Translation

August 5, 2021

Consolidated Financial Results
for the Three Months of the Fiscal Year Ending March 31, 2022
<under Japanese GAAP>

Company name: **YAMADA HOLDINGS CO., LTD.**
Listing: The Tokyo Stock Exchange
Stock code: 9831
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Scheduled date to file Quarterly Report: August 13, 2021
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, 2022 (from April 1, 2021 to June 30, 2021)

(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, 2021	382,987	(5.8)	21,426	(5.3)	23,728	(2.1)	17,414	9.6
June 30, 2020	406,520	8.0	22,628	272.1	24,247	216.8	15,885	238.9

Note: Comprehensive income
Three months ended June 30, 2021: 17,471 million yen (14.6%)
Three months ended June 30, 2020: 15,251 million yen (288.7%)

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2021	21.24	21.14
June 30, 2020	18.85	18.75

Note: The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter of the current fiscal year, and each figure for the first three months of the fiscal year ending March 31, 2022, is the figure after applying the accounting standard and relevant revised ASBJ regulations. As a result, when compared with the previous standard, net sales decreased by ¥22,044 million, and the actual year-on-year change excluding this impact was negative 0.4%.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2021	1,307,836	643,148	47.4
March 31, 2021	1,252,600	672,545	51.8

Reference: Equity
As of June 30, 2021: 620,456 million yen
As of March 31, 2021: 649,414 million yen

Note: The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter of the current fiscal year, and each figure for the first three months of the fiscal year ending March 31, 2022, is the figure after applying the accounting standard and relevant revised ASBJ regulations. As a result, net assets decreased by ¥31,955 million. Moreover, total assets increased as a result of the strategic purchase of merchandise and finished goods primarily in anticipation of the global semiconductor shortage.

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, 2021	–	0.00	–	18.00	18.00
Fiscal year ending March 31, 2022	–				
Fiscal year ending March 31, 2022 (Forecasts)		0.00	–	–	–

Notes: 1. Revisions to the forecasts of cash dividends most recently announced: None
2. For the fiscal year ending March 31, 2022, 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, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2021	830,000	(3.5)	38,900	(15.5)	42,600	(13.2)	21,900	4.8	26.62
Fiscal year ending March 31, 2022	1,686,000	(3.8)	90,000	(2.3)	97,000	(1.9)	52,000	0.4	62.71

Notes: 1. Revisions to the consolidated earnings forecasts most recently announced: None
2. Due to the application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations, the forecast for net sales has decreased year on year. However, the amount of this impact is approximately negative ¥100.0 billion, and when compared with the previous standard, sales are expected to increase.

*** Notes**

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

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

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

a. Changes in accounting policies due to revisions of accounting standards, etc.: Yes
b. Changes in accounting policies due to other reasons: None
c. Changes in accounting estimates: None
d. Restatement of prior period financial statements: None

Note: For the details, please refer to the section of "(3) Notes to quarterly consolidated financial statements (Changes in accounting policies) under 2. Quarterly consolidated financial statements and significant notes thereto on page 10 of the attached materials."

(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, 2021	966,560,272 shares
As of March 31, 2021	966,560,272 shares

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

As of June 30, 2021	146,844,965 shares
As of March 31, 2021	146,871,443 shares

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

Three months ended June 30, 2021	819,696,935 shares
Three months ended June 30, 2020	842,274,841 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 6 of the attached materials to the quarterly financial results report.

Attached Materials

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

(1) Information regarding operating results

[On background of economies at home and abroad]

In the first three months of the fiscal year ending March 31, 2022, the Japanese economy continued to face an uncertain economic outlook. The rollout of COVID-19 vaccinations got into full swing, but this has not eliminated the threat of variants and other risks of the infection spreading. The government declared another state of emergency, which resulted in continued requests to refrain from non-essential, non-urgent outings and restrictions on the operation of restaurants and other establishments. The global economy is showing signs of a pickup, with the recovery of the Chinese economy and the resumption of economic activities following vaccinations in the United States and Europe. Nevertheless, the situation remains severe, including a global shortage of semiconductors, soaring lumber prices, and the prolonged trade friction between the United States and China.

The retail industry has been encountering severe business conditions amid the impacts of a more frugal mindset among consumers caused by increasingly defensive spending patterns, as well as requests to refrain from going out due to the declaration of a state of emergency caused by COVID-19, 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 seen a reactionary drop from the transient demand generated by the special cash payments, telework corresponding to the “new way of life,” and stay-at-home products in the previous fiscal year, despite the increasing flow of people in urban areas.

[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 significantly expanded Internet mail order services and shopping channel sales, where customers can place orders from home. In addition, to meet the changing lifestyles and consumer preferences of the “new normal” era, the Company is building a new store network by reviewing the optimal product lineups and services of its various store formats and expanding the sales floor space.

As part of this effort, the Company is aggressively pursuing its target of opening 30 new stores, which is one of the growth strategies of the Group. New stores have opened in succession, beginning with Tecc LIFE SELECT (store offering a wide range of daily necessities, such as home electrical appliances, furniture and home interior products, household goods, renovation services, and everyday items), which has a new store format based on the store concept of “fun, bringing happiness to every part of life” to strengthen the Company’s strategy of “Total-Living (Kurashi-Marugoto).” Tecc LIFE SELECT’s renovated Kumamoto Kasuga Store with increased floor space and additions opened on June 18. As of July 31, a total of five stores have opened: Kumamoto Kasuga Store, Himeji Main Store, Sapporo Main Store, Kobe Main Store, and Kisarazu Jozai Main Store. In addition, the Company is promoting the development of various store formats, such as YAMADA Web.com stores, which integrate the Internet and stores, as well as outlet stores offering a large selection of outlet and reuse products, in order to increase visits by purpose-specific shoppers.

As a result of these efforts, net sales decreased 5.8% year on year to ¥382,987 million (as planned) due to the impact of the Accounting Standard for Revenue Recognition, etc., which were applied from the current fiscal year, as well as due to a reactionary drop from the previous year's transient increase in demand generated by the special cash payments, demand for stay-at-home products mainly at suburban stores, among other factors. In comparison to before the application of the Accounting Standard for Revenue Recognition, net sales declined 0.4% year on year. This is the result of the efforts the Company has been making for "new business lines as the industry for living infrastructure" premised on the concept of "Total-Living (Kurashi-Marugoto)."

As for profits, the "Management Reforms to Reinforce the Corporate Structure," the Company's long-term initiatives, have continued to improve the gross profit (rate) and reduce selling and administrative expenses. Operating profit totaled ¥21,426 million, down 5.3% year on year, and ordinary profit was ¥23,728 million, down 2.1% year on year, while profit attributable to owners of parent was ¥17,414 million, up 9.6% year on year.

[Operating Results by Segment]

(1) Electrical Business

In the Electrical Business, net sales decreased 14.9% year on year to ¥317,270 million, and segment profit decreased 9.0% year on year to ¥21,877 million.

The Electrical Business experienced the effects of a decrease in net sales due to the application of the Accounting Standard for Revenue Recognition in the current fiscal year, alongside a reactionary drop from the previous fiscal year's transient demand generated by the special cash payments and demand for stay-at-home products and a reduction in sales floor space due to the consolidation of urban store areas. The segment profit margin increased 0.45% due to the improvement of profit margins through the optimal price response using a combination of cash discounts and points, the contribution to profits through expansion of a wide range of SPA products, and the maximization of net sales and cost reductions through management under the spin-off president system.

The Company aims to increase profits in the Electrical Business by building a new store network by aggressively developing stores with an annual target of 30 new stores and reviewing store formats and product composition, aggressively promoting digital marketing, improving operational efficiency by utilizing digital technology, and improving productivity through mergers among subsidiaries.

(2) Housing Business

In the Housing Business, net sales increased 116.2% year on year to ¥55,266 million, while segment loss was ¥661 million (segment loss of ¥425 million in the previous fiscal year).

In the Housing Business, the number of orders and the value of orders grew at a high rate, more than tripling from the previous year, as a result of the acquisition of Leohouse Co., Ltd. ("LeoHouse" hereinbelow; taken over on February 1, 2021 by YAMADA HOMES Co., LTD. ["YAMADA HOMES" hereinbelow]) and Hinokiya Group Co., Ltd. (the "Hinokiya Group" hereinbelow) as consolidated subsidiaries. The Hinokiya Group received a record number of orders and a record value of orders in the three months under review. Net sales increased significantly due to an increase in delivery of housing projects associated with an increase in orders received by YAMADA HOMES in the second half of 2020 and the acquisition of LeoHouse and the Hinokiya Group as consolidated subsidiaries. The deficit is due to the effects of customary profit recording in the housing industry, such as the concentration of profits in the fourth quarter. Segment profit excluding the goodwill expense (¥367 million) related to the acquisition of the shares of the Hinokiya Group and LeoHouse has improved. Expenses have been under control, and the ratio of selling, general and administrative expenses to net sales has improved by about 2% due to cost control.

The performance of the Housing Business by company was as follows. (1) YAMADA HOMES (including LeoHouse) reported an increase in net sales and an improvement in profits, with net sales of ¥18,305 million (up 29.8% year on year) and an operating loss of ¥691 million (operating loss of ¥1,560 million in the previous fiscal year). (2) Hinokiya Group reported an increase in net sales and a return to profitability, with net sales of ¥23,563 million (up 9.3% year on year) and an operating profit of ¥164 million (operating loss of ¥171 million in the previous fiscal year). (3) Housetec Inc., a developer and manufacturer of housing equipment such as bathroom equipment and kitchen equipment, was impacted by COVID-19 but nevertheless increased net sales to ¥13,727 million (up 3.9% year on year) and operating profit to ¥294 million (up 173.8% year on year) mainly due to online negotiations with customers, synergy effects of the YAMADA HOLDINGS Group, and an increase in renovation services.

In addition, on July 16, 2021, the Company entered into a capital and business alliance with Nice Corporation, and will seek to further expand the scale of its business by creating synergies that comprehensively leverage mutual strengths in fields related to residential living.

(3) Financial Business

In the Financial Business, net sales increased 6.5% year on year to ¥552 million, and segment profit decreased 86.1% year on year to ¥12 million.

The increase in net sales was supported by the strong performance of housing loans, which are closely linked to the Housing Business. The segment profit was lower than in the same period of the previous fiscal year due to the impact of upfront advertising expenses.

The Financial Business launched the YAMADA NEOBANK service on July 1, 2021 and will seek to further develop the "Total-Living (Kurashi-Marugoto)" strategy by providing new financial services.

(4) Environment Business

In the Environment Business, net sales increased 6.4% year on year to ¥6,549 million, and segment profit increased 54.9% year on year to ¥256 million.

Net sales and segment profit both increased as an outcome of the self-contained initiatives for environmental resource development undertaken by the YAMADA HOLDINGS Group.

(5) Other businesses

In other businesses, net sales increased 24.2% year on year to ¥17,283 million, while segment loss was ¥6 million (segment loss of ¥1,243 million in the previous fiscal year).

The main reasons for the significant improvement in profits were a recovery in the number of customers visiting the stores of OTSUKA KAGU, LTD., synergies between furniture and home electrical appliances through sales of home electrical appliances, and the results of ongoing business restructuring.

[On ESG and sustainability]

The YAMADA HOLDINGS Group aims to fulfill its social responsibility as a corporate citizen and increase corporate value continuously. To this end, we have rebuilt the ESG promotion system for the entire group (by reorganizing the CSR Committee to the ESG/Sustainability Promotion Committee chaired by the President and Representative Director of the YAMADA HOLDINGS) to implement ESG management, which aims for both "continuous enhancement of corporate value" through the growth of each business segment and a "realization of a sustainable society" by helping to resolve social challenges. Regarding the promotion of sustainability, we are focusing on three themes established in the "Priority Initiatives for Achieving SDGs" which were announced on December 16, 2019: (1) Offer comfortable living spaces and establish social systems, (2) Foster employee growth and improve working environments, and (3) Promote a recycling-oriented society and conserve the global environment. We plan to aim for a sustainable society by pursuing those initiatives.

◎ Major ESG initiatives

ESG	Major initiatives
Governance	■ESG/Sustainability Promotion Committee (reorganized from the CSR Committee)
	・Rebuilt the ESG promotion system for the entire Group, chaired by the President and Representative Director
	・Promote initiatives regarding climate change for the entire Group
Climate change and environment	■Support the Task Force on Climate-related Financial Disclosures (TCFD)
	・Identify climate change risks and opportunities
	・Enhance disclosure of information
	■Initiatives of environmental resource development holdings
	・Expand a self-contained, resource recycling system within the Group
	・Promote a plan for a waste power generation plant (scheduled to start operation in August 2024)
	■Promote initiatives relating to the environment through a "Total-Living (Kurashi-Marugoto)"
	・Promote wider use of energy-saving home electrical appliances
	・Energy-saving housing (such as "AQUA FOAM" insulation) ・Promote the sales of ZEH housing
Employees and workstyle (Promoting breakout sessions for penetration)	■Respect for human rights
	・Dialogue with stakeholders ・Internal education for human rights
	■Development of talents
	・Enrichment of education and training (promoting My Learning, e-JINZAI content, etc.)
	・Education and penetration (development of leaders, varied development support)
	・Coordination with stakeholders (career development support)
	・Talent development system (talent development through an appraisal system)
	・Support the success of women in the workplace (talent development for women and evaluation not dependent on gender, and nurturing opportunities for promotion)
	■Create a comfortable workplace environment
	・Promote the success of diverse people, understanding of disabilities, and employment for those with disabilities
	・Systems that enable diverse workstyles (flex time system, work-from-home system, etc.)
	・Improve diversity in workstyles through the promotion of the "Hometown employees" system -- work in progress
	・Support work-life balance between work and childcare/nursing care
	■Health of employees
	・Institutionalizing a system to promote health ・Mental health care
	・Safe & secure workplace ・Health checks for workers with long working hours ・Development of health staff

[On responses toward climate change]

We believe that climate change, which has serious impacts on the earth (ecosystems) and human/corporate activities, not only gives rise to risks to the YAMADA HOLDINGS Group, but also brings new business opportunities. In the Group's aim for sustainable growth, the "shift to a low carbon society" is an important management issue for us to deal with. The Group aims to make contributions to the international goals adopted by SDGs and the Paris Agreement, while it fulfills its mission to support the living infrastructure with the concept of "Total-Living (Kurashi-Marugoto)."

We have been working together with our Group companies to achieve this in coordination with a wide range of stakeholders including the government, businesses, and industry groups. In addition, the Company recognizes the importance of climate-related financial information and supports the TCFD (our support was announced on March 31, 2021). We will work to expand the disclosure of information in line with the TCFD.

[On number of stores]

The number of consolidated retail stores, including those overseas at the end of the first quarter under review encompassing 10 new store openings and 9 store closures, was 1,004 directly-managed stores (comprising 685 stores directly managed by the Company, 170 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 12,492.

[On performance summary]

As a result of the above, consolidated net sales for the three months under review amounted to ¥382,987 million, down 5.8% year on year, operating profit totaled ¥21,426 million, down 5.3% year on year, ordinary profit was ¥23,728 million, down 2.1% year on year, and profit attributable to owners of parent was ¥17,414 million, up 9.6% year on year.

(2) Information regarding financial position

[Financial position]

Total assets at the end of the first quarter under review amounted to ¥1,307,836 million, up ¥55,236 million (4.4%) compared to the end of the previous fiscal year. This was mainly due to the strategic purchase of merchandise and finished goods in anticipation of the global shortage of semiconductors.

Total liabilities amounted to ¥664,688 million, up ¥84,633 million (14.6%) compared to the end of the previous fiscal year. This was mainly due to an increase in “other current liabilities (contract liabilities)” under “current liabilities” as a result of the application of the Accounting Standard for Revenue Recognition.

Net assets amounted to ¥643,148 million, down ¥29,397 million (4.4%) compared to the end of the previous fiscal year, due to the decrease in retained earnings as a result of the effects of the application of the Accounting Standard for Revenue Recognition. As a result, the equity ratio was 47.4% (51.8% 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, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and time deposits	74,438	62,626
Notes and accounts receivable	72,962	73,265
Accounts receivable from completed construction contracts	2,050	1,603
Operating loans	4,255	4,821
Merchandise and finished goods	368,839	414,422
Real estate for sale	28,585	27,327
Costs on construction contracts in progress	5,545	7,750
Work in process	1,254	1,146
Raw materials and supplies	4,352	4,571
Other current assets	54,382	57,187
Allowance for doubtful accounts	(2,027)	(1,955)
Total current assets	614,635	652,763
Non-current assets		
Property and equipment		
Buildings and structures, net	197,027	195,939
Land	199,382	201,115
Other, net	32,192	36,416
Total property and equipment, net	428,601	433,470
Intangible assets	42,778	42,402
Investments and other assets		
Guarantee deposits	85,752	82,170
Net defined benefit asset	1,839	1,849
Other assets	81,590	97,834
Allowance for doubtful accounts	(2,595)	(2,652)
Total investments and other assets	166,586	179,201
Total non-current assets	637,965	655,073
Total assets	1,252,600	1,307,836

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable	106,929	128,870
Accounts payable for construction contracts	13,720	10,601
Short-term loans payable	44,199	97,092
Current portion of long-term loans payable	50,860	48,746
Income taxes payable	29,986	5,558
Advances received on construction contracts in progress	17,285	21,782
Other provisions	24,716	9,497
Other current liabilities	69,621	137,032
Total current liabilities	357,316	459,178
Long-term liabilities		
Long-term loans payable	123,430	112,316
Other provisions	9,198	2,513
Net defined benefit liability	30,607	31,088
Asset retirement obligations	35,488	35,531
Other long-term liabilities	24,016	24,062
Total long-term liabilities	222,739	205,510
Total liabilities	580,055	664,688
Net assets		
Shareholders’ equity		
Common stock	71,078	71,078
Capital surplus	84,236	84,234
Retained earnings	560,958	531,679
Treasury stock, at cost	(68,883)	(68,871)
Total shareholders’ equity	647,389	618,120
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of taxes	(269)	(399)
Foreign currency translation adjustments	609	1,149
Remeasurements of defined benefit plans	1,685	1,585
Total accumulated other comprehensive income	2,025	2,335
Subscription rights to shares	1,579	1,618
Non-controlling interests	21,552	21,075
Total net assets	672,545	643,148
Total liabilities and net assets	1,252,600	1,307,836

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

(Consolidated statements of income - cumulative)

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	406,520	382,987
Cost of sales	281,514	264,901
Gross profit	125,006	118,086
Selling, general and administrative expenses	102,378	96,660
Operating profit	22,628	21,426
Non-operating income		
Purchase discounts	668	779
Other	2,819	2,215
Total non-operating income	3,487	2,994
Non-operating expenses		
Interest expenses	338	337
Foreign exchange losses	282	–
Cost of sales of electric power	191	193
Other	1,057	162
Total non-operating expenses	1,868	692
Ordinary profit	24,247	23,728
Extraordinary income		
Gain on negative goodwill	19	–
Total extraordinary income	19	–
Extraordinary loss		
Loss on disposal of non-current assets	49	301
Impairment loss	253	25
Loss on COVID-19	232	23
Retirement benefits for directors (and other officers)	43	1,000
Other	364	258
Total extraordinary losses	941	1,607
Profit before income taxes	23,325	22,121
Income taxes-current	7,349	6,409
Income taxes-deferred	907	(1,447)
Total income taxes	8,256	4,962
Profit	15,069	17,159
Loss attributable to non-controlling interests	(816)	(255)
Profit attributable to owners of parent	15,885	17,414

(Consolidated statements of comprehensive income - cumulative)

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit	15,069	17,159
Other comprehensive income, net of taxes		
Valuation difference on available-for-sale securities	300	(127)
Foreign currency translation adjustments	(24)	540
Remeasurements of defined benefit plans, net of tax	(94)	(101)
Share of other comprehensive income of associates accounted for using equity method	(0)	0
Total other comprehensive income	182	312
Comprehensive income	15,251	17,471
Comprehensive income attributable to:		
Owners of parent	16,067	17,724
Non-controlling interests	(816)	(253)

(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 applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter under review, in accordance with the transitional treatment. The details are as stated in "(Changes in accounting policies)."

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The main changes resulting from the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations are as follows.

(1) Revenue recognition from agent transaction

When a promise to a customer is a performance obligation to arrange for goods or services to be provided by another party, the Company is acting as an agent and recognizes revenue on a net basis.

(2) Revenue recognition for sales promotion to customers

With respect to sales of goods under the Customer Loyalty Program, revenue was previously recognized at the time of sale, and the amount expected to be used in the future was recorded as "other provisions" to provide for expenditures related to sales promotion to customers, and the amount of the other provisions was recorded as "selling, general and administrative expenses." However, the Company has changed to a method of identifying expenditures related to sales promotion to customers as performance obligations and allocating transaction prices based on the standalone selling price calculated in consideration of expected future lapses and other factors.

In addition, with respect to the portion of the consideration paid to customers that was previously recorded as promotion expenses in the selling, general and administrative expenses, the Company has changed to a method of deducting such consideration paid to customers from net sales.

A portion of the "provisions" under "current liabilities" of the consolidated balance sheet as of the end of the previous fiscal year has been included in "other current liabilities (contract liabilities)" from the quarterly consolidated balance sheet as of the end of the first quarter under review.

(3) Revenue recognition for warranty services

For some finished goods sold by the Group, such as home electrical appliances, the Group provides extended warranty services free of charge, in which the Group bears the cost of repairing malfunctions that occur within the scope of normal use within the warranty period, as well as long-term warranty services for a fee based on a separate contract.

Such services had been recognized as one-time revenue at the time of sale. However, the Company now recognizes their revenue by identifying the performance obligation for such services, deferring the period with a manufacturer's warranty, and prorating it equally according to the period of extended warranty.

(4) Performance obligations to be met over a period of time

The Company had previously applied the percentage-of-completion method to construction contracts for which the outcome of the construction work was deemed certain, and the completed-contract method to other construction contracts. However, the Company has changed to a method of recognizing revenue over a certain period of time as performance obligations are satisfied, except for small value and very short-term construction work.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter under review, was added to or deducted from the opening balance of retained earnings of the first quarter under review, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the first quarter under review, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.
As a result, net sales and gross profit for the three months under review decreased by ¥22,044 million and ¥4,902 million, respectively. However, the impact on operating profit, ordinary profit, and profit before income taxes was minimal. In addition, retained earnings as of the beginning of the current fiscal year decreased by ¥31,955 million.
In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation. Furthermore, the information on disaggregation of revenue from contracts with customers during the first three months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter under review, and applies the new accounting policy provided for in the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations into the future, in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There are no impacts on the quarterly financial statements.

(Segment information)

I Three months ended June 30, 2020

Information about amounts of net sales, profit or loss by reportable segment

(Millions of yen)

	Reportable segments				
	Electrical Business	Housing Business	Financial Business	Environment Business	Total
Net sales					
Sales to external customers	365,102	24,927	420	3,117	393,566
Intersegment sales	7,536	639	98	3,038	11,311
Total	372,638	25,566	518	6,155	404,877
Segment profit (loss)	24,027	(425)	89	165	23,856

	Others (Note 1)	Total	Adjusted amounts (Note 2)	Amount recorded in consolidated statement of income (Note 3)
Net sales				
Sales to external customers	12,954	406,520	–	406,520
Intersegment sales	964	12,275	(12,275)	–
Total	13,918	418,795	(12,275)	406,520
Segment profit (loss)	(1,243)	22,613	15	22,628

Notes:
1. The “others” category includes other business segment not included in reportable segments.
2. The adjusted amounts resulted from elimination of intersegment transactions.
3. Segment profit (loss) is adjusted with operating profit in the consolidated statement of income.

Ⅱ Three months ended June 30, 2021

Information about amounts of net sales, profit or loss by reportable segment

(Millions of yen)

	Reportable segments				
	Electrical Business	Housing Business	Financial Business	Environment Business	Total
Net sales					
Sales to external customers	310,646	53,965	478	3,674	368,763
Intersegment sales	6,624	1,301	74	2,875	10,874
Total	317,270	55,266	552	6,549	379,637
Segment profit (loss)	21,877	(661)	12	256	21,484

	Others (Note 1)	Total	Adjusted amounts (Note 2)	Amount recorded in consolidated statement of income (Note 3)
Net sales				
Sales to external customers	14,224	382,987	–	382,987
Intersegment sales	3,059	13,933	(13,933)	–
Total	17,283	396,920	(13,933)	382,987
Segment profit (loss)	(6)	21,478	(52)	21,426

Notes:
1. The “others” category includes other business segment not included in reportable segments.
2. The adjusted amounts resulted from elimination of intersegment transactions.
3. Segment profit (loss) is adjusted with operating profit in the consolidated statement of income.

(Notes relating to changes in reportable segments, etc.)

The Group had previously set forth “Electrical Business” and “Housing Business” as reportable segments. However, in order to enhance the disclosure of each segment, the Company has changed to a method of adding the following businesses that were included in “Others” as reportable segments: the “Financial Business,” which provides various financial products in the five areas of new construction, renovation, fund settlement, insurance products, and life planning as part of the services to “Total-Living (Kurashi-Marugoto)”; and the “Environment Business,” which provides reuse, recycling, and recovery of resource services mainly for home electrical appliances and computers. Therefore, from the first quarter under review, the Company discloses information for the reportable segment classifications of the categories of “Electrical Business,” “Housing Business,” “Financial Business,” and “Environment Business.” As a result of this change, segment information for the three months for the previous fiscal year has been prepared based on the reportable segment classification for the three months under review.

As described in “Changes in accounting policies,” the Company has applied the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations from the beginning of the first quarter under review, and changed the accounting treatment for revenue recognition.

Accordingly, the Company has similarly changed the method of measuring profit or loss of business segments.

With this change, net sales of the Electrical Business in the three months under review decreased by ¥21,876 million compared with the previous method, while the impact on net sales of the Housing Business, Financial Business, Environment Business, and "Others" was minimal. The impact of this change on the profit or loss of each segment is minimal.

(Significant subsequent events)

(Reorganization of Electrical Business (former Electrical Appliance Segment))

Based on a resolution at a meeting of the Board of Directors held on January 18, 2021, the Company conducted an absorption-type merger (the "Merger") on July 1, 2021, whereby YAMADA DENKI CO., LTD. will be a surviving company and the Company's consolidated subsidiaries, BEST DENKI CO., LTD., Kurokawa Denki Co., Ltd., Kyusyu Tecc Land Co., Ltd., Matsuya Denki Ltd., Seidensha Co., Ltd., and Project White Co., Ltd., and a non-consolidated subsidiary (Kato Shoji Co., Ltd.) will be dissolving companies.

(1) Summary of transaction

(a) Name and description of business of companies involved in business combination

Name of surviving company:	YAMADA DENKI CO., LTD.
Business description:	Home electrical appliances and home information appliances sales business and housing-related product sales business
Name of dissolving companies:	BEST DENKI CO., LTD. Kurokawa Denki Co., Ltd. Kyusyu Tecc Land Co., Ltd. Matsuya Denki Ltd. Seidensha Co., Ltd. Project White Co., Ltd. Kato Shoji Co., Ltd.
Business description:	Home electrical appliances and home information appliances sales business and housing-related product sales business (BEST DENKI CO., LTD., Kurokawa Denki Co., Ltd., Kyusyu Tecc Land Co., Ltd., Matsuya Denki Ltd. and Seidensha Co., Ltd.) Franchise business (BEST DENKI CO., LTD. and Matsuya Denki Ltd.) PC components and information communication equipment sales business and business of manufacturing and sales of original PC (Project White Co., Ltd.) Real estate leasing business (Kato Shoji Co., Ltd.)

(b) Date of business combination

July 1, 2021

(c) Legal form of business combination

An absorption-type merger, whereby YAMADA DENKI CO., LTD. as a surviving company and BEST DENKI CO., LTD., Kurokawa Denki Co., Ltd., Kyusyu Tecc Land Co., Ltd., Matsuya Denki Ltd., Seidensha Co., Ltd., Project White Co., Ltd., and Kato Shoji Co., Ltd. as dissolving companies.

(d) Name of the company after business combination

YAMADA DENKI CO., LTD.

(e) Other matters relating to the transaction

As part of the Reorganization, besides integrating expertise and management resources of the subsidiaries in the Electrical Business, the Company intends to introduce an in-house company system with 11 new regional divisions at the same time of the Merger. It aims to facilitate efficiency in terms of sales and administration to realize higher corporate value through a prompt implementation of "Total-Living (Kurashi-Marugoto)" strategy of the Group and SDGs and ESG initiatives.

(2) Summary of accounting to be 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).

(Conversion into wholly owned subsidiaries through simplified share exchange)

The Company resolved at the meeting of the Board of Directors held on June 9, 2021 to execute a share exchange, whereby the Company becomes the wholly owning parent company and OTSUKA KAGU, LTD. (hereinafter referred to as "OTSUKA KAGU") becomes the wholly owned subsidiary (hereinafter referred to as "the Share Exchange"), as of the effective date of September 1, 2021 (scheduled), and the two companies concluded a share exchange agreement regarding the Share Exchange between them (hereinafter referred to as "the Share Exchange Agreement")

(1) Summary of the Share Exchange

(a) Name and description of business of the wholly owned subsidiary resulting from a share exchange

Name of the wholly owned subsidiary resulting from a share exchange: OTSUKA KAGU, LTD.

Description of business: General sales of furniture, home electrical appliances and home interiors

(b) Purpose of the Share Exchange

・ To further strengthen the collaborative relationship

・ To establish a structure that enables swift and flexible decision-making and thorough implementation of policies within the Group

(c) Effective date of the Share Exchange

September 1, 2021 (scheduled)

(d) Method of share exchange

The Share Exchange will be one whereby the Company will become the wholly-owning parent company and OTSUKA KAGU will become the wholly-owned subsidiary. In accordance with Article 796, Paragraph 2 of the Companies Act, the Share Exchange will be conducted by the Company through a simplified share exchange procedure that does not require approval by a resolution of the shareholder's meeting. For OTSUKA KAGU, the Share Exchange Agreement will be approved at the Ordinary General Meeting of Shareholders of OTSUKA KAGU scheduled to be held on July 29, 2021. The Share Exchange is scheduled to take effect on September 1, 2021.

(e) Stock type, exchange ratio, and number of shares delivered

	The Company (wholly owning parent company)	OTSUKA KAGU (wholly owned subsidiary)
Allotment ratio for the Share Exchange	1	0.58
Number of shares to be delivered in the Share Exchange	Common stock of the Company: 16,174,022 shares (scheduled)	

Notes: 1. Share allotment ratio

For each share of OTSUKA KAGU, 0.58 shares of the Company's common stock (the "Company's Shares") will be allotted. However, no shares will be allotted in the Share Exchange for the OTSUKA KAGU Shares of which the Company holds (30,000,000 shares as of June 9, 2021). In the event of any significant changes to the terms and conditions that provide the basis for the calculations, the share allotment ratio in the Share Exchange set out in the table above (the "Share Exchange Ratio") may be modified upon consultation and agreement between the Company and OTSUKA KAGU.

2. Number of the Company's Shares to be delivered in the Share Exchange
Upon the Share Exchange, the Company will deliver the number of the Company's Shares calculated based on the Share Exchange Ratio as described in the table above to the shareholders of OTSUKA KAGU (referring to the shareholders after the cancellation of treasury stock as described below and excluding the Company) as of the time immediately prior to the time at which the Company acquires all of the issued shares in OTSUKA KAGU (excluding the OTSUKA KAGU Shares held by the Company) under the Share Exchange (the "Record Time"), in exchange for OTSUKA KAGU Shares being owned by these shareholders. The Company plans to use its treasury shares (146,871,443 shares as of March 31, 2021) as shares to be delivered through the Share Exchange, and does not plan to issue new shares upon allotment to the Share Exchange.
In accordance with a resolution of the Board of Directors of OTSUKA KAGU to be held no later than the day before the effective date of the Share Exchange, OTSUKA KAGU will cancel all of the treasury shares that it holds at the Record Time (including the shares to be acquired by OTSUKA KAGU in response to dissenting shareholders' share purchase demands under Article 785, Paragraph 1 of the Companies Act that are exercised in relation to the Share Exchange) at the Record Time. The number of the Company's Shares to be allotted and delivered through the Share Exchange is subject to change due to the exercise of the Series 1 Subscription Rights to Shares and the Series 2 Subscription Rights to Shares, and the repurchase and cancellation of treasury shares by OTSUKA KAGU, and other reasons.

(f) Rationale and reason for allotment in the Share Exchange

In order to ensure fairness and appropriateness in calculating the Share Exchange Ratio described in (5) "Stock type, exchange ratio, and number of shares delivered" above, the Company and OTSUKA KAGU, respectively and separately, decided to request a third-party valuation institution independent from them to calculate the share exchange ratio. The Company appointed Nomura Securities Co., Ltd., and OTSUKA KAGU appointed Deloitte Tohmatsu Financial Advisory LLC as the third-party valuation institutions.

The Company and OTSUKA KAGU conducted careful examinations based on the results of due diligence, etc. that each company respectively carried out with respect to the counterparty while referencing the calculation result of the share exchange ratio submitted to them by the respective third-party valuation institution, and held serious and extensive discussions and negotiations concerning the Share Exchange Ratio, giving comprehensive consideration to various factors, such as the financial conditions, business performance trends, future outlook and share price trends of both companies. As a result, the Company and OTSUKA KAGU judged that the Share Exchange Ratio is appropriate for the respective shareholders and, at the respective Board of Directors' meetings of both companies held on June 9, 2021, decided to conduct the Share Exchange at the Share Exchange Ratio and to conclude the Share Exchange Agreement between the two companies.

(2) Summary of accounting to be applied

The transaction will be accounted for as a transaction with non-controlling shareholders 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).