

YAOKO REPORT 2023

Yaoko Group Integrated Report 2023



YAOKO GROUP

Company Overview

Company name	YAOKO CO., LTD.
Head office	1-10-1 Arajukumachi, Kawagoe-shi, Saitama, 350-1124
Phone	049-246-7000 (Switchboard)
Representatives	Chairman and Representative Director Yukio Kawano President and Representative Director Sumito Kawano
Capital stock	¥4,199 million
Employees	4,174 (as of March 31, 2023) <Consolidated> *Plus 13,118 partner and casual members (calculated at 8 hours per day).
Number of stores	199 (as of March 31, 2023) <Consolidated>
Group companies	AVE Co., Ltd. Foocot Co., Ltd. Sendo Co., Ltd. (equity-method affiliate) Yaoko Business Service Co., Ltd. (unconsolidated subsidiary) Ogawa Trading Co., Ltd. (unconsolidated subsidiary)
URL	https://www.yaoko-net.com/



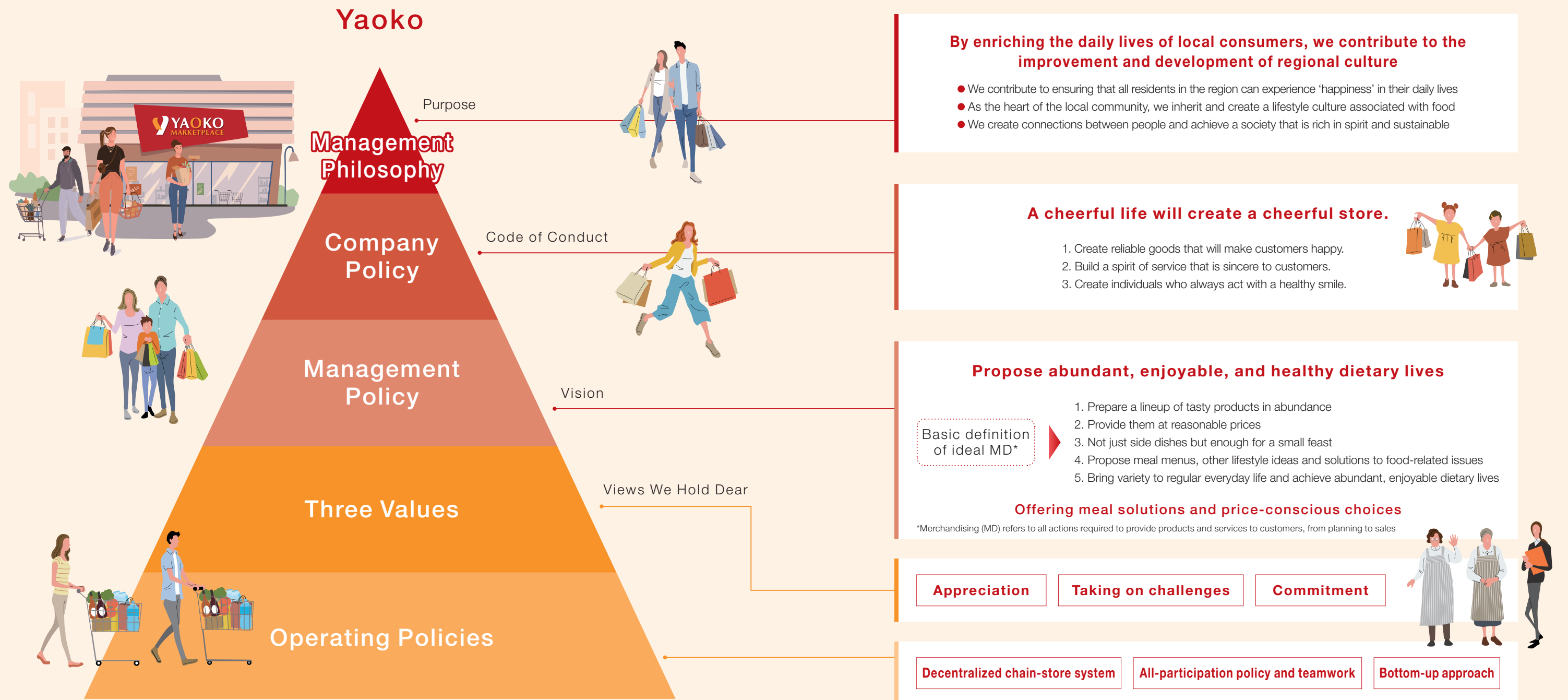
Yaoko Group Management Philosophy

[Vision]

More abundant and enjoyable dietary lives for everyone in the region

- Constantly provide our customers with value beyond just price
- Be a company where all employees are proud of their work and enjoy their living
- Build our own model of high productivity while eliminating waste
- Contribute to solving social issues by collaborating with all stakeholders

The Yaoko Group, encompassing the businesses of Yaoko, AVE, and Focot, is there for all our customers in the region. We aspire to be relied on as a presence that warmly watches over the region, connected with our customers, employees, business partners, and the local community, contributing to their well-being and sustainability.



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Editorial Policy

The *Yaoko Report 2023* includes performance and business summaries, financial information, and more, focusing on our management philosophy and business strategies. In addition, comprehensive non-financial information which supports dynamic growth is also included. We hope it will be used by a variety of stakeholders, especially shareholders and investors, to promote an understanding of the Yaoko Group.

Important Points about Future Estimations

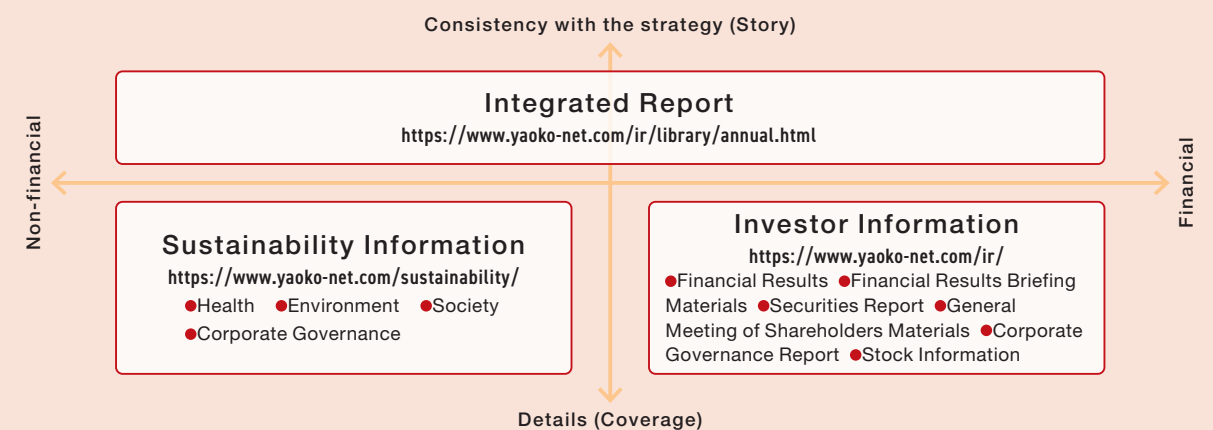
The *Yaoko Report 2023* contains uncertain elements, such as estimates and forecasts of the future performance of our group. These elements are based on information and certain premises determined to be reasonable, as currently obtained by our company at the time of issuing this report. Actual results may differ greatly from these forecasts due to various causes.

Reporting Period

April 2022 to March 2023

Scope of Reporting

YAKO Co., Ltd. and Group companies



Message from the Chairman



We aspire to be appreciated by our customers as an enterprise enriching their daily lives

A little over three years have passed since COVID-19 spread worldwide, giving rise to constraints on economic activity and disrupting the global supply chain. Everyone had to adapt to new lifestyles during the pandemic. In May 2023, COVID-19 was reclassified as a Class 5 infectious disease. At last, there is an increasingly widespread return to pre-pandemic conditions. At the same time, however, we are faced with Russia's prolonged invasion of Ukraine, the emergence of shortages in energy resources and raw materials, and the gathering pace of global inflation. We increasingly find ourselves in a new world where old certainties no longer apply. As these unprecedented events unfolded, many of us took the opportunity to reflect on our experience and rethink our way of life, recognizing anew the importance of family and friends and physical and mental health. Looking ahead, the new normal is sure to affect virtually every aspect of our lives as our world undergoes a transformation.

In retailing, which is our business, ceaseless adaptation to continuous change is a way of life. To meet evolving customer needs, we frequently update our products and services, which themselves can be catalysts of change in customers' lifestyles. This, the essence of our business, will continue undiminished into the post-pandemic era. Another element that should never change is a company's corporate philosophy, which shapes its values and actions. A cherished corporate philosophy

and unwavering principles are the backbones of corporate management, endowing the enterprise with the strength it needs to develop steadily far into the future.

Yaoko's corporate philosophy emphasizes our contribution to the improvement and development of regional culture through enriching the everyday life of our customers by offering high quality foods. Rather than being preoccupied with what sells well and is profitable, we seek to make people's daily lives enjoyable and fulfilling, with a focus on foods. We want to make as many people as possible feel happy because they live near our stores. That is what animates us and gives us a powerful sense of purpose. It is our corporate philosophy in action. It is often said that "Yaoko is unwavering." This is primarily due to the fact that our corporate philosophy is unwavering. As it has been since our foundation, principled management will continue to be the motor propelling Yaoko forward.

Since delicious food enjoyed with family and friends is an indispensable source of happiness for millions of people, an outstanding supermarket can send the happiness index to new heights. That is why our role is so important and our work so worthwhile. We endeavor to enrich our customers' daily lives so that they will appreciate Yaoko as a valued partner in their pursuit of happiness.

川野幸夫

Yukio Kawano
Chairman and Representative Director

Yaoko's History

The Yaoko Group aims to be the overwhelmingly number-one company in providing abundant and enjoyable dietary lives. Thanks to support from all of our stakeholders, Yaoko achieved 34 consecutive terms of increased non-consolidated sales and profits in the year ended March 31, 23 (FY2022). Yaoko's solid growth in recent years derives from our three-year-term management plans, and our history of achieving store creation targets over these. This is also a result built upon the fact that all stores have come together as one to achieve year-over-year improvement goals.

Business establishment

1994–2008 (1st to 5th mid-term management plans)

Creating Lifestyle Assortment-style Supermarkets

With the everyday life of our customers changing, we considered: "What can we offer? What kind of supermarket do we target to become?" Through this consideration, we have set ourselves a clear target to become "lifestyle assortment-style supermarkets" that counter commodity discount-style supermarkets.

Developing Lifestyle Assortment-style Supermarkets That Offer Meal Solutions

In the context of meals, a part of our daily life, we saw many people thinking of what to cook every day. To solve such daily headaches, we made efforts to create supermarkets that can offer customer-oriented suggestions and supports, and pushed forward with our business driven by our decentralized chain-store system and all-participation policy.

Business evolution, enhancement of chain-store infrastructure

2009–2020 (6th to 9th mid-term management plans)

Enhancing Lifestyle Assortment-style Supermarkets That Offer Meal Solutions and Price-conscious Choices

Amid sluggish consumer spending and growing income disparities, we started to offer price-conscious choices for customers. As a company that started as a fruit and vegetable store, we have been enjoying the strong support of customers especially for our fresh foods and delicatessen products.

New Stage Toward Independence and Sustainable Growth

With the aim to be called "Yaoko," not just a supermarket, we make efforts to further enhance the decentralized chain-store system and add discount-style supermarkets to our group. Through such efforts, we endeavor to be a number-one supermarket group in regional market share, serving as the center of local communities and a lifeline that can satisfy all of the customers in the region.

1890

- Kotaro Kawano establishes Yaoko in Bushu Ogawamachi, Saitama

1958

- Conversion to supermarkets that adopt a self-service sales model

1972

- Opening of the Ogawa Shopping Center, effectively the first chain store



1988

- Stock offering as over-the-counter JSDA registered stock (Tokyo region)

1997

- Listing on the First Section of the Tokyo Stock Exchange

1998

- Remodeling of the Sayama Store as a lifestyle assortment-style supermarket



2003

- Opening of the Kawagoe Minami Furuya Store



2004

- Opening of the Wakaba Walk Store



2012

- Opening of the Kawagoe Matoba Store



2013

- Launch of "Yes! YAKO" private label
- Opening of the Higashiyamato Store



2014

- Opening of the Delicatessen & Fresh Food Center in Higashimatsuyama, Saitama Prefecture

2017

- AVE Co., Ltd., which operates discount-style supermarkets, becomes a wholly-owned subsidiary
- Opening of the Kumagaya Distribution Center

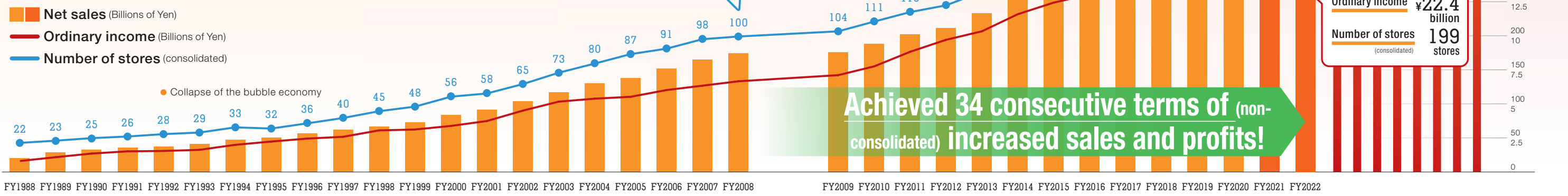
2020

- Remodeling of the Tokorozawa Kitahara Store with the aim to establish a next-generation flagship store model



2021


- Establishment of Focot Co., Ltd. to operate discount-style supermarkets
- Capital and business tie-up with Sendo Co., Ltd., which is converted to an equity-method affiliate
- Opening of the Kumagaya Delicatessen and Fresh Food Center, which functions as a processing center for fresh foods
- Opening of the Wako Maruyamadai Store that targets the young family demographic



YAOKO GROUP At a Glance (FY2022)

● Business Growth Potential

Operating results (non-consolidated)




34 consecutive terms of increased sales and profits

Growth of existing stores (non-consolidated)

Net sales per store
Approx. ¥2.5 billion
 Up **140%** vs. FY2012

Net sales to ordinary income ratio




Top class in the industry
 Yaoko Group
4.7%

● Support of Customers


Market share in Saitama

No. 1




Yaoko
14.5%
(Food Supermarkets Yearbook 2021 by Ryutsu Kikaku K.K.)

Group market share in the Tokyo metropolitan area (Tokyo and six neighboring prefectures)




5.9%
(Food Supermarkets Yearbook 2021)

Market share within a 1km radius of Yaoko's existing stores



18.9%

Yaoko Card members



Approx. **3.5 million**


● Strength of Products and Individual Stores

Contribution of fresh food delicatessen products to net sales (non-consolidated)



48.8%


All-participation policy and store-by-store management



Number of members (including the average number of temporary members)
 Consolidated: **17,292**
 Non-consolidated: **16,510**


20-year long-selling products

Annual sales of *ohagi* rice cakes



12 million pieces

Private label products



1,314 SKU*


*Stock Keeping Unit (SKU): The smallest unit of product types for inventory management purposes.

● The Chain's Strengths and the Group's Strengths


Number of stores (consolidated)

Dietary life proposal stores

183
Yaoko




Number of logistics hubs




6

Discount stores


13
AVE stores



3
Foocot stores



Value of Delicatessen and Fresh Food Center shipments



Approx. **¥17 billion**

199

YAOKO GROUP's Value Creation Process

Under the Yaoko Group's management philosophy of providing more abundant and enjoyable dietary lives to everyone in the region, we will strive to satisfy all of the customers in the region and provide them happiness in their everyday lives as the center of the community. To this end, we will engage in a PDCA cycle for our four measures to generate customer satisfaction and profits, addressing "sales strength," "product appeal," "EDLP (everyday low prices)," and "kaizen" as well as advance the two types of business format: one proposes ideas for abundant and enjoyable dietary lives and the other offers discount.

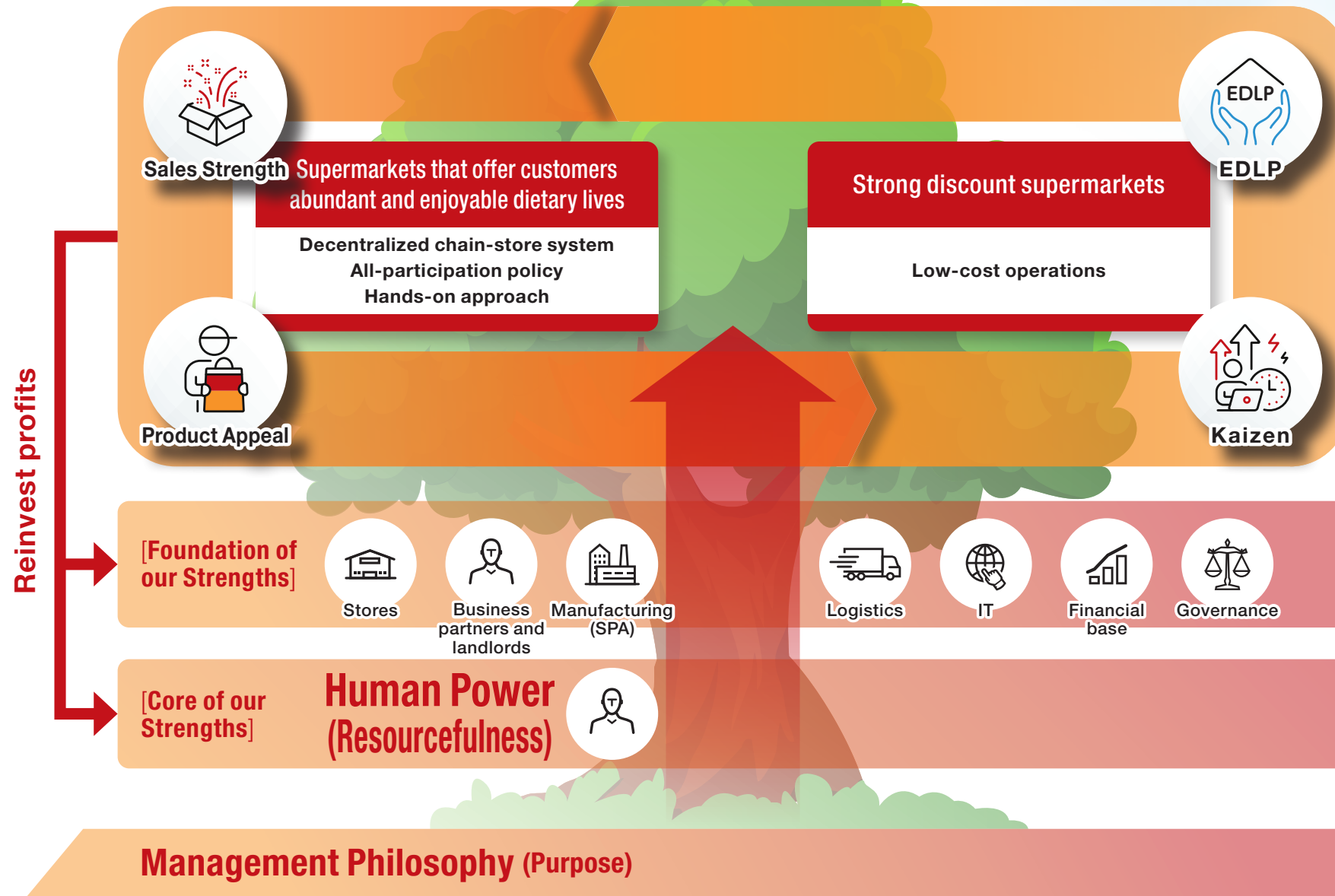
[Yaoko Group's Vision] (Group Philosophy)

More abundant and enjoyable dietary lives for everyone in the region

Community and Social Issues

- Aging society
- Labor shortage
- Concentration of population in urban areas
- Weaker domestic economy
- Polarization of consumption
- Other industries overcoming barriers to entry
- Advancement of technology
- Climate change and environmental issues
- Epidemics

Business Model to Generate Added Value



Outcomes

Non-financial

Well-being & Sustainability

- Train independent and highly aware personnel
- Achieve abundant, enjoyable, and healthy dietary lives
- Create local communities
- Contribute to a sustainable world

Financial

Yaoko Group's main long-term financial targets

- 500 stores in the Kanto area, net sales of 1 trillion yen
- Net sales to ordinary income ratio of 4% or higher
- ROE of 10% or higher



Four measures to generate customer satisfaction and profits

Sales Strength

Sales strength means our proposal power. Offering a product lineup to propose that day's meals in marketplaces with a sense of seasonality, we make lifestyle suggestions that cater to every customer.

Product Appeal

We develop and extend affordable and value-added products that appeal to customers, including fresh and seasonal produce, delicious deli, direct imports, and private label products.

EDLP

We provide a product lineup that offers reliable quality and leads to lifestyle enrichment, while achieving low prices affordable to families in the childrearing generation on a daily basis.

Kaizen

We aim to enhance productivity by capitalizing on our processing center, improving the accuracy of automatic ordering, advancing optimal shelf allocation and store operation systems.



Message from the President

We contribute to “abundant and enjoyable dietary lives” in the region through our people.

川野 澄人

Sumito Kawano
President and Representative Director

Toward post-COVID-19

The COVID-19 pandemic lasted longer than expected, and FY2022 turned out to be another year overshadowed by the pandemic. Despite the resumption of economic activity, eat-at-home demand rose again amid the seventh and eighth wave of COVID-19 infections. At the same time, the effect of global inflation pushed up the prices of everything, and the resulting focus on safeguarding lifestyles further boosted demand for eating at home. At Yaoko, in addition to fulfilling our role as a lifeline contributing to everyday dietary lives, we have been promoting the creation of marketplaces offering proposals that give a sense of the extraordinary and a greater lineup of ready-made dishes as an alternative to eating out.

Since the start of FY2023, COVID-19 has been reclassified as a Class 5 infectious disease, and consumption at hotels,

department stores, and many other forums has returned to pre-pandemic levels. Further product price hikes are expected in FY2023, and the outlook is uncertain how much utility costs will rise due to soaring fuel prices. We face an increasingly severe business climate this year. In the long run, as Japan's population decline becomes more severe, it is expected that the country will experience a contraction of the food market and labor shortages. Regarding competition, e-commerce operators that are growing sales through online retailing and drug stores that are increasing their outlets are expanding their presence within this food market. In the post-COVID-19 era, competition will transcend the conventional business categories and customer support for Yaoko will be determined by our ability to offer an experience that appeals powerfully to customers.

Yaoko Group's vision and strengths

The Yaoko Group's philosophy is to provide “more abundant and enjoyable dietary lives for

everyone in the region.” Inspired by our theme of proposing abundant, enjoyable, and healthy

dietary lives, we are taking Yaoko's business to the next level. We aim to provide marketplaces that offer a sense of seasonality and to create stores filled with novelty and fun by, for instance, undertaking massive in-store presentations of single items proposed for that day's meals, or prompting customers to incorporate enjoyment of wine and cheese into their lifestyles. Our part-time employees, our “partners,” are local consumers with customers' viewpoints who play the central role in the proposal of dietary lives. Yaoko will not simply sell goods but will propose dietary scenes enriching people's hearts and minds.

AVE will further advance the discount business format. A core strength of AVE is that it is a low-cost operation that has thoroughly eliminated unnecessary operations. It provides a product lineup that offers reliable quality and leads to lifestyle enrichment while achieving unrivalled low prices. We have also launched Focot, a sister company of AVE, and we opened the third store last fiscal year. Amid growing demand for low prices, we plan to build a structure that can satisfy all customers in our business areas through these two business formats: Yaoko and AVE/Focot.

To accomplish the above, we are striving to strengthen four initiatives addressing “sales strength,” “product appeal,” “EDLP (everyday low prices),” and “kaizen” in the period covered by the 10th Mid-Term Management Plan. Sales strength means our proposal power: knowing both our products and our customers leads to proposals that meet customer needs. At Yaoko, we will always challenge ourselves to create marketplaces with creative flair that cannot be achieved by automatic ordering. To enhance product appeal, we aim to manufacture and sell our own ready-made dishes utilizing our Delicatessen and Fresh Food Centers, and to extend our private-label product lineup including direct imports.

EDLP and kaizen are particular strengths of AVE, which will further improve automatic ordering, as well as optimal shelf allocation and store operation systems, to achieve even lower costs. Meanwhile, Yaoko too will promote affordability for the young family demographic in particular as a measure to deal with polarization of consumption. At the same time, we will aim to utilize our new processing center and enhance productivity by using AI to improve the accuracy of ordering and reduce inventories.

Improve “human power”

At the core of the four initiatives are the power of people, the growth of people, and the power of teamwork. Through these initiatives, we will cultivate leaders with abundant “human power” (resourcefulness), capable of thinking for themselves and achieving results as a team. We believe that it is the growth of people that supports corporate growth. In line with this belief, we will improve the infrastructure supporting our training system, information system, and logistics to make it efficient, flexible and scalable, so that everybody can play an active role with enthusiasm.

The Yaoko Group is part of the local community, as well as of the world as a whole, and therefore has a responsibility to future

generations. While providing local communities with proposals for abundant, enjoyable, and healthy dietary lives through our main business, we also support children through the Yaoko Child Support Foundation. Meanwhile, we are aware that responding to environmental problems is a key global issue. In addition to energy saving, plastic reduction, and recycling efforts, we will contribute to a sustainable society through measures such as expanding agricultural businesses in suburban areas to improve self-sufficiency rates.

As we pursue these endeavors going forward, we look forward to your continued patronage and support.

The 10th Mid-Term Management Plan to Achieve the Goal of “Building Stores that Generate 20% More Sales”

Yaoko Group vision

With the Yaoko Group’s management philosophy of providing more abundant and enjoyable dietary lives to everyone in the region, we will aim for sustainable growth by constantly providing our customers with value beyond just price, being a company where all employees are proud and enjoy their living, building our own model of high productivity while eliminating waste, and contributing to solving social issues while smoothly partnering with all stakeholders.

We will raise the Group’s market share by satisfying all of the customers in the region. To achieve this, we will deepen our business in the two formats: one proposes ideas to all people for abundant and enjoyable dietary lives for “Everyday Everybody,” and the other offers strong discount for price-oriented customers under a trend of polarized consumption. Along with this deepening, we aspire to independent operations by developing the unique strengths of each Group company and growing through friendly competition.

FY2022 results <achieved 34 consecutive terms of increased sales and profits on a non-consolidated basis>

In FY2022, the economic environment showed signs of progress towards normalization amid a continuing sense of caution over the COVID-19 pandemic, as efforts were made to balance measures to prevent infection with economic activity. However, the outlook remained clouded due to factors such as the impact of rising raw materials prices, partly attributable to the prolonged situation in Ukraine, and the depreciation of the yen. The food supermarket industry continues to face a difficult management environment to navigate, with soaring raw materials, utilities, and other costs, in addition to intense competition from outside the industry, including online sales.

In this business climate, in FY2022 we strived to address prices; improve the sales strength of individual stores; develop unique products; and raise productivity under our basic policies of emphasizing price-conscious choices and enhancing meal solutions.

In sales, we addressed continuing price hikes by strengthening our measures to deal with the polarization of consumption, including stronger price-conscious offerings such as EDLP and GENSEN 100 (Monthly Special: 100 Bargain Items) to attract young families, while also

leveraging our strength in sales-floor proposals such as Production Area Fairs and Small Traditional Seasonal Events. In operations, we implemented initiatives to boost productivity, aimed at mitigating the impact of rising costs, including higher personnel expenses due to pay rises and the soaring electricity rates. We worked to reduce the burden of store operations through measures such as the expansion of our automatic ordering system based on AI demand forecasting to cover all stores and the introduction of fully self-service checkouts. In addition, with the opening of the Soka Distribution Center, we began deliveries linked to our shelf allocation system.

We were able to utilize our Delicatessen and Fresh Food Centers to secure manufacturing profits and develop delicious and unique products, while the processing center enabled us to completely centralize meat processing for several stores.

As a result of initiatives such as these, Yaoko has achieved 34 consecutive terms of increased non-consolidated sales and profits, as well as 31 consecutive terms of increased consolidated profits.

10th Mid-Term Management Plan Goal: “building stores that generate 20% more sales”

Addressing prices

- Enhance products and categories frequently purchased by families in the childrearing generation
- Area-based EDLP and promotional fliers

Developing unique products

- Strengthen fresh foods and develop products that lead to overwhelming support
- Use the Delicatessen and Fresh Food Center more, and venture into SPA
- Develop unique grocery products

Improving the sales strength of individual stores

- Increase the management power of regional managers and the store operational power of store managers
- 10 times stronger in selling single products by implementing an all-participation policy
- Create sales floors that appeal to customers

Raising productivity

- Maximize the effects of installing an automatic order system using EDLP
- Make use of the Kumagaya Delicatessen and Fresh Food Center (PC function)
- Streamline the Support Center, and improve distribution efficiency

Numerical plan and future outlook <achieved the targets of the 10th Mid-Term Management Plan>

Thanks to favorable results for FY2022, we have already achieved the sales and profit targets we originally established under the 10th Mid-Term Management Plan, on both a consolidated and non-consolidated basis. We intend to formulate a new mid-term management plan in FY2024,

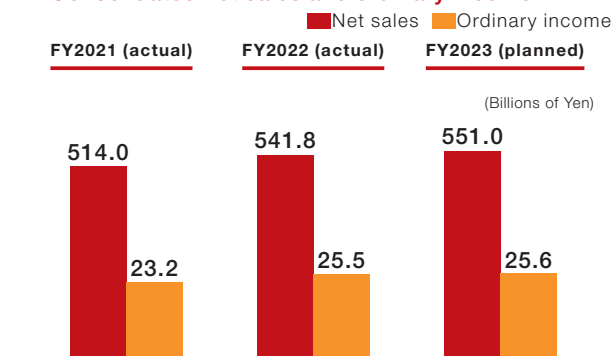
and therefore have no revised these targets on this occasion.

In FY2023, the final fiscal year of the 10th Mid-Term Management Plan, we will continue to focus on our key initiatives.

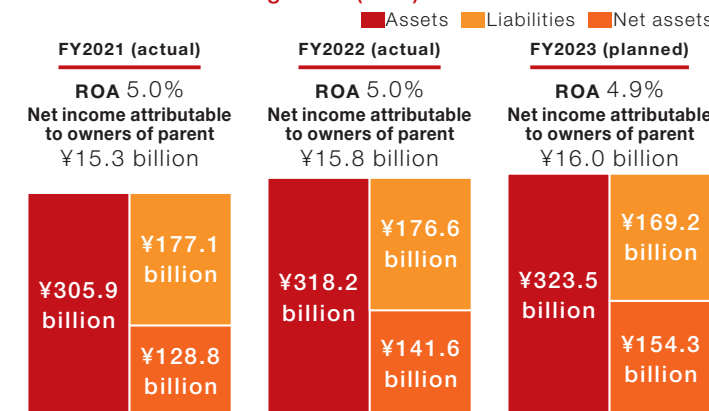
Target figures for FY2023

	Net sales	Ordinary income	Ordinary income ratio
Consolidated	¥551.0 billion	¥25.6 billion	4.65%
Non-consolidated	¥472.8 billion	¥22.5 billion	4.76%

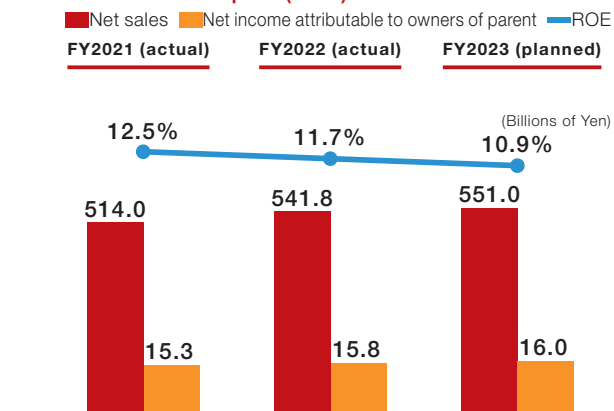
Consolidated net sales and ordinary income



Balance sheet management (ROA)

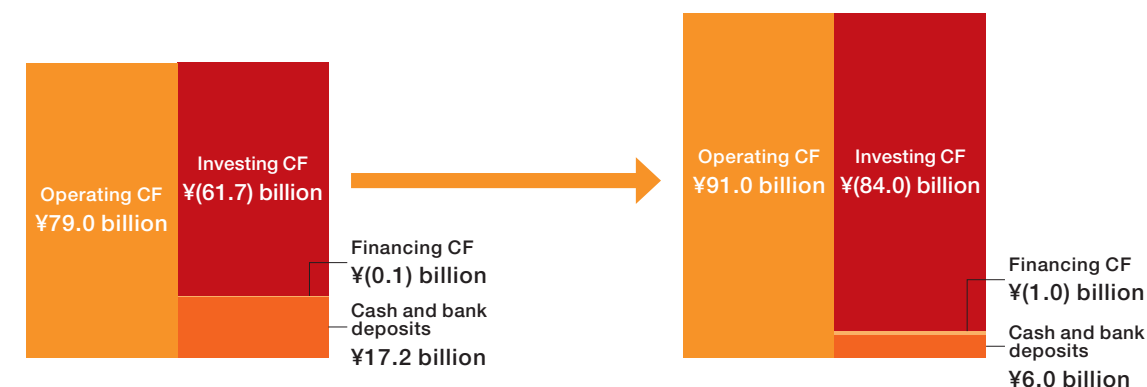


Profit and loss plan (ROE)



Cash flows

9th Mid-Term Management Plan Period (FY2018–FY2020) / 10th Mid-Term Management Plan Period (FY2021–FY2023)





Interview with the Director in Charge of Merchandise Development

Yaoko's Product Development Strategy

Aspiring to be far-and-away the top fresh food provider— We will pursue a structure that can offer delicious food over the long term, and link this to expanding profits.

Mitsuo Kozawa

Director
General Manager of Perishables Department and in charge of Merchandising

The product differentiation generated by Yaoko's Delicatessen and Fresh Food Centers and stores is one of its overwhelming strengths. Mitsuo Kozawa, Director, General Manager of Perishables Department and in charge of Merchandising, discusses Yaoko's product development initiatives committed to taste, aimed at providing value unfettered by conventional ideas.

Q. How do you view the changing profile of customers, and how do you perceive this in terms of product development needs?

A. Through the growing demand for home cooking and convenience, we face competition from other industries. This has the quality of taste more important than ever.

Looking back on the three years of the COVID-19 crisis, many of our customers initially spent more time at home due to self-quarantine, leading to growth in the demand for home cooking. However, as the burden of preparing meals persisted, this eventually shifted to a demand for convenience due to "home cooking fatigue." At the same time, consumers increasingly demanded quality taste, seeking the flavors of restaurant food that had remained so long out of reach. Subsequently, as people gradually began to eat out again with the progressive relaxation and lifting of movement restrictions, competition for food demand spread across industry boundaries. In this context, the quality of taste has become more important than ever.

In terms of the product value that Yaoko provides to its customers, I have always considered that "taste is everything." In addition to these recent trends in demand, we are currently facing rising inflation in Japan and overseas. Given the price gap between Japan and other countries, I expect that domestic inflation will continue for some time. Pure price competition is nothing but a trial of corporate stamina, and it is pointless to continue indefinitely. To overcome the competition, our greatest challenges at present are how to develop tastier foods and how to shift to domestic production, so that our products don't depend on imported ingredients that must be purchased with a weakening yen.

Q. Please explain Yaoko's pursuit of taste in terms of its product development.

A. We took a hint from our renowned product, *ohagi* rice cakes, and developed our own special sauces utilizing the processing center function of our Delicatessen and Fresh Food Centers. We were able to provide value with a good balance of delicious taste and price.



Yaoko set forth its "EDLP" price strategy a decade ago, and these efforts were further strengthened under the 10th Mid-Term Management Plan. I believe that this policy itself is correct. Today, however, inflation has made the standard price of products unclear, and this has made it difficult for customers to comprehend EDLP. Our long-term policy remains unchanged, but in the short term, we are taking steps such as changing our pricing policy.

An awareness of price-conscious choices has steadily penetrated our key target demographic, young families, through our ongoing EDLP program for items such as frozen foods and ice cream. Our policy now is to develop more delicious products based on this, achieving a balance of great taste and reasonable prices.

I took up office as General Manager of Perishables Department and Director in charge of Merchandising in March 2022. Since then, I have worked to encourage a change of awareness from the conventional idea that "the job of the Perishables Department is just to sell unprocessed food" to a consciousness that "the most important thing is for products to be delicious when our customers eat them." If we try to discover why Yaoko's *ohagi* rice cakes became such a household name, we begin to see the reason for our customers' continuing support over more than two decades: "taste," with less sugar and an emphasis on freshness. I think that the constant 99-yen selling price is another reason for this product's success. We took hints from this success as we engaged in the year-long product development of our own special sauces, aiming first and foremost to make delicious flavored meat. Sales of these flavored meats are growing, beginning with our hit product, *bulgogi*, and now featuring a range of three meats: beef, pork, and chicken.

Our sauces, the key to developing these products, are based on the Delicatessen and Fresh Food Center's *Jukusei Hoppo Dashi* (ripened all-purpose broth) with reduced preservatives and sugar. We have succeeded in providing delicious taste with an unprecedented emphasis on freshness. The SPA Development Department plays a central role in initiatives such as this to integrate manufacturing and retail sales. [Details ▶ page 25](#)

We are continuing to expand our range of processed products to bridge the gap between fresh food and delicatessen products – in other words, as products developed to address both the demand for home cooking and the demand for convenience. Looking ahead, we hope to begin the development of perishable goods, which are largely linked with fresh foods, and expand our product development initiatives that adds value, utilizing the Center's processing center function and shared purchasing.

Q. What do you perceive as the challenges and initiatives for FY2023?

A. We will push ahead to create mechanisms to withstand category killers while taking the challenge to provide fresh foods that require technical skill to prepare.

During the three years of the COVID-19 pandemic, the fresh food division was unable to carry out technical training for store staff. In FY2023, we will resume this training as soon as possible and take the challenge to provide fresh foods such as meat and fish that are technically demanding to prepare. It is vital that we control the degree to which we process products at the Delicatessen and Fresh Food Center's processing center and instead refine the skills of store staff to provide overwhelmingly superior products that other companies cannot.

The creation of mechanisms to withstand "category killers" – retailers that boast overwhelming strength in a specific product genre – represents another challenge for us. We will pursue initiatives that boost our capabilities to purchase, process, and sell out fresh meat and fish. Regarding selling out, in particular, we hope to adopt a new perspective to enhance the balance between chilled and frozen food and tackle the difficult issue of maintaining a consistently high degree of freshness in our food section while reducing food loss.

We will link the creation of delicious products to profit growth from a long-term perspective, aspiring to be far-and-away the top supermarket fresh food provider.



Interview with the Director in Charge of Store Development

Yaoko's Store Opening Strategy

We will build a track record of store openings that bring people joy and boost community trust in the Yaoko brand.

Hiroaki Yagihashi

Director
Chief Director of Store Development and General Manager of Store Development Management Division

Yaoko aims to build high-selling, profitable stores. We continue to actively engage in new store development, targeting 10 store openings per year. Hiroaki Yagihashi, Director, Chief Director of Store Development and General Manager of the Store Development Management Division, discusses the store opening strategy pursued by Yaoko to build relationships of trust with the local community and share in mutual development.

Q. What values and approaches do you see as important in terms of store development?

A. We build relationships of trust so that Yaoko is accepted as part of the local community. Acting with sincerity and good faith is the core of our work.

Yaoko's Company Policy uses phrases like "cheerful life," "make customers happy," "service that is sincere to customers," and "always healthy, smiling, and active." These are all necessary conditions for store development. Everyone involved in store development is working day by day to achieve the vision set forth in our Company Policy, so that the opening of Yaoko stores is welcomed with joy by property owners, landlords, and everyone in the neighborhood, and to build the relationships of trust that enable us to be accepted as part of the local community.

Those involved in store development are the unsung heroes of the business, but all members of the store development staff are aware of the heavy responsibility of their role in managing substantial investments to create the stage for successful operations by in-store staff. They play

a significant part in continuing to raise revenue and profits. To fulfill this responsibility, we must thoroughly investigate and adjust all factors at the developmental stage and approach development with the attitude of doing everything we can.

I believe that, in this way, acting with sincerity to all stakeholders involved with the store is at the core of our work.

Q. Please explain the development process and area strategy behind Yaoko's new store openings.

A. We pursue new store openings as long-term projects from the initial stage of development. Our area strategy mainly comprises store openings in the belt between the Tokyo Outer Ring Road (Gaikan), and Metropolitan Inter-City Expressway (Ken-o-do).

In many cases, new stores are constructed and opened about a year after the property contract is signed, but it is not unusual for the whole development project, including the time leading

up to the signing of the property contract, to take seven or eight years. Our next flagship store, which we plan to open in FY2024, will be the culmination of a 10-year project.

Around 50 people work at the Store Development Division. At the beginning of a development project, a team of about 10 members of the Store Development Department collect information from all around the Kanto area and compile a list of 400 to 500 potential sites each month, considering the features of each area and potential competitors. Even with a list of around 5,000 sites per year, we will end up only signing contracts for a very few. We then engage in securing land and properties at these selected sites. When we reach the stage of considering whether to sign a property contract, the person responsible for store opening strategy at the Store Development Management Division makes frequent site visits to forecast potential sales. If the property includes subdivisions for tenants, the department's leasing team commences leasing activities.

After the property contract is signed, the Store Planning Department, which is responsible for store construction, calculates the investment amount, prepares an investment return simulation, completes legal and regulatory checks, creates a plan of the store configuration, and commences construction. The store strategy representative of the Store Development Management Division is responsible for designing the internal layout of the store, and makes proposals in line with the features of the local market and target demographics. The Store Planning Department is also responsible for the maintenance and upkeep of stores.

Our work does not end with the opening of new stores: we continue to strive to maintain

relationships of trust with landlords and owners and engage in communication with the local community so that our stores can continue to enjoy long-term land and property contracts. We have a special section responsible for maintaining relationships with landlords and owners.

Our area strategy primarily comprises store openings in the "donut area" – the belt between the Tokyo Outer Ring Road (*Gaikan*), and Metropolitan Inter-City Expressway (*Ken-o-do*). At the same time, we are pursuing stronger dominance in the southern part of Saitama Prefecture and expansion southward down the Metropolitan Inter-City Expressway into Kanagawa.

We also hope to actively promote new store openings in suburban areas that have a large population and high potential. In 2022, we opened the Tonarie Utsunomiya store in Utsunomiya-shi, Tochigi Prefecture.

Q. Tell us about the episode that occurred during the opening of the Wako Maruyamadai Store, Yaoko's flagship store.

A. We were convinced that the store would be a success. Despite the harsh contractual conditions, we negotiated directly with the President and eventually the store was opened.

After its opening in October 2021, the Wako Maruyamadai Store has achieved great results as a flagship store dedicated to the young family demographic. For me, it has a special meaning as a property that I pursued continuously for over a decade, ever since I was placed in charge of store development. We were convinced, based on a variety of evidence, that the store would be a success, and it was opened through direct negotiations with the President, despite harsh contractual conditions.

A huge number of people attended the information session we held for local residents before the store was opened. Not only did this display of interest reinforce my firm belief in the store's success, it also gave us the opportunity to receive various requests from the community.

Our Wako Maruyamadai Store was awarded first prize in the 2022 STORE OF THE YEAR awards, to the great joy not only of everyone in Yaoko but also all those involved in developing and constructing the store, as well as local residents and even the property owners. We will continue to build on our achievements so that our landlords and property owners, who cherish the local region, will be glad that they chose Yaoko.



PICK UP

Venturing into Manufacturing and Retail

Developing products from raw ingredients and expanding the range of fresh food and grocery products



Next-generation Logistics

Urgent need for labor and personnel savings
Launch of Soka Distribution Center and testing of loading cargo according to shelf allocation



Infrastructure Investments to Generate Profits from the Decentralized Chain-store System — Eliminate, Reduce, Produce —



Kumagaya Delicatessen and Fresh Food Center

Details ▶ page 25: SPA (Manufacturing and Retail)

Providing new value and capturing manufacturing profits

The Kumagaya Delicatessen and Fresh Food Center was established following the Higashimatsuyama Delicatessen and Fresh Food Center. In addition to functioning as a fresh food processing center, it was designed to contribute to labor and personnel savings in store operations, generate funds for lower prices, capture manufacturing profits, and make work easier for our members.

More than anything, it generates new value by creating products of uncompromising quality, unique to Yaoko, in pursuit of the absolute best in taste.



Soka Distribution Center

Details ▶ page 31: Distribution Center

Achieving greater efficiency through regular, fixed deliveries to stores

Our Soka Distribution Center is our fourth grocery center and our sixth chilled center (the Matsudo Chilled Center has been closed). We brought forward the construction of this center and increased its supply capacity in response to the increase in volume during the COVID-19 pandemic. The chilled facility commenced operation in February 2023, followed by the grocery function in June. We have also installed Yaoko's first warehouse management system (WMS) to achieve even more efficient and stable deliveries.

Product Development and Dietary Life Proposals

- ☑ Product development commitment and strengths
- ☑ Private label products
- ☑ Toyosu Festival and mini festivals

The theme of the 10th Mid-Term Management Plan is “building stores that generate 20% more sales.” Its key initiatives include “developing unique products,” “improving the sales strength of individual stores,” and “addressing prices.” To further increase loyal customers even in the wake of the COVID-19 pandemic, we are keenly recognizing the changes in our customers, dealing with the polarization of consumption, and pursuing further specialization.

Our focus and strengths in product development

Customers’ household budgets are under increasing stress due to the price hikes that have continued since last fiscal year. Customers in the childrearing generation, especially, are tending to become more frugal. At the same

time, consumption is expected to become even more polarized and selective, and we perceive rising prices as a great opportunity to win customers from eating out. As a first step to achieving this, we are thoroughly refining our product appeal, one of Yaoko’s strengths. These are products unique to Yaoko that will give customers a reason to visit our stores every day.

Yaoko’s buyers visit production sites in person, check where the products were sourced, and encourage producers to share in Yaoko’s product aspirations. In this way, we achieve the development of delicious products with a story. These are products our store members can recommend to customers with confidence. For example, “Mr. Miguel’s Melt-in-the-mouth Avocados” in our produce division are grown for flavor, with a longer-than-usual growing period to allow them to ripen on the tree. As ripening is weather-dependent, our suppliers check the condition of the fruit in the orchard and harvest them at the optimal time each year, before delivering them to Yaoko stores. We also strive to provide customers with the tastes unique to each production region through production area fairs at as many stores as possible.



At a local farm in Mexico (“designated farm”)

Private label products

Our private label products include Yaoko’s unique brand “Yes! YAOKO” as well as “Star Select,” featuring products developed jointly with LIFE CORPORATION. The “Yes!” brand expresses our confidence in Yaoko’s products. As of March 31, 2023, it boasted approximately 1,300 SKUs, and contributed approximately 10% of total net sales.

Recent favorite selections include *Agodashi Namamentaiko* Pollock Roe (seasoned with flying fish stock) in the fresh fish section and *Mocchiri* (chewy) Baked Pizza Bases, a product developed from the pizza bases of our popular Margherita pizzas.



A high quality product line featuring ingredients, sourcing, and production methods painstakingly selected by our buyers



Our regular product lineup. Safe, secure, delicious, and reasonably priced products based on the concept of quality and price that customers can use every day



Products developed in collaboration with LIFE CORPORATION, achieving low prices through bulk quantities



Agodashi Namamentaiko Pollock Roe



Mocchiri Baked Pizza Bases



Flame-grilled Sasakamaboko Surimi, a specialty of Sendai

Toyosu Festival and mini festivals



Toyosu Festival



Mini festival: Harvest Moon Feature

We are refining our specialization to adapt to our changing customers. Our Toyosu Festival, held monthly, features a lineup of the freshest fish from the Toyosu Market, and an increasing number of customers wait impatiently for the event each month. Meanwhile, our mini festival: Harvest Moon Feature, which was held for the first time in FY2022,

is designed to entertain our customers while conveying the customs and seasonal characteristics of Japan and each region among the community. We will continue to hold these events, designed to engage not only older customs but also young families.

Aspirations in tune with our producers! Developing the finest pork

Hakusoton pork from Aomori Prefecture

[Grand Prize in our 1st Best Buyer Awards 2022]

Different people have different perceptions of what constitutes delicious meat, including the taste, texture, aroma, color, etc. It also depends on the situation and menu. Yaoko has three criteria for purchasing Japanese pork, enabling us to provide delicious meat: “pedigree,” which determines umami, “feeding,” which builds high quality fat, and “environment,” which affects the balance of lean and fatty meat. Our stores carry both Japanese and imported pork for everyday use, but for weekends and special gatherings of family and friends, we suggest brand-name pork.

In addition to Satsuma Berkshire pork and Iberian pork, we offer other renowned products at our production area fairs each month. These include Sakurajima *Yusenton* pork from Kagoshima Prefecture and *Hoyuton* pork from Hokkaido, but we also aimed

to develop exquisite pork exclusive to our stores, which our younger customers could enjoy in plenty.

We thought that if we could offer pork with a taste similar to that of the benchmark *kurobuta* (Berkshire) pork at a reasonable price, our customers would rally to it. However, the existing offerings were all premium products, and we would be unable to achieve our goal unless we found a producer prepared to supply us exclusively. There were three issues: taste, quantity, and price.

Our buyers proceeded to visit innumerable producers, but they shied away from the Berkshire breed, with its low productivity, and for a long time we were unable to find the right producer. Then, one day in 2018, we met a producer from Aomori. The aspirations of this producer, who takes pride in creating delicious meat, matched perfectly with those of our buyer, and they agreed to produce pork for Yaoko.

Two years after this meeting, the ideal pork was born at last. With Berkshire pedigree, fed special, plant-sourced feed, and fattened in an environment featuring the groundwater from Lake Towada, these hogs perfectly satisfied the three conditions that determine meat quality. They were “*haku*” (valuable enough to go down in history) with “*so*” (harmony of taste, fat, and environment), so we named them *Hakusoton* pork. We have offered *Hakusoton* pork since the opening of our Warabi Nishikicho Store in 2020, and it is now available at all our stores once per month. Just as we originally planned, our younger customers are flocking to it.



Hakusoton pork

SPA (Manufacturing and Retail)

- ☑ Sparing no effort for the sake of delicious taste
- ☑ Expanding insourcing
- ☑ New product development and shipments
- ☑ Safety and security initiatives

In March 2023, the status of the department responsible for the Delicatessen and Fresh Food Centers was raised and it became the SPA Development Department. Whereas in the past, we provided products centered on the Delicatessen Division, we will now intensify our companywide efforts as a manufacturing and retail enterprise across the Perishables Department and Grocery Department as well.

Goal

We aim to expand insourcing within Yaoko and along our supply chain and improve manufacturing techniques at our own factories to enhance product appeal and manufacturing capabilities, capturing manufacturing profits and contributing to the expansion of marketing power at stores.

Sparing no effort for the sake of delicious taste

“Sparing no effort for the sake of delicious taste” is the operational concept of our Delicatessen and Fresh Food Centers. Yaoko’s ready-made dishes are already popular among customers, who praise their excellent taste. These products are created by all the members of our Delicatessen Division and the Delicatessen and Fresh Food Centers, who approach product development with an uncompromising desire to please our customers and ensure that store staff can sell these foods with confidence. Our hallmark products such as Bean paste *Ohagi* with *Azuki*, a favorite among customers for the past 20 years, as well as others such as the

Double-layer Minced Meat Cutlet and *Sachikara* Deep-Fried Young Chicken Thighs are almost all produced at our Delicatessen and Fresh Food Centers. They are shipped in a semi-finished state, with the final processing steps completed at our stores. By producing and supplying in bulk at our Delicatessen and Fresh Food Centers, we are able to provide these products at all Yaoko stores and ensure stable product quality. Reducing the workload at stores also allows store staff to concentrate on enhancing their selling strength and technical skills.



Bean paste *Ohagi* with *Azuki*



Sachikara Deep-Fried Young Chicken Thighs



Double-layer Minced Meat Cutlet

Expanding insourcing

Our management policy in the Company’s 67th term is to “create new marketplaces – gain overwhelming support from customers through meal solutions and price-conscious choices.” At the SPA Development Department, we are pursuing this policy by expanding insourcing within Yaoko and along our supply chain, as well as improving manufacturing techniques at our Delicatessen and Fresh Food Centers to secure manufacturing profits and contribute to the expansion of marketing power at stores. Recently, we have begun the internal processing of potatoes at our Delicatessen Division since April 2022. Whereas we previously outsourced all processes from the purchase of raw ingredients to the preprocessing stage, now we purchase carefully selected potatoes directly from producers. We have our own warehouse and manufacturing machines, and by completing the preprocessing in-house, we have succeeded in launching more delicious potato salad products without damaging the intrinsic flavor of the potatoes. Meanwhile, our Kumagaya

Delicatessen and Fresh Food Center, which has a processing center function, is currently responsible for preparing some products in the fresh meat division, as well as fully centralized packing of products for five stores. It contributes to enhancing productivity, including reducing lost opportunities due to labor shortages and raising the technical skills of store staff.



Our fresh meat processing center



Cut vegetable production line



Noodle production line

New product development and shipments

We are progressively developing unique products only available at Yaoko to bring customers into our stores. The number of products we manufacture is steadily increasing. We have launched *dorayaki* bean-jam pancakes, custard puddings, and flavored meats (such as *bulgogi*), which bridge the gap between fresh food and delicatessen products, with some products already well received.



Bulgogi



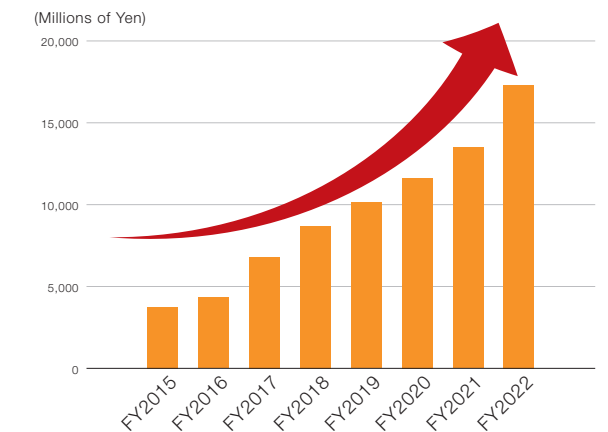
Smooth Custard Pudding



Traditional Potato Salad

Shipments from the Delicatessen and Fresh Food Centers in Higashimatsuyama and Kumagaya exceeded ¥17 billion in FY2022. Profit margins from our store manufacturing facilities exceed those in the supermarket business, and they are steadily contributing to profits. Our Delicatessen and Fresh Food Centers play a vital role in our perpetual pursuit of Yaoko’s growth strategies of “EDLP (everyday low prices),” “*kaizen*,” “sales strength,” and “product appeal.”

Value of Delicatessen and Fresh Food Center shipments



Safety and security initiatives

Our Higashimatsuyama Delicatessen and Fresh Food Center has attained ISO 22000 certification and is continuing its *kaizen* activities. Likewise, our Kumagaya Delicatessen and Fresh Food Center is thoroughly pursuing safety and security as it continues to provide customers with safe and delicious products.



Daily check



ISO 22000 certificate

Human Capital

- Personnel training
- Diversity
- Employee engagement

—Nurturing leaders capable of thinking and acting autonomously and producing results as a team—

Shinichi Matsuura

Executive Officer

General Manager of Human Resources & General Affairs Department and Chief Health Officer (CHO)



Yaoko's management philosophy emphasizes our contribution to the improvement and development of regional culture through enriching the everyday life of our customers by offering high quality foods. Rather than just being content with selling goods and making profits, our management is rooted in our aspiration to contribute to the local community as a result of our business. We hope to enable all our customers to enjoy living near a Yaoko store by aiming to be more than simply a store that sells things. We aim for our supermarkets to propose abundant, enjoyable, and healthy dietary lives to customers.

Yaoko's Company Policy is "a cheerful life will create a cheerful store." We believe that the "cheerful" lifestyles of each of our members – their brightness, truthfulness, energy and honesty – has a positive effect on those around them. This leads to the creation of dependable stores and further enriches the lives of our members themselves. At Yaoko, we aim to be the No. 1 company of choice for workers by attracting and developing human resources with these high aspirations.

Personnel training policy

Yaoko's management policy includes a decentralized chain-store system; an all participation policy and teamwork; and a hands-on approach. "People" are the ultimate source of Yaoko's strength in individual store management. Our partners living locally are in the best position to understand the local community. For this reason, our partners are more than just part of our workforce. Together, we build up our stores through wisdom and innovations drawing on a deep understanding of the community. With its hands-on management style, Yaoko places relatively many decisions at the discretion of store staff. The growth of our "people" on the front line also represents our growth as a company. At Yaoko, we train human resources capable of thinking and acting autonomously and producing results as a team, endeavoring to nurture leaders.

Workplace environment enhancement policy

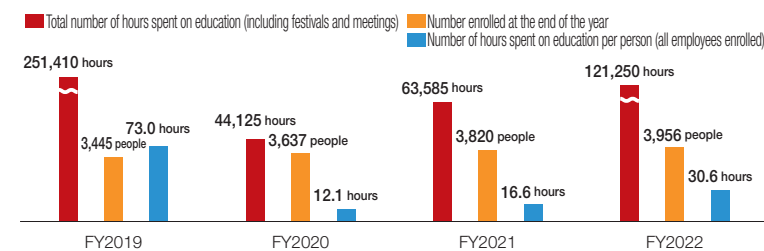
We believe that the growth of our people is encouraged by making work more worthwhile and comfortable for our front-line members. We begin by creating comfortable workplace environments for each of our members. These environments form the foundation for a full-participation organizational culture where our members can find job satisfaction and where they are not afraid to take on challenges. We aim to be an organization where our people grow through a virtuous cycle of teamwork. We also undertake various forms of workplace environment enhancement to promote more comfortable workplaces.

Personnel training

We train and secure the necessary human resources for Yaoko's sustainable growth in line with our personnel training policy. We implement education and training at each level of the organization, such as graduate hires, store managers, senior staff, and partners, with the aim of nurturing leaders. We actively educate and promote outstanding young people and also hold selective training for potential management candidates for the purpose of maintaining Yaoko's competitive strength from a long-term perspective. It was difficult to hold training sessions during the COVID-19 pandemic, but we have gradually resumed training since the second half of FY2022.



An operational improvement presentation session by our partners



Diversity

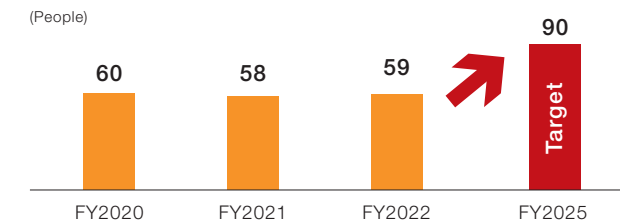
In FY2022, we established a Diversity Development Division within the Human Resources & General Affairs Department. We will implement focused initiatives to promote the advancement of women and encourage foreign technical interns. We are proceeding with an internal nursery school project and the implementation of lifestyle training for female staff to make Yaoko an easier

and more comfortable place for women to work. We have also established "Women's Empowerment Stores" where the store manager and senior staff in all sections are women. We will use the opinions and suggestions received at this store to develop measures to make work more rewarding and comfortable for women. Our foreign technical interns numbered 315 as of March 31, 2023. They were mostly active in the Delicatessen and Fresh Food Centers and in the fresh fish, deli, and bakery divisions of our stores, and have already become a valuable part of our workforce.



A diversity seminar to consider one's future

Number of women in management positions



Employee engagement

A Chief Health Officer (CHO) has been appointed as the person responsible for promoting employees' health management to strengthen the improvement of mental and physical health. Yaoko plans internal health-related events and implements direct consultations with public health nurses, stress checks, and other measures. In FY2023, we launched the Wellness Project to Age 70 in preparation for the advent of an aging society. We promote health improvement with regard for making work more comfortable for older staff members.



Yaoko's health promotion event (power miso soup corner)

Work environment data (non-consolidated)

		FY2018	FY2019	FY2020	FY2021	FY2022
Number of employees	Men	2,695	2,782	2,921	3,011	3,103
	Women	606	663	716	809	853
	Total	3,301	3,445	3,637	3,820	3,956
	PHA members (calculated at an average of 8H over period)	10,899	11,185	11,784	12,428	12,554
Average age (years)		38.6	38.8	39.4	39.3	39.4
Average years employed		10.5	10.7	10.9	11.0	11.3
Management positions	Ratio of men	93.1%	92.4%	92.7%	93.3%	93.4%
	Ratio of women	6.9%	7.6%	7.3%	6.7%	6.6%
	Number of women in management positions	55	62	60	58	59
Ratio of persons with disabilities employed *Including PHA members		2.46%	2.47%	2.50%	2.46%	2.52%
Childcare leave	Number of persons	90	99	133	138	151
	Ratio of acquisition among men	0.9%	0.0%	1.8%	5.3%	12.8%
Ratio of paid leave acquisition		18.1%	36.4%	33.7%	34.5%	37.5%
Rate of work accidents (per 1,000 people per year)		3.1	4.1	3.5	5.2	5.4
Average annual salary (Thousands of Yen)		5,858	5,830	6,015	6,035	5,955
Gender pay gap	All members	49.1%	50.8%	52.2%	51.4%	51.9%
	Of which, regular employees	76.5%	75.6%	75.2%	72.6%	75.6%
	Of which, part-time and fixed term staff	102.0%	102.5%	104.1%	102.9%	102.7%
Labor distribution ratio		48.1%	47.9%	47.3%	46.4%	45.9%

Note: Gender pay gap formula: Women's average annual wage / Men's average annual wage × 100%

Store Development

Development policy

The aim of store development is to become a central presence in the local community by achieving the creation of high-selling, profitable stores, and to make local residents and landlords feel fortunate to have Yaoko. This not only leads to fulfilling work for Yaoko's members but also to sound and sustainable growth for Yaoko. Research for store development is the first step in achieving successful store openings. The store name YAOKO MARKETPLACE implies the market at the center of a town, inspired by our aspiration to be a place where people gather with good cheer.



The distribution industry magazine DIAMOND Chain Store Store of the Year

1st Place

Yaoko Wako Maruyamadai Store

(FY2022)



Wako Maruyamadai Store

Sales floor space: 2,728m² (large store)
(NSC: Neighborhood Shopping Center)

Omiya Kushihiki Store

Sales floor space: 1,837m² (standard store)
(FS: Free-Standing)



FORiS Fuchu Store

Sales floor space: 2,595m² (large urban store)
(CSC: Community Shopping Center)



Yaoko Seijo Store

Sales floor space: 962m² (small urban store)
(FS: Free-Standing)



Soka Matsubara Store

Sales floor space: 1,280m² (small store)
(NSC: Neighborhood Shopping Center)

Development policy

Store opening areas

We focus on opening stores in Tokyo and its six neighboring prefectures, especially the southern Saitama, Tokyo, Chiba, and Kanagawa areas. For our existing formats, comprising standard stores with a sales floor space of around 1,500m² and large stores with a sales floor space of around 2,600m², we open stores targeting the donut area with a 20-40km radius from the city center. In recent years, we are also expanding our new store openings into extremely small trade areas, including city centers, as well as dominant locations and highly-populated areas in rural regions.

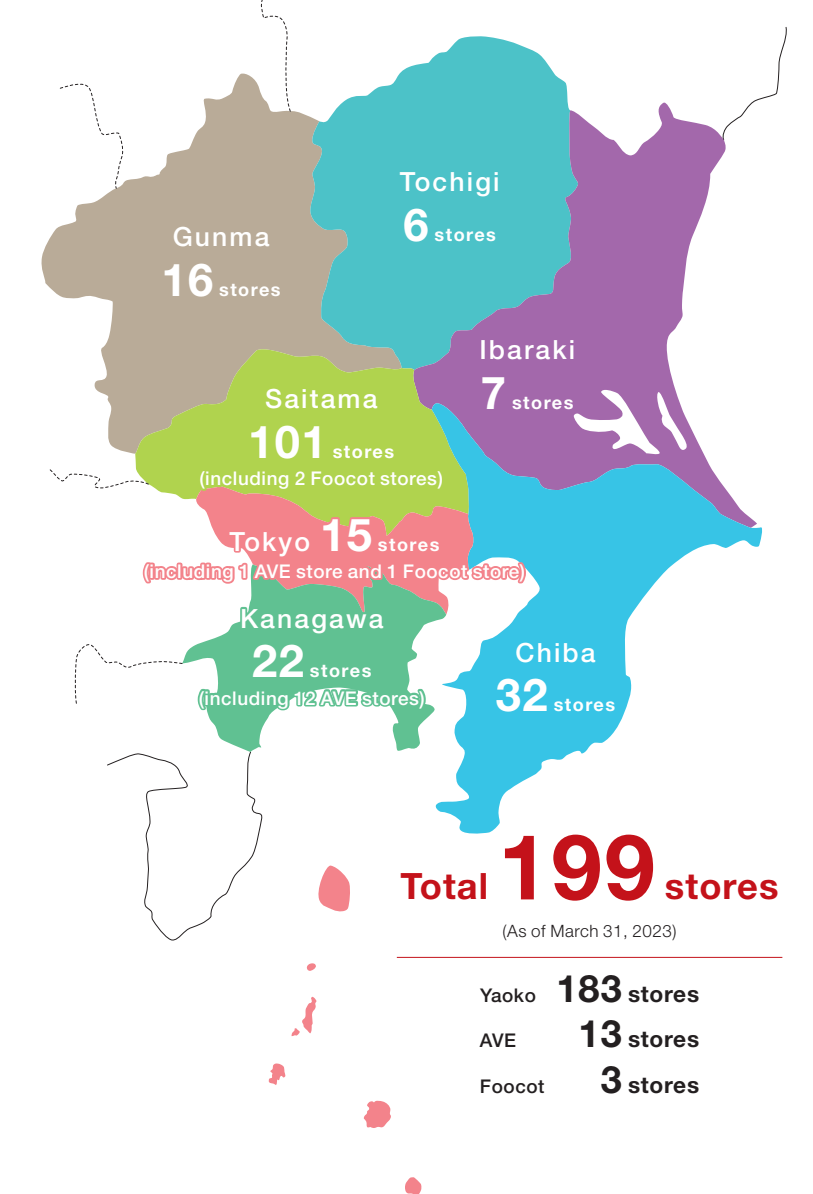
Testing formats for extremely small trade areas

Our existing formats mainly target trade areas within 1km and we work to increase our market share within this 1km radius. However, there are also extremely small trade areas in city centers and areas already covered by our stores ("existing areas") that we are not possible to expand further. Formats for extremely small trade areas are designed to raise productivity and generate profits within a 500m radius. At present, our Takasaki Ino Store and Soka Matsubara Store utilize this format in existing areas, with operations such as fully centralized packing using the Kumagaya Delicatessen and Fresh Food Center in the fresh meat section. The evolution of this format will lead to more potential locations for new Yaoko stores.

Verifying investment returns

When opening new stores, the Store Development Division first prepares sales forecasts and investment return simulations. As a rule, we expect to achieve single-year profitability in two to three years, cumulative profitability in around five years, and a positive return on the investment in around eight years (or more, if it includes the acquisition of land), although this depends on the environment at the time. After opening a store, if we determine that it will be unable to generate the planned cash flows, we recognize an impairment based on the impairment rules.

Stores



Distribution Center

- ☑ Optimizing our logistics network
- ☑ Initiatives at the Soka Distribution Center
- ☑ Initiatives to build sustainable food logistics

The most important mission of our Distribution Centers is to ensure the stable delivery of products to stores. In addition, we aim to raise the level of store services and improve the efficiency of the whole supply chain in anticipation of rising logistics costs in 2024 when authorities plan to impose stronger labor restrictions on the logistics industry.

Optimizing our logistics network

Yaoko has stores in one metropolis and six prefecture areas, mainly in Saitama Prefecture. Our Distribution Centers are allocated so that four grocery centers (room temperature) and six chilled centers (refrigerated and frozen) to smoothly deliver products to approximately 180 stores. Logistics bases must be optimally located to efficiently deliver products in a very fresh state to stores

within a certain period of time. We are also pursuing more efficient shelf stocking operations and promoting even higher levels of store services, with the linkage of the Soka Distribution Center, opened in February 2023, with our shelf allocation system, as well as measures to boost the precision of our automatic ordering system.

● Location of Chilled Centers



● Location of Grocery Centers



Kumagaya Distribution Center



Soka Distribution Center



Sayama Distribution Center

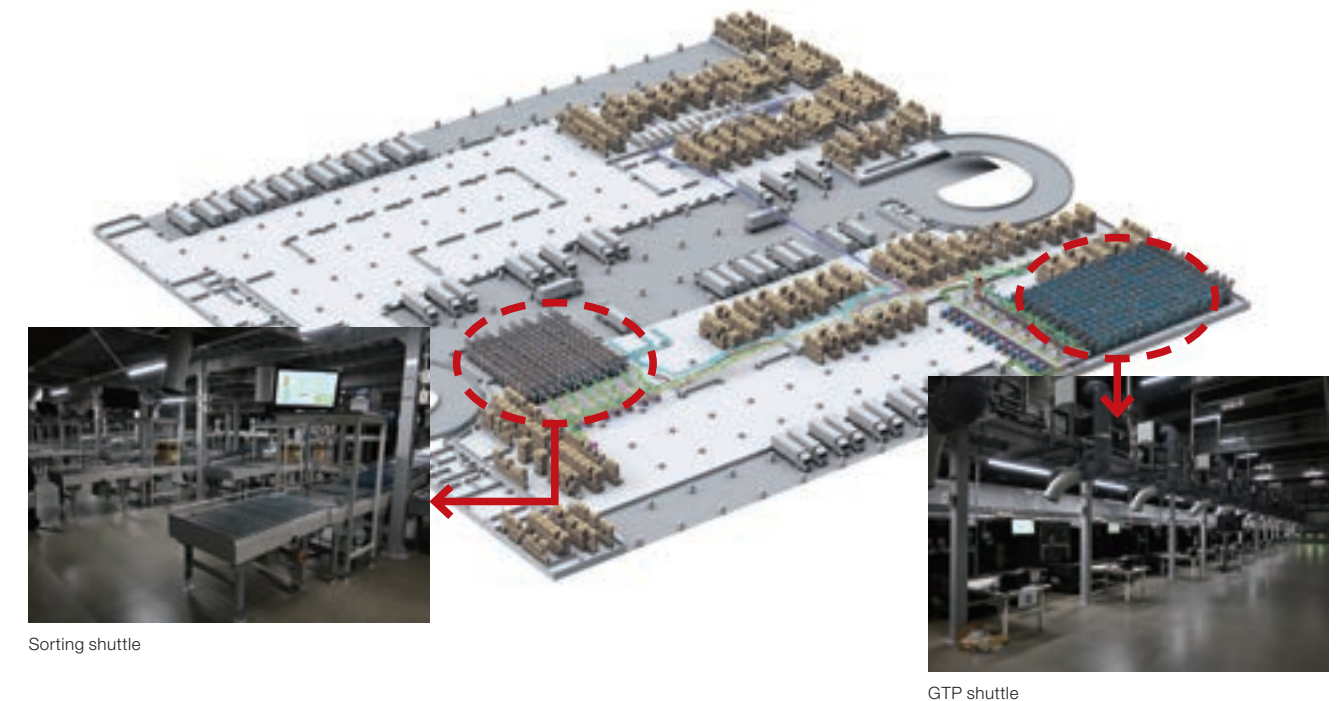
Name of center	Category	Location	Name of center	Category	Location
Sayama Distribution Center	Grocery / Chilled	Sayama, Saitama Pref.	Chiba Distribution Center	Grocery / Chilled	Funabashi, Chiba Pref.
Kumagaya Distribution Center	Grocery / Chilled	Kumagaya, Saitama Pref.	Isesaki Distribution Center	Chilled	Isesaki, Gunma Pref.
Soka Distribution Center	Grocery / Chilled	Soka, Saitama Pref.	Yokohama Distribution Center	Chilled	Yokohama, Kanagawa Pref.

Initiatives at the Soka Distribution Center

As a new initiative, we have installed two automatic warehouse sorting machines at the Soka Distribution Center. We use a sorting shuttle and Goods To Person (GTP) shuttle to enhance the efficiency of intra-center operations. Through linkage to the shelf allocation system, we aim for more efficient store operations by enabling deliveries for each store aisle. The introduction of Yaoko's first-ever warehouse

management system (WMS) is expected to further improve operations through the accumulation of know-how from the insourcing of the logistics center function, as well as logistics visualization. Eyeing the future integration of management across several logistics bases, the Soka Distribution Center will contribute to optimizing logistics all along the supply chain through even more efficient logistics.

- More efficient and stable deliveries through shorter delivery distances
- Enhanced center capabilities (deliveries for each store aisle, standardization of operations, visualization through in-house WMS)



Initiatives to build sustainable food logistics

On March 16, 2023, four food supermarkets in the Tokyo metropolitan area, namely SUMMIT, INC., The Maruetsu, Inc., LIFE CORPORATION, and Yaoko issued a declaration on initiatives to build sustainable food logistics. Amid changes in the logistics environment, it is becoming virtually impossible to maintain the delivery methods used until now. To maintain stable food deliveries, manufacturing, distribution, and sales functions must work together to consider a break with tradition in the way we approach logistics, beginning with a revision of lead times, and improve the current logistics environment, including a reduction in the burden of labor for truck drivers. This

collaboration between the four companies, to begin with, is considering ways to resolve the issues that prevent the overall optimization of supply chains. We aim to maintain an uninterrupted food supply to consumers and build sustainable logistics by implementing new rules in society.

<Content of the Declaration>

1. Revise ordering times for staple processed food products
2. Secure ordering-delivery lead times for sale items and new products
3. Relax delivery deadlines (adopt the 1/2 rule)
4. Achieve more efficient operation through a business message standard (BMS) for distribution



Joint press conference by the four companies

Digital Technology and IT

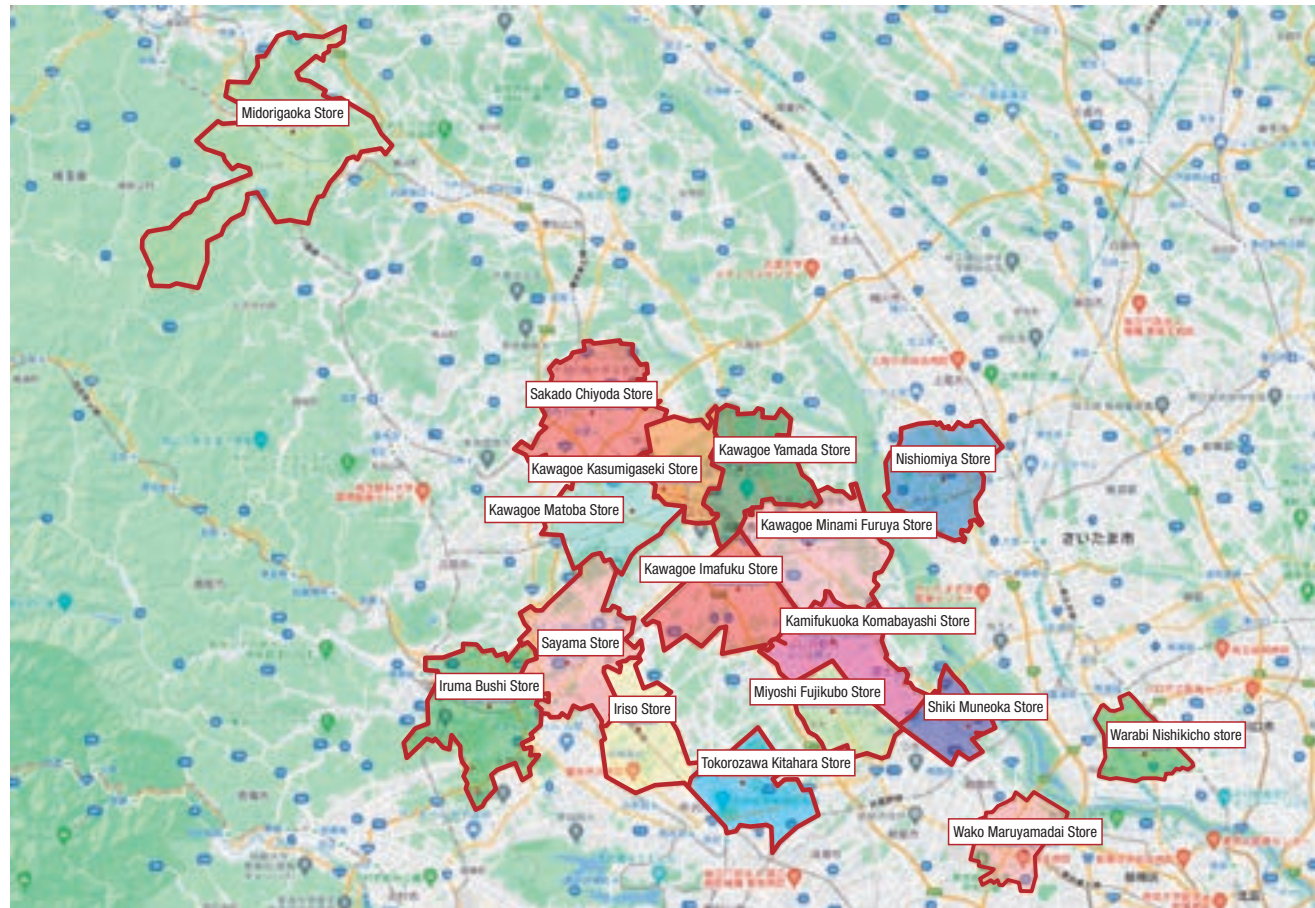
- ☑ Expanding the online supermarket business
- ☑ Yaoko Card
- ☑ The Yaoko app: Yaoko Pay
- ☑ Self-service checkouts
- ☑ Demand-predictive (AI) automatic ordering

Digitalization and the shift to IT are aimed at creating new value through elimination and reduction. Meanwhile, the Yaoko Card and our online supermarket are aimed at enhancing services for customers and building strategies to grow the number of loyal customers from a long-term perspective.

Expanding the online supermarket business

Yaoko online supermarket currently operates at 18 stores as of the end of March 2023. Products are supplied from the physical store, with home delivery available within a 2km radius of each store. Beginning with the Miyoshi Fujikubo Store in 2015, we have developed our online supermarket on a map-based strategy where we aim to fill areas that are not covered by our dominant physical

stores, mainly in the Kawagoe district. Meanwhile, we are also expanding these operations to the Midorigaoka Store and Shinurayasu Store (Chiba Prefecture), where there are customer needs and younger customers. Looking ahead, we will work to address issues such as improving customer convenience through reduced lead times between ordering and delivery, as well as raising profitability as a business.

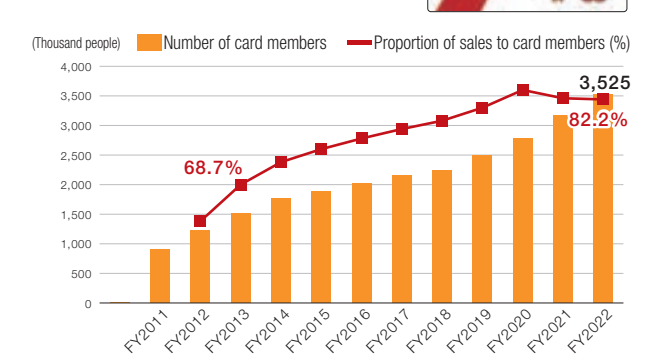


Starting year	2015	2017	2018	2019	2020	2021	2022
Store name	Miyoshi Fujikubo Store	Shiki Muneoka Store	Kamifukuoka Komabayashi Store Kawagoe Minami Furuya Store	Kawagoe Imafuku Store Kawagoe Yamada Store	Kawagoe Matoba Store Nishiomiya Store	Tokorozawa Kitahara Store Warabi Nishikicho store Wako Maruyamadai Store Kawagoe Kasumigaseki Store	Sayama Store Midorigaoka Store Shinurayasu Store Sakado Chiyoda Store Iriso Store Iruma Bushi Store

Yaoko Card

Yaoko Card was introduced as a strategy to foster loyal Yaoko customers. Our sales strategy includes increasing our market share in the 1km trade area as a KPI. Through the analysis of big data on customers' purchasing trends, we have become able to implement a wide range of measures. Yaoko's unique Customer Segment 19 approach classifies customers into 19 segments from the perspective of what they are buying. Segments such as home-cooking; epicurean; old-time; and buying at different stores depending on item; which we use for targeted strategies to acquire young families and address the polarization of consumption, are near to the top of our sales volume ranking. We utilize these segments across all situations, including store services, product development, and future estimation as we attempt to provide customers with new value.

Trend in the number of Yaoko Card members



The Yaoko app: Yaoko Pay

Yaoko app members (linked with the Yaoko Card) numbered approximately 1.13 million as of March 31, 2023. Of these, net customer count (linked with the Yaoko Card and purchasing at physical stores) reached approximately 0.63 million. This represents around 30% of all Yaoko Card members. In addition to promotional fliers, the app provides loyalty points, coupons, and other money-saving information. It also features a health column written by a registered dietitian at Fundely Co., Ltd. and other useful shopping and lifestyle information, as well as initiatives that allow customers to feel more familiar with Yaoko in their everyday lives, such as an online forum where customers can freely post their own comments.

Yaoko Pay was initially introduced at approximately 130 stores in February 2023. With an increase in the proportion of cashless transactions due to the COVID-19 pandemic

and rising customer needs for payment methods other than credit cards, Yaoko Pay is designed to enable customers to earn even more money-saving points by using the app, as well as enhance services for customers. It was introduced at all stores in June 2023.



Self-service checkouts

We completed the installation of self-service checkouts at all stores at the end of FY2022. Of these, we introduced fully self-service checkouts at seven stores. These contribute to eliminating customers' stress from waiting at checkouts and enhancing store productivity. We will proceed to redeploy the time created through this measure in other divisions, aiming to provide our customers with even more valuable services through overall optimization in stores.



Demand-predictive (AI) automatic ordering

We introduced demand-predictive automatic ordering on a trial basis at two stores in 2021. The results led us to introduce it at all stores in May 2022. This new initiative is used in the dry food products division and perishable food products division. We had previously introduced an automatic ordering system in the past, but found that they required the person in charge to spend some time on manual ordering, as they operated on a buy-one/sell-one basis and could not cope with irregular changes in demand or the shelf allocation system. Through the introduction of demand-predictive automatic ordering, we have achieved a reduction in store workload, more effective operations through optimal inventory levels (inventory reductions), and improvements in productivity.



Group Strategy

We aim for companies sharing the same corporate ambitions and possessing strong businesses in our two business formats – one proposing ideas for abundant and enjoyable dietary lives and the other offering discounts – to work together in the Group, each pursuing its own sales strategy rooted in the local community while maximizing groupwide synergies. In this way, we hope to provide more abundant and enjoyable dietary lives to everyone in the region.



AVE Co., Ltd. Consolidated subsidiary

AVE discount supermarkets are a dominant presence centered in Yokosuka. It achieves low prices through the intensive pursuit of one of the strongest low-cost operations in the industry. In FY2022, with the COVID-19 pandemic drawing to a close, rising prices made it relatively difficult for customers to appreciate AVE's discounts, and it struggled. Despite these adverse conditions, AVE will restructure its sales floor to encourage customers to purchase one more item, emphasizing the low prices only available at AVE.



<AVE Management Policy>

- ◆ Provide freshness; high quality; and delicious taste affordably through “price competitiveness”
- ◆ Provide enjoyable shopping experiences through a product range to meet “diverse specialty needs” and attractive sales areas
- ◆ In this way, play a part in improving the lives of customers and contribute to society

Foocot Co., Ltd. Consolidated subsidiary

Foocot aims to apply the AVE Co., Ltd. format to attain a dominant presence centered in Saitama Prefecture. The company name is short for “Food Cost Performance Market.” The first Foocot store, the Hanno Store, opened in 2021, followed by the Akishima Store. The Chichibu Store, Foocot's third store, opened in 2022. Like AVE, Foocot bases its operations around its processing center in Ogawamachi. We aim to increase store openings and raise the processing center's operating rates to swiftly achieve net profits as a business.



<Foocot Management Policy>

Help to achieve abundant food dietary lives for customers every day through an overwhelming assortment of delicious products, low prices, and the thorough pursuit of low-cost operations to support this.

Sendo Co., Ltd. Equity-method affiliate

Sendo Co., Ltd., a fresh-food-focused supermarket chain centered in Chiba Prefecture, became an equity-method affiliate of YAOKO CO., LTD. in 2021. It operates 24 supermarket stores and one drug store as of March 31, 2023. It is working towards expanding its regional market share in FY2023, with plans to relocate and refurbish existing and ultra-small stores and open a new store in Mobara.



<Sendo Management Philosophy>

“Treat our customers with sincerity and sell them good quality, fresh products at low prices”

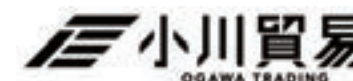
<Operating Policy>

Always the very best quality control; Sales focused on freshly-made products; Comfortable, enjoyable customer experience; and Control prices through ingenuity and sagacity

Ogawa Trading Co., Ltd.

Unconsolidated subsidiary

Established in 2017 as Yaoko's direct import trading company, Ogawa Trading Co., Ltd. is engaged in importing the finest products from around the world in collaboration with Yaoko's divisions. Directly imported wine, mainly from Italy, has proven especially popular among customers, becoming one of Yaoko's signature products. The company has expanded into the dry food field and currently handles over 100 different products. In FY2023, it will work together with the Trade Promotion Section of the Embassy of Italy in Japan to develop more new suppliers and more effectively communicate to customers genuine Italian food culture.



The wine section at the Yaoko Tokorozawa Kitahara Store

Sustainability (Environmental and Social)

As supermarket chain rooted in the community, our goals are to offer healthy choices through our business, make more people healthier and happier, and contribute to promoting health and abundant lifestyles in local communities.

Environment

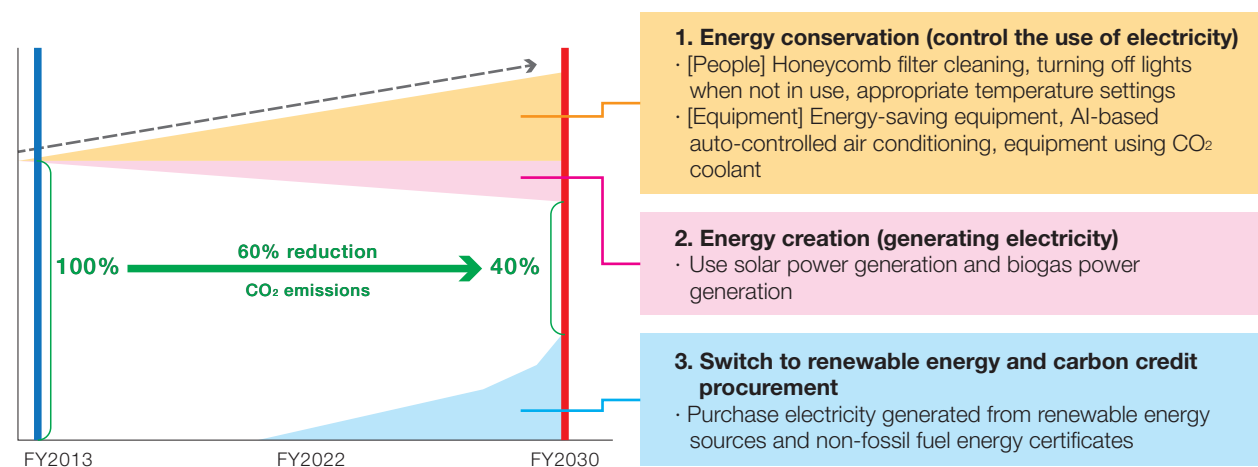
As a result of the environmental initiatives we pursued and considered throughout last year, we decided, at the meeting of the Environment Committee held in March 2023, to renew our CO₂ emission intensity target as a total emissions target,

as we can see a clear path to achieving our CO₂ reduction target, among the targets we have established to address environment issues.

2030 targets (From April 2023)

Metrics	Targets
CO ₂ reduction	Reduce total CO ₂ emissions by 60% vs. FY2013 levels
Reduction of plastic use	Reduce the weight of packaging and containers used by 25% per store vs. FY2019 levels
	Collect 10 times as many plastic trays per store vs. FY2020 levels through storefront recycling
Food recycling	Recycle 100% of food waste

Measures to achieve our CO₂ reduction target



New food product recycling efforts

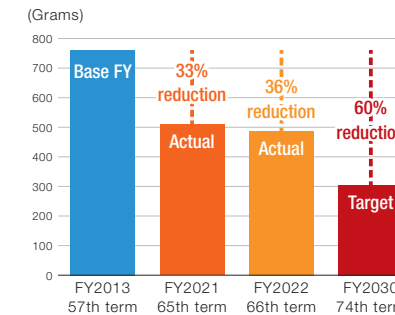
In FY2022, we launched an initiative to transport food waste from our Ome Imadera Store and Hachioji Yarimizu Store to the Nishi Tokyo Recycle Center (Hamura City) to undergo methane fermentation for use in power generation. This facility is a biogas power plant capable of sorting, fermenting, decomposing, and generating power from food waste. An increase in food waste sorting capabilities has expanded the range of food waste we can recycle, enabling us to achieve a higher recycling rate. We plan to expand this initiative to 13 stores in FY2023. We are also engaged in building a recycling loop at Yaoko Farm, in which the food waste, after fermentation at the Nishi Tokyo plant, is composted.



Nishi Tokyo Recycle Center

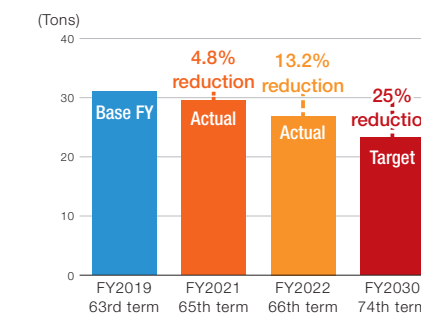
CO₂ reduction target and results

60% reduction in CO₂ emission intensity by FY2030 vs. FY2013 levels

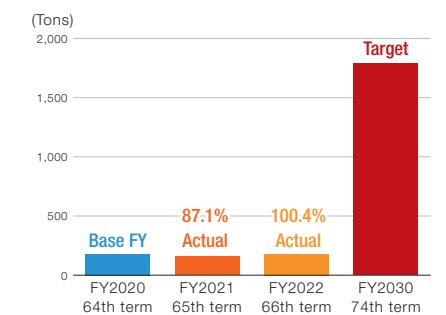


Plastic reduction target and results

25% reduction of plastic used in packaging and containers per store by FY2030 vs. FY2019 levels



Foam trays collected at stores
10 times per store vs. FY2020



Yaoko non-consolidated CO₂ emissions (calculated based on GHG Protocol) (t-CO₂)

Category	Calculation target	FY2019	FY2020	FY2021
Scope 1	Emissions from a reporting company itself	4,696	3,900	3,164
	Emissions from fuel combustion ^{*1} Emissions from leakage of fluorocarbons ^{*2}	16,080	16,074	11,850
Scope 2	Electricity and heat supplied by others and indirect emissions from such use ^{*3}	99,833	100,491	111,492
Total		120,609	120,465	126,506

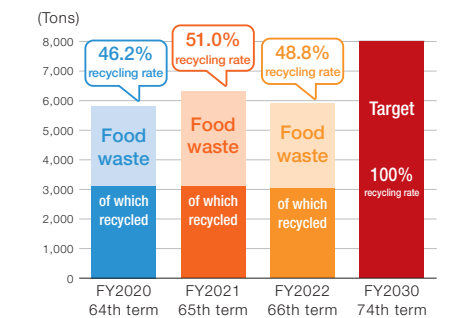
*1 Consumption of city gas and liquefied petroleum gas at each site, and gasoline for company-owned cars, etc.

*2 Leakage of HFCs from use of freezers/refrigerators and air conditioners at each site. Calculated CO₂ emissions by multiplying Global Warming Potential.

*3 Power consumption at each site (including consumptions by tenants at owned commercial facilities)

Food recycling target and results

Achieve zero food waste
100% recycling of food waste



Society

Support for children

Around three years have passed since we launched our support for children in households facing financial difficulties and single-parent households in September 2020. We are steadily continuing these efforts with the cooperation of the Department of Welfare of Saitama Prefecture and the Saitama Social Welfare Council. The number of support groups in the Saitama Prefectural network has grown since the initiative was launched, and it seems that the support framework across the local community has become more robust. We will constantly carry out our activities for the future of children in the region.



Providing rice in support of children

Yaoko Food Pantry

In FY2022, as in the previous year, our employees held a food drive and we organized a food pantry. These initiatives were even more familiar to our employees than last year, and we collected a large amount of relief supplies. In FY2023, we will expand the number of local food pantry groups we collaborate with to bring even more joy to the local community.



Our Food Pantry

Response to the TCFD Recommendations

We have analyzed climate change scenarios under the framework on the basis of the “Task Force on Climate-related Financial Disclosure (TCFD)” established by the Financial Stability Board. We will identify various risks and opportunities related to climate changes in our business, address them to minimize business risk and to reduce CO₂ emissions, and further disclose such information.

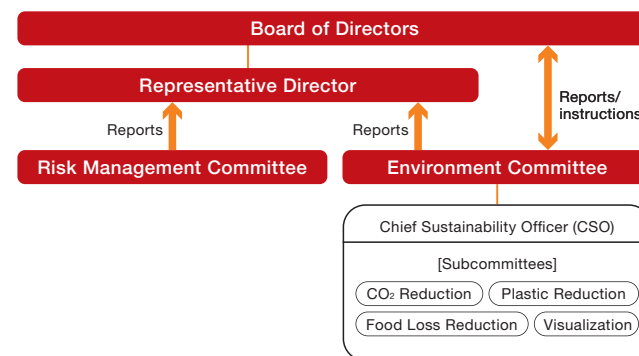
▶ Please see our website for details: <https://www.yaoko-net.com/sustainability/tcf.html> (in Japanese)

Governance

We see climate change issues as part of the long-term changes in the environment surrounding the Company, and consider them as company-wide matters to address.

The Environment Committee chaired by the President meets more than once a year to discuss and determine the policies for important matters on environment issues, and monitors their progress. In addition, CSO (Chief Sustainability Officer) in charge of environment issues regularly reports the actions taken at the Board of Directors. The Board of Directors supervises the environmental actions under the Environment Management System in response to the impact of climate changes on environment and society.

Environment Management System



Strategy

At Yaoko, we identify the risks and opportunities associated with climate change and ascertain their financial impact on the business. In analyzing financial impact, we have used the Stated Policies Scenario (STEPS), the Sustainable Development Scenario (SDS), and the Net Zero Emissions by 2050 Scenario (NZE) from the World Energy Outlook published by the International Energy Agency (IEA) regarding the risks of policy, legal and regulatory systems transitioning to a decarbonized society. We have used the RCP8.5 scenario (RCP8.5) and the RCP2.6 scenario (RCP2.6) from the Fifth Assessment Report published by the Intergovernmental Panel on Climate Change (IPCC) regarding the physical risks anticipated from the rise in temperatures associated with climate change. When estimating the financial impact, we analyzed a 1.5°C (under 2°C) scenario combining NZE, SDS, and RCP2.6, and a 4°C scenario combining STEPS and RCP8.5. The risks and opportunities that will impact

Applied scenarios	Physical scenario (4°C scenario): IPCC RCP8.5 scenario and RCP2.6 scenario Transition scenario (1.5°C–2°C scenario): IEA STEPS, SDS, and NZE scenarios
Subject	Store management of Yaoko (non-consolidated)
Analysis	Qualitative evaluation and financial impact of physical risk and transition risk of store management (non-consolidated)
Terms	Short-term (0–3 years), medium-term (4–11 years), and long-term (11–30 years)

Yaoko, and estimations of their financial impact, are presented on the following page. We aim to implement measures to address the key risks and opportunities that we have clarified, mitigating risks and achieving resilience against climate change.

Risk management

To address company-wide risk management including climate change issues, the Risk Management Committee chaired by the President is established and held more than twice a year. The Risk Management Committee identifies risk surrounding the Company, assesses and reviews risk,

develops procedures and systems to prevent risk from being pronounced, develops measures to address pronounced risks, and determines policies and plans on the above initiatives from a company-wide perspective.

Qualitative evaluation of important risks and impacts due to climate change (scenario analysis)

Category	Risk items			Risk impact			Countermeasures	
	Major category	Subcategory	Time to develop	Details of risks	2°C (1.5°C)	4°C		Financial impact estimated
Risks	Transition risks	Policy and legal/technology risk	Introduction of carbon tax	Medium to long term	Increase in carbon pricing and tax burden	High	—	Scope 1 • Control chlorofluorocarbon (CFC) emissions from freezer and refrigeration equipment (Transition to non-CFC coolant and strengthen measures to prevent leakage from existing equipment) Scope 2 • Engage in energy conservation (Clean honeycomb filters, revise temperature settings for air conditioners and refrigerated showcases, and introduce an automatic air conditioner control system) • Expand the introduction of renewable energy (Purchase directly sourced green electric power and non-fossil fuel electricity certificates and introduce solar power generation and biogas power generation)
			Stricter regulation on CO ₂ emissions reduction	Short to medium term	Increase in renewable energy cost	High	—	
			Stricter CFC substitutes regulations	Short to medium term	Increase in non-CFC capital expenditure	High	—	
			Stricter regulation on plastic reduction	Short to medium term	Plastic use restrictions, material change and increase in recycling costs	Moderate	—	
	Market and reputation risk	Changes in procurement costs of energy and raw materials	Short to long term	Increase in electricity expenses and procurement costs of raw materials	Moderate	High	○	
		Changes in consumer behavior	Short to medium term	Changes in sales due to shifts in consumer behaviors with heightened environmental awareness	Moderate	—	—	
Physical risks	Acute risk	Damages from extreme weather	Short to long term	Decrease in profit and increase in cost, due to flooding and destruction of stores (distribution bases, factories)	Moderate	High	○	
		Chronic risks	Changes in rainfall and climate patterns	Medium to long term	Decrease in profit and increase in cost, due to suspension of operations and store closure as the coastal flooding risk rises	Moderate	High	○
			Rise in average temperature, sea temperature and sea level	Medium to long term	Increase in procurement costs of raw materials Increase in water expenses from drought	Moderate	High	○
Opportunities	Products and services	Consumer preference in eco-friendly products	Medium to long term	Changes in sales due to shifts in consumer behaviors with heightened environmental awareness, and increase in sales in new business areas	Low	—	—	Promote measures such as cooperation with business partners and product development at our own factories
	Energy sources	Sharing renewable energy in local communities	Medium to long term	Increase in supply and demand of surplus electricity by the Company and consumers	Low	—	—	

Anticipated risk-related financial impact in 2030

Impact of the introduction of carbon taxes in 2030

Assumption: USD 130/t-CO₂ (source: IEA WEO-2021)

Item	Business impact
Cost of carbon tax	¥1.2 billion – ¥3.0 billion

This represents the range between the impact if we succeed and fail, respectively, in achieving the target reduction of 60% in CO₂ emission intensity on Scope 2 by FY2030 compared to FY2013 levels

*CO₂ emission intensity is calculated based on store area × number of business days

Impact due to the procurement of electricity from renewable energy in 2030

Assumption: Procurement of 10,200MWh in electricity from renewable energy

Item	Business impact
Procurement cost of electricity from renewable energy	¥0.25 billion

Damage due to more intense extreme weather

Assumption: Flooding damage due to overflowing rivers and storm surge damage due to atmospheric pressure changes

Item	Business impact
Damage to non-current assets and inventory	¥0.3 billion – ¥0.5 billion
Losses due to store shutdowns	¥30 million – ¥50 million

The minimum value represents an impact of an under 2°C scenario, and the maximum value represents that of a 4°C scenario

Metrics and targets (Until March 2023)

Metrics	Targets	FY2022 results
CO ₂ reduction	Reduce CO ₂ emission intensity by 60% vs. FY2013 levels	36.0% reduction
Plastic reduction	Weight of packaging and containers used 25% reduction per store vs. FY2019 levels	13.2% reduction
	Storefront recycling Collect 10 times as many plastic trays per store vs. FY2020	179.3 tons
Food recycling	Recycle 100% of food waste	48.8%

Yaoko non-consolidated CO₂ emissions (calculated based on GHG Protocol)

Disclosed on page 38.

Directors and Auditors (as of June 27, 2023)

Directors



January 1969 Joined Yaoko Ltd., General Manager of Sales Department
 March 1974 Reorganized Yaoko Ltd. and established YAOKO Co., Ltd.; Director
 October 1974 Senior Managing Director, the Company
 May 1981 Representative Director, the Company
 January 1985 President and Representative Director, the Company
 June 2007 Chairman and Representative Director, the Company (to present)

■ **Significant concurrent positions**
 President, Kawano Masanori Memorial Public Interest Incorporated Foundation for Promotion of Pediatrics
 Honorary Chairman, Japan Supermarkets Association
 (As of June 30, 2023)

Yukio Kawano
Chairman and Representative Director



April 2001 Joined the Company
 January 2009 General Manager of Grocery Department, the Company
 June 2009 Director; General Manager of Grocery Department, the Company
 December 2009 Director; Deputy Director of Management Reform Promotion and General Manager of Grocery Department, the Company
 March 2011 Director; Deputy Director of Management Reform Promotion and Deputy Director of Sales Management, the Company
 June 2011 Executive Managing Director; Deputy Director of Management Reform Promotion and Deputy Director of Sales Management, the Company
 February 2012 Executive Vice President and Representative Director, the Company
 April 2013 President and Representative Director, the Company (to present)

■ **Significant concurrent positions**
 Representative Director, Ave Co., Ltd.
 Representative Director, Foocot Co., Ltd.
 Representative Director, YAOKO Child Support Foundation

Sumito Kawano
President and Representative Director



April 1979 Joined Nomura Securities Co., Ltd.
 October 2008 Senior Corporate Managing Director in charge of Financial Management Division, Nomura Securities Co., Ltd.
 April 2009 Director and Managing Executive Officer in charge of Corporate Sales of Corporate Company, Nomura Real Estate Development Co., Ltd.
 April 2013 Director and Executive Vice President; General Manager of Corporate Sales Division, Nomura Real Estate Development Co., Ltd.
 April 2014 Representative Director and Executive Vice President; General Manager of Corporate Sales Division, Nomura Real Estate Development Co., Ltd.
 April 2015 Advisor, Nomura Real Estate Development Co., Ltd.
 June 2015 Director, the Company (to present)
 July 2015 Representative Director, SK Holdings Co., Ltd. (to present)

Shigeyuki Kurokawa
Director (External)

July 2015 Representative Director, INCREASE PLANNING CO., LTD.
 July 2016 Outside Director, PRESI Co., Ltd.
 September 2016 Representative Director, Go For It Co., Ltd. (to present)
 July 2017 Outside Director, PRESI-X Co., Ltd.
 July 2017 Outside Director, PRESI Kensetsu Co., Ltd.

■ **Significant concurrent positions**
 Representative Director, SK Holdings Co., Ltd.
 Representative Director, Go For It Co., Ltd.

■ **Reason for Appointment as External Director**
 Mr. Shigeyuki Kurokawa has been highly evaluated for his achievements and insight as an executive manager in the finance and real estate industries. He has been sufficiently fulfilling his role in decision-making on important matters of the Company's management, supervision of business execution, and others.



January 2005 Joined the Company
 April 2008 Chief Director of Store Development and General Manager of Store Development Management Division, the Company
 June 2008 Director; Chief Director of Store Development and General Manager of Store Development Management Division, the Company
 April 2013 Director; Chief Director of Business Management, General Manager of Corporate Planning Office, and Chief Director of Human Resources & General Affairs, the Company
 June 2013 Executive Managing Director; Chief Director of Business Management, General Manager of Corporate Planning Office, and Chief Director of Human Resources & General Affairs, the Company
 March 2019 Executive Managing Director; Chief Director of Business Management, Chief Director of Human Resources & General Affairs, and in charge of Store Development Division, the Company
 March 2020 Executive Managing Director; Chief Administrative Officer and in charge of Store Development Division, the Company
 March 2022 Senior Managing Director; Chief Administrative Officer and in charge of Store Development Division, the Company (to present)

Masanobu Kamiike
Senior Managing Director; Chief Administrative Officer and in charge of Store Development Division



April 1996 Joined the Company
 February 2012 General Manager of Sales Management Office and General Manager in charge of Merchandise Development, the Company
 October 2012 General Manager of Sales Management Office, General Manager in charge of Operation Promotion, the Company
 February 2013 General Manager of Sales Management Office and General Manager in charge of Operation Promotion, the Company
 April 2015 General Manager of Delicatessen Division, the Company
 June 2015 Director; General Manager of Delicatessen Division, the Company
 March 2020 Director; General Manager of Sales Department 1 and Sales Department 2 and in charge of Sales Division, the Company
 March 2021 Director; Deputy Director of Sales Management and General Manager of Sales Department 1 and Sales Department 2, the Company
 October 2021 Director; Deputy Director of Sales Management, General Manager of Sales Department 1 and Sales Department 2, and in charge of information systems, the Company
 March 2022 Executive Managing Director; Chief Director of Sales Management, the Company (to present)

Takanori Ishizuka
Executive Managing Director; Chief Director of Sales Management



April 1990 Joined Mercedes-Benz Japan Co., Ltd.
 September 1997 Joined Boston Consulting Group Japan Co., Ltd.
 March 2000 Joined Louis Vuitton Japan K. K.
 June 2002 COO, Celux Co., Ltd.
 October 2008 President and Representative Director, Dramatic Co., Ltd.
 June 2015 Director, the Company (to present)
 August 2015 Director, Cogito Education and Management Inc.
 June 2018 Outside Director, WATABE WEDDING CORPORATION
 March 2019 Outside Director, Mitsubishi Pencil Co., Ltd. (to present)
 May 2020 Outside Director, SANYO SHOKAI LTD.
 November 2020 Outside Director, CIRCULATION Co., Ltd. (to present)
 November 2020 Representative Director, BLOOM Co., Ltd. (to present)

Asako Saito
Director (External)

■ **Significant concurrent positions**
 Outside Director, Mitsubishi Pencil Co., Ltd.
 Outside Director, CIRCULATION Co., Ltd.
 Representative Director, BLOOM Co., Ltd.

■ **Reason for Appointment as External Director**
 Ms. Asako Saito has been highly evaluated for her achievements and insight as an executive manager in marketing and branding. She has been sufficiently fulfilling her role in decision-making on important matters of the Company's management, supervision of business execution, and others.



April 1988 Joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.)
 April 2011 Corporate Executive Officer, Recruit Co., Ltd.
 October 2012 Corporate Executive Officer, Recruit Holdings Co., Ltd.
 October 2012 President and Representative Director, Sumai Company, Recruit Co., Ltd.
 April 2013 President, RGF Hong Kong Ltd.
 April 2018 Chairman, RGF International Recruitment Business
 April 2018 President and Representative Director, Recruit Jobs Co., Ltd.
 April 2018 Corporate Executive Officer, Recruit Co., Ltd.
 October 2021 Advisor, Recruit Co., Ltd.
 October 2021 Outside Director, Net Smile, Inc. (to present)
 January 2022 Outside Director, Pac. EX Holdings Co., Ltd. (to present)
 June 2022 Director, the Company (to present)

Takashi Kuzuhara
Director (External)

■ **Significant concurrent positions**
 Outside Director, Net Smile, Inc.
 Outside Director, Pac. EX Holdings Co., Ltd.

■ **Reason for Appointment as External Director**
 Mr. Takashi Kuzuhara has been highly evaluated for his achievements and insight as an executive manager of Recruit Group and he has been sufficiently fulfilling his role in decision-making on important matters of the Company's management, supervision of business execution, and others.



September 1989 Joined the Company
 March 2010 General Manager of Meal Solutions Department, the Company
 March 2011 General Manager of Sales Department, the Company
 June 2012 Director; General Manager of Sales Department, the Company
 February 2017 Director; General Manager of Sales and Marketing Division and General Manager of Merchandising Strategy Department, the Company
 March 2019 Director; General Manager of Sales and Marketing Division, General Manager of Merchandising Strategy Department, and General Manager in charge of Cooking Support, the Company
 March 2020 Director; General Manager of Sales and Marketing Division and General Manager in charge of Cooking Support, the Company
 March 2022 Director; General Manager of Perishables Department and in charge of Merchandising (to present)

Mitsuo Kozawa
Director; General Manager of Perishables Department and in charge of Merchandising



October 2008 Joined the Company
 February 2012 General Manager of Store Planning Department, the Company
 March 2016 Chief Director of Store Development, the Company
 June 2017 Director; Chief Director of Store Development, the Company
 March 2018 Director; Chief Director of Store Development Management Division, and General Manager in charge of Store Development Strategy, the Company
 November 2018 Director; Chief Director of Store Development, the Company
 March 2019 Director; Chief Director of Store Development Management Division, and General Manager in charge of Store Development Strategy, the Company
 March 2020 Director; Chief Director of Store Development and General Manager of Store Development Management Division, the Company (to present)

Hiroaki Yagihashi
Director; Chief Director of Store Development and General Manager of Store Development Management Division

Auditors



June 2008 Retired from the Resolution and Collection Corporation
 July 2008 Joined the Company, General Manager of Store Development Management Division
 April 2010 Deputy Director of Store Development and General Manager of Store Development Management Division, the Company
 February 2012 Deputy Director of Store Development and General Manager of Store Development Department, the Company
 April 2013 Chief Director of Store Development, the Company
 June 2013 Director, the Company
 April 2014 Chief Director of Store Development and General Manager of Store Development Management Division, the Company
 June 2016 Auditor (Full-time), the Company (to present)

Takao Wakabayashi
Auditor (Full-time)



October 2009 Chief of Kawaguchi Police Station
 March 2011 Chief of Regional Affairs Department, Saitama Prefectural Police Headquarters
 March 2012 Chief of Lifestyle Safety Department, Saitama Prefectural Police Headquarters
 March 2013 Chief of General Affairs Department, Saitama Prefectural Police Headquarters
 March 2014 Retired from Saitama Prefectural Police
 June 2017 Auditor (External), the Company (to present)

Yukio Sato
Auditor (External)

■ **Reason for Appointment as External Auditor**
 Mr. Yukio Sato provides effective advice and information on store crime prevention measures and measures to respond to crimes committed against the Company, based on his experience and his expertise from his long service.



April 2012 Director of Meat Inspection Center, Saitama Prefecture
 March 2014 Retired from Meat Inspection Center
 April 2014 Part-time Instructor, Hanasaki Tokuharu High School, Satogakuen (to present)
 April 2014 Instructor for Food Hygiene Manager Training Course, Saitama Prefecture Food Hygiene Association (to present)
 June 2020 Auditor (External), the Company (to present)

Katsuhiro Hashimoto
Auditor (External)

■ **Reason for Appointment as External Auditor**
 Mr. Katsuhiro Hashimoto provides effective advice and information on food safety management, particularly fresh foods, based on his experience and his expertise from his long service in the industry.



July 2012 District Director, Ojiya Tax Office, National Tax Agency
 July 2017 Assistant Regional Commissioner of Collection Department, Kantoshinetsu Regional Taxation Bureau, National Tax Agency
 July 2018 Retired from National Tax Agency
 August 2018 Commenced practice of Tax Accountant Office (to present)
 June 2020 Auditor (External), the Company (to present)

Tsuyoshi Ikarashi
Auditor (External)

■ **Reason for Appointment as External Auditor**
 Mr. Tsuyoshi Ikarashi provides effective advice and information on the appropriateness of the execution of management duties from a tax expert's perspective.

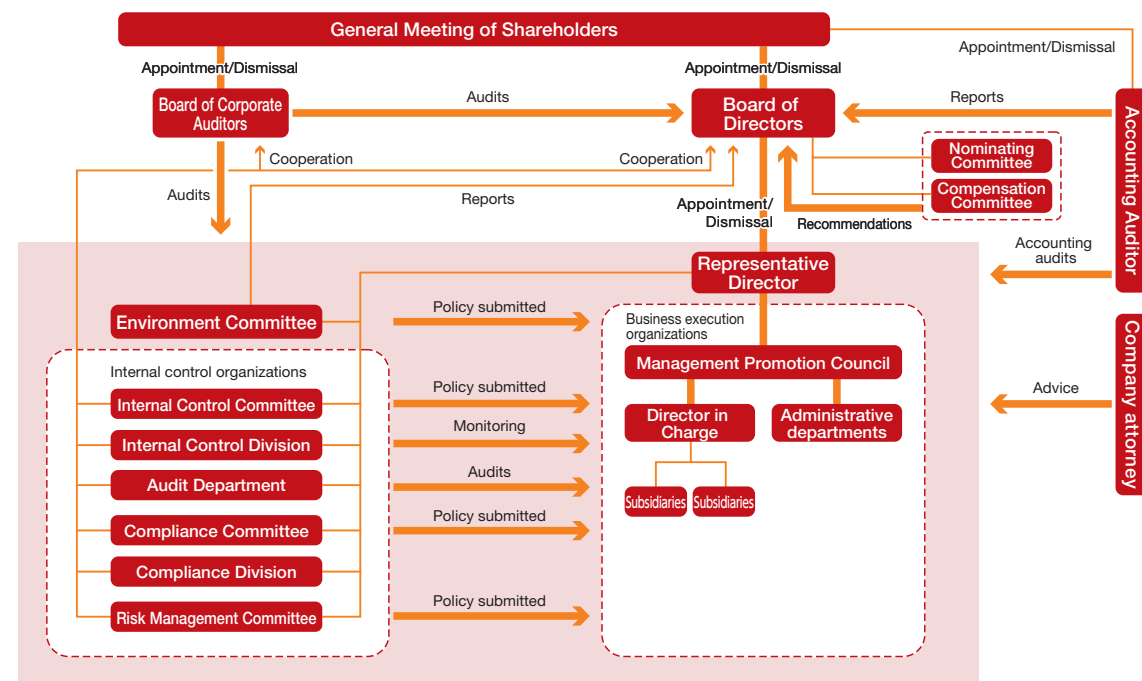
Corporate Governance

Governance that has made it possible to achieve 34 consecutive terms of increased sales and profits

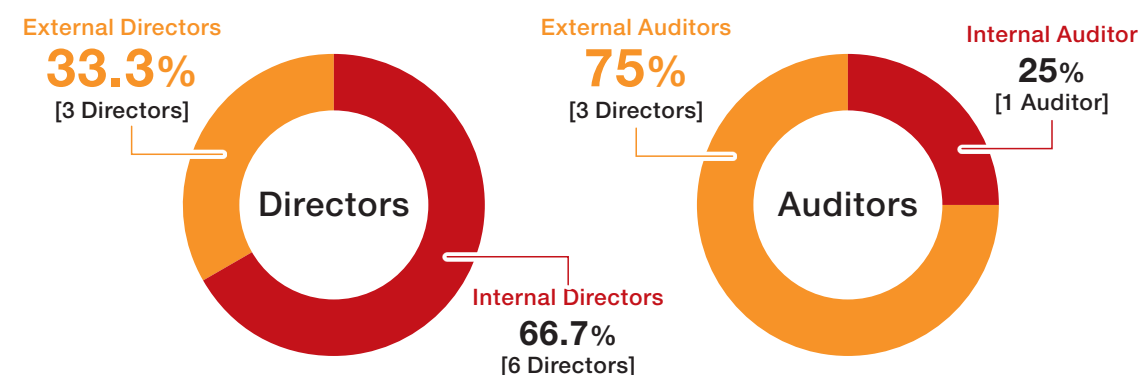
The basis of company management is “honesty” declared in company policy. Honest business with no lies or tricks and transparent, healthy management are our first priority, and since our founding in 1890, we have dedicated ourselves to unwavering business according to our unwavering management philosophy. Our management philosophy and company policy are the very reason for our existence. We consider it to be of utmost importance for each and every employee to understand this principle and apply it in their day-to-day work; thus, top management reminds employees repeatedly at morning meetings, conferences, or other opportunities. We consider carrying on this management philosophy and company policy since the time of our founding to be the foundation of the governance that has made it possible for us to achieve 34 consecutive terms of increased sales and profits.

Corporate governance system

Corporate Governance System [Organizational structure: company with Board of Corporate Auditors] (as of June 27, 2023)



Ratio of External Directors and External Auditors (as of June 27, 2023)



Outline of Board of Directors, Board of Corporate Auditors, and Committees

Board of Directors

Chairperson	Composition	Number of meetings in FY2022 (Attendance rate)
President	Internal Directors 6 External Directors 3	14 (98.4%)

Purpose

The Board of Directors decides on important matters relating to management, including the budget, financial results, opening of new stores, remodeling and other store data, as well as successively monitoring the status of business execution. Section managers are appointed for the execution of routine operations, and a system is in place to delegate the necessary authority to speed up operations.

Main topics of discussion

- Cash plan
- Plan for new stores openings
- Selection of Director candidates

Nominating Committee

Chairperson	Composition	Number of meetings in FY2022 (Attendance rate)
External Director	Internal Directors 2 External Directors 3	2 (100%)

*At the time of the first meeting, the Nominating Committee was composed of one Internal Director and two External Directors.

Purpose

This committee holds necessary deliberations on the appointment and dismissal of directors and the nomination of candidates for corporate auditors at the request of the Board of Directors, and contributes to improving management transparency and supervisory functions while making use of the knowledge and advice of external directors.

Main topics of discussion

- Matters concerning the appointment and dismissal of Directors (resolution: General Meeting of Shareholders)
- Matters concerning the selection and removal of Representative Directors and Directors with special titles
- Matters concerning the recommendation of Auditor candidates

Board of Corporate Auditors

Chairperson	Composition	Number of meetings in FY2022 (Attendance rate)
Full-time Auditor	Full-time Auditor 1 External Auditors 3	16 (100%)

Purpose

Experts (tax accountant, public health professional, and former police officer) have been chosen as external auditors in order to ensure the legality and propriety of business executed by Yaoko. The audit system is in place with the support of departments within the company. The Board of Corporate Auditors audits management issues.

Main topics of discussion

- Matters concerning the audit policy, audit plans, and auditing methods
- Decision on the reappointment of the Accounting Auditor
- Formulation of auditing standards for Auditors

Compensation Committee

Chairperson	Composition	Number of meetings in FY2022 (Attendance rate)
External Director	Internal Directors 2 External Directors 3	2 (100%)

Purpose

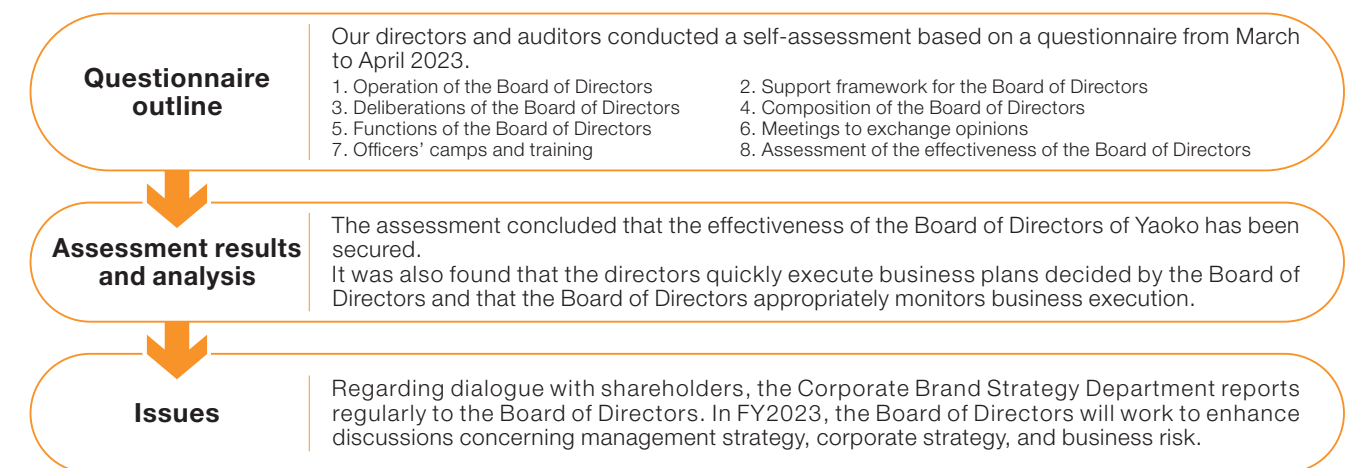
This committee holds necessary deliberations on remuneration, etc. for each individual director at the request of the Board of Directors, and contributes to improving management transparency and supervisory functions while making use of the knowledge and advice of external directors.

Main topics of discussion

- Matters concerning policy on the determination of compensation for individual Directors (resolution: Board of Directors' Meeting)
- Matters concerning compensation limits for Directors (resolution: General Meeting of Shareholders)

Assessment of the effectiveness of the Board of Directors

In accordance with Japan's Corporate Governance Code and our Basic Policy on Corporate Governance, the Board of Directors carries out an evaluation of its effectiveness every year since FY2017.



Officers' expertise and experience (skills matrix)

■ Skill judgment method

Knowledge/ Skills	Experience		
	Up to 3 years	Up to 7 years	7 years and longer
Expert level	C	B	A
Level high enough to exchange opinions with experts	F	E	D
General level plus something extra	I	H	G

Only skills falling within the area from A to E are recognized

The Company gives consideration to the diversity of knowledge, experience, abilities, and areas of expertise of the officers as a whole and the balance of the composition. We appoint candidates who have excellent insight into the management aspects required for operation of a listed company, as well as insight into business operation aspects corresponding to the Company's business characteristics and issues.

Name	No. of years served as the Company's officer	Management					Business operation				
		Corporate management, management strategy, M&A	Personnel affairs, labor, human resource development	Financial, accounting	Sustainability	Governance, internal control, legal affairs	Experience in retail industry	Merchandise development, MD	IT, logistics	Store opening, store development	Innovation, new businesses
Directors											
Yukio Kawano	49	●	●	●		●	●		●	●	
Sumito Kawano	14	●	●	●		●	●				
Masanobu Kamiike	15	●	●	●					●	●	
Takanori Ishizuka	8	●				●	●		●	●	
Mitsuo Kozawa	11	●	●			●	●		●		
Hiroaki Yagihashi	6	●							●		
Shigeyuki Kurokawa <small>External Director</small>	8	●	●	●					●		
Asako Saito <small>External Director</small>	8	●			●		●			●	
Takashi Kuzuhara <small>External Director</small>	1	●	●							●	
Executive Officers											
Tatsuya Kambe	2						●	●			
Shinichi Matsuura	1		●			●	●	●			
Haruki Nagumo	1					●	●			●	
Masahiro Iwasaki	1					●	●				
Shinsuke Goto	1								●		
Auditors											
Takao Wakabayashi	7	●		●		●			●	●	
Yukio Sato <small>External Director</small>	6	●	●			●					
Katsuhiro Hashimoto <small>External Director</small>	3			●	●						
Tsuyoshi Ikarashi <small>External Director</small>	3		●	●							

Note: The number of years served for executive officers is the number of years they served as executive officers of the Company.

Officers' compensation, etc.

Director compensation at Yaoko is based on a system that sufficiently functions as an incentive to continuously increase corporate value, and when decisions are made regarding compensation for individual directors, appropriate levels are set based on the position and duties of each director. Specifically, it consists of fixed compensation and performance-linked compensation, and for external directors who serve in a supervisory capacity, only fixed compensation is paid in light of their duties.

■ Fixed compensation

Fixed compensation is monthly fixed monetary compensation. It is determined by considering all factors, including an evaluation of performance based on the position and duties, operating results, years of service, and employee salary levels.

■ Performance-linked compensation

Performance-linked compensation consists of compensation linked to short-term performance (bonuses) and compensation linked to medium/long-term performance (stock compensation). Advice from the Compensation Committee is sought, and President and Representative Director Sumito Kawano makes decisions based on the advice.

■ Total compensation for Directors and Auditors (FY2022)

Officer category	Total compensation (Millions of Yen)	Total by type of compensation (Millions of Yen)			Number of eligible officers
		Fixed compensation	Compensation linked to short-term performance (bonus)	Compensation linked to medium/long-term performance (stock compensation)	
Directors (excluding External Directors)	221	143	48	29	7
Auditors (excluding External Auditors)	13	13	—	—	1
External Officers	37	37	—	—	6

■ Skills to be acquired

Corporate management, management strategy, M&A	Yaoko Group operates food supermarkets in the Kanto area. The competition in the "food" field is intensifying with entry of companies from other industries. To realize sustainable growth, the Company needs Directors and Executive Officers who have management experience and track record in retail, real estate development, and M&A fields.
Personnel affairs, labor, human resource development	The Company sets forth a "decentralized chain-store system" with an "all participation policy," and people are its most important assets. To develop an environment where each employee can demonstrate their ability to the maximum extent, the Company needs Directors and Executive Officers who have sufficient experience in human resource development as well as personnel and labor affairs.
Management (items required for operation of a listed company)	Financial, accounting To continue making investments for further improving corporate values while maintaining sound financial standings, the Company needs Directors and Executive Officers with ample experience in the financial field. Directors and Executive Officers with experience in the accounting field are also required for maintaining the Company's credibility in the market and society through accurate accounting reporting.
	Sustainability The Company aims to realize a "world where everyone is healthy and enjoys their daily life, now and 100 years from now." In order to avoid ending up in a world with no hope and increased food shortage and disasters where financial burden on the next generation grows by sticking to existing ways, the Company needs Directors and Executive Officers who are knowledgeable and seriously working in the sustainability field.
	Governance, internal control, legal affairs Building a right governance structure contributes to improvement of corporate values. To evolve into a company that appropriately manages risks and is aggressive at the same time, the Company needs Directors and Executive Officers who have sufficient knowledge and experience in the fields of corporate governance, internal control, and legal affairs.
	Experience in retail industry The driving force of the Company, which aims to "achieve abundant and enjoyable dietary lives," is merchandize development capability and ability to sell the merchandize. To lineup tasty products at reasonable prices in abundance and to create a selling floor where customers can enjoy choosing products, the Company needs Directors and Executive Officers who are not only knowledgeable in merchandize but also have abundant experience in retailing including manufacturing knowledge, merchandize development, and MD.
Business operation (items corresponding to the Company's business Characteristics and issues)	Merchandise development, MD Retailing is a labor-intensive industry and it is indispensable to improve productivity, to respond to various social issues such as a decline in working-age population due to the future low birth rate and ageing society. In addition to automation and labor saving through utilization of IT, the Company needs to evolve logistics by calculating from delivery to display, and it needs Directors and Executive Officers with solid knowledge and experience in IT and logistics.
	IT, logistics Yaoko Group aims to achieve the targets of 500 stores in Kanto and 1 trillion yen in sales, and it needs to build its store network in the Kanto region. To gain dominance in the Kanto region with various store formats including discount stores and to secure market share, the Company needs Directors and Executive Officers with rich experience in store opening and development.
	Store opening, store development Though common for all industries, the retail industry in particular adapts to changes and is required to adapt to changes in customer needs in particular. The management needs the ability to closely observe customers and the ability to respond to changes. The Company needs Directors and Executive Officers who have long-term perspectives and are able to understand potential customer needs.
	Innovation, new businesses

Compliance

■ Basic views and promotion framework

The mission of the Yaoko Group is to satisfy our customers through the products and services that only we can provide. However, we believe it is yet more important to provide these products and services in compliance not only with laws and regulations but also with the rules and norms of society in general, and to fulfill our corporate social responsibility.

At the Yaoko Group, we have a Compliance Committee, chaired by the President. The Compliance Division acts as the secretariat for this committee, which deliberates on basic policies and specific initiatives. By working under this framework in accordance with our Management Philosophy, Company Policy, and the Yaoko Group Code of Conduct, we aim to be a corporate group that wins the trust of all.

■ Yaoko Group Code of Conduct

Yaoko Group has a Yaoko Group Code of Conduct, which specifically illustrates its management philosophy, and we are taking thorough steps to raise awareness of the basic ideas and code of conduct common to all group employees. By using this as the axis for daily conduct, we will earn the trust of our customers and fulfill our corporate social responsibility.

■ Internal reporting office

The Yaoko Compliance Hotline in the Compliance Division is a place to report and receive consultation about illegal activities in the workplace. We are working to ensure the effectiveness of this system through measures such as accepting consultations from each Group company, not limiting their content to illegal activities, accepting anonymous reports and consultations, and preventing whistleblowers from being disadvantaged.

In accordance with the revision of the Whistleblower Protection Act, we designate whistleblower response personnel and impose confidentiality obligations on them.

■ Efforts to enforce compliance

In order to improve and establish compliance awareness, Yaoko conducts compliance training for employees based on the law and past incidents at other companies, including training for new employees and training by year of employment, and through various meetings and individual events, and we also work to foster a workplace culture that gives priority to compliance.

Main Financial Indicators (Consolidated) (Millions of Yen)

	6th Mid-term Management Plan			7th Mid-term Management Plan			8th Mid-term Management Plan			9th Mid-term Management Plan			10th Mid-term Management Plan		
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Total revenue	206,497	221,061	237,371	247,967	274,149	307,354	-	-	414,992	435,085	460,476	507,862	536,025	564,487	
(Compared to previous period)	99.1%	107.1%	107.4%	104.5%	110.6%	112.1%	-	-	-	104.8%	105.8%	110.3%	105.5%	105.3%	
Net sales	197,671	211,624	227,291	237,307	261,900	293,397	-	-	398,228	417,709	442,220	487,189	514,029	541,824	
Cost of sales	140,666	150,401	161,814	169,656	187,627	210,136	-	-	294,931	309,524	328,243	363,286	384,259	405,790	
(Cost rate)	71.2%	71.1%	71.2%	71.5%	71.6%	71.6%	-	-	74.1%	74.1%	74.2%	74.6%	74.8%	74.9%	
Gross profit	57,004	61,222	65,476	67,651	74,272	83,261	-	-	103,297	108,184	113,977	123,902	129,769	136,034	
(Gross profit ratio)	28.8%	28.9%	28.8%	28.5%	28.3%	28.4%	-	-	25.9%	25.9%	25.8%	25.4%	25.3%	25.1%	
Operating revenue	8,825	9,436	10,080	10,659	12,249	13,956	-	-	16,763	17,375	18,256	20,673	21,996	22,662	
Operating gross profit	65,830	70,659	75,556	78,310	86,522	97,217	-	-	120,060	125,560	132,233	144,575	151,766	158,696	
(Sales operating gross profit ratio)	33.3%	33.4%	33.2%	33.0%	33.0%	33.1%	-	-	30.1%	30.1%	29.9%	29.7%	29.5%	29.3%	
Distribution expenses	3,824	4,126	4,561	4,745	5,212	5,877	-	-	7,129	7,332	7,708	8,918	9,577	9,937	
Advertising and promotion expenses	2,035	2,210	2,116	2,110	2,233	2,463	-	-	2,829	2,934	2,996	2,718	2,669	2,761	
Provision for point card certificates	-	-	-	-	-	-	-	-	-	-	-	-	-	78	
Salaries and allowances	25,151	26,302	27,620	28,696	31,500	34,777	-	-	42,995	44,264	46,432	49,820	53,089	54,895	
Provision for bonuses for employees	1,795	1,832	1,897	1,957	2,084	2,163	-	-	2,684	2,599	2,812	2,922	2,987	3,180	
Retirement benefit expenses	1,257	1,236	1,289	1,367	1,263	823	-	-	1,033	1,029	1,059	1,097	1,148	1,573	
Provision for retirement benefits for directors	21	21	386	151	78	90	-	-	5	5	5	248	3	2	
Provision for retirement benefits for executive officers	-	-	-	-	-	-	-	-	2	2	2	2	2	1	
Provision for stock compensation for employees	-	-	-	-	-	-	-	-	346	284	389	229	565	387	
Provision for stock compensation for directors	-	-	-	-	-	-	-	-	42	42	42	40	37	29	
Legal welfare expenses	-	-	-	-	-	-	-	-	6,568	6,759	7,121	8,636	8,303	8,458	
Utilities	2,914	3,276	3,396	3,756	4,692	5,122	-	-	4,766	5,072	4,864	4,540	5,282	7,553	
Rent	6,937	7,099	7,270	7,745	8,456	9,164	-	-	11,557	12,058	12,603	13,336	14,166	14,728	
Depreciation and amortization	2,697	3,243	3,941	3,488	4,271	5,078	-	-	7,114	8,452	9,163	9,582	10,303	10,863	
Amortization of goodwill	-	-	-	-	-	-	-	-	1,015	1,015	1,015	1,015	1,015	-	
Other	10,597	11,707	12,297	13,307	14,728	18,184	-	-	14,997	15,805	16,132	19,008	18,530	18,008	
Total selling, general and administrative expenses	57,232	61,056	64,777	67,327	74,523	83,746	-	-	103,091	107,660	112,351	122,117	127,684	132,461	
(Sales, general, and administrative cost ratio)	29.0%	28.9%	28.5%	28.4%	28.5%	28.5%	-	-	25.9%	25.8%	25.4%	25.1%	24.8%	24.4%	
Operating income	8,597	9,603	10,779	10,983	11,998	13,470	-	-	16,969	17,900	19,882	22,458	24,081	26,235	
(Operating income ratio)	4.3%	4.5%	4.7%	4.6%	4.6%	4.6%	-	-	4.3%	4.3%	4.5%	4.6%	4.7%	4.8%	
Non-operating income	227	198	208	201	205	208	-	-	214	217	358	319	279	357	
Non-operating expenses	364	382	416	380	364	337	-	-	655	629	612	565	1,070	995	
Ordinary income	8,460	9,418	10,571	10,803	11,840	13,342	-	-	16,528	17,488	19,629	22,211	23,290	25,597	
(Ordinary income ratio)	4.3%	4.5%	4.7%	4.6%	4.5%	4.5%	-	-	4.2%	4.2%	4.4%	4.6%	4.5%	4.7%	
Extraordinary income	85	553	17	120	93	1,726	-	-	348	2,609	22	199	52	25	
Extraordinary losses	76	807	382	494	140	2,181	-	-	584	2,367	890	1,322	966	2,143	
Income before income taxes	8,469	9,165	10,205	10,429	11,793	12,887	-	-	16,292	17,730	18,761	21,089	22,376	23,479	
Net income attributable to owners of parent	4,827	5,148	5,388	6,019	7,110	7,834	-	-	11,004	11,798	12,458	14,593	15,382	15,849	
(Net income ratio)	2.4%	2.4%	2.4%	2.5%	2.7%	2.7%	-	-	2.8%	2.8%	2.8%	3.0%	3.0%	2.9%	
Capital investment	10,184	10,902	10,899	15,104	21,032	21,597	-	-	24,702	23,009	22,723	24,673	42,047	22,977	
New stores and prior investments	9,864	10,705	10,306	12,322	16,431	17,550	-	-	20,520	13,427	11,706	13,318	23,799	11,616	
Revitalizing existing stores	320	197	593	2,782	4,601	4,047	-	-	4,182	2,752	7,944	3,462	11,324	6,837	
Depreciation and amortization	2,697	3,243	3,941	3,488	4,271	5,078	-	-	7,114	8,452	9,163	9,582	10,303	10,863	
Total assets	80,299	91,307	99,810	105,046	126,612	133,628	-	-	213,673	224,315	244,511	269,121	305,997	318,231	
Current assets	14,552	17,124	17,826	20,305	25,430	21,449	-	-	35,601	38,507	48,062	58,091	60,303	76,625	
Non-current assets	65,746	74,183	81,984	84,740	101,182	112,178	-	-	178,071	185,807	196,409	210,999	245,673	241,595	
Deferred assets	-	-	-	-	-	-	-	-	-	-	39	29	20	11	
Total liabilities	43,999	50,691	54,889	55,134	71,466	72,116	-	-	129,034	130,259	140,473	152,495	177,168	176,618	
Net assets	36,299	40,615	44,921	49,911	55,146	61,511	-	-	84,639	94,055	104,037	116,625	128,828	141,613	
Operating cash flow	7,965	10,962	9,981	8,808	15,859	17,750	-	-	18,613	22,970	29,218	26,896	30,525	33,276	
Investing cash flow	(9,039)	(8,795)	(10,300)	(5,838)	(19,850)	(13,918)	-	-	(30,805)	(16,431)	(21,992)	(23,345)	(46,909)	(10,516)	
Financing cash flow	(129)	(721)	(654)	(2,086)	7,379	(6,105)	-	-	4,736	(5,715)	1,418	4,191	15,571	(8,251)	
Free cash flow (Operating CF + Investing CF)	(1,074)	2,167	(319)	2,970	(3,991)	3,832	-	-	(12,192)	6,539	7,226	3,551	(16,384)	22,760	
ROE	14.2%	13.5%	12.7%	12.8%	13.6%	13.5%	-	-	13.7%	13.2%	12.6%	13.2%	12.5%	11.7%	
ROA	6.0%	5.6%	5.4%	5.7%	5.6%	5.9%	-	-	5.1%	5.3%	5.1%	5.4%	5.0%	5.0%	
EPS	248.62	265.15	277.53	310.03	183.12	201.77	-	-	283.41	303.86	320.85	375.81	396.08	407.99	
BPS	1,859.18	2,079.54	2,298.69	2,552.70	1,409.88	1,584.19	-	-	2,179.81	2,422.24	2,679.23	3,003.15	3,317.02	3,644.95	
Total asset turnover (Times)	2.5	2.3	2.3	2.3	2.1	2.2	-	-	1.9	1.9	1.8	1.8	1.7	1.7	
Capital to asset ratio	45.0%	44.2%	44.7%	47.2%	43.2%	46.0%	-	-	39.6%	41.9%	42.5%	43.3%	42.1%	44.5%	
Outstanding shares (excluding treasury stock/average for period) (Shares)	19,415,585	19,415,255	19,415,045	19,414,755	38,829,105	38,828,669	-	-	38,828,270	38,829,591	38,830,676	38,833,224	38,837,603	38,847,080	

1. On March 27, 2010, Fresh Yaoko Co., Ltd., which was a consolidated subsidiary, was liquidated.
2. On March 26, 2015, Nihon Apoch Co., Ltd., which had been a consolidated subsidiary, was partly transferred to Alfresa Holdings Corporation. It became an equity-method affiliate and was excluded from consolidated subsidiaries from the fiscal year ended March 31, 2016.
3. On April 1, 2015, Sanmi Co., Ltd., which had been a consolidated subsidiary, was taken over, and thus we did not prepare the consolidated financial statements for the fiscal years ended March 31, 2016 and 2017.
4. On April 3, 2017, Ave Co., Ltd. became a consolidated subsidiary.

5. On April 1, 2015, the Company made a 2-for-1 split of its common shares. Book-value Per Share (BPS) and Earnings Per Share (EPS) are estimated based on stock split assumptions at the beginning of the fiscal year ended March 31, 2014.
6. Return on Equity (ROE) is calculated based on average capital over the period.
7. Since the fiscal year ended March 31, 2019, capital investment is written separately for stores (new and existing) and others.
8. Since the beginning of the fiscal year ended March 31, 2021, the Company applies the Accounting Standard for Revenue Recognition.
9. Since the fourth quarter of the fiscal year ended March 31, 2022, the equity method is applied to Sento Co., Ltd.

