Financial Report 2009

Fiscal year ended March 31, 2009

YAMADA DENKI CO., LTD.

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March 31, 2009

1. OVERVIEW OF PERFORMANCE

(1) Performance

Since the financial crisis that followed in the wake of the U.S. subprime loan crisis quickly spread to international markets, Japanese corporate earnings in the fiscal year under review were also affected by the substantial fall in stock prices as well as the volatility in the foreign exchange market. This resulted in a tighter job market and income conditions which led to a decline in consumer spending. As a result, Japan experienced unprecedented adverse market conditions.

The home appliance industry was also affected by the economic deterioration. Consumers refrained from spending and elected instead to save money rather than making new purchases. The entire market segment experienced a significant downturn.

Sales of audio-visual products, especially large flat-panel televisions (LCD and PDP) and blue-ray recorders, managed to maintain steady growth. The nationwide ecological campaign stimulated consumers into replacing their so-called “white appliances,” especially refrigerators and washing machines, with energy-saving appliances and their sales continued to be favorable. The boiling hot summer also boosted demand for seasonal items such as air conditioners. Meanwhile, sales of the following products were sluggish: cooking appliances, health-related appliances, personal care products, personal computers and related products, cell phones, digital cameras and game/entertainment products.

In response to the harsh market conditions, the Group began to focus on the following operational reforms beginning in the second half of the fiscal year.

1. Retail Store Efficiency Improvement

(1) Retail store allocation development/improvement by establishing main stores under the “scrap-and-build” strategy and building an efficient network with existing satellite stores (optimization/maximization of investment costs for construction);
(2) Optimization and maximization of manpower and staff skill allocation for rationalizing and streamlining storefront services (improvement in productivity);
(3) Optimization of balance of volume of sales, inventory and number of customers by improving convenience, services and product selection.

2. Cash Flow Improvement

(1) Improvement in inventory efficiency by determining base items and their quantity for each store /product (inventory minimization);
(2) Systemization of careful selection of inventory to improve ratio of gross profit to inventory investment (gross margin improvement);
(3) Optimization of inventory by improving logistics system (inventory minimization).

3. Cost Reduction

(1) Optimization and maximization of point return system
  (i) Sales, gross margin ratio, point accumulation, point redemption;
(2) Reduction of labor costs by reviewing and establishing guidelines for the allocation of manpower for direct operations, indirect operations and part-time jobs;
(3) Reduction of advertising expenses by reviewing efficiency against 100% trading area coverage.

The Group has achieved good results especially with regard to improvements in cash flow. Operating cash flow was drastically improved and inventory turnover was 12 times during the fiscal year (for Yamada Denki Co., Ltd itself).

With the management slogan “Back to basics by ensuring ‘appreciation and trust’ and the first year to encourage suggestions for improvement,” we intend to undertake management in which all employees are actively involved. Accordingly, we introduced and actively promoted our system to boost operational efficiency and problem solving in daily operations as well as management.

We also continued with our ongoing business improvement approaches such as those related to increasing customer satisfaction by enhancing employee training, promoting development of the large-scale urban retail store LABI, reinvigorating existing stores, developing franchise partners in small-scale trade areas to establish community-based retail stores, promoting eco-friendly appliances and intensifying CSR (Corporate Social Responsibility) activities.

We implemented our CSR activities concentrating on 4 core categories: compliance, labor issues, environmental issues and improvement in customer satisfaction, and released our “CSR Report.” This report explains the progress we achieved and the results of our CSR activities including holding weekly CSR Committee meetings, various study sessions and quarterly round table talks with outside experts, enhancing child-support programs (to acquire the “Kurumin” certificate), reducing overtime, increasing customer satisfaction by intensifying employee training, employing green energy (first in Japan), using environment-conscious plastic bags and fund-raising for large-scale disaster-stricken areas.

(Please refer to our website at http://www.yamada-denki.jp/csr/index.html.)

In our marketing efforts, we promoted audio-visual products during the year-end sale period and in time for the Beijing Olympics, popularized eco-friendly products and emphasized our award program in order to attract consumers to our stores and to encourage loyalty. By fully publicizing economical benefits to customers, we achieved to differentiate ourselves from peers in the sector. Furthermore, we stepped up our efforts in improving our customers’ convenience and increasing the number of visits by offering various products at GMS (general merchandising stores) under the brand name of ELENTA, and other non-electronics items, such as drugs and beverages at our existing electronics stores and enhanced customer satisfaction by improving internal employee training system to enable us to respond to complex and diversifying customer needs.

With regard to store development, we opened 6 LABI stores (urban large-scale stores) including the LABI Tsudanuma store and 37 Tecc Land stores (suburban stores) including the Tecc Land Hirakata store, closed 18 stores including the consumer electronics store and the PC store operated by Tecc Land Takasaki in line with our scrap-and-build policy and expanded retail space for both Tecc Land Takamatsu-Kasuga and Tecc Land Kanazawa main store. We also transformed 3 Matsuya Denki stores (subsidiary stores) and 1 Tecc.site store (subsidiary store) into Tecc Land stores. The number of consolidated retail stores at the end of the fiscal year stood at 527 (comprising 382 directly managed stores and 145 stores operating as consolidated subsidiaries). The total number of stores including the stores managed by non-consolidated subsidiaries and franchise stores stood at 1,500.

By category, sales of household electric appliances increased 12.8% year on year to ¥1,160,062 million (62.0% of total sales). Sales of home information appliances decreased 4.0% to ¥538,548 million (28.7% of total sales) and sales of other products decreased 2.8% to ¥173,218 million (9.3% of total sales).

As a result of the above, consolidated net sales increased 5.9% year on year to ¥1,871,828 million, operating income decreased 24.3% to ¥49,523 million, ordinary income decreased 20.9% to ¥64,605 million and net income for the fiscal year under review decreased 32.5% to ¥33,207 million.

(2) Cash Flows

At the end of the consolidated fiscal year under review, cash and cash equivalents decreased 26.3% to ¥47,957 million, down ¥17,073 million compared with the prior period. The following are cash flows recorded in the fiscal year under review.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥50,499 million.

This was mainly due to the recording of depreciation charges not associated with expenses (¥22,670 million), an increase in provision for point card certificates (¥10,501 million) due to a hike in the number of points issued based on our proactive point-return sales promotion optimization and maximization strategy, and a decrease in inventories (¥23,210 million) thanks to enhanced inventory efficiency resulting from quantitative management on a per-store/per-product basis and a reform of our logistics system. The negative cash figure was a decrease in trade payables (¥32,557 million).

Cash flows from investing activities

Net cash used in investing activities amounted to ¥67,347 million.

This primarily resulted from the expenditure for the acquisition of property and equipment in connection with opening of new stores (¥44,885 million) and the payments for guarantee deposits for new store openings (¥19,795 million).

Cash flows from financing activities

Net cash used in financing activities amounted to ¥307 million.

This was mainly due to expenses relating to the redemption of bonds (¥7,300 million) and the repayments of lease obligations (¥5,669 million) as a result of the application of the accounting standard for lease transactions from the fiscal year under review. The positive cash figure was ¥15,762 million in proceeds from short-term loans and long-term debt made for the procurement of funds for capital investments.

2. PURCHASING PERFORMANCE

Products	Year ended March 31, 2009		
	Amount (Millions of yen)	%	Year-on-year comparison (%)
Household electric appliances			
Color televisions	237,330	17.2	4.2
Video/DVD players	87,899	6.4	17.1
Audio equipment	39,764	2.9	2.0
Refrigerators	71,967	5.2	7.4
Washing machines	52,943	3.8	(0.7)
Cooking appliances	43,267	3.1	9.5
Air conditioners	67,955	4.9	8.2
Other home cooling and heating equipment	23,039	1.7	16.0
Others	175,646	12.8	4.9
	799,810	58.0	6.4
Home information appliances			
Personal computers	170,138	12.4	(2.5)
PC peripheral equipment	103,090	7.5	(1.0)
PC software	7,634	0.6	(0.7)
Telephones/fax machines	7,803	0.6	(11.4)
Mobile phones	131,341	9.5	(25.2)
Others	35,208	2.6	8.3
	455,214	33.2	(9.5)
Other products			
Audio and visual software and books	85,216	6.2	(18.1)
Others	36,354	2.6	13.1
	121,570	8.8	(10.7)
	1,376,594	100.0	(1.0)

Notes: 1. "Others" in "Household electric appliances" includes luminaries, hairdressing and beauty supplies and tapes; "Others" in "Home information appliances" includes ink cartridges; "Others" in "Other products" includes jewelry, 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, 2009		
	Amount (Millions of yen)	%	Year-on-year comparison (%)
Household electric appliances			
Color televisions	343,678	18.4	21.5
Video/DVD players	127,022	6.8	25.4
Audio equipment	56,558	3.0	6.5
Refrigerators	97,690	5.2	12.8
Washing machines	73,046	3.9	8.0
Cooking appliances	64,457	3.4	4.9
Air conditioners	89,463	4.8	11.6
Other home cooling and heating equipment	31,363	1.7	4.2
Others	276,785	14.8	4.2
	1,160,062	62.0	12.8
Home information appliances			
Personal computers	217,779	11.6	1.4
PC peripheral equipment	143,118	7.6	2.9
PC software	12,814	0.7	0.1
Telephones/fax machines	11,225	0.6	(13.2)
Mobile phones	94,381	5.0	(25.1)
Others	59,231	3.2	7.4
	538,548	28.7	(4.0)
Other products			
Audio and visual software and books	126,865	6.8	(8.6)
Others	46,353	2.5	17.6
	173,218	9.3	(2.8)
	1,871,828	100.0	5.9

Notes: 1. “Others” in “Household electric appliances” includes luminaries, hairdressing and beauty supplies and tapes; “Others” in “Home information appliances” includes 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, 2009 Amount (Millions of yen)	%	Year-on-year comparison (%)	Number of stores as of March 31, 2009
Hokkaido	84,167	4.5	0.9	30
Aomori	16,033	0.9	6.0	5
Iwate	9,014	0.5	(0.2)	5
Miyagi	43,570	2.3	(2.3)	10
Akita	11,980	0.6	1.9	5
Yamagata	14,415	0.8	(5.5)	7
Fukushima	20,897	1.1	8.6	8
Ibaraki	39,104	2.1	2.0	14
Tochigi	28,162	1.5	(5.0)	8
Gunma	79,510	4.2	(5.9)	15
Saitama	113,886	6.1	(0.9)	28
Chiba	104,431	5.6	22.8	26
Tokyo	204,324	10.9	31.3	35
Kanagawa	172,073	9.2	(6.4)	33
Niigata	34,112	1.8	(4.8)	10
Toyama	24,342	1.3	(4.7)	6
Ishikawa	24,506	1.3	8.8	8
Fukui	10,587	0.6	(6.3)	4
Yamanashi	11,403	0.6	8.2	3
Nagano	45,711	2.4	0.8	13
Gifu	24,077	1.3	2.3	6
Shizuoka	42,233	2.3	(3.4)	8
Aichi	95,720	5.1	(1.7)	34
Mie	24,382	1.3	(1.0)	8
Shiga	13,520	0.7	(4.8)	5
Kyoto	21,173	1.1	3.5	10
Osaka	142,613	7.6	27.4	35
Hyogo	65,213	3.5	21.8	30
Nara	11,836	0.6	35.9	5
Wakayama	9,948	0.5	(10.9)	3
Tottori	6,786	0.4	(8.5)	2
Shimane	5,529	0.3	(10.0)	2
Okayama	14,277	0.8	47.8	9
Hiroshima	31,185	1.7	(5.3)	7
Yamaguchi	25,163	1.3	(0.5)	9
Tokushima	11,362	0.6	14.7	7
Kagawa	20,892	1.1	25.6	10
Ehime	19,105	1.0	5.7	6
Kochi	13,603	0.8	(19.0)	9
Fukuoka	77,731	4.2	1.7	19
Saga	10,160	0.5	18.6	3
Nagasaki	17,666	0.9	(0.8)	4
Kumamoto	19,054	1.0	6.6	7
Oita	9,103	0.5	(3.8)	3
Miyazaki	17,496	1.0	16.5	5
Kagoshima	18,103	1.0	(1.0)	5
Okinawa	11,671	0.6	7.7	3
	1,871,828	100.0	5.9	527

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

(3) Sales Per Unit

	Year ended March 31, 2009	
	Amount	Year-on-year comparison (%)
Net sales - millions of yen	1,871,828	5.9
Sales floor space (average) - m²	1,534,173	17.1
Sales per square meter - thousands of yen	1,220	(9.6)
Employees (average) - persons	19,849	22.5
Sales per employee - millions of yen	94	(13.6)

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

Decline in corporate earnings, tight employment conditions and the stagnation in consumer spending are expected to continue due to the deterioration of the world's economy. The business environment encompassing our industry is also expected to continue down a stringent path.

In response to these adverse conditions, we put up our 2009 slogan, "Greet with a smile to create a bright and cheerful workplace," and are seeking in unison to establish stores that customers would continue to trust, by offering a friendly and comfortable store environment with convenient services.

We will continue to develop our human resources and expand our service coverage and retail space in order to increase our market share by implementing a nationwide chain store strategy.

Personal training is one of the endless challenges for companies that are engaged in the operation of multiple retail establishments. With the goal of obtaining further customer loyalty and increased sales and profits, the Group will continue to focus on systematically enhancing the quality of its human resources through group training sessions at our "Soseijuku" educational facility, onsite OJT, training and study sessions utilizing TV-phones and e-learning systems as well as an in-house certification program.

For the purposes of establishing a mechanism to involve all employees in corporate management, we will continue encouraging the improvement suggestion system in order to boost operational efficiency and problem solving in daily operations as well as management.

5. RISK FACTORS

Of the items relating to the status of the business and accounting as described in the Annual Securities 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 continuously plans to open retail stores in urban centers and in the suburbs and community-based retail stores by implementing a nationwide chain store strategy. 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 competitor companies. We expect competition with competitors 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 expenses and guarantee 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 competitor companies 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 companies 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 condition.

(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 investments would not be recovered. Depending on the circumstances, extraordinary loss or extraordinary income 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. as provided below, 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.

(5) Economic Trends

The Group is dependent on the Japanese market for most of its sales and domestic consumer trends impact its performance. Each revision in laws and regulations or change in economic factors such as interest rates, fuel prices, the number of housing starts or the unemployed, and increases in tax rates, etc. may not only push up the cost of sales and business expenses but also reduce disposable incomes and drive down demand for our products. The Japanese economy, as witnessed by the bankruptcy of many companies and individuals and the deterioration of consumer sentiment, was negatively affected by the economic turmoil and decreased American consumer spending in the wake of the global financial crisis caused by the US subprime loan fiasco and, as a result, negatively impacting domestic consumer spending. The fall in disposable incomes and consumer spending in Japan may especially result in lower prices and sales of high-priced, high-function electric appliances, some of the products handled by the Group. With the American economy now mired with uncertainty, there is absolutely no guarantee that the Japanese economy will continue growing, or stop receding. The Group's business, performance and financial condition may be negatively affected by the decrease in domestic consumer spending.

(6) Demand Associated with Seasonal and Weather Factors or Events, etc.

As with other retailers, sales and revenue fluctuate monthly. Generally, we see increases during bonus season, at the end of the fiscal year and during months with many holidays. There are also increases when sales of seasonal products fare well. Meanwhile, sales of air-conditioners, heaters, drying machines, etc. fluctuate greatly with the weather. Sales are known to drop during cool summers, warm winters and dry rainy seasons. Also, there are products such as TVs that tend to go up whenever there is a special event such as the Olympics or the World Cup. Sadly, it is difficult to accurately predict irregular demand springing up due to seasonal changes, weather conditions or events, etc. not to mention demand for our products in general. Any significant deviation from such predictions may negatively impact the Group's business, performance and financial condition.

(7) Changes in Consumer Wants and Preferences

In order to maintain and increase the Group's net sales and income, it is necessary to predict which products consumers will want or prefer, assure that sufficient quantities are in stock and supply them. It is considered important to spur demand by regularly introducing new products and technologies to consumers. If these activities fail to bare fruit, the Group's performance and financial condition may be negatively affected. This can be exemplified as a lack of a certain product due to competition with other retailers or a change in our relationship with manufacturers or the new product or technology on which a manufacturer is focusing on is inconsistent with consumer needs, etc. Also, the introduction of a new product may result in a decrease in the sales of existing products.

(8) Product Purchasing

For favorable Group performance, it is essential to always have in place a system under which the necessary products are purchased in the necessary quantity and at the appropriate price. Unfortunately, if maintaining regular product supplies becomes difficult due to a change in the relationship with business partners or a natural disaster, etc., product purchasing according to a preconceived plan may become unfeasible. Such circumstances may negatively affect the Group's performance and financial condition.

(9) Managing Franchises

The Group is increasing the number of franchises managed as small, community-based retail stores. However, we cannot guarantee that we will be able to continually open franchises in favorable locations or renew existing franchise agreements. If the number of franchises does not increase as planned or decreases, royalties may decline thus negatively affecting the Group's performance and financial condition. Also, because franchises are not completely under the control of the Group, they may be managed in a manner that is inconsistent with Group standards. This may not only negatively affect the Group's performance and financial condition, but also its reputation.

(10) Handling Personal and Other Secret Information

The Group handles a significant amount of customers' personal information especially in relation to the issue of point card certificates. This information is handled under an internal control system by which awareness with respect to information management is heightened and ample caution is taken to prevent leaks. Any such leak may damage the reputation of the Group and negatively affect its performance and financial position.

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. Major 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 ¥313,549 million, a decrease of ¥29,345 million compared with the ¥342,894 million recorded the prior period. This mainly reflected decreases in merchandise and finished goods (down from ¥192,954 million to ¥169,693 million, or ¥23,261 million) thanks to enhanced inventory efficiency resulting from quantitative management on a per-store/per-product basis and a reform of our logistics system and cash and deposits (down from ¥66,195 million to ¥49,465 million, or ¥16,730 million). Contrastingly, the main increases were in short-term loans receivable (up from ¥9,883 million to ¥14,342 million, or ¥4,459 million) and deferred tax assets (up from ¥5,349 million to ¥9,533 million, or ¥4,184 million).

(Noncurrent assets)

Total noncurrent assets at the fiscal year-end amounted to ¥464,940 million, an increase of ¥57,620 million compared with the ¥407,320 million recorded the prior period. This mainly reflected increases in investments in buildings and structures (up from ¥136,750 million to ¥167,660 million, or ¥30,910 million) which based on our capital investment strategy for establishing main stores and building an efficient network with existing satellite stores, and the recording of leased assets (¥15,575 million) as a result of the application of the accounting standard for lease transactions from the fiscal year under review. Contrastingly, the main decreases were in construction in progress (down from ¥18,153 million to ¥9,974 million, or ¥8,179 million) and investment securities (down from ¥20,998 million to ¥19,894 million, or ¥1,104 million).

(Current liabilities)

Total current liabilities at the fiscal year-end were ¥173,533 million, a decrease of ¥7,964 million compared with the ¥181,497 million recorded the prior period. This mainly reflected a decrease in notes and accounts payable – trade (down from ¥90,669 million to ¥58,112 million, or ¥32,557 million). Contrastingly, the main increases were in transfer to long-term loans due within one year which made for the procurement of funds for capital investments from current liabilities to long-term liabilities (up from ¥19,266 million to ¥25,341 million, or ¥6,075 million) and the provision for point card certificates (up from ¥7,200 million to ¥17,701 million, or ¥10,501 million) due to a hike in the number of points issued based on our proactive point-return sales promotion optimization and maximization strategy.

(Long-term liabilities)

Total long-term liabilities at the fiscal year-end were ¥248,504 million, an increase of ¥6,724 million compared with the ¥241,780 million recorded the prior period. This mainly reflected factors such as the recording of lease obligations (¥10,662 million) as a result of the application of the accounting standard for lease transactions from the fiscal year under review, and a increase in long-term loans payable (up from ¥66,619 million to ¥73,001 million, or ¥6,382 million) made for the procurement of funds for capital investments. Contrastingly, the main decrease was in bonds (down from ¥151,277 million to ¥140,274 million, or ¥11,003 million) which due to the redemption of bonds.

(Net assets)

Net assets amounted to ¥356,452 million at the fiscal year-end, an increase of ¥29,515 million compared with the ¥326,937 million recorded the prior period. This mainly reflected the recording of net income of ¥33,207 million. Contrastingly, the main decrease was cash dividends (¥3,100 million) based on dividend policy which focuses on continuous, stable dividends to shareholders.

(2) Analysis of Cash Flows

Cash and cash equivalents as of the end of the fiscal year under review decreased 26.3% to ¥47,957 million, down ¥17,073 million compared with the prior period. This was mainly due in part to the increase in capital investment based on our capital investment strategy for establishing main stores under the “scrap-and-build” policy and building an efficient network with existing satellite stores, as well as the retirement by purchase of euro-yen convertible bond-type bonds with subscription rights to shares due 2015.

Net cash provided by operating activities amounted to ¥50,499 million, mainly reflecting the recording of depreciation charges, an increase in provision for point card certificates, and a decrease in inventories. The negative cash figure was a decrease in trade payables.

Net cash used in investing activities amounted to ¥67,347 million, mainly reflecting the expenditure for the purchase of property and equipment and the payments for guarantee deposits.

Net cash used in financing activities amounted to ¥307 million, primarily reflecting expenses relating to the redemption of bonds and the repayments of lease obligations. The positive cash figure was in net revenue from loans payable.

(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)

(i) Net sales and gross profit

Net sales during the fiscal year under review increased 5.9% to ¥1,871,828 million, compared with the prior period. This was mainly due to favorable sales in audio-visual products, mostly large flat-panel televisions (LCD and PDP) and blue-ray recorders, the promotion of switching to energy-saving appliances, mostly “white appliances” such as refrigerators and washing machines, and positive sales figures in air conditioners and other seasonal items thanks to the boiling hot summer, as well as the opening of 37 new stores, the closing of 18 stores under our scrap-and-build policy, the expansion of 2 stores and the transformation of 4 locations into Tecc Land stores.

The gross profit significantly increased 20.9% to ¥471,955 million, compared with the prior period. This is attributable to higher net sales, a change in the product sales composition ratio and enhanced efficiency following operational reforms.

(ii) Selling, general and administrative expenses, operating income, other income (expenses) and ordinary income

Selling, general and administrative expenses for the fiscal year under review increased 30.0% to ¥422,432 million, compared with the prior period. This was due in part to new openings such as 6 urban large-scale LABI stores, prepaid expenses such as allowances for land and buildings in anticipation of future use, an increase in point-related promotional expenses based on a high-rate point strategy, as well as higher business expenses following increases in crude oil prices. As a result, operating income was ¥49,523 million, down 24.3% compared with the prior period.

Other income decreased 4.9% to ¥17,835 million, compared with the prior period. This was due in part to a decline in purchase discounts resulting from the decrease in purchasing following cash flow improvement efforts as part of operational reforms, despite gain on redemption of bonds totaling ¥2,700 million due to convertible bond-type bonds retirement by purchase.

Other expenses increased 9.3% to ¥2,753 million, compared with the prior period, This was due to loss on valuation of derivatives of ¥551 million caused by sudden changes in exchange rates.

As a result of the above, ordinary income decreased 20.9% to ¥64,605 million, compared with the prior period.

(iii) Extraordinary income, extraordinary loss and income before income taxes and minority interests

An extraordinary income decreased 75.4% to ¥66 million compared with the prior period, was recorded during the fiscal year under review.

An extraordinary loss increased 360.7% to ¥4,787 million, compared with the prior period, was recorded mainly as a result of a loss on disposal of buildings and structures of closed stores and clearing expenses as well as an impairment loss on property and equipment on 2 stores and a loss on valuation of investment securities of ¥3,184 million due to a depressed stock market.

As a result of the above, income before income taxes and minority interests decreased 26.0% to ¥59,883 million, compared with the prior period.

(iv) Income taxes-current, income taxes-prior period adjustment, income taxes-deferred, minority interests in loss (income) of consolidated subsidiaries and net income

The amount of income taxes paid during the fiscal year under review was ¥26,700 million and the minority interests in loss of consolidated subsidiaries amounted to ¥24 million.

As a result of the above, net income decreased 32.5% to ¥33,207 million, compared with the prior period.

(Factors resulting in material effects on operating results)

The home appliance industry is witnessing an increase in demand for products made for new terrestrial digital broadcasting (televisions, digital recorders, tuners, etc.) and for energy-saving appliances due to heightened consumer awareness. However, against the backdrop of a depressed stock market, the economic environment encompassing the Group is expected to witness lower corporate earnings, deterioration in the employment environment, lower personal income levels and other signs that stringent conditions with persist. Competition between competitor companies in the home appliances market is also predicted to exacerbate further.

(Current status and future prospects of our managerial strategy)

Against the backdrop of a depressed stock market, the economic environment encompassing the Group is expected to witness lower corporate earnings, deterioration in the employment environment, lower personal income levels and other signs that stringent conditions with persist. The home appliance industry is expected to see a continuingly harsh market environment.

With an eye on the early realization of its objectives, the Group will solidify its customer base through sales promotions striving to increase net sales.

In the area of store development, in addition to the suburban Tecc Land stores, our goal is to develop the large-scale urban retail stores, LABI stores. We opened 13 LABI stores so far, including the "LABI1 Namba" in March 2006.

For our popular "Point Return System", we have implemented 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 will work to reform our product circulation and logistics capabilities, streamline inventories and create cash flow by increasing inventory turnover.

In addition, the Group completely subsidiarized Kyushu Tecc Land Co., Ltd. on October 1, 2008, Chushikoku Tecc Land Co., Ltd. on October 15, 2008, Cosmos Berry's Co., Ltd. on December 1, 2008 and Higashi Kyushu Tecc Land Co., Ltd. on February 1, 2009. We also fortified our store infrastructure base and expanded our advantages of scale in the development of our home electric appliance stores into a national chain, and created total service solutions as a Group. We will continue to streamline managerial resources and strengthen our base by integrating internal business processes and other indirect tasks.

The Group will also continue to effectuate operational reforms as follows.

1. Retail Store Efficiency Improvement

(1) Retail store allocation development/improvement by establishing main stores under the "scrap-and-build" strategy and building an efficient network with existing satellite stores (optimization/maximization of investment costs for construction);
(2) Optimization and maximization of manpower and staff skill allocation for rationalizing and streamlining storefront services (improvement in productivity);

(3) Optimization of balance of volume of sales, inventory and number of customers by improving convenience, services and product selection.

2. Cash Flow Improvement

(1) Improvement in inventory efficiency by determining base items and their quantity for each store /product (inventory minimization);
(2) Systemization of careful selection of inventory to improve ratio of gross profit to inventory investment (gross margin improvement);
(3) Optimization of inventory by improving logistics system (inventory minimization).

3. Cost Reduction

(1) Optimization and maximization of point return system
    (i) Sales, gross margin ratio, point accumulation, point redemption;
(2) Reduction of labor costs by reviewing and establishing guidelines for the allocation of manpower for direct operations, indirect operations and part-time jobs;
(3) Reduction of advertising expenses by reviewing efficiency against 100% trading area coverage.

In addition, 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.

For our CSR activities, we will intensify ongoing efforts such as ensuring compliance, addressing labor issues, responding to environmental issues and improving customer satisfaction.

In order to enhance and build a better nationwide retail network by implementing a nationwide chain store strategy with total service solutions and to increase our market share, we will implement group-wide approaches such as the development of LABI and Tecc Land stores, reinvigoration of existing stores (scrap-and-build, renovation and expansion of main stores in major cities and addition of non-electronics items) and franchise development to establish community-based retail stores in small-scale trade areas.

The above efforts will allow us to differentiate our operation from other companies, reform and improve store efficiency, increase our product lineup, improve our financial position, reduce expenses, enhance cash flows and bolster our earning power through strict low cost management practices.

9. CORPORATE GOVERNANCE

(1) Basic Stance

The Company considers it 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) Corporate Governance Structures and Internal Control Systems

(i) General Meeting of Shareholders

The General Meeting of Shareholders, the Company's top decision-making body, provides a forum for shareholders to obtain and exchange information as well as to exercise their rights. The Company has an active IR program, and it is intent on disclosing information in a timely manner to ensure its shareholders' ability to exercise their rights appropriately. Because foreigners make up a large percentage of the shareholders, the Company strives to meet their needs by preparing notices of General Meeting of Shareholders in English and mailing them out early.

(ii) Board of Directors

The Yamada Denki Board of Directors, which comprises 16 directors, convenes regularly once a month. Extraordinary Board meetings are also convened when necessary. The Board of Directors reviews any important issues related to the Company's business, discusses the Company's performance and takes prompt action as required. Directors and executive officers also attend weekly business strategy meetings at which senior management reviews progress in executing business strategies.

(iii) Executive Committee

The Executive Committee convenes weekly, as a rule, to enable executive officers to report on the progress of operations and take prompt action as required. In addition, all executive officers attend an expanded Executive Committee meeting that is held once a month.

(iv) Corporate auditors

The Company's auditing system relies on 1 standing corporate auditor, and 2 non-standing (external) corporate auditors. These auditors participate in the Board of Directors meetings and other important business meetings to monitor the performance of duties.

(v) Internal auditing

The Company has established the Internal Audit Office to strengthen its internal auditing functions. Reporting directly to the President and employing 3 full-time staff, this department engages in the auditing of daily business activities, including on-site oversight of inventory-related operations, as well as in performing internal auditing functions related to the Company's internal control. Functioning in cooperation with the corporate auditors and the auditing firm, the department provides an auditing perspective to ensure that the Company's business activities are conducted properly and efficiently.

(vi) Relationships with external directors and auditors

The Company has appointed no external directors.

There are no personal, financial or commercial conflicts of interest with respect to the Company's 2 appointed external auditors.

(vii) Auditing firm

The Company's books are audited by KPMG AZSA & Co. The following certified public accountants were responsible for auditing the Company's books in the year ended March 31, 2009:

Certified public accountants: Atsushi Fukuda, Minoru Hirata, Toru Morita

Persons assisting with auditing: 4 certified public accountants, 12 other persons

(viii) Number of directors and election rules

The Company's Articles of Incorporation limit the maximum number of directors to 17. Approval of resolutions to elect directors requires a simple majority vote in favor of a resolution at a General Meeting of Shareholders attended by shareholders representing at least one-third of the total voting rights. Directors may not be elected by cumulative voting.

(ix) Approval of treasury stock purchase

The Company's Articles of Incorporation provide for the acquisition of treasury stock by resolution of the Board of Directors, based on the provisions of Article 165-2 of the Corporation Law of Japan. This provides management with the flexibility required to tailor capital-related policies to the prevailing business conditions.

(x) Interim dividends

Based on the provisions of Article 454-5 of the Corporation Law of Japan, the Company's Articles of Incorporation provide for the payment of an interim dividend by resolution of the Board of Directors, with the date of record set at September 30 of each year. Management views such dividends as providing a dynamic means of returning profits to shareholders.

(xi) Special resolutions of the General Meeting of Shareholders

In accordance with the provisions of Article 309-2 of the Corporation Law of Japan, the Company's Articles of Incorporation stipulate that adoption of special resolutions by the General Meeting of Shareholders requires a two-thirds majority of votes cast at a meeting at which those in attendance represent at least one-third of the total shareholder voting rights. This represents a relaxation of the former quorum requirement for special resolutions introduced to facilitate smoother operation of General Meeting of Shareholders.

(xii) Others

The Company contracts with a law firm for legal advice, as needed.

(3) Initiatives Undertaken During the Past Year

As part of efforts to facilitate rapid responses to changes in the business environment, the Company has adopted a corporate executive officer system that establishes clear separation between the execution of operations and the business decision-making and management oversight functions. The senior executives who serve on management committees are the Chairman & CEO and the President & COO (both with representative authority), 2 Executive Vice-Presidents (with the roles of CIO and CMO) and 1 Senior Managing Director (with the role of CFO). Operating under these senior executives, the executive officers assume responsibility for the management of specified functions.

In the year ended March 2007, the Company established the CSR Committee, in addition to the existing Compliance Committee and Internal Audit Office, to oversee formulation of specific CSR-related policies and standards covering areas such as business ethics. This committee conducts ongoing activities aimed at enhancing internal awareness of CSR-related issues.

CONSOLIDATED BALANCE SHEETS
Yamada Denki Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2009 and 2008

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2009	2008	*2009*
ASSETS			
Current assets:			
Cash and time deposits (Note 4)	¥ 49,465	¥ 66,195	$ 503,406
Notes and accounts receivable (Note 13):			
- Trade	30,180	31,895	307,143
- Non-consolidated subsidiaries and affiliated companies	3,560	2,860	36,237
Sub-total	33,740	34,755	343,380
Inventories	170,619	193,507	1,736,399
Deferred tax assets (Note 12)	9,533	5,349	97,022
Other current assets (Note 17)	50,274	43,187	511,642
Allowance for doubtful accounts	(82)	(99)	(836)
Total current assets	313,549	342,894	3,191,013
Property and equipment:			
Buildings and structures, net (Notes 7, 8 and 10)	167,660	136,750	1,706,292
Land (Note 10)	102,107	99,364	1,039,153
Leased assets, net (Notes 7, 8 and 9)	15,575	-	158,507
Other, net (Notes 7 and 8)	20,330	27,104	206,899
Total property and equipment, net	305,672	263,218	3,110,851
Intangible assets (Note 8)	4,379	3,861	44,561
Investments and other assets:			
Investment securities (Note 5)	19,894	20,998	202,460
Guarantee deposits (Note 17)	114,819	104,491	1,168,525
Deferred tax assets (Note 12)	7,587	4,670	77,213
Other assets	12,862	10,351	130,898
Allowance for doubtful accounts	(273)	(269)	(2,774)
Total investments and other assets	154,889	140,241	1,576,322
Total assets	¥ 778,489	¥ 750,214	$ 7,922,747

CONSOLIDATED BALANCE SHEETS

Yamada Denki Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	*2009*
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable – trade	¥ 58,112	¥ 90,669	$ 591,406
Short-term debt (Notes 9 and 10)	40,491	25,173	412,077
Income taxes payable	17,722	17,537	180,356
Provision for bonuses to employees	3,017	2,674	30,709
Provision for directors' and corporate auditors' bonuses	137	118	1,389
Provision for point card certificates	17,701	7,200	180,143
Other current liabilities (Note 11)	36,353	38,126	369,983
Total current liabilities	173,533	181,497	1,766,063
Long-term liabilities:			
Bonds (Note 11)	140,274	151,277	1,427,582
Long-term debt (Notes 9 and 10)	83,663	66,619	851,446
Provision for retirement benefits (Note 14)	6,053	5,722	61,607
Provision for directors' and corporate auditors' retirement benefits	2,578	2,471	26,239
Provision for product warranties	6,666	4,762	67,844
Other long-term liabilities (Note 12)	9,270	10,929	94,323
Total long-term liabilities	248,504	241,780	2,529,041
Total liabilities	422,037	423,277	4,295,104
Contingent liabilities (Notes 9 and 13)			
Net assets:			
Shareholders' equity (Note 15):			
Common stock:			
Authorized – 200,000,000 shares			
Issued – 96,450,384 shares in 2009 and 96,391,142 shares in 2008	70,702	70,595	719,538
Capital surplus	70,620	70,514	718,709
Retained earnings	234,972	204,865	2,391,328
Treasury stock, at cost – 2,438,605 shares in 2009 and 2,438,495 shares in 2008	(23,045)	(23,044)	(234,528)
Valuation and translation adjustments:			
Unrealized gains (losses) on available-for-sale securities, net of taxes (Note 5)	(40)	608	(413)
Minority interests	3,243	3,399	33,009
Total net assets	356,452	326,937	3,627,643
Total liabilities and net assets	¥ 778,489	¥ 750,214	$ 7,922,747

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Yamada Denki Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2009 and 2008

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2009	2008	*2009*
Net sales:			
- Trade	¥ 1,835,244	¥ 1,724,559	$ 18,677,425
- Non-consolidated subsidiaries and affiliated companies	36,584	43,260	372,322
Sub-total	1,871,828	1,767,819	19,049,747
Operating expenses:			
Cost of sales	1,399,873	1,377,313	14,246,624
Selling, general and administrative expenses (Note 17)	422,432	325,081	4,299,128
Operating income	49,523	65,425	503,995
Other income (expenses):			
Interest and dividend income	1,195	978	12,163
Interest expense	(1,892)	(1,935)	(19,256)
Purchase discounts	8,768	12,523	89,230
Loss on valuation of derivatives	(551)	(113)	(5,605)
Gain on redemption of bonds	2,700	-	27,478
Gain on cancellation of life insurance	30	144	306
Reversal of (provision of) allowance for doubtful accounts	7	(271)	69
Loss on sale and disposal of property and equipment, net	(862)	(137)	(8,774)
Loss on refund and cancellation of guarantee deposits	(45)	(42)	(462)
Impairment loss (Note 8)	(190)	(84)	(1,929)
Directors' and corporate auditors' retirement benefits	(80)	(143)	(817)
Loss on valuation of investment securities (Note 5)	(3,184)	(116)	(32,402)
Other – net	4,464	4,651	45,441
	10,360	15,455	105,442
Income before income taxes and minority interests	59,883	80,880	609,437
Income taxes (Note 12):			
Current	32,444	30,711	330,181
Prior periods adjustment	964	89	9,814
Deferred	(6,708)	704	(68,268)
	26,700	31,504	271,727
Minority interests in income (loss) of consolidated subsidiaries	24	(202)	244
Net income	¥ 33,207	¥ 49,174	$ 337,954

	Yen		*U.S. Dollars*
	2009	2008	*2009*
Amounts per share of common stock:			
Net income - Basic	¥ 353.32	¥ 511.83	$ 3.60
- Diluted	352.47	509.91	3.59
Cash dividends applicable to the year	33.00	33.00	0.34

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Yamada Denki Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2009 and 2008

	Number of shares of common stock (Thousands)	Millions of yen						
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available -for-sale securities (Note 5)	Minority interests	Total net assets
Balance at March 31, 2007	95,483	¥ 68,930	¥ 68,850	¥ 158,459	¥ (99)	¥ 192	¥ 3,204	¥ 299,536
Net income				49,174				49,174
Issuance of common stock	908	1,665	1,664					3,329
Purchase of treasury stock					(22,945)			(22,945)
Cash dividends				(2,768)				(2,768)
Other changes in 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
Net income				33,207				33,207
Issuance of common stock	59	107	106					213
Purchase of treasury stock					(1)			(1)
Cash dividends				(3,100)				(3,100)
Other changes in the year, net						(648)	(156)	(804)
Balance at March 31, 2009	96,450	¥ 70,702	¥ 70,620	¥ 234,972	¥ (23,045)	¥ (40)	¥ 3,243	¥ 356,452

	Thousands of U.S. Dollars (Note 1)						
	Common stock	*Capital surplus*	*Retained earnings*	*Treasury stock, at cost*	*Unrealized gains* (losses) *on available -for-sale securities (Note 5)*	*Minority interests*	*Total net assets*
Balance at March 31, 2008	$ 718,454	$717,625	$2,084,928	$ (234,520)	$ 6,190	$ 34,591	$ 3,327,268
Net income			337,954				337,954
Issuance of common stock	1,084	1,084					2,168
Purchase of treasury stock				(8)			(8)
Cash dividends			(31,554)				(31,554)
Other changes in the year, net					(6,603)	(1,582)	(8,185)
Balance at March 31, 2009	$ 719,538	$718,709	$2,391,328	$ (234,528)	$ (413)	$ 33,009	$ 3,627,643

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Yamada Denki Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2009 and 2008

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2009	2008	*2009*
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 59,883	¥ 80,880	$ 609,437
Depreciation	22,731	12,819	231,334
Amortization of goodwill	(952)	(528)	(9,689)
Increase in provision for employees' retirement benefits	331	864	3,377
Increase in provision for directors' and corporate auditors' retirement benefits	107	107	1,091
Increase in provision for bonuses to employees	343	625	3,492
Increase in provision for directors' and corporate auditors' bonuses	19	1	192
Decrease in allowance for doubtful accounts	(13)	(179)	(133)
Increase (decrease) in provision for point card certificates	10,501	(5,595)	106,867
Increase in provision for product warranties	1,904	1,599	19,378
Interest and dividends income	(1,357)	(1,009)	(13,813)
Interest expenses	1,892	1,935	19,256
Foreign currency exchange losses (gains)	(82)	198	(836)
Bond issuance costs	-	124	-
Gain on redemption of bonds	(2,700)	-	(27,478)
Loss on valuation of investment securities	3,184	116	32,402
Loss (gain) on sale and disposal of property and equipment, net	838	(22)	8,530
Impairment loss	190	84	1,929
Loss on valuation of derivatives	551	113	5,605
Loss on refund and cancellation of guarantee deposits	45	42	462
Decrease (increase) in notes and accounts receivable	1,015	(12,275)	10,330
Decrease (increase) in inventories	23,210	(27,672)	236,207
Increase (decrease) in trade payables	(32,557)	3,035	(331,337)
Increase (decrease) in consumption taxes payable	2,294	(1,331)	23,345
Increase in other current assets	(2,833)	(245)	(28,836)
Increase (decrease) in other current liabilities	(4,287)	3,058	(43,634)
Other, net	1,183	603	12,053
Sub-total	85,440	57,347	869,531
Interest and dividends income received	633	232	6,441
Interest expenses paid	(1,874)	(1,939)	(19,070)
Income taxes paid	(33,700)	(28,706)	(342,972)
Net cash provided by operating activities	¥ 50,499	¥ 26,934	$ 513,930

(Continued)

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2009	2008	2009
Cash flows from investing activities:			
Payments into time deposits	¥ (417)	¥ (1,080)	$ (4,242)
Proceeds from withdrawal of time deposits	74	38	753
Proceeds from sale of mortgage securities	-	500	-
Purchase of investment securities	(1,704)	(10,209)	(17,341)
Proceeds from sale of investment securities	47	125	483
Purchase of investments in subsidiaries and affiliated companies	(1,585)	(5,740)	(16,126)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 4)	-	5,913	-
Payment of loans receivable	(5,263)	(8,801)	(53,557)
Collection of loans receivable	534	774	5,437
Purchase of property and equipment	(44,885)	(91,704)	(456,798)
Purchase of intangible assets	(832)	(476)	(8,471)
Payment for guarantee deposits	(19,795)	(18,864)	(201,457)
Proceeds from collection of guarantee deposits	7,001	6,400	71,246
Other,net	(522)	(181)	(5,324)
Net cash used in investing activities	(67,347)	(123,305)	(685,397)
Cash flows from financing activities:			
Proceeds from short-term loans	875,758	1,278,655	8,912,665
Repayment of short-term loans	(872,453)	(1,290,967)	(8,879,028)
Proceeds from long-term debt	32,550	19,650	331,264
Repayment of long-term debt	(25,762)	(11,278)	(262,188)
Redemption of bonds	(7,300)	-	(74,293)
Purchase of treasury stock	(1)	(22,945)	(8)
Cash dividends paid	(3,095)	(2,766)	(31,499)
Cash dividends paid to minority shareholders	(4)	(3)	(38)
Proceeds from issuance of bonds	-	150,224	-
Net cash provided by (used in) financing activities	(307)	120,570	(3,125)
Effect of exchange rate change on cash and cash equivalents	82	(198)	836
Net increase (decrease)in cash and cash equivalents	(17,073)	24,001	(173,756)
Cash and cash equivalents at beginning of year	65,030	41,029	661,814
Cash and cash equivalents at end of year (Note 4)	¥ 47,957	¥ 65,030	$ 488,058

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Yamada Denki Co., Ltd. and Consolidated Subsidiaries
March 31, 2009 and 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 Japanese Financial Instruments and Exchange Law 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 Japanese Financial Instruments and Exchange Law. 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. In addition, certain reclassifications have been made in the 2008 financial statements to conform to the classifications used in 2009. These reclassifications had no impact on previously reported results of operations or retained earnings.

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, 2009, which was ¥98.26 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 prior year. These companies were consolidated as of August 31, 2007, the end of their semi-annual period. Accordingly, the consolidated statements of income and statements of cash flows for the year ended March 31, 2008 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 years ended February 28, 2009 and February 29, 2008 are used in preparing the consolidated financial statements. All material transactions during the periods from March 1 to March 31, 2009 and 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 statements of income as incurred.

(c) Cash and Cash Equivalents

In preparing the consolidated statements 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 3 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. 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 Japanese Financial Instruments and Exchange Law) 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 primarily stated at the lower of moving-average cost or market.

Prior to April 1, 2008, inventories were valued at cost determined primarily by the moving-average method. On July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No. 9, Accounting Standard for Measurement of Inventories, which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The new standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

The effect of the adoption of this new standard on operating income and income before income taxes and minority interests for the year ended March 31, 2009 was immaterial.

(g) Property and Equipment (except for leased assets)

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), changed their depreciation method for property and equipment acquired on and after April 1, 2007. The effect of this change on operating income and income before income taxes and minority interests for the year ended March 31, 2008 was immaterial.

In accordance with the amendments, 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 5 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. The effect of this change on operating income and income before income taxes and minority interests for the year ended March 31, 2008 was immaterial.

(h) Intangible Assets (except for leases)

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 property and equipment

The Company and its consolidated subsidiaries review their property and equipment 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) Provision for Bonuses to Employees

Provision 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) Provision for Directors' and Corporate Auditors' Bonuses

Provision 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) Provision 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 stores. The Company and certain consolidated subsidiaries provide provision for the estimated future costs of Yamada Points based on the historical rate of point usage.

(p) Provision 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.

Provision 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) Provision for Directors' and Corporate Auditors' Retirement Benefits

Provision 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) Provision for product warranties

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

(s) Leases

Finance leases are capitalized and depreciated over the based on the straight-line method over the lease terms.

Until the year ended March 31, 2008, finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, had been accounted for in the same manner as operating leases.

On March 31, 2007, the Accounting Standards Board of Japan issued ASBJ Statement No. 13, Accounting Standard for Lease Transactions, which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize leased assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be measured at the obligations under finance leases less interest expense at the transition date and recorded as acquisition cost of leased assets.

The Company and its consolidated subsidiaries applied the revised accounting standard from the year ended March 31, 2009. In addition, the Company and its consolidated subsidiaries accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of leased assets measured at the obligations under finance leases less interest expense at the transition date.

The effect of the adoption of this new standard on operating income and income before income taxes and minority interests for the year ended March 31, 2009 was none.

(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 statements 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

Effective in the year ended March 31, 2008, the Company changed its accounting policy regarding incentive income on mobile phone sales due to its increased materiality and for 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 had recorded it as the reduction of cost of sales (purchase rebates) as in the similar way as incentive on other home electrical appliance retail sales. As a result of this change, net sales and cost of sales for the year ended March 31, 2008 increased by ¥99,952 million.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2009 and 2008 in the consolidated statements of cash flows consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2009	2008	*2009*
Cash and time deposits	¥ 49,465	¥ 66,195	$ 503,406
Time deposits with maturities exceeding three months	(1,508)	(1,165)	(15,348)
Cash and cash equivalents	¥ 47,957	¥ 65,030	$ 488,058

Assets and liabilities acquired through finance leases for the year ended March 31, 2009 were ¥21,297 million ($216,745 thousand) and ¥22,754 million ($231,574 thousand), respectively.

During the year ended March 31, 2008, 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
Current assets	¥ 20,294
Noncurrent assets	12,011
Current liabilities	(23,457)
Long-term liabilities	(2,583)
Negative goodwill	(2,965)
Purchase price	3,300
Cash and cash equivalents of newly acquired subsidiaries	(9,213)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	¥ (5,913)

5. SECURITIES INFORMATION

Acquisition cost and book value of available-for-sale securities with available fair value as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		
	2009		
	Acquisition cost	Book value	Difference
Securities with book values (fair value) exceeding acquisition costs:			
Equity securities	¥ 73	¥ 152	¥ 79
Sub-total	73	152	79
Securities with book values (fair value) not exceeding acquisition costs:			
Equity securities	2,443	2,360	(83)
Others	8	5	(3)
Sub-total	2,451	2,365	(86)
Total	¥ 2,524	¥ 2,517	¥ (7)

	Thousands of U.S. dollars (Note 1)		
	2009		
	Acquisition cost	*Book value*	*Difference*
Securities with book values (fair value) exceeding acquisition costs:			
Equity securities	$ 742	$ 1,548	$ 806
Sub-total	742	1,548	806
Securities with book values (fair value) not exceeding acquisition costs:			
Equity securities	24,862	24,014	(848)
Others	79	55	(24)
Sub-total	24,941	24,069	(872)
Total	$ 25,683	$ 25,617	$ (66)

	Millions of Yen		
	2008		
	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

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

In addition, if the market value of securities as of the fiscal year-end declines 30% to 50% compared with 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 loss on valuation in the period of the decline.

Loss on valuation of marketable securities available-for-sale for the years ended March 31, 2009 and 2008 were ¥3,100 million ($31,547 thousand) and ¥116 million, respectively.

Book values of securities not stated at fair value as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2009	2008	*2009*
Non-consolidated subsidiaries	¥ 7,985	¥ 6,383	$ 81,266
Affiliated companies	14	32	142
Unlisted equity securities	1,173	1,260	11,933
Others	8,205	6,807	83,502

The redemption schedule of available-for-sale securities with fixed maturities and held-to-maturity debt securities as of March 31, 2009 and 2008 was as follows:

	Millions of yen			
	2009			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Debt securities	—	—	¥ 200	¥ 7,400
Others	—	¥ 299	306	—

	Thousands of U.S. dollars (Note 1)			
	2009			
	Within one year	*Over one year within five years*	*Over five years within ten years*	*Over ten years*
Debt securities	—	—	$ 2,035	$75,310
Others	—	$ 3,044	3,113	—

	Millions of yen			
	2008			
	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	—

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, 2009 and 2008 (excluding hedging transactions) were as follows:

	Millions of U.S. dollars, millions of yen		Millions of yen	
	Notional Amount Total	Due after one year	Fair value	Unrealized gains (losses)
2009				
Currency swaps with knock-out option contracts:				
Pay yen, receive U.S. dollars	$ 2	$ 1	¥ (26)	¥ (26)
Pay—yen	¥ 211	¥ 90		
Currency swap contracts:				
Pay yen, receive U.S. dollars	$ 14	$ 10	(440)	(440)
Currency option contracts:				
Buy, call—U.S. dollars	$ 45	$ 32	173	(45)
Buy, put—U.S. dollars	$ 3	$ 2	9	9
Sell, call—U.S. dollars	$ 3	$ 2	1	1
Sell, put—U.S. dollars	$ 81	$ 58	(906)	(283)
Total	-	-	¥ (1,189)	¥ (784)

	Millions of U.S. dollars (Note 1)		*Thousands of U.S. dollars (Note 1)*	
	Notional Amount Total	*Due after one year*	*Fair value*	*Unrealized gains (losses)*
2009				
Currency swaps with knock-out option contracts:				
Pay yen, receive U.S. dollars	$ 2	$ 1	$ (262)	$ (262)
Pay—yen	$ 2	$ 1		
Currency swap contracts:				
Pay yen, receive U.S. dollars	$ 14	$ 10	(4,483)	(4,483)
Currency option contracts:				
Buy, call—U.S. dollars	$ 45	$ 32	1,767	(458)
Buy, put—U.S. dollars	$ 3	$ 2	96	96
Sell, call—U.S. dollars	$ 3	$ 2	5	5
Sell, put—U.S. dollars	$ 81	$ 58	(9,223)	(2,876)
Total	-	-	$ (12,100)	$ (7,978)

	Millions of U.S. dollars, millions of yen						Millions of yen			
	Notional Amount Total			Due after one year			Fair value			Unrealized gains (losses)
2008										
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)

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)*
	2009	2008	*2009*
Accumulated depreciation	¥ 95,977	¥ 74,394	$ 976,770

8. IMPAIRMENT LOSSES ON PROPERTY AND EQUIPMENT

The Company and a certain consolidated subsidiary recorded impairment losses on the following asset groups for the fiscal years ended March 31, 2009 and 2008:

Location	Use	Classification	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*
2009				
Chiba Prefecture	Retail Store	Buildings and structures	¥ 103	$ 1,052
		Other	87	877
		Total	¥ 190	$ 1,929
2008				
Kanagawa Prefecture	Retail Store	Buildings and structures	¥ 68	
		Other	16	
		Total	¥ 84	

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

As lessee

- **Finance lease transactions, other than those that are expected to transfer ownership of the assets to the lessee**

The Company and its consolidated subsidiaries lease certain buildings and equipment for retail stores, such as computer equipment and other assets. Leased assets under finance lease transactions are capitalized and the related obligation is included in short-term and long-term debt (see Note 10).

The pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the year ended March 31, 2008 was as follows:

	Millions of yen			
	2008			
	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

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

	Millions of Yen
	2008
Due within one year	¥ 4,978
Due after one year	10,848
Total	¥ 15,826

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

	Millions of Yen
	2008
Lease payments	¥ 5,386
Reversal of impairment loss account on leased assets	106
Depreciation	4,961
Interest charges	446
Impairment loss	6

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.

- **Operating lease transactions**

Future minimum lease payments under non-cancelable operating leases as of March 31, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2009	
Due within one year	¥ 8,593	$ 87,455
Due after one year	79,650	810,603
Total	¥ 88,243	$ 898,058

As lessor

- **Operating lease transactions**

Future minimum lease receivables under non-cancelable operating leases as of March 31, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2009	
Due within one year	¥ 274	$ 2,791
Due after one year	2,579	26,244
Total	¥ 2,853	$ 29,035

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

The weighted-average rate of interest for short-term loans was approximately 1.60% and 1.51% as of March 31, 2009 and 2008, respectively.

The weighted-average rate of interest for current portion of long-term debt was approximately 1.37% and 1.25% as of March 31, 2009 and 2008, respectively.

The weighted-average rate of interest for long-term debt (excluding current portion) was approximately 1.46% and 1.30% as of March 31, 2009 and 2008, respectively, and long-term debt is due in 2009 through 2019 and 2010 through 2019 as of March 31, 2009 and 2008, respectively.

The weighted-average rate of interest for finance lease obligation is not disclosed since related interest charges are allocated using the straight-line method over the lease terms.

Short-term and long-term debt as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	*2009*
Short-term bank loans	¥ 9,212	¥ 5,907	$ 93,752
Long-term debt (due within one year)	25,341	19,266	257,893
Lease obligations (due within one year)	5,938	-	60,432
Sub-total	40,491	25,173	412,077
Long-term debt (excluding amounts due within one year)	73,001	66,619	742,939
Lease obligations(excluding amounts due within one year)	10,662	-	108,507
Sub-total	83,663	66,619	851,446
Total	¥ 124,154	¥ 91,792	$1,263,523

The following assets were pledged as collateral for short-term and long-term debt as of March 31, 2009 and 2008:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	*2009*
Buildings and structures	¥ 1,677	¥ 1,766	$ 17,068
Land	3,113	3,113	31,680
Total	¥ 4,790	¥ 4,879	$ 48,748

Long-term debt (including current portion) of ¥4,110 million ($41,828 thousand) and ¥6,610 million as of March 31, 2009 and 2008 was pledged by the assets above.

The aggregate annual maturities of long-term debt as of March 31, 2009 are summarized as follows:

Fiscal year ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2010	¥ 25,341	$ 257,893
2011	22,538	229,373
2012	19,786	201,362
2013	17,525	178,357
2014	8,661	88,145
Thereafter	4,491	45,702
Total	¥ 98,342	$ 1,000,832

The aggregate annual maturities of finance lease obligation as of March 31, 2009 are summarized as follows:

Fiscal year ending March 31,	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*
2010	¥ 5,938	$ 60,432
2011	4,913	50,002
2012	3,613	36,770
2013	1,825	18,577
2014	120	1,217
Thereafter	191	1,941
Total	¥ 16,600	$ 168,939

11. CONVERTIBLE BOND-TYPE BONDS WITH SUBSCRIPTION RIGHTS TO SHARES

Outstanding balance of the convertible bond-type bonds of the Company and the current conversion prices into common stock as of March 31, 2009 and 2008 were as follows:

	Conversion price per share	Outstanding balance			Conversion period
	Yen	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*	
		2009	2008	*2009*	
Zero coupon convertible bonds due 2009	¥ 3,595.00	¥ 720	¥ 933	$ 7,327	September 2, 2002 – September 29, 2009
Euro yen zero coupon convertible bonds due 2013	14,175.00	70,274	70,344	715,186	March 28, 2008 – March 14, 2013
Euro yen zero coupon convertible bonds due 2015	13,797.00	70,000	80,000	712,396	March 28, 2008 – March 17, 2015
Sub-total		140,994	151,277	1,434,909	
Less: Current portion		(720)	-	(7,327)	
Total		¥ 140,274	¥ 151,277	$ 1,427,582	

Exercise of subscription rights of bonds with subscription rights to shares for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2009	2008	*2009*
Increase in common stock by exercise of subscription rights	¥ 107	¥ 1,665	$ 1,084
Increase in capital surplus by exercise of subscription rights	106	1,664	1,084
Decrease in convertible bond-type bonds with subscription rights to shares	¥ 213	¥ 3,329	$ 2,168

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 and minority interests was approximately 40.4% for fiscal 2009 and 2008.

The significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2009 were as follows:

	2009
Statutory tax rate	40.4 %
Subsidiary's tax loss carry-forward	2.0
Per capital inhabitant tax	0.9
Income taxes for prior years	1.6
Others	(0.4)
Effective tax rate	44.5 %

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, 2009 and 2008 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2009	2008	*2009*
Deferred tax assets:			
Provision for point card certificates	¥ 7,152	¥ 2,910	$ 72,781
Accrued enterprise taxes	1,441	1,432	14,663
Provision for bonuses to employees	1,219	1,081	12,408
Provision for employees' retirement benefits	2,442	2,312	24,853
Provision for directors' and corporate auditors' retirement benefits	1,045	998	10,636
Provision for product warranties	2,693	1,924	27,409
Subsidiary's tax loss carry-forward	10,488	10,859	106,741
Loss on valuation of investment securities	1,446	219	14,712
Others	1,534	1,243	15,608
Sub-total	29,460	22,978	299,811
Valuation allowance	(12,280)	(12,631)	(124,972)
Total deferred tax assets	17,180	10,347	174,839
Deferred tax liabilities:			
Unrealized gains on valuation of land	1,145	1,111	11,653
Others	212	562	2,154
Total deferred tax liabilities	1,357	1,673	13,807
Net deferred tax assets	¥ 15,823	¥ 8,674	$ 161,032

Net deferred tax assets were included in the following accounts in the consolidated balance sheet as of March 31, 2009 and 2008:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	*2009*
Current assets – Deferred tax assets	¥ 9,533	¥ 5,349	$ 97,022
Investments and other assets – Deferred tax assets	7,587	4,670	77,213
Long-term liabilities – Other long-term liabilities	1,297	1,345	13,203

13. CONTINGENT LIABILITIES

The Company was contingently liable for transferred receivables of ¥17,580 million ($178,911 thousand) and ¥18,420 million to credit card companies as of March 31, 2009 and 2008, respectively.

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 years ended March 31, 2009 and 2008, transferred receivables amounted to ¥4,173 million ($42,469 thousand). The outstanding balance of the transferred receivables amounted to ¥1,016 million ($10,340 thousand) and ¥1,639 million as of March 31, 2009 and 2008, respectively.

14. RETIREMENT BENEFITS

Provision for retirement benefits as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	*2009*
Projected benefit obligation	¥ 8,288	¥ 7,219	$ 84,349
Fair value of pension assets	(1,362)	(1,149)	(13,864)
Unrecognized actuarial loss	(873)	(348)	(8,878)
Net provision for retirement benefits	¥ 6,053	¥ 5,722	$ 61,607

Retirement benefit costs for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	*2009*
Service costs	¥ 991	¥ 946	$ 10,091
Interest cost	132	116	1,343
Expected return on plan assets	(23)	(19)	(234)
Amortization of actuarial differences	184	230	1,864
Net periodic retirement benefit costs	¥ 1,284	¥ 1,273	$ 13,064

The discount rate and the rate of expected return on plan assets used by the Company are 2.0% for the years ended March 31, 2009 and 2008. 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. NET ASSETS

Net assets comprises three subsections, which are the shareholders' equity, valuation and translation adjustments and minority interests, as applicable.

Japanese companies are subject to the Corporation Law of Japan (the "Corporation 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 Corporation Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the General Meeting of Shareholders. 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 1 year rather than 2 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 Corporation 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, 2009 include amounts representing the year-end cash dividends approved at the General Meeting of Shareholders held on June 26, 2009 as described in Note 18.

Cash dividends charged to retained earnings during the years ended March 31, 2009 and 2008 represent dividends paid out during these periods.

The Corporation 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 Corporation 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 Corporation 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 Corporation 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 years ended March 31, 2009 and 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 years ended March 31, 2009 and 2008, geographic segment information is not disclosed because there were no overseas consolidated subsidiaries and branches.

For the years ended March 31, 2009 and 2008, information for overseas sales is not disclosed because there were no overseas sales during the period.

17. RELATED PARTIES

Significant balances with related parties as of March 31, 2009 and 2008, and related transactions for the years ended March 31, 2009 and 2008 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	*2009*
Balances:			
Tecc Planning Co., Ltd., 100% directly owned by Noboru Yamada, representative director, president:			
Prepaid expense (prepaid rent)	¥ 68	¥ 82	$ 689
Guarantee deposits (due within one year)	176	176	1,789
Guarantee deposits	3,556	3,732	36,191
Principal transactions:			
Tecc Planning Co., Ltd., 100% directly owned by Noboru Yamada, representative director, chairman:			
Payment of company house rent and lease and guarantee deposit	934	945	9,509
Katsuji Kato, director:			
Tax services	-	1	-

18. SUBSEQUENT EVENTS

The following appropriations of retained earnings were approved at the General Meeting of Shareholders held on June 26, 2009:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Year-end cash dividends, ¥33 ($0.34) per share	¥ 3,102	$ 31,573

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