Financial Report 2008

Fiscal year ended March 31, 2008

YAMADA DENKI CO., LTD.

1, Sakae-cho 1-chome, Takasaki-shi,
Gunma 370-0841 Japan

OVERVIEW OF OPERATIONS
Yamada Denki Co., Ltd. and Consolidated Subsidiaries
March 31, 2008

1. OVERVIEW OF PERFORMANCE

(1) Performance

The Japanese economy up to the end of the 3rd quarter fared well overall despite some uncertainties, however, from the 4th quarter, expansion grinded down in the wake of the ever intensifying US sub-prime loan crisis, a higher yen, devalued stocks, soaring crude oil and hikes in raw materials causing a substantial worsening of consumer confidence.

In the consumer electric appliance retail industry, large flat-panel televisions (LCD and PDP), a mainstay product, continued to give favorable results right along side PC related goods. With respect to seasonal items such as air-conditioners, fans and oil and electric heaters, the heat wave and late summer heat during August through September meant great summer sales despite bad weather and typhoons in July. Winter had lackluster sales temporarily due to a warm November and early December, however, cold temperatures from January onward increased performance. However, large snowfalls and strong winds during February weekends kept customers home greatly affecting sales. Household electrical appliances also did badly after showing such promise in the previous year due to the launch of new, high-priced, high value-added products.

Under these circumstances, the Group of Yamada Denki Co., Ltd. (the "Group") worked towards improving employee skills and customer satisfaction through activities such as group training sessions at our Employee Training Center "Soseijuku", onsite OJT and an in-house certification program all of which provided great results.

Further, with the goal of increasing our corporate value and contributing to society with the involvement of all employees aiming for a strong company based on tenets such as "creation and challenge" and "appreciation and trust", we seek to promote and improve our CSR through the establishment of the CSR Committee and a code of ethics that recognizes the significance of the social responsibilities inherent in a corporation and sets out the fundamental policies of the Company. We also hold round-table talks with influential people in society on a quarterly basis and receive valuable advice from council members concerning the CSR activities of the Company on which we base our ongoing compliance efforts and measures towards labor related and environmental issues deliberated at in-house conferences held periodically.

On the operations side, our contents business and service solutions as well as efforts to propagate energy-saving household electric appliances were the target of expansion efforts and we provided additional new services to please customers. We also enhanced the contents and increased the convenience of our "Point Return System" aligned with other point-providing businesses, to grow and solidify our "Point Membership" for more repeat customers.

In order to realize total service solutions as a Group, we subsidiarized PRESSO Holdings Corporation, a firm involved in the opening of regional retail stores specializing in household electronic appliances, on June 29, 2007 and Kimuraya Select Co., Ltd., which is prominent in the vicinity of train stations in the Tokyo metropolitan area, on September 26, 2007 all in an effort to strengthen our solutions-based network.

Regarding store openings, we opened 34 new retail stores including Tecc Land NEW Hachioji Bessho store, 23 stores such as Tecc Land Kameido store were transferred from Kimuraya Select, Sato Musen and Kyushu Tecc Land and 2 stores including Tecc Land Hachioji store (old store) were closed due to scrap-and-build policy and business conversions. As a result, the number of consolidated retail stores at the end of the term stood at 494 (comprising 352 directly managed stores and 142 stores operating as consolidated subsidiaries). We also focused energy on our FC business with FC stores numbering 563.

By category, sales of household electric appliances increased 14.3% year on year to ¥1,028,792 million (58.2% of total sales). Sales of home information appliances rose 41.0% to ¥560,813 million (31.7% of total sales) and sales of other products rose 22.5% to ¥178,212 million (10.1% of total sales). As a result of the above, consolidated net sales amounted to ¥1,767,819 million, operating income totaled ¥65,425 million.

Net income for the year under review was ¥49,174 million. These figures all represented new record highs. At the non-consolidated level, the Company recorded its 18th consecutive year of higher sales and profits.

(2) Cash Flows

At the end of the consolidated fiscal year under review, cash and cash equivalents stood at ¥65,030 million (up 58.5% compared with the previous year). This is due to the positive operating cash flow figure resulting from a substantial increase in income before income taxes (up 14.6% compared with the previous year) and the negative net cash figure provided by investing activities resulting from the acquisition of property and equipment and the payment of long-term leasehold deposits for new store openings. Also a factor is the positive net cash figure provided by financing activities due to an increase in proceeds from issuance of bonds in relation to the above.

The following are cash flows recorded in the fiscal year under review.

Net cash provided by (used in) operating activities

Net cash provided by operating activities amounted to ¥26,934 million (down 44.3% compared with the previous year). This was mainly due to a substantial increase in income before income taxes despite an increase in inventories of ¥27,672 million for new store openings.

Net cash provided by (used in) investing activities

Net cash used in investing activities amounted to ¥123,305 million (down 135.6% compared with the previous year). This primarily resulted from the acquisition of property and equipment for new store openings of ¥91,704 million and the payment of long-term leasehold deposits of ¥18,864 million.

Net cash provided by (used in) financing activities

Net cash provided by financing activities amounted to ¥120,570 million (up 771.9% compared with the previous year). This primarily reflected proceeds from the issuance of bonds of ¥150,224 million.

2. PURCHASING PERFORMANCE

Products	Year ended March 31, 2008 Amount (Millions of yen)	%	Year-on-year comparison (%)
Household electric appliances			
Color televisions	227,656	16.4	28.2
Video/DVD players	75,044	5.4	8.2
Audio equipment	39,001	2.8	8.3
Refrigerators	67,033	4.8	15.6
Washing machines	53,321	3.8	13.8
Cooking appliances	39,501	2.8	2.8
Air conditioners	62,819	4.5	26.8
Other home cooling and heating equipment	19,857	1.4	(2.8)
Others	167,460	12.1	7.8
	751,692	54.0	15.4
Home information appliances			
Personal computers	174,520	12.5	14.5
PC peripheral equipment	104,127	7.5	15.8
PC software	7,691	0.6	(10.6)
Telephones/fax machines	8,804	0.6	(7.5)
Others	208,110	15.0	121.6
	503,252	36.2	42.0
Other products			
Audio and visual software and books	104,007	7.5	21.5
Others	32,142	2.3	10.8
	136,149	9.8	18.8
	1,391,093	100.0	24.1

Notes: 1. "Others" in "Household electric appliances" includes luminaries, hairdressing and beauty supplies and tapes; "Others" in "Home information appliances" includes mobile phone handsets and ink cartridges; "Others" in "Other products" includes jewellery, clothing and sundries.
2. The figures shown above do not include consumption tax.

3. SALES PERFORMANCE

(1) Sales by Product Category

Products	Year ended March 31, 2008 Amount (Millions of yen)	%	Year-on-year comparison (%)
Household electric appliances			
Color televisions	282,892	16.0	23.0
Video/DVD players	101,325	5.7	9.0
Audio equipment	53,097	3.0	12.3
Refrigerators	86,622	4.9	9.2
Washing machines	67,605	3.8	7.5
Cooking appliances	61,462	3.5	10.7
Air conditioners	80,164	4.6	20.8
Other home cooling and heating equipment	30,086	1.7	19.9
Others	265,539	15.0	10.2
	1,028,792	58.2	14.3
Home information appliances			
Personal computers	214,847	12.2	15.7
PC peripheral equipment	139,083	7.9	19.6
PC software	12,795	0.7	7.4
Telephones/fax machines	12,937	0.7	(5.5)
Others	181,152	10.2	158.1
	560,814	31.7	41.0
Other products			
Audio and visual software and books	138,812	7.9	26.2
Others	39,401	2.2	11.1
	178,213	10.1	22.5
	1,767,819	100.0	22.5

Notes: 1. "Others" in "Household electric appliances" includes luminaries, hairdressing and beauty supplies and tapes; "Others" in "Home information appliances" includes mobile phone handsets and ink cartridges; "Others" in "Other products" includes jewelry, clothing and sundries.

2. The figures shown above do not include consumption tax.

(2) Sales by Region

Regions (Prefectural)	Year ended March 31, 2008 Amount (Millions of yen)	%	Year-on-year comparison (%)	Number of stores as of March 31, 2008
Hokkaido	83,426	4.7	25.9	29
Aomori	15,126	0.9	8.7	4
Iwate	9,029	0.5	51.7	5
Miyagi	44,614	2.5	67.8	10
Akita	11,758	0.7	48.1	5
Yamagata	15,251	0.9	18.8	7
Fukushima	19,237	1.1	18.3	6
Ibaraki	38,351	2.2	25.4	13
Tochigi	29,637	1.7	6.8	8
Gunma	84,493	4.8	42.4	16
Saitama	114,885	6.5	21.2	28
Chiba	85,015	4.8	18.8	26
Tokyo	155,588	8.8	76.1	31
Kanagawa	183890	10.4	9.8	32
Niigata	35,827	2.0	15.7	10
Toyama	25,553	1.4	21.5	6
Ishikawa	22,520	1.3	18.1	6
Fukui	11,304	0.6	13.9	4
Yamanashi	10,536	0.6	15.5	2
Nagano	45,345	2.6	6.7	13
Gifu	23,530	1.3	9.7	6
Shizuoka	43,721	2.5	12.9	8
Aichi	97,425	5.5	14.8	35
Mie	24,633	1.4	35.6	7
Shiga	14,199	0.8	53.3	5
Kyoto	20,455	1.2	7.1	9
Osaka	111,918	6.3	29.4	33
Hyogo	53,544	3.0	30.5	28
Nara	8,712	0.5	17.8	4
Wakayama	11,160	0.6	11.1	3
Tottori	7,418	0.4	9.1	2
Shimane	6,140	0.4	9.2	2
Okayama	9,661	0.5	19.1	4
Hiroshima	32,941	1.9	7.9	7
Yamaguchi	25,284	1.4	12.3	8
Tokushima	9,908	0.6	38.2	7
Kagawa	16,640	0.9	(3.3)	6
Ehime	18,079	1.0	27.4	6
Kochi	16,786	1.0	11.4	8
Fukuoka	76,449	4.3	14.2	17
Saga	8,565	0.5	12.2	3
Nagasaki	17,800	1.0	10.4	4
Kumamoto	17,869	1.0	11.9	7
Oita	9,458	0.5	(8.4)	3
Miyazaki	15,016	0.9	7.6	4
Kagoshima	18,288	1.0	9.0	5
Okinawa	10,833	0.6	9.8	2
	1,767,819	100.0	22.5	494

Note: The figures shown above do not include consumption tax.

(3) Sales Per Unit

	Year ended March 31, 2008	
	Amount	Year-on-year comparison (%)
Net sales - millions of yen	1,767,819	22.5
Sales floor space (average) - m²	1,310,532	17.2
Sales per square meter - thousands of yen	1,348	4.5
Employees (average) - persons	16,205	18.8
Sales per employee - millions of yen	109	3.0

Notes: 1. "Sales floor space" is the store area based on the Large-Scale Retail Stores Law prior to revision.
2. The figures shown above do not include consumption tax.
3. "Employees" includes temporary employees.

4. ISSUES THE GROUP WILL BE ADDRESSING

The business environment encompassing our industry is expected to continue down a stringent path. Within this environment, our corporate Group has made efforts to place "personnel training", an everlasting theme traditionally upheld by a company engaged in the operation of multiple retail establishments, as an issue of paramount importance. Onward into the future, we will boost employee capabilities, through group training sessions at our "Soseijuku" educational facility, onsite OJT, TV-phone based training and study sessions and an in-house certification program and solidify our customer base and increase sales and profits. To ensure the satisfaction of a greater number of customers, CS data will continue to be managed integrally and employee training constantly improved.

Further, we established the CSR Committee with the goal of increasing our corporate value and contributing to society with the involvement of all employees aiming for a strong company based on tenets such as "create and challenge" and "appreciation and trust". We seek to promote and improve our CSR by formulating a code of ethics that sets out fundamental policies of the Company in an effort to recognize the significance of the social responsibilities inherent in a corporation, comply to legal statutes in the execution of everyday business, foster a mindset that does not contradict social norms and effectuate all tasks of the Group fairly and honestly. We will proceed with ongoing efforts to "improve CS" as an independent theme in addition to "thorough compliance efforts" and "addressing labor and environmental issues".

On the operations side, our contents business and service solutions are the target of expansion efforts and we plan to add on new services to our list including those that are sure to please customers by meeting their various and complex needs. We will also enhance the contents and increase the convenience of our well-received "Point Return System" in an effort to increase and solidify our "Point Membership" base and bring in more repeat customers.

In our store strategy, in addition to new openings in the suburbs, we are increasing regional retail stores in small market areas by Cosmos Berry's and PRESSO, stores in central, urban locations and large scale, urban stores in hopes of fortifying our service solution based, interstore network.

It shall be our basic policy relating to the control of stock companies to work towards obtaining the support of shareholders by enhancing performance and increasing corporate value all based on the belief that the holding of stock by multiple shareholders over the mid- to long-term is a favorable condition in business. In as such, no particular decisions were made with respect to hostile takeover defense measures.

5. RISK FACTORS

Of the items relating to the status of the business and accounting as described in the financial report, those that may materially affect the decisions of investors are provided below.

Items in the text that concern the future were determined by the Group as of the end of the fiscal year under review.

(1) Expansion of the Interstore Network

The Group currently has stores in all the 47 prefectures of Japan and seriously plans to open large-scale retail stores in urban centers. However, in order to engage in such extreme expansion efforts, the Group will have to secure for itself adequately priced land in favorable locations making it susceptible to competition with rival companies. We expect competition with rivals already established in the area of our store locations to be fierce and outlays for labor and equipment costs to increase in connection with an increase in the number of new stores and the expansion of retail floor space and territories. It is also possible that the profitability of existing stores will be affected by new store openings depending on the region due to saturated store count and area conditions. In addition, there is the possibility that stores closed due to a revision of store development policy could not be subleased or sold off. The Group will generally weigh conditions such as rent and long-term leasehold deposits as well as competition and market area population in order to make careful decisions, however, there is always the possibility that changes or delays occur in planning since property preparations do not proceed.

Conditions such as those described above may obstruct effective store development efforts and ultimately have a negative impact on the Group's performance and financial position. Another consideration is the large amounts of capital necessary for expanding stores. At present, it is covered by retained earnings and loans and debt, however, in the future, any circumstance that thwarts capital procurement efforts could block the execution of business plans.

(2) Competition

The consumer electrical appliance retail industry is encompassed in an environment of fierce competition and we are faced with rivals in the form of not only large-scale consumer electronics retailers but also businesses that handle household electronics such as supermarkets, mail-order companies and internet shopping companies. Although we recognize our leading position in the industry, we are confronted with variegated forms of competition such as with respect to pricing, new store openings and customer and human resource acquisition. Until now, the Group has concentrated its openings in suburban areas, however, it has recently begun building large-scale stores in large cities and, as a result, exacerbated the level of competition with companies whose store development policy is urban centric. We believe that the future holds the possibility of aggravated competition from the appearance of new players on the market as well as an intensified competition in the area of purchasing as a result of M&As and alliances between companies vying to compete against the Group. If, for instance, the Group was not able to successfully adapt to these changes, its performance and financial position would most likely suffer. It is also likely that the slashing of sale prices due to the need to compete against other companies which have started offering products at prices lower than the Group would also result in decreased profits further worsening performance and the financial position.

(3) Risks Related to M&As and Alliances

The Company may effectuate organizational restructurings, M&As, alliances and sales for the purpose of strengthening its business. We will carefully study and examine conditions before acting in order to alleviate risk, however, there is the possibility of contingency liabilities arising after such actions take place or some other unforeseeable problems. We also believe there exists the possibility that initially expected effects would not materialize or that invested monies would not be recovered. Depending on the circumstances, extraordinary income or losses may occur detrimentally affecting the performance and financial position of the Group.

(4) Regulations

Similarly to other retailers, the Group is subject to the laws and regulations of Japan. For example, such laws as the Large-Scale Retail Stores Location Law, Guidelines Concerning Designation of Specific Unfair Trade Practices by Large-Scale Retailers Relating to Trade with Suppliers, Home Appliance Recycling Law, Act Against Unjustifiable Premiums and Misleading Representations, Antimonopoly Act, etc. apply to our business. In addition, newly established laws or regulations or revisions to existing rules that pose a disadvantage to the Group, or results of inspections, etc. may lead to a decrease in demand for the products and services offered by the Group or an increase in the cost of doing business thus negatively affecting the performance and financial position of the Group.

The enactment of the Large-Scale Retail Stores Location Law in June 2000 resulted in the regulation of any planned new store opening or floor space increase by the Group as per that Law. According to its provisions, local governments are responsible for regulating any new store opening or floor space increase that exceeds 1,000m^2 from the perspective of urban planning, transportation and regional environment.

Pertaining to transactions between large-scale retailers and suppliers, the announcement of "Specific Unfair Trade Practices by Large-Scale Retailers Relating to Trade with Suppliers" on November 1, 2005 based on the Antimonopoly Act also made household electronics mass retailers subject to regulation. These regulations may affect conventional trading practices as well as the operating results of the Group.

6. IMPORTANT AGREEMENTS

Credit Sales Franchise Agreements

The Company has executed franchise agreements with consumer credit companies regarding credit sales. Under these Agreements, consumer credit companies would effectuate credit checks on the customers of the Company and, based on results, pay the Company the amount owed by approved customers for purchases in lieu of those customers. The consumer credit companies would then be responsible for collecting these advances. The main provisions of the Agreements are as follows.

Name of consumer credit companies	Execution date	Contractual period
Mitsubishi UFJ NICOS Co., Ltd.	September 1983	Up to a request for cancellation by one of the parties with a 3-month notification period
Orient Corporation	November 1991	Same as above
Quark, Inc.	September 1996	Same as above

7. RESEARCH AND DEVELOPMENT

No items to report.

8. ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Items in the text that concern the future were determined by the Group as of the end of the fiscal year under review.

(1) Analysis of Financial Condition

(Current assets)

Total current assets at the fiscal year-end amounted to ¥342,894 million, an increase of ¥80,118 million compared with the ¥262,776 million recorded a year earlier. This mainly reflected increases in cash and deposits (up from ¥41,152 million to ¥66,195 million, or ¥25,043 million), notes and accounts receivable-trade (up from ¥23,637 million to ¥34,755 million, or ¥11,118 million) and inventories (up from ¥158,212 million to ¥193,506 million, or ¥35,295 million). A major contributing factor was the opening of 34 new stores, including new large-scale stores in urban centers, LABI Senri, in March (store openings typically produce high initial sales and require higher-than-normal inventories particularly of big-ticket items such as LCD and plasma TVs). Other assets also increased (up from ¥32,822 million to ¥43,187 million, or ¥10,365 million). Another major factor in the increase of total current assets is higher short-term loans receivable (up from ¥1,728 million to ¥9,883 million, or ¥8,155 million).

(Property and equipment)

Total property and equipment, net at the fiscal year-end amounted to ¥263,218 million, an increase of ¥83,435 million compared with the ¥179,783 million recorded a year earlier. This reflected factors such as increases in investments in buildings and structures (up from ¥111,664 million to ¥136,750 million, or ¥25,086 million), land (up from ¥56,582 million to ¥99,364 million, or ¥42,782 million), long-term leasehold deposits (up from ¥87,628 million to ¥104,491 million, or ¥16,863 million) and investment securities (up from ¥4,542 million to ¥20,998 million, ¥16,456 million). The main contributing factor for buildings and structures, land and long-term leasehold deposits was capital investments in new stores. Other factors that boosted property and equipment included an increase in construction in progress (up ¥13,778 million).

(Current liabilities)

Total current liabilities at the fiscal year-end were ¥181,497 million, an increase of ¥16,422 million over the ¥165,075 million figure recorded a year earlier. This mainly reflected increases in notes and accounts payable-trade (up from ¥85,300 million to ¥90,669 million, or ¥5,369 million) and transfers within 1 year for debt for capital investments in new store openings (up from ¥11,709 million to ¥19,265 million, or ¥7,556 million). Contrastingly, the main decrease was in the allowance for point card certificates (down from ¥12,619 million to ¥7,200 million, or ¥5,419 million) which also occurred due to the use of "point-return sales" during peak shopping seasons as part of the Company's sales promotion strategy. This boosted point usage resulting in reduced the allowance due to a lower year-end outstanding point balance.

(Long-term liabilities)

Total long-term liabilities at the fiscal year-end were ¥241,780 million, an increase of ¥155,952 million compared with the ¥85,828 million recorded a year earlier. This mainly reflected factors such as increases in bonds (up from ¥3,343 million to ¥151,277 million, or ¥147,934 million), long-term debt (up from ¥65,804 million to ¥66,619 million, or ¥815 million) and allowance for warranty (up from ¥3,226 million to ¥4,762 million, or ¥1,536 million). Bonds were issued as a means to procure funds for the acquisition of treasury stock in an effort to enhance capital efficiency. The rise in long-term debt was due principally to capital investments in new stores including large-scale stores in urban centers. In addition, there was a hike of ¥2,425 million in negative goodwill resulting from an increase in the number of consolidated subsidiaries.

(Net assets)

Net assets amounted to ¥326,937 million at the fiscal year-end, an increase of ¥27,401 million compared with the ¥299,536 million recorded a year earlier. The principal contributing factors were an increase in common stock (up ¥1,665 million) due to the exercise of convertible bonds with subscription rights to shares, an increase in capital surplus (up ¥1,664 million), higher retained earnings (up ¥46,406 million) that reflected a growth in income before income taxes and an increase in treasury stock (up ¥22,945 million).

(2) Analysis of Cash Flows

Cash and cash equivalents as of the end of the fiscal year under review stood at ¥65,030 million, an increase of ¥29,844 million compared to a year earlier. This resulted from brisk performance buttressed by higher sales combined with reductions in selling, general and administrative expenses realized as a result of cost cuts producing a ¥10,279 million increase in income before income taxes to ¥80,880 million.

Net cash provided by operating activities amounted to ¥26,934 million primarily because of an increase in income before income taxes.

Net cash used in investing activities decreased to ¥123,305 million mainly reflecting acquisitions of property and equipment, primarily buildings and structures for new large-scale stores in urban centers, and increases in long-term leasehold deposits.

Net cash provided by financing activities amounted to ¥120,570 million, primarily reflecting an increase in proceeds from issuing of bonds.

(3) Analysis of Operating Results

(Important accounting policies and estimates)

The consolidated financial statements of the Group are prepared based on the generally accepted accounting standards of Japan. In their preparation, estimates and judgments were effectuated based on variegated factors considered reasonable as per past results and conditions.

(Analysis of operating results for the fiscal year under review)

The Japanese economy up to the end of the 3rd quarter fared well overall despite some uncertainties, however, from the 4th quarter, expansion grinded down in the wake of the ever intensifying US sub-prime loan crisis, a higher yen, devalued stocks, soaring crude oil and hikes in raw materials causing a substantial worsening of consumer confidence.

In the consumer electric appliance retail industry, large flat-panel televisions (LCD and PDP), a mainstay product, continued to give favorable results right along side PC related goods. With respect to seasonal items such as air-conditioners, fans and oil and electric heaters, the heat wave and late summer heat during August through September meant great summer sales despite bad weather and typhoons in July. Winter had lackluster sales temporarily due to a warm November and early December, however, cold temperatures from January onward increased performance. However, large snowfalls and strong winds during February weekends kept customers home greatly affecting sales. Household electrical appliances also did badly after showing such promise in the previous year due to the launch of new, high-priced, high value-added products.

Under these circumstances, the Group worked towards improving employee skills and customer satisfaction through activities such as group training sessions at our Employee Training Center “Soseijuku,” onsite OJT and an in-house certification program all of which provided great results.

Further, with the goal of increasing our corporate value and contributing to society with the involvement of all employees aiming for a strong company based on tenets such as “creation and challenge” and “appreciation and trust,” we seek to promote and improve our CSR through the establishment of the CSR Committee and a code of ethics that recognizes the significance of the social responsibilities inherent in a corporation and sets out the fundamental policies of the Company. We also hold round-table talks with influential people in society on a quarterly basis and receive valuable advice from council members concerning the CSR activities of the Company on which we base our ongoing compliance efforts and measures towards labor related and environmental issues deliberated at in-house conferences held periodically.

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In order to realize total service solutions as a Group, we subsidiarized PRESSO Holdings Corporation, a firm involved in the opening of regional retail stores specializing in household electronic appliances, on June 29, 2007 and Kimuraya Select Co., Ltd., which is prominent in the vicinity of train stations in the Tokyo metropolitan area, on September 26, 2007 all in an effort to strengthen our solutions-based network.

Regarding store openings, we opened 34 new retail stores including Tecc Land NEW Hachioji Bessho store, 23 stores such as Tecc Land Kameido store were transferred from Kimuraya Select, Sato Musen and Kyushu Tecc Land and 2 stores including Tecc Land Hachioji store (old store) were closed due to scrap-and-build policy and business conversions. As a result, the number of consolidated retail stores at the end of the term stood at 494 (comprising 352 directly managed stores and 142 stores operating as consolidated subsidiaries). We also focused energy on our FC business with FC stores numbering 563.

By category, sales of household electric appliances increased 14.3% year on year to ¥1,028,792 million (58.2% of total sales). Sales of home information appliances rose 41.0% to ¥560,813 million (31.7% of total sales) and sales of other products rose 22.5% to ¥178,212 million (10.1% of total sales). As a result of the above, consolidated net sales amounted to ¥1,767,819 million, operating income totaled ¥65,245 million. Net income for the fiscal year under review was ¥49,174 million. These figures all represented new record highs. At the non-consolidated level, the Company recorded its 18th consecutive year of higher sales and profits.

(Factors resulting in material effects on operating results)

The Group has 494 stores in all 47 prefectures of Japan as of the end of March 2008. It vigorously strives to expand its territories and retail floor space in hopes of increasing its market share. We expect competition with rivals already established in the area of our store locations to be fierce and outlays for labor and equipment costs to increase in connection with an increase in the number of new stores and the expansion of retail floor space and territories.

In the selection of candidate locations for new store openings, the Group will generally weigh conditions such as rent and long-term leasehold deposits as well as competition and market area population and render a careful decision, however, there is always the possibility that property preparations do not proceed or that changes or delays occur in planning.

(Current status and future prospects of our managerial strategy)

The Group set for itself the midterm goal of acquiring a 20% market share with net sales of ¥2 trillion and the long-term goal of acquiring a 30% market share with net sales of ¥3 trillion. With an eye on realizing these goals as soon as possible, we will promote the solidification of our customer base with promotional campaigns and work to increase net sales levels.

In the area of store development, in addition to the suburban Tecc Land stores, our goal is to develop more than 3 new large-scale stores in urban centers per year. We opened 7 new urban LABI stores by the end of March 2008 including the “LABI Ikebukuro” in July 2007, the “LABI Shinagawa Oimachi” in November 2007, the “LABI Shinbashi” and “LABI Akihabara” in December 2007 and the “LABI Senri” in March 2008.

For our popular “Point Return System”, we began a point program in collaboration with other companies in hopes of enhancing further the convenience of customers. In the future, we will continue our work to entrench customers firmly with us by effectuating system improvements and increasing contents with such services as the “Keitai-de-Point”, “Yamada LABI Card” and “Keitai-de-Credit” all in hopes of increasing convenience.

We have subsidiarized PRESSO Holdings Corporation, an entity involved in openings of regional retail stores specializing in household electronic alliances, on June 29, 2007 and Kimuraya Select Co., Ltd., which concentrates its development near Tokyo-area train stations, on September 26, 2007. Through the development of retail stores in small as well as large market area populations, we are working as a Group towards realizing total service solutions for our valued customers. We are also differentiating ourselves with other companies by thoroughly managing the progress of existing managerial strategy meeting themes as well as the advancement of each cost center.

The above strategies will help us push forward our market share expansion efforts and gross margin rate and product turnover number improvement efforts as well as strengthen our financial standing and achieve our mid- to long-term goals.

CONSOLIDATED BALANCE SHEET
Yamada Denki Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2008

	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*
ASSETS		
Current assets:		
Cash and deposits (Note 4)	¥ 66,195	$ 660,631
Notes and accounts receivable (Note 13):		
- Trade	31,895	318,317
- Non-consolidated subsidiaries and affiliated companies	2,860	28,544
Sub-total	34,755	346,861
Inventories	193,507	1,931,206
Deferred tax assets (Note 12)	5,349	53,385
Other current assets (Note 17)	43,187	430,998
Allowance for doubtful accounts	(99)	(984)
Total current assets	342,894	3,422,097
Property and equipment:		
Buildings and structures (Notes 7, 8 and 10)	136,750	1,364,775
Land (Note 10)	99,364	991,660
Other (Notes 7 and 8)	27,104	270,495
Total property and equipment, net	263,218	2,626,930
Intangible assets	3,861	38,529
Investments and other assets:		
Investment securities (Note 5)	20,998	209,561
Long-term leasehold deposits (Note 17)	104,491	1,042,826
Deferred tax assets (Note 12)	4,670	46,610
Other assets	10,351	103,295
Allowance for doubtful accounts	(269)	(2,687)
Total investments and other assets	140,241	1,399,605
Total assets	¥ 750,214	$ 7,487,161

CONSOLIDATED BALANCE SHEET

Yamada Denki Co., Ltd. and Consolidated Subsidiaries

As of March 31, 2008

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
LIABILITIES AND NET ASSETS		
Current liabilities:		
Notes and accounts payable – trade	¥ 90,669	$ 904,877
Income taxes payable	17,537	175,021
Allowance for bonuses to employees	2,674	26,689
Allowance for directors' and corporate auditors' bonuses	118	1,174
Allowance for point card certificates	7,200	71,857
Other current liabilities (Note 10)	63,299	631,725
Total current liabilities	181,497	1,811,343
Long-term liabilities:		
Bonds (Note 11)	151,277	1,509,752
Long-term debt (Note 10)	66,619	664,862
Allowance for employees' retirement benefits (Note 14)	5,722	57,102
Allowance for directors' and corporate auditors' retirement benefits	2,471	24,661
Allowance for warranty	4,762	47,528
Other long-term liabilities (Note 12)	10,929	109,065
Total long-term liabilities	241,780	2,412,970
Total liabilities	423,277	4,224,313
Contingent liabilities (Note 13)		
Net assets:		
Shareholders' equity (Note 15):		
Common stock:		
Authorized – 200,000,000 shares Issued – 96,391,142 shares	70,595	704,544
Capital surplus	70,514	703,731
Retained earnings	204,865	2,044,561
Treasury stock, at cost – 2,438,495 shares	(23,044)	(229,979)
Valuation and translation adjustments:		
Unrealized gains on available-for-sale securities, net of taxes (Note 5)	608	6,070
Minority interests in consolidated subsidiaries	3,399	33,921
Total net assets	326,937	3,262,848
Total liabilities and net assets	¥ 750,214	$ 7,487,161

The accompanying notes are an integral part of this balance sheet.

CONSOLIDATED STATEMENT OF INCOME

Yamada Denki Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2008

	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*
Net sales:		
- Trade	1,724,559	17,211,162
- Non-consolidated subsidiaries and affiliated companies	43,260	431,738
Sub-total	1,767,819	17,642,900
Operating expenses:		
Cost of sales	1,377,313	13,745,638
Selling, general and administrative expenses (Note 17)	325,081	3,244,321
Operating income	65,425	652,941
Other income (expenses):		
Interest and dividend income	978	9,760
Interest expense	(1,935)	(19,311)
Purchase discounts	12,523	124,979
Loss on valuation of derivatives	(113)	(1,130)
Gain on cancellation of life insurance	144	1,438
Provision for allowance for doubtful accounts	(271)	(2,706)
Loss on sale and disposal of property and equipment, net	(137)	(1,368)
Loss on refund and cancellation of long-term leasehold deposits	(42)	(424)
Impairment loss on property and equipment (Note 8)	(84)	(840)
Directors' and corporate auditors' retirement benefits	(143)	(1,431)
Loss on devaluation of investment securities (Note 5)	(116)	(1,155)
Other – net	4,651	46,434
	15,455	154,246
Income before income taxes and minority interests	80,880	807,187
Income taxes (Note 12):		
Current	30,711	306,499
Prior year adjustment	89	892
Deferred	704	7,023
	31,504	314,414
Minority interests in earnings of consolidated subsidiaries	(202)	(2,012)
Net income	¥ 49,174	$ 490,761

	Yen	*U.S. Dollars*
Amounts per share of common stock:		
Net income - Basic	¥ 511.83	$ 5.11
- Diluted	509.91	5.09
Cash dividends applicable to the year	33.00	0.33

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Yamada Denki Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2008

	Number of shares of common stock (Thousands)	Millions of yen: Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on available -for-sale securities, net of taxes (Note 5)	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2007	95,483	¥ 68,930	¥ 68,850	¥158,459	¥ (99)	¥ 192	¥ 3,204	¥299,536
Net income for the year				49,174				49,174
Issuance of common stock	908	1,665	1,664					3,329
Acquisition of treasury stock					(22,945)			(22,945)
Cash dividends paid				(2,768)				(2,768)
Other changes during the year, net						416	195	611
Balance at March 31, 2008	96,391	¥ 70,595	¥ 70,514	¥204,865	¥ (23,044)	¥ 608	¥ 3,399	¥326,937

	Thousands of U.S. Dollars (Note 1): Common stock	*Capital surplus*	*Retained earnings*	*Treasury stock, at cost*	*Unrealized gains on available -for-sale securities, net of taxes (Note 5)*	*Minority interests in consolidated subsidiaries*	*Total net assets*
Balance at March 31, 2007	$ 687,927	$687,124	$1,581,431	$ (983)	$ 1,913	$ 31,973	$2,989,385
Net income for the year			490,761				490,761
Issuance of common stock	16,617	16,607					33,224
Acquisition of treasury stock				(228,996)			(228,996)
Cash dividends paid			(27,631)				(27,631)
Other changes during the year, net					4,157	1,948	6,105
Balance at March 31, 2008	$704,544	$703,731	$2,044,561	$(229,979)	$ 6,070	$ 33,921	$3,262,848

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENT OF CASH FLOWS

Yamada Denki Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2008

	Millions of yen	*Thousands of U.S. dollars (Note 1)*
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 80,880	$ 807,187
Depreciation	12,819	127,931
Amortization of goodwill	(528)	(5,265)
Increase in allowance for employees' retirement benefits	864	8,622
Increase in allowance for directors' and corporate auditors' retirement benefits	107	1,068
Increase in allowance for bonuses to employees	625	6,237
Increase in allowance for directors' and corporate auditors' bonuses	1	7
Decrease in allowance for doubtful accounts	(179)	(1,788)
Decrease in allowance for point card certificates	(5,595)	(55,839)
Increase in allowance for warranty	1,599	15,957
Interest and dividend income	(1,009)	(10,072)
Interest expenses	1,935	19,311
Foreign currency exchange losses	198	1,979
Bond issue costs	124	1,240
Loss on devaluation of investment securities	116	1,155
Gain on sale and disposal of property and equipment, net	(22)	(216)
Impairment loss on property and equipment	84	840
Loss on valuation of derivatives	113	1,130
Loss on refund and cancellation of long-term leasehold deposits	42	424
Increase in notes and accounts receivable	(12,275)	(122,502)
Increase in inventories	(27,672)	(276,167)
Increase in trade payables	3,035	30,290
Decrease in consumption taxes payable	(1,331)	(13,281)
Increase in other current assets	(245)	(2,449)
Increase in other current liabilities	3,058	30,516
Other	603	6,009
Sub-total	57,347	572,324
Interest and dividend income received	232	2,319
Interest expenses paid	(1,939)	(19,347)
Income taxes paid	(28,706)	(286,489)
Net cash provided by operating activities	¥ 26,934	$ 268,807

(Continued)

	Millions of yen	Thousands of U.S. dollars (Note 1)
Cash flows from investing activities:		
Payments for time deposits	¥ (1,080)	$ (10,781)
Proceeds from time deposits	38	379
Proceeds from sale of mortgage securities	500	4,990
Acquisition of investment securities	(10,209)	(101,885)
Proceeds from sale of investment securities	125	1,246
Acquisition of investment in subsidiaries and affiliated companies	(5,740)	(57,287)
Proceeds from acquisition of shares of newly consolidated subsidiaries (Note 4)	5,913	59,008
Payment for loans receivable	(8,801)	(87,833)
Collection of loans receivable	774	7,729
Acquisition of property and equipment	(91,704)	(915,210)
Acquisition of intangible assets	(476)	(4,755)
Payment for long-term leasehold deposits	(18,864)	(188,261)
Proceeds from refund of long-term leasehold deposits	6,400	63,875
Other	(181)	(1,807)
Net cash used in investing activities	(123,305)	(1,230,592)
Cash flows from financing activities:		
Proceeds from short-term loans	1,278,655	12,761,026
Repayment of short-term loans	(1,290,967)	(12,883,901)
Proceeds from long-term debt	19,650	196,108
Repayment of long-term debt	(11,278)	(112,554)
Acquisition of treasury stock	(22,945)	(228,996)
Dividends paid	(2,766)	(27,605)
Dividends paid to minority in consolidated subsidiaries	(3)	(25)
Proceeds from issuance of bonds	150,224	1,499,238
Net cash provided by financing activities	120,570	1,203,291
Effect of exchange rate changes on cash and cash equivalents	(198)	(1,979)
Net increase in cash and cash equivalents	24,001	239,527
Cash and cash equivalents at beginning of year	41,029	409,473
Cash and cash equivalents at end of year (Note 4)	¥ 65,030	$ 649,000

The accompanying notes are an integral part of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Yamada Denki Co., Ltd. and Consolidated Subsidiaries
March 31, 2008

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Yamada Denki Co., Ltd. (the "Company"), and its consolidated subsidiaries, have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008, which was ¥100.20 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its 14 significant subsidiaries. On June 29, 2007, the Company acquired the majority shares of PRESSO Holdings Corporation, Matsuyadenki Co., Ltd., SATO MUSEN CO., LTD. and Seidensha Co., Ltd. and made these companies wholly owned subsidiaries. As a result, these companies were included in the scope of consolidation for the current fiscal year. These companies were consolidated as of August 31, 2007, the end of their semi-annual period. Accordingly, the consolidated statement of income and statement of cash flows reflect the results of the newly acquired subsidiaries' operations and their cash flows for the period from September 1, 2007 to February 29, 2008.

All significant inter-company accounts, transactions and unrealized profits have been eliminated in consolidation.

All the Company's non-consolidated subsidiaries are insignificant in aggregated amount of assets, net sales, net income and retained earnings, thus affecting immaterial impact on the consolidated financial statements.

Investments in the non-consolidated subsidiaries and affiliated companies are not accounted for by the equity method because of the immaterial effect on the consolidated financial statements and therefore carried at cost.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries. Goodwill (including negative goodwill) is amortized using the straight-line method over 3 years.

The fiscal year-end of all consolidated subsidiaries is the end of February. The financial statements of these subsidiaries as of and for the year ended February 29, 2008 are used in preparing the consolidated financial statements. All material transactions during the period from March 1 to March 31, 2008 are adjusted for in the consolidation process.

(b) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates at each balance sheet date with the resulting exchange gains or losses are credited or charged to the statement of income as incurred.

(c) Cash and Cash Equivalents

In preparing the consolidated statement of cash flows, cash and cash equivalents include cash on hand, readily-available bank deposits and short-term highly liquid investments with minimum risk of value fluctuation with maturities not exceeding three months at the time of purchase.

(d) Securities

Under Japanese accounting standards, companies are required to examine the intent of holding each security and classify those securities as (i) securities held for trading purposes ("trading securities"), (ii) debt securities intended to be held to maturity ("held-to-maturity debt securities"), (iii) equity securities issued by non-consolidated subsidiaries and affiliated companies, and (iv) for all other securities that are not classified in any of the above categories ("available-for-sale securities").

Equity securities issued by non-consolidated subsidiaries and affiliated companies are stated at moving-average cost. Held-to-maturity debt securities are reported at amortized cost. Available-for-sale securities with fair market value are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gain and loss on sale of such securities is computed using the moving-average cost. Other available-for-sale securities with no fair market values are stated principally at the moving-average cost. The Company and its consolidated subsidiaries had no trading securities.

Investments in Limited Partnership ("LPS") and similar ventures (considered as securities under the Financial Instruments and Exchange Law of Japan) are stated at the amounts of corresponding equity portion using the most recent financials available based on the reporting date stipulated in the contracts of the LPS and the ventures.

(e) Derivative Transactions and Hedge Accounting

Derivative financial instruments are stated at fair value and changes in fair value are recognized as gains or losses unless derivative transactions are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and the consolidated subsidiaries defer recognition of gains or losses resulting from changes in the fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

Also if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contracts is added to or deducted from the interest on the assets or liabilities for which the swap contact was executed.

The Company and some of its consolidated subsidiaries utilize derivatives for the purpose of hedging their exposure to adverse fluctuation in interest rates and exchange rates but do not enter into such transactions for speculative trading purposes. The Company uses interest-rate swaps to reduce the risk exposure related to its borrowings. Some of its consolidated subsidiaries use coupon swaps, currency swaps, and currency options in order to mitigate future risks of fluctuation in foreign currency exchange.

(f) Inventories

Inventories are valued at cost determined primarily by the moving-average method.

(g) Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the declining-balance method at rates based on the estimated useful lives of respective assets, except for the buildings (excluding building facilities) acquired on or after April 1, 1998, which are depreciated based on the straight-line method.

The estimated useful lives of significant assets are summarized as follows:

Buildings and structures ···	3-47 years

Effective April 1, 2007, the Company and its consolidated subsidiaries, in accordance with revision of corporate tax law (Partial Amendment of the Income Tax Law, Law No. 6, March 30, 2007 and Partial Amendment of Corporate Tax Law Enforcement Orders, Law Enforcement Order No. 83, March 30, 2007), have changed their depreciation method for property and equipment acquired on and after April 1, 2007. The effect of this change is immaterial.

In accordance with the amendments, in addition, the Company and its consolidated subsidiaries started to depreciate the amounts of the differences between 5% of the acquisition costs and memorandum prices for all property and equipment acquired on or before March 31, 2007 in equal amounts over five years, starting in the year after the fiscal year in which accumulated depreciation based on the pre-revision method reached 95% of the acquisition costs. This amount is included in depreciation expenses.
As a result of this change, the effect on operating income, income before income taxes, minority interests and net income for the year ended March 31. 2008 is immaterial.

(h) Intangible Assets

Intangible assets are amortized using the straight-line method. Software for internal use is amortized using the straight-line method over an estimated useful life of 5 years.

(i) Impairment of fixed assets

The Company and its consolidated subsidiaries review their fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(j) Long-term Prepaid Expenses

Long-term prepaid expenses are amortized using the straight-line method.

(k) Bond Issue Costs

Bond issue costs are charged to income as incurred.

(l) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on collection. It consists of the estimated uncollectible account with respect to certain identified doubtful receivables and the amount calculated based on the historical rate of losses.

(m) Allowance for Bonuses to Employees

Allowance for bonuses to employees is provided at the estimated amounts accrued during the current fiscal year, to provide for the future payment to employees.

(n) Allowance for Directors' and Corporate Auditors' Bonuses

Allowance for bonuses to directors and corporate auditors is provided at the estimated amounts accrued during the current fiscal year, to provide for the future payment to directors and corporate auditors.

(o) Allowance for Point Card Certificates

The Company and its consolidated subsidiaries which conduct similar businesses provide their customers with credit points ("Yamada Points") when they make purchases at their shops. The Company and certain consolidated subsidiaries provide an allowance for the estimated future costs of Yamada Points based on the historical rate of point usage.

(p) Allowance for Employees' Retirement Benefits

The Company and some consolidated subsidiaries have defined benefit pension plans. Specifically the Company has an unfunded lump-sum payment plan and a tax-qualified pension plan, and the subsidiaries have unfunded lump-sum payment plans and participate in the retirement benefit plan established by the government.

Allowance for employees' retirement benefits is provided based on the estimated amounts of projected benefit obligations and the fair value of plan assets at the balance sheet date.

Actuarial gains or losses incurred during the year are amortized from the succeeding fiscal year using the straight-line method over a certain period of time (5 years) not exceeding the average remaining service period of the employees.

(q) Allowance for Directors' and Corporate Auditors' Retirement Benefits

An allowance for directors' and corporate auditors' retirement benefits of the Company and certain consolidated subsidiaries is provided based on their pertinent rules and is calculated at the estimated amount which would be payable if all officers were to retire at the balance sheet date. The payments are subject to approval of the shareholders' meeting.

(r) Allowance for Warranty

The Company and its consolidated subsidiaries which conduct similar businesses provide an allowance for 5-year warranty for future repair expenses at the estimated amount calculated based on repair expense in the past.

(s) Leases

Finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

(t) Income Taxes

Income taxes consist of corporate income taxes, inhabitant taxes and enterprise taxes.

The provision for income taxes is computed based on the income before income taxes and minority interests included in the statement of income for the Company and each of its consolidated subsidiaries. The assets and liabilities approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statements' carrying amounts and the tax basis of assets and liabilities.

(u) Per Share Information

Basic net income per share of common stock is computed based upon the weighted-average number of shares outstanding during each year. For diluted net income per share, both net income and shares outstanding were adjusted to assume the conversion of the convertible bonds. However, dilutive effect of euro yen convertible bonds due in 2013 and in 2015 was not reflected because they are anti-dilutive.

Cash dividends per share represent interim dividends declared by the Board of Directors in each year and year-end dividends approved by the shareholders at the annual meeting held subsequent to the end of the fiscal year.

3. CHANGE IN ACCOUNTING POLICIES

Incentive Income on Mobile Phone Sales

The Company has changed its accounting policy regarding incentive income on mobile phone sales due to the increase of amount materiality and more appropriate disclosure. From the fiscal year ended March 31 2008, the Company and its consolidated subsidiaries record the incentive income as net sales, although the Company and its consolidated subsidiaries recorded as the reduction of cost of sales (purchase rebates) until last year, as well as other home electrical appliance retail sales. As a result of the change, net sales and cost of sales increased by¥99,952 million ($997,525 thousand).

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2008 in the consolidated statement of cash flows consisted of the following:

	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*
Cash and deposits	¥ 66,195	$ 660,631
Time deposits with maturities exceeding three months	(1,165)	(11,631)
Cash and cash equivalents	¥ 65,030	$ 649,000

The Company acquired the common stock of PRESSO Holdings Corporation, Matsuyadenki Co., Ltd., SATO MUSEN CO., LTD. and Seidensha Co., Ltd., which were newly consolidated for the fiscal year ended March 31, 2008. Assets and liabilities of these companies as of the date of consolidation were as follows:

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*	
Current assets	¥	20,294	$	202,534
Noncurrent assets		12,011		119,875
Current liabilities		(23,457)		(234,105)
Long-term liabilities		(2,583)		(25,784)
Negative goodwill		(2,965)		(29,586)
Purchase price		3,300		32,934
Cash and cash equivalents of newly acquired subsidiaries		(9,213)		(91,942)
Proceeds from acquisition of shares of newly consolidated subsidiaries	¥	5,913	$	59,008

5. SECURITIES INFORMATION

Acquisition cost and book value of available-for-sale securities with available fair value as of March 31, 2008 were as follows:

	Millions of Yen					
	Acquisition cost		Book value		Difference	
Securities with book values (fair value) exceeding acquisition costs:						
Equity securities	¥	5,247	¥	6,324	¥	1,077
Others		8		8		0
Sub-total		5,255		6,332		1,077
Securities with book values (fair value) not exceeding acquisition costs:						
Equity securities		264		184		(80)
Sub-total		264		184		(80)
Total	¥	5,519	¥	6,516	¥	997

	Thousands of U.S. dollars (Note 1)					
	Acquisition cost		*Book value*		*Difference*	
Securities with book values (fair value) exceeding acquisition costs:						
Equity securities	$	52,368	$	63,116	$	10,748
Others		76		84		8
Sub-total		52,444		63,200		10,756
Securities with book values (fair value) not exceeding acquisition costs:						
Equity securities		2,637		1,833		(804)
Sub-total		2,637		1,833		(804)
Total	$	55,081	$	65,033	$	9,952

If the market value of securities as of the fiscal year-end declines more than 50% compared to those acquisition costs, the difference between fair market value and the carrying amount is recognized as devaluation loss in the period of the decline.

If the market value of securities as of the fiscal year-end declines 30% to 50% compared to those acquisition costs and if such decline is considered to be material and unrecoverable, the difference between fair market value and the carrying amount is recognized as devaluation loss in the period of the decline.

Loss on valuation of marketable securities available-for-sale for the year ended March 31, 2008 were ¥116 million ($1,155 thousand).

Book values of securities not stated at fair value as of March 31, 2008 were as follows:

	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*
Non-consolidated subsidiaries	¥ 6,383	$ 63,699
Affiliated companies	32	319
Unlisted equity securities	1,260	12,571
Others	6,807	67,939

The redemption schedule of available-for-sale securities with fixed maturities and held-to-maturity debt securities as of March 31, 2008 was as follows:

	Millions of yen			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Debt securities	—	—	—	¥ 6,000
Others	¥ 5	¥ 172	¥ 630	—

	Thousands of U.S. dollars (Note 1)			
	Within one year	*Over one year within five years*	*Over five years within ten years*	*Over ten years*
Debt securities	—	—	—	$59,880
Others	$ 54	$ 1,721	$ 6,284	—

6. DERIVATIVE FINANCIAL INSTRUMENTS

In order to hedge foreign currency risks and interest rate risks arising from normal business transactions, the Company utilizes interest rate swaps and certain consolidated subsidiaries utilize coupon swaps, currency swaps, and currency options as derivative transactions. The Company applies hedge accounting, which is described in “Derivative Transactions and Hedge Accounting” in the “SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES”

The derivative transactions are made solely with highly rated financial institutions, thus, the credit risk to the Company in the event of nonperformance by counter parties is considered low. The basic transaction policy, transaction authorization and transaction limits for derivatives are determined by the Board of Directors’ meetings. Derivative contracts are executed and managed by the finance department. Details of the transactions are reported at the Board of Directors’ meetings.

The aggregate amounts contracted to be paid or received and the fair value and the unrealized gains (losses) of currency-related derivative transactions other than market trades as of March 31, 2008 (excluding hedging transactions) were as follows:

	Notional Amount Total	Due after one year	Fair value	Unrealized gains (losses)
	(*Millions of U.S. dollars*, millions of yen)		(Millions of yen)	
Forward foreign currency exchange contracts:				
Buy—U.S. dollars	$ 3	$ 0	¥ (25)	¥ (25)
Pay—yen	¥ 337	¥ 0		
Currency swaps with knock-out option contracts:				
Pay yen, receive U.S. dollars	$ 3	$ 2	(12)	(12)
Pay—yen	¥ 331	¥ 211		
Currency swap contracts:				
Pay yen, receive U.S. dollars	$ 22	$ 14	(176)	(176)
Currency option contracts:				
Buy, call—U.S. dollars	$ 62	$ 45	285	(19)
Buy, put—U.S. dollars	$ 6	$ 3	(8)	(8)
Sell, call—U.S. dollars	$ 6	$ 3	(0)	(0)
Sell, put—U.S. dollars	$ 105	$ 81	(702)	(11)
Total	-	-	¥ (638)	¥ (251)

	Notional Amount Total	*Due after one year*	*Fair value*	*Unrealized gains (losses)*
	(Millions of U.S. dollars)		*(Thousands of U.S. dollars)*	
Forward foreign currency exchange contracts:				
Buy—U.S. dollars	$ 3	$ 0	$ (248)	$ (248)
Pay—yen	$ 3	$ 0		
Currency swaps with knock-out option contracts:				
Pay yen, receive U.S. dollars	$ 3	$ 2	(121)	(121)
Pay—yen	$ 3	$ 2		
Currency swap contracts:				
Pay yen, receive U.S. dollars	$ 22	$ 14	(1,758)	(1,758)
Currency option contracts:				
Buy, call—U.S. dollars	$ 62	$ 45	2,840	(192)
Buy, put—U.S. dollars	$ 6	$ 3	(79)	(79)
Sell, call—U.S. dollars	$ 6	$ 3	(2)	(2)
Sell, put—U.S. dollars	$ 105	$ 81	(7,002)	(105)
Total	-	-	$(6,370)	$ (2,503)

Fair value is quoted based on the price information from the contracted financial institution.

7. ACCUMULATED DEPRECIATION ON PROPERTY AND EQUIPMENT

	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*
Accumulated depreciation	¥ 74,394	$ 742,458

8. IMPAIRMENT LOSSES ON PROPERTY AND EQUIPMENT

A certain consolidated subsidiary recorded impairment losses on the following asset groups for the fiscal year ended March 31, 2008:

Location	Use	Classification	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*
Kanagawa Prefecture	Retail Store	Buildings and structures	¥ 68	$ 678
		Other	16	162
		Total	¥ 84	$ 840

As a minimum unit for generating cash flows, each retail store is grouped and assessed individually. The book value of the cash-generating units which would incur operating losses continuously was reduced to the recoverable amount.

An impairment loss was recorded at the amount by which the carrying amount of each group of assets exceeded its recoverable value. The recoverable amounts from those asset groups are based on the net selling price, which is the basis for the property tax.

9. LEASE INFORMATION

The following pro forma amounts represent the acquisition costs, accumulated depreciation, accumulated impairment loss and the net book value of the leased assets as of March 31, 2008, which would have been reflected in the consolidated balance sheet if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings and structures	¥ 1,674	¥ 566	¥ -	¥ 1,108
Others	26,524	11,166	373	14,985
Total	¥ 28,198	¥ 11,732	¥ 373	¥ 16,093

	Thousands of dollars (Note 1)			
	Acquisition cost	*Accumulated depreciation*	*Accumulated impairment loss*	*Net book value*
Buildings and structures	$ 16,703	$ 5,644	$ -	$ 11,059
Others	264,712	111,438	3,727	149,547
Total	$ 281,415	$ 117,082	$ 3,727	$ 160,606

Future minimum lease payments as of March 31 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
Due within one year	¥	4,978	$	49,676
Due after one year		10,848		108,263
Total	¥	15,826	$	157,939

Lease payments, reversal of impairment loss account on leased assets, depreciation charges, interest charges and impairment loss for the year ended March 31, 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
Lease payments	¥	5,386	$	53,750
Reversal of impairment loss account on leased assets		106		1,059
Depreciation charges		4,961		49,512
Interest charges		446		4,456
Impairment loss		6		61

Assumed depreciation is computed using the straight-line method over the lease terms assuming no residual value.

The difference between total lease expenses and acquisition costs of the leased assets comprises interest charges. Interest charges are allocated using the interest method over the lease terms.

10. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

The weighted-average rate of interest for short-term loans was approximately 1.51% as of March 31, 2008.

The weighted-average rate of interest for current portion of long-term debt was approximately 1.25% as of March 31, 2008.

The weighted-average rate of interest for long-term debt (excluding current portion due within one year) was approximately 1.30% as of March 31, 2008, and long-term debt is due in 2009 through 2019.

Short-term and long-term debt as of March 31, 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
Short-term bank loans	¥	5,907	$	58,951
Long-term debt (due within one year)		19,266		192,272
Long-term debt (excluding amounts due within one year)		66,619		664,862
Total	¥	91,792	$	916,085

The following assets were pledged as collateral for short-term and long-term debt as of March 31, 2008:

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*	
Buildings and structures	¥	1,766	$	17,630
Land		3,113		31,067
Total	¥	4,879	$	48,697

Long-term debt (including current portion due within one year) of ¥6,610 million ($65,968 thousand) as of March 31, 2008 was pledged by the assets above.

The aggregate annual maturities of long-term debt are summarized as follows:

Fiscal year ending March 31,	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*	
2009	¥	19,266	$	192,271
2010		19,066		190,277
2011		15,925		158,932
2012		13,196		131,695
2013		14,651		146,219
Thereafter		3,781		37,740
Total	¥	85,885	$	857,134

11. CONVERTIBLE BONDS WITH SUBSCRIPTION RIGHTS TO SHARES

Outstanding balance of the convertible bonds of the Company and the current conversion prices into common stock as of March 31, 2008 were as follows:

	Conversion price per share	Outstanding balance				Conversion period
	Yen	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*		
Zero coupon convertible bonds due 2009	3,595.00	¥	933	$	9,311	September 2, 2002 – September 29, 2009
Euro yen zero coupon convertible bonds due 2013	14,175.00		70,344		702,038	March 28, 2008 – March 14, 2013
Euro yen zero coupon convertible bonds due 2015	13,797.00		80,000		798,403	March 28, 2008 – March 17, 2015
Total		¥	151,277	$	1,509,752	

Exercise of subscription rights of bonds with subscription rights to shares for the year ended March 31, 2008 were as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Increase in common stock by exercise of subscription rights	¥ 1,665	$ 16,617
Increase in capital surplus by exercise of subscription rights	1,664	16,607
Decrease in convertible bonds with subscription rights to shares	¥ 3,329	$ 33,224

12. INCOME TAXES

Taxes on income consist of income taxes, inhabitant taxes and enterprise taxes. The aggregate statutory tax rate on income before income taxes was approximately 40.4% for 2008.

For the year ended March 31, 2008, the difference between the statutory tax rate and the Company's effective tax rate for financial statement purposes was not disclosed since the difference was immaterial.

Significant components of deferred tax assets and liabilities as of March 31, 2008 were as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Deferred tax assets:		
Allowance for point card certificates	¥ 2,910	$ 29,046
Accrued enterprise taxes	1,432	14,294
Allowance for bonuses to employees	1,081	10,786
Allowance for employees' retirement benefits	2,312	23,069
Allowance for directors' and corporate auditors' retirement benefits	998	9,962
Allowance for warranty	1,924	19,201
Subsidiary's tax loss carry-forward	10,859	108,374
Others	1,462	14,597
Sub-total	22,978	229,329
Valuation allowance	(12,631)	(126,059)
Total deferred tax assets	10,347	103,270
Deferred tax liabilities:		
Unrealized gains on valuation of land	1,111	11,090
Others	562	5,610
Total deferred tax liabilities	1,673	16,700
Net deferred tax assets	¥ 8,674	$ 86,570

Net deferred tax assets were included in the following accounts in the consolidated balance sheet as of March 31, 2008:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Current assets – Deferred tax assets	¥ 5,349	$ 53,385
Investments and other assets – Deferred tax assets	4,670	46,610
Long-term liabilities – Other long-term liabilities	1,345	13,425

13. CONTINGENT LIABILITIES

The Company was contingently liable for transferred receivables of ¥18,420 million ($183,835 thousand) to credit card companies as of March 31, 2008.

Some of the consolidated subsidiaries transferred construction assistance fund receivables due from landowners to trust banks, with a recourse provision to repurchase if the landowners fail to repay their loans to the trust banks. For the year ended March 31, 2008, transferred receivables amounted to ¥4,173 million ($41,647 thousand). The outstanding balance of the transferred receivables amounted to ¥1,639 million ($16,358 thousand) as of March 31, 2008.

14. EMPLOYEES' RETIREMENT BENEFITS

Allowance for employees' retirement benefits as of March 31, 2008 consisted of the following:

	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*
Projected benefit obligation	¥ 7,219	$ 72,049
Unrecognized actuarial differences	(348)	(3,478)
Less fair value of pension assets	(1,149)	(11,469)
Allowance for employees' retirement benefits	¥ 5,722	$ 57,102

Employees' retirement benefit costs for the year ended March 31, 2008 were as follows:

	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*
Service costs-benefits earned during the year	¥ 946	$ 9,442
Interest cost on projected benefit obligation	116	1,161
Expected return on plan assets	(19)	(187)
Amortization of actuarial differences	230	2,291
Employees' retirement benefit costs	¥ 1,273	$ 12,707

The discount rate and the rate of expected return on plan assets used by the Company are 2.0%. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized as income or expense in equal amounts over 5 years commencing from the succeeding period.

15. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Corporate Law of Japan (the "Corporate Law") and related regulations.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the prices of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having Board of Directors, (2) having independent auditors, (3) having Board of Corporate Auditors, and (4) the term of service of the directors being prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

Appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period when the shareholders' approval has been obtained.

Retained earnings at March 31, 2008 include amounts representing the year-end cash dividends approved at the general shareholders' meeting held on June 27, 2008 as described in Note 18.

Cash dividends charged to retained earnings during the year ended March 31, 2008 represent dividends paid out during this period.

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal earnings reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal earnings reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and other retained earnings, respectively, which are potentially available for dividends.

The Corporate Law also provides that common stock, legal earnings reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

16. SEGMENT INFORMATION

The Company and its consolidated subsidiaries primarily operate in the home electrical appliance retail market.

For the year ended March 31, 2008, business segment information is not disclosed because the proportion of the net sales and the operating income derived from the above business segment exceeded 90% of the total.

For the year ended March 31, 2008, geographic segment information is not disclosed because there were no overseas consolidated subsidiaries and branches.

For the year ended March 31, 2008, information for overseas sales is not disclosed because there were no overseas sales during the period.

17. RELATED PARTIES

Significant balances with a director and a company owned by a representative director, president as of March 31, 2008, and related transactions for the year ended March 31, 2008 were summarized as follows:

	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*
Balances:		
Tecc Planning Co., Ltd., 100% directly owned by Noboru Yamada, representative director, president:		
Prepaid expense (prepaid rent)	¥ 82	$ 822
Long-term leasehold deposits (due within one year)	176	1,755
Long-term leasehold deposits	3,732	37,245

	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*
Principal transactions:		
Tecc Planning Co., Ltd., 100% directly owned by Noboru Yamada, representative director, president		
Payment of company house rent and lease and guarantee deposit	¥ 945	$ 9,434
Katsuji Kato, director:		
Tax services	1	6

18. SUBSEQUENT EVENTS

The following appropriations of retained earnings were approved at the general shareholders meeting of the Company held on June 27, 2008:

	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*
Year-end cash dividends, ¥33 ($0.33) per share	¥ 3,100	$ 30,942