Financial Report 2022

Fiscal year ended March 31, 2022

YAMADA HOLDINGS CO., LTD.

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OVERVIEW OF OPERATIONS

YAMADA HOLDINGS CO., LTD. and Consolidated Subsidiaries
March 31, 2022

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					
	2018	2019	2020	2021	2022	2022
Net sales (Note 1)	1,573,873	1,600,583	1,611,538	1,752,506	1,619,379	13,229,143
Ordinary profit	47,336	36,889	46,075	98,876	74,137	605,640
Profit attributable to owners of parent	29,780	14,692	24,605	51,799	50,556	413,001
Comprehensive income	29,263	13,674	22,549	53,443	51,087	417,346
Net assets	588,740	591,593	645,166	672,545	676,278	5,524,694
Total assets	1,175,568	1,184,042	1,163,494	1,252,600	1,271,668	10,388,597
Net assets per share (yen)	731.57	723.56	721.37	792.26	785.50	6.42 *(dollars)*
Basic earnings per share (yen)	36.78	18.19	28.38	62.82	60.96	0.50 *(dollars)*
Diluted earnings per share (yen)	36.66	18.08	27.01	62.53	60.67	0.50 *(dollars)*
Equity ratio (%)	49.8	49.7	54.6	51.8	51.6	
Return on equity (%)	5.2	2.5	4.0	8.1	7.9	
Price earnings ratio (times)	17.35	30.02	15.19	9.50	6.23	
Cash flows from operating activities	61,689	36,023	62,434	122,281	21,085	172,247
Cash flows from investing activities	(12,668)	(8,469)	(8,235)	(14,778)	(22,266)	(181,892)
Cash flows from financing activities	(32,920)	(27,461)	(58,091)	(82,837)	(16,647)	(135,997)
Cash and cash equivalents at end of year	51,327	51,176	48,398	73,760	56,470	461,321
Employees (persons)	19,752	18,853	19,985	24,300	22,951	
[Average number of temporary employees not included in the above number (persons)]	[9,577]	[9,520]	[9,496]	[9,258]	[8,441]	

Notes: 1. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the current fiscal year, and the key management indicators for the fiscal year under review are those after applying the accounting standard and relevant revised ASBJ regulations.
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, 2022, which was ¥122.41 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 a net sales increasing ratio of 5.0% or higher, an ordinary profit to net sales ratio of 6.5% or higher, and a ROE of 10% or higher as a target management indicator.

(3) Medium- to Long-Term Management Strategy

The Group aims to achieve business growth by restructuring the store network it has built throughout Japan (opening new stores, expanding and increasing floor space, changing business formats, S&B, etc.) and increasing the annual sales floor space by 5% or higher. Specifically, the Group will rebuild its network that is unlike any other in the world, capable of meeting every need of our customers through various store formats, from the opening of LIFE SELECT stores, covering in a single trade area with a population of 250,000 people and surrounded by urban-format stores such as LABI, to suburban-format stores such as TeccLand, outlet stores and YAMADA web.com, as well as small-scale trading areas stores and community-based stores. Thus, as an industry-leading company, the Group will proactively engage 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 and digital 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, utilizing multiple channels (stores, websites, TV shopping, smartphone apps, digital advertising, etc.), e-commerce business by making use of the strength of the Company's logistics network, and strengthening SPA product development to create customer value, etc.

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. 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

For the fiscal year ending March 31, 2023, in addition to the risk of a resurgence in infections due to new COVID-19 variants, attention needs to be paid to the downside risks from semiconductor supply shortages, higher prices of raw materials and the increasingly tense situation in Ukraine. There remain concerns for economic slowdown in not only Japan but also globally, so the economic outlook is expected to continue to be unclear.

In addition, the retail industry overall is expected to remain under challenging circumstances amid factors including increasing defensive spending patterns and deteriorating consumer sentiment due to the risk of resurgence of COVID-19 and higher prices caused by higher energy prices and depreciation of the yen, as well as increased management costs and product supply concerns due to semiconductor shortages.

Despite the challenging market environment, the Company continues to build a structure for increased sales and profits through implementation of the following key measures in each segment in the first year of the YAMADA HLDGS 2025 Mid-term business plan.

Electrical Business

(1) Aggressively develop stores with an annual increase of at least 5% in total sales floor area, (2) develop store formats with distinctive features with LIFE SELECT stores at the core, (3) expand the e-commerce business by utilizing the most of our group infrastructure, (4) increase the product profit ratio through enhancement of SPA products, and (5) expand the growth businesses of renovation and furniture and home interiors businesses

The business infrastructure to support the realization of these key measures include (1) completion of the installation of electronic shelf labels at all stores and digital marketing utilizing extensive customer data, (2) logistics reforms using stores nationwide, (3) IT sales system able to conduct onsite investigations and quotes for renovations using smartphones, and (4) enhance sales engineers (SE) who are close to customers

Utilize these infrastructure, which belong to the Company, to improve productivity and achieve greater operating efficiency.

Housing Business

(1) Strengthen the system for receiving orders through expansion of sales offices, (2) reform costs and cash flows through substantial reduction of the number of construction days, (3) double the sale of used property business, (4) enhance comprehensive initiatives with Nice Corporation, (5) reap group synergies such as with development and procurement at the Hinokiya Group and YAMADA HOMES, and (6) measures to attract visitors to Yamada Stores including selling benefits of home electrical appliances and furniture to owners

Financial Business

Financial product development that is well-versed in NEOBANK services and the “Total-Living (Kurashi-Marugoto)” strategy

Environment Business

(1) Double the production of reuse products through operation of the new recycling plant (scheduled for June 2022), and (2) complete the development of self-circulating environmental resources through the start of construction of the incineration power generation system

Under these circumstances and measures, for the fiscal year ending March 31, 2023, the Company forecasts net sales of ¥1,694,000 million, up 4.6% year on year, operating profit of ¥73,900 million, up 12.5% year on year, ordinary profit of ¥80,000 million, up 7.9% year on year, and profit attributable to owners of parent of ¥51,900 million, up 2.7% year on year.

(5) Capital Policy

In order to enhance the return to shareholders, the Company resolved on May 6, 2022 to purchase treasury stock (total number of shares to be purchased: 200,000,000 shares (maximum), total amount for share purchase: ¥100 billion (maximum), purchase period: from May 9, 2022 to May 8, 2023), and disclosed this matter on May 6, 2022.

(6) ESG and Sustainability

The YAMADA HOLDINGS Group aims to proactively contribute to solving social issues by accommodating the needs of various stakeholders including customers, as a retailing group that provides a wide variety of products and services including home electrical appliances in the fields of housing and lifestyles.

In December 2019, the Company announced its policy to focus on three themes in the key areas of sustainable development goals (SDGs): (1) Provide comfortable living space and establish a social system; (2) Develop employees and improve the work environment; and (3) Build a circular economy and protect the global environment.

Recently, sustainability initiatives have played a significant role when customers select brands. Setting “Total-Living (Kurashi-Marugoto)” as its concept ranging from home electrical appliances, furniture, home interior products, housing, renovation, finance to circulation of environmental resources, the Group has determined the following KPIs as primary indicators for solving these issues through its business activities. Moving forward, the Group will report the progress of these KPIs regularly.

Materiality	Impact	KPI items	Targets and policies	SDGs
Provide comfortable living spaces and establish social systems	Residence	Ratio of introducing ZEH	FY2030: 50%	
		Number of introducing Z Air Conditioning	FY2022 targets	
		Shipment of solar panels	FY2030: 50,000	
Develop employees and improve the work environment (diversity, equity, and inclusion [DE&I])	Employee-friendly workplaces	Indicators used in an employee satisfaction survey	FY2022 targets	
		Initiatives to curb long working hours	Every year: Engage in initiatives continuously	
		Increase the percentage of employees taking paid leave	Every year: Higher than the previous year	
	Inclusive and healthy economy	Ratio of female managers	FY2030: 10% or more	
		Percentage of female and male employees taking childcare leave	FY2023: Female: 85% or more Male: 7% or more	
Build a circular economy and protect the global environment	· Responses to climate changes · Reduction in CO_2 emissions	Reduction in electricity usage and CO_2 emissions by users backed by the spread and promotion of energy-saving electronic appliances	FY2022 targets	
		The ratio of renewable energies in the total electricity used (scope 2)	Every year: Higher than the previous year	
		CO_2 emissions per floor space (scope 2)	Every year: 10.2% lower than the previous year	
	・Volume reduction in waste ・Circular economy	Reuse of four types of home electronic appliances (televisions, refrigerators, washing machines, and air conditioners)	FY2030: 300,000	
		Reuse of computers	FY2030: 400,000	

[Climate change initiatives and TCFD]

1) On responses toward climate change

Under the “Total-Living (Kurashi-Marugoto)” concept, the Group offers various home electronic appliances, household equipment, and furniture/home interiors that support the foundations of customers’ living infrastructure. These products are manufactured and processed in Japan and around the world, and use various resources in each region. Accordingly, the Group believes that responses to climate changes and conservation of the natural environment are key themes for its sustainable growth.

To disclose information based on the Task Force on Climate-Related Financial Disclosures (TCFD), the Group has taken measures to understand the current situations of the Group, build its governance system, engage in risk management, and consider its strategies/indicators and targets.

Along with properly managing risks following climate changes, the Group will proactively engage in its climate change initiatives by considering various changes toward decarbonization as its business opportunities to grow sustainably.

(The Group will disclose the details of climate change-related information and relevant indicators and targets based on TCFD.)

Classification	Major initiatives
Reduction in greenhouse gases in the Group (Scopes 1 and 2)	● Purchase the electricity generated by renewable energies ● PPA after selling internal existing solar power output ● Internal consumption of the electricity generated by the YAMADA Resource Energy Plant ● Introduction of EVs as commercial vehicles, etc.
Reduction in greenhouse gases emitted when customers use products, etc. (Scope 3)	● Promote wider use of energy-saving home electrical appliances ● Introduction of ZEH for new custom-built houses ● Installation of solar panels for new custom-built houses

2) Governance

The YAMADA HOLDINGS Group has established the ESG & Sustainability Promotion Committee as an organ to deliberate policies and measures on environmental and social issues, monitor the progress of its targets, report to the Board of Directors, and engage in other activities. Chaired by the Representative Director of the YAMADA HOLDINGS, committee members consist of general managers and persons in charge of each division (Electrical Business, Housing Business, Finance Business, Environment Business, and other businesses) and the Head of Sustainability Promotion Office. These members make decisions on important matters. Four subcommittees are established under the ESG & Sustainability Promotion Committee: Group CSR Subcommittee, Work Environment Improvement Subcommittee, CS Improvement Subcommittee, and Environmental Measures Subcommittee. These four subcommittees discuss the details of individual activities and monitor their progress and targets. Envisioning more disclosure of climate change-related information, a project team has engaged in analyzing the current situations of CO2 emissions regarding scopes 1, 2, and 3 and managing the progress against the targets.

ESG & Sustainability Promotion System Chart

3) CO2 emissions in scopes 1, 2, and 3 (FY2020)

Scope		Calculation method	Emission ($t\text{-}CO_2$)	Ratio
Scope 1 Direct emissions from the combustion of fuels		Multiplying the quantity of fuels used by the emission factors	54,317	0.204%
Scope 2 Indirect emissions from consumption of electricity		Multiplying the quantity of electricity used by the emission factors	257,443	0.965%
Scope 3 Other indirect emissions		Refer to categories 1 to 15 below	26,370,549	98.832%
Total of scopes 1, 2, and 3			26,682,309	100.000%
1	Procurement of raw materials	Multiplying the total amount of procurement by material, by the emission factors	4,910,896	18.405%
2	Increase in capital goods and production facilities	Multiplying the total investment amount for facilities, etc. by the emission factors	20,809	0.078%
3	Fuel- and energy-related activities	Multiplying the consumption of fuels and electricity used that are not included in scopes 1 and 2, by the emission factors	45,561	0.171%
4	Procurement logistics and logistics outsourced by the Company as a consignor	Out of scope in this chart because it takes time to specify the scope of the obligations borne by a specified consignor	Out of scope	
5	Waste generated from operations	Multiplying the quantity of waste generated by the emission factors	206,099	0.772%
6	Business travel of employees	Multiplying the total amount of travel expenses by the emission factors	1,633	0.006%
7	Employee commuting	Multiplying the total amount paid by the emission factors	3,814	0.014%
8	Operations of the assets the Company leased from owners	Out of scope because this category is included in scopes 1 and 2	Out of scope	
9	Transportation in which the Company ships goods as a consignor	Out of scope in this chart because it takes time to specify the scope of the obligations borne by a specified consignor	Out of scope	
10	Processing of intermediate products	Out of scope because the Company does not sell intermediate products	Out of scope	
11	Use of products by users	Multiplying the annual energy consumption, useful life, and sales volume of products, by the emission factors	20,906,986	78.355%
12	Disposal of products by users	Multiplying the total weight of products by the emission factors	272,614	1.022%
13	Assets leased to other companies	Out of scope because the Company does not hold leased assets	Out of scope	
14	Emissions that fall under scopes 1 and 2 among franchised stores	Multiplying the total floor space of franchised stores, by the emissions of YAMADA DENKI stores per square meter	2,137	0.008%
15	Stock and bond investments	Out of scope because the Company does not hold stocks for the investment purpose to the degree that impacts the calculation of emissions	Out of scope	

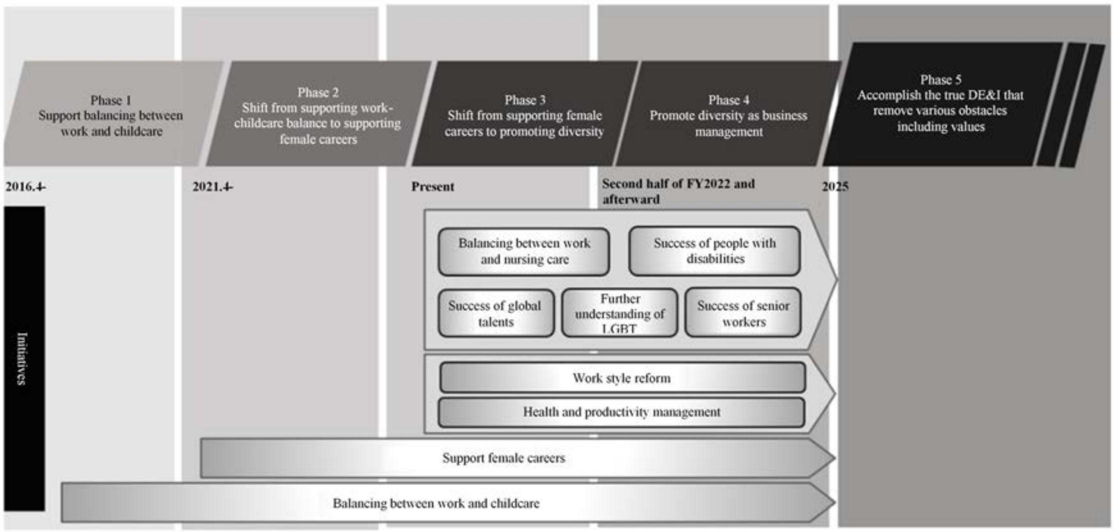
[Promotion and initiatives of diversity, equity, and inclusion (DE&I)]

1) Policy

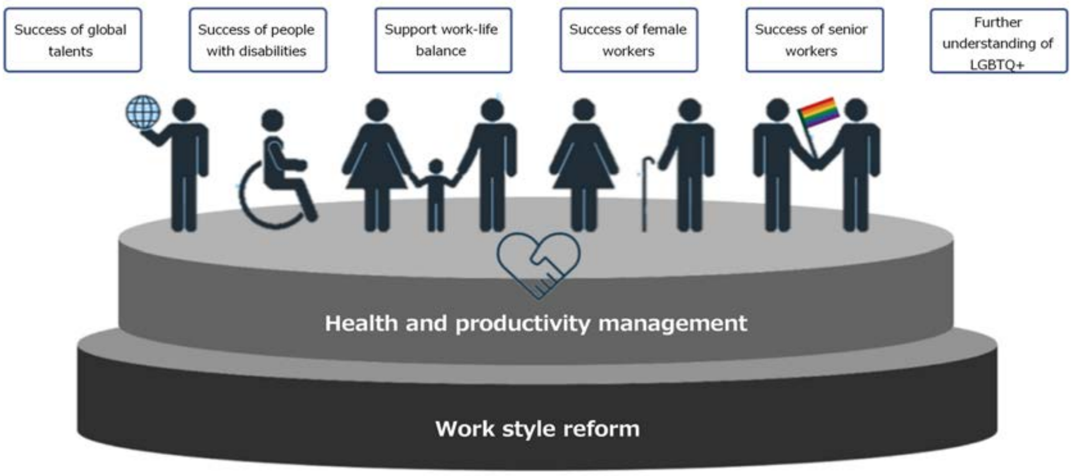
Talents are the most important management resources for the YAMADA HOLDINGS Group. Regardless of race, nationality, age, gender, sexual orientation/gender identity, religion, credo, culture, disabilities, career, and lifestyle, corporate growth derives from the environment where employees of various backgrounds respect each other, exert their capabilities and individuality, and feel their fulfillment and growth through work.

Casual conversations among employees can trigger innovations. Meanwhile, the organizational strength where diverse talents play a role by leveraging their backgrounds functions as the driver to accommodate various social needs. To grow sustainably with stakeholders through providing products and services that cater to the changes in the social environment, the YAMADA HOLDINGS Group will deem DE&I as its growth strategy itself and promote these initiatives across the Group.

2) Roadmap

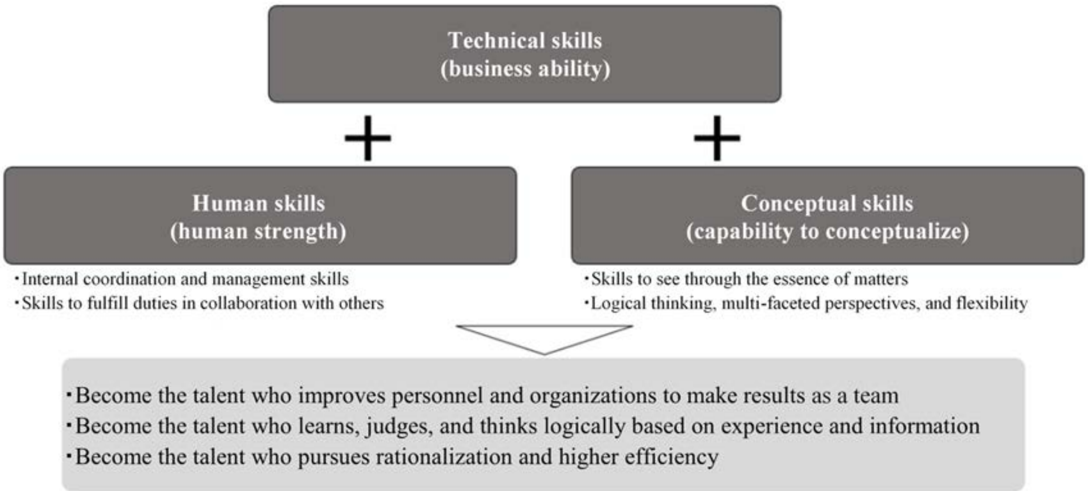


3) Specific initiatives and policy



Specific initiatives	Major initiatives
Support work-life balance	Establish a flexible working system corresponding to life stages and promote diverse work styles
Success of female workers	Build an environment to encourage female workers to play an active role by responding to changes in their life stages while supporting their work-life balance Eliminate the division of roles by gender based on the code of conduct that pursues gender equality Bolster recruitment activities, train next-generation executives, promote female workers to administrative positions, and support upgrading skills
Success of people with disabilities	Achieve an inclusive society through proactively employing people with disabilities
Success of senior workers	Extend the retirement age to 63 years old (this system was revised in April 2022) Support seniors to continue their work taking advantage of their careers
Success of global talents	Continue to employ people of foreign nationality proactively
Further understanding of LGBTQ+	Promote further understanding of LGBTQ+ and eliminate unconscious biases through training Build a workplace where psychological safety is secured for diverse individuality to shine based on respect for others

4) Concept of personnel training



5) Stratified skills and training themes

		Partner	Member	Lower management	Middle management	Top management
Human skills Conceptual skills	70%	· Skills required for working adults · Behavior as a working adult · Basic conduct of working adults	· Basic conduct of working adults · Behavior as a working adult · Way of engaging in work · Think of future · Experience and growth after entering the Company	· Meet expectations · Instruct younger colleagues · Enhance problem-solving skills · Team building · Remove mental blocks · For further growth	· Skills required for managers · Operation management · Personnel training management · Envision the future	· Management of senior managers · Formulate management philosophy and visions · Account management · Labor management · Develop action plans · Guide directions · Thinking processes leading to decision-makings
		· Common sense · Basic skills as working adults · Business communication · Business manners in general	· Enhance own motivation · Compliance knowledge · Basic information security knowledge · Way of engaging in team operations	· Motivation management as a leader · Training method for younger colleagues and new employees · Basic knowledge about harassment · Assist the boss and help younger colleagues	· Ensure compliance in his/her work · Training of team leaders · Eliminate harassment in the workplace · Leadership skills for managers	· Team motivation management · Legal obligations borne by senior managers · Training of managers · Essence of strategic planning
Technical skills	Expertise 20%	· Customer satisfaction · Compliance · Mental health · Build favorable relationships with people around you	· Basic sales knowledge · Understand the significance and operations of sales activities · Basic onsite CS knowledge · Hospitality	· Customer services in general · Customer services in the service industry · Psychological service skills for acquiring repeat customers · Practical theory to increase per-customer spending	· Store manager training · Marketing theory for increasing sales · Profit management	· Manager training within the area · Manager mindset within the area · CS enhancement within the area · Sales increase within the area · ES enhancement within the area
	Corporate knowledge 10%	Basics of YAMADA DENKI, internal regulations and rules, internet literacy, and societal initiatives				

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.

1. Store Openings and Development		
Probability: Low	Potential occurrence: Anytime	Potential impact: Strong
■ Risk The Group currently has stores in all 47 prefectures of Japan as well as overseas. The Group continues to plan retail store openings and development both in Japan and overseas. In Japan, the Group aims to restructure its store network and improve its market share by opening stores 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 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, expanding and increasing floor space or changing operations of existing stores centered on LIFE SELECT, TeccLand, 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, expanding and increasing floor space and operational changes of existing stores centered on LIFE SELECT, TeccLand, 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.		

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 and digital 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, such as LIFE SELECT and urban-format stores, suburban-format stores, YAMADA web.com and outlet stores, as well as small-scale trading areas and community-based retail areas; 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, if other companies start offering products at lower prices than the Group, which would mean slashing of sale prices to remain competitive, profits may fall as a result, affecting the Group's performance and financial position.

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 of "Total-Living (Kurashi-Marugoto) Proposal." 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 digital and 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 operating results 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 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 SmartDB, 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 SmartDB. 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 operating results 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. clarify 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 operating results 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 operating results 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 performance 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 performance 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: Medium

■ 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 operating results 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 operating results 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.

In addition, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the fiscal year under review.

In line with this change, net sales for the fiscal year under review, significantly decreased from the previous fiscal year.

Details are as described in the “NOTES TO CONSOLIDATED FINANCIAL STATEMENTS” Note 4, entitled “CHANGES IN ACCOUNTING POLICIES.”

1) Financial position and results of operations

[On background of economies at home and abroad]

During the fiscal year under review, the Japanese economy showed signs of recovery as the number of COVID-19 cases declined with the progress made in vaccinations. However, the environment remains challenging with the risk of further downward pressures on the economy due to higher prices of energy and raw materials and foreign exchange movements caused by an increase in infections due to new virus variants and the increasingly serious situation in Ukraine.

The consumer electrical appliance retail industry has seen a reactionary drop from the transient demand generated by the special cash payments, teleworking corresponding to the “new way of life,” and stay-at-home products in the previous fiscal year and a slump in seasonal products due to the unseasonable weather, but replacement demand for durable consumer goods such as refrigerators and washing machines has been firm.

[On the Company’s efforts]

Against the backdrop of this situation, the Company has been carrying out measures against the spread of COVID-19 in stores and business offices 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 in order to fulfill its role of providing social infrastructure and its responsibilities by stably supplying daily necessities. Furthermore, the Company significantly expanded Internet mail order services and shopping channel sales, where customers can place orders from home. In addition, to meet the changing lifestyles and consumer preferences, the Company is building a new store network by reviewing the optimal product lineups and services of its various store formats and expanding the sales floor space.

We are aggressively pursuing the Group’s growth strategy to increase the total sales floor area by opening new stores, as well as expanding stores and changing the store format. To strengthen our “Total-Living (Kurashi-Marugoto)” strategy, we opened a total of 18 stores, beginning with the opening of the Kumamoto Kasuga Store on June 18, 2021 as a new store format LIFE SELECT (a store offering the widest range of everyday goods in the region, such as home electrical appliances, furniture and home interior products, household goods, renovation services, and toys), based on the store concept of “We support you living a delightful life. Entirely.” (Expanded and renovated existing stores: Kumamoto Kasuga Store, Himeji Main Store, Sapporo Main Store, Kobe Main Store, Kisarazu Jozai Main Store, Nagano SBC Street Store, Kakogawa Main Store, Tokushima Main Store, Kasukabe Main Store, New Kohoku Center Store, Morioka Main Store, and Asahikawa Store; Completely renovated stores: LABI1 Takasaki, LABI1 Ikebukuro, and LABI Shinagawa Oimachi; Newly opened stores: Musashi Kukishobu Store, LABI Chigasaki Store, and New Ichinomiya Store) In addition, the Company is steadily increasing sales floor space and its share of home electrical appliance retail sales through the development of various store formats including YAMADA Web.com stores, which integrate Internet sales and stores, as well as outlet stores offering a large selection of outlet and reuse products, and by expanding sales of home-related products centered on home electrical appliances in conjunction with existing specialist electric appliance stores.

Net sales in the fiscal year under review decreased 7.6% year on year to ¥1,619,379 million due to the following factors: (1) the impact of the Accounting Standard for Revenue Recognition, which was adopted from the current fiscal year, (2) a decrease in the number of customers visiting stores due to reduced business hours and self-restraint on business promotion caused by the holding of the Tokyo Olympics and Paralympics without spectators and COVID-19, (3) unseasonable weather as well as the impact of natural disasters such as heavy rain, (4) deteriorating consumer sentiment associated with price increases, and (5) a reactionary drop from the previous year's transient increase in demand for stay-at-home products mainly at suburban stores and as generated by the special cash payments. In comparison to before the application of the Accounting Standard for Revenue Recognition, net sales declined 1.7% year on year, from among various factors in dampening net sales. This is due to the efforts the Company has been making for some time for "new business lines as the industry for living infrastructure" that is based on the concept of "Total-Living (Kurashi-Marugoto)."

As for profits, there have been ongoing improvements in profits as the "Management Reforms to Reinforce the Corporate Structure," the Company's long-term initiatives, have continued to improve the gross profit (rate) and reduce selling and administrative expenses. However, operating profit decreased 28.6% year on year to ¥65,704 million due to lower gross profit caused by factors including lower net sales and inventory evaluation with an eye to the future, while ordinary profit decreased 25.0% year on year to ¥74,137 million. Profit attributable to owners of parent decreased 2.4% year on year to ¥50,556 million, at virtually the same level as the previous fiscal year. All of the Company's business segments have returned to profitability.

[Operating results by segment]

As the Financial Business and the Environment Business, which were previously included in "Other," were changed to a method that presents them as reportable segments from the fiscal year under review, figures for the previous fiscal year used in year-on-year comparisons below were compared and analyzed using figures that were reclassified after the change in segment classification.

(1) Electrical Business

In the Electrical Business, net sales decreased 14.5% year on year to ¥1,310,802 million, and operating profit decreased 34.4% year on year to ¥56,185 million.

Net sales in the Electrical Business were affected by the aforementioned transient factors and closures of stores such as the Shinjuku East Exit Store, the Akihabara Store and the Shimbashi Store. In comparison to before the application of the Accounting Standard for Revenue Recognition, net sales declined 7.8% year on year. There was the transient impact from the decline in profits caused mainly by standardization of the month for settlement of accounts with the aforementioned inventory evaluation and the reorganization of the Electrical Business, and operating profit decreased 21.5% year on year, when excluding this impact.

(2) Housing Business

In the Housing Business, net sales increased 48.5% year on year to ¥268,231 million, and operating profit increased 59.5% year on year to ¥7,362 million.

The number and the value of orders grew at a high rate of almost double the previous year, as a result of the acquisition of LEOHOUSE Co., LTD. ("LEOHOUSE" hereinbelow) on February 1, 2021 by YAMADA HOMES CO., LTD. ("YAMADA HOMES" hereinbelow) and conversion of Hinokiya Group Co., Ltd. (the "Hinokiya Group" hereinbelow) to a consolidated subsidiary. The Hinokiya Group received a record number of orders and a record value of orders in the fiscal year under review. Net sales significantly increased due to the delivery of orders received by YAMADA HOMES, which increased in the second half of FY2020, in the current fiscal year as well as the addition of LeoHouse and the Hinokiya Group as consolidated subsidiaries. Operating profit also increased largely due to the effect of turning the Hinokiya Group into a consolidated subsidiary.

The performance of the Housing Business by company was as follows. (1) YAMADA HOMES (including LEOHOUSE) reported an increase in net sales and a decrease in profits, with net sales of ¥89,532 million (up 26.0% year on year) and an operating profit of ¥777 million (down 29.6% year on year). (2) Hinokiya Group reported an increase in revenues and a decrease in profits, with net sales of ¥122,504 million (up 7.1% year on year) and operating profit of ¥6,259 million (down 5.6% year on year). (3) Housetec Inc., a developer and manufacturer of housing equipment such as bathroom equipment and kitchen equipment, was impacted by COVID-19 but nevertheless reported an increase in revenues and profits, with net sales of ¥57,938 million (up 6.3% year on year) and operating profit of ¥2,038 million (up 40.4% year on year) mainly due to online negotiations with customers, synergy effects of the Group, and an increase in renovation services.

The impact of higher prices of housing materials due to the recently soaring lumber prices was absorbed by management reforms such as increasing the sales unit price with added value proposals and cost savings, and synergies through comprehensive initiatives with Nice Corporation (with which the Company entered into a capital and business alliance on July 18, 2021).

(3) Financial Business

In the Financial Business, net sales increased 39.7% year on year to ¥2,447 million, and operating profit increased 43.8% year on year to ¥429 million. Revenues and profits both increased due to the strong performance of housing loans, which are deeply linked to the Housing Business.

The YAMADA NEOBANK service and the renovation industry's first original financial service were launched in the fiscal year under review, and we will seek to further develop the "Total-Living (Kurashi-Marugoto)" strategy by providing new financial services.

(4) Environment Business

In the Environment Business, net sales increased 5.7% year on year to ¥28,493 million, and operating profit increased 50.7% year on year to ¥1,229 million. Revenues and profits both increased due to the outcomes of the self-contained initiatives for environmental resource development undertaken by the Group.

(5) Other businesses

In other businesses, net sales decreased 8.0% year on year to ¥65,109 million, while operating profit was ¥275 million (operating loss of ¥1,880 million in the previous fiscal year), an improvement of ¥2,155 million from the previous fiscal year and a return to profitability.

The main reasons were improved revenue at OTSUKA KAGU, LTD., with expanding sales of OTSUKA KAGU products at Yamada Denki LIFE SELECT stores, a recovery in the number of customers visiting stores, synergies between furniture and home electrical appliances through sales of home electrical appliances, and the results of ongoing business restructuring.

OTSUKA KAGU merged with YAMADA DENKI on May 1. In addition to further improvement in operating revenue and expenses of OTSUKA KAGU, the entire Group will utilize human resources who have many years of knowledge and expertise.

[On number of stores]

The number of consolidated retail stores, including those overseas at the end of the fiscal year under review encompassing 50 new store openings and 38 store closures, was 1,015 directly-managed stores (comprising 978 stores directly managed by YAMADA DENKI and 37 stores operated by other consolidated subsidiaries). The total number of stores of the Group, including the stores managed by franchise stores, was 12,537.

[On performance summary]

As a result of the above, consolidated net sales for the fiscal year under review amounted to ¥1,619,379 million, down 7.6% year on year, operating profit totaled ¥65,704 million, down 28.6% year on year, ordinary profit was ¥74,137 million, down 25.0% year on year, and profit attributable to owners of parent was ¥50,556 million, down 2.4% year on year.

[Financial position]

Total assets at the end of the fiscal year under review amounted to ¥1,271,668 million, up ¥19,068 million (1.5%) compared to the end of the previous fiscal year. This was mainly due to an increase in “other current assets” under “current assets” as a result of the application of the Accounting Standard for Revenue Recognition and other factors, despite a decrease in merchandise and finished goods resulting from a reduction in inventories.

Total liabilities amounted to ¥595,390 million, up ¥15,335 million (2.6%) compared to the end of the previous fiscal year. This was mainly due to an increase in “contract liabilities” as a result of the application of the Accounting Standard for Revenue Recognition and borrowings for working capital.

Net assets amounted to ¥676,278 million, up ¥3,733 million (0.6%) compared to the end of the previous fiscal year. This was mainly due to a decrease in treasury stock as a result of conversion of OTSUKA KAGU, LTD. into a wholly owned subsidiary through share exchange. As a result, the equity ratio was 51.6% (down 0.2 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 ¥56,470 million, down ¥17,290 million (23.4%) compared with the end of the previous fiscal year.

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

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥21,085 million (¥122,281 million provided in the previous fiscal year).

This was mainly due to an increase in income taxes paid, and decreases in notes and accounts payable and contract liabilities.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥22,266 million (¥14,778 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 ¥16,647 million (¥82,837 million used in the previous fiscal year).

This was mainly due to repayments of long-term loans payable.

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Equity ratio (%)	49.8	49.7	54.6	51.8	51.6
Market value-based equity ratio (%)	43.4	37.5	32.6	39.1	25.0
Interest-bearing debt to cash flows (year)	3.7	6.0	4.0	1.9	11.3
Interest coverage ratio (factor)	46.3	28.8	44.2	89.5	14.8

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, 2022	
	Amount (Millions of yen)	Year-on-year comparison (%)
Electrical Business	1,284,942	(14.5)
Housing Business	263,084	49.8
Financial Business	2,154	46.2
Environment Business	14,615	4.8
Reportable segments total	1,564,795	(7.6)
Other	54,584	(6.1)
Total	1,619,379	(7.6)

Note: Intersegment transactions have been eliminated.

b. Sales per unit

	Year ended March 31, 2022	
	Amount	Year-on-year comparison (%)
Net sales - millions of yen	1,619,379	(7.6)
Sales floor space (average) - m²	2,774,089	3.7
Sales per square meter - thousands of yen	584	(10.9)
Employees (average) - persons	32,470	3.4
Sales per employee - millions of yen	50	(10.6)

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. “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 for the fiscal year under review continued to face difficult conditions due to the impact of the “Accounting Standard for Revenue Recognition,” etc., which the Company has applied from the current fiscal year; a decrease in the number of customers due to declarations of a state of emergency and priority measures to prevent the spread of COVID-19; the effect of insufficient summer sunshine hours and natural disasters; the impact of special fixed relief payments, demand for teleworking and staying at home in the previous fiscal year; a shift in consumer demand regarding tourism, restaurants, hobbies and leisure goods, and a decrease in consumer confidence due to rising prices for natural resources, etc. In terms of products, for most products, including large home appliances such as TVs, washing machines, refrigerators, and air conditioners, cooking appliances, hair care and beauty appliances, and household appliances such as air purifiers and humidifiers, sales were lower than the previous year, despite the effect of higher unit prices due to increase focus on energy saving, higher functionality, higher per-unit prices, and larger product sizes. As a result, net sales during the fiscal year under review were ¥1,619,379 million (down 7.6% year on year). Gross profit was ¥464,961 million (down 10.8% year on year) due to the decrease in net sales, inventory evaluation with an eye to the future, and changes in sales strategy (improvement of profit margins through the optimal price response using a combination of cash discounts and points).

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, but there was an increase in expenses due to the newly consolidation of Hinokiya Group Co., Ltd. and LEOHOUSE Co., LTD. (merged with YAMADA HOMES Co., Ltd. on February 1, 2021). As a result, selling, general and administrative expenses amounted to ¥399,257 million (down 6.9% year on year), and operating profit amounted to ¥65,704 million (down 28.6% year on year).

Other income for the fiscal year under review were ¥3,828 million. Major factor was due to the transfer from a defined benefit corporate pension plan to a defined contribution pension plan.

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

During the fiscal year under review, income taxes stood at ¥17,250 million, profit was ¥52,282 million and profit attributable to non-controlling interests amounted to ¥1,726 million.

As a result, profit attributable to owners of parent decreased by ¥1,243 million to ¥50,556 million (down 2.4%) 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's target management indicator was an ordinary profit to net sales ratio of 5% or higher, but due to the various factors mentioned above, the ratio was 4.6% for the fiscal year under review. For the fiscal year ending March 31, 2023, the Company aims to achieve sales and profit growth by implementing the above-mentioned priority measures in each of its businesses to establish a structure for continued sales and profit growth. However, the Company is targeting a sales growth rate of 4.6% or higher, an ordinary profit margin of 4.7% or higher, and a ROE of 7.9% or higher, considering that the timing of the end of the COVID-19 pandemic is uncertain, costs are expected to increase due to price hikes caused by soaring energy prices, the weak yen, and other factors, and thus consumer confidence is likely to decline, while supply chain disruptions could lead to product supply instability.

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 February 10, 2022 to execute a share exchange, whereby the Company becomes the wholly owning parent company and Hinokiya Group Co., Ltd. becomes the wholly owned subsidiary, and the two companies concluded a share exchange agreement and executed the share exchange on April 27, 2022.

Details are as described in the "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" Note 31, entitled "SUBSEQUENT EVENTS."

(3) Merger Between Subsidiaries

The Company resolved at the meeting of the Board of Directors held on February 14, 2022 to conduct an absorption-type merger, whereby YAMADA DENKI CO., LTD., a consolidated subsidiary of the Company, will be the surviving company and OTSUKA KAGU, LTD., a consolidated subsidiary of the Company, will be the disappearing company as of May 1, 2022.

Details are as described in the "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" Note 31, 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 ¥351 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 Representative Director, Chairperson and President CEO, and two Representative Directors (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 Outside Audit & Supervisory Board member). 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 nine 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 Promotion 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

Upon becoming aware of incidents involving the performance of duties by the Company's directors and employees that are questionable in terms of laws and regulations, individuals regardless of their position shall report such matters directly to the organizational contact set up to receive internal reports, pursuant to the Regulations on Protecting Whistleblowers. 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 control of information concerning the directors' performance of their 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 the 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 to ensure 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 shall establish a system in which the directors of the Company shall each oversee the management and performance of subsidiaries under their respective control and ensure the properness of such business operations.

(b) The Company's subsidiaries shall execute their business operations in accordance with basic agreements for operating companies 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 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 agreements for operating companies 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, it 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, medium- to long-term business strategy 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 agreements for operating companies 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) In order to perform audits on the appropriateness of the execution of duties by directors and employees in coordination with Audit & Supervisory Board members of a subsidiary, directors, Audit & Supervisory Board members or employees of the Company may concurrently serve as Audit & Supervisory Board members of a subsidiary.

(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 rotations (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 employee'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 to the director of the Company, in charge of the subsidiary under its respective control, 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 directors are to report to Audit & Supervisory Board members of the Company shall be those determined through mutual consultation between 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) Overview of Directors and Officers Liability Insurance Policy

The Company has entered into a directors and officers liability insurance policy as stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The scope of the insurance policy includes officers of the Company and its subsidiaries (excluding listed companies) (directors, Audit & Supervisory Board members, executive officers and other significant employees under the Companies Act), and the insurance premiums are not borne by the insureds. The insurance policy covers costs for compensation for damages and litigation costs incurred by the insured person arising from claims for compensation for damages related to the execution of his/her duties. However, to ensure that the appropriateness of the execution of duties by the insureds is not impaired, the insurance policy does not cover losses in the event of damages for the insureds themselves in relation to acts carried out by the insureds with knowledge that they violate laws or regulations.

(5) 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.

(6) 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.

(7) 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.

(8) 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.

(9) 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 Outside Directors and Outside Audit & Supervisory Board Members

The Company has three outside directors. Outside Director Mr. Tsukasa Tokuhira provides valuable opinions and suggestions to management of the Company as an outside 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. Outside 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., Outside Director of Solasto Corporation, 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. Outside Director Mr. Kunimitsu Yoshinaga's career history includes the Ministry of Finance, Vice-Governor of Iwate Prefecture and Director-General of the Kanto Local Finance Bureau. We seek his election since we have judged that he will provide advice and fulfill his role from a supervisory perspective based on his many years of experience and wealth of knowledge, such as in the finance area. Mr. Kunimitsu Yoshinaga has been a business executor of THE TOWA BANK, LTD., which has been a specified associated service provider (a major business partner) of the Company for the past ten years. Further, he became Honorary Advisor to THE TOWA BANK, LTD. in June 2022. Such Honorary Advisor position does not have any decision-making authority within THE TOWA BANK, LTD. organizational structure nor is it remunerated.

The Company has two outside Audit & Supervisory Board members. Outside Audit & Supervisory Board Member Mr. Masamitsu Takahashi concurrently serves as Representative Partner of Kanata Certified Public Tax Accountants Corporation and Representative Director of Takahashi Tax & Management Co., Ltd. Although the Company has a business relationship related to works for the preparation of tax reports, etc. with Kanata Certified Public Tax Accountants Corporation, 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. There is no special relationship between the Company and Takahashi Tax & Management Co., Ltd. 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. Outside 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 outside directors and outside 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 Outside Directors or auditing by Outside 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, outside 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.

Outside 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 outside 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	12	100%
Outside Audit & Supervisory Board Member	Masamitsu Takahashi	12	100%
Outside Audit & Supervisory Board Member	Somuku Iimura	12	100%

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 to which the accounting auditor should pay particular attention in the audit. These matters include risks that require special consideration and areas in 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.

(2) Internal Auditing

The Company has established the Audit Office to strengthen its internal auditing functions. Reporting directly to the President and employing nine 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

33 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

13 certified public accountants, 19 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 Board 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, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
ASSETS			
Current assets:			
Cash and time deposits (Notes 8 and 10)	¥ 57,184	¥ 74,438	$ 467,153
Notes receivable-trade (Note 10)	4,647	-	37,965
Accounts receivable-trade (Note 10)	68,753	-	561,665
Notes and accounts receivable (Note 10):			
- Trade	-	72,962	-
- Completed construction contracts	2,379	2,050	19,432
Sub-total	75,779	75,012	619,062
Operating loans	6,322	4,255	51,649
Inventories (Note 13)	404,791	408,575	3,306,845
Other current assets (Notes 10 and 19)	78,825	54,382	643,940
Allowance for doubtful accounts	(1,622)	(2,027)	(13,251)
Total current assets	621,279	614,635	5,075,398
Property and equipment:			
Buildings and structures, net (Notes 14, 15 and 22)	201,122	197,027	1,643,022
Land (Notes 15 and 17)	203,087	199,382	1,659,072
Lease assets, net (Notes 14, 15 and 16)	13,510	14,113	110,363
Others, net (Notes 14 and 15)	19,772	18,079	161,522
Total property and equipment, net	437,491	428,601	3,573,979
Intangible assets (Note 15)	40,956	42,778	334,578
Investments and other assets (Note 15):			
Investment securities (Notes 10 and 11)	10,385	6,715	84,838
Long-term loans receivable	3,019	3,676	24,665
Guarantee deposits (Notes 10, 11, 19 and 30)	77,424	85,752	632,493
Net defined benefit asset (Note 21)	1,789	1,839	14,616
Deferred tax assets (Note 18)	54,102	40,363	441,976
Other assets	28,081	30,836	229,403
Allowance for doubtful accounts	(2,858)	(2,595)	(23,349)
Total investments and other assets	171,942	166,586	1,404,642
Total assets	¥ 1,271,668	¥ 1,252,600	$ 10,388,597

CONSOLIDATED BALANCE SHEETS
YAMADA HOLDINGS CO., LTD. and Consolidated Subsidiaries
As of March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	*2022*
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable (Note 10):			
- Trade	¥ 94,564	¥ 106,929	$ 772,520
- Construction contracts	15,037	13,720	122,846
Sub-total	109,601	120,649	895,366
Short-term loans payable (Notes 10 and 17)	60,755	44,199	496,325
Current portion of long-term loans payable (Notes 10, 17 and 19)	50,301	50,860	410,921
Lease obligations (Notes 16 and 17)	4,871	4,448	39,791
Income taxes payable (Note 18)	4,677	29,986	38,212
Contract liabilities	58,530	-	478,147
Advances received on construction contracts in progress	23,371	17,285	190,923
Provision for bonuses	12,063	10,794	98,543
Other provisions (Note 20)	4,178	14,989	34,133
Other current liabilities (Notes 21 and 30)	63,341	64,106	517,446
Total current liabilities	391,688	357,316	3,199,807
Long-term liabilities:			
Long-term loans payable (Notes 10, 17 and 19)	111,112	123,430	907,703
Lease obligations (Notes 16 and 17)	11,102	12,319	90,699
Asset retirement obligations (Note 22)	35,787	35,488	292,351
Provision for directors' retirement benefits	796	1,083	6,504
Provision for product warranties	1,675	7,913	13,686
Other provisions (Note 20)	218	400	1,778
Net defined benefit liability (Note 21)	31,523	30,607	257,522
Other long-term liabilities (Notes 17 and 18)	11,489	11,499	93,853
Total long-term liabilities	203,702	222,739	1,664,096
Total liabilities	595,390	580,055	4,863,903
Contingent liabilities (Note 19)			
Net assets (Note 23):			
Common stock: authorized – 2,000,000,000 shares issued – 966,647,930 shares in 2022 and 966,560,272 shares in 2021	71,101	71,078	580,839
Capital surplus	80,989	84,236	661,622
Retained earnings	564,883	560,958	4,614,675
Treasury stock, at cost – 130,619,777 shares in 2022 and 146,871,443 shares in 2021	(61,252)	(68,883)	(500,380)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities, net of taxes (Note 11)	(25)	(269)	(202)
Foreign currency translation adjustments	1,404	609	11,470
Remeasurements of defined benefit plans (Note 21)	(397)	1,685	(3,244)
Subscription rights to shares (Note 24)	1,726	1,579	14,098
Non-controlling interests	17,849	21,552	145,816
Total net assets	676,278	672,545	5,524,694
Total liabilities and net assets	¥ 1,271,668	¥ 1,252,600	$ 10,388,597

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, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net sales (Note 29):			
- Trade	¥ 1,618,948	¥ 1,752,453	$ 13,225,621
- Non-consolidated subsidiaries and affiliated companies	431	53	3,522
Sub-total	1,619,379	1,752,506	13,229,143
Cost of sales (Note 30)	1,154,418	1,231,470	9,430,756
Gross profit	464,961	521,036	3,798,387
Selling, general and administrative expenses (Notes 26 and 30)	399,257	428,957	3,261,638
Operating profit	65,704	92,079	536,749
Other income (expenses):			
Interest income	589	612	4,807
Interest expenses	(1,422)	(1,361)	(11,614)
Purchase discounts	2,453	2,713	20,037
Impairment loss (Note 15)	(3,962)	(14,030)	(32,362)
Loss due to COVID-19 (Note 27)	(209)	(639)	(1,707)
Loss on disaster	(1,345)	(306)	(10,988)
Retirement benefits for directors (and other officers)	(1,010)	(43)	(8,253)
Gain on revision of retirement benefit plan	3,061	-	25,011
Gain on sale of businesses (Note 27)	-	414	-
Others, net (Note 27)	5,673	(1,925)	46,342
Total other (expenses) income	3,828	(14,565)	31,273
Profit before income taxes	69,532	77,514	568,022
Income taxes (Note 18):			
Current	15,960	36,166	130,380
Deferred	1,290	(10,319)	10,538
Total income taxes	17,250	25,847	140,918
Profit	52,282	51,667	427,104
Profit (loss) attributable to non-controlling interests	1,726	(132)	14,103
Profit attributable to owners of parent	¥ 50,556	¥ 51,799	$ 413,001

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Basic earnings per share	¥ 60.96	¥ 62.82	$ 0.50
Diluted earnings per share	60.67	62.53	0.50
Cash dividends applicable to the year	18.00	18.00	0.15

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, 2022 and 2021

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2022	2021	2022
Profit	¥ 52,282	¥ 51,667	$ 427,104
Other comprehensive income (loss), net of taxes (Note 28):			
Valuation difference on available-for-sale securities	128	459	1,047
Foreign currency translation adjustments	764	172	6,239
Remeasurements of defined benefit plans, net of tax	(2,083)	1,145	(17,016)
Share of other comprehensive loss of associates accounted for using equity method	(4)	(0)	(28)
Total other comprehensive income (loss)	(1,195)	1,776	(9,758)
Comprehensive income	¥ 51,087	¥ 53,443	$ 417,346
Comprehensive income attributable to:			
Owners of parent	¥ 49,512	¥ 53,579	$ 404,479
Non-controlling interests	1,575	(136)	12,867

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, 2022 and 2021

		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 11)	Foreign currency translation adjustments	Remeasurements of defined benefit plans (Note 21)	Subscription rights to shares (Note 24)	Non-controlling interests	Total net assets
Balance at April 1, 2020	966,490	¥ 71,059	¥ 84,060	¥ 517,944	¥ (38,171)	¥ (733)	¥ 438	¥ 540	¥ 1,872	¥ 8,157	¥ 645,166
Issuance of new shares	70	19	18								37
Cash dividends				(8,805)							(8,805)
Profit attributable to owners of parent				51,799							51,799
Purchase of treasury stock					(31,956)						(31,956)
Disposal of treasury stock			(77)		609						532
Change in scope of consolidation				20							20
Purchase of shares of consolidated subsidiaries			232		613						845
Change in ownership interest of parent due to transactions with non-controlling interests			3		22						25
Other changes in the 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
Cumulative effect of changes in accounting policies				(31,956)							(31,956)
Restated balance as of April 1, 2021		71,078	84,236	529,002	(68,883)	(269)	609	1,685	1,579	21,552	640,589
Issuance of new shares	88	23	23								46
Cash dividends				(14,754)							(14,754)
Profit attributable to owners of parent				50,556							50,556
Purchase of treasury stock					(6)						(6)
Disposal of treasury stock			(6)		51						45
Change in scope of consolidation				17							17
Increase by merger				62							62
Purchase of shares of consolidated subsidiaries			(3,264)		7,586						4,322
Other changes in the year, net						244	795	(2,082)	147	(3,703)	(4,599)
Balance at March 31, 2022	966,648	¥ 71,101	¥ 80,989	¥ 564,883	¥ (61,252)	¥ (25)	¥ 1,404	¥ (397)	¥ 1,726	¥ 17,849	¥ 676,278

	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 11)*	*Foreign currency translation adjustments*	*Remeasurements of defined benefit plans (Note 21)*	*Subscription rights to shares (Note 24)*	*Non-controlling interests*	*Total net Assets*
Balance at April 1, 2021	$ 580,652	$ 688,146	$ 4,582,616	$ (562,720)	$ (2,200)	$ 4,976	$ 13,771	$ 12,898	$ 176,063	$ 5,494,202
Cumulative effect of changes in accounting policies			(261,057)							(261,057)
Restated balance as of April 1, 2021	580,652	688,146	4,321,559	(562,720)	(2,200)	4,976	13,771	12,898	176,063	5,233,145
Issuance of new shares	187	187								374
Cash dividends			(120,533)							(120,533)
Profit attributable to owners of parent			413,001							413,001
Purchase of treasury stock				(48)						(48)
Disposal of treasury stock		(47)		419						372
Change in scope of consolidation			142							142
Increase by merger			506							506
Purchase of shares of consolidated subsidiaries		(26,664)		61,969						35,305
Other changes in the year, net					1,998	6,494	(17,015)	1,200	(30,247)	(37,570)
Balance at March 31, 2022	$ 580,839	$ 661,622	$ 4,614,675	$ (500,380)	$ (202)	$ 11,470	$ (3,244)	$ 14,098	$ 145,816	$ 5,524,694

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, 2022 and 2021

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2022	2021	*2022*
Cash flows from operating activities:			
Profit before income taxes	¥ 69,532	¥ 77,514	$ 568,022
Depreciation	23,686	21,471	193,500
Amortization of goodwill	742	384	6,065
Increase (decrease) in allowance for doubtful accounts	(219)	7	(1,786)
Increase (decrease) in net defined benefit liability	(954)	931	(7,793)
Interest and dividend income	(827)	(741)	(6,754)
Interest expenses	1,422	1,361	11,614
Foreign exchange losses (gains)	(360)	256	(2,943)
Gain on sale of investment securities	(216)	(41)	(1,766)
Loss on sale and disposal of property and equipment, net	587	1,099	4,798
Impairment loss	3,962	14,030	32,362
Gain on negative goodwill	-	(1,163)	-
(Increase) decrease in notes and accounts receivable	(66)	(9,817)	(537)
Decrease in accounts receivable	1,050	2,069	8,575
Increase in operating loans receivable	(2,068)	(1,811)	(16,892)
Decrease in inventories	3,041	19,428	24,844
Increase (decrease) in notes and accounts payable	(11,443)	4,733	(93,486)
Increase (decrease) in advances received on construction contracts in progress	5,911	(6,016)	48,291
Increase (decrease) in contract liabilities	(6,788)	-	(55,457)
Other, net	(10,421)	14,453	(85,131)
Sub-total	76,571	138,147	625,526
Interest and dividend income received	334	208	2,731
Interest expenses paid	(1,422)	(1,366)	(11,621)
Income taxes paid	(54,398)	(14,708)	(444,389)
Net cash provided by operating activities	¥ 21,085	¥ 122,281	$ 172,247

(Continued)

	Millions of yen 2022	Millions of yen 2021	*Thousands of U.S. dollars (Note 1)* *2022*
Cash flows from investing activities:			
Payments into time deposits	¥ (672)	¥ (136)	$ (5,490)
Proceeds from withdrawal of time deposits	636	-	5,196
Proceeds from sale of property and equipment	141	163	1,155
Proceeds from sales and redemption of investment securities	425	93	3,473
Payments for purchase of investment securities	(3,925)	(5)	(32,067)
Proceeds from acquisition of shares in subsidiaries resulting in change in scope of consolidation	25	4,765	202
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(53)	-
Proceeds from sale of shares in subsidiary resulting in change in scope of consolidation	1,068	-	8,722
Payment of loans receivable	(266)	(2,215)	(2,173)
Collection of loans receivable	683	1,041	5,577
Purchases of property and equipment	(28,798)	(22,766)	(235,256)
Purchases of intangible assets	(757)	(527)	(6,181)
Payments for guarantee deposits	(2,265)	(1,619)	(18,501)
Proceeds from collection of guarantee deposits	10,287	8,161	84,035
Purchase of investments in subsidiaries and affiliated companies	(2)	(1,575)	(16)
Other, net	1,154	(105)	9,432
Net cash used in investing activities	(22,266)	(14,778)	(181,892)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	16,470	(20,791)	134,549
Proceeds from long-term loans payable	41,000	40,100	334,940
Repayments of long-term loans payable	(53,731)	(56,647)	(438,946)
Purchase of treasury stock	(6)	(31,956)	(48)
Repayments of lease obligations	(4,573)	(4,573)	(37,358)
Cash dividends paid	(14,744)	(8,810)	(120,448)
Other, net	(1,063)	(160)	(8,686)
Net cash used in financing activities	(16,647)	(82,837)	(135,997)
Effect of exchange rate change on cash and cash equivalents	485	(151)	3,960
Net increase (decrease) in cash and cash equivalents	(17,343)	24,515	(141,682)
Cash and cash equivalents at beginning of year	73,760	48,398	602,567
Increase in cash and cash equivalents resulting from change in scope of consolidation	-	847	-
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	53	-	436
Cash and cash equivalents at end of year (Note 8)	¥ 56,470	¥ 73,760	$ 461,321

Supplemental cash flow information (Note 9)

(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, 2022 and 2021

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, 2022, which was ¥122.41 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 43 significant subsidiaries (together, the “Group”). Consolidated subsidiary Hinokiya Juutaku Tokai Co., Ltd. has been excluded from the scope of consolidation because of an absorption-type merger whereby consolidated subsidiary Hinokiya Juutaku Co., Ltd. becomes a surviving company. Consolidated subsidiary Sakura Home Co., Ltd. has been excluded from the scope of consolidation because of an absorption-type merger whereby consolidated subsidiary YAMADA HOMES Co., LTD. becomes a surviving company. 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. have been excluded from the scope of consolidation because of an absorption-type merger whereby consolidated subsidiary YAMADA DENKI CO., LTD. becomes a surviving company. Consolidated subsidiary Lifesupport Co., Ltd. has been excluded from the scope of consolidation due to transfer of all shares. PT. BEST ELECTRIC INDONESIA has been included in the scope of consolidation due to its establishment. Hinokiya Juutaku Nagoya Co., Ltd. has been included in the scope of consolidation due to acquisition of all outstanding shares.

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 13 subsidiaries in Japan is at the end of December. The fiscal year-end of YAMADA HOUSING HOLDINGS CO., LTD. and other 17 consolidated subsidiaries in Japan is at the end of February, that of YAMADA DENKI CO., LTD. is at the end of March, that of OTSUKA KAGU, LTD. ("Otsuka Kagu") is at the end of April, and that of Hinokiya Juutaku Nagoya Co., Ltd. ("Hinokiya Juutaku Nagoya") is at the end of August. The financial statements of these subsidiaries, except Otsuka Kagu and Hinokiya Juutaku Nagoya, as of and for the years ended December 31, 2021 and 2020, February 28, 2022 and 2021, or March 31, 2022 and 2021, as applicable, were used in preparing the consolidated financial statements. For Otsuka Kagu and Hinokiya Juutaku Nagoya, their financial statements based on a provisional settlement of accounts as of January 31, 2022 and December 31, 2021, respectively, were used. All material transactions which occurred during the periods to March 31 have been accounted for in the consolidation process.

(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 other than shares, etc. that do not have a market price 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. Shares, etc. that do not have a market price 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 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 derivative transactions for the sole purpose of hedging 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.

Under Japanese GAAP, assessments on the effectiveness of hedges are 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.

(o) Calculation Method of Retirement Benefits

The Company sets aside the amount based on the estimated amount of retirement benefit obligations at the fiscal year-end to cover retirement benefits payments to employees. 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.

Additional information

The Company and its certain consolidated subsidiaries have applied the “Accounting for Transfers between Retirement Benefit Plans” (ASBJ Guidance No. 1, December 16, 2016) and the “Practical Solution on Accounting for Transfers between Retirement Benefit Plans” (ASBJ Practical Issues Task Force (PITF) No. 2, February 7, 2007) following the transfer from a defined benefit corporate pension plan to a defined contribution pension plan on November 1, 2021, and have accounted for the termination of retirement benefit plan for the portion transferred to the defined contribution pension plan.

The impact of this transfer has been recorded as other income of ¥3,061 million ($25,011 thousand) in the year ended March 31, 2022.

(p) Recognition of Revenues and Costs

The details of the main performance obligations in the major businesses related to revenue from contracts with the customers of the Company and its consolidated subsidiaries and the timing at which the Company and its subsidiaries typically satisfy these performance obligations (when they typically recognize revenue) are as follows:

Electrical Business

In the Electrical Business, the Group mainly carries out the sale of home electrical appliances and home information appliances, as well as the provision of renovation services and the sale of housing-related products such as furniture and home interior products. The Group primarily recognizes revenue from the sales of products at the delivery of the products, since the Group judges that a customer obtains control of the products and that the Group satisfies a performance obligation at that point. Revenue is measured at the amount of consideration promised in a contract with the customer less discounts, returns, and other factors.

Revenue from renovation services is recognized at a point in time, since such services are very short-term work. For some finished goods sold by the Group, such as home electrical appliances, the Group provides extended warranty services free of charge for malfunctions that occur within the scope of normal use within the warranty period, as well as long-term warranty services for a fee based on a separate contract. The Group recognizes their revenue over a certain period of time by identifying the performance obligation for such services, deferring the period with a manufacturer's warranty, and prorating it equally according to the period of extended warranty.

With respect to sales of goods under the Customer Loyalty Program, the Group identifies expenditures related to sales promotion to customers as performance obligations and allocates transaction prices based on the standalone selling price calculated in consideration of expected future lapses and other factors. The Group recognizes revenue when a customer obtains control of a good or service, since a performance obligation is deemed to be satisfied at that point.

When a promise with a customer is a performance obligation to arrange for a good or service to be provided by parties other than the Company and its subsidiaries, such as the sale of some mobile phone terminals and POSA (Point of Sales Activation) cards, the Group recognizes revenue on a net basis as an agent.

Housing Business

In the Housing Business, the Group is primarily 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.

Revenue from the sale of houses involving construction contracts, such as the contracted construction of custom-built houses, is recognized over a certain period of time as performance obligations are satisfied. Revenue from renovation services for owners, very short-term work, and the sale of houses, etc. not involving construction contracts is recognized at a point in time, since the Group judges that customers obtain control of the houses, etc. and that the Group satisfies performance obligations at the delivery of the houses, etc. Revenue from the sale of housing equipment is primarily recognized at the delivery of the products.

Financial Business

In the Financial Business, the Group mainly handles housing loans, issues and operates credit cards in alliance with credit companies, and provides insurance agency services as an insurance agent.

The Group recognizes revenue from housing loans at the drawdown of such loans, since the Group judges that it satisfies performance obligations at that point as it receives fees for loan procedures from customers. Revenue from proceeds from interest on loans is recognized over the loan periods.

The Group recognizes revenue from credit services when customers use any of the payment methods provided by the Group, since the Group judges that it satisfies performance obligations at that point as it receives fees from credit companies according to business alliance. The amount of revenue is measured at the amount of payment fees received.

For insurance agency services, the Group provides agency services for the conclusion of insurance contracts and incidental services based on an insurance agency agreement with insurance companies. The Group recognizes the amount of agency fees expected under contracts with customers as revenue when main performance obligations are satisfied, since the performance obligations are typically satisfied when insurance contracts come into effect.

Environment Business

In the Environment Business, the Group is mainly engaged in the commissioned disposal of industrial wastes, the collection and recycling of waste home electrical appliances and home information appliances, and the sale of reuse products.

The Group recognizes revenue from the commissioned disposal of industrial wastes when the commissioned disposal of industrial wastes is completed, since performance obligations are deemed to be satisfied at that point.

Revenue from the collection of waste home electrical appliances and home information appliances is primarily recognized at the collection of waste home electrical appliances and home information appliances, since the Group obtains control of the waste products at that point.

The Group primarily recognizes revenue from the sale of reuse products at the delivery of the products, since the Group judges that a customer obtains control of the products and that the Group satisfies a performance obligation at that point.

(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 second subscription rights to shares of the Company and the first and second subscription rights to shares of consolidated subsidiary Otsuka Kagu was not reflected for the fiscal years ended March 31, 2022 and 2021, respectively, 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, 2022, those which may have a significant impact on the consolidated financial statements for the year ending March 31, 2023 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, 2022

In the consolidated balance sheets as of March 31, 2022, the Company recorded property and equipment of ¥404,005 million ($3,300,421 thousand) related to the electrical business as of March 31, 2022, which were 31.8% of total assets as of March 31, 2022. In addition, the Company recorded property and equipment of ¥398,443 million related to the electrical business as of March 31, 2021, which were 31.8% of total assets as of March 31, 2021.

In the consolidated statements of income for the year ended March 31, 2022, the Company recorded an impairment loss on property and equipment of ¥3,962 million ($32,362 thousand) which included ¥3,671 million ($29,993 thousand) related to the electrical business for the year ended March 31, 2022. In addition, the Company recorded an impairment loss on property and equipment of ¥14,030 million which included ¥12,117 million related to the electrical business for the year ended March 31, 2021.

(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 is grouped and assessed.

These asset groups are tested for impairment whenever there is an impairment indicator in them. 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.

The undiscounted future cash flows are estimated using an assumption of a certain growth rate which takes into consideration business climates, based on cash flows of each store for the year ended March 31, 2022. 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 (examination on impairment accounting for long-lived assets and other matters) on the assumption that similar situation will continue during the year ending March 31, 2023.

At some stores, an appraisal value determined by a real estate appraiser is used as the market price of long-lived assets used for the net selling price that is included in the future cash flows. The appraisal requires judgments based on expertise.

Such estimate contains a high degree of uncertainty and the Company's judgment may significantly affect the estimates of future cash flows.

4. CHANGES IN ACCOUNTING POLICIES

Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the year ended March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The main changes resulting from the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations are as follows:

(1) Revenue recognition from agent transaction

When a promise to a customer is a performance obligation to arrange for goods or services to be provided by another party, the Company is acting as an agent and recognizes revenue on a net basis.

(2) Revenue recognition for sales promotion to customers

With respect to sales of goods under the Customer Loyalty Program, revenue was previously recognized at the time of sale, and the amount expected to be used in the future was recorded as "Other provisions" to provide for expenditures related to sales promotion to customers, and the amount of the other provisions was recorded as "Selling, general and administrative expenses." However, the Company has changed to a method of identifying expenditures related to sales promotion to customers as performance obligations and allocating transaction prices based on the standalone selling price calculated in consideration of expected future lapses and other factors.

In addition, with respect to the portion of the consideration paid to customers that was previously recorded as promotion expenses in the selling, general and administrative expenses, the Company has changed to a method of deducting such consideration paid to customers from net sales.

(3) Revenue recognition for warranty services

For some finished goods sold by the Group, such as home electrical appliances, the Group provides extended warranty services free of charge for malfunctions that occur within the scope of normal use within the warranty period, as well as long-term warranty services for a fee based on a separate contract. Such services had been recognized as one-time revenue at the time of sale. However, the Company now recognizes their revenue by identifying the performance obligation for such services, deferring the period with a manufacturer's warranty, and prorating it equally according to the period of extended warranty.

(4) Performance obligations to be met over a certain period of time

The Group had previously applied the percentage-of-completion method to construction contracts for which the outcome of the construction work was deemed certain, and the completed-contract method to other construction contracts. However, the Group has changed to a method of recognizing revenue over a certain period of time as performance obligations are satisfied, except for very short-term construction work.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the year ended March 31, 2022, was added to or deducted from the opening balance of retained earnings of the year ended March 31, 2022, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the year ended March 31, 2022, by applying the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result, compared with the figures before the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, current assets increased by ¥4,177 million ($34,121 thousand), current liabilities increased by ¥56,791 million ($463,941 thousand), and long-term liabilities decreased by ¥4,793 million ($39,154 thousand) in the consolidated balance sheets for the year ended March 31, 2022. In the consolidated statements of income for the year ended March 31, 2022, net sales and gross profit decreased by ¥104,073 million ($850,198 thousand) and ¥15,198 million ($124,155 thousand), respectively. However, the impact on operating profit, ordinary profit, and profit before income taxes was minimal. The cumulative impact of this change has been reflected on net assets at the beginning of the year ended March 31, 2022. As a result, the beginning balance of retained earnings decreased by ¥31,956 million ($261,057 thousand) in the consolidated statements of changes in net assets. In the consolidated statements of cash flows for the year ended March 31, 2022, increase (decrease) in contract liabilities decreased by ¥6,788 million ($55,457 thousand) and other, net in cash flows from operating activities increased by ¥7,406 million ($60,505 thousand). However, the impact on profit before income taxes was minimal.

The impact of this change on per share information was minimal.

In accordance with the transitional treatment provided for in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes on revenue recognition for the year ended March 31, 2021 are not presented.

As a result of the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, "Notes and accounts receivable-trade," which was presented under "Current assets" in the consolidated balance sheets for the year ended March 31, 2021, has been included in "Notes receivable-trade" and "Accounts receivable-trade" from the year ended March 31, 2022, and "Other provisions," which was presented under "Current liabilities," and "Provision for product warranties," which was presented under "Long-term liabilities," have been included in "Contract liabilities," "Other provisions," which is presented under "Current liabilities," and "Provision for product warranties," which is presented under "Long-term liabilities," from the year ended March 31, 2022. Moreover, "Other, net," which was presented under "Cash flows from operating activities" in the consolidated statements of cash flows for the year ended March 31, 2021, has been included in "Other, net" and "Increase (decrease) in contract liabilities" from the year ended March 31, 2022. However, in accordance with the transitional treatment provided for in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the year ended March 31, 2021 have not been restated based on the new approach to presentation.

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the year ended March 31, 2022, and applies the new accounting policy provided for in the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations into the future, in accordance with the transitional treatment provided for in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There are no impacts on profit or loss for the year ended March 31, 2022.

In addition, the Company includes notes on fair value information by level within the fair value hierarchy in Note 10, entitled "FINANCIAL INSTRUMENTS." However, in accordance with the transitional treatment provided in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the year ended March 31, 2021 are not presented.

5. ACCOUNTING STANDARDS AND GUIDANCE ISSUED BUT NOT YET APPLIED

・ *"Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, issued on August 12, 2021)*

a) Outline:
In line with the transition from the consolidated taxation system to the group tax sharing system which is stipulated in the Act for Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020) enacted on March 27, 2020, this PITF was published by the ASBJ for the purpose of clarifying the accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case of applying the group tax sharing system.

b) Planned date of application:
To be applied from the beginning of the year ending March 31, 2023.

c) Impact of application of the accounting standard:
The impact of the application of this accounting standard on the Company's consolidated financial statements has not yet been determined.

・ *"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, revised on June 17, 2021)*

a) Outline:
The revision to the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) as of June 17, 2021 is to revise and publish "determination of the fair value of investment trusts" and notes on the fair value of "investments in partnerships, etc. for which equity interests are recorded on a net basis on the consolidated balance sheet." When the ASBJ published this guidance on July 4, 2019, it announced that these issues would be examined for approximately one year after the publication of the "Accounting Standard for Fair Value Measurement," because "determination of the fair value of investment trusts" requires certain examination in discussions with relevant parties, and notes on the fair value of "investments in partnerships, etc. for which equity interests are recorded on a net basis on the consolidated balance sheet" also require certain examination.

b) Planned date of application:
To be applied from the beginning of the year ending March 31, 2023.

c) Impact of application of the accounting standard:
The impact of the application of this accounting standard on the Company's consolidated financial statements has not yet been determined.

6. CHANGE IN PRESENTATION

Consolidated Statements of Income

"Retirement benefits for directors (and other officers)" and "Loss on disaster," which were previously included in "Others, net" in "Other income (expenses)," are now presented individually since their materiality in amounts has increased. "Retirement benefits for directors (and other officers)" and "Loss on disaster" for the year ended March 31, 2021 were ¥43 million and ¥306 million, respectively.

"Loss on cancelation of rental contracts" in "Other income (expenses)," which was presented individually for the year ended March 31, 2021, is included in "Others, net" in "Other income (expenses)" to provide more effective disclosure. "Loss on cancelation of rental contracts" for the year ended March 31, 2021 was ¥5,657 million.

Consolidated Statements of Cash Flows

"Increase (decrease) in provision for product warranties" and "Loss on cancellation of rental contracts" in "Cash flows from operating activities" and "Proceeds from sales and leasebacks" and "Proceeds from disposal of treasury stock" in "Cash flows from financing activities," which were presented individually for the year ended March 31, 2021, are included in "Other, net" in "Cash flows from operating activities" and "Other, net" in "Cash flows from financing activities," respectively, to provide more effective disclosure. "Increase (decrease) in provision for product warranties," "Loss on cancellation of rental contracts," "Proceeds from sales and leasebacks," and "Proceeds from disposal of treasury stock" for the year ended March 31, 2021 were ¥254 million, ¥5,657 million, ¥380 million, and ¥0 million, respectively.

7. BUSINESS COMBINATIONS

Business divestiture

Transfer of shares in Lifesupport Co., Ltd.

Based on a resolution at the meeting of the board of directors held on September 16, 2021, Hinokiya Group Co., Ltd., the Company's consolidated subsidiary, concluded a share transfer agreement with Merhälsa Corporation on the transfer of shares in consolidated subsidiary Lifesupport Co., Ltd. ("Lifesupport") on the same day, and completed the share transfer on October 20, 2021. As a result of the share transfer, Lifesupport has been excluded from the scope of consolidation of the Company.

1. Summary of the business divestiture

a) Name of the buyer

Merhälsa Corporation

b) Business lines of the divested subsidiary

Operation of housing facilities for the elderly and nursery schools

c) Main reasons for the share transfer

In January 2014, Hinokiya Group Co., Ltd. made Lifesupport, which develops the elderly care and child care businesses, its consolidated subsidiary in expectation of synergies with its group business in order to expand its business domains and diversify its revenue sources. Lifesupport develops the child care business which operates 54 child care facilities (e.g., nursery schools authorized either by local governments or by the Tokyo Metropolitan Government, after school clubs) and the elderly care business which operates housing and other facilities for the elderly mainly in Tokyo.

In recent years, to concentrate management resources on the child care business, which is expected to be expended by opening child care facilities due to a strong need partly reflecting the issue of children on waiting lists for such facilities, Lifesupport has focused on the provision of high-value-added services, such as English language education, and the development of after school child care. At the same time, the company has endeavored to improve its profitability by reducing the elderly care business.

However, as the number of children on the waiting lists has been gradually decreasing in the child care industry, the business environment has been becoming severe, such as a chronic shortage of child care workers and intensifying competition due to an increase in the number of nursery schools authorized by local governments. On the other hand, recent needs for various child rearing support services have required higher expertise and more flexible business operations. Hinokiya Group Co., Ltd. concluded that share transfer to an appropriate business company would be the best choice for the development of Lifesupport to further expand its businesses and secure stable revenue over a medium to long term, rather than the continuous holding of the shares by Hinokiya Group with which direct synergies cannot be expected.

d) Date of the business divestiture

October 20, 2021

e) Summary of the transaction including the legal form of business divestiture

Share transfer with the consideration in cash or so forth assets only

2. Summary of accounting applied

a) Amount of gain (loss) on the share transfer

Gain on sale of shares of subsidiaries and associates: ¥191 million ($1,558 thousand)

b) Book values and breakdown of the assets and liabilities of the business transferred

	Millions of yen		Thousands of U.S. dollars (Note 1)	
Current assets	¥	953	$	7,789
Non-current assets		1,262		10,307
Total assets	¥	2,215	$	18,096
Current liabilities	¥	457	$	3,738
Non-current liabilities		592		4,833
Total liabilities	¥	1,049	$	8,571

c) Accounting treatment

The difference between the selling price and the book value on a consolidation basis of the transferred shares, adjusted as necessary for the consolidation of the Company, was recorded as "Others, net" in other income.

3. Name of reportable segment in which the divested business was included

Housing business

4. Amounts of profit or loss of the divested business included in the consolidated statements of income for the year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)	
Net sales	¥	2,981	$	24,357
Operating loss		47		382

Transactions under common control

Reorganization of Electrical Business (former Electrical Appliance Segment)

Based on a resolution at a meeting of the Board of Directors held on January 18, 2021, the Company conducted 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

a) Name and description of business of acquired companies

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.)

b) Date of business combination

July 1, 2021

c) 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

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 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 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).

Conversion into a wholly owned subsidiary through simplified share exchange

Based on a resolution at the meeting of the Board of Directors held on June 9, 2021, the Company executed 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.

1. Summary of transaction

a) 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

b) Date of business combination

September 1, 2021

c) Legal form of business combination

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.

d) Name of the company after business combination

The name will not be changed.

e) 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

2. Summary of accounting 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).

3. Matters concerning the acquisition of additional shares in subsidiary

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	¥ 7,650	$ 62,497
Acquisition cost	¥ 7,650	$ 62,497

b) 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 delivered in the Share Exchange	Common stock of the Company: 16,174,022 shares	

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).

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 shares delivered through the Share Exchange, and did not issue new shares upon allotment to the Share Exchange.

c) Rationale and reason for allotment in the Share Exchange

In order to ensure fairness and appropriateness in calculating the Share Exchange Ratio described in "b) 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 and conducted the Share Exchange Agreement between the two companies.

4. Matters concerning the change in the Company'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 decrease in capital surplus due to the transactions with non-controlling shareholders

¥3,264 million ($26,664 thousand)

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2022 and 2021 in the consolidated statements of cash flows consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	*2022*
Cash and time deposits	¥ 57,184	¥ 74,438	$ 467,153
Time deposits with maturities exceeding three months	(714)	(678)	(5,832)
Cash and cash equivalents	¥ 56,470	¥ 73,760	$ 461,321

9. SUPPLEMENTAL CASH FLOW INFORMATION

Assets and liabilities acquired through finance leases for the year ended March 31, 2022 were ¥3,304 million ($26,991 thousand) and ¥3,491 million ($28,520 thousand), respectively. Assets and liabilities acquired through finance leases for the year ended March 31, 2021 were ¥4,890 million and ¥5,111 million, respectively.

Assets retirement obligations for the years ended March 31, 2022 and 2021 were ¥973 million ($7,945 thousand) and ¥903 million, respectively.

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
Current assets	¥ 6,378
Non-current assets	1,721
Current liabilities	(8,229)
Non-current liabilities	(850)
Goodwill	1,469
Acquisition price of the shares	489
Cash and cash equivalents	(991)
Difference: Proceeds from acquisition of the shares	¥ 502

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
Current assets	¥ 2,703
Non-current assets	1,511
Gain on negative goodwill	(1,144)
Current liabilities	(2,266)
Non-current liabilities	(592)
Non-controlling interests	(37)
Other	(175)
Acquisition price of the shares	0
Cash and cash equivalents	(218)
Difference: Proceeds from acquisition of the shares	¥ 218

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
Current assets	¥	59,863
Non-current assets		23,593
Current liabilities		(43,200)
Non-current liabilities		(14,957)
Goodwill		2,000
Non-controlling interests		(14,644)
Acquisition price of the shares		12,655
Cash and cash equivalents		(16,700)
Difference: Proceeds from acquisition of the shares	¥	4,045

Sale of shares in consolidated subsidiary with change in scope of consolidation

As a result of the sale of shares of Lifesupport Co., Ltd., during the year ended March 31, 2022, Lifesupport was excluded from the scope of consolidation. The breakdown of the assets and liabilities at the sale and the selling price and proceeds from the sale are as follows:

		Millions of yen		*Thousands of U.S. dollars (Note 1)*
Current assets	¥	953	$	7,789
Non-current assets		1,262		10,307
Current liabilities		(458)		(3,738)
Non-current liabilities		(592)		(4,833)
Non-controlling interests		(367)		(3,002)
Unamortized balance of goodwill		395		3,227
Incidental expenses associated with the sale		96		782
Gain on sale of the shares		191		1,558
Selling price of the shares		1,480		12,090
Cash and cash equivalents		(412)		(3,368)
Difference: Proceeds from sale of the shares	¥	1,068	$	8,722

10. 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. Temporary surplus funds are invested in highly liquid instruments, and working capital is financed through bank loans.

Each operating department of the Company periodically monitors the Company's counterparties and manages the due dates and balances of trade notes, accounts receivable, and long-term loans receivable in order to reduce credit risk by early identification of a possible default due to financial trouble of any counterparty.

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.

(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 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

Changes in estimates and assumptions used to estimate the fair values of financial instruments could result in different values. Additionally, notional amounts of derivative transactions, which are presented in Note 12, 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, 2022 and 2021:

	Millions of yen		
	2022		
	Book value	Fair value	Valuation gains/(losses)
Financial assets:			
(1) Accounts receivable-trade	¥ 68,753	¥	¥
Allowance for doubtful accounts (*2)	(182)		
	68,571	67,677	(894)
(2) Investment securities (*3)	7,774	7,932	158
(3) Guarantee deposits (*4) (including current portion)	81,541		
Allowance for doubtful accounts (*2)	(23)		
	81,518	83,119	1,601
	¥ 157,863	¥ 158,728	¥ 865
Financial liabilities:			
(1) Long-term loans payable (including current portion)	¥ 161,413	¥ 160,597	¥ (816)
	¥ 161,413	¥ 160,597	¥ (816)

	Thousands of U.S. dollars (Note 1)		
	2022		
	Book value	*Fair value*	*Valuation gains/(losses)*
Financial assets:			
(1) Accounts receivable-trade	$ 561,665	$	$
Allowance for doubtful accounts (*2)	(1,494)		
	560,171	552,873	(7,298)
(2) Investment securities (*3)	63,509	64,801	1,292
(3) Guarantee deposits (*4) (including current portion)	666,131		
Allowance for doubtful accounts (*2)	(187)		
	665,944	679,022	13,078
	$ 1,289,624	$ 1,296,696	$ 7,072
Financial liabilities:			
(1) Long-term loans payable (including current portion)	$ 1,318,625	$ 1,311,957	$ (6,668)
	$ 1,318,625	$ 1,311,957	$ (6,668)

	Millions of yen					
	2021					
		Book value		Fair value		Valuation gains/(losses)
Financial assets:						
(1) Accounts receivable-trade …………………	¥	69,111	¥		¥	
Allowance for doubtful accounts (*2)……		(69)				
		69,042		68,151		(891)
(2) Investment securities (*3) …………………		3,854		4,565		711
(3) Guarantee deposits (*4)						
(including current portion)………………		70,987				
Allowance for doubtful accounts (*2) ……		(27)				
		70,960		72,691		1,731
	¥	143,856	¥	145,407	¥	1,551
Financial liabilities:						
(1) Long-term loans payable						
(including current portion)………………	¥	174,290	¥	173,640	¥	(650)
	¥	174,290	¥	173,640	¥	(650)
Derivative transactions (*5) ………………………	¥	17	¥	17	¥	-

Notes:

(*1) "Cash and time deposits," "Notes receivable-trade," "Notes and accounts receivable-completed construction contracts," "Notes and accounts payable-trade," "Notes and accounts payable-construction contracts," and "Short-term loans payable" are omitted, because they comprise cash and short-term instruments whose carrying amount approximates their fair value.

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

(*3) 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.

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

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

Derivative Transactions

Details of derivative transactions are described in Note 12, entitled "DERIVATIVE FINANCIAL INSTRUMENTS."

Explanatory Notes on Fair Value of Financial Instruments

(i) Shares, etc. that do not Have a Market Price

The following financial instruments were excluded from the above table because they are shares, etc. that do not have a market price:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2022	2021	*2022*
	Book value		
Investment securities (*1)			
(1) Equity securities of subsidiaries and affiliated companies			
Subsidiaries	¥ 2,192	¥ 2,190	$ 17,904
Affiliated companies	79	71	649
(2) Available-for-sale securities			
Unlisted equity securities	340	600	2,775
Investments in LPS	0	0	1
Guarantee deposits (*2)	-	18,820	-

Notes:
(*1) Shares, etc. that do not have a market price were excluded from “(2) Investment Securities.”
(*2) Guarantee deposits which are not measured at fair value were excluded from “(3) Guarantee Deposits.”

(ii) Contractual Maturity of Financial Instruments

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

	Millions of yen			
	2022			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and time deposits	¥ 57,184	¥ -	¥ -	¥ -
Notes receivable-trade	4,647	-	-	-
Accounts receivable-trade	53,162	9,740	4,955	896
Notes and accounts receivable-completed construction contracts	2,379	-	-	-
Investment securities				
Available-for-sale securities with fixed maturities				
(1) Debt securities (Corporate bonds)	-	-	-	-
(2) Others	0	-	-	-
Guarantee deposits (*)	4,118	26,031	25,500	25,893
Total	¥ 121,490	¥ 35,771	¥ 30,455	¥ 26,789

	Thousands of U.S. dollars (Note 1)			
	2022			
	Within one year	*Over one year within five years*	*Over five years within ten years*	*Over ten years*
Cash and time deposits	$ 467,153	$ -	$ -	$ -
Notes receivable-trade	37,965	-	-	-
Accounts receivable-trade	434,300	79,569	40,480	7,316
Notes and accounts receivable-completed construction contracts	19,432	-	-	-
Investment securities				
Available-for-sale securities with fixed maturities				
(1) Debt securities (Corporate bonds)	-	-	-	-
(2) Others	1	-	-	-
Guarantee deposits (*)	33,638	212,653	208,315	211,525
Total	$ 992,489	$ 292,222	$ 248,795	$ 218,841

	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	60,487	8,405	3,364	706
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	¥ 141,030	¥ 28,721	¥ 26,907	¥ 23,779

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 17, entitled "SHORT-TERM AND LONG-TERM DEBT."

III. Fair Value Information by Level within the Fair Value Hierarchy

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

Level 1 fair value:	Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement
Level 2 fair value:	Fair value measured using observable inputs other than Level 1 inputs
Level 3 fair value:	Fair value measured using unobservable inputs

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

(a) Financial Instruments Measured at Fair Value

Category	Millions of yen 2022 Fair value Level 1	Level 2	Level 3	Total
Investment securities	¥ 7,932	-	-	¥ 7,932
Total assets	¥ 7,932	-	-	¥ 7,932

Category	*Thousands of U.S. dollars (Note 1) 2022 Fair value Level 1*	*Level 2*	*Level 3*	*Total*
Investment securities	$ 64,801	-	-	$ 64,801
Total assets	$ 64,801	-	-	$ 64,801

(b) Financial Instruments other than those Measured at Fair Value

Category	Millions of yen 2022 Fair value Level 1	Level 2	Level 3	Total
Accounts receivable-trade	¥ -	67,677	-	¥ 67,677
Guarantee deposits (including current portion)	-	83,119	-	83,119
Total assets	¥ -	150,796	-	¥ 150,796
Long-term loans payable (including current portion)	¥ -	160,597	-	¥ 160,597
Total liabilities	¥ -	160,597	-	¥ 160,597

Category	*Thousands of U.S. dollars (Note 1) 2022 Fair value Level 1*	*Level 2*	*Level 3*	*Total*
Accounts receivable-trade	$ -	552,873	-	$ 552,873
Guarantee deposits (including current portion)	-	679,022	-	679,022
Total assets	$ -	1,231,895	-	$ 1,231,895
Long-term loans payable (including current portion)	$ -	1,311,957	-	$ 1,311,957
Total liabilities	$ -	1,311,957	-	$ 1,311,957

Notes on a Description of the Valuation Technique(s) and Inputs Used in the Fair Value Measurements

Accounts receivable-trade

The fair value of accounts receivable-trade is measured using the discounted cash flow method based on the amount of receivables, period to maturity, and an interest rate reflecting credit risk, for each receivable categorized by a specified period, and is classified as Level 2.

Investment securities

Listed shares and government bonds are valued using quoted prices. As listed shares and government bonds are traded in active markets, their fair value is classified as Level 1.

Guarantee deposits (including current portion)

The fair value of guarantee deposits is categorized by a specified period and measured using the discounted cash flow method based on future cash flows and an interest rate obtained by adding the credit spread to government bond yields and other appropriate indicators, and is classified as Level 2.

Long-term loans payable (including current portion)

The fair value of long-term loans payable is measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities, and an interest rate reflecting credit risk, and is classified as Level 2.

11. SECURITIES INFORMATION

The acquisition costs and book values of Available-for-sale Securities with available fair values as of March 31, 2022 and 2021 were as follows:

	Millions of yen		
	2022		
	Book value	Acquisition cost	Difference
Securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 4,523	¥ 4,191	¥ 332
Debt securities:			
Government bonds and others (*)	469	468	1
Sub-total	4,992	4,659	333
Securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	2,724	3,061	(337)
Debt securities	-	-	-
Sub-total	2,724	3,061	(337)
Total	¥ 7,716	¥ 7,720	¥ (4)

	Thousands of U.S. dollars (Note 1)		
	2022		
	Book value	*Acquisition cost*	*Difference*
Securities with book values (fair values) exceeding acquisition costs:			
Equity securities	$ 36,950	$ 34,239	$ 2,711
Debt securities:			
Government bonds and others (*)	3,828	3,820	8
Sub-total	40,778	38,059	2,719
Securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	22,256	25,008	(2,752)
Debt securities	-	-	-
Sub-total	22,256	25,008	(2,752)
Total	$ 63,034	$ 63,067	$ (33)

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 ¥340 million ($2,775 thousand) and investments in LPS of ¥0 million ($1 thousand), which fall under the definition of shares, etc. that do not have a market price, were excluded from the above table.

	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)

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 and investments in LPS of ¥0 million, which fall under the definition of shares, etc. that do not have a market price, were excluded from the above table.

Securities sold during the years ended March 31, 2022 and 2021 were as follow:

	Millions of yen					
	2022					
	Sales amounts		Gain on sale		Loss on sale	
Equity securities	¥	418	¥	216	¥	-
Total	¥	418	¥	216	¥	-

	Thousands of U.S. dollars (Note 1)					
	2022					
	Sales amounts		*Gain on sale*		*Loss on sale*	
Equity securities	$	3,411	$	1,766	$	-
Total	$	3,411	$	1,766	$	-

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

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 none and ¥183 million ($1,493 thousand), respectively, for the year ended March 31, 2022, and ¥549 million and ¥500 million, respectively, for the year ended March 31, 2021.

12. 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) were not applicable as of March 31, 2022 and as follows as of March 31, 2021:

	Millions of yen		Millions of yen	
	Notional Amount Total	Due after one year	Fair value	Unrealized gains
At March 31, 2021:				
Foreign currency forward contracts:				
Buy, call	¥ 240	¥ -	¥ 17	¥ 17
Total			¥ 17	¥ 17

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, 2022 and 2021 were as follows:

	Millions of yen		
	Notional amount		
	Total	Over one year	Fair value
At March 31, 2022:			
Interest rate swap contracts:			
Pay fixed, receive floating	¥ 12,000	¥ 2,000	¥ (*)

	Thousands of U.S. dollars (Note 1)		
	Notional amount		
	Total	*Over one year*	*Fair value*
At March 31, 2022:			
Interest rate swap contracts:			
Pay fixed, receive floating	$ 98,031	$ 16,339	$ (*)

	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	¥ (*)

(*) 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 10, entitled "FINANCIAL INSTRUMENTS," since such derivative contract is accounted for as component of the corresponding hedged long-term loans payable.

13. INVENTORIES

Inventories at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	*2022*
Merchandise and finished goods	¥ 356,044	¥ 368,839	$ 2,908,615
Real estate for sale	35,542	28,585	290,356
Work in process	1,235	1,254	10,087
Costs on construction contracts in progress	8,172	5,545	66,762
Raw materials and supplies	3,798	4,352	31,025
Total	¥ 404,791	¥ 408,575	$ 3,306,845

14. ACCUMULATED DEPRECIATION ON PROPERTY AND EQUIPMENT

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	*2022*
Accumulated depreciation	¥ 359,376	¥ 342,307	$ 2,935,841

15. 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 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, and investments and other assets are set at zero. The recoverable amounts of trademark right are based on the use value, which was measured at zero for the years ended March 31, 2022 and 2021.

The summary of impairment losses recorded for the fiscal years ended March 31, 2022 and 2021 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	*2022*
Buildings and structures	¥ 1,213	¥ 6,097	$ 9,909
Land	850	2,549	6,943
Lease assets	265	507	2,166
Other tangible assets	1,284	3,529	10,491
Intangible assets	234	1,232	1,910
Investments and other assets	116	116	943
Total	¥ 3,962	¥ 14,030	$ 32,362

Impairment losses for the year ended March 31, 2022 mainly relate to retail stores and a property for the Group's own business use located mainly in Saitama Prefecture and stores and rental property located mainly in Hyogo Prefecture.

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.

16. 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, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	*2022*
Due within one year	¥ 12,815	¥ 11,425	$ 104,692
Due after one year	62,402	64,888	509,778
Total	¥ 75,217	¥ 76,313	$ 614,470

As Lessor

(i) Operating lease transactions

Future minimum lease receivables under non-cancelable operating leases as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	*2022*
Due within one year	¥ 62	¥ 147	$ 510
Due after one year	125	187	1,019
Total	¥ 187	¥ 334	$ 1,529

17. SHORT-TERM AND LONG-TERM DEBT

The weighted-average rate of interest for short-term loans payable was approximately 0.41% as of March 31, 2022 and 2021.

The weighted-average rates of interest for the current portion of long-term loans payable were approximately 0.49% and 0.50% as of March 31, 2022 and 2021, respectively.

The weighted-average rates of interest for long-term loans payable (excluding the current portion thereof) were approximately 0.47% and 0.48% as of March 31, 2022 and 2021, respectively. The long-term loans payable were due in 2023 through 2031 and 2022 through 2030 as of March 31, 2022 and 2021, 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, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	*2022*
Short-term loans payable	¥ 60,755	¥ 44,199	$ 496,325
Long-term loans payable (due within one year)	50,301	50,860	410,921
Lease obligations (due within one year)	4,871	4,448	39,791
Sub-total	115,927	99,507	947,037
Long-term loans payable (excluding amounts due within one year)	111,112	123,430	907,703
Lease obligations (excluding amounts due within one year)	11,102	12,319	90,699
Sub-total	122,214	135,749	998,402
Total	¥ 238,141	¥ 235,256	$ 1,945,439

The following assets were pledged as collateral for the below listed liabilities as of March 31, 2022 and 2021:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash and deposits	¥ -	¥ 100	$ -
Land	507	43	4,143

Note: Land was pledged as collateral at certain consolidated subsidiaries for customers' housing loans of ¥20 million ($162 thousand) and ¥22 million as of March 31, 2022 and 2021, respectively, as well as for loans from financial institutions of ¥464 million ($3,791 thousand) as of March 31, 2022.

The aggregate annual maturities of long-term loans payable as of March 31, 2022 were as follows:

Fiscal year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2023	¥ 50,301	$ 410,921
2024	40,374	329,825
2025	35,420	289,358
2026	16,515	134,915
2027	8,208	67,054
Thereafter	10,595	86,551
Total	¥ 161,413	$ 1,318,624

The aggregate annual maturities of finance lease obligations as of March 31, 2022 were as follows:

Fiscal year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2023	¥ 4,871	$ 39,791
2024	4,908	40,097
2025	2,238	18,284
2026	1,913	15,627
2027	1,364	11,144
Thereafter	679	5,547
Total	¥ 15,973	$ 130,490

The Company has entered into loan commitment agreements amounting to ¥50,000 million ($408,463 thousand) with seven financial institutions. Under these credit facilities, no amount has been executed as of March 31, 2022 and 2021.

18. 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, 2022 and 2021.

Significant components of deferred tax assets and liabilities as of March 31, 2022 and 2021 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2022	2021	*2022*
Deferred tax assets:			
Loss on valuation of inventories	¥ 2,724	¥ 2,513	$ 22,250
Impairment loss	17,760	19,055	145,086
Loss on valuation of investment securities	723	750	5,907
Loss on valuation of stock of subsidiaries	1,776	1,845	14,510
Provision for bonuses	4,095	3,592	33,453
Net defined benefit liability	9,046	8,584	73,901
Provision for directors' retirement benefits	238	312	1,946
Provision for product warranties	574	2,737	4,688
Other provisions	677	4,825	5,529
Asset retirement obligations	11,043	10,855	90,213
Contract liabilities	19,962	-	163,080
Tax loss carry-forward (Note 2)	16,998	19,339	138,860
Others	11,553	11,645	94,380
Sub-total	97,169	86,052	793,803
Valuation allowance for tax loss carry-forward (Note 2)	(14,673)	(18,476)	(119,869)
Valuation allowance for total of deductible temporary differences	(18,651)	(19,146)	(152,367)
Valuation allowance (Note 1)	(33,324)	(37,622)	(272,236)
Total deferred tax assets	63,845	48,430	521,567
Deferred tax liabilities:			
Unrealized gains on valuation of land	(1,310)	(1,143)	(10,697)
Loss recognized corresponding to asset retirement obligations	(5,645)	(5,965)	(46,116)
Others	(4,694)	(3,200)	(38,350)
Total deferred tax liabilities	(11,649)	(10,308)	(95,163)
Net deferred tax assets (Note 3)	¥ 52,196	¥ 38,122	$ 426,404

Notes: 1. Valuation allowance decreased by ¥4,298 million ($35,108 thousand). The decrease is mainly due to elimination of valuation allowance for tax loss carry-forward of ¥1,392 million ($11,370 thousand) relating to BEST DENKI CO., LTD., the merged company, at YAMADA DENKI CO., LTD., the surviving company, in line with reorganization between consolidated subsidiaries, and valuation allowance for total of deductible temporary differences of ¥3,722 million ($30,407 thousand).

2. The expiration of tax loss carry-forward and the resulting deferred tax assets as of March 31, 2022 and 2021 were as follows:

	Millions of yen						
	2022						
	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)	¥ 348	¥ 817	¥ 1,013	¥ 2,491	¥ 2,336	¥ 9,993	¥ 16,998
Valuation allowance	(326)	(758)	(957)	(2,437)	(2,306)	(7,889)	(14,673) (*2)
Deferred tax assets	22	59	56	54	30	2,104	2,325

	Thousands of U.S. dollars (Note 1)						
	2022						
	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)	$ 2,844	$ 6,673	$ 8,276	$ 20,350	$ 19,081	$ 81,636	$ 138,860
Valuation allowance	(2,664)	(6,193)	(7,819)	(19,910)	(18,840)	(64,443)	(119,869)
							(*2)
Deferred tax assets	180	480	457	440	241	17,193	18,991

	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

(*1) Tax loss carry-forward was determined by multiplying the statutory income tax rate.

(*2) As of March 31, 2022, deferred tax assets of ¥2,325 million ($18,991 thousand) were recorded for tax loss carry-forward of ¥16,998 million ($138,860 thousand) (multiplied by the statutory income tax rate). This amount of deferred tax assets was recognized mainly for the balance of tax loss carry-forward of ¥1,998 million ($16,326 thousand) at the Company. The tax loss carry-forward for which deferred tax assets were recorded mainly resulted from the completion of the liquidation of YAMADA DENKI (CHINA) CO., LTD. in the fiscal year ended March 31, 2022. 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. As of March 31, 2021, deferred tax assets of ¥863 million were recorded for tax loss carry-forward of ¥19,339 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 ¥4,022 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 and the provision for business restructuring of ¥8,637 million 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, 2022 and 2021:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2022	2021	*2022*
Investments and other assets – Deferred tax assets····	¥ 54,102	¥ 40,363	$ 441,976
Long-term liabilities – Other long-term liabilities·····	(1,906)	(2,241)	(15,572)

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, 2022 and 2021 were as follows:

	2022	2021
Statutory income tax rate	30.5%	30.5%
Per capita inhabitants taxes	1.5	1.0
Change in valuation allowance	0.8	(1.2)
Tax rate differences for net loss subsidiaries	0.8	2.7
Tax rate differences for consolidated subsidiaries	3.1	2.7
Gain on negative goodwill	-	(0.5)
Entertainment and other non-deductible expenses	0.9	0.6
Effect of changes in tax rates	-	(2.4)
Effect of merger of subsidiaries	(7.6)	-
Effect of liquidation of consolidated subsidiaries	(5.2)	-
Others, net	0.0	(0.1)
Effective income tax rate	24.8	33.3

19. CONTINGENT LIABILITIES

The Group was contingently liable for transferred accounts receivable of ¥13,618 million ($111,247 thousand) and ¥10,063 million to credit card companies as of March 31, 2022 and 2021, respectively.

The Group was contingently liable for the following guarantees of debt as of March 31, 2022 and 2021:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2022	2021	*2022*
Guarantees of debt made to home buyers and the like	¥ 1,276	¥ 1,237	$ 10,422
Guarantees of debt made to employees	3	5	25

Receivables securitized through a self-created trust as of March 31, 2022 were as follows:

	Millions of yen	*Thousands of U.S. dollars (Note 1)*
Other current assets	¥ 3,547	$ 28,975
Guarantee deposits	15,281	124,837

The securitized receivables were accounted for as financial transactions, and the corresponding payables as of March 31, 2022 were as follows:

	Millions of yen	*Thousands of U.S. dollars (Note 1)*
Current portion of long-term loans payable	¥ 3,368	$ 27,513
Long-term loans payable	14,673	119,870

20. 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.

21. 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.

The Company and its certain consolidated subsidiaries executed the transfer from a defined benefit corporate pension plan to a defined contribution pension plan on November 1, 2021.

Defined benefit plans

(1) The changes in retirement benefit obligations for the years ended March 31, 2022 and 2021

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2022	2021	*2022*
Beginning balance	¥ 55,037	¥ 53,934	$ 449,611
Service costs	4,507	4,512	36,819
Interest cost	213	204	1,742
Actuarial gains and losses	571	(1,838)	4,663
Payment of benefit obligations	(2,169)	(2,094)	(17,718)
Prior service costs arising during the year	773	-	6,310
Effect of change from the simplified method to the principle method due to merger	(1)	113	(7)
Increase due to new consolidation	-	206	-
Decrease due to exclusion of subsidiaries from consolidation	(163)	-	(1,326)
Decrease resulting from the termination of defined benefit plans	(9,998)	-	(81,676)
Ending balance	¥ 48,770	¥ 55,037	$ 398,418

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

(2) Changes in pension assets for the years ended March 31, 2022 and 2021

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2022	2021	*2022*
Beginning balance	¥ 26,269	¥ 25,170	$ 214,603
Expected return on pension assets	457	450	3,730
Actuarial gains and losses	167	368	1,362
Contributions paid by the employer	1,275	1,438	10,416
Retirement benefits paid	(1,149)	(1,157)	(9,385)
Decrease resulting from the termination of defined benefit plans	(7,983)	-	(65,214)
Ending balance	¥ 19,036	¥ 26,269	$ 155,512

(3) Reconciliation of retirement benefit obligations and pension assets and net defined benefit liability (asset) for the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	*2022*
Funded retirement benefit obligations	¥ 17,750	¥ 27,410	$ 145,004
Amount of pension assets	(19,036)	(26,269)	(155,512)
	(1,286)	1,141	(10,508)
Unfunded retirement benefit obligations	31,020	27,627	253,414
Total net defined benefit liability	¥ 29,734	¥ 28,768	$ 242,906
Net defined benefit liability	31,523	30,607	257,522
Net defined benefit asset	(1,789)	(1,839)	(14,616)
Total net defined benefit liability	¥ 29,734	¥ 28,768	$ 242,906

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, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	*2022*
Service costs (*)	¥ 4,507	¥ 4,512	$ 36,819
Interest cost	213	204	1,742
Expected return on pension assets	(457)	(450)	(3,730)
Amortization of actuarial differences	(394)	141	(3,220)
Amortization of prior service costs	38	(747)	306
Total net periodic retirement benefit costs	¥ 3,907	¥ 3,660	$ 31,917

Notes:

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

(*2) In the year ended March 31, 2022, in addition to the items above, gain on revision of retirement benefit plan of ¥3,061 million ($25,011 thousand) was recorded as other income following the transfer from a defined benefit corporate pension plan to a defined contribution pension plan.

(5) Remeasurements of defined benefit plans for the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	*2022*
Prior service costs	¥ (735)	¥ (747)	$ (6,004)
Actuarial gains and losses	(1,845)	2,347	(15,071)
Total	¥ (2,580)	¥ 1,600	$ (21,075)

(6) Accumulated remeasurements of defined benefit plans for the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	*2022*
Unrealized prior service costs	¥ 664	¥ (70)	$ 5,427
Unrealized actuarial gains and losses	(814)	(2,659)	(6,649)
Total	¥ (150)	¥ (2,729)	$ (1,222)

(7) Pension assets as of March 31, 2022 and 2021

(i) The percentages for each classification of total pension assets as of March 31, 2022 and 2021 were as follows:

	2022	2021
Bonds	12.8 %	33.9 %
Stocks	29.5	33.4
Cash and time deposits	8.1	0.1
General accounts	39.1	19.1
Others	10.5	13.5
Total	100.0	100.0

(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, 2022 and 2021

	2022	2021
Principal discount rate	0.30 %	0.56 %
Long-term expected rate of return on plan assets	2.00	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 ¥1,756 million ($14,348 thousand) and ¥1,477 million for the years ended March 31, 2022 and 2021, respectively.

Other

The effects of the transfer from a defined benefit corporate pension plan to a defined contribution pension plan as of March 31, 2022 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2022	*2022*
Decrease in retirement benefit obligations	¥ 9,998	$ 81,676
Decrease in pension assets	(7,983)	(65,214)
Unrealized actuarial gains and losses	1,046	8,549
Total	¥ 3,061	$ 25,011

22. 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, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	*2022*
Beginning balance	¥ 35,570	¥ 34,450	$ 290,584
Increase due to purchase of property and equipment	313	192	2,559
Increase due to changes in estimate	233	107	1,901
Adjustments due to passage of time	427	604	3,485
Decrease due to implementation of asset retirement obligations	(748)	(841)	(6,108)
(Decrease) increase due to exchange translation of asset retirement obligations denominated in foreign currencies	20	(8)	158
Increase due to new consolidation	-	1,066	-
Ending balance	¥ 35,815	¥ 35,570	$ 292,579

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.

23. 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, 2022, the shareholders approved cash dividends amounting to ¥15,049 million ($122,935 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2022 as they are to be recognized in the period in which they are approved by the shareholders.

24. STOCK OPTIONS

Stock option expenses recognized for the years ended March 31, 2022 and 2021 were ¥215 million ($1,753 thousand) and ¥238 million, respectively.

The stock options existing during the years ended March 31, 2022 and 2021 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*	2,966 units	2,804 units	4,435 units	5,724 units
Class, description and number of shares of stock to be allotted upon exercise of the subscription rights to shares (*3)*	Common stock 296,600 shares	Common stock 280,400 shares	Common stock 443,500 shares	Common stock 572,400 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* ·······························	5,165 units	5,423 units	6,360 units	4,218 units
Class, description and number of shares of stock to be allotted upon exercise of the subscription rights to shares (*3)* ·······················	Common stock 516,500 shares	Common stock 542,300 shares	Common stock 636,000 shares	Common stock 421,800 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)

	2021 Stock Option
Date of resolution ··················	June 29, 2021
Persons granted ·····················	3 directors
Number of options granted expressed in the number of shares by class of stock (*1)(*2)	Common stock 479,100 shares
Date of grant ························	July 14, 2021
Vesting condition ··················	Not set
Service period covered············	Not prescribed
Exercise period* ····················	From July 15, 2021 to July 14, 2051
Number of subscription rights to shares* ······························	3,541 (4,328) units
Class, description and number of shares of stock to be allotted upon exercise of the subscription rights to shares (*3)*······················	Common stock 354,100 (432,800) shares
Subscription price to be paid upon exercise of each subscription right to shares* ···························	¥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: ¥464 (*4)
Exercise conditions* ···············	(*5)
Matters concerning the transfer of subscription rights to shares* ·····	(*6)
Matters concerning the allotment of subscription rights to shares in the event of reorganization*·······	(*7)

* Information as of March 31, 2022. Figures as of May 31, 2022 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, 2022 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, 2021 –				
Outstanding	-	-	-	-
Granted	-	-	-	-
Forfeited	-	-	-	-
Vested	-	-	-	-
March 31, 2022 –				
Outstanding	-	-	-	-
Vested				
March 31, 2021 –				
Outstanding	303,100	286,900	447,900	577,600
Vested	-	-	-	-
Exercised	6,500	6,500	4,400	5,200
Forfeited	-	-	-	-
March 31, 2022 –				
Outstanding	296,600	280,400	443,500	572,400

	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	¥ 523	$ 4.27	¥ 523	$ 4.27	¥ 523	$ 4.27	¥ 523	$ 4.27
Fair value at the grant date	¥ 410.9	$ 3.36	¥ 291.0	$ 2.38	¥ 404.0	$ 3.30	¥ 452.0	$ 3.69

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, 2021 –				
Outstanding	-	-	-	106,800
Granted	-	-	-	-
Forfeited	-	-	-	-
Vested	-	-	-	106,800
March 31, 2022 –				
Outstanding	-	-	-	-
Vested				
March 31, 2021 –				
Outstanding	521,400	575,500	675,600	321,300
Vested	-	-	-	106,800
Exercised	4,900	33,200	39,600	6,300
Forfeited	-	-	-	-
March 31, 2022 –				
Outstanding	516,500	542,300	636,000	421,800

	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	¥ 523	$ 4.27	¥ 464	$ 3.79	¥ 464	$ 3.79	¥ 464	$ 3.79
Fair value at the grant date	¥ 442.0	$ 3.61	¥ 451.0	$ 3.68	¥ 388.0	$ 3.17	¥ 465.0	$ 3.80

Date of resolution	June 29, 2021
	(Shares)
Number of stock options expressed in the number of common stock:	
Non-vested	
March 31, 2021 –	
Outstanding	-
Granted	479,100
Forfeited	5,200
Vested	355,900
March 31, 2022 –	
Outstanding	118,000
Vested	
March 31, 2021 –	
Outstanding	-
Vested	355,900
Exercised	1,800
Forfeited	-
March 31, 2022 –	
Outstanding	354,100

	Yen	U.S. dollars (Note 1)
Price information:		
Exercise price	¥ 1	$ 0.01
Average price at the exercise date	¥ 464	$ 3.79
Fair value at the grant date	¥ 463.0	$ 3.78

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, 2022 is estimated using the Black-Scholes option pricing model with the assumptions noted in the following table:

	2021 compensation-type stock option
Volatility of stock price (*1)	28.884%
Estimated remaining outstanding period (*2)	3.1 years
Estimated dividend (*3)	¥18 per share
Risk-free interest rate (*4)	(0.138)%

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, 2021.

(*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.

25. REVENUE RECOGNITION

Disaggregation of revenue from contracts with customers

	Millions of yen						
	2022						
	Reportable segments					Others (Note)	Total
	Electrical Business	Housing Business	Financial Business	Environment Business	Total		
Home electrical appliances & Home information appliances	1,114,283	-	-	10,593	1,124,876	19,536	1,144,412
Housing	48,046	263,084	476	-	311,606	9,608	321,214
Others	122,613	-	914	4,022	127,549	25,440	152,989
Revenue from contracts with customers	1,284,942	263,084	1,390	14,615	1,564,031	54,584	1,618,615
Revenue from other sources	-	-	764	-	764	-	764
Sales to external customers	1,284,942	263,084	2,154	14,615	1,564,795	54,584	1,619,379

	Thousands of U.S. dollars(Note 1)						
	2022						
	Reportable segments					Others (Note)	Total
	Electrical Business	Housing Business	Financial Business	Environment Business	Total		
Home electrical appliances & Home information appliances ...	9,102,874	-	-	86,538	9,189,412	159,593	9,349,005
Housing	392,495	2,149,204	3,889	-	2,545,588	78,495	2,624,083
Others	1,001,661	-	7,469	32,859	1,041,989	207,825	1,249,814
Revenue from contracts with customers..	10,497,030	2,149,204	11,358	119,397	12,776,989	445,913	13,222,902
Revenue from other sources	-	-	6,241	-	6,241	-	6,241
Sales to external customers	10,497,030	2,149,204	17,599	119,397	12,783,230	445,913	13,229,143

Note: The "others" category includes other business segment not included in reportable segments.

Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue from contracts with customers is as presented in "(p) Recognition of Revenues and Costs" under Note 2, entitled "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

Revenue from contracts with customers does not include significant estimates of variable consideration and a financing component.

Contract asset and contract liability balances and the transaction price allocated to the remaining performance obligations

(1) Contract asset and contract liability balances

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2022	2022
Receivables from contracts with customers (beginning balance)		
Notes receivable-trade ································	¥ 3,850	$ 31,455
Accounts receivable-trade ···························	69,111	564,588
Notes and accounts receivable-completed construction contracts ································	924	7,550
Receivables from contracts with customers (ending balance)		
Notes receivable-trade ································	¥ 4,647	$ 37,965
Accounts receivable-trade ···························	68,753	561,665
Notes and accounts receivable-completed construction contracts ································	909	7,426
Contract assets (beginning balance) ···················	¥ 1,126	$ 9,195
Contract assets (ending balance) ·······················	1,470	12,007
Contract liabilities (beginning balance) ···············	¥ 92,583	$ 756,335
Contract liabilities (ending balance) ··················	93,590	764,565

Contract assets primarily relate to the right of consolidated subsidiaries to consideration for performance obligations satisfied over a certain period of time in the sale of houses involving construction contracts in the housing business. Once the consolidated subsidiaries have an unconditional right to consideration, they reclassify contract assets to receivables from contracts with customers. In the consolidated balance sheets, contract assets are included in “Notes and accounts receivable-completed construction contracts.”

Contract liabilities primarily relate to advances received from customers regarding contracts on extended warranty services free of charge, contracts on long-term warranty services for a fee, undelivered product sales, the Customer Loyalty Program, and the sale of houses involving construction contracts for which revenue is recognized over a certain period of time. Contract liabilities are reversed as revenue is recognized. In the consolidated balance sheets, contract liabilities are included in “Advances received on construction contracts in progress,” “Contract liabilities,” and “Other current liabilities.”

Revenue recognized in the year ended March 31, 2022 that was included in the contract liability balance at the beginning of the year was ¥60,322 million ($492,784 thousand).

The amount of revenue recognized in the year ended March 31, 2022 from performance obligations that were satisfied (or partially satisfied) in previous periods (mainly changes in transaction price) is immaterial.

(2) Transaction price allocated to the remaining performance obligations

The Group has applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations, and does not disclose contracts with an original expected duration of one year or less. The performance obligation relates to warranty service contracts. The total transaction price allocated to the remaining performance obligations and the time frame the Group expects to recognize the amount as revenue are as follows:

	Millions of yen	*Thousands of U.S. dollars (Note 1)*
	2022	*2022*
Within one year	¥ 14,914	$ 121,834
Over one year within two years	12,835	104,853
Over two years within three years	8,602	70,273
Over three years within four years	5,253	42,916
Over four years within five years	3,033	24,780
Over five years	4,119	33,647
Total	¥ 48,756	$ 398,303

26. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The major components of “selling, general and administrative expenses” for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2022	2021	*2022*
Advertising	¥ 22,598	¥ 21,577	$ 184,608
Salaries	119,359	111,811	975,074
Rent expenses	72,990	74,205	596,277
Depreciation	21,775	18,492	177,885
Others	162,535	202,872	1,327,794
Total	¥ 399,257	¥ 428,957	$ 3,261,638

27. 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 ¥209 million ($1,707 thousand) in other income (expenses).

"Others, net" in "other income (expenses)" in the consolidated statements of income for the years ended March 31, 2022 and 2021 included the following:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2022	2021	*2022*
Sales of electric power	1,905	1,903	15,565
Cost of sales of electric power	(776)	(772)	(6,338)
Gain on sale of non-current assets	30	86	242
Loss on disposal of non-current assets	(617)	(1,185)	(5,040)
Gain on sale of investment securities	216	56	1,766
Gain on negative goodwill	-	1,163	-
Gain on sale of shares of subsidiaries and associates	191	-	1,558
Others, net	4,724	(3,176)	38,589
Total	¥ 5,673	¥ (1,925)	$ 46,342

28. 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)
	2022	2021	2022
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ 366	¥ (82)	$ 2,987
Reclassification adjustments	(214)	548	(1,745)
Valuation difference on available-for-sale securities before related tax effect	152	466	1,242
Related tax effect	(24)	(7)	(195)
Valuation difference on available-for-sale securities, net of taxes	128	459	1,047
Foreign currency translation adjustments:			
Amount arising during the year	367	172	2,999
Reclassification adjustments	397	-	3,240
Foreign currency translation adjustments before related tax effect	764	172	6,239
Related tax effect	-	-	-
Foreign currency translation adjustments, net of taxes	764	172	6,239
Remeasurements of defined benefit plans:			
Amount arising during the year	(1,177)	2,206	(9,611)
Reclassification adjustments	(1,403)	(606)	(11,464)
Remeasurements of defined benefit plans before related tax effect	(2,580)	1,600	(21,075)
Related tax effect	497	(455)	4,059
Remeasurements of defined benefit plans, net of tax	(2,083)	1,145	(17,016)
Share of other comprehensive loss of associates accounted for using equity method:			
Amount arising during the year	(4)	(0)	(28)
Reclassification adjustments	-	-	-
Share of other comprehensive loss of associates accounted for using equity method	(4)	(0)	(28)
Total other comprehensive income (loss)	¥ (1,195)	¥ 1,776	$ (9,758)

29. 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 four reportable segments: "Electrical Business," "Housing Business," "Financial Business," and "Environment 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. In the “Financial Business,” the Group provides various financial products in the five areas of new construction, renovation, fund settlement, insurance products, and life planning as part of the services to “Total-Living (Kurashi-Marugoto).” In the “Environment Business,” the Group provides reuse, recycling, and recovery of resource services mainly for home electrical appliances and computers.

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

The Group had previously set forth “Electrical Business” and “Housing Business” as reportable segments. However, in order to enhance the disclosure of each segment, the Company has changed to a method of adding the following businesses that were included in “Others” as reportable segments: the “Financial Business” and the “Environment Business.” Therefore, from the year ended March 31, 2022, the Company discloses information for the reportable segment classifications of the categories of “Electrical Business,” “Housing Business,” “Financial Business,” and “Environment Business.” Furthermore, in line with the intragroup reorganization, part of the real estate related business that was previously included in the “Financial Business” has been included in the “Housing Business,” and part of the wholesale related business that was included in “Housing Business” has been included in “Others” from the year ended March 31, 2022.

Segment information for the year ended March 31, 2021 has been prepared based on the reportable segment classification for the year ended March 31, 2022.

As described in “CHANGES IN ACCOUNTING POLICIES,” the Company has applied the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations from the beginning of the year ended March 31, 2022, and changed the accounting treatment for revenue recognition. Accordingly, the Company has similarly changed the method of measuring profit of business segments.

With this change, net sales of the “Electrical Business” in the year ended March 31, 2022 decreased by ¥103,490 million ($845,438 thousand) compared with the previous method, while the impact on net sales of the “Housing Business,” “Financial Business,” “Environment Business,” and “Others” was minimal. The impact of this change on the profit of each segment is minimal.

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				
	2022				
	Reportable segments				
	Electrical Business	Housing Business	Financial Business	Environment Business	Total
Net sales					
Sales to external customers .	¥ 1,284,942	¥ 263,084	¥ 2,154	¥ 14,615	¥ 1,564,795
Intersegment sales...............	25,860	5,147	293	13,878	45,178
Total	¥ 1,310,802	¥ 268,231	¥ 2,447	¥ 28,493	¥ 1,609,973
Segment profit (loss)............	¥ 56,185	¥ 7,362	¥ 429	¥ 1,229	¥ 65,205
Segment assets	1,007,636	146,878	38,474	15,107	1,208,095
Other items					
Depreciation........................	19,601	3,226	3	122	22,986
Amortization of goodwill....	-	742		-	742
Gain on negative goodwill ..	-	-		-	-
Impairment losses	3,671	221		-	3,892
Increase in property and equipment and intangible assets	27,589	4,867		1,694	34,154

	Millions of yen			
	2022			
	Others (Note 1)	Total	Adjusted amounts (Notes 2, 3)	Amount recorded in consolidated financial statements (Note 4)
Net sales				
Sales to external customers .	¥ 54,584	¥ 1,619,379	¥ -	¥ 1,619,379
Intersegment sales...............	10,525	55,703	(55,703)	-
Total	¥ 65,109	¥ 1,675,082	¥ (55,703)	¥ 1,619,379
Segment profit (loss)............	¥ 275	¥ 65,480	¥ 224	¥ 65,704
Segment assets	27,228	1,235,323	36,345	1,271,668
Other items				
Depreciation........................	59	23,045	641	23,686
Amortization of goodwill....	-	742	-	742
Gain on negative goodwill ..	-	-	-	-
Impairment losses	26	3,918	44	3,962
Increase in property and equipment and intangible assets	110	34,264	-	34,264

	Thousands of U.S. dollars (Note 1)				
	2022				
	Reportable segments				
	Electrical Business	*Housing Business*	*Financial Business*	*Environment Business*	*Total*
Net sales					
Sales to external customers .	$ 10,497,030	$ 2,149,204	$ 17,599	$ 119,397	$ 12,783,230
Intersegment sales	211,256	42,049	2,390	113,373	369,068
Total	$ 10,708,286	$ 2,191,253	$ 19,989	$ 232,770	$ 13,152,298
Segment profit (loss).............	$ 458,991	$ 60,145	$ 3,502	$ 10,040	$ 532,678
Segment assets	8,231,645	1,199,886	314,305	123,411	9,869,247
Other items					
Depreciation........................	160,128	26,355	[illegible]	996	187,784
Amortization of goodwill....	-	6,065		-	6,065
Gain on negative goodwill ..	-	-		-	-
Impairment losses	29,993	1,805		-	31,798
Increase in property and equipment and intangible assets	225,385	39,756	[illegible]	13,841	279,016

	Thousands of U.S. dollars (Note 1)			
	2022			
	Others (Note 1)	*Total*	*Adjusted amounts (Notes 2, 3)*	*Amount recorded in consolidated financial statements (Note 4)*
Net sales				
Sales to external customers .	$ 445,913	$ 13,229,143	$ -	$ 13,229,143
Intersegment sales	85,983	455,051	(455,051)	-
Total	$ 531,896	$ 13,684,194	$ (455,051)	$ 13,229,143
Segment profit (loss).............	$ 2,244	$ 534,922	$ 1,827	$ 536,749
Segment assets	222,434	10,091,681	296,916	10,388,597
Other items				
Depreciation........................	480	188,264	5,236	193,500
Amortization of goodwill....	-	6,065	-	6,065
Gain on negative goodwill ..	-	-	-	-
Impairment losses	208	32,006	356	32,362
Increase in property and equipment and intangible assets	897	279,913	-	279,913

Notes:
1. The “others” category includes other business segment not included in reportable segments.
2. The adjusted amounts of segment assets amounting to ¥36,345 million ($296,916 thousand) resulted from corporate assets of ¥47,093 million ($384,718 thousand) that have not been allocated to segments and elimination of intersegment transactions of ¥(10,748) million ($(87,802) thousand).
3. The adjusted amounts of segment profit amounting to ¥224 million ($1,827 thousand) resulted mainly from elimination of intersegment transactions.
4. Segment profit is adjusted with operating profit in the consolidated statements of income.

	Millions of yen				
	2021				
	Reportable segments				
	Electrical Business	Housing Business	Financial Business	Environment Business	Total
Net sales					
Sales to external customers	¥ 1,503,272	¥ 175,682	¥ 1,474	¥ 13,948	¥ 1,694,376
Intersegment sales...............	30,320	4,995	278	12,998	48,591
Total	¥ 1,533,592	¥ 180,677	¥ 1,752	¥ 26,946	¥ 1,742,967
Segment profit (loss)............	¥ 85,671	¥ 4,617	¥ 298	¥ 815	¥ 91,401
Segment assets	1,017,899	141,729	14,440	13,877	1,187,945
Other items					
Depreciation........................	18,618	1,996	5	117	20,789
Amortization of goodwill....	-	384		-	384
Gain on negative goodwill ..	-	1,144		-	1,144
Impairment losses	12,117	1,502		-	13,619
Increase in property and equipment and intangible assets	26,174	3,477	3	195	29,883

	Millions of yen			
	2021			
	Others (Note 1)	Total	Adjusted amounts (Notes 2, 3)	Amount recorded in consolidated financial statements (Note 4)
Net sales				
Sales to external customers	¥ 58,130	¥ 1,752,506	¥ -	¥ 1,752,506
Intersegment sales...............	12,670	61,261	(61,261)	-
Total	¥ 70,800	¥ 1,813,767	¥ (61,261)	¥ 1,752,506
Segment profit (loss)............	¥ (1,880)	¥ 89,521	¥ 2,558	¥ 92,079
Segment assets	31,598	1,219,543	33,057	1,252,600
Other items				
Depreciation........................	46	20,835	636	21,471
Amortization of goodwill....	-	384	-	384
Gain on negative goodwill ..	19	1,163	-	1,163
Impairment losses	411	14,030	-	14,030
Increase in property and equipment and intangible assets	485	30,368	-	30,368

Notes:
1. The “others” category includes other business segment not included in reportable segments.
2. The adjusted amounts of segment assets amounting to ¥33,057 million resulted from corporate assets of ¥45,856 million that have not been allocated to segments and elimination of intersegment transactions of ¥(12,799) million.
3. The adjusted amounts of segment profit (loss) amounting to ¥2,558 million resulted mainly from elimination of intersegment transactions.
4. Segment profit (loss) is adjusted with operating profit in the consolidated statements of income.

- **Supplemental Information on Reportable Segment**

Information about products and services for the years ended March 31, 2022 and 2021 is as follows:

	Millions of yen			
	2022			
	Home electrical appliances & Home information appliances	Housing	Other	Total
Sales to external customers ·····	¥ 1,144,412	¥ 321,214	¥ 153,753	¥ 1,619,379

	Thousands of U.S. dollars (Note 1)			
	2022			
	Home electrical appliances & Home information appliances	*Housing*	*Other*	*Total*
Sales to external customers ·····	$ 9,349,006	$ 2,624,083	$ 1,256,054	$ 13,229,143

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

Information about geographic area for the years ended March 31, 2022 and 2021 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, 2022 and 2021 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, 2022 and 2021 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							
	2022							
	Reportable segments					Others	Corporate/ elimination	Total
	Electrical Business	Housing Business	Financial Business	Environment Business	Total			
Amortization	¥ -	¥ 742	¥ -	¥ -	¥ 742	¥ -	¥ -	¥ 742
Unamortized balance	-	2,359	-	-	2,359	-	-	2,359

	Thousands of U.S. dollars (Note 1)							
	2022							
	Reportable segments					*Others*	*Corporate/ elimination*	*Total*
	Electrical Business	*Housing Business*	*Financial Business*	*Environment Business*	*Total*			
Amortization	$ -	$ 6,065	$ -	$ -	$ 6,065	$ -	$ -	$ 6,065
Unamortized balance	-	19,273	-	-	19,273	-	-	19,273

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

- Information about Gain on Negative Goodwill

For the year ended March 31, 2022

Not applicable.

For the year ended March 31, 2021

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

30. RELATED PARTIES

Significant balances with related parties as of March 31, 2022 and 2021 and related transactions for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2022	2021	*2022*
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)	¥ 77	¥ 89	$ 627
Guarantee deposits (due within one year)	89	139	730
Guarantee deposits	1,502	1,880	12,267
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	939	979	7,669
Balances of the Company's consolidated subsidiary:			
Katsuhisa Otsuka, a relative of the Company's significant subsidiary's officer:			
Guarantee deposits received	¥ 37	¥ 37	$ 302
Principal transactions of the Company's consolidated subsidiaries:			
Katsuhisa Otsuka, a relative of the Company's significant subsidiary's officer:			
Land leasing	1	1	9
Tecc Planning Co., Ltd., 100% directly owned by Noboru Yamada, representative director and chairman, and his relatives:			
Trading of land and buildings	1,234	-	10,083

31. SUBSEQUENT EVENTS

I. Conversion into a Wholly Owned Subsidiary through Simplified Share Exchange

Based on a resolution at the meeting of the Board of Directors held on February 10, 2022, the Company executed a share exchange, whereby the Company becomes the wholly-owning parent company and Hinokiya Group Co., Ltd. (hereinafter referred to as "Hinokiya Group") becomes the wholly-owned subsidiary (hereinafter referred to as the "Share Exchange"), as of the effective date of April 27, 2022.

1. Summary of transaction

(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:	Hinokiya Group Co., Ltd.

Description of business:	Housing, real estate investment, thermal insulation materials, renovation, and other businesses

(2) Date of business combination

April 27, 2022

(3) Legal form of business combination

The Share Exchange was one whereby the Company became the wholly-owning parent company and Hinokiya Group became the wholly-owned subsidiary. In accordance with Article 796, Paragraph 2 of the Companies Act, the Share Exchange was conducted through a simplified share exchange procedure that did not require approval by a resolution of the shareholder's meeting.

(4) Name of the company after business combination

The name will not be changed.

(5) 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

2. Summary of accounting to be applied

The transaction is 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 "Guidance for Accounting Standard for Business Combination and Divestitures" (ASBJ Guidance No. 10).

3. Matters concerning the acquisition of additional shares in subsidiary

(1) Acquisition cost and breakdown by type of consideration

Consideration for the acquisition (common stock)	¥14,741 million ($120,423 thousand)
Acquisition cost	¥14,741 million ($120,423 thousand)

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

	The Company (wholly owning parent company)	Hinokiya Group (wholly owned subsidiary)
Allotment ratio for the Share Exchange	1	6.2
Number of shares delivered in the Share Exchange	Common stock of the Company: 39,204,615 shares	

Notes: 1. Share allotment ratio

For each share of Hinokiya Group, 6.2 shares of the Company's common stock (hereinafter referred to as the "Company's Shares") are allotted. However, no shares are allotted in the Share Exchange for the Hinokiya Group Shares which the Company holds (6,327,659 shares).

2. Number of the Company's Shares 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 to the shareholders of Hinokiya Group (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 Hinokiya Group (excluding the Hinokiya Group Shares held by the Company) under the Share Exchange (hereinafter referred to as the "Record Time"), in exchange for Hinokiya

Group Shares being owned by these shareholders. The Company used its 39,204,615 treasury shares as shares delivered through the Share Exchange, and did not issue new shares upon allotment to the Share Exchange.

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

In order to ensure fairness and appropriateness in calculating the Share Exchange Ratio described in “(2) Stock type, exchange ratio and number of shares delivered” above, the Company and Hinokiya Group, 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 Hinokiya Group appointed YAMADA Consulting Group Co., Ltd. as the third-party valuation institutions.

The Company and Hinokiya Group 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 careful 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 Hinokiya Group 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 February 10, 2022, decided to conduct the Share Exchange at the Share Exchange Ratio and concluded and conducted the Share Exchange Agreement between the two companies.

II. Merger between Subsidiaries

Based on a resolution at a meeting of the Board of Directors held on February 14, 2022, the Company conducted an absorption-type merger (the “Merger”), whereby YAMADA DENKI CO., LTD. (hereinafter referred to as “YAMADA DENKI”), a consolidated subsidiary of the Company, becomes a surviving company and OTSUKA KAGU, LTD. (hereinafter referred to as “OTSUKA KAGU”), a consolidated subsidiary of the Company, becomes a dissolving company as of the effective date of May 1, 2022.

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 company:	OTSUKA KAGU, LTD.
Business description:	General sales of furniture, home electrical appliances and home interiors

(2) Date of business combination

May 1, 2022

(3) Legal form of business combination

Absorption-type merger, with YAMADA DENKI as the surviving company and OTSUKA KAGU as the dissolving company

(4) Name of the company after business combination

YAMADA DENKI CO., LTD.

(5) Other matters relating to the transaction

Both YAMADA DENKI and OTSUKA KAGU, under mutual cooperation, have worked on sale of merchandise of OTSUKA KAGU at YAMADA DENKI and handling of electronic appliances at OTSUKA KAGU stores, acquisition of orders from corporate customers through collaboration with the corporate sector, mutual acquisition of know-how on sale of furniture and electronic appliances through temporary assignment of employees from OTSUKA KAGU to YAMADA DENKI and the Company, development of human resources, and other initiatives.

The purpose of the Merger is to further deepen these initiatives, and bring together know-how and managerial resources of OTSUKA KAGU to YAMADA DENKI under the concept of “We support you living a delightful life. Entirely.” to combine furniture and home interior products with electrical appliances, as well as to realize higher corporate value through strengthening of seamless marketing and sales by integrating the both companies, improvement of convenience for customers, increase in efficiency in terms of administration, prompt implementation of the Group’s management strategy, achievement of SDGs, and initiatives for ESG, sustainability management, etc.

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 “Guidance for Accounting Standard for Business Combination and Divestitures” (ASBJ Guidance No. 10).

III. Acquisition of Treasury Stock

At the meeting of the Board of Directors held on May 6, 2022, the Company approved a resolution regarding matters related to acquisition of treasury stock pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph 3 of the same Act, as described below.

1. Reason for conducting purchase of treasury stock

In order to implement a flexible capital policy that can meet changes in the business environment and to enhance the return on profits to shareholders through improvements in capital efficiency

2. Details of matters relating to purchase

(1) Class of shares to be purchased	Common stock
(2) Total number of shares to be purchased	200,000,000 shares (maximum)
	(23.9% of total number of issued shares excluding treasury stock)
(3) Total amount for share purchase	¥100,000 million (maximum)
(4) Purchase period	May 9, 2022 to May 8, 2023
(5) Method of purchase	Open-market purchase

* Depending on market trends, etc., all or part of the acquisition may not be completed.

* * * * * *

KPMG

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 Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, 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, 2022 and 2021, 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.

Emphasis of Matter

We draw attention to Note 31 of the consolidated financial statements, which describes the resolution regarding matters related to acquisition of treasury stock at the meeting of the Board of Directors held on May 6, 2022. Our opinion is not modified in respect of this matter.

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 ¥404,004 million related to the electrical business in the consolidated balance sheets as of March 31, 2022, accounting for 31.8% of total assets. In the consolidated statements of income, impairment losses on the long-lived assets of ¥3,961 million were recognized. Included therein were ¥3,671 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. 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 net selling price	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** 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 this assessment, we focused in particular our testing on the following controls: ● controls designed to prevent the use of unreasonable assumptions for the growth rate used in estimating the future cash flows for each store, ● controls designed to evaluate the use of an external real estate appraiser by management including the selection of external experts, and the evaluation of their work. **(2) Assessment of the reasonableness of the estimated future cash flows** In order to assess the appropriateness 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, and consideration for the cause of variances between the achievements of the past estimates of the undiscounted future cash flows for each store and the plans. In addition, we: ● compared the growth rate with the expected market growth rates of the sales in the consumer electrical appliance retail industry published by an external organization, which were obtained by the auditor; and ● examined the reasonableness of the calculation method of the appraisal values of the real estate and the appropriateness of input data by engaging a specialist within our network firms in order to assess the reasonableness of the values which were used as the basis for the net selling price included in the future cash flows.

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

Other Information

The other information comprises the information included in the Financial Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. 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 reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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, 2022 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/ Miyaki Naoya
Designated Engagement Partner
Certified Public Accountant

/S/ Fukushima Tsutomu
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Kitakanto Office, Japan
September 21, 2022

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.