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**YUHO REPORT**  
**Annual**

Fiscal Year Ended	March 31, 2003
Traded	TSE1
Stock Code	9831

2003

**YAMADA DENKI CO., LTD**

# YUHOREPORT

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Traded	<b>TSE1</b>
Stock Code	<b>9831</b>

This report is based on the Company's Japanese-language annual filing with the Financial Services Agency and supplemented with materials that facilitate comparison with the Company's peers. The materials from the annual filing with the Financial Services Agency have been edited and reorganized in a format more familiar to the international investment community. All information contained in this report has been obtained from sources believed to be reliable, but the accuracy of the data and the translation, completeness, and timeliness of the information are not warranted by the Company, Pacific Associates, or Asia Securities Printing. None of the above parties shall be responsible for any errors or omissions or for any results obtained from the use of this information.

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## Company Profile

*Financial highlights*

Years ended March 31; Millions of yen	1999	2000	2001	2002	2003	Change 2003/1999
<b>Consolidated</b>						
Net sales	-	-	-	-	793,829	
Ordinary profit	-	-	-	-	18,290	
Net income	-	-	-	-	5,593	
Shareholders' equity	-	-	-	-	127,977	
Total assets	-	-	-	-	306,877	
Shareholders' equity per share (Yen)	-	-	-	-	1,535.14	
Net income per share (Yen)	-	-	-	-	66.21	
Net income per share, fully diluted (Yen)	-	-	-	-	57.06	
Net cash provided by (used in) operating activities	-	-	-	-	10,400	
Net cash provided by (used in) investing activities	-	-	-	-	(39,638)	
Net cash provided by (used in) financing activities	-	-	-	-	57,986	
Cash and cash equivalents, end of term	-	-	-	-	47,799	
Employees	-	-	-	-	4,915	
<b>Parent</b>						
Net sales	242,822	332,169	471,246	560,881	753,208	310%
Ordinary profit	6,663	10,245	16,403	18,288	22,334	335%
Net income	3,082	5,564	8,790	10,244	10,415	338%
Common stock	10,793	20,633	32,181	46,000	46,053	427%
Shares outstanding	17,629	21,616	24,699	27,723	83,316	473%
Shareholders' equity	29,760	54,912	86,245	123,397	133,126	447%
Total assets	78,615	115,531	167,509	203,227	284,496	362%
Equity / assets (%)	37.9	47.5	51.5	60.7	46.7	123%
Shareholders' equity per share (Yen)	1,688.14	2,540.32	3,491.78	4,451.11	1,596.93	95%
Dividends per share (Yen)	23.00	23.00	26.00	24.00	8.00	35%
Net income per share (Yen)	196.84	268.18	360.27	376.37	124.09	63%
Net income per share, fully diluted (Yen)	172.00	264.76	358.52	375.63	106.95	62%
Dividend payout ratio (%)	13.1	8.9	7.3	6.5	6.4	49%
Net cash provided by (used in) operating activities	-	9,027	16,196	3,303	-	
Net cash provided by (used in) investing activities	-	(20,754)	(31,356)	(29,065)	-	
Net cash provided by (used in) financing activities	-	19,813	18,549	23,324	-	
Cash and cash equivalents, end of term	8,598	16,684	20,073	17,636	-	
Employees	2,446	3,476	4,545	4,428	4,168	170%

*The Company began preparing consolidated financial statements in the March 2003 fiscal term. Hence, it has provided no figures for prior terms.*

*Peer comparisons*

<b>Percent</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Net income / net sales (%)	1.3	1.7	1.9	1.8	1.4
Peers	(2.4)	(2.1)	(1.2)	(4.3)	(3.2)
Ordinary profit / net sales (%)	2.7	3.1	3.5	3.3	3.0
Peers	0.1	0.8	0.2	(2.3)	(1.2)
Net income / assets (%)	3.9	4.8	5.2	5.0	3.7
Peers	(4.7)	(3.2)	(1.7)	(4.6)	(3.8)
Ordinary profit / assets (%)	8.5	8.9	9.8	9.0	7.9
Peers	0.3	1.9	1.1	(2.9)	(0.6)
Equity / assets (%)	37.9	47.5	51.5	60.7	46.7
Peers	33.8	30.8	32.9	31.9	32.8
Net income / equity (%)	10.4	10.1	10.2	8.3	7.8
Peers	(132.6)	(3.4)	0.0	(13.0)	(14.7)

*Peers include Kojima (7513), T-ZONE (8073), Joshin Denki (8173), Best Denki (8175), Matsuya Denki (8189), Nakagawa Musen (8192), Laox (8202), K's Denki (8282).*

*Common size statements*

Years ended March 31; Percent	Consolidated		Parent	
	2003	2001	2002	2003
<b>Balance sheet</b>				
<b>Assets</b>	100.0	100.0	100.0	100.0
Current assets	51.0	54.4	52.3	54.1
Tangible fixed assets	25.2	24.9	25.4	22.8
Intangible fixed assets	0.3	0.1	0.2	0.2
Investments and other assets	23.5	20.6	22.1	22.9
Total fixed assets	49.0	45.6	47.7	45.9
<b>Liabilities and shareholders' equity</b>	100.0	100.0	100.0	100.0
Current liabilities	30.1	42.5	35.8	31.1
Long-term liabilities	27.4	6.0	3.5	22.1
Total liabilities	57.5	48.5	39.3	53.2
Minority interests in consolidated companies	0.8			
Common stock	-	19.2	22.0	-
Additional paid-in capital	-	19.2	22.0	-
Legal income reserve	-	0.1	0.0	-
Retained earnings	-	13.0	15.0	-
Unrealized gains or losses on other securities	-	(0.0)	(0.0)	-
Treasury stock	-	-	(0.0)	-
Total shareholders' equity	-	51.5	60.7	-
Common stock	15.0	-	-	16.2
Capital reserves	15.0	-	-	16.2
Retained earnings	11.7	-	-	14.4
Unrealized gains or losses on other securities	(0.0)	-	-	(0.0)
Treasury stock	(0.0)	-	-	(0.0)
Total shareholders' equity	41.7	-	-	46.8
<b>Statement of income</b>				
<b>Net sales</b>	100.0	100.0	100.0	100.0
Cost of goods sold	81.5	85.4	84.5	83.1
Gross profit on sales	18.5	14.6	15.5	16.9
Selling, general and administrative expenses	18.2	12.6	13.7	15.2
Operating income	0.3	2.0	1.8	1.7
Nonoperating income	2.2	1.6	1.6	1.5
Nonoperating expenses	0.2	0.1	0.1	0.2
Ordinary profit	2.3	3.5	3.3	3.0
Extraordinary income	0.0	0.0	0.0	0.0
Extraordinary losses	0.5	0.2	0.1	0.5
Net income before taxes	1.8	3.3	3.2	2.5
Taxes	1.2	1.4	1.4	1.1
Minority interests in loss of consolidated companies	0.1			
Net income	0.7	1.9	1.8	1.4

## Business Overview

### *Description of business*

The corporate group comprises the Company and 11 subsidiaries. Its principal business is selling household electrical appliances, personal computers and other home-information products.

A subsidiary Minami Kyushu Yamada Electric, Co., Ltd., sells merchandise that it procures from the Company.

A subsidiary Wako Yamada Denki Co., Ltd., sells merchandise that it procures from the Company.

A subsidiary Daikuma Co., Ltd., sells merchandise that it procures from the Company.

A subsidiary, Yamada Capital Holdings Co., Ltd., owns shares of Daikuma Co., Ltd., financing their acquisition through capital from the Company in the form of equity investments and loans.

The subsidiary Okinawa Yamada Denki Co., Ltd., sells merchandise that it procures from the Company.

A subsidiary, YST Japan Co., Ltd., imports products from abroad and sells them to the Company.

A subsidiary, Yamada Broadband Corporation, sells Internet-related services.

A subsidiary CIC Co., Ltd. has responsibility for disposing of electrical appliances and other industrial waste that the Company accepts at its stores from customers.

A subsidiary, Multi Media Work, Co., Ltd., provides support services for personal computers and computer-related goods purchased from the Company.

A subsidiary, CLIMB ENTERTAINMENT CO., LTD., delivers and installs products sold by the Company to its customers.

A subsidiary, LEGAL UNITED TRUSTIES CO., LTD., brokers real estate transactions for the Company and negotiates rents on the Company's behalf.

## Group companies

Name	Operations	Common stock Millions of yen	Percent ownership
<b>(Consolidated subsidiaries)</b>			
Minami Kyushu Yamada Electric, Co., Ltd.	Retailing home electrical appliances and personal computers and other information-related equipment	100	60.0
Wako Yamada Denki Co., Ltd.	Retailing home electrical appliances and personal computers and other information-related equipment	739	67.5
Daikuma Co., Ltd.	Retailing home electrical appliances and personal computers and other information-related equipment	4,243	91.6
Yamada Capital Holdings Co., Ltd.	Owning and managing marketable securities	4,649	100.0

## History

Year	Month	Event
1983	September	Company established. Maebashi Minami Store opened, and full-scale development of retail chain begun.
1984	March	Distribution Center opened in Asakura-cho, Maebashi-shi, to strengthen and improve distribution department efficiency.
1985	April	Fukaya Store, the Company's first store outside Gunma Prefecture, opened in Fukaya-shi, Saitama Prefecture. Distribution Center expanded to simultaneously accommodate multi-branch operation and to reinforce the distribution department.
1986	May	POS system introduced in all stores and large, general-purpose computer installed to enable instantaneous gathering of financial and customer-related information.
	July	First franchised store opened in Saku-shi, Nagano Prefecture. With this move, development of a franchise chain initiated.
1987	May	Merger completed with Yamada Denki Co., Ltd. (established June 1, 1978) on a 1:100 basis to change the par value of the Company's stock.
	December	Construction of headquarters building completed in Hiyoshi-cho, Maebashi-shi. Corporate headquarters moved to new building. Tecc Land Headquarters Store, the Company's first large-scale comprehensive electrical appliance store (core store), opened simultaneously on the first floor of the headquarters building. With this move, implementation of a "core-store" strategy commenced.
1988	March	A&V Bics Takasaki Store, a specialty store dealing in audio visual products, and Rings Takasaki Store, a rental shop dealing in video and compact disk software, opened simultaneously on the same site. With this move, development of a combined specialty store/rental shop strategy commenced.
1989	March	Company's shares registered for OTC trading with the Securities Dealers Association of Japan.
1990	September	A&V Bics Takasaki Store converted to a personal computer specialty store. Development of "Computer Kan" stores begun.
1991	February	With the dissolution of franchisee relationships, 10 former franchise stores converted to Company-operated outlets.
	March	Tecc-Information System Co., Ltd., an affiliated company engaged in computer-related development and sales, established. (Liquidated in September 2001.)
1992	July	Tecc Land Miyazaki Store, the Company's first store in Kyushu, opened in Miyazaki-shi, Miyazaki Prefecture.
1993	December	Tecc Land Shibukawa Store in Shibukawa-shi, Gunma Prefecture, converted to a Company-operated store.
1995	October	Tecc Land Sendai Izumi Store, the Company's first store in the Tohoku district, opened in Izumi-ku, Sendai-shi, Miyagi Prefecture.



YAMADA DENKI

Year	Month	Event
1997	February	Tecc Land Nisshin Store, the Company's first store in the Chubu district, opened in Nisshin-shi, Aichi Prefecture.
	April	Transactions with partners established through operating alliances begun.
	June	CIC Co., Ltd. established as an affiliated company engaged in the processing and recycling of industrial waste.
	July	Tecc Land Okayama Store, the Company's first store in the Chugoku / Shikoku district, opened in Okayama-shi, Okayama Prefecture.
	December	Minami Kyushu Yamada Denki Co., Ltd. established as an affiliated company in Kagoshima-shi, Kagoshima Prefecture.
1998	September	Tecc Land Himeji Store, the Company's first store in the Kinki district, opened.
2000	September	Company's shares listed on the First Section of the Tokyo Stock Exchange.
2001	April	Tecc Land Teine, the Company's first store in Hokkaido, opened in Sapporo.
	July	Okinawa Yamada Denki Co., Ltd., an affiliated company, established in Ginowan, Okinawa Prefecture.
	September	Joint-venture company Wako Yamada Denki Co., Ltd. established with Wakodenki Co., Ltd. (The joint venture is an affiliated company.)
2002	February	Equity position purchased in YST Japan Co., Ltd. (which became an affiliated company).
	April	Yamada Broadband Corporation, an affiliated company, was established in Maebashi, Gunma Prefecture.
	May	Equity investment made in Yamada Capital Holdings Co., Ltd. (an affiliated company.) Shares in Daikuma Co., Ltd. (an affiliated company) acquired
2003	January	Equity investment made in CLIMB ENTERTAINMENT CO., LTD. (an affiliated company.)
		LEGAL UNITED TRUSTIES CO., LTD., an affiliated company, was established in Fukuoka, Fukuoka Prefecture

*(As of the end of the fiscal term, there were 201 stores in operation.)*

## Directors

Name	Title	Date joined company	Date of birth	Thousand shares
Noboru Yamada	Representative Director, President	May-74	11-Feb-43	1,410.0
Tadao Ichimiya	Representative Director, Executive Vice President	Jan-83	13-Aug-55	90.4
Koji Ichimiya	Executive Vice President	Dec-83	28-Sep-63	4.2
Masaya Moteki	Senior Managing Director	Jul-86	12-Jul-65	0.3
Mamoru Moteki	Senior Managing Director	Jan-85	29-Mar-49	4.4
Hiroyasu Iizuka	Senior Managing Director	Apr-85	18-Jan-65	0.3
Makoto Igarashi	Senior Managing Director	Jan-90	4-Aug-64	3.5
Ginji Karasawa	Managing Director	Nov-84	1-Apr-53	12.5
Akihiko Iwai	Managing Director	Aug-85	27-Jul-56	3.5
Masaaki Kurihara	Managing Director	Jul-96	25-Apr-57	0.3
Hitoshi Arai	Director	Mar-84	26-Aug-60	0.2
Shigeru Kobayashi	Director	Apr-84	4-Sep-51	0.3
Takashi Watanabe	Director	Mar-91	30-Dec-67	0.1
Haruhiko Itakura	Director	Jun-86	11-Jan-54	0.2
Kiichi Makishima	Standing Statutory Auditor	May-86	18-Jun-46	12.2
Katsuji Kato	Standing Statutory Auditor	Sep-83	14-Sep-44	14.8
Izumi Inukai	Statutory Auditor	Jun-94	6-Mar-48	0.3
				1,557.5

## Employees

<b>Consolidated</b>	
<b>Business segment</b>	<b>Number</b>
Stores	4,592
Overall company (common operations)	323
	4,915
<b>Parent</b>	
<b>Total or average</b>	
Number	4,168
Average age	28.6
Average years of service	4.0
Average annual salary (Yen)	3,912,663

*The number noted under "overall company" (common operations) refers to employees in management divisions who cannot be categorized in terms of a specific operation.*

*The average annual salary includes bonuses.*

*The number of employees does not include 2,899 part-time employees.*

## Cash Flows

*Consolidated statement of cash flows*

Year ended March 31; Millions of yen	2003
<b>Net cash provided by (used in) operating activities</b>	
Net income before taxes and other adjustments	14,436
Depreciation	6,458
Amortization of consolidation differences	(5,173)
Increase in retirement benefits	345
Increase (decrease) in reserve for bonuses	(207)
Increase (decrease) in allowance for doubtful accounts	(214)
Increase in allowance for customer-discount points	5,536
Interest and dividend income	(476)
Interest expenses	411
Loss on valuation of investment securities	36
Issuing expenses on bonds	1,115
Loss on disposal of fixed assets	1,910
Loss on cancellation of guarantee deposits	1,920
Decrease (increase) in trade receivables	1,112
Decrease (increase) in inventory	(6,952)
Increase (decrease) in trade payables	714
Increase (decrease) in consumption tax payable	(662)
Decrease (increase) in other current assets	(1,517)
Increase (decrease) in other current liabilities	1,456
Directors' bonuses	(87)
Others	139
	20,301
Interest and dividend income	107
Interest expenses	(350)
Income tax and others	(9,656)
	10,400
<b>Net cash provided by (used in) investing activities</b>	
Increase in time deposits	(637)
Proceeds from decrease in time deposits	9,081
Payments for purchase of mortgage securities	(5,000)
Payments for acquisition of marketable securities	(2,299)
Payments for acquisition of investment securities	(1,085)
Proceeds from sales of investment securities	32
Payments made for equity investments	(300)
Proceeds from recouping equity investments	22
Payments for acquisition of capital stock of affiliated companies	(12,341)

<b>Year ended March 31; Millions of yen</b>	<b>2003</b>
Payments for loans and advances	(4)
Proceeds from collection of loans and advances	16
Payments for acquisition of tangible fixed assets	(24,384)
Payments for acquisition of intangible fixed assets	(260)
Payments of guarantee deposits	(8,845)
Proceeds from reversal of guarantee deposits	2,706
Proceeds from the sale of guarantee deposits	3,725
Others	(63)
	(39,638)
<b>Net cash provided by (used in) financing activities</b>	
Proceeds from increase in short-term borrowings	131,100
Repayments of short-term borrowings	(131,100)
Proceeds from increase in long-term debt	10,200
Repayments of long-term debt	(5,275)
Proceeds from issuing of corporate bonds	53,729
Payments for purchase of treasury stock	(4)
Dividends	(664)
	57,986
Effect of exchange rate changes on cash and cash equivalents	-
Net increase in cash and cash equivalents	28,748
Cash and cash equivalents at beginning of term	17,636
Cash and cash equivalents accompanying new consolidation	1,415
Cash and cash equivalents at end of term	47,799

Relationship between balance of cash and cash equivalents as of term end and balance sheet items

<b>Year ended March 31; Millions of yen</b>	<b>2003</b>
Cash and time deposits	47,799
Time deposits, etc., of 3 months or longer	-
Cash and cash equivalents at end of term	47,799

**Capital expenditure plans**

Millions of yen	Expenditures to date	Anticipated expenditures	Date commenced	Date completed
<b>Significant new additions of facilities</b>				
<b>Yamada Denki Co., Ltd.</b>				
<b>Tecc Land stores</b>				
Shimonoseki	512	617	2002/12	2003/5
Joetsu	550	100	2002/11	2003/5
Tsuruoka	10	297	2003/2	2003/5
Kashima	28	497	2003/2	2003/5
Mooka	18	367	2003/3	2003/6
Hamamatsu	8	342	2003/4	2003/8
Hirosaki	207	416	2003/4	2003/8
Hyogo	0	776	2003/4	2003/9
Omuta	5	305	2003/5	2003/9
Saku	8	470	2003/6	2003/10
Takeo	19	281	2003/7	2003/10
Fukui	41	847	2003/7	2003/10
Wakayama	38	627	2003/6	2003/12
	1,444	5,942		

**Dividend policy**

In allocating its profits, the Company is most concerned with the stability and continuity of dividends to shareholders. At the same time, amid changes occurring in the economics of the retail sector, it also believes that internal reserves are indispensable for achieving stable growth through a strengthened corporate structure. Consequently, it has adopted a basic policy of paying out dividends commensurate with profits.

The Company will invest retained earnings in two principal areas to maintain and enhance future competitiveness: capital projects, including new store openings and renovations of existing stores; and programs aimed at strengthening fundamental operating capabilities, including those related to human-resource development and to strengthening the group's financial structure.

## Operations

*Consolidated statement of income*

<b>Year ended March 31; Millions of yen</b>	<b>2003</b>
<b>Net sales</b>	793,829
<b>Cost of goods sold</b>	647,277
Gross profit on sales	146,551
<b>Selling, general and administrative expenses</b>	143,836
Operating income	2,715
<b>Nonoperating income</b>	
Interest income	465
Purchase discount	7,109
Income on sales promotion	2,280
Amortization of consolidation adjustments	5,173
Others	2,141
	17,171
<b>Nonoperating expenses</b>	
Interest expenses	411
Bond issuance expenses	1,115
Others	69
	1,596
Ordinary profit	18,290
<b>Extraordinary income</b>	
Reversal of allowance for doubtful accounts	214
Others	32
	246
<b>Extraordinary losses</b>	
Loss on disposal of fixed assets	1,922
Loss on cancellation of guarantee deposits	1,920
Others	258
	4,100
Income before taxes and other adjustments	14,436
Corporate, residents and enterprise taxes	11,796
Deferred taxes	(2,185)
	9,610
Minority interest in loss of consolidated companies	767
Net income	5,593

***Consolidated appropriation of retained earnings***

<b>March 31; Millions of yen</b>	<b>2003</b>
<b>Capital reserves</b>	
Capital reserves, beginning of term	-
Increase in capital reserves	
Increase from change to consolidated accounting	45,937
Conversion of convertible bonds	53
	45,990
Capital reserves, end of term	45,990
<b>Retained earnings</b>	
Retained earnings, beginning of term	-
Increase in retained earnings	
Increase from change to consolidated accounting	31,156
Net income	5,593
	36,749
Reduction in retained earnings	
Dividends	665
Directors' bonuses	87
	752
Retained earnings, end of term	35,997

***Results of operations*****Fiscal year ended March 31, 2003*****Economic and other factors affecting operations***

- 1) Stark deterioration in the Japanese economy, resulting from:
  - Protracted stock market slump
  - Continued weakness in consumer spending, reflecting weaker conditions in the labor market against a background of high rates of corporate bankruptcy and labor-force restructurings
- 2) Strong demand for new products, counteracted by cyclical weakness in existing products
  - Strong sales of new digital products including plasma display TVs, liquid crystal TVs and digital cameras
  - Further softening in demand for PCs

***Store-related actions***

- 1) Undertook and completed conversion of recently acquired Daikuma stores to the new retailing format
  - Reforms entailed re-education of personnel and adaptation to requirements of a different industry
  - Through reforms, gained reasonable assurance of the Daikuma chain's returning to profitability in the not-too-distant future
- 2) Pursued ways of combining Tecc Land with new Daikuma outlets to enhance operating efficiencies
- 3) Closed seven unprofitable Wako Yamada Denki stores

***Marketing and other operational actions***

- 1) Added to services provided under “The *Anshin*” [“peace of mind”] system, which increased the popularity of the plan
- 2) Continued to make progress in the following areas:
  - 3<sup>rd</sup> Plan for Reform of Physical Distribution
  - Specifying areas in stores for software retailing
  - Appliance re-use business
  - The selling of white-box computers
- 3) In January, established LEGAL UNITED TRUSTIES CO., LTD. as a real estate management company to negotiate reductions in land leases and to handle other property-related matters
- 4) Increased branch network to 201 outlets (170 corporate-run, 31 operated by subsidiaries)
  - Opened 31 new stores, including Tecc Land Ebina
  - Closed 7 stores, including Uozu store

***Sales by division (percentages indicate share of total sales)***

- 1) Household appliances: 471.7 billion yen (59.5% of net sales)
- 2) Information-related electronics: 293.2 billion yen (36.9% of net sales)
- 3) Other products: 28.9 billion yen (3.6% of net sales)



**Sales**

Year ended March 31; Millions of yen	2003	
Products	Amount	%
<b>Home appliances</b>		
Color televisions	77,442	9.8
Video equipment	33,679	4.2
Audio equipment	41,642	5.2
Refrigerators	46,057	5.8
Washing machines	29,095	3.7
Cooking appliances	28,535	3.6
Air conditioners	38,885	4.9
Other home cooling and heating equipment	26,700	3.4
Others	149,653	18.9
	471,691	59.5
<b>Home-information appliances</b>		
Personal computers	172,875	21.8
Computer peripherals	68,611	8.6
Software	10,472	1.3
Telephone and facsimile equipment	10,260	1.3
Others	30,969	3.9
	293,190	36.9
<b>Non-appliances</b>		
Videos and books	28,913	3.6
Others	33	0.0
	28,947	3.6
	793,829	100.0

**Sales per unit**

Year ended March 31; Millions of yen	2003
Net sales	793,829
Selling floor space (average) - m <sup>2</sup>	627,002
Sales per square meter	1,266
Employees (average) - persons	8,309
Sales per employee	95

## Leases

Under generally accepted accounting principles in Japan, finance leases that do not transfer ownership are accounted for in the same manner as operating leases when “as if capitalized” information is disclosed.

The Company’s main finance lease contracts are as follows:

Item	Term	Current payments	Future payments
	Months	Millions of yen	
Computer and peripheral equipment	60	716	1,666
Store buildings	120	142	1,983
Store facilities	36-108	1,434	4,924

Pro forma information on leased property is as follows:

Millions of yen	2003
<b>Buildings and structures</b>	
Acquisition cost	1,673
Accumulated depreciation	194
Net leased property	1,478
<b>Others</b>	
Acquisition cost	12,951
Accumulated depreciation	5,847
Net leased property	7,103
<b>Total</b>	
Acquisition cost	14,625
Accumulated depreciation	6,042
Net leased property	8,582
<b>Future minimum lease payments, including interest portion</b>	
Due within one year	2,405
Due after one year	6,749
	9,155
Lease payments	2,740
Pro forma depreciation expenses (assuming straight-line method)	2,281
Pro forma interest expenses	481

## Capital Structure

*Consolidated balance sheet: assets*

Year ended March 31; Millions of yen	2003
<b>Current assets</b>	
Cash and time deposits	47,799
Notes and accounts receivable	10,106
Marketable securities	2,299
Inventories	79,176
Deferred tax assets	4,055
Others	13,124
Allowance for doubtful accounts	(17)
	156,544
<b>Fixed assets</b>	
<b>Tangible fixed assets</b>	
Buildings and structures	58,923
Land	14,777
Others	3,787
	77,489
<b>Intangible fixed assets</b>	844
<b>Investments and other assets</b>	
Investments in securities	1,956
Guarantee deposits	64,202
Deferred tax assets	639
Others	5,308
Allowance for doubtful accounts	(107)
	71,999
Total fixed assets	150,333
<b>Total assets</b>	306,877

***Consolidated balance sheet: liabilities and shareholders' equity***

<b>Year ended March 31; Millions of yen</b>	<b>2003</b>
<b>Current liabilities</b>	
Notes and accounts payable	53,545
Income tax payable	7,315
Reserve for bonuses	1,662
Allowance for customer-discount points	7,589
Others	22,249
	<u>92,362</u>
<b>Long-term liabilities</b>	
Bonds	54,845
Long-term debt	10,935
Retirement benefits	1,759
Consolidation translation adjustments	10,357
Others	6,149
	<u>84,046</u>
Total liabilities	176,408
<b>Minority interests in consolidated companies</b>	2,492
<b>Shareholders' equity</b>	
Common stock	46,053
Capital reserves	45,990
Retained earnings	35,997
Unrealized gains or losses on other securities	(58)
Treasury stock	(5)
Total shareholders' equity	<u>127,977</u>
<b>Total liabilities, minority interests and shareholders' equity</b>	<u>306,877</u>

## Nonconsolidated Financial Statements

### *Nonconsolidated statement of cash flows*

The cash flow statement is disclosed on consolidated base from the March 2003 term.

Years ended March 31; Millions of yen	2001	2002
<b>Net cash provided by (used in) operating activities</b>		
Net income before taxes and other adjustments	15,414	17,912
Depreciation	3,070	4,059
Increase (decrease) in reserve for retirement allowances	(152)	-
Increase in retirement benefits	1,137	276
Increase in reserve for bonuses	217	5
Increase (decrease) in allowance for doubtful accounts	(14)	323
Increase in allowance for customer-discount points	-	2,053
Interest and dividend income	(219)	(441)
Interest expenses	427	332
Gain on sales of marketable securities	(8)	-
Loss on valuation of investment securities	-	7
Loss on valuation of securities of affiliated companies	16	-
Gain on liquidation of affiliated companies	-	(0)
Loss on liquidation of affiliated companies	-	3
Issuing expenses on new equity	92	136
Loss on disposal and sales of tangible fixed assets	175	37
Loss on cancellation of guarantee deposits	9	5
Revaluation loss on golf membership deposits	-	0
Decrease (increase) in trade receivables	(3,285)	(4,902)
Decrease (increase) in inventory	(16,022)	(5,516)
Increase (decrease) in trade payables	15,339	(1,440)
Increase (decrease) in consumption tax payable	449	830
Decrease (increase) in consumption tax receivable	1	-
Decrease (increase) in other current assets	(570)	(1,073)
Increase (decrease) in other current liabilities	5,111	(326)
Directors' bonuses	(50)	(65)
	21,139	12,216
Interest and dividend income	217	443
Interest expenses	(424)	(325)
Income tax and others	(4,735)	(9,030)
	16,196	3,303

<b>Years ended March 31; Millions of yen</b>	<b>2001</b>	<b>2002</b>
<b>Net cash provided by (used in) investing activities</b>		
Increase in time deposits	(7,553)	(9,432)
Proceeds from decrease in time deposits	6,196	7,060
Proceeds from sales of marketable securities	-	60
Payments for acquisition of investment securities	(25)	(306)
Payments for acquisition of capital stock of affiliated companies	(50)	(371)
Proceeds from sales of shares of affiliated companies	-	59
Payments for loans and advances	(736)	(7,400)
Proceeds from collection of loans and advances	748	91
Payments for acquisition of tangible fixed assets	(13,918)	(13,221)
Payments for acquisition of intangible fixed assets	(55)	(111)
Payments of guarantee deposits	(16,819)	(7,324)
Proceeds from reversal of guarantee deposits	1,024	1,342
Other net cash used in investment activities	(166)	488
	(31,356)	(29,065)
<b>Net cash provided by (used in) financing activities</b>		
Proceeds from increase in short-term borrowings	170,500	212,200
Repayments of short-term borrowings	(170,920)	(212,200)
Proceeds from increase in long-term debt	1,400	-
Repayments of long-term debt	(4,823)	(3,482)
Proceeds from issuing of new shares	22,839	27,448
Dividends	(497)	(642)
Payments for purchase of treasury stock	(44)	(3)
Proceeds from sale of treasury stock	95	5
	18,549	23,324
Effect of exchange rate changes on cash and cash equivalents	-	-
Net increase in cash and cash equivalents	3,389	(2,437)
Cash and cash equivalents at beginning of term	16,684	20,073
Cash and cash equivalents at end of term	20,073	17,636

### Relationship between balance of cash and cash equivalents as of term end and balance sheet items

<b>Years ended March 31; Millions of yen</b>	<b>2001</b>	<b>2002</b>
Cash and time deposits	26,055	25,990
Time deposits, etc., of 3 months or longer	(5,982)	(8,354)
Cash and cash equivalents at end of term	20,073	17,636

### Noncash investing and financing activities

<b>Years ended March 31; Millions of yen</b>	<b>2001</b>	<b>2002</b>
Conversion of convertible bonds into common stock	81	25
Conversion of convertible bonds into additional paid-in capital	81	25
Reduction in balance of convertible bonds	162	50

***Nonconsolidated statement of income***

<b>Years ended March 31; Millions of yen</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Net sales</b>			
Net sales - merchandise goods	470,176	559,782	751,826
Net sales - rental fees	1,069	1,099	1,382
	471,246	560,881	753,208
<b>Cost of goods sold</b>			
Cost of goods sold - merchandise			
Merchandise inventory, beginning of term	37,066	53,088	58,604
Purchase of merchandise for the term	418,270	479,564	631,966
	455,336	532,653	690,571
Merchandise inventory, end of term	53,088	58,604	64,427
	402,247	474,048	626,143
Cost of goods sold - rental fees	66	47	44
	402,314	474,095	626,188
Gross profit on sales			
Merchandise goods	67,929	85,733	125,682
Rental fees	1,002	1,052	1,338
	68,931	86,785	127,020
<b>Selling, general and administrative expenses</b>			
Advertising expenses	13,292	15,958	15,163
Point-related promotional expenses	-	-	20,450
Allowance for point-related promotions	-	-	4,667
Provision for doubtful accounts	-	9	8
Employee salaries	14,228	18,906	24,142
Reserve provision for bonuses	1,520	1,525	1,456
Pension benefit expenses	270	373	507
Employee benefit expenses	2,274	2,957	3,672
Leasing fees	8,937	12,935	16,113
Water, heating and lighting expenses	2,318	3,255	3,669
Depreciation expenses	2,919	3,805	4,931
Others	13,785	17,001	19,653
	59,547	76,728	114,435
Operating income	9,384	10,057	12,585

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Years ended March 31; Millions of yen	2001	2002	2003
<b>Nonoperating income</b>			
Interest income	211	420	624
Purchase discount	5,056	6,187	7,109
Income on sales promotion	1,232	1,099	2,197
Others	1,084	1,050	1,303
	7,584	8,758	11,235
<b>Nonoperating expenses</b>			
Interest expenses	427	332	322
Interest expenses for bonds	0	0	-
Issuing expenses for new shares	92	136	-
Bond issuance expenses	-	-	1,098
Others	45	57	64
	565	527	1,485
Ordinary profit	16,403	18,288	22,334
<b>Extraordinary income</b>			
Reversal of allowance for doubtful accounts	14	-	206
Gain on liquidation of affiliated companies	-	0	1
	14	0	208
<b>Extraordinary losses</b>			
Loss on disposal of fixed assets	185	40	113
Loss on cancellation of guarantee deposits	9	5	281
Loss on valuation of securities of affiliated companies	16	-	499
Loss resulting from change in retirement benefit accounting standards	791	-	-
Loss on liquidation of affiliated companies	-	3	-
Directors' retirement expenses	-	13	-
Provision for doubtful accounts	-	313	3,207
Valuation loss on golf memberships	-	0	-
	1,003	376	4,102
Net income before taxes and other adjustments for the term	15,414	17,912	18,440
Corporate, residents and enterprise taxes	7,401	8,883	11,713
Deferred taxes	(777)	(1,214)	(3,688)
	6,624	7,668	8,025
Net income for the term	8,790	10,244	10,415
Retained earnings brought forward from previous term	616	928	1,419
Unappropriated retained earnings, end of fiscal term	9,407	11,172	11,834



***Nonconsolidated balance sheet: assets***

Years ended March 31; Millions of yen	2001	2002	2003
<b>Current assets</b>			
Cash and time deposits	26,055	25,990	44,955
Notes receivable	-	49	-
Accounts receivable - trade	7,022	11,875	16,590
Marketable securities	59	-	2,299
Treasury stock	3	-	-
Mortgage securities	-	-	5,000
Merchandise	53,088	58,604	64,427
Short-term loans to affiliates	-	3,011	7,252
Prepaid expenses	927	1,192	1,472
Deferred tax assets	812	1,788	4,060
Accounts receivable - other	1,809	2,421	5,526
Current portion of guarantee deposits	1,235	1,372	2,190
Others	78	97	232
Allowance for doubtful accounts	(12)	(33)	(29)
	91,081	106,370	153,976
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Buildings	37,394	47,054	61,657
Accumulated depreciation	6,723	9,461	12,889
	30,671	37,593	48,768
Structures	3,424	4,223	5,116
Accumulated depreciation	1,197	1,609	2,067
	2,227	2,613	3,049
Vehicles and delivery equipment	97	96	95
Accumulated depreciation	69	76	71
	27	20	23
Tools, furniture and fixtures	2,406	3,784	5,415
Accumulated depreciation	1,313	1,851	2,602
	1,093	1,933	2,813
Land	6,164	8,226	9,892
Construction in progress	1,504	1,187	254
	41,689	51,574	64,802

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Years ended March 31; Millions of yen	2001	2002	2003
<b>Intangible fixed assets</b>			
Leaseholds	45	98	256
Software	3	37	151
Telephone bonds	147	168	190
	196	304	599
<b>Investments and other assets</b>			
Investments in securities	157	411	1,410
Capital stock of affiliated companies	211	520	5,643
Investments other than securities	114	85	357
Long-term loans	1	1	0
Long-term loans to affiliated companies	95	4,404	16,301
Long-term prepaid expenses	2,669	3,757	4,789
Deferred tax assets	444	697	2,137
Guarantee deposits	30,831	35,387	38,171
Others	14	14	119
Allowance for losses on investments in affiliates	-	-	(499)
Allowance for doubtful accounts	-	(302)	(3,315)
	34,541	44,977	65,117
Total fixed assets	76,427	96,856	130,519
<b>Total assets</b>	<b>167,509</b>	<b>203,227</b>	<b>284,496</b>

***Nonconsolidated balance sheet: liabilities and shareholders' equity***

<b>Years ended March 31; Millions of yen</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Current liabilities</b>			
Notes payable - trade	537	504	519
Accounts payable - trade	49,204	47,797	52,828
Current portion of long-term debt	3,425	3,486	3,874
Convertible bonds redeemable within 1 year	-	106	-
Accounts payable - other	4,879	5,760	7,840
Accrued expenses	711	852	1,061
Income tax payable	5,217	5,069	7,225
Consumption tax payable	505	1,335	837
Advances from customers	4,671	3,699	4,955
Reserve for bonuses	1,520	1,525	1,456
Allowance for customer-discount points	-	2,053	6,720
Others	460	636	1,142
	<u>71,133</u>	<u>72,826</u>	<u>88,461</u>
<b>Long-term liabilities</b>			
Bonds	-	-	50,000
Convertible bonds	157	-	-
Long-term debt	8,653	5,109	9,837
Retirement benefits	1,137	1,413	1,759
Others	183	480	1,312
	<u>10,130</u>	<u>7,003</u>	<u>62,908</u>
Total liabilities	81,263	79,829	151,369
<b>Shareholders' equity</b>			
Common stock	32,181	46,000	-
Additional paid-in capital	32,120	45,937	-
Legal income reserves	241	312	-
Retained earnings			
Voluntary reserves - total			
Special reserves	12,300	20,000	-
	<u>12,300</u>	<u>20,000</u>	<u>-</u>
Unappropriated retained earnings, end of fiscal year	9,407	11,172	-
	<u>21,707</u>	<u>31,172</u>	<u>-</u>
Unrealized gains or losses on other securities	(4)	(23)	-
Treasury stock	-	(1)	-
Total shareholders' equity	<u>86,245</u>	<u>123,397</u>	<u>-</u>

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<b>Years ended March 31; Millions of yen</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Common stock	-	-	46,053
Capital reserves			
Additional paid-in capital	-	-	45,990
	-	-	45,990
Retained earnings			
Legal income reserves	-	-	312
Voluntary reserves - total			
Special reserves	-	-	29,000
Unappropriated retained earnings, end of fiscal year	-	-	11,834
	-	-	41,146
Unrealized gains or losses on other securities	-	-	(59)
Treasury stock	-	-	(5)
Total shareholders' equity	-	-	133,126
<b>Total liabilities and shareholders' equity</b>	<b>167,509</b>	<b>203,227</b>	<b>284,496</b>

## Share-related Information

## Shares in issue

<b>Class of shares</b>	Common
<b>Number of shares authorized</b>	120,000,000
<b>Issued</b>	
As March 31, 2003	83,316,621
As June 27, 2003	83,316,621
<b>Stock exchange listings or registration</b>	Tokyo Stock Exchange
<b>Comments</b>	-

## Changes in common stock and number of shares outstanding

Shares Millions of yen	Shares outstanding		Common stock		Additional paid-in capital		Remark
	Increase or decrease	Balance	Increase or decrease	Balance	Increase or decrease	Balance	
March 31, 1999	2,794,176	17,629,387	2,695	10,793	2,693	10,734	Conversion of convertible bonds
July 9, 1999	3,000,000	20,629,387	8,832	19,625	8,832	19,566	Public offering of shares
March 31, 2000	987,014	21,616,401	1,007	20,633	1,007	20,573	Conversion of convertible bonds
May 15, 2000	3,000,000	24,616,401	11,466	32,099	11,466	32,039	Public offering of shares
March 31, 2001	83,140	24,699,541	81	32,181	81	32,120	Conversion of convertible bonds
June 3, 2001	3,000,000	27,699,541	13,794	45,975	13,791	45,911	Public offering of shares
March 31, 2002	23,508	27,723,049	25	46,000	25	45,937	Conversion of convertible bonds
November 20, 2002	55,544,414	83,267,463	-	46,000	-	45,937	Split 3 for 1
March 31, 2003	49,158	83,316,621	53	46,053	53	45,990	Conversion of convertible bonds

## Shareholders by type of investor

Type of investor	Number of shareholders	Hundreds of shares	% owned
National and local government agencies	-	-	-
Financial institutions	87	367,093	44.1
Securities companies	18	1,895	0.2
Business and other corporations	119	88,828	10.7
Nonresidents	313	335,985	40.3
Individuals and others	3,560	39,354	4.7
	4,097	833,155	100.0
Shares less than one unit	-	1,121	-

## Largest shareholders

<b>Name</b>	<b>Thousands of shares owned</b>	<b>Of which held in trust accounts</b>	<b>% of shares outstanding</b>
Japan Trustee Services Bank	6,572.4	6,572.4	7.88
Master Trust Bank of Japan	5,702.9	5,702.9	6.84
Tecc-Planning	4,686.0		5.62
UFJ Trust Bank	2,897.4	2,897.4	3.47
Bank of Bermuda, Hamilton	2,897.2		3.47
Trust & Custody Services Bank	1,997.4	1,997.4	2.39
State Street Bank & Trust	1,829.3		2.19
The Chase Manhattan Bank, NA London	1,669.7		2.00
Gunma Bank	1,641.0		1.96
Towa Bank	1,570.8		1.88
	31,464.1		37.76

## Share information

<b>Fiscal year-end</b>	March 31
<b>Ex-rights date</b>	March 31
<b>Ex-rights date for interim dividend</b>	September 30
<b>Closing of shareholder register</b>	-
<b>Annual general meeting of shareholders</b>	June
<b>Trading unit</b>	100 shares
<b>Types of share certificates</b>	100, 1,000 and 10,000 shares
<b>Transfer agent</b>	Mizuho Trust & Banking, 1-2-1, Yaesu, Chuo-ku, Tokyo
<b>Publication of record</b>	<i>Nihon Keizai Shimbun</i>

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