Financial Report 2010

Fiscal year ended March 31, 2010

YAMADA DENKI CO., LTD.

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March 31, 2010

1. OVERVIEW OF PERFORMANCE

In the Japanese economy during the fiscal year under review, consumer sentiment, boosted by economic measures, began demonstrating signs of a partial recovery compared to the previous fiscal year, though the scope of such recovery was limited. Looking at the actual picture, uncertainty remained strong and harsh conditions continued, for although there was a trend of improvement in corporate earnings, there was neither recovery in capital investment nor improvement in the stringent hiring and income conditions.

In the consumer electric appliance retail industry, as personal consumption continues to cool down in the wake of the receding economy, the government's "Eco-points" program, started on May 15, 2009, led to a slight recovery trend in consumption, mostly for its target products such as televisions, refrigerators and air conditioners. Despite this, there were seasonal factors such as a cool summer and a harsh winter, and the industry's reorganization intensified competition among stores vying to survive the recession.

Net sales were strongly boosted by a strengthening of sales promotion aimed at consumer needs. Moreover, thanks to the government's "Eco-points" program, televisions and refrigerators, which are target products under the program, fared well. Air conditioner purchases were put off in the first half of the fiscal year due to the reluctance of consumers to make purchases and a cool summer but their sales picked up in the second half due to a harsh winter. Personal computers also turned around toward recovery upon the release of the new OS, new model CPUs and other new innovations. Also, heightened health awareness resulted in strong sales of products offering defense against viruses such as air purifiers, humidifiers with air purification functions and ionizers. Thanks to the beginnings of nationwide popularization amongst consumers of measures to combat global environmental issues, sales of IH cooking heaters, EcoCute, solar power systems, etc. were robust. Game/entertainment products also showed good results following the release of new software.

Also, the Group opened LABI 1 top main store Ikebukuro on October 30, 2009 and LABI 1 Ikebukuro Mobile Dream-Kan on November 6, 2009. Through the opening of these stores, the Group realized integrated distribution that departs from the traditional mold for electric appliance mass-retail stores, and the new format of the stores has attracted customers. As a result, the pace of sales has exceeded set targets.

As a result, the Group achieved net sales of ¥2 trillion, which is the first time that a domestic household electric appliance mass-retailer has achieved such a feat.

Under these circumstances, the Group, based on the management slogan "Greet with a Smile to Create a Bright and Cheerful Workplace – Achieving Targets Through Earnings Structure Reform," worked energetically to train personnel and enhance customer satisfaction through our "Greet with a Smile" campaign.

In addition, the Group continued to carry out its three-tier operational reforms.

Tackling "Retail Store Efficiency Improvement," we began to yield results from comprehensive and considerable reforms related to new store openings and store renovations including changes to layout, and a review of the skills, placement and work shifts of personnel.

With respect to "Cash Flow Improvement," we obtained significant benefits such as by significantly improving operating cash flows by setting optimum numbers and staple items on store-by-store and product-by-product bases and raising the efficiency of inventory distribution between stores, and by continuing from the previous fiscal year to once again achieve our management targets for inventory turnover: inventory turnover was 14.0 times during the fiscal year (for Yamada Denki Co., Ltd. itself).

Likewise, concerning “Cost Reduction,” the Group has achieved significant results by utilizing the merits of scale that are achieved by expanding floor space, undertaking thorough reviews of various cost items on area-by-area and store-by-store bases and by holding weekly study sessions to raise cost-awareness among each and every employee.

The Group has also continued to strengthen its CSR activities. Based on four themes, namely “compliance, labor, environment and customer satisfaction,” we continue to hold weekly “CSR Committee Meetings,” which are attended by at least all directors and relevant executive officers, “Subcommittee Meetings,” based on the respective themes and other related meetings. Once every three months, round table talks are held with outside experts. The Group is also thoroughly educating employees through customer satisfaction enhancement training, training related to services such as air conditioner installation training, assertive promotion of a qualification system and fortification of OJT both onsite and at training facilities. Furthermore, the Group has made group-wide efforts to energetically promote female manager training efforts, the improvement of the work-life balance, the hiring of disabled individuals, management through the participation of all employees through our improvement proposal framework, the proactive utilization of the parental leave system, the diffusion of eco-friendly appliances and solar power systems, the realization of a Low-Carbon Society by employing green energy and fundraising efforts for disaster-stricken regions.

Details of these activities are published in our CSR REPORT as well as Monthly CSR Activities posted on our website. (http://www.yamada-denki.jp/csr/index.html)

With regard to store development, we worked towards promoting development of the large-scale urban retail store LABI, promoting development of the suburban retail store Tecc Land, reinvigorating existing stores (renovations and scrap-and-build), and promoting coexistence with other mass retail stores and regional electric appliance specialty stores by developing a franchise chain made up of retail stores in small-scale trade areas. We opened 34 stores including the Tecc Land New Makuhari main store and closed 19 stores (6 of those were in line with our scrap-and-build policy) including the Tecc Land Himeji Shirahama store. Also, following the consolidation of Tokai Tecc Land Co., Ltd. and Kyushu Tecc Land Co., Ltd., the number of stores increased by 21. The number of retail stores at the end of consolidated fiscal year is 563 (comprising 405 directly managed stores and 158 stores operating as consolidated subsidiaries). The total number of stores including the stores managed by non-consolidated subsidiaries and franchise stores stood at 1,976.

As a result of the above, consolidated net sales increased 7.7% year on year to ¥2,016,140 million, operating income increased 76.3% to ¥87,304 million, ordinary income increased 57.2% to ¥101,587 million and net income for the fiscal year under review increased 68.5% to ¥55,947 million.

2. SALES PERFORMANCE

(1) Sales by Division Category

Divisions	Year ended March 31, 2010 Amount (Millions of yen)	%	Year-on-year comparison (%)
Household electric appliances			
Color televisions	464,286	23.0	35.1
Video/DVD players	132,112	6.6	4.0
Audio equipment	55,414	2.7	(2.0)
Refrigerators	111,955	5.6	14.6
Washing machines	76,315	3.8	4.5
Cooking appliances	66,904	3.3	3.8
Air conditioners	90,587	4.5	1.3
Other home cooling and heating equipment	30,545	1.5	(2.6)
Others	303,144	15.0	9.5
	1,331,262	66.0	14.8
Home information appliances			
Personal computers	214,322	10.6	(1.6)
PC peripheral equipment	130,394	6.5	(8.9)
PC software	12,017	0.6	(6.2)
Telephones/fax machines	9,927	0.5	(11.6)
Mobile phones	88,578	4.4	(6.1)
Others	58,801	2.9	(0.7)
	514,039	25.5	(4.6)
Other products			
Audio and visual software and books	125,983	6.3	(0.7)
Others	44,856	2.2	(3.2)
	170,839	8.5	(1.4)
	2,016,140	100.0	7.7

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

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

(2) Sales Per Unit

	Year ended March 31, 2010	
	Amount	Year-on-year comparison (%)
Net sales - millions of yen	2,016,140	7.7
Sales floor space (average) - m²	1,715,474	11.8
Sales per square meter - thousands of yen	1,175	(3.7)
Employees (average) - persons	21,998	10.8
Sales per employee - millions of yen	92	(2.8)

Notes: 1. "Sales floor space" is the store area based on the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment (or, depending on when the data was submitted, the Large-Scale Retail Store Law prior to revision).
2. The figures shown above do not include consumption tax.
3. "Employees" includes temporary employees.

3. ISSUES THE GROUP WILL BE ADDRESSING

Regarding the economic environment encompassing the Group, the overall tendency of consumer spending continued to be flat with the effect of prolonged stagnancy in consumption. As there still remained uncertain factors, such as unstable employment conditions and a decrease in personal income, among others, we expect the severe economic conditions to continue.

In the consumer electric appliance retail industry, favorable effects on some products due to the government's economic measures have been limited, and we expect market conditions to continue to be severe.

To capitalize on the shift to terrestrial digital broadcasting in July 2011, the Company has been proactively engaged in marketing and promotion of digital televisions, digital recorders and tuners compatible with such broadcasting; proposing smart grid systems, such as so-called all-electric-related products aiming for a low-carbon society, and solar photovoltaic power generation; and making proposals for marketing and promoting energy-saving products such as LED illumination. In addition, the Company is positively stepping up its efforts in marketing 3D televisions and other next-generation products.

Along with the reform with the focus on services onsite, the Company continues its three-tier operational reforms that it has been engaged so far, so as to differentiate itself from peers in the sector. At the same time, we continue to increase profitability by improving cash flows—through reforms and improving store efficiency, reinforcing products we deal in, improving our financial standing, and slashing miscellaneous expenses—and focusing on low-cost management.

Furthermore, with respect to CSR activities, we continue to intensify ongoing efforts on four themes of "compliance, labor, environment and customer satisfaction." Also, we are thoroughly educating employees through customer satisfaction enhancement training, training related to services such as air conditioner installation training, assertive promotion of a qualification system and fortification of OJT both onsite and at training facilities. Additionally, we proactively work on and promote female manager training efforts, the improvement of the work-life balance, the hiring of disabled individuals, management through the participation of all employees through our improvement proposal framework and the proactive utilization of the parental leave system.

4. RISK FACTORS

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

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

(1) Expansion of the Interstore Network

The Group currently has stores in all the 47 prefectures of Japan and continuously plans to open retail stores in urban centers and in the suburbs and community-based retail stores by implementing a nationwide chain store strategy. However, in order to engage in such extreme expansion efforts, the Group will have to secure for itself adequately priced land in favorable locations making it susceptible to competition with competitor companies. We expect competition with competitors already established in the area of our store locations to be fierce and outlays for labor and equipment costs to increase in connection with an increase in the number of new stores and the expansion of retail floor space and territories. It is also possible that the profitability of existing stores will be affected by new store openings depending on the region due to saturated store count and area conditions. In addition, there is the possibility that stores closed due to a revision of store development policy could not be subleased or sold off. The Group will generally weigh conditions such as rent expenses and guarantee deposits as well as competition and market area population in order to make careful decisions, however, there is always the possibility that changes or delays occur in planning since property preparations do not proceed. Conditions such as those described above may obstruct effective store development efforts and ultimately have a negative impact on the Group’s performance and financial position. Another consideration is the large amounts of capital necessary for expanding stores. At present, it is covered by retained earnings and loans and debt, however, in the future, any circumstance that thwarts capital procurement efforts could block the execution of business plans.

(2) Competition

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

(3) Risks Related to M&As and Alliances

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

(4) Regulations

Similarly to other retailers, the Group is subject to the laws and regulations such as the “Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment,”, the “Designation of Specific Unfair Trade Practices by Large-Scale Retailers Relating to Trade with Suppliers” based on the “Act on Prohibition of Private Monopolization and Maintenance of Fair Trade” (Antimonopoly Act), the “Act against Unjustifiable Premiums and Misleading Representations” (Premiums Law), the “Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors” (Subcontract Act) and the “Act on Recycling of Specified Kinds of Home Appliances,” (Home Appliance Recycling Act) upon application of such. Newly established laws or regulations, or revisions to existing rules, or stricter interpretations of laws and regulations by the regulating authorities 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.

Pertaining to the opening of new stores with store area exceeding 1,000 square meters, or the expansion in existing stores beyond that size, local governments enact and enforce regulations, in accordance with the provisions of the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment, on the opening of stores from certain perspectives such as preservation of the living environment of the surrounding region. The Group is aware that its new store openings and expansion in existing stores are subject to regulations as per that Act and it shall observe that Act for the consideration of the living environment of the surrounding region etc. Depending on the time required for the examination process under that Act, delays etc. in the opening of new stores or the expansion planning for existing stores may affect the store opening policy of the Group.

Transactions between large-scale retailers and suppliers are subject to regulations as per the Designation of Specific Unfair Trade Practices by Large-Scale Retailers Relating to Trade with Suppliers, and being a large-scale retailer, the Group is subject to those regulations. The Group shall observe that Designation, but those regulations may affect conventional trading practices as well as the operating results of the Group.

(5) Economic Trends

The Group is dependent on the Japanese market for most of its sales and domestic consumer trends impact its performance. Each revision in laws and regulations or change in economic factors such as interest rates, fuel prices, the number of housing starts or the unemployed, and increases in tax rates, etc. may not only push up the cost of sales and business expenses but also reduce disposable incomes and drive down demand for our products. The Japanese economy began demonstrating signs of a partial recovery, though the scope of such recovery was limited. Looking at the actual picture, uncertainty remained strong and harsh conditions continued, for although there was a trend of improvement in corporate earnings, there was neither recovery in capital investment nor improvement in the stringent hiring and income conditions. The fall in disposable incomes and consumer spending in Japan may especially result in lower prices and sales of high-priced, high-function electric appliances, some of the products handled by the Group. With the American economy now mired with uncertainty, there is absolutely no guarantee that the Japanese economy will continue growing, or stop receding. The Group’s business, performance and financial condition may be negatively affected by the decrease in domestic consumer spending.

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

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

(7) Changes in Consumer Wants and Preferences

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

(8) Product Purchasing

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

(9) Managing Franchises

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

(10) Handling Personal and Other Secret Information

The Group handles a significant amount of customers' personal information in relation to the issue of point card certificates, the processing of credit card applications, and pay service subscription of the several long-term product warranties. This information is handled under an internal control system by which awareness with respect to information management is heightened and ample caution is taken to prevent leaks. Any such leak may damage the reputation of the Group and negatively affect its performance and financial position.

5. IMPORTANT AGREEMENTS

Credit Sales Franchise Agreements

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

Name of consumer credit companies	Execution date	Contractual period
UC Card Co., Ltd.	July 1990	Up to a request for cancellation by one of the parties with a 3-month notification period
JCB Co., Ltd.	April 2005	Same as above
Mitsubishi UFJ NICOS Co., Ltd.	August 1990	Same as above
Sumitomo Mitsui Card Company, Limited	March 2005	Same as above

6. RESEARCH AND DEVELOPMENT

No items to report.

7. ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOW POSITION

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

(1) Important Accounting Policies and Estimates

The consolidated financial statements of the Group are prepared based on the generally accepted accounting standards of Japan.

In their preparation, important accounting policies are as stated in “SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.”

When calculating provisions and valuing assets etc., the Group makes estimates and judgments effectuated based on variegated factors considered reasonable as per past results and conditions of such transactions, and its results are reflected in the preparation of the consolidated financial statements.

(2) Analysis of Financial Condition

Total assets at the end of the fiscal year under review amounted to ¥899,613 million, up ¥121,124 million (15.6%) from the previous fiscal year. The major contributing factors are an increase of noncurrent assets in connection with opening of stores such as LABI 1 top main store Ikebukuro and an increase in cash and time deposits.

Total liabilities amounted to ¥493,232 million, up ¥71,195 million (16.9%) from the previous fiscal year. It was mainly due to increases in accounts payable-trade, long-term debt and income taxes payable, despite decreases in bonds and short-term debt.

Net assets amounted to ¥406,381 million, up ¥49,929 million (14.0%) from the previous fiscal year, thanks to the increase of net income. As a result, the equity ratio was 45.0% (down 0.4 point compared with the end of the previous fiscal year).

(3) Analysis of Operating Results

(i) Net sales and gross profit

Net sales during the fiscal year under review increased ¥144,312 million (7.7%) to ¥2,016,140 million, compared with the fiscal year.

This was mainly due to strong results boosted by a strengthening of sales promotion aimed at consumer needs. Moreover, thanks to the government's "Eco-points" program, televisions and refrigerators, which are target products under the program, fared well. Personal computers also turned around toward recovery upon the release of the new OS, models with new CPU and other new innovations. Also, sales were strong for products offering defense against viruses such as air purifiers, humidifiers with air purification functions and ionizers. Thanks to the beginnings of nationwide popularization amongst consumers of measures to combat global environmental issues, sales of IH cooking heaters, EcoCute, solar power systems, etc. were robust.

With regard to store development, we opened 34 stores including the Tecc Land New Makuhari main store and closed 19 stores (6 of those were in line with our scrap-and-build policy) including the Tecc Land Himeji Shirahama store. Also, following the consolidation of Tokai Tecc Land Co., Ltd. and Kyushu Tecc Land Co., Ltd., the number of stores increased by 21.

Gross profit increased ¥39,766 million (8.4%) to ¥511,721 million, compared with the previous fiscal year. This is attributable to higher net sales and enhanced efficiency following operational reforms.

(ii) Selling, general and administrative expenses, other income (expense) and income before income taxes and minority interests

Selling, general and administrative expenses for the fiscal year under review increased ¥1,985 million (0.5%) to ¥424,417 million, compared with the previous fiscal year. This was due in part to increases of various expenses associated with new store openings. On the other hand, the year-on-year increase in expenses was kept considerably lower in proportion to the year-on-year growth in sales thanks to concrete results in operational reforms and a decline in point-related promotional expenses through sales promotion that accurately targeted consumer needs.

As a result, operating income increased ¥37,781 million (76.3%) to ¥87,304 million, compared with the previous fiscal year.

Other income (expense) for the fiscal year under review decreased ¥2,423 million (23.4%) to ¥7,937 million, compared with the previous fiscal year. This was due to a year-on-year decline in gain on redemption of bonds following convertible bond-type bonds retirement by purchase; a year-on-year decline in loss on valuation of derivatives; a loss on disposal of property and equipment of closed stores; a loss on refund and cancellation of guarantee deposits; an impairment loss on some stores, as well as allowance for investment loss in non-consolidated subsidiaries.

As a result of the above, income before income taxes and minority interests increased ¥35,358 million (59.0%) to ¥95,241 million, compared with the previous fiscal year.

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

The amount of income taxes during the fiscal year under review was ¥39,224 million and the minority interests in income of consolidated subsidiaries amounted to ¥70 million.

As a result of the above, net income increased ¥22,740 million (68.5%) to ¥55,947 million, compared with the previous fiscal year.

(4) Cash Flows

As of the end of the fiscal year under review, cash and cash equivalents on a consolidated basis stood at ¥83,045 million, up ¥35,088 million (73.2%) including the increase of ¥1,142 million in cash equivalents due to impact of new consolidation, compared with the end of the previous fiscal year.

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

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥133,718 million (¥50,499 million was provided in the same period of the previous fiscal year).

This was mainly due to increases in notes and accounts payable-trade and depreciation, despite an increase in notes and accounts receivable.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥108,218 million (¥67,347 million was used in the same period of the previous fiscal year).

This was mainly due to the purchases of property and equipment, and intangible assets, despite proceeds from collection of guarantee deposits.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥8,556 million (¥307 million was used in the same period of the previous fiscal year).

This was mainly due to the net increase in proceeds from long-term loans payable and short-term loans payable exceeding the repayments expenditures.

8. CORPORATE GOVERNANCE

(1) Corporate Governance Structures

1) Summary of the corporate governance structures, reasons for adopting this structure and the status of internal control system development and operation

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

The reason the Company adopted these structures was to implement concrete corporate governance structures that can realize the basic ideals of “improving management transparency, conducting fair corporate activities and continuing to maintain and increase corporate and shareholder value.”

The status of corporate governance structures and internal control systems of the Company are as follows.

(i) General Meeting of Shareholders

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

(ii) Board of Directors

The Yamada Denki Board of Directors, which comprises 17 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.

Please note that the Company has appointed no external directors.

(iii) Executive Committee

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

(iv) Board of Corporate Auditors

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

(v) Internal auditing

The Company has established the Internal Audit Office to strengthen its internal auditing functions. Reporting directly to the President and employing 4 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 such as by exchanging information as necessary, the department provides an auditing perspective to ensure that the Company's business activities are conducted properly and efficiently.

(vi) Auditing firm

With regard to independent auditing, the Company undergoes audits of its financial statements conducted by the Company's independent auditor, KPMG AZSA & Co.

(vii) Number of directors and election rules

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

(viii) Others

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

2) Status of the development and operation of risk management structures

Regulations on risk of loss and other systems are as follows.

(i) With respect to risk management, the Company has established a Compliance Committee; under its direction, the compliance officers in each division work for thorough implementation of the risk management system.

(ii) To address risk that arises in the case of a major accident, disaster, or other event, the Company has prepared an "Emergency Response Manual"; and the responsible director will set up an emergency response center and promptly take action if a disaster or other untoward event occurs.

(iii) The Company has established an Internal Audit Office and In-house Legal Counseling Office independent from the operating divisions, to audit the business processes of each division, to discover and prevent sources of risk, and to improve business processes.

(2) Status of Internal Auditing and Audits by Corporate Auditors

The organizations of the Company's internal auditing and audits of corporate auditors and the cooperation between the two is described in (iv) Board of Corporate Auditors and (v) Internal auditing of (1) Corporate Governance Structures.

(3) External Directors and External Corporate Auditors

The Company has appointed no external directors.

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

CONSOLIDATED BALANCE SHEETS
Yamada Denki Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2010 and 2009

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2010	2009	*2010*
ASSETS			
Current assets:			
Cash and time deposits (Notes 3 and 4)	¥ 88,258	¥ 49,465	$ 948,608
Notes and accounts receivable (Notes 4 and 13):			
- Trade	37,458	30,180	402,605
- Non-consolidated subsidiaries and affiliated companies	3,843	3,560	41,301
Sub-total	41,301	33,740	443,906
Inventories	170,279	170,619	1,830,173
Deferred tax assets (Note 12)	12,840	9,533	138,000
Other current assets (Notes 4 and 18)	40,729	50,274	437,752
Allowance for doubtful accounts	(123)	(82)	(1,321)
Total current assets	353,284	313,549	3,797,118
Property and equipment:			
Buildings and structures, net (Notes 7, 8, 10 and 18)	176,017	167,660	1,891,844
Land (Note 10)	151,723	102,107	1,630,732
Leased assets, net (Notes 7, 8 and 9)	13,549	15,575	145,629
Other, net (Notes 7 and 8)	18,882	20,330	202,939
Total property and equipment, net	360,171	305,672	3,871,144
Intangible assets (Note 8)	30,591	4,379	328,793
Investments and other assets:			
Investment securities (Notes 4 and 5)	18,909	19,894	203,231
Guarantee deposits (Notes 4, 13 and 18)	113,403	114,819	1,218,859
Deferred tax assets (Note 12)	10,771	7,587	115,767
Other assets	14,862	12,862	159,750
Allowance for loss on investments in non-consolidated subsidiaries	(2,100)	-	(22,571)
Allowance for doubtful accounts (Note 4)	(278)	(273)	(2,992)
Total investments and other assets	155,567	154,889	1,672,044
Total assets	¥ 899,613	¥ 778,489	$ 9,669,099

CONSOLIDATED BALANCE SHEETS

Yamada Denki Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2010 and 2009

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2010	2009	*2010*
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable – trade (Note 4)	¥ 84,941	¥ 58,112	$ 912,947
Short-term debt (Notes 4, 9 and 10)	43,848	40,491	471,282
Income taxes payable (Note 4)	29,407	17,722	316,068
Provision for bonuses to employees	4,539	3,017	48,782
Provision for directors' and corporate auditors' bonuses	133	137	1,424
Provision for point card certificates	18,547	17,701	199,349
Other current liabilities (Notes 11 and 18)	47,874	36,353	514,561
Total current liabilities	229,289	173,533	2,464,413
Long-term liabilities:			
Bonds (Notes 4 and 11)	129,204	140,274	1,388,695
Long-term debt (Notes 4, 9 and 10)	108,408	83,663	1,165,174
Provision for retirement benefits (Note 14)	7,580	6,053	81,472
Provision for directors' and corporate auditors' retirement benefits	2,830	2,578	30,417
Provision for product warranties	8,010	6,666	86,094
Other long-term liabilities (Note 12)	7,911	9,270	85,023
Total long-term liabilities	263,943	248,504	2,836,875
Total liabilities	493,232	422,037	5,301,288
Contingent liabilities (Note 13)			
Net assets:			
Shareholders' equity (Note 15):			
Common stock:			
Authorized – 200,000,000 shares			
Issued – 96,648,974 shares in 2010 and 96,450,384 shares in 2009	71,059	70,702	763,745
Capital surplus	70,977	70,620	762,869
Retained earnings	287,011	234,972	3,084,817
Treasury stock, at cost – 2,438,794 shares in 2010 and 2,438,605 shares in 2009	(23,046)	(23,045)	(247,698)
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities, net of taxes (Note 5)	(1,152)	(40)	(12,390)
Minority interests	1,532	3,243	16,468
Total net assets	406,381	356,452	4,367,811
Total liabilities and net assets	¥ 899,613	¥ 778,489	$ 9,669,099

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

CONSOLIDATED STATEMENTS OF INCOME

Yamada Denki Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	*2010*
Net sales:			
- Trade	¥ 1,975,398	¥ 1,835,244	$ 21,231,706
- Non-consolidated subsidiaries and affiliated companies	40,742	36,584	437,901
Sub-total	2,016,140	1,871,828	21,669,607
Operating expenses:			
Cost of sales (Note 16)	1,504,419	1,399,873	16,169,593
Selling, general and administrative expenses (Notes 14 and 18)	424,417	422,432	4,561,666
Operating income	87,304	49,523	938,348
Other income (expenses):			
Interest and dividend income	1,304	1,195	14,019
Interest expense	(1,802)	(1,892)	(19,372)
Purchase discounts	9,127	8,768	98,101
Loss on valuation of derivatives	(147)	(551)	(1,579)
Gain on redemption of bonds	1,225	2,700	13,166
Gain on sales of investment securities	136	-	1,459
Surrender value of insurance	23	30	250
Reversal of allowance for doubtful accounts	-	7	-
Loss on sale and disposal of property and equipment, net	(1,347)	(862)	(14,483)
Loss on refund and cancellation of guarantee deposits	(292)	(45)	(3,141)
Impairment loss (Note 8)	(2,534)	(190)	(27,234)
Directors' and corporate auditors' retirement benefits	-	(80)	-
Loss on valuation of investment securities (Note 5)	(106)	(3,184)	(1,135)
Provision of allowance for loss on investments in non-consolidated subsidiaries	(2,100)	-	(22,571)
Other – net	4,450	4,464	47,831
	7,937	10,360	85,311
Income before income taxes and minority interests	95,241	59,883	1,023,659
Income taxes (Note 12):			
Current	44,930	32,444	482,907
Prior periods adjustment	40	964	431
Deferred	(5,746)	(6,708)	(61,755)
	39,224	26,700	421,583
Minority interests in income (loss) of consolidated subsidiaries	70	(24)	753
Net income	¥ 55,947	¥ 33,207	$ 601,323

	Yen		*U.S. dollars*
	2010	2009	*2010*
Amounts per share of common stock:			
Net income - Basic	¥ 594.26	¥ 353.32	$ 6.39
- Diluted	593.85	352.47	6.38
Cash dividends applicable to the year	40.00	33.00	0.43

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Yamada Denki Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2010 and 2009

	Number of shares of common stock (Thousands)	Millions of yen						
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available -for-sale securities, net of taxes (Note 5)	Minority interests	Total net assets
Balance at March 31, 2008	96,391	¥ 70,595	¥ 70,514	¥ 204,865	¥ (23,044)	¥ 608	¥ 3,399	¥ 326,937
Issuance of common stock	59	107	106					213
Cash dividends				(3,100)				(3,100)
Net income				33,207				33,207
Purchase of treasury stock					(1)			(1)
Other changes in the year, net						(648)	(156)	(804)
Balance at March 31, 2009	96,450	70,702	70,620	234,972	(23,045)	(40)	3,243	356,452
Issuance of common stock	199	357	357					714
Cash dividends				(3,102)				(3,102)
Net income				55,947				55,947
Purchase of treasury stock					(1)			(1)
Change of scope of consolidation				(806)				(806)
Other changes in the year, net						(1,112)	(1,711)	(2,823)
Balance at March 31, 2010	96,649	¥ 71,059	¥ 70,977	¥ 287,011	¥ (23,046)	¥ (1,152)	¥ 1,532	¥ 406,381

	Thousands of U.S. dollars (Note 1)						
	Common stock	*Capital surplus*	*Retained earnings*	*Treasury stock, at cost*	*Valuation difference on available -for-sale securities, net of taxes (Note 5)*	*Minority interests*	*Total net assets*
Balance at March 31, 2009	$ 759,907	$759,033	$2,525,493	$ (247,686)	$ (437)	$ 34,861	$ 3,831,171
Issuance of common stock	3,838	3,836					7,674
Cash dividends			(33,345)				(33,345)
Net income			601,323				601,323
Purchase of treasury stock				(12)			(12)
Change of scope of consolidation			(8,654)				(8,654)
Other changes in the year, net					(11,953)	(18,393)	(30,346)
Balance at March 31, 2010	$ 763,745	$762,869	$3,084,817	$ (247,698)	$ (12,390)	$ 16,468	$ 4,367,811

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Yamada Denki Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	*2010*
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 95,241	¥ 59,883	$ 1,023,659
Depreciation	23,149	22,731	248,806
Amortization of goodwill	(1,073)	(952)	(11,537)
Increase in provision for retirement benefits	1,527	331	16,409
Increase in provision for directors' and corporate auditors' retirement benefits	251	107	2,700
Increase in provision for bonuses to employees	1,435	343	15,426
Increase (decrease) in provision for directors' and corporate auditors' bonuses	(4)	19	(43)
Increase (decrease) in allowance for doubtful accounts	46	(13)	498
Increase in allowance for loss on investments in non-consolidated subsidiaries	2,100	-	22,571
Increase in provision for point card certificates	578	10,501	6,208
Increase in provision for product warranties	1,309	1,904	14,071
Interest and dividends income	(1,444)	(1,357)	(15,519)
Interest expenses	1,802	1,892	19,372
Foreign currency exchange losses (gains)	110	(82)	1,185
Gain on redemption of bonds	(1,225)	(2,700)	(13,166)
Loss on valuation of investment securities	106	3,184	1,135
Gain on sales of investment securities	(136)	-	(1,459)
Loss on sale and disposal of property and equipment, net	1,154	838	12,400
Impairment loss	2,534	190	27,234
Loss on valuation of derivatives	147	551	1,579
Loss on refund and cancellation of guarantee deposits	292	45	3,141
(Increase) decrease in notes and accounts receivable	(8,470)	1,015	(91,035)
Decrease in inventories	4,874	23,210	52,382
Increase (decrease) in trade payables	26,504	(32,557)	284,868
Increase in consumption taxes payable	1,099	2,294	11,807
Decrease (increase) in other current assets	7,108	(2,833)	76,393
Increase (decrease) in other current liabilities	10,611	(4,287)	114,052
Other, net	(783)	1,183	(8,421)
Sub-total	168,842	85,440	1,814,716
Interest and dividends income received	379	633	4,079
Interest expenses paid	(1,691)	(1,874)	(18,171)
Income taxes paid	(33,812)	(33,700)	(363,409)
Net cash provided by operating activities	¥ 133,718	¥ 50,499	$ 1,437,215

(Continued)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	*2010*
Cash flows from investing activities:			
Payments into time deposits	¥ (5,054)	¥ (417)	$ (54,324)
Proceeds from withdrawal of time deposits	186	74	2,002
Purchase of investment securities	(2)	(1,704)	(25)
Proceeds from sale of investment securities	213	47	2,284
Purchase of investments in subsidiaries and affiliated companies	(3,147)	(1,585)	(33,821)
Payment of loans receivable	(1,618)	(5,263)	(17,387)
Collection of loans receivable	1,891	534	20,330
Purchase of property and equipment	(76,591)	(44,885)	(823,208)
Purchase of intangible assets	(26,433)	(832)	(284,104)
Payment for guarantee deposits	(10,557)	(19,795)	(113,472)
Proceeds from collection of guarantee deposits	12,214	7,001	131,282
Other,net	680	(522)	7,306
Net cash used in investing activities	(108,218)	(67,347)	(1,163,137)
Cash flows from financing activities:			
Proceeds from short-term loans payable	466,300	875,758	5,011,823
Repayment of short-term loans payable	(473,963)	(872,453)	(5,094,180)
Proceeds from long-term loans payable	61,900	32,550	665,305
Repayment of long-term debt	(32,789)	(25,762)	(352,425)
Redemption of bonds	(9,775)	(7,300)	(105,062)
Cash dividends paid	(3,106)	(3,095)	(33,387)
Other, net	(11)	(5)	(117)
Net cash provided by (used in) financing activities	8,556	(307)	91,957
Effect of exchange rate change on cash and cash equivalents	(110)	82	(1,185)
Net increase (decrease) in cash and cash equivalents	33,946	(17,073)	364,850
Cash and cash equivalents at beginning of year	47,957	65,030	515,440
Increase in cash and cash equivalents from newly consolidated subsidiaries	1,142	-	12,283
Cash and cash equivalents at end of year (Note 3)	¥ 83,045	¥ 47,957	$ 892,573

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Yamada Denki Co., Ltd. and Consolidated Subsidiaries
March 31, 2010 and 2009

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements. In addition, certain reclassifications have been made in the 2009 financial statements to conform to the classifications used in 2010. These reclassifications had no impact on previously reported results of operations or retained earnings.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2010, which was ¥93.04 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its 17 (14 in 2009) significant subsidiaries. Effective from the year ended March 31, 2010, Yamada Financial Co., Ltd., Tokai Tecc Land Co., Ltd. and Kyushu Tecc Land Co., Ltd., which had been non-consolidated subsidiaries, were included in the scope of consolidation in order to provide better disclosure of the corporate group.

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

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

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

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

The fiscal year-end of all consolidated subsidiaries is the end of February. The financial statements of these subsidiaries as of and for the years ended February 28, 2010 and 2009 are used in preparing the consolidated financial statements. All material transactions during the periods from March 1 to March 31, 2010 and 2009 are adjusted for in the consolidation process.

(b) Cash and Cash Equivalents

In preparing the consolidated statements of cash flows, cash and cash equivalents include cash on hand, readily-available bank deposits and short-term highly liquid investments with minimum risk of value fluctuation with maturities not exceeding 3 months at the time of purchase.

(c) Securities

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

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

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

(d) Derivative Transactions and Hedge Accounting

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

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

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

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

(e) Inventories

Inventories are primarily stated at the lower of moving-average cost or market.

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

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

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

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

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

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

Buildings and structures ·· 3-47 years

(g) Intangible Assets (except for leased assets)

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

(h) Impairment

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

(i) Investment and Rental Property

On November 28, 2008, ASBJ issued ASBJ Statement No.20, "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property," and the related Guidance No.23, "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property," which are effective for fiscal years ending on or after March 31, 2010 with early adoption permitted. The new standard requires that fair value of investment and rental property should be disclosed.

Effective from the year ended March 31, 2010, the Company adopted this new standard. However, these disclosures are omitted since the total amount of investment and rental property is immaterial, as permitted by the standard.

(j) Long-term Prepaid Expenses

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

(k) Allowance for Doubtful Accounts

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

(l) Provision for Bonuses to Employees

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

(m) Provision for Directors' and Corporate Auditors' Bonuses

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

(n) Provision for Point Card Certificates

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

(o) Provision for Retirement Benefits

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

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

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

Effective from the year ended March 31, 2010, the Company and some of its consolidated subsidiaries adopted ASBJ Statement No. 19, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)," issued by ASBJ on July 31, 2008. There was no effect of the adoption of this new standard on net income and unrecognized retirement benefit obligation.

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

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

(q) Provision for Product Warranties

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

(r) Allowance for Loss on Investments in Non-consolidated Subsidiaries

Allowance for loss on investments in non-consolidated subsidiaries is provided at an amount sufficient to cover possible losses on investments in non-consolidated subsidiaries, taking into account their financial condition, recoverability of the investments and other relevant factors.

(s) Leases

Finance leases are capitalized and depreciated in the same manner as owned assets for finance leases with title transfer or based on the straight-line method over the lease terms with no residual value for other finance leases.

Until the year ended March 31, 2008, finance leases, except those leases with title transfer, had been accounted for in the same manner as operating leases.

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

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

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

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

(t) Income Taxes

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

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

(u) Per Share Information

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

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2010 and 2009 in the consolidated statements of cash flows consisted of the following:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2010	2009	*2010*
Cash and time deposits	¥ 88,258	¥ 49,465	$ 948,608
Time deposits with maturities exceeding three months	(5,213)	(1,508)	(56,035)
Cash and cash equivalents	¥ 83,045	¥ 47,957	$ 892,573

Assets and liabilities acquired through finance leases for the year ended March 31, 2010 were ¥4,496 million ($48,325 thousand) and ¥4,778 million ($51,351 thousand), respectively. Assets and liabilities acquired through finance leases for the year ended March 31, 2009 were ¥21,297 million and ¥22,754 million, respectively.

4. FINANCIAL INSTRUMENTS

Effective from the year ended March 31, 2010, the Company adopted ASBJ Statement No. 10 (revised 2008), "Accounting Standard for Financial Instruments," and the related Guidance No. 19, "Guidance on Disclosures about Fair Value of Financial Instruments."

I. Qualitative Information on Financial Instruments

(a) Policies for Using Financial Instruments

The Company and its consolidated subsidiaries raise necessary funds based on the capital budgeting, mainly through loans from banks and bonds. Temporary surplus funds are invested in highly liquid instruments and working capital is financed by bank loans. The Company and its consolidated subsidiaries utilize derivative financial instruments only to manage risks described later and do not enter into such transactions for speculative trading purposes.

(b) Details of Financial Instruments and Related Risk

Trade notes and accounts receivable are exposed to credit risk of customers.

Investment securities, which are mainly composed of equity securities issued by those who have business relationships with the Company and its consolidated subsidiaries, are exposed to market risk.

Guarantee deposits, which are mostly related to rental of stores, are exposed to credit risk of lessors.

Most notes and accounts payable-trade are due within two months.

Bank loans and bonds are obtained mainly for capital expenditures and redemption dates of bonds are a maximum of five years after the balance sheet date.

Most income taxes payable, which consist of unpaid corporate income taxes, inhabitant taxes and enterprise taxes, are payable within two months after the balance sheet date.

For certain loans payable, the Company utilizes interest rate (floating for fixed rate) swaps in order to manage interest rate risk. Some of its consolidated subsidiaries utilize currency swaps and currency options in order to reduce the foreign currency risk of foreign-currency-denominated monetary assets and liabilities. The Company also uses derivatives as hedging instruments, which is described in "Derivative Transactions and Hedge Accounting" in the "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES." Interest rate swap transactions entered into by the Company involve interest rate risk and currency swap and currency option transactions entered into by some of its consolidated subsidiaries contain foreign currency risk. Since the counterparties of derivative transactions are limited to highly credible domestic banks, the credit risk that arises from contractual default by counterparty is considered to be fairly low.

(c) Policies and Process of Risk Management

- **Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligation. In accordance with the Company's sales management policy, each operating department of the Company periodically monitors each counterparty and manages the due dates and balances of trade notes and accounts receivable in order to reduce credit risk by early identification of a possible default caused by financial trouble of the counterparty. Its consolidated subsidiaries also manage credit risk in the same manner as the Company.

The Company believes that the credit risk under derivative transactions is fairly low because counterparties of derivative transactions are limited to financial institutions with a high credit rating.

- **Market risk management**

Market risk is the risk that movements in market variables, such as foreign currency exchange rates, interest rates and market price, result in financial loss to the Company and its consolidated subsidiaries. For certain loans payable, the Company utilizes interest rate (floating for fixed rate) swaps in order to manage interest rate risk. Moreover, some of its consolidated subsidiaries utilize currency swaps and currency options in order to reduce the foreign currency risk of foreign-currency-denominated monetary assets and liabilities.

The Company continuously reviews portfolios of securities by periodically monitoring fair values of each security and financial condition of the issuer as well as market condition and the relationship with the issuer.

The basic policy, authority, and maximum amount of derivative transactions are determined at Board of Directors' meetings, and the execution and management of derivative transactions are performed by the finance department. The results of transactions are reported at the Board of Directors' meetings on a regular basis.

- **Management of liquidity risk related to fund raising**

Liquidity risk is the risk of being unable to meet obligations as they come due. The Company manages liquidity risk by keeping liquidity on hand and by formulating and renewing the fund management plan based on reports from each department.

(d) Supplemental Information on Fair Value

Fair value of financial instruments is estimated based on quoted market prices, if available, or based on management estimates and assumptions. Changes in such estimates and assumptions could result in different value since these estimates and assumptions contain fluctuating factors. Additionally, notional amounts of derivative transactions, which are presented in "DERIVATIVE FINANCIAL INSTRUMENTS," do not indicate market risk of derivative transactions.

II. Fair Value of Financial Instruments

The following is a summary of carrying value and estimated fair value of financial instruments as of March 31, 2010:

		Carrying value		Fair value		Valuation gains/(losses)
		Millions of yen				
		2010				
Financial assets:						
(1) Cash and time deposits	¥	88,258	¥	88,258	¥	-
(2) Notes and accounts receivable		41,301		41,301		-
(3) Investment securities:						
Available-for-sale securities		9,191		9,191		-
(4) Guarantee deposits						
(including current portion)		105,904				
Allowance for doubtful accounts (*1)		(222)				
		105,682		100,153		(5,529)
	¥	244,432	¥	238,903	¥	(5,529)
Financial liabilities:						
(1) Notes and accounts payable	¥	84,941	¥	84,941	¥	-
(2) Short-term loans payable		2,350		2,350		-
(3) Income taxes payable		29,407		29,407		-
(4) Bonds		129,204		123,632		(5,572)
(5) Long-term loans payable						
(including current portion)		135,163		135,392		229
	¥	381,065	¥	375,722	¥	(5,343)
Derivative transactions (*2)	¥	(1,206)	¥	(1,206)	¥	-

		Thousands of U.S. dollars (Note 1)				
		2010				
Financial assets:						
(1) Cash and time deposits	$	948,608	$	948,608	$	-
(2) Notes and accounts receivable		443,906		443,906		-
(3) Investment securities:						
Available-for-sale securities		98,783		98,783		-
(4) Guarantee deposits						
(including current portion)		1,138,264				
Allowance for doubtful accounts (*1)		(2,381)				
		1,135,883		1,076,448		(59,435)
	$	2,627,180	$	2,567,745	$	(59,435)
Financial liabilities:						
(1) Notes and accounts payable	$	912,947	$	912,947	$	-
(2) Short-term loans payable		25,258		25,258		-
(3) Income taxes payable		316,068		316,068		-
(4) Bonds		1,388,695		1,328,802		(59,893)
(5) Long-term loans payable						
(including current portion)		1,452,737		1,455,208		2,471
	$	4,095,705	$	4,038,283	$	(57,422)
Derivative transactions (*2)	$	(12,958)	$	(12,958)	$	-

(*1) Allowance for doubtful accounts related to guarantee deposits is deducted.

(*2) Debts and credits attributed to derivative transactions are indicated by net base and net debts are described as ( ).

Explanatory Notes on Fair Value of Financial Instruments

(i) Details of the Methodologies and Assumptions Used to Estimate Fair Value of Financial Instruments, and Securities and Derivative Transactions

(a) Financial Assets

- **(1) Cash and Time Deposits and (2) Notes and Accounts Receivable**

Because these assets are settled in the short term, fair value approximates book value and the amounts indicated in above table are based on book value.

- **(3) Investment Securities**

Fair value of equity securities is based on quoted market prices, and fair value of debt securities is based on quoted market prices or quotes obtained from financial institutions. Additional information on securities classified by holding purpose is presented in "SECURITIES INFORMATION."

- **(4) Guarantee Deposits**

Fair value of guarantee deposits is based on the present value discounted by the rate which reflects due date and credit risk.

(b) Financial Liabilities

- **(1) Notes and Accounts Payable, (2) Short-term loans payable and (3) Income Taxes Payable**

Since these liabilities are payable in the short term, fair value approximates book value and the amounts indicated in above table are based on book value.

- **(4) Bonds**

Fair value of bonds is based on the present value of principal discounted by the rate which reflects remaining period and credit risk.

- **(5) Long-term loans payable**

Fair value of long-term loans payable is based on the present value of the total of principal and interest discounted by the rate applicable to similar new borrowings.

For long-term loans payable with floating interest rates and hedged by interest rate swaps which meet certain criteria, fair value is based on the present value of the total of principal and interest, as adjusted as described in "Derivative Transactions and Hedge Accounting" in the "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES," discounted by the rate applicable to similar new borrowings.

(c) Derivative Transactions

Details of derivative transactions are described in "DERIVATIVE FINANCIAL INSTRUMENTS."

(ii) Securities for Which Fair Value is Virtually Impossible to Estimate

The following securities are excluded from the above table because management of the Company concludes that their fair value is virtually impossible to estimate:

	Carrying value	
	Millions of yen	*Thousands of U.S. dollars (Note 1)*
Investment securities (*1)		
Equity securities of subsidiaries and affiliated companies		
Subsidiaries	¥ 9,146	$ 98,306
Affiliated companies	34	365
Available-for- sale securities		
Unlisted equity securities	68	736
Investment in LPS (*2)	469	5,044
Guarantee deposits (*3)	14,278	153,459

(*1) Unlisted equity securities are excluded from "(3) Investment Securities" because they are not traded on the market and it is virtually impossible to estimate their fair value.

(*2) Investment in LPS is excluded from the disclosure of fair value because fair value of LPS's assets, such as unlisted equity securities, is virtually impossible to estimate.

(*3) Guarantee deposits whose redemption schedule is unable to be reasonably estimated and whose fair value is virtually impossible to estimate are excluded from "(4) Guarantee Deposits."

(iii) Contractual Maturity of Financial Instruments

The following table details the Company's expected maturities for its monetary assets and available-for-sale securities with fixed maturities as of March 31, 2010:

	Millions of yen			
	2010			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and time deposits	¥ 88,258	¥ —	¥ —	¥ —
Notes and accounts receivable	41,301	—	—	—
Investment securities				
Available-for-sale securities with fixed maturities				
(1) Debt securities (bonds)	—	—	200	7,400
(2) Others	—	237	237	—
Guarantee deposits	6,779	24,440	27,070	47,614
Total	¥ 136,338	¥ 24,677	¥ 27,507	¥ 55,014

	Thousands of U.S. dollars (Note 1)			
	2010			
	Within one year	*Over one year within five years*	*Over five years within ten years*	*Over ten years*
Cash and time deposits	$ 948,608	$ —	$ —	$ —
Notes and accounts receivable	443,906	—	—	—
Investment securities				
Available-for-sale securities				
(1) Debt securities (bonds)	—	—	2,150	79,536
(2) Others	—	2,549	2,549	—
Guarantee deposits	72,865	262,686	290,955	511,758
Total	$1,465,379	$ 265,235	$ 295,654	$591,294

Contractual maturities of short-term and long-term loans payable and bonds are described in "SHORT-TERM AND LONG-TERM DEBT" and "CONVERTIBLE BOND-TYPE BONDS WITH SUBSCRIPTION RIGHTS TO SHARES," respectively.

5. SECURITIES INFORMATION

Acquisition cost and book value of available-for-sale securities with available fair value as of March 31, 2010 and 2009 were as follows:

	Millions of yen		
	2010		
	Book value	Acquisition cost	Difference
Securities with book values (fair value) exceeding acquisition costs:			
Equity securities	¥ 432	¥ 92	¥ 340
Debt securities			
Bonds	203	200	3
Sub-total	635	292	343
Securities with book values (fair value) not exceeding acquisition costs:			
Equity securities	2,520	3,376	(856)
Debt securities			
Bonds	6,028	7,400	(1,372)
Others	7	7	(0)
Sub-total	8,555	10,783	(2,228)
Total	¥ 9,190	¥ 11,075	¥ (1,885)

	Thousands of U.S. dollars (Note 1)		
	2010		
	Book value	*Acquisition cost*	*Difference*
Securities with book values (fair value) exceeding acquisition costs:			
Equity securities	$ 4,646	$ 985	$ 3,661
Debt securities			
Bonds	2,181	2,150	31
Sub-total	6,827	3,135	3,692
Securities with book values (fair value) not exceeding acquisition costs:			
Equity securities	27,090	36,284	(9,194)
Debt securities			
Bonds	64,794	79,536	(14,742)
Others	72	75	(3)
Sub-total	91,956	115,895	(23,939)
Total	$ 98,783	$ 119,030	$ (20,247)

Unlisted equity securities ¥68 million ($736 thousand) and investment in LPS ¥469 million ($5,044 thousand) are excluded from above table because they do not have market value and it is virtually impossible to estimate their fair value.

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

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

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

Loss on valuation of marketable securities available-for-sale for the years ended March 31, 2010 and 2009 were ¥106 million ($1,135 thousand) and ¥3,100 million, respectively.

Book values of securities not stated at fair value as of March 31, 2010 were presented in "FINANCIAL INSTRUMENTS." Book values of securities not stated at fair value as of March 31, 2009 were as follows:

	Millions of yen
	2009
Non-consolidated subsidiaries	¥ 7,985
Affiliated companies	14
Unlisted equity securities	1,173
Others	8,205

The redemption schedule of available-for-sale securities with fixed maturities and held-to-maturity debt securities as of March 31, 2010 were presented in "FINANCIAL INSTRUMENTS." The redemption schedule of available-for-sale securities with fixed maturities and held-to-maturity debt securities as of March 31, 2009 was as follows:

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

Securities sold during the year ended March 31, 2010 are as follow:

	Millions of yen		
	2010		
	Sales amounts	Gain on sale	Loss on sale
Equity securities	¥ 182	¥ 136	¥ —

	Thousands of U.S. dollars (Note 1)		
	2010		
	Sales amounts	*Gain on sale*	*Loss on sale*
Equity securities	$ 1,956	$ 1,459	$ —

6. DERIVATIVE FINANCIAL INSTRUMENTS

The aggregate amounts contracted to be paid or received and the fair value and the unrealized gains (losses) of currency-related derivative transactions other than market trades as of March 31, 2010 and 2009 (excluding hedging transactions) were as follows:

	Millions of U.S. dollars, millions of yen		Millions of yen	
	Notional Amount Total	Due after one year	Fair value	Unrealized gains (losses)
2010				
Currency swaps with knock-out option contracts:				
Pay yen, receive U.S. dollars	$ 0	$ -	¥ (20)	¥ (20)
Pay—yen	¥ 90	¥ -		
Currency swap contracts:				
Pay yen, receive U.S. dollars	$ 10	$ 6	(367)	(367)
Currency option contracts:				
Buy, call—U.S. dollars	$ 32	$ 19	54	(94)
Buy, put—U.S. dollars	$ 2	$ 1	20	20
Sell, call—U.S. dollars	$ 2	$ 1	(0)	(0)
Sell, put—U.S. dollars	$ 58	$ 35	(892)	(385)
Total	-	-	¥ (1,205)	¥ (846)

	Millions of U.S. dollars (Note 1)		*Thousands of U.S. dollars (Note 1)*	
	Notional Amount Total	*Due after one year*	*Fair value*	*Unrealized gains (losses)*
2010				
Currency swaps with knock-out option contracts:				
Pay yen, receive U.S. dollars	$ 0	$ -	$ (217)	$ (217)
Pay—yen	$ 1	$ -		
Currency swap contracts:				
Pay yen, receive U.S. dollars	$ 10	$ 6	(3,943)	(3,943)
Currency option contracts:				
Buy, call—U.S. dollars	$ 32	$ 19	575	(1,015)
Buy, put—U.S. dollars	$ 2	$ 1	218	218
Sell, call—U.S. dollars	$ 2	$ 1	(1)	(1)
Sell, put—U.S. dollars	$ 58	$ 35	(9,590)	(4,137)
Total	-	-	$ (12,958)	$ (9,095)

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

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

Derivative instruments which qualify as hedging instruments as of March 31, 2010 are summarized as follows:

	Notional amount		
	Total	Over one year	Fair value
	Millions of yen		
At March 31, 2010:			
Interest rate swap contracts	¥ 99,668	¥ 75,104	¥ (*)
	Thousands of U.S. dollars (Note 1)		
At March 31, 2010:			
Interest rate swap contracts	$ 1,071,238	$ 807,223	$ (*)

(*) Fair value of the above derivative instruments is presented as included in the fair value of the hedged long-term loans payable in “FINANCIAL INSTRUMENTS” since the derivative is accounted for as components of the hedged long-term loans payable.

7. ACCUMULATED DEPRECIATION ON PROPERTY AND EQUIPMENT

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Accumulated depreciation	¥ 114,363	¥ 95,977	$ 1,229,176

8. IMPAIRMENT LOSS

The Company and a certain consolidated subsidiary recorded impairment losses on the following asset groups for the fiscal years ended March 31, 2010 and 2009:

Location	Use	Classification	Millions of yen	Thousands of U.S. dollars (Note 1)
2010				
Iwate Prefecture	Retail Store	Buildings and structures	¥ 177	$ 1,901
		Other	145	1,554
Ibaraki Prefecture	Retail Store	Buildings and structures	355	3,816
		Other	344	3,696
Chiba Prefecture	Retail Store	Buildings and structures	0	1
		Other	6	67
Tokyo Prefecture	Retail Store	Buildings and structures	1	10
		Other	7	80
Ishikawa Prefecture	Retail Store	Buildings and structures	26	284
		Other	54	580
Fukui Prefecture	Retail Store	Buildings and structures	75	807
		Other	62	668
Osaka Prefecture	Retail Store	Buildings and structures	-	-
		Other	9	93
Yamaguchi Prefecture	Retail Store	Buildings and structures	96	1,030
		Other	46	496
Saitama Prefecture	Retail Store	Buildings and structures	85	918
		Other	604	6,488
Kanagawa Prefecture	Retail Store	Buildings and structures	246	2,634
		Other	196	2,111
		Total	¥ 2,534	$ 27,234

Location	Use	Classification	Millions of yen
2009			
Chiba Prefecture	Retail Store	Buildings and structures	¥ 103
		Other	87
		Total	¥ 190

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

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

9. LEASE INFORMATION

As lessee

(i) Finance lease transactions

(a) Finance lease with title transfer

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

(b) Finance lease without title transfer

The Company and its consolidated subsidiaries lease certain buildings and equipment for retail stores, such as computer equipment and other assets. Leased assets under finance lease without title transfer are capitalized and the related obligation is included in short-term and long-term debt (see Note 10).

(ii) Operating lease transactions

Future minimum lease payments under non-cancelable operating leases as of March 31, 2010 and 2009 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2010	2009	*2010*
Due within one year	¥ 10,694	¥ 8,593	$ 114,938
Due after one year	85,646	79,650	920,526
Total	¥ 96,340	¥ 88,243	$ 1,035,464

As lessor

(i) Operating lease transactions

Future minimum lease receivables under non-cancelable operating leases as of March 31, 2010 and 2009 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2010	2009	*2010*
Due within one year	¥ 246	¥ 274	$ 2,644
Due after one year	2,227	2,579	23,936
Total	¥ 2,473	¥ 2,853	$ 26,580

10. SHORT-TERM AND LONG-TERM DEBT

The weighted-average rate of interest for short-term loans payable was approximately 1.03% and 1.60% as of March 31, 2010 and 2009, respectively.

The weighted-average rate of interest for current portion of long-term loans payable was approximately 1.35% and 1.37% as of March 31, 2010 and 2009, respectively.

The weighted-average rate of interest for long-term loans payable (excluding current portion) was approximately 1.35% and 1.46% as of March 31, 2010 and 2009, respectively, and long-term loans payable is due in 2011 through 2019 and 2010 through 2019 as of March 31, 2010 and 2009, respectively.

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

Short-term and long-term debt as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2010	2009	*2010*
Short-term loans payable	¥ 2,350	¥ 9,212	$ 25,258
Long-term loans payable (due within one year)	35,864	25,341	385,471
Lease obligations (due within one year)	5,634	5,938	60,553
Sub-total	43,848	40,491	471,282
Long-term loans payable (excluding amounts due within one year)	99,299	73,001	1,067,266
Lease obligations(excluding amounts due within one year)	9,109	10,662	97,908
Sub-total	108,408	83,663	1,165,174
Total	¥ 152,256	¥ 124,154	$1,636,456

The following assets were pledged as collateral for long-term loans payable (including current portion) of ¥4,110 million ($44,175 thousand) as of March 31, 2010 and 2009:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2010	2009	*2010*
Buildings and structures	¥ 1,597	¥ 1,677	$ 17,160
Land	3,113	3,113	33,458
Total	¥ 4,710	¥ 4,790	$ 50,618

The aggregate annual maturities of long-term loans payable as of March 31, 2010 are summarized as follows:

Fiscal year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2011	¥ 35,864	$ 385,471
2012	32,941	354,056
2013	31,863	342,470
2014	20,826	223,837
2015	12,530	134,678
Thereafter	1,139	12,225
Total	¥ 135,163	$ 1,452,737

The aggregate annual maturities of finance lease obligation as of March 31, 2010 are summarized as follows:

Fiscal year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2011	¥ 5,634	$ 60,553
2012	4,443	47,754
2013	2,740	29,445
2014	1,419	15,247
2015	406	4,368
Thereafter	101	1,094
Total	¥ 14,743	$ 158,461

The Company has entered into loan commitment agreements amounting to ¥50,000 million ($537,403 thousand) with 7 financial institutions. There is no amount executed under these credit facilities as of March 31, 2010.

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

Outstanding balance of the convertible bond-type bonds of the Company and the current conversion prices into common stock as of March 31, 2010 and 2009 were as follows:

	Conversion price per share	Outstanding balance			Conversion period
	Yen	Millions of yen		*Thousands of U.S. dollars (Note 1)*	
		2010	2009	*2010*	
Zero coupon convertible bonds due 2009	¥ 3,595.00	¥ -	¥ 720	$ -	September 2, 2002 – September 29, 2009
Euro yen zero coupon convertible bonds due 2013	14,175.00	70,204	70,274	754,559	March 28, 2008 – March 14, 2013
Euro yen zero coupon convertible bonds due 2015	13,797.00	59,000	70,000	634,136	March 28, 2008 – March 17, 2015
Sub-total		129,204	140,994	1,388,695	
Less: Current portion		-	(720)	-	
Total		¥ 129,204	¥ 140,274	$ 1,388,695	

Exercise of subscription rights of bonds with subscription rights to shares for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2010	2009	*2010*
Increase in common stock by exercise of subscription rights	¥ 357	¥ 107	$ 3,838
Increase in capital surplus by exercise of subscription rights	357	106	3,836
Decrease in convertible bond-type bonds with subscription rights to shares	¥ 714	¥ 213	$ 7,674

12. INCOME TAXES

Taxes on income consist of corporate income taxes, inhabitant taxes and enterprise taxes. The aggregate statutory tax rate on income before income taxes and minority interests was approximately 40.4% for the year ended March 31, 2010 and 2009.

For the year ended March 31, 2010, the difference between the statutory tax rate and the Company's effective tax rate for financial statement purposes was not disclosed since the difference was immaterial.

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

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

Significant components of deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2010	2009	*2010*
Deferred tax assets:			
Provision for point card certificates	¥ 7,516	¥ 7,152	$ 80,780
Accrued enterprise taxes	2,807	1,441	30,172
Provision for bonuses to employees	1,835	1,219	19,720
Provision for retirement benefits	3,037	2,442	32,639
Provision for directors' and corporate auditors' retirement benefits	1,173	1,045	12,611
Provision for product warranties	3,235	2,693	34,765
Subsidiary's tax loss carry-forward	7,437	10,488	79,932
Loss on valuation of investment securities	1,619	1,446	17,396
Others	5,162	1,534	55,492
Sub-total	33,821	29,460	363,507
Valuation allowance	(10,210)	(12,280)	(109,740)
Total deferred tax assets	23,611	17,180	253,767
Deferred tax liabilities:			
Unrealized gains on valuation of land	1,111	1,145	11,943
Others	177	212	1,901
Total deferred tax liabilities	1,288	1,357	13,844
Net deferred tax assets	¥ 22,323	¥ 15,823	$ 239,923

Net deferred tax assets were included in the following accounts in the consolidated balance sheet as of March 31, 2010 and 2009:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	*2010*
Current assets – Deferred tax assets	¥ 12,840	¥ 9,533	$ 138,000
Investments and other assets – Deferred tax assets	10,771	7,587	115,767
Long-term liabilities – Other long-term liabilities	1,288	1,297	13,844

13. CONTINGENT LIABILITIES

The Company was contingently liable for transferred receivables of ¥19,202 million ($206,380 thousand) and ¥17,580 million to credit card companies as of March 31, 2010 and 2009, respectively.

Some of the consolidated subsidiaries transferred construction assistance fund receivables due from landowners to trust banks, with a recourse provision to repurchase if the landowners fail to repay their loans to the trust banks. For the years ended March 31, 2010 and 2009, transferred receivables amounted to ¥4,173 million ($44,852 thousand). The outstanding balance of the transferred receivables amounted to ¥443 million ($4,765 thousand) and ¥1,016 million as of March 31, 2010 and 2009, respectively.

The Company was contingently liable for guarantees of loans of Yamada Denki (Shenyang) Co., Ltd. denominated in renminbi (RMB) (RMB 180 million) (amounting to ¥2,437 million or $26,195 thousand) as of March 31, 2010.

14. RETIREMENT BENEFITS

Provision for retirement benefits as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	*2010*
Projected benefit obligation	¥ 10,151	¥ 8,288	$ 109,107
Fair value of pension assets	(1,630)	(1,362)	(17,519)
Unrecognized actuarial loss	(941)	(873)	(10,116)
Net provision for retirement benefits	¥ 7,580	¥ 6,053	$ 81,472

Retirement benefit costs for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Service costs	¥ 1,431	¥ 991	$ 15,377
Interest cost	165	132	1,774
Expected return on plan assets	(27)	(23)	(293)
Amortization of actuarial differences	290	184	3,120
Net periodic retirement benefit costs	¥ 1,859	¥ 1,284	$ 19,978

The discount rate and the rate of expected return on plan assets used by the Company are 2.0% for the years ended March 31, 2010 and 2009. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized as income or expense in equal amounts over 5 years commencing from the succeeding period.

15. NET ASSETS

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

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

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

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

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

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

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

Retained earnings at March 31, 2010 include amounts representing the year-end cash dividends approved at the General Meeting of Shareholders held on June 29, 2010 as described in Note 18.

Cash dividends charged to retained earnings during the years ended March 31, 2010 and 2009 represent dividends paid out during these periods.

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

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

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

16. Cost of sales

The ending balance of inventories was measured at the lower of cost or market, and loss on valuation of inventories included in the cost of sales for the year ended March 31, 2010 was ¥2,857 million ($30,712 thousand).

17. SEGMENT INFORMATION

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

For the years ended March 31, 2010 and 2009, business segment information is not disclosed because the proportion of the net sales and the operating income derived from the above business segment exceeded 90% of the total.

For the years ended March 31, 2010 and 2009, geographic segment information is not disclosed because there were no overseas consolidated subsidiaries and major branches.

For the years ended March 31, 2010 and 2009, information for overseas sales is not disclosed because there were no overseas sales during the period.

18. RELATED PARTIES

Significant balances with related parties as of March 31, 2010 and 2009, and related transactions for the years ended March 31, 2010 and 2009 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	*2010*
Balances of the Company:			
Tecc Planning Co., Ltd., 100% directly owned by Noboru Yamada, representative director, chairman, and his relatives:			
Prepaid expense (prepaid rent)	¥ 82	¥ 68	$ 885
Guarantee deposits (due within one year)	146	176	1,574
Guarantee deposits	3,412	3,556	36,674
Other current liabilities (advance received)	0	-	3
Principal transactions of the Company:			
Tecc Planning Co., Ltd., 100% directly owned by Noboru Yamada, representative director, chairman, and his relatives:			
Payment of company house rent and lease and guarantee deposit	945	934	10,160
Rental of retail stores	40	-	425
Purchase of property	179	-	1,919
Principal transactions of a non-consolidated subsidiary:			
Simplex REIT Investment Corp., 100% indirectly owned by the Company			
Sale of property	49,949	-	536,850
Finance lease transaction	28,289	-	304,051

19. SUBSEQUENT EVENTS

The following appropriations of retained earnings were approved at the General Meeting of Shareholders held on June 29, 2010:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Year-end cash dividends, ¥40 ($0.43) per share	¥ 3,768	$ 40,503

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Independent Auditors' Report

To the Board of Directors of YAMADA DENKI Co., Ltd.:

We have audited the accompanying consolidated balance sheets of YAMADA DENKI Co., Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of YAMADA DENKI Co., Ltd. and subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 29,2010