

YUHOREPORT

YAMADA DENKI CO., LTD.

Fiscal Year Ended	March 31, 2008
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.

Table of Contents

COMPANY PROFILE	3
Financial highlights.....	3
Peer comparisons	4
Common size statements.....	5
BUSINESS OVERVIEW	6
Description of business	6
Group companies.....	8
History	9
Risk factors	10
Analysis of financial condition and results of operations	12
Corporate governance	13
Directors.....	17
Employees	18
CASH FLOWS	19
Consolidated statements of cash flows.....	19
Capital expenditure plans	21
Dividend policy	22
OPERATIONS	23
Consolidated statements of income.....	23
Consolidated statement of changes in net assets	24
Results of operations	27
Sales	28
Sales per unit	29
Leases.....	29
CAPITAL STRUCTURE	31
Consolidated balance sheets.....	31
NONCONSOLIDATED FINANCIAL STATEMENTS	33
Nonconsolidated statements of income	33
Nonconsolidated balance sheets	35
SHARE-RELATED INFORMATION	39

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Company Profile

Financial highlights

Years ended March 31; Millions of yen	2004	2005	2006	2007	2008	Change 2008/2004
Consolidated						
Net sales	939,137	1,102,390	1,283,961	1,443,661	1,767,818	188%
Ordinary profit	30,652	48,186	62,614	71,747	81,652	266%
Net income	19,168	28,819	37,027	43,420	49,174	257%
Net assets	146,738	175,219	250,122	299,536	326,937	223%
Total assets	328,406	376,544	461,275	550,439	750,213	228%
Net assets per share (Yen)	1,759.94	2,097.26	2,658.33	3,103.86	3,443.63	196%
Net income per share (Yen)	228.74	344.36	421.18	458.78	511.83	224%
Net income per share, fully diluted (Yen)	197.18	297.41	381.94	449.29	509.90	259%
Net cash provided by (used in) operating activities	(13,682)	40,115	32,091	48,358	26,934	
Net cash provided by (used in) investing activities	(14,116)	(28,248)	(73,853)	(52,325)	(123,305)	
Net cash provided by (used in) financing activities	(1,179)	5,377	34,114	13,827	120,569	
Cash and cash equivalents, end of year	19,662	37,857	29,844	41,029	65,029	331%
Employees	5,276	5,848	6,447	7,072	10,102	191%
Parent						
Net sales	921,997	1,072,677	1,264,235	1,419,629	1,731,694	188%
Ordinary profit	25,335	38,696	56,691	66,137	78,451	310%
Net income	12,857	21,091	32,045	38,410	46,914	365%
Common stock	46,053	46,375	66,240	68,930	70,595	153%
Shares outstanding (Thousand shares)	83,316	83,492	94,056	95,482	96,391	116%
Net assets	145,206	166,005	235,864	277,124	302,137	208%
Total assets	305,288	346,586	427,565	513,068	699,575	229%
Equity / assets (%)	47.6	47.9	55.2	54.0	43.2	
Net assets per share (Yen)	1,741.74	1,987.03	2,506.78	2,902.67	3,215.85	184%
Dividends per share (Yen)	12.00	21.00	25.00	29.00	33.00	275%
Net income per share (Yen)	153.19	251.77	364.39	405.84	488.31	319%
Net income per share, fully diluted (Yen)	132.06	217.44	330.44	397.45	486.47	368%
Dividend payout ratio (%)	7.8	8.3	7.3	7.1	6.8	
Employees	4,387	4,779	5,364	5,890	7,963	182%

Peer comparisons

Percent	2004	2005	2006	2007	2008
Net income / net sales (%)	2.0	2.6	2.9	3.0	2.8
Peers	0.2	(0.8)	(0.5)	(0.1)	(1.2)
Ordinary profit / net sales (%)	3.3	4.4	4.9	5.0	4.6
Peers	1.3	1.5	2.0	1.0	0.6
Net income / assets (%)	6.0	8.2	8.8	8.6	7.6
Peers	0.9	(0.5)	(0.0)	0.6	(1.8)
Ordinary profit / assets (%)	9.6	13.7	14.9	14.2	12.6
Peers	3.2	4.1	5.3	3.0	2.4
Equity / assets (%)	44.7	46.5	54.2	53.8	43.1
Peers	32.6	32.2	33.7	34.4	34.5
Net income / equity (%)	14.0	17.9	17.4	15.9	15.9
Peers	4.0	3.0	4.4	4.3	(2.7)

Peers include EDION (2730), BIC CAMERA (3048), Nojima (7419), Kojima (7513), Joshin Denki (8173), Best Denki (8175), Laox (8202) and K'S Holdings (8282).

Common size statements

Years ended March 31; Percent	Consolidated			Parent		
	2006	2007	2008	2006	2007	2008
Balance sheets						
Assets	100.0	100.0	100.0	100.0	100.0	100.0
Current assets	46.4	47.7	45.7	44.5	46.0	43.9
Tangible fixed assets	34.6	32.7	35.1	34.4	32.5	35.1
Intangible fixed assets	0.6	0.5	0.5	0.5	0.4	0.4
Investments and other assets	18.4	19.1	18.7	20.6	21.1	20.6
Total fixed assets	53.6	52.3	54.3	55.5	54.0	56.1
Liabilities and equity	100.0	100.0	100.0	100.0	100.0	100.0
Current liabilities	28.7	30.0	24.2	28.7	30.6	23.9
Long-term liabilities	16.5	15.6	32.2	16.1	15.4	32.9
Total liabilities	45.2	45.6	56.4	44.8	46.0	56.8
Minority interests in consolidated companies	0.6	-	-			
Shareholders' equity						
Common stock	14.4	-	-	15.5	-	-
Capital surplus	14.3	-	-	15.5	-	-
Retained earnings	25.5	-	-	24.2	-	-
Unrealized gains or losses on other securities	0.0	-	-	0.0	-	-
Treasury stock	(0.0)	-	-	(0.0)	-	-
Total shareholders' equity	54.2	-	-	55.2	-	-
Net assets						
Common stock	-	12.5	9.4	-	13.4	10.1
Capital surplus	-	12.5	9.4	-	13.4	10.1
Retained earnings	-	28.8	27.3	-	27.2	26.2
Treasury stock	-	(0.0)	(3.1)	-	(0.0)	(3.3)
Total shareholders' equity	-	53.8	43.0	-	54.0	43.1
Unrealized gains or losses on other securities	-	0.0	0.1	-	0.0	0.1
Total valuation/translation gains (losses)	-	0.0	0.1	-	0.0	0.1
Minority interests in consolidated companies	-	0.6	0.5			
Total net assets	-	54.4	43.6	-	54.0	43.2
Statements of income						
Net sales	100.0	100.0	100.0	100.0	100.0	100.0
Cost of goods sold	77.8	76.9	77.9	80.1	79.1	80.0
Gross profit on sales	22.2	23.1	22.1	19.9	20.9	20.0
Selling, general and administrative expenses	18.3	19.2	18.4	16.4	17.2	16.4
Operating income	3.9	3.9	3.7	3.5	3.7	3.6
Nonoperating income	1.1	1.2	1.1	1.0	1.1	1.0
Nonoperating expenses	0.1	0.1	0.2	0.0	0.1	0.1
Ordinary profit	4.9	5.0	4.6	4.5	4.7	4.5
Extraordinary income	0.0	0.0	0.0	0.1	0.0	0.0
Extraordinary losses	0.1	0.1	0.0	0.2	0.1	0.0
Income before taxes and other adjustments	4.8	4.9	4.6	4.4	4.6	4.5
Taxes	1.9	1.9	1.8	1.9	1.9	1.8
Minority interest in losses (income) of consolidated companies	(0.0)	(0.0)	(0.0)			
Net income	2.9	3.0	2.8	2.5	2.7	2.7

Business Overview

Description of business

The corporate Group consists of the Company, 23 major subsidiaries and an affiliate 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, Yamada Broadband 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's stores collect from customers.

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

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

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

A subsidiary, Y-Just Co., Ltd., brokers real estate transactions for the Company and negotiates rents on the Company's behalf. (Subsidiary's name changed from Reagal United Trustees Co., Ltd. on August 31, 2007.)

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., sells merchandise that it procures from 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.

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

Group companies

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	70.0
Cosmos Berry's Co., Ltd.	Retailing of home electrical appliances and personal computers and other information-related equipment	100	51.0
PRESSO Holdings Co., Ltd.	Holding of shares and management 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.	Retailing of home electrical appliances and personal computers and other information-related equipment	350	100.0
CIC Co., Ltd.	Disposal of industrial waste products and wholesaling of imported products	81	84.6
Climb Entertainment Co., Ltd.	Delivery and installation of products	10	70.0
Inversenet Co., Ltd.	Manufacturing and wholesaling of telecommunications equipment and electrical appliances to the Company	122	77.1
KOUZIRO Co., Ltd.	Wholesaling of computers and peripherals to the Company	524	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 shop dealing in video and compact disk software, opened simultaneously on the same site. With this move, development of a combined specialty store/rental shop strategy commenced.
1989	March	Company's shares registered for OTC trading with the Securities Dealers Association of Japan.
1990	September	A&V Bics Takasaki Store converted into a personal computer specialty store. Development of Computer Kan stores begun.
1991	February	With the dissolution of franchisee relationships, 10 former franchise stores converted into Company-operated outlets.
	March	Tecc-Information System Co., Ltd., an affiliated company engaged in computer-related development and sales, established. (Liquidated in September 2001.)
1992	July	Tecc Land Miyazaki Store, the Company's first store in Kyushu, opened in Miyazaki-shi, Miyazaki Prefecture.
1993	December	Tecc Land Shibukawa Store in Shibukawa-shi, Gunma Prefecture, converted into a Company-operated store.
1995	October	Tecc Land Sendai Izumi Store, the Company's first store in the Tohoku region, opened in Izumi-ku, Sendai-shi, Miyagi Prefecture.
1997	February	Tecc Land Nisshin Store, the Company's first store in the Chubu region, opened in Nisshin-shi, Aichi Prefecture.
	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.
	July	Okinawa Yamada Denki Co., Ltd., an affiliated company, established in Ginowan, 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.)

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, Gunma Prefecture.
	May	Equity investment made in Yamada Capital Holdings Co., Ltd., an affiliated company. Shares in Daikuma Co., Ltd., an affiliated company, acquired.
2003	January	Equity investment made in Climb Entertainment Co., Ltd. (an affiliated company). Reagal United Trusties Co., Ltd., an affiliated company, established in Fukuoka, 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, 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, Shizuoka Prefecture.
	September	Cosmos Berry's Co., Ltd., an affiliate, established in Nagoya, Aichi Prefecture.
	November	Chushikoku Tecc Land Co., Ltd., an affiliate, established in Maebashi, Gunma Prefecture.
	2006	March
2006	June	Yamada Financial Co., Ltd., an affiliate, established in Maebashi, Gunma Prefecture.
	July	Equity investment made in TESS Co., Ltd., an affiliated company. Tecc Site Co., Ltd., an affiliate, established in Maebashi, Gunma Prefecture.
2007	January	Kyushu Tecc Land Co., Ltd., an affiliate, established in Kagoshima, Kagoshima Prefecture.
	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., affiliated companies, acquired.
	October	Shares in Kimuraya Select Co., Ltd., an affiliated company, acquired.

(As of the end of the year, there were 494 stores in operation.)

Risk factors

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

(1) Store network expansion

The Company's retail outlet network spans all 47 prefectures of Japan. The main emphasis in its ongoing network expansion is on opening larger stores in urban locations. The Company faces fierce competition to secure prime sites at reasonable prices, particularly in regions where rivals are well established. While the Company takes factors such as rental costs, guarantee deposits, local competition and market size into consideration, network expansion can affect its operating performance owing to increases in infrastructure, personnel and other costs or to decreases in profitability due to local or regional saturation effects. Delays, changes in plans or failure to dispose of any closed outlets can also impact

results by impeding efficient network development. Related capital investments are currently funded internally or with borrowings.

(2) Retail sector competition

As a leading player in the Japanese electrical appliance retailing industry, the Company faces intense competition from large discounters, GMS stores and mail-order and online retailers. Besides engaging in price competition, rivals compete fiercely for store locations, customers and personnel. The Company expects the competition for retail sites to intensify as the focus of expansion shifts from out-of-town 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 affect operating performance.

(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 may also fail to generate the projected returns and lead to exceptional profits or losses.

(4) Regulatory risks

Besides antitrust laws, major legislation affecting the Japanese electrical appliance retailing industry includes laws governing operation of large-scale retail outlets, recycling of household appliances, product labeling and promotional items. In addition to new and amended legislation, the Company is also exposed to risk in the form of regulatory actions that affect demand for products or services sold by the Company or that inflate related costs.

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 any new large store. Delays in completing such surveys can materially affect performance by postponing store openings.

In accordance with Japanese antitrust legislation, 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.

Analysis of financial condition and results of operations

Analysis of financial condition

(Current assets)

Total current assets at the year-end amounted to 342,894 million yen, an increase of 80,118 million yen compared with a year earlier. This mainly reflected increases in cash and time deposits (up 25,042 million yen), notes and accounts receivable (up 11,118 million yen) and inventories (up 35,295 million yen). A major contributory factor was the opening of 34 new stores, including LABI Senri with its large city-center outlet format opened in March 2008 (store openings typically produce high initial sales and require higher-than-normal inventory stocking, particularly of big-ticket items such as LCD and plasma TVs). Other current assets were significantly higher (up 10,364 million yen), mainly due to an increase in short-term borrowings (up 8,155 million yen).

(Fixed assets)

Total fixed assets at the year-end amounted to 407,319 million yen, an increase of 119,655 million yen compared with a year earlier. This reflected the increased value of investments in buildings and structures (up 25,086 million yen) and land (up 42,781 million yen) as well as higher guarantee deposits (up 16,862 million yen) and investments in securities (up 16,456 million yen). The major contributory factor was capital investments in new stores. Other factors boosting the value of fixed assets included construction in progress (up 13,778 million yen).

(Current liabilities)

Total current liabilities at the year-end were 181,496 million yen, an increase of 16,421 million yen over a year earlier. This mainly reflected higher notes and accounts payable (up 5,369 million yen) and an increase in the current portion of long-term debt (up 7,556 million yen) used to fund the opening of new stores. Other factors included a decrease in the allowance for customer-discount points (down 5,418 million yen), which occurred due to “point-redemption sales” conducted during peak shopping seasons as part of the Company’s sales promotion strategy. This boosted point usage, resulting in reduced provisions due to a lower outstanding point balance at year-end.

(Long-term liabilities)

Total long-term liabilities at the year-end were 241,779 million yen, an increase of 155,952 million yen compared with a year earlier. This mainly reflected increases in the balance of outstanding bonds (up 147,934 million yen), long-term debt (up 815 million yen) and the allowance for merchandise warranties (up 1,536 million yen).

Bond issuance was partly used to fund the acquisition of treasury stock to boost return on capital. Growth in long-term debt principally reflected capital investments in new stores. Negative goodwill also increased by 2,425 million yen, reflecting an expansion in the scope of consolidation.

(Net assets)

Net assets amounted to 326,937 million yen at the year-end, a gain of 27,401 million yen compared with the previous year-end. The main contributing factors were an increase in common stock (up 1,664 million yen) due to the exercise of convertible bond warrants; an increase in capital surplus (up 1,664 million yen); higher retained earnings (up 46,405 million yen), reflecting the growth in net income; and an increase in treasury stock (up 22,945 million yen).

Analysis of cash flow

- 1) Cash and cash equivalents as of the end of the year stood at 65,029 million yen, an increase of 24,000 million yen resulting from the following:
 - Higher sales, combined with reductions in SG&A expenses, produced a 10,279 million yen increase in income before taxes and other adjustments.
- 2) Cash flow provided by operating activities amounted to 26,934 million yen, primarily because of the following:
 - An increase in net income before taxes and other adjustments
- 3) Cash used in investing activities amounted to 123,305 million yen, reflecting the following:
 - Acquisitions of fixed assets, primarily land for new urban stores
 - Increases in security deposits
- 4) Cash flow provided by financing activities amounted to 120,569 million yen, primarily reflecting proceeds from the issuance of corporate bonds.

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 supreme 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

Yamada Denki has 17 directors who meet once a week, as a rule, to review important issues, discuss the Company's performance and take prompt action, as needed. An expanded Board meeting that includes the executive officers is held once a month. There is also a weekly management strategy meeting, attended by senior managing directors and executive officers, which monitors progress in implementing management strategies.

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

4) Internal auditing

The Company has established the Internal Audit Office to strengthen its internal auditing functions. Reporting directly to the President and employing four full-time staff, this department is engaged 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.

5) 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 three appointed external auditors.

6) 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, 2008:

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

Persons assisting with auditing: Five certified public accountants, nine other persons

7) 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.

8) Approval of treasury stock acquisitions

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.

9) 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.

10) 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.

11) Others

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

(3) Initiatives undertaken during the past year

As part of efforts facilitate rapid responses to changes in the business environment, the Company has adopted a corporate executive officer system that establishes a 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) and three Executive Vice-Presidents (with the roles of CIO, CMO and CFO). Operating under these senior executives, the executive officers assume responsibility for 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.

On June 27, 2008, the Company announced an increase of four in the total number of corporate executive officers.

(4) Compensation

Compensation paid to directors and auditors and fees paid to the Company's auditing firm were as follows:

Millions of yen	Number paid	Amount paid
Directors	14	565
Corporate auditors	3	32
[External auditors]	[2]	[5]
	17	598

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

Compensation paid to an auditing firm: 39 million yen

Other payments to an auditing firm: 33 million yen

Total: 73 million yen

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	1,383.7
Tadao Ichimiya	Representative Director, President & COO	Jan-83	13-Aug-55	2 years from GMS held June 27, 2008	91.4
Hiroyasu Iizuka	Director	Apr-85	18-Jan-65	2 years from GMS held June 27, 2008	0.6
Takao Kato	Director	Jan-03	1-Oct-49	2 years from GMS held June 27, 2008	0.5
Chiaki Takahashi	Director	Apr-86	11-May-62	2 years from GMS held June 27, 2008	3.0
Makoto Igarashi	Director	Jan-90	4-Aug-64	2 years from GMS held June 27, 2008	3.3
Ginji Karasawa	Director	Nov-84	1-Apr-53	2 years from GMS held June 27, 2008	3.0
Haruhiko Itakura	Director	Jun-86	11-Jan-54	2 years from GMS held June 27, 2008	0.3
Jun Okamoto	Director	Jun-06	28-Apr-56	2 years from GMS held June 27, 2008	0.1
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	0.1
Kazumasa Watanabe	Director	Apr-04	8-Jan-55	2 years from GMS held June 27, 2008	0.1
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	0.0
Masaru Yamada	Director	Apr-03	14-Jul-74	2 years from GMS held June 27, 2008	-
Tatsuo Kobayashi	Director	Sep-86	6-Jul-64	2 years from GMS held June 27, 2008	-
Toshiyuki Takeoka	Director	Oct-07	3-Jan-49	2 years from GMS held June 27, 2008	-
Mamoru Moteki	Standing Corporate Auditor	Jan-85	29-Mar-49	4 years from GMS held June 29, 2006	4.9
Yutaka Nakamura	Corporate Auditor	Jun-05	8-Jan-52	4 years from GMS held June 29, 2005	-
Masamitsu Takahashi	Corporate Auditor	Jun-07	9-Feb-55	4 years from GMS held June 28, 2007	-
Junji Nakamura	Corporate Auditor	Jun-08	21-Jan-46	4 years from GMS held June 27, 2008	-
					1,491.6

Employees

Consolidated	
Business segment	Number
Stores	9,225
Administration (general operations)	877
	10,102
Parent	
	Total or average
Number	7,963
Average age	29.7
Average years of service	4.6
Average annual salary (Yen)	4,092,374

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 8,482 part-time employees.

The number of employees at year-end was 3,030 higher than at the end of the previous year. This was the result of the hiring of both new graduates and of 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	2006	2007	2008
Net cash provided by (used in) operating activities			
Income before taxes and other adjustments	62,196	70,600	80,880
Depreciation	8,437	10,710	12,818
Amortization of goodwill	9	50	(527)
Increase in retirement benefits	780	841	863
Increase in directors' and corporate auditors' retirement benefits	222	537	107
Increase (decrease) in allowance for employees' bonuses	118	122	624
Increase (decrease) in allowance for directors' and corporate auditors' bonuses	-	117	0
Increase (decrease) in allowance for doubtful accounts	(25)	(71)	(179)
Increase (decrease) in allowance for customer-discount points	(1,788)	(1,338)	(5,595)
Increase (decrease) in allowance for merchandise warranties	2,194	1,034	1,598
Interest and dividend income	(574)	(727)	(1,009)
Interest expenses	691	1,121	1,934
Foreign exchange losses	(152)	(858)	198
Bond issuance cost	-	-	124
Valuation losses on investment securities	-	223	115
Loss on write-down and disposal of inventories	-	267	-
Loss on disposal of fixed assets	255	515	45
Loss (gain) on sales of fixed assets	(58)	(654)	(66)
Loss due to reduction entries for fixed assets	107	-	-
Subsidy income	(117)	-	-
Impairment losses	-	731	84
Valuation losses on derivatives	105	63	113
Loss on cancellations of guarantee deposits	212	25	42
Gain on return of security deposits	(120)	(2)	-
Decrease (increase) in trade receivables	3,518	(7,700)	(12,274)
Decrease (increase) in inventories	(29,105)	(10,419)	(27,671)
Increase (decrease) in trade payables	4,857	14,704	3,035
Increase (decrease) in consumption tax payable	(1,854)	2,009	(1,330)
Decrease (increase) in other current assets	(1,047)	(9,543)	(245)
Increase (decrease) in other current liabilities	2,032	5,917	3,057
Directors' and corporate auditors' bonuses	(125)	(114)	-
Others	332	(310)	602
	51,102	77,853	57,346
Interest and dividend income	76	115	232
Interest expenses	(683)	(1,043)	(1,938)
Income tax and others	(18,403)	(28,567)	(28,706)
	32,091	48,358	26,934

Years ended March 31; Millions of yen	2006	2007	2008
Net cash provided by (used in) investing activities			
Increase in time deposits	(181)	(134)	(1,080)
Proceeds from decrease in time deposits	40	201	38
Payments for purchase of mortgage securities	(39,499)	(25,495)	-
Proceeds from sales of mortgage securities	39,899	25,195	500
Payments for acquisition of investment securities	(483)	(1,303)	(10,208)
Proceeds from sales of investment securities	72	95	124
Payments for equity investments	(2)	(0)	(0)
Proceeds from recouping of equity investments	-	0	0
Payments for acquisition of capital stock of affiliated companies	(131)	(103)	(5,740)
Proceeds from sale of subsidiary's shares accompanying the scope of consolidation	35	-	-
Proceeds from acquisition of subsidiaries' shares accompanying the scope of consolidation	-	-	5,912
Payments for loans and advances	(3,313)	(2,871)	(8,800)
Proceeds from collection of loans and advances	1,700	631	774
Payments for acquisition of tangible fixed assets	(64,075)	(30,876)	(91,704)
Proceeds from sales of tangible fixed assets	278	6	-
Payments for acquisition of intangible fixed assets	(1,059)	(335)	(476)
Payments of guarantee deposits	(12,376)	(23,000)	(18,863)
Proceeds from reversal of guarantee deposits	5,444	5,689	6,400
Others	(200)	(26)	(181)
	(73,853)	(52,325)	(123,305)
Net cash provided by (used in) financing activities			
Proceeds from increase in short-term borrowings	422,271	443,020	1,278,654
Payments of short-term borrowings	(421,518)	(443,128)	(1,290,966)
Proceeds from increase in long-term debt	44,451	27,000	19,650
Payments of long-term debt	(9,308)	(10,705)	(11,277)
Payments for purchase of treasury stock	(78)	(11)	(22,945)
Dividends	(1,751)	(2,344)	(2,766)
Dividend payments to minority shareholders	(1)	(2)	(2)
Proceeds from issuing of corporate bonds	50	-	150,223
	34,114	13,827	120,569
Effect of exchange rate changes on cash and cash equivalents	152	858	(198)
Net increase in cash and cash equivalents	(7,494)	10,718	24,000
Cash and cash equivalents at beginning of year	37,857	29,844	41,029
Increase in cash and cash equivalents accompanying new consolidation	-	466	-
Decrease in cash and cash equivalents resulting from consolidation eliminations	(518)	-	-
Cash and cash equivalents at end of year	29,844	41,029	65,029

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

Years ended March 31; Millions of yen	2006	2007	2008
Cash and time deposits	30,034	41,152	66,195
Time deposits, etc., of 3 months or longer	(190)	(123)	(1,165)
Cash and cash equivalents at end of year	29,844	41,029	65,029

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				
Hirakata	60	1,406	2007/12	2008/4
Nara-Kashiba	486	763	2007/12	2008/4
LABI Tsudanuma	154	508	2008/2	2008/4
LABI Kichijoji Personal Computer	-	215	2008/2	2008/4
Tsuyama	13	981	2008/3	2008/5
Tama New Town	483	568	2008/3	2008/5
Oyumino	-	1,032	2008/3	2008/5
Shin-Nanyo	723	578	2008/4	2008/6
Yamanashi-Chuo	275	964	2008/4	2008/6
LABI Shinbashi-Seikatsukan	0	2,049	2008/4	2008/6
Iga	503	332	2008/4	2008/6
Kobe-Nishi	182	1,134	2008/3	2008/6
Mutsu	10	607	2008/3	2008/7
LABI 1 Takasaki	10,124	6,248	2007/1	2008/7
Fukuchiyama	206	605	2008/5	2008/7
Ayagawa	-	302	2008/5	2008/7
Shin-Hikone	340	886	2008/5	2008/7
Miyazaki-Hanagashima	815	770	2008/6	2008/8
Shin-Matsumoto	-	626	2008/6	2008/8
Mihara	204	915	2008/6	2008/9
Okinawa Yamada Denki Co., Ltd.				
Tecc Land store				
Urasoe	15	1,457	2008/5	2008/8
	14,599	22,955		

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 economics of the retail sector, 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 2008, 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 6.8%.

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 27, 2008 Resolution of the General Meeting of Shareholders	3,100	33

Operations

Consolidated statements of income

Years ended March 31; Millions of yen	2006	2007	2008
Net sales	1,283,961	1,443,661	1,767,818
Cost of goods sold	999,185	1,110,329	1,377,312
Gross profit on sales	284,776	333,332	390,505
Selling, general and administrative expenses	235,403	277,781	325,080
Operating income	49,372	55,551	65,424
Nonoperating income			
Interest income	543	694	977
Purchase discounts	11,531	13,158	12,522
Others	2,116	3,673	5,244
	14,190	17,526	18,745
Nonoperating expenses			
Interest expenses	691	1,121	1,934
Valuation losses on derivatives	105	63	113
Others	152	145	469
	948	1,330	2,517
Ordinary profit	62,614	71,747	81,652
Extraordinary income			
Reversal of allowance for doubtful accounts	19	10	-
Gain on sales of fixed assets	58	654	66
Gain on return of security deposits	120	2	-
Cancellation of insurance policies	-	-	144
Subsidy income	117	-	-
Others	8	6	55
	324	674	266
Extraordinary losses			
Loss on disposal of fixed assets	281	534	203
Provision of allowance for doubtful accounts	-	-	271
Loss on cancellation of guarantee deposits	212	25	42
Impairment losses	-	731	84
Loss due to reduction entries for fixed assets	107	-	-
Loss on write-down and disposal of inventories	-	267	-
Valuation loss on investment securities	-	223	115
Directors' and corporate auditors' retirement benefits	-	-	143
Others	140	38	178
	742	1,821	1,039

Years ended March 31; Millions of yen	2006	2007	2008
Income before taxes and other adjustments	62,196	70,600	80,880
Corporate, inhabitant and enterprise taxes	25,008	27,671	30,711
Corporate income taxes for prior years	1,140	(126)	89
Deferred taxes	(1,404)	(836)	703
	24,744	26,707	31,504
Minority interest in losses (income) of consolidated companies	(424)	(472)	(201)
Net income	37,027	43,420	49,174

Consolidated statement of changes in net assets

March 2008 year

Millions of yen; Mar 31, 2008	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of Mar. 31, 2007	68,930	68,849	158,459	(98)	296,140
Changes during the year					
Issuance of new shares	1,664	1,664			3,329
Dividends			(2,768)		(2,768)
Net income			49,174		49,174
Acquisition of treasury stock				(22,945)	(22,945)
Other changes in non-shareholders' equity items during the year (net)					
Total changes during the year	1,664	1,664	46,405	(22,945)	26,789
Balance as of Mar. 31, 2008	70,595	70,513	204,864	(23,043)	322,930

Millions of yen; Mar 31, 2008	Valuation/translation gains (losses)		Minority interests	Net assets (total)
	Unrealized gains or losses on other securities	Total valuation/translation gains (losses)		
Balance as of Mar. 31, 2007	191	191	3,203	299,536
Changes during the year				
Issuance of new shares				3,329
Dividends				(2,768)
Net income				49,174
Acquisition of treasury stock				(22,945)
Other changes in non-shareholders' equity items during the year (net)	416	416	195	611
Total changes during the year	416	416	195	27,401
Balance as of Mar. 31, 2008	608	608	3,398	326,937

March 2007 year

Millions of yen; Mar 31, 2007	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of Mar. 31, 2006	66,240	66,162	117,539	(87)	249,854
Changes during the year					
Issuance of new shares	2,689	2,687			5,377
Dividends			(2,351)		(2,351)
Directors' and corporate auditors' bonuses			(113)		(113)
Decrease due to change in scope of consolidation			(35)		(35)
Net income			43,420		43,420
Acquisition of treasury stock				(11)	(11)
Other changes in non-shareholders' equity items during the year (net)					
Total changes during the year	2,689	2,687	40,920	(11)	46,286
Balance as of Mar. 31, 2007	68,930	68,849	158,459	(98)	296,140

Millions of yen; Mar 31, 2007	Valuation/translation gains (losses)		Minority interests	Net assets (total)
	Unrealized gains or losses on other securities	Total valuation/translation gains (losses)		
Balance as of Mar. 31, 2006	267	267	2,670	252,792
Changes during the year				
Issuance of new shares				5,377
Dividends				(2,351)
Directors' and corporate auditors' bonuses				(113)
Decrease due to change in scope of consolidation				(35)
Net income				43,420
Acquisition of treasury stock				(11)
Other changes in non-shareholders' equity items during the year (net)	(75)	(75)	533	457
Total changes during the year	(75)	(75)	533	46,743
Balance as of Mar. 31, 2007	191	191	3,203	299,536

Consolidated statement of retained earnings

Years ended March 31; Millions of yen	2006
Capital surplus	
Capital surplus, beginning of year	46,311
Increase in capital surplus	
Increase due to conversion of bonds with stock-purchase warrants	19,850
	19,850
Capital surplus, end of year	66,162
 Retained earnings	
Retained earnings, beginning of year	82,383
Increase in retained earnings	
Net income	37,027
	37,027
Decrease in retained earnings	
Dividends	1,753
Directors' and corporate auditors' bonuses	118
Decrease due to new consolidation	-
	1,871
Retained earnings, end of year	117,539

Results of operations

Year ended March 31, 2008

The Japanese economy performed creditably in the first three quarters of the year ended March 2008 amid mounting uncertainty, but it then suffered a sharp slowdown as the effects of the growing U.S. subprime loan crisis led to a stronger yen coupled with lower share prices. Rising prices for oil and other raw materials undermined consumer confidence, leading to sluggish spending.

The Japanese electrical appliance retail industry recorded a mixed year. Although sales of PC-related products and large-screen LCD and plasma TVs were robust, seasonal appliances such as air conditioners, fans and heaters saw more uneven sales due to unusual seasonal weather variations. A cool summer preceded an extremely warm period in August and September. Heavy snow and storms in February 2008 reduced customer traffic. Total sales of white goods also declined year on year due to the launch of numerous high-priced models in the previous year.

Internally, Yamada Denki focused on human resources development. Initiatives included upgrading staff training via the use of a new central training facility, conducting more on-the-job training and introducing an internal qualifications system. The investment in workforce skills began to generate returns in the form of greater customer satisfaction.

The Company also placed greater emphasis on CSR-related initiatives, taking steps to enhance awareness of business ethics and related issues. A committee of external experts was established with a mandate to meet quarterly to provide senior management with independent CSR-related advice. Initiatives were instituted in areas ranging from compliance to management of labor relations and environmental issues.

On the marketing front, the Company focused on promoting energy-efficient appliances and on developing content- and service-related customer services through improvements in the customer loyalty points system. This helped to boost customer satisfaction and increase repeat business.

PRESSO Holdings Co., Ltd. became a subsidiary on June 29, 2007. Its role is to manage the development of electrical appliance retail chains responding to the needs of specific regions.

Yamada Denki opened 34 new stores in the year under review, including a revamped Tecc Land store in Hachioji, and converted a further 23 stores from other retail businesses such as Kimuraya Select, Sato Musen and Kyushu Tecc Land. Two stores were closed under the scrap-and-build policy. As of March 31, 2008, the Yamada

Denki Group network totaled 494 stores (comprising 352 directly managed Company outlets and 142 stores operating as consolidated subsidiaries). The size of the franchise store network grew to 563 stores.

By category, sales of household appliances increased 14.3% year on year to 1,028,792 million yen (58.2% of total sales). Sales of information-related electronic home appliances rose 41.0% to 560,813 million yen (31.7% of total sales) and sales of other products rose 22.5% to 178,212 million yen (10.1% of total sales).

Consolidated net sales amounted to 1,767,818 million yen. Operating income and ordinary profit totaled 65,424 million yen and 81,652 million yen, respectively. Net income for the year under review was 49,174 million yen. These figures all represented new record highs. At the non-consolidated level, the Company recorded its 18th consecutive year of higher sales and profits.

Sales

Year ended March 31; Millions of yen	2008		
Products	Amount	%	Year-on-year comparison (%)
Home appliances			
Color televisions	282,891	16.0	23.0
Video equipment	101,324	5.7	9.0
Audio equipment	53,097	3.0	12.3
Refrigerators	86,622	4.9	9.2
Washing machines	67,605	3.8	7.5
Cooking appliances	61,461	3.5	10.7
Air conditioners	80,163	4.6	20.8
Other home cooling and heating equipment	30,086	1.7	19.9
Others	265,538	15.0	10.2
	1,028,792	58.2	14.3
Home information appliances			
Personal computers	214,846	12.2	15.7
Computer peripherals	139,082	7.9	19.6
Software	12,795	0.7	7.4
Telephone and facsimile equipment	12,937	0.7	(5.5)
Others	181,151	10.2	158.1
	560,813	31.7	41.0
Non-appliances			
Videos and books	138,811	7.9	26.2
Others	39,400	2.2	11.1
	178,212	10.1	22.5
	1,767,818	100.0	22.5

Sales per unit

Year ended March 31; Millions of yen	2008	
	Amount	Year-on-year comparison
Net sales	1,767,818	22.5
Sales floor space (average) - m ²	1,310,532	17.2
Sales per square meter - thousands of yen	1,348	4.5
Employees (average) - persons	16,205	18.8
Sales per employee	109	3.0

Leases

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

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

Item	Term	Current payments	Future payments
	Months	Millions of yen	
Computer and peripheral equipment	60	806	2,832
Store buildings	120	136	210
Store facilities	36-108	3,459	11,129

Pro forma information on leased property is as follows:

Millions of yen	2006	2007	2008
Buildings and structures			
Acquisition cost	1,673	1,673	1,673
Accumulated depreciation	417	491	565
Accumulated loss on impairment of fixed assets	-	-	-
Net leased property	1,256	1,182	1,108
Others			
Acquisition cost	18,205	21,677	26,524
Accumulated depreciation	8,365	9,503	11,166
Accumulated loss on impairment of fixed assets	75	253	373
Net leased property	9,764	11,920	14,984
Total			
Acquisition cost	19,879	23,350	28,197
Accumulated depreciation	8,783	9,995	11,731
Accumulated loss on impairment of fixed assets	75	253	373
Net leased property	11,020	13,102	16,092

YAMADA DENKI

Millions of yen	2006	2007	2008
Future minimum lease payments, including interest portion			
Due within one year	3,363	3,996	4,977
Due after one year	8,010	8,716	10,847
	11,373	12,713	15,825
Balance of account for impairment of leased assets	75	253	373
Lease payments	3,797	4,409	5,385
Write-down of account for impairment of leased assets	72	92	106
Pro forma depreciation expenses (assuming straight-line method)	3,460	4,012	4,961
Pro forma interest expenses	338	369	446
Impairment losses	-	270	6

Capital Structure

Consolidated balance sheets

Assets

March 31; Millions of yen	2006	2007	2008
Current assets			
Cash and time deposits	30,034	41,152	66,195
Notes and accounts receivable	15,934	23,637	34,755
Inventories	146,326	158,211	193,506
Deferred tax assets	7,289	7,020	5,349
Others	14,369	32,821	43,186
Allowance for doubtful accounts	(20)	(67)	(98)
	213,934	262,775	342,894
Fixed assets			
Tangible fixed assets			
Buildings and structures	96,620	111,663	136,750
Land	55,351	56,582	99,364
Others	7,704	11,538	27,103
	159,676	179,783	263,218
Intangible fixed assets	2,665	2,722	3,860
Investments and other assets			
Investments in securities	3,699	4,541	20,998
Guarantee deposits	71,355	87,628	104,491
Deferred tax assets	2,919	4,042	4,670
Others	7,149	8,951	10,350
Allowance for doubtful accounts	(123)	(6)	(269)
	84,999	105,157	140,240
Total fixed assets	247,341	287,663	407,319
Total assets	461,275	550,439	750,213

Liabilities and net assets

March 31; Millions of yen	2006	2007	2008
Current liabilities			
Notes and accounts payable	62,026	85,299	90,668
Bonds redeemable within 1 year	-	921	-
Income tax payable	17,575	15,983	17,537
Allowance for employees' bonuses	1,791	1,914	2,674
Allowance for directors' and corporate auditors' bonuses	-	117	117
Allowance for customer-discount points	13,957	12,619	7,200
Others	36,947	48,221	63,298
	132,298	165,075	181,496
Long-term liabilities			
Bonds	9,641	3,343	151,277
Long-term debt	51,840	65,803	66,619
Retirement benefits	3,377	4,222	5,721
Directors' and corporate auditors' retirement benefits	1,826	2,364	2,471
Allowance for merchandise warranties	2,194	3,225	4,762
Others	7,304	6,868	10,928
	76,184	85,827	241,779
Total liabilities	208,482	250,902	423,276
Minority interests in consolidated companies	2,670	-	-
Shareholders' equity			
Common stock	66,240	-	-
Capital surplus	66,162	-	-
Retained earnings	117,539	-	-
Unrealized gains or losses on other securities	267	-	-
Treasury stock	(87)	-	-
Total shareholders' equity	250,122	-	-
Total liabilities, minority interests and shareholders' equity	461,275	-	-
Net assets			
Shareholders' equity			
Common stock	-	68,930	70,595
Capital surplus	-	68,849	70,513
Retained earnings	-	158,459	204,864
Treasury stock	-	(98)	(23,043)
	-	296,140	322,930
Valuation/translation gains (losses)			
Unrealized gains or losses on other securities	-	191	608
	-	191	608
Minority interests	-	3,203	3,398
Total net assets	-	299,536	326,937
Total liabilities and net assets	-	550,439	750,213

Nonconsolidated Financial Statements

Nonconsolidated statements of income

Years ended March 31; Millions of yen	2006	2007	2008
Net sales			
Net sales - merchandise goods	1,263,543	1,418,887	1,731,150
Net sales - rental fees	692	741	543
	1,264,235	1,419,629	1,731,694
Cost of goods sold			
Cost of goods sold - merchandise			
Merchandise inventory, beginning of year	96,137	122,984	135,613
Purchase of merchandise for year	1,038,680	1,134,581	1,410,639
Provision of allowance for merchandise warranties	754	945	1,417
	1,135,572	1,258,510	1,547,670
Merchandise inventory, end of year	122,984	135,613	163,367
	1,012,588	1,122,897	1,384,302
Cost of goods sold - rental fees	27	27	41
	1,012,615	1,122,924	1,384,343
Gross profit on sales			
Merchandise goods	250,955	295,990	346,848
Rental fees	664	713	502
	251,619	296,704	347,350
Selling, general and administrative expenses			
Advertising expenses	20,303	24,448	25,994
Point-related promotional expenses	64,586	78,371	81,619
Provision of allowance for doubtful accounts	-	9	25
Provision of directors' and corporate auditors' retirement benefits	260	586	133
Provision of allowance for directors' and corporate auditors' bonuses	-	117	111
Employee salaries	42,250	46,064	54,920
Provision of allowance for employees' bonuses	1,552	1,663	2,246
Pension benefit expenses	1,066	1,159	1,249
Employee benefit expenses	5,491	6,247	7,277
Leasing fees	22,871	25,531	31,722
Water, heating and lighting expenses	5,200	5,937	7,077
Depreciation expenses	7,447	9,674	11,602
Others	36,194	44,747	60,097
	207,224	244,559	284,078
Operating income	44,395	52,144	63,272

YAMADA DENKI

Years ended March 31; Millions of yen	2006	2007	2008
Nonoperating income			
Interest income	761	746	977
Purchase discounts	10,565	12,083	11,939
Others	1,672	2,340	4,296
	13,000	15,170	17,214
Nonoperating expenses			
Interest expenses	625	1,064	1,787
Others	79	113	247
	704	1,177	2,035
Ordinary profit	56,691	66,137	78,451
Extraordinary income			
Reversal of allowance for doubtful accounts	1,317	347	79
Subsidy income	117	-	-
Others	-	-	10
	1,435	347	89
Extraordinary losses			
Loss on disposal of fixed assets	252	525	92
Impairment losses	-	579	-
Loss due to reduction entries for fixed assets	107	-	-
Loss on cancellation of guarantee deposits	174	15	19
Provision for doubtful accounts	-	-	271
Provision of allowance for losses on investments in affiliates	722	-	-
Valuation loss on investment securities	-	223	115
Loss on retirement of shares in a subsidiary due to a merger	628	-	-
Others	48	20	67
	1,933	1,363	566
Income before taxes and other adjustments	56,192	65,121	77,974
Corporate, inhabitant and enterprise taxes	24,111	27,264	30,207
Corporate income taxes for prior years	1,136	72	87
Deferred taxes	(1,100)	(625)	765
	24,147	26,711	31,060
Net income for year	32,045	38,410	46,914
Retained earnings brought forward from previous year	3,084	-	-
Unappropriated retained earnings, end of year	35,130	-	-

Nonconsolidated balance sheets**Assets**

March 31; Millions of yen	2006	2007	2008
Current assets			
Cash and time deposits	26,245	37,898	48,138
Accounts receivable - trade	18,421	23,731	38,664
Merchandise	122,984	135,613	163,367
Short-term loans to affiliates	5,811	7,341	25,473
Prepaid expenses	2,106	2,392	3,039
Deferred tax assets	7,164	6,874	5,207
Accounts receivable - other	3,894	17,659	17,748
Current portion of guarantee deposits	2,776	3,118	3,697
Others	704	1,235	1,793
Allowance for doubtful accounts	(32)	(41)	(68)
	190,077	235,823	307,062
Fixed assets			
Tangible fixed assets			
Buildings	111,509	131,612	158,531
Accumulated depreciation	25,729	31,633	37,175
	85,780	99,978	121,355
Structures	8,342	10,050	12,665
Accumulated depreciation	3,832	4,586	5,741
	4,509	5,463	6,923
Vehicles and delivery equipment	104	99	99
Accumulated depreciation	90	89	92
	14	10	7
Tools, furniture and fixtures	10,212	14,125	19,382
Accumulated depreciation	5,646	7,842	11,384
	4,565	6,283	7,997
Land	49,935	51,202	92,128
Construction in progress	2,442	3,683	17,461
	147,248	166,621	245,875

YAMADA DENKI

March 31; Millions of yen	2006	2007	2008
Intangible fixed assets			
Leaseholds	1,604	1,811	2,169
Software	479	410	340
Telephone bonds	209	208	208
	<u>2,293</u>	<u>2,430</u>	<u>2,718</u>
Investments and other assets			
Investments in securities	2,616	3,493	14,285
Capital stock of affiliated companies	22,600	22,703	31,689
Investments other than securities	0	0	0
Long-term loans to affiliated companies	4,602	3,775	2,920
Long-term prepaid expenses	6,220	7,003	8,514
Deferred tax assets	4,970	5,924	6,497
Guarantee deposits	51,944	69,806	84,662
Others	231	280	328
Allowance for losses on investments in affiliates	(1,221)	(1,221)	(1,221)
Allowance for doubtful accounts	(4,017)	(3,574)	(3,757)
	<u>87,946</u>	<u>108,192</u>	<u>143,919</u>
Total fixed assets	<u>237,488</u>	<u>277,244</u>	<u>392,512</u>
Total assets	<u>427,565</u>	<u>513,068</u>	<u>699,575</u>

Liabilities and net assets

March 31; Millions of yen	2006	2007	2008
Current liabilities			
Notes payable - trade	487	402	392
Accounts payable - trade	59,257	83,428	88,402
Current portion of long-term debt	9,247	11,605	19,265
Bonds redeemable within 1 year	-	921	-
Accounts payable - other	7,930	10,294	12,969
Accrued expenses	2,025	2,157	2,581
Income tax payable	16,736	15,765	17,077
Consumption tax payable	548	2,217	957
Advances from customers	10,824	13,979	13,029
Allowance for employees' bonuses	1,552	1,663	2,246
Allowance for directors' and corporate auditors' bonuses	-	117	117
Allowance for customer-discount points	12,305	11,588	6,252
Others	2,041	2,707	3,675
	122,954	156,848	166,967
Long-term liabilities			
Bonds	9,641	3,343	151,277
Long-term debt	50,583	64,842	65,851
Retirement benefits	3,360	4,198	5,098
Directors' and corporate auditors' retirement benefits	1,789	2,317	2,434
Allowance for merchandise warranties	1,983	2,928	4,345
Others	1,389	1,464	1,464
	68,746	79,094	230,470
Total liabilities	191,700	235,943	397,437
Shareholders' equity			
Common stock	66,240	-	-
Capital surplus			
Additional paid-in capital	66,162	-	-
	66,162	-	-
Retained earnings			
Legal income reserves	312	-	-
Voluntary reserves - total			
Special reserves	68,000	-	-
Unappropriated retained earnings, end of year	35,130	-	-
	103,442	-	-
Unrealized gains or losses on other securities	106	-	-
Treasury stock	(87)	-	-
Total shareholders' equity	235,864	-	-
Total liabilities and shareholders' equity	427,565	-	-

YAMADA DENKI

March 31; Millions of yen	2006	2007	2008
Net assets			
Shareholders' equity			
Common stock	-	68,930	70,595
Capital surplus			
Additional paid-in capital	-	68,849	70,513
	-	68,849	70,513
Retained earnings			
Legal income reserves	-	312	312
Other retained earnings			
Special reserves	-	97,000	132,000
Retained earnings carried forward	-	42,080	51,226
	-	139,392	183,538
Treasury stock	-	(98)	(23,043)
Total shareholders' equity	-	277,074	301,603
Valuation/translation gains (losses)			
Unrealized gains or losses on other securities	-	50	534
	-	50	534
Total net assets	-	277,124	302,137
Total liabilities and net assets	-	513,068	699,575

Share-related Information

Shares in issue

Class of shares	Common
Number of shares authorized	200,000,000
Issued	
As of March 31, 2008	96,391,142
As of June 27, 2008	96,392,254
Stock exchange listings	Tokyo Stock Exchange, First Section
Comments	-

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

Between April 1, 2008 and May 31, 2008, total outstanding shares increased by 1,112 shares, common stock by 2 million yen, and additional paid-in capital by 1 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	98	2,451,937	25.4
Financial instrument firms	61	80,633	0.8
Business and other corporations	230	738,127	7.7
Non-residents (other than individuals)	516	5,692,513	59.1
Non-residents (individuals)	13	173	0.0
Individuals and others	23,326	675,524	7.0
	24,244	9,638,907	100.0
Shares less than one unit	-	2,072	-

Largest shareholders

Name	Thousands of shares owned	Of which, held in trust accounts	% of shares outstanding
State Street Bank & Trust	12,803.7		13.28
Master Trust Bank of Japan (Trust Account)	5,750.4	4,705.0	5.97
Tecc-Planning	4,686.0		4.86
Japan Trustee Services Bank (Trust Account)	3,911.6	2,880.2	4.06
CB New York Orbis Funds	3,515.6		3.65
JP Morgan Chase Bank 380055	2,709.8		2.81
CB New York Orbis SICAV	2,578.6		2.68
Gunma Bank	1,741.0		1.81
State Street Bank & Trust Company 505103	1,631.9		1.69
Mizuho Bank	1,540.0		1.60
	40,868.6		42.41

Share information

Business year	From 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
Types of share certificates	100, 1,000 and 10,000 shares
Agent to manage shareholders registry	Mizuho Trust & Banking, 1-2-1 Yaesu, Chuo-ku, Tokyo
Publication of record	<i>Nihon Keizai Shimbun</i>

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