

NOTICE OF THE 43RD ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholder:

Yamada Denki Co., Ltd. (the “Company”) hereby announces that the 43rd Ordinary General Meeting of Shareholders will be held on Friday, June 26, 2020, 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.

If you are unable to attend the meeting in person, you may exercise your voting rights by postal voting or Internet voting. Prior to voting, please examine the attached reference documents for the General Meeting of Shareholders. Please vote in one of the following ways and ensure that your vote reaches us by 6:00 p.m. on Thursday, June 25, 2020.

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).

Amid concerns regarding further spread of novel coronavirus (COVID-19), we are committed to ensuring the safety of our shareholders and preventing further transmission of the infection. As such, we ask that our shareholders exercise their voting rights prior to the meeting either in writing (by post) or by Internet if at all possible. We also ask that our shareholders attending the meeting wear a mask and take other such precautions.

Sincerely yours,

Tsuneo Mishima,
President and Representative Director
Yamada Denki 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 43rd term (from April 1, 2019 to March 31, 2020)
2. The Non-Consolidated Financial Statements for the 43rd term (from April 1, 2019 to March 31, 2020)

Items to Be Resolved:

- Item 1: Proposal for Appropriation of Surplus**
- Item 2: Approval of Absorption-Type Company Split Agreement**
- Item 3: Partial Amendments to the Articles of Incorporation**
- Item 4: Election of 10 Directors**
- Item 5 Election of 2 Audit & Supervisory Board Members**

*If attending the meeting in person, please present the enclosed Voting Rights Exercise Form at the reception desk.

*Among the documents to be provided to this notice, the items below are posted on the Company's Internet website pursuant to laws and regulations, as well as Article 16 of the Articles of Incorporation, and are accordingly not included with this notice.

- 1) "Subscription rights to shares" as part of Business Report
- 2) "System for ensuring the properness of business operations and implementation of that system" as part of Business Report
- 3) Consolidated Statements of Changes in Net Assets and Notes to Consolidated Financial Statements
- 4) Non-Consolidated Statements of Changes in Net Assets and Notes to the Non-Consolidated Financial Statements

The Business Report, which has been audited by Audit & Supervisory Board members, is composed by both the content that is provided with this notice and "1)" and "2)" above. The consolidated financial statements and non-consolidated financial statements, which have been audited by Audit & Supervisory Board members and independent accountants, are composed by both the content that is provided with this notice and "3)" and "4)" above.

*If circumstances arise whereby revisions should be made to the contents of the reference documents for the General Meeting of Shareholders, the business report, non-consolidated financial statements and consolidated financial statements, notification of such revisions shall be published on the Company's Internet website.

The Company's website: <https://www.yamada-denki.jp/>

This notice is a condensed version of the Japanese general meeting notice.

Agenda items and references

The Company hereby makes the following requests upon having comprehensively considered matters that include providing stable and consistent dividends to shareholders, achieving consistent growth by sustainably enhancing corporate value into the future and strengthening the management foundation, along with matters such as the Company's financial position, financial results for the current fiscal year, and business developments going forward.

(1) Type of dividend assets:

(2) Allocation of dividend assets to be paid to shareholders and total dividend amount:

¥ 10 per share of common stock	Total	¥ 8,804,510,180
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(3) Date on which the appropriation of surplus goes into effect:

June 29, 2020

Item 2: Approval of Absorption-Type Company Split Agreement

1. Reasons for executing absorption-type company split

Taking “Creation and Challenge” and “Appreciation and Trust” as our management philosophy, the Group has focused on the creation of sustainable companies by continuing its efforts toward unceasing growth and development as a group of companies. In recent years, however, the business environment surrounding the Group has undergone rapid change.

The consumer electrical appliance retail industry to which the Group belongs continues to face extremely difficult circumstances due to a deep-rooted frugality among consumers under defensive spending patterns, as well as intensifying competition across industries and business categories. Moreover, costs are trending upward due to rising personnel expenses and logistics costs caused by labor shortages, while a declining birthrate, aging demographic, and population decline continue in Japan, emerging as new societal issues.

Amid these dizzying changes in the environment and growing uncertainty, the Group recognizes an increasing demand for innovative, forward-looking management that is not bound by the thinking of the past.

The Group believes that what is most important in adapting to such drastic change is that companies themselves make changes. Toward that end, in recent years the Group has pursued the goal of developing new markets as well as strengthening its existing businesses. Under the concept of “brighten your future with smart housing” as a lifestyle infrastructure with consumer appliances at the core, we are moving forward with structural reforms centered on Kaden Sumairu-kan, which offers total coordination from consumer appliances to comfortable living spaces, and taking steps to increase the value of our businesses.

Accordingly, we have determined that in order to further promote these reforms, while also enhancing corporate value and contributing to development of a sustainable society, it is optimal that we transition to a holding company structure.

As a parent company, the holding company will strengthen Group governance more than ever by specializing in comprehensive control, including administration and supervision of management and planning and drafting of management strategies for the sustainable growth and development of the Group. Moreover, the holding company will promptly perform reorganization of businesses through means including business alliances, capital alliances, and M&A. In addition, the operating companies will work to improve the management efficiency of the entire Group and enhance corporate value through each company focusing on the execution of work in its business under a new system in which business responsibilities are clarified.

The Company will conduct an absorption-type company split (the “Split”) that will transfer the Company’s “home electrical appliances and home information appliances sales business and housing equipment related product sales business” to the Company’s wholly owned subsidiary stock corporation Yamada Denki Split Preparatory Company (the “Succeeding Company”), with a (tentative) Effective Date of October 1, 2020; and an agreement concerning the Split (the “Agreement”) with the Succeeding Company was concluded on April 13, 2020.

This proposal requests shareholders’ approval for the Agreement by the Company and the Succeeding Company concerning the Split.

2. Overview of the absorption-type company split agreement

The details of the absorption-type company split agreement concluded with the Succeeding Company are as follows:

Absorption-type Company Split Agreement (Copy)

Yamada Denki Co., Ltd. (the “Party A”) and Yamada Denki Split Preparatory Company (the “Party B”) enter into the absorption-type company split agreement (the “Agreement”) as follows, regarding the absorption-type company split (the “Split”) under which the Party B shall succeed to a part of the rights and duties held and borne by the Party A in relation to its business.

Article 1. Absorption-type company split

1. The Party A will transfer a portion of its rights and duties pertaining to its “home electrical appliances and home information appliances sales business and housing equipment related product sales business” (the “Business”) to the Party B through the method of the Split and in accordance with the provisions of the Agreement, and the Party B will succeed this portion of the rights and duties.
2. The “cumulative assumption of obligations” method applies to the succession of liabilities by the Party B from the Party A.

Article 2. Trade names and addresses of the Parties

Trade names and addresses of the Party A and the Party B are as follows:

Party A (Splitting company):	Trade name	Yamada Denki Co., Ltd.
	Address	1-1 Sakae-cho, Takasaki, Gunma, Japan
Party B (Succeeding company):	Trade name	Yamada Denki Split Preparatory Company
	Address	1-1 Sakae-cho, Takasaki, Gunma, Japan

Article 3. Effective date

The effective date of the Split (the “Effective Date”) shall be October 1, 2020; provided, however, that if necessary according to the procedures of the Split, upon mutual consultation between the Party A and the Party B, based on the Article 790, Paragraph 1 of the Companies Act, the Effective Date may be changed.

Article 4. Rights and duties to be transferred

The assets, liabilities, agreements, employment agreements, and other rights and duties to be transferred from the Party A to the Party B by the Split are as set forth in the Attachment “List of Rights and Duties to be Transferred.”

Article 5. Payment of consideration for the Split

In the Split, the Party B shall not pay consideration for the rights and duties that are transferred by the Party A in accordance with the preceding Article.

Article 6. General meeting of shareholders for approval of the Split

By October 1, 2020, the Party A shall convene a general meeting of shareholders and shall seek approval of necessary matters concerning the Agreement and the Split. As the Split falls under short-form absorption-type company splits provided for by Article 796, Paragraph 1 of the Companies Act, the Party B shall conduct the Split without a resolution for approval by a general meeting of shareholders, and shall perform procedures pursuant to creditor protection procedures and relevant laws. However, when necessary for the proceeding of the split procedures, the schedule may be changed through deliberation between the Party A and the Party B.

Article 7. Non-competition duties

From the Effective Date of the Split onward, the Party A shall not bear non-competition duties regarding the Business.

Article 8. Modification and cancellation of absorption-type company split agreement

If any significant change occurs in the status of the assets or the management circumstances of the Party A or the Party B due to natural disaster or other cause during the period from the conclusion of the Agreement to the Effective Date, or if any latent serious obstacle is revealed pertaining to said assets or circumstances, or if otherwise recognized as necessary by the Party A or the Party B, the terms of the Split may be changed in whole or in part, or the content of this Agreement may be canceled in whole or in part, through deliberation between the Party A and the Party B.

Article 9. Effectiveness of the Agreement

In the event that approval for the Agreement in a general meeting of shareholders of the Party A as stipulated in Article 6 or approvals by supervisory authorities required under relevant laws are not obtained by October 1, 2020, the Party A or the Party B can cancel the Agreement after notifying the

other Party.

Article 10. Matters requiring consultation

In addition to the matters set forth in the Agreement, the Party A and the Party B shall, upon mutual consultation in good faith, set forth any other matter that is required to effect the Split in accordance with the spirit of the Agreement.

April 13, 2020

IN WITNESS WHEREOF, 2 originals of the Agreement are hereby executed and each of the Party A and the Party B shall retain 1 original thereof.

(Party A)	Yamada Denki Co., Ltd. Tsuneo Mishima, [Seal] President and Representative Director
(Party B)	Yamada Denki Split Preparatory Company Tsuneo Mishima, [Seal] President and Representative Director

Attachment

List of Rights and Duties to be Transferred

The rights and duties to be transferred to the Succeeding Company through the Split as of the Effective Date are as follows. Valuations of assets and liabilities included in the rights and duties to be transferred have been calculated on the basis of the balance sheet as of March 31, 2020, and the final amount thereof is to reflect any increase or decrease made up to the day immediately preceding the Effective Date.

1. Assets to be transferred
Current assets and non-current assets belonging to the Business
2. Liabilities to be transferred
Current liabilities and long-term liabilities belonging to the Business
3. Employment agreements, etc. to be transferred
Employment agreements with employees of the Company who are engaged primarily in the Business (including regular employees, contract employees, homemaker part-time workers, student part-time workers, and prospective employees (who are scheduled to engage primarily in the Business)), and all rights and duties associated with said agreements, shall not be succeeded by the Party B in the Split.
The Party A shall second a portion of its employees who are engaged in the Business as of the Effective Date of the Split to the Party B while maintaining said employees' employment with the Party A, and shall subsequently direct said employees to engage in the Business for the Party B.
4. Other rights and duties to be transferred
 - (1) Agreements other than employment agreements
Contractual positions under outsourcing agreements, rental agreements, leasing agreements, worker dispatch agreements and other agreements related to the Business, and rights and duties incidental to such positions excluding the following:
 - Contractual positions, rights, and duties based on agreements involving assets not succeeded by the Party B.
 - Those for which a change in contracting legal entity is not allowed.
 - Those for which transfer of contractual position is prohibited by said agreements.
 - (2) Approvals, etc.
Those permits, authorizations, approvals, registrations, etc. pertaining to the Business for which succession is possible by law. However, those that must be retained by the Party A, and those for which re-acquisition of approvals, etc. is required but for which said re-acquisition could not be completed by the Effective Date of the Split, shall be excluded.

End

3. Overview of the content specified in each item of Article 183 of the Regulation for Enforcement of the Companies Act

(1) Matters relating to appropriateness of consideration

There is no plan for the payment of moneys, etc. from the Succeeding Company to the Company for the rights and duties to be succeeded in the Split.

That is because the Succeeding Company is a wholly owned subsidiary of the Company; therefore, delivery of consideration to the Company from the succeeding company is not deemed necessary, and the Company deems it appropriate that the Split entail no consideration.

In addition, for the above reason, the Succeeding Company's amount of common stock and legal capital surplus will remain unchanged as a result of the Split.

(2) Content of financial reports of the Succeeding Company

The Succeeding Company has not completed the first fiscal year and does not have a previous fiscal year because it was established on April 1, 2020. The balance sheet of the Succeeding Company as of its establishment date is as follows:

(Millions of yen)

ASSETS		LIABILITIES	
Current assets	100	Current liabilities	—
Non-current assets	—	Long-term liabilities	—
		Total liabilities	—
		NET ASSETS	
		Common stock	100
		Legal capital surplus	—
		Total net assets	100
Total assets	100	Total liabilities and net assets	100

(3) Matters relating to disposal of material assets, assumption of material obligations, and other events that would have material impact on status of the Succeeding Company's property, all of which have occurred after the establishment date of the Succeeding Company

Not applicable.

(4) Matters relating to disposal of material assets, assumption of material obligations, and other events that would have material impact on status of the Company's property, all of which have occurred after the last day of the most recent fiscal year of the Company

Not applicable.

Item 3: Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

As stated in Item 2, the Company will transition to a holding company structure. Accordingly, this proposal is to request the approval for the amendments of its trade name (Article 1 of the current Articles of Incorporation) and business purpose (Article 2 of the current Articles of Incorporation). Together with this, in order to enhance the deliberations by the Board of Directors, the Company also requests approval for partial amendment of the provisions of the Articles of Incorporation concerning number of Directors (Article 20 of the current Articles of Incorporation) and the Representative Director and Directors in Special Posts (Article 23 of the current Articles of Incorporation).

These amendments are to take effect on the effective date of the absorption-type company split, on the condition of the split having taken effect with Item 2 having been approved and adopted as originally proposed.

2. Details of the amendments

Details of the proposed amendments are as follows.

(Amended portions are underlined)

Current Articles of Incorporation	Proposed Amendments
<p>Chapter I General Provisions</p> <p>Article 1. (Trade Name) The name of the Company shall be “<u>Kabushiki Kaisha Yamada Denki</u>” and in English it shall be “<u>Yamada Denki Co., Ltd.</u>”</p> <p>Article 2. (Purpose) The purpose of the Company shall be to engage in the <u>following</u> business activities:</p> <p>1. -34. (Omitted)</p> <p>Articles 3. – 19. (Omitted)</p> <p>Chapter IV Directors and Board of Directors</p> <p>Article 20. (Number of Directors) The Company shall have not more than <u>17</u> Directors.</p> <p>Articles 21. – 22. (Omitted)</p> <p>Article 23. (Representative Director and Director with Special Titles)</p> <p>1. The Board of Directors shall, by making a resolution, appoint a Representative Director. Furthermore, additional Representative Directors may be appointed as necessary by resolution of the Board of Directors and each Representative Director shall represent the Company.</p>	<p>Chapter I General Provisions</p> <p>Article 1. (Trade Name) The name of the Company shall be “<u>Kabushiki Kaisha Yamada Holdings</u>” and in English it shall be “<u>YAMADA HOLDINGS CO., LTD.</u>”</p> <p>Article 2. (Purpose) The purposes of the Company shall be to engage in the business activities <u>listed in the following items and, by owning shares or equity in companies engage in the business activities listed in the following items and foreign companies engage in business activities equivalent thereto, to control or manage the business activities of such companies:</u></p> <p>1. -34. (Unchanged)</p> <p>Articles 3. – 19. (Unchanged)</p> <p>Chapter IV Directors and Board of Directors</p> <p>Article 20. (Number of Directors) The Company shall have not more than <u>11</u> Directors.</p> <p>Articles 21. – 22. (Unchanged)</p> <p>Article 23. (Representative Director and Director with Special Titles)</p> <p>1. The Board of Directors shall, by making a resolution, appoint a Representative Director. Furthermore, additional Representative Directors may be appointed as necessary by resolution of the Board of Directors and each Representative Director shall represent the Company.</p>

Current Articles of Incorporation	Proposed Amendments
<p>2. The Board of Directors shall, by making a resolution, appoint one President <u>and if necessary, it may appoint one or a small number of Chairmans, Vice-Chairmans, Vice-Presidents, Senior Managing Directors, and Managing Directors.</u></p> <p>Articles 24. – 45. (Omitted) (Newly established)</p>	<p>2. The Board of Directors shall, by making a resolution, appoint one President.</p> <p>Articles 24. – 45. (Unchanged)</p> <p><u>Supplementary Provision</u></p> <p><u>Amendments to Article 1, Article 2, Article 20, and Article 23 shall take effect on October 1, 2020. This supplementary provision shall be deleted on the effective date.</u></p>

Item 4: Election of 10 Directors

The terms of all the current 14 Directors expire at the conclusion of this General Meeting of Shareholders.

Therefore, the Company proposes to elect 10 Directors, including 2 external Directors and 2 new Directors. The number of Directors will be decreased for the purpose of ensuring sufficient deliberation at Board of Directors meetings.

The candidates for Directors are as follows:

No.	Name	Current Positions in the Company	
1	Noboru Yamada	Representative Director, Chairman	<input type="checkbox"/> Reelection
2	Tsuneo Mishima	Representative Director, President, COO	<input type="checkbox"/> Reelection
3	Tatsuo Kobayashi	Director, Managing Executive Officer	<input type="checkbox"/> Reelection
4	Yoshinori Ueno	Director, Managing Executive Officer	<input type="checkbox"/> Reelection
5	Megumi Kogure	Director, Senior Executive Officer	<input type="checkbox"/> Reelection
6	Akira Fukui	Director, Senior Executive Officer	<input type="checkbox"/> Reelection
7	Takayuki Fukuda	Director, Senior Executive Officer	<input type="checkbox"/> Reelection
8	Atsushi Murasawa	Executive Officer	<input type="checkbox"/> New candidate
9	Tsukasa Tokuhira	Director	<input type="checkbox"/> Reelection <input type="checkbox"/> External <input type="checkbox"/> Independent
10	Miki Mitsunari	—	<input type="checkbox"/> New candidate <input type="checkbox"/> External <input type="checkbox"/> Independent

No. 1	Noboru Yamada (Born on February 11, 1943)	Number of Shares Owned: 28,924,520 Years Served as Director: 37 years
Reelection	<p>[Brief History, Positions and Responsibilities in the Company]</p> <p>September 1983 Representative Director, President of the Company</p> <p>June 2008 Representative Director, Chairman, CEO</p> <p>June 2013 Representative Director, President, CEO</p> <p>April 2016 Representative Director, Chairman and Chairperson of the Board of Directors</p> <p>June 2019 Representative Director, Chairman (to the present)</p> <p>[Significant Concurrent Positions]</p> <p>Representative Director, Chairman of Tecc Planning Co., Ltd.</p> <p>[Reasons for nomination as candidate for Director]</p> <p>As the founder of Yamada Denki Co., Ltd., Noboru Yamada has a wealth of knowledge and experience regarding corporate management, business strategy, M&A and other such areas. We seek his reelection as Director to ensure that the Company is able to draw on his advice for achieving further growth in its managerial judgment and decision-making process.</p>	

No. 2	Tsuneo Mishima (Born on September 10, 1959)	Number of Shares Owned: 5,200 Years Served as Director: 2 years
Reelection	<p>[Brief History, Positions and Responsibilities in the Company]</p> <p>December 1989 Entered 3Q Takashimaya Co., Ltd. (currently 3Q Co., Ltd.)</p> <p>April 2000 Director of 3Q Co., Ltd.</p> <p>October 2012 Representative Director, President of 3Q Co., Ltd.</p> <p>April 2015 Transferred to EDION Corporation</p> <p>June 2015 Director, General Manager of ELS Division of EDION Corporation</p> <p>December 2015 Retired from EDION Corporation</p> <p>January 2017 Entered the Company</p> <p>June 2017 Executive Officer, Vice-President</p> <p>June 2018 Representative Director, President, COO (to the present)</p> <p>[Significant Concurrent Positions]</p> <p>None</p> <p>[Reasons for nomination as candidate for Director]</p> <p>Tsuneo Mishima has a wealth of professional experience and insight regarding overall administration, and managerial and operational affairs, having served as Director of peer companies. Moreover, he has been serving as the Company's Representative Director, President since June 2018. We seek his reelection as Director to ensure that he is able to help further spearhead the Company's growth.</p>	

No. 3	Tatsuo Kobayashi (Born on July 6, 1964)	Number of Shares Owned: 12,200 Years Served as Director: 12 years
Reelection	<p>[Brief History, Positions and Responsibilities in the Company]</p> <p>June 2007 Managing Executive Officer & General Counsel, Sales Planning Office of the Company</p> <p>June 2008 Director, Managing Executive Officer & General Manager, Sales Management Department, Sales and Marketing Division</p> <p>June 2013 Director, Senior Executive Officer & General Manager, Sales Promotion Department and First Sales and Marketing Department, Sales and Marketing Division</p> <p>June 2014 Director, Senior Executive Officer & General Manager, Corporate Business Division</p> <p>June 2016 Director, Managing Executive Officer & General Manager, Corporate Business Division</p> <p>September 2017 Director, Senior Managing Executive Officer & General Manager, Sales and Marketing Division</p> <p>June 2018 Director, Managing Executive Officer & General Manager, System Division</p> <p>January 2019 Director, Managing Executive Officer & General Manager, IT Business Division, General Manager, Internet Department</p> <p>April 2020 Director, Managing Executive Officer & General Manager, IT Business Division (to the present)</p> <p>[Significant Concurrent Positions]</p> <p>None</p> <p>[Reasons for nomination as candidate for Director]</p> <p>Since joining the Company, Tatsuo Kobayashi has developed an abundance of professional knowledge and experience particularly in sales operations, and has accordingly contributed to the Company's growth. We seek his reelection as Director given that he has been serving as Executive Officer of the Company since June 2007, and has accordingly established a track record with respect to managing many operations of the Group.</p>	

No. 4	Yoshinori Ueno (Born on December 2, 1971)	Number of Shares Owned: 2,284 Years Served as Director: 4 years
Reelection	<p>[Brief History, Positions and Responsibilities in the Company]</p> <p>March 2010 Deputy General Manager, New Medium-Term Business Plan Promotion Office of Best Denki Co., Ltd.</p> <p>April 2014 Entered the Company General Counsel, Sales Strategy Office, Sales and Marketing Division</p> <p>April 2016 General Manager, Sales Strategy Division</p> <p>June 2016 Director, Senior Executive Officer & General Manager, Sales Strategy Division, General Counsel, Housing Collaboration Sales Strategy Office</p> <p>April 2018 Director, Managing Executive Officer & General Manager, Product Division</p> <p>October 2019 Director, Managing Executive Officer & General Manager, Sales Products Division (to the present)</p> <p>[Significant Concurrent Positions]</p> <p>None</p> <p>[Reasons for nomination as candidate for Director]</p> <p>Yoshinori Ueno has been serving as Director of the Company since June 2016, after having served in positions that include General Manager of Sales Strategy Division. We accordingly seek his reelection as Director given that he has a wealth of professional experience at the Company and insights regarding sales strategy and marketing.</p>	

No. 5	Megumi Kogure (Born on October 18, 1976)	Number of Shares Owned: 3,100 Years Served as Director: 2 years
Reelection	<p>[Brief History, Positions and Responsibilities in the Company]</p> <p>April 1997 Entered the Company</p> <p>May 2012 General Manager, General Counsel, Corporate Secretariat</p> <p>May 2017 Associate Director, General Counsel, Corporate Secretariat</p> <p>April 2018 Executive Officer & General Counsel, Corporate Secretariat, General Counsel, Human Resources Development Office</p> <p>June 2018 Director, Senior Executive Officer & General Counsel, Corporate Secretariat, General Counsel, Human Resources Development Office</p> <p>April 2019 Director, Senior Executive Officer & General Counsel, Corporate Secretariat, General Manager, Personnel and General Affairs Division (to the present)</p> <p>[Significant Concurrent Positions]</p> <p>None</p> <p>[Reasons for nomination as candidate for Director]</p> <p>Megumi Kogure has longstanding experience in store operations and has served as Executive Officer of the Company since April 2018. We accordingly seek her reelection as Director given that she mainly contributes to employee training as well as personnel reform of the Company as its General Manager of Personnel and General Affairs Division, and given that she strengthens the Board of Directors by enlisting her female perspective underpinned by her store experience.</p>	

No. 6	Akira Fukui (Born on June 6, 1965)	Number of Shares Owned: 700 Years Served as Director: 2 years
Reelection	<p>[Brief History, Positions and Responsibilities in the Company]</p> <p>April 2012 General Manager, TSU Branch of Mizuho Bank, Ltd.</p> <p>April 2017 Retired from Mizuho Bank, Ltd.</p> <p>May 2017 Entered the Company</p> <p>June 2017 Executive Officer & Deputy General Manager, Corporate Business Division</p> <p>September 2017 Managing Executive Officer & General Manager, Corporate Business Division</p> <p>April 2018 Managing Executive Officer & General Manager, Corporate Business Department, Segment Division</p> <p>June 2018 Director, Senior Executive Officer & General Manager, Corporate Business Department, Sales and Marketing Division</p> <p>August 2018 Director, Senior Executive Officer & General Manager, Local Administration and Financial Division (to the present)</p> <p>[Significant Concurrent Positions]</p> <p>Director of Yamada Financial Co., Ltd.</p> <p>Director of Yamada Finance Co., Ltd.</p> <p>[Reasons for nomination as candidate for Director]</p> <p>Akira Fukui has served as Executive Officer of the Company since June 2017, underpinned by his professional experience and knowledge of a financial institution. We seek his reelection as Director upon having judged him qualified as Director of the Company given that he has established a track record with respect to the Group's management centered on corporate business operations as well as accounting and financial affairs operations.</p>	

No. 7	Takayuki Fukuda (Born on August 30, 1974)	Number of Shares Owned: 1,700 Years Served as Director: 4 years
Reelection	<p>[Brief History, Positions and Responsibilities in the Company]</p> <p>June 2003 General Counsel, Legal Office of the Company</p> <p>April 2009 Assistant to General Manager, Store Management Department, Development Division</p> <p>April 2012 Associate Director & General Manager, Store Construction Management Department, Development Division</p> <p>June 2016 Director, Senior Executive Officer & General Manager, Store Construction Management Department, Development Division</p> <p>April 2018 Director, Senior Executive Officer & General Manager, Development Division, General Manager, Store Construction Management Department (to the present)</p> <p>[Significant Concurrent Positions]</p> <p>None</p> <p>[Reasons for nomination as candidate for Director]</p> <p>Takayuki Fukuda has been serving as Director of the Company since June 2016, after having served in positions that include General Counsel of Legal Office and General Manager of Store Construction Management Department. We accordingly seek his reelection as Director given that he has a wealth of professional experience at the Company and insights regarding managerial and operational affairs.</p>	

No. 8	Atsushi Murasawa (Born on March 16, 1962)	Number of Shares Owned: 100 Years Served as Director: – years
New candidate	<p>[Brief History, Positions and Responsibilities in the Company]</p> <p>April 1984 Entered Toshiba Corporation</p> <p>March 2009 President of Toshiba America Consumer Products, Inc.</p> <p>April 2010 General Manager, Visual Marketing Department of Toshiba Corporation</p> <p>April 2014 Director, Vice President of TOSHIBA LIFESTYLE PRODUCTS & SERVICES CORPORATION</p> <p>June 2016 Representative Director, President of TOSHIBA VISUAL SOLUTIONS CORPORATION</p> <p>June 2018 Entered the Company Executive Officer & General Counsel, SPA Product Development Office</p> <p>November 2019 Executive Officer & General Manager, Business Administration Division, General Manager, SPA Product Department (to the present)</p> <p>[Significant Concurrent Positions]</p> <p>None</p> <p>[Reasons for nomination as candidate for Director]</p> <p>Atsushi Murasawa has been serving as Executive Officer of the Company since June 2018, after having served as Director in the consumer electrical appliance industry. We seek his election as a new Director given that he has a wealth of knowledge regarding overall administration as well as managerial and operational affairs.</p>	

No. 9	Tsukasa Tokuhira (Born on May 3, 1954)	Number of Shares Owned: 12,900 Years Served as Director: 6 years
<div>Reelection</div> <div>External</div> <div>Independent</div>	<p>[Brief History, Positions and Responsibilities in the Company]</p> <p>April 1974 Entered Hanbai Noritsu Zoshin Honbu Co., Ltd.</p> <p>April 1984 General Manager, Guidance Department of Hanbai Noritsu Zoshin Honbu Co., Ltd.</p> <p>February 1987 Representative Director, President of Fic Limited (to the present)</p> <p>July 2007 Representative Director, President of Cross Co., Ltd. (to the present)</p> <p>June 2014 External Director of the Company (to the present)</p> <p>[Significant Concurrent Positions]</p> <p>Representative Director, President of Fic Limited</p> <p>Representative Director, President of Cross Co., Ltd.</p> <p>[Reasons for nomination as candidate for external Director]</p> <p>Tsukasa Tokuhira has a wealth of experience having acted as an industry leader in the distribution industry over many years. We seek his reelection as external Director upon having judged him capable of furnishing valuable opinions and suggestions with respect to the Company's management based on that experience, and furthermore because he currently fulfills his duties sufficiently as external Director of the Company.</p>	

No. 10	Miki Mitsunari (Born on February 29, 1972)	Number of Shares Owned: – Years Served as Director: – years
<div>New candidate</div> <div>External</div> <div>Independent</div>	<p>[Brief History, Positions and Responsibilities in the Company]</p> <p>April 1994 Entered TOKYU LAND CORPORATION</p> <p>February 2001 Entered Fuji Sogo Research Institute (currently Mizuho Information & Research Institute, Inc.)</p> <p>September 2011 President of FINEV inc. (to the present)</p> <p>November 2013 Temporary Member of Subcommittee on Environmental Measures for Industry, Committee on Industrial Science and Technology Policy and Environment, Industrial Structure Council, Ministry of Economy, Trade and Industry (to the present)</p> <p>February 2015 Chairman of Association of Property Revitalization (to the present)</p> <p>March 2020 Outside Director of Funai Soken Holdings Inc. (to the present)</p> <p>[Significant Concurrent Positions]</p> <p>President of FINEV inc.</p> <p>Temporary Member of Subcommittee on Environmental Measures for Industry, Committee on Industrial Science and Technology Policy and Environment, Industrial Structure Council, Ministry of Economy, Trade and Industry</p> <p>Chairman of Association of Property Revitalization</p> <p>Outside Director of Funai Soken Holdings Inc.</p> <p>[Reasons for nomination as candidate for external Director]</p> <p>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. We seek her election as a new external Director upon having judged her qualified to promote diversity of the Company's Board of Directors and the Group's ESG initiatives.</p>	

Notes: 1. Information regarding conflicts of interest between the candidates for directors and the Company:

- (1) The candidate for director Miki Mitsunari serves as the president of FINEV inc. From September 2011 to June 2016, the Company had a business relationship with FINEV inc. for consulting services regarding the Company's CSR. However, because the scale of this relationship accounted for less than 0.001% of the Company's consolidated net sales, the amount of the business transactions was small at less than ¥10 million over that period of four years and ten months and there have been no transactions

since that time, the Company believes that it is not significant enough to cause a conflict of interest.

(2) There are no conflicts of interest between the other candidates for directors and the Company.

2. Tsukasa Tokuhira and Miki Mitsunari are candidates for external directors.

The Company has submitted notification to Tokyo Stock Exchange, Inc. that Tsukasa Tokuhira has been appointed as an independent officer as provided for in Article 436-2 of the Securities Listing Regulations of the aforementioned exchange. If the reelection of Tsukasa Tokuhira is approved, the Company plans for his appointment as an independent officer to continue. Also, upon Miki Mitsunari's election as a director and appointment to that position, the Company plans to appoint her as an independent officer as provided for in Article 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

3. The special notes referring to the candidates for external directors are as follows:

(1) Number of years since appointment as external director:

At the conclusion of this General Meeting of Shareholders, it will have been six years since Tsukasa Tokuhira was appointed as an external director.

(2) Facts relating to the Company or its specified associated service provider:

N/A

(3) External director and the Limited Responsibility Contract:

N/A

Item 5: Election of 2 Audit & Supervisory Board Members

The term of the current Audit & Supervisory Board Member Somuku Iimura will be expired at the conclusion of this General Meeting of Shareholders.

Therefore, we hereby request the election of 2 Audit & Supervisory Board Members, including 1 new Audit & Supervisory Board Member.

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

The candidates for Audit & Supervisory Board Members are as follows:

No. 1	Jun Okamoto (Born on April 28, 1956)	Number of Shares Owned: 36,300 Years Served as Audit & Supervisory Board Member: – years
New candidate	<p>[Brief History and Positions in the Company]</p> <p>April 2006 Advisor of President Office of the Company</p> <p>June 2006 Director, Senior Managing Executive Officer</p> <p>June 2007 Director, Senior Managing Executive Officer & General Counsel, Corporate Planning Office</p> <p>April 2012 Director, Executive Vice-President & General Counsel, Corporate Planning Office, General Counsel, SxL Management Office, General Counsel, CSR Promotion Office</p> <p>June 2013 Director, Senior Managing Executive Officer & General Counsel, Corporate Planning Office, General Counsel, SxL Management Office, General Counsel, CSR Promotion Office</p> <p>April 2016 Director, Senior Managing Executive Officer & General Counsel, Corporate Planning Office, General Counsel, CSR Promotion Office</p> <p>October 2019 Director, Senior Managing Executive Officer & General Counsel, Corporate Planning Office, General Counsel, Sustainability Promotion Office</p> <p>April 2020 Director, Senior Managing Executive Officer (to the present)</p> <p>[Significant Concurrent Positions]</p> <p>None</p> <p>[Reasons for nomination as candidate for Audit & Supervisory Board Member]</p> <p>Jun Okamoto has been serving as Director of the Company since June 2006, and has a wealth of professional experience and expertise. As such, the Company judges him capable of appropriately supervising management and competently furnishing his opinions and advice, and accordingly sharing information with other Audit & Supervisory Board Members acting as a member of the Audit & Supervisory Board. We accordingly seek his election as a new Audit & Supervisory Board Member given that we can expect him to fulfill his role of auditing Directors' performance of their duties.</p>	

- Notes: 1. There are no conflicts of interest between the candidate for audit & supervisory board member Jun Okamoto and the Company.
2. Jun Okamoto currently serves as a director, but plans to resign from the position at the conclusion of this General Meeting of Shareholders.
3. The Company is planning that Jun Okamoto will be appointed to the position of audit & supervisory board member at each of the respective ordinary general meetings of shareholders of the Company's subsidiaries Best Denki Co., Ltd., Cosmos Berry's Co., Ltd., Matsuyadenki Co., Ltd., Seidensha Co., Ltd., Project White Co., Ltd., Y's Select Co., Ltd., Kyushu Tecc Land Co., Ltd., Yamada Finance Co., Ltd., Yamada Financial Co., Ltd., Yamada Environmental Resource Development Holdings Co., Ltd., CIC Co., Ltd., Inversenet Co., Ltd., and Okinawa Yamada Denki Co., Ltd., which will be held in May 2020.

No. 2	Somuku Iimura (Born on April 14, 1953)	Number of Shares Owned: – Years Served as Audit & Supervisory Board Member: 4 years
<div>Reelection</div> <div>External</div> <div>Independent</div>	<p>[Brief History and Positions in the Company]</p> <p>April 1986 Registered as an attorney at law</p> <p>April 1986 Entered Masuda & Ejiri</p> <p>October 1988 Transferred to Rogers & Wells in U.S. (currently Clifford Chance LLP)</p> <p>July 1991 Returned to Masuda & Ejiri</p> <p>January 1992 Partner of Masuda & Ejiri</p> <p>July 2007 Entered Nishimura & Asahi Partner of Nishimura & Asahi</p> <p>June 2014 Outside Director of Maruha Nichiro Corporation (to the present)</p> <p>June 2016 External Audit & Supervisory Board Member of the Company (to the present)</p> <p>February 2017 Outside Corporate Auditor of NACHI-FUJIKOSHI CORP.</p> <p>January 2019 Entered Nishimura & Asahi</p> <p>January 2020 Entered Natori Law Office Senior Partner of Natori Law Office (to the present)</p> <p>[Significant Concurrent Positions]</p> <p>Outside Director of Maruha Nichiro Corporation</p> <p>Senior Partner of Natori Law Office</p> <p>[Reasons for nomination as candidate for external Audit & Supervisory Board Member]</p> <p>Somuku Iimura furnishes his opinions related to management from a distinct perspective based on his wealth of experience and outstanding knowledge from a fair and neutral standpoint as an attorney at law. As such, we judge him capable of contributing to the Company's corporate governance and management. Moreover, he sufficiently fulfills his duties currently serving as external Audit & Supervisory Board Member. We seek his reelection as external Audit & Supervisory Board Member given that he is capable of appropriately giving advice from the viewpoint of appropriateness and fairness in the Company's decision-making process for business execution.</p>	

- Notes: 1. The candidate for audit & supervisory board member Somuku Iimura serves as senior partner of Natori Law Office. Although the Company has concluded a legal counsel agreement with that law office, because the scale of this relationship accounted for less than 0.0002% of the Company's consolidated net sales and was small at less than 1% of the law office's net sales, the Company believes that it is not significant enough to cause a conflict of interest.
2. Somuku Iimura is a candidate for an external audit & supervisory board member. The Company has submitted notification to Tokyo Stock Exchange, Inc. that Somuku Iimura has been appointed as an independent officer as provided for in Article 436-2 of the Securities Listing Regulations of the aforementioned exchange. If the reelection of Somuku Iimura is approved, the Company plans for his appointment as an independent officer to continue.
3. The Company is planning that Somuku Iimura will be appointed to the position of outside audit & supervisory board member at the annual general meeting of shareholders of SANYO SHOKAI LTD., which will be held in May 2020.
4. The special notes referring to the candidate for external audit & supervisory board member are as follows:
- (1) Number of years since appointment as external audit & supervisory board member:
At the conclusion of this General Meeting of Shareholders, it will have been four years since Somuku Iimura was appointed as an external audit & supervisory board member.
- (2) Facts relating to the Company or its specified associated service provider:
N/A
- (3) The candidate and the Limited Responsibility Contract:
N/A

(Attachments)

BUSINESS REPORT

Fiscal Year ended March 31, 2020

I. Status of the Group

(1) Review of Operations for the Fiscal Year

[On background of economies at home and abroad]

In the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020), the Japanese economy remained on a path of gradual recovery amid improvements in corporate earnings as well as the jobs and income environment, underpinned by economic and fiscal measures being taken by the government, despite the economy having been temporarily affected by developments such as a spate of natural disasters and a pullback in demand associated with hikes in national and local consumption taxes (“consumption tax hikes”). Nevertheless, the Japanese economy encountered a mounting recessionary mood brought about by a sense of future uncertainty due to the global pandemic of novel coronavirus disease (COVID-19). As for the global economy, the business outlook has remained extremely unclear amid factors that include adverse effects on the worldwide economy associated with prolonged trade friction brought about by protectionist trade policy in the U.S., the issue of the UK’s withdrawal from the EU, slowdown of the Chinese economy, continuing turmoil in the Middle East, effects of volatility in financial and capital markets, and effects of COVID-19.

In the retail industry overall, despite a brief phase of upward momentum brought on by a last-minute surge in demand ahead of the consumption tax hikes, the tough business environment persisted amid intensifying competition extending beyond sectors and industries underpinned by a deep-seated frugal mindset among consumers caused by a pullback in demand associated with the consumption tax hikes and increasingly defensive spending patterns. Moreover, the industry has been encountering severe business conditions amid factors that include declining inbound visitor demand due to COVID-19, substantially decreasing numbers of customers visiting stores due to cancellations of events and voluntary restrictions against non-essential and non-urgent outings, and changing consumption trends. Moreover, operating costs have been following an upward trend largely due to rising personnel expenses and logistics costs caused by the labor shortage, while medium- to long-term challenges have begun to emerge with respect to Japan’s declining birthrate, aging demographic and population decline. In addition, the situation increasingly calls for innovative management looking toward the future in a manner not bound by preconceptions amid a scenario of mounting uncertainties marked by a rapidly changing environment. For instance, whereas some business categories have been experiencing growth with respect to high-priced merchandise, in other business categories short-term demand for replacement has been slowing due to there being a remarkable range of choices and options amid circumstances where trends of consumption are being affected by changing lifestyles among consumers and diversifying purchasing behavior.

[On the consumer electrical appliance retail industry]

In the consumer electrical appliance retail industry to which the Group belongs, sales in the second half of the fiscal year under review (October 1, 2019 to March 31, 2020) fell year on year due to factors such as the pullback in demand associated with the consumption tax hikes, revisions to parts of the Telecommunications Business Act (enforced on October 1, 2019), the occurrence of natural disasters (Typhoon No. 19 and heavy rain caused by low-pressure systems and Typhoon No. 21), a warm winter, and COVID-19. However, sales for the fiscal year under review (April 1, 2019 to March 31, 2020) were strong due to the surge in demand associated with the consumption tax hikes.

From a product perspective, results were favorable particularly for high per-unit price products such as 4K and OLED televisions driven by demand for replacement and the commencement of new 4K/8K satellite broadcasting, amid signs that downward momentum seems to have bottomed out with respect to sales of televisions which had continually endured prolonged stagnation of the market due to a pullback in special demand which had been associated with the Japanese government’s “ecopoints” program for consumer electrical appliances and digitization of terrestrial television. Refrigerators and washing

machines also generated favorable results particularly for high per-unit price products underpinned by demand for replacement. Sales of air conditioners and other seasonal products weakened due to frequent cool rainy spells during the prolonged rainy season in July and a warm winter despite higher unit prices associated with higher priced models with improved functionality. Sales of mobile phones weakened, despite the occurrence of a surge in demand associated with revisions to parts of the Telecommunications Business Act, on account of a significant shrinkage in the market after said revisions took effect and a situation where consumers are holding off purchasing in relation to start of 5G (fifth-generation mobile communications system) commercial services. Sales of computers and other products in the digital realm had continued to be sluggish for a long time, but sales were strong due mainly to the demand for computer renewals due to the end of support for Windows 7, which ended on January 14, 2020, and for telework, etc. On the other hand, the broadband market had been shrinking due to the introduction of high-capacity data telecommunications plans offered by respective telecommunications carriers in line with the spread of smartphones, but then took a positive turn largely due to an onset of telework-related demand in March 2020.

[On the Company's efforts]

Against this backdrop in the consumer electrical appliance market, the Company has been carrying out reforms with respect to its new earnings model which involves strengthening the electrical appliance business with a sense of immediacy given the consumption tax hikes and forecasts anticipating sharp deceleration of personal consumption likely to set in subsequent to the Tokyo Olympic Games (postponed to the summer of 2021). These efforts have been showing results since the previous fiscal year. The Company has been taking steps to heighten business value across its respective businesses, particularly premised on the concept of “brighten your future with smart housing” which involves lifestyle infrastructure with home electrical appliances at the core. The Company has been taking steps to heighten earning potential by strengthening the development of SPA products; improving revenue through reinforcing the foundation for the renovation business (enhancement of both the construction and the sales frameworks); improving its marketing capabilities entailing a product development and sales approach that involves proposing lifestyle scenarios drawing on its unique ability to combine home electrical appliances with furniture and home interiors; and boosting sales by speeding up the construction of the online business. In furniture and home interiors, upon having made Otsuka Kagu, Ltd. (“Otsuka Kagu”) a subsidiary in December 2019, the Company collaborated with Otsuka Kagu in rolling out Otsuka Kagu merchandise at four of the Company's LABI urban-format stores on February 7, 2020. This furthermore involved embarking on showroom display sales of home electrical appliances at the Ariake Head Office showroom of Otsuka Kagu on March 6, 2020, where Otsuka Kagu, like the Company, set up various rooms displaying lifestyle scenarios that combine home electrical appliances with furniture and home interiors. The Ariake Head Office showroom served as the first site, and Otsuka Kagu will expand the display of home electrical appliances successively to its other showrooms.

In addition, on March 24, 2020, the Company concluded a basic agreement for acquiring shares of housing business operator Leohouse, Ltd. (now a subsidiary) in order to enhance proposals available under its “brighten your future with smart housing” concept, and subsequently entered into a transfer agreement on April 9, 2020.

Furthermore, as part of its branding strategy, the Company has been changing the image of Yamada Denki to that of a store that “brightens your future with smart housing,” which has involved airing a television commercial featuring the theme of “bringing happiness to every part of life,” publishing advertising flyers, and posting details to the corporate website.

In a separate initiative, the Company separated the 13 branches of Yamada Denki (non-consolidated) in October 2019, and introduced a branch manager system that places emphasis on profit margin improvement.

Through such efforts, the Company managed to achieve progress in line with the business plan until January 2020, despite the consumer electrical appliance retail industry having encountered the harsh environment mentioned above. Since February 2020, however, COVID-19 has substantially weighed on the Company's sales, purchasing, gross profit and other benchmarks of performance.

With respect to the notion of optimizing the capital structure while also flexibly returning profits to shareholders, which has been under consideration for some time, although the Company had resolved to purchase treasury stock on April 1, 2020 (total number of purchasable shares: 100,000,000 shares

(maximum); total purchase price of shares: ¥50,000 million (maximum); purchase period: from April 2, 2020 until March 24, 2021), the Company passed a resolution to cancel that treasury stock purchase on May 14, 2020 after giving comprehensive consideration to factors including the changes in the business environment due to the impact of COVID-19.

The Group released notification of “Resolution for Establishment of Preparatory Company for Company Split Involving Transition to Holding Company Structure by Means of Company Split; Resolution for Approval of Absorption-Type Company Split Agreement, and; Resolution for Partial Amendments to the Articles of Incorporation (Change of Trade Name)” on March 16, 2020. In that regard, the Group plans to transition to a holding company structure as of the effective date of October 1, 2020, subject to having gained approval at the 43rd Ordinary General Meeting of Shareholders, and also subject to approval of the relevant public offices as deemed necessary.

[On CSR]

The Group aims to increase its social value and develop together with society. To this end, we engage in ongoing CSR-oriented operations that are genuine, and continue to carry out CSR activities proactively, contributing to a sustainable society. Moreover, we actively engage in environmental, social and corporate governance (ESG) initiatives, which we regard as crucial in terms of helping to resolve social challenges and ensuring that we sustain a presence as an enterprise that enhances its corporate value, and have accordingly shifted control of such initiatives to the SDGs Promotion Department of the Sustainability Office, from the CSR Department of the CSR Promotion Office previously. On December 16, 2019, the Company announced the establishment of “Priority Initiatives for Achieving SDGs” for Yamada Denki alone. In terms of initiatives for the entire Yamada Denki Group, the Group is focusing on three themes for contributing to achieving SDGs, and the Group plans to aim for a sustainable society by pursuing those initiatives.

Three themes for the Yamada Denki Group

1. Offer comfortable living spaces and establish social systems
2. Foster employee growth and improve their working environments
3. Promote a recycling-oriented society and conserve the global environment

(<https://www.yamada-denki.jp/csr/>)

[On number of stores]

The number of consolidated retail stores, including those overseas at the end of the fiscal year under review encompassing 35 new store openings and 20 store closures, was 990 directly-managed stores (comprising 675 stores directly managed by the Company, 169 stores managed by Best Denki Co., Ltd. and 146 stores operated by other consolidated subsidiaries). The total number of stores of the Group, including the stores managed by franchise stores, was 12,858.

[On performance summary]

As a result of the above, consolidated net sales for the fiscal year under review amounted to ¥1,611,538 million, up 0.7% year on year. Gross profit amounted to ¥460,652 million, up 4.5% year on year, operating profit totaled ¥38,326 million, up 37.5% year on year, ordinary profit was ¥46,074 million, up 24.9% year on year, and profit attributable to owners of parent was ¥24,605 million, up 67.5% year on year.

(2) Trends in Operating Results and Assets

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
Net sales (millions of yen)	1,563,056	1,573,873	1,600,583	1,611,538
Ordinary profit (millions of yen)	66,040	47,335	36,889	46,074
Profit attributable to owners of parent (millions of yen)	34,528	29,779	14,692	24,605
Basic earnings per share (yen)	43.00	36.77	18.18	28.38
Total assets (millions of yen)	1,159,456	1,175,568	1,184,042	1,163,494
Net assets (millions of yen)	585,547	588,740	591,593	645,166

(3) Issues the Group will be Addressing

Looking ahead to the fiscal year ending March 31, 2021, the global pandemic of COVID-19 is having serious ramifications both domestically and abroad, thereby raising concerns of adverse long-term effects on the international economy as well as that of Japan amid a scenario where respective nations around the world are scrambling to mount emergency responses.

The retail industry overall is likely to encounter more challenging circumstances than ever before amid factors that include declining inbound visitor demand due to the global pandemic of COVID-19, store closures and reduced business hours upon the government having declared a state of emergency, decreasing numbers of customers visiting stores due to voluntary restrictions against non-essential and non-urgent outings, as well as deteriorating consumer sentiment and changing consumer behavior stemming from increasingly defensive spending patterns.

The consumer electrical appliance retail market in which the Group belongs is poised to remain sluggish amid an uncertain outlook as to when disruption due to COVID-19 is likely to subside. By product type, video equipment is expected to be strong due to the 4K and 8K satellite broadcasts and the market expansion for OLED TVs. Refrigerators, washing machines and other white goods are expected to be firm supported by replacement demand. Sales of seasonal products including air conditioning units are likely to increase year on year given that weather forecasts indicate average temperatures this summer (June to August) typical for the season, in comparison with the summer of 2019 when temperatures were low in the month of July and warmer than average temperatures during the winter months. Meanwhile, sales of computers and other products in the digital realm are likely to hold firm given the prospect of demand particularly stemming from telework and online coursework. Whereas mobile phones are likely to encounter sluggish sales amid adverse effects associated with revisions to parts of the Telecommunications Business Act, the Group expects replacement demand as 5G commercial services take hold.

Under this market environment, the Group will continue from the previous fiscal year to enhance its “brighten your future with smart housing” concept underpinned by its “generating profits through continuous reform and innovation” management slogan for fiscal 2020 continuing on from 2019, and actively implement initiatives in the electrical appliance segment, affiliate and subsidiary electrical appliance segment, housing segment, financial services segment, environmental resource development segment and support services segment. In particular, the electrical appliance segment will improve the profit ratio through continued reforms, propose lifestyle scenarios that combine home electrical appliances with furniture and home interiors at stores of both Yamada Denki and Otsuka Kagu, strengthen the development of SPA products in a manner distinctive to the Group, and propose options that enable people to enjoy themselves in comfort while hunkering down in their homes due to the voluntary restrictions against non-essential and non-urgent outings due to COVID-19. Furthermore, the housing segment will promote long-life quality housing and use the benefits of scale, including making Leohouse, Ltd. a subsidiary, to expand the scale of operations.

In order to further promote reforms such as those described above, while also enhancing corporate value and contributing to development of a sustainable society, the Group aims for further sustained corporate growth and expansion while improving management efficiency and strengthening governance of the entire Group more than ever before. Accordingly, the Group’s officer assignments associated with its transition to a holding company structure slated for October 1, 2020, as announced on April 1, 2020, will ensure that the roles of business management and supervision are carried out separately from business execution.

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 18, 2020).

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 CSR Committee

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

c Whistle-blowing system

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

d Internal Audit Office

The Internal 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 Basic Regulations
The director in charge of risk management shall organize the Risk Management Committee and formulate the Risk Management Basic Regulations. Accordingly, the committee shall categorize risks in the regulations and establish specific risk management systems.
 - b Crisis management system in the event of disaster
The director in charge of risk management shall prepare a disaster response measures manual and develop crisis management system in accordance with the manual. The director in charge of risk management shall endeavor to make details of the manual known and provide education regarding disaster response.
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 within its Corporate Planning Office of the Business Company Administration Department for overseeing the management and performance of subsidiaries and for ensuring the properness of such business operations.
 - b The Company's subsidiaries shall execute their business operations in accordance with basic affiliation agreements and internal regulations of the respective subsidiaries, and such agreements and regulations shall be reviewed as needed.
 - c To achieve optimal performance and budget management of its subsidiaries, the Company shall hold monthly Group company review committee meetings for managing subsidiaries' overall performance and budgets on the basis of medium-term business plans and annual budgets, and furthermore hold weekly Group company meetings with its principal subsidiaries.
 - d When deemed necessary, the Internal Audit Office may conduct internal 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 affiliation agreements and provide appropriate guidance and advice on matters reported, while respecting the autonomy of subsidiary management.
 - b The Company shall hold monthly Group company briefing sessions where it receives reports on the status of subsidiary management and financial position to ensure the properness of subsidiary business operations.
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 in accordance with the basic affiliation agreements.
 - b The Company shall receive weekly risk management 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 the Business Company Administration Department receives a report on risk of loss from a subsidiary, 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 affiliation agreements 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 The Company may assign its directors, Audit & Supervisory Board members and employees to concurrently serve as Audit & Supervisory Board members of a subsidiary, thereby coordinating with audit & supervisory board members of the subsidiary in performing legal compliance audits of duties performed by the subsidiary's directors and employees.
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 employees as necessary for conducting audit work so that the employees will assist their duties.
 - b Cooperative framework

When such an employee 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, pursuant to the Regulations on Protecting Whistleblower.

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 the Company's Business Company Administration Department if they discover an incident that significantly damages the subsidiary or threatens to do so, or otherwise if they discover a material incident involving violation of laws and regulations, the articles of incorporation or internal regulations within the subsidiary.
 - b With respect to matters involving reports received from directors of subsidiaries, any matters that the Company's Business Company Administration Department is to report to Audit & Supervisory Board members of the Company shall be those determined through mutual consultation between the Company's officers in charge of subsidiaries 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 Internal 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

Compliance Committee meetings and compliance sectional meetings were held on monthly and weekly bases respectively, and training based on monthly themes was 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 and control risk. 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 weekly 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 Internal 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 Business Company Administration Department received compliance reports from respective subsidiaries and regularly reported such content to the Compliance Committee.

Basic policies on risk management were established in respective subsidiaries, and such matters were reported to the Business Company Administration Department.

The Company has been striving to optimize work processes of its subsidiaries, which has involved regularly performing audits of subsidiaries upon having established a new Business Audit Department for subsidiaries within the Company's Internal Audit Office.

The Company's Audit & Supervisory Board members concurrently serving as Audit & Supervisory Board members of its subsidiaries regularly received reports from the Business Company Administration Department and compiled details on the status of management and other necessary information.

CONSOLIDATED BALANCE SHEETS

As of March 31, 2020

(Millions of yen)

ASSETS	
Current assets:	
Cash and time deposits	48,939
Notes and accounts receivable	59,860
Operating loans	2,222
Merchandise and finished goods	384,247
Work in process	4,815
Raw materials and supplies	3,766
Other current assets	43,527
Allowance for doubtful accounts	(1,904)
Total current assets	545,475
Non-current assets:	
Property and equipment:	
Buildings and structures, net	202,638
Land	192,742
Lease assets, net	13,732
Construction in progress	839
Other, net	11,249
Total property and equipment, net	421,202
Intangible assets	33,697
Investments and other assets:	
Investment securities	5,253
Long-term loans receivable	2,816
Net defined benefit asset	1,579
Deferred tax assets	29,722
Guarantee deposits	95,360
Other assets	30,500
Allowance for doubtful accounts	(2,113)
Total investments and other assets	163,119
Total non-current assets	618,019
Total assets	1,163,494

CONSOLIDATED BALANCE SHEETS

As of March 31, 2020

(Millions of yen)

LIABILITIES AND NET ASSETS	
LIABILITIES:	
Current liabilities:	
Notes and accounts payable	103,328
Short-term loans payable	53,730
Current portion of long-term loans payable	53,224
Lease obligations	4,405
Income taxes payable	9,343
Provision for bonuses	8,354
Provision for directors' bonuses	129
Provision for point card certificates	13,164
Provision for warranties for completed construction	641
Provision for losses on liquidation of subsidiaries	606
Other current liabilities	51,618
Total current liabilities	298,547
Long-term liabilities:	
Long-term loans payable	123,939
Lease obligations	11,819
Provision for directors' retirement benefits	1,048
Provision for product warranties	7,658
Provision for losses on interest repayments	32
Provision for gift certificates, etc.	123
Net defined benefit liability	30,342
Asset retirement obligations	34,306
Other long-term liabilities	10,509
Total long-term liabilities	219,781
Total liabilities	518,328
NET ASSETS:	
Shareholders' equity:	
Common stock	71,058
Capital surplus	84,059
Retained earnings	517,943
Treasury stock, at cost	(38,170)
Total shareholders' equity	634,891
Accumulated other comprehensive income:	
Valuation difference on available-for-sale securities, net of taxes	(732)
Foreign currency translation adjustments	437
Remeasurements of defined benefit plans	540
Total accumulated other comprehensive income	245
Subscription rights to shares	1,872
Non-controlling interests	8,157
Total net assets	645,166
Total liabilities and net assets	1,163,494

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

CONSOLIDATED STATEMENTS OF INCOME

Fiscal year ended March 31, 2020

		(Millions of yen)
Net sales		1,611,538
Cost of sales		1,150,885
Gross profit		460,652
Selling, general and administrative expenses		422,326
Operating profit		38,326
Non-operating income:		
Interest income	725	
Purchase discounts	4,267	
Rent income	3,820	
Sales of electric power	1,915	
Other	4,512	15,242
Non-operating expenses:		
Interest expenses	1,399	
Foreign exchange losses	944	
Rent expenses	3,071	
Cost of sales of electric power	815	
Other	1,263	7,494
Ordinary profit		46,074
Extraordinary income:		
Gain on sales of non-current assets	158	
Gain on sales of investment securities	1,709	
Gain on negative goodwill	2,721	
Other	641	5,230
Extraordinary loss:		
Loss on disposal of non-current assets	205	
Impairment loss	8,742	
Other	3,951	12,899
Profit before income taxes		38,406
Income taxes-current		13,009
Income taxes-deferred		820
Profit		24,576
Loss attributable to non-controlling interests		28
Profit attributable to owners of parent		24,605

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2019	71,058	79,403	503,700	(67,952)	586,210
Changes of items during the period					
Cash dividends			(10,573)		(10,573)
Profit attributable to owners of parent			24,605		24,605
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock		4,656		29,783	34,440
Change in scope of consolidation			210		210
Other changes in the period, net					
Total changes of items during the period	—	4,656	14,242	29,781	48,680
Balance at March 31, 2020	71,058	84,059	517,943	(38,170)	634,891

	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, 2019	539	312	1,420	2,273	1,493	1,616	591,593
Changes of items during the period							
Cash dividends							(10,573)
Profit attributable to owners of parent							24,605
Purchase of treasury stock							(2)
Disposal of treasury stock							34,440
Change in scope of consolidation							210
Other changes in the period, net	(1,272)	124	(879)	(2,027)	378	6,541	4,892
Total changes of items during the period	(1,272)	124	(879)	(2,027)	378	6,541	53,572
Balance at March 31, 2020	(732)	437	540	245	1,872	8,157	645,166

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

NON-CONSOLIDATED BALANCE SHEETS

As of March 31, 2020

(Millions of yen)

ASSETS	
Current assets:	
Cash and time deposits	24,753
Notes and accounts receivable	42,349
Merchandise and finished goods	297,470
Raw materials and supplies	1,519
Short-term loans receivable from subsidiaries and affiliates	26,681
Prepaid expenses	5,703
Accounts receivable-other	19,229
Current portion of guarantee deposits	4,333
Other current assets	1,825
Allowance for doubtful accounts	(6,458)
Total current assets	417,408
Non-current assets:	
Property and equipment:	
Buildings	168,762
Structures	2,897
Machinery and equipment	701
Vehicles	14
Tools, furniture and fixtures	8,413
Land	171,081
Lease assets, net	5,113
Construction in progress	433
Total property and equipment, net	357,418
Intangible assets:	
Leasehold right	31,144
Other assets	1,003
Total intangible assets	32,148
Investments and other assets:	
Investment securities	2,654
Stocks of subsidiaries and affiliates	43,101
Long-term loans receivable from subsidiaries and affiliates	23,472
Long-term prepaid expenses	5,291
Deferred tax assets	30,009
Guarantee deposits	80,653
Other assets	17,782
Allowance for doubtful accounts	(10,871)
Total investments and other assets	192,092
Total non-current assets	581,659
Total assets	999,067

NON-CONSOLIDATED BALANCE SHEETS

As of March 31, 2020

(Millions of yen)

LIABILITIES AND NET ASSETS	
LIABILITIES:	
Current liabilities:	
Notes payable	74
Accounts payable	79,136
Short-term loans payable	55,733
Current portion of long-term loans payable	49,853
Lease obligations	1,405
Accounts payable-other	14,590
Accrued expenses	3,323
Income taxes payable	6,475
Advances received	4,996
Provision for bonuses	6,500
Provision for directors' bonuses	123
Provision for point card certificates	12,035
Other current liabilities	9,680
Total current liabilities	243,928
Long-term liabilities:	
Long-term loans payable	118,813
Lease obligations	5,424
Provision for retirement benefits	24,097
Provision for product warranties	5,321
Asset retirement obligations	30,249
Other long-term liabilities	5,723
Total long-term liabilities	189,629
Total liabilities	433,558
NET ASSETS:	
Shareholders' equity:	
Common stock	71,058
Capital surplus	83,465
Legal capital surplus	70,977
Other capital surplus	12,488
Retained earnings	447,967
Legal retained earnings	312
Other retained earnings	447,655
General reserve	435,000
Retained earnings brought forward	12,655
Treasury stock, at cost	(38,170)
Total shareholders' equity	564,320
Valuation and translation adjustments:	(655)
Valuation difference on available-for-sale securities, net of taxes	(655)
Subscription rights to shares	1,844
Total net assets	565,509
Total liabilities and net assets	999,067

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

NON-CONSOLIDATED STATEMENTS OF INCOME

Fiscal year ended March 31, 2020

		(Millions of yen)
Net sales		1,405,451
Cost of sales		1,046,913
Gross profit		358,538
Selling, general and administrative expenses		333,707
Operating profit		24,830
Non-operating income:		
Interest income	932	
Purchase discounts	4,223	
Rent income	3,135	
Sales of electric power	1,686	
Other	3,524	13,502
Non-operating expenses:		
Interest expenses	1,136	
Foreign exchange losses	651	
Rent expenses	2,816	
Cost of sales of electric power	703	
Bad debts expenses	1,011	
Other	671	6,990
Ordinary profit		31,342
Extraordinary income:		
Gain on sales of investment securities	1,656	1,656
Extraordinary loss:		
Loss on disposal of non-current assets	100	
Impairment loss	7,156	
Loss on valuation of stock of subsidiaries	5,527	
Other	2,071	14,854
Profit before income taxes		18,144
Income taxes-current		8,990
Income taxes-deferred		688
Profit		8,465

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

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity									
	Common stock	Capital surplus			Retained earnings				Treasury stock, at cost	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at April 1, 2019	71,058	70,977	7,831	78,809	312	435,000	14,763	450,075	(67,952)	531,990
Changes of items during the period										
Cash dividends							(10,573)	(10,573)		(10,573)
Profit							8,465	8,465		8,465
Purchase of treasury stock									(2)	(2)
Disposal of treasury stock			4,656	4,656					29,783	34,440
Other changes in the period, net										
Total changes of items during the period	—	—	4,656	4,656	—	—	(2,108)	(2,108)	29,781	32,329
Balance at March 31, 2020	71,058	70,977	12,488	83,465	312	435,000	12,655	447,967	(38,170)	564,320

	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, 2019	391	391	1,493	533,875
Changes of items during the period				
Cash dividends				(10,573)
Profit				8,465
Purchase of treasury stock				(2)
Disposal of treasury stock				34,440
Other changes in the period, net	(1,047)	(1,047)	351	(696)
Total changes of items during the period	(1,047)	(1,047)	351	31,633
Balance at March 31, 2020	(655)	(655)	1,844	565,509

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