



Lifeline for each community



# Everything for Regional Food and Lifestyles

## — ARCS Group Philosophy —

The history of the ARCS Group is one of ongoing support for regional food and lifestyles. With operational bases in eastern Japan, primarily in Hokkaido and Tohoku, we have been supporting society for 64 years, always mindful of the lifestyles of people in each community.

### Group Philosophy

**ARCS Group is a lifeline for each community. We contribute to enriched lives by providing valuable merchandise and services at low prices.**

As a basic approach to clarify in which areas we should fulfill our social mission, the ARCS Group philosophy, which is shared by all group companies, is to “contribute to enriched lives 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

The ARCS 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 management policy as shown on the right.

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

### Corporate Statement

#### Bridge on the Rich Land for Your Life

Our corporate statement “Bridge on the Rich Land for Your Life” expresses our fundamental concept of what we are. This is based on our concept to build dominant networks in each region of Japan 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 among local companies with the same aspirations and in doing so be a receptacle to compete with major retail companies.

### Group Code of Conduct (Arcs Way)

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.

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

### 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 of the initials of Always, Rising, Community, and Service. Each letter has the following meanings.

#### Always

We always have what you need at your fingertips. The ARCS Group always wishes to be close partners to our customers.

#### Rising

We are working on various innovations to contribute to customers' enriched lives. Your smiles fill us with joy in our work.

#### Community

We are always committed to providing safe and secure merchandise and services for the local community.

#### 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.



# History of ARCS Group Unity

## The Era Before ARCS



In October 1961, Daimaru Super Co., Ltd. (now ARCS) was founded, and the following month opened the Daimaru Super Yamahana Store in Sapporo City. At the time of Japan's first distribution revolution, when the retail industry was modernizing, we launched a small store of about 248 square meters, pioneering a new self-service supermarket format. This first step laid the foundation for a Group that has been serving communities for over 60 years.

**1961**

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

**1969**

Company name changed from katakana to kanji ("Daimaru Super")

**1987**

Daimaru Kenso (now ELDy) made 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; liquor sales business made a subsidiary

**1995**

**Expansion into Eastern Hokkaido**  
Capital participation in Ichiwa in Kitami City, Hokkaido; made a subsidiary (now Doutou Arcs)

**1996**

Pharmaceutical sales business of Lifepoint made a subsidiary (now ELDy)

**1997**

**Expansion into Northern Hokkaido**  
Eight stores transferred from Mishima in Shibetsu City, Hokkaido to Douhoku Ralse (now Douhoku Arcs)

**2000**

**Expansion into Muroran area (Hokkaido)**  
Capital participation in HomeStore; made a subsidiary

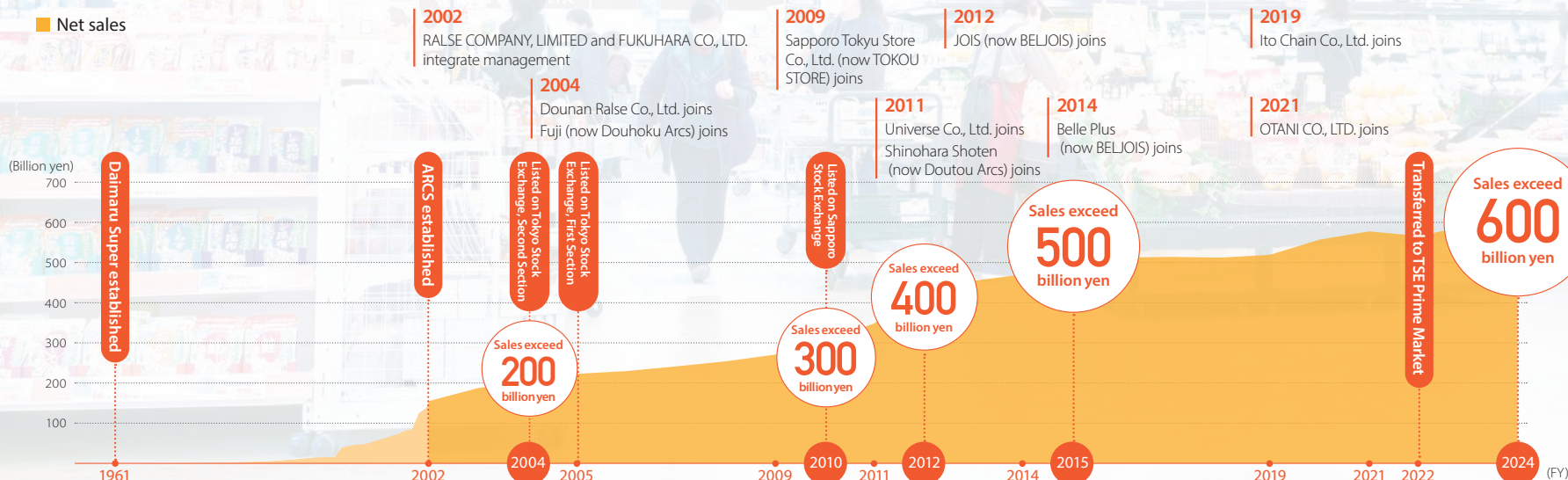
**2002**

## ARCS established

In 2002, ARCS COMPANY, LIMITED was established as a holding company for community-based food supermarkets. We aim to connect producers and customers by establishing dominant networks in each region and delivering fresh, safe, and reliable food. As a foundation for like-minded regional companies to collaborate and compete with larger firms, we advocate Yatsugatake Mountain Range Management\* and pursue growth through M&A (Mind & Agreement).

**ARCS Group's M&A = Mind & Agreement : agreement of minds and opinions**

\*Management policy where companies are integrated on an equal footing, like mountains of similar height stretching side by side in the Yatsugatake Mountain Range, maintaining closeness between companies and customers.





# The ARCS Group Today

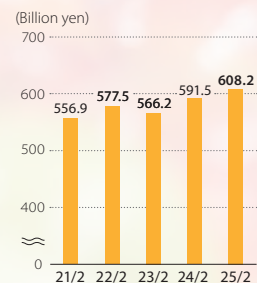
The ARCS Group maintains the leading market share in Hokkaido, Aomori Prefecture, and Iwate Prefecture. Its food supermarkets leverage economies of scale to establish dominant networks in various regions, providing merchandise and services closely linked to everyday life for local communities. Moving forward, we plan to further grow our business and, as a leader in safeguarding community lifelines, we will continue to pursue our goal of creating “number one stores in each region.”

## Group Companies

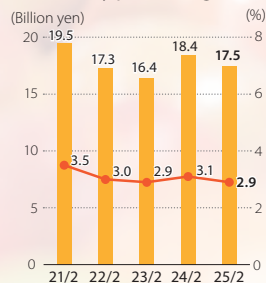


## Trends in Performance and Total Assets

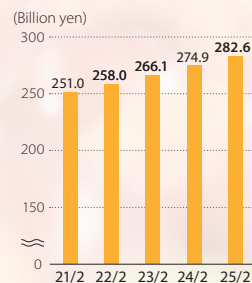
### Net sales



### Ordinary profit Ordinary profit margin

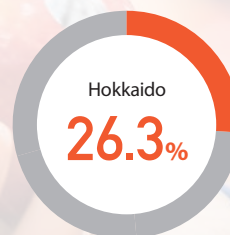


### Total assets



## Market Share in Major Regions

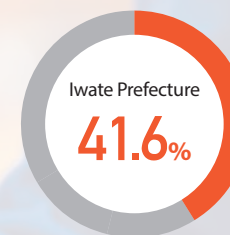
\*Share of food sales. Each figure is estimated by ARCS based on FY2024 performance.



Market size: 1,184.8 billion yen



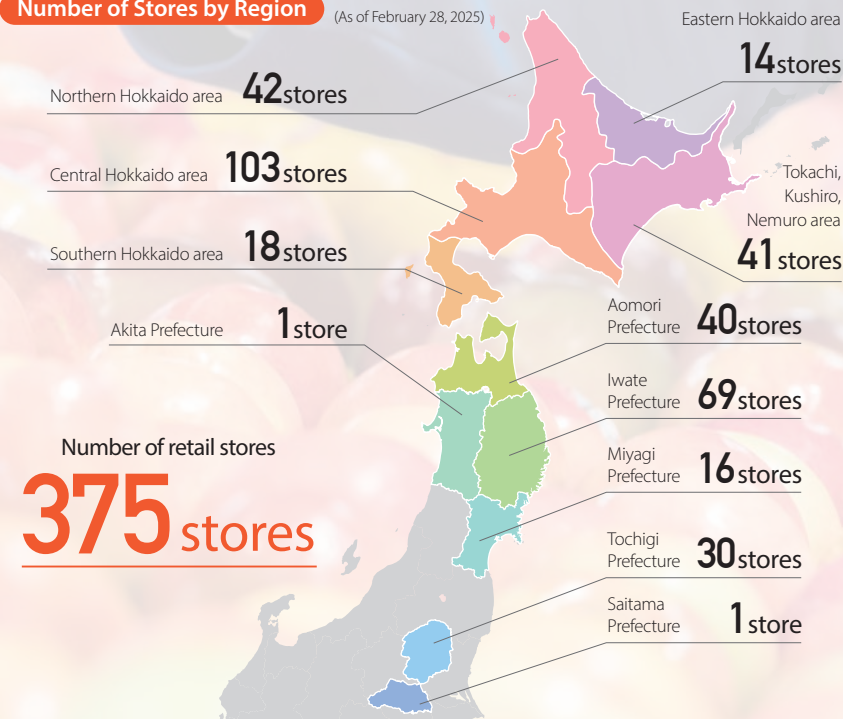
Market size: 295.9 billion yen



Market size: 272.5 billion yen

## Number of Stores by Region

(As of February 28, 2025)





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The number of employees listed in "Management Status and Challenges of Each Company" is the total of full-time employees and part-time employees, calculated on an 8-hour equivalent basis, as of February 28, 2025. Sales and the number of stores are as of February 28, 2025.

## Editorial Policy

The ARCS Integrated Report is a communication tool intended to clearly inform investors and other stakeholders about the ARCS Group's business activities and efforts to improve medium- to long-term enterprise value. The report provides information on the structure and visions of Yatsugatake Mountain Range Management—the Group's business model—as well as the Group's sustainability efforts, using focused key points to convey them concisely. For more detailed management, financial, business, and sustainability information, please visit the ARCS Group website. In preparing this report, we referred to the "International Integrated Reporting Framework" promoted by the IFRS Foundation and the "Guidance on Integrated Disclosure and Dialogue for Value Creation" issued by the Ministry of Economy, Trade and Industry.

## Forward-Looking Statements

This report includes not only historical and current information about the ARCS Group but also forward-looking statements regarding future forecasts, expectations, and plans. These statements are based on assumptions and judgments made using information available at the time of publication and are subject to inherent uncertainties and risks. Accordingly, actual business results and future events may differ materially from those expressed or implied in the forward-looking statements contained in this report.

# Investor Guidelines

(Key Insights from the ARCS Report)

$$\text{Enhancement of corporate value} = \frac{\text{Continuous profit growth}}{\text{Reduction of capital costs} - \text{Acceleration of growth speed}}$$

## Continuous Profit Growth Mechanism for Continuous Profit Growth

### Message from the CEO

➔ P.4

CEO Yokoyama discusses the essence of the food supermarket industry, the appeal of Yatsugatake Mountain Range Management, and his outlook for growth, including early achievement of 1 trillion yen in sales.

### What is "Yatsugatake Mountain Range Management"?

➔ P.20

The report clearly explains the overall picture and key points of Yatsugatake Mountain Range Management—the ARCS Group's unique business model that has driven our growth to date.

### Management Status and Challenges of Each Company

➔ P.22

The report highlights the management status, regional characteristics, future initiatives, and key challenges of the 11 operating companies, together with messages from their management.

## Acceleration of Growth Speed Overcoming Business Challenges and Refining Strengths

### Message from the COO

➔ P.8

COO Nekomiya explains management improvement measures for operating companies and strategies to address challenges facing the Group's food supermarkets in a highly competitive business environment.

### Further Refining Yatsugatake Mountain Range Management

➔ P.38

To accelerate growth speed, the Group is working to refine its existing business model. Key concepts include price appeal to customers, a Group management perspective, and coexistence with communities.

### — Leveraging Individuals, Moving the Whole

➔ P.39

The report explains the elements that will drive faster future growth, including strengths built through business activities, systems and innovations for delivering merchandise at low prices, and innovations in human resource development.

## Reduction of Capital Costs Investor Communication and Sustainability

### Message from the CFO

➔ P.12

CFO Furukawa delivers a message to investors highlighting the Group's business and financial challenges, explaining how to address them and how to link them to increasing enterprise value.

### Enhancing Corporate Value

➔ P.42

A logic tree clearly illustrates the big picture of how the ARCS Group will increase enterprise value to become a "sustainable lifeline for each community."

### Foundation Supporting Value Creation

➔ P.50

The report explains the ARCS Group's basic approach and initiatives related to ESG. The "Outside Directors' Discussion" highlights each director's thoughts on sustainable growth moving forward.



## Message from the CEO

# I Believe “Yatsugatake Mountain Range Management” Remains the Best Solution for the Issues Facing Regional Food Supermarkets

**Kiyoshi Yokoyama**  
Chairman, CEO

**Learning from the Essence of  
64 Years of Experience  
in the Turbulent  
Food Supermarket Business**

**The value of communication with  
customers**

I joined a marine products trading company in 1960, and after a year at the Hokkaido branch, I was seconded to Daimaru Super, which later became ARCS. From then until now, I have witnessed 64 years of history in food supermarkets. During this time, I have seen firsthand the rise and fall of nationwide



chains, as well as the struggles and setbacks of regional food supermarkets affected by Japan's declining birthrate and aging population.

Reflecting on this history, what I feel most strongly is the unwavering fact that the supermarket format has persisted despite its highs and lows. The concept of self-service, which did not exist in the past, has become an established feature of retailing today, even as the merchandise we handle has changed over time. There are good reasons why this type of service has lasted so long. The Japanese supermarket industry has survived not only by streamlining the inefficient distribution channels in the old distribution industry, but also by pursuing customer self-service to cut costs and provide high-quality merchandise at low prices. Food supermarkets, in particular, have been able to endure because they value communication—with customers who visit our stores daily, among employees, and with our many business partners. If we had prioritized only productivity and efficiency for the sake of expanding scale and market share, ignoring this fundamental communication in the name of rationalization, I believe we probably would not have been supported by our customers for so long.

## Step Forward as the ARCS Group and Establish New Management Structure

### Enhancing both physical stores and online shops

While the ARCS Group has certainly grown to become one of

Japan's leading food supermarket groups, from our customers' perspective, each store in the ARCS Group is simply an ordinary food supermarket in their community. I think that's perfectly fine. For the customers in each local community, the real value lies in the ordinary supermarket that supports their daily food needs at all times. The ARCS Group's mission is to continue providing this value. Even as lifestyles and attitudes toward food have shifted following the COVID-19 pandemic, we will keep evolving to remain the ordinary food supermarket that is essential for all our customers.

As part of our store operation strategy to achieve this goal, we are focusing on expanding Super ARCS. Super ARCS is an upgraded version of Big House, which we developed as a suburban discount store. It's a hybrid format that preserves the price appeal essential to discount stores while offering a wide variety of high-quality merchandise, especially fresh foods, and also carefully caters to the needs of each trading area. This format has already received strong support from many customers as a place where they can feel confident that "going to this store means getting a good deal," and we plan to continue expanding this format.

Besides improving our physical stores, we are also developing our online shopping business. Since 2021, we have continued building upon the ARCS Online Shop. This project started with RALSE in Hokkaido and has now grown to include BELJOIS in Iwate Prefecture, with more expansion underway.

Moreover, customer attitudes toward retail services have shifted notably in recent years, with more people shopping online. In December 2023, in partnership with Amazon, we launched Amazon Net Super ARCS on

Amazon Japan's website and the Amazon Shopping app. This has delivered results beyond our expectations, and we are working to further grow the business, launching an Amazon-partnered online supermarket for our Ito Chain in Sendai City this past May.

To continue actively pursuing such new business opportunities, we need to strengthen our management structure further. The ARCS Group has been led by me as president and Koichi Furukawa as vice president. In May 2024, we brought in Kazuhisa Nekomiya, who was president of RALSE, as COO. We are now moving forward with a management structure centered on the CEO, CFO, and COO — the so-called "3C structure." The first year under this new structure was spent preparing and strengthening our foundation. Now, in the second year of this "3C structure", we are finally shifting into execution mode and beginning to implement bold initiatives.

## The Reason Why "Yatsugatake Mountain Range Management" Is the Optimal Solution

### A business model that solves the issues of regional food supermarkets

Yatsugatake Mountain Range Management was founded on the idea that "what one cannot do alone, we will steadily accomplish together." Instead of small companies merging to become a large, vertically integrated entity like Mt. Fuji, I envisioned food supermarkets connecting horizontally, each



growing larger to form a magnificent mountain range that supports our customers' enriched lives. From a command tower like Mt. Fuji, it becomes difficult to see the lives of people spread across its foothills. Because of this, rather than operating stores uniformly without individuality under a large brand with vast capital, I decided we should support the unique and traditional food cultures of each region by leveraging the distinctive characteristics of food supermarkets that have long been rooted in their communities.

The core idea of Yatsugatake Mountain Range Management is to respect the management abilities, brand strength, unique corporate culture, and creative innovations at each store of the food supermarket companies within the ARCS Group. If this method leads to differences in profitability and growth among the companies, causing lower capital efficiency and productivity for the entire ARCS Group, we would not only fail to achieve sustainable growth but also risk betraying our stakeholders' expectations. So far, our Yatsugatake Mountain Range Management approach has emphasized sharing the same aspirations and awareness of future challenges, and being competitive companies that already have high sales shares in their local markets. This approach has certainly supported the ARCS Group in growing so far. But we cannot be content with just maintaining the status quo. To pass on the strong unity and regional problem-solving skills of Yatsugatake Mountain Range Management to future generations, each company must put in even more effort to improve—including perceiving changes in the business environment and boosting productivity—all while keeping a group management perspective. The three-C-suite management structure, responsible for executive leadership, is currently leading this effort.

## Preserving Japan's Food Culture Through the Power of Regional Food Supermarket Alliances

### Refining Yatsugatake Mountain Range Management for further growth

In Japan, the long period of deflation has ended, and inflation is now ongoing. Rising labor costs are becoming more noticeable throughout society, but achieving the virtuous cycle of real wage growth and increased labor productivity that the government aims for is not easy to put into practice in real business operations. While some manufacturing and wholesale companies have managed to secure profits through passing on price increases, the retail sector has not seen such smooth progress, and rising costs are squeezing profits. Additionally, with various movements around the acquisition of major supermarkets, industry restructuring in the food supermarket sector is likely to accelerate further.

One internal challenge we are examining solutions for is the emerging disparities in profitability and growth among food supermarket companies within the ARCS Group. This issue isn't limited to food supermarkets, but as businesses expand, competition intensifies where demand is high. This competition mainly takes the form of price competition or service competition. The winners and losers in such competition are usually judged by metrics like sales, profit growth, or the number of stores for food supermarkets; however, our perspective is a little different. Of course, we

value quantitative results, but what matters most is how comfortably customers can shop at our stores. I believe that if we focus on customer satisfaction and concentrate on what we need to do without being overly concerned about competitors' actions, sales and profits will follow. To support this, I emphasize to each company's leaders the importance of showing various considerations for customers, conducting research and analysis from multiple perspectives, and making dedicated efforts toward solutions.

I have already discussed the value of Yatsugatake Mountain Range Management, but to preserve and improve this value in the future, it's essential to work closely with group companies to address issues related to profitability and growth. I believe this will ultimately help support the unique and traditional food cultures of each region's people.

## Contributing to Society as a Lifeline for Each Community

### Providing reliable and valuable merchandise and contributing to communities

Rain or shine, and regardless of any disasters we may face, we are fully committed to protecting our customers' lives and delivering high-quality, safe, and reliable food products that are the source of health. The ARCS Group's management philosophy states that we will "contribute to enriched lives by providing valuable merchandise and services at low prices as a lifeline for each community," and remaining a constant

“lifeline for each community” is the shared value and commitment of all the ARCS Group’s executives and employees.

To continue offering low prices, daily low-cost operations are indispensable. Therefore, our operating companies work on improving their merchandising skills, optimizing logistics efficiency, and maintaining efficient ordering processes through system-driven information sharing.

Each group company also focuses on contributing to its communities through business activities. Specifically, we prioritize regional interests by opening stores in areas facing depopulation and aging, using store facilities as regional disaster response bases, and building cooperation and collaboration systems with local governments. By serving as a lifeline for each community, we have earned the trust of local communities. In the long term, these actions will further enhance regional value and enrich the lives of local residents, which will in turn lead to further growth of the ARCS Group’s business.

## | To Our Stakeholders

### Refining our management to meet customer expectations

The ARCS Group aims to reach 1 trillion yen in consolidated sales as a medium- to long-term goal. To accomplish this sooner, we plan to invest in stores to boost the profitability of our group companies and actively pursue M&A\* based on Yatsugatake Mountain Range Management. Besides our own plan, when including our partnership with CGC Japan, which operates Japan’s largest cooperative chain, the CGC

Group, and the New Japan Supermarket Alliance formed by Valor Holdings in Gifu Prefecture, Retail Partners in Yamaguchi Prefecture, and ourselves—three companies with a capital partnership—we already have sufficient scale needed to lead the entire food retail industry together as partners.

To ensure the optimal business size and maintain the strength to support the food supermarket industry, we need to further develop our own management capabilities. Therefore, we get management advice from external perspectives through our outside directors, and at board meetings, we always seek input from top executives of group companies who attend as observers. Additionally, during regular executive training program for all directors, auditors, executive officers, and presidents and executive directors of group companies, we hold study sessions and discussions on ways to increase corporate value and reduce capital costs, aiming to update knowledge and awareness.

Even in an era where a distribution revolution is expected and the reorganization of the food supermarket industry accelerates, the ARCS Group is committed to achieving even stronger growth than before. As the business environment undergoes significant changes, it will become increasingly important for the future of the ARCS Group to further strengthen the unity of regional supermarkets and establish a truly 1 trillion yen structure. Including these aspects, our ambitions continue to grow. While pursuing the refinement of store operations and improved productivity, I believe we can sustain growth by maintaining our commitment to valuing customer communication and interpersonal communication. We will continue our approach of working together—within group companies and throughout the entire industry—to

share challenges and jointly find solutions facing regional food supermarkets.

Please look forward to the ARCS Group as we strengthen our management to continue providing safe and reliable merchandise to customers while maintaining our strong awareness as a lifeline for each community.

\* Rather than mergers & acquisitions, we express joining the ARCS Group as “Mind & Agreement,” a consensus of minds and opinions.







# Inheriting the Valuable “Yatsugatake Mountain Range Management” and Refining It Further to Transform ARCS into a Stronger Group

**Kazuhisa Nekomiya**  
President, COO

## | My Words as President of ARCS

### Inheriting the valuable Yatsugatake Mountain Range Management

I have extensive experience in food supermarket operations and was assigned as president of RALSE in Hokkaido, a group company, for eight years. It has been a year since I became president of ARCS Group, and the first six months afterward were a constant struggle. Naturally, being president of an operating company like RALSE and being president of a holding company like ARCS are entirely different roles, even though both carry the title of president. While I understood

this intellectually, every day I was struck by the difference between the leadership I had demonstrated at RALSE and the leadership needed as president of ARCS, often feeling confused and conflicted.

One thing I strongly emphasized as President & COO of RALSE was ensuring that decisions were thoroughly carried out from the top down once they were made. RALSE naturally has a positive corporate culture where everyone shares a strong awareness of challenges and works together to move forward. Within that environment, my role as President was to demonstrate strong leadership and ensure my vision was communicated to everyone, from executives to frontline staff. While strong leadership is essential for the management heads of food supermarkets across the Group, not just at RALSE, the leadership needed as President of ARCS, a holding company, is completely different. Leading the ARCS Group involves “understanding the history, corporate culture, regional traits, and circumstances of each group company, earnestly listening to the intentions of each company’s president and executives, drawing out wisdom through problem-solving discussions, and thereby ensuring group-wide governance.” Only after becoming President of ARCS did I truly realize that the Yatsugatake Mountain Range Management business model that Chairman Yokoyama built has been sustained through daily management focused primarily on coordination with group companies.

Having once again recognized the value of Yatsugatake Mountain Range Management that has supported the ARCS Group’s growth, I strongly feel that, as the new generation president succeeding Mr. Yokoyama, I should

properly inherit the strengths of this management style. Of course, as the food retail industry itself is being swept up in major waves of change driven by the demands of the times, we need to further refine our business model to continue meeting the expectations of regional customers. The ARCS Group renewed its management structure in May 2024 to a structure centered on the CEO, CFO, and COO, with Chairman and CEO Yokoyama, Vice Chairman and CFO Furukawa, and myself as President and COO. The three of us will lead the ARCS Group into a new era. I myself will fully utilize operational know-how and on-site sensibility cultivated at operating companies, focusing my efforts on solving challenges while leveraging the unique appeal of each food supermarket. Specifically, I aim to enhance competitiveness in each region and increase market share by sharing the best practices among group companies, while boosting profitability through improved productivity. I am convinced that my important mission as President and COO is to build a strong ARCS Group through these efforts, maintaining growth as a corporate group that contributes to society as a lifeline for each community, while satisfying local customers.

## The Appeal of the ARCS Group and Future Challenges

### Leveraging each group company’s strengths to raise overall profitability

The foundation of Chairman Yokoyama’s vision for Yatsugatake Mountain Range Management is to address the challenges faced by regional food supermarkets together through the collective strength of “winning” food supermarket companies. Each operating company that has agreed with the ARCS Group’s aspirations and joined us has its own unique strengths. The greatest appeal of the Yatsugatake Mountain Range Management built by Chairman Yokoyama is that, while each group company demonstrates its own distinctive traits, they can learn from and emulate companies that excel in areas where they are weak. Although we have been aware of these strengths and have held information-sharing meetings, we have not yet translated them into action with high awareness and speed, and I realize we have not necessarily achieved the results we hoped for.

What we’re beginning to see recently is a disparity in profitability among group companies. Naturally, this is partly due to differences and changes in competitive environments throughout operating regions. However, I’ve observed that quite a few operating companies haven’t fully grasped their own challenges or shown enough willingness to learn from others’ best practices, suggesting that there is room for improving productivity at some companies. When I visit operating companies with profitability issues, I sense a gap between their headquarters and stores. It’s essential to close



the distance between headquarters and stores at each group company, as well as between ARCS, as the holding company, and each group company.

In terms of high profitability, RALSE can be considered the model example. RALSE's profitability ranks among the top food supermarkets nationwide. It's clear that such companies have accumulated unique wisdom and know-how for improving profit margins and productivity. It's important to incorporate this wisdom and know-how while respecting each operating company's regional characteristics and corporate culture. Of course, not only RALSE but also each operating company has excellent qualities worth learning from. What we need right now is to consciously identify each group company's strengths and connect them to business improvements. In this sense, I believe that the ARCS Group has significant potential for growth moving forward.

## Refining Yatsugatake Mountain Range Management

### Doing our best to expand regional market share and improve productivity

Among industries in Japan, few have experienced as much reorganization as the retail sector. Various formats, including regional food supermarket groups like ours, general merchandise stores operated by major publicly listed companies, department stores, and drugstores, have repeatedly

gone through consolidation and restructuring. While many formats have seen giant corporations survive and medium- to small-sized companies eliminated, the food supermarket industry has no dominant player, remaining a market where many local chains like ours compete fiercely. Looking back, even in the food supermarket industry, there have been efforts by national chains with massive capital to enter local chain territories, but most failed to gain local support, were unable to meet their objectives, and ultimately had to withdraw.

I believe there's one important reason for this. Japan's regional food culture is solid and customers tend to choose local food supermarkets, and it may be difficult to reach this market through the stereotypical national chains that prioritize nationwide market share expansion and efficient management. In that sense, I feel that local chains like ours present unique barriers to entry—that is, strengths—that only we have.

One of the key strengths of Yatsugatake Mountain Range Management as a business model is that it enables us to enjoy the best of both worlds—providing the detailed responsiveness to local customers that only regional food supermarkets can offer, while also pursuing group-wide scale expansion and efficient management. While leveraging these benefits, I believe we should especially focus on increasing market share by improving competitiveness in each region and boosting profitability through improved productivity.

#### (1) Market Share Expansion

One challenge facing regional food supermarkets is the

ongoing decline in birth rates, aging populations, and regional depopulation. Population decline in rural areas creates headwinds for food supermarkets with operating bases in those regions. To maintain and improve performance under these conditions, it's essential to outperform competitors and increase market share. Achieving this requires maintaining bonds of trust with customers. Many customers buy the same items every week at stores they frequent. To earn their trust, it's important to consistently offer high-quality merchandise at reasonable prices in the same sales areas without running out of stock. If a customer's regular items are unavailable, they'll stop returning and visit other supermarkets. This daily effort to serve customers builds trust. If such purchasing behavior accounts for 80%, the remaining 20% might be for special occasions like family birthdays. Responding to these needs is also important. While these ideas form the basics of food supermarkets, thoroughly implementing and practicing them is key to building trust. These considerations vary by region. For example, the needs at RALSE should differ significantly from those at Ito Chain. It's important to be considerate of customers based on the region and store.

#### (2) Productivity Improvement

As I've already mentioned, moving forward, we will identify each group company's strengths with high awareness and thoroughly link them to business improvements. We will regularly create opportunities for group companies to share information, highlight each company's strengths and areas for improvement, and encourage them to take action.

The key to improving productivity is managing labor

costs. It's vital to carefully control these costs, which make up about half of our expenses, through thorough labor management. Since circumstances vary among group companies, I believe overall productivity will definitely improve by addressing each company's challenges one by one. Productivity improvements that don't lead to profit growth are pointless. Therefore, we will closely examine what measures each group company should take to boost productivity and profits.

It's crucial for each store manager at group companies to understand their store's challenges and quickly go through the PDCA cycle to find solutions. They need to use hypotheses to implement actions, analyze the outcomes, and adjust course as needed. I plan to emphasize that group companies must recognize that productivity cannot improve without consistently applying the PDCA cycle.

## | Strengthening the ARCS Group

### Identifying growth potential and transforming it into sustainable growth

The ARCS Group is a corporate entity with significant growth potential. We are committed to turning that potential into actual growth. We have set a goal of achieving 1 trillion yen in consolidated sales, and naturally, our options include welcoming new partners through M&A. To ensure companies that share our aspirations join the ARCS Group confidently as new partners, it's crucial to demonstrate with results that "joining the ARCS Group brings these

many benefits." That's why we're now working to build systems where group companies bring together and share information to address challenges. I also believe that the most important thing is to use these systems to energize each group company and store, making them trusted by customers. Retail is an industry built on person-to-person interaction. Without sincerely engaging with customers' feelings and employees' feelings, no matter how perfect the business model or how advanced the systems are, it will never generate profits. If we can initially build trust on the store floor, focus on creating positive workplace and store atmospheres, and keep making continuous efforts, profits should follow.

Challenges are accumulating. We'll begin by clearly identifying what each group company should maintain as part of its culture and what should be standardized across all companies to improve efficiency. Based on that, it's crucial for group companies to bridge the gap between their headquarters and stores for better coordination, and to strengthen ARCS's role as a holding company to boost the performance of each group company and store, all working toward the same objectives.

In terms of group management, instead of focusing solely on sales and profit targets, I will encourage group companies to be mindful of capital efficiency and capital costs moving forward. While we are still in the early stages, I plan to raise awareness across the entire Group.

To refine Yatsugatake Mountain Range Management, all members of each group company and of ARCS, as the holding company, need to approach their work with a humble learning attitude.

Please look forward to the ARCS Group, under our new management structure, as it reliably captures its significant potential for expansion and converts it into sustainable growth.







# Presenting Growth Strategy to the Capital Markets and Improving Financial Strength and Profitability to Continuously Enhance Corporate Value

**Koichi Furukawa**  
Vice Chairman, CFO

## Looking Back on fiscal 2024 and Outlook for fiscal 2025

### Gaining the strength to overcome challenging business environments

In Japan, the food supermarket industry in fiscal 2024 (the previous fiscal year) continued to face a challenging operating environment. Soaring energy and raw material costs, along with the ongoing depreciation of the yen, meant that wage growth, especially in regional areas, could not keep pace with inflation, resulting in stagnant real wages.

Notably, price increases for daily necessities, including staple foods like rice, rose sharply, putting pressure on people's livelihoods. This heightened people's tendency toward cautious spending, a situation that has not greatly improved. In the food supermarket industry, amid customers' budget-consciousness and restraint in purchasing, competition across different industries and business formats intensified, requiring each food supermarket company within the ARCS Group to navigate difficult waters.

Even under these circumstances, group companies focused closely on customer needs and devised various ideas, resulting in consolidated net sales of 608.2 billion yen—an increase that exceeded 600 billion yen for the first time and marked our highest sales ever. However, on the profit side, while gross profit grew, operating profit, ordinary profit, and profit attributable to owners of parent all declined. Although rising labor costs and other expenses contributed to this, management efforts—such as keeping electricity usage at last year's level—helped us keep overall selling, general and administrative expenses within budget. Even though operating and ordinary profit fell short of our initial targets, we recorded the third-highest levels in our history. In our quarterly review, despite profit margin declines in the second and third quarters, we recovered in the fourth quarter, and I believe we're beginning to see signs of improvement. Regarding store development, in addition to relocating one store, we renovated 24 stores, including seven conversions to the Super ARCS format. After closing two stores, the Group's total store count was 375 as of the end of February 2025.

Customer traffic at existing stores also remained nearly at

the previous year's level, and overall, my evaluation is that we were able to minimize the impact of the challenging business environment through the management efforts of each group company.

Looking at the profitability of each group company, RALSE (Hokkaido) continues to perform well, allowing it to offset the performance of group companies facing difficulties. However, we are also taking decisive steps to improve the profitability of other group companies besides RALSE, and we are seeing positive responses. In this sense, we might say that we're starting to see "room for growth" in terms of growth potential and profitability as we look toward this fiscal year and beyond.

For fiscal 2025 (this fiscal year), we plan consolidated net sales of 623 billion yen, a 2.4% increase from the previous year, supported by aggressive store renovations and conversions to Super ARCS, as well as sales promotion through the ARCS app, further expansion of Co-operative Grocer Chain (CGC) merchandise and New Japan Supermarket Alliance merchandise, and growth of our online supermarket business. On the profit side, we aim to achieve profit growth despite a challenging earnings environment by strengthening our response to inflation.

## Realizing Group-Wide Optimization While Pursuing Individual Optimization

### Backing the Sales Transformation under President Nekomiya

The main financial challenge is improving profitability. I acknowledge that the emergence of profit differences among group companies is a particularly important concern. First, addressing these differences is our top priority for boosting the entire Group's profitability. These differences partly originate from unique regional challenges faced by each operating area. The business environment and difficulties vary greatly between large cities like Sapporo and Sendai and regions experiencing rapid population decline. While tackling these unique challenges is certainly vital, there are also significant disparities in retail operating capabilities—including management and merchandising, making it urgent for each group company to improve in these areas. The ARCS Group has promoted information sharing among its companies through cross-group merchandise procurement projects, logistics reform projects, and store-operations information-sharing meetings for store operations, but moving forward, we need to elevate this further—from just sharing information to fostering systematic unification through information standardization. Currently, we are standardizing RALSE's merchandising skills, which stand out in terms of profitability. So far, each group company and store has demonstrated its uniqueness in customer-facing areas, by closely focusing



on its customers and communities. On the other hand, the Group is promoting “standardization” in less visible areas like operational tools such as cards, back-office functions like HR training and fundraising, and information systems. Essentially, while each company has pursued individual optimization, they have also consciously promoted overall optimization through information standardization. Moving forward, we will push ahead toward our goals, led by President Nekomiya’s experienced on-site sales leadership. Each group company will become stronger by addressing challenges that can’t be solved from an overall optimization perspective alone. I believe that implementing specific initiatives one by one will refine the Yatsugatake Mountain Range Management we have developed so far. The sales transformation we are undertaking this fiscal year is a touchstone for this.

The “3C structure” —with Chairman, CEO Yokoyama;



President, COO Nekomiya; and myself as CFO, is entering its second year this fiscal year. The first year was spent preparing to make the new management structure functional, including President Nekomiya’s assessment of each group company’s current situation. I believe the second year is finally the time to pursue bold transformations. While the previous fiscal year saw increased sales but, unfortunately, decreased profits, I see escaping profit stagnation this fiscal year and returning to growth with higher profits as our top priority. Fiscal 2026, the third year of our new management structure, will be a year focused on the ARCS Group’s 25th anniversary. This fiscal year is dedicated to committing to transformation, with next fiscal year reserved for consolidating those changes. Chairman Yokoyama also considers these three years an extremely important period and has renewed his determination to deliver results.

## The Path to Achieving 1 Trillion Yen in Consolidated Sales

### Making profitability improvement our top priority

The ARCS Group aims to achieve 1 trillion yen in consolidated sales early on. We understand that reaching the 1 trillion yen goal is the scale necessary to show leadership in the food supermarket industry and help raise the entire industry’s level.

First, increasing sales at each food supermarket company within the Group is essential. As an initial step, I believe it’s important to be innovative in daily operations at each company and store. ARCS, as the holding company, will support business growth at each company by acting as a think-tank for the ARCS Group and implementing group-wide business reforms. Financially, we will allocate funds appropriately for store renovations and new store openings.

Additionally, we will invest in M&A. We are considering welcoming new food supermarket companies with overwhelming advantages in their operating regions as group companies. We are continuously selecting candidates, emphasizing speed while carefully evaluating them. As for management integration methods, rather than M&A driven solely by the logic of capital, ARCS Group-style M&A that focuses on the concept of “Mind and Agreement: agreement of minds and opinions,” linked to Yatsugatake Mountain Range Management is fundamental. This principle, which has supported the ARCS Group’s character, will remain unchanged even with the new management structure. For new food supermarkets to share the ARCS Group’s philosophy and aspirations and choose to join us, we need to make them more attractive to grow as part of the ARCS Group than to pursue growth independently. Therefore, it’s vital that the operating companies within the Group have high productivity and profitability. The reforms currently underway at each group company and the standardization of information throughout the Group are being accelerated as measures to enhance the ARCS Group’s appeal. Moreover, it’s essential to demonstrate that the entire Group is full of growth potential and is a corporate entity capable of sustainably increasing

corporate value. Recently, in response to the Tokyo Stock Exchange's request to improve price-to-book ratio (PBR), the ARCS Group also firmly recognizes the importance of receiving proper evaluation from capital markets. Our first challenge is to improve return on equity (ROE). I believe that if we can outline a clear path for continuously improving ROE in the future, the evaluation from capital markets will increase accordingly.

To improve ROE, I want to focus on increasing the net profit margin while also boosting sales and profits. Specifically, we will promote store renovations focused on conversion to the Super ARCS format, which can meet a wider range of customer needs, implement thorough competitive strategies, and diversify sales channels, including expanding our online supermarket business.

Of course, when aggressive M&A is executed in the future, in addition to using equity capital, aggressive capital investment with financial leverage remains a viable option. As CFO, I am always considering the appropriate allocation of cash for such scenarios. While there is an approach of indiscriminately increasing profits by expanding business scale through aggressive store openings, given the current rise in construction material costs, this may not be the most effective strategy from an investment efficiency standpoint. Right now, I believe we should focus on investment in store renovations, enhancing productivity and profitability at each group company through operational transformation led by President Nekomiya, and improving ROE via strong shareholder returns.

Additionally, the ARCS Group emphasizes return on assets (ROA) along with ROE, setting medium- to long-term numerical targets of ROE above 8.0% and ROA above 8.0%.

The previous fiscal year's ROE was 6.1% and ROA was 6.3%, both falling short of our targets. Therefore, operational transformation to improve profit margins and asset efficiency must move forward without delay.

## To Our Shareholders and Investors

### Appreciating advice from shareholders and investors

Besides strong profit growth and better capital efficiency, shareholder returns are one of the ARCS Group's main policies. Essentially, while expanding our operating base and strengthening our corporate structure, we focus on increasing basic earnings per share and actively sharing profits.

Our dividend policy was revised in January 2025, increasing the target payout ratio from 30% to 40% and adopting long-term stable, progressive dividends, while considering dividend on equity (DOE). Last fiscal year, we paid 34 yen per share as an interim dividend. Given our current performance and financial situation, we increased the year-end dividend by 6 yen, to 40 yen. This led to an annual dividend of 74 yen per share.

We are also emphasizing active dialogue with investors. For securities analysts and institutional investors, we held IR briefings after the second quarter and the full-year results announcement. We are also proactively conducting IR and SR meetings through individual visits and web conferences with

both investors in and outside Japan, focusing on continuous information sharing and open dialogue. Various advice from investors is extremely important for the ARCS Group, and we value it as essential for maintaining management with appropriate tension. Additionally, I believe that improving corporate value while receiving feedback from everyone will not only motivate all group employees but also enhance the evaluation of the entire food supermarket industry and, ultimately, the retail sector.

As our 3C structure enters its second year, I strongly feel that the division of roles among the three is finally starting to work well. I hope many people will have high expectations for the ARCS Group's initiatives as we move forward to strengthen the profitability of existing businesses and enhance our presence through M&A to reach early achievement of 1 trillion yen in consolidated sales.

# Value Creation Process

Introduction

Message from  
Top Management

ARCS Group Value Creation

Foundation Supporting  
Value Creation

Corporate Information

## The Environment Surrounding the ARCS Group

### Risks

- Rural depopulation and declining local economy
- Intensifying competition and culling in the food supermarket industry
- Rising raw material prices and thinner margins
- Expanding performance disparities among group companies
- Risks specific to regional food supermarkets
  - Successor issues
  - Management information and know-how
  - Securing human resources

### Opportunities

- Alliances and cooperation among regional supermarkets (collaboration in merchandise development, rationalization of procurement)
- Participation of companies that support Yatsugatake Mountain Range Management in the ARCS Group
- Expanding the growth potential of Yatsugatake Mountain Range Management (information sharing and problem solving among operating companies)
- Streamlining operations through digital technology (online retail entry and expansion)
- Response to food diversification

## Input

### Investment in Management Capital

#### Social and relational capital



- Local customers
- Strong relationships with suppliers
- Connections with local governments

#### Manufacturing and sales capital



- Regional store network
- Logistics network
- Process center utilization (processing and manufacturing)

#### Intellectual capital



- Food supermarket management know-how
- Shared information management systems

#### Human capital



- Human resources supporting each group company
- Engagement

#### Financial capital



- Financial soundness and financial discipline
- Internal funds

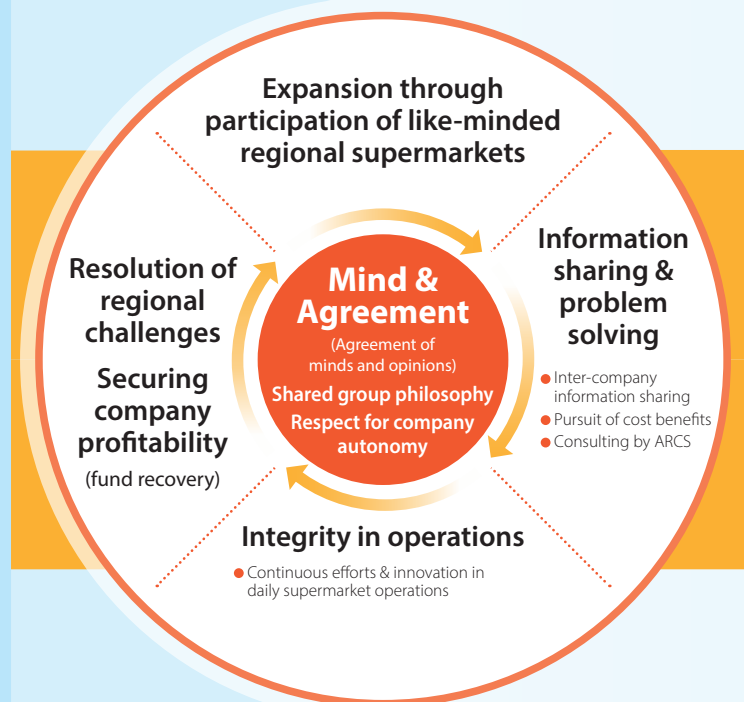
#### Natural capital



- Natural environment that nurtures rich food ingredients

## ARCS Group Business Model

### Yatsugatake Mountain Range Management



## Outcome

### Value Created

#### Social value

- Contribution to a rich food culture
- Contribution to regional and cultural development
- Maintenance and improvement of community members' health
- Support for community food supermarkets' survival and challenge resolution
- Maintenance and expansion of employment
- Business opportunities for suppliers
- Enhancement of shareholder value

#### Environmental value

- Reduced environmental burden through decarbonization
- Circular society through recycling and food loss reduction
- Provision of environmentally friendly merchandise

#### Economic value

- Enhanced management capital value
- Business scale expansion
- Enhanced social value creation (greater problem-solving for community food supermarkets)
- Enhanced corporate value
  - Increased social significance
  - Enhanced stakeholder value provision (shareholder returns, etc.)

### Vision

**Sustainable Lifeline for Each Community**







**An indispensable presence supporting local food and daily life**

### Management foundation

**Group governance based on the Yatsugatake Mountain Range Management philosophy**



# Enhancing Management Capital

Management Capital	Why It Matters to Us	Accumulated Strengths / Current Issues	Toward Capital Enhancement
 <p><b>Social and relational capital</b></p> <ul style="list-style-type: none"> <li>● Connection with local customers</li> <li>● Strong relationships with suppliers</li> <li>● Connections with local governments</li> </ul>	<ul style="list-style-type: none"> <li>● For food supermarkets, local customers are the source of value creation</li> <li>● Trust relationships with suppliers are a prerequisite for securing quality merchandise and services</li> <li>● Cooperation with local governments is important as a lifeline for each community</li> </ul>	<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>● Strong customer trust built by each group company</li> <li>● Maintenance of unique procurement functions at each group company</li> <li>● Close cooperation with CGC Group and various industry associations</li> </ul> <p><b>Issues</b></p> <ul style="list-style-type: none"> <li>● Decline in customer numbers (population decline)</li> <li>● Management challenges of suppliers, logistics issues</li> <li>● Challenges faced by local governments</li> </ul>	<ul style="list-style-type: none"> <li>● Leveraging economies of scale that local competitors cannot replicate</li> <li>● Utilizing industry associations (expanding economies of scale)</li> <li>● Streamlining logistics and commercial flow through DX</li> <li>● Enhancing brand recognition/brand power</li> <li>● Strengthening community lifeline functions (disaster support, solutions for depopulated areas, greater cooperation with industry and local governments)</li> </ul>
 <p><b>Manufacturing and sales capital</b></p> <ul style="list-style-type: none"> <li>● Regional store network</li> <li>● Logistics network</li> <li>● Process center utilization (processing and manufacturing)</li> </ul>	<ul style="list-style-type: none"> <li>● A comprehensive store network is an important touchpoint with local customers</li> <li>● Efficient placement of logistics networks and process centers improves profitability</li> </ul>	<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>● Store networks of each company built on years of local trust</li> <li>● Process centers and logistics centers supporting efficiency at each group company</li> </ul> <p><b>Issues</b></p> <ul style="list-style-type: none"> <li>● Rising construction costs</li> <li>● Consolidation of supplier bases</li> <li>● Driver shortage</li> </ul>	<ul style="list-style-type: none"> <li>● Streamlining store operations through DX</li> <li>● Strengthening investment in existing store renovations</li> <li>● Expanding common merchandising and bulk procurement among companies</li> <li>● Center consolidation (sharing/optimization within the Group)</li> <li>● Strengthening support from ARCS Logistics Group</li> </ul>
 <p><b>Intellectual capital</b></p> <ul style="list-style-type: none"> <li>● Know-how for operating food supermarket including online</li> <li>● M&amp;A (Mind &amp; Agreement) expertise</li> <li>● Numerical management through shared core system</li> </ul>	<ul style="list-style-type: none"> <li>● Know-how and technology are key differentiators from competing food supermarkets, such as procurement, store operations, fresh food processing, hygiene management, and information sharing.</li> </ul>	<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>● Balancing economies of scale in group procurement with local procurement</li> <li>● Technology for providing local fresh products</li> <li>● Information sharing among companies</li> <li>● Hygiene management based on HACCP standards</li> </ul> <p><b>Issues</b></p> <ul style="list-style-type: none"> <li>● Technology transfer from veteran employees</li> <li>● Deep data analysis</li> <li>● Digital transformation of stores (DX)</li> </ul>	<ul style="list-style-type: none"> <li>● Upgrading unified core systems (system investment)</li> <li>● Accelerating best practice sharing and deployment throughout group companies, while deepening comparative analysis</li> <li>● Developing training for smooth technology transfer</li> <li>● Acquiring excellent food supermarkets through M&amp;A (acquiring new intellectual capital)</li> </ul>
 <p><b>Human capital</b></p> <ul style="list-style-type: none"> <li>● Local human resources supporting each group company</li> <li>● Engagement with local companies</li> <li>● Specialization and centralization of back-office operations</li> </ul>	<ul style="list-style-type: none"> <li>● Human resources are the source of all value creation, including those with food sales/management skills, strong awareness as essential workers, and the ability to identify core management issues and forge new paths.</li> </ul>	<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>● Many local human resources and high retention rate</li> <li>● Labor management/compliance system based on listed company standards</li> <li>● Establishment of labor unions (present in all companies)</li> <li>● Introduction of unified personnel system</li> </ul> <p><b>Issues</b></p> <ul style="list-style-type: none"> <li>● Responding to labor shortages/recruitment difficulties</li> <li>● Aging workforce</li> <li>● Shortage of specialized personnel</li> </ul>	<ul style="list-style-type: none"> <li>● Strengthening human resources and business support from ARCS to group companies</li> <li>● Improving workplace environment/enhancing ease of work through diversity promotion</li> <li>● Expanding educational investment</li> <li>● Expanding health management measures</li> <li>● Strengthening mid-career/non-Japanese recruitment</li> <li>● Consolidating back-office operations</li> </ul>
 <p><b>Financial capital</b></p> <ul style="list-style-type: none"> <li>● Financial soundness and financial discipline</li> <li>● Stable internal funds</li> </ul>	<ul style="list-style-type: none"> <li>● Resources for financial backup for group companies</li> <li>● Essential capital for new M&amp;A and other strategic investments for the future, human capital investment, and further enterprise value enhancement</li> </ul>	<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>● Stable cash flow and high financial soundness</li> <li>● Strong financial backup system for each company</li> </ul> <p><b>Issues</b></p> <ul style="list-style-type: none"> <li>● Strengthening profitability of group companies</li> <li>● Improving capital efficiency (improving ROE)</li> <li>● Strengthening IR/SR activities</li> </ul>	<ul style="list-style-type: none"> <li>● Early achievement of 1 trillion yen in consolidated sales (aggressive M&amp;A)</li> <li>● Strengthening growth investment in store revitalization, value-added merchandise development, energy saving, and DX</li> <li>● Strengthening shareholder returns (improving dividend payout ratio, shareholder benefits, share buybacks)</li> <li>● Capital policy aimed at improving ROE and PBR</li> </ul>
 <p><b>Natural capital</b></p> <ul style="list-style-type: none"> <li>● Regional natural environment that nurtures rich food ingredients</li> </ul>	<ul style="list-style-type: none"> <li>● Maintaining an environment where rich agricultural, livestock, and marine products grow is a prerequisite for food supermarkets</li> </ul>	<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>● Business foundation centered on Hokkaido and Tohoku, treasure troves of food</li> <li>● Strong connections with local producers (robust supply chain)</li> </ul> <p><b>Issues</b></p> <ul style="list-style-type: none"> <li>● Avoiding adverse business impacts from climate change</li> <li>● Avoiding adverse impacts from intensifying natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>● Helping to solve climate change issues (promoting decarbonization)</li> <li>● Expanding environmentally friendly merchandise offerings</li> <li>● Reducing food loss (effective use of ingredients)</li> <li>● Reducing plastics/promoting recycling</li> <li>● Effective use of energy resources</li> <li>● Supporting tree-planting activities that foster biodiversity</li> </ul>

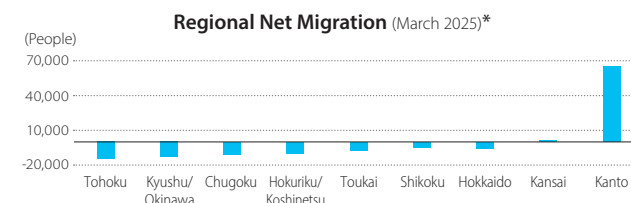
# The Environment Surrounding the ARCS Group

The business environment surrounding the ARCS Group is in a major transition period due to declining birthrates, aging populations, population decline, diversifying lifestyles, and changing competitive landscapes. Meanwhile, opportunities for sustainable growth are expanding as we fulfill our role as a lifeline for each community, and view these changes as opportunities. Below, we explain the main risks the ARCS Group faces and the business opportunities we should pursue.

## Risks We Face

### Rural Depopulation and Declining Working Population

In Hokkaido and Tohoku, where the ARCS Group operates, declining birthrates, aging populations, and youth outflow are reducing trade areas and making it increasingly difficult to secure human resources. The decline in workers is especially noticeable in suburban and depopulated areas, threatening store continuity. To address these issues, we aim for sustainable growth with communities by enhancing merchandise and services for seniors and small households, actively recruiting and developing local talent, and promoting local production for local consumption and community events.



### Intensifying Competition and Culling in the Food Supermarket Industry

In the Group's operating regions, new players and discount stores are entering as major supermarkets withdraw, and drugstores offering low-priced food are rising. Facing this increasing competition, we are pursuing sustainable competitiveness beyond price competition by strengthening our ability to respond to pricing while also focusing on creating added value based on quality and regional characteristics. We also see M&A with locally rooted companies as growth opportunities, aiming to strengthen our business foundation and increase market share.

### Rising Raw Material Prices and Consumer Budget-consciousness

Amid rising energy prices, higher logistics costs, and yen depreciation, raw material costs remain elevated, while consumer budget-consciousness and buying restraint increase, making it difficult to pass costs on to sales prices. To address these profit pressures, we are enhancing our gross profit margins and stabilizing our profit structure by leveraging group-scale advantages in procurement, refining our merchandise mix, and expanding our private brand and convenience product offerings.

### Risks Specific to Regional Food Supermarkets

In rural areas, challenges such as successor shortages, difficulties in transferring technology and know-how, and securing human resources threaten the survival of food supermarkets. The exit or business continuity struggles of these companies pose risks to regional shopping environments and employment. Under the M&A (Mind & Agreement: agreement of minds and opinions) concept, we welcome these companies and strive to maintain our role as a lifeline for each community through organizational systems and framework development, human resource development, and knowledge sharing.

### Performance Disparities Among Group Companies

Within the Group, profitability and growth vary by area and company size, and we have not yet fully realized group synergies in sales operations. In response, beyond our traditional focus on unifying back-office operations and core systems for operational efficiency, we are focusing on sharing best practices and management expertise in sales, as well as cross-departmental human resource development and placement, aiming for group-wide improvement and continuous growth through strategic investment allocation.

\* Created by the company based on the "Report on Internal Migration in Japan Derived from the Basic Resident Registration, March 2025 Results" by the Statistics Bureau, Ministry of Internal Affairs and Communications

## Business Opportunities to Incorporate

### Alliances and Cooperation Among Regional Supermarkets

Amid increasing competition and changing business environments, M&A and business alliances among regional supermarkets are accelerating. The Yatsugatake Mountain Range Management business model of the ARCS Group offers the advantage of strengthening management foundations and boosting cost competitiveness by unifying back-office functions and core systems, and streamlining logistics networks—while still respecting each company's community-based approach and brand uniqueness. By clearly communicating these benefits, we anticipate more companies will want to join the ARCS Group.



### Expansion of Companies Supporting Yatsugatake Mountain Range Management

Regional supermarkets and distribution companies that share the ARCS Group's Yatsugatake Mountain Range Management philosophy are increasing. New collaboration opportunities through M&A and business alliances are expanding across regions. Through careful dialogue with these companies, we aim to build relationships that respect corporate culture and regional characteristics, thereby expanding M&A opportunities and group synergies for sustainable, community-based growth.

### Expanding the Growth Potential of Yatsugatake Mountain Range Management

We are implementing multifaceted measures to reduce operational and profitability gaps among companies, aiming for group-wide improvement and sustainable growth. These include sharing best practices and management expertise, strengthening human resource development programs, promoting cross-departmental exchanges, and allocating strategic investments based on growth potential.

➡ P.38

### Streamlining Operations through Digital Technology

With declining birthrates, aging populations, and labor shortages, streamlining operations is crucial for regional food supermarkets. The ARCS Group leverages digital technology, including labor-saving solutions such as automated ordering, full self-checkout and semi self-checkout systems, and electronic shelf labels, as well as RPA\* for headquarters operations. We are building frameworks that generate maximum value with limited human resources by enhancing productivity and reducing costs through digitalization.

### Responding to Food Diversification

With the growth of single-person and dual-income households and increasing health consciousness, consumer food needs are diversifying alongside changing lifestyles. The ARCS Group is working on expanding small-portion and convenience merchandise, as well as health-focused items, and developing community-based merchandise that uses local ingredients. We aim to seize new growth opportunities by supporting regional eating habits and flexibly adapting to changing market conditions.

\* Robotic process automation: technology that automates routine computer tasks using software robots



# ARCS Group Track Record in Addressing Challenges

The Yatsugatake Mountain Range Management advocated by the ARCS Group is a corporate partnership wherein community-based food supermarkets keep their unique identities while also gaining economies of scale by integrating behind-the-scenes back-office functions and sharing expertise, aiming for sustainable growth. Over the past 20-plus years since its establishment, group companies have addressed common challenges by sharing knowledge and building consensus in a spirit of equality.

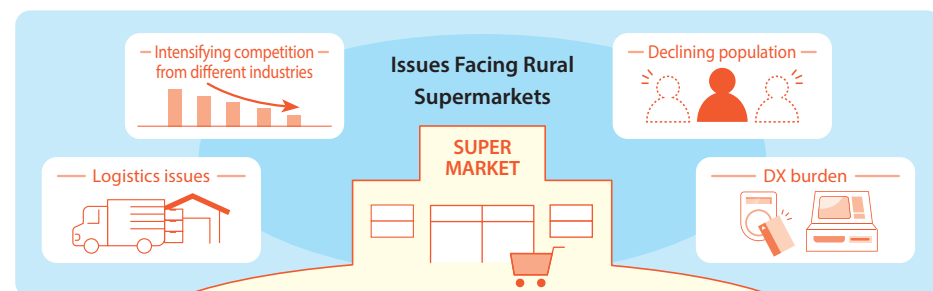
## What is “Yatsugatake Mountain Range Management”?

### Regional Food Supermarket Management through Shared Strengths

Yatsugatake Mountain Range Management is a fundamental group management concept where, under a holding company, companies integrate as equals, much like the mountains of similar height in the Yatsugatake Mountain Range, lined up horizontally, maintaining closeness between companies and customers while maximizing the Group’s management resources and expanding its foundation. In Yatsugatake Mountain Range Management, “M&A” stands for “Mind & Agreement (agreement of minds and opinions),” emphasizing not mere capital integration or efficiency pursuit but sharing strengths and expertise based on mutual respect while maintaining uniqueness as local food supermarkets, thereby boosting the entire Group’s competitiveness.

Yatsugatake Mountain Range Management is a groundbreaking food supermarket management model that aims for mutual problem-solving and sustainable growth while valuing connections with local communities.

### Challenges Facing Food Supermarkets in Rural Areas



### Growth Under the “Mind & Agreement” Philosophy

Since the ARCS Group was founded in 2002 through the management integration of RALSE and FUKUHARA, under the Yatsugatake Mountain Range Management philosophy, independent food supermarket companies in Hokkaido, including Douhoku Arcs (formerly Fuji) and Dounan Ralse, have successively joined. During the 2010s and 2020s, amid a period of uncertainty marked by the Great East Japan Earthquake and the COVID-19 pandemic, Universe from Aomori, JOIS and Belle Plus from Iwate (later merged as BELJOIS), Ito Chain from Miyagi, and OTANI from Tochigi also joined. As of June 2025, we have grown into a corporate group with 10 food supermarket operating companies and one affiliated company spanning from Hokkaido through Tohoku to Northern Kanto. ➡ P.1

#### Independent Regional Food Supermarket

##### Advantages

- Easy to provide product assortments and services that reflect local residents’ preferences and needs
- Management can independently determine pricing strategies and supplier selection policies.

##### Disadvantages

- Limited ability to leverage economies of scale, leading to disadvantages in competing with major chains on price
- Difficult to secure human resources, expertise, and financial strength

#### Joining the ARCS Group

##### Advantages

- Maintaining store brands while strengthening management foundations
- Striking a balance between market competitiveness through group scale and differentiation based on regional characteristics
- Consolidating back-office operations and systems
- Reducing costs and strengthening financial foundations
- Enhancing corporate value through knowledge sharing and group governance

## Coordination and Support Functions Demonstrated by ARCS Headquarters

### Logistics Strategy



#### Promoting Inter-company Collaboration to Address Logistics Issues

The cross-group Logistics Reform Project is taking the lead in improving logistics efficiency and address the “2024 logistics problem” arising from driver shortages. One key initiative is the integration of the distribution and fresh food centers of RALSE and TOKOU STORE, both based in Sapporo City, along with automation and efficiency improvements. We have also introduced more user-friendly handling equipment, reviewed delivery routes to reduce driver waiting times based on transport companies’ requests, and tested inspection-free delivery. Building on these outcomes, we are moving forward with plans to integrate the grocery centers of Universe and BELJOIS in Tohoku.

We are also promoting modal shift using rail freight with CGC member companies, with RALSE receiving the Modal Shift Excellent Business Award in 2024.

### DX Strategy



#### Updating the Platform as a Common Standard

We launched a shared core system for the Group in 2019, establishing a common standard that enables comparison and analysis of sales and accounting data throughout group companies. After integrating the systems of Ito Chain and OTANI, which later joined the Group, we began Phase 2 development in 2025. Our goal is to build a platform that can serve as the industry standard for Japanese food supermarkets, and we are updating our ERP\* with the aim of starting operations in 2027. In addition, through the cross-group DX Promotion Committee, we are sharing best practices such as electronic shelf labels and RPA, and promoting their adoption among group companies.

\* Enterprise resource planning (ERP): An integrated system that centrally manages and facilitates real-time sharing of information across accounting, finance, purchasing, inventory, sales, etc.

### Merchandising Strategy



#### Expanding Scale Benefits and Strengthening Sales Support Functions

Through the cross-group Merchandise Procurement Project, we are progressing in the development and joint procurement of national brands, CGC merchandise positioned as ARCS Group’s private brands, and original merchandise from the New Japan Supermarket Alliance. These joint procurements have grown to 16.7 billion yen across the Group in total (as of FY2024). Since 2024, ARCS’s merchandise procurement group has gone beyond procurement to support group companies by conducting product category analysis and making proposals for improving shelf allocation, thereby enhancing productivity. Additionally, we are fostering an environment where operating companies can learn from each other by sharing successful promotional plans and store operations.

### Human Capital Strategy



#### Unifying Personnel and Education Systems to Develop Growth-minded and Highly Motivated Talent

Since 2019, we have implemented a group-wide personnel system that unifies career development and education systems. The ideal human resources for the ARCS Group are those eager to serve customers as a community lifeline, adaptable to change, and committed to ongoing personal growth. To nurture such talent, recruitment is handled independently by each group company, while training includes both ARCS-wide programs and individual company sessions. ARCS-wide job rank-specific training is especially valued as a platform for developing executive candidates from group companies. We also emphasize ARCS-led diversity initiatives and harassment prevention education, fostering awareness and health and productivity management to create environments where employees can be themselves and work in good health.



### RALSE COMPANY, LIMITED Company Overview

- Address: 2-32, Minami-13-jo Nishi 11-chome, Chuo-ku, Sapporo City, Hokkaido 064-8621
- Representative Director and Chairman: Kiyoshi Yokoyama
- Representative Director and President: Naoto Matsuo
- Established: November 1, 2002
- Capital: 4.2 billion yen
- Nature of business: General retail store chain
- Number of employees: 4,907
- Net sales: 154,957 million yen
- Number of stores: 74  
(37 in Sapporo City, 35 in Sapporo suburbs, 2 in other Hokkaido areas)

## Management Status and Challenges of Each Company



# RALSE COMPANY, LIMITED

## Business Environment

### Regional Characteristics

RALSE operates in the central Hokkaido region centered in Sapporo City. While facing external risks such as significant population decline in Hokkaido, rising costs, and increasing competition, the company is developing new strategies, including expanding the use of e-commerce and apps, while leveraging its advantageous position in the core city of Hokkaido and reinforcing partnerships with regional producers and logistics companies.

- Risks**
- Decline in food demand due to population decrease and shrinking workforce alongside the decline in the working-age population
  - Global inflation expansion, extreme weather, exchange rate fluctuations (impacts and damage to daily life and industry, logistics disruptions)

- Opportunities**
- Market expansion of local products (strengthening partnerships with producers and regional stores, developing new merchandise and services)
  - Diversification of strategies and tactics (card strategy, app strategy, providing purchasing experiences that integrate physical stores and online shopping)

## Management and Sales Strategies

RALSE aims to create stores where “customers who visit today will want to return tomorrow.” To achieve this, it prioritizes taste first, then freshness, and finally price, while also advancing its MUST Strategy (discovering merchandise that can only be found at RALSE).

### Offense

- Expansion of Super ARCS basic format
- Consideration of new formats for small and medium-sized stores
- Expansion of e-commerce business
  - Online store
  - Amazon Net Super ARCS

### Defense

- Promotion of category management
- Strengthening of SG&A expense control
- Control through POS gross profit management

## Human Resource Development and Retention

Supermarkets have a mission to focus closely on people's lives and protect local communities as food infrastructure. This work of providing services and merchandise that satisfy customers, sometimes serving as essential workers, is supported by employees' knowledge, skills, and humanity. As employment forms diversify, we believe that by enhancing each employee's capabilities, we can create stores that are relied upon even more and organizations that can be trusted. We conduct educational activities centered on “thorough adherence to supermarket basics” and “developing leaders with passion and enthusiasm who think and act proactively,” while also promoting health initiatives to help people continue working for many years in our super-aging society.

### VOICE



**Kumiko Komatsu**  
Human Resources Department,  
Management Control Division  
RALSE COMPANY, LIMITED

## Implementing Various Training Programs Tailored to Careers and Work Styles

We want to create workplaces where everyone can work energetically. With this in mind, we focus on training and education. We value human connections and offer comprehensive education for full-time employees, part-time employees, and student part-timers. Our goal is to create workplaces where those who work with us can grow with confidence and genuinely feel “I'm glad I work at RALSE!”



## Further Enhancing Productivity and Profitability

The transition from the COVID-19 pandemic to the post-COVID era has brought significant changes to the industry environment. While major GMS stores are retreating, new discount competitors from outside Hokkaido are entering the market. For us, this is the second battle to protect Hokkaido since major retailers from the mainland first arrived in the 1970s. What's notably different in this competition is the addition of a new factor—cost competition—alongside sales competition. Low price is now expected, and we must seriously improve productivity to survive.

RALSE will continue its low-cost management approach while developing store concepts that are attractive in every way. We will enhance our sales capabilities through all available means, including digital technology—not only in stores but also through online shops, digital signage, new services and campaigns using apps, and point programs.

Improving logistics is also crucial for boosting productivity and profitability. Although the 2024 logistics capacity shortage problem in Japan has created various impacts, RALSE holds regular meetings with logistics contractors, exchanging honest opinions to solve issues. As a result, we've suppressed serious impacts and avoided major operational disruptions. Additionally, for long-distance transportation of beverages and vegetables, we're using modal shift\* to address driver shortages.

The most important thing is the power to follow through. When frontline people seriously commit to "let's do this," results will surely follow. That's why we unite with the spirit of "Work should be fun! Talks should be backed by numbers! Let's look to the future!" and aim to enhance productivity and profitability with everyone's participation.

\* Switching to environmentally friendly rail freight and other transportation methods.

### VOICE



**Katsumasa Ito**  
General Manager,  
3rd Operations Section,  
Store Operations Department,  
Sales Control Division,  
RALSE COMPANY, LIMITED

## Promoting Visualization to Boost Productivity and Profitability

As a new initiative to boost productivity, we are currently working to turn part-time employees into more capable employees using work proficiency charts. By visualizing proficiency levels, work proficiency rates increase, resulting in stronger stores, greater work efficiency, and higher productivity. Additionally, by regularly monitoring profit progress and making timely adjustments as needed, we continue to enhance profitability.

## Message from Management

**Work should be fun!  
Talks should be backed  
by numbers!  
Let's look to the future!**



**Naoto Matsuo**  
Representative Director and President  
RALSE COMPANY, LIMITED

RALSE is a core company of the ARCS Group, now celebrating its 64th year. We engage in sales activities aimed at creating stores where customers who visit today will want to return tomorrow. One of our fundamental policies is to prioritize taste first, then freshness, and finally price. This has been consistent for 20 years. Price can be understood by looking at flyers. Freshness can be understood by looking at merchandise in the sales area. Taste can only be understood after customers purchase, cook, and actually eat the food. In other words, this reflects a priority of trust—a commitment never to betray customers on taste.

We also have the MUST Strategy. How much merchandise can we offer that make customers think "RALSE is the only place I'd buy it"? We focus on original prepared foods that leverage the expertise of each fresh food department. We're also expanding sales of CAINZ home center merchandise through franchise agreements. Online shops, digital signage, and living in harmony with communities are also key themes. In fiscal 2025, we were excited to welcome a woman executive. Within the company, our motto is "Work should be fun! Talks should be backed by numbers! Let's look to the future!" We aim to proactively make work enjoyable. We communicate based on numerical data. And we focus on the future, not the past. With a future-oriented mindset, we're moving forward together as a company.



Tanesashi Coast  
Provided by Visit Hachinohe

### Universe Co., Ltd. Company Overview

- Address: 83-1 Maeda, Naganawashiro, Hachinohe City, Aomori 039-1185
- Representative Director and President: Takehiko Miura
- Established: October 20, 1967
- Capital: 1,522 million yen
- Nature of business: Food supermarket
- Number of employees: 4,395
- Net sales: 145,663 million yen
- Number of stores: 59  
(39 in Aomori, 19 in Iwate, 1 in Akita)



# Universe Co., Ltd.

## Business Environment



Regional  
Characteristics

Universe operates in Aomori, Iwate, and Akita Prefectures. This region produces high-quality agricultural, livestock, and marine products and has a traditional food culture. Amid advancing population decline, the combination of food supermarket withdrawals and new entries has led to intensified competition. The main mode of transportation is private cars, and households without cars face shopping difficulties.



Risks

- Decline in food demand due to population decrease and shrinking workforce alongside the decline in the working-age population
- Rising frequency and severity of flood damage due to climate change, affecting local residents and businesses



Opportunities

- Product assortment and new service development that respond to the annually changing demographics
- Building customer trust by becoming a lifeline for each community (gaining unparalleled brand strength)

## Management and Sales Strategies

We are committed to the corporate philosophy of "Customers, our Priority." We focus on improving prepared foods that customers find appealing and creating merchandise based on household size and regional eating habits.

## Human Resource Development and Retention

Our approach to human resource strategy is also deeply rooted in the corporate philosophy of "Customers, our Priority." To meet customer expectations, we focus on each employee gaining knowledge and experience while developing strong interpersonal skills. To create comfortable workplaces where people feel pride and fulfillment in their jobs, we have worked on personnel transfers that consider each person's career plans and improved welfare benefits that support work-life balance. Recently, a challenge has been that our educational systems have not kept pace with social and value changes. To address this, we are reviewing our training system to emphasize the importance of respecting diversity and developing human resources capable of adapting to change.

### VOICE



**Yuki Sanbongi**  
Chief, Human Resources  
Development Group,  
Human Resources and Education  
Department, Universe Co., Ltd.

### Training that Connects Philosophy and Careers

While reviewing the education system for each work level, we noticed that many training programs were focused on memorization. We are now gradually increasing programs that encourage participants to think proactively and learn from one another. Specifically, this involves deepening understanding of our corporate philosophy through group activities, visualizing personal values, and contemplating future careers. We observe participants actively sharing their opinions in each program and believe this is fostering human resources who can adapt to environmental changes.

## Further Enhancing Productivity and Profitability

To consistently deliver high-quality service to customers, boosting productivity is essential. Creating added value and enhancing operational efficiency are key challenges for achieving this.

We thoroughly analyzed these issues and identified the negative impacts of vertical organizational structures. Since partial optimization efforts can lead to various inefficiencies, establishing operations that eliminate departmental silos is urgent. We first integrated the chilled food and grocery departments. Although there are differences in these departments' merchandise and management methods, their work is similar, and we found many areas where collaboration can improve efficiency. Currently, we're exchanging ideas to enable more streamlined work without waste or strain.

Another way to improve operational efficiency is by introducing electronic shelf labels. These labels eliminate the need for manual price tag replacements and prevent pricing errors. This has significantly lowered the work involved in replacing price tags before opening, which the chilled food and grocery teams previously handled, and has helped reduce reliance on certain individuals, caused by managing many items.

Food supermarket operations still have tasks that are dependent on certain individuals, using handwritten materials or spreadsheet software. Improvements are progressing, including AI-based shift scheduling for store staff, robot deployment, and no-code tools, which advance automation and paperless operations. However, efficiency doesn't improve just by reducing individual workloads. We need to review each staff member's role and the entire workday process. While we are halfway through this journey, by revising business processes and making small improvements to add value, we aim to enhance customer service and increase productivity.

### VOICE

## Boosting Productivity Through Mindset Reform and DX



**Suguru Ueno**  
Store Manager,  
Universe Momoishi Store

While implementing new DX operations, the biggest challenge was changing employees' mindsets. By explaining "why change is necessary," demonstrating, having them try, and clearly differentiating between work that requires thinking and work that doesn't, we significantly boosted work efficiency. By thoroughly reducing reliance on certain individuals, the tasks each person could perform expanded, and combined with AI-powered shift creation, we enabled more efficient use of man-hours.

## Message from Management

### With Solid Trust Rooted in the Community, Developing People to Deliver Value and Pursuing the Future as a Team



**Takehiko Miura**  
Representative Director and President  
Universe Co., Ltd.

Thorough customer focus and passion for human resource development are Universe's strengths. As a result of our dedication to offering freshness, a good product selection, and affordable value that lead to customer satisfaction, we hold the top market share in Aomori Prefecture. As a food supermarket, we're recognized as northern Tohoku's representative food supermarket that competes successfully with major companies, with both sales floor area and sales per store at top national levels.

For Universe, our unwavering value is "Customers, our Priority." Under these words, all employees work together to ensure food safety and security, as well as provide shopping joy and convenience to our local communities.

The key to meeting customer expectations is people. I believe that when each employee notices what customers want and need within their ability and acts without fear of change, growth results. Therefore, human resource development is crucial, and we have actively invested management capital in it.

The three prefectures of Northern Tohoku face serious population decline. While we've increased sales by thoroughly focusing on customer needs and providing added value even amid fierce competition, we need to take the next step without becoming complacent. The key is collaboration with group companies. Under the holding company's leadership, I believe we can overcome this tough situation if food supermarkets facing similar challenges share their wisdom.





### BELJOIS Co., Ltd. Company Overview

- Address: 2-1-30 Higashianiwa, Morioka City, Iwate 020-0824
- Representative Director and Senior Adviser: Kiyoshi Yokoyama
- Representative Director and Chairman: Hideki Kogarimai
- Representative Director and President: Tsukasa Sawada
- Established: January 17, 1951
- Capital: 1,052 million yen
- Nature of business: Food supermarket
- Number of employees: 3,189
- Net sales: 84,668 million yen
- Number of stores: 58 (1 in Aomori, 50 in Iwate, 7 in Miyagi)



# BELJOIS Co., Ltd.

## Business Environment

### Regional Characteristics

The three Tohoku prefectures of Iwate, Aomori, and Miyagi, where BELJOIS operates, are abundant in agricultural, livestock, and marine products, supported by their rich natural environments. However, there are concerns about the sustainability of local communities due to population outflow to urban areas, especially among younger people, and the increasing aging of the population.

- ### Risks
- Difficulty securing labor due to population decline and aging
  - Rising costs of product materials, energy, and logistics
  - Intensifying competition from competitor stores, including the same and different business formats

- ### Opportunities
- Fulfillment of essential infrastructure functions as a lifeline for each community
  - Diversification of shopping methods, including online supermarkets and mobile sales
  - Operational efficiency through the shared use of distribution centers among group companies

## Management and Sales Strategies

Under the basic philosophy that “our social role is to contribute to the modernization of distribution and improvement of lifestyle culture...to become an indispensable presence,” BELJOIS works daily to be “a store that customers choose and can rely on.” As customers’ defensive spending awareness increases due to rising prices caused by yen depreciation and soaring material costs, we’re actively developing the Super ARCS format, which offers a wide range of delicious, fresh, and safe merchandise at reasonable prices. Together with our customers, we aim to be the most exciting store in the region, serving them by offering product selections that cater to their diversifying lifestyles.

## Human Resource Development and Retention

BELJOIS’s core principle is trust. To develop employees who support “a store that customers choose and can rely on,” we focus on strengthening recruitment capabilities and rebuilding our education system. For recruitment, along with revising starting salaries, we’re introducing approaches tailored to different attributes and reviewing recruitment processes to respond quickly to applicants. We’re updating training programs and the entire education system to meet the diversifying roles required of stores. As employees’ values and life plans diversify, we’re creating environments in which they can demonstrate their abilities and stay motivated long-term. In line with this initiative, we eliminated some employee categories in March 2025 and made significant revisions to the part-time employee personnel system. We’ve introduced a system that enables more seamless and faster transitions from part-time employees to regular, full-time employees.

### VOICE



**Yuna Tadano**  
Recruitment Staff,  
Human Resources and  
Education Office,  
Management Division  
BELJOIS Co., Ltd.

## Nurturing Human Resources Who Share Our Philosophy

Our recruitment process focuses on whether applicants connect with our philosophy and choose to join us with an understanding of our strengths and challenges. We work closely with each applicant, flexibly accommodating selection schedules and addressing questions and concerns. We are currently undergoing major reviews of both recruitment and education, in the midst of a transformation aimed at realizing our basic philosophy. We will continue to play a part in ensuring BELJOIS is relied upon by local customers.

## Further Enhancing Productivity and Profitability

The food supermarket industry is a typical labor-intensive sector, heavily reliant on manual work. Yet attracting labor is becoming difficult due to aging populations and declining birth rates, and wages continue to rise. Additionally, the cost environment is changing significantly with increasing raw material and energy prices, requiring appropriate responses to these external factors.

BELJOIS sees 2025 as a year of growth for both individuals and the company, a period when our deepening, evolution, and true value will be tested. We're making work style reforms and productivity improvements aimed at building efficient operational systems. Productivity improvement isn't just about cost reduction but also enhancing profitability while managing costs. To boost profitability in commercial zones facing population decline, aging demographics, and intense competition from different food-related businesses, it's essential to increase each store's market share within its respective zone. We're reevaluating what's necessary for customers to visit and use our stores and thoroughly implementing our basic store requirements\* to improve sales floor performance.

We're also leveraging digital technology to increase labor-saving for improving productivity. Introducing full self-checkout reduces customer wait times and boosts store efficiency. Automatic ordering streamlines ordering and ensures consistency while preventing stockouts. We are also piloting electronic shelf labels to achieve further operational improvements. In headquarters operations, we are expanding the use of robotic process automation (RPA) for simple tasks and digitalizing workflows to enable faster processing and paperless operations.

\* Basic store requirements: 1) sales methods, 2) freshness and perceived freshness, 3) affordability and perceived value, 4) deliciousness and taste appeal, 5) product selection, 6) service and customer interaction, and 7) cleanliness.

### VOICE



**Keisuke Odashima**  
Chief, Management  
Planning Office  
BELJOIS Co., Ltd.

## Focusing on Strategic Areas Through Work Automation

We're promoting RPA for generating materials like daily sales reports. RPA quickly shares the previous day's results with relevant parties before work hours, facilitating numbers-based communication within the company. With RPA handling these tasks, we've created an environment where we can focus on more strategic work. We plan to expand its use further to enhance both work quality and efficiency.

## Message from Management

### A Decade of Integration: Building Community Trust, Embracing Future Transformation



**Tsukasa Sawada**  
Representative Director and President  
BELJOIS Co., Ltd.

This year marks the 10th anniversary of JOIS and Belle Plus merging to become BELJOIS. Both companies originated in Iwate and expanded through multiple mergers with other local supermarkets. As a result, store sizes and locations differ, and we operated under seven different store names. Although these names were cherished by local communities, we have been gradually remodeling them into the Super ARCS format over the past five years. These Super ARCS stores, renovated while adopting new merchandise policies and operational methods, have garnered customer support, resulting in steady growth in sales and customer numbers. Successfully adopting this competitive format has boosted employee confidence and motivation. We will continue converting existing stores to Super ARCS, aiming to develop stores that meet customer expectations and contribute to corporate growth.

Also, aiming to be "an exciting company where both individuals and the company grow," we're currently working on: 1) developing next-generation human resources, 2) rebuilding personnel and education systems, 3) reallocating necessary work to appropriate departments, and 4) implementing various productivity improvement measures.

For sustainability initiatives, we are working on: 1) establishing cooling shelter installations and disaster supply agreements with local governments, 2) setting up food bank stations in collaboration with NPOs, and 3) hosting children's health marathons and mothers' volleyball tournaments to promote community health. We will continue these efforts with gratitude toward the local communities that have supported us since our founding.





**FUKUHARA CO., LTD. Company Overview**

- Address: Nishi 22-jo Kita 1-chome 13, Obihiro City, Hokkaido 080-2498
- Representative Director and President: Ikuharu Fukuhara
- Established: May 23, 1958
- Capital: 2,481 million yen
- Nature of business: Food supermarket
- Number of employees: 1,442
- Net sales: 43,694 million yen
- Number of stores: 41 (23 in Tokachi area, 18 in Kushiro and Nemuro area)



# FUKUHARA CO., LTD.

## Management and Sales Strategies

With “We deliver happiness to all. Make Happiness!” as our corporate message, we strive to be a company that benefits all stakeholders. Our management strategy focuses on differentiation, institutional reform, and productivity improvement. Regarding differentiation, we have renovated 25 stores—about 60% of all our stores—over the past decade, introducing merchandising tailored to trends such as meal individualization, an aging population, and polarized consumption. For institutional reform, we run the Project to Deliver Happiness to Employees weekly under the direct supervision of the president, driving improvements in the work environment and welfare benefits.

## Further Enhancing Productivity and Profitability

To improve productivity, we have opened a centralized meat processing facility. We also acquired a prepared food manufacturing company, strengthening both efficiency and merchandise development in our deli department. In recent years, we launched a Productivity Improvement Project in partnership with the labor union, implementing initiatives that support lasting wage increases.

To strengthen profitability, we are applying RALSE's expertise. Top management takes part directly in RALSE meetings, with a focus on reinforcing sales. We expect substantial impacts on profitability from measures such as unified shelf allocation. In addition, we will expand conversion to the Super ARCS format, which is currently limited to two stores, showcasing group synergies and further improving profitability.

## Message from Management

### Leveraging Synergies to Improve Stores and People, Becoming a Company that Delivers “Happiness”

**Ikuharu Fukuhara**  
Representative Director and President  
FUKUHARA CO., LTD.



Since the 2002 management integration with RALSE that formed ARCS, we have steadily pursued group synergies. These include reducing purchasing costs, developing Big House and Super ARCS formats, improving material procurement efficiency, and unifying information systems, HR systems, and payroll. We are now strengthening sales by sharing knowledge on RALSE's store operations, merchandising, and promotional planning, with the aim of ultimately unifying the Group's procurement functions. To address market challenges such as declining birthrates, we are actively pursuing M&A across related industries. We have made bakery, flower, and deli manufacturing businesses into subsidiaries, complementing our supermarket operations and creating strong synergies. Our goal is to maximize corporate value and bring happiness to local customers by investing in the supermarket business and related growth areas.





#### Douhoku Arcs Co., Ltd. Company Overview

- Address: 1-33-1, Ryutsu Danchi 1-jo, Asahikawa City, Hokkaido 079-8585
- Representative Director and Chairman: Akira Muguruma
- Representative Director and President: Satoshi Muguruma
- Established: May 22, 1965
- Capital: 781 million yen
- Nature of business: Food supermarket
- Number of employees: 1,754
- Net sales: 44,722 million yen
- Number of stores: 42 (all in Northern Hokkaido area)



# Douhoku Arcs Co., Ltd.

## Management and Sales Strategies

Douhoku Arcs is advancing various initiatives to realize our management philosophy of “aiming to be a company that contributes to improving customers’ healthy and enriched lifestyles through commerce and develops based on that trust.” Establishing the DaMC fresh center (D = Douhoku, a = Arcs, M = Mother, C = Center), delicatessen center, and logistics center helps save labor in store operations, allowing for wide-area store openings and thereby contributing to regional development. We also prioritize education and technical training for next-generation staff, holding various training sessions by level and field each year.

## Further Enhancing Productivity and Profitability

Having two manufacturing bases—DaMC fresh center and delicatessen center—enables stable merchandise supply to stores, supports store operations with fewer staff, and simultaneously allows us to provide fresher merchandise at large stores. Moving forward, we will place more emphasis on developing and selling merchandise that is freshly made. Additionally, by utilizing our delivery center for non-fresh items, we have established a system to consolidate deliveries from multiple suppliers to stores, further enhancing in-store efficiency. We are also improving checkout department efficiency through full self-checkout and semi self-checkout systems and working on labor-saving ordering through automated systems in each department.

## Message from Management

### Achieving Selection and Price and Supporting Northern Hokkaido Living by Leveraging Center Functions

**Satoshi Muguruma**  
Representative Director and President  
Douhoku Arcs Co., Ltd.



Douhoku Arcs operates in the northern Hokkaido area centered on Asahikawa City. Fuji, established in 1965, and Douhoku Ralse, founded in 1997, merged in 2012 to form Douhoku Arcs. Leveraging our strategic location in Asahikawa City, nearly in the center of Hokkaido, we strategically utilize our center functions to enable diverse format development: Western with an overwhelming merchandise selection and wide commercial zones, Super ARCS and Best Price achieving both selection and everyday low price (EDLP), and Superchain Fuji, RALSE Mart, and Da\*Marche providing daily necessities as the local community's kitchen. We aim to be the leading company satisfying customers in the northern Hokkaido district.



#### TOKOU STORE COMPANY, LIMITED Company Overview

- Address: 1-9-6, Hiragishi 1-jo, Toyohira-ku, Sapporo City, Hokkaido 062-0931
- Representative Director and Chairman: Kiyoshi Yokoyama
- Representative Director and President: Shuichi Kusumi
- Established: July 15, 1972
- Capital: 1,377 million yen
- Nature of business: Food supermarket
- Number of employees: 1,553
- Net sales: 41,240 million yen
- Number of stores: 26 (25 in Sapporo City, 1 in Kitahiroshima City)



# TOKOU STORE COMPANY, LIMITED

## Management and Sales Strategies

Since our founding, TOKOU STORE has operated food supermarkets centered in Sapporo City, upholding five guidelines: kindness, cleanliness, good quality, low prices, and safety and security to become “a company loved by customers.” Since joining the ARCS Group in October 2009, we have firmly met diversifying customer needs with “Good things at low prices!” as our basic management policy. We will continue providing valuable merchandise and services as a lifeline for each community while responding to uncertain social conditions and climate change, and we will maintain initiatives that support sustainable environments and enriched lives.

## Further Enhancing Productivity and Profitability

Productivity and profitability enhancement are key challenges for improving employee working conditions, addressing labor shortages, and providing high-quality services. We are working on various improvements to meet these challenges. For instance, we launched the Kaizen Project to develop multifunctional workers, eliminating departmental silos, and deepen cross-departmental collaboration, advancing work style reform without waste or strain while bringing in external consultants. We are also promoting paperless operations with tablets for all meetings, which supports environmental friendliness, reduces costs, and lessens the burden of meeting preparations.

Moving forward, we will actively promote individual employee development and work systematization, linking them to productivity and profitability enhancement.

## Message from Management

### Creating Safe and Secure Stores by Protecting Freshness and Quality for a Comfortable Workplace



**Shuichi Kusumi**

Representative Director and President  
TOKOU STORE COMPANY, LIMITED

Under our basic management policy of “Good things at low prices!” we’ve continued operations supported by all stakeholders, including customers and suppliers. While sincerely thanking everyone for their support, we will keep providing merchandise with a commitment to freshness and high quality.

We’re also working to reduce energy use and waste while placing Care-Fitters and AEDs in all stores to create safe and secure environments for customers and employees. In response to social challenges like aging, we help improve community health by holding various health seminars at stores. We will continue striving for enjoyable, easy-to-shop sales floors for customers while fostering environments in which employees can work energetically.





**Dounan Ralse Co., Ltd. Company Overview**

- Address: 3-4-11, Oiwake, Hokuto City, Hokkaido 049-0101
- Representative Director and Chairman: Kiyoshi Yokoyama
- Representative Director and President: Shin Konno
- Established: September 30, 1998
- Capital: 480 million yen
- Nature of business: Food supermarket
- Number of employees: 1,191
- Net sales: 30,268 million yen
- Number of stores: 18 (all in Southern Hokkaido area)



# Dounan Ralse Co., Ltd.

## Management and Sales Strategies

Dounan Ralse operates 18 food supermarket stores in southern Hokkaido. In this region, where declining birthrates, aging, and population decline are progressing, protecting the lifeline for each community is our mission. We work daily to create stores where customers can shop enjoyably and conveniently, making daily meals richer.

Amid rapid changes driven by advances in information technology and the COVID-19 pandemic, with the slogan “Bright, Energetic, and Forward-looking,” we aim to be an indispensable company for the regional community, contributing through various initiatives.

## Further Enhancing Productivity and Profitability

To achieve the “Nattoku Kakaku” (Value-appropriate Prices) that the ARCS Group advocates while enhancing employee treatment, productivity improvement is essential. Dounan Ralse has set a fiscal 2025 target of 14,500 yen in sales per labor hour (sales per hour of work by one employee; 105.3% year-on-year), and is working to boost daily store operational efficiency through automatic ordering, full self-checkout and semi self-checkout systems.

Additionally, by increasing merchandise supplied from our process center for four fresh food departments (marine products, meat, delicatessen, and bakery) opened in 2018, we aim to improve profitability by achieving both store operational efficiency and selection of carefully prepared delicious merchandise.

## Message from Management

### Beyond Growth: Protecting Livelihoods and Becoming a Company to Be Proud Of

**Shin Konno**  
Representative Director and President  
Dounan Ralse Co., Ltd.



When Dounan Ralse was established in 2004, its annual sales were 14.4 billion yen. Sales doubled over the next 20 years, reaching our long-sought goal of 30 billion yen in 2024, making us one of the leading companies in southern Hokkaido. While pursuing sales growth is natural, it is only a means, not an end. Our true goal is to improve the working environment for Dounan Ralse employees by increasing sales and scale, and to become “a company that employees are proud to work for!” The southern Hokkaido region continues to face population decline, making it increasingly difficult for retail stores to survive. Dounan Ralse will safeguard the community lifeline by leveraging our fresh food department process center to supply merchandise reliably.





#### Doutou Arcs Co., Ltd. Company Overview

- Address: 3-7-2 Oroshimachi, Kitami City, Hokkaido 090-0056
- Representative Director and Chairman: Kiyoshi Yokoyama
- Representative Director and President: Tatsushi Kitano
- Established: December 25, 1959
- Capital: 450 million yen
- Nature of business: Food supermarket
- Number of employees: 833
- Net sales: 20,844 million yen
- Number of stores: 14 (all in Eastern Hokkaido area)



# Doutou Arcs Co., Ltd.

## Management and Sales Strategies

Under our group philosophy, Doutou Arcs aims to be “a company supported by customers, recognizing our role in the community, where employees can be happy and hopeful.” We strive to deliver the best customer and employee satisfaction in Hokkaido. With the core belief that “delicious things make people happy,” we offer a full selection of fresh vegetables, tender meat and fresh fish, and freshly-prepared food, the supermarket chosen by our customers as the place to buy this merchandise. We endorse the idea that “the source of energy is sales, the source of happiness is profit,” engaging in open exchanges of opinions, aligning perspectives and pace, and always maintaining a forward-looking attitude in our work.

## Further Enhancing Productivity and Profitability

Enhancing productivity is vital for sustainably delivering better customer service. We are focusing on DX and employee development as key challenges to boost productivity. To advance DX, we are increasing the deployment of self-checkout systems, encouraging automated ordering, and beginning trials with electronic shelf labels. The most critical factor in advancing DX is the growth of employees who utilize it. Without user growth, its effectiveness cannot be maximized. To boost individual capabilities, we promote multi-skilling through growth-encouraging personnel assignments and personal goal setting. We believe that each employee's growth and fulfillment of their roles and responsibilities lead to higher productivity, ultimately improving service quality for customers.

## Message from Management

### Creating a Bright Future by Providing Deliciousness and Trust with Daily Business Integrity

**Tatsushi Kitano**

Representative Director and President  
Doutou Arcs Co., Ltd.



We fulfill our responsibilities as a local company rooted in the community by providing fresh, delicious merchandise at “Nattoku Kakaku” (Value-appropriate Prices), creating stores where local customers can shop confidently, and offering service with a smile. We promote the Okhotsk region, which is blessed with abundant marine resources, agriculture, livestock, and dairy farming in this naturally rich land, while also working on environmental conservation. To overcome current challenges marked by many unstable factors, including food resource decline due to climate change and economic instability, we advance DX and the use of limited human resources, pursuing productivity improvements. We continue strengthening collaboration with group companies, maximizing group synergies to protect the community's food lifeline.



#### Ito Chain Co., Ltd. Company Overview

- Address: 2-1, Yakedan, Tsukinoki, Shibata-machi, Shibata-gun, Miyagi, 989-1756
- Representative Director and Chairman: Kiyoshi Yokoyama
- Representative Director and President: Yoshikazu Ito
- Established: April 9, 1974
- Capital: 50 million yen
- Nature of business: Food supermarket
- Number of employees: 531
- Net sales: 14,264 million yen
- Number of stores: 9 (all in Miyagi)



## Ito Chain Co., Ltd.

### Management and Sales Strategies

Fiscal 2024 concluded with increased sales and profits. In fiscal 2025, with three competing stores planned to open in our trade area, we are implementing thorough competitive strategies, with the sales and merchandise departments collaborating on various initiatives to meet management targets, including higher sales and profits. In existing stores, we focus on differentiating ourselves from competitors by creating stores that exceed customer expectations while enhancing customer service. The merchandise department is prominently featuring our private brand, offering carefully selected, fresh, and tasty merchandise to delight customers. We are also working on improving our income, aiming to increase the gross profit margin on fresh foods by 1%.

### Further Enhancing Productivity and Profitability

Six years have passed since we joined the ARCS Group. During this period, productivity has improved through the progressive introduction of ARCS unified systems and structures. Specifically: 1) Enhancing sales and optimizing cost structures through data analysis using core systems and understanding top-selling merchandise throughout companies; 2) Strengthening card promotions and contributing to profitability through ARCS RARA points; and 3) Reducing administrative processing time by consolidating back-office operations like accounting within ARCS. Additionally, in fiscal 2025, we believe that 4) introducing group-wide systems for HR and attendance management will lead to less administrative work and more effective labor management. To achieve sustainable sales and profit growth, we will persist in deploying ARCS unified systems.

### Message from Management

#### Rooted in the Community for 51 Years: Advancing to the Next Stage with the Strength to Embrace Change

Yoshikazu Ito

Representative Director and President  
Ito Chain Co., Ltd



Ito Chain celebrates its 51st anniversary this fiscal year. Our stores are aging, with some having been open for over 30 years. To create environments where customers can shop easily and employees can work comfortably, we will renovate existing stores and open new ones. Additionally, in honor of the 10th anniversary of our flagship Foods Garden Tamaura Shokusaikan and the 5th anniversary of Foods Garden Yuriage Shokusaikan, we will host celebration events across all stores. While implementing competitive strategies, we are launching new initiatives, including an online supermarket in partnership with Amazon and mobile grocery sales. Without being overly constrained by inflation, we aim to build a profitable management structure by enhancing procurement capabilities and productivity.





#### OTANI CO., LTD. Company Overview

- Address: 37-3 Hiraide Kogyo Danchi, Utsunomiya City, Tochigi 321-0905
- Representative Director and Chairman: Kiyoshi Yokoyama
- Representative Director and President: Izumi Kawano
- Established: September 1, 1982
- Capital: 98 million yen
- Nature of business: Food supermarket
- Number of employees: 930
- Net sales: 23,169 million yen
- Number of stores: 31 (30 in Tochigi, 1 in Saitama)



# OTANI CO., LTD.

## Management and Sales Strategies

OTANI's three-year medium-term plan focuses on quickly improving profitability. For fiscal 2025, we aim to eliminate the imbalance between income and expenses, working to restore profitability balance. Main measures include: 1) a fundamental review of major costs, 2) a review of headquarters and store organizations, and 3) implementing specific measures to secure gross profit margins. For fiscal 2026, as we embark on profitability enhancement, we plan to complete management priority improvements, advancing: 1) corporate productivity reform, 2) reliable implementation of growth investments, and 3) further cost efficiency initiatives. For fiscal 2027, our goal is to establish a stable profit foundation, executing these initiatives over the next three years as the final phase.

## Further Enhancing Productivity and Profitability

We are reviewing our headquarters and store organizations to improve efficiency in their operations, by focusing on eliminating role and task redundancies and inefficiencies. We believe that the key to increasing productivity is completing work within regular hours, and we are implementing initiatives to support this. We are examining conventional operations and working to reduce unnecessary overtime. Additionally, increasing the use of the Group's core systems leads to daily operational improvements. On the sales side, we are enhancing the performance of our automated ordering system throughout all stores, resulting in fewer stockouts. We will continue to deepen group collaboration and strengthen various initiatives aimed at improving merchandise profitability.

## Message from Management

### Trust Built with the Community, Moving Forward Reform with Our Origins in Mind

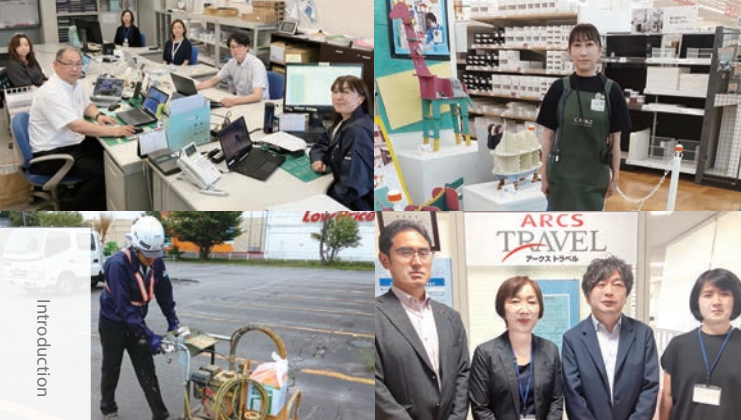
**Izumi Kawano**

Representative Director and President  
OTANI CO., LTD.



OTANI's business began when Kii Otani started a candy store in 1946 and established Supermarket OTANI in September 1982. We've been supported by many customers as a long-standing local supermarket, but the competitive environment has changed drastically since the late 1990s with new competitors from other prefectures and, more recently, drugstores. We joined the ARCS Group in 2021 and are implementing reforms. In particular, we have placed the OTANI Philosophy, established in September 2023, at the core of our corporate values, emphasizing providing daily satisfaction to customers. We aim to grow our business by thoroughly maintaining a customer-focused approach, including enthusiastic greetings to customers, fresh and high-quality foods and expanding sales of merchandise that always offers affordability and value.





### ELDy Co., Ltd. Company Overview

- Address: 1-9-6, Hiragishi 1-jo, Toyohira-ku, Sapporo City, Hokkaido 062-0931
- Representative Director and President: Kiyoshi Yokoyama
- Established: May 17, 1966
- Capital: 480 million yen
- Nature of business: Building maintenance, home center, resource and environment, insurance and travel agency
- Number of employees: 195
- Net sales: 8,484 million yen
- Number of stores: 3 in Hokkaido (1 in Sapporo City, 1 in Ishikari City, 1 in Kitahiroshima City))

Introduction

Message from Top Management

ARCS Group Value Creation

Foundation Supporting Value Creation

Corporate Information

# **ELDy Co., Ltd.**

## Management and Sales Strategies

Despite inflation headwinds, ELDy celebrated its 59th anniversary in 2025. This achievement was possible thanks to strong connections with all stakeholders, including customers, employees, and suppliers, and we will continue to strengthen these relationships. Guided by the motto “providing valuable merchandise and services,” we’ve made “continuing to grow by adapting to change” the core of our management strategy. We are advancing our work in a rational and efficient manner by eliminating waste and leveraging our expertise and experience. With our sales strategy, “strengthening competitiveness and improving productivity,” we focus on daily business activities to serve as a lifeline support company and continuously seek ways to improve our service.

## Further Enhancing Productivity and Profitability

We currently operate five businesses, each focused on enhancing productivity and profitability by leveraging specialized knowledge and experience. In building maintenance, we’re strengthening profitability by developing qualified personnel and making various proposals to gain customer approval. The home center business aims to boost profitability by encouraging both in-store visits and online engagement through the acquisition of CAINZ app members. In the resource and environment business, we’ve implemented electronic manifests to improve administrative efficiency and ensure regulatory compliance, while also proposing waste cost reduction and management support for group companies. In insurance and travel, we focus on enhancing customer satisfaction by providing the latest information and tailored proposals to meet customer needs.

## Message from Management

### Building Trust and Supporting Communities Through Diverse Businesses

**Kiyoshi Yokoyama**  
Representative Director and President  
ELDy Co., Ltd.



ELDy, headquartered in Sapporo City, Hokkaido, operates a wide range of businesses, including building maintenance, industrial waste collection, insurance agency, travel agency, and home center operations.

We support not only customers but also group companies. Currently, we have sales offices in Morioka City, Iwate; Hachinohe City, Aomori; and Utsunomiya City, Tochigi. Our goal is to become a lifeline support company that earns approval and satisfies both local customers and group companies.

We will keep making social contributions to local communities through daily support of group companies so they can fully serve as lifelines for each community.

# Activities as a Lifeline for Each Community

The ARCS Group's mission is to stay close to the lives of regional communities and support their daily security and prosperity as a lifeline for each community. Group companies have taken actions in response to community voices across various areas including addressing food and lifestyle issues, environmental conservation, engagement with future generations, and disaster preparedness. This section highlights the value of these initiatives for both communities and ourselves through examples of our activities.

## 1 Community-Focused Commitment to Addressing Food and Lifestyle Challenges

As a retail and distribution group supporting daily life, the ARCS Group connects regional food and people through its daily operations.

Most fresh products we handle come from producers in agriculture, fisheries, and food processors within the regions we serve. Delivering these regional products to local people forms a foundation of circulation that supports both regional economies and everyday life.

Group companies focus on creating sales areas that use locally harvested agricultural and marine products, promoting local production for local consumption through proposals that value seasonality and regional characteristics. RALSE particularly ensures a stable supply of local vegetables by collaborating with nearby farmers, helping to provide safe and secure food. These efforts reduce the distance between producers and consumers, fostering regional richness together. We also emphasize developing prepared foods and sales areas that utilize regional ingredients, playing a role in passing regional flavors to future generations.

The ARCS Group continues to fulfill our responsibility as a lifeline for each community, building trust and circulation with communities through daily shopping, serving as a bridge that supports food and life.

### Q What are our unique activities as a lifeline for each community?

**A** RALSE aims for "Nattoku Kakaku" (Value-appropriate Prices)—prices that satisfy both producers and consumers—by giving the highest priority to taste, followed by freshness and price. We also promote regional coexistence, such as selling imperfect vegetables from contract farmers struggling with poor harvests due to extreme heat.

Daichi Sato  
General Manager, Merchandise Department 1, Merchandise Group, Merchandise Control Division, RALSE



## 2 Contributing to Sustainable Living and Society with Communities

Amid growing awareness of decarbonization and resource circulation, the social responsibility of food supermarkets, which interact daily with community residents, is increasing. Group companies promote community-based environmental conservation through their business activities.

We conduct in-store collection of food trays and PET bottles, making recycling routine with local residents. Universe reuses food waste from stores as compost, selling "eco carrots," "eco burdock," and other produce grown with it, building circulation systems that utilize resources generated within the community. RALSE collects and reuses fish scraps and meat trimmings, while Dounan Ralse develops merchandise utilizing chicken skin trimmings. OTANI supports household resource reuse through in-store collection of waste cooking oil, clothing, towels, and other goods.

Stores are lifelines supporting everyday life in each community—both shopping locations and advocates for environmental awareness. We will continue encouraging store development that coexists with the environment as familiar, reliable bearers of sustainable living for communities.

### Q What are our unique activities as a lifeline for each community?

**A** To develop new enriched lives that support decarbonization, we're promoting closed-loop recycling with communities and local governments. Waste cooking oil can power airplanes! Also, 84.8% of collected clothing is reused.

Hiroshi Furusawa  
Director, General Manager, General Affairs Department, OTANI



## 3

### Co-learning and Co-creation that Connect People and Community Futures

The ARCS Group sees nurturing future generations, including children and youth, as an essential role in shaping a community's future. Each company fosters ongoing, community-based relationships. FUKUHARA hosts sports events with community residents to encourage interaction and promote health. BELJOIS supports local youth through children's events and in-store activities in partnership with local sports teams. Universe promotes community sports and environmental awareness through eco-vegetable sales and collaborative merchandise with J.League team Vanraure Hachinohe and B.LEAGUE club Aomori Wat's. Doutou Arcs creates venues for learning and practice, where schools, companies, and communities work together by selling student-designed merchandise. RALSE organizes health check events to help improve regional health awareness.

These initiatives foster connections with generations who will lead the future of each community, laying the groundwork for regional attachment and collaboration. We aim to naturally incorporate engagement with such generations into our daily business activities, remaining a company that walks alongside communities.

#### Q What are our unique activities as a lifeline for each community?

**A** We promote sports and regional revitalization with community members through methods unique to food supermarkets. It would be fantastic if local children could join local professional sports teams and become national team members!

Norihiko Sawada  
General Manager, Merchandise Department 1, Merchandise Division, Universe



## 4

### Building Systems and Continuous Readiness to Protect Community Lives in Emergencies

Supporting community life during disasters is a key role that food supermarkets should play. The ARCS Group promotes disaster prevention and preparedness while developing systems in partnership with local governments and community groups. Dounan Ralse has finalized comprehensive partnership agreements with Hakodate City, and RALSE with Ishikari City, enhancing cooperation across various areas, including disaster prevention, regional welfare, and community development. ELDy has established material supply systems utilizing its home center functions, further strengthening community collaboration by signing disaster material supply agreements with Ishikari City and Kitahiroshima City.

We are constantly enhancing our store facilities and logistics systems by installing emergency generators, securing alternative transportation, and developing disaster response manuals. Because we never know when disasters will occur, we focus on preparedness for "what if" scenarios in daily life and build mutually supportive relationships with communities. Stores that are familiar as everyday shopping venues also serve as critical parts of the materials infrastructure during emergencies. To remain a vital part of the community, we will keep evolving our preparedness efforts.

#### Q What are our unique activities as a lifeline for each community?

**A** Our home center division stocks a variety of preparedness merchandise to protect lifelines for each community, staying fully prepared to support communities through all CAINZ stores during emergencies.

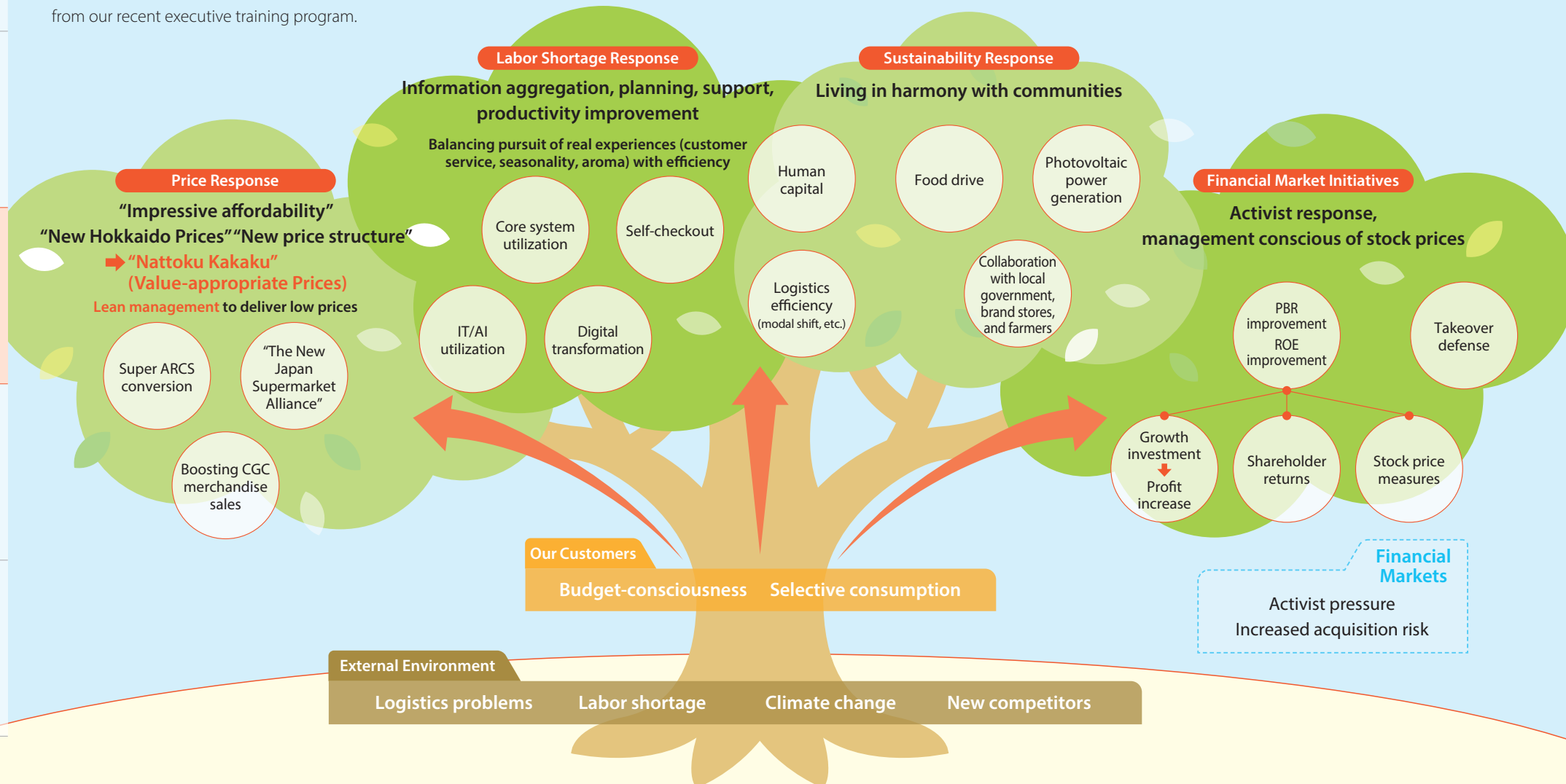
Akira Tamori  
Store Manager, ELDy CAINZ FC Hanakawa Store





# Further Refining Yatsugatake Mountain Range Management

To further refine Yatsugatake Mountain Range Management, the ARCS Group engages in practical discussions to promote sustainable growth and better governance through annual executive training programs, twice-monthly board meetings, and weekly meetings of managing directors, where directors and group company executives come together. The tree diagram below represents how our diverse group initiatives spread like branches and leaves, a tree rooted in the social challenges we face and the values we share. The following pages highlight priority initiatives based on discussions and insights from our recent executive training program.



# Further Refining Yatsugatake Mountain Range Management — Leveraging Individuals, Moving the Whole

## Creating “Nattoku Kakaku” (Value-appropriate Prices) Together with Customers

Delivering “Nattoku Kakaku” (Value-appropriate Prices) is the ARCS Group’s pricing strategy, which values fairness for both our company and our customers. Instead of simply pursuing low prices, we focus on building trust and peace of mind by ensuring that customers feel “shopping here means getting good value.” To achieve this, we set fair prices based on merchandise quality, background, and changes in procurement costs.

Faced with rising procurement costs from recent inflation and surging raw material prices, we are moving toward a “new price structure” that properly reflects the background and rationale behind prices, rather than simply rejecting higher procurement prices as retailers. At the same time, we respond firmly to unjustified price hikes or prices that don’t match the content, engaging in sincere consultations with our suppliers. By balancing quality and price, we aim to provide merchandise that customers accept as reasonably priced.

This “Nattoku Kakaku” (Value-appropriate Prices) can only be achieved through integrity and communication at every stage of production, distribution, and sales. We share this idea throughout the entire Group and, by facing our community customers with sincerity, we continue to set prices that live up to their trust.



## The Wisdom and Innovation Supporting Prices

For the ARCS Group, lean management is a core strategy for achieving “Nattoku Kakaku” (Value-appropriate Prices). To offer our customers attractive low prices, we have continued to make efforts in all areas, including logistics, efficiency, and day-to-day operations. This approach is clearly reflected in our group philosophy and operating policies.

Big House, opened in 1994, embodies this strategy. By narrowing product selection and streamlining procurement, logistics, and display, it achieved consistently low prices. It gained strong support in Hokkaido amid nationwide deflation. A key feature was that employee efforts and ideas were reflected in store operations, with improvement proposals from the front lines incorporated into management.

Subsequently, in response to changing lifestyles and shopping habits, we developed Super ARCS, which inherits the lean management concept. Beginning with RALSE in Sapporo, this format expanded, and during fiscal 2024 seven stores within the Group had been converted, showing clear improvements in performance.

Sharing knowledge among group companies and applying lean management to each front-line situation, despite differences in regions and formats, is possible precisely because of the Yatsugatake Mountain Range Management framework. We will continue to leverage this strength, learn from one another, and refine effective initiatives.



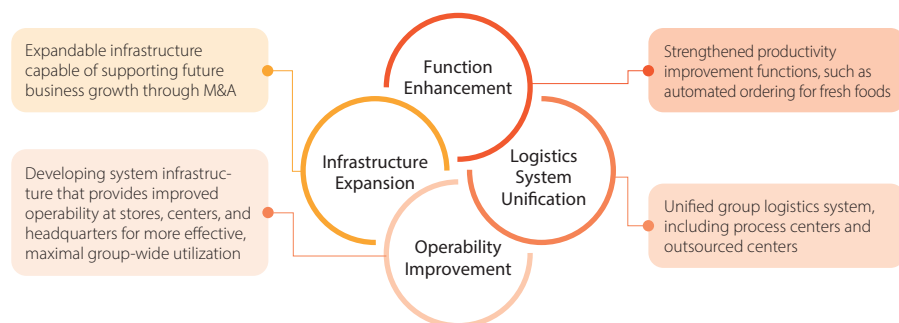
## Foundation Reforms Aiming for Overall Optimization

The ARCS Group is moving forward with a transition to a new core system set for October 2027. This isn't just a system replacement but a strategic move to improve operational efficiency and flexibility throughout the entire Group. By creating a common foundation that goes beyond differences in format and scale under Yatsugatake Mountain Range Management, we aim to achieve an overall optimized operational structure.

The renewal includes such practical improvements as automated ordering for fresh products, unified group logistics systems including centers, better operability, and task standardization. We are also exploring an expandable infrastructure to support future business growth through M&A. These renewals will better support the ARCS Group, which comprises multiple companies operating in different regions and with various business formats.

In the future, AI and data are expected to be utilized in management decision-making, with the system serving as "growth-supporting infrastructure" beyond simply improving operational efficiency. Amid worsening labor shortages, this system renewal promotes the development of shared mechanisms supporting sustainable growth, further strengthening the advantages of Yatsugatake Mountain Range Management.

### Switching to New Core System (October 2027)



## Beyond Efficiency, Toward Valuable Work

In regions centered on Hokkaido and Tohoku, labor shortages are worsening due to declining populations, posing an urgent challenge for the ARCS Group.

Group companies regularly focus on operational efficiency at stores and headquarters, building up frontline-driven improvements such as reducing routine tasks, reviewing work processes, and refining shift management. This practical knowledge is routinely shared within the Group, consistently improving the accuracy and effectiveness of operations through mutual learning. At the November 2024 executive training program, Chairman Yokoyama stressed that while efficiency is a key part of management, it is crucial to distinguish between unnecessary and necessary matters. Specifically, values in real experiences such as warmth in customer service, seasonal displays, and the atmosphere of sales floors form the foundation of the ARCS Group's competitiveness, and we should not focus solely on labor-saving. Balancing efficiency and customer experience is the direction we aim for in store operations.

Based on this perspective, the ARCS Group drives improvements that enhance both efficiency and quality while sharing ideas and knowledge throughout its companies. Leveraging diversity and balancing real experiences with rationality are the ARCS Group's strengths.



Promoting utilization of the ARCS app



Value-added product "Greengrocer's Fruit Pudding" (RALSE)



## Moving Forward with Markets Through Change

Against the backdrop of METI's *Guidelines for Corporate Takeovers* and Tokyo Stock Exchange requirements, management with awareness of capital costs and stock prices is increasingly expected of listed companies.

At our FY2024 executive training program, we invited external experts to give lectures on corporate evaluation and capital efficiency from a capital market perspective, then facilitated group discussions on specific challenges and solutions for improving management indicators.

Based on these discussions, we revised our dividend policy in January 2025, setting a target payout ratio of 40% and establishing a policy of long-term, stable, and progressive dividends, with consideration for the dividend on equity (DOE). Meanwhile, FY2024 ROE was 6.1% and PBR remains below 1.0, requiring continuous efforts aimed at enhancing corporate value.

Moving forward, along with growth strategies such as store renovations focused on converting to the Super ARCS format, expanding online supermarkets, and growing in business size through M&A, we will enhance productivity and revise cost structures by unifying distribution, adjusting shelf allocation, sharing best practices horizontally, promoting DX, and investing in human capital. These efforts aim to achieve a medium- to long-term ROE of 8.0% or higher and further increase corporate value, with a PBR target above 1.0.

### Dividend Policy Changes (Announced January 8, 2025)

Before Change	After Change
Regarding dividends of surplus, we aim to maintain a payout ratio of 30% or higher relative to consolidated net income, providing additional profit returns through performance improvements.	Regarding dividends of surplus, we aim for a payout ratio of 40% relative to consolidated net income. Additionally, we will implement long-term, stable, and progressive dividends while comprehensively considering our financial situation, being especially aware of dividend on equity (DOE).

## "People" as the Driving Force of Sustainability

Recognizing the importance of human capital, the ARCS Group regularly provides executives with opportunities to enhance their understanding of diversity and communication. At the November 2024 executive training program, external instructors shared insights that top management can apply to everyday management—such as how organizational structures enable diverse talent to thrive, how to engage employees in ways that bring out their strengths, and the importance of leading with empathy. For employees from general staff to managers, we have conducted training and awareness programs on topics including diversity, advancement opportunities for women, and unconscious bias.

These efforts are reflected in the development of organizations and human resources at each group company. Since 2021, we have been included in the MSCI Japan Empowering Women (WIN) Select Index for four consecutive years, and in 2022 ARCS COMPANY, LIMITED received a 3-star "Eruboshi" certification from the Ministry of Health, Labour and Welfare in promoting women's advancement. Enhancing human capital is a core element of our sustainability management, directly tied to living in harmony with communities and sustainable corporate growth. We are also implementing group-wide health management to support the well-being of employees, our most vital resource. These initiatives underline our value creation as a group, and we will continue to strengthen the ARCS Group's sustainability and competitiveness through people-centered management.



Published *WORKxLIVE* magazines in collaboration with Hokkaido University to promote mutual understanding among diverse employees



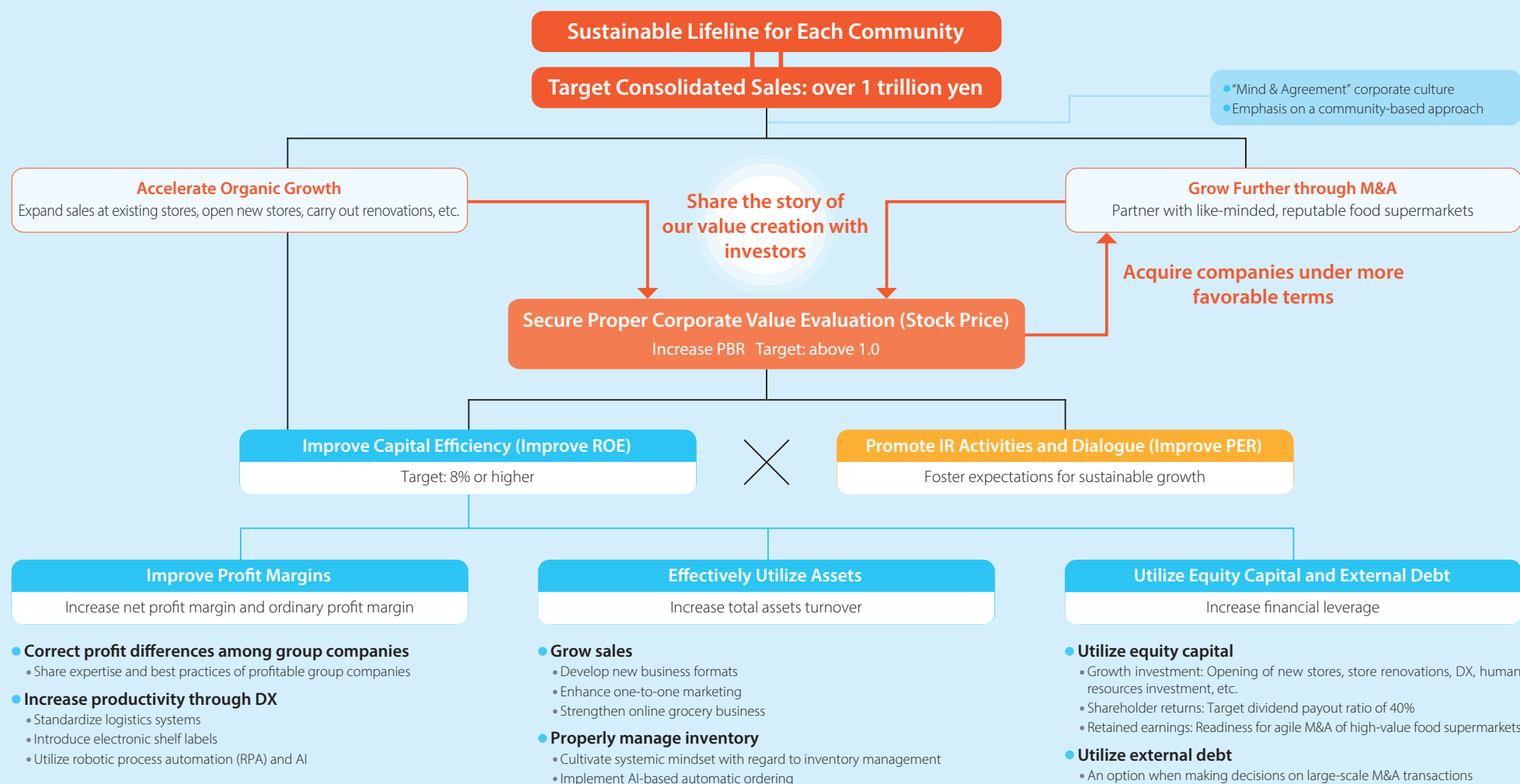
2025 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)



ARCS COMPANY, LIMITED has obtained various certifications

# Enhancing Corporate Value

The ARCS Group aims to surpass 1 trillion yen in consolidated sales by the fiscal year ending February 2033, the year that marks the 30th anniversary of ARCS. During this period, we plan to allocate approximately 240–250 billion yen to growth investment and approximately 50–60 billion yen to shareholder returns. By strengthening our efforts to enhance corporate value, we aim to achieve an ROE of 8.0% or higher with a PBR target above 1.0.





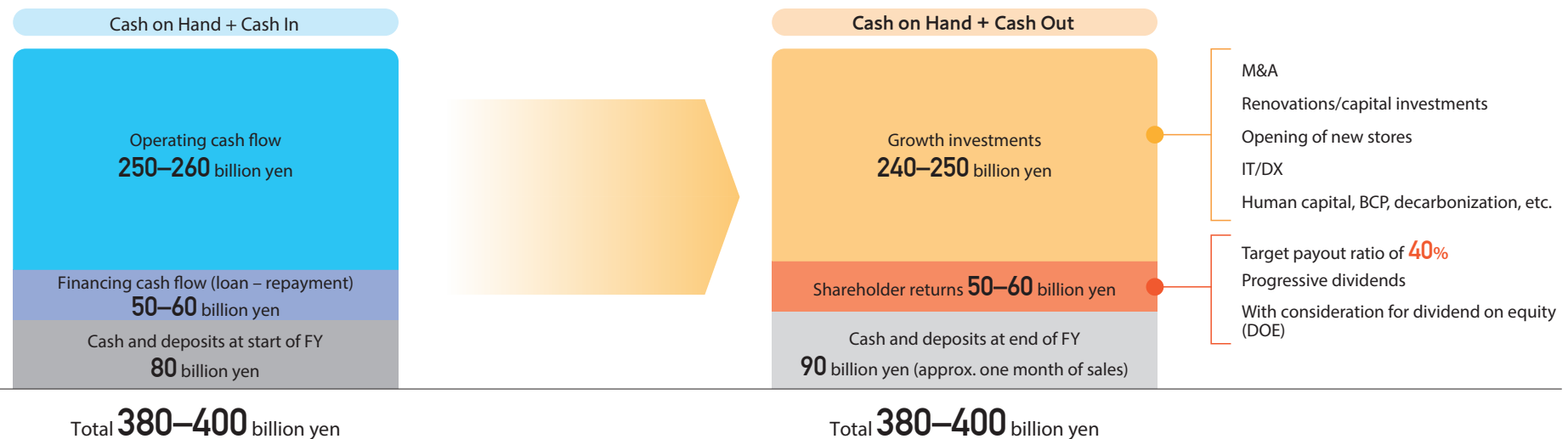
# ARCS 30th Anniversary (fiscal year ending February 2033)

## Sales Target: Over 1 trillion yen

The ARCS Group will expand the scale of its business, placing M&A (Mind & Agreement: agreement of minds and opinions)\* at the heart of growth investment strategy. Store renovations will focus on conversions to the Super ARCS format as a key effective investment. We plan to update core systems for ease of use and efficiency and aim for a dividend payout ratio of 40% in our shareholder return policy. In addition, to reach over 1 trillion yen in consolidated sales by the fiscal year ending February 2033, the 30th anniversary of ARCS founding, the entire ARCS Group will work together to advance a growth strategy amid Japan's second distribution innovation.

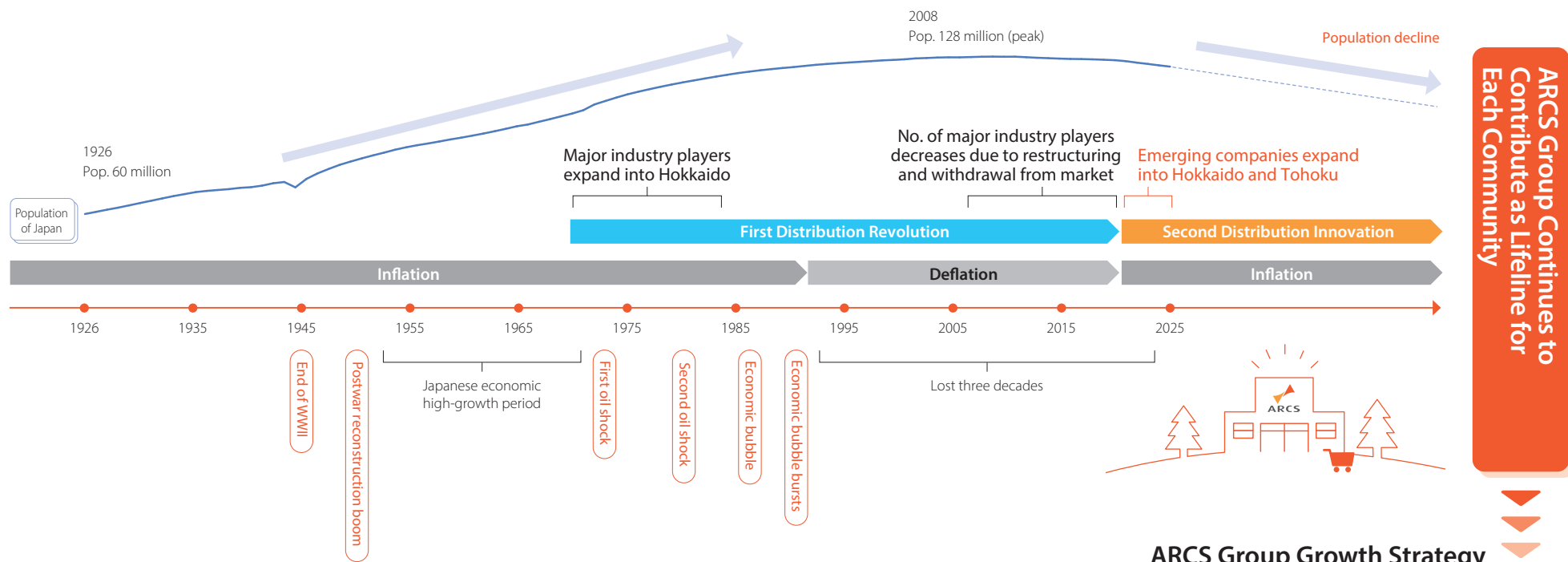
\* M&A generally refers to mergers and acquisitions. At the ARCS Group, we express this as Mind & Agreement, a consensus of minds and opinions.

### FY2026–FY2033 Investment Plan





# Moving Into Japan's Second Distribution Innovation



## ARCS Group Growth Strategy

### First Distribution Revolution

As the population rose and demand increased, Japan's first distribution revolution emerged in areas where consumers were concentrated. In the 1970s, major industry players expanded into Hokkaido, and the battle between local supermarkets and major chains began.

From the 2010s, the number of major industry players that had previously expanded into Hokkaido decreased due to restructuring and withdrawal from the market.

→ **End of first distribution revolution**

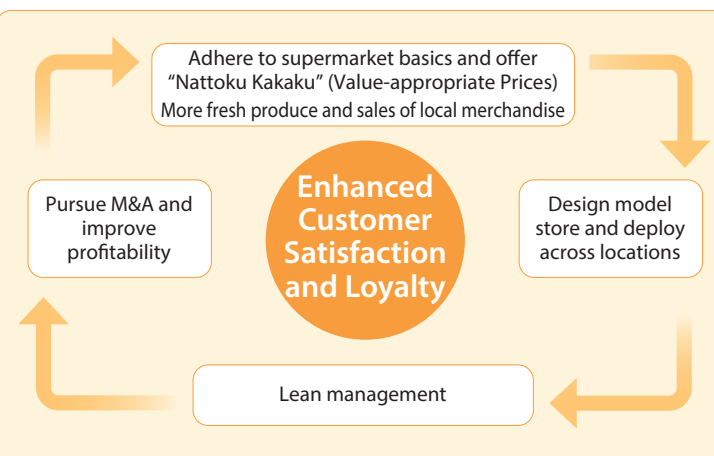
100th year of Showa Era

### Second Distribution Innovation

Emerging companies expanded into Hokkaido and Tohoku, and the battle began for local supermarkets to compete.

Faced with inflationary pressure driven by such factors as population decline, labor shortages (reduced supply), soaring raw material prices, and abnormal weather conditions, supermarkets struggled.

**Moving Into Japan's Second Distribution Innovation**



## Approach to New Food Supermarkets Joining Group

Yatsugatake Mountain Range Management is the fundamental ARCS Group management concept, integrating companies on an equal footing under ARCS, the pure holding company, like the mountains of similar height aligned side by side in the Yatsugatake Mountain Range. This management policy keeps our companies close to their customers. We aim to grow alongside companies that share this philosophy and vision.

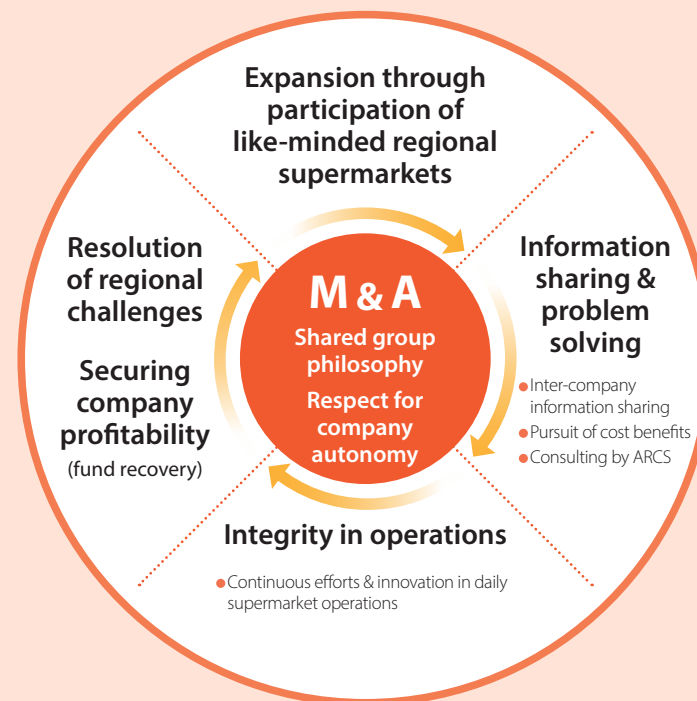
M&A at the ARCS Group is based on the philosophy of Mind & Agreement (agreement of minds and opinions). We have built a corporate culture that respects individuality, while also striving to overcome differences of opinion to find common ground, committing wholeheartedly to decisions once made, and diligently utilizing and circulating management resources throughout the organization.

The ARCS Group has grown by partnering with top-performing companies that already enjoy high sales shares in their local markets. With this approach, we quickly, but carefully evaluate potential group companies. We regard mergers and acquisitions as the most important initiative for achieving our target of over 1 trillion yen in consolidated sales.

Yatsugatake Mountain Range Management maintains the uniqueness of each group company by entrusting areas visible to customers to each company's specific characteristics, while maintaining group-wide standardization in areas that customers do not see. For example, companies that join the Group retain their store names and maintain their unique characteristics, which are integral to the company and local region where company stores operate. On the other hand, joining the Group creates benefits for companies in terms of standardized logistics, human resources development, information systems and back-office operations, as well as leveraging groupwide management resources.

We aim to work alongside companies that share the ARCS Group philosophy and aspirations to build a corporate group brimming with growth potential and capable of sustainably increasing corporate value.

## Mind & Agreement (Agreement of Minds and Opinions) Philosophy



### POINT

- ✓ The industry targeted for M&A is food supermarkets
- ✓ Policy of joining forces with winning companies that already have high sales shares in local markets
- ✓ Aiming to grow together with companies that share the ARCS Group philosophy and aspirations

## Approach to 1 Trillion Yen in Sales

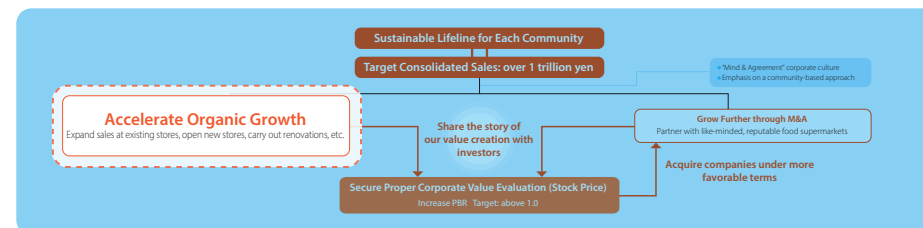
### Expansion of Sales at Existing Stores

As part of our revitalization strategy for existing stores, we are working to boost overall group sales by sharing and deploying best practices and expertise throughout group companies, as well as business information on the ARCS Group's core operating companies, RALSE and Universe. We are, for example, seeing excellent results from the sharing of store operations and shelf allocation, beginning with Doutou Arcs. In addition, we are expanding the ARCS Group fan base by developing sales strategies tailored to regional traits, while strengthening pricing, merchandise selection, and sales methods, improving customer convenience, and implementing comprehensive high-quality customer service.

Super ARCS Meitoku Store (RALSE)



Foods Garden Tamaura Shokusaikan (Ito Chain)

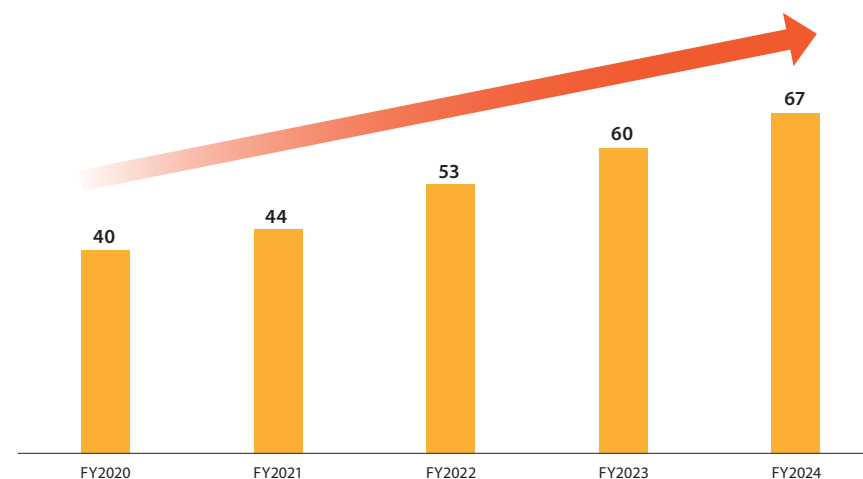


### Store Opening Strategy and Renovation Investments

Given the rise in construction material costs, we will proceed cautiously with our store opening strategy as we assess cost-effectiveness, while accelerating investment to increase our store opening pace beyond previous levels.

With regard to renovation investment, we will proceed aggressively with the conversion of stores to the Super ARCS format, a core business format of the ARCS Group. By combining competitive pricing, a wide selection of high-quality merchandise and the ability to meet customer needs in each market area, this format has earned the support of many customers. By evolving our existing stores, we aim to reach over 1 trillion yen in consolidated sales.

No. of Super ARCS stores





## Approach to Enhancing Earning Potential

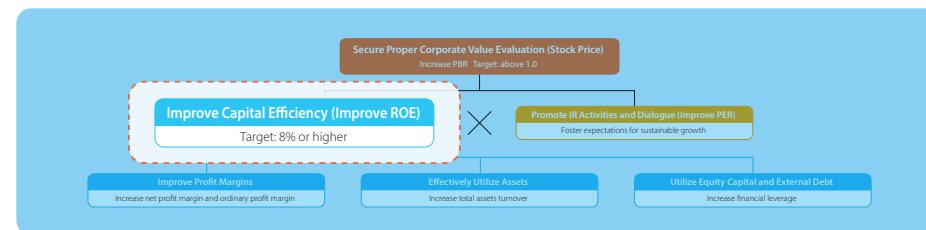
### Developing High-Value-Added Merchandise

The ARCS Group collaborates with CGC Japan, which provides Co-operative Grocer Chain (CGC) merchandise positioned as the Group's private brand, and with the New Japan Supermarket Alliance to develop new merchandise and strengthen sourcing. We are also enhancing sales areas to offer a wider variety of locally produced and fresh, high-quality merchandise, enabling each company to leverage its community's unique characteristics. By bolstering the lineup of merchandise available only through the ARCS Group, we differentiate ourselves from our competitors and improve customer satisfaction.

Original products developed by  
the New Japan Supermarket Alliance



Foods Garden Tamaura  
Shokusaikan (Ito Chain) direct  
sales outlet



### Increasing Productivity through DX

Introducing a standard group-wide core system in October 2019 has allowed us to grasp sales conditions across all stores in real time, improve order accuracy through automated ordering, and reduce data aggregation tasks, contributing significantly to productivity gains. Today, we are preparing for the transition to a new core system that will be launched in October 2027. This new system is expected to further boost productivity with automated ordering for fresh food and a standardized group logistics system. In addition, we are rolling out electronic shelf labels across group companies to reduce the need to replace POP display and price tags and minimize pricing errors, which will increase productivity even more.

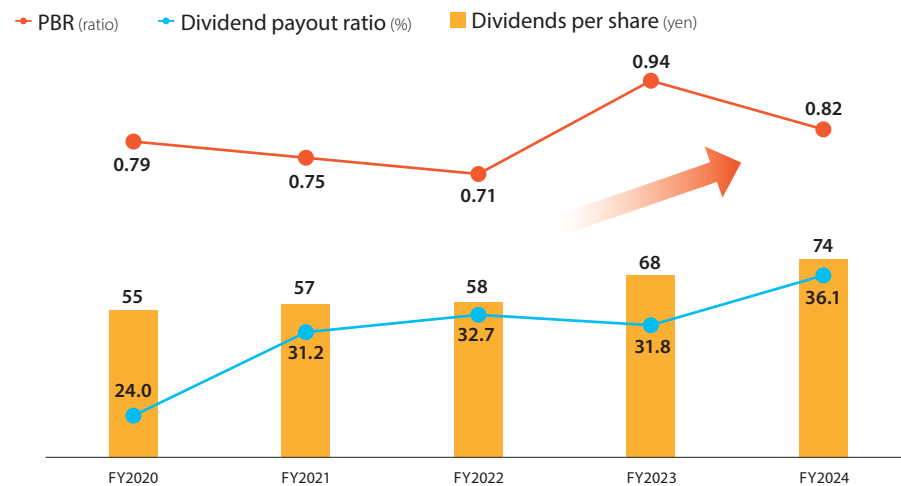
Electronic shelf labels in store



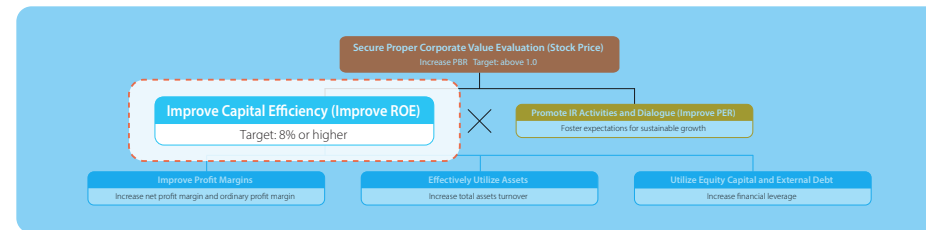
## Approach to Reducing Capital Costs

### Group-wide Capital Costs and Basic Approach

The Tokyo Stock Exchange has requested that listed companies improve price-to-book ratios (PBR), reaffirming the importance of receiving proper evaluation from capital markets. The ARCS Group has set a medium- to long-term ROE of 8.0% or higher as its goal. We plan to achieve this by strengthening profitability and implementing proactive shareholder returns, enhancing our evaluation from capital markets and reducing capital costs.

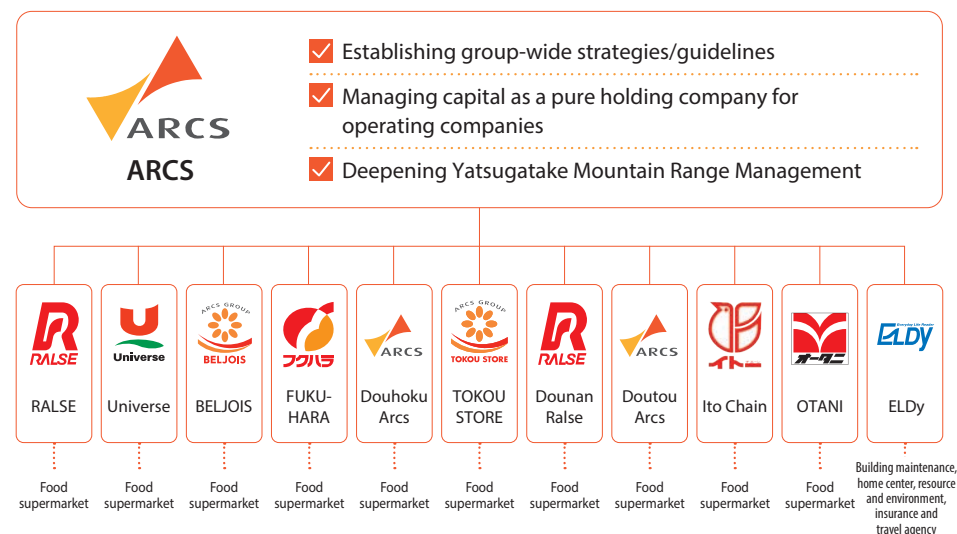


\* Share buyback carried out in fiscal year ended Feb. 2024 (2 million shares, totaling approx. 5.2 billion yen)



### Capital Cost Reduction Efforts at Group Food Supermarkets

Strengthening profitability is essential to reducing capital costs. The ARCS Group recognizes the emergence of profit differences among group companies as its top priority. In response, we are focused on sharing the expertise and best practices of our highly profitable companies with all group companies to enhance the overall profitability of the entire group. Going forward, we will boost profitability and reduce capital costs by strengthening cross-group collaboration, while preserving the unique characteristics of individual group companies, a defining feature of our Yatsugatake Mountain Range Management policy.



## Risk Management and Utilization of Group Governance

To continuously enhance the corporate value throughout the Group, we have established a system to properly manage various risks in our business activities. The Compliance and Risk Management Committee works to reduce losses when risks that have a serious impact on business activities emerge. At the ARCS Board of Directors, outside directors provide insights on management from an external perspective, while presidents of group companies attend and share their opinions to enhance board effectiveness. We also hold an annual training program for the group companies' executives and various study sessions and discussion meetings to improve knowledge and build awareness.

### Executive Training Program Initiatives

#### FY2024

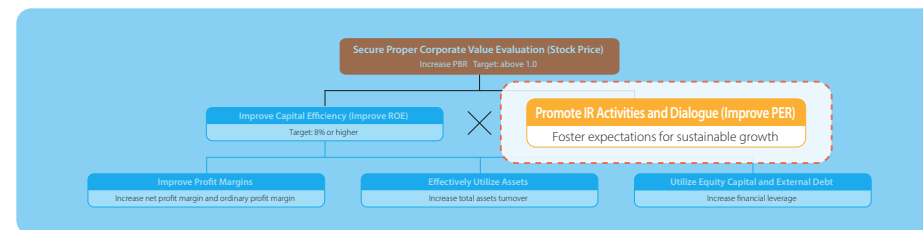
- Activist and acquisition trends for Japanese companies: "Management conscious of capital costs and stock prices"
- Diversity (building organizations where everyone can thrive)

#### FY2023

- Leveraging smartphone apps to realize marketing strategies
- Productivity improvement and labor-management relations
- From deflation to inflation: trends in chain retail businesses
- Enhancing corporate value and governance in the group

#### FY2022

- Promoting DX
- Strategic design: sustainable growth of ARCS Group (from a sustainability perspective)



## Appropriate and Timely Information Disclosure and Promoting Dialogue

We recognize that deepening mutual understanding and building long-term trust through constructive dialogue with shareholders and investors is important for enhancing corporate value. ARCS Group discloses management information necessary for investment decisions in a timely and appropriate manner. We create more opportunities for dialogue with investors and actively communicate with them. Insights gained from these dialogues are reported to the Board of Directors and used to improve management. Through IR and SR activities, we will increase management transparency and reliability, leading to higher evaluations from the capital market.

### FY2024 Executive Training Program



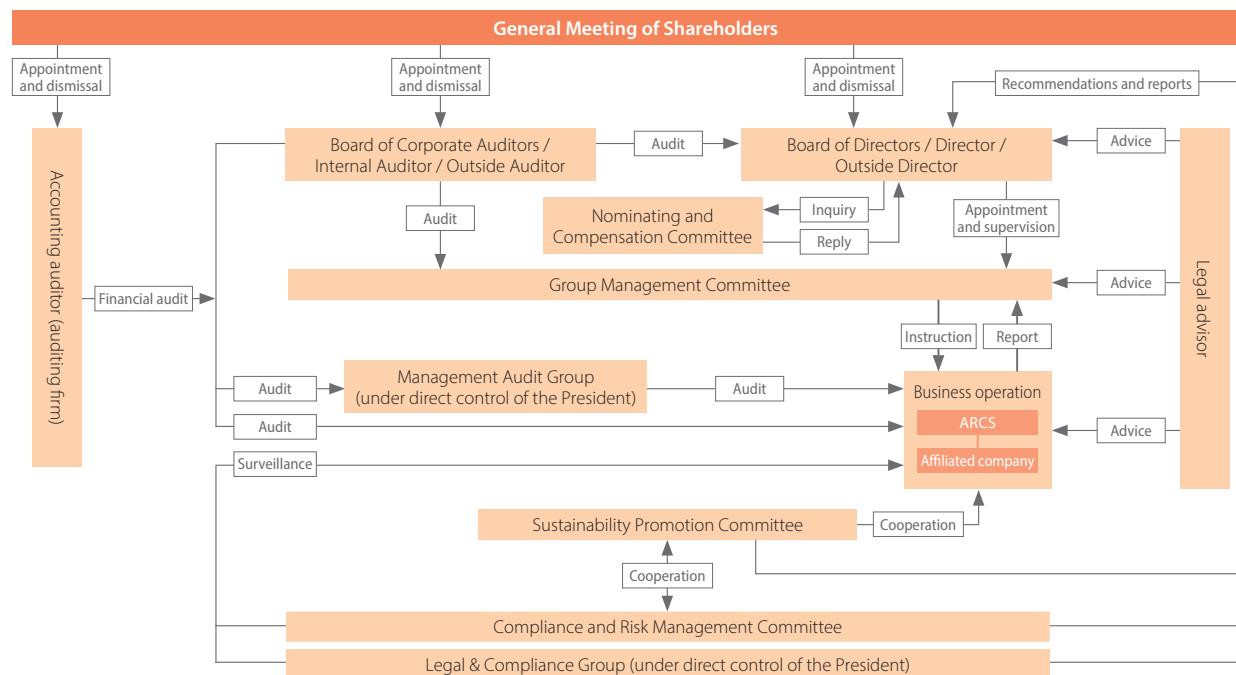


# Corporate Governance

## 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 corporate value. In order to strengthen corporate governance, we 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, and disclose information to all stakeholders in a timely and appropriate manner. At the same time, we have created an internal system for the establishment of corporate social responsibility and corporate ethics, thereby ensuring robust compliance management.

## Corporate Governance Structure



## Progress in Strengthening Corporate Governance

- FY2014** • Appointment of one Independent Outside Director
- FY2015** • Appointment of one woman Independent Outside Director with management experience
- FY2017** • Start of evaluation of the effectiveness of the Board of Directors (conducted annually hereafter)
- FY2021** • Establishment of SDGs Promotion Committee (now Sustainability Promotion Committee)

- FY2022** • Appointment of one woman Independent Outside Director with management experience (increase in the proportion of Independent Outside Directors to 3 out of 9 Board of Directors members and increase in the proportion of women Directors to 2 out of 9 members)
- Establishment of the skills matrix for directors and executive officers
- Establishment of the Nominating and Compensation Committee as an advisory body to the Board of Directors
- Establishment of Sustainability Promotion Office
- Disclosure of the Sustainability Promotion Policy

- FY2023** • Information disclosure based on the TCFD recommendations
- Issuance of the Integrated Report (Japanese and English)
- Renewal of corporate website (including English disclosure)
- FY2024** • Appointment of one Independent Outside Director with management experience

## Corporate Governance Structure

Our corporate governance system is shown in the diagram on the previous page. The Board of Directors meets monthly to make final decisions on important management matters. The executive officer system has been introduced to clarify executive responsibility related to the authority to use management resources. In addition, the Group Management Committee, consisting of the Company's directors, corporate auditors, executive officers, and presidents of operating companies, holds meetings 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 directors at important meetings such as board meetings and management meetings, as well as audits conducted by corporate auditors. Through these governance structures, we aim to improve governance effectiveness and increase the enterprise value of the entire Group.

## Board of Directors

### ■ Strengthening of the Board of Directors

Based on the board meeting agenda standards set by ARCS, the Board of Directors engages in vigorous discussions to properly monitor and guide management and the overall business of the Group, including ARCS and each group company. A key feature of our Board of Directors is that presidents of our main operating companies also serve as directors of ARCS, based on our unique Yatsugatake Mountain Range Management approach. Operationally, we have developed ways to ensure that discussions to strengthen cooperation between the holding

**Composition of the Board of Directors** (as of May 27, 2025)

Percentage of Outside Directors	Percentage of women directors	Percentage of Outside Directors and Outside Corporate Auditors
37.5%	25.0%	41.7%

**Board of Directors Meeting Items to Be Discussed and Number of Meetings**

Item		Number of deliberations in FY2024		
		Resolution	Report	Total amount
Management strategy	Business strategy	11	12	23
	DX etc.	9	19	28
Investment		31	12	43
Governance		11	3	14
Sustainability		1	8	9
Compliance and risk management		1	6	7
Personnel matters		12	5	17
Company-wide Committee		1	10	11
Others		3	1	4
Total		80	76	156

company and operating companies, as well as among the operating companies themselves, are conducted from multiple viewpoints. Specifically, in addition to discussing management issues and strategies of the holding company, we also focus on management issues and business risks faced by each group company, along with solutions to such issues and risk avoidance and mitigation measures. Even in an uncertain business environment, these board discussions help ARCS achieve sustainable growth and enhance enterprise value in the medium to long term.

### ■ Assessment of Board Effectiveness

The Company has, since fiscal 2017, conducted annual self-evaluation questionnaires for all Directors and Audit & Supervisory Board Members on the effectiveness of the Board of Directors as a whole. Based on the responses, the Board of Directors summarizes and analyzes the results and implements measures to address the issues identified in order to further enhance the effectiveness of the Board of Directors.

In fiscal 2024, the Board of Directors was evaluated as generally functioning effectively, based on the aggregated results and subsequent board discussions. While discussions have become more active through proactive statements from each director, we recognized the need to review the board composition and increase opportunities for discussions on management strategy and plans to achieve sustainable growth and medium- to long-term enhancement of enterprise value.

To address these issues, ARCS has shifted to a "3C structure" consisting of a CEO, COO, and CFO. The CEO actively engages in industry reorganization; the COO oversees operations to boost the Group's overall sales capabilities; and the CFO oversees capital and financial strategy development and growth. This aims to establish a management system that can respond more quickly to environmental changes. Under this new management structure, the Board of Directors has also thoroughly discussed the Group's direction, including the implementation of scalable core systems in preparation for future business growth. Additionally, to complement board effectiveness, we held a two-day executive training program attended by all directors, corporate auditors, executive officers, and presidents of operating companies to discuss ways to enhance future enterprise value.

In the fiscal 2025 effectiveness evaluation, we confirmed the need to share information on management issues to correct disparities among operating companies and have begun exploring solutions.

## Board of Corporate Auditors

As a company with a Board of Corporate Auditors, we have established a supervisory system for overseeing the execution of directors' duties. The Board of Corporate Auditors comprises four members, including two outside auditors, and is responsible for auditing the execution of directors' duties in accordance with laws and the articles of incorporation. Corporate auditors attend key meetings, such as board meetings, to understand proposals and decision-making processes, thereby verifying the appropriateness of duties. Additionally, they coordinate with accounting auditors and internal audit departments to ensure audit efficiency and objectivity. The Board of Corporate Auditors shares information with the management team and, when necessary, verifies details with relevant departments, contributing to thorough legal compliance and risk management. Through these activities, we aim to enhance transparency and fairness in management and strengthen our governance system to meet the trust of stakeholders.

## Nominating and Compensation Committee

As part of our corporate governance framework, we have established a Nominating and Compensation Committee as an advisory body to the Board of Directors. This committee consists of four directors, including three outside directors, with outside directors forming the majority, thereby ensuring objective and transparent decision-making. All outside directors attend every meeting, and through active discussions, they review key issues related to personnel and organizational structure, succession planning, and compensation systems (including fixed remuneration, bonuses, retirement benefits, and consideration of performance-linked compensation systems) for directors and group companies' executives, offering recommendations to the Board of Directors. Multifaceted discussions are held regarding the handling of retiring and newly appointed directors, as well as maintaining an appropriate management team structure and talent succession throughout the Group. Additionally, to promote transparency and fairness in compensation, the committee confirms in advance the appropriateness of compensation decisions when delegated to the Chairman, CEO. In this way, our Nominating and Compensation Committee plays a central role in ensuring management soundness and sustainable growth.

## Directors' Remuneration

Directors' remuneration currently comprises basic compensation, performance-linked compensation (in the form of bonuses), and retirement benefits. We respect the positions of all stakeholders and prioritize sustainable growth and business expansion as a company.

As a new incentive plan to drive sustainable growth, we are considering implementing compensation linked to medium- to long-term performance, such as a stock compensation plan. Currently, the Nominating and Compensation Committee is holding ongoing discussions about introducing performance-linked compensation through objective and transparent procedures.

## Cross-Shareholdings

We maintain cross-shareholdings as part of a qualitative business strategy, which includes fostering smooth and positive relationships with business partners and securing supply chains. For each holding, we conduct annual reviews at board meetings to assess whether the benefits and risks align with the capital cost, considering dividend income and other economic rationality. We are decreasing holdings that are not reasonably justified. When exercising voting rights, we make decisions based on a thorough review of each proposal, aiming to contribute to the enhancement of the invested company's corporate value and its medium- to long-term growth.

## Group Governance

Rather than seeking to merge small companies into a single, towering structure like Mt. Fuji—rising as a symbol of traditional vertical integration—the ARCS Group strives to maintain closeness between companies and customers by integrating on equal footing, resembling the mountains of similar height in the Yatsugatake Mountain Range standing side by side. This approach is also reflected in our group governance, where we respect the independence of each group company while conducting corporate governance. Specifically, we focus on understanding each company's management issues and business risks, and we work to enhance the overall value of all operating companies by equally providing necessary advice and sharing information. Recently, however, disparities among operating companies have appeared, and we are actively working to address and eliminate them.



## Skills Matrix for Directors and Executive Officers

The management system where each group company leverages its strengths and pools together diverse knowledge creates the value of Yatsugatake Mountain Range Management. This skills matrix clarifies the roles and expertise of each member, helping to strengthen group governance and increase enterprise value by supporting strategic supervision functions and knowledge sharing. Note that we also include executive officers who offer recommendations from positions close to directors.

Job title	Name	Management and Business Experience			Management Skills and Knowledge					
		Business Management	Industry Knowledge	Implementation of Group Philosophy and Management Policies	Finance and Accounting	Compliance and Risk Management	DX, IT & Security	Sales & Marketing	Governance	Sustainability
Chairman, CEO	Kiyoshi Yokoyama	Supervision based on extensive experience and knowledge as top management of the ARCS Group	Supervision based on industry leadership experience, from the position of Chairman of the National Supermarket Association of Japan	Supervision of group management based on the Yatsugatake Mountain Range Management philosophy		Supervision of fostering group-wide legal compliance and risk management awareness		Supervision based on operating company management and group management experience	Supervision based on operating company management and group management experience	Supervision of management that emphasizes coexistence with local communities, business partners, and employees
Vice Chairman, CFO	Koichi Furukawa		Supervision based on a deep understanding of industry companies, leveraging experience and knowledge cultivated at a regional financial institution	Supervision of Yatsugatake Mountain Range Management from the perspective of financial strategy and M&A execution	Supervision based on sustainable corporate value enhancement and financial theory	Recommendations for appropriate information disclosure, and supervision of strengthening governance, internal controls, and risk management, utilizing experience and knowledge	Supervision rooted in experience strengthening coordination between information security management and internal controls		Supervision based on experience in handling numerous M&A transactions and experience in establishing group governance	Supervision based on experience and knowledge related to sustainable management, including financial strategy
President, COO	Kazuhisa Nekomiya	Supervision mainly from the perspective of strengthening group-wide sales capabilities and fostering forward-looking crisis awareness	Supervision through experience and knowledge cultivated in the front lines and headquarters operations of an operating company	Supervision of business execution at each group company while respecting Yatsugatake Mountain Range Management				Recommendations based on operating company management experience and a group management perspective	Recommendations as Chairman of the ARCS Fair Trade Promotion Committee	Recommendations as Chairman of the ARCS Sustainability Promotion Committee
Director and Executive Officer	Takehiko Miura	Utilizing experience and knowledge cultivated through operating company management	Recommendations based on community-based store operations and merchandise strategy perspectives, and a deep understanding of food retail in the Tohoku area	As president of an operating company, respecting one's own corporate culture while aligning with the Group's overall corporate culture	Recommendations utilizing extensive experience in finance and accounting, and knowledge of profit management and financial strategy			Recommendations based on operating company management experience (Yatsugatake Mountain Range Management: Tohoku)		
Director and Executive Officer	Ikuharu Fukuhara	Utilizing experience and knowledge cultivated through operating company management	Recommendations based on operating company management in Eastern Hokkaido and experience and knowledge cultivated through community-based businesses	As president of an operating company, respecting one's own corporate culture while aligning with the Group's overall corporate culture				Recommendations based on operating company management experience (Yatsugatake Mountain Range Management: Hokkaido)		
Director (outside and independent directors)	Ryoko Sasaki	Utilizing experience and knowledge cultivated with a view to dealing with public administration interactions				Recommendations based on knowledge of legal compliance and crisis management cultivated through government experience			Supervision and recommendations from the perspective of governance system operations at an administrative body	Supervision and recommendations based on a deep knowledge of the region, environment, and diversity, cultivated through government experience
Director (outside and independent directors)	Toyoko Togashi	Recommendations based on experience and knowledge from managing and organizing a human resources service company				Recommendations based on knowledge of labor laws and information management	Recommendations based on experience in personal information management at a human resources staffing company		Supervision and recommendations based on extensive experience in human resource management and organizational operations	
Director (outside and independent directors)	Akio Koike	Recommendations based on experience and knowledge cultivated in managing a regional representative public transportation infrastructure company			Recommendations based on experience in medium- to long-term financial strategy and capital investment decisions cultivated at a social infrastructure company	Recommendations based on experience with advanced legal compliance and risk management at a social infrastructure company			Supervision and recommendations based on governance experience at a social infrastructure company	Supervision and recommendations based on experience and knowledge in sustainability management, including environmental load reduction, gained at a social infrastructure company
Executive Officer	Hideki Kogarimai	Utilizing experience and knowledge cultivated through operating company management	Recommendations based on distribution strategy and industry structure in the Tohoku region, and experience and knowledge cultivated through many years in food distribution	As Chairman of an operating company, respecting one's own corporate culture while aligning with the Group's overall corporate culture				Recommendations based on operating company management experience (Yatsugatake Mountain Range Management: Tohoku)		
Executive Officer	Tsukasa Sawada	Utilizing experience and knowledge cultivated through operating company management	Recommendations based on food retail business management in the Tohoku area and similar regions, and experience and knowledge cultivated through community-based strategy and store operations	As president of an operating company, respecting one's own corporate culture while aligning with the Group's overall corporate culture				Recommendations based on operating company management experience (Yatsugatake Mountain Range Management: Tohoku)		
Executive Officer	Naoto Matsuo	Utilizing experience and knowledge cultivated through operating company management	Recommendations from the perspective of store operations, sales strategy, and human resource development at an operating company, and frontline management that captures regional needs	As president of an operating company, respecting one's own corporate culture while aligning with the Group's overall corporate culture			Recommendations based on experience in promoting group-wide e-commerce and leveraging digital technologies	Recommendations based on operating company management experience (Yatsugatake Mountain Range Management: Hokkaido) and online shop promotion experience		

\* This skills matrix presents each director's and executive officer's skills, experience, and knowledge for each area through detailed comments rather than symbols, placing emphasis on the substance of content and alignment with strategy.

# Compliance and Risk Management

## Basic Approach

The ARCS Group regards legal compliance and the establishment of corporate ethics as the foundation of management, with a basic policy of ensuring that all officers and employees act with integrity. In addition to developing a framework based on Compliance Regulations, we systematically identify, assess, and address risks under Risk Management Regulations, promoting sustainable growth and sound management through group-wide oversight.

## Compliance and Risk Management Committee

In 2008, ARCS established the Compliance and Risk Management Committee as a group-wide committee overseeing compliance and risk management across the entire Group. Chaired by the Chairman, CEO, it is composed of representatives of major group companies and external lawyers. Using the “ARCS Group Philosophy,” the committee provides compliance education and training to all officers and employees on relevant laws, regulations, and the Group’s philosophy and codes of conduct, working to promote corporate ethics and a shared vision (goals). It also reports regularly to the Board of Directors on the status of risk management and works to strengthen the risk management framework.

### Compliance and Risk Management Committee: Agenda and Key Activities

- Sharing risk incidents across group companies and developing measures to prevent recurrence
- Establishing and instilling risk assessment systems (reviewing evaluation items and countermeasures according to changes in the business environment)
- Reporting on past implementation status to ensure the effective operation of the whistleblowing system
- Sharing disciplinary case studies to prevent fraud and misconduct
- Sharing information on legal amendments, such as the Whistleblower Protection Act
- Reporting on awareness-raising activities such as compliance training and publication of Compliance News
- Reporting on the activities of compliance- and risk-related committees
- Conducting compliance training for management in cooperation with legal advisors

## Compliance Education and Awareness

The ARCS Group’s compliance education aims to ensure legal compliance and raise awareness of corporate ethics. Training is provided at entry for new and mid-career hires, and by job level. High-priority topics such as fraud, information security, and labor issues are selected based on risk assessments and changing business conditions. For workplace harassment prevention, under the ARCS Group Harassment Prevention Policy, we offer case study and anger management training by internal instructors, along with expert sessions by lawyers and labor and social security attorneys to build specialized knowledge and response strategies. Since harassment significantly impacts mental health, we place strong emphasis on prevention.

Additionally, for procurement-related laws such as the Antimonopoly Act, the Subcontract Act, and the Freelance Work Protection Act, we hold briefings and training sessions for purchasing personnel on legal amendments. Purchasing personnel are also required to submit a self-assessment checklist with a written pledge to objectively evaluate their own conduct, thereby promoting fair and transparent business practices.

By conducting these awareness activities in a timely and continuous manner, we aim to enhance and instill compliance awareness throughout the Group.



Compliance training for store managers



Publication of Compliance News

## Major Risks and Countermeasures

Major Risks	Specific Risks	Countermeasures
Natural Disasters, Accidents and Incidents	<ul style="list-style-type: none"> <li>Earthquakes, tsunamis, typhoons, torrential rains, floods, and other major disasters</li> <li>Fires, accidents and incidents inside and outside stores</li> <li>Disruption of store operations, merchandise procurement, and other business activities by disasters</li> </ul>	<ul style="list-style-type: none"> <li>Establishing a business continuity plan (BCP) and a disaster prevention manual</li> <li>Establishing emergency contact and information-sharing systems with group companies</li> <li>Storing emergency supplies and disaster equipment</li> <li>Evacuation drills and crime prevention measures at group companies</li> </ul>
Infectious and Contagious Diseases	<ul style="list-style-type: none"> <li>Customer and employee health risks</li> <li>Risks related to personnel shortages</li> </ul>	<ul style="list-style-type: none"> <li>Establishing response rules in accordance with official guidelines and thorough measures against infectious diseases</li> <li>Establishing personnel support systems at headquarters and among divisions and stores</li> <li>Holding Safety and Health Committee meetings and promoting infection prevention through close cooperation with industrial physicians</li> </ul>
Securing Human Resources	<ul style="list-style-type: none"> <li>Declining workforce due to aging society with fewer children</li> <li>Intensifying competition for human resources among companies</li> <li>Difficulty in securing and training excellent human resources due to job turnover</li> </ul>	<ul style="list-style-type: none"> <li>Establishing and ensuring internal environmental improvement policy</li> <li>Promoting diversity and inclusion</li> <li>Diversification of recruitment methods</li> <li>Enhancing education and training systems</li> </ul>
Labor Management and Occupational Health and Safety	<ul style="list-style-type: none"> <li>Health and safety issues in the workplace (overwork, harassment, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Establishing and ensuring internal environmental improvement policy</li> <li>Periodic checks for overwork and harassment and sharing of information among Group companies</li> <li>Implementing harassment training and awareness-raising for all levels</li> <li>Establishing harassment guidelines and the Basic Policy on Customer Harassment</li> <li>Cooperating closely with industrial physicians and sharing information with group companies as needed</li> </ul>
Geopolitics	<ul style="list-style-type: none"> <li>Global economic recession due to political instability such as terrorism, wars and conflicts</li> <li>Soaring energy prices, supply chain disruptions, etc.</li> <li>Rising costs and cooling consumer confidence due to the above</li> </ul>	<ul style="list-style-type: none"> <li>Securing unique merchandise procurement quotas for each group company</li> <li>Promoting introduction of energy-saving equipment and considering diversification of energy procurement</li> <li>Sharing information among group companies and utilizing economies of scale</li> </ul>
Merchandise and Food Safety	<ul style="list-style-type: none"> <li>Errors in food labeling and promotional advertising</li> <li>Food poisoning and other merchandise problems</li> <li>Damage from harmful rumors</li> <li>Compensation for damages</li> </ul>	<ul style="list-style-type: none"> <li>Continuing awareness-raising through Quality Assurance Promotion News</li> <li>Providing guidance based on HACCP standards and ensuring thorough hygiene management at each group company</li> <li>Conducting periodic checks of labeling rules and operational status</li> </ul>
Information Security and Information Management	<ul style="list-style-type: none"> <li>Defects in software and equipment due to disasters, power outages, etc.</li> <li>Cyberattacks (computer virus infections, unauthorized access, information leaks, tampering, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Managing preventive maintenance of hardware</li> <li>Ensuring network redundancy and monitoring communication</li> <li>Monitoring of software operation status</li> <li>Establishing rules and guidelines for personal information protection and implementing employee training</li> </ul>
Changes in the Business Environment	<ul style="list-style-type: none"> <li>Fluctuations in interest rates, exchange rates, stock prices, etc.</li> <li>Increased competition in the retail industry</li> <li>Changing customer consumption trends</li> </ul>	<ul style="list-style-type: none"> <li>Establishing a solid financial foundation and mitigating risks through strong relationships with financial institutions</li> <li>Securing regional market share through an area-dominance strategy</li> <li>Promoting marketing using customer information</li> </ul>
Climate Change	<ul style="list-style-type: none"> <li>Deterioration of the financing environment and stock price levels due to delays in environmental initiatives and responses</li> </ul>	<ul style="list-style-type: none"> <li>Formulating management strategies that emphasize sustainability to address environmental considerations and fulfill social responsibility</li> <li>Actively disclosing information on ESG-related initiatives through integrated reports, websites, and other media</li> <li>Strengthening investor communication and reaffirming commitment to sustainability</li> <li>Developing action plans to communicate strengths, outline prospects, and rebuild investor confidence</li> </ul>
Compliance and Misconduct	<ul style="list-style-type: none"> <li>Legal amendments, tightening of regulations</li> <li>Harassment, social media risk, anti-social forces</li> <li>Serious misconduct, compliance issues</li> </ul>	<ul style="list-style-type: none"> <li>Continuing compliance education and awareness initiatives through ARCS Group Philosophy and Compliance News</li> <li>Sharing risk cases through the Compliance and Risk Management Committee</li> <li>Collaborating with external experts and relevant authorities, such as legal advisors and the police</li> </ul>

## Whistleblowing System and Helpline for Suppliers of the ARCS Group

The ARCS Group has established a “Whistleblowing System” for employees of group companies and a “Helpline for ARCS Group Suppliers” to prevent and promptly address violations of laws and regulations, misconduct, and harassment, as well as to prevent recurrence. These systems are operated appropriately in accordance with internal regulations.

## Quality Assurance Promotion

In 2018, the ARCS Group established the Quality Assurance Promotion Office and introduced a Quality Policy and Quality Assurance Regulations for in-house manufactured merchandise. Personnel from each group company attend the Quality Assurance Promotion Committee meetings and share outcomes within their companies to connect employees to ongoing activities. The office also promotes hygiene management awareness through QAP (Quality Assurance Promotion) News and study sessions.



Hygiene training for early-career employees



## Outside Directors' Discussion

# We Support the Healthy Growth of the ARCS Group with Its Unique Business Model

Three outside directors discuss the essence of value created by the ARCS Group, the new management structure designed to boost corporate value, the robustness of group governance, including board effectiveness, and key themes for future growth.



Outside  
Director  
Akio Koike

Outside  
Director  
Ryoko Sasaki

Outside  
Director  
Toyoko Togashi

## The Essence of Value Created by the ARCS Group

**Sasaki** At the core of Yatsugatake Mountain Range Management—the ARCS Group's business model—is the idea of staying close to customers. For example, one operating company has successfully opened stores in small population areas and commercial zones by lowering store development and operating costs, making a meaningful contribution to the daily lives of local communities. As a company that acts as a lifeline for each community, we can anticipate sustainable growth in the future.

**Togashi** One of the ARCS Group's key traits, which I highly regard, is that each group company consistently focuses on thoroughly meeting each customer's needs while also giving

back to their communities. For example, one company has a system where customers who buy large quantities get better value the more they purchase, while those needing smaller amounts are free to buy only what they need.

**Koike** In the food supermarket industry, companies operating nationwide aren't necessarily the strongest. This is because food culture and eating habits vary by region. ARCS is a corporate group that shows competitiveness by successfully focusing on local needs, as food supermarkets should, while using its scale to grow across large areas.

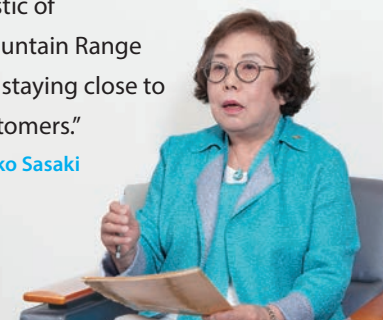
## Expectations for the New Management Structure

**Sasaki** With the shift to a "3C structure" starting in fiscal

2024, we can say the Group's management functions have advanced. This is because the division of roles among the three leaders who have driven the ARCS Group's growth has been clarified.

"The characteristic of Yatsugatake Mountain Range Management is staying close to community customers."

Ryoko Sasaki





**“The shift to a 3C structure allows Chairman Yokoyama to focus on the Group’s growth more than ever before.”**

— Toyoko Togashi

President Nekomiya, serving as COO, is making very frequent inspection visits to operating companies in Hokkaido, Tohoku, and Northern Kanto as the person responsible for business execution, including sales operations. I believe we will see results in addressing on-site challenges and boosting profitability. Also, with Vice Chairman Furukawa’s appointment as CFO, I think financial discussions at board meetings have become more active.

**Togashi** I agree. With the new 3C structure in place, responsibilities have been clarified, with the COO overseeing execution and the CFO managing finances. This enables Chairman Yokoyama, as CEO, to be more actively involved in driving the entire Group’s growth than before.

**Koike** When companies reach a certain size at some point after their founding, centralized management can no longer grasp the whole picture. I understand that for the ARCS Group to grow to the next level, a new management structure was necessary, which involved shifting to a structure focused on the CEO, CFO, and COO. One year has passed since this change, and I believe that in the second year, role division and collaboration will be further improved.

## Robustness of Group Governance

**Togashi** I believe the ARCS Group’s board of directors is in good condition. Opinions from outside directors are always sought and respected. I have offered advice on the ideal profile for management positions based on my expertise in human resources, and that advice has been accepted.

**Koike** I appreciate that the ARCS Group’s board meets twice a month, ensuring sufficient time for deliberation. Also, Chairman Yokoyama, as board chair, shows strong facilitation skills while leading meetings that allow all members, including executive officers, to speak openly without hesitation, fostering a positive atmosphere that encourages active discussion.

**Sasaki** In addition to what you both mentioned, ARCS’s board of directors has another great aspect. That is having “overall optimization” as a core principle. Since the Group consists of operating companies that are in the food supermarket business, their interests can sometimes conflict. However, in any case, the chair ultimately prioritizes the Group’s overall optimization when making final decisions. I believe that the philosophy of overall optimization will continue to lead to decision-making that benefits the entire Group.

## Key Themes for Future Growth

**Togashi** The number of food supermarkets wanting to participate in the ARCS Group is increasing, which proves that our efforts so far have been on the right track. I expect to see more aggressive implementation of measures that support enriched lives as a lifeline for each community, leveraging the

human resources and funds we have secured as a group.

**Sasaki** To reach our future goal of 1 trillion yen in sales, we must continue seeking like-minded companies that share the philosophy of Yatsugatake Mountain Range Management and work together to promote expansion through M&A and other means. This will make the governance of the companies in the Group increasingly important. I believe we should focus even more on strengthening the Group’s management foundation, including the already completed integration of core systems.

**Koike** While expanding through M&A is very appealing, it also entails various risks faced by subsidiary operating companies. However, without aggressive business expansion, becoming a corporate group with 1 trillion yen in sales is impossible. Together with Outside Directors Sasaki and Togashi, I will use my management skills and experience to help strengthen the risk management and governance systems that will support the ARCS Group’s continued growth.



**“As outside directors, we support healthy risk-taking for further growth.”**

— Akio Koike

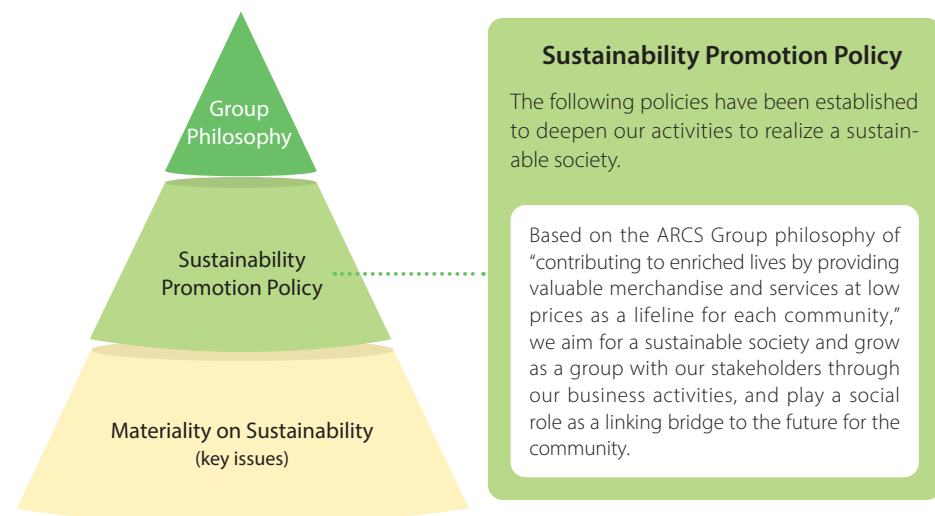
# Sustainability Policy and Structure

The ARCS Group believes that fulfilling our role as a lifeline for each community through the food supermarket business contributes to a sustainable society. Guided by our Sustainability Promotion Policy, we have set four key material issues and reflected them in the action plans of each group company, creating a framework that incorporates sustainability into daily operations.

## ARCS Group's Sustainability Initiatives

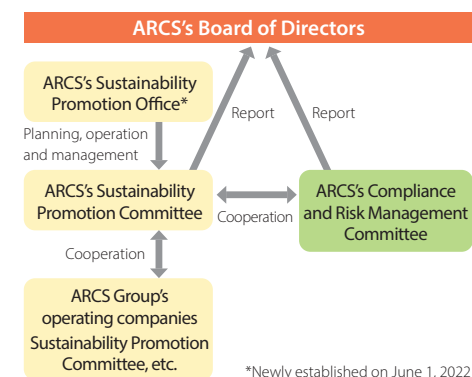
We have established a group-wide Sustainability Promotion Policy and identified four key material issues: (1) Living in harmony with communities, (2) consideration for the environment, (3) contribution to customers' enriched lives, and (4) promoting diversity and inclusion. Based on these, we are advancing initiatives such as improving food recycling rates, reducing plastic waste, increasing the share of women in management, introducing energy-saving equipment, and signing disaster prevention agreements with local governments.

## Our Approach to Sustainability



## Sustainability Promotion System

The Sustainability Promotion Committee, chaired by the President, COO, convenes members from each group company and meets approximately once a quarter. The progress of activities and decisions is shared with the Compliance and Risk Management Committee and reported to the Board of Directors as appropriate.



## Overview of Sustainability Action Plans

Each group company establishes action plans for the four key material issues, divided into 85 group-wide common items and company-specific items. Progress is reviewed twice a year by the Sustainability Promotion Committee. For company-specific items, each company leverages the strengths of Yatsugatake Mountain Range Management together with its own external networks and regional characteristics.

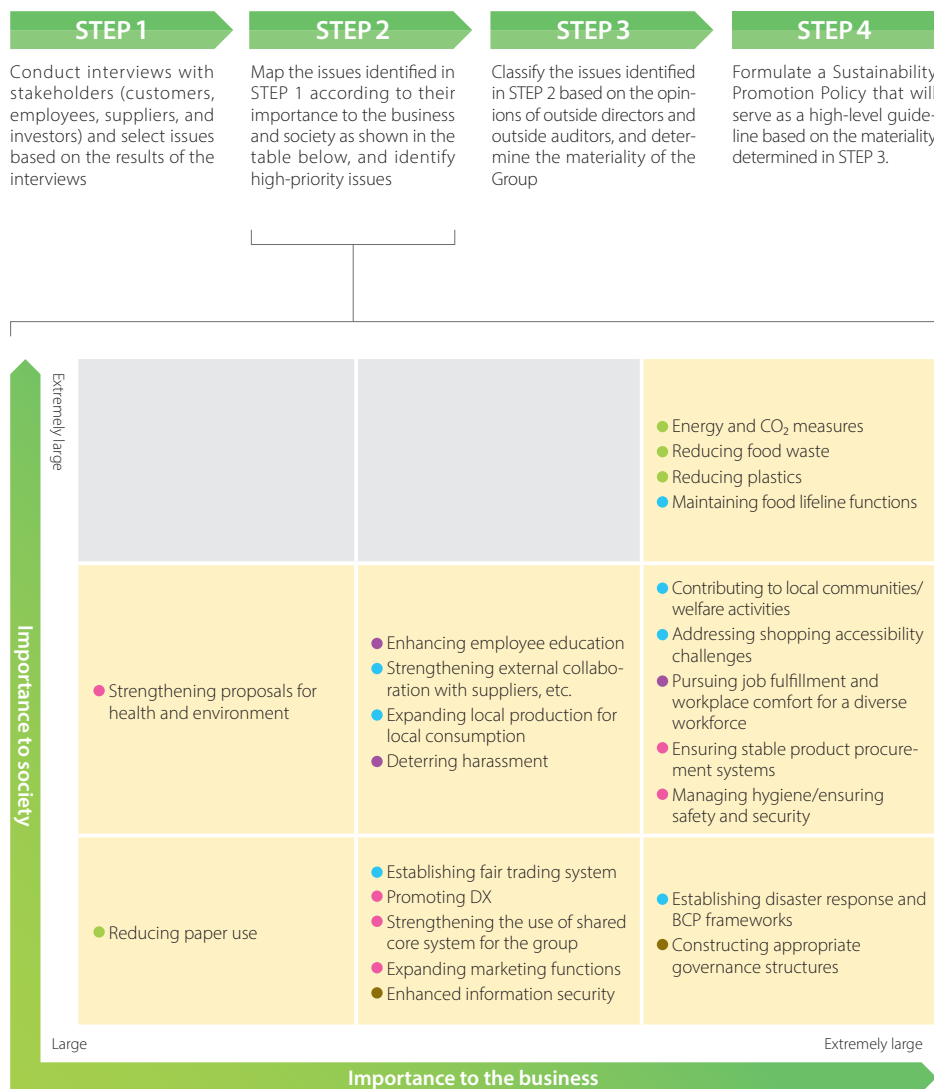
## ARCS Group's Initiatives

Classification of Initiatives	Number of Initiatives
Group-wide initiatives led by ARCS (parent company) <b>Examples:</b> Achieving a 10% ratio of women in management positions, etc.	25
Initiatives each group company is required to implement using its own methods <b>Examples:</b> Promoting recycling of food trays, etc.	7
Initiatives each group company is encouraged to implement using its own methods <b>Examples:</b> Signing a disaster relief agreement with a local community, etc.	9
Initiatives implemented at each group company's discretion <b>Examples:</b> Food bank activities, establishment of Care-Fitter,* etc.	44
<b>Total</b>	<b>85</b>

\* Employee helping with shopping



## Materiality Formulation Process and Mapping



Correspondence  
with Materiality

- Living in harmony with communities
- Consideration for the environment
- Contribution to customers' enriched lives
- Promoting diversity and inclusion
- Governance

## Materiality on Sustainability (key issues)

Material Issue	Risks / Opportunities	Strategy	Targets / Indicators
<b>Living in harmony with communities</b> P.60	<b>Risks</b> <ul style="list-style-type: none"> <li>Declining customer numbers due to population decline/aging demographics</li> <li>Fewer opportunities for new store openings</li> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>Enhancing brand value as regional infrastructure provider</li> </ul>	<ul style="list-style-type: none"> <li>Open a store in small municipality</li> <li>Cooperate and support community events</li> <li>Donate proceeds from plastic bags</li> <li>Sign a partnership agreement with the local government/organization</li> <li>Establish BCP for disaster</li> </ul>	<ul style="list-style-type: none"> <li>Develop model stores profitable in small commercial areas</li> <li>Strengthen collaboration with food bank/children's cafeteria</li> <li>Strengthen collaboration with suppliers in the area of sustainability</li> </ul>
<b>Consideration for the environment</b> P.62	<b>Risks</b> <ul style="list-style-type: none"> <li>Rising costs from CO<sub>2</sub> emissions</li> <li>Disaster risks from climate change</li> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>Lower processing costs through waste reduction</li> <li>Reduced losses through more precise ordering/production planning</li> </ul>	<ul style="list-style-type: none"> <li>Reduce food waste</li> <li>Reduce plastic packaging</li> <li>Energy and CO<sub>2</sub> measures</li> <li>Respond to TCFD recommendations</li> </ul>	<ul style="list-style-type: none"> <li>Achieve targets for food loss and plastic reduction at each group company</li> <li>Reduce Scopes 1 and 2 CO<sub>2</sub> emissions by 50% compared to FY2013</li> </ul>
<b>Contribution to customers' enriched lives</b> P.64	<b>Risks</b> <ul style="list-style-type: none"> <li>Increase in facilities/IT investment</li> <li>Difficulty in securing specialized personnel</li> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>Development of new customers</li> <li>Increase in repeat customers</li> </ul>	<ul style="list-style-type: none"> <li>Propose community-based food</li> <li>Online store initiatives</li> <li>Strengthen mid-career recruitment and enhance training/education levels</li> <li>Enhance ARCS RARA card function and promote cashless transactions</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen offerings of local merchandise and healthy/environmentally friendly merchandise</li> <li>Expand delivery service's areas</li> </ul>
<b>Promoting diversity and inclusion</b> P.65	<b>Risks</b> <ul style="list-style-type: none"> <li>Greater management complexity</li> <li>Risk of delays in consensus building</li> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>Expansion of employment capacity</li> <li>Innovation creation from diverse perspectives</li> <li>Improved employee retention and motivation</li> </ul>	<ul style="list-style-type: none"> <li>Raise awareness through diversity promotion projects</li> <li>Implement bottom-up system reforms at each operating company</li> <li>Set KPIs and incorporate them into management targets</li> </ul>	<ul style="list-style-type: none"> <li>Reinforce human capital management</li> <li>All group companies receive at least 2-stars in the "Eruboshi" rating system</li> <li>Achieve a 10% ratio of women in management positions*</li> <li>Expand flexible operation of working hours</li> <li>Implement employee engagement surveys</li> <li>Enhance on-the-job training at group companies</li> </ul>

\* By February 28, 2027



# Living in Harmony with Communities

## Why It Matters to Us

The ARCS Group's food supermarkets have evolved alongside the communities they serve. As Japan faces a declining birthrate and an aging population, food supermarkets are expected to go beyond retailing to serve as hubs of local communities. Through collaboration with municipalities, such as opening stores in small towns, supporting local events, and building disaster response systems, we aim to enhance community sustainability, which in turn supports our own long-term growth.

## The Social Impact We Seek

Through the ARCS Group's commitment to living in harmony with communities, we aim to revitalize the areas where we operate and improve residents' quality of life. We contribute to solving regional issues by creating jobs through robust local hiring, signing agreements with local governments and organizations, and strengthening ties with food banks and children's cafeterias. By energizing communities and enhancing daily life, we seek to help build sustainable towns where people can continue to live and thrive.

## Specific Initiatives

### Previous Initiatives

- Store openings in regional cities and small municipalities facing population decline and aging, fulfilling a role as social infrastructure by ensuring access for shopping-disadvantaged people and creating local jobs
- Sponsorships and exhibitions at local sports competitions and welfare events, engaging with residents and helping to build stronger community ties and vibrancy
- Donations of proceeds from plastic bag sales to the Hokkaido CGC Green and Heart Fund, creating a system where everyday shopping contributes to the community
- Cooperation agreements with local governments and social welfare councils, promoting systems of mutual support and co-creation as community-based supermarkets
- Business continuity plans (BCP) for major disasters, including rolling water stockpiles at stores and preparations to accommodate evacuees, strengthening systems to support communities



### Next Actions

- Expansion of compact, low-cost, high-efficiency store models (e.g. Da\*Marche and Happiness Mart Harutori stores), enabling sustainable operations even in areas with declining populations
- Strengthened cooperation with food banks and children's cafeterias for effective use of surplus food and contributions to local welfare
- Enhanced collaboration with local manufacturers and logistics firms to address environmental issues, prepare for disasters, and promote circular local economies
- Leveraging of regular visits by elderly customers and community ties to expand the role as "eyes of the community" in partnership with the government and neighborhood watch groups
- Gradual strengthening of community support systems for disasters through training under disaster agreements and BCP reviews
- Promotion of store tours and internships in cooperation with local high schools and universities to develop and retain local human resources

## CASE 1 Connecting Consumers and Society through Welfare Support

As a community-based company, we value creating systems where everyday shopping contributes to the community. We continue to donate proceeds from plastic bag sales to the Hokkaido CGC Green and Heart Fund, with cumulative donations from 2008 to 2024 reaching 963.34 million yen. We also support people in need through in-store fundraising and collaborative events with welfare organizations. We will continue to strengthen our ties with local residents and help build an inclusive society.



Green and Heart Fund presentation ceremony

## CASE 3 Nurturing Talent and Contributing to Communities through Student Collaboration

We are strengthening collaboration with high schools and universities to nurture the next generation of community leaders through a variety of initiatives. Such initiatives include Universe and BELJOIS supporting the sale of merchandise using beef raised by high school students and in-store promotional activities. Douhoku Arcs and Doutou Arcs have sold merchandise developed by students and hosted student cooking classes, while Universe and FUKUHARA have supported high school students participating in cooking contests.



Douhoku Arcs: Collaboration merchandise sales with Takushoku University Hokkaido College

## CASE 2 Creating Sales Floors to Promote Local Production for Local Consumption

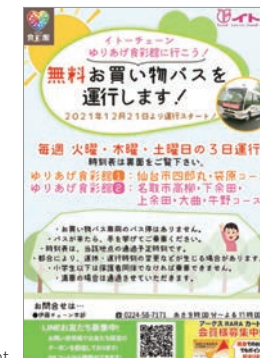
The ARCS Group's community-based food supermarket companies develop sales floors tailored to local characteristics. By working with local producers and offering locally sourced, direct-from-farm merchandise, we aim to promote local production for local consumption. These efforts help preserve regional food culture, build stronger trust with customers, and enhance the value of our food supermarkets.



Super ARCS Tokura Store (Dounan Ralse)

## CASE 4 Developing Diverse Ways to Assist Customers Facing Shopping Challenges

To assist customers who face difficulties with daily shopping due to aging or limited transportation, group companies are advancing various initiatives. Ito Chain operates shopping buses to help local residents travel to stores. RALSE, BELJOIS, and Ito Chain offer home delivery services through online supermarkets, expanding efforts to support community life through stores, delivery, and mobility assistance. In November 2025, BELJOIS and Ito Chain each launched mobile supermarkets, further expanding shopping support.



Ito Chain "Shopping Bus" announcement





# Consideration for the Environment

## Why It Matters to Us

Food supermarkets, the ARCS Group's main business, are deeply tied to the global environment. Our merchandise relies on natural capital such as agricultural and marine products, and our business activities generate significant environmental impacts including CO<sub>2</sub> emissions from procurement, logistics, processing, and store operations, along with food loss and plastic waste. Climate change-related disasters also pose direct risks to supermarkets as location-based businesses. Reducing our environmental footprint and ensuring the sustainability of natural capital are essential to our long-term viability.

## The Social Impact We Seek

The ARCS Group focuses on conserving resources and energy to reduce our environmental footprint. Resource conservation efforts include composting food waste, running food drives, collecting used trays and PET bottles at our stores, and charging for plastic bags with proceeds donated to tree planting. Energy initiatives include switching to LED lighting, upgrading refrigeration systems for efficiency, and expanding the use of renewable energy. Through these efforts in environmental conservation and resource efficiency, we contribute to a sustainable future.

## Specific Initiatives

### Previous Initiatives

- ✓ Recycling through in-store operations and customer collection of items such as food trays, polystyrene foam, and waste cooking oil, contributing to resource recycling
- ✓ Food drives and participation in government-led food loss reduction projects as part of broader efforts to cut food loss
- ✓ Reduction of fuel consumption and CO<sub>2</sub> emissions by improving logistics efficiency through consolidated delivery bases and increased loading rates



### Next Actions

- ✓ Efficiency improvements in refrigeration, freezing, and air-conditioning systems, along with expanded use of LED lighting, to lower energy consumption and CO<sub>2</sub> emissions in store operations
- ✓ Expansion of in-store collection of food trays and adoption of environmentally friendly merchandise to reduce plastic use and increase recycling rates
- ✓ Reduction of the supply chain's environmental footprint through optimized delivery efficiency in each group company's logistics network and introduction of low-emission vehicles

### CASE 1

## Promoting Recycling through In-Store Collection and Contributing to Resource Circulation

We continue recycling through in-store collection of food trays, milk cartons, waste cooking oil, and other items. In particular, food trays undergo horizontal recycling, with collected trays processed into new trays. This customer-participatory system makes our stores key hubs for supporting resource circulation.



Food Oasis OTANI Osawa Store (OTANI) waste oil collection box

### CASE 2

## Food Loss Reduction through Community Collaborations

We hold food drives throughout our regions, encouraging households to donate surplus food to local welfare organizations, thereby reducing food loss while supporting communities. At the store level, we cut waste by reviewing delivery rules, such as adjusting deadlines and order volumes. Together with local communities, we are advancing the creation of sustainable food cycles.



Super ARCS Yahaba Store (BELJOIS) food bank post

## CO<sub>2</sub> Reduction Initiatives

The ARCS Group considers climate change as a critical issue to be addressed throughout the Group and recognizes that the risks and opportunities it presents have a significant impact on our business strategy. We have endorsed the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

\* For details, please refer to the "Notice of Information Disclosure Based on TCFD Recommendations" dated April 3, 2023 ([https://www.arcs-g.co.jp/vc-files/arcs-g/news/2023/pdf/info\\_dat\\_20230403153440.pdf](https://www.arcs-g.co.jp/vc-files/arcs-g/news/2023/pdf/info_dat_20230403153440.pdf), in Japanese).



### ■ Governance and Risk Management

The Sustainability Promotion Committee is chaired by ARCS's President, COO, and its Secretary General is the General Manager of the Sustainability Promotion Office. The committee oversees sustainability initiatives, including climate change response efforts. The committee also works closely with the Compliance and Risk Management Committee to assess risks and discuss countermeasures, and reports to the Board of Directors as necessary.

### ■ Strategy (from Scenario Analysis to Identification of Risks and Opportunities)

First, we envisioned a world 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. Next, we analyzed ARCS's opportunities and risks in 2030 in terms of the potential impact on our business. Then, we identified specific initiatives to address the most significant opportunities and risks, and are actively implementing them throughout the Group.

#### Risks and Opportunities and ARCS Group's Response

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

### ■ Indicators and Targets

In line with our Sustainability Promotion Policy, which aims to realize a sustainable society and the Group's growth, the ARCS Group has set KPIs for CO<sub>2</sub> emissions related to climate change, closely connected to our supermarket operations, and monitors them regularly. The most recent available emission performance and long-term targets are as follows:

#### Indicators Greenhouse Gas Emissions for Scopes 1 and 2

##### CO<sub>2</sub> emissions Total

	FY2013 actual*	FY2022 actual	FY2023 actual
Scope 1 and Scope 2	343,790 t-CO <sub>2</sub> e	312,761 t-CO <sub>2</sub> e	310,142 t-CO <sub>2</sub> e

##### CO<sub>2</sub> emissions per unit

Unit class	FY2013 actual*	FY2022 actual	FY2023 actual	FY2013 vs.
Per net sales (100 million yen)	78.78 t-CO <sub>2</sub> e	55.71 t-CO <sub>2</sub> e	52.83 t-CO <sub>2</sub> e	(32.9)%

\* FY2013 results include some estimates.

#### Targets Long-term Reduction Targets

FY2030	FY2050
CO <sub>2</sub> emissions per 100 million yen in sales (Scopes 1 and 2)	Achieve carbon neutrality
<b>50% reduction compared to FY2013</b>	

#### B Score in the CDP Climate Change Category

The Group received a B score, the third level in the eight-level system after A and A+.





# Contribution to Customers' Enriched Lives

## Why It Matters to Us

The ARCS Group is responding closely to customers' diversifying dietary needs and digital engagement, amid increasing interest in health through food and the spread of digital technology in daily life. We adapt flexibly to these needs by promoting local production for local consumption, enhancing last-mile services through online platforms, diversifying payment methods, and advancing DX in marketing. These initiatives help us build trust and encourage repeat visits, supporting the survival of each store and the Group's sustainable growth.

## The Social Impact We Seek

By expanding offerings of health- and eco-friendly merchandise, widening delivery service areas, improving ARCS RARA card functions, and promoting cashless payments, we aim to enhance customer convenience and satisfaction. These efforts not only drive store growth but also revitalize regional economies, create and sustain jobs, and contribute to a sustainable society. As a member of local communities, the ARCS Group aims to enhance residents' quality of life and energize the regional economy by closely supporting its customers.

## Specific Initiatives

### Previous Initiatives

- ✓ Support for better home meals and daily meal planning through in-store cooking demonstrations and recipe suggestions, addressing health-conscious and time-saving needs
- ✓ Enhanced convenience through a smartphone app linked to the ARCS RARA card, offering access to promotional flyers, point balances, and purchase history
- ✓ Operation of e-commerce sites and online supermarkets by group companies, providing shopping options tailored to lifestyles and meeting the needs of dual-income households and facility users



### Next Actions

- ✓ Enhancement of merchandise and sales floor concepts that match health and lifestyle backgrounds, such as nutritional balance, reduced salt, and time-saving cooking, to help improve quality of life through food
- ✓ Expansion of app functions including coupon distribution, recipe integration, and purchase history analysis to deliver optimized services for customer preferences
- ✓ Strengthening of e-commerce offerings for daily use and gifts, along with improved delivery convenience and reliability through collaboration with regional logistics partners

CASE 1

## In-Store Cooking Proposals: Cooking Support

Some RALSE stores provide cooking support, where registered dietitians and other staff introduce menus using seasonal ingredients and share recipes to promote healthy, convenient eating. The program is well received as a way for customers to gain food knowledge while shopping, and it also helps streamline household chores.



RALSE Super ARCS Yamahana Store Cooking Support Corner

CASE 2

## Improving Shopping Convenience through the ARCS RARA Card and App

We offer a smartphone app linked to the ARCS RARA card, enhancing shopping convenience with functions such as flyer viewing, coupon collection, point checking, and campaign applications. Since its renewal in October 2024, the app has gained over 240,000 members in five months and is widely used by a diverse customer base.



ARCS app promotional tool





# Promotion of Diversity and Inclusion

## Why It Matters to Us

The ARCS Group believes that creating workplaces where diverse employees can fully demonstrate their abilities enables sustainable corporate growth and allows us to respond quickly and effectively to changing employment conditions and diversifying customer needs. Flexible work arrangements also serve as an effective measure against labor shortages. Through our Diversity Promotion Project, we support women's advancement, encourage men's childcare leave, and actively hire foreign nationals to build an inclusive environment.

## Specific Initiatives

### Previous Initiatives

- ✓ Support for capacity development through position- and level-based training, along with ongoing appointments of women to management roles
- ✓ Creation of workplaces where diverse employees can work stably, regardless of age or disability, through tailored job assignments and improved work environments
- ✓ Establishment of the ARCS Group Basic Policy on Customer Harassment and development of a secure work environment through internal communication and consultation systems



### Next Actions

- ✓ Early identification of women with management potential, provision of practical opportunities, disclosure of the number of women in management positions at each group company, and continuous monitoring of progress
- ✓ Fostering of ongoing awareness through internal communications and establishment of a workplace culture where all people can work lively and in their own way
- ✓ Advancement of on-site response capabilities through the creation of a manual based on the Basic Policy on Customer Harassment and improvement of employee training

## CASE 1 Creating Environments Where Every Employee Can Work Confidently

We have established the ARCS Group Basic Policy on Customer Harassment and are promoting initiatives to ensure employees can work with peace of mind. Group-wide efforts include internal awareness campaigns and the establishment of consultation systems to support stores. Moving forward, we will conduct ongoing training programs to reinforce these practices.

ARCS Group customer harassment prevention poster



## CASE 2 Creating Workplaces Where Diverse Talent Can Thrive

The ARCS Group works to build environments where everyone can demonstrate their abilities regardless of gender or life stage. We provide job-level training, promote women into management positions, and encourage men to take childcare leave. As of February 28, 2025, women made up 7.3% of management roles, showing progress in developing future leaders and advancing diversity.

Poster promoting childcare leave



# Board of Directors

(As of May 27, 2025)

**Nomination**

Nomination and Compensation Committee member



**Nomination**

**Kiyoshi Yokoyama**

Chairman, CEO  
(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  
Nov. 2002 Appointed Representative Director and President of RALSE COMPANY, LIMITED  
May 2007 Appointed Representative Director and Chairman, CEO of RALSE COMPANY, LIMITED (current position)  
Apr. 2024 Appointed Representative Director and Chairman, CEO of the Company (current position)



**Koichi Furukawa**

Vice Chairman, CFO  
(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  
May 2024 Appointed Director and Vice Chairman, CFO of the Company (current position)



**Kazuhisa Nekomiya**

President, COO  
(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 President, COO of RALSE COMPANY, LIMITED  
Appointed Director and Executive Officer of the Company  
May 2024 Appointed Vice Chairman of RALSE COMPANY, LIMITED (current position)  
Appointed President, COO of the Company (current position)



**Takehiko Miura**

Director and Executive Officer  
(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)



**Ikuharu Fukuhara**

Director and Executive Officer  
(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)



**Nomination**

**Outside**

**Independent**

**Ryoko Sasaki**

Director  
(July 6, 1946)

Jun. 1992 Appointed Managing Director of Survey and Development Center Co., Ltd.  
Jul. 1995 Appointed Representative Director of R's Seminar LLC  
Jul. 2002 Appointed Deputy Governor of Hokkaido Government  
Jul. 2007 Appointed Chairperson of Hokkaido prefectural Public Safety Commission  
Apr. 2012 Appointed Councilor of Hokkaido Environment Foundation (current position)  
Jun. 2013 Appointed Outside Director of Hokkaido Electric Power Co., Inc.  
May 2015 Appointed Outside Director of the Company (current position)  
Apr. 2018 Appointed fellow at Nitobe College of Hokkaido University



**Nomination**

**Outside**

**Independent**

**Toyoko Togashi**

Director  
(June 11, 1955)

Apr. 1985 Appointed Director of B4 Corporation  
Aug. 1996 Appointed Representative Director and President of Hokkaido Human Resources Bank, Limited  
Aug. 2012 Appointed Representative Director and Chairman of Hokkaido Human Resources Bank, Co., Ltd.  
May 2022 Appointed Outside Director of the Company (current position)  
Apr. 2024 Appointed Representative Director, Chairman and President of Hokkaido Human Resources Bank, Co., Ltd. (current position)



**Nomination**

**Outside**

**Independent**

**Akio Koike**

Director  
(July 28, 1946)

Jul. 1969 Joined Japanese National Railways  
Apr. 1987 Joined Hokkaido Railway Company  
Jun. 2000 Appointed Representative Director and Senior Managing Director of Hokkaido Railway Company  
Jun. 2003 Appointed Representative Director and President of Hokkaido Railway Company  
Jun. 2007 Appointed Representative Director and Chairman of Hokkaido Railway Company  
Nov. 2011 Appointed Representative Director and President of Hokkaido Railway Company  
Jun. 2013 Appointed Representative Director and Chairman of Hokkaido Railway Company  
Jun. 2015 Appointed Outside Director of Medical System Network Co., Ltd. (current position)  
May 2024 Appointed Outside Director of the Company (current position)



### Takayuki Tamori

Full-time Corporate Auditor  
(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  
May 2019 Appointed Audit & Supervisory Board Member of  
the Company  
May 2025 Appointed Full-time Corporate Auditor of the Company  
(current position)  
Appointed Audit & Supervisory Board Member of  
TOKOU STORE COMPANY, LIMITED (current position)



New

### Tadao Ohata

Auditor  
(June 17, 1956)

Apr. 1979 Joined Jotetsu Shoji Co., Ltd. (currently TOKOU STORE  
COMPANY, LIMITED)  
May 2014 Appointed Executive Officer of  
TOKOU STORE COMPANY, LIMITED  
May 2017 Appointed Director of TOKOU STORE COMPANY,  
LIMITED  
May 2025 Appointed Full-time Corporate Auditor of  
TOKOU STORE COMPANY, LIMITED (current position)  
Appointed Audit & Supervisory Board Member of  
the Company (current position)



Outside  
Independent

### Satoru Takashima

Auditor  
(October 21, 1951)

Apr. 1985 Established Satoru Takashima Law Office  
May 1993 Appointed Outside 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)



Outside  
Independent

### Kazunori Ito

Auditor  
(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 Outside Audit & Supervisory  
Board Member of the Company (current position)



### Hideki Kogarimai

Executive Officer  
(December 26, 1962)

Mar. 1988 Joined 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 Chairman of  
BELJOIS Co., Ltd. (current position)  
May 2022 Appointed Executive Officer of the Company  
(current position)



### Tsukasa Sawada

Executive Officer  
(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. (current position)  
May 2016 Appointed Director and Executive Officer of  
the Company  
May 2022 Appointed Executive Officer of the Company  
(current position)



### Naoto Matsuo

Executive Officer  
(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  
Appointed Executive Officer of the Company  
(current position)  
May 2024 Appointed Representative Director and President,  
COO of RALSE COMPANY, LIMITED (current position)

# Consolidated Financial Summary

Item	Unit	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Net sales	Million yen	501,905	512,645	513,955	512,246	519,218	556,946	577,568	566,209	591,557	608,284
Operating profit	Million yen	14,429	14,854	14,440	14,821	12,119	17,748	15,562	14,835	16,831	15,936
Ordinary profit	Million yen	15,894	16,471	16,366	16,405	13,746	19,503	17,306	16,444	18,439	17,540
Ordinary profit margin	%	3.2	3.2	3.2	3.2	2.6	3.5	3.0	2.9	3.1	2.9
Profit attributable to owners of parent	Million yen	6,547	10,493	10,255	10,168	6,870	12,967	10,304	9,947	11,766	11,063
Total assets	Million yen	200,954	205,313	211,157	226,846	232,332	251,032	258,025	266,155	274,972	282,662
Net assets	Million yen	118,368	126,859	133,442	147,529	144,580	157,504	163,995	171,686	177,809	184,037
Return on assets (ROA)	%	7.9	8.1	7.9	7.5	6.0	8.1	6.8	6.3	6.8	6.3
Return on equity (ROE)	%	5.6	8.6	7.9	7.2	4.7	8.6	6.4	5.9	6.7	6.1
Total assets turnover	Number of times	2.5	2.5	2.5	2.3	2.3	2.3	2.3	2.2	2.2	2.2
Equity-to-asset ratio	%	58.9	61.8	63.2	65.0	62.2	62.7	63.5	64.5	64.7	65.1
Cash flows from operating activities	Million yen	12,757	16,257	18,087	16,186	16,584	29,047	14,247	16,989	24,052	19,384
Cash flows from investing activities	Million yen	(5,571)	(7,560)	(10,276)	(18,033)	(10,775)	(5,627)	(4,417)	(7,768)	(10,647)	(11,490)
Cash flows from financing activities	Million yen	(8,176)	(4,509)	(4,936)	5,796	(5,159)	(3,887)	(7,422)	(2,801)	(11,267)	(2,590)
Cash and cash equivalents at end of period	Million yen	32,023	36,209	39,084	43,033	44,212	63,767	66,175	72,594	74,731	80,035
Basic earnings per share (EPS)	Yen	117	188	185	183	121	229	182	177	214	204
Net assets per share	Yen	2,128	2,281	2,425	2,557	2,558	2,787	2,910	3,066	3,293	3,409
Dividends per share	Yen	42	46	48	50	50	55	57	58	68	74
Total number of employees		26,923	26,648	26,788	26,813	27,891	28,855	30,135	29,887	30,186	30,293
Number of stores at end of period		339	338	336	334	345	344	375	373	377	375

\* Years represent fiscal years.

\* Financial figures from fiscal 2022 onward are presented after applying the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020) and related standards.



# Financial Results Overview

## Financial Summary

In FY2024, net sales reached a record high of 608.2 billion yen, surpassing the 600-billion-yen mark for the first time. Following the COVID-19 pandemic that began in 2020, the Japanese economy shifted in 2023 from prolonged deflation to an inflationary state, with sustained increases in both prices and wages. Guided by the Yatsugatake Mountain Range Management philosophy and a deep understanding of local customers' needs, the ARCS Group differentiated itself from competitors and achieved an operating profit of 15.9 billion yen and an ordinary profit of 17.5 billion yen, each ranking as the third-highest in our history.

## Profit and Loss

To address rising prices, we repeatedly implemented and refined measures through a cycle of planning, execution, review, and improvement across sales, costs, and expenses. The gross profit margin was 25.1%, down 0.2 percentage points year-on-year due to higher costs from rising prices and competitive countermeasures. The operating profit margin was 2.6%, and the ordinary profit margin was 2.9%, both falling 0.2 percentage points as personnel and facility expenses increased. The net profit margin was 1.8%, also down 0.2 points year-on-year.

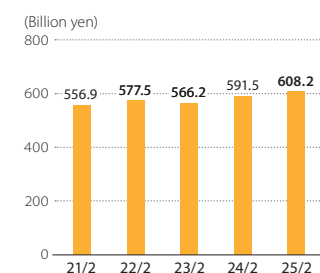
## Financial Position

Total assets amounted to 282.6 billion yen, up 7.6 billion yen from the end of the previous fiscal year, mainly driven by increases in cash and deposits and property, plant and equipment. Liabilities were 98.6 billion yen, rising 1.4 billion yen due to higher lease liabilities. Net assets stood at 184.0 billion yen, up 6.2 billion yen on increased retained earnings. The equity-to-asset ratio was 65.1%, up 0.4 percentage points year-on-year. Our financial foundation has remained stable over the long term, and as a regional lifeline ensuring a stable food supply, we are prepared for unforeseen events such as natural disasters and economic crises.

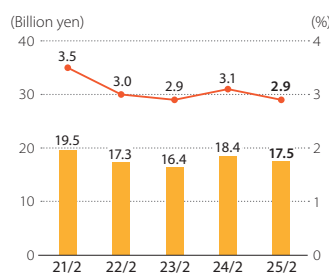
## Cash Flows

Cash and cash equivalents totaled 80.0 billion yen, up 5.3 billion yen from the prior fiscal year-end. Net cash inflow from operating activities was 19.3 billion yen, while investing and financial activities recorded net outflows of 11.4 billion yen and 2.5 billion yen, respectively. Our basic approach to cash flow is to secure operating cash flow through stable profits, allocate it to growth investments in store facilities and IT/DX, enhance shareholder returns through dividend increases and share buybacks, and finance external needs through bank borrowings and other sources as necessary.

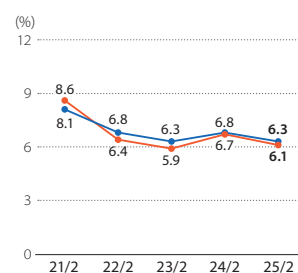
Net sales



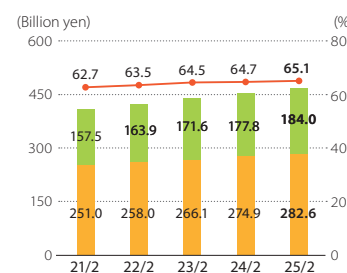
Ordinary profit (left axis)  
Ordinary profit margin (right axis)



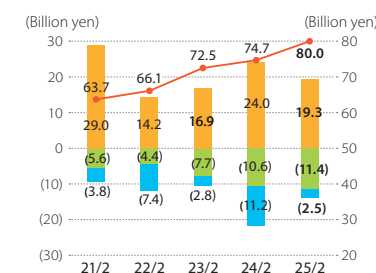
Return on assets (ROA)  
Return on equity (ROE)



Net assets (left axis)  
Total assets (left axis)  
Equity-to-asset ratio (right axis)



Cash flows from operating activities (left axis)  
Cash flows from investing activities (left axis)  
Cash flows from financing activities (left axis)  
Cash and cash equivalents at end of period (right axis)



# ESG Data Highlights

## Environmental Data

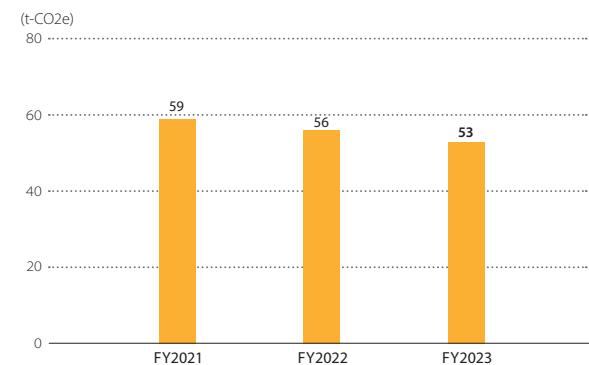
Item	Unit	FY2021	FY2022	FY2023
Total CO <sub>2</sub> emissions	t-CO <sub>2</sub> e	337,317	312,761	310,142
Scope 1	t-CO <sub>2</sub> e	93,776	92,502	91,922
(Emissions due to leakage of CFCs)	t-CO <sub>2</sub> e	55,179	54,458	57,116
Scope 2	t-CO <sub>2</sub> e	243,541	220,259	218,220
CO <sub>2</sub> emissions per store	t-CO <sub>2</sub> e	906	845	825
CO <sub>2</sub> emissions per 100 million yen in sales	t-CO <sub>2</sub> e	59	56	53
Amount of plastic containers and packaging used	t	5,369	4,855	4,857
Plastic Shopping Bag Refuse Rate	%	85.3	84.9	84.6
Amount of food waste generated	t	16,112	15,575	15,228
Food recycling rate*	%	57.0	58.3	56.2

\* Based on the "recycling implementation rate" as defined in the Act on Promotion of Recycling and Related Activities for Treatment of Cyclical Food Resources

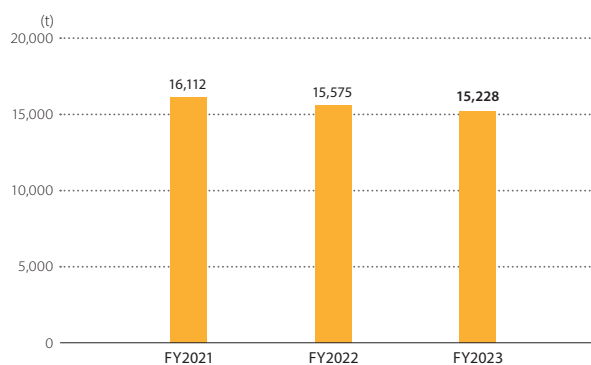
## Human Resources Data

Item	FY2021	FY2022	FY2023	FY2024
Number of employees (total)	30,135	29,887	30,186	30,293
Number of employees (8-hour equivalent)	21,193	20,985	21,101	21,075
Number of new graduates hired	176	146	128	120
Ratio of women in managerial positions	6.3	6.5	7.0	7.3
Number of women in managerial positions	51	53	55	58
Percentage of employees with disabilities	2.7	2.9	3.0	3.2
Number of employees (men) taking childcare leave	5	21	23	12
Percentage of paid leave taken (full-time employees)	45.5	52.0	51.6	56.5
Training hours per employee (full-time employees)	–	10.3	12.0	13.0

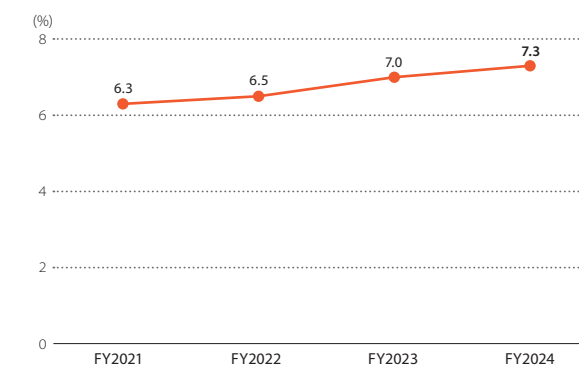
■ CO<sub>2</sub> emissions per 100 million yen in sales



■ Amount of food waste generated



● Ratio of women in managerial positions



# Investor Information

## Shares as of February 28, 2025

Total number of authorized shares	Total number of shares issued and outstanding	Number of shareholders
200,000,000 shares	57,649,868 shares	53,120

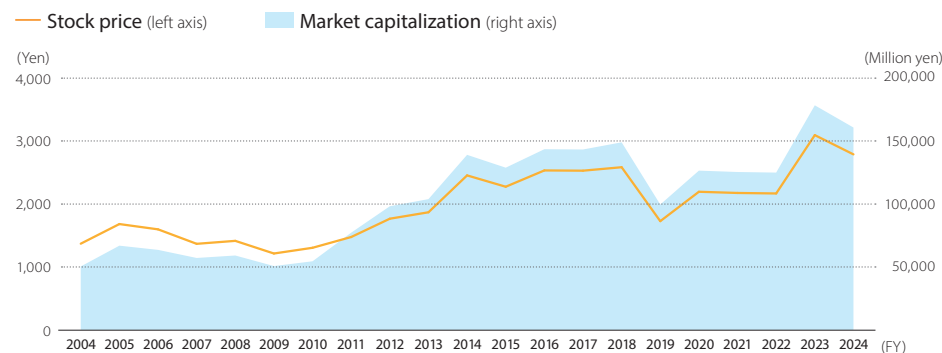
## Top 10 Major Shareholders

Shareholder name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd.	3,265,600	6.04
Kiyoshi Yokoyama	3,045,054	5.64
The Hokkaido Bank, Ltd.	2,533,972	4.69
Maruji Ltd.	1,437,131	2.66
North Pacific Bank, Ltd.	1,415,844	2.62
Valor Holdings Co., Ltd.	1,335,000	2.47
RETAIL PARTNERS CO., LTD.	1,335,000	2.47
SMBC Nikko Securities Inc.	1,041,248	1.92
ARCS Group Employee Shareholding Association	1,033,598	1.91
ARCS Group Business Partners Shareholding Association	1,027,402	1.90

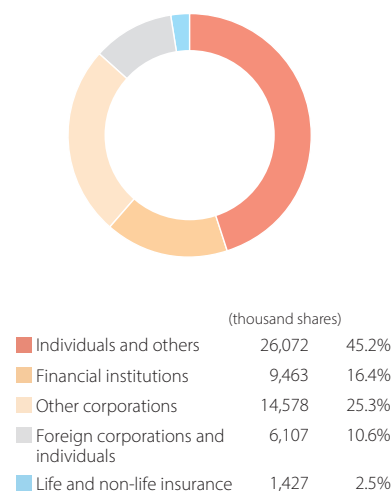
\* The Company holds 3,667,564 shares of treasury stock, which are excluded from the above list of major shareholders.

\* Shareholding ratio is calculated excluding treasury stock (3,667,564 shares).

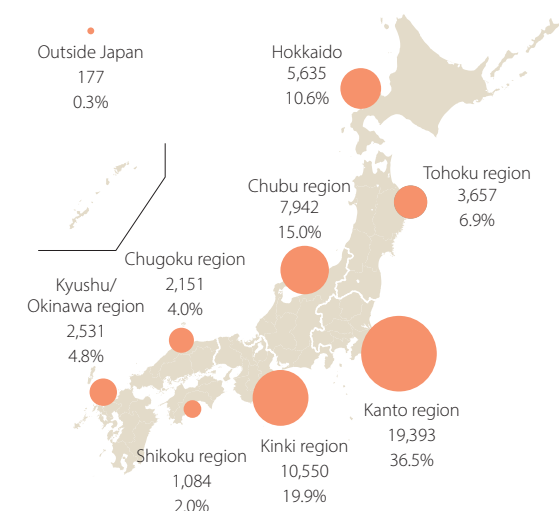
## Stock Price and Market Capitalization



## Number of Shares by Shareholder Type



## Number of Shareholders by Region



# Company Profile

Company name	ARCS COMPANY, LIMITED
Address	2-32, Minami 13-jo Nishi 11-chome, Chuo-ku, Sapporo, 064-8610, Japan
Representatives	Kiyoshi Yokoyama, Chairman, CEO / Kazuhisa Nekomiya, President, COO
Established	October 28, 1961
Capital	21,205 million yen
Number of employees	156 * Part-time employees converted to 8-hour equivalents (Group total: 21,075, as of February 28, 2025)
Accounting auditor	Ernst & Young ShinNihon LLC
Listed exchanges	Tokyo Stock Exchange Prime Market / Sapporo Securities Exchange



### Symbol

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

The symbol colors are:

● RED = Sun = Life ● YELLOW = Star = Happiness

### ARCS COMPANY, LIMITED

2-32, Minami 13-jo Nishi 11-chome, Chuo-ku, Sapporo, 064-8610, Japan

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