

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 Billion Yen
Employees	4,022 (as of March 31, 2022) <Consolidated> *Plus 12,922 partner and casual members (calculated at 8 hours per day).
Number of Stores	192 (as of March 2022) <Consolidated>
Group companies	AVE Co., Ltd. Foocot Co., Ltd. Yaoko Business Service Co., Ltd. Ogawa Trading Co., Ltd. Sendo Co., Ltd.
URL	https://www.yaoko-net.com/





— Yaoko Management Philosophy —

[Purpose]

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



— Yaoko Company Policy —

[Code of Conduct]

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 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 and enjoy their living
- Build our own model of high productivity while eliminating waste
- Contribute to solving social issues while smoothly partnering with all stakeholders



Yaoko is the perfect marketplace to get ready for a party or BBQ!



Products are handmade, safe and delicious!



“Well-being” & “Sustainable”

With caring and courteous employees, Yaoko is a place customers want to come every day!



We provide fresh vegetables to local customers!



So many tips for what to cook with seasonal recommendations from Yaoko!

YAKO REPORT 2022 Contents

Section 01

Introduction

- 01 Management Philosophy and Company Policy
- 03 Table of Contents
- 05 Message from the Chairman



Section 02

Introducing Yaoko

- 07 Yaoko's History
- 09 Yaoko Group in Figures
- 11 Yaoko Group's Value Creation Process

Section 03

Improving the Value of Yaoko

- 13 Message from the President
- 15 The 10th Mid-Term Management Plan to Achieve the Goal of "Building Stores that Generate 20% More Sales"

Section 04

For sustainable growth

- 17 Interview with the Chief Director of Sales Management
- 19 Make unique products only available at Yaoko
- 20 Able to make thought-out proposals to satisfy our customers
- 21 Growth drivers for Yaoko's further strengths
- 22 Become the center of local communities and a place where people can interact
- 23 Interview with the Chief Administrative Officer
- 25 Develop human resources who can be active for customers, and become a company that people want to join
- 27 Expand our business infrastructure and adapt the changing environment around us
- 29 Sustainability
- 30 Achieve a decarbonized society
Efforts to save energy and reduce CO₂ emissions
- 31 Realize a recycling-based society
—A circular economy to conserve the regional environment
- 33 Response to the TCFD recommendations
- 35 Directors and Auditors
- 37 Corporate Governance

Section 05

Financial Data

- 41 Main Financing Index (Consolidated)
- 43 Main Financing Index (Non-consolidated)



Editorial Policy	The <i>Yaoko Report 2022</i> 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 <i>Yaoko Report 2022</i> 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 2021 to March 2022
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 two years have passed since COVID-19 spread worldwide. Amid constraints on economic activity and disruption of the global supply chain, everyone had to adapt to new lifestyles during the pandemic. Then, Russia's invasion of Ukraine came out of the blue, highlighting how 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. 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 33 consecutive terms of increasing non-consolidated sales and profitability for the entire FY2021. 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

2009–2021 (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.

Group growth

2022 onward (10th Mid-Term Management Plan)

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, the first actual 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! YAOKO" 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, become 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 Foooot 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

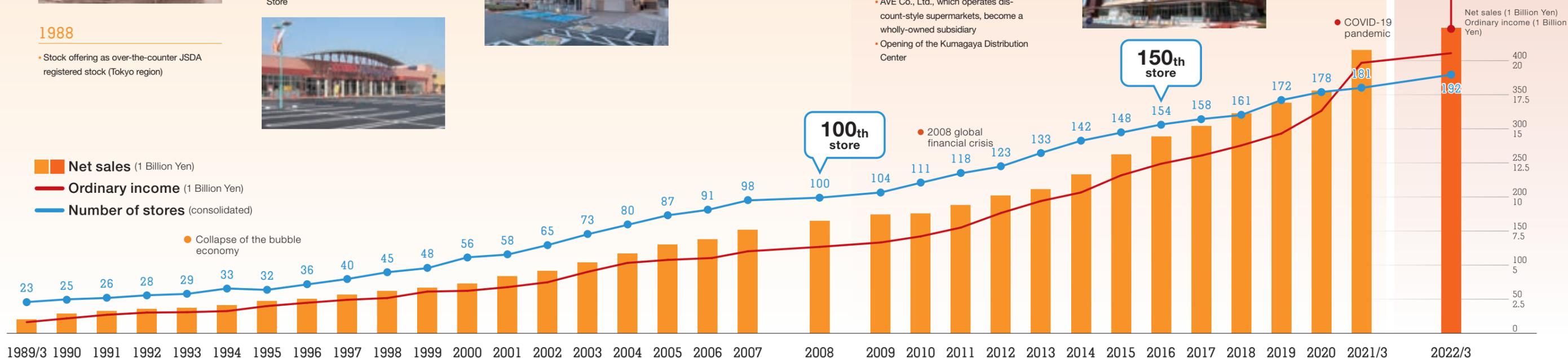


Year ended March 31, 2022

Net sales ¥446.5 billion

Ordinary income ¥21.4 billion

Number of Stores 192 stores
(consolidated)



YAOKO GROUP in Figures

Financial

(Financial Results for the Fiscal Year ended March 31, 2022)

Net sales ¥ 514.0 billion	Operating income ¥ 24.0 billion	Ordinary income ¥ 23.2 billion
Net income ¥ 15.3 billion	Net sales to ordinary income ratio 4.5%	Capital investment ¥ 42.0 billion

Management Resources

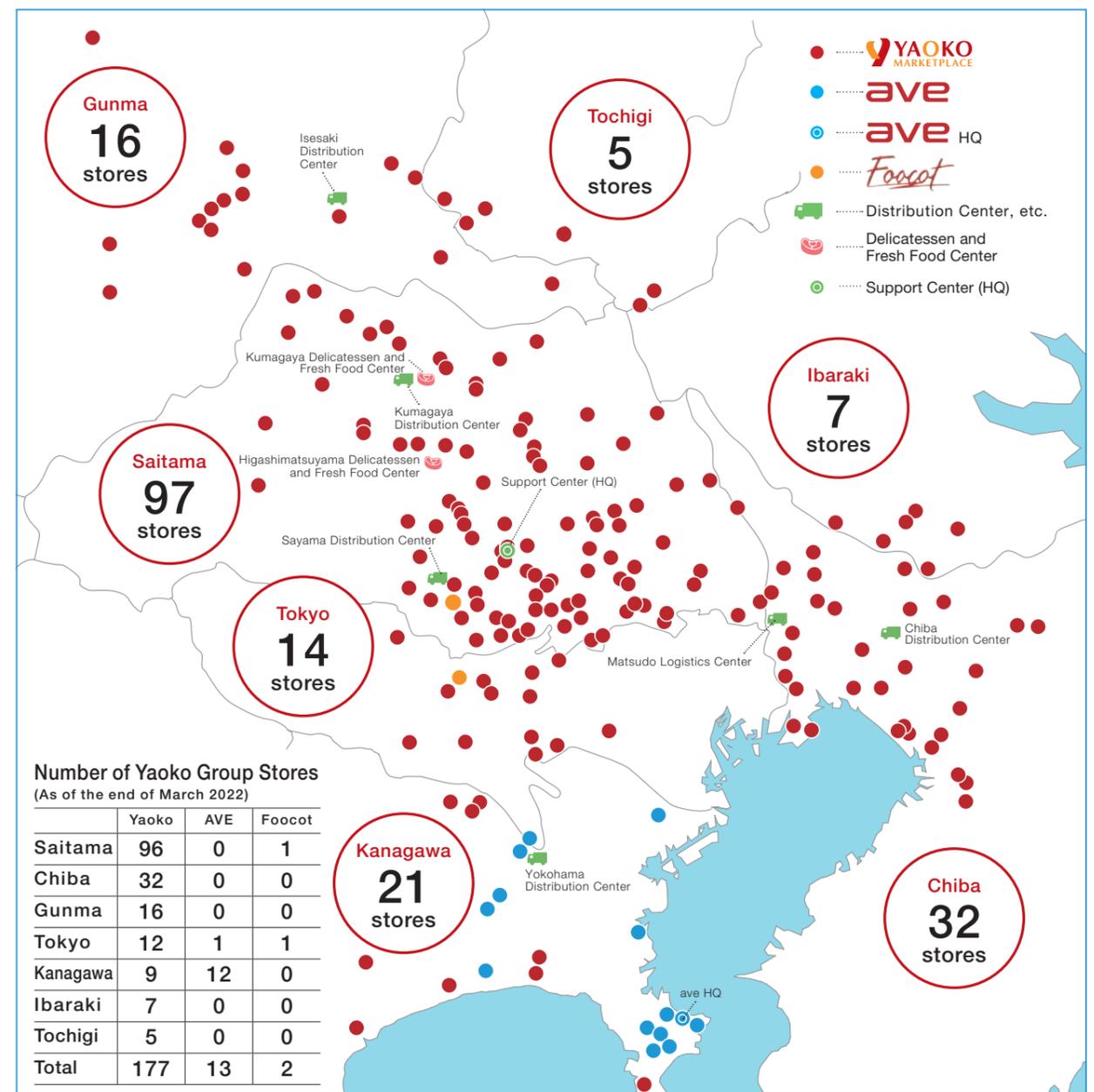
(As of March 31, 2022)

Number of Members 16,944 <small>(including part-time members)</small>	Yaoko Card Members 3.16 million	Market Share in Business Area 19.0%
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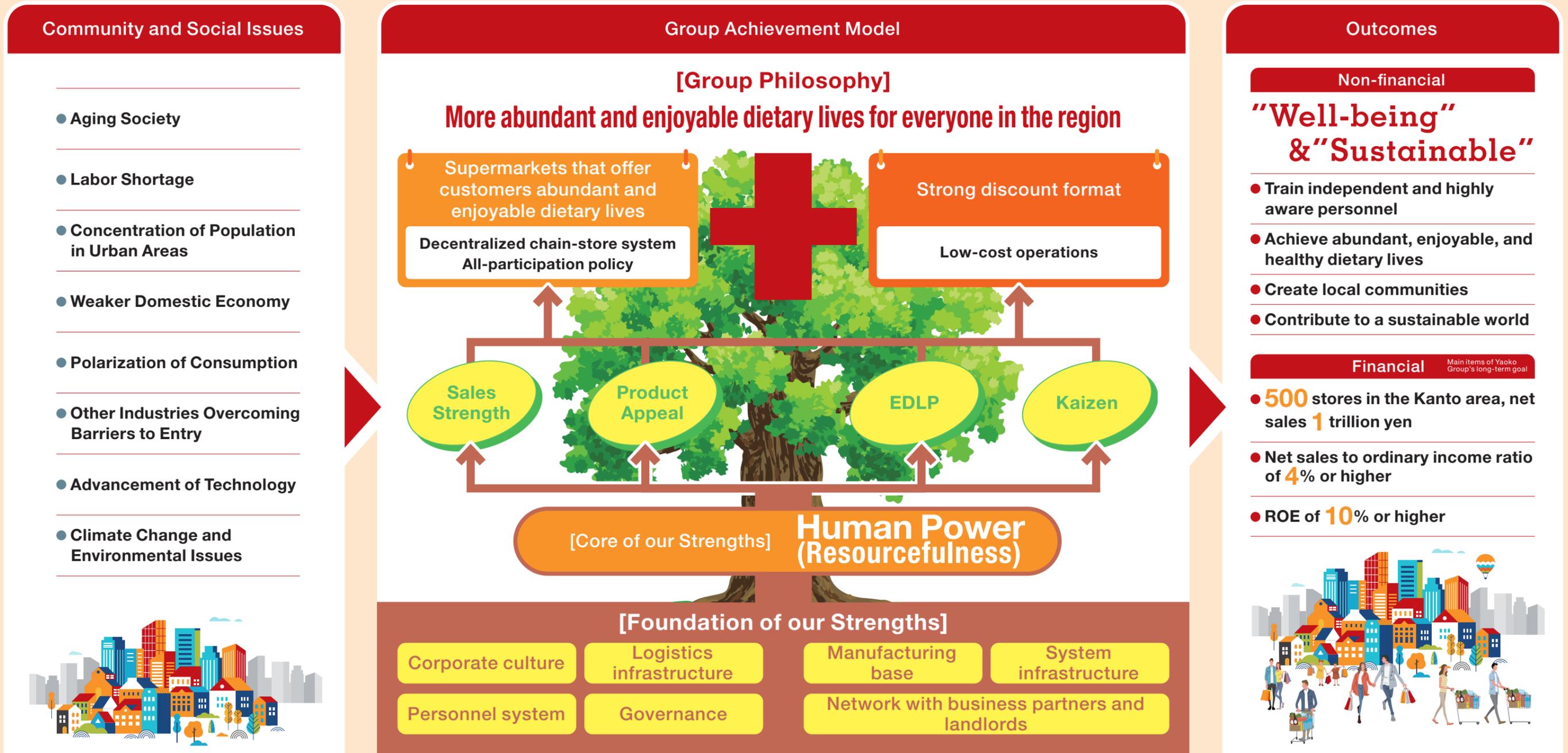
Stores / Logistics Hubs

Total number of stores 192	Number of Yaoko stores 177	Number of AVE stores 13	Number of Foocot stores 2	Number of Logistics hubs 6
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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 achieve outcomes by satisfying all of the customers in the region. To this end, we will strengthen four initiatives 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.



● Basic Factors of Our Strengths

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



Toward post-COVID-19

The COVID-19 pandemic has been longer than expected, forcing people to adjust to the new normal in FY2021. As going out and eating out were restricted, stay-at-home demand continued. At the same time, changes in dietary lives were apparent such as increased demand for ready-made dishes, because people became tired of cooking 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.

At the start of FY2022, the number of new COVID-19 cases finally decreased and demand is returning for eating out and travel.

As we target consumers eating at home, this will be a headwind for us. At the same time, raw material costs are rising to unprecedented levels and utility costs are increasing because of soaring fuel prices. In the current fiscal year, we will be operating in a very tough business environment. 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. In the previous fiscal year, we launched Focot, a sister company of AVE, and began developing Focot stores. 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 will strive to strengthen four initiatives addressing "sales strength," "product appeal," "EDLP (everyday low prices)," and "kaizen (incremental improvement)" in the period covered by the 10th Mid-Term Management Plan. Sales strength refers to 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 create and utilize a 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.

Upward Revision and Future Outlook of the 10th Mid-Term Management Plan

The Yaoko Group and the industry overall performed strongly thanks to stay-at-home demand that lasted for as long as these two years, which was driven by the impact of self-quarantine and lifestyle changes due to the spread of COVID-19 infections. As the 10th Mid-Term Management Plan progressed more than initially expected, we made upward revisions to the management target of the final year of the plan.

The future outlook remains highly uncertain with, among others, the continued spread of COVID-19, concerns about inflation, the depreciation of the yen, and geopolitical risks. The supermarket industry is expected to face an increasingly severe business climate due to intensified competition across industries, soaring prices of raw materials and electricity, and other factors.

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 (FY2021–FY2023)

For the final year of the 10th Mid-Term Management Plan, we revised net sales target and ordinary income target upward to 527.5 billion yen and 25.0 billion yen, respectively, aiming to increase sales and profits both on a consolidated and non-consolidated basis.

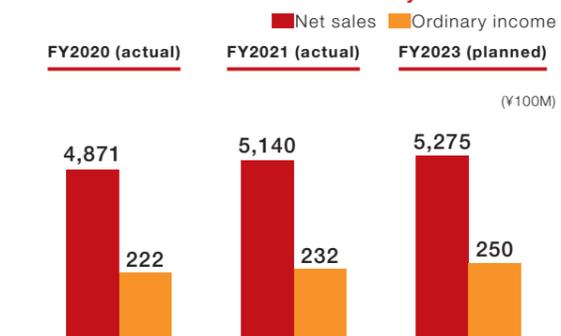
We set a target level for ROE at 10% or higher. With continued awareness of capital efficiency, we plan to achieve stable growth.

Going forward, we will also continue to intensively consider investment deals to solidify our base for achieving group-wide sustainable growth. However, our plan is to manage finances with full consideration given to stability and well-being by controlling the level of interest-bearing debts (balance sheet) while remaining aware of free cash flow levels.

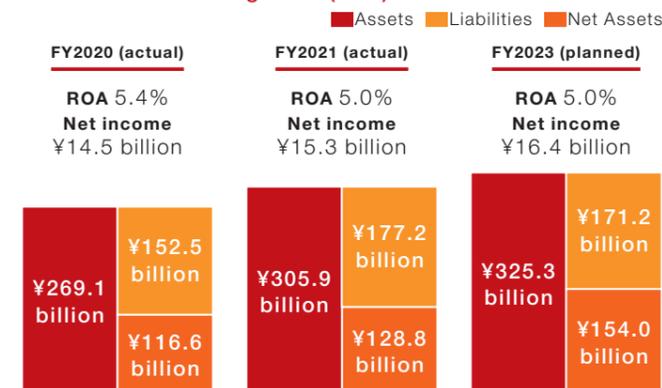
Target figures for FY2023 (10th MTMP)

	Net sales	Ordinary income	Current profit ratio
Consolidated	¥527.5 billion	¥25.0 billion	4.7%
Non-consolidated	¥451.0 billion	¥21.8 billion	4.8%

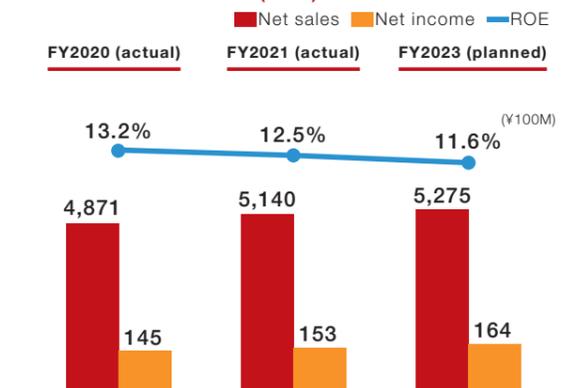
Consolidated net sales and ordinary income



Balance sheet management (ROA)

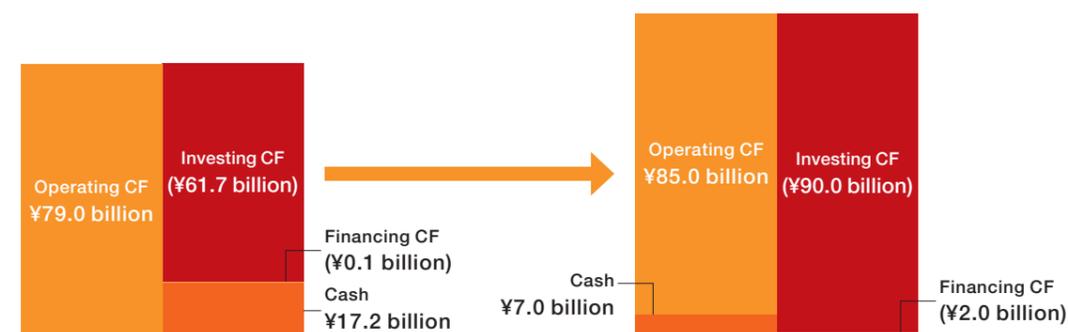


Profit and Loss Plan (ROE)



Cash flow

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



Interview with the Chief Director of Sales Management

To prevail as the best store in each area served, in the 10th Mid-Term Management Plan launched in FY2021, Yaoko has set itself the goal of “building stores that generate 20% more sales” and aims to attract everyone in the area to become a loyal customer. Takanori Ishizuka, Managing Director and Chief Director of Sales Management, discusses the company’s initiatives in the first year of the plan and from now on.

Gain overwhelming support from customers by emphasizing meal solutions and price-conscious choices



Takanori Ishizuka
Managing Director
Chief Director of Sales

class customers, thanks to the strength of our products, mainly delicatessen and fresh foods, and our meal solutions (proposals of dietary lives). On the other hand, customers bringing up children tend to perceive Yaoko as relatively pricey. So, we have launched a policy to strengthen price-conscious choices, targeting young families.

Capitalizing on the appeal of our products and the sales strength of individual stores, we have been attracting more customers and increasing sales while maintaining high profitability. In FY2021, our strategy was to offer, leveraging our enhanced proposal power and sales strength, highly differentiated products only available at Yaoko, which are produced by our Delicatessen and Fresh Food Centers and stores, and furthermore to use the profit gained from sales of these products in order to offer price-conscious choices attractive to young families.

In addition to the virtuous circle created by the combination of product development capability and sales strength, we made good progress with the store opening and growth strategies in FY2021. All nine new stores that we opened in FY2021 performed strongly. In particular, in the large-scale remodeling of ten existing stores, we are horizontally deploying the merchandising and sales measures that have proved effective at our flagship Wako Maruyamadai Store, which focuses on young families.

Q. Tell us about your strategy to increase the numbers of loyal customers and its impact.

A. Emphasizing price-conscious choices, we are focusing on attracting the young family demographic. The winning combination of product development ability and sales strength has created a virtuous circle.

In recent years, Yaoko has focused on gaining the support of the young family demographic, which mainly consists of customers who are raising children. Our conventional product lineup and store development have been supported mainly by older middle-class and upper-middle-

Q. Please explain Yaoko’s human resources development and operational initiatives for “aggressive business.”

A. We are enhancing our strength through the use of Delicatessen and Fresh Food Centers and kaizen improvement activities, while improving in-store technical skills.

In terms of human resources development, our focus is on improving in-store technical skills for product creation (in-store processing) in order to enhance the performance of our product and sales strategies. For delicatessen, the skills of employees at stores contribute to enhancement of product appeal and have a great impact on sales volume. Our delicatessen is unrivaled in terms of taste and freshness. Employees’ technical skills are a powerful differentiating factor setting Yaoko apart from competitors.

We have been conducting personnel training to improve such technical skills on a regular basis, which involves courses at training centers as well as guidance and instruction during store visits. Since the COVID-19 pandemic prevented us from conducting sufficient personnel training in FY2021, one of our tasks in FY2022 is to make up for this shortfall in training.

Meanwhile, in terms of operational strategy, the Kumagaya Delicatessen and Fresh Food Center, which has a processing center function, began operation in October 2021 to further strengthen product appeal. By performing the preliminary steps for products that are created at each store, the center has enabled stores to efficiently enhance the value of their offerings.

Moreover, in kaizen improvement activities, we are focusing on automation and labor saving in store operations, utilization of digital technology, improvement of productivity in each product category to improve profitability per individual product, and so on. What works best at model stores will be deployed throughout Yaoko.

Q. What is your sales policy for FY2022 and how is new business development progressing?

A. While continuing to attract young families, we aim to gain support in the senior market under the theme of well-being.

The policy of Sales Management for FY2022 is to gain overwhelming support from our customers by emphasizing meal solutions and price-conscious choices. While continuing to attract young families, we are also addressing senior citizens as a new priority demographic. With the aim of gaining support in the senior market under the theme of well-being, preparations are underway to open a flagship store. In order to offer senior customers abundant, enjoyable, and healthy dietary lives, we intend to take on the challenge of putting the business on a new footing, including a change in the profit structure.

In other initiatives, we will promote development of new-format stores serving extremely small trade areas. While conventional Yaoko stores have a standard floor area of roughly 21,000 square feet, with annual sales of 2 billion yen and an ordinary income ratio of at least 4%, we are developing stores with a floor area of around 14,000 square feet that can generate profit even with annual sales of 1.2 to 1.3 billion yen. Whereas they will feature a smaller fresh food section, the delicatessen section will be kept at the same size as that of a standard store, and operational efficiency will be improved by meat processing at a process center and digitization of ordering processes to secure profit.

The first of the new-format stores was opened in FY2021, followed by the second store in FY2022. Going forward, we hope to make it feasible to open stores with a floor area of around 10,000 square feet to fill in the gaps between trade areas.



Make unique products only available at Yaoko

We provide fresh foods to contribute to promoting health



area, we sell fresh vegetables harvested every morning by local farmers near our stores with whom each store contracts directly.

Our customers are supportive of our efforts to provide safe, reliable, fresh, and highly nutritional products from known producers. Yaoko Farm, which we started in April 2016, secured farmland near our distribution centers in Sayama and Kumagaya to produce vegetables that remain fresh when they are delivered to stores.

We received Global GAP (GGAP) in July 2019 and Japan GAP (JGAP) in December 2019, and we are working to achieve a long-term, sustainable supply of agricultural products, with consideration to food safety, as well as protection of the natural environment, labor safety of producers, and protection of human rights.

Eating is important for the body. Daily meals build the body and lead to daily health. At Yaoko, we work to provide fresh foods to help promote the health of everyone in the region.

For fresh foods, our buyers go to markets and producers to buy foods after checking them with their own eyes and

mouths. Particularly in the fresh fish and produce divisions, we sell seasonal foods that are delivered directly from producers. In the fresh fish division, every year in May and June, when bonito is in season, we sell bonito directly from the fishing port, targeting the evening sale on the same day

through a campaign "Fresh bonito landed this morning! Directly from the Fishing Port." A wide range of choices is available to suit each customer's menu, including sashimi blocks and slices, *tataki*, or seared bonito, and "*nokkemori*," a ready-to-eat dish with a side of vegetables. In the produce



Able to make thought-out proposals to satisfy our customers

Store-by-store management

The Yaoko Group is working to build stores that improve regional dietary levels, help people live happy and healthy lives, connect local people, nurture culture, and become an

indispensable part of the region. The dietary habits, family structure, and age makeup of residents are a little different in each region. Aiming to address the

needs of small commercial areas and satisfy everyone who lives in the region, we manage our organization as a "decentralized chain-store system" with an "all participation policy."



Locally-produced vegetables sold at the Wako Maruyamada Store

Honing our proposal-making ability through unique initiatives

While the online retail market, including online supermarkets and dark stores, is expected to expand and competition will accelerate in the future, our management policy remains the same: the business at our bricks-and-mortar stores is the basis of our business. In order to further hone one of our strengths, the ability to make proposals, as an advantage of our bricks-and-mortar stores over online retailers, the Higashiyamato Store

has introduced a unique system, "Customer Advisors and Attendants," created together with the Human Resources Department, and has been conducting a field trial since October 2020.

Staff members designated as Customer Advisors or Customer Attendants are knowledgeable about the products they offer and make recommendations on the most suitable products for customers. They are professionals who not only convey the appeal of products,

but also provide hospitality and attention to ensure that customers enjoy their shopping experience.

In particular, Customer Advisors are those who have completed the correspondence courses recommended by the Human Resources Department and have been certified. This system not only helps our store staff members hone their proposal skills but also contributes to motivating the staff members at their workplace.



Affordability is reassuring: We are there for everyone in the region

We are in the third year of the spread of COVID-19. Just as people are getting used to life amid the pandemic, the yen has weakened, energy and raw material prices have surged, and Russia has launched a military invasion, leaving the future outlook still unclear.

While demand for tourism and eating out is expected to return to a certain extent as vaccination rolls out and entry restrictions are eased in Japan, consumers are expected to become increasingly price-conscious in the face of unstoppable price hikes.

Against such a backdrop, we believe that it will become increasingly important for us not only to fulfill the role of a supermarket as a lifeline, but also to fulfill our basic philosophy of "contributing to the improvement and development of regional culture through enriching the everyday life of our customers by offering high quality foods."

We will continue to improve our strengths in selling and customer-oriented suggestions, as well as expand price-conscious choices, so that everyone who lives in the region can enjoy shopping with peace of mind.



"Good price for a better life!"



"Ground meat is on sale!"



"Ice cream is on sale!"

Propose abundant, enjoyable, and healthy dietary lives

Since the outbreak of COVID-19, people's health consciousness has been changing. According to the *Survey of Consumer Trends* conducted in July 2021 and released in September 2021 by the Agriculture, Forestry, Fisheries and Food Business Unit of the Japan Finance Corporation (JFC), food-related orientations were, in descending order, (1) health-consciousness, (2) economy-consciousness, and (3) convenience-consciousness, with the result that health-consciousness increased for two consecutive half-year periods.

Having established "supermarkets that offer customers abundant and

enjoyable dietary lives" as our business concept, we have always been striving to enhance and evolve our stores since the 1990s, when we launched our first medium-term management plan. However, as the momentum toward achieving the SDGs has been growing in overall society in recent years, consumers are expected to become increasingly health-conscious. Therefore, from the fiscal year ending March 31, 2023, we have upgraded our business concept to "supermarkets that offer customers abundant, enjoyable, and healthy dietary lives."

In October 2021, under the supervision of Kawagoe City, the Japanese Society of

Hypertension, and Kagawa Nutrition University, we offered healthy lifestyle proposals for low-salt meals to customers at the Kawagoe Nishiguchi Store and the Kawagoe Matoba Store and also through online classes. We have been developing health-conscious products such as delicatessen products using our original low-sodium seasoning *happo dashi* and private label products free of salt and sugar.



We will continue to propose a variety of dietary lifestyles and develop new products so that local customers can enjoy healthy and active lives for as long as possible.



Soft and Creamy Simmered Squash / Simmered Tofu Pulp with Fukaya Leek

Japanese deli using our own *happo dashi*



Yes!YAOKO-labeled, Salt-free Munchable Dried Sardines Processed in Etajima, Hiroshima / Yes!Premium-labeled, Salt-free Munchable Dried Sardines from Iyonada, Ehime

Salt-free private label products



Growth drivers for Yaoko's further strengths

Next-generation merchandising

The format, layout, and interior of Yaoko stores are planned and designed to fit the region, site, and demographics.

Standard stores are roughly 21,350 square feet, while large stores are around 28,467 square feet and introduce challenging

merchandising that is not possible in standard stores.

The Wako Maruyamadai Store, which opened in October 2021, is a model designed to further advance the initiatives implemented at the Tokorozawa Kitahara Store, which underwent a full

remodeling in November 2020, and is intended to be a flagship store focusing on young families.

The store boasts the largest frozen food section of all the Yaoko stores, selling new delicatessen products developed for young families, frozen sweets directly imported from overseas, and frozen fresh produce in bulk for stocking up. We are taking on the challenge of new merchandising aimed at

attracting young families by offering a number of products that are in even greater demand triggered by COVID-19.

In recognition of these efforts, the Wako Maruyamadai Store was awarded first place in the "Store of the Year 2022" competition organized annually by the retail industry magazine, *Diamond Chain Store*.



Store of the Year

Criteria for selection The award is given to stores with innovative concepts that have a great impact and influence on future store development among stores and commercial clusters opened or renovated during the year.

Selection process Winners are voted on by *Diamond Chain Store* subscribers, public relations professionals from retailers, experts, and other retail industry professionals.



High productivity



Higashimatsuyama Delicatessen and Fresh Food Center



Kumagaya Delicatessen and Fresh Food Center

High productivity is essential to expanding price-conscious choices. We will continue to streamline operations by developing a productivity improvement model (kaizen) and deploying it laterally to standardize in-store work, which we began in 2013 to

eliminate overburden, waste, and non-uniformity. We will also use our Delicatessen and Fresh Food Center to reduce in-store work.

In addition, at the Delicatessen and Fresh Food Center, we are working to differentiate ourselves by

further honing our strengths in unique, fresh, in-store products only available at Yaoko. The share of supply to the delicatessen division by the Delicatessen and Fresh Food Center is increasing year by year, and with the expansion of ready-to-eat foods and food kits,

in-store work is decreasing.

In October 2021, we started operations at the Kumagaya Delicatessen and Fresh Food Center, which also functions as a processing and packaging center for fresh foods. This center is expected to streamline in-store operations not only in the delicatessen division but also in the fresh food division. In addition, from the fiscal year ending March 31, 2023, we have introduced an automated ordering system based on demand forecasts by AI technology for grocery products, including perishable food products that require refrigeration, and household products, which is expected to improve the efficiency of in-store operations and reduce food loss.

Become the center of local communities and a place where people can interact

Cooking Support

"Cooking Support" provides simple and delicious daily dinner menu suggestions and meal consultation, and has been welcomed by customers also as a gathering place for local communities. Specifically, we provide menu suggestions and recipe ideas by giving out samples, producing and distributing recipe cards and the *Cooking Support* magazine, holding

cooking classes, and presenting recipes through videos and photos.

Under COVID-19, instead of offering tastings and cooking classes, we offer menu suggestions through videos, and at the cooking support corner in the stores, we provide menu suggestions using a food item of the day.



Easy Italian recipe video by Italian cuisine expert Yasuo Toyota

Sharing information to link Yaoko with customers

In addition to our Cooking Support, we share information and interactive communication via official social media channels and our website as a touchpoint with our customers.

For instance, we post stories about our products, such as behind-the-scenes

stories about the development of Yaoko original products and the commitment of our buyers. We also share information to reassure our customers to make them feel better about buying our products and enjoy shopping with us.



Official Instagram



Product stories from our website



Scan here for behind-the-scenes stories!

Support for children

In September 2020, in order to support children from families economically challenged under COVID-19 and single-parent families, we started donating rice to children's cafeterias and food pantries in Saitama Prefecture with the cooperation of the Saitama Prefecture Office and the Saitama Social Welfare Council, together with Asahi Logistics Corporation. We deliver approximately 500 to 700 kg of rice each month, consisting of products whose sell-by date is approaching or slightly past from our stores.

From September 2021, this activity has been

taken over by the Yaoko Child Support Foundation, which was established in March 2021, as a standing initiative.

Additionally, in November 2021, the Support Center and 13 stores in the Kawagoe area held a food drive for the first time to collect donations of foodstuffs from our employees. Approximately 3,000 food items were collected, and the following December, Yaoko Food Pantry was held in collaboration with Kawagoe Child Support Pantry, Saitama Prefectural Government, as well as our suppliers, receiving a large number of satisfied visitors.



Food Pantry

Interview with
the Chief Administrative Officer

A decentralized chain-store system and the all-participation policy are the hallmarks of Yaoko's business operations. To make the best use of its strengths, Yaoko has been focusing on human resources development, which has led to business expansion. Masanobu Kamiike, Senior Managing Director and Chief Administrative Officer, discusses what Yaoko's measures emphasize and how the company is fostering human resources to achieve further development and sustainable growth.

Fostering people who can take the initiative, are highly aware of the issues, and capable of innovation for the future



Masanobu Kamiike

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

Q. What kind of people does Yaoko want and how is Yaoko training its personnel?

A. We emphasize the qualities of a team player and the ability to think independently and take the initiative. Going forward, we will promote fostering of next-generation executives.

Yaoko has achieved growth with its decentralized chain-store system that capitalizes on the strengths of each store. At our stores, a small number of employees manage a large number of partners (part-time

employees). Each store is required to create a workplace where everyone can join forces. From this perspective, in hiring personnel, we place importance on a love of people and the qualities of a team player, as well as the ability to think independently and act on one's own initiative, and of course you have to love food.

New employees are assigned to stores to develop their abilities through OJT. At the same time, to enhance classroom-based training, we established Yaoko University some years ago, which is a systematic education program for employees in the first five years of employment covering such subjects as finance, numerical management, labor relations, and relevant laws and regulations.

The current executives are mainly those who joined Yaoko during Japan's "employment ice age" when it was difficult for jobseekers to secure stable employment. Having joined Yaoko as excellent new graduates, they have demonstrated their full potential and are leading the development and expansion of the business. For Yaoko to achieve further growth in the coming years, we have to promote development of the next generation of executives who will secure Yaoko's future. Although we have been focusing on securing youthful human resources, I feel more could have been done to foster them.

As a measure to deal with this situation, Yaoko introduced a selective training system. From among young employees, we select those with the potential to become future executives and enroll them in external training

programs where they learn to think as managers and gain managerial skills together with their peers from other industries and business formats.

We intend to develop individuals who have a broad perspective and can boldly take on challenges, thinking outside the box, and to proactively create opportunities for them to use their capabilities to maximum effect.

Q. Can you give us an update on Yaoko's hiring, human resources development, and priority issues for FY2022.

A. Our top priority is enhancement of employee education and training systems so that fostering of young employees is strengthened to lay a foundation for innovation.

In FY2021, in a labor market disrupted by the COVID-19 pandemic, we were able to hire many excellent new university graduates. I feel we have a competitive edge in hiring as students value the stability of supermarkets, which are less susceptible to economic fluctuations than many other businesses. By emphasizing in-house training, we intend to transform this cohort of excellent new hires into a competitive force. Unfortunately, owing to restrictions imposed to prevent COVID-19 infection, training had to be non-face-to-face. Since we could not have as much group training as we wanted, Yaoko University mainly consisted of e-learning by individuals. Although it was a struggle, we managed to hold the selective training I mentioned, but via online meetings using IT and with fewer participants.

Our top priority for FY2022 is to enhance employee education and training systems to strengthen fostering of young employees. We will assign new university graduates to stores whose senior staff have good training skills. As for Yaoko University, we will enrich the curriculum. While utilizing online classes, trainees will be given assignments and more hours will be devoted to training at stores.

Yaoko has experienced considerable success so far, with 33 consecutive years of increased sales and profit, and our employees have been nurtured in an environment where fast-paced growth is the norm. Nevertheless, going forward, we should not be satisfied with the status quo but respond to changes in the world through innovation to achieve sustainable growth and development. We must unleash the abilities of young people to lay a foundation for innovation.

Q. What is Yaoko's policy on the empowerment of women and how are you promoting their advancement?

A. Being attentive to the needs of female employees, we will design and improve our personnel system so that women can develop their careers over the long term while dealing successfully with the challenges associated with life events.

Supermarkets, where so many customers are women who are homemakers, offer many opportunities for female employees to excel, making the most of their aptitude and capabilities. Promoting the advancement of women is a key issue for Yaoko.

As of June 1, 2022, whereas the ratio of female regular employees at Yaoko as a whole was 23.2%, the ratio of female managers was only 6.9%. Yet, in terms of ability, many female employees outshine their male counterparts. Indeed, women account for half of the employees eligible for selective training.

We aspire to be a company where many talented female employees fulfill active roles. Being attentive to the needs of talented female employees, we will design and improve our personnel system and provide firm support so that female employees can develop their careers over the long term, dealing successfully with the challenges associated with life events, such as marriage, having children, and raising them.



Develop human resources who can be active for customers, and become a company that people want to join

Human Power (Resourcefulness)

The human power of each and every employee forms the foundation for our store operating policies of “store-by-store management” and “all-participation,” and is essential for building strong stores.

We put special effort into training personnel based on our motto, “A cheerful life will create a cheerful store.” We are concerned that as the company gets bigger, differences among stores will

grow due to insufficient education, and the continuation of the founding spirit and management philosophy will diminish. At Yaoko, we are working to create an organization with

stable store management where employees want to work by offering an education curriculum based on position and level, philosophical education, and so forth.

Training

We built a training center where we plan and implement a wide range of training to improve the human power and abilities of each and every employee.

At Yaoko University, group training of employees is conducted from the 1st to 5th years of employment. Employees can learn the Company’s basic curriculum

and equally receive a certain level of education.

In addition, we provide many learning opportunities to enhance single-store management and the all-participation policy, such as technical training to learn professional skills, participation in training and exhibitions in production areas to visit producers,

overseas retail study tours, and the “Festival of Inspiration and Happiness” for presenting work improvements by partner employees.

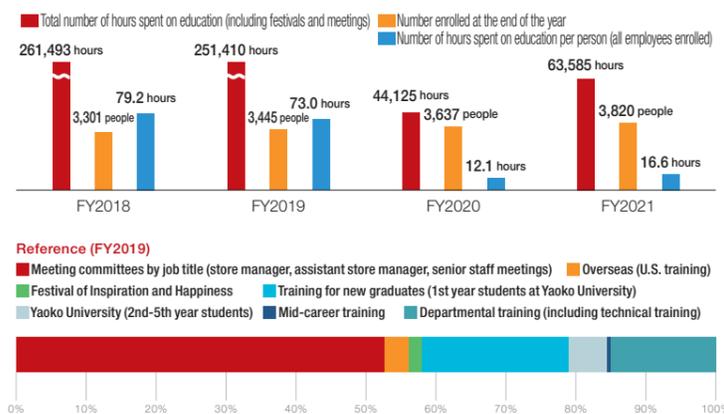
In June 2021, we began selective training as the first initiative in training our core personnel of the future. With the goal of training highly productive personnel with a

broad perspective, we selected employees from our new hires to those in the third year after graduation who have potential and aptitude and think outside the box, and they are training together with young employees from other industries and businesses.



Yachiyo Training Center

Personnel training (non-consolidated)



Diversity



As Japanese society experiences a declining birthrate and aging population, and as the company grows in size labor shortages have become a constant issue.

We are working to reduce employee turnover by

promoting work-life balance through workstyle reform and by enhancing our education system so that our employees find it easy 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 April 2021. Following this plan, we aim to increase the total number of women in management positions from 60 as of March 31, 2021, to 90 by March 31, 2026, the fifth year. We understand that progress has been made in improving the work environment through efforts, such as building a system to support work-life balance in response to life

events, changing company rules, and building an accredited in-business nursery school and other physical amenities. We will continue to make efforts to create an environment where it is easy for women to work.

In terms of hiring more foreign applicants, we have announced an action plan to add approximately 500 foreign employees as of March 31, 2022. Of those employees, nearly 180 are foreign technical interns who learn skills while working in our stores and the Delicatessen & Fresh Food Center.

With spread of COVID-19, new entry of foreign nationals to Japan was limited but this was eased in June 2022 and foreign technical interns are now allowed to enter.

Health Management

For the past several years, we have made company-wide efforts to promote employee health. These efforts have 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.”

For the third year in a row since FY2019, Yaoko was certified as a Top Healthy Management Company (White 500), though unfortunately missed the certificate in FY2022.

Under the slogan of “Enjoy every day with sound body and mind” to work healthily in a dramatically changed environment of “living with

COVID-19,” a CHO (Chief Health Officer) was newly appointed in March 2022 to further promote health management.

More specifically, the company will participate in private online sports events, encourage employees to quit smoking, and aim to be certified again as a Top Healthy

Management Company (White 500).



Work environment data (non-consolidated)

	FY2017	FY2018	FY2019	FY2020	FY2021	
Number of Employees	Men	2,584	2,695	2,782	2,921	3,011
	Women	549	606	663	716	809
	Total	3,133	3,301	3,445	3,637	3,820
	PHA Members (calculated at an average of 8H over period)	10,690	10,899	11,185	11,784	12,428
Average Age (years)	38.4	38.6	38.8	39.4	39.3	
Average Years Employed	10.3	10.5	10.7	10.9	11.0	
Management Positions	Ratio of Men	93.2%	93.1%	92.4%	92.7%	93.3%
	Ratio of Women	6.8%	6.9%	7.6%	7.3%	6.7%
	Number of Women in Management Positions	51	55	62	60	58
Ratio of Persons With Disabilities Employed *Including PHA members	2.34%	2.46%	2.47%	2.50%	2.46%	
Number of Persons Taking Childcare Leave *Including PHA employees	70	90	99	133	138	
Ratio of Paid Leave Acquisition	20.0%	18.1%	36.4%	33.7%	34.5%	
Rate of Work Accidents (per 1000 people per year)	3.2	3.1	4.1	3.5	5.2	
Average Annual Compensation (thousands of yen)	6,015	5,858	5,830	6,015	6,035	
Labor Distribution Ratio	48.7%	48.1%	47.9%	47.3%	46.4%	



Expand our business infrastructure and adapt the changing environment around us



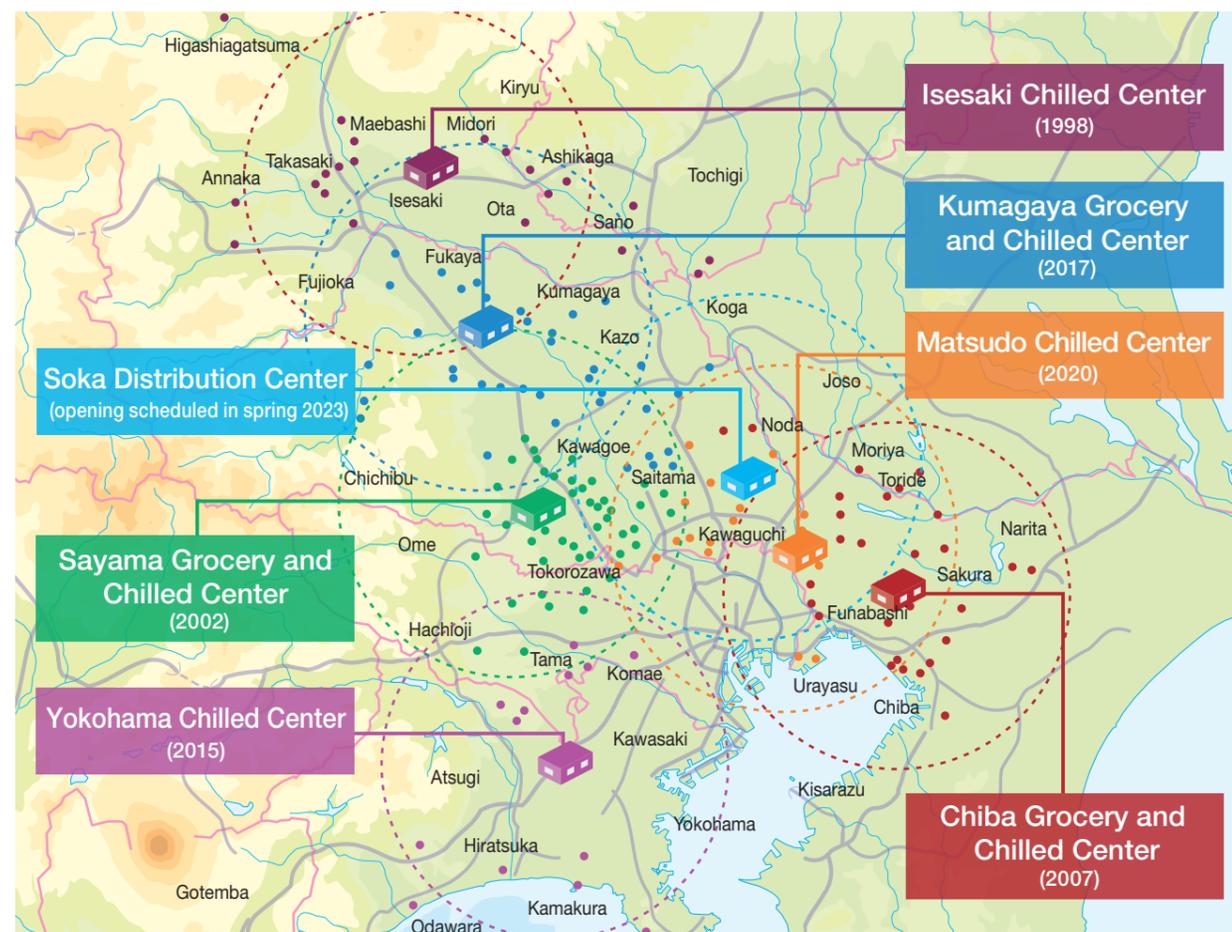
Logistics bases that serve to increase productivity and improve efficiency

The Yaoko Group has stores in one metropolis and six prefecture areas, mainly in Saitama Prefecture. This area strategy remains to achieve our vision of “offering everyone in the region abundant and enjoyable dietary lives.”

Collaboration with various business partners is essential to our role as a lifeline and for offering abundant dietary lives in the areas where we have stores. For example, in distribution, Yaoko currently has placed 3 grocery centers (room temperature) and 6

chilled centers (refrigerated and frozen) to smoothly deliver products to more than 170 stores. Logistics bases must be optimally located to efficiently deliver products in a very fresh state to stores within a certain period of time.

Yaoko places these logistics bases according to its area strategy, considering changes in the volume of products and a delivery distance to stores within approximately 1 to 1.5 hours.



*Matsudo Chilled Center will close with the opening of Soka Distribution Center.

Soka Distribution Center will open in spring 2023.

The COVID-19 outbreak started when we were considering how to build a distribution system in the medium and long-term.

As the outbreak significantly increased the logistics volume of goods, we decided to push forward the installations and openings of new distribution centers.

We will open Soka Distribution Center in spring 2023.

Distribution capacity in the Saitama South East Area will be enhanced with the opening of Soka Distribution Center, further streamlining our distribution.



Establishment of Focot Co., Ltd.

On February 1, 2021, we established Focot Co., Ltd. which operates stores of a new business format.

To address changes in customers' lifestyles, Focot, a new business format was established based on the know how of AVE, an operator of discount supermarkets, to

further propose “affordability” across the entire Yaoko Group. Same as AVE, Focot operates at low cost by thoroughly eliminating unnecessary operations. It provides a product lineup that offers reliable quality and leads to lifestyle enrichment at unrivalled low prices, and undertakes

store operations which contribute to customers.

In FY2021, we opened Hanno and Akishima Stores, and the two stores have welcomed many customers from the date of opening. Our discount supermarkets will meet the needs of customers in a wide commercial area with

low shopping frequency. We will expand our area to enable many customers to have our unique shopping experience of “buying in bulk necessary goods at a huge discount.”





Sustainability

As a grocery store and supermarket chain rooted in the community, the Yaoko Group's goals are to offer healthy choices through its business, make more people healthier and happier, and contribute to promoting health in local communities. In addition, we understand that environmental problems are the issues we should address to ensure our business sustainability. In FY2021, we set effective "Environmental Targets" based on the "Goals and Issues" we defined in FY2020. To achieve the targets, we will conduct specific initiatives that enable our employees, customers and business partners to address together, and that have economic rationality.

Environmental policy

- We sell safe, eco-friendly products and endeavor to make lifestyle suggestions considering the lives of our customers and the environment.
- In order to realize a decarbonized society, we endeavor to reduce CO₂ emissions and actively work toward energy-saving business operation by conserving electricity and water and by using clean energy.
- In order to realize a resource recycling society, we reduce garbage and promote reuse and recycling through reusable shopping bags, simple packaging, reduction of single-use plastics, and in-store collection.
- In order to realize a resource recycling society, we reduce food waste and food loss, and promote food product recycling through efforts such as a recycling loop at Yaoko Farm.
- In order to protect the natural ecosystem, we promote the development of products that use eco-friendly ingredients and endeavor to maintain a sustainable society.

2030 Targets

Metrics	Targets
Reduction of CO ₂ emissions	Reduce carbon dioxide emission intensity by 60% by FY2030 vs. FY2013 levels
Reduction of plastic use	Weight of plastic containers and packaging Reduce the weight by average 25% per store by FY2030 vs. FY2019 levels
	Promotion of plastic recycling Collect 10 times of foam trays per store vs. FY2020 levels
Reduction of food waste	Achieve zero food waste



Achieve a decarbonized society

Efforts to save energy and reduce CO₂ emissions

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, 2022 43 facilities have rooftop solar panels. At our Soka Haracho Store, we also have an EV charging stations for customers.



Solar panel installation



EV charging stations

Introduction of 100% renewable energy

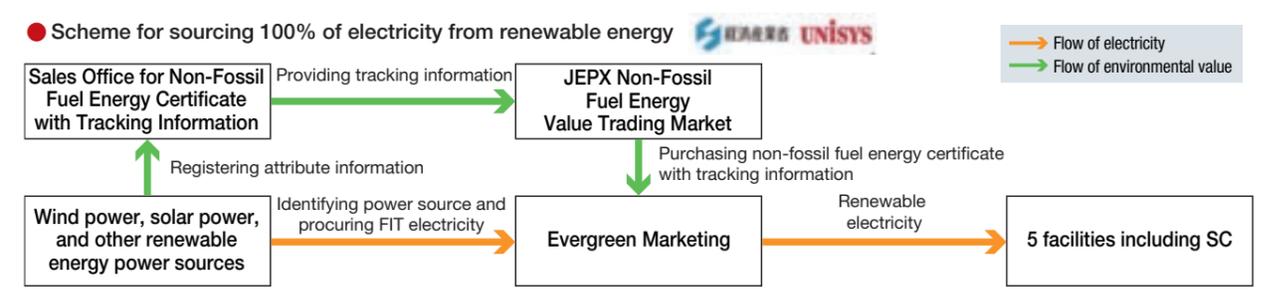
Starting with the Support Center, Delicatessen and Fresh Food Center, and Kumagaya Distribution Center, eleven of our facilities switched to 100% renewable energy by March 31, 2022. This represents 15% of the Company's total power consumption. We will consider increasing the ratio of renewable energy.

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 CO₂ emissions.

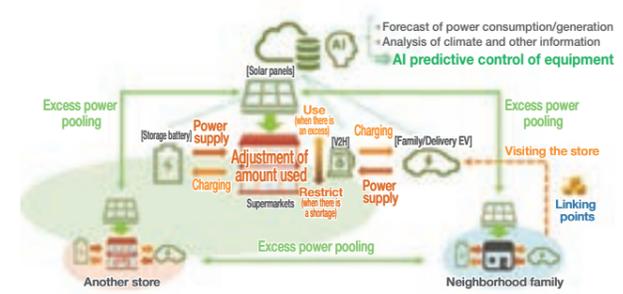


Reach-in cases and LED



Collaboration in demonstration of "R.E.A.L. New Energy Platform™," a regional circular business model for excess solar power

Using rooftop solar panels in our Kawagoe Matoba and Tsurugashima Stores, we have collaborated with i GRID SOLUTIONS and ITOCHU on a demonstration of a regional circular business for excess solar power. Forecasts of the amount of excess power generated incorporate AI-based data, etc. of both companies. As a result, this promotes basic studies that contribute to future power pooling in the local community and regional resilience. This will further validate the model and help to promote a regional circular model and decarbonization.





Realize a recycling-based society

—A circular economy to conserve the regional environment

Plastic reduction and recycling efforts

To reduce the amount of plastic used, the merchandising departments have taken measures such as changing the plastic lid to a wrapping film and

increasing the ratio of foam trays. In response to the Act on Promotion of Resource Circulation for Plastics enacted in April 2022, plastic cutlery distributed at stores is

changed to wooden or paper cutlery. Yaoko Eco Center opened in October 2021 to bale and recycle styrofoam boxes, plastic bottles, foam trays, aluminum cans and steel

cans collected at stores. The Eco Center covers 89 stores as of March 31, 2022.

Reducing

Lidded containers

Wrapped containers



Change of cutlery



Recycling

Yaoko Eco Center



Recycle BOX



Food loss reduction and food product recycling efforts

We reduce food loss based on store-level sales plan and proper orders. To appeal the freshness, we sell out food products every day by lowering prices. 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

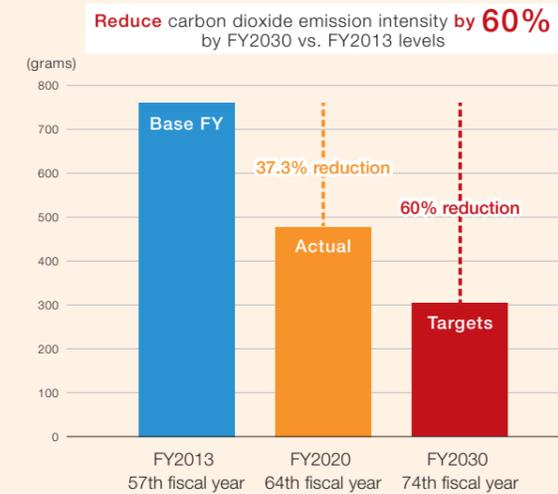
of efforts to reduce food loss throughout our supply chain. We have also introduced biodegradable waste composting machines at our Delicatessen and Fresh Food Center, in an effort to reduce our environmental footprint.

In addition, we have implemented a recycling loop at Yaoko Farm, in which food waste is recycled as fertilizer.

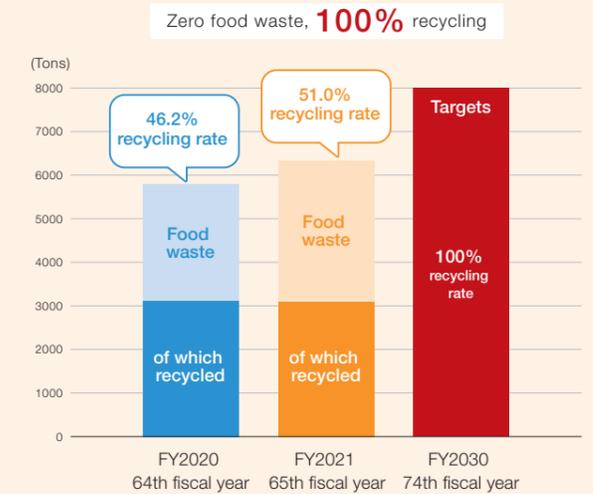


Environmental Data (Actual progress to environmental target)

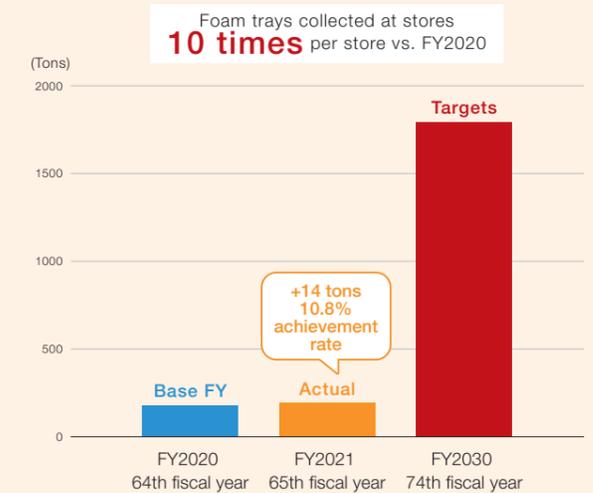
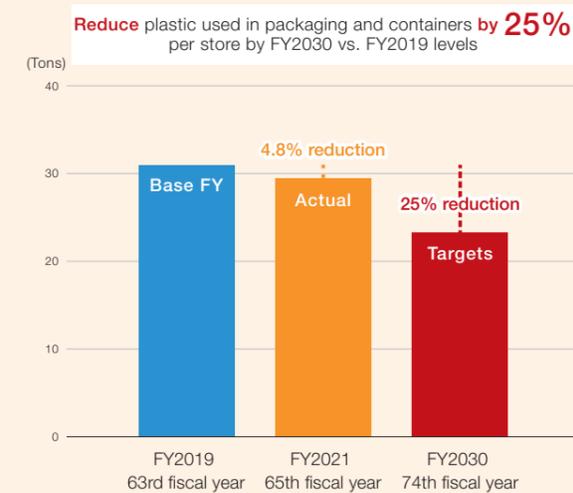
CO₂ reduction target



Food loss reduction target



Plastic reduction target



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

Category	Calculation target	2020/3	2021/3
Scope 1	Emissions from a reporting company itself	4,696	3,900
	Emissions from leakage of fluorocarbons ²	16,080	16,074
Scope 2	Electricity and heat supplied by others and indirect emissions from such use ³	99,833	100,491
Total		120,609	120,465

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)



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 G20’s Financial Stability Board. In this first year, we will identify various risks and opportunities related to climate changes in our business, address to minimize business risk and to reduce CO₂ emissions, and further disclose such information.

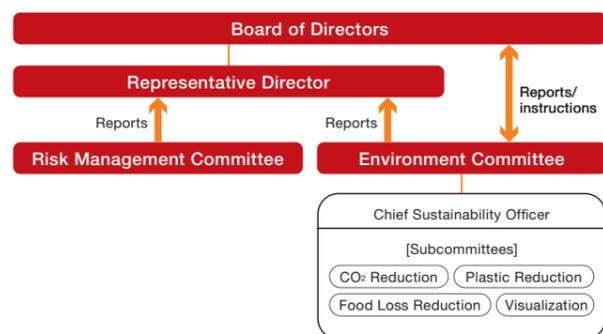
Governance

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



Conference bodies and their roles in Environment Management System

Board of Directors	Supervises the progress of the discussed and approved initiatives related to environment issues in business execution.
Risk Management Committee	Extracts and evaluates comprehensive risk of the entire Company including environment issues, and consider countermeasures against the risk. Reports important matters to President and Representative Director. Meets more than twice a year.
Environment Committee	Resolves measures for environment issues, and shares the information in the Company. Sets targets related to environment issues and monitors progress of the targets by department. Reports important matters to the Board of Directors. Meets more than once a year.
Chief Sustainability Officer	Controls and promotes company-wide implementation of specific initiatives related to environmental issues. Gathers information on environment, calls meetings of the Environment Committee, and reports to the Board of Directors more than once a year.
Subcommittees of the Environment Committee	Four subcommittees are established under Chief Sustainability Officer to achieve goals on environmental issues across divisions. These subcommittees consider and implement measures for reduction of CO ₂ , plastic and food loss, and for visualization.

Strategy

To investigate issues on climate change, we have considered short-, medium- and long-term risks and opportunities related to climate under two scenarios with different temperature changes that may impact our business. Pronounced climate change can be major risks or opportunities for our business that is closely related to a supply chain covering raw material procurement, manufacturing,

distribution, sales to disposal. Two scenarios are assumed by international professional agencies such as the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA). Under the 4°C scenario, physical risks due to climate change will increase, and impact of frequent natural disasters on store operation and that of high temperatures on agricultural products and

Applied scenarios	Physical scenario (4°C scenario): IPCC 5th Report, etc. Transition scenario (1.5°C-2°C scenario): IEA WEO-2020, etc.
Subject	Store management of Yaoko (non-consolidated)
Analysis	Qualitative evaluation 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)

rising prices are expected. On the other hand, impact of stricter regulations for mitigating climate change would be limited. Under the 1.5°C-2°C scenario, transition risks will increase

due to introduction of regulations to mitigate climate change. Various regulations may increase burdens such as carbon tax, and lead to various technical innovations.

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

Category	Risk items			Risk impact			
	Major category	Subcategory	Time to develop	Details of risks	2°C (1.5°C)	4°C	
Risks	Transition risks	Policy and legal/technology risk	Introduction of carbon tax	Medium to long term	Increase in carbon pricing and tax burden	High	—
			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-fluorocarbon 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 behaviors	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, plants)	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	—
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	—	

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.

Metrics and targets

In FY2021, we set targets related to environmental issues. We have set our visions as “Decarbonized society” and “Realizing a

recycling-based society” and set effective metrics and targets as a first step toward these visions and the government’s goals “to

reduce GHG by 46% by 2030, and to go carbon neutral by 2050.” From FY2022 and beyond, we will manage the progress, validate and review

these targets to make these measures more effective against business risks and financial impact to be calculated.

Metrics	Targets	FY2020 actual
Reduction of CO₂ emissions	Reduce carbon dioxide emission intensity by 60% by FY2030 vs. FY2013 levels	37.3% reduction
Reduction of plastic use	Weight of plastic containers and packaging Reduce the weight by average 25% per store by FY2030 vs. FY2019 levels	4.2% reduction
	Promotion of plastic recycling Collect 10 times of foam trays per store vs. FY2020 levels	179 tons
Reduction of food waste	Achieve zero food waste	46.2% recycling rate

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

Disclosed on page 32.



Directors and Auditors

Directors (as of June 21, 2022)



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
 Chairman, Japan Supermarkets Association

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)

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.

Shigeyuki Kurokawa
 Director (External)



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. (to present)
 November 2020 Outside Director, CIRCULATION Co., Ltd. (to present)
 November 2020 Representative Director, BLOOM Co., Ltd. (to present)

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.
 April 2020 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)

■ **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 is expected to sufficiently fulfill his role in decision-making on important matters of the Company's management, supervision of business execution, and others. He is also expected to continue creating new values with the times at the Company in the retail industry, and demonstrate organizational management that leads to innovation.

Asako Yano
 Director (External)

Takashi Kuzuhara
 Director (External) (New)



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, General Manager 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 (as of June 21, 2022)



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)



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, Satoagaku (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.

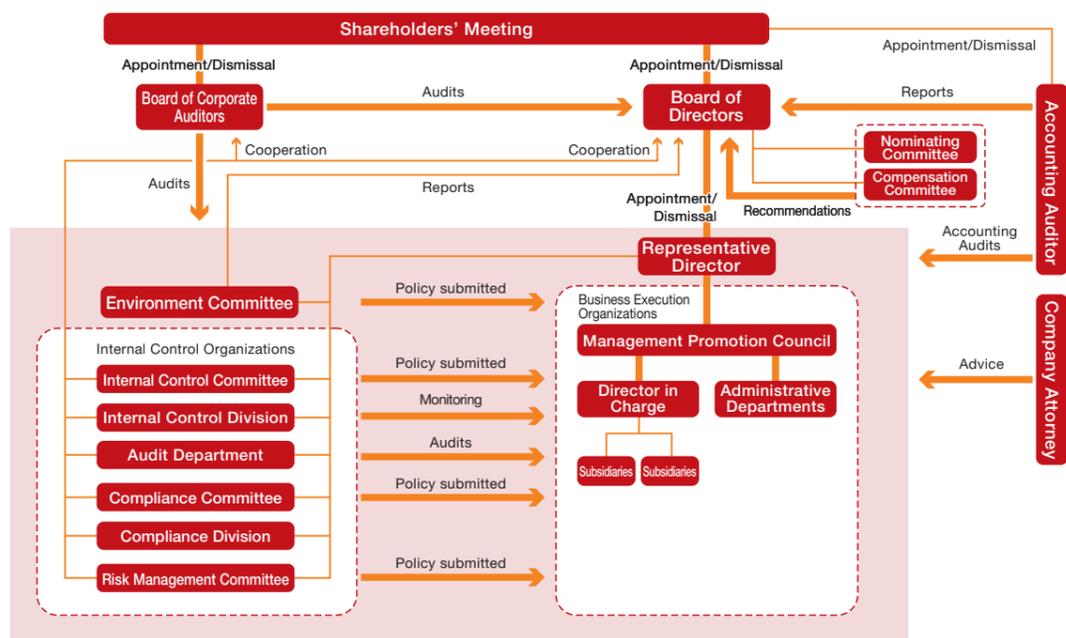
Corporate Governance

Governance that has made it possible to achieve 33 consecutive terms of increasing profitability

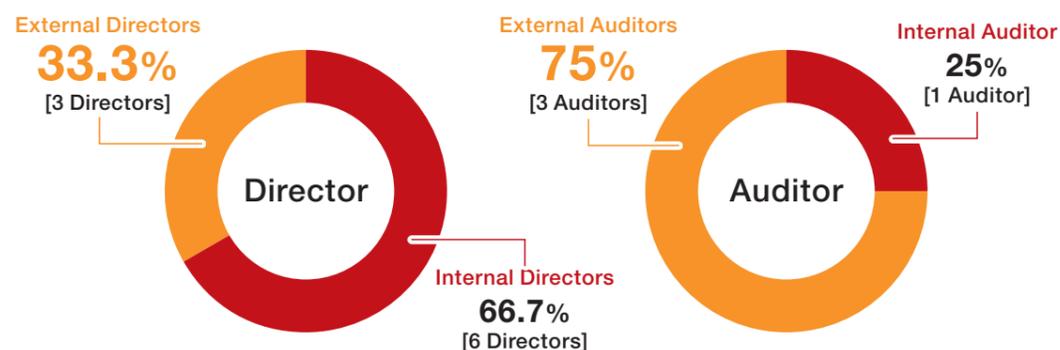
The basis of company management is “honesty” declared in company policy. Honest business with no lies or tricks and transparent, healthy management are our first priority, and since our founding in 1890, we have dedicated ourselves to unwavering business according to our unwavering management philosophy. 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 33 consecutive terms of increasing profitability.

Corporate Governance System

Corporate Governance System [Organizational Structure: Company with Board of Corporate Auditors] (as of June 21, 2022)



Ratio of External Directors and External Auditors (as of June 21, 2022)



Outline of Board of Directors, Board of Corporate Auditors, Committees, and Other Conference Bodies

Conference Body	Chairperson	Composition	Purpose	Number of meetings in FY2021 (Attendance rate)
Board of Directors	President	6 Internal Directors 3 External Directors	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.	14 (100%)
Board of Corporate Auditors	Full-time Auditor	1 Full-time Auditor 3 External Auditors	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.	16 (100%)
Nominating Committee	External Directors	2 Internal Directors 3 External Directors	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.	1 (100%)
Compensation Committee	External Directors	2 Internal Directors 3 External Directors	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.	3 (100%)
Management Promotion Council	President	6 Internal Directors 18 Executive Officers and department heads	This council discusses and decides on important executive policies relating to the management and business operation administration of Yaoko and its affiliate companies.	15
Internal Control Committee	President	4 Internal Directors 1 Full-time Auditor 5 Heads of the departments concerned	This committee discusses and decides on important matters relating directly or indirectly to financial reports, in order to ensure the suitability of financial reports.	4
Compliance Committee	President	6 Internal Directors 19 Executive Officers and department heads	This committee discusses and decides on issues relating to compliance, fair transactions, privacy protection and management.	2
Risk Management Committee	President	6 Internal Directors 1 Full-time Auditor 19 Executive Officers and department heads	This committee evaluates and discusses specific risk scenarios and risk reduction measures, applies the PDCA concept, and discusses and decides on issues relating to risk management in the company.	2
Environment Committee	President	6 Internal Directors 1 Full-time Auditor 15 Executive Officers and department heads	This committee discusses and decides on issues relating to environmental problems.	New

* Attendance rates are shown only for the Board of Directors and Board of Corporate Auditors, which are decision-making bodies, and the Nominating Committee and Compensation Committee, which are advisory bodies.
* The Environment Committee was newly established in April 2022, independent of the Compliance Committee.

Assessment of the effectiveness of the Board of Directors

In order to ensure the effectiveness of the Board of Directors, the Company analyzes and evaluates the operation of the Board of Directors and discloses a summary of the results.

Questionnaire Outline

Our directors and auditors conducted a self-assessment based on a questionnaire from February to March 2022.

(1) Deliberations of the Board of Directors (2) Composition of the Board of Directors
(3) Functions of the Board of Directors (4) Meetings to exchange opinions
(5) Opportunities for officers' camps and training
(6) Assessment of the effectiveness of the Board of Directors and efforts to address issues

Assessment Results and Analysis

The assessment concluded that the effectiveness of the Board of Directors of Yaoko has been secured. It was also found that the directors quickly execute business plans decided by the Board of Directors and that the Board of Directors appropriately monitors business execution.

Issues

Going forward, the Corporate Brand Strategy Department will work to regularly report on investor meetings to the Board of Directors, etc., and the Nominating and Compensation Committees will work to enhance their discussions.

Expertise and Experience of Officers

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.

Main expertise and experience (skills matrix)

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	48	●	●	●		●	●		●	●	
Sumito Kawano	13	●	●	●		●	●				
Masanobu Kamiike	14	●	●	●					●	●	
Takanori Ishizuka	7	●					●				●
Mitsuo Kozawa	10	●	●				●		●		
Hiroaki Yagihashi	5	●							●		
Shigeyuki Kurokawa	7	●	●	●					●		
Asako Yano	7	●			●		●				●
Takashi Kuzuhara	—	●	●								●
Executive Officers											
Tatsuya Kambe	1							●	●		
Shinichi Matsuura	—		●				●	●	●		
Haruki Nagumo	—						●	●			●
Masahiro Iwasaki	—						●	●			
Shinsuke Goto	—								●		
Auditors											
Takao Wakabayashi	6	●		●		●			●	●	
Yukio Sato	5	●	●			●					
Katsuhiro Hashimoto	2				●	●					
Tsuyoshi Ikarashi	2		●	●							

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

Skills to be acquired

Management (Items required for operation of a listed company)	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.
	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.
Business operation (Items corresponding to the Company's business characteristics and issues)	Experience in retail industry	The driving force of the Company, which aims to "achieve abundant and enjoyable dietary lives," is merchandise development capability and ability to sell the merchandise. 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 merchandise but also have abundant experience in retailing including manufacturing knowledge, merchandise development, and MD.
	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	

Skill judgment method

The skills of each officer are applied in the matrix table below that combines knowledge and skills in the vertical axis and experience in the horizontal axis for each skill. If it falls in the area of A to E, it is considered to be high enough for recognition.

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

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.

Officer categories	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)	241	135	67	37	7
Auditors (excluding External Auditors)	13	13	—	—	1
External Officers	32	32	—	—	6

Compliance

Establishing the Yaoko Group Code of Conduct

Yaoko Group has established the "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.

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.

Establishing an internal reporting office

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



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

	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		
	03/2010	03/2011	03/2012	03/2013	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	03/2023	03/2024
Total Revenue	206,497	221,061	237,371	247,967	274,149	307,354	-	-	414,992	435,085	460,476	507,862	536,025		
(Compared to Previous Period)	99.1%	107.1%	107.4%	104.5%	110.6%	112.1%	-	-	-	104.8%	105.8%	110.3%	105.5%		
Net sales	197,671	211,624	227,291	237,307	261,900	293,397	-	-	398,228	417,709	442,220	487,189	514,029		
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		
(Cost Rate)	71.2%	71.1%	71.2%	71.5%	71.6%	71.6%	-	-	74.1%	74.1%	74.2%	74.6%	74.8%		
Gross Profit	57,004	61,222	65,476	67,651	74,272	83,261	-	-	103,297	108,184	113,977	123,902	129,769		
(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%		
Operating Revenue	8,825	9,436	10,080	10,659	12,249	13,956	-	-	16,763	17,375	18,256	20,673	21,996		
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		
(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%		
Distribution Expenses	3,824	4,126	4,561	4,745	5,212	5,877	-	-	7,129	7,332	7,708	8,918	9,577		
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		
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		
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		
Retirement Benefit Expenses	1,257	1,236	1,289	1,367	1,263	823	-	-	1,033	1,029	1,059	1,097	1,148		
Provision for Retirement Benefits for Directors	21	21	386	151	78	90	-	-	5	5	5	248	3		
Provision for Stock Compensation for Employees	-	-	-	-	-	-	-	-	346	284	389	229	565		
Provision for Stock Compensation for Directors	-	-	-	-	-	-	-	-	42	42	42	40	37		
Legal Welfare Expenses	-	-	-	-	-	-	-	-	6,568	6,759	7,121	8,636	8,303		
Utilities	2,914	3,276	3,396	3,756	4,692	5,122	-	-	4,766	5,072	4,864	4,540	5,282		
Rent	6,937	7,099	7,270	7,745	8,456	9,164	-	-	11,557	12,058	12,603	13,336	14,166		
Leasing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-		
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		
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		
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		
(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%		
Operating Income	8,597	9,603	10,779	10,983	11,998	13,470	-	-	16,969	17,900	19,882	22,458	24,081		
(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%		
Non-Operating Income	227	198	208	201	205	208	-	-	214	217	358	319	279		
Non-Operating Expenses	364	382	416	380	364	337	-	-	655	629	612	565	1,070		
Ordinary Income	8,460	9,418	10,571	10,803	11,840	13,342	-	-	16,528	17,488	19,629	22,211	23,290		
(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%		
Extraordinary Income	85	553	17	120	93	1,726	-	-	348	2,609	22	199	52		
Extraordinary Losses	76	807	382	494	140	2,181	-	-	584	2,367	890	1,322	966		
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		
Net Income	4,827	5,148	5,388	6,019	7,110	7,834	-	-	11,004	11,798	12,458	14,593	15,382		
(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%		
Capital Investment	10,184	10,902	10,899	15,104	21,032	21,597	-	-	24,702	23,009	22,723	24,673	42,047		
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		
Revitalizing Existing Stores	320	197	593	2,782	4,601	4,047	-	-	4,182	2,752	7,944	3,462	11,324		
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		
Total Assets	80,299	91,307	99,810	105,046	126,612	133,628	-	-	213,673	224,315	244,511	269,121	305,997		
Current Assets	14,552	17,124	17,826	20,305	25,430	21,449	-	-	35,601	38,507	48,062	58,091	60,303		
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		
Deferred Assets	-	-	-	-	-	-	-	-	-	-	39	29	20		
Total Liabilities	43,999	50,691	54,889	55,134	71,466	72,116	-	-	129,034	130,259	140,473	152,495	177,168		
Net Assets	36,299	40,615	44,921	49,911	55,146	61,511	-	-	84,639	94,055	104,037	116,625	128,828		
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		
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		
Financing Cash Flow	-129	-721	-654	-2,086	7,379	-6,105	-	-	4,736	-5,715	1,418	4,191	15,571		
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		
ROE	14.2%	13.5%	12.7%	12.8%	13.6%	13.5%	-	-	13.7%	13.2%	12.6%	13.2%	12.5%		
ROA	6.0%	5.6%	5.4%	5.7%	5.6%	5.9%	-	-	5.1%	5.3%	5.1%	5.4%	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		
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		
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		
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%		
Outstanding Shares (excluding own shares/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		

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 fourth quarter of the fiscal year ended March 31, 2022, the equity method is applied to Sendo Co., Ltd.

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

	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		
	03/2010	03/2011	03/2012	03/2013	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	03/2023	03/2024
Total Revenue	197,877	211,885	227,211	237,556	263,015	295,883	325,441	343,061	363,892	380,992	401,358	442,126	467,838		
(Compared to Previous Period)	101.1%	107.1%	107.2%	104.6%	110.7%	112.5%	110.0%	105.4%	106.1%	104.7%	105.3%	110.2%	105.8%		
Net sales	189,522	202,943	217,650	227,420	251,334	282,449	310,634	327,406	347,637	364,122	383,677	422,101	446,535		
Cost of Sales	144,219	154,299	165,676	173,312	191,480	214,975	223,317	235,996	251,209	262,941	277,311	306,817	325,388		
(Cost Rate)	76.1%	76.0%	76.1%	76.2%	76.2%	76.1%	71.9%	72.1%	72.3%	72.2%	72.3%	72.7%	72.9%		
Gross Profit	45,302	48,643	51,973	54,108	59,853	67,474	87,317	91,410	96,427	101,181	106,366	115,284	121,147		
(Gross Profit Ratio)	23.9%	24.0%	23.9%	23.8%	23.8%	23.9%	28.1%	27.9%	27.7%	27.8%	27.7%	27.3%	27.1%		
Operating Revenue	8,355	8,942	9,561	10,136	11,680	13,433	14,807	15,654	16,255	16,869	17,680	20,024	21,302		
Operating Gross Profit	53,658	57,585	61,534	64,244	71,534	80,908	102,124	107,064	112,682	118,051	124,047	135,308	142,449		
(Sales Operating Gross Profit Ratio)	28.3%	28.4%	28.3%	28.2%	28.5%	28.6%	32.9%	32.7%	32.4%	32.4%	32.3%	32.1%	31.9%		
Distribution Expenses	3,538	3,822	4,239	4,418	4,872	5,435	6,449	6,712	7,129	7,332	7,708	8,878	9,401		
Advertising and Promotion Expenses	2,021	2,196	2,075	2,072	2,204	2,436	2,626	2,815	2,824	2,922	2,949	2,713	2,641		
Salaries and Allowances	17,437	18,177	19,108	19,991	22,022	24,473	36,864	39,415	41,488	42,679	44,735	47,982	51,027		
Provision for Bonuses for Employees	1,360	1,397	1,441	1,491	1,582	1,665	2,014	2,181	2,270	2,351	2,505	2,554	2,640		
Retirement Benefit Expenses	972	943	987	1,045	968	658	727	930	1,014	1,003	1,021	1,099	1,112		
Provision for Retirement Benefits for Directors	21	21	386	129	38	86	90	22	-	-	-	-	-		
Provision for Stock Compensation for Employees	-	-	-	-	-	-	339	462	346	284	389	229	565		
Provision for Stock Compensation for Directors	-	-	-	-	-	-	-	32	42	42	42	40	37		
Legal Welfare Expenses	-	-	-	-	-	-	5,130	5,735	6,328	6,532	6,871	8,340	7,993		
Utilities	2,891	3,249	3,370	3,727	4,661	5,075	4,665	4,170	4,524	4,804	4,598	4,288	4,992		
Rent	6,731	6,875	7,040	7,506	8,215	9,053	9,640	10,045	10,655	11,157	11,612	12,277	13,036		
Leasing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-		
Depreciation and Amortization	2,425	3,059	3,546	3,130	3,848	4,592	5,612	6,142	6,817	8,049	8,739	9,140	9,761		
Other	8,628	9,466	10,153	11,101	12,322	15,073	14,113	13,876	14,021	14,832	15,117	18,043	17,485		
Total Selling, General and Administrative Expenses	46,029	49,208	52,350	54,613	60,737	68,548	88,274	92,544	97,465	101,991	106,292	115,588	120,696		
(Sales, General, and Administrative Cost Ratio)	24.3%	24.2%	24.1%	24.0%	24.2%	24.3%	28.4%	28.3%	28.0%	28.0%	27.7%	27.4%	27.0%		
Operating Income	7,628	8,377	9,184	9,630	10,796	12,360	13,850	14,520	15,217	16,059	17,754	19,719	21,753		
(Operating Income Ratio)	4.0%	4.1%	4.2%	4.2%	4.3%	4.4%	4.5%	4.4%	4.4%	4.4%	4.6%	4.7%	4.9%		
Non-Operating Income	399	372	776	1,269	776	574	220	218	383	499	648	611	586		
Non-Operating Expenses	368	379	412	378	359	334	531	524	581	574	573	539	889		
Ordinary income	7,660	8,370	9,548	10,521	11,213	12,599	13,539	14,214	15,019	15,984	17,829	19,791	21,451		
(Ordinary Income Ratio)	4.0%	4.1%	4.4%	4.6%	4.5%	4.5%	4.4%	4.3%	4.3%	4.4%	4.6%	4.7%	4.8%		
Extraordinary Income	85	553	17	110	93	2,614	1,385	2,249	347	2,609	22	199	50		
Extraordinary Losses	63	784	371	465	132	2,101	1,367	2,314	583	2,365	889	1,321	1,766		
Income Before Income Taxes	7,681	8,139	9,194	10,166	11,174	13,112	13,556	14,149	14,782	16,228	16,963	18,669	19,735		
Net Income	4,506	4,698	5,159	6,379	7,074	8,543	9,065	9,927	10,307	11,139	11,574	13,315	13,937		
(Net Income Ratio)	2.4%	2.3%	2.4%	2.8%	2.8%	3.0%	2.9%	3.0%	3.0%	3.1%	3.0%	3.2%	3.1%		
Capital Investment	10,072	10,837	10,846	15,009	20,913	21,524	17,048	26,054	24,445	15,699	17,049	24,405	32,153		
New Stores and Prior Investments	9,770	10,650	10,263	12,230	16,319	17,550	8,980	18,449	20,373	6,226	10,738	13,293	14,125		
Revitalizing Existing Stores	302	187	583	2,779	4,594	3,974	8,068	7,605	4,072	2,730	3,357	3,315	11,297		
Depreciation and Amortization	2,644	3,181	3,868	3,413	4,190	4,995	5,612	6,142	6,817	8,049	8,739	9,140	9,761		
Total Assets	76,601	86,006	94,645	99,080	119,927	129,501	142,399	179,870	198,546	210,799	230,824	254,815	290,367		
Current Assets	12,478	13,729	14,659	16,678	21,196	21,837	20,400	40,137	31,632	36,029	43,703	52,283	55,383		
Non-Current Assets	64,122	72,277	79,985	82,401	98,730	107,663	121,998	139,733	166,914	174,770	187,082	202,501	234,962		
Deferred Assets	-	-	-	-	-	-	-	-	-	-	39	29	20		
Total Liabilities	42,380	47,958	52,571	51,715	66,588	68,807	74,407	103,781	113,712	117,159	128,031	141,300	166,405		
Net Assets	34,220	38,048	42,074	47,364	53,338	60,694	67,991	76,089	84,834	93,640	102,793	113,515	123,961		
Operating Cash Flow	-	-	-	-	-	-	15,428	15,805	-	-	-	-	-		
Investing Cash Flow	-	-	-	-	-	-	-15,236	-23,267	-	-	-	-	-		
Financing Cash Flow	-	-	-	-	-	-	-2,242	25,083	-	-	-	-	-		
Free Cash Flow (Operating CF + Investing CF)	-	-	-	-	-	-	192	-7,462	-	-	-	-	-		
Dividend per Share	45.00	57.00	55.00	57.00	60.00	80.00	45.00	50.00	55.00	60.00	65.00	85.50	80.00		
ROE	13.9%	13.0%	12.9%	14.3%	14.0%	15.0%	14.1%	13.8%	12.8%	12.5%	11.8%	12.3%	11.7%		
ROA	5.9%	5.5%	5.5%	6.4%	5.9%	6.6%	6.4%	5.5%	5.2%	5.3%	5.0%	5.2%	4.8%		
EPS	232.11	242.00	265.75	328.57	182.19	220.02	233.48	255.67	265.47	286.89	298.06	342.90	358.88		
BPS	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	2,647.18	2,923.05	3,191.70		
Total Asset Turnover (times)	2.5	2.4	2.3	2.3	2.1	2.2	2.2	1.8	1.8	1.7	1.7	1.7	1.5		
Capital to Asset Ratio	44.7%	44.2%	44.5%	47.8%	44.5%	46.9%	47.7%	42.3%	42.7%	44.4%	44.5%	44.5%	42.7%		
Outstanding Shares (excluding own shares/average for period) (shares)	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	38,830,676	38,833,224	38,837,603		
Number of New Stores	5	7	8	5	10	9	6	6	6	6	5	5	9		
Number of Remodeled Stores	5	3	5	7	7	10	11	10	11	8	9	10	10		
Number of Scrap-and-build Stores	-	-	-	1	-	-	2	3	-	-	-	-	-		
Number of Stores Closed	-	-	1	-	-	-	-	-	2	3	-	2	1		
Number of Stores at End of FY	104	111	118	123	133	142	148	154	158	161	166	169	177		
Number of Stores at End of FY (consolidated)	-	-	-	-	-	-	-	-	168	172	178	181	192		
Sales Floor Space at End of FY (weighted average) (m ²)	195,728	210,679	223,535	232,330	251,654	267,349	279,318	290,346	303,626	310,981	321,037	329,520	345,703		

1. 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.
2. 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.
3. Return on Equity (ROE) is calculated based on average capital over the period.
4. Since the fiscal year ended March 31, 2019, capital investment is written separately for stores (new and existing) and others.