

YUHOREPORT

YAMADA DENKI CO., LTD.

Fiscal Year Ended	March 31, 2009
Traded	TSE1
Stock Code	9831

This report is based on the Company's Japanese-language annual filing with the Financial Services Agency and supplemented with materials that facilitate comparison with the Company's peers. The materials from the annual filing with the Financial Services Agency have been edited and reorganized in a format more familiar to the international investment community. All information contained in this report has been obtained from sources believed to be reliable, but the accuracy of the data and the translation and the completeness and timeliness of the information are not warranted by the Company, Pacific Associates, or PRONEXUS. None of the above parties shall be responsible for any error or omission or for results obtained from the use of this information. Also, because a reporting company may sometimes request that terminology be tailored as closely as possible to their own terms, this report may contain English expressions that are incorrect.

Table of Contents

COMPANY PROFILE	3
Financial highlights.....	3
Peer comparisons.....	4
Common size statements.....	5
BUSINESS OVERVIEW	6
Description of business.....	6
Principal subsidiaries and affiliates.....	8
History.....	9
Risk factors.....	11
Analysis of financial condition and results of operations.....	14
Corporate governance.....	16
Directors.....	20
Employees.....	21
CASH FLOWS	22
Consolidated statements of cash flows.....	22
Capital expenditure plans.....	24
Dividend policy.....	25
OPERATIONS	26
Consolidated statements of income.....	26
Consolidated statement of changes in net assets.....	28
Results of operations.....	30
Sales.....	33
Sales per unit.....	33
Leases.....	34
CAPITAL STRUCTURE	36
Consolidated balance sheets.....	36
NONCONSOLIDATED FINANCIAL STATEMENTS	38
Nonconsolidated statements of income.....	38
Nonconsolidated balance sheets.....	40
SHARE-RELATED INFORMATION	44

YUHOREPORT is a trademark of Pacific Associates and PRONEXUS.

The translation is copyrighted by Pacific Associates.

Company Profile

Financial highlights

Years ended March 31; Millions of yen	2005	2006	2007	2008	2009	Change 2009/2005
Consolidated						
Net sales	1,102,390	1,283,961	1,443,661	1,767,818	1,871,828	170%
Ordinary income	48,186	62,614	71,747	81,652	64,604	134%
Net income	28,819	37,027	43,420	49,174	33,207	115%
Net assets	175,219	250,122	299,536	326,937	356,452	203%
Total assets	376,544	461,275	550,439	750,213	778,489	207%
Net assets per share (Yen)	2,097.26	2,658.33	3,103.86	3,443.63	3,757.06	179%
Net income per share (Yen)	344.36	421.18	458.78	511.83	353.32	103%
Net income per share, fully diluted (Yen)	297.41	381.94	449.29	509.90	352.47	119%
Equity / assets (%)	46.5	54.2	53.8	43.1	45.4	
Equity / assets (%)	17.9	17.4	15.9	15.9	9.8	
Net cash provided by (used in) operating activities	40,115	32,091	48,358	26,934	50,498	126%
Net cash provided by (used in) investing activities	(28,248)	(73,853)	(52,325)	(123,305)	(67,347)	238%
Net cash provided by (used in) financing activities	5,377	34,114	13,827	120,569	(307)	94%
Cash and cash equivalents, end of term	37,857	29,844	41,029	65,029	47,956	127%
Employees	5,848	6,447	7,072	10,102	11,127	190%
Parent						
Net sales	1,072,677	1,264,235	1,419,629	1,731,694	1,825,060	170%
Ordinary income	38,696	56,691	66,137	78,451	65,360	169%
Net income	21,091	32,045	38,410	46,914	34,790	165%
Common stock	46,375	66,240	68,930	70,595	70,701	152%
Shares outstanding (thousand shares)	83,492	94,056	95,482	96,391	96,450	116%
Net assets	166,005	235,864	277,124	302,137	333,443	201%
Total assets	346,586	427,565	513,068	699,575	733,790	212%
Net assets per share (Yen)	1,987.03	2,506.78	2,902.67	3,215.85	3,546.83	178%
Dividends per share (Yen)	21.00	25.00	29.00	33.00	33.00	157%
Net income per share (Yen)	251.77	364.39	405.84	488.31	370.16	147%
Net income per share, fully diluted (Yen)	217.44	330.44	397.45	486.47	396.27	182%
Dividend payout ratio (%)	8.3	7.3	7.1	6.8	8.9	
Employees	4,779	5,364	5,890	7,963	9,067	190%

Peer comparisons

Percent	2005	2006	2007	2008	2009
Net income / net sales (%)	2.6	2.9	3.0	2.8	1.8
Peers	0.3	0.8	0.9	(0.1)	(0.1)
Ordinary income / net sales (%)	4.4	4.9	5.0	4.6	3.5
Peers	1.8	2.2	1.9	1.8	1.3
Net income / assets (%)	8.2	8.8	8.6	7.6	4.3
Peers	1.2	2.1	2.1	(0.3)	0.2
Ordinary income / assets (%)	13.7	14.9	14.2	12.6	8.5
Peers	4.8	5.9	4.7	4.6	3.3
Equity / assets (%)	46.5	54.2	53.8	43.1	45.4
Peers	29.6	31.7	31.4	30.6	31.9
Net income / equity (%)	17.9	17.4	15.9	15.9	9.7
Peers	7.3	9.3	7.1	(1.7)	0.7

Peers include EDION (2730), BIC CAMERA (3048), Nojima (7419), Kojima (7513), Joshin Denki (8173), Best Denki (8175), and K'S Holdings (8282).

Common size statements

Years ended March 31; Percent	Consolidated			Parent		
	2007	2008	2009	2007	2008	2009
Balance sheets						
Assets	100.0	100.0	100.0	100.0	100.0	100.0
Current assets	47.7	45.7	40.3	46.0	43.9	38.7
Property and equipment	32.7	35.1	39.3	32.5	35.1	39.0
Intangible fixed assets	0.5	0.5	0.6	0.4	0.4	0.4
Investments and other assets	19.1	18.7	19.8	21.1	20.6	21.9
Total noncurrent assets	52.3	54.3	59.7	54.0	56.1	61.3
Liabilities and net assets	100.0	100.0	100.0	100.0	100.0	100.0
Current liabilities	30.0	24.2	22.3	30.6	23.9	22.1
Noncurrent liabilities	15.6	32.2	31.9	15.4	32.9	32.5
Total liabilities	45.6	56.4	54.2	46.0	56.8	54.6
Net assets						
Common stock	12.5	9.4	9.1	13.4	10.1	9.6
Capital surplus	12.5	9.4	9.1	13.4	10.1	9.6
Retained earnings	28.8	27.3	30.2	27.2	26.2	29.3
Treasury stock	(0.0)	(3.1)	(3.0)	(0.0)	(3.3)	(3.1)
Total shareholders' equity	53.8	43.0	45.4	54.0	43.1	45.4
Unrealized gains or losses on other securities	0.0	0.1	0.0	0.0	0.1	0.0
Total valuation and translation adjustments	0.0	0.1	0.0	0.0	0.1	0.0
Minority interests	0.6	0.5	0.4			
Total net assets	54.4	43.6	45.8	54.0	43.2	45.4
Statements of income						
Net sales	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	76.9	77.9	74.8	79.1	80.0	76.7
Gross profit	23.1	22.1	25.2	20.9	20.0	23.3
Selling, general and administrative expenses	19.2	18.4	22.6	17.2	16.4	20.5
Operating income	3.9	3.7	2.6	3.7	3.6	2.8
Nonoperating income	1.2	1.1	1.0	1.1	1.0	0.9
Nonoperating expenses	0.1	0.2	0.1	0.1	0.1	0.1
Ordinary income	5.0	4.6	3.5	4.7	4.5	3.6
Extraordinary income	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary losses	0.1	0.0	0.3	0.1	0.0	0.2
Income before income taxes and other adjustments	4.9	4.6	3.2	4.6	4.5	3.4
Taxes	1.9	1.8	1.4	1.9	1.8	1.5
Minority interests in income (loss)	(0.0)	(0.0)	0.0			
Net income	3.0	2.8	1.8	2.7	2.7	1.9

Business Overview

Description of business

The corporate Group consists of the Company and 25 major subsidiaries as well as a number of franchisee-operated stores. The Group's principal business is selling household electrical appliances and personal computers and other information-related products.

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

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

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

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

A subsidiary, CIC Co., Ltd., assumes responsibility for disposing of electrical appliances and other industrial waste that the Company collects from customers.

A subsidiary, Climb Entertainment Co., Ltd., delivers and installs products sold by the Company to its customers. (Subsidiary's name changed to Yamada Eco Solution Co., Ltd. on April 1, 2009.)

A subsidiary, KOUZIRO Co., Ltd., manufactures computers and peripherals, which it sells to the Company.

A subsidiary, Inversenet Co., Ltd., refurbishes used PCs sourced from the Company and sells them back to the Company.

A subsidiary, Y-Just Co., Ltd., building contract works of the Company's stores and negotiates rents on the Company's behalf.

A subsidiary, Yamada Housing Co., Ltd., conducts building repairs and renovations on behalf of the Company.

A subsidiary, Cosmos Berry's Co., Ltd., sells merchandise that it procures from the Company.

A subsidiary, Chushikoku Tecc Land Co., Ltd., sells merchandise that it procures from the Company.

A subsidiary, Yamada Financial Co., Ltd., consigns credit card agency to the Company.

A subsidiary, TESS Co., Ltd., delivers and installs products sold by the Company to its customers.

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

An affiliate, Kyushu Tecc Land Co., Ltd., sells merchandise that it procures from the Company.

A subsidiary, Gunma Sogo Setsubi Co., Ltd., undertakes construction for installation of air-conditioning systems and electrical fittings and fixtures for the Company on a contract basis.

A subsidiary, PRESSO Holdings Co., Ltd., owns shares in Matsuyadenki Co., Ltd., Seidensha Co., Ltd. and Sato Musen Co., Ltd.

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

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

A subsidiary, Sato Musen Co., Ltd., leases retail store properties to the Company.

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

A subsidiary, Tokai Tecc Land Co., Ltd., sells merchandise that it procures from the Company.

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

A subsidiary, Yamada Auto Japan Co., Ltd., operates a network of franchises that buy and sell automobiles through stores operated by the Company.

The franchisee-operated stores sell merchandise that they procure from the Company.

Principal subsidiaries and affiliates

Name	Operations	Common stock Millions of yen	Percent ownership
(Consolidated subsidiaries)			
Minami-Kyushu Yamada Denki, Co., Ltd.	Retailing of home electrical appliances and personal computers and other information-related equipment	100	60.0
Kansai Yamada Denki Co., Ltd.	Retailing of home electrical appliances and personal computers and other information-related equipment	10	67.5
Daikuma Co., Ltd.	Retailing of home electrical appliances and personal computers and other information-related equipment	4,243	94.9
Okinawa Yamada Denki Co., Ltd.	Retailing of home electrical appliances and personal computers and other information-related equipment	100	100.0
Chushikoku Tecc Land Co., Ltd.	Retailing of home electrical appliances and personal computers and other information-related equipment	100	100.0
Cosmos Berry's Co., Ltd.	Retailing of home electrical appliances and personal computers and other information-related equipment	100	100.0
PRESSO Holdings Co., Ltd.	Holding of shares of subsidiaries	10	100.0
Matsuyadenki Co., Ltd.	Retailing of home electrical appliances and personal computers and other information-related equipment	100	100.0
Seidensha Co., Ltd.	Retailing of home electrical appliances and personal computers and other information-related equipment	100	100.0
Sato Musen Co., Ltd.	Leasing of retail store properties	350	100.0
CIC Co., Ltd.	Disposal of industrial waste products	81	84.6
Climb Entertainment Co., Ltd. (Yamada Eco Solution Co., Ltd. from April 2009)	Delivery and installation of products	10	70.0
Inversenet Co., Ltd.	Manufacturing and wholesaling of telecommunications equipment and electrical appliances	122	77.1
KOUZIRO Co., Ltd.	Wholesaling of computers and peripherals	499	81.6

History

Year	Month	Event
1983	September	Company established. Maebashi Minami Store opened, and full-scale development of retail chain begun.
1984	March	Distribution Center opened in Asakura-cho, Maebashi-shi, to strengthen and improve distribution department efficiency.
1985	April	Fukaya Store, the Company's first store outside its prefecture of origin, opened in Fukaya-shi, Saitama Prefecture. Distribution Center expanded simultaneously to accommodate multi-branch operation and to reinforce the distribution department.
1986	May	POS system introduced in all stores, and large general-purpose computer installed to enable instantaneous gathering of financial and customer-related information.
	July	First franchise store opened in Saku-shi, Nagano Prefecture. With this move, development of a franchise chain initiated.
1987	May	Merger completed with Yamada Denki Co., Ltd. (established June 1, 1978) on a 1:100 basis to change the par value of the Company's stock.
	December	Construction of headquarters building completed in Hiyoshi-cho, Maebashi-shi. Corporate headquarters moved into new building. Tecc Land Headquarters Store, the Company's first large-scale comprehensive electrical appliance store (core store), opened simultaneously on the first floor of the building. With this move, implementation of a "core-store" strategy commenced.
1988	March	A&V Bics Takasaki Store, a specialty store dealing in audio visual products, opened. Rings Takasaki Store, a rental store dealing in video and compact disk software, opened simultaneously on the same site. With this move, development of a combined specialty store/rental store strategy commenced.
1989	March	Company's shares registered for OTC trading with the Securities Dealers Association of Japan.
1990	September	A&V Bics Takasaki Store converted into a personal computer specialty store. Development of Computer Kan stores begun.
1991	February	With the dissolution of franchisee relationships, 10 former franchise stores converted into Company-operated stores.
	March	Tecc-Information System Co., Ltd., an affiliated company engaged in computer-related development and sales, established. (Liquidated in September 2001.)
1992	July	Tecc Land Miyazaki Store, the Company's first store in Kyushu, opened in Miyazaki-shi, Miyazaki Prefecture.
1993	December	Tecc Land Shibukawa Store in Shibukawa-shi, Gunma Prefecture, converted into a Company-operated store.
1995	October	Tecc Land Sendai Izumi Store, the Company's first store in the Tohoku region, opened in Izumi-ku, Sendai-shi, Miyagi Prefecture.
1997	February	Tecc Land Nisshin Store, the Company's first store in the Chubu region, opened in Nisshin-shi, Aichi Prefecture.
	June	CIC Co., Ltd. established as an affiliated company engaged in the processing and recycling of industrial waste.
	July	Tecc Land Okayama Store, the Company's first store in the Chugoku/Shikoku region, opened in Okayama-shi, Okayama Prefecture.
	December	Minami-Kyushu Yamada Denki Co., Ltd. established as an affiliated company in Kagoshima-shi, Kagoshima Prefecture.
1998	September	Tecc Land Himeji Store, the Company's first store in the Kinki district, opened.
2000	September	Company's shares listed on the First Section of the Tokyo Stock Exchange.
2001	April	Tecc Land Teine, the Company's first store in Hokkaido, opened in Sapporo-shi.
	July	Okinawa Yamada Denki Co., Ltd., an affiliated company, established in Ginowan-shi, Okinawa Prefecture.
	September	Joint venture Kansai Yamada Denki Co., Ltd. established with Wakodenki Co., Ltd. (The name of this affiliate changed from Wako Yamada Denki Co., Ltd., effective May 25, 2004.)

YAMADA DENKI

Year	Month	Event
2002	February	Equity position purchased in YST Japan Co., Ltd., which became an affiliated company.
	April	Yamada Broadband Co., Ltd., an affiliated company, established in Maebashi-shi, Gunma Prefecture.
	May	Equity investment made in Yamada Capital Holdings Co., Ltd., making it a wholly owned subsidiary of the Company. Shares in Daikuma Co., Ltd., an affiliated company, purchased.
2003	January	Equity investment made in Climb Entertainment Co., Ltd., an affiliated company. Reagal United Trusties Co., Ltd., an affiliated company, established in Fukuoka-shi, Fukuoka Prefecture. (Affiliate renamed Y-Just Co., Ltd. and head office relocated to Maebashi, Gunma Prefecture on August 31, 2007.)
	December	Equity investment made in Inversenet Co., Ltd., an affiliated company.
2004	January	Equity investment made in KOUZIRO Co., Ltd., an affiliated company. (The name of this affiliate changed from Kouziro Co., Ltd., effective June 1, 2004.)
2005	February	Yamada Housing Co., Ltd. established in Maebashi-shi, Gunma Prefecture. Company becomes Japan's first large-scale specialized retailer to achieve sales of 1 trillion yen. Company becomes first large-volume electrical appliance retailer to complete nationwide expansion.
	July	Tokai Tecc Land Co., Ltd., an affiliate, established in Fuji-shi, Shizuoka Prefecture.
	September	Cosmos Berry's Co., Ltd., an affiliate, established in Nagoya-shi, Aichi Prefecture.
	November	Chushikoku Tecc Land Co., Ltd., an affiliate, established in Maebashi-shi, Gunma Prefecture.
	2006	March
2006	June	Yamada Financial Co., Ltd., an affiliate, established in Maebashi-shi, Gunma Prefecture.
	July	Equity investment made in TESS Co., Ltd., an affiliated company. Tecc Site Co., Ltd., an affiliate, established in Maebashi-shi, Gunma Prefecture.
	2007	January
2007	February	Equity investment made in Gunma Sogo Setsubi Co., Ltd., an affiliated company.
	June	Shares in PRESSO Holdings Co., Ltd., Matsuyadenki Co., Ltd., Seidensha Co., Ltd., and Sato Musen Co., Ltd. purchased, making them wholly owned subsidiaries of the Company.
	October	Shares in Kimuraya Select Co., Ltd., an affiliated company, purchased.
	2008	May
2008	June	Equity investment made in Yamada Auto Japan Co., Ltd., an affiliated company.
	July	The new Head Office and LABI 1 Takasaki become the first users in Japan of emissions-free green power.
	October	Shares in Kyushu TeccLand Co., Ltd. acquired, making it a wholly owned subsidiary of the Company. Shares in Chushikoku TeccLand Co., Ltd. acquired, making it a wholly owned subsidiary of the Company.
	December	Shares in Cosmos Berry's Co., Ltd. acquired, making it a wholly owned subsidiary of the Company.
	2009	January
2009	March	Operations of TSUKUMO Co., Ltd. transferred to Project White Co., Ltd.

(As of the end of the year, there were 527 stores in operation.)

Risk factors

The following provides an overview of risk factors that can materially affect performance that are of particular relevance to investors.

(1) Store network expansion

The Company's retail store network spans all 47 prefectures of Japan. The main emphasis in its ongoing network expansion is on creating a national chain of urban, suburban and regional stores. The Company faces fierce competition to secure prime sites at reasonable prices, particularly in regions where major competitors are well established. While the Company takes factors such as rental costs, guarantee deposits, local competition and market size into consideration, expansion of the store network and increases in average retail floor space can affect the Company's operating performance due to increased infrastructure, personnel and other costs, or to decreases in profitability resulting from a local or regional saturation effect. Delays, changes in plans or failures to dispose of any closed stores can also impact results by impeding efficient network development. Store expansion is necessarily a capital-intensive process, which makes financing the Company's capital investment program a critical factor for success. The Company currently funds this program using internal cash flows or borrowings.

(2) Retail sector competition

As a leading company in the Japanese electrical appliance retail industry, the Company faces intense competition from large discounters, GMS (General Merchandise Stores) and mail-order and online retailers. Besides engaging in price competition, other companies in the industry compete fiercely for store locations, customers and personnel. The Company expects the competition for retail sites to intensify as the focus of its expansion shifts from suburban stores to inner urban locations. New sector entrants, mergers, acquisitions and alliances pose potential competitive threats in terms of retail presence and merchandise supply agreements. Aggressive price discounting among chains is another factor that can negatively impact operating performance and financial condition.

(3) M&A and strategic alliances

To minimize risk, the Company examines any restructuring moves, mergers, acquisitions or strategic alliances carefully in advance. Such moves can materially affect its operating performance, however, due to unforeseen contingent liabilities or other problems. Investments in M&A operations may also fail to generate the projected returns and lead to extraordinary loss.

(4) Regulatory risks

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.

Since June 2000, the establishment of retail stores with floor space exceeding 1,000 square meters or any expansion of existing outlets beyond that size has been subject to local government regulation. An environmental impact survey must be conducted prior to opening new large store. Delays in completing such surveys can materially affect performance by postponing store openings.

In accordance with Antimonopoly Act, a set of rules prohibiting certain practices related to transactions between large-scale retailers and suppliers came into force in November 1, 2005. The Company's trade practices are governed by these regulations.

(5) Economic trends

Since it generates the bulk of its sales in the domestic market, the Company's performance is sensitive to economic trends in Japan. The cost of sales and other expenses are affected by various economic factors, including legal and regulatory changes, housing starts, interest and taxation rates, fuel prices and unemployment. Any fall in consumers' disposable income could diminish demand for electrical and electronic goods. Consumer spending has recently fallen sharply in Japan due to knock-on effects of the global financial crisis in terms of surging corporate and personal bankruptcy and depressed consumer confidence resulting from poorer employment prospects. Sales of high-priced, high-function items are particularly vulnerable to contractions in disposable income. Any prolonged economic downturn in Japan could exert a significant material impact on the Company's operating performance and financial condition.

(6) Variations in demand due to seasons, weather and events

Sales and profits vary from month to month, as in the case of other retailers in Japan. Sales tend to be higher after companies pay twice-yearly bonuses, toward the end of the calendar year, and in months with several public holidays. Sales of some products are heavily reliant on these seasonal trends. Sales of air conditioners, heaters and refrigerators are highly affected by the weather. Cool summers, mild winters and dry rainy seasons all tend to result in lower sales. Sales of televisions tend to increase when special events such as the Olympic Games or the Football World Cup are held. Owing to the inherent difficulty of accurately forecasting temporary variations in demand due to seasons, weather and events, the Company's operating performance and financial condition can be negatively affected if demand deviates significantly from internal projections.

(7) Consumer preferences

To maintain and expand sales and profits, the Company must predict which products are most likely to satisfy continually evolving consumer preferences and ensure that sufficient stocks of these products are available in its stores. The regular introduction of new products and technologies is another critical factor for success. Failure to respond to changing consumer preferences could affect the Company's operating performance and financial condition. Practical examples of such circumstances include shortages of high-demand products due to competition with competitors, changing relationships with manufacturers, and new products or technologies to stimulate consumer demand. Performance can also be affected adversely if new products cannibalize sales of existing products.

(8) Supply chain-related risks

Changes in supplier relationships, natural disasters and other factors have the potential to disrupt supply and thus impede the Company's ability to maintain sufficient stocks of critical products at appropriate prices in accordance with its marketing and merchandising plans. Any stock deficiencies or other outcomes of supply chain disruptions could negatively affect the Company's operating performance and financial condition.

(9) Franchise stores

The Company is expanding its network of small-scale franchise stores located in regional Japan. The success and growth of the franchise store network is subject to the ability to secure good sites for such stores and to renew franchise contracts, neither of which are guaranteed. Failure to expand this network as planned could negatively affect the Company's operating performance and financial condition due to the impact on royalty income. The lack of total control over franchise

stores exposes the Company to the risk that individual stores may not be managed in accordance with the Company's standards, which could not only have an adverse performance and financial impact but which could also damage the Company's reputation.

(10) Handling of consumer data and confidential information

The Company handles information concerning individual customers as a result of issuing points cards. Internal compliance systems have been put in place to ensure that such information is handled in accordance with Japanese privacy protection laws and that no unauthorized disclosure occurs. Any breach of compliance in this area could damage the Company's reputation and exert a negative impact on its operating performance and financial condition.

Analysis of financial condition and results of operations

Analysis of financial condition

(Current assets)

Total current assets at the fiscal year-end amounted to 313,548 million yen, a decrease of 29,345 million yen compared with the 342,894 million yen recorded the prior period. This mainly reflected merchandise and finished goods (down 23,260 million yen from 192,953 million yen to 169,692 million yen) as a result of logistical and inventory control reforms aimed at boosting efficiency and declines in cash and time deposits (down 16,730 million yen from 66,195 million yen to 49,464 million yen). These decreases offset increases in short-term loans receivable (up 4,459 million yen from 9,883 million yen to 14,342 million yen) and deferred tax assets (up 4,184 million yen from 5,349 million yen to 9,533 million yen).

(Noncurrent assets)

Total noncurrent assets at the fiscal year-end amounted to 464,940 million yen, an increase of 57,620 million yen compared with the 407,319 million yen recorded the prior period. This was due to growth in the investments in buildings and structures (up 30,909 million yen from 136,750 million yen to 167,660 million yen), reflecting strategic capital investments in the construction of core stores and creation of a network for efficient links to existing satellite stores and leasing assets totaled 15,574 million yen (the Company introduced lease accounting standards in the year under review). This growth offset declines in construction in progress (down 8,178 million yen from 18,152 million yen to 9,973 million yen) and investments in securities (down 1,104 million yen from 20,998 million yen to 19,893 million yen).

(Current liabilities)

Total current liabilities at the fiscal year-end were 173,533 million yen, a downturn of 7,963 million yen from the 181,496 million yen recorded the prior period. This mainly reflected lower notes and accounts payable (down 32,557 million yen from 90,668 million yen to 58,111 million yen). Other factors included an increase in the current portion of long-term debt used to fund the opening of new stores (up 6,075 million yen from 19,265 million yen to 25,340 million yen) and a higher allowance for customer-discount points (up 10,500 million yen from 7,200 million yen to 17,700 million yen), which arose due to the Company's promotional strategy of maximizing sales using point-related campaigns.

(Long-term liabilities)

Total long-term liabilities at the fiscal year-end were 248,503 million yen, an increase of 6,724 million yen compared with the 241,779 million yen recorded the prior period. This mainly reflected an increase in long-term debt (up 6,381 million yen from 66,619 million yen to 73,001 million yen) resulting from borrowings to fund the capital investment program, and lease liabilities totaling 10,661 million yen after the Company introduced lease accounting standards during the year under review and bonds declined due to the redemption of bonds (down 11,003 million yen from 151,277 million yen to 140,274 million yen).

(Net assets)

Net assets totaled 356,452 million yen at the fiscal year-end, an increase of 29,514 million yen from the 326,937 million yen recorded the prior period. The main contributing factor was an increase of 33,207 million yen in retained earnings due to net income. The Company paid dividends of 3,100 million yen based on its policy of maintaining a stable and consistent return to shareholders.

Analysis of cash flow

The balance of cash and cash equivalents at the fiscal year-end stood at 47,956 million yen, a year-on-year decline of 17,073 million yen (26.3%). This mainly reflected an expansion of the program of strategic capital investment in new core stores based on a scrap-and-build policy and the creation of a network to link stores efficiently to existing satellite stores. Another factor was the purchase and redemption of a Euroyen-denominated convertible bond-type bonds issue due to mature in 2015.

Cash flow provided by operating activities amounted to 50,498 million yen, primarily reflecting depreciation, a higher allowance for customer-discount points and lower inventories. Significant offsetting factors included a decrease in trade payables.

Cash flow used in investing activities amounted to 67,347 million yen. These expenditures were primarily due to the purchase of property and equipment and the payment of guarantee deposits.

Cash flow used in financing activities amounted to 307 million yen, primarily reflecting payments for bond redemption and the repayment of lease obligations. Significant offsetting factors included a net revenue from loans payable.

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

1) The Ordinary 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 shareholders' meetings in English and mailing them out early.

2) 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.

3) 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 directors attend an expanded Executive Committee meeting that is held once a month.

4) Corporate Auditors

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

5) Internal auditing

The Company has established the Internal Audit Office to strengthen its internal auditing functions. Reporting directly to the President and employing three 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.

6) 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 two appointed external auditors.

7) 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: Four certified public accountants, 12 other persons

8) Number of directors and election rules

The Company's Articles of Incorporation limit the maximum number of directors to 17. Approval of resolutions to appoint 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.

9) 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.

10) 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.

11) 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 shareholder meetings.

12) 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), two Executive Vice-Presidents (with the roles of CIO and CMO) and one 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.

(4) Compensation

1) Directors and corporate auditors

Compensation paid to directors and corporate auditors was as follows:

Millions of yen	Number paid	Amount paid
Directors	18	514
Corporate auditors	4	28
[External auditors]	[3]	[6]
	22	543

Compensation for directors does not include any monies paid them for concurrent employment in non-director positions.

2) Auditors

- Compensation paid to CPAs and the Company's auditing firm was as follows:

Millions of yen	2008		2009	
	Financial audit services	Non-audit services	Financial audit services	Non-audit services
The Company	-	-	63	25
Subsidiaries	-	-	8	-
	-	-	71	25

- Nature of non-audit services provided by CPAs and the Company's auditing firm

Compensation for non-audit services provided by CPAs and the auditing firm is principally for services related to financial due diligence procedures.

- Compensation policy for financial audit services

The Company has not established any policy for determining compensation paid to CPAs and its auditing firm for financial audit services. Fees are set with the scale and characteristics of the auditing work and the number of days involved taken into consideration.

Directors

Name	Title	Date joined company	Date of birth	Term	Shares owned (Thousands)
Noboru Yamada	Representative Director, Chairman & CEO	May-74	11-Feb-43	2 years from the General Meeting of Shareholders (GMS) held June 27, 2008	1,385.4
Tadao Ichimiya	Representative Director, President & COO	Jan-83	13-Aug-55	2 years from GMS held June 27, 2008	91.6
Hiroyasu Iizuka	Director and CIO	Apr-85	18-Jan-65	2 years from GMS held June 27, 2008	0.6
Takao Kato	Director and CMO	Jan-03	1-Oct-49	2 years from GMS held June 27, 2008	0.6
Mamoru Moteki	Director and CFO	Jan-85	29-Mar-49	1 year from GMS held June 26, 2009	5.0
Ginji Karasawa	Director	Nov-84	1-Apr-53	2 years from GMS held June 27, 2008	3.1
Makoto Igarashi	Director	Jan-90	4-Aug-64	2 years from GMS held June 27, 2008	3.4
Haruhiko Itakura	Director	Jun-86	11-Jan-54	2 years from GMS held June 27, 2008	0.5
Jun Okamoto	Director	Jun-06	28-Apr-56	2 years from GMS held June 27, 2008	0.3
Masaaki Kurihara	Director	Jul-96	25-Apr-57	2 years from GMS held June 27, 2008	0.6
Mitsumasa Kuwano	Director	Sep-04	19-Dec-54	2 years from GMS held June 27, 2008	0.3
Kazumasa Watanabe	Director	Apr-03	8-Jan-55	2 years from GMS held June 27, 2008	0.2
Haruhiko Higuchi	Director	Jun-98	9-Mar-60	2 years from GMS held June 27, 2008	-
Tomoaki Nito	Director	May-00	28-Nov-72	2 years from GMS held June 27, 2008	0.1
Tatsuo Kobayashi	Director	Sep-86	6-Jul-64	2 years from GMS held June 27, 2008	0.0
Toshiyuki Takeoka	Director	Oct-07	3-Jan-49	2 years from GMS held June 27, 2008	-
Chiaki Takahashi	Standing Corporate Auditor	Apr-86	11-May-62	4 years from GMS held June 26, 2009	3.1
Yutaka Nakamura	Corporate Auditor	Jun-05	8-Jan-52	4 years from GMS held June 26, 2009	-
Masamitsu Takahashi	Corporate Auditor	Jun-07	9-Feb-55	4 years from GMS held June 28, 2007	-
					1,495.3

Employees

Consolidated	
Business segment	Number
Stores	10,216
Administration (general operations)	911
	11,127
Parent	
	Total or average
Number	9,067
Average age	29.8
Average years of service	4.8
Average annual salary (Yen)	4,046,763

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

The average annual salary includes bonuses.

The number of employees does not include 9,986 part-time employees.

The number of employees at year-end was 1,104 higher than at the end of the previous year. This was the result of the hiring of both new graduates and persons with other employment experience to meet the needs of the Company's growing and diversifying operations.

Cash Flows

Consolidated statements of cash flows

Years ended March 31; Millions of yen	2007	2008	2009
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests	70,600	80,880	59,883
Depreciation	10,710	12,818	22,730
Amortization of goodwill	50	(527)	(952)
Increase in provision for employees' retirement benefits	841	863	331
Increase in provision for directors' and corporate auditors' retirement benefits	537	107	107
Increase in provision for employees' bonuses	122	624	343
Increase in provision for directors' and corporate auditors' bonuses	117	0	18
Decrease in allowance for doubtful accounts	(71)	(179)	(13)
Increase (decrease) in provision for point card certificates	(1,338)	(5,595)	10,500
Increase in provision for product warranties	1,034	1,598	1,904
Interest and dividends income	(727)	(1,009)	(1,357)
Interest expenses	1,121	1,934	1,892
Foreign exchange losses (gains)	(858)	198	(82)
Bond issuance cost	-	124	-
Gain on redemption of bonds	-	-	(2,700)
Loss on valuation of losses on investment securities	223	115	3,183
Loss on write-down and disposal of inventories	267	-	-
Loss (gain) on sale and disposal of property and equipment, net	(139)	(21)	838
Impairment loss	731	84	189
Loss on valuation of derivatives	63	113	550
Loss on refund and cancellation of guarantee deposits	25	42	45
Gain on return of security deposits	(2)	-	-
Decrease (increase) in notes and accounts receivable-trade	(7,700)	(12,274)	1,014
Decrease (increase) in inventories	(10,419)	(27,671)	23,209
Increase (decrease) in trade payables	14,704	3,035	(32,557)
Increase (decrease) in consumption tax payable	2,009	(1,330)	2,293
Increase in other current assets	(9,543)	(245)	(2,833)
Increase (decrease) in other current liabilities	5,917	3,057	(4,287)
Directors' and corporate auditors' bonuses	(114)	-	-
Other, net	(310)	602	1,184
	77,853	57,346	85,440
Interest and dividends income received	115	232	632
Interest expenses paid	(1,043)	(1,938)	(1,873)
Income taxes paid	(28,567)	(28,706)	(33,700)
	48,358	26,934	50,498

Years ended March 31; Millions of yen	2007	2008	2009
Net cash provided by (used in) investing activities			
Payments in time deposits	(134)	(1,080)	(416)
Proceeds from withdrawal of time deposits	201	38	74
Payments for purchase of mortgage securities	(25,495)	-	-
Proceeds from sales of mortgage securities	25,195	500	-
Purchase of investment securities	(1,303)	(10,208)	(1,703)
Proceeds from sales of investment securities	95	124	47
Payments for investments in capital	(0)	(0)	-
Collection of investments in capital	0	0	6
Purchase of stocks of subsidiaries and affiliates	(103)	(5,740)	(1,584)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	-	5,912	-
Payments of loans receivable	(2,871)	(8,800)	(5,262)
Collection of loans receivable	631	774	534
Purchase of property and equipment	(30,876)	(91,704)	(44,884)
Proceeds from sales of tangible fixed assets	6	-	-
Purchase of intangible fixed assets	(335)	(476)	(832)
Payments of guarantee deposits	(23,000)	(18,863)	(19,795)
Proceeds from collection of guarantee deposits	5,689	6,400	7,000
Other, net	(26)	(181)	(529)
	(52,325)	(123,305)	(67,347)
Net cash provided by (used in) financing activities			
Increase in short-term loans payable	443,020	1,278,654	875,758
Decrease in short-term loans payable	(443,128)	(1,290,966)	(872,453)
Proceeds from increase in long-term loans payable	27,000	19,650	32,550
Payments of long-term loans payable	(10,705)	(11,277)	(20,093)
Redemption of bonds	-	-	(7,300)
Payments for purchase of treasury stock	(11)	(22,945)	(0)
Cash dividends paid	(2,344)	(2,766)	(3,095)
Cash dividends paid to minority shareholders	(2)	(2)	(3)
Proceeds from issuance of bonds	-	150,223	-
Repayments of lease obligations	-	-	(5,669)
	13,827	120,569	(307)
Effect of exchange rate changes on cash and cash equivalents	858	(198)	82
Net increase (decrease) in cash and cash equivalents	10,718	24,000	(17,073)
Increase in cash and cash equivalents accompanying new consolidation	466	-	-
Cash and cash equivalents at beginning of period	29,844	41,029	65,029
Cash and cash equivalents at end of period	41,029	65,029	47,956

Relationship between the balance of cash and cash equivalents as of year-end and balance sheet items

Years ended March 31; Millions of yen	2007	2008	2009
Cash and time deposits	41,152	66,195	49,464
Time deposits, etc., of 3 months or longer	(123)	(1,165)	(1,508)
Cash and cash equivalents at year-end	41,029	65,029	47,956

Capital expenditure plans

Millions of yen	Expenditures to date	Anticipated expenditures	Date commenced	Date completed
Significant new additions of facilities				
Yamada Denki Co., Ltd.				
Tecc Land stores				
New Makuhari-Honten	164	334	2009/1	2009/4
Izumi-Chuo-Honten	111	204	2008/11	2009/4
Kita-Ibaraki	2	485	2008/11	2009/4
Shin-Yamashita	418	921	2008/11	2009/4
Komagata By-Pass	70	602	2009/1	2009/4
New Himeji-Honten	99	1,781	2008/12	2009/5
Ozu	60	490	2009/1	2009/5
New Morioka-Honten	695	1,074	2008/11	2009/5
Sapporo-Honten	200	1,734	2008/11	2009/6
New Midori	452	905	2009/1	2009/6
Toyama-Kinzenji-Honten	21	1,272	2009/2	2009/7
Tomakomai 2	30	872	2009/3	2009/8
Nara-Sakurai	9	729	2009/4	2009/7
Matsudo	350	432	2009/1	2009/8
Isahaya	38	536	2009/5	2009/8
Sapporo-Minami	100	1,127	2009/4	2009/9
Tokushima-Naruto	33	793	2009/6	2009/12
Shin Kakogawa	30	1,959	2009/5	2009/11
Okayama-Shinpuku	242	1,599	2009/6	2009/11
LABI stores				
LABI Jiyugaoka	8,000	1,418	2009/5	2009/9
	11,130	19,275		

Dividend policy

In allocating its profits, the Company is most concerned with the stability and continuity of dividend payments to shareholders. At the same time, in light of the changes occurring in the retail sector economy, it also believes that internal reserves are indispensable for achieving stable growth through a strengthened corporate structure.

The Company's basic policy is to pay interim and year-end dividends funded by retained earnings.

For the year ended March 2009, the Company elected to make an annual dividend payment of 33 yen per share (although no interim dividend was paid). The non-consolidated payout ratio for the year under review was 8.9%.

To maintain and improve its future competitiveness, the Company plans to allocate retained earnings effectively to reinforce its base of operations through capital investments in new store development, existing store refurbishment, human resources development programs and actions aimed at strengthening the Company's finances.

The Company's Articles of Incorporation provide for the payment of an interim dividend by resolution of the Board of Directors with a date of record of September 30 each year. Decisions on the amount of the year-end dividend require the approval of the Ordinary General Meeting of Shareholders, whereas the Board of Directors is authorized to determine the amount of any interim dividend. The table below summarizes dividend payments for the year under review.

Date of decision	Dividend payout	Dividend per share
	(Millions of yen)	(Yen)
June 26, 2009 Resolution of the General Meeting of Shareholders	3,102	33

Operations

Consolidated statements of income

Years ended March 31; Millions of yen	2007	2008	2009
Net sales	1,443,661	1,767,818	1,871,828
Cost of sales	1,110,329	1,377,312	1,399,873
Gross profit	333,332	390,505	471,954
Selling, general and administrative expenses	277,781	325,080	422,432
Operating income	55,551	65,424	49,522
Nonoperating income			
Interest and dividend income	694	977	1,195
Purchase discounts	13,158	12,522	8,767
Gain on redemption of bonds	-	-	2,700
Other	3,673	5,244	5,171
	17,526	18,745	17,834
Nonoperating expenses			
Interest expenses	1,121	1,934	1,892
Loss on valuation of derivatives	63	113	550
Other	145	469	309
	1,330	2,517	2,752
Ordinary income	71,747	81,652	64,604
Extraordinary income			
Gain on sales of property and equipment	654	66	0
Gain on return of security deposits	2	-	-
Surrender value of insurance	-	144	30
Penalty income from breach of leasehold contracts	-	-	12
Reversal of allowance for doubtful accounts	10	-	6
Other	6	55	16
	674	266	65
Extraordinary losses			
Loss on disposal of property and equipment	534	203	862
Provision of allowance for doubtful accounts	-	271	-
Loss on refund and cancellation of guarantee deposits	25	42	45
Impairment loss	731	84	189
Loss on write-down and disposal of inventories	267	-	-
Loss on valuation of investment securities	223	115	3,183
Directors' and corporate auditors' retirement benefits	-	143	80
Other	38	178	425
	1,821	1,039	4,786

YAMADA DENKI

Years ended March 31; Millions of yen	2007	2008	2009
Income before income taxes and minority interests	70,600	80,880	59,883
Income taxes-current	27,671	30,711	32,443
Income taxes for prior periods	(126)	89	964
Income taxes-deferred	(836)	703	(6,707)
	<hr/>	<hr/>	<hr/>
	26,707	31,504	26,700
Minority interests in income (loss)	(472)	201	(24)
Net income	<hr/>	<hr/>	<hr/>
	43,420	49,174	33,207

Consolidated statement of changes in net assets

Years ended March 31; Millions of yen	2007	2008	2009
Shareholders' equity			
Common stock			
Balance at the end of previous period	66,240	68,930	70,595
Changes of items during the period			
Issuance of new shares	2,689	1,664	106
Total changes of items during the period	2,689	1,664	106
Balance at the end of current period	68,930	70,595	70,701
Capital surplus			
Balance at the end of previous period	66,162	68,849	70,513
Changes of items during the period			
Issuance of new shares	2,687	1,664	106
Total changes of items during the period	2,687	1,664	106
Balance at the end of current period	68,849	70,513	70,620
Retained earnings			
Balance at the end of previous period	117,539	158,459	204,864
Changes of items during the period			
Dividends from surplus	(2,351)	(2,768)	(3,100)
Directors' and corporate auditors' bonuses	(113)	-	-
Decrease due to changes in scope of consolidation	(35)	-	-
Net income	43,420	49,174	33,207
Total changes of items during the period	40,920	46,405	30,106
Balance at the end of current period	158,459	204,864	234,971
Treasury stock			
Balance at the end of previous period	(87)	(98)	(23,043)
Changes of items during the period			
Purchase of treasury stock	(11)	(22,945)	(0)
Total changes of items during the period	(11)	(22,945)	(0)
Balance at the end of current period	(98)	(23,043)	(23,044)
Total shareholders' equity			
Balance at the end of previous period	249,854	296,140	322,930
Changes of items during the period			
Issuance of new shares	5,377	3,329	213
Dividends	(2,351)	(2,768)	(3,100)
Directors' and corporate auditors' bonuses	(113)	-	-
Decrease due to changes in scope of consolidation	(35)	-	-
Net income	43,420	49,174	33,207
Purchase of treasury stock	(11)	(22,945)	(0)
Total changes of items during the period	46,286	26,789	30,319
Balance at the end of current period	296,140	322,930	353,249

Years ended March 31; Millions of yen	2007	2008	2009
Valuation and translation gains (losses)			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	267	191	608
Changes of items during the period			
Net changes of items other than shareholders' equity	(75)	416	(648)
Total changes of items during the period	(75)	416	(648)
Balance at the end of current period	191	608	(40)
Total valuation and translation adjustments			
Balance at the end of previous period	267	191	608
Changes of items during the period			
Net changes of items other than shareholders' equity	(75)	416	(648)
Total changes of items during the period	(75)	416	(648)
Balance at the end of current period	191	608	(40)
Minority interests			
Balance at the end of previous period	2,670	3,203	3,398
Changes of items during the period			
Net changes of items other than shareholders' equity	533	195	(155)
Total changes of items during the period	533	195	(155)
Balance at the end of current period	3,203	3,398	3,243
Total net assets			
Balance at the end of previous period	252,792	299,536	326,937
Changes of items during the period			
Issuance of new shares	5,377	3,329	213
Dividends from surplus	(2,351)	(2,768)	(3,100)
Directors' and corporate auditors' bonuses	(113)	-	-
Decrease due to changes in scope of consolidation	(35)	-	-
Net income	43,420	49,174	33,207
Purchase of treasury stock	(11)	(22,945)	(0)
Net changes of items other than shareholders' equity	457	611	(804)
Total changes of items during the period	46,743	27,401	29,514
Balance at the end of current period	299,536	326,937	356,452

Results of operations

Year ended March 31, 2009

Business conditions deteriorated as the U.S. subprime loan problem triggered a global financial crisis, plunging the world economy into recession. In Japan, falling share prices and a sudden appreciation of the yen combined with sharply lower exports to impact corporate earnings severely. Consumer spending slowed markedly as employment conditions deteriorated, deflating incomes.

A rapid drop in consumer confidence as Japan's economy entered recession adversely affected the Japanese electrical appliance retail industry, as consumers adopted an increasingly defensive posture.

Large flat-screen televisions (both LCD and plasma), Bluray recorders and related products continued to sell relatively well. Energy-efficient white goods such as refrigerators and washing machines were also solid performers, as increasing awareness of environmental issues encouraged people to switch to more eco-friendly appliances. Sales of air conditioners and other seasonal products were buoyant due to a hot summer. Sales were sluggish in other areas, however, notably in kitchen appliances, health-related equipment, beauty products, PCs, PC peripherals, mobile phones, digital still cameras and video game-related products.

In response to the challenging market conditions, the Company focused on a range of reforms aimed at boosting efficiency in its stores, improving cash flow and reducing costs.

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
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.

These efforts generated notable results. Operating cash flow improved substantially, and the annual rate of stock turnover improved to 12 times at the parent company level.

Internally, the core focus was on getting back to basics, based on the slogan “Gratitude and Trust.” Yamada Denki sought to stimulate greater employee involvement in management by introducing an incentive program to encourage staff to submit ideas on ways of improving every aspect of the business.

Other initiatives carried over from the previous year included the following: staff training to enhance customer satisfaction; development of the LABI large-store format for urban sites; programs to energize existing stores; development of franchise stores for smaller regional sites; and promotion of energy-saving appliances.

With respect to CSR-related initiatives, the Company has defined the four pillars of CSR as strict compliance, labor-management relations, environmental issues and efforts to improve customer satisfaction. The CSR Committee meets each week to oversee CSR-related initiatives. Working groups discuss individual CSR issues, and a committee composed of outside experts convenes once each quarter to provide related advice to senior management. Specific initiatives during the year under review included the adoption of eco-friendly carrier bags and efforts to gain government accreditation for family-friendly work practices. The Company also published a CSR report reviewing its activities in this field.

On the marketing front, the Company undertook campaigns to increase sales of televisions and related products in conjunction with the Beijing Olympic Games.

Yamada Denki also promoted energy-efficient appliances and used loyalty point-based marketing campaigns to boost customers' convenience and differentiate itself from other chains. Drugstore items and various other lifestyle goods were promoted at certain stores under the ELENDA in-house category brand in an effort to increase repeat store visits by enhancing store convenience for shoppers. This was part of a general strategy of catering to increasingly diverse and complex consumer needs.

During the year under review, Yamada Denki opened six LABI stores in urban locations including the LABI Tsudanuma and 37 Tecc Land stores in suburban or out-of-town locations including Tecc Land Hirakata store. A total of 18 stores including Tecc Land Takasaki main store, both the household electric store and PC store were closed under the scrap-and-build policy. Elsewhere, the retail floor space was expanded at two Tecc Land stores, Tecc Land Takamatsu-kasuga and Tecc Land Kanazawa main store. Three Matsuya Denki stores (subsidiary stores) and one Tecc site store were converted to the Tecc Land format. As of March 31, 2009, the Yamada Denki Group network totaled 527 stores (comprising 382 directly managed stores and 145 stores operating as consolidated subsidiaries). The total size of the Group network, including non-consolidated subsidiaries and franchise outlets, expanded to 1,500 stores.

By category, sales of household appliances increased by 12.8% year on year to 1,160,062 million yen (62.0% of total sales). Sales of information-related electronic home appliances fell by 4.0% to 538,547 million yen (28.7% of total sales) and sales of other products declined by 2.8% to 173,218 million yen (9.3% of total sales).

Consolidated net sales were 1,871,828 million yen, an increase of 5.9% from the previous year. Operating income declined by 24.3% to 49,522 million yen and ordinary income fell by 20.9% to 64,604 million yen. Net income for the year under review was 33,207 million yen, a year-on-year decline of 32.5%.

Sales

Year ended March 31; Millions of yen	2009		
Products	Amount	%	Year-on-year comparison (%)
Home appliances			
Color televisions	343,677	18.4	21.5
Video equipment	127,022	6.8	25.4
Audio equipment	56,557	3.0	6.5
Refrigerators	97,689	5.2	12.8
Washing machines	73,045	3.9	8.0
Cooking appliances	64,456	3.4	4.9
Air conditioners	89,462	4.8	11.6
Other home cooling and heating equipment	31,363	1.7	4.2
Other	276,785	14.8	4.2
	1,160,062	62.0	12.8
Home information appliances			
Personal computers	217,779	11.6	1.4
Computer peripherals	143,118	7.6	2.9
Software	12,813	0.7	0.1
Telephone and facsimile equipment	11,225	0.6	(13.2)
Mobile phones	94,381	5.0	(25.1)
Other	59,229	3.2	7.4
	538,547	28.7	(4.0)
Non-appliances			
Videos and books	126,864	6.8	(8.6)
Other	46,353	2.5	17.6
	173,218	9.3	(2.8)
	1,871,828	100.0	5.9

Sales per unit

Year ended March 31; Millions of yen	2009	
	Amount	Year-on-year comparison
Net sales	1,871,828	5.9
Sales floor space (average) – square meters	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	94	(13.6)

Leases

Under generally accepted accounting principles in Japan, finance leases that do not transfer ownership were accounted for in the same manner as operating leases when “as if capitalized” information was disclosed until the year ended March 2008.

Such treatment is no longer applicable, however, and legal provisions require that leasing transactions be accounted for in the same manner as general sales and purchasing transactions beginning with the year started on/after April 1, 2008.

Year ended March 31, 2009

1. Finance leases (as lessee)

Finance leases that do not transfer ownership

1) Nature of lease assets

Property and equipment: mainly store buildings and related facilities, electronic cash registers and other equipment (“tools, fixtures and furnishings”)

2) Depreciation method applied to lease assets

The Company and its consolidated subsidiaries apply the straight-line method with zero residual value, treating the lease term as the useful life of the asset.

2. Operating leases

Minimum rental commitments under non-cancelable operating leases

Millions of yen	2009
Lessee	
Due within one year	8,593
Due after one year	79,649
	88,243
Lessor	
Due within one year	274
Due after one year	2,578
	2,852

Years ended March 31, 2008 and 2007

Pro forma information on leased property is as follows:

Millions of yen	2007	2008
Buildings and structures		
Acquisition cost	1,673	1,673
Accumulated depreciation	491	565
Accumulated loss on impairment of property and equipment	-	-
Net leased property	1,182	1,108
Other		
Acquisition cost	21,677	26,524
Accumulated depreciation	9,503	11,166
Accumulated loss on impairment of property and equipment	253	373
Net leased property	11,920	14,984
Total		
Acquisition cost	23,350	28,197
Accumulated depreciation	9,995	11,731
Accumulated loss on impairment of property and equipment	253	373
Net leased property	13,102	16,092
Future minimum lease payments, including interest portion		
Due within one year	3,996	4,977
Due after one year	8,716	10,847
	12,713	15,825
Balance of account for impairment of leased assets	253	373
Lease payments	4,409	5,385
Write-down of account for impairment of leased assets	92	106
Pro forma depreciation expenses (assuming straight-line method)	4,012	4,961
Pro forma interest expenses	369	446
Impairment loss	270	6

Capital Structure

Consolidated balance sheets

Assets

March 31; Millions of yen	2007	2008	2009
Current assets			
Cash and time deposits	41,152	66,195	49,464
Notes and accounts receivable-trade	23,637	34,755	33,740
Inventories	158,211	193,506	-
Merchandise and finished goods	-	-	169,692
Work in process	-	-	6
Raw materials and supplies	-	-	918
Deferred tax assets	7,020	5,349	9,533
Other	32,821	43,186	50,273
Allowance for doubtful accounts	(67)	(98)	(82)
	262,775	342,894	313,548
Noncurrent assets			
Property and equipment			
Buildings and structures, net	111,663	136,750	167,660
Land	56,582	99,364	102,107
Lease assets, net	-	-	15,574
Construction in progress	-	18,152	9,973
Other, net	11,538	8,950	10,355
	179,783	263,218	305,672
Intangible fixed assets	2,722	3,860	4,378
Investments and other assets			
Investment securities	4,541	20,998	19,893
Guarantee deposits	87,628	104,491	114,819
Deferred tax assets	4,042	4,670	7,586
Other	8,951	10,350	12,861
Allowance for doubtful accounts	(6)	(269)	(272)
	105,157	140,240	154,889
Total noncurrent assets	287,663	407,319	464,940
Total assets	550,439	750,213	778,489

Liabilities and net assets

March 31; Millions of yen	2007	2008	2009
Current liabilities			
Notes and accounts payable-trade	85,299	90,668	58,111
Bonds redeemable within 1 year	921	-	-
Short-term loans payable	-	-	9,212
Lease obligations	-	-	5,938
Income tax payable	15,983	17,537	17,721
Provision for bonuses	1,914	2,674	3,017
Provision for directors' and corporate auditors' bonuses	117	117	136
Provision for point card certificates	12,619	7,200	17,700
Other	48,221	63,298	61,695
	165,075	181,496	173,533
Noncurrent liabilities			
Bonds	3,343	151,277	140,274
Long-term loans payable	65,803	66,619	73,001
Lease obligations	-	-	10,661
Provision for retirement benefits	4,222	5,721	6,053
Provision for directors' and corporate auditors' retirement benefits	2,364	2,471	2,578
Provision for product warranties	3,225	4,762	6,666
Other	6,868	10,928	9,268
	85,827	241,779	248,503
Total liabilities	250,902	423,276	422,036
Net assets			
Shareholders' equity			
Common stock	68,930	70,595	70,701
Capital surplus	68,849	70,513	70,620
Retained earnings	158,459	204,864	234,971
Treasury stock	(98)	(23,043)	(23,044)
	296,140	322,930	353,249
Valuation and translation adjustments			
Unrealized gains or losses on other securities	191	608	(40)
	191	608	(40)
Minority interests	3,203	3,398	3,243
Total net assets	299,536	326,937	356,452
Total liabilities and net assets	550,439	750,213	778,489

Nonconsolidated Financial Statements

Nonconsolidated statements of income

Years ended March 31; Millions of yen	2007	2008	2009
Net sales			
Net sales - merchandise goods	1,418,887	1,731,150	1,824,704
Net sales - rental fees	741	543	355
	1,419,629	1,731,694	1,825,060
Cost of sales			
Cost of sales - merchandise			
Beginning goods	122,984	135,613	163,367
Cost of purchase goods	1,134,581	1,410,639	1,375,862
Provision for product warranties	945	1,417	1,767
	1,258,510	1,547,670	1,540,997
Ending goods	135,613	163,367	141,580
	1,122,897	1,384,302	1,399,416
Cost of sales- rental fees	27	41	38
	1,122,924	1,384,343	1,399,455
Gross profit on sales			
Merchandise goods	295,990	346,848	425,287
Rental fees	713	502	317
	296,704	347,350	425,604
Selling, general and administrative expenses			
Advertising expenses	24,448	25,994	26,730
Point-related promotional expenses	78,371	81,619	138,503
Provision of allowance for doubtful accounts	9	25	6
Provision for directors' and corporate auditors' retirement benefits	586	133	162
Provision for directors' and corporate auditors' bonuses	117	111	125
Salaries and allowances	46,064	54,920	64,716
Provision for bonuses	1,663	2,246	2,559
Retirement benefit expenses	1,159	1,249	1,297
Welfare expenses	6,247	7,277	8,942
Rent expenses	25,531	31,722	35,542
Utilities expenses	5,937	7,077	8,816
Depreciation	9,674	11,602	20,825
Other	44,747	60,097	66,198
	244,559	284,078	374,426
Operating income	52,144	63,272	51,178

YAMADA DENKI

Years ended March 31; Millions of yen	2007	2008	2009
Nonoperating income			
Interest income	746	977	1,291
Purchase discounts	12,083	11,939	8,767
Gain on bond redemption	-	-	2,700
Other	2,340	4,296	3,509
	15,170	17,214	16,268
Nonoperating expenses			
Interest expenses	1,064	1,787	1,792
Other	113	247	292
	1,177	2,035	2,085
Ordinary income	66,137	78,451	65,360
Extraordinary income			
Reversal of allowance for doubtful accounts	347	79	-
Other	-	10	-
	347	89	-
Extraordinary losses			
Loss on disposal of noncurrent assets	525	92	512
Loss on refund and cancellation of guarantee deposits	15	19	11
Provision of allowance for doubtful accounts	-	271	225
Loss on valuation of investment securities	223	115	3,181
Impairment loss	579	-	189
Other	20	67	95
	1,363	566	4,216
Income before income taxes	65,121	77,974	61,144
Income taxes-current	27,264	30,207	31,956
Income taxes for prior periods	72	87	960
Income taxes-deferred	(625)	765	(6,563)
	26,711	31,060	26,353
Net income	38,410	46,914	34,790

Nonconsolidated balance sheets**Assets**

March 31; Millions of yen	2007	2008	2009
Current assets			
Cash and time deposits	37,898	48,138	32,083
Accounts receivable - trade	23,731	38,664	38,274
Merchandise	135,613	163,367	-
Merchandise and finished goods	-	-	141,580
Raw materials and supplies	-	-	245
Short-term loans receivable to subsidiaries and affiliates	7,341	25,473	30,765
Prepaid expenses	2,392	3,039	3,790
Deferred tax assets	6,874	5,207	9,372
Accounts receivable - other	17,659	17,748	22,034
Current portion of guarantee deposits	3,118	3,697	4,279
Other	1,235	1,793	1,566
Allowance for doubtful accounts	(41)	(68)	(74)
	235,823	307,062	283,918
Noncurrent assets			
Property and equipment			
Buildings	131,612	158,531	197,478
Accumulated depreciation	(31,633)	(37,175)	(46,332)
Buildings, net	99,978	121,355	151,145
Structures	10,050	12,665	14,890
Accumulated depreciation	(4,586)	(5,741)	(7,057)
Structures, net	5,463	6,923	7,833
Vehicles	99	99	99
Accumulated depreciation	(89)	(92)	(93)
Vehicles, net	10	7	5
Tools, furniture and fixtures	14,125	19,382	25,177
Accumulated depreciation	(7,842)	(11,384)	(15,696)
Tools, furniture and fixtures, net	6,283	7,997	9,480
Land	51,202	92,128	94,176
Lease assets	-	-	19,592
Accumulated depreciation	-	-	(5,111)
Lease assets, net	-	-	14,481
Construction in progress	3,683	17,461	9,283
	166,621	245,875	286,405

YAMADA DENKI

March 31; Millions of yen	2007	2008	2009
Intangible fixed assets			
Leasehold rights	1,811	2,169	2,711
Software	410	340	308
Telephone subscription right	208	208	207
	<u>2,430</u>	<u>2,718</u>	<u>3,228</u>
Investments and other assets			
Investments in securities	3,493	14,285	11,691
Stock of subsidiaries and affiliates	22,703	31,689	33,378
Investments in capital	0	0	0
Long-term loans receivable from subsidiaries and affiliates	3,775	2,920	2,997
Long-term prepaid expenses	7,003	8,514	10,791
Deferred tax assets	5,924	6,497	9,301
Guarantee deposits	69,806	84,662	96,899
Other	280	328	383
Allowance for losses on investments in subsidiaries and affiliates	(1,221)	(1,221)	(1,221)
Allowance for doubtful accounts	(3,574)	(3,757)	(3,983)
	<u>108,192</u>	<u>143,919</u>	<u>160,237</u>
Total noncurrent assets	<u>277,244</u>	<u>392,512</u>	<u>449,872</u>
Total assets	<u>513,068</u>	<u>699,575</u>	<u>733,790</u>

Liabilities and net assets

March 31; Millions of yen	2007	2008	2009
Current liabilities			
Notes payable - trade	402	392	469
Accounts payable - trade	83,428	88,402	56,440
Current portion of long-term loans payable	11,605	19,265	25,340
Current portion of bonds	921	-	720
Short-term loans payable	-	-	7,000
Lease obligations	-	-	5,435
Accounts payable - other	10,294	12,969	11,367
Accrued expenses	2,157	2,581	2,940
Income tax payable	15,765	17,077	17,348
Accrued consumption taxes	2,217	957	3,333
Advances received	13,979	13,029	9,554
Provision for employees' bonuses	1,663	2,246	2,559
Provision for directors' and corporate auditors' bonuses	117	117	136
Provision for point card certificates	11,588	6,252	16,019
Other	2,707	3,675	3,421
	156,848	166,967	162,086
Noncurrent liabilities			
Bonds	3,343	151,277	140,274
Long-term loans payable	64,842	65,851	71,861
Lease obligations	-	-	9,880
Provision for retirement benefits	4,198	5,098	6,017
Provision for directors' and corporate auditors' retirement benefits	2,317	2,434	2,534
Provision for product warranties	2,928	4,345	6,112
Other	1,464	1,464	1,580
	79,094	230,470	238,260
Total liabilities	235,943	397,437	400,346

March 31; Millions of yen	2007	2008	2009
Net assets			
Shareholders' equity			
Capital stock	68,930	70,595	70,701
Capital surplus			
Legal capital surplus	68,849	70,513	70,620
	68,849	70,513	70,620
Retained earnings			
Legal retained earnings	312	312	312
Other retained earnings			
General reserve	97,000	132,000	175,000
Retained earnings brought forward	42,080	51,226	39,916
	139,392	183,538	215,228
Treasury stock	(98)	(23,043)	(23,044)
Total shareholders' equity	277,074	301,603	333,505
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	50	534	(61)
	50	534	(61)
Total net assets	277,124	302,137	333,443
Total liabilities and net assets	513,068	699,575	733,790

Share-related Information

Shares in issue

Class of shares	Common
Number of shares authorized	200,000,000
Issued	
As of March 31, 2009	96,450,384
As of June 26, 2009	96,476,250
Stock exchange listings	Tokyo Stock Exchange, First Section
Comments	10-share min. trading unit

Changes in common stock and number of shares outstanding

Shares Millions of yen	Shares outstanding		Common stock		Additional paid-in capital		Remarks
	Increase or decrease	Balance	Increase or decrease	Balance	Increase or decrease	Balance	
March 31, 2005	176,181	83,492,802	321	46,375	321	46,311	Exercise of stock purchase warrants
March 31, 2006	10,563,761	94,056,563	19,865	66,240	19,850	66,162	Exercise of warrants
March 31, 2007	1,426,177	95,482,740	2,689	68,930	2,687	68,849	Exercise of warrants
March 31, 2008	908,402	96,391,142	1,664	70,595	1,664	70,513	Exercise of warrants
March 31, 2009	59,242	96,450,384	106	70,701	106	70,620	Exercise of warrants

Between April 1, 2009 and May 31, 2009, total outstanding shares increased by 25,866 shares, common stock by 46 million yen, and additional paid-in capital by 46 million yen as a result of the exercise of stock purchase/subscription warrants.

Shareholders by type of investor

Type of investor	Number of shareholders	Hundreds of shares	% owned
National and local government agencies	-	-	-
Financial institutions	100	2,928,104	30.4
Financial instrument firms	34	27,831	0.3
Business and other corporations	273	727,075	7.5
Non-residents (other than individuals)	501	5,168,339	53.6
Non-residents (individuals)	24	292	0.0
Individuals and others	36,470	793,182	8.2
	37,402	9,644,823	100.0
Shares less than one unit		2,154	-

Largest shareholders

Name	Thousands of shares owned	Of which, held in trust accounts	% of shares outstanding
State Street Bank & Trust	6,695.2		6.94
Japan Trustee Services Bank (Trust Account)	5,805.1	4,291.8	6.01
Japan Trustee Services Bank (Trust Account 4G)	5,696.3	1,326.6	5.90
Tecc-Planning	4,686.0		4.85
Master Trust Bank of Japan (Trust Account)	4,559.5	3,720.9	4.72
CB New York Orbis Funds	3,837.7		3.97
CB New York Orbis SICAV	3,533.4		3.66
JP Morgan Chase Bank 380055	3,454.3		3.58
Gunma Bank	1,741.0		1.80
The Chase Manhattan Bank, N.A. London SL Omnibus Account	1,574.1		1.63
	41,583.1		43.06

Share information

Business year	April 1 to March 31
Ex-rights date	March 31
Dates of record for dividends	September 30 and March 31
Ordinary General Meeting of Shareholders	June
Trading unit	10 shares
Agent to manage shareholders registry	Mizuho Trust & Banking, 1-2-1 Yaesu, Chuo-ku, Tokyo
Publication of record	Public notices of the Company shall be published electronically. In cases in which accidents or other unavoidable circumstances preclude online publication, notices shall be carried in <i>Nihon Keizai Shimbun</i> .

Contact

Yoshihiro Sakairi
Senior Executive Officer
Finance & Accounting Division
YAMADA DENKI CO., LTD.
1-1 Sakae-cho, Takasaki City
Gunma 370-0841, Japan
Telephone: 81-27-345-8181
Facsimile: 81-27-345-8826