Translation

November 4, 2021

Consolidated Financial Results for the Six 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
URL:	https://www.yamada-holdings.jp/
Representative:	Noboru Yamada, Chairperson and Representative Director, President, CEO
Inquiries:	Koichi Kiyomura, Executive Officer, General Counsel, Corporate Planning Office TEL: 0570-078-181 (available in Japan only)

Scheduled date to file Quarterly Report:	November 12, 2021
Scheduled date to commence dividend payments:	–
Preparation of supplementary material on quarterly financial results:	Yes
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, 2022 (from April 1, 2021 to September 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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2021	800,399	(7.0)	35,084	(23.7)	39,276	(20.0)	29,968	43.4
September 30, 2020	860,297	2.0	46,010	86.1	49,089	75.2	20,895	39.2

Note: Comprehensive income
Six months ended September 30, 2021: 30,094 million yen (51.0%)
Six months ended September 30, 2020: 19,933 million yen (30.2%)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2021	36.43	36.26
September 30, 2020	25.16	25.04

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 six 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 ¥47,566 million, and the actual year-on-year change excluding this impact was negative 1.4%.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2021	1,248,713	655,808	51.0
March 31, 2021	1,252,600	672,545	51.8

Reference: Equity
As of September 30, 2021: 637,360 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 six 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.

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

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
Fiscal year ending March 31, 2022	1,686,000	(3.8)	90,000	(2.3)	97,000	(1.9)	59,000	13.9	71.15

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 six months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

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

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

a. Changes in accounting policies due to revisions of accounting standards, etc.: Yes

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatement of prior period financial statements: None

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 pages 11 to 12 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 September 30, 2021	966,647,930 shares
As of March 31, 2021	966,560,272 shares

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

As of September 30, 2021	130,674,396 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)

Six months ended September 30, 2021	822,388,898 shares
Six months ended September 30, 2020	830,232,919 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

Index

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, 2022, the Japanese economy remained weak due to the impact of the spread of COVID-19. We expect the economy to pick up given the measures to prevent the spread of COVID-19 and acceleration of the rollout of COVID-19 vaccinations, as well as the recovery in overseas economies and the introduction of various measures. However, attention needs to be paid to the COVID-19 trends both in Japan and abroad, the increased downside risk for the economy due to the impact of the supply chain such as semiconductor supply issues and soaring lumber prices, as well as the volatility in financial and capital markets.

The retail industry has been encountering severe business conditions due to requests to refrain from going out due to the declaration of a state of emergency caused by COVID-19, the requests to stay home to cheer on the Tokyo Olympic and Paralympic Games due to the games being held without spectators, temporary closures of some commercial facilities, 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 COVID-19 in stores and business offices 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 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, 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, we are aggressively pursuing the Group's growth strategy to open new stores, as well as to expand stores, change the store format and increase the total sales floor area through renovation. To strengthen our "Total-Living (Kurashi-Marugoto)" strategy, we opened a total of nine stores, beginning with LIFE SELECT (a store offering the widest range of everyday goods in the region, such as home electrical appliances, furniture and home interior products, household goods, renovation services, and toys), a new store format based on the store concept of "We support you living a delightful life. Entirely." LIFE SELECT is the renovated and expanded Kumamoto Kasuga Store with increased floor space and other additions that opened on June 18. As of October 31, existing stores that have been expanded: Kumamoto Kasuga Store, Himeji Main Store, Sapporo Main Store, Kobe Main Store, Kisarazu Jozai Main Store, Nagano SBC Street Store, Kakogawa Main Store; stores that have been completely renovated: LABI1 Takasaki; new stores opened: Musashi Kukishobu Store. In addition, the Company is promoting the development of various store formats to increase the sales and share of home electrical appliance retail sales, our core business. This includes 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.

Net sales in the six months under review decreased 7.0% year on year to ¥800,399 million. In addition to the impact of the Accounting Standard for Revenue Recognition, etc., which have been applied from the current fiscal year, this can be attributed to factors such as fewer customers visiting stores during the Tokyo Olympic and Paralympic Games, which were held without spectators, natural disasters such as heavy rain, reduced business hours and self-restraint on business promotion due to the 5th wave of COVID-19, as well as a reactionary drop from the previous year's transient increase in demand generated by the special cash payments, and 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 1.4% year on year, from among various factors in dampening net sales. This is due to the efforts the Company has been making for some time for "new business lines as the industry for living infrastructure" that is based on the concept of "Total-Living (Kurashi-Marugoto)."

As for profits, there have been ongoing improvements in profits as 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. However, operating profit decreased 23.7% year on year to ¥35,084 million due to lower net sales, while ordinary profit decreased 20.0% year on year to ¥39,276 million. Nevertheless, the reactionary drop from the demand generated by special cash payments and demand for stay-at-home products was anticipated from the outset and was generally in line with plans. Profit attributable to owners of parent was ¥29,968 million, up 43.4%, due to factors such as the outcomes in each business segment and the benefits of reorganization in the Electrical Business.

Please refer to "YAMADA HLDGS 2025 Mid-term business plan," our long-term vision for growth, which the Group has created based on no change to our current profit-oriented management approach, amid the improvements to the business foundation that we have achieved through our various reforms to date.

[Operating results by segment]

(1) Electrical Business

In the Electrical Business, net sales decreased 15.8% year on year to ¥662,032 million, and operating profit decreased 30.8% year on year to ¥33,319 million.

Net sales in the Electrical Business were affected by the aforementioned transient factors and closures of stores such as the Shinjuku East Exit Store and the Akihabara Store. In comparison to before the application of the Accounting Standard for Revenue Recognition, net sales declined 9.8% year on year, from among various factors in dampening net sales. Operating profit decreased 23.4% year on year, when excluding the transient impact from the decline in profits caused by standardization of the month for settlement of accounts with the reorganization of the Electrical Business.

The Company aims to increase revenues and profits in the Electrical Business, mainly through building a new store network by aggressively developing stores with an annual increase of at least 5% in total floor area through the opening of new stores and expansion of existing stores and by reviewing the store formats and product composition. We will expand the physical and ecommerce business by utilizing the most of our management resources and group infrastructure, expanding initiatives for our sales style that utilizes IT technology to develop original products for the renovation business and negates the need to estimate visits. We will also aggressively promote digital marketing and improve operational efficiencies through our DX strategy.

(2) Housing Business

In the Housing Business, net sales increased 102.0% year on year to ¥117,661 million, while operating profit was ¥365 million (operating loss of ¥925 million in the previous fiscal year), an improvement of ¥1,290 million from the previous fiscal year and a return to profitability.

In the Housing Business, the number and the value of orders grew at a high rate of almost triple the previous year, as a result of the acquisition of LEOHOUSE Co., LTD. ("LEOHOUSE" hereinbelow) on February 1, 2021 by YAMADA HOMES Co., LTD. ("YAMADA HOMES" hereinbelow) and conversion of Hinokiya Group Co., Ltd. (the "Hinokiya Group" hereinbelow) to a consolidated subsidiary. The Hinokiya Group received a record number of orders and a record value of orders in the six 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. Operating profit improved and we returned to profitability by turning the Hinokiya Group into a consolidated subsidiary.

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 ¥39,369 million (up 21.2% year on year) and an operating loss of ¥880 million (operating loss of ¥1,208 million in the previous fiscal year). (2) Hinokiya Group reported an increase in revenues and profits, with net sales of ¥51,420 million (up 8.1% year on year) and operating profit of ¥1,388 million (up 14.9% year on 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 reported an increase in revenues and profits, with net sales of ¥27,457 million (up 4.8% year on year) and operating profit of ¥699 million (up 67.8% year on year) mainly due to online negotiations with customers, synergy effects of the Group, and an increase in renovation services.

In the second half of the year, there were concerns that higher costs due to the recently soaring lumber prices would impact profit, but the impact was kept to a minimum through measures such as increasing the sales unit price with added value proposals and cost savings. In addition, the Company seeks further expansion of business scale by creating synergies that comprehensively leverage mutual strengths in fields related to residential living with Nice Corporation (with which the Company entered into a capital and business alliance on July 16, 2021).

(3) Financial Business

In the Financial Business, net sales increased 24.9% year on year to ¥1,186 million, and operating profit increased 25.1% year on year to ¥177 million.

Revenues and profits both increased due to the strong performance of housing loans, which are deeply linked to the Housing Business.

The YAMADA NEOBANK service was launched on July 1, 2021 and we 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 1.3% year on year to ¥13,125 million, and operating profit increased 41.6% year on year to ¥554 million.

Revenues and profits both increased due to the outcomes of the self-contained initiatives for environmental resource development undertaken by the Group.

(5) Other businesses

In other businesses, net sales increased 18.3% year on year to ¥33,409 million, while operating profit was ¥110 million (operating loss of ¥1,808 million in the previous fiscal year), an improvement of ¥1,918 million from the previous fiscal year and a return to profitability.

The main reasons were improved revenue at OTSUKA KAGU, LTD., with a recovery in the number of customers visiting stores, 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 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 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" that 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 aim to achieve a sustainable society by strengthening 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 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 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 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 second quarter under review encompassing 24 new store openings and 23 store closures, was 1,004 directly-managed stores (comprising 985 stores directly managed by YAMADA DENKI and 19 stores operated by other consolidated subsidiaries). The total number of stores of the Group, including the stores managed by franchise stores, was 12,599.

[On performance summary]

As a result of the above, consolidated net sales for the six months under review amounted to ¥800,399 million, down 7.0% year on year, operating profit totaled ¥35,084 million, down 23.7% year on year, ordinary profit was ¥39,276 million, down 20.0% year on year, and profit attributable to owners of parent was ¥29,968 million, up 43.4% year on year.

(2) Information regarding financial position

[Financial position]

Total assets at the end of the second quarter under review amounted to ¥1,248,713 million, down ¥3,887 million (0.3%) compared to the end of the previous fiscal year. This was mainly due to the decline in cash and deposits, despite the increase in deferred tax assets from the mergers among subsidiaries caused by the reorganization of the Electrical Business.

Total liabilities amounted to ¥592,905 million, up ¥12,850 million (2.2%) compared to the end of the previous fiscal year. This was mainly due to an increase in "other current liabilities" under "current liabilities" as a result of the application of the Accounting Standard for Revenue Recognition.

Net assets amounted to ¥655,808 million, down ¥16,737 million (2.5%) 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 51.0% (51.8% 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, 2022 unchanged from the figures announced on October 29, 2021.
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 September 30, 2021
Assets		
Current assets		
Cash and time deposits	74,438	47,536
Notes and accounts receivable	72,962	62,365
Accounts receivable from completed construction contracts	2,050	1,640
Operating loans	4,255	5,464
Merchandise and finished goods	368,839	368,921
Real estate for sale	28,585	29,468
Costs on construction contracts in progress	5,545	7,838
Work in process	1,254	1,277
Raw materials and supplies	4,352	4,829
Other current assets	54,382	63,118
Allowance for doubtful accounts	(2,027)	(1,789)
Total current assets	614,635	590,667
Non-current assets		
Property and equipment		
Buildings and structures, net	197,027	193,315
Land	199,382	201,018
Other, net	32,192	38,273
Total property and equipment, net	428,601	432,606
Intangible assets	42,778	41,894
Investments and other assets		
Guarantee deposits	85,752	81,491
Net defined benefit asset	1,839	1,864
Other assets	81,590	102,846
Allowance for doubtful accounts	(2,595)	(2,655)
Total investments and other assets	166,586	183,546
Total non-current assets	637,965	658,046
Total assets	1,252,600	1,248,713

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable	106,929	74,270
Accounts payable for construction contracts	13,720	11,165
Short-term loans payable	44,199	80,197
Current portion of long-term loans payable	50,860	50,727
Income taxes payable	29,986	7,892
Advances received on construction contracts in progress	17,285	24,055
Other provisions	24,716	13,852
Other current liabilities	69,621	120,966
Total current liabilities	357,316	383,124
Long-term liabilities		
Long-term loans payable	123,430	116,874
Other provisions	9,198	2,648
Net defined benefit liability	30,607	31,515
Asset retirement obligations	35,488	35,710
Other long-term liabilities	24,016	23,034
Total long-term liabilities	222,739	209,781
Total liabilities	580,055	592,905
Net assets		
Shareholders' equity		
Common stock	71,078	71,100
Capital surplus	84,236	81,018
Retained earnings	560,958	544,295
Treasury stock, at cost	(68,883)	(61,286)
Total shareholders' equity	647,389	635,127
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of taxes	(269)	(50)
Foreign currency translation adjustments	609	1,027
Remeasurements of defined benefit plans	1,685	1,257
Total accumulated other comprehensive income	2,025	2,234
Subscription rights to shares	1,579	1,673
Non-controlling interests	21,552	16,774
Total net assets	672,545	655,808
Total liabilities and net assets	1,252,600	1,248,713

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

(Consolidated statements of income - cumulative)

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	860,297	800,399
Cost of sales	601,091	565,624
Gross profit	259,206	234,775
Selling, general and administrative expenses	213,196	199,691
Operating profit	46,010	35,084
Non-operating income		
Purchase discounts	1,320	1,346
Other	5,289	4,581
Total non-operating income	6,609	5,927
Non-operating expenses		
Interest expenses	684	739
Other	2,846	996
Total non-operating expenses	3,530	1,735
Ordinary profit	49,089	39,276
Extraordinary income		
Gain on negative goodwill	1,163	–
Gain on sales of non-current assets	8	–
Other	331	63
Total extraordinary income	1,502	63
Extraordinary loss		
Loss on disposal of non-current assets	430	386
Impairment loss	11,961	899
Loss on COVID-19	564	164
Retirement benefits for directors (and other officers)	43	1,010
Loss on cancellation of rental contracts	5,453	1
Other	1,042	703
Total extraordinary losses	19,493	3,163
Profit before income taxes	31,098	36,176
Income taxes-current	17,097	9,275
Income taxes-deferred	(5,622)	(3,135)
Total income taxes	11,475	6,140
Profit	19,623	30,036
Profit (loss) attributable to non-controlling interests	(1,272)	68
Profit attributable to owners of parent	20,895	29,968

(Consolidated statements of comprehensive income - cumulative)

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	19,623	30,036
Other comprehensive income, net of taxes		
Valuation difference on available-for-sale securities	611	103
Foreign currency translation adjustments	(70)	386
Remeasurements of defined benefit plans, net of tax	(231)	(428)
Share of other comprehensive income of associates accounted for using equity method	(0)	(3)
Total other comprehensive income	310	58
Comprehensive income	19,933	30,094
Comprehensive income attributable to:		
Owners of parent	21,205	30,176
Non-controlling interests	(1,272)	(82)

(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 executed a share exchange whereby the Company became the wholly owning parent company and OTSUKA KAGU, LTD. became the wholly owned subsidiary as of September 1, 2021 pursuant to a resolution at the meeting of the Board of Directors held on June 9, 2021. As a result, in the six months under review, the capital surplus declined by ¥3,259 million and treasury shares decreased by ¥7,585 million.
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 fiscal year ending March 31, 2022, 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 of the fiscal year ending March 31, 2022, 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 of the fiscal year ending March 31, 2022.

(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 certain 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 of the fiscal year ending March 31, 2022, was added to or deducted from the opening balance of retained earnings of the first quarter of the fiscal year ending March 31, 2022, 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 of the fiscal year ending March 31, 2022, 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 six months under review decreased by ¥47,566 million and ¥8,524 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.

(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 of the fiscal year ending March 31, 2022, 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 Six months ended September 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	770,258	56,969	784	6,473	834,484
Intersegment sales	16,130	1,268	165	6,488	24,051
Total	786,388	58,237	949	12,961	858,535
Segment profit (loss)	48,143	(925)	142	391	47,751

	Others (Note 1)	Total	Adjusted amounts (Note 2)	Amount recorded in consolidated statement of income (Note 3)
Net sales				
Sales to external customers	25,813	860,297	–	860,297
Intersegment sales	2,419	26,470	(26,470)	–
Total	28,232	886,767	(26,470)	860,297
Segment profit (loss)	(1,808)	45,943	67	46,010

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 Six months ended September 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	649,145	115,138	1,039	6,701	772,023
Intersegment sales	12,887	2,523	147	6,424	21,981
Total	662,032	117,661	1,186	13,125	794,004
Segment profit	33,319	365	177	554	34,415

	Others (Note 1)	Total	Adjusted amounts (Note 2)	Amount recorded in consolidated statement of income (Note 3)
Net sales				
Sales to external customers	28,376	800,399	–	800,399
Intersegment sales	5,033	27,014	(27,014)	–
Total	33,409	827,413	(27,014)	800,399
Segment profit	110	34,525	559	35,084

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 is adjusted with operating profit in the consolidated statement of income.

(Reference information)

Year on year comparison by reportable segment

(Millions of yen)

	Reportable segments					Others
	Electrical Business (Note)	Housing Business	Financial Business	Environment Business	Total	
Total net sales (Rate of change year on year)	(15.8)%	102.0%	24.9%	1.3%	(7.5)%	18.3%
Total net sales (Change in amount year on year)	(124,356)	59,424	237	164	(64,531)	5,177
Segment profit (loss) (Rate of change year on year)	(30.8)%	–	25.1%	41.6%	(27.9)%	–
Segment profit (loss) (Change in amount year on year)	(14,824)	1,290	35	163	(13,336)	1,918

Note: In comparison to before the application of the Accounting Standard for Revenue Recognition, net sales in the Electrical Business declined 9.8% year on year, from among various factors in dampening net sales.

In the Electrical Business, segment profit decreased 23.4% year on year, when excluding the transient impact from the decline in profits caused by standardization of the month for settlement of accounts with the reorganization of the Electrical Business.

(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 of the fiscal year ending March 31, 2022, 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 six months for the previous fiscal year has been prepared based on the reportable segment classification for the six 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 of the fiscal year ending March 31, 2022, 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 six months under review decreased by ¥47,229 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)

No items to report