

Consolidated Financial Results
for the Fiscal Year Ended March 31, 2021
<under Japanese GAAP>

Company name: **YAMADA HOLDINGS CO., LTD.**
Listing: The Tokyo Stock Exchange
Stock code: 9831
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Scheduled date of ordinary general meeting of shareholders: June 29, 2021
Scheduled date to commence dividend payments: June 30, 2021
Scheduled date to file Annual Securities Report: June 29, 2021
Preparation of supplementary material on financial results: Yes
Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts rounded off, unless otherwise noted)

1. Consolidated performance for the fiscal year ended March 31, 2021
(from April 1, 2020 to March 31, 2021)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2021	1,752,506	8.7	92,079	140.2	98,876	114.6	51,799	110.5
March 31, 2020	1,611,538	0.7	38,327	37.5	46,075	24.9	24,605	67.5

Note: Comprehensive income

Fiscal year ended March 31, 2021: 53,443 million yen (137.0%)
Fiscal year ended March 31, 2020: 22,549 million yen (64.9%)

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
March 31, 2021	62.82	62.53	8.1	8.2	5.3
March 31, 2020	28.38	27.01	4.0	3.9	2.4

Reference: Equity in earnings (losses) of affiliated companies

Fiscal year ended March 31, 2021: 125 million yen
Fiscal year ended March 31, 2020: (0) million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2021	1,252,600	672,545	51.8	792.26
March 31, 2020	1,163,494	645,166	54.6	721.37

Reference: Equity

As of March 31, 2021: 649,414 million yen

As of March 31, 2020: 635,136 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2021	122,281	(14,778)	(82,837)	73,760
March 31, 2020	62,434	(8,235)	(58,091)	48,398

2. Cash dividends

	Annual cash dividends					Total cash dividends (Total)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2020	–	0.00	–	10.00	10.00	8,804	35.2	1.4
March 31, 2021	–	0.00	–	18.00	18.00	14,754	28.6	2.4
Fiscal year ending March 31, 2022 (Forecasts)	–	0.00	–	–	–		–	

Note: For the fiscal year ending March 31, 2022, the Company decides the annual cash dividends with a consolidated payout ratio of 30% or more as a target.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2021	830,000	(3.5)	38,900	(15.5)	42,600	(13.2)	21,900	4.8	26.71
Fiscal year ending March 31, 2022	1,686,000	(3.8)	90,000	(2.3)	97,000	(1.9)	52,000	0.4	63.43

As the Group will be applying ASBJ Statement No. 29 “Accounting Standard for Revenue Recognition” and related implementation guidances from the beginning of the fiscal year ending March 31, 2022, the forecast for net sales decreased year on year. Although the amount of this impact is negative ¥100.0 billion, sales are expected to increase if using the same standards as previous fiscal years.

* **Notes**

- (1) Changes in significant subsidiaries during the year (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- a. Changes in accounting policies due to revisions of accounting standards, etc.: None
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatement of prior period financial statements: None
- (3) Number of issued shares (common stock)
- a. Total number of issued shares at the end of the year (including treasury stock)
 - As of March 31, 2021 966,560,272 shares
 - As of March 31, 2020 966,489,740 shares
 - b. Number of treasury stock at the end of the year
 - As of March 31, 2021 146,871,443 shares
 - As of March 31, 2020 86,038,722 shares
 - c. Average number of shares during the year
 - Fiscal year ended March 31, 2021 824,430,821 shares
 - Fiscal year ended March 31, 2020 866,919,056 shares

* Document as English translation and difference in presentation method of figures

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. Readers should also note that (i) in the Japanese original, figures are presented in millions of yen with fractional amounts discarded unless otherwise noted, while in the English translation, figures are presented in millions of yen with fractional amounts rounded off unless otherwise noted, and (ii) in the Japanese original, totals may not equal the sum of individual amounts due to the discarding of the fractional amounts, while in the English translation, individual amounts are adjusted so that totals equal the sum of such individual amounts.

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company as of the announcement date and on certain assumptions deemed to be reasonable. These statements do not purport that the Company pledges to realize such statements. Actual results may differ substantially due to various factors.

For the details of the above forecasts, please refer to the section of “(4) Future outlook” under “1. Overview of operating results and others” on page 7 of the attached materials to the financial results report.

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1. Overview of operating results and others

(1) Overview of operating results for the fiscal year

[On background of economies at home and abroad]

In the fiscal year under review, the Japanese economy deteriorated amid a decline in trends such as improvements in corporate earnings as well as the jobs and income environment, and significant restrictions in economic activity and consumption activities due to the impact of COVID-19. Although signs of recovery were observed in personal consumption supported by various measures taken by the government such as the special cash payments and Go To campaigns, the economic outlook remains extremely unclear with no end to COVID-19 in sight yet. Similarly, a harsh economic environment continued globally amid factors such as travel restrictions and a significant deterioration of economic activity due to the impact of COVID-19, as well as volatility in financial and capital markets.

The retail industry overall has been encountering severe business conditions amid the impacts of a more frugal mindset among consumers caused by increasingly defensive spending patterns, as well as a sharp decrease in inbound visitor demand due to COVID-19, people refraining from going out due to the declaration of a state of emergency, temporary closures of commercial facilities such as station buildings, mainly in urban areas, reduced business hours, and refraining from holding various types of events. Moreover, an increase in operating costs due to rising personnel expenses and logistics costs caused by the labor shortage has begun to emerge as a medium- to long-term challenge in Japan, where there is an aging demographic and population decline. In addition, the situation calls for innovative management looking toward the future in a manner not bound by preconceptions amid a scenario of mounting uncertainties marked by a rapidly changing environment where trends of consumption are being affected by changing lifestyles among consumers and diversifying purchasing behavior.

[On the consumer electrical appliance retail industry]

The consumer electrical appliance retail industry to which the YAMADA HOLDINGS Group (the “Group”) belongs has been favorable overall as the number of customers visiting suburban stores and e-commerce demand have increased despite a decrease in the number of customers visiting urban stores and a reactionary drop in the wake of the consumption tax hikes in the previous fiscal year and COVID-19. From a product perspective, demand for products and services related to telework, online classes, etc., which correspond to the “new way of life,” was newly created. Purchases of TVs, washing machines, refrigerators, and air conditioners were bolstered by replacement demand as well as the special cash payments. Meanwhile, the percentage of people staying at home rose due to people refraining from going out and settling into new lifestyles, pushing up demand for products that serve to spend quality time at home, to prevent infection, or reduce the burden of housework. Such products include energy-saving, highly functional, high per-unit price and large-sized products; cooking appliances; hair care and beauty appliances; air purifiers and humidifiers; and game consoles and game software, all of which continued to generate strong sales.

[On the Company’s efforts]

Against the backdrop of this situation, the Company has been carrying out measures against the spread of infection as it believes that its priority is to take the safety and security of customers and employees as well as the aspect of health into consideration to prevent the spread of COVID-19 in stores and business offices in order to fulfill its role of providing social infrastructure and its responsibilities by stably supplying daily necessities. Furthermore, the Company expanded Internet mail order services, where customers can place orders from home, and significantly expanded shopping channels. Moreover, in order to respond to structural changes in demand over the medium term, the Company restructured its stores in Shinjuku area, including closing LABI Shinjuku East Exit Store and renovating the West Exit Store and the Otsuka Kagu Shinjuku Showroom, and developed the Akihabara area.

While the special cash payments and strong demand for stay-at-home products were temporarily effective in boosting sales and profits during the current fiscal year, the most effective factors were the improvement of gross profit (rate) and the reduction of selling and administrative expenses, which have been achieved under “Management Reforms to Reinforce the Corporate Structure,” the Company’s long-term initiatives. Specifically, our achievements include (1) contributing to profits through expansion of a wide-range of SPA products not offered by other companies, such as home electrical appliances, furniture, household goods and home-related products, (2) maximizing sales, strengthening competitiveness, and reducing costs through management tailored to regional characteristics using the branch manager system, (3) optimizing sales floor space allocation of urban

stores to suit their market and trade area, and (4) operating the Company's proprietary e-commerce business that utilizes the strengths of brick-and-mortar stores.

Net sales increased 8.7% year on year to ¥1,752,506 million as a result of a large number of customers choosing to shop in suburban areas, where the Company has many stores, despite decreases in the number of customers visiting urban stores and sales of those stores due to people refraining from going out. Due to the management reforms above, as well as the reduction of selling and administrative expenses because of reduced business hours, the restraining of advertising expenses, and improved management efficiency as a result of the transition to a holding company structure, there were significant increases, with operating profit increasing 140.2% year on year to ¥92,079 million, ordinary profit increasing 114.6% year on year to ¥98,876 million, and profit attributable to owners of parent increasing 110.5% year on year to ¥51,799 million despite recording of expenses for reform to increase the efficiency of assets with a view to the future, which includes loss from the closing of the Shinjuku East Exit Store and the Akihabara Store, in extraordinary loss.

The Company has been working on "new business lines as the industry for living infrastructure" premised on the concept of "brighten your future with smart housing" with stores that provide one-stop services that include housing-related home electrical appliances as well as housing and renovation services, furniture and home interior products, daily commodities and other products and services, and the results of those efforts are steadily taking root. In order to have these results take root further, the Company will carry out an intragroup reorganization around July 1, 2021, with an aim to further increase corporate value through "Connected Management that Leverages Group Synergies." For details, please refer to the "Significant subsequent events" on page 19 below.

[Operating Results by Segment]

(1) Electrical Business

In the Electrical Business, net sales increased 4.1% year on year to ¥1,533,592 million, and segment profit increased 162.1% year on year to ¥85,671 million.

Net sales in this business increased because customers appreciated the concept of "brighten your future with smart housing," resulting in favorable results mainly of consumer electrical appliances, as well as due to a boost in replacement demand associated with the provision of the special cash payments, similarly to the aforementioned case in "[On the consumer electrical appliance retail industry]." This segment posted increases in sales and profits due to efforts including contributing to profits through expansion of a wide-range of SPA products not offered by other companies such as home electrical appliances, furniture, household goods and home-related products, and maximizing sales, strengthening competitiveness, and reducing costs through management tailored to regional characteristics using the branch manager system, improving margin through optimal price responses using a combination of cash discounts and points by expanding and enhancing the e-commerce business centered on strong Internet mail-orders, and so on.

(2) Housing Business

In the Housing Business, net sales increased 52.5% year on year to ¥190,594 million, while segment profit increased 549.3% year on year to ¥4,958 million.

In the Housing Business, which mainly offers detached houses, orders fell once due to a decline in the number of visitors to housing exhibition sites or model houses as a result of the closure of the exhibitions and other factors following the declaration of a state of emergency in April 2020. However, orders received remained at a higher level than the previous year by attracting customers through online customer service, and so on. The increase in net sales was contributed to by the acquisition of LEO HOUSE CO., LTD. and Hinokiya Group Co., Ltd. (the "Hinokiya Group" hereinbelow) as consolidated subsidiaries, in addition to an increase in delivery of housing projects associated with an increase in orders received. Segment profit increased in both margin and profit amount as a result of improved margin due to cost reduction initiatives and enhanced capability to make proposals in addition to the Hinokiya Group becoming a new consolidated subsidiary. Husetec Inc., a developer and manufacturer of housing equipment such as bathroom equipment and kitchen equipment, has been able to minimize the impact of COVID-19 through the introduction of online negotiations with customers, resulting in an increase in operating profit despite a decrease in net sales.

The Housing Business is now set up for annual sales of approximately ¥300 billion as a result of those initiatives and has become the most important segment for the Company following the Electrical Business.

(3) Other businesses

In other businesses, net sales amounted to ¥89,581 million, up 58.6% year on year, and segment loss was ¥1,108 million (segment profit of ¥2,217 million in the previous fiscal year) due to the addition of OTSUKA KAGU, LTD. as a consolidated subsidiary.

[On ESG and sustainability]

The YAMADA HOLDINGS Group aims to fulfill its social responsibility as a corporate citizen and increase corporate value continuously. To this end, we have rebuilt the ESG promotion system for the entire group (by reorganizing the existing CSR Committee to the ESG/Sustainability Promotion Committee chaired by the President and Representative Director of the YAMADA HOLDINGS) to implement ESG management, which aims for both “continuous enhancement of corporate value” through the growth of each business segment and a “realization of a sustainable society” by helping to resolve social challenges. Regarding the promotion of sustainability, we are focusing on three themes established in the “Priority Initiatives for Achieving SDGs” which were announced on December 16, 2019: (1) Offer comfortable living spaces and establish social systems, (2) Foster employee growth and improve working environments, and (3) Promote a recycling-oriented society and conserve the global environment. We plan to aim for a sustainable society by pursuing those initiatives.

◎ Major ESG initiatives

ESG	Major initiatives
Governance	<ul style="list-style-type: none"> ■ ESG/Sustainability Promotion Committee (reorganized from the CSR Committee)
	<ul style="list-style-type: none"> • Rebuilt the ESG promotion system for the entire Group, chaired by the President and Representative Director
	<ul style="list-style-type: none"> • Promote initiatives regarding climate change for the entire Group
Climate change and environment	<ul style="list-style-type: none"> ■ Support the Task Force on Climate-related Financial Disclosures (TCFD)
	<ul style="list-style-type: none"> • Identify climate change risks and opportunities
	<ul style="list-style-type: none"> • Enhance disclosure of information
	<ul style="list-style-type: none"> ■ Initiatives of environmental resource development holdings
	<ul style="list-style-type: none"> • Expand a self-contained, resource recycling system within the Group
	<ul style="list-style-type: none"> • Promote a plan for a waste power generation plant (scheduled to start operation in August 2024)
	<ul style="list-style-type: none"> ■ Promote initiatives relating to the environment through a “brighten your future with smart housing”
<ul style="list-style-type: none"> • Promote wider use of energy-saving home electrical appliances • Energy-saving housing (such as “AQUA FOAM” insulation) • Promote the sales of ZEH housing 	

Employees and workstyle (Promoting breakout sessions for penetration)	<ul style="list-style-type: none"> ■ Respect for human rights • Dialogue with stakeholders • Internal education for human rights
	<ul style="list-style-type: none"> ■ Development of talents • Enrichment of education and training (promoting My Learning, e-JINZAI content, etc.) • Education and penetration (development of leaders, varied development support) • Coordination with stakeholders (career development support) • Talent development system (talent development through an appraisal system) • Support the success of women in the workplace (talent development for women and evaluation not dependent on gender, and nurturing opportunities for promotion)
	<ul style="list-style-type: none"> ■ Create a comfortable workplace environment • Promote the success of diverse people, understanding of disabilities, and employment for those with disabilities • Systems that enable diverse workstyles (flex time system, work-from-home system, etc.) • Improve diversity in workstyles through the promotion of the “Hometown employees” system -- work in progress • Support work-life balance between work and childcare/nursing care
	<ul style="list-style-type: none"> ■ Health of employees • Institutionalizing a system to promote health • Mental health care • Safe & secure workplace • Health checks for workers with long working hours • Development of health staff

[On responses toward climate change]

We believe that climate change, which has serious impacts on the earth (ecosystems) and human/corporate activities, not only gives rise to risks to the YAMADA HOLDINGS Group, but also brings new business opportunities. In the Group’s aim for sustainable growth, the “shift to a low carbon society” is an important management issue for us to deal with. The Group aims to make contributions to the international goals adopted by SDGs and the Paris Agreement, while it fulfills its mission to support the living infrastructure with the concept of “brighten your future with smart housing.” We have been working together with our Group companies to achieve this in coordination with a wide range of stakeholders including the government, businesses, and industry groups. In addition, the Company recognizes the importance of climate-related financial information and supports the TCFD (our support was announced on March 31, 2021). We will work to expand the disclosure of information in line with the TCFD.

[On number of stores]

The number of consolidated retail stores, including those overseas at the end of the fiscal year under review encompassing 30 new store openings and 31 store closures, was 1,003 directly-managed stores (comprising 685 stores managed by Yamada Denki, 169 stores managed by Best Denki Co., Ltd. and 149 stores operated by other consolidated subsidiaries). The total number of stores of the Group, including the stores managed by franchise stores, was 12,335.

[On performance summary]

As a result of the above, consolidated net sales for the fiscal year under review amounted to ¥1,752,506 million, up 8.7% year on year. Operating profit totaled ¥92,079 million, up 140.2% year on year, ordinary profit was ¥98,876 million, up 114.6% year on year, and profit attributable to owners of parent was ¥51,799 million, up 110.5% year on year.

(2) Overview of financial position for the fiscal year

Total assets at the end of the fiscal year under review amounted to ¥1,252,600 million, up ¥89,106 million (7.7%) compared to the end of the previous fiscal year. This was mainly due to an increase in current assets, mainly real estate for sale, resulting from the new addition of Hinokiya Group Co., Ltd. as a consolidated subsidiary.

Total liabilities amounted to ¥580,055 million, up ¥61,727 million (11.9%) compared to the end of the previous fiscal year. This was mainly due to increases in advances received on construction contracts in progress and accounts payable for construction contracts in connection with the new addition of Hinokiya Group Co., Ltd. as a consolidated subsidiary, and an increase in income taxes payable.

Net assets amounted to ¥672,545 million, up ¥27,379 million (4.2%) compared to the end of the previous fiscal year. This was mainly due to an increase in non-controlling interests in connection with the new addition of Hinokiya Group Co., Ltd. as a consolidated subsidiary, and an increase in retained earnings resulting from an increase in profits despite an increase in treasury stock due to acquisition of treasury stock. As a result, the equity ratio was 51.8% (down 2.8 point from the end of the previous fiscal year).

(3) Overview of cash flows for the fiscal year

As of the end of the fiscal year under review, cash and cash equivalents on a consolidated basis stood at ¥73,760 million, up ¥25,362 million (52.4%) compared with the end of the previous fiscal year.

The position of cash flows during the fiscal year under review is as follows:

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥122,281 million (¥62,434 million provided in the previous fiscal year).

This was mainly due to profit before income taxes exceeding the amount for the previous fiscal year.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥14,778 million (¥8,235 million used in the previous fiscal year).

This was mainly due to purchase of property and equipment associated with renovations of stores, etc.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥82,837 million (¥58,091 million used in the previous fiscal year).

This was mainly due to purchase of treasury stock.

(Reference) Trends in company cash flow indicators are as shown below.

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Equity ratio (%)	48.4	49.8	49.7	54.6	51.8
Market value-based equity ratio (%)	38.5	43.4	37.5	32.6	39.1
Interest-bearing debt to cash flows (year)	5.4	3.7	6.0	4.0	1.9
Interest coverage ratio (factor)	30.0	46.3	28.8	44.2	89.5

Equity ratio: equity / total assets

Market value-based equity ratio: market capitalization / total assets

Interest-bearing debt to cash flows: interest-bearing debt / operating cash flows

Interest coverage ratio: operating cash flows / paid interest

* All indicators are calculated using consolidated-based financial figures.

* Market capitalization is calculated based on the number of issued shares as of the end of the year (excluding treasury stock).

- * The figure used for operating cash flows is “net cash provided by (used in) operating activities” on the consolidated statements of cash flows.
- * Interest-bearing debt includes all liabilities recorded on the consolidated balance sheets on which we paid interest.

(4) Future outlook

Looking ahead to the fiscal year ending March 31, 2022, with no end to COVID-19 in sight yet, there remain concern for economic slowdown in not only Japan but also globally. Accordingly, the economic outlook is expected to continue to be unclear.

The retail industry overall is expected to remain under challenging circumstances amid factors that include store closures and reduced business hours due to the declaration of a state of emergency and semi-emergency coronavirus spread prevention measures, decreasing numbers of customers visiting stores mainly in urban areas, as well as deteriorating consumer sentiment and changing consumer behavior stemming from increasing defensive spending patterns.

In such market environment, for the fiscal year ending March 31, 2022, for the Group during which COVID-19 is unlikely to subside, keeping conditions surrounding the home electrical appliances market unclear, there is also concern for reversal of the effect of the special cash payments and strong demand for teleworking and stay-at-home products as observed during the fiscal year ended March 31, 2021. However, the Company forecasts increases in net sales when using the same standards as the previous year and in profit attributable to owners of parent by (1) targeting the opening of 30 stores with the concept of “brighten your future with smart housing” for the year, (2) expanding the Company’s proprietary e-commerce business that utilizes the strengths of brick-and-mortar stores, (3) promoting store DX such as electronic shelf labels, (4) expanding the development of a wide-range of SPA products such as home electrical appliances, furniture and home interior products, (5) maximizing synergy among each business segment, (6) increasing sales and shares, strengthening competitiveness, and reducing costs through management further tailored to regional characteristics through a shift to the new 11 branch system from the 13 branch system, and (7) incorporating various management efficiency improvement measures of the holding company structure.

The Group will implement intragroup reorganization effective on July 1, 2021, in addition to the changes made to its management structure on April 1, 2021, with a view to further promoting the above reforms and further enhancing its corporate governance structure. Through this, we aim to accelerate proactive business activities by segment and enhance corporate value through the swift promotion of the Group’s “brighten your future with smart housing” strategy and the initiatives for ESG/sustainability.

2. Basic rationale for selection of accounting standards

The Group applies accounting principles generally accepted in Japan (Japanese GAAP) for its accounting standards in order to secure year-on-year comparisons of consolidated financial statements and comparisons among companies.

The Group will continue to closely observe matters with respect to IFRSs such as developments in the accounting system.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	Previous fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
Assets		
Current assets		
Cash and time deposits	48,940	74,438
Notes and accounts receivable	58,126	72,962
Accounts receivable from completed construction contracts	1,734	2,050
Operating loans	2,222	4,255
Merchandise and finished goods	377,234	368,839
Real estate for sale	7,014	28,585
Costs on construction contracts in progress	3,125	5,545
Work in process	1,690	1,254
Raw materials and supplies	3,767	4,352
Other current assets	43,527	54,382
Allowance for doubtful accounts	(1,904)	(2,027)
Total current assets	545,475	614,635
Non-current assets		
Property and equipment		
Buildings and structures, net	202,639	197,027
Land	192,742	199,382
Lease assets, net	13,732	14,113
Construction in progress	840	2,906
Other, net	11,250	15,173
Total property and equipment, net	421,203	428,601
Intangible assets	33,697	42,778
Investments and other assets		
Investment securities	5,253	6,715
Long-term loans receivable	2,817	3,676
Net defined benefit asset	1,579	1,839
Deferred tax assets	29,723	40,363
Guarantee deposits	95,360	85,752
Other assets	30,501	30,836
Allowance for doubtful accounts	(2,114)	(2,595)
Total investments and other assets	163,119	166,586
Total non-current assets	618,019	637,965
Total assets	1,163,494	1,252,600

(Millions of yen)

	Previous fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable	98,113	106,929
Accounts payable for construction contracts	5,215	13,720
Short-term loans payable	53,730	44,199
Current portion of long-term loans payable	53,225	50,860
Lease obligations	4,405	4,448
Income taxes payable	9,343	29,986
Advances received on construction contracts in progress	355	17,285
Provision for bonuses	8,355	10,794
Other current liabilities	65,806	79,095
Total current liabilities	298,547	357,316
Long-term liabilities		
Long-term loans payable	123,939	123,430
Lease obligations	11,820	12,319
Provision for directors' retirement benefits	1,049	1,083
Provision for product warranties	7,658	7,913
Net defined benefit liability	30,343	30,607
Asset retirement obligations	34,307	35,488
Other long-term liabilities	10,665	11,899
Total long-term liabilities	219,781	222,739
Total liabilities	518,328	580,055
Net assets		
Shareholders' equity		
Common stock	71,059	71,078
Capital surplus	84,060	84,236
Retained earnings	517,944	560,958
Treasury stock, at cost	(38,171)	(68,883)
Total shareholders' equity	634,892	647,389
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of taxes	(733)	(269)
Foreign currency translation adjustments	438	609
Remeasurements of defined benefit plans	540	1,685
Total accumulated other comprehensive income	245	2,025
Subscription rights to shares	1,872	1,579
Non-controlling interests	8,157	21,552
Total net assets	645,166	672,545
Total liabilities and net assets	1,163,494	1,252,600

(2) Consolidated statements of income and consolidated statements of comprehensive income
(Consolidated statements of income)

(Millions of yen)

	Previous fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2020 to March 31, 2021)
Net sales	1,611,538	1,752,506
Cost of sales	1,150,885	1,231,470
Gross profit	460,653	521,036
Selling, general and administrative expenses	422,326	428,957
Operating profit	38,327	92,079
Non-operating income		
Interest income	726	612
Purchase discounts	4,267	2,713
Rent income	3,821	3,626
Sales of electric power	1,916	1,903
Other	4,512	4,647
Total non-operating income	15,242	13,501
Non-operating expenses		
Interest expenses	1,400	1,361
Rent expenses	3,071	3,033
Foreign exchange losses	945	256
Cost of sales of electric power	815	772
Other	1,263	1,282
Total non-operating expenses	7,494	6,704
Ordinary profit	46,075	98,876
Extraordinary income		
Gain on negative goodwill	2,721	1,163
Gain on sales of non-current assets	159	86
Gain on sales of investment securities	1,709	56
Gain on sale of businesses	–	414
Other	641	720
Total extraordinary income	5,230	2,439
Extraordinary loss		
Loss on disposal of non-current assets	206	1,185
Impairment loss	8,742	14,030
Loss on COVID-19	–	639
Loss on cancellation of rental contracts	20	5,657
Other	3,931	2,290
Total extraordinary losses	12,899	23,801
Profit before income taxes	38,406	77,514
Income taxes-current	13,009	36,166
Income taxes-deferred	820	(10,319)
Total income taxes	13,829	25,847
Profit	24,577	51,667
Loss attributable to non-controlling interests	(28)	(132)
Profit attributable to owners of parent	24,605	51,799

(Consolidated statements of comprehensive income)

(Millions of yen)

	Previous fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2020 to March 31, 2021)
Profit	24,577	51,667
Other comprehensive income, net of taxes		
Valuation difference on available-for-sale securities	(1,273)	459
Foreign currency translation adjustments	125	172
Remeasurements of defined benefit plans, net of tax	(880)	1,145
Share of other comprehensive income of associates accounted for using equity method	(0)	(0)
Total other comprehensive income	(2,028)	1,776
Comprehensive income	22,549	53,443
Comprehensive income attributable to:		
Owners of parent	22,577	53,579
Non-controlling interests	(28)	(136)

(3) Consolidated statements of changes in net assets

Previous fiscal year (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2019	71,059	79,404	503,701	(67,953)	586,211
Changes of items during the period					
Issuance of new shares					-
Cash dividends			(10,573)		(10,573)
Profit attributable to owners of parent			24,605		24,605
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock		4,656		29,784	34,440
Change in scope of consolidation			211		211
Purchase of shares of consolidated subsidiaries					-
Change in ownership interest of parent due to transactions with non-controlling interests					-
Other changes in the period, net					-
Total changes of items during the period	-	4,656	14,243	29,782	48,681
Balance at March 31, 2020	71,059	84,060	517,944	(38,171)	634,892

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at April 1, 2019	540	313	1,420	2,273	1,493	1,616	591,593
Changes of items during the period							
Issuance of new shares							-
Cash dividends							(10,573)
Profit attributable to owners of parent							24,605
Purchase of treasury stock							(2)
Disposal of treasury stock							34,440
Change in scope of consolidation							211
Purchase of shares of consolidated subsidiaries							-
Change in ownership interest of parent due to transactions with non-controlling interests							-
Other changes in the period, net	(1,273)	125	(880)	(2,028)	379	6,541	4,892
Total changes of items during the period	(1,273)	125	(880)	(2,028)	379	6,541	53,573
Balance at March 31, 2020	(733)	438	540	245	1,872	8,157	645,166

Current fiscal year (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2020	71,059	84,060	517,944	(38,171)	634,892
Changes of items during the period					
Issuance of new shares	19	18			37
Cash dividends			(8,805)		(8,805)
Profit attributable to owners of parent			51,799		51,799
Purchase of treasury stock				(31,956)	(31,956)
Disposal of treasury stock		(77)		609	532
Change in scope of consolidation			20		20
Purchase of shares of consolidated subsidiaries		232		613	845
Change in ownership interest of parent due to transactions with non-controlling interests		3		22	25
Other changes in the period, net					-
Total changes of items during the period	19	176	43,014	(30,712)	12,497
Balance at March 31, 2021	71,078	84,236	560,958	(68,883)	647,389

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at April 1, 2020	(733)	438	540	245	1,872	8,157	645,166
Changes of items during the period							
Issuance of new shares							37
Cash dividends							(8,805)
Profit attributable to owners of parent							51,799
Purchase of treasury stock							(31,956)
Disposal of treasury stock							532
Change in scope of consolidation							20
Purchase of shares of consolidated subsidiaries							845
Change in ownership interest of parent due to transactions with non-controlling interests							25
Other changes in the period, net	464	171	1,145	1,780	(293)	13,395	14,882
Total changes of items during the period	464	171	1,145	1,780	(293)	13,395	27,379
Balance at March 31, 2021	(269)	609	1,685	2,025	1,579	21,552	672,545

(4) Consolidated statements of cash flows

(Millions of yen)

	Previous fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Profit before income taxes	38,406	77,514
Depreciation	20,719	21,471
Impairment loss	8,742	14,030
Amortization of goodwill	58	384
Gain on negative goodwill	(2,721)	(1,163)
Increase (decrease) in allowance for doubtful accounts	440	7
Decrease in provision for product warranties	(315)	254
Increase in net defined benefit liability	1,338	931
Interest and dividend income	(964)	(741)
Interest expenses	1,399	1,361
Foreign exchange losses	431	256
Gain on sale of investment securities	(1,708)	(41)
Loss on sale and disposal of property and equipment, net	47	1,099
Loss on cancellation of rental contracts	20	5,657
Decrease (increase) in notes and accounts receivable	12,456	(9,817)
Decrease (increase) in accounts receivable	6,401	2,069
Increase in operating loans receivable	(1,417)	(1,811)
Decrease (increase) in inventories	3,393	19,428
Increase (decrease) in notes and accounts payable	(11,702)	4,733
Decrease in advances received	(1,135)	(5,935)
Increase (decrease) in consumption taxes payable	4,787	6,372
Increase in other current assets	(382)	(4,812)
Increase (decrease) in other current liabilities	(3,833)	3,771
Other, net	3,266	3,130
Sub-total	77,726	138,147
Interest and dividend income received	261	208
Interest expenses paid	(1,413)	(1,366)
Income taxes paid	(14,140)	(14,708)
Net cash provided by operating activities	62,434	122,281

(Millions of yen)

	Previous fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2020 to March 31, 2021)
Cash flows from investing activities		
Payments into time deposits	(94)	(136)
Proceeds from withdrawal of time deposits	58	–
Purchases of property and equipment	(19,105)	(22,766)
Proceeds from sale of property and equipment	463	163
Purchases of intangible assets	(715)	(527)
Purchase of investment securities	(5)	(5)
Proceeds from sales and redemption of investment securities	3,416	93
Purchase of investments in subsidiaries and affiliated companies	(97)	(1,575)
Payments for guarantee deposits	(822)	(1,619)
Proceeds from collection of guarantee deposits	6,648	8,161
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	1,468	4,765
Purchase of investments in subsidiaries resulting in change in scope of consolidation	–	(53)
Proceeds from sale of shares in subsidiary resulting in change in scope of consolidation	217	–
Payment of loans receivable	(1,261)	(2,215)
Collection of loans receivable	1,059	1,041
Other, net	535	(105)
Net cash used in investing activities	(8,235)	(14,778)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(47,000)	(20,791)
Proceeds from long-term loans payable	115,310	40,100
Repayments of long-term loans payable	(45,651)	(56,647)
Redemption of bonds	(65,560)	–
Purchase of treasury stock	(1)	(31,956)
Proceeds from disposal of treasury stock	0	0
Repayments of lease obligations	(4,638)	(4,573)
Proceeds from sales and leasebacks	24	380
Cash dividends paid	(10,572)	(8,810)
Other, net	(3)	(540)
Net cash used in financing activities	(58,091)	(82,837)
Effect of exchange rate change on cash and cash equivalents	(10)	(151)
Net decrease in cash and cash equivalents	(3,902)	24,515
Cash and cash equivalents at beginning of year	51,176	48,398
Increase in cash and cash equivalents resulting from change in scope of consolidation	1,124	847
Cash and cash equivalents at end of year	48,398	73,760

4. Segment information

1. Overview of reportable segments

The reportable segments of the Group are constituent units of the Group for which separate financial information is obtainable. These segments are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating operating results.

The Group's business segments, based on its business domains, comprise its two reportable segments: "Electrical Business" and "Housing Business."

In the "Electrical Business," the Group carries out the sale of home electrical appliances such as TVs, refrigerators and washing machines, and home information appliances such as computers and mobile phones, as well as the provision of renovation services and the sale of housing-related products such as furniture and home interior products. In the "Housing Business," the Group is engaged in the sale of houses, mainly detached houses, as well as the manufacturing and sale of housing equipment such as bathroom equipment and kitchen equipment.

2. Notes relating to changes in reportable segments, etc.

Effective from the fiscal year under review, the Group has changed its segment names from "Electrical Appliance" and "Housing" to "Electrical Business" and "Housing Business," respectively. This change has no impact on the segment information.

The Group omitted segment information because there was no significant segment other than "Electrical Business." With the transition of the Company to a holding company structure on October 1, 2020, from the fiscal year under review, the Group has changed its business segment classification to "Electrical Business" and "Housing Business," to improve the disclosure of segment reporting.

Segment information for the previous fiscal year has been prepared based on the reportable segment classification for the fiscal year under review.

I Previous fiscal year (April 1, 2019 to March 31, 2020)

1. Information about amounts of net sales, profit or loss by reportable segment

(Millions of yen)

	Reportable segments			Others (Note 1)	Total
	Electrical Business	Housing Business	Total		
Net sales					
Sales to external customers	1,450,115	121,577	1,571,692	39,846	1,611,538
Intersegment sales	22,962	3,391	26,353	16,646	42,999
Total	1,473,077	124,968	1,598,045	56,492	1,654,537
Segment profit	32,685	764	33,449	2,217	35,666
Segment assets	994,262	55,709	1,049,971	50,070	1,100,041
Other items					
Depreciation	18,744	1,146	19,890	170	20,060
Increase in property and equipment and intangible assets	29,659	903	30,562	170	30,732

	Adjusted amounts (Note 2, 3)	Amount recorded in consolidated financial statements (Note 4)
Net sales		
Sales to external customers	–	1,611,538
Intersegment sales	(42,999)	–
Total	(42,999)	1,611,538
Segment profit	2,661	38,327
Segment assets	63,453	1,163,494
Other items		
Depreciation	659	20,719
Increase in property and equipment and intangible assets	–	30,732

- Notes:
1. The “others” category refers to business segments not included in reportable segments including financial services segment, environmental segment and others.
 2. The adjusted amounts of segment assets resulted from corporate assets that have not been allocated to segments and elimination of intersegment transactions.
 3. The adjusted amounts of segment profit resulted mainly from elimination of intersegment transactions.
 4. Segment profit is adjusted with operating profit in the consolidated financial statements.

II Current fiscal year (April 1, 2020 to March 31, 2021)

1. Information about amounts of net sales, profit or loss by reportable segment

(Millions of yen)

	Reportable segments			Others (Note 1)	Total
	Electrical Business	Housing Business	Total		
Net sales					
Sales to external customers	1,503,272	178,158	1,681,430	71,076	1,752,506
Intersegment sales	30,320	12,436	42,756	18,505	61,261
Total	1,533,592	190,594	1,724,186	89,581	1,813,767
Segment profit (loss)	85,671	4,958	90,629	(1,108)	89,521
Segment assets	1,017,899	143,437	1,161,336	58,207	1,219,543
Other items					
Depreciation	18,618	1,996	20,614	221	20,835
Increase in property and equipment and intangible assets	26,174	3,477	29,651	717	30,368

	Adjusted amounts (Note 2, 3)	Amount recorded in consolidated financial statements (Note 4)
Net sales		
Sales to external customers	–	1,752,506
Intersegment sales	(61,261)	–
Total	(61,261)	1,752,506
Segment profit (loss)	2,558	92,079
Segment assets	33,057	1,252,600
Other items		
Depreciation	636	21,471
Increase in property and equipment and intangible assets	–	30,368

- Notes:
1. The “others” category refers to business segments not included in reportable segments including financial services segment, environmental segment and others.
 2. The adjusted amounts of segment assets resulted from corporate assets that have not been allocated to segments and elimination of intersegment transactions.
 3. The adjusted amounts of segment profit (loss) resulted mainly from elimination of intersegment transactions.
 4. Segment profit (loss) is adjusted with operating profit in the consolidated financial statements.

5. Per share information

	Previous fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2020 to March 31, 2021)
Net assets per share	721.37 yen	792.26 yen
Basic earnings per share	28.38 yen	62.82 yen
Diluted earnings per share	27.01 yen	62.53 yen

Note: Basis for calculation of basic earnings per share and diluted earnings per share are as follows:

	Previous fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2020 to March 31, 2021)
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	24,605	51,799
Amount not attributable to shareholder (millions of yen)	–	–
Profit attributable to owners of parent attributable to common stock (millions of yen)	24,605	51,799
Average number of common stock outstanding during the year (thousands of shares)	866,919	824,430
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (millions of yen)	–	–
(Including interest expenses (net of corresponding tax amount) (millions of yen))	(–)	(–)
Number of common stock increased (thousands of shares)	43,943	3,944
(Including subscription rights to shares (thousands of shares))	(43,943)	(3,944)
Potentially issuable shares not included in the calculation of diluted earnings per share because no diluting effect arises	(Consolidated subsidiary) Otsuka Kagu, Ltd. Subscription rights to shares by resolution at the meeting of the Board of Directors held on February 15, 2019 The 1st subscription rights to shares Number of subscription rights to shares: 65,000 units (Common stock: 6,825,000 shares) The 2nd subscription rights to shares Number of subscription rights to shares: 18,000 units (Common stock: 1,890,000 shares)	

6. Significant subsequent events

(Reorganization of Electrical Business (former Electrical Appliance Segment))

At a meeting of the Board of Directors held on January 18, 2021, the Company resolved to conduct an absorption-type merger (the “Merger”) on July 1, 2021, whereby YAMADA DENKI CO., LTD. will be a surviving company and the Company’s consolidated subsidiaries, BEST DENKI CO., LTD., Kurokawa Denki Co., Ltd., Kyusyu Tecc Land Co., Ltd., Matsuya Denki Ltd., Seidensha Co., Ltd., and Project White Co., Ltd., and a non-consolidated subsidiary (Kato Shoji Co., Ltd.) will be dissolving companies.

1. Summary of transaction

- (1) Name and description of business of companies involved in business combination

Name of surviving company:	YAMADA DENKI CO., LTD.
Business description:	Home electrical appliances and home information appliances sales business and housing-related product sales business
Name of dissolving companies:	BEST DENKI CO., LTD. Kurokawa Denki Co., Ltd. Kyusyu Tecc Land Co., Ltd. Matsuya Denki Ltd. Seidensha Co., Ltd. Project White Co., Ltd. Kato Shoji Co., Ltd.
Business description:	Home electrical appliances and home information appliances sales business and housing-related product sales business (BEST DENKI CO., LTD., Kurokawa Denki Co., Ltd., Kyusyu Tecc Land Co., Ltd., Matsuya Denki Ltd. and Seidensha Co., Ltd.) Franchise business (BEST DENKI CO., LTD. and Matsuya Denki Ltd.) PC components and information communication equipment sales business and business of manufacturing and sales of original PC (Project White Co., Ltd.) Real estate leasing business (Kato Shoji Co., Ltd.)

(2) Date of business combination

July 1, 2021 (planned)

(3) Legal form of business combination

An absorption-type merger, whereby YAMADA DENKI CO., LTD. as a surviving company and BEST DENKI CO., LTD., Kurokawa Denki Co., Ltd., Kyusyu Tecc Land Co., Ltd., Matsuya Denki Ltd., Seidensha Co., Ltd., Project White Co., Ltd., and Kato Shoji Co., Ltd. as dissolving companies.

(4) Name of the company after business combination

YAMADA DENKI CO., LTD.

(5) Other matters relating to the transaction

As part of the Reorganization, besides integrating expertise and management resources of the subsidiaries in the Electrical Business, the Company intends to introduce an in-house company system with 11 new regional divisions at the same time of the Merger. It aims to facilitate efficiency in terms of sales and administration to realize higher corporate value through a prompt implementation of “brighten your future with smart housing” strategy of the Group and SDGs and ESG initiatives.

2. Summary of accounting to be applied

The transaction will be accounted for as a transaction in the category of under common control in accordance with “Accounting Standard for Business Combinations” (ASBJ Statement No. 21) and “Guidance for Accounting Standard for Business Combination and Divestitures” (ASBJ Guidance No. 10).

(Conversion into a wholly owned subsidiary through simplified share exchange)

The Company resolved at the meeting of the Board of Directors held on June 9, 2021 to execute a share exchange, whereby the Company becomes the wholly owning parent company and OTSUKA KAGU, LTD. (hereinafter referred to as “OTSUKA KAGU”) becomes the wholly owned subsidiary (hereinafter referred to as “the Share Exchange”), as of the effective date of September 1, 2021 (scheduled), and the two companies concluded a share exchange agreement regarding the Share Exchange between them (hereinafter referred to as “the Share Exchange Agreement”)

1. Summary of the Share Exchange

- (1) Name and description of business of the wholly owned subsidiary resulting from a share exchange

Name of the wholly owned subsidiary resulting from a share exchange:

OTSUKA KAGU, LTD.

Description of business: General sales of furniture, home electrical appliances and home interiors

- (2) Purpose of the Share Exchange

- To further strengthen the collaborative relationship
- To establish a structure that enables swift and flexible decision-making and thorough implementation of policies within the Group

- (3) Effective date of the Share Exchange

September 1, 2021 (scheduled)

- (4) Method of share exchange

The Share Exchange will be one whereby the Company will become the wholly-owning parent company and OTSUKA KAGU will become the wholly-owned subsidiary. In accordance with Article 796, Paragraph 2 of the Companies Act, the Share Exchange will be conducted by the Company through a simplified share exchange procedure that does not require approval by a resolution of the shareholder’s meeting. For OTSUKA KAGU, the Share Exchange Agreement will be approved at the Ordinary General Meeting of Shareholders of OTSUKA KAGU scheduled to be held on July 29, 2021. The Share Exchange is scheduled to take effect on September 1, 2021.

(5) Stock type, exchange ratio, and number of shares delivered

	The Company (wholly owning parent company)	OTSUKA KAGU (wholly owned subsidiary)
Allotment ratio for the Share Exchange	1	0.58
Number of shares to be delivered in the Share Exchange	Common stock of the Company: 16,174,022 shares (scheduled)	

Notes: 1. Share allotment ratio

For each share of OTSUKA KAGU, 0.58 shares of the Company's common stock (the "Company's Shares") will be allotted. However, no shares will be allotted in the Share Exchange for the OTSUKA KAGU Shares of which the Company holds (30,000,000 shares as of June 9, 2021). In the event of any significant changes to the terms and conditions that provide the basis for the calculations, the share allotment ratio in the Share Exchange set out in the table above (the "Share Exchange Ratio") may be modified upon consultation and agreement between the Company and OTSUKA KAGU.

2. Number of the Company's Shares to be delivered in the Share Exchange

Upon the Share Exchange, the Company will deliver the number of the Company's Shares calculated based on the Share Exchange Ratio as described in the table above to the shareholders of OTSUKA KAGU (referring to the shareholders after the cancellation of treasury stock as described below and excluding the Company) as of the time immediately prior to the time at which the Company acquires all of the issued shares in OTSUKA KAGU (excluding the OTSUKA KAGU Shares held by the Company) under the Share Exchange (the "Record Time"), in exchange for OTSUKA KAGU Shares being owned by these shareholders. The Company plans to use its treasury shares (146,871,443 shares as of March 31, 2021) as shares to be delivered through the Share Exchange, and does not plan to issue new shares upon allotment to the Share Exchange.

In accordance with a resolution of the Board of Directors of OTSUKA KAGU to be held no later than the day before the effective date of the Share Exchange, OTSUKA KAGU will cancel all of the treasury shares that it holds at the Record Time (including the shares to be acquired by OTSUKA KAGU in response to dissenting shareholders' share purchase demands under Article 785, Paragraph 1 of the Companies Act that are exercised in relation to the Share Exchange) at the Record Time. The number of the Company's Shares to be allotted and delivered through the Share Exchange is subject to change due to the exercise of the Series 1 Subscription Rights to Shares and the Series 2 Subscription Rights to Shares, and the repurchase and cancellation of treasury shares by OTSUKA KAGU, and other reasons.

(6) Rationale and reason for allotment in the Share Exchange

In order to ensure fairness and appropriateness in calculating the Share Exchange Ratio described in (5) "Stock type, exchange ratio, and number of shares delivered" above, the Company and OTSUKA KAGU, respectively and separately, decided to request a third-party valuation institution independent from them to calculate the share exchange ratio. The Company appointed Nomura Securities Co., Ltd., and OTSUKA KAGU appointed Deloitte Tohmatsu Financial Advisory LLC as the third-party valuation institutions.

The Company and OTSUKA KAGU conducted careful examinations based on the results of due diligence, etc. that each company respectively carried out with respect to the counterparty while referencing the calculation result of the share exchange ratio submitted to them by the respective third-party valuation institution, and held serious and extensive discussions and negotiations concerning the Share Exchange Ratio, giving comprehensive consideration to various factors, such as the financial conditions, business performance trends, future outlook and share price trends of both companies. As a result, the Company and OTSUKA KAGU judged that the Share Exchange Ratio is appropriate for the respective shareholders and, at the respective Board of Directors' meetings of both companies held on June 9, 2021, decided to conduct the Share Exchange at the Share Exchange Ratio and to conclude the Share Exchange Agreement between the two companies.

2. Summary of accounting to be applied

The transaction will be accounted for as a transaction with non-controlling shareholders in the category of under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21) and "Guidance for Accounting Standard for Business Combination and Divestitures" (ASBJ Guidance No. 10).