Financial Report 2024

Fiscal year ended March 31, 2024

YAMADA HOLDINGS CO., LTD.

1-1, Sakae-cho, Takasaki-shi,

Gunma 370-0841 Japan

TABLE OF CONTENTS

OVERVIEW OF OPERATIONS
YAMADA HOLDINGS CO., LTD. and Consolidated Subsidiaries
March 31, 2024

1. KEY INFORMATION

	Millions of yen, unless otherwise noted					*Thousands of U.S. dollars, unless otherwise noted (Note 4)*
	As of and year ended March 31					
	2020	2021	2022	2023 (Note 2)	2024	2024
Net sales (Note 1)	1,611,538	1,752,506	1,619,379	1,600,587	1,592,010	10,515,254
Ordinary profit	46,075	98,876	74,137	50,065	47,037	310,681
Profit attributable to owners of parent	24,604	51,799	50,556	31,825	24,055	158,884
Comprehensive income	22,549	53,443	51,087	30,355	29,109	192,262
Net assets	645,166	672,545	676,278	611,776	624,175	4,122,687
Total assets	1,163,494	1,252,600	1,271,668	1,271,181	1,288,995	8,513,836
Net assets per share (yen) (Note 3)	721.37	792.26	785.50	853.67	892.39	5.89 *(dollars)*
Basic earnings per share (yen) (Note 3)	28.38	62.82	60.96	40.25	34.78	0.23 *(dollars)*
Diluted earnings per share (yen) (Note 3)	27.01	62.53	60.67	40.02	34.53	0.23 *(dollars)*
Equity ratio (%)	54.6	51.8	51.6	47.6	47.8	
Return on equity (%)	4.0	8.1	7.9	5.0	3.9	
Price earnings ratio (times)	15.19	9.50	6.23	11.33	12.68	
Cash flows from operating activities	62,434	122,281	21,085	43,741	54,559	360,365
Cash flows from investing activities	(8,235)	(14,778)	(22,266)	(25,209)	(21,912)	(144,729)
Cash flows from financing activities	(58,091)	(82,837)	(16,647)	(29,454)	(25,592)	(169,040)
Cash and cash equivalents at end of year	48,399	73,760	56,470	46,487	54,351	358,986
Employees (persons)	19,985	24,300	22,951	25,284	25,526	
[Average number of temporary employees not included in the above number (persons)]	[9,496]	[9,258]	[8,441]	[6,148]	[6,262]	

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, 2022 and thereafter are those after applying the accounting standard and relevant revised ASBJ regulations.
2. During the fiscal year ended March 31, 2024, the Company finalized the provisional accounting treatment for the business combination, and the relevant key management indicators for the fiscal year ended March 31, 2023 reflect the finalization of the provisional accounting treatment.

3. The Company introduced the "YAMADA HOLDINGS Employee Shareholding Association Trust Account" in the fiscal year ended March 31, 2024. The Company's shares remaining in the "YAMADA HOLDINGS Employee Shareholding Association Trust Account" are included in the treasury stock deduction in the calculation of the average number of shares during the period for the purpose of calculating "net assets per share," "basic earnings per share" and "diluted earnings per share."
4. For the convenience of readers outside Japan, U.S. dollar amounts have been converted from yen using the prevailing exchange rate at March 31, 2024, which was ¥151.40 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 Company will promote five priority measures under the “Total-Living (Kurashi-Marugoto)” strategy: “active development of area stores by business category with LIFE SELECT as the core,” “strengthening our e-commerce,” “active development of SPA products,” “strengthening complete proposals of Total-Living (Kurashi-Marugoto) through YAMADA Smart House,” and promote measures to “achieve targets by setting goals for issues by each operating company.” In addition, the Group is promoting ESG and sustainability management, and will advance greater efforts than ever to build a recycling-oriented society and invest in human capital.

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, 2025, while personal consumption is expected to continue to increase moderately due to improved sentiment and recovery in socioeconomic activities against the backdrop of higher wage growth, etc., the outlook for Japan’s economy remains uncertain due to the yen’s depreciation caused by the monetary policies of Japan and the United States, as well as soaring energy prices associated with geopolitical risks, among others, and vigilance should be exercised.

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 under the aforementioned medium- to long-term management strategy.

Electrical Business

(1) Expand market share by developing area stores with LIFE SELECT stores as the core, (2) improve profitability by maintaining an optimized pricing strategy, (3) expand the e-commerce business by utilizing the most of our group infrastructure, (4) improve the product profit ratio by expanding SPA products and

50th anniversary commemorative models, (5) expand the growth businesses of renovation and furniture and home interiors, (6) improve merchandise turnover by optimizing inventory management and reforming the balance sheet, and (7) strengthen human resource development by assigning person in charge of 12 branch training and education.

In addition, as part of review of the cost structure, we will work to improve productivity and business efficiency by making use of the Company's unique infrastructure, such as by streamlining our logistics bases and reforming logistics costs in response to the 2024 problem, and by optimizing personnel allocation through store consolidation and streamlining, shifting sales promotion to digital by strengthening acquisition of digital members, and optimizing and maximizing measures through the use of DX.

Housing Business

We will promote the following initiatives: (1) strengthen our sales structure by actively hiring new personnel, (2) promote the use of DX to shorten and level the period between receiving orders and starting construction, (3) expand custom-built and built-for-sale housing through a strategy of selling subdivided and detached houses with land, (4) expand sales of smart houses and introduce and strengthen sales promotion of home electrical appliances and furniture, (5) expand second-hand home purchase and resale business, and (6) strengthen our connections with real estate agents and utilize Group management resources, such as "Housing Consultation Counters" that leverage the Yamada Denki network.

Financial Business

We will work on the following: (1) further product revision of YAMADA NEOBANK housing loans and collaboration with home appliance, furniture and interiors, and renovation sales schemes, (2) expansion of house card LABI Card business and contribution to the construction of big data, and (3) development and sales of various insurance products that have high affinity with the Company.

In addition, we will continue to develop and propose various financial products (loans, payment services, and various types of insurance) from the customer's perspective that can serve as a driving force for the expansion of our "Total-Living (Kurashi-Marugoto)" strategy.

Environment Business

The Group will promote a self-contained group-wide resource and environment system, including: (1) strengthening the production system for reused products by establishing a reuse and recycling system, including strengthening the purchase of home appliances and building a new reuse plant (CIC Yamaguchi Plant: construction to start in 2024), and (2) starting construction of an energy plant (waste incineration power generation facility: scheduled to start operation in 2026), among others.

Under these circumstances and measures, for the fiscal year ending March 31, 2025, the Company forecasts net sales of ¥1,665,000 million, up 4.6% year on year, operating profit of ¥48,200 million, up 16.2% year on year, ordinary profit of ¥53,200 million, up 13.1% year on year, and profit attributable to owners of parent of ¥28,200 million, up 17.2% 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.

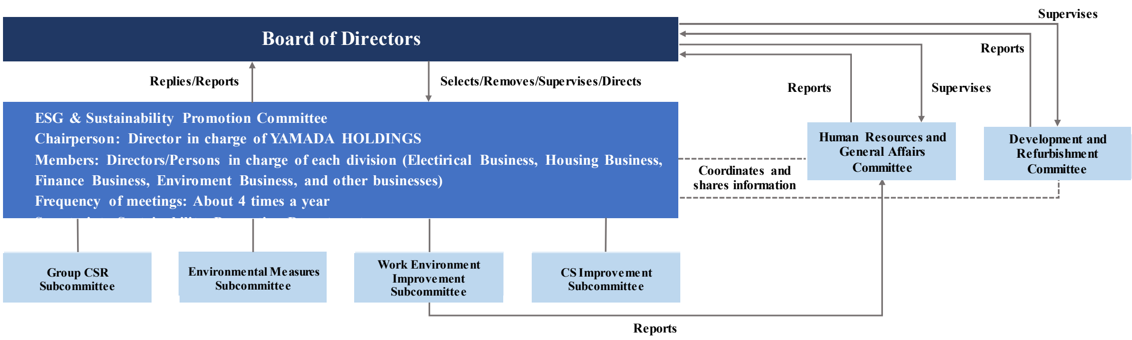
(1) Basic Policy

The Group’s 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.

■ Governance

The 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 is chaired by the director in charge and is attended by directors, persons in charge of each business department and persons in charge of relevant departments. The committee deliberates on important matters and reports and submits reports to the Board of Directors. The committee met twice in the fiscal year ended March 31, 2024. 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. 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 Human Resources and General Affairs Committee.

ESG & Sustainability Promotion System Chart



■ Strategy

The Group, centered around YAMADA DENKI CO., LTD., which sells home appliance, is expanding into housing, finance, and environmental businesses. We are developing the “Total-Living (Kurashi-Marugoto)” strategy to support total living in comfort. A sustainability perspective is essential to the realization of this strategy, which involves addressing environmental issues such as climate change, providing comfortable living spaces in communities facing aging and declining populations, and creating a working environment where employees are motivated and play an active role in their work. From a sustainability perspective, we have identified the following three priority issues. We will continue to regularly review risks and opportunities in light of trends in the socioeconomic environment, regulations and policies, and carry out business activities that contribute to solving these issues.

<SDG priority issues>

(1) Build a circular economy and protect the global environment

By reusing and recycling second-hand home appliances and PCs, we will contribute to the formation of a circular economy and will focus our efforts on using renewable energy as well as developing and selling environmentally friendly products.

(2) Develop employees and improve the work environment

We believe that people are the most important element in our business operations. As such, we will develop our employees, promote diversity, and build a work environment that maintains a good work-life balance to achieve sustainable business development.

(3) Provide comfortable living space and establish a social system

By offering not only home electrical appliances, furniture and interior reforms, but also a "Total-Living (Kurashi-Marugoto)" package, we will become a necessary part of society and realize the YAMADA HOLDING Group that supports customers' "Housings."

■ Risk management

The Group recognizes that sustainability-related risks are a major risk to the sustainability of its business, and regularly reviews these risks, while each sector manages them. Sustainability-related risks are incorporated into the overall risk management system, are deliberated by the Risk Management Committee and the ESG & Sustainability Promotion Committee, and are discussed by the Management Meetings and the Board of Directors. For high-priority risks, measures are considered by each subcommittee and implemented by the relevant departments, and progress is monitored to manage the risks.

■ Metrics and targets

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

Priority Issue *1	KPI	Targets and target year	Results (fiscal year ended March 31, 2023)	Results (fiscal year ended March 31, 2024)
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	+1.59% YoY
	CO_2 emissions from electricity use per floor area	Down 10.2% YoY (every year)	-13.4% YoY	-1.1% YoY
	Medium-term target for reducing CO_2 emissions regarding Scope 1 and Scope 2	Base year: fiscal year ended March 31, 2021 Target year: fiscal year ending March 31, 2031 42% reduction	283.9 kt-CO_2 -9.6% compared to fiscal year ended March 31, 2021	279.1 kt-CO_2 -11.1% compared to fiscal year ended March 31, 2021

Priority Issue *1	KPI	Targets and target year	Results (fiscal year ended March 31, 2023)	Results (fiscal year ended March 31, 2024)
	Ratio of sales volume of energy-saving home appliances (with an energy efficiency standards achievement rate of at least 100%) (televisions, refrigerators, and air conditioners)	Increase on previous fiscal year (every year)	Composition ratio: 40.8%	Composition ratio: 42.8% +2.0% YoY
	Sales amount of YAMADA GREEN certified products	Increase on previous fiscal year (every year)	Sales amount: ¥3,730 million	Sales amount: ¥3,843 million +3.0% YoY
	Sales amount of disaster preparation products (emergency supplies, portable power sources, etc.)	Increase on previous fiscal year (every year)	Sales amount: ¥1,534 million	Sales amount: ¥1,988 million +29.6% YoY
	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	119,727 units
	Reuse of computers	422,300 units (fiscal year ending March 31, 2025)	408,312 units	405,025 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	0.98
	Long working hours	Percentage of companies that reduced overtime hours Increase on previous fiscal year (every year)	Percentage of companies that reduced overtime hours from the previous year 60.0%	Percentage of companies that reduced overtime hours from the previous year 70.4% +10.4% YoY
	Percentage of employees taking paid leave	80% (fiscal year ending March 31, 2031)	56.9%	64.0%
	Ratio of female managers	10% or more (fiscal year ending March 31, 2031)	3.6%	3.6%
	Percentage of female and male employees taking childcare leave	[Female] Maintain at 100% [Male] 80% or more (fiscal year ending March 31, 2029) *3	[Female] 119.2% [Male] 14.3%	[Female] 100.8% [Male] 32.5%
	Employee satisfaction surveys	Overall rating of [A] (fiscal year ending March 31, 2031) *4	Overall rating of [B]	Overall rating of [B]
	Average number of training hours per employee	30 hours or more/year (fiscal year ending March 31, 2031)	19 hours/year	25 hours/year
	Percentage of health checkups taken	100% (fiscal year ending March 31, 2031)	97.9%	95.9%

Priority Issue *1	KPI	Targets and target year	Results (fiscal year ended March 31, 2023)	Results (fiscal year ended March 31, 2024)
	Percentage of stress tests taken	100% (fiscal year ending March 31, 2031)	93.2%	96.1%
Offer comfortable living spaces and establish social systems	ZEH rate	50% (fiscal year ending March 31, 2031)	27%	41%
	Shipment of solar panels	50,000 (fiscal year ending March 31, 2031)	28,960	33,054

*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 Target: YAMADA HOLDINGS and YAMADA DENKI

*4 Target: YAMADA HOLDINGS, YAMADA DENKI, YAMADA FINANCE SERVICE Co., Ltd., CIC Corporation, INVERSENET INC., YAMADA HOMES CO., LTD., Hinokiya Group Co., Ltd., Housetec Inc., Chubu Nikka Service Co., Ltd., and Nikka Maintenance Co., Ltd.

(2) Climate Change Initiatives and TCFD

i) On responses toward climate change

The Group recognizes that tackling climate change is one of the most important issues in realizing a sustainable society. In order to promote the reduction of CO_2 emissions in all of our business activities, we strive to better disclose information related to climate change in line with the TCFD recommendations, and are also working on measures through our business activities. Specifically, to promote the reduction of CO_2 emissions from our business activities, we are promoting replacement with energy-saving home appliances, switching to LED lighting in our offices and stores, using demand controllers to reduce electricity consumption, and utilizing renewable energy. When developing new stores, YAMADA DENKI aims to further reduce energy consumption by adopting single-story designs to eliminate escalators and elevators, improving thermal insulation by reducing the number of windows, and using LED lighting for store exteriors and signboards. In addition, we have obtained ISO 14001 certification primarily for our environmental segment, which focuses on recycling and reuse business. We are continuously making improvements by following the PDCA cycle in line with our environmental management system.

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

■ Governance

At the Group, 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. The ESG & Sustainability Promotion Committee makes decisions on important matters, and subcommittees established under the committee discuss the details of individual activities and monitor their progress and targets. To ensure that the Board of Directors can fully exercise its oversight function, the ESG & Sustainability Committee reviews priority issues, such as climate change risks and opportunities identified through scenario analysis, and reports to the Board of Directors on the status of risk responses and other matters.

■ Strategy

Based on the TCFD recommendations, the Group has analyzed and assessed climate change risks and opportunities by defining the scope of businesses, time horizons, and scenarios.

1) Premises of scenario analysis (fiscal year ended March 31, 2024)

Scenario	1.5°C scenario/4.0°C scenario
Scope	Electrical Business, Housing Business, and Environment Business (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. [Reference: IEA NZE 2050]

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. [Reference: IPCC RCP8.5]

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

	Environment around the YAMADA HOLDINGS Group	
	World in the +1.5°C scenario	World in the +4.0°C scenario
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

* Please visit our website for scenario analysis results at:
https://www.yamada-holdings.jp/lang-en/csr104.html

■ Risk management

Climate-related risks are regarded as one of the major risks that affect the Group's business and are integrated into the overall risk management process. For the assessment of long-term risks and opportunities, approximately every three years, the Sustainability Promotion Department conducts a detailed analysis of "changes in the external environment" such as political, economic, social, and competitive shifts associated with the transition to a decarbonized society, "physical changes" associated with the progress of global warming, the probability of their occurrence, and the financial impact if they materialize, in order to identify risks and opportunities. Risks and opportunities with a financial impact of more than ¥100 million on earnings are assessed as significant risks and opportunities for the Group after deliberation by the Risk Management Committee. Based on the assessed risks and opportunities, the Group revises its environmental policies and reflect the revisions in the identification and assessment of priority issues, major measures, and target setting.

With regard to the identification and assessment of short- and medium-term risks and opportunities, information on "changes in the external environment" and "physical changes" is collected throughout the fiscal year. After analyzing the appropriateness and achievement of targets in light of the response status of each sector and Group company, the materiality is reassessed. If a significant revision occurs, it is discussed, identified, and assessed by the ESG & Sustainability Promotion Committee. The content of discussions at the ESG & Sustainability Promotion Committee is reported to the Board of Directors.

■ Metrics and targets

The Group has set a goal of reducing greenhouse gas emissions in Scope 1 and 2 by 42% by the fiscal year ending March 31, 2031, compared to the fiscal year ended March 31, 2021. We will further promote energy conservation efforts at our stores, with a focus on reducing electricity consumption at YAMADA DENKI stores, which account for the majority of Scope 1 and 2 emissions. We will also strive to reduce Scope 3 emissions by setting targets for each of the following items.

KPI	Target	Results (fiscal year ended March 31, 2023)	Results (fiscal year ended March 31, 2024)
Scope 1 and Scope 2	Base year: fiscal year ended March 31, 2021 Target year: fiscal year ending March 31, 2031 42% reduction	283.9 kt-CO_2 -9.6% compared to fiscal year ended March 31, 2021	279.1 kt-CO_2 -11.1% compared to fiscal year ended March 31, 2021
Ratio of sales volume of energy-saving home appliances (with an energy efficiency standards achievement rate of at least 100%) (televisions, refrigerators, and air conditioners)	Increase on previous fiscal year (every year)	Composition ratio: 40.8%	Composition ratio: 42.8% +2.0% YoY
Sales amount of YAMADA GREEN certified products	Increase on previous fiscal year (every year)	Sales amount: ¥3,730 million	Sales amount: ¥3,843 million +3.0% YoY
Sales amount of disaster preparation products (emergency supplies, portable power sources, etc.)	Increase on previous fiscal year (every year)	Sales amount: ¥1,534 million	Sales amount: ¥1,988 million +29.6% YoY
Percentage of renewable energy out of total power consumption	Increase on previous fiscal year (every year)	+0.13% YoY	+1.59% YoY
CO_2 emissions from electricity use per floor area	Down 10.2% YoY (every year)	-13.4% YoY	-1.1% YoY
ZEH rate	50% (fiscal year ending March 31, 2031)	27%	41%
Shipment of solar panels	50,000 (fiscal year ending March 31, 2031)	28,960	33,054

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 (fiscal year ended March 31, 2024)

Scope	Calculation method	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Unit
Scope 1 Direct emissions from the business itself	Multiplying the quantity of fuels used by the emission factors	52.6	48.4	kt-CO_2
Scope 2 Indirect emissions from electricity, heat, etc., supplied by others	Multiplying the quantity of electricity used by the emission factors	231.3	230.7	kt-CO_2

Scope		Calculation method	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Unit
Scope 3 Indirect emissions from other companies connected to business activities			21.5	21.3	Mt-CO_2
1	Purchased products, materials, etc.	Multiplying major procured product by the emission factor released by the Ministry of the Environment	4.2	4.2	Mt-CO_2
11	Use of sold products	Multiplying major sales products by estimated energy consumption and useful life	16.5	16.3	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	0.8	0.8	Mt-CO_2

* For details regarding each Scope 3 category, see Integrated Report 2024 (scheduled for release in August 2024)

* Third-party guarantees were obtained for scopes 1, 2, and 3 (total of categories 1, 2, 3, 4, 5, 6, 7, 11, 12, and 14).

iii) Circular economy initiatives

In accordance with its environmental policy, the Group has established a system to reuse and recycle used home appliances collected from customers. By completing the product life cycle within the Group, we are helping to reduce the environmental impact on society as a whole. We are also working to reduce industrial waste, including packaging materials and waste materials from construction sites.

KPI	Target	Results (fiscal year ended March 31, 2023)	Results (fiscal year ended March 31, 2024)
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	119,727 units
Reuse of computers	422,300 units (fiscal year ending March 31, 2025)	408,312 units	405,025 units

* Please visit our website for our environmental policy at:
https://www.yamada-holdings.jp/lang-en/policy_environmental.html

(3) Human Capital Initiatives

We regard human capital as the most important management resource for the sustainable development of the Group's business. We provide a working environment in which a wide variety of people can fully demonstrate their individuality and abilities at our operating companies with diverse potential, and encourage their future growth by offering attractive career paths. We also provide an enhanced support system for obtaining internal and external certifications to enhance expertise in each business field, while focusing on the development of sales engineers, a unique job category.

■ 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 Human Resources and General Affairs 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. The whistleblower contact point in the existing whistle-blowing system was changed from internal to outsourced in March 2024 to strengthen the protection of whistleblowers. In addition, the system now covers all workers (including temporary employees and retirees within one year) and officers of all YAMADA HOLDINGS Group companies to enhance the governance system on a Group-wide basis.

■ 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.

1) Policy for human resources development

On its path toward the "Total-Living (Kurashi-Marugoto)" strategy, the Group is striving to secure human resources capable of responding to a wide range of customer needs based on a broader spectrum of products and services as well as future expansion into other business areas. In terms of human resource development, to rebuild the training system to suit the current times when it is difficult to predict the future, the Group has set the theme of "development and training for self-starting human resources and a self-starting organization."

(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.

(iii) 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.

* Please visit our website for our policy for human resource development at:
https://www.yamada-holdings.jp/lang-en/policy_human-resource.html

2) Policy for maintaining internal environments

The Group believes that it is important to provide a work environment that gives consideration to work-life balance to create a comfortable working environment. The Group has established an extensive work-life balance system so that employees can choose flexible work styles during life events such as childcare or nursing care. In addition, based on the idea that maintaining and improving occupational health and safety 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) Promotion of work-life balance

The 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.

(ii) Diversity, equity & inclusion

Positioning diversity, equity and inclusion as part of the Group's growth strategy will help to create a workplace environment where diverse human resources can play an active role. Human resources nurtured in such a work environment will work hard together, and, by continuing to create valuable products and services, will grow sustainably together with the Group's stakeholders. The Group also recognizes that creating an environment in which all female employees can pursue their private lives while simultaneously advancing their careers based on their own intentions and desires is the foundation for further corporate growth.

* Please visit our website for our policy for maintaining internal environments at:
https://www.yamada-holdings.jp/lang-en/policy_environment-improve.html

3) Respect for human rights

Based on the content of its respect for human rights in its CSR Code of Ethics, the Group has established "Human Rights Policy" which sets out the Group's due diligence on human rights, the remedies and corrective measures to be taken in the face of human rights abuses, and education on human rights. As a company engaged in businesses that support people's daily lives, we recognize that respect for human rights is essential to fulfilling our social responsibilities. 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 employee by providing safe and healthy work environments, allowing freedom of association, and forbidding child or forced labor and inhumane activities.

(i) Human rights initiatives

In accordance with its human rights policy, the Group participates in external projects related to human rights and conducts training on the theme of various human rights issues that arise in business, with the aim of raising awareness and building a culture of respect for human rights. In the fiscal year ended March 31, 2024, the Group expressed its support for "the basic policy on acceptance of foreigners" stipulated by Seidanren. The Group conducted in-house training for officers and managers on the subject of the Act for Eliminating Discrimination against Persons with Disabilities. The Group will also identify human rights issues of its business partners by understanding of their working environment through questionnaire surveys.

(ii) Human rights due diligence

In order to respect the human rights of all stakeholders involved in its business activities, the YAMADA HOLDINGS Group will continue to develop its system to implement human rights due diligence to identify and mitigate impacts on human rights, based on the United Nations Guiding Principles on Business and Human Rights and the Japanese government's Guidelines on Respecting Human Rights in Responsible Supply Chains.

* Please visit our website for our human rights policy at:
https://www.yamada-holdings.jp/lang-en/policy_human-rights.html

■ Risk management

Insufficient efforts in human resource development or a deterioration in the work environment can lead to decreased employee motivation and an outflow of human resources, which, in turn, may result in lower customer satisfaction due to a decline in the level of customer service and service. On the other hand, adequate human resource development can be expected to raise the level of customer service and proposal capabilities of the entire workforce, leading to improved customer satisfaction. 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.

■ Metrics and targets

The Group is working to improve scores on employee satisfaction surveys by concentrating on and responding swiftly to the more important items. It also 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.

KPI *1	Target	Results (fiscal year ended March 31, 2023)	Results (fiscal year ended March 31, 2024)
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	0.98
Long working hours	Percentage of companies that reduced overtime hours Increase on previous fiscal year (every year)	Percentage of companies that reduced overtime hours from the previous year 60%	Percentage of companies that reduced overtime hours from the previous year 70.4% +10.4% YoY
Percentage of employees taking paid leave	80% (fiscal year ending March 31, 2031)	56.9%	64.0%
Ratio of female managers	10% or more (fiscal year ending March 31, 2031)	3.6%	3.6%
Percentage of female and male employees taking childcare leave	[Female] Maintain at 100% [Male] 80% or more (fiscal year ending March 31, 2029) Target: YAMADA HOLDINGS and YAMADA DENKI	[Female] 119.2% [Male] 14.3%	[Female] 100.8% [Male] 32.5%
Employee satisfaction surveys	Overall rating of [A] (fiscal year ending March 31, 2031) *3	Overall rating of [B]	Overall rating of [B]
Average number of training hours per employee	30 hours or more/year (fiscal year ending March 31, 2031)	19 hours/year	25 hours/year
Percentage of health checkups taken	100% (fiscal year ending March 31, 2031)	97.9%	95.9%
Percentage of stress tests taken	100% (fiscal year ending March 31, 2031)	93.2%	96.1%

*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 Target: YAMADA HOLDINGS CO., LTD., YAMADA DENKI CO., LTD., YAMADA FINANCE SERVICE Co., Ltd., CIC Corporation, INVERSENET INC., YAMADA HOMES CO., LTD., Hinokiya Group Co., Ltd., Housetec Inc., Chubu Nikka Service Co., Ltd. and Nikka Maintenance Co., Ltd.

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, Tecc Land, 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, Tecc Land, 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, LABI, Tecc Land, 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. 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: Medium	Potential occurrence: Anytime	Potential impact: Medium

■ 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 and the Middle East. 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. 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: Medium	Potential occurrence: Within 1 year	Potential impact: Medium

■ 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: Medium	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, 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 Construction Management Office, etc. and reported, with discussion of measures and decisions made at the 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 the Business Strategy Committee. Information concerning decisions is shared with the persons in charge of the housing business and other relevant parties at the Compliance Committee and the Management Executive Committee, 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 Non-Current Assets**		
Probability: Medium	Potential occurrence: Anytime	Potential impact: Medium

■ Risk

The Group possesses a large number of non-current 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: High	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: Medium
■ 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, 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 intranet, while study groups are provided on an ad hoc basis to all employees. (3) The Company has obtained "ISO27001 (ISMS)" in relation to information security (including in relation to personal information). The Company's activities are subject to annual review by an international accreditation institution, and it retains its certification.		

13. Major Earthquakes and Natural Disasters		
Probability: High	Potential occurrence: Anytime	Potential impact: Strong

■ Risk

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

■ Response

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

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

Moreover, the Group, in preparation for disasters such as major earthquakes, has stored emergency goods in 212 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: Medium	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: Medium	Potential occurrence: Anytime	Potential impact: Medium

■ Risk

The Group operates an overseas store network centered in Southeast 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: Anytime	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: Medium	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: Medium	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: Medium	Potential occurrence: Anytime	Potential impact: Medium
■ 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, the post-pandemic socioeconomic activities are increasingly returning to normal, and we are seeing a resurgence in the flow of people and an increase of foreign tourists through inbound tourism, along with further growth in personal consumption and corporate capital investment, which has placed the Japanese economy on a course of moderate recovery. On the other hand, the outlook still remains uncertain mainly due to progression of yen depreciation due to effects including the monetary policies of Japan and the United States, and the rising price of commodities, caused by a sharp rise in energy resource and raw material prices stemming from the prolongation of the situations in Ukraine and the Middle East.

In the consumer electrical appliance retail industry, the pace of recovery in the flow of people and normalization of the economy has further increased as the novel coronavirus disease (COVID-19) was downgraded to a Class V infectious disease under the law for controlling infectious diseases in May 2023. However, the spending of consumers has occurred mainly in areas such as leisure and services, and the consumer electrical appliance retail industry has experienced a general decline in customers visiting stores. In addition, while demand for seasonal home appliances fluctuated significantly mainly due to the record-breaking summer heat wave and warm winter, inbound demand recovered, and sales of high-added-value products such as refrigerators and washing machines designed for energy efficiencies, short-time home appliances such as automated cooking appliances, and beauty appliances, among others, steadily increased.

[On the Company's efforts]

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

Consolidated net sales for the fiscal year under review decreased 0.5% year on year to ¥1,592,010 million, operating profit decreased 5.8% year on year to ¥41,490 million, ordinary profit decreased 6.0% year on year to ¥47,037 million, and profit attributable to owners of parent decreased 24.4% year on year to ¥24,055 million. The main reasons for these results are (1) a decrease in demand for durable consumer goods such as home appliances due to increasingly defensive spending patterns of consumers in the face of high prices, declining real wages and diminished disposable income, (2) a reactionary drop in the demand for stay-at-home products, (3) a shift in a consumer mindset to leisure and services as the flow of people recovered and the economy normalized in this post-pandemic era, leading to a decrease in customers visiting home appliance stores, (4) sluggish sales of seasonal home appliances due to a warm winter, (5) a temporary loss of sales opportunities mainly due to streamlining sales offices to improve sales and profits in the housing business, and higher selling, general and administrative expenses due to the expansion of sales personnel and aggressive advertising investment, (6) another upfront cost arising from large-scale renovations of stores and investment in advertising to increase sales and market share in the overseas business, and (7) recording losses due to natural disasters such as the 2024 Noto Peninsula Earthquake.

Our efforts produced steady results in areas we have been promoting to strengthen performance improvement: an increase in market share and sales through aggressive store development; and appropriate inventory management based on sellout management and securing of gross profit and negotiated profit. We will continue these reforms aiming at business growth in the next fiscal year and beyond.

[Operating results by segment]

From the fiscal year under review, the Pharmaceuticals and Everyday Items Sales Business, which was previously included in “Others,” and the Home Electrical Appliances Guarantee Extension Service Business, which was previously included in the “Financial Business,” are now included in the “Electrical Business” due to the merging of subsidiaries. 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, as an initiative to strengthen our “Total-Living (Kurashi-Marugoto)” strategy, we promote deployment of LIFE SELECT stores (stores offering the widest range of everyday goods at the most reasonable price with the best service in Japan), where customers can experience and feel a delightful life and find anything they need for such a life, with the store concept of “We support you living a delightful life. Entirely” (32 stores as of March 31, 2024). Through the development of area stores, for which LIFE SELECT stores have been the core store format, we have built a store network including YAMADA Web.com stores that integrates Internet sales and physical stores, outlet stores offering previously owned home appliances, and existing Tecc Land and LABI stores, leading to a steady increase in sales share. In e-commerce, we are bolstering DX innovation to enhance customer convenience and improve productivity through revamping our own e-commerce website, further strengthening of e-commerce and store DX promotion. Sales of SPA products have been strong as we developed various products directly utilizing customers’ opinions, and the products fitted with features that meet the needs of the age we live in performed well. On the other hand, during the fiscal year under review, the consumer electronics retail industry generally faced difficult conditions due to the economic and social situation, which led to a reluctance to buy consumer electronics and a decrease in the number of customers visiting stores.

As a result of these efforts, in the Electrical Business, net sales decreased 1.6% year on year to ¥1,291,194 million, and operating profit increased 0.9% year on year to ¥32,620 million.

(2) Housing Business

In the Housing Business, net sales increased 2.6% year on year to ¥279,531 million, and operating profit decreased 34.3% year on year to ¥5,631 million.

The performance of the Housing Business by company (before offsetting consolidation and internal transactions) was as follows:

(1) YAMADA HOMES

YAMADA HOMES reported net sales of ¥80,400 million (up 2.6% year on year) and an operating loss of ¥2,827 million (operating profit of ¥351 million in the same period of the previous fiscal year). The increase in revenues was due to strong performance of the used products and subdivision businesses. The decrease in operating profit was due to a temporary loss of sales opportunities due to the consolidation of organizations and sales offices aimed at boosting sales capabilities, a loss of opportunities and fall in the gross profit margin caused by rising housing material prices and unstable procurement, and a rise in selling, general and administrative expenses driven by an increase in the number of sales staff and aggressive investment in advertising to improve our sales capabilities. In addition, extraordinary loss was recorded due to a revaluation of operating assets (exhibition space, land, etc.). The housing business, the core of our Total-Living (Kurashi-Marugoto) strategy of YAMADA HOLDINGS CO., LTD., is currently undergoing a developmental and fundamental structural reform. Orders in recent months have been strong. Our strong orders were driven by our initiatives to strengthen product capabilities centered on Smart House proposals, only made possible by Yamada’s unique advantage, and to streamline our organization aimed at strengthening our sales force. They were also supported by our advertising and sales promotional campaigns utilizing digital technology and the Group’s customer database and our airing of a TV commercial. The effects of these efforts are expected to become more apparent as actual results in the fiscal year ending March 31, 2025, when the number of completed houses is finalized. In addition, on October 31, 2023, YAMADA HOMES CO., LTD. made SEKIHOME Co., Ltd. a subsidiary to strengthen its sales force in the Toyama Prefecture area.

The Company launched the sales of “YAMADA Smart House” as an achievement of our Total-Living (Kurashi-Marugoto) strategy from October 2023. The “YAMADA Smart House” is a next-generation smart house that only YAMADA can make possible, featuring a high standard of high airtightness, high thermal insulation, and earthquake resistance, with high-quality laminated cypress wood as the standard foundation, and a HEMS system that comes as a standard feature as well as enhanced IoT-network functions to integrate entertainment, health and security. We will continue to aggressively make proposals to our customers together with a wide variety of financial products, including the Group’s own insurance and mortgage loans.

(2) Hinokiya Group

Adding to its strong performance in the real estate investment business related to the sale of revenue-generating properties and the insulation materials business for buildings, Hinokiya Group merged and absorbed six subsidiaries in July 2023 in order to promote operational efficiency through concentration of management resources. In October 2023, Hinokiya Group also made Ezehhouse Co., Ltd. and Taiyoukensetsu Co., Ltd. its wholly owned subsidiaries to expand business in the Hokkaido area, and has worked to establish shared sales and construction networks and real estate information and expand recognition. As a result, the highest ever profit was achieved.

(3) Housetec

Housetec, a developer and manufacturer of housing equipment such as bathroom equipment and kitchen equipment, reported an increase in revenues and profits, with net sales of ¥62,312 million (up 3.1% year on year) and operating profit of ¥2,583 million (up 12.5% year on year) mainly due to accumulation of projects in the bathroom business despite a downturn in the detached housing and renovation businesses caused by a reactionary drop from the prior stay-at-home demand, along with continued revision of product pricing strategies, thorough cost control, and synergy effects of the Group.

(3) Financial Business

In the Financial Business, net sales increased 97.8% year on year to ¥4,299 million, and operating profit increased 203.3% year on year to ¥968 million. Revenues and profits both increased due to such factors as revenue contribution by House Depot Partners Co., Ltd., which was made a wholly owned subsidiary by M&A in the previous fiscal year, sales increase in the housing loans of YAMADA NEOBANK owing to enhanced sales structure, and growth in earnings of YAMADA SMALL AMOUNT SHORT TERM INSURANCE CO., LTD. The Financial Business will continue to support the Total-Living (Kurashi-Marugoto) strategy from a financial perspective by proposing financing schemes for the purchase of home appliances, furniture, renovation, smart house-related equipment, etc. using the housing loans of YAMADA NEOBANK, maximize group synergies, and contribute to the improvement of sales and profits of the Group.

(4) Environment Business

In the Environment Business, net sales increased 2.9% year on year to ¥32,727 million, and operating profit decreased 2.7% year on year to ¥1,450 million. Although the production system for reuse products and its accompanying sales grew steadily as a result of our efforts to build a self-contained group-wide resource recycling system, there was also the effect of the shutdown of facilities at the Saitama Plant of Azuma Metal that occurred in September 2023, resulting in the increased revenue and decreased profit. The handling of remanufactured products is currently being conducted at more than 300 YAMADA DENKI stores, and reuse sales have been strong.

(5) Other businesses

In other businesses, net sales decreased 12.1% year on year to ¥25,262 million, and operating profit decreased 44.3% year on year to ¥676 million. The main reason for the decreases in revenues and profits was due to the change in business model at Cosmos Berry’s.

[On number of stores]

The number of consolidated retail stores, including those overseas at the end of the fiscal year under review encompassing 23 new store openings and 46 store closures, was 1,005 directly-managed stores (comprising 975 stores directly managed by YAMADA DENKI and 30 stores operated by other consolidated subsidiaries). The total number of stores of the Group, including FC, was 11,151.

[On performance summary]

As a result of the above, consolidated net sales for the fiscal year under review amounted to ¥1,592,010 million, down 0.5% year on year, operating profit totaled ¥41,490 million, down 5.8% year on year, ordinary profit was ¥47,037 million, down 6.0% year on year, and profit attributable to owners of parent was ¥24,055 million, down 24.4% year on year.

[Financial position]

Total assets at the end of the fiscal year under review amounted to ¥1,288,995 million, up ¥17,814 million (1.4%) compared to the end of the previous fiscal year. The main factors were an increase in merchandise and finished goods and an increase in real estate for sale due to the purchase of land for sale.

Total liabilities amounted to ¥664,820 million, up ¥5,415 million (0.8%) compared to the end of the previous fiscal year. The main factor was an increase in notes and accounts payable.

Net assets amounted to ¥624,175 million, up ¥12,399 million (2.0%) from the end of the previous fiscal year. The main factor was an increase in retained earnings due to profit attributable to owners of parent. As a result, the equity ratio was 47.8% (up 0.2 point from the end of the previous fiscal year).

2) Cash flows

As of the end of the fiscal year under review, cash and cash equivalents on a consolidated basis stood at ¥54,351 million, up ¥7,864 million (16.9%) 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 ¥54,559 million (¥43,741 million provided in the previous fiscal year).

This was mainly due to an increase in notes and accounts payable.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥21,912 million (¥25,209 million used in the previous fiscal year).

This was mainly due to purchase of property and equipment.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥25,592 million (¥29,454 million used in the previous fiscal year).

This was mainly due to a decrease in short-term loans payable for working capital requirements, which was partially offset by a decrease in purchase of treasury stock.

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

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Equity ratio (%)	54.6	51.8	51.6	47.6	47.8
Market value-based equity ratio (%)	32.6	39.1	25.0	25.4	23.6
Interest-bearing debt to cash flows (year)	4.0	1.9	11.3	7.3	5.8
Interest coverage ratio (factor)	44.2	89.5	14.8	29.8	31.9

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

Notes: 1. All indicators are calculated using consolidated-based financial figures.
2. Market capitalization is calculated based on the number of issued shares as of the end of the year (excluding treasury stock).
3. The figure used for operating cash flows is "net cash provided by (used in) operating activities" on the consolidated statements of cash flows.
4. 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, 2024 Amount (Millions of yen)	Year-on-year comparison (%)
Electrical Business	1,280,906	(1.3)
Housing Business	274,684	2.9
Financial Business	3,786	121.5
Environment Business	18,203	4.8
Reportable segments total	1,577,579	(0.4)
Other	14,431	(14.8)
Total	1,592,010	(0.5)

Note: Intersegment transactions have been eliminated.

b. Sales per unit

	Year ended March 31, 2024 Amount	Year-on-year comparison (%)
Net sales - millions of yen	1,280,906	(1.3)
Sales floor space (average) - m²	3,019,120	4.8
Sales per square meter - thousands of yen	424	(5.9)
Employees (average) - persons	23,125	4.1
Sales per employee - millions of yen	55	(5.1)

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

During the fiscal year under review, the post-pandemic socioeconomic activities are increasingly returning to normal, and we are seeing a resurgence in the flow of people and an increase of foreign tourists through inbound tourism, along with further growth in personal consumption and corporate capital investment, which has placed the Japanese economy on a course of moderate recovery. On the other hand, the outlook still remains uncertain mainly due to progression of yen depreciation due to effects including the monetary policies of Japan and the United States, and the rising price of commodities, caused by a sharp rise in energy resource and raw material prices stemming from the prolongation of the situations in Ukraine and the Middle East.

The consumer electrical appliance retail industry in general also faced a challenging situation due to (1) a decrease in demand for durable consumer goods such as home appliances due to increasingly defensive spending patterns of consumers in the face of high prices, declining real wages and diminished disposable income, (2) a reactionary drop in the demand for stay-at-home products, (3) a shift in a consumer mindset to leisure and services as the flow of people recovered and the economy normalized in this post-pandemic era, leading to a decrease in customers visiting home appliance stores, and (4) sluggish sales of seasonal home appliances due to a warm winter. On the other hand, sales of high-added-value products such as refrigerators and washing machines designed for energy efficiencies grew due to soaring electricity costs, and sales of short-time home appliances such as automated cooking appliances, and beauty appliances, among others, steadily increased.

Under these circumstances, net sales during the fiscal year under review were ¥1,592,010 million (down 0.5% year on year). Gross profit was ¥454,218 million (up 1.2% year on year) due to steady results in appropriate inventory management based on sellout management and securing of gross profit and negotiated profit.

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 ¥412,728 million (up 2.0% year-on-year) due to increase in hiring from expansion of sales floor space and an increase in various selling and administrative expenses centered on utility costs due to rising energy prices. As a result, operating profit was ¥41,490 million yen (down 5.8% year-on-year).

Other expenses for the fiscal year under review were ¥2,256 million. A major factor was the recording of impairment losses for some stores and loss on disaster associated with the Noto Peninsula Earthquake in 2024.

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 ¥14,456 million, profit was ¥24,778 million and profit attributable to non-controlling interests amounted to ¥723 million.

As a result, profit attributable to owners of parent decreased by ¥7,770 million to ¥24,055 million (down 24.4%) compared with the previous fiscal year.

b. Financial position

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

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

Cash flows

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

Funding requirements

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

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

Financial policy

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

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

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

3) Significant accounting estimates and assumptions used

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

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

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

All the matters that should be described concerning significant accounting estimates used in preparing the consolidated financial statements and the assumptions used in such estimates are as described in "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" Note 3, entitled "SIGNIFICANT ACCOUNTING ESTIMATES."

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

Achievement of management goals

The Company's target management indicators for the fiscal year ending March 31, 2024 were growth in net sales of 5.3% or higher and ordinary profit margin of 3.3% or higher. However, in the current financial year net sales were down 0.5% and the ordinary profit margin was 3.0% due to the above-mentioned reasons. For the fiscal year ending March 31, 2025, under the "Total-Living (Kurashi-Marugoto)" strategy, the Company will implement various growth strategies, including the five priority measures, to build a structure for sustainable corporate growth. As management indicators, we target net sales growth of 4.6% or higher and ordinary profit margin of 3.2% or higher.

6. IMPORTANT AGREEMENTS

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

7. RESEARCH AND DEVELOPMENT

The total cost of the Group's research and development activities during the fiscal year under review was ¥326 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 and continue to maintain and increase corporate value and the value of each stakeholder through fair corporate activities.

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

On June 27, 2024, the Company shifted to a company with an Audit and Supervisory Committee, which clearly separates the functions of management into "decision making" and "oversight," and "execution of operations" under a governance structure consisting of the Board of Directors and the Audit and Supervisory Committee. In order to facilitate rapid responses to changes in the business environment surrounding the Group, the Company has adopted a system under which the execution of operations is carried out by executive directors and executive officers, etc., and has clarified the responsibilities of management by having the business execution departments and group companies concentrate on the execution of operations they are in charge of under an organization headed by the Representative Director, Chairperson and President CEO.

In addition, the Company is strengthening its control functions by having its Internal Audit Department audit and monitor its business execution departments and group companies, and by establishing the Compliance Committee and the Risk Management Committee.

Furthermore, in conjunction with the transition to a company with an Audit and Supervisory Committee, the Company newly established the Nomination and Remuneration Committee as a voluntary advisory body to ensure objectivity and transparency in the process of determining executive personnel and remuneration by the Board of Directors.

In addition, the Group, with "Corporate Social Responsibility" at the core of its management philosophy, has established an ESG & Sustainability Promotion Committee, to oversee the formulation of specific CSR-related policies and standards covering areas such as business ethics and the like. Fully recognizing the significance of the policies and standards, the ESG & Sustainability Promotion Committee conducts ongoing educational activities both within and outside the Group to enhance awareness of CSR-related issues.

The Company adopted the above-described structures based on its basic ideals of corporate governance of "improving management transparency, and continuing to maintain and increase corporate value and the value of each stakeholder through fair corporate activities."

An overview of the Company's main corporate bodies is as follows.

(i) General Meeting of Shareholders

The General Meeting of Shareholders, the Company's top decision-making body chaired by a Director appointed by the Board of Directors, 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 has been making efforts ahead of recent trends, such as preparing and delivering notices regarding the General Meeting of Shareholders in English in a timely manner, and will continue to make further efforts.

(ii) Board of Directors

The Board of Directors consists of 12 Directors, of whom seven are Directors who are not Audit and Supervisory Committee members (including two independent outside Directors) and five are Directors who are Audit and Supervisory Committee members (including three independent outside Directors who are Audit and Supervisory Committee members) (ratio of independent outside Directors to the total number of Directors: 41.7%). The Board of Directors is chaired by the Representative Director, and in principle 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 and Supervisory Committee

The Audit and Supervisory Committee consists of five Directors who are Audit and Supervisory Committee members (including three independent outside Directors who are Audit and Supervisory Committee members) and meets once a month in principle. In accordance with the auditing standards, etc. established by the Audit and Supervisory Committee, the Audit and Supervisory Committee members attend not only meetings of the Board of Directors, but also other important meetings such as the Management Strategy Meetings, and committee and subcommittee meetings organized by business execution departments. In addition, they audit and monitor the execution of business by Directors by examining the status of assets of the Company and other matters.

The Company has transitioned to a company with an Audit and Supervisory Committee upon approval at the 47th Ordinary General Meeting of Shareholders held on June 27, 2024. Therefore, the activities of the Audit and Supervisory Committee during the current fiscal year stated in "3) Status of Audit (1) Audits by Audit and Supervisory Committee (ii) Activities of Audit & Supervisory Board" are those of the Company with an Audit & Supervisory Board prior to the transition.

(iv) Management Meetings

Management Meetings are attended by executive directors and are held twice a month in principle. The Meetings consult and report on matters to be submitted to the Board of Directors, receive reports and proposals on issues related to the Group's management, execution of operations, etc., discuss and evaluate them, and make decisions on various management policies and growth strategies, etc.

(v) Management Strategy Meetings

Management Strategy Meetings are attended by executive directors and executive officers, etc. and are held twice a month in principle. The Meetings publicize the plans, policies, strategies, etc. decided at the Board of Directors and Management Meetings, report on the progress of execution of operations based thereon and the status of important initiatives at each meeting, committee, subcommittee, etc., thereby sharing information and issues and promptly implementing measures to deal with them. Full-time Audit and Supervisory Committee members also participate in the Management Strategy Meetings to monitor the status of execution of operations.

(vi) Internal Audit Department

The Company has established a department in charge of auditing under the direct control of the Representative Director, with 14 full-time staff members dedicated to internal audit activities, as an organization to develop and strengthen the internal audit system in the Group. The department makes suggestions and provides advice based on audits and evaluations of the internal control system development status and the system for checking its operation, evaluation system, governance system, and risk management system. The status of internal audit is described in "3) Status of Audit (2) Internal Auditing."

(vii) Nomination and Remuneration Committee

In conjunction with the Company's transition to a company with an Audit and Supervisory Committee, the Nomination and Remuneration Committee was newly established as a voluntary advisory body. The Nomination and Remuneration Committee consists of five Directors, the majority of whom (three) are independent outside Directors who are Audit and Supervisory Committee members, to ensure objectivity and transparency in the process of deciding executive personnel and remuneration.

(viii) 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 and Supervisory Committee.

(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 the whistle-blowing system. The Compliance Committee shall endeavor to make the existence of the whistle-blowing system known.

(d) Department in charge of internal audit

The department in charge of internal audit 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 (excluding those who are Audit and Supervisory Committee members) 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 department in charge of internal audit 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 Management Strategy 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 (excluding those who are Audit and Supervisory Committee members) 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 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 and Supervisory Committee when the Audit and Supervisory Committee requests to assign such employees, and matters regarding the independence of such employees from the directors (excluding those who are Audit and Supervisory Committee members)

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

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

(b) Duties of an audit assistant

Audit assistants shall be formally posted as assistant to the Audit and Supervisory Committee and assist with duties of the Audit and Supervisory Committee and its operations as instructed and ordered.

(c) Independence of an audit assistant

a. An audit assistant shall work under the instructions and orders of the Audit and Supervisory Committee, 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 Audit and Supervisory Committee 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 the Audit and Supervisory Committee's instructions to employees to assist them in their duties

(a) Supervisory authority

The Audit and Supervisory Committee 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 and Supervisory Committee. 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 the Audit and Supervisory Committee and the system concerning other reports to the Audit and Supervisory Committee

(a) Directors' obligation to report

A director (excluding those who are Audit and Supervisory Committee members) must promptly report to the Audit and Supervisory Committee 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. However, if the matters to be reported to the Audit and Supervisory Committee are notified to all members of the Committee, no report to the Audit and Supervisory Committee is required.

(b) Employees' right to report

An employee may report to the Audit and Supervisory Committee 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 the Audit and Supervisory Committee.

(xiii) System for reporting to the Audit and Supervisory Committee 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, or the Audit and Supervisory Committee, 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 the Audit and Supervisory Committee of the Company shall be those determined through mutual consultation between directors and the Audit and Supervisory Committee.

(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 the Audit and Supervisory Committee or an Audit and Supervisory Committee 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 the Audit and Supervisory Committee 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 and Supervisory Committee member's duties (limited to those related to the performance of duties of the Audit and Supervisory Committee), or otherwise processing of expenses or debt obligations arising with respect to performance of such duties

(a) Presentation of budget

The Audit and Supervisory Committee 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 and Supervisory Committee 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 and Supervisory Committee 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 the Audit and Supervisory Committee performs audits effectively

Audit and Supervisory Committee members are provided preliminary explanations with respect to annual plans of the audit to be implemented by the department in charge of internal audit, 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 18 times)	
		Attendance (times)	Attendance (rate)
Representative Director, Chairperson and President CEO	Noboru Yamada	17	94.4%
Representative Director, Vice President and Executive Officer, COO	Atsushi Murasawa	18	100%
Representative Director, and Senior Managing Executive Officer	Megumi Kogure	18	100%
Director and Executive Officer in charge of Administration Division	Akira Fukui	18	100%
Director in charge of Store Development Division	Takayuki Fukuda	18	100%
Outside Director	Tsukasa Tokuhira	18	100%
Outside Director	Miki Mitsunari	18	100%
Outside Director	Kunimitsu Yoshinaga	18	100%
Full-time Audit & Supervisory Board Member	Makoto Igarashi	17	94.4%
Audit & Supervisory Board Member	Jun Okamoto	18	100%
Outside Audit & Supervisory Board Member	Masamitsu Takahashi	4	100%
Outside Audit & Supervisory Board Member	Somuku Iimura	18	100%
Outside Audit & Supervisory Board Member	Hirohisa Ishii	14	100%

* The status of attendance for outside Audit & Supervisory Board Member Mr. Masamitsu Takahashi is for the period until the expiration of his term of office on June 29, 2023.

* The status of attendance for Audit & Supervisory Board Member Mr. Hirohisa Ishii is for the period since he assumed the post on June 29, 2023.

(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
- Sustainability-related considerations for 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, 2024, 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: January 2024 to March 2024
- 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

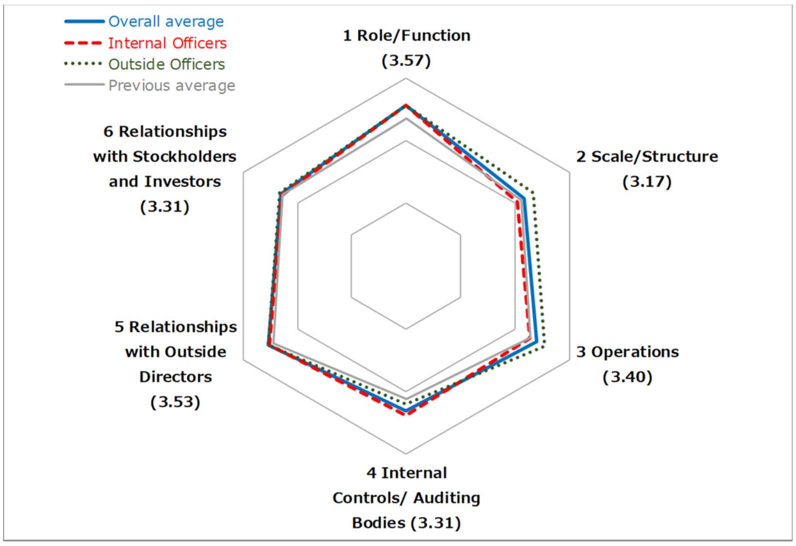
(b) Summary of Results

Overall Score: 3.40 (I. Internal Officers: [3.37] II. Outside Officers: [3.44])

The overall score was high as the scores in all categories were higher than the previous ones.

We evaluated that the effectiveness of the Board of Directors of the Company is ensured by the fact that the chairperson conducts the proceedings in a manner that allows for open and lively discussion, that ample opportunities for outside officers to speak are ensured and that decision-making and implementation are swift.

On the other hand, as a company listed on the Prime Market, we recognized the need to further strengthen our governance system by establishing a voluntary Nomination and Remuneration Committee and ensuring the independence of the whistle-blower system. We also need to further enhance training opportunities, and the ongoing efforts of “Expansion of ESG Initiatives” and “Development of Support System,” which were identified previously.



(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 the past and to confirm the progress of improvement.

In addition, based on the results of this evaluation, we will continue our efforts to further improve corporate value by analyzing the items for which improvement is expected and the differences in opinions, and by taking appropriate actions.

Priority Issue 1: Strengthening the Governance System

To further enhance the relationship of trust with stakeholders, we will strengthen our governance system by shifting to a company with an Audit and Supervisory Committee, establishing a voluntary Nomination and Remuneration Committee, ensuring the independence of the whistle-blower system so that employees can report without anxiety, and sharing information and exchanging opinions on the status of IR and SR activities at the Board of Directors meetings.

Priority Issue 2: Appropriate Provision of Training Opportunities

To enhance the roles of officers, we will ensure that training opportunities are provided appropriately and a supportive environment is created.

Priority Issue 3: Expansion of ESG Initiatives [Ongoing]

The Board of Directors and the ESG & Sustainability Promotion Committee will clarify the long-term goals of the entire Group, promote more practical discussions, and expand our initiatives.

Priority Issue 4: Development of Support System [Ongoing]

We will take measures to improve the content of descriptions and review the materials shared in advance with an aim to respond to the various deliberated and reported matters arising from becoming a holding company and to enhance and streamline discussions at the Board of Directors.

(6) Number of Directors and Election Rules

The Company's Articles of Incorporation stipulates that the Company shall have not more than seven Directors (excluding Directors who are Audit and Supervisory Committee members) and not more than five Directors who are Audit and Supervisory Committee members.

The Company's Articles of Incorporation also stipulates that a resolution to elect directors shall be approved by a majority of the votes of shareholders present at a General Meeting of Shareholders where the shareholders holding at least one-third of the voting rights of the shareholders entitled to vote are present; and that cumulative voting shall not be used for resolutions to elect directors.

(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.

2) Status of Officers

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

The Company has five outside directors (including three Audit & Supervisory Board members). 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. The Company has transactions with YUASA TRADING CO., LTD. such as the purchase and sale of mainly electrical machinery and equipment. However, because the scale of annual transactions was small at less than 0.0001% of the Company's consolidated net sales, the Company believes that it is not significant enough to cause a conflict of interest. There is no special relationship between the Company and the entities at which she holds concurrent positions. Outside Director 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 0.0002% 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 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 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. 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. 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. Mr. Hirohisa Ishii serves as Special Advisor 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 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 or auditing by Outside Directors and Internal Auditing, Audits by the Audit and Supervisory Committee and by Accounting Auditor, and Relationship with Internal Control Divisions

Through exchanges of opinions with the Board of Directors, the Audit and Supervisory Committee, directors, and others, outside directors work closely with the audit by the Audit and Supervisory Committee, internal audits, and accounting audits, and supervise and audit the status of the establishment and operation of internal control systems and other systems.

3) Status of Audit

(1) Audits by Audit and Supervisory Committee

(i) The Company has transitioned to a company with an Audit and Supervisory Committee upon approval at the 47th Ordinary General Meeting of Shareholders held on June 27, 2024. Therefore, the activities of the Audit and Supervisory Committee during the current fiscal year stated in "(ii) Activities of Audit & Supervisory Board" are those of the Company with an Audit & Supervisory Board prior to the transition.

The Audit and Supervisory Committee consists of five Directors who are Audit and Supervisory Committee members (including three independent outside Directors who are Audit and Supervisory Committee members) and meets once a month in principle. In accordance with the auditing standards, etc. established by the Audit and Supervisory Committee, the Audit and Supervisory Committee members attend not only meetings of the Board of Directors, but also other important meetings such as the Management Strategy Meetings, and committee and subcommittee meetings organized by business execution departments. In addition, they audit and monitor the execution of business by Directors by examining the status of assets of the Company and other matters.

(ii) Activities of Audit & Supervisory Board

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	11	92%
Audit & Supervisory Board Member	Jun Okamoto	12	100%
Outside Audit & Supervisory Board Member	Somuku Iimura	12	100%
Outside Audit & Supervisory Board Member	Hirohisa Ishii	9	100%

Note: The status of attendance for Audit & Supervisory Board Member Mr. Hirohisa Ishii is for the period since he assumed the post on June 29, 2023.

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
- Approval of non-assurance services for the International Ethical Standards Board for Accountants

Activities conducted by the full-time 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 conducts the audit such as the appropriateness of the decisions concerning the presence of an indication of impairment of non-current assets related to large stores in the electrical business and the key assumptions used and the accounting response when making accounting estimates.

(2) Internal Auditing

The Company's Internal Audit Department consists of 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. A total of 14 full-time staff conduct internal audits independently and objectively under the direct control of the Company President.

Both Audit Departments conduct 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.

Since the Group has many stores and offices, and there are locations where the two Audit Departments 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.

Both Audit Departments work with Directors who are Audit and Supervisory Committee members to ensure thorough governance in line with management policies and to establish a dual reporting system.

Furthermore, we are striving to strengthen the governance of the entire group by actively cooperating with the internal audit departments, Audit & Supervisory Board members, accounting auditors of each group company.

The results of the audits conducted by both Audit Departments are reported to the Board of Directors.

In addition, at monthly audit debriefing meetings attended by internal directors, full-time Audit and Supervisory Committee members, both Audit Departments, and persons in charge of business group, the results of audits are reported, as is the progress of remediation of deficiencies by each person in charge. The effectiveness of audits is ensured by encouraging the commitment of each person in charge from the recognition of deficiencies to making improvements.

(3) Status of Accounting Audits

This section describes the status prior to the transition to a company with an Audit and Supervisory Committee.

(i) Auditing Firm

KPMG AZSA LLC

(ii) Consecutive Auditing Period

35 years

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

(iii) Certified Public Accountants Who Performed the Audit

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

(iv) Composition of Assistants in Auditing Operations

12 certified public accountants, 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.

(4) Details of Audit Remunerations, Etc.

This section describes the status prior to the transition to a company with an Audit and Supervisory Committee.

(i) Remuneration to Auditing Certified Public Accountants, etc.

Classification	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
	Remuneration for audit attestation services (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for audit attestation services (Millions of yen)	Remuneration for non-audit services (Millions of yen)
Reporting company	95	6	95	–
Consolidated subsidiaries	192	0	190	0
Total	287	6	285	0

Fiscal year ended March 31, 2023

Non-audit services for which the Company paid remuneration to auditing certified public accountants, etc. consisted of advisory services for M&A projects.

Non-audit services provided to consolidated subsidiaries consisted of the examination of financial statements.

Fiscal year ended March 31, 2024

Non-audit services provided to consolidated subsidiaries consisted of the examination of financial statements.

(ii) Remuneration to the Same Network (KPMG Group) as the Auditing Certified Public Accountants (excluding 1.)

Classification	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
	Remuneration for audit attestation services (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for audit attestation services (Millions of yen)	Remuneration for non-audit services (Millions of yen)
Reporting company	–	3	–	0
Consolidated subsidiaries	13	5	14	4
Total	13	8	14	4

Fiscal year ended March 31, 2023

Non-audit services for which the Company paid remuneration to the same network as the auditing certified public accountants included advisory services related to taxation.

Non-audit services provided to consolidated subsidiaries included tax calculation services for overseas consolidated subsidiaries.

Fiscal year ended March 31, 2024

Non-audit services for which the Company paid remuneration to the same network as the auditing certified public accountants included advisory services related to taxation.

Non-audit services provided to consolidated subsidiaries included tax calculation services for overseas consolidated subsidiaries.

(iii) Details of Remuneration for Other Important Audit Attestation Services

Not applicable.

(iv) Policy for Determining Audit Remuneration

The audit remuneration for the Company's auditing certified public accountants, etc. is determined after consultation with the auditing certified public accountants, etc., and with the consent of the Audit & Supervisory Board. This decision takes into account factors such as the number of audit days based on the audit plan, the Company's size, and the nature of its business operations.

(v) Reasons for the Audit & Supervisory Board's Consent to the Remuneration, etc. of the Accounting Auditor

Based on the "Practical Guidelines for Cooperation with Accounting Auditors" (issued by the Japan Audit & Supervisory Board Members Association), the Audit & Supervisory Board has reviewed and examined the audit method and details of the audit, and as a result has given its consent to the remuneration, etc. of the accounting auditor, as stipulated in Article 399, Paragraph 1 of the Companies Act.

CONSOLIDATED BALANCE SHEETS
YAMADA HOLDINGS CO., LTD. and Consolidated Subsidiaries
As of March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
ASSETS			
Current assets:			
Cash and time deposits (Notes 6 and 8)	¥ 55,237	¥ 47,237	$ 364,838
Notes receivable-trade (Note 8)	4,357	4,832	28,780
Accounts receivable-trade (Note 8)	78,455	68,821	518,199
Accounts receivable-completed construction contracts (Note 8)	1,523	3,135	10,062
Sub-total	84,335	76,788	557,041
Operating loans	14,323	14,448	94,602
Inventories (Note 11)	426,439	402,523	2,816,637
Other current assets (Notes 8 and 17)	58,805	74,668	388,407
Allowance for doubtful accounts	(1,708)	(1,890)	(11,279)
Total current assets	637,431	613,774	4,210,246
Non-current assets:			
Property and equipment:			
Buildings and structures, net (Notes 12, 13 and 20)	205,962	201,943	1,360,382
Land (Notes 13 and 15)	206,310	204,727	1,362,680
Lease assets, net (Notes 12, 13 and 14)	13,640	14,333	90,095
Others, net (Notes 12 and 13)	12,965	18,566	85,630
Total property and equipment, net	438,877	439,569	2,898,787
Intangible assets (Note 13)	40,633	42,304	268,383
Investments and other assets (Note 13):			
Investment securities (Notes 8 and 9)	15,474	14,362	102,208
Long-term loans receivable	2,547	2,578	16,824
Guarantee deposits (Notes 8, 9, 17 and 28)	77,422	76,611	511,374
Net defined benefit asset (Note 19)	3,090	1,553	20,407
Deferred tax assets (Note 16)	52,399	57,380	346,097
Other assets	23,066	25,946	152,349
Allowance for doubtful accounts	(1,944)	(2,896)	(12,839)
Total investments and other assets	172,054	175,534	1,136,420
Total non-current assets	651,564	657,407	4,303,590
Total assets	¥ 1,288,995	¥ 1,271,181	$ 8,513,836

CONSOLIDATED BALANCE SHEETS

YAMADA HOLDINGS CO., LTD. and Consolidated Subsidiaries
As of March 31, 2024 and 2023

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2024	2023	*2024*
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable (Note 8):			
- Trade	¥ 99,025	¥ 90,633	$ 654,061
- Construction contracts	14,262	14,156	94,199
Sub-total	113,287	104,789	748,260
Short-term loans payable (Notes 8 and 15)	131,566	122,725	868,999
Current portion of long-term loans payable (Notes 8, 15 and 17)	59,577	55,201	393,510
Lease obligations (Notes 14 and 15)	5,387	6,283	35,584
Income taxes payable (Note 16)	6,402	1,553	42,283
Contract liabilities	46,310	50,344	305,880
Advances received on construction contracts in progress	19,010	20,194	125,563
Provision for bonuses	14,216	12,778	93,895
Other provisions (Note 18)	5,619	4,279	37,112
Other current liabilities (Notes 19 and 28)	60,272	60,787	398,097
Total current liabilities	461,646	438,933	3,049,183
Long-term liabilities:			
Long-term loans payable (Notes 8, 15 and 17)	108,198	124,739	714,650
Lease obligations (Notes 14 and 15)	11,109	10,593	73,372
Asset retirement obligations (Note 20)	38,275	36,748	252,809
Provision for directors' retirement benefits	289	316	1,907
Provision for product warranties	1,485	1,407	9,811
Other provisions (Note 18)	94	146	621
Net defined benefit liability (Note 19)	33,984	34,312	224,463
Other long-term liabilities (Notes 15 and 16)	9,740	12,211	64,333
Total long-term liabilities	203,174	220,472	1,341,966
Total liabilities	664,820	659,405	4,391,149
Contingent liabilities (Note 17)			
Net assets (Note 21):			
Common stock: authorized – 2,000,000,000 shares issued – 966,863,199 shares in 2024 and 966,748,539 shares in 2023	71,149	71,125	469,943
Capital surplus	74,671	74,654	493,200
Retained earnings	597,152	581,541	3,944,198
Treasury stock, at cost – 276,074,043 shares in 2024 and 258,493,806 shares in 2023	(129,935)	(121,785)	(858,221)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities, net of taxes (Note 9)	92	(1,139)	605
Foreign currency translation adjustments	2,133	1,944	14,090
Remeasurements of defined benefit plans (Note 19)	1,192	(1,719)	7,876
Subscription rights to shares (Note 22)	2,184	1,963	14,427
Non-controlling interests	5,537	5,192	36,569
Total net assets	624,175	611,776	4,122,687
Total liabilities and net assets	¥ 1,288,995	¥ 1,271,181	$ 8,513,836

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, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Net sales (Note 27):			
- Trade	¥ 1,591,531	¥ 1,600,172	$ 10,512,092
- Non-consolidated subsidiaries and affiliated companies	479	415	3,162
Sub-total	1,592,010	1,600,587	10,515,254
Cost of sales (Note 28)	1,137,792	1,151,816	7,515,137
Gross profit	454,218	448,771	3,000,117
Selling, general and administrative expenses (Notes 24 and 28)	412,728	404,705	2,726,076
Operating profit	41,490	44,066	274,041
Other income (expenses):			
Interest income	611	731	4,034
Interest expenses	(1,721)	(1,472)	(11,365)
Purchase discounts	2,230	2,308	14,726
Impairment loss (Note 13)	(7,943)	(6,446)	(52,466)
Loss on disaster (Note 25)	(1,445)	(321)	(9,541)
Gain on revision of retirement benefit plan	1,573	893	10,388
Others, net (Note 25)	4,439	3,826	29,324
Total other (expenses) income	(2,256)	(481)	(14,900)
Profit before income taxes	39,234	43,585	259,141
Income taxes (Note 16):			
Current	13,686	14,173	90,400
Deferred	770	(2,831)	5,084
Total income taxes	14,456	11,342	95,484
Profit	24,778	32,243	163,657
Profit attributable to non-controlling interests	723	418	4,773
Profit attributable to owners of parent	¥ 24,055	¥ 31,825	$ 158,884

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Basic earnings per share	¥ 34.78	¥ 40.25	$ 0.23
Diluted earnings per share	34.53	40.02	0.23
Cash dividends applicable to the year	13.00	12.00	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, 2024 and 2023

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2024	2023	2024
Profit	¥ 24,778	¥ 32,243	$ 163,657
Other comprehensive income (loss), net of taxes (Note 26):			
Valuation difference on available-for-sale securities	1,232	(1,104)	8,140
Foreign currency translation adjustments	189	540	1,250
Remeasurements of defined benefit plans, net of tax	2,912	(1,322)	19,232
Share of other comprehensive loss of associates accounted for using equity method	(2)	(2)	(17)
Total other comprehensive income (loss)	4,331	(1,888)	28,605
Comprehensive income	¥ 29,109	¥ 30,355	$ 192,262
Comprehensive income attributable to:			
Owners of parent	¥ 28,387	¥ 29,929	$ 187,495
Non-controlling interests	722	426	4,767

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, 2024 and 2023

	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 9)	Foreign currency translation adjustments	Remeasurements of defined benefit plans (Note 19)	Subscription rights to shares (Note 22)	Non-controlling interests	Total net assets
Balance at April 1, 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
Issuance of new shares	114	24	24								48
Cash dividends				(8,499)							(8,499)
Profit attributable to owners of parent				24,055							24,055
Purchase of treasury stock					(9,220)						(9,220)
Disposal of treasury stock			(42)		1,070						1,028
Change in scope of consolidation				115							115
Increase by merger				(60)							(60)
Change in ownership interest of parent due to transactions with non-controlling interests			35								35
Other changes in the year, net						1,231	189	2,911	221	345	4,897
Balance at March 31, 2024	966,863	¥ 71,149	¥ 74,671	¥ 597,152	¥(129,935)	¥ 92	¥ 2,133	¥ 1,192	¥ 2,184	¥ 5,537	¥ 624,175

	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 9)*	*Foreign currency translation adjustments*	*Remeasurements of defined benefit plans (Note 19)*	*Subscription rights to shares (Note 22)*	*Non-controlling interests*	*Total net Assets*
Balance at April 1, 2023	$ 469,782	$ 493,091	$ 3,841,088	$ (804,388)	$ (7,524)	$ 12,840	$ (11,356)	$ 12,967	$ 34,291	$ 4,040,791
Issuance of new shares	161	161								322
Cash dividends			(56,136)							(56,136)
Profit attributable to owners of parent			158,884							158,884
Purchase of treasury stock				(60,902)						(60,902)
Disposal of treasury stock		(282)		7,069						6,787
Change in scope of consolidation			756							756
Increase by merger			(394)							(394)
Change in ownership interest of parent due to transactions with non-controlling interests		230								230
Other changes in the year, net					8,129	1,250	19,232	1,460	2,278	32,349
Balance at March 31, 2024	$ 469,943	$ 493,200	$ 3,944,198	$ (858,221)	$ 605	$ 14,090	$ 7,876	$ 14,427	$ 36,569	$ 4,122,687

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, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	*2024*
Cash flows from operating activities:			
Profit before income taxes	¥ 39,234	¥ 43,585	$ 259,141
Depreciation	25,576	24,621	168,930
Amortization of goodwill	568	504	3,753
Increase (decrease) in allowance for doubtful accounts	342	235	2,256
Increase (decrease) in net defined benefit liability	1,043	1,528	6,890
Interest and dividend income	(943)	(1,046)	(6,226)
Interest expenses	1,721	1,472	11,365
Foreign exchange losses (gains)	(112)	(102)	(741)
Loss (gain) on sale of investment securities	-	(211)	-
Loss (gain) on sale and disposal of property and equipment, net	(1,094)	198	(7,223)
Impairment loss	7,943	6,446	52,466
(Increase) decrease in notes and accounts receivable	(7,397)	(831)	(48,858)
(Increase) decrease in accounts receivable	3,873	(4,537)	25,579
(Increase) decrease in operating loans receivable	126	(821)	830
(Increase) decrease in inventories	(23,217)	1,431	(153,350)
Increase (decrease) in notes and accounts payable	7,820	(5,621)	51,651
Increase (decrease) in advances received on construction contracts in progress	(1,464)	(4,124)	(9,668)
Increase (decrease) in contract liabilities	(4,033)	(8,187)	(26,640)
Other, net	7,128	3,144	47,085
Sub-total	57,114	57,684	377,240
Interest and dividend income received	421	572	2,778
Interest expenses paid	(1,709)	(1,468)	(11,284)
Income taxes paid	(1,267)	(13,047)	(8,369)
Net cash provided by operating activities	¥ 54,559	¥ 43,741	$ 360,365

(Continued)

	Millions of yen				*Thousands of U.S. dollars (Note 1)*	
	2024		2023		*2024*	
Cash flows from investing activities:						
Payments into time deposits	¥	(772)	¥	(672)	$	(5,099)
Proceeds from withdrawal of time deposits		636		636		4,201
Proceeds from sale of property and equipment		4,028		428		26,605
Proceeds from sales and redemption of investment securities		388		680		2,560
Payments for purchase of investment securities		(4)		(1,106)		(23)
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 7)		(148)		(1,618)		(978)
Proceeds from acquisition of shares in subsidiaries resulting in change in scope of consolidation (Note 7)		-		540		-
Payment of loans receivable		(47)		(221)		(313)
Collection of loans receivable		291		520		1,924
Purchases of property and equipment		(25,570)		(20,363)		(168,893)
Purchases of intangible assets		(773)		(1,173)		(5,106)
Payments for guarantee deposits		(5,039)		(3,170)		(33,284)
Proceeds from collection of guarantee deposits		5,414		5,292		35,761
Purchase of investments in subsidiaries and affiliated companies		(329)		(4,842)		(2,170)
Other, net		13		(140)		86
Net cash used in investing activities		(21,912)		(25,209)		(144,729)
Cash flows from financing activities:						
Net increase (decrease) in short-term loans payable		8,862		53,939		58,536
Proceeds from long-term loans payable		46,347		75,336		306,123
Repayments of long-term loans payable		(58,512)		(59,205)		(386,476)
Purchase of treasury stock		(8,383)		(78,925)		(55,373)
Repayments of lease obligations		(5,308)		(5,266)		(35,060)
Cash dividends paid		(8,496)		(15,041)		(56,114)
Other, net		(102)		(292)		(676)
Net cash used in financing activities		(25,592)		(29,454)		(169,040)
Effect of exchange rate change on cash and cash equivalents		468		811		3,092
Net increase (decrease) in cash and cash equivalents		7,523		(10,111)		49,688
Cash and cash equivalents at beginning of year		46,487		56,470		307,047
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation		311		-		2,053
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries		30		128		198
Cash and cash equivalents at end of year (Note 6)	¥	54,351	¥	46,487	$	358,986

Supplemental cash flow information (Note 7)

(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, 2024 and 2023

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 29, 2024, which was ¥151.40 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 38 significant subsidiaries (together, the “Group”). Consolidated subsidiaries e Wellness Co., Ltd. and Repair Depot Co., Ltd. have 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. Consolidated subsidiaries Hinokiya Juutaku Co., Ltd., PaPamaru House Co., Ltd., Hinokiya Resco Co., Ltd., Japan Housing Solution Co., Ltd., and Hinokiya Reforming Co., Ltd. have been excluded from the scope of consolidation because of an absorption-type merger whereby consolidated subsidiary Hinokiya Group Co., Ltd. (“Hinokiya Group”) becomes a surviving company. SEKIHOME Co., Ltd. (“SEKIHOME”) has been included in the scope of consolidation as consolidated subsidiary YAMADA HOMES CO., LTD. acquired all shares of SEKIHOME and made it a subsidiary. YAMADA SMALL AMOUNT SHORT TERM INSURANCE CO., LTD. has been included in the scope of consolidation due to increased materiality.

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 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 and its eight subsidiaries in Japan is at the end of December. The fiscal year-end of YAMADA HOUSING HOLDINGS CO., LTD. and other 17 consolidated subsidiaries in Japan is at the end of February, and that of YAMADA DENKI and other two companies is at the end of March. The financial statements of these subsidiaries as of and for the years ended December 31, 2023 and 2022, February 29, 2024 and February 28, 2023, or March 31, 2024 and 2023, as applicable, were used in preparing the consolidated financial statements. 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 interest 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 non-current assets 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 year ended March 31, 2023, 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, 2024, those which may have a significant impact on the consolidated financial statements for the year ending March 31, 2025 are as follows:

-Judgment on an indication of impairment of non-current assets related to large stores

(1) Amount recorded on the consolidated financial statements for the year ended March 31, 2024

In the consolidated balance sheets as of March 31, 2024, the Company recorded property and equipment of ¥403,608 million ($2,665,839 thousand) related to the electrical business as of March 31, 2024, which accounted for 31.3% of total assets as of March 31, 2024. Approximately half of this amount comprised of property and equipment related to a small number of large stores. In addition, the Company recorded property and equipment of ¥405,109 million related to the electrical business as of March 31, 2023, which accounted for 31.9% of total assets as of March 31, 2023.

In the consolidated statements of income for the year ended March 31, 2024, the Company recorded an impairment loss on non-current assets of ¥7,943 million ($52,466 thousand) which included ¥6,168 million ($40,739 thousand) related to the electrical business for the year ended March 31, 2024. In addition, the Company recorded an impairment loss on non-current assets of ¥6,446 million which included ¥4,327 million related to the electrical business for the year ended March 31, 2023. From the year ended March 31, 2024, the pharmaceuticals and everyday items sales business, which was previously included in "Others," and the home electrical appliances guarantee extension service business, which was previously included in the "Financial Business," have 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, 2023 has been prepared based on the reportable segment classification for the year ended March 31, 2024.

(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 need to be tested for impairment whenever there is an indication of impairment in them. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the asset groups with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. An indication of impairment includes changes that cause a significant decrease in recoverable amounts, such as continuous operating losses, a significant decline in market prices, significant deterioration in business climates, and a change in usage.

As for large stores, the Group has periodically obtained their appraisal values as the basis for estimating market prices used for judgment as to whether there is an indication of impairment for their non-current assets. This is because the carrying amount of individual large stores is material, and large stores are susceptible to real estate market conditions due to their location. When the appraisal values obtained in the prior year are used, the Group obtains from a real estate appraiser the market conditions adjustment rates for the period from the appraisal date to March 31, 2024, and uses the amounts after reflecting the market conditions adjustment as current market prices.

For some large stores, the market price has been considerably lower than the carrying amount for years. However, the Group has judged that there is no indication of impairment, given the absence of an event which causes a significant decline in the market price or any events which otherwise indicate impairment.

Market prices used by the Group for judgment as to whether there was an indication of impairment for non-current assets related to large stores were estimated based on appraisal values. The selection of valuation technique(s) and input data used to calculate the appraisal values and market conditions adjustment rates was complicated and required professional expertise. Accordingly, if an indication of impairment was not appropriately identified, it may have a material impact on the consolidated financial statements as any necessary impairment losses may not have been appropriately recognized, measured, and recorded.

4. 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.

Additional Information

Transactions of delivering the Company’s own stock to employees, etc. through trusts

Based on a resolution at a meeting of the Board of Directors held on August 14, 2023, the Company has introduced an “Employee Shareholding Incentive Plan (E-Ship)” (hereinafter referred to as the “Plan”) for the purpose of providing incentives to employees of the Company and the Group (hereinafter referred to as “Employees”) to improve the Company’s corporate value over a medium to long term, expanding benefits and welfare and promoting the constant development of the Company by increasing Employees’ morale through capital participation as shareholders.

a) Outline of the transaction:
The Plan is an incentive plan for all Employees who are members of the “YAMADA HOLDINGS Employee Shareholding Association” (hereinafter referred to as the “Shareholding Association”). In the Plan, the Company establishes the “YAMADA HOLDINGS Employee Shareholding Association Trust” (hereinafter

referred to as the “E-Ship Trust”) with a trust bank. The E-Ship Trust acquires in advance, through third party allotment from the Company, the Company shares which are expected to be acquired by the Shareholding Association for approximately five years from the date of the trust agreement, using loans from financial institutions. Thereafter, the E-Ship Trust continuously sells the Company shares to the Shareholding Association. If the amount equivalent to gain on sale of shares is accumulated in the E-Ship Trust at the expiration of the trust, it is allocated to persons who meet beneficiary eligibility requirements as residual assets. The Company provides guarantees for the loans for the acquisition of the Company shares by the E-Ship Trust. Accordingly, if the amount equivalent to loss on sale of shares is accumulated in the E-Ship Trust, due to a decline in the price of the Company shares, and the loan balance equivalent to the loss on sale of shares remains in the E-Ship Trust at the expiration of the trust, the Company shall pay off the remaining balance. In the Plan, the date of the trust agreement is August 14, 2023, and the trust is scheduled to expire on August 8, 2028.
With regard to accounting for the trust agreement, the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30, March 26, 2015) is applied.

b) Treasury stock remaining in the trust:
Treasury stock remaining in the E-Ship Trust is recorded at the carrying amount in the E-Ship Trust (excluding the amount of incidental expenses) as treasury stock, at cost in net assets. The carrying amount and the number of the treasury stock were ¥665 million ($4,391 thousand) and 1,478,100 shares, respectively, as of March 31, 2024.

c) Carrying amount of loans recorded applying the gross amount method:
¥671 million ($4,432 thousand) as of March 31, 2024

5. BUSINESS COMBINATIONS

Significant revision to the initial allocation of acquisition cost

Provisional accounting which was conducted in the year ended March 31, 2023 for the business combination between YAMADA FINANCE SERVICE Co., Ltd., a consolidated subsidiary of the Company, and House Depot Partners Co., Ltd. dated January 18, 2023 was finalized in the year ended March 31, 2024.

As a result of the finalization of accounting, the amount of goodwill decreased by ¥475 million ($3,136 thousand) from the provisionally determined amount of ¥2,423 million ($16,001 thousand) to ¥1,948 million ($12,865 thousand). Moreover, intangible assets increased by ¥208 million ($1,374 thousand) and deferred tax assets decreased by ¥208 million ($1,374 thousand) as of March 31, 2023.

Merger between subsidiaries

Based on the General Meeting of Shareholders held on March 16, 2023 by each company, 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”) conducted 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

a) 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.)

b) 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.

c) Date of business combination

July 1, 2023

d) Legal form of business combination

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

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 SEKIHOME Co., Ltd. into a wholly owned subsidiary

Based on a resolution at a meeting of the Board of Directors held on October 16, 2023, YAMADA HOMES Co., LTD. (hereinafter referred to as "YAMADA HOMES"), a consolidated subsidiary of the Company, acquired all shares of SEKIHOME Co., Ltd. (hereinafter referred to as "SEKIHOME") and made it a wholly owned subsidiary on October 31, 2023.

1. Summary of business combination

a) Name and description of business of the acquired company

Name of acquired company: SEKIHOME Co., Ltd.

Description of acquired business: Design and construction of custom-built houses, residential land development, house sales, and real estate trading

b) Purpose of business combination

Mainly engaged in the custom-built house business, SEKIHOME has maintained debt-free and sound management since its foundation. The company has gained high recognition and popularity in Toyama Prefecture by building houses that are highly airtight and insulated. YAMADA HOMES made SEKIHOME 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 31, 2023 (deemed acquisition date: November 1, 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 HOMES, a consolidated subsidiary of the Company, acquired 100% of the voting rights of SEKIHOME, 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 November 1, 2023 to February 29, 2024

3. Acquisition cost and breakdown by type of consideration

	Millions of yen	*Thousands of U.S. dollars (Note 1)*
Consideration for the acquisition:		
Cash	¥ 289	$ 1,907
Acquisition cost	¥ 289	$ 1,907

4. Details and amount of major expenses for the acquisition

Due diligence expenses: ¥8 million ($50 thousand)

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

a) Amount of goodwill generated

¥45 million ($300 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 nine 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	¥	357	$	2,355
Non-current assets		206		1,361
Total assets	¥	563	$	3,716
Current liabilities	¥	308	$	2,032
Non-current liabilities		11		77
Total liabilities	¥	319	$	2,109

7. Approximate amount of the impact of the business combination on the consolidated statements of income for the year ended March 31, 2024 assuming the business combination was completed on the beginning date of the year ended March 31, 2024 and the calculation method

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

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2024 and 2023 in the consolidated statements of cash flows consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Cash and time deposits	¥ 55,237	¥ 47,237	$ 364,838
Time deposits with maturities exceeding three months	(886)	(750)	(5,852)
Cash and cash equivalents	¥ 54,351	¥ 46,487	$ 358,986

7. SUPPLEMENTAL CASH FLOW INFORMATION

Assets and liabilities acquired through finance leases for the year ended March 31, 2024 were ¥3,863 million ($25,513 thousand) and ¥4,105 million ($27,114 thousand), respectively. Assets and liabilities acquired through finance leases for the year ended March 31, 2023 were ¥5,169 million and ¥5,243 million, respectively.

Asset retirement obligations for the years ended March 31, 2024 and 2023 were ¥1,897 million ($12,531 thousand) and ¥699 million, respectively.

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

As a result of the acquisition of shares of SEKIHOME Co., Ltd., during the year ended March 31, 2024, SEKIHOME 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:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current assets	¥ 357	$ 2,355
Non-current assets	206	1,361
Current liabilities	(308)	(2,032)
Non-current liabilities	(11)	(77)
Goodwill	45	300
Acquisition price of the shares	289	1,907
Cash and cash equivalents	(141)	(929)
Difference: Purchase of investment	¥ 148	$ 978

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
Current assets	¥ 3,432
Non-current assets	1,248
Current liabilities	(1,739)
Non-current liabilities	(2,481)
Goodwill	318
Acquisition price of the shares	778
Cash and cash equivalents	(1,318)
Difference: Proceeds from acquisition of the shares	¥ 540

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:

	Millions of yen
Current assets	¥ 10,162
Non-current assets	850
Current liabilities	(8,234)
Non-current liabilities	(326)
Goodwill	1,948
Acquisition price of the shares	4,400
Cash and cash equivalents	(2,782)
Difference: Purchase of investment	¥ 1,618

Note: The disclosed amounts reflect a significant revision to the initial allocation of acquisition cost following the finalization of provisional accounting as presented in Note 5, entitled "BUSINESS COMBINATIONS."

8. 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.

Long-term loans payable include loans from financial institutions for the trust account in line with the introduction of the "E-Ship Trust."

(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 10, 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, 2024 and 2023:

	Millions of yen		
	2024		
	Book value	Fair value	Valuation gains/(losses)
Financial assets:			
(1) Accounts receivable-trade	¥ 78,455	¥	¥
Allowance for doubtful accounts (*2)	(173)		
	78,282	77,558	(724)
(2) Investment securities (*3) (*5)	7,420	7,456	36
(3) Guarantee deposits (*4) (including current portion)	80,613		
Allowance for doubtful accounts (*2)	(16)		
	80,597	81,242	645
	¥ 166,299	¥ 166,256	¥ (43)
Financial liabilities:			
(1) Long-term loans payable (including current portion)	¥ 167,775	¥ 166,784	¥ (991)
	¥ 167,775	¥ 166,784	¥ (991)
Derivative transactions (*6)	¥ 110	¥ 110	¥ -

	Thousands of U.S. dollars (Note 1)		
	2024		
	Book value	*Fair value*	*Valuation gains/(losses)*
Financial assets:			
(1) Accounts receivable-trade	$ 518,199	$	$
Allowance for doubtful accounts (*2)	(1,142)		
	517,057	512,268	(4,789)
(2) Investment securities (*3) (*5)	49,007	49,250	243
(3) Guarantee deposits (*4) (including current portion)	532,449		
Allowance for doubtful accounts (*2)	(103)		
	532,346	536,606	4,260
	$ 1,098,410	$ 1,098,124	$ (286)
Financial liabilities:			
(1) Long-term loans payable (including current portion)	$ 1,108,160	$ 1,101,614	$ (6,546)
	$ 1,108,160	$ 1,101,614	$ (6,546)
Derivative transactions (*6)	$ 729	$ 729	$ -

	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)
Derivative transactions (*6)	¥ (87)	¥ (87)	¥ -

Notes:

(*1) "Cash and time deposits," "Notes receivable-trade," "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, 2024 and 2023 was ¥0 million ($1 thousand) and ¥0 million, respectively.

(*6) Debt and credit attributed to derivative transactions are indicated as net amounts.

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)*
	2024	2023	*2024*
	Book value		
Investment securities (*)			
(1) Equity securities of subsidiaries and affiliated companies			
Subsidiaries···························	¥ 6,753	¥ 6,672	$ 44,604
Affiliated companies ················	55	44	362
(2) Available-for-sale securities			
Unlisted equity securities ···········	1,246	1,347	8,234

Note:

(*) 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			
	2024			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and time deposits	¥ 55,237	¥ -	¥ -	¥ -
Notes receivable-trade	4,357	-	-	-
Accounts receivable-trade	59,566	14,030	4,611	248
Accounts receivable-completed construction contracts	1,523	-	-	-
Investment securities				
Available-for-sale securities with fixed maturities				
(1) Debt securities				
(Corporate bonds)	-	-	-	-
(2) Others	0	-	-	-
Guarantee deposits (*)	3,191	29,667	19,396	28,359
Total	¥ 123,874	¥ 43,697	¥ 24,007	¥ 28,607

	Thousands of U.S. dollars (Note 1)			
	2024			
	Within one year	*Over one year within five years*	*Over five years within ten years*	*Over ten years*
Cash and time deposits	$ 364,838	$ -	$ -	$ -
Notes receivable-trade	28,780	-	-	-
Accounts receivable-trade	393,439	92,668	30,455	1,637
Accounts receivable-completed construction contracts	10,062	-	-	-
Investment securities				
Available-for-sale securities with fixed maturities				
(1) Debt securities				
(Corporate bonds)	-	-	-	-
(2) Others	1	-	-	-
Guarantee deposits (*)	21,075	195,952	128,112	187,310
Total	$ 818,195	$ 288,620	$ 158,567	$ 188,947

	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
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

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 15, 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

	Millions of yen			
	2024			
	Fair value			
Category	Level 1	Level 2	Level 3	Total
Investment securities	¥ 6,839	-	-	¥ 6,839
Total assets	¥ 6,839	-	-	¥ 6,839

	Thousands of U.S. dollars (Note 1)			
	2024			
	Fair value			
Category	*Level 1*	*Level 2*	*Level 3*	*Total*
Investment securities	$ 45,175	-	-	$ 45,175
Total assets	$ 45,175	-	-	$ 45,175

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

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

Category	Millions of yen					
	2024					
	Fair value					
		Level 1	Level 2	Level 3		Total
Accounts receivable-trade	¥	-	77,558	-	¥	77,558
Investment securities		617	-	-		617
Guarantee deposits (including current portion)		-	81,242	-		81,242
Derivative transactions						
Currency-related		-	110	-		110
Total assets	¥	617	158,910	-	¥	159,527
Long-term loans payable (including current portion)	¥	-	166,784	-	¥	166,784
Total liabilities	¥	-	166,784	-	¥	166,784

Category	*Thousands of U.S. dollars (Note 1)*					
	2024					
	Fair value					
		Level 1	*Level 2*	*Level 3*		*Total*
Accounts receivable-trade	$	-	512,268	-	$	512,268
Investment securities		4,075	-	-		4,075
Guarantee deposits (including current portion)		-	536,606	-		536,606
Derivative transactions						
Currency-related		-	729	-		729
Total assets	$	4,075	1,049,603	-	$	1,053,678
Long-term loans payable (including current portion)	$	-	1,101,614	-	$	1,101,614
Total liabilities	$	-	1,101,614	-	$	1,101,614

Category	Millions of yen					
	2023					
	Fair value					
		Level 1	Level 2	Level 3		Total
Accounts receivable-trade	¥	-	68,241	-	¥	68,241
Investment securities		645	-	-		645
Guarantee deposits (including current portion)		-	82,087	-		82,087
Total assets	¥	645	150,328	-	¥	150,973
Long-term loans payable (including current portion)	¥	-	179,584	-	¥	179,584
Derivative transactions						
Currency-related		-	87	-		87
Total liabilities	¥	-	179,671	-	¥	179,671

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. The fair value of loans from financial institutions for the trust account in line with the introduction of the "E-Ship Trust" is based on the carrying amount, because the fair value approximates the carrying amount as the loans reflect market interest rates in a short term.

Derivative transactions

The fair value of foreign currency forward contracts is based on the price information from the contracted financial institution, and is classified as Level 2.

9. SECURITIES INFORMATION

The acquisition costs and book values of available-for-sale securities with available fair values as of March 31, 2024 and 2023 were as follows:

	Millions of yen		
	2024		
	Book value	Acquisition cost	Difference
Securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 2,746	¥ 2,557	¥ 189
Debt securities:			
Government bonds and others (*)	540	540	0
Sub-total	3,286	3,097	189
Securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	4,022	4,126	(104)
Debt securities:			
Government bonds and others (*)	-	-	-
Sub-total	4,022	4,126	(104)
Total	¥ 7,308	¥ 7,223	¥ 85

	Thousands of U.S. dollars (Note 1)		
	2024		
	Book value	*Acquisition cost*	*Difference*
Securities with book values (fair values) exceeding acquisition costs:			
Equity securities	$ 18,138	$ 16,889	$ 1,249
Debt securities:			
Government bonds and others (*)	3,570	3,569	1
Sub-total	21,708	20,458	1,250
Securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	26,561	27,251	(690)
Debt securities:			
Government bonds and others (*)	-	-	-
Sub-total	26,561	27,251	(690)
Total	$ 48,269	$ 47,709	$ 560

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 ¥1,246 million ($8,234 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		
	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)

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 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, 2024 and 2023 were as follows:

	Millions of yen		
	2024		
	Sales amounts	Gain on sale	Loss on sale
Equity securities	¥ 306	¥ 71	¥ -
Total	¥ 306	¥ 71	¥ -

	Thousands of U.S. dollars (Note 1)		
	2024		
	Sales amounts	*Gain on sale*	*Loss on sale*
Equity securities	$ 2,018	$ 467	$ -
Total	$ 2,018	$ 467	$ -

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

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 and available-for-sale securities, 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 available-for-sale securities was ¥100 million ($661 thousand) for the year ended March 31, 2024. Loss on valuation of investments in non-consolidated subsidiaries and affiliated companies was ¥49 million for the year ended March 31, 2023.

10. DERIVATIVE FINANCIAL INSTRUMENTS

The aggregate amounts contracted to be paid or received under, and the fair values and unrealized gains (losses) of, currency-related derivative transactions, other than market trades (and excluding hedging transactions) as of March 31, 2024 and 2023 were as follows:

	Millions of yen		Millions of yen		*Thousands of U.S. dollars (Note 1)*	
	Notional Amount					
	Total	Due after one year	Fair value	Unrealized gains	*Fair value*	*Unrealized gains*
At March 31, 2024:						
Foreign currency forward contracts:						
Buy, call	¥ 3,317	¥ -	¥ 110	¥ 110	$ 729	$ 729
Total	¥ 3,317	¥ -	¥ 110	¥ 110	$ 729	$ 729

	Millions of yen		Millions of yen	
	Notional Amount			
	Total	Due after one year	Fair value	Unrealized gains
At March 31, 2023:				
Foreign currency forward contracts:				
Buy, call	¥ 1,553	¥ -	¥ 18	¥ 18
Currency options:				
Buy, call	1,674	-	(105)	(105)
Total	¥ 3,227	¥ -	¥ (87)	¥ (87)

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

Derivative instruments which qualified as hedging instruments were not applicable as of March 31, 2024 and as follows as of March 31, 2023:

	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	¥ -	¥ (*)

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

11. INVENTORIES

Inventories at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	*2024*
Merchandise and finished goods	¥ 351,151	¥ 338,383	$ 2,319,363
Real estate for sale	61,019	48,760	403,030
Work in process	1,217	1,418	8,037
Costs on construction contracts in progress	7,260	7,601	47,951
Raw materials and supplies	5,792	6,361	38,256
Total	¥ 426,439	¥ 402,523	$ 2,816,637

12. ACCUMULATED DEPRECIATION ON PROPERTY AND EQUIPMENT

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	*2024*
Accumulated depreciation	¥ 393,452	¥ 380,302	$ 2,598,759

13. 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, 2024 and 2023.

The summary of impairment losses recorded for the years ended March 31, 2024 and 2023 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	*2024*
Buildings and structures	¥ 5,510	¥ 3,338	$ 36,397
Land	19	100	128
Lease assets	729	510	4,816
Other tangible assets	1,365	1,341	9,013
Intangible assets	71	979	468
Investments and other assets	249	178	1,644
Total	¥ 7,943	¥ 6,446	$ 52,466

Impairment losses for the year ended March 31, 2024 mainly relate to retail stores, a property for the Group's own business use, and common assets located mainly in Hyogo Prefecture and idle assets located mainly in Gunma Prefecture.

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.

14. 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, 2024 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2024	2023	*2024*
Due within one year	¥ 18,562	¥ 14,123	$ 122,598
Due after one year	66,303	70,591	437,935
Total	¥ 84,865	¥ 84,714	$ 560,533

As Lessor

(i) Operating lease transactions

Future minimum lease receivables under non-cancelable operating leases as of March 31, 2024 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2024	2023	*2024*
Due within one year	¥ 119	¥ 119	$ 785
Due after one year	76	133	505
Total	¥ 195	¥ 252	$ 1,290

15. SHORT-TERM AND LONG-TERM DEBT

The weighted-average rates of interest for short-term loans payable were approximately 0.41% and 0.40% as of March 31, 2024 and 2023, respectively.

The weighted-average rates of interest for the current portion of long-term loans payable were approximately 0.43% as of March 31, 2024 and 2023.

The weighted-average rates of interest for long-term loans payable (excluding the current portion thereof) were approximately 0.46% and 0.43% as of March 31, 2024 and 2023, respectively. The long-term loans payable were due in 2025 through 2040 and 2024 through 2040 as of March 31, 2024 and 2023, 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 weighted-average rates of interest for long-term accounts payable - other in other interest-bearing debt were approximately 2.49% as of March 31, 2024. The long-term accounts payable - other (excluding the current portion thereof) in other interest-bearing debt were due in 2025 through 2028 as of March 31, 2024.

The short-term and long-term debt as of March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	*2024*
Short-term loans payable	¥ 131,566	¥ 122,725	$ 868,999
Long-term loans payable (due within one year)	59,577	55,201	393,510
Lease obligations (due within one year)	5,387	6,283	35,584
Other interest-bearing debt			
Long-term accounts payable - other (due within one year)	26	-	168
Sub-total	196,556	184,209	1,298,261
Long-term loans payable (excluding amounts due within one year)	108,198	124,739	714,650
Lease obligations (excluding amounts due within one year)	11,109	10,593	73,372
Other interest-bearing debt			
Long-term accounts payable - other (due after one year)	76	-	503
Sub-total	119,383	135,332	788,525
Total	¥ 315,939	¥ 319,541	$ 2,086,786

The following assets were pledged as collateral for the below listed liabilities as of March 31, 2024 and 2023:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	*2024*
Land	¥ 446	¥ 466	$ 2,947

Note: Land was pledged as collateral at certain consolidated subsidiaries for customers' housing loans of ¥15 million ($97 thousand) and ¥17 million as of March 31, 2024 and 2023, respectively, as well as for loans from financial institutions of ¥403 million ($2,662 thousand) and ¥423 million as of March 31, 2024 and 2023, respectively.

The aggregate annual maturities of long-term loans payable as of March 31, 2024 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2025	¥ 59,577	$ 393,510
2026	39,949	263,864
2027	32,660	215,720
2028	25,671	169,557
2029	8,380	55,348
Thereafter	1,538	10,161
Total	¥ 167,775	$ 1,108,160

The aggregate annual maturities of long-term accounts payable - other as of March 31, 2024 were as follows:

Year ending March 31,	Millions of yen	*Thousands of U.S. dollars (Note 1)*
2025	¥ 26	$ 168
2026	34	222
2027	28	188
2028	13	83
2029	1	10
Thereafter	-	-
Total	¥ 102	$ 671

The aggregate annual maturities of finance lease obligations as of March 31, 2024 were as follows:

Year ending March 31,	Millions of yen	*Thousands of U.S. dollars (Note 1)*
2025	¥ 5,387	$ 35,584
2026	4,490	29,659
2027	3,594	23,737
2028	1,604	10,596
2029	508	3,352
Thereafter	913	6,028
Total	¥ 16,496	$ 108,956

The Company has entered into loan commitment agreements amounting to ¥50,000 million ($330,251 thousand) with seven financial institutions. Under these credit facilities, no amount has been executed as of March 31, 2024 and 2023.

16. 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, 2024 and 2023.

Significant components of deferred tax assets and liabilities as of March 31, 2024 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2024	2023	*2024*
Deferred tax assets:			
Loss on valuation of inventories	¥ 3,561	¥ 3,254	$ 23,522
Impairment loss	21,602	21,299	142,683
Loss on valuation of investment securities	660	693	4,363
Loss on valuation of stock of subsidiaries	1,785	1,788	11,789
Provision for bonuses	4,857	4,367	32,079
Net defined benefit liability	9,796	9,831	64,703
Provision for directors' retirement benefits	98	108	646
Provision for product warranties	509	510	3,361
Other provisions	1,030	949	6,801
Asset retirement obligations	11,899	11,364	78,593
Contract liabilities	11,765	17,180	77,709
Tax loss carry-forward (Note 2)	4,315	6,565	28,497
Others	12,355	12,252	81,607
Sub-total	84,232	90,160	556,353
Valuation allowance for tax loss carry-forward (Note 2)	(4,276)	(6,293)	(28,243)
Valuation allowance for total of deductible temporary differences	(15,603)	(16,830)	(103,058)
Valuation allowance (Note 1)	(19,879)	(23,123)	(131,301)
Total deferred tax assets	64,353	67,037	425,052
Deferred tax liabilities:			
Unrealized gains on valuation of land	(1,480)	(1,315)	(9,774)
Loss recognized corresponding to asset retirement obligations	(5,506)	(5,414)	(36,367)
Others	(4,979)	(5,043)	(32,890)
Total deferred tax liabilities	(11,965)	(11,772)	(79,031)
Net deferred tax assets (Note 3)	¥ 52,388	¥ 55,265	$ 346,021

Notes: 1. Valuation allowance decreased by ¥3,244 million ($21,430 thousand). The decrease is mainly due to a decrease in valuation allowance for tax loss carry-forward resulting from the expiration of part of tax loss carry-forward at consolidated subsidiaries, as well as deduction of tax loss carry-forward assumed by Hinokiya Group Co., Ltd. ("Hinokiya Group") from six subsidiaries as a result of absorption-type merger between Hinokiya Group and the six subsidiaries.

2. The expiration of tax loss carry-forward and the resulting deferred tax assets as of March 31, 2024 and 2023 were as follows:

	Millions of yen						
	2024						
	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)	¥ 760	¥ 662	¥ 700	¥ -	¥ 1,176	¥ 1,017	¥ 4,315
Valuation allowance	(755)	(642)	(689)	-	(1,173)	(1,017)	(4,276) (*2)
Deferred tax assets	5	20	11	-	3	-	39

	Thousands of U.S. dollars (Note 1)						
	2024						
	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)	$ 5,017	$ 4,370	$ 4,622	$ -	$ 7,770	$ 6,718	$ 28,497
Valuation allowance	(4,985)	(4,239)	(4,553)	-	(7,748)	(6,718)	(28,243) (*2)
Deferred tax assets	32	131	69	-	22	-	254

	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

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

(*2) As of March 31, 2024, deferred tax assets of ¥39 million ($254 thousand) were recorded for tax loss carry-forward of ¥4,315 million ($28,497 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 ¥61 million ($405 thousand) at YAMADA FINANCE SERVICE Co., Ltd. ("YAMADA FINANCE SERVICE"). 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, 2023, deferred tax assets of ¥272 million were recorded for tax loss carry-forward of ¥6,565 million (multiplied by the statutory income tax rate). This amount of deferred tax assets was recognized mainly for part of the balance of tax loss carry-forward of ¥176 million at YAMADA FINANCE SERVICE. 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 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, 2024 and 2023:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2024	2023	*2024*
Non-current assets – Deferred tax assets ···············	¥ 52,399	¥ 57,380	$ 346,097
Long-term liabilities – Other long-term liabilities·····	(11)	(2,115)	(76)

4. In the year ended March 31, 2024, provisional accounting for business combinations was finalized, and the figures for the year ended March 31, 2023 reflect the details of the finalization of provisional accounting.

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, 2024 and 2023 were as follows:

	2024	2023
Statutory income tax rate	30.5%	30.5%
Per capita inhabitants taxes	2.4	2.2
Change in valuation allowance	(4.3)	(4.1)
Tax rate differences for net loss subsidiaries	3.8	1.5
Tax rate differences for consolidated subsidiaries	3.1	3.4
Entertainment and other non-deductible expenses	1.5	1.4
Effect of merger of subsidiaries	(0.6)	(9.0)
Others, net	0.4	0.1
Effective income tax rate	36.8	26.0

The Company and its certain domestic consolidated subsidiaries have applied the group tax sharing system. 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).

17. CONTINGENT LIABILITIES

The Group was contingently liable for transferred accounts receivable of ¥12,991 million ($85,803 thousand) and ¥15,151 million to credit card companies as of March 31, 2024 and 2023, respectively.

The Group was contingently liable for the following guarantees of debt as of March 31, 2024 and 2023:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2024	2023	*2024*
Guarantees of debt made to home buyers and the like	¥ 941	¥ 959	$ 6,215
Guarantees of debt made to employees	0	2	3

Receivables securitized through a self-created trust as of March 31, 2024 were as follows:

	Millions of yen	*Thousands of U.S. dollars (Note 1)*
Other current assets	¥ 2,770	$ 18,295
Guarantee deposits	9,514	62,843

The securitized receivables were accounted for as financial transactions, and the corresponding payables as of March 31, 2024 were as follows:

	Millions of yen	*Thousands of U.S. dollars (Note 1)*
Current portion of long-term loans payable	¥ 2,644	$ 17,463
Long-term loans payable	9,183	60,655

18. 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.

19. 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.

Certain consolidated subsidiaries executed the transfer from a defined benefit corporate pension plan to a defined contribution pension plan on July 1, 2022 and March 1, 2023.

Defined benefit plans

(1) Changes in retirement benefit obligations for the years ended March 31, 2024 and 2023

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2024	2023	*2024*
Beginning balance	¥ 40,766	¥ 48,770	$ 269,256
Service costs	3,958	3,579	26,140
Interest cost	101	131	669
Actuarial gains and losses	(3,054)	586	(20,168)
Payment of benefit obligations	(1,341)	(1,354)	(8,855)
Increase due to new consolidation	2	167	13
Decrease resulting from the termination of defined benefit plans	(5,003)	(11,113)	(33,046)
Others	0	(0)	2
Ending balance	¥ 35,429	¥ 40,766	$ 234,011

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

(2) Changes in pension assets for the years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	*2024*
Beginning balance	¥ 8,007	¥ 19,036	$ 52,886
Expected return on pension assets	3	209	22
Actuarial gains and losses	(29)	(595)	(191)
Contributions paid by the employer	68	390	450
Retirement benefits paid	(244)	(279)	(1,612)
Decrease resulting from the termination of defined benefit plans	(3,270)	(10,754)	(21,600)
Ending balance	¥ 4,535	¥ 8,007	$ 29,955

(3) Reconciliation of retirement benefit obligations and pension assets and net defined benefit liability (asset) for the years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	*2024*
Funded retirement benefit obligations	¥ 1,735	¥ 6,511	$ 11,461
Amount of pension assets	(4,535)	(8,007)	(29,955)
	(2,800)	(1,496)	(18,494)
Unfunded retirement benefit obligations	33,694	34,255	222,550
Total net defined benefit liability	¥ 30,894	¥ 32,759	$ 204,056
Net defined benefit liability	33,984	34,312	224,463
Net defined benefit asset	(3,090)	(1,553)	(20,407)
Total net defined benefit liability	¥ 30,894	¥ 32,759	$ 204,056

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, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	*2024*
Service costs (*)	¥ 3,958	¥ 3,579	$ 26,140
Interest cost	101	131	669
Expected return on pension assets	(3)	(209)	(22)
Amortization of actuarial differences	165	(110)	1,091
Amortization of prior service costs	140	127	927
Total net periodic retirement benefit costs	¥ 4,361	¥ 3,518	$ 28,805

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, 2024, in addition to the items above, gain on revision of retirement benefit plan of ¥1,573 million ($10,388 thousand) as other income and others, net (loss on revision of retirement benefit plan) of ¥98 million ($644 thousand) as other expenses were recorded following the transfer from a defined benefit corporate pension plan to a defined contribution pension plan of certain consolidated subsidiaries. In the year ended March 31, 2023, gain on revision of retirement benefit plan of ¥893 million was recorded as other income following the integration of the defined benefit corporate pension plans of certain consolidated subsidiaries.

(5) Remeasurements of defined benefit plans for the years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Prior service costs	¥ 122	¥ 127	$ 805
Actuarial gains and losses	3,466	(1,825)	22,892
Total	¥ 3,588	¥ (1,698)	$ 23,697

(6) Accumulated remeasurements of defined benefit plans for the years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Unrealized prior service costs	¥ 415	¥ 537	$ 2,742
Unrealized actuarial gains and losses	(2,109)	1,357	(13,933)
Total	¥ (1,694)	¥ 1,894	$ (11,191)

(7) Pension assets as of March 31, 2024 and 2023

(i) The percentages for each classification of total pension assets as of March 31, 2024 and 2023 were as follows:

	2024	2023
Bonds	- %	17.4 %
Stocks	-	39.3
General accounts	22.2	22.8
Short-term assets	77.8	20.5
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, 2024 and 2023

	2024	2023
Principal discount rate	1.10 %	0.30 %
Long-term expected rate of return on plan assets	0.00	2.00

Note: The 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 ¥2,449 million ($16,174 thousand) and ¥2,459 million for the years ended March 31, 2024 and 2023, respectively.

Other

The effects of the transfer from a defined benefit corporate pension plan to a defined contribution pension plan as of March 31, 2024 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2024	2023	*2024*
Decrease in retirement benefit obligations	¥ 5,003	¥ 11,113	$ 33,046
Decrease in pension assets	(3,270)	(10,754)	(21,600)
Unrealized actuarial gains and losses	(276)	534	(1,824)
Unrealized prior service costs	18	-	122
Total	¥ 1,475	¥ 893	$ 9,744

20. 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, 2024 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2024	2023	*2024*
Beginning balance	¥ 36,867	¥ 35,815	$ 243,510
Increase due to purchase of property and equipment	1,426	245	9,421
Increase due to changes in estimate	7	7	45
Adjustments due to passage of time	464	447	3,065
Decrease due to implementation of asset retirement obligations	(342)	(216)	(2,257)
(Decrease) increase due to exchange translation of asset retirement obligations denominated in foreign currencies	25	37	166
Increase due to new consolidation	6	42	36
Effect of change from the simplified method to the principle method	-	374	-
Other (decrease) increase	-	116	-
Ending balance	¥ 38,453	¥ 36,867	$ 253,986

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.

21. 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 27, 2024, the shareholders approved cash dividends amounting to ¥8,999 million ($59,442 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2024 as they are to be recognized in the period in which they are approved by the shareholders.

22. STOCK OPTIONS

Stock option expenses recognized for the years ended March 31, 2024 and 2023 were ¥242 million ($1,598 thousand) and ¥244 million, respectively.

The stock options existing during the years ended March 31, 2024 and 2023 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*	2,758 units	2,599 units	4,391 units	5,650 units
Class, description, and number of shares of stock to be allotted upon exercise of subscription rights to shares (*3)*	Common stock 275,800 shares	Common stock 259,900 shares	Common stock 439,100 shares	Common stock 565,000 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 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*	5,101 units	5,423 units	6,360 units	4,218 units
Class, description, and number of shares of stock to be allotted upon exercise of subscription rights to shares (*3)*	Common stock 510,100 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 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	2023 Stock Option
Date of resolution	June 29, 2021	June 29, 2022	June 29, 2023
Persons granted	3 directors	5 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	Common stock 608,400 shares
Date of grant	July 14, 2021	July 14, 2022	July 14, 2023
Vesting condition	Not set	Not set	Not set
Service period covered	Not prescribed	Not prescribed	Not prescribed
Exercise period*	From July 15, 2021 to July 14, 2051	From July 15, 2022 to July 14, 2052	From July 15, 2023 to July 14, 2053
Number of subscription rights to shares*	4,721 units	5,920 units	4,563 (5,580) units
Class, description, and number of shares of stock to be allotted upon exercise of subscription rights to shares (*3)*	Common stock 472,100 shares	Common stock 592,000 shares	Common stock 456,300 (558,000) shares
Subscription price to be paid upon exercise of each subscription right to shares*	¥1	¥1	¥1
Issue price and amount of capital to be increased due to the issuance of shares upon exercise of subscription rights to shares*	Issue price: ¥464 (*4)	Issue price: ¥427 (*4)	Issue price: ¥393 (*4)
Exercise conditions*	(*5)	(*5)	(*5)
Matters concerning the transfer of subscription rights to shares*	(*6)	(*6)	(*6)
Matters concerning the allotment of subscription rights to shares in the event of reorganization*	(*7)	(*7)	(*7)

* Information as of March 31, 2024. Figures as of May 31, 2024 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 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"), the 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 the 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 the Subscription Rights to Shares of the Reorganized Company to be delivered
The identical number of the Subscription Rights to Shares to the number of the Remaining Subscription Rights to Shares held by a Right Holder shall be delivered to the said Right Holder.

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

(c) Number of shares of the Reorganized Company to be allotted upon exercise of the 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 the 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 the Subscription Rights to Shares.

(e) Period during which the 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 the 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 the 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, 2024 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:				
<u>Non-vested</u>				
March 31, 2023 –				
Outstanding	-	-	-	-
Granted	-	-	-	-
Forfeited	-	-	-	-
Vested	-	-	-	-
March 31, 2024 –				
Outstanding	-	-	-	-
<u>Vested</u>				
March 31, 2023 –				
Outstanding	290,300	273,900	439,100	572,400
Vested	-	-	-	-
Exercised	14,500	14,000	-	7,400
Forfeited	-	-	-	-
March 31, 2024 –				
Outstanding	275,800	259,900	439,100	565,000

	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	¥ 446.3	$ 2.95	¥ 446.3	$ 2.95	¥ -	$ -	¥ 428.9	$ 2.83
Fair value at the grant date	¥ 410.9	$ 2.71	¥ 291.0	$ 1.92	¥ 404.0	$ 2.67	¥ 452.0	$ 2.99

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, 2023 –				
Outstanding	-	-	-	-
Granted	-	-	-	-
Forfeited	-	-	-	-
Vested	-	-	-	-
March 31, 2024 –				
Outstanding	-	-	-	-
Vested				
March 31, 2023 –				
Outstanding	516,500	542,300	636,000	421,800
Vested	-	-	-	-
Exercised	6,400	-	-	-
Forfeited	-	-	-	-
March 31, 2024 –				
Outstanding	510,100	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	¥ 428.9	$ 2.83	¥ -	$ -	¥ -	$ -	¥ -	$ -
Fair value at the grant date	¥ 442.0	$ 2.92	¥ 451.0	$ 2.98	¥ 388.0	$ 2.56	¥ 465.0	$ 3.07

Date of resolution	June 29, 2021	June 29, 2022	June 29, 2023
	(Shares)	(Shares)	(Shares)
Number of stock options expressed in the number of common stock:			
Non-vested			
March 31, 2023 –			
Outstanding	-	147,900	-
Granted	-	-	608,400
Forfeited	-	-	-
Vested	-	147,900	456,300
March 31, 2024 –			
Outstanding	-	-	152,100
Vested			
March 31, 2023 –			
Outstanding	472,100	444,100	-
Vested	-	147,900	456,300
Exercised	-	-	-
Forfeited	-	-	-
March 31, 2024 –			
Outstanding	472,100	592,000	456,300

	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
Average price at the exercise date	¥ -	$ -	¥ -	$ -	¥ -	$ -
Fair value at the grant date	¥ 463.0	$ 3.06	¥ 426.0	$ 2.81	¥ 392.0	$ 2.59

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, 2024 is estimated using the Black-Scholes option pricing model with the assumptions noted in the following table:

	2023 compensation-type stock option
Volatility of stock price (*1)	21.528%
Estimated remaining outstanding period (*2)	3.0 years
Estimated dividend (*3)	¥12 per share
Risk-free interest rate (*4)	(0.024)%

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, 2023.
(*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.

23. REVENUE RECOGNITION

Disaggregation of revenue from contracts with customers

From the year ended March 31, 2024, the pharmaceuticals and everyday items sales business, which was previously included in "Others," and the home electrical appliances guarantee extension service business, which was previously included in the "Financial Business," have 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, 2023 has been prepared based on the reportable segment classification for the year ended March 31, 2024.

	Millions of yen						
	2024						
	Reportable segments					Others (Note)	Total
	Electrical Business	Housing Business	Financial Business	Environment Business	Total		
Home electrical appliances & Home information appliances	¥ 1,107,123	¥ -	¥ -	¥ 13,606	¥ 1,120,729	¥ 5,521	¥ 1,126,250
Housing	67,202	273,291	2,057	-	342,550	7,723	350,273
Others	106,581	-	1,086	4,597	112,264	1,187	113,451
Revenue from contracts with customers	¥ 1,280,906	¥ 273,291	¥ 3,143	¥ 18,203	¥ 1,575,543	¥ 14,431	¥ 1,589,974
Revenue from other sources	¥ -	¥ 1,393	¥ 643	¥ -	¥ 2,036	¥ -	¥ 2,036
Sales to external customers	¥ 1,280,906	¥ 274,684	¥ 3,786	¥ 18,203	¥ 1,577,579	¥ 14,431	¥ 1,592,010

	Thousands of U.S. dollars (Note 1)						
	2024						
	Reportable segments					*Others (Note)*	*Total*
	Electrical Business	*Housing Business*	*Financial Business*	*Environment Business*	*Total*		
Home electrical appliances & Home information appliances	$ 7,312,573	$ -	$ -	$ 89,864	$ 7,402,437	$ 36,470	$ 7,438,907
Housing	443,865	1,805,095	13,589	-	2,262,549	51,008	2,313,557
Others	703,972	-	7,172	30,363	741,507	7,840	749,347
Revenue from contracts with customers	$ 8,460,410	$ 1,805,095	$ 20,761	$ 120,227	$ 10,406,493	$ 95,318	$ 10,501,811
Revenue from other sources	$ -	$ 9,196	$ 4,247	$ -	$ 13,443	$ -	$ 13,443
Sales to external customers	$ 8,460,410	$ 1,814,291	$ 25,008	$ 120,227	$ 10,419,936	$ 95,318	$ 10,515,254

	Millions of yen						
	2023						
	Reportable segments					Others (Note)	Total
	Electrical Business	Housing Business	Financial Business	Environment Business	Total		
Home electrical appliances & Home information appliances	¥ 1,125,532	¥ -	¥ -	¥ 12,928	¥ 1,138,460	¥ 7,693	¥ 1,146,153
Housing	57,828	265,572	484	-	323,884	7,982	331,866
Others	114,289	-	536	4,441	119,266	1,262	120,528
Revenue from contracts with customers	¥ 1,297,649	¥ 265,572	¥ 1,020	¥ 17,369	¥ 1,581,610	¥ 16,937	¥ 1,598,547
Revenue from other sources	¥ -	¥ 1,350	¥ 690	¥ -	¥ 2,040	¥ -	¥ 2,040
Sales to external customers	¥ 1,297,649	¥ 266,922	¥ 1,710	¥ 17,369	¥ 1,583,650	¥ 16,937	¥ 1,600,587

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)*
	2024	2023	*2024*
Receivables from contracts with customers (beginning balance)			
Notes receivable-trade	¥ 4,832	¥ 4,647	$ 31,916
Accounts receivable-trade	68,821	68,753	454,565
Accounts receivable-completed construction contracts	1,819	909	12,017
Receivables from contracts with customers (ending balance)			
Notes receivable-trade	¥ 4,357	¥ 4,832	$ 28,780
Accounts receivable-trade	78,455	68,821	518,199
Accounts receivable-completed construction contracts	232	1,819	1,534
Contract assets (beginning balance)	¥ 1,315	¥ 1,470	$ 8,686
Contract assets (ending balance)	1,291	1,315	8,527
Contract liabilities (beginning balance)	¥ 81,751	¥ 93,590	$ 539,964
Contract liabilities (ending balance)	76,558	81,751	505,666

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 "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, 2024 that was included in the contract liability balance at the beginning of the year was ¥49,226 million ($325,137 thousand).

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.

The amount of revenue recognized in the years ended March 31, 2024 and 2023 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)	
	2024		2023		2024	
Within one year	¥	13,700	¥	14,655	$	90,488
Over one year within two years		10,997		11,935		72,635
Over two years within three years		7,185		7,783		47,461
Over three years within four years		4,468		4,783		29,510
Over four years within five years		2,705		2,837		17,866
Over five years		3,489		3,761		23,046
Total	¥	42,544	¥	45,754	$	281,006

24. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The major components of "Selling, general and administrative expenses" for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2024		2023		2024	
Advertising	¥	22,439	¥	21,628	$	148,207
Salaries		118,887		117,876		785,251
Rent expenses		75,813		74,637		500,750
Depreciation		22,726		21,608		150,107
Others		172,863		168,956		1,141,761
Total	¥	412,728	¥	404,705	$	2,726,076

Total research and development expenses included in general and administrative expenses were ¥326 million ($2,153 thousand) and ¥320 million for the years ended March 31, 2024 and 2023, respectively.

25. OTHER INCOME (EXPENSES)

Loss on disaster of ¥1,445 million ($9,541 thousand) for the year ended March 31, 2024 was mainly loss related to damage from the 2024 Noto Peninsula Earthquake. Loss on disaster of ¥321 million 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.

"Others, net" in "Other income (expenses)" in the consolidated statements of income for the years ended March 31, 2024 and 2023 included the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Sales of electric power	¥ 1,774	¥ 1,909	$ 11,717
Cost of sales of electric power	(527)	(773)	(3,479)
Gain on sale of non-current assets	1,698	71	11,217
Loss on disposal of non-current assets	(605)	(269)	(3,995)
Gain on sale of investment securities	-	243	-
Others, net	2,099	2,645	13,864
Total	¥ 4,439	¥ 3,826	$ 29,324

26. OTHER COMPREHENSIVE INCOME

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ 1,366	¥ (981)	$ 9,022
Reclassification adjustments	(71)	(211)	(466)
Valuation difference on available-for-sale securities before related tax effect	1,295	(1,192)	8,556
Related tax effect	(63)	88	(416)
Valuation difference on available-for-sale securities, net of taxes	1,232	(1,104)	8,140
Foreign currency translation adjustments:			
Amount arising during the year	189	540	1,250
Reclassification adjustments	-	-	-
Foreign currency translation adjustments before related tax effect	189	540	1,250
Related tax effect	-	-	-
Foreign currency translation adjustments, net of taxes	189	540	1,250
Remeasurements of defined benefit plans:			
Amount arising during the year	3,025	(1,181)	19,977
Reclassification adjustments	563	(517)	3,720
Remeasurements of defined benefit plans before related tax effect	3,588	(1,698)	23,697
Related tax effect	(676)	376	(4,465)
Remeasurements of defined benefit plans, net of tax	2,912	(1,322)	19,232
Share of other comprehensive loss of associates accounted for using equity method:			
Amount arising during the year	(2)	(2)	(17)
Reclassification adjustments	-	-	-
Share of other comprehensive loss of associates accounted for using equity method	(2)	(2)	(17)
Total other comprehensive income (loss)	¥ 4,331	¥ (1,888)	$ 28,605

27. SEGMENT INFORMATION

- Segment Information

1. Overview of reportable segments

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

The Group’s business segments, based on its business domains, comprise its 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, 2024, the pharmaceuticals and everyday items sales business, which was previously included in “Others,” and the home electrical appliances guarantee extension service business, which was previously included in the “Financial Business,” have 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, 2023 has been prepared based on the reportable segment classification for the year ended March 31, 2024.

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				
	2024				
	Reportable segments				
	Electrical Business	Housing Business	Financial Business	Environment Business	Total
Net sales					
Sales to external customers	¥ 1,280,906	¥ 274,684	¥ 3,786	¥ 18,203	¥ 1,577,579
Intersegment sales	10,288	4,847	513	14,524	30,172
Total	¥ 1,291,194	¥ 279,531	¥ 4,299	¥ 32,727	¥ 1,607,751
Segment profit (loss)	¥ 32,620	¥ 5,631	¥ 968	¥ 1,450	¥ 40,669
Segment assets	999,577	179,020	54,051	22,289	1,254,937
Other items					
Depreciation	21,131	3,321	133	315	24,900
Amortization of goodwill	-	406	162	-	568
Impairment losses	6,168	1,775	-	-	7,943
Increase in property and equipment and intangible assets	26,863	4,327	27	1,116	32,333

	Millions of yen			
	2024			
	Others (Note 1)	Total	Adjusted amounts (Notes 2, 3)	Amount recorded in consolidated financial statements (Note 4)
Net sales				
Sales to external customers	¥ 14,431	¥ 1,592,010	¥ -	¥ 1,592,010
Intersegment sales	10,831	41,003	(41,003)	-
Total	¥ 25,262	¥ 1,633,013	¥ (41,003)	¥ 1,592,010
Segment profit (loss)	¥ 676	¥ 41,345	¥ 145	¥ 41,490
Segment assets	8,840	1,263,777	25,218	1,288,995
Other items				
Depreciation	39	24,939	637	25,576
Amortization of goodwill	-	568	-	568
Impairment losses	-	7,943	-	7,943
Increase in property and equipment and intangible assets	75	32,408	-	32,408

	Thousands of U.S. dollars (Note 1)				
	2024				
	Reportable segments				
	Electrical Business	*Housing Business*	*Financial Business*	*Environment Business*	*Total*
Net sales					
Sales to external customers	$ 8,460,410	$ 1,814,291	$ 25,008	$ 120,227	$10,419,936
Intersegment sales	67,954	32,012	3,389	95,931	199,286
Total	$ 8,528,364	$ 1,846,303	$ 28,397	$ 216,158	$10,619,222
Segment profit (loss)	$ 215,454	$ 37,192	$ 6,397	$ 9,577	$ 268,620
Segment assets	6,602,223	1,182,432	357,010	147,220	8,288,885
Other items					
Depreciation	139,568	21,935	881	2,083	164,467
Amortization of goodwill	-	2,681	1,072	-	3,753
Impairment losses	40,739	11,727	-	-	52,466
Increase in property and equipment and intangible assets	177,433	28,578	176	7,370	213,557

	Thousands of U.S. dollars (Note 1)			
	2024			
	Others (Note 1)	*Total*	*Adjusted amounts (Notes 2, 3)*	*Amount recorded in consolidated financial statements (Note 4)*
Net sales				
Sales to external customers	$ 95,318	$ 10,515,254	$ -	$ 10,515,254
Intersegment sales	71,540	270,826	(270,826)	-
Total	$ 166,858	$ 10,786,080	$ (270,826)	$ 10,515,254
Segment profit (loss)	$ 4,468	$ 273,088	$ 953	$ 274,041
Segment assets	58,385	8,347,270	166,566	8,513,836
Other items				
Depreciation	252	164,719	4,211	168,930
Amortization of goodwill	-	3,753	-	3,753
Impairment losses	-	52,466	-	52,466
Increase in property and equipment and intangible assets	501	214,058	-	214,058

Notes:
1. The “Others” category includes other business segment not included in reportable segments.
2. The adjusted amounts of segment assets amounting to ¥25,218 million ($166,566 thousand) resulted from corporate assets of ¥40,337 million ($266,427 thousand) that have not been allocated to segments and elimination of intersegment transactions of ¥(15,119) million ($(99,861) thousand).
3. The adjusted amounts of segment profit amounting to ¥145 million ($953 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				
	2023				
	Reportable segments				
	Electrical Business	Housing Business	Financial Business	Environment Business	Total
Net sales					
Sales to external customers .	¥ 1,297,649	¥ 266,922	¥ 1,710	¥ 17,369	¥ 1,583,650
Intersegment sales...............	13,916	5,439	463	14,435	34,253
Total	¥ 1,311,565	¥ 272,361	¥ 2,173	¥ 31,804	¥ 1,617,903
Segment profit (loss)............	¥ 32,329	¥ 8,576	¥ 319	¥ 1,490	¥ 42,714
Segment assets	988,375	167,313	50,708	20,468	1,226,864
Other items					
Depreciation........................	20,480	3,107	22	287	23,896
Amortization of goodwill....	-	504	-	-	504
Impairment losses	4,327	2,082	-	-	6,409
Increase in property and equipment and intangible assets	24,529	3,711	7	791	29,038

	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 .	¥ 16,937	¥ 1,600,587	¥ -	¥ 1,600,587
Intersegment sales...............	11,805	46,058	(46,058)	-
Total	¥ 28,742	¥ 1,646,645	¥ (46,058)	¥ 1,600,587
Segment profit (loss)............	¥ 1,214	¥ 43,928	¥ 138	¥ 44,066
Segment assets	9,241	1,236,105	35,076	1,271,181
Other items				
Depreciation........................	37	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	3	29,041	-	29,041

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 resulted from corporate assets of ¥47,543 million that have not been allocated to segments and elimination of intersegment transactions of ¥(12,467) million.
3. The adjusted amounts of segment profit amounting to ¥138 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, 2024 and 2023 is as follows:

	Millions of yen			
	2024			
	Home electrical appliances & Home information appliances	Housing	Other	Total
Sales to external customers ·····	¥ 1,126,250	¥ 350,273	¥ 115,487	¥ 1,592,010

	Thousands of U.S. dollars (Note 1)			
	2024			
	Home electrical appliances & Home information appliances	*Housing*	*Other*	*Total*
Sales to external customers ·····	$ 7,438,907	$ 2,313,557	$ 762,790	$ 10,515,254

	Millions of yen			
	2023			
	Home electrical appliances & Home information appliances	Housing	Other	Total
Sales to external customers ·····	¥ 1,146,153	¥ 331,866	¥ 122,568	¥ 1,600,587

Information about geographic area for the years ended March 31, 2024 and 2023 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, 2024 and 2023 has not been disclosed since no single customer accounted for more than 10% of consolidated sales.

- **Information about Impairment Loss on Non-Current Assets in Reportable Segment**

Information about impairment loss on non-current assets in reportable segment for the years ended March 31, 2024 and 2023 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							
	2024							
	Reportable segments					Others	Corporate/ elimination	Total
	Electrical Business	Housing Business	Financial Business	Environment Business	Total			
Amortization	¥ -	¥ 406	¥ 162	¥ -	¥ 568	¥ -	¥ -	¥ 568
Unamortized balance.....	-	938	1,785	-	2,723	-	-	2,723

	Thousands of U.S. dollars (Note 1)							
	2024							
	Reportable segments					*Others*	*Corporate/ elimination*	*Total*
	Electrical Business	*Housing Business*	*Financial Business*	*Environment Business*	*Total*			
Amortization	$ -	$ 2,681	$ 1,072	$ -	$ 3,753	$ -	$ -	$ 3,753
Unamortized balance.....	-	6,198	11,789	-	17,987	-	-	17,987

	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	1,948	-	3,247	-	-	3,247

Notes: 1. Impairment loss of ¥874 million was recorded on goodwill attributable to the "Housing Business."

2. Unamortized balance of the "Financial Business" is an amount which reflects a significant revision to the initial allocation of acquisition cost following the finalization of provisional accounting as presented in Note 5, entitled "BUSINESS COMBINATIONS."

- **Information about Gain on Negative Goodwill**

For the year ended March 31, 2024

Not applicable.

For the year ended March 31, 2023

Not applicable.

28. RELATED PARTIES

Significant balances with related parties as of March 31, 2024 and 2023 and related transactions for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	*2024*
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	$ 507
Guarantee deposits (due within one year)	89	89	590
Guarantee deposits	1,323	1,412	8,737
Construction in progress	8	-	55
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	842	5,563
Payment of brokerage fees for real estate trading and leasing	11	-	72
Balances of the Company's consolidated subsidiary:			
Katsuhisa Otsuka, a relative of the Company's significant subsidiary's officer:			
Guarantee deposits received	¥ -	¥ 37	$ -
Principal transactions of the Company's consolidated subsidiaries:			
Katsuhisa Otsuka, a relative of the Company's significant subsidiary's officer:			
Land leasing	-	0	-
Relative of Toru Makino, representative director and president of Cosmos Berry's Co., Ltd.:			
Contracted housing construction	-	30	-
Kabushiki Kaisha Sakura Jisho, real estate leasing business:			
Trading of land and buildings	-	250	-

29. SUBSEQUENT EVENTS

Not applicable.

* * * * * *

Independent auditor's report

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

Report on the Audit of the Consolidated Financial Statements

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, 2024 and 2023, 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, 2024 and 2023, 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 there was an indication of impairment for non-current assets related to large stores

The key audit matter	How the matter was addressed in our audit
As described in Note 3. "SIGNIFICANT ACCOUNTING ESTIMATES" under "Judgment on an indication of impairment of non-current assets related to large stores" to the consolidated financial statements, the Group recognized property and equipment of ¥403,608 million belonging to the electrical business in the consolidated balance sheet as of March 31, 2024, which accounted for 31.3% of total assets.	The primary procedures we performed to assess the appropriateness of the Group's judgment as to whether there was an indication of impairment for non-current assets related to large stores included the following: **(1) Internal control testing**

Approximately half of this amount comprised of property and equipment related to a small number of large stores. While these assets are depreciated in a systematic manner, they need to be tested for impairment whenever there is an indication of impairment for 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. An indication of impairment includes changes that cause a significant decrease in recoverable amounts, such as continuous operating losses, a significant decline in market prices, significant deterioration in business climates, and a change in usage. The Group periodically obtains real estate appraisal values of large stores as the basis for estimating market prices used in the judgment as to whether there is an indication of impairment for the non-current assets. This is because the carrying amount of individual large stores is material, and large stores are susceptible to real estate market conditions due to their location. When the appraisal values obtained in the prior year are used, the Group obtains from a real estate appraiser the market conditions adjustment rates for the period from the appraisal date to the end of the fiscal year, and uses the amounts after reflecting the market conditions adjustment as current market prices. For certain large stores, the market price has been considerably lower than the carrying amount for a number of years. However, the Group determined that there was no indication of impairment, given the absence of an event which caused a significant decline in the market price or any events which otherwise indicted impairment. Market prices used by the Group for the judgment as to whether there was an indication of impairment for non-current assets related to large stores were estimated based on the appraisal values. The selection of valuation techniques and input data used to calculate the appraisal values and the market conditions adjustment rates was complex and required professional expertise. Accordingly, if an indication of impairment was not appropriately identified, it may have a material impact on the consolidated financial statements as any necessary impairment losses may not have been appropriately recognized, measured, and recorded. We, therefore, determined that our assessment of the appropriateness of the	We tested the design and operating effectiveness of certain of the Group's internal controls relevant to the identification of an indication of impairment for non-current assets at stores including large stores. In this assessment, we particularly focused our testing on controls over the use of an external real estate appraiser by management including the selection of an external real estate appraiser, and the evaluation of the results of their work. **(2) Assessment of the appropriateness of the judgment as to whether there was an indication of impairment** We assessed the appropriateness of the judgment as to whether there was an indication of impairment for non-current assets related to large stores by primarily performing the following procedures: ● We evaluated the real estate appraisal values, which provided the basis for determining whether there had been a significant decline in market prices, of certain large stores whose market value was lower than their carrying amount, as to the appropriateness of the method of calculating the market conditions adjustment to the appraisal values from the appraisal date in the prior year, for which we had performed audit procedures with the assistance of a real estate specialist within our firm, to the values as of March 31, 2024, by involving a specialist within our firm in the inquiry of the real estate appraiser, and assessing the reasonableness of the valuation techniques and the appropriateness of the input data used to calculate the market conditions adjustment rates.We also assessed whether there was any indication of impairment other than a significant decline in market prices.

Group's judgment as to whether there was an indication of impairment for non-current assets related to large stores was of most significance in our audit of the consolidated financial statements for the current 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, actions taken to eliminate threats or safeguards applied.

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.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in "3)Status of Audit" included in "8. CORPORATE GOVERNANCE" of the Financial Report.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 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 24, 2024

<u>Notes to the Reader of Independent Auditor's Report</u>:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.