Translation

November 7, 2019

Consolidated Financial Results for the Six 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
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Scheduled date to file Quarterly Report: November 14, 2019
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: None
Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

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

1. Consolidated performance for the six months of the fiscal year ending March 31, 2020 (from April 1, 2019 to September 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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2019	843,554	6.3	24,727	385.3	28,015	174.1	15,014	790.0
September 30, 2018	793,670	0.8	5,095	(74.8)	10,223	(59.7)	1,687	(90.0)

Note: Comprehensive income
Six months ended September 30, 2019 15,312 million yen (865.3%)
Six months ended September 30, 2018 1,586 million yen (-90.9%)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2019	17.59	16.03
September 30, 2018	2.10	2.09

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2019	1,187,080	630,943	52.9
March 31, 2019	1,184,042	591,593	49.7

Reference: Equity
As of September 30, 2019: 627,610 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	–	0.00			
Fiscal year ending March 31, 2020 (Forecasts)			–	–	–

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
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 six 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 September 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 September 30, 2019	86,035,520 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)

Six months ended September 30, 2019	853,385,562 shares
Six months ended September 30, 2018	802,479,740 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 six 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 six months

(1) Information regarding operating results

[On background of economies at home and abroad]
In the first six 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, a sense of uncertainty has been mounting as to the outlook ahead amid factors that include frequently occurring natural disasters along with concerns of a slowdown in consumption in the wake of hikes in national and local consumption taxes. 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 a brief phase of upward momentum brought on by a surge in demand associated with the consumption tax hikes, the tough business environment persisted amid a deep-seated frugal mindset among consumers caused by active measures to defend living standards and intensifying competition extending beyond sectors and industries. Furthermore, operating costs have been following an upward trend largely due to rising personnel expenses caused by the labor shortage and increasing logistics costs, which has begun to emerge as a social challenge to Japan facing 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. This is due to the pronounced exercise of choice among consumers 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, sales were strong overall, certain products aside, 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 electrical appliances and digitization of terrestrial television. Refrigerators and washing machines also generated firm results particularly for high per-unit price products underpinned by demand for replacement. Sales of air conditioners and other seasonal products during the second quarter under review encountered positive factors particularly in the form of a heat wave following the end of the rainy season and lingering summer heat, but were also substantially affected by low temperatures and heavy rains with the prolonged rainy season having extended into July.
Sales of mobile phones were strong amid the occurrence of a surge in demand associated with revisions to parts of the Telecommunications and Business Act which took effect on October 1. Furthermore, sales of computers and other products in the digital realm had continued to be sluggish for a long time, but sales were strong 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 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 hike in consumption taxes and forecasts anticipating sharp deceleration of personal consumption likely to set in subsequent to the 2020 Tokyo Olympic Games. 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. As such, the Company’s primary efforts have involved the following: increasing profitability by strengthening foundations of the Housing Equipment Business Department in line with moves to enhance the construction and sales frameworks of the renovation business; 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, redoubling efforts to build online business.
Moreover, as an aspect of its environmental, social and corporate governance (ESG) initiatives, the Company has realized sales of energy-saving products and services that feature outstanding environmental performance, and one-stop services within the Group encompassing product re-use, recycling and recovery of resources. Moreover, the Group has greatly expanded its Environmental Solutions Business Department segment, having opened two outlet stores this fiscal year (27 retail stores as of September 30, 2019).
In the consumer electrical appliance retail industry, although the prolonged rainy season in July substantially affected financial results, the Company managed to keep that impact to a minimum. The notion that the Company was able to generate gains in profitability has been a particularly notable achievement.
Through such efforts the Company has improved its ability to generate cash flow as a result of reforms geared to achieving a new earnings model that doesn’t hinge solely on electrical appliance sales. As such, the Company will consider options for optimizing its capital structure while at the same time giving thought to flexibly returning profits to shareholders.

[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. (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 second quarter under review encompassing 20 new store openings and 5 store closures, was 990 directly-managed stores (comprising 673 stores directly managed by the Company, 168 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 12,880.

[On performance summary]
As a result of the above, consolidated net sales for the six months under review amounted to ¥843,554 million, up 6.3% year on year, operating profit totaled ¥24,727 million, up 385.3% year on year, ordinary profit was ¥28,015 million, up 174.1% year on year, and profit attributable to owners of parent was ¥15,014 million, up 790.0% year on year.

(2) Information regarding financial position

[Financial position]
Total assets at the end of the second quarter under review amounted to ¥1,187,080 million, up ¥3,038 million (0.3%) from the end of the previous fiscal year. This was mainly due to an increase in notes and accounts receivable.

Total liabilities amounted to ¥556,137 million, down ¥36,312 million (6.1%) from the end of the previous fiscal year. This was mainly due to the exercise of rights on current portion of bonds.

Net assets amounted to ¥630,943 million, up ¥39,350 million (6.7%) from the end of the previous fiscal year. This was mainly due to the disposal of treasury stock in line with the exercise of rights on convertible bond-type bonds with subscription rights to shares. As a result, the equity ratio was 52.9% (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 September 30, 2019
Assets		
Current assets		
Cash and time deposits	51,681	57,875
Notes and accounts receivable	62,848	72,709
Merchandise and finished goods	379,291	370,006
Work in process	3,857	4,006
Raw materials and supplies	4,311	4,200
Other current assets	58,016	53,830
Allowance for doubtful accounts	(1,541)	(1,496)
Total current assets	558,463	561,130
Non-current assets		
Property and equipment		
Buildings and structures, net	210,307	207,602
Land	189,002	193,023
Others, net	21,314	26,712
Total property and equipment, net	420,623	427,337
Intangible assets	34,902	33,661
Investments and other assets		
Guarantee deposits	95,220	93,097
Net defined benefit asset	1,558	1,489
Other assets	75,257	72,283
Allowance for doubtful accounts	(1,981)	(1,917)
Total investments and other assets	170,054	164,952
Total non-current assets	625,579	625,950
Total assets	1,184,042	1,187,080

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable	114,006	123,960
Short-term loans payable	95,930	141,690
Current portion of bonds	100,017	–
Current portion of long-term loans payable	41,151	41,929
Income taxes payable	10,701	9,511
Provision for point card certificates	12,172	13,332
Other provisions	9,341	8,894
Other current liabilities	53,197	58,525
Total current liabilities	436,515	397,841
Long-term liabilities		
Long-term loans payable	66,429	65,152
Provision for product warranties	7,974	7,819
Other provisions	682	661
Net defined benefit liability	28,114	29,025
Asset retirement obligations	32,803	33,436
Other long-term liabilities	19,932	22,203
Total long-term liabilities	155,934	158,296
Total liabilities	592,449	556,137
Net assets		
Shareholders’ equity		
Common stock	71,059	71,059
Capital surplus	79,404	84,060
Retained earnings	503,701	508,141
Treasury stock, at cost	(67,953)	(38,169)
Total shareholders’ equity	586,211	625,091
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of taxes	540	717
Foreign currency translation adjustments	313	757
Remeasurements of defined benefit plans	1,420	1,045
Total accumulated other comprehensive income	2,273	2,519
Subscription rights to shares	1,493	1,669
Non-controlling interests	1,616	1,664
Total net assets	591,593	630,943
Total liabilities and net assets	1,184,042	1,187,080

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

(Consolidated statements of income - cumulative)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	793,670	843,554
Cost of sales	582,507	606,234
Gross profit	211,163	237,320
Selling, general and administrative expenses	206,068	212,593
Operating profit	5,095	24,727
Non-operating income		
Purchase discounts	2,126	2,250
Rent income	1,990	1,944
Foreign exchange gains	796	–
Other	3,578	3,483
Total non-operating income	8,490	7,677
Non-operating expenses		
Interest expenses	604	721
Rent expenses	1,592	1,551
Foreign exchange losses	–	1,184
Other	1,166	933
Total non-operating expenses	3,362	4,389
Ordinary profit	10,223	28,015
Extraordinary income		
Gain on sales of non-current assets	452	–
Other	31	–
Total extraordinary income	483	–
Extraordinary loss		
Loss on disposal of non-current assets	343	74
Impairment loss	4,013	3,944
Loss on closing of stores	724	–
Other	908	263
Total extraordinary losses	5,988	4,281
Profit before income taxes	4,718	23,734
Income taxes-current	4,296	6,734
Income taxes-deferred	(1,304)	1,934
Total income taxes	2,992	8,668
Profit	1,726	15,066
Profit attributable to non-controlling interests	39	52
Profit attributable to owners of parent	1,687	15,014

(Consolidated statements of comprehensive income - cumulative)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	1,726	15,066
Other comprehensive income, net of taxes		
Valuation difference on available-for-sale securities	(426)	177
Foreign currency translation adjustments	644	444
Remeasurements of defined benefit plans, net of tax	(358)	(375)
Share of other comprehensive income of associates accounted for using equity method	0	(0)
Total other comprehensive income	(140)	246
Comprehensive income	1,586	15,312
Comprehensive income attributable to:		
Owners of parent	1,548	15,260
Non-controlling interests	38	52

(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 six 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 ¥4,656 million and treasury stock, at cost decreased by ¥29,784 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 second quarter under review, the balance of "other" under "property and equipment" increased by ¥5,462 million, "other current liabilities" under "current liabilities" increased by ¥1,797 million, and "other long-term liabilities" under "long-term liabilities" increased by ¥3,734 million.
The effect of this change on profit or loss for the six months of the fiscal year ending March 31, 2020 is immaterial.

(Significant subsequent events)
No items to report