



Yaoko Group Integrated Report

# YAOKO REPORT 2020



## The Joy of Living Near This Store

Eating is a major source of pleasure in life. The small joys of daily life include fresh juice on the breakfast table, fun treats for children, delicious snacks with alcohol, and dinner shared with the family around the table. We would like to provide that happiness.

We're aiming for a store that makes shopping fun and gives you a sense of enrichment. Appreciating the seasons, appealing to all five senses, making new discoveries, and being moved by the kindness of others. We aim to become the kind of store where you feel spiritually enriched in a society that is already materially enriched.

Food is culture. We believe that it is our important duty to get to know producers, to be grateful for the blessings of nature and the efforts of producers, to impart regional traditions and food cultures, to put into practice eating habits that lead to long, healthy lives, and to inherit and further develop our abundant food culture. We'll build a store that regions need; a store for connecting people and nurturing cultures.

We want to be a presence that all customers feel "happy to live nearby" and at the same time all our members feel "happy to work at."

## Management Philosophy

To contribute to the improvement and development of regional culture through enriching the everyday life of our customers by offering quality food.

## Company Policy

A cheerful life will create a cheerful store.

1. Create reliable goods that will make customers happy.
2. Build a spirit of service that is sincere to customers.
3. Build people who are always healthy, smiling, and active.



Yaoko store around 1958

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#### Editorial Policy

"Yaoko Report 2020" will include 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 will also be included. We hope it will be used by a variety of stakeholders, especially shareholders and investors, to promote understanding of Yaoko Group.

#### Important Points about Future Estimations

The "Yaoko Report 2020" 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.

## To be a company enriching our customers' daily lives

This year marks the 130th anniversary of the founding of Yaoko. There are about 4,000,000 companies in Japan, but long-established companies in business for over a century are just over 30,000, accounting for less than 1%. Long-lived companies are almost all relatively small, such as traditional Japanese confectioners in Kyoto. Very few are on the scale of Yaoko, which has annual sales of 400 billion yen. What is more, Yaoko has been continuing to grow, extending the reach steadily.

It goes without saying that the retail business is one of constant adaptation to change. We update the products and services to meet the changing needs of our customers, sometimes by encouraging changes in customers' daily lives. However, there is one thing that has not changed, and that should never change in the company; which is the corporate philosophy that forms the company's fundamental way of thinking. A company with a strongly-held corporate philosophy and the principle as the backbone of its corporate management will develop steadily for many years.

This company's fundamental philosophy is to contribute to the improvement and development of regional culture through enriching the everyday life of our customers by offering quality food. We don't just look at what will sell and what will be profitable. Our work is useful in making people's daily lives enjoyable and fulfilling, with a focus on regional foods. We want lots of people to feel happy that they live near our stores. That is our reason for existing and our purpose. Yaoko is often said to be unwavering, and I believe this is because our corporate philosophy is unwavering. Yaoko's principled management since the time of its founding has been the driving force for development of the company.

Enjoyable and fulfilling eating habits are the foundation of an enjoyable life for many people. The level of their supermarket determines the level of local people's eating habits. Therefore, our role is important and our work is worthwhile. We endeavor to enrich our customers' daily lives, in the hope of being a company appreciated by our customers.

Chairman  
Yukio Kawano

川野幸夫

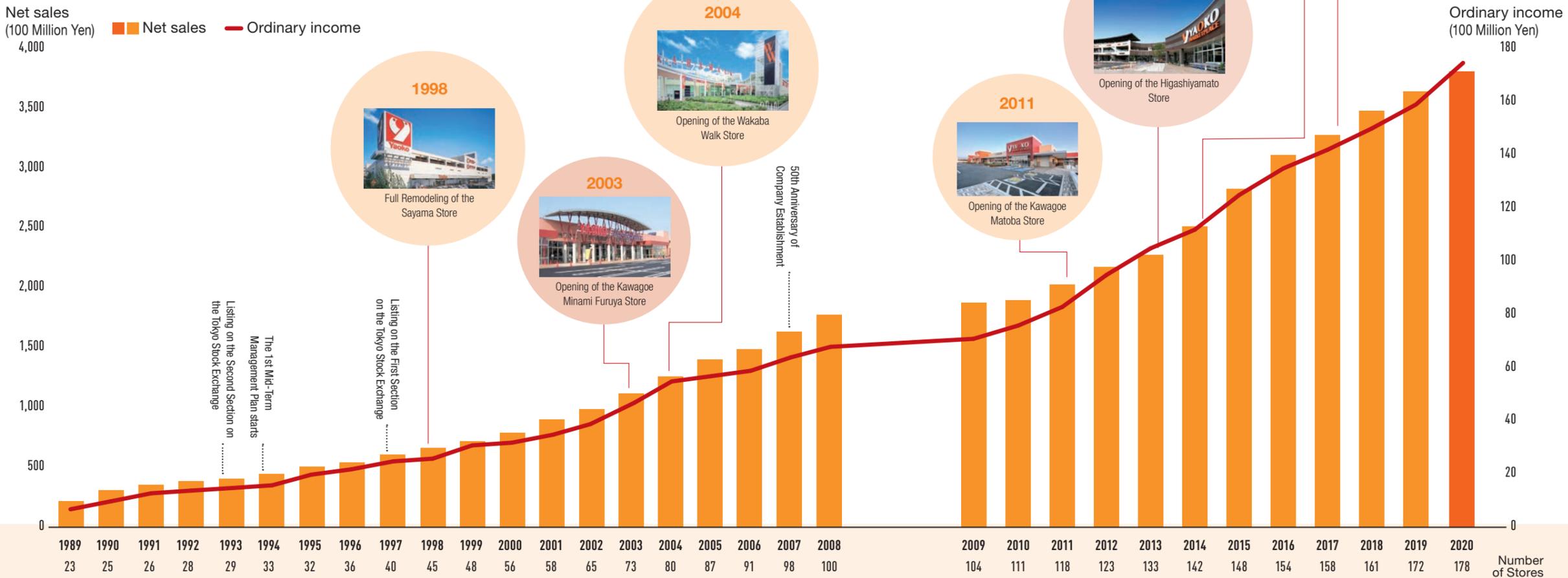


# Yaoko History and Performance Trends

Thanks to support from all of our stakeholders, Yaoko achieves 31 consecutive terms of increasing non-consolidated profitability as of March 2020.

Yaoko's growth in recent years derives from our three-year-term management plans, and we have a history of achieving store creation targets over these. This is the result of all stores coming together as one to achieve goals of year-over-year improvement time after time.

**Yaoko achieves 31 consecutive terms of increasing non-consolidated profitability!**



## Shifts in Mid-Term Management Plans

1st Mid-Term Management Plan	2nd Mid-Term Management Plan	3rd Mid-Term Management Plan	4th Mid-Term Management Plan	5th Mid-Term Management Plan	6th Mid-Term Management Plan	7th Mid-Term Management Plan	8th Mid-Term Management Plan	9th Mid-Term Management Plan
<b>Term</b> 1994 - 1996 Financial Year	<b>Term</b> 1997 - 1999 Financial Year	<b>Term</b> 2000 - 2002 Financial Year	<b>Term</b> 2003 - 2005 Financial Year	<b>Term</b> 2006 - 2008 Financial Year	<b>Term</b> 2009 - 2011 Financial Year	<b>Term</b> 2012 - 2014 Financial Year	<b>Term</b> 2015 - 2017 Financial Year	<b>Term</b> 2018 - 2020 Financial Year
<b>Theme</b> Establishing a Supermarket Business Format	<b>Theme</b> Creating Everyday Lifestyle Assortment-style Supermarkets	<b>Theme</b> Enriching the Sayama Model	<b>Theme</b> Enriching Meal Solutions	<b>Theme</b> Establishing the Yaoko Brand	<b>Theme</b> Perfecting Supermarkets That Offer Customers Abundant and Enjoyable Dietary Lives	<b>Theme</b> To Make a Clear Distinction as a Chain	<b>Theme</b> "To be Called Yaoko, not just a Supermarket" Relentlessly Building the Foundation for the Next Stage without Compromise	<b>Theme</b> <b>Establishing the Yaoko Way</b>
<b>Store Building</b> Grand Opening of the Sayama Store (Apr. 1994)	<b>Store Building</b> Full Remodeling of the Sayama Store (Oct. 1998)	<b>Store Building</b> Grand Opening of the Kawagoe Minami Furuya Store (Mar. 2003)	<b>Store Building</b> Opening of the Wakaba Walk Store (Jun. 2004)	<b>Store Building</b> Grand Opening of the Kawagoe Shinjuku Store (Jul. 2007)	<b>Store Building</b> Opening of the Kawagoe Matoba Store (Mar. 2012) Grand Opening of the Tokorozawa Mihara Store (Jan. 2010)	<b>Store Building</b> Grand Opening of the Higashiyamato Store (Jun. 2013)	<b>Store Building</b> Grand Opening of the Yaoko Seijo Store (Nov. 2017) Full Remodeling of the Kawagoe Minami Furuya Store (Mar. 2017) Grand Opening of the Lalaport Fujimi Store (Apr. 2015)	<b>Store Building</b> Opening of the Higashimatsuyama Shinjuku-cho Store (Feb. 2018) Opening of the Kuki Shobu Store (Mar. 2019)

## Company Overview

Company Name YAKO CO., LTD.  
 Location of Head Office 1-10-1 Arajukumachi, Kawagoe-shi, Saitama Prefecture 350-1124  
 Tel: 049-246-7000 (Switchboard)  
 Representatives Chairman Yukio Kawano  
 President Sumito Kawano  
 Executive Vice President Masao Kobayashi  
 Capital Stock 4.199 Billion Yen  
 Employees 3,613 (as of end of March 2020) <Consolidated>  
 \*Plus 11,628 partner and casual members (calculated at 8 hours per day)  
 Number of Stores 178 (as of March 2020) <Consolidated>  
 Subsidiaries Ave Co., Ltd.  
 Yaoko Business Service Co., Ltd.  
 Ogawa Trading Co., Ltd.

## History

- 1890**  
Establishment of Yaoko
- 1957**  
Incorporation of Yaoko (Ltd.)
- 1958**  
Introduction of Self-Service, Conversion to a Supermarket
- 1972**  
Opening of the Ogawa Shopping Center, Actual Start of Development as a Chain
- 1974**  
Reorganization of Yaoko to Go Public (YAKO Co., Ltd.)
- 1978**  
Opening of Ogawa Shopping Center Expansion
- 1986**  
Headquarters Moved to Kawagoe
- 1988**  
Stock Offering as Over-the-Counter Registered Stock

# Yaoko Group's Value Creation Story

Yaoko Group enriches the daily consumption of its customers and contributes to the improvement and development of regional culture by creating supermarkets that offer customers abundant and enjoyable dietary lives in a proposition style. We continue to grow, aiming to be both number one in regional market share for the community and as a lifeline.



**Achieving the Management Philosophy**

**Achieving Our Long-Term Vision**

**OUTCOME**

**Social Value**

- Enriched and improved dietary lifestyles
- Workplaces that provide drive to work
- The heart of the neighborhood

**Economic Value**

- 500 stores in Kanto area
- ¥1trillion in net sales

**Increased revenue base  
Establishing and reinforcing  
the Yaoko brand**

## Yaoko's Business Activities

**Strengths**

**Human Resources**

**Product Appeal**

- Main, fresh, and seasonal
- Delicious deli
- Charm of PB

**Proposal Power**

- Product lineup
- How to eat /Lifestyle suggestions
- Customer care
- Fun displays and spaces

**Business Partners/Landlords**

- Excellent producing areas/Producers
- Long-term, mutually beneficial networks with business partners

**Financial Base**

A sound financial base built on profits from corporate activities

**Management Policy/ Operating Policy/Strategy**

**Management Policy**

**Perfecting that offer abundant dietary supermarkets customers and enjoyable lifestyles**

**Operating Policy**

**Decent chain-store ralized system All-participation policy A thoroughly bottom-up Oper ation**

**Product and Sales Strategy**

**Operating Strategy**

**Human Resources Development Strategy**

**New Store and Growth Strategy**

**Further management infrastructure enhancements**

**Reinvestment in strengths**

**OUTPUT**

**Providing High Quality Service**

- Safe and reassuring
- Delicious and rich selections
- Affordable products
- Fun markets to shop in
- Markets with proposals and new discoveries
- Friendly customer service

**Social Issues Surrounding Yaoko Group**

- Aging Population and Declining Birthrate
- Labor Shortage
- Population Urbanization
- Increasing Public Finance Deficit
- Polarization of Consumption
- Other Industries Overcoming Barriers to Entry
- Advancement of Technology
- Climate Change and Environmental Issues



## Message from the President



### **Under the significant social changes, we will respond to the changing needs of our customers accurately and quickly.**

We are engaged in efforts to develop our business day to day, with our policy to create supermarkets that offer customers abundant and enjoyable dietary lives. Customers will not travel far to shop for their daily meals. Therefore, the quality of their diet depends on how good their neighborhood store is. We aim to create stores where customers feel enjoyable by everyday shopping convenient and comfortable, and offered friendly service to customers and suggestions the menu for dinner.

In order to achieve this end, we have structured ourselves around the concepts of "decentralized chain-store system" and "all participation policy". In other words, each person and each store considers local customer needs and takes actions as a team to satisfy them. The members working in each store are also local consumers. Making the most of this customer view-point in our marketplaces enable us to create stores where customers can find what they really want.

Our main strengths are our high-quality products and customer-oriented suggestions. We use only the best ingredients, such as in our specialty "ohagi" rice balls, and strive for freshness by processing foods in our stores. Our buyers travel across Japan and the world to find excellent products and suppliers, so that our stores are stocked with only the high-quality products. Homemaker is always concerned with what to cook for tonight. In terms of customer-oriented suggestions, we are making our marketplace where customers can decide dinner menu, through massive in-store presentation of seasonal fresh products. Moreover, we tailor product selections to meet various customer needs, such as by offering smaller packs for elderly customers or seasoned foods for busy young families.

These activities have gained us incredibly valuable assets in both our network of outstanding producers and suppliers, as well as the positive relationships we share with the landlords who have assisted in our regional expansion. We have

been achieving continuous, steady growth thanks to the support of so many stakeholders, and have now successfully achieved 31 consecutive terms of increasing profitability.

Currently, the social environment surrounding the supermarket industry is changing drastically. The spread of COVID-19 has accelerated social changes even further. Consumers have become more savings-oriented, and drugstores and e-commerce have been emerging as our competitors even more. At the same time, customers have rediscovered the joy of cooking and having meals with their family at home.

We will adapt rapidly to this changing environment while remaining dedicated to our unwavering philosophy and policies. FY2020 is the third year of our 9th Mid-Term Management plan, in which we stated the theme of "Establishing the Yaoko Way." This year also marks the 130th anniversary of the founding of YAOKO. In FY2020, we will intend to reinforce our chain store operation and to differentiate ourselves as attractive local stores with decentralized management, which will become the foundation of the next ten year growth.

All of us at Yaoko will make our best effort to ensure that all of our stakeholders are happy to have us here. We ask for your continued patronage and support.

President  
Sumito Kawano

川野澄人

# 9th Mid-Term Management Plan to Achieve our Long-Term Vision

Yaoko has developed strategic scenarios since our 1st Mid-Term Management plan starting in 1994, in order to achieve our goal of "perfecting supermarkets that offer customers abundant and enjoyable dietary lives." Starting in 2018, the 9th Mid-Term Management Plan is positioned as a three-year base for further growth of Yaoko, and calls for us to retain our Yaoko spirit even as the company expands in scale, using a systematic approach (establishing the Yaoko Way) for Yaoko's unchanging values and way of thinking, building up a corporate structure capable of adapting to survive any business environment. FY2020 is the third and final

year of the 9th Mid-Term Management Plan. While it has been posed a continued heavy cost burden on Yaoko, such as amortization of infrastructure investment in the past few years, personnel and utility expenses, our business environment has been shifted to which Yaoko has never experienced before, by the pandemic outbreak of COVID-19. Nonetheless, we aim to maintain continuous non-consolidated profit records, and reach 32 consecutive terms of increasing profitability by adequately responding to environmental changes.

## 9th Mid-Term Management Plan Main Theme

### Establishing the Yaoko Way

- Be a company which customers and members are happy to live nearby.
- Make customers' shopping and life experience comfortable (stress-free, abundant, and fun).

## Management Guideline

Perfecting supermarkets that offer customers abundant and enjoyable dietary lives

## Operating Policy

Decentralized chain-store system  
All-participation policy  
Bottom-up operation

### Establishment of a "Yaoko Way"

#### Reconfirming Yaoko's Strengths

##### Yaoko Store Strengths

- "Product Appeal" - Fresh and Seasonal, Delicatessen Taste, the Appeal of PB
- "Proposal Power" - Product Lineup by Use and Setting, How to Eat/Dietary Lifestyle Proposals
- "Customer Care" - Interacting, Caring For, and Taking Orders from Customers
- "Store Appeal" - Displaying Fun, Creating a Comfortable Atmosphere

##### Core of our Strengths

"Location Appeal" (= Human Power)

##### Base of our Strengths

#### System and Structure as a Chain

- Corporate Culture and Initiatives to Spread Management Philosophy
- Information System, Distribution Center, and Delicatessen and Fresh Food Center to Support Store Operations
- Long-term Mutually Beneficial Networks with Excellent Producing Areas, Producers, and Business Partners

## 1 Priority Issues

In order to polish our strengths in "supermarkets that offer customers abundant and enjoyable dietary lifestyles in a proposition style" to an unmatched difference with competitors over the term of our 9th Mid-Term Management Plan, we will develop an environment where stores can focus on what they truly need to do. We have reinforced our chain elements and value our time with each customer in order to enrich our store-by-store management chain-wide. And furthermore, we will use this to increase the share of customers in our business area that think "Yaoko is the only choice for shopping" within all areas we operate in.

### Structural Reforms to Strengthen the "Chain"

Reduced store work  
"Visualization" and "standardization" with the system upgrade

Increase Market Share in Business Areas  
(25% share within 1km areas)

Reinforcing Yaoko strengths (selection, treats, and customer service)  
Gaining absolute trust on frequent purchases (vegetables and daily use items)

## 2 Numerical Plan

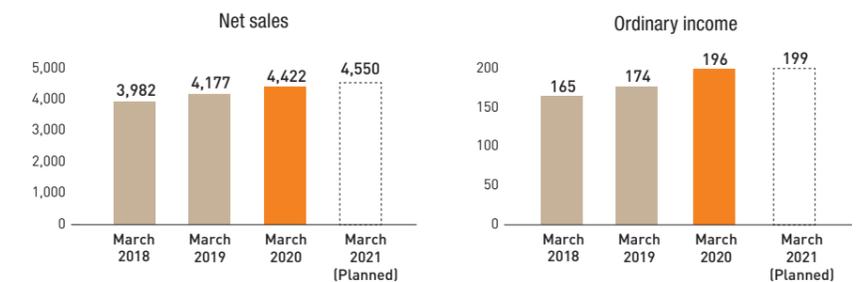
In FY2019, we achieved profit goals stated in the 9th Mid-Term Management Plan.

We plan to formulate the upcoming 10th Mid-Term Management Plan in FY2020, therefore, the earnings forecast for FY2020 is used for the target figures for the final year of the 9th Mid-Term Management Plan.

### FY2020 Target Numbers

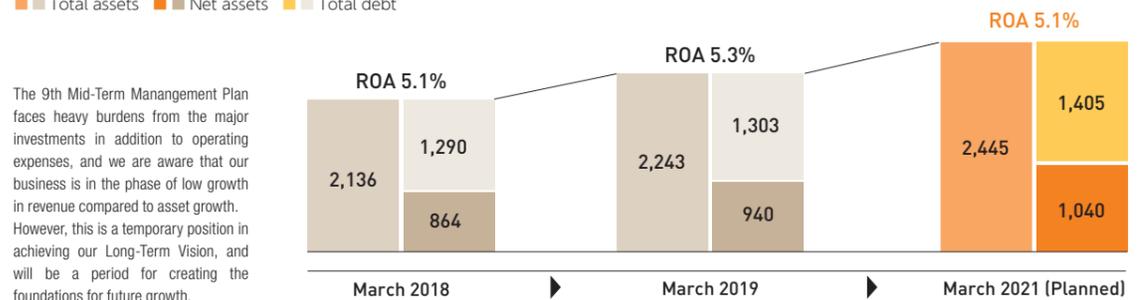
Consolidated	Net sales	¥455 billion	Ordinary income	¥19.9 billion	Net sales to ordinary income ratio	4.4%
Non-consolidated		¥395 billion		¥18 billion		4.6%

### Net sales and operating income ratio (¥100M)



### Balance sheet management (ROA) (¥100M)

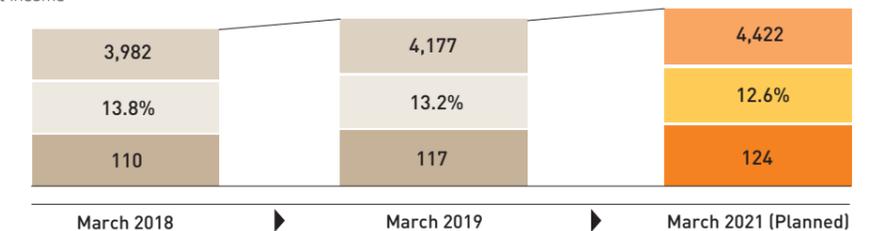
■ Total assets ■ Net assets ■ Total debt



The 9th Mid-Term Management Plan faces heavy burdens from the major investments in addition to operating expenses, and we are aware that our business is in the phase of low growth in revenue compared to asset growth. However, this is a temporary position in achieving our Long-Term Vision, and will be a period for creating the foundations for future growth.

### Profit and loss plan (ROE) (¥100M, %)

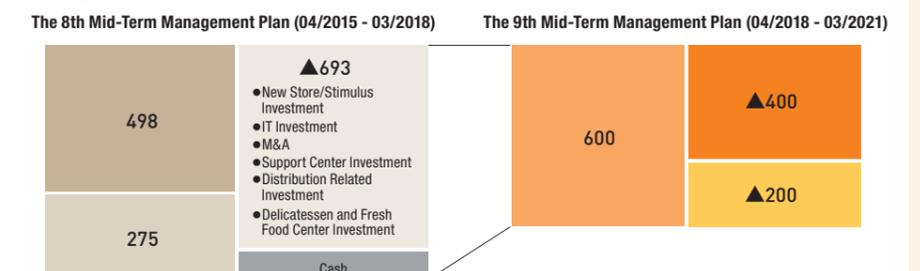
■ Net sales ■ ROE ■ Net income



### Cash flow (¥100M)

■ Business CF ■ Financial affairs CF ■ Investment CF

Increases in interest-bearing debts from past major investments exceeded sales cash flow. As major investments are temporarily halted for the 9th Mid-Term Management Plan, the plan calls for maintenance of investments within the scope of sales cash flow. Furthermore, Yaoko holds stable dividends as part of its dividends policy, and plans to aim for a payout ratio of 20%.



# Yaoko Group's Vision and Strategy

Yaoko Group has stated its management philosophy as "To contributing to the improvement and development of regional culture through enriching the everyday life of our customers by offering quality life." To support local customers making their daily lives enjoyable and fulfilling is our importance of existence and the mission of our company. We strive to sustain growth, in pursuit our mission through achieving to perfect "supermarkets that offer customers abundant and enjoyable dietary lifestyles." Specifically, we have set our vision for the future in three areas: "Our Store Creation & Merchandising," "System Development," and "Work Environments."



## Our vision of the future

Long-Term Vision

To become the best supermarket chain which enriches the everyday lives of customers

Long-Term Goals

Making "500 Stores, 1 Trillion Yen in Sales" and "A Corporation that Delivers Lots of Happiness" a Reality.

Mid-Term Goals

250 Stores ¥500 Billion in Sales



### Strategies for achievement

**Product and Sales Strategy**  
▶ P17  
**New Stores and Growth Strategy**  
▶ P23

**Operational Strategy**  
▶ P19

**Human Resources Development Strategy**  
▶ P21

**Corporate Governance**  
▶ P25  
**Environmental Management**  
▶ P31

### Efforts to solve societal issues

#### Store Creation & Merchandising

To be the best store and customers' base for their dietary lives solution in the community

- Unique merchandising with very fresh food and abundant delicatessen
- To deliver stores in which incorporated feedback from customers and the local community (each store has its own merchandising)
- As the company with customers' perspective, to have overwhelming competence in product and production area development
- To create stores that bring customers in by being community-based and providing entertainment experience (enhancing brick-and-mortar store strengths against online stores)



#### System Development

To create an environment that eliminates "overburden", "waste", and "nonuniformity" from store operation in order to focus on the strengths of Yaoko

- Standardizing simple work, while partially replacing with IT, and thoroughly systematizing work process
- Making full use of IT to incorporate all customers' feedback
- To streamline in-store work so that knowledgeable members can offer customers better service.



#### Working Environment

Inheriting the Yaoko spirit, and to be a company worth working at

- To be the best company in Japan to join and work
- To maintain a family-like company culture



#### Business infrastructure and the global environmental conservation

- Reducing the environmental burdens from packaging (eliminating plastics)
- Realizing energy savings
- Reducing food loss and promoting recycling
- Enhancing corporate governance
- Promoting fair business practices



#### Social issues surrounding Yaoko Group

- Aging Population and Declining Birthrate
- Labor Shortage
- Population Urbanization
- Increasing Public Finance Deficit
- Polarization of Consumption
- Other Industries Overcoming Barriers to Entry
- Advancement of Technology
- Climate Change and Environmental Issues



# Product and Sales Strategy



**Store Creation & Merchandising**  
To be the best store and customers' base for their dietary lives solution in the community

**Yaoko Group's Vision**

- Unique merchandising with very fresh food and abundant delicatessen
- To deliver stores in which incorporated customers' and the local community's opinions (each store has its own merchandising)
- As the company with customers' perspective, to have overwhelming competence in product and production area development
- To create stores that bring customers in by being community-based and providing entertainment experience (enhancing brick-and-mortar store strengths against online stores)

**9th Mid-Term Management Plan Key Issues**

**Policy**

- Improve the base level (freshness, cleanliness, stock availability, customer service)
- Create a store chosen for its fruit and vegetables
- Create products only available at Yaoko
- Increase sales strength (massive in-store presentation of products, menu suggestions)

**Target** > 25% market share within 1km

**KPI progress**

Year	Market Share
2018/3 >	16.6%
2019/3 >	17.0%
2020/3 >	19.5%

**FY2019 Efforts and Toward FY2020**

In terms of product, we have focused our efforts on a selection that lends itself to distinction and independence, using direct imports and product development with ingredients from raw material procurement, in order to develop our private brands and explore new producers and sources within and outside Japan.

On the sales front, we have worked to enhance sales of seasonal and core products, and to invigorate our stores from evening.

With the FSP (Frequent Shoppers Program) using Yaoko Cards, we have worked to win further customer support by developing powerful sales promotion to suit changes in consumer confidence after the consumption tax hike.

It is expected that COVID-19 global pandemic would change people's behaviors and values to shift to a new consumption style, and accelerate the polarization of consumption. In FY2020, we will continue to refine the sales strength which is our core competence, and enhance proposals for new dietary lives and menus, in light of the fact that supermarkets importance of existence would increase as people eat at home more often. At the same time, it is expected that consumers would tend to be more in low-price orientation, and so we will also enrich our efforts for taking measures to attract the price-conscious consumer.

**TOPICS**

**To make products only available at Yaoko**  
**Delicatessen Products**

In order to be the store specializing in food with a wide variety of products to provide customers enjoyable choices, we are working to develop products unique to Yaoko utilizing our Delicatessen and Fresh Food Center. We have promoted the fresh and flavorful appeal of our products utilizing the strength in-store merchandise, and launched our own delicatessen brand such as "Sachikara" for deep-fried chicken in March 2019, "Isaribi" for fish delicatessen in December 2019, and "Ajian" for all kinds of Asian cuisine in March 2020.



"Ajian"

**Expanding upon unique ingredients utilization**  
**Expanding upon Product Development by Utilizing our "Yes! Yaoko Junsui Hachimitsu" Brand as an Ingredient**

We procure delicious ingredients developed only after our buyers see the production area with their own eyes and taste ingredients with their own tongues, and use the ingredients across divisions and share with business partners in order to develop products only available at Yaoko to differentiate in the market. We not only expand our product lineup, but also use our unique ingredients to make suggestion on menu working with Cooking Support for customers.

**Interdivisional application of our unique ingredients**



**Expanding upon unique ingredients utilization**  
**Product Proposals Using FSP Data**

With the introduction of the Yaoko Card, we have been using data from the FSP (Frequent Shoppers Program) to find potential customer needs and features of

each store to provide suitable and speedy sales floor suggestions and brush-up our product lineup. For the 9th Mid-Term Management Plan period, we have stated our approach to the high-volume "home cooking segment" as a priority measure in order to expand support from young families. We are working to develop and sell semi-prepared food and time-saving food products, and sales have risen year-on-year for these products in existing stores among "home cooking segment".



Jitan ("Time Saving") Series

**Efforts to improve sales strength**  
**Yaoko Challenge!**

We basically implement five in-store promotions every month, and inform customers by promotional flyers. With our promotional flyers, we propose as "Today's item!" by providing massive in-store presentation of seasonal fresh products. We have linked this project of massive in-store presentation of seasonal fresh products with our employee training, called "Yaoko Challenge!". All store members work together to propose their own way of massive in-store presentation of seasonal fresh product under the same theme at each store, in order to improve sales results and strength.



The Yaoko Challenge!

# Operational Strategy



**System Development**  
To create an environment that eliminates "overburden", "waste", and "nonuniformity" from store operation in order to focus on the strengths of Yaoko.

**Yaoko Group's Vision**

- Standardizing simple work, while partially replacing with IT, and thoroughly systematizing work process
- Making full use of IT to incorporate the opinions of customers
- To streamline in-store work so that knowledgeable members can offer customers better service.

**9th Mid-Term Management Plan Key Issues**

**Policy**

- Establishing, absorbing, and advancing improvements
- To create benefits with new information systems (streamlining and upgrading business)
- Utilizing the function of our Delicatessen & Fresh Food Center and new Logistics Center

**Target**

Reduce in-store work by **15%**, improvement of existing store MH sales

**KPI progress**

Comparison of existing store MH sales

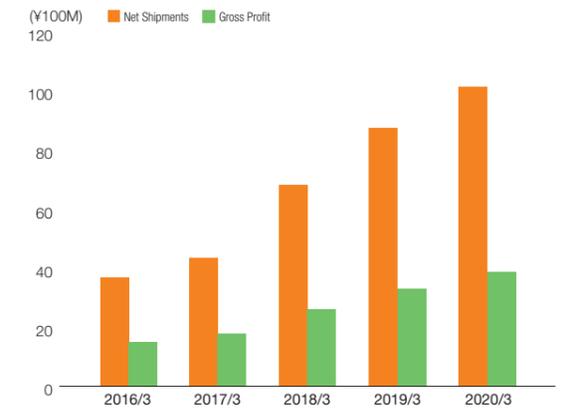
2018/3	>	100.4%
2019/3	>	102.7%
2020/3	>	104.7%

**FY2019 Efforts and Toward FY2020**

We have gone deeper and broader with our model for productivity improvement based on revision of in-store work processes, while also expanding the introduction of self check-out registers, automation using IT devices such as through operation of our new core system, and otherwise promoting efficiency of work. We have also made greater use of our Delicatessen and Fresh Food Center to increase our share of supply to stores and ensure a high level of product quality, thereby promoting product development and introduction that lead to energy and labor savings in stores.

In FY2020, we continued and developed improvement measures in stores to reinforce solidarity as a chain, while also enriching the individual stores and sales floors that are the core strength of Yaoko.

**Net Shipment Trends of the Delicatessen & Fresh Food Center**



**Improving Foundational Strength**

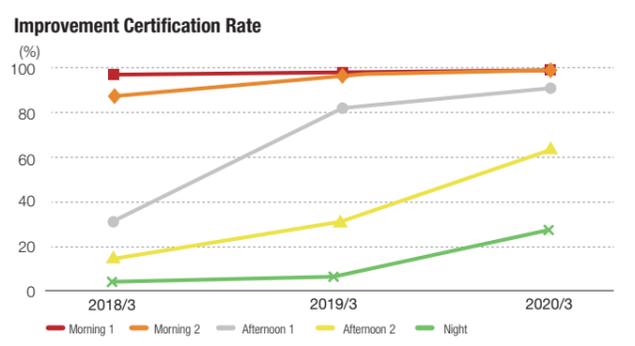
**Developing our Logistics Network**

With the goal of reaching "a 500-store operation and ¥1 trillion in sales," we are developing and enriching the foundation of logistics infrastructure. At present, we have opened dry logistics centers at 3 locations (Sayama, Kumagaya, and Chiba), and chilled logistics centers at 6 locations (Sayama, Kumagaya, Chiba, Isesaki, Yokohama, and Matsudo). By operating these centers, we have shortened shipping distances, reduced logistics costs, cut back our environmental footprint, and enabled safe and steady shipment to all of our stores. At our Kumagaya Logistics Center, which began operation in FY2017, we have taken initiatives to improve productivity and enhance our unique product lineup, such as subdividing category deliveries, and building a warehouse for direct import wine, as well as a produce processing plant.

**TOPICS**

**Effects of Improvements**  
**Enriching our sales floors from evening onwards**

In terms of improvement initiatives to standardize work in stores, we are laterally expanding our Soka Hara-cho Store model started in FY2013. We are now recognizing and firmly establishing improvements in each district, with a focus on model stores. We have divided work throughout the day into five time slots: Morning 1, Morning 2, Afternoon 1, Afternoon 2, and Night. Recognition of improvements has been completed in nearly all of our stores up to the Afternoon 1 time slot. Currently, we are making improvements throughout the day, including the Afternoon 2 and Night time slots. We are also working to raise revenue from the evening onwards, such as by revitalizing night markets.



**Enhancing Proposal Strength and Improving Productivity**  
**Opening of the Delicatessen & Fresh Food Center**

At our Delicatessen & Fresh Food Center in Higashimatsuyama, we opened Center No. 2 in FY2017, further enhancing our mechanisms for backing up stores. In order to develop unique products that can only be bought at Yaoko, we are enhancing our in-store strengths, as well as further refining and differentiating our products. By expanding the supply of finished products and kit products from our Delicatessen & Fresh Food Center, we have reduced work done in stores. In FY2019, the Delicatessen & Fresh Food Center reached a 29.0% share of the supply to our Deli Departments.

With the goal of ensuring the safety and security of food, in 2014 we obtained, the International Organization for Standardization "Food Safety Management Systems" certification or "ISO22000," and we are working to further enhance, maintain, and improve our systems.



Sayama Logistics Center



Kumagaya Logistics Center

# Human Resources Development Strategy



### Yaoko Group's Vision

- To be the best company in Japan to join and work
- To Maintain a family-like company culture

### 9th Mid-Term Management Plan Key Issues

**Policy**

- Continuation of recruitment, retention, and training of personnel resources
- Establishing a training and support system for leader-centered teams
- Building organizations to understand each other's thoughts and see each other's faces
- Building workplaces where diverse human resources can succeed (diversity)

**Target**

- Making work worthwhile and improving work environments

### KPI progress

	Paid Leave Use Rate	Employee Satisfaction Levels
2018/3	20.0%	3.45
2019/3	18.1%	3.43
2020/3	36.4%	3.38

### FY2019 Efforts and Toward FY2020

In parallel with these improvements, we have continued awareness reform of work styles and efforts to improve work environments. In particular, we have worked to develop and use work systems that make it easier for employees to take leave and ensure the same pay for same work, in compliance with the Revised Labor Standards Act. We have also expanded our systematic education offered at Yaoko University, which we established within the company as a foundation for personnel training, and have continued to accept foreign technical interns, who are active in our stores as well as our Delicatessen & Fresh Food Center.

FY2020 marks the 130th anniversary of our founding. We will incorporate the Yaoko spirit carried on since our founding into various educational tools, and inherit a corporate culture that allows each individual employee to take initiative in their thoughts and actions.

### Efforts on societal issues in our training strategy

### Promoting diversity

As Japanese society experiences a declining birth rate and aging population, and as the size of our company grows, labor shortages have become a constant issue. We are working to reduce employee turnover by promoting work-life balance with reform of work styles inside the company, and by enhancing our educational system so that our employees find it comfortable and meaningful to work at Yaoko. Another effort we have made towards priority measures has been to actively promote the advancement of women and hire more foreign applicants. In terms of promoting the advancement of women, based on the Act on Promotion of Women's Participation and Advancement in the Workplace, we have announced an action plan to add 30 more women to management positions in the 5 years from 2016. Following this plan, we have increased the total number of women in management positions from 44 in the first year to 62 as of March 31, 2020.

In terms of hiring more foreign applicants, we have nearly 500 foreign employees as of March 31, 2020. Of those employees, nearly 250 are foreign technical interns learning skills while they work in our stores and

the Delicatessen & Fresh Food Center. By not only working at Yaoko, but also participating in recreational activities and company events, they also experience Japanese culture.



Foreign Technical Interns from Sri Lanka

## TOPICS

### Aiming to maintain the health of employees

### Implementing health management

For the second year in a row, Yaoko was certified as a top Healthy Management Company (White 500) in 2020. We were appraised on and certified for our past several years of company-wide efforts to promote health. These efforts included improving physical examination rates, assigning public health nurses, conducting original Yaoko Exercises, and holding a huge athletic meet titled "Celebration of Sports and Music." Based on the idea of "making health part of the Yaoko brand," we have implemented various sports event plans as part of "health projects" aimed at improving health awareness among employees, and are also using these events as a venue for interaction between other companies in our industry and members of local communities. We see maintaining the mental and physical health of employees through these efforts as one of the most important factors in the sustainable development of our company.



Health Project: Futsal Tournament



### Work Environment Data

	2018/3	2019/3	2020/3	
Number of Employees	Men	2,584	2,695	2,782
	Women	549	606	663
	Total	3,133	3,301	3,445
	PHA Employees (calculated at an average of 8H over the period)	10,690	10,899	11,185
Average Age (years)	38.4	38.6	38.8	
Average Years of Service	10.3	10.5	10.7	
Male/Female Ratio in Management Positions	Ratio of men	93.2%	92.4%	92.4%
	Ratio of women	6.8%	7.6%	7.6%
	Number of Women in Management	51	64	62
Employment Rate of Disabled Persons *Including PHA employees	2.34%	2.46%	2.47%	
Number of Childcare Leave Takers *Including PHA employees	70	90	98	
Paid Leave Use Rate	20.0%	18.1%	36.4%	
Rate of Work Accidents (per thousand employee annually)	3.2	3.1	4.05	
Average Annual Salary (¥1,000)	6,015	5,858	5,830	
Labor Distribution Rate	48.7%	48.1%	47.9%	
Employee Satisfaction Level *Leader, Employee in Charge, PH Employee Work Satisfaction Score / Maximum 5 points	3.45	3.43	3.38	

# New Stores and Growth Strategy



**Store Creation & Merchandising**  
To be the best store and customers' base for their dietary lives solution in the community

**Yaoko Group's Vision**

- Unique merchandising with very fresh food and abundant delicatessen
- To deliver stores in which incorporated customers' and the local community's opinions (each store has its own merchandising)
- As the company with customers' perspective, to have overwhelming competence in product and production area development
- To create stores that bring customers in by being community-based and providing entertainment experience (enhancing brick-and-mortar store strengths against online stores)

**9th Mid-Term Management Plan Key Issues**

**Policy**

- Opening new stores (comply dominant strategy) and continuing deliberate remodeling
- Acquiring knowhow of Ave business and examining opening new type of stores
- Establishing the e-commerce-ready store model

**Target**

Achievement of **5%** growth

**KPI progress**

Number of Stores <Consolidated>

2018/3	>	<b>168</b> stores
2019/3	>	<b>172</b> stores
2020/3	>	<b>178</b> stores

**FY2019 Efforts and Toward FY2020**

Our new store and growth strategy forms the base for achieving our long-term vision for "Store Creation & Merchandising." We will be the best store in the community and the customers' base for dietary lives solution, and open new stores so that customers can experience the joy of having Yaoko in their lives, while also opening new businesses that form the foundation for growth.

In FY2019, we opened 5 stores such as Higashikurume Takiyama Store and SMARK Isesaki Store. We have also remodeled existing 9 stores for its revitalization. We have laterally expanded measures that make it possible to save energy and streamline work at Kuki Shobu Store, which we originally opened as a model for future flagship stores. This was the 6th year since we started online supermarket business, and now we offer online supermarket service at 6 existing stores in total, including the store which has started the service in April 2020.

In FY2020, we will continue our dominant strategy to enhance competitiveness, restructuring store formats, standardizing and expanding online supermarkets service in order to increase our market share.

Responding to e-commerce

**Online Supermarket Efforts**

**ネットスーパー**

We launched Yaoko Online Supermarkets in FY2014 to complement physical supermarkets, and we currently offer its service at 6 existing stores. This is an effort to remove hardships for customers who can't go shopping for various reasons, such as households with children or elderly individuals. Their delivery areas generally range around 1.5 to 2 kilometers (or a larger range only for the Kamifukuoka Komabayashi Store) covering areas where we do not have physical stores. This effort contributes to increasing our market share, and we are currently establishing dominance in the Kawagoe area.



Online Supermarket Workspace in Kamifukuoka Komabayashi Store

**ave**

**Ave Store Creation**

Ave store creation continues to boost productivity through incredibly low prices and low cost operations. Ave's strengths are its use of a processing center, as well as its expertise and systems for support of high productivity, such as infrastructure and materials handling equipment. In September of FY2018, Ave opened its Shin-Tsurumi Store in Tsurumi Ward, Yokohama, the first new openings in 4 years. In September 2019, it opened its Nanbu Ichiba Store in Kanazawa Ward of the same city.

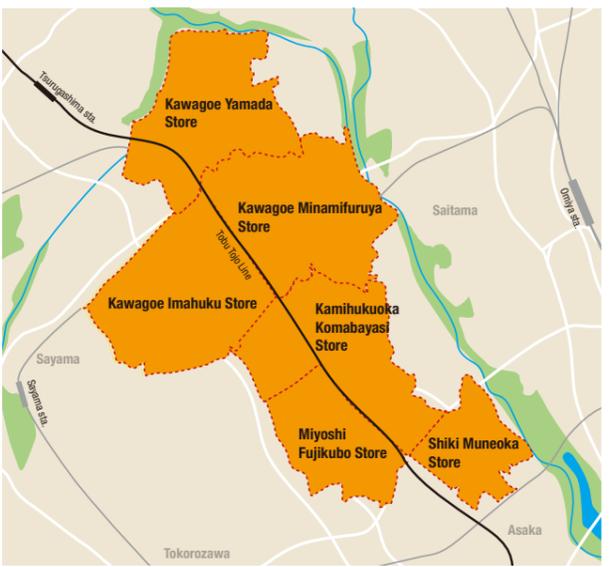
**TOPICS**

**Store Opening Strategy**  
**Opening new stores around Tokyo Metro Area**

We plan to make a formation of dominant new stores in a donut-shaped area 20 to 40 kilometers from the city center of Tokyo. We are opening stores in the Kanto region, and at present view the more concentrated population centers of Saitama, Tokyo, Chiba, and Kanagawa prefectures as our most important areas. Each new store will have a business area in a 1 to 3 kilometer radius around the store. We assess new store locations using all information networks and based on a sound investment recovery plan. Landlords are made aware of our management policies, operation policies, and strategies, and we work to build long-term, trusting relationships with them. We are also experimenting with small urban stores for advances into the city center market inside the donut-shaped area. We are currently testing the urban model by building its own merchandising and store operations at Yaoko Seijo Store.



Kuki Shobu Store



Map of area covered by our Online Supermarkets Service

# Corporate Governance

## Executive Group Photo



### Executives

Back row from left	<b>Tsuyoshi Ikarashi</b> Auditor(External) (New)	<b>Yukio Sato</b> Auditor(External)	<b>Takao Wakabayashi</b> Auditor(Full-time)	<b>Katsuhiro Hashimoto</b> Auditor(External) (New)	<b>Shinichi Togawa</b> Director General Manager of Information Systems Division and Infrastructure Division in charge
Middle row from left	<b>Hiroaki Yagihashi</b> Director General Manager of Development Division	<b>Takanori Ishiduka</b> Director General Manager of Sales Division	<b>Masanobu Kamiike</b> Executive Managing Director Chief Administrative Officer and Development Division in charge	<b>Hisashi Sakamaki</b> Director(External)	<b>Mitsuo Kozawa</b> Director General Manager of Sales and Marketing Division
Front row from left	<b>Masao Kobayashi</b> Executive Vice President	<b>Yukio Kawano</b> Chairman	<b>Sumito Kawano</b> President	<b>Shigeyuki Kurokawa</b> Director(External)	<b>Asako Yano</b> Director(External)

# Corporate Governance



## Governance that has made it possible to achieve 31 consecutive terms of increasing non-consolidated profitability

The basis of company management is "honesty" declared in company policy.

Honest business with no lies or tricks and the transparent, healthy management is our first principle, and since our founding 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 these 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 31 consecutive terms of increasing profitability.

## Governance

### Overview of the Basic Policy on Corporate Governance

The basis for corporate governance of Yaoko is to maximize corporate value by meeting the expectations of our shareholders and all other stakeholders, and conducting efficient and sound corporate management.

In order to do so, we consider it crucial for us to comply with various laws, rules, and social norms, and maintain our high ambitions for management and unity, while executing fair and transparent business and maintaining stable, continuous growth

as a corporation.

Through our supermarket business, we contribute to customers and communities by broadly fulfilling our corporate social responsibility (CSR) such as ensuring the safety of our products and conforming to the social environment, and we have given special status to management with the goal of creating a unique presence.

### Yaoko's Corporate Governance System

#### Board of Directors

The Board of Directors decides on important matters relating to management, including the budget, financial results, opening new stores, remodeling and other store data, as well as monitoring the status of business execution.

#### Board of Corporate Auditors

Our Board of Corporate Auditors has 1 full-time auditor and 3 external auditors. Experts (tax accountants, public health nurses, and former police officers) have been chosen as outside auditors in order to ensure the legality and propriety of business executed by Yaoko. The Board of Corporate Auditors audits management issues.

#### Management Promotion Council

This council generally meets once monthly in order to discuss and decide on important executive policies relating to the management and business operation administration of Yaoko and its affiliate companies.

The President of Yaoko chairs these meetings, with internal directors, full-time auditors, executive officers, and department managers in attendance.

#### Internal Control Committee

This committee generally meets four times annually to discuss and decide on important matters relating directly or indirectly to financial reports, in order to ensure the suitability of financial reports. The president of Yaoko chairs these meetings, with vice presidents, full-time auditors, section managers, relevant department managers, and fiscally-concerned parties in attendance.

#### Compliance Committee

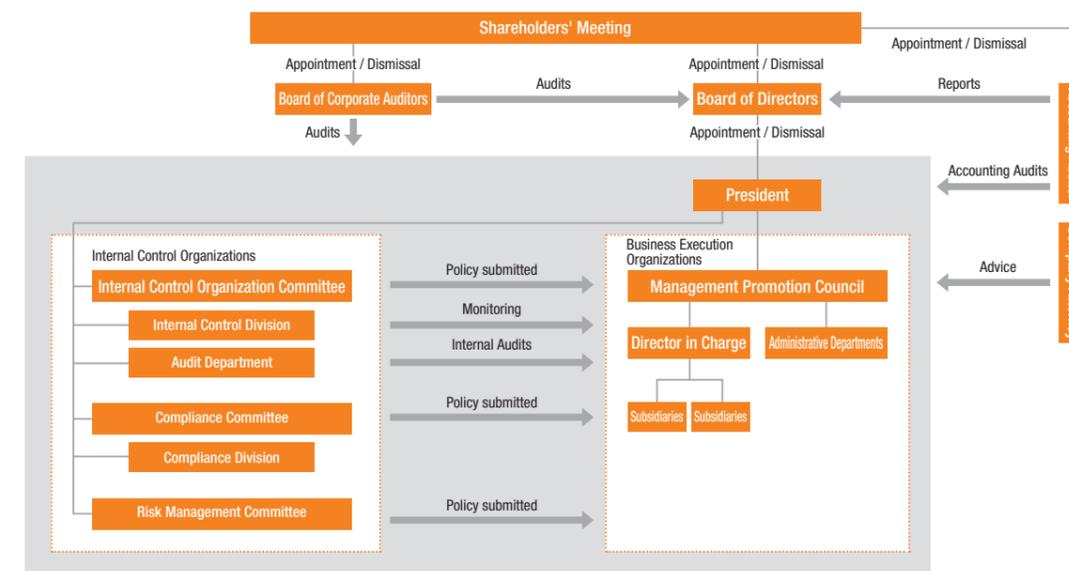
This committee generally meets twice annually to discuss and decide on compliance, environmental problems, fair transactions, privacy protection and management, and other such issues.

The President of Yaoko chairs these meetings, with internal directors, full-time auditors, executive officers, and department managers in attendance.

#### Risk Management Committee

This committee generally meets twice annually to evaluate and discuss specific risk scenarios and risk reduction measures, apply the PDCA concept, and discuss and decide on issues relating to risk management in the company. The President of Yaoko chairs these meetings, with internal directors, full-time auditors, executive officers, and department managers in attendance.

### Yaoko's Corporate Governance System



### Overview of Board of Directors & Board of Corporate Auditors

Main Items	Content
Organizational Structure	Company with Board of Corporate Auditors
Number of Directors (of whom, External Directors)	11 (3)
Number of Auditors (of whom, External Auditors)	4 (3)
Number of meetings of the Board of Directors (FY2019)	14
Number of meetings of Board of Corporate Auditors (FY2019)	16
Term of office for Directors	1 year
Term of office for Auditors	4 years

### Assessment of the effectiveness of the Board of Directors

The Board of Directors analyzed and assessed its effectiveness in FY2019. A questionnaire survey was conducted on directors and auditors, and the Board of Directors debated the results. They reached the conclusion that the effectiveness of the Board of Directors of Yaoko has been secured.

The Board of Directors is also working on the issue of "taking appropriate measures to ensure transparency in our business processes" in order to maintain and improve its effectiveness.

# Corporate Governance

## Director Compensation Basic Policy

Director compensation at Yaoko is set to an amount thought to be appropriate based on the management performance of the company and evaluation of each Directors' execution of their work duties, within the limits of compensation determined by the General Meeting of Shareholders. The authority to decide policies relating to the amount and method of calculating compensation for Directors of Yaoko is determined by President Sumito Kawano, who himself was appointed by the Board of Directors. After explaining to the Board of Directors the policy and methods behind determining compensation, and carefully deliberating these matters with the members of the Board of Directors including

independent outside directors, the President then determines the compensation for each director within the limit on compensation described above. Yaoko has also introduced a stock compensation system delivered through trusts to internal directors, in a separate category from the aforementioned compensation amount. Compensation for auditors is determined by discussion by auditors, within the aforementioned limit on compensation.

## Reason for appointment of external officers

	Name	Reason for appointment
External Director	Shigeyuki Kurokawa	Mr. Kurokawa has been highly evaluated for his achievements and insight as an executive manager in the finance and real estate industries. He was appointed to use this expertise for deciding on important matters of management and monitoring business execution.
	Asako Yano	Ms. Yano has been highly evaluated for her achievements and insight as an executive manager in marketing and branding. She was appointed to use this expertise for deciding on important matters of management and monitoring business execution.
	Hisashi Sakamaki	Mr. Sakamaki has been highly evaluated for his achievements as an executive manager. He was appointed to use this expertise for deciding on important matters of management and monitoring business execution.
External Auditor	Name	Reason for appointment
	Yukio Sato	Mr. Sato was appointed in order to receive his advice mainly relating to crime prevention measures and measures to respond to crimes committed against the company, based on his experience as a police officer and his expertise in crisis management.
	Katsuhiro Hashimoto	Mr. Hashimoto was appointed because we can expect him to give general advice on Yaoko's hygiene management, based on his experience at a public health center, and expertise as a hygiene management supervisor.
	Tsuyoshi Ikarashi	Mr. Igarashi was appointed because we can expect him to give general advice mainly relating to accounting and tax affairs, based on his expertise as a tax accountant.

The Company appoints all external directors and external auditors as independent officers. Criteria for determining independence follow the independence criteria set forth by the Tokyo Stock Exchange.

## Compliance

### Establishing the Yaoko Group Code of Conduct

Yaoko Group has established the "Yaoko Group Code of Conduct," which specifically illustrates our 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.

### Establishing an internal reporting office

The "Yaoko Compliance Hotline" in the Compliance Division is a place to report and receive consultation about criminal or potentially-criminal activities in the workplace. We are working to ensure the effectiveness of this system by not limiting consultations to criminal activities, allowing anonymous reports and consultation, and preventing whistleblowers from being disadvantaged.

### 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 by year, and through various meetings and individual events, and we also work to foster a workplace culture that gives priority to compliance.



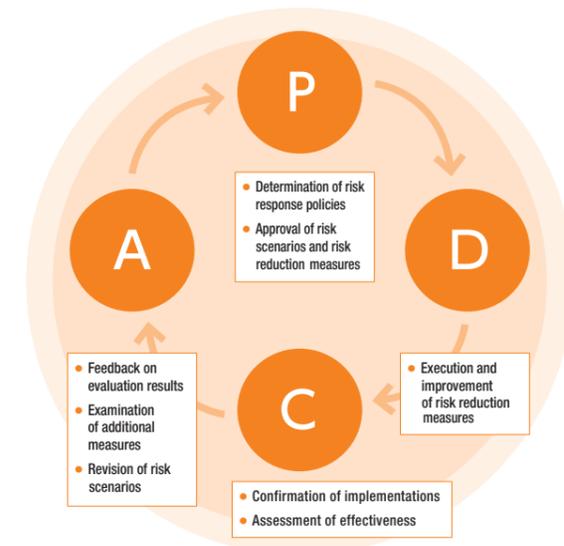
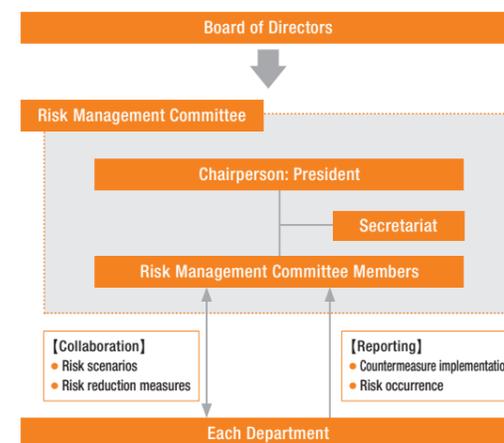
## Risk Management

### Basic Principles

In order to respond appropriately to various risks facing corporations and to keep damages to a minimum by taking early measures when risks occur, Yaoko Group has established the Risk Management Committee (which

generally meets twice annually). This Committee enforces thorough risk management, such as applying the concepts of PDCA by evaluating and deliberating major and specific risk scenarios and risk reduction measures.

#### Risk Management System



## Business Risks

Yaoko executive management recognizes the following major risks as having the potential to make a severe impact on the financial situation, business performance, and cash flow of our affiliated companies: ① Consumer trends ② Intensifying competition and reliance on specific business fields ③ Labor shortages and rising labor costs ④ Development of technology ⑤ Climate change and environmental

problems ⑥ Safety of products ⑦ Developer risk ⑧ Impairment of fixed assets ⑨ Occurrence of natural disasters and infectious diseases ⑩ System trouble ⑪ Management of personal information.

\*For details, see the "Business Risks" section of the Securities Report.

### TOPICS

#### Example Risk Countermeasure

##### Risk: Safety of products

**Countermeasure:** The Yaoko Group handles a wide variety of products, including both processed foods and foods delivered daily, as well as fresh foods and delicatessen products which we process in-house. We are working to prevent mislabeling of ingredients and allergens, as well as contamination and food poisoning. We are working to address each of these risks by doing management according to manuals produced in-house.



Example in-store manual

# Environmental Management



## Basic Principles

As a grocery store and supermarket chain rooted in the community, the Yaoko Group's goals are to offer healthy choices through our business, make more healthy and happy people, and contribute to promoting health in local communities. As a foundation for such value creation, we aim to sincerely address environmental problems in regions where our stores are located through efforts to reduce our environmental footprint, and engage in sustainable management overall so that people will be glad that Yaoko is there. In January 2021, we revised our Sustainability Basic Policy (Yaoko Group Code of Conduct).

\*For details, see the "Sustainability" page of our website.

## Energy saving efforts

We have made steady progress in our efforts to save energy through building low-cost stores, especially after the 2011 Tohoku Earthquake and Tsunami. As a result of these efforts, our company-wide energy consumption **rate has decreased by nearly 30% compared to 2010**. Furthermore, our CO<sub>2</sub> emissions **rate has decreased by nearly 20% compared to 2010**.

### Efforts to go all-electric and use renewable energy

As a measure to promote clean energy, we are making efforts such as introducing all-electric stores, as well as using renewable energy including solar power generation. As of March 31, 2020, we have converted a cumulative total 81 stores to all-electric. At a total of 40 stores we have installed solar power generation systems, 3 of which including our Sagami-hara Hikarigaoka Store were installed in-house, while the other 37 were installed in collaboration with our business partners. At our Soka Haracho Store, we also serve our customers with an electric vehicle charging station.



Solar panel installation



EV charging stations

### Energy saving efforts

Our energy-saving efforts include converting in-store lighting to LED, as well as reducing power consumption with demand monitors. We are also steadily introducing reach-in cases to our frozen foods sections, and are striving to reduce energy use and CO<sub>2</sub> emissions.



Reach-in and LED

### Logistics efforts

We have placed logistics centers in each area, reduced driving distance by combining deliveries for two stores in one truck, and are working to reduce energy consumption and costs. We are making efforts to eliminate our environmental footprint as much as possible, such as by introducing clean diesel vehicles and using reusable shipping cartons.



Low-emissions trucks

## Recycling efforts

### Recyclable waste efforts

We are actively recycling biodegradable waste, cardboard produced by our stores, and recyclable waste collected our stores.



Recycling Box

### Plastic reduction efforts

Since July 2020, we charge customers for plastic bags at all Yaoko stores. We use environmentally-friendly plastic bags made with 50% biomass plastic. Our Higashikurume Takiyama Store and SMARK Isesaki Store opened in FY2019 have charged customers for plastic bags since they first opened, and over 70% of customers bring their own shopping bags. Customers have become more aware of the environment, so we will continue to reduce our use of single-use plastics.



50% biomass shopping bags

## Food waste reduction and food product recycling efforts

Our basis for reducing food waste is our sales plan and proper orders made at the store level. In order to appeal to customers using the freshness of our foods, we work to sell out products by lowering prices daily. Since April 2019, we have changed the delivery deadline for dry food products other than rice from the 1/3 rule to the 1/2 rule. Starting in April 2020, we expanded the scope of this rule to snacks and have extended the standard price sale deadline of non-glutinous rice. These are part of efforts to reduce food product loss throughout our supply chain. We have introduced biodegradable waste composting machines at our Delicatessen and Fresh Food Center, in an effort to reduce our environmental footprint.



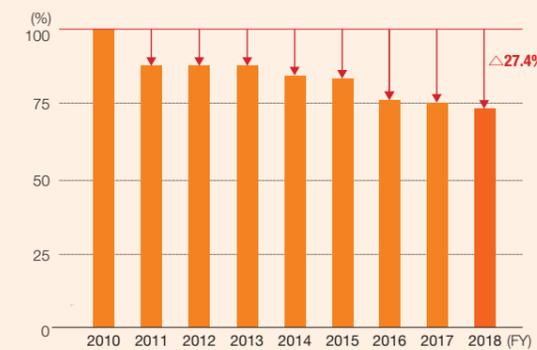
Rice freshness management



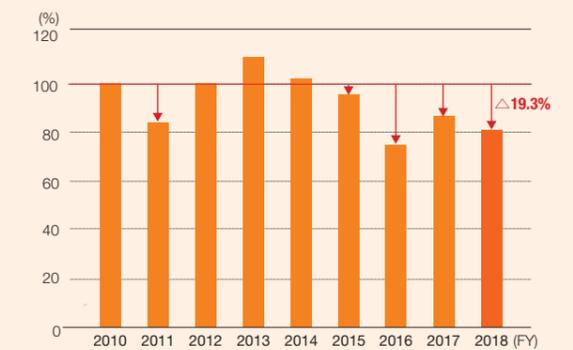
Biodegradable waste processor

## Environmental Data

### Rate of energy consumption, with rate in 2010 as 100



### Rate of greenhouse gas emissions, with rate in 2010 as 100



### Truck driving distance (million km) and fuel efficiency (km/L)



### Food residue emissions and recycling rate



	2017/3	2018/3	2019/3	
Power use (thousand kWh)	241,775	283,323	233,557	
Water use (thousand m <sup>3</sup> )	1,550	1,614	1,594	
Truck driving distance (million km)	21,550	23,199	23,845	
Logistics fuel use (L)	4,037,099	4,335,886	4,448,912	
Fuel efficiency (km/L)	5.3	5.4	5.36	
Total CO <sub>2</sub> emissions (t-CO <sub>2</sub> ) *Logistics, company vehicles, stores	127,539	142,671	125,418	
Waste	Food waste (t) biodegradable, fish scraps, used oil	6,504	6,828	7,278
	Recycling rate (MAFF Regular Report)	67.5%	67.0%	67.3%
Plastic bag reduction rate	37.1%	36.9%	37.2%	

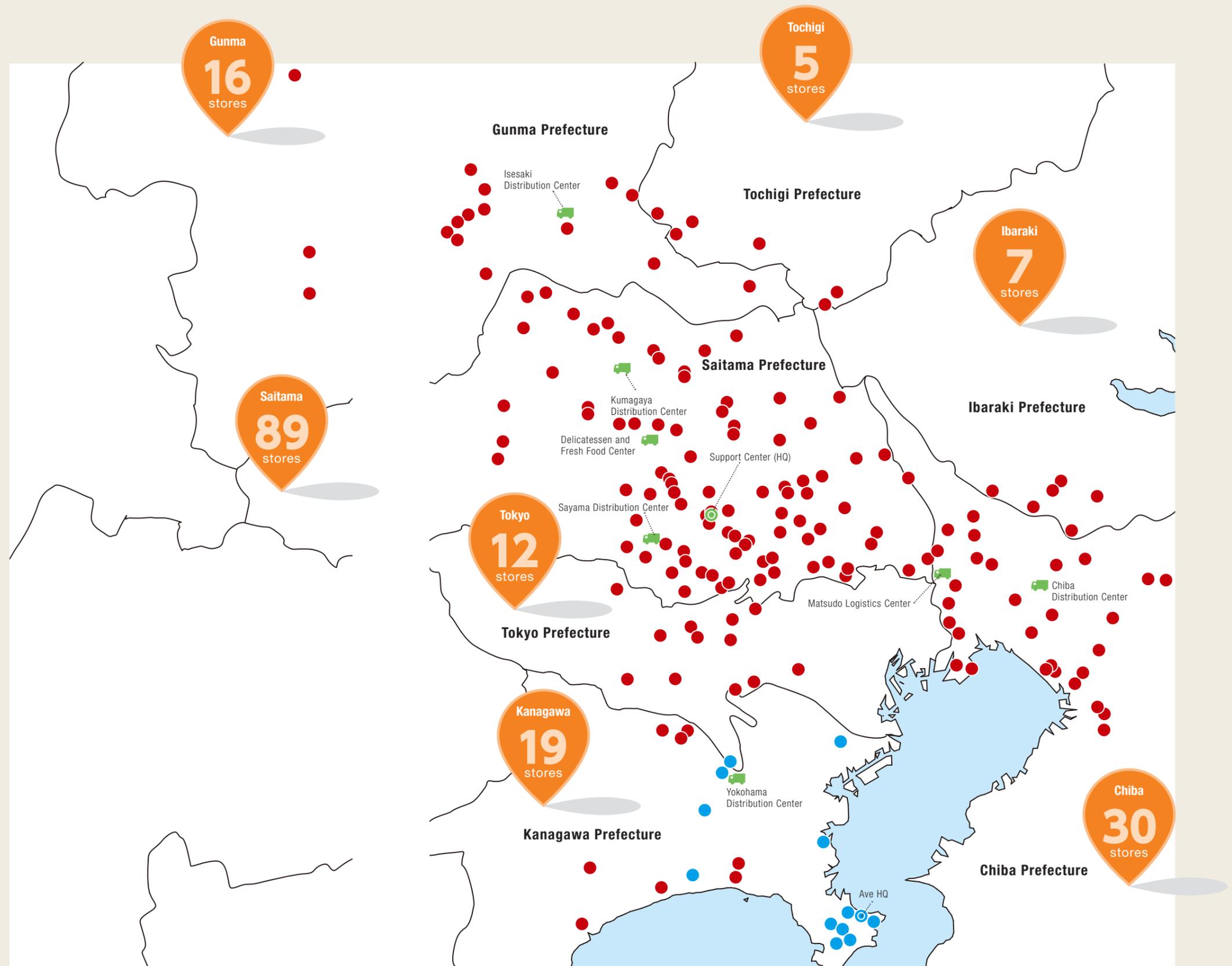
## Map of Yaoko Group Stores and Logistics Bases



Number of Yaoko Group Stores  
(as of March 2020)

	Yaoko	Ave
Saitama Prefecture	89	0
Chiba Prefecture	30	0
Gunma Prefecture	16	0
Tokyo Prefecture	11	1
Kanagawa Prefecture	8	11
Ibaraki Prefecture	7	0
Tochigi Prefecture	5	0
<b>Total</b>	<b>166</b>	<b>12</b>

Total  
**178** stores



## Main Financing Index (Consolidated) (Unit: ¥1M)

	5th Mid-term Management Plan			6th Mid-term Management Plan			7th Mid-term Management Plan			8th Mid-term Management Plan			9th Mid-term Management Plan		
	03/2007	03/2008	03/2009	03/2010	03/2011	03/2012	03/2013	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021
Total Revenue	188,270	202,253	208,286	206,497	221,061	237,371	247,967	274,149	307,354	-	-	414,992	435,085	460,476	
(Compared to Previous Period)	107.7%	107.4%	103.0%	99.1%	107.1%	107.4%	104.5%	110.6%	112.1%	-	-	-	104.8%	105.8%	
Net Sales	180,415	194,283	199,732	197,671	211,624	227,291	237,307	261,900	293,397	-	-	398,228	417,709	442,220	
Cost of Sales	129,190	138,352	142,175	140,666	150,401	161,814	169,656	187,627	210,136	-	-	294,931	309,524	328,243	
(Cost Rate)	71.6%	71.2%	71.2%	71.2%	71.1%	71.2%	71.5%	71.6%	71.6%	-	-	74.1%	74.1%	74.2%	
Gross Profit	51,225	55,931	57,556	57,004	61,222	65,476	67,651	74,272	83,261	-	-	103,297	108,184	113,977	
(Gross Profit Ratio)	28.4%	28.8%	28.8%	28.8%	28.9%	28.8%	28.5%	28.3%	28.4%	-	-	25.9%	25.9%	25.8%	
Operating Revenue	7,854	7,969	8,554	8,825	9,436	10,080	10,659	12,249	13,956	-	-	16,763	17,375	18,256	
Operating Gross Profit	59,079	63,901	66,110	65,830	70,659	75,556	78,310	86,522	97,217	-	-	120,060	125,560	132,233	
(Sales Operating Gross Profit Ratio)	32.7%	32.9%	33.1%	33.3%	33.4%	33.2%	33.0%	33.0%	33.1%	-	-	30.1%	30.1%	29.9%	
Distribution Costs	3,361	3,531	3,807	3,824	4,126	4,561	4,745	5,212	5,877	-	-	7,129	7,332	7,708	
Advertising Costs	1,719	2,055	1,980	2,035	2,210	2,116	2,110	2,233	2,463	-	-	2,829	2,934	2,996	
Salary and Allowances	22,035	24,035	24,889	25,151	26,302	27,620	28,696	31,500	34,777	-	-	42,995	44,264	46,432	
Carried Over Bonus Reserves	1,610	1,706	1,795	1,795	1,832	1,897	1,957	2,084	2,163	-	-	2,684	2,599	2,812	
Retirement Provision Expense	533	1,327	1,128	1,257	1,236	1,289	1,367	1,263	823	-	-	1,033	1,029	1,059	
Executive Retirement Bonus Funds	21	19	18	21	21	386	151	78	90	-	-	5	5	5	
Stock Payment Reserves	-	-	-	-	-	-	-	-	-	-	-	346	284	389	
Executive Stock Payment Reserves	-	-	-	-	-	-	-	-	-	-	-	42	42	42	
Statutory Welfare and Public Welfare Costs	-	-	-	-	-	-	-	-	-	-	-	6,568	6,759	7,121	
Water, Fuel, and Light Costs	2,767	3,084	3,442	2,914	3,276	3,396	3,756	4,692	5,122	-	-	4,766	5,072	4,864	
Land and Rent	6,589	6,928	7,063	6,937	7,099	7,270	7,745	8,456	9,164	-	-	11,557	12,058	12,603	
Leasing Fees	1,497	1,539	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation and Amortization	2,332	2,393	2,557	2,697	3,243	3,941	3,488	4,271	5,078	-	-	7,114	8,452	9,163	
Goodwill Amortization	-	-	-	-	-	-	-	-	-	-	-	1,015	1,015	1,015	
Other Management Costs	9,641	9,464	11,259	10,597	11,707	12,297	13,307	14,728	18,184	-	-	14,997	15,805	16,132	
Selling, General and Administrative Expenses	52,109	56,086	57,941	57,232	61,056	64,777	67,327	74,523	83,746	-	-	103,091	107,660	112,351	
(Sales, General, and Administrative Cost Ratio)	28.9%	28.9%	29.0%	29.0%	28.9%	28.5%	28.4%	28.5%	28.5%	-	-	25.9%	25.8%	25.4%	
Operating Income	6,969	7,814	8,168	8,597	9,603	10,779	10,983	11,998	13,470	-	-	16,969	17,900	19,882	
(Operating Income Ratio)	3.9%	4.0%	4.1%	4.3%	4.5%	4.7%	4.6%	4.6%	4.6%	-	-	4.3%	4.3%	4.5%	
Non-Operating Income	238	266	254	227	198	208	201	205	208	-	-	214	217	358	
Non-Operating Expenses	261	277	281	364	382	416	380	364	337	-	-	655	629	612	
Ordinary Income	6,946	7,803	8,142	8,460	9,418	10,571	10,803	11,840	13,342	-	-	16,528	17,488	19,629	
(Current Profit Ratio)	3.9%	4.0%	4.1%	4.3%	4.5%	4.7%	4.6%	4.5%	4.5%	-	-	4.2%	4.2%	4.4%	
Extraordinary Income	250	106	632	85	553	17	120	93	1,726	-	-	348	2,609	22	
Extraordinary Losses	508	413	957	76	807	382	494	140	2,181	-	-	584	2,367	890	
Income Before Income Taxes	6,688	7,496	7,817	8,469	9,165	10,205	10,429	11,793	12,887	-	-	16,292	17,730	18,761	
Net Income	3,845	4,227	4,706	4,827	5,148	5,388	6,019	7,110	7,834	-	-	11,004	11,798	12,458	
(Net Income Ratio)	2.1%	2.2%	2.4%	2.4%	2.4%	2.4%	2.5%	2.7%	2.7%	-	-	2.8%	2.8%	2.8%	
Capital Investment	5,254	6,905	12,884	10,184	10,902	10,899	15,104	21,032	21,597	-	-	24,702	23,009	22,723	
New Stores and Prior Investments	4,816	6,297	12,452	9,864	10,705	10,306	12,322	16,431	17,550	-	-	20,520	13,427	11,706	
Activation of Existing Stores	438	608	432	320	197	593	2,782	4,601	4,047	-	-	4,182	2,752	7,944	
Depreciation and Amortization	2,332	2,393	2,557	2,697	3,243	3,941	3,488	4,271	5,078	-	-	7,114	8,452	9,163	
Total Assets	64,779	65,302	73,800	80,299	91,307	99,810	105,046	126,612	133,628	-	-	213,673	224,315	244,511	
Current Assets	17,069	17,150	15,552	14,552	17,124	17,826	20,305	25,430	21,449	-	-	35,601	38,507	48,062	
Non-Current Assets	47,710	48,152	58,248	65,746	74,183	81,984	84,740	101,182	112,178	-	-	178,071	185,807	196,409	
Total Liabilities	36,916	36,790	41,500	43,999	50,691	54,889	55,134	71,466	72,116	-	-	129,034	130,259	140,473	
Net Assets	27,863	28,511	32,300	36,299	40,615	44,921	49,911	55,146	61,511	-	-	84,639	94,055	104,037	
Business Cash Flow	5,384	7,665	7,329	7,965	10,962	9,981	8,808	15,859	17,750	-	-	18,613	22,970	29,218	
Investment Cash Flow	958	-5,025	-10,712	-9,039	-8,795	-10,300	-5,838	-19,850	-13,918	-	-	-30,805	-16,431	-21,992	
Financial Affairs Cash Flow	-4,556	-3,091	2,945	-129	-721	-654	-2,086	7,379	-6,105	-	-	4,736	-5,715	1,418	
Free Cash Flow (Business CF + Investment CF)	6,342	2,640	-3,383	-1,074	2,167	-319	2,970	-3,991	3,832	-	-	-12,192	6,539	7,226	
ROE	14.2%	15.1%	15.6%	14.2%	13.5%	12.7%	12.8%	13.6%	13.5%	-	-	13.7%	13.2%	12.6%	
ROA	5.9%	6.5%	6.4%	6.0%	5.6%	5.4%	5.7%	5.6%	5.9%	-	-	5.1%	5.3%	5.1%	
EPS	198.67	219.65	242.41	248.62	265.15	277.53	310.03	183.12	201.77	-	-	283.41	303.86	320.85	
BPS	1,464.11	1,456.12	1,654.67	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	
Total Asset Turnover (times)	2.8	3.0	2.7	2.5	2.3	2.3	2.3	2.1	2.2	-	-	1.9	1.9	1.8	
Capital to Asset Ratio	42.6%	43.3%	43.5%	45.0%	44.2%	44.7%	47.2%	43.2%	46.0%	-	-	39.6%	41.9%	42.5%	
Outstanding Shares (excluding own shares / average for period) (shares)	19,356,009	19,246,180	19,415,965	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	

1. On Sep. 30th, 2009, YCC Co., Ltd., which was a consolidated subsidiary, transferred to Bookoff Corporation, and on Mar. 27th, 2010 Fresh Yaoko Co., Ltd. was liquidated.

2. On Mar. 26th, 2015, Nihon Apoch Co., Ltd., which was a consolidated subsidiary, partly transferred to Alfresa Holdings Corporation. It was excluded from consolidated subsidiaries from the March 2016 period and became an equity-method affiliated subsidiary.

3. On Apr. 1st, 2015, Sanmi Co., Ltd., which was a consolidated subsidiary, was taken over, and became a non-producing company on the consolidated financial statements for March 2016 and March 2017 periods.

4. On Apr. 3rd, 2017, Ave Co., Ltd. became a consolidated subsidiary.

5. On Apr. 1st, 2015, there was a stock split in which 1 common stock share became 2 shares. Book-value Per Share (BPS) and Earnings Per Share (EPS) are estimated based on stock split assumptions at the beginning of the March 2014 period.

6. Return on Equity (ROE) is calculated based on average capital over the period.

7. Since the fiscal year ending March 31, 2019, capital investment is written separately for stores (new and existing) and others.

## Main Financing Index (Non-consolidated) (Unit: ¥1M)

	5th Mid-term Management Plan			6th Mid-term Management Plan			7th Mid-term Management Plan			8th Mid-term Management Plan			9th Mid-term Management Plan		
	03/2007	03/2008	03/2009	03/2010	03/2011	03/2012	03/2013	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021
Total Revenue	170,694	185,308	195,655	197,877	211,885	227,211	237,556	263,015	295,883	325,441	343,061	363,892	380,992	<b>401,358</b>	
(Compared to Previous Period)	109.4%	108.6%	105.6%	101.1%	107.1%	107.2%	104.6%	110.7%	112.5%	110.0%	105.4%	106.1%	104.7%	<b>105.3%</b>	
Net Sales	163,143	177,667	187,507	189,522	202,943	217,650	227,420	251,334	282,449	310,634	327,406	347,637	364,122	<b>383,677</b>	
Cost of Sales	124,708	135,701	142,912	144,219	154,299	165,676	173,312	191,480	214,975	223,317	235,996	251,209	262,941	<b>277,311</b>	
(Cost Rate)	76.4%	76.4%	76.2%	76.1%	76.0%	76.1%	76.2%	76.2%	76.1%	71.9%	72.1%	72.3%	72.2%	<b>72.3%</b>	
Gross Profit	38,435	41,966	44,594	45,302	48,643	51,973	54,108	59,853	67,474	87,317	91,410	96,427	101,181	<b>106,366</b>	
(Gross Profit Ratio)	23.6%	23.6%	23.8%	23.9%	24.0%	23.9%	23.8%	23.8%	23.9%	28.1%	27.9%	27.7%	27.8%	<b>27.7%</b>	
Operating Revenue	7,551	7,640	8,147	8,355	8,942	9,561	10,136	11,680	13,433	14,807	15,654	16,255	16,869	<b>17,680</b>	
Operating Gross Profit	45,986	49,606	52,742	53,658	57,585	61,534	64,244	71,534	80,908	102,124	107,064	112,682	118,051	<b>124,047</b>	
(Sales Operating Gross Profit Ratio)	28.2%	27.9%	28.1%	28.3%	28.4%	28.3%	28.2%	28.5%	28.6%	32.9%	32.7%	32.4%	32.4%	<b>32.3%</b>	
Distribution Costs	3,021	3,215	3,497	3,538	3,822	4,239	4,418	4,872	5,435	6,449	6,712	7,129	7,332	<b>7,708</b>	
Advertising Costs	1,561	1,876	1,884	2,021	2,196	2,075	2,072	2,204	2,436	2,626	2,815	2,824	2,922	<b>2,949</b>	
Salary and Allowances	14,315	15,706	16,841	17,437	18,177	19,108	19,991	22,022	24,473	36,864	39,415	41,488	42,679	<b>44,735</b>	
Carried Over Bonus Reserves	1,167	1,246	1,306	1,360	1,397	1,441	1,491	1,582	1,665	2,014	2,181	2,270	2,351	<b>2,505</b>	
Retirement Provision Expense	405	963	842	972	943	987	1,045	968	658	727	930	1,014	1,003	<b>1,021</b>	
Executive Retirement Bonus Funds	21	19	18	21	21	386	129	38	86	90	22	-	-	<b>-</b>	
Stock Payment Reserves	-	-	-	-	-	-	-	-	-	339	462	346	284	<b>389</b>	
Executive Stock Payment Reserves	-	-	-	-	-	-	-	-	-	-	32	42	42	<b>42</b>	
Statutory Welfare and Public Welfare Costs	-	-	-	-	-	-	-	-	-	5,130	5,735	6,328	6,532	<b>6,871</b>	
Water, Fuel, and Light Costs	2,600	2,927	3,341	2,891	3,249	3,370	3,727	4,661	5,075	4,665	4,170	4,524	4,804	<b>4,598</b>	
Land and Rent	6,018	6,358	6,672	6,731	6,875	7,040	7,506	8,215	9,053	9,640	10,045	10,655	11,157	<b>11,612</b>	
Leasing Fees	1,173	1,207	-	-	-	-	-	-	-	-	-	-	-	<b>-</b>	
Depreciation and Amortization	2,041	2,109	2,289	2,425	3,059	3,546	3,130	3,848	4,592	5,612	6,142	6,817	8,049	<b>8,739</b>	
Other Management Costs	7,190	7,157	8,930	8,628	9,466	10,153	11,101	12,322	11,179	14,113	13,876	14,021	14,832	<b>15,117</b>	
Selling, General and Administrative Expenses	39,517	42,788	45,623	46,029	49,208	52,350	54,613	60,737	68,548	88,274	92,544	97,465	101,991	<b>106,292</b>	
(Sales, General, and Administrative Cost Ratio)	24.2%	24.1%	24.3%	24.3%	24.2%	24.1%	24.0%	24.2%	24.3%	28.4%	28.3%	28.0%	28.0%	<b>27.7%</b>	
Operating Income	6,468	6,818	7,119	7,628	8,377	9,184	9,630	10,796	12,360	13,850	14,520	15,217	16,059	<b>17,754</b>	
(Operating Income Ratio)	4.0%	3.8%	3.8%	4.0%	4.1%	4.2%	4.2%	4.3%	4.4%	4.5%	4.4%	4.4%	4.4%	<b>4.6%</b>	
Non-Operating Income	222	250	317	399	372	776	1,269	776	574	220	218	383	499	<b>648</b>	
Non-Operating Expenses	240	262	273	368	379	412	378	359	334	531	524	581	574	<b>573</b>	
Ordinary Income	6,450	6,806	7,163	7,660	8,370	9,548	10,521	11,213	12,599	13,539	14,214	15,019	15,984	<b>17,829</b>	
(Current Profit Ratio)	4.0%	3.8%	3.8%	4.0%	4.1%	4.4%	4.6%	4.5%	4.5%	4.4%	4.3%	4.3%	4.4%	<b>4.7%</b>	
Extraordinary Income	189	90	571	85	553	17	110	93	2,614	1,385	2,249	347	2,609	<b>22</b>	
Extraordinary Losses	408	293	897	63	784	371	465	132	2,101	1,367	2,314	583	2,365	<b>889</b>	
Income Before Income Taxes	6,231	6,604	6,837	7,681	8,139	9,194	10,166	11,174	13,112	13,556	14,149	14,782	16,228	<b>16,963</b>	
Net Income	3,621	3,789	3,928	4,506	4,698	5,159	6,379	7,074	8,543	9,065	9,927	10,307	11,139	<b>11,574</b>	
(Net Income Ratio)	2.2%	2.1%	2.1%	2.4%	2.3%	2.4%	2.8%	2.8%	3.0%	2.9%	3.0%	3.0%	3.1%	<b>3.0%</b>	
Capital Investment	4,827	6,624	12,873	10,072	10,837	10,846	15,009	20,913	21,524	17,048	26,054	24,445	15,699	<b>17,049</b>	
New Stores and Prior Investments	4,398	6,070	12,452	9,770	10,650	10,263	12,230	16,319	17,550	8,980	18,449	20,373	6,226	<b>10,738</b>	
Activation of Existing Stores	429	554	421	302	187	583	2,779	4,594	3,974	8,068	7,605	4,072	2,730	<b>3,357</b>	
Depreciation and Amortization	2,318	2,279	2,478	2,644	3,181	3,868	3,413	4,190	4,995	5,612	6,142	6,817	8,049	<b>8,739</b>	
Total Assets	60,173	60,393	69,873	76,601	86,006	94,645	99,080	119,927	129,501	142,399	179,870	198,546	210,799	<b>230,824</b>	
Current Assets	13,753	13,645	13,009	12,478	13,729	14,659	16,678	21,196	21,837	20,400	40,137	31,632	36,029	<b>43,703</b>	
Non-Current Assets	46,419	46,748	56,864	64,122	72,277	79,985	82,401	98,730	107,663	121,998	139,733	166,914	174,770	<b>187,082</b>	
Total Liabilities	32,899	32,898	39,303	42,380	47,958	52,571	51,715	66,588	68,807	74,407	103,781	113,712	117,159	<b>128,031</b>	
Net Assets	27,273	27,495	30,570	34,220	38,048	42,074	47,364	53,338	60,694	67,991	76,089	84,834	93,640	<b>102,793</b>	
Business Cash Flow	-	-	-	-	-	-	-	-	-	15,428	15,805	-	-	<b>-</b>	
Investment Cash Flow	-	-	-	-	-	-	-	-	-	-15,236	-23,267	-	-	<b>-</b>	
Financial Affairs Cash Flow	-	-	-	-	-	-	-	-	-	-2,242	25,083	-	-	<b>-</b>	
Free Cash Flow (Business CF + Investment CF)	-	-	-	-	-	-	-	-	-	192	-7,462	-	-	<b>-</b>	
Dividend per Share	65.00	40.00	43.00	45.00	57.00	55.00	57.00	60.00	80.00	45.00	50.00	55.00	60.00	<b>65.00</b>	
ROE	13.5%	13.8%	13.5%	13.9%	13.0%	12.9%	14.3%	14.0%	15.0%	14.1%	13.8%	12.8%	12.5%	<b>11.8%</b>	
ROA	6.0%	6.3%	5.6%	5.9%	5.5%	5.5%	6.4%	5.9%	6.6%	6.4%	5.5%	5.2%	5.3%	<b>5.0%</b>	
EPS	187.12	196.87	202.32	232.11	242.00	265.75	328.57	182.19	220.02	233.48	255.67	265.47	286.89	<b>298.06</b>	
BPS	1,446.09	1,416.04	1,574.50	1,762.51	1,959.72	2,167.09	2,439.63	1,373.69	1,563.13	1,751.10	1,959.66	2,184.83	2,411.54	<b>2,647.18</b>	
Total Asset Turnover (times)	2.7	2.9	2.7	2.5	2.4	2.3	2.3	2.1	2.2	2.2	1.8	1.8	1.7	<b>1.7</b>	
Capital to Asset Ratio	45.3%	45.5%	43.8%	44.7%	44.2%	44.5%	47.8%	44.5%	46.9%	47.7%	42.3%	42.7%	44.4%	<b>44.5%</b>	
Number of Shares Issued (1st Period Average Excluding Treasury Shares)	19,356,009	19,246,180	19,415,965	19,415,585	19,415,255	19,415,045	19,414,755	38,829,105	38,828,669	38,827,937	38,827,881	38,828,270	38,829,591	<b>38,830,676</b>	
Number of New Stores	6	7	4	5	7	8	5	10	9	6	6	6	6	<b>5</b>	
Number of Remodeled Stores	8	17	9	5	3	5	7	7	10	11	10	11	8	<b>9</b>	
Number of Scrap and Build Stores	-	-	-	-	-	-	1	-	-	2	3	-	-	<b>-</b>	
Number of Stores Closed	2	-	3	-	-	1	-	-	-	-	-	2	3	<b>-</b>	
Number of Stores at End of FY	91	98	100	104	111	118	123	133	142	148	154	158	161	<b>166</b>	
Number of Stores at End of FY (consolidated)	-	-	-	-	-	-	-	-	-	-	-	168	172	<b>178</b>	
Sales Floor Space at End of FY (weighted average) (m <sup>2</sup> )	168,623	184,388	192,851	195,728	210,679	223,535	232,330	251,654	267,349	279,318	290,346	303,626	310,981	<b>321,037</b>	

1. On Apr. 1st, 2015, Sanmi Co., Ltd., which was a consolidated subsidiary, was taken over, and became a non-producing company on the consolidated financial statements for March 2016 and March 2017 periods.

2. On Apr. 1st, 2015, there was a stock split in which 1 common stock share became 2 shares. Book-value Per Share (BPS) and Earnings Per Share (EPS) are estimated based on stock split assumptions at the beginning of the March 2014 period.

3. Return on Equity (ROE) is calculated based on average capital over the period.