

Annual Securities Report

Business Year	February 21, 2022 –
54th term	February 20, 2023

OKUWA Co., Ltd.

Annual Securities Report

1. This document is a copy of the Annual Securities Report prepared in accordance with Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, filed via the Electronic Disclosure for Investors' NETwork (EDINET) system pursuant to Article 27-30-2 of the said Act, and printed out using the filed data with page numbers and table of contents added.

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Part 1: Information on the Company

I. Overview of the Company

1. Key Financial Data and Trends

(1) Consolidated financial data, etc.

Fiscal year		50th term	51st term	52nd term	53rd term	54th term
Year ended		February 2019	February 2020	February 2021	February 2022	February 2023
Net sales	(Million yen)	255,027	255,225	268,679	255,996	234,726
Ordinary profit	(Million yen)	3,038	3,755	8,015	5,463	3,148
Profit attributable to owners of parent	(Million yen)	245	1,429	3,786	1,523	928
Comprehensive income	(Million yen)	(789)	1,399	3,783	1,560	819
Net assets	(Million yen)	75,725	75,100	77,747	78,170	77,928
Total assets	(Million yen)	134,556	136,362	137,863	133,513	132,526
Net assets per share	(Yen)	1,692.75	1,708.28	1,767.36	1,775.94	1,769.22
Basic earnings per share	(Yen)	5.51	32.38	86.38	34.74	21.18
Diluted earnings per share	(Yen)	5.51	32.38	86.35	34.74	21.18
Equity ratio	(%)	56.1	54.9	56.2	58.3	58.6
Return on equity	(%)	0.3	1.9	5.0	2.0	1.2
Price earnings ratio	(Times)	204.5	45.2	13.9	27.2	43.5
Net cash provided by (used in) operating activities	(Million yen)	7,322	9,606	13,772	8,590	5,931
Net cash provided by (used in) investing activities	(Million yen)	(3,702)	(4,695)	(5,034)	(7,016)	(6,678)
Net cash provided by (used in) financing activities	(Million yen)	(2,159)	(1,584)	(6,515)	(3,144)	(535)
Cash and cash equivalents at end of period	(Million yen)	12,690	16,016	18,239	16,668	15,386
Number of employees [Average number of part-time employees; not included in the above number of employees]	(Persons)	2,010 [8,452]	2,042 [8,412]	2,074 [8,473]	2,113 [8,373]	2,128 [8,231]

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the 54th fiscal year. The key financial data for the 54th fiscal year are presented after applying the above accounting standard, etc.

(2) Financial data, etc. of the filing company

Fiscal year		50th term	51st term	52nd term	53rd term	54th term
Year ended		February 2019	February 2020	February 2021	February 2022	February 2023
Net sales	(Million yen)	251,851	252,152	265,811	253,233	229,087
Ordinary profit	(Million yen)	2,962	3,671	7,828	5,303	3,222
Profit	(Million yen)	353	1,453	3,744	1,484	1,031
Share capital	(Million yen)	14,117	14,117	14,117	14,117	14,117
Total number of issued and outstanding shares	(Thousand shares)	45,237	45,237	45,237	45,237	45,237
Net assets	(Million yen)	75,345	74,628	77,231	77,672	77,786
Total assets	(Million yen)	133,528	135,411	136,835	132,766	132,356
Net assets per share	(Yen)	1,687.54	1,701.53	1,760.62	1,770.28	1,772.06
Dividend per share (of which, interim dividend per share)	(Yen)	26.00 (13.00)	26.00 (13.00)	26.00 (13.00)	26.00 (13.00)	26.00 (13.00)
Basic earnings per share	(Yen)	7.91	32.93	85.42	33.85	23.50
Diluted earnings per share	(Yen)	7.91	32.92	85.40	33.85	23.50
Equity ratio	(%)	56.4	55.1	56.4	58.5	58.7
Return on equity	(%)	0.5	1.9	4.9	1.9	1.3
Price earnings ratio	(Times)	142.5	44.5	14.1	27.9	39.2
Dividend payout ratio	(%)	328.7	79.0	30.4	76.8	110.6
Number of employees [Average number of part-time employees; not included in the above number of employees]	(Persons)	1,858 [7,963]	1,886 [7,971]	1,926 [8,049]	1,948 [7,987]	2,018 [8,056]
Total shareholder return (Comparative indicator: TOPIX Net Total Return Index)	(%) (%)	106.0 (92.9)	139.3 (89.5)	117.6 (113.2)	96.3 (117.0)	96.6 (127.0)
Highest stock price	(Yen)	1,251	1,579	1,830	1,310	991
Lowest stock price	(Yen)	1,015	1,035	1,069	880	824

(Notes) 1. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the 54th fiscal year. The key financial data for the 54th fiscal year are presented after applying the above accounting standard, etc.

2. The highest and lowest stock prices up to April 3, 2022 were recorded on the First Section of the Tokyo Stock Exchange and those from April 4, 2022 onward were recorded on the Prime Market of the Tokyo Stock Exchange.

2. Corporate History

Month, Year	Summary
February 1969	The late Isamu Okuwa, the founder of the Company, established Shufu No Mise Okuwa Co., Ltd. in Ikuno-ku, Osaka City. Acquired the business operations of four supermarket stores from Shufu No Mise Okuwa Ltd.
September 1969	Moved the head office location to Udono-mura, Minamimuro-gun, Mie.
June 1974	Established a joint purchasing organization Nihon Ryutsu Sangyo Co., Ltd. together with six other chain stores (Izumi Co., Ltd., Grand Tamakoshi Co., Ltd., Life Store Co., Ltd., Sato Co., Ltd., Heiwado Co., Ltd., and Yaohan Department Store Co., Ltd.).
August 1974	Relocated the headquarters to Nakajima, Wakayama City.
March 1976	Changed the trade name to Chain Store Okuwa Co., Ltd.
March 1982	Established a procurement company SUNRISE., CO. LTD. (currently a consolidated subsidiary) through joint investment with Tsuda Seika Co., Ltd, of Wakayama to secure stable supply of fruits and vegetables.
October 1985	Acquired the shares of OAK-FOODS Corporation (established in March 1980; currently a consolidated subsidiary of the Company) and made it a subsidiary.
February 1986	Merged with and absorbed Kishu Sangyo Co., Ltd. to improve management system and strengthen business structure.
October 1987	Increased capital by public offering and listed its stock on the Second Section of the Osaka Securities Exchange.
May 1989	Moved the head office location to Nakajima, Wakayama City.
August 1990	Listed its stock on the First Section of the Osaka Securities Exchange.
November 1991	Established Okuwa Home Center Co., Ltd. (changed its trade name to O-Mart Co., Ltd. in October 1994).
November 1991	Established XYST Co., Ltd. (currently O-Entertainment Co., Ltd., an equity method affiliate).
August 1992	Merged with and absorbed Okuwa Sangyo Co., Ltd.
August 1994	Merged with and absorbed Yuasa Plaza Co., Ltd.
February 1995	Sold the business operations of two home improvement stores and 14 video/CD rental & book stores to O-Mart Co., Ltd.
October 1996	Acquired the shares of Okuwa Co., Ltd. (a supermarket company established in May 1959; head office in Kumano City, Mie) and made it a subsidiary.
February 1997	Established Kuroshio Co., Ltd. and sold the operations of restaurant business to this company and OAK-FOODS Corporation.
August 1999	Merged with and absorbed Okuwa Co., Ltd.
February 2000	Changed the trade name to OKUWA Co., Ltd.
February 2001	Acquired the business operations of two supermarket stores from Shopping Center MAMY Corporation (currently MAMY CORPORATION).
March 2001	Listed its stock on the First Section of the Tokyo Stock Exchange.
August 2001	XYST Co., Ltd. succeeded the business of sales of books, etc. and video/CD rental business division (WAY) of O-Mart Co., Ltd. through corporate divestiture (and changed its trade name to O-Entertainment Co., Ltd.).
August 2002	O-Mart Co., Ltd. merged with Joyful Asahi Co., Ltd. (a home improvement store established in 1982; head office in Toyonaka City, Osaka) and established O-Joyful Co., Ltd.
July 2006	Acquired the shares of Hiramatsu Co., Ltd. (a supermarket company established in August 1964; head office in Wakayama City, Wakayama) and made it a subsidiary.
December 2007	Sold all shares of O-Joyful Co., Ltd. to DCM Japan Holdings Co., Ltd.
June 2008	Acquired the shares of Pare Co., Ltd. (a supermarket company established in September 2004; head office in Nagoya City, Aichi Prefecture) and made it a subsidiary.
August 2008	OAK-FOODS Corporation merged with and absorbed Kuroshio Co., Ltd.
February 2012	Merged with and absorbed Pare Co., Ltd.
April 2022	Transferred listing to the Prime Market of the Tokyo Stock Exchange.
May 2022	Shifted from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee.
November 2022	Merged with and absorbed Hiramatsu Co., Ltd.

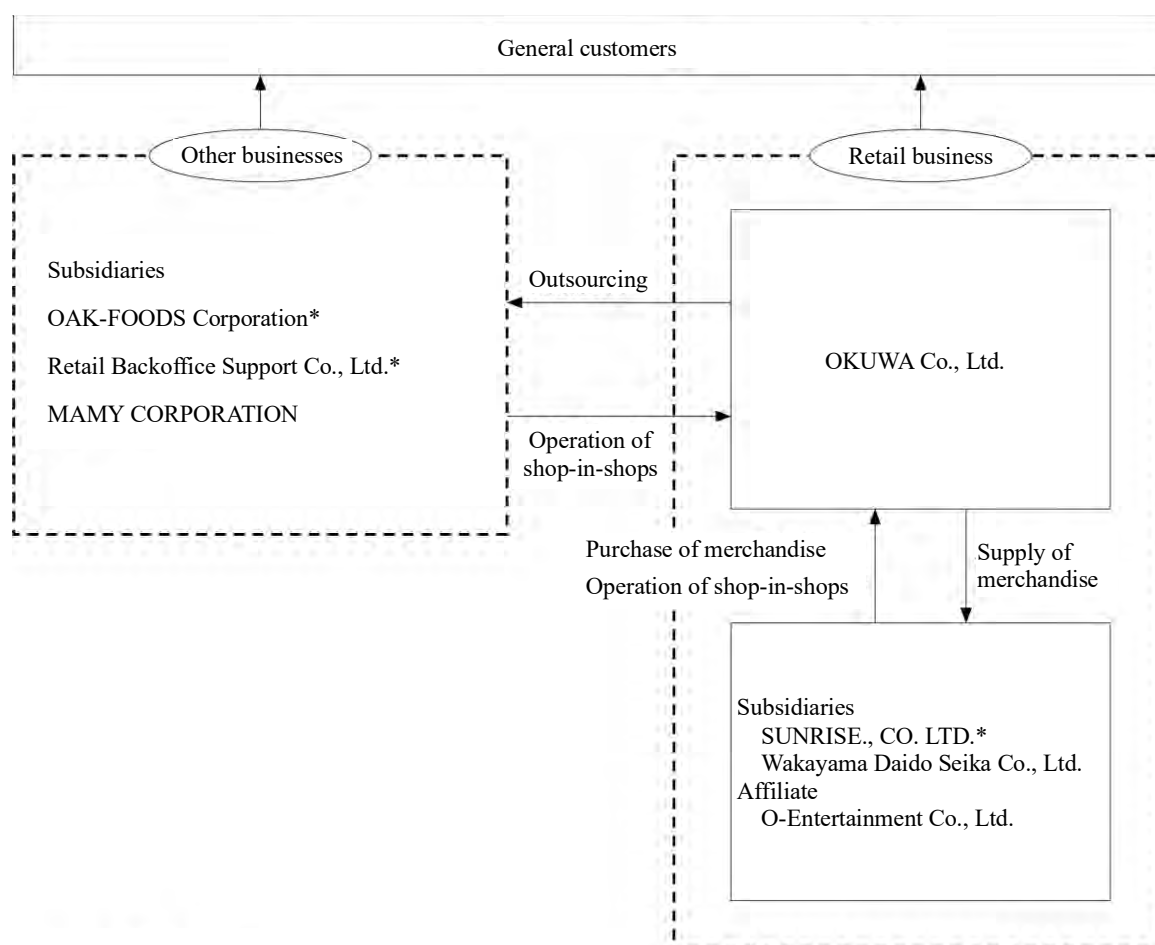
3. Description of Business

The Group (the Company and its subsidiaries and associates), consisting of the Company, five subsidiaries, and one affiliate, engages in the retail business of supermarket chains and other businesses including facility management outsourcing services and restaurant business.

The disclosure of segment information is omitted because the reportable segment of the Group is the supermarket business only. The positioning of each business within the Group is as described below.

- Retail business:** OKUWA Co., Ltd. engages in the supermarket chain business.
 SUNRISE., CO. LTD., a consolidated subsidiary, handles the processing and delivery of agricultural and other products.
 Wakayama Daido Seika Co., Ltd., a subsidiary, engages in the wholesale of agricultural and other products.
 O-Entertainment Co., Ltd., an affiliate, engages in the sales of books and other goods, rental business of DVDs and other items, as well as the management of cinema complexes, sports gyms, and cram schools, some of which are located inside the Company's stores.
- Other businesses:** OAK-FOODS Corporation, a consolidated subsidiary, operates restaurants, some of which are located inside the Company's stores.
 Retail Backoffice Support Co., Ltd., a consolidated subsidiary, provides outsourcing services in facility management and other areas.
 MAMY CORPORATION, a subsidiary, engages in the business of laundry & dry cleaning chain, with some shops operating inside the Company's stores.

The key matters described above are summarized in the diagram below.



(Note) Companies with asterisk denote consolidated subsidiaries.

Effective November 21, 2022, the Company merged with and absorbed Hiramatsu Co., Ltd., a consolidated subsidiary.

4. Subsidiaries and Associates

Company name	Location	Share capital (Million yen)	Principal business	Percentage of voting rights held by the Company (%)	Relationship
(Consolidated subsidiaries) SUNRISE., CO. LTD.	Wakayama City, Wakayama	90	Supermarket business	50.0	(1) One of the Company's officers concurrently serves as an officer of this company. (2) The Company supplies merchandise to this company. (3) The Company purchases merchandise from this company. (4) The Company leases land and buildings to this company. (5) The Company lends funds to this company. (6) The Company guarantees debts of this company.
OAK-FOODS Corporation	Wakayama City, Wakayama	10	Other (Restaurant business)	100.0	(1) Two of the Company's officers concurrently serve as officers of this company. (2) The Company leases land and buildings to this company. (3) The Company lends funds to this company. (4) The Company guarantees debts of this company.
Retail Backoffice Support Co., Ltd.	Nakamura- ku, Nagoya City, Aichi	10	Other (Facility management outsourcing services)	100.0	(1) One of the Company's officers concurrently serves as an officer of this company. (2) The Company outsources the management of facilities to this company. (3) The Company leases buildings to this company.
(Equity method affiliate) O-Entertainment Co., Ltd.	Chuo-ku, Osaka City, Osaka	100	Other (Sales of books, rental of DVDs, management of cram schools and cinema complexes)	18.0	(1) Two of the Company's officers concurrently serve as officers of this company. (2) The Company leases land and buildings to this company.

- (Notes) 1. Entries in the "Principal business" column are the names of businesses as they appear in segment information.
2. None of the consolidated subsidiaries listed above is classified as a specified subsidiary.
3. None of the companies listed above files its own Securities Registration Statements or Annual Securities Reports.
4. Although the Company holds less than 20% of the equity shares in O-Entertainment Co., Ltd., the Company has substantial influence on this company, and therefore regards it as an affiliate.

5. Employees

(1) Consolidated companies

As of February 20, 2023

Segment name	Number of employees (Persons)	
Supermarket business	2,093	[8,180]
Other	35	[51]
Total	2,128	[8,231]

(Notes) 1. The number of employees represents the number of full-time employees. The number of part-time workers is separately shown in bracket in annual average for the consolidated fiscal year under review (calculated based on the standard working hours of ordinary employees).

2. Supermarket business is the only reportable segment.

(2) The filing company

As of February 20, 2023

Number of employees (Persons)	Average age (Years old)	Average length of service (Years)	Average yearly pay (Thousand yen)
2,018 [8,056]	47.0	17.6	5,129

(Notes) 1. The number of employees represents the number of full-time employees. The number of part-time workers is separately shown in bracket in annual average for the fiscal year under review (calculated based on the standard working hours of ordinary employees).

2. The average yearly pay includes bonuses and extra wages.

3. The number of employees by segment is not stated because the reportable segment of the Company is the supermarket business only.

(3) Labor unions

The labor union of the Company, called OKUWA Labor Union, is a member of the UA ZENSEN.

The union counted 4,949 members (1,267 regular employees, 366 employees working in limited regions, and 3,316 part-time employees) as of February 20, 2023.

The relationship between labor and the management has been favorable and there is no matter to be stated in particular.

II. Business Overview

1. Management Policy, Business Environment, and Issues to be Addressed

The forward-looking statements in this section are based on the Group's judgement as of the submission date of the Annual Securities Report (May 16, 2023).

(1) Basic management policy of the Company

The Group's businesses consist of the retail business centered around supermarkets, as well as other businesses including the restaurant business that complement the retail business. Under the management philosophy of "Believing that our growth and development facilitates the improvement of customers' lifestyles and makes a great contribution to society, we will establish a distinguished position permanently in the chain store industry," the Group aims to contribute to the achievement of customers' prosperous lifestyles by providing products and services that meet customers' needs.

(2) Financial data targets

The Group considers the ratio of ordinary profit to operating income, return on equity (ROE), the ratio of ordinary profit to total assets (ROA), equity ratio, and the ratio of interest-bearing debt to cash flows as important financial data in evaluating profitability, capital efficiency, and the stability of the financial base. The Group aims for a ratio of ordinary profit to operating income of 3% and strives to continuously improve corporate value.

(3) Management strategy and business and financial issues to be addressed with priority

Under the previous medium-term management plan, the Group worked toward the objective, "Aim to establish the Okuwa brand leading to sustainable growth and development, and to become a regional chain consistently contributing to local communities."

Due to the spread of COVID-19 from the beginning of 2020, the progress for the term deviated from the initial plan and was difficult to manage. Meanwhile, we recognized once again the importance and responsibility of continuing our business as a lifeline that supports the lives of our customers.

The Group has set a new management vision, "a supermarket that continues to transform, with a timeless spirit," in the new medium-term management plan. In light of the challenges we faced under the previous plan and rapidly changing social environment, we will strive further for OKUWA's essence and focus on the provision of products and services that meet customers' needs.

We will strive to establish sustainable and stable management and improve corporate value, and aim to be a supermarket indispensable for local communities more than ever.

Shown below are the key measures in the medium-term management plan.

Action plan (Key measures)

1) Store strategy

- Continuing with the large-scale renovation of existing stores (an increase in successful cases and new challenges)
- Trying new formats toward the revitalization of the discount-type stores and SM-type stores
- A share increase through the continued opening of new stores in the Tokai area, as well as store opening in the Kinki area
- Continuing with the reduction of total costs by focusing on facility management

2) Product strategy

- Continuing with enhancing, revising, and abolishing house brand products to pursue value and thereby depart ourselves from homogeneity competition
- Product development in line with customers' needs such as attention, health, environment, etc., and creation of sales floors that meet the expectations of customers
- Stay ahead in a competitive society with unique strengths that competitors cannot imitate, including fresh foods
- Product development and sales promotion to tap into the young

3) Labor strategy

- Reduction in store operations through improved productivity of in-house plants
- Leveling out of employees' skills through promotion of education and improved motivation through a career-path system
- Initiatives toward the creation of a working environment worth working for and regional revitalization
- Effective use of elderly employees

4) Promotion of digitalization

- Promotion of efficiency improvement through the use of cashless payment methods and such other means as smartphones and (quasi) self-service cash registers
- Further promotion of accuracy improvement for automated (AI-projected) ordering and operational efficiency improvement
- Reduction in store operations through the introduction of electronic shelf labels
- Simplification of operations through renewal of back-office systems
- Expansion of EC services that supplement brick-and-mortar stores

5) Sustainability management

- Enhancement of social contribution activities (support for children's cafeterias offering free food, responses to food loss and waste, food banks, etc.)
- Environmental measures (energy conservation and reduction of plastics)
- Establishment of the Sustainability Promotion Office (Committee and Subcommittee)

6) Corporate governance structure

- Transition to a Company with an Audit & Supervisory Committee
- Establishment of the Nomination and Compensation Committee
- Under the new management, we will make a transition to the Prime Market and work to enable swift management decisions and strengthen governance

Financial results targets (consolidated)

Numerical targets for the fiscal year ending February 20, 2025 Operating income: 270.0 billion yen Ordinary profit: 6.5 billion yen

To achieve these targets, we will continue to work to provide products and services that can respond to changing lifestyles with an eye on a post-COVID-19 world, and strive to improve competitiveness and profitability for contribution to the local community and sustainable growth, with the basic stance of each employee responding to diversifying customer needs and providing customers with food safety and security and a prosperous life.

We will not only revitalize existing stores but develop and promote new store layouts through full renovation, etc. At the same time, we will promote the use of DX (digital transformation) to improve the efficiency of store work, and will work on store capital investment, operational reforms, and system investment. In addition, to resolve growing social issues, such as climate change and food waste, we will commit to the reduction of CO₂ emissions, measures against plastics, and waste reduction. Aiming to focus on the reduction of environmental impact, exist and prosper together with local communities, and contribute to creating a prosperous society, we will work to achieve a sustainable society.

2. Business Risk and Other Risks

Of the business overview, financial information, and other matters stated in the Annual Securities Report, the following matters may have a significant impact on investors' decisions. The Group will be aware of the existence of these risks, as well as the possibility of their occurring, and strive to avoid or minimize them.

This section includes forward-looking statements, which are based on the Group's judgement as of the submission date of the Annual Securities Report (May 16, 2023).

(1) External environment

1) Economic environment

The Group mainly engages in the retail business. If utility costs for store operation and procurement prices for products, store materials, and other goods increase significantly due to future economic trends, decrease in personal spending caused by deteriorating financial trends, and surge in prices of crude oil, raw materials, and other goods, the Group's business performance and financial position may be affected.

2) Natural environment

The Group engages in the retail business in the Kinki and Tokai areas, where Tokai, Tonankai, and Nankai earthquakes and other natural disasters are likely to occur. As disaster management initiatives, we regularly conduct drills for setting up the Emergency Response Headquarters and tsunami evacuation drills, thereby increasing employees' awareness toward crisis management. To restore operations promptly after natural disasters, we hedge financial risks by purchasing insurance that covers high-risk stores. A large-scale earthquake or other natural disasters in these areas, however, may significantly hinder our business activities and affect the Group's business performance and financial position.

3) Competitive environment

To differentiate from competitors, the Group strives to create product compositions and store floors that meet customers' needs. The Group's business performance and financial position, however, may be affected by population decline in business areas and intensification of competition against competitors in the same and other industries.

4) Securing human resources

The Group considers securing and developing human resources as an important issue in providing services that satisfy customers. We actively recruit new graduates and mid-career personnel and secure part-time employees, as well as work to improve employee quality through in-house training and OJT. If these do not progress as planned, our sales activities may be hindered and the Group's business performance and financial position may be affected.

(2) Food safety

The Group has a strict system in place to manage food safety, centered around food factories and food processing centers. We strive to implement thorough hygiene management, enhance inspection systems, and make production history clear (achieve traceability). In case a hygiene issue arises and affects store operations, or food poisoning or other unexpected incidents occur and disrupt stable product supply, the Group's business performance and financial position may be affected.

(3) Store policy

The Group's store opening and expansion are regulated by the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment. The Group is obligated to notify the prefecture or ordinance-designated city of new opening or expansion of stores that exceed 1,000 m². After the notification, a review on parking space capacity, measures against noise, waste disposal, and other factors takes place taking into account the opinions of local residents. The status of the review, changes in regulations, and other factors may therefore affect our store opening policy.

In addition, the Group rents land or buildings for most stores. When opening a new store or planning a renovation, we conduct a credit investigation on the lender. We discuss the terms and conditions of the contract as appropriate and strive to maintain the lease contract. Bankruptcy or other circumstances that arise to the lender, however, may force a profitable store to close or make it impossible for us to recover all or part of the guaranty money or leasehold deposits paid at the start of the lease. In such a case, the Group's business performance and financial position may be affected.

(4) Information management

The Group issues loyalty cards as a sales strategy and handles a large amount of customer information. In response to the enactment of the Act on the Protection of Personal Information, the Group has established the Personal Information Protection Policy, Information Management Regulations, and other rules and strives for information management and privacy protection. The Group's business performance and financial position, however, may be affected if a leak of customer information or other contingencies occur due to a computer virus infection, cyberattack, or other unexpected incidents.

(5) Legal and accounting systems

1) Impairment accounting

The Group applies impairment accounting for non-current assets. When opening new stores or renovating stores, we make investment decisions after understanding the local business environment and sufficiently assessing and considering future profitability. The Group's business performance and financial position, however, may be affected if the profitability significantly declines at a store, etc. due to a drastic change in the external environment or other factors or if the market value of non-current assets significantly decreases.

2) Other legal regulations

The Group is subject to regulations in various fields, such as trade, labor, antitrust, subcontracting, patent, consumers, tax, and environment and recycling. While we do the best we can to enhance compliance, the Group's business performance and financial position may be affected if we fail to comply with such regulations.

3. Management's Analysis of Financial Position, Operating Results, and Cash Flows

(1) Overview of operating results, etc.

Outlined below are the Group's financial position, operating results, and cash flows for the consolidated fiscal year under review.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the consolidated fiscal year under review. Year-on-year comparison (%) of operating income (net sales and operating revenue) with the previous consolidated fiscal year, is therefore not stated in the explanation of operating results for the consolidated fiscal year under review. The details are stated in (Changes in accounting policies) under "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements."

1) Financial position and operating results

During the consolidated fiscal year under review, the future outlook for the Japanese economy remained uncertain due to the impact of soaring material and energy prices triggered by the manifestation of geopolitical risks such as those brought on by the protracted situation in Ukraine, as well as economic slowdown stemming from policies taken by various governments to deal with high inflation, as the country worked to drive economic activities while taking measures against the spread of COVID-19.

The retail industry, too, continues to struggle with the harsh environment, as cross-industry competition intensifies and existing players compete to open new stores, amid the fluctuations in raw material prices due to the imbalance between supply and demand and the hikes in market prices, as well as a rise in the costs of utilities, labor, and so forth.

Against this backdrop, the Company has decided the slogan for the fiscal year as "Let us contribute to host communities through our business as we cope with the ever-changing social circumstances and remain true to the customer-comes-first principle." With the basic stance of responding to the ever-changing social environment and customer needs, and providing customers with food safety and security, and a prosperous life, we have worked to provide products and services that can respond to changing lifestyles with an eye on a post COVID-19 world. In addition, we have continued to thoroughly implement preventive measures against the infection at stores and have worked to provide sales systems and services to ensure the safety of employees and earn the trust of our customers.

As for the new store openings for the fiscal year under review, we opened the Nakatsugawa Nakamura Store (Nakatsugawa City, Gifu) in March, and the Mesa Iwade Store (Iwade City, Wakayama) in October. As for the revitalization of existing stores, we renovated the Kishiwada Hatsuta Store (Kishiwada City, Osaka) in March, and both the Pare Marche Nishikani Store (Kani City, Gifu) and the Price Cut Matsusaka Oishi Store (Matsusaka City, Mie) in April, the Izumisano Shofudai Store (Izumisano City, Osaka) in June, and the Igashindo Store (Iga City, Mie) in November.

Meanwhile, in order to increase management efficiency, we closed the Sanda Store (Sanda City, Hyogo), the Momoyama Store (Kinokawa City, Wakayama), the Pare Marche Horita Store (Nagoya City, Aichi), the Sakurai-higashi Store (Sakurai City, Nara), the Price Cut Hisaimotomachi Store (Tsu City, Mie), the Hiramatsu Shioya Store (Wakayama City, Wakayama), The LOWs Nishinosho Store (Wakayama City, Wakayama), and The LOWs Kawanaga-nishi Store (Wakayama City, Wakayama).

With regard to our consolidated subsidiaries, OAK FOODS CO. LTD., which operates restaurants, posted higher sales and profits due to a recovery trend in demand for restaurants from the trough of the COVID-19 pandemic, while SUNRISE., CO. LTD., which handles the processing and delivery of agricultural and other products, saw declines in both sales and profit.

On November 21, 2022, the Company conducted an absorption-type merger with consolidated subsidiary Hiramatsu Co., Ltd. (headquartered in Wakayama), with the Company as the surviving company, to strengthen the sales capability and improve the management efficiency of the Company and its consolidated subsidiaries (the "Group"). Hiramatsu Co., Ltd. consequently dissolved.

a. Financial position

Total assets at the end of the consolidated fiscal year under review decreased by 987 million yen from the end of the previous consolidated fiscal year to 132,526 million yen. The breakdown of the changes is as follows: current assets increased by 485 million yen, primarily due to an increase of 694 million yen in merchandise and finished goods, an increase of 640 million yen in accounts receivable - trade, and an increase of 481 million yen in accounts receivable - other included in other under current assets, despite a decrease of 1,278 million yen in cash and deposits. Non-current assets decreased by 1,472 million yen, primarily due to a decrease of 1,033 million yen in buildings and structures, net, a decrease of 785 million yen in leased assets, net, and a decrease of 569 million yen in construction in progress, all under property, plant and equipment, despite an increase of 674 million yen in tools, furniture and fixtures, net, under property, plant and equipment, and an increase of 541 million yen in deferred tax assets.

Liabilities decreased by 745 million yen from the end of the previous consolidated fiscal year to 54,597 million yen. Current

liabilities increased by 194 million yen, primarily due to an increase of 1,979 million yen in current portion of long-term borrowings, despite a decrease of 671 million yen in accrued consumption taxes, a decrease of 508 million yen in notes and accounts payable - trade, and a decrease of 400 million yen in short-term borrowings. Non-current liabilities decreased by 940 million yen, primarily due to a decrease of 663 million yen in lease liabilities.

Net assets decreased by 242 million yen from the end of the previous consolidated fiscal year to 77,928 million yen. This was primarily due to a decrease of 272 million yen in remeasurements of defined benefit plans.

b. Operating results

For the consolidated fiscal year under review, the Group posted operating income (net sales and operating revenue) of 246,877 million yen, operating profit of 2,927 million yen (down by 44.1% year-on-year), ordinary profit of 3,148 million yen (down by 42.4% year-on-year), and profit attributable to owners of parent of 928 million yen (down by 39.0% year-on-year).

The disclosure of operating results by segment is omitted because the reportable segment of the Group is the supermarket business only.

2) Cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the consolidated fiscal year under review was 15,386 million yen, a decrease of 1,282 million yen or 7.7% compared with the end of the previous consolidated fiscal year.

The respective cash flow positions and the factors thereof for the consolidated fiscal year under review are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities decreased by 2,659 million yen from the previous consolidated fiscal year to 5,931 million yen. This was primarily due to an increase in trade receivables of 640 million yen, a decrease in trade payables of 508 million yen, an increase in inventories of 694 million yen, a decrease in accrued consumption taxes of 671 million yen and income taxes paid of 677 million yen, despite profit before income taxes of 1,119 million yen, depreciation of non-cash items of 6,758 million yen, and impairment losses of 1,820 million yen.

(Cash flows from investing activities)

Net cash used in investing activities decreased by 337 million yen from the previous consolidated fiscal year to 6,678 million yen. This was primarily due to purchase of non-current assets of 6,626 million yen.

(Cash flows from financing activities)

Net cash used in financing activities decreased by 2,609 million yen from the previous consolidated fiscal year to 535 million yen. This was primarily due to proceeds from long-term borrowings of 6,000 million yen, despite repayments of long-term borrowings of 4,156 million yen, repayments of lease liabilities of 834 million yen, and dividends paid of 1,139 million yen.

3) Production, orders received, and sales

a. Sales

Net sales by segment for the consolidated fiscal year under review are as follows:

Segment name	Amount (Million yen)	Year-on-year comparison (%)
Supermarket business	233,449	-
Other	1,277	-
Total	234,726	-

- (Notes) 1. The main component of “Other” is net sales for the restaurant business.
 2. Supermarket business is the only reportable segment.
 3. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the consolidated fiscal year under review. The sales results for the consolidated fiscal year under review are presented after applying the above accounting standard, etc. Year-on-year comparison (%) is therefore not stated.

b. Purchase of goods

Purchase of goods by segment for the consolidated fiscal year under review is as follows:

Segment name	Amount (Million yen)	Year-on-year comparison (%)
Supermarket business	168,703	91.8
Other	466	100.8
Total	169,169	91.8

(Notes) 1. The main component of “Other” is purchase of goods for the restaurant business.

2. Supermarket business is the only reportable segment.

(2) Details of analysis and discussion of operating results, etc. from management’s perspective

1) Understanding, analysis, and discussion of operating results, etc. for the fiscal year under review

a. Analysis of financial position

The Company’s financial position is analyzed in “(1) Overview of operating results, etc., 1) Financial position and operating results, a. Financial position.”

b. Analysis of operating results

(Net sales)

Net sales decreased by 21,269 million yen from the previous consolidated fiscal year to 234,726 million yen. This was primarily due to a decrease of 14,567 million yen attributable to the application of the Accounting Standard for Revenue Recognition, etc. from the consolidated fiscal year under review, store closures to increase management efficiency, and sales decreases in some regions as a reaction to unusually high demand associated with the COVID-19 pandemic.

(Operating gross profit)

Operating gross profit decreased by 3,174 million yen from the previous consolidated fiscal year to 78,562 million yen. This was primarily due to a change in the method of recognizing the expenses concerning points granted to members when they make a purchase (promotion expenses). Following the application of the Accounting Standard for Revenue Recognition, etc. from the consolidated fiscal year under review, such expenses have come to be deducted from net sales, instead of being recorded under selling, general and administrative expenses.

(Operating profit)

Selling, general and administrative expenses decreased by 868 million yen from the previous consolidated fiscal year. This was primarily due to a decrease in promotion expenses that have come to be deducted from net sales following the aforementioned application of the Accounting Standard for Revenue Recognition, etc., despite an increase in utilities expenses caused by soaring energy prices.

(Ordinary profit)

Ordinary profit decreased by 2,315 million yen from the previous consolidated fiscal year to 3,148 million yen (down by 42.4% year-on-year).

(Profit attributable to owners of parent)

As for extraordinary income (losses), net expenses decreased by 377 million yen from the previous consolidated fiscal year, due to a gain on differences between the asset retirement obligation balance and the actual retirement costs of 234 million yen under extraordinary income and a decrease of 211 million yen in loss on retirement of non-current assets.

As a result, profit attributable to owners of parent decreased by 594 million yen to 928 million yen (down 39.0% year-on-year).

The business environment surrounding the Group is likely to see continued increases in material and energy prices and utility, labor, and other costs. It is therefore important to establish more efficient store operations. The Group also consider it necessary to continue to work to provide products and services that can respond to changing lifestyles with an eye on a post-COVID-19 world, and pursue the improvement of competitiveness and profitability for contribution to the local community and sustainable growth.

c. Factors that have a significant impact on operating results

Factors that have a significant impact on operating results are described in “II. Business Overview, 2. Business Risk and Other Risks.”

2) Details of analysis and discussion of cash flows and information on capital resources and cash liquidity

Net cash provided by operating activities decreased by 2,659 million yen from the previous consolidated fiscal year to 5,931 million yen. This was primarily due to increases in utility, labor, and other costs and inventories. Net cash used in investing activities decreased by 337 million yen from the previous consolidated fiscal year to 6,678 million yen. This was due to a decrease

in proceeds from sale of non-current assets, despite a decrease in capital investment costs such as those for renovation of existing stores. As a result of increased new borrowings, net cash used in financing activities decreased by 2,609 million yen from the previous consolidated fiscal year to 535 million yen.

The Group needs cash mainly for the purchase of merchandise, working capital including selling, general and administrative expenses and other sales costs, and capital investment such as new store opening and renovation.

In the consolidated fiscal year under review, cash was provided in a stable manner by borrowings from financial institutions, in addition to operating activities. The Group will continue to ensure cash liquidity mainly by generating cash flows from operating activities and borrowing from financial institutions.

3) Objective indicators to determine the achievement status of management policies, strategies, and targets

The Group considers ratio of ordinary profit to operating income, return on equity (ROE), ratio of ordinary profit to total assets (ROA), equity ratio, and ratio of interest-bearing debt to cash flows as important financial data. For the consolidated fiscal year under review, the ratio of ordinary profit to operating income was 1.3% (down 0.7 points year-on-year), the return on equity was 1.2% (down 0.8 points year-on-year), the ratio of ordinary profit to total assets was 2.4% (down 1.6 points year-on-year), the equity ratio was 58.6% (up 0.3 points year-on-year), and the ratio of interest-bearing debt to cash flows was 3.4 years (up 1.2 years year-on-year). In particular, the Group aims for a ratio of ordinary profit to operating income of 3% and strives to continuously improve corporate value.

4) Significant accounting estimates and assumptions used to make the said estimates

The Group's consolidated financial statements are prepared based on accounting standards generally accepted in Japan. In preparing the consolidated financial statements, the Group used estimates and assumptions that affect the value of reported assets, liabilities, income, and expenses. Figures based on such estimates and assumptions may differ from actual results.

Significant accounting estimates and assumptions used in preparing the consolidated financial statements are stated in (Significant accounting estimates) under "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements."

4. Material Business Agreements, etc.

Not applicable.

5. Research and Development Activities

Not applicable.

III. Equipment and Facilities

1. Overview of Capital Expenditures

In the consolidated fiscal year under review, the Group made capital investments of 7,625 million yen in total, mainly in the supermarket business.

The breakdown of the investments included new opening of the Company's Nakatsugawa Nakamura Store and Mesa Iwade Store, as well as new store construction and full renovation in the following fiscal year onward.

There was no retirement, sale, etc. of major equipment and facilities in the consolidated fiscal year under review.

The disclosure of segment information is omitted because the reportable segment of the Group is the supermarket business only.

2. Major Equipment and Facilities

Major equipment and facilities of the Group are as follows:

(1) Filing company

As of February 20, 2023

Name of business office (location)	Segment name	Details of equipment and facilities	Book value (Million yen)							Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Leased assets	Land		Total	
							Area (m ²)	Value		
Wakayama Prefecture Super Center Okuwa Nanki Store (Shingu City, Wakayama) 51 other stores	Supermarket business	Store	15,104	2	1,086	404	(671,000) 319,406	16,093	32,690	450 (2,455)
Nara Prefecture Super Center Okuwa Ikoma Kamimachi Store (Ikoma City, Nara) 32 other stores	Supermarket business	Store	5,097	56	396	172	(416,727) 14,046	1,092	6,815	198 (1,542)
Mie Prefecture Super Center Okuwa Inabe Store (Inabe City, Mie) 22 other stores	Supermarket business	Store	4,281	0	379	135	(226,704) 7,863	393	5,189	151 (973)
Osaka Prefecture Wakuwaku City Ozaki Store (Hannan City, Osaka) 18 other stores	Supermarket business	Store	3,403	0	659	53	(159,753) 35,176	3,659	7,776	158 (1,032)
Gifu Prefecture Super Center Okuwa Mino Inter Store (Mino City, Gifu) 14 other stores	Supermarket business	Store	7,193	33	325	91	(256,631) 8,389	380	8,025	166 (836)
Aichi Prefecture Aisai Plaza Store (Aisai City, Aichi) 10 other stores	Supermarket business	Store	2,234	0	205	67	(78,517) 5,486	525	3,032	84 (474)
Shizuoka Prefecture Super Center Okuwa Kakegawa Store (Kakegawa City, Shizuoka) 1 other store	Supermarket business	Store	947	0	28	74	(29,688) -	-	1,050	25 (111)
Hyogo Prefecture Price Cut Akashi Okubo Store (Akashi City, Hyogo)	Supermarket business	Store	0	0	2	0	(-) -	-	3	2 (27)
Wakayama Distribution Center and Wakayama Food Factory (Wakayama City, Wakayama) 6 other centers and factories	Supermarket business	Distributi on center/fac tory	6,151	1,383	50	-	(146,818) 26,471	1,098	8,684	159 (487)
Head Office (Wakayama City, Wakayama)	Supermarket business	Office	370	23	34	151	(8,095) 8,057	522	1,103	629 (73)

- (Notes) 1. The number of employees in parentheses represents the number of separately shown part-time workers (in annual average for the fiscal year under review (calculated based on the standard working hours of ordinary employees)).
2. The figures in parentheses under "Land" represent separately shown areas of leased portions.
3. In addition to the above, major equipment and facilities on lease from entities other than consolidated companies are as follows:

Name of business office (location)	Segment name	Details of equipment and facilities	Area of building (m ²)	Annual rent (Million yen)
Pare Marche Ikeshita Store (Chigusa-ku, Nagoya City, Aichi)	Supermarket business	Store	16,328	263

4. Supermarket business is the only reportable segment.

(2) Domestic subsidiaries

As of February 20, 2023

Company name	Name of business office (location)	Segment name	Details of equipment and facilities	Book value (Million yen)							Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Leased assets	Land		Total	
								Area (m ²)	Value		
SUNRISE., CO. LTD.	Wakayama Distribution Center (Wakayama City, Wakayama) 2 other centers	Supermarket business	Center	121	58	8	32	(8,364)	-	221	60 (116)
OAK-FOODS Corporation	Kuroshio Sushi Kushimoto Store (Kushimoto-cho, Higashimuro-gun, Wakayama) 24 other stores	Other (restaurant business)	Store	211	0	22	1	(4,013)	-	235	14 (31)
Retail Backoffice Support Co., Ltd.	Ikeshita Office (Chigusa-ku, Nagoya City, Aichi)	Other (facility management outsourcing services)	Office	-	-	1	2	-	-	3	9 (17)

(Notes) 1. The number of employees in parentheses represents the number of separately shown part-time workers (in annual average for the consolidated fiscal year under review (calculated based on the standard working hours of ordinary employees)).

2. The figures in parentheses under "Land" represent separately shown areas of leased portions.

3. Supermarket business is the only reportable segment.

3. Plans for Equipment Introduction, Retirement, etc.

(1) Introduction of major equipment and facilities

Company name	Name of business office (location)	Segment name	Details of equipment and facilities	Planned amount of investment (Million yen)		Financing method	Scheduled start and completion of construction		Directly-operated sales floor area (m ²)
				Total amount	Amount already paid		Start	Completion	
OKUWA Co., Ltd.	Kasugai Store (Kasugai City, Aichi)	Supermarket business	New store	1,649	424	Self-funding and borrowing	July 2022	March 2023	3,224
	Yao Korigawa Store (Yao City, Osaka)	Supermarket business	New store	626	59	Self-funding and borrowing	July 2022	April 2023	1,671

(2) Retirement of major equipment and facilities

Not applicable.

IV. Information on the Filing Company

1. Information on the Company's Shares

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued (Shares)
Common shares	159,605,000
Total	159,605,000

2) Issued shares

Class	Number of shares issued and outstanding as of the end of the fiscal year (Shares) (February 20, 2023)	Number of shares issued and outstanding as of the date of filing (Shares) (May 16, 2023)	Stock exchange on which the Company is listed, or the name of authorized financial instruments firms association	Description
Common shares	45,237,297	45,237,297	Prime Market of the Tokyo Stock Exchange	Unit of stock 100 shares
Total	45,237,297	45,237,297	-	-

(2) Share acquisition rights, etc.

1) Details of stock option plans

Details of stock option plans are stated in (Notes to stock options, etc.) under "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements."

2) Rights plans

Not applicable.

3) Other share acquisition rights, etc.

Not applicable.

(3) Status in the exercise of bonds with share acquisition rights with exercise price amendment

Not applicable.

(4) Changes in the total number of issued and outstanding shares, amount of share capital, etc.

Date	Change in the total number of issued and outstanding shares (Thousand shares)	Balance of the total number of issued and outstanding shares (Thousand shares)	Change in the amount of share capital (Million yen)	Balance of share capital (Million yen)	Change in legal capital surplus (Million yen)	Balance of legal capital surplus (Million yen)
From February 21, 2000 to February 20, 2001	(251)	45,237	-	14,117	-	14,027

(Note) The decline in the number of issued shares is due to the retirement of treasury shares.

(5) Status of shareholders

As of February 20, 2023

Category	Status of shares (Number of shares constituting one unit: 100 shares)								Shares less than one unit (Shares)
	Government and local municipalities	Financial institutions	Financial instruments business operators	Other Japanese corporations	Foreign corporations, etc.		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders (Persons)	-	28	20	339	81	24	11,831	12,323	-
Number of shares held (Units)	-	110,304	2,110	108,506	8,843	122	222,003	451,888	48,497
Percentage of shareholdings (%)	-	24.409	0.466	24.011	1.956	0.026	49.127	100.00	-

(Note) Of the 1,363,053 treasury shares, 13,630 units are included in “Individuals and others” and 53 shares are included in “Shares less than one unit.”

The number of treasury shares of 1,363,053 is the same as the actual number of shares held.

(6) Major shareholders

			As of February 20, 2023
Name	Location	Number of shares held (Thousand shares)	Percentage of shares held in the total number of issued and outstanding shares (excluding treasury shares) (%)
OKUWA Kyoeikai	185-3 Nakajima, Wakayama City, Wakayama	3,258	7.42
Ikuji Okuwa	Wakayama City, Wakayama	3,170	7.22
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	2,949	6.72
Sumitomo Mitsui Trust Bank, Limited	1-4-1 Marunouchi, Chiyoda-ku, Tokyo	1,896	4.32
The Kiyo Bank, Ltd.	1-35 Honmachi, Wakayama City, Wakayama	1,795	4.09
Bermuda Assetment Co., Ltd.	4-40 Minatoricho-kita, Wakayama City, Wakayama	1,553	3.54
Okuwa Educational and Cultural Promotion Foundation	184-3 Nakajima, Wakayama City, Wakayama	1,520	3.46
Keiji Okuwa	Izumi City, Osaka	1,219	2.77
Toshio Okuwa	Wakayama City, Wakayama	1,213	2.76
MUFG Bank, Ltd.	2-7-1 Marunouchi, Chiyoda-ku, Tokyo	945	2.15
Total	-	19,520	44.49

- (Notes) 1. OKUWA Kyoeikai is a shareholding association whose members are business partners of the Company.
2. The numbers of shares held are rounded by omitting fractions.

(7) Status of voting rights

1) Issued and outstanding shares

				As of February 20, 2023
Category	Number of shares (Shares)	Number of voting rights (Units)	Description	
Shares without voting rights	-	-	-	
Shares with restricted voting rights (treasury shares, etc.)	-	-	-	
Shares with restricted voting rights (others)	-	-	-	
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common shares 1,363,000	-	-	
Shares with full voting rights (others)	Common shares 43,825,800	438,258	-	
Shares less than one unit	Common shares 48,497	-	-	
Total number of issued and outstanding shares	45,237,297	-	-	
Total voting rights held by all shareholders	-	438,258	-	

(Note) The number of common shares in the "Shares less than one unit" includes 53 treasury shares held by the Company.

2) Treasury shares, etc.

As of February 20, 2023

Name of shareholder	Address of shareholder	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total number of shares held (Shares)	Percentage of shares held in the total number of issued and outstanding shares (%)
(Treasury shares) OKUWA Co., Ltd.	185-3 Nakajima, Wakayama City, Wakayama, Japan	1,363,000	-	1,363,000	3.01
Total	-	1,363,000	-	1,363,000	3.01

2. Purchase of Treasury Shares, etc.

[Class of shares, etc.] Acquisition of common shares pursuant to Article 155, Item 7 of the Companies Act

(1) Acquisition of treasury shares by resolution of a general meeting of shareholders

Not applicable.

(2) Acquisition of treasury shares by resolution of the Board of Directors

Not applicable.

(3) Acquisition of treasury shares not based on resolutions of a general meeting of shareholders or the Board of Directors

Category	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the fiscal year under review	286	253,621
Treasury shares acquired during the period under review	59	48,144

(Note) The treasury shares acquired during the period under review does not include the number of shares less than one unit purchased from shareholders between May 1, 2023 and the date of filing of the Annual Securities Report.

(4) Disposal and holding of acquired treasury shares

Category	Fiscal year under review		Period under review	
	Number of shares (Shares)	Total value of disposal (Yen)	Number of shares (Shares)	Total value of disposal (Yen)
Acquired treasury shares for which subscribers were solicited	-	-	-	-
Acquired treasury shares that were retired	-	-	-	-
Treasury shares transferred due to merger, share exchange, stock issuance or corporate separation	-	-	-	-
Other (Exercise of share acquisition rights)	6,200	6,820,900	-	-
Other (Disposal of treasury shares under the restricted stock compensation system)	17,800	15,610,600	-	-
Number of treasury shares held	1,363,053	-	1,363,112	-

(Note) The treasury shares held in the period under review does not include the number of shares less than one unit purchased from shareholders or those issued upon exercise of share acquisition rights between May 1, 2023 and the date of filing of the Annual Securities Report.

3. Dividend Policy

The Company's basic policy for profit distribution is to maintain stable dividends while striving to improve profitability, with comprehensive consideration given to actual profitability, future business environment, performance trends, and other factors.

In principle, dividends are paid out twice every fiscal year, as interim and year-end dividends. The General Meeting of Shareholders decides on year-end dividends, and the Board of Directors decides on interim dividends.

Based on the basic policy of maintaining stable dividends, the Company decided to pay year-end dividends of 13 yen per share for the fiscal year under review. Dividends for the full year amount to 26 yen per share, including the interim dividends.

The Company intends to allocate internal reserves to the strengthening of the financial structure, as well as to new store openings and other initiatives to expand the business base.

The Company provides in its Articles of Incorporation that it may pay out interim dividends stipulated in Article 454, Paragraph 5 of the Companies Act.

Dividends of surplus for the fiscal year under review are as shown below.

Date of resolution	Total dividends (Million yen)	Dividend per share (Yen)
October 3, 2022 Resolution of the Board of Directors	570	13
May 16, 2023 Resolution of the Ordinary General Meeting of Shareholders	570	13

4. Corporate Governance

(1) Overview of corporate governance

1) Basic policy on corporate governance

The basic policy of the Group for corporate governance is to build an organizational structure that can swiftly adapt to changing business environments and to operate in a fair and transparent manner as a listed company.

The Company has shifted from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee as of the 53rd Ordinary General Meeting of Shareholders held on May 12, 2022.

It is our basic approach to corporate governance as a Company with an Audit & Supervisory Committee to enhance the oversight function over management through cooperation among Directors and Audit & Supervisory Committee Members, and to achieve the Company's sustained growth and increased corporate value over the medium to long term, while keeping in mind the soundness, transparency, efficiency, and agility of management.

2) Overview of corporate governance structure and reasons for employing the structure

i) Overview of corporate governance structure

As a Company with an Audit & Supervisory Committee, the Company has the following organizational bodies: the General Meeting of Shareholders, the Board of Directors, the Audit & Supervisory Committee, and the Accounting Auditor, as provided by the Companies Act. The status of corporate governance as of the date of filing of the Annual Securities Report is described below.

a. Board of Directors

- As the highest decision-making body on corporate management and business execution, the Board of Directors consisting of 12 members (including five Directors who are Audit & Supervisory Committee Members) holds meetings among Directors as needed in addition to a monthly regular meeting and extraordinary meetings, in order to efficiently carry out business execution and for the Directors to supervise each other's business execution.
- The Chairman and the members are as shown below.

Chairman: Hirotsugu Okuwa (Representative Director)

Members: Kozo Togawa (Director and Managing Executive Officer), Yoji Takeda (Director and Managing Executive Officer), Ikuji Okuwa (Director), Shoji Okuwa (Director), Keiji Okuwa (Director), Toshio Okuwa (Director), Yoshihiko Ikezaki (Director and Standing Audit & Supervisory Committee Member), Shinzo Takano (Outside Director and Audit & Supervisory Committee Member), Ichiro Okamoto (Outside Director and Audit & Supervisory Committee Member), Kenji Kuryu (Outside Director and Audit & Supervisory Committee Member), and Taeko Yashima (Outside Director and Audit & Supervisory Committee Member)

b. Audit & Supervisory Committee

- The Audit & Supervisory Committee consisting of five Directors who are Audit & Supervisory Committee Members (including four Outside Directors) receives reports concerning important audit-related matters and discusses or resolves on these matters in order to serve as oversight and check functions for the management and business execution from a broad perspective and an objective standpoint.
- The Chairman and the members are as shown below.

Chairman: Yoshihiko Ikezaki (Director and Standing Audit & Supervisory Committee Member)

Members: Shinzo Takano (Outside Director and Audit & Supervisory Committee Member), Ichiro Okamoto (Outside Director and Audit & Supervisory Committee Member), Kenji Kuryu (Outside Director and Audit & Supervisory Committee Member), and Taeko Yashima (Outside Director and Audit & Supervisory Committee Member)

c. Nomination and Compensation Committee

- The Nomination and Compensation Committee deliberates on such matters as nominations of candidates for Directors and Executive Officers and compensation of each Director and Executive Officer, and reports the details of deliberations to the Board of Directors.
- The Chairman and the members are as shown below.

Chairman: Hirotsugu Okuwa (Representative Director)

Members: Kozo Togawa (Director and Managing Executive Officer), Shinzo Takano (Outside Director and Audit & Supervisory Committee Member), Ichiro Okamoto (Outside Director and Audit & Supervisory Committee Member), and Kenji Kuryu (Outside Director and Audit & Supervisory Committee Member)

d. Management Meeting

- The Management Meeting, which consists of Executive Directors including the Representative Director, the Standing Audit & Supervisory Committee Member, Executive Officers, and General Managers of divisions and offices designated by the Chairman, meets once a week to deliberate and resolve on key matters such as updates on weekly sales and progress of plans as well as efforts underway concerning business in general, among others, in accordance with

management policies.

- The Chairman and the members are as shown below.

Chairman: Hirotsugu Okuwa (Representative Director)

Members: Kozo Togawa (Director and Managing Executive Officer), Yoji Takeda (Director and Managing Executive Officer), Yoshihiko Ikezaki (Director and Standing Audit & Supervisory Committee Member), Jun Konishi (Senior Executive Officer), Masakatsu Okuwa (Senior Executive Officer), Masao Gunji (Executive Officer), Kazuhiko Suita (Executive Officer), and Noboru Iida (Executive Officer)

e. Executive Officers' Meeting

- The Executive Officers' Meeting, which consists of Executive Directors including the Representative Director, the Standing Audit & Supervisory Committee Member, Executive Officers, and General Managers of divisions and offices designated by the Chairman, meets in principle once a month to mutually share information through reports by Executive Officers on the progress of business in their charge and offers its opinions to the Board of Directors.

- The Chairman and the members are as shown below.

Chairman: Hirotsugu Okuwa (Representative Director)

Members: Kozo Togawa (Director and Managing Executive Officer), Yoji Takeda (Director and Managing Executive Officer), Yoshihiko Ikezaki (Director and Standing Audit & Supervisory Committee Member), Jun Konishi (Senior Executive Officer), Masakatsu Okuwa (Senior Executive Officer), Masao Gunji (Executive Officer), Kazuhiko Suita (Executive Officer), and Noboru Iida (Executive Officer)

f. Compliance Committee

- The Compliance Committee, which consists of Executive Directors including the Representative Director, Audit & Supervisory Committee Members, Executive Officers, and General Managers of divisions and offices designated by the Chairman, functions as a body that works to avoid various potential risks to management pertaining to corporate activities and deliberates and makes decisions on matters related to internal control, risk management system, and internal auditing system.

- The Chairman and the members are as shown below.

Chairman: Hirotsugu Okuwa (Representative Director)

Members: Kozo Togawa (Director and Managing Executive Officer), Yoji Takeda (Director and Managing Executive Officer), Yoshihiko Ikezaki (Director and Standing Audit & Supervisory Committee Member), Shinzo Takano (Outside Director and Audit & Supervisory Committee Member), Ichiro Okamoto (Outside Director and Audit & Supervisory Committee Member), Kenji Kuryu (Outside Director and Audit & Supervisory Committee Member), Taeko Yashima (Outside Director and Audit & Supervisory Committee Member), Jun Konishi (Senior Executive Officer), Masakatsu Okuwa (Senior Executive Officer), Masao Gunji (Executive Officer), Kazuhiko Suita (Executive Officer), and Noboru Iida (Executive Officer)

g. OKUWA Ethics Committee

- OKUWA Ethics Committee, which consists of the Representative Director, the Director and Standing Audit & Supervisory Committee Member, Executive Officers designated by the Chairman, a corporate lawyer, and General Managers of divisions and offices in charge, works to create a corporate environment where all employees can perform their duties in a proper and legitimate manner by making use of the "Administrative Regulations for the Ethics Committee" and "OKUWA Ethics Hotline," a whistleblowing system.

- The Chairman and the members are as shown below.

Chairman: Hirotsugu Okuwa (Representative Director)

Members: Yoshihiko Ikezaki (Director and Standing Audit & Supervisory Committee Member), Jun Konishi (Senior Executive Officer), and Masao Gunji (Executive Officer)

h. Sustainability Promotion Committee

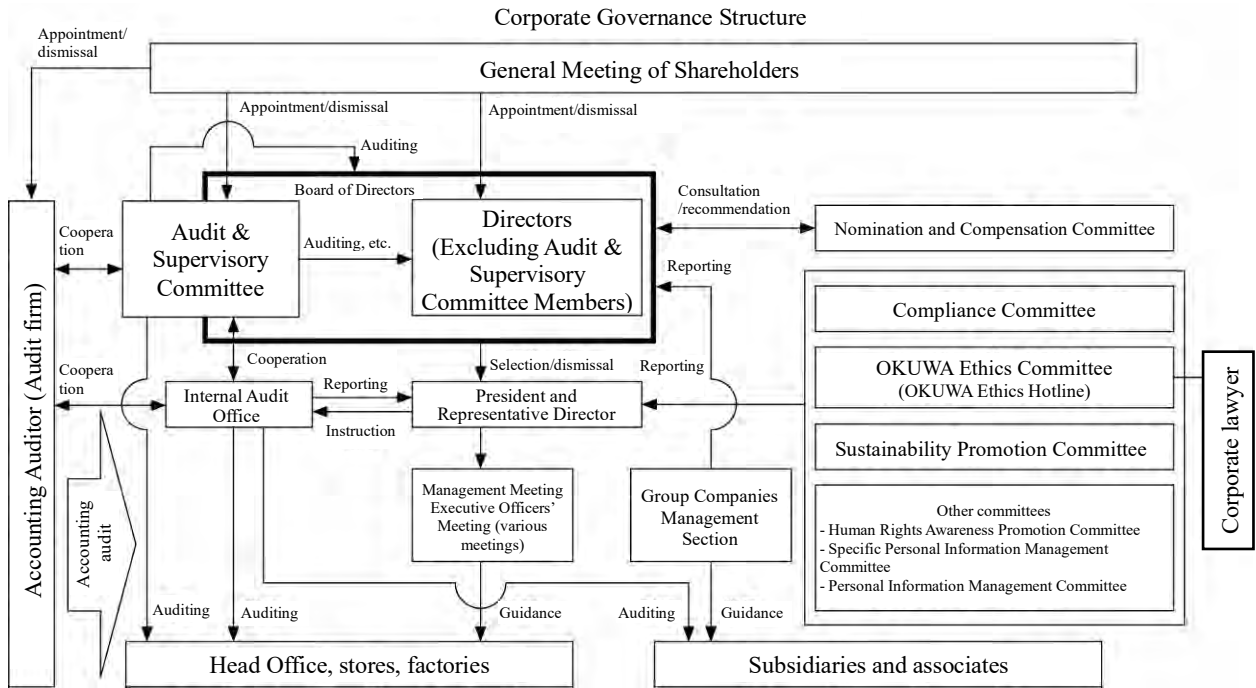
- The Sustainability Promotion Committee works to drive the Company's sustainability management by discussing policies and administrative matters for the formulation of basic policies, etc. for sustainable management, and basic plans, etc. for activities to promote sustainability.

- The Chairman and the members are as shown below.

Chairman: Hirotsugu Okuwa (Representative Director)

Members: Kozo Togawa (Director and Managing Executive Officer), Yoji Takeda (Director and Managing Executive Officer), Yoshihiko Ikezaki (Director and Standing Audit & Supervisory Committee Member), Shinzo Takano (Outside Director and Audit & Supervisory Committee Member), Ichiro Okamoto (Outside Director and Audit & Supervisory Committee Member), Taeko Yashima (Outside Director and Audit & Supervisory Committee Member), Jun Konishi (Senior Executive Officer), Masakatsu Okuwa (Senior Executive Officer), Masao Gunji (Executive Officer), Kazuhiko Suita (Executive Officer), and Noboru Iida (Executive Officer)

Below is the schematic diagram showing the Company's corporate governance structure.



ii) Reasons for employing the corporate governance structure

The Company has shifted to a Company with an Audit & Supervisory Committee following approval of the 53rd Ordinary General Meeting of Shareholders held on May 12, 2022 in order to further strengthen both the oversight function of the Board of Directors and the corporate governance structure itself by having on the board voting Directors who are Audit & Supervisory Committee Members.

The ratio of independent Outside Directors on the board has been raised to one-third (1/3). In addition, as an advisory organ of the Board of Directors, the Nomination and Compensation Committee, the majority of which consists of independent Outside Directors, has been established. These measures enable us to increasingly reflect the objective opinions, etc. of outside officers in the management and work to enhance the transparency and fairness of management and to increase corporate value over the medium to long term.

In addition to changing its existing executive officer system to a delegated executive officer system, the Company has also delegated the authority of decision-making on important business executions to the Management Meeting and other subordinate meetings to the extent permitted by laws, so as to speed up the decision-making process in responding to the rapidly changing business environment.

With the newly established Audit & Supervisory Committee that directly controls internal auditing divisions in auditing, the Company has a system in place with which to efficiently carry out organizational auditing of business executions across the entire Group.

3) Other matters related to corporate governance

i) Status of internal control system

At its regular meetings held once a month, the Company's Board of Directors makes decisions on important business operations aimed at achieving its basic policies and makes reports on the status of business execution. When need arises, important matters are brought up for discussion at extraordinary meetings of the Board of Directors. The Management Meeting, which consists of Directors including the Representative Director and heads of various organizations, is held in principle once a week to discuss and examine concrete measures concerning important matters other than those subject to resolution of the Board of Directors, and to make reports on the results of implementation of these measures. The Management Meeting is attended by the Director (full-time) who is a Director and Standing Audit & Supervisory Committee Member.

ii) Status of risk management system

- With regard to compliance, we have in place the Compliance Committee and the OKUWA Ethics Committee, which contribute to avoiding risk through early detection, prevention, and suppression of illegal acts and misconduct.
- Important investment projects (new store openings in particular) of the Company first go through onsite inspections, deliberations, and examinations involving more than one person including Directors, and decisions are made at meetings of the Board of Directors. Following the opening, performance of a new store is examined at the Management Meeting.
- Regarding crisis management system for natural disasters and other events, we have handed out the Emergency Preparedness Manual to our employees to ensure everyone knows the rules and how to respond to such events. Our emergency information and communications network enables us to contact Directors and other top management without delay to communicate information, reports, and instructions. In preparation for earthquakes, tsunamis, and other natural disasters, we conduct company-wide disaster preparedness trainings and plan and implement disaster drills four times every year.
- With regard to incidents and accidents that occur from day to day, we use an internal groupware system for reporting incidents and accidents and other means to quickly respond to and solve them.
- Going forward, we will strengthen our crisis management system by upgrading and improving the existing regulations and systems and adding new initiatives.

iii) Status of system to ensure the appropriateness of business operations of subsidiaries

- The Company has a system to guide and supervise its subsidiaries, when appropriate, through the Group Companies Management Section, the contact point for the management of subsidiaries.
- We hold meetings with subsidiaries attended by the Representative Director twice a year (in March and September in principle) to exchange opinions and offer guidance on important matters including management policies, business results, and the status of budget execution.
- As a system for guiding and supervising subsidiaries, the Company's Directors who are Audit & Supervisory Committee Members and the Audit & Supervisory Board Members of subsidiaries meet twice a year (in April and October in principle) to exchange information on the status of subsidiaries' business execution.
- With regard to the compliance of subsidiaries, we have established systems similar to that of the Company's OKUWA Ethics Hotline.
- As for the internal auditing of subsidiaries, we have a system which allows the Group Companies Management Section and the Internal Audit Office of the Company to conduct audits of the subsidiaries.

4) Overview of Liability Limitation Agreement

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into liability limitation agreements with Directors Mr. Ikuji Okuwa, Mr. Shoji Okuwa, Mr. Keiji Okuwa, and Mr. Toshio Okuwa, and Audit & Supervisory Committee Members Mr. Yoshihiko Ikezaki, Mr. Shinzo Takano, Mr. Ichiro Okamoto, Mr. Kenji Kuryu, and Ms. Taeko Yashima. These liability limitation agreements provide that their liabilities to the Company under Article 423, Paragraph 1 of the Companies Act shall be limited to the minimum liability amount prescribed in applicable laws and regulations. The limit of liability under the said agreements is the amount as prescribed in Article 425, Paragraph 1 of the Companies Act.

5) Directors and officers liability insurance (D&O insurance) contract

The Company has entered into a directors and officers liability insurance (D&O insurance) contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act, with the Company's Directors and Executive Officers as the insured. The said insurance covers the damages and expenses arising from derivative litigations, third-party lawsuits, and lawsuits filed by the company against the insured that are to be borne by the insured. The insurance premiums are fully paid by the Company.

However, the said insurance contract does not cover claims for damages caused by intent or gross negligence.

6) Matters subject to resolutions of a general meeting of shareholders that can be resolved at a meeting of the Board of Directors

i) Treasury shares

Pursuant to Article 165, Paragraph 2 of the Companies Act, the Company provides in its Articles of Incorporation that it may purchase its own shares by market transactions, etc. by resolution of the Board of Directors. This is aimed at enabling the Company to flexibly implement a capital policy.

ii) Interim dividends

The Company provides in its Articles of Incorporation that it may, by a resolution of the Board of Directors, distribute interim dividends to shareholders or registered share pledgees who are recorded in the register of shareholders as of August 20 of each year. This is aimed at returning profits to shareholders with flexibility.

iii) Liability exemption for Directors

Pursuant to Article 426, Paragraph 1 of the Companies Act, the Company provides in its Articles of Incorporation that Directors (including persons who were Directors) may be exempted from liabilities under Article 423, Paragraph 1 of the Companies Act to the extent permitted by law, by resolution of the Board of Directors. This is aimed at inviting capable talents for Directors more easily and enabling them to fulfill the roles expected of them.

7) Number of Directors

The number of Directors (excluding Directors who are Audit & Supervisory Committee Members) of the Company shall not exceed 10, while the number of Directors who are Audit & Supervisory Committee Members shall not exceed five, as prescribed in the Company's Articles of Incorporation.

8) Resolution requirements for election of Directors

The Company's Articles of Incorporation provides that resolutions for the election of Directors shall be adopted by a majority vote of shareholders present who hold one-third (1/3) or more of the total number of voting rights of shareholders with voting rights, and that cumulative voting shall not be used for resolutions for the election of Directors.

9) Special resolution requirements at a general meeting of shareholders

The Company's Articles of Incorporation provides that a resolution by a general meeting of shareholders stipulated in Article 309, Paragraph 2 of the Companies Act shall be adopted when, at a general meeting of shareholders where shareholders with voting rights of one-third (1/3) or more of the aggregate voting rights of the total shareholders capable of exercising such rights are present, it is approved by a vote of two-thirds (2/3) or more of the voting rights present. This is aimed at facilitating the smooth operation of general meetings of shareholders by easing the quorum requirements.

(2) Directors

1) List of Directors

Male: 11 persons; Female: 1 person (Proportion of female Director on board: 8.33%)

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
President and Representative Director	Hirotsugu Okuwa	April 23, 1970	December 1996 August 2002 February 2004 February 2006 September 2007 February 2010 January 2013 February 2013 May 2013 February 2014 February 2016 February 2019 February 2020 February 2020 February 2021 January 2022 February 2022	Joined the Company Store Manager, Minoshima Store Senior Buyer of Fisheries, Food Business Division Assistant General Manager, Development Headquarters Assistant General Manager, Finance Division Senior General Manager, Business Reform Office General Manager, Food Business Division Executive Officer and General Manager, Food Business Division Director; Executive Officer; and General Manager, Food Business Division Director; Executive Officer; and General Manager, Food Headquarters Managing Director; Executive Officer; and General Manager, Human Resources and General Affairs Headquarters Senior Managing Director; Executive Officer; and General Manager, Sales Headquarters Chairman and Representative Director, OAK-FOODS Corporation (current position) Vice President and Representative Director, and General Manager, Sales Headquarters, the Company President and Representative Director, and General Manager, Sales Headquarters President and Representative Director, Nihon Ryutsu Sangyo Co., Ltd. (current position) President and Representative Director, the Company (current position)	(Note) 3	544
Director; Managing Executive Officer; General Manager, Administration Headquarters; and General Manager, IR Office	Kozo Togawa	August 20, 1962	April 1987 October 2012 October 2015 June 2017 February 2018 May 2018 May 2022	Joined The Sumitomo Trust and Banking Co., Ltd. (currently Sumitomo Mitsui Trust Bank, Limited) General Manager, Futakotamagawa Consulting Office Business Department, Sumitomo Mitsui Trust Bank, Limited General Manager, Kumamoto Branch, Sumitomo Mitsui Trust Bank, Limited Joined the Company Deputy General Manager, Administration Headquarters General Manager, Administration Headquarters Managing Director; Executive Officer; General Manager, Administration Headquarters; and General Manager, IR Office Director; Managing Executive Officer; General Manager, Administration Headquarters; and General Manager, IR Office (current position)	(Note) 3	4

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director; Managing Executive Officer; General Manager, Sales Headquarters; and General Manager, Food Business Division	Yoji Takeda	September 17, 1964	March 1987 April 2011 October 2012 February 2013 August 2014 February 2015 February 2016 May 2016 February 2019 June 2019 February 2020 February 2021 February 2022 May 2022	Joined the Company General Manager, Price Cut Retail Format Division General Manager, Super Center Retail Format Division General Manager, Osaka and Hyogo Retail Division General Manager, Osaka, Hyogo and Nara Retail Division Executive Officer and General Manager, Osaka, Hyogo and Nara Retail Division Executive Officer; General Manager, Retail Headquarters; and General Manager, Business Reform Office Director; Executive Officer; General Manager, Retail Headquarters; and General Manager, Business Reform Office Director; Executive Officer; General Manager, Retail Business Division; and General Manager, Business Reform Office Director; Executive Officer; General Manager, Food Business Division; and General Manager, Quality Control Office Director; Executive Officer; General Manager, Food Business Division; General Manager, Quality Control Office; and General Manager, Fresh Food Division Director; Executive Officer; General Manager, Food Business Division; and General Manager, Quality Control Office Managing Director; Executive Officer; General Manager, Sales Headquarters; and General Manager, Food Business Division Director; Managing Executive Officer; General Manager, Sales Headquarters; and General Manager, Food Business Division (current position)	(Note) 3	7
Director	Ikuji Okuwa	March 1, 1942	March 1964 February 1969 November 1984 May 1989 May 1998 May 1999 May 2005 May 2008 May 2008 June 2008 February 2020 May 2022	Joined Shingu Store, Shufu No Mise Ltd. Managing Director, the Company Vice President and Director President and Representative Director Chairman and Representative Director President and Representative Director, Nihon Ryutsu Sangyo Co., Ltd. Chairman and Representative Director, SUNRISE., CO. LTD. Chairman and Representative Director, and CEO Chairman and Representative Director, OAK-FOODS Corporation Chairman and Representative Director, Pare Co., Ltd. Chairman of the Board, the Company Director (current position)	(Note) 3	3,170
Director	Shoji Okuwa	December 6, 1946	February 1969 May 1974 May 1987 May 1998 February 2003	Audit & Supervisory Board Member, the Company Director Senior Managing Director and General Manager, Nanki Retail Business Division Deputy Chairman of the Board Director (current position)	(Note) 3	218

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director	Keiji Okuwa	February 18, 1949	March 1971 May 1980 May 1987 February 1992 May 1998 May 2008 May 2011 May 2011	Joined the Company Director Senior Managing Director Vice President and Director President and Representative Director Deputy Chairman of the Board Director (current position) Chairman and Representative Director, O-Entertainment Co., Ltd. (current position)	(Note) 3	1,219
Director	Toshio Okuwa	June 10, 1951	February 1976 May 1980 February 1984 February 1991 May 1994 October 2012 November 2013 May 2014 February 2015 May 2015 February 2016 February 2019 February 2020 January 2021	Joined the Company Director and General Manager, Sunready Business Division Representative Director, PARTYHOUSE Co., Ltd. Retired as Director, the Company Director Director and Assistant to the Chairman of the Board (in charge of Group Management Reform) Director; Executive Officer; Assistant to the Chairman of the Board; and General Manager, Human Resources and General Affairs Headquarters (in charge of Group Management Reform) Deputy Chairman of the Board; Executive Officer; General Manager, Human Resources and General Affairs Headquarters; and General Manager, Development Headquarters Deputy Chairman of the Board; Executive Officer; and General Manager, Human Resources and General Affairs Headquarters Deputy Chairman of the Board; Executive Officer; General Manager, Human Resources and General Affairs Headquarters; and General Manager, Management Strategy Office Deputy Chairman of the Board; Executive Officer; and General Manager, Management Strategy Office Director (current position) Chairman, President and Representative Director, PARTYHOUSE Co., Ltd. Chairman and Representative Director, PARTYHOUSE Co., Ltd. (current position)	(Note) 3	1,213
Director, Standing Audit & Supervisory Committee Member	Yoshihiko Ikezaki	October 27, 1954	April 1978 October 1991 February 1996 July 2003 February 2005 February 2011 May 2012 May 2020 May 2022	Joined the Company Section Manager, Information Management Office General Manager, Information Management Office Store Manager, Kashihara Masuga Store Store Manager, Kishiwada Hatsuta Store Manager, Internal Audit Office General Manager, Internal Audit Office Audit & Supervisory Board Member, the Company Director, Standing Audit & Supervisory Committee Member (current position)	(Note) 4	7

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director, Audit & Supervisory Committee Member	Shinzo Takano	October 1, 1949	April 1968 March 2005 March 2007 March 2008 March 2009 April 2010 March 2016 May 2017 May 2022	Recruited by Wakayama Prefectural Police Chief of Shingu Police Station Chief of Wakayama Kita Police Station General Manager, Traffic Division, Wakayama Prefectural Police Headquarters Chief of Wakayama Nishi Police Station Joined Mitsui Sumitomo Insurance Company, Limited Retired from Mitsui Sumitomo Insurance Company, Limited Director, the Company Director, Audit & Supervisory Committee Member (current position)	(Note) 4	-
Director, Audit & Supervisory Committee Member	Ichiro Okamoto	February 10, 1955	April 1979 July 2007 July 2009 April 2013 July 2013 July 2014 August 2015 May 2020 May 2022	Joined Osaka Regional Taxation Bureau Deputy District Director, Higashiyodogawa Tax Office District Director, Izumisano Tax Office Appeals Judge and Director, Second Department, Osaka Regional Tax Tribunal District Director, Okinawa Tax Office District Director, Wakayama Tax Office Certified public tax accountant (current position) Director, the Company Director, Audit & Supervisory Committee Member (current position)	(Note) 4	-
Director, Audit & Supervisory Committee Member	Kenji Kuryu	November 3, 1949	April 1973 April 1993 October 1993 October 1995 October 1998 January 2000 June 2003 May 2012 May 2022	Joined The Kiyō Bank, Ltd. Assistant to Director, Head Office Marketing Department, The Kiyō Bank, Ltd. General Manager, Shimotsu Branch, The Kiyō Bank, Ltd. General Manager, Higashikaizuka Branch, The Kiyō Bank, Ltd. Deputy General Manager, Credit Department, The Kiyō Bank, Ltd. Assistant to Director, Planning & Personnel Department, The Kiyō Bank, Ltd. Director-general, Wakayama Association of Corporate Executives Audit & Supervisory Board Member, the Company Director, Audit & Supervisory Committee Member (current position)	(Note) 4	-

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director, Audit & Supervisory Committee Member	Taeko Yashima	April 29, 1952	July 1998	Assistant Professor, Kawasaki City College of Nursing	(Note) 4	-
			April 2001	Assistant Professor, College of Nursing, Aichi Medical University		
			April 2006	Professor, College of Nursing, and Professor, Graduate School of Nursing, Aichi Medical University		
			April 2010	Dean, College of Nursing, Aichi Medical University		
			April 2018	Vice President, Tokyo Healthcare University, and Dean, Wakayama Faculty of Nursing (current position)		
			May 2020	Audit & Supervisory Board Member, the Company		
			May 2022	Director, Audit & Supervisory Committee Member (current position)		
Total						6,385

- (Notes) 1. Consequent to the amendments to the Articles of Incorporation by resolution of the 53rd Ordinary General Meeting of Shareholders held on May 12, 2022, the Company has shifted to a Company with an Audit & Supervisory Committee effective of the same date.
2. Directors Shinzo Takano, Ichiro Okamoto, Kenji Kuryu, and Taeko Yashima are Outside Directors.
3. The term commenced at the conclusion of the Ordinary General Meeting of Shareholders concerning the fiscal year ended February 20, 2023 and ends at the conclusion of the Ordinary General Meeting of Shareholders concerning the fiscal year ending February 20, 2024.
4. The term commenced at the conclusion of the Ordinary General Meeting of Shareholders concerning the fiscal year ended February 20, 2022 and ends at the conclusion of the Ordinary General Meeting of Shareholders concerning the fiscal year ending February 20, 2024.
5. Directors Ikuji Okuwa, Shoji Okuwa, Keiji Okuwa, and Toshio Okuwa are brothers.
6. Hirotugu Okuwa, President and Representative Director, is the eldest son of Ikuji Okuwa.

2) Outside Directors

The Company has four Outside Directors, namely Mr. Shinzo Takano, Mr. Ichiro Okamoto, Mr. Kenji Kuryu, and Ms. Taeko Yashima, all of whom serve as Audit & Supervisory Committee Members. There are no special interests between these Outside Directors and the Company, and all of them are independent from the Company.

Although Mr. Shinzo Takano, Outside Director, has no experience in being directly involved in corporate management, the Company believes that he would be able to provide advice on all aspects of management from a viewpoint outside of the confines of the industry to which the Company belongs, as well as contribute to enhancing the oversight function, based on his diverse experience within the police organization and experience in performing important duties. The Company has designated him as an independent officer defined by the Tokyo Stock Exchange and registered him with the said Exchange accordingly.

Although Mr. Ichiro Okamoto, Outside Director, has no experience in being directly involved in corporate management, the Company believes that he would be able to appropriately perform the duties of an Outside Director based on his professional perspectives and experience as a certified public tax accountant. The Company has designated him as an independent officer defined by the Tokyo Stock Exchange and registered him with the said Exchange accordingly.

Mr. Kenji Kuryu, Outside Director, possesses extensive knowledge cultivated through years of business experience in a financial institution and the local business community. Therefore, the Company believes that he would be able to contribute to building a more fair and just management control system. The Company has designated him as an independent officer defined by the Tokyo Stock Exchange and registered him with the said Exchange accordingly.

Although Ms. Taeko Yashima, Outside Director, has no experience in being directly involved in corporate management, the Company believes that she would be able to appropriately perform the duties of an Outside Director with her abundant experience and extensive knowledge as a university professor. The Company has designated her as an independent officer defined by the Tokyo Stock Exchange and registered her with the said Exchange accordingly.

The Company has not set down its own independence criteria or policy with regard to the appointment of Outside Directors; it uses as reference the independence criteria prescribed by the Tokyo Stock Exchange for such appointments, and designates as independent officers those Outside Directors who are believed unlikely to have a conflict of interest with general shareholders.

3) Mutual collaboration between the supervision/audits by Outside Directors and internal audits, Audit & Supervisory Committee audits, and accounting audits, and relationship with internal control divisions

The Company is working to ensure appropriate supervision and auditing by strengthening collaboration between the

supervision/audits by Outside Directors and internal audits, the audits by the Audit & Supervisory Committee, and accounting audits through sharing of information on the results of supervision and audits.

The Company is also striving to ensure appropriate execution of business by strengthening collaboration between the supervision/audits by Outside Directors and the internal control divisions, through such means as exchange of information when necessary.

(3) Status of audits

1) Audits by the Audit & Supervisory Committee

The Company's Audit & Supervisory Committee consists of one Standing Audit & Supervisory Committee Member and four part-time Audit & Supervisory Committee Members who are Outside Directors.

Mr. Kenji Kuryu, who is a part-time Audit & Supervisory Committee Member, has long years of experience in a financial institution and substantial knowledge of finance and accounting. Mr. Ichiro Okamoto, who is also a part-time Audit & Supervisory Committee Member, is a certified public tax accountant and has substantial knowledge of finance and accounting.

In the fiscal year under review, meetings of the Audit & Supervisory Committee were held 12 times. The attendance of each Audit & Supervisory Committee Member was as shown below.

In the fiscal year under review, the Company held 12 meetings of the Audit & Supervisory Committee. The attendance of each Audit & Supervisory Committee Member was as shown below.

Name	Number of meetings held	Number of meetings attended
Yoshihiko Ikezaki (Standing)	12	12
Shinzo Takano (Outside)	12	12
Ichiro Okamoto (Outside)	12	12
Kenji Kuryu (Outside)	12	12
Taeko Yashima (Outside)	12	12

Key matters examined at the meetings of the Audit & Supervisory Committee include: preparation of audit reports; formulation of audit policies, division of work, and audit plans; meetings with the President and Directors; review of the adequacy of internal control system and appropriateness of execution of duties in accounting audits; and decisions on the appointment, dismissal, and non-reappointment of accounting auditor.

Activities of the Standing Audit & Supervisory Committee Member include attending the meetings of the Board of Directors, Management Meetings, and other important meetings, and communicating and sharing the information of meetings, etc. with each Member of the Audit & Supervisory Committee without delay. Based on reports of operations from the Internal Audit Office, the Standing Audit & Supervisory Board Member makes audit visits as needed to examine the status of operations and finance, in addition to reviewing important approval documents and exchanging opinions with the accounting auditor.

2) Internal audits

As of the date of submission, the organization for internal audits of the Company is undertaken by the Internal Audit Office, which reports directly to the President and consists of six full-time staff members and two staff members who are concurrently serving other positions, of which one person has substantial knowledge of finance and accounting.

The Internal Audit Office works in cooperation with the Audit & Supervisory Committee Members and in accordance with audit plans approved by the President to carry out surprise audits of stores and business offices, by which it serves the oversight function over compliance in their daily operations and conducts internal control evaluation at the same time. Internal audit reports are submitted to the President via the Audit & Supervisory Committee Members and Directors, and there is a system in place to promptly make improvements in response to audit findings.

3) Accounting audits

i) Name of audit corporation

Crowe Toyo & Co.

ii) Consecutive period of auditing service provided

33 years

iii) Names of certified public accountants who audited the Company's accounts

Shigeki Tsujimura

Soichi Kawagoe

iv) Composition of assistants involved in auditing

The account auditing of the Company was assisted by eight certified public accountants and six other persons.

v) Policy and reasons for selecting the audit corporation

In the selection of an accounting auditor, the Company's policy is to select a firm that has the expertise required of an audit corporation, audit quality, independence, and other elements, and has an adequate system for conducting audits of the Company in an appropriate and proper manner.

If the Audit & Supervisory Committee determines that the accounting auditor falls under the provisions specified in each item of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Committee will dismiss the accounting auditor based on unanimous approval from its members.

In addition, if the Audit & Supervisory Committee determines that the accounting auditor has difficulty executing its duties in an appropriate manner, the Audit & Supervisory Committee will decide to prepare a proposal on the dismissal or non-reappointment of the accounting auditor, and following the decision, the Board of Directors will submit the proposal to the general meeting of shareholders.

vi) Evaluation of the audit corporation by the Audit & Supervisory Committee

The Audit & Supervisory Committee conducted evaluation of the accounting auditor in the aspects of expertise required of an audit corporation, audit quality, independence, and other elements, and concluded that Crowe Toyo & Co. was appropriate and adequate as an accounting auditor.

4) Details of audit fees

i) Details of fees paid to certified public accountants, etc.

Category	Previous consolidated fiscal year		Consolidated fiscal year under review	
	Fees for audit certification services (Million yen)	Fees for non-audit services (Million yen)	Fees for audit certification services (Million yen)	Fees for non-audit services (Million yen)
Filing company	34	1	35	0
Consolidated subsidiaries	-	-	-	-
Total	34	1	35	0

Details of non-audit services provided by certified public accountants, etc.

(Previous consolidated fiscal year)

Non-audit services provided to the Company were the agreed-upon procedures engagement concerning Myna Point business.

(Consolidated fiscal year under review)

Non-audit services provided to the Company were the agreed-upon procedures engagement concerning Myna Point business.

ii) Fees paid to those belonging to the same network with the certified public accountants, etc. (excluding those under i))

Not applicable.

iii) Details of fees paid for other important audit certification services

Not applicable.

iv) Policy for determining audit fees

We have not set a policy for determining audit fees to be paid to the accounting auditor. We examine contract estimates received from the accounting auditor, taking into consideration the audit plan, contents of audits, the number of days required for audits, and other elements comprehensively, before making decisions.

v) Reasons for the Audit & Supervisory Committee's agreeing to the fees, etc. paid to the accounting auditor

The Company's Audit & Supervisory Committee conducts the required examinations to determine whether the accounting auditor's content of the audit plan, the state of execution of accounting audit duties, the bases of calculation used for the estimate of audit fees, etc. are appropriate, before giving consent as provided in Article 399, Paragraph 1 of the Companies Act.

(4) Compensation for officers

1) Matters concerning policies for deciding the compensation amount for officers or calculation methods thereof

The Company has shifted from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee effective of May 12, 2022.

As of the same date, the Company introduced a new compensation system for the grant of restricted stock to its Directors (excluding Directors who are Audit & Supervisory Committee Members, Outside Directors and other Non-executive Directors).

i) Policies concerning the details of compensation amount for each individual Director

The Company has changed its policies concerning the details of compensation amount for each individual Director at the meeting of the Board of Directors held on May 12, 2022. Details of the new policies are as shown below.

a. Basic policy

Basic policy of the Company concerning compensation for Directors is to have a compensation structure that adequately provides incentives towards continuously improving corporate value, and to set the compensation for each individual Director at an appropriate level in view of his/her job responsibility.

Compensation for Executive Directors consists of monthly fixed compensation, performance-linked compensation (executive bonus), and restricted stock compensation, while compensation for part-time Directors and Directors who are Audit & Supervisory Committee Members consists of monthly fixed compensation only.

b. Policy for deciding the amount of monthly fixed compensation for each individual Director

The amounts of monthly fixed compensation for the Company's Directors are comprehensively examined in view of their positions, job responsibilities, the number of years in service, and other factors, as well as taking into account the levels of other companies in the industry, business results of the Company, and the amount of highest employee salary, and subsequently put forward to the Nomination and Compensation Committee for consultation and finally determined at the Board of Directors meeting.

c. Policy for deciding the calculation methods for performance-linked compensation (executive bonus) and restricted stock compensation

Performance-linked compensation (executive bonus) is provided by way of cash compensation that reflects the performance indicators so as to increase the executives' consciousness for improving performance each fiscal year, and paid as an executive bonus in the amount calculated according to the degree of achievement of the targets for each fiscal year at a certain timing after the settlement of accounts. The performance indicators used to set targets and the values of those targets are put forward to the Nomination and Compensation Committee for consultation and reviewed when appropriate, according to changes in the environment.

Restricted stock compensation is figured based on the ratio of amounts of restricted stock compensation to fixed compensation (yearly) of roughly 1:9 and in view of the positions and job responsibilities, and determined by the Board of Directors after seeking consultation with the Nomination and Compensation Committee.

d. Policy for deciding the proportion of monthly fixed compensation and executive bonus in the amount of compensation for each individual Director

Executive bonus is figured based on the ratio of amounts of monthly fixed compensation (yearly) to executive bonus of between 7:3 and 10:0, depending on the seniority of position and the degree of achievement.

e. Matters related to decisions on the details of compensation for each individual Director

The amount of compensation for each individual Director is determined by the Board of Directors after seeking consultation with the Nomination and Compensation Committee.

The amount of compensation for each individual Director who is an Audit & Supervisory Committee Member is determined by the Audit & Supervisory Committee by discussion among the Committee Members.

ii) Matters related to resolution of the general meeting of shareholders concerning compensation for Directors

The amount of compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) has been approved by resolution of the 53rd Ordinary General Meeting of Shareholders held on May 12, 2022 to be 200 million yen or less per year.

The amount of compensation for Directors who are Audit & Supervisory Committee Members has been approved by resolution of the 53rd Ordinary General Meeting of Shareholders held on May 12, 2022 to be 50 million yen or less per year.

The amount of stock-based compensation for Directors (excluding Directors who are Audit & Supervisory Committee

Members, Outside Directors and other Non-executive Directors) has been approved by resolution of the 53rd Ordinary General Meeting of Shareholders held on May 12, 2022 to be 100 million yen or less per year.

The number of Directors (excluding Directors who are Audit & Supervisory Committee Members) as of the time of resolution at the 53rd Ordinary General Meeting of Shareholders held on May 12, 2022 was seven, while the number of Directors who are Audit & Supervisory Committee Members as of the same time was five (including four Outside Directors).

The number of Directors eligible for stock-based compensation (excluding Directors who are Audit & Supervisory Committee Members, Outside Directors and other Non-executive Directors) was three.

iii) Overview of compensation system

Basic compensation is set by the pay table according to position, individual performance, etc. and paid by way of monthly fixed compensation.

As for the executive bonus, the total amount to be paid is calculated by multiplying the base figure 1), which is the ratio of profit to consolidated operating income, by the coefficient linked to the assessment and achievement, which is based on how many months' worth of salary is paid as employee bonus, consolidated ROE (non-consolidated), and the achievement rate of operating income against budget. The Nomination and Compensation Committee makes the final decision on addition or subtraction, which is reported to and resolved by the Board of Directors.

For stock-based compensation, the Company adopts the restricted stock compensation system. As a rule, for each fiscal year, based on resolution of the Board of Directors, the Company provides monetary compensation claims for the granting of restricted stock to eligible Directors and Executive Officers, who then pay the said monetary compensation claims as property contributed in kind to the Company and receive issuance or disposal of the Company's common shares for their holding. Concerning the pertinent issuance or disposal of the common shares of the Company, the Company and the eligible Directors and Executive Officers have entered into a transfer-restricted share allotment agreement to the effect that, during the period from the issuance date of common shares of the Company under this compensation system to the date of their retirement from positions predetermined by the Board of Directors, the eligible Directors and Executive Officers shall not transfer, mortgage, reserve a mortgage on, or otherwise dispose of the said stock, among other provisions.

iv) Methods for determining the amount of compensation

For each person, the degree of achievement of targets and the level of contribution to the Company are appraised, including by self-assessments submitted to the Representative Director, based on which the amounts of compensation and the number of shares are calculated according to each pay table and put forward to the Nomination and Compensation Committee for consultation.

As for performance-linked compensation, the amounts are calculated in the aforementioned method and put forward to the Nomination and Compensation Committee for consultation.

The Nomination and Compensation Committee deliberates on the appropriateness and adequacy of basic compensation, performance-linked compensation, and stock-based compensation for each person, reports the results to the Audit & Supervisory Committee, and reports the details to the Board of Directors.

The Board of Directors finalizes the amounts of compensation, taking into account the content of the report by the Nomination and Compensation Committee and the results of deliberation at the Audit & Supervisory Committee.

The basic compensation for Directors who are Audit and Supervisory Committee Members are decided separately by discussion among the Audit and Supervisory Committee Members.

The decision on the amounts of compensation for each Director (excluding Director who is an Audit & Supervisory Committee Member) for the fiscal year under review was entrusted to and made by the President and Representative Director Hirotsugu Okuwa at the Board of Directors' meeting held on May 12, 2022.

From the following fiscal year, the amount of compensation for individual Directors (excluding Directors who are Audit & Supervisory Committee Members) will be determined by the Board of Directors after seeking consultation with the Nomination and Compensation Committee.

The amount of compensation for each individual Director who is an Audit & Supervisory Committee Member was decided at the Audit & Supervisory Committee meeting held on May 12, 2022 by discussion among Audit & Supervisory Committee Members.

v) Reason for the Board of Directors' decision that the details of compensation for each individual Director for the fiscal year under review was in line with the policy

The compensation (excluding non-monetary compensation) for each individual Director (excluding Director who is an Audit & Supervisory Committee Member) for the fiscal year under review was assessed and calculated by the President and Representative Director Hirotsugu Okuwa, who had been entrusted the task by resolution of the Board of Directors as the person deemed most suited to evaluate business under the charge of each Director while taking into account the performance of the

Company as a whole, and subsequently finalized after hearing the opinions of Outside Directors as needed. Therefore, the Board of Directors believes that it was determined in line with the determination policy.

2) Total amount of compensation of the filing company by category of officer and compensation type and the number of officers paid

Category of officer	Total amount of compensation (Million yen)	Total amount of compensation by type (Million yen)					Number of officers paid (Persons)
		Fixed compensation	Stock options	Performance-linked compensation	Retirement bonus	Non-monetary compensation, etc.	
Directors (Excluding Audit & Supervisory Committee Members and Outside Directors)	71	63	-	-	-	8	10
Audit & Supervisory Committee Members (Excluding Outside Directors)	6	6	-	-	-	-	1
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	3	3	-	-	-	-	2
Outside officers	13	13	-	-	-	-	4

(Notes) 1. The Company has shifted from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee effective of May 12, 2022.

2. The Company grants restricted stock to its Directors (excluding Directors who are Audit & Supervisory Committee Members, Outside Directors and other Non-executive Directors) as non-monetary compensation, etc.

3) Total amount of consolidated compensation, etc. for each officer of the filing company

Not stated because none of the officers received a total consolidated compensation, etc. of 100 million yen or more.

(5) Securities held by the Company

1) Criteria and basic stance of classification of investment securities

The Company classifies securities held solely for the purpose of gaining profit from fluctuations in the value of securities or from dividends associated with securities as investment securities for pure investment purposes, and other securities as investment securities for purposes other than pure investment.

The Company does not hold any investment securities for pure investment purposes.

2) Investment securities held for purposes other than pure investment

i) Holding policy, method to examine the rationality of holding, and examination by the Board of Directors, etc. on the suitability of holding each issue

The Company makes it its basic policy to hold shares of its business partners as cross-shareholdings with a medium- to long-term view, as part of its management strategies aimed at maintaining and strengthening stable business relationship, gathering information on other companies in the industry, among others. As a basic policy, every year, the Board of Directors reviews each cross-shareholding in terms of financial situation, business performance, valuation loss/gain from the holding, dividend yields, ROE, status of transactions, and other factors, and examines the quantitative aspects such as whether or not the risks and benefits of holding match the capital cost, the qualitative aspects such as the maintenance and expansion of business relationship in the medium to long run, as well as various other circumstances. As a result of the examination, if the holding is deemed to lack rationality, the Company phases down such holding.

During the fiscal year under review, the rationality examination of holdings took place at a Board of Directors meeting held in December 2022.

The Company exercises the voting rights on cross-shareholdings on condition that it contributes to improving the Company's corporate value. In cases where the partner company's performance has been worsening drastically for a certain period of time or where there has been a significant change in the business relationship between the Company and the partner, the Company decides to vote for or against proposals after comprehensively considering such matters as whether or not it serves the continuous improvement of the partner's corporate value or it whether or not may damage the Company's corporate value.

ii) Number of issues and the amount recorded on balance sheet

	Number of issues (Issues)	Total amount recorded on balance sheet (Million yen)
Unlisted shares	6	154
Shares other than unlisted shares	8	2,010

(Issues for which the number of shares increased during the fiscal year under review)

	Number of issues (Issues)	Total acquisition costs related to the increase in the number of shares (Million yen)	Reasons for increase in the number of shares
Unlisted shares	1	100	Investment that helps revitalize the regional economy
Shares other than unlisted shares	-	-	-

(Issues for which the number of shares decreased during the fiscal year under review)

	Number of issues (Issues)	Total sale costs related to the decrease in the number of shares (Million yen)
Unlisted shares	-	-
Shares other than unlisted shares	-	-

iii) Number of shares, the amount recorded on balance sheet, etc. of specified investment securities and deemed shareholdings by issue

Specified investment securities

Issue	Fiscal year under review	Previous fiscal year	Purpose of holding, quantitative effect of holding, and reasons for increase in the number of shares	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)		
	Amount recorded on balance sheet (Million yen)	Amount recorded on balance sheet (Million yen)		
The Kiyo Bank, Ltd.	438,300	438,300	Purpose of holding: to facilitate financial transactions required in the performance of business activities; to maintain and strengthen business relations; and to mutually share information on the regional economy and other information	Yes
	710	688		
Heiwado Co., Ltd.	306,200	306,200	Purpose of holding: to gather information on other companies in the industry; and to maintain and strengthen friendly relations with this company	Yes
	666	604		
Sumitomo Mitsui Trust Holdings, Inc.	88,059	88,059	Purpose of holding: to facilitate financial transactions required in the performance of business activities; and to maintain and strengthen relationship concerning gathering of financial information	Yes
	436	366		
Mitsubishi UFJ Financial Group, Inc.	88,000	88,000	Purpose of holding: to facilitate financial transactions required in the performance of business activities; and to maintain and strengthen relationship concerning gathering of financial information	Yes
	87	63		
The Nanto Bank, Ltd.	23,000	23,000	Purpose of holding: to facilitate financial transactions; and to mutually share information on the regional economy and other information	Yes
	61	48		
San ju San Financial Group, Inc.	15,330	15,330	Purpose of holding: to facilitate financial transactions; and to mutually share information on the regional economy and other information	Yes
	26	23		
Senshu Ikeda Holdings, Inc.	54,600	54,600	Purpose of holding: to facilitate financial transactions; and to mutually share information on the regional economy and other information	Yes
	13	10		
Sumitomo Mitsui Financial Group, Inc.	1,200	1,200	Purpose of holding: to facilitate financial transactions required in the performance of business activities; and to maintain and strengthen relationship concerning gathering of financial information	Yes
	7	5		

(Note) It is difficult to state the quantitative effect of holding for each issue.

Regarding the rationality of holding for each cross-holding partner, we comprehensively examine the track record of transactions, dividend income, cost of shareholding, etc., in addition to the purpose of holding for each partner and other qualitative aspects.

Deemed shareholdings

Not applicable.

3) Investment securities held for pure investment purposes

Not applicable.

4) Investment securities for which the purpose of holding changed from pure investment to other than pure investment during the fiscal year under review

Not applicable.

5) Investment securities for which the purpose of holding changed from other than pure investment to pure investment during the fiscal year under review

Not applicable.

V. Financial Information

1. Basis of preparation of consolidated financial statements and non-consolidated financial statements

(1) The consolidated financial statements of the Company are prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The non-consolidated financial statements of the Company are prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Order No. 59 of 1963; hereinafter “Regulation for Non-Consolidated Financial Statements”).

As the Company falls under the category of a company filing financial statements under special provisions, its financial statements are prepared in accordance with Article 127 of the Regulation for Non-Consolidated Financial Statements.

2. Audit certification

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company’s consolidated financial statements and non-consolidated financial statements for the fiscal year (from February 21, 2022 to February 20, 2023) were audited by Crowe Toyo & Co.

3. Special efforts to ensure the appropriateness of the consolidated financial statements and other financial reports

The Company has taken special efforts to ensure the appropriateness of the consolidated financial statements and other financial reports. Specifically, the Company holds membership in the Financial Accounting Standards Foundation and attends seminars provided by accounting auditors and other entities to ensure a good understanding of corporate accounting standards and to develop systems that will enable appropriate responses to changes in accounting standards, etc.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheet

(Million yen)

	As of February 20, 2022	As of February 20, 2023
Assets		
Current assets		
Cash and deposits	*1 17,029	*1 15,751
Notes and accounts receivable - trade	5,653	*2 6,294
Merchandise and finished goods	8,789	9,483
Other	1,942	2,371
Allowance for doubtful accounts	(0)	(0)
Total current assets	33,414	33,899
Non-current assets		
Property, plant and equipment		
Buildings and structures	*1 139,465	*1 141,155
Accumulated depreciation	(91,199)	(93,923)
Buildings and structures, net	48,265	47,232
Machinery, equipment and vehicles	6,611	6,886
Accumulated depreciation	(4,983)	(5,328)
Machinery, equipment and vehicles, net	1,627	1,558
Tools, furniture and fixtures	11,594	13,155
Accumulated depreciation	(9,050)	(9,937)
Tools, furniture and fixtures, net	2,543	3,218
Land	27,876	28,044
Leased assets	6,171	4,713
Accumulated depreciation	(4,189)	(3,516)
Leased assets, net	1,981	1,196
Construction in progress	1,413	843
Total property, plant and equipment	83,708	82,093
Intangible assets		
Other	3,929	3,691
Total intangible assets	3,929	3,691
Investments and other assets		
Investment securities	*3 2,361	*3 2,512
Retirement benefit asset	1,514	1,314
Leasehold deposits	4,571	4,540
Guarantee deposits	1,457	1,386
Deferred tax assets	1,831	2,372
Other	736	728
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	12,460	12,841
Total non-current assets	100,099	98,626
Total assets	133,513	132,526

(Million yen)

	As of February 20, 2022	As of February 20, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,192	12,684
Short-term borrowings	5,060	4,660
Current portion of long-term borrowings	*5 4,149	*5 6,129
Lease liabilities	830	660
Income taxes payable	358	373
Accrued consumption taxes	840	169
Provision for point card certificates	1,385	-
Refund liability	-	1,321
Contract liabilities	-	2,649
Asset retirement obligations	268	-
Other	12,682	10,315
Total current liabilities	38,768	38,963
Non-current liabilities		
Long-term borrowings	*5 9,310	9,174
Lease liabilities	1,167	530
Deferred tax liabilities	9	2
Retirement benefit liability	73	73
Long-term leasehold deposits received	*1 2,542	*1 2,462
Long-term guarantee deposits	86	122
Asset retirement obligations	3,093	3,170
Other	292	98
Total non-current liabilities	16,574	15,634
Total liabilities	55,342	54,597
Net assets		
Shareholders' equity		
Share capital	14,117	14,117
Capital surplus	15,015	15,009
Retained earnings	50,656	50,513
Treasury shares	(1,658)	(1,629)
Total shareholders' equity	78,131	78,010
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	139	280
Remeasurements of defined benefit plans	(394)	(667)
Total accumulated other comprehensive income	(255)	(387)
Share acquisition rights	45	38
Non-controlling interests	249	267
Total net assets	78,170	77,928
Total liabilities and net assets	133,513	132,526

2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

[Consolidated Statements of Income]

(Million yen)

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Net sales	255,996	*1 234,726
Cost of sales	*2 184,794	*2 168,315
Gross profit	71,201	66,411
Operating revenue		
Real estate lease revenue	3,120	4,021
Other operating revenue	7,414	8,129
Total operating revenue	10,535	12,150
Operating gross profit	81,737	78,562
Selling, general and administrative expenses		
Advertising expenses	1,885	2,071
Supplies expenses	2,190	2,021
Distribution expenses	3,933	4,268
Promotion expenses	2,109	-
Remuneration for directors (and other officers)	149	143
Employees' salaries and allowances	28,535	28,516
Retirement benefit expenses	366	313
Welfare expenses	3,664	3,805
Security and cleaning expenses	2,704	2,624
Depreciation	6,004	6,314
Rent expenses	7,905	7,521
Utilities expenses	4,635	5,985
Repair expenses	2,782	2,390
Taxes and dues	1,705	1,690
Other	7,930	7,967
Total selling, general and administrative expenses	76,503	75,635
Operating profit	5,233	2,927
Non-operating income		
Interest income	1	1
Dividend income	51	72
Gain on sale of recycled materials	70	72
Miscellaneous income	209	168
Total non-operating income	333	315
Non-operating expenses		
Interest expenses	63	68
Share of loss of entities accounted for using equity method	24	4
Miscellaneous losses	14	21
Total non-operating expenses	102	93
Ordinary profit	5,463	3,148

(Million yen)

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Extraordinary income		
Gain on sale of non-current assets	*3 0	*3 13
Subsidy income	8	-
Gain on differences between the asset retirement obligation balance and the actual retirement costs	-	234
Other	-	5
Total extraordinary income	9	252
Extraordinary losses		
Loss on sale of non-current assets	*4 0	*4 51
Loss on retirement of non-current assets	*5 449	*5 237
Impairment losses	*6 1,682	*6 1,820
Loss on cancellation of rental contracts	240	138
Other	42	33
Total extraordinary losses	2,415	2,281
Profit before income taxes	3,057	1,119
Income taxes - current	1,027	686
Income taxes - deferred	472	(517)
Total income taxes	1,500	168
Profit	1,556	951
Profit attributable to non-controlling interests	33	22
Profit attributable to owners of parent	1,523	928

[Consolidated Statements of Comprehensive Income]

(Million yen)

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Profit	1,556	951
Other comprehensive income		
Valuation difference on available-for-sale securities	88	141
Remeasurements of defined benefit plans, net of tax	(85)	(272)
Total other comprehensive income	*3	* (131)
Comprehensive income	1,560	819
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,526	797
Comprehensive income attributable to non-controlling interests	33	22

3) Consolidated Statements of Changes in Equity

Fiscal year ended February 20, 2022 (from February 21, 2021 to February 20, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	14,117	15,017	50,273	(1,674)	77,733
Cumulative effects of changes in accounting policies					-
Restated balance	14,117	15,017	50,273	(1,674)	77,733
Changes during period					
Dividends of surplus			(1,139)		(1,139)
Profit attributable to owners of parent			1,523		1,523
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(2)		16	14
Net changes in items other than shareholders' equity					
Total changes during period	-	(2)	383	16	397
Balance at end of period	14,117	15,015	50,656	(1,658)	78,131

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	50	(309)	(258)	51	220	77,747
Cumulative effects of changes in accounting policies						-
Restated balance	50	(309)	(258)	51	220	77,747
Changes during period						
Dividends of surplus						(1,139)
Profit attributable to owners of parent						1,523
Purchase of treasury shares						(0)
Disposal of treasury shares						14
Net changes in items other than shareholders' equity	88	(85)	3	(6)	29	26
Total changes during period	88	(85)	3	(6)	29	423
Balance at end of period	139	(394)	(255)	45	249	78,170

Fiscal year ended February 20, 2023 (from February 21, 2022 to February 20, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	14,117	15,015	50,656	(1,658)	78,131
Cumulative effects of changes in accounting policies			68		68
Restated balance	14,117	15,015	50,724	(1,658)	78,199
Changes during period					
Dividends of surplus			(1,140)		(1,140)
Profit attributable to owners of parent			928		928
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(6)		28	22
Net changes in items other than shareholders' equity					
Total changes during period	-	(6)	(211)	28	(189)
Balance at end of period	14,117	15,009	50,513	(1,629)	78,010

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	139	(394)	(255)	45	249	78,170
Cumulative effects of changes in accounting policies						68
Restated balance	139	(394)	(255)	45	249	78,239
Changes during period						
Dividends of surplus						(1,140)
Profit attributable to owners of parent						928
Purchase of treasury shares						(0)
Disposal of treasury shares						22
Net changes in items other than shareholders' equity	141	(272)	(131)	(6)	17	(121)
Total changes during period	141	(272)	(131)	(6)	17	(310)
Balance at end of period	280	(667)	(387)	38	267	77,928

4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Cash flows from operating activities		
Profit before income taxes	3,057	1,119
Depreciation	6,452	6,758
Impairment losses	1,682	1,820
Share of loss (profit) of entities accounted for using equity method	24	4
Increase (decrease) in allowance for doubtful accounts	(0)	0
Interest and dividend income	(53)	(74)
Interest expenses	63	68
Loss (gain) on sale of investment securities	-	0
Loss (gain) on sale of non-current assets	0	38
Loss on retirement of non-current assets	449	237
Decrease (increase) in trade receivables	(188)	(640)
Decrease (increase) in inventories	530	(694)
Increase (decrease) in trade payables	(612)	(508)
Increase (decrease) in accrued consumption taxes	64	(671)
Increase (decrease) in long-term accounts payable - other	(74)	(185)
Other, net	(746)	(811)
Subtotal	10,649	6,462
Interest and dividends received	55	219
Interest paid	(64)	(72)
Income taxes paid	(2,049)	(677)
Net cash provided by (used in) operating activities	8,590	5,931
Cash flows from investing activities		
Payments into time deposits	(71)	(73)
Proceeds from withdrawal of time deposits	63	69
Purchase of non-current assets	(8,152)	(6,626)
Proceeds from sale of non-current assets	1,572	105
Purchase of investment securities	-	(100)
Proceeds from sale of investment securities	-	2
Loan advances	(20)	(20)
Payments of leasehold and guarantee deposits	(58)	(142)
Proceeds from refund of leasehold and guarantee deposits	325	287
Other, net	(676)	(181)
Net cash provided by (used in) investing activities	(7,016)	(6,678)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	400	(400)
Proceeds from long-term borrowings	3,000	6,000
Repayments of long-term borrowings	(4,317)	(4,156)
Repayments of lease liabilities	(1,064)	(834)
Repayments of other liabilities with interest	(17)	-
Dividends paid	(1,139)	(1,139)
Dividends paid to non-controlling interests	(4)	(4)
Purchase of treasury shares	(0)	(0)
Other, net	0	0
Net cash provided by (used in) financing activities	(3,144)	(535)
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(1,570)	(1,282)
Cash and cash equivalents at beginning of period	18,239	16,668
Cash and cash equivalents at end of period	* 16,668	* 15,386

[Notes to Consolidated Financial Statements]

(Significant matters providing the basis for the preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 3

Names of consolidated subsidiaries: OAK-FOODS Corporation, Retail Backoffice Support Co., Ltd., SUNRISE., CO. LTD.
Hiramatsu Co., Ltd., previously a consolidated subsidiary, was dissolved due to the merger with and absorption by the Company effective on November 21, 2022 and has therefore been removed from the scope of consolidation.

(2) Number of non-consolidated subsidiaries: 2

Name of major non-consolidated subsidiary: MAMY CORPORATION
(Reasons for exclusion from the scope of consolidation)

The non-consolidated subsidiaries have been excluded from the scope of consolidation because they are both small-scale companies, and their respective total assets, net sales, profit or loss (amount corresponding to equity held), retained earnings (amount corresponding to equity held), etc. do not have a material effect on the consolidated financial statements.

2. Application of the equity method

(1) Number of non-consolidated subsidiaries accounted for by the equity method: 1

Name of non-consolidated subsidiary accounted for by the equity method: MAMY CORPORATION

(2) Number of affiliates accounted for by the equity method: 1

Name of affiliate accounted for by the equity method: O-Entertainment Co., Ltd.

(3) Number of non-consolidated subsidiaries not accounted for by the equity method: 1

Name of non-consolidated subsidiary not accounted for by the equity method: Wakayama Daido Seika Co., Ltd.

(Reason for exclusion from the application of the equity method)

The company is excluded from application of the equity method because its impact on profit or loss (amount corresponding to equity held), retained earnings (amount corresponding to equity held), etc. is negligible and it as a whole does not have a material effect on the consolidated financial statements.

3. Accounting periods of consolidated subsidiaries

The consolidated subsidiaries close their books of account on the same date as the consolidated closing date.

4. Accounting policies

(1) Evaluation standards and methods for significant assets

1) Securities

Available-for-sale
securities

Securities other than shares that do not have a market price Stated at fair value (Unrealized gains or losses are comprehensively reported as a component of net assets and the cost of securities sold is computed using the moving average method.)

Shares that do not have a market price Stated at cost by the moving average method

2) Inventories

Merchandise Stated at cost by the retail method
However, logistics center inventories, etc. are stated at cost by the last purchase cost method. Balance sheet values reflect write-downs based on decreased profitability.

(2) Depreciation methods for significant depreciable assets

1) Property, plant and equipment (excluding leased assets)

The declining balance method is used. However, the straight line method is applied for buildings acquired on or after April 1, 1998 (excluding building fixtures) and building fixtures and structures acquired on or after April 1, 2016.

The useful lives of assets are principally as follows:

Buildings and structures	3 to 47 years
Machinery, equipment and vehicles	4 to 17 years
Tools, furniture and fixtures	2 to 10 years

2) Intangible assets (excluding leased assets) and long-term prepaid expenses

The straight line method is used. However, software for internal use is amortized over an estimated useful life of five years using the straight line method.

3) Leased assets

Leased assets related to non-ownership-transfer finance lease transactions

Depreciated by the straight line method, by defining the lease term of respective assets as their useful lives, with residual value equaling zero.

(3) Basis for significant allowances and provisions

Allowance for doubtful accounts

To prepare for any loss incurred from bad debts, such as accounts receivable - trade and loans, allowances are provided based on the actual rate of losses in respect of general receivables and by considering the respective collectability in respect of specific debts, including doubtful accounts.

(4) Accounting for retirement benefits

1) Allocation of expected retirement benefits to periods

In calculating retirement benefit obligations, the benefit formula standard is used as the method for attributing expected benefits up to the end of the consolidated fiscal year under review.

2) Amortization of actuarial differences

Actuarial differences are amortized evenly using the straight line method over a fixed period within the average remaining service years of employees (10 years) at the time of occurrence in each fiscal year, beginning from the consolidated fiscal year following the time of occurrence.

(5) Basis for significant revenue and expenses

1) Revenue recognition related to sales of products, etc.

Revenue from contracts with customers of the Group is primarily from sales of products, etc. in the supermarket business. Revenue from these sales of products, etc. is recognized at the time that the products, etc. are delivered to the customers.

For sales of products, etc. in which the Group is determined to constitute an agent, revenue is recognized at the net amount received from the customer less the amount paid to the supplier.

In addition, the Group offers a customer loyalty program, whereby points are granted to members at the time of sale and one point is converted to one yen. Revenue is recognized at the amount of net sales after deduction of points granted less points expected to expire in future.

2) Revenue recognition related to gift certificates issued by the Company

The Company identifies gift certificates issued as obligations and recognizes revenue at the time that a gift certificate is used. Revenue for unused portions of gift certificates is recognized at the time when the likelihood of customers exercising their rights becomes extremely low.

(6) Significant hedge accounting method

1) Hedge accounting method

Exceptional accounting treatment is applied to interest-rate swaps as they meet the conditions for exceptional accounting treatment.

2) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Interest on borrowings

3) Hedging policy

The Group conducts derivative transactions primarily for the purpose of hedging its exposure to interest rate fluctuation risks arising from borrowings, and it has a policy of not entering into speculative transactions.

4) Method of evaluating hedging effectiveness

The assessment of hedging effectiveness is omitted for interest rate swaps as they meet the conditions for exceptional accounting treatment.

(7) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents as stated in the consolidated statements of cash flows consist of cash in hand, readily available deposits, and any short-term liquid investments with maturities not exceeding three months at the time of purchase and that are subject to little risk of change in value.

- (8) Other significant matters for the preparation of consolidated financial statements
Not applicable.

(Significant accounting estimates)

1. Impairment loss on non-current assets

- (1) Amount recorded on the consolidated financial statements for the fiscal year under review

	For the fiscal year ended February 20, 2022 (Million yen)	For the fiscal year ended February 20, 2023 (Million yen)
Impairment losses	1,682	1,820
Property, plant and equipment and intangible assets	87,638	85,784

- (2) Information on the content of significant accounting estimates for the identified item

In determining groups of assets, the Group regards each store as the minimum unit (asset group) for the generation of independent cash flows and takes into consideration the mutually complementary relationship of incoming cash flows. Further, in respect of idle assets and leased assets, each individual property is regarded as its own separate asset group.

The Group identifies indications of impairment in situations where an asset group records continuous operating losses or where there has been a change in the method of use that will significantly reduce recoverability (e.g., decision made to close or sell a store).

Where there are indications of impairment, the Group estimates future cash flows projected from continued use of the asset group and from its disposal after use and compares them to the book value of the asset group as a non-current asset to determine whether or not an impairment loss should be recognized. If recognition of impairment loss is required, the book value is written down to the recoverable amount (net realizable value or value in use, whichever is higher) and the amount of that reduction is recorded as an impairment loss.

Projections of future sales trends, based on past results and current progress, among other factors, are used as the principal assumptions for the estimation of future cash flow generated from the continued use of the asset group.

These principal assumptions are accompanied by uncertainty, as they are affected by changes in the business environment in each region where relevant stores are located.

For this reason, should a review of the principal assumptions be required, there is a possibility that additional impairment losses may be accrued in the consolidated financial statements for the following fiscal year.

2. Recoverability of deferred tax assets

- (1) Amount recorded on the consolidated financial statements for the fiscal year under review

	As of February 20, 2022 (Million yen)	As of February 20, 2023 (Million yen)
Deferred tax assets	1,831	2,372

- (2) Information on the content of significant accounting estimates for the identified item

The Group records deferred tax assets for deductible temporary differences that are determined to be recoverable based on estimates of taxable income based on future profit plans. The recoverability of deferred tax assets depends on estimates of future taxable income. Therefore, if the estimated amount of future taxable income changes due to significant changes in the business environment, deferred tax assets will be reduced, which may have a significant impact on the consolidated financial statements for the following fiscal year.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”), etc. from the beginning of the consolidated fiscal year under review. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the

consideration to which the Company expects to be entitled in exchange for those goods and services.

Major changes due to the application of the Revenue Recognition Standard are as follows:

1. Revenue recognition related to agent transactions

For transactions in which the Company offers a good or services to a customer as an agent (consignment buying), revenue was previously recognized at the total amount of consideration received from the customer. After evaluating the Company's role (whether it acts as a principal or an agent) in the provision of a good or services to the customer, however, revenue is now recognized at the net amount received from the customer less the amount paid to the supplier. Such revenue is recorded under operating revenue.

2. Revenue recognition related to the loyalty program

The Company offers a customer loyalty program, whereby points are granted to members at the time of sale and one point is converted to one yen. The Company previously recognized the estimated value to be redeemed as the provision and recorded the provision for point card certificates as promotion expenses under selling, general and administrative expenses. However, such revenue is now recognized at the amount of net sales less the points granted.

The Company previously recorded the points granted in connection with the sale of products based on the loyalty program operated by other companies as selling, general and administrative expenses. However, such revenue is now recognized at the amount of net sales less the amount equivalent to the points granted.

3. Revenue recognition related to gift certificates issued by the Company

The Company previously did not recognize revenue for unused portions of gift certificates it had issued. However, such revenue is now recognized at the time when the likelihood of customers exercising their rights becomes extremely low.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the consolidated fiscal year under review, with the new accounting policies applied from the beginning balance.

As a result, for the consolidated fiscal year under review, net sales decreased by 14,567 million yen, cost of sales decreased by 10,985 million yen, operating revenue increased by 1,545 million yen, and selling, general and administrative expenses decreased by 2,069 million yen. Operating profit, ordinary profit, and profit before income taxes increased by 32 million yen each. Meanwhile, the balance of retained earnings at the beginning of the period increased by 68 million yen.

Because of the application of the Revenue Recognition Standard, etc., starting from the beginning of the consolidated fiscal year under review, gift certificates and electronic money, which were included in other under current liabilities in the consolidated balance sheets for the previous consolidated fiscal year, are now included in contract liabilities, and provision for point card certificates is now presented as refund liability. In accordance with the transitional treatment provided in Paragraph 89-2 of the Revenue Recognition Standard, no reclassification has been made to the previous year's consolidated financial statements to conform to the new presentation method.

In accordance with the transitional treatment provided in Paragraph 89-3 of the Revenue Recognition Standard, there are no notes pertaining to the previous consolidated fiscal year in "Notes to revenue recognition."

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard"), etc. from the beginning of the consolidated fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

In addition, the Company will include notes on fair value information by level within the fair value hierarchy in "Notes to financial instruments." However, in accordance with the transitional treatment provided in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the previous consolidated fiscal year are not presented.

(Additional information)

(Accounting estimates associated with the impact of the COVID-19 pandemic)

The impact of the COVID-19 pandemic is coming to an end, and the Company presumes that there will be further progress in

economic activities' return to normal. From the beginning, the Company has made accounting estimates for the impairment of non-current assets and the recoverability of deferred tax assets based on the assumption that the impact on the Group will be limited.

(Notes to consolidated balance sheet)

*1 Pledged assets and secured debt

(Assets pledged as collateral)

	As of February 20, 2022	As of February 20, 2023
Cash and deposits (time deposits)	3 million yen	3 million yen
Buildings and structures	71 million yen	67 million yen
Total	75 million yen	71 million yen

(Secured debt)

	As of February 20, 2022	As of February 20, 2023
Long-term leasehold deposits received	20 million yen	20 million yen

*2 The amounts of receivables generated by contracts with customers in notes and accounts receivable - trade are as follows.

	As of February 20, 2023
Notes receivable	- million yen
Accounts receivable - trade	6,294 million yen

*3 Non-consolidated subsidiaries and affiliates

	As of February 20, 2022	As of February 20, 2023
Investment securities (shares)	478 million yen	331 million yen

4. Contingent liabilities

The Company provides the following guarantees for obligations to companies other than consolidated companies.

Guarantees against trade payables, etc.

	As of February 20, 2022	As of February 20, 2023
PARTYHOUSE Co., Ltd.	8 million yen	12 million yen

*5 Financial covenants

Among its borrowings, syndicate loan agreements are subject to financial covenants that are based on certain indicators and other conditions calculated from the amount in the net assets section of the consolidated balance sheet as of each fiscal year end or ordinary profit/loss in the consolidated statements of income as of each fiscal year end.

	As of February 20, 2022	As of February 20, 2023
Current portion of long-term borrowings	571 million yen	500 million yen
Long-term borrowings	500 million yen	- million yen
Total	1,071 million yen	500 million yen

(Notes to consolidated statements of income)

*1 Revenue from contracts with customers

Net sales has not been classified into revenue from contracts with customers and other revenue. The amounts of revenue from contracts with customers are stated in "1 Information on breakdown of revenue from contracts with customers" under "Consolidated Financial Statements, Notes to Consolidated Financial Statements (Notes to revenue recognition)."

*2 Of the cost of sales, the expenses of food factories that produce prepared foods are as follows.

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
	3,819 million yen	3,956 million yen

*3 Breakdown of gain on sale of non-current assets

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Buildings and structures	0 million yen	5 million yen
Machinery, equipment and vehicles	0 million yen	1 million yen
Land	- million yen	6 million yen
Other non-current assets	0 million yen	0 million yen
Total	0 million yen	13 million yen

*4 Breakdown of loss on sale of non-current assets

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Buildings and structures	- million yen	12 million yen
Land	0 million yen	24 million yen
Intangible assets	- million yen	14 million yen
Other non-current assets	0 million yen	0 million yen
Total	0 million yen	51 million yen

*5 Breakdown of loss on retirement of non-current assets

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Buildings and structures	49 million yen	21 million yen
Machinery, equipment and vehicles	0 million yen	11 million yen
Tools, furniture and fixtures	9 million yen	1 million yen
Intangible assets	1 million yen	- million yen
Investments and other assets	- million yen	0 million yen
Cost of dismantling of buildings and other items	388 million yen	203 million yen
Total	449 million yen	237 million yen

*6 Impairment losses

The Group recorded impairment losses for the following asset groups.

For the fiscal year ended February 20, 2022

Purpose	Type	Location	Amount (Million yen)
Stores	Land, buildings and structures, etc.	Wakayama Prefecture	1,408
	Buildings and structures, etc.	Hyogo Prefecture	107
	Buildings and structures, etc.	Aichi Prefecture	33
	Buildings and structures, etc.	Gifu Prefecture	27
	Buildings and structures, etc.	Mie Prefecture	12
	Buildings and structures	Nara Prefecture	10
	Buildings and structures	Shizuoka Prefecture	3
Leased assets	Leasehold interests in land, etc.	Nara Prefecture	36
	Leasehold interests in land, etc.	Mie Prefecture	10
Idle assets	Land	Wakayama Prefecture	32

The Group groups its assets mainly using stores as the basic and minimum unit that generates cash flows. For idle assets and leased assets, they are grouped by property unit.

For stores, the book value of the asset groups whose profit and loss resulting from operating activities is continuously negative and the asset groups that had been decided to be disposed of was reduced to the recoverable amount, and the reduced amount was recorded as impairment losses under extraordinary losses. For assets to be sold, the book value was reduced to the estimated sales value, and the reduced amount (1,682 million yen) was recorded as impairment losses under extraordinary losses.

The breakdown of the impairment losses is as follows:

Land	1,326 million yen
Buildings and structures	310 million yen
Leasehold interests in land	31 million yen
Other	13 million yen
Total	1,682 million yen

The recoverable amount of these asset groups is measured by the higher of net realizable value or value in use. Net realizable values are determined primarily by making reasonable adjustments to real estate appraisal value or roadside value and assessed value for property tax purposes. In addition, the value in use is calculated by discounting future cash flows primarily by 3.0%.

For the fiscal year ended February 20, 2023

Purpose	Type	Location	Amount (Million yen)
Stores	Buildings and structures, leasehold interests in land, etc.	Shizuoka Prefecture	777
	Buildings and structures, leasehold interests in land, etc.	Nara Prefecture	406
	Buildings and structures, etc.	Wakayama Prefecture	344
	Buildings and structures, etc.	Osaka Prefecture	170
	Buildings and structures, etc.	Aichi Prefecture	88
	Leasehold interests in land, etc.	Gifu Prefecture	14
	Buildings and structures, etc.	Mie Prefecture	14
	Buildings and structures, etc.	Hyogo Prefecture	3

The Group groups its assets mainly using stores as the basic and minimum unit that generates cash flows. For idle assets and leased assets, they are grouped by property unit.

For stores, the book value of the asset groups whose profit and loss resulting from operating activities is continuously negative and the asset groups that had been decided to be disposed of was reduced to the recoverable amount, and the reduced amount was recorded as impairment losses under extraordinary losses. For assets to be sold, the book value was reduced to the estimated sales value, and the reduced amount (1,820 million yen) was recorded as impairment losses under extraordinary losses.

The breakdown of the impairment losses is as follows:

Buildings and structures	1,427 million yen
Leasehold interests in land	197 million yen
Land	103 million yen
Tools, furniture and fixtures	78 million yen
Other	13 million yen
Total	1,820 million yen

The recoverable amount of these asset groups is measured by the higher of net realizable value or value in use. Net realizable values are determined primarily by making reasonable adjustments to real estate appraisal value or roadside value and assessed value for property tax purposes. In addition, the value in use is calculated by discounting future cash flows primarily by 3.5%.

(Notes to consolidated statements of comprehensive income)

* Reclassification adjustments and tax effects relating to other comprehensive income

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Valuation difference on available-for-sale securities		
Gains arising during the year	100 million yen	200 million yen
Reclassification adjustments	20 million yen	0 million yen
Amount before income tax effect	121 million yen	201 million yen
Income tax effect	(32) million yen	(60) million yen
Valuation difference on available-for-sale securities	88 million yen	141 million yen
Remeasurements of defined benefit plans, net of tax		
Gains arising during the year	(195) million yen	(395) million yen
Reclassification adjustments	72 million yen	3 million yen
Amount before income tax effect	(123) million yen	(392) million yen
Income tax effect	37 million yen	119 million yen
Remeasurements of defined benefit plans, net of tax	(85) million yen	(272) million yen
Total other comprehensive income	3 million yen	(131) million yen

(Notes to consolidated statements of changes in equity)

For the fiscal year ended February 20, 2022

1. Matters related to outstanding shares

Class of shares	As of the beginning of the period	Increase	Decrease	As of the end of the period
Common shares (Shares)	45,237,297	-	-	45,237,297

2. Matters related to treasury shares

Class of shares	As of the beginning of the period	Increase	Decrease	As of the end of the period
Common shares (Shares)	1,400,405	316	13,954	1,386,767

(Notes) 1. The increase in treasury shares (common shares) by 316 shares was due to the purchase of 316 shares in shares less than one unit.

2. The decrease in treasury shares (common shares) by 13,954 shares was due to the request for additional purchase of 54 shares in shares less than one unit and to the exercise of share acquisition rights for 13,900 shares.

3. Matters related to share acquisition rights, etc.

Company name	Breakdown	Type of shares subject to share acquisition rights	Number of shares subject to share acquisition rights (Shares)				Balance at the end of the period (Million yen)
			As of the beginning of the period	Increase	Decrease	As of the end of the period	
Filing company	Share acquisition rights as stock options	-	-	-	-	-	45
Total			-	-	-	-	45

4. Matters related to dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on May 13, 2021	Common shares	569	13.00	February 20, 2021	May 14, 2021
Board of Directors meeting held on October 4, 2021	Common shares	570	13.00	August 20, 2021	October 19, 2021

(2) Dividends whose record date fell in the consolidated fiscal year under review, but whose effective date comes after February 20, 2023

Resolution	Class of shares	Sources of dividends	Total dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on May 12, 2022	Common shares	Retained earnings	570	13.00	February 20, 2022	May 13, 2022

For the fiscal year ended February 20, 2022

1. Matters related to outstanding shares

Class of shares	As of the beginning of the period	Increase	Decrease	As of the end of the period
Common shares (Shares)	45,237,297	-	-	45,237,297

2. Matters related to treasury shares

Class of shares	As of the beginning of the period	Increase	Decrease	As of the end of the period
Common shares (Shares)	1,386,767	286	24,000	1,363,053

(Notes) 1. The increase in treasury shares (common shares) by 286 shares was due to the purchase of 286 shares in shares less than one unit.

2. The decrease in treasury shares (common shares) by 24,000 shares was due to the exercise of share acquisition rights for 6,200 shares and the disposal of 17,800 treasury shares under the restricted stock compensation system.

3. Matters related to share acquisition rights, etc.

Company name	Breakdown	Type of shares subject to share acquisition rights	Number of shares subject to share acquisition rights (Shares)				Balance at the end of the period (Million yen)
			As of the beginning of the period	Increase	Decrease	As of the end of the period	
Filing company	Share acquisition rights as stock options	-	-	-	-	-	38
Total			-	-	-	-	38

4. Matters related to dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on May 12, 2022	Common shares	570	13.00	February 20, 2022	May 13, 2022
Board of Directors meeting held on October 3, 2022	Common shares	570	13.00	August 20, 2022	October 18, 2022

(2) Dividends whose record date fell in the consolidated fiscal year under review, but whose effective date comes after February 20, 2023

Resolution	Class of shares	Sources of dividends	Total dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on May 16, 2023	Common shares	Retained earnings	570	13.00	February 20, 2023	May 17, 2023

(Notes to consolidated statements of cash flows)

* Relationship between cash and cash equivalents at end of period and the amounts of consolidated balance sheet items

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Cash and deposits	17,029 million yen	15,751 million yen
Time deposits with original maturities of more than three months	(357) million yen	(361) million yen
Time deposits pledged as collateral	(3) million yen	(3) million yen
Cash and cash equivalents	16,668 million yen	15,386 million yen

(Notes to lease transactions)

1. Finance lease transactions

(For the lessee)

Non-ownership-transfer finance lease transactions

(1) Details of leased assets

Property, plant and equipment

Primarily store equipment, information-related equipment, etc.

(2) Depreciation methods for leased assets

As described in “4. Accounting policies (2) Depreciation methods for significant depreciable assets” under “Significant matters providing the basis for the preparation of consolidated financial statements.”

2. Operating lease transactions

(For the lessee)

Unearned lease income pertaining to non-cancellable operating lease transactions

	As of February 20, 2023
Within 1 year	237 million yen
After 1 year	681 million yen
Total	919 million yen

(Notes to financial instruments)

1. Matters concerning the financial instruments

(1) Policies on financial instruments

The Group raises the necessary funds for new store openings, renovations, and other purposes through self-funding, financial institution loans and leases, in accordance with its capital investment plan. Temporary surplus funds are managed in the form of relatively safe financial assets, and short-term working funds are procured through bank borrowings. The Group conducts derivative transactions primarily to hedge its exposure to interest rate fluctuation risks arising from borrowings, and it has a policy of not entering into speculative transactions.

(2) Content of and risks involved in financial instruments

Notes and accounts receivable - trade, as operating receivables, are primarily from credit companies and are exposed to credit risk, along with that of general customers. Investment securities primarily consist of shares in companies that have business relationships with the Group and are exposed to market price fluctuation risk. Leasehold deposits and guarantee deposits are

primarily placed in association with the renting of land and buildings and are exposed to the credit risk of the recipients.

The payment terms of most notes and accounts payable - trade, as operating payables, are within two months. Short-term borrowings are principally aimed at procuring necessary funds for continued business operations. Some of these borrowings are exposed to interest rate fluctuation risk. Long-term borrowings and lease liabilities related to finance lease transactions are principally aimed at procuring necessary funds for capital investments. Some of these long-term borrowings are exposed to interest rate fluctuation risk. Long-term leasehold deposits received and long-term guarantee deposits are primarily placed in association with the renting of land and buildings.

Derivative transactions are interest rate swaps used to hedge exposure to interest rate fluctuation risk arising from long-term borrowings.

(3) Risk management system for financial instruments

1) Credit risk management (risks involved in default or other breach of contracts on the part of business partners)

For notes and accounts receivable - trade, leasehold deposits, and guarantee deposits, maturity dates and balances are managed for each business partner to determine as quickly as possible any concerns regarding the collection of receivables, and the departments responsible take immediate action to mitigate risks.

2) Market risk management (exchange and interest rate fluctuation risks, etc.)

In respect of investment securities, their fair market values and the financial position of their issuers are monitored on a regular basis and the appropriateness of holding such securities are reviewed continuously, based on consideration of market conditions and the relationship with their issuers. Derivative transactions are used to hedge exposure to interest rate fluctuation risk.

3) Management of liquidity risk arising from fund procurement (risk of possible inability to make payment by the payment due date)

Liquidity risk is managed by the responsible department preparing and updating financing plans on a timely basis based on reports from the individual departments and maintaining a certain level of liquidity on hand.

(4) Supplementary explanation of fair value of financial instruments, etc.

The fair value of financial instruments includes the reasonably calculated value for those instruments without market price, in addition to the value based on the market price. As several variable factors are incorporated into the calculation of fair value of financial instruments, the resulting amount may vary depending on the different preconditions employed.

2. Matters concerning the fair value of financial instruments, etc.

The following tables indicate the amount recorded on the consolidated balance sheets, the fair value, and the difference between these two values.

As of February 20, 2022

	Amount recorded on consolidated balance sheet (Million yen)	Fair value (Million yen)	Difference (Million yen)
(1) Cash and deposits	17,029	17,029	-
(2) Notes and accounts receivable - trade	5,653	5,653	-
(3) Investment securities			
Available-for-sale securities	1,828	1,828	-
(4) Leasehold deposits and guarantee deposits	1,345	1,284	(60)
Total assets	25,857	25,796	(60)
(5) Notes and accounts payable - trade	13,192	13,192	-
(6) Short-term borrowings	5,060	5,060	-
(7) Long-term borrowings(*)	13,459	13,452	(7)
(8) Lease liabilities(*)	1,998	1,988	(9)
(9) Long-term leasehold deposits received and long-term guarantee deposits	29	29	(0)
Total liabilities	33,740	33,722	(18)
Derivative transactions	-	-	-

* Includes current liabilities.

Amounts recorded on the consolidated balance sheets of financial instruments whose fair values are deemed to be extremely difficult to determine

Classification	As of February 20, 2022 (Million yen)
Unlisted shares	54
Shares of subsidiaries and associates	478
Leasehold deposits and guarantee deposits	4,684
Long-term leasehold deposits received and long-term guarantee deposits	2,598

Unlisted shares and shares of subsidiaries and associates are not included in “(3) Investment securities” in the table summarizing fair value of financial instruments, because their fair values are deemed to be extremely difficult to determine as they have no market prices.

Some of leasehold deposits, guarantee deposits, long-term leasehold deposits received, and long-term guarantee deposits are not included in “(4) Leasehold deposits and guarantee deposits” or “(9) long-term leasehold deposits received and long-term guarantee deposits,” because their return periods and fair values are extremely difficult to estimate.

Assets

(1) Cash and deposits and (2) Notes and accounts receivable - trade

Fair value is calculated based on book value as these assets are settled within a short time and the fair value is almost equal to the book value.

(3) Investment securities

Fair value of investment securities is calculated based on the prices traded at the stock exchange. For information regarding securities categorized by holding purpose, refer to (Notes to investment securities).

(4) Leasehold deposits and guarantee deposits

Fair value of leasehold deposits and guarantee deposits is calculated based on the present value estimated by discounting future cash flow by the risk-free rate for the remaining term.

Liabilities

(5) Notes and accounts payable - trade and (6) Short-term borrowings

Fair value is calculated based on book value as these assets are settled within a short time and the fair value is almost equal to the book value.

(7) Long-term borrowings and (8) Lease liabilities

Fair value of long-term borrowings and lease obligations is calculated by discounting the total principal and interest, using discount rates that would be applicable for similar new borrowings or lease transactions.

(9) Long-term leasehold deposits received and long-term guarantee deposits

Fair value of long-term leasehold deposits received and long-term guarantee deposits is calculated based on the present value estimated by discounting future cash flow by the risk-free rate for the remaining term.

Derivative transactions

Refer to (Notes to derivative transactions).

As of February 20, 2023

	Amount recorded on consolidated balance sheet (Million yen)	Fair value (Million yen)	Difference (Million yen)
(1) Investment securities			
Available-for-sale securities	2,026	2,026	-
(2) Leasehold deposits and guarantee deposits	5,926	5,046	(879)
Total assets	7,953	7,073	(879)
(3) Long-term borrowings(*)	15,303	15,213	(89)
(4) Lease liabilities(*)	1,191	1,183	(7)
(5) Long-term leasehold deposits received and long-term guarantee deposits	2,584	2,079	(504)
Total liabilities	19,079	18,477	(601)
Derivative transactions	-	-	-

* Includes current liabilities.

*1 Notes on cash and deposits, notes and accounts receivable - trade, notes and accounts payable - trade, and short-term borrowings are omitted as these assets are cash and are settled within a short time, hence their fair value is almost equal to their book value.

*2 Shares that do not have a market price are not included in "(1) Investment securities." The amounts recorded on the consolidated balance sheets for these financial instruments are indicated in the table below.

Classification	As of February 20, 2023 (Million yen)
Unlisted shares	154
Shares of subsidiaries and associates	331

(Note 1) Redemption schedule for monetary receivables after the consolidated closing date

As of February 20, 2022

(Million yen)

Classification	Within 1 year	After 1 year and within 5 years	After 5 years and within 10 years	After 10 years
Cash and deposits	17,029	-	-	-
Notes and accounts receivable - trade	5,653	-	-	-
Investment securities	-	-	-	-
Leasehold deposits and guarantee deposits	99	374	422	448

As of February 20, 2023

(Million yen)

Classification	Within 1 year	After 1 year and within 5 years	After 5 years and within 10 years	After 10 years
Cash and deposits	15,751	-	-	-
Notes and accounts receivable - trade	6,294	-	-	-
Investment securities	-	-	-	-
Leasehold deposits and guarantee deposits	289	1,010	1,208	3,417

(Note 2) Repayment schedule for short-term borrowings, long-term borrowings, and lease liabilities after the consolidated closing date

As of February 20, 2022

(Million yen)

Classification	Within 1 year	After 1 year and within 2 years	After 2 years and within 3 years	After 3 years and within 4 years	After 4 years and within 5 years	After 5 years
Short-term borrowings	5,060	-	-	-	-	-
Long-term borrowings	4,149	5,810	2,100	800	600	-
Lease liabilities	830	649	355	132	7	21

As of February 20, 2023

(Million yen)

Classification	Within 1 year	After 1 year and within 2 years	After 2 years and within 3 years	After 3 years and within 4 years	After 4 years and within 5 years	After 5 years
Short-term borrowings	4,660	-	-	-	-	-
Long-term borrowings	6,129	3,300	2,000	1,800	1,193	880
Lease liabilities	660	367	133	7	7	13

3. Fair value of financial instruments by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value:

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

As of February 20, 2023

Classification	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	2,026	-	-	2,026
Total assets	2,026	-	-	2,026

(2) Financial instruments other than those measured at fair value

As of February 20, 2023

Classification	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Leasehold deposits and guarantee deposits	-	5,046	-	5,046
Total assets	-	5,046	-	5,046
Long-term borrowings	-	15,213	-	15,213
Lease liabilities	-	1,183	-	1,183
Long-term leasehold deposits received and long-term guarantee deposits	-	2,079	-	2,079
Total liabilities	-	18,477	-	18,477

Note: A description of the valuation technique(s) and inputs used in the fair value calculations

Investment securities

Fair value of investment securities is calculated based on the prices traded at the stock exchange. As listed shares are traded in active markets, their fair value is classified as Level 1.

Leasehold deposits and guarantee deposits

Fair value of leasehold deposits received and guarantee deposits is calculated based on the present value estimated by discounting future cash flow by the risk-free rate for the remaining term and is classified as Level 2.

Long-term borrowings and lease liabilities

Fair value of long-term borrowings and lease liabilities is calculated by discounting the total principal and interest, using discount rates that would be applicable for similar new borrowings or lease transactions and is classified as Level 2.

Long-term leasehold deposits received and long-term guarantee deposits

Fair value of long-term leasehold deposits received and long-term guarantee deposits is calculated based on the present value estimated by discounting future cash flow by the risk-free rate for the remaining term and is classified as Level 2.

Derivative transactions

Refer to (Notes to derivative transactions).

(Notes to investment securities)

1. Available-for-sale securities

As of February 20, 2022

Classification	Amount recorded on consolidated balance sheet (Million yen)	Acquisition cost (Million yen)	Difference (Million yen)
Securities for which the amount recorded on the consolidated balance sheet exceeds their acquisition cost			
Shares	731	300	430
Bonds	-	-	-
Other	-	-	-
Subtotal	731	300	430
Securities for which the amount recorded on the consolidated balance sheet does not exceed their acquisition cost			
Shares	1,096	1,337	(241)
Bonds	-	-	-
Other	-	-	-
Subtotal	1,096	1,337	(241)
Total	1,828	1,638	189

(Note) "Acquisition cost" in the table refers to book value after recognition of impairment losses

As of February 20, 2023

Classification	Amount recorded on consolidated balance sheet (Million yen)	Acquisition cost (Million yen)	Difference (Million yen)
Securities for which the amount recorded on the consolidated balance sheet exceeds their acquisition cost			
Shares	1,316	738	578
Bonds	-	-	-
Other	-	-	-
Subtotal	1,316	738	578
Securities for which the amount recorded on the consolidated balance sheet does not exceed their acquisition cost			
Shares	710	898	(187)
Bonds	-	-	-
Other	-	-	-
Subtotal	710	898	(187)
Total	2,026	1,636	390

(Note) "Acquisition cost" in the table refers to book value after recognition of impairment losses

2. Available-for-sale securities sold during the consolidated fiscal year

For the fiscal year ended February 20, 2022

Not applicable.

For the fiscal year ended February 20, 2023

Classification	Sales (Million yen)	Gains (Million yen)	Losses (Million yen)
Shares	2	-	0
Total	2	-	0

3. Impairment losses on securities

In the previous consolidated fiscal year, 20 million yen of impairment losses was recognized on available-for-sale securities.

There were no impairment losses recognized in the consolidated fiscal year under review.

In the recognition of impairment losses, where fair value at the end of the fiscal year has fallen by more than 50% compared with the acquisition cost, impairment loss is recognized for the entire value. Where fair value has fallen by around 30-50%, impairment loss is recognized for the amount deemed necessary for each security, in consideration of recoverability and other factors.

(Notes to derivative transactions)

1. Derivative transactions not subject to hedge accounting

Not applicable.

2. Derivative transactions subject to hedge accounting

Interest rate-related transactions

As of February 20, 2022

Hedge accounting method	Type of derivatives, etc.	Major hedged items	Contract amount (Million yen)	Contract amount due after 1 year (Million yen)	Fair value (Million yen)
Exceptional method for interest rate swaps	Interest rate swaps Fixed payment and fluctuating interest receipt	Long-term borrowings	1,500	980	(Note)

(Note) Since interest rate swaps subject to the exceptional method are handled together with long-term borrowings that are subject to hedging, their fair value is presented within the fair value of such long-term borrowings.

As of February 20, 2023

Hedge accounting method	Type of derivatives, etc.	Major hedged items	Contract amount (Million yen)	Contract amount due after 1 year (Million yen)	Fair value (Million yen)
Exceptional method for interest rate swaps	Interest rate swaps Fixed payment and fluctuating interest receipt	Long-term borrowings	980	460	(Note)

(Note) Since interest rate swaps subject to the exceptional method are handled together with long-term borrowings that are subject to hedging, their fair value is presented within the fair value of such long-term borrowings.

(Notes to retirement benefits)

1. Overview of retirement benefit plans adopted

The Company has established a corporate pension fund plan as its defined-benefit plan and a defined-contribution pension plan as its defined-contribution plan. Some consolidated subsidiaries have established a smaller enterprise retirement allowance mutual aid scheme, defined-contribution pension plan, or lump sum retirement payment plans and have adopted simplified methods for their calculation.

2. Defined-benefit plans

(1) Changes in retirement benefit obligations

(Million yen)

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Balance of retirement benefit obligations at beginning of period	11,177	11,347
Service cost	392	412
Interest cost	119	121
Actuarial gain and loss generated	19	50
Retirement benefits paid	(362)	(505)
Balance of retirement benefit obligations at end of period	11,347	11,426

(Note) Includes plans for which the simplified method is applied.

(2) Changes in plan assets

(Million yen)

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Balance of plan assets at beginning of period	12,267	12,788
Expected return on plan assets	306	319
Actuarial gain and loss generated	(175)	(345)
Contributions from employers	725	376
Retirement benefits paid	(335)	(472)
Balance of plan assets at end of period	12,788	12,666

(3) Adjustments between ending balances of retirement benefit liabilities and plan assets and retirement benefit liability and retirement benefit assets recorded in the consolidated balance sheets

(Million yen)

	As of February 20, 2022	As of February 20, 2023
Retirement benefit obligations for funded plans	11,274	11,352
Plan assets	(12,788)	(12,666)
	(1,514)	(1,314)
Retirement benefit obligations for unfunded plans	73	73
Net obligations and assets recorded on consolidated balance sheet	(1,441)	(1,240)
Retirement benefit liability	73	73
Retirement benefit asset	(1,514)	(1,314)
Net obligations and assets recorded on consolidated balance sheet	(1,441)	(1,240)

(Note) Includes plans for which the simplified method is applied.

(4) Breakdown of retirement benefit expenses

(Million yen)

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Service cost	392	412
Interest cost	119	121
Expected return on plan assets	(306)	(319)
Amortization of actuarial gain and loss	72	3
Retirement benefit expenses for defined-benefit plans	277	218

(Note) Includes plans for which the simplified method is applied.

(5) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans (before tax effects) consist of the following.

(Million yen)

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Actuarial gain and loss	123	392
Total	123	392

(6) Accumulated remeasurements of defined benefit plans

Accumulated remeasurements of defined benefit plans (before tax effects) consist of the following.

(Million yen)

	As of February 20, 2022	As of February 20, 2023
Unrecognized actuarial gain and loss	567	960
Total	567	960

(7) Plan assets

1) Major components of plan assets

The proportion of each major component to total pension assets is as follows.

	As of February 20, 2022	As of February 20, 2023
Bonds	49%	54%
Shares	25%	28%
Life insurance general account	14%	15%
Alternative investments	7%	0%
Other	5%	3%
Total	100%	100%

2) Method for determining the long-term expected rates of return on plan assets

The current and expected portfolios of the plan assets held, as well as the current and future long-term expected rates of return on the various pension plan assets, are considered in the determination of the long-term expected rates of return on plan assets.

(8) Assumptions used in actuarial calculations

The major assumptions used in actuarial calculations

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Discount rates	1.1%	1.1%
Long-term expected rates of return on plan assets	2.5%	2.5%

3. Defined contribution plan

The required contribution amounts for the defined contribution plan of the Company and consolidated subsidiaries totaled 100 million yen for the previous consolidated fiscal year and 102 million yen for the consolidated fiscal year under review.

(Note) Of retirement benefit expenses (378 million yen for the previous fiscal year and 320 million yen for the current fiscal year), 11 million yen for the previous consolidated fiscal year and 7 million yen for the consolidated fiscal year under review are included in cost of sales.

(Notes to stock options, etc.)

1. Costs recorded and items related to stock options

	Previous consolidated fiscal year	Consolidated fiscal year under review
Selling, general and administrative expenses – Other	8 million yen	- million yen

2. Details of stock options and size and changes thereof

(1) Details of stock options

	1st stock-compensation type share acquisition rights	2nd stock-compensation type share acquisition rights	3rd stock-compensation type share acquisition rights
Date of resolution	May 17, 2013	May 16, 2014	May 15, 2015
Category and number of grantees	Directors of the Company (Excluding Audit & Supervisory Committee Members and Outside Directors) 6	Directors of the Company (Excluding Audit & Supervisory Committee Members and Outside Directors) 7	Directors of the Company (Excluding Audit & Supervisory Committee Members and Outside Directors) 7
Number of stock options granted by stock type (Note 1)	Common shares 9,000	Common shares 10,000	Common shares 8,700
Grant date	June 12, 2013	June 12, 2014	June 12, 2015
Vesting conditions	Holders of share acquisition rights may exercise their share acquisition rights as a single package only during the period from the day immediately following the day on which they vacate their position as Director until the day on which 10 days have passed.	Holders of share acquisition rights may exercise their share acquisition rights as a single package only during the period from the day immediately following the day on which they vacate their position as Director until the day on which 10 days have passed.	Holders of share acquisition rights may exercise their share acquisition rights as a single package only during the period from the day immediately following the day on which they vacate their position as Director until the day on which 10 days have passed.
Service period	Not specified.	Not specified.	Not specified.
Exercisable period	June 13, 2013–June 12, 2053	June 13, 2014–June 12, 2054	June 13, 2015–June 12, 2055
Number of share acquisition rights (Notes 2 and 3)	44	37	31
Type, description, and number of shares subject to share acquisition rights (Note 3)	Common shares 4,400	Common shares 3,700	Common shares 3,100
Amount payable on exercise of the share acquisition rights (Yen) (Note 3)	1	1	1
Issue price per share and capital increase in the event of issuance of shares due to the exercise of share acquisition rights (Yen) (Note 3)	(Note 4)	(Note 4)	(Note 4)
Exercise conditions of share acquisition rights (Note 3)	(Note 5)	(Note 5)	(Note 5)
Transfer of share acquisition rights (Note 3)	Approval of the Board of Directors of the Company shall be required for the acquisition of any share acquisition rights by means of transfer.	Approval of the Board of Directors of the Company shall be required for the acquisition of any share acquisition rights by means of transfer.	Approval of the Board of Directors of the Company shall be required for the acquisition of any share acquisition rights by means of transfer.
Issuance of share acquisition rights resulting from reorganization (Note 3)	(Note 6)	(Note 6)	(Note 6)

	4th stock-compensation type share acquisition rights	5th stock-compensation type share acquisition rights	6th stock-compensation type share acquisition rights
Date of resolution	May 18, 2016	May 17, 2017	May 16, 2018
Category and number of grantees	Directors of the Company (Excluding Audit & Supervisory Committee Members and Outside Directors) 8	Directors of the Company (Excluding Audit & Supervisory Committee Members and Outside Directors) 8	Directors of the Company (Excluding Audit & Supervisory Committee Members and Outside Directors) 8
Number of stock options granted by stock type (Note 1)	Common shares 8,800	Common shares 8,000	Common shares 8,700
Grant date	June 13, 2016	June 12, 2017	June 11, 2018
Vesting conditions	Holders of share acquisition rights may exercise their share acquisition rights as a single package only during the period from the day immediately following the day on which they vacate their position as Director until the day on which 10 days have passed.	Holders of share acquisition rights may exercise their share acquisition rights as a single package only during the period from the day immediately following the day on which they vacate their position as Director until the day on which 10 days have passed.	Holders of share acquisition rights may exercise their share acquisition rights as a single package only during the period from the day immediately following the day on which they vacate their position as Director until the day on which 10 days have passed.
Service period	Not specified.	Not specified.	Not specified.
Exercisable period	June 14, 2016–June 13, 2056	June 13, 2017–June 12, 2057	June 12, 2018–June 11, 2058
Number of share acquisition rights (Notes 2 and 3)	39	35	50
Type, description, and number of shares subject to share acquisition rights (Note 3)	Common shares 3,900	Common shares 3,500	Common shares 5,000
Amount payable on exercise of the share acquisition rights (Yen) (Note 3)	1	1	1
Issue price per share and capital increase in the event of issuance of shares due to the exercise of share acquisition rights (Yen) (Note 3)	(Note 4)	(Note 4)	(Note 4)
Exercise conditions of share acquisition rights (Note 3)	(Note 5)	(Note 5)	(Note 5)
Transfer of share acquisition rights (Note 3)	Approval of the Board of Directors of the Company shall be required for the acquisition of any share acquisition rights by means of transfer.	Approval of the Board of Directors of the Company shall be required for the acquisition of any share acquisition rights by means of transfer.	Approval of the Board of Directors of the Company shall be required for the acquisition of any share acquisition rights by means of transfer.
Issuance of share acquisition rights resulting from reorganization (Note 3)	(Note 6)	(Note 6)	(Note 6)

	7th stock-compensation type share acquisition rights	8th stock-compensation type share acquisition rights	9th stock-compensation type share acquisition rights
Date of resolution	May 15, 2019	May 14, 2020	May 13, 2021
Category and number of grantees	Directors of the Company (Excluding Audit & Supervisory Committee Members and Outside Directors) 7	Directors of the Company (Excluding Audit & Supervisory Committee Members and Outside Directors) 6	Directors of the Company (Excluding Audit & Supervisory Committee Members and Outside Directors) 7
Number of stock options granted by stock type (Note 1)	Common shares 9,000	Common shares 5,900	Common shares 7,800
Grant date	June 10, 2019	June 10, 2020	June 9, 2021
Vesting conditions	Holders of share acquisition rights may exercise their share acquisition rights as a single package only during the period from the day immediately following the day on which they vacate their position as Director until the day on which 10 days have passed.	Holders of share acquisition rights may exercise their share acquisition rights as a single package only during the period from the day immediately following the day on which they vacate their position as Director until the day on which 10 days have passed.	Holders of share acquisition rights may exercise their share acquisition rights as a single package only during the period from the day immediately following the day on which they vacate their position as Director until the day on which 10 days have passed.
Service period	Not specified.	Not specified.	Not specified.
Exercisable period	June 11, 2019–June 10, 2059	June 11, 2020–June 10, 2060	June 10, 2021–June 9, 2061
Number of share acquisition rights (Notes 2 and 3)	48	37	47
Type, description, and number of shares subject to share acquisition rights (Note 3)	Common shares 4,800	Common shares 3,700	Common shares 4,700
Amount payable on exercise of the share acquisition rights (Yen) (Note 3)	1	1	1
Issue price per share and capital increase in the event of issuance of shares due to the exercise of share acquisition rights (Yen) (Note 3)	(Note 4)	(Note 4)	(Note 4)
Exercise conditions of share acquisition rights (Note 3)	(Note 5)	(Note 5)	(Note 5)
Transfer of share acquisition rights (Note 3)	Approval of the Board of Directors of the Company shall be required for the acquisition of any share acquisition rights by means of transfer.	Approval of the Board of Directors of the Company shall be required for the acquisition of any share acquisition rights by means of transfer.	Approval of the Board of Directors of the Company shall be required for the acquisition of any share acquisition rights by means of transfer.
Issuance of share acquisition rights resulting from reorganization (Note 3)	(Note 6)	(Note 6)	(Note 6)

- (Notes) 1. The number of stock options has been converted into the number of shares.
2. The number of shares to be issued per share acquisition right shall be 100 shares. However, the number of shares may be adjusted within a reasonable scope in cases where the Company conducts a stock split or share consolidation, or when any other event requiring adjustment in the number of shares occurs.
3. The above details are current as of February 20, 2023. There have been no changes in these details as of April 30, 2023, the end of the month prior to the month in which the submission date of the Annual Securities Report falls.
4. (i) The amount of increase in capital in the event of issuance of shares due to the exercise of share acquisition rights shall be one-half (1/2) of the maximum amount of increase in stated capital calculated in accordance with Article 17, Paragraph 1 of the Regulations on Corporate Accounting, and any fraction of less than one yen resulting from the

calculation shall be rounded up.

- (ii) The amount of legal capital surplus to be increased in the event of issuance of shares due to the exercise of share acquisition rights shall be the amount obtained by subtracting the amount of increase in capital in (i) above from the maximum amount of increase in stated capital in (i) above.
5. (i) Share acquisition rights holders may exercise their share acquisition rights only when they have vacated the position of Director at the time of such exercise. However, in such cases, share acquisition rights holders may exercise their share acquisition rights as a single package only during the period from the day immediately following the day of vacating their position as Director (hereinafter referred to as “rights exercise commencement date”) until the day on which 10 days have passed.
- (ii) In the event of the death of a share acquisition rights holder, only if the share acquisition rights have been attributed to only one of the holder’s legal heirs (hereinafter referred to as “the successor”), the share acquisition rights may be exercised by the successor under the agreement in accordance with the following conditions. However, a person who is found to have committed a serious criminal offense may not be the successor.
 - In the event of the death of the successor, an heir of the successor may not inherit the share acquisition rights.
 - The successor must complete the inheritance procedures prescribed by the Company within 10 months after the commencement of inheritance and by the last day of the exercisable period.
 - The successor may exercise the share acquisition rights in a single package only within the period stated in the exercisable period of share acquisition rights above and within two months after the completion of inheritance procedures proscribed by the Company.
 - (iii) The share acquisition rights holder may not dispose of the share acquisition rights in any way, including transfer of share acquisition rights, establishment of security interest, or reservation of establishment of security interest.
6. In cases of merger (limited to cases in which the Company ceases to exist due to the merger), absorption-type company split, incorporation-type company split, share exchange, or share transfer (hereinafter collectively referred to as “reorganization”), the share acquisition rights of a stock company as set forth in Article 236, Paragraph 1, Item 8, (a) through (e) of the Companies Act (hereinafter referred to as “the reorganized company”) shall be issued to the holders of share acquisition rights remaining as of the effective date of the reorganization (hereinafter referred to as “remaining share acquisition rights”) under the following conditions. In this case, the remaining share acquisition rights shall be extinguished and share acquisition rights of the reorganized company shall be issued anew.

However, this shall be limited to cases where the issuance of share acquisition rights of the reorganized company pursuant to the following conditions is described in the merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.

- (i) Number of share acquisition rights of the reorganized company to be issued
The same number of share acquisition rights shall be issued as the number of remaining share acquisition rights held by the holder.
- (ii) Type and number of shares of the reorganized company subject to share acquisition rights
The type of shares subject to share acquisition rights shall be common share of the reorganized company, and the number of common share of the reorganized company to be issued due to the exercise of share acquisition rights shall be decided in accordance with Note 2, taking into account the conditions and other details of the reorganization.
- (iii) Value of assets to be invested for the exercise of share acquisition rights
The value of assets invested for the exercise of share acquisition rights issued shall be the amount obtained by multiplying the exercise price after reorganization set forth below by the number of shares subject to each of the relevant share acquisition rights. For the exercise price after reorganization, the amount per share of the reorganized company to be issued by exercising the share acquisition rights shall be one yen.
- (iv) Exercisable period of share acquisition rights
From the commencement date of the exercisable period of share acquisition rights or the effective date of the reorganization, whichever comes later, to the expiration date of the exercisable period of the share acquisition rights.
- (v) Matters regarding stated capital and capital reserves that increase in the case of issuance of shares due to exercise of share acquisition rights
Decided in accordance with the issuance price and capital increase per share on the exercise of the share acquisition rights.
- (vi) Restrictions on transfer of share acquisition rights
Approval of the Board of Directors of the reorganized company shall be required for the acquisition of any share acquisition rights by means of transfer.
- (vii) Matters regarding the acquisition of share acquisition rights
In the event that, prior to exercising the share acquisition rights, a holder of share acquisition rights becomes unable to exercise those rights due either to the conditions of exercise or to the provisions of a share acquisition rights allotment agreement, the Company may acquire such share acquisition rights without consideration on a date separately determined by the Board of Directors of the Company.
In cases where a proposal for approval of a merger agreement under which the Company becomes the disappearing company, an absorption-type company split agreement or an incorporation-type company split plan in which the

Company becomes the splitting company, or a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary is approved at the Company's general meeting of shareholders (or the Board of Directors meeting of the Company if a general meeting of shareholders is not required), the Company may, on a date separately determined by the Board of Directors of the Company, acquire the share acquisition rights that have not been exercised as of that date without consideration.

(Additional information)

The matters that ought to be stated in (2) Share acquisition rights, etc., 1) Details of stock option plans" under "IV. Information on the Filing Company, 1. Information on the Company's Shares" have been compiled in "Notes to stock options, etc."

(2) Size and change of stock options

The number of stock options that existed in the consolidated fiscal year under review (fiscal year ended February 20, 2023) has been translated into the number of shares.

1) Number of stock options

	1st stock-compensation type share acquisition rights	2nd stock-compensation type share acquisition rights	3rd stock-compensation type share acquisition rights	4th stock-compensation type share acquisition rights	5th stock-compensation type share acquisition rights
Non-vested (Shares)					
Outstanding at the end of the previous consolidated fiscal year	4,400	3,700	3,100	3,900	3,500
Granted during the year	-	-	-	-	-
Forfeited during the year	-	-	-	-	-
Vested during the year	-	-	-	-	-
Outstanding at the end of the year	4,400	3,700	3,100	3,900	3,500
Vested (Shares)					
Outstanding at the end of the previous consolidated fiscal year	-	-	-	-	-
Vested during the year	-	-	-	-	-
Exercised during the year	-	-	-	-	-
Forfeited during the year	-	-	-	-	-
Outstanding at the end of the year	-	-	-	-	-

	6th stock-compensation type share acquisition rights	7th stock-compensation type share acquisition rights	8th stock-compensation type share acquisition rights	9th stock-compensation type share acquisition rights
Non-vested (Shares)				
Outstanding at the end of the previous consolidated fiscal year	6,000	6,000	4,600	7,800
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Vested during the year	1,000	1,200	900	3,100
Outstanding at the end of the year	5,000	4,800	3,700	4,700
Vested (Shares)				
Outstanding at the end of the previous consolidated fiscal year	-	-	-	-
Vested during the year	1,000	1,200	900	3,100
Exercised during the year	1,000	1,200	900	3,100
Forfeited during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-

2) Unit value

	1st stock-compensation type share acquisition rights	2nd stock-compensation type share acquisition rights	3rd stock-compensation type share acquisition rights	4th stock-compensation type share acquisition rights
Exercise price (Yen)	1	1	1	1
Average stock price at the time of exercise (Yen)	-	-	-	-
Fair unit value at the grant date (Yen)	832	852	949	1,039

	5th stock-compensation type share acquisition rights	6th stock-compensation type share acquisition rights	7th stock-compensation type share acquisition rights	8th stock-compensation type share acquisition rights
Exercise price (Yen)	1	1	1	1
Average stock price at the time of exercise (Yen)	-	886	886	886
Fair unit value at the grant date (Yen)	1,176	1,056	1,022	1,464

	9th stock-compensation type share acquisition rights
Exercise price (Yen)	1
Average stock price at the time of exercise (Yen)	886
Fair unit value at the grant date (Yen)	1,037

3. Method for estimating the number of stock options vested

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of stock options vested only reflects the number of options that have actually expired.

(Notes to tax effect accounting)

1. Breakdown of major factors that resulted in deferred tax assets and deferred tax liabilities

	As of February 20, 2022	As of February 20, 2023
Deferred tax assets		
Accrued enterprise tax	71 million yen	74 million yen
Accrued bonuses	402 million yen	367 million yen
Gift certificates	93 million yen	- million yen
Contract liabilities	- million yen	386 million yen
Asset retirement obligations	1,024 million yen	965 million yen
Impairment losses	2,131 million yen	2,310 million yen
Retained tax loss (Note)	173 million yen	4 million yen
Other	706 million yen	549 million yen
Deferred tax assets (subtotal)	4,602 million yen	4,658 million yen
Valuation allowance pertaining to retained tax loss (Note)	(173) million yen	(4) million yen
Valuation allowance pertaining to total deductible temporary differences	(1,170) million yen	(922) million yen
Valuation allowance (subtotal)	(1,344) million yen	(926) million yen
Total deferred tax assets	3,258 million yen	3,731 million yen
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(50) million yen	(110) million yen
Asset retirement obligations and an associated asset retirement cost	(440) million yen	(393) million yen
Reserve for tax purpose reduction entry of non-current assets	(480) million yen	(455) million yen
Other	(464) million yen	(403) million yen
Total deferred tax liabilities	(1,435) million yen	(1,361) million yen
Balance of net deferred tax assets	1,822 million yen	2,369 million yen

(Note) Amounts classified by the deadline for retention of retained tax loss and related deferred tax assets

As of February 20, 2022

	Within 1 year	After 1 year and within 2 years	After 2 years and within 3 years	After 3 years and within 4 years	After 4 years and within 5 years	After 5 years	Total
Retained tax loss (*)	-	62	-	0	5	105	173 million yen
Valuation allowance	-	(62)	-	(0)	(5)	(105)	(173) million yen
Deferred tax assets	-	-	-	-	-	-	- million yen

(*) The retained tax loss is an amount obtained by multiplying the normal effective statutory tax rate.

As of February 20, 2023

	Within 1 year	After 1 year and within 2 years	After 2 years and within 3 years	After 3 years and within 4 years	After 4 years and within 5 years	After 5 years	Total
Retained tax loss (*)	-	-	-	-	-	4	4 million yen
Valuation allowance	-	-	-	-	-	(4)	(4) million yen
Deferred tax assets	-	-	-	-	-	-	— million yen

(*) The retained tax loss is an amount obtained by multiplying the normal effective statutory tax rate.

2. Breakdown of major items that caused the difference between the normal effective statutory tax rate and the corporate tax rate, etc. after the application of tax effect accounting

	As of February 20, 2022	As of February 20, 2023
Normal effective statutory tax rate	30.46%	30.46%
(Adjustment)		
Per capita inhabitants tax	7.39%	19.39%
Non-deductible permanent differences such as entertainment expenses	0.18%	0.80%
Non-taxable permanent differences such as dividend income	(0.67)%	(4.25)%
Share of loss (profit) of entities accounted for using equity method	0.25%	0.12%
Impact of consolidated elimination of dividend income	0.56%	5.70%
Expiration of retained losses	0.02%	-%
Changes in valuation allowance	11.53%	(37.31)%
Other	(0.65)%	0.16%
Corporate tax rate, etc. after the application of tax effect accounting	49.07%	15.07%

(Notes to business combinations)

Transactions under common control, etc.

Absorption-type merger with a consolidated subsidiary

The Company decided at a meeting of the Board of Directors held on July 5, 2022 to implement an absorption-type merger of its consolidated subsidiary, Hiramatsu Co., Ltd., and entered into a merger agreement on July 5, 2022, pursuant to which the Company implemented the merger effective November 21, 2022.

1. Outline of transaction

(1) Name and business of the company combined

Name of the company combined	Hiramatsu Co., Ltd.
Business	Supermarket business

(2) Date of business combination

November 21, 2022

(3) Legal form of business combination

An absorption-type merger in which the Company is the surviving company and Hiramatsu Co., Ltd. is the dissolving company.

(4) Name of the company after combination

OKUWA Co., Ltd.

(5) Other matters related to the outline of transaction

Hiramatsu Co., Ltd. engaged in supermarket business in Wakayama. The transaction is intended to strengthen the sales capability and improve the management efficiency of the Group.

2. Outline of the accounting treatment implemented

The transaction was treated as a common control transaction in accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No.21, January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, January 16, 2019).

(Notes to asset retirement obligations)

Asset retirement obligations posted in the consolidated balance sheets

(1) Description of asset retirement obligations

Obligations include the restoration of properties to their original states under real estate lease contracts and fixed-term leasehold contracts.

(2) Method of calculating asset retirement obligations

Asset retirement obligations are calculated by assuming an expected period of use of 15 to 39 years following acquisition and

using a discount rate at 0.23% to 2.19%.

(3) Changes in asset retirement obligations

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Balance at beginning of period	3,347 million yen	3,362 million yen
Increases associated with acquisition of property, plant and equipment	30 million yen	35 million yen
Adjustments due to passage of time	40 million yen	41 million yen
Increases due to changes in estimates	24 million yen	- million yen
Decreases due to fulfilment of asset retirement obligations	(80) million yen	- million yen
Decreases due to exemption from original-state restoration obligations	- million yen	(268) million yen
Balance at end of period	3,362 million yen	3,170 million yen

(4) Changes in calculation of asset retirement obligations

For asset retirement obligations recorded as obligations to restore properties to their original states under real estate lease contracts, the Company changed its estimates of restoration costs required for closing of stores and expected period of use of stores, due to the acquisition of new information. As a result, asset retirement obligations before these changes were increased by 24 million yen in the previous consolidated fiscal year.

(Notes to leased real estate, etc.)

Omitted due to their insignificance to total.

(Notes to revenue recognition)

1 Information on breakdown of revenue from contracts with customers

	(Million yen)
	For the fiscal year ended February 20, 2023
Supermarket business	
Sales of products (net sales)	233,449
Other (operating revenue)	8,129
Other	
Restaurant business (net sales)	1,277
Revenue from contracts with customers	242,855
Supermarket business	
Other revenue	4,021
Operating revenue to external customers	246,877

(Notes) 1. The main component of Other (operating revenue) is commission income for use of logistics centers, etc.

2. Other revenue is real estate lease revenue included in the scope of the Accounting Standard for Lease Transactions.

2 Basic information for understanding revenue from contracts with customers

As described in “4. Accounting policies (5) Basis for significant revenue and expenses” under “Significant matters providing the basis for the preparation of consolidated financial statements.”

3 Information concerning the relationship between the fulfilment of obligations based on contracts with customers and cashflow generated by those contracts and information concerning the amount and timing of revenue expected to be recognized in the consolidated fiscal year under review and in subsequent fiscal years from contracts with customers that exist at the end of the consolidated fiscal year under review

(1) Balance, etc. of contract liabilities

(Million yen)

	Consolidated fiscal year under review
Receivables from contracts with customers (balance at the beginning of period)	5,858
Receivables from contracts with customers (balance at the end of period)	6,294
Contract liabilities (balance at the beginning of period)	1,531
Contract liabilities (balance at the end of period)	2,649

(Notes) 1. Receivables from contracts with customers are accounts receivable - trade.

2. Contract liabilities are mainly gift certificates issued by the Company and liabilities related to advances received from customers and are drawn down with revenue recognition.

3. The amount of revenue identified in the consolidated fiscal year under review included in the balance of contract liabilities as of the beginning of the period is 1,102 million yen.

(2) Transaction prices allocated to remaining performance obligations

As the Group has no significant contracts whose contract terms are expected to exceed one year, practical expediency has been applied, and the disclosure of information concerning remaining performance obligations has been omitted.

(Segment and related information)

[Segment information]

The disclosure of segment information is omitted because the reportable segment of the Group is the supermarket business only, and it is immaterial as disclosure information.

[Related information]

1. Information by product and service

The disclosure of information by product and service is omitted as net sales to external customers in a single product and service category account for more than 90% of net sales in the consolidated statements of income.

2. Information by geographic area

(1) Net sales

Not applicable as the Group has no subsidiaries in any countries or regions other than Japan and no overseas net sales.

(2) Property, plant and equipment

Not applicable as the Group has no subsidiaries and property, plant and equipment in any countries or regions other than Japan.

3. Information by major customer

Not applicable as the Group has no external customers for which net sales account for 10% or more of the net sales in the consolidated statements of income.

[Information about impairment losses on non-current assets by reportable segment]

The disclosure of segment information is omitted because the reportable segment of the Group is the supermarket business only, and it is immaterial as disclosure information.

[Information about amortization of goodwill and unamortized balance by reportable segment]

The disclosure of segment information is omitted because the reportable segment of the Group is the supermarket business only, and it is immaterial as disclosure information.

[Information about gain on negative goodwill by reportable segment]

Not applicable.

[Information on related parties]

1 Transactions between related parties

(1) Transactions between the Company and related parties

Officers of the Company and major individual shareholders, etc.

For the fiscal year ended February 20, 2022

Type	Name	Location	Share capital or paid-in capital (Million yen)	Business outline or occupation	Ratio of voting rights holding (held) (%)	Relationship	Summary of transactions	Amount of transaction (Million yen)	Item	Balance at the end of period (Million yen)
Companies where an officer or a close relative thereof holds 50% or more of the voting rights	Daian Shoji Co., Ltd. (Note 1)	Wakayama City, Wakayama	10	General insurance agency business	—	General insurance contracts	Payment of insurance premiums (Note 2)	178	—	—
	PARTYHOUSE Co., Ltd. (Note 3)	Wakayama City, Wakayama	50	Sale of apparel	(Held) Direct: 1.4	Concurrent officers Real estate lease contracts, etc.	Leasing of stores, etc. (Note 4)	30	Accounts receivable - other	2
							Consignment buying pertaining to tenants (Note 5)	204	Accounts payable - other	4
							Distribution expenses of goods (Note 6)	46	Long-term leasehold deposits received, guarantee deposits	6
							System usage fees (Note 6)	18	Accounts receivable - other	3
Supply of products (Note 6)	33	Accounts receivable - trade	2							
O-Entertainment Co., Ltd. (Note 7)	Chuo-ku, Osaka City, Osaka	100	Sale of books, rental of DVDs, management of cram schools and cinema complexes	(Holding) Direct: 18.0	Concurrent officers Real estate lease contracts, etc.	Leasing of stores, etc. (Note 8)	416	Accounts receivable - other	29	
						Consignment buying pertaining to tenants (Note 5)	577	Accounts payable - other	36	
Bermuda Assetment Co., Ltd. (Note 9)	Wakayama City, Wakayama	5	Leasing and management of real estate	(Held) Direct: 3.5	Concurrent officers Real estate rental contracts	Renting of stores (Note 10)	66	Leasehold deposits, guarantee deposits	36	

(Note) Of the above amounts, the amount of transaction does not include consumption tax, etc., while the balance at the end of period includes consumption tax, etc.

Terms and conditions of the transactions and their policies

(Note 1) 100% of the voting rights are directly held by the respective close relatives of the Company's Chairman of the Board Ikuji Okuwa, Director Shoji Okuwa, Director Keiji Okuwa, and Director Toshio Okuwa.

(Note 2) The amounts are determined by contract by referring to general transaction terms and conditions.

(Note 3) The Company's Director Toshio Okuwa and his close relatives directly hold 98.2% of the voting rights.

(Note 4) Regarding the leasing of stores, etc., decisions are made after considering the prevailing market conditions in the neighborhood. In addition, rents are revised every three years.

(Note 5) Amounts related to consignment buying pertaining to tenants from PARTYHOUSE Co., Ltd. and O-Entertainment Co., Ltd. are determined by contract by referring to general transaction terms and conditions.

(Note 6) Distribution expenses of goods, system usage fees, supply of products, etc. are determined by contract by referring to general transaction terms and conditions.

(Note 7) The Company's Director Keiji Okuwa and his close relatives indirectly hold 82.0% of the voting rights.

(Note 8) Regarding the leasing of stores, etc., decisions are made after considering the prevailing market conditions in the neighborhood. In addition, rents are revised every two to three years.

(Note 9) The Company's Director Shoji Okuwa and his close relatives directly hold 100% of the voting rights.

(Note 10) Regarding the renting of stores, decisions are made after considering the prevailing market conditions in the neighborhood. In addition, rents are revised every three years.

For the fiscal year ended February 20, 2023

Type	Name	Location	Share capital or paid-in capital (Million yen)	Business outline or occupation	Ratio of voting rights holding (held) (%)	Relationship	Summary of transactions	Amount of transaction (Million yen)	Item	Balance at the end of period (Million yen)
Companies where an officer or a close relative thereof holds 50% or more of the voting rights (including subsidiaries of such companies)	Daian Shoji Co., Ltd. (Note 1)	Wakayama City, Wakayama	10	General insurance agency business	—	General insurance contracts	Payment of insurance premiums (Note 2)	167	—	—
	PARTYHOUSE Co., Ltd. (Note 3)	Wakayama City, Wakayama	50	Sale of apparel	(Held) Direct: 1.4	Concurrent officers Real estate lease contracts, etc.	Leasing of stores, etc. (Note 4)	37	Accounts receivable - other	1
							Distribution expenses of goods (Note 5)	48	Accounts receivable - other	3
							System usage fees (Note 6)	18	Accounts receivable - other	1
	O-Entertainment Co., Ltd. (Note 6)	Chuo-ku, Osaka City, Osaka	100	Sale of books, rental of DVDs, management of cram schools and cinema complexes	(Holding) Direct: 18.0	Concurrent officers Real estate lease contracts, etc.	Leasing of stores, etc. (Note 7)	438	Accounts receivable - other	11
	Bermuda Assetment Co., Ltd. (Note 8)	Wakayama City, Wakayama	5	Leasing and management of real estate	(Held) Direct: 3.5	Concurrent officers Real estate rental contracts	Renting of stores (Note 9)	60	Leasehold deposits	35
O-Holdings, Co., Ltd. (Note 10)	Izumi City, Osaka	80	Investment and management of investment securities	(Held) Direct: 1.4	Concurrent officers	Transfer of real estate (Note 11)				
						Proceeds of sale	31	—	—	
						Gain on sale	1	—	—	

Terms and conditions of the transactions and their policies

(Note 1) The respective close relatives of the Company's Directors, Ikuji Okuwa, Shoji Okuwa, Keiji Okuwa, and Toshio Okuwa directly hold 100% of the voting rights.

(Note 2) The amounts are determined by contract by referring to general transaction terms and conditions.

(Note 3) The Company's Director Toshio Okuwa and his close relatives directly hold 98.2% of the voting rights.

(Note 4) Regarding the leasing of stores, etc., decisions are made after considering the prevailing market conditions in the neighborhood. In addition, rents are revised every three years.

(Note 5) Distribution expenses of goods, system usage fees, etc. are determined by contract by referring to general transaction terms and conditions.

(Note 6) The Company's Director Keiji Okuwa and his close relatives indirectly hold 10.0% of the voting rights.

(Note 7) Regarding the leasing of stores, etc., decisions are made after considering the prevailing market conditions in the neighborhood. In addition, rents are revised every two to three years.

(Note 8) The Company's Director Shoji Okuwa and his close relatives directly hold 100% of the voting rights.

(Note 9) Regarding the renting of stores, decisions are made after considering the prevailing market conditions in the neighborhood. In addition, rents are revised every three years.

(Note 10) The Company's Director Keiji Okuwa and his close relatives directly hold 35.2% and indirectly hold 64.8% of the voting rights.

(Note 11) The sale price is decided based on an appraisal by a real estate appraiser.

(2) Transactions between consolidated subsidiaries of the Company and related parties
Not applicable.

2 Notes to the parent company or other significant affiliates
Not applicable.

(Per share information)

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Net assets per share	1,775.94 yen	1,769.22 yen
Basic earnings per share	34.74 yen	21.18 yen
Diluted earnings per share	34.74 yen	21.18 yen

(Note) The bases for calculating basic earnings per share and diluted earnings per share are as follows.

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Basic earnings per share		
Profit attributable to owners of parent (Million yen)	1,523	928
Amount not attributable to common shareholders (Million yen)	-	-
Profit attributable to owners of parent related to common shares (Million yen)	1,523	928
Average number of common shares outstanding during the period (Shares)	43,847,571	43,867,826
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Million yen)	-	-
Increase in number of common shares (Shares)	3,827	514
(Of which, share acquisition rights (Shares))	(3,827)	(514)
Overview of residual shares not included in the calculation of diluted earnings per share due to their non-dilutive effect	-	-

(Significant subsequent events)

Not applicable.

5) Consolidated supplementary schedules

[Schedule of bonds]

Not applicable.

[Schedule of borrowings]

Classification	Balance at beginning of the period (Million yen)	Balance at end of the period (Million yen)	Average interest rate (%)	Maturity
Short-term borrowings	5,060	4,660	0.434	-
Current portion of long-term borrowings	4,149	6,129	0.363	-
Current portion of lease liabilities	830	660	-	-
Long-term borrowings (excluding current portion)	9,310	9,174	0.444	From May 31, 2024 to October 31, 2028
Lease liabilities (excluding current portion)	1,167	530	-	From March 7, 2024 to December 8, 2029
Total	20,517	21,154	-	-

(Notes) 1. "Average interest rate" refers to the weighted average interest rate for the balance of borrowings, etc. at the end of the period.

2. The average interest rate of lease liabilities is not stated, because lease liabilities are recorded on the consolidated balance sheet before deducting the amount equivalent to interest that is included in the total amount of leasing fees.

3. The redemption schedule of long-term borrowings and lease liabilities (excluding current portion) for five years subsequent to the consolidated closing date is summarized as follows:

Classification	Due after 1 year through 2 years (Million yen)	Due after 2 years through 3 years (Million yen)	Due after 3 years through 4 years (Million yen)	Due after 4 years through 5 years (Million yen)
Long-term borrowings	3,300	2,000	1,800	1,193
Lease liabilities	367	133	7	7

[Schedule of asset retirement obligations]

Classification	Balance at beginning of the period (Million yen)	Increase during the period (Million yen)	Decrease during the period (Million yen)	Balance at end of the period (Million yen)
Obligation to restore properties to their original states under real estate lease contracts	3,362	76	268	3,170

(2) Others

Quarterly information for the consolidated fiscal year under review

(Cumulative period)		1st quarter (Three months ended May 20, 2022)	2nd quarter	3rd quarter (Nine months ended November 20, 2022)	Consolidated fiscal year under review
Net sales	(Million yen)	55,118	114,587	172,466	234,726
Profit before income taxes	(Million yen)	397	1,153	1,441	1,119
Profit attributable to owners of parent	(Million yen)	203	635	794	928
Quarterly (period under review) basic earnings per share	(Yen)	4.64	14.48	18.12	21.18

(Fiscal period)		1st quarter (Three months ended May 20, 2022)	2nd quarter	3rd quarter (Nine months ended November 20, 2022)	4th quarter
Quarterly basic earnings per share	(Yen)	4.64	9.83	3.64	3.06

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

1) Non-consolidated Balance Sheet

(Million yen)

	As of February 20, 2022	As of February 20, 2023
Assets		
Current assets		
Cash and deposits	*1 16,325	*1 15,319
Accounts receivable - trade	*3 5,873	*3 6,249
Merchandise and finished goods	8,601	9,448
Advance payments to suppliers	-	45
Short-term loans receivable from subsidiaries and associates	*3 3,000	*3 1,120
Accounts receivable - other	*3 1,660	*3 2,126
Advances paid	*3 62	*3 9
Other	*3 76	*3 53
Allowance for doubtful accounts	(1,042)	(290)
Total current assets	34,557	34,080
Non-current assets		
Property, plant and equipment		
Buildings	*1 44,706	*1 44,490
Structures	2,576	2,286
Machinery and equipment	1,586	1,494
Vehicles	5	6
Tools, furniture and fixtures	2,484	3,184
Land	27,474	28,044
Leased assets	1,881	1,159
Construction in progress	1,413	843
Total property, plant and equipment	82,130	81,510
Intangible assets		
Leasehold interests in land	2,742	2,597
Software	850	747
Other	194	229
Total intangible assets	3,787	3,574
Investments and other assets		
Investment securities	1,866	2,165
Shares of subsidiaries and associates	183	183
Long-term prepaid expenses	302	361
Deferred tax assets	1,643	2,066
Prepaid pension costs	2,081	2,274
Investment property	96	96
Guarantee deposits	5,833	5,828
Deposits for stores in preparation	130	88
Other	158	133
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	12,290	13,191
Total non-current assets	98,208	98,276
Total assets	132,766	132,356

(Million yen)

	As of February 20, 2022	As of February 20, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	*3 13,122	*3 12,563
Short-term borrowings	5,060	4,660
Current portion of long-term borrowings	*4 4,149	*4 6,129
Lease liabilities	786	638
Accounts payable - other	*3 7,391	*3 6,026
Accrued expenses	2,061	1,974
Income taxes payable	328	363
Accrued consumption taxes	781	152
Deposits received	*3 595	*3 589
Electronically recorded obligations-facilities	464	1,222
Provision for point card certificates	1,385	-
Refund liability	-	1,321
Contract liabilities	-	2,645
Asset retirement obligations	268	-
Other	1,952	353
Total current liabilities	38,348	38,641
Non-current liabilities		
Long-term borrowings	*4 9,310	9,174
Lease liabilities	1,108	515
Provision for retirement benefits	-	42
Long-term guarantee deposits	*1, *3 2,990	*1, *3 2,932
Asset retirement obligations	2,984	3,104
Other	*3 351	*3 160
Total non-current liabilities	16,745	15,928
Total liabilities	55,093	54,570
Net assets		
Shareholders' equity		
Share capital	14,117	14,117
Capital surplus		
Legal capital surplus	14,027	14,027
Other capital surplus	987	981
Total capital surplus	15,015	15,009
Retained earnings		
Legal retained earnings	1,314	1,314
Other retained earnings		
Reserve for tax purpose reduction entry	1,096	1,039
General reserve	44,300	44,300
Retained earnings brought forward	3,306	3,322
Total retained earnings	50,018	49,977
Treasury shares	(1,658)	(1,629)
Total shareholders' equity	77,492	77,474
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	134	274
Total valuation and translation adjustments	134	274
Share acquisition rights	45	38
Total net assets	77,672	77,786
Total liabilities and net assets	132,766	132,356

2) [Non-consolidated Statements of Income]

(Million yen)

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Net sales	*1 253,233	*1 229,087
Cost of sales	185,118	165,283
Gross profit	68,114	63,804
Operating revenue		
Real estate lease revenue	*1 3,192	*1 4,117
Other operating revenue	*1 6,307	*1 7,969
Total operating revenue	9,500	12,086
Operating gross profit	77,615	75,890
Selling, general and administrative expenses	*2 72,549	*2 73,066
Operating profit	5,065	2,824
Non-operating income		
Interest and dividend income	*1 120	*1 287
Gain on sale of recycled materials	*1 66	*1 69
Other	*1 170	*1 138
Total non-operating income	356	495
Non-operating expenses		
Interest expenses	70	75
Provision of allowance for doubtful accounts	36	2
Other	12	18
Total non-operating expenses	119	96
Ordinary profit	5,303	3,222
Extraordinary income		
Gain on sale of non-current assets	*3 0	*3 12
Gain on differences between the asset retirement obligation balance and the actual retirement costs	-	234
Subsidy income	8	-
Gain on extinguishment of tie-in shares	-	78
Total extraordinary income	8	325
Extraordinary losses		
Loss on sale of non-current assets	*4 0	*4 51
Loss on retirement of non-current assets	*5 424	*5 229
Provision of allowance for doubtful accounts for subsidiaries and associates	754	31
Impairment losses	847	1,806
Loss on cancellation of rental contracts	264	138
Loss on debt forgiveness to subsidiaries and affiliates	-	113
Other	106	26
Total extraordinary losses	2,398	2,398
Profit before income taxes	2,913	1,150
Income taxes - current	957	638
Income taxes - deferred	472	(519)
Total income taxes	1,429	119
Profit	1,484	1,031

3) Non-consolidated Statements of Changes in Equity

Fiscal year ended February 20, 2022 (from February 21, 2021 to February 20, 2022)

(Million yen)

	Shareholders' equity										
	Share capital	Capital surplus			Retained earnings						Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Retained earnings brought forward		
						Reserve for tax purpose reduction entry	Reserve for special depreciation	General reserve			
Balance at beginning of period	14,117	14,027	990	15,017	1,314	1,131	0	40,800	6,426	49,674	
Cumulative effects of changes in accounting policies										-	
Restated balance	14,117	14,027	990	15,017	1,314	1,131	0	40,800	6,426	49,674	
Changes during period											
Dividends of surplus									(1,139)	(1,139)	
Profit									1,484	1,484	
Purchase of treasury shares											
Disposal of treasury shares			(2)	(2)							
Reversal of reserve for tax purpose reduction entry						(34)			34	-	
Reversal of reserve for special depreciation							(0)		0	-	
Provision of general reserve								3,500	(3,500)	-	
Net changes in items other than shareholders' equity											
Total changes during period	-	-	(2)	(2)	-	(34)	(0)	3,500	(3,120)	344	
Balance at end of period	14,117	14,027	987	15,015	1,314	1,096	-	44,300	3,306	50,018	

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(1,674)	77,134	45	45	51	77,231
Cumulative effects of changes in accounting policies		-				-
Restated balance	(1,674)	77,134	45	45	51	77,231
Changes during period						
Dividends of surplus		(1,139)				(1,139)
Profit		1,484				1,484
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	16	14				14
Reversal of reserve for tax purpose reduction entry		-				-
Reversal of reserve for special depreciation		-				-
Provision of general reserve		-				-
Net changes in items other than shareholders' equity			89	89	(6)	83
Total changes during period	16	358	89	89	(6)	441
Balance at end of period	(1,658)	77,492	134	134	45	77,672

Fiscal year ended February 20, 2023 (from February 21, 2022 to February 20, 2023)

(Million yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
					Reserve for tax purpose reduction entry	Reserve for special depreciation	General reserve	Retained earnings brought forward		
Balance at beginning of period	14,117	14,027	987	15,015	1,314	1,096	-	44,300	3,306	50,018
Cumulative effects of changes in accounting policies									68	68
Restated balance	14,117	14,027	987	15,015	1,314	1,096	-	44,300	3,374	50,086
Changes during period										
Dividends of surplus									(1,140)	(1,140)
Profit									1,031	1,031
Purchase of treasury shares										
Disposal of treasury shares			(6)	(6)						
Reversal of reserve for tax purpose reduction entry						(57)			57	-
Reversal of reserve for special depreciation										
Provision of general reserve										
Net changes in items other than shareholders' equity										
Total changes during period	-	-	(6)	(6)	-	(57)	-	-	(51)	(109)
Balance at end of period	14,117	14,027	981	15,009	1,314	1,039	-	44,300	3,322	49,977

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(1,658)	77,492	134	134	45	77,672
Cumulative effects of changes in accounting policies		68				68
Restated balance	(1,658)	77,561	134	134	45	77,740
Changes during period						
Dividends of surplus		(1,140)				(1,140)
Profit		1,031				1,031
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	28	22				22
Reversal of reserve for tax purpose reduction entry		-				-
Reversal of reserve for special depreciation						
Provision of general reserve						
Net changes in items other than shareholders' equity			139	139	(6)	132
Total changes during period	28	(87)	139	139	(6)	45
Balance at end of period	(1,629)	77,474	274	274	38	77,786

[Notes to Non-consolidated Financial Statements]

(Significant Accounting Policies)

1. Evaluation standards and methods for assets

(1) Evaluation standards and methods for securities

1) Shares of subsidiaries and affiliates Stated at cost by the moving average method

2) Available-for-sale securities

Securities other than shares that do not have a market price Stated at fair value (Unrealized gains or losses are comprehensively reported as a component of net assets and the cost of securities sold is computed using the moving average method.)

Shares that do not have a market price Stated at cost by the moving average method

(2) Evaluation standards and methods for inventories

Inventories are stated at cost by the retail method. However, logistics center inventories, etc. are stated at cost by the last purchase cost method. Balance sheet values reflect write-downs based on decreased profitability.

2. Depreciation methods for non-current assets

(1) Property, plant and equipment (excluding leased assets)

The declining balance method is used. However, the straight line method is applied for buildings acquired on or after April 1, 1998 (excluding building fixtures) and building fixtures and structures acquired on or after April 1, 2016.

The useful lives of assets are principally as follows:

Buildings	3 to 47 years
Structures	10 to 20 years
Machinery and equipment	5 to 17 years
Vehicles	4 to 6 years
Tools, furniture and fixtures	2 to 10 years

(2) Intangible assets (excluding leased assets) and long-term prepaid expenses

The straight line method is used. However, software for internal use is amortized over an estimated useful life of five years using the straight line method.

(3) Leased assets

Leased assets related to non-ownership-transfer finance lease transactions

Depreciated by the straight line method, by defining the lease term of respective assets as their useful lives, with residual value equaling zero.

3. Basis for allowances and provisions

(1) Allowance for doubtful accounts

To prepare for any loss incurred from bad debts, such as accounts receivable - trade and loans, allowances are provided based on the actual rate of losses in respect of general receivables and by considering the respective collectability in respect of specific debts, including doubtful accounts.

(2) Provision for retirement benefits

To provide for employees' retirement benefits, the Company makes a provision for retirement benefits, based on the projected amount of retirement benefit obligations and related plan assets as of the end of the fiscal year under review. As of the end of the fiscal year under review, if the projected amount of plan assets exceeds the projected amount of retirement benefit obligations, the excess amount is recorded as prepaid pension costs.

1) Allocation of expected retirement benefits to periods

In calculating retirement benefit obligations, the benefit formula standard is used as the method for attributing expected benefits up to the end of the fiscal year under review.

2) Amortization of actuarial differences

Actuarial differences are amortized evenly using the straight line method over a fixed period within the average remaining service years of employees (10 years) at the time of occurrence in each fiscal year, beginning from the fiscal year following the time of occurrence.

4. Basis for revenue and expenses

(1) Revenue recognition related to sales of products

Revenue generated from contracts made with customers of the Company is primarily from sales of products, etc. in the supermarket business. Revenue from these sales of products, etc. is recognized at the time that the products, etc. are delivered to the customers.

For sales of products, etc. in which the Company is determined to constitute an agent, revenue is recognized at the net amount received from the customer less the amount paid to the supplier.

In addition, the Company offers a customer loyalty program, whereby points are granted to members at the time of sale and one point is converted to one yen. Revenue is recognized at the amount of net sales after deduction of points granted less points expected to expire in future.

(2) Revenue recognition related to gift certificates issued by the Company

The Company identifies gift certificates issued as obligations and recognizes revenue at the time that a gift certificate is used. Revenue for unused portions of gift certificates is recognized at the time when the likelihood of customers exercising their rights becomes extremely low.

5. Hedge accounting method

(1) Hedge accounting method

Exceptional accounting treatment is applied to interest-rate swaps as they meet the conditions for exceptional accounting treatment.

(2) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Interest on borrowings

(3) Hedging policy

The Group conducts derivative transactions primarily for the purpose of hedging its exposure to interest rate fluctuation risks arising from borrowings, and it has a policy of not entering into speculative transactions.

(4) Method of evaluating hedging effectiveness

The assessment of hedging effectiveness is omitted for interest rate swaps as they meet the conditions for exceptional accounting treatment.

6. Other significant matters providing the basis for the preparation of non-consolidated financial statements

Not applicable.

(Significant accounting estimates)

1. Impairment loss on non-current assets

(1) Amount recorded on the non-consolidated financial statements for the fiscal year under review

	For the fiscal year ended February 20, 2022 (Million yen)	For the fiscal year ended February 20, 2023 (Million yen)
Impairment losses	847	1,806
Property, plant and equipment and intangible assets	85,917	85,084

(2) Information on the content of significant accounting estimates for the identified item

The details are the same as those stated in “1. Impairment loss on non-current assets (2) Information on the content of significant accounting estimates for the identified item” in “Notes to Consolidated Financial Statements (Significant accounting estimates).”

2. Recoverability of deferred tax assets

(1) Amount recorded on the non-consolidated financial statements for the fiscal year under review

	As of February 20, 2022 (Million yen)	As of February 20, 2023 (Million yen)
Deferred tax assets	1,643	2,066

(2) Information on the content of significant accounting estimates for the identified item

The details are the same as those stated in “2. Recoverability of deferred tax assets (2) Information on the content of significant

accounting estimates for the identified item” in “Notes to Consolidated Financial Statements (Significant accounting estimates).”

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”), etc. from the beginning of the fiscal year under review. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

Major changes due to the application of the Revenue Recognition Standard are as follows:

1. Revenue recognition related to agent transactions

For transactions in which the Company offers a good or services to a customer as an agent (consignment buying), revenue was previously recognized at the total amount of consideration received from the customer. After evaluating the Company’s role (whether it acts as a principal or an agent) in the provision of a good or services to the customer, however, revenue is now recognized at the net amount received from the customer less the amount paid to the supplier. Such revenue is recorded under operating revenue.

2. Revenue recognition related to the loyalty program

The Company offers a customer loyalty program, whereby points are granted to members at the time of sale and one point is converted to one yen. The Company previously recognized the estimated value to be redeemed as the provision and recorded the provision for point card certificates as promotion expenses under selling, general and administrative expenses. However, such revenue is now recognized at the amount of net sales less the points granted.

The Company previously recorded the points granted in connection with the sale of products based on the loyalty program operated by other companies as selling, general and administrative expenses. However, such revenue is now recognized at the amount of net sales less the amount equivalent to the points granted.

3. Revenue recognition related to gift certificates issued by the Company

The Company previously did not recognize revenue for unused portions of gift certificates it had issued. However, such revenue is now recognized at the time when the likelihood of customers exercising their rights becomes extremely low.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the fiscal year under review, with the new accounting policies applied from the beginning balance.

As a result, for the fiscal year under review, net sales decreased by 17,960 million yen, cost of sales decreased by 14,409 million yen, operating revenue increased by 1,557 million yen, and selling, general and administrative expenses decreased by 2,025 million yen. Operating profit, ordinary profit, and profit before income taxes increased by 32 million yen each. Meanwhile, the balance of retained earnings at the beginning of the period increased by 68 million yen.

Because of the application of the Revenue Recognition Standard, etc., starting from the beginning of the fiscal year under review, gift certificates and electronic money, which were included in other under current liabilities in the consolidated balance sheets for the previous fiscal year, are now included in contract liabilities, and provision for point card certificates is now presented as refund liability. In accordance with the transitional treatment provided in Paragraph 89-2 of the Revenue Recognition Standard, no reclassification has been made to the previous year’s non-consolidated financial statements to conform to the new presentation method.

In accordance with the transitional treatment provided in Paragraph 89-3 of the Revenue Recognition Standard, there are no notes pertaining to the previous fiscal year in “Notes to revenue recognition.”

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”), etc. from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional

treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the non-consolidated financial statements.

(Additional information)

(Accounting estimates associated with the impact of the COVID-19 pandemic)

This information is omitted because it is the same as the information stated in “Additional Information” in the Notes to Consolidated Financial Statements.

(Notes to non-consolidated balance sheet)

*1 Assets pledged as collateral and obligations related to collateral

(1) Assets pledged as collateral

	As of February 20, 2022	As of February 20, 2023
Cash and deposits (time deposits)	3 million yen	3 million yen
Buildings	71 million yen	67 million yen
Total	75 million yen	71 million yen

(2) Obligations related to collateral

	As of February 20, 2022	As of February 20, 2023
Long-term guarantee deposits	20 million yen	20 million yen

*2 Contingent liabilities (Guarantee obligations)

	As of February 20, 2022	As of February 20, 2023
Guarantees against trade payables, etc.	25 million yen	32 million yen

*3 Monetary claims and payables related to subsidiaries and associates

	As of February 20, 2022	As of February 20, 2023
Short-term monetary claims	3,433 million yen	1,190 million yen
Short-term monetary payables	611 million yen	968 million yen
Long-term monetary payables	406 million yen	432 million yen

*4 Financial covenants

Among its borrowings, syndicate loan agreements are subject to financial covenants that are based on certain indicators and other conditions calculated from the amount in the net assets section of the consolidated balance sheet as of each fiscal year end or ordinary profit/loss in the consolidated statements of income as of each fiscal year end.

	As of February 20, 2022	As of February 20, 2023
Current portion of long-term borrowings	571 million yen	500 million yen
Long-term borrowings	500 million yen	- million yen
Total	1,071 million yen	500 million yen

(Notes to non-consolidated statement of income)

*1 Turnover from transactions with subsidiaries and associates

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Turnover from business transactions		
Net sales	4,494 million yen	0 million yen
Purchase of goods	5,983 million yen	4,931 million yen
Other business transactions	729 million yen	780 million yen
Turnover from transactions other than business transactions	153 million yen	306 million yen

*2 The major components, amounts, and approximate ratios of selling, general and administrative expenses are as follows:

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Employees' salaries and allowances	26,912 million yen	27,088 million yen
Rent expenses	7,615 million Yen	7,277 million yen
Promotion expenses	2,045 million yen	- million yen
Retirement benefit expenses	356 million yen	302 million yen
Depreciation	5,782 million yen	6,149 million yen
Approximate ratios		
Selling expenses	41%	38%
General and administrative expenses	59%	62%

*3 The details of gain on sale of non-current assets are as follows:

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Buildings	0 million yen	5 million yen
Land	- million yen	6 million yen
Other non-current assets	0 million yen	0 million yen
Total	0 million yen	12 million yen

*4 The details of loss on sale of non-current assets are as follows:

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Buildings	- million yen	11 million yen
Land	0 million yen	24 million yen
Other non-current assets	- million yen	15 million yen
Total	0 million yen	51 million yen

*5 The details of loss on retirement of non-current assets are as follows:

	For the fiscal year ended February 20, 2022	For the fiscal year ended February 20, 2023
Buildings	39 million yen	21 million yen
Structures	2 million yen	0 million yen
Machinery and equipment	0 million yen	11 million yen
Tools, furniture and fixtures	9 million yen	1 million yen
Other non-current assets	0 million yen	0 million yen
Cost of dismantling of buildings and other items	372 million yen	195 million yen
Total	424 million yen	229 million yen

(Notes to investment securities)

As of February 20, 2022

The fair values of shares of subsidiaries and affiliates are not stated, as they have no market prices and their fair values are deemed to be extremely difficult to determine.

Amounts recorded on balance sheet of shares of subsidiaries and affiliates whose fair values are deemed to be extremely difficult to determine are as follows:

Classification	As of February 20, 2022 (Million yen)
Shares of subsidiaries	48
Shares of affiliates	134
Total	183

As of February 20, 2023

The fair values of shares of subsidiaries and affiliates are not stated, as they have no market prices.

Amounts recorded on balance sheet of shares of subsidiaries and affiliates who have no market prices are as follows:

Classification	As of February 20, 2023 (Million yen)
Shares of subsidiaries	48
Shares of affiliates	134
Total	183

(Notes to tax effect accounting)

1. Breakdown of major factors that resulted in deferred tax assets and deferred tax liabilities

	As of February 20, 2022	As of February 20, 2023
Deferred tax assets		
Accrued enterprise tax	69 million yen	73 million yen
Accrued bonuses	399 million yen	366 million yen
Gift certificates	91 million yen	- million yen
Contract liabilities	- million yen	385 million yen
Loss on valuation of shares of subsidiaries and associates	454 million yen	323 million yen
Asset retirement obligations	990 million yen	945 million yen
Impairment losses	1,766 million yen	2,285 million yen
Allowance for doubtful accounts	318 million yen	89 million yen
Other	545 million yen	411 million yen
Deferred tax assets (subtotal)	4,637 million yen	4,881 million yen
Valuation allowance	(1,381) million yen	(1,152) million yen
Total deferred tax assets	3,255 million yen	3,728 million yen
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(47) Million yen	(107) Million yen
Asset retirement obligations and an associated asset retirement cost	(433) Million yen	(393) Million yen
Reserve for tax purpose reduction entry of non-current assets	(480) Million yen	(455) Million yen
Prepaid pension costs	(634) Million yen	(692) Million yen
Other	(15) Million yen	(13) Million yen
Total deferred tax liabilities	(1,612) million yen	(1,662) million yen
Balance of net deferred tax assets	1,643 million yen	2,066 million yen

2 Breakdown of major items that caused the difference between the normal effective statutory tax rate and the corporate tax rate, etc. after the application of tax effect accounting

	As of February 20, 2022	As of February 20, 2023
Normal effective statutory tax rate	30.46%	30.46%
(Adjustment)		
Per capita inhabitants tax	7.67%	18.68%
Non-deductible permanent differences such as entertainment expenses	0.16%	0.74%
Non-taxable permanent differences such as dividend income	(0.70)%	(4.02)%
Changes in valuation allowance	11.58%	(19.91)%
Impact of merger	-%	(15.42)%
Other	(0.11)%	(0.13)%
Corporate tax rate, etc. after the application of tax effect accounting	49.06%	10.40%

(Notes to business combinations)

Transactions under common control, etc.

This information is omitted because it is the same as the information stated in (Notes to business combinations) in the Notes to Consolidated Financial Statements.

(Notes to revenue recognition)

The basic information for understanding revenue from contracts with customers is omitted because it is the same as the information stated in (Notes to revenue recognition) in the Notes to Consolidated Financial Statements.

(Significant subsequent events)

Not applicable.

4) Supplemental schedules

[Schedule of property, plant and equipment, etc.]

(Million yen)

Classification	Type of asset	Balance at beginning of the period	Increase during the period	Decrease during the period	Depreciation during the period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	120,764	6,457	2,242 (1,137)	3,522	124,980	80,489
	Structures	14,254	581	406 (276)	388	14,429	12,142
	Machinery and equipment	6,288	282	28	363	6,542	5,048
	Vehicles	169	19	14 (0)	5	174	168
	Tools, furniture and fixtures	11,122	2,227	430 (78)	1,241	12,919	9,734
	Land	27,474	774	204 (103)	-	28,044	-
	Leased assets	5,613	94	1,214	774	4,493	3,333
	Construction in progress	1,413	1,284	1,853	-	843	-
	Total	187,101	11,720	6,394 (1,595)	6,297	192,427	110,917
Intangible assets	Leasehold interests in land	2,742	66	211 (197)	-	2,597	-
	Software	1,759	191	337	292	1,613	865
	Other	235	89	56 (1)	3	269	40
	Total	4,738	347	605 (198)	295	4,479	905

(Notes) 1. The major items for increase during the period are as follows:

Buildings, etc.	Hiramatsu Co., Ltd.	(Acquisition by merger)	3,425 million yen
Buildings, etc.	Nakatsugawa Nakamura Store	(Newly opened store)	1,329 million yen
Land and construction in progress	Kasugai Store	(New store scheduled to open in the next fiscal year)	843 million yen
Buildings, etc.	Messa Iwade Store	(Newly opened store)	840 million yen
Buildings, etc.	Super Center Palm City Wakayama Store	(Store refurbishment)	439 million yen

2. The major items for decrease during the period are as follows:

Construction in progress	Nakatsugawa Nakamura Store	(Newly opened store)	1,343 million yen
Buildings, etc.	Super Center Kakegawa Store	(Impairment loss)	767 million yen
Land and buildings, etc.	Shirahama property	(Property for lease)	247 million yen
Buildings, etc.	Sanda Store	(Closed store)	195 million yen
Buildings, etc.	Pare Marche Nishiharu Store	(Closed store)	195 million yen

3. Depreciation during the period of 6,593 million yen consists of: 443 million yen recorded as cost of sales, and 6,149 million yen recorded as selling, general and administrative expenses.

4. The figures in parentheses in decrease during the period represent the amounts of impairment losses.

5. Balance at beginning of the period and balance at end of the period are stated based on the acquisition price.

[Schedule of allowances]

(Million yen)

Item	Balance at beginning of the period	Increase during the period	Decrease during the period	Balance at end of period
Allowance for doubtful accounts	1,047	3	755	295
Provision for point card certificates	1,385	-	1,385	-

(Note) As the Company has applied the Revenue Recognition Standard, etc., the provision for point card certificates is presented as “refund liability” from the fiscal year under review.

(2) Details of major assets and liabilities

This information is omitted because the Company prepares consolidated financial statements.

(3) Others

Not applicable.

VI. Stock-Related Administration for the Filing Company

Business Year	From February 21 to February 20
Ordinary General Meeting of Shareholders	Held within three months from the fiscal year-end
Record date	February 20
Record date for dividends of surplus	August 20 and February 20
Number of shares constituting one unit	100 shares
Purchase of shares less than one unit	
Handling office	(Special account) 4-5-33 Kitahama, Chuo-ku, Osaka City, Osaka, Japan Stock Transfer Agency Business Planning Department of Sumitomo Mitsui Trust Bank, Limited
Transfer agent	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan Sumitomo Mitsui Trust Bank, Limited
Forward office	—
Purchasing fee	Amount separately specified as an amount equivalent to the fees pertaining to the entrustment of sale and purchase of shares
Method of public notice	Public notices of the Company shall be provided through electronic means. However, in the event that accidents or other unavoidable reasons prevent the provision of electronic public notices, notices shall be provided through the Nikkei newspaper. Electronic public notices are published on the Company's website, and they can be viewed from the following address: https://www.okuwa.net/ir/
Shareholders' privileges	Shareholders of the Company as of the end of the fiscal year will be presented with the following complimentary gifts. 100–999 shares: 500-yen OKUWA gift certificate 1,000–1,999 shares: 3,000-yen OKUWA gift certificate 2,000 shares or more: 5,000-yen OKUWA gift certificate Gift coupons will be presented to shareholders who do not reside in areas where we currently operate our stores (Wakayama, Nara, Osaka, Mie, Aichi, and Gifu).

VII. Reference Information on the Filing Company

1. Information on a Parent Company, etc. of the Filing Company

The Company does not have a parent company or other entity that is provided in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company submitted the following documents during the period from the starting date of the current fiscal year to the date on which the Annual Securities Report was submitted.

(1) Annual Securities Report and documents attached thereto, and the Document of Confirmation thereof	The 53rd fiscal year	February 21, 2021 – February 20, 2022	May 12, 2022 Submitted to Director-General of the Kanto Local Finance Bureau
(2) Internal Control Report and documents attached thereto	The 53rd fiscal year	February 21, 2021 – February 20, 2022	May 12, 2022 Submitted to Director-General of the Kanto Local Finance Bureau
(3) Quarterly Securities Report and Document of Confirmation thereof	(1st quarter of the 54th fiscal year)	February 21, 2022 – May 20, 2022	June 27, 2022 Submitted to Director-General of the Kanto Local Finance Bureau
	(2nd quarter of the 54th fiscal year)	May 21, 2022 – August 20, 2022	October 3, 2022 Submitted to Director-General of the Kanto Local Finance Bureau
	(3rd quarter of the 54th fiscal year)	August 21, 2022 – November 20, 2022	December 27, 2022 Submitted to Director-General of the Kanto Local Finance Bureau
(4) Extraordinary Report		Extraordinary Report pursuant to the provisions of Article 19, Paragraph (2), Item (ix)-2 (Results of exercise of voting rights at a shareholders' meeting) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.	May 13, 2022 Submitted to Director-General of the Kanto Local Finance Bureau

Part 2: Information on Guarantors for the Filing Company

Not applicable.

