

(Translation for reference only)

Securities Code: 9831

May 26, 2023

## **NOTICE OF THE 46TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholder:

YAMADA HOLDINGS CO., LTD. (the “Company”) hereby announces that the 46th Ordinary General Meeting of Shareholders will be held on Thursday, June 29, 2023, at 10:00 a.m., Japan Standard Time (reception desk opens at 9:00 a.m.) at the Company’s headquarters (Convention Hall, 12F), 1-1 Sakae-cho, Takasaki, Gunma, Japan.

When convening this general meeting of shareholders, the Company takes measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. (matters for which measures for providing information in electronic format are to be taken) in electronic format. This information is posted on each of the following websites, so please access one of those websites to confirm the information.

The Company’s website:

<https://www.yamada-holdings.jp/ir/> (in Japanese)

Tokyo Stock Exchange (TSE) website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?show=show> (in Japanese)

(Access the TSE website by using the internet address shown above, enter “YAMADA HOLDINGS” in “Issue name (company name)” or the Company’s securities code “9831” in “Code,” and click “Search.” Then, click “Basic information” and select “Documents for public inspection/PR information.” Under “Filed information available for public inspection,” click “Click here for access” under “[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting]”)

Website for posting informational materials for the general meeting of shareholders:

<https://d.sokai.jp/9831/teiji/> (in Japanese)

If you are unable to attend the meeting in person, you may exercise your voting rights by Internet voting or postal voting. Prior to voting, please examine the attached reference documents for the General Meeting of Shareholders. Please vote in one of the ways described below and ensure that your vote reaches us by 6:00 p.m. on Wednesday, June 28, 2023.

To exercise your voting rights in writing (by post):

Indicate “for” or “against” for each agenda item listed on the enclosed Voting Rights Exercise Form, and return it by post to reach us by the above deadline.

To exercise your voting rights by Internet:

Please access the website for exercising voting rights and exercise your voting rights by indicating your vote “for” or “against” for each agenda item listed by the above deadline. For details, please refer to “Exercising Voting Rights by the Internet” (Japanese only).

Sincerely yours,

Noboru Yamada  
Representative Director, Chairperson and President CEO  
YAMADA HOLDINGS CO., LTD.  
1-1 Sakae-cho, Takasaki, Gunma, Japan

## MEETING AGENDA

### Items to Be Reported:

1. The Business Report, Consolidated Financial Statements and report on auditing results of Consolidated Financial Statements by independent accountants and Audit & Supervisory Board for the 46th term (from April 1, 2022 to March 31, 2023)
2. The Non-Consolidated Financial Statements for the 46th term (from April 1, 2022 to March 31, 2023)

### Items to Be Resolved:

#### Item 1: Proposal for Appropriation of Surplus

#### Item 2: Election of One Audit & Supervisory Board Member

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\* If attending the meeting in person, please present the voting form at the reception desk.

\* In accordance with a revision of the Companies Act, in principle you are to check items subject to measures for electronic provision by accessing one of the websites mentioned on the previous page, and we have decided to deliver paper-based documents stating the items only to shareholders who request the delivery of paper-based documents by the record date. However, for this general meeting of shareholders, we have delivered paper-based documents stating the items subject to measures for electronic provision to all shareholders, regardless of whether or not they have requested them.

Furthermore, among the matters subject to measures for electronic provision, the following matters are not provided in the paper-based documents in accordance with the provisions of laws and regulations and Article 16, paragraph 2 of the Articles of Incorporation of the Company.

- “Subscription rights to shares,” “Important Sales Offices and Plants,” “Status of Independent Accountants,” and “System for Ensuring the Properness of Business Operations and Implementation of that System,” as part of Business Report
- Consolidated Statements of Changes in Net Assets and Notes to Consolidated Financial Statements
- Non-Consolidated Statements of Changes in Net Assets and Notes to the Non-Consolidated Financial Statements

Therefore, the Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements in which the items above are mentioned are subject to documents that have been audited by independent accountants in preparing an accounting audit report and by Audit & Supervisory Board Members in preparing an audit report.

\* If circumstances arise whereby revisions should be made to the matters subject to measures for electronic provision, versions of such matters before revision and after revision shall be published on the websites mentioned on the previous page.



## Item 2: Election of One Audit & Supervisory Board Member

Masamitsu Takahashi's term as Audit & Supervisory Board Member will expire at the conclusion of this General Meeting of Shareholders.

Therefore, the Company proposes to newly elect one Audit & Supervisory Board Member.

The approval of the Audit & Supervisory Board has been received for this item.

The candidate for Audit & Supervisory Board Member is as follows:

	<b>Hirohisa Ishii</b> (Born on September 19, 1958)	Number of Shares Owned: –
<div style="border: 1px solid black; padding: 2px; display: inline-block; text-align: center;">New appointment</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; text-align: center;">Outside</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; text-align: center;">Independent</div>	[Brief History and Positions in the Company]	
	April 1982	Joined The Dai-Ichi Kangyo Bank, Limited (currently Mizuho Bank, Ltd.)
	November 2000	Deputy General Manager, Derivative Trading Group, Financial Market Division of The Dai-Ichi Kangyo Bank, Limited
	April 2002	Deputy General Manager of Sales Team I, Forex Division of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
	April 2004	Deputy General Manager of Derivative Products Division of Mizuho Bank, Ltd.
	April 2007	General Manager of Distribution Division of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
	April 2008	Senior Corporate Officer of Global Markets Unit of Mizuho Corporate Bank, Ltd.
	April 2010	Executive Officer, Joint Head of Global Markets Unit (Sales & Trading) of Mizuho Corporate Bank, Ltd.
	April 2012	Executive Officer in charge of Markets Unit (Sales & Trading) of Mizuho Bank, Ltd.
	April 2013	Vice President and Executive Officer of Mizuho Asset Management Co., Ltd. (currently Asset Management One Co., Ltd.)
	June 2013	Representative Director, Executive Vice President of Mizuho Asset Management Co., Ltd. [Resigned from post in September 2016]
	October 2016	Administrative Officer of Mizuho Bank, Ltd. [Resigned from post in October 2017]
	April 2017	Advisor of Heart Agency Co., Ltd.
	June 2017	Representative Director, Vice President of Heart Agency Co., Ltd.
	June 2018	Representative Director, President of Heart Agency Co., Ltd. [present post]
	June 2019	Outside Audit & Supervisory Board Member of TOTOKU ELECTRIC CO., LTD.
	June 2020	Outside Director, Audit and Supervisory Committee Member of TOTOKU ELECTRIC CO., LTD.
	March 2023	Outside Director, Audit and Supervisory Committee Member of TOTOKU ELECTRIC CO., LTD. [Resigned from post]
		[Significant Concurrent Positions]
	Representative Director, President of Heart Agency Co., Ltd.	

	<p>[Reasons for nomination as candidate for outside Audit &amp; Supervisory Board Member]</p> <p>Hirohisa Ishii possesses experience of working in a wide-ranging departments and occupations, including domestic and overseas sales departments and back-office departments, since his time at The Dai-Ichi Kangyo Bank, Limited (now Mizuho Bank, Ltd.). In addition, even after business integration of three banks, The Dai-Ichi Kangyo Bank, Limited, The Fuji Bank, Limited, and The Industrial Bank of Japan, Limited, he held significant posts in Mizuho Bank, Ltd., Mizuho Corporate Bank, Ltd., and Mizuho Asset Management Co., Ltd. (now Asset Management One Co., Ltd.), and has had an extremely invaluable career. The candidate possesses abundant experience and insight in all aspects of management, as well as knowledge of accounting and finance, as a practitioner and as a manager. We accordingly seek his election as outside Audit &amp; Supervisory Board Member since we have judged that candidate's wealth of knowledge will enhance these audit functions in promoting "Total-Living (Kurashi-Marugoto)" strategy and achieving the "YAMADA HLDGS 2025 Mid-term business plan," of the Group.</p>
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- Notes:
1. There are no conflicts of interest between the candidate for Audit & Supervisory Board Member, Hirohisa Ishii and the Company.
  2. 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 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 duties. In the event that the election is approved as originally proposed in this item and the candidate assumes the office as Audit & Supervisory Board Member, the candidate will be included as an insured in the policy. The Company bears all the insurance premiums of the insured and plans to renew the insurance policy with the same contents during the term of office.
  3. Hirohisa Ishii is a candidate for outside Audit & Supervisory Board Member of the Company. If the election of Hirohisa Ishii is approved, the Company plans to submit notification to Tokyo Stock Exchange, Inc. that Hirohisa Ishii has been appointed as an independent officer as provided for in Article 436-2 of the Securities Listing Regulations of the aforementioned exchange.
  4. Facts relating to the Company or its specified associated service provider:  
Hirohisa Ishii has been a business executor of Mizuho Bank, Ltd., which has been a specified associated service provider (a major business partner) of the Company for the past ten years. His other positions and responsibilities at Mizuho Bank, Ltd. are as listed in the column in the above "Brief History and Positions in the Company."
  5. Outside Audit & Supervisory Board Member and the Limitation Liability Agreement:  
N/A

**(Reference) Skill Matrix of Directors and Audit & Supervisory Board Members (Planned) after This Ordinary General Meeting of Shareholders**

The composition of the Board of Directors is as follows. In addition, the expected skill areas of Directors and Audit & Supervisory Board Members to fulfill their roles and responsibilities and to appropriately demonstrate their decision-making function and management supervisory function to complete the “Total-Living (Kurashi-Marugoto)” strategy and achieve the “YAMADA HLDGS 2025 Mid-term business plan,” based on the Group’s management philosophy are selected as follows. We believe the Board of Directors as a whole has the necessary skills.

Name Position	Attribute	Areas in which the Company particularly expects the display of skills						
		Corporate Management Strategies	Store Development and Store Opening Policies	Product Development	Sales and Store Operation Management	Financial Business	Housing Business	Environment Business
Noboru Yamada Representative Director, Chairperson and President CEO		●	●		●			
Atsushi Murasawa Representative Director, Vice President and Executive Officer, COO		●		●			●	●
Megumi Kogure Representative Director, and Senior Managing Executive Officer		●			●			
Akira Fukui Director and Executive Officer in charge of Administration Division						●		
Takayuki Fukuda Director in charge of Store Development Division			●		●		●	
Tsukasa Tokuhira Outside Director	Independent Outside	●			●			
Miki Mitsunari Outside Director	Independent Outside							●
Kunimitsu Yoshinaga Outside Director	Independent Outside	●				●		
Makoto Igarashi Full-time Audit & Supervisory Board Member		●				●	●	
Jun Okamoto Audit & Supervisory Board Member		●				●		
Somuku Jimura Outside Audit & Supervisory Board Member	Independent Outside							
Hirohisa Ishii Outside Audit & Supervisory Board Member	Independent Outside	●				●		

Name Position	Attribute	Areas in which the Company particularly expects the display of skills						
		Overseas Business	DX Promotion and IT	M&A	Personnel and Human Resources Development	Finance and Accounting	Legal and Risk Management	ESG and Sustainability
Noboru Yamada Representative Director, Chairperson and President CEO		●	●	●			●	●
Atsushi Murasawa Representative Director, Vice President and Executive Officer, COO			●				●	●
Megumi Kogure Representative Director, and Senior Managing Executive Officer					●		●	●
Akira Fukui Director and Executive Officer in charge of Administration Division		●		●		●	●	●
Takayuki Fukuda Director in charge of Store Development Division							●	●
Tsukasa Tokuhira Outside Director	Independent Outside							●
Miki Mitsunari Outside Director	Independent Outside							●
Kunimitsu Yoshinaga Outside Director	Independent Outside		●			●	●	●
Makoto Igarashi Full-time Audit & Supervisory Board Member		●		●		●	●	●
Jun Okamoto Audit & Supervisory Board Member				●		●	●	●
Somuku Imura Outside Audit & Supervisory Board Member	Independent Outside			●		●	●	●
Hirohisa Ishii Outside Audit & Supervisory Board Member	Independent Outside					●		●

- Notes: 1. “●” indicates areas for which the Company has particular expectations, but this is not an indicator of all knowledge and experience.
2. Hirohisa Ishii is a candidate of “Proposal 2 Election of One Audit & Supervisory Board Member” for this Ordinary General Meeting of Shareholders.

(Attachments)

## BUSINESS REPORT

Fiscal Year ended March 31, 2023

### I. Status of the Group

#### (1) Review of Operations for the Fiscal Year

[On background of economies at home and abroad]

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

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

[On the Company's efforts]

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

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

Consolidated net sales for the fiscal year under review decreased 1.2% year on year to ¥1,600,586 million, operating profit decreased 32.9% year on year to ¥44,066 million, ordinary profit decreased 32.5% year on year to ¥50,064 million, and profit attributable to owners of parent decreased 37.0% year on year



to ¥31,824 million. Major factors for the decrease in net sales and profits are the decrease in non-operating income resulting from a decrease in subsidy income associated with the COVID-19 infection in the previous fiscal year, in addition to effects relating to the Electrical Business comprising (1) a reactionary drop in temporary demand for stay-at-home products that continued from the previous fiscal year, (2) loss of sales opportunities in association with a decrease in work hours as a result of COVID-19 infection of employees, (3) a fall in the gross profit margin as the Company goes through reforms to optimize sales and profit by digital transformation linked to the market, and (4) a decrease in gross profit affected by the restraining of purchases as a policy effort for reforming the balance sheet.

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

[On number of stores]

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

## (2) Trends in Operating Results and Assets

	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Net sales (millions of yen)	1,611,538	1,752,506	1,619,379	1,600,586
Ordinary profit (millions of yen)	46,074	98,875	74,136	50,064
Profit attributable to owners of parent (millions of yen)	24,605	51,798	50,555	31,824
Basic earnings per share (yen)	28.38	62.82	60.96	40.25
Total assets (millions of yen)	1,163,494	1,252,599	1,271,668	1,271,181
Net assets (millions of yen)	645,166	672,545	676,277	611,775

Note: 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 fiscal 2021, and each figure for fiscal 2021 onward is the figure after applying the accounting standard and relevant revised ASBJ regulations.

### **(3) Issues the Group will be Addressing**

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

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

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

#### Electrical Business

(1) Aggressively develop stores with an annual increase of at least 5% in total sales floor area, (2) develop store formats with distinctive features with LIFE SELECT stores at the core, (3) expand the e-commerce business by utilizing the most of our group infrastructure, (4) increase the product profit ratio through enhancement of SPA products, (5) expand the growth businesses of renovation and furniture and home interiors businesses, and (6) balance sheet reforms centered on product-turnover improvement.

The business infrastructure to support the realization of these key measures include (1) completion of the installation of electronic shelf labels at all stores and digital marketing utilizing extensive customer data, (2) logistics reforms using stores nationwide, (3) IT sales system able to conduct onsite investigations and quotes for renovations using smartphones, (4) enhance sales engineers (SE) who are close to customers, and (5) improvement in productivity by utilizing DX.

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

#### Housing Business

(1) Strengthen the system for receiving orders through expansion of sales offices, (2) reform costs and cash flows through substantial reduction of the number of construction days, (3) expand the sale of used products business, (4) enhance comprehensive initiatives with Nice Corporation, (5) reap group synergies such as with development and procurement at the Hinokiya Group and YAMADA HOMES, (6) measures to attract visitors to Yamada Stores including selling benefits of home electrical appliances and furniture to owners, (7) improvement in productivity by concentrating management resources.

#### Financial Business

Product development that is well-versed in NEOBANK services and the brighten your future with smart housing strategy

#### Environment Business

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

## **II. System for ensuring the properness of business operations and implementation of that system**

The following is a summary of the systems to ensure that the directors perform their duties in compliance with the applicable laws and the Company's Articles of Incorporation and to ensure that all other operations by the Company are carried out in a proper manner (most recently revised on May 15, 2023).

### System for ensuring the properness of business operations

1. System for ensuring that directors and employees perform their duties in compliance with the applicable laws and regulations and the Articles of Incorporation
  - a Compliance Committee

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

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

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

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

The Audit Office shall operate independently of the Company's operating divisions. It shall perform internal audits on legal compliance of individual sectors and audits encompassing areas such as, information security management systems (ISMS), information systems, information security and personal information protection. It shall also audit work processes and other operations of individual sectors, and take steps to uncover and prevent improprieties and to improve processes.
2. 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.

    - i. Minutes of General Meetings of Shareholders
    - ii. Minutes of meetings of the Board of Directors
    - iii. Financial statements
    - iv. Internal circulars for managerial decision (ringi-sho)
    - v. Minutes of meetings of respective committees
    - vi. 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.

3. 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.
4. 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.
5. System for ensuring the properness of business operations of the Group consisting of the Company, its parent company and its subsidiaries
  - a The Company shall establish a system in which the directors of the Company shall each oversee the management and performance of subsidiaries under their respective control and ensure the properness of such business operations.
  - b The Company's subsidiaries shall execute their business operations in accordance with basic agreements for operating companies and internal regulations of the respective subsidiaries, and such agreements and regulations shall be reviewed as needed.
  - c To achieve optimal performance and budget management of its subsidiaries, the Company shall hold monthly sectional meetings for each operating company for managing subsidiaries' overall performance and budgets on the basis of medium-term business plans and annual budgets, and furthermore hold sectional meetings with its principal subsidiaries as appropriate.
  - d When deemed necessary, the Audit Office may conduct audits related to business operations of subsidiaries.
6. 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 meetings of the Executive Officers or monthly sectional meetings for each business segment.
7. Regulations on management of risk of loss of subsidiaries and other systems
  - a The Company shall make its Risk Management Basic Regulations thoroughly known to its subsidiaries.
  - b The Company shall receive weekly risk management and compliance status reports from all of its subsidiaries, by receiving checklists for monitoring compliance.
  - c Each subsidiary of the Company shall establish basic policies on risk management.
  - d In the event that a Director of the Company receives a report on risk of loss from a subsidiary under their respective control, it shall investigate the relevant facts in the case and report the matter to the director in charge of risk management.
8. 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.
9. System for ensuring that subsidiaries' directors, etc. and employees perform their duties in compliance with the applicable laws and regulations and the Articles of Incorporation
- a The Company shall verify the status of subsidiaries' operations using weekly checklists for monitoring compliance, and report such outcomes to the Compliance Committee as necessary.
  - b The Company's whistle-blowing system shall also be used by its subsidiaries to prevent violations of laws and regulations and the Articles of Incorporation. The Company shall receive reports regarding the status of any disciplinary action taken on the basis of violations of laws and regulations or the Articles of Incorporation.
  - c In order to perform audits on the appropriateness of the execution of duties by directors and employees in coordination with Audit & Supervisory Board members of a subsidiary, directors, Audit & Supervisory Board members or employees of the Company may concurrently serve as Audit & Supervisory Board members of a subsidiary.
10. System regarding employees to assist duties of Audit & Supervisory Board members when the Audit & Supervisory Board members request to assign such employees, and matters regarding the independence of such employees from the directors
- a Assigning an employee to act as an audit assistant  
When an Audit & Supervisory Board member requests directors that an employee be assigned as an audit assistant to assist in his or her duties, the directors shall make the necessary organizational changes and personnel rotations upon consulting with the Audit & Supervisory Board member.
  - b Duties of an audit assistant  
Audit assistants shall be formally posted as assistant to Audit & Supervisory Board member and assist with duties of Audit & Supervisory Board members and Audit & Supervisory Board operations as instructed and ordered.
  - c Independence of an audit assistant
    - i. An audit assistant shall work under the instructions and orders of an Audit & Supervisory Board member, and as such is not subject to the instructions or orders of directors or any person positioned as his or her superior or the like in the organization unit to which the audit assistant belongs.
    - ii. In performing their tasks, audit assistants may gather all information necessary for the audit.
    - iii. Consent of the relevant Audit & Supervisory Board member must be obtained for matters involving personnel rotations (this includes consent for the transfer destination in case of personnel transfer), personnel evaluation and disciplinary action of an audit assistant.
11. Matters regarding ensuring effectiveness of Audit & Supervisory Board members' instructions to employees to assist them in their duties
- a Supervisory authority  
Audit & Supervisory Board Members may instruct audit assistants as necessary for conducting audit work, and audit assistants shall have the authority to conduct necessary investigations based on such instructions.
  - b Cooperative framework  
When an audit assistant concurrently serves as an employee of another department, priority must be given to the employee's duties pertaining to the Audit & Supervisory Board member. Moreover, superiors of the other department with which the employee concurrently serves, and directors, must provide support as necessary upon request with respect to performance of such duties.
12. System for directors and employees to report to Audit & Supervisory Board members and the system concerning other reports to Audit & Supervisory Board members
- a Directors' obligation to report  
A director must promptly report to an Audit & Supervisory Board member with respect to any discovery of an incident where work performed by another director or an employee is in violation of laws and regulations, or threatens to cause significant damage to the Company.
  - b Employees' right to report

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

c Internal reporting

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

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

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

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

14. System for ensuring that persons who have reported matters are not treated disadvantageously on the grounds of their reporting

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

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

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

a Presentation of budget

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

b Claims for expenses, etc.

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

i. Claim for prepayment of expenses

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

iii. 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).

16. System for ensuring that Audit & Supervisory Board members perform audits effectively

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

[Overview of implementation of system for ensuring the properness of business operations]

1. Compliance initiatives

Directors attended monthly Compliance Committee meetings where they confirmed the status of compliance management at each subsidiary, identified issues, and discussed improvement measures and so forth. Moreover, at compliance sectional meetings, a theme was decided each month and training regularly implemented for officers and employees to help raise awareness of compliance issues.

2. Risk management initiatives

Directors attended monthly Risk Management Committee meetings where they endeavored to identify risks and implement appropriate measures to prevent the emergence of risks, in an effort to control them. Moreover, efforts to heighten disaster awareness included Company-wide emergency preparedness training simulating large-scale disasters held twice during the year.

3. Initiatives to ensure properness and efficiency in performance of duties

Senior management attended monthly Management meetings where they endeavored to make swift decisions and execute business operations efficiently.

4. Performance of Audit & Supervisory Board members' duties

A system was established to ensure appropriate implementation of audits, with one standing Audit & Supervisory Board member assigned to serve in that position. The standing Audit & Supervisory Board member attended Management meetings and other important internal meetings where he appropriately provided his opinions, and otherwise endeavored to ensure effectiveness of audits by gaining an understanding of important Company information and sharing such information in coordination with the Audit Office and other relevant departments.

5. Initiatives to ensure appropriate compliance and risk management in the Company's subsidiaries, and properness and efficiency in performance of duties

Objectives and policies formulated on the basis of medium-term business plans and medium- to long-term business strategy were shared with the Company's subsidiaries, and meetings were regularly held to ascertain progress made with respect to business performance and budget management as appropriate to the inherent characteristics of respective subsidiaries.

The Legal Affairs Office receives reports on the status of internal control and compliance from respective subsidiaries and regularly reports such content to the Compliance Committee, and establishes a system that enables immediate collaboration to identify and respond to risks as they arise.

The Company has established within its Audit Office a Business Audit Department for subsidiaries, which regularly performed audits of subsidiaries in order to ensure their appropriate work processes and actively cooperated with their audit departments in an effort to enhance governance.

The Company's Audit & Supervisory Board members concurrently served as Audit & Supervisory Board members of its subsidiaries, regularly received reports at the meetings of the Executive Officers and Audit Office briefings, and compiled details on the status of management and other necessary information, striving to ensure effectiveness of audit.

## CONSOLIDATED BALANCE SHEETS

As of March 31, 2023

(Millions of yen)

ASSETS	
Current assets:	
Cash and time deposits	47,236
Notes receivable - trade	4,832
Accounts receivable - trade	68,821
Accounts receivable from completed construction contracts	3,134
Operating loans	14,448
Merchandise and finished goods	338,382
Real estate for sale	48,760
Costs on construction contracts in progress	7,600
Work in process	1,418
Raw materials and supplies	6,361
Other current assets	74,667
Allowance for doubtful accounts	(1,889)
Total current assets	613,773
Non-current assets:	
Property and equipment:	
Buildings and structures, net	201,943
Land	204,726
Lease assets, net	14,332
Construction in progress	6,023
Other, net	12,542
Total property and equipment, net	439,569
Intangible assets	42,095
Investments and other assets:	
Investment securities	14,362
Long-term loans receivable	2,578
Net defined benefit asset	1,553
Deferred tax assets	57,587
Guarantee deposits	76,611
Other assets	25,945
Allowance for doubtful accounts	(2,895)
Total investments and other assets	175,742
Total non-current assets	657,407
Total assets	1,271,181



## CONSOLIDATED BALANCE SHEETS

As of March 31, 2023

(Millions of yen)

LIABILITIES AND NET ASSETS	
LIABILITIES:	
Current liabilities:	
Notes and accounts payable	90,632
Accounts payable for construction contracts	14,156
Short-term loans payable	122,725
Current portion of long-term loans payable	55,201
Lease obligations	6,282
Income taxes payable	1,552
Contract liabilities	50,343
Advances received on construction contracts in progress	20,194
Provision for bonuses	12,777
Other provisions	4,278
Other current liabilities	60,787
Total current liabilities	438,932
Long-term liabilities:	
Long-term loans payable	124,739
Lease obligations	10,592
Provision for directors' retirement benefits	316
Provision for product warranties	1,407
Other provisions	145
Net defined benefit liability	34,311
Asset retirement obligations	36,748
Other long-term liabilities	12,211
Total long-term liabilities	220,472
Total liabilities	659,405
NET ASSETS:	
Shareholders' equity:	
Common stock	71,124
Capital surplus	74,653
Retained earnings	581,540
Treasury stock, at cost	(121,784)
Total shareholders' equity	605,535
Accumulated other comprehensive income:	
Valuation difference on available-for-sale securities, net of taxes	(1,139)
Foreign currency translation adjustments	1,943
Remeasurements of defined benefit plans	(1,719)
Total accumulated other comprehensive income	(914)
Subscription rights to shares	1,963
Non-controlling interests	5,191
Total net assets	611,775
Total liabilities and net assets	1,271,181

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

## CONSOLIDATED STATEMENTS OF INCOME

Fiscal year ended March 31, 2023

		(Millions of yen)
Net sales		1,600,586
Cost of sales		1,151,815
Gross profit		448,771
Selling, general and administrative expenses		404,705
Operating profit		44,066
Non-operating income:		
Interest income	730	
Purchase discounts	2,307	
Sales of electric power	1,908	
Other	5,238	10,186
Non-operating expenses:		
Interest expenses	1,472	
Cost of sales of electric power	772	
Other	1,942	4,187
Ordinary profit		50,064
Extraordinary income:		
Gain on sales of non-current assets	70	
Gain on sales of investment securities	242	
Gain on revision of retirement benefit plan	893	
Other	80	1,287
Extraordinary loss:		
Loss on disposal of non-current assets	268	
Impairment loss	6,445	
Loss on disaster	321	
Other	732	7,767
Profit before income taxes		43,584
Income taxes-current		14,172
Income taxes-deferred		(2,830)
Profit		32,242
Profit attributable to non-controlling interests		417
Profit attributable to owners of parent		31,824

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

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2022	71,100	80,989	564,882	(61,251)	655,720
Changes of items during the period					
Issuance of new shares	24	24			48
Cash dividends			(15,048)		(15,048)
Profit attributable to owners of parent			31,824		31,824
Purchase of treasury stock				(78,925)	(78,925)
Disposal of treasury stock		(1)		8	6
Increase by merger			(118)		(118)
Purchase of shares of consolidated subsidiaries		(6,010)		18,384	12,373
Purchase of treasury shares of consolidated subsidiaries		(347)			(347)
Other changes in the period, net					
Total changes of items during the period	24	(6,335)	16,658	(60,532)	(50,185)
Balance at March 31, 2023	71,124	74,653	581,540	(121,784)	605,535

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at April 1, 2022	(24)	1,404	(397)	982	1,725	17,849	676,277
Changes of items during the period							
Issuance of new shares							48
Cash dividends							(15,048)
Profit attributable to owners of parent							31,824
Purchase of treasury stock							(78,925)
Disposal of treasury stock							6
Increase by merger							(118)
Purchase of shares of consolidated subsidiaries							12,373
Purchase of treasury shares of consolidated subsidiaries							(347)
Other changes in the period, net	(1,114)	539	(1,322)	(1,896)	237	(12,657)	(14,316)
Total changes of items during the period	(1,114)	539	(1,322)	(1,896)	237	(12,657)	(64,502)
Balance at March 31, 2023	(1,139)	1,943	(1,719)	(914)	1,963	5,191	611,775

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

## NON-CONSOLIDATED BALANCE SHEETS

As of March 31, 2023

(Millions of yen)

ASSETS	
Current assets:	
Cash and time deposits	4,161
Accounts receivable - trade	37,116
Raw materials and supplies	0
Short-term loans receivable from subsidiaries and affiliates	30,653
Prepaid expenses	3,092
Accounts receivable-other	20,829
Current portion of guarantee deposits	3,856
Other current assets	9,711
Allowance for doubtful accounts	(9,003)
<b>Total current assets</b>	<b>100,419</b>
Non-current assets:	
Property and equipment:	
Buildings	137,247
Structures	93
Machinery and equipment	2
Vehicles	1
Tools, furniture and fixtures	145
Land	172,622
Lease assets, net	237
Construction in progress	23
<b>Total property and equipment, net</b>	<b>310,373</b>
Intangible assets:	
Leasehold right	30,889
Other assets	1,403
<b>Total intangible assets</b>	<b>32,292</b>
Investments and other assets:	
Investment securities	6,439
Stocks of subsidiaries and affiliates	83,163
Long-term loans receivable from subsidiaries and affiliates	11,811
Long-term prepaid expenses	3,036
Deferred tax assets	15,084
Guarantee deposits	41,810
Other assets	1,098
Allowance for doubtful accounts	(1,310)
<b>Total investments and other assets</b>	<b>161,134</b>
<b>Total non-current assets</b>	<b>503,800</b>
<b>Total assets</b>	<b>604,220</b>

## NON-CONSOLIDATED BALANCE SHEETS

As of March 31, 2023

(Millions of yen)

LIABILITIES AND NET ASSETS	
LIABILITIES:	
Current liabilities:	
Accounts payable	66,190
Short-term loans payable	64,991
Current portion of long-term loans payable	52,846
Lease obligations	54
Accounts payable-other	2,670
Accrued expenses	129
Income taxes payable	683
Advances received	258
Deposits received from subsidiaries and associates	25,391
Provision for bonuses	637
Provision for directors' bonuses	81
Other current liabilities	1,570
<b>Total current liabilities</b>	<b>215,503</b>
Long-term liabilities:	
Long-term loans payable	112,826
Lease obligations	211
Provision for retirement benefits	23,154
Asset retirement obligations	30,294
Other long-term liabilities	3,952
<b>Total long-term liabilities</b>	<b>170,440</b>
<b>Total liabilities</b>	<b>385,943</b>
NET ASSETS:	
Shareholders' equity:	
Common stock	71,124
Capital surplus	79,942
Legal capital surplus	71,043
Other capital surplus	8,899
Retained earnings	188,368
Legal retained earnings	312
Other retained earnings	188,056
General reserve	129,135
Retained earnings brought forward	58,921
Treasury stock, at cost	(121,784)
<b>Total shareholders' equity</b>	<b>217,652</b>
Valuation and translation adjustments:	(1,339)
Valuation difference on available-for-sale securities, net of taxes	(1,339)
Subscription rights to shares	1,963
<b>Total net assets</b>	<b>218,276</b>
<b>Total liabilities and net assets</b>	<b>604,220</b>

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

## NON-CONSOLIDATED STATEMENTS OF INCOME

Fiscal year ended March 31, 2023

(Millions of yen)

Operating revenue		
Management fee income	12,614	
Real estate lease revenue	14,936	
Dividend income	41,154	68,704
Operating expenses		
Cost of real estate lease revenue	10,964	10,964
Operating gross profit		57,740
Selling, general and administrative expenses		15,461
Operating profit		42,279
Non-operating income:		
Interest income	544	
Purchase discounts	2,232	
Other	2,183	4,960
Non-operating expenses:		
Interest expenses	1,040	
Other	609	1,649
Ordinary profit		45,590
Extraordinary income:		
Gain on sales of investment securities	23	23
Extraordinary loss:		
Loss on disposal of non-current assets	2	
Impairment loss	615	
Loss on valuation of stock of subsidiaries	303	
Other	8	929
Profit before income taxes		44,684
Income taxes-current		767
Income taxes-deferred		970
Profit		42,946

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

## NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity									
	Common stock	Capital surplus			Legal retained earnings	Retained earnings			Treasury stock, at cost	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward				
Balance at April 1, 2022	71,100	71,018	12,544	83,563	312	115,135	45,023	160,471	(61,251)	253,883
Changes of items during the period										
Issuance of new shares	24	24		24						48
Provision of general reserve						14,000	(14,000)	-		-
Cash dividends							(15,048)	(15,048)		(15,048)
Profit							42,946	42,946		42,946
Purchase of treasury stock									(78,925)	(78,925)
Disposal of treasury stock			(1)	(1)					8	6
Increase by share exchanges			(3,643)	(3,643)					18,384	14,740
Other changes in the period, net										
Total changes of items during the period	24	24	(3,645)	(3,620)	-	14,000	13,897	27,897	(60,532)	(36,231)
Balance at March 31, 2023	71,124	71,043	8,899	79,942	312	129,135	58,921	188,368	(121,784)	217,652

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities, net of taxes	Total valuation and translation adjustments		
Balance at April 1, 2022	(129)	(129)	1,725	255,479
Changes of items during the period				
Issuance of new shares				48
Provision of general reserve				-
Cash dividends				(15,048)
Profit				42,946
Purchase of treasury stock				(78,925)
Disposal of treasury stock				6
Increase by share exchanges				14,740
Other changes in the period, net	(1,209)	(1,209)	237	(972)
Total changes of items during the period	(1,209)	(1,209)	237	(37,203)
Balance at March 31, 2023	(1,339)	(1,339)	1,963	218,276

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