

Lifeline for each community

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Origin of the company name

"ARCS" comes from "arc".
 Each company draws a strong arc and creates a large circle (ARCS).
 It means "contributing to the local community".
 ARCS also consists the initials of Always, Rising, Community, and Service.
 Each letter has following meanings.

- A Always**
 We always have what you need at your fingertips.
 The ARCS Group always wishes to be close partners to our customers.
- R Rising**
 We are working on various innovations to contribute to our customers' more affluent lifestyles. Your smiles feel us joy of work.
- C Community**
 Always we are committed to providing safe and secure merchandise and services for the local community.
- S Service**
 We strive to make decisions based on good matters rather than profit from the customer's point of view. Our employees continue to provide customer service training.

Symbol

Abstract image of the sun and shining stars. The group symbol of the ARCS is. Expresses the connection between the Group and our customers, Symbolizes our challenge toward the future.

- Symbol colors are,
- RED=Sun=Life
- YELLOW=Star=Happiness



Editorial Policy

This report is intended to provide all current and future stakeholders with an understanding of the ARCS Group's approach to sustainable growth and its efforts to create medium and long term economic and social value, as well as a comprehensive description of our values and strengths, strategies and plans for sustainable growth, including medium and long term management policies, financial and non-financial information. In particular, we focused on consistency with the management philosophy and connection with the value creation story, and tried to make the simple and easy to understand description, including the business overview. For this report, we have referred to the "Guidance on Integrated Disclosure and Dialogue for Value Creation" issued by the Ministry of Economy, Trade and Industry (METI) and the "International Integrated Reporting Framework" issued by the International Integrated Reporting Council (IIRC).

The ARCS Group in Figures (FY 2023)

To be a lifeline for the community continuously, Yatsugatake Mountains Range Management that combines economies of scale with close ties to each community management and continuous expansion.

Consolidated Net sales

566.2 billion yen

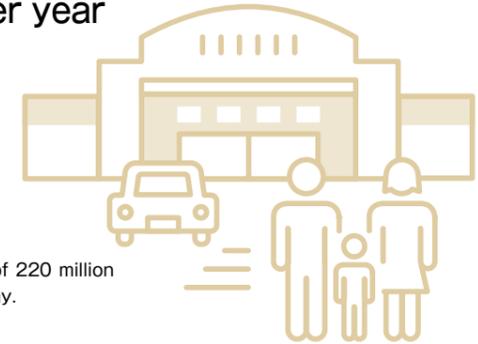
ARCS has the fourth largest sales among listed food supermarkets in Japan.



Visiting number of customers per year

220 million

ARCS Group's food supermarkets are visited by a total of 220 million customers annually, more than 600,000 customers per day.



Ordinary income

16.4 billion yen

Among listed food supermarkets in Japan, ARCS ranks fifth in terms of ordinary income.



Ordinary Income Ratio

2.9%

Our ordinary income Ratio has been stable around 3%.



Food Segment Ratio

84.8%

Food products account for more than 80% of sales.



Number of merchandise handled

274,000 items

All of merchandise items are controlled by the group's Integrated system platform.



ROA

6.3%

ROA has continuously remained above 6%.



Number of stores

373 stores

ARCS Group operates 373 stores, mainly food supermarkets, in Hokkaido, Tohoku, and northern Kanto.



Number of cardholders

3.21 million

The number of active members of "ARCS RARA card" of our group increased by 80,000 in FY 2022, exceeding 3.21 million.



Percentage of cardholder sales

73.8%

Over 70% of customers who visit our stores present their ARCS RARA card.



*Sales by cardholders as a percentage of total sales

Number of Employees

30,000

Approximately 30,000 employees support the local lifelines.



Average years of establishment of supermarket companies

65 years

The ten food supermarkets in our group have spent a long time building a local operating base and trusting relationships.



*Calculated based on food supermarket companies.

Number of municipalities with disaster prevention agreements

39 municipalities

All of our operating companies have concluded cooperation agreements for disasters with local governments.



What is the ARCS Group

ARCS Group

The ARCS Group is a food distribution group with 10 food supermarkets and one other operating company with locations in Hokkaido, Tohoku, and northern Kanto. ARCS COMPANY,LIMITED is a pure holding company that owns shares of the operating companies and, as a parent company, supervise the entire group and formulates strategies.

The operating companies are engaged in community-based food supermarket and related businesses following the strategy of ARCS.

Corporate Statement

Our corporate statement, "Bridge on the Rich Land for Your Life," expresses our fundamental concept of what we are. This is based on our thought to build dominant areas in each region and provide fresh, safe, and secure food products to customers, and serve as a bridge between production areas and customers, as well as a bridge between local companies with the same aspirations as us as such, it will be a receptacle to compete with major retail companies.

Group Operation by Yatsugatake Mountain Range Management

Under a holding company, a group of mountains of similar height, like the Yatsugatake mountain range, is working side by side to govern themselves on an equal footing, keeping the distance between the company and their customers short, while enlarging the management resources of the entire group and expanding the group's infrastructure. We advocate Yatsugatake Mountain Range Management.



- Formulate strategies and guidelines for the Group as a whole
- Capital control as a pure holding company of operating companies
- Investigate further Yatsugatake Mountain Range Management



Yatsugatake mountain range

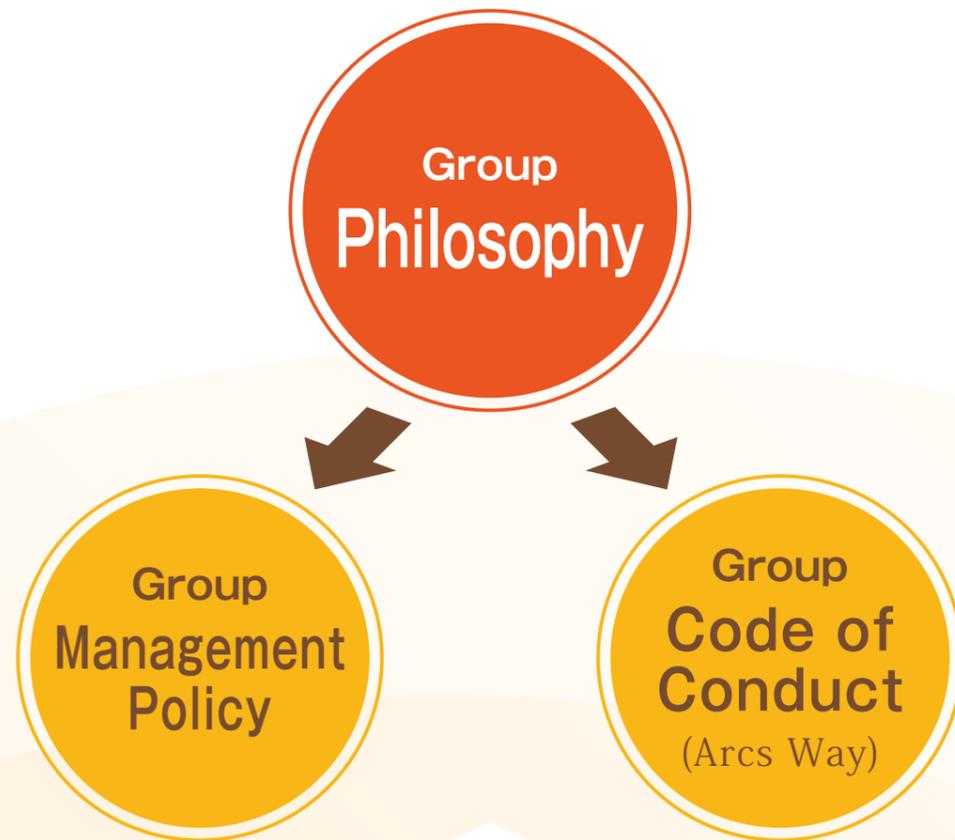
Bridge on the Rich Land for Your Life

What is "Yatsugatake Mountain Range Management"?

In an editorial titled "Urgent Establishment of New Japanese-style Management" by the late Kotaro Higuchi, former honorary chairman of Asahi Breweries, Ltd. in the May 11, 2000 Nihon Keizai Shimbun, he wrote: "...A company like Mt. Fuji may look good, but it is inevitably distant from its customers and cannot respond to their needs carefully. From now on, group management in which companies of roughly the same size are lined up, like the Yatsugatake mountain range, is required". "Instead of corporate integration that aims for a tall and large corporate entity like Mt. Fuji, corporate integration under a holding company, with mountains of similar height lined up side by side like the Yatsugatake mountain range, on an equal footing, will allow the company to keep the distance between it and its customers short, while at the same time allowing the entire group's management resources to be enlarged and the group's foundation to be built upon. This is the basic concept that underlies the management of the ARCS Group. We received permission to use the phrase "Yatsugatake Mountain Range Management" from the late former Honorary Chairman Higuchi by a piece of autograph paper.

ARCS Group Philosophy

The philosophy system of the ARCS Group is based on the Group Philosophy, which is the basic approach for the Group. It comprised of "Group Management Policy" and "Group Code of Conduct".



Group Philosophy

ARCS Group becomes a lifeline for each community.
We contribute to affluent lifestyles by providing valuable merchandise and services at low prices.

As a basic approach to clarify in what areas we should fulfill our social mission, the ARCS Group philosophy, which is shared by all group companies, is to "contribute to affluent lifestyles by providing valuable merchandise and services at low prices as a lifeline for each community". The term "lifeline" usually refers to the social network systems (electricity, gas, water, etc.) for the basis of life, the food distribution is also an important social infrastructure for sustaining life.

Group Management Policy

1. Customer-first policy
2. Yatsugatake Mountain Range Management
3. Sound management and steady growth
4. Pursuit of low price and low cost
5. Disclosure and compliance

Our group is an aggregation of various companies. We share the same fundamental philosophy, and each group company also has its own culture. Therefore, it is essential to have a basic philosophy in order to conduct unified actions and activities as a group, and we have established the above management policy.

Group Code of Conduct (Arcs Way)

- We are,
1. Think and act for our customers.
We always think of our customers and act to their satisfaction.
 2. Based on right rather than profit
We will always comply with laws, regulations, and social norms, and conduct with the highest ethical standards.
 3. Contribute to safe, secure, and comfortable living
We will always contribute to the community by providing safe and secure goods and services.
 4. Respect and deal with each other with integrity.
We will always treat our shareholders, suppliers, employees and families with respect and integrity.
 5. Think independently and challenge ourselves to realize our dreams
We will always strive to realize our dreams while thinking and acting for ourselves and feeling the joy of working.

In order to embody the Group Philosophy and the Group Management Policy, we have established the Arcs Way, a set of action guidelines. We believe that the group philosophy can be put into practice by each employee acting on the premise of the code of conduct.



Representative Director and President

横山 清

Kiyoshi Yokoyama

An era of Value Transformation. Leveraging "Yatsugatake Mountain Range Management" that responds quickly to any changes, we will be expanding the regional lifeline function and will deepen stakeholder communication.

20 years of building the foundation as regional lifelines

The ARCS Group has been established in November 2002 with the merger of RALSE (Sapporo City) and FUKUHARA (Obihiro City) in Hokkaido, resulting in a pure holding company ARCS and two operating subsidiaries. Subsequently, some of leading regional food supermarkets joined the group, and in April 2021, OTANI (Utsunomiya City, Tochigi Prefecture) joined as a recent, ARCS Group could celebrate its 20th anniversary.

In order for a supermarket to be viable and continue to operate as a business, it is essential to be prepared to hedge risks while keeping an eye on trends in foreign exchange rates and prices. It is not enough to have a large scale of business but is also necessary to have a sound financial position through the Everyday Low Cost (EDLC).

Some of the operating companies had partial problems such as business succession and cash flow and so on, but I believe that we have come to this day as a result of our common understanding of the business environment and our efforts over the years with the companies in the retail industry.

The companies had a history of more than 50 years before joining the ARCS Group, and through M&A (Mind & Agreement: agreement of minds and opinions), we were able to form a corporate group as one of the industry's leading players.

Over the past 20 years, the ARCS Group has been building the foundation to achieve its mission statement, "The ARCS Group, as a regional lifeline, contributes to affluent lifestyles of customers by providing valuable merchandise and services at low prices".

In detail, we have been promoting a generational shift in management and remodeling/reconstruction of stores.

To continue to provide customers with valuable merchandise at low prices, we refrain from excessive investment and always keep in mind cost-effectiveness in our management. We intend to take future measures based on the low-cost structure we have built over the years.

*In general, M&A means "Merger and Acquisition", but ARCS M&A means "Mind and Agreement".

New Year's Messages with my thoughts - What is Value Transformation from Behavior Change?

For the ARCS Group to create value, it is necessary to open stores everyday as places for co-creating value with stakeholders and for employees to continue their daily work.

However, as Market environment continues to change, it is difficult for employees to think about how customers spent its daily life, and because the ARCS Group philosophy is universal, it tends to be weakly connected to daily work.

Therefore, at the beginning of each year, I write a New Year's message in my handwriting with a brush so that all Group companies can share the same awareness of our philosophy, and so that it becomes an easy-to-understand watchword.

As the number of ARCS Group companies and associates continue to grow, I feel that my New Year's Messages help to create each company's short-, medium-, and long-term business plans. As a communication tool for the Group's 30,000 employees, I try to choose words and sentence that is easy to understand.

At the beginning of my New Year's message for 2023, there are "This is a time of value transformation". As our customers' values are changing and their lifestyles do not return to the past, we must continue to respond to their changing needs. We have been fighting against price hikes in the past, but we recognize that we have entered a different era. We cannot accept price hikes that we do not agree with, but we must keep an eye on prices while at the same time ensuring that we provide our customers with food products for their daily tables. The "transition to the new pricing system" means that even during price hike, we must provide value and prices that satisfy our customers' needs, which is our mission as a supermarket operator.

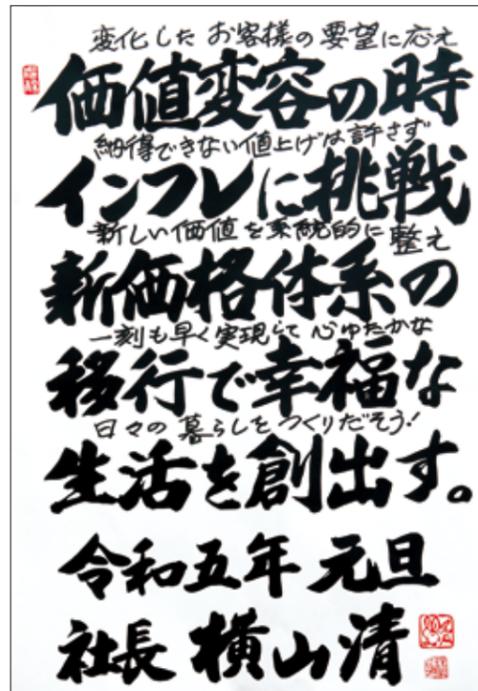
A "happy life" is basically something that can only be achieved when one has an affluent mind.

If our customers only consider to saving their times of shopping, they may be able to choose eating out or using online shopping. In fact, the "ARCS Online Shop*" has come in handy during times when it is difficult to go out, such as when there is a heavy snowfall.

On the other hand, we are committed to create a happy life for our customers that includes the pleasure and happiness of eating with family members while selecting foodstuffs at ARCS Group stores and cooking them at home.

For a long time, we have specialized in supermarket business as a food retailers, but now drugstores and some other categories of retailers also handle food products. Now that food prices are in an upward phase along with rising prices, our skills as "food and fresh produce specialists" of many years will be more valuable to the customers. We will demonstrate our experience and know-how as an "essential worker" who opens a store every day.

*ARCS Online Shop...Online supermarket, as of the end of February 2023, it has been introduced at RALSE



New Year's Message for 2023

Be closer and more useful to our customers

Improving Corporate Governance through Yatsugatake Mountain Range Management

Yatsugatake Mountain Range Management is our management style.

A pure holding company and operating subsidiaries similar like mountains standing side by side of the Yatsugatake mountain range govern keeping each company and its customers close together.

The advantage of Yatsugatake Mountain Range Management is that it allows each operating company to be unique and maintain the same perspective as the local customers. Conversely, if there is a disadvantage, it is the possibility of heading in the direction of disunity. The corporate governance of the ARCS Group is based on "Mind & Agreement," which means group companies mutual respect for each individuality while at the same time overcoming differences of opinion, finding points of agreement, and doing our utmost to achieve what has been decided.

Our corporate culture has been cultivated in the honest implementation of management resources toward the determined goals.

ARCS Group's fiscal year begins with the breakdown of the New Year's Message into business plans for each operating company, which are then implemented, verified, and countermeasures repeated on a monthly, weekly, and daily cycle at the department and division level. There is no end to corporate governance, and as continuity is a matter of course, we are determined to improve the level of our corporate governance with daily basis.

ARCS Group will be a closer to stakeholders through SHINKUI (action, statement, and awareness)

The ARCS Group must continue to fulfill its role as a listed company as well as a lifeline for the community. Our major business is operating supermarkets, so we can create value by providing usefulness to customers and by bringing them happiness. We are investing to enhance our function as a regional lifeline, and we will also create environmental and social value while continuing to reduce costs and improve productivity in accordance with the concept of ESG investment.

The word "SANMITSU" is often heard under Covid-19 pandemic, whereas in esoteric Buddhism, "SANMITSU" means to align action, behavior, and consciousness (SHINKUI) and to activate communication. We must become closer to our customers and more useful to them, at the same time, disclosure of our corporate activities must be recognized as a significant action to all of stakeholders. The ARCS Group will continue to make the necessary investments to create value on the foundation that has been cultivated during these 20 years.

We have produced this integrated report to disclose and explain the culmination of our efforts to date and our future policies. We hope that all our stakeholders will look forward to the further growth of the ARCS Group, and we thank you for your continuous support.



P62 Description of [SHINKUI] and calligraphy by Yokoyama

Interview with Vice President



Looking Back on 20 Years of ARCS's Establishment

~Aiming to the financial strength and sound management~

In 2022, the year that marks the 20th anniversary of the establishment of the ARCS Group, we see the year as marking a major milestone in the framework of the world economy, broadly speaking, the shift from a global economy to a block economy, which naturally affects the Japanese economy and society as well. In this context, the ARCS Group has been striving to strengthen its corporate financial position and achieve sound management, although it can be said that we are halfway there. As a coalition of food supermarkets representing each region, we have adopted a structure in which operating companies are linked under the umbrella of a pure holding company, and we recognize that the management of this structure is maturing.

The role of the pure holding company ARCS is to provide a management base that takes advantage of the economies of scale of the entire group and to strengthen the financial base so that the operating companies can run stores that face customers in the same way and can continuously and stably conduct everything from product procurement to sales.

On the other hand, the role of stores operated by operating companies is to continue to be close to customers in the community, but to do so, it is necessary to notice and sense the changes in customers' values and accompanying changes in behavior. Customers' lifestyles change day by day, as do their eating habits, so all we should do is to continue to provide merchandise that meet their needs in our stores on a day-to-day basis through steady efforts.

The ARCS Group is a group of fellow who have come together under the M&A (Mind & Agreement: agreement of minds and opinions) concept, therefore we share a common understanding with each operating company to co-create value together, and we are proud to be a group that can do so.

Governance Structure

~Group Governance and Business Model are two wheels~

The corporate governance of the ARCS Group may not appear outwardly different from that of other companies, but we are proud to say that we have a substantial level of

governance in effect. Every decision is thoroughly discussed, and the criterion for judgment is whether it is in line with the ARCS Group's philosophy.

As each group company operates food supermarket business, we place the highest priority on our customers among our stakeholders. On the other hand, from the perspective of corporate governance for the entire group, we will continue to operate the group in the future with both the establishment of a business model and corporate governance by disclosing information to all stakeholders in a timely and appropriate manner for the sustainable growth of our business.

The Yatsugatake Mountain Range Management also needs to develop a next-generation system. We must continue to train and produce practitioners and evangelists of the ARCS Group philosophy and remain close to our customers. We will evolve our management system with the mind of a small- to medium-sized company, without becoming big company disease.

Sustainability Activities

~ Proactively express and disclose initiatives~

In fiscal year 2022, the Sustainability Promotion Office was established at ARCS COMPANY LIMITED as a dedicated department. Under the Group's common sustainability promotion policy, it has worked to visualize and standardize the efforts of each company. In fiscal year 2023, we will set quantitative goals for the Group's common initiatives and further enhance the promotion of activities by implementing the PDCA cycle. The Board of Directors has reaffirmed that our mission as a TSE Prime listed company is not only to create economic value, but also to create social and environmental value at the same time, and that we will express this in our value creation process. We will incorporate the concept of sustainability into our corporate governance as an explicit goal, and we will actively engage in information disclosure.

Medium- and Long-term Issues for the ARCS Group

~Promoting the achievement of financial and non-financial KPIs and human resource development~

Among its key management indicators, the ARCS Group places importance on return on assets (ROA) and asset turnover and sets medium- and long-term targets of ROA of 10% or more and asset turnover of 3 or more. These are indicators for healthy growth of the food supermarket business.

We will also work to further improve return on equity (ROE) through continuous profit growth and efficient management of capital in each fiscal year.

In addition to financial KPIs, we will incorporate KPIs in the promotion of sustainability into our management targets, and promote medium- to long-term initiatives aimed at integrated management that creates synergy between financial and non-financial targets.

In order to put the ARCS Group Philosophy into practice, we must continue to identify what makes our customers' lives affluent and what makes our merchandise and services valuable, and put them into practice in our stores on a daily basis. In this sense, we consider "Human Capital" to be the most important management resource. Sustainable growth of a company is possible only when it has employees who can think and act on their own in matters other than manuals. To repeat daily business and daily work and to become a lifeline for the community, we cannot remain the same as before, so must repeatedly change and take on new challenges. Our customers are each one of them is different, so we must change as well. This kind of DNA is in place from the management down to all employees. Now it is up to us to pass it on to the next generation.

Based on what the ARCS group has achieved and nurtured over the past 20 years, I would like to create a workplace where all employees of the Group can feel a sense of purpose and joy in working at ARCS, and I believe that give back to all of our stakeholders.

Value Creation Story

"We have been striving as a local food supermarket that inherits the universal value of contribute to affluent lifestyles as a lifeline for the community and we have continuously undertaken challenges in accordance with the times."

We are developing our business with the thought to build a dominant area in each region and provide fresh, safe food products to our customers, thereby becoming a bridge between the production area and the customers, and also to become a bridge between local companies with the same aspiration as us to compete with major distribution companies.

History of M&A

The ARCS Group continues to grow sustainably in the spirit of M&A (Mind & Agreement: agreement of minds and opinions), in which like-minded companies work together to achieve their goals.

Predecessor company of ARCS

1961

Store opening of Daimaru Super



Daimaru Super (now ARCS) established in Sapporo City, Hokkaido

1969

Company name changed to Daimaru Super Co.

1987

Daimaru Kenso (now ELDy) becomes a subsidiary.

1989

Company name changed to RALSE. Merged with Marutomo Sangyo, operator of "Kinichikan" clothing mass merchandiser. Company name changed to RALSE (now ARCS).

Capital participation in Iwai to make its liquor sales business a subsidiary.

1995

Expansion to Eastern Hokkaido

Capital participation in Ichiwa in Kitami City, Hokkaido, making it a subsidiary (now Doutou Arcs)

1996

Acquired Lifeport pharmaceutical sales business as a subsidiary (now ELDy)

1997

Expansion to Northern Hokkaido

Eight stores are transferred from Mishima in Shibetsu City, Hokkaido to Douhoku Ralse (now Douhoku Arcs)

2000

Expansion to Muroan area (Hokkaido)

Capital participation in HomeStore to make it a subsidiary

2002

ARCS is established (FUKUHARA joins)



The company changes its name from RALSE to ARCS and transitions to a pure holding company. At the same time, FUKUHARA (45 stores at the time) in Obihiro City, and the newly established RALSE (48 stores at the time) become subsidiaries.

2004

Expansion to Southern Hokkaido
Hokkaido Ryutsu Kikaku (19 stores at the time) in Hakodate City, becomes a subsidiary and changes its name to Dounan Ralse.

Fuji joined



Fuji (now Douhoku Arcs, 22 stores at the time) in Asahikawa City, becomes a subsidiary.

2009

Sapporo Tokyuu Store joined



Sapporo Tokyuu Store (now TOKOU STORE, 28 stores at the time) in Sapporo City, becomes a subsidiary.

2011

Universe and Shinohara Shoten joined



Universe (47 stores at the time) in Hachinohe City, Aomori Prefecture, becomes a subsidiary.



Shinohara Shoten (now Doutou Arcs, 3 stores at the time) in Abashiri City, Hokkaido, becomes a subsidiary.

2012

JOIS joined



JOIS (now BELJOIS, 35 stores at the time) in Morioka City, Iwate Prefecture, becomes a subsidiary.

Fuji and Douhoku Ralse merge and change name to Douhoku Arcs

2014

Belle Plus joined



Belle Plus (now BELJOIS, 29 stores at the time) in Morioka City, Iwate Prefecture, becomes a subsidiary.

2016

JOIS and Belle Plus merge and change corporate name to BELJOIS.

Doutou Ralse and Shinohara Shoten merge and change trade name to Doutou Arcs.

2019

Ito Chain joined



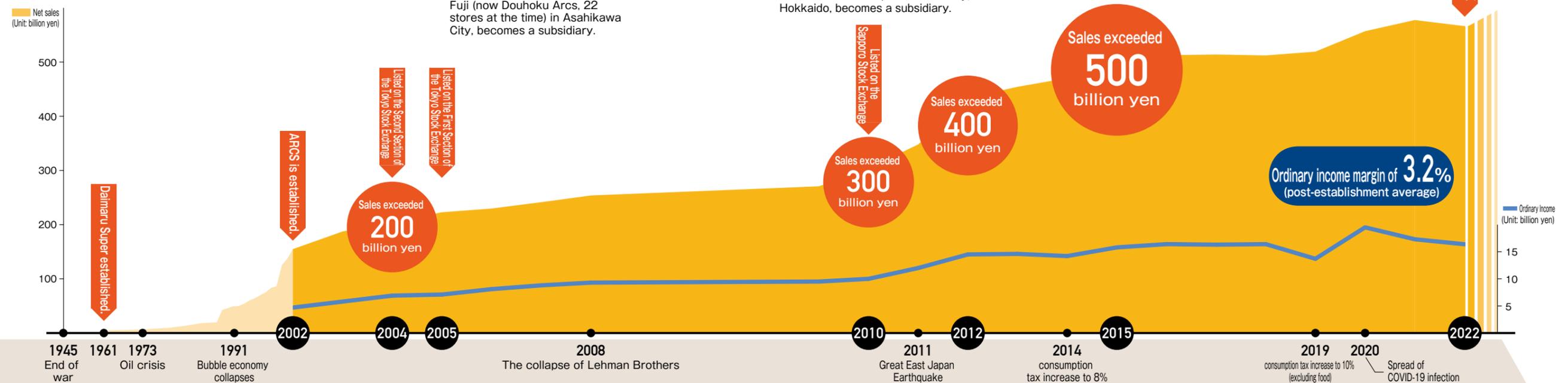
Ito Chain (9 stores at that time) in Shibata-gun, Miyagi Prefecture, becomes a subsidiary.

2021

OTANI joined



OTANI (31 stores) in Utsunomiya City, Tochigi Prefecture, becomes a subsidiary.



Transition to TSE Prime Market

Trends of the times

Predecessor of ARCS

Rallying within Hokkaido from the beginning of ARCS

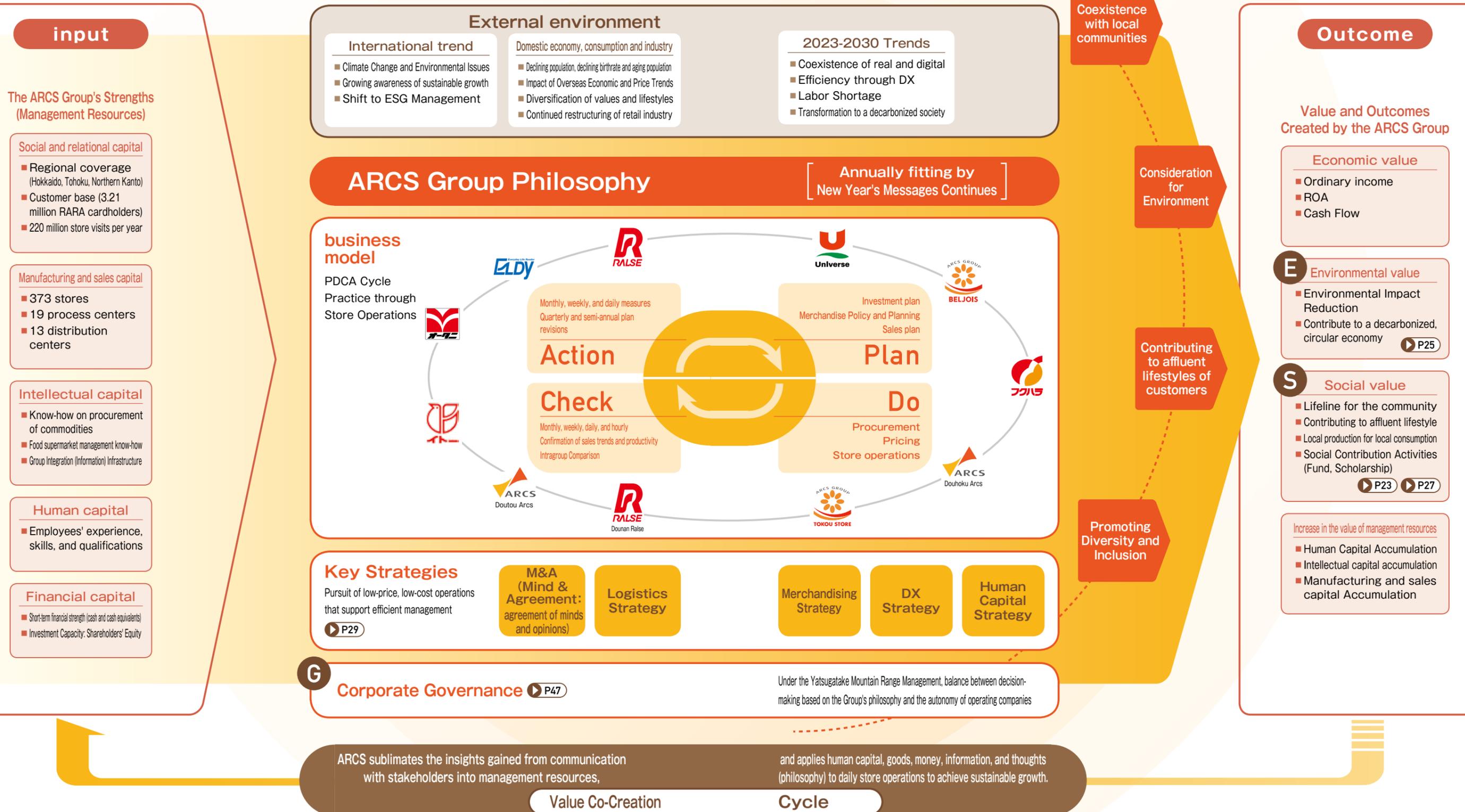
Expansion to Tohoku

Expansion to Northern Kanto

*The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others are applied from the fiscal year 2022, and the sales figures for fiscal year 2022 are after the application of the said accounting standard and others.

Value Creation Process of the ARCS Group

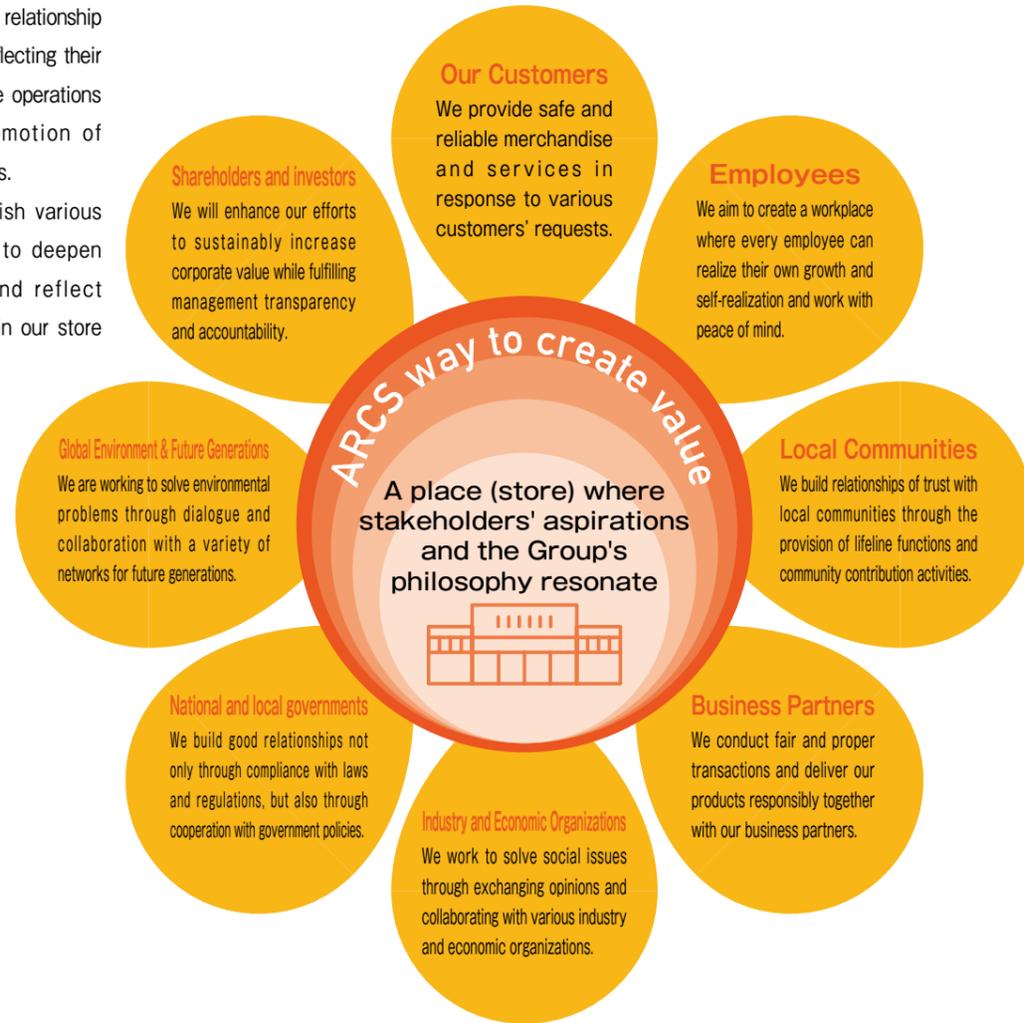
The ARCS Group believes that our greatest capital accumulation is the relationship of trust it has built with its stakeholders over many years of operating a food supermarket business in the region. Based on this relationship of trust, we view the most important business process as continuing to live up to the trust of our customers by accurately grasping the external environment and continuing our daily PDCA cycle based on the Group's philosophy and New Year's Messages. As a result, we believe that the source of our sustainable growth is the "value co-creation cycle," in which we not only expand our own operations, but also create social and environmental value and develop the sustainability of the community.



Pursuit of creating ideal stores based on stakeholder communication

We believe that maintaining a relationship with our stakeholders and reflecting their views in our day-to-day store operations is important for the promotion of sustainable business activities.

We will proactively establish various communication channels to deepen mutual understanding and reflect stakeholders' perspectives in our store operations.



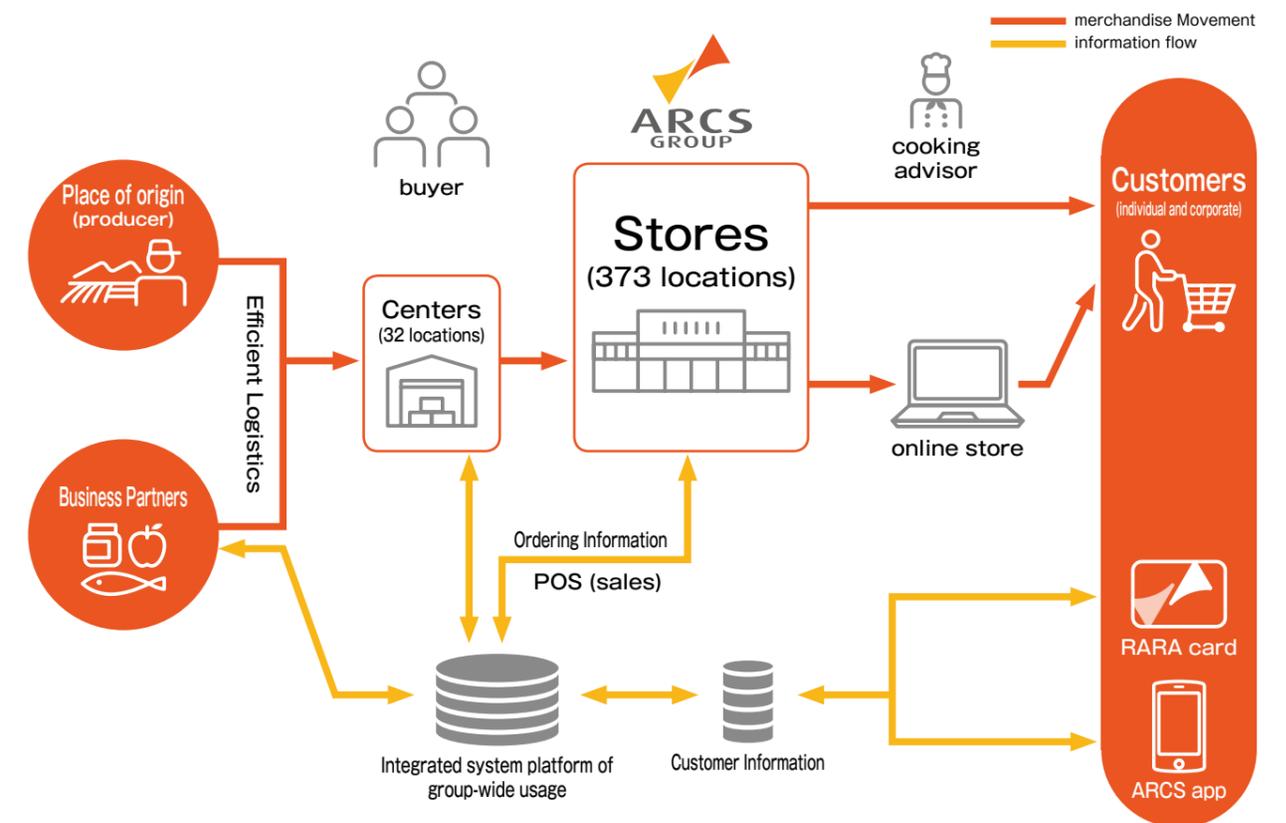
Relationships with stakeholders and various communication channels

stakeholders	Relationships	communication channels
Our Customers	Business activities focused on improving customer satisfaction	<ul style="list-style-type: none"> Store manager's direct mail (in-store survey) Customer Service
Employees	Increase the value of each individual's human resources	<ul style="list-style-type: none"> Various training and on-the-job training Internal reporting system
Local communities	Building trust and contributing to affluent lifestyle	<ul style="list-style-type: none"> Store and various delivery services Various community-based social contribution activities
Business Partners	Fair and equitable trade and collaboration	<ul style="list-style-type: none"> Opinion exchange meetings with major business partners Collaboration in disaster relief activities
Industry and Economic Organizations	Collaboration to solve social issues	<ul style="list-style-type: none"> Participation in the organization's activities, seminars, workshops, etc.
National and local governments	Building good and healthy relationships and cooperation on policies	<ul style="list-style-type: none"> Participation in various policy councils Participation in local projects Participation in environmental and food policy by local governments
Global Environment & Future Generations	Broader Dialogue on Environmental Preservation	<ul style="list-style-type: none"> Information disclosure and dialogue on environmental conservation activities Collaborative efforts regarding the SDGs
Shareholders and Investors	Timely and appropriate information disclosure and dialogue over management	<ul style="list-style-type: none"> General meetings of shareholders, various briefings, various publications Exchange of opinions and questionnaires with outside directors, etc.

Creating a system to "contribute to affluent lifestyles by providing valuable merchandise and services at low prices as a lifeline for the community"

The ARCS Group has maintained its thought to be a lifeline for the community since its establishment by offering merchandise at low prices. Low-cost operations are a prerequisite for achieving low prices. To achieve this, we are refining our merchandising capabilities, developing a delivery network with efficient logistics, effectively utilizing the Group's integrated information infrastructure, and realizing an efficient ordering and receiving system, thereby creating an environment in which employees in stores in various regions can work customers with a smile. In addition to this, another strength of low-cost operations is the ability to pursue investment efficiency without provoking overstores through M&A (Mind & Agreement: agreement of minds and opinions).

ARCS Group's food supermarket business model



Reasons for our valuable merchandise lineup procurement ability

- Localized procurement of commercial materials by buyers (direct transactions, relationships of trust built over many years)
- Co-creation of plans through cross-group merchandise procurement projects
- Product development and quality assurance in close collaboration with CGC Japan

Reasons for Low Cost Thoroughly pursue profitability of investment in store openings

- Ensure investment profitability through a store opening strategy that takes into account the real estate market and regional information
- Know-how sharing across the group

Reasons for Low Cost Utilization of Group Integration Infrastructure and Pursuit of Business Efficiency

- Effective use of automated ordering (to improve efficiency of purchasing operations)
- High-speed processing of vast amounts of merchandise information

Contributing to affluent lifestyle contact with customers

- 373 stores spread from Hokkaido to northern Kanto
- Online store and other home delivery functions
- Smartphone app Utilization

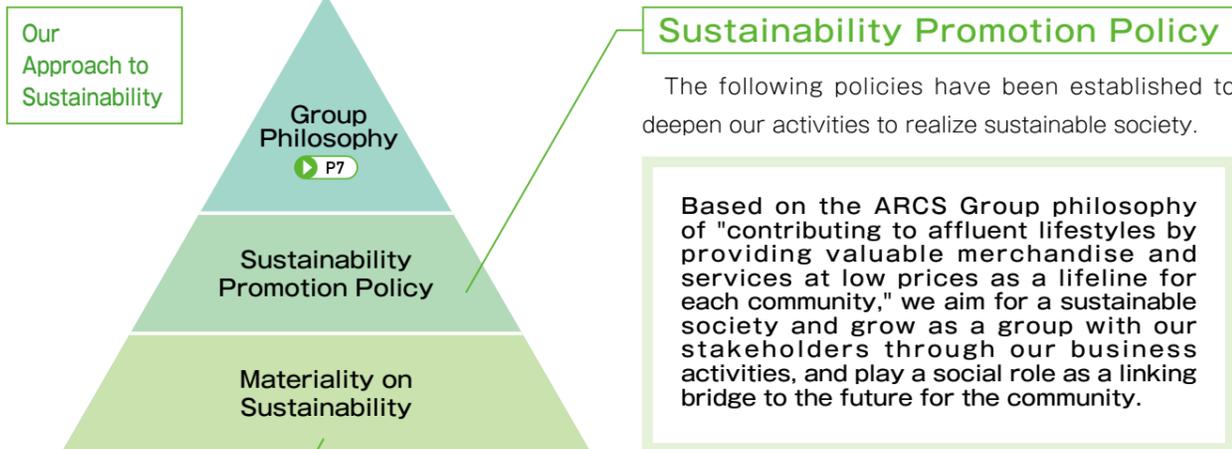
Reasons why valuable merchandise sell ability to sell out

- Accurate assortment, sales promotion, and promotion based on RARA card customer information
- Sales planning in collaboration with suppliers

Sustainability Policy and Structure

ARCS's Sustainability Initiatives

In April 2022, we formulated our "Sustainability Promotion Policy" and "Materiality on Sustainability". We established Sustainability Promotion Committees at each Group company. In line with the materiality, we sort out group-wide measures and Group company's individual measures and incorporate them into action plans to enhance the effectiveness of our initiatives. We will contribute to the sustainable society through our business activities by leveraging the strengths of the Yatsugatake Mountain Range Management.

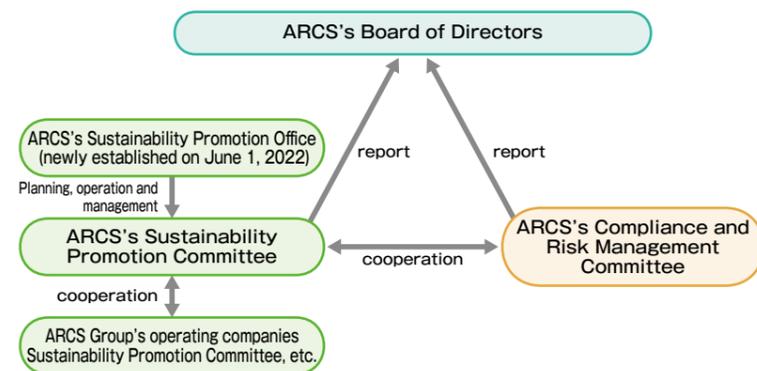


Materiality on Sustainability

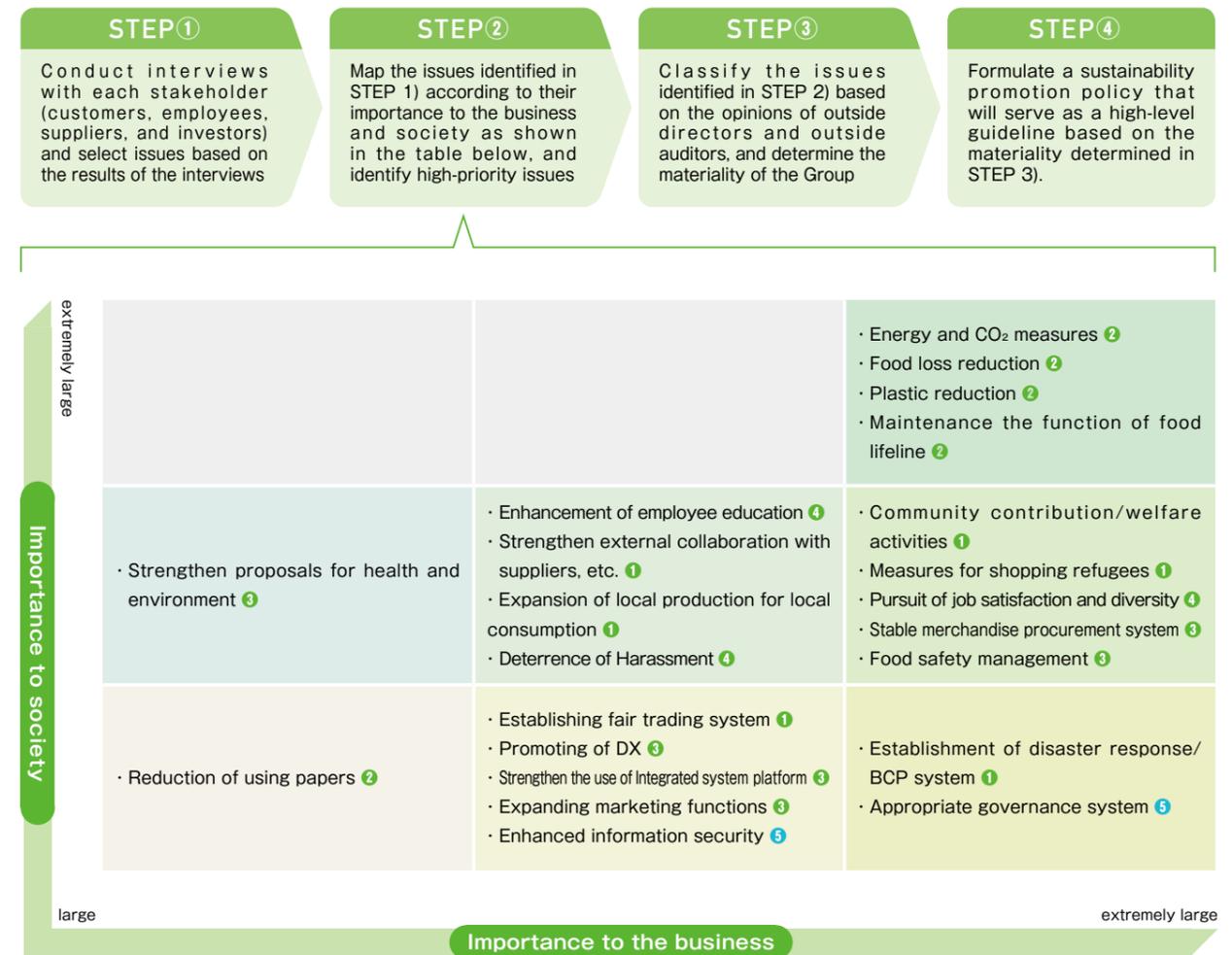
Materiality	Achievements of Major Initiatives	Future Goals
1 Coexistence with local communities ▶ P23	<ul style="list-style-type: none"> Open a store in small municipality Cooperate and support community events Donate proceeds from plastic bags Sign a partnership agreement with the local government/organization Establish BCP plan for disaster Respond to COVID-19 	<ul style="list-style-type: none"> Develop model stores in small commercial area profitability Expand collaboration with food bank/children's cafeteria Strengthen collaboration with suppliers in the area of sustainability
2 Consideration for Environment ▶ P25	<ul style="list-style-type: none"> Reduce food waste Reduce plastic packaging Energy and CO₂ measures Respond to TCFD recommendations 	<ul style="list-style-type: none"> Set targets for food loss and plastic reduction at each Group company Reduce CO₂ emissions Scope 1 and 2 by 50% compared to FY2013 Calculate Scope 3 CO₂ emissions
3 Contributing to affluent lifestyles of customers ▶ P27	<ul style="list-style-type: none"> Propose community-based food Improve the hygiene management system (equipment/education) Online store initiatives Enhance ARCS RARA card function and promote cashless transactions 	<ul style="list-style-type: none"> Strengthen proposals for local products and health/environmentally friendly products Expand delivery service's areas Paperless application for ARCS RARA card
4 Promoting Diversity and Inclusion ▶ P28	<ul style="list-style-type: none"> Diversity Promotion Project Reform systems and raise awareness Proactive Initiatives at Group Companies 	<ul style="list-style-type: none"> All Group companies have received at least 2-stars in the "Eruboshi" rating system All Group companies have achieved a 10% ratio of managerial position for female Expansion of flexible operation of working hours Implementation of employee engagement surveys Enhancement of on-the-job training at Group companies

Sustainability Promotion System

The Sustainability Promotion Committee is chaired by Director and Executive Vice President and convenes members from each Group company, meeting approximately once a quarter. Progress of activities and decisions are shared with the Compliance and Risk Management Committee and reported to the Board of Directors as appropriate.



Materiality Formulation Process and Mapping



Correspondence with Materiality | 1 Coexistence with local communities 2 Consideration for Environment
 3 Contributing to affluent lifestyles of customers
 4 Promoting Diversity and Inclusion 5 Governance

Develop a Sustainability Action Plan

In order to promote sustainability activities that leverage the strengths of the Yatsugatake Mountain Range Management, the ARCS Group has compiled a list of 85 items, categorizing them into activities that each Group company undertakes in a unified manner (Group-wide initiatives) and activities that each Group company undertakes on its own. Based on the list, each Group company formulates a "Sustainability Action Plan" for a single fiscal year, and checks the progress of the plan once every half year. This process helps to share examples among Group companies and strengthen the degree of implementation.

*Care-Fitter...employee helping with shopping

Group-wide Initiatives

Classification of Initiatives	number of initiatives
Initiatives that ARCS (parent company) takes and uses common methods Examples: Achievement of 10% ratio of managerial position for female, etc.	25
Initiatives that each group company must take Examples: Promoting recycling of food trays, etc.	7
Initiatives that each group company should undertake on its own Examples: Signing a disaster relief agreement with a local community, etc.	9
Initiatives voluntarily by group companies Examples: Food bank activities, Establishment of Care-Fitter*, etc.	44

Total | 85

Materiality①

Coexistence with local communities

As a lifeline company for local communities

As a community-based food supermarket, our group contributes to local communities through our business activities. Through the new stores in depopulated and aging communities, improving store management systems after various disasters and Covid-19, and the partnerships and cooperative systems through agreements with local governments, we are fulfilling our function as a lifeline for community.

Community contributions and welfare activities for customers

Openings in small municipalities

Since 2015, Douhoku Arcs has opened a series of "Da*Marche" stores as a model for small commercial areas, and currently operates seven stores. The stores are located in cities and towns with a population of 3,000 to 4,000 around Asahikawa City, and play a role as food infrastructures where many customers have difficulty shopping. The Da*Marche Utashinai store (Utashinai City, Hokkaido) opened in April 2023, will be the first new supermarket in the city in 14 years. In cooperation with local government, an experiment of a pick-up service is being conducted. It is expected to be a model case study for future community development.



Da*Marche Utashinai Store (Douhoku Arcs)

Cooperation and support for community events

In order to create local communities and help our customers healthy life, our group companies cooperate and support sports competitions and other events. BELJOIS has held the "Chibikko Kenko Marathon" (Children's Health Marathon) since 1986. We donate 1,000 yen for each finisher to a fund for children affected by the Great East Japan Earthquake. Since 2011, its total amount raised has exceeded 30 million yen.



The 37th BELJOIS Cup and S&B Cup Chibikko kenko Marathon (September 2022)

Donation of plastic bag proceeds

ARCS group uses the proceeds from plastic shopping bags for environmental conservation and social welfare activities. Hokkaido CGC member companies of our group donate all proceeds from the sale of plastic shopping bags to the Hokkaido CGC Green and Heart Fund. In fiscal year 2022, 69.34 million yen had been donated to the fund. Since 2008, the total amount donated to the fund was 798.07 million yen.



Tree-planting activities at CGC's Usakumai Forest

Green and Heart Fund
ARCS Group Cumulative Donations

798.07 million yen

(2008-2022)

Activities to maintain local lifelines with local governments

Signing of cooperation agreements with local municipalities/organizations

ARCS Group has concluded cooperation agreements with 53 organizations, including 39 local governments, 7 private companies, and 7 firefighting and medical institutions. For examples, RALSE has concluded "Disaster Supply Agreements"



Universe and Kitakami City, Iwate Prefecture Signing Ceremony for Collaboration Agreement

with the cities of Sapporo, Chitose, and Ishikari. Universe established a "Disaster Stockpile Warehouse" in 2007 for food and daily necessities which will be supplied to victims in disaster.

In addition, Dounan Ralse has concluded a "Comprehensive Collaboration Agreement" with Hakodate City, and has installed a Hakodate City-supplied disaster supply warehouse at its Super ARCS Chiyogadai Store, which opened in September 2022. what's more, FUKUHARA has also concluded a "Food Drive agreement" with the Tokachi Regional Promotion Bureau and provides food to local welfare organizations through the bureau.



Food Drive Poster (FUKUHARA)

Building BCP for Disasters

ARCS Group is continually reviewing its Business Continuity Plan (BCP). Triggered by the 2018 Hokkaido Eastern Iwuri Earthquake, we develop a manual for power outages, and together with the organization of priority operations, recovery procedures, and personnel assignments, we are building a response system for large disasters and emergency.

In addition, some Group companies have emergency stockpiles of drinking water, powdered milk, food, batteries, etc., which are replaced according to their expiration dates on a rolling stock basis.



Emergency Disaster Transport Vehicle (Universe)

Response to the Covid-19

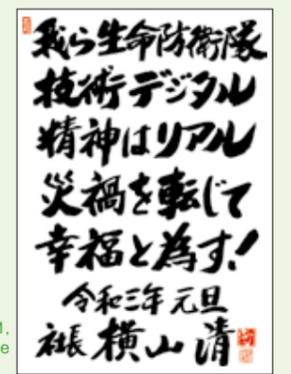
Amidst the unprecedented Covid-19 pandemic, as lifelines for the community, we have continued to operate with the cooperation of customers to prevent the spread of infection. we put the safety and security of customers and employees as the top priority.

Employees of food supermarkets are "essential workers" who are indispensable for life, and although they were exposed to infection risk and mental stress everyday, the headquarters and the frontline worked together to keep the stores open as a "Life Defense Force" that supplies "food = life itself".



Acrylic panels at the cash register

New Year's Message for 2021, "Life Defense Force" in the wake of the Covid-19.



NEXT ACTION

- ▶ Development of profitable model stores with small commercial area
- ▶ Expand dominations in Tohoku/Northern Kanto area
- ▶ Expand collaboration with Food Drive/children's cafeterias
- ▶ Strengthen collaboration with suppliers in the area of sustainability

Materiality②

Consideration for Environment

Promotion of sustainable business operations

To reduce food loss problems in supermarket, our group is implementing measures such as raising awareness of "Temae-dori" (Take from front). In response to climate change, we are also promoting the reduction of environmental burdens, such as the use of plastics and CO₂ emissions, in order to achieve sustainable business.

Initiatives to reduce food loss emissions and conserve resources and energy

Reduction of food loss emissions

In order to reduce food waste caused by expired food, group companies are implementing initiatives such as "Temae-dori (Take from front)" to raise awareness at stores.

In addition, since 2003, RALSE has been outsourcing its food residues to the Bankei Recycle Center for composting. Approximately 10,000 tons are processed annually, and the compost is provided to the center's contracted farmers and to elementary and junior high schools in Sapporo City for their educational material



Bankei Recycle Center

gardens.

Since 2008, Universe has been working on a recycling-oriented vegetable sales program in which food residues are composted and provided to our partner agricultural producers, who then sell the produce at Universe stores.



Eco-Vegetable Producers (Universe)

Reduction of plastic containers and packaging

As the trend toward eliminating plastic is growing, our group is working to reduce the use of plastic shopping bags. In fiscal year 2021, the group's rejection rate for plastic shopping bags was 85.3%, compared with the average rejection rate of 77.1%* at food supermarket. Regarding cutlery distributed at stores, we are working to reduce the amount of plastic used by switching to paper and wooden materials and reducing the size of the cutlery, and by charging for products.

ARCS Group Plastic bag declination rate 85.3%

(Food supermarket industry average 77.1%*)
Source: HP of National Supermarket Association of Japan

Energy conservation and reduction of CO₂ emissions

In order to realize a decarbonized society, our Group is working to reduce CO₂ emissions by introducing energy-saving equipment such as demand* monitoring and control devices, solar power generation systems, LED store lighting, reach-in cases, and switching to high-efficiency air conditioning systems.

*Demand: The maximum amount of electricity demanded on a monthly basis. Monitoring and control is necessary because unit price changes when the contracted amount with the power company is exceeded.



Solar panels installed at Big House Shishiori store (BELJOIS) in December 2021.

Response to TCFD Recommendations

ARCS group consider the issue of climate change to be an important issue that should be addressed across the group and recognize that the risks and opportunities associated with climate change have a significant impact on their business strategies. We agree with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

*For more information on the content, please see the "Notice of Disclosure Based on TCFD Recommendations" dated April 3, 2023, available at https://www.arcs-g.co.jp/common/datadir/info_dat_20230403153440.pdf.

Governance and Risk Management

The Sustainability Promotion Committee is chaired by the Director and Executive Vice President and Executive Officer and its Secretary General is the General Manager of the Sustainability Promotion Office. The Sustainability Promotion Committee and the Compliance and Risk Management Committee work closely together to assess risks and discuss countermeasures, and report to the Board of Directors as necessary.

Strategy (scenario analysis - identification of risks and opportunities)

We have assumed a society in 2050 under two scenarios: "1.5°C" and "4°C" for the global average temperature increase compared to pre-industrial times by the end of this century. We also analyzed the opportunities and risks for our company in 2030 as far as the impact on our business can be foreseen. We have established specific initiatives to address the most important opportunities and risks, and are actively promoting them across the Group.

	Highly Significant Risk/Opportunity Items	Initiatives
Risk	Carbon tax burden incurred	<ul style="list-style-type: none"> Install/update energy-efficient air conditioning, refrigeration, and freezing equipment, etc. Improve the efficiency of logistics operations through consolidation of distribution centers or modal shift.
	Increase in renewable energy investment costs	<ul style="list-style-type: none"> Expand the installation of photovoltaic power generation equipment.
Opportunity	Reduction of food disposal costs	<ul style="list-style-type: none"> Improve the accuracy of merchandise purchase orders, processing and manufacturing plans, inventory control, etc. Recycle food residues.

Indicators and Targets

In order to achieve "the realization of a sustainable society and the growth of the Group" as stated in our Sustainability Promotion Policy, and to achieve sustainable value enhancement in terms of both "social and environmental value" and "economic value," we have established and are monitoring KPIs related to climate change that are closely related to the business activities of the food supermarket. The actual emissions and long-term targets for fiscal year 2021 are as follows.

① Calculation of Scope 1 and Scope 2.

CO₂ emissions Total

	FY2013 Actual (t-CO ₂ e) (*)	FY2021 Actual (t-CO ₂ e)
Scope 1 and Scope 2	343,917	337,317



CO₂ emissions per unit

unit class	FY2013 Actual (t-CO ₂ e) (*)	FY2021 Actual (t-CO ₂ e)	FY2013 vs.
Per net sales (100 million yen)	79	59	▲25.3%

*FY2013 results include some estimates.

② Reduction target

Long-term goal
<ul style="list-style-type: none"> In FY 2030, we will reduce our Scope 1 and 2 CO₂ emissions per 100 million yen of sales by 50% compared to our base year (FY 2013). Achieve carbon neutrality by FY 2050.

NEXT ACTION

- ▶ Set targets for food loss and plastic waste reduction at each Group company
- ▶ Calculation of CO₂ Scope 3 emissions

Materiality③

Contributing to affluent lifestyles of customers

Food proposals and services that accompany customers in their daily lives

The ARCS Group is committed to enriching the lives of its customers through community-based food proposals and services. In recent years, we have been expanding our online store, which allows customers to order online and pick up the food at home. And we are also enhancing the ARCS app, and diversifying payment methods.

Responding to various customer needs

Community-based food proposals

In 2020, Ito Chain opened Foods Garden Yuriage Shokusaikan in Natori City, Miyagi Prefecture which located in the area of "the Great East Japan Earthquake



Foods Garden Yuriage Shokusaikan (Ito Chain) Fresh Fish Corner "Suisan Taikoku"

Reconstruction Plan". It has a farmer's market with local agricultural products and a live fish tank where locally caught seafood is displayed and sold, contributing to new community development as a place that offers a community-based food experience.

The ARCS Group also supports its customers' affluent lifestyles through proposals for local production for local consumption, seasonal ingredients, and health-conscious dining. RALSE has cooking information at the storefront, and professional staff proposes menus using seasonal ingredients and recommended products.



Super ARCS Yamahana Store (RALSE) Cooking Information

Improving customer convenience

Online Shop Initiatives

RALSE opened the ARCS Online Shop in 2021. The store offers ordering services for merchandise not available in stores, as well as delivery to home, and also pick up at the store. This Service are available approximately 1.29 million households in Sapporo City and its suburbs, the shop is used by individual customers as well as corporate customers such as nursery schools and welfare facilities. Demand is particularly high during the winter months, and the service serves as a lifeline.



Winter Delivery Scene

Enhance RARA card functions and promote cashless transactions

The ARCS RARA card has 3.21 million members. The card can be used to earn points for various payments such as cash-only cards, in-house prepaid cards and credit-cards. From 2021, points will be awarded and prepaid payments will be made with the "ARCS app". In response to payment, from 2022, credit payment can also be completed on the app. It also support payment by other companies' credit cards and various barcodes as a cashless service.



ARCS app

Materiality④

Promoting Diversity and Inclusion

Aiming to be a company where all people can play an active role

In 2019, the ARCS Group launched the Diversity Promotion Project, which aims to create a workplace where diverse human capital can work lively and in their own way by reforming work systems and conducting various awareness-raising activities, as well as by sharing good practices among Group companies for horizontal deployment across the Group.

Promote diversity throughout the Group

Activities by the Diversity Promotion Project

Project Activity Slogan

Creating attractive workplaces where all people can work lively and in their own way

In 2019, the Diversity Promotion Project was launched with diverse members from each group company. Aiming to create a workplace where employees with diverse attributes and backgrounds, including gender, age, nationality, and race, can work lively in their own way, the project is working from the bottom up to formulate action plans for each group company and conduct educational and awareness activities across the group, while receiving commitment from top management.



Discussion on Diversity Promotion Project

Institutional reform and awareness-raising activities

The Diversity Promotion Project and the human resources departments of each group company have collaborated to implement various activities, including system reforms such as the company-wide introduction of a half-day paid leave system, reforms in work styles through the promotion of "Eruboshi" (described later) acquisition, as well as seminars including management and the publication of Diversity News. In November 2022, ARCS was awarded the 3-stars "Eruboshi" certification mark, which recognizes companies that have made significant contributions to the advancement of women, by the Ministry of Health, Labour and Welfare.

Proactive efforts at each group company

Each Group company has formulated "Diversity Action Plan" and is proactively promoting initiatives. For example, Doutou Arcs produces educational posters and videos on maternity and childcare leave. OTANI received an award for its advanced efforts in employing people with disabilities.



Diversity News "rashiku"



Received 3-stars "Eruboshi" rating (ARCS)



Maternity Leave Awareness Poster (Doutou Arcs)



Received the President's Commendation from Japan Organization for Employment of the Elderly, people with Disabilities and Job Seekers (OTANI)

NEXT ACTION

- ▶ All Group companies acquire at least 2-stars of Eruboshi.
- ▶ 10% of managerial position for female
- ▶ Create a system for flexible working hours
- ▶ Conduct employee engagement surveys
- ▶ Enhance on-the-job training at each company

NEXT ACTION

- ▶ Strengthen proposals for local products and health/environment friendly products
- ▶ Paperless application for ARCS RARA card
- ▶ Expansion of online store area coverage

Key Strategies Logistics

Reducing environmental impact through logistics

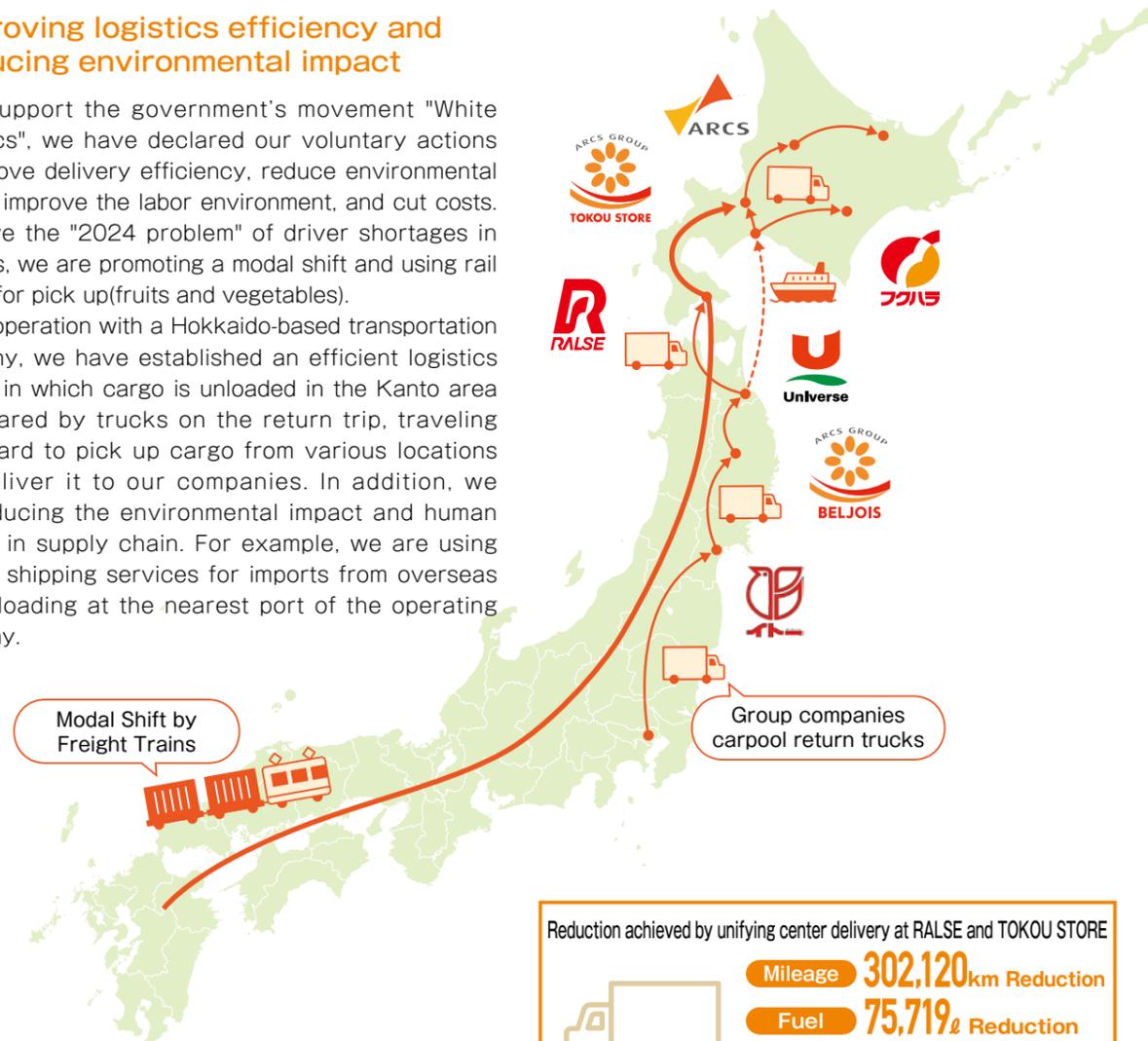
We established the Logistics Group in 2013 and have initiated logistics reforms. We have been promoting reforms and system since the Group's Integrated system platform began operating in 2019. We are working to reduce environmental impact and solve local issues through logistics, such as centralization of deliveries and utilization of centers.

Logistics Efficiency

Improving logistics efficiency and reducing environmental impact

We support the government's movement "White Logistics", we have declared our voluntary actions to improve delivery efficiency, reduce environmental impact, improve the labor environment, and cut costs. To solve the "2024 problem" of driver shortages in logistics, we are promoting a modal shift and using rail freight for pick up (fruits and vegetables).

In cooperation with a Hokkaido-based transportation company, we have established an efficient logistics system in which cargo is unloaded in the Kanto area and shared by trucks on the return trip, traveling northward to pick up cargo from various locations and deliver it to our companies. In addition, we are reducing the environmental impact and human burden in supply chain. For example, we are using regular shipping services for imports from overseas and unloading at the nearest port of the operating company.



Center utilization

RALSE and TOKOU STORE began joint distribution in 2018, and reduce 549 tons CO₂ emissions in FY2021. In addition, We began the integration and expansion of distribution centers, introduced advanced equipment. Our hygiene management has been thoroughly implemented and strengthened, resulting in improved temperature and humidity control, refrigeration, freezing, and thawing functions, etc. at each facility.

NEXT ACTION

- ▶ Shared use of distribution centers among group companies and unification of handling categories
- ▶ Increased energy efficiency of fresh food centers
- ▶ Addressing the 2024 problem (driver shortage) in logistics

Key Strategies Merchandising

Procurement utilizing Yatsugatake Mountain Range Management

In order to realize the Group's philosophy of "providing valuable merchandise and services at low prices as a lifeline for the community," we are strengthening our procurement base through local procurement and joint procurement. We are also actively engaged in product development through collaboration with CGC Japan and the New Japan Supermarket Alliance.

Local procurement base through the Yatsugatake Mountain Range Management

Establishment of local procurement base by group companies

As a community-based company, each group company has built longstanding relationships with local markets and business partners. In addition to fresh food, we are also building a product procurement platform that makes use of local characteristics, such as developing products with local manufacturers and developing boxed lunches and side dishes using local ingredients in collaboration with local schools for general food.



Development of original products to strengthen local production for local consumption (FUKUHARA)

Expanding Joint Procurement and Considerations of Sustainability

The "ARCS Procurement Project," in which procurement managers from Group companies, is working to reduce procurement costs by increasing the scale of joint procurement of national brand (NB) products each year. The project has also formulated an environmentally friendly and health-conscious "Procurement Action Plan" to support the introduction of soybean meat, low-sugar and low-sodium products at Group companies and to foster awareness of sustainability by sharing know-how on how to reduce food loss.



Soybean Meat Products Sales Floor (TOKOU STORE)

Product development and sales promotion in collaboration with partner companies

Provide leadership in the development of CGC products

As the core of the CGC Group (largest cooperative chain in Japan), we regard CGC products as our own private brand and dispatch person to CGC Japan to lead product development and planning. The company's product development policy is based on consideration for the environment, safety, and security, and ARCS practices measures such as reducing packaging containers, FSC certification, and extending of the expiration date. Our contract manufacturers have obtained third-party certification (ISO9001, HACCP*).

HACCP: Hazard Analysis and Critical Control Point



1,900 CGC products

Product development by "the New Japan Supermarket Alliance"

"The New Japan Supermarket Alliance", consisting of ARCS, Valor Holdings, and Retail Partners, has been engaged in joint product development and sales promotion that take advantage of economies of scale since its formation in 2018.

So far, "Antioxidant-free wine" with Sapporo Breweries and "Gotochi no Aji Fuwatto" with Iwatsuka Seika, featuring local ingredients of the three companies' locations, have become hit products.



Our jointly developed product, Bisque-style mellow crab cream croquettes, wins the top prize in the prepared dish category of the Bento and Prepared Meal Awards 2022.

NEXT ACTION

- ▶ Expansion of the ratio of joint procurement by the Group
- ▶ Shift to a new pricing system during a period of rising prices
- ▶ Expand collaboration with partners to develop valuable products

Key Strategies DX Strategy

Accelerate Digital Transformation by integrating real and digital

Our group have implemented group-wide core system as "Integrated system platform of group-wide usage" since 2019. With this system, we have achieved the unification of 10 food supermarket companies in our group and are promoting operational efficiency and standardization to cope with the intensifying competitive environment. In addition, we will respond to the changing needs of our customers through new marketing that integrates real and digital operations.

Utilization of the Integrated system platform of group-wide usage

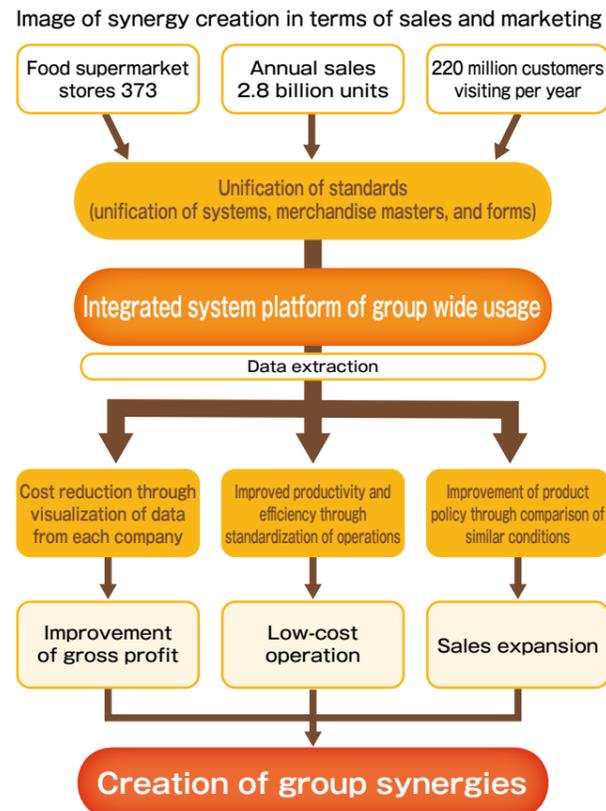
Creation of group synergies based on the Integrated system platform

ARCS Group has integrated merchandise masters, categories, accounts, and forms into the Integrated system platform with the aim of "unifying the standard of things" for the 10 food supermarket companies in our Group.

Our group sells 2.8 billion units of merchandise and customers visiting our stores 220 million times each year. Integrated system platform has enabled the centralization of price fluctuations and various sales promotion methods for each group company in terms of merchandising. In terms of store operations, the system has made it possible to manage a vast amount of data, including sales, inventory, and employee's working hours management for each store and department. By comparing and analyzing these sales data across the group on the same basis and reflecting them in purchasing and merchandise assortment, we aim to improve sales methods and profit margins.

On the administrative side, the unification of accounting systems has led to the standardization of operations in both financial and managerial accounting. This has also led to the consolidation of accounting and human resource-related operations of group companies into our centralized administrative center, thereby improving the operational efficiency of the group.

In addition, the DX Committee which all group companies participate, is not only for promoting the use of the Integrated system platform, but also promoting overall DX initiatives such as the introduction of RPA (software-assisted automation of PC work), paperless operation by digitizing pay slips, and experiments with electronic shelf tags. We are creating group synergies in cost reduction and productivity improvement.



Promotion of digital marketing

Individual Marketing

ARCS Group promotes a hybrid marketing approach that combines traditional marketing through flyers, POPs, etc. with digital marketing.

In addition to appealing to customers through the ARCS app and digital signage, we will analyze and understand the purchasing behavior of each individual ARCS RARA card member, in order to increase the number of fans of ARCS Group and achieve medium- to long-term sales growth.



Super ARCS Chiyogadai Store (Dounan Ralse) Digital Signage

NEXT ACTION

- ▶ Sharing of know-how on system utilization among group companies
- ▶ Synergistic effects of business standardization and system utilization
- ▶ Expand personnel to promote digital marketing
- ▶ Utilization of ID-POS data

Key Strategies Human Capital

Creating workplace where can be opportunities for growth and be rewarding

Since 2013, ARCS Group has established a human resource development philosophy and formulated a group-wide training system. In 2019, we introduced the unified personnel system and the education system across the Group. In addition to company-wide training, each Group company hold training programs and develop careers.

Concept of Group Human Resource Education

Unified Personnel System and Human Resources Training

In 2019, our group launched a unified personnel system that unifies the positions and grades of all group companies. While taking advantage of the regional characteristics and unique human resource development processes of each Group company, the evaluation system and basic education are common to all Group companies, enabling visualization of human resources and flexible personnel assignments.

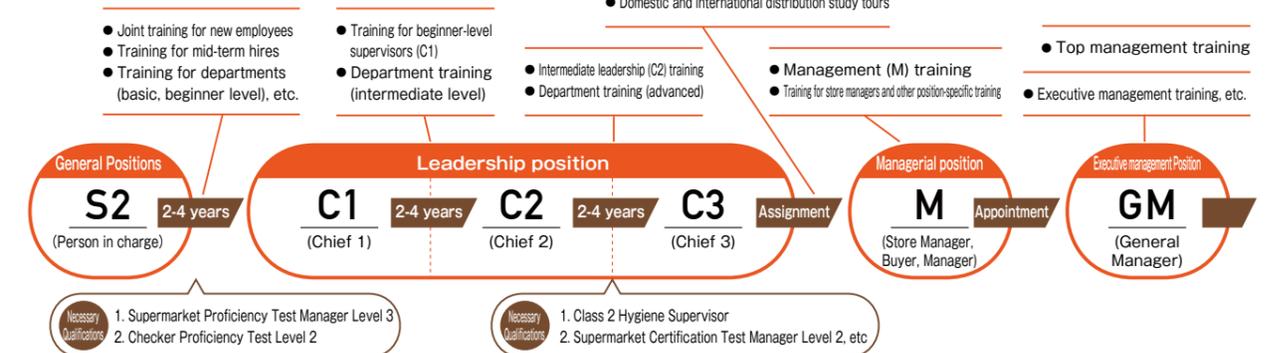
In accordance with our Group's human resources education philosophy, we conduct group-wide education and training programs by position and qualification as basic education. In addition to online training by external instructors, our instructors conduct hygiene management education, compliance training, diversity training, and other training programs. In addition, each Group company

implements human resource development programs based on its own needs, such as department-specific training, video manuals, and on-site training (on-the-job training).

ARCS Group Human Resource Education Philosophy

1. Human power improvement
2. Improve common sense
3. Improving basic skills
4. Improving responsiveness to change
5. Improving autonomy

ARCS Group's Education System and Career Development Structure



Support for self-development through qualification acquisition, correspondence education, outside seminars, store surveys, product knowledge exploration, etc.

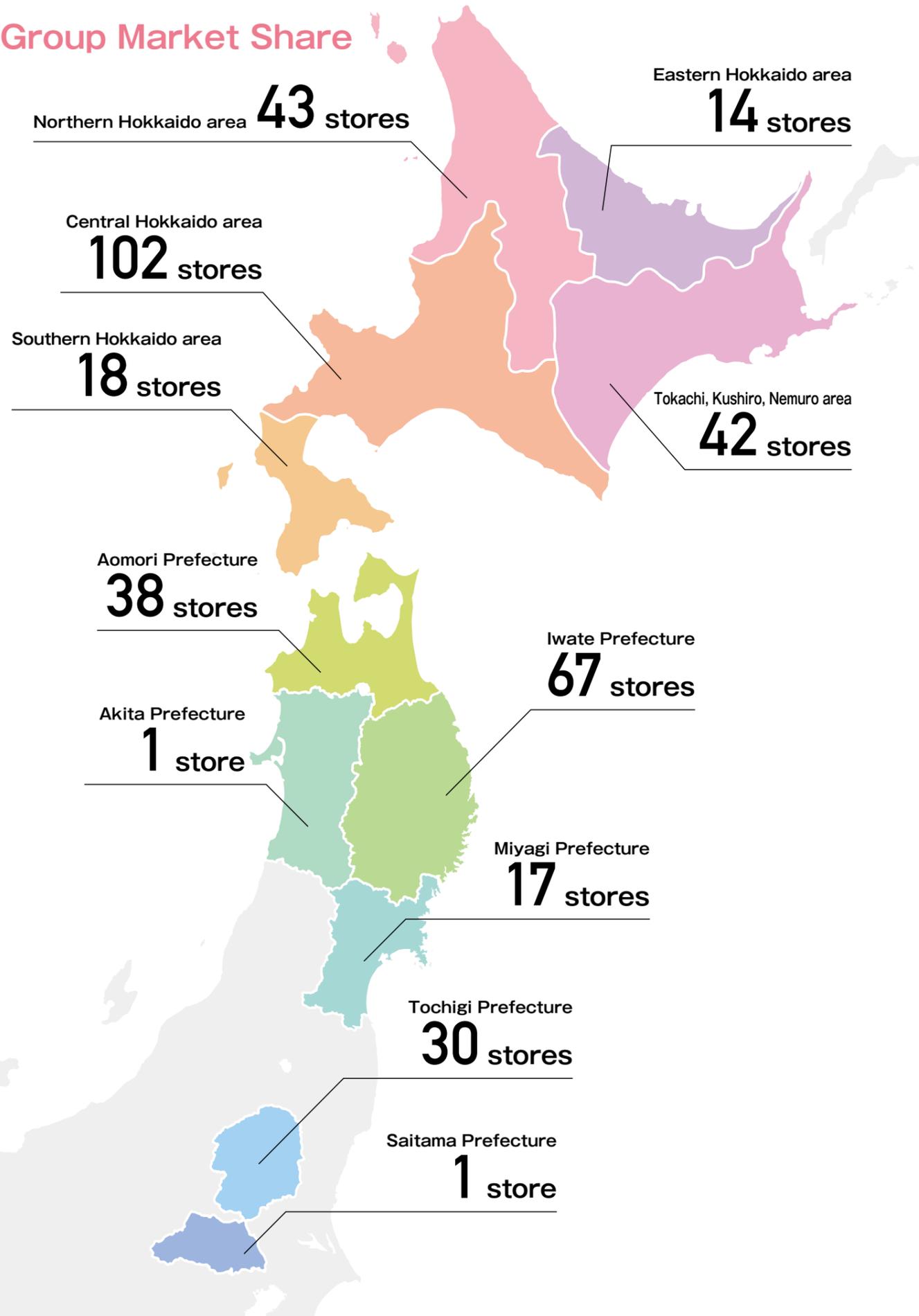
Human Capital Data

Number of full-time employees	Total number of employees	Number of new graduates hired	Number of employees hired during the term	Average monthly overtime hours	Ratio of paid vacation usage	Ratio of managerial position for female	employment rate of the physically challenged
5,787 (End of FY2022)	29,887 (End of FY2022)	Full-time employees 146 (FY2022)	Full-time employees 135 (FY2022)	Full-time employees 19.8 hours (FY2022)	Full-time employees 52.0% (FY2022)	6.5% (FY2022)	2.9% (FY2022)
Number of employees participating in training	Total training hours	Training hours per person	Certified Food Safety and Hygiene Manager	Certified Food Labeling Manager			
Full-time employees 4,208 (FY2022)	Full-time employees 100,209 hours (FY2022)	Full-time employees 17.3 hours (FY2022)	Cumulative total: 139 (by FY2022)	Cumulative total: 1,150 (by FY2022)			

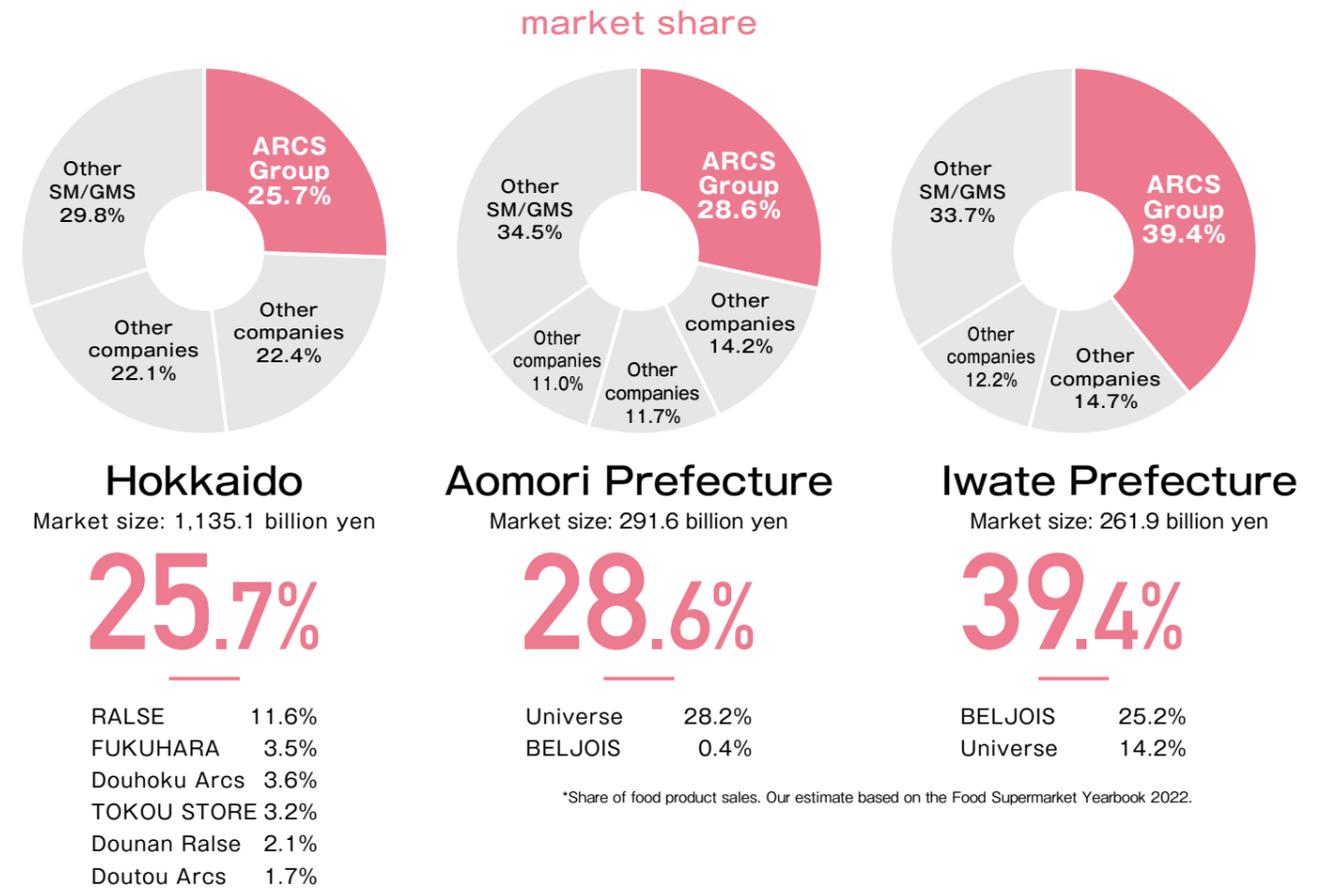
NEXT ACTION

- ▶ Further enhancement of on-the-job training
- ▶ Formalization of skills possessed by veterans and transfer of authority
- ▶ Create flexibility in hiring and working styles and foster a climate conducive to ideas
- ▶ Develop a strategy for human capital investment

Group Market Share



The ARCS Group has the number one market share in Hokkaido, Aomori Prefecture, and Iwate Prefecture. The Group's food supermarkets are taking advantage of their economies of scale to build area dominance in various regions, we deliver merchandise and services that are closely related to daily life to the community. In the future, we aim to further expand our business, and as a standard-bearer in protecting the lifelines of the community, we will refine our regional number one store management.



Number of retail stores 373 stores

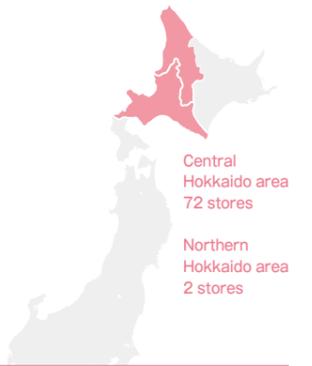
(as of the end of February 2023)

Hokkaido 219 stores			Tohoku area 123 stores			
Central Hokkaido area			Aomori Prefecture			
RALSE	72 stores	DOUTOU ARCS	14 stores	Universe	37 stores	
TOKOU STORE	27 stores	Tokachi, Kushiro, Nemuro area			BELJOIS	1 store
ELDY	3 stores	FUKUHARA	42 stores	Akita Prefecture		
Northern Hokkaido area			Southern Hokkaido area			
DOUHOKU ARCS	41 stores	DOUNAN RALSE	18 stores	Miyagi Prefecture		
RALSE	2 stores	Northern Kanto area 31 stores			UNIVERSE	1 store
			Tochigi Prefecture			
			Saitama Prefecture			
			OTANI	30 stores	OTANI	1 store



RALSE COMPANY,LIMITED

2-32, Minami-13-jo Nishi 11-chome, Chuo-ku, Sapporo, Hokkaido 064-8621
Tel. 011-530-6000 Fax. 011-530-6010



Company Overview

Representative Director and President / Kazuhisa Nekomiya
Date of Establishment / November 1, 2002
Capital / 4.2 billion yen
Nature of Business/ General retail store chain

Number of employees/7,808
Number of stores/74
Net sales / 140,820 million yen

Group Companies

Each company in our group is rooted in the local community as a Lifeline Company while contributing to affluent lifestyles of customers, expansion of area dominance in each region, aim to create further group synergies.

RALSE is the core company of the ARCS Group, which has begun business for 63 years, counting from Daimaru Super, the predecessor of ARCS. We are taking advantage of the strength of store development according to regional characteristics and individual store management. We use Participatory Management and think "taste", "freshness", "price" priority in product and merchandise development. Through low-cost management, we are developing leaders who think and act on their own initiative.



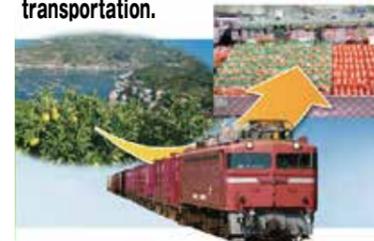
Kazuhisa Nekomiya,
Representative Director
and President

RALSE's Strengths

- 1 Pursuit of "customer satisfaction" and "employee satisfaction" and PDCA management
- 2 Developing leaders with passion and enthusiasm to think and act dependently and on-the-job training
- 3 Pursuit of greeting, cleanliness, a sales floor without missing items and realization of low prices based on low-cost management

Sustainability Initiatives

We are committed to environmental friendliness by utilizing rail transportation.



Modal shift, green logistics

In cooperation with production areas and logistics providers, we have been working to improve logistics efficiency and reduce CO₂ emissions through a modal shift from trucks to environmentally friendly railroads for the purchase of vegetables. In 2017, our company received the "Green Logistics Excellent Business Award" from the Ministry of Economy, Trade and Industry for our efforts to build a sustainable logistics system.



Expand direct business with local producers

We have direct contracts with agricultural producers and fishery cooperatives throughout Hokkaido to deliver a wide variety of local products with freshness. One such initiative is our "direct delivery from the production area". Fresh vegetables and fish picked in the morning are placed on store shelves on the same day. We also make effort to introduce the production area and the producer.



Environmental initiatives

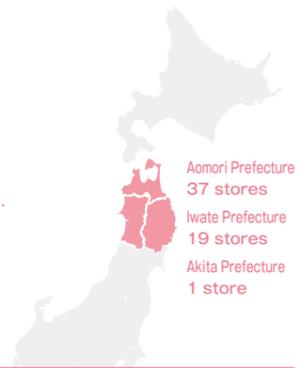
In order to recycle valuable resources instead of discarding them, we collect milk cartons, food trays, PET bottles, aluminum cans, cardboard boxes, etc. with the cooperation of our customers. We are also promoting the formation of a recycling-oriented society by composting vegetable scraps, fish guts, unsold products, and other food residues generated in our stores.



Universe Co.,Ltd.



83-1 Maeda, Naganawashiro, Hachinohe City, Aomori 039-1185
Tel. 0178-21-1888(main) Fax. 0178-21-1811



Company Overview

Representative Director and President / Takehiko Miura
Date of establishment / October 20, 1967
Capital / 1,522 million yen
Nature of Business/ Food supermarket

Number of employees/5,370
Number of stores/57
Net sales / 130,971 million yen

Universe operates mainly in Aomori Prefecture, Iwate Prefecture and Akita Prefecture. With the philosophy of "Customers, our Priority. We put customers first anytime, anywhere." our strength lies in developing human resources and an organization capable of thoroughly considering what we can do for our customers and performing PDCA. We also focus on cooperation with local governments to realize more affluent lifestyles for our customers in the region.

Strengths of Universe

- 1 No. 1 market share in Aomori Prefecture through coexistence with the local community and the strict adherence to "Customers, our Priority. We put customers first anytime, anywhere."
- 2 Creating a sales floor that pursues freshness and assortment
- 3 High productivity through precise operations



Takehiko Miura,
Representative Director
and President

Sustainability Initiatives



Disaster Relief Activities

As a company that provides a "food lifeline," we are promoting efforts to conclude disaster relief agreements with local governments and other entities in the areas where we open stores.

In the event of a disaster, Universe can support the affected area by quickly supplying necessary goods from nearby Universe stores and disaster stockpile warehouses, etc., in response to requests from local governments and other organizations.



ISO 14001 certification acquired

In October 2001, we obtained international standard ISO 14001 certification.

By including an outside perspective, we make it known throughout the company that addressing environmental issues is an "important requirement for the survival of the company," clarify issues toward harmonizing business activities with the natural environment, and actively foster awareness of the need to address these issues.



Health promotion activities through food

In cooperation with local governments in the areas where our stores are located, we conduct campaigns and other activities that promote health and wellness.

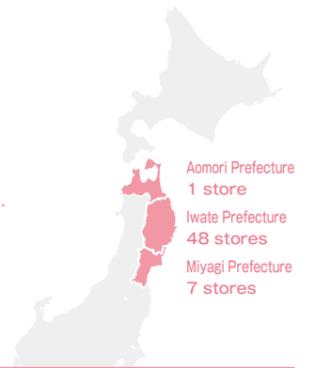
At stores in Aomori Prefecture, the prefectural government, led by the Governor of Aomori Prefecture, holds PR events for "DASHIKATSU + DASUKATSU*" recommended by the prefecture, and implements initiatives to achieve good taste and health through the consumption of "DASHIKATSU AOMORI products" and vegetables made from prefectural ingredients.

*Campaign to reduce salt intake by using "DASHI"



BELJOIS Co.,Ltd.

2-1-30 Higashianiwa, Morioka City, Iwate 020-0824
Tel. 019-623-6100 (main) Fax. 019-622-0474



Company Overview

Representative Director and President / Tsukasa Sawada
Date of establishment / January 17, 1951
Capital / 1,052 million yen
Nature of Business/ Food supermarket

Number of employees/4,533
Number of stores/56
Net sales / 80,024 million yen

BELJOIS operates mainly in Iwate Prefecture, but also in Aomori Prefecture and Miyagi Prefecture. In the 95 years since its establishment, BELJOIS has gained the largest market share in Iwate Prefecture, and has developed a diverse range of stores, from large discount stores to small to medium-sized stores, in accordance with the characteristics of the region. The integration process of the former Belle Plus and the former JOIS has been completed. In recent years, the company has been actively promoting the conversion from the "Big House" format to the "Super ARCS" format.

Strengths of BELJOIS

- 1 95 years in business and No.1 regional market share in Iwate Prefecture
- 2 Operational capabilities of various business categories according to regional characteristics
- 3 Creation of integration effect of former Belle Plus and former JOIS



Tsukasa Sawada,
Representative Director
and President

Sustainability Initiatives



Disaster Cooperation Agreements with Local Governments

We have concluded disaster cooperation agreements with four local governments and one fire union to give priority to the provision of water, food, and other supplies necessary for responding to disasters and for living in evacuation centers upon request from local governments. In the Great East Japan Earthquake in 2011, at the request of Iwate Prefecture, we gave priority to providing relief supplies to evacuation centers in coastal areas affected by the tsunami.



Food Drive

We conduct Food Drive activities by collecting food items that are lying around at home and placing them in our collection boxes. We are working with NPO to change "wasteful" into "thank you". We have set up collection boxes at stores in Iwate Prefecture and Miyagi Prefecture in order to solve poverty and reduce food loss.



Endorsement of the Pink Ribbon Movement

In support of the educational activities of the "Iwate Pink Ribbon Association," which calls for the early detection of breast cancer. We set pink ribbon trees in our stores every year in October, which is Pink Ribbon Month. In addition, in cooperation with MICHINOKU COCA-COLA BOTTLING CO., LTD., we also make a donation to the association in proportion to the number of bottles sold.

FUKUHARA CO.,LTD.

Nishi 22-jo Kita 1-chome 13, Obihiro City, Hokkaido 080-2498
Tel. 0155-37-3983 (main) Fax. 0155-37-5752



Company Overview	Representative Director and President / Ikuharu Fukuhara	Number of employees/1,937
	Date of establishment / May 23, 1958	Number of stores/42
	Capital / 2,481 million yen	Net sales/42,088 million yen
	Nature of Business / Food supermarket	

FUKUHARA is a community-based company that has been in business for 65 years, with stores based in the Tokachi, Kushiro, and Nemuro areas. Our corporate message "We deliver happiness to all. ~Make Happiness!~" expresses our thoughts and determination to deliver happiness to all of our customers, producers, suppliers, and employees through our business.



Ikuharu Fukuhara,
Representative Director
and President

FUKUHARA's Strengths

- 1 Name recognition and trust in the local community as a community-based company
- 2 Store operation know-how and profitability model, including in towns and villages with small populations
- 3 Active promotion of social activities such as children's cafeterias and Food Drive

Sustainability Initiatives



Promotion of recycling activities

To promote a decarbonized and recycling-oriented society, we are collecting plastic bottles, caps, food trays, used clothing, used paper, etc. at our stores. In addition, we are promoting the recycling of waste oil and Styrofoam from our stores, as well as water and electricity conservation projects at all stores to reduce energy consumption.



Support activities for children's cafeterias

To contribute to the local community and reduce food loss, we conduct Food Drive activities at all stores. Food collected at stores is donated to local children's cafeterias, etc. More than 120 times children's cafeterias are held each year. Currently, food is donated to a total of 10 facilities in the Tokachi and Kushiro areas, and we will continue to provide support in the future.



Sports promotion

Taking advantage of the vast land of Tokachi, we host the "FUKUHARA Cup" youth soccer tournament at a venue with all natural grass. This year marks the 27th FUKUHARA Cup, making it one of the largest soccer tournaments in Hokkaido, and has even produced a J-League soccer player. In addition, we also hold community-based tournaments such as mini-volleyball and badminton, contributing to the development of the local community.

Douhoku Arcs Co.,Ltd.

1-33-1, Ryutsu Danchi 1-jo, Asahikawa City, Hokkaido 079-8585
Tel. 0166-47-2818 (main) Fax. 0166-48-8987



Company Overview	Representative Director and President / Akira Muguruma	Number of employees / 2,797
	Date of establishment / May 22, 1965	Number of stores/41
	Capital/781 million yen	Net sales / 43,568 million yen
	Nature of Business / Food supermarket	

Douhoku Arcs operates stores in the northern part of Hokkaido, centering on Asahikawa City. By taking advantage of Asahikawa's geographical location in the center of Hokkaido and strategically utilizing the center's functions, we are able to develop a wide range of store formats, from over 3000m² stores that attract customers from a wide area and offer a rich merchandise lineup to ultra-small stores with floor space of around 250m², over a broad area. This contributes to the sustainable development of local communities.



Akira Muguruma,
Representative Director
and President

Strengths of Douhoku Arcs

- 1 Establish a wide-area logistics system utilizing geographical advantages and a highly functional center.
- 2 Know-how in the operation of shopping areas including own large stores that attract customers from a wide area
- 3 Expertise in operating ultra-small stores in towns and villages with small populations

Sustainability Initiatives



"Da*Marche" small store

As a lifeline for the local community, we have been developing the "Da*Marche" ultra-compact store format since 2015. By supplying all fresh produce from the Fresh Food Center and Delicatessen Center, we are able to operate stores with fewer staff in small populations areas, and contribute to the community.



AEDs installed in all stores

As part of our efforts to create a safe and secure shopping environment for our customers, we have installed AEDs at all of stores and centers. It is not only for our customers and employees, but also serve as an AED installation site in neighborhood.



Promotion of managerial position for female

We have been promoting employees to managerial positions, mainly in the administrative division, based on abilities but not gender. Our percentage of managerial position for female is high in ARCS Group, and many women are active in the company. We will continue to promote the active participation of women in the future.



TOKOU STORE COMPANY,LIMITED

1-9-6, Hiragishi 1-jo, Toyohira-ku, Sapporo, Hokkaido 062-0931
Tel. 011-842-3246 (main) Fax. 011-842-3240



Company Overview

Representative Director and President / Shuichi Kusumi
Date of establishment / July 15, 1972
Capital / 1,377 million yen
Nature of Business / Food supermarket

Number of employees / 2,182
Number of stores / 27
Net sales/39,380 million yen

TOKOU STORE operates in Sapporo City and the neighboring city of Kitahiroshima. Our stores are characterized by the making of stores which meet the needs of people living within walking distance, such as stores along the subway line and 24-hour stores. The company's strengths also lie in quality and customer service, such as enhanced freshness of fresh food and the deployment of Care-Fitter in all stores. We have established a good cooperative relationship with RALSE, with whom we have overlapping trade areas, through close information exchange and common distribution centers.



Shuichi Kusumi,
Representative Director
and President

Strengths of TOKOU STORE

- ① Store development and merchandise composition close to consumers in urban areas
- ② Quality enhancement of fresh food and friendly customer service for seniors and people with disabilities
- ③ Active exchanges with local residents as local shops

Sustainability Initiatives



Aiming to be a lifeline for local residents

Through 24-hour operations at our stores in central Sapporo and along the subway lines, we are able to provide fresh foods and daily necessities at any time. As a lifeline for the community, we will continue to contribute to the convenience of our customers.



Care-Fitter are assigned to all stores.

All of our stores are staffed with Care-Fitter. We are committed to creating a safe and enjoyable shopping environment for customers in wheelchairs, the visually impaired, and others who need assistance, and to improving our customer service.



Various in-store seminars

In cooperation with the cities of Sapporo and Kitahiroshima, we hold health seminars using our storefront space. Local residents enjoy interacting with each other through physical exercises such as rhythm exercises, brain training, and mini lectures on health.



Dounan Ralse Co.,Ltd.

3-4-11, Oiwake, Hokuto City, Hokkaido 049-0101
Tel. 0138-48-2220 (main) Fax. 0138-48-2226



Company Overview

Representative Director and President / Shin Konno
Date of Establishment / September 30, 1998
Capital/480 million yen
Nature of Business / Food supermarket

Number of employees/1,561
Number of stores / 18
Net sales / 25,939 million yen

Dounan Ralse operates stores in Hakodate city and other areas in southern Hokkaido. Under the motto of "community-based and customer-first," we offer freshness, a full lineup of merchandise, and friendly service. Headquartered in Hokuto City, the company's strength is its ability to quickly and flexibly manage its stores to meet local needs.



Shin Konno,
Representative Director
and President

Strengths of Dounan Ralse

- ① Merchandise development and store development that responds immediately to local food culture and customs
- ② Store openings in 2 cities and 7 towns covering the entire southern Hokkaido
- ③ Abundant product lineup in the fresh food department through the use of process centers

Sustainability Initiatives



Close collaboration with Hakodate City through a comprehensive cooperation agreement

In 2011, a comprehensive partnership agreement was signed with Hakodate city, Hokkaido. "Hakodate city bulletin board" has been set up in eight stores in the city, in order to provide local information and municipal information to our customers. In addition, Dounan Ralse and Hakodate city have jointly implemented various initiatives such as the "Temae-dori (Take from front)" and participation as advisors in mock business meetings to revitalize local businesses.



Elderly customer-friendly telephone and fax home delivery

We deliver our products throughout the Hakodate area from our base at Super ARCS Minatomachi Store in Hakodate City. We receive orders via the Internet as well as traditional telephone and fax orders. This service is popular with elderly customers who do not have Internet.



Initiatives to Preserve Local History

In September 2022, Super ARCS Chiyogadai Store opened on the site of the former Chiyogadai Elementary School in Hakodate city. The cherry tree in the schoolyard was retained, and chairs and tables remade from jumping boxes were used in the eat-in corner. The second-floor wall is inscribed with the school song of Chiyogadai Elementary School, giving the store a sense of the school's 101-year history.

Doutou Arcs Co.,Ltd.

3-3-3 Oroshimachi, Kitami City, Hokkaido 090-0056
Tel. 0157-36-5121 (main) Fax. 0157-36-5125



Company Overview	Representative Director and President / Tatsushi Kitano	Number of employees/1,076
	Date of Establishment / December 25, 1959	Number of stores / 14
	Capital/450 million yen	Net sales/19,885 million yen
	Nature of Business / Food supermarket	

Doutou Arcs operates 14 stores mainly in Kitami and Abashiri cities. Doutou Arcs has formed a dominant position in the local trade area with small and large stores, and is developing community-based merchandise and stores, such as sell prepared foods with taste of home cooking.



Tatsushi Kitano,
Representative Director
and President

Strengths of Doutou Arcs

- 1 Name recognition and credibility through local community functions
- 2 Support local companies handling locally produced and locally consumed products
- 3 High man-hour productivity with multitasking

Sustainability Initiatives



Working with local schools to provide a venue for sales

As a community-based company, we contribute to the local community by holding an open sale of agricultural products produced by a local agricultural high school, Hokkaido Bihoro High School. This event is greatly appreciated not only by the students, but also by their families and local residents.



Product development focusing on health and local production for local consumption

Using local products handled by the fruits and vegetables department, we developed and sold "Kamu Kamu lunchboxes" jointly designed with the Kitami Dental Association and other organizations with an awareness of chewing power and nutrition, and retort curry from the popular restaurant "Curry Chikara" originating from the Kitami city.



Human resource development through our own curriculum that does not rely on external lecturer

Since 2021, we have revised the content of our training for new employees, and by having them experience all departments at regular intervals, we are striving to develop human resources capable of multi-tasking. In addition, at the training for employees in their third to fifth years and the training for chiefs, both present each other's work content, which leads to growth and provides a valuable opportunity for exchange of opinions.

Ito Chain Co.,Ltd.

2-1, Yakedan, Tsukinoki, Shibatamachi, Shibata-gun, Miyagi, 989-1756
TEL.0224-58-7171 FAX.0224-58-7173



Company Overview	Representative Director and President / Yoshikazu Ito	Number of employees/778
	Date of Establishment / April 9, 1974	Number of stores / 10
	Capital/50 million yen	Net sales/13,605 million yen
	Nature of Business / Food supermarket	

Ito Chain is a food supermarket that operates 10 stores in the area from Sendai City, Miyagi Prefecture to the southern part of the prefecture, and joined the ARCS Group in 2019. The company's corporate motto is "Continue to do business every day to please our customers". Ito Chain is actively opening stores in areas affected by the Great East Japan Earthquake.



Yoshikazu Ito,
Representative Director
and President

Strengths of the Ito Chain

- 1 Dominant expansion in southern area of Miyagi Prefecture and creation of stores with close ties to the community
- 2 Strengthening ties with producers through the region's largest direct sales outlet
- 3 Creating a fun store like a farmer's market

Sustainability Initiatives



Received "Hometown Company of the Year Award"

In October 2022, the Foundation for Regional Development (Furusato Foundation) awarded us the "Hometown Company of the Year Award (Minister of Internal Affairs and Communications Award)" for our contribution to the local economy and employment through Foods Garden Tamaura Shokusaikan store, which opened in the Tamaura district of Iwanuma City, Miyagi Prefecture, an area affected by the Great East Japan Earthquake.



Promoting local production for local consumption by setting up a direct-to-consumer corner

As a community-based store, each store has a direct sales section that sells products directly from producers. In addition to the standard vegetables and fruits, the stores sell a wide variety of products, including marine products, desserts, specialties, and sundries, and also play a role in the local production and local consumption of Miyagi Prefecture products.



Shopping bus

We provide free "shopping buses" at several of our stores to connect stores in areas where shopping has become difficult due to the withdrawal of food supermarkets and other reasons. It is popular among elderly people who have few means of transportation for shopping.



OTANI CO., LTD.

37-3 Hiraide Kogyo Danchi, Utsunomiya City, Tochigi 321-0905
Tel. 028-661-4011 (main) Fax. 028-660-2222



Tochigi Prefecture 30 stores
Saitama Prefecture 1 store

Company Overview

Representative Director and President / Izumi Kawano
Date of Establishment / September 1, 1982
Capital / 98 million yen
Nature of Business: / Food supermarket

Number of employees / 1,397
Number of stores / 31
Net sales / 25,139 million yen

OTANI is a food supermarket headquartered in Utsunomiya City, Tochigi Prefecture, with 31 stores in Tochigi Prefecture and Saitama Prefecture. Joined the ARCS Group in 2021, its establishment in 1946, OTANI has been providing a wide range of merchandise and services to all customers under the corporate philosophy that "Stores are for customers ~With a considerate and honest heart~". We provide safe, secure, healthy, and delicious food.



Izumi Kawano,
Representative Director
and President

OTANI's Strengths

- 1 Trusted relationship with local customers and business partners cultivated 76 years since the company was established.
- 2 Differentiate from competitors by developing two business categories: "Food Market OTANI," which offers both low prices and high quality, and "Food Oasis OTANI," which is oriented toward authenticity.
- 3 Creation of stores that meet regional characteristics and merchandise lineups that incorporate local customer needs

Sustainability Initiatives



Received the Governor's Commendation and the Employment Support Organization Commendation for its efforts to employ people with disabilities.

We have 29 employees with disabilities working in the Fruits and Vegetables Department, Grocery Department, Seafood Department, Delicatessen Department, etc., according to their aptitudes and objective. The employment rate of persons with disabilities reached 3.68% as of the end of February 2023. In 2018, the company received the Tochigi Prefecture Governor's Commendation for Excellent Employment of Persons with Disabilities, and in 2022, the President's Award from the Employment Support Organization Commendation.



Collection of used paper packs

In October 2022, used paper packs collection boxes were installed in all stores, and by the end of February 2023, 1,500 kg of paper cartons had been collected. Since then, they have been transformed into approximately 8,000 pieces of toilet paper, contributing to a reduction of 1,170 kg of CO₂ emissions.



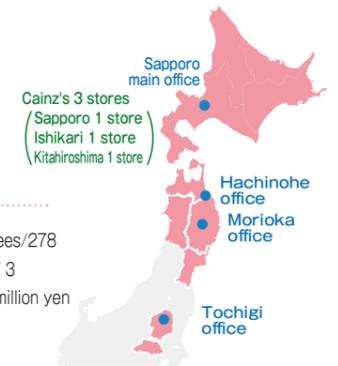
Free donation of vegetable scraps to Utsunomiya Zoo

Vegetable scraps generated from store merchandising are provided free of charge to the Utsunomiya Zoo. The vegetable scraps are collected directly from the stores twice a week, leading to a reduction in vegetable waste disposal costs and contributing to about 30% reduction in feed costs for the zoo.



ELDy Co., Ltd.

1-9-6, Hiragishi 1-jo, Toyohira-ku, Sapporo, Hokkaido 062-0931
Tel. 011-812-8088 (main) Fax. 011-812-8885



Company Overview

Representative Director and President / Kiyoshi Yokoyama
Representative Director and Senior Managing Director / Kozo Dote
Date of establishment / May 17, 1966
Capital / 480 million yen

Nature of Business / building maintenance, insurance, resource and environment, home improvement, and travel agency

Number of employees / 278
Number of stores / 3
Net sales / 7,971 million yen

ELDy is a company that supports not only general customers but also ARCS Group companies through a wide range of business operations, including building maintenance, industrial waste collection and transportation, insurance and travel agency business, and operation of home improvement center business. We contribute to local communities by providing daily support so that group companies can function as lifelines for the community.



Kozo Dote,
Representative Director
and Senior Managing
Director

ELDy's Strengths

- 1 We can undertake peripheral operations essential to food supermarkets within the group.
- 2 Accumulation of know-how in handling products related to "all aspects of life" other than food

Sustainability Initiatives



Waste Management and Reuse

In the resource and environment business, we collect corrugated cardboard and used paper for reuse as raw materials for recycled corrugated cardboard, paper tubes, and cattle bedding straw, among others. In addition, we have begun studying the possibility of refining biodiesel fuel from waste cooking oil to reduce CO₂ emissions.



Unified receivership insurance for all group companies to visualize risk

After identifying risks in the retail business without omission, we propose risk management in line with the management policies of each group company. In addition, by predicting damage in the event of a large-scale disaster and covering it as insurance, we can quickly coordinate with disaster recovery companies in the event of an emergency, thereby contributing to the early restoration of stores, which are a lifeline for the community.



Disaster Response in the Home Improvement Business

We operate three franchised home improvement stores (Cainz's) and signed an agreement with Kitahiroshima City in 2017 and Ishikari City in 2020 regarding the supply of daily commodities and other supplies in times of disaster. Additionally, in response to a request from the Ministry of Economy, Trade and Industry, we provided supplies to evacuation centers in the aftermath of the 2018 Hokkaido Eastern Iburu Earthquake.

Corporate Governance

Basic Stance on Corporate Governance

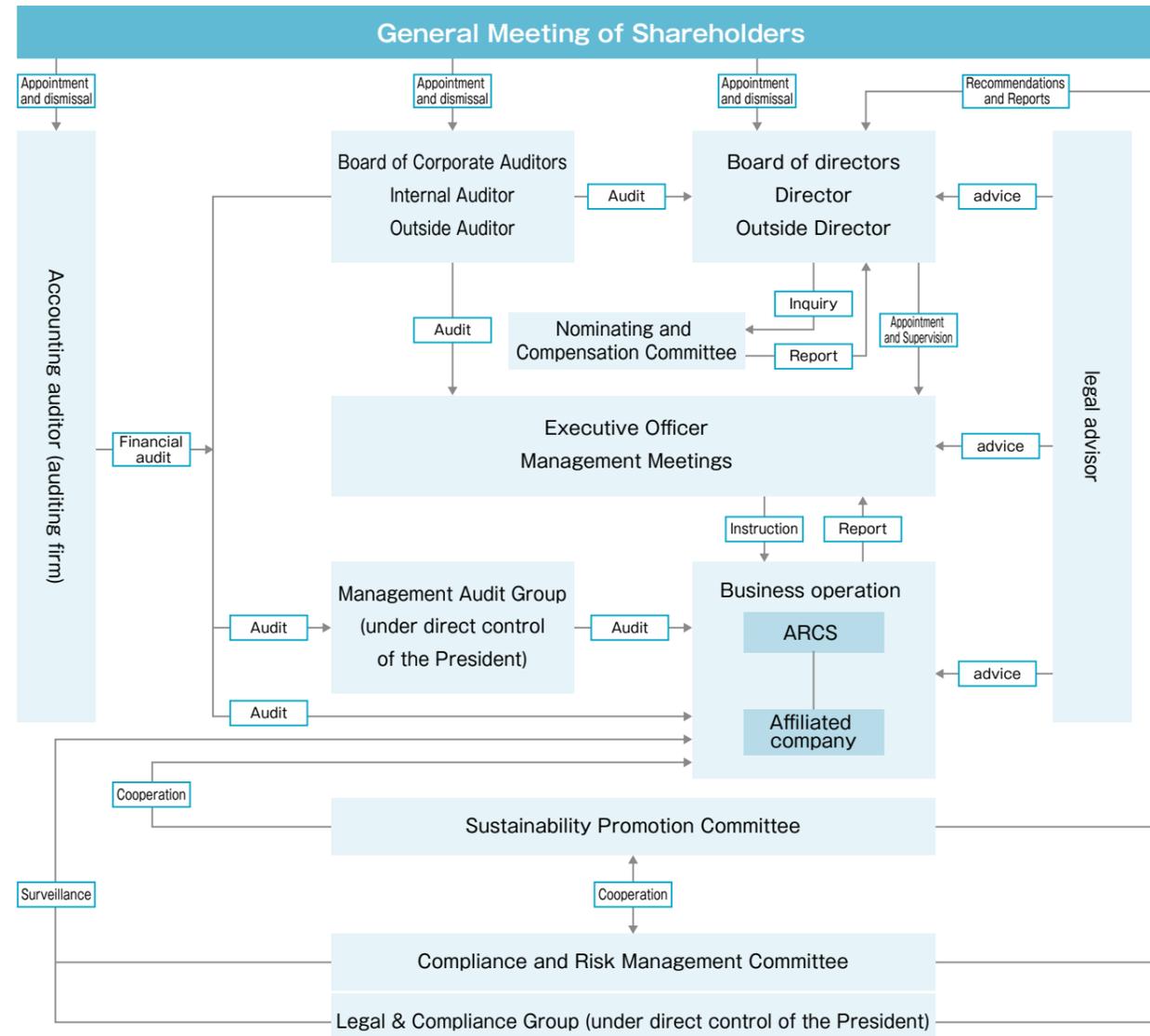
The ARCS Group is comprised of a pure holding company (ARCS) and its affiliated operating companies. The most important management issues are the implementation of the Group's philosophy, the strengthening of corporate governance throughout the Group, and the enhancement of the Group's enterprise value. In order to strengthen corporate governance, we will build an organizational structure that can respond quickly to changes in the business environment, maintain a fair and transparent management stance as a publicly listed company, disclose information to all stakeholders in a timely and appropriate manner, and develop internal systems to establish corporate social responsibility and corporate ethics. At the same time, we have established an internal system for the establishment of corporate social responsibility and corporate ethics, thereby ensuring thorough compliance management.

Corporate Governance Structure

Our corporate governance system is shown in the diagram below. The Board of Directors meets monthly to make final management decisions. The executive officer system has been introduced to clarify executive responsibility related to the authority to use management resources. In addition, Group Management Committee, consisting of the Company's directors, corporate auditors, executive officers, and presidents of business subsidiaries, holds meeting monthly to deepen discussions on important matters to unify and ensure communication among the group companies.

Our management supervisory function is secured through the attendance of outside director at important meetings such as Board of Directors meetings and management meetings, as well as audits conducted by corporate auditors.

Corporate Governance Structure



Directors' remuneration

The remuneration of the ARCS Company's directors currently consists of fixed remuneration, performance-linked remuneration (bonus) and retirement benefits. ARCS places the highest priority on respecting the position of each stakeholder and continuously growing and expanding its business as a going concern. At present, we have not adopted a stock compensation plan for directors. However in May 2022, we established the Nomination and Compensation Committee, a voluntary advisory body, and this committee has been studying the ideal form of stock compensation and retirement benefits.

Main items for discussion at Board of Directors meetings

The main deliberations of the Board of Directors are listed in the table below. Final management decisions are made at monthly meetings of the Board of Directors, which meet more than 60 times a year to pass resolutions on management strategy, investment, and governance.

Amidst the remarkable changes in the business environment, PDCA-type management, in which management decision-making and execution are repeated in a short cycle, is being established.

Board of Directors' Meetings Items to be Discussed and Number of Meetings

Item	Number of deliberations			
	Resolution	Report	Total amount	
Management strategy	Business Strategy	17	20	37
	DX etc.	8	14	22
Investment	25	10	35	
Governance	13	5	18	
Sustainability	2	4	6	
Compliance and Risk Management	4	13	17	
Personnel matters	9	5	14	
Company-wide Committee	0	15	15	
Others	1	6	7	
Total	79	92	171	

Assessment of Board Effectiveness

ARCS will evaluate and analyze the effectiveness of the board of directors every year. Self-evaluation questionnaires will be conducted for directors and audit & supervisory board members. Based on the responses, the board of directors shall summarize and analyze the results, and measures are being taken to address the issues identified as a result.

In fiscal year 2022, the Board of Directors discussed the results of the questionnaire based on its tabulation, and found that the board of directors was generally rated as functioning effectively in all items of the questionnaire. There is no significant findings regarding its effectiveness. While discussions at the board of directors meetings have been further energized by the active comments of each director, there were also clarified issues that require further consideration, such as the need more diversity initiatives (increasing the number of outside and female directors), deeper discussion and understanding of the SDGs and DX initiatives.

In response to these issues, we have increased the number of female outside directors with management experience at other companies. We have achieved success through discussions on SDGs and DX initiatives at board of directors meetings, as well as at a training camp attended by all directors and auditors, and executive officers and presidents of operating companies.

In the evaluation of effectiveness in fiscal year 2023, we confirmed the need for further efforts to ensure sufficient deliberation time as the number of agenda items to be submitted and deliberated by the board of directors is increasing, such as expansion of operating companies, expansion of new businesses, responses to the demands of the times.

Messages from Outside Director

Strengthen the governance of the holding company



Outside Director
Hiroshi Saeki

He has extensive insight as an educator and researcher, as well as extensive organizational management experience as Vice President and President of Hokkaido University. He was appointed to our Board of Directors in 2014. Member of the Nominating and Compensation Committee since 2022.

During the fiscal year 2022, many people were infected the COVID-19 pandemic in the areas where the store operates, but thanks to the efforts of all employees, the Group has fully fulfilled its primary role as a supermarket: to provide people with daily commodities. In addition, the Company's focus on employee education regarding the SDGs, which is a necessary and useful work for humanity.

On the other hand, there are large gaps in performance among group companies. Before the gap between companies becomes too large, the support from holding company ARCS is necessary. The uniqueness of each company is important, but the balanced development of the group is more important. Training of young employees at other companies is also necessary.

In addition, in the operation and decision-making process of the board of directors, it is necessary to reach a conclusion within a limited amount of time and number of times. By presenting the main points of discussion and multiple options for them, more focused discussion and convincing consensus building can be achieved.

Repeating Management Decisions for Further Advancement

In fiscal year 2022, investment projects such as business expansion at group companies, real estate purchases and sales, store remodeling and scrap & builds were on the agenda at every meeting of our Board of Directors. There were many management decisions that will lead to the harvest in several years.

In addition to the above, we tackled a dizzying array of new issues, including the integrated system platform, logistics reform, acquisition of the "Eruboshi" certification as an excellent company for promoting women's activities, enhancement of the childcare leave system, reform of the ARCS RARA card, renewal of our website, and compliance with the Corporate Governance Code. I believe that we are on track to meet all of the remaining challenges to comply with the Corporate Governance Code as of fiscal year 2022. Once we have completed the tasks at hand, we should return to the Group's overall growth strategy.

As areas for improvement in future governance and decision-making processes, it is necessary to select board meeting proposals, save labor by explaining them in advance, and further strengthen information collaboration regarding human capital and compliance risk areas that have been of growing interest in recent years.



Outside director
Ryoko sasaki

In addition to managing the R's Seminar Corporation, she also has experience in administrative work as the vice governor of Hokkaido. She became a director of the company in 2015. Member of the nomination and compensation committee in 2022.

Maintaining a Corporate Structure Resistant to Environmental Changes



Outside Director
Toyoko Togashi

As the Representative Director and Chairman of Hokkaido Human Resources Bank Co., Ltd. She has extensive experience and achievements in finding human resources, and has experience and knowledge from a wide range of activities. In 2022, she was appointed as a director of the Company.

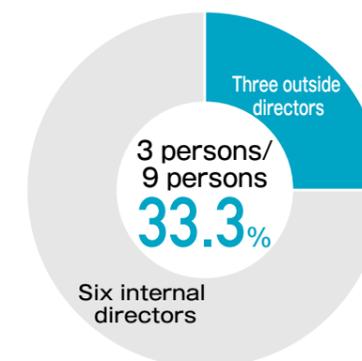
In fiscal year 2022, the problem about the integrated system platform upgrading was solved. So in order to make the store more convenient for customers to use, It was a year in which we laid the groundwork to shift resources from the information systems division to DX in the sales division.

In fiscal year 2023, we believe that "lifestyle protection" should be our top priority. This includes not only price action but also business continuity planning (BCP) to prepare for earthquakes and weather disasters. By continuing our business in the event of an emergency, we will be able to protect the lives of our customers in the community. In this sense, I hope that everyone of our employees will aware that our group is not merely a business entity, but also a "lifeline for the community".

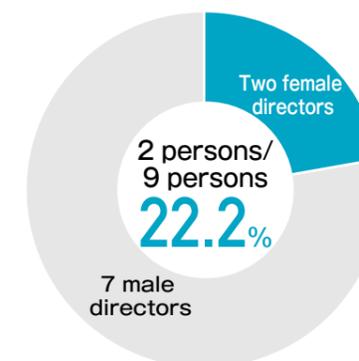
Although the environment surrounding our company is becoming increasingly severe due to uncertainties in the domestic and international outlook and heightened risk of natural disasters. It is one of the ways to be prepared is to maintain a certain amount of internal reserve in order to maintain a corporate structure that is sufficiently strong to withstand any serious situation that may come our way.

Composition of the Board of Directors (as of May 23, 2023)

Ratio of Outside Directors



Ratio of female directors



Ratio of Outside Directors and Outside Corporate Auditors



The company's board of directors currently consists of nine directors, who are well-versed in business management, have knowledge, experience, and abilities. In order to ensure diversity, three outside directors are invited from outside the retail industry, and two of them are female directors with management experience at other companies.

Board of Directors (May 23, 2023)



Representative Director and President
Kiyoshi Yokoyama
(May 15, 1935)

Dec. 1961 Joined the Company
Dec. 1964 Appointed Managing Director of the Company
Apr. 1970 Appointed Representative Director and Senior Managing officer of the Company
Apr. 1985 Appointed Representative Director and President of the Company (current position)
Nov. 2002 Appointed Representative Director and President of RALSE COMPANY, LIMITED
May. 2007 Appointed Representative Director, Chairperson and CEO of RALSE COMPANY, LIMITED (current position)



Director and Executive Vice President
Koichi Furukawa
(May 7, 1956)

Apr. 1980 Joined the Hokkaido Bank, Ltd.
Oct. 1998 Joined the Company
Nov. 2002 Appointed Executive Officer of the Company
May. 2006 Appointed Director of RALSE COMPANY, LIMITED (current position)
May. 2013 Appointed Director and Managing Executive Officer of the Company
May. 2019 Appointed Director and Senior Managing Executive Officer of the Company
May. 2021 Appointed Director and Executive Vice President of the Company (current position)



Director and Executive Officer
Kazuhisa Nekomiya
(August 11, 1960)

Mar. 1983 Joined the Company
May. 2005 Appointed Executive Officer of RALSE COMPANY, LIMITED
May. 2006 Appointed Director of RALSE COMPANY, LIMITED
May. 2010 Appointed Managing Director of RALSE COMPANY, LIMITED
May. 2016 Appointed Representative Director, President and COO of RALSE COMPANY, LIMITED (current position)
Appointed Director and Executive Officer of the Company (current position)



Full-time Corporate Auditor
Hiroyuki Sagawa
(May 31, 1949)

Apr. 1974 Joined Jotetsu Shoji Co., Ltd. (currently TOKOU STORE COMPANY, LIMITED)
May. 1989 Appointed Director of TOKOU STORE COMPANY, LIMITED
Jun. 1997 Appointed Managing Director of TOKOU STORE COMPANY, LIMITED
Jun. 2002 Appointed Senior Managing Director of TOKOU STORE COMPANY, LIMITED
May. 2008 Appointed Audit & Supervisory Board Member of TOKOU STORE COMPANY, LIMITED (current position)
May. 2014 Appointed Full-time Audit & Supervisory Board Member of the Company (current position)



Auditor
Takayuki Tamori
(November 2, 1952)

Apr. 1976 Joined Jotetsu Shoji Co., Ltd. (currently TOKOU STORE COMPANY, LIMITED)
Jun. 1995 Appointed Director of TOKOU STORE COMPANY, LIMITED
May. 2010 Appointed Managing Director of TOKOU STORE COMPANY, LIMITED
May. 2014 Appointed Full-time Corporate Audit & Supervisory Board Member of TOKOU STORE COMPANY, LIMITED (current position)
May. 2019 Appointed Audit & Supervisory Board Member of the Company (current position)



Auditor
Satoru Takashima
(October 21, 1951)

Apr. 1985 Established Satoru Takashima Law Office
May. 1993 Appointed Audit & Supervisory Board Member of the Company (current position)
Jan. 1996 Established Sapporo Chuo Law Office
Aug. 2006 Appointed Head of the Takashima Law Office (current position)



Auditor
Kazunori Ito
(May 16, 1949)

Apr. 1968 Joined SAPPORO Regional Taxation Bureau
Jul. 2008 Appointed District Director of Sapporo Naka Tax Office
Aug. 2009 Appointed Head of the Kazunori Ito Certified Public Tax Accountant Office (current position)
May. 2013 Appointed Audit & Supervisory Board Member of the Company (current position)



Director and Executive Officer
Takehiko Miura
(August 28, 1971)

Jun. 2005 Joined Universe Co., Ltd.
Jul. 2011 Appointed Director of Universe Co., Ltd.
May. 2020 Appointed Representative Director and COO of Universe Co., Ltd.
Appointed Director and Executive Officer of the Company (current position)
May. 2021 Appointed Representative Director and President of Universe Co., Ltd. (current position)



Director and Executive Officer
Ikuharu Fukuhara
(September 30, 1967)

Sep. 1995 Joined FUKUHARA CO., LTD.
May. 2006 Appointed Director of FUKUHARA CO., LTD.
May. 2009 Appointed Managing Director of FUKUHARA CO., LTD.
May. 2013 Appointed Representative Director and President of FUKUHARA CO., LTD. (current position)
Appointed Director and Executive Officer of the Company (current position)



Director and Executive Officer
Akira Muguruma
(October 16, 1953)

Feb. 1981 Joined Fuji Co., Ltd. (currently Douhoku Arcs Co., Ltd.)
Dec. 1987 Appointed Director of Fuji Co., Ltd.
Jul. 1991 Appointed Managing Director of Fuji Co., Ltd.
Jul. 1992 Appointed Senior Managing Director of Fuji Co., Ltd.
Jul. 1998 Appointed Representative Director and President of Fuji Co., Ltd. (current position)
Oct. 2004 Appointed Director and Executive Officer of the Company
Jun. 2022 Appointed Executive Officer of the Company
May. 2023 Appointed Director and Executive Officer of the Company (current position)



Executive Officer
Hideki Kogarimai
(December 26, 1962)

Mar. 1988 Joined the JOIS Co., Ltd. (currently BELJOIS Co., Ltd.)
Jun. 2004 Appointed Director of JOIS Co., Ltd.
Jan. 2007 Appointed Managing Director of JOIS Co., Ltd.
Jan. 2009 Appointed Representative Director, President and Chief Executive Officer of JOIS Co., Ltd.
Sep. 2012 Appointed Director and Executive Officer of the company
Mar. 2016 Appointed Representative Director and Chairperson of BELJOIS Co., Ltd.
May. 2022 Appointed Executive Officer of the Company (current position)



Executive Officer
Tsukasa Sawada
(January 31, 1959)

Oct. 1990 Joined the Belle Development Co., Ltd.
May. 1992 Appointed Director of Belle Development Co., Ltd.
May. 2004 Appointed Representative Director and President of Belle Development Co., Ltd.
May. 2010 Appointed Representative Director and President of Belle Plus Co., Ltd. (currently BELJOIS)
Mar. 2016 Appointed Representative Director and President of BELJOIS Co., Ltd.
May. 2016 Appointed Director and Executive Officer of the Company
May. 2022 Appointed Executive Officer of the Company (current position)



Director
Hiroshi Saeki
(July 1, 1941)

Apr. 1984 Appointed Professor of School of Engineering of Hokkaido University
Apr. 2001 Appointed Dean of Graduate School of Engineering and Dean of School of Engineering of Hokkaido University
May. 2003 Appointed Vice President of Hokkaido University
May. 2007 Appointed President of Hokkaido University
Apr. 2013 Appointed Professor Emeritus of Hokkaido University (current position)
May. 2014 Appointed Outside Director of the Company (current position)



Director
Ryoko Sasaki
(July 6, 1946)

Jun. 1992 Appointed Managing Director of Survey and Development Center Co., Ltd.
Jul. 1995 Appointed Representative Director of R's Seminar Corporation
Jul. 2002 Appointed Deputy Governor of Hokkaido Government
Jul. 2007 Appointed Chairperson of Hokkaido prefectural Public Safety Commission
Jun. 2013 Appointed Outside Director of Hokkaido Electric Power Co., Inc.
May. 2015 Appointed Outside Director of the Company (current position)
Apr. 2018 Appointed Hokkaido University Nitobe College Fellow (current position)



Director
Toyoko Togashi
(June 11, 1955)

Apr. 1985 Appointed Director of B4 corporation
Aug. 1996 Appointed President of Hokkaido Human Resources Bank, Limited
Aug. 2012 Appointed Representative Director and Chairperson of Hokkaido Human Resources Bank, Co., Ltd. (current position)
May. 2022 Appointed Outside Director of the Company (current position)



Executive Officer
Koichi Inoue
(August 11, 1956)

May. 1989 Joined the Sony Corporation (currently Sony Group)
Sep. 2005 Joined Universe Co., Ltd.
Jul. 2010 Appointed Director of Universe Co., Ltd.
May. 2014 Appointed Director and Executive Officer of the Company
Apr. 2020 Appointed Director in charge of the Company of Universe Co., Ltd.
May. 2022 Appointed Executive Officer of the Company (current position)



Executive Officer
Naoto Matsuo
(January 6, 1963)

Sep. 1990 Joined the Company
May. 2012 Appointed Executive Officer of RALSE COMPANY, LIMITED
May. 2014 Appointed Director of RALSE COMPANY, LIMITED
May. 2016 Appointed Managing Director of RALSE COMPANY, LIMITED
May. 2020 Appointed Senior Managing Director of RALSE COMPANY, LIMITED (current position)
Appointed Executive Officer of the Company (current position)

Director/Executive officer skill matrix

The key expertise and experience of each director and executive officer is illustrated in the skill matrix.

In addition, regarding the Company's management strategy and priority issues related to sustainability, what perspectives are the directors and executive officers contributing and providing knowledge based on their respective experiences, skills, and knowledge shown in the skill matrix listed in the table on page 54.

Job title	Name	Management and business experience			Management skills and knowledge						Perspectives on the contributions and offerings of directors and executive officers on key themes						
		Business Management	Industry Knowledge	Implementation of Group Philosophy and Operating Policies	Finance and Accounting	Compliance and Risk Management	DX, IT & Security	Sales & Marketing	Governance	Sustainability	Management Strategies		Materiality on Sustainability (Key Issues)				
											Supermarket Business Management	Priority Strategies ▶ P29-32	Coexistence with local communities ▶ P23	Consideration for Environment ▶ P25	Contributing to affluent lifestyles of customers ▶ P27	Promoting Diversity and Inclusion ▶ P28	Strengthening Governance ▶ P47
Representative Director and President	Kiyoshi Yokoyama	○	○	○	○	○	○	○	○	○	Perspective from a position overseeing the management of our group	Perspectives on Company Management (Company-wide)	Perspectives based on knowledge of energy	Perspectives on Company Management (Company-wide)		Perspectives on Company Management	
Director and Executive vice President	Koichi Furukawa		○	○	○	○	○	○	○	○	Perspective based on the performance and business condition of the entire group	Perspectives from experience in handling many M&A transactions		Perspective from the Position of Vice President in Charge of Administration		Perspective from the Position of Vice President in Charge of Administration	
Directors and Executive officer	Kazuhisa Nekomiya	○	○	○			○				Perspectives from a Position Leading the Management of Operating Companies	Perspectives on Company Management (Central Hokkaido)		Perspectives on Company Management (Central Hokkaido)	Perspectives on Employee Education and Human Resource Management		
Directors and Executive Officer	Takehiko Miura	○	○	○			○				Perspectives from a Position Leading the Management of Operating Companies	Perspectives on Company Management (Tohoku)		Perspectives on Company Management (Tohoku)	Perspectives on Employee Education and Human Resource Management		
Directors and Executive Officer	Ikuharu Fukuhara	○	○	○			○				Perspectives from a Position Leading the Management of Operating Companies	Perspectives on Company Management (Eastern Hokkaido)		Perspectives on Company Management (Eastern Hokkaido)	Perspectives on Employee Education and Human Resource Management		
Directors and Executive Officer	Akira Muguruma	○	○	○			○	○			Perspectives from a Position Leading the Management of an Operating Company	Perspectives on Company Management (Northern Hokkaido)		Perspectives on Company Management (Northern Hokkaido)	Perspectives on Employee Education and Human Resource Management	Perspectives on Company Management	
Director (outside and independent directors)	Hiroshi Saeki					○		○	○					Engineering Perspective on the Environment	Consumer Perspectives on Local Economies		Objective perspective as an academic expert
Director (outside and independent directors)	Ryoko Sasaki	○				○		○	○		Perspectives from Different Industry Management Experience and Knowledge			Perspectives on Electricity Supply and Demand for Local Economies		Perspectives on Diverse Human Resources and Work Styles	Perspectives from different industry management experience and knowledge
Director (outside and independent directors)	Toyoko Togashi	○				○		○			Perspectives from Different Industry Management Experience and Knowledge			Consumer Perspectives on the Local Economy	Perspectives on Diverse Human Resources and Work Styles	Perspectives from different industry management experience and knowledge	
Executive officer	Hideki Kogarimai	○	○	○			○				Perspectives from a position leading the management of operating company	Perspectives on Company Management (Tohoku)		Perspectives on Company Management (Tohoku)	Perspectives on Employee Education and Human Resource Management		
Executive officer	Tsukasa Sawada	○	○	○			○				Perspectives from a position leading the management of operating company	Perspectives on Company Management (Tohoku)		Perspectives on Company Management (Tohoku)	Perspectives on Employee Education and Human Resource Management		
Executive officer	Koichi Inoue			○			○					Perspectives from a position promoting DX throughout the group					Perspectives on Security Enhancement
Executive officer	Naoto Matsuo		○	○			○					Perspectives on economies of scale in Merchandising, logistics, etc.	Perspectives from an online store promoter	Perspectives from the standpoint of energy conservation and BCP promotion			

Compliance and Risk Management

Basic Approach to Compliance and Risk Management

In 2008, ARCS established the Compliance and Risk Management Committee, which is chaired by the President and includes outside lawyers, to oversee compliance and risk management of the group. It is regularly reported to the board of directors.

Ensure compliance

The "Compliance Regulations" stipulate matters necessary for the handling of compliance of our group, and we are committed to thorough compliance and fair and honest management.

Risk management

In accordance with the "Risk Management Regulations" we have established basic policies and systems for risk management. We have put in place the risk management system and methods, in order to manage the risks of our group companies comprehensively and individually.

Major Risks and Countermeasures

Major Risks	Specific Risks	Countermeasure
Natural disasters, accidents and incidents	<ul style="list-style-type: none"> Earthquakes, tsunamis, typhoons, torrential rains, floods, and other major disasters Fires, accidents and incidents inside and outside stores Disruption of store operations, merchandise procurement, and other business activities by disasters 	<ul style="list-style-type: none"> Establishment of business continuity plan (BCP) and disaster prevention manual Establishment of emergency contact system and information sharing system with group companies Storage of emergency supplies and disaster equipment Evacuation drills and crime prevention measures at group companies
Infectious and contagious diseases	<ul style="list-style-type: none"> Customer and employee health risks Risks related to personnel shortages Risks related to merchandise procurement Risks related to intensified price competition 	<ul style="list-style-type: none"> Establishment of response rules in accordance with official guidelines and thorough measures against infectious diseases Establishment of personnel support systems at headquarters and among divisions and stores Securing of unique merchandise procurement quotas at each Group company Expansion of joint Group procurement, utilization of CGC and the New Supermarket Alliance of Japan
Securing human resources	<ul style="list-style-type: none"> Declining workforce due to aging society with fewer children Intensifying competition for human resources among companies Difficulty in securing and training excellent human resources due to job turnover 	<ul style="list-style-type: none"> Establishment and thorough implementation of internal environmental improvement policy Promotion of diversity and inclusion Diversification of recruitment methods Enhancement of education and training systems
Labor management, workplace health and safety	<ul style="list-style-type: none"> Health and safety issues in the workplace (overwork, harassment, etc.) 	<ul style="list-style-type: none"> Establishment and thorough implementation of internal environmental improvement policies Periodic checks for overwork and harassment and sharing of information among Group companies Implementation of harassment training and awareness-raising for all levels Establishment of harassment guidelines Close cooperation with industrial physicians and sharing of information to Group companies as needed
Geopolitics	<ul style="list-style-type: none"> Global economic recession due to political instability such as terrorism, wars and conflicts Soaring energy prices, supply chain disruptions, etc. Rising costs and cooling consumer confidence due to the above 	<ul style="list-style-type: none"> Secure unique commodity procurement quotas for each Group company Promote introduction of energy-saving equipment and consider diversification of energy procurement Share information among Group companies and take advantage of economies of scale
Product and food safety	<ul style="list-style-type: none"> Errors in food labeling and promotional advertising Food poisoning and other product problems Reputational damage Compensation for damages 	<ul style="list-style-type: none"> Guidance based on HACCP standards and thorough hygiene management at each group company Periodic checks of labeling rules and operational status
Information Security and Information Management	<ul style="list-style-type: none"> Defects in software and equipment due to disasters, power outages, etc. Computer virus infection or unauthorized access from within Suspension or temporary disruption of information systems, leakage or falsification of internal information including personal information due to the above 	<ul style="list-style-type: none"> Preventive maintenance management of hardware Network redundancy/communication monitoring Software operation status monitoring Establishment of various rules and guidelines for personal information protection and implementation of employee training
Changes in the Business Environment	<ul style="list-style-type: none"> Increased competition in the retail industry Changing customer consumption trends 	<ul style="list-style-type: none"> Secure regional market share through area dominance strategy Promote marketing using customer information
Compliance & Misconduct	<ul style="list-style-type: none"> Harassment, social media risk Serious misconduct, compliance issues 	<ul style="list-style-type: none"> Educate employees using the booklet "ARCS Group Philosophy" and Compliance News Share risk cases through the Compliance Risk Management Committee Collaborate with external experts such as legal advisors Continue to educate and enlighten employees on the importance of compliance with laws and regulations

Compliance Education

The Compliance and Risk Management Committee distributes the booklet "ARCS Group Philosophy", which describes the corporate philosophy and code of conduct, to all officers and employees of group, and educates them on relevant laws, regulations, the group's philosophy, code of conduct, in order to ensure that they are familiar with basic matters concerning corporate governance and compliance. We also conduct periodic compliance training sessions. In addition, we periodically publishes Compliance News to strengthen compliance and instill corporate ethics.



Compliance News

Internal Reporting System and Helpline for suppliers of the ARCS Group

The ARCS Group has established an "Internal Reporting Desk" for employees of group companies and a "Help Line for Suppliers of the ARCS Group" for suppliers to prevent violations of laws and regulations, misconduct, harassment, etc., and to ensure early detection, early correction and prevention of recurrence of such violations.

Internal Reporting System

As an internal reporting system for the purpose of early detection and correction of violations of laws and regulations, internal rules, and social norms, we have established an internal reporting system with internal staff and outside attorneys as direct contact points.

Exclusive Helpline for suppliers

We have established a dedicated contact point for suppliers to contact us if the employee of a Group company has committed (or is seen committing) an act that violates laws and regulations, the ARCS Group action guideline, contracts with suppliers, or other ethical standards required by society.

Quality Assurance Promotion

In 2018, we established the Quality Assurance Promotion Office, and established a "Quality Policy" and "Quality Assurance Regulations" for in-house products. The Quality Assurance Promotion Committee, attended by personnel from each Group company, meets regularly to inform employees of the discussions and link them to ongoing activities. In addition, QAP (Quality Assurance Promotion) news is published regularly, and study sessions are held to actively promote awareness of hygiene management.



Each store holds a study session on hygiene management.



QAP (Quality Assurance Promotion) News

Key Indicators

10-Year Summary (Consolidated)

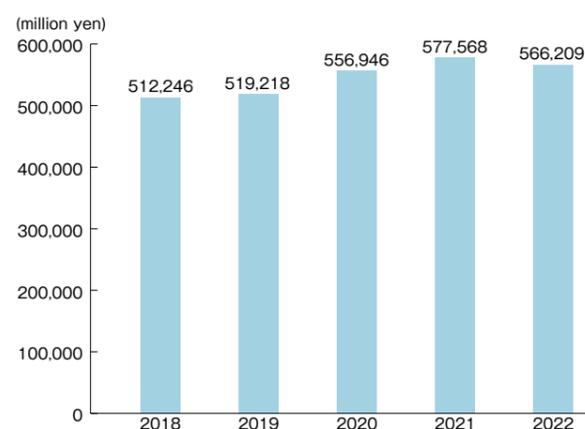
Item	unit	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net Sales	Million yen	454,391	470,310	501,905	512,645	513,955	512,246	519,218	556,946	577,568	566,209
Operating Income	Million yen	13,435	12,712	14,429	14,854	14,440	14,821	12,119	17,748	15,562	14,835
Ordinary Income	Million yen	14,688	14,290	15,894	16,471	16,366	16,405	13,746	19,503	17,306	16,444
Ordinary Income Ratio	%	3.2%	3.0%	3.2%	3.2%	3.2%	3.2%	2.6%	3.5%	3.0%	2.9%
Net income	Million yen	6,375	9,475	6,547	10,493	10,255	10,168	6,870	12,967	10,304	9,947
Total Assets	Million yen	177,564	201,356	200,954	205,313	211,157	226,846	232,332	251,032	258,025	266,155
Net Assets	Million yen	110,019	119,417	118,368	126,859	133,442	147,529	144,580	157,504	163,995	171,686
ROA (Return on Assets)	%	8.3%	7.5%	7.9%	8.1%	7.9%	7.5%	6.0%	8.1%	6.8%	6.3%
ROE (Return on Equity)	%	5.9%	8.3%	5.6%	8.6%	7.9%	7.2%	4.7%	8.6%	6.4%	5.9%
Total Assets Turnover	Number of times	2.6	2.3	2.5	2.5	2.4	2.3	2.2	2.2	2.2	2.1
Equity ratio	%	62.0%	58.7%	58.9%	61.8%	63.2%	65.0%	62.2%	62.7%	63.5%	64.5%
Cash flows from operating activities	Million yen	12,057	17,764	12,757	16,257	18,087	16,186	16,584	29,047	14,247	16,989
Cash flows from investing activities	Million yen	△ 3,262	△ 3,467	△ 5,571	△ 7,560	△ 10,276	△ 18,033	△ 10,775	△ 5,627	△ 4,417	△ 7,768
Cash flows from financing activities	Million yen	△ 4,496	△ 4,344	△ 8,176	△ 4,509	△ 4,936	5,796	△ 5,159	△ 3,887	△ 7,422	△ 2,801
Cash and cash equivalents at end of period	Million yen	23,288	33,240	32,023	36,209	39,084	43,033	44,212	63,767	66,175	72,594
Net income per share (EPS)	yen	115	171	117	188	185	183	121	229	182	177
Net assets per share	yen	1,999	2,128	2,128	2,281	2,425	2,557	2,558	2,787	2,910	3,066
Dividends per share	yen	40	42	42	46	48	50	50	55	57	58
Total number of employees		24,196	26,401	26,923	26,648	26,788	26,813	27,891	28,855	30,135	29,887
Number of stores at end of period		290	319	339	338	336	334	345	344	375	373

*The Christian year represents the fiscal year.

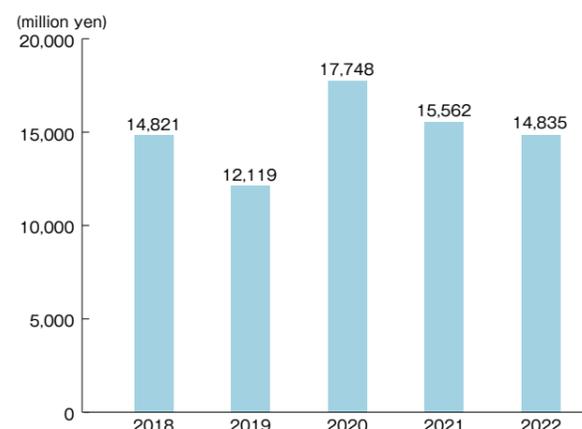
*The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others are applied from the fiscal year 2022, and the sales figures for fiscal year 2022 are after the application of the said accounting standard and others.

Financial Highlights

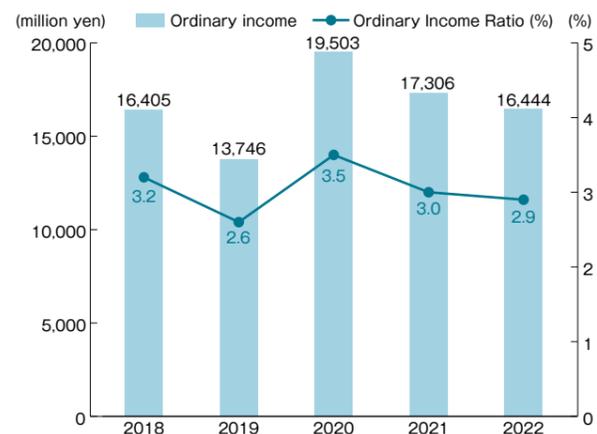
Net Sales



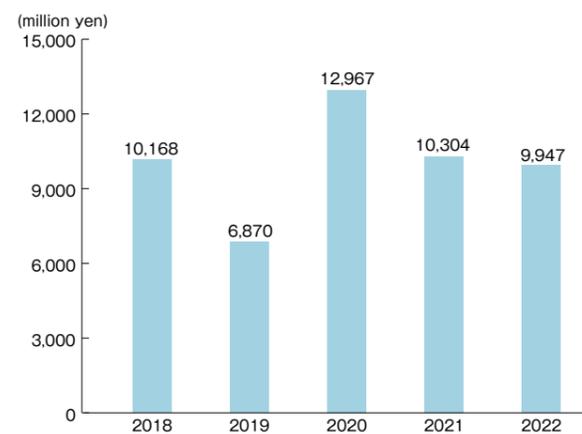
Operating income



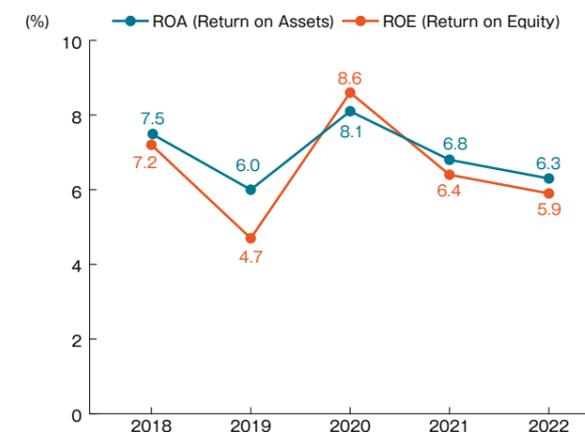
Ordinary Income and Ordinary Income Ratio



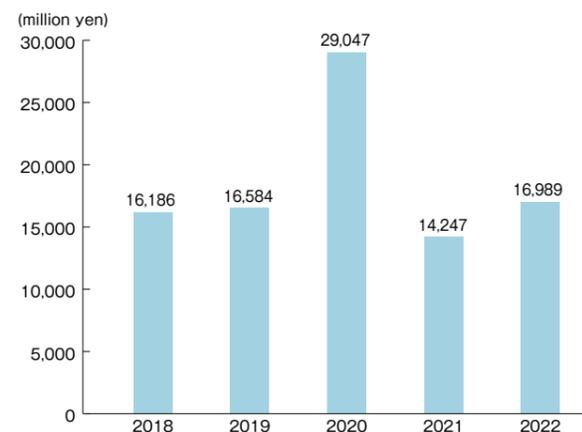
Net income



ROA (Return on Assets)/ROE (Return on Equity)



Cash flows from operating activities



*Financial figures for fiscal year 2022 are after applying the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc.

Non-Financial Highlights

	FY2021
Total CO ₂ emissions	337,317t-CO ₂ e
Scope 1	93,776t-CO ₂ e
(emissions due to leakage of CFCs)	55,179t-CO ₂ e
Scope 2	243,541t-CO ₂ e
CO ₂ emissions per store	906t-CO ₂ e
CO ₂ emissions per 100 million yen in sales	59t-CO ₂ e
Amount of plastic containers and packaging used	5,369t
Plastic Shopping Bag Refuse Rate	85.3%
Amount of food waste generated	16,112t
Amount of food recycled	9,951t
Food recycling rate	61.8%

	FY2021	FY2022
Number of employees (total)	30,135	29,887
Number of employees (8hour equivalent)	21,193	20,985
Number of new graduates hired	176	146
Ratio of managerial position of female	6.3%	6.5%
Number of managerial position of female	51	53
Percentage of employees with disabilities	2.7%	2.9%
Number of male employees taking maternity leave	5	21
Percentage of paid leave taken (regular employees only)	45.5%	52.0%
Training hours per employee (regular employees only)	-	17.3 hours

Company Profile As of February 28, 2023

Company Name	ARCS COMPANY,LIMITED	Capital	21,205 million yen
Address	2-32, Minami 13-jo Nishi 11-chome, Chuo-ku, Sapporo, 064-8610, Japan	Number of employees	162 <small>*part-time employee are 8-hour equivalents.</small>
Representative	Kiyoshi Yokoyama, Representative Director and President	Accounting Auditor	Ernst & Young ShinNihon LLC.
Established	October 28, 1961	Listed exchanges	Tokyo Stock Exchange Prime Market / Sapporo Securities Exchange

Shares As of February 28, 2023

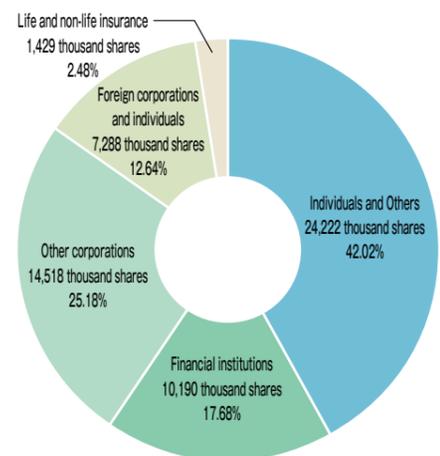
Total number of authorized shares	200,000,000 shares
Total number of shares issued and outstanding	57,649,868 shares
Number of shareholders	47,323 <small>*5,862 more than in the previous period</small>

Major Shareholders (Top 10)

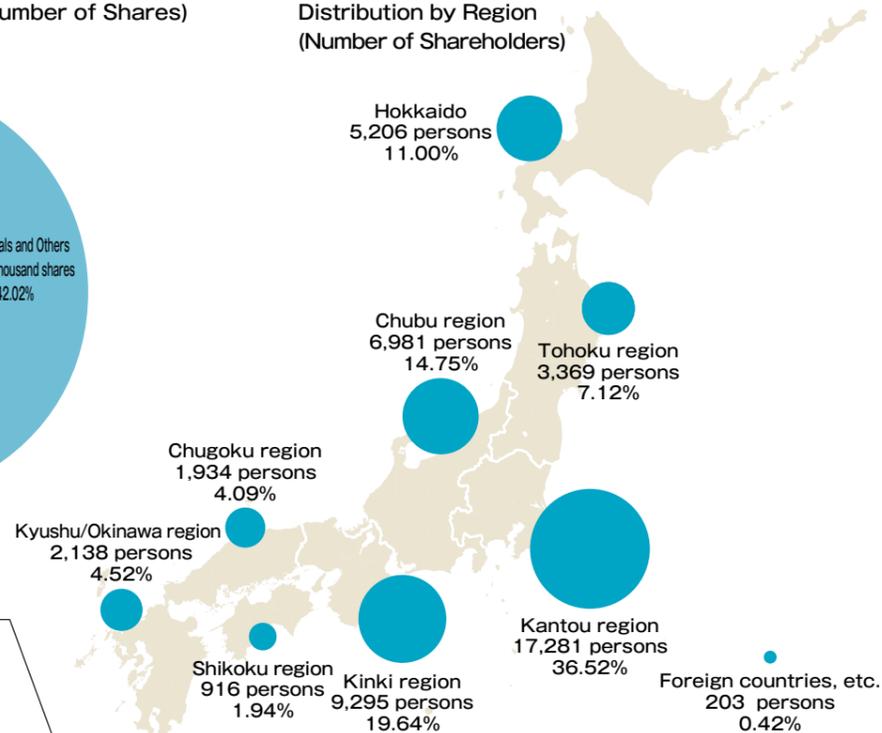
Shareholder Name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd.	3,808,600	6.80
Kiyoshi Yokoyama	3,040,554	5.43
The Hokkaido Bank, Ltd.	2,533,972	4.52
Maruji Ltd.	1,437,131	2.56
North Pacific Bank, Ltd.	1,415,844	2.52
Valor Holdings Co., Ltd.	1,335,000	2.38
RETAIL PARTNERS CO., LTD.	1,335,000	2.38
ARCS Group Employee shareholding Association	1,065,598	1.90
ARCS Group Business Partners Shareholding Association	1,033,902	1.84
The Hokuriku Bank, Ltd.	977,208	1.74

*The Company holds 1,666,818 shares of treasury stock, which are excluded from the above list of major shareholders.
*Shareholding ratio is calculated excluding treasury stock (1,666,818 shares).

Distribution by Shareholder (Number of Shares)



Distribution by Region (Number of Shareholders)



In esoteric Buddhism, the three elements of action (body), behavior (mouth), and consciousness (will) are called the "Sanmitsu".
It is said that human conduct consists of this body, mouth, and will.
By aligning these three elements, we aim to build a relationship of trust with its stakeholders and further deepen our communication.
(Written by Kiyoshi Yokoyama, Representative Director and President)