Translation

February 6, 2020

Consolidated Financial Results for the Nine 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: February 13, 2020
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 nine months of the fiscal year ending March 31, 2020 (from April 1, 2019 to December 31, 2019)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2019	1,217,989	2.2	36,292	67.7	41,628	51.5	24,806	92.3
December 31, 2018	1,192,100	1.3	21,636	(46.7)	27,486	(42.6)	12,901	(59.4)

Note: Comprehensive income
Nine months ended December 31, 2019 25,107 million yen (98.0%)
Nine months ended December 31, 2018 12,679 million yen (-60.6%)

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2019	28.76	26.98
December 31, 2018	16.00	15.93

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2019	1,233,038	647,468	51.7
March 31, 2019	1,184,042	591,593	49.7

Reference: Equity
As of December 31, 2019: 637,378 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 nine 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 December 31, 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 December 31, 2019: 86,037,458 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)
  - Nine months ended December 31, 2019: 862,440,985 shares
  - Nine months ended December 31, 2018: 806,106,982 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 nine months” on page 5 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 nine months

(1) Information regarding operating results

[On background of economies at home and abroad]
In the first nine months of the fiscal year ending March 31, 2020 (April 1, 2019 to December 31, 2019), 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 caution regarding the outlook remains, amid factors that include the occurrence of a slowdown in consumption and other factors due to the occurrence of natural disasters and the hikes in national and local consumption taxes (hereinafter the "consumption tax hikes"). 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, continuing turmoil in the Middle East, 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 the consumption tax hikes, the tough business environment persisted amid a deep-seated frugal mindset among consumers caused by a slowdown in the wake of the consumption tax hikes, 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, 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. 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 in the third quarter under review (October 1, 2019 to December 31, 2019) fell year on year due to special factors such as a slowdown in the wake of the consumption tax hikes, the occurrence of natural disasters (Typhoon No. 19 and heavy rain caused by low-pressure systems and Typhoon No. 21) and the "10 Billion Yen Giveaway Campaign" carried out in December 2018 by PayPay Corporation (December 4, 2018 to December 13, 2018). However, sales for the nine months under review (April 1, 2019 to December 31, 2019) 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 were firm on the back of higher unit prices associated with higher priced models with improved functionality and the surge in demand associated with the consumption tax hikes, counteracting effects such as frequent cool rainy spells during the prolonged rainy season in July and a warm winter in December. Sales of mobile phones weakened, despite the occurrence of a surge in demand associated with revisions to parts of the Telecommunications and Business Act which took effect on October 1, on account off a significant shrinkage in the market after said revisions took effect and a situation where consumers are holding off purchasing in relation to 5G. 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 ended on January 14, 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 consumption tax hike 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. 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, the Company has created a subsidiary through a capital alliance with Otsuka Kagu, Ltd. in December 2019 to put together a broad lineup of merchandise and the Group is now able to propose living spaces encompassing home electrical appliances, furniture and home interiors, renovations and IoT, as envisioned by Yamada Denki.
Furthermore, as part of a branding strategy, the Company is changing the image of Yamada Denki from a home electrical appliance store to a store that "brightens your future with smart housing," and started airing a new commercial on TV from November 18, 2019 with the theme of "bringing happiness to every part of life."
In a separate initiative, the Company separated the 14 branches of Yamada Denki (non-consolidated) in October 2019, and introduced a store manager system that places emphasis on profit margin improvement.
Moreover, the Group has greatly expanded its Environmental Solutions Business Department segment, having opened five outlet stores (30 retail stores as of December 31, 2019).
In the consumer electrical appliance retail industry, the Company managed to achieve progress in line with the business plan despite a harsh environment including factors such as the effect of the prolonged rainy season in July, the natural disasters such as typhoons in September and October, and the downturn in the wake of the consumption tax hikes.
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. 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 third quarter under review encompassing 30 new store openings and 13 store closures, was 992 directly-managed stores (comprising 678 stores directly managed by the Company, 168 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 12,897.

[On performance summary]
As a result of the above, consolidated net sales for the nine months under review amounted to ¥1,217,989 million, up 2.2% year on year, operating profit totaled ¥36,292 million, up 67.7% year on year, ordinary profit was ¥41,628 million, up 51.5% year on year, and profit attributable to owners of parent was ¥24,806 million, up 92.3% year on year.

(2) Information regarding financial position

[Financial position]
Total assets at the end of the third quarter under review amounted to ¥1,233,038 million, up ¥48,996 million (4.1%) 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 ¥585,570 million, down ¥6,879 million (1.2%) 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 ¥647,468 million, up ¥55,875 million (9.4%) 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 51.7% (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 December 31, 2019
Assets		
Current assets		
Cash and time deposits	51,681	67,698
Notes and accounts receivable	62,848	69,334
Merchandise and finished goods	379,291	417,279
Work in process	3,857	5,204
Raw materials and supplies	4,311	4,782
Other current assets	58,016	46,555
Allowance for doubtful accounts	(1,541)	(1,631)
Total current assets	558,463	609,221
Non-current assets		
Property and equipment		
Buildings and structures, net	210,307	206,403
Land	189,002	193,215
Others, net	21,314	25,221
Total property and equipment, net	420,623	424,839
Intangible assets	34,902	33,698
Investments and other assets		
Guarantee deposits	95,220	96,335
Net defined benefit asset	1,558	1,493
Other assets	75,257	69,576
Allowance for doubtful accounts	(1,981)	(2,124)
Total investments and other assets	170,054	165,280
Total non-current assets	625,579	623,817
Total assets	1,184,042	1,233,038

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable	114,006	152,507
Short-term loans payable	95,930	104,050
Current portion of bonds	100,017	–
Current portion of long-term loans payable	41,151	50,650
Income taxes payable	10,701	5,741
Provision for point card certificates	12,172	13,221
Other provisions	9,341	7,761
Other current liabilities	53,197	60,779
Total current liabilities	436,515	394,709
Long-term liabilities		
Long-term loans payable	66,429	97,191
Provision for product warranties	7,974	7,655
Other provisions	682	1,157
Net defined benefit liability	28,114	29,552
Asset retirement obligations	32,803	33,976
Other long-term liabilities	19,932	21,330
Total long-term liabilities	155,934	190,861
Total liabilities	592,449	585,570
Net assets		
Shareholders' equity		
Common stock	71,059	71,059
Capital surplus	79,404	84,060
Retained earnings	503,701	517,934
Treasury stock, at cost	(67,953)	(38,171)
Total shareholders' equity	586,211	634,882
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of taxes	540	314
Foreign currency translation adjustments	313	1,309
Remeasurements of defined benefit plans	1,420	873
Total accumulated other comprehensive income	2,273	2,496
Subscription rights to shares	1,493	1,784
Non-controlling interests	1,616	8,306
Total net assets	591,593	647,468
Total liabilities and net assets	1,184,042	1,233,038

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

(Consolidated statements of income - cumulative)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	1,192,100	1,217,989
Cost of sales	860,870	865,482
Gross profit	331,230	352,507
Selling, general and administrative expenses	309,594	316,215
Operating profit	21,636	36,292
Non-operating income		
Purchase discounts	3,038	3,232
Rent income	2,961	2,874
Other	5,401	5,482
Total non-operating income	11,400	11,588
Non-operating expenses		
Interest expenses	937	1,080
Rent expenses	2,368	2,302
Foreign exchange losses	411	1,104
Other	1,834	1,766
Total non-operating expenses	5,550	6,252
Ordinary profit	27,486	41,628
Extraordinary income		
Gain on sales of non-current assets	454	–
Gain on sales of investment securities	5	1,487
Gain on negative goodwill	–	2,722
Other	50	–
Total extraordinary income	509	4,209
Extraordinary loss		
Loss on disposal of non-current assets	517	151
Impairment loss	4,227	4,897
Other	1,742	3,322
Total extraordinary losses	6,486	8,370
Profit before income taxes	21,509	37,467
Income taxes-current	9,122	10,160
Income taxes-deferred	(592)	2,423
Total income taxes	8,530	12,583
Profit	12,979	24,884
Profit attributable to non-controlling interests	78	78
Profit attributable to owners of parent	12,901	24,806

(Consolidated statements of comprehensive income - cumulative)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	12,979	24,884
Other comprehensive income, net of taxes		
Valuation difference on available-for-sale securities	(658)	(226)
Foreign currency translation adjustments	873	996
Remeasurements of defined benefit plans, net of tax	(515)	(547)
Share of other comprehensive income of associates accounted for using equity method	(0)	(0)
Total other comprehensive income	(300)	223
Comprehensive income	12,679	25,107
Comprehensive income attributable to:		
Owners of parent	12,603	25,029
Non-controlling interests	76	78

(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 nine 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 ¥29,782 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 third quarter under review, the balance of "other" under "property and equipment" increased by ¥4,843 million, "other current liabilities" under "current liabilities" increased by ¥1,673 million, and "other long-term liabilities" under "long-term liabilities" increased by ¥3,271 million.
The effect of this change on profit or loss for the nine months of the fiscal year ending March 31, 2020 is immaterial.

(Significant subsequent events)
No items to report