

Yamada Denki Group

CORPORATE REPORT 2016



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We will continue our efforts toward “Creation and Challenge” for the purpose of creating new value that we can share with the society.

With “Creation and Challenge” and “Appreciation and Trust” as the management philosophy, Yamada Denki has constantly conducted innovation for the growth of the company and the development of a sustainable social environment.

We will further endeavor to maximize the synergy effect among our group as an IoT company with the largest service network in Japan.

We are now in third star-up period, and will continue social and environmental contributions through our business and efforts to enhance our corporate value.

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Editorial Policy

The Yamada Denki Group has issued CSR Reports to disclose information concerning its social responsibility and has continuously fulfilled its accountability, while promoting mutual communication with stakeholders.

Integrated reporting (integrating financial and non-financial information) has come to be adopted mainly in European countries. As a comprehensive communication tool integrating company financial and non-financial information, we published the yamada dennki group corporate report from the current year. In the preparation of the report we have referred to the International Integrated Reporting Framework publicized by the International Integrated Reporting Council (IIRC). This Report that also contains the content of conventional CSR Reports was issued.

The CSR activities especially attracting stakeholders' attention, such as those relating to ESG, are introduced in this report and are also available on our website. We are committed to achieving our corporate philosophy through business activities and contributing to the creation of a sustainable society.

[Scope of Activities Covered by the Report]

This report generally covers the entirety of the Yamada Denki Group, but some of the data show only the activities of Yamada Denki Co., Ltd.

[Period Covered by the Report]

Data are mainly for the period between April 1, 2015, and March 31, 2016, and some significant information available after April 2016 is additionally included.

[Issued Date] June 2016

[Guidelines Referred to]

“Sustainability Reporting Guidelines (ver. 4)” (GRI*) and “International Integrated Reporting Framework” (IIRC)

* GRI: Global Reporting Initiative – International organization established in 1997 for the purpose of creating global guidelines for reports on sustainability issued by companies

[Disclaimer]

Information stated in this report, except for historical facts, is based on various presumptions and premises we made as of March 31, 2016. By its nature, this information is not guaranteed to turn out to be true in the future, and there may possibly be a significant gap from actual outcomes or the information itself may be objectively incorrect, which may be caused by a number of factors leading to uncertainties and risks. Contained future plans, numerical goals, and measures are not necessarily guaranteed to be achieved or implemented. Actual performance may differ from planned numerical goals depending on changes in the business environment or other diverse uncertain factors. This report aims to merely provide information and is not intended to be used for soliciting investments. Officers and employees of Yamada Denki Co., Ltd. and other group companies assume no responsibility for any direct, indirect or secondary damage or loss resulting from the use of this report or arising from the content thereof.

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Management Philosophy and ESG-related Initiatives

In our management philosophy, we clearly declare our commitment to social contribution. In order to help achieving a sustainable society, we will continue our business activities while placing importance on CSR as an important managerial issue.

We have actively engaged in CSR activities centering on five themes: compliance, working environment, environment protection, customer satisfaction, and employee satisfaction, and activities are being promoted to achieve goals set up for each of these five themes. We have tried to broaden and deepen our business potential, with the sale of home appliances as the core of our business, while continually demonstrating innovation under our management philosophy. We

have thus contributed to enhancing customer convenience and preserving the global environment, while conducting business by making the most of the synergy among our group and creating new value.

We will continue our company-wide efforts in response to various problems as well as customers’ opinions and requests in order to create new value that we can share with the society. We will further promote CSR activities, keeping the need to show appreciation to and maintain the trust of our stakeholders in mind, with the aim of being a corporate group continuing to grow together with the society.

Management Philosophy

“Creation and Challenge”

With “Appreciation and Trust,” we achieve the goal of being a strong company and further strengthen our corporate value on a companywide scale, for the sake of contributing to society

Yamada Denki’s Code of CSR Ethics

1	Building up Trust	① To be a trusted company by conscientiously honoring any promises with customers and any engagements with business partners.	4	Fair Transactions	Yamada Denki always conducts fair transactions with business partners, giving consideration to both interests. We adopt a decent and considerate attitude in conducting transactions with customers, to increase mutual understanding and prevent misunderstandings regarding transaction details.
		② To recognize our social responsibility and properly manage a variety of information in order to create reliable environments for our customers to enjoy shopping.			
		③ To release appropriate and transparent financial statements based on the Financial Instruments and Exchange Act (also known as the J-SOX law).			
		④ To retain stakeholders’ confidence by disclosing corporate information in a timely and appropriate manner.			
		⑤ To gain firm trust from society through solid outstanding management			
2	Ensuring the “Customer First”	Approach Based on the “customer first” approach, we master a high level of product knowledge and provide decent services. To ensure customer satisfaction and gain their support, we make efforts to provide products and services that meet customers’ needs.	5	Respecting Human Rights	Yamada Denki builds up a corporate culture, according to which employees respect each other’s personality and characteristics and which banishes sexual and power harassment.
3	Complying with Laws Regulations and Social Customs	We conduct corporate activities in a fair and conscientious manner in compliance with all laws, regulations and rules.	6	Making Efforts in Environment Protection	We recognize that environment problems are serious global challenges and thus actively engage in environmental programs for energy saving, recycling and other goals.
7	Contributing to Local Communities				Yamada Denki understands that stores exist within the communities and require appreciation and support of the community members for their existence. We contribute to local culture by co-existing with local people.

ESG-related Initiatives

The Yamada Denki Group is promoting business activities from the perspectives of environment, society and governance (ESG). As a leading company in the home appliance distribution industry, we have anticipated social changes such as the declining birth rate and the aging of the population, and have taken proactive measures for

solving environmental and various other issues. We will continue to develop our solution businesses that will lead to the solution of social problems through mutual communication with stakeholders, thereby contributing to the creation of a sustainable society.

Environmental Aspects	Social Aspects	Governance Aspects
<ul style="list-style-type: none">Established and publicized the Environmental PolicyAcquired ISO14001 certification for the headquartersPromoting the sales of energy-efficient electric home appliancesRealized a one-stop system for reuse and recycling of electric home appliances and PCsReducing the environmental impact in business operationsPromoting environmental education etc.	<ul style="list-style-type: none">Established the Code of CSR EthicsPursuing improved customer satisfactionEngaging in social contribution activitiesEstablished the public interest incorporated foundation Yamada Noboru Memorial FoundationParticipating in the Global Social Compliance Program*Established and publicized Yamada Denki’s Sourcing PolicyImproving employee satisfaction etc.	<ul style="list-style-type: none">Introduction of the Compliance CommitteeIntroduction of the Risk Management CommitteeIntroduction of the executive officer systemIntroduction of the whistle-blowing systemHolding of Group CSR Meetings etc.
* Refer to p.49 for the Global Social Compliance Program.		

Engagement with Stakeholders

The Yamada Denki Group believes that the essence of CSR is to build a relationship wherein group companies and various stakeholders, including customers, shareholders, suppliers, business partners, employees and local communities, can trust and appreciate

each other. We hope to strengthen our long term bond with stakeholders continuously by proactively coping with ESG problems and achieving a sustainable growth as a business group, thereby contributing to the creation of a sustainable society.



Progress in Enhancing Corporate Value

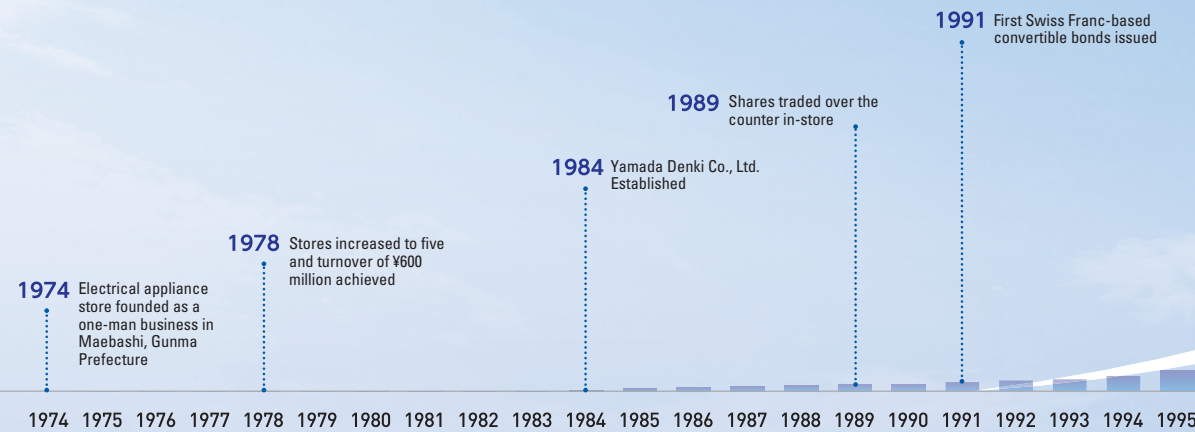
The Yamada Denki Group originated as a private electric goods store established in 1973. Under “Creation and Challenge” and “Appreciation and Trust” as our management philosophy, we have constantly facilitated innovation for the sustainable growth and development of the company.

We consider the time when we commenced business as the first start-up period, and the time when we changed ourselves from a community-based general shop to a mass merchandiser as the second start-up period. We are now in the third start-up period. With such awareness, we are adopting a proactive business approach while envisaging future development.

We are the only electrical home appliance merchandiser in Japan that has a store network covering the whole country. Making the most of such high-density service network, we will strengthen collaboration among group companies and make efforts to broaden and deepen our

business range centered on the sale of home appliances in order to respond to rapidly changing market environment, such as the declining birth rate and the aging of society, population decrease, and development of the Internet society. We aim to be an IoT* company with the largest service network in Japan through the cultivation of various solution businesses and other innovative business development, from the viewpoint of customers and based on a downstream perspective, as well as through proactive initiatives for continuously enhancing corporate value from the medium- and long-term perspectives.

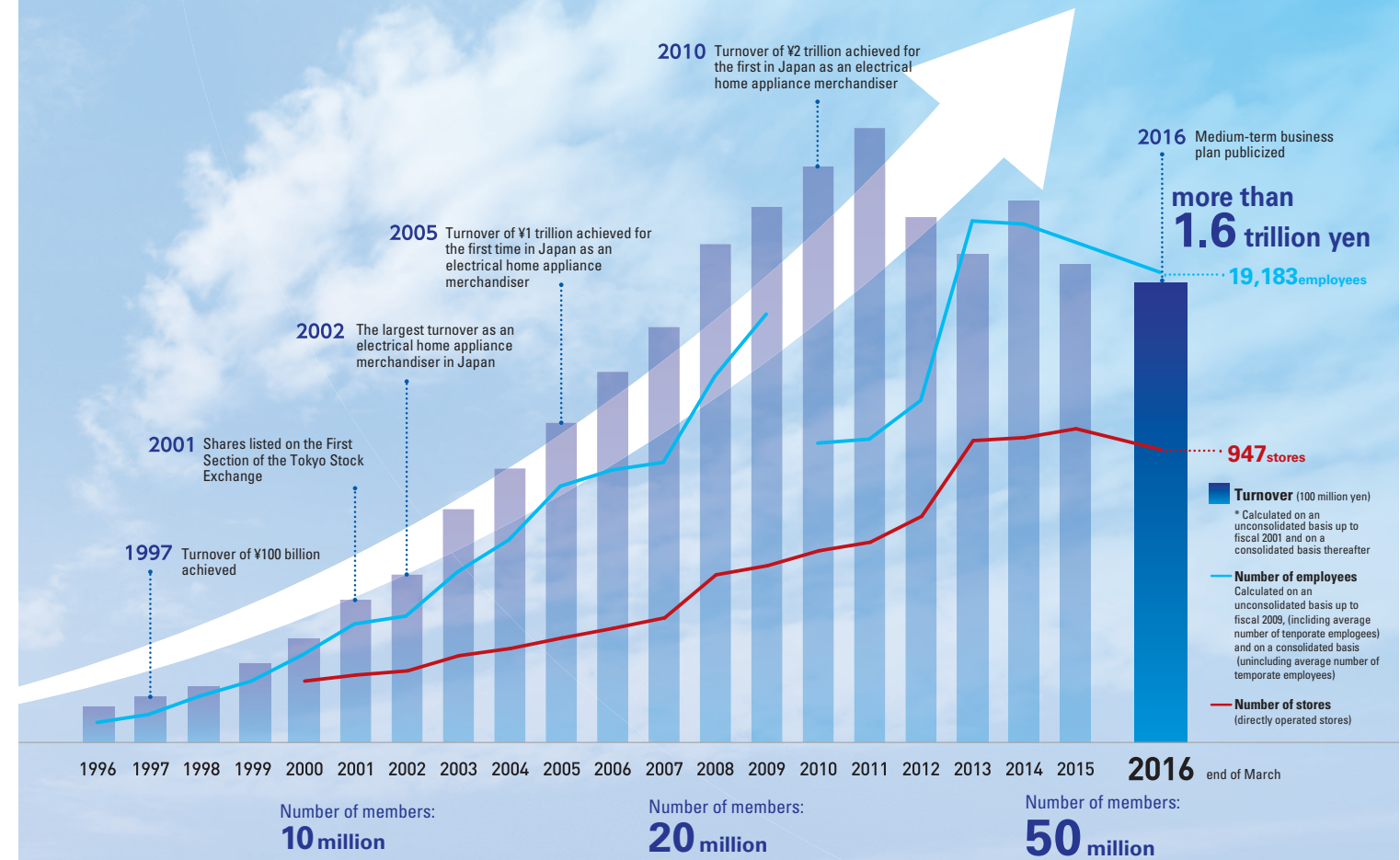
* IoT
The abbreviation of “Internet of Things” meaning new services achieved when all things are connected via the Internet; The concept of IoT varies by company and the term here refers to IoT as considered from Yamada Denki’s original viewpoint.



First start-up period

Second start-up period

Aiming to be an IoT company with the largest service network in Japan



Third start-up period

Strengthening of Business as an Electrical Home Appliance Merchandiser

- 1981 Shift from an affiliated store to a retailer dealing with products from multiple manufacturers
- 1986 Franchise chain development after the opening of the first FC store in Saku-shi, Nagano Prefecture
- 1987 Tecc Land Head Store opened as the first large-scale general home appliance store (core store) on the first floor of said building
- 1992 Withdrawal from the Nippon Electric Big-Stores Association (NEBA)
- 1993 Low-price strategy commenced
- 1998 Full-fledged sales activities targeting corporate customers
- 2002 Acquisition of shares of Daikuma Co., Ltd.
- 2005 First electrical home appliance merchandiser in Japan that has achieved the establishment of a national chain covering the whole country
- 2006 First branch of the large urban store LABI opened in Nanba, Osaka Prefecture
- 2009 LABI1 Japan Flagship Store Ikebukuro opened, sited in front of Ikebukuro Station, Tokyo
- 2010 Yamada Denki Shenyang Store opened in Shenyang, China
- 2012 Best Denki Co., Ltd. acquired as a subsidiary
- 2015 Concept LABI TOKYO, the most advanced concept for transmitting information in a store format, opened at the Yaesu exit of Tokyo Station



Expansion of Network Services

- 1984 A delivery center established in Asakura-machi, Maebashi-shi for strengthening functions and enhancing efficiency of the distribution sector
- 1986 The POS system and large general-purpose computers introduced at all stores for speedily compiling financial information and customer information
- 1988 Strategy to integrate specialized stores and software providing stores commenced
- 1991 TEC Information Systems Corporation, a computer-related development and sales company, established
- 1995 Based on a decision to build an original distribution network, the initiative to expand business to western Japan commenced



- 2011 SxL Co., Ltd. acquired as a subsidiary
- 2012 Housetec Inc. acquired as a subsidiary
- 2013 Yamada Wood House Co., Ltd. established
- 2013 Renewal open of Yamada Denki Internet Shopping store under a new name, YAMADA WEB COM
- 2014 Yamada Outlet Maebashi Store, an outlet & reuse store, opened
- 2015 Electronic warranty services and loyalty point guarantee services introduced for the first time in the industry
- 2015 Housetec showrooms developed within Yamada Denki stores



Enhancement of Social Value

- 1994 Comprehensive maintenance service The Anshin started
- 1997 Established CIC Corporation, engaging in the reuse business for home appliances
- 2001 The system to assist stores' efforts to enhance appropriateness introduced
- 2003 The first year to commence efforts to promote improvement of customer satisfaction
- 2004 Opened the Sosei Juku training center
- 2004 Established the Women's track and field team
- 2005 Received a Dark Blue Ribbon Medal from the emperor for donation activities after the earthquake in Sumatra
- 2007 Established the CSR Office
- 2007 Started consultation meetings with external professionals on CSR-focused management
- 2011 ISO14001 certification acquired for the functions of the Takasaki Headquarters
- 2014 Donation of PCs and monitors to the Republic of Palau
- 2014 The Yamada Noboru Memorial Foundation shifted from a general incorporated foundation to a public interest incorporated foundation



Messages from Top Executives

Aim to Achieve the Medium-term Business Plan Through not only Providing Products but also Offering Expert Service and Solutions, to Broader Opportunities For Services

YAMADA Noboru

Representative Director, Chairman and Chair of Board of Directors



Market Environment and Business Performance for Fiscal 2015

The domestic economy recovered moderately in fiscal 2015, with corporate performance and the employment environment improving. However, risks of economic slowdown in China and emerging countries have become obvious, causing concern over a downturn in the global economy. Additionally, uncertainty remains due to the significant changes in the financial markets. The home appliance distribution industry has faced the influence of a prolonged reactionary demand decline due to the end of various preferential policy measures and the consumption tax increase. Under such severe market environment, the structural reform that the Yamada Denki Group has worked on for the past few years has started to yield results and has significantly contributed to improving the business performance as a whole.

Started New Management System

Yamada Denki publicized a new management system centered on three representative directors (Chairman, Vice Chairman and President) in January 2016 and started to operate under the new system from this term.

Mr. ICHIMIYA Tadao and I continue to maintain the role of Representative Director. I serve as Representative Director, Chairman and Chair of Board of Directors and Mr. ICHIMIYA serves as Representative Director, Vice Chairman and CEO. Mr. KUWANO Mitsumasa newly assumed the office of President-Director, Representative Director and COO. I will take charge of the creation of new businesses, Vice Chairman ICHIMIYA promotes the structural reform and implementation of the Medium-term Business Plan and President-Director KUWANO takes responsibility for existing businesses and human resources development. Division of roles among the three representative directors has thus been clarified. We

will endeavor to promote responsible business fields, respectively, and further strengthen management of the company as a whole.

President-Director KUWANO has engaged in strengthening store operation and human resources development and has contributed to expanding the scale of the business performance of Yamada Denki. It is indispensable to foster personnel who can always demonstrate innovation in order to achieve our management philosophy, “Creation and Challenge” and “Appreciation and Trust.” I believe that President-Director KUWANO will reliably fulfil his responsibility with his ability obtained through the experience of being engaged in key segments of Yamada Denki’s business, i.e., personnel management and performance management.

Deal with Social Problems from the Medium-term and Long-term Perspectives

The market environment for the home appliance distribution industry has been changing in tandem with changes in social needs caused by such factors as the declining birth rate and the aging of society, population decrease and the development of the Internet society. Under such circumstances, we set up a long-term vision of achieving an IoT company with the largest service network in Japan and have been promoting the structural reform for the purpose of realizing the sustainable growth of the Yamada Denki Group and responding to expectations of our stakeholders. From a medium-term perspective, we established the Medium-term Business Plan up to fiscal 2019 through the promotion of ongoing structural reform in consideration of the current market environment.

The Yamada Denki Group has endeavored to meet social needs since its foundation and has accordingly built a store network and has improved services for members. Based on business resources we have accumulated, we will take on a challenge to actively expand new solution services needed into the future. Sharing among group companies the concept of shifting the focus from goods to servicing,

we will aim to achieve the Medium-term Business Plan to realize a brighter future through expanding opportunities to provide broader services.

Creation and Challenge for Achieving Growth and Development

In order to continue our challenge to create social value as a group supported by various stakeholders, Yamada Denki will further promote the structural reform for the next growth stage under the new management system. We will endeavor to deepen and broaden our

existing businesses, centered on the sale of home appliances, and create diverse revenue models in response to the needs of the society and the times.

Under our management philosophy, we adopt a business attitude to steadily cope with a wide range of problems, such as the creation of new businesses, promotion of the structural reform and the Medium-term Business Plan, maintenance of existing businesses and human resources development. We will continue to make an all-out effort regarding sustainable growth, development and the creation of social value.



Messages from Top Executives

Actively Promote Structural Reform to Achieve Planned Business Performance

ICHIMIYA Tadao

Representative Director, Vice Chairman and CEO



Significantly Improved Gross Profit Ratio

In fiscal 2015, we endeavored to improve store efficiency as part of the structural reform, while establishing and implementing detailed sales strategies, and have significantly improved the gross profit ratio. We have promoted the development of “specialty store retailer of private label apparel (SPA)” products, for which we ourselves carry out all procedures from marketing to planning and development, and the ratio of the sales thereof has increased, which also helped the improvement of business performance as a whole, together with our efforts to control selling, general and administrative expenses.

Promote Structural Reform

We will continue and advance the structural reform which we have worked on as a group for the purpose of achieving the Medium-term Business Plan.

The Medium-term Business Plan sets out, as a long-term vision, the achievement of an IoT company with the largest service network in Japan in order to realize sustainable growth of the Group and respond to expectations of stakeholders. We will endeavor to achieve the plan through proactively carrying out the following concrete measures for the structural reform: (i) environmental business to strengthen the outlet & reuse business in which the whole process from purchase to sale of recycled goods is completed within the Group; (ii) Yamada Net Mall Services to improve and strengthen functions of online malls and websites leading to the advancement of the IoT initiatives; (iii) Smart House Services to increase sales of houses by Yamada SxL Home Co., Ltd. and Yamada Wood House Co., Ltd.; (iv) renovation services to expand the number of customers in the B-to-B and B-to-C segments in collaboration with Housetec Inc.; (v) Daily Life Support Services to strengthen watch-over services, home appliances warranty services and loyalty point card services, etc. as measures responding to the population aging and the development of the Internet society; (vi) original product development services to promote the development of higher-margin home appliances and other products; (vii) reform for improving store efficiency to promote the development of stores with consideration for the balance between profits and costs; and (viii)

personnel system reform to strengthen human resources development and build a system to manage working hours. We will carry out these reform measures simultaneously with the aim of achieving the business plan up to fiscal 2019.

Bridge the Gap between New Businesses and Existing Businesses

I assumed the office of Vice Chairman and have been working on various activities as a leader of the structural reform. New businesses being promoted by Chairman YAMADA and existing businesses being promoted by President-Director KUWANO are both based on the infrastructure consisting of the nationwide store network and approximately 50 million members, which we have built up in response to the diverse needs of the society and the times. Standing on these business resources, we need to further develop and update our business foundation in order to create a system under which we can properly respond to future social needs. Additionally, it is my responsibility to integrate, synthesize and further increase the sophistication of these efforts in a cross-sectoral manner. Achieving the structural reform is an extremely significant task to bridge the gap between new businesses and existing businesses.

As immediate challenges in achieving the Medium-term Business Plan, we have set up the abovementioned themes, but themes may increase while implementing measures and verifying the achievement under the new system. This is because the final goal of the structural reform is set for a period far beyond the time frame of the Medium-term Business Plan.

Implement Corporate Social Responsibility

It is most important for us to ensure that our business operations yield results based on the strengths of diverse group companies, through offering products and expert service, and thus fulfill our corporate social responsibility for our stakeholders. I will responsibly carry out the Medium-term Business Plan and other publicized business plans as a member of the top management.

Contribute to Creating Profits Through Diverse Reform Measures to Achieve a Pleasant Working Environment

KUWANO Mitsumasa

President-Director, Representative Director and COO



Control Management with Existing Businesses as the Core of Our Business

I assumed the office of President-Director, Representative Director and COO and will be in charge of the control of management with existing businesses as the core of our business.

Looking back on fiscal 2015, the home appliance distribution industry as a whole has suffered the influence of the declining birth rate and the aging of society, population decrease and the development of the Internet society and faces the situation wherein the growth in average sale per customer does not lead to the increase in the total sales. Under such circumstances, Yamada Denki succeeded in improving the profit ratio thanks to the structural reform it has worked on since the year before last.

I will mainly focus on developing and maintaining existing businesses and will endeavor to achieve the Medium-term Business Plan up to FY2019 in cooperation with Chairman YAMADA and Vice Chairman ICHIMIYA

Human Resources Management is the Key Part of Business Management

Based on the management philosophy and policies that Yamada Denki has established and followed, I will carry out strategies and measures required for the coming age. I consider the personnel system reform and human resources development to be urgent themes in particular. I will make the utmost efforts in these areas to meet the goal, thereby aiming to achieve the Medium-term Business Plan.

Human resources are important for home appliance mass merchandisers and strengthening human resources management is the key for solving managerial problems. Personnel system reform is cited as one of the concrete measures for the structural reform with the intention to foster and secure excellent personnel and have them contribute to business performance under an established mechanism of efficient personnel deployment. When developing an efficient mechanism, the point is balancing labor management cost and enhancement of the labor quality. Yamada Denki introduced a

meticulous working hour management system consisting of the working shift system and the total working hour system for store staff. This new system will be effective in optimizing the allocation of working hours to enable personnel to shift their focus, from only offering proposals on goods to also offering expert service and solutions. The new system will encourage personnel to enhance their customer service skills and also reduce overall labor costs.

Reduce Labor Costs while Maintaining Labor Force

The basic concept of the total working hour system is to deploy staff appropriately in accordance with changes in store conditions by season, weather, day of the week, time zone, etc. Under this system, sales and working hours are linked to each other and more accurate working shifts can be prepared, enabling lean shift management while adjusting staffing numbers and securing required personnel. At present, further efforts are being made at all stores to improve accuracy by minimizing gaps between sales trends and staff deployment.

Through the introduction of the total working hour system, it became possible to properly ensure that the personnel required to operate the stores are in place, while reducing labor cost by making it possible to divide responsibilities for tasks, such as product and service sales, to decrease lost sales opportunities and increase sales efficiency and also reduce overtime work, and at the same time improve the work environment. All employees including officers will further endeavor to create profits through continuing the structural reform, aiming to be a company constantly contributing to all stakeholders of the Yamada Denki Group in order to create new social value.

Profile

Entered Yamada Denki in September 2004; President of Sosei Juku in December 2004; Director and Managing Officer, Vice General Manager of General Affairs Department in June 2006; Director and Executive Managing Director, General Manager of General Affairs Department, and Head of Personnel Structure Reform Office in January 2014; President-Director, Representative Director and COO in April 2016

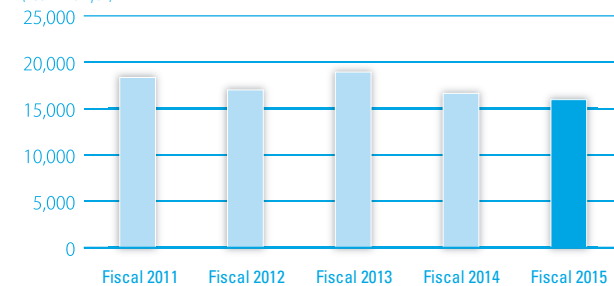
Economic Performance

We will endeavor to enhance our corporate value, through continuous efforts to further increase not only sales and share values but also the brand value of Yamada Denki and to develop good relationships with customers and business partners.

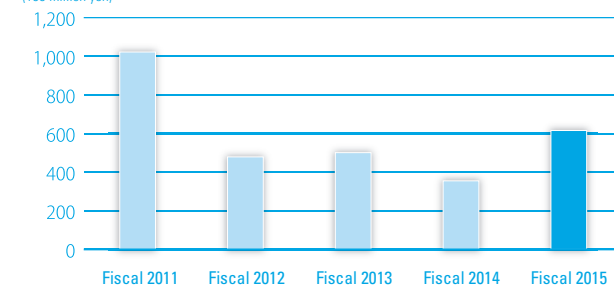
Earnings

In fiscal 2015, although the future course of the economy remained to be uncertain with progressing appreciation of the yen and fluctuations of stock prices, the home appliance distribution industry enjoyed favorable sales of some products thanks to repurchase demand for daily necessities. However, the influence of a backlash against the rush demand triggered by the termination of the eco-point system and the consumption tax increase was prolonged. Yamada Denki's consolidated sales for fiscal 2015 amounted to 1 trillion 612.7 billion yen, with an operating profit of 58.1 billion yen and a recurring profit of 62.7 billion yen. Current net profit belonging to the parent company's shareholders was 30.3 billion yen.

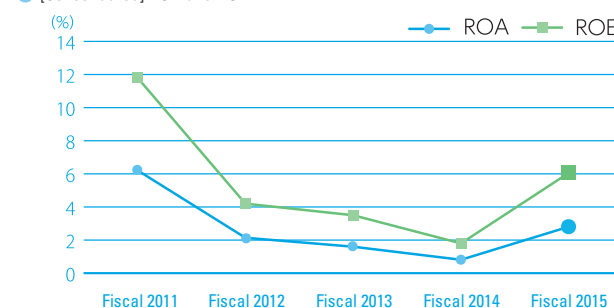
● [Consolidated] Sales
(100 million yen)



● [Consolidated] Recurring Profit
(100 million yen)



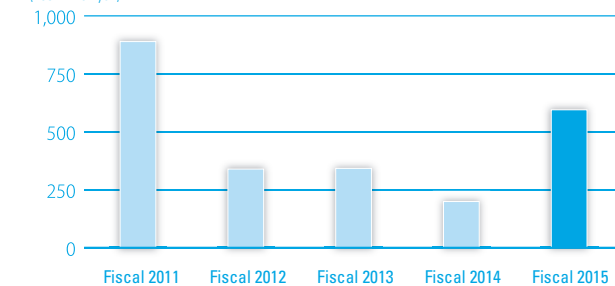
● [Consolidated] ROA and ROE



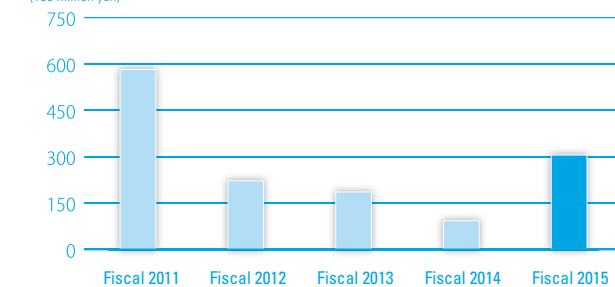
● Consolidated Financial Data (million yen)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Sales	1,835,454	1,701,489	1,893,971	1,664,370	1,612,735
Operating profit	88,978	33,930	34,265	19,918	58,158
Recurring profit	102,225	47,906	50,187	35,537	62,734
Current net profit belonging to parent company's shareholders	58,265	22,203	18,666	9,340	30,395
ROA (%)	6.2	2.0	1.6	0.8	2.7
ROE (%)	11.8	4.2	3.5	1.8	6.0
Capital adequacy ratio (%)	55.4	46.8	44.2	43.2	46.6

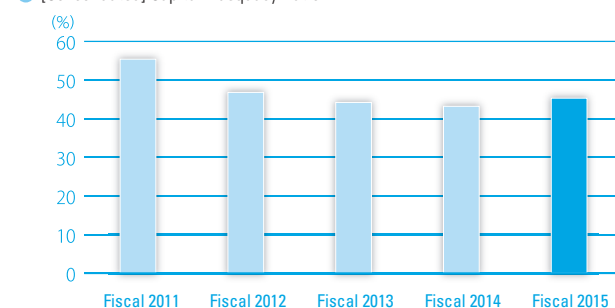
● [Consolidated] Operating profit
(100 million yen)



● [Consolidated] Current Net Profit Belonging to Parent Company's Shareholders
(100 million yen)

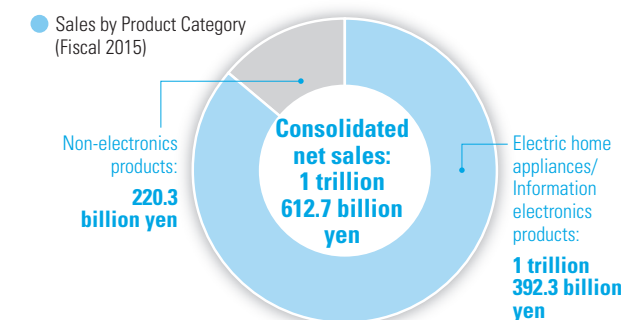


● [Consolidated] Capital Adequacy Ratio



Products and Services Provided by Yamada Denki and Sales by Product Category

The Yamada Denki Group sells a variety of electric home appliances and information electronics products to individuals and corporates. Recently, we have been placing stress on the housing business such as the sale of smart houses and renovation of existing houses. We also provide various pre-and after-sales services, including the provision of personal computer lessons and the establishment of counters dedicated to small and medium-sized companies and government agencies. Social needs are changing drastically due to the declining birth rate and the aging of society, population decrease and the development of the Internet society. However, we take advantage of having the largest store network in Japan and will further endeavor to enhance services based on the "customer first" approach with the aim of being a leading company of the IoT age through the Daily Life Support Services, Smart House Services, Renovation Services, Net Mall Services and Environment-related Services.



Not Only Provide Products but also Offer Expert Service and Solutions

In order to respond to changing social needs, the Yamada Denki Group is promoting the shift from only providing goods (home appliances and other products) to offering proposals on servicing (miscellaneous support and services). By not only selling goods but also offering proposals on servicing, we are trying to further enhance the value of goods themselves and improve customer convenience.

Development of Smart House & Renovation Businesses for Cultivating New Markets and Linking to the Coming Generations

The Yamada Denki Group has been promoting the initiatives of "energy conservation" through the dissemination of energy-efficient electric home appliances, "energy creation" by the use of photovoltaic power generation systems, and "energy storage" to store generated power, via its store network and subsidiaries (Yamada SxL Home Co., Ltd. (First Section, Tokyo Stock Exchange; Code: 1919) and Yamada Wood House Co., Ltd.). We offer proposals on smart houses wherein these initiatives are controlled and integrated through the use of the HEMS and communications infrastructure (proposals on newly-built houses and net zero energy houses (ZEH)). We have installed model houses and showrooms with offices at stores' parking lots and mockups within stores to demonstrate our unique business models, which are independent from the conventional ones employed by ordinary home builders, and offer proposals on the entirety of a house in response to the coming aging society with fewer children. In this manner, we are cultivating new markets from the customers' viewpoint and based on a downstream perspective. Furthermore, Housetec Inc., which is a subsidiary household equipment manufacturer, installs showrooms within Yamada Denki's stores and is actively offering proposals on renovation in collaboration with Total Smarnity Life Corner booths (renovation corner booths), while shifting

from a business model centered on B-to-B services and expanding new B-to-C demand.

Promotion of Reuse and Recycling Business of Home Appliances and PCs

In collaboration among C.I.C. Corporation, Azuma Metal Co., Ltd., and Inversenet Co., Ltd. within the Yamada Denki Group, the business to reuse and recycle home appliances and PCs has been promoted. Home appliances that are no longer used are collected and then renewed and resold as goods for reuse after the processes of cleaning, breakdown, inspections, etc., or are recycled as resources. As of the end of March 2016, the number of outlet/reuse stores operated by Yamada Denki increased to 16. Second-hand clothes and other non-electric/non-electronics products are also sold in collaboration with CIC., in addition to home appliances for reuse. In this manner, we are trying hard to satisfy customer needs and are contributing to circulation of limited resources.

Development of SPA Products

Yamada Denki has been developing its original brand, "HERB Relax" series, as the SPA business, integrally covering marketing, planning, development and retailing. Under the basic concept, "Products with Functions Preferred by Customers", instead of seeking so-called "high functionality," new products are being developed from the customers' viewpoint, such as limiting them to only necessary functions or further improving energy efficiency. As of the end of March 2016, there are a total of 313 products mainly in categories of consumable goods and small home appliances.

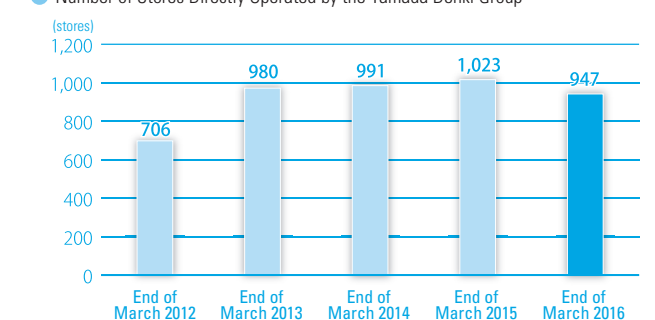
Opening of New Stores

Having established a national chain covering all 47 prefectures, Yamada Denki has been continuing its efforts to further advance its store network and improve services as a specialist home appliance merchandiser while responding to various social needs. The number of stores as of the end of March 2016 was 947 (directly operated stores: 637; Best Denki stores: 161; and other consolidated subsidiaries: 149) and the total number of stores including FC stores was 12,087.

● Number of Yamada Denki Group Stores

Store category	Store names	End of March 2014	End of March 2015	End of March 2016
Directly operated stores	LABI, Tecc Land, overseas stores, etc.	991	1,023	947
Franchise chain stores	Cosmos Berry's FC, Matsuya Denki FC, Best Denki FC, etc.	8,141	10,448	11,140
Group total		9,132	11,471	12,087

● Number of Stores Directly Operated by the Yamada Denki Group



Relationship with Shareholders and Investors

Our own mission is to maintain sustainable growth to increase corporate value and contribute to society. Moreover, it is essential to gain the understanding of our shareholders and develop mutual trust. We are endeavoring to make active communications by disclosing information in a timely and appropriate manner.

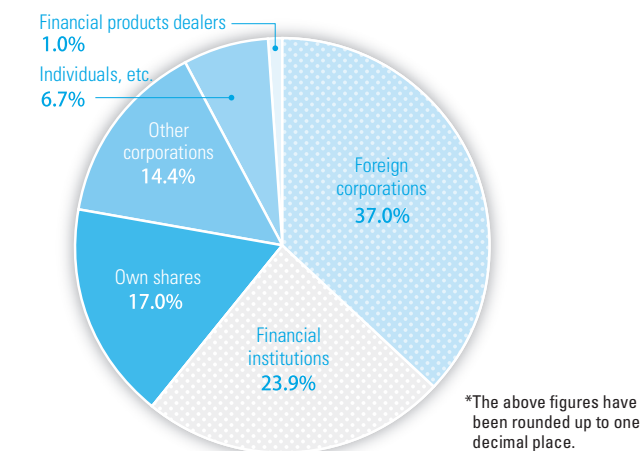
Timely and Appropriate Disclosure of Business and Financial Information

Yamada Denki has disclosed IR information, such as earnings data and press releases, as well as information on the development of new products or the commencement of new initiatives, on our website to shareholders and investors, thereby endeavoring to deepen their understanding of the company.

As the foreign ownership has been rather high, we have a number of opportunities to explain our business performance and management policy from the global perspective. We explain our business strategies and CSR activities at meetings with investors and analysts held more than 200 times annually in Japan and overseas.

We specifically hold an annual briefing session for investors. The session has been held for 13 consecutive years in a different major city of Japan. To deepen investors' understanding, our top management officer explains our management philosophy and management policy, as well as the current status of business performance and future business plans.

● Shareholding Ratio (as of March 2016)



● Number of Meetings with Investors, etc.

	Number of meetings
Fiscal 2013	222
Fiscal 2014	186
Fiscal 2015	205

* Due to the issuance of Euro-Yen CB to be matured in 2019, contact with investors was significantly limited for nearly two months. Therefore, the number of meetings decreased.

● Briefing for Individual Investors

	Venue	Number of participants
September 2013	Tokyo	394
September 2014	Tokyo	415
September 2015	Tokyo	392

Basic Policy for Distribution of Profits

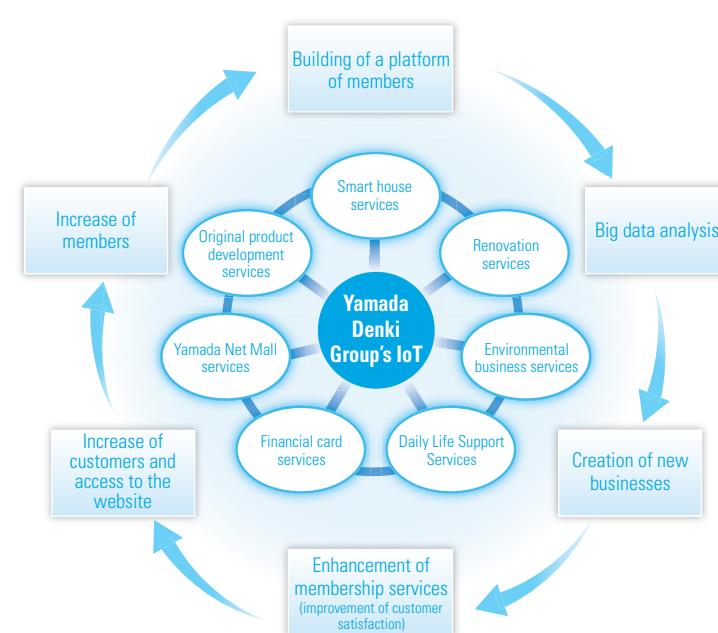
Regarding the appropriation of profits, our primary policy is to pay dividends to shareholders in a stable and consistent manner.

We consider it essential to build up internal reserves in order to achieve stable growth through enhancing future corporate value and strengthening the management base and also to increase and maintain market share in the industry, while improving the efficiency of capital with the aim of achieving sustainable growth into the future. We set the goal of a consolidated payout ratio of at least 30% and decide the amount of dividends in consideration of financial conditions and business performance of the relevant term.

We will utilize the internal reserves in an effective manner for its sustainable growth, for strengthening various solution businesses to broaden and deepen its business range, with the aim of responding to the rapidly changing environment of the distribution market, including the declining birth rate and the aging of society, population decrease, and development of the Internet society, and for improving the efficiency of existing stores and their network, enhancing and maintaining competitiveness, securing working staff, and strengthening financial structure, as well as for distributing profits to various stakeholders.

We will endeavor to secure dividends continuously based on stable growth in profits.

● Yamada Denki Group's IoT



Economic Relationships with Major Stakeholders

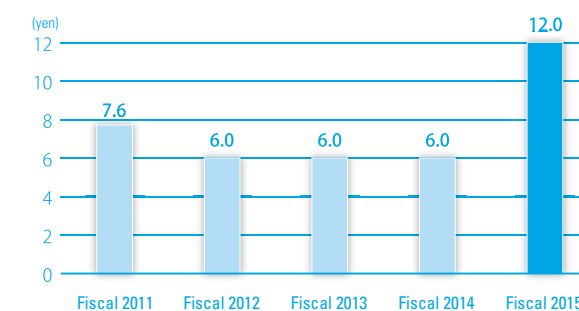
The value of economic relationships with major stakeholders was calculated as described below. For details, please refer to earnings reports and financial statements.

● Economic Relationships with Major Stakeholders (100 million yen)

	Calculation method, etc.	Fiscal 2013	Fiscal 2014	Fiscal 2015
Shareholders	Dividend payments to shareholders	53.6	45.2	96.2*
Employees and executives	Total of personnel costs and executive remuneration out of sales and general administrative expenses	1,160.4	1,120.2	1,074.9
Local communities	For information on local community-related activities, please refer to p.42-45.	—	—	—
Administrative authorities	Corporate income tax, resident tax, and business tax	222.6	139.2	188.1

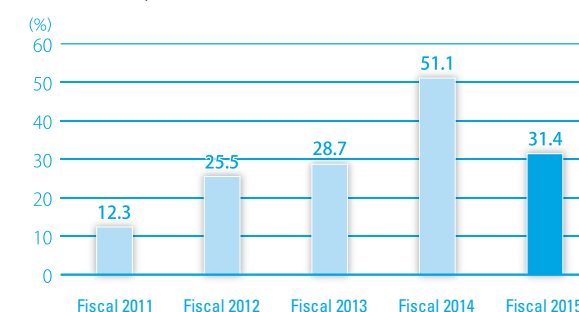
* Figures for fiscal 2015 are those to be approved at general shareholders' meetings.

● [Unconsolidated] Dividend per Share*

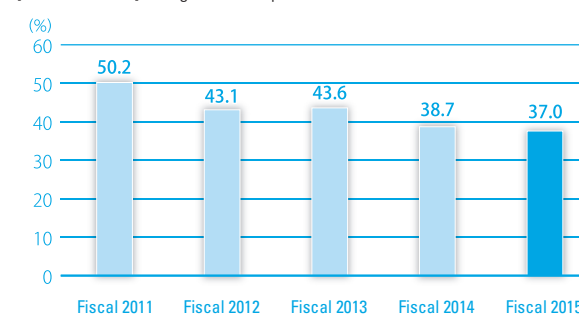


* A 1-for-10 share split was conducted on October 1, 2013. Amounts for fiscal 2011 and fiscal 2012 are those taking into account the share split.

● [Consolidated] Payout Ratio



● [Unconsolidated] Foreign Ownership



Improvement of the Shareholder Special Benefit Plan

We have established a shareholder special benefit plan in appreciation for the support of existing shareholders and with the aim of enhancing the advantage of investing in our shares and increasing long-term shareholders. The plan offers benefits in two ways, i.e., depending on the number of shares held and on the length of period of holding shares. Complimentary tickets are provided twice a year to shareholders as of the end of March and the end of September.

Prospects

Japanese Economy

The future course of the economy remained uncertain in fiscal 2016, due to fluctuations in financial markets such as stock prices and exchange rates since the beginning of 2016 and growing risks of economic slowdown in China and other emerging countries. However, it is anticipated that financial markets will gradually stabilize.

In the meantime, the employment environment has been improved domestically and wages are exhibiting an increasing trend, due to which personal consumption will also increase. Corporate performance is expected to generally improve continuously backed by declines in resource prices and steady increases in capital investment. Additionally, markets related to the Olympic Games in Rio de Janeiro are also expected to gain steam and the Japanese economy as a whole will continue to recover moderately.

Home Appliance Distribution Market

The home appliance distribution market, to which the Yamada Denki Group belongs, is expected to be steady thanks to such robust economic conditions and demand increase for audiovisual equipment associated with the Olympic Games, steady replacement purchases of home appliances and (limited) rush demand prior to another consumption tax increase.

Yamada Denki's Efforts

Under such market environment, we will endeavor to broaden and deepen our business range as a specialist electrical goods merchandiser by shifting the focus from quantity to quality to offer proposals not only on products but also on servicing based on its original IoT initiatives founded on its strengths of having the largest store network in Japan. At the same time, we will create new businesses for improving customer satisfaction, continue the structural reform in various sections, and strengthen existing businesses. In this manner, we will try hard to further enhance profitability and corporate value through the structural reform and other initiatives in the medium-term and long-term perspectives to achieve better gross profit rates and reduction of selling, general and administrative expenses. As a leading company in the home appliance distribution industry, we will continue our efforts to build a relationship of trust with diverse stakeholders, and promote CSR-focused management by making the most of synergy among the Yamada Denki Group, aiming to grow together with society by enhancing social value.

Outline of the Medium-term Business Plan

(Publicized on November 5, 2015)

With “Creation and Challenge” and “Appreciation and Trust” as our management philosophy, we have constantly conducted innovation for the growth and development of the company. We consider the time when we commenced business as the first start-up period, and the time when we changed ourselves from a community-based general shop to a mass merchandiser as the second start-up period. We are now in the third start-up period. With such awareness, we have achieved growth continuously through promoting proactive business management while envisaging future development and strengthening managerial resources and financial structure by implementing a steady capital policy.

In the rapidly changing distribution market, the Yamada Denki Group is the only home appliance mass merchandiser that has stores in all prefectures. We will make the most of our strengths of having a high-density store network close to customers’ living areas, and cultivate new businesses (cultivation of new markets), with various

solution businesses positioned as another principal pillar, seeking to broaden and expand our business range, in addition to existing businesses centered on the sale of home appliances. We will develop services responding to social changes represented by the declining birth rate and the aging of society, population decrease and the development of the Internet society, and will continuously endeavor to enhance corporate value in the medium term and long-term perspectives through innovative business expansion from the customers’ viewpoint and based on a downstream perspective.

In consideration of the abovementioned diverse changes in social needs, the Yamada Denki Group has been promoting the following concrete themes for the reform of the business structure for the past few years and the effects are already emerging. We will make further efforts to advance this reform and achieve further outcomes.

Cultivation of New Markets

Environmental business	Smart house services	Renovation services	Daily Life Support Services
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Strengthening of Existing Businesses

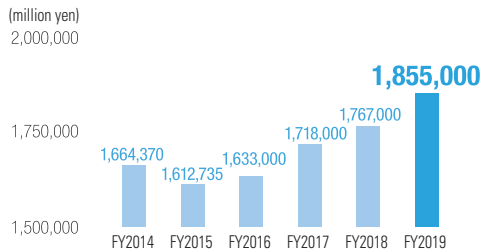
Yamada Net Mall services	Original product development services	Reform for improving store efficiency	Personnel system reform
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We have established the Medium-term Business Plan up to fiscal 2019 based on the abovementioned economic conditions and the environment surrounding the home appliance distribution market, and in consideration of the progress of the structural reform and various other measures concerning existing businesses and new businesses. This plan, which was publicized on November 5, 2015, is not a

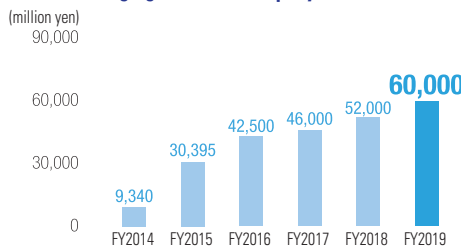
conventional one and places the emphasis on feasibility and profitability, rather than only aiming to increase the total sales. This plan prioritizes capital efficiency, such as the improvement of ROE, instead of merely seeking the expansion of the corporate size. We will implement this plan steadily to achieve sustainable growth.

● Major Consolidated Numerical Targets in the Medium-term Business Plan * Values for FY2014 and FY2015 represent actual performance and those for FY2016 onward are planned targets.

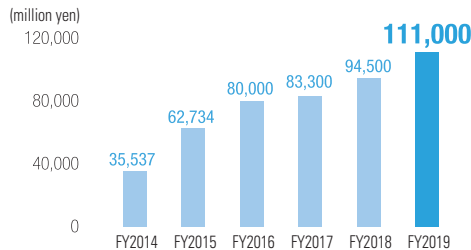
Sales



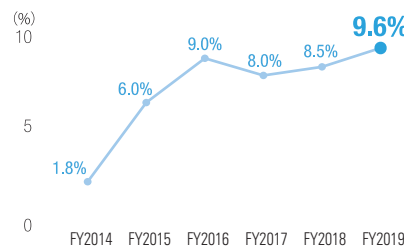
Current Net Profit Belonging to Parent Company's Shareholders



Recurring Profit



ROE



Structural Reform for Enhancing Corporate Value

Cultivation of New Markets

1 Environmental Business

[Reuse and recycling business]
Purchase used products and recycle them as products for reuse
Established a recycling-oriented business among group companies

P18

[Expansion of outlet and reuse stores]
Expand outlet and reuse stores nationwide that ensure low prices, safety and environmental friendliness

P19

2 Smart House Services

Propose environmentally-friendly comfortable houses making use of the largest sales network in the industry

P20

3 Renovation Services

Help customers build safe and comfortable houses by offering comprehensive proposals on renovation

P21

4 Daily Life Support Services

Offer new services to support members' peaceful daily lives

P22

Strengthening of Existing Businesses

5 Yamada Net Mall Services

**Bridge a gap between real stores and web stores
Provide easily linked products and mechanisms in the net mall business**

P23

6 Original Product Development Services

Develop and sell original home appliances that are environmentally-friendly and are easy to handle

P24

7 Reform for Improving Store Efficiency

Renovate existing stores to respond to market changes speedily at a pace of 200 stores a year, the TOP level in the industry

P25

8 Personnel System Reform

Bring out employees' potential under the optimal working shift management system and evaluation system

P26

Cultivation of New Markets

1 Environmental Business: Reuse and Recycling Business

Purchase Used Products and Recycle Them as Products for Reuse. Established a Recycling-oriented Business among Group Companies



Yamada Denki offers services to purchase used home appliances from customers when they purchase new products, and recycles those used products as high quality reuse products for sale at Yamada Outlet-kan and other stores within the group. Through the dissemination and expansion of the sale of products for reuse, we are contributing to the creation of a sustainable low-carbon recycling-oriented society, while responding to diversifying consumer needs.

Recycling-oriented System for Used Home Appliances

Some customers dispose of relatively new and reusable home appliances when they purchase new products. The Yamada Denki Group is conducting the reuse business to purchase used products, sort them, and recycle useful ones and sell them as products for reuse.

We purchase nine items (TVs, refrigerators, washing machines, personal computers, digital cameras, mobile phones, microwave ovens, rice cookers and cleaners) at our stores. We ask customers whether they recycle old products themselves or want us to purchase them. In principle, we offer purchase prices for products that were manufactured up to seven years ago, depending on the conditions of the relevant products and whether any accessories are missing. Purchased old products are sent to Recycling Centers, where they are subjected to strict function checks by specialist electrical workers, parts replacement, and product testing, etc. and are renewed and resold as high quality products for reuse after the processes of cleaning, breakdown, inspections, etc.

Increase Production Capacity in Response to Growing Demand for Products for Reuse

The Yamada Denki Group started the reuse and recycling business in 2001 and has created one of the best mechanisms in the industry through collaboration among group companies, and making use of its nationwide store network. Based on this mechanism, we have been promoting the expansion of outlet/reuse stores across the nation under the business plan, but limited production capacity is the limiting factor.

Used products had been renewed as products for reuse or recycled as resources solely at the Fujioka Recycle Center, but the Shiga Reuse and Recycle Center started operation in October 2015. In order to further increase production capacity, we are reviewing the production system of CIC., one of the group companies. We are going to expand factories and increase personnel to step up production and the supply of products to outlet & reuse stores with the aim of further developing the reuse and recycling business.

Reuse of PCs

Old PCs that the Yamada Denki Group purchases from customers are sent to Inversenet, one of the group companies, where useful ones are renewed as products for reuse and those unsuitable for reuse are recycled as resources, etc. Specifications of personal computers are improved much faster than other home appliances, and accordingly, there is a different type of hurdle to overcome for the reuse of personal computers. Through processes of internationally certified data erasing, pre-install of the authentic Windows OS, and environmentally-friendly cleaning, the Yamada Denki Group renews used personal computers as high-value goods for reuse.

Reuse Business for the Sake of Customers and the Global Environment

The number of customers visiting Yamada Outlet-kan to seek home appliances for reuse is increasing. The market of products for reuse is expanding continuously due to changes in consumers' awareness, such as preferring simple old models, choosing inexpensive recycled products for short-term use, or wanting to reduce waste. Reuse and recycling initiatives not only contribute to the creation of a sound material-cycle society, but also are effective as measures to reduce environmental impact by decreasing CO₂ emissions that would be generated in the process of production development. The Yamada Denki Group will proactively promote reuse and recycling of products in order to meet the requirements of society.

Cultivation of New Markets

1 Environmental Business: Expansion of Outlet & Reuse Stores

Expand Outlet & Reuse Stores Nationwide that Ensure Low Prices, Safety and Environmental Friendliness



In order to effectively utilize limited resources, the Yamada Denki Group sells unsold old models and discontinued models as outlet products and also sells used products which it purchased from customers as products for reuse. We have developed an integrated flow of reuse and recycling of home appliances and PCs and respond to diverse customer needs.

Sell Outlet Products and Products for Reuse

Outlet products are unsold old models being sold at reasonable prices after the release of new models. We make the most of our nationwide store/distribution network to secure stocks and a lineup for the convenience of customers.

Products for reuse are used products that we purchased from customers at Tecc Land and other stores and then renewed for resale through the processes of checking, breakdown, repair and cleaning at Recycle Centers.

These products are sold at Yamada Outlet-kan and Sairaku-kan. The Yamada Denki Group is contributing to the effective use of limited resources through recycling home appliances and responsibly conducting final disposal of waste.

Long-term Guarantee for Home Appliances for Reuse to Reassure Customers

The number of customers visiting our outlet & reuse stores is increasing constantly in tandem with changes in lifestyles of people for all ages.

Our long-term quality guarantee system is one of the reasons for favorable demand for our products for reuse. Recycled products for reuse, which are checked, cleaned and otherwise processed at factories of group companies, are sold with a 24-month guarantee at the longest. Customers can purchase them without worries as though they were purchasing new products. Furthermore, we repair products for reuse as long as it is possible, and will exchange any unrepairable products with equivalent ones. Additionally, we sometimes plan and launch unique campaigns such as offering discount for customers who purchase multiple products at one time, thereby trying to further expand the market of home appliances for reuse.

Enhance Lineup to Increase Profit

The outlet & reuse business is expected to attract new customer segments and increase their contribution ratios in the total sales. We had purchased mainly refrigerators, washing machines, TVs, personal computers, mobile phones and digital cameras but started to additionally purchase microwave ovens, rice cookers and cleaners in response to the expansion of customer segments and diversification of their needs. Some stores also started to handle second-hand clothes and other non-electronics products. By preparing a lineup unique to the Yamada Denki Group in consideration of the quality, performance and functions of products for reuse, we will boost new demand and differentiate ourselves from other competitors.

Accelerated Opening of Outlet & Reuse Stores as New Driving Force for Growth

As of the End of March 2016, there are 16 Yamada Outlet-kan stores. We plan to open one outlet store per month to have 50 stores nationwide by the end of March 2018.

The environmental business centered on the outlet & reuse business is expected to be one of the engines of growth of the Yamada Denki Group. We will accelerate the opening of outlet & reuse stores by establishing new stores in existing Tecc Land stores, etc. or changing existing stores into Yamada Outlet-kan stores.



Cultivation of New Markets

2 Smart House Services

Propose Environmentally-friendly Comfortable Houses by the Use of the Largest Sales Network in the Industry



For the reduction of environmental loads, we prioritize the smart house (environmentally-friendly house) business as the core of our housing business. We offer comprehensive and one-stop proposals on new lifestyles at stores, seeking a synergistic effect of home appliances and smart houses, together with proposals on the development of household communications infrastructure suitable for the Internet society.

Smart Houses Free from Utility Charges

We offer proposals for smart houses comprehensively combining suggestions on “energy creation” through effective use of natural energy such as photovoltaic power generation systems and EcoCute, “energy storage” with batteries to store surplus power, and “energy conservation” with LED lighting and HEMS.* Smart houses realize environmentally-friendly and budget-pleasing daily lives free from utility charges.

These composite technologies and services are provided by housing-related group companies. In close collaboration with group companies, Yamada Denki helps customers build their ideal houses from their own viewpoint based on our unique perspective as a home appliance mass merchandiser.

Built Consultation and Support System at Stores

It is advantageous that we can promote the sale of smart houses at Tecc Land stores, which have the ability to attract many customers. Total Smarnity Life Corner booths (booths for comprehensive consultations on renovation) and Housetec Showrooms are installed within Tecc Land stores and model houses and mockups operated by Yamada SxL Home or Yamada Wood House are established within their premises. Customers visiting Tecc Land stores can have negotiations on smart houses on the spot if interested and can consult with professionals on renovation of their houses easily. We also offer preferential loans and various insurance services. We have thus built a one-stop system to offer all services and support for building smart houses.

Support the Entirety of Daily Living through Yamada Denki Group's Original IoT Initiatives

Yamada Denki offers total support to purchasers of smart houses by fully utilizing the know-how on after-sales services which it has acquired through the experience of selling home appliances.

The Yamada Denki Group has been promoting the initiatives of “energy conservation” through the dissemination of energy-efficient electric home appliances, “energy creation” by the use of photovoltaic power generation systems, and “energy storage” to store generated power, and offers proposals on smart houses wherein these initiatives are controlled and integrated through the use of the HEMS and communications infrastructure (proposals on newly-built houses and net zero energy houses (ZEH)), from the customers’ viewpoint and based on a downstream perspective under the original concept of IoT, independent from conventional ones employed by ordinary home builders. As part of our Daily Life Support Services, we provide watch-over services and have enhanced a mechanism to support safe and secure daily living, in addition to giving due consideration to the environment

Yamada Denki’s smart house business realizes the provision of services for the entirety of a house by offering proposals on houses and home appliances, which have mutual affinity, at the same time, based on its original IoT initiatives, in consideration of the environment and in response to coming aging society with fewer children. We will continue promoting this business proactively to further enhance customer convenience.

*HEMS

Abbreviation of “Home Energy Management System”; A mechanism to network home appliances and enable integral control of household energy consumption



Cultivation of New Markets

3 Renovation Services

Help Customers Build Safe and Comfortable Houses by Offering Comprehensive Proposals on Renovation



Yamada Denki has engaged in the renovation business to make houses safer, more comfortable and environmentally-friendly, ranging from small-scale renovation of water-related equipment to large-scale barrier-free renovation for elderly residents. We are cultivating the renovation market, while taking advantage of our strengths in selling home appliances and strong ties among group companies.

Respond to All Renovation-related Needs in Collaboration among Group Companies

Yamada Denki offers optimal proposals on renovation of houses according to customers’ requests and budgets to meet their diverse lifestyle requirements.

Yamada Denki and Housetec Inc., a subsidiary household equipment manufacturer, jointly handle small to medium-scale renovation work. At Housetec Showrooms within Yamada Denki stores and Total Smarnity Life Corner booths installed in major 168 stores nationwide, specialist staff members propose renovation plans to customers.

Large-scale renovation works are handled by Yamada SxL Home and Yamada Wood House, both of which have abundant experience and knowledge concerning house building. They accept orders such as those for barrier-free renovation for the elderly and renovation for two-generation households.

Acquire New Customers by Shop in Shop Strategy

We consider the renovation market as a market with growth potential amid social changes, such as the declining birth rate and the aging of society with population decrease. In November 2015, we opened the first Housetec Showroom in LABI1 Takasaki store, and have been expanding showrooms within Yamada Denki’s stores nationwide.

Housetec mainly did business with local housing contractors and other housing-related business users. However, these showrooms within Yamada Denki’s stores are experience-based ones which enable ordinary customers to concretely imagine how they have their houses built or renovated by viewing actual unit kitchens, baths, bathroom vanities, and toilets, etc. or experiencing all-electric homes in simulated

living environments. Furthermore, construction materials and lighting equipment, etc. are also displayed to facilitate smooth negotiations in an efficient manner and advisors with specialist knowledge are stationed to provide meticulous advice to customers. Housetec Showrooms are designed to enable diverse customers ranging from those with small children to the elderly to compare and examine various latest household equipment and devices depending on their respective lifestyles.

In addition to conventional businesses centered on B-to-B services, we are trying to expand B-to-C services to enhance our brands, cultivate new customer segments and strengthen sales capabilities of the group as a whole and are successfully broadening our business range.

Generously Input All Know-how Acquired through Mass Sale of Home Appliances

Yamada Denki positions the renovation business as a new key business following the sale of home appliances, and has endeavored to develop new services independent from conventional business models by inputting all the know-how it has acquired as a home appliance mass merchandiser. We are developing guides to our renovation services on our website based on our original concept of IoT and have generated new needs. We clarify charges and offer a guarantee and after-sales services to ease customers’ anxiety as in the case of selling home appliances. We will further strengthen the construction system and information management system in cooperation with group companies and local housing contractors in order to respond to increasingly diversified customer needs.



Cultivation of New Markets

4 Daily Life Support Services

Offer New Services to Support Members' Peaceful Daily Lives



Yamada Denki has endeavored to acquire more members, such as loyalty point members, Yamada LABI card members, and long-term guarantee members through various services. Daily Life Support Services are new services targeting Yamada premium members to solve problems in their daily lives through its unique support mechanism.

Concept is Peaceful Daily Lives

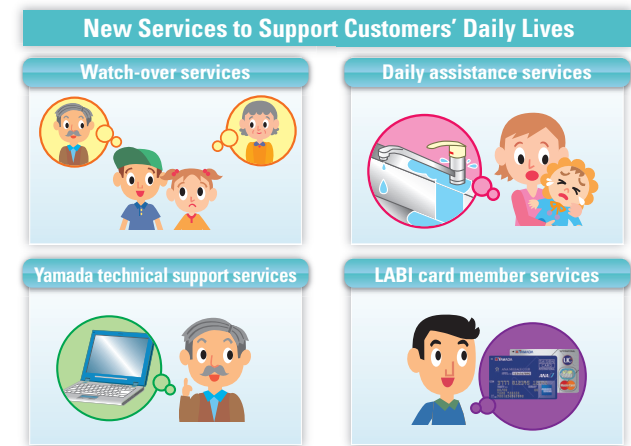
The Yamada Denki Group is creating new services based on its original IoT initiatives in order to respond to social changes such as the declining birth rate and the aging of society with population decrease and the development of the Internet society.

For example, comprehensive home appliances maintenance contract, "New The Anshin," is a unique guarantee service covering products purchased at other merchandisers as well if customers simply pay annual charges. Members can bring about products they purchased at any other merchandisers to Yamada Denki stores for repair. We provide such characteristic services and have succeeded in improving customer satisfaction.

New Services Targeting Yamada Premium Members

Daily Life Support Services are provided to Yamada premium members, dealing with problems in their daily lives promptly as part of Yamada Denki's various solution services. Discounted charges for members for the use of various support services, free delivery at specified times, acceptance of delivery request calls, special coupons, and free around-the-clock renovation consultations, etc. are comprehensively offered. In particular, watch-over services and daily assistance services are new services targeting elderly people living alone. The services ascertain signs of changes in physical conditions and living environments of the elderly by the use of "SUKOYAKA®" commercialized by Nihon Kohden Corporation. Family members living separately are informed of such signs, and at the same time elderly persons are provided with information for improving and controlling their health to prevent illness. Yamada Denki offers Daily Life Support Services and other services for Yamada premium members

available on the condition of paying monthly fees. With reasonable, secure and convenient services based on its nationwide store network and original IoT initiatives, Yamada Denki will further endeavor to support the daily lives of its premium members to secure their loyalty and repeated visits to the stores.



Create New Revenue Models

The home appliances market is not expected to achieve as high a growth rate as in the past due to the influence of the declining birth rate and the aging of society, population decrease and the development of the Internet society. We are required to create new revenue models in the home appliances business for the sake of customers who will patronize Yamada Denki into the future, shareholders, and our employees.

The concept of Daily Life Support Services has the potential to expand Yamada Denki's business range with the focus shifting from goods to servicing. We will cooperate with companies in various other fields such as those engaging in the sale of power so that we can offer various solution services to as many as 50 million members. We will make further efforts for developing new services to achieve better customer satisfaction.

Strengthening of Existing Businesses

5 Yamada Net Mall Services

Bridge a Gap between Real Stores and Web Stores Provide Easily Linked Products and Mechanisms in the Net Mall Business



As the number of customers using web stores is constantly increasing, Yamada Denki built and has operated a website, YAMADA WEB COM, to complement the convenience of real stores by placing goods and services on the Internet, and an online shopping mall, Yamada Mall, to respond to needs of viewers of the website.

Yamada Mall Dealing with Non-electronics Products

Approximately 1.2 million items (as of the end of March 2016) are available on the Yamada Mall, covering necessities directly linked to daily lives including daily commodities (food, beverages, beauty and health items, etc.), articles of personal taste (books, DVDs, cosmetics and accessories, etc.) and medicine and medical equipment (contact lenses, etc.). They are mainly items that may be recommended along with home appliances. Web stores and real stores complement each other: instead of being competitive, to generate a synergistic effect and contribute to increasing sales.

Solution Businesses Unique to Yamada Denki

Many distributors and retailers are endeavoring to effectively implement omni-channel strategies to promote mutual utilization of the Internet and real stores. The Yamada Mall takes on the following three challenges as one of Yamada Denki's solution businesses, making the most of the company's strengths of having real stores. Thus, Yamada Mall is not limited to simply utilizing both the Internet and real stores.

The first solution is to sell the same products at real stores as those sold online.. For example, at the end of 2013, Kani Osechi (specially prepared New Year's dishes with crab meat) posted on a web store sold well also at real stores and achieved big sales.

The second solution is to utilize Yamada Denki's loyalty point members as an infrastructure. Yamada Denki's loyalty point members are attractive to entities engaging in e-commerce. The Yamada Mall allows applicants to open their stores immediately after filing an application. Through facilitating web store opening, we consistently provide loyalty point members with fresh information on products and services with the aim of further increasing our share in the market.

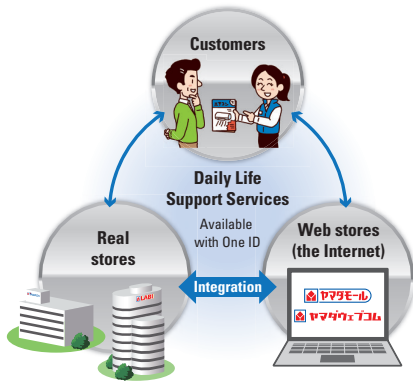
The third solution is to improve the function of making recommendations. We intend to improve customer convenience by also recommending hot-selling products on the Yamada Mall to customers visiting real stores.

Beyond the Integration of Real Stores and Web Stores

The Yamada Mall business seeks the potential to facilitate new businesses, rather than being limited to complementing the convenience of real stores.

At present, users of real stores are enjoying the abundant contents of the Yamada Multi SNS services while going back and forth between real stores and virtual stores without noticing it. The YAMADA WEB COM and Yamada Mall having such seamless mechanisms are mutually linked with Yamada Denki's solution businesses, soliciting website users to visit real stores and enabling the company to make the most of its strengths of having real stores.

We will continuously endeavor to update and advance these mechanisms to link loyalty point members to new businesses and services via online shopping, thereby increasing Yamada Denki's share in the market and improving customer satisfaction.



Strengthening of Existing Businesses

6 Original Product Development Services

Develop and Sell Original Home Appliances that are Environmentally-Friendly and are Easy to Handle

Yamada Denki has been developing and selling its original brand, “HERB Relax” series,* as the SPA business, integrally covering from planning to retailing. As a series of home appliances proposed by a home appliance mass merchandiser close to customers, we carefully seek the minimum functions necessary to meet customer needs.

Home Appliances Originally Developed by Yamada Denki

More and more customers prefer simple, easy-to-handle home appliances, rather than leading-edge highly-functional ones, as their lifestyles are increasingly diversified. Under the basic concept, “Products with Functions Preferred by Customers” instead of seeking so-called “high functionality,” new products are being developed from the customers’ viewpoint. As of the end of March 2016, there are a total of 313 products mainly in categories of consumable goods and small home appliances.

As the home appliance mass merchandiser visited by the largest number of customers in Japan, one of our strengths is that we can directly reflect customers’ opinions in developing original products. Additionally, since our nationwide network reduces distribution cost, we can directly sell original products at Yamada Denki stores nationwide at reasonable prices.

Product Development Strictly from Customers’ Viewpoint

Yamada Denki’s original brand, “HERB Relax” series, seeks user-friendliness and convenience based on information obtained from customers upon serving them and the opinions of sales persons. For example, the iron with a long cord was developed based on an opinion that conventional ones are inconvenient due to short cords. The dish dryer with a timer was developed in response to an opinion that power may be saved if a dryer can be set to work during night time, and the commercialized dryer makes it possible to efficiently utilize night-time power. The original handy cleaner and pop-up toaster have been highly evaluated for their simple functions and designs and have recorded the top sales among respective product categories of Yamada Denki.

Yamada Denki’s original brand, “HERB Relax” series, is developed as a series of home appliances that are simple, easy to handle, and well-designed. Now that a relatively complete lineup has become available, we are also developing physically beautiful products with high originality to further enhance the brand.



Contribute to Achieving Better Performance through Expanding Sales of Original Products

Original products developed by the SPA method can reduce costs and make it possible to achieve higher profit ratios than by selling general home appliances. Therefore, we are focusing on the development of original products to increase their sales. We will endeavor to develop user-friendly and environmentally-friendly products with functions preferred by customers, while increasing the amount of sales of such products and trying to achieve better performance as a whole with higher profit rates.

* SPA, HERB Relax
Abbreviation of “Specialty store retailer of Private label Apparel”; Yamada Denki develops its original brand “HERB Relax” series as the SPA business, integrally covering marketing, planning, development and retailing. The company develops and sells original home appliances with only necessary functions that are simple and easy to handle, based on customers’ opinions regularly heard at stores.

Strengthening of Existing Businesses

7 Reform for Improving Store Efficiency

Renovate Existing Stores to Respond to Market Changes Speedily at a Pace of 200 Stores a Year, the Top Level in the Industry

In order to improve customer convenience, Yamada Denki is carrying out scrap and build (S&B) and renovation of existing stores nationwide to change business forms. Renovation is not limited to repair work but is intended to revitalize stores into ones anticipating future needs and market changes. Yamada Denki’s stores are to be updated constantly so as to ensure a unique lineup and provision of original services.

Renovate Existing Stores in Response to Market Changes

We renovate existing stores from the customers’ viewpoint to ensure that customers can enjoy shopping safely and conveniently, through such means as reviewing the lineup, expanding aisles, repairing and renewing store equipment, and making bathrooms barrier-free.

We are actively renovating existing stores partly in order to respond to changes in the market environment and social needs due to the declining birth rate and the aging of society, population decrease and the development of the Internet society. Sensing such changes acutely, we are trying to make our stores more and more attractive by improving the lineup and devising displays of products by life scenes to emphasize the features of each product. In this context, we strategically implement S&B of stores that cannot sufficiently respond to market changes in their current forms.

Increase Earnings through Strategic Renovation

Generally, store renovation is implemented uniformly and efficiently based on a predetermined format. However, as popular products differ by region, we employ a method wherein officers observe the site in advance and decide lineups and layout flexibly based on opinions and requests of store staff, thereby creating optimal sales floors in accordance with respective local markets.

Timing of renovation directly affects sales and is very significant. We implement renovation strategically, while obtaining information on market trends and competitors’ moves as early as possible. Flexible and speedy responses are required, but know-how that we have

accumulated over years enables us to carry out timely renovation at the fastest speed in the industry.

Under such strategy, we have successfully increased sales and gross profit and significantly improved store efficiency.



New Stores Responding to Diverse Needs

Yamada Denki positions store renovation and S&B as a significant strategy for securing market share, and the development of stores with various concepts is also promoted under the Medium-term Business Plan up to fiscal 2019. We aim to build a store network without peer in the world consisting of diverse types of stores from large suburban stores like Tecc Land, urban stores (general stores, large stores, category-based stores and concept-based stores), and outlet/reuse stores.

We will endeavor to create stores nationwide that can satisfy not only customers but also employees working therein so that our stores can be sources to transmit information that always leads to new discoveries.



Strengthening of Existing Businesses

8 Personnel System Reform

Bring out Employees' Potential under the Optimal Working Shift Management System and Evaluation System



Yamada Denki has built a mechanism to optimize working shifts in respective stores and has been carrying out personnel system reform with the aim of improving labor productivity and sales efficiency. We will make the system fairer and more impartial and secure excellent personnel who will forge the future of Yamada Denki.

To Ensure Excellent Human Resources

Human resources are the source of growth power for Yamada Denki, which engages in the retail business. Fostering and managing human resources, which affects the very basis of the business, is a permanent challenge for retailers. People with various employment statuses are working for Yamada Denki at present and employment management has become increasingly important. We are working on personnel system reform, aiming to improve the working environment and stably secure excellent personnel, thereby stabilizing sales and business performance.

Personnel System Reform to Bring out Employees' Capabilities

► Career Step-up by Employment Status

Career step-up by employment status means promotion by stage from part-timers to full-time workers and then to managerial staff. We introduced a qualification system under which three-stage qualification criteria are set for each employment status and promotion is decided depending on test scores and evaluation by superiors. Through more objective capability evaluation, we aim to foster and secure excellent personnel.

We also encourage employees to obtain external qualifications, such as that for a certified electric home appliance advisor, to be a professional well-versed in home appliances (Certification Center, Association for Electric Home Appliances) and the Photo Master certificate (Kokusai Bunka College), hoping that they utilize such qualifications in serving customers to build a relationship of trust.

► Wage System Reform

We reviewed the retirement benefit system to better reflect employees' contributions while in service.

► Reform of Working Shifts by Store

In order to optimize working shifts of sales staff, we designed various shift patterns in accordance with the conditions of each store. By eliminating unreasonable or wasteful shift arrangements, we aim to control personnel costs and fully utilize the minimum labor capacity necessary to stabilize sales.

Improve ES in Response to Changes of the Times

The major objective of the personnel system reform is to contribute to improving employee satisfaction (ES) to have all employees feel happy to work for Yamada Denki.

Unreasonable and wasteful labor arrangements are apt to occur in a large-scale store network expanding nationwide. However, reduction of personnel costs is required from a business perspective. Optimal deployment and utilization of personnel enables control of personnel costs as well as fair and impartial working conditions and store operation. We will endeavor to move to a more reasonable personnel system flexibly responding to the changes of the times and stimulate and encourage existing employees.



▲ Training session

Source to Transmit Information Based on the Most Advanced Concept Concept LABI TOKYO

At the end of October 2015, Yamada Denki opened Concept LABI TOKYO at the Yaesu exit of Tokyo Station, the center of Tokyo and Japan's front door.

The store provides customers with a one-stop opportunity to see the most advanced home appliances and services that Japan is proud of, which is impossible for other home appliance stores, including our conventional LABI stores. As a source to transmit information based on the most advanced concept, Concept LABI TOKYO proposes new lifestyles, while displaying the latest products and services of multiple major manufacturers.

This is an innovative unique Yamada Denki store sending the most advanced information to the whole world, not limited to Japan, by making the most of its strengths of being the only home appliance mass merchandiser that has a nationwide store network.

At Concept LABI TOKYO, the concept for each floor from B1F to 10F is presented as a stage. With lineups of the most advanced products and various solution services, as well as tax-free services and dedicated counters for corporate and governmental customers, the store constantly sends the latest information through events held on each stage.

Concept LABI TOKYO will give customers surprises and positive impressions by constantly offering exciting opportunities to find something new and transmitting information on attractive new products and services.



Showroom to Propose New Housing Space and Lifestyles within Tecc Land Sapporo Main Store

Housetec Inc., a household equipment manufacturer in the Yamada Denki Group, which has been operating showrooms nationwide, opened a new style showroom within the Tecc Land Sapporo main store in December 2015. The showroom presents concrete images of renovated houses and offers comprehensive proposals to a wide range of customers, including the elderly, families with children, and newly married couples.

The Tecc Land Sapporo main store has the ability to attract many customers and this is an advantage compared with ordinary showrooms separately built. By delivering leaflets to customers in advance regarding various events, such as renovation consultation meetings and services to provide advice on daily living troubles, the showroom has been visited by many customers on weekends. Collaboration between home appliance sales staff and Housetec advisors is also strengthened, in such a manner as having a salesperson guide a customer who intends to purchase a dish washer to the showroom to solve water-related troubles at home.



Furthermore, housing contractors, home builders and other housing-related business users also visit the showroom. They sometimes can bring their own customers to the showroom to show them how to use the products of Housetec. This method of utilizing the showroom for B-to-B-to-C* services has become popular. In collaboration with diversified businesses of the Yamada Denki Group, the showroom is expected to respond to the expansion of the renovation market.

* B-to-B-to-C
Original idea of the Yamada Denki Group to offer support services not only to housing contractors but also to their customers that they bring, far removed from the conventional ideas of B-to-B services or B-to-C services

Reducing Environmental Footprint in Business Activities

Yamada Denki considers that coexistence with the global environment is the basis of sustainable growth of our society and economy.

In line with this understanding, Yamada Denki actively engages in efforts for environmental protection through its main business, trying to reduce environmental load in its business operations.

Environmental Management

In August 2010, Yamada Denki established its Environmental Policy that indicates the company's basic stance concerning environmental activities, and has been making efforts, while keeping in mind this Environmental Policy and ISO14001 certification as its concrete code of conduct.

➤ Major Activities in Fiscal 2015

In our business operation, we view environmental issues as an important agenda and promote the sale of products and the provision of services that have energy-saving functions and good environmental performance, and also promote the reuse and recycling business of electric products.

In fiscal 2015, as our initiatives for the reduction of environmental loads through our business, we continued to promote the smart house business and the reuse and recycling business of home appliances and PCs, which was realized under the collaboration among our group companies (C.I.C., Azuma Metal, and Inversenet). Furthermore, We use quantitative target management for environmental activities in each store based on ISO14001 environmental management system certification obtained for the Takasaki headquarters, and endeavors to reduce environmental loads. The progress is reported at the CSR Committee meeting held every month and is disclosed as a monthly report on our website. In addition we develop our activities along with discussions with outside experts at quarterly consultation meetings on CSR-focused management.

● Major Activities and status of Achievement in Fiscal 2015

Major activities		Goal for Fiscal 2015	Achievement for FY2015 (up to March 31, 2016)
Reduction of the environmental impact through core business	Reuse of home appliances (TVs, refrigerators, washing machines and dryers)	143,139 units	150,225 units
	Reuse of air conditioners	1,253 units	905 units
	Reuse of PCs	535,000 units	317,178 units
	CO ₂ emission reduction through the collection, recycling of used ink cartridges, and sale of refilled ink cartridges	CO ₂ emission reduction: 47,120.0t	CO ₂ emission reduction: 28,144.6t
	CO ₂ emission reduction through the sale of products for electrified houses	1,418,000 pieces	1,237,503 pieces
		CO ₂ emission reduction: 107.4t	CO ₂ emission reduction: 93.6t
Reduction of the environmental loads through business activities	Photovoltaic power generation: 293.4t	CO ₂ emission reduction: 57.4t	Photovoltaic power generation: 293.4t
	EcoCute: 119.6t	EcoCute: 106.0t	
	CO ₂ emission reduction at stores where demand controllers are installed ^{*1}	90% or lower from the fiscal 2014 level	CO ₂ emission reduction: 29,596.6t
	Volume of green power introduced (headquarters building) ^{*1}	CO ₂ emission reduction: 19,799.4t	CO ₂ emission reduction: 5,376.0t
	Volume of green power introduced (excluding headquarters) ^{*1}	98% or lower from the fiscal 2014 level	CO ₂ emission reduction: 5,732.4t
	CO ₂ emission reduction by photovoltaic power generation (Takasaki and Senri) ^{*2}	90% or lower from the fiscal 2014 level	CO ₂ emission reduction: 1,075.5t
	CO ₂ emission reduction by photovoltaic power generation (Takasaki and Senri) ^{*2}	CO ₂ emission reduction: 1,086.7t	5.8t
	Power generated by photovoltaic power generation system installed on store roofs	5.8t	6.2t
		39,944,482kWh	39,042,064kWh

^{*1} CO₂ emission coefficient: 0.55kg-CO₂/kWh
^{*2} Calculated using the coefficient of 314.5g-CO₂/kWh based on estimated annual power generation in representative areas

Yamada Denki's Environmental Policy (Established in August 2010)

<< Code of Conduct >>

1. We comply with laws and regulations related to the environment and operate businesses with regard to our responsibility of global environmental protection and mitigation of environmental impact.
2. We identify the environmental impact of all of our business activities and make consistent efforts to reduce environmental impact and to prevent pollution.
3. Through our core businesses, we promote services and the sale of products that contribute to society-wide efforts to protect the global environment.
4. Through environmental education, we let each individual voluntarily act for the better environment on their own responsibility.
5. Having partnerships with our customers and local communities, we promote activities for environmental protection and actively disclose information.

Reduction of the Environmental Impact throughout the Product Lifecycle

Yamada Denki facilitates environmentally-sustainable efforts by customers and society-wide efforts to reduce environmental impact by supporting households' efforts for energy conservation, energy creation and energy storage through the sale of energy-efficient electric home appliances and photovoltaic power generation systems, and also by establishing systems to recycle and reuse used electric home appliances.

➤ Promoting Product Reuse and Recycling among the Yamada Denki Group

In order to reduce the environmental impact by promoting the creation of a recycling-oriented society and in consideration of convenience of customers purchasing new products, Yamada Denki is offering services to purchase used products as part of its sales promotion activities.

Purchased products are renewed as products for reuse within the Yamada Denki Group and are sold at outlet & reuse stores such as Yamada Outlet-kan. Those unsuited for reuse are also recycled within the group. Thus, we have created a comprehensive flow of reuse and recycling system completed within group companies.

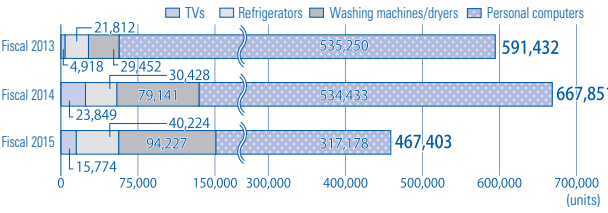
➤ Reuse of Home Appliances and PCs

The Yamada Denki Group started the reuse business concerning electric home appliances in 2001, and the reuse and recycling businesses concerning personal computers in 2007.

In fiscal 2015, we handled around 150,000 units of electric home appliances (TVs, refrigerators, washing machines and dryers) and around 317,000 units of PCs in the reuse business. In order to enable customers to reuse used electric home appliances without worries, we have established original recycling systems for cleaning used appliances and checking their functions as well as offering a 24-month guarantee at the longest upon selling them, in collaboration with C.I.C., a group company. Meanwhile, we provide personal computer reuse and recycling services together with Inversenet.

In fiscal 2016, we will increase the number of products for reuse and further improve product quality by expanding relevant factories and increasing personnel.

● Number of Appliances Reused



➤ Participation in the PLA-PLUS Project

Best Denki participated in the PLA-PLUS Project, a demonstration project to collect product plastic at stores for recycling, which was organized by the Ministry of the Environment. The campaign was carried out from February 14 to March 14, 2016, with the participation of 54 companies and organizations, aiming to collect used plastic products from consumers at stores and build a mechanism of recycling of product plastic. Best Denki installed a collection box at the Fukuoka main store and asked customers for cooperation.



➤ Recycling of Ink Cartridges and Mobile Phones

Yamada Denki is promoting recycling by installing ink cartridge collection boxes in each store. We make donations to the Japan NGO Center for International Cooperation and the Foundation for Orphans from Automobile Accidents using funds obtained through the collection of cartridges. The fund supports medical care, environmental protection, and the education of children orphaned by car accidents.

In fiscal 2015, we collected around 1.23 million cartridges and donated 7,352,190 yen.

We will continue the recycling of used ink cartridges, thereby promoting such activities as offering support for children's future, assisting the creation of a sound material-cycle society, and reducing waste and CO₂ emissions through the reuse of empty ink cartridges.

Additionally, we collect used mobile phones with the cooperation of Inversenet, one of our group companies, and extract rare metals therefrom, aiming to contribute to stable supply of rare metals.



● Number of Collected Ink Cartridges and Mobile Phones (units)

Type	Fiscal 2013	Fiscal 2014	Fiscal 2015
Ink cartridges	2,385,138	1,416,636	1,237,503
Used mobile phones	11,735	8,939	5,936

➤ Promoting Sale of Environmentally-Sustainable Products

In order to promote society-wide efforts to reduce the environmental impact, we actively provide environmentally-sustainable products and services, such as smart houses and electric home appliances focusing on energy conservation, energy creation and energy storage.

In fiscal 2015, annual CO₂ emissions reduced through replacement purchases of energy-efficient products were 18,830 tons.

In addition to promoting the sale of energy-efficient electric home appliances, Yamada Denki will aim to realize CO₂ reductions at households as a whole by strengthening proposals concerning smart houses that include household energy management using photovoltaic power generation systems and EcoCute.

● CO₂ Emission Reduction Effect of Replacement Purchase of Energy Efficient Electric Home Appliances (estimated by Yamada Denki) (Unit t-CO₂)

Home appliances	Fiscal 2013	Fiscal 2014	Fiscal 2015
Air conditioners	2,359	2,556	2,266
Refrigerators	22,469	13,164	14,050
TVs	3,352	2,224	2,515
Total	28,181	17,944	18,830

^{*} Only covering replacement purchases
^{*} TVs: Compare average annual power consumption of 32V-type liquid-crystal TVs between a 2006 year model and a 2014 year model
Refrigerators: Compare average annual power consumption of 401L to 450L refrigerators between a 2002 year model and a 2013 year model
Air conditioners: Compare average annual power consumption of wall-hanging air conditioners with 2.8 kW-class cooling capacity (representative energy-saving models) between a 2004 year model and a 2014 year model
^{*} All calculated based on catalogue information concerning energy efficiency performance
^{*} CO₂ emission coefficient: 0.55kg-CO₂/kWh

Reducing Environmental Footprint in Business Activities

Yamada Denki is promoting activities to reduce CO₂ emissions and environmental impact from its stores and during the distribution of products.

➤ Environmental Activities Concerning Stores and Distribution

In January 2011, Yamada Denki obtained ISO14001 environmental management system certification for the headquarters in Takasaki. To reduce environmental impact from our operational activities, we have been actively conducting measures for saving energy and resources at stores, including the introduction of renewable energy use, etc.

➤ Energy Saving at Stores

Reducing CO₂ Emissions through Introduction of Demand Controllers

We introduced demand controllers for the purpose of encouraging energy-saving efforts at stores through the comparison of CO₂ emissions at each store and the analysis of power consumption by equipment and by time zone. In fiscal 2015, we increased the number of stores equipped with demand controllers to 390.

In February 2016, LAB11 Nanba store was awarded the Power Conservation Award of the “FY2015 Osaka Stop Global Warming Awards” from Osaka Prefecture for its efforts for energy conservation. (See p.33.)



Shift to LED Lighting

Since the latter term of 2013, Yamada Denki has been changing store lighting to LED lights. As of the end of March 2016, LED lighting has been adopted in 423 stores as an initiative for energy conservation.

➤ Joint Distribution for Reducing CO₂ Emissions

Since 2010, Yamada Denki has been participating in the demonstration of a joint distribution platform for reducing environmental impact, which has been carried out in the Kyushu area by multiple entities, including distributors and home appliance retailers, etc. Through this initiative, load efficiency per vehicle was enhanced and the number of used vehicles was reduced, resulting in reduction of CO₂ emissions by 91.1t in fiscal 2015, which amounts to an approximately 50.6% decrease compared with the case of distributing goods individually.

➤ Reducing CO₂ Emissions through Environmental Education

We also try to raise employees’ awareness by asking questions related to the environment in examination tests for the certification of internal qualifications. Additionally, we encourage employees to obtain a qualification for a certified electric home appliance advisor.

➤ Introducing Renewable Energy at Stores

Continued Use of Green Power

We have continued to use green power generated by renewable energy since fiscal 2008. In fiscal 2015, 83 stores have adopted green power, bringing the total volume of green power used by Yamada Denki to approximately 11.85 million kWh. All electricity used at the headquarters in Takasaki has been shifted to green power.

Yamada Denki has been selected as an excellent partner in the Green Energy Partnership initiative for its contributions to the promotion of the diffusion of green power.

Introducing Photovoltaic Power Generation Systems

Yamada Denki has been introducing photovoltaic power generation systems on store roofs, etc. As of the end of March 2016, 191 stores are equipped with such systems and a total of 39.042 million kWh of power was generated in fiscal 2015.



● Environmental Activities at Stores†

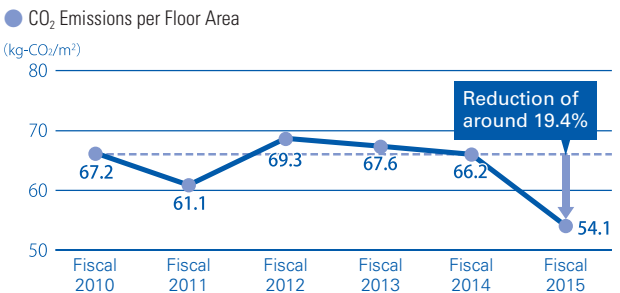
	Fiscal 2013	Fiscal 2014	Fiscal 2015
Number of stores introducing demand controllers (cumulative total)	419	409	390
Volume of green power introduced (kWh)	13,171,980	12,813,230	11,856,363
Number of stores using green power	86	84	83
Volume of solar power-derived electricity introduced (kWh)	17,644	20,706	19,942
Amount of power generated at stores using introduced photovoltaic power generation systems (kWh)	22,849,749	39,926,148	39,042,064

➤ Distribution and Delivery Measures

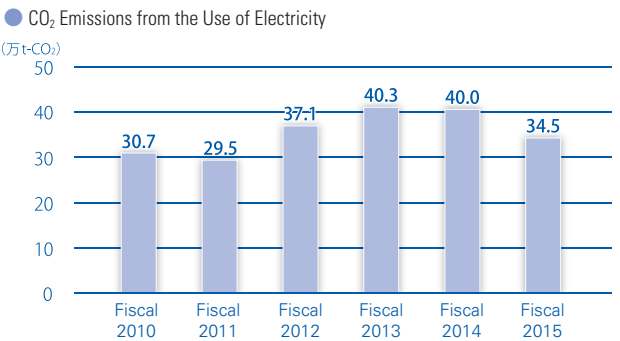
With our business partners, such as consigners and cooperative companies, we have tried to ensure idling stop during distribution and delivery in order to promote environmental activities in these fields. In fiscal 2015 as well, the implementation rate maintained a high level, exceeding 99%, since the commencement of the initiative in 2010.

➤ CO₂ Emissions from Use of Electricity

Yamada Denki has continuously tried to reduce CO₂ emissions from business activities. In fiscal 2015, we could reduce CO₂ emissions per total floor area by around 19.4% compared with the level in fiscal 2010, as a result of our efforts to change store lighting to LED lights and thanks to the influence of the cool summer and warm winter.



* CO₂ emission coefficient: 0.55kg-CO₂/kWh



➤ Waste

We properly dispose of waste from stores and used electric home appliances recollected from customers that are not subject to the Act on Recycling of Specified Kinds of Home Appliances in accordance with relevant laws.

We also properly disposed of waste in compliance with relevant laws and regulations in fiscal 2015.

● Amount of Disposed Industrial Waste

	Fiscal 2013	Fiscal 2014	Fiscal 2015
Amount of disposed industrial waste (t)	39,300	33,405	26,724
Number of stores subject to resource management	785	819	737

● Amount of Disposed General Waste

	Fiscal 2013	Fiscal 2014	Fiscal 2015
Amount of disposed general waste (t)	45,000	39,600	32,868
Number of stores subject to resource management	785	819	737

* Waste that is not subject to the Act on Recycling of Specified Kinds of Home Appliances

➤ Scope of Environmental Data for Fiscal 2015

● CO₂ emissions from the use of electricity

	CO ₂ emissions from the use of electricity	CO ₂ emissions per floor area	Amount of disposed waste
Yamada Denki Co., Ltd.	○	○	○
Minami-Kyushu Yamada Denki Co., Ltd.	○	○	○
Okinawa Yamada Denki Co., Ltd.	○	○	○
Other group companies	*	*	—

* Seidensha Corporation Limited; Kyushu Tecc Land Co., Ltd.; C. I. C. Corporation; Inversenet Co., Ltd.; Cosmos Berry's Co., Ltd.; Yamada Eco Solution Co., Ltd.; Matsuya Denki Co., Ltd.; Project White Co., Ltd.; Yamada SxL Home Co., Ltd.; Azuma Metal Co., Ltd.; Gunma Sogo-Setsubi Co., Ltd.; Best Denki Co., Ltd.; TES Co., Ltd.; Kimuraya Select Co., Ltd.; and Housetec Inc.
The scope of environmental data for past fiscal years differs by year due to elimination and consolidation of group companies.

➤ Initiatives by Group Companies

Housetec Inc.

Enhance Environmental Safety Management Level by the Use of Environmental Safety Management Reports

Housetec prepares original Environmental Safety Management Reports that cover all management items concerning the environment, safety and health, disaster prevention and chemicals management. Based on reports prepared by respective manufacturing departments every fiscal year, the environmental safety department conducts safety audits. Documentary inspections and on-site inspections are carried out in reference to the Guidelines on Occupational Safety and Health Management Systems. Auditors check compliance with relevant laws and regulations, obtainment of safety ratings, satisfaction of required personnel with legal qualifications, and achievement of original targets of Housetec.

Additionally, follow-up audits are also conducted to check improvements in the situations identified in the first audit findings, thereby attempting to promote intrinsic safety and strict compliance with environment-related laws and regulations in order to enhance the overall environmental safety management levels.

Consideration for the Environment in Distribution Process

Housetec has promoted cooperation with distribution companies to develop transshipment bases and the shift of 2t trucks to pickup trucks with the aim of reducing CO₂ emissions.

Furthermore, the company is attempting to ensure efficient energy use through improving loading efficiency, by such means as designating delivery time with some margins: for example, from 9:00 a.m. to 10:00 a.m., instead of specifying an exact time such as 9:00 a.m. sharp, to reduce the number of necessary vehicles and enable one vehicle to deliver goods to multiple locations. The company is also changing the conventional system under which 2t trucks transported goods all the way to destinations, by developing a transshipment warehouse to which goods are transported efficiently using 10t trucks. In this manner, the company aims to further improve loading efficiency and shorten total travel distances for distribution.

Yamada SxL Home Co., Ltd. , Yamada Wood House Co., Ltd.

Promotion of the Dissemination of Photovoltaic Power Generation Systems

Yamada SxL Home and Yamada Wood House have been proactively promoting the dissemination of photovoltaic power generation systems for general houses.

Due to the reduction in feed-in tariff purchase prices, among newly built houses of Yamada SxL Home in fiscal 2015, the percentage of those installing photovoltaic power generation systems was 47.3%. The company will make further efforts in fiscal 2016 to promote the dissemination of photovoltaic power generation systems by actively making proposals to customers concerning net zero energy houses upon constructing new houses and installation of photovoltaic power generation systems upon renovating houses.

Yamada Wood House has prepared a system to enable installation of solar panels on almost all houses, except for cases where there are constraints due to sunshine conditions or other legal constraints, and has promoted aggressive sales activities. Furthermore, the company also commenced promotion activities of net zero energy houses (ZEH), highly environmentally-friendly initiatives, and has already completed and delivered such houses to customers. The company will further strengthen proposals to customers.



▲Yamada SxL Home Co., Ltd.



▲Yamada Wood House Co., Ltd.

Yamada SxL Home Co., Ltd.

Wood Use in Consideration of Conservation of Forestry Ecosystems

In order to conserve the global environment and sustainably develop forests, Yamada SxL Home and its group companies have endeavored to secure the legality of wood they use for structural members and establish a traceability system. In fiscal 2015 as in the previous fiscal year, such efforts were made for structural members for the SxL method (method using wooden adhesive panels), which accounts for 87.4% of the company's housing business.

Wood used for the SxL method is divided into dimension lumber (two-by-four lumber) and plywood, and is further divided into dimension lumber for adhesive panels, dimension lumber for laminated lumber, unprocessed dimension lumber to be used for rafters, plywood for adhesive wall panels, plywood for adhesive floor panels, and sheathing plywood to be used for roofing boards.



Houses Built by Kobori in Mefu and Tri-vert Izumi Subdivisions

The concept of the Mefu Subdivision in Takarazuka developed and sold by Yamada SxL Home is a "town friendly to nature, community and residents." In order to create a beautiful view, the company tried to secure 50cm green strips along roads and selected and planted symbol trees to create unique spaces for each of them. In fiscal 2016, kobori Kenchiku Kobo, a professional architect company, completed four original one-of-a-kind houses with the focus placed on the beauty of form and shape, individuality and functionality.

The Tri-vert Izumi Subdivision is located on a moderate slope running down to the southwest from the entrance and commands an extensive view of distant mountains. Roads within the subdivision moderately curve to soften a feeling of oppression due to lines of outer walls. Gates are installed one meter or more back from roads and symbol trees and other greenery are planted to create a spatial streetscape. In fiscal 2015, kobori Kenchiku Kobo, a professional architect company, completed two houses in the subdivision.

Yamada Wood House Co., Ltd.

Development of Housing Business Adopting "Leaf to Home"

Yamada Wood House proposes the adoption of "Leaf to Home," an idea to utilize a Nissan Leaf Electric Car as a storage battery (24 to 30kW) to store inexpensive night-time power and use power thus stored at home during daytime, when power charges are high. The car, which can store power for two days, is also usable in an emergency. By selling the Leaf (battery) and a house as a set, the company proposes further reduction of power consumption.

Azuma Metal Co., Ltd.

A Class on the Environment at the National Museum of Nature and Science

The National Museum of Nature and Science (Taito-ku, Tokyo) holds science navigation classes twice a month to raise people's interest in science. As in the previous year, Azuma Metal also held classes on the environment and recycling at the science navigation corner on April 1, 2015. One of the classes was the one titled "Let's Learn the Mechanism of Metal Recycling! Art Works of Unique Figures Using Scraps." The company holds this class continuously with active support by the museum staff members, who offer cooperation such as preparing signboards and placing related books in the center of the reference corner.



Environment Classes Deeply Rooted in Local Communities

In fiscal 2015, the company visited a total of 10 local elementary schools and junior high schools and provided open classes with the aim of having children and students (i) learn about recycling of their familiar articles while having fun and (ii) gain an understanding of occupations in the environmental and recycling-related industries.

In order to have them enjoy learning about 3R (reduce, reuse, recycle), quizzes and videos are used and participants experienced sorting of garbage in the first half and then created art works with scraps on drawing paper in the latter half of the classes. The company received good feedback from teachers and guardians that children and students could learn about recycling from their own points of view.



Started Selling Power Generated with Photovoltaic Power Generation Systems

Azuma Metal installed photovoltaic power generation systems on its land in Furuto-cho, Ota-shi, Gunma, and started to sell generated power.

The total area is 13,700m² and the output capacity is 1,000kW.

The company effectively utilizes a vacant lot it owns to create environmentally-friendly natural energy.



TOPICS

Received the "Osaka Stop Global Warming Award"

On February 16, 2016, the awards ceremony of the "Osaka Stop Global Warming Awards" was held at the Osaka Mayor's Mansion (Osaka-shi, Osaka). LABI1 Nanba store was awarded the Power Conservation Award.

Based on the Osaka Prefectural Ordinance on the Prevention of Global Warming, the "Osaka Stop Global Warming Awards" commend entities that have made particularly outstanding efforts serving as a model to other entities with regard to the reduction of greenhouse gas and anthropogenic heat emissions and the leveling of power demand in their business activities.

The Yamada Denki Group will continue its efforts to reduce environmental load and create a recycling-oriented society as part of its CSR activities.



Efforts to Improve Customer Satisfaction

We are constantly pursuing management based on the “customer first” approach, endeavoring to provide customers with services that can satisfy them fully, not only at stores but also throughout the whole period they continue to use the products they purchased at our stores.

Consistent Efforts to Improve Customer Satisfaction (CS)

In addition to selling electric home appliance at reasonable prices, we provide useful services to satisfy customers while they use the products. Specifically, we believe that it is essential not only to improve customer satisfaction at stores but also to enhance overall customer satisfaction, including after sales service such as product delivery, installation and repair, from the stage in which they use the products onward.

To maintain high quality services, we will continue employee training programs and also consistent reviews of customer satisfaction. We will make improvements in response to customers' opinions at stores, during product delivery, and in after-sales service. Furthermore, we put posters in eyeshot of employees to remind them to be careful about their appearance.

Fostering of Staff who can Make Proposals on Lifestyle through Home Appliances

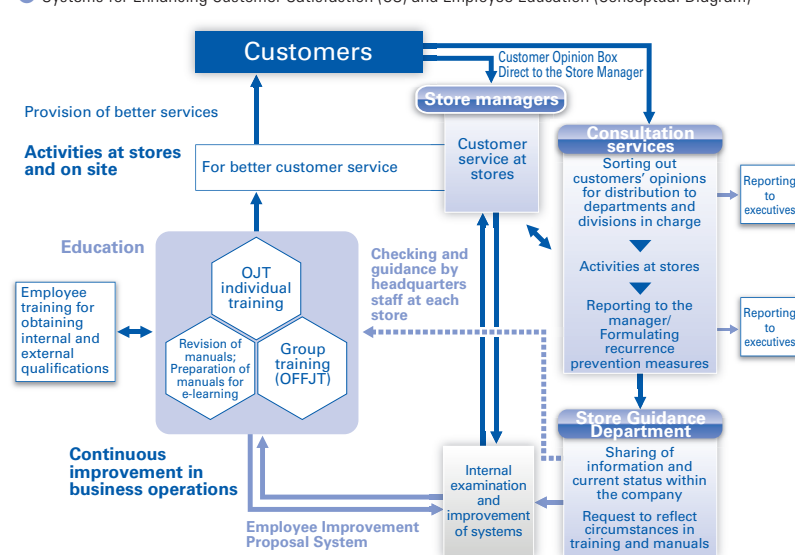
Each staff member's high-quality customer service skills are indispensable for satisfying customers in shopping at Yamada Denki. Yamada Denki promotes employee training to foster staff who can make proposals on lifestyle through home appliances. We provide group training at the Sosei Juku, a training center, targeting managerial staff to have them acquire knowledge on CSR-focused management and fostering of subordinates, as well as skills to better serve customers and create sales floors suited to offer better advice and proposals. OJT individual training is provided by area managers to their store staffs. Furthermore, we encourage employees to obtain internal and external qualifications so that they will possess better product knowledge. We thus provide employee training in various ways.

Yamada Denki also introduced the Improvement Proposal System to adopt good ideas from the on-site perspective, the Customer-store Manager Questionnaire System to directly reflect customers' opinions in store operation, and various other systems that will improve customer satisfaction synergistically with employee training.



▲ Training textbooks

● Systems for Enhancing Customer Satisfaction (CS) and Employee Education (Conceptual Diagram)



Encouraging the Acquisition of Qualification as Certified Electric Home Appliance Advisors

Yamada Denki tries to increase employees' expert knowledge so that they can provide customers with proper advice on selecting electric home appliances. In order to enable them to provide advice based on various factors, such as customers' needs with regard to product functions, their purpose of use, usage frequency, place of installation, as well as their preferences, we encourage employees to obtain external qualifications such as that for a certified electric home appliance advisor. We hold practical study sessions by outside lecturers, with the cooperation of manufacturers, and the number of qualified employees has been increasing.

In fiscal 2015, the number of qualified employees exceeded 2,435.

● Number of Certified Electric Home Appliance Advisors

	Fiscal 2013	Fiscal 2014	Fiscal 2015
Audio visual information home electronics	383	566	812
Daily life home appliances	372	398	574
General electric home appliances	537	685	1,049

Creation of a Customer Service Slogan

Yamada Denki has been promoting standardization of customer services so as to ensure friendly attendance at all stores. As one of the concrete measures, we have created customer service slogans common to all group stores since fiscal 2011 with the aim of offering services from the viewpoint of customers.

In fiscal 2015, we worked to instill the awareness that losing one customer results in losing ten customers, under the slogan “Be sure to serve all customers kindly” consecutively from the previous fiscal year. Furthermore, we specified the three principles for kind customer services so that newly joined employees can also understand the meaning of the slogan.

Products with Functions Preferred by Customers, “HERB Relax” Series, Developed from Customers' Viewpoint

The “HERB Relax” series is Yamada Denki's original brand and Yamada Denki integrally manages it from development to retailing under the basic concept, “Products with Functions Preferred by Customers.” As a result of such efforts as establishing a dedicated call center and improving development capability, the number of products increased significantly in fiscal 2015 to reach 313 (as of the end of March 2016).

When considering newly outsourcing production to a plant, we conduct an audit in advance using a list of 60 check items on purchasing, receipt, quality and warehouse management to ensure the quality of production. After commencing production, we supervise the production process using the same check list on a regular basis for controlling the quality. We will further develop the system to collect customers' opinions, and strive to employ our originality to develop better products and enhance customer satisfaction.



Promotion of the Improvement Proposal System

Yamada Denki prepares the Improvement Proposal System under which each staff member is encouraged to make proposals from an on-site viewpoint, with a view to realizing “Company-wide Participation in Management,” so as to ensure better performance in daily duties and the overall corporate management. In fiscal 2015, various proposals expected to further improve customer satisfaction were made by store staff members and many new proposals were adopted.

● Examples of improvement proposals



Presentation of How to Have Fun by Using Yamada Loyalty Points

Generally, conventional loyalty point programs of home appliance retailers offer customers a discount on their next purchase of home appliances only. Yamada Denki was early in introducing a system to offer customers options to exchange their saved points with goods other than home appliances, such as daily necessities and foodstuffs, thereby attempting to enhance convenience from the viewpoint of customers. We are planning to further expand such options to enable customers to use their saved points even for goods and services that we do not offer at our stores, and will also make it possible for customers to receive benefits by using Yamada Mall and other services of the partner companies. In this manner, we would like to present how to have fun by fully utilizing Yamada Loyalty Points.

Customers can use their saved points for purchasing non-electric/non-electronics products such as daily necessities and foodstuffs dealt with at any Yamada stores. Since 2012, they can also exchange their loyalty points for games, videos and other contents of the Yamada Multi SNS services. Yamada Loyalty Points can be used for diverse goods and services beyond the bounds of a home appliance retailer.

TOPICS

Yamada Express Delivery Services that Customers can Utilize without Worries

Yamada Denki commenced the *Yamada Express Delivery Services*, targeting all regions, to have store staff deliver ordered products on the same day. When a customer places an online order by 3:00 p.m., the staff of a nearby Yamada Denki store delivers the goods on the same day, if there is stock and installation services are not required. If all conditions for on-the-day delivery are satisfied, an icon “Delivery Available” is displayed on the screen. After the payment is completed, a nearby Yamada Denki store staff member calls the customer to

confirm the order and inform him/her of the delivery time. The services based on Yamada Denki's strong store network are characterized by meticulous responses compared with conventional online shopping services, and direct delivery by the staff of Yamada Denki will offer reassurance to customers.

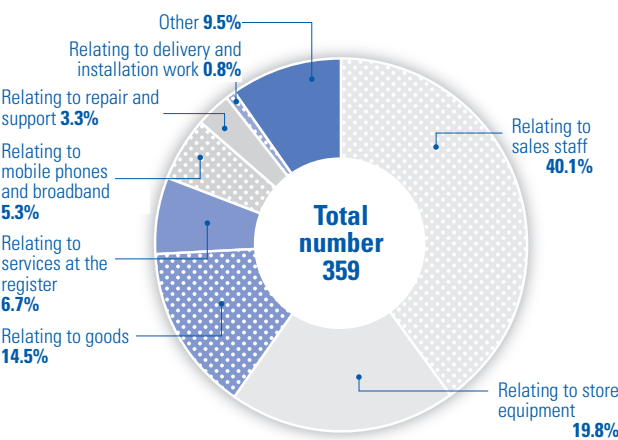


Efforts to Reflect Customers' Opinions in Management and Services

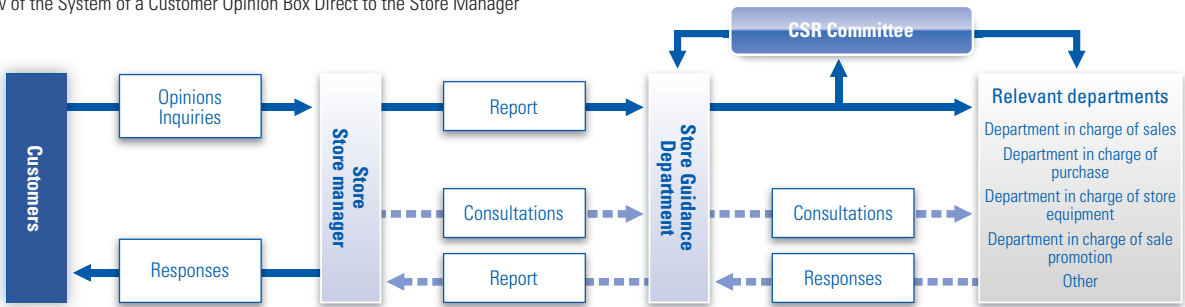
Prompt Response to Customers' Opinions Collected at the Customer Opinion Box Direct to the Store Manager

As a system to reflect customers' opinions in management and services, we have the system of a customer opinion box direct to the store manager, asking customers to write down their opinions and requests and put them into a box installed at each store. Store managers should read all inquiries, opinions and requests from customers and reply to them responsibly.

Through this method, we came to notice overlooked problems and issues and were able to improve our services promptly. We have received favorable comments from customers who can read all the opinions and requests and our responses thereto placed on a board in stores.



Flow of the System of a Customer Opinion Box Direct to the Store Manager



Holding of CS Meetings on Product Delivery, Installation and Repair

In order to pursue customer satisfaction at the time of delivering products and throughout their lifecycles, Yamada Denki strengthens collaboration with its partner companies in charge of product delivery, installation and repair, and holds training sessions for improving their services and manners over 100 times a year. Every year, Yamada Denki holds a regular CS meeting with the participation of the representatives of the 20 major partner companies in charge of product delivery and installation.

At this meeting, we confirm each company's current status and concrete efforts for improving CS, and our staff point out problems and give them guidance for improvements. We also extract problems for each location, each area and each staff member based on customer-store manager questionnaires and make tailored proposals for improvements to the extent possible. Similar meetings are also held for each sales area.

Introduction of Training to Certify CS Managers

In order to standardize CS activities in product delivery and installation, Yamada Denki requests its partner companies to receive its original "Training to Certify CS Managers." This is a system to certify responsible officials who provide persons in charge at respective companies with guidance on the standards that Yamada Denki specifies with regard to CS, manners, operations, etc. in relation to product delivery and installation. A training session consists of educational training, group discussions and a written test. Under this system, Yamada Denki certifies CS managers of its partner companies, with the aim of maintaining their CS levels equivalent to those of the staff of Yamada Denki.

Holding of Safety and Health Conference

The Safety and Health Conference aims to create an opportunity for relevant personnel to gather and share safety awareness for the purpose of securing the safety and health of on-site workers and creating a comfortable working environment. The slogan for fiscal 2015 was "to eliminate risks through daily risk prediction activities and prevent disasters through the improvement of construction safety quality."

Priorities include (i) to provide on-site workers with safety and health education through the holding of the Safety and Health Council (teleconference) and implementation of safety patrols; (ii) to prevent disasters by improving employee's risk prediction ability through the timely provision and effective utilization of accident-related and other information; (iii) to raise the safety awareness of partner construction personnel by promoting the implementation of priorities each year; and (iv) to guide and promote partner construction personnel's voluntary efforts for ensuring safety and health. For the purpose of implementing these priorities, we have conducted such activities as establishing a safety management system within each block, promoting safety and health education, surveying the status of employees' acquisition of qualifications and making it an obligation to acquire qualifications, holding the Safety and Health Council (among cooperating business partners), implementing safety patrols, and holding the Safety and Health Conference.



Initiatives by Group Companies

Yamada SxL Home Co., Ltd.

Improve Designing Skills through Training for Designing Staff

Yamada SxL Home provides training for each segment of the design staff (young, mid-career and managerial staff) to have them acquire necessary knowledge, respectively. In fiscal 2015, the company invited outside lecturers to hold seminars for young staff regarding basic knowledge on quake resistance and the environment, and concerning technical information. Study sessions on the amendment of the energy conservation law were also held with company staff serving as lecturers. For managerial staff, group discussions were held and training for improving design skills and raising motivation was also provided as necessary.



Best Denki Co., Ltd.

Enhancement of Customer Satisfaction through Brushing up Employees' Skills

The Best Denki Group improved the content of training sessions with the aim of brushing up employees' skills for achieving better customer satisfaction. Throughout fiscal 2015, training was provided to all employees, including full-time employees, contract employees, non-regular staff and part-timers.

Such training as that for improving customer service skills, and store manager management training and training for newly appointed assistant managers targeting managerial staff and officers, is provided to improve and standardize their skills of serving customers at stores and to enhance their sales capabilities as well as customer satisfaction by strengthening the leadership skills of managerial staff. For fostering specialists, training concerning renovation, increasing product knowledge and strengthening sales skills targeting corporate customers is provided for achieving better customer satisfaction.

Training Sessions Held in Fiscal 2015

- Group education at the headquarters: 22 sessions
- Regional group training (on-site training): 272 sessions

Matsuya Denki Co., Ltd.

Provision of Services to Satisfy Customers' Minds

As a locally-based, specialized merchandiser, Matsuya Denki endeavors to provide fine-tuned services to customers for their more convenient and comfortable daily lives under its philosophy, "cherish good products" "cherish warm-heartedness," and "cherish the satisfaction of bringing out people's potential." Matsuya Denki aims to make all its stores truly indispensable for local customers of the respective regions and be a company continuously supported and cherished by customers.

For achieving this goal, the company prioritizes the following three points. Firstly, it intends to provide diverse proposals concerning customers' daily lives as a whole, including proposals on renovation, and not be limited to selling home appliances. Secondly, the company stations staff who regularly visit customers' residence and provide services so that the customers can continue using products they purchased with peace of mind. Thirdly, the company tries to make its stores places for not only selling goods but also for providing warm-hearted services, enabling the customers to casually come in and ask questions concerning their troubles. If these efforts successfully widen the circle of trust with customers, that is actually what the company aims at as a locally-based merchandiser.

Group Companies

Support for Employees' Acquisition of Various Qualifications Relating to Their Business

Group companies proactively offer support to their employees for the acquisition of various qualifications in accordance with their business. When employees successfully acquire qualifications, the company grants rewards therefor. Other group companies also offer support for employees' acquisition of qualifications as follows.

Company name	Qualifications
Best Denki	Certified Electric Home Appliance Advisor, Certified Electric Home Appliance Engineer
Yamada SxL Home	Architect, Real-estate Transaction Specialist
Matsuya Denki	Certified Electric Home Appliance Advisor
TES	Certified Electric Home Appliance Advisor, Certified Electric Home Appliance Engineer, Second Class Electric Work Specialist, Refrigerant Recovery Specialist, Gas Welding Technician
Yamada Eco Solution	Certified Electric Home Appliance Advisor, Second Class Electric Work Specialist
Project White	Microsoft Certified Technology Specialist
Inversenet	Specialists in Reuse and Recycling of IT Equipment
Azuma Metal	Pollution Prevention Manager, Qualifications relating to heavy equipment and refrigerant recovery, etc.
Y's Select	Registered Pharmacy

Efforts to Improve Employee Satisfaction

Yamada Denki believes that human resources are the key element of management. Therefore, we always make an effort to improve our whole framework that enables employees to work with strong motivation.

Our efforts for employee training, capability development, and improvement of the working environment follow.

Our attempts to cultivate a corporate culture where every person's personality and characteristics are respected irrespective of their gender, age, or physical differences.

Personnel and Working Environment Policy

We have a fair and transparent evaluation system based on individual performance, depending on the acquisition of internal and external qualifications. We support the development of business skills and experience, and are building a good working environment for continued employment that will increase motivation.

Our recruiting policy is based on operational features, and we are recently hiring people who can invigorate the organization. As of March 2016, the average age of employees was 35.4 years old and the average employment term was 10.0 years.

Moreover, we are promoting the re-employment of contract workers as regular workers by harmonizing with the internal qualification system, the employment of people with disabilities, and the re-employment of elderly workers. The employment rate of people with disabilities has been higher than the legal standard since January 2009. Regarding the employment of elderly persons, we are making adjustments to meet the revised Act on Stabilization of Employment of Elderly Persons enforced in April 2013 that stipulates the obligation to continue employing all employees who wish to work until the age of 65.

Number of Employees

		Fiscal 2013	Fiscal 2014	Fiscal 2015
Number of managers	Men	3,171	3,097	3,021
	Women	70	65	65
	Total	3,241	3,162	3,086
Number of employees		11,460	10,895	10,725
Average number of temporary employees		9,573	8,935	8,487
Number of employees with disabilities		449	423	395

* The above figures represent the number of employees at Yamada Denki on a nonconsolidated basis.

Employee Training and Capability Development

Yamada Denki evaluates employee capabilities and performances based on the internal qualification system we developed. Internal qualification tests are conducted twice a year to review whether employees have the knowledge necessary for sales activity at stores and knowledge on management philosophy.

To enhance customer service, we also actively provide training for new recruits, in which they spend three months learning how to serve customers and gaining basic product knowledge. Since fiscal 2008, we have conducted group training with the support of outside experts in order to cultivate younger managers' understanding of management philosophy and CSR.

Overview of Training Programs

	Frequency	Number of participants	Period
Training for store managers and assistant store managers	13 sessions	380	Three days
New store training	5 sessions	70	Three days
Training on renovation (Smarnity)	1 sessions	48	Three days

* The above figures represent the number of employees at Yamada Denki on a nonconsolidated basis.

Promotion of Work-life Balance

To improve the working environment so as to enable employees to work with good conditions, Yamada Denki considers it important to provide workplaces under the concept of "work-life balance."

Under our child-care and nursing-care support systems, we allow expanded pre-childbirth leave (two weeks more than the legally prescribed minimum) and expanded childcare leave (until the child reaches three years of age), and have introduced systems to provide support for employees who have returned from child-care leave, and re-employ employees who left work to concentrate on child care. Through these systems, we provide a better working environment in which employees can adjust their work-life balance depending on their major lifetime events, such that the needs for child care or nursing care for their families are to be met.

Furthermore, in order to enhance the safety and health environment at workplaces, we set a safety and health committee at each store to have them respectively discuss issues on occupational safety and health, which are presented by the headquarters every month. These efforts have worked to enhance employees' satisfaction.



Number of Employees Taking Special Leave

		Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Number of employees Taking childcare leave	Total	169	164	201	204	169
	Male employees	5	2	4	6	2
Number of employees taking nursing care leave		5	8	4	7	13
Number of employees on short working hours		82	112	100	152	148
Rate of employees receiving medical checkup		95.0%	94.3%	94.0%	95.1%	95.3%

* The above figures represent the number of employees at Yamada Denki on a nonconsolidated basis.



Education for Candidate Managers

Targeting level-1 assistant store managers, level-1 chiefs, and level-1 general staff, education is provided to encourage them to seek higher positions. They are provided with e-learning education on basic knowledge for managerial staff and also receive training by accompanying delivery or construction service staff to ascertain customer needs and satisfaction. After that, they take tests and go through interviews by area managers before being appointed to higher positions. Contract employees are also given chances to be full-time workers. These incentives raise their motivation and improve their satisfaction.

Education Provided in Fiscal 2015

	Candidate store managers	Candidate assistant store managers	Candidate chiefs	Total
Number of approved candidates	20	30	250	300

* The above figures represent the number of employees at Yamada Denki on a nonconsolidated basis.

e-Learning Education

Specialized content of the training concerning product knowledge is supplemented with e-learning education. Specific details vary by major educational themes as determined by the Sales Office and target trainees are selected accordingly. As the rate of participation is in conjunction with the criteria for evaluating managerial staff's achievement in fostering subordinates, a 100% participation rate has been maintained and the system has been working to improve employees' skills.



Training at the Sosei Juku for Improving Management Skills of Store Managers and Assistant Store Managers

In order to improve management skills of store managers and assistant store managers, training is provided at the Sosei Juku, a training center. The training starts with lectures on management philosophy, implementation guidelines and CSR, and goes on to how to ensure communications and show leadership as managerial staff, and

then to role playing activities concerning on the job training. Furthermore, trainees learn planning, designing and operation of working shifts and store management skills, and methods of profit and loss management at stores from the managerial standpoint.

Management-Labor Cooperation through Company-wide Participation in Management

In order to promote labor-management dialogues, labor management consultation is held once a month. The management side presents managerial indices, such as sales, to the labor union, and both sides discuss managerial issues and problems based thereon. In the meantime, the labor union provides information obtained through observing working places from their standpoint and makes activity reports.

As a concrete system to promote company-wide participation, Yamada Denki introduced the improvement proposal system in 2007, under which employees in various positions consider the company's business challenges from their standpoint, respectively, and make proposals for resolving them.

Mental and Physical Health Management

Yamada Denki tries to raise employees' awareness of their mental and physical health management and gives guidance so as to ensure that all employees can fully exercise their capacity in performing their respective duties.

We started telephone counseling services with the cooperation of medical institutions to enable employees to freely get counseling on their mental health. Furthermore, we provide supervising personnel with life care education by an industrial doctor to have them acquire correct knowledge on mental health and learn proper responses in the event their subordinates have any mental problems.

Regarding employees' physical health, we conduct regular health checkups to reduce adult diseases risks and provide specific health guidance based on the results thereof.

Approach to Respect Human Rights

In Article 5 of the Code of CSR Ethics, which was established in June 2007, Yamada Denki clearly states as its basic approach concerning human rights that it aims to be a company in which employees respect each other's personality and characteristics and which banishes sexual and power harassment. The Code of CSR Ethics is cited in textbooks used in the training for new recruits so that these ideas are thoroughly shared among all employees as indispensable awareness as members working for the company.

Group companies also share Yamada Denki's business attitude based on respect for human rights, clearly stating their business attitude to respect human rights in their code of conduct.

TOPICS

Kyushu Tecc Land Co., Ltd.: To Achieve Cohesive Society where All People Can Show Their Ability and Originality

Kyushu Tecc Land considers that efforts to make the workplace friendly to people with disabilities result in creating a favorable workplace for all employees, and has been promoting the employment of people with disabilities. Company-wide efforts have been made to adjust duties depending on each person's ability and personality and to ensure good communications among employees. The number of employees with disabilities is constantly increasing and their percentage reached 4.55% of all staff as of June 1, 2015. Kyushu Tecc Land was awarded by Kagoshima prefecture as a leading company with a positive attitude toward hiring people with disabilities.



➤ Prevention of Harassment

At training and study sessions targeting managerial staff, themes concerning sexual and power harassment are taken up regularly to direct those managerial staff to take the initiative to create workplaces free from any and all harassment.

This approach of having managerial staff take the initiative is shared among all group companies and the opportunities of such training and study sessions and board meetings are utilized to first raise the awareness of senior staff members.

➤ Response to the Enactment of the Act of Promotion of Women's Participation and Advancement in the Workplace

Yamada Denki considers that women's participation is the key element for sustainable growth.

In response to the enactment of the Act of Promotion of Women's Participation and Advancement in the Workplace (April 1, 2016), we ascertained the current status and analyzed issues concerning the program to foster female managers, which we had carried out so far, and established an action plan.

● Action Plan	
Period	April 1, 2016 to March 31, 2021 (five years)
Issues	(1) The ratio of female managers is small. (2) The ratio of female staff engaging in the sale of home appliances, which is our major business, is smaller than that of male staff and the ratio of female staff seeking to assume managerial positions is also smaller.
Goals	The ratio of females among general staff promoted to managerial staff should be increased to 15%, the same as the male-to-female ratio among all employees.
Concrete measures and schedules	(1) Change awareness concerning gender roles and equalize the ratios of male and female staff serving customers to sell home appliances April 2016: Collect and tabulate data on deployment of all store staff by region May: Share the results among related departments and reshuffle the personnel as needed October 2016: Tabulate data again (repeat tabulation and sharing of data semiannually thereafter)
	(2) Increase the number of female candidate managers who have received internal education for candidate managers April 2016: Publicize the number of candidates approved in the previous fiscal year and share the male-to-female ratio by region within the company October 2016: Start education for candidates for the current fiscal year April 2017: Publicize approved candidates (Continue carrying out the same procedures every year)
	(3) Provide career advancement training to female candidate managers From April 2016: Examine the training details and set up concrete objectives and goals From May: Select target trainees according to the objectives and goals October: First career advancement training November: Second career advancement training (Continue carrying out the same procedures every year)

● Information on Women's Participation	
	As of the end of March 2015
Ratio of females among managerial staff	2.1%
Ratio of females among staff promoted in the past three years	4.9%

➤ Participation in Project Y, an Initiative to Prevent Bullying

Project Y is an initiative organized by the Human Rights Promotion Center to raise people's awareness to create a society without bullying. Based on the Act on the Promotion of Bullying Prevention Measures enacted in 2013, this project aims to request society to prevent and detect bullying at an early stage and make proper responses. Yamada Denki also participates in this project and offers cooperation by posting awareness-raising posters at stores to promote the prevention of bullying and widely provide information on telephone counseling services.

➤ Annual Commendation System

Yamada Denki has created a fair and impartial personnel evaluation system based on individual performance rather than on the basis of seniority. As part of such personnel evaluation system, it commends stores and offices having recorded excellent annual sales by store size, individuals having recorded superior sales, and stores and individuals having made excellent improvement proposals. In fiscal 2015, a total of 51 individuals and 21 stores and offices were commended.



➤ Initiatives by Group Companies

Best Denki Co., Ltd.

Established the Committee to Promote Activities of Female Staff

Best Denki established the Committee to promote activities of female staff, consisting of 18 members, mainly female managerial staff of stores, the headquarters, and affiliated companies. The Committee meeting covers all our group companies and aims to develop working conditions under which female staff in different life stages can prove their skills, thereby contributing to the growth of the company as a whole. Once every two months, members gather and discuss problems that hinder comfortable working conditions for female staff and make proposals to the company. In fiscal 2015, the Committee positively carried out activities such as compiling recommendations on the employment support system, launching public relations activities using posters, and achieving the amendment of employment-related rules.

Commendation System for Encouraging and Motivating Employees to Improve Their Careers

Best Denki has the commendation system to grant the Special President Awards to stores and offices having recorded excellent annual sales, the Best Sales Awards to individuals with superior sales records, and the Improvement Proposal Awards to stores and individuals that have made excellent improvement proposals. Through the system, the company has tried to encourage and motivate its employees to improve their careers.



Yamada SxL Home Co., Ltd.

Product Development from the Viewpoint of Female Staff

Yamada SxL Home has promoted product development based on diverse opinions of female staff irrespective of their affiliation or age.

Since FY2015, a team of female staff has been developing original cupboards with the concept of kitchen storage, jointly with a kitchen equipment manufacturer, and is also deliberating sales promotion measures for diverse proposals on storage equipment.

Those storage-related proposals have become widely known within the company and have also been highly evaluated by customers. They are adopted as standard specifications in new products and developed products are installed in new houses for sale and in renovated kitchens. They have become indispensable items to reduce the burdens of housework in planning new or renovated houses and their sales volume is increasing year by year. The team will further endeavor to improve convenience and functions in response to changes in people's lifestyles to seek higher quality.



Safety Management in Using Company-owned Vehicles

Yamada SxL Home provides training for reducing traffic accidents targeting administrative officers, safe-driving managers and safe-driving assistant managers of branch offices.

Under a program for reducing accidents, which was established based on past accident reports and data by non-life insurance companies, the training is intended to have trainees intensively experience traffic accident prevention measures in order to grow accustomed to them, with the aim of efficiently decreasing the number of traffic accidents.

The company introduced a new vehicle management system (e-Telega) in fiscal 2015. The system extracts individual data on sudden acceleration, sudden braking and excessive speed on a daily basis, which enables personal guidance and instruction. Thanks to the introduction of this system, traffic accidents while using company-owned vehicles decreased by around 40% from the previous year.

Housetec Inc.

Training for Fostering Personnel and Developing Their Capacity

Housetec provides training mainly to staff in the sales division and CS division for fostering personnel and developing their capacity. In fiscal 2015, the following training was provided.

Training	Outline
Training targeting new recruits	Training on company rules, manners and product knowledge
Training for strengthening sales capabilities	Role-playing for acquiring business negotiation skills for offering customized proposals
Training for strengthening management	Sharing of best practices and training on planning, implementation and follow-up of measures to solve common problems
Training targeting showroom advisors	• Study sessions on product knowledge • Training on manners • Training targeting showroom advisor leaders
Lectures for obtaining major qualifications	• Qualification for a sewerage system construction manager • Qualification for a kitchen specialist
Lectures on EcoCute	Training concerning EcoCute
Lectures on bidets	Training concerning the structure and repair methods of bidets
Brush-up training on the basis of CS	Brush-up training on the essence of customer satisfaction and the basis of interpersonal skills

Coexistence with Local Communities

Retail companies are required to contribute to the growth of the local communities in which they are located through corporate activities deeply rooted therein, while obtaining people's understanding and support.

As a community member, Yamada Denki continuously makes efforts to develop good relationships with local people and communities and to win their trust.

Yamada Denki's Social Contribution

To grow together with local communities under the basic policy, Yamada Denki has actively made social contribution, by promoting information transmission and offering support for activities useful for local communities. The Yamada Noboru Memorial Foundation established in February 2012 has also promoted original social contribution activities.

➤ Joshu Region Shogi Contest

On January 3 and 4, 2016, Joshu Region New Year's Shogi Contest 2016 was held in the event space, LABI Gate, on the fourth floor of LABI1 Takasaki store. This contest, which aims to use shogi, a chess-like game, to disseminate and develop a deeper understanding of traditional Japanese culture among people of a wide age range, is held every year in order to contribute to the local communities from the educational aspect mainly targeting elementary school and junior high school students. This two-day event attracted 2,122 people in total.



➤ The "Safe and Secure Town Development" Campaign Event

On April 25, 2015, Yamada Denki held an event for the "Safe and Secure Town Development" campaign at LABI Garden of LABI1 Takasaki store with the cooperation of the Gunma Prefecture Disaster Prevention Association and the Gunma Traffic Safety Association.

This event is held every year during the Spring Road Safety Week with the aim of raising public awareness of disaster prevention, disseminating information on crime prevention and measures against suspicious individuals, and ensuring residents' observation of traffic rules and proper traffic manners. Yamada Denki will continue discussing how to develop safe and secure towns with local residents and will actively carry out events and activities for that purpose.

➤ The First Women's Shogi Yamada Challenge Cup

On August 23, 2015, the first Women's Shogi Yamada Challenge Cup (hosted by the Japan Shogi Association and sponsored by Yamada Denki) was held at LABI Gate on the fourth floor of LABI1 Takasaki store. Yamada Denki has held the Joshu Region Shogi Contest and Yamada Shogi Class for Children as part of CSR activities. Based on such experience, Yamada Denki newly held this contest for women for the purpose of further disseminating shogi, a traditional Japanese culture. Under circumstances where women's social participation is increasingly promoted, we focused on female shogi players and intend to give them more chances and opportunities and develop the entirety of the arena of shogi. 16 young female shogi players (15 professionals

and one amateur player) exhibited exciting matches from the preliminary rounds and many customers came to see the final tournament. The Challenge Cup was also broadcast live on niconico video and recorded a total of 63,000 accesses. In this manner, the Challenge Cup entertained many customers.



➤ Fureai Running School by Yamada Denki's Women's Track and Field Team

On December 14, 2015, Fureai Running School by Yamada Denki's woman's track and field team was held at Yawata Elementary School in Tagajo-shi, Miyagi, targeting 50 fourth grade students to transmit to them the joy of running.

This Running School is held at elementary schools along the course of the All Japan Industrial Women's Ekiden Race, in which the team participates every year, for the purpose of supporting reconstruction after the Great East Japan Earthquake through sports activities.



TOPICS



Activities of The Public Interest Incorporated Foundation Yamada Noboru Memorial Foundation

In 2013, Yamada Denki celebrated its 40th anniversary. On February 10, 2012, the Founder Yamada Noboru (Representative Director, Chairman) and Yamada Denki Co., Ltd. established the Yamada Noboru Memorial Foundation, with gratitude for the continued support and patronage of customers. In September 2014, two years after its establishment, the Foundation was reorganized as a public interest incorporated foundation and made a new start.

Yamada Noboru Memorial Foundation has been carrying out various activities for contributing to local communities such as helping sound development of children and road safety improvement and providing assistance after disasters.

1. Wilderness Experience Trips (Four Times in Total)

Objective

Wilderness experience program for the purpose of providing children with opportunities to experience nature in the field of the Akagi Nature Park, thereby fostering their sensibilities, facilitating their sound development, enhancing their physical and mental comfort, and creating larger recreational effects

Outline

The Foundation held wilderness experience trips four times at the Akagi Nature Park in Shibukawa-shi, Gunma, inviting children of the prefecture. Under instruction by skilled instructors, children experienced nature physically and spiritually, observing animals living patterns and climbing trees and enjoying the woods from different points of view.

Program 1 Observe insects and plants



Animals and insects exercise their ingenuity for surviving in harsh natural environments. Children walk around in the Akagi Nature Park while closely observing insects and plants which they cannot easily have a chance to observe in their daily lives.

Program 2 Climb trees



Not only looking up at trees, children actually climb trees to experience the woods from different points of view. They can climb trees together safely by the use of ropes and harnesses.

Program 3 Enjoy nature games and woodwork



Children listen to birds and smell grass carefully with their eyes closed, create works with nuts and branches, or otherwise enjoy nature in various ways through the five senses.

Program 4 Ride on ponies



Children take turns to ride on a reined pony and enjoy strolling in the Akagi Nature Park. While strolling together, they learn about ponies and feed them.

2. Traffic Accident Prevention Activities

Objective

Road safety activities to raise public awareness with the aim of decreasing the total number of traffic accidents and reducing serious accidents for protecting children from traffic accidents

4th donation of drive recorders (48 units to 18 organizations)

Kindergartens: 1	Schools for special educational needs: 3
High schools: 13	Children's institutions: 1

5th donation of drive recorders (48 units to 19 organizations)

Kindergartens: 18	Children's institutions: 1
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Outline

The Foundation assists the introduction of drive recorders to vehicles for picking up kindergarten kids and high school students in Gunma and tries to raise awareness for safe driving. It also offers support for safer local communities by providing local people opportunities to learn about small incidents that may lead to a big accident, as well as measures to prevent respective accidents.

In fiscal 2015, the Foundation donated 96 drive recorders in total to schools, kindergartens, children's institutions, schools for special educational needs and other institutions. The Foundation has donated a total of 212 drive recorders so far.

▶ Lecture by Mr. Morikawa, Manager of Yamada Denki's Women's Track and Field Team

On March 6, 2016, the "Presentation and Lecture on Good Health No.1," a project to promote good health in Yoshioka-cho, was held at the hall of the Yoshioka Cultural Center in Yoshioka-cho, Gunma, where Yamada Denki's Women's Track and Field Team is based and its support group is organized. The event attracted an audience of approximately 400 persons. Following the first part in which town people presented their experience of keeping good health, the second part was a lecture by Mr. Morikawa, manager of Yamada Denki's Women's Track and Field Team. Under the theme, "How to Maintain a Healthy and Satisfactory Life with Moderate Exercise," he talked about the importance of continuing moderate exercise at around 60% of capacity to maintain good health.

As part of our CSR-focused management, we will continue encouraging the activities of the team to contribute to local communities.



▶ 5th Yamada Denki Award

On November 22, 2015, Yamada Denki hosted the ekiden race at and around the Takasakiamagawa Athletic Field with the participation of approximately 500 children from Minamisoma-shi, Fukushima, together with 1st to 6th grade elementary school students in Takasaki-shi.

This was the fifth race held as the Yamada Denki Award. Members of Yamada Denki's Women's Track and Field Team also participated. In cooperation with the Takasaki Track and Field Association, this event was held with the aim of supporting the education and sound development of elementary school students in the Takasaki region and also for the purpose of revitalizing local communities through sports.

Yamada Denki will actively make efforts for supporting education of children, promoting sports and revitalizing local communities through the activities of the Women's Track and Field Team.



▶ Initiatives by Group Companies

Yamada SxL Home Co., Ltd.

Participation in a Project Commissioned by the Ministry of Education, Culture, Sports, Science and Technology

Yamada SxL Home constructed a smart house laboratory building in the campus of the Nihon Kogakuin Hachioji School (Katayanagi Institute) in 2013, which triggered the conclusion of an industry-academia collaboration agreement with the school. The company is also a member of the "project to develop programs for cultivating core professionals in the social infrastructure development field," a project commissioned by the Ministry of Education, Culture, Sports, Science and Technology in which the school participated.

In fiscal 2015, as a member of the Smart Technology Committee, the company participated in the establishment of a new certified smart master qualification system in cooperation with the Association for Electric Home Appliances and home appliance manufacturers. The new system is designed as education curricula for vocational colleges and as a qualification system after graduation therefrom for the purpose of fostering engineers specialized in smart houses.

A certified smart master is required to have a wide range of knowledge on energy issues, smart houses and home appliances. In particular, discussions were held mainly on sessions concerning energy-saving houses, renovation work and construction-related laws in relation to (i) the outline of smart houses and (ii) core knowledge on smart houses in the curricula.

Qualification for a certified smart master was introduced in fiscal 2015 as the third qualification of the Certification Center, Association for Electric Home Appliances, in addition to those for a certified electric home appliance advisor and a certified electric home appliance engineer.

▶ Joint Research with Kyoto University: Comprehensive Wooden Structure Initiative

Yamada SxL Home, as a company leading the wooden prefabrication method under the Building Standards Act, has been carrying out joint research on wooden adhesive panels with Dr. ISODA, professor at the Laboratory of Structural Function, Research Institute for Sustainable Humanosphere, Kyoto University. In fiscal 2011, the company and Dr. ISODA (professor at the Faculty of Engineering, Shinshu University at that time) carried out research on the integration of wooden rigid-frame structures and wooden adhesive panels, and in fiscal 2014, research on super high-strength bearing walls.

In fiscal 2015, based on the outcomes of the research on wooden adhesive panels, the company provided training targeting its engineering staff to pass on technologies concerning the difference between the wooden prefabrication method and general wooden construction methods such as the timber framework method and the 2×4 construction method. Furthermore, the company held joint conferences 10 times concerning the improvement of its original wooden adhesive panel construction method, which is scheduled for fiscal 2017 onward, to analyze experimental results and establish remedial measures.

Toward the Tokyo Olympic Games in 2020, the company plans to carry out research on the possibility to use the wooden prefabrication method for multi-layered structures and non-residential buildings in light of the national government's policy to construct various facilities using wooden structures for the Olympic Games.



▲ Panel jointly developed with the Kyoto University

Joint Research with Kawasaki Medical School: Architectural Medicine Initiative

Yamada SxL Home has coped with the issue of protecting the good health of residents jointly with the medical community beyond the bounds of the industry. In fiscal 2015, jointly with Dr. OTSUKI, professor at the Department of Hygiene, Kawasaki Medical School, the company demonstrated the influence of spaces with dominant negative ions on the human body and publicized the results thereof in the PLOS ONE, a journal that handles initially published papers in the science and medical fields.

The research revealed that when residing in space with dominant negative ions for a certain period of time, NK cells, which fight against viruses and cancer cells, are activated and the relevant person acquires stronger immunity. Humans' immune system deteriorates due to aging, but the research publicized an innovative finding that a living space can improve the immune system of a person living therein. On December 13, 2015, at a lecture room of the Nihon Kogakuin Hachioji School, another research partner, the company held a lecture meeting targeting owners of houses it constructed and customers considering building new houses and provided lectures for promoting good health based on research outcomes of Dr. OTSUKI for the past ten years and results of demonstrations in 2015.

The company will further advance its research to achieve its social mission to lengthen people's healthy life expectancy in the coming aging society, and plans to expand the scope of research to cover single-family houses, facilities for the elderly, and existing houses, etc.



▲ At a seminar

C I C. Corporation

Proceed with Local Communities; Environment Beautification Activities

CIC. belongs to the Gunma Environment Resource Preservation Association (Takasaki branch) and has carried out environment beautification activities together with local people.

The company has actively engaged in the activities of "Creation of Beautiful Hometown, Gunma" promoted by Gunma Prefecture, and six employees participated in cleaning activities during the Spring Cleanup Campaign (May and June) and Autumn Cleanup Campaign (September and October), making efforts to raise people's awareness in order to prevent illegal dumping of garbage and decrease the amount of garbage, as well as calling for cooperation in cultivating plants and planting trees. The company will continue to play an active role in local environmental activities as a member of the community.

Cosmos Berry's Co., Ltd.

Revitalization of Local Communities by Having Mass Merchandisers and Local Stores Exist in Harmony

In order to realize the coexistence of mass merchandisers and local stores, Cosmos Berry's has tried to share, among its local franchisers spreading nationwide, Yamada Denki's unique mechanisms and know-how based on its store and service network. Through such efforts, the company has come to benefit from economies of scale, which could not have been achieved solely by a single local store. The company has thus contributed to the revitalization of local communities while trying to create stores helpful to local people by taking advantage of the relationship of trust with customers it has developed through locally-based sales activities and quick footwork enabling flexible responses. The company proactively offers proposals so that such win-win relationship can also be established in various other business models.



Local Platform Project

Amid changes in social needs due to the declining birth rate and the aging of society, population decrease and the development of the Internet society, stores with strong ties to the community are decreasing although an increasing number of customers rather prefer such stores. The national government also prioritizes revitalization of local communities and economies as one of its policies.

Under such circumstances, Cosmos Berry's has been carrying out a project to be a local platform where customers can receive consultations on and solve various troubles in their daily lives. Local franchisers receive consultations regarding troubles from customers including elderly persons and solve them in a local network linking other stores with a local focus in other business fields.

Back up Manufacturers Having Pride in Monodzukuri (Manufacturing)

Due to a trend of emphasizing selection and concentration in manufacturing, even products needed by customers are disappearing. On the other hand, some manufacturers consider such a trend to be a business chance and have started to manufacture unique products that precisely meet customer needs. However, the specially selected products are not mass-produced and are apt to be supplied to specialty stores or limited select shops where goods are treated carefully.

Cosmos Berry's intends to deal with such products in our integrated network. While taking advantage of the economies of scale of Yamada Denki, the company will offer such unique products, which large merchandisers cannot deal with, in response to diverse needs of customers of its local franchisers.

Governance and Compliance

Yamada Denki aims to conduct sustainable corporate activities in a transparent and fair manner in order to be a company trusted by society.

We strive to consistently enhance our corporate value and shareholder value by establishing a management organization that ensures quick decision-making concerning management affairs.

Corporate Governance

Yamada Denki realizes clarification of management responsibility and quick decision-making through weekly PDCA (plan-do-check-act) cycles under an organic and flexible structure consisting of the CSR Committee, other committees and subcommittees.

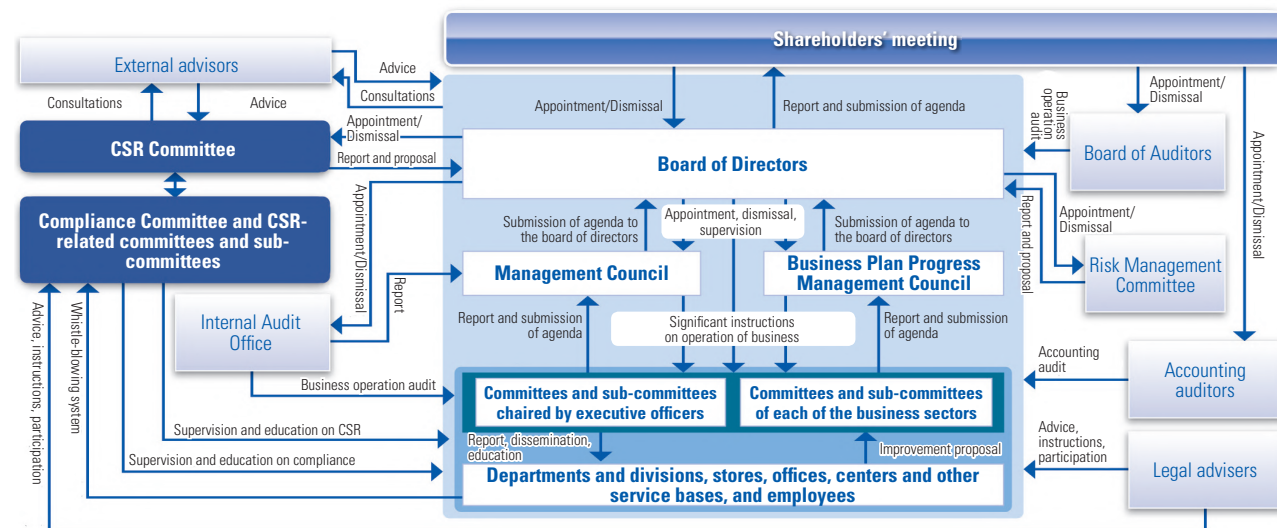
➤ Adoption and Implementation of CSR-focused Management

Yamada Denki adopts a board of auditors system under which the execution of business both is supervised and monitored by the board of directors and the board of auditors. The executive officer system is introduced so as to enable quick response to changes in the business environment by clearly separating the function of management decision making and supervision and the function of business operation. The top management team is comprised of the following three: Representative Director, Chairman and Chair of Board of Directors; Representative Director, Vice Chairman and CEO, and President-Director, Representative Director and COO. Under the top management team are various business departments, committees and subcommittees, with executive officers being in charge of specific business operations. The system thus clarifies management responsibility.

In addition to the Compliance Committee, Internal Audit Office and Risk Management Committee, we position corporate social responsibility (CSR) as the core of its management philosophy and have set up the CSR Committee. We established the Code of Ethics and corporate code that concretely specify our CSR approaches. These codes approved by the board of directors have been disseminated within and outside group companies to ensure full understanding of the significance of fulfilling CSR.

Under these systems, we are striving to materialize our basic idea on corporate governance of consistently enhancing our corporate value and shareholder value by carrying out fair corporate activities through highly transparent business management.

● Corporate Governance Organization Chart



Board of Directors

The board of directors consisting of 16 directors (including one external director) holds a regular meeting once a month and extraordinary board meetings as needed, where important matters are discussed, the business performances are reported, and necessary actions are taken promptly. In addition to one external director, two external auditors participate in the meetings.

Management Council

The Management Council holds a meeting every week in principle, excluding weeks when a board meeting is held. Management issues and the execution of business of each executive officer are reported and necessary actions are taken promptly.

Internal Audit Office

In order to improve internal audits, five internal audits directly under the president are appointed and they conduct routine audits, supervise inventory review and do internal checks, etc. Auditors and an auditing firm exchange information and actively cooperate with each other and conduct audits in order to check whether corporate activities are conducted in an appropriate and efficient manner.

(as of March 31, 2016)

➤ Strengthening of the Governance System of the Group

The Yamada Denki Group has established a total governance system centering on Yamada Denki. Yamada Denki dispatches directors and auditors to group companies as necessary and manages and supervises the entirety of the group by requiring monthly business reports on sales, balances, and finances, as well as weekly reports on business activities and compliance, and conducting regular internal audits. Yamada Denki also concludes basic affiliation agreements with each of the group companies.

➤ Established the Risk Management Committee for Strengthening Governance

In order to ensure the soundness and stability of the group's business as a whole, the Yamada Denki Group also takes measures for risk management by properly operating its internal control system.

In June 2015, the Risk Management Committee was newly established to strengthen risk management based on the understanding

that risks that had been independently dealt with by each department are management risks of the company as a whole.

The Committee consists of executive directors and the secretariat is set up in the General Affairs Department. Committee meetings are held once a month and the details of its activities are reported to the board of directors as necessary.

Major themes are as follows:

- (i) Countermeasures against serious risks that may significantly affect the management, and the development and operation of the relevant system;
- (ii) Countermeasures against intrinsic risks of each department, and the establishment and operation of the relevant system;
- (iii) The establishment and operation of the system concerning responses to new Acts and amended Acts.

The Yamada Denki Group will continue to develop and strengthen its risk management system.

[Message from External Director]



TOKUHIRA Tsukasa

Representative Director, Cross Co., Ltd.

As an external director, I always check (i) that Yamada Denki is reporting to the stakeholders about whether it is conducting compliance and able to contribute to the development of the home appliance distribution industry, (ii) whether it maintains the customers' viewpoint and endeavors to be a company supported by customers, (iii) whether the business management of Yamada Denki is sound enough to match its position as the top in the industry, and (iv) whether governance is proper at all stores and subsidiaries of Yamada Denki.

As an external director of Yamada Denki, I find the following three excellent points. The first is the speediness of the period from

decision making to execution. Decisions made at the board of directors and the Management Council are executed immediately. The second is the establishment of the system using IT equipment that easily reveals various problems at stores and departments, etc. and enables speedy solution based on the Sangen shugi (a principle to prioritize relevant site, goods and facts), under which responsible personnel immediately go to the site to take concrete measures. The third is the fact that the top management, Chairman, Vice Chairman and President-Director, often visit and observe stores and departments, etc. and make appropriate business judgment promptly and that the corporate structure is simple, in spite of being a large company, and this enables agile business management.

From now on, I will see whether the company can maintain its challenger spirit to cultivate new markets amid severe business environments and will also check the progress and outcomes of the business reform so that the company keeps high productivity all the time.

I will pursue my role regarding stakeholders by supporting Yamada Denki so that it can surely achieve sufficient performance as the top home appliance mass merchandiser and can fulfil its social responsibility.

TOPICS

Efforts for Ensuring Thorough Compliance

As legal amendments have been made in the related fields in recent years, we have also been strengthening measures concerning especially significant matters through the activities of the Compliance Committee. In fiscal 2015, we held study meetings under multiple themes in which all relevant staff are obliged to participate, thereby trying to raise their awareness. In response to the amendment of the Act against Unjustifiable Premiums and Misleading Representations, we set up the Representation Management Department in 2016 for the purpose of ensuring price indication that is proper and easy to understand for customers. Through holding study meetings targeting related departments and opening consultation counters, we have tried to deepen staff's understanding on price indications and raise their awareness and skills.

The Yamada Denki Group will continue all-out efforts for ensuring thorough compliance.



▲ Study meeting on the Act against Unjustifiable Premiums and Misleading Representations

Compliance

Recognizing compliance as a critical corporate management issue, Yamada Denki endeavors to thoroughly ensure it by holding study meetings and carrying out awareness raising activities for employees throughout the year.

➤ Compliance Committee Meeting Held Once a Week

To ensure company-wide awareness and practice of compliance, we have established the Compliance Committee chaired by the responsible executive director. The Compliance Committee holds a meeting every week. Based on monthly themes, the Committee identifies problems and discusses countermeasures and remediation, and if necessary, takes actions for improvement. In fiscal 2015, the Compliance Committee discussed the following themes at its internal meetings.

● Examples of the Themes Studied by the Compliance Committee (April 2015 to March 2016)

2015	April	• A study meeting on the Act against Unjustifiable Premiums and Misleading Representations
	May	• Development of a system against antisocial forces
	June	• Training on the prevention of power harassment and sexual harassment
	July	• Strengthening of the system for compliance related to labor affairs
	August	• A study meeting on the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors
	September	• Strengthening of the information security system
	October	• Development of compliance systems at respective departments
	November	• A study meeting on the prevention of insider trading
2016	December	• A study meeting on the Individual Number System
	January	• Strengthening of the information security system
	February	• Confirmation of thorough compliance related to miscellaneous approvals and permissions • Strengthening of the system for compliance related to labor affairs
	March	• A study meeting on the Act against Unjustifiable Premiums and Misleading Representations in advance of the enforcement of the amendment thereof

➤ Building of the Management System Well Prepared for Various Risks

Yamada Denki has developed a risk management system to avoid, control and mitigate risk and to make a response when necessary. Risk management manuals are prepared in each department.

Based on the experience of the Great East Japan Earthquake, we introduced a new system utilizing mobile phones for confirming the safety of employees in the event of a disaster, and also newly added measures in preparation for a possible outbreak of super-flu, such as vaccinations for employees. Risk management manuals are thus reviewed and revised constantly so as to reflect various risks that actually occurred recently.

➤ Holding of the Group CSR Meeting

We hold a CSR Meeting once a month to extend CSR-focused management into the Yamada Denki Group based on “Appreciation and Trust,” so as to contribute to the resolution of environmental problems and social problems through our business throughout the group.

We are committed to promoting our CSR-focused management, not only in terms of business management but also in terms of customer satisfaction, environment, labor, and compliance, while sharing the management philosophy and CSR policies among the entirety of the group, with the goal of enhancing the overall credibility of the Yamada Denki Group.

➤ Utilization of the Whistle-blowing System

Yamada Denki adopts the whistleblowing system for receiving reports from inside and outside the company. This is an in-house system established mainly for the purpose of compliance, but any reports concerning human rights or discrimination are also accepted. The contents of reports are dealt with while making adjustments with relevant departments.

➤ Efforts to Protect Personal Information of Customers Involving Business Partners

Yamada Denki is making consistent efforts to ensure appropriate management of its large database of personal information of customers. Our headquarters has obtained the certification for Information Security Management System (ISMS) and Yamada Denki Group as a whole has established an information management system based thereon. We also ensure that companies directly and indirectly commissioned to conduct our business operations establish a management system similar to our system by appointing managers in charge of personal information and information security.

In fiscal 2015, we held periodic seminars to study ISMS management items and consider how to prevent information leaks, with the participation of employees from relevant divisions and departments.



Fair Business Transactions

Yamada Denki aims to achieve co-existence and co-prosperity with manufacturers and other business partners based on fair business practices by maintaining sound and transparent relationships and establishing long-term relationships of trust that are beneficial to both of us.

➤ Basic Concept on Fair Business Transactions

In October 2011, Yamada Denki disclosed its Sourcing Policy to business partners and has placed even and fair business transactions as a major pillar of its CSR-focused management.

Yamada Denki has transactions with various business partners, including domestic major electric appliance manufacturers and daily commodity manufacturers, as well as wholesalers. Many domestic electric appliance manufacturers, in particular, have excellent expertise concerning CSR and a larger number of them have conducted advanced efforts compared with those in other industries. Yamada Denki aims to build sound partnerships with business partners based on the respective knowledge on each side, while mutually deepening understanding of their respective CSR activities and sharing information on corporate social responsibility.

➤ Toward Fair and Sustainable Business Transactions

■ Observance of the Code of CSR Ethics

In Article 4 of the Code of CSR Ethics, which was established in June 2007, Yamada Denki clearly indicates its commitment and basic policy to always conduct fair transactions. Based on such laws as the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, we have endeavored to ensure fair transactions with business partners. As the number of business partners is increasing through our business expansion, we implement employee training and conduct internal checks so as to continue to ensure fair transactions.

■ Holding of a Study Meeting on Compliance

Mainly targeting employees working in the commodity department, who often have contact directly with business partners, we hold a study meeting on compliance as needed. At the study meeting, we provide education concerning what acts fall outside the scope of fair transactions based on case studies of past violations of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, etc.

➤ Implementation of the Fourth CSR Questionnaire Survey

Since fiscal 2010, Yamada Denki has been making efforts based on ISO26000. ISO26000 places importance on efforts for compliance covering the entirety of the value chain. Since fiscal 2012, Yamada Denki has carried out a CSR questionnaire survey, targeting major business partners and all group companies, to ascertain how they are making concrete efforts for ensuring compliance, with the aim of promoting social compliance, environmental compliance, and compliance in governance over the whole lifecycle of products that customers purchased. Questionnaires are prepared in reference to ISO26000 and the Global Social Compliance Program (GSCP), which is an international program aiming to continuously improve labor and environmental conditions throughout the supply chain.

The results of the fourth CSR questionnaire survey showed a steady increase in the implementation rate both in business partners and group companies and the Yamada Denki’s Sourcing Policy is thus becoming deeply rooted. The Yamada Denki Group is committed to further promoting CSR activities covering the entirety of its supply chain.

Overview of the Fourth CSR Questionnaire Survey

● Targets:	• All group companies • Major business partners
● Survey period:	• Group companies: End of May - Mid June 2015 • Major business partners: End of June - Early July 2015
● Response rate:	• Group companies: 100% • Major business partners: 77.8%

Yamada Denki’s Sourcing Policy (Established in October 2011)

Towards our sustainable society, Yamada Denki proceeds with business transactions with companies running their entire value chain businesses based on the following policies.

- Comply with all domestic laws and international rules based on the corporate ethics.
- Comply with laws and regulations related to the environment, and continuously facilitate environmentally-sustainable efforts to reduce the environmental burden.
- Respect individual personality and human rights, comply with social and environmental requirements, and sustain fair and sustainable business.

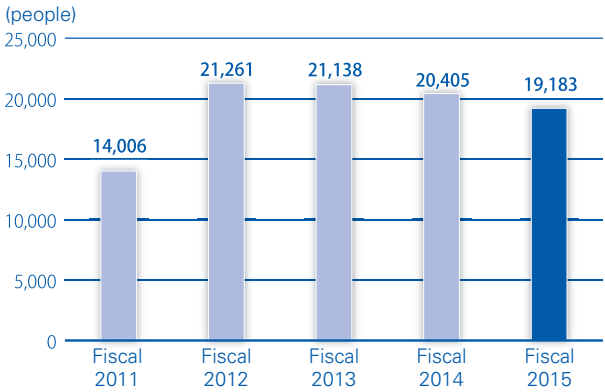
Corporate Profile

Corporate Profile

Company name	Yamada Denki Co., Ltd.
Representative Director, Chairman	YAMADA Noboru
Representative Director, Vice Chairman	ICHIMIYA Tadao
President-Director	KUWANO Mitsumasa
Headquarters address	370-0841, 1-1, Sakae-cho, Takasaki-shi, Gunma
Founded	April 1973
Organized	September 1983
Stated capital	71 billion yen on a consolidated basis (March 2016)
Total assets	1146.7 billion yen on a consolidated basis (March 2016)
Capital adequacy ratio	46.6% on a consolidated basis (March 2016)
Number of employees	19,183 people* on a consolidated basis (March 2016)
Total outstanding shares	966,489,740 shares (March 2016)

* Excluding average number of temporary employees

● [Consolidated] Number of employees



Group Network

Number of stores directly operated by the Yamada Denki Group by prefecture			
Hokkaido	50	Osaka	37
Aomori	10	Kyoto	14
Akita	11	Hyogo	32
Iwate	12	Mie	11
Miyagi	18	Nara	8
Yamagata	12	Wakayama	5
Fukushima	15	Tottori	5
Tochigi	16	Shimane	8
Ibaraki	14	Okayama	20
Gunma	19	Hiroshima	14
Saitama	37	Yamaguchi	17
Chiba	39	Ehime	8
Tokyo	52	Kochi	10
Kanagawa	39	Kagawa	12
Niigata	20	Tokushima	9
Toyama	13	Fukuoka	78
Ishikawa	9	Saga	17
Fukui	6	Oita	20
Nagano	20	Nagasaki	18
Yamanashi	5	Kumamoto	34
Shizuoka	14	Miyazaki	21
Gifu	10	Kagoshima	20
Aichi	45	Okinawa	16
Shiga	8		

Total: 928

*The number of FC stores is not included.

(as of March 31, 2016)

Number of directly operated stores in Japan	
Yamada Denki	637
Minami-Kyushu Yamada Denki	4
Okinawa Yamada Denki	7
Matsuya Denki	86
Seidensha	7
Y's Select	5
Kyushu Tecc Land	30
Project White	9
Best Denki	143
Directly operated stores	Total: 928

Number of FC stores in Japan	
Cosmos Berry's FC	10,872
Best Denki FC	178
Matsuya Denki FC	34
	Total: 11,084

Number of overseas stores	
Directly operated stores	19
FC stores	56
	Total: 75

List of Group Companies (as of March 31, 2016)

Consolidated subsidiaries

Minami-Kyushu Yamada Denki Co., Ltd.
Okinawa Yamada Denki Co., Ltd.
CIC Corporation
Yamada Eco Solution Co., Ltd.
Inversenet Co., Ltd.
Cosmos Berry's Co., Ltd.
Matsuya Denki Co., Ltd.
Seidensha Corporation Limited
Yamada Financial Co., Ltd.
Kyushu Tecc Land Co., Ltd.
Project White Co., Ltd.
Yamada SxL Home Co., Ltd.
SxL Juko Co., Ltd.
Conglo Engineering Co., Ltd.
Ace Home Co., Ltd.
SxL Housing Co., Ltd.

Best Denki Co., Ltd.
Best Credit Service Co., Ltd.
J-Staff Co., Ltd.
Best Service Co., Ltd.
Best Financial Co., Ltd.
B.P.C. Co., Ltd.
Repair DEPOT Co., Ltd.
Kurokawa Denki Co., Ltd.
BEST DENKI MALAYSIA SDN.BHD.
BEST DENKI (SINGAPORE) PTE.LTD.
Housetec Inc.
Nikka Maintenance Co., Ltd.
Chubu Nikka Service Co., Ltd.
Y's Select Co., Ltd.
Yamada Denki (Shenyang) Commercial Co., Ltd.
Yamada Denki (China) Investment Co., Ltd.

Major unconsolidated subsidiaries

Y-Just Co., Ltd.
TES Co., Ltd.
Gunma Sogo-Setsubi Co., Ltd.
Azuma Metal Co., Ltd.
Yamada Wood House Co., Ltd.

