**Translation**

August 6, 2020

# Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2021 <under Japanese GAAP>


Company name: **Yamada Denki Co., Ltd.**
Listing: The Tokyo Stock Exchange
Stock code: 9831
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Scheduled date to file Quarterly Report: August 7, 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 three months of the fiscal year ending March 31, 2021 (from April 1, 2020 to June 30, 2020)

### (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, 2020 | 406,520 | 8.0 | 22,628 | 272.1 | 24,247 | 216.8 | 15,885 | 238.9 |
| June 30, 2019 | 376,436 | 1.9 | 6,082 | 173.0 | 7,654 | 43.5 | 4,686 | 36.6 |

Note: Comprehensive income
Three months ended June 30, 2020: 15,251 million yen (288.7%)
Three months ended June 30, 2019: 3,924 million yen (44.1%)

| | Basic earnings per share | Diluted earnings per share |
|---|---|---|
| Three months ended | Yen | Yen |
| June 30, 2020 | 18.85 | 18.75 |
| June 30, 2019 | 5.67 | 4.74 |

Despite net sales for the three months ended June 30, 2020 increasing 8.0% as a result of temporary closures, etc. of urban-format stores and overseas stores due to the novel coronavirus disease (COVID-19), net sales increased 21.5% for suburban-format stores.

## (2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|---|---|---|---|
| As of | Millions of yen | Millions of yen | % |
| June 30, 2020 | 1,184,623 | 619,740 | 51.5 |
| March 31, 2020 | 1,163,494 | 645,166 | 54.6 |

Reference: Equity
As of June 30, 2020: 610,445 million yen
As of March 31, 2020: 635,136 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, 2020 | – | 0.00 | – | 10.00 | 10.00 |
| Fiscal year ending March 31, 2021 | – | | | | |
| Fiscal year ending March 31, 2021 (Forecasts) | | 0.00 | – | – | – |

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

For the fiscal year ending March 31, 2021, 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, 2021 (from April 1, 2020 to March 31, 2021)

(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, 2020 | 830,000 | (1.6) | 33,300 | 34.7 | 36,400 | 29.9 | 10,600 | (29.4) | 12.76 |
| Fiscal year ending March 31, 2021 | 1,660,000 | 3.0 | 61,500 | 60.5 | 67,200 | 45.8 | 24,700 | 0.4 | 29.96 |

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

- Forecasted net sales for the six months ending September 30, 2020 are expected to decrease 1.6% as a result of temporary closures, etc. of urban-format stores and overseas stores due to COVID-19, but are expected to increase 8.1% in the second half for an increase of 3.0% for the full year.
- Forecasted profit attributable to owners of parents for the fiscal year ending March 31, 2021 is expected to decrease 29.4% in the first half, taking into consideration the possibility of incorporating factors such as losses associated with the impact of COVID-19 and carrying out reforms to improve asset efficiency. As a result of these reforms, profit attributable to owners of parents is expected to improve to an increase of 47.0% in the second half for an increase of 0.4% for the full year.

* **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.: None
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, 2020 | 966,489,740 shares |
| As of March 31, 2020 | 966,489,740 shares |

b. Number of treasury stock at the end of the period

| | |
|---|---|
| As of June 30, 2020 | 149,520,899 shares |
| As of March 31, 2020 | 86,038,722 shares |

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | |
|---|---|
| Three months ended June 30, 2020 | 842,274,841 shares |
| Three months ended June 30, 2019 | 826,029,160 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

# Index

## 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, 2021, the outlook for the Japanese economy was extremely unclear amid a sudden decline in trends such as improvements in corporate earnings as well as the jobs and income environment, significant restrictions in economic activity and consumption activities and a deterioration of the economy, despite measures taken by the Japanese government against COVID-19 such as the first and second supplementary budgets and monetary easing. Similarly, various major countries carried out monetary and financial measures to the best of their ability. However, the outlook for the global economy continued to be unclear amid factors such as travel restrictions and a significant deterioration of economic activity in various countries due to the impact of COVID-19, as well as volatility in financial and capital markets.

The retail industry overall has been encountering severe business conditions amid the impacts of the increase of a frugal mindset among consumers caused by increasingly defensive spending patterns, a decrease in inbound visitor demand due to COVID-19, people refraining from going out due to the declaration of a state of emergency, temporary closures of commercial facilities such as station buildings, mainly in urban areas, reduced business hours, and refraining from holding various types of events. 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 aging demographic and population decline. In addition, the situation 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 where trends of consumption are being affected by changing lifestyles among consumers and diversifying purchasing behavior.

[On the consumer electrical appliance retail industry]

The consumer electrical appliance retail industry to which the Yamada Denki Group (the "Group") belongs has performed favorably overall as the number of customers visiting suburban stores increased despite a decrease in the number of customers visiting urban stores due to the impact of COVID-19. Furthermore, due to restrictions on consumption activities because of people refraining from going out, etc., demand for home electrical appliances, which are daily necessities, increased. From a product perspective, demand for products related to telework, online classes, etc., which correspond to the "new way of life," was newly created. Regarding existing products, results were favorable for televisions, particularly for high per-unit price products such as 4K and OLED televisions as a result of spurring on demand for replacement and in order to spend a more fulfilling time at home as the percentage of people staying at home rises due to people refraining from going out. 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 were favorable as high temperatures and midsummer like days were recorded in June across the country.

[On the Company's efforts]

Against this backdrop in the consumer electrical appliance market, the Company has been carrying out measures against the spread of infection as it believes that taking the safety and security of customers and employees as well as the aspect of health into consideration to prevent the spread of COVID-19 is its priority. Within this, the Company has been working on reforms to strengthen the business foundation for life in a world with corona in a manner not bound by preconceptions, such as by re-analyzing items that customers desire in the retail industry, selecting product groups that match each region, making reductions and increasing the efficiency of operations through thorough cost management, and reviewing the working style for employees, amid this situation where restricted business activities are being imposed, such as with reduced business hours and temporary closures due to the COVID-19 pandemic.

Furthermore, a branch manager system was introduced with a view to reforms to the new earnings model which involves continuously strengthening the electrical appliance business and the transition to a holding company structure that is planned to occur in October 2020. These efforts have been showing results since the previous fiscal year. The Company has been taking steps to heighten business value across its respective segments, 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; reinforcing the foundation for 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; boosting sales by creating the Company's proprietary e-commerce business that utilizes store networks; and working to reform product composition and services, reorganize stores, etc. to increase the number of customers at urban stores as a new format to respond to the COVID-19 pandemic.) In furniture and home interiors, the Company commenced sales of home electrical appliances at seven shops belonging to Otsuka Kagu, Ltd., which made it so that it can make complete proposals for home using furniture and appliances. Regarding Otsuka Kagu, Ltd., the Company will prepare systems and reforms to strengthen the management structure, and aims to make it profitable through these practices.

In addition, the Company acquired shares of housing business operator Leohouse, Ltd. (now a subsidiary) on May 14, 2020 in order to enhance proposals available under its "brighten your future with smart housing" concept, and worked to strengthen the Housing Segment.

The retail industry overall is in a difficult environment. However, amid these changes, the Company was able to perform favorably as a result of the "brighten your future with smart housing" concept, which is the Company's medium- to long-term initiative, understanding market (customer) needs.

The Group plans to transition to a holding company structure with an effective date of October 1, 2020, and transitioned to a new executive structure on June 26, 2020.

[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 first quarter under review encompassing 8 new store openings and 12 store closures, was 1,000 directly-managed stores (comprising 675 stores directly managed by the Company, 169 stores managed by Best Denki Co., Ltd. and 156 stores operated by other consolidated subsidiaries). The total number of stores of the Group, including the stores managed by franchise stores, was 12,659.

[On performance summary]

As a result of the above, consolidated net sales for the three months under review amounted to ¥406,520 million, up 8.0% year on year, operating profit totaled ¥22,628 million, up 272.1% year on year, ordinary profit was ¥24,247 million, up 216.8% year on year, and profit attributable to owners of parent was ¥15,885 million, up 238.9% year on year.

[Management reforms to continuously work on going forward]

1. Improve gross profit margins, focusing on selling out, and continuously improve inventory efficiency
2. Promote personnel system reform (improve efficiency of labor productivity)
3. Further establish branch manager system (transparency and fairness of evaluations)
4. Reinforce development of SPA products (maximize profit composition and aim for 20% composition ratio in the medium term)
5. Promote reinforcement of store network reforms
   (reassignment of store format by concept and enhancement of product lineup, and reinforcement of marketing capabilities through the promotion of IT)
6. Promote active development of new stores and S&B properties to surpass 30 stores within the year
7. Promote efficient e-commerce business reforms by combining brick and mortar stores and the Internet
   (expected 130% increase in net sales to ¥80,000 million in the fiscal year ending March 31, 2021)
8. Reform and integration of business of business companies by becoming a holding company, and review of asset efficiency

Forecasts and plans for consolidated earnings

(Millions of yen; Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| Plan for fiscal year ending March 31, 2021 | 1,660,000 | 3.0% | 61,500 | 60.5% | 67,200 | 45.8% | 24,700 | 0.4% |
| Plan for fiscal year ending March 31, 2022 | 1,680,000 | 1.2% | 70,000 | 13.8% | 76,000 | 13.1% | 43,500 | 76.1% |
| Plan for fiscal year ending March 31, 2023 | 1,700,000 | 1.2% | 75,000 | 7.1% | 80,000 | 5.3% | 46,000 | 5.7% |

Notes: 1. Detailed information regarding forward-looking statements such as consolidated earnings forecasts are presented in [On the Company's efforts].

2. The forecasts and plans for consolidated earnings presented above do not include amounts from the impact of adopting the Accounting Standard for Revenue Recognition, which is to be adopted from the beginning of the fiscal year ending March 31, 2022.

## (2) Information regarding financial position

[Financial position]

Total assets at the end of the first quarter under review amounted to ¥1,184,623 million, up ¥21,129 million (1.8%) from the end of the previous fiscal year. This was mainly due to an increase in notes and accounts receivable.

Total liabilities amounted to ¥564,883 million, up ¥46,555 million (9.0%) from the end of the previous fiscal year. This was mainly due to an increase in notes and accounts payable.

Net assets amounted to ¥619,740 million, down ¥25,426 million (3.9%) from the end of the previous fiscal year. This was mainly due to an increase in treasury stock. As a result, the equity ratio was 51.5% (54.6% at the end of the previous fiscal year).

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

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, 2020 | As of June 30, 2020 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and time deposits | 48,940 | 47,712 |
| Notes and accounts receivable | 59,860 | 76,852 |
| Operating loans | 2,222 | 2,733 |
| Merchandise and finished goods | 384,248 | 395,183 |
| Work in process | 4,815 | 5,998 |
| Raw materials and supplies | 3,767 | 4,248 |
| Other current assets | 43,527 | 34,240 |
| Allowance for doubtful accounts | (1,904) | (1,604) |
| Total current assets | 545,475 | 565,362 |
| Non-current assets | | |
| Property and equipment | | |
| Buildings and structures, net | 202,639 | 201,604 |
| Land | 192,742 | 193,687 |
| Other, net | 25,822 | 26,239 |
| Total property and equipment, net | 421,203 | 421,530 |
| Intangible assets | 33,697 | 36,279 |
| Investments and other assets | | |
| Guarantee deposits | 95,360 | 95,096 |
| Net defined benefit asset | 1,579 | 1,590 |
| Other assets | 68,294 | 66,941 |
| Allowance for doubtful accounts | (2,114) | (2,175) |
| Total investments and other assets | 163,119 | 161,452 |
| Total non-current assets | 618,019 | 619,261 |
| Total assets | 1,163,494 | 1,184,623 |

(Millions of yen)

| | As of March 31, 2020 | As of June 30, 2020 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable | 103,329 | 132,937 |
| Short-term loans payable | 53,730 | 76,050 |
| Current portion of long-term loans payable | 53,225 | 50,260 |
| Income taxes payable | 9,343 | 8,506 |
| Provision for point card certificates | 13,164 | 13,946 |
| Other provisions | 11,104 | 9,189 |
| Other current liabilities | 54,652 | 65,797 |
| Total current liabilities | 298,547 | 356,685 |
| Long-term liabilities | | |
| Long-term loans payable | 123,939 | 112,248 |
| Provision for product warranties | 7,658 | 7,747 |
| Other provisions | 1,425 | 1,427 |
| Net defined benefit liability | 30,343 | 30,671 |
| Asset retirement obligations | 34,307 | 34,967 |
| Other long-term liabilities | 22,109 | 21,138 |
| Total long-term liabilities | 219,781 | 208,198 |
| Total liabilities | 518,328 | 564,883 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 71,059 | 71,059 |
| Capital surplus | 84,060 | 84,060 |
| Retained earnings | 517,944 | 525,024 |
| Treasury stock, at cost | (38,171) | (70,125) |
| Total shareholders' equity | 634,892 | 610,018 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities, net of taxes | (733) | (433) |
| Foreign currency translation adjustments | 438 | 413 |
| Remeasurements of defined benefit plans | 540 | 447 |
| Total accumulated other comprehensive income | 245 | 427 |
| Subscription rights to shares | 1,872 | 1,960 |
| Non-controlling interests | 8,157 | 7,335 |
| Total net assets | 645,166 | 619,740 |
| Total liabilities and net assets | 1,163,494 | 1,184,623 |

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

### (Consolidated statements of income - cumulative)

(Millions of yen)

| | Three months ended June 30, 2019 | Three months ended June 30, 2020 |
|---|---|---|
| Net sales | 376,436 | 406,520 |
| Cost of sales | 267,854 | 281,514 |
| Gross profit | 108,582 | 125,006 |
| Selling, general and administrative expenses | 102,500 | 102,378 |
| Operating profit | 6,082 | 22,628 |
| Non-operating income | | |
| Purchase discounts | 915 | 668 |
| Rent income | 975 | 909 |
| Other | 1,850 | 1,910 |
| Total non-operating income | 3,740 | 3,487 |
| Non-operating expenses | | |
| Interest expenses | 321 | 338 |
| Rent expenses | 778 | 761 |
| Foreign exchange losses | 652 | 282 |
| Other | 417 | 487 |
| Total non-operating expenses | 2,168 | 1,868 |
| Ordinary profit | 7,654 | 24,247 |
| Extraordinary income | | |
| Gain on negative goodwill | – | 19 |
| Total extraordinary income | – | 19 |
| Extraordinary loss | | |
| Loss on disposal of non-current assets | 32 | 49 |
| Impairment loss | 244 | 253 |
| Loss on COVID-19 | – | 232 |
| Other | 57 | 407 |
| Total extraordinary losses | 333 | 941 |
| Profit before income taxes | 7,321 | 23,325 |
| Income taxes-current | 42 | 7,349 |
| Income taxes-deferred | 2,568 | 907 |
| Total income taxes | 2,610 | 8,256 |
| Profit | 4,711 | 15,069 |
| Profit (loss) attributable to non-controlling interests | 25 | (816) |
| Profit attributable to owners of parent | 4,686 | 15,885 |

### (Consolidated statements of comprehensive income - cumulative)

(Millions of yen)

| | Three months ended June 30, 2019 | Three months ended June 30, 2020 |
|---|---|---|
| Profit | 4,711 | 15,069 |
| Other comprehensive income, net of taxes | | |
| Valuation difference on available-for-sale securities | (299) | 300 |
| Foreign currency translation adjustments | (284) | (24) |
| Remeasurements of defined benefit plans, net of tax | (204) | (94) |
| Share of other comprehensive income of associates accounted for using equity method | 0 | (0) |
| Total other comprehensive income | (787) | 182 |
| Comprehensive income | 3,924 | 15,251 |
| Comprehensive income attributable to: | | |
| Owners of parent | 3,899 | 16,067 |
| Non-controlling interests | 25 | (816) |

## (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 purchased 63,481,200 shares of treasury stock based on a resolution at the meeting of the Board of Directors held on April 1, 2020. As a result, treasury stock increased ¥31,953 million during the three months ended June 30, 2020, and treasury stock amounted to ¥70,125 million as of June 30, 2020.

**(Significant subsequent events)**
No items to report

**(Additional information)**
There were no material changes to the items regarding the assumptions, including the future spread of COVID-19, when it will end, etc., presented in (Additional information) in the Annual Securities Report for the previous fiscal year.