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ARATA Corporation

Q3 of Fiscal Year Ending March 2026 Financial Results

ARATA CORPORATION

■ Q3 FY03/2026 Highlights

Q3 FY03/2026

Net sales reached 11th consecutive high and fell short of target
Profit at each stage fell short of the previous year's target and missed the target

Full-year ordinary profit forecast revised from JPY16 billion to JPY13 billion.

We recognize that we are entering a major turning point due to changes in the environment.
To improve profits, return to the essence of the wholesale business and strengthen the offensive and defensive structure

	Issues		Measures
Internal factors	Sales increased but at a slower pace	▶	Review strategies on the basis of customers and products for top-line expansion, strengthen in-store management and sales promotions
Internal factors	Decline in inventory turnover	▶	Strengthen control of ordering, purchasing, and sales by reviewing product strategies to optimize inventory
External factors	Increase in center fee and rebates	▶	Provide proposals for transaction patterns that will lead to greater efficiency for both us and our business partners
External factors	Increase in SG&A expenses due to inflation	▶	Take measures not only to increase sales but also to cope with the increase in SG&A expenses due to inflation

Q3 FY03/2026 results

■ Consolidated Statements of Income

(Millions of JPY)	Q3 FY03/2025 Results	Q3 FY03/2026 Results	YoY change Change	YoY change Rate (%)
Net sales	754,500	**768,285**	13,784	101.8
Gross profit	74,454	**74,997**	542	100.7
SG&A expenses	61,354	**63,642**	2,288	103.7
Operating income	13,100	**11,355**	▲1,745	86.7
Ordinary income	13,777	**11,716**	▲2,061	85.0
Profit attributable to owners of parent Quarterly Net profit	9,398	**7,760**	▲1,637	82.6

■ Consolidated Statements of Income (Accounting period)

(Millions of JPY)	Q1 FY03/2025	Q1 FY03/2026	Q1 YoY change Rate (%)	Q2 FY03/2025	Q2 FY03/2026	Q2 YoY change Rate (%)	Q3 FY03/2025	Q3 FY03/2026	Q3 YoY change Rate (%)
Net sales	245,604	251,192	102.3	245,918	252,106	102.5	262,978	264,985	100.8
Gross profit	24,726 (10.07)	24,909 (9.92)	100.7 (▲0.15)	23,914 (9.72)	24,503 (9.72)	102.5 (▲0.00)	25,813 (9.82)	25,584 (9.66)	99.1 (▲0.16)
SG&A expenses	20,016 (8.15)	20,843 (8.30)	104.1 (+0.15)	20,450 (8.32)	21,186 (8.40)	103.6 (+0.08)	20,887 (7.94)	21,612 (8.16)	103.5 (+0.22)
Operating income	4,710 (1.92)	4,065 (1.62)	86.3 (▲0.30)	3,463 (1.41)	3,317 (1.32)	95.8 (▲0.09)	4,925 (1.87)	3,972 (1.50)	80.6 (▲0.37)
Ordinary income	5,057 (2.06)	4,152 (1.65)	82.1 (▲0.41)	3,512 (1.43)	3,396 (1.35)	96.7 (▲0.08)	5,207 (1.98)	4,167 (1.57)	80.0 (▲0.41)
Profit attributable to owners of parent Quarterly Net profit	3,438 (1.40)	2,792 (1.11)	81.2 (▲0.29)	2,370 (0.96)	2,250 (0.89)	94.9 (▲0.07)	3,589 (1.36)	2,717 (1.03)	75.7 (▲0.33)

Figures in parentheses indicate percentage of net sales

Net Sales were below Q2 growth rate in Q3.

Gross profit margin declines and SG&A ratio rises have had an impact on profits at each stage.

We recognize that we are entering a major turning point due to changes in the environment.

■ Q3 FY03/2026 Factors

Net Sales : JPY768.285 billion　YoY: +JPY13.784 billion　101.8%

Q3 FY03/2026 Cumulative　Net sales YoY **101.8%**

- **Sales growth in the existing focus categories (H&B and pets)**
- **Expand sales of exclusive and preferential distribution items**
- **Improve unit prices**

→ Increase in sales of large-volume products and high value-added products

- **Increase in sales of cosmetics**
- **Impact of the increase in the H1 attributable to business categry that commenced new transactions from the 2H of the previous year**

Net Sales grew despite the impact of inflation.

Year-end target of JPY1.006 trillion expected to be achieved

■ Q3 FY03/2026 Factors

Ordinary income: JPY11.716 billion YoY: ▲JPY2.061 billion 85.0%

Gross profit : JPY74.997 billion YoY: +JPY542 million 100.7%

Gross margin: 9.76% YoY ▲0.11 points

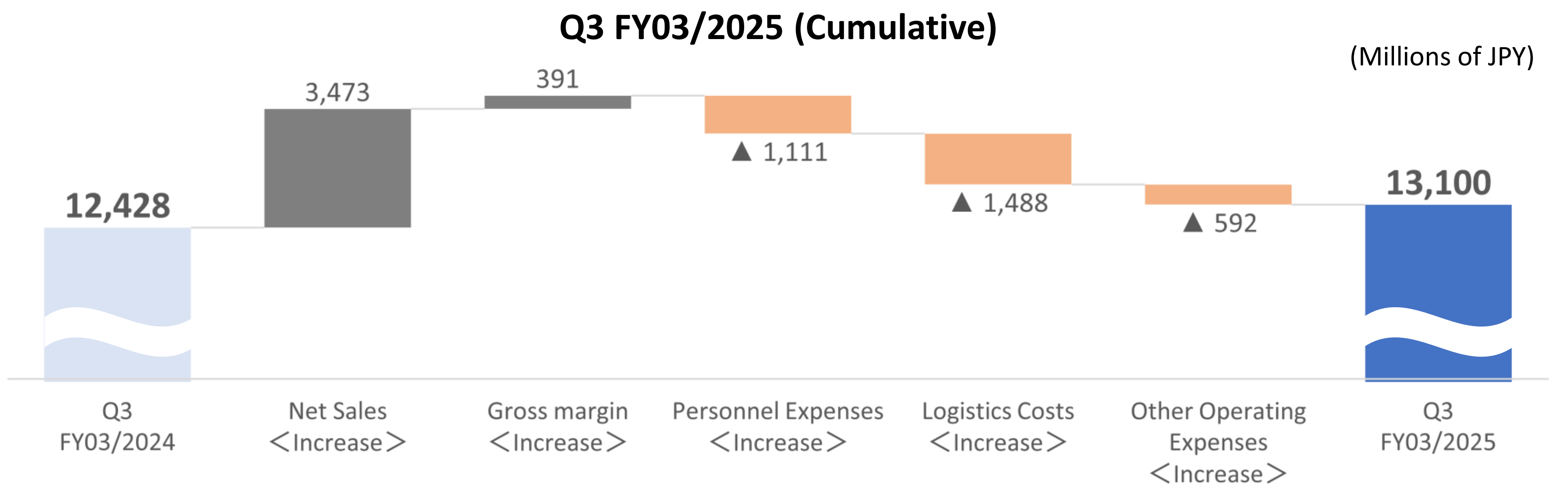
- Increase in center fee and rebates

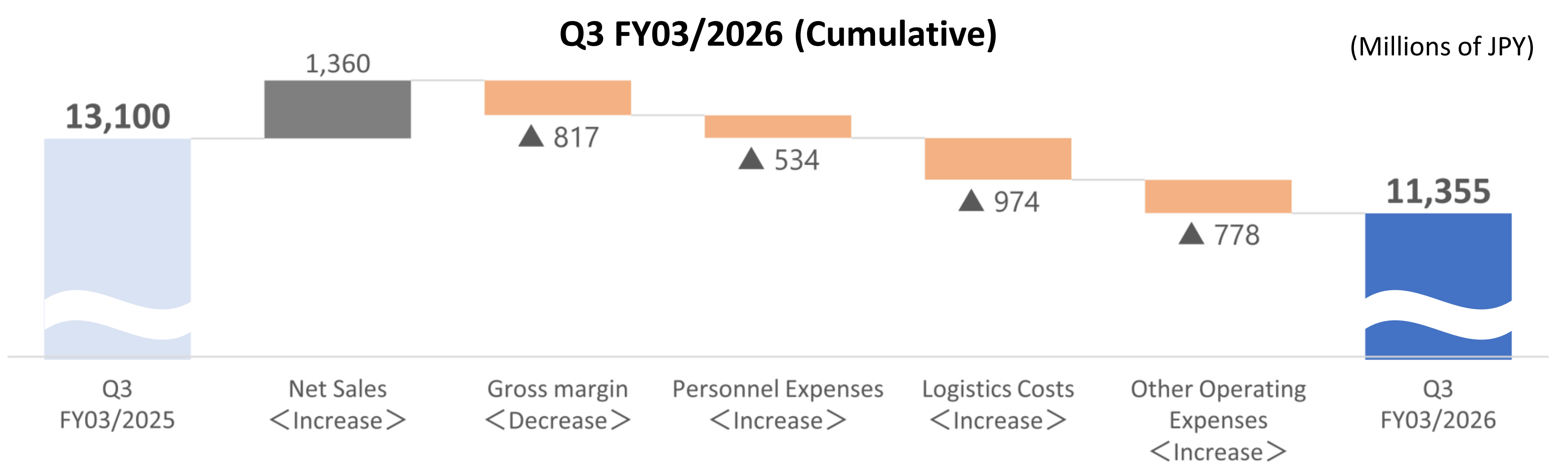
SG&A expenses: JPY63.642 billion YoY: +JPY2.288 billion 103.7%

SG&A ratio: 8.28% YoY +0.15 points

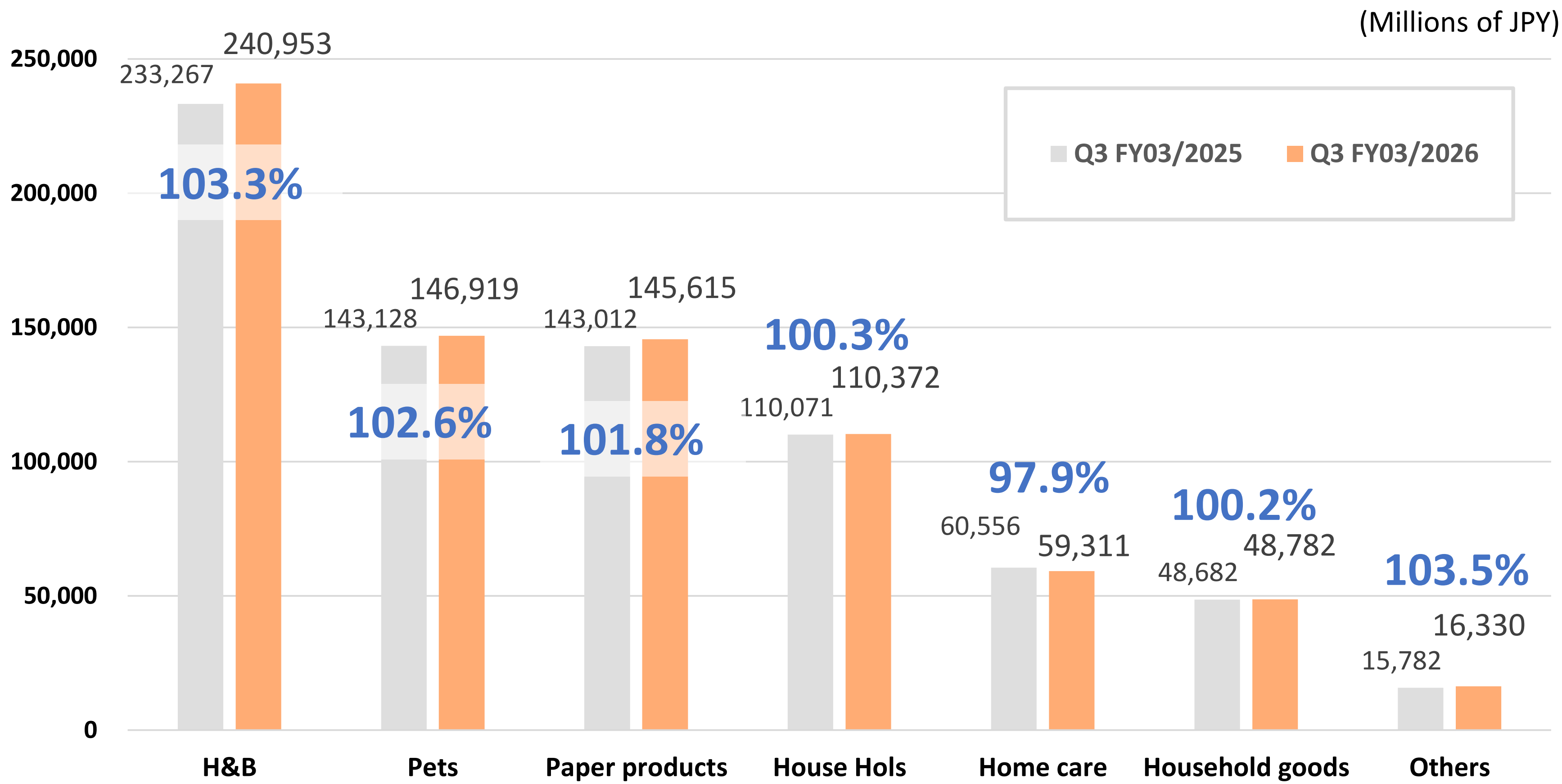
- Increase in expenses related to inventory management due to a decrease in inventory turnover (increase in slow moving inventory)
- Increase in logistics costs such as freight and storage fees
- Increase in rent and temporary expenses due to reorganization of logistics
- Increase in personnel expenses for employees (increase in salaries and part-time employees, etc.)
- M&A consulting expenses

■ Factors behind Changes in Operating Income (YoY)



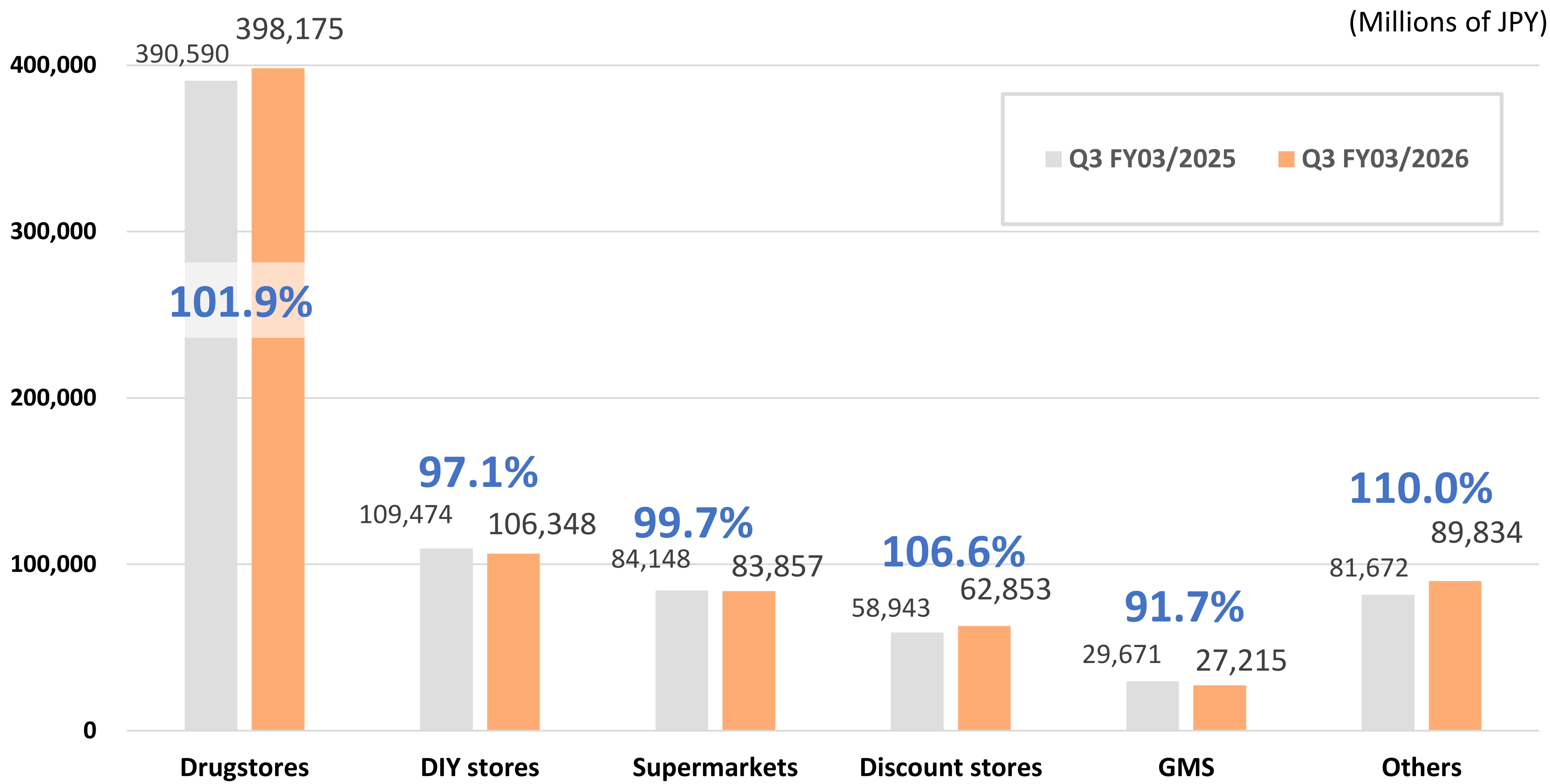


■ Net Sales by Category (YoY)



- H&B: Impact of strong performance at drugstores / Increase in transaction volume
- Pets: Impact of strong performance at EC companies / Increase in transaction volume

■ Net Sales by Business Category (YoY)



- Drugstores: Expansion of in-store share
- Discount stores: Expansion of in-store share
- Others: Impact of the increase in the H1 attributable to business category that commenced new transactions from the 2H of the previous year

■ Consolidated Balance Sheets

FY03/2025

(Millions of JPY)

Current assets	233,705	75.0%
Fixed assets	78,022	25.0%
Current liabilities	158,961	51.0%
Long-term liabilities	36,209	11.6%
Net assets	116,557	37.4%

Total assets 311,728

Q3 FY03/2026

(Millions of JPY)

Current assets	284,178	77.4%
Fixed assets	83,198	22.6%
Current liabilities	198,880	54.1%
Long-term liabilities	46,267	12.6%
Net assets	122,228	33.3%

Total assets 367,376

Topics

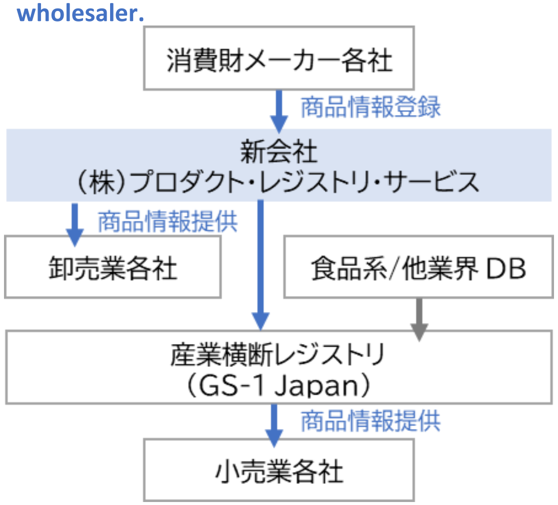
■ Initiatives for Supply Chain Efficiency

Aiming for industry-wide development by improving supply chain efficiency through collaboration in non-competitive areas

Product Registry Services, Inc. Incorporation with PALTAC CORPORATION and PLANET,INC.

<Previous>
Manufacturers and wholesalers need to process and register product information for each business partner

<Future>
Centralize product information at the new company to streamline master data registration for each manufacturer and wholesaler.



Started demonstration tests of smart boxes with Kao Corporation and PALTAC CORPORATION

<Previous>
Each wholesaler uses its own container and needs to sort and store it at each company

<Future>
Standardized containers enable joint container collection by three companies, leading to higher logistics efficiency and reduced sorting labor for retailers.

Make logistics more efficient
- 30% reduction in the number of collection trucks
- 25% reduction in CO2 emissions

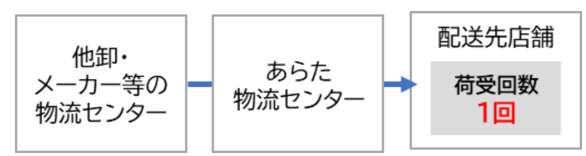
Reduction of on-site burden
- Reduction of sorting operations by retailers
- Prevention of return errors and loss

DX promotion
- Track from shipment to collection with RFID tags

Cooperative distribution with other companies

<Previous>
Delivery by each company to the same retailer

<Future>
Delivery to the same retailer jointly with other companies for integrated delivery



Effect
- Reduced number of delivery trucks
- Enhanced operational efficiency for retailers by reducing the number of receiving sessions

FY03/2026
H2 Measures and Forecast

■ H2 FY03/2026 measures

Expand Net sales, the cornerstone of growth, and strengthen our business structure to improve profits from a medium-to long-term perspective

H2 Measures for Gross Profit Improvement	Progress	Future measures
Specific measures to expand sales (focus on expanding in-store share)	Delay in responding to changes in consumer trends due to inflation	Strengthen analysis of market information and product data to respond to changes and strengthen product proposals
Tackle issues in each category and cultivate growth products	Steady expansion of exclusive and preferential distribution items	To identify and cultivate growth products that will greatly increase sales and profits
Measures such as high-value-added products to improve the gross profit margin		

H2 Measures for SG&A Ratio Containment	Progress	Future measures
Controlling logistics costs, such as freight and storage fees by improving loading rates and joint delivery, etc.	Initiatives implemented but limited	Promote expansion of target customers, partner companies and areas
Curbing personnel expenses through streamlining of IT Medium-Term Management Plan and other measures	Benefits appeared, but the reduction in the personnel expense ratio was not achieved due to the slowdown in sales growth.	Implementation of sales expansion measures / Review of measures and systems to curb personnel expenses
Controlling property expenses by reviewing leased warehouses, etc.	Delayed review of leased warehouses, etc. due to lower inventory turnover (increase in slow moving inventory)	Strengthen control of ordering, purchasing, and sales to optimize inventory

FY03/2026 H2 Measures and Forecast

■ FY2026 full-year forecast

Despite our upcoming initiatives to drive improvement in H2,
the substantial gap in performance so far has led us to revise our profit plan downward

(Millions of JPY)	FY03/2025	FY03/2026			
	Results	Previous forecast	Full-year forecast	YoY change	Vs. Previous forecast
Net sales	986,212	1,006,000	1,006,000	+19,787	±0
Operating income	14,989	15,300	12,600	▲2,389	▲2,700
Ordinary income	15,617	16,000	13,000	▲2,617	▲3,000
Profit attributable to owners of parent Net income	10,358	10,600	9,900	▲458	▲700

Q4 FY03/2026: Estimated extraordinary income of approximately JPY1.3 billion
from the sale of property (strategic shareholdings, land, buildings)

FY03/2026 Year-end Dividend Forecast: Unchanged

Interim JPY56 (implemented) , Term end JPY56, Total JPY112 (YoY +JPY10)

Consolidated dividend payout ratio: 37.9% (forecast)

Further improve capital efficiency by allocating funds to growth investments and shareholder returns

Actions for the New Midium-Term Management Plan 2030

■ Formulating Midium-Term Management Plan 2030

Currently formulating the Medium-Term Management Plan 2030

as the final phase of Long-Term Management Vision 2030.

Scheduled to announce details in the financial results disclosure at the end of FY03/2026

■ Actions for Medium-Term Management Plan 2030

December 2025 : Entered into a business alliance with True Data Inc.

Big data platform management

True Data

Handles Japan's largest ID-POS of 60 million people nationwide and an annual purchase amount of JPY5.5 trillion

January 21, 2026: Made MAP Holdings Co., Ltd. a wholly owned subsidiary.

Cosmetics wholesaler

Polite

Strengths in
makeup and hair care
×
variety shops

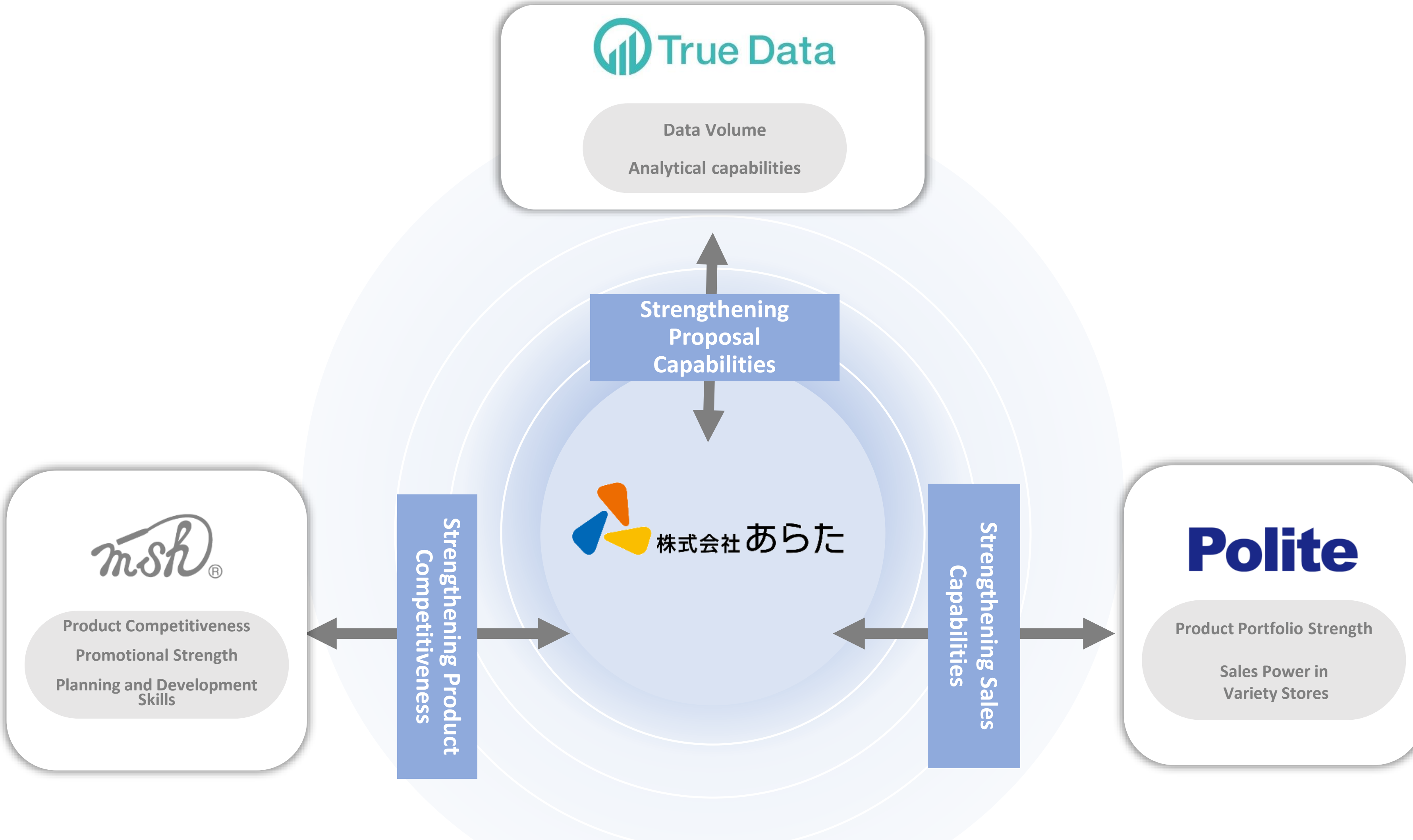
Cosmetics manufacturer

msh®

Holds Liquid Eyeliner top-share brand
"Love Liner"

■ Medium-Term Management Plan 2030 Concept

Reorganization of the profit structure by strengthening the essence of the wholesale business in response to the changing environment
Subsequently, as a growth driver, aiming to capture synergies through M&A, etc.



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We are waiting for your questions on financial results and requests for IR interviews.