



**YUHO REPORT**  
**Annual**

Fiscal Year Ended	March 31, 2004
Traded	TSE1
Stock Code	9831

2004

**YAMADA DENKI CO., LTD.**

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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 and the 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 error or omission or for results obtained from the use of this information.

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## Company Profile

*Financial highlights*

Years ended March 31; Millions of yen	2000	2001	2002	2003	2004	Change 2004/2000
<b>Consolidated</b>						
Net sales	-	-	-	793,829	939,137	
Ordinary profit	-	-	-	18,290	30,652	
Net income	-	-	-	5,593	19,168	
Shareholders' equity	-	-	-	127,977	146,738	
Total assets	-	-	-	306,877	328,406	
Shareholders' equity per share (Yen)	-	-	-	1,535.14	1,759.94	
Net income per share (Yen)	-	-	-	66.21	228.74	
Net income per share, fully diluted (Yen)	-	-	-	57.06	197.18	
Net cash provided by (used in) operating activities	-	-	-	10,400	(13,682)	
Net cash provided by (used in) investing activities	-	-	-	(39,638)	(14,116)	
Net cash provided by (used in) financing activities	-	-	-	57,986	(1,179)	
Cash and cash equivalents, end of term	-	-	-	47,799	19,662	
Employees	-	-	-	4,915	5,276	
<b>Parent</b>						
Net sales	332,169	471,246	560,881	753,208	921,997	278%
Ordinary profit	10,245	16,403	18,288	22,334	25,335	247%
Net income	5,564	8,790	10,244	10,415	12,857	231%
Common stock	20,633	32,181	46,000	46,053	46,053	223%
Shares outstanding	21,616	24,699	27,723	83,316	83,316	385%
Shareholders' equity	54,912	86,245	123,397	133,126	145,206	264%
Total assets	115,531	167,509	203,227	284,496	305,288	264%
Equity / assets (%)	47.5	51.5	60.7	46.7	47.6	100%
Shareholders' equity per share (Yen)	2,540.32	3,491.78	4,451.11	1,596.93	1,741.74	69%
Dividends per share (Yen)	23.00	26.00	24.00	8.00	12.00	52%
Net income per share (Yen)	268.18	360.27	376.37	124.09	153.19	57%
Net income per share, fully diluted (Yen)	264.76	358.52	375.63	106.95	132.06	50%
Dividend payout ratio (%)	8.9	7.3	6.5	6.4	7.8	88%
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	16,684	20,073	17,636	-	-	
Employees	3,476	4,545	4,428	4,168	4,387	126%

*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>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Net income / net sales (%)	1.7	1.9	1.8	1.4	1.4
Peers	(1.1)	(1.5)	(3.7)	(3.6)	1.0
Ordinary profit / net sales (%)	3.1	3.5	3.3	3.0	2.7
Peers	0.7	(0.0)	(2.6)	(1.5)	1.3
Net income / assets (%)	4.8	5.2	5.0	3.7	4.2
Peers	(1.9)	(2.0)	(3.8)	(4.4)	1.1
Ordinary profit / assets (%)	8.9	9.8	9.0	7.9	8.3
Peers	1.9	1.0	(3.3)	(0.9)	2.2
Equity / assets (%)	47.5	51.5	60.7	46.7	47.6
Peers	31.7	34.2	34.0	34.7	32.9
Net income / equity (%)	10.1	10.2	8.3	7.8	8.9
Peers	2.1	(0.4)	(8.0)	(16.9)	(5.0)

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

*Common size statements*

Years ended March 31; Percent	Consolidated		Parent		
	2003	2004	2002	2003	2004
<b>Balance sheet</b>					
<b>Assets</b>	100.0	100.0	100.0	100.0	100.0
Current assets	51.0	51.0	52.3	54.1	51.5
Tangible fixed assets	25.2	27.2	25.4	22.8	25.0
Intangible fixed assets	0.3	0.4	0.2	0.2	0.3
Investments and other assets	23.5	21.4	22.1	22.9	23.2
Total fixed assets	49.0	49.0	47.7	45.9	48.5
<b>Liabilities and shareholders' equity</b>	100.0	100.0	100.0	100.0	100.0
Current liabilities	30.1	31.2	35.8	31.1	31.2
Long-term liabilities	27.4	23.4	3.5	22.1	21.2
Total liabilities	57.5	54.6	39.3	53.2	52.4
Minority interests in consolidated companies	0.8	0.7			
Common stock	-	-	22.0	-	-
Additional paid-in capital	-	-	22.0	-	-
Legal income reserve	-	-	0.0	-	-
Retained earnings	-	-	15.0	-	-
Unrealized gains or losses on other securities	-	-	(0.0)	-	-
Treasury stock	-	-	(0.0)	-	-
Total shareholders' equity	-	-	60.7	-	-
Common stock	15.0	14.0	-	16.2	15.1
Capital reserves	15.0	14.0	-	16.2	15.1
Retained earnings	11.7	16.7	-	14.4	17.4
Unrealized gains or losses on other securities	(0.0)	(0.0)	-	(0.0)	(0.0)
Treasury stock	(0.0)	(0.0)	-	(0.0)	(0.0)
Total shareholders' equity	41.7	44.7	-	46.8	47.6
<b>Statement of income</b>					
<b>Net sales</b>	100.0	100.0	100.0	100.0	100.0
Cost of goods sold	81.5	77.5	84.5	83.1	80.4
Gross profit on sales	18.5	22.5	15.5	16.9	19.6
Selling, general and administrative expenses	18.2	21.1	13.7	15.2	18.1
Operating income	0.3	1.4	1.8	1.7	1.5
Nonoperating income	2.2	1.9	1.6	1.5	1.3
Nonoperating expenses	0.2	0.1	0.1	0.2	0.1
Ordinary profit	2.3	3.2	3.3	3.0	2.7
Extraordinary income	0.0	0.0	0.0	0.0	-
Extraordinary losses	0.5	0.0	0.1	0.5	0.2
Net income before taxes	1.8	3.2	3.2	2.5	2.5
Taxes	1.2	1.2	1.4	1.1	1.1
Minority interests in loss (income) of consolidated companies	0.1	(0.0)			
Net income	0.7	2.0	1.8	1.4	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.

A 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., assumes 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, Kouziro Corporation, manufactures computers and peripherals, which it sells to the Company.

A subsidiary, Inversenet Co., Ltd., manufactures communications and electrical equipment, which it sells to the Company.

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

*Group companies*

Name (Consolidated subsidiaries)	Operations	Common stock Millions of yen	Percent ownership
Minami Kyushu Yamada Electric, Co., Ltd.	Retailing of home electrical appliances and personal computers and other information-related equipment	100	60.0
Wako Yamada Denki Co., Ltd.	Retailing of home electrical appliances and personal computers and other information-related equipment	739	67.5
Daikuma Co., Ltd.	Retailing of home electrical appliances and personal computers and other information-related equipment	4,243	93.2
Yamada Capital Holdings Co., Ltd.	Holding and managing marketable securities	2,329	100.0
YST Japan Co., Ltd.	Retailing of imported products	10	70.0
CIC Co., Ltd.	Disposal of industrial waste products	80	84.9
Multi Media Work Co., Ltd.	Provision of PC support services	70	51.0
CLIMB ENTERTAINMENT CO., LTD.	Delivery and installation of products	10	70.0

*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 its prefecture of origin, opened in Fukaya-shi, Saitama Prefecture. Distribution Center expanded simultaneously to 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 into 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 building. With this move, implementation of a "core-store" strategy commenced.



Y A M A D A D E N K I

Year	Month	Event
1988	March	A&V Bics Takasaki Store, a specialty store dealing in audio visual products, opened. 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 into a personal computer specialty store. Development of "Computer Kan" stores begun.
1991	February	With the dissolution of franchisee relationships, 10 former franchise stores converted into 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 into a Company-operated store.
1995	October	Tecc Land Sendai Izumi Store, the Company's first store in the Tohoku region, opened in Izumi-ku, Sendai-shi, Miyagi Prefecture.
1997	February	Tecc Land Nisshin Store, the Company's first store in the Chubu region, 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 region, 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 region, 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, 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 TRUSTEES CO., LTD., an affiliated company, established in Fukuoka, Fukuoka Prefecture.
	December	Equity investment made in Inversenet Co., Ltd. (an affiliated company).
2004	January	Equity investment made in Kouziro Corporation (an affiliated company).

*(As of the end of the fiscal term, there were 227 stores in operation.)*

## ***Risk factors***

### (1) Impact of expanded regional coverage on financial performance

As of the end of March 2004, the Company had 227 outlets in 44 prefectures and planned to expand its total store space and regional coverage in order to increase its market share. This will add to expenses and expose it to intense competition from established retailers in the various regional markets.

When choosing new store locations, the Company will carefully consider such factors as rental costs, guarantee deposits, local competition and market size, but delays or changes in plans could impact operating results.

### (2) Regulations regarding store openings

The Large-Scale Retail Stores Location Law, implemented on June 1, 2000, provides for local governments to regulate the establishment of stores with floor space of more than 1,000 square meters or extensions to existing stores that increase floor space to more than 1,000 square meters. Environmental impact surveys must be conducted before applying to open new stores, and delays in completing these surveys could retard store openings.

## ***Analysis of financial condition and results of operations***

### Analysis of financial condition

#### (Current assets)

Current assets at the end of the fiscal year to March 2004 increased 11,070 million yen year-on-year to 167,614 million yen. The main contributing factors were:

Inventory: Increased 37,265 million yen y/y to 116,441 million yen.

Deferred tax assets: Increased 3,313 million yen y/y to 7,368 million yen.

The rise in inventory was due to the opening of 27 new outlets and the stocking of large flat-panel TV sets and DVD players in conjunction with the inauguration of digital terrestrial broadcasting.

Cash and time deposits decreased 28,083 million yen to 19,716 million yen. This resulted from an increase in inventory, payment of corporate and other taxes (13,868 million yen), and acquisition of tangible fixed assets (18,057 million yen).

**(Fixed assets)**

Fixed assets at the end of the fiscal year to March 2004 totaled 160,792 million yen, an increase of 10,459 million yen from the previous year. The main contributing factors were:

Land: Value of holdings increased 5,846 million yen y/y to 20,624 million yen.

Buildings and structures: Increased 3,873 million yen y/y to 62,796 million yen.

During the fiscal year, the company acquired land valued at 4,850 million yen for the construction of an outlet in Osaka's Namba region, due to open next fiscal year. The increase in the value of buildings and structures resulted primarily from capital investment in new outlets.

Guarantee deposits decreased by 3,206 million yen after the transfer of certain items from fixed assets to deposits refundable within one year.

**(Current liabilities)**

Current liabilities at the end of the fiscal year to March 2004 increased 10,171 million yen year-on-year to 102,534 million yen. The main contributing factors were:

Allowance for customer-discount points: Increased 9,139 million yen y/y to 16,728 million yen.

Long-term debt repayable within one year: Increased 2,829 million yen to 6,895 million yen.

Corporate tax payable: Increased 1,471 million yen to 8,787 million yen as a result of higher tax assessment.

The increase in the allowance for customer-discount points was necessitated by the expansion of the points program to cover all product categories. The increase in long-term debt repayable within one year resulted from the transfer of certain items from fixed assets.

Accrued liabilities decreased by 3,236 million yen as a result of cuts in advertising and other expenses, while notes and accounts payable decreased by 2,087 million yen.

**(Long-term liabilities)**

Long-term liabilities at the end of the fiscal year to March 2004 decreased 7,324 million yen to 76,721 million yen. The main contributing factors were:

Consolidation translation adjustments: Decreased 4,916 million yen y/y to 5,441 million yen.

Bonds: Decreased 4,845 million yen y/y to 50,000 million yen.

The decrease in consolidation translation adjustments resulted from reverse goodwill amortization with respect to Daikuma Co., Ltd. and other subsidiaries. As concerns bonds, the Company acquired convertible bonds of Yamada Capital Holdings Co., Ltd. from Nomura Principal Finance, which were offset in the consolidated accounts, in May 2003.

#### (Shareholders' equity)

Shareholders' equity at the end of the fiscal year to March 2004 increased 18,761 million yen to 146,738 million yen as net income for the term boosted retained earnings.

#### Analysis of cash flow

Cash and cash equivalents were affected by income before taxes and other adjustments, payment of corporate and other taxes, increases in inventory related to new-store openings and store renovations, and acquisition of tangible fixed assets.

### *Corporate governance*

#### (1) Basic stance

We believe it is important to maintain a management organization capable of improving management transparency and facilitating speedy decision-making in order to maintain and increase corporate and shareholder value.

#### (2) Implementation

In March 2005, the Company will clearly separate management decision-making and surveillance from operational execution and adopt an executive-officer system capable of responding speedily to changes in the business environment. As a trial during the year to March 2004, the Company adopted an executive structure comprising a representative director/president and CEO, a representative director/executive vice president and COO, and an executive vice president and COO in an effort to define management responsibilities more clearly. At the annual shareholders' meeting in June 2004, the number of shareholders will be reduced from 14 to 13, while the internal auditing function will be bolstered by increasing the number of auditors from three to four. The Company will continue to implement initiatives aimed at improving corporate governance in the future.

#### (3) Remuneration

Remuneration paid to directors and auditors and fees paid to the Company's auditing firm were as follows.

Remuneration paid to directors: 310 million yen

Remuneration paid to auditors: 29 million yen

Contractual fees paid to the auditing firm for audit certification: 20 million yen

## Directors

Name	Title	Date joined company	Date of birth	Shares owned (Thousands)
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	90.8
Koji Ichimiya	Executive Vice President	Dec-83	28-Sep-63	4.2
Masaya Motegi	Director	Jul-86	12-Jul-65	0.4
Mamoru Motegi	Director	Jan-85	29-Mar-49	4.6
Hiroyasu Iizuka	Director	Apr-85	18-Jan-65	0.4
Makoto Igarashi	Director	Jan-90	4-Aug-64	3.7
Takao Kato	Director	Jan-03	1-Oct-49	-
Ginji Karasawa	Director	Nov-84	1-Apr-53	2.7
Akihiko Iwai	Director	Aug-85	27-Jul-56	3.6
Masaaki Kurihara	Director	Jul-96	25-Apr-57	0.4
Takashi Watanabe	Director	Mar-91	30-Dec-67	0.1
Kazumasa Watanabe	Director	Apr-04	8-Jan-55	-
Kiichi Makishima	Standing Statutory Auditor	Aug-89	18-Jun-46	12.4
Takashi Tanpo	Standing Statutory Auditor	May-01	20-Oct-41	-
Katsuji Kato	Statutory Auditor	Sep-83	14-Sep-44	15.9
Izumi Inukai	Statutory Auditor	Jun-94	6-Mar-48	0.4
				1,551.2

## Employees

<b>Consolidated</b>	
Business segment	Number
Stores	4,924
Administration (general operations)	352
	5,276
<b>Parent</b>	
	Total or average
Number	4,387
Average age	29.5
Average years of service	4.8
Average annual salary (Yen)	3,702,157

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

*The average annual salary includes bonuses.*

*The number of employees does not include 3,982 part-time employees.*

## Cash Flows

*Consolidated statement of cash flows*

Years ended March 31; Millions of yen	2003	2004
<b>Net cash provided by (used in) operating activities</b>		
Net income before taxes and other adjustments	14,436	30,728
Depreciation	6,458	6,751
Amortization of consolidation differences	(5,173)	(5,219)
Increase in retirement benefits	345	383
Increase (decrease) in reserve for bonuses	(207)	(166)
Increase (decrease) in allowance for doubtful accounts	(214)	1
Increase in allowance for customer-discount points	5,536	9,139
Interest and dividend income	(476)	(480)
Interest expenses	411	395
Loss on valuation of investment securities	36	-
Issuing expenses on bonds	1,115	-
Loss on disposal of fixed assets	1,910	78
Loss on cancellation of guarantee deposits	1,920	20
Gain on transference of guarantee deposits	-	(291)
Decrease (increase) in trade receivables	1,112	(2,406)
Decrease (increase) in inventory	(6,952)	(37,085)
Increase (decrease) in trade payables	714	(1,961)
Increase (decrease) in consumption tax payable	(662)	(127)
Decrease (increase) in other current assets	(1,517)	(44)
Increase (decrease) in other current liabilities	1,456	380
Directors' bonuses	(87)	(92)
Others	139	489
	20,301	491
Interest and dividend income	107	126
Interest expenses	(350)	(432)
Income tax and others	(9,656)	(13,868)
	10,400	(13,682)
<b>Net cash provided by (used in) investing activities</b>		
Increase in time deposits	(637)	(12)
Proceeds from decrease in time deposits	9,081	10
Payments for purchase of mortgage securities	(5,000)	(1,000)
Proceeds from sales of mortgage securities	-	5,000
Payments for acquisition of marketable securities	(2,299)	(3)
Proceeds from redemption of marketable securities	-	2,299
Payments for acquisition of investment securities	(1,085)	(1)
Proceeds from sales of investment securities	32	26

Y A M A D A   D E N K I

Years ended March 31; Millions of yen	2003	2004
Payments made for equity investments	(300)	(312)
Proceeds from recouping equity investments	22	7
Payments for acquisition of capital stock of affiliated companies	(12,341)	(3,082)
Payments for loans and advances	(4)	(593)
Proceeds from collection of loans and advances	16	1
Payments for acquisition of tangible fixed assets	(24,384)	(18,057)
Proceeds from sales of tangible fixed assets	-	57
Payments for acquisition of intangible fixed assets	(260)	(383)
Payments of guarantee deposits	(8,845)	(5,674)
Proceeds from reversal of guarantee deposits	2,706	3,509
Proceeds from the sale of guarantee deposits	3,725	4,173
Others	(63)	(79)
	(39,638)	(14,116)
<b>Net cash provided by (used in) financing activities</b>		
Proceeds from increase in short-term borrowings	131,100	336,683
Payments of short-term borrowings	(131,100)	(336,806)
Proceeds from increase in long-term debt	10,200	8,568
Payments of long-term debt	(5,275)	(4,111)
Proceeds from issuing of corporate bonds	53,729	-
Payments for redemption of bonds	-	(4,845)
Payments for purchase of treasury stock	(4)	(1)
Dividends	(664)	(667)
	57,986	(1,179)
Effect of exchange rate changes on cash and cash equivalents	-	-
Net increase in cash and cash equivalents	28,748	(28,978)
Cash and cash equivalents at beginning of term	17,636	47,799
Cash and cash equivalents accompanying new consolidation	1,415	841
Cash and cash equivalents at end of term	47,799	19,662

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

Years ended March 31; Millions of yen	2003	2004
Cash and time deposits	47,799	19,716
Time deposits, etc., of 3 months or longer	-	54
Cash and cash equivalents at end of term	47,799	19,662

**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>				
Sakata	160	244	2003/11	2004/4
Tomakomai	180	284	2003/11	2004/4
Shimodate	172	282	2003/12	2004/4
Kuwana	209	349	2003/11	2004/4
Yonezawa	15	349	2003/12	2004/4
Kyoto-kisshoin	542	300	2004/1	2004/5
Akizaka	222	472	2003/12	2004/6
Hiroshima-chuo	60	524	2004/4	2004/6
Muikamachi	50	205	2004/3	2004/6
Hitachinaka	71	467	2004/1	2004/6
Shinjo	30	232	2003/12	2004/7
Ishioka	106	298	2004/1	2004/7
Morioka	68	523	2004/3	2004/7
Furukawa	14	276	2004/3	2004/7
Imizu	1	275	2004/4	2004/8
Hitachi	10	589	2004/4	2004/8
Shibata	11	533	2004/5	2004/8
Tochigi	14	566	2004/5	2004/9
Obihiro	10	530	2004/6	2004/9
Tagawa	5	476	2004/6	2004/9
<b>Okinawa Yamada Denki Co., Ltd.</b>				
<b>Tecc Land Store</b>				
Gushikawa	348	682	2004/3	2004/7
	2,303	8,466		

**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 programs concerned with human-resources development and with strengthening the Group's financial structure.

Taking into account earnings for the term and the fact that this year marks Yamada Denki's thirtieth anniversary, the Company intends to pay a dividend of 12 yen per share, an amount representing an increase of three yen in the ordinary dividend and an additional one yen per share to commemorate the thirtieth anniversary.



## Operations

*Consolidated statement of income*

Years ended March 31; Millions of yen	2003	2004
<b>Net sales</b>	793,829	939,137
<b>Cost of goods sold</b>	647,277	728,035
Gross profit on sales	146,551	211,101
<b>Selling, general and administrative expenses</b>	143,836	197,734
Operating income	2,715	13,366
<b>Nonoperating income</b>		
Interest income	465	477
Purchase discount	7,109	8,408
Income on sales promotion	2,280	1,865
Amortization of consolidation adjustments	5,173	5,219
Others	2,141	1,782
	17,171	17,754
<b>Nonoperating expenses</b>		
Interest expenses	411	395
Bond issuance expenses	1,115	-
Others	69	73
	1,596	469
Ordinary profit	18,290	30,652
<b>Extraordinary income</b>		
Reversal of allowance for doubtful accounts	214	41
Gain on transference of guarantee deposits	-	291
Others	32	18
	246	351
<b>Extraordinary losses</b>		
Loss on disposal of fixed assets	1,922	127
Out-of-court settlement	-	98
Loss on cancellation of guarantee deposits	1,920	20
Others	258	28
	4,100	274
Income before taxes and other adjustments	14,436	30,728
Corporate, residents and enterprise taxes	11,796	14,797
Deferred taxes	(2,185)	(3,410)
	9,610	11,386
Minority interest in loss (income) of consolidated companies	767	(173)
Net income	5,593	19,168

***Consolidated statement of retained earnings***

<b>March 31; Millions of yen</b>	<b>2003</b>	<b>2004</b>
<b>Capital reserves</b>		
Capital reserves, beginning of term	-	45,990
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	45,990
<b>Retained earnings</b>		
Retained earnings, beginning of term	-	35,997
Increase in retained earnings		
Increase from change to consolidated accounting	31,156	-
Increase due to new consolidation	-	341
Net income	5,593	19,168
	36,749	19,510
Reduction in retained earnings		
Dividends	665	666
Directors' bonuses	87	87
	752	753
Retained earnings, end of term	35,997	54,753

***Results of operations*****Fiscal year ended March 31, 2004*****Economic and other factors affecting operations***

## 1) Signs of a mild recovery in the Japanese economy:

- Higher stock prices
- Improved capital spending

## 2) Robust demand for digital products offset by weak sales of seasonal products

- Strong sales of digital products, including plasma display TVs, liquid crystal display TVs, digital cameras and DVD recorders
- Sales of air conditioners, etc., adversely affected by weather

***Human resources development actions***

Initiatives implemented to improve employee skills in order to upgrade customer services and maximize customer satisfaction:

- Project-team-led staff training program established and certification system introduced.
- Soseijuku staff-training center completed.

***Marketing and other operational actions***

- 1) Infrastructure for second-hand and white-box PC businesses reinforced:
  - Re-use and white-box PC division established.
  - Second-hand PC seller Inversenet and white-box PC maker Kouzиро acquired.
- 2) Branch network increased to 227 outlets (193 corporate-run, 34 operated by subsidiaries).
  - 28 new stores, including Tecc Land Shimonoseki, opened.
  - 2 stores, including Tecc Land Saku, closed.

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

- 1) Household appliances: 536.4 billion yen (57.1% of net sales)
- 2) Information-related electronics: 334.3 billion yen (35.6% of net sales)
- 3) Other products: 68.4 billion yen (7.3% of net sales)

**Sales**

Year ended March 31; Millions of yen	2004		
Products	Amount	%	Year-on-year comparison (%)
<b>Home appliances</b>			
Color televisions	86,015	9.2	11.1
Video equipment	67,511	7.2	100.5
Audio equipment	39,655	4.2	(4.8)
Refrigerators	50,931	5.4	10.6
Washing machines	34,303	3.7	17.9
Cooking appliances	36,451	3.9	27.7
Air conditioners	41,701	4.4	7.2
Other home cooling and heating equipment	26,351	2.8	(1.3)
Others	153,501	16.3	10.4
	536,423	57.1	16.4
<b>Home information appliances</b>			
Personal computers	179,178	19.1	3.6
Computer peripherals	90,055	9.6	31.3
Software	11,408	1.2	8.9
Telephone and facsimile equipment	11,183	1.2	9.0
Others	42,514	4.5	37.3
	334,339	35.6	14.0
<b>Non-appliances</b>			
Videos and books	50,238	5.4	73.8
Others	18,135	1.9	69.6
	68,373	7.3	72.6
	939,137	100.0	18.3

**Sales per unit**

Year ended March 31; Millions of yen	2004	
	Amount	Year-on-year comparison
Net sales	939,137	18.3
Selling floor spaces (average) - m <sup>2</sup>	711,302	13.4
Sales per square meter - thousands of yen	1,320	4.3
Employees (average) - persons	9,379	12.9
Sales per employees	100	5.4

## 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	662	1,286
Store buildings	120	138	1,845
Store facilities	36-108	1,692	5,247

Pro forma information on leased property is as follows:

Millions of yen	2003	2004
<b>Buildings and structures</b>		
Acquisition cost	1,673	1,673
Accumulated depreciation	194	268
Net leased property	1,478	1,404
<b>Others</b>		
Acquisition cost	12,951	13,065
Accumulated depreciation	5,847	5,882
Net leased property	7,103	7,182
<b>Total</b>		
Acquisition cost	14,625	14,738
Accumulated depreciation	6,042	6,151
Net leased property	8,582	8,587
<b>Future minimum lease payments, including interest portion</b>		
Due within one year	2,405	2,515
Due after one year	6,749	5,534
	9,155	8,050
Lease payments	2,740	2,959
Pro forma depreciation expenses (assuming straight-line method)	2,281	2,501
Pro forma interest expenses	481	504

## Capital Structure

*Consolidated balance sheet*

## Assets

March 31; Millions of yen	2003	2004
<b>Current assets</b>		
Cash and time deposits	47,799	19,716
Notes and accounts receivable	10,106	12,755
Marketable securities	2,299	1
Inventories	79,176	116,441
Deferred tax assets	4,055	7,368
Others	13,124	11,368
Allowance for doubtful accounts	(17)	(38)
	156,544	167,614
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures	58,923	62,796
Land	14,777	20,624
Others	3,787	5,825
	77,489	89,247
<b>Intangible fixed assets</b>	844	1,192
<b>Investments and other assets</b>		
Investments in securities	1,956	2,711
Guarantee deposits	64,202	60,995
Deferred tax assets	639	780
Others	5,308	5,972
Allowance for doubtful accounts	(107)	(107)
	71,999	70,352
Total fixed assets	150,333	160,792
<b>Total assets</b>	306,877	328,406

## Liabilities and shareholders' equity

March 31; Millions of yen	2003	2004
<b>Current liabilities</b>		
Notes and accounts payable	53,545	51,458
Income tax payable	7,315	8,787
Reserve for bonuses	1,662	1,521
Allowance for customer-discount points	7,589	16,728
Others	22,249	24,039
	92,362	102,534
<b>Long-term liabilities</b>		
Bonds	54,845	50,000
Long-term debt	10,935	12,789
Retirement benefits	1,759	2,142
Consolidation translation adjustments	10,357	5,441
Others	6,149	6,349
	84,046	76,721
Total liabilities	176,408	179,256
<b>Minority interests in consolidated companies</b>	2,492	2,411
<b>Shareholders' equity</b>		
Common stock	46,053	46,053
Capital reserves	45,990	45,990
Retained earnings	35,997	54,753
Unrealized gains or losses on other securities	(58)	(51)
Treasury stock	(5)	(7)
Total shareholders' equity	127,977	146,738
<b>Total liabilities, minority interests and shareholders' equity</b>	306,877	328,406

## Nonconsolidated Financial Statements

*Nonconsolidated statement of income*

Years ended March 31; Millions of yen	2002	2003	2004
<b>Net sales</b>			
Net sales - merchandise goods	559,782	751,826	920,558
Net sales - rental fees	1,099	1,382	1,438
	560,881	753,208	921,997
<b>Cost of goods sold</b>			
Cost of goods sold - merchandise			
Merchandise inventory, beginning of term	53,088	58,604	64,427
Purchase of merchandise for term	479,564	631,966	771,124
	532,653	690,571	835,551
Merchandise inventory, end of term	58,604	64,427	94,471
	474,048	626,143	741,080
Cost of goods sold - rental fees	47	44	55
	474,095	626,188	741,135
Gross profit on sales			
Merchandise goods	85,733	125,682	179,478
Rental fees	1,052	1,338	1,383
	86,785	127,020	180,861
<b>Selling, general and administrative expenses</b>			
Advertising expenses	15,958	15,163	15,761
Point-related promotional expenses	-	20,450	59,067
Allowance for point-related promotions	-	4,667	7,607
Provision for doubtful accounts	9	8	5
Employee salaries	18,906	24,142	29,403
Reserve provision for bonuses	1,525	1,456	1,346
Pension benefit expenses	373	507	590
Employee benefit expenses	2,957	3,672	4,042
Leasing fees	12,935	16,113	18,045
Water, heating and lighting expenses	3,255	3,669	4,053
Depreciation expenses	3,805	4,931	5,545
Others	17,001	19,653	21,845
	76,728	114,435	167,313
Operating income	10,057	12,585	13,547



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Years ended March 31; Millions of yen	2002	2003	2004
<b>Nonoperating income</b>			
Interest income	420	624	734
Purchase discount	6,187	7,109	8,408
Income on sales promotion	1,099	2,197	1,748
Others	1,050	1,303	1,273
	8,758	11,235	12,164
<b>Nonoperating expenses</b>			
Interest expenses	332	322	336
Interest expenses for bonds	0	-	-
Issuing expenses for new shares	136	-	-
Bond issuance expenses	-	1,098	-
Others	57	64	39
	527	1,485	376
Ordinary profit	18,288	22,334	25,335
<b>Extraordinary income</b>			
Reversal of allowance for doubtful accounts	-	206	-
Gain on liquidation of affiliated companies	0	1	-
	0	208	-
<b>Extraordinary losses</b>			
Loss on disposal of fixed assets	40	113	79
Loss on cancellation of guarantee deposits	5	281	20
Loss on valuation of securities of affiliated companies	-	499	-
Loss on liquidation of affiliated companies	3	-	-
Directors' retirement expenses	13	-	24
Provision for doubtful accounts	313	3,207	2,005
Revaluation loss on golf membership deposits	0	-	-
Others	-	-	3
	376	4,102	2,134
Net income before taxes and other adjustments for the term	17,912	18,440	23,201
Corporate, residents and enterprise taxes	8,883	11,713	14,448
Deferred taxes	(1,214)	(3,688)	(4,105)
	7,668	8,025	10,344
Net income for the term	10,244	10,415	12,857
Retained earnings brought forward from previous term	928	1,419	2,090
Unappropriated retained earnings, end of fiscal term	11,172	11,834	14,948

*Nonconsolidated balance sheet*

## Assets

March 31; Millions of yen	2002	2003	2004
<b>Current assets</b>			
Cash and time deposits	25,990	44,955	16,141
Notes receivable	49	-	-
Accounts receivable - trade	11,875	16,590	20,090
Marketable securities	-	2,299	-
Mortgage securities	-	5,000	-
Merchandise	58,604	64,427	94,471
Short-term loans to affiliates	3,011	7,252	9,357
Prepaid expenses	1,192	1,472	1,612
Deferred tax assets	1,788	4,060	7,236
Accounts receivable - other	2,421	5,526	5,769
Current portion of guarantee deposits	1,372	2,190	2,139
Others	97	232	387
Allowance for doubtful accounts	(33)	(29)	(34)
	106,370	153,976	157,172
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Buildings	47,054	61,657	69,426
Accumulated depreciation	9,461	12,889	16,652
	37,593	48,768	52,773
Structures	4,223	5,116	5,775
Accumulated depreciation	1,609	2,067	2,597
	2,613	3,049	3,178
Vehicles and delivery equipment	96	95	104
Accumulated depreciation	76	71	78
	20	23	25
Tools, furniture and fixtures	3,784	5,415	6,677
Accumulated depreciation	1,851	2,602	3,727
	1,933	2,813	2,949
Land	8,226	9,892	15,278
Construction in progress	1,187	254	2,016
	51,574	64,802	76,221

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March 31; Millions of yen	2002	2003	2004
<b>Intangible fixed assets</b>			
Leaseholds	98	256	445
Software	37	151	272
Telephone bonds	168	190	202
	304	599	920
<b>Investments and other assets</b>			
Investments in securities	411	1,410	1,355
Capital stock of affiliated companies	520	5,643	6,511
Bonds of affiliated companies	-	-	4,845
Investments other than securities	85	357	637
Long-term loans	1	0	0
Long-term loans to affiliated companies	4,404	16,301	14,062
Long-term prepaid expenses	3,757	4,789	5,050
Deferred tax assets	697	2,137	3,088
Guarantee deposits	35,387	38,171	41,134
Others	14	119	110
Allowance for losses on investments in affiliates	-	(499)	(499)
Allowance for doubtful accounts	(302)	(3,315)	(5,320)
	44,977	65,117	70,974
Total fixed assets	96,856	130,519	148,116
<b>Total assets</b>	203,227	284,496	305,288

## Liabilities and shareholders' equity

March 31; Millions of yen	2002	2003	2004
<b>Current liabilities</b>			
Notes payable - trade	504	519	470
Accounts payable - trade	47,797	52,828	49,965
Current portion of long-term debt	3,486	3,874	6,703
Convertible bonds redeemable within 1 year	106	-	-
Accounts payable - other	5,760	7,840	5,015
Accrued expenses	852	1,061	1,348
Income tax payable	5,069	7,225	8,499
Consumption tax payable	1,335	837	706
Advances from customers	3,699	4,955	5,342
Reserve for bonuses	1,525	1,456	1,346
Allowance for customer-discount points	2,053	6,720	14,327
Others	636	1,142	1,439
	72,826	88,461	95,165
<b>Long-term liabilities</b>			
Bonds	-	50,000	50,000
Long-term debt	5,109	9,837	11,433
Retirement benefits	1,413	1,759	2,142
Others	480	1,312	1,341
	7,003	62,908	64,916
Total liabilities	79,829	151,369	160,082
<b>Shareholders' equity</b>			
Common stock	46,000	-	-
Additional paid-in capital	45,937	-	-
Legal income reserves	312	-	-
Retained earnings			
Voluntary reserves - total			
Special reserves	20,000	-	-
	20,000	-	-
Unappropriated retained earnings, end of fiscal year	11,172	-	-
	31,172	-	-
Unrealized gains or losses on other securities	(23)	-	-
Treasury stock	(1)	-	-
Total shareholders' equity	123,397	-	-

## YAMADA DENKI

<b>March 31; Millions of yen</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Common stock	-	46,053	46,053
Capital reserves			
Additional paid-in capital	-	45,990	45,990
	-	45,990	45,990
Retained earnings			
Legal income reserves	-	312	312
Voluntary reserves - total			
Special reserves	-	29,000	38,000
Unappropriated retained earnings, end of fiscal year	-	11,834	14,948
	-	41,146	53,260
Unrealized gains or losses on other securities	-	(59)	(91)
Treasury stock	-	(5)	(7)
Total shareholders' equity	-	133,126	145,206
<b>Total liabilities and shareholders' equity</b>	<b>203,227</b>	<b>284,496</b>	<b>305,288</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, 2004	83,316,621
As June 29, 2004	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		Remarks
	Increase or decrease	Balance	Increase or decrease	Balance	Increase or decrease	Balance	
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	91	290,578	34.9
Securities companies	21	4,533	0.5
Business and other corporations	108	86,745	10.4
Non-residents	316	417,259	50.1
Individuals and others	3,259	34,037	4.1
	3,795	833,152	100.0
Shares less than one unit	-	1,421	-

## Largest shareholders

<b>Name</b>	<b>Thousand of shares owned</b>	<b>Of which held in trust accounts</b>	<b>% of shares outstanding</b>
Master Trust Bank of Japan	6,864.4	5,948.7	8.23
Japan Trustee Services Bank	6,168.8	3,974.1	7.40
State Street Bank & Trust	6,116.0		7.34
The Chase Manhattan Bank, NA London	5,462.9		6.55
Tecc-Planning	4,686.0		5.62
Bank of Bermuda, Hamilton	2,703.4		3.24
State Street Bank & Trust 505025	2,248.1		2.69
Gunma Bank	1,641.0		1.96
Bank of New York, Europe Limited	1,584.8		1.90
Noboru Yamada	1,410.0		1.69
	38,885.4		46.67

## 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>

**Contact**

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