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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

November 11, 2024

Company name: YAOKO CO., LTD.
Stock exchange listing: Tokyo Stock Exchange
Code number: 8279
URL: https://www.yaoko-net.com/
Representative: Kawano Sumito, President and Representative Director
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Scheduled date of filing semi-annual securities report: November 11, 2024
Scheduled date of commencing dividend payments: December 5, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Total revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2024	359,544	17.9	21,316	9.6	20,907	8.0	14,420	5.4
September 30, 2023	304,957	9.0	19,447	21.8	19,358	23.1	13,680	27.1

(Note) Comprehensive income: Six months ended September 30, 2024: ¥14,699 million [6.9%]
Six months ended September 30, 2023: ¥13,753 million [27.7%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	352.67	-
September 30, 2023	352.10	330.70

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2024	361,600	184,098	49.6	4,383.11
As of March 31, 2024	342,409	167,902	49.0	4,121.55

(Reference) Equity: As of September 30, 2024: ¥ 179,489 million
As of March 31, 2024: ¥167,902 million

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	42.50	-	67.50	110.00
Fiscal year ending March 31, 2025	-	55.00			
Fiscal year ending March 31, 2025 (Forecast)			-	55.00	110.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Total revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	707,000	14.1	31,400	7.1	30,500	5.6	18,700	2.5	476.04

(Note) Revision to the financial results forecast announced most recently: None

*** Notes:**

(1) Significant changes in the scope of consolidation during the period: Yes
New: 1 company (Sendo Co., Ltd.) Exclusion: - company (Name of company)

(2) Accounting policies adopted specially for the preparation of semi-annual consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None
(Note) For details, please refer to page 10 of the Attachment, “Semi-annual Consolidated Financial Statements and Primary Notes, (3) Notes to Semi-annual Consolidated Financial Statements, Changes in accounting policies.”

(4) Total number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares):
September 30, 2024: 41,894,288 shares
March 31, 2024: 41,894,288 shares

2) Total number of treasury shares at the end of the period:
September 30, 2024: 943,889 shares
March 31, 2024: 1,156,609 shares

3) Average number of shares during the period:
Six months ended September 30, 2024: 40,890,012 shares
Six months ended September 30, 2023: 38,853,515 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on certain assumptions in light of information currently available and deemed reasonable and are not a guarantee of future performance. Actual results may differ significantly from these forecasts due to a wide range of factors. For details on conditions for the assumptions of financial results forecasts and notes for the use of financial results forecasts, please refer to page 5 of the Attachment, “1. Qualitative Information on Semi-annual Financial Results, (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information.”

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1. Qualitative Information on Semi-annual Financial Results

(1) Explanation of Operating Results

The Group operates its food supermarkets business in the following two formats: a format that "proposes ideas for abundant, enjoyable, and healthy dietary lives" for customers who live close to our stores and visit our stores frequently (lifestyle assortment-style); and a format that offers discount to respond to needs for "bulk purchase" of customers who lives in wider areas centered around our stores (discount-style).

The basic strategies of the Group are to satisfy all customers in the local communities by deepening the two formats and thereby increase our share in them; and to allow each company to operate independently and hone their own unique "strengths."

The key theme in the period of the 11th Mid-Term Management Plan (from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2027) has been to "become stronger through united efforts of the Group." By allowing each company which operates under either the lifestyle assortment-style or the discount-style to grow autonomously, the Group will aim to increase the share in its market territories and also promote building of the foundation to create a "system to achieve Group net sales of 1 trillion yen."

(i) A share increase in the market territories of the Group

- Share increase in both the lifestyle assortment-style and the discount-style
- Continuation of consideration of M&As in the lifestyle assortment-style

(ii) Strengthening of the shared functions of the Group (building the foundation to achieve Group net sales of 1 trillion yen)

- Personnel affairs, financial affairs, internal control, store development, logistics, systems, and manufacturing
- Fostering of management personnel, human resource interactions, and mutual learning

(iii) Investment and collaboration in growth markets

- Growth support and collaboration in the Vietnam market
- Collaboration and creation of new value with domestic ventures

During the six months ended September 30, 2024, the Japanese economy continued to be on a moderate recovery trend with progress in the normalization of financial policy. Meanwhile, the economic outlook remains uncertain due in part to surging commodity prices and uncertainty in the world economy.

The food supermarkets industry is also facing the increasing thriftiness of consumers, and the business environment surrounding the industry has been extremely challenging, with soaring expenses for personnel, construction materials, etc. and accelerating competition among companies regardless of business type, including industry reorganization.

The basic policies of the Company have been set as "enhancing meal solutions" and "emphasizing price-conscious choices," and the key theme of the 11th Mid-Term Management Plan has been set as "The New Yaoko: Structural reform from the Showa model to the Reiwa model." During the fiscal year under review, we worked on the following priority measures to simultaneously realize four types of value, namely, "deliciousness," "product assortments," "proposals," and "inexpensiveness."

[Product and Sales Strategy]

On the product front, we have been focusing on enhancing meal solutions to realize product assortments that lead to uniqueness and differentiation of the Company. In addition, in order to achieve competitive advantage throughout the value chain, we are aiming to enhance SPA-type product development by tapping into the manufacturing and retailing industry. Furthermore, a new healthy product lineup "Happiness" was added to Yes! YAOKO in November last year. By so doing, we are further refining the quality and prices of our private brand products.

On the sales front, we have been emphasizing price-conscious choices by continuing to respond to polarization. In addition to EDLP (Every Day Low Price measures) and "the GENSEN 100 (monthly special:100 bargain items)," we worked on pricing policies for frequently sold fresh foods. At the same time, in order to attract more customers, we implemented the "Japan's No. 1 Program" to promote single item mass sales, and the "Local Products Fair" and the "Toyosu Festival" where local specialty products from various regions are sold, among other measures. We are also promoting the "Tailored strategies for different markets" centered around sales promotion and product assortments to further advance our support for each specific customer.

The utilization rate of "Yaoko Pay," a cashless payment service the introduction of which was a year ago, is gradually increasing as it can be used with the "Yaoko Card" in addition to the "Yaoko App".

[Operational Strategy]

For productivity improvement, we are working on *kaizen* (improvement) activities where operations are improved through automation and digital technologies are utilized. The utilization of an automatic ordering system for grocery products based on AI demand projections has been successful, resulting in improved productivity.

In addition, the cash register department is promoting introduction of fully self-service checkouts. Furthermore, electronic shelf labels and operational support apps have been gradually introduced to promote paperless operations, and thereby we are establishing an employee-friendly working environment.

The Soka Distribution Center where a warehouse management system and automatic warehouse sorting machine have been installed is gradually increasing the number of stores under its jurisdiction, and has worked to stabilize its operation. In June, we relocated the Yokohama Distribution Center to improve the logistics capacity in the Kanagawa area.

Moreover, we are working on initiatives to reduce waste, save electricity, and promote recycling toward a recycling-oriented society.

[Human Resources Development Strategy]

For the purpose of developing independent human resources who can yield results as a team, we have revised our personnel evaluation system including how to set targets and challenges, and are promoting company-wide efforts to instill the system.

In parallel with the *kaizen* (improvement) activities, we are working on establishing and maintaining the working environment by, for example, reviewing the operational categories.

In addition, we will improve the employee-friendliness in which female and senior employees can play an active role, and at the same time, strive to achieve health and productivity management.

[New Stores and Growth Strategy]

During the six months ended September 30, 2024, we opened the Musashi Urawa Store (Saitama-shi, Saitama Prefecture) in May, the Urawa Mimuro Store (Saitama-shi, Saitama Prefecture) in June, the Kuki Yoshiba Store (Kuki-shi, Saitama Prefecture) and the Higashi Washinomiya Store (Kuki-shi, Saitama Prefecture) in September.

The Kuki Yoshiba store is positioned as a flagship store in the northern area, mainly targeting middle and senior customers, and we will share the challenges and measures at this store within the company.

In addition, YAOKO online supermarket, the bases of which are brick-and-mortar stores, operates at 24 stores, and the number of such stores is slated to increase in the future.

The overview of each company of the Group is as follows:

AVE Co., Ltd. has formed a dominant area centered around Kanagawa Prefecture. The company has set its basic policies as “unrivalled low prices” and “thorough low-cost operation,” and is striving to realize the policies through various measures and initiatives.

Foocot Co., Ltd. operates five stores mainly in Saitama Prefecture “through an overwhelming assortment of delicious products, low prices, and the thorough pursuit of low-cost operations to support this,” which is its management policy.

Sendo Co., Ltd. became a consolidated subsidiary on April 1, 2024, and has formed a dominant area centered around Ichihara-shi, Chiba Prefecture. The company operates food supermarkets with tremendous advantage in perishable foods.

The number of stores of the entire Group as of September 30, 2024 is 234 (YAOKO: 191; AVE: 13; Foocot: 5; and Sendo: 25).

As a result, total revenue for the six months ended September 30, 2024 was 359,544 million yen (up 17.9% year on year), operating profit was 21,316 million yen (up 9.6% year on year), ordinary profit was 20,907 million yen (up 8.0% year on year), and Profit attributable to owners of parent was 14,420 million yen (up 5.4% year on year).

The segment information is omitted, as the Group has only a single segment, which is the supermarket business, and other businesses are immaterial.

(Notes) The term “meal solutions” refers to our solutions to help our customers solve issues related to meals by, for example, proposing their daily meal plans and advising how to cook meals.
The term “price-conscious choices” refers to pricing products always bearing in mind reasonable prices affordable for customers.

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the six months of the fiscal year under review increased by 19,191 million yen compared with the end of the previous fiscal year to 361,600 million yen. This was primarily due to an increase in cash and bank deposits, and an increase in property, plant and equipment associated with investment in new store openings and renovation of existing stores.

(Liabilities)

Liabilities at the end of the six months of the fiscal year under review increased by 2,995 million yen compared with the end of the previous fiscal year to 177,502 million yen. This was primarily due to increases in borrowings and accounts payable – trade, despite decreases in bonds payable, and decreases in contract liabilities, accrued expenses, and accounts payable included in “other” of current liabilities.

(Net Assets)

Net assets at the end of the six months of the fiscal year under review increased by 16,196 million yen compared with the end of the previous fiscal year to 184,098 million yen. This was primarily due to an increase in retained earnings arising from the recording of profit attributable to owners of parent, as well as an increase in non-controlling interests arising from the event that Sendo Co., Ltd. became a consolidated subsidiary.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

As for the financial results forecast for the fiscal year under review, there have been no changes to the consolidated financial results forecast announced on May 13, 2024 at this point in time. If a need to revise the forecast arises in the future, we will make prompt disclosure.

2. Semi-annual Consolidated Financial Statements and Primary Notes

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	48,079	50,487
Accounts receivable - trade	10,721	11,488
Securities	100	100
Merchandise and finished goods	10,500	12,059
Raw materials and supplies	457	512
Other	16,276	14,328
Total current assets	86,135	88,976
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	88,720	100,092
Land	84,785	92,867
Other, net	31,205	32,779
Total property, plant and equipment	204,711	225,739
Intangible assets	5,643	5,938
Investments and other assets		
Deferred tax assets	9,029	8,487
Guarantee deposits	23,642	24,816
Other	13,244	7,642
Total investments and other assets	45,917	40,946
Total non-current assets	256,272	272,624
Deferred assets	1	-
Total assets	342,409	361,600

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	40,410	42,443
Short-term borrowings	-	900
Current portion of bonds payable	3,710	-
Current portion of long-term borrowings	3,922	2,851
Income taxes payable	5,733	6,316
Provision for bonuses	2,980	3,881
Provision for point card certificates	441	160
Asset retirement obligations	33	-
Other	25,640	18,038
Total current liabilities	82,871	74,592
Non-current liabilities		
Long-term borrowings	64,556	73,492
Deferred tax liabilities	1,089	1,050
Deferred tax liabilities for land revaluation	34	34
Provision for retirement benefits for directors	-	59
Provision for retirement benefits for executive officers	27	85
Provision for share awards	3,315	3,268
Provision for share awards for directors	208	227
Retirement benefit liability	4,221	4,625
Asset retirement obligations	6,678	7,573
Other	11,502	12,492
Total non-current liabilities	91,635	102,910
Total liabilities	174,506	177,502
Net assets		
Shareholders' equity		
Share capital	9,846	9,846
Capital surplus	12,806	12,562
Retained earnings	152,493	164,114
Treasury shares	(4,787)	(4,511)
Total shareholders' equity	170,358	182,012
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	285	229
Revaluation reserve for land	(2,939)	(2,939)
Remeasurements of defined benefit plans	197	187
Total accumulated other comprehensive income	(2,456)	(2,522)
Share acquisition rights	-	0
Non-controlling interests	-	4,608
Total net assets	167,902	184,098
Total liabilities and net assets	342,409	361,600

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

Semi-annual Consolidated Statements of Income

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	292,969	345,764
Cost of sales	219,006	259,499
Gross profit	73,963	86,265
Operating revenue	11,987	13,779
Operating gross profit	85,951	100,045
Selling, general and administrative expenses	66,504	78,728
Operating profit	19,447	21,316
Non-operating income		
Interest income	55	56
Dividend income	6	8
Share of profit of entities accounted for using equity method	259	-
Subsidy income	48	50
Other	31	26
Total non-operating income	402	142
Non-operating expenses		
Interest expenses	482	518
Other	8	34
Total non-operating expenses	491	552
Ordinary profit	19,358	20,907
Extraordinary income		
Gain on sale of non-current assets	-	20
Penalty income on lease contracts	2	3
Surrender value of insurance policies	-	173
Total extraordinary income	2	196
Extraordinary losses		
Loss on retirement of non-current assets	13	18
Loss on step acquisitions	-	258
Total extraordinary losses	13	276
Profit before income taxes	19,348	20,826
Income taxes - current	5,558	5,145
Income taxes - deferred	109	913
Total income taxes	5,667	6,059
Profit	13,680	14,767
Profit attributable to non-controlling interests	-	347
Profit attributable to owners of parent	13,680	14,420

Semi-annual Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	13,680	14,767
Other comprehensive income		
Valuation difference on available-for-sale securities	55	(58)
Remeasurements of defined benefit plans, net of tax	9	(10)
Share of other comprehensive income of entities accounted for using equity method	7	-
Total other comprehensive income	73	(68)
Comprehensive income	13,753	14,699
Comprehensive income attributable to		
Owners of parent	13,753	14,355
Non-controlling interests	-	343

(3) Notes to Semi-annual Consolidated Financial Statements

Notes on going concern assumption

Not applicable.

Notes in the event of material changes in the amount of shareholders' equity

Not applicable.

Changes in accounting policies

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022") and other relevant ASBJ regulations from the beginning of the six months of the fiscal year under review.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment in the proviso of paragraph 65-2(2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; the "Revised Guidance on Accounting Standard of 2022"). There is no impact on the semi-annual consolidated financial statements as a result of this change in accounting policies.

In addition, for revisions related to the review of the treatment in consolidated financial statements when a gain or loss on sale arising from the sale of shares of subsidiaries, etc. among consolidated companies is deferred for tax purposes, the Company has applied the Revised Guidance on Accounting Standard of 2022 from the beginning of the six months of the fiscal year under review. The change in accounting policies has been applied retrospectively. Therefore, the retrospective application was reflected in the consolidated financial statements for the same period of the previous fiscal year and for the previous fiscal year. There is no impact on the semi-annual consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year as a result of this change in accounting policies.