Translation

August 1, 2019

Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2020 <under Japanese GAAP>

Company name: **Yamada Denki Co., Ltd.**
Listing: The Tokyo Stock Exchange
Stock code: 9831
URL: https://www.yamada-denki.jp/
Representative: Tsuneo Mishima, President and Representative Director
Inquiries: Jun Okamoto, Director and Senior Managing Executive Officer
TEL: 0570-078-181 (available in Japan only)

Scheduled date to file Quarterly Report: August 14, 2019
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: None
Holding of quarterly financial results presentation meeting: None

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

1. Consolidated performance for the three months of the fiscal year ending March 31, 2020 (from April 1, 2019 to June 30, 2019)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2019	376,436	1.9	6,082	173.0	7,654	43.5	4,686	36.6
June 30, 2018	369,402	1.0	2,228	(56.8)	5,333	(26.2)	3,431	(18.5)

Note: Comprehensive income
Three months ended June 30, 2019 3,924 million yen (44.1%)
Three months ended June 30, 2018 2,724 million yen (-44.3%)

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2019	5.67	4.74
June 30, 2018	4.29	4.27

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2019	1,189,900	619,467	51.8
March 31, 2019	1,184,042	591,593	49.7

Reference: Equity
As of June 30, 2019: 616,249 million yen
As of March 31, 2019: 588,484 million yen

2. Cash dividends

	Annual cash dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	–	0.00	–	13.00	13.00
Fiscal year ending March 31, 2020	–				
Fiscal year ending March 31, 2020 (Forecasts)		0.00	–	–	–

Note: Revisions to the forecasts of cash dividends most recently announced: None

For the fiscal year ending March 31, 2020, the Company decides the annual cash dividends with a consolidated payout ratio of 30% or more as a target.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2019	868,000	9.4	24,200	375.0	27,900	172.9	13,800	718.1	16.17
Fiscal year ending March 31, 2020	1,674,000	4.6	42,600	52.9	50,200	36.1	26,700	81.7	30.80

Note: Revisions to the consolidated earnings forecasts most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the three months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of special accounting for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- a. Changes in accounting policies due to revisions of accounting standards, etc.: Yes
- b. Changes in accounting policies due to other reasons: None
- c. Changes in accounting estimates: None
- d. Restatement of prior period financial statements: None

(4) Number of issued shares (common stock)
- a. Total number of issued shares at the end of the period (including treasury stock)
  - As of June 30, 2019: 966,489,740 shares
  - As of March 31, 2019: 966,489,740 shares
- b. Number of treasury shares at the end of the period
  - As of June 30, 2019: 86,938,771 shares
  - As of March 31, 2019: 153,169,159 shares
- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)
  - Three months ended June 30, 2019: 826,029,160 shares
  - Three months ended June 30, 2018: 800,353,494 shares

* Document as English translation and difference in presentation method of figures

  This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. Readers should also note that (i) in the Japanese original, figures are presented in millions of yen with fractional amounts discarded unless otherwise noted, while in the English translation, figures are presented in millions of yen with fractional amounts rounded off unless otherwise noted, and (ii) in the Japanese original, totals may not equal the sum of individual amounts due to the discarding of the fractional amounts, while in the English translation, individual amounts are adjusted so that totals equal the sum of such individual amounts.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

  The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company as of the announcement date and on certain assumptions deemed to be reasonable. These statements do not purport that the Company pledges to realize such statements. Actual results may differ substantially due to various factors.

  For the details of the above forecasts, please refer to the section of “(3) Information regarding consolidated earnings forecasts and other forward-looking statements” under “1. Qualitative information regarding settlement of accounts for the three months” on page 4 of the attached materials to the quarterly financial results report.

Attached Materials

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1. Qualitative information regarding settlement of accounts for the three months

(1) Information regarding operating results

[On background of economies at home and abroad]
In the first three months of the fiscal year ending March 31, 2020, the Japanese economy remained on a path of gradual recovery amid ongoing improvements in corporate earnings as well as the jobs and income environment, underpinned by economic and fiscal policies implemented by the government. However, the outlook for the economy internationally has remained unclear amid factors that include the global economic effect of the prolongation of trade friction due to the economic protectionist trade policies of the U.S., the issue of the UK's withdrawal from the EU, the slowdown of the Chinese economy, the effect of volatility in financial and capital markets, among other factors. In the retail industry overall, despite signs of consumer confidence picking up, the increase in sales from the long holiday was lower than expected, the frugal mindset of consumers caused by active measures to defend living standards continued, and competition extending beyond sectors and industries intensified. As a result, the tough business environment continued. Furthermore, operating costs have been following an upward trend largely due to rising personnel expenses caused by the labor shortage and increasing logistics costs, 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 Yamada Denki Group (the "Group") belongs, 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 electrical appliances and digitization of terrestrial television. Refrigerators and washing machines also generated firm results with respect to high per-unit price products underpinned by demand for replacement. Sales of air conditioners and other seasonal products were favorable, partly because midsummer like days were recorded in May across the country, and early sales promotion of summer products were implemented. Sales of mobile phones were strong, with a surge in demand occurring before each company changes their fee plan in accordance with the approval of a proposal to reform part of the Telecommunications and Business Act. Furthermore, sales of computers and other products in the digital realm have continued to be sluggish for a long time, but sales are becoming firmer due to the demand for computer renewals due to the end of support for Windows 7, which is scheduled for January 2020. On the other hand, the broadband market has been shrinking due to the introduction of high-capacity data telecommunications plans offered by respective telecommunications carriers in line with the spread of smartphones.

[On the Company's efforts]
Against this backdrop in the consumer electrical appliance market, the Company has continued to take on various challenges geared to achieving sustainable growth and development by creating new services utilizing its Japan-wide store network and the analysis and application of big data encompassing its membership roster in excess of 60 million consumers.
As a part of these efforts, the Company classified the various services provided by the Yamada Denki Group so far as the Housing Equipment Business Department, Financial Services Business Department, Support Service Business Department, Environmental Solutions Business Department, Electrical Appliance Retail Business Department, and Affiliate and Subsidiary Electrical Appliance

Business Department. The Company strengthened and implemented separate administration for each of these business departments and promoted a shift to a “house lifestyles IoT network solutions business.”
Amid these business departments, the Housing Equipment Business Department continues to develop its new retail store format, Kaden Sumairu-kan, started in 2017, and has opened 86 renovated retail stores as of June 30, 2019 (12 retail stores this fiscal year). In addition, the Company worked to enhance the solutions business in the homes-related field mainly through arranging a capital and business alliance with Iemamori Holdings Co., Ltd. as a way of amplifying our proposals encompassing homes in their entirety and beginning trade of the residential IoT-based services “Yamada Smart Home,” which is provided through an alliance with ENCORED JAPAN Inc., a subsidiary of SoftBank Corp.
In another initiative, the Company further strengthened the Company’s online presence, store network and logistics network in order to strengthen and promote online sales and started demonstration trials of ERYBOX, an open-style delivery box service.
The results of the reforms with respect to our new earnings model to strengthen the electrical appliance business that were carried out in the previous fiscal year are continuing to be shown. For the three months of the fiscal year ending March 31, 2020, the Company dramatically improved gross profit, and the ratio of ordinary profit to net sales also improved from 1.4% to 2.0% (an increase of 0.6%). Furthermore, the ratio of ordinary profit to net sales excluding the effect of foreign exchange fluctuation rose from 1.1% in the same period of the previous fiscal year to 2.2% (1.1% increase).
Selling, general and administrative expenses increased year on year due to an increase in the point usage ratio accompanying the results of reform, an increase in store opening fees to Yahoo! Shopping platform, Rakuten Market platform, and Wowma! platform accompanying efforts to strengthen online sales, and an increase in logistics costs and security patrol fees accompanying the effect of labor shortage, etc. However, this is in line with forecasts.

[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. (https://www.yamada-denki.jp/csr/) Please note that some of these documents are published in Japanese only.

[On number of stores]
The number of consolidated retail stores, including those overseas at the end of the first quarter under review encompassing 17 new store openings and 5 store closures, was 987 directly-managed stores (comprising 673 stores directly managed by the Company, 165 stores managed by Best Denki Co., Ltd. and 149 stores operated by other consolidated subsidiaries). The total number of stores of the Group, including the stores managed by franchise stores, was 12,592.

[On performance summary]
As a result of the above, consolidated net sales for the three months under review amounted to ¥376,436 million, up 1.9% year on year, operating profit totaled ¥6,082 million, up 173.0% year on year, ordinary profit was ¥7,654 million, up 43.5% year on year, and profit attributable to owners of parent was ¥4,686 million, up 36.6% year on year.

(2) Information regarding financial position

[Financial position]
Total assets at the end of the first quarter under review amounted to ¥1,189,900 million, up ¥5,858 million (0.5%) from the end of the previous fiscal year. This was mainly due to an increase in merchandise and finished goods largely as a result of our having procured strategic seasonal products and having made changes to the compositional models of sales spaces.

Total liabilities amounted to ¥570,433 million, down ¥22,016 million (3.7%) from the end of the previous fiscal year. This was mainly due to a redemption of current portion of bonds.

Net assets amounted to ¥619,467 million, up ¥27,874 million (4.7%) from the end of the previous fiscal year. This was mainly due to a decrease resulting from disposal of treasury stock. As a result, the equity ratio was 51.8% (49.7% at the end of the previous fiscal year).

(3) Information regarding consolidated earnings forecasts and other forward-looking statements

The Group has left the consolidated earnings forecasts for the fiscal year ending March 31, 2020 unchanged from the figures announced on May 9, 2019.
The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company as of the announcement date and on certain assumptions deemed to be reasonable. These statements do not purport that the Company pledges to realize such statements. Actual results may differ substantially due to various factors.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and time deposits	51,681	56,029
Notes and accounts receivable	62,848	61,295
Merchandise and finished goods	379,291	392,307
Work in process	3,857	4,043
Raw materials and supplies	4,311	4,283
Other current assets	58,016	42,432
Allowance for doubtful accounts	(1,541)	(1,562)
Total current assets	558,463	558,827
Non-current assets		
Property and equipment		
Buildings and structures, net	210,307	211,078
Land	189,002	193,028
Others, net	21,314	26,295
Total property and equipment, net	420,623	430,401
Intangible assets	34,902	35,008
Investments and other assets		
Guarantee deposits	95,220	94,306
Net defined benefit asset	1,558	1,521
Other assets	75,257	71,766
Allowance for doubtful accounts	(1,981)	(1,929)
Total investments and other assets	170,054	165,664
Total non-current assets	625,579	631,073
Total assets	1,184,042	1,189,900

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable	114,006	126,398
Short-term loans payable	95,930	168,810
Current portion of bonds	100,017	–
Current portion of long-term loans payable	41,151	41,138
Income taxes payable	10,701	1,865
Provision for point card certificates	12,172	12,640
Other provisions	9,341	7,077
Other current liabilities	53,197	60,550
Total current liabilities	436,515	418,478
Long-term liabilities		
Long-term loans payable	66,429	58,159
Provision for product warranties	7,974	7,873
Other provisions	682	664
Net defined benefit liability	28,114	28,599
Asset retirement obligations	32,803	33,339
Other long-term liabilities	19,932	23,321
Total long-term liabilities	155,934	151,955
Total liabilities	592,449	570,433
Net assets		
Shareholders’ equity		
Common stock	71,059	71,059
Capital surplus	79,404	84,461
Retained earnings	503,701	497,814
Treasury stock, at cost	(67,953)	(38,570)
Total shareholders’ equity	586,211	614,764
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of taxes	540	240
Foreign currency translation adjustments	313	29
Remeasurements of defined benefit plans	1,420	1,217
Total accumulated other comprehensive income	2,273	1,486
Subscription rights to shares	1,493	1,580
Non-controlling interests	1,616	1,637
Total net assets	591,593	619,467
Total liabilities and net assets	1,184,042	1,189,900

(2) Consolidated statements of income and consolidated statements of comprehensive income

(Consolidated statements of income - cumulative)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales	369,402	376,436
Cost of sales	268,895	267,854
Gross profit	100,507	108,582
Selling, general and administrative expenses	98,279	102,500
Operating profit	2,228	6,082
Non-operating income		
Purchase discounts	776	915
Rent income	1,007	975
Foreign exchange gains	1,099	–
Other	1,874	1,850
Total non-operating income	4,756	3,740
Non-operating expenses		
Interest expenses	221	321
Rent expenses	805	778
Foreign exchange losses	–	652
Other	625	417
Total non-operating expenses	1,651	2,168
Ordinary profit	5,333	7,654
Extraordinary income		
Gain on sales of non-current assets	450	–
Total extraordinary income	450	–
Extraordinary loss		
Loss on disposal of non-current assets	53	32
Impairment loss	129	244
Loss on closing of stores	623	–
Other	16	57
Total extraordinary losses	821	333
Profit before income taxes	4,962	7,321
Income taxes-current	1,042	42
Income taxes-deferred	400	2,568
Total income taxes	1,442	2,610
Profit	3,520	4,711
Profit attributable to non-controlling interests	89	25
Profit attributable to owners of parent	3,431	4,686

(Consolidated statements of comprehensive income - cumulative)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit	3,520	4,711
Other comprehensive income, net of taxes		
Valuation difference on available-for-sale securities	(580)	(299)
Foreign currency translation adjustments	(43)	(284)
Remeasurements of defined benefit plans, net of tax	(173)	(204)
Share of other comprehensive income of associates accounted for using equity method	(0)	0
Total other comprehensive income	(796)	(787)
Comprehensive income	2,724	3,924
Comprehensive income attributable to:		
Owners of parent	2,636	3,899
Non-controlling interests	88	25

(3) Notes to quarterly consolidated financial statements

(Notes on premise of going concern)
No items to report

(Notes on significant changes in the amount of shareholders' equity)
The Company has conducted a disposal of treasury stock during the first three months of the fiscal year ending March 31, 2020 in line with the exercise of rights on convertible bond-type bonds with subscription rights to shares. As a result, capital surplus increased by ¥5,057 million and treasury stock, at cost decreased by ¥29,383 million.

(Changes in accounting policies)
At subsidiaries adopting International Financial Reporting Standards (IFRS), IFRS 16 "Leases" has been applied from the first quarter of the fiscal year ending March 31, 2020. Due to this application, lessees, in principle, record all leases as assets and liabilities on the balance sheets. In applying the accounting standard, the Group adopts a method to recognize the cumulative effect of adoption of this new accounting standard, which is recognized as a transitional measure, on the initial date of adoption.
As a result, at the end of the first quarter under review, the balance of "other" under "property and equipment" increased by ¥5,225 million, "other current liabilities" under "current liabilities" increased by ¥1,079 million, and "other long-term liabilities" under "long-term liabilities" increased by ¥4,188 million.
The effect of this change on profit or loss for the three months of the fiscal year ending March 31, 2020 is immaterial.

(Significant subsequent events)
No items to report