Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2023 (Based on Japanese GAAP)

November 7, 2023

ARATA CORPORATION Company name:

Stock exchange listing: Tokyo

Stock code: 2733 URL https://www.arata-gr.jp/

Hiroaki Suzaki Representative: Representative Director and President

PR/IR & ESG Department

Executive Officer,

Inquiries: General Manager of Legal & Nobutaka Tsuchiya

TEL 03-5635-2800

Scheduled date to file Quarterly Securities Report: November 10, 2023 Scheduled date to commence dividend payments: December 5, 2023

Preparation of supplementary material on quarterly financial results: Yes Holding of quarterly financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	471,388	5.9	7,973	25.2	8,424	21.8	5,687	22.3
Six months ended September 30, 2022	445,220	3.7	6,366	(10.3)	6,913	(8.6)	4,651	(10.8)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	332.87	322.44
Six months ended September 30, 2022	272.37	258.46

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2023	312,822	107,266	34.3	6,276.50
As of March 31, 2023	290,857	102,066	35.1	5,977.02

2. Cash dividends

		Annual dividends per share						
	1st quarter-end	st quarter-end 2nd quarter-end 3rd quarter-end Fiscal year-end Total						
	Yen	Yen	Yen	Yen	Yen			
Year ended March 31, 2023	_	68.00	_	68.00	136.00			
Year ending March 31, 2024	_	83.00						
Year ending March 31, 2024 (Forecast)				51.00				

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

Percentages indicate year-on-year changes

							0		, ,
	Net sales		Operating pr	ofit	Ordinary pro	ofit	Profit attributa owners of pa		Earnings per shar
· · · · · · · · · · · · · · · · · · ·	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Ye
Full year	928,000	4.1	14,900	16.3	15,700	14.8	10,500	27.7	307.2

4. Notes

(1) Changes in significant subsidiaries during the six months ended September 30, 2023 (changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations:

No
Changes in accounting policies due to other reasons:

No
Changes in accounting estimates:

No
Restatement of prior period financial statements:

No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

total number of issued snares at the end of the period (including freasury snares)					
As of September 30, 2023	18,028,712 shares	As of March 31, 2023	18,027,640 shares		
Number of treasury shares at the end of the	e period				
As of September 30, 2023	940,891 shares	As of March 31, 2023	951,167 shares		
Average number of shares during the period	od (cumulative from the beg	ginning of the fiscal year)			
Six months ended September 30, 2023	17,085,819 shares	Six months ended September 30, 2022	17,076,601 shares		

Quarterly consolidated financial statements Consolidated balance sheets

		(Millions of yen)
	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	23,886	18,390
Notes and accounts receivable - trade	114,690	135,102
Merchandise	40,135	44,079
Accounts receivable - other	33,259	35,602
Other	5,902	6,312
Allowance for doubtful accounts	(192)	(197)
Total current assets	217,681	239,289
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,351	20,745
Land	21,022	21,313
Other, net	9,081	8,628
Total property, plant and equipment	51,455	50,688
Intangible assets	5,010	5,375
Investments and other assets		
Investment securities	11,557	12,321
Deferred tax assets	1,055	926
Retirement benefit asset	1,241	1,405
Other	2,907	2,867
Allowance for doubtful accounts	(51)	(51)
Total investments and other assets	16,710	17,469
Total non-current assets	73,176	73,532
Total assets	290,857	312,822
Total assets	270,637	512,0

		(Millions of yen)
	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	99,383	122,021
Short-term borrowings	18,869	16,689
Current portion of bonds payable	6,000	=
Income taxes payable	2,651	3,146
Provision for bonuses	1,721	2,050
Other	30,134	30,303
Total current liabilities	158,760	174,212
Non-current liabilities		
Bonds payable	_	5,000
Long-term borrowings	11,696	8,099
Deferred tax liabilities	37	45
Retirement benefit liability	8,394	8,386
Other	9,902	9,813
Total non-current liabilities	30,030	31,343
Total liabilities	188,791	205,556
Net assets		
Shareholders' equity		
Share capital	8,568	8,572
Capital surplus	27,872	27,876
Retained earnings	65,812	70,315
Treasury shares	(3,475)	(3,458)
Total shareholders' equity	98,779	103,305
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,865	4,457
Foreign currency translation adjustment	(9)	(18)
Remeasurements of defined benefit plans	(568)	(492)
Total accumulated other comprehensive income	3,287	3,946
Non-controlling interests	_	14
Total net assets	102,066	107,266
Total liabilities and net assets	290,857	312,822

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

	Six months ended	(Millions of yen) Six months ended
N 1	September 30, 2022	September 30, 2023
Net sales	445,220	471,388
Cost of sales	402,155	425,206
Gross profit	43,065	46,181
Selling, general and administrative expenses	36,698	38,208
Operating profit	6,366	7,973
Non-operating income		
Interest income	2	2
Dividend income	114	124
Outsourcing service income	89	72
Reversal of allowance for doubtful accounts	1	0
Foreign exchange gains	140	114
Other	375	456
Total non-operating income	723	769
Non-operating expenses		
Interest expenses	85	132
Share of loss of entities accounted for using equity method	7	68
Loss on sale of trade receivables	75	75
Other	7	43
Total non-operating expenses	176	319
Ordinary profit	6,913	8,424
Extraordinary income		
Gain on sale of non-current assets	_	0
Gain on sale of investment securities	_	46
Total extraordinary income	_	46
Extraordinary losses		
Loss on sale of non-current assets	_	57
Loss on retirement of non-current assets	0	15
Loss on valuation of investment securities	0	=
Total extraordinary losses	0	72
Profit before income taxes	6,912	8,397
Income taxes - current	2,291	2,833
Income taxes - deferred	(32)	(139)
Total income taxes	2,258	2,693
Profit -	4,654	5,703
Profit attributable to non-controlling interests	2	16
Profit attributable to owners of parent	4,651	5,687

Consolidated statements of comprehensive income (cumulative)

	Six months ended	Six months ended
	September 30, 2022	September 30, 2023
Profit	4,654	5,703
Other comprehensive income		
Valuation difference on available-for-sale securities	199	591
Foreign currency translation adjustment	15	(10)
Remeasurements of defined benefit plans, net of tax	31	75
Total other comprehensive income	246	657
Comprehensive income	4,900	6,360
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,897	6,346
Comprehensive income attributable to non-controlling	2	1.4
interests	3	14

Consolidated statements of cash flows

Reptember 30, 2022 Reptember 30, 2023 Cash flows from operating activities 6,912 8,39 Depreciation 2,264 2,23 Amortization of goodwill 0 32 Increase (decrease) in in provision for bonuses 40 32 Increase (decrease) in allowance for doubtful accounts (1) 1 Increase (decrease) in retirement benefit liability 56 1 Interest expenses 85 31 3 Foreign exchange losses (gains) (81) (8 Share of loss (profit) of entities accounted for using equity method 7 6 Loss (gain) on sale of non-current assets 0 1 Loss (gain) on sale of investment securities 0 1 Loss (gain) on valuation of investment securities 0 1 Loss (gain) on valuation of investment securities 0 1 Decrease (increase) in trade receivables (7,082) (20,35 Decrease (increase) in trade payables 4,022 23,08 Increase (decrease) in other liabilities 668 1,19 <td< th=""><th></th><th></th><th>(Millions of yen)</th></td<>			(Millions of yen)
Profit before income taxes 6,912 8,36		Six months ended	Six months ended
Profit before income taxes		September 30, 2022	September 30, 2023
Depreciation 2,264 2,23	· -	6.010	0.207
Amortization of goodwill Increase (decrease) in provision for bonuses Increase (decrease) in allowance for doubtful accounts Increase (decrease) in retirement benefit liability Interest and dividend income Interest and further accounted for using equity method Interest and interest and accounted for using equity method Interest and interest and accounted for using equity method Interest and accounted for using equity method Interest and accounted accounted for using equity method Interest and accounted accounted for using equity method Interest (increase) in the accounted for using equity method Interest (increase) in the accounted accounted for using equity method Interest (increase) in interest accounted for using equity method Interest (increase) in interest accounted for using equity Interest (increase) in interest accounted accounted accounted accounted accounted accounted accounted accounter accoun			
Increase (decrease) in provision for bonuses 40 32 Increase (decrease) in allowance for doubtful accounts (1) Increase (decrease) in retirement benefit liability 56 Interest and dividend income (116) (126 Interest expenses 85 13 Foreign exchange losses (gains) 885 13 Foreign exchange losses (gains) 7 6 Share of loss (profit) of entities accounted for using equity method 7 Loss (gain) on sale of non-current assets 0 1 Loss (gain) on sale of non-current assets 0 1 Loss (gain) on sale of investment securities 0 1 Loss (gain) on valuation of investment securities 0 Decrease (increase) in trade receivables (7,082) (20,35 Decrease (increase) in inventories (1,727) (3,93 Decrease (increase) in inventories (4,099) (2,80 Increase (decrease) in trade payables 4,022 23,08 Decrease (increase) in other assets (4,099) (2,80 Increase (decrease) in other liabilities 668 1,19 Other, net 5,06 27 Interest and dividends received 119 12 Interest and dividends received 119 12 Interest paid (85) (13 Income taxes paid (85) (14 Proceeds from withdrawal of time deposits (82) (44 Proceeds from withdrawal of time deposits (82) (44 Proceeds from sale of property, plant and equipment - 3 Purchase of intensible assets (1,034) (86 Purchase of investment securities - Purchase of investment securities -			2,235
Increase (decrease) in allowance for doubtful accounts			_
Increase (decrease) in retirement benefit liability 56 116 (12 Interest and dividend income (116) (12 Interest expenses 85 13 Foreign exchange losses (gains) (81) (88 Share of loss (profit) of entities accounted for using equity method 7 6 Loss (gain) on sale of non-current assets - 55 Loss on retirement of non-current assets 0 1 Loss (gain) on sale of investment securities - (4 Loss (gain) on valuation of investment securities 0 Decrease (increase) in trade receivables (7,082) (20,39 Decrease (increase) in inventories (1,727) (3,93 Increase (decrease) in trade payables 4,022 23,08 Decrease (increase) in other assets (4,099) (2,86 Increase (decrease) in other liabilities 668 1,19 Other, net 506 27 Subtotal 1,457 8,41 Interest and dividends received 119 12 Interest and dividends received 119 12 Interest paid (85) (13 Income taxes paid (2,268) (2,368 Net cash provided by (used in) operating activities (778 6,10 Cash flows from investing activities (632 (41 Proceeds from withdrawal of time deposits 580 588 Purchase of property, plant and equipment (1,826 (2,36 Proceeds from sale of property, plant and equipment (1,826 (2,36 Purchase of investment securities (245 (66 Purchase of investment securities (38) Purchase of investment securities (38) Purchase of investment securities (38) Purchase of sale of investment securities			328
Interest and dividend income (116) (12 Interest expenses 85 13 13 13 13 13 13 13 1			5
Interest expenses 85	•		6
Foreign exchange losses (gains) (81) (88)		` '	(126
Share of loss (profit) of entities accounted for using equity method 7 6 Loss (gain) on sale of non-current assets – 5 Loss on retirement of non-current assets 0 1 Loss (gain) on sale of investment securities – (4 Loss (gain) on valuation of investment securities 0 20,35 Decrease (increase) in trade receivables (7,082) (20,35 Decrease (increase) in inventories (1,727) (3,93 Increase (decrease) in trade payables 4,022 23,08 Decrease (increase) in other assets (4,099) (2,86 Increase (decrease) in other liabilities 668 1,19 Other, net 506 27 Subtotal 1,457 8,41 Interest and dividends received 119 12 Increase paid (85) (13 Net cash provided by (used in) operating activities (778) 6,10 Cash flows from investing activities 778 6,10 Payments into time deposits 580 58 Purchase of property, plant and equipment – </td <td>-</td> <td></td> <td>132</td>	-		132
method 7 6 Loss (gain) on sale of non-current assets – 5 Loss on retirement of non-current assets 0 1 Loss (gain) on sale of investment securities – (4 Loss (gain) on valuation of investment securities 0 0 Decrease (increase) in trade receivables (7,082) (20,39 Decrease (increase) in inventories (1,727) (3,93 Increase (decrease) in trade payables 4,022 23,08 Decrease (increase) in other assets (4,099) (2,80 Increase (decrease) in other liabilities 668 1,19 Other, net 506 27 Subtotal 1,457 8,41 Intrease (decrease) in other liabilities (85) (13<		(81)	(82
Method Loss (gain) on sale of non-current assets -	Share of loss (profit) of entities accounted for using equity	7	68
Loss on retirement of non-current assets 0			
Loss (gain) on sale of investment securities		=	57
Loss (gain) on valuation of investment securities 0		0	15
Decrease (increase) in trade receivables		_	(46
Decrease (increase) in inventories	Loss (gain) on valuation of investment securities	0	-
Increase (decrease) in trade payables	Decrease (increase) in trade receivables	(7,082)	(20,396
Decrease (increase) in other assets	Decrease (increase) in inventories	(1,727)	(3,930
Increase (decrease) in other liabilities	Increase (decrease) in trade payables	4,022	23,082
Other, net 506 27 Subtotal 1,457 8,41 Interest and dividends received 119 12 Interest paid (85) (13 Income taxes paid (2,268) (2,30 Net cash provided by (used in) operating activities (778) 6,10 Cash flows from investing activities 8 (632) (41 Proceeds from withdrawal of time deposits 580 58 Purchase of property, plant and equipment (1,826) (2,38 Proceeds from sale of property, plant and equipment - 3 Purchase of intangible assets (1,034) (86 Purchase of investment securities - 8 Loan advances (7) (6 Proceeds from collection of loans receivable 20 1 Purchase of shares of subsidiaries resulting in change in scope of consolidation (38) (38) Other, net 102 2	Decrease (increase) in other assets	(4,099)	(2,805
Subtotal 1,457 8,41 Interest and dividends received 119 12 Interest paid (85) (13 Income taxes paid (2,268) (2,30 Net cash provided by (used in) operating activities (778) 6,10 Cash flows from investing activities (632) (41 Payments into time deposits 580 58 Purchase of property, plant and equipment (1,826) (2,38 Purchase of property, plant and equipment - 3 Purchase of intangible assets (1,034) (86 Purchase of investment securities (245) (6 Proceeds from sale of investment securities - 8 Loan advances (7) (6 Proceeds from collection of loans receivable 20 1 Purchase of shares of subsidiaries resulting in change in scope of consolidation (38) (38) Other, net 102 2	Increase (decrease) in other liabilities	668	1,197
Interest and dividends received Interest paid Income taxes paid (2,268) (2,300) Net cash provided by (used in) operating activities Cash flows from investing activities Payments into time deposits Proceeds from withdrawal of time deposits Purchase of property, plant and equipment Purchase of intangible assets Purchase of investment securities Proceeds from sale of investment securities Proceeds from sale of investment securities Proceeds from sale of investment securities Proceeds from collection of loans receivable Purchase of shares of subsidiaries resulting in change in scope of consolidation Other, net 119 12 12 13 14 (632) (41 (632) (41 (632) (41 (7) (86 (7) (7) (87 (7) (88 (7) (89 (7) (89 (7) (89 (89 (89 (89 (89 (89 (89 (8	Other, net	506	276
Interest paid (85) (13 Income taxes paid (2,268) (2,30) Net cash provided by (used in) operating activities (778) 6,10 Cash flows from investing activities Payments into time deposits (632) (41 Proceeds from withdrawal of time deposits 580 58 Purchase of property, plant and equipment (1,826) (2,38 Proceeds from sale of property, plant and equipment - 3 Purchase of intangible assets (1,034) (86 Proceeds from sale of investment securities (245) (6 Proceeds from sale of investment securities - 8 Loan advances (7) (6 Proceeds from collection of loans receivable 20 1 Purchase of shares of subsidiaries resulting in change in scope of consolidation (38)	Subtotal	1,457	8,414
Income taxes paid Net cash provided by (used in) operating activities Cash flows from investing activities Payments into time deposits Proceeds from withdrawal of time deposits Purchase of property, plant and equipment Purchase of intangible assets Purchase of investment securities Proceeds from sale of investment securities Proceeds from sale of investment securities Loan advances Proceeds from collection of loans receivable Purchase of shares of subsidiaries resulting in change in scope of consolidation Other, net (2,268) (778) (6,10) (632) (41) (1,826) (2,38) (1,826) (2,38) (1,826) (2,38) (1,934) (86) (86) (97) (98)	Interest and dividends received	119	125
Income taxes paid Net cash provided by (used in) operating activities Cash flows from investing activities Payments into time deposits Proceeds from withdrawal of time deposits Purchase of property, plant and equipment Purchase of intangible assets Purchase of investment securities Proceeds from sale of investment securities Proceeds from sale of investment securities Loan advances Proceeds from collection of loans receivable Purchase of shares of subsidiaries resulting in change in scope of consolidation Other, net (2,268) (778) (6,10) (632) (41) (1,826) (2,38) (1,826) (2,38) (1,826) (2,38) (1,934) (86) (86) (97) (98)	Interest paid	(85)	(130
Cash flows from investing activities Payments into time deposits Proceeds from withdrawal of time deposits Purchase of property, plant and equipment Proceeds from sale of property, plant and equipment Purchase of intangible assets Purchase of investment securities Proceeds from sale of investment securities Proceeds from sale of investment securities Proceeds from sale of investment securities Proceeds from collection of loans receivable Purchase of shares of subsidiaries resulting in change in scope of consolidation Other, net (41 (632) (41 (632) (41 (7) (86) (2,38) (86) (64 (7) (86) (7) (87) (88) (88) (89) (98) (108)	Income taxes paid	(2,268)	(2,305
Payments into time deposits Proceeds from withdrawal of time deposits Purchase of property, plant and equipment Purchase of intangible assets Purchase of investment securities Proceeds from sale of investment securities Proceeds from collection of loans receivable Purchase of subsidiaries resulting in change in scope of consolidation Other, net (632) (41) (632) (7) (86) (7) (86) (86) (7) (87) (87) (88) (88) (98)	Net cash provided by (used in) operating activities	(778)	6,103
Proceeds from withdrawal of time deposits Purchase of property, plant and equipment Proceeds from sale of property, plant and equipment Purchase of intangible assets Purchase of investment securities Proceeds from sale of investment securities Proceeds from sale of investment securities Proceeds from sale of investment securities Loan advances Proceeds from collection of loans receivable Purchase of shares of subsidiaries resulting in change in scope of consolidation Other, net 102 28 38 38 380 380 380 380 380	Cash flows from investing activities		
Proceeds from withdrawal of time deposits Purchase of property, plant and equipment Proceeds from sale of property, plant and equipment Purchase of intangible assets Purchase of investment securities Proceeds from sale of investment securities Proceeds from sale of investment securities Proceeds from sale of investment securities Loan advances Proceeds from collection of loans receivable Purchase of shares of subsidiaries resulting in change in scope of consolidation Other, net 102 28 38 38 380 380 380 380 380	Payments into time deposits	(632)	(413
Purchase of property, plant and equipment Proceeds from sale of property, plant and equipment Purchase of intangible assets (1,034) Purchase of investment securities Proceeds from sale of investment securities Loan advances (7) Proceeds from collection of loans receivable Purchase of shares of subsidiaries resulting in change in scope of consolidation Other, net (1,826) (1,826) (1,826) (2,38) (86) (245) (69) (70) (80) (81) (81) (82) (82) (82) (83) (83) (84) (84) (84) (84) (84) (84) (84) (84) (85) (84) (85) (85) (86) (86) (87) (87) (87) (88) (98) (98) (98) (98) (98) (98) (98) (98)		580	583
Proceeds from sale of property, plant and equipment Purchase of intangible assets (1,034) Purchase of investment securities Proceeds from sale of investment securities Loan advances (7) Proceeds from collection of loans receivable Purchase of shares of subsidiaries resulting in change in scope of consolidation Other, net 102 23 (86 (70) (87 (88) (88) (88) (9		(1,826)	(2,380
Purchase of intangible assets (1,034) (86) Purchase of investment securities (245) (6) Proceeds from sale of investment securities – 8 Loan advances (7) (7) Proceeds from collection of loans receivable 20 1 Purchase of shares of subsidiaries resulting in change in scope of consolidation Other, net 102 2		_	30
Purchase of investment securities (245) (6 Proceeds from sale of investment securities - 8 Loan advances (7) (7) Proceeds from collection of loans receivable 20 1 Purchase of shares of subsidiaries resulting in change in scope of consolidation Other, net 102 2		(1,034)	(865
Proceeds from sale of investment securities Loan advances (7) Proceeds from collection of loans receivable Purchase of shares of subsidiaries resulting in change in scope of consolidation Other, net (38)			(67
Loan advances (7) (7) Proceeds from collection of loans receivable 20 1 Purchase of shares of subsidiaries resulting in change in scope of consolidation Other, net 102 2	Proceeds from sale of investment securities	· _	88
Proceeds from collection of loans receivable Purchase of shares of subsidiaries resulting in change in scope of consolidation Other, net 20 (38)		(7)	(3
Purchase of shares of subsidiaries resulting in change in scope of consolidation Other, net (38)	Proceeds from collection of loans receivable		15
of consolidation Other, net (38) 102 2			
Other, net 102 2		(38)	_
·		102	21
	-		(2,990

		(minions of join)
	Six months ended	Six months ended
	September 30, 2022	September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	5,198	(3,900)
Proceeds from long-term borrowings	1,950	900
Repayments of long-term borrowings	(3,108)	(2,776)
Proceeds from issuance of bonds	_	4,972
Redemption of bonds	_	(5,993)
Purchase of treasury shares	(0)	(1)
Dividends paid	(1,097)	(1,182)
Repayments of lease liabilities	(379)	(504)
Net cash provided by (used in) financing activities	2,562	(8,486)
Effect of exchange rate change on cash and cash equivalents	54	48
Net increase (decrease) in cash and cash equivalents	(1,241)	(5,325)
Cash and cash equivalents at beginning of period	19,354	22,771
Cash and cash equivalents at end of period	18,112	17,445