Financial Report 2023

Fiscal year ended March 31, 2023

YAMADA HOLDINGS CO., LTD.

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OVERVIEW OF OPERATIONS
YAMADA HOLDINGS CO., LTD. and Consolidated Subsidiaries
March 31, 2023

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					
	2019	2020	2021	2022	2023	2023
Net sales (Note 1) ··········	1,600,583	1,611,538	1,752,506	1,619,379	1,600,587	11,985,823
Ordinary profit ···········	36,889	46,075	98,876	74,137	50,065	374,903
Profit attributable to owners of parent ·····	14,692	24,605	51,799	50,556	31,825	238,318
Comprehensive income ·	13,674	22,549	53,443	51,087	30,355	227,307
Net assets··················	591,593	645,166	672,545	676,278	611,776	4,581,218
Total assets················	1,184,042	1,163,494	1,252,600	1,271,668	1,271,181	9,519,104
Net assets per share (yen) ···················	723.56	721.37	792.26	785.50	853.67	6.39 *(dollars)*
Basic earnings per share (yen) ···················	18.19	28.38	62.82	60.96	40.25	0.30 *(dollars)*
Diluted earnings per share (yen) ············	18.08	27.01	62.53	60.67	40.02	0.30 *(dollars)*
Equity ratio (%) ··········	49.7	54.6	51.8	51.6	47.6	
Return on equity (%) ····	2.5	4.0	8.1	7.9	5.0	
Price earnings ratio (times) ·················	30.02	15.19	9.50	6.23	11.33	
Cash flows from operating activities···	36,023	62,434	122,281	21,085	43,741	327,548
Cash flows from investing activities ···	(8,469)	(8,235)	(14,778)	(22,266)	(25,209)	(188,778)
Cash flows from financing activities···	(27,461)	(58,091)	(82,837)	(16,647)	(29,454)	(220,562)
Cash and cash equivalents at end of year ····················	51,176	48,398	73,760	56,470	46,487	348,112
Employees (persons)·····	18,853	19,985	24,300	22,951	25,284	
[Average number of temporary employees not included in the above number (persons)]················	[9,520]	[9,496]	[9,258]	[8,441]	[6,148]	

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 fiscal year ended March 31, 2022, and the key management indicators for the fiscal year ended March 31, 2023 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, 2023, which was ¥133.54 to U.S. $1.

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

Management policy, business environment, and issues to be addressed by the Group are as follows:

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 store 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 400,000 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

As for the fiscal year ending March 31, 2024, with the end of COVID-19 is in sight, despite a recovery in socioeconomic activity, a slowdown in price increases, and firm capital investment by companies, the economic outlook is expected to continue to be unclear due to remaining concerns about economic slowdown in not only Japan but also globally, due to factors such as international financial instability, geopolitical risks, and soaring energy prices.

In the retail industry in Japan as a whole, an increase in net sales due to improved consumer sentiment is expected due to factors such as expectation of recovery in inbound demand with an increase in the number of visitors to Japan, and normalization of socioeconomic activities and stabilization of household finances due to wage increases, etc.

Despite such a market environment, the Company continues to build a structure for sustainable sales and profits through implementation of the following key measures in each segment in the second 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, (5) expand the growth businesses of renovation and furniture and home interiors businesses, and (6) balance sheet reforms centered on product-turnover improvement.

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, (4) enhance sales engineers (SE) who are close to customers, and (5) improvement in productivity by utilizing DX.

Utilize these infrastructures, 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) expand the sale of used products business, (4) enhance comprehensive efforts with Nice Corporation, (5) reap group synergies such as with development and procurement at the Hinokiya Group and YAMADA HOMES, (6) measures to attract visitors to Yamada Stores including selling benefits of home electrical appliances and furniture to owners, (7) improvement in productivity by concentrating management resources.

Financial Business

Product development that is well-versed in NEOBANK services and Total-Living (Kurashi-Marugoto) strategy

Environment Business

(1) Increase the number of reuse products produced by strengthening the purchase of home appliances and increase the number of productions by building a new reuse factory, (2) start the construction of a new advanced recycling plant for home electric appliance, and (3) complete the development of self-circulating environmental resources through the start of construction of an incineration power generation system.

Under these circumstances and measures, for the fiscal year ending March 31, 2024, the Company forecasts net sales of ¥1,686,000 million (up 5.3% year on year), operating profit of ¥50,500 million (up 14.6% year on year), ordinary profit of ¥55,100 million (up 10.1% year on year), and profit attributable to owners of parent of ¥31,900 million (up 0.2% year on year).

3. SUSTAINABILITY APPROACH AND INITIATIVES

The Group's approach to sustainability and related initiatives are as follows.

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) ESG Strategy

YAMADA HOLDINGS' management philosophy is "Creation and Challenge." The Group is engaged in various businesses and initiatives for its own growth and development of society. It also plays a role in supporting social infrastructure with a network that utilizes numerous types of store formats. With the aim of being a corporate Group that continues to grow with society, it is promoting sustainability activities based on "Appreciation and Trust" with respect to its stakeholders in accordance with its specific guidelines, the CSR Code of Ethics. Furthermore, in order for the Group to continue to be a company that contributes to solving social issues while improving corporate value, it recognizes that consideration of environmental, social and governance (ESG) factors is essential. By actively working both inside and outside the company, the Group will contribute to the realization of a sustainable society.

i) Governance

The YAMADA HOLDINGS Group has established the ESG & Sustainability Promotion Committee as a place to deliberate policies and measures on environmental and social issues and to confirm the progress being made toward its targets. The committee makes decisions on all the important matters related to ESG and sustainability. 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. Also, to further enhance disclosure on climate change-related topics, a project team has been set up to set targets and analyze the current situations of CO_2 emissions regarding Scopes 1, 2, and 3. In addition, a system for sharing and coordinating information on efforts to create sustainable stores has been established in the Development and Refurbishment Committee, and on human rights issues and gender discrimination in the Personnel Committee.

ESG & Sustainability Promotion System Chart

ii) Strategy

In order to realize YAMADA's mission of supporting "Total-Living (Kurashi-Marugoto)," the YAMADA HOLDINGS Group aims to practice sustainability management, which includes identifying sustainability-related risks and opportunities. It has set priority issues to be addressed in order to contribute on a Group-wide basis to the building of a sustainable society through its business operations.

iii) Risk management

The YAMADA HOLDINGS Group recognizes that sustainability-related risk is a major risk to the sustainability of its business. The Risk Management Committee regularly revises risks and opportunities and manages risk by carrying out risk assessments.

iv) Metrics and targets

The YAMADA HOLDINGS Group has set KPIs for each priority issue and the status of progress made on each metric is periodically monitored by the ESG & Sustainability Promotion Committee.

Priority Issue	KPI *1		Results (fiscal year under review)
Build a circular economy and protect the global environment	Percentage of renewable energy out of total power consumption	Increase on previous fiscal year (every year)	+0.13% YoY
	CO_2 emissions from electricity use per floor area	Down 10.2% YoY (every year)	-13.4% YoY
	Medium- to long-term targets for reducing CO_2 emissions regarding Scope 1 and Scope 2	Target to be set within the fiscal year ending March 31, 2024	–
	Ratio of sales of environmentally friendly energy-saving home appliances that have an energy efficiency standards achievement rate under the Energy Efficiency Labeling System of at least 100%. Number of YAMADA GREEN certified products that fulfill own environmental standards and sales volumes of these products. Sales volumes of disaster preparation products (emergency supplies, portable power sources, etc.)	Increase on previous fiscal year (every year)	– *Targets were set in June 2023, so results will be reported from the next fiscal year onward
	Reuse of four types of home electronic appliances (televisions, refrigerators, washing machines, and air conditioners)	300,000 units (fiscal year ending March 31, 2026)	128,194 units
	Reuse of computers	389,600 units (fiscal year ending March 31, 2024)	408,312 units
Develop employees and improve the work environment	Frequency rate of occupational accidents resulting in absence from work	No more than 0.50 *2 (fiscal year ending March 31, 2031) Target: YAMADA DENKI	0.69
	Long working hours	Initiatives to reduce hours (every year)	Percentage of companies that reduced overtime hours from the previous year 60%
	Percentage of employees taking paid leave	80% (fiscal year ending March 31, 2031)	56.9%
	Ratio of female managers	10% or more (fiscal year ending March 31, 2031)	3.63%
	Percentage of female and male employees taking childcare leave	[Female] Maintain at 100% [Male] 30% or more (fiscal year ending March 31, 2024) Target: YAMADA HOLDINGS and YAMADA DENKI	[Female] 119.2% [Male] 14.3%

Priority Issue	KPI *1		Results (fiscal year under review)
	Employee satisfaction surveys	Overall rating of [A] (fiscal year ending March 31, 2031) Target: YAMADA HOLDINGS and YAMADA DENKI	Overall rating of [B]
	Average number of training hours per employee	30 hours or more/year (fiscal year ending March 31, 2031)	19 hours
	Percentage of health checkups taken	100% (fiscal year ending March 31, 2031)	97.9%
	Percentage of stress tests taken	100% (fiscal year ending March 31, 2031)	93.2%
Offer comfortable living spaces and establish social systems *3	ZEH rate	50% (fiscal year ending March 31, 2031)	27%
	Shipment of solar panels	50,000 (fiscal year ending March 31, 2031)	28,960

*1 Figures for indicators for which target companies are not specified are Group-wide totals.

*2 The target figure for the frequency rate of occupational accidents resulting in absence from work has been calculated based on the "Industrial accident rate by industry and business establishment and average number of working days lost per one casualty" in the Ministry of Health, Labour and Welfare's "Outline of the Survey on Industrial Accidents 2021 (Survey of establishments (with 100 employees or more) and survey of general construction)."

*3 The KPI of "Zekkucho" air conditioning system installed has been removed due to installation rates becoming extremely high. New KPIs are currently under consideration.

(2) Climate Change Initiatives and TCFD

i) 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, and consider its strategies, risk management, metrics, 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.

ii) Response to the Task Force on Climate-Related Financial Disclosures (TCFD)

■ Governance

The Group has established the ESG & Sustainability Promotion Committee as an organ to deliberate policies and measures on environmental and social issues, monitor the progress being made toward 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 directors in charge of each division, Audit & Supervisory Board members, persons in charge of each business segment (Electrical Business, Housing Business, Finance Business, Environment Business, and other businesses) and the Head of the Sustainability Promotion Office. Meetings of the committee are held approximately four times a year, and these members make decisions on important matters. Details of decisions made by the ESG &

Sustainability Promotion Committee are reported to the Board of Directors. The Board of Directors deliberates on and decides the direction of such matters as important management and business strategies and also provides oversight of the ESG & Sustainability Promotion Committee. Four subcommittees are established under the ESG & Sustainability Promotion Committee: Group CSR Subcommittee, Environmental Measures Subcommittee, Work Environment Improvement Subcommittee, and CS Improvement 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 CO_2 emissions regarding Scopes 1, 2, and 3 and managing the progress against the targets.

ESG & Sustainability Promotion System Chart

■ Strategy

The TCFD recommends “taking into consideration different climate-related scenarios, including a 1.5°C scenario.” The Company has established the following scenarios based on the TCFD recommendations.

1) Premises of scenario analysis (FY2022)

Scenario	1.5°C scenario/4.0°C scenario
Scope	All directly-managed YAMADA DENKI stores in Japan, show homes and all sales offices of the Hinokiya Group and YAMADA HOMES, Housetec plants, and reuse/recycle plants (All YAMADA DENKI stores in Japan, which occupy the biggest portion of the Group’s total sales, and upper tier businesses that will be impacted by climate change)
Period	Impact from 2030 to 2050

2) 1.5°C scenario (high transition risks, low physical risks)

This is a scenario in which regulations and policies for decarbonization are tightened and measures against climate change progress with the temperature rise from pre-industrial levels at around 1.5°C to 2.0°C. It is assumed that changes in the way customers view products and services will create strong demand for a climate change response from companies. Also, if such a response is not provided, there is a high probability of the manifestation of transition risks, including loss of customers and increased reputational risk. However, the probability of physical risks manifesting is relatively low compared to the 4.0°C scenario due to factors such as the increase in the occurrence and severity of disasters caused by climate change being limited to a certain extent.

3) 4.0°C scenario (low transition risks, high physical risks)

This is a scenario in which sufficient measures against climate change are not taken and the temperature rises around 4.0°C from pre-industrial levels. It is assumed that there will be an increasing probability of physical risks manifesting, including increasingly severe natural disasters, rising sea levels, and abnormal weather. It is thought that the impact of this will raise the competitiveness of products and services that are well-suited for BCP. On the other hand, the probability of the manifestation of transition risks, such as the tightening of regulations by governments, is assumed to be low.

4) Depiction of 1.5°C and 4.0°C scenarios

Environment around the YAMADA HOLDINGS Group		
	World in the +1.5°C scenario	World in the +4.0°C scenario
Policy/Regulation	● Introduction of carbon tax ● Active promotion of energy-saving and renewable energy policies ● Demands on companies to significantly reduce CO_2 emissions ● Taxation on CO_2 emissions across the entire supply chain, electricity rate hike ● Tightening of energy-saving regulations for housing ● Tightening of recycling regulations, etc.	● Energy-saving and renewable energy policies not actively promoted ● No carbon tax introduced ● Maintaining status quo in climate change measures
Technology	● Further progress in product development with high energy-saving performance	● Further progress in product development with high energy-saving performance
Market/Customer	● Changes in customer behavior towards ethical consumption and increased interest in energy-saving and decarbonized products ● Sustainable lifestyles take hold ● Limited increase in raw material prices ● Increased demand for adaptive products due to the shift to ZEH housing, etc. (solar power, high-performance insulation, renovations)	● Changes in customer behavior toward ethical consumption and interest in energy-saving and decarbonized products will increase, albeit to a limited extent, compared to 1.5°C ● Increased interest in disaster prevention products and stockpiled goods ● Rising raw material prices ● Increased demand for adaptive products (high-performance insulation materials, shades)
Products	● Adoption of low-carbon/decarbonized products and services, and certified products	● Adoption of low-carbon/decarbonized products and services and certified products limited compared to 1.5°C
Logistics	● Slight increase in logistics delays and disruptions	● More logistics delays and disruptions
Facilities	● Slight increase in damage to stores/offices/plants due to heavy rainfall	● Heavy rainfall and typhoons cause flooding and wind damage which greatly increases damage to stores, sales offices, and plants

5) Results of scenario analysis

Risk/ Opportunity Type	Category	Risk/ Opportunity	Relevant Business				Influence on Business	Influence Level	Response	Impact on Business
			Home Appliances	Housing	SPA	Environment				
Transition Risks	Policy/ regulation	Carbon tax/ carbon pricing	○	○	○	○	Company electricity costs increase owing to carbon pricing (carbon tax, etc.)	High	Conduct detailed power-on/off management of instore lighting, air-conditioning, and exhibits that account for the majority of power consumed by YAMADA DENKI stores Switch to LED lighting for parking lots, signboards, etc. at 814 YAMADA DENKI stores Improve energy use efficiency by generating power from heat generated when incinerating waste at the Yamada Energy Plant	Estimated carbon tax payable in 2030 ¥3.6 billion
			○	○	○	○	Necessary to develop price competitiveness including carbon pricing, low-carbon materials and construction technology	High	Actively support the decarbonization activities of suppliers and respond to the risk of rising procurement costs Smoothly expand joint procurement between Group companies YAMADA HOMES, Hinokiya Group, and Housetec Address risk of procurement cost increases by making production lines and production technologies more efficient Promote development of low-carbon products by implementing an environmentally friendly design assessment during product design	Minimum -¥15.3 billion Maximum -¥65.5 billion
		Energy-saving regulations	○	○	○	○	Tightening of regulations such as energy-saving standards	High	Encourage consumers to switch to newly launched products offering high energy-saving performance by having employees explain not only the economic benefits of such a switch, but also how it helps contribute to the creation of a decarbonized or low-carbon society. This is being achieved by promoting the acquisition of knowledge and understanding regarding energy saving among all employees through the introduction of the SDGs Meister System, a new inhouse qualification system. Promote widespread use of energy-saving home appliances through active participation in local government subsidies to replace products for energy-saving home appliances Address risk of procurement cost increases by making procurement and distribution even more efficient	Annual growth in sales volume -9% Amount -¥35.4 billion
								High	Actively support the decarbonization activities of suppliers and respond to the risk of rising procurement costs Address risk of procurement cost increases by making procurement and distribution even more efficient	Minimum -¥0.4 billion Maximum -¥2.1 billion

Risk/ Oppor-tunity Type	Category	Risk/ Oppor-tunity	Relevant Business				Influence on Business	Influence Level	Response	Impact on Business
			Home Appli-ances	Housing	SPA	Environ-ment				
			○	○	○	○	Increased store/office operating costs due to rising energy costs	High	Conduct detailed power-on/off management of instore lighting, air-conditioning, and exhibits that account for the majority of power consumed by YAMADA DENKI stores Switch to LED lighting for parking lots, signboards, etc. at 814 YAMADA DENKI stores Medium- to long-term reduction of CO_2 emissions (electricity use) on a profit/loss neutral basis	Average closing cost per store ¥15 million
	Market	Changes in customer behavior	○				The replacement cycle of durable consumer goods (mainly home appliances and furniture) will lengthen, and sales decline	High	Encourage consumers to switch to newly launched products offering high energy-saving performance by having employees explain not only the economic benefits of such a switch, but also how it helps contribute to the creation of a decarbonized or low-carbon society. This is being achieved by promoting the acquisition of knowledge and understanding regarding energy saving among all employees through the introduction of the SDGs Meister System, a new inhouse qualification system. Promote widespread use of energy-saving home appliances through active participation in local government subsidies to replace products for energy-saving home appliances Address risk of procurement cost increases by making procurement and distribution even more efficient	Annual growth in sales volume -9% Amount -¥35.4 billion
								High	Address risk of procurement cost increases by making procurement and distribution even more efficient Promote widespread use of products that contribute to building a low-carbon society	-1% -¥0.7 billion
Physical Risks	Acute	More extreme weather	○	○	○	○	Damage or suspension of business due to natural disasters at stores, sales offices or plants, and logistics and transportation networks cut off, resulting in a decrease in sales	High	Set up new stores, show homes, etc. factoring locations and facility layouts on the basis of possible flood damage Strengthen measures against water risks at stores, show homes, etc., based on water risk assessment results (vulnerability to flooding and landslides as shown on hazard maps) Recovery manuals already formulated in preparation for the event that stores/sales offices/plants stop functioning Formulate business continuity plans for procurement and distribution systems Use of IT in operations and negotiations Increase product inventories	1 day suspension of business -¥0.9 billion

Risk/ Opportunity Type	Category	Risk/ Opportunity	Relevant Business				Influence on Business	Influence Level	Response	Impact on Business
			Home Appliances	Housing	SPA	Environment				
	Chronic	Changes in precipitation/ weather patterns	○	○	○	○	Damage or suspension of business due to precipitation-related disasters at stores, sales offices or plants, and logistics and transportation networks cut off, resulting in a decrease in sales	High	Set up new stores, show homes, etc. factoring locations and facility layouts on the basis of possible flood damage Strengthen measures against water risks at stores, show homes, etc., based on water risk assessment results (vulnerability to flooding and landslides as shown on hazard maps) Respond to increasing severity of natural disasters by assessing the degree of danger at business locations using hazard maps, etc., and formulating business continuity plans in advance as well as preparing for disasters	1 day suspension of business -¥0.9 billion
							Changes in vegetation and timber procurement areas lead to increased timber procurement costs	High	Secure timber suppliers in readiness for forest protection	Maximum +¥4.7 billion
		Rising average temperature	○	○	○	○	Customers less likely to go out, refraining from purchasing in store	High	Boost sales promotion via e-commerce Use of IT for online consultations and business negotiations	20 days of extreme heat -¥0.4 billion
Opportunity	Resource Efficiency	Reuse and recycling	○			○	Increased sales due to the recycling of home appliances collected from customers	High	Further work to build circular economy by expanding reuse and recycling plants	Sales volume +300,000 Net sales +¥5.5 billion
	Products and Services	Development of low-emission products and services	○	○	○	○	Increased sales due to promotion of energy-saving home appliances	High	Strengthen sales of products and services that help reduce environmental impact in all business segments Provide more economic support through financial services such as flat-rate systems	Increases in the number of customers and sales

Risk/ Oppor-tunity Type	Category	Risk/ Oppor-tunity	Relevant Business				Influence on Business	Influence Level	Response	Impact on Business
			Home Appli-ances	Housing	SPA	Environ-ment				
		Changes in consumer prefer-ences	○	○	○	○	Increased sales of energy-saving home appliances and eco-friendly products	High	Strengthen sales of products and services that help reduce environmental impact in all business segments Develop YAMADA GREEN certified products jointly with suppliers to improve lineup of sustainable products Expand sales of furniture made from oil palm waste materials	–

■ Risk management

Climate-related risks are regarded as one of the major risks that affect the Group's business. As such, the Group confirms progress of measures to address the important climate-related risks identified in the scenario analysis, and the status of risk management, reporting to the Board of Directors once a year.

■ Metrics and targets

Japan aims to become carbon neutral by 2050 and it has set a reduction of 46% compared to 2013 as an intermediate target for 2030. The Group is also aiming to reduce greenhouse gas emissions in Scopes 1 and 2 by 46% compared to 2013 by 2030, and it will set specific greenhouse gas emissions reduction targets within FY2023.

Item	Target	FY2021 Results
Scope 1 and Scope 2	Set targets toward a 46% reduction compared to 2013 within FY2023	315.9 kt-CO_2
Scope 3 *Approximately 96% of the Group's Scope 3 emissions are in Categories 1 and 11. Going forward, the sales volume of environmentally-friendly products will be set as a Scope 3 emissions reduction item and metric, taking into account the increase in sales of home appliances accompanying the expansion of sales floor space in the Electrical Business.	–	23.4 Mt-CO_2
Ratio of sales of environmentally friendly energy-saving home appliances that have an energy efficiency standards achievement rate under the Energy Efficiency Labeling System of at least 100%. Number of YAMADA GREEN certified products that fulfill own environmental standards and sales volumes of these products. Sales volumes of disaster preparation products (emergency supplies, portable power sources, etc.)	Increase on previous fiscal year (every year)	*Targets were set in June 2023, so results will be reported from the next fiscal year onward
Percentage of renewable energy out of total power consumption	Increase on previous fiscal year (every year)	+0.09% YoY
CO_2 emissions from electricity use per floor area	Down 10.2% YoY (every year)	-1.2% YoY

Scope 1: Direct greenhouse gas emissions produced by a business itself (fuel combustion, industrial processes)
Scope 2: Indirect emissions produced through the use of electricity, heat, and steam supplied by other companies
Scope 3: Indirect emissions not covered under Scope 1 or 2 (emissions from other companies that are connected to business activities)

CO_2 emissions in Scopes 1, 2, and 3 (FY2021)

Scope		Calculation method	Emission volume	Unit
Scope 1 Direct emissions from the business itself		Multiplying the quantity of fuels used by the emission factors	53.1	kt-CO_2
Scope 2 Indirect emissions from electricity, heat, etc., supplied by others		Multiplying the quantity of electricity used by the emission factors	262.8	kt-CO_2
Scope 3 Indirect emissions from other companies connected to business activities			23.4	Mt-CO_2
1	Purchased products, materials, etc.	Multiplying major procured product by the emission factor released by the Ministry of the Environment	4.3	Mt-CO_2
11	Use of sold products	Multiplying major sales products by estimated energy consumption and useful life	18.3	Mt-CO_2
2,3,4,5,6,7,12,14	Capital goods, energy-related, transportation, waste disposal, business trips, commuting, product disposal, franchises	Multiplying activity volumes in each category by the emission factor released by the Ministry of the Environment	0.7	Mt-CO_2

*For details regarding each Scope 3 category, see Integrated Report 2023 (scheduled for release in August 2023)
*Data for Scopes 1, 2, and 3 (total of Categories 1, 2, 3, 4, 5, 6, 7, 11, 12, and 14) has been audited through an assurance report by an independent third party.

(3) Human Capital Initiatives

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. The Group will foster environments that enable each individual to fully demonstrate their capabilities and provide venues that encourage sustainable growth.

i) Governance

Specific issues and measures for the human resources strategy submitted by subcommittees are deliberated and decided on, and the progress thereof is monitored by the Board of Directors or the Personnel Committee, which is chaired by the Human Resources officer. The content of discussions at meetings of the Personnel Committees and subcommittees of each operating company in both Japan and overseas are shared in order to solve issues on a Group-wide basis.

ii) Strategy

The Group will develop human resources and continuously maintain work environments in a way that will enable a diverse workforce to flourish, based on the policies for human resources development and maintaining internal environments resolved by the Board of Directors.

1) Policy for human resources development

YAMADA HOLDINGS CO., LTD. aims to develop human resources who can embody its management philosophies of “Creation and Challenge” and “Appreciation and Trust.” It provides training adjusted to each level of employee under the theme of “developing autonomous organizations and human resources” in order to realize the sustainable growth of the Company, even in unpredictable times.

(i) Manager education

Manager education is carried out in accordance with the level of management skills acquired. In addition to technical skills (ability to do the work), trainees also learn human skills and conceptual skills that will enable them to realize organizational dynamism, create organizations for the future, and to put visions of the future into action. Middle management training in particular aims to cultivate the next generation of senior management. The first stage of training provides education that requires trainees to think and act by themselves, the second stage teaches them to expands their horizons and perspectives and acquire and develop the ability to bring an organization together, and the third stage provides systematic learning toward acquiring a management perspective and fostering business development capabilities.

(ii) General employee education

General employee education provides support for highly-specialized education in each area and learning environments that employees can access from anywhere at any time to enable them to fully demonstrate their individual skills and characteristics. In the Electrical Business, one of the Group’s main businesses, a meister system and an internal qualification system cover specialist areas classified into 17 categories. The Group is setting up environments that facilitate the development of autonomous human resources, including self-directed learning environments such as the provision of e-learning.

Going forward, the Group will consider actively carrying out personnel exchanges and sharing educational policies and methods to enable each operating company and business segment to implement its own standalone education efforts. The goal of this is to nurture individuals and organizations, provide learning based on experience and information, and encourage the growth of human resources who can think logically, in order to make human capital more dynamic on a Group-wide basis.

2) Policy for maintaining internal environments

Based on the idea that maintaining and improving environments where all employees can work with peace of mind and promoting employee health forms the basis of a company’s survival, the Group works to ensure health and safety, creates comfortable work environments, facilitates smooth job performance and improved productivity, and manages employee health.

(i) Respect for human rights

The YAMADA HOLDINGS Group operates a business that supports peoples’ lives and it recognizes that respecting human rights is a social responsibility that it must fulfill. It advances initiatives that encourage all officers and employees to uphold international norms concerning human rights and to respect each other’s personalities and individuality. It also ensures respect for the personality and individuality of each individual by eliminating discrimination based on personal aspects such as race, nationality, gender, and religion, and promotes respect for the human rights of each employees by providing safe and healthy work environments, allowing freedom of association, and forbidding child or forced labor and inhumane activities.

(ii) Career support

The YAMADA HOLDINGS Group provides diverse working styles in accordance with the needs of individual employees and supports employees pursuing career paths. It is establishing career counselling channels that provide individual counselling to support employees in maintaining a work-life balance in accordance with their individual living situations, including childcare and nursing care commitments. It is building environments that facilitate sustainable growth, including providing educational environments that nurture human skills and more highly specialized education content to develop the skills that individual employees should be demonstrating based on the career paths for each sector. It will also develop greater synergies through coordination within the Group by providing the educational content that crosses operating companies, business segments, and departments.

(iii) Improving occupational health environments

The YAMADA HOLDINGS Group's greatest management resource is talents, so it recognizes the importance of maintaining and improving employee health. In order to maintain and improve health, it has worked to improve work environments through a variety of initiatives, including initiatives for curbing long working hours, introducing a work interval system in FY2019, and encouraging the taking of paid leave. Also, to enable employees to work in a way that does not depend on their living situation, it has created environments where employees can work with peace of mind by arranging systems such as extended childcare leave period and an extended period of shortened working hours system for childcare and balancing their work with various other commitments, such as childcare, nursing care, and medical treatments. Going forward, the Group will continue to promote realization of workplaces where a diverse human resources can play an active role by providing environments that facilitate work-life management.

iii) Risk management

Within the Company's business activities, it is important that each individual can fully demonstrate their abilities and individuality. The Company believes that providing work environments that are tailored to the characteristics of each operating company, business segment, and department, as well as environments that encourage self-directed growth, will contribute to the growth of its employees. It is also striving to reduce the risk of employee turnover by utilizing the human capital of the entire Group, such as carrying out personnel exchanges on a Group-wide basis.

iv) Targets and metrics

The Group is working to improve scores on employee satisfaction surveys by concentrating on and responding swiftly to the more important items. Specifically, it recognizes that it is important to take action on matters affecting all employees, including matters that should be achieved through diversity, equity and inclusion, such as promoting the success of female workers, supporting work-life balance, promoting the success of people with disabilities, senior workers and global talents, and encouraging understanding of LGBTQ+. Accordingly, it will work to build work environments where diverse human resources can play an active role.

4. 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 other areas 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, LABI, 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, LABI, 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 LABI, TeccLand, 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 operation status of the Group's Yamada Denki stores is managed through new development work by the FC Division and store guidance and close communication with FC companies. We strive to manage risk by regularly checking the financial condition of 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, Yamada's 'Peace of Mind' guarantee, 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 215 locations, at stores and logistic centers in areas anticipated to be affected by a Nankai Trough earthquake (Tokyo, Saitama Prefecture, Chiba Prefecture, Kanagawa Prefecture, Shizuoka Prefecture, Aichi Prefecture and Yamanashi Prefecture).

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, Malaysia and Indonesia. 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 plans, outsources manufacturing of, and sells original products under the Group's original brands. 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; (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, 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. **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 subject to the Act on Special Measures for Pandemic Influenza and New Infectious Diseases, etc. 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 on business partners’ management resources (people, things, money, information).		

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

(1) Overview of Operating Results

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

1) Financial position and results of operations

[On background of economies at home and abroad]

During the fiscal year under review, amid the continued impact of the novel coronavirus disease (COVID-19), while socioeconomic activities moved toward normalization as a result of eased restrictions on activities, etc., the outlook for the Japanese economy remains uncertain mainly due to factors such as financial instability in Europe and the US, effects of the high prices of commodities on personal consumption, primarily caused by a sharp rise in energy and raw material prices stemming from the prolongation of the situation between Russia and Ukraine, and increasing geopolitical risks.

In the consumer electrical appliance retail industry, although there was a reactionary drop from the demand for stay-at-home products due to the impact of COVID-19, loss of sales opportunities in association with a decrease in work hours as a result of infection of employees, a changing competitive environment resulting from a frugal mindset among consumers, the supply shortage of some products, and an increase in product costs and other various costs due to a sharp rise in energy and raw material prices, at the same time, sales of air conditioners and refrigerators with high unit prices and high energy-saving performance were strong. Large-capacity, high-performance washing machines, which reduce the burden of housework, and cooking appliances designed with time efficiency in mind also performed well.

[On the Company’s efforts]

Against the backdrop of this situation, in the year that “YAMADA HLDGS 2025 Mid-term business plan” begun, the Group has worked to build a structure that continuously increases revenues and profits with the following four key measures for the achievement of targets: (1) active store development, (2) strengthening our e-commerce, (3) active development of SPA products, and (4) achieving targets by setting goals for issues for each operating company.

As for active store development, which is one of our key measures, we are actively opening new stores, expanding and remodeling stores, and changing store formats, to strengthen our “Total-Living (Kurashi-Marugoto)” strategy, and we opened a total of 29 LIFE SELECT stores (stores offering the widest range of everyday goods in the region, such as home electrical appliances, furniture and home interiors, household goods, renovation services, toys, and electric bicycles), beginning with the opening of the Kumamoto Kasuga store on June 18, 2021, which are interactive stores with the store concept of “We support you living a delightful life. Entirely” (6 LABI LIFE SELECT stores, 23 Tecc LIFE SELECT stores, of which 6 are new stores). 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 discounted and previously owned home appliances and luxury furniture outlet stores that specialize in furniture and home interiors (first store opened in Maebashi City), etc., and by expanding sales of home-related products that are highly compatible with home electric appliances in conjunction with existing specialist electric appliance stores. The Company is reinforcing e-commerce by reforming its own e-commerce website and expanding sales channels, such as shopping channel sales on TV. SPA products performed favorably after investing into and launching various products that directly utilize customers’ opinions, ranging from home electrical appliances such as air conditioners with ventilation functions and microwave ovens with absolute humidity sensors to electric elevating TV stands and electric lounge chair with in-built Bluetooth and Bodysonic speakers, etc.

Consolidated net sales for the fiscal year under review amounted to ¥1,600,587 million (down 1.2% year on year), operating profit amounted to ¥44,066 million (down 32.9% year on year), ordinary profit amounted to ¥50,065 million (down 32.5% year on year), and profit attributable to owners of parent amounted to ¥31,825 million (down 37.0% year on year). Major factors for the decrease in revenues and profits are the decrease in non-operating income resulting from a decrease in subsidy income associated with the COVID-19 infection in the previous fiscal year, in addition to effects relating to the Electrical Business comprising (1) a reactionary drop in temporary demand for stay-at-home products that continued from the previous fiscal year, (2) loss of sales opportunities in association with a decrease in work hours as a result of COVID-19 infection of employees, (3) a fall in the gross profit margin as the Company goes through reforms to optimize sales and profit by DX linked to the market, and (4) a decrease in gross profit affected by the restraining of purchases as a policy effort for reforming the balance sheet.

Selling and administrative expenses remained almost at the same level as the previous fiscal year due to meticulous cost control, despite factors such as an increase in personnel recruitment for the expansion of sales floor space by 5%, up-front investment cost for DX promotion, and higher energy prices.

[Operating results by segment]

From the fiscal year under review, the Furniture Sales Business, which was previously included in "Other," was included in the "Electrical Business." 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 amounted to ¥1,310,895 million (down 2.1% year on year), and operating profit amounted to ¥31,817 million (down 42.3% year on year).

Net sales and operating profit in the Electrical Business decreased due to the previously mentioned factors (1) through (4), despite sales steadily increasing for renovation services, furniture and home interiors, the e-commerce business, and new lifestyle related demand.

We are making steady progress in active store development, strengthening our e-commerce, and active development of SPA products, and the results of this will appear strong from the next fiscal year.

(2) Housing Business

In the Housing Business, revenues and profits both increased, with net sales of ¥272,361 million (up 1.5% year on year), and operating profit of ¥8,576 million (up 16.5% year on year).

The performance of the Housing Business by company (before offsetting internal transactions) was as follows. (1) YAMADA HOMES reported a decrease in revenues and profits, with net sales of ¥78,361 million (down 12.5% year on year) and an operating profit of ¥351 million (down 54.8% year on year). (2) Hinokiya Group reported an increase in revenues and profits, with net sales of ¥134,719 million (up 10.0% year on year) and operating profit of ¥7,288 million (up 16.4% year on year), which is its highest ever profit yet recorded. (3) Housetec Inc., a developer and manufacturer of housing equipment such as bathroom equipment and kitchen equipment, was impacted by housing material shortages due to soaring lumber prices and delivery delays associated with lockdowns in Shanghai but nevertheless reported an increase in revenues and profits, with net sales of ¥60,436 million (up 4.3% year on year) and operating profit of ¥2,297 million (up 12.7% year on year) mainly due to synergy effects of the Group and an increase in renovation services.

The cost impact of the depreciation of the yen and soaring construction material prices for newly constructed custom-built houses in the Housing Business in the first half of the fiscal year has improved due to management reforms, such as the increase of sales unit price with added value proposals and cost savings, and synergy effects of the Group due to comprehensive efforts with Nice Corporation.

In addition, on October 1, 2022, YAMADA HOMES CO., LTD. made HOKUSHINHOUSE CO., LTD. a subsidiary to strengthen its sales force in the Nagano Prefecture area.

(3) Financial Business

In the Financial Business, net sales amounted to ¥2,479 million (up 1.3% year on year), and operating profit amounted to ¥283 million (down 33.9% year on year). As a result, revenues increased due to the strong performance of housing loans, which are deeply linked to the Housing Business. However, profits decreased due to an increase in selling and administrative expenses associated with the strengthening of the YAMADA NEOBANK business and the credit business.

On January 18, 2023, the Company made House Depot Partners Co., Ltd. a subsidiary, thereby strengthening the housing loan business. The Financial Business will seek to further develop the "Total-Living (Kurashi-Marugoto)" strategy by providing new financial services through the improvement of convenience of the YAMADA NEOBANK service.

(4) Environment Business

In the Environment Business, revenues and profits both increased due to the outcomes of the self-contained efforts for environmental resource development undertaken by the Group, with net sales of ¥31,804 million (up 11.6% year on year), and operating profit of ¥1,490 million (up 21.2% year on year).

The Company expanded the YAMADA East Japan Reuse Center Gunma Plant on May 20, 2022, and is building a structure to increase the production volume of reuse products from 70,000 units annually to 300,000 units annually.

Furthermore, the Company concluded a green loan agreement with Mizuho Bank, Ltd., on January 31, 2023, becoming the first in the household electrical appliance retail sector to do so, and it made Aizu Dust Center Co., Ltd. a consolidated subsidiary on February 1, 2023. This is part of the Company's aim to construct a self-contained, resource recycling system that realizes a seamless chain for household electrical appliances from their sale to their re-use, recycling and final disposal.

(5) Other businesses

In other businesses, net sales amounted to ¥32,527 million (down 8.9% year on year), and operating profit amounted to ¥1,065 million (down 18.6% year on year).

Net sales and operating profit for FC, primarily sales of home electrical appliances, decreased due to the same factors as the Electrical Business.

[On number of stores]

The number of consolidated retail stores, including those overseas at the end of the fiscal year under review encompassing 24 new store openings and 11 store closures, was 1,028 directly-managed stores (comprising 997 stores directly managed by YAMADA DENKI and 31 stores operated by other consolidated subsidiaries). The total number of stores of the Group, including the stores managed by franchise stores, was 11,621.

[On performance summary]

As a result of the above, consolidated net sales for the fiscal year under review amounted to ¥1,600,587 million (down 1.2% year on year), operating profit totaled ¥44,066 million (down 32.9% year on year), ordinary profit was ¥50,065 million (down 32.5% year on year), and profit attributable to owners of parent was ¥31,825 million (down 37.0% year on year).

[Financial position]

Total assets at the end of the fiscal year under review amounted to ¥1,271,181 million, down ¥487 million (0.0%) compared to the end of the previous fiscal year. This was mainly due to a decrease in merchandise and finished goods affected by the restraining of purchases as a policy effort for reforming the balance sheet despite an increase in "real estate for sale" as a result of the purchase of land for subdivision. The aforementioned efforts have brought about improvement in cash flows from operating activities.

Total liabilities amounted to ¥659,405 million, up ¥64,015 million (10.8%) compared to the end of the previous fiscal year. This was mainly due to borrowings for working capital.

Net assets amounted to ¥611,776 million, down ¥64,502 million (9.5%) from the end of the previous fiscal year. This was mainly due to the purchase of treasury stock. As a result, the equity ratio was 47.6% (down 4.0 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 ¥46,487 million, down ¥9,983 million (17.7%) 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 ¥43,741 million (¥21,085 million provided in the previous fiscal year).

This was mainly due to a decrease in income taxes paid, and the suppression of the increase in inventories due to the effect of the restraining of purchases as a policy effort for reforming the balance sheet.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥25,209 million (¥22,266 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 ¥29,454 million (¥16,647 million used in the previous fiscal year).

This was mainly due to an increase in short-term loans payable and purchase of treasury stock.

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

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Equity ratio (%)	49.7	54.6	51.8	51.6	47.6
Market value-based equity ratio (%)	37.5	32.6	39.1	25.0	25.4
Interest-bearing debt to cash flows (year)	6.0	4.0	1.9	11.3	7.3
Interest coverage ratio (factor)	28.8	44.2	89.5	14.8	29.8

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, 2023 Amount (Millions of yen)	Year ended March 31, 2023 Year-on-year comparison (%)
Electrical Business	1,293,678	(1.5)
Housing Business	266,922	1.5
Financial Business	1,954	(9.3)
Environment Business	17,369	18.8
Reportable segments total	1,579,923	(0.8)
Other	20,664	(22.3)
Total	1,600,587	(1.2)

Note: Intersegment transactions have been eliminated.

b. Sales per unit

	Year ended March 31, 2023 Amount	Year ended March 31, 2023 Year-on-year comparison (%)
Net sales - millions of yen	1,600,587	(1.2)
Sales floor space (average) - m²	2,879,614	3.8
Sales per square meter - thousands of yen	556	(4.8)
Employees (average) - persons	31,409	(3.3)
Sales per employee - millions of yen	51	2.2

Notes: 1. “Sales floor space” is the store area based on the Act on the Measures by Large-Scale Retail

Stores for Preservation of Living Environment (or, depending on when the data was submitted, the same law prior to its revision).

2. “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 reactionary decline in demand for telework and stay-at-home work, etc., decline in sales capabilities due to the spread of COVID-19 among employees, loss of sales opportunities due to store closures and shortened business hours due to the effects of large typhoons and heavy rains, reactionary decline in corporate demand accompanying the Green Housing Point Program in the previous fiscal year, and decline in demand due to heightened consumers’ awareness for defending livelihood induced by high prices. In terms of products, large products centered on energy-saving and high-performance, and high-unit-price products including air conditioners, refrigerators, and washing machines performed well, reflecting a rising awareness of energy conservation due to rising crude oil prices, etc. Sales of PCs, which had been sluggish due to a reactionary fall in demand for telework, were also strong due to demand for replacements following the end of support for Windows 8. On the other hand, sales of digital products such as TVs and DVDs, as well as cooking appliances, fell below the previous year’s level due to a reactionary fall in demand for the previous year’s Olympics and stay-at-home demand. As a result, net sales during the fiscal year under review were ¥1,600,587 million (down 1.2% year on year). Gross profit was ¥448,771 million (down 3.5% year-on-year) due to the impact of restraints on purchases resulting from the implementation of policy-based balance sheet reforms and decrease in gross profit (ratio) accompanying market-linked DX strategy reforms (optimization of sales and profits).

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

Selling, general and administrative expenses for the fiscal year under review amounted to ¥404,705 million (up 1.4% year-on-year) due to increase in hiring from expansion of sales floor space, an increase in various selling and administrative expenses centered on utility costs due to rising energy prices, and prior investment in DX promotion. As a result, operating profit was ¥44,066 million yen (down 32.9% year-on-year).

Other expenses for the fiscal year under review were ¥481 million. A major factor was the recording of impairment losses for some stores and loss on disaster mainly due to a typhoon.

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 ¥11,342 million, profit was ¥32,243 million and profit attributable to non-controlling interests amounted to ¥418 million.

As a result, profit attributable to owners of parent decreased by ¥18,731 million to ¥31,825 million (down 37.0%) 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 indicators for the fiscal year ending March 31, 2023 were growth in net sales of 4.6% or higher, ordinary profit margin of 4.7% or higher, and ROE of 7.9% or higher. However, in the current financial year net sales were down -1.2%, the ordinary profit margin was 3.1%, and ROE was 5.0% due to the above-mentioned reasons. Although we continue to aim for the target management indicators by implementing the above-mentioned priority measures for each business to build structures for increasing sales and profits for fiscal year ending March 31, 2024, due to the impact of changes in consumer behavior caused by transition of COVID-19 to a category 5 infectious disease, decline in consumer confidence due to soaring energy prices and commodity prices, and increase in costs, we are currently aiming for net sales growth of 5.3% or higher, an ordinary profit margin of 3.3% or higher, and an ROE of 5.2% or higher.

6. 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) Merger Between Subsidiaries

Hinokiya Group Co., Ltd. (the "Hinokiya Group"), a consolidated subsidiary of the Company, and Hinokiya Juutaku Co., Ltd., PaPamaru House Co., Ltd., Hinokiya Resco Co., Ltd., Japan Housing Solution Co., Ltd., Maisumai Co., Ltd., and Hinokiya Reforming Co., Ltd. (the "Six Subsidiaries") resolved at the General Meeting of Shareholders for Approval of Merger held on March 16, 2023 by each company to conduct an absorption-type merger with an effective date of July 1, 2023, whereby the Hinokiya Group will be the surviving company and the Six Subsidiaries will be the disappearing companies.

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

7. RESEARCH AND DEVELOPMENT

The total cost of the Group's research and development activities during the fiscal year under review was ¥320 million. Such activities were mainly research and development activities for the housing-related businesses of the subsidiary Housetec Inc.

8. 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. The Company will continue to make efforts in this regard, 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, and environmental and social 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 Committee

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) Activities of Board of Directors

(i) Composition of the Board of Directors

The Company's Board of Directors consists of eight Directors (including three outside directors) and four Audit & Supervisory Board members (including two outside Audit & Supervisory Board members).

(ii) Board of Directors Meetings and Attendance

As a general rule, a meeting of the Board of Directors of the Company is held once a month, and when necessary. The number of meetings held during the current fiscal year and the attendance status of individual directors and Audit & Supervisory Board members are as follows:

Position	Name	Board of Directors meeting (held 20 times)	
		Attendance (times)	Attendance (rate)
Representative Director, Chairperson and President CEO	Noboru Yamada	20	100%
Representative Director, Vice President and Executive Officer, COO	Atsushi Murasawa	20	100%
Representative Director, and Senior Managing Executive Officer	Megumi Kogure	20	100%
Director and Executive Officer in charge of Administration Division	Akira Fukui	20	100%
Director in charge of Store Development Division	Takayuki Fukuda	20	100%
Outside Director	Tsukasa Tokuhira	20	100%
Outside Director	Miki Mitsunari	20	100%
Outside Director	Kunimitsu Yoshinaga	15	100%
Full-time Audit & Supervisory Board Member	Makoto Igarashi	20	100%
Full-time Audit & Supervisory Board Member	Jun Okamoto	20	100%
Outside Audit & Supervisory Board Member	Masamitsu Takahashi	20	100%
Outside Audit & Supervisory Board Member	Somuku Iimura	20	100%

* The Board of Directors has held 15 meetings since the appointment of Outside Director Kunimitsu Yoshinaga.

(iii) Content of Board of Director discussions

Specific matters discussed by the Board of Directors during the fiscal year under review are follows:

- Matters related to general meetings of shareholders
- Matters related to stocks and corporate restructuring of the YAMADA HOLDINGS Group
- Approval and determination of financial closing, financial statements, and dividends of the YAMADA HOLDINGS Group
- Matters concerning the treatment and appointment of Directors and Audit & Supervisory Board members of the YAMADA HOLDINGS Group
- Approval of basic management policies of the YAMADA HOLDINGS Group
- Approval of business plans, budgets and expenditures of the YAMADA HOLDINGS Group
- Asset management of the YAMADA HOLDINGS Group
- Procurement and management of funds of the YAMADA HOLDINGS Group
- Matters related to execution of duties
- Approval of revision and enactment of regulations

(iv) Assessment of Board of Directors effectiveness

The Company conducted analyses and assessments to verify if the Board of Directors is effectively fulfilling its roles and responsibilities. A summary is as follows:

(a) Assessment Method

In evaluating the effectiveness of the Board of Directors for the fiscal year ending March 31, 2023, the Office of the Board of Directors established assessment items in questionnaire format, and analyzed and evaluated the responses received from all Directors and all Audit & Supervisory Board Members.

- Assessment Period: February 2023 to April 2023
- Assessors: All 12 officers (including 7 internal officers and 5 outside officers)
- Assessment Method: Questionnaire Format
- Question Format: 6 categories (total of 21 questions)

Category 1	Role/Function	(5 questions)
Category 2	Scale/Structure	(3 questions)
Category 3	Operations	(4 questions)
Category 4	Internal Controls/Auditing Bodies	(3 questions)
Category 5	Relationships with Outside Directors	(3 questions)
Category 6	Relationships with Stockholders and Investors	(3 questions)

  - Free description field for each item (optional)
  - Free description field for entire survey (optional)
- Scoring: 4 tiered assessment

Scores range from 1 to 4 with 4 being the highest

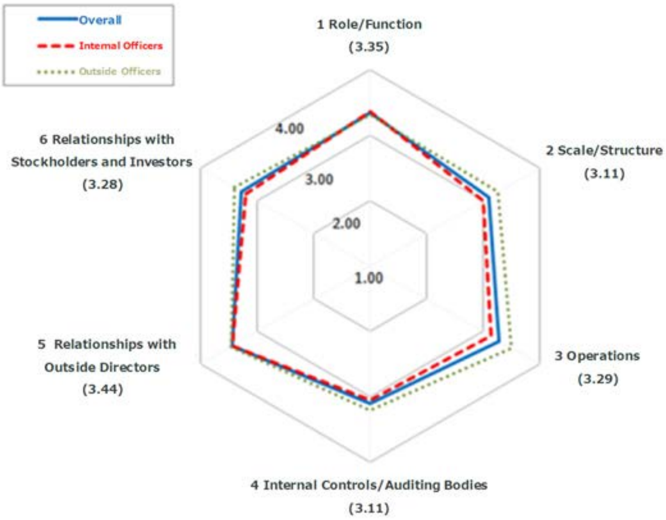
- Outstanding	Score: 4
- Adequate	Score: 3
- Needs improvement	Score: 2
- Unknown	Score: 1

(b) Summary of Results

Overall Score: 3.27 (I. Internal Officers: [3.21] II. Outside Officers: [3.36])

The overall score was high as scores for each category exceeded 3.00 (Adequate). As high scores were received from all officers for Category 1: Role/Function and Category 5: Relationships with Outside Directors, and high scores were received from outside officers for Category 2: Scale/Structure and Category 3: Operations, we confirmed that the decision-making process is appropriate, as evidenced by active discussions and an atmosphere in which outside officers can actively speak and exchange opinions, and the chairman seeking opinions of officers with expertise, and evaluated that the Board of Directors is functioning properly and its effectiveness is ensured.

On the other hand, we also recognized the need to clarify our role as a retailer in terms of ESG, promote the use of stores, and enhance content and IR information sharing and prior sharing of materials with internal officers.



(c) Future Actions

We will continue to improve the effectiveness of the Board of Directors by conducting the evaluation in the form of a questionnaire in the current fiscal year and beyond to compare the results with those of previous years and to confirm the progress of improvement. In addition, based on the results of this evaluation, we will continue our efforts to improve corporate value by analyzing the items for which improvement is expected and the differences in opinions and evaluations, and by taking appropriate actions.

Priority Issue 1: Expansion of ESG Initiatives

We strive to make effective use of the ESG & Sustainability Promotion Committee, which is a forum for deliberating policies and measures related to environmental and social issues and confirming the progress of goals, and to continue in our efforts to share information and collaborate on initiatives in other committees to enhance discussions on ESG.

Priority Issue 2: Development of Support System

We strive to enhance and improve the efficiency of discussions at the Board of Directors by improving the content of descriptions, by sharing materials in advance through DX, and by responding to deliberations and reported items diversified by conversion into holdings.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(10) 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.

(11) Conclusion of an Employee Shareholding Incentive Plan (E-Ship) trust agreement and disposal of treasury stock through third party allotment in relation to the introduction of E-Ship

At a meeting of the Board of Directors held on August 14, 2023, the Company resolved to introduce an "Employee Shareholding Incentive Plan (E-Ship®)" for the purpose of providing incentives to its employees to improve its corporate value over a medium to long term, expanding benefits and welfare and promoting the constant development of the Company by increasing employee morale through capital participation as shareholders. The Company concluded an E-Ship trust agreement (hereinafter referred to as the "Trust Agreement") with The Nomura Trust and Banking Co., Ltd. on August 14, 2023 and disposed of treasury stock (hereinafter referred to as the "Disposal of Treasury Stock") through third party allotment to The Nomura Trust and Banking (Yamada Holdings Employee Shareholding Association Trust Account) on September 8, 2023.

(i) Summary of the Trust Agreement

(a) Name

Yamada Holdings Employee Shareholding Association Trust Account

(b) Trustor

The Company

(c) Trustee

The Nomura Trust and Banking Co., Ltd.

(d) Beneficiaries

Persons who meet beneficiary eligibility requirements (who come into existence through certain procedures after an event to determine beneficiaries occurs)

(e) Date of the Trust Agreement

August 14, 2023

(f) Trust period

August 14, 2023 to August 8, 2028

(g) Purpose of the trust

To stably and continuously provide shares to the Shareholding Association and to deliver trust assets to persons who meet beneficiary eligibility requirements

(h) Beneficiary eligibility requirements

Beneficiaries shall be persons who are alive and members of the Yamada Holdings Employee Shareholding Association (hereinafter referred to as the "Shareholding Association") as of the date of commencement of procedures to determine beneficiaries (e.g., the date on which the realization of trust assets is completed at the expiration of the trust period or the date on which all of the Company shares belonging to trust assets are sold to the Shareholding Association) (including those who resign from the Shareholding Association due to retirement, transfer by company orders or promotion to directors on or after October 5, 2023 and before the date of commencement of procedures to determine beneficiaries).

(ii) Summary of the Disposal of Treasury Stock

(a) Disposal date

September 8, 2023

(b) Class and number of shares disposed of

1,863,000 shares of common stock of the Company

(c) Disposal price

¥449.8 ($3.37) per share

(d) Total disposal value

¥837,977,400 ($6,275,104)

(e) Allottee

The Nomura Trust and Banking Co., Ltd. (Yamada Holdings Employee Shareholding Association Trust Account)

(f) Disposal method

Third party allotment

(g) Other

The Disposal of Treasury Stock is subject to the effectiveness of securities registration statements filed under the Financial Instruments and Exchange Act.

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 Solasto Corporation, Outside Director of YUASA TRADING CO., LTD. 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 have benefited from his advice 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. 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 0.0003% 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. Outside Director Mr. Hirohisa Ishii possesses, as a practitioner as well as a manager, a wealth of experience and knowledge encompassing general business management and knowledge on accounting and finance. We seek his election since we have judged that he will provide advice and fulfill his role from a supervisory perspective based on his wealth of knowledge in the promotion of the Group's "Total-Living (Kurashi-Marugoto)" strategy and YAMADA HLDGS 2025 Mid-term business plan.

Mr. Hirohisa Ishii serves as the president of Heart Agency Co., Ltd. There is no special relationship between the Company and the entity at which he holds the significant concurrent position. 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 accounting auditors 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%

Note: Outside Audit & Supervisory Board member Masamitsu Takahashi retired at the conclusion of the 46th Ordinary General Meeting of Shareholders held on June 29, 2023 due to the fulfillment of his term of office.

Specific 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
- Response to revised code of ethics of the International Ethics Standards Board for Accountants.

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 comprised of 9 full-time staff as an independent department under the direct control of the Company President in order to conduct internal audits independently and objectively.

The Audit Office conducts regular audits based on the annual plan approved by the Company President, as well as extraordinary audits and special audits as needed. In addition to audits based on the internal control reporting system, a wide range of business audits are conducted and recommendations are made to improve deficiencies and prevent recurrence.

The Audit Office is divided into the Audit Department No.1, which is mainly in charge of our main business the Yamada Denki stores and each department of the head office, and the Audit Department No.2, which is in charge of group companies. We are striving to strengthen the governance of the entire group by actively cooperating with the auditors, accounting auditors, and internal audit departments of each group company. Since the Group has many stores and offices, and there are locations where the Audit Office cannot conduct on-site audits, we maintain integrity of audits by incorporating self-audits and mutual audits by each on-site manager as supplementary methods.

Reports on the results of audits conducted by the Audit Office are circulated not only to the audited departments and other related departments, but also to the Company President and management. At an Audit Office debriefing meeting attended by all internal directors, standing Audit & Supervisory Board members, and the Audit Office, the results of monthly audits are reported as well as the progress of remediation of deficiencies by each director in charge. The effectiveness of audits is ensured by encouraging the commitment of the director in charge from recognition of deficiencies to making improvements.

(3) Status of Accounting Audits

(i) Auditing Firm

KPMG AZSA LLC

(ii) Consecutive Auditing Period

34 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

10 certified public accountants, 32 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, 2023 and 2022

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2023	2022	2023
ASSETS			
Current assets:			
Cash and time deposits (Notes 8 and 10)	¥ 47,237	¥ 57,184	$ 353,728
Notes receivable-trade (Note 10)	4,832	4,647	36,185
Accounts receivable-trade (Note 10)	68,821	68,753	515,360
Notes and accounts receivable-completed construction contracts (Note 10)	3,135	2,379	23,473
Sub-total	76,788	75,779	575,018
Operating loans	14,448	6,322	108,195
Inventories (Note 13)	402,523	404,791	3,014,252
Other current assets (Notes 10 and 19)	74,668	78,825	559,140
Allowance for doubtful accounts	(1,890)	(1,622)	(14,152)
Total current assets	613,774	621,279	4,596,181
Property and equipment:			
Buildings and structures, net (Notes 14, 15 and 22)	201,943	201,122	1,512,231
Land (Notes 15 and 17)	204,727	203,087	1,533,076
Lease assets, net (Notes 14, 15 and 16)	14,333	13,510	107,331
Others, net (Notes 14 and 15)	18,566	19,772	139,028
Total property and equipment, net	439,569	437,491	3,291,666
Intangible assets (Note 15)	42,096	40,956	315,228
Investments and other assets (Note 15):			
Investment securities (Notes 10 and 11)	14,362	10,385	107,551
Long-term loans receivable	2,578	3,019	19,305
Guarantee deposits (Notes 10, 11, 19 and 30)	76,611	77,424	573,696
Net defined benefit asset (Note 21)	1,553	1,789	11,631
Deferred tax assets (Note 18)	57,588	54,102	431,241
Other assets	25,946	28,081	194,290
Allowance for doubtful accounts	(2,896)	(2,858)	(21,685)
Total investments and other assets	175,742	171,942	1,316,029
Total assets	¥ 1,271,181	¥ 1,271,668	$ 9,519,104

CONSOLIDATED BALANCE SHEETS

YAMADA HOLDINGS CO., LTD. and Consolidated Subsidiaries
As of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable (Note 10):			
- Trade	¥ 90,633	¥ 94,564	$ 678,694
- Construction contracts	14,156	15,037	106,008
Sub-total	104,789	109,601	784,702
Short-term loans payable (Notes 10 and 17)	122,725	60,755	919,015
Current portion of long-term loans payable (Notes 10, 17 and 19)	55,201	50,301	413,370
Lease obligations (Notes 16 and 17)	6,283	4,871	47,048
Income taxes payable (Note 18)	1,553	4,677	11,626
Contract liabilities	50,344	58,530	376,992
Advances received on construction contracts in progress	20,194	23,371	151,224
Provision for bonuses	12,778	12,063	95,686
Other provisions (Note 20)	4,279	4,178	32,042
Other current liabilities (Notes 21 and 30)	60,787	63,341	455,198
Total current liabilities	438,933	391,688	3,286,903
Long-term liabilities:			
Long-term loans payable (Notes 10, 17 and 19)	124,739	111,112	934,098
Lease obligations (Notes 16 and 17)	10,593	11,102	79,321
Asset retirement obligations (Note 22)	36,748	35,787	275,186
Provision for directors' retirement benefits	316	796	2,367
Provision for product warranties	1,407	1,675	10,537
Other provisions (Note 20)	146	218	1,091
Net defined benefit liability (Note 21)	34,312	31,523	256,938
Other long-term liabilities (Notes 17 and 18)	12,211	11,489	91,445
Total long-term liabilities	220,472	203,702	1,650,983
Total liabilities	659,405	595,390	4,937,886
Contingent liabilities (Note 19)			
Net assets (Note 23):			
Common stock:			
authorized – 2,000,000,000 shares			
issued – 966,748,539 shares in 2023 and 966,647,930 shares in 2022	71,125	71,101	532,612
Capital surplus	74,654	80,989	559,038
Retained earnings	581,541	564,883	4,354,806
Treasury stock, at cost – 258,493,806 shares in 2023 and 130,619,777 shares in 2022	(121,785)	(61,252)	(911,969)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities, net of taxes (Note 11)	(1,139)	(25)	(8,531)
Foreign currency translation adjustments	1,944	1,404	14,557
Remeasurements of defined benefit plans (Note 21)	(1,719)	(397)	(12,875)
Subscription rights to shares (Note 24)	1,963	1,726	14,702
Non-controlling interests	5,192	17,849	38,878
Total net assets	611,776	676,278	4,581,218
Total liabilities and net assets	¥ 1,271,181	¥ 1,271,668	$ 9,519,104

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, 2023 and 2022

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2023	2022	*2023*
Net sales (Note 29):			
- Trade	¥ 1,600,172	¥ 1,618,948	$ 11,982,713
- Non-consolidated subsidiaries and affiliated companies	415	431	3,110
Sub-total	1,600,587	1,619,379	11,985,823
Cost of sales (Note 30)	1,151,816	1,154,418	8,625,246
Gross profit	448,771	464,961	3,360,577
Selling, general and administrative expenses (Notes 26 and 30)	404,705	399,257	3,030,593
Operating profit	44,066	65,704	329,984
Other income (expenses):			
Interest income	731	589	5,473
Interest expenses	(1,472)	(1,422)	(11,027)
Purchase discounts	2,308	2,453	17,283
Impairment loss (Note 15)	(6,446)	(3,962)	(48,269)
Loss on disaster (Note 27)	(321)	(1,345)	(2,404)
Retirement benefits for directors (and other officers)	-	(1,010)	-
Gain on revision of retirement benefit plan	893	3,061	6,692
Others, net (Note 27)	3,826	5,464	28,645
Total other (expenses) income	(481)	3,828	(3,607)
Profit before income taxes	43,585	69,532	326,377
Income taxes (Note 18):			
Current	14,173	15,960	106,131
Deferred	(2,831)	1,290	(21,199)
Total income taxes	11,342	17,250	84,932
Profit	32,243	52,282	241,445
Profit attributable to non-controlling interests	418	1,726	3,127
Profit attributable to owners of parent	¥ 31,825	¥ 50,556	$ 238,318

	Yen		*U.S. dollars (Note 1)*
Amounts per share of common stock:			
Basic earnings per share	¥ 40.25	¥ 60.96	$ 0.30
Diluted earnings per share	40.02	60.67	0.30
Cash dividends applicable to the year	12.00	18.00	0.09

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, 2023 and 2022

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2023	2022	2023
Profit	¥ 32,243	¥ 52,282	$ 241,445
Other comprehensive income (loss), net of taxes (Note 28):			
Valuation difference on available-for-sale securities	(1,104)	128	(8,263)
Foreign currency translation adjustments	540	764	4,043
Remeasurements of defined benefit plans, net of tax	(1,322)	(2,083)	(9,901)
Share of other comprehensive loss of associates accounted for using equity method	(2)	(4)	(17)
Total other comprehensive income (loss)	(1,888)	(1,195)	(14,138)
Comprehensive income	¥ 30,355	¥ 51,087	$ 227,307
Comprehensive income attributable to:			
Owners of parent	¥ 29,929	¥ 49,512	$ 224,114
Non-controlling interests	426	1,575	3,193

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, 2023 and 2022

		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, 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
Issuance of new shares	101	24	24								48
Cash dividends				(15,049)							(15,049)
Profit attributable to owners of parent				31,825							31,825
Purchase of treasury stock					(78,925)						(78,925)
Disposal of treasury stock			(2)		8						6
Increase by merger				(118)							(118)
Purchase of shares of consolidated subsidiaries			(6,010)		18,384						12,374
Purchase of treasury shares of consolidated subsidiaries			(347)								(347)
Other changes in the year, net						(1,114)	540	(1,322)	237	(12,657)	(14,316)
Balance at March 31, 2023	966,749	¥ 71,125	¥ 74,654	¥ 581,541	¥(121,785)	¥ (1,139)	¥ 1,944	¥ (1,719)	¥ 1,963	¥ 5,192	¥ 611,776

	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, 2022	$ 532,428	$ 606,479	$ 4,230,062	$ (458,676)	$ (185)	$ 10,515	$ (2,974)	$ 12,923	$ 133,663	$ 5,064,235
Issuance of new shares	184	184								368
Cash dividends			(112,689)							(112,689)
Profit attributable to owners of parent			238,318							238,318
Purchase of treasury stock				(591,023)						(591,023)
Disposal of treasury stock		(14)		62						48
Increase by merger			(885)							(885)
Purchase of shares of consolidated subsidiaries		(45,008)		137,668						92,660
Purchase of treasury shares of consolidated subsidiaries		(2,603)								(2,603)
Other changes in the year, net					(8,346)	4,042	(9,901)	1,779	(94,785)	(107,211)
Balance at March 31, 2023	$ 532,612	$ 559,038	$ 4,354,806	$ (911,969)	$ (8,531)	$ 14,557	$ (12,875)	$ 14,702	$ 38,878	$ 4,581,218

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, 2023 and 2022

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2023	2022	*2023*
Cash flows from operating activities:			
Profit before income taxes	¥ 43,585	¥ 69,532	$ 326,377
Depreciation	24,621	23,686	184,374
Amortization of goodwill	504	742	3,777
Increase (decrease) in allowance for doubtful accounts	235	(219)	1,759
Increase (decrease) in net defined benefit liability	1,528	(954)	11,439
Interest and dividend income	(1,046)	(827)	(7,830)
Interest expenses	1,472	1,422	11,027
Foreign exchange losses (gains)	(102)	(360)	(764)
Gain on sale of investment securities	(211)	(216)	(1,583)
Loss on sale and disposal of property and equipment, net	198	587	1,480
Impairment loss	6,446	3,962	48,269
(Increase) decrease in notes and accounts receivable	(831)	(66)	(6,225)
(Increase) decrease in accounts receivable	(4,537)	1,050	(33,971)
Increase in operating loans receivable	(821)	(2,068)	(6,152)
Decrease in inventories	1,431	3,041	10,716
Increase (decrease) in notes and accounts payable	(5,621)	(11,443)	(42,089)
Increase (decrease) in advances received on construction contracts in progress	(4,124)	5,911	(30,883)
Increase (decrease) in contract liabilities	(8,187)	(6,788)	(61,304)
Other, net	3,144	(10,421)	23,543
Sub-total	57,684	76,571	431,960
Interest and dividend income received	572	334	4,283
Interest expenses paid	(1,468)	(1,422)	(10,995)
Income taxes paid	(13,047)	(54,398)	(97,700)
Net cash provided by operating activities	¥ 43,741	¥ 21,085	$ 327,548

(Continued)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	*2023*
Cash flows from investing activities:			
Payments into time deposits	¥ (672)	¥ (672)	$ (5,032)
Proceeds from withdrawal of time deposits	636	636	4,763
Proceeds from sale of property and equipment	428	141	3,201
Proceeds from sales and redemption of investment securities	680	425	5,091
Payments for purchase of investment securities	(1,106)	(3,925)	(8,278)
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 9)	(1,618)	-	(12,118)
Proceeds from acquisition of shares in subsidiaries resulting in change in scope of consolidation (Note 9)	540	25	4,043
Proceeds from sale of shares in subsidiary resulting in change in scope of consolidation (Note 9)	-	1,068	-
Payment of loans receivable	(221)	(266)	(1,658)
Collection of loans receivable	520	683	3,896
Purchases of property and equipment	(20,363)	(28,798)	(152,489)
Purchases of intangible assets	(1,173)	(757)	(8,781)
Payments for guarantee deposits	(3,170)	(2,265)	(23,737)
Proceeds from collection of guarantee deposits	5,292	10,287	39,628
Purchase of investments in subsidiaries and affiliated companies	(4,842)	(2)	(36,258)
Other, net	(140)	1,154	(1,049)
Net cash used in investing activities	(25,209)	(22,266)	(188,778)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	53,939	16,470	403,921
Proceeds from long-term loans payable	75,336	41,000	564,147
Repayments of long-term loans payable	(59,205)	(53,731)	(443,350)
Purchase of treasury stock	(78,925)	(6)	(591,023)
Repayments of lease obligations	(5,266)	(4,573)	(39,434)
Cash dividends paid	(15,041)	(14,744)	(112,636)
Other, net	(292)	(1,063)	(2,187)
Net cash used in financing activities	(29,454)	(16,647)	(220,562)
Effect of exchange rate change on cash and cash equivalents	811	485	6,073
Net increase (decrease) in cash and cash equivalents	(10,111)	(17,343)	(75,719)
Cash and cash equivalents at beginning of year	56,470	73,760	422,872
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	128	53	959
Cash and cash equivalents at end of year (Note 8)	¥ 46,487	¥ 56,470	$ 348,112

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, 2023 and 2022

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, 2023, which was ¥133.54 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 Nagoya 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 OTSUKA KAGU, LTD. has been excluded from the scope of consolidation because of an absorption-type merger whereby consolidated subsidiary YAMADA DENKI CO., LTD. (“YAMADA DENKI”) becomes a surviving company. HOKUSHINHOUSE CO., LTD. (“HOKUSHINHOUSE”) has been included in the scope of consolidation as consolidated subsidiary YAMADA HOMES Co., LTD. acquired all shares of HOKUSHINHOUSE and made it a subsidiary. House Depot Partners Co., Ltd. (“House Depot Partners”) has been included in the scope of consolidation as consolidated subsidiary YAMADA FINANCE SERVICE Co., Ltd. acquired all shares of House Depot Partners and made it a subsidiary.

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 an effective period not exceeding 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 18 consolidated subsidiaries in Japan is at the end of February, and that of YAMADA DENKI and House Depot Partners is at the end of March. The financial statements of these subsidiaries, except House Depot Partners, as of and for the years ended December 31, 2022 and 2021, February 28, 2023 and 2022, or March 31, 2023 and 2022, as applicable, were used in preparing the consolidated financial statements. For House Depot Partners, only the balance sheets were consolidated in the year ended March 31, 2023, because the deemed acquisition date is March 31, 2023. 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.

Unrealized actuarial gains and losses and unrealized prior service costs are recorded in remeasurements of defined benefit plans under accumulated other comprehensive income in net assets after adjusting tax effects.

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

(p) Recognition of Revenues and Costs

The 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 in which the Group bears repair expenses 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. For free of charge extended warranty services, the Group allocates transaction prices based on the standalone selling price calculated in consideration of expected future warranties and other factors.

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 was not reflected for the years ended March 31, 2023 and 2022, 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, 2023, those which may have a significant impact on the consolidated financial statements for the year ending March 31, 2024 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, 2023

In the consolidated balance sheets as of March 31, 2023, the Company recorded property and equipment of ¥405,109 million ($3,033,614 thousand) related to the electrical business as of March 31, 2023, which were 31.9% of total assets as of March 31, 2023. In addition, the Company recorded property and equipment of ¥404,005 million related to the electrical business as of March 31, 2022, which were 31.8% of total assets as of March 31, 2022.

In the consolidated statements of income for the year ended March 31, 2023, the Company recorded an impairment loss on property and equipment of ¥6,446 million ($48,269 thousand) which included ¥4,327 million ($32,403 thousand) related to the electrical business for the year ended March 31, 2023. In addition, the Company recorded an impairment loss on property and equipment of ¥3,962 million which included ¥3,697 million related to the electrical business for the year ended March 31, 2022. From the year ended March 31, 2023, the furniture sales business, which was previously included in "Others," has been included in the "Electrical Business" due to the merging of subsidiaries. As a result of this change, segment information for the year ended March 31, 2022 has been prepared based on the reportable segment classification for the year ended March 31, 2023.

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

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

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 of each store 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, 2023.

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

4. CHANGES IN ACCOUNTING POLICIES

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) (hereinafter referred to as the "ASBJ Guidance No. 31") from the beginning of the year ended March 31, 2023, and applies the new accounting policy provided for in the ASBJ Guidance No. 31 into the future, in accordance with the transitional treatment provided for in Paragraph 27-2 of the ASBJ Guidance No. 31. This change has no impacts on the Company's consolidated financial statements for the year ended March 31, 2023.

5. ACCOUNTING STANDARDS AND GUIDANCE ISSUED BUT NOT YET APPLIED

- "*Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, revised on October 28, 2022)*
- "*Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, revised on October 28, 2022)*
- "*Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, revised on October 28, 2022)*

a) Outline:
In February 2018, the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28), etc. (hereinafter referred to as the "ASBJ Statement No. 28, etc.") were published, and the transfer of the practical guideline on tax effect accounting of the Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan was completed. In the process of the deliberation, it was decided that the following two issues would be reexamined after the publication of the ASBJ Statement No. 28, etc. On this occasion, they were deliberated and published:
- Classification of income tax expense (taxation on other comprehensive income)
- Tax effects relating to the sale of shares in subsidiaries, etc. (shares in subsidiaries or affiliated companies) in the case of applying the group taxation regime

b) Planned date of application:
To be applied from the beginning of the year ending March 31, 2025.

c) Impact of application of the accounting standard:
The impact of the application of the "Accounting Standard for Current Income Taxes," etc. on the Company's consolidated financial statements is currently being assessed.

6. CHANGE IN PRESENTATION

Consolidated Statements of Income

"Loss due to COVID-19" in "Other income (expenses)," which was presented individually for the year ended March 31, 2022, is included in "Others, net" in "Other income (expenses)" since its materiality in amounts has decreased. "Loss due to COVID-19" for the year ended March 31, 2022 was ¥209 million.

7. BUSINESS COMBINATIONS

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

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:	Hinokiya Group Co., Ltd.
Description of business:	Housing, real estate investment, thermal insulation materials, renovation, and other businesses

b) Purpose of business combination

- 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

c) Date of business combination

April 27, 2022

d) 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.

e) Name of the company after business combination

The name will not be changed.

2. Summary of accounting applied

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

3. Matters concerning the acquisition of additional shares in subsidiary

a) Acquisition cost and breakdown by type of consideration

Consideration for the acquisition (common stock)	¥14,741 million ($110,386 thousand)
Acquisition cost	¥14,741 million ($110,386 thousand)

b) 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.

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 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.

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) Amount of decrease in capital surplus due to the transactions with non-controlling shareholders

¥6,010 million ($45,008 thousand)

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 business combination

a) Name and description of business of companies involved in business combination

Name of surviving company:	YAMADA DENKI CO., LTD.
Description of business:	Home electrical appliances and home information appliances sales business and housing-related product sales business
Name of dissolved company:	OTSUKA KAGU, LTD.
Description of business:	General sales of furniture, home electrical appliances and home interiors

b) Purpose of business combination

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.

c) Date of business combination

May 1, 2022

d) Legal form of business combination

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

e) Name of the company after business combination

The name will not be changed.

2. Summary of accounting applied

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

Conversion of HOKUSHINHOUSE CO., LTD. into a wholly owned subsidiary

Based on a resolution at a meeting of the Board of Directors held on August 9, 2022, YAMADA HOMES Co., LTD. (hereinafter referred to as “YAMADA HOMES”), a consolidated subsidiary of the Company, acquired all shares of HOKUSHINHOUSE CO., LTD. (hereinafter referred to as “HOKUSHINHOUSE”) and made it a wholly owned subsidiary on October 1, 2022.

1. Summary of business combination

a) Name and description of business of the acquired company

Name of acquired company: HOKUSHINHOUSE CO., LTD.

Description of business: Housing construction business

b) Purpose of business combination

With a track record for constructing a total of over 4,000 properties in Nagano Prefecture, HOKUSHINHOUSE provides houses with the highest-grade earthquake resistance and unique whole building air conditioning system to protect the lives and property of families while realizing a healthy lifestyle for both people and houses based on its patented "FB construction method." YAMADA HOMES made HOKUSHINHOUSE a subsidiary in order to strengthen, under the Group's traditional "Total-Living (Kurashi-Marugoto)" strategy, the development of services that provide comprehensive value to customers, including the sale of furniture and home electrical appliances and financial services such as housing loans in the Group's segments, in conjunction with housing construction and sales.

c) Date of business combination

October 1, 2022 (deemed acquisition date: November 30, 2022)

d) Legal form of business combination

Acquisition of shares

e) Name of the company after business combination

The name will not be changed.

f) Acquired voting rights ratio

100%

g) Main reason for the determination of the acquired company

YAMADA HOMES, a consolidated subsidiary of the Company, acquired 100% of the voting rights of HOKUSHINHOUSE, thereby making it a wholly owned subsidiary.

2. Period of financial results of the acquired company included in the Company's consolidated financial statements

From December 1, 2022 to February 28, 2023

3. Acquisition cost and breakdown by type of consideration

	Millions of yen	*Thousands of U.S. dollars (Note 1)*
Consideration for the acquisition:		
Cash	¥ 778	$ 5,823
Acquisition cost	¥ 778	$ 5,823

4. Details and amount of major expenses for the acquisition

Due diligence expenses: ¥5 million ($34 thousand)

5. Amount of goodwill generated, reason for generation of goodwill, and method and period of amortization

a) Amount of goodwill generated

¥318 million ($2,381 thousand)

b) Reason for generation of goodwill

Future excess earning power expected to be derived from future business development

c) Method and period of amortization

Straight-line method over six years

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

	Millions of yen		*Thousands of U.S. dollars (Note 1)*	
Current assets	¥	3,432	$	25,697
Non-current assets		1,248		9,345
Total assets	¥	4,680	$	35,042
Current liabilities	¥	1,739	$	13,024
Non-current liabilities		2,481		18,576
Total liabilities	¥	4,220	$	31,600

7. Approximate amount of the impact of the business combination on the consolidated statements of income for the year ended March 31, 2023 assuming the business combination was completed on the beginning date of the year ended March 31, 2023 and the calculation method

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

Conversion of House Depot Partners Co., Ltd. into a wholly owned subsidiary

Based on a resolution at a meeting of the Board of Directors held on December 19, 2022, YAMADA FINANCE SERVICE Co., Ltd. (hereinafter referred to as “YAMADA FINANCE SERVICE”), a consolidated subsidiary of the Company, concluded a share transfer agreement concerning the acquisition of all shares of House Depot Partners Co., Ltd. (hereinafter referred to as “House Depot Partners”) held by MITSUI & CO., LTD. and JK Holdings Co., Ltd. on December 26, 2022, and acquired all shares of House Depot Partners and made it a subsidiary on January 18, 2023.

1. Summary of business combination

a) Name and description of business of the acquired company

Name of acquired company: House Depot Partners Co., Ltd.

Description of business: Housing loan financing business

b) Purpose of business combination

Expanding our share in the housing loan market is extremely effective in promoting our “Total-Living (Kurashi-Marugoto)” strategy. Whereas House Depot Partners is a mortgage bank that provides more than 2,300 “Flat 35” loans to customers annually, utilizing a nationwide sales network and a high level of service through real sales, we expect, by making this company a subsidiary, to create a wide range of business opportunities such as “Basket purchase of home electrical appliances and furniture,” “Offering a variety of financial products,” and “Proposals for future renovation” as well as to improve business efficiency and expand business domain by leveraging the strengths of our core financial segment company, YAMADA FINANCE SERVICE and House Depot Partners.

c) Date of business combination

January 18, 2023 (deemed acquisition date: March 31, 2023)

d) Legal form of business combination

Acquisition of shares

e) Name of the company after business combination

The name will not be changed.

f) Acquired voting rights ratio

100%

g) Main reason for the determination of the acquired company

YAMADA FINANCE SERVICE, a consolidated subsidiary of the Company, acquired 100% of the voting rights of House Depot Partners, thereby making it a wholly owned subsidiary.

2. Period of financial results of the acquired company included in the Company’s consolidated financial statements

The financial results of the acquired company were not included in the Company’s consolidated financial statements, because the deemed acquisition date is March 31, 2023 and only the balance sheets were consolidated in the year ended March 31, 2023.

3. Acquisition cost and breakdown by type of consideration

	Millions of yen	*Thousands of U.S. dollars (Note 1)*
Consideration for the acquisition:		
Cash	¥ 4,400	$ 32,949
Acquisition cost	¥ 4,400	$ 32,949

4. Details and amount of major expenses for the acquisition

Due diligence expenses: ¥3 million ($19 thousand)

5. Amount of goodwill generated, reason for generation of goodwill, and method and period of amortization

a) Amount of goodwill generated

¥2,423 million ($18,141 thousand)

The amount of goodwill is a provisionally determined amount since the allocation of acquisition cost has not yet been completed.

b) Reason for generation of goodwill

Since net assets at the acquisition of shares were lower than the acquisition cost, the difference was recognized as goodwill.

c) Method and period of amortization

Amortization will be conducted based on the straight-line method over the period when investment effects are realized. The amortization period is being determined.

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

	Millions of yen		*Thousands of U.S. dollars (Note 1)*	
Current assets	¥	10,162	$	76,095
Non-current assets		182		1,364
Total assets	¥	10,344	$	77,459
Current liabilities	¥	8,234	$	61,657
Non-current liabilities		133		994
Total liabilities	¥	8,367	$	62,651

7. Approximate amount of the impact of the business combination on the consolidated statements of income for the year ended March 31, 2023 assuming the business combination was completed on the beginning date of the year ended March 31, 2023 and the calculation method

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

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2023 and 2022 in the consolidated statements of cash flows consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	*2023*
Cash and time deposits	¥ 47,237	¥ 57,184	$ 353,728
Time deposits with maturities exceeding three months	(750)	(714)	(5,616)
Cash and cash equivalents	¥ 46,487	¥ 56,470	$ 348,112

9. SUPPLEMENTAL CASH FLOW INFORMATION

Assets and liabilities acquired through finance leases for the year ended March 31, 2023 were ¥5,169 million ($38,708 thousand) and ¥5,243 million ($39,260 thousand), respectively. Assets and liabilities acquired through finance leases for the year ended March 31, 2022 were ¥3,304 million and ¥3,491 million, respectively.

Asset retirement obligations for the years ended March 31, 2023 and 2022 were ¥700 million ($5,244 thousand) and ¥973 million, respectively.

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

As a result of the acquisition of shares of HOKUSHINHOUSE CO., LTD., during the year ended March 31, 2023, HOKUSHINHOUSE was included in the scope of consolidation. The breakdown of the assets and liabilities at the initial consolidation and the acquisition price and proceeds from the acquisition are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current assets	¥ 3,432	25,697
Non-current assets	1,248	9,345
Current liabilities	(1,739)	(13,024)
Non-current liabilities	(2,481)	(18,576)
Goodwill	318	2,381
Acquisition price of the shares	778	5,823
Cash and cash equivalents	(1,318)	(9,866)
Difference: Proceeds from acquisition of the shares	¥ 540	4,043

As a result of the acquisition of shares of House Depot Partners Co., Ltd., during the year ended March 31, 2023, House Depot Partners was included in the scope of consolidation. The breakdown of the assets and liabilities at the initial consolidation and the acquisition price and the purchase of the investment are as follows. The amount of goodwill is a provisionally determined amount since the allocation of acquisition cost has not yet been completed:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current assets	¥ 10,162	76,095
Non-current assets	182	1,363
Current liabilities	(8,234)	(61,656)
Non-current liabilities	(133)	(994)
Goodwill	2,423	18,141
Acquisition price of the shares	4,400	32,949
Cash and cash equivalents	(2,782)	(20,831)
Difference: Purchase of investment	¥ 1,618	12,118

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
Current assets	¥ 953
Non-current assets	1,262
Current liabilities	(458)
Non-current liabilities	(592)
Non-controlling interests	(367)
Unamortized balance of goodwill	395
Incidental expenses associated with the sale	96
Gain on sale of the shares	191
Selling price of the shares	1,480
Cash and cash equivalents	(412)
Difference: Proceeds from sale of the shares	¥ 1,068

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. Moreover, it utilizes 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 option transactions 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, it utilizes 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, 2023 and 2022:

	Millions of yen		
	2023		
	Book value	Fair value	Valuation gains/(losses)
Financial assets:			
(1) Accounts receivable-trade	¥ 68,821	¥	¥
Allowance for doubtful accounts (*2)	(155)		
	68,666	68,241	(425)
(2) Investment securities (*3) (*5)	6,300	6,351	51
(3) Guarantee deposits (*4) (including current portion)	80,762		
Allowance for doubtful accounts (*2)	(19)		
	80,743	82,087	1,344
	¥ 155,709	¥ 156,679	¥ 970
Financial liabilities:			
(1) Long-term loans payable (including current portion)	¥ 179,941	¥ 179,584	¥ (357)
	¥ 179,941	¥ 179,584	¥ (357)

	Thousands of U.S. dollars (Note 1)		
	2023		
	Book value	*Fair value*	*Valuation gains/(losses)*
Financial assets:			
(1) Accounts receivable-trade	$ 515,360	$	$
Allowance for doubtful accounts (*2)	(1,164)		
	514,196	511,015	(3,181)
(2) Investment securities (*3) (*5)	47,176	47,556	380
(3) Guarantee deposits (*4) (including current portion)	604,779		
Allowance for doubtful accounts (*2)	(144)		
	604,635	614,700	10,065
	$ 1,166,007	$ 1,173,271	$ 7,264
Financial liabilities:			
(1) Long-term loans payable (including current portion)	$ 1,347,467	$ 1,344,796	$ (2,671)
	$ 1,347,467	$ 1,344,796	$ (2,671)

	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) (*5)	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)

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 deposits were included.

(*5) Investments in partnerships and other business entities equivalent thereto for which equity interests are recorded on a net basis on the consolidated balance sheets were not included. The amount of the investments recorded on the consolidated balance sheets as of March 31, 2023 and 2022 was ¥0 million ($1 thousand) and ¥0 million, respectively.

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)*
	2023	2022	*2023*
	Book value		
Investment securities (*1)			
(1) Equity securities of subsidiaries and affiliated companies			
Subsidiaries	¥ 6,672	¥ 2,192	$ 49,962
Affiliated companies	44	79	327
(2) Available-for-sale securities			
Unlisted equity securities	1,347	340	10,085

Notes:
(*1) Shares, etc. that do not have a market price were excluded from "(2) Investment Securities."

(ii) Contractual Maturity of Financial Instruments

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

	Millions of yen			
	2023			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and time deposits	¥ 47,237	¥ -	¥ -	¥ -
Notes receivable-trade	4,832	-	-	-
Accounts receivable-trade	52,031	10,464	5,594	732
Notes and accounts receivable-completed construction contracts	3,135	-	-	-
Investment securities				
Available-for-sale securities with fixed maturities				
(1) Debt securities (Corporate bonds)	-	-	-	-
(2) Others	0	-	-	-
Guarantee deposits (*)	4,151	31,499	19,278	25,834
Total	¥ 111,386	¥ 41,963	¥ 24,872	¥ 26,566

	Thousands of U.S. dollars (Note 1)			
	2023			
	Within one year	*Over one year within five years*	*Over five years within ten years*	*Over ten years*
Cash and time deposits	$ 353,728	$ -	$ -	$ -
Notes receivable-trade	36,185	-	-	-
Accounts receivable-trade	389,630	78,353	41,893	5,484
Notes and accounts receivable-completed construction contracts	23,473	-	-	-
Investment securities				
Available-for-sale securities with fixed maturities				
(1) Debt securities (Corporate bonds)	-	-	-	-
(2) Others	1	-	-	-
Guarantee deposits (*)	31,083	235,880	144,361	193,455
Total	$ 834,100	$ 314,233	$ 186,254	$ 198,939

	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

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 2023 Fair value Level 1	Level 2	Level 3		Total
Investment securities	¥	5,705	-	-	¥	5,705
Total assets	¥	5,705	-	-	¥	5,705

Category		*Thousands of U.S. dollars (Note 1) 2023 Fair value Level 1*	*Level 2*	*Level 3*		*Total*
Investment securities	$	42,724	-	-	$	42,724
Total assets	$	42,724	-	-	$	42,724

Category		Millions of yen 2022 Fair value Level 1	Level 2	Level 3		Total
Investment securities	¥	7,247	-	-	¥	7,247
Total assets	¥	7,247	-	-	¥	7,247

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

Category		Millions of yen 2023 Fair value Level 1	Level 2	Level 3		Total
Accounts receivable-trade	¥	-	68,241	-	¥	68,241
Guarantee deposits (including current portion)		-	82,087	-		82,087
Investment securities		645	-	-		645
Total assets	¥	645	150,328	-	¥	150,973
Long-term loans payable (including current portion)	¥	-	179,584	-	¥	179,584
Total liabilities	¥	-	179,584	-	¥	179,584

Category	*Thousands of U.S. dollars (Note 1)*						
	2023						
	Fair value						
		Level 1	*Level 2*	*Level 3*		*Total*	
Accounts receivable-trade ·········	$	-	511,015	-	$	511,015	
Guarantee deposits (including current portion) ·········		-	614,700	-		614,700	
Investment securities················		4,832	-	-		4,832	
Total assets ······················	$	4,832	1,125,715	-	$	1,130,547	
Long-term loans payable (including current portion)·········	$	-	1,344,796	-	$	1,344,796	
Total liabilities··················	$	-	1,344,796	-	$	1,344,796	

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
Investment securities················		685	-	-		685
Total assets ······················	¥	685	150,796	-	¥	151,481
Long-term loans payable (including current portion)·········	¥	-	160,597	-	¥	160,597
Total liabilities··················	¥	-	160,597	-	¥	160,597

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, 2023 and 2022 were as follows:

	Millions of yen		
	2023		
	Book value	Acquisition cost	Difference
Securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 446	¥ 314	¥ 132
Debt securities:			
Government bonds and others (*)	448	447	1
Sub-total	894	761	133
Securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	5,259	6,601	(1,342)
Debt securities:			
Government bonds and others (*)	21	21	(0)
Sub-total	5,280	6,622	(1,342)
Total	¥ 6,174	¥ 7,383	¥ (1,209)

	Thousands of U.S. dollars (Note 1)		
	2023		
	Book value	*Acquisition cost*	*Difference*
Securities with book values (fair values) exceeding acquisition costs:			
Equity securities	$ 3,340	$ 2,349	$ 991
Debt securities:			
Government bonds and others (*)	3,354	3,351	3
Sub-total	6,694	5,700	994
Securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	39,384	49,435	(10,051)
Debt securities:			
Government bonds and others (*)	154	154	(0)
Sub-total	39,538	49,589	(10,051)
Total	$ 46,232	$ 55,289	$ (9,057)

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 ¥1,347 million ($10,085 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		
	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:			
Government bonds and others (*)	-	-	-
Sub-total	2,724	3,061	(337)
Total	¥ 7,716	¥ 7,720	¥ (4)

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 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, 2023 and 2022 were as follows:

	Millions of yen		
	2023		
	Sales amounts	Gain on sale	Loss on sale
Equity securities	¥ 682	¥ 243	¥ (31)
Total	¥ 682	¥ 243	¥ (31)

	Thousands of U.S. dollars (Note 1)		
	2023		
	Sales amounts	*Gain on sale*	*Loss on sale*
Equity securities	$ 5,109	$ 1,817	$ (235)
Total	$ 5,109	$ 1,817	$ (235)

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

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 investments in non-consolidated subsidiaries and affiliated companies was ¥49 million ($367 thousand) for the year ended March 31, 2023.

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 as follows as of March 31, 2023 and not applicable as of March 31, 2022:

	Millions of yen		Millions of yen		*Thousands of U.S. dollars (Note 1)*	
	Notional Amount					
	Total	Due after one year	Fair value	Unrealized gains	*Fair value*	*Unrealized gains*
At March 31, 2023:						
Foreign currency forward contracts:						
Buy, call	¥ 1,553	¥ -	¥ 18	¥ 18	$ 137	$ 137
Currency options:						
Buy, call	1,674	-	(105)	(105)	(786)	(786)
Total	¥ 3,227	¥ -	¥ (87)	¥ (87)	$ (649)	$ (649)

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, 2023 and 2022 were as follows:

	Millions of yen		
	Notional amount		
	Total	Over one year	Fair value
At March 31, 2023:			
Interest rate swap contracts:			
Pay fixed, receive floating	¥ 2,000	¥ -	¥ (*)

	Thousands of U.S. dollars (Note 1)		
	Notional amount		
	Total	*Over one year*	*Fair value*
At March 31, 2023:			
Interest rate swap contracts:			
Pay fixed, receive floating	$ 14,977	$ -	$ (*)

	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	¥ (*)

(*) The fair value of an interest rate swap contract is included in the fair value of the corresponding hedged long-term loans 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, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	*2023*
Merchandise and finished goods	¥ 338,383	¥ 356,044	$ 2,533,942
Real estate for sale	48,760	35,542	365,136
Work in process	1,418	1,235	10,621
Costs on construction contracts in progress	7,601	8,172	56,917
Raw materials and supplies	6,361	3,798	47,636
Total	¥ 402,523	¥ 404,791	$ 3,014,252

14. ACCUMULATED DEPRECIATION ON PROPERTY AND EQUIPMENT

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	*2023*
Accumulated depreciation	¥ 380,302	¥ 359,376	$ 2,847,851

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, 2023 and 2022.

The summary of impairment losses recorded for the years ended March 31, 2023 and 2022 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	*2023*
Buildings and structures	¥ 3,338	¥ 1,213	$ 24,999
Land	100	850	746
Lease assets	510	265	3,820
Other tangible assets	1,341	1,284	10,041
Intangible assets	979	234	7,333
Investments and other assets	178	116	1,330
Total	¥ 6,446	¥ 3,962	$ 48,269

Impairment losses for the year ended March 31, 2023 mainly relate to retail stores and a property for the Group's own business use located mainly in Tokyo, stores and rental property located mainly in Ishikawa Prefecture, and others.

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.

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, 2023 and 2022 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2023	2022	*2023*
Due within one year	¥ 14,123	¥ 12,815	$ 105,759
Due after one year	70,591	62,402	528,614
Total	¥ 84,714	¥ 75,217	$ 634,373

As Lessor

(i) Operating lease transactions

Future minimum lease receivables under non-cancelable operating leases as of March 31, 2023 and 2022 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2023	2022	*2023*
Due within one year	¥ 119	¥ 62	$ 890
Due after one year	133	125	995
Total	¥ 252	¥ 187	$ 1,885

17. SHORT-TERM AND LONG-TERM DEBT

The weighted-average rates of interest for short-term loans payable were approximately 0.40% and 0.41% as of March 31, 2023 and 2022, respectively.

The weighted-average rates of interest for the current portion of long-term loans payable were approximately 0.43% and 0.49% as of March 31, 2023 and 2022, respectively.

The weighted-average rates of interest for long-term loans payable (excluding the current portion thereof) were approximately 0.43% and 0.47% as of March 31, 2023 and 2022, respectively. The long-term loans payable were due in 2024 through 2040 and 2023 through 2031 as of March 31, 2023 and 2022, 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, 2023 and 2022 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2023	2022	*2023*
Short-term loans payable	¥ 122,725	¥ 60,755	$ 919,015
Long-term loans payable (due within one year)	55,201	50,301	413,370
Lease obligations (due within one year)	6,283	4,871	47,048
Sub-total	184,209	115,927	1,379,433
Long-term loans payable (excluding amounts due within one year)	124,739	111,112	934,098
Lease obligations (excluding amounts due within one year)	10,593	11,102	79,321
Sub-total	135,332	122,214	1,013,419
Total	¥ 319,541	¥ 238,141	$ 2,392,852

The following assets were pledged as collateral for the below listed liabilities as of March 31, 2023 and 2022:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2023	2022	*2023*
Land	¥ 466	¥ 507	$ 3,487

Note: Land was pledged as collateral at certain consolidated subsidiaries for customers' housing loans of ¥17 million ($130 thousand) and ¥20 million as of March 31, 2023 and 2022, respectively, as well as for loans from financial institutions of ¥423 million ($3,165 thousand) and ¥464 million as of March 31, 2023 and 2022, respectively.

The aggregate annual maturities of long-term loans payable as of March 31, 2023 were as follows:

Year ending March 31,	Millions of yen	*Thousands of U.S. dollars (Note 1)*
2024	¥ 55,201	$ 413,370
2025	50,411	377,497
2026	30,947	231,748
2027	22,472	168,280
2028	17,671	132,327
Thereafter	3,238	24,246
Total	¥ 179,940	$ 1,347,468

The aggregate annual maturities of finance lease obligations as of March 31, 2023 were as follows:

Year ending March 31,	Millions of yen	*Thousands of U.S. dollars (Note 1)*
2024	¥ 6,283	$ 47,048
2025	3,800	28,452
2026	3,287	24,617
2027	2,414	18,079
2028	764	5,721
Thereafter	328	2,452
Total	¥ 16,876	$ 126,369

The Company has entered into loan commitment agreements amounting to ¥50,000 million ($374,420 thousand) with seven financial institutions. Under these credit facilities, no amount has been executed as of March 31, 2023 and 2022.

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, 2023 and 2022.

Significant components of deferred tax assets and liabilities as of March 31, 2023 and 2022 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2023	2022	*2023*
Deferred tax assets:			
Loss on valuation of inventories	¥ 3,254	¥ 2,724	$ 24,367
Impairment loss	21,299	17,760	159,498
Loss on valuation of investment securities	693	723	5,188
Loss on valuation of stock of subsidiaries	1,788	1,776	13,386
Provision for bonuses	4,367	4,095	32,705
Net defined benefit liability	9,831	9,046	73,622
Provision for directors’ retirement benefits	108	238	805
Provision for product warranties	510	574	3,821
Other provisions	949	677	7,108
Asset retirement obligations	11,364	11,043	85,095
Contract liabilities	17,180	19,962	128,652
Tax loss carry-forward (Note 2)	6,565	16,998	49,161
Others	12,252	11,553	91,746
Sub-total	90,160	97,169	675,154
Valuation allowance for tax loss carry-forward (Note 2)	(6,293)	(14,673)	(47,125)
Valuation allowance for total of deductible temporary differences	(16,830)	(18,651)	(126,033)
Valuation allowance (Note 1)	(23,123)	(33,324)	(173,158)
Total deferred tax assets	67,037	63,845	501,996
Deferred tax liabilities:			
Unrealized gains on valuation of land	(1,315)	(1,310)	(9,850)
Loss recognized corresponding to asset retirement obligations	(5,414)	(5,645)	(40,542)
Others	(4,835)	(4,694)	(36,203)
Total deferred tax liabilities	(11,564)	(11,649)	(86,595)
Net deferred tax assets (Note 3)	¥ 55,473	¥ 52,196	$ 415,401

Notes: 1. Valuation allowance decreased by ¥10,201 million ($76,389 thousand). The decrease is mainly due to truncation of part of tax loss carry-forward relating to OTSUKA KAGU, LTD., as well as deduction of tax loss carry-forward assumed from OTSUKA KAGU, LTD. at YAMADA DENKI CO., LTD., the surviving company, as a result of absorption-type merger between YAMADA DENKI CO., LTD. and OTSUKA KAGU, LTD. in line with reorganization between consolidated subsidiaries.

2. The expiration of tax loss carry-forward and the resulting deferred tax assets as of March 31, 2023 and 2022 were as follows:

	Millions of yen						
	2023						
	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)	¥ 807	¥ 1,028	¥ 1,002	¥ 823	¥ 176	¥ 2,729	¥ 6,565
Valuation allowance	(804)	(976)	(973)	(812)	(176)	(2,552)	(6,293) (*2)
Deferred tax assets	3	52	29	11	-	177	272

	Thousands of U.S. dollars (Note 1)						
	2023						
	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)	$ 6,041	$ 7,696	$ 7,504	$ 6,161	$ 1,319	$ 20,440	$ 49,161
Valuation allowance	(6,017)	(7,307)	(7,284)	(6,083)	(1,319)	(19,115)	(47,125) (*2)
Deferred tax assets	24	389	220	78	-	1,325	2,036

	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

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

(*2) As of March 31, 2023, deferred tax assets of ¥272 million ($2,036 thousand) were recorded for tax loss carry-forward of ¥6,565 million ($49,161 thousand) (multiplied by the statutory income tax rate). This amount of deferred tax assets was recognized mainly for part of the balance of tax loss carry-forward of ¥176 million ($1,316 thousand) at YAMADA FINANCE SERVICE Co., Ltd. The tax loss carry-forward for which deferred tax assets were recorded resulted from an absorption-type merger with Best Credit Service Co., Ltd., a consolidated subsidiary, 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, 2022, deferred tax assets of ¥2,325 million were recorded for tax loss carry-forward of ¥16,998 million (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 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.

3. Net deferred tax assets (liabilities) were included in the following accounts in the consolidated balance sheets as of March 31, 2023 and 2022:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	*2023*
Investments and other assets – Deferred tax assets····	¥ 57,588	¥ 54,102	$ 431,241
Long-term liabilities – Other long-term liabilities·····	(2,115)	(1,906)	(15,840)

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, 2023 and 2022 were as follows:

	2023	2022
Statutory income tax rate	30.5%	30.5%
Per capita inhabitants taxes	2.2	1.5
Change in valuation allowance	(4.1)	0.8
Tax rate differences for net loss subsidiaries	1.5	0.8
Tax rate differences for consolidated subsidiaries	3.4	3.1
Entertainment and other non-deductible expenses	1.4	0.9
Effect of merger of subsidiaries	(9.0)	(7.6)
Effect of liquidation of consolidated subsidiaries	-	(5.2)
Others, net	0.1	0.0
Effective income tax rate	26.0	24.8

The Company and its certain domestic consolidated subsidiaries have applied the group tax sharing system from the year ended March 31, 2023. Moreover, they conduct the accounting treatment and disclosure of corporate and local income taxes as well as of the relevant tax effect accounting in conformity with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021).

19. CONTINGENT LIABILITIES

The Group was contingently liable for transferred accounts receivable of ¥15,151 million ($113,456 thousand) and ¥13,618 million to credit card companies as of March 31, 2023 and 2022, respectively.

The Group was contingently liable for the following guarantees of debt as of March 31, 2023 and 2022:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	*2023*
Guarantees of debt made to home buyers and the like	¥ 959	¥ 1,276	$ 7,180
Guarantees of debt made to employees ················	2	3	13

Receivables securitized through a self-created trust as of March 31, 2023 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Other current assets ···	¥ 2,997	$ 22,443
Guarantee deposits ··	12,284	91,990

The securitized receivables were accounted for as financial transactions, and the corresponding payables as of March 31, 2023 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current portion of long-term loans payable	¥ 2,846	$ 21,314
Long-term loans payable	11,827	88,565

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 and July 1, 2022.

Defined benefit plans

(1) Changes in retirement benefit obligations for the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	*2023*
Beginning balance	¥ 48,770	¥ 55,037	$ 365,212
Service costs	3,579	4,507	26,797
Interest cost	131	213	977
Actuarial gains and losses	586	571	4,391
Payment of benefit obligations	(1,354)	(2,169)	(10,137)
Prior service costs arising during the year	-	773	-
Increase due to new consolidation	167	-	1,247
Decrease due to exclusion of subsidiaries from consolidation	-	(163)	-
Decrease resulting from the termination of defined benefit plans	(11,113)	(9,998)	(83,220)
Others	(0)	(1)	(1)
Ending balance	¥ 40,766	¥ 48,770	$ 305,266

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

(2) Changes in pension assets for the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	*2023*
Beginning balance	¥ 19,036	¥ 26,269	$ 142,551
Expected return on pension assets	209	457	1,561
Actuarial gains and losses	(595)	167	(4,458)
Contributions paid by the employer	390	1,275	2,919
Retirement benefits paid	(279)	(1,149)	(2,085)
Decrease resulting from the termination of defined benefit plans	(10,754)	(7,983)	(80,529)
Ending balance	¥ 8,007	¥ 19,036	$ 59,959

(3) Reconciliation of retirement benefit obligations and pension assets and net defined benefit liability (asset) for the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	*2023*
Funded retirement benefit obligations	¥ 6,511	¥ 17,750	$ 48,751
Amount of pension assets	(8,007)	(19,036)	(59,959)
	(1,496)	(1,286)	(11,208)
Unfunded retirement benefit obligations	34,255	31,020	256,515
Total net defined benefit liability	¥ 32,759	¥ 29,734	$ 245,307
Net defined benefit liability	34,312	31,523	256,938
Net defined benefit asset	(1,553)	(1,789)	(11,631)
Total net defined benefit liability	¥ 32,759	¥ 29,734	$ 245,307

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, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	*2023*
Service costs (*)	¥ 3,579	¥ 4,507	$ 26,797
Interest cost	131	213	977
Expected return on pension assets	(209)	(457)	(1,561)
Amortization of actuarial differences	(110)	(394)	(823)
Amortization of prior service costs	127	38	953
Total net periodic retirement benefit costs	¥ 3,518	¥ 3,907	$ 26,343

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, 2023, in addition to the items above, gain on revision of retirement benefit plan of ¥893 million ($6,692 thousand) was recorded as other income following the integration of the defined benefit corporate pension plans of certain consolidated subsidiaries. In the year ended March 31, 2022, gain on revision of retirement benefit plan of ¥3,061 million 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, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	*2023*
Prior service costs	¥ 127	¥ (735)	$ 953
Actuarial gains and losses	(1,825)	(1,845)	(13,673)
Total	¥ (1,698)	¥ (2,580)	$ (12,720)

(6) Accumulated remeasurements of defined benefit plans for the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	*2023*
Unrealized prior service costs	¥ 537	¥ 664	$ 4,021
Unrealized actuarial gains and losses	1,357	(814)	10,159
Total	¥ 1,894	¥ (150)	$ 14,180

(7) Pension assets as of March 31, 2023 and 2022

(i) The percentages for each classification of total pension assets as of March 31, 2023 and 2022 were as follows:

	2023	2022
Bonds	17.4 %	12.8 %
Stocks	39.3	29.5
Cash and time deposits	-	8.1
General accounts	22.8	39.1
Others	20.5	10.5
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, 2023 and 2022

	2023	2022
Principal discount rate	0.30 %	0.30 %
Long-term expected rate of return on plan assets	2.00	2.00

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 ¥2,459 million ($18,417 thousand) and ¥1,756 million for the years ended March 31, 2023 and 2022, respectively.

Other

The effects of the transfer from a defined benefit corporate pension plan to a defined contribution pension plan as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	*2023*
Decrease in retirement benefit obligations	¥ 11,113	¥ 9,998	$ 83,220
Decrease in pension assets	(10,754)	(7,983)	(80,529)
Unrealized actuarial gains and losses	534	1,046	4,001
Total	¥ 893	¥ 3,061	$ 6,692

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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	*2023*
Beginning balance	¥ 35,815	¥ 35,570	$ 268,194
Increase due to purchase of property and equipment	245	313	1,838
Increase due to changes in estimate	7	233	55
Adjustments due to passage of time	447	427	3,351
Decrease due to implementation of asset retirement obligations	(216)	(748)	(1,618)
(Decrease) increase due to exchange translation of asset retirement obligations denominated in foreign currencies	37	20	277
Increase due to new consolidation	42	-	315
Effect of change from the simplified method to the principle method	374	-	2,798
Other (decrease) increase	116	-	867
Ending balance	¥ 36,867	¥ 35,815	$ 276,077

Asset Retirement Obligations Not Included in the Consolidated Balance Sheets

The Group may have contractual obligations for restoration at the moving out of certain retail stores, based on real estate lease contracts other than those related to fixed term land leasehold contracts for business purposes, etc. However, relevant asset retirement obligations have not been included in the consolidated balance sheets, because they could not be reasonably estimated due to uncertainty regarding the usage period of leased assets and/or the incurrence of expense, as well as the absence of a plan to move out in the future.

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, 2023, the shareholders approved cash dividends amounting to ¥8,499 million ($63,644 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2023 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, 2023 and 2022 were ¥244 million ($1,826 thousand) and ¥215 million, respectively.

The stock options existing during the years ended March 31, 2023 and 2022 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*	2,903 units	2,739 units	4,391 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 290,300 shares	Common stock 273,900 shares	Common stock 439,100 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	2022 Stock Option
Date of resolution	June 29, 2021	June 29, 2022
Persons granted	3 directors	5 directors
Number of options granted expressed in the number of shares by class of stock (*1) (*2)	Common stock 479,100 shares	Common stock 592,000 shares
Date of grant	July 14, 2021	July 14, 2022
Vesting condition	Not set	Not set
Service period covered	Not prescribed	Not prescribed
Exercise period*	From July 15, 2021 to July 14, 2051	From July 15, 2022 to July 14, 2052
Number of subscription rights to shares*	4,721 units	4,441 (5,429) units
Class, description and number of shares of stock to be allotted upon exercise of the subscription rights to shares (*3)*	Common stock 472,100 shares	Common stock 444,100 (542,900) shares
Subscription price to be paid upon exercise of each subscription right to shares*	¥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: ¥464 (*4)	Issue price: ¥427 (*4)
Exercise conditions*	(*5)	(*5)
Matters concerning the transfer of subscription rights to shares*	(*6)	(*6)
Matters concerning the allotment of subscription rights to shares in the event of reorganization*	(*7)	(*7)

* Information as of March 31, 2023. Figures as of May 31, 2023 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 a 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 above, from the maximum amount of increases in the capital, etc. set forth 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) 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, it 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 resolution of the General Meeting of Shareholders

The stock option activity expressed in the number of common stock for the year ended March 31, 2023 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, 2022 –				
Outstanding	-	-	-	-
Granted	-	-	-	-
Forfeited	-	-	-	-
Vested	-	-	-	-
March 31, 2023 –				
Outstanding	-	-	-	-
Vested				
March 31, 2022 –				
Outstanding	296,600	280,400	443,500	572,400
Vested	-	-	-	-
Exercised	6,300	6,500	4,400	-
Forfeited	-	-	-	-
March 31, 2023 –				
Outstanding	290,300	273,900	439,100	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	¥ 378	$ 2.83	¥ 378	$ 2.83	¥ 378	$ 2.83	¥ -	$ -
Fair value at the grant date	¥ 410.9	$ 3.08	¥ 291.0	$ 2.18	¥ 404.0	$ 3.03	¥ 452.0	$ 3.38

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, 2022 –				
Outstanding	-	-	-	-
Granted	-	-	-	-
Forfeited	-	-	-	-
Vested	-	-	-	-
March 31, 2023 –				
Outstanding	-	-	-	-
Vested				
March 31, 2022 –				
Outstanding	516,500	542,300	636,000	421,800
Vested	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
March 31, 2023 –				
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	¥ -	$ -	¥ -	$ -	¥ -	$ -	¥ -	$ -
Fair value at the grant date	¥ 442.0	$ 3.31	¥ 451.0	$ 3.38	¥ 388.0	$ 2.91	¥ 465.0	$ 3.48

Date of resolution	June 29, 2021	June 29, 2022
	(Shares)	(Shares)
Number of stock options expressed in the number of common stock:		
Non-vested		
March 31, 2022 –		
Outstanding	118,000	-
Granted	-	592,000
Forfeited	-	-
Vested	118,000	444,100
March 31, 2023 –		
Outstanding	-	147,900
Vested		
March 31, 2022 –		
Outstanding	354,100	-
Vested	118,000	444,100
Exercised	-	-
Forfeited	-	-
March 31, 2023 –		
Outstanding	472,100	444,100

	Yen	*U.S. dollars (Note 1)*	Yen	*U.S. dollars (Note 1)*
Price information:				
Exercise price	¥ 1	$ 0.01	¥ 1	$ 0.01
Average price at the exercise date	¥ -	$ -	¥ -	$ -
Fair value at the grant date	¥ 463.0	$ 3.47	¥ 426.0	$ 3.19

Notes: 1. Figures in the above table reflect a 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, 2023 is estimated using the Black-Scholes option pricing model with the assumptions noted in the following table:

	2022 compensation-type stock option
Volatility of stock price (*1)	28.088%
Estimated remaining outstanding period (*2)	4.0 years
Estimated dividend (*3)	¥18 per share
Risk-free interest rate (*4)	(0.036)%

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 year ended March 31, 2022.

(*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

From the year ended March 31, 2023, the furniture sales business, which was previously included in "Others," has been included in the "Electrical Business" due to the merging of subsidiaries. As a result of this change, disaggregation of revenue from contracts with customers for the year ended March 31, 2022 has been prepared based on the reportable segment classification for the year ended March 31, 2023.

	Millions of yen						
	2023						
	Reportable segments					Others (Note)	Total
	Electrical Business	Housing Business	Financial Business	Environment Business	Total		
Home electrical appliances & Home information appliances	1,122,119	-	-	12,928	1,135,047	10,281	1,145,328
Housing..............................	57,828	265,572	497	-	323,897	8,606	332,503
Others.................................	113,731	-	767	4,441	118,939	1,777	120,716
Revenue from contracts with customers	1,293,678	265,572	1,264	17,369	1,577,883	20,664	1,598,547
Revenue from other sources	-	1,350	690	-	2,040	-	2,040
Sales to external customers	1,293,678	266,922	1,954	17,369	1,579,923	20,664	1,600,587

	Thousands of U.S. dollars (Note 1)						
	2023						
	Reportable segments					*Others (Note)*	*Total*
	Electrical Business	*Housing Business*	*Financial Business*	*Environment Business*	*Total*		
Home electrical appliances & Home information appliances	8,402,870	-	-	96,810	8,499,680	76,983	8,576,663
Housing..............................	433,041	1,988,708	3,724	-	2,425,473	64,444	2,489,917
Others.................................	851,662	-	5,744	33,254	890,660	13,309	903,969
Revenue from contracts with customers	9,687,573	1,988,708	9,468	130,064	11,815,813	154,736	11,970,549
Revenue from other sources	-	10,108	5,166	-	15,274	-	15,274
Sales to external customers	9,687,573	1,998,816	14,634	130,064	11,831,087	154,736	11,985,823

	Millions of yen						
	2022						
	Reportable segments					Others (Note)	Total
	Electrical Business	Housing Business	Financial Business	Environment Business	Total		
Home electrical appliances & Home information appliances	1,117,502	-	-	10,724	1,128,226	14,680	1,142,906
Housing..............................	48,045	262,000	476	-	310,521	8,532	319,053
Others.................................	147,383	-	914	3,891	152,188	3,384	155,572
Revenue from contracts with customers	1,312,930	262,000	1,390	14,615	1,590,935	26,596	1,617,531
Revenue from other sources	-	1,084	764	-	1,848	-	1,848
Sales to external customers	1,312,930	263,084	2,154	14,615	1,592,783	26,596	1,619,379

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)
	2023	2022	*2023*
Receivables from contracts with customers (beginning balance)			
Notes receivable-trade	¥ 4,647	¥ 3,850	$ 34,801
Accounts receivable-trade	68,753	69,111	514,852
Notes and accounts receivable-completed construction contracts	909	924	6,807
Receivables from contracts with customers (ending balance)			
Notes receivable-trade	¥ 4,832	¥ 4,647	$ 36,185
Accounts receivable-trade	68,821	68,753	515,360
Notes and accounts receivable-completed construction contracts	1,819	909	13,625
Contract assets (beginning balance)	¥ 1,470	¥ 1,126	$ 11,006
Contract assets (ending balance)	1,315	1,470	9,848
Contract liabilities (beginning balance)	¥ 93,590	¥ 92,583	$ 700,842
Contract liabilities (ending balance)	81,751	93,590	612,181

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, 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, 2023 that was included in the contract liability balance at the beginning of the year was ¥57,728 million ($432,289 thousand).

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.

The amount of revenue recognized in the years ended March 31, 2023 and 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 when the Group expects to recognize the amount as revenue are as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2023	2022	*2023*
Within one year	¥ 14,655	¥ 14,914	$ 109,739
Over one year within two years	11,935	12,835	89,374
Over two years within three years	7,783	8,602	58,282
Over three years within four years	4,783	5,253	35,819
Over four years within five years	2,837	3,033	21,243
Over five years	3,761	4,119	28,166
Total	¥ 45,754	¥ 48,756	$ 342,623

26. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The major components of "selling, general and administrative expenses" for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2023	2022	*2023*
Advertising	¥ 21,628	¥ 22,598	$ 161,962
Salaries	117,876	119,359	882,700
Rent expenses	74,637	72,990	558,909
Depreciation	21,608	21,775	161,813
Others	168,956	162,535	1,265,209
Total	¥ 404,705	¥ 399,257	$ 3,030,593

Total research and development expenses included in general and administrative expenses were ¥320 million ($2,395 thousand) and ¥351 million for the years ended March 31, 2023 and 2022, respectively.

27. OTHER INCOME (EXPENSES)

Loss on disaster of ¥321 million ($2,404 thousand) for the year ended March 31, 2023 was mainly loss related to damage from the heavy rain in August 2022 and the Typhoon No. 14 in September 2022. Loss on disaster of ¥1,345 million for the year ended March 31, 2022 was mainly loss related to damage from the 2022 Fukushima earthquake which occurred in March 2022.

"Others, net" in "other income (expenses)" in the consolidated statements of income for the years ended March 31, 2023 and 2022 included the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	*2023*
Sales of electric power	1,909	1,905	14,294
Cost of sales of electric power	(773)	(776)	(5,788)
Gain on sale of non-current assets	71	30	531
Loss on disposal of non-current assets	(269)	(617)	(2,011)
Gain on sale of investment securities	243	216	1,817
Gain on sale of shares of subsidiaries and associates	-	191	-
Others, net	2,645	4,515	19,802
Total	¥ 3,826	¥ 5,464	$ 28,645

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)
	2023	2022	*2023*
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ (981)	¥ 366	$ (7,341)
Reclassification adjustments	(211)	(214)	(1,583)
Valuation difference on available-for-sale securities before related tax effect	(1,192)	152	(8,924)
Related tax effect	88	(24)	661
Valuation difference on available-for-sale securities, net of taxes	(1,104)	128	(8,263)
Foreign currency translation adjustments:			
Amount arising during the year	540	367	4,043
Reclassification adjustments	-	397	-
Foreign currency translation adjustments before related tax effect	540	764	4,043
Related tax effect	-	-	-
Foreign currency translation adjustments, net of taxes	540	764	4,043
Remeasurements of defined benefit plans:			
Amount arising during the year	(1,181)	(1,177)	(8,849)
Reclassification adjustments	(517)	(1,403)	(3,871)
Remeasurements of defined benefit plans before related tax effect	(1,698)	(2,580)	(12,720)
Related tax effect	376	497	2,819
Remeasurements of defined benefit plans, net of tax	(1,322)	(2,083)	(9,901)
Share of other comprehensive loss of associates accounted for using equity method:			
Amount arising during the year	(2)	(4)	(17)
Reclassification adjustments	-	-	-
Share of other comprehensive loss of associates accounted for using equity method	(2)	(4)	(17)
Total other comprehensive income (loss)	¥ (1,888)	¥ (1,195)	$ (14,138)

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.

From the year ended March 31, 2023, the furniture sales business, which was previously included in "Others," has been included in the "Electrical Business" due to the merging of subsidiaries. As a result of this change, segment information for the year ended March 31, 2022 has been prepared based on the reportable segment classification for the year ended March 31, 2023.

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				
	2023				
	Reportable segments				
	Electrical Business	Housing Business	Financial Business	Environment Business	Total
Net sales					
Sales to external customers	¥ 1,293,678	¥ 266,922	¥ 1,954	¥ 17,369	¥ 1,579,923
Intersegment sales	17,217	5,439	525	14,435	37,616
Total	¥ 1,310,895	¥ 272,361	¥ 2,479	¥ 31,804	¥ 1,617,539
Segment profit (loss)	¥ 31,817	¥ 8,576	¥ 283	¥ 1,490	¥ 42,166
Segment assets	986,280	167,313	51,723	20,468	1,225,784
Other items					
Depreciation	20,472	3,107	[illegible]	287	23,892
Amortization of goodwill	-	504		-	504
Impairment losses	4,327	2,082		-	6,409
Increase in property and equipment and intangible assets	24,517	3,711	1	791	29,032

	Millions of yen			
	2023			
	Others (Note 1)	Total	Adjusted amounts (Notes 2, 3)	Amount recorded in consolidated financial statements (Note 4)
Net sales				
Sales to external customers	¥ 20,664	¥ 1,600,587	¥ -	¥ 1,600,587
Intersegment sales	11,863	49,479	(49,479)	-
Total	¥ 32,527	¥ 1,650,066	¥ (49,479)	¥ 1,600,587
Segment profit (loss)	¥ 1,065	¥ 43,231	¥ 835	¥ 44,066
Segment assets	10,321	1,236,105	35,076	1,271,181
Other items				
Depreciation	41	23,933	688	24,621
Amortization of goodwill	-	504	-	504
Impairment losses	2	6,411	35	6,446
Increase in property and equipment and intangible assets	9	29,041	-	29,041

	Thousands of U.S. dollars (Note 1)									
	2023									
	Reportable segments									
		Electrical Business		*Housing Business*		*Financial Business*		*Environment Business*		*Total*
Net sales										
Sales to external customers .	$	9,687,573	$	1,998,816	$	14,634	$	130,064	$	11,831,087
Intersegment sales...............		128,928		40,727		3,930		108,096		281,681
Total	$	9,816,501	$	2,039,543	$	18,564	$	238,160	$	12,112,768
Segment profit (loss).............	$	238,255	$	64,222	$	2,123	$	11,155	$	315,755
Segment assets		7,385,651		1,252,909		387,321		153,270		9,179,151
Other items										
Depreciation........................		153,301		23,272		194		2,149		178,916
Amortization of goodwill....		-		3,777				-		3,777
Impairment losses		32,403		15,589				-		47,992
Increase in property and equipment and intangible assets		183,591		27,795		9		5,922		217,405

	Thousands of U.S. dollars (Note 1)						
	2023						
		Others (Note 1)		*Total*		*Adjusted amounts (Notes 2, 3)*	*Amount recorded in consolidated financial statements (Note 4)*
Net sales							
Sales to external customers .	$	154,736	$	11,985,823	$	-	$ 11,985,823
Intersegment sales...............		88,839		370,520		(370,520)	-
Total	$	243,575	$	12,356,343	$	(370,520)	$ 11,985,823
Segment profit (loss).............	$	7,976	$	323,731	$	6,253	$ 329,984
Segment assets		77,292		9,256,443		262,661	9,519,104
Other items							
Depreciation........................		303		179,219		5,155	184,374
Amortization of goodwill....		-		3,777		-	3,777
Impairment losses		18		48,010		259	48,269
Increase in property and equipment and intangible assets		68		217,473		-	217,473

Notes:

1. The “others” category includes other business segment not included in reportable segments.
2. The adjusted amounts of segment assets amounting to ¥35,076 million ($262,661 thousand) resulted from corporate assets of ¥47,543 million ($356,019 thousand) that have not been allocated to segments and elimination of intersegment transactions of ¥(12,467) million ($(93,358) thousand).
3. The adjusted amounts of segment profit amounting to ¥835 million ($6,253 thousand) resulted mainly from elimination of intersegment transactions.
4. Segment profit is adjusted with operating profit in the consolidated statements of income.
5. Increase in property and equipment and intangible assets includes security deposits and construction assistance fund receivables (“Guarantee deposits” in investments and other assets).

	Millions of yen				
	2022				
	Reportable segments				
	Electrical Business	Housing Business	Financial Business	Environment Business	Total
Net sales					
Sales to external customers	¥ 1,312,930	¥ 263,084	¥ 2,154	¥ 14,615	¥ 1,592,783
Intersegment sales	25,860	5,147	293	13,878	45,178
Total	¥ 1,338,790	¥ 268,231	¥ 2,447	¥ 28,493	¥ 1,637,961
Segment profit (loss)	¥ 55,152	¥ 7,362	¥ 429	¥ 1,229	¥ 64,172
Segment assets	1,023,464	146,878	38,474	15,107	1,223,923
Other items					
Depreciation	19,608	3,226	3	122	22,993
Amortization of goodwill	-	742		-	742
Impairment losses	3,697	221		-	3,918
Increase in property and equipment and intangible assets	27,664	4,867		1,694	34,229

	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	¥ 26,596	¥ 1,619,379	¥ -	¥ 1,619,379
Intersegment sales	9,094	54,272	(54,272)	-
Total	¥ 35,690	¥ 1,673,651	¥ (54,272)	¥ 1,619,379
Segment profit (loss)	¥ 1,308	¥ 65,480	¥ 224	¥ 65,704
Segment assets	11,400	1,235,323	36,345	1,271,668
Other items				
Depreciation	52	23,045	641	23,686
Amortization of goodwill	-	742	-	742
Impairment losses	-	3,918	44	3,962
Increase in property and equipment and intangible assets	35	34,264	-	34,264

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 resulted from corporate assets of ¥47,093 million that have not been allocated to segments and elimination of intersegment transactions of ¥(10,748) million.
3. The adjusted amounts of segment profit amounting to ¥224 million resulted mainly from elimination of intersegment transactions.
4. Segment profit is adjusted with operating profit in the consolidated statements of income.
5. Increase in property and equipment and intangible assets includes security deposits and construction assistance fund receivables (“Guarantee deposits” in investments and other assets).

- Supplemental Information on Reportable Segment

Information about products and services for the years ended March 31, 2023 and 2022 is as follows:

	Millions of yen			
	2023			
	Home electrical appliances & Home information appliances	Housing	Other	Total
Sales to external customers ·····	¥ 1,145,328	¥ 332,503	¥ 122,756	¥ 1,600,587

	Thousands of U.S. dollars (Note 1)			
	2023			
	Home electrical appliances & Home information appliances	*Housing*	*Other*	*Total*
Sales to external customers ·····	$ 8,576,663	$ 2,489,917	$ 919,243	$ 11,985,823

	Millions of yen			
	2022			
	Home electrical appliances & Home information appliances	Housing	Other	Total
Sales to external customers ·····	¥ 1,142,906	¥ 319,053	¥ 157,420	¥ 1,619,379

Information about geographic area for the years ended March 31, 2023 and 2022 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, 2023 and 2022 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, 2023 and 2022 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							
	2023							
	Reportable segments					Others	Corporate/ elimination	Total
	Electrical Business	Housing Business	Financial Business	Environment Business	Total			
Amortization	¥ -	¥ 504	¥ -	¥ -	¥ 504	¥ -	¥ -	¥ 504
Unamortized balance.....	-	1,299	2,423	-	3,722	-	-	3,722

	Thousands of U.S. dollars (Note 1)							
	2023							
	Reportable segments					*Others*	*Corporate/ elimination*	*Total*
	Electrical Business	*Housing Business*	*Financial Business*	*Environment Business*	*Total*			
Amortization	$ -	$ 3,777	$ -	$ -	$ 3,777	$ -	$ -	$ 3,777
Unamortized balance.....	-	9,726	18,141	-	27,867	-	-	27,867

Notes: 1. Impairment loss of ¥874 million ($6,544 thousand) was recorded on goodwill attributable to the “Housing Business.”

2. Unamortized balance of the “Financial Business” includes the provisionally determined amount of goodwill generated from a business combination through acquisition in the year ended March 31, 2023 for which the allocation of acquisition cost has not yet been completed.

	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

- **Information about Gain on Negative Goodwill**

For the year ended March 31, 2023

Not applicable.

For the year ended March 31, 2022

Not applicable.

30. RELATED PARTIES

Significant balances with related parties as of March 31, 2023 and 2022 and related transactions for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	*2023*
Balances of the Company:			
Tecc Planning Co., Ltd., 100% directly owned by Noboru Yamada, Representative Director, Chairperson and President CEO, and his relatives:			
Prepaid expense (prepaid rent)	¥ 77	¥ 77	$ 575
Guarantee deposits (due within one year)	89	89	669
Guarantee deposits	1,412	1,502	10,575
Principal transactions of the Company:			
Tecc Planning Co., Ltd., 100% directly owned by Noboru Yamada, Representative Director, Chairperson and President CEO, and his relatives:			
Payment of company house rent and lease and guarantee deposit	842	939	6,307
Balances of the Company's consolidated subsidiary:			
Katsuhisa Otsuka, a relative of the Company's significant subsidiary's officer:			
Guarantee deposits received	¥ 37	¥ 37	$ 277
Principal transactions of the Company's consolidated subsidiaries:			
Katsuhisa Otsuka, a relative of the Company's significant subsidiary's officer:			
Land leasing	0	1	1
Tecc Planning Co., Ltd., 100% directly owned by Noboru Yamada, Representative Director, Chairperson and President CEO, and his relatives:			
Trading of land and buildings	-	1,234	-
Relative of Toru Makino, representative director and president of Cosmos Berry's Co., Ltd.:			
Contracted housing construction	30	-	227
Kabushiki Kaisha Sakura Jisho, real estate leasing business:			
Trading of land and buildings	250	-	1,875

31. SUBSEQUENT EVENTS

Merger between subsidiaries

Hinokiya Group Co., Ltd. (hereinafter referred to as "Hinokiya Group"), a consolidated subsidiary of the Company, and Hinokiya Juutaku Co., Ltd., PaPamaru House Co., Ltd., Hinokiya Resco Co., Ltd., Japan Housing Solution Co., Ltd., Maisumai Co., Ltd., and Hinokiya Reforming Co., Ltd. (hereinafter referred to as the "Six Subsidiaries") resolved at the General Meeting of Shareholders for Approval of Merger held on March 16, 2023 by each company to conduct an absorption-type merger with an effective date of July 1, 2023, whereby Hinokiya Group is a surviving company and the Six Subsidiaries are dissolving companies.

1. Summary of business combination

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

Name of surviving company:	Hinokiya Group Co., Ltd.
Description of business:	Holding company
Name of dissolved companies:	Hinokiya Juutaku Co., Ltd. PaPamaru House Co., Ltd. Hinokiya Resco Co., Ltd. Japan Housing Solution Co., Ltd. Maisumai Co., Ltd. Hinokiya Reforming Co., Ltd.
Description of business:	Contracted services for custom-built houses and detached house sales business (Hinokiya Juutaku Co., Ltd., PaPamaru House Co., Ltd., and Hinokiya Resco Co., Ltd.) “Z Air Conditioning” system sales, residential franchise business, etc. (Japan Housing Solution Co., Ltd.) Real estate brokerage, etc. (Maisumai Co., Ltd.) Residential remodeling and contracted external work (Hinokiya Reforming Co., Ltd.)

(2) Purpose of business combination

Hinokiya Group and the Six Subsidiaries will concentrate management resources and streamline operations in the entire group, aiming to achieve stable revenue and enhance corporate value.

(3) Date of business combination

July 1, 2023

(4) Legal form of business combination

An absorption-type merger, whereby Hinokiya Group is the surviving company and the Six Subsidiaries are the dissolving companies

(5) Name of the company after business combination

Hinokiya Group Co., Ltd.

2. Summary of accounting applied

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

* * * * * *

Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of YAMADA HOLDINGS CO., LTD. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2023 and 2022, 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Appropriateness of the Group's judgment as to whether an impairment loss should be recognized on the long-lived assets of stores	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 3. "SIGNIFICANT ACCOUNTING ESTIMATES, Recognition of impartment loss on property and equipment at stores" to the consolidated financial statements, the Group recognized property and equipment of ¥405,109 million related to	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**

the electrical business in the consolidated balance sheets as at March 31, 2023, accounting for 31.9% of total assets. In the consolidated statements of income, impairment losses on the long-lived assets of ¥6,446 million were recognized. Included therein were ¥4,327 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 market trends. 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 included in the future cash flows, some of the stores adopted estimates based on an appraisal value acquired from a real estate appraiser. The estimates required the judgment of experts. We, therefore, determined that our	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 market conditions adjustment of the appraisal values as at the appraisal date to values as at March 31, 2023, which were used as the basis for the net selling price included in the future cash flows.

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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 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 25, 2023

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.