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Consolidated Financial Results for the Fiscal Year Ended February 20, 2022 [Japanese GAAP]



April 4, 2022

Company name: OKUWA Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 8217

URL: <http://www.okuwa.net>

Representative: Hirotsugu Okuwa, President and Representative Director

Contact: Kozo Togawa, Managing Director; Executive Officer; General Manager, Administration Headquarters; and
General Manager, IR Office

Phone: +81-73-425-2481

Scheduled date of general shareholders' meeting: May 12, 2022

Scheduled date of commencing dividend payments: May 13, 2022

Scheduled date of filing securities report: May 12, 2022

Availability of supplementary explanatory materials on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (for institutional investors and financial analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended February 20, 2022 (February 21, 2021 - February 20, 2022)

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

	Operating income		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended February 20, 2022	266,532	(4.5)	5,233	(33.3)	5,463	(31.8)	1,523	(59.8)
February 20, 2021	279,217	5.2	7,845	127.5	8,015	113.4	3,786	165.0

(Note) Comprehensive income: Fiscal year ended February 20, 2022: ¥1,560 million [(58.8)%]

Fiscal year ended February 20, 2021: ¥3,783 million [170.4%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to operating income
Fiscal year ended	Yen	Yen	%	%	%
February 20, 2022	34.74	34.74	2.0	4.0	2.0
February 20, 2021	86.38	86.35	5.0	5.8	2.8

(Reference) Share of loss (profit) of entities accounted for using equity method:

Fiscal year ended February 20, 2022: ¥(24) million

Fiscal year ended February 20, 2021: ¥(18) million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 20, 2022	133,513	78,170	58.3	1,775.94
As of February 20, 2021	137,863	77,747	56.2	1,767.36

(Reference) Equity: As of February 20, 2022: ¥77,876 million

As of February 20, 2021: ¥77,475 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
February 20, 2022	8,590	(7,016)	(3,144)	16,668
February 20, 2021	13,772	(5,034)	(6,515)	18,239

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
February 20, 2021	–	13.00	–	13.00	26.00	1,139	30.1	1.5
February 20, 2022	–	13.00	–	13.00	26.00	1,140	74.8	1.5
February 20, 2023 (Forecast)	–	13.00	–	13.00	26.00		55.6	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 20, 2023 (February 21, 2022, - February 20, 2023)

(% indicates changes from the previous corresponding period.)

	Operating income		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
First half	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	125,000	–	2,000	(19.0)	2,100	(19.6)	1,000	(31.0)	22.80
	252,000	–	5,400	3.2	5,600	2.5	2,050	34.6	46.75

(Note) The company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc. since the beginning of the fiscal year ending February 20, 2023. Therefore, the figures in the above financial results forecast show the amounts after the relevant accounting standards are applied, and for the operating income, changes from the previous corresponding period are not described.

* Notes:

- Changes in significant subsidiaries during the fiscal year under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
Newly included: – (), Excluded: – ()
- Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - Changes in accounting policies due to the revision of accounting standards: None
 - Changes in accounting policies other than 1) above: None
 - Changes in accounting estimates: None
 - Retrospective restatement: None
- Total number of issued and outstanding shares (common shares)
 - Total number of issued and outstanding shares at the end of the year (including treasury shares):
February 20, 2022: 45,237,297 shares
February 20, 2021: 45,237,297 shares
 - Total number of treasury shares at the end of the year:
February 20, 2022: 1,386,767 shares
February 20, 2021: 1,400,405 shares
 - Average number of shares during the year:

Year ended February 20, 2022: 43,847,571 shares
Year ended February 20, 2021: 43,835,644 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended February 20, 2022 (February 21, 2021 - February 20, 2022)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Operating income		Operating profit		Ordinary profit		Net income	
Year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 20, 2022	262,734	(4.6)	5,065	(33.6)	5,303	(32.3)	1,484	(60.4)
February 20, 2021	275,304	5.3	7,634	127.4	7,828	113.2	3,744	157.7

	Basic earnings per share	Diluted earnings per share
Year ended	Yen	Yen
February 20, 2022	33.85	33.85
February 20, 2021	85.42	85.40

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 20, 2022	132,766	77,672	58.5	1,770.28
As of February 20, 2021	136,835	77,231	56.4	1,760.62

(Reference) Equity: As of February 20, 2022: ¥77,627 million

As of February 20, 2021: ¥77,180 million

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending February 20, 2023 (February 21, 2022, - February 20, 2023)

(% indicates changes from the previous corresponding period.)

	Operating income		Operating profit		Ordinary profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	122,000	—	2,100	(18.8)	1,000	(32.4)	22.80
Full year	246,000	—	5,500	3.7	2,000	34.8	45.61

(Note) The company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc. since the beginning of the fiscal year ending February 20, 2023. Therefore, the figures in the above financial results forecast show the amounts after the relevant accounting standards are applied, and for the operating income, changes from the previous corresponding period are not described.

* These consolidated financial results are outside the scope of audit by certified public accountants or an audit firm.

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

The earnings forecasts and other forward-looking statements herein are based on certain information available to the Company as of the date of publication of this document and on certain assumptions deemed reasonable. As such, actual results may differ significantly from these forecasts due to a wide range of factors. For the assumptions used as the basis for the financial results forecast and notes on the use of the forecast, please refer to “1. Overview of Operating Results, etc. (4) Future Outlook” on page 4 of the Attachments to this report.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

The Japanese economy in the consolidated fiscal year under review is under the influence of the prolonged COVID-19 (hereinafter referred to as the infection) pandemic, and the economy has repeatedly declined and recovered due to the repeated declaration of the states of emergency and application of the quasi-emergency measures throughout the country. Although the Japanese economy has begun to show signs of temporary recovery such as the decrease in the number of infections due to the progress in vaccine rollout, the impact of the outbreak of the new variant of the infection is significant and the outlook remains uncertain due to soaring prices of raw materials and a rise in the prices of crude oil mainly due to increased geopolitical risk.

The retail industry continued to face a severe situation as well, mainly due to the recurrent outbreak and containment of the infection, especially the thorough implementation of measures to prevent the spread of the infection in stores, responding to rising demand for eating at home, and persistent consumer savings consciousness due to the outbreak of the new variant of the infection.

Under such circumstances, we have decided the slogan for the fiscal year as “Let's respond to changes in the social environment and diversifying customer needs by changing the mindset of each individual and taking action” under the new management system. 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 each store, 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 current fiscal year, we opened the “Tanabe Higashiyama Store” (Tanabe-shi, Wakayama) in March and the “Pare Marche Jingumae Store” (Nagoya-shi, Aichi) in July. As for the revitalization of existing stores, we renovated the “Pavilion City Tanabe Store” (Tanabe-shi, Wakayama), the “Katsuragi Store” (Katsuragi-cho, Ito-gun, Wakayama), the “Hisai Shoda Store” (Tsu-shi, Mie), the “Kashihara Bojo Store” (Kashihara-shi, Nara) and the “Wakayama Nakanoshima Store” (Wakayama-shi, Wakayama), etc.

On the other hand, in order to improve management efficiency, we closed the “Pare Marche Jingu Store” (Nagoya-shi, Aichi), the “Price Cut Nagai Store” (Nara-shi, Nara), the “Price Cut Nishinokyo Store” (Nara-shi, Nara), the “Yakata Store” (Wakayama-shi, Wakayama), the “Price Cut Kamikura Store” (Shingu-shi, Wakayama), the “Iga Midorigaoka Store” (Iga-shi, Mie), the “Pare Marche Nishiharu Store” (Kita Nagoya-shi, Aichi) and the “Price Cut Yanaizu Store” (Gifu-shi, Gifu).

As for consolidated subsidiaries, Hiramatsu Co., Ltd., a food supermarket, and SUNRISE., CO. LTD., which handles the processing and delivery of agricultural products, etc., saw lower sales and profits due in part to the reactionary fall from the stay-at-home demand. On the other hand, OAK FOODS CO.LTD. which operates restaurant businesses, posted higher sales and profits due to a partial recovery of demand for restaurants.

As a result, for the consolidated fiscal year under review, the Group posted operating income (net sales and operating revenue) of 266,532 million yen (a decrease of 4.5% year on year), operating profit of 5,233 million yen (a decrease of 33.3% year on year), ordinary profit of 5,463 million yen (a decrease of 31.8% year on year), and profit attributable to owners of parent of 1,523 million yen (a decrease of 59.8% year on year), against a backdrop of the reactionary fall from the stay-at-home demand in the previous fiscal year.

(2) Overview of Financial Position for the Fiscal Year under Review

Total assets at the end of the consolidated fiscal year under review decreased by 4,349 million yen from the end of the previous consolidated fiscal year to 133,513 million yen. The breakdown of the changes is as follows: a decrease of 2,134 million yen in current assets, primarily due to a decrease of 1,563 million yen in cash and deposits and a decrease of 530 million yen in merchandise and finished goods; and a decrease of 2,215 million

yen in non-current assets, primarily due to a decrease of 2,135 million yen in land under property, plant and equipment and a decrease of 994 million yen in leased assets, net, while an increase of 908 million yen in tools, furniture and fixtures, net under property, plant and equipment.

Liabilities decreased by 4,773 million yen from the end of the previous consolidated fiscal year to 55,342 million yen. Current liabilities decreased by 2,626 million yen, primarily due to a decrease of 1,213 million yen in electronically recorded obligations-facilities included in “others” under current liabilities and a decrease of 1,061 million yen in income taxes payable. Non-current liabilities decreased by 2,146 million yen, primarily due to a decrease in long-term borrowings of 1,149 million yen and a decrease of 801 million yen in lease obligations.

Net assets increased by 423 million yen from the end of the previous consolidated fiscal year to 78,170 million yen. This was primarily due to an increase of 383 million yen in retained earnings.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the consolidated fiscal year under review was 16,668 million yen, a decrease of 1,570 million yen or 8.6% 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 5,182 million yen from the previous consolidated fiscal year to 8,590 million yen. This was primarily due to decrease in trade payables of 612 million yen and income taxes paid of 2,049 million yen, despite profit before income taxes of 3,057 million yen, depreciation of non-cash items of 6,452 million yen and impairment losses of 1,682 million yen.

(Cash Flows from Investing Activities)

Net cash used in investing activities increased by 1,982 million yen from the previous consolidated fiscal year to 7,016 million yen. This was primarily due to proceeds from sale of non-current assets of 1,572 million yen despite purchase of non-current assets of 8,152 million yen.

(Cash Flows from Financing Activities)

Net cash used in financing activities decreased by 3,370 million yen from the previous consolidated fiscal year to 3,144 million yen. This was primarily due to proceeds from long-term borrowings of 3 billion yen despite repayments of long-term borrowings of 4,317 million yen, repayments of lease obligations of 1,064 million yen, and dividends paid of 1,139 million yen.

(Reference) Changes in cash flow-related indicators

	Fiscal year ended February 20, 2018	Fiscal year ended February 20, 2019	Fiscal year ended February 20, 2020	Fiscal year ended February 20, 2021	Fiscal year ended February 20, 2022
Equity ratio (%)	57.1	56.1	54.9	56.2	58.3
Equity ratio on market value basis (%)	35.8	37.4	47.1	38.2	31.0
Ratio of interest-bearing debt to cash flows (year)	2.6	3.0	2.4	1.4	2.2
Interest coverage ratio (times)	74.7	73.6	106.5	177.1	133.8

Equity ratio: Equity / Total assets

Equity ratio on market value basis: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

(Note 1) All indicators are calculated using financial values on a consolidated basis.

(Note 2) Market capitalization is calculated by multiplying the closing share price at the end of the fiscal year by the number of shares outstanding (after deducting treasury shares) at the end of the fiscal year.

(Note 3) For operating cash flow, cash flows from operating activities in the Consolidated Statements of Cash Flows are used.

(Note 4) Interest-bearing debt cover all debts recorded on the Consolidated Balance Sheets that are bearing interest. Interest payments use the interest expenses on the Consolidated Statement of Cash Flows.

(4) Future Outlook

Under the theme of “a supermarket that continues to transform, with a timeless spirit,” we are promoting the construction of business models that can contribute to the local community by strengthening our product and sales capabilities and creating services in order to embody our management philosophy of “a company that can further contribute to the improvement of customers’ lifestyles.”

The environment surrounding our company has changed drastically and it is expected that the employment environment will continue to be difficult due to concerns about soaring prices of raw materials and a rise in prices of crude oil mainly due to increased geopolitical risk, rising minimum wages, and increased participation in social insurance. In addition, the outlook for personal consumption is expected to be uncertain and severe due to social structural changes such as aging and decrease in the number of people per household and the impact of the spread of COVID-19.

Under these circumstances, we have decided that our next slogan will be “Let’s aim to be a company that can contribute to the local community by responding to the rapidly changing social environment and putting the customer first.” 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 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. In addition, in order to revitalize existing stores, we will develop and accelerate new store layouts through full makeover, 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.

For the full-year forecasts for the fiscal year ending February 20, 2023, operating income (net sales and operating revenue) of 252,000 million yen, operating profit of 5,400 million yen (an increase of 3.2% year on year), ordinary profit of 5,600 million yen (an increase of 2.5% year on year), and profit attributable to owners of parent of 2,050 million yen (an increase of 34.6% year on year) are expected.

We have formulated a new medium-term management plan for the period from the fiscal year ending February 20, 2023 to the fiscal year ending February 20, 2025. In the new medium-term management plan, the performance targets for the fiscal year ending February 20, 2025 are set at “consolidated operating income of 270 billion yen and consolidated ordinary profit of 6.5 billion yen.” Continuing from the previous medium-term management plan, the medium-term slogan will be “to establish the Okuwa brand that leads to sustainable growth and aim to be a regional chain that continues to contribute to the local community,” and we will fulfill our social responsibility to play a role as a lifeline that supports the lives of our customers and strive to establish sustainable and stable management and improve corporate value.

2. Basic Policy on Selection of Accounting Standards

The Group plans to prepare its consolidated financial statements in accordance with generally accepted accounting principles in Japan, taking into account comparability of consolidated financial statements between different accounting periods and against different companies. Note that it is the policy of the Company to adopt the international financial reporting standards (IFRS) in the future depending on conditions and trends in Japan and abroad.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of February 20, 2021	As of February 20, 2022
Assets		
Current assets		
Cash and deposits	18,593	17,029
Notes and accounts receivable - trade	5,465	5,653
Merchandise and finished goods	9,319	8,789
Other	2,172	1,942
Allowance for doubtful accounts	(1)	(0)
Total current assets	35,549	33,414
Non-current assets		
Property, plant and equipment		
Buildings and structures	141,290	139,465
Accumulated depreciation	(93,630)	(91,199)
Buildings and structures, net	47,659	48,265
Machinery, equipment and vehicles	6,373	6,611
Accumulated depreciation	(4,893)	(4,983)
Machinery, equipment and vehicles, net	1,480	1,627
Tools, furniture and fixtures	10,717	11,594
Accumulated depreciation	(9,081)	(9,050)
Tools, furniture and fixtures, net	1,635	2,543
Land	30,012	27,876
Leased assets	8,157	6,171
Accumulated depreciation	(5,181)	(4,189)
Leased assets, net	2,976	1,981
Construction in progress	1,790	1,413
Total property, plant and equipment	85,554	83,708
Intangible assets		
Other	3,909	3,929
Total intangible assets	3,909	3,929
Investments and other assets		
Investment securities	2,250	2,361
Retirement benefit asset	1,167	1,514
Leasehold deposits	4,733	4,571
Guarantee deposits	1,589	1,457
Deferred tax assets	2,299	1,831
Other	822	736
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	12,850	12,460
Total non-current assets	102,314	100,099
Total assets	137,863	133,513

(Million yen)

	As of February 20, 2021	As of February 20, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,804	13,192
Short-term borrowings	4,660	5,060
Current portion of long-term borrowings	4,317	4,149
Lease obligations	1,059	830
Income taxes payable	1,419	358
Accrued consumption taxes	776	840
Provision for point card certificates	1,462	1,385
Asset retirement obligations	303	268
Other	13,591	12,682
Total current liabilities	41,395	38,768
Non-current liabilities		
Long-term borrowings	10,459	9,310
Lease obligations	1,968	1,167
Deferred tax liabilities	10	9
Retirement benefit liability	77	73
Long-term leasehold deposits received	2,667	2,542
Long-term guarantee deposits	93	86
Asset retirement obligations	3,043	3,093
Other	398	292
Total non-current liabilities	18,720	16,574
Total liabilities	60,116	55,342
Net assets		
Shareholders' equity		
Share capital	14,117	14,117
Capital surplus	15,017	15,015
Retained earnings	50,273	50,656
Treasury shares	(1,674)	(1,658)
Total shareholders' equity	77,733	78,131
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	50	139
Remeasurements of defined benefit plans	(309)	(394)
Total accumulated other comprehensive income	(258)	(255)
Share acquisition rights	51	45
Non-controlling interests	220	249
Total net assets	77,747	78,170
Total liabilities and net assets	137,863	133,513

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

(Million yen)

	For the fiscal year ended February 20, 2021	For the fiscal year ended February 20, 2022
Net sales	268,679	255,996
Cost of sales	*1 193,710	*1 184,794
Gross profit	74,968	71,201
Operating revenue		
Real estate lease revenue	3,097	3,120
Other operating revenue	7,440	7,414
Total operating revenue	10,538	10,535
Operating gross profit	85,506	81,737
Selling, general and administrative expenses		
Advertising expenses	1,740	1,885
Supplies expenses	2,281	2,190
Distribution expenses	4,071	3,933
Promotion expenses	2,188	2,109
Remuneration for directors (and other officers)	164	149
Employees' salaries and allowances	28,687	28,535
Retirement benefit expenses	376	366
Welfare expenses	3,627	3,664
Security and cleaning expenses	2,755	2,704
Depreciation	5,796	6,004
Rent expenses	8,400	7,905
Utilities expenses	4,636	4,635
Repair expenses	3,013	2,782
Taxes and dues	1,829	1,705
Other	8,090	7,930
Total selling, general and administrative expenses	77,661	76,503
Operating profit	7,845	5,233
Non-operating income		
Interest income	2	1
Dividend income	49	51
Gain on sale of recycled materials	69	70
Miscellaneous income	186	209
Total non-operating income	306	333
Non-operating expenses		
Interest expenses	78	63
Share of loss of entities accounted for using equity method	18	24
Miscellaneous losses	38	14
Total non-operating expenses	136	102
Ordinary profit	8,015	5,463

(Million yen)

	For the fiscal year ended February 20, 2021	For the fiscal year ended February 20, 2022
Extraordinary income		
Gain on sale of non-current assets	94	0
Subsidy income	36	8
Compensation income	145	-
Total extraordinary income	277	9
Extraordinary losses		
Loss on sale of non-current assets	90	0
Loss on retirement of non-current assets	281	449
Impairment losses	*2 1,772	*2 1,682
Loss on cancellation of rental contracts	885	240
Other	47	42
Total extraordinary losses	3,078	2,415
Profit before income taxes	5,214	3,057
Income taxes - current	1,722	1,027
Income taxes - deferred	(344)	472
Total income taxes	1,378	1,500
Profit	3,836	1,556
Profit attributable to non-controlling interests	49	33
Profit attributable to owners of parent	3,786	1,523

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended February 20, 2021	For the fiscal year ended February 20, 2022
Profit	3,836	1,556
Other comprehensive income		
Valuation difference on available-for-sale securities	(10)	88
Remeasurements of defined benefit plans, net of tax	(41)	(85)
Total other comprehensive income	(52)	3
Comprehensive income	3,783	1,560
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,733	1,526
Comprehensive income attributable to non-controlling interests	49	33

(3) Consolidated Statements of Changes in Equity

Fiscal year ended February 20, 2021 (from February 21, 2020 to February 20, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	14,117	15,019	47,626	(1,681)	75,080
Changes during period					
Dividends of surplus			(1,139)		(1,139)
Profit attributable to owners of parent			3,786		3,786
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(1)		8	6
Net changes in items other than shareholders' equity					
Total changes during period	-	(1)	2,646	7	2,652
Balance at end of period	14,117	15,017	50,273	(1,674)	77,733

	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	61	(267)	(205)	49	175	75,100
Changes during period						
Dividends of surplus						(1,139)
Profit attributable to owners of parent						3,786
Purchase of treasury shares						(0)
Disposal of treasury shares						6
Net changes in items other than shareholders' equity	(10)	(41)	(52)	1	45	(5)
Total changes during period	(10)	(41)	(52)	1	45	2,647
Balance at end of period	50	(309)	(258)	51	220	77,747

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
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
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

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended February 20, 2021	For the fiscal year ended February 20, 2022
Cash flows from operating activities		
Profit before income taxes	5,214	3,057
Depreciation	6,255	6,452
Impairment losses	1,772	1,682
Share of loss (profit) of entities accounted for using equity method	18	24
Increase (decrease) in allowance for doubtful accounts	(8)	(0)
Interest and dividend income	(51)	(53)
Interest expenses	78	63
Loss (gain) on sale of non-current assets	(4)	0
Loss on retirement of non-current assets	281	449
Decrease (increase) in trade receivables	(1,027)	(188)
Decrease (increase) in inventories	462	530
Increase (decrease) in trade payables	519	(612)
Increase (decrease) in accrued consumption taxes	(14)	64
Increase (decrease) in long-term accounts payable - other	31	(74)
Other, net	1,544	(746)
Subtotal	15,074	10,649
Interest and dividends received	52	55
Interest paid	(77)	(64)
Income taxes paid	(1,276)	(2,049)
Net cash provided by (used in) operating activities	13,772	8,590
Cash flows from investing activities		
Payments into time deposits	(57)	(71)
Proceeds from withdrawal of time deposits	49	63
Purchase of non-current assets	(6,391)	(8,152)
Proceeds from sale of non-current assets	828	1,572
Loan advances	(60)	(20)
Payments of leasehold and guarantee deposits	(103)	(58)
Proceeds from refund of leasehold and guarantee deposits	1,111	325
Other, net	(411)	(676)
Net cash provided by (used in) investing activities	(5,034)	(7,016)

	For the fiscal year ended February 20, 2021	For the fiscal year ended February 20, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(200)	400
Proceeds from long-term borrowings	2,000	3,000
Repayments of long-term borrowings	(5,752)	(4,317)
Repayments of lease obligations	(1,331)	(1,064)
Repayments of other liabilities with interest	(86)	(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	(6,515)	(3,144)
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	2,223	(1,570)
Cash and cash equivalents at beginning of period	16,016	18,239
Cash and cash equivalents at end of period	18,239	16,668

(5) Notes to Consolidated Financial Statements
(Notes on Going Concern Assumption)

There is no relevant information.

(Significant Accounting Estimates)

(Impairment of non-current assets)

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

	Amount recorded on consolidated balance sheets (Million yen)	Amount recorded as impairment losses (Million yen)
Tax on property, plant and equipment, and intangible assets	87,638	1,682

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

The Group determines asset groups based on the fact that each store is the minimum unit (asset group) that generates independent cash flow, and by considering the complementary relationship of cash-inflow. In addition, idle assets and leased assets are grouped by property

The Group determines that there is a sign of impairment in an asset group if the profit or loss resulting from operating activities continues to be negative or if there is a change in the method of use that significantly reduces the recoverable amount (decision-making on closing or selling stores, etc.).

If there is a sign of impairment, the Group will determine the need to recognize impairment losses by making an estimate of the total future cash flows expected from continued use and post-use disposal of the asset group and by comparing it to the book value of non-current assets of the asset group. If it becomes subject to impairment losses, the book value of non-current assets is reduced to the recoverable amount (the higher of net realizable value or value in use), and the reduced amount is recorded as impairment losses.

Estimates of future cash flows resulting from continued use of the asset groups are based on the main assumption of forecasting future sales trends based on the performance of prior years and current progress.

The main assumptions are uncertain because they are affected by changes in the business environment in each store opening area.

Therefore, if the main assumptions need to be revised, new impairment losses may be recorded in the consolidated financial statements for the following consolidated fiscal year.

(Recoverability of Deferred tax assets)

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

1,831 million yen

(2) Information on the content of material 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 fluctuates 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 consolidated fiscal year.

(Change in Presentation)

(Changes due to the application of “Accounting Standards for Disclosure of Accounting Estimates”)

The “Accounting Standards for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) is applied from the consolidated financial statements for the end of the consolidated fiscal year under review, and the consolidated financial statements include notes regarding material accounting estimates.

However, in this note, the contents related to the previous consolidated fiscal year are not described in accordance with the transitional treatment stipulated in the proviso of paragraph 11 of the relevant accounting standard.

(Additional Information)

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

It is difficult for the Group to accurately predict the time of the containment and the possibility of rebound of COVID-19 in the future. However, as assumed in the (Additional Information) of the financial statements for the previous consolidated fiscal year, we were less influenced by the infection during the fiscal year ended February 20, 2022. While there is a possibility that the infection will re-expand due to mutant viruses, etc. in the future, we have assumed that the impact on the Group will be limited, therefore made accounting estimates for the impairment of fixed assets and the recoverability of deferred tax assets based on such assumption.

(Notes to Consolidated Statements of Income)

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

	For the fiscal year ended February 20, 2021	For the fiscal year ended February 20, 2022
	3,697 Million yen	3,819 Million yen

*2 Impairment losses

The Group recorded impairment losses for the following asset groups.

For the fiscal year ended February 20, 2021

Purpose	Type	Location	Amount (Million yen)
Stores	Buildings and structures, leasehold interest in land, land, etc.	Wakayama	766
	Buildings and structures, etc.	Nara	96
	Buildings and structures, etc.	Mie	15
	Buildings and structures	Aichi	0
Leased assets	Buildings and structures, etc.	Mie	85
Idle assets	Land, etc.	Mie	91
	Land	Wakayama	34
Offices and others	Land, etc.	Mie	528
	Land, etc.	Wakayama	152

The Group groups its assets mainly using stores as the basic and minimum unit that generates cash flows. For idle assets and rental 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 (1,772 million yen) was recorded as impairment losses under extraordinary losses.

The breakdown of the impairment losses is as follows:

Buildings and structures	710 Million yen
Land	983 Million yen
Leasehold interest in land	60 Million yen
Other	18 Million yen
Total	1,772 Million yen

The recoverable amount of the 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 mainly at 3.0%.

For the fiscal year ended February 20, 2022

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

The Group groups its assets mainly using stores as the basic and minimum unit that generates cash flows. For idle assets and rental 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 interest in land	31	Million yen
Other	13	Million yen
<u>Total</u>	<u>1,682</u>	<u>Million yen</u>

The recoverable amount of the 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 mainly at 3.0%.

(Segment information, etc.)

(Segment information)

For the fiscal year ended February 20, 2021 and the fiscal year ended February 20, 2022

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

(Per Share Information)

	For the fiscal year ended February 20, 2021	For the fiscal year ended February 20, 2022
Net assets per share	1,767.36 yen	1,775.94 yen
Basic earnings per share	86.38 yen	34.74 yen
Diluted earnings per share	86.35 yen	34.74 yen

(Note) The basis for calculating basic earnings per share and diluted earnings per share is as follows:

	For the fiscal year ended February 20, 2021	For the fiscal year ended February 20, 2022
Basic earnings per share		
Profit attributable to owners of parent (Million yen)	3,786	1,523
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent related to common shares (Million Yen)	3,786	1,523
Average number of common shares outstanding during the period (Shares)	43,835,644	43,847,571
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Million Yen)	—	—
Increase in number of common shares (Shares)	13,796	3,827
(Of which, share acquisition rights (Shares))	(13,796)	(3,827)
Overview of residual shares not included in the calculation of diluted earnings per share due to their non-dilutive effect	—	—

(Significant Subsequent Events)

There is no relevant information.

4. Non-consolidated Financial Statements and Primary Notes

(1) Balance Sheet

(Million yen)

	As of February 20, 2021	As of February 20, 2022
Assets		
Current assets		
Cash and deposits	17,881	16,325
Accounts receivable - trade	5,726	5,873
Merchandise and finished goods	9,117	8,601
Short-term loans receivable from subsidiaries and associates	3,130	3,000
Accounts receivable - other	1,667	1,660
Advances paid	111	62
Other	60	76
Allowance for doubtful accounts	(252)	(1,042)
Total current assets	37,443	34,557
Non-current assets		
Property, plant and equipment		
Buildings	43,855	44,706
Structures	2,634	2,576
Machinery and equipment	1,439	1,586
Vehicles	7	5
Tools, furniture and fixtures	1,552	2,484
Land	28,876	27,474
Leased assets	2,822	1,881
Construction in progress	1,790	1,413
Total property, plant and equipment	82,977	82,130
Intangible assets		
Leasehold interests in land	2,774	2,742
Software	817	850
Other	178	194
Total intangible assets	3,771	3,787
Investments and other assets		
Investment securities	1,765	1,866
Shares of subsidiaries and associates	247	183
Long-term prepaid expenses	363	302
Deferred tax assets	2,147	1,643
Prepaid pension costs	1,612	2,081
Investment property	96	96
Guarantee deposits	6,114	5,833
Deposits for stores in preparation	117	130
Other	184	158
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	12,643	12,290
Total non-current assets	99,391	98,208
Total assets	136,835	132,766

	As of February 20, 2021	As of February 20, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	13,732	13,122
Short-term borrowings	4,660	5,060
Current portion of long-term borrowings	4,317	4,149
Lease obligations	1,001	786
Accounts payable - other	6,847	7,391
Accrued expenses	2,210	2,061
Income taxes payable	1,368	328
Accrued consumption taxes	745	781
Deposits received	594	595
Electronically recorded obligations-facilities	1,541	464
Provision for point card certificates	1,462	1,385
Asset retirement obligations	303	268
Other	1,941	1,952
Total current liabilities	40,726	38,348
Non-current liabilities		
Long-term borrowings	10,459	9,310
Lease obligations	1,869	1,108
Long-term guarantee deposits	3,153	2,990
Asset retirement obligations	2,934	2,984
Other	460	351
Total non-current liabilities	18,877	16,745
Total liabilities	59,604	55,093
Net assets		
Shareholders' equity		
Share capital	14,117	14,117
Capital surplus		
Legal capital surplus	14,027	14,027
Other capital surplus	990	987
Total capital surplus	15,017	15,015
Retained earnings		
Legal retained earnings	1,314	1,314
Other retained earnings		
Reserve for tax purpose reduction entry	1,131	1,096
Reserve for special depreciation	0	-
General reserve	40,800	44,300
Retained earnings brought forward	6,426	3,306
Total retained earnings	49,674	50,018
Treasury shares	(1,674)	(1,658)
Total shareholders' equity	77,134	77,492
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	45	134
Total valuation and translation adjustments	45	134
Share acquisition rights	51	45
Total net assets	77,231	77,672
Total liabilities and net assets	136,835	132,766

(2) Statements of Income

(Million yen)

	For the fiscal year ended February 20, 2021	For the fiscal year ended February 20, 2022
Net sales	265,811	253,233
Cost of sales	193,999	185,118
Gross profit	71,811	68,114
Operating revenue		
Real estate lease revenue	3,182	3,192
Other operating revenue	6,310	6,307
Total operating revenue	9,493	9,500
Operating gross profit	81,304	77,615
Selling, general and administrative expenses	73,670	72,549
Operating profit	7,634	5,065
Non-operating income		
Interest and dividend income	119	120
Gain on sale of recycled materials	64	66
Other	168	170
Total non-operating income	352	356
Non-operating expenses		
Interest expenses	86	70
Provision of allowance for doubtful accounts	37	36
Other	35	12
Total non-operating expenses	158	119
Ordinary profit	7,828	5,303
Extraordinary income		
Gain on sale of non-current assets	94	0
Subsidy income	36	8
Compensation income	20	-
Total extraordinary income	152	8
Extraordinary losses		
Loss on sale of non-current assets	41	0
Loss on retirement of non-current assets	249	424
Provision of allowance for doubtful accounts for subsidiaries and associates	-	754
Impairment losses	1,716	847
Loss on cancellation of rental contracts	882	264
Other	47	106
Total extraordinary losses	2,938	2,398
Profit before income taxes	5,042	2,913
Income taxes - current	1,641	957
Income taxes - deferred	(343)	472
Total income taxes	1,297	1,429
Profit	3,744	1,484

(3) Statements of Changes in Equity

Fiscal year ended February 20, 2021 (from February 21, 2020 to February 20, 2021)

(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	991	15,019	1,314	1,615	1	40,800	3,337	47,069
Changes during period										
Dividends of surplus									(1,139)	(1,139)
Profit									3,744	3,744
Purchase of treasury shares										
Disposal of treasury shares			(1)	(1)						
Reversal of reserve for tax purpose reduction entry						(483)			483	-
Reversal of reserve for special depreciation							(0)		0	-
Provision of general reserve										
Net changes in items other than shareholders' equity										
Total changes during period	-	-	(1)	(1)	-	(483)	(0)	-	3,089	2,604
Balance at end of period	14,117	14,027	990	15,017	1,314	1,131	0	40,800	6,426	49,674

	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	(1,681)	74,523	55	55	49	74,628
Changes during period						
Dividends of surplus		(1,139)				(1,139)
Profit		3,744				3,744
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	8	6				6
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			(10)	(10)	1	(8)
Total changes during period	7	2,610	(10)	(10)	1	2,602
Balance at end of period	(1,674)	77,134	45	45	51	77,231

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

(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	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
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

(4) Notes to Non-consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.