PRICED STOCK FUND	1,144	3.32
The Nomura Trust and Banking Co., Ltd.	1,082	3.14
Custody Bank of Japan, Ltd. (Trust Account E)	1,081	3.14
Lion Corporation	962	2.79
Nobuyuki Hatanaka	921	2.67
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	724	2.10

Notes: 1. The number of shares excludes fractional shares.
2. ARATA holds 1,592 thousand shares of treasury stock, but these are excluded from the major shareholders above. The 1,081 thousand shares held by Custody Bank of Japan, Ltd. (Trust Account E) related to the Board Benefit Trust (BBT) system are excluded from the 1,592 thousand shares of treasury stock.
3. Treasury stock is excluded when calculating the shareholding ratio.

Editorial Postscript

This report marks the eighth edition of the ARATA Integrated Report. For the first year of the Medium-Term Plan 2026, last year's report was created under the theme "TAKE ACTION," while for this year, the theme is "AX (ARATA Transformation)."

The five main members of the production team gathered information through dialogue and cooperation with the functional departments and area branches, while reaffirming to me that cooperation that transcends divisions and positions is ARATA's greatest strength. For the visual design and structure, we received tremendous support from the production company, helping evolve this into an even more replete report. I hope this integrated report will serve as a catalyst for more profound dialogue with stakeholders.

I would like to express my gratitude to all those who cooperated in creating this report as well as ask for candid feedback so that we may reflect it in next fiscal year's report.

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

