



Yaoko Group Integrated Report

YAOKO REPORT 2019



Management Philosophy

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

Company Policy

A cheerful life will create a cheerful store.

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

The Joy of Living Near This Store

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

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

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

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

Yaoko store around 1958

Section 01

Corporate Values According to Yaoko Group

- 05 Message from the Chairman
- 07 Message from the President
- 09 Value Creation Model
- 11 Our Long-Term Vision and Achieving It
- 13 The 9th Mid-Term Management Plan
- 17 Yaoko History and Performance Trends

Section 02

Yaoko Group's Fundamental Strategies and Strengths

- 19 Product and Marketing Strategy
- 21 Operational Strategy
- 23 Human Resources Development Strategy
- 25 New Stores and Growth Strategy

Section 03

Corporate Information

- 27 Sustainability Management
 - S : Society
 - E : Environment
 - G : Governance
- 33 Map of Group Stores and Logistics Hubs
- 35 Consolidated Performance Values
- 37 Individual Performance Values

Editorial Policy
"Yaoko Report 2019" will include performance and business summaries, financial information, and more, focusing on our management philosophy and business strategies. In addition, comprehensive non-financial information which supports dynamic growth will also be included. We hope it will be used by a variety of stakeholders, especially shareholders and investors, to promote understanding of Yaoko Group.

Important Points about Future Estimations
The "Yaoko Report 2019" 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.

A Presence that Many Customers will Appreciate

For over 10 years, Yaoko has been known as "Japan's most energetic" supermarket corporation. Supermarkets are a labor intensive industry, and Yaoko is Japan's most energetic because all of its staff, including part-time employees, work more energetically than anyone else in Japan. I believe there are two main things that draw out and support that energy in our members. The first is continually valuing a highly motivational corporate philosophy as the backbone of our management. The second is the establishment of our business concept, "supermarkets that offer customers abundant and enjoyable dietary lives in a proposition style," and continued efforts to perfect and advance that concept. Yaoko is often said to be unwavering, and I believe this is because our corporate philosophy and business is unwavering.

This company's fundamental philosophy is to contribute to the improvement and development of regional culture through enriching the everyday life of our customers by offering quality food. We don't just look at what will sell and what will be profitable. Our work is useful in making people's daily lives fun and fulfilling, with a focus on regional foods. We want lots of people to feel happy to live near our stores. That is our reason for existing and our purpose. I would like to realize this "purpose" through creating supermarkets that offer customers abundant and enjoyable dietary lives in a proposition style.

Enjoyable and fulfilling eating habits are a foundation for the enjoyment of life for many people. The level of their supermarket determines the level of their eating habits. Therefore, our role is important and our work worthwhile. I work hard every day to earn a heartfelt "thanks" from our customers.

Chairman
Yukio Kawano

川野幸夫



We are honing our strengths for our customers to realize abundant and enjoyable dietary lives.

We appreciate your patronage towards our stores.

In accordance with Yaoko's management philosophy, we are engaged in efforts to create "supermarkets that offer customers abundant and enjoyable dietary lives." That means our stores don't exist only to supply necessities, but also we create stores where the shopping experience itself is a pleasure. Customers will not travel far to shop for their daily meals. Therefore, the quality of their diet depends on how good their neighborhood store is. We are trying to satisfy all customers living near our stores by offering fresh foods and answering their various needs.

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

Our main strengths are our high-quality products and customer-oriented suggestions. We use only the best ingredients, such as in our specialty "ohagi" rice balls, and strive for freshness by processing foods in our stores. Our buyers travel across Japan and the world to find excellent products and suppliers, so that our stores are stocked with only the high-quality products. Moreover, we tailor product selections to meet various customer needs, such as by offering smaller packs for elderly customers or seasoned foods for busy young families. We also make suggestions on seasonal menus, which helps our customers to decide what they cook tonight and consequently to widen the repertory of their favorite dishes.

These activities have gained us incredibly valuable assets in both our network of outstanding producers and suppliers, as well as the positive relationships we share with the landlords who have assisted in our regional expansion. We have achieved continuous, steady growth thanks to the support of so many stake-

holders, and have now successfully achieved 30 terms of increased income and profit in a row.

Currently, the social environment surrounding the supermarket industry is changing with unprecedented speed. There are innumerable issues poised to exert major influence on future business management, such as an aging population and declining birthrate, labor shortages, e-commerce expansion, population urbanization, and the increasing public finance deficit.

Even faced with these issues, we aim to continue unfaltering progress. Our long-term vision is to become the best supermarket chain which enriches the everyday lives of our customers. We are capitalizing on our strengths to achieve that, as per our 3-year Mid-term Management Plan. We are executing concrete plans based on our strategies in the following four fields: product and sales, operations, human resources development, and new store and growth. Our 9th medium-term management plan's theme is "Establishing the Yaoko Way." Under this theme, we will strengthen the foundations of our chain store operation by adopting new IT systems and reducing in-store tasks.

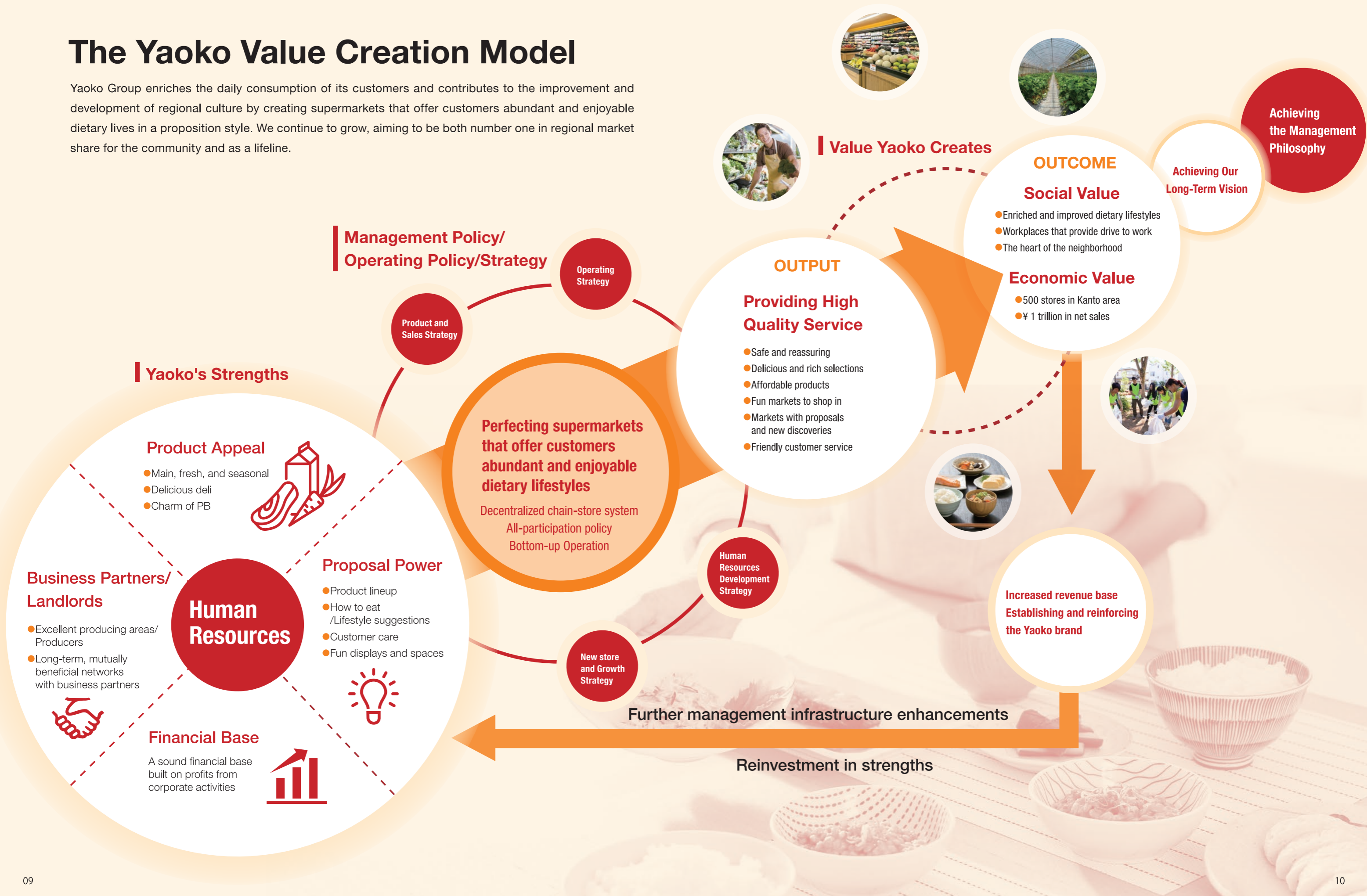
All of us at Yaoko will make our best efforts to ensure that all of our stakeholders are happy to have us here.

President
Sumito Kawano

川野澄人

The Yaoko Value Creation Model

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



Our Long-Term Vision and Achieving It

The concrete numerical target for Yaoko Group's long-term vision, to show the direction of our value creation, is a corporation with 500 stores and 1 trillion yen in sales. We are also steadily advancing in our progress toward achieving our long-term vision through medium-term three-month plans.

Securing further growth and independence

Long-Term Vision

To become the irrefutable No. 1 group that for our customers to realize abundant and enjoyable dietary lives

Long-term goal
500 stores
¥1 trillion in net sales

Long-Term Vision

Aspirations

To become the irrefutable No.1 group that for our customers to realize abundant and enjoyable dietary lives

To be close to the community and to be an essential part of the community
To be a group that can meet diverse customer needs
To grow, one by one, to become a group that enjoys working

Target

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

We'll build the kind of store that improves regional quality of eating habits, assists regional people in living happy, healthy lives, connects regional people, nurtures culture and is an essential part of the region just by being there. I would like to deliver happiness to lots of people, just like our tradename ("Yaoko" is written with the characters for "lots of" and "happiness").



Toward a new stage for distinction and independent branding

- Evolution of meal solutions
- Expanded support for the young family demographic
- Reconstruction of expansion strategy (donut-shaped area + city center)

Mid-term goal
250 stores
¥500 billion in net sales

9th Mid-Term Management Plan

Establishment of a "Yaoko Way" Systematic establishment of the Yaoko philosophy, market creation, operational training, and profit ensuring approaches.

8th Mid-Term Management Plan

"To be Called Yaoko, not just a Supermarket" Perfecting supermarkets that offer customers abundant and fun dietary lives, and creating new model stores to increase market share in the donut-shaped area

7th Mid-Term Management Plan

To Make a Clear Distinction as a Chain

Aiming to further perfect supermarkets that offer customers abundant and fun dietary lives, to achieve a market that customers will select "because Yaoko is clearly better," and to increase business area market share

6th Mid-Term Management Plan

Perfecting supermarkets that offer customers abundant and enjoyable dietary lives

New growth strategy to establish a strong business model Linking store format to expansion strategy

Lifestyle assortment-style + meal solution + price-conscious store creation

Addressing shifts toward sluggish individual consumption and wider income inequality

Lifestyle assortment-style + meal solution store creation

Toward supermarkets capable of helping in problem solving and giving proposals for creating meals as lifestyle scenarios

Lifestyle assortment-style supermarket creation

As consumer lifestyles change, we considered "what kind of store will Yaoko be? (What kind of supermarket do we want to be?)" Decision to become a "lifestyle assortment-style supermarket" over a commodity discount-style is clarified

5th Mid-Term Management Plan

Establishing the Yaoko Brand

Establishment of concrete expressions of distinction and independence, and development of a new store format to express this Human resources development, and promotion and system development of training and education

4th Mid-Term Management Plan

Enriching Meal Solutions

Reinforcing proposal and product power as a lifestyle assortment-style supermarket"Providing products and information to add variety to daily diets and menu proposals, using a rich selection of treats, not just side dishes"

3rd Mid-Term Management Plan

Enriching the Sayama Model (Yaoko Marketplace Strategy)

Lifestyle assortment-style supermarket realization

2nd Mid-Term Management Plan

Creating Everyday Lifestyle Assortment-style Supermarkets

Creating a Supermarket with Enriched Selection of Fresh Foods and Delicatessen

1st Mid-Term Management Plan

Establishing a Supermarket Business Format

Standardizing department line robbing required to determine supermarket business selection type

Our Long-Term Vision and New Business Environmental Awareness for Achieving It

The Yaoko Long-Term Vision was established in order to achieve the Yaoko Group Management Philosophy. To do this, we must recognize shifts in the external environment quickly, and address issues from both long- and short-term perspectives. Furthermore, we consider the Yaoko Group's usefulness for society and continuation as a company society needs to be both our plan to resolve issues for society, and our management strategy.

Social Environment Shifts	Aging Society	Weaker Domestic Economy	Labor Shortage	Concentration of Population in Urban Areas	Emergence of EC and AI	Climate Change and Resource Depletion
Key Yaoko Issues	Addressing Aging Society Health Awareness	Polarization of Consumption	Productivity Upgrades Diversity IT and Automation	Urban Stores	IT and Automation	Environmental Conservation Addressing Disasters Sustainable Procurement
Opportunity Risks for Key Issues	Single-serving (isolated) Food Solutions Community Creation Product Development Addressing Health Addressing Time Savings	Addressing Prices Product Development Poverty	IT and Automation Activities by Women Foreign Resident Hiring Human Rights Issues	Urban Store Development Addressing Time Savings	IT and Automation Reinforcing the Appeal of Real Stores Community Creation	Addressing Energy Savings Addressing Food Loss 3R Compliant Packaging and Containers BCP Sustainable Procurement Business Practices Human Rights Issues

Our Long-Term Vision and the 9th Mid-Term Management Plan for Achieving It

Yaoko has developed strategic scenarios since our 1st Mid-Term Management Plan starting in 1994, in order to achieve our goal of "Perfecting supermarkets that offer customers abundant and fun dietary lives." Starting in 2018, the 9th Mid-Term Management Plan is positioned as a three-year base for further growth by Yaoko.

We consider the 9th Mid-Term Management Plan to be our entry into a phase of producing results from investment, having developed large-scale corporate infrastructure by FY2018, including our Support Center (HQ), Kumagaya Distribution Center, Delicatessen and Fresh Food Center, and revamped core systems (Ichigaya). At the same time, these three years will be challenging in profit and loss terms given the heavy investment burdens of the past few years and increasing personnel and utility expenses, making expansion difficult, but we aim to maintain continuous individual profit records and reach 32 consecutive terms of increasing profitability.

Furthermore, the 9th Mid-Term Management Plan calls for us to retain our Yaoko spirit even as the company expands in scale, using a systematic approach (establishing the Yaoko Way) for Yaoko's unchanging values and thinking, building up a company that can handle anything.

9th Mid-Term Management Plan Main Theme

Establishing the Yaoko Way

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

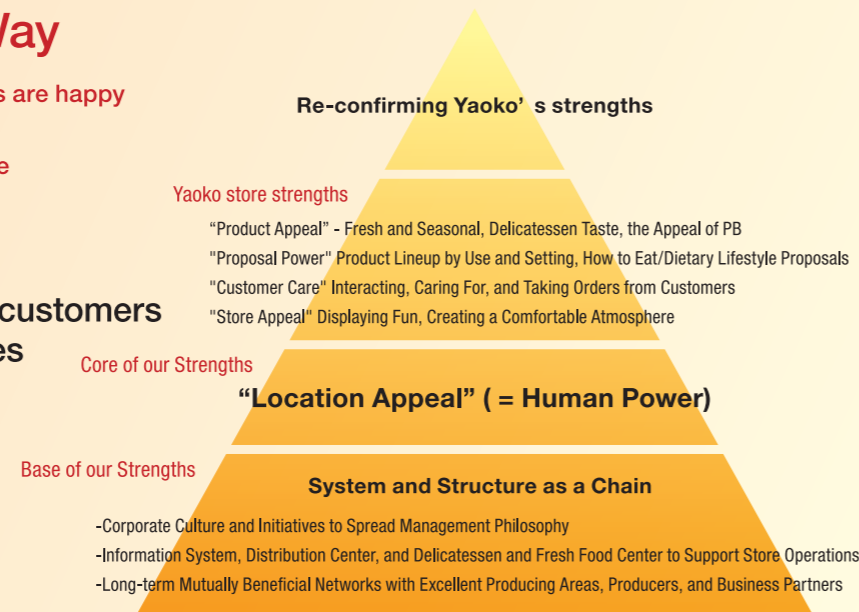
Management Guideline

Perfecting supermarkets that offer customers abundant and enjoyable dietary lives

Operating Policy

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

Establishment of a "Yaoko Way"



1 Priority Issues

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

Structural Reforms to Strengthen the "Chain"

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

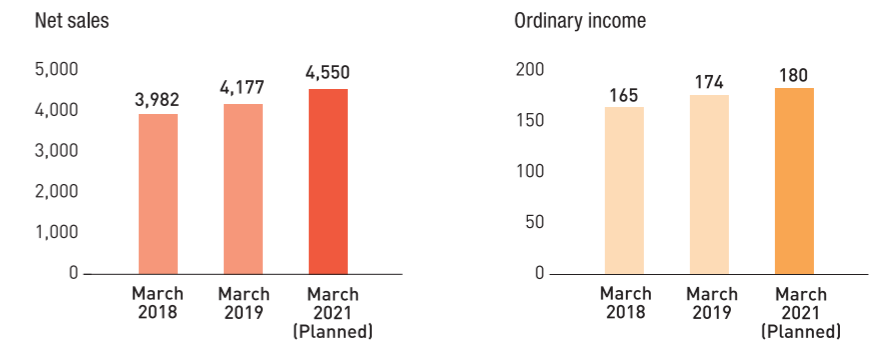
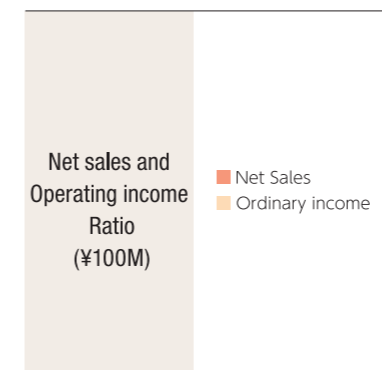
Increase market share in business area (25% share within 1km areas)

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

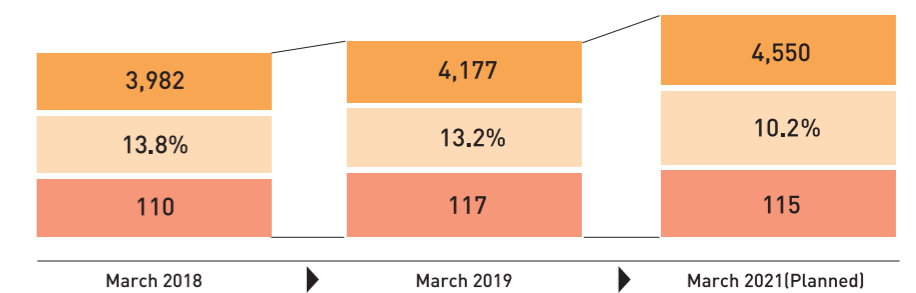
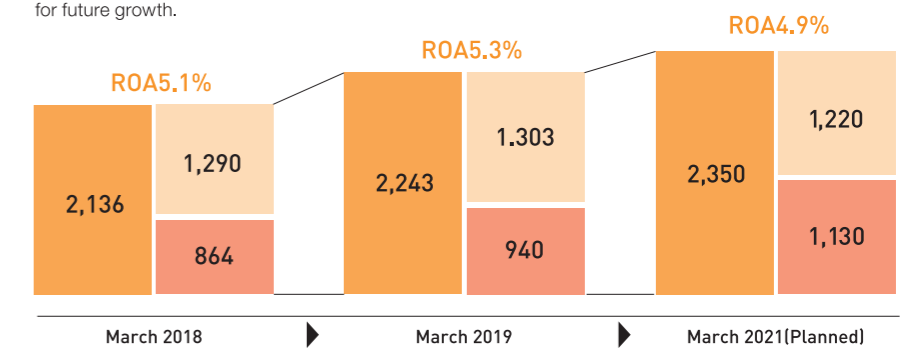
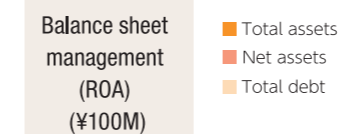
2 Numerical Plan

FY2021 Target Numbers

Consolidated	Net sales	¥455 billion	Ordinary income	¥18 billion	Net sales to Ordinary income Ratio	4.0%
Individual		¥390 billion		¥16.4 billion		4.2%

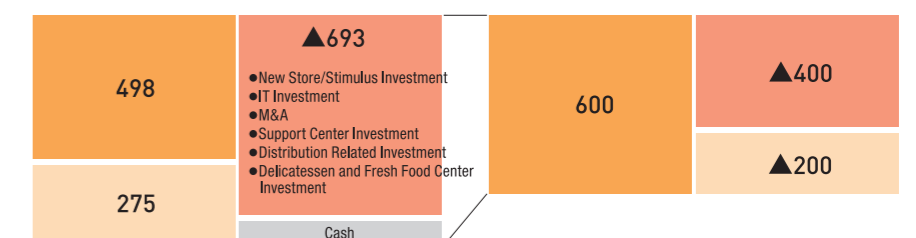


As stated above, we are aware the 9th Mid-Term Management Plan faces heavy burdens from operating expenses and major investments, as well as low growth in revenue compared to asset growth. However, this is a temporary position in achieving our Long-Term Vision, and will be a period for creating foundations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



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

The 8th Mid-Term Management Plan (04/2015 - 03/2018) The 9th Mid-Term Management Plan (04/2018 - 03/2021)



The 9th Mid-Term Management Plan

3 Key Issues

Product and Sales Strategy



- Policies**
- Improve the base level (freshness, cleanliness, stock availability, customer service)
 - Create a store chosen for C7nd vegetables
 - Create products only available at Yaoko
 - Increase sales strength (single serves, menu suggestions)

Target 25% market share within 1km

FY2018 Efforts and Toward FY2019

On the sales front, we have worked to widen support from the "home cooking" segment of high-volume customers by working to improve vegetable presentation, expiration management, and freshness, and using a Yaoko Card FSP (Frequent Shoppers Program). In terms of products, we have focused our efforts on a selection that lends itself to distinction and independence, using direct imports and product development with ingredients from raw material procurement, in order to develop our PBs and explore new producers and sources within and outside Japan.

We anticipate further interest in savings over FY2019 given the impending increase in consumption tax, and will continue and enrich our efforts for bulk sales of single-serving items and plans, increased support for vegetables, enriched evening markets, price enhancements for produce to appeal to the home-cooking segment, and measures to attract the price-conscious, all as reinforcements for our appeal to the young family demographic.

Operating Strategy



- Policies**
- Establishing, permeating, and evolving improvement
 - Generating change through a new information system (streamlining and advancing business)
 - Using functions of delicatessens, fresh food centers, and new distribution centers

Target A 15% reduction in store work and improvements to net MH sales for existing stores

FY2018 Efforts and Toward FY2019

In addition to continuing lateral development of our productivity upgrade model (improvements) based on a review of the store work process, we are also expanding the adoption of self-service registers at stores, and focusing on automation and work efficiency in our efforts using IT devices and transferring the core systems. Progress in the increased use of the Delicatessen and Fresh Food Center and expanded supply share to stores has secured high standards for product value, and in conjunction we have advanced with product development and adoption to reduce energy and personnel needs at stores.

We will continue with improvements in FY2019, and work on creating a cycle of completing and settling standardized work over the entire day. We are also advancing on the phase-out of store work and reduced staffing through use of self-service registers, the Delicatessen and Fresh Food Center, and further use of the Kumagaya Distribution Center.

Human Resources Development Strategy



- Policies**
- Employ, settle, continue training
 - Training so that teams, focused on senior staff, can shine, and establishment of a support system
 - Creating an organization in which people understand what each other are thinking and know each others' faces
 - Creating a workplace that employs a variety of people (Diversity)

Target Improving Work Drive and Environment

FY2018 Efforts and Toward FY2019

We have engaged in efforts to reform the work environment and our mentalities on work in parallel with other improvements. We are working to improve work-life balance, and have established January 2nd as a new fixed holiday, making the New Years vacation a 2-day break. We have made progress in reinforcing our store support system by invigorating inter-departmental communication with concentrated placements of departments on a single, spacious floor. We have also expanded and developed toward our Long-Term Vision of 500 stores and ¥1 trillion in net sales, particularly with our new Support Center entering operations in December of 2018.

We will continue to progress with further work style reforms, improvements to working conditions for staff at work sites, promotion of activities by women, health management, and internal networking support in FY2019. Among these efforts, we opened the new "Yaoko Kawagoe Nursery School" in April 2019 as an accredited in-business nursery school within our new Support Center, helping women members to balance work and childcare.

New store and Growth Strategy



- Policies**
- Original new stores (Dominant new stores), continual systematic remodeling
 - Acquire "Ave Business Conditions" know-how, consider new stores
 - Creating a model store that can support e-commerce

Target Achieving 5% growth

FY2018 Efforts and Toward FY2019

In regard to expansion, we have closed three stores while opening the Odawara Dyna City Store, Shin-Urayasu Store, and more, for a total of six stores opened. Furthermore, we have also carried out a full remodeling of eight existing stores as a revitalization measure. Of these stores, the Kukishobu Store takes on the challenges of our new flagship store, and will reinforce our strengths in deli and affordable, easily-prepared items on a theme of expanded support for the young family demographic. We plan to develop this laterally across both large and standard existing stores in the future. We have also opened two new online supermarkets in our fourth year of online business, bringing the total to four.

We will continue our efforts to increase business area market share in FY2019, reinforcing dominant areas, reconstructing store formats, and standardizing and expanding online supermarkets.

ave Base Policy
"To evolve and develop Ave business conditions as a member of Yaoko Group"

ave



FY2018 Efforts and Toward FY2019

Ave joined the Yaoko Group in FY2017, and has progressed with efforts to embody its basic policies of "incredibly low prices" and "total low-cost operations." Ave opened its first new store in four years this September, with the Ave Shin-Tsurumi Store, an expansion in a different format from Yaoko marketplaces.

In FY2019, Ave will continue to evolve into a market overflowing with freshness and volume, focusing on mass sales of single servings, evolution of low cost operations, and considering new store areas in cooperation with Yaoko.

- Policies**
- Number 1 regional store by continuing to maintain customer support through spacious markets and overwhelmingly low price strategies
 - Product and Sales Marketing Strategy: evolve into a market overflowing with freshness and volume, focusing on mass sales of single servings
 - Store Operational Strategy: evolution of low cost operations, which are the foundation of the overwhelmingly low price strategy
 - New Store and Growth Strategy: consider enlarging new store area in cooperation with Yaoko

Yaoko History and Performance Trends

Thanks to support from everyone, Yaoko achieves 30 independent consecutive periods of increasing profitability as of March 2019.

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

Yaoko achieves 30 independent consecutive periods of increasing profitability!



Company Overview

Company Name: YAOKO CO., LTD.
Location of Head Office: 1-10-1 Arajukumachi, Kawagoe-shi, Saitama Prefecture 350-1124
 Tel: 049-246-7000 (Switchboard)

Representatives:
 Chairman: Yukio Kawano
 President: Sumito Kawano
 Executive Vice President: Masao Kobayashi

Capital Stock: 4.199 Billion Yen
Employees: 3,453 (as of end of March 2019)<Consolidated>
*Plus 11,319 partner and casual members (calculated at 8 hours per day).

Number of Stores: 172 (as of March 2019) <Consolidated>

Subsidiaries:
 Ave Co., Ltd.
 Yaoko Business Service Co., Ltd.
 Ogawa Trading Co., Ltd.

2018
 Move to new Support Center

2017
 Establishment of the Kumagaya Distribution Center

2013
 Opening of the Higashiyamato Store

2011
 Opening of the Kawagoe Matoba Store

2004
 Opening of the Wakaba Walk Store

2003
 Opening of the Kawagoe Minami Furuya Store

1998
 Full Remodeling of the Sayama Store

History

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

Shifts in Mid-Term Management Plans

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

Yaoko Group's Fundamental Strategies and Yaoko's Strengths

Management Guideline

Perfecting supermarkets that offer customers abundant and enjoyable dietary lives

Operating Policy

Decentralized chain-store system

Our business at Yaoko is creating small business area, high-frequency shopping stores. We primarily target 1km business areas around stores, as smaller business areas show more variances in customer needs by area. While Yaoko is a chain, we are not led by our headquarters. Instead, we practice store-by-store management under our Operating Policy, with power centered on the store managers that are closest to the customers.

All-participation policy and teamwork on the job

About 100 team members work at our standard stores. Store-by-store management at Yaoko follows policies for "teamwork on the job" and "full-participation commerce," under which our team members proactively share knowledge and achieve targets as a team, from a customer perspective. This is the source of Yaoko's on-site strength.

Bottom-up Operation

We consider stores the most important part of Yaoko's business, as the point where we connect with customers. All of our team members share store (work site) issues under our organizational management system.

Product and Sales Strategy

Yaoko's Strengths: "Product Appeal"

Product Development

We're developing delicious products only available at Yaoko in order to create an irrefutable distinction between us and other companies.

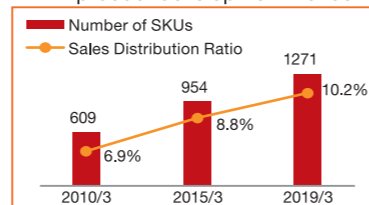
We continue to make our specialty product "handmade ohagi" rice balls fresh in stores. They are still popular 15 years after sales started. Yaoko's buyers are also busy traveling around the world for ingredients using our network in Japan, Europe, China, Southeast Asia, North and South America, etc. While building trusting relationships with our business partners and local producers who have endorsed Yaoko's business, we've guaranteed fresh, delicious ingredients and deliver each product to our customers. In FY2018 we established Ogawa Trade Co., Ltd. Since then, we've been able to flexibly import and export goods like wine, and we're polishing our development of original goods.



Private Brands

We're developing original goods in pursuit firstly of safety and security, reliable quality, taste, and at easy-to-buy prices. We promote our original brand with "Star Select" goods. They have been developed jointly with Yes! Yaoko and Life Corporation. We are increasing our lineup across departments, and working to secure delicious ingredients for our buyer-select "Yes! Premium" products in particular. We are also strengthening our approach toward the young family demographic in particular, steadily increasing the price-enhanced Star Select products that suit the time-saving needs of two-worker households.

PB product development trends



Yaoko's Strengths: "Proposal Power"

A rich selection of products and meal solutions

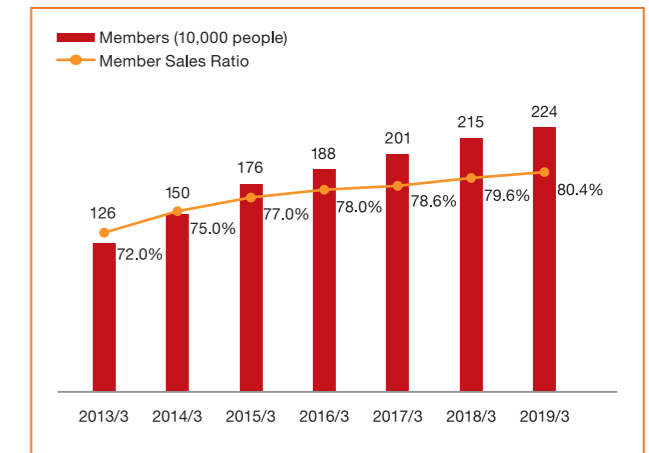
Yaoko's strength lies in each store having goods and proposals that meet the needs of their local customers. Each region has slightly different dietary habits, family structures, and age groups. We're meticulously implementing a product lineup that will satisfy customers by having what they need and want, from daily life to special events, and by introducing fresh, seasonal goods and proposals on how to eat them. We also provide cooking support with easy, tasty menu ideas daily and by providing a place for discussions about meals.



Marketing Strategies Using FSP Data

With the introduction of the Yaoko Card, we've been using data from the FSP (frequent shoppers program) to find potential customer needs and features of each store to provide suitable and speedy sales floor suggestions and brush-up our product lineup. At Yaoko "Customer Segment 19" was developed as an original tool to analyze customer shopping trends at each store and product department. We endeavor to develop products and serve our customers, so that all people living near our stores will join the ranks of our customers. The 9th mid-term management plan promotes "improved produce support rates" foremost as an approach to the high-volume "home cooking demographic," in order to expand support from the young family demographic.

Yaoko Card Membership Status



Efforts to Address Social Issues in Our Product and Sales Strategy

With social changes underway, Japanese society faces issues from declining birthrates and an aging population, and with a worsening domestic economy. Key issues for resolving these include "addressing declining birth rates," "addressing aging population," "increasing awareness of health," and "polarization of consumption." At Yaoko, we are advancing with development of a small portion selection of fresh foods, single item sales, instant foods like delicatessen items, single-serving, and time saving products. We are also promoting product development using health ingredients,

and for low-calorie, health-conscious foods. Given that a worsening domestic economy in the future will likely involve reduced incomes and declining population within business areas, we are promoting "price conscious" moves led by pricing enhancements for produce. This is intended as a move to appeal to young families raising children, and also accompanies product development with an emphasis on Yaoko strengths, in order to make every person in our business areas a customer.

Operating Strategy



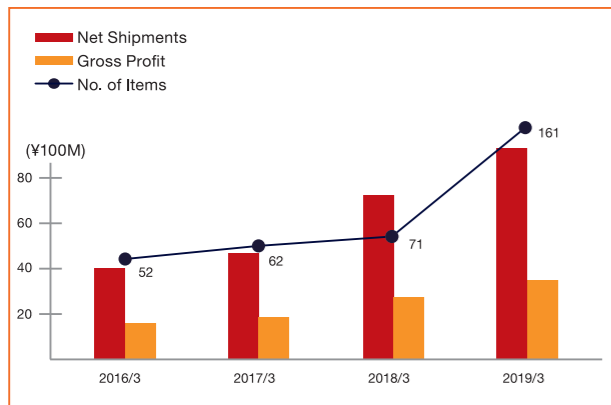
Delicatessen and Fresh Food Center

In 2017, a second center was opened at the delicatessen and fresh food center in Higashimatsuyama, and our store back-up plan was further improved. We're continuing to reinforce our strength in freshly made in-store goods, improving our products and differentiation towards developing original products only available at Yaoko. Concurrently, we're reinforcing store support functions, making efforts to improve manufacturing costs, creating an easy-to-work-in workplace, and creating appealing products. The Delicatessen and Fresh Food Center's share of supplies reached 6.1% in the period ending March 2019. Furthermore, in 2014, the fresh food and delicatessen center acquired the food safety management

system international standard "ISO 22000" certification. We'll continue to reinforce, maintain, and improve our systems in order to guarantee food safety and security.



Net Shipment Trends



Distribution Network Development

We currently have chilled distribution centers in five locations with Sayama, Kumagaya, Chiba, Isesaki, and Yokohama, and three dry goods distribution centers in Sayama, Kumagaya, and Chiba. These centers keep distances for shipping short and reduce costs and environmental damage from distribution, while also enabling safe and reliable shipping to all stores. Furthermore, our Kumagaya distribution center also features functionality like specific categorization of deliveries, a direct-import wine cellar, and fresh fruit processing equipment, as parts of our effort to improve productivity and provide more unique products.



Improvement Efforts

We are advancing with work improvements laterally across all stores, standardizing work over the day and splitting days into "morning 1," "morning 2," "afternoon 1," "afternoon 2," and "night" time slots in order to eliminate strain, waste, and mistakes. We are working to ensure improvements and store work reductions take root, reinforcing the chain as stress-free for work styles, and tying these in to customer creation.

Installing Self-Checkout Registers and AI Registers

These systems were adopted in order to improve productivity, resolve labor shortages in the register departments, and shorten customer wait times at registers. Installed in 97 stores as of the end of March 2019, they are having work style reform effects such as alleviating the need for register support from other departments. We have also installed AI registers in the bakeries of our Yaoko Urawa PARCO and Kukishobu stores.



New Information Systems

We have installed a core system capable of handling even a 500-store operation. Its primary objective is to support work in a way that incorporates store operational thinking, such as weekly ordering and automation of simply tasks at stores.

Ordering	Data analysis	Form processing
<ul style="list-style-type: none"> ✓ Uses electronic order book ✓ Adopting weekly ordering ✓ Automatic calculation of estimated gross profit 	<ul style="list-style-type: none"> ✓ Automatic processing of stock management tables ✓ Enhanced data retention periods 	<ul style="list-style-type: none"> ✓ Paperless via electronic forms ✓ Reduced data entry and approval work

Efforts to Address Social Issues in Our Operating Strategy

With social changes underway, Japanese society faces issues from labor shortages and the emergence of EC and AI. Productivity improvements as well as IT and automation are key issues to address on these fronts. Yaoko is advancing improvement efforts at all stores to confront key issues. These efforts are intended to improve productivity, shift toward our strengths in proposal-type work, and improve customer satisfaction through creation of satisfying marketplaces, all through

standardization and eliminating strain, waste, and mistakes. We are also advancing on the phase-out of store work and reduced staffing through the creation of new fresh foods and delicatessen centers and distribution centers. In FY2018 we have revamped our conventional core system, primarily improving ordering work, which used to take time and effort at stores. This move also improves the accuracy of our ability to secure gross profits, by enabling weekly ordering and more.

Human Resources Development Strategy

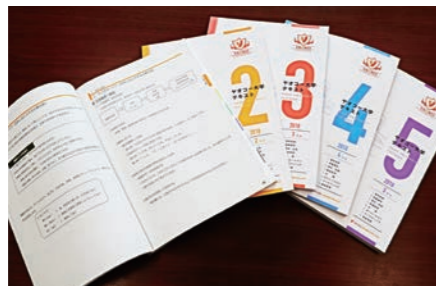
Yaoko's Strengths: "Human Power"

Training

As the scale of a corporation increases, the gaps between stores due to insufficient training grow and concerns rise that the legacies of the founding spirit and management philosophy will fade. At Yaoko, we aim to build an organization that has suitable concept training, complete curriculum training for each position and level, stable store management, and at which members can really feel their work is "worthwhile." The source of our company's strength is All-participation policy. Increasing the abilities of each member is essential to creating strong stores. We're particularly putting our efforts into developing human resources.

● Yaoko University

Group training for employees in their first through fifth years after hiring. Yaoko University is a chance for students to receive equal training to a standard for all new hires, learning a curriculum of fundamental points required when working at Yaoko.



Inheriting the Management Philosophy

Our management philosophy is the reason Yaoko exists, and we consider it critical that all employees understand it during their day-to-day work. Our top management talks about our management philosophy routinely at morning meetings, general assemblies, and more. Yaoko distributes copies of the Chairman's book, "50 Words My Mother Gave Me" to all employees in an effort to spread this philosophy. We have created a "Founding Storybook" to tell episodes from Yaoko's founding that formed the foundations of our management philosophy, and pass down the Yaoko philosophy as it was at the company's inception.



Festival of Inspiration and Happiness

In order to create stores and markets that customers support, it is vital to have "dietary professionals" participate in store operations with their knowledge of regional lifestyles. These partners set their own goals and announce their teams' efforts at the "Festival of Inspiration and Happiness." Started in 2006, these festivals have been held monthly more than 160 times at present, and have achieved results in routine job improvements, boosts to motivation, and company-wide sharing of expertise.



Improving Work Drive

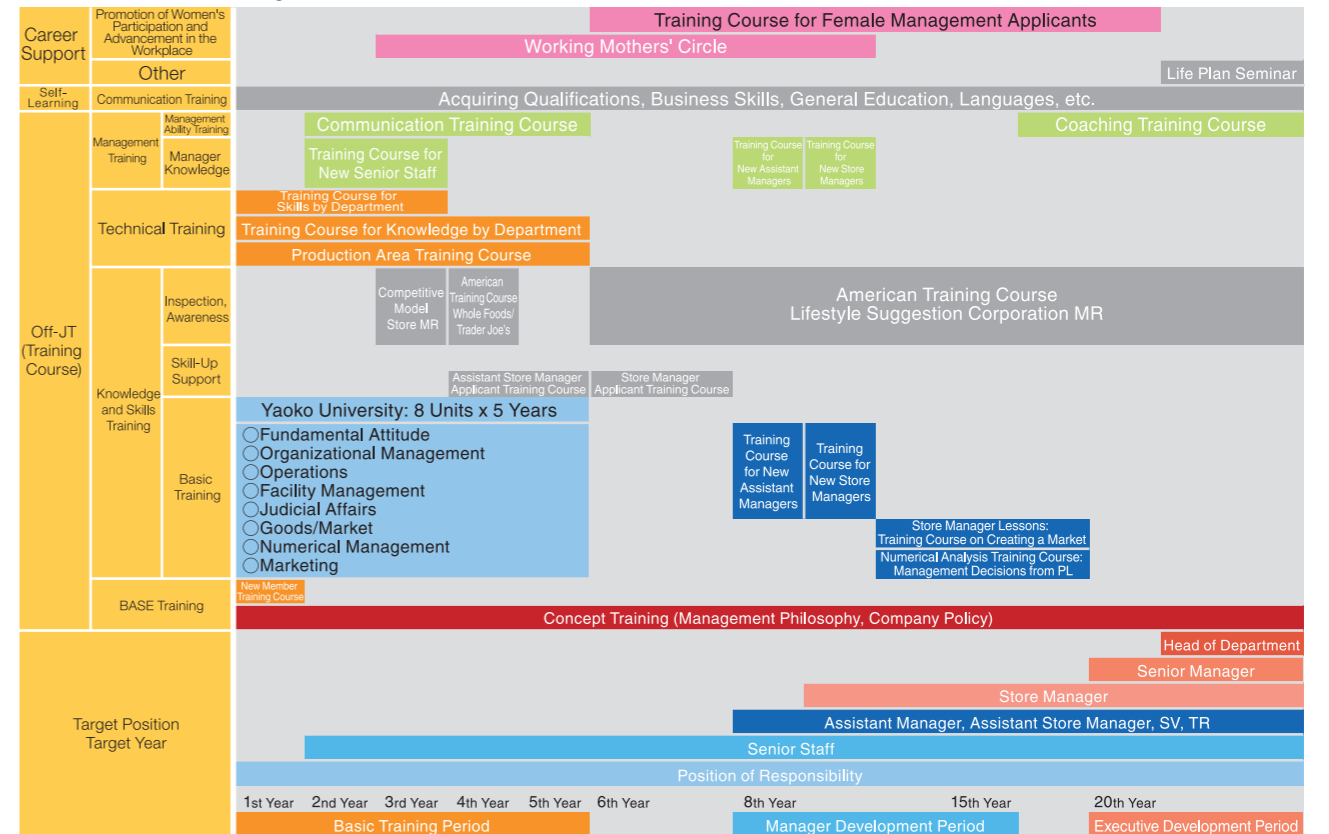
We are progressing with work-life balance and work style reforms. We have increased the company's scheduled holidays by one starting in 2019, for a total of three days, and a two-day break on the first and second of January for the New Year's holiday. This is all in order to bring about a lively workplace with fulfilling work-life balance. We broke ground on our new support center in December of 2018, and have gained the ability to further reinforce our store support system and energize communication across departments. Newly-constructed stores are progressing on optimal work habits with high productivity, such as setting lighting hours for buildings.



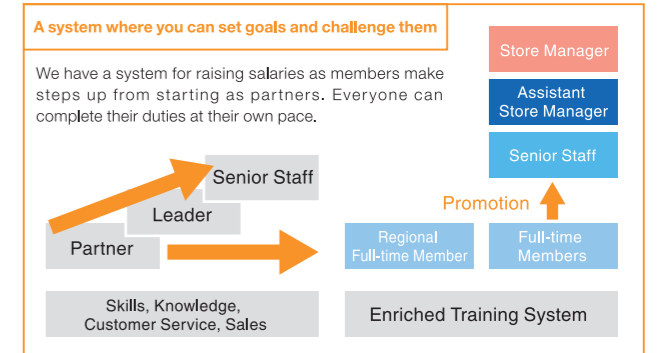
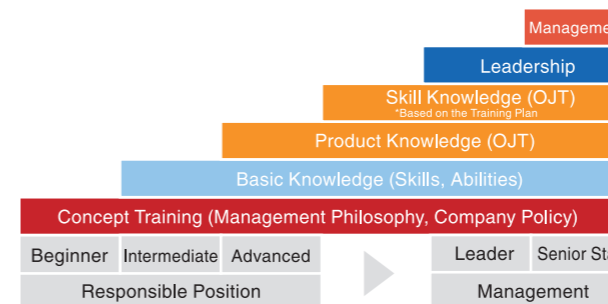
©KAI NAKAMURA

Training Structure (Abridged)

Full-time Members, Regional Full-time Members



Partner Members



Efforts to Address Social Issues in Our Human Resources Development Strategy

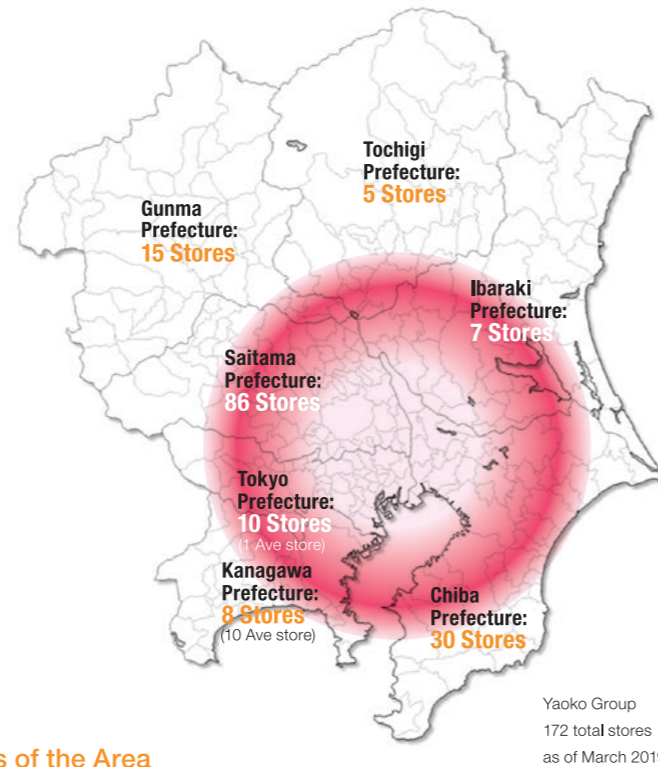
With social changes underway, Japanese society faces issues from labor shortages. In addition to individual ability improvements, Yaoko is promoting diversity as an effort to address key issues (> P. 28 - Diversity). In terms of "promoting women's participation," we are improving difficulties in the work environment to create a workplace where everyone can find work satisfaction. Furthermore, we are working to foster exchange

with foreign employees and an understanding of Japanese culture through participation in shared lifestyles in a fully-appointed dormitory and company events, as well as through work. In order to create an environment that makes partner members want to stay with us, we are constructing a follow-up system at stores, with an emphasis on after-care, such as strengthening individual meeting handling.

New store and Growth Strategy

Taking on the Challenge of Actively Opening New Stores Around the Tokyo Metro Area

We plan to have a formation of dominant new stores in a donut-shaped area from 20 - 40 km around the city center. We are opening stores in the Kanto area, and at present view the more concentrated population centers of Saitama, Tokyo, Chiba, and Kanagawa prefectures as our most important areas. Each new store will have a business area around it of a 1 - 3 km radius. We assess new store locations using all information networks and based on a sound investment recovery plan. Landlords are made aware of our management and foundational policies for store building, etc., and provide long-term support as we work to build a trusting relationship. We are also experimenting with small, urban stores for advances into the city center market of our donut-shaped area. We are currently verifying this urban model by constructing a store from zero and moving into selection and operations at our Seijo store.



Building Stores to Match Special Characteristics of the Area

The interior layout, format, and furnishings of Yaoko stores are designed and built to suit the special characteristics of the area, such as new store region, location, and the demographics of the people living there. The interior of stores with small market areas will use tones and frameworks to dispel the narrow feeling of the stores as much as possible. Large stores will introduce tones to increase density. Also, in regions with lots of young customers, a fun shopping space is created, such as by using pop fonts, supporting market construction behind the scenes. Fresh food and delicatessen layouts are separated or integrated depending on the flow of customers, using double or single tracks depending on the scale of the store. We've also placed particular importance on zoning, such as fresh foods and delicatessen zones, so that customers can get the feel of a lively, bustling marketplace with fresh and freshly made goods.



<The Urawa PARCO Store>



<The Lalaport Fujimi Store>

Flagship Store Efforts

We are currently engaged in a company-wide effort to reinforce and expand support from the young family demographic. Our FY2018 flagship Kukishobu Store reinforced measures for young families and implemented efforts for deployment at standard stores as well as the flagship. Anticipating consumption tax handling this autumn and considering young family characteristics and needs, we are developing price-enhanced, simplified and time saving, frozen, and large quantity products. At the same time, we are expanding delicatessen market space and concentrating on products for instant meal needs, and have strengthened the deli zones that are one of our advantages. We are addressing shifts in the era and in our customers.

<NSC Flagship Store>



<Kukishobu Store>

<Standard Store>



<Sakusabe Store>

<Small Urban Store>



<Yaoko Seijo Store>

Ave Store Creation

The brush-up on store creation continues, targeting stores that boast unmatched productivity on twin axes of spacious markets and incredibly low prices. Ave's strengths are its use of a processing center foremost, as well as its expertise and systems for support of high productivity, like infrastructure and logistics equipment, and its support from customers for producing incredibly low priced markets. In September of FY2018, Ave opened its Shin-Tsurumi Store in the ward of Yokohama by the same name, its first in four years.



<The Ave Shin-Tsurumi Store>

Efforts to Address Social Issues in Our New Stores and Growth Strategy

With social changes underway, Japanese society faces issues from concentration of population in urban centers. Development of urban stores for expansion into city centers is a key issue to address on this front. While expanding steadily with stores in our existing format, Yaoko is also progressing with development of small urban stores to address this key

issue. Concentration of population in urban centers is thought to be due to pursuit of convenience even in a society with a low birth rate, and we aim to develop a store format that generates profits in city centers like our existing stores do elsewhere. We are also progressing with online supermarket efforts as an approach to cover gaps around our physical stores.

Online Supermarkets

We have launched Yaoko Online Supermarkets in a supporting role to physical supermarkets. This is an effort to remove hardships for customers who can't go shopping for whatever reason, such as households with children or elderly individuals. We first began this program at our new Kawagoe Imafuku Store in FY2019, and currently operate five such stores. Their delivery areas generally range around 1.5 to 2 km, covering areas we do not have physical stores and serving as an effort to attain dominance in the areas.



Yaoko's Sustainability Management

Yaoko Group contributes to the promotion of good health in the neighborhood as a locally-based supermarket through its operations, making healthy proposals to promote a vigorous, energetic lifestyle. We are also engaged in sincere efforts to address regional environmental issues and protect the environment by reducing environmental burdens across our entire supply chain, while also serving as a regional lifeline. We aim for sustainable management that makes everyone "glad Yaoko is here."

Yaoko Group Code of Conduct

Our Promise as a Company

We will provide the valuable, uniquely Yaoko products and services customers love, hold to society's rules and ethics in all things, and fulfill our social responsibilities as a company.

Our Promise to Customers

We will provide the valuable products and services customers love while viewing matters from customer perspectives, and always show integrity in our words, actions, and attitudes when dealing with customers.

Our Promise to Business Partners

We convey our corporate philosophy and management guidelines to business partners, and seek their understanding and assistance. We promote fair practices in our business.

Our Promise to Shareholders

We seek to continuously improve our value as a company, and demonstrate transparency in management.

Our Promise to Members

We are the guardians of a corporate culture that respects the human rights and individual dignity of all persons involved with the Yaoko Group, that works to achieve a rich and satisfying mental and physical state for all, that ensures sufficient individual growth in abilities, and that encourages mutual respect between members.

Our Promise to Neighborhoods

In addition to contributing to the creation of a rich and healthy society through harmony with the environment, we will collaborate and adapt to neighborhoods, maintaining good relationships and fulfilling our duties as a member.

S Society

Neighborhoods

Yaoko Farm (G-GAP Certification Acquired)

Yaoko Farm provides safe and secure vegetables at a time when the number of agricultural workers is in decline due to factors such as the aging population, and seeks to contribute to healthy diets for neighborhood customers through business. Produce is shipped fresh from the farm to the Sayama Distribution Center nearby, and customers have shown strong support for the results. Yaoko Farm also acquired G-GAP certification in July 2019. We will work to promote the spread of G-GAP in the future, carrying out safe, sustainable agriculture in an effort to improve the local economy and build trust.



From Saitama to the World: The "Yaoko Scholarship"

This fiscal year, we donated to the "From Saitama to the World" scholarship run by Saitama Prefecture and the Saitama International Association. The "Yaoko Scholarship" is a grant-style scholarship intended to support students with a strong interest in a future role in the region, for one-month or longer overseas activity exchange studies or similar.



● **Cooking Support** (See P. 20 - Product and Marketing Strategy)

Employees

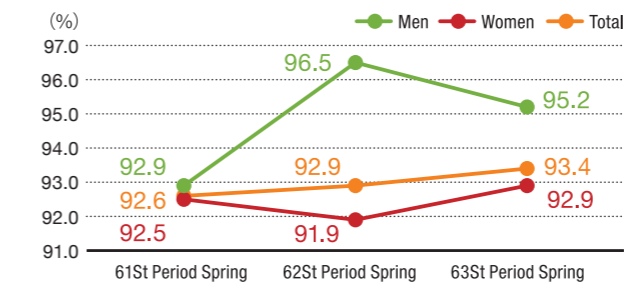
Implementing Healthy Management

● Designated a top Healthy Management Company 2019 (White 500)

Yaoko was named an FY2019 Excellent Healthy Management Company (White 500). We were appraised on and received the designation for our past several years of company-wide efforts to promote health and improve physical examination rates. We consider the health of our members to be one of the more important factors for our sustained development.



Spring Physical Examination Rates



● Yaoko Calisthenics

We analyzed the physical burdens work places on our members at stores, and developed this Yaoko original calisthenics routine to relieve exhaustion and shortages of exercise. It primarily incorporates stretching exercises, and is simple and easy enough to do anywhere that we practice it at morning meetings and in other situations.



● The Yaoko Sports Festival (Sports and Music Festival)

We hold a major sports festival every year, where all members participate. It provides us a chance to break a sweat with bosses and colleagues, which helps smooth out communication, and is also a reminder to think of our health as we exercise.



● Nurse Placements

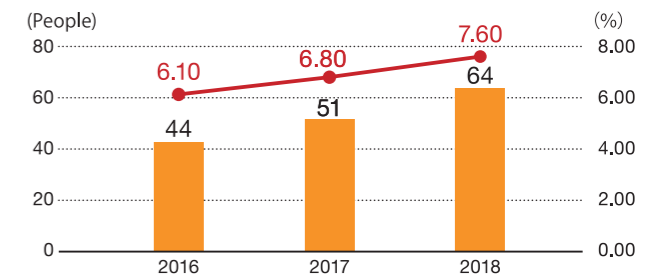
We have placed dedicated nurses at various locations to promote member health. They are working to share information on health promotion, to remind us not to avoid physical examinations, and to counsel us to visit a doctor before things get severe.

Diversity

● Promotion of Activities by Women

We are promoting diversity in order to create a company where a variety of personalities and values can thrive using their strengths. Among efforts on this front, we hold a "working mothers' circle" for women members to exchange information during maternity leave or while working and raising children, and are building a system to support work-life balance in order to increase the number of women in management. We are also continuing our assistant store manager applicant training and other programs. We have announced an action plan based on the method of promoting women's activities via increasing women in management by 30 over five years beginning from 2016, and have steadily made increases, rising from 44 women in management our first year to 64 by March 2019.

Number of Women in Management and Trends in Ratio of Women in Management



● Yaoko Kawagoe Nursery School (Kawagoe City Accredited In-office Nursery School)

We opened the Yaoko Kawagoe Nursery School on the first floor of our Support Center in April 2019, as a measure to support balance between childrearing and work. The facility is a Kawagoe City certified in-office nursery school with a capacity of 20. In addition to creating a reassuring work environment, the facility also accepts a set number of local children to contribute to the neighborhood by reducing waiting lists for children.



● Foreign Resident Employment

At present, Yaoko employs about 450 foreign residents at stores and otherwise. Furthermore, we have been accepting foreign technical trainees since 2015, and currently employ around 180.



Sri Lankan trainees

E Environment

Efforts to Reduce Waste

Reducing Plastic Waste (Personal Bag Activities)

We have implemented "personal bag activities" at all stores in an effort to reduce plastic waste. As of April 2019, shopping bag refusal rates are 38.4% (at 161 stores). We are also implementing this in conjunction a two yen discount per shopping visit for customers that refuse grocery bags.

Recycling Efforts

We are implementing recycling efforts and asking for customer assistance, having installed recycling boxes for paper bags, aluminum and steel cans, food trays, and plastic bottles at store entrances. We also collect and separate biodegradable waste, recycling some as compost every three months or so, using it for organic vegetable cultivation on farms. Furthermore, we are also advancing environmentally-friendly efforts like using recycled plastic bottles for some containers.

Efforts to Reduce Food Loss

We work to sell out of everything in order to prevent food loss (the waste of still-edible foods), using sales plans at stores, appropriate ordering, and price drops. We are working to reduce food losses over transitional periods in particular, using adjustments to sales plans, development of small portion products, sales by reservation, and more. Furthermore, starting in April 2019 we are shifting from a 1/3 rule to a 1/2 rule for delivery deadlines on dry foods other than rice, and working to reduce food loss over our entire supply chain.



Recycled Plastic

Energy-Saving Efforts

Electricity Saving Efforts

We are making efforts to save electricity by switching general in-store lighting to LED, and using energy-saving on-demand equipment. We are also working to save power and cut CO2 emissions by adopting reach-in cases for our frozen food markets.

Renewable Energy Efforts

We are progressing with renewable energy efforts, like solar power systems, as part of our clean energy promotional policy, and have currently installed these at 30 stores.



Environmental Data

	2017/3	2018/3	2019/3	
Electricity Usage (thousands of kilowatt hours)	241,775	283,323	-	
Water Usage (thousands of cubic meters)	1,550	1,614	1,594	
Truck Travel Distance (thousands of kilometers)	21,550	23,199	23,845	
Logistical Fuel Usage (L)	4,037,099	4,335,886	4,448,912	
Fuel Efficiency (Km/L)	5.3	5.4	5.36	
Total CO ₂ Emissions (t-CO ₂) *Logistical, companyvehicle, and store	127,539	142,671	-	
Waste	Leftover Food (t), biodegradable waste, fish waste, and waste oil	6,504	6,828	-
	Recycling rate (%)	40.2%	40.9%	-
Shopping Bag Refusal Rate	37.1%	36.9%	37.2%	

G Governance

"Yaoko's Governance as seen by an External Director"

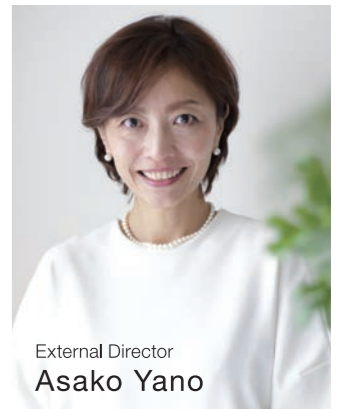
Using four opportunities for governance and contributing to increased corporate value from an objective viewpoint.

Three periods have passed since Yaoko Co., Ltd. introduced external directors. Management by the board of directors based on the founder's clear vision and the good balance between leadership and ethical views has steadily increased corporate value. Nevertheless, with drastic changes to the market environment and diversifying values of a variety of stakeholders, not just shareholders, but also consumers and workers, external directors were introduced to give a diagnostic evaluation of that management from a new viewpoint, and to speak out.

Yaoko carries out governance in board meetings and the lunch meetings held afterwards, the executive trip held once a year, and special meetings for important issues. Board meetings focus on deliberations about store data, such as budget, accounts, new branch stores and remodeling. There is a lot on the agenda that is considered beforehand, so we don't get into opposing arguments. However, in the case of large investments such as purchases or joint ventures, the frank opinion from the position and experience of an external director can greatly effect management decisions. At lunch meetings we delve into and share one theme, such as present issues or mid-term planning focused on an internal director's department. Here external directors are even more proactive in using their expertise to present questions and opinions for a lively exchange of opinions. At the annual executive trip company

executives mingle, inquire deeply into, and discuss medium to long term management based on the 3 year plan. Every year the difference in values of the external and internal executives becomes clear and leads to extraordinarily open discussions, so it is a very effective place for corporate governance. At special meetings external directors share their specialized knowledge and experience on important issues with the company, which contributes to an increase in corporate value.

Currently at Yaoko, we're using these four venues to review the beliefs and initiatives that have led Yaoko so effectively in the past, under an objective eye. I am a woman and come from a foreign corporation, so I am aware that the expectations of my role as an external director are different from others, because of the diversity I bring to the board of directors. I'll brace myself and work hard to meet those expectations, so I can serve all our varied stakeholders.



External Director
Asako Yano

Governance and Societal Data

	2017/3	2018/3	2019/3	
Number of Directors (Number of Women)	9(0)	9(0)	9(0)	
Number of External Directors (Number of Women)	3(1)	3(1)	3(1)	
Number of Members	Men	2,432	2,584	2,695
	Women	488	549	606
	Total	2,920	3,133	3,301
	PHA Members (calculated at an average of 8H over period)	10,354	10,690	10,899
Ratio of Men and Women in Management	Ratio of Men	93.9%	93.2%	92.4%
	Ratio of Women	6.1%	6.8%	7.6%
Average Age (years)	38.2	38.4	38.6	
Average Years Employed	10.2	10.3	10.5	
Ratio of Persons With Disabilities Employed *Including PHA members	2.42%	2.34%	2.46%	
Number of Persons Taking Childcare Leave *Including PHA members	86	70	90	
Ratio of Paid Leave Acquisition	28.2%	20.0%	18.1%	
Rate of Work Accidents (per 1000 people per year)	3.4	3.2	3.1	
Average Annual Compensation (thousands of yen)	5,948	6,015	5,858	
Labor Distribution Ratio	48.3%	48.7%	48.1%	
Member satisfaction *Senior staff, managing member, and PH member work drive score/out of five points	3.56	3.45	3.43	



The basis of company management is the management philosophy and company policy "honesty." Honest business with no lies or tricks is the first principle for transparent, healthy management.

The Yaoko Group has established a transparent and just management system as a foundation for its corporate governance. In order to implement continuous growth and an increase in corporate value over the medium to long term, we respect our relationship with various stakeholders, including customers, shareholders, business partners, regional society, and our members. At the same time we observe all laws, rules, and social norms and fulfil our social responsibilities.

The board of directors' meeting is the top decision-making mechanism in the company, and is comprised of 12 directors. Along with deciding important matters relating to manage-

ment, they continually maintain the executive functions of our business. Three members of the board are external directors who inspect management from an independent standpoint, and act to see their expert opinions and external views reflected appropriately. Additional meetings are held after each board meeting to support the external directors and share information on performance and management issues. The auditors' meeting is comprised of four auditors, three of whom are external auditors. Auditors attend board meetings, inspect the professional performance of directors, and provide advice and suggestions from each specialty field.

Executives

Back Row From Left

Shinichi Togawa
Director
Information System Division and
Logistics Management Division

Takanori Ishiduka
Director
Delicatessen Department
General Manager

Mitsuo Kozawa
Director
Sales and Marketing Division and
Product Planning Strategy Division

Masanobu Kamiike
Executive Managing Director
Business Management Division
General Manager
and Development Division

Hiroaki Yagihashi
Director
Development Division
General Manager

Takao Wakabayashi
Auditor (Full-time)

Kunimitsu Fukazawa
Auditor (External)

Akio Ezaki Auditor (External) **Yukio Sato** Auditor (External)

Front Row From Left

Asako Yano
Director (External)

Noriaki Arai
Executive Managing Director
Business Control Office
General Manager

Masao Kobayashi
Executive Vice President

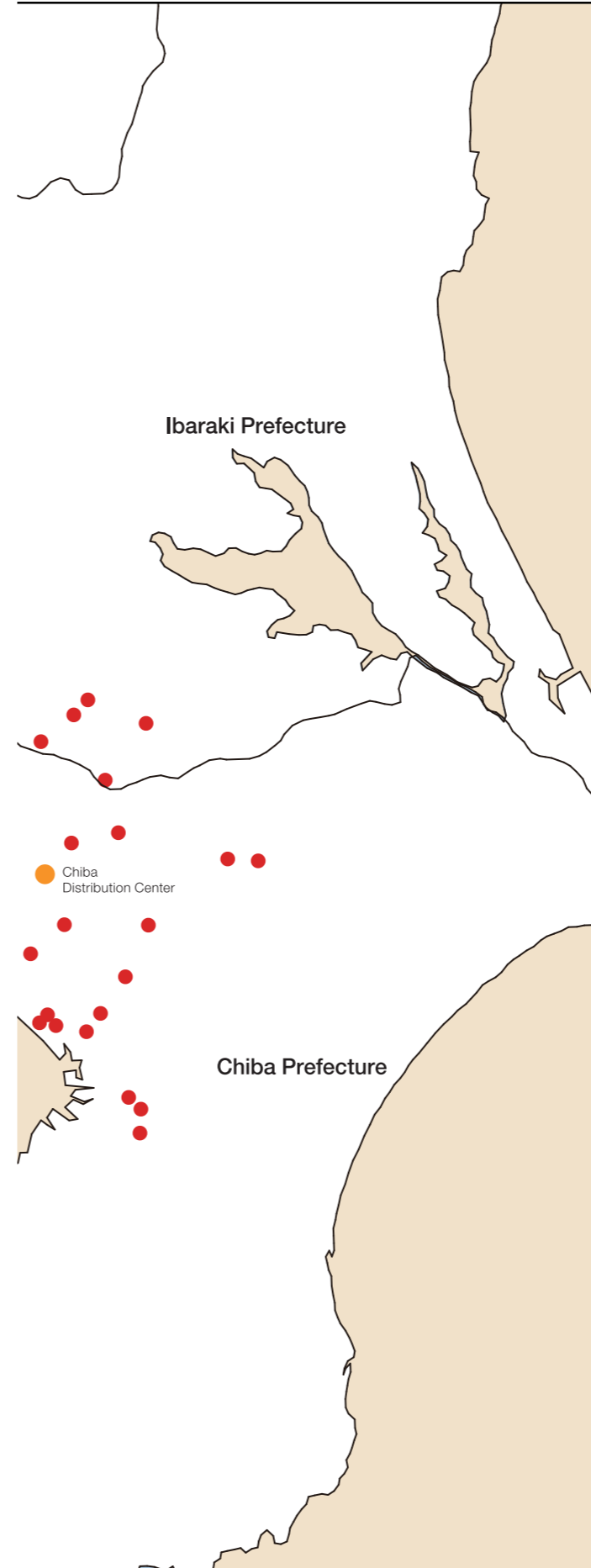
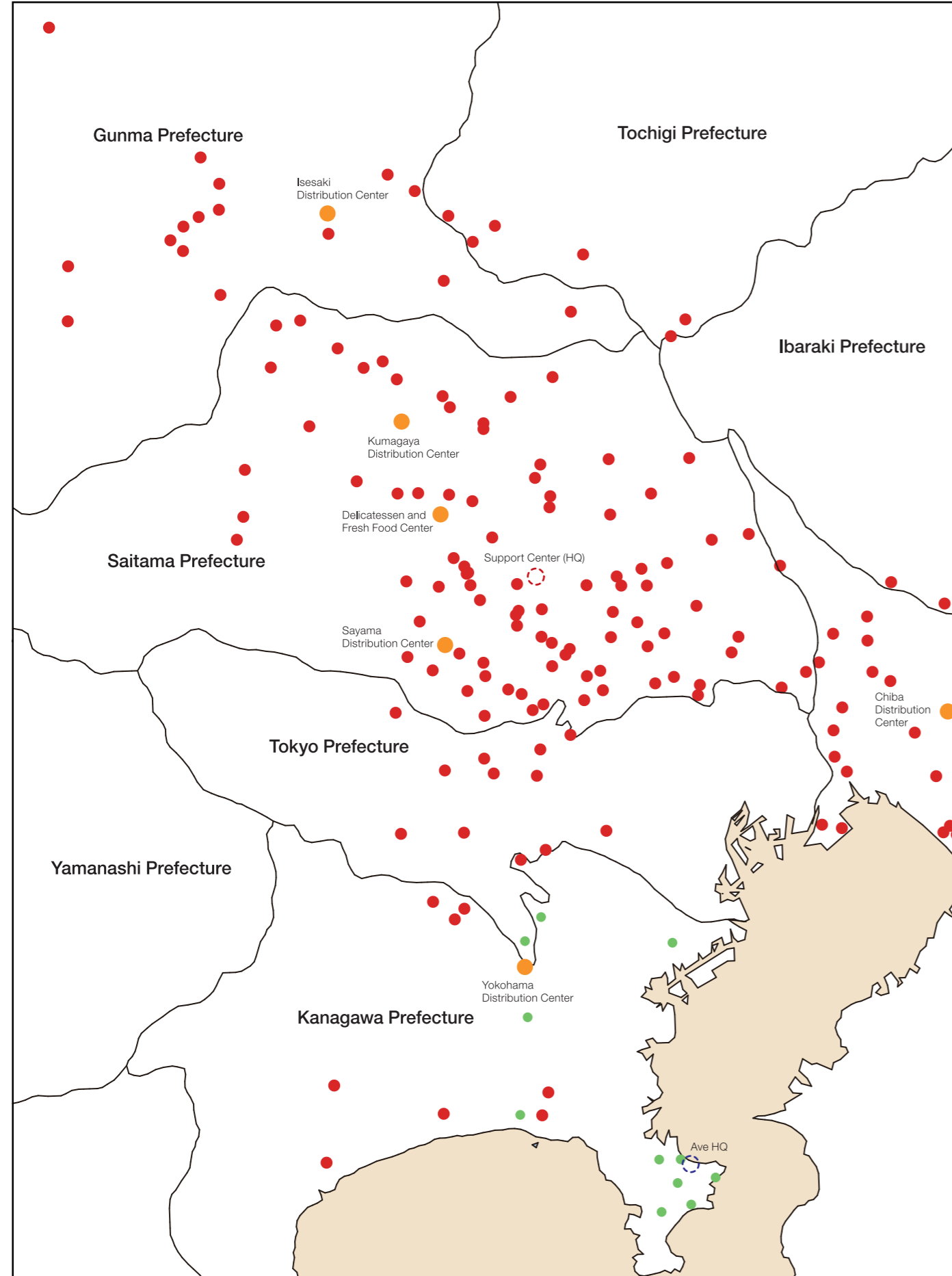
Yukio Kawano
Chairman

Sumito Kawano
President

Shigeyuki Kurokawa
Director (External)

Hisashi Sakamaki
Director (External)

Map of Yaoko Group Stores and Logistics Hubs



Number of Yaoko Group Stores (as of March 2019)

	Yaoko	Ave
Saitama Prefecture	86	0
Gunma Prefecture	15	0
Chiba Prefecture	30	0
Tochigi Prefecture	5	0
Ibaraki Prefecture	7	0
Kanagawa Prefecture	8	10
Tokyo Prefecture	10	1
Total	161	11
		172

-  YAOKO MARKETPLACE
-  ave
-  Distribution Center, etc.
-  YAOKO Support Center
-  ave HQ

Main Financing Index (Consolidated)

	5th Mid-term Management Plan			6th Mid-term Management Plan		
	03/2007	03/2008	03/2009	03/2010	03/2011	03/2012
Total Revenue	188,270	202,253	208,286	206,497	221,061	237,371
(Compared to Previous Period)	107.7%	107.4%	103.0%	99.1%	107.1%	107.4%
Net Sales	180,415	194,283	199,732	197,671	211,624	227,291
Cost of Sales	129,190	138,352	142,175	140,666	150,401	161,814
(Cost Rate)	71.6%	71.2%	71.2%	71.2%	71.1%	71.2%
Gross Profit	51,225	55,931	57,556	57,004	61,222	65,476
(Gross Profit Ratio)	28.4%	28.8%	28.8%	28.8%	28.9%	28.8%
Operating Revenue	7,854	7,969	8,554	8,825	9,436	10,080
Operating Gross Profit	59,079	63,901	66,110	65,830	70,659	75,556
(Sales Operating Gross Profit Ratio)	32.7%	32.9%	33.1%	33.3%	33.4%	33.2%
Distribution Costs	3,361	3,531	3,807	3,824	4,126	4,561
Advertising Costs	1,719	2,055	1,980	2,035	2,210	2,116
Salary and Allowances	22,035	24,035	24,889	25,151	26,302	27,620
Carried Over Bonus Reserves	1,610	1,706	1,795	1,795	1,832	1,897
Retirement Provision Expense	533	1,327	1,128	1,257	1,236	1,289
Executive Retirement Bonus Funds	21	19	18	21	21	386
Stock Payment Reserves	-	-	-	-	-	-
Executive Stock Payment Reserves	-	-	-	-	-	-
Statutory Welfare and Public Welfare Costs	-	-	-	-	-	-
Water, Fuel, and Light Costs	2,767	3,084	3,442	2,914	3,276	3,396
Land and Rent	6,589	6,928	7,063	6,937	7,099	7,270
Leasing Fees	1,497	1,539	-	-	-	-
Depreciation and Amortization	2,332	2,393	2,557	2,697	3,243	3,941
Goodwill Amortization	-	-	-	-	-	-
Other Management Costs	9,641	9,464	11,259	10,597	11,707	12,297
Selling, General and Administrative Expenses	52,109	56,086	57,941	57,232	61,056	64,777
(Sales, General, and Administrative Cost Ratio)	28.9%	28.9%	29.0%	29.0%	28.9%	28.5%
Operating Income	6,969	7,814	8,168	8,597	9,603	10,779
(Operating Income Ratio)	3.9%	4.0%	4.1%	4.3%	4.5%	4.7%
Non-Operating Income	238	266	254	227	198	208
Non-Operating Expenses	261	277	281	364	382	416
Ordinary Income	6,946	7,803	8,142	8,460	9,418	10,571
(Current Profit Ratio)	3.9%	4.0%	4.1%	4.3%	4.5%	4.7%
Extraordinary Income	250	106	632	85	553	17
Extraordinary Losses	508	413	957	76	807	382
Income Before Income Taxes	6,688	7,496	7,817	8,469	9,165	10,205
Net Income	3,845	4,227	4,706	4,827	5,148	5,388
(Net Income Ratio)	2.1%	2.2%	2.4%	2.4%	2.4%	2.4%

Capital Investment	5,254	6,905	12,884	10,184	10,902	10,899
New Stores and Prior Investments	4,816	6,297	12,452	9,864	10,705	10,306
Activation of Existing Stores	438	608	432	320	197	593
Depreciation and Amortization	2,332	2,393	2,557	2,697	3,403	3,941

Total Assets	64,779	65,302	73,800	80,299	91,307	99,810
Current Assets	17,069	17,150	15,552	14,552	17,124	17,826
Non-Current Assets	47,710	48,152	58,248	65,746	74,183	81,984
Total Liabilities	36,916	36,790	41,500	43,999	50,691	54,889
Net Assets	27,863	28,511	32,300	36,299	40,615	44,921
Business Cash flow	5,384	7,665	7,329	7,965	10,962	9,981
Investment Cash flow	958	-5,025	-10,712	-9,039	-8,795	-10,300
Financial Affairs Cash flow	-4,556	-3,091	2,945	-129	-721	-654
Free Cash flow (Business CF + Investment CF)	6,342	2,640	-3,383	-1,074	2,167	-319

ROE	14.2%	15.1%	15.6%	14.2%	13.5%	12.7%
ROA	5.9%	6.5%	6.4%	6.0%	5.6%	5.4%
EPS	198.67	219.65	242.41	248.62	265.15	277.53
BPS	1,464.11	1,456.12	1,654.67	1,859.18	2,079.54	2,298.69
Total Asset Turnover	2.8	3.0	2.7	2.5	2.3	2.3
Capital to Asset Ratio	42.6%	43.3%	43.5%	45.0%	44.2%	44.7%
Number of Shares Issued (1st Period Average Excluding Treasury Shares)	19,356,009	19,246,180	19,415,965	19,415,585	19,415,255	19,415,045

	7th Mid-term Management Plan			8th Mid-term Management Plan			9th Mid-term Management Plan		
	03/2013	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021
Total Revenue	247,967	274,149	307,354	-	-	414,992	435,085	-	-
(Compared to Previous Period)	104.5%	110.6%	112.1%	-	-	-	104.8%	-	-
Net Sales	237,307	261,900	293,397	-	-	398,228	417,709	-	-
Cost of Sales	169,656	187,627	210,136	-	-	294,931	309,524	-	-
(Cost Rate)	71.5%	71.6%	71.6%	-	-	74.1%	74.1%	-	-
Gross Profit	67,651	74,272	83,261	-	-	103,297	108,184	-	-
(Gross Profit Ratio)	28.5%	28.3%	28.4%	-	-	25.9%	25.9%	-	-
Operating Revenue	10,659	12,249	13,956	-	-	16,763	17,375	-	-
Operating Gross Profit	78,310	86,522	97,217	-	-	120,060	125,560	-	-
(Sales Operating Gross Profit Ratio)	33.0%	33.0%	33.1%	-	-	30.1%	30.1%	-	-
Distribution Costs	4,745	5,212	5,877	-	-	7,129	7,332	-	-
Advertising Costs	2,110	2,233	2,463	-	-	2,829	2,934	-	-
Salary and Allowances	28,696	31,500	34,777	-	-	42,995	44,264	-	-
Carried Over Bonus Reserves	1,957	2,084	2,163	-	-	2,684	2,599	-	-
Retirement Provision Expense	1,367	1,263	823	-	-	1,033	1,029	-	-
Executive Retirement Bonus Funds	151	78	90	-	-	5	5	-	-
Stock Payment Reserves	-	-	-	-	-	346	284	-	-
Executive Stock Payment Reserves	-	-	-	-	-	42	42	-	-
Statutory Welfare and Public Welfare Costs	-	-	-	-	-	6,568	6,759	-	-
Water, Fuel, and Light Costs	3,756	4,692	5,122	-	-	4,766	5,072	-	-
Land and Rent	7,745	8,456	9,164	-	-	11,557	12,058	-	-
Leasing Fees	-	-	-	-	-	-	-	-	-
Depreciation and Amortization	3,488	4,271	5,078	-	-	7,114	8,452	-	-
Goodwill Amortization	-	-	-	-	-	1,015	1,015	-	-
Other Management Costs	13,307	14,728	18,184	-	-	14,997	15,805	-	-
Selling, General and Administrative Expenses	67,327	74,523	83,746	-	-	103,091	107,660	-	-
(Sales, General, and Administrative Cost Ratio)	28.4%	28.5%	28.5%	-	-	25.9%	25.8%	-	-
Operating Income	10,983	11,998	13,470	-	-	16,969	17,900	-	-
(Operating Income Ratio)	4.6%	4.6%	4.6%	-	-	4.3%	4.3%	-	-
Non-Operating Income	201	205	208	-	-	214	217	-	-
Non-Operating Expenses	380	364	337	-	-	655	629	-	-
Ordinary Income	10,803	11,840	13,342	-	-	16,528	17,488	-	-
(Current Profit Ratio)	4.6%	4.5%	4.5%	-	-	4.2%	4.2%	-	-
Extraordinary Income	120	93	1,726	-	-	348	2,609	-	-
Extraordinary Losses	494	140	2,181	-	-	584	2,367	-	-
Income Before Income Taxes	10,429	11,793	12,887	-	-	16,292	17,730	-	-
Net Income	6,019	7,110	7,834	-	-	11,004	11,798	-	-
(Net Income Ratio)	2.5%	2.7%	2.7%	-	-	2.8%	2.8%	-	-

Capital Investment	15,104	21,032	21,597	-	-	24,702	23,009	-	-
New Stores and Prior Investments	12,322	16,431	17,550	-	-	20,520	20,246	-	-
Activation of Existing Stores	2,782	4,601	4,047	-	-	4,182	2,763	-	-
Depreciation and Amortization	3,488	4,271	5,078	-	-	7,114	8,452	-	-

Total Assets	105,046	126,612	133,628	-	-	213,673	224,315	-	-
Current Assets	20,305	25,430	21,449	-	-	35,601	38,507	-	-
Non-Current Assets	84,740	101,182	112,178	-	-	178,071	185,807	-	-
Total Liabilities	55,134	71,466	72,116	-	-	129,034	130,259	-	-
Net Assets	49,911	55,146	61,511	-	-	84,639	94,055	-	-
Business Cash flow	8,808	15,859	17,750	-	-	18,613	22,970	-	-
Investment Cash flow	-5,838	-19,850	-13,918	-	-	-30,805	-16,431	-	-
Financial Affairs Cash flow	-2,086	7,379	-6,105	-	-	4,736	-5,715	-	-
Free Cash flow (Business CF + Investment CF)	2,970	-3,991	3,832	-	-	-12,192	6,539	-	-

ROE	12.8%	13.6%	13.5%	-	-	13.8%	13.2%	-	-
ROA	5.7%	5.6%	5.9%	-	-	5.1%	5.3%	-	-
EPS	310.03	183.12	201.77	-	-	283.41	303.85	-	-
BPS	2,552.70	1,409.88	1,584.19	-	-	2,179.81	2,422.24	-	-
Total Asset Turnover	2.3	2.1	2.2	-	-	1.9	1.9	-	-
Capital to Asset Ratio	47.2%	43.2%	46.0%	-	-	39.6%	41.9%	-	-
Number of Shares Issued (1st Period Average Excluding Treasury Shares)	19,414,755	38,829,105	38,828,669	-	-	38,828,270	38,829,591	-	-

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

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

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

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

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

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

Main Financing Index (Non-consolidated)

	5th Mid-term Management Plan			6th Mid-term Management Plan		
	03/2007	03/2008	03/2009	03/2010	03/2011	03/2012
Total Revenue	170,694	185,308	195,655	197,877	211,885	227,211
(Compared to Previous Period)	109.4%	108.6%	105.6%	101.1%	107.1%	107.2%
Net Sales	163,143	177,667	187,507	189,522	202,943	217,650
Cost of Sales	124,708	135,701	142,912	144,219	154,299	165,676
(Cost Rate)	76.4%	76.4%	76.2%	76.1%	76.0%	76.1%
Gross Profit	38,435	41,966	44,594	45,302	48,643	51,973
(Gross Profit Ratio)	23.6%	23.6%	23.8%	23.9%	24.0%	23.9%
Operating Revenue	7,551	7,640	8,147	8,355	8,942	9,561
Operating Gross Profit	45,986	49,606	52,742	53,658	57,585	61,534
(Sales Operating Gross Profit Ratio)	28.2%	27.9%	28.1%	28.3%	28.4%	28.3%
Distribution Costs	3,021	3,215	3,497	3,538	3,822	4,239
Advertising Costs	1,561	1,876	1,884	2,021	2,196	2,075
Salary and Allowances	14,315	15,706	16,841	17,437	18,177	19,108
Carried Over Bonus Reserves	1,167	1,246	1,306	1,360	1,397	1,441
Retirement Provision Expense	405	963	842	972	943	987
Executive Retirement Bonus Funds	21	19	18	21	21	386
Stock Payment Reserves						
Executive Stock Payment Reserves						
Statutory Welfare and Public Welfare Costs						
Water, Fuel, and Light Costs	2,600	2,927	3,341	2,891	3,249	3,370
Land and Rent	6,018	6,358	6,672	6,731	6,875	7,040
Leasing Fees	1,173	1,207				
Depreciation and Amortization	2,041	2,109	2,289	2,425	3,059	3,546
Other Management Costs	7,190	7,157	8,930	8,628	9,466	10,153
Selling, General and Administrative Expenses	39,517	42,788	45,623	46,029	49,208	52,350
(Sales, General, and Administrative Cost Ratio)	24.2%	24.1%	24.3%	24.3%	24.2%	24.1%
Operating Income	6,468	6,818	7,119	7,628	8,377	9,184
(Operating Income Ratio)	4.0%	3.8%	3.8%	4.0%	4.1%	4.2%
Non-Operating Income	222	250	317	399	372	776
Non-Operating Expenses	240	262	273	368	379	412
Ordinary Income	6,450	6,806	7,163	7,660	8,370	9,548
(Current Profit Ratio)	4.0%	3.8%	3.8%	4.0%	4.1%	4.4%
Extraordinary Income	189	90	571	85	553	17
Extraordinary Losses	408	293	897	63	784	371
Income Before Income Taxes	6,231	6,604	6,837	7,681	8,139	9,194
Net Income	3,621	3,789	3,928	4,506	4,698	5,159
(Net Income Ratio)	2.2%	2.1%	2.1%	2.4%	2.3%	2.4%
Capital Investment	4,827	6,624	12,873	10,072	10,837	10,846
New Stores and Prior Investments	4,398	6,070	12,452	9,770	10,650	10,263
Activation of Existing Stores	429	554	421	302	187	583
Depreciation and Amortization	2,318	2,279	2,478	2,644	3,181	3,868
Total Assets	60,173	60,393	69,873	76,601	86,006	94,645
Current Assets	13,753	13,645	13,009	12,478	13,729	14,659
Non-Current Assets	46,419	46,748	56,864	64,122	72,277	79,985
Total Liabilities	32,899	32,898	39,303	42,380	47,958	52,571
Net Assets	27,273	27,495	30,570	34,220	38,048	42,074
Business Cash flow						
Investment Cash flow						
Financial Affairs Cash flow						
Free Cash flow (Business CF + Investment CF)						
Dividend per Share	65.00	40.00	43.00	45.00	57.00	55.00
ROE	13.5%	13.8%	13.5%	13.9%	13.0%	12.9%
ROA	6.0%	6.3%	5.6%	5.9%	5.5%	5.5%
EPS	187.12	196.87	202.32	232.11	242.00	265.75
BPS	1,446.09	1,416.04	1,574.50	1,762.51	1,959.72	2,167.09
Total Asset Turnover	2.7	2.9	2.7	2.5	2.4	2.3
Capital to Asset Ratio	45.3%	45.5%	43.8%	44.7%	44.2%	44.5%
Number of Shares Issued (1st Period Average Excluding Treasury Shares)	19,356,009	19,246,180	19,415,965	19,415,585	19,415,255	19,415,045
Number of Original Stores	6 Stores	7 Stores	4 Stores	5 Stores	7 Stores	8 Stores
Number of Scrap and Build Stores						
Number of Stores Closed	2 Stores		3 Stores			1 Stores
Number of Stores at End of Period	91 Stores	98 Stores	100 Stores	104 Stores	111 Stores	118 Stores
Number of Stores at End of Period (Consolidated)						
Sales Floor Area at End of Period (Weighted Average) m ²	168,623	184,388	192,851	195,728	210,679	223,535

	7th Mid-term Management Plan			8th Mid-term Management Plan			9th Mid-term Management Plan		
	03/2013	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021
Total Revenue	237,556	263,015	295,883	325,441	343,061	363,892	380,992		
(Compared to Previous Period)	104.6%	110.7%	112.5%	110.0%	105.4%	106.1%	104.7%		
Net Sales	227,420	251,334	282,449	310,634	327,406	347,637	364,122		
Cost of Sales	173,312	191,480	214,975	223,317	235,996	251,209	262,941		
(Cost Rate)	76.2%	76.2%	76.1%	71.9%	72.1%	72.3%	72.2%		
Gross Profit	54,108	59,853	67,474	87,317	91,410	96,427	101,181		
(Gross Profit Ratio)	23.8%	23.8%	23.9%	28.1%	27.9%	27.7%	27.8%		
Operating Revenue	10,136	11,680	13,433	14,807	15,654	16,255	16,869		
Operating Gross Profit	64,244	71,534	80,908	102,124	107,064	112,682	118,051		
(Sales Operating Gross Profit Ratio)	28.2%	28.5%	28.6%	32.9%	32.7%	32.4%	32.4%		
Distribution Costs	4,418	4,872	5,435	6,449	6,712	7,129	7,332		
Advertising Costs	2,072	2,204	2,436	2,626	2,815	2,824	2,922		
Salary and Allowances	19,991	22,022	24,473	36,864	39,415	41,488	42,679		
Carried Over Bonus Reserves	1,491	1,582	1,665	2,014	2,181	2,270	2,351		
Retirement Provision Expense	1,045	968	658	727	930	1,014	1,003		
Executive Retirement Bonus Funds	129	38	86	90	22	-	-		
Stock Payment Reserves				339	462	346	284		
Executive Stock Payment Reserves					32	42	42		
Statutory Welfare and Public Welfare Costs				5,130	5,735	6,328	6,532		
Water, Fuel, and Light Costs	3,727	4,661	5,075	4,665	4,170	4,524	4,804		
Land and Rent	7,506	8,215	9,053	9,640	10,045	10,655	11,157		
Leasing Fees						-	-		
Depreciation and Amortization	3,130	3,848	4,592	5,612	6,142	6,817	8,049		
Other Management Costs	11,101	12,322	11,179	14,113	13,876	14,021	14,832		
Selling, General and Administrative Expenses	54,613	60,737	68,548	88,274	92,544	97,465	101,991		
(Sales, General, and Administrative Cost Ratio)	24.0%	24.2%	24.3%	28.4%	28.3%	28.0%	28.0%		
Operating Income	9,630	10,796	12,360	13,850	14,520	15,217	16,059		
(Operating Income Ratio)	4.2%	4.3%	4.4%	4.5%	4.4%	4.4%	4.4%		
Non-Operating Income	1,269	776	574	220	218	383	499		
Non-Operating Expenses	378	359	334	531	524	581	574		
Ordinary Income	10,521	11,213	12,599	13,539	14,214	15,019	15,984		
(Current Profit Ratio)	4.6%	4.5%	4.5%	4.4%	4.3%	4.3%	4.4%		
Extraordinary Income	110	93	2,614	1,385	2,249	347	2,609		
Extraordinary Losses	465	132	2,101	1,367	2,314	583	2,365		
Income Before Income Taxes	10,166	11,174	13,112	13,556	14,149	14,782	16,228		
Net Income	6,379	7,074	8,543	9,065	9,927	10,307	11,139		
(Net Income Ratio)	2.8%	2.8%	3.0%	2.9%	3.0%	3.0%	3.1%		
Capital Investment	15,009	20,913	21,524	17,048	26,054	24,445	15,699		
New Stores and Prior Investments	12,230	16,319	17,550	8,980	18,449	20,373	13,045		
Activation of Existing Stores	2,779	4,594	3,974	8,068	7,605	4,072	2,654		
Depreciation and Amortization	3,413	4,190	4,995	5,612	6,142	6,817	8,049		
Total Assets	99,080	119,927	129,501	142,399	179,870	198,546	210,799		
Current Assets	16,678	21,196	21,837	20,400	40,137	31,632	36,029		
Non-Current Assets	82,401	98,730	107,663	121,998	139,733	166,914	174,770		
Total Liabilities	51,715	66,588	68,807	74,407	103,781	113,712	117,159		
Net Assets	47,364	53,338	60,694	67,991	76,089	84,834	93,640		
Business Cash flow				15,428	15,805	-	-		
Investment Cash flow				-15,236	-23,267	-	-		
Financial Affairs Cash flow				-2,242	25,083	-	-		
Free Cash flow (Business CF + Investment CF)				192	-7,462	-	-		
Dividend per Share	57.00	60.00	80.00	45.00	50.00	55.00	60.00		
ROE	14.3%	14.0%	15.0%	14.1%	13.8%	12.8%	12.4%		
ROA	6.4%	5.9%	6.6%	6.4%	5.5%	5.2%	5.3%		
EPS	328.57	182.19	220.02	233.48	255.67	265.47	286.88		
BPS	2,439.63	1,373.69	1,563.13	1,751.10	1,959.66	2,184.83	2,411.54		
Total Asset Turnover	2.3	2.1	2.2	2.2	1.8	1.8	1.7		
Capital to Asset Ratio	47.8%	44.5%	46.9%	47.7%	42.3%	42.7%	44.4%		
Number of Shares Issued (1st Period Average Excluding Treasury Shares)	19,414,755	38,829,105	38,828,669	38,827,937	38,827,881	38,828,270	38,829,591		
Number of Original Stores	5 Stores	10 Stores	9 Stores	6 Stores	6 Stores	6 Stores	6 Stores		
Number of Scrap and Build Stores	1 Stores			2 Stores	3 Stores				
Number of Stores Closed						2 Stores	3 Stores		
Number of Stores at End of Period	123 Stores	133 Stores	142 Stores	148 Stores	154 Stores	158 Stores	161 Stores		
Number of Stores at End of Period (Consolidated)						168 Stores	172 Stores		
Sales Floor Area at End of Period (Weighted Average) m ²	232,330	251,654	267,349	279,318	290,346	303,626	310,981		

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

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

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