Financial Report 2021

Fiscal year ended March 31, 2021

YAMADA HOLDINGS CO., LTD.

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Gunma 370-0841 Japan

TABLE OF CONTENTS

OVERVIEW OF OPERATIONS
YAMADA HOLDINGS CO., LTD. and Consolidated Subsidiaries
March 31, 2021

1. KEY INFORMATION

	Millions of yen, unless otherwise noted					*Thousands of U.S. dollars, unless otherwise noted (Note 2)*
	As of and year ended March 31					
	2017	2018	2019	2020	2021	2021
Net sales (Note 1)	1,563,056	1,573,873	1,600,583	1,611,538	1,752,506	15,828,271
Ordinary profit	66,040	47,336	36,889	46,075	98,876	893,026
Profit attributable to owners of parent	34,528	29,780	14,692	24,605	51,799	467,834
Comprehensive income	39,373	29,263	13,674	22,549	53,443	482,684
Net assets	585,548	588,740	591,593	645,166	672,545	6,074,289
Total assets	1,159,457	1,175,568	1,184,042	1,163,494	1,252,600	11,313,221
Net assets per share (yen)	697.47	731.57	723.56	721.37	792.26	7.16 *(dollars)*
Basic earnings per share (yen)	43.00	36.78	18.19	28.38	62.82	0.57 *(dollars)*
Diluted earnings per share (yen)	42.89	36.66	18.08	27.01	62.53	0.56 *(dollars)*
Equity ratio (%)	48.4	49.8	49.7	54.6	51.8	
Return on equity (%)	6.3	5.2	2.5	4.0	8.1	
Price earnings ratio (times)	12.91	17.35	30.02	15.19	9.50	
Cash flows from operating activities	43,856	61,689	36,023	62,434	122,281	1,104,420
Cash flows from investing activities	(15,279)	(12,668)	(8,469)	(8,235)	(14,778)	(133,471)
Cash flows from financing activities	(24,382)	(32,920)	(27,461)	(58,091)	(82,837)	(748,170)
Cash and cash equivalents at end of year	34,982	51,327	51,176	48,398	73,760	666,187
Employees (persons)	19,238	19,752	18,853	19,985	24,300	
[Average number of temporary employees not included in the above number (persons)]	[9,670]	[9,577]	[9,520]	[9,496]	[9,258]	

Notes: 1. Net sales do not include consumption tax.
2. For the convenience of readers outside Japan, U.S. dollar amounts have been converted from yen using the prevailing exchange rate at March 31, 2021, which was ¥110.72 to U.S. $1.

2. MANAGEMENT POLICY, MANAGEMENT ENVIRONMENT, ISSUES TO BE ADDRESSED BY THE GROUP, ETC.

Items in the text below that concern the future were determined by YAMADA HOLDINGS Group (the "Group") as of the end of the fiscal year under review.

(1) Basic Policy of Corporate Management

With sustainable corporate growth as its basic policy, the Group believes in the basic principle of rapidly responding to increasingly sophisticated and diversified consumer needs, and it aims to increase corporate value through practicing its management philosophy of "Creation and Challenge" and "Appreciation and Trust," by constantly sticking to the "Principle of Customer (Market) First." In addition, the Group strives for low-cost management with importance placed on cash flow while it aims to be a "Strong Company" that can contribute to society by actively promoting ESG-oriented operations as a leading company in the consumer electrical appliance retail industry.

(2) Management Indicator Used as Target

The Group sets its targets using an ordinary profit to net sales ratio of 5% or higher as a target management indicator.

(3) Medium- to Long-Term Management Strategy

The Group moved to a holding company structure on October 1, 2020, building a stronger Group governance structure than before by separating the administration and supervision of management and the execution of business. In addition, through the organizational restructuring scheduled for July 1, 2021, the Group aims to realize higher corporate value through a prompt implementation of "Total-Living (Kurashi-Marugoto)" strategy of the Group and SDGs and ESG initiatives, by accelerating the aggressive business activities in each segment and building a structure to enhance the Group governance.

The Group possesses a network unlike any other in the world, capable of meeting every need of our customers through various store formats nationwide from urban-format stores such as LABI to suburban-format stores such as Tecc Land, Kaden Sumairu-kan, outlet stores and YAMADA web.com, as well as small-scale trading areas stores and community-based stores. While utilizing this strength, the Group, as an industry-leading company, proactively engages in flexible approaches to address issues faced not just by the electrical appliance retail industry but by the entire retail and distribution industry, such as the future effects of the declining birthrate and rapidly aging population, population decline, and the Internet-based society. The Group will continue to take on various challenges such as these with the aim of achieving sustainable growth and development in the future. In addition, centering on the retail sale of electric appliances, the Group is working to amplify our proposals available under its "Total-Living (Kurashi-Marugoto)" concept, entailing residences, renovations, housing equipment, and furniture and accessories with respect to living spaces designed to be coordinated with electrical appliances. In addition, to differentiate from competitors, the Group is expanding its outlet stores which handle used electric appliances with a goal of creating a recycling-oriented society, strengthening and promoting online sales leveraging strengths of its online and retail store network, and its distribution network, combining stores and taking other actions.

The Group expects the future will bring more tremendous change to the retail and distribution industry. In order to respond flexibly to these changes with the appropriate sense of urgency, the Group is improving the efficiency of business resources by optimizing and maximizing the people (human resources), things (products), money, services, logistics, information systems, etc. existing among the companies of the Group to improve the profit margin, reduce various costs, enhance inventory efficiency, and generate cash flows, thereby reinforcing the Group's financial standing and strengthening the foundation for business resources.

(4) Business and Financial Priority Issues to Be Addressed

Looking ahead to the fiscal year ending March 31, 2022, with no end to the novel coronavirus disease (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 "Total-Living (Kurashi-Marugoto)" 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 "Total-Living (Kurashi-Marugoto)" strategy and the initiatives for ESG/sustainability.

3. RISK FACTORS

Of the items relating to the status of the business and accounting as described in the Annual Securities Report, major risks recognized by the management that may materially affect the financial position, results of operations and cash flows of the consolidated companies are provided below.

Items in the text below that concern the future were determined by the Group as of the end of the fiscal year under review.

<table>
<tr><td colspan="3">1. Store Openings and Development</td></tr>
<tr><td>Probability: Low</td><td>Potential occurrence: Anytime</td><td>Potential impact: Strong</td></tr>
<tr><td colspan="3">■ Risk
The Group currently has stores in all 47 prefectures of Japan as well as overseas. The Group continues to plan retail store openings both in Japan and overseas. In Japan, the Group aims to streamline its store network and maintain and improve its market share by implementing a scrap-and-build policy appropriate to the size of the Japanese market in urban centers, suburbs, small-scale trading areas, community-based retail areas and others through the development of a nationwide chain of stores, as well as by store openings with the concept of “Total-Living (Kurashi-Marugoto)” in areas with potential. However, the Group will have to secure for itself adequately priced land in favorable locations, which will make it susceptible to competition from competitor companies. The Group expects labor outlays and equipment costs to increase mostly in connection with opening new stores, implementing a scrap-and-build policy, or changing operations of some existing stores centered on YAMADA web.com and outlet stores. The Group also expects competition from competitors in areas where its stores have been already established to be fierce. It is also possible that the profitability of existing stores will be affected by new store openings depending on the region, due to saturated markets and conditions of the area in which such consumer electrical appliance retail stores are opened. With regard to stores that are closed due to our revised nationwide store network strategy we decided for the purpose of improving store efficiency in light of the market environment including competitions among our own stores and with other companies, loss on disposal of or contract cancellation of the closed stores may be incurred or the closed stores may not be subleased or sold off. The Group will generally weigh conditions such as rent expenses and guarantee deposits for store openings, as well as competition, trading area population and various laws and regulations in order to make carefully thought-out decisions. However, there is always the possibility that changes or delays could occur in the planning due to issues relating to real property. Conditions such as those described above may obstruct effective store development and management efforts and ultimately have a negative impact on the Group’s performance and financial position. Another consideration is the large amounts of capital necessary for store development including new store openings, scrap-and-build and operational changes of existing stores centered on YAMADA web.com and outlet stores. At present, it is covered by retained earnings and loans. However, any circumstance that thwarts capital procurement efforts could block the execution of business plans in the future.</td></tr>
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2. **Competition**		
Probability: High	Potential occurrence: As appropriate	Potential impact: Medium

■ Risk

The consumer electrical appliance retail industry is intensely competitive where the societal needs continue to change reflecting development such as the anticipated declining birth rate and aging of the population, population decline, and the transition to the Internet-based society. Companies that have business formats, ranging from large-scale consumer electronics retailers, supermarkets, and home centers, to interior stores, furniture stores, miscellaneous goods stores and online shopping sites and other various mail-order sites, and offer electrical appliances or products similar to those of the Group are our competitors. Although the Group has a leading position in the industry, it constantly faces various forms of competition such as pricing, new store openings and customer and human resource acquisition. The Group coexists with and carries out store openings to meet the needs of a wide range of customers in urban centers, suburbs, small-scale trading areas and community-based retail areas, as well as Kaden Sumairu-kan, YAMADA web.com and outlet stores; however, owing to an unexpected fluctuation in demand for higher unit-priced durable consumer goods, the consumer electrical appliance retail industry cannot be said to be stable, and the Group is likely to continue to face competition from rival companies in all regional areas. Furthermore, as the Group is the only mass retailer of electrical appliances with a nationwide store network, if competition among its own stores occurs and profitability per store falls due to developments such as changes in the economy and consumption environment and in the market environment, the Group's performance and investment efficiency, and its financial position may be affected. The Group believes that there is a possibility of aggravated competition due to the entry of new companies, as well as intensified competition among stores and in the area of purchasing as a result of M&As and alliances between companies vying to compete against the Group. Inability to successfully adapt to such situations would adversely affect the Group's performance and financial position. In addition, the slashing of sale prices to remain competitive would lower profits.

3. **Risks Related to M&As and Alliances**		
Probability: Low	Potential occurrence: Anytime	Potential impact: Weak

■ Risk

The Company may execute organizational restructurings, M&As, alliances and sales of business in order to strengthen its business foundation. The Company will carefully study and examine the conditions before acting in order to alleviate risk. However, unforeseeable issues including contingency liabilities may arise after such actions take place. The Company also believes that initial expectations may not materialize or that investments may not be recovered. Depending on the circumstances, extraordinary loss or extraordinary income may occur, detrimentally affecting the performance and financial position of the Group.

4. **Regulations**		
Probability: Medium	Potential occurrence: Anytime	Potential impact: Medium

■ Risk

Similar to other retailers, the Group is subject to laws and regulations such as the “Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment,” the “Designation of Specific Unfair Trade Practices by Large-Scale Retailers Relating to Trade with Suppliers” based on the “Act on Prohibition of Private Monopolization and Maintenance of Fair Trade” (Antimonopoly Act), the “Act against Unjustifiable Premiums and Misleading Representations” (Premiums Law), the “Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors” (Subcontract Act) and, as an operator engaged in the business of recycling and reuse with the aim of reducing the environmental load and creating a recycling-oriented society, the “Act on Recycling of Specified Kinds of Home Appliances” (Home Appliance Recycling Act), as applicable. Newly established laws and/or regulations, revisions to existing rules or stricter interpretations of laws and regulations by the regulatory authorities may lead to a decrease in demand for the products and services offered by the Group or an increase in the cost of doing business, thus, negatively affecting the performance and financial position of the Group. In relation to the opening of new stores with store area exceeding 1,000 square meters, or the expansion of existing stores beyond such size, local governments enact and enforce regulations in accordance with the provisions on store openings under the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment so as to preserve the living environment of the surrounding region. The Group is aware that its new store openings and expansion of existing stores are subject to regulations based on such Act and will observe such Act for the consideration of the living environment of the surrounding region and the like. Depending on the time required for surveys under such Act, delays or the like in the opening of new stores or the expansion planning for existing stores may affect the store opening policy of the Group. Transactions between large-scale retailers and suppliers are subject to regulations based on the Designation of Specific Unfair Trade Practices by Large-Scale Retailers Relating to Trade with Suppliers, and being a large-scale retailer, the Group is subject to such regulations. The Group will observe such regulations. It is noted that the Group’s operating results may be affected if such regulations are tightened in the future. Increased restrictions under the Construction Business Act, the Building Standards Act, the Building Lots and Buildings Transaction Business Act and/or the Insurance Business Act applying to the insurance business, as well as other related laws and regulations applicable to the Group’s housing-related business may negatively affect its performance and financial position. Furthermore, centering on the retail sale of electric appliances, the Group has been working to amplify our proposals encompassing homes in their entirety. In operating our various services and businesses, we have conducted the required procedures, such as acquisition of the proper approvals and licenses from regulatory agencies, lawfully and appropriately, and at present, no serious issues have occurred. However, in the future, if these approvals and licenses are cancelled, or if their renewal is not recognized, or, if we do not receive the approvals and licenses to further expand services or launch new businesses, or, if there are delays in the acquisition of these approvals and licenses, it may negatively affect the Group’s performance and financial position.

5. **Economic Trends**		
Probability: Medium	Potential occurrence: Anytime	Potential impact: Strong

■ Risk

The Group depends on the Japanese market for most of its sales, and domestic consumer trends impact its performance. Various revisions in laws and regulations or changes in domestic and/or overseas economic factors, such as fluctuations in interest rates, fuel prices, the number of housing projects started, unemployment figures, increases in tax rates, changes in demographics, changes in exchange rates or stock prices, changes in consumption tax, a slowdown in the global economy or materializing risk of an economic slowdown in emerging markets, may not only push up the cost of sales and business expenses but also reduce disposable incomes and drive down the demands for the Group's products. Furthermore, we must respond to distribution market changes as a result of the future challenges in Japan, such as the declining birth rate and aging of the population, population decline, and the transition to the Internet-based society. The weakening of disposable income and consumer spending in Japan may negatively impact sales of the Group's products, resulting in a decline in net sales. The Group's performance may also be affected when, due to an impact of the economic trends on its recruiting activities, it is not able to acquire human resources as required. There are also many causes for concern in the global economy such as materializing risk of an economic slowdown in newly emerging economies and political instability in Europe. As a result, the situation remains unpredictable. Under the current conditions, with overseas political and economic instability continuing, economic prospects are clouded with uncertainty, particularly in the financial markets. In view of these factors, there is absolutely no guarantee that the Japanese economy will continue growing or stop receding. The Group's business, performance and financial position may be affected by the decrease in domestic consumer spending. In addition, as most of the interior, furniture, accessories and other products are imported from Asian countries, factors such as the Asian countries' political situation or economy may also have a negative effect. Furthermore, the Group's housing business is strongly affected by trends in personal consumption driven by employment conditions, trends in land prices and interest rates, policies relating to housing and the housing tax system, and the increase in consumption tax. Depending on such conditions or trends, the Group's performance may be affected, particularly if there is a substantial decline in orders for houses resulting from an unforeseen deterioration in the market climate.

6. **Demand Associated with Seasonal and Weather Factors or Events, etc.**		
Probability: Medium	Potential occurrence: Anytime	Potential impact: Strong

■ Risk

As with other retailers, sales and revenue fluctuate monthly. Generally, the Group sees increases during the bonus season, at the end of the fiscal year and during months with many holidays. There are also increases when sales of seasonal products fare well. Meanwhile, sales of seasonal products such as air conditioners, heaters, refrigerators, electric fans and drying machines fluctuate greatly with the weather. Sales are known to drop during cool summers, warm winters, dry rainy seasons and prolonged rainy seasons. Also, there are products, such as televisions, recorders, and the like, that tend to go up whenever there is a special event such as the Olympics or the World Cup. Sadly, it is difficult to accurately predict irregular demands springing up due to seasonal changes, weather conditions or other events, not to mention demand for the Group's products in general. Any significant deviation from such predictions may impact the Group's business, performance and financial position.

7. **Changes in Consumer Wants and Preferences**		
Probability: Medium	Potential occurrence: Anytime	Potential impact: Medium
■ Risk In order to maintain and increase the Group's net sales and income, it is necessary to predict which products consumers will want or prefer and make sure that sufficient quantities of such products are in stock to meet consumer needs. It is considered important to spur demand by regularly introducing new products and technologies to consumers. If these activities fail to bear fruit, the Group's performance and financial position may be affected. Such failure can be caused by a lack of certain products due to competition from other retailers, change in the Group's relationship with manufacturers or new product or technology on which a manufacturer is focusing being inconsistent with consumer needs. Also, the introduction of a new product may result in a decrease in the sales of existing equivalent products.		

8. **Product Purchasing and Inventories**		
Probability: High	Potential occurrence: Within 1 year	Potential impact: Strong
■ Risk To ensure favorable performance, the Group should have in place a system under which the necessary products are purchased in necessary quantities at appropriate prices. Unfortunately, if product supplies become unstable due to such factors as a change in the relationship with business partners, global shortages of resources and materials, and disruption of supply chains or maintaining regular product supplies becomes difficult due to, among other matters, fragmentation in the distribution network caused by a natural disaster or traffic accident, product purchasing according to a preconceived plan may become unfeasible. If these events occur, the Group's performance and financial position may be negatively affected.		
■ Response The Group always sources each product category from multiple suppliers. By selecting the products that are carried at any time and having a system that does not rely on a specific supplier for the best product at the right time, we aim to diversify the risk for sourcing product. In addition, by assigning persons in charge and responsible for sourcing by product category, we maintain close exchange of information on product orders with each customer to prevent unforeseen circumstances. Consequently, we have built a structure that always allows us to understand and consider when there is a problem with product supply and to quickly make the necessary response when unforeseen circumstances arise (understand the cause, implement corrective actions, plan for alternative products, confirm the status of recovery, etc.) to minimize the impact on the Group. Furthermore, a confirmation meeting for purchases and inventory attended by Directors in charge of products and all persons responsible for sourcing each product category is held weekly, in an effort to understand and share the status of the ever-changing market and manage the progress relative to plans so that there is no divergence from the business plans.		

9. **Risks Regarding Quality Assurance for Housing**		
Probability: Low	Potential occurrence: Anytime	Potential impact: Strong

■ Risk

The Group thoroughly manages the quality of housing as producer of housing. Even so, the performance and financial position of the Group may be negatively affected if a serious issue with quality arises due to unforeseen circumstances.

■ Response

The Group's YAMADA HOMES Co., LTD. has built a structure to minimize the impact on the Group through the establishment of a specialist department to design an appropriate construction system with the use of legally compliant materials. In the event of unforeseen circumstances, the aforementioned specialist department will promptly issue a response to the relevant departments. In addition, the CS Promotion Department has been established, which analyses aspects such as customer evaluation and desires for construction quality and the quality of response to customers through customer surveys, etc., evaluating each office, making such information well-known and generating awareness to increase quality consciousness. Moreover, the Company also strives to prevent the materialization of such risk through the implementation of after service, such as periodic inspections.

For housing quality control, the Group's Hinokiya Group Co., Ltd. undertakes construction controls and inspections for each construction process based on operating standards, etc., at the construction and inspection department of each housing business company, while a third-party inspection institution conducts quality inspections. For serious matters that could impact earnings, etc., there is a system for information to be gathered at the Quality and Safety Office, etc. and reported to that company, with discussion of measures and decisions made at that company's Board of Directors, as necessary. Matters concerning building materials and housing facilities are discussed with the seller as necessary and the relevant department decides the measures at the monthly meeting of housing business company presidents. Information concerning decisions is shared with the representatives of each housing business company at the Compliance Committee and group executive meeting, etc. The response to these issues includes setting deadlines, implementing counter-measures and measures to prevent reoccurrence and monitoring the status of improvement.

10. **Impairment on Long-Lived Assets**		
Probability: Medium	Potential occurrence: Anytime	Potential impact: Medium

■ Risk

The Group possesses a large number of long-lived assets, including property and equipment and goodwill, and carries out impairment accounting regarding these assets. However, further recognition of impairment losses may become necessary if there is deterioration in the profitability of the Group's stores, a dramatic fall in the market price of the assets possessed by the Group or the like. Such circumstances may negatively affect the Group's performance and financial position.

11. Managing Franchises		
Probability: Low	Potential occurrence: Anytime	Potential impact: Weak
■ Risk The Group is increasing the number of franchises managed as small, community-based retail stores. However, it cannot guarantee that it will be able to continually open franchises in favorable locations or renew existing franchise agreements. If the number of franchises does not increase as planned or decreases, royalties may decline, which will negatively affect the Group's performance and financial position. Also, because franchises are not completely under the control of the Group, they may be managed in a manner that is inconsistent with the Group standards. In addition, with regard to franchise claims, despite the claims preservation contract concluded for each contract and our monthly claims status management, there may be uncollectable claims including payments receivable for goods in the event of business failure of any franchisee due to a decline in business results. This may not only negatively affect the Group's performance and financial position, but also the Company's reputation.		
■ Response The operating status of the Group's Matsuya Denki Ltd. franchises are managed with patrols by the headquarters FC Operations Administration Department as well as the area sales manager, interviews with owners and confirmation of circumstances, etc. As key matters, the status of receivables and finance are recognized as risk, and guidance and management are provided. Headquarters and the supervisor for each area aim for close communication with the Group's BEST DENKI CO., LTD. franchises and provide guidance on operations for opening new stores and for stores of FC companies. In addition, the Company puts effort into risk management, regularly checking the status of management and receivables at FC companies.		

12. Information Security		
Probability: Medium	Potential occurrence: Anytime	Potential impact: Strong
■ Risk The Group handles point card certificates, registrations for YAMADA Digital Membership and YAMADA plus Premium, the processing of credit card applications, paid service subscription of several long-term product warranties and other services, customer information related to various support services, customer information related to distribution, construction or repairs, customer information associated with online shopping and a significant amount of customers' personal information. In addition, headquarters handles various confidential information concerning management. When handling such information, ample caution is taken to prevent information leaks; however, any unpredictable natural disaster, infection by computer virus, manipulation through malicious access, or information leak may damage the reputation of the Group and affect its performance and financial position.		
■ Response The Group (1) prescribes detailed rules concerning information security in the information security policies (basic policy on information security and information security standards), and implements risk measures and responds in the event of compliance or occurrence; and (2) prescribes detailed rules concerning personal information in the privacy policies (basic policy on personal information and basic rules on protection of personal information), and implements risk measures and responds in the event of compliance or occurrence. Matters concerning (1) and (2) are always available for browsing through the intranet, while study groups are provided on an ad hoc basis to all employees. (3) The Company has obtained "ISO27001 (ISMS)" in relation to information security (including in relation to personal information). The Company's activities are subject to annual review by an international accreditation institution, and it retains its certification.		

13. Major Earthquakes and Natural Disasters		
Probability: High	Potential occurrence: Within 1 year	Potential impact: Strong

■ Risk

In cases where the Group's operations are interrupted by damages to its store facilities or blackouts as a result of natural disasters from typhoons, earthquakes or localized torrential rain, products cannot be procured due to an obstruction, the Group is required to close its stores in accordance with evacuation advice due to the effects of radioactive materials from an accident at a nuclear power station, or if it becomes difficult to enter the affected area due to delays in recovery and restoration, there may be a significant decrease in the Group's net sales, which may in turn have a significant impact on the Group's performance.

■ Response

The Group has built a system so that in the event of there being information about a disaster, infection, disputes or similar matters, each person in charge of management (*) gathers as appropriate, with the Disaster Response Headquarters having centralized control to take the appropriate response while prioritizing the safety of customers and employees. In particular, the Group aims to increase the practical abilities for responses from the perspective of precaution, mitigation and disaster prevention measures, the initial response, and the recovery and restoration measures based on the disaster response measures manual to deal with torrential rain, floods, major earthquakes and other disasters.

Specifically, the Group revises and reorganizes the disaster response measures manual to ensure effectiveness though regular verification so that employees take autonomous behavior at business offices to (1) ensure the safety of customers, (2) ensure the safety of employees, (3) continue sales, and (4) preserve assets. The latest version of that disaster response measures manual is always available on the intranet. We have built a system of organizational response and not individual response, while also aiming to educate about and make the relevant employees aware of the manual.

Moreover, the Group, in preparation for disasters such as major earthquakes, has stored emergency goods in 218 locations, at stores and logistic centers starting in Tokyo, Saitama Prefecture, Chiba Prefecture, Kanagawa Prefecture, Shizuoka Prefecture, Aichi Prefecture and Yamanashi Prefecture. In future, we will progressively store emergency goods in areas anticipated to be affected by a Nankai Trough earthquake, as well as the Tohoku and Hokkaido areas.

In addition, in anticipation of an earthquake in excess of magnitude 5, we are steadily responding by increasing the strength of the wires for fixing LCD TVs to minimize products falling down and the damage from falling, while taking measures such as fixed screws for displays and shelves.

* Sales offices: Branch managers, store managers (person in charge of implementation)
Group companies: President and person in charge of management

14. Risks Pertaining to the Housing Equipment Business		
Probability: Low	Potential occurrence: Anytime	Potential impact: Medium

■ Risk

The Group works to check the status of its quality control for housing equipment and strives to maintain the quality of such equipment, but in the unlikely event of a problem with product quality occurring or a failure of equipment in the production facility occurring, this may negatively affect the Group's performance and financial position.

■ Response

As a manufacturer of housing equipment, and as a repairer, installer and builder and a sales entity, the Group's Housetec Inc. provides and sells safety products to consumers, while being aware of the importance of safety in repairs, installation and building in accordance with a basic management policy to be "consumer focused" and "ensure product safety." Specifically, we have prescribed the "Voluntary Action Plan for Product Safety" and the "Quality Assurance Rules" for quality control in the Code of Conduct, which should be observed by each Group company and department to ensure the safety of products. We know the suppliers of raw materials and components and have an information sharing system concerning the design of products with such suppliers and have established rules and regulations necessary to ensure product safety. This includes product repair and installation standards, an incident report manual, a complaint response manual and requirements for invoking a recall such as for a product recall. We take measures to improve and control quality in each manufacturing, construction and service department. We have established the Headquarter Quality Assurance Department as the department with overall responsibility for quality and evaluate the initiatives for improving and controlling quality and give guidance for improvements through (1) a company-wide quality assurance meeting (quarterly), (2) a quality insurance audit (annual), and (3) a construction quality meeting (weekly).

All the products manufactured by that company are insured with "Product Liability Insurance" in preparation to deal with liability for damages in the event of an incident caused by defectiveness in that company's products. In addition, a system has been created so that when a product incident occurs, an Incident Response Committee is established based on the "PS Incident Response Rules" to respond to the incident.

When entering into contracts with manufacturers, the Group's Yamada Trading Co., Ltd. defines quality assurance, non-conformance liabilities, measures following the contracted non-conformance liability period has passed, product liability, complaint handling and supply of repair parts. The system has been prepared to minimize the impact in the unlikely event of a problem.

15. Overseas Operations		
Probability: Low	Potential occurrence: Anytime	Potential impact: Medium
■ Risk The Group operates an overseas store network centered in Asia, mainly in Singapore and Malaysia. Although the Group carries out careful advance studies prior to starting operations overseas, there may be differences in business customs, revisions to laws, tightening of environmental regulations, dramatic economic changes or unanticipated changes in foreign exchange rates in any of the relevant countries after the start of operations, and it may become difficult to secure local human resources in any such countries. Such circumstances may make it difficult for the Group to conduct business operations or secure business revenue as initially expected. Other than the above, it is conceivable that damage caused by deterioration in orders or deliberate damage to store facilities resulting from changes in the internal political situations of the relevant countries, the occurrence of national disputes, or the occurrence of terrorism or demonstrations in the areas surrounding the stores caused by political or economic problems between Japan and the relevant countries may necessitate suspensions of store operations or make it difficult to continue operations in the relevant areas depending on the circumstances. These factors may negatively affect the Group's performance and financial position.		
■ Response When commencing the Group's overseas expansion, advice and support are received from experts in legal matters, accounting and taxation, labor and other laws, with consideration given to cooperation with partners well-versed in the local economy, environment and customs, etc. Communication takes place with most likely customers and the feasibility is determined after formulating detailed business plans. Through close communications with local partners and customers, we collect information concerning each country's risk as quickly as possible, striving to prepare a system able to make timely and appropriate management decisions.		

16. Supply of the Company's Original Brand Products		
Probability: Medium	Potential occurrence: Within 1 year	Potential impact: Medium
■ Risk The Group designs original products under brand names such as "YAMADA SELECT," and outsources their manufacturing thereof and sells the finished products. Given such circumstances, a shortage or suspension of product supplies due to a disaster, etc. in China, the location of our main contract manufacturers, may negatively affect the Group's performance and financial position.		
■ Response To respond to the risks concerning supplies of the Company's original brand products, the Company (1) requests contract manufacturers to build systems for reducing risk when a disaster occurs and appropriately survey to confirm the current status, and requests that manufacturing plants, etc. be distributed in multiple locations and that multiple systems are built for component supply; (2) promotes the development of new outsourcers and does not rely on a single contract manufacturer (currently, 2 companies for washing machines and 3 companies for refrigerators); (3) participates in marine insurance to reduce the risk of disasters when transporting by sea; and (4) prepares empty boxes for exchange in preparation for water damage caused by the activation of sprinklers inside Yamada Denki stores.		

17. **Guarantee Deposits**		
Probability: Low	Potential occurrence: Anytime	Potential impact: Weak

■ Risk

Guarantee deposits under leasing agreements of land and buildings, etc. lodged at the time of opening directly-managed stores of the Group are protected with collaterals pledged and other means. They may cause, however, a negative impact to business results and financial position of the Group as such guarantee deposits may become uncollectable in whole or in part in the event of a business failure of a lessee or due to an early termination of the agreement.

18. **Risk relating to Money Lending Business Act**		
Probability: Low	Potential occurrence: Anytime	Potential impact: Weak

■ Risk

Due to impacts from Money Lending Business Act, which came into effect in 2007, we anticipate a loss on returning overpaid interest payments in the credit business of the Group. Though the estimated loss to be incurred in the future is accounted for, this may cause a negative impact to business results and financial position of the Group in the event that the economic environment worsens against the backdrop of concerns over financial stability and employment conditions.

19. **Exchange Rate Volatility**		
Probability: Medium	Potential occurrence: Anytime	Potential impact: Weak

■ Risk

The Group develops and imports its original brands under names such as “YAMADA SELECT,” and aims to stabilize stocking costs by leveling the foreign exchange contracts and foreign exchange rates for imports on foreign-currency-based transactions. However, any sudden fluctuation in the foreign exchange rate for the settlement currency in each country may negatively affect the Group’s performance and financial position.

20. **Lawsuits**		
Probability: Low	Potential occurrence: Anytime	Potential impact: Weak

■ Risk

At present, the Group has no instances of having received demands for compensation for damages nor lawsuits filed against it which could seriously affect its future performance. However, the Group conducts various business activities mainly in the retail sale of electric appliances, and we cannot rule out the possibility of lawsuits or disputes occurring in these business activities. Where they do occur, they may negatively affect the Group’s performance and financial position.

21. COVID-19 and Large-Scale Pandemic		
Probability: High	Potential occurrence: Within 1 year	Potential impact: Strong
■ Risk The Group currently operates its electrical appliance business through stores in all 47 prefectures and is opening housing exhibition sites for the housing business in areas nationwide. Constraints on business activities such as closures or shorter operating hours for stores and housing exhibition sites due to the large-scale spread of infections in each region or nationwide and the application of the Act on Special Measures for Pandemic Influenza and New Infectious Diseases, etc. may negatively affect the Group's performance and financial position. In addition, the performance and financial position of the Group may be significantly affected if there is an impediment to the operation of stores, etc. due to someone becoming infected with an infectious disease such as COVID-19 or a new strain of influenza at a store, business office, etc., or if the stable supply of products or purchase price are affected, or the release of new products is postponed due to the impact of an infectious disease such as COVID-19 or a new strain of influenza on business partners' management resources (people, things, money, information).		
■ Response Giving priority to the safety and health of all of its stakeholders such as customers, shareholders, business connection, partners and employees, the Group has implemented a variety of measures such as working from home or staggered working hours at the Company's headquarters, prohibiting non-essential and non-urgent visitors, business trips, etc., thoroughly checking the temperature of all employees prior to the coming to the office and wearing masks, thoroughly washing hands and gargling, understanding health management for employees and stopping employees, etc. who are suspected of being infected from coming to work, shortening the operating hours of all stores (a portion of stores suspended business), placing alcohol disinfectant at all facilities and diligent disinfecting, placing clear partitions at registers, and ensuring space between people waiting in line at the register.		

4. MANAGEMENT ANALYSIS OF FINANCIAL POSITION, RESULTS OF OPERATIONS AND CASH FLOWS

(1) Overview of Operating Results

Summary of financial position, results of operations and cash flows of the Group (the Company and its consolidated subsidiaries and affiliates accounted for by the equity method) for the fiscal year under review is as follows.

1) Financial position and results of operations

[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 Group belongs has been favorable overall as the number of customers visiting suburban stores and ecommerce 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 Shinjuku 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 "Total-Living (Kurashi-Marugoto)" 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 "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" Note 27, entitled "SUBSEQUENT EVENTS" 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 "Total-Living (Kurashi-Marugoto)," 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 Leohouse, 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. Housetec 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	■ESG/Sustainability Promotion Committee (reorganized from the CSR Committee)
Governance	• Rebuilt the ESG promotion system for the entire Group, chaired by the President and Representative Director
Governance	• Promote initiatives regarding climate change for the entire Group
Climate change and environment	■Support the Task Force on Climate-related Financial Disclosures (TCFD)
Climate change and environment	• Identify climate change risks and opportunities
Climate change and environment	• Enhance disclosure of information
Climate change and environment	■Initiatives of Environmental Resources Development Holdings
Climate change and environment	• Expand a self-contained, resource recycling system within the Group
Climate change and environment	• Promote a plan for a waste power generation plant (scheduled to start operation in August 2024)
Climate change and environment	■Promote initiatives relating to the environment through a “Total-Living (Kurashi-Marugoto)”
Climate change and environment	• Promote wider use of energy-saving home electrical appliances
Climate change and environment	• Energy-saving housing (such as “AQUA FOAM” insulation) • Promote the sales of ZEH housing
Employees and workstyle (Promoting breakout sessions for penetration)	■Respect for human rights
Employees and workstyle (Promoting breakout sessions for penetration)	• Dialogue with stakeholders • Internal education for human rights
Employees and workstyle (Promoting breakout sessions for penetration)	■Development of talents
Employees and workstyle (Promoting breakout sessions for penetration)	• Enrichment of education and training (promoting My Learning, e-JINZAI content, etc.)
Employees and workstyle (Promoting breakout sessions for penetration)	• Education and penetration (development of leaders, varied development support)
Employees and workstyle (Promoting breakout sessions for penetration)	• Coordination with stakeholders (career development support)
Employees and workstyle (Promoting breakout sessions for penetration)	• Talent development system (talent development through an appraisal system)
Employees and workstyle (Promoting breakout sessions for penetration)	• Support the success of women in the workplace (talent development for women and evaluation not dependent on gender, and nurturing opportunities for promotion)
Employees and workstyle (Promoting breakout sessions for penetration)	■Create a comfortable workplace environment
Employees and workstyle (Promoting breakout sessions for penetration)	• Promote the success of diverse people, understanding of disabilities, and employment for those with disabilities
Employees and workstyle (Promoting breakout sessions for penetration)	• Systems that enable diverse workstyles (flex time system, work-from-home system, etc.)
Employees and workstyle (Promoting breakout sessions for penetration)	• Improve diversity in workstyles through the promotion of the “hometown employees” system -- work in progress
Employees and workstyle (Promoting breakout sessions for penetration)	• Support work-life balance between work and childcare/nursing care
Employees and workstyle (Promoting breakout sessions for penetration)	■Health of employees
Employees and workstyle (Promoting breakout sessions for penetration)	• Institutionalizing a system to promote health • Mental health care
Employees and workstyle (Promoting breakout sessions for penetration)	• 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 and challenge. 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 “Total-Living (Kurashi-Marugoto).” 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.

[Financial position]

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).

2) Cash flows

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.

Cash flows during the fiscal year under review were 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

	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.

3) Sales results

a. Sales results

Sales results by segment for the fiscal year under review are as follows.

Segments	Year ended March 31, 2021	
	Amount (Millions of yen)	Year-on-year comparison (%)
Electrical business	1,503,272	3.7
Housing business	178,158	46.5
Reportable segments total	1,681,430	7.0
Others	71,076	78.4
Total	1,752,506	8.7

Notes: 1. Intersegment transactions have been eliminated.
2. The figures shown above do not include consumption tax.

b. Sales per unit

	Year ended March 31, 2021	
	Amount	Year-on-year comparison (%)
Net sales - millions of yen	1,752,506	8.7
Sales floor space (average) - m²	2,675,532	0.8
Sales per square meter - thousands of yen	655	7.9
Employees (average) - persons	31,409	8.6
Sales per employee - millions of yen	56	0.2

Notes: 1. "Sales floor space" is the store area based on the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment (or, depending on when the data was submitted, the same law prior to its revision).
2. The figures shown above do not include consumption tax.
3. "Employees" include temporary employees.

(2) Analysis and Discussion Regarding Status of Operating Results, etc. from a Management Perspective

Recognition, analysis and discussion regarding status of the Group's operating results from a management perspective are as follows. Items in the text below that concern the future were determined as of the end of the fiscal year under review.

1) Recognition, analysis and discussion regarding status of financial position and operating results

a. Operating results

Net sales and gross profit

Net sales in the fiscal year under review have been favorable, particularly in suburban stores and ecommerce, due to the special cash payments and demand related to telework and stay-at-home products, despite the impact of the decrease in the number of customers visiting urban stores, closures and shorter operating hours due to COVID-19. Overall replacement demand was fostered by the rise in the percentage of people staying at home due to people refraining from going out and settling into new lifestyles. By product, televisions sales were favorable with an increase in the number of units sold and an increase in the proportion of high priced televisions. Refrigerators and washing machines also generated favorable results due to strong interest in larger products because of a lack of capacity and replacement demand for high-performance and high-per-unit price products. Sales of air conditioners and other seasonal products weakened due to the prolonged rainy season, low temperatures and lack of sunshine in July, but higher temperatures in June, the August heatwave and very cold temperatures in the first half of winter resulted in favorable results. Sales of computers and other products in the digital realm were strong with large demand for computer replacements following the end of support for Windows 7 in the previous year and strong demand due to telework, etc. Sales of mobile phones weakened, on account of a significant shrinkage in the market following the enactment of the partially revised Telecommunications Business Act. As a result, net sales during the fiscal year under review were ¥1,752,506 million (up 8.7% year on year). The profit margin improved due to the expansion of SPA products and increase as a proportion of total sales. As a result, gross profit was ¥521,036 million (up 13.1% year on year).

Selling, general and administrative expenses, other income (expenses) and profit before income taxes

In selling, general and administrative expenses for the fiscal year under review, the Group carried out thorough cost cutting and control and improved efficiencies through the shift to the holding company structure, but there was an increase in expenses due to the consolidation of OTSUKA KAGU, LTD., YAMADA Leohouse Co., Ltd., and Hinokiya Group Co., Ltd. As a result, selling, general and administrative expenses amounted to ¥428,957 million (up 1.6% year on year), and operating profit amounted to ¥92,079 million (up 140.2% year on year).

Other expenses for the fiscal year under review were ¥14,565 million. Major factors were losses due to investments in store renovations such as consumer electronics sales equipment at OTSUKA KAGU, LTD. and investments in EC systems, impairment loss due to management reforms for the future, losses due to the impact of COVID-19 and losses on cancellation of rental contracts. As a result, profit before income taxes increased by ¥39,108 million to ¥77,514 million (up 101.8%) compared with the previous fiscal year.

Total income taxes, profit, loss attributable to non-controlling interests and profit attributable to owners of parent

During the fiscal year under review, income taxes stood at ¥25,847 million, profit was ¥51,667 million and loss attributable to non-controlling interests amounted to ¥132 million.

As a result, profit attributable to owners of parent increased by ¥27,194 million to ¥51,799 million (up 110.5%) compared with the previous fiscal year.

b. Financial position

Analysis of the Group's financial position for the fiscal year under review is as described in (1) Overview of Operating Results 1) Financial position and results of operations [Financial position].

2) Analysis and discussion regarding status of cash flows and capital resources and liquidity of funds

Cash flows

An overview of cash flows for the fiscal year under review is presented in "(1) Overview of Operating Results" "2) Cash flows."

Funding requirements

The Group's main funding requirements are working capital and capital investments.

Working capital comprises funds used to purchase merchandise for selling as well as expenses such as selling, general and administrative expenses. Capital investments are investments carried out for new store openings, store renovations and so forth.

Financial policy

It is the Group's basic policy to allocate funds for working capital and capital investments through cash flows from operating activities, and when necessary, to take out loans from financial institutions or issue corporate bonds, and so forth.

To ensure that funds can be procured stably and efficiently, the Company has established suitably large lines of credit from financial institutions. It has entered into a ¥50 billion commitment line agreement and has established a reserve for funding requirements.

The Group generates cash flows from operating activities while further enhancing capital efficiency and improving its financial position.

3) Significant accounting estimates and assumptions used

The Group's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan

Significant accounting policies used in preparing the consolidated financial statements are as described in "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" Note 2, entitled "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

In light of historical performance and status of related transactions, the Group has made estimates and judgements on evaluation of provisions, assets and other items based on various factors deemed reasonable, and the results have been reflected in the consolidated financial statements.

All the matters that should be described concerning significant accounting estimates used in preparing the consolidated financial statements and the assumptions used in such estimates are as described in

"NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" Note 3, entitled "SIGNIFICANT ACCOUNTING ESTIMATES."

4) Objective target indicators, etc. for assessing achievement of management goals

Achievement of management goals

The Company did not set target management indictors for the fiscal year ended March 31, 2021 due to the difficulties of estimating the impact of COVID-19. However, for the target of 3% or higher that was set for the ordinary profit to net sales ratio in the fiscal year ended March 31, 2020, this number was 5.6% in the fiscal year ended March 31, 2021 due to the above-mentioned factors. Looking ahead to the fiscal year ending March 31, 2022, the timing for COVID-19 to subside is unclear and 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 is targeting ordinary profit to net sales ratio of 5.0% or higher due to its target for increase in sales and profits when using the same standards as the previous year for the initiatives for each measure ((1) targeting the opening of 30 stores for the year, (2) expanding the Company's proprietary ecommerce business, (3) promoting store DX, (4) expanding the development of SPA products, (5) maximizing synergy among each business segment, (6) increasing sales and shares through a shift to the new 11 branch system, strengthening competitiveness, and reducing costs and (7) incorporating various management efficiency improvement measures of the holding company), based on the concept of "Total-Living (Kurashi-Marugoto)."

5. IMPORTANT AGREEMENTS

(1) Credit Sales Franchise Agreements

Some of consolidated subsidiaries of the Company has executed franchise agreements with consumer credit companies regarding credit sales.

a. Agreement details	Consumer credit companies conduct credit checks on the customers of the Company's subsidiaries and, based on the results of such checks, such companies pay the amount owed by the approved customers for purchases in lieu of such customers. The consumer credit companies then become responsible for collecting such advances from such customers.
b. Franchisee	JCB Co., Ltd., Orient Corporation, Mitsubishi UFJ NICOS Co., Ltd., UC Card Co., Ltd.
c. Contract period	Upon request for cancellation by one of the parties with three months advanced notice

(2) 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. becomes the wholly owned subsidiary, as of the effective date of September 1, 2021 (scheduled), and the two companies concluded a share exchange agreement. Details are as described in the "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" Note 27, entitled "SUBSEQUENT EVENTS."

6. RESEARCH AND DEVELOPMENT

The total cost of the Group's research and development activities during the fiscal year under review was ¥324 million. Such activities were mainly research and development activities for the housing-related businesses of the subsidiary Housetec Inc.

7. CORPORATE GOVERNANCE

1) Overview of Corporate Governance

(1) Basic Ideals on Corporate Governance

The Company's basic ideals of corporate governance are to improve management transparency, conduct fair corporate activities and continue to maintain and increase corporate and shareholder value.

(2) Overview of Corporate Governance Structures and Reasons for Adopting Such Structures

The Company has adopted the Audit & Supervisory Board system, and it conducts supervision and monitoring of the execution of operations through its Board of Directors and the Audit & Supervisory Board. Also, as part of the efforts to facilitate rapid responses to changes in the business environment, the Company has adopted a system under which the execution of operations is carried out by several executive officers, which establishes a clear separation between the execution of operations and the business decision-making and management oversight functions. The senior executives who serve for business departments and on management committees and sectional meetings are the Chairman of the Board & CEO, the President & COO, and Representative Director & Executive Officer (all of them with representative authority). Operating under these senior executives, the executive officers concentrate on their execution of operations and assume responsibility for the management of specified functions. The Company has established a ESG/Sustainability Promotion Committee, in addition to the existing Compliance Committee, Audit Office and Risk Management Committee, to oversee the formulation of specific CSR-related policies and standards covering areas such as business ethics and the like. The ESG/Sustainability Promotion Committee conducts ongoing activities aimed at enhancing internal and external awareness of CSR-related issues.

The Company adopted the above-described structures in order to implement concrete corporate governance structures that would lead to the realization of the basic ideals of "improving management transparency, conducting fair corporate activities and continuing to maintain and increase corporate and shareholder value."

The corporate governance structures of the Company are as follows.

(i) General Meeting of Shareholders

The General Meeting of Shareholders, the Company's top decision-making body chaired by the Representative Director, provides an important forum for shareholders, as owners of the Company, to obtain and exchange information as well as to exercise their rights. The Company has an active IR program, and it is intent on disclosing information in a timely manner to ensure its shareholders the opportunity to exercise their rights appropriately. Because foreigners make up a large percentage of the shareholders, the Company strives to figure out ways to meet their needs, in addition to preparing and delivering notices regarding the General Meeting of Shareholders in English in a timely manner.

(ii) Board of Directors

The Company's Board of Directors, chaired by the Representative Director, convenes meetings once a month. Extraordinary Board meetings are also convened when necessary. The Company's Board of Directors reviews any important issues related to the Company's business, discusses the status of the Company's performance and takes prompt action as required.

(iii) Audit & Supervisory Board

The Company's Audit & Supervisory Board system relies on four Audit & Supervisory Board members (including two external Audit & Supervisory Board members). The status of audits by the Audit &

Supervisory Board members is described in “3) Status of Audit (1) Audits by Audit & Supervisory Board Members.”

(iv) Management Meetings

Management meetings are held monthly to receive reports and proposals such as on management policy, strategy, issues and execution of operations, etc., which are then discussed and evaluated and decisions made on various management policies and strategies, etc.

(v) Executive Officers Meetings

Once a month, the plans, policies and strategies, etc. decided at the Board of Directors and management meetings shall be widely publicized with reports on the progress of execution of operations based thereon and the prompt implementation of measures.

(vi) Audit Office

The Company has established the Audit Office to strengthen its internal auditing functions. Reporting directly to the President and employing eight full-time staff, such office engages in internal auditing. The status of internal auditing is described in “3) Status of Audit (2) Internal Auditing.”

(vii) Others

The Company contracts with a law firm for legal advice, as needed.

(3) Other Items Related to Corporate Governance

The Company has developed a system of internal control for ensuring the proper operation of its business, in accordance with the basic policy below, pursuant to the Companies Act of Japan and the Regulation for Enforcement of the Companies Act.

(i) System for ensuring that directors and employees perform their duties in compliance with the applicable laws and regulations and the Articles of Incorporation

(a) Compliance Committee

Directors in charge of compliance shall organize the Compliance Committee, which is involved in formulating corporate ethics policies and basic policy and standards on compliance with laws and regulations (compliance provisions), and establish codes of conduct on that basis requiring that directors and employees act in accordance with laws and regulations, the Articles of Incorporation and the Company’s employment rules and other internal rules.

Education to directors and employees shall be provided to ensure thorough implementation in this regard led by the Compliance Committee. These initiatives are reported on a regular basis to the Board of Directors and the Audit & Supervisory Board.

(b) Establishment of the ESG/Sustainability Promotion Committee

The Company shall establish the ESG/Sustainability Promotion Committee, in full recognition of the significance of corporate social responsibility, as a means of putting ESG and sustainability-focused management into practice as part of the management policy. The CSR Committee shall pursue initiatives based on the Code of Conduct and Code of CSR Ethics in areas that include compliance, labor, customer satisfaction, local communities, resource recycling, and environmental issues and the progress status shall be confirmed at each sectional meeting.

(c) Whistle-blowing system

The Company shall establish Regulations on Protecting Whistleblower and prepare a system that enables individuals regardless of their position, who become aware of incidents involving the performance of duties by the Company's directors and employees that are questionable in terms of laws and regulations, to report such matters directly to the organizational contact set up to receive internal reports, pursuant to such regulations. The Compliance Committee shall endeavor to make the existence of the whistle-blowing system known.

(d) Audit Office

The Audit Office shall operate independently of the Company's operating divisions. It shall perform internal audits on legal compliance of individual sectors and audits encompassing areas such as, information security management systems (ISMS), information systems, information security and personal information protection. It shall also audit work processes and other operations of individual sectors, and take steps to uncover and prevent improprieties and to improve processes.

(ii) System for storage and management of information concerning the directors' performance of duties

(a) Manager in charge of information storage and management

With respect to the storage and management of information pertaining to the directors' performance of duties, the Company shall store the documents set forth below (including electro and magnetic records thereof) along with related materials under the responsibility of the director in charge of general affairs and in accordance with the Company's Regulations on Document Management and Handling.

a. Minutes of General Meetings of Shareholders
b. Minutes of meetings of the Board of Directors
c. Financial statements
d. Internal circulars for managerial decision (ringi-sho)
e. Minutes of meetings of respective committees
f. Documents otherwise designated in the Company's Regulations on Document Management and Handling

(b) Amendments to Regulations on Document Management and Handling

Approval of the Board of Directors shall be obtained when amending the Regulations on Document Management and Handling.

(c) The Company shall develop regulations related to protection of personal information and management of trade secrets, and store and manage personal information and important trade secrets in an appropriate and safe manner.

(iii) Regulations on management of risk of loss and other systems

(a) Risk Management Basic Regulations

The director in charge of risk management shall organize the Risk Management Committee and formulate the Risk Management Basic Regulations. Accordingly, the committee shall categorize risks in the regulations and establish specific risk management systems.

(b) Crisis management system in the event of disaster

The director in charge of risk management shall prepare a disaster response measures manual and develop crisis management system in accordance with the manual. The director in charge of risk management shall endeavor to make details of the manual known and provide education regarding disaster response.

(iv) System for ensuring that directors perform their duties efficiently

When making decisions on allocating duties of directors and conferring segregations of duties and authority of individual sectors, the Board of Directors (or the representative directors) shall be careful not to make decisions that would result in bloated back-office operations, overlapping administrative sectors, intertwined areas of authority or would otherwise significantly impede efficiency.

(v) System for ensuring the properness of business operations of the Group consisting of the Company, its parent company and its subsidiaries

(a) The Company's directors shall establish systems for overseeing the management and performance of each subsidiary they supervise and for ensuring the properness of such business operations.

(b) The Company's subsidiaries shall execute their business operations in accordance with basic business company agreements and internal regulations of the respective subsidiaries, and such agreements and regulations shall be reviewed as needed.

(c) To achieve optimal performance and budget management of its subsidiaries, the Company shall hold monthly sectional meetings for each segment operating company for managing subsidiaries' overall performance and budgets on the basis of medium-term business plans and annual budgets, and furthermore hold sectional meetings with its principal subsidiaries as appropriate.

(d) When deemed necessary, the Audit Office may conduct audits related to business operations of subsidiaries.

(vi) System for reporting to the Company on matters pertaining to performance of duties by subsidiaries' directors, etc.

(a) The Company shall stipulate the procedures and content of reporting to the Company from subsidiaries in basic business company agreements and provide appropriate guidance and advice on matters reported, while respecting the autonomy of subsidiary management.

(b) The Company shall ensure the properness of subsidiary business operations by receiving reports on the status of subsidiary management and financial position at executive officers meetings or monthly sectional meetings for each business segment.

(vii) Regulations on management of risk of loss of subsidiaries and other systems

(a) The Company shall make its Risk Management Basic Regulations thoroughly known to its subsidiaries.

(b) The Company shall receive weekly risk management and compliance status reports from all of its subsidiaries, by receiving checklists for monitoring compliance.

(c) Each subsidiary of the Company shall establish basic policies on risk management.

(d) In the event that a director of the Company receives a report on risk of loss from a subsidiary under their respective control, that director shall investigate the relevant facts in the case and report the matter to the director in charge of risk management.

(viii) System for ensuring that subsidiaries' directors, etc. perform their duties efficiently

(a) The Company's Board of Directors shall formulate medium-term business plans and medium- to long-term management strategies in which subsidiaries are involved, and coordinate with subsidiaries in establishing key management goals based on such plans and strategies, and making progress in that regard.

(b) The Company shall stipulate procedures in its basic business company agreements with respect to individual matters for approval involving its subsidiaries, and take steps to streamline decision-making in that regard.

(ix) System for ensuring that subsidiaries' directors, etc. and employees perform their duties in compliance with the applicable laws and regulations and the Articles of Incorporation

(a) The Company shall verify the status of subsidiaries' operations using weekly checklists for monitoring compliance, and report such outcomes to the Compliance Committee as necessary.

(b) The Company's whistle-blowing system shall also be used by its subsidiaries to prevent violations of laws and regulations and the Articles of Incorporation. The Company shall receive reports regarding the status of any disciplinary action taken on the basis of violations of laws and regulations or the Articles of Incorporation.

(c) The Company may assign its directors, Audit & Supervisory Board members and employees to concurrently serve as audit & supervisory board members of a subsidiary, thereby coordinating with audit & supervisory board members of the subsidiary in performing legal compliance audits of duties performed by the subsidiary's directors and employees.

(x) System regarding employees to assist duties of Audit & Supervisory Board members when the Audit & Supervisory Board members request to assign such employees, and matters regarding the independence of such employees from the directors

(a) Assigning an employee to act as an audit assistant

When an Audit & Supervisory Board member requests directors that an employee be assigned as an audit assistant to assist in his or her duties, the directors shall make the necessary organizational changes and personnel rotations upon consulting with the Audit & Supervisory Board member.

(b) Duties of an audit assistant

Audit assistants shall be formally posted as assistant to Audit & Supervisory Board member and assist with duties of Audit & Supervisory Board members and Audit & Supervisory Board operations as instructed and ordered.

(c) Independence of an audit assistant

a. An audit assistant shall work under the instructions and orders of an Audit & Supervisory Board member, and as such is not subject to the instructions or orders of directors or any person positioned as his or her superior or the like in the organization unit to which the audit assistant belongs.

b. In performing their tasks, audit assistants may gather all information necessary for the audit.

c. Consent of the relevant Audit & Supervisory Board member must be obtained for matters involving personnel changes (this includes consent for the transfer destination in case of personnel transfer), personnel evaluation and disciplinary action of an audit assistant.

(xi) Matters regarding ensuring effectiveness of Audit & Supervisory Board members' instructions to employees to assist them in their duties

(a) Supervisory authority

Audit & Supervisory Board members may instruct audit assistants as necessary for conducting audit work, and audit assistants shall have the authority to conduct necessary investigations based on such instructions.

(b) Cooperative framework

When an audit assistant concurrently serves as an employee of another department, priority must be given to the assistant's duties pertaining to the Audit & Supervisory Board member. Moreover, superiors of the other department with which the employee concurrently serves, and directors, must provide support as necessary upon request with respect to performance of such duties.

(xii) System for directors and employees to report to Audit & Supervisory Board members and the system concerning other reports to Audit & Supervisory Board members

(a) Directors' obligation to report

A director must promptly report to an Audit & Supervisory Board member with respect to any discovery of an incident where work performed by another director or an employee is in violation of laws and regulations, or threatens to cause significant damage to the Company.

(b) Employees' right to report

An employee may report to an Audit & Supervisory Board member with respect to any discovery of an incident where work performed by a director or another employee is in violation of laws and regulations, or threatens to cause significant damage to the Company.

(c) Internal reporting

The organizational contact set up to receive internal reports shall report matters involving the status of internal reporting to an Audit & Supervisory Board member.

(xiii) System for reporting to Audit & Supervisory Board members by the following in subsidiaries: directors, accounting advisors, audit & supervisory board members, executive officers, executive members, persons executing duties set forth in Article 598, Paragraph 1 of the Companies Act, persons equivalent to such persons, and employees, or persons who receive reports from the foregoing persons

(a) Directors and employees of a subsidiary shall immediately report the Company's director in charge if they discover an incident that significantly damages the subsidiary or threatens to do so, or otherwise if they discover a material incident involving violation of laws and regulations, the articles of incorporation or internal regulations within the subsidiary.

(b) With respect to matters involving reports received from directors of subsidiaries, any matters that the Company's directors are to report to Audit & Supervisory Board members of the Company shall be those determined through mutual consultation between the Company's directors and Audit & Supervisory Board members.

(xiv) System for ensuring that persons who have reported matters are not treated disadvantageously on the grounds of their reporting

(a) Persons who have reported matters to an Audit & Supervisory Board member shall not be treated disadvantageously in any way on the grounds of their reporting as set forth in the preceding paragraphs.

(b) When making decisions regarding the whistleblower with respect to personnel rotation, performance evaluation and disciplinary action, the fact of whistleblowing must not be a consideration, and the whistleblower may request an Audit & Supervisory Board member to conduct an inquiry into the reason for personnel rotation, performance evaluation and disciplinary action.

(xv) Matters regarding policies pertaining to procedures for prepayment or reimbursement of expenses arising with respect to performance of an Audit & Supervisory Board member's duties, or otherwise processing of expenses or debt obligations arising with respect to performance of such duties

(a) Presentation of budget

The Audit & Supervisory Board shall present a preliminary budget to the Company with respect to expenses deemed necessary in performing duties.

(b) Claims for expenses, etc.

Directors may not reject the hereinafter listed claims made by an Audit & Supervisory Board member, etc. with respect to performance of his or her duties, unless it has been demonstrated that an expense or debt obligation pertaining to the claim is unnecessary with respect to performance of the Audit & Supervisory Board member's duties.

a. Claim for prepayment of expenses

b. Claim for reimbursement of expenses already paid and interest on such amounts accrued after the date of payment

c. Claim for making repayment to a person to whom a debt obligation is owed (or provision of reasonable guarantee of such amount in cases where the repayment due date of the obligation has not yet arrived).

(xvi) System for ensuring that Audit & Supervisory Board members perform audits effectively

Audit & Supervisory Board members are provided preliminary explanations with respect to annual plans to be implemented by the Audit Office, and may ask for revisions to such plans and make other such requests. Moreover, Audit & Supervisory Board members may be appropriately provided reports regarding the status of internal audit implementation, and may call for performance of additional audits, improvement of business operations and other such requests, when deemed necessary.

(4) Number of Directors and Election Rules

The Company's Articles of Incorporation limit the maximum number of directors to 11. An approval of resolution to elect directors requires a simple majority vote in favor at a General Meeting of Shareholders attended by shareholders representing at least one-third of the total voting rights. Directors may not be elected by cumulative voting.

(5) Requirements for Special Resolutions by the General Meeting of Shareholders

For requirements for special resolutions by the General Meeting of Shareholders as set forth in Article 309, Paragraph 2 of the Companies Act, the Company's Articles of Incorporation stipulate that shareholders holding one third or more of the voting rights of the shareholders who are entitled to exercise their voting rights must attend, and that special resolutions will be passed with two third or more of those voting rights cast in favor. The goal of this policy is to ensure the smooth operations of the General Meeting of Shareholders by lowering the quorum required for special resolutions at the General Meeting of Shareholders.

(6) Basic Policy on Control of Stock Company

The Company has not established a basic policy on matters listed in Article 118, Item 3 of the Regulation for Enforcement of the Companies Act.

(7) Acquisition of Treasury Stock

As set forth in Article 165, Paragraph 2 of the Companies Act, the Company's Articles of Incorporation stipulate that the Company can acquire treasury stock through a resolution by its Board of Directors. The goal of this policy is to allow the flexible execution of capital policy in response to changes in the management environment by acquiring treasury stock through market trading, etc.

(8) Interim Dividends

As set forth in Article 454, Paragraph 5 of the Companies Act, the Company's Articles of Incorporation stipulate that the Company can pay interim dividends to shareholders and registered stock pledgees listed or registered in the final shareholder registry as of September 30 of each year. The goal of this policy is to allow the flexible execution of capital policy in response to changes in the management environment.

2) Status of Officers

(1) Status of External Directors and External Audit & Supervisory Board Members

The Company has two external directors. External Director Mr. Tsukasa Tokuhira provides valuable opinions and suggestions to management of the Company as an external director based on his abundant experience as a long-standing leader in the distribution industry. Mr. Tsukasa Tokuhira concurrently serves as Representative Director of Cross Co., Ltd. and Representative Director of Fic Limited. There is no special relationship between the Company and the entities at which he holds the significant concurrent positions. External Director Ms. Miki Mitsunari has expertise in corporate ESG management, environmental issues involving real estate, and environmental regulations in Japan and overseas. She also conducts surveys and engages in consulting activities for companies regarding their environmental business and risk management, and provides the Company with advice to promote diversity of the Company's Board of Directors and the Group's ESG initiatives. Ms. Miki Mitsunari serves as the president of FINEV inc., Outside Director of Funai Soken Holdings Inc., and Director of Japan Accreditation Board. There is no special relationship between the Company and the entities at which she holds the significant concurrent positions.

The Company has two external Audit & Supervisory Board members. External Audit & Supervisory Board Member Mr. Masamitsu Takahashi concurrently serves as Representative Partner of Kanata Certified Public Tax Accountants Corporation (trade name changed from Hikari Certified Public Tax Accountants Corporation) and Representative Director of Takahashi Tax & Management Co., Ltd. There is no special relationship between the Company and the entities at which he holds the significant concurrent positions. In addition, Mr. Masamitsu Takahashi provides the Company with advice and suggestions primarily from a perspective as a tax accountant to serve ensuring adequacy and appropriateness in decision-making by the Board of Directors, and that he also provides opinions and suggestions with regard to the accounting system and internal audit of the Company. External Audit & Supervisory Board Member Mr. Somuku Iimura concurrently serves as Executive Partner of ITN Partners. Although the Company is receiving legal and other advice from him when necessary, because the scale of annual transactions was small at less than 0.001% of the Company's consolidated net sales, the Company believes that it is not significant enough to cause a conflict of interest. Mr. Somuku Iimura also serves as an outside Director at Maruha Nichiro Corporation, an outside Director at The Furukawa Battery Co., Ltd. and an outside audit & supervisory board member at SANYO SHOKAI LTD. However, there is no special relationship between the Company and each of Maruha Nichiro Corporation, The Furukawa Battery Co., Ltd. and SANYO SHOKAI LTD. He has contributed to the corporate governance and management of the Company by providing his opinion relating to management from a different viewpoint based on his abundant experience and outstanding knowledge from a fair and neutral position as an Attorney. Although the Company has not established its own criteria or policies regarding the independence of external directors and external Audit & Supervisory Board members to be applied when appointing such persons, the Company refers to criteria established by other institutions, such as of the securities exchange and the like, in assessing the independence of independent director/auditor considered for appointment.

(2) Coordination between supervision by External Directors or auditing by External Audit & Supervisory Board Members and Internal Auditing, Audits by Audit & Supervisory Board Members and by Accounting Auditor, and Relationship with Internal Control Divisions

Based on their expert knowledge and abundant experience, external directors supervise the business execution of directors, provide valuable opinions and suggestion on the Company's management policy and management plan, etc., and supervise transactions that conflict with the interests of the directors and major shareholders, etc.

External Audit & Supervisory Board members may be present at meetings of the Board of Directors and/or Audit & Supervisory Board and may work with the Audit Office and the accounting auditor in carrying out audits, during which such members may state their opinions or demand explanations.

3) Status of Audit

(1) Audits by Audit & Supervisory Board Members

The Company's Audit & Supervisory Board system relies on four Audit & Supervisory Board members (including two external Audit & Supervisory Board members). These auditors participate in the Board of Directors meetings and other important business meetings to monitor the directors' performance of their duties. The Audit & Supervisory Board can work together with the Audit Office and the auditing firm in carrying out audits such as by exchanging information as necessary and the like. The standing Audit & Supervisory Board member, or his or her designee, can be present at meetings of the Board of Directors and other meetings where the execution of operations is discussed, at which such person may state his/her opinions or demand explanations.

The Company's Audit & Supervisory Board is held, in principle, once a month and as needed. The Audit & Supervisory Boards held and status of attendance of Audit & Supervisory Board Members during the fiscal year under review are as follows:

Position	Name	Audit & Supervisory Board (held 12 times)	
		Attendance (times)	Attendance (rate)
Audit & Supervisory Board Member	Makoto Igarashi	12	100%
Audit & Supervisory Board Member	Jun Okamoto	9	100%
External Audit & Supervisory Board Member	Masamitsu Takahashi	12	100%
External Audit & Supervisory Board Member	Somuku Iimura	11	92%

Note: The status of attendance for Audit & Supervisory Board Member Mr. Jun Okamoto is for the period since he assumed the post on June 26, 2020.

Major items reviewed at the meetings of the Audit & Supervisory Board during the fiscal year under review are as follows.

- Election of Chairperson of the Audit & Supervisory Board
- Auditing policies and plans for Audit & Supervisory Board Members
- Items to be resolved at the Board of Directors
- Monthly regular financial reports
- Status of implementation of audits by the accounting auditor and execution of duties
- Regular reports from the internal audit division

Activities conducted by the standing Audit & Supervisory Board Member during the fiscal year under review are as follows.

- Attendance to the Board of Directors and other meetings and committees
- Hearing of various reports from Directors and related departments
- Inspection of important approval documents, contracts and other documents
- Investigation of status of operations and properties of the headquarters and major sales offices
- Regular meetings with the accounting auditor

During the audit planning stage for the fiscal year under review and during the year, we communicated matters for which the accounting auditor should pay particular attention in the audit. These matters include risks that require special consideration and areas for which there is high uncertainty in the estimates. During this process, we exchanged opinions and received detailed explanations from the accounting auditor concerning matters of key audit consideration for which particular attention is required when the accounting auditor conduct the audit such as the appropriateness of the decisions concerning the requirement to recognize impairment loss on non-current assets in the electrical business and the key assumptions used and the accounting response when making accounting estimates concerning the rationality of the market valuation for trademarks pertaining to the acquisition of Hinokiya Group Co., Ltd.

(2) Internal Auditing

The Company has established the Audit Office to strengthen its internal auditing functions. Reporting directly to the President and employing eight full-time staff, such office engages in the auditing of daily business activities, observation of inventory count or the like, internal checks and internal auditing. Functioning in cooperation with the Audit & Supervisory Board members and the auditing firm, such as by exchanging information as necessary and the like, such office provides an audit perspective to ensure that the Company's business activities are conducted properly and efficiently.

(3) Status of Accounting Audits

(i) Auditing Firm

KPMG AZSA LLC

(ii) Consecutive Auditing Period

32 years

The above period represents the period beginning from the fiscal year covered by an audit in the securities registration statements filed at the time of the Company's initial listing since it is extremely difficult to investigate auditing information prior to this period. The actual consecutive auditing period may exceed the period stated above.

(iii) Certified Public Accountants Who Performed the Audit

Designated limited liability partners Engagement partners: Naoya Miyaki, Tsutomu Fukushima

(iv) Composition of Assistants in Auditing Operations

12 certified public accountants, 13 other members

(v) Policy and Reasons for Selection of Auditing Firm

Where the accounting auditor is unable to execute their duties and the Audit & Supervisory Board deems necessary, it will decide on the contents of an agenda item for the dismissal or non-reappointment of the accounting auditor to be submitted to the General Meeting of Shareholders.

Furthermore, where the accounting auditor is recognized to fall under the items stipulated in Article 340, Paragraph 1 of the Companies Act, the accounting auditor will be dismissed base on the unanimous agreement of the Audit & Supervisory Board. In this case, at the first General Meeting of Shareholders convened after the dismissal, an Audit & Supervisory Board member selected by the Audit & Supervisory Board will report that the accounting auditor has been dismissed and provide the reasons for such.

As there were no incidents corresponding to the dismissal or non-reappointment of KPMG AZSA LLC, the Audit & Supervisory Board has reappointed it as the Company's auditing firm.

(vi) Evaluation of the Auditing Firm by the Audit & Supervisory Board Members and Audit & Supervisory Board

The Audit & Supervisory Board performs evaluations of the auditing firm. In these evaluations, the Audit & Supervisory Board monitors and evaluates whether the accounting auditor maintains an independent position and whether he/she is properly implementing audits, receives reports on the status of the execution of duties from the accounting auditor, and requests explanations where necessary. Furthermore, the Audit & Supervisory Board receives notifications from the accounting auditor stating that "systems for ensuring that the performance of the duties of Financial Auditor(s) is being carried out correctly" (items listed in Article 131 of the Regulation on Corporate Accounting) are in place according to "Quality Control Standards concerning Audit" (October 28, 2005, Business Accounting Council), and requests explanations where necessary. As a result of this process, the evaluation of the Audit & Supervisory discovered no problems in the execution of duties by the accounting auditor.

(vii) Auditing Firm Transfers

No items to report

CONSOLIDATED BALANCE SHEETS
YAMADA HOLDINGS CO., LTD. and Consolidated Subsidiaries
As of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
ASSETS			
Current assets:			
Cash and time deposits (Notes 7 and 9)	¥ 74,438	¥ 48,940	$ 672,311
Notes and accounts receivable (Note 9):			
- Trade	72,962	58,085	658,974
- Non-consolidated subsidiaries and affiliated companies	-	41	-
- Completed construction contracts	2,050	1,734	18,513
Sub-total	75,012	59,860	677,487
Operating loans	4,255	2,222	38,426
Inventories (Note 12)	408,575	392,830	3,690,167
Other current assets (Notes 9 and 18)	54,382	43,527	491,168
Allowance for doubtful accounts	(2,027)	(1,904)	(18,306)
Total current assets	614,635	545,475	5,551,253
Property and equipment:			
Buildings and structures, net (Notes 13, 14 and 21)	197,027	202,639	1,779,508
Land (Notes 14 and 16)	199,382	192,742	1,800,776
Lease assets, net (Notes 13, 14 and 15)	14,113	13,732	127,465
Others, net (Notes 13 and 14)	18,079	12,090	163,289
Total property and equipment, net	428,601	421,203	3,871,038
Intangible assets (Note 14)	42,778	33,697	386,360
Investments and other assets (Note 14):			
Investment securities (Notes 9 and 10)	6,715	5,253	60,650
Long-term loans receivable	3,676	2,817	33,200
Guarantee deposits (Notes 9, 10, 18 and 28)	85,752	95,360	774,495
Net defined benefit asset (Note 20)	1,839	1,579	16,614
Deferred tax assets (Note 17)	40,363	29,723	364,547
Other assets	30,836	30,501	278,504
Allowance for doubtful accounts	(2,595)	(2,114)	(23,440)
Total investments and other assets	166,586	163,119	1,504,570
Total assets	¥ 1,252,600	¥ 1,163,494	$ 11,313,221

CONSOLIDATED BALANCE SHEETS
YAMADA HOLDINGS CO., LTD. and Consolidated Subsidiaries
As of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable (Note 9)			
- Trade	¥ 106,929	¥ 98,114	$ 965,756
- Construction contracts	13,720	5,215	123,913
Sub-total	120,649	103,329	1,089,669
Short-term loans payable (Notes 9 and 16)	44,199	53,730	399,197
Current portion of long-term loans payable (Notes 9, 16 and 18)	50,860	53,225	459,358
Lease obligations (Notes 15 and 16)	4,448	4,405	40,169
Income taxes payable (Note 17)	29,986	9,343	270,831
Advances received on construction contracts in progress	17,285	355	156,112
Provision for bonuses	10,794	8,355	97,490
Other provisions (Note 19)	13,922	14,542	125,745
Other current liabilities (Notes 20 and 28)	65,173	51,263	588,631
Total current liabilities	357,316	298,547	3,227,202
Long-term liabilities:			
Long-term loans payable (Notes 9, 16 and 18)	123,430	123,939	1,114,797
Lease obligations (Notes 15 and 16)	12,319	11,820	111,260
Asset retirement obligations (Note 21)	35,488	34,307	320,516
Provision for directors' retirement benefits	1,083	1,049	9,785
Provision for product warranties	7,913	7,658	71,464
Other provisions (Note 19)	202	156	1,829
Net defined benefit liability (Note 20)	30,607	30,343	276,435
Other long-term liabilities (Notes 16 and 17)	11,697	10,509	105,644
Total long-term liabilities	222,739	219,781	2,011,730
Total liabilities	580,055	518,328	5,238,932
Contingent liabilities (Note 18)			
Net assets (Note 22):			
Common stock:			
authorized – 2,000,000,000 shares			
issued – 966,560,272 shares in 2021 and 966,489,740 shares in 2020	71,078	71,059	641,958
Capital surplus	84,236	84,060	760,801
Retained earnings	560,958	517,944	5,066,456
Treasury stock, at cost – 146,871,443 shares in 2021 and 86,038,722 shares in 2020	(68,883)	(38,171)	(622,133)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities, net of taxes (Note 10)	(269)	(733)	(2,433)
Foreign currency translation adjustments	609	438	5,502
Remeasurements of defined benefit plans (Note 20)	1,685	540	15,225
Subscription rights to shares (Note 23)	1,579	1,872	14,261
Non-controlling interests	21,552	8,157	194,652
Total net assets	672,545	645,166	6,074,289
Total liabilities and net assets	¥ 1,252,600	¥ 1,163,494	$ 11,313,221

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF INCOME

YAMADA HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net sales (Note 27):			
- Trade	¥ 1,752,453	¥ 1,611,074	$ 15,827,791
- Non-consolidated subsidiaries and affiliated companies	53	464	480
Sub-total	1,752,506	1,611,538	15,828,271
Cost of sales (Note 28)	1,231,470	1,150,885	11,122,382
Gross profit	521,036	460,653	4,705,889
Selling, general and administrative expenses (Notes 24 and 28)	428,957	422,326	3,874,254
Operating profit	92,079	38,327	831,635
Other income (expenses):			
Interest income	612	726	5,526
Interest expenses	(1,361)	(1,400)	(12,291)
Purchase discounts	2,713	4,267	24,507
Impairment loss (Note 14)	(14,030)	(8,742)	(126,721)
Loss due to COVID-19 (Note 25)	(639)	-	(5,773)
Loss on cancelation of rental contracts	(5,657)	(20)	(51,090)
Gain on sale of businesses (Note 25)	414	-	3,742
Others, net (Note 25)	3,383	5,248	30,553
Total other (expenses) income	(14,565)	79	(131,547)
Profit before income taxes	77,514	38,406	700,088
Income taxes (Note 17):			
Current	36,166	13,009	326,642
Deferred	(10,319)	820	(93,201)
Total income taxes	25,847	13,829	233,441
Profit	51,667	24,577	466,647
Loss attributable to non-controlling interests	(132)	(28)	(1,187)
Profit attributable to owners of parent	¥ 51,799	¥ 24,605	$ 467,834

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Basic earnings per share	¥ 62.82	¥ 28.38	$ 0.57
Diluted earnings per share	62.53	27.01	0.56
Cash dividends applicable to the year	18.00	10.00	0.16

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YAMADA HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Profit	¥ 51,667	¥ 24,577	$ 466,647
Other comprehensive income (loss), net of taxes (Note 26):			
Valuation difference on available-for-sale securities	459	(1,273)	4,148
Foreign currency translation adjustments	172	125	1,549
Remeasurements of defined benefit plans, net of tax	1,145	(880)	10,343
Share of other comprehensive loss of associates accounted for using equity method	(0)	(0)	(3)
Total other comprehensive income (loss)	1,776	(2,028)	16,037
Comprehensive income	¥ 53,443	¥ 22,549	$ 482,684
Comprehensive income attributable to:			
Owners of parent	¥ 53,579	¥ 22,577	$ 483,910
Non-controlling interests	(136)	(28)	(1,226)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YAMADA HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

		Millions of yen									
		Shareholders' equity				Accumulated other comprehensive income					
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities, net of taxes (Note 10)	Foreign currency translation adjustments	Remeasurements of defined benefit plans (Note 20)	Subscription rights to shares (Note 23)	Non-controlling interests	Total net assets
Balance at April 1, 2019	966,490	¥ 71,059	¥ 79,404	¥ 503,701	¥ (67,953)	¥ 540	¥ 313	¥ 1,420	¥ 1,493	¥ 1,616	¥ 591,593
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
Other changes in the year, net						(1,273)	125	(880)	379	6,541	4,892
Balance at March 31, 2020	966,490	71,059	84,060	517,944	(38,171)	(733)	438	540	1,872	8,157	645,166
Issuance of new shares		19	18								37
Cash dividends	70			(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 year, net						464	171	1,145	(293)	13,395	14,882
Balance at March 31, 2021	966,560	¥ 71,078	¥ 84,236	¥560,958	¥ (68,883)	¥ (269)	¥ 609	¥ 1,685	¥ 1,579	¥ 21,552	¥ 672,545

	Thousands of U.S. dollars (Note 1)									
	Shareholders' equity				*Accumulated other comprehensive income*					
	Common stock	*Capital surplus*	*Retained earnings*	*Treasury stock, at cost*	*Valuation difference on available-for-sale securities, net of taxes (Note 10)*	*Foreign currency translation adjustments*	*Remeasurements of defined benefit plans (Note 20)*	*Subscription rights to shares (Note 23)*	*Non-controlling interests*	*Total net assets*
Balance at April 1, 2020	$ 641,788	$ 759,211	$ 4,677,958	$ (344,752)	$ (6,620)	$ 3,953	$ 4,883	$ 16,909	$ 73,675	$ 5,827,005
Issuance of new shares	170	169								339
Cash dividends			(79,520)							(79,520)
Profit attributable to owners of parent			467,834							467,834
Purchase of treasury stock				(288,619)						(288,619)
Disposal of treasury stock		(698)		5,503						4,805
Change in scope of consolidation			184							184
Purchase of shares of consolidated subsidiaries		2,096		5,535						7,631
Change in ownership interest of parent due to transactions with non-controlling interests		23		200						223
Other changes in the year, net					4,187	1,549	10,342	(2,648)	120,977	134,407
Balance at March 31, 2021	$ 641,958	$ 760,801	$ 5,066,456	$ (622,133)	$ (2,433)	$ 5,502	$ 15,225	$ 14,261	$ 194,652	$ 6,074,289

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YAMADA HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2021	2020	2021
Cash flows from operating activities:			
Profit before income taxes	¥ 77,514	¥ 38,406	$ 700,088
Depreciation	21,471	20,719	193,919
Amortization of goodwill	384	58	3,467
Increase (decrease) in provision for product warranties	254	(315)	2,295
Increase in allowance for doubtful accounts	7	440	68
Increase in net defined benefit liability	931	1,338	8,412
Interest and dividend income	(741)	(965)	(6,694)
Interest expenses	1,361	1,400	12,291
Foreign exchange losses	256	431	2,311
Gain on sale of investment securities	(41)	(1,708)	(375)
Loss on sale and disposal of property and equipment, net	1,099	47	9,923
Loss on cancellation of rental contracts	5,657	20	51,090
Impairment loss	14,030	8,742	126,721
Gain on negative goodwill	(1,163)	(2,721)	(10,506)
(Increase) decrease in notes and accounts receivable	(9,817)	12,456	(88,661)
Decrease in accounts receivable	2,069	6,401	18,683
Increase in operating loans receivable	(1,811)	(1,417)	(16,353)
Decrease in inventories	19,428	3,393	175,466
Increase (decrease) in notes and accounts payable	4,733	(11,702)	42,750
Other, net	2,526	2,703	22,819
Sub-total	138,147	77,726	1,247,714
Interest and dividend income received	208	261	1,877
Interest expenses paid	(1,366)	(1,413)	(12,337)
Income taxes paid	(14,708)	(14,140)	(132,834)
Net cash provided by operating activities	¥ 122,281	¥ 62,434	$ 1,104,420

(Continued)

	Millions of yen				*Thousands of U.S. dollars (Note 1)*	
	2021		2020		2021	
Cash flows from investing activities:						
Payments into time deposits	¥	(136)	¥	(94)	$	(1,228)
Proceeds from withdrawal of time deposits		-		58		-
Proceeds from sale of property and equipment		163		463		1,475
Proceeds from sales and redemption of investment securities		93		3,416		839
Payments for purchase of investment securities		(5)		(5)		(42)
Proceeds from acquisition of shares in subsidiaries resulting in change in scope of consolidation		4,765		1,468		43,040
Purchase of investments in subsidiaries resulting in change in scope of consolidation		(53)		-		(483)
Proceeds from sale of shares in subsidiary resulting in change in scope of consolidation		-		217		-
Payment of loans receivable		(2,215)		(1,261)		(20,004)
Collection of loans receivable		1,041		1,059		9,398
Purchases of property and equipment		(22,766)		(19,105)		(205,614)
Purchases of intangible assets		(527)		(715)		(4,756)
Payments for guarantee deposits		(1,619)		(822)		(14,626)
Proceeds from collection of guarantee deposits		8,161		6,648		73,704
Purchase of investments in subsidiaries and affiliated companies		(1,575)		(97)		(14,221)
Other, net		(105)		535		(952)
Net cash used in investing activities		(14,778)		(8,235)		(133,470)
Cash flows from financing activities:						
Net decrease in short-term loans payable		(20,791)		(47,000)		(187,776)
Proceeds from long-term loans payable		40,100		115,310		362,175
Repayments of long-term loans payable		(56,647)		(45,651)		(511,627)
Redemption of bonds		-		(65,560)		-
Purchase of treasury stock		(31,956)		(1)		(288,619)
Proceeds from disposal of treasury stock		0		0		0
Repayments of lease obligations		(4,573)		(4,638)		(41,307)
Proceeds from sales and leasebacks		380		24		3,433
Cash dividends paid		(8,810)		(10,572)		(79,569)
Other, net		(540)		(3)		(4,880)
Net cash used in financing activities		(82,837)		(58,091)		(748,170)
Effect of exchange rate change on cash and cash equivalents		(151)		(10)		(1,365)
Net increase (decrease) in cash and cash equivalents		24,515		(3,902)		221,415
Cash and cash equivalents at beginning of year		48,398		51,176		437,117
Increase in cash and cash equivalents resulting from change in scope of consolidation		847		1,124		7,655
Cash and cash equivalents at end of year (Note 7)	¥	73,760	¥	48,398	$	666,187

Supplemental cash flow information (Note 8)

(Concluded)

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YAMADA HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of YAMADA HOLDINGS CO., LTD. (the "Company"), and its consolidated subsidiaries, have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of the International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2021, which was ¥110.72 to U.S. $1. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its 53 significant subsidiaries (together, the "Group"). Yamada Trading Co., Ltd. has been included in the scope of consolidation due to increased materiality. LEO HOUSE CO., LTD. (trade name changed to YAMADA LEO HOUSE CO., LTD. as of May 14, 2020) and Hinokiya Group Co., Ltd. and its 17 subsidiaries have been included in the scope of consolidation due to acquisition of their shares with deemed acquisition date of June 30, 2020 and October 1, 2020, respectively. Sakura Home Co., Ltd. and Shuken Co., Ltd. have been included in the scope of consideration since consolidated subsidiary YAMADA HOMES Co., LTD. acquired their shares. Yamada Denki Split Preparatory Company (trade name changed to YAMADA DENKI CO., LTD. as of October 1, 2020) and YAMADA HOUSING HOLDINGS CO., LTD. have been included in scope of consolidation due to their establishment as of April 1, 2020 and February 1, 2021, respectively. Okinawa Yamada Denki Co., Ltd. has been excluded from the scope of consolidation because of an absorption-type merger whereby YAMADA DENKI CO., LTD. becomes a surviving company as of March 1, 2021. YAMADA LEO HOUSE CO., LTD. has been excluded from the scope of consolidation because of an absorption-type merger whereby YAMADA HOMES Co., LTD. becomes a surviving company as of February 1, 2021.

All significant inter-company accounts, transactions and unrealized profits have been eliminated in consolidation.

All of the Company's non-consolidated subsidiaries have been insignificant in terms of the aggregated amount of their assets, net sales, profit and retained earnings and, thus, their impact on the consolidated financial statements has been immaterial.

Investments in one non-consolidated subsidiary and two affiliated companies have been accounted for using the equity method.

Investments in the remaining non-consolidated subsidiaries and affiliated companies were not accounted for using the equity method, but instead carried at cost, because their impact on the consolidated financial statements has been immaterial.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling shareholders, have been recorded based on the fair value at the time the Company acquired control of the respective subsidiaries. Goodwill (including negative goodwill recognized before April 1, 2010) is amortized using the straight-line method over 5 to 20 years.

The fiscal year-end of eight foreign consolidated subsidiaries, and Hinokiya Group Co., Ltd. and its 15 subsidiaries in Japan is at the end of December. The fiscal year-end of BEST DENKI CO., LTD. and other 26 consolidated subsidiaries in Japan is at the end of February, and that of OTSUKA KAGU, LTD. ("Otsuka Kagu") is at the end of April. The financial statements of these subsidiaries, except Otsuka Kagu, as of and for the years ended December 31, 2020 and 2019 or February 28, 2021 and February 29, 2020, as applicable, were used in preparing the consolidated financial statements. For Otsuka Kagu, its financial statements based on a provisional settlement of accounts as of January 31, 2021 were used. All material transactions which occurred during the periods from their respective fiscal year-ends to March 31 have been accounted for in the consolidation process. For Hinokiya Group Co., Ltd. and its 15 subsidiaries in Japan, their financial statements for the three months from October 1 to December 31, 2020 were included in the consolidated financial statements since the deemed acquisition date of these companies is October 1, 2020 and the difference between their fiscal year-end and the consolidated fiscal year-end does not exceed three months.

(b) Cash and Cash Equivalents

In preparing the consolidated statements of cash flows, cash and cash equivalents include cash on hand, readily-available bank deposits and short-term highly liquid investments with minimum risk of value fluctuation and maturities not exceeding three months at the time of purchase.

(c) Securities

Under Japanese GAAP, companies are required to examine their intent for holding each security and to classify their securities as (i) securities held for trading purposes ("Trading Securities"), (ii) debt securities intended to be held to maturity ("Held-to-maturity Debt Securities"), (iii) equity securities issued by non-consolidated subsidiaries and affiliated companies, or (iv) available-for-sale securities for all other securities that are not classified in any of the above categories ("Available-for-sale Securities").

Equity securities issued by non-consolidated subsidiaries and affiliated companies are stated at moving-average cost. Available-for-sale Securities with fair market value are stated at fair market value. Unrealized gains and losses on such securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gain and loss on sale of such securities is computed using the moving-average cost. Other Available-for-sale Securities with no fair market values are stated principally at the moving-average cost. The Company and its consolidated subsidiaries had no Trading Securities or Held-to-maturity Debt Securities.

Investments in limited partnerships ("LPS") and/or similar ventures (considered as securities under the Japanese Financial Instruments and Exchange Act) are stated at the amounts of the corresponding equity portions using the most recent financials available based on the reporting date stipulated in the contracts relating to such LPS and/or similar ventures.

(d) Derivative Transactions and Hedge Accounting

Derivative financial instruments are stated at fair value and changes in fair value are recognized as gains or losses unless derivative transactions are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, recognition of gains or losses resulting from changes in their fair value is deferred until the related losses or gains on the hedged items are recognized.

Also, if an interest rate swap contract is used as a hedge and meets certain hedging criteria, the net amount to be paid or received under such interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which such swap contact was executed.

The Company utilizes interest rate swaps to hedge its exposure to adverse fluctuation in exchange rates. These contracts are used for its long-term borrowings. The Company and its consolidated subsidiaries do not enter into such transactions for speculative trading purposes.

The effectiveness of hedges is assessed by the ratio of accumulated fluctuations in market value or cash flows of hedging instruments to those in market value or cash flows of hedged items. Under Japanese GAAP, however, such assessment is not required for certain derivatives which meet specific criteria.

(e) Inventories

Inventories are primarily stated at the lower of moving-average cost or market value. Real estate for sale and costs on uncompleted construction contracts are stated using the specific identification method.

(f) Property and Equipment (except for lease assets)

Property and equipment are stated at cost. Depreciation is mainly computed using the straight-line method.

(g) Intangible Assets (except for lease assets)

Intangible assets are amortized using the straight-line method. Software for internal use is amortized using the straight-line method over an estimated useful life of five years.

(h) Impairment

The Company and its consolidated subsidiaries review their property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from continued use and eventual disposition of such asset or asset group. The impairment loss is measured as the amount by which the carrying amount of an asset exceeds its recoverable amount, which should be the higher of the discounted cash flows from continued use and eventual disposition of the asset or the net selling price at disposition.

(i) Long-term Prepaid Expenses

Long-term prepaid expenses are amortized using the straight-line method.

(j) Allowance for Doubtful Accounts

An allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and the amount calculated based on historical loss experience for other doubtful receivables.

(k) Provision for Bonuses

A provision for bonuses is provided at the estimated amount accrued during the current fiscal year to cover future bonus payments to employees.

(l) Provision for Directors' Retirement Benefits

Some of the consolidated subsidiaries each set aside a provision for directors' and Audit & Supervisory Board members' retirement benefits based on internal rules. Such provision is calculated at the estimated payable amount if all officers were to retire at the balance sheet date. The payment of such retirement benefits is subject to approval at a shareholders' meeting.

(m) Provision for Product Warranties

Some of the consolidated subsidiaries each set aside a provision for warranty for future repair expenses at the estimated amount calculated based on historical repair expense.

(n) Leases

At some consolidated subsidiaries, leased assets related to finance lease transactions that transfer ownership are depreciated using the same method as that applied to property and equipment held by these subsidiaries.

At the Company and its consolidated subsidiaries, leased assets related to finance lease transactions that do not transfer ownership are depreciated over the lease term using the straight-line method with zero residual value.

In March 2007, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in a note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing leased assets and lease obligations in the consolidated balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective September 1, 2008. In addition, some of the consolidated subsidiaries accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

(o) Calculation Method of Retirement Benefits

The Company and some of the consolidated subsidiaries set aside the amount of retirement benefit obligations minus plan assets based on the estimated amount at the fiscal year-end to cover retirement benefits payments to employees.

In determining the retirement benefit obligations, the benefit formula basis is adopted as the attribution method of the projected retirement benefit.

Prior service costs are amortized from the fiscal year in which such costs are incurred using the straight-line method over a certain period of time (mainly five years) not exceeding the average remaining service period of the eligible employees.

Actuarial gains or losses incurred during the year are amortized from the succeeding fiscal year using the straight-line method over a certain period of time (mainly five years) not exceeding the average remaining service period of the eligible employees.

Certain consolidated subsidiaries apply the simplified method in calculating the defined benefit liability and retirement benefit costs, which assumes the benefit obligation to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end.

(p) Recognition of Revenues and Costs

The methods used to recognize revenues and costs under construction contracts are as follows:

i) Construction contracts under which the portion of construction to be completed by the end of the current fiscal year may be estimated reliably (except for short-term construction contracts):

Percentage-of-completion method (The percentage of completion is measured as the ratio of the cost incurred to the estimated total cost); and,

ii) Other construction contracts: Completed-contract method.

(q) Income Taxes

A provision for income taxes is computed based on the profit before income taxes included in the statements of income for the Company and each of its consolidated subsidiaries. The assets and liabilities approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statements' carrying amounts and the tax bases of assets and liabilities.

(r) Per Share Information

Basic earnings per share of common stock is computed based upon the weighted-average number of shares outstanding during each year. For diluted earnings per share, both profit and shares outstanding are adjusted based on the assumptions that convertible bonds would be converted and stock options (subscription rights to shares) exercised. However, the dilutive effect of the first and second subscription rights to shares of consolidated subsidiary Otsuka Kagu was not reflected for the fiscal years ended March 31, 2021 and 2020 because they were anti-dilutive.

Cash dividends per share represent interim dividends declared by the Board of Directors in each fiscal year and year-end dividends approved by the shareholders at an annual meeting held subsequent to the end of each fiscal year.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Regarding accounting estimates, reasonable amounts are calculated based on information available when the consolidated financial statements were prepared. Of the amounts derived from accounting estimates and recorded in the consolidated financial statements for the year ended March 31, 2021, those which may have a significant impact on the consolidated financial statements for the year ending March 31, 2022 are as follows:

-Recognition of impairment loss on property and equipment at stores

(1) Amount recorded on the consolidated financial statements for the year ended March 31, 2021

In the consolidated balance sheet as of March 31, 2021, the Company recorded property and equipment of ¥398,443 million ($3,598,653 thousand) related to the electrical business, which were 31.8% of total assets. In addition, in the consolidated statement of income for the year ended March 31, 2021, the Company recorded an impairment loss on property and equipment of ¥14,030 million ($126,721 thousand) which included ¥12,117 million ($109,437 thousand) related to the electrical business.

(2) Other information on accounting estimates that contributes to the understanding of users of financial statements

As a minimum unit for generating cash flows, each retail store or branch office is grouped and assessed, while investment/rental properties and idle assets are individually considered.

The Group's business of retail sale of electric appliances as a whole has maintained stable performance. However, there is an indication of impairment at some stores as they have incurred operating losses or negative cash flows continuously due to competitions with other companies and the effects of COVID-19. Accordingly, the Group has examined in the year ended March 31, 2021 whether the book values of these stores are recoverable by using undiscounted future cash flows. The undiscounted future cash flows used for the determination are estimated using an assumption of a certain growth rate which takes into consideration business climates surrounding the Group, based on cash flows of each store for the year ended March 31, 2021. Such estimate contains a high degree of uncertainty and may significantly affect the estimates of future cash flows.

At some stores, an appraisal value determined by a real estate appraiser is used as the market price of property and equipment used for the estimated future cash flows.

The impact of COVID-19 is continuing even today and it has been affecting the Group's business activities. It is still uncertain and difficult to predict when the COVID-19 pandemic will end. The Group has made accounting estimates on the assumption that similar situation will continue during the year ending March 31, 2022.

4. ACCOUNTING STANDARDS AND GUIDANCE ISSUED BUT NOT YET APPLIED

・ *"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, revised on March 31, 2020)*

・ *"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, revised on March 26, 2021)*

a) Outline:
The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition and published the "Revenue from Contracts with Customers" (IFRS 15 for the IASB and Topic 606 for the FASB) in May 2014. IFRS 15 is effective for fiscal years beginning on or after January 1, 2018 and Topic 606 is effective for fiscal years beginning after December 15, 2017. Given these circumstances, the ASBJ has developed comprehensive accounting standards for revenue recognition and published them with the implementation guidance thereon.

The basic policy of the ASBJ in developing accounting standards for revenue recognition is thought to set such accounting standards by adopting the basic principles of IFRS 15 as a starting point, from the viewpoint of comparability among financial statements, which is one of benefits of ensuring consistency with IFRS 15, and to additionally provide for alternative accounting treatment to the extent that it would not impair comparability, if there is an item to be taken into consideration in practices that have been conducted in Japan.

b) Planned date of application:
To be applied from the beginning of the fiscal year ending March 31, 2022.

c) Impact of application of the accounting standards:
The impact of the application of the "Accounting Standard for Revenue Recognition" and the "Implementation Guidance on Accounting Standard for Revenue Recognition" on the Company's consolidated financial statements is currently being evaluated.

5. CHANGE IN PRESENTATION

Application of "Accounting Standard for Disclosure of Accounting Estimates"

The Company has applied the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, issued on March 31, 2020) to the consolidated financial statements for the year ended March 31, 2021 and disclosed notes regarding significant accounting estimates in the consolidated financial statements.
However, no respective disclosure for the year ended March 31, 2020 was made in accordance with transitional treatment prescribed in the proviso of Paragraph 11 of the accounting standard.

Consolidated Balance Sheets

"Notes and accounts receivable-completed construction contracts," which was previously included in "Notes and accounts receivable-trade" in "Current assets," "Advances received on construction contracts in progress," which was previously included in "Other current liabilities" in "Current liabilities," and "Notes and accounts payable-construction contracts," which was previously included in "Notes and accounts payable" in "Current liabilities," are now presented individually since their materiality in amount has increased. "Notes and accounts receivable-completed construction contracts," "Advances received on construction contracts in progress," and "Notes and accounts payable-construction contracts" as of March 31, 2020 were ¥1,734 million, ¥355 million, and ¥5,215 million, respectively.

"Provision for directors' bonuses," "Provision for point card certificates," "Provision for warranties for completed construction," and "Provision for losses on liquidation of subsidiaries" in "Current liabilities," and "Provision for losses on interest repayments" and "Provision for gift certificates, etc." in "Long-term liabilities," which were presented individually as of March 31, 2020, are included in "Other current liabilities" in "Current liabilities" and "Other long-term liabilities" in "Long-term liabilities," respectively, to provide more effective disclosure. "Provision for directors' bonuses," "Provision for point card certificates," "Provision for warranties for completed construction," "Provision for losses on liquidation of subsidiaries," "Provision for losses on interest repayments," and "Provision for gift certificates, etc.," were ¥129 million, ¥13,164 million, ¥641 million, ¥607 million, ¥32 million, and ¥124 million, respectively.

Consolidated Statements of Income

"Loss on cancelation of rental contracts," which was previously included in "Others, net" in "Other income (expenses)," is now presented individually since its materiality in amount has increased. "Loss on cancelation of rental contracts" for the year ended March 31, 2020 was ¥(20) million.

Consolidated Statements of Cash Flows

"Loss on cancellation of rental contracts," which was previously included in "Other, net" in "Cash flows from operating activities," is now presented individually since its materiality in amount has increased. "Loss on cancelation of rental contracts" for the year ended March 31, 2020 was ¥20 million.

"Increase in provision for point card certificates," "Decrease in advances received," "Increase in consumption taxes payable," "Increase in other current assets," and "Decrease in other current liabilities," which were presented individually for the year ended March 31, 2020, are included in "Other, net" in "Cash flows from operating activities" to provide more effective disclosure. "Increase in provision for point card certificates," "Decrease in advances received," "Increase in consumption taxes payable," "Increase in other current assets," and "Decrease in other current liabilities" for the year ended March 31, 2020 were ¥635 million, ¥(1,135) million, ¥4,787 million, ¥(382) million, and ¥(3,833) million, respectively.

6. BUSINESS COMBINATIONS

Business combination through acquisition

Conversion of LEO HOUSE CO., LTD. into a wholly owned subsidiary through share acquisition

The Company resolved to acquire shares of LEO HOUSE CO., LTD. (“Leo House”) and make it a subsidiary at the meeting of the Board of Directors held on March 24, 2020, concluded a basic agreement with NAC CO., LTD, which is the parent company of Leo House, on March 24, 2020, and acquired all shares of Leo House on May 14, 2020.

1. Summary of the business combination

a) Name and business lines of the acquired company
Name of company: LEO HOUSE CO., LTD.
Business lines: Contracted construction of custom-built houses, etc.
b) Main reasons for the business combination
Leo House provides satisfaction to each and every customer on a made-to-order basis, with the aim of being a company that is the best at listening to customers, premised on the objective of “building houses that enrich life together.” The Company has judged that there is a high synergistic effect with the Company’s proposals available under its “Total-Living (Kurashi-Marugoto)” concept and acquired the shares of Leo House
c) Date of the business combination: May 14, 2020 (deemed acquisition date: June 30, 2020)
d) Legal form of business combination
Acquisition of shares
e) Name of the company after business combination
YAMADA LEO HOUSE CO., LTD.
f) Acquired voting rights ratio
100%
g) Main reason for the determination of the acquired company
The Company acquired 100% of the voting rights of Leo House, thereby making it a wholly owned subsidiary.

2. The period of financial results of the acquired company included in the Company’s consolidated financial statements:
From June 1, 2020 to January 31, 2021

3. Acquisition cost and breakdown by type of consideration:

	Millions of yen	*Thousands of U.S. dollars (Note 1)*
Consideration for the acquisition:		
Cash	¥ 489	$ 4,417
Acquisition cost	¥ 489	$ 4,417

4. Details and amount of major expenses for the acquisition:
Due diligence and advisory expenses: ¥8 million ($70 thousand)

5. Amount of goodwill generated, reason for generation of goodwill, and method and period of amortization:
a) Amount of goodwill generated: ¥1,469 million ($13,268 thousand)
b) Reason for generation of goodwill: Future excess earning power expected to be derived from future business development
c) Method and period of amortization: Straight-line method over five years

6. Amount and breakdown of assets acquired and liabilities assumed on the date of business combination:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*	
Current assets	¥	6,378	$	57,607
Non-current assets		1,721		15,545
Total assets	¥	8,099	$	73,152
Current liabilities	¥	8,229	$	74,323
Non-current liabilities		850		7,681
Total liabilities	¥	9,079	$	82,004

7. The approximate amount of the impact of the business combination on the consolidated statement of income for the current fiscal year assuming the business combination was completed on the beginning date of the current fiscal year and the calculation method

Omitted as the approximate amount of the impact is not material.

Conversion of Shuken Co., Ltd. into a wholly owned subsidiary through share acquisition

YAMADA HOMES Co., LTD. ("Yamada Homes"), a consolidated subsidiary of the Company, acquired shares of Shuken Co., Ltd. ("Shuken") and made it a consolidated subsidiary on July 1, 2020 based on the resolution at the Board of Directors meeting held on June 24, 2020.

1. Summary of the business combination

a) Name and business lines of the acquired company
   Name of company: Shuken Co., Ltd.
   Business lines: Contracted construction of custom-built houses, etc.
b) Main reasons for the business combination
   Making a capital alliance with Shuken, which has been engaged in sales of houses in Kanagawa prefecture, will strengthen sales activities of the Group's housing business within Kanto area.
c) Date of the business combination: July 1, 2020
d) Legal form of business combination
   Acquisition of shares
e) Name of the company after business combination
   No change in the company name
f) Acquired voting rights ratio
   96.96%
g) Main reason for the determination of the acquired company
   Yamada Homes, a consolidated subsidiary of the Company, acquired 96.96% of voting rights of Shuken, thereby making it a consolidated subsidiary.

2. The period of financial results of the acquired company included in the Company's consolidated financial statements:
   From July 1, 2020 to February 28, 2021

3. Acquisition cost and breakdown by type of consideration:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*	
Consideration for the acquisition:				
Cash	¥	2	$	17
Acquisition cost	¥	2	$	17

4. Details and amount of major expenses for the acquisition:
   Due diligence and advisory expenses: ¥2 million ($17 thousand)

5. Amount of gain on negative goodwill and reason for generation:
   a) Amount of gain on negative goodwill: ¥1,144 million ($10,335 thousand)
   b) Reason for generation of gain on negative goodwill: Since net amount allocated to assets acquired and liabilities assumed exceeded the acquisition cost, the difference was recognized as gain on negative goodwill.

6. Amount and breakdown of assets acquired and liabilities assumed on the date of business combination:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
Current assets	¥	2,703	$	24,412
Non-current assets		1,511		13,655
Total assets	¥	4,214	$	38,067
Current liabilities	¥	2,266	$	20,466
Non-current liabilities		592		5,349
Total liabilities	¥	2,858	$	25,815

7. The approximate amount of the impact of the business combination on the consolidated statement of income for the current fiscal year assuming the business combination was completed on the beginning date of the current fiscal year and the calculation method

   Omitted as the approximate amount of the impact is not material.

Conversion of Hinokiya Group Co., Ltd. into a wholly owned subsidiary through share acquisition

At the meeting of the Board of Directors held on September 8, 2020, the Company resolved to acquire common stock of Hinokiya Group Co., Ltd. (“Hinokiya Group”) by tender offer (the “Tender Offer”) in accordance with the Financial Instruments and Exchange Act, with the principal aim of making Hinokiya Group a consolidated subsidiary, and the Tender Offer was carried out during the acquisition period of September 9, 2020 to October 22, 2020. As a result of the Tender Offer, Hinokiya Group became a consolidated subsidiary of the Company on October 29, 2020 (commencement date of the settlement of the Tender Offer).

1. Summary of the business combination

   a) Name of business lines of the acquired company
      Name of the company: Hinokiya Group Co., Ltd.
      Business lines: Housing, real estate investment, thermal insulation materials, renovation, nursing care and childcare, and other businesses
   b) Main reasons for the business combination
      Under the concept of “Total-Living (Kurashi-Marugoto)” as a lifestyle infrastructure with consumer appliances at the core, the Group is working to improve the value of its businesses by promoting structural reforms centered on the Kaden Sumairu-kan, which offers total coordination from consumer appliances to comfortable living spaces, and making Hinokiya Group consolidated subsidiary is expected to generate synergies in the housing business and to further enhance the corporate value of both groups.
   c) Date of the business combination: October 29, 2020 (deemed acquisition date: October 1, 2020)
   d) Legal form of business combination
      Acquisition of shares
   e) Name of the company after business combination
      No change in the company name
   f) Acquired voting rights ratio
      50.10%
   g) Main reason for the determination of the acquired company
      The Company acquired 50.10% of the voting rights of Hinokiya Group for a cash consideration, thereby making it a consolidated subsidiary.

2. The period of financial results of the acquired company included in the Company’s consolidated financial statements:
   From October 1, 2020 to December 31, 2020

3. Acquisition cost and breakdown by type of consideration:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Consideration for the acquisition:		
Cash	¥ 12,655	$ 114,300
Acquisition cost	¥ 12,655	$ 114,300

4. Details and amount of major expenses for the acquisition:
Due diligence and advisory expenses: ¥128 million ($1,155 thousand)

5. Amount of goodwill generated, reason for generation of goodwill, and method and period of amortization:
   a) Amount of goodwill generated: ¥2,000 million ($18,065 thousand)
   b) Reason for generation of goodwill: Since net amount allocated to assets acquired and liabilities assumed was lower of the acquisition cost, the difference was recognized as goodwill.
   c) Method and period of amortization: Straight-line method over five years

6. Amount and breakdown of assets acquired and liabilities assumed on the date of business combination:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current assets	¥ 59,863	$ 540,671
Non-current assets	23,593	213,092
Total assets	¥ 83,456	$ 753,763
Current liabilities	¥ 43,200	$ 390,178
Non-current liabilities	14,957	135,085
Total liabilities	¥ 58,157	$ 525,263

7. Type and amount of the acquisition cost allocated to intangible assets other than goodwill and the weighted-average amortization period by type

	Millions of yen	Thousands of U.S. dollars (Note 1)	Amortization period
Trademark	¥ 3,722	$ 33,616	8 years
Customer-related assets	1,505	13,593	6 years
Franchise contract	595	5,374	6 years
Order backlog	44	397	1 year

Note: The amount allocated to intangible assets other than goodwill has been calculated using the relief from royalty and excess earnings methods based on Hinokiya Group's business plan formulated by incorporating a future growth rate of the detached house market and other projections.

8. The approximate amount of the impact of the business combination on the consolidated statement of income for the current fiscal year assuming the business combination was completed on the beginning date of the current fiscal year and the calculation method

	Millions of yen	Thousands of U.S. dollars (Note 1)
Net sales	¥ 74,657	$ 674,282
Operating profit	1,759	15,885

Method for calculating the approximate amount

Difference between net sales and profit and loss information calculated assuming the business combination was completed on the beginning date of the current fiscal year and those in the statement of income of the acquired company was used as the approximate amount of the impact.

This note has not received audit certification.

Transactions under common control

Transition to holding company structure by means of company split

The Company transferred the "home electrical appliances and home information appliances sales business and housing-related product sales business" to Yamada Denki Split Preparatory Company (trade name changed to YAMADA DENKI CO., LTD. ("Yamada Denki") on October 1, 2020), which is the succeeding company (the Company's wholly owned subsidiary), in accordance with the Absorption-Type Company Split Agreement that was approved at the 43rd Ordinary General Meeting of Shareholders held on June 26, 2020.

Accordingly, the Company changed its trade name to YAMADA HOLDINGS CO., LTD. on October 1, 2020, and transitioned to a holding company structure.

1. Summary of the company split

a) Details of business subject to transaction
Home electrical appliances and home information appliances sales business and housing-related product sales business
b) Date of the business combination: October 1, 2020
c) Legal form of business combination
A spin-off in the form of an absorption-type company split with the Company as the splitting company and Yamada Denki, which is a wholly owned subsidiary of the Company, as the succeeding company.
d) Other matters relating to the transaction
As a parent company, the holding company will aim to strengthen Group governance more than ever by specializing in comprehensive control, including administration and supervision of management and planning and drafting of management strategies for the sustainable growth and development of the Group. Moreover, the holding company will aim to promptly perform reorganization of businesses through means including business alliances, capital alliances, and M&A. In addition, the operating companies will aim to work to improve the management efficiency of the entire Group and further enhance corporate value through each company focusing on the execution of work in its business under a new system in which business responsibilities are clarified.

2. Summary of accounting applied

The transaction was 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 of subsidiaries into wholly owned subsidiaries through simplified share exchange

1. Summary of transaction

a) Details of business subject to transaction

Name	CIC Corporation	INVERSENET INC.	TES Co., Ltd.	IEMAMORI HOLDINGS CO., LTD.
Business lines	General and industrial waste disposal business, general reuse shop operation business, etc.	Collection and transportation of industrial wastes, purchase and sales of used equipment	Repair, maintenance and checking of air conditioning and other equipment	Checking and maintenance business, inspection business and support business for moving and relocation

b) Date of the business combination: February 25, 2021
c) Legal form of business combination: Share exchange
d) Name of the company after business combination
No change in the company name
e) Other matters relating to the transaction
At a meeting of the Board of Directors on January 18, 2021, the Company resolved to carry out a share exchange (the "Share Exchange") where the Company would be the wholly owning parent company and

the Company's four subsidiaries consisting of CIC Corporation, INVERSENET INC., TES Co., Ltd. and IEMAMORI HOLDINGS CO., LTD (trade name changed to IEMAMORI CO., LTD. on March 1, 2021) (collectively the "Four Target Companies") would be wholly owned subsidiaries through share exchange, and concluded a share exchange agreement (the "Share Exchange Agreement") with each of Four Target Companies. The Share Exchange took place effective February 25, 2021 without approval of the General Meeting of Shareholders by means of the procedures for a simplified share exchange pursuant to the provision in Article 796, Paragraph 2 of the Companies Act at the Company.

2. Summary of accounting applied

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

3. Matters concerning the acquisition of additional shares in subsidiaries

a) Acquisition cost and breakdown by type of consideration:

	Millions of yen	*Thousands of U.S. dollars (Note 1)*
Consideration for the acquisition:		
The Company's common stock	¥ 635	$ 5,734
Acquisition cost	¥ 635	$ 5,734

b) Stock type, exchange ratio and number of shares delivered

	The Company (a wholly owning parent company)	CIC Corporation (a wholly owned subsidiary)	INVERSENET INC. (a wholly owned subsidiary)	TES Co., Ltd. (a wholly owned subsidiary)	IEMAMORI HOLDINGS CO., LTD. (a wholly owned subsidiary)
Share exchange ratio	1	2,854.76459	7.07481	464.51277	19.31204
Number of shares delivered through the share exchange	Common stock: 1,353,766 shares				

Notes: 1. The share allocation by the share exchange was not performed on shares of the Four Target Companies the Company holds.

2. The Company appropriated the treasury stock it owned for the shares to be allotted and delivered through the Share Exchange and did not issue new shares upon allotment for the Share Exchange.

c) Calculation method for the share exchange ratio

In order to secure its fairness and appropriateness of the calculation of the share exchange ratio, the Company engaged a third-party valuation institution independent of the Company and the Four Target Companies in assessing the value of the shares of the Four Target Companies supporting its rationale.

The third-party valuation institution calculated the value of the common stock of the Four Target Companies by using the discounted cash flow method.

Being listed on the Tokyo Stock Exchange with no particular abnormality seen in its stock pricing, the Company adopted the closing price as of January 15, 2021, the immediately preceding date of the Board of Directors' meeting of the Company and the Four Target Companies, as the value of the Company's shares.

4. Matters concerning the change in the Group's equity interest associated with the transaction with non-controlling shareholders

a) Main reason for change in capital surplus: Acquisition of additional shares in subsidiaries

b) The amount of increase in capital surplus due to the transactions with non-controlling shareholders: ¥235 million ($2,120 thousand)

Reorganization of Housing Business (former Housing Segment)

Based on a resolution of a meeting of the Board of Directors held on October 19, 2020, the Company conducted an absorption-type merger, whereby the Company's consolidated subsidiary, Yamada Homes became a surviving company and the Company's consolidated subsidiary, YAMADA LEO HOUSE CO., LTD. ("Yamada Leo House") and a non-consolidated subsidiary, YAMADA REAL ESTATE CO., LTD. ("Yamada Real Estate") became dissolving companies effective February 1, 2021.

1. Summary of transaction

a) Name of companies involved in business combination and business lines
Name of surviving company: YAMADA HOMES Co., LTD.
Business lines: Housing and other construction business
Name of dissolving companies: YAMADA LEO HOUSE CO., LTD.
YAMADA REAL ESTATE CO., LTD.
Business lines: Housing and other construction business (Yamada Leo House)
Real estate leasing business (Yamada Real Estate)
b) Date of the business combination: February 1, 2021
c) Legal form of business combination
An absorption-type merger, whereby Yamada Homes as a surviving company and Yamada Leo House and Yamada Real Estate as dissolving companies

d) Name of the company after business combination: YAMADA HOMES Co., LTD.
e) Other matters relating to the transaction
As part of an intragroup reorganization, besides integrating expertise and management resources of the subsidiaries in the housing business, the Company aims to facilitate efficiency in terms of sales and administration to realize higher corporate value through a prompt implementation of "Total-Living (Kurashi-Marugoto)" strategy of the Group and SDGs and ESG initiatives.

2. Summary of accounting applied
The transaction was 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 "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for and Business Divestitures" (ASBJ Guidance No. 10).

Reorganization of Electrical Business (former Electrical Appliance Segment)

Based on a resolution of a meeting of the Board of Directors held on October 19, 2020, the Company conducted an absorption-type merger, whereby the Company's consolidated subsidiary, Yamada Denki became a surviving company and the Company's consolidated subsidiary, Okinawa Yamada Denki Co., Ltd. became a dissolving company effective March 1, 2021.

1. Summary of transaction

a) Name of companies involved in business combination and business lines
Name of surviving company: YAMADA DENKI CO., LTD.
Business lines: Home electrical appliances and home information appliances sales business and housing-related product sales business
Name of dissolving company: Okinawa Yamada Denki Co., Ltd.
Business lines: Home electrical appliances and home information appliances sales business and housing-related product sales business
b) Date of the business combination: March 1, 2021
c) Legal form of business combination
An absorption-type merger, whereby Yamada Denki as a surviving company and Okinawa Yamada Denki Co., Ltd. as dissolving company
d) Name of the company after business combination: YAMADA DENKI CO., LTD.
e) Other matters relating to the transaction
As part of an intragroup reorganization, besides integrating expertise and management resources of the subsidiaries in the electrical business, the Company aims to facilitate efficiency in terms of sales and

administration to realize higher corporate value through a prompt implementation of "Total-Living (Kurashi-Marugoto)" strategy of the Group and SDGs and ESG initiatives.

2. Summary of accounting applied

The transaction was 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 "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for and Business Divestitures" (ASBJ Guidance No. 10).

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2021 and 2020 in the consolidated statements of cash flows consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	*2021*
Cash and time deposits	¥ 74,438	¥ 48,940	$ 672,311
Time deposits with maturities exceeding three months	(678)	(542)	(6,124)
Cash and cash equivalents	¥ 73,760	¥ 48,398	$ 666,187

8. SUPPLEMENTAL CASH FLOW INFORMATION

Assets and liabilities acquired through finance leases for the year ended March 31, 2021 were ¥4,890 million ($44,164 thousand) and ¥5,111 million ($46,163 thousand), respectively. Assets and liabilities acquired through finance leases for the year ended March 31, 2020 were ¥9,217 million and ¥9,195 million, respectively.

Assets retirement obligations for the years ended March 31, 2021 and 2020 were ¥903 million ($8,157 thousand) and ¥1,346 million, respectively.

Disposal of treasury stock due to redemption of convertible bonds for the year ended March 31, 2020 was ¥34,440 million.

Acquisition of shares in newly consolidated subsidiary with change in scope of consolidation

As a result of the acquisition of shares of Leo House, during the year ended March 31, 2021, Leo House was included in the scope of consolidation. The breakdown of the assets and liabilities at the initial consolidation and the acquisition price and proceeds from the acquisition are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current assets	¥ 6,378	$ 57,608
Non-current assets	1,721	15,545
Current liabilities	(8,229)	(74,323)
Non-current liabilities	(850)	(7,681)
Goodwill	1,469	13,268
Acquisition price of the shares	489	4,417
Cash and cash equivalents	(991)	(8,952)
Difference: Proceeds from acquisition of the shares	¥ 502	$ 4,535

As a result of the acquisition of shares of Shuken, during the year ended March 31, 2021, Shuken was included in the scope of consolidation. The breakdown of the assets and liabilities at the initial consolidation and the acquisition price and proceeds from the acquisition are as follows:

	Millions of yen	*Thousands of U.S. dollars (Note 1)*
Current assets	¥ 2,703	$ 24,412
Non-current assets	1,511	13,655
Gain on negative goodwill	(1,144)	(10,335)
Current liabilities	(2,266)	(20,466)
Non-current liabilities	(592)	(5,350)
Non-controlling interests	(37)	(333)
Other	(175)	(1,583)
Acquisition price of the shares	0	0
Cash and cash equivalents	(218)	(1,970)
Difference: Proceeds from acquisition of the shares	¥ 218	$ 1,970

As a result of the acquisition of shares of Hinokiya Group during the year ended March 31, 2021, Hinokiya Group was included in the scope of consolidation. The breakdown of the assets and liabilities at the initial consolidation and the acquisition price and proceeds from the acquisition are as follows:

	Millions of yen	*Thousands of U.S. dollars (Note 1)*
Current assets	¥ 59,863	$ 540,671
Non-current assets	23,593	213,092
Current liabilities	(43,200)	(390,178)
Non-current liabilities	(14,957)	(135,085)
Goodwill	2,000	18,065
Non-controlling interests	(14,644)	(132,265)
Acquisition price of the shares	12,655	114,300
Cash and cash equivalents	(16,700)	(150,835)
Difference: Proceeds from acquisition of the shares	¥ 4,045	$ 36,535

As a result of the acquisition of shares of Otsuka Kagu, during the year ended March 31, 2020, Otsuka Kagu was included in the scope of consolidation. The breakdown of the assets and liabilities at the initial consolidation and the acquisition price and proceeds from the acquisition are as follows:

	Millions of yen
Current assets	¥ 15,400
Non-current assets	4,698
Gain on negative goodwill	(2,721)
Current liabilities	(5,325)
Non-current liabilities	(918)
Other	(142)
Non-controlling interests	(6,618)
Acquisition price of the shares	4,374
Cash and cash equivalents	(5,842)
Difference: Proceeds from acquisition of the shares	¥ 1,468

9. FINANCIAL INSTRUMENTS

I. Qualitative Information on Financial Instruments

(a) Policies for Using Financial Instruments

The Group raises necessary funds based on capital budgeting, mainly through loans from banks and issuance of bonds. Temporary surplus funds are invested in highly liquid instruments, and working capital is financed through bank loans. The Group utilizes derivative financial instruments only to manage risks described below and does not enter into such transactions for speculative trading purposes.

(b) Details of Financial Instruments and Related Risk

Trade notes and accounts receivable are exposed to credit risk of customers.

Investment securities, which mainly comprise equity securities issued by those who have business relationships with the Company and/or its consolidated subsidiaries, are exposed to market risk.

Guarantee deposits, which are mostly related to rental of stores, are exposed to credit risk of lessors.

Most notes and accounts payable are due within two months.

Bank loans and bonds are obtained mainly for capital expenditures.

For certain loans payable, the Company utilizes interest rate (floating for fixed rate) swaps in order to manage interest rate risk. Some of its consolidated subsidiaries utilize currency swaps and currency options in order to reduce the foreign currency risk of foreign-currency-denominated monetary assets and liabilities. The Company also uses derivatives as hedging instruments, which is described in "Derivative Transactions and Hedge Accounting" under Note 2, entitled "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES." Interest rate swap transactions entered into by the Company involve interest rate risk and currency swap and currency option transactions entered into by some of its consolidated subsidiaries involve foreign currency risk. Since the counterparties of derivative transactions are limited to highly credible domestic banks, credit risk that arises from contractual default by counterparties is considered to be fairly low.

(c) Policies and Process of Risk Management

- **Credit risk management**

Credit risk refers to the risk that the counterparty will default on its contractual obligation. In accordance with the Company's sales management policy, each operating department of the Company periodically monitors the Company's counterparties and manages the due dates and balances of trade notes and accounts receivable in order to reduce credit risk by early identification of a possible default due to financial trouble of any counterparty. The Company's consolidated subsidiaries also manage their credit risk in the above manner.

The Company believes that the credit risk under derivative transactions is fairly low because counterparties of derivative transactions are limited to financial institutions with high credit ratings.

- **Market risk management**

Market risk is the risk that movements in market variables, such as foreign currency exchange rates, interest rates and market prices, result in financial loss to the Company and/or its consolidated subsidiaries. For certain loans payable, the Company utilizes interest rate (floating for fixed rate) swaps in order to manage interest rate risk. Moreover, some of its consolidated subsidiaries utilize currency swaps and currency options in order to reduce the foreign currency risk of foreign-currency-denominated monetary assets and liabilities.

The Company continuously reviews portfolios of securities by periodically monitoring fair values of each security and the financial condition of the issuer as well as market condition and the relationship with the issuer.

The basic policy, authority and maximum amount of derivative transactions are determined at a Board of Directors' meeting, and the execution and management of derivative transactions are performed by the Financial Division. The results of transactions are reported at the Board of Directors' meeting on a regular basis.

- **Management of liquidity risk related to fund raising**

Liquidity risk is the risk of being unable to meet obligations as they become due. The Company manages liquidity risk by having liquidity on hand and by formulating and renewing the fund management plan based on reports from each department.

(d) Supplemental Information on Fair Value

The fair values of financial instruments are estimated based on quoted market prices, if available, or management estimates and assumptions. Changes in estimates and assumptions used could result in different values. Additionally, notional amounts of derivative transactions, which are presented in Note 11, entitled "DERIVATIVE FINANCIAL INSTRUMENTS," do not indicate market risk of derivative transactions.

II. Fair Value of Financial Instruments

The following is a summary of book values and estimated fair values of financial instruments as of March 31, 2021 and 2020:

	Millions of yen		
	2021		
	Book value	Fair value	Valuation gains/(losses)
Financial assets:			
(1) Cash and time deposits	¥ 74,438	¥ 74,438	¥ -
(2) Notes and accounts receivable-trade	72,962		
Allowance for doubtful accounts (*1)	(69)		
	72,893	72,893	-
(3) Notes and accounts receivable-completed construction contracts	2,050		
Allowance for doubtful accounts (*1)	(66)		
	1,984	1,984	-
(4) Investment securities (*2)	3,854	4,565	711
(5) Guarantee deposits (*3) (including current portion)	70,987		
Allowance for doubtful accounts (*1)	(27)		
	70,960	72,691	1,731
(6) Deposits for warrantee against defects	1,435	1,434	(1)
	¥ 225,564	¥ 228,005	¥ 2,441
Financial liabilities:			
(1) Notes and accounts payable-trade	¥ 106,929	¥ 106,929	¥ -
(2) Notes and accounts payable-construction contracts	13,720	13,720	-
(3) Short-term loans payable	44,199	44,199	-
(4) Long-term loans payable (including current portion)	174,290	173,640	(650)
	¥ 339,138	¥ 338,488	¥ (650)
Derivative transactions (*4)	¥ 17	¥ 17	¥ -

	Thousands of U.S. dollars (Note 1)		
	2021		
	Book value	*Fair value*	*Valuation gains/(losses)*
Financial assets:			
(1) Cash and time deposits	$ 672,311	$ 672,311	$ -
(2) Notes and accounts receivable	658,974		
Allowance for doubtful accounts (*1)	(620)		
	658,354	658,354	-
(3) Notes and accounts receivable-completed construction contracts	18,513		
Allowance for doubtful accounts (*1)	(594)		
	17,919	17,919	-
(4) Investment securities (*2)	34,806	41,229	6,423
(5) Guarantee deposits (*3) (including current portion)	641,138		
Allowance for doubtful accounts (*1)	(242)		
	640,896	656,530	15,634
(6) Deposits for warrantee against defects	12,957	12,949	(8)
	$ 2,037,243	$ 2,059,292	$ 22,049
Financial liabilities:			
(1) Notes and accounts payable-trade	$ 965,756	$ 965,756	$ -
(2) Notes and accounts payable-construction contracts	123,913	123,913	-
(3) Short-term loans payable	399,197	399,197	-
(4) Long-term loans payable (including current portion)	1,574,155	1,568,281	(5,874)
	$ 3,063,021	$ 3,057,147	$ (5,874)
Derivative transactions (*4)	$ 155	$ 155	$ -

	Millions of yen		
	2020		
	Book value	Fair value	Valuation gains/(losses)
Financial assets:			
(1) Cash and time deposits	¥ 48,940	¥ 48,940	¥ -
(2) Notes and accounts receivable-trade	58,126		
Allowance for doubtful accounts (*1)	(189)		
	57,937	57,937	-
(3) Notes and accounts receivable-completed construction contracts	1,734		
Allowance for doubtful accounts (*1)	(70)		
	1,664	1,664	-
(4) Investment securities (*2)	3,195	3,256	61
(5) Guarantee deposits (*3) (including current portion)	82,146		
Allowance for doubtful accounts (*1)	(30)		
	82,116	84,193	2,077
	¥ 193,852	¥ 195,990	¥ 2,138
Financial liabilities:			
(1) Notes and accounts payable-trade	¥ 98,114	¥ 98,114	¥ -
(2) Notes and accounts payable-construction contracts	5,215	5,215	-
(3) Short-term loans payable	53,730	53,730	-
(4) Long-term loans payable (including current portion)	177,164	176,478	(686)
	¥ 334,223	¥ 333,537	¥ (686)
Derivative transactions (*4)	¥ 85	¥ 85	¥ -

Notes:

(*1) An allowance for doubtful accounts estimated and provided with respect to certain identifiable items was deducted from each of notes and accounts receivable-trade, notes and accounts receivable-completed construction contracts and guarantee deposits.

(*2) Investment securities include investments in listed affiliated companies accounted for using the equity method. Valuation gains (losses) represent gains (losses) on valuation of such investments.

(*3) Government bonds pledged by a certain consolidated subsidiary as security deposit were included.

(*4) Debt and credit attributed to derivative transactions are indicated as net amounts, and net debt is in parenthesis.

Explanatory Notes on Fair Value of Financial Instruments

(i) Details of Methodologies and Assumptions Used to Estimate Fair Value of Financial Instruments, and Securities and Derivative Transactions

(a) Financial Assets

- **(1) Cash and Time Deposits, (2) Notes and Accounts Receivable-Trade, (3) Notes and Accounts Receivable-Completed Construction Contracts**

Because these assets are settled in the short term, their fair values approximate their book values. Thus, the amounts indicated in the above table were based on their book values.

- **(4) Investment Securities**

The fair values of equity securities are based on quoted market prices, and the fair values of debt securities are based on quoted market prices or quotes obtained from financial institutions. Additional information on securities classified by holding purpose is presented in Note 10, entitled “SECURITIES INFORMATION.”

- **(5) Guarantee Deposits**

The fair values of guarantee deposits are based on the present value discounted by the rate which reflects the applicable due date and credit risk with reference to government bond yields. The fair value of government bonds pledged as security deposits is quoted based on the price information from the contracted financial institution. Additional information on securities classified by holding purpose is presented in Note 10, entitled “SECURITIES INFORMATION.”

- **(6) Deposits for Warrantee against Defects**

The fair values of deposits for warrantee against defects are based on the present value discounted by the period until the asset is returned using a risk free rate since there is no credit risk.

(b) Financial Liabilities

- **(1) Notes and Accounts Payable-Trade, (2) Notes and Accounts Payable-Construction Contracts, (3) Short-term Loans Payable**

Since these liabilities are payable in the short term, their fair values approximate their book values. Thus, the amounts indicated in the above table were based on their book values.

- **(4) Long-term Loans Payable**

The fair values of long-term loans payable are each based on the present value of the total of principal and interest discounted by the rate applicable to similar new loans.

For long-term loans payable with floating interest rates and hedged by interest rate swaps which meet certain criteria, their fair values are each based on the present value of the total of principal and interest, as adjusted and described in "Derivative Transactions and Hedge Accounting" under Note 2, entitled "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES," and discounted by the rate applicable to similar new loans.

(c) Derivative Transactions

Details of derivative transactions are described in Note 11, entitled "DERIVATIVE FINANCIAL INSTRUMENTS."

(ii) Financial Instruments of which Fair Value is Virtually Impossible to Estimate

The following financial instruments were excluded from the above table because management of the Group concludes that their fair values are virtually impossible to estimate:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2021	2020	*2021*
	Book value		
Investment securities (*1)			
(1) Equity securities of subsidiaries and affiliated companies			
Subsidiaries	¥ 2,190	¥ 1,196	$ 19,779
Affiliated companies	71	70	644
(2) Available-for-sale securities			
Unlisted equity securities	600	792	5,419
Investments in LPS (*2)	0	0	1
Guarantee deposits (*3)	18,820	17,838	169,981

Notes:

(*1) Unlisted equity securities were excluded from "(4) Investment Securities" because they are not traded in a market and their fair values are virtually impossible to estimate.

(*2) Investments in LPS were excluded from disclosures of fair values because the fair value of LPS's assets, such as unlisted equity securities and the like, are virtually impossible to estimate.

(*3) Guarantee deposits whose redemption schedule cannot be reasonably estimated and whose fair values are virtually impossible to estimate were excluded from "(5) Guarantee Deposits."

(iii) Contractual Maturity of Financial Instruments

The redemption schedule of monetary claims and securities with fixed maturities were as follows:

	Millions of yen			
	2021			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and time deposits	¥ 74,438	¥ -	¥ -	¥ -
Notes and accounts receivable-trade	72,962	-	-	-
Notes and accounts receivable-completed construction contracts	2,050	-	-	-
Investment securities				
Available-for-sale securities with fixed maturities				
(1) Debt securities (Corporate bonds)	-	-	-	-
(2) Others	0	-	-	-
Guarantee deposits (*)	4,055	20,316	23,543	23,073
Total	¥ 153,505	¥ 20,316	¥ 23,543	¥ 23,073

	Thousands of U.S. dollars (Note 1)			
	2021			
	Within one year	*Over one year within five years*	*Over five years within ten years*	*Over ten years*
Cash and time deposits	$ 672,311	$ -	$ -	$ -
Notes and accounts receivable-trade	658,974	-	-	-
Notes and accounts receivable-completed construction contracts	18,513	-	-	-
Investment securities				
Available-for-sale securities with fixed maturities				
(1) Debt securities				
(Corporate bonds)	-	-	-	-
(2) Others	2	-	-	-
Guarantee deposits (*)	36,623	183,490	212,632	208,393
Total	$ 1,386,423	$ 183,490	$ 212,632	$ 208,393

	Millions of yen			
	2020			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and time deposits	¥ 48,940	¥ -	¥ -	¥ -
Notes and accounts receivable-trade	58,126	-	-	-
Notes and accounts receivable-completed construction contracts	1,734	-	-	-
Investment securities				
Available-for-sale securities with fixed maturities				
(1) Debt securities				
(Corporate bonds)	-	-	-	-
(2) Others	0	-	-	-
Guarantee deposits (*)	4,623	18,699	32,834	25,990
Total	¥ 113,423	¥ 18,699	¥ 32,834	¥ 25,990

Note:

(*) Government bonds pledged by a certain consolidated subsidiary as security deposits were included.

Contractual maturities of short-term and long-term loans payable are described in Note 16, entitled "SHORT-TERM AND LONG-TERM DEBT."

10. SECURITIES INFORMATION

The acquisition costs and book values of Available-for-sale Securities with available fair values as of March 31, 2021 and 2020 were as follows:

	Millions of yen					
	2021					
	Book value		Acquisition cost		Difference	
Securities with book values (fair values) exceeding acquisition costs:						
Equity securities	¥	652	¥	420	¥	232
Debt securities:						
Government bonds and others (*)		437		435		2
Sub-total		1,089		855		234
Securities with book values (fair values) not exceeding acquisition costs:						
Equity securities		2,786		3,118		(332)
Debt securities		32		32		(0)
Sub-total		2,818		3,150		(332)
Total	¥	3,907	¥	4,005	¥	(98)

	Thousands of U.S. dollars (Note 1)					
	2021					
	Book value		*Acquisition cost*		*Difference*	
Securities with book values (fair values) exceeding acquisition costs:						
Equity securities	$	5,890	$	3,795	$	2,095
Debt securities:						
Government bonds and others (*)		3,948		3,928		20
Sub-total		9,838		7,723		2,115
Securities with book values (fair values) not exceeding acquisition costs:						
Equity securities		25,166		28,164		(2,998)
Debt securities		286		286		(0)
Sub-total		25,452		28,450		(2,998)
Total	$	35,290	$	36,173	$	(883)

Note:
(*) Government bonds pledged by a certain subsidiary as security deposits were included in guarantee deposits in the consolidated balance sheets.

Unlisted equity securities of ¥600 million ($5,419 thousand) and investments in LPS of ¥0 million ($2 thousand) were excluded from the above table because they do not have readily determinable market values and their fair values are virtually impossible to estimate.

	Millions of yen		
	2020		
	Book value	Acquisition cost	Difference
Securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 368	¥ 156	¥ 212
Debt securities:			
Government bonds and others (*)	471	466	5
Sub-total	839	622	217
Securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	2,542	3,329	(787)
Sub-total	2,542	3,329	(787)
Total	¥ 3,381	¥ 3,951	¥ (570)

Note:
(*) Government bonds pledged by a certain subsidiary as security deposits were included in guarantee deposits in the consolidated balance sheets.

Unlisted equity securities of ¥792 million and investments in LPS of ¥0 million were excluded from the above table because they do not have readily determinable market values and their fair values are virtually impossible to estimate.

Securities sold during the years ended March 31, 2021 and 2020 were as follow:

	Millions of yen		
	2021		
	Sales amounts	Gain on sale	Loss on sale
Equity securities	¥ 79	¥ 56	¥ -
Total	¥ 79	¥ 56	¥ -

	Thousands of U.S. dollars (Note 1)		
	2021		
	Sales amounts	*Gain on sale*	*Loss on sale*
Equity securities	$ 712	$ 501	$ -
Total	$ 712	$ 501	$ -

	Millions of yen		
	2020		
	Sales amounts	Gain on sale	Loss on sale
Equity securities	¥ 3,416	¥ 1,710	¥ (1)
Debt securities:			
Government bonds and others	11	-	(1)
Total	¥ 3,427	¥ 1,710	¥ (2)

If the market value of a security as of the fiscal year-end declines more than 50% compared with the acquisition cost of such security, the difference between such security's fair market value and carrying amount is recognized as loss on valuation in the period of such decline.

In addition, if the market value of a security as of the fiscal year-end declines 30% to 50% compared with the acquisition cost of such security, and such decline is considered to be material and unrecoverable, the difference between such security's fair market value and carrying amount is recognized as loss on valuation in the period of such decline.

For investments in non-consolidated subsidiaries and affiliated companies, recoverability is considered in conjunction with the financial condition of the issuer and the portion regarded as unrecoverable is recognized as loss on valuation.

Loss on valuation of marketable Available-for-sale Securities and investments in non-consolidated subsidiaries and affiliated companies were ¥549 million ($4,957 thousand) and ¥500 million ($4,514 thousand), respectively, for the year ended March 31, 2021, and ¥614 million and ¥61 million, respectively, for the year ended March 31, 2020.

11. DERIVATIVE FINANCIAL INSTRUMENTS

The aggregate amounts contracted to be paid or received under, and the fair values and unrealized gains (losses) of, currency-related derivative transactions, other than market trades (and excluding hedging transactions) as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Millions of yen		*Thousands of U.S. dollars (Note 1)*	
	Notional Amount Total	Due after one year	Fair value	Unrealized gains	*Fair value*	*Unrealized gains*
At March 31, 2021:						
Foreign currency forward contracts:						
Buy, call	¥ 240	¥ -	¥ 17	¥ 17	$ 155	$ 155
Total			¥ 17	¥ 17	$ 155	$ 155

	Millions of yen		Millions of yen	
	Notional Amount Total	Due after one year	Fair value	Unrealized gains
At March 31, 2020:				
Foreign currency forward contracts:				
Buy, call	¥2,835	¥ -	¥ 85	¥ 85
Total			¥ 85	¥ 85

The fair value has been quoted based on the price information from the contracted financial institution.

Derivative instruments which qualified as hedging instruments as of March 31, 2021 and 2020 were as follows:

	Millions of yen		
	Notional amount		
	Total	Over one year	Fair value
At March 31, 2021:			
Interest rate swap contracts:			
Pay fixed, receive floating	¥ 24,000	¥ 12,000	¥ (*)

	Thousands of U.S. dollars (Note 1)		
	Notional amount		
	Total	*Over one year*	*Fair value*
At March 31, 2021:			
Interest rate swap contracts:			
Pay fixed, receive floating	$ 216,763	$ 108,382	$ (*)

	Millions of yen		
	Notional amount		
	Total	Over one year	Fair value
At March 31, 2020:			
Interest rate swap contracts:			
Pay fixed, receive floating	¥ 38,000	¥ 24,000	¥ (*)

(*) The fair value of an interest rate swap contract is included in the fair value of the corresponding hedged long-term loan payable described under Note 9, entitled "FINANCIAL INSTRUMENTS," since such derivative contract is accounted for as component of the corresponding hedged long-term loans payable.

12. INVENTORIES

Inventories at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2021	2020	*2021*
Merchandise and finished goods	¥ 368,839	¥ 377,234	$ 3,331,275
Real estate for sale	28,585	7,014	258,174
Work in process	1,254	1,690	11,326
Costs on construction contracts in progress	5,545	3,125	50,084
Raw materials and supplies	4,352	3,767	39,308
Total	¥ 408,575	¥ 392,830	$ 3,690,167

13. ACCUMULATED DEPRECIATION ON PROPERTY AND EQUIPMENT

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2021	2020	*2021*
Accumulated depreciation	¥ 342,307	¥ 321,352	$ 3,091,645

14. IMPAIRMENT LOSS

As a minimum unit for generating cash flows, each retail store or branch office is grouped and assessed. For certain consolidated subsidiaries, each company is grouped and assessed as a minimum unit, and the headquarters and some factories are grouped and assessed as common assets which do not generate cash flows. The book values of cash-generating units which may incur operating losses continuously are written down to such units' respective recoverable amounts. Investment/rental properties and idle assets are individually considered, and an impairment loss is recognized if, with respect to an investment/rental property, the fair value becomes significantly lower than the carrying amount, or with respect to an idle asset, there is no prospect for future use. Goodwill and trademark right (goodwill in 2020) included in intangible assets are grouped and assessed based on businesses according to classification used for managerial accounting.

An impairment loss is recorded at the amount by which the carrying amount of each group of assets exceeds its recoverable value. The recoverable amounts from such asset groups are mainly based on the net selling price, which in turn is based on the value assessed for property tax purposes. The net selling prices of lease assets, intangible assets excluding trademark right (goodwill in 2020), and investments and other assets are set at zero. The recoverable amounts of trademark right (goodwill in 2020) are based on the use value, which was measured at zero for the years ended March 31, 2021 and 2020.

The summary of impairment losses recorded for the fiscal years ended March 31, 2021 and 2020 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	*2021*
Buildings and structures	¥ 6,097	¥ 3,918	$ 55,072
Land	2,549	25	23,023
Lease assets	507	371	4,581
Other tangible assets	3,529	2,485	31,876
Intangible assets	1,232	1,569	11,124
Investments and other assets	116	374	1,045
Total	¥ 14,030	¥ 8,742	$ 126,721

Impairment losses for the year ended March 31, 2021 mainly relate to retail stores and a property for the Group's own business use located mainly in Tokyo, stores located mainly in Yamagata Prefecture and others. Impairment losses for the year ended March 31, 2020 mainly relate to retail stores and a property for the Group's own business use located in Kanagawa Prefecture, stores located in Okayama Prefecture and others.

15. LEASE INFORMATION

As Lessee

(i) Finance lease transactions without title transfer

The Group leases mainly retail buildings and equipment and a set of computer equipment.

(ii) Operating lease transactions

Future minimum lease payments under non-cancelable operating leases as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	*2021*
Due within one year	¥ 11,425	¥ 13,743	$ 103,192
Due after one year	64,888	74,893	586,051
Total	¥ 76,313	¥ 88,636	$ 689,243

As Lessor

(i) Operating lease transactions

Future minimum lease receivables under non-cancelable operating leases as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Due within one year	¥ 62	¥ 230	$ 564
Due after one year	272	335	2,458
Total	¥ 334	¥ 565	$ 3,022

16. SHORT-TERM AND LONG-TERM DEBT

The weighted-average rates of interest for short-term loans payable were approximately 0.41% and 0.40% as of March 31, 2021 and 2020, respectively.

The weighted-average rates of interest for the current portion of long-term loans payable were approximately 0.50% and 0.52% as of March 31, 2021 and 2020, respectively.

The weighted-average rates of interest for long-term loans payable (excluding the current portion thereof) were approximately 0.48% and 0.52% as of March 31, 2021 and 2020, respectively. The long-term loans payable were due in 2022 through 2030 and 2021 through 2025 as of March 31, 2021 and 2020, respectively.

The weighted-average rates of interest for finance lease obligations have not been disclosed since related interest charges are allocated using the straight-line method over the lease terms.

The short-term and long-term debt as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Short-term loans payable	¥ 44,199	¥ 53,730	$ 399,197
Long-term loans payable (due within one year)	50,860	53,225	459,358
Lease obligations (due within one year)	4,448	4,405	40,169
Sub-total	99,507	111,360	898,724
Long-term loans payable (excluding amounts due within one year)	123,430	123,939	1,114,797
Lease obligations (excluding amounts due within one year)	12,319	11,820	111,260
Sub-total	135,749	135,759	1,226,057
Total	¥ 235,256	¥ 247,119	$ 2,124,781

The following assets were pledged as collateral for the below listed liabilities as of March 31, 2021 and 2020:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash and deposits	¥ 100	¥ -	$ 903
Land	43	57	388

Note: Land was pledged as collateral at certain consolidated subsidiaries for customers' housing loans of ¥22 million ($200 thousand) and ¥26 million as of March 31, 2021 and 2020, respectively.

The aggregate annual maturities of long-term loans payable as of March 31, 2021 were as follows:

Fiscal year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2022	¥ 50,860	$ 459,358
2023	45,952	415,028
2024	30,983	279,830
2025	27,175	245,444
Thereafter	19,320	174,495
Total	¥ 174,290	$ 1,574,155

The aggregate annual maturities of finance lease obligations as of March 31, 2021 were as follows:

Fiscal year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2022	¥ 4,448	$ 40,169
2023	3,929	35,486
2024	4,035	36,446
2025	1,518	13,706
Thereafter	2,837	25,622
Total	¥ 16,767	$ 151,429

The Company has entered into loan commitment agreements amounting to ¥50,000 million ($451,590 thousand) with seven financial institutions. Under these credit facilities, no amount has been executed as of March 31, 2021 and 2020.

17. INCOME TAXES

Taxes on profit consist of corporate income taxes, inhabitant taxes and enterprise taxes. The aggregate statutory tax rates on profit before income taxes were approximately 30.5% for the years ended March 31, 2021 and 2020.

Significant components of deferred tax assets and liabilities as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Deferred tax assets:			
Loss on valuation of inventories	¥ 2,513	¥ 2,090	$ 22,695
Impairment loss	19,055	14,460	172,102
Loss on valuation of investment securities	750	505	6,775
Loss on valuation of stock of subsidiaries	1,845	1,291	16,668
Provision for bonuses	3,592	2,575	32,440
Net defined benefit liability	8,584	8,536	77,526
Provision for directors' retirement benefits	312	335	2,818
Provision for product warranties	2,737	2,371	24,721
Other provisions	4,825	4,373	43,576
Asset retirement obligations	10,855	10,401	98,038
Consolidated subsidiaries' tax loss carry-forward	19,339	18,372	174,667
Others	11,645	8,109	105,173
Sub-total	86,052	73,418	777,199
Valuation allowance for tax loss carry-forward (Note 2)	(18,476)	(17,737)	(166,870)
Valuation allowance for total of deductible temporary differences	(19,146)	(17,897)	(172,923)
Valuation allowance (Note 1)	(37,622)	(35,634)	(339,793)
Total deferred tax assets	48,430	37,784	437,406
Deferred tax liabilities:			
Unrealized gains on valuation of land	(1,143)	(944)	(10,319)
Loss recognized corresponding to asset retirement obligations	(5,965)	(6,350)	(53,878)
Others	(3,200)	(1,342)	(28,904)
Total deferred tax liabilities	(10,308)	(8,636)	(93,101)
Net deferred tax assets (Note 3)	¥ 38,122	¥ 29,148	$ 344,305

Notes: 1. Valuation allowance increased by ¥1,988 million ($17,952 thousand). The increase is mainly due to additional recognition of valuation allowance for tax loss carry-forward of ¥473 million ($4,271 thousand) at Hinokiya Group (including its consolidated subsidiaries) as this company was newly consolidated, and valuation allowance for total of deductible temporary differences of ¥980 million ($8,849 thousand).

2. The expiration of tax loss carry-forward and the resulting deferred tax assets as of March 31, 2021 and 2020 were as follows:

	Millions of yen						
	2021						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carry-forward (*1)	¥ 3,235	¥ 840	¥ 1,220	¥ 1,041	¥ 4,018	¥ 8,985	¥ 19,339
Valuation allowance	(2,427)	(840)	(1,220)	(1,041)	(4,018)	(8,930)	(18,476) (*2)
Deferred tax assets	808	-	-	-	-	55	863

	Thousands of U.S. dollars (Note 1)						
	2021						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carry-forward (*1)	$ 29,216	$ 7,591	$ 11,015	$ 9,400	$ 36,292	$ 81,153	$ 174,667
Valuation allowance	(21,919)	(7,591)	(11,015)	(9,400)	(36,292)	(80,653)	(166,870) (*2)
Deferred tax assets	7,297	-	-	-	-	500	7,797

	Millions of yen						
	2020						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carry-forward (*1)	¥ 4,435	¥ 2,948	¥ 762	¥ 1,043	¥ 927	¥ 8,257	¥ 18,372
Valuation allowance	(3,800)	(2,948)	(762)	(1,043)	(927)	(8,257)	(17,737) (*2)
Deferred tax assets	635	-	-	-	-	-	635

(*1) Tax loss carry-forward was determined by multiplying the statutory income tax rate.
(*2) As of March 31, 2021, deferred tax assets of ¥863 million ($7,797 thousand) were recorded for tax loss carry-forward of ¥19,339 million ($174,667 thousand) (multiplied by the statutory income tax rate). This amount of deferred tax assets was recognized mainly for part of the balance of tax loss carry-forward of ¥4,022 million ($36,329 thousand) at consolidated subsidiary BEST DENKI CO., LTD. As of March 31, 2020, deferred tax assets of ¥635 million were recorded for tax loss carry-forward of ¥18,372 million (multiplied by the statutory income tax rate). This amount of deferred tax assets was recognized mainly for part of the balance of tax loss carry-forward of ¥7,571 million at consolidated subsidiary BEST DENKI CO., LTD. The tax loss carry-forward for which deferred tax assets were recorded mainly resulted from an impairment loss of ¥13,646 million ($123,244 thousand) and the provision for business restructuring of ¥8,637 million ($78,011 thousand) recorded in the fiscal year ended February 28, 2010 which became deductible in and after the next fiscal year for tax purposes. Valuation allowance has not been recognized since the deferred tax assets for tax loss carry-forward are determined to be recoverable due to the expected future taxable income.

3. Net deferred tax assets (liabilities) were included in the following accounts in the consolidated balance sheets as of March 31, 2021 and 2020:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2021	2020	*2021*
Investments and other assets – Deferred tax assets····	¥ 40,363	¥ 29,723	$ 364,547
Long-term liabilities – Other long-term liabilities·····	(2,241)	(575)	(20,242)

Reconciliations between the statutory income tax rate and the actual effective income tax rate, as percentage of profit before income taxes, for the years ended March 31, 2021 and 2020 were as follows:

	2021	2020
Statutory income tax rate	30.5%	30.5%
Per capita inhabitants taxes	1.0	2.6
Change in valuation allowance	(1.2)	(1.4)
Tax rate differences for net loss subsidiaries	2.7	3.4
Tax rate differences for consolidated subsidiaries	2.7	0.8
Impairment loss on goodwill	-	1.0
Gain on negative goodwill	(0.5)	(2.2)
Entertainment and other non-deductible expenses	0.6	0.8
Effect of changes in tax rates	(2.4)	-
Others, net	(0.1)	0.5
Effective income tax rate	33.3	36.0

18. CONTINGENT LIABILITIES

The Group was contingently liable for transferred accounts receivable of ¥10,063 million ($90,890 thousand) and ¥12,912 million to credit card companies as of March 31, 2021 and 2020, respectively.

The Group was contingently liable for the following guarantees of debt as of March 31, 2021 and 2020:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	*2021*
Guarantees of debt made to home buyers and the like	¥ 1,237	¥ 605	$ 11,174
Joint and several guarantees of payables to suppliers	-	270	-
Guarantees of debt made to employees	5	8	49

The discounted trade notes receivable were none and ¥1,160 million, as of March 31, 2021 and 2020, respectively.

Receivables securitized through a self-created trust as of March 31, 2021 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Other current assets	¥ 3,481	$ 31,438
Guarantee deposits	18,828	170,052

The securitized receivables were accounted for as financial transactions, and the corresponding payables as of March 31, 2021 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current portion of long-term loans payable	¥ 3,272	$ 29,555
Long-term loans payable	18,041	162,943

19. OTHER PROVISIONS

Other provisions are provided mainly to prepare for, at certain consolidated subsidiaries, payments related to sales promotion activities to customers, compensation payments based on warranty against defects for delivered buildings and payments for after-service fees, and losses to be incurred on late collection of gift certificates, etc. already having accounted for as a gain after passing a defined period of time.

20. RETIREMENT BENEFITS

The Company and its certain consolidated subsidiaries maintain funded contributory and unfunded defined benefit plans, as well as defined contribution plans, for their employees' retirement benefits. Under the defined benefit corporate pension plans, retirement benefits are paid out in the form of a lump-sum payment or annuity payments based on the accumulated number of points that are granted according to eligibility and position, etc. of employees. Under a lump-sum retirement payment plan, retirement benefits are paid out in the form of a lump-sum payment based on the accumulated number of points that are granted according to eligibility and position, etc. of employees.

The simplified method is applied by certain consolidated subsidiaries in calculating the defined benefit liability and retirement benefit costs under lump-sum retirement payment plans.

Defined benefit plans

(1) The changes in retirement benefit obligations for the years ended March 31, 2021 and 2020

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2021	2020	*2021*
Beginning balance	¥ 53,934	¥ 50,718	$ 487,123
Service costs	4,512	4,369	40,752
Interest cost	204	210	1,842
Actuarial gains and losses	(1,838)	180	(16,599)
Payment of benefit obligations	(2,094)	(1,543)	(18,912)
Effect of change from the simplified method to the principle method due to merger	113	-	1,020
Increase due to new consolidation	206	-	1,856
Ending balance	¥ 55,037	¥ 53,934	$ 497,082

Note: The simplified method has been applied by certain consolidated subsidiaries.

(2) Changes in pension assets for the years ended March 31, 2021 and 2020

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2021	2020	*2021*
Beginning balance	¥ 25,170	¥ 24,162	$ 227,334
Expected return on pension assets	450	436	4,063
Actuarial gains and losses	368	(18)	3,331
Contributions paid by the employer	1,438	1,445	12,983
Retirement benefits paid	(1,157)	(855)	(10,450)
Ending balance	¥ 26,269	¥ 25,170	$ 237,261

(3) Reconciliation of retirement benefit obligations and pension assets and net defined benefit liability (asset) for the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	*2021*
Funded retirement benefit obligations	¥ 27,410	¥ 28,253	$ 247,566
Amount of pension assets	(26,269)	(25,170)	(237,261)
	1,141	3,083	10,305
Unfunded retirement benefit obligations	27,627	25,681	249,516
Total net defined benefit liability	¥ 28,768	¥ 28,764	$ 259,821
Net defined benefit liability	30,607	30,343	276,435
Net defined benefit asset	(1,839)	(1,579)	(16,614)
Total net defined benefit liability	¥ 28,768	¥ 28,764	$ 259,821

Note: The above table includes plans for which the simplified method has been applied.

(4) Components of retirement benefit costs for the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	*2021*
Service costs (*)	¥ 4,512	¥ 4,369	$ 40,752
Interest cost	204	210	1,842
Expected return on pension assets	(450)	(436)	(4,063)
Amortization of actuarial differences	141	0	1,272
Amortization of prior service costs	(747)	(971)	(6,748)
Total net periodic retirement benefit costs	¥ 3,660	¥ 3,172	$ 33,055

Note: (*) Retirement benefit costs of certain consolidated subsidiaries calculated under the simplified method are recorded in service costs.

(5) Remeasurements of defined benefit plans for the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	*2021*
Prior service costs	¥ (747)	¥ (971)	$ (6,748)
Actuarial gains and losses	2,347	(198)	21,201
Total	¥ 1,600	¥ (1,169)	$ 14,453

(6) Accumulated remeasurements of defined benefit plans for the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	*2021*
Unrealized prior service costs	¥ (70)	¥ (818)	$ (638)
Unrealized actuarial gains and losses	(2,659)	(311)	(24,013)
Total	¥ (2,729)	¥ (1,129)	$ (24,651)

(7) Pension assets as of March 31, 2021 and 2020

(i) The percentages for each classification of total pension assets as of March 31, 2021 and 2020 were as follows:

	2021	2020
Bonds	33.9 %	30.6 %
Stocks	33.4	24.0
Cash and time deposits	0.1	9.1
General accounts	19.1	15.3
Others	13.5	21.0
Total	100.0	100.0

Note: Total pension assets include retirement benefit trusts established for the corporate pension plans in a percentage of 0.4% as of March 31, 2020.

(ii) Method of determining the long-term expected rate of return on plan assets

The long-term expected rate of return is determined based on the present and projected future allocation of plan assets and the present and expected future rate of return on various components of plan assets.

(8) Basis of actuarial calculation for the years ended March 31, 2021 and 2020

	2021	2020
Principal discount rate	0.56 %	0.56 %
Long-term expected rate of return on plan assets	1.46	1.46

Note: Estimated rate of salary increase is not presented because the Company and its consolidated subsidiaries have adopted a point system.

Defined contribution plans

The required contribution amount to the defined contribution plans of the Company and certain consolidated subsidiaries was ¥1,710 million ($15,447 thousand) and ¥1,037 million for the years ended March 31, 2021 and 2020, respectively.

21. ASSET RETIREMENT OBLIGATIONS

Asset Retirement Obligations Included in the Consolidated Balance Sheets

Asset retirement obligations included in the consolidated balance sheets primarily represent contractual obligations for restoration related to term leasehold interests in retail stores and the like.

The Group mainly estimates asset retirement obligations by using discount rates ranging from 0.00% to 2.29% with a term of 2–47 years.

Changes in asset retirement obligations for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	*2021*
Beginning balance	¥ 34,450	¥ 32,942	$ 311,150
Increase due to purchase of property and equipment	192	928	1,736
Increase due to changes in estimate	107	-	970
Adjustments due to passage of time	604	418	5,451
Decrease due to implementation of asset retirement obligations	(841)	(208)	(7,598)
(Decrease) increase due to exchange translation of asset retirement obligations denominated in foreign currencies	(8)	0	(74)
Increase due to new consolidation	1,066	370	9,629
Ending balance	¥ 35,570	¥ 34,450	$ 321,264

Asset Retirement Obligations Not Included in the Consolidated Balance Sheets

Certain other asset retirement obligations for leasehold contracts, for which the related amount could not be reasonably estimated due to uncertainty regarding the disbursement schedule and/or the incurrence of expense, have not been included in the consolidated balance sheets.

22. NET ASSETS

Net assets comprise three subsections, which are shareholders' equity, accumulated other comprehensive income and non-controlling interests.

Japanese companies are subject to the Companies Act of Japan (the "Companies Act") and related regulations.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the prices of the new shares as additional paid-in capital, which is included in capital surplus.

On October 1, 2013, the Company conducted a 10-for-1 stock split by way of a free share distribution.

Under the Companies Act, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of the additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. The legal earnings reserve has been included in retained earnings in the accompanying consolidated balance sheets.

Under the Companies Act, the legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or capitalized by a resolution at the shareholders' meeting. Under the Companies Act, all paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which may become available for distribution as dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the Ordinary General Meeting of Shareholders held on June 29, 2021, the shareholders approved cash dividends amounting to ¥14,754 million ($133,259 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2021 as they are to be recognized in the period in which they are approved by the shareholders.

23. STOCK OPTIONS

Stock option expenses recognized for the years ended March 31, 2021 and 2020 were ¥238 million ($2,145 thousand) and ¥351 million, respectively.

The stock options existing during the years ended March 31, 2021 and 2020 were as follows:

	2013 Stock Option	2014 Stock Option	2015 Stock Option	2016 Stock Option
Date of resolution	June 27, 2013	June 27, 2014	June 26, 2015	June 29, 2016
Persons granted	16 directors	15 directors	14 directors	15 directors
Number of options granted expressed in the number of shares by class of stock (*1)(*2)	Common stock 483,100 shares	Common stock 460,700 shares	Common stock 628,900 shares	Common stock 784,200 shares
Date of grant	July 12, 2013	July 14, 2014	July 13, 2015	July 14, 2016
Vesting condition	Not set	Not set	Not set	Not set
Service period covered	Not prescribed	Not prescribed	Not prescribed	Not prescribed
Exercise period*	From July 13, 2013 to July 12, 2043	From July 15, 2014 to July 14, 2044	From July 14, 2015 to July 13, 2045	From July 15, 2016 to July 14, 2046
Number of subscription rights to shares*	3,031 units	2,869 units	4,479 units	5,776 units
Class, description and number of shares of stock to be allotted upon exercise of the subscription rights to shares (*3)*	Common stock 303,100 shares	Common stock 286,900 shares	Common stock 447,900 shares	Common stock 577,600 shares
Subscription price to be paid upon exercise of each subscription right to shares*	¥1	¥1	¥1	¥1
Issue price and amount of capital to be increased due to the issuance of shares upon exercise of the subscription rights to shares*	Issue price: ¥41,190 per 100 shares (*4)	Issue price: ¥292 (*4)	Issue price: ¥405 (*4)	Issue price: ¥453 (*4)
Exercise conditions*	(*5)	(*5)	(*5)	(*5)
Matters concerning the transfer of subscription rights to shares*	(*6)	(*6)	(*6)	(*6)
Matters concerning the allotment of subscription rights to shares in the event of reorganization*	(*7)	(*7)	(*7)	(*7)

	2017 Stock Option	2018 Stock Option	2019 Stock Option	2020 Stock Option
Date of resolution	June 29, 2017	June 28, 2018	July 16, 2019	June 26, 2020
Persons granted	12 directors	13 directors	12 directors	3 directors
Number of options granted expressed in the number of shares by class of stock (*1)(*2)	Common stock 707,700 shares	Common stock 774,100 shares	Common stock 909,300 shares	Common stock 428,100 shares
Date of grant	July 14, 2017	July 13, 2018	July 31, 2019	July 13, 2020
Vesting condition	Not set	Not set	Not set	Not set
Service period covered	Not prescribed	Not prescribed	Not prescribed	Not prescribed
Exercise period*	From July 15, 2017 to July 14, 2047	From July 14, 2018 to July 13, 2048	From August 1, 2019 to July 31, 2049	From July 14, 2020 to July 13, 2050
Number of subscription rights to shares*	5,214 units	5,755 units	6,756 units	3,213 (3,926) units
Class, description and number of shares of stock to be allotted upon exercise of the subscription rights to shares (*3)*	Common stock 521,400 shares	Common stock 575,500 shares	Common stock 675,600 shares	Common stock 321,300 (392,600) shares
Subscription price to be paid upon exercise of each subscription right to shares*	¥1	¥1	¥1	¥1
Issue price and amount of capital to be increased due to the issuance of shares upon exercise of the subscription rights to shares*	Issue price: ¥443 (*4)	Issue price: ¥452 (*4)	Issue price: ¥389 (*4)	Issue price: ¥466 (*4)
Exercise conditions*	(*5)	(*5)	(*5)	(*5)
Matters concerning the transfer of subscription rights to shares*	(*6)	(*6)	(*6)	(*6)
Matters concerning the allotment of subscription rights to shares in the event of reorganization*	(*7)	(*7)	(*7)	(*7)

* Information as of March 31, 2021. Figures as of May 31, 2021 are also presented in parentheses in case of any changes to the date. Otherwise, no change has occurred between the two dates.

Notes:

(*1) Number of options granted is expressed in the number of shares of common stock granted.

(*2) Number of shares of common stock granted reflects 10-for-1 stock split executed by the Company on October 1, 2013.

(*3) Number of shares to be allotted (the "Number of Shares to be Allotted") upon exercise of the subscription rights to shares (the "Subscription Rights to Shares") is 100 shares for 1 Subscription Right to Shares.

In case the Company conducts a share split or a consolidation of shares of its common stock, after the date of the allocation of subscription rights to shares (the "Day of Allotment"), the Number of Shares to be Allotted will be adjusted according to the formula below. Such adjustment shall be made only to the Subscription Rights to Shares which have not yet been exercised at the time of the adjustment.

Number of Shares to be Allotted after adjustment = Number of Shares to be Allotted before adjustment × Ratio of share split or consolidation of shares

Other than the above, in the event it becomes necessary to adjust the Number of Shares to be Allotted, it may be adjusted by the Company as deemed necessary by its Board of Directors. Any amount less than one share arising from the adjustment shall be rounded down.

(*4) Issue price is the sum of the subscription price to be paid upon exercise of each Subscription Right to Shares and the fair value of the Subscription Right to Shares at the grant date. The amount of capital to be increased due to the issuance of shares upon exercise of the Subscription Rights to Shares shall be one half (1/2) of the maximum amount of increases in the capital, etc. to be calculated according to Article 17, Paragraph 1 of the Corporate Accounting Regulations, with any amount less than one yen arising from such calculation to be rounded up. The amount of capital reserve to be increased due to the issuance of shares upon exercise of the Subscription Rights to Shares shall be the amount obtained by deducting the amount of capital to be increased set forth in above, from the maximum amount of increases in the capital, etc. set forth in above.

(*5) (a) A holder of the Subscription Rights to Shares (the "Right Holder") can exercise the Subscription Rights to Shares only in a single lump-sum transaction during the 10-day period from the day after leaving its position as director, corporate auditor, executive officer or employee of the Company or its subsidiaries within the exercise period stated above.

(b) In case the Right Holder dies, heirs of the Right Holder may exercise the Subscription Rights to Shares only in a single lump-sum transaction.

(*6) Any acquisition of the Subscription Rights to Shares through transfer shall require the approval by resolution of the Company's Board of Directors.

(*7) In case the Company conducts a merger (limited to the case where the Company is to be extinguished as a result of the merger), an absorption-type company split, an incorporation-type company split, a share exchange or a share transfer (hereafter collectively referred to as the "reorganization"), Subscription Rights to Shares of the companies listed in (a) to (e) of Article 236, Paragraph 1, Item 8, of the Companies Act (the "Reorganized Company") shall be delivered, in each of the above cases, to the Right Holder holding the Subscription Rights to Shares remaining just before the effective date of the reorganization (the "Remaining Subscription Rights to Shares") according to the conditions (a) to (i) described below. Provided, however, that the foregoing shall be on the condition that the delivery of Subscription Rights to Shares of the Reorganized Company in accordance with the following conditions is stipulated in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a stock change agreement, or a stock transfer plan.

(a) Number of Subscription Rights to Shares of the Reorganized Company to be delivered
The identical number of Subscription Rights to Shares to the number of the Remaining Subscription Rights to Shares held by a Right Holder shall be delivered to said Right Holder.

(b) Class of shares of the Reorganized Company to be allotted upon exercise of Subscription Rights to Shares
Common stock of the Reorganized Company.

(c) Number of shares of the Reorganized Company to be allotted upon exercise of Subscription Rights to Shares
It shall be determined in accordance with (*3) above, based on the consideration of conditions for the reorganization and other factors.

(d) Amount of assets to be contributed upon exercise of Subscription Rights to Shares
The amount of assets to be contributed upon exercise of each of the Subscription Rights to Shares to be delivered shall be an amount obtained by multiplying the exercise price after reorganization, as specified below, by the number of shares of the Reorganized Company to be allotted, as determined in accordance with (c) above. The exercise price after reorganization shall be ¥1 per share of the Reorganized Company to be delivered upon exercise of Subscription Rights to Shares.

(e) Period during which Subscription Rights to Shares are exercisable
From commencing date of the exercise period shown in the table above, or the effective date of the reorganization, whichever is later, to expiry date of the exercise period shown in the table above.

(f) The amount of capital to be increased due to the issuance of shares upon exercise of the Subscription Rights to Shares

i) The amount of capital to be increased due to the issuance of shares upon exercise of the Subscription Rights to Shares shall be one half (1/2) of the maximum amount of increases in the capital, etc. to be calculated according to Article 17, Paragraph 1 of the Corporate Accounting Regulations, with any amount less than one yen arising from such calculation to be rounded up.

ii) The amount of capital reserve to be increased due to the issuance of shares upon exercise of the Subscription Rights to Shares shall be the amount obtained by deducting the amount of capital to be increased set forth in i) above, from the maximum amount of increases in the capital, etc. set forth in i) above.

(g) Restriction on the acquisition of Subscription Rights to Shares through transfer
Any acquisition of the Subscription Rights to Shares through transfer shall require the approval by resolution of the Board of Directors of the Reorganized Company.

(h) Conditions for exercise of Subscription Rights to Shares
It shall be determined in accordance with (*5) above.

(i) Conditions for acquisition of the Subscription Rights to Shares

i) The Company may acquire the Subscription Rights to Shares without compensation at the arrival of the day prescribed by its Board of Directors, in case the Right Holder comes to be unable to exercise all or part of the Subscription Rights to Shares in accordance with (*5) above or the allotment agreement for the Subscription Rights to Shares.

ii) The Company may acquire the Subscription Rights to Shares without compensation at the arrival of the day prescribed by its Board of Directors, in case an agenda for approval of one of the following 1, 2, 3, 4, or 5, is approved at the General Meeting of Shareholders of the Company (or, if approval of the General Meeting of Shareholders is not required, is resolved at the Board of Directors of the Company).

1. A Merger agreement, under which the Company shall be extinguished
2. An absorption-type company split agreement or an incorporation-type company split plan, under which the Company shall be split.
3. A share exchange agreement or a share transfer plan, under which the Company shall be a wholly owned subsidiary.
4. An amendment to the articles of incorporation to establish new provisions by which any proposed transfer of shares issued by the Company shall require the approval of the Company.
5. An amendment to the articles of incorporation to establish new provisions by which any proposed transfer of any class shares to be issued upon exercise of the Subscription Rights to Shares shall require the approval of the Company or by which the Company may acquire all of the class shares to be issued upon exercise of the Subscription Rights to Shares by the General Meeting of Shareholders.

The stock option activity expressed in the number of common stock for the year ended March 31, 2021 was as follows:

Date of resolution	June 27, 2013	June 27, 2014	June 26, 2015	June 29, 2016
	(Shares)	(Shares)	(Shares)	(Shares)
Number of stock options expressed in the number of common stock:				
Non-vested				
March 31, 2020 –				
Outstanding	-	-	-	-
Granted	-	-	-	-
Forfeited	-	-	-	-
Vested	-	-	-	-
March 31, 2021 –				
Outstanding	-	-	-	-
Vested				
March 31, 2020 –				
Outstanding	459,500	441,700	616,000	780,000
Vested	-	-	-	-
Exercised	156,400	154,800	168,100	202,400
Forfeited	-	-	-	-
March 31, 2021 –				
Outstanding	303,100	286,900	447,900	577,600

	Yen	*U.S. dollars (Note 1)*	Yen	*U.S. dollars (Note 1)*	Yen	*U.S. dollars (Note 1)*	Yen	*U.S. dollars (Note 1)*
Price information:								
Exercise price	¥ 1	$ 0.01	¥ 1	$ 0.01	¥ 1	$ 0.01	¥ 1	$ 0.01
Average price at the exercise date	¥ 522	$ 4.71	¥ 522	$ 4.71	¥ 522	$ 4.71	¥ 522	$ 4.71
Fair value at the grant date	¥ 410.9	$ 3.71	¥ 291.0	$ 2.63	¥ 404.0	$ 3.65	¥ 452.0	$ 4.08

Date of resolution	June 29, 2017	June 28, 2018	July 16, 2019	June 26, 2020
	(Shares)	(Shares)	(Shares)	(Shares)
Number of stock options expressed in the number of common stock:				
Non-vested				
March 31, 2020 –				
Outstanding	-	-	226,900	-
Granted	-	-	-	428,100
Forfeited	-	-	-	-
Vested	-	-	226,900	321,300
March 31, 2021 –				
Outstanding	-	-	-	106,800
Vested				
March 31, 2020 –				
Outstanding	707,700	772,900	682,400	-
Vested	-	-	226,900	321,300
Exercised	186,300	197,400	233,700	-
Forfeited	-	-	-	-
March 31, 2021 –				
Outstanding	521,400	575,500	675,600	321,300

	Yen	*U.S. dollars (Note 1)*	Yen	*U.S. dollars (Note 1)*	Yen	*U.S. dollars (Note 1)*	Yen	*U.S. dollars (Note 1)*
Price information:								
Exercise price	¥ 1	$ 0.01	¥ 1	$ 0.01	¥ 1	$ 0.01	¥ 1	$ 0.01
Average price at the exercise date	¥ 522	$ 4.71	¥ 522	$ 4.71	¥ 522	$ 4.71	¥ -	$ 4.71
Fair value at the grant date	¥ 442.0	$ 3.99	¥ 451.0	$ 4.07	¥ 388.0	$ 3.50	¥ 465.0	$ 4.20

Notes: 1. Figures in the above table reflect 10-for-1 stock split executed by the Company on October 1, 2013.
2. The average price at the exercise date is the average stock price of the Company at the exercise of stock options.

The fair value of stock option granted during the year ended March 31, 2021 is estimated using the Black-Scholes option pricing model with the assumptions noted in the following table:

	2020 compensation-type stock option
Volatility of stock price (*1)	26.147%
Estimated remaining outstanding period (*2)	4.0 years
Estimated dividend (*3)	¥10 per share
Risk-free interest rate (*4)	(0.141)%

Notes:
(*1) The volatility of stock price is based on the historical weekly volatility of the Company's stock for the period equal to the option's estimated remaining outstanding period from the grant date.
(*2) The estimated remaining outstanding period is calculated by weighted averaging the estimated term period of each director with the number of options granted.
(*3) The estimated dividend is based on the actual per share dividend distributed in the preceding year for the year ended March 31, 2020.
(*4) The risk-free interest rate is based on the yield of government bonds having a remaining life equal to the option's estimated remaining outstanding period.

The actual numbers of forfeited options are used to measure the number of vested options, considering the difficulty to reasonably estimate future forfeitures.

24. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The major components of "selling, general and administrative expenses" for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Advertising	¥ 21,577	¥ 26,253	$ 194,877
Salaries	111,811	109,269	1,009,855
Rent expenses	74,205	70,936	670,204
Depreciation	18,492	18,118	167,017
Promotion	40,319	45,292	364,154
Others	162,553	152,458	1,468,147
Total	¥ 428,957	¥ 422,326	$ 3,874,254

25. OTHER INCOME (EXPENSES)

Gain on sale of business was recorded due to sale of a senior nursing home at a certain consolidated subsidiary.

Fixed costs related to stores which were temporarily closed to respond to the requests by local governments and expenses for disinfection incurred at stores and other facilities due to the COVID-19 pandemic were recorded as loss due to COVID-19 of ¥639 million ($5,773 thousand) in other income (expenses).

"Others, net" in "other income (expenses)" in the consolidated statements of income for the years ended March 31, 2021 and 2020 included the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Foreign exchange (losses) gains, net	¥ (256)	¥ (945)	$ (2,311)
Rent income	3,626	3,821	32,752
Rent expenses	(3,033)	(3,071)	(27,391)
Sales of electric power	1,903	1,916	17,185
Cost of sales of electric power	(772)	(815)	(6,975)
Gain on sale of non-current assets	86	158	776
Loss on disposal of non-current assets	(1,185)	(206)	(10,700)
Gain on sale of investment securities	56	1,710	501
Gain on negative goodwill	1,163	2,721	10,506
Others, net	1,795	(41)	16,210
Total	¥ 3,383	¥ 5,248	$ 30,553

26. OTHER COMPREHENSIVE INCOME

Amounts reclassified to profit in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ (82)	¥ 296	$ (742)
Reclassification adjustments	548	(1,708)	4,957
Valuation difference on available-for-sale securities before related tax effect	466	(1,412)	4,215
Related tax effect	(7)	139	(67)
Valuation difference on available-for-sale securities, net of taxes	459	(1,273)	4,148
Foreign currency translation adjustments:			
Amount arising during the year	172	125	1,549
Reclassification adjustments	-	-	-
Foreign currency translation adjustments before related tax effect	172	125	1,549
Related tax effect	-	-	-
Foreign currency translation adjustments, net of taxes	172	125	1,549
Remeasurements of defined benefit plans:			
Amount arising during the year	2,206	(198)	19,930
Reclassification adjustments	(606)	(971)	(5,477)
Remeasurements of defined benefit plans before related tax effect	1,600	(1,169)	14,453
Related tax effect	(455)	289	(4,110)
Remeasurements of defined benefit plans, net of tax	1,145	(880)	10,343
Share of other comprehensive loss of associates accounted for using equity method:			
Amount arising during the year	(0)	(0)	(3)
Reclassification adjustments	-	-	-
Share of other comprehensive loss of associates accounted for using equity method	(0)	(0)	(3)
Total other comprehensive income (loss)	¥ 1,776	¥ (2,028)	$ 16,037

27. SEGMENT INFORMATION

- 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 ended March 31, 2021, 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 ended March 31, 2021, 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 fiscal year ended March 31, 2020 has been prepared based on the reportable segment classification for the fiscal year ended March 31, 2021.

3. Method for calculating net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting policies for each reportable segment are consistent with those disclosed in Note 2, entitled "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

Reportable segment profit is based on operating profit.

Intersegment revenue and transfer are based on arm's-length transactions.

4. Information about amounts of net sales, profit or loss, assets, liabilities and other items by reportable segment

	Millions of yen				
	2021				
	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
Amortization of goodwill	-	384	384	-	384
Gain on negative goodwill	-	1,144	1,144	19	1,163
Impairment losses	12,117	1,502	13,619	411	14,030
Increase in property and equipment and intangible assets	26,174	3,477	29,651	717	30,368

	Millions of yen	
	2021	
	Adjusted amounts (Notes 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
Amortization of goodwill	-	384
Gain on negative goodwill	-	1,163
Impairment losses	-	14,030
Increase in property and equipment and intangible assets	-	30,368

	Thousands of U.S. dollars (Note 1)				
	2021				
	Reportable segments			Others (Note 1)	Total
	Electrical Business	Housing Business	Total		
Net sales					
Sales to external customers	13,577,238	1,609,088	15,186,326	641,945	15,828,271
Intersegment sales	273,839	112,323	386,162	167,137	553,299
Total	13,851,077	1,721,411	15,572,488	809,082	16,381,570
Segment profit (loss)	773,759	44,779	818,538	(10,004)	808,534
Segment assets	9,193,447	1,295,496	10,488,943	525,712	11,014,655
Other items					
Depreciation	168,151	18,028	186,179	1,998	188,177
Amortization of goodwill	-	3,467	3,467	-	3,467
Gain on negative goodwill	-	10,335	10,335	171	10,506
Impairment losses	109,437	13,565	123,002	3,719	126,721
Increase in property and equipment and intangible assets	236,396	31,402	267,798	6,476	274,274

	Thousands of U.S. dollars (Note 1)	
	2021	
	Adjusted amounts (Notes 2, 3)	Amount recorded in consolidated financial statements (Note 4)
Net sales		
Sales to external customers	-	15,828,271
Intersegment sales	(553,299)	-
Total	(553,299)	15,828,271
Segment profit (loss)	23,101	831,635
Segment assets	298,566	11,313,221
Other items		
Depreciation	5,742	193,919
Amortization of goodwill	-	3,467
Gain on negative goodwill	-	10,506
Impairment losses	-	126,721
Increase in property and equipment and intangible assets	-	274,274

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 amounting to ¥33,057 million ($298,566 thousand) resulted from corporate assets of ¥45,856 million ($414,164 thousand) that have not been allocated to segments and elimination of intersegment transactions of ¥(12,799) million ($(115,598) thousand).
3. The adjusted amounts of segment profit (loss) amounting to ¥2,558 million ($23,101 thousand) resulted mainly from elimination of intersegment transactions.
4. Segment profit (loss) is adjusted with operating profit in the consolidated statements of income.
5. Impairment losses of ¥411 million ($3,719 thousand) in "others" category mainly represent impairment losses on stores and other property and equipment of Otsuka Kagu.

	Millions of yen				
	2020				
	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
Amortization of goodwill	58	-	58	-	58
Gain on negative goodwill	-	-	-	2,721	2,721
Impairment losses	7,632	1,102	8,734	8	8,742
Increase in property and equipment and intangible assets	29,659	903	30,562	170	30,732

	Millions of yen	
	2020	
	Adjusted amounts (Notes 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
Amortization of goodwill....	-	58
Gain on negative goodwill ..	-	2,721
Impairment losses	-	8,742
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 amounting to ¥63,453 million resulted from corporate assets of ¥73,828 million that have not been allocated to segments and elimination of intersegment transactions of ¥(10,375) million.
3. The adjusted amounts of segment profit amounting to ¥2,661 million resulted mainly from elimination of intersegment transactions.
4. Segment profit is adjusted with operating profit in the consolidated statements of income.
5. Impairment losses of ¥8 million in "others" category mainly represent impairment losses on stores and other property and equipment of Otsuka Kagu.

- **Supplemental Information on Reportable Segment**

Information about products and services for the years ended March 31, 2021 and 2020 is as follows:

	Millions of yen		
	2021		
	Home electrical appliances & Home information appliances	Other	Total
Sales to external customers ·············	¥ 1,443,981	¥ 308,525	¥ 1,752,506

	Thousands of U.S. dollars (Note 1)		
	2021		
	Home electrical appliances & Home information appliances	Other	Total
Sales to external customers ·············	$ 13,041,738	$ 2,786,533	$ 15,828,271

	Millions of yen		
	2020		
	Home electrical appliances & Home information appliances	Other	Total
Sales to external customers ·············	¥ 1,349,473	¥ 262,065	¥ 1,611,538

Information about geographic area for the years ended March 31, 2021 and 2020 has not been disclosed because sales to domestic customers and total property and equipment located in Japan accounted for more than 90% of consolidated sales and total property and equipment, respectively.

Information about major customers for the years ended March 31, 2021 and 2020 has not been disclosed since no single customer accounted for more than 10% of consolidated sales.

- **Information about Impairment Loss on Long-Lived Assets in Reportable Segment**

Information about impairment loss on long-lived assets in reportable segment for the years ended March 31, 2021 and 2020 has not been disclosed since the same information is disclosed in segment information.

- **Information about Amortization and Unamortized Balances of Goodwill by Reportable Segment**

	Millions of yen					
	2021					
	Reportable segments			Others	Corporate/ elimination	Total
	Electrical Business	Housing Business	Total			
Amortization	¥ -	¥ 384	¥ 384	¥ -	¥ -	¥ 384
Unamortized balance.....	-	3,253	3,253	-	-	3,253

	Thousands of U.S. dollars (Note 1)					
	2021					
	Reportable segments			Others	Corporate/ elimination	Total
	Electrical Business	Housing Business	Total			
Amortization	$ -	$ 3,467	$ 3,467	$ -	$ -	$ 3,467
Unamortized balance.....	-	29,383	29,383	-	-	29,383

	Millions of yen					
	2020					
	Reportable segments			Others	Corporate/ elimination	Total
	Electrical Business	Housing Business	Total			
Amortization	¥ 58	¥ -	¥ 58	¥ -	¥ -	¥ 58
Unamortized balance.....	-	-	-	-	-	-

- **Information about Gain on Negative Goodwill**

For the year ended March 31, 2021

A gain on negative goodwill of ¥1,144 million ($10,335 thousand) was recognized in the housing business segment since consolidated subsidiary Yamada Homes made Shuken a consolidated subsidiary by acquiring its shares.

For the year ended March 31, 2020

A gain on negative goodwill of ¥2,721 million was recognized in the other segment since the Company made Otsuka Kagu a consolidated subsidiary by acquiring its shares.

28. RELATED PARTIES

Significant balances with related parties as of March 31, 2021 and 2020 and related transactions for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Balances of the Company:			
Tecc Planning Co., Ltd., 100% directly owned by Noboru Yamada, representative director and chairman, and his relatives:			
Prepaid expense (prepaid rent)	¥ 89	¥ 89	$ 800
Guarantee deposits (due within one year)	139	139	1,255
Guarantee deposits	1,880	2,019	16,980
Principal transactions of the Company:			
Tecc Planning Co., Ltd., 100% directly owned by Noboru Yamada, representative director and chairman, and his relatives:			
Payment of company house rent and lease and guarantee deposit	979	979	8,841
Balances of the Company's consolidated subsidiary:			
Katsuhisa Otsuka, a relative of the Company's significant subsidiary's officer:			
Guarantee deposits received	¥ 37	¥ 37	$ 334
Principal transactions of the Company's consolidated subsidiary:			
Land leasing	1	0	10

29. SUBSEQUENT EVENTS

I. Appropriations of Retained Earnings

The following appropriations of retained earnings were approved at the General Meeting of Shareholders held on June 29, 2021:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Year-end cash dividends, ¥18 ($0.16) per share	¥ 14,754	$ 133,259

II. 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 becomes 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.) become 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 dissolved 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

(3) Legal form of business combination

An absorption-type merger, whereby Yamada Denki 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 an intragroup 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 "Total-Living (Kurashi-Marugoto)" strategy of the Group and SDGs and ESG initiatives.

2. Summary of accounting to be applied

The transaction was 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 "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for and Business Divestitures" (ASBJ Guidance No. 10).

III. 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 becomes the wholly owned subsidiary (the “Share Exchange”), as of the effective date of September 1, 2021, and the two companies concluded a share exchange agreement regarding the Share Exchange between them (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

(4) Method of the Share Exchange

The Share Exchange is one whereby the Company becomes the wholly owning parent company and Otsuka Kagu becomes the wholly owned subsidiary. In accordance with Article 796, Paragraph 2 of the Companies Act, the Share Exchange was 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 was approved at the Ordinary General Meeting of Shareholders of Otsuka Kagu held on July 29, 2021. The Share Exchange took 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”) were allotted. However, no shares were 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 in accordance with the Share Exchange Agreement.

2. Number of the Company’s Shares to be delivered in the Share Exchange
Upon the Share Exchange, the Company delivered 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 acquired 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 used its treasury stock (146,871,443 shares as of March 31, 2021) as shares delivered through the Share Exchange, and did not issue new shares upon allotment to the Share Exchange.
In accordance with a resolution of the Board of Directors of Otsuka Kagu held no later than the day before the effective date of the Share Exchange, Otsuka Kagu cancelled all of the treasury stock that it held at the Record Time (including the shares acquired by Otsuka Kagu in response to dissenting shareholders’ share purchase demands under Article 785, Paragraph 1 of the Companies Act that were exercised in relation to the Share Exchange) at the Record Time. The

number of the Company’s Shares 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 stock 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 concluded the Share Exchange Agreement between the two companies.

2. Summary of accounting to be applied

The transaction was 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 “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for and Business Divestitures” (ASBJ Guidance No. 10).

* * * * * *

Independent auditor's report

To the Board of Directors of YAMADA HOLDINGS CO., LTD.:

Opinion

We have audited the accompanying consolidated financial statements of YAMADA HOLDINGS CO., LTD. (the former YAMADA DENKI CO., LTD. and hereinafter referred to as "the Company") and its consolidated subsidiaries (hereinafter collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Group's judgment as to whether an impairment loss should be recognized on the long-lived assets of stores

The key audit matter	How the matter was addressed in our audit
As described in Note 3. "SIGNIFICANT ACCOUNTING ESTIMATES, Recognition of impartment loss on property and equipment at stores" to the consolidated financial statements, the Group recognized property and equipment of ¥398,443 million related to the electrical business	The primary procedures we performed to assess the appropriateness of the Group's judgment as to whether an impairment loss should be recognized on the long-lived assets of stores included the following: **(1) Internal control testing**

in the consolidated balance sheets as of March 31, 2021, accounting for 31.8% of total assets. In the consolidated statements of income, impairment losses on the long-lived assets of ¥14,030 million were recognized. Included therein were ¥12,117 million of impairment losses related to the electrical business. While these assets are depreciated in a systematic manner, they need to be tested for impairment whenever there is an impairment indicator in asset groups identified for each store. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the asset groups with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. In the electrical appliance retail business, some of the stores have continuously recognized losses or negative cash flows resulting from the operating activities mainly due to the impact of the competitions with other companies and the spread of COVID-19 infections, even under the circumstances where the business as a whole achieves a stable performance. Therefore, management determined that there was an impairment indicator for the business. The Group assessed whether the carrying amount related to those stores would be recoverable in the current fiscal year based on the undiscounted future cash flows. The future cash flows used in the determination were estimated based on the cash flows of each store in the current fiscal year, using the assumption of a certain growth rate considering the business environment surrounding the Group. Since the assumption involves a high degree of uncertainty, management's judgment thereon had a significant effect on the estimated future cash flows. In addition, for the market value of the long-lived assets used in the estimation of the future cash flows, some of the stores adopted an appraisal value of real estate calculated by a real estate appraiser. The appraisal value required judgments based on expertise. We, therefore, determined that our assessment of the appropriateness of the Group's judgment as to whether an impairment loss should be recognized on the long-lived assets of stores was one of the	We tested the design and operating effectiveness of certain of the Group's internal controls relevant to the determination of an impairment loss to be recognized on the long-lived assets of stores. In the assessment, we focused our testing on controls designed to prevent or detect the use of unreasonable assumptions for the growth rate to be adopted in the estimation of the future cash flows for each store. **(2) Assessment of the reasonableness of the estimated future cash flows** In order to assess the reasonableness of key assumptions which were used as the basis for estimating the future cash flows for each store, we inquired of management about the basis on which those assumptions were developed. In addition, we: ● compared the growth rate projected by the Group to estimate the future cash flows of stores with the expected market growth rates of the sales in the consumer electrical appliance retail industry published by an external organization; ● evaluated the cause of variances between the achievements of the past estimates of the undiscounted future cash flows for each store and the plans, and analyzed the sensitivity of the evaluation results to the assumptions of the growth rate adopted in the estimate of the undiscounted future cash flows; and ● examined the appropriateness of the calculation method of the appraisal values of the real estate used by the Group with the provisions of the accounting standards by engaging a specialist within our network firms in order to assess the reasonableness of the values.

most significant matters in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.	

Reasonableness of the fair value measurement of the trademark right recognized in connection with the acquisition of Hinokiya Group Co., Ltd.

<table>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
As described in Note 6. “BUSINESS COMBINATIONS” to the consolidated financial statements, the Company acquired Hinokiya Group Co., Ltd. (hereinafter called “the Hinokiya Group”) and included it in the consolidated financial statements for the current fiscal year. As of the acquisition date, the Company acquired identifiable assets of ¥83,456 million, including the trademark right related to the housing business of ¥3,722 million.

Identifiable assets acquired in a business combination are measured at fair value on the acquisition date. The Company used the relief from royalty method to determine the fair value of the trademark right. Under the valuation model, the fair value was estimated at the present value of future cash flows based on the royalty cost which would be saved by owning the trademark right.

The future cash flows were estimated based on the business plan for the housing business of the Hinokiya Group. The business plan was prepared on the basis of the Company’s management forecasts for the future prospects of the housing business considering the technologies held by the Hinokiya Group. Especially, the forecast of the growth rate of the detached house market included assumptions with a high degree of uncertainty which involved management’s judgments.

In addition, selecting appropriate calculation method and input data for estimating the discount rate and the royalty rate used in applying the relief from royalty method required a high degree of expertise in valuation.

We, therefore, determined that our assessment of the reasonableness of the fair value measurement of the trademark right recognized in connection with the acquisition of Hinokiya Group Co., Ltd. was one of the most significant matters in our audit of the consolidated financial statements for
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The primary procedures we performed to assess the reasonableness of the fair value measurement of the trademark right recognized in connection with the acquisition of the Hinokiya Group included the following:

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the estimation of the fair value of the trademark right. In the assessment, we focused our testing on controls relevant to the use of external specialists by management including the selection of external valuation specialists, submission of materials to them and the evaluation of the results of their work.

(2) Reasonableness of the assessment of the fair value of the trademark right

In order to assess the reasonableness of key assumptions used for measuring the fair value of the trademark right, we inquired of management about the basis on which these assumptions were developed. In addition, we:

● compared the assumptions of the market growth rate relevant to the housing business of the Hinokiya Group with the market growth rate shown in the reports by an external organization.

We engaged valuation specialists within our domestic network firm to assist in our assessment of the following, among others:

● appropriateness of the valuation model used for the fair value measurement based on subject matters relevant to valuation and the requirements in the accounting standards;

● comparison of the royalty rate used in the estimation of the fair value of the trademark right with the actual royalty rates of similar technologies published by an external organization; and

● assessment of the reasonableness of the input
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the current fiscal year, and accordingly, a key audit matter.	data used in the calculation of the discount rate through comparison with the information published by an external organization.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ Naoya Miyaki
Designated Engagement Partner

Certified Public Accountant

/S/ Tsutomu Fukushima
Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Kitakanto Office, Japan

September 30, 2021

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.