Translation

February 3, 2022

Consolidated Financial Results for the Nine 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: February 14, 2022
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: None
Holding of quarterly financial results presentation meeting: None

(Millions of yen with fractional amounts rounded off, unless otherwise noted)

1. Consolidated performance for the nine months of the fiscal year ending March 31, 2022 (from April 1, 2021 to December 31, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2021	1,192,797	(7.0)	58,000	(22.0)	64,409	(18.6)	47,493	11.2
December 31, 2020	1,283,093	5.3	74,406	105.0	79,129	90.1	42,724	72.2

Note: Comprehensive income
Nine months ended December 31, 2021: 46,457 million yen (12.8%)
Nine months ended December 31, 2020: 41,180 million yen (64.0%)

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2021	57.43	57.16
December 31, 2020	51.70	51.46

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 nine 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 ¥76,358 million, and the actual year-on-year change excluding this impact was negative 1.1%.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2021	1,332,263	672,184	49.0
March 31, 2021	1,252,600	672,545	51.8

Reference: Equity
As of December 31, 2021: 653,398 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 nine 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 nine months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

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

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

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

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 December 31, 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 December 31, 2021	130,616,640 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)

Nine months ended December 31, 2021	826,954,735 shares
Nine months ended December 31, 2020	826,253,246 shares

* Document as English translation and difference in presentation method of figures

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. Readers should also note that (i) in the Japanese original, figures are presented in millions of yen with fractional amounts discarded unless otherwise noted, while in the English translation, figures are presented in millions of yen with fractional amounts rounded off unless otherwise noted, and (ii) in the Japanese original, totals may not equal the sum of individual amounts due to the discarding of the fractional amounts, while in the English translation, individual amounts are adjusted so that totals equal the sum of such individual amounts.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company as of the announcement date and on certain assumptions deemed to be reasonable. These statements do not purport that the Company pledges to realize such statements. Actual results may differ substantially due to various factors.

For the details of the above forecasts, please refer to the section of "(3) Information regarding consolidated earnings forecasts and other forward-looking statements" under "1. Qualitative information regarding settlement of accounts for the nine months" on page 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 nine months

(1) Information regarding operating results

[On background of economies at home and abroad]

In the first nine months of the fiscal year ending March 31, 2022, the Japanese economy showed signs of recovery in economic activities as vaccinations against COVID-19 progressed and restrictions on activities were eased. However, the risk of a resurgence of infections, such as the emergence of new virus variants, has not been eliminated, and it is necessary to pay attention to trends in Japan and overseas.

In the retail industry, the first half saw a severe situation due to requests to refrain from going out due to the declaration of a state of emergency caused by COVID-19, requests for the population to show their support from home with the Tokyo Olympics and Paralympics being held without spectators, partial closures of commercial facilities mainly in urban areas, shortened business hours, and refraining from events, and although during the third quarter under review, there were signs of a recovery due to the promotion of vaccinations and the effects of the Japanese government’s policies, etc., soaring resource prices and the depreciation of the yen caused prices to rise, pushing down consumer sentiment, and the outlook remains uncertain.

[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 13 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, 2021. As of January 31, 2022, 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, Tokushima Main Store, Kasukabe Main Store; stores that have been completely renovated: LABI1 Takasaki, LABI1 Ikebukuro; new stores opened: Musashi Kukishobu Store, LABI Chigasaki Store. In addition, the Company is proceeding with the development of various store formats and is making steady progress in expanding its sales floor space, in order 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 nine months under review decreased 7.0% year on year to ¥1,192,797 million, due to the following factors: (1) the impact of the Accounting Standard for Revenue Recognition, etc., which was adopted from the current fiscal year; (2) a decrease in the number of customers visiting stores in the first half of the fiscal year due to reduced business hours and self-restraint on business promotion caused by the holding of the Tokyo Olympics and Paralympics without spectators and the 5th wave of COVID-19, as well as the impact of natural disasters such as heavy rain; and (3) reactionary consumption in tourism, hobbies and luxury goods, etc. due to the lifting of the declaration of a state of emergency, as well as a rebound 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. In comparison to before the application of the Accounting Standard for Revenue Recognition, the year-on-year change in net sales was confined to a 1.1% decline year on year, despite various factors 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 22.0% year on year to ¥58,000 million due to lower net sales, while ordinary profit decreased 18.6% year on year to ¥64,409 million. Profit attributable to owners of parent was ¥47,493 million, up 11.2%, due to factors such as the outcome of reforms in each business segment and the benefits of reorganization in the Electrical Business. All of the Company's business segments have returned to profitability. For details, please refer to [Operating results by segment] below.

The Group has created the "YAMADA HLDGS 2025 Mid-term business plan" (announced on November 4, 2021), our long-term vision for growth, 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, and aims to achieve net sales of ¥2 trillion for the fiscal year ending March 31, 2025.

[Operating results by segment]

(1) Electrical Business

In the Electrical Business, net sales decreased 15.4% year on year to ¥981,211 million, and operating profit decreased 28.6% year on year to ¥54,543 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, the Akihabara Store and the Shimbashi Store. In comparison to before the application of the Accounting Standard for Revenue Recognition, net sales declined 8.9% year on year. Operating profit decreased 23.9% 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, enhance our SPA products, and expand initiatives for the development of original products and our sales style that utilizes IT technology to negate the need of visits for estimate for the renovation business.

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 90.7% year on year to ¥181,658 million, while operating profit was ¥1,758 million (operating loss of ¥217 million in the previous fiscal year), an improvement of ¥1,975 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 nine 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 ¥62,504 million (up 11.5% year on year) and an operating loss of ¥510 million (operating loss of ¥738 million in the previous fiscal year). (2) Hinokiya Group reported an increase in revenues and a decrease in profits, with net sales of ¥78,218 million (up 4.8% year on year) and operating profit of ¥2,256 million (down 15.5% 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 ¥42,242 million (up 5.6% year on year) and operating profit of ¥1,251 million (up 61.7% 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 39.4% year on year to ¥1,807 million, and operating profit increased 27.0% year on year to ¥280 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 and the renovation industry's first original financial service were launched in the current fiscal year, 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 2.7% year on year to ¥20,209 million, and operating profit increased 41.1% year on year to ¥852 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 8.7% year on year to ¥48,850 million, while operating profit was ¥3 million (operating loss of ¥2,579 million in the previous fiscal year), an improvement of ¥2,582 million from the previous fiscal year and a return to profitability.

The main reasons were improved revenue at OTSUKA KAGU, LTD., with the enhancement of sales at Yamada Denki LIFE SELECT stores, 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) Providing comfortable living space and establishing a social system, (2) Developing employees and improving the work environment, and (3) Building a circular economy and protecting 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 diversity, and understanding 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 third quarter under review encompassing 44 new store openings and 33 store closures, was 1,014 directly-managed stores (comprising 996 stores directly managed by YAMADA DENKI and 18 stores operated by other consolidated subsidiaries). The total number of stores of the Group, including the stores managed by franchise stores, was 12,554.

[On performance summary]

As a result of the above, consolidated net sales for the nine months under review amounted to ¥1,192,797 million, down 7.0% year on year, operating profit totaled ¥58,000 million, down 22.0% year on year, ordinary profit was ¥64,409 million, down 18.6% year on year, and profit attributable to owners of parent was ¥47,493 million, up 11.2% year on year.

(2) Information regarding financial position

[Financial position]

Total assets at the end of the third quarter under review amounted to ¥1,332,263 million, up ¥79,663 million (6.4%) compared to the end of the previous fiscal year. This was mainly due to an increase in merchandise and finished goods as a result of up-front strategic purchases.

Total liabilities amounted to ¥660,079 million, up ¥80,024 million (13.8%) 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 and borrowings for working capital.

Net assets amounted to ¥672,184 million, down ¥361 million (0.1%) 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 49.0% (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 December 31, 2021
Assets		
Current assets		
Cash and time deposits	74,438	76,884
Notes and accounts receivable	72,962	88,412
Accounts receivable from completed construction contracts	2,050	2,199
Operating loans	4,255	5,869
Merchandise and finished goods	368,839	388,183
Real estate for sale	28,585	29,317
Costs on construction contracts in progress	5,545	11,366
Work in process	1,254	1,666
Raw materials and supplies	4,352	5,693
Other current assets	54,382	70,762
Allowance for doubtful accounts	(2,027)	(1,912)
Total current assets	614,635	678,439
Non-current assets		
Property and equipment		
Buildings and structures, net	197,027	202,519
Land	199,382	201,593
Other, net	32,192	30,056
Total property and equipment, net	428,601	434,168
Intangible assets	42,778	41,908
Investments and other assets		
Guarantee deposits	85,752	80,781
Net defined benefit asset	1,839	1,877
Other assets	81,590	97,661
Allowance for doubtful accounts	(2,595)	(2,571)
Total investments and other assets	166,586	177,748
Total non-current assets	637,965	653,824
Total assets	1,252,600	1,332,263

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable	106,929	118,760
Accounts payable for construction contracts	13,720	12,792
Short-term loans payable	44,199	107,746
Current portion of long-term loans payable	50,860	48,941
Income taxes payable	29,986	4,302
Advances received on construction contracts in progress	17,285	31,974
Other provisions	24,716	10,304
Other current liabilities	69,621	127,693
Total current liabilities	357,316	462,512
Long-term liabilities		
Long-term loans payable	123,430	105,937
Other provisions	9,198	2,461
Net defined benefit liability	30,607	31,174
Asset retirement obligations	35,488	35,839
Other long-term liabilities	24,016	22,156
Total long-term liabilities	222,739	197,567
Total liabilities	580,055	660,079
Net assets		
Shareholders’ equity		
Common stock	71,078	71,100
Capital surplus	84,236	80,992
Retained earnings	560,958	561,820
Treasury stock, at cost	(68,883)	(61,250)
Total shareholders’ equity	647,389	652,662
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of taxes	(269)	(422)
Foreign currency translation adjustments	609	1,199
Remeasurements of defined benefit plans	1,685	(41)
Total accumulated other comprehensive income	2,025	736
Subscription rights to shares	1,579	1,694
Non-controlling interests	21,552	17,092
Total net assets	672,545	672,184
Total liabilities and net assets	1,252,600	1,332,263

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

(Consolidated statements of income - cumulative)

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	1,283,093	1,192,797
Cost of sales	890,339	836,891
Gross profit	392,754	355,906
Selling, general and administrative expenses	318,348	297,906
Operating profit	74,406	58,000
Non-operating income		
Purchase discounts	1,889	1,811
Other	7,830	6,994
Total non-operating income	9,719	8,805
Non-operating expenses		
Interest expenses	991	1,066
Cost of sales of electric power	584	583
Other	3,421	747
Total non-operating expenses	4,996	2,396
Ordinary profit	79,129	64,409
Extraordinary income		
Gain on negative goodwill	1,163	–
Gain on sales of non-current assets	59	–
Gain on revision of retirement benefit plan	–	3,062
Other	576	66
Total extraordinary income	1,798	3,128
Extraordinary loss		
Loss on disposal of non-current assets	633	465
Impairment loss	12,099	899
Loss on COVID-19	633	178
Retirement benefits for directors (and other officers)	43	1,010
Loss on cancellation of rental contracts	5,490	1
Other	1,351	817
Total extraordinary losses	20,249	3,370
Profit before income taxes	60,678	64,167
Income taxes-current	23,758	15,099
Income taxes-deferred	(4,249)	1,170
Total income taxes	19,509	16,269
Profit	41,169	47,898
Profit (loss) attributable to non-controlling interests	(1,555)	405
Profit attributable to owners of parent	42,724	47,493

(Consolidated statements of comprehensive income - cumulative)

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	41,169	47,898
Other comprehensive income, net of taxes		
Valuation difference on available-for-sale securities	387	(269)
Foreign currency translation adjustments	(29)	558
Remeasurements of defined benefit plans, net of tax	(347)	(1,727)
Share of other comprehensive income of associates accounted for using equity method	(0)	(3)
Total other comprehensive income	11	(1,441)
Comprehensive income	41,180	46,457
Comprehensive income attributable to:		
Owners of parent	42,735	46,204
Non-controlling interests	(1,555)	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 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 nine 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)."

(Additional information)

(Transfer of retirement benefit plan)

The Company and some of its subsidiaries have applied the "Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No. 1, December 16, 2016) and the "Practical Solution on Accounting for Transfers between Retirement Benefit Plans" (ASBJ PITF No. 2, February 7, 2007) following the transfer from a defined benefit corporate pension plan to a defined contribution pension plan on November 1, 2021, and have accounted for the termination of retirement benefit plan for the portion transferred to the defined contribution pension plan.

The impact of this transfer has been recorded as extraordinary income of ¥3,062 million in the nine months ended December 31, 2021.

(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 nine months under review decreased by ¥76,358 million and ¥11,501 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 Nine months ended December 31, 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	1,137,319	93,239	1,046	10,051	1,241,655
Intersegment sales	23,185	2,041	251	9,634	35,111
Total	1,160,504	95,280	1,297	19,685	1,276,766
Segment profit (loss)	76,369	(217)	221	603	76,976

	Others (Note 1)	Total	Adjusted amounts (Note 2)	Amount recorded in consolidated statement of income (Note 3)
Net sales				
Sales to external customers	41,438	1,283,093	–	1,283,093
Intersegment sales	3,491	38,602	(38,602)	–
Total	44,929	1,321,695	(38,602)	1,283,093
Segment profit (loss)	(2,579)	74,397	9	74,406

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 Nine months ended December 31, 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	961,800	177,799	1,587	10,119	1,151,305
Intersegment sales	19,411	3,859	220	10,090	33,580
Total	981,211	181,658	1,807	20,209	1,184,885
Segment profit	54,543	1,758	280	852	57,433

	Others (Note 1)	Total	Adjusted amounts (Note 2)	Amount recorded in consolidated statement of income (Note 3)
Net sales				
Sales to external customers	41,492	1,192,797	–	1,192,797
Intersegment sales	7,358	40,938	(40,938)	–
Total	48,850	1,233,735	(40,938)	1,192,797
Segment profit	3	57,436	564	58,000

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.

(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 nine months for the previous fiscal year has been prepared based on the reportable segment classification for the nine 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 of business segments.

With this change, net sales of the Electrical Business in the nine months under review decreased by ¥75,881 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 of each segment is minimal.

(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)	(15.4)%	90.7%	39.4%	2.7%	(7.2)%	8.7%
Total net sales (Change in amount year on year)	(179,293)	86,378	510	524	(91,881)	3,921
Segment profit (loss) (Rate of change year on year)	(28.6)%	–	27.0%	41.1%	(25.4)%	–
Segment profit (loss) (Change in amount year on year)	(21,826)	1,975	59	249	(19,543)	2,582

Note: In comparison to before the application of the Accounting Standard for Revenue Recognition, net sales in the Electrical Business declined 8.9% year on year.
In the Electrical Business, segment profit decreased 23.9% 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.

(Significant subsequent events)

(Conversion into wholly-owned subsidiaries through simplified share exchange)

The Company resolved at the meeting of the Board of Directors held on February 10, 2022 to execute a share exchange, whereby the Company becomes the wholly-owning parent company and Hinokiya Group Co., Ltd. (hereinafter referred to as "Hinokiya Group") becomes the wholly-owned subsidiary (hereinafter referred to as the "Share Exchange"), as of the effective date of April 27, 2022 (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:	Hinokiya Group Co., Ltd.
Description of business:	Housing, real estate investment, thermal insulation materials, renovation, and other businesses

(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

April 27, 2022 (scheduled)

(d) Method of share exchange

The Share Exchange will be one whereby the Company will become the wholly-owning parent company and Hinokiya Group 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 Hinokiya Group, the Share Exchange Agreement will be approved at the Ordinary General Meeting of Shareholders of Hinokiya Group scheduled to be held on March 29, 2022. The Share Exchange is scheduled to take effect on April 27, 2022.

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

	The Company (wholly-owning parent company)	Hinokiya Group (wholly-owned subsidiary)
Allotment ratio for the Share Exchange	1	6.2
Number of shares to be delivered in the Share Exchange	Common stock of the Company: 39,204,615 shares (scheduled)	

Notes: 1. Share allotment ratio
For each share of Hinokiya Group, 6.2 shares of the Company's common stock (hereinafter referred to as the "Company's Shares") will be allotted. However, no shares will be allotted in the Share Exchange for the Hinokiya Group Shares which the Company holds (6,327,659 shares as of December 31, 2021). In the event of any significant changes to the terms and conditions that provide the basis for the calculations, the allotment ratio for the Share Exchange set out in the table above (hereinafter referred to as the "Share Exchange Ratio") may be modified upon consultation and agreement between the Company and Hinokiya Group in accordance with the Share Exchange Agreement.

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 to the shareholders of Hinokiya Group (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 Hinokiya Group (excluding the Hinokiya Group Shares held by the Company) under the Share Exchange (hereinafter referred to as the "Record Time"), in exchange for Hinokiya Group Shares being owned by these shareholders. The Company plans to use its 39,204,615 treasury shares 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 Hinokiya Group to be held no later than the day before the effective date of the Share Exchange, Hinokiya Group will cancel all of the treasury shares that it holds at the Record Time (including the shares to be acquired by Hinokiya Group 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). The number of the Company's Shares to be allotted and delivered through the Share Exchange is subject to change due to the repurchase and cancellation of treasury shares by Hinokiya Group, 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 (e) "Stock type, exchange ratio, and number of shares delivered" above, the Company and Hinokiya Group, each 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 Hinokiya Group appointed YAMADA Consulting Group Co., Ltd. as the third-party valuation institutions.

The Company and Hinokiya Group conducted careful examinations based on the results of due diligence, etc. that each company 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 careful 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 Hinokiya Group 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 February 10, 2022, 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 transactions 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).