Translation

November 5, 2020

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

Company name: **YAMADA HOLDINGS CO., LTD.**
Listing: The Tokyo Stock Exchange
Stock code: 9831
URL: https://www.yamada-holdings.jp/
Representative: Tsuneo Mishima, President and Representative Director
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Scheduled date to file Quarterly Report: November 13, 2020
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, 2021 (from April 1, 2020 to September 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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2020	860,297	2.0	46,010	86.1	49,089	75.2	20,895	39.2
September 30, 2019	843,554	6.3	24,727	385.3	28,015	174.1	15,014	790.0

Note: Comprehensive income
Six months ended September 30, 2020: 19,933 million yen (30.2%)
Six months ended September 30, 2019: 15,312 million yen (865.3%)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2020	25.16	25.04
September 30, 2019	17.59	16.03

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2020	1,151,981	624,552	53.5
March 31, 2020	1,163,494	645,166	54.6

Reference: Equity
As of September 30, 2020: 616,152 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	–	0.00			
Fiscal year ending March 31, 2021 (Forecasts)			–	–	–

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
Fiscal year ending March 31, 2021	1,719,000	6.7	75,200	96.2	81,000	75.8	32,000	30.1	38.82

Note: Revisions to the consolidated earnings forecasts most recently announced: None
The Company incorporate the earnings forecasts of OTSUKA KAGU, LTD. (earnings forecasts disclosed on October 28, 2020) and Hinokiya Group Co., Ltd. (became a consolidated subsidiary on October 29, 2020), and based on business conditions where the outlook is uncertain, such as the impact of the novel coronavirus disease (COVID-19), the earnings forecasts for the third quarter and thereafter, excluding the above factors, remain unchanged from initial forecasts.

* **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.: 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 September 30, 2020	966,560,272 shares
As of March 31, 2020	966,489,740 shares

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

As of September 30, 2020	148,222,735 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)

Six months ended September 30, 2020	830,232,919 shares
Six months ended September 30, 2019	853,385,562 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 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 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, 2021, the Japanese economy deteriorated amid a decline in trends such as improvements in corporate earnings as well as the jobs and income environment, and significant restrictions in economic activity and consumption activities due to the impact of the COVID-19. Despite signs of recovery of personal consumption due to various measures by the government such as special cash payments and the Go To campaigns, the outlook continues to be extremely unclear. Similarly, various major countries carried out monetary and financial measures. However, a harsh economic environment continued amid factors such as travel restrictions and a significant deterioration of economic activity 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 sharp 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, an increase in operating costs due to rising personnel expenses and logistics costs caused by the labor shortage has begun to emerge as a medium- to long-term challenge in Japan, where there is an 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 HOLDINGS Group (the "Group") belongs has been strong overall as the number of customers visiting suburban stores and e-commerce demand have increased despite a decrease in the number of customers visiting urban stores due to pullback in the wake of the consumption tax hikes in the previous fiscal year and COVID-19. From a product perspective, demand for products and services related to telework, online classes, etc., which correspond to the "new way of life," was newly created. In addition to demand for replacement of TVs, washing machines, refrigerators and air conditioners, special cash payments also supported replacement. In order to spend a more fulfilling time at home and reduce the burden of housework, energy saving, highly functional, high per-unit price and large products, cooking appliances, hair care and beauty appliances, game consoles and game software were favorable as the percentage of people staying at home rose due to people refraining from going out and settling into new lifestyle patterns.

[On the Company's efforts]
Against the backdrop of this situation, the Company has been carrying out measures against the spread of infection as it believes that its priority is to take the safety and security of customers and employees as well as the aspect of health into consideration to prevent the spread of COVID-19 in stores and business offices in order to fulfill its role of providing social infrastructure and its responsibilities by stably supplying daily necessities. Furthermore, the Company expanded online sales services, where customers can place orders from home, and significantly expanded shopping channels. Moreover, in order to deal with changes in the medium-term demand structure, the Company closed LABI Shinjuku East Exit Store, restructured the West Exit Store and the Otsuka Kagu Shinjuku Showroom, and developed the Akihabara area.

Although there was a temporary effect on sales and profit or loss from factors such as special cash payments and demand for products to be used at home, the factors that had the most significant effect on profit or loss in the current fiscal year were the improvement of gross profit (rate) and the reduction of selling, general and administrative expenses in accordance with "Management Reforms to Reinforce the Corporate Structure," which have been promoted by the Company. Specifically, there were effects due to factors such as (1) the expansion of a wide-range of SPA products not provided by other companies such as home electrical appliances, furniture, household goods and home-related products, (2) the improvement of management speed and establishment of management more sensitive to regional characteristics through the branch manager system, (3) the reinforcement of the sales structure for new products at existing stores associated with sales at favorable outlet stores, (4) the realization of optimal pricing and increase of workers' productivity through the electronic shelf label strategy, (5) the optimization of urban stores, and (6) the Company's proprietary e-commerce business that utilizes the strengths of brick-and-mortar stores.

Due to these management reforms as well as the reduction of selling, general and administrative expenses because of reduced business hours and the restraining of advertising expenses, there were significant increases, with operating profit increasing 86.1% to ¥46,010 million (up 38.2%, an increase of ¥12,710 million from initial targets), ordinary profit increasing 75.2% to ¥49,089 million (up 34.9%, an increase of ¥12,688 million from initial targets), and profit attributable to owners of parent increasing 39.2% to ¥20,895 million (up 97.1%, an increase of ¥10,295 million from initial targets) due to the recording of expenses for reform to increase the efficiency of assets with a view to the future, which includes loss from the closing of the Shinjuku East Exit Store and the Akihabara Store, in extraordinary loss. Despite people refraining from going out to urban areas, net sales increased 2.0% to ¥860,297 million (up 3.7%, an increase of ¥30,296 million from initial targets) as a result of customers choosing to shop in suburban areas, where the Company has many stores.

The Company promoted "new business lines as the industry for living infrastructure" premised on the concept of "brighten your future with smart housing" with stores that provide one-stop services that include housing-related home electrical appliances as well as housing and renovation services, furniture and home interior products, daily commodities and other products and services, and the fruits of those efforts are taking root. Earnings in renovation and furniture and home interiors grew steadily. Through initiatives to further strengthen housing business, such as the Company acquiring Leohouse, Ltd. on May 14, 2020 (wholly owned subsidiary) and Hinokiya Group Co., Ltd. on October 29, 2020 (consolidated subsidiary), net sales in housing in the next fiscal year are expected to amount to approximately ¥300.0 billion or more due, making it a segment with a high level of importance to the Company. Hinokiya Group is a high quality housing manufacturer whose strengths are its air conditioning equipment and reasonable prices, and it will contribute to net sales and net profit as it will further strengthen the housing product lineup together with existing housing companies.

Furthermore, regarding OTSUKA KAGU, LTD., the Company aims to make it profitable by accelerating the speed of reforms based on the transition to a new execution system on December 1, 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 HOLDINGS alone. In terms of initiatives for the entire YAMADA HOLDINGS 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 HOLDINGS 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-holdings.jp/csr/)

[On number of stores]
The number of consolidated retail stores, including those overseas at the end of the second quarter under review encompassing 11 new store openings and 17 store closures, was 998 directly-managed stores (comprising 675 stores directly managed by the Company, 168 stores managed by Best Denki Co., Ltd. and 155 stores operated by other consolidated subsidiaries). The total number of stores of the Group, including the stores managed by franchise stores, was 12,803.

[On performance summary]
As a result of the above, consolidated net sales for the six months under review amounted to ¥860,297 million, up 2.0% year on year, operating profit totaled ¥46,010 million, up 86.1% year on year, ordinary profit was ¥49,089 million, up 75.2% year on year, and profit attributable to owners of parent was ¥20,895 million, up 39.2% year on year.

(2) Information regarding financial position

[Financial position]
Total assets at the end of the second quarter under review amounted to ¥1,151,981 million, down ¥11,513 million (1.0%) from the end of the previous fiscal year. This was mainly due to decreases in guarantee deposits and buildings and structures, despite an increase in cash and time deposits.

Total liabilities amounted to ¥527,429 million, up ¥9,101 million (1.8%) from the end of the previous fiscal year. This was mainly due to an increase in income taxes payable.

Net assets amounted to ¥624,552 million, down ¥20,614 million (3.2%) 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 53.5% (54.6% 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, 2021 unchanged from the figures announced on October 28, 2020.
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 September 30, 2020
Assets		
Current assets		
Cash and time deposits	48,940	56,244
Notes and accounts receivable	59,860	58,841
Operating loans	2,222	3,139
Merchandise and finished goods	384,248	382,486
Work in process	4,815	6,501
Raw materials and supplies	3,767	4,289
Other current assets	43,527	34,832
Allowance for doubtful accounts	(1,904)	(1,831)
Total current assets	545,475	544,501
Non-current assets		
Property and equipment		
Buildings and structures, net	202,639	194,685
Land	192,742	192,566
Other, net	25,822	25,146
Total property and equipment, net	421,203	412,397
Intangible assets	33,697	35,419
Investments and other assets		
Guarantee deposits	95,360	87,187
Net defined benefit asset	1,579	1,599
Other assets	68,294	73,101
Allowance for doubtful accounts	(2,114)	(2,223)
Total investments and other assets	163,119	159,664
Total non-current assets	618,019	607,480
Total assets	1,163,494	1,151,981

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable	103,329	110,020
Short-term loans payable	53,730	44,938
Current portion of long-term loans payable	53,225	50,520
Income taxes payable	9,343	19,154
Provision for point card certificates	13,164	14,557
Other provisions	11,104	11,187
Other current liabilities	54,652	63,416
Total current liabilities	298,547	313,792
Long-term liabilities		
Long-term loans payable	123,939	117,730
Provision for product warranties	7,658	7,893
Other provisions	1,425	1,394
Net defined benefit liability	30,343	31,314
Asset retirement obligations	34,307	35,090
Other long-term liabilities	22,109	20,216
Total long-term liabilities	219,781	213,637
Total liabilities	518,328	527,429
Net assets		
Shareholders' equity		
Common stock	71,059	71,078
Capital surplus	84,060	84,001
Retained earnings	517,944	530,034
Treasury stock, at cost	(38,171)	(69,516)
Total shareholders' equity	634,892	615,597
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of taxes	(733)	(122)
Foreign currency translation adjustments	438	368
Remeasurements of defined benefit plans	540	309
Total accumulated other comprehensive income	245	555
Subscription rights to shares	1,872	1,479
Non-controlling interests	8,157	6,921
Total net assets	645,166	624,552
Total liabilities and net assets	1,163,494	1,151,981

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

(Consolidated statements of income - cumulative)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	843,554	860,297
Cost of sales	606,234	601,091
Gross profit	237,320	259,206
Selling, general and administrative expenses	212,593	213,196
Operating profit	24,727	46,010
Non-operating income		
Purchase discounts	2,250	1,320
Rent income	1,944	1,820
Other	3,483	3,469
Total non-operating income	7,677	6,609
Non-operating expenses		
Interest expenses	721	684
Rent expenses	1,551	1,527
Foreign exchange losses	1,184	262
Other	933	1,057
Total non-operating expenses	4,389	3,530
Ordinary profit	28,015	49,089
Extraordinary income		
Gain on negative goodwill	–	1,163
Gain on sale of non-current assets	–	8
Other	–	331
Total extraordinary income	–	1,502
Extraordinary loss		
Loss on disposal of non-current assets	74	430
Impairment loss	3,944	11,961
Loss on COVID-19	–	564
Loss on cancellation of rental contracts	20	5,453
Other	243	1,085
Total extraordinary losses	4,281	19,493
Profit before income taxes	23,734	31,098
Income taxes-current	6,734	17,097
Income taxes-deferred	1,934	(5,622)
Total income taxes	8,668	11,475
Profit	15,066	19,623
Profit (loss) attributable to non-controlling interests	52	(1,272)
Profit attributable to owners of parent	15,014	20,895

(Consolidated statements of comprehensive income - cumulative)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	15,066	19,623
Other comprehensive income, net of taxes		
Valuation difference on available-for-sale securities	177	611
Foreign currency translation adjustments	444	(70)
Remeasurements of defined benefit plans, net of tax	(375)	(231)
Share of other comprehensive income of associates accounted for using equity method	(0)	(0)
Total other comprehensive income	246	310
Comprehensive income	15,312	19,933
Comprehensive income attributable to:		
Owners of parent	15,260	21,205
Non-controlling interests	52	(1,272)

(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 six months ended September 30, 2020, and treasury stock amounted to ¥69,516 million as of September 30, 2020.

(Significant subsequent events)
(Transition to holding company structure by means of company split)

The Company transferred the "home electrical appliances and home information appliances sales business and housing-related product sales business" to Yamada Denki Split Preparatory Company (trade name changed to YAMADA DENKI CO., LTD. on October 1, 2020), which is the succeeding company (the Company's wholly owned subsidiary), in accordance with the Absorption-Type Company Split Agreement that was approved at the 43rd Ordinary General Meeting of Shareholders held on June 26, 2020.

Accordingly, the Company changed its trade name to YAMADA HOLDINGS CO., LTD. on October 1, 2020, and transitioned to a holding company structure.

1. Overview of the company split

   (1) Details of business subject to transaction
   Home electrical appliances and home information appliances sales business and housing-related product sales business
   (2) Date of business combination
   October 1, 2020
   (3) Legal form of business combination
   A spin-off in the form of an absorption-type company split with the Company as the splitting company and YAMADA DENKI CO., LTD., which is a wholly owned subsidiary of the Company, as the succeeding company.
   (4) Other matters relating to the transaction
   As a parent company, the holding company will aim to strengthen Group governance more than ever by specializing in comprehensive control, including administration and supervision of management and planning and drafting of management strategies for the sustainable growth and development of the Group. Moreover, the holding company will aim to promptly perform reorganization of businesses through means including business alliances, capital alliances, and M&A. In addition, the operating companies will aim to work to improve the management efficiency of the entire Group and further enhance corporate value through each company focusing on the execution of work in its business under a new system in which business responsibilities are clarified.

2. Summary of accounting applied

   The transaction was accounted for as a transaction in the category of under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21) and "Guidance for Accounting Standard for Business Combination and Divestitures" (ASBJ Guidance No. 10).

(Making Hinokiya Group Co., Ltd. a consolidated subsidiary through share acquisition)

At the meeting of the Board of Directors held on September 8, 2020, the Company resolved to acquire common stock of Hinokiya Group Co., Ltd. (the "Target") by tender offer (the "Tender Offer") in accordance with the Financial Instruments and Exchange Act, with the principal aim of making the Target a consolidated subsidiary, and the Tender Offer was carried out during the acquisition period of September 9, 2020 to October 22, 2020. As a result of the Tender Offer, the Target became a consolidated subsidiary of the Company on October 29, 2020 (commencement date of the settlement of the Tender Offer).

1. Summary of business combination

   (1) Name of acquired company and business lines
   Name of company: Hinokiya Group Co., Ltd.
   Business lines: Housing, real estate investment, thermal insulation materials, renovation, nursing care and childcare, and other businesses

   (2) Main reason for business combination
   Under the concept of "brighten your future with smart housing" as a lifestyle infrastructure with consumer appliances at the core, the Group is working to improve the value of its businesses by promoting structural reforms centered on the Kaden Sumairu-kan, which offers total coordination from consumer appliances to comfortable living spaces, and making the Target consolidated subsidiary is expected to generate synergies in the housing business and to further enhance the corporate value of both groups.

   (3) Date of business combination
   October 29, 2020

   (4) Legal form of business combination
   Acquisition of shares

   (5) Name of the company after business combination
   Hinokiya Group Co., Ltd.

   (6) Acquired voting rights ratio
   50.10%

   (7) Main basis for determining acquiring company
   The Company acquired 50.10% of the voting rights of Hinokiya Group for a cash consideration, thereby making it a consolidated subsidiary.

2. Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for the acquisition (Cash)	¥12,655 million
Acquisition cost	¥12,655 million

3. Amount of goodwill generated, reason for generation of goodwill, and method and period of amortization

   Not determined at this time.

(Additional information)

(Accounting estimates)

In the preparation of the consolidated financial statements, the Group makes various accounting estimates, and made accounting estimates (examination of impairment accounting on non-current assets) in the previous fiscal year after making the specific assumption that COVID-19 would end at the end of September 2020 in order to reflect the impact of COVID-19 in the accounting estimates. In the three months ended June 30, 2020, the Company made accounting estimates using similar assumptions, but the Group's business activities are still being affected as the impact of COVID-19 is currently continuing. The timing of when COVID-19 will end continues to be uncertain and difficult to predict, but COVID-19 is not expected to end within the current fiscal year as of the preparation date of the consolidated financial statements for the six months ended September 30, 2020. Taking that into consideration, the Group has made an assumption for its performance in the third quarter and thereafter to make accounting estimates (examination of impairment accounting on non-current assets) for the fiscal year ending March 31, 2020.

For the above statements, the Group has made estimates and judgements deemed reasonable based on the current status and information available. However, actual results may differ from these assumptions due to uncertainty about the estimates of how COVID-19 will spread and when it will end.