



Creation and Challenge



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.

Under this management philosophy, we will keep in mind the Sustainable Development Goals (SDGs) as one of the tools to ascertain the expectations and requests of our stakeholders and reflect on our activities in carrying out business while looking ahead to the future.

We will further endeavor to maximize the synergy effect among the company group with the largest service network in Japan to enhance our corporate value and will continue social and environmental contributions through our business.



Table of Contents

04 Management Philosophy of Yamada Denki Group	28 Topic 3 Enhancement of Human Resources Development
06 Yamada Denki Group at Present	- Promotion of Female Workers' Participation and Developing of Next Generation Leaders -
08 History of Value Creation	
10 Process of Enhancing Corporate Value	
12 Dialogue with the Top Management	30 ESG-related Initiatives: Environment
16 Introduction of Executives	30 Environmental Conservation Activities
18 Financial and Non-Financial Highlights	34 ESG-related Initiatives: Social
20 [Performance Reporting] Economic Performance	34 Efforts to Improve Customer Satisfaction
22 [Performance Reporting] Relationship with Shareholders and Investors	36 Efforts to Improve Employee Satisfaction
	38 Social Contribution Activities
24 Outline of the Medium-term Business Plan	40 ESG-related Initiatives: Governance
25 Topic 1 Acquisition of Certification for Collecting Small Waste Home Appliances for Recycling Nationwide Started to Accept Waste Home Appliances at Stores Nationwide (excl. Okinawa)	40 Governance and Compliance
	42 Financial Summary
26 Topic 2 "Kaden Sumairu Kan" a New Type of Stores Offering Total Coordination of a Comfortable Living Space	42 Major Financial Data for 10 Years
	44 Consolidated Balance Sheet
	46 Consolidated Profit and Loss Statement / Consolidated Statement of Comprehensive Income / Consolidated Statement of Shareholders' Equity
	48 Consolidated Statement of Cash Flows
	50 Outline of the Yamada Denki Group

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.

In line with the trend in European countries to adopt integrated reporting (integrating financial and nonfinancial information), we have published the Yamada Denki Group Corporate Report, which also contains the content of conventional CSR Reports, since 2016 as a comprehensive communication tool integrating company financial and non-financial information, while referring to the International Integrated Reporting Framework publicized by the International Integrated Reporting Council (IIRC). From the 2018 version, the report is published as the Yamada Denki Group Integrated Report by further expanding the content so that investors and other stakeholders can better understand our corporate value as a group.

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, 2017 and March 31, 2018 and some significant information available after April 2018 is additionally included.

[Issued Date] September 2018

[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, 2018. 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.

● **Inquiries**
CSR Promotion Office, YAMADA DENKI CO., LTD.
370-0841, 1-1, Sakae-cho, Takasaki-City, Gunma
TEL: 0570-078-181

Management Philosophy of Yamada Denki Group

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.

Ideas Concerning Management Philosophy and ESG-related Initiatives

Under "Creation and Challenge" and "Appreciation and Trust" as its management philosophy, the Yamada Denki Group has carried out diverse businesses and initiatives for the growth and development of society and the company. 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 will endeavor to broaden and deepen our business potential, with the sale of home appliances as the core of our business, and 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. Additionally, with the awareness that giving due consideration to the environment, society, and governance is indispensable for us to continue contributing to the solution of social problems and enhancing our corporate value, we have also positively been carrying out ESG-related initiatives based on our CSR philosophy. We will continue offering services and products that will contribute to protecting the global environment and reducing environmental impact (E-environment), promote co-existence with local communities and creation of an environment in which diverse people can actively participate (S-social), and ensure transparency and fairness in our corporate activities (G-Governance).

Environmental Aspects	Social Aspects	Governance Aspects
<ul style="list-style-type: none">▶ Established and publicized the Environmental Policy▶ Acquired ISO14001 certification for the headquarters▶ Promoting the sale of energy-efficient home appliances▶ Realized a one-stop system for reuse and recycling of home appliances and PCs▶ Reducing the environmental impact in business operations▶ Promoting environmental education, etc.	<ul style="list-style-type: none">▶ Established the Code of CSR Ethics▶ Established and publicized Yamada Denki's Sourcing Policy▶ Pursuing improved customer satisfaction▶ Pursuing improved employee satisfaction▶ Engaging in social contribution activities▶ Established the public interest incorporated foundation Yamada Noboru Memorial Foundation, etc.	<ul style="list-style-type: none">▶ Established the Compliance Committee▶ Established the Risk Management Committee▶ Introduced the executive officer system▶ Introduced the whistle-blowing system▶ Holding Group CSR Meetings▶ Introduced external directors and external auditors, etc.

The Yamada Denki Group is committed to working for the creation of a sustainable society as a leading company in the home appliance distribution industry, under its CSR philosophy and ESG criteria, by anticipating and preparing for social changes such as the declining birthrate and the aging of the population.

Ideas Concerning SDGs



In September 2015, the United Nations Sustainable Development Summit declared a plan of action for people, planet and prosperity, wherein 17 Sustainable Development Goals (SDGs) to be achieved by member countries by 2030 were listed. Not only national governments but also private companies in respective member countries are expected to proactively participate in specific actions.

In carrying out business under our management philosophy, while looking ahead to the future, we will keep in mind the SDGs as one of the tools to ascertain expectations and requests of our stakeholders and reflect on our activities. We will fulfil our social responsibility through business activities and will also contribute to the achievement of the SDGs.

Engagement with Stakeholders

The Yamada Denki Group established its Code of CSR Ethics in 2007 and then established its Code of Conduct for the purpose of contributing to the solution of social and environmental problems through its business of selling home appliances and offering related services. We believe 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.

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.
 - 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.
- 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.

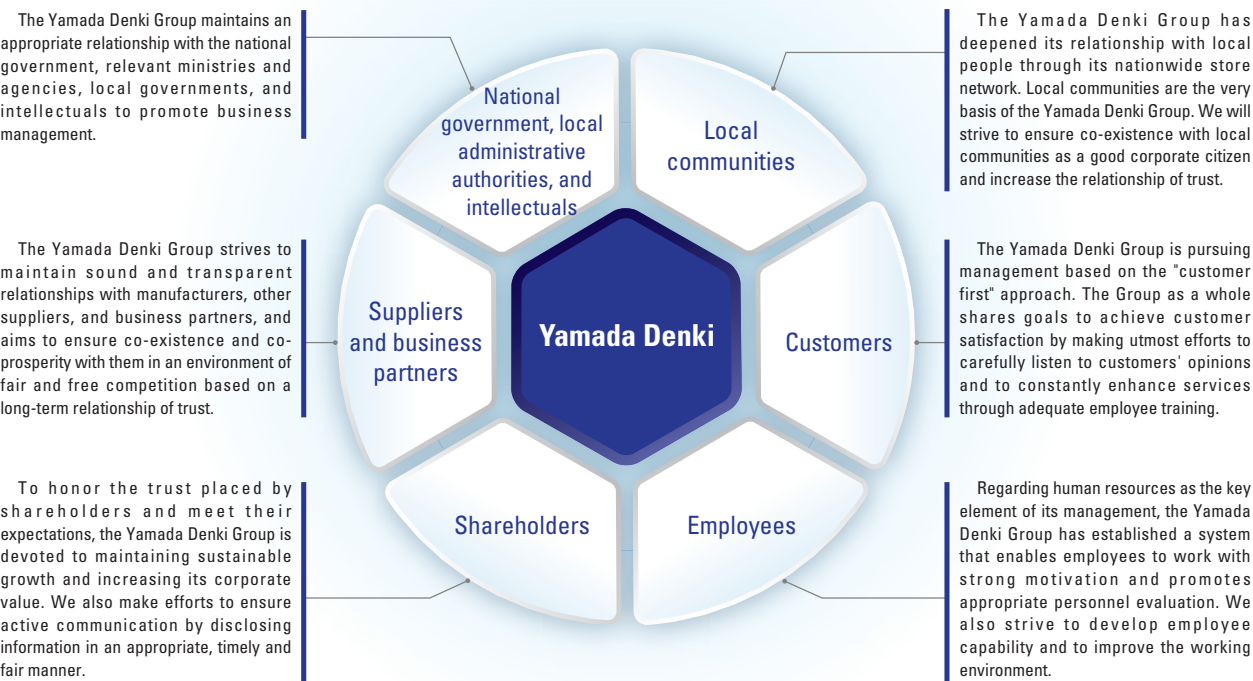
- 4 Fair Transactions**

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.
- 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.
- 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**

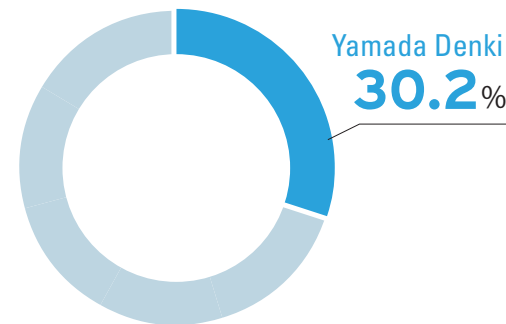
Yamada Denki understands that stores exist within the communities and require appreciation and support of the community members for their existence. We contribute to local culture by co-existing with local people.



Yamada Denki Group at Present

- Outline of the Group Providing Value to Society -

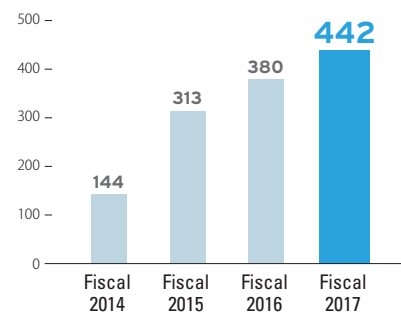
Existing Businesses



(Source: Extracted from "Industry Map 2018," Nikkei Shimbun)

Top Market Share
in the Industry
Approx. 30%

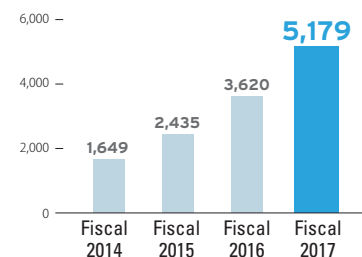
The Yamada Denki Group recorded the largest turnover as a home appliance merchandiser in Japan in 2001. It then became the first home appliance merchandiser to achieve a turnover of 1 trillion yen in 2005, and a turnover of 2 trillion yen in 2010. Since 2001, the Yamada Denki Group has maintained the top position in sales and its market share has been approx. 30%.



SPA Products, "HERB Relax"

442 items

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 2018, there are a total of 417 items in categories of consumable goods and home appliances. SPA products have also been developed in the category of interior goods and 25 items have been launched so far.



Certified Home Appliance Advisors and Smart Masters

Number of qualified employees

A total of
5,179 employees

A certified home appliance advisor is a private qualification issued by the Association for Electric Home Appliances. Examinees are tested for their knowledge and skills to provide customers with advice or answer questions concerning home appliances at stores and for their knowledge on the Act on Recycling of Specified Kinds of Home Appliances or other related laws and regulations. A person who has obtained both a qualification for audio visual information home appliances such as TVs and PCs and a qualification for everyday life home appliances such as refrigerators and air conditioners and who satisfies certain requirements may obtain a qualification as a general advisor.

In recent years, consumers are increasingly interested in smart houses, wherein energy equipment and home appliances are networked using IT, and energy consumption is optimized. Therefore, the Yamada Denki Group also encourages the employees to obtain a qualification as a smart master, which certifies that the person has diverse knowledge on smart houses.



Store Network Covering All

47 Prefectures

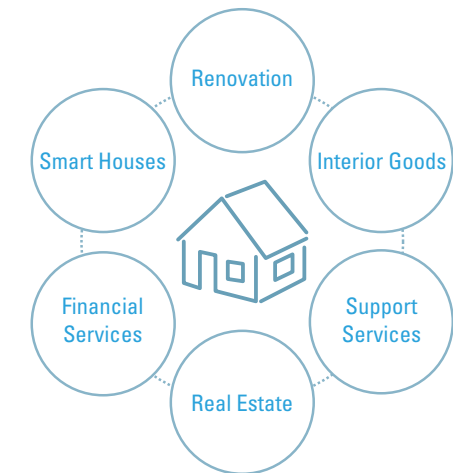
Since its foundation in 1973, the Yamada Denki Group has expanded its business firstly in its birthplace, Gunma, and then gradually to cover the whole nation, opening and operating suburban large scale stores and urban-type stores at the same time. In 2005, it became the first and only home appliance merchandiser to have a nationwide store network with directly operated stores in all 47 prefectures.

As a leading company in the home appliance distribution industry, the Yamada Denki Group has kept in mind environmental problems and social changes such as the declining birthrate and the aging of the population, and has proactively been taking measures from the perspectives of environment, social and governance (ESG), thereby having achieved growth while contributing to the sustainable development of society. The current status of the Yamada Denki Group is outlined below based on some of its characteristic data.

Expanded Businesses

Total Housing Services from Home Appliances to Houses

In addition to its existing businesses centered on the sale of home appliances, the Yamada Denki Group has expanded its business in the fields of home renovation business, smart house business, financial services business, etc. Home appliances, houses, real estate, interior goods, etc. are all related to housing. We will provide total housing services covering everything related to housing.



ESG Management

Number of Stores in which Solar Panels are Installed

199 stores

The Yamada Denki Group has been introducing photovoltaic power generation systems on store roofs. As of the end of March 2018, solar panels were installed at 199 stores as a means to promote each store's eco-friendly activities.

Number of Female Managers

79 managers

Yamada Denki considers female workers' participation as an indispensable element for its future development. In response to the enactment of the Act of Promotion of Women's Participation and Advancement in the Workplace in April 2016, Yamada Denki ascertained the actual status again and analyzed issues based on the outcome of the female leadership training, which it had carried out as a program to foster female managers, and in light of a progressive increase of female managers. As a result, an action plan for the five years up to 2021 was formulated.

Number of Improvement Proposals under a System of Company-wide Participation in Management

5,590 proposals

Yamada Denki promotes company-wide participation in management and has established an Improvement Proposal System to encourage employees to actively make proposals from an on-site perspective so that they can fulfil their duties more efficiently. In fiscal 2017 as well, 5,590 proposals were made aiming to improve customer satisfaction and employee satisfaction, help sales activities or reduce costs, and 191 proposals were newly adopted.

Reuse of Home Appliances and PCs

Approx.
430,000 units

The Yamada Denki Group commenced the reuse business of home appliances in fiscal 2001 and the reuse and recycling business of PCs in fiscal 2007. With the aim of reducing environmental impact, we are promoting the reuse and recycling business in collaboration with our group companies. 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.

Number of Stores in which Digital Support Stations are Established

105 stores

Since 2016, the Yamada Denki Group has sequentially established "Digital Support Stations" to offer PC support services meticulously under a group-wide system. This service, which covers from consultations to repair of digital equipment, has contributed to improving the customer experience and also enhancing customer satisfaction accordingly.

Holding of Risk Management Committee Meetings

12 times a year

Yamada Denki established the Risk Management Basic Rules, which provides for the development of a risk management system to prevent possible risks that may happen in the course of business and the responses to be taken to any risks. The Risk Management Committee holds a meeting once a month to ascertain and manage problems faced by respective sections and revise or abolish manuals as necessary in accordance with actual circumstances.

History of Value Creation

The Yamada Denki Group considers the time when it commenced business and then developed into a community-based general store as the first start-up period, and the time when it changed itself into a mass merchandiser as the second start-up period. It is now in the third start-up period with a long-term vision of aiming to be an IoT company with the largest service network in Japan. The Yamada Denki Group has maintained growth by promoting a proactive business approach while envisaging future development, strengthening financial structure through steady implementation of capital policies, and reinforcing business infrastructure. In a rapidly changing distribution market, the Yamada Denki Group is the only home appliance merchandiser in Japan that has directly operated stores in all 47 prefectures. Making the most of its high-density service network close to customers' living areas, the Yamada Denki Group has been promoting the cultivation of new businesses such as various solution businesses to broaden and deepen its business range, in addition to its existing businesses centered on the sale of home appliances.

With a business approach based on its management philosophy, "Creation and Challenge" and "Appreciation and Trust," the Yamada Denki Group is committed to making an overall effort for sustainable growth and development as a company group and continually taking on challenges for the creation of social value.

Foundation & First Start-up Period

Chairperson Noboru Yamada, who is the founder of Yamada Denki, joined Victor Company of Japan, Limited, and worked at its Maebashi Plant, where he learned about quality control. In 1973, he opened a private electric goods store "Yamada Denka Service." This is the very start of the Yamada Denki Group. Chairperson Yamada and his wife started a business as a small local electric goods store having a floor area of only 8 tsubo (approx. 26.4 m²). From the time of the foundation, "Creation and Challenge" was set up as its management philosophy.

The period from the foundation to the early 1980s, when Yamada Denka Service had developed into a community-based general store, is considered to be the "first start-up period." This is the period during which oil shocks that started in 1973 and in 1979 and the introduction of the floating rate system caused the appreciation of the yen. During this period, the business expanded, and in 1978, five years after the foundation, five stores were operating and annual sales of 600 million yen were achieved. This is the "foundation period" of the Yamada Denki Group.

Second Start-up Period

The period of business change from a community-based general store to a mass merchandiser is considered to be the "second start-up period." This is the period during which the business boom after overcoming the oil shocks led to an economic bubble and then the economic bubble burst. The internet and other digital technologies started to spread rapidly. The second start-up period is from the early 1980s to early 2010s.

After the shift from an affiliated store to a retailer dealing with products from multiple manufacturers, mass retailing stores were opened, and YAMADA DENKI CO., LTD. was established in 1983. Yamada Denki expanded business through the development of franchise chains, the opening of a large-scale general home appliance store called Tecc Land, the introduction of low price strategies, the establishment of a delivery center, etc. Over-the-counter trading for shares started in 1989. The company achieved a turnover of 100 billion yen in 1997 and the largest turnover among domestic home appliance merchandisers in 2002. In 2005, Yamada Denki became the first home appliance merchandiser in Japan that has achieved the establishment of a national chain covering the whole country, with directly operated stores in all 47 prefectures. Through the development of urban large scale store "LABI", a turnover of 1 trillion yen was achieved for the first time in Japan as a home appliance merchandiser, and a

turnover of 2 trillion yen in 2010. Additionally, overseas store expansion was also promoted.

In the meantime, in the 1990s onward, corporate social responsibility (CSR) came to draw people's attention and the Yamada Denki Group also endeavored to build a relationship of trust with local communities and other diverse stakeholders. In 1994, it started comprehensive maintenance service "The Anshin," and in 1997, it established CIC Corporation, an entity that gives due consideration to environmental issues. The Yamada Denki Group actively carried out activities aiming to improve customer satisfaction by designating 2003 as the first year to commence relevant efforts. In 2004, a training institution "Soseijuku" was opened as a facility for employees. Recognizing the significance of responding to the expectations of society that had increased along with the growth and expansion of the company, the Yamada Denki Group newly added "Appreciation and Trust" as its management philosophy in 2007 and set up the CSR Office in the same year.

This is the "period of business expansion" through the shift to a mass merchandizer, the "period of upheaval" due to the burst of the bubble economy, and the "period of dramatic development" during which the Yamada Denki Group climbed up to the top of the home appliance merchandisers in Japan.

Third Start-up Period

For the "third start-up period," which started from the early 2010s, the Yamada Denki Group established a long-term vision of aiming to be an IoT company with the largest service network in Japan. Amid a rapidly changing market environment, in which proper responses are required with regard to such problems as the declining birthrate and the aging of society, population decrease, and development of the internet society, the Yamada Denki Group, as the only home appliance merchandiser in Japan that has directly operated stores in all 47 prefectures, has been strengthening collaboration among its group companies, making the most of its high-density service network. The Yamada Denki Group will further endeavor to broaden and deepen its business potential, with the sale of home appliances as the core of its business, and expand solution businesses and other businesses in an innovative manner from the customers' viewpoint and based on a downstream perspective, thereby actively making efforts for enhancing corporate value sustainably in the medium to long term to achieve the goal of being an IoT company with the largest service network in Japan.

Specifically, the Yamada Denki Group acquired BEST DENKI CO., LTD., which has a large market share in Kyushu, as a subsidiary in 2012, opened "Concept LABI", a base to transmit information on the latest concept, in 2015, and opened "LABI LIFE SELECT Senri", an experience-based store exhibiting

model houses, in 2017. As a means to fully utilize the network, we acquired SxL Co., Ltd. and Housetec Inc. as subsidiaries in 2011 and 2012, respectively, and established YamadaWoodHouse Co., Ltd. in 2013, thereby strengthening housing business. Additionally, we also opened a shopping website and reuse & outlet specialty stores. In 2015, we formulated a Medium-term Business Plan and have been promoting the structural reform for cultivating new markets and strengthening existing businesses. Under this plan, we are carrying out proactive initiatives for continuously enhancing corporate value from the medium- and long-term perspectives.

Furthermore, from 2018, under a management slogan, "Challenge towards a New Stage," we have been promoting a shift from the existing businesses only focused on home appliances to a new business model of offering total housing services covering not only home appliances but also houses (new construction and renovation) and interior goods. Specifically, we will further expand a new type of stores, "Kaden Sumairu Kan" in which interior goods and furniture are dealt with together with home appliances, to increase demand.

As a leading company in the home appliance distribution industry, the Yamada Denki Group will also continue its CSR (ESG) activities proactively.

Representative Stores in Each Period

First Start-up Period



Yamada Denka Service founded



Second store



Third store

Second Start-up Period



First Tecc Land store



Suburban type store (Tecc Land)



Urban large scale store (LABI)

Third Start-up Period



Concept LABI



LABI LIFE SELECT



Reuse & outlet specialty store



Kaden Sumairu Kan

Pursuit of the Management Philosophy, "Creation and Challenge" and "Appreciation and Trust"



NAKAMURA Yutaka

Former External Auditor

Career

Apr. 1974: Entered Maebashi Shinkin Bank (Shinonome Shinkin Bank at present)
Jan. 2002: Established JINS Garden Square Co., Ltd. (JINS Inc. at present) and assumed the office of Representative Director and Chairperson
May 2005: Assumed the office of external auditor of YAMADA DENKI CO., LTD.
Dec. 2007: Assumed the office of Senior Managing Director and Chief Director of Administration, JINS Inc.
Nov. 2016: Assumed the office of Director and Chief Financial Officer, JINS Inc. (to the present)

YAMADA Noboru

Representative Director and
Chairperson, Chairperson of Board of
Directors

It is becoming a common understanding that the social aspects, including the attitude towards environmental issues, cannot be ignored when we evaluate companies. In 2015, the Government Pension Investment Fund (GPIF) signed the Principles for Responsible Investment (PRI) supported by the United Nations, and awareness is increasing rapidly. Under the social situation, what should Yamada Denki do to achieve development with society? Chairperson Yamada explains the business environment and social aspects through a dialogue with Mr. NAKAMURA, a former external auditor of Yamada Denki.



Business Environment (Reflection and Strategies)

We disclosed the financial results of the nine segmented businesses. We will accelerate this management style.

— First of all, Chairperson Yamada, please look back on fiscal 2017.

Yamada: In fiscal 2017, the domestic economy continued recovering gradually by the economic measures of the government and monetary policy of the Bank of Japan, while the prospects of the world economy are uncertain due to the trend of the US's policy and the EU's political situation, each of which is quite unsteady, and also due to the geopolitical risk of Asia and fluctuation of the capital markets. In the home appliance distribution industry, the demands for TVs, refrigerators, washing machines and smartphones were in a favorable trend, but the demands for PCs and other digital equipment were sluggish.

Under such severe conditions, Yamada Denki Group's structural reform is coming to fruition and contributed to the sales expansion.

— Please explain concrete efforts for promoting the structural reform.

Yamada: It is said that the number of customers visiting stores and demand for home appliances are unlikely to increase in our industry because of the declining birthrate and aging population. However, Yamada Denki Group has been promoting structural reform for several years and expanding its business fields. Specifically, we have developed housing, housing equipment, renovation, real estate, financial service, support service and environmental businesses around the home appliance sales, which is still our core.

As one of such new challenges, we are expanding a new type of store, "Kaden Sumairu Kan", in which we deal with interior goods and furniture as well as home appliances to aim to increase demand.

— How has the Medium-term Business

Plan been implemented?

Yamada: Regarding the Medium-term Business Plan, it can be highly evaluated that the structural reform, which is the basis for achieving the goal, has progressed steadily. I, as Chairperson, take charge of the creation of new businesses, ICHIMIYA, as Vice Chairperson, promotes the structural reform and implementation of the Medium-term Business Plan, and President KUWANO (at that time) takes responsibility for existing businesses and human resources development. Under this management system, we set up target issues respectively and have been tackling them. We faced difficulties on the way, but we have been yielding results with a sense of urgency since the second half of fiscal 2017.

In fiscal 2018, which is the fourth year of the mid-term business plan, we aim to meet the target profit one year earlier. In the first-half result of fiscal 2017, we started to publicize our performance as nine segmented businesses. Until then, we had received some opinions criticizing the lack of transparency of the business or strategy of Yamada Denki Group because we couldn't disclose each business performance separately. The new publication is being highly evaluated and helps us clarify the targets of our business units. We will strengthen this management style.

— Could you tell me the prospective for fiscal 2018?

Yamada: We set up the management slogan "Challenge the New Stage" for fiscal 2018 and announced six matters that we should tackle. We intend to implement various measures for the structural reform without loosening the reins. Regarding "Kaden Sumairu Kan", which is our new concept store, employee training has progressed and it is scheduled to open 100 stores in fiscal 2018 so that our business model grows stronger. Also, we have invested in a venture developing electric vehicles (EVs) and aim to start selling EVs in three years. It is necessary to combine these activities organically and seek to produce

systematic effect. We will enhance synergistic effect in collaboration among the activities.

We are required not only to expand business but also the management capacity. It is also necessary to strengthen our corporate governance system.

Corporate Governance System

The most powerful governance is one where the philosophy set up at the time of the foundation can be held by each and every employee.

— Mr. Nakamura served as an external auditor of Yamada Denki until 2017. Please explain the characteristics of Yamada Denki's governance system.

Nakamura: Firstly, I was surprised when I learned how speedily Yamada Denki rotates the PDCA cycle organically with the board of directors as its axis. It is typical for companies to have a board meeting once a month, which is 12 times a year. But the board meetings in Yamada Denki were held every week, which is 52 times a year, and diverse meetings for various situations were also held to rotate the PDCA cycle. In addition to such speedy implementation of the PDCA cycle, a cross-sectional network had been developed so that information can be easily disseminated throughout the company and it was very fast to grasp and share what was happening, when and where.

Secondly, many executives understood the stores and workplaces very well and they gave opinions from the actual situations. In other words, another characteristic of Yamada Denki is the discussion with the opinions collected from the stores and workplaces.

I think these two are the strength of Yamada Denki's governance. I was an external auditor but was allowed to join various meetings in addition to the board meetings. I remember that I could obtain information easily to understand the process.

Yamada: Along with the viewpoint of Mr. Nakamura regarding our characteristic governance, we have been carrying out

Dialogue with the Top Management

the idea that human resources are the key. I set up the management philosophy "Creation and Challenge" at the time of the foundation to let the employees develop themselves. At that time, I actually encouraged some employees to have their own store independent from Yamada Denki. As time went by, Yamada Denki was transformed into a mass merchandiser and I created our basic policies using practical expressions.

It is said that Yamada Denki's philosophy is unique. If subordinate employees understand the basic policies and follow them, that leads the employees to the management philosophy "Creation and Challenge." It is possible for middle managers to understand the philosophy by practicing as daily management, and that leads to optimization of management resources. Even though the times change, we have kept our management style with the philosophy and basic policies, and I believe that way has led to the open and efficient governance system in which human resources are centered.

Nakamura: Personally, I consider the most powerful governance is one where the philosophy set up at the time of the foundation can be held by each and every employee. As an organization expands, it becomes difficult to keep it and the seams come apart. It tends to be protected by some systematic control. I have visited Yamada Denki's training institution "Soseijuku" several times. I believe that place lets the visitors understand the philosophy set by Chairperson Yamada at the time of foundation automatically, and plays a significant role in human resource development.

Yamada: To inherit the corporate culture is one of the issues for us, and I built a training institution in Hakone. We have been providing training with the aim of being a company where employees work with pride, feeling like "It was a good decision to work at Yamada Denki". It doesn't matter if the company goes out of business in one generation, but companies must continue their business.

— What do you think are the problem points with Yamada Denki's governance?

Nakamura: The executives have full knowledge of stores and workplaces, and execution of measures or improvement has been proceeding. I have no worries about it. I would like to point out that Yamada Denki needs to consider measures for the risks of the global market in advance. As chairperson Yamada has said, Yamada Denki is expanding its business into new fields that used to be outside the company's scope. Overseas business is currently operated in Asia, but when it is expanded into the other areas globally, it is necessary to take measures for the possible related issues.

Yamada: We are responding to the issues by human resource development. As we actively engage in new businesses and attract people's attention, thankfully we are acquiring talented human personnel naturally. I think there is nothing but human resource development to respond to various risks. We are proceeding with the development of existing personnel meanwhile involving new personnel.

I also think coping with such risks brings not only business growth but also the satisfaction of our stakeholders, and allows our employees to feel like It's really good to work at Yamada Denki.

Social Contribution Activities

We have been contributing to society by doing what we can do honestly and continuously even though we are not good at appealing to the public.

— Please introduce Yamada Denki's social contribution activities.

Nakamura: CSR activity is often recognized as ESG activity nowadays. I would like to look back on the CSR activities of Yamada Denki so far. Before I assumed office as external auditor, I had an impression that Yamada Denki is a company which pursues only profit and expansion of business. I remember that my impression changed when I became an insider. In 2007, the CSR Office was set up and the Code of CSR Ethics was established. Companies tend to be stagnant at this stage, and we often see there is a large gap between the idealistic

theory and the actual status despite splendid comments. Yamada Denki was totally different from those companies. Soon after establishing the Code of CSR Ethics, the quantitative targets for 4 categories (compliance, environment, customer satisfaction and employee satisfaction) were put up. The progress of the targets was continuously reported to the board meeting held every week and the outcomes were publicized to the public. Yamada Denki sincerely considers the social contribution and pursues those activities honestly. That is the factor to keep the CSR (ESG) philosophy and practical activities combined and to keep making progress.

I was deeply impressed with the corporate attitude of Yamada Denki which is to continue what they can do honestly, that was different from the impression from the outside.

Yamada: We have conducted our activities based on the philosophy that we sincerely contribute to society. I heard that ESG investors also highly evaluate our environmental initiatives.

Nakamura: It seems the public has just caught up to the policy of Yamada Denki.

— What do you think are the materialities for Yamada Denki to address through its business?

Nakamura: I looked into and considered various things to prepare for this dialogue and I just think keeping the current activities honestly is the way to meet the social demand. I think it is important to steadily go ahead as before.

Regarding the environmental initiatives, to keep following the current activities every week leads to achievement of management which is eco-friendly and symbiotic with the Earth. I don't think it is necessary to consider materialities as a new concept in an exaggerated manner.

Needless to say, screening should be conducted to better meet the social demand. Yamada Denki may already conduct some sort of screening, but I would like to point out that it is important to select and list up the materialities while taking the external evaluation into account in that. This is also a personal opinion. A lot of duplication may be

appearing in the current activities even when screening with the external evaluation is conducted.

Yamada: It is important to make progress together with society. If a company only pursues their own profit, without such a mindset, not only society but also the company might head towards ruin. We should consider that it is good to gain a profit as a result of social contribution, and we should be aware of being in such a time and society.

— Please explain the characteristics of the social contribution activities of Yamada Denki.

Nakamura: I think Yamada Denki is not a company advertising what activities are conducted as social contribution in an exaggerated manner. The characteristic of its social contribution is doing what we can do continuously and honestly. I believe this will receive recognition gradually. Again, I would like to say that Yamada Denki and Chairperson Yamada do not purposely call attention to what they are doing.

Yamada: We hold briefing sessions targeting individual investors in Tokyo and Osaka every year. Some investors came all the way from Gunma (which is the birthplace of Yamada Denki), and we have received opinions like "Yamada Denki is bad at public relations. You have been doing such activities in your hometown. You'd better publicize them." Actually, we may be bad at public relations, but it is a fact that we have supported cultural activities or have carried out activities of the foundation (Yamada Noboru Memorial Foundation) in various ways.

Nakamura: I know that some shareholders earnestly back up Yamada Denki. It is great that you hold briefing sessions gathering many individual investors. I think you'd better continue it. It was impressive for me that some attendees did not ask a question but offered their cheerful messages on how Yamada Denki contributes to the hometown or how they appreciate Yamada Denki in the Q&A session of the general shareholders' meeting.

Yamada: It was tough at the time of the Great East-Japan Earthquake. We delivered products to our stores in the



disaster area before roads were closed so that we were able to distribute them to the local communities. It was not on the news, but Yamada Denki Group have been conducting various activities.

— Do you have any idea what activities should be added?

Nakamura: You may have already considered it, but I think it is an option to develop the social aspect of the stores because they can be social bases. Yamada Denki has a nationwide network consisting of 12,000 stores all over Japan. They are available to be the core of communities and even shelters in case of an emergency.

Yamada: Now, convenience stores are one of the infrastructures of social life. Even though the items we deal with are different from them, we have been considering enhancing the function as a social infrastructure like you just pointed out. For example, Yamada Denki has contributed to the expansion of Internet Technology. Specifically, we operated personal computer classrooms on our nationwide network and it helped the spread of computers. They used to be only available in Akihabara or Nihonbashi which was for specialists in the urban area. Yamada Denki started to disseminate computers from local cities. I believe that is one of the achievements of Yamada Denki regarding the spread of information technology in such a short time.

Additionally, we have commenced a new service regarding not only home appliances but all the things associated with living environments. It is available to serve everything needed when someone starts a new life. I believe the new concept stores, which are totally different from those in the past, are convenient for customers.

Also, we are not only focusing on the domestic market. Best Denki, one of the subsidiaries of Yamada Denki Group, is expanding its stores mainly in the Asian region. Although we still have many things to do in the domestic market, we will gain a firm foothold in overseas markets from a long-term perspective to expand the bases, which is available to be social infrastructure, steadily.

— To conclude this dialogue, I would like Mr. Nakamura to give a message as one of the stakeholders regarding what you expect from Yamada Denki Group, and would like Chairperson Yamada to give a message to the stakeholders.

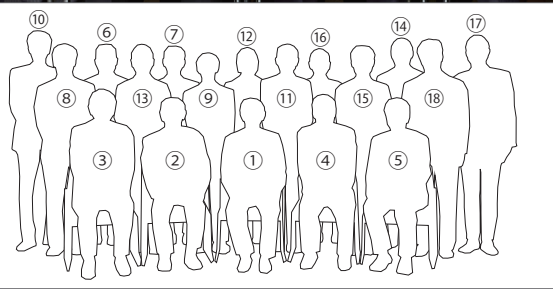
Nakamura: As an ordinary citizen, I am anxious about various social issues such as the problem of aged people living alone or the declining birthrate and aging society. I think it is only "trusted" companies that will be able to provide support on those problems that are difficult to be solved by administrative services only in order to eliminate such anxiety. I mean it is only companies like Yamada Denki, who put up the corporate philosophy of "Appreciation and Trust" towards customers, that will be able to respond to the problems. I would be grateful if Yamada Denki would develop business leading to solutions for citizens to live comfortable and carefree lives.

Yamada: I totally agree with what Mr. Nakamura has said now. It is important to contribute to society while we need to pursue profit as the management of a profitable business. We will operate our business that makes our stakeholders satisfied by management which suits its own size and matches the facts. I believe that what we are doing now is pioneering but in the right direction. It may take time to lead to profit, but we would like to grow while continuing to contribute to society.

Introduction of Executives



(As of June 28, 2018)



YAMADA Noboru

① Born on February 11, 1943
Representative Director and Chairperson,
Chairperson of the Board of Directors

Sep. 1993 Representative Director and President
Jun. 2008 Representative Director, Chairperson and CEO
Jun. 2013 Representative Director, President and CEO
Apr. 2016 Representative Director, Chairperson and Chairperson of the Board of Directors (to the present)

ICHIMIYA Tadao

② Born on August 13, 1955
Representative Director, Vice Chairperson and CEO

Jul. 1986 Director
Jun. 1987 Managing Director
May 1988 Senior Managing Director
Apr. 1995 Vice President and Director
Jun. 2008 Representative Director, President and COO
Jun. 2013 Representative Director, Vice President and COO
May 2014 Representative Director, Vice President and COO, General Manager of Sales and Marketing Division
Dec. 2014 Representative Director, Vice President and COO, General Manager of General Affairs Division
Apr. 2016 Representative Director, Vice Chairperson and CEO (to the present)

KUWANO Mitsumasa

③ Born on December 19, 1954
Director, Executive Officer and Vice Chairperson

Dec. 2005 Executive Officer, Head of Soseijuku (in-house training institution)
Jun. 2006 Director, Managing Executive Officer, Deputy General Manager of General Affairs Division
Jun. 2008 Director, Senior Managing Executive Officer, Deputy General Manager of General Affairs Division
Aug. 2010 Director, Senior Managing Executive Officer, General Manager of General Affairs Division, Head of Soseijuku (in-house training institution)
Apr. 2012 Director, Senior Managing Executive Officer, General Manager of General Affairs Division
Jun. 2013 Director, Managing Executive Officer, General Manager of General Affairs Division
Jan. 2014 Director, Managing Executive Officer, General Manager of General Affairs Division, Head of Human Resource Restructuring Office
Mar. 2015 Director, Managing Executive Officer, General Manager of General Affairs Division
Apr. 2016 Representative Director, President and COO
Jun. 2018 Director, Executive Officer and Vice Chairperson (to the present)

MISHIMA Tsuneo

④ Born on September 10, 1959
Representative Director, President and COO

Jan. 2017 Advisor to the Chairperson
Jun. 2017 Executive Officer, Vice President
Jun. 2018 Representative Director, President and COO (to the present)

IIZUKA Hiroyasu

⑤ Born on January 18, 1965
Director, Executive Officer and Vice President, Head of New Business Development Office

Apr. 1991 Manager of Information Processing Division
Jun. 1993 Director, General Manager of Information System Division
Oct. 2000 Managing Director
Jul. 2002 Senior Managing Director
Jun. 2004 Director, Senior Managing Executive Officer, General Manager of Information System Division
Jun. 2008 Director, Executive Officer and Vice President, CIO, General Manager of IT Business Division, General Manager of Information System Division
Jun. 2013 Director, Senior Managing Executive Officer, CIO, General Manager of IT Business Division, General Manager of Information System Division, General Manager of Domestic Internet Sales Division
Mar. 2015 Director, Senior Managing Executive Officer, CIO, General Manager of IT Business Division, General Manager of Information System Division
Jan. 2016 Director, Senior Managing Executive Officer, Head of New Business Development Office
Apr. 2018 Director, Executive Officer and Vice President, Head of New Business Development Office, General Manager of Internet Business Division
Jun. 2018 Director, Executive Officer and Vice President, Head of New Business Development Office (to the present)

OKAMOTO Jun

⑥ Born on April 28, 1956
Director, Senior Managing Executive Officer, Head of Corporate Planning Office, Head of CSR Promotion Office

Apr. 2006 Advisor to the President
Jun. 2006 Director, Senior Managing Executive Officer
Jun. 2007 Director, Senior Managing Executive Officer, Head of Corporate Planning Office
Jun. 2008 Director, Senior Managing Executive Officer, Head of Corporate Planning Office
Apr. 2012 Director, Executive Officer and Vice President, Head of Corporate Planning Office, Head of Management Office for SxL, Head of CSR Promotion Office
Jun. 2013 Director, Senior Managing Executive Officer, Head of Corporate Planning Office, Head of Management Office for SxL, Head of CSR Promotion Office
Apr. 2016 Director, Senior Managing Executive Officer, Head of Corporate Planning Office, Head of CSR Promotion Office (to the present)

KOBAYASHI Tatsuo

⑦ Born on July 6, 1964
Director, Managing Executive Officer, General Manager of Information System Division

Jun. 2007 Managing Executive Officer, Head of Sales Planning Office
Jun. 2008 Director, Managing Executive Officer, Senior Manager of Sales and Marketing Division
Feb. 2010 Director, Managing Executive Officer, General Manager of Sales and Marketing Division 1
Apr. 2012 Director, Managing Executive Officer, General Manager of Sales Promotion Division, General Manager of Sales Division 1
Jun. 2013 Director, Senior Executive Officer, General Manager of Sales Promotion Division, General Manager of Sales Division 1
Dec. 2013 Director, Senior Executive Officer, Head of Sales Promotion Office, General Manager of East Japan Sales Division
Jun. 2014 Director, Senior Executive Officer, General Manager of Corporate Sales Division
Jun. 2016 Director, Managing Executive Officer, General Manager of Corporate Sales Division
Sep. 2017 Director, Senior Managing Executive Officer, General Manager of Sales and Marketing Division
Oct. 2017 Director, Senior Managing Executive Officer, General Manager of Home Appliance Division
Apr. 2018 Director, Senior Managing Executive Officer, General Manager of Segmented Business Units
Jun. 2018 Director, Managing Executive Officer, General Manager of Information System Division (to the present)

HIGUCHI Haruhiko

⑧ Born on March 9, 1960
Director, Managing Executive Officer, Head of Legal Affairs Office

Jun. 2005 Director, Managing Executive Officer, Head of Legal Affairs Consultation Office
Jun. 2008 Director, Managing Executive Officer, Head of Legal Affairs Office
Jun. 2013 Director, Senior Executive Officer, Head of Legal Affairs Office
Jun. 2016 Director, Managing Executive Officer, Head of Legal Affairs Office (to the present)

ARAI Hitoshi

⑨ Born on August 26, 1960
Director, Managing Executive Officer, Head of Management Office for the Affiliate Companies

Jun. 1996 Director, Deputy General Manager of Store Management Division, Manager of Finance Division
Dec. 1998 Director, Head of Corporate Planning Office
Aug. 2001 Director, Head of Internal Audit Office
Nov. 2001 Director, General Manager of Incidental Additional Service Division
May 2003 Director, Manager of Logistics Division
Jun. 2004 Senior Executive Officer, Manager of Logistics Division
Apr. 2006 Senior Executive Officer, Manager of Store Management Division, Manager of Purchasing Management Division
Apr. 2008 Managing Executive Officer, Manager of Store Management Division
May 2013 Executive Officer, Head of Store Management Office
Apr. 2016 Executive Officer, Deputy General Manager of Administration Division, Head of Store Management Office, Head of Management Office for the Affiliate Companies, Head of Management Office for the Business of SxL, WoodHouse and Housettec
Jun. 2016 Director, Senior Executive Officer, Deputy General Manager of Administration Division, Head of Store Management Office, Head of Management Office for the Affiliate Companies, Head of Management Office for the Business of SxL, WoodHouse and Housettec
Jul. 2017 Director, Senior Executive Officer, Head of Management Office for the Business of SxL, WoodHouse and Housettec
Apr. 2018 Director, Managing Executive Officer, Head of Management Office for the Affiliate Companies (to the present)

UENO Yoshinori

⑩ Born on December 2, 1971
Director, Managing Executive Officer, General Manager of Merchandise Division

Apr. 1990 Entered BEST DENKI CO., LTD.
Mar. 2010 Deputy Manager of Promotion Office for the New Medium-Term Management Plan
Jun. 2010 Deputy Manager of Sales Promotion Division
Apr. 2014 Entered YAMADA DENKI CO., LTD., Head of Sales Strategy Office
Apr. 2016 General Manager of Sales Strategy Division
Jun. 2016 Director, Senior Executive Officer, General Manager of Sales Strategy Division, Head of Sales Strategy of Housing Facility Collaboration Office
Oct. 2017 Director, Senior Executive Officer, Head of Sales and Merchandise Strategy Office
Apr. 2018 Director, Managing Executive Officer, General Manager of Merchandise Division (to the present)

FUKUDA Takayuki

⑪ Born on August 30, 1974
Director, Senior Executive Officer, General Manager of Store Development Division, Manager of Store Construction Division

Jun. 2003 Head of Legal Affairs Consultation Office
Apr. 2009 Associate Manager of Store Management Division
Feb. 2011 Manager of Store Management Division
Apr. 2012 Junior Executive Officer, Manager of Store Construction Division
May 2013 Associate Junior Executive Officer, Manager of Store Construction Division
Jun. 2016 Director, Senior Executive Officer, Manager of Store Construction Division
Apr. 2018 Director, Senior Executive Officer, General Manager of Store Development Division, Manager of Store Construction Division (to the present)

KOGURE Megumi

⑫ Born on October 18, 1976
Director, Senior Executive Officer, Head of Secretary Office, Head of Human Resources Development Office

May 2011 Deputy Manager of Secretary Office
May 2012 Manager of Secretary Office
Apr. 2016 Associate Junior Executive Officer, Head of Secretary Office
May 2017 Junior Executive Officer, Head of Secretary Office
Apr. 2018 Executive Officer, Head of Secretary Office, Head of Human Resources Development Office
Jun. 2018 Director, Senior Executive Officer, Head of Secretary Office, Head of Human Resources Development Office (to the present)

FUKUI Akira

⑬ Born on June 6, 1965
Director, Senior Executive Officer, General Manager of Corporate Sales Division

Jun. 2017 Executive Officer, Deputy General Manager of Corporate Sales Division
Sep. 2017 Managing Executive Officer, General Manager of Corporate Sales Division
Apr. 2018 Managing Executive Officer, General Manager of Corporate Sales Division
Jun. 2018 Director, Senior Executive Officer, General Manager of Corporate Sales Division (to the present)

TOKUHIRA Tsukasa

⑭ Born on May 3, 1954
External Director

Apr. 1974 Entered Hanbai Noritsu Zoshin Honbu Co., Ltd.
Apr. 1984 Manager of Guidance Division
Feb. 1987 Representative Director and President of Fic Limited (to the present)
Jul. 2007 Representative Director and President of Cross Co., Ltd. (to the present)
Jun. 2014 External Director of YAMADA DENKI CO., LTD. (to the present)

FUKUYAMA Hiroyuki

⑮ Born on December 15, 1942
External Director

Apr. 1965 Entered Hitachi, Ltd.
May 1990 Managing Director of Hitachi Air Conditioning Products (M) Sdn. Bhd.
Apr. 1999 Commissioner, General Manager of Home Appliance Sales Division of Hitachi, Ltd.
Apr. 2000 Director and President of Hitachi GE Lighting, Ltd.
Nov. 2002 Commissioner, General Manager of Corporate Quality Assurance Division of Hitachi, Ltd.
Apr. 2007 Vice-President and Executive Officer in charge of Quality Assurance and Production Engineering of Hitachi, Ltd.
Mar. 2008 Retired from Hitachi, Ltd.
Apr. 2008 Representative of Hiroyuki Fukuyama Professional Engineer Office (to the present)
Jun. 2015 External Director of YAMADA DENKI CO., LTD. (to the present)

IGARASHI Makoto

⑯ Born on August 4, 1964
Fulltime Internal Auditor

Jun. 1999 Director, Manager of Accounting Division
Apr. 2001 Managing Director, Deputy General Manager of Merchandise Division
May 2003 Senior Managing Director, General Manager of Administration Division
Jun. 2004 Director, Senior Managing Executive Officer, General Manager of Administration Division
Jun. 2007 Director, Senior Managing Executive Officer, General Manager of Administration Division, Head of Management Office for the Affiliate Companies
Jun. 2008 Director, Senior Managing Executive Officer, Head of Overseas Business Strategy Office
Mar. 2010 Director, Senior Managing Executive Officer, Head of Overseas Business Strategy Office, Head of LA&I Development Office
Apr. 2012 Director, Senior Managing Executive Officer, CFO, General Manager of Administration Division
Jun. 2013 Director, Managing Executive Officer, CFO, General Manager of Administration Division
Jun. 2014 Fulltime Internal Auditor (to the present)

TAKAHASHI Masamitsu

⑰ Born on February 9, 1955
External Auditor

Mar. 1985 Certified as a tax accountant
Jul. 1985 Representative of Takahashi Masamitsu Tax Accountant Office
Mar. 1987 Registered as a Small and Medium Enterprise Management Consultant
Dec. 1990 Representative of Takahashi Tax and Management Consulting Office (to the present)
Jun. 2007 Auditor of YAMADA DENKI CO., LTD. (to the present)
Jan. 2009 Representative Partner of Hikari Tax Accountant Corporation (to the present)

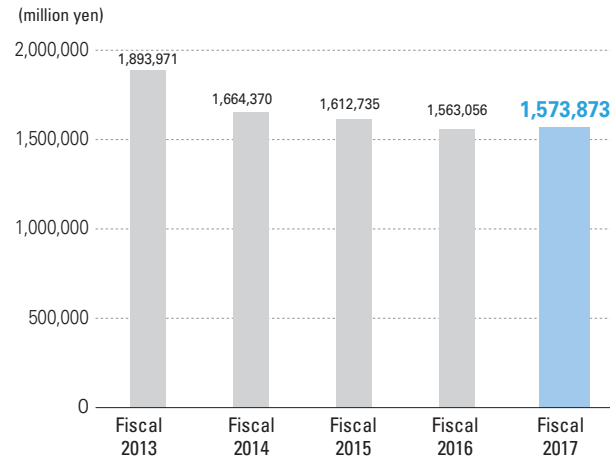
IIMURA Somuku

⑱ Born on April 14, 1953
External Auditor

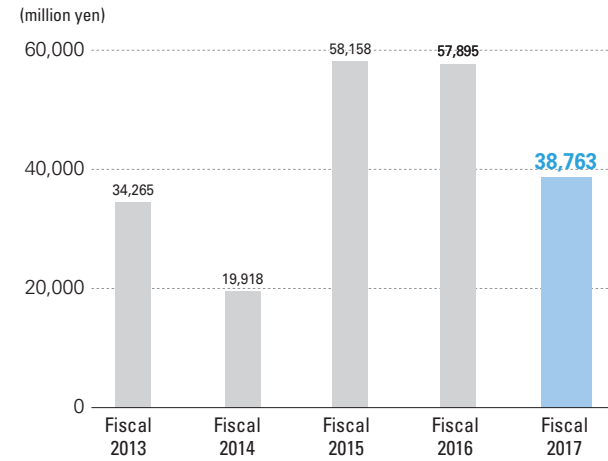
Apr. 1986 Certified as an attorney, Entered Masuda & Ejiri Law Firm
Oct. 1988 Temporarily transferred to Rogers & Wells Law Firm (which is Clifford Chance Law Firm at present) in the United States
Jul. 1991 Returned to Masuda & Ejiri Law Firm
Jan. 1992 Partner of Masuda & Ejiri Law Firm
Jul. 2007 Entered Nishimura Asahi Law Firm as a result of merger, Partner of Nishimura Asahi Law Firm (to the present)
Jun. 2014 External Director of Maruha Nichiro Corporation (to the present)
Jun. 2016 Auditor of YAMADA DENKI CO., LTD. (to the present)
Feb. 2017 External Auditor of Nachi-Fujikoshi Corporation (to the present)

Financial and Non-Financial Highlights

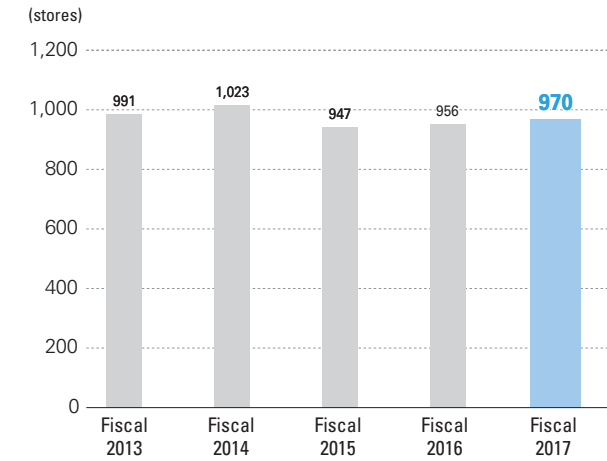
Consolidated Sales



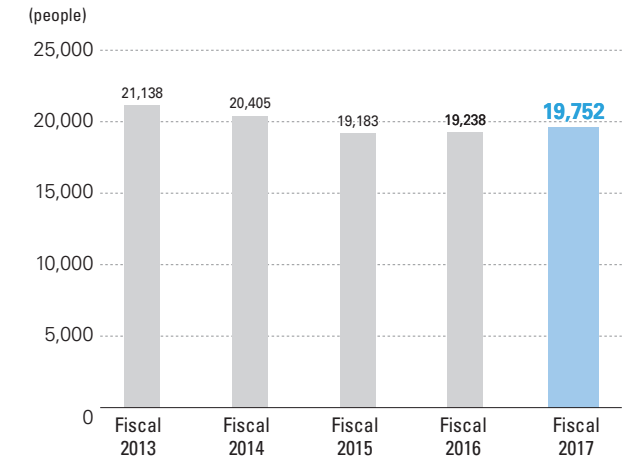
Consolidated Operating Profit



Number of Stores Directly Operated by the Yamada Denki Group

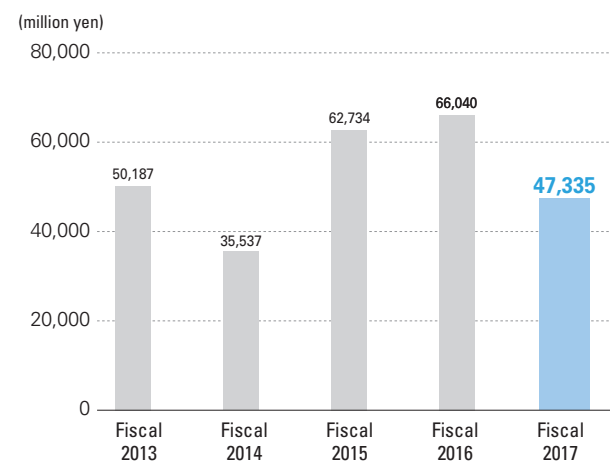


Consolidated Number of Employees

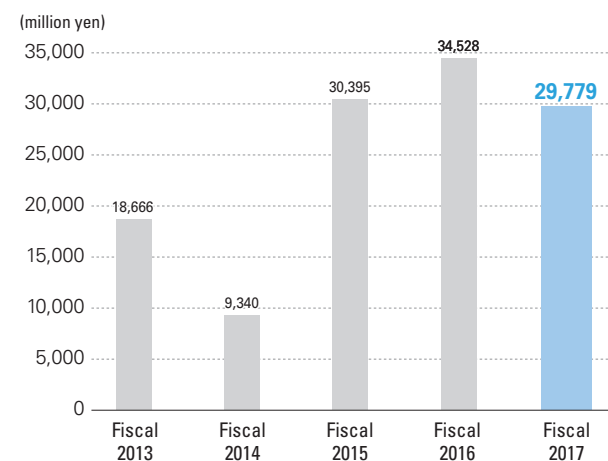


* Excluding average number of temporary employees

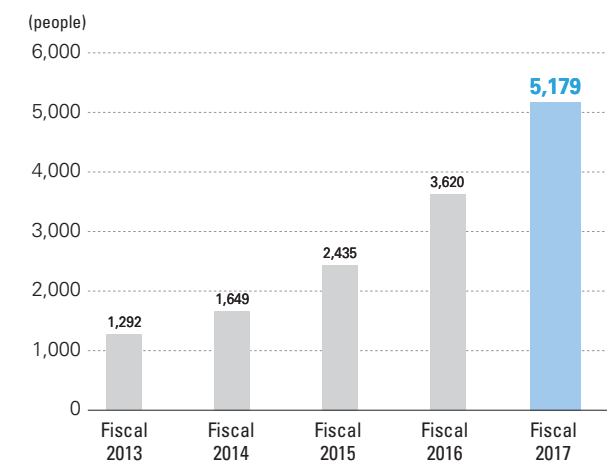
Consolidated Recurring Profit



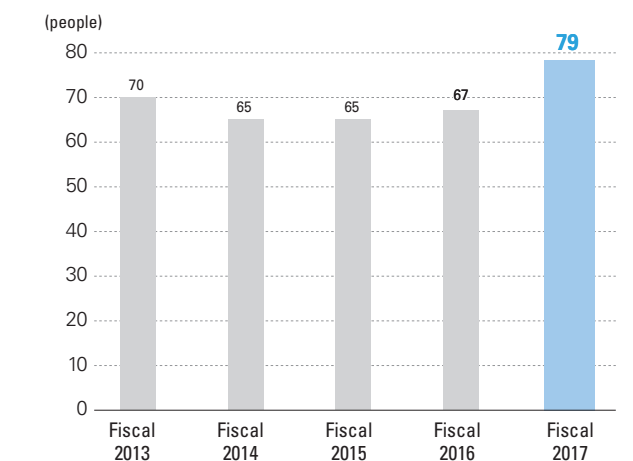
Consolidated Current Net Profit Belonging to Parent Company's Shareholders



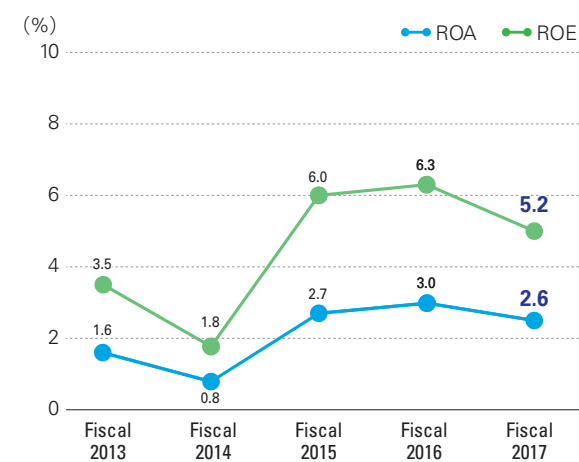
Total Number of Certified Home Appliance Advisors and Smart Masters



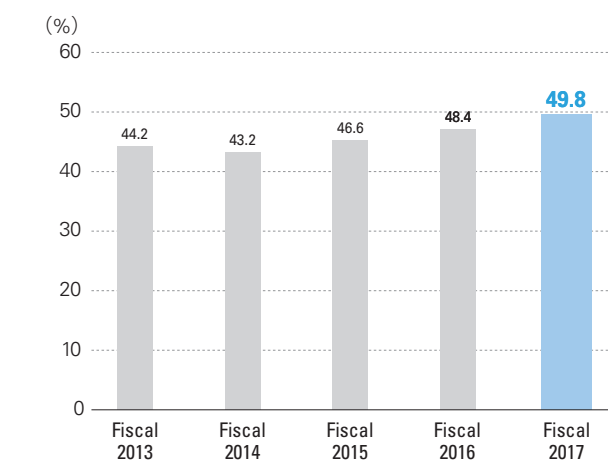
Number of Female Managers



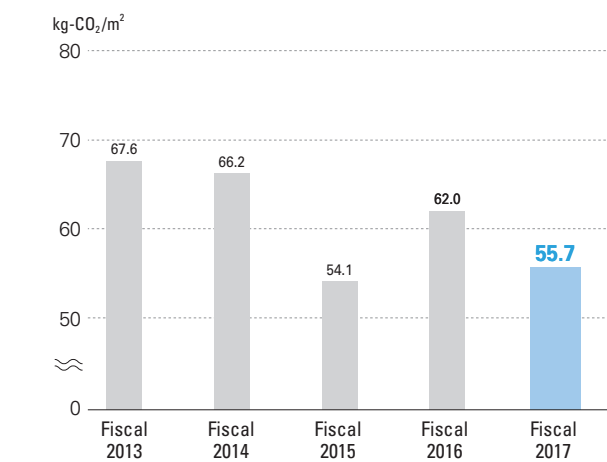
Consolidated ROA, ROE



Consolidated Capital Adequacy Ratio

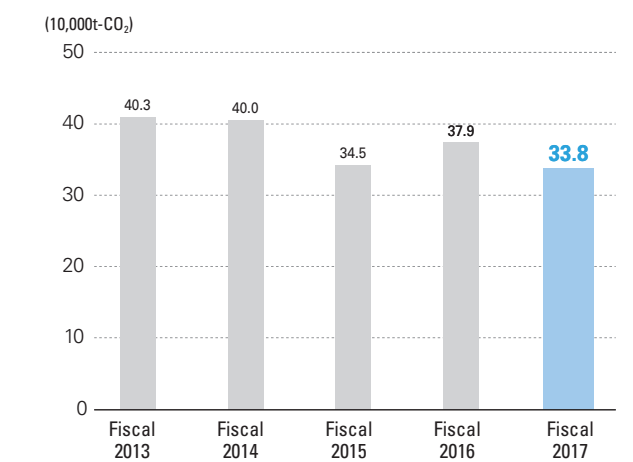


CO₂ Emissions per Floor Area



* CO₂ emission coefficient: 0.55kg-CO₂/kWh

CO₂ Emissions from the Use of Electricity



* CO₂ emission coefficient: 0.55kg-CO₂/kWh

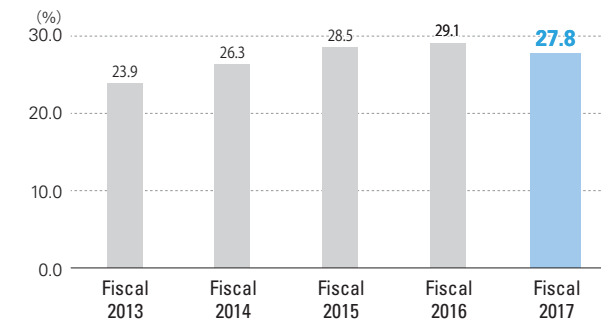
Economic Performance

We will endeavor to enhance our corporate value, through continuous efforts to further increase sales, share values and the brand value of Yamada Denki, based on good relationships with customers and business partners.

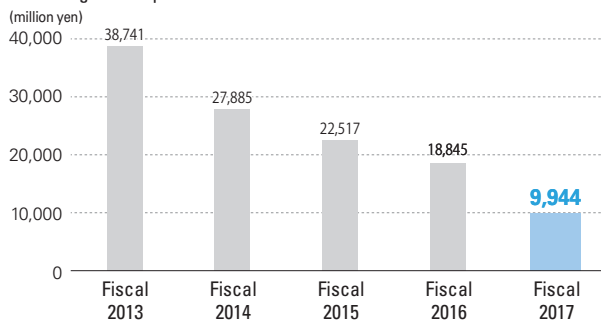
Earnings

In fiscal 2017, the economy remained on a recovery track thanks to improvement in corporate performance and employment conditions. In the home appliance distribution industry, sales of major products such as TVs, refrigerators, washing machines, air conditioners slowed down in the latter half of the year and those of PCs were sluggish, but mobile phones sold well thanks to the launch of new models. As a result, sales as a whole remained almost flat. Yamada Denki's consolidated sales for fiscal 2017 amounted to 1 trillion 573.8 billion yen, with an operating profit of 38.7 billion yen and a recurring profit of 47.3 billion yen. Current net profit belonging to the parent company's shareholders was 29.7 billion yen.

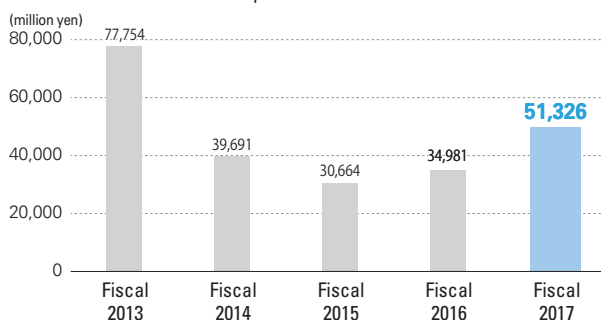
► Changes in Gross Profit Rate



► Changes in Capital Investment



► Year-end Cash and Cash Equivalents



► Consolidated Financial Data

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Sales	1,893,971	1,664,370	1,612,735	1,563,056	1,573,873
Operating profit	34,265	19,918	58,158	57,895	38,763
Recurring profit	50,187	35,537	62,734	66,040	47,335
Current net profit belonging to parent company's shareholders	18,666	9,340	30,395	34,528	29,779
ROA (%)	1.6	0.8	2.7	3.0	2.6
ROE (%)	3.5	1.8	6.0	6.3	5.2
Capital adequacy ratio (%)	44.2	43.2	46.6	48.4	49.8

Analysis of Financial Status

Assets, Liabilities, and Net Assets

The total assets as of the end of this fiscal year in the consolidated financial results increased to 1,175,568 million yen, up by 16,111 million yen compared to the end of the previous consolidated fiscal year (a 1.4% increase from the previous term). This is mainly due to increases in cash and deposits. Liabilities increased to 586,827 million yen, up by 12,918 million yen (a 2.3% increase from the previous term), mainly due to increases in notes and accounts payable. Net assets increased to 588,740 million yen, up by 3,192 million yen (a 0.5% increase from the previous term), due to such reasons as an increase in accumulated earnings. As a result, the capital adequacy ratio increased to 49.8% (up by 1.4 points from the previous term).

The accelerated replacement of inventory towards the following fiscal year improved the financial composition and operating cash flow, with decreased inventories, increased cash and deposits, and decreased interest-bearing liabilities. Furthermore, the capacity to create cash flow was enhanced and the capital adequacy ratio and other cash flow-related indices showed improvements.

Cash Flows

Cash and cash equivalents as of the end of this fiscal year in the Consolidated Financial Results increased to 51,326 million yen, up by 16,345 million yen compared to the end of the previous consolidated fiscal year (a 46.7% increase from the previous term).

● Net cash used in operating activities

Net cash used in operating activities resulted in income of 61,689 million yen, mainly due to a decrease in notes and accounts receivable, an increase in notes and accounts payable, and a decrease in inventories despite a year-on-year decrease in net income before taxes.

● Net cash used in investing activities

Net cash used in investing activities resulted in expenditure of 12,668 million yen, mainly due to the acquisition of tangible fixed assets upon refurbishment of stores.

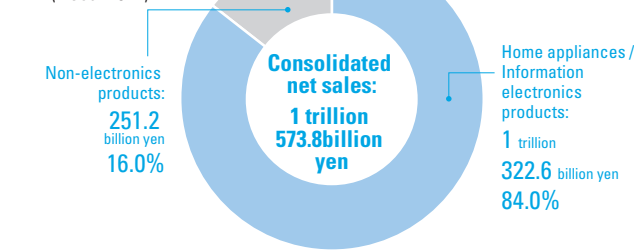
● Net cash used in financing activities

Net cash used in financing activities resulted in expenditure of 32,920 million yen, mainly due to the purchase of treasury stock.

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

The Yamada Denki Group sells a variety of 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 birthrate 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 age through the daily life support services, smart house services, renovation services, online sales & shopping mall services and environment-related services.

► Sales by Product Category (Fiscal 2017)



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.

Tie-ups for Business Expansion

Capital and Business Tie-up with FOMM Corporation

On October 31, 2017, the Yamada Denki Group signed a capital and business tie-up agreement with FOMM Corporation (in Kawasaki City), which develops small electric vehicles (EVs). FOMM was founded in 2013 by engineers who had engaged in the development of a super compact EV, "COMS," of Toyota Auto Body Co., Ltd. The company has developed a four-seat compact EV that can float on water in an emergency.

The Yamada Denki Group considers EVs as new home appliances in the 21st century and will develop a new business integrating new ideas and services relating to EVs. Furthermore, the Group aims to establish a next-generation mobility business through offering battery charging services at group stores and car sharing services, and through making houses with low environmental impact in conjunction with the smart house business.

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 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. and YamadaWoodHouse 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.

Having Absorbed Nakayama Co., Ltd.

On April 1, 2018, the Yamada Denki Group absorbed its consolidated subsidiary, Nakayama Co., Ltd. Nakayama is a home renovation company that has offered integrated services from the product development to the production, sale, installation and after-sales services.

The Yamada Denki Group positions total housing services centered on home appliances as one of the major pillars of its new businesses and is promoting the opening of this type of new stores. Through the absorption, the Yamada Denki Group aims to mutually consolidate functions and infrastructures and collaborate in developing new stores, thereby enhancing the efficiency of the Group's management and strengthening its business bases and strategies.

Yamada Denki completely absorbed Nakayama, which dissolved accordingly.

Business Tie-up with ASAHI EITO CO., LTD.

On November 8, 2017, the Yamada Denki Group signed a business tie-up agreement with ASAHI EITO CO., LTD. ASAHI EITO is a manufacturer of housing equipment centered on sanitary ware that has a long history. It offers integrated services from the designing, development, manufacturing, sale and installation based on its original technologies to create a comfortable living environment for customers. Taking advantage of the outstanding international procurement ability, the company also provides highly original, high-quality and low-cost toilets, bathroom vanities and other housing equipment broadly to house makers, home builders, home improvement centers, building contractors, home renovation companies, etc.

The tie-up will facilitate the smart house and renovation businesses making the most of the strengths and know-how of both sides and will enable the Yamada Denki Group to better respond to the needs of consumers against the backdrop of a rapidly changing social environment with the declining birthrate and the aging of society, population decrease, and development of the Internet society.

Performance Reporting

Relationship with Shareholders and Investors

We consider that our 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.

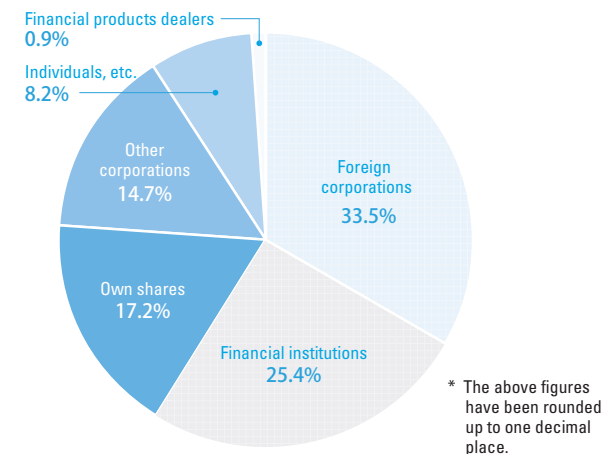
Timely and Appropriate Disclosure of Business and Financial Information

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 Yamada Denki.

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 around 200 times annually in Japan and overseas.

We specifically hold an annual briefing session for investors. The session has been held for 15 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 2018)



Number of Meetings with Investors, etc.

	Number of meetings
Fiscal 2015	205
Fiscal 2016	194
Fiscal 2017	192

Briefing for Individual Investors

	Venue	Number of participants*
September 2015	Tokyo	392
September 2016	Tokyo	297
September 2017	Tokyo	267

* The number of participants fluctuated due to changes in sites.

Basic Policy for Distribution of Profits

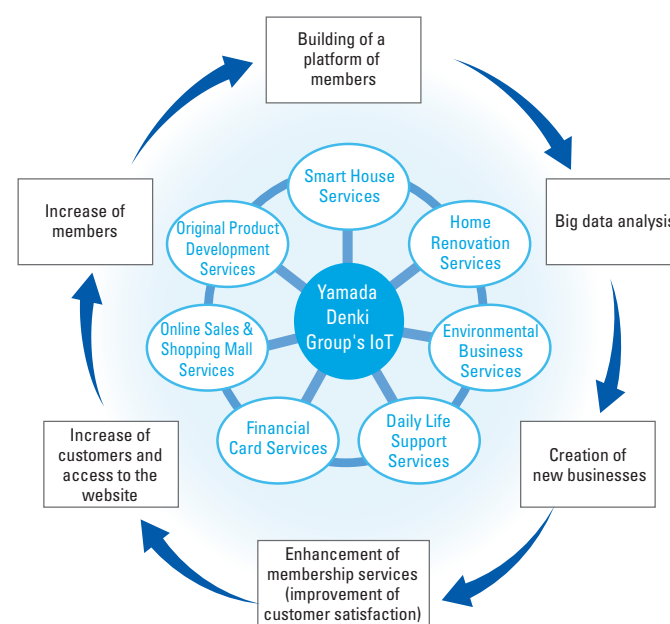
Regarding the appropriation of profits, our primary policy is to pay dividends to shareholders in a stable and consistent manner.

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 birthrate 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



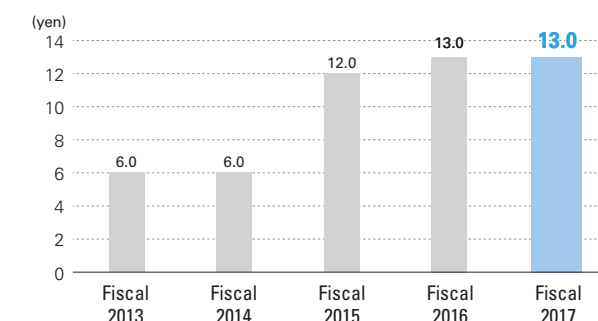
Economic Relationships with Major Stakeholders

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

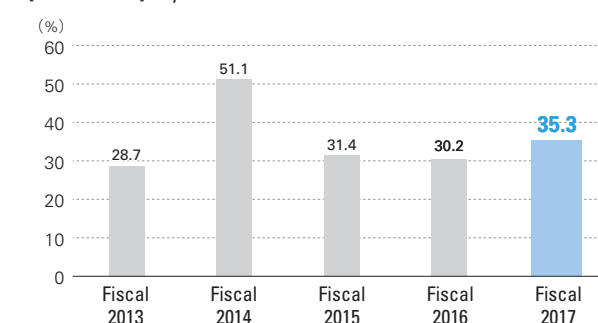
Economic Relationships with Major Stakeholders (100 million yen)

	Calculation Method, etc.	Fiscal 2015	Fiscal 2016	Fiscal 2017
Shareholders	Dividend payments to shareholders	96.2	104.6	104.0
Employees and executives	Total of personnel costs and executive remuneration out of sales and general administrative expenses	1,521.1	1,539.1	1,569.9
Local communities	For information on local community-related activities, please refer to p.38-p.39.	—	—	—
Administrative authorities	Corporate income tax, resident tax, and business tax	188.1	209.7	121.0

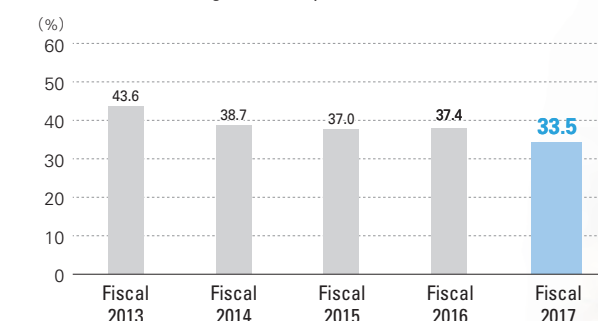
[Unconsolidated] Dividend per Share



[Consolidated] Payout Ratio



[Unconsolidated] Foreign Ownership



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 global economy remains unpredictable in fiscal 2018, due to concerns over an upward trend in long-term interests in the US and escalating trade conflicts with other countries, as well as over economic trends in China and emerging countries, although geopolitical risks originating in North Korea seem to be somewhat easing.

However, in Japan, it is expected that corporate earnings and the economy as a whole will improve continuously backed by steady demand.

Home Appliance Distribution Market

The home appliance distribution market, to which the Yamada Denki Group belongs, is expected to maintain the sales level or achieve a slight sales increase from the previous year thanks to steady replacement purchases.

Yamada Denki's Efforts

Under such market environment, the Yamada Denki Group set up the management slogan, "Challenge towards a New Stage," and will continue positive efforts for the nine segmented businesses, namely, housing equipment business, financial services business, support services business, environmental business, online sales & shopping mall business, mobile business, home appliance sales business, home appliance business by affiliates and subsidiaries and corporate sales business. Furthermore, we will continuously lay weight on the total housing services centered on home appliances and will develop and expand "Kaden Sumairu Kan", a new type of stores with a cafeteria and financial and real estate service counters, in which staff members offer comprehensive proposals on houses, home renovation, housing equipment, interior goods and furniture, etc., which are closely connected with home appliances. We plan to renovate 100 existing stores into this new type of stores in a year.



Outline of the Medium-term Business Plan

In November 2015, the Yamada Denki Group established and publicized the Medium-term Business Plan covering the period up to fiscal 2019.

This plan is not a conventional one and places the emphasis on feasibility and profitability, rather than only aiming to increase the total sales. This 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. For that purpose, it is necessary to proactively promote the structural reform as explained below by separating our businesses into nine categories, namely, housing equipment business, financial services business, support services business,

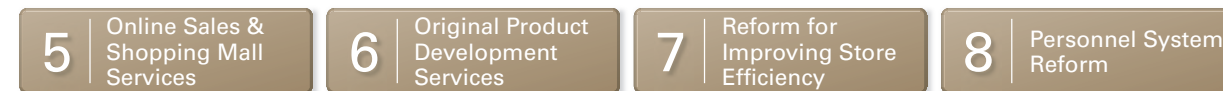
environmental business, online sales & shopping mall business, mobile business, home appliance sales business, home appliance business by affiliates and subsidiaries and corporate sales business, and to strengthen the management of each of these businesses. Major efforts that we made in these respective businesses to achieve better outcomes during fiscal 2017 are introduced here and some are explained in detail on the following pages as topics of this year's Integrated Report.

With "Creation and Challenge" and "Appreciation and Trust" as our management philosophy, we will constantly conduct innovation for the sustainable growth and development of the Yamada Denki Group.

Cultivation of New Markets



Strengthening of Existing Businesses

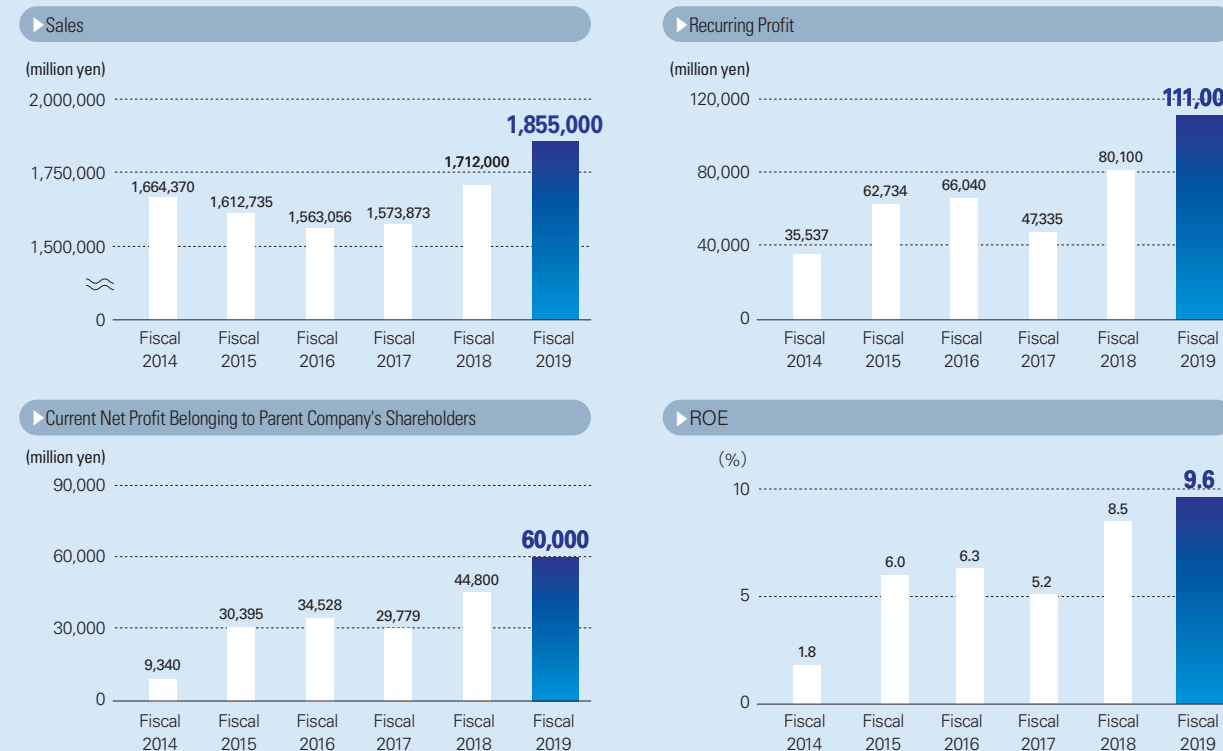


Major Efforts for the Structural Reform during Fiscal 2017

- Opening of a new type of stores → Topic 2 (p.26-p.27)
- Promotion of business tie-ups (business tie-up with ASAHI EITO CO., LTD. and capital and business tie-up with FOMM Corporation)
- Expansion of SPA products
- Conclusion of an agreement with Funai Electric Co., Ltd. and commencement of exclusive sale of FUNAI-brand LCD televisions and Blu-ray recorders in Japan
- Expansion of same-day or next-day delivery services in response to the development of the internet society
- Commencement of housing finance in the financial services business
- Expansion of recycling of small waste home appliances → Topic 1 (p.25)
- Enhancement of human resources development → Topic 3 (p.28-p.29)
- Progress of the finance, insurance and real estate services and family support services

Major Consolidated Numerical Targets in the Medium-term Business Plan

* Values for up to fiscal 2017 represent actual performance, those for fiscal 2018 are estimates publicized on May 10, 2018, and those for fiscal 2019 are plans.



Topic 1 Acquisition of Certification for Collecting Small Waste Home Appliances for Recycling Nationwide Started to Accept Waste Home Appliances at Stores Nationwide (excl. Okinawa)

Enforcement of the Act on Promotion of Recycling of Small Waste Electrical and Electronic Equipment

The Act on Promotion of Recycling of Small Waste Electrical and Electronic Equipment "aims to take measures for promoting the recycling of small waste electrical and electronic equipment, thereby ensuring proper disposal of waste and effective use of resources." The Act was enforced on April 1, 2013, for promoting the reuse of resources.

A Group Company, Azuma Metal Co., Ltd., Became a Certified Recycler

Azuma Metal Co., Ltd., one of the group companies, obtained certification from the Ministry of the Environment and the Ministry of Economy, Trade and Industry as a certified small appliance recycler covering Tokyo and 11 other prefectures in September 2017, and then covering nationwide (excluding Okinawa) in April 2018.

The company newly constructed a recycling plant at which collected small waste home appliances are manually broken down and are fragmented, sorted and selected by machines, depending on the characteristics of each item, and are

recycled into high-precision ferrous or non-ferrous products. Small waste home appliances that are still usable are resold as goods for reuse through other group companies. In this manner, the Yamada Denki Group is promoting effective use of home appliances.



Collection of Waste Home Appliances Using the Network of the Yamada Denki Group

The Yamada Denki Group collects waste home appliances that have become unnecessary depending on customers' life stages, for their convenience. In November 2017, 268 stores commenced the collection services and 110,000 units of waste home appliances were collected in only five

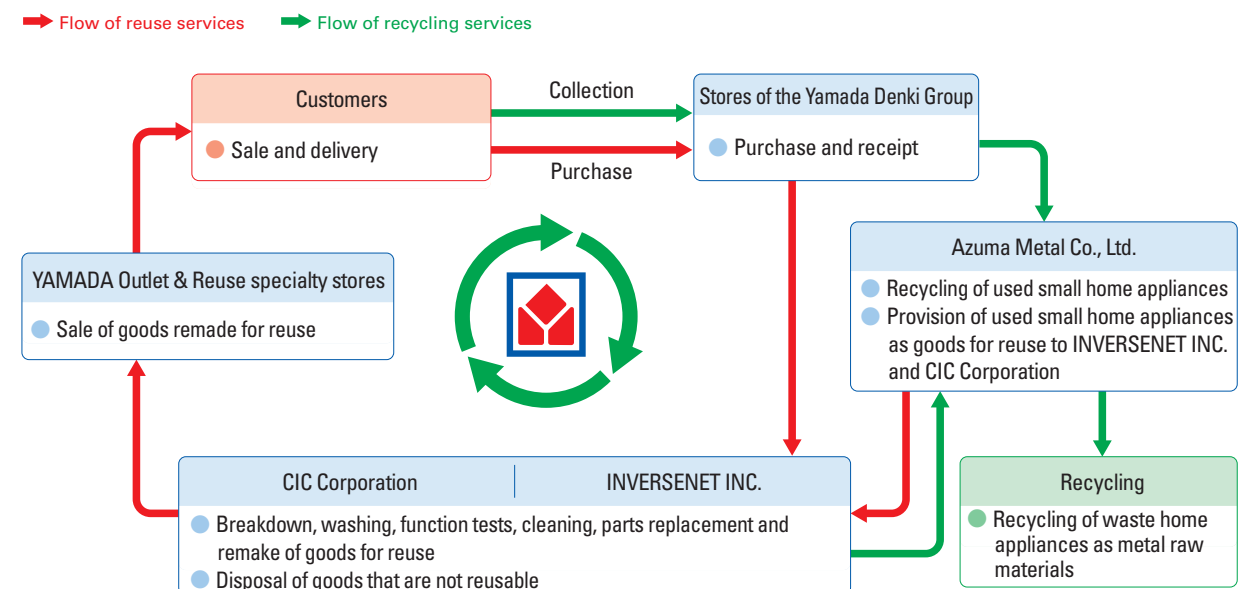
months, suggesting a huge potential demand.

Since April 2018, approx. 1,000 stores nationwide (excluding Okinawa) have been collecting waste home appliances and 700,000 units in total are expected to be collected in fiscal 2018. This accounts for 8% of small waste home appliances collected nationwide annually and the Yamada Denki Group will be the largest certified recycler in Japan.

Self-Sufficient Reuse and Recycling Services within the Yamada Denki Group

Having obtained certification as a certified small appliance recycler, the Yamada Denki Group expanded the scope of its one-stop self-sufficient reuse and recycling services, covering everything from the sale to the collection, reuse and recycling, by adding small waste home appliances as target items. While ensuring profitability, the Yamada Denki Group will continue taking on a challenge to further expand these comprehensive environmental services through fully utilizing the broad network of group companies (sale, collection and recycling).

Yamada Denki Group's Scheme of Recycling Used Small Home Appliances



Topic

2 "Kaden Sumairu Kan", a New Type of Stores Offering Total Coordination of a Comfortable Living Space

A Store Offering Proposals on the Entirety of a House

The home appliance industry in Japan enjoyed favorable sales thanks to the eco-point system starting in 2009 and backed by replacement demand ahead of the shift to digital terrestrial broadcasting in 2011, but the market has been diminishing after hitting a peak with 9 trillion yen sales in 2011. In response to such downward trend in the market and changes in the social environment with declining birthrate and aging population, population decrease, and increasing use of the internet, the Yamada Denki Group has focused on the housing-related businesses since 2011: we acquired SxL Co., Ltd., which is a new house builder, established YamadaWoodHouse Co., Ltd., and strengthened the home renovation business by acquiring Housetec Inc., which is a household equipment manufacturer.

Additionally, we commenced the financial services business and real estate business and thereby expanded businesses centered on houses as essential infrastructure. The addition of interior goods, which are closely connected with home appliances, for promoting the business expansion resulted in linking all efforts so far and led to the opening of a new type of stores, "Kaden Sumairu Kan."

"Kaden Sumairu Kan" is a store in which staff members offer proposals on the entirety of a house, covering from the construction and renovation to interior goods, as well as the financial and real estate services, with home appliances positioned as the core of all services. The stores also have a cafeteria so that female customers and families with children can feel relaxed and enjoy shopping. The Yamada Denki Group has devised various types of stores, such as "LABI LIFE

SELECT", with unique sales floors and an enhanced lineup of products. "Kaden Sumairu Kan" is based on a new concept as an extension of such initiatives.

Aiming to be a Store Proposing Enjoyment of Life

In fiscal 2017, we examined the achievements reached so far and made necessary corrections to confirm that our efforts are being directed in the right way. "Kaden Sumairu Kan" is designed to increase its appeal by combining everything related to housing from the construction and renovation of houses to interior goods. The broad space of each store is divided into sections of a mock living room, kitchen and dining room, bedroom, etc. fashionably coordinated with furniture and interior goods to enable customers to select what they like by directly touching and checking the texture and quality of goods. Thanks to well-coordinated store design, these new stores are steadily increasing sales of interior goods and orders for new houses.

Through this success, the Yamada Denki Group has come to be able to offer total proposals on interior goods and further on home renovation, not limited to those on home appliances. For example, for a customer who comes to buy a television, it may be possible to suggest that this or that type of sofa or a change of lighting would make watching TV more enjoyable. We would like to create stores that inspire

customers to notice what they are not aware of in their everyday lives, such as by presenting kitchens that would make cooking more enjoyable. Our goal is to create stores in which customers can receive useful advice for enriching their everyday lives, not stores where they only come to buy home appliances to replace their broken ones.

We are increasing "Kaden Sumairu Kan" from 20 stores as of the end of March 2018 and are planning to increase the number of stores to around 100 by the end of fiscal 2018.

Promote Expansion of SPA Interior Goods

We have developed a system to manufacture SPA interior goods, covering from the planning to manufacturing, and economies of scale will appear when the remodeling of 100 stores into "Kaden Sumairu Kan" is completed. Product development is being promoted so as to enable unified color coordination for each season. Additionally, employees are encouraged to obtain a qualification as a certified interior coordinator who can offer proposals on total room coordination. We aim to increase the number of qualified employees to 1,000 with the expectation that the interior-related business will further develop significantly.

By increasing the number and ratio of SPA goods among all product lineups, we will also reinforce our logistics network.



4 Total housing consultation counter

5 YamadaWoodHouse showroom

6 Curtain section



Strengthening of the Renovation Promotion System

The Yamada Denki Group absorbed Nakayama Co., Ltd., with the aim of expanding the home renovation business. Demand for renovation varies by family, depending on the generation, family structure and lifestyle, etc., and the most essential is the personnel who offer proposals rather than the design of products or sales floors. The joining of Nakayama's employees well-versed in home renovation in Yamada Denki Group's

stores nationwide is expected to increase business performance significantly, and we hope to be the top home renovator in Japan in three years.

Under the concept of "a new type of stores offering total coordination of a comfortable living space," all store staff of "Kaden Sumairu Kan" need to be able to respond to inquiries and consultations on all products in the store. We introduced brand new uniforms and staff members are making efforts for self-improvement so that they will be able to make diverse proposals on home appliances, interior goods and home renovation individually.



1 Inside of "Kaden Sumairu Kan"

2 Cafeteria

3 Furniture and interior goods section



VOICE



"Kaden Sumairu Kan" YAMADA Store Manager of Nara Main Store

YASUMOTO Takashi

A Store Completely Different from a Conventional Mass Retailer of Home Appliances

The Nara Main Store was renewed and reopened on March 16, 2018, as "a new type of store offering total coordination of a comfortable living space." With a silver-based exterior and classical music being played inside, the new store has an image completely different from that of the previous one.

The atmosphere is calm, with a wood-like floor and warm colored lighting. Before, customers directly headed to the section of home appliances they intended to buy, but they now seem to enjoy looking around the sales floors in which beds and sofas are displayed. The cafeteria at the store entrance is often used as a meeting site or for discussion before deciding what to buy. Some customers only use the cafeteria and the

average time spent in the store seems to have increased more than three-fold.

There still are many points to be improved for increasing recognition that the store also deals with interior goods, or for devising a better means to naturally offer proposals on interior goods or even home renovation to customers who visit the store only for purchasing a certain home appliance, and we have not yet reached the stage of offering total coordination proposals. We are now repeating trials and errors but are aiming to make the store a place where staff members enjoy making proposals and customers also enjoy listening to them.

Topic 3 Enhancement of Human Resources Development - Promotion of Female Workers' Participation and Developing of Next Generation Leaders -

Five-year Plan for the Act of Promotion of Women's Participation and Advancement in the Workplace

In response to the enforcement of the Act of Promotion of Women's Participation and Advancement in the Workplace in April 2016, Yamada Denki assessed the actual status and analyzed the issues again based on the outcome of the female manager training which was the program for developing female managers, and the improvement regarding the ratio of female managers. And we established the five-year action plan ending in 2021.

The targets are to increase the female ratio in the promoted personnel to 15%, and to obtain the certificate called "Eruboshi" which is certified by the Ministry of Health, Labour and Welfare. We intend to develop managers who contribute to the company by their performance like reducing cost or increasing sales.

In the first year, we provided training for 17 female managers working at the headquarters to improve their capability. The 17 female managers created business plans for their respective themes on their

jobs and reported the progress monthly along the plan. The external directors tracked the progress by checking the reports.

Each achievement of the activity was eventually summarized in a paper and reported to the directors in the presentation session held in the end of the first year. The training successfully resulted in not only cost reduction or improvement of gross margin, but also horizontal connection among the trainees or raising their motivation.

Developing Next Generation Leaders

We started "the Program for Developing Next Generation Leaders" in the second year, based on the first-year program for developing female managers, from the point of view that it is necessary for sustainable growth of the company to develop not only women but all employees.

At the headquarters, the training for female managers in 2016 was expanded as the program for developing next generation leaders. The program started with 30 personnel. 13 personnel who were not

managers had been added (six of them were male) while the 17 female managers continued their activities in the second year. They set the theme of improvement on their job and verified the outcome as well as the previous year.

At the stores, the next generation leaders (both male and female) were positioned as trainees in the program. They were either full-time or part-time employees selected from the high performers in sales and highly evaluated on other factors. As the candidates for future managers, they had a team in the respective stores consisting of several personnel who were either full-time employees in training, part-time employees working less than three months or part-time student employees. They analyzed the current status and identified issues mainly on productivity improvement, customer and employee satisfaction or retention rate improvement, which are related to human resource development, while their boss gave on-the-job training using several tools for teaching and leading. They created training plans by themselves consulting with their boss. The next generation

leaders themselves were also improved by the continuous activities such as conducting the plans, analyzing the progress and addressing the issues. They were also required to maintain the working conditions so that all employees, no matter what type of employment, were able to perform better by managing the working hours and health condition of the employees in training, attending recruitment interviews of part time employees, providing initial education for new employees and raising the motivation of employees. We evaluate outcomes of the teams, not the individuals.

Outcomes and Ripple Effects of the Next Generation Leaders Program

At the headquarters, the managers who participated in the program in 2016 developed further while they gave on-the-job training to the new members in 2017, and the outcomes such as cost reduction or improvement of gross margin were much better than the first year. The next generation leaders check the progress or



Next Generation Leaders Program: Regular Outcome Presentation Session

performance by themselves every month and report the status of activities in a presentation session regularly. They reported the outcomes with cause analysis, action plans and validations against their respective targets in the regular presentation sessions held once every half a year, where Chairperson Yamada, Vice-chairperson Ichimiya, President Kuwano (at that time) and the external directors participated, accompanied by the boss of next generation leaders and the selected teams from stores.

We also held meetings where we listened to the respective teams at stores to gather case examples of improvement

activities and spread them nationwide. We selected the representative teams of the business areas divided into 61, and narrowed the teams through the divisional competition and national competition. Some excellent teams gave presentations at our annual conference at which all the executives and store managers are gathered.

The Yamada Denki Group aims to develop managers and improve business performance in this manner, conducting the next generation leaders program at stores while utilizing the PDCA cycle, and to disseminate the good activities nationwide.

What are the next generation leaders expected to do?



1

Productivity improvement

Improve work efficiency at stores and quality of human resources by employee training.

2

Improvement of customer satisfaction and employee satisfaction

Manage working hours and health conditions of employees in training and improve business performance by improving customer satisfaction and employee satisfaction.

3

Human resource retention

Give training to part-time employees or part-time student employees and manage the progress to improve the quality and productivity, or raise the motivation and retention rate.

National tournament of next generation leaders

Selected representatives of business areas divided into

61

Selected representatives of blocks divided into

10

National tournament

The 10 representatives presented their activities and outcomes.

Top excellent teams were decided.

VOICE



Director, Senior Executive Officer, Head of Secretary Office, Head of Human Resources Development Office

KOGURE Megumi

Enhance the On-site and Hands-on Policy which is the Strength of Yamada Denki Group

As the manager in charge of the promotion of women's participation and development of next generation leaders, I have checked the progress and status of the relevant activities and made reports. I also participated in the first-year training for female managers. At the regular presentation sessions, I introduce some contents of the training to the participants and check the targets that were set by the next generation leaders. It is one of the management policies to focus on developing and following the managers, which are not limited to female managers. I always consider how much I can ease the managers' worries.

One of the strengths of Yamada Denki Group is the on-site and hands-on policy, and it is the key to hear and utilize

opinions from the stores. Therefore, I would like to visit our stores and hold meetings to motivate the staff. Some of the meetings may be held with only women to extract problems that are unique to women, and to brush up the developing system for part-time employees or part-time student employees as the next generation leaders program.

As the government promotes working style reforms, it is important to make the working environment better to work in. We will enrich the company benefits and disseminate information for smooth operation so that a better working place is provided and all employees, both male and female, feel like "it is really good to work at Yamada Denki."

VOICE



Tec Land Komanyu Store Assistant Manager

KATO Kaori

Contribute to making our store the best in the area

I joined the Komanyu store in 2003 as a part-time instructor of the personal computer classroom. I was promoted to part-time sales person, contracted full-time employee, and became a permanent employee eventually. After that, I worked as one of the section leaders and transferred to a store that is one of the smallest stores in Yamada Denki, then I returned to the Komanyu store and now I work there as one of the assistant managers.

When I started working at Yamada Denki, it was hard to take days off and there was a tendency that women were only expected to work as cashiers. We were having a frustrating time in that we were not evaluated properly in spite of a lot of efforts or good performance. Then, I decided to become an assistant manager to transform the store while it was quite difficult for a non-manager. I thought I would improve the store. Then, the area manager recognized my efforts and promoted me to assistant manager in

April 2017. Now I think there is a system or opportunity for everyone at Yamada Denki, no matter male or female, even part-time employees, to actively participate in and contribute to the company.

Assistant managers are required to be responsible for the business performance of some sections in the store. It is not easy but I know that it gives us a great sense of accomplishment when we achieve the targets. We operate the business with the store staff including part-time student employees in a good atmosphere. I believe we sometimes provide better suggestions closely related to our lives, or improve the selling space from the point of consumers' view, just because we are women. I would like to make the Komanyu store the best in the area in terms of sales and staff training, and personally I aim to be a store manager or headquarters staff.



Environmental Conservation Activities

The Yamada Denki Group 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 the environmental impact in its business operations.

Environmental Management

In August 2010, Yamada Denki established 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.

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.

Major Activities in Fiscal 2017

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

In fiscal 2017, as our initiatives for the reduction of environmental impact 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 (CIC, 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 endeavor to reduce environmental impact. The progress is reported at the weekly meeting of the Subcommittee on Environmental Measures and is disclosed on our website.

▶ Major Activities and Status of Achievement in Fiscal 2017

Major Activities		Goal for Fiscal 2017	Achievement for FY2017 (up to March 31, 2018)
Reduction of environmental impact through core business	Reuse of home appliances (TVs, refrigerators, washing machines and dryers)	128,937 units	104,635 units
	Reuse of PCs	339,050 units CO ₂ emission reduction: 30,028.6 t	333,533 units CO ₂ emission reduction: 29,477.5 t
	CO ₂ emission reduction through the collection, recycling of used ink cartridges, and sale of refilled ink cartridges	1,000,000 pieces CO ₂ emission reduction: 75.5 t	981,993 pieces CO ₂ emission reduction: 74.1 t
Reduction of environmental impact through business activities	CO ₂ emission reduction at stores in which demand controllers are installed ^{*1}	Lower than 95.2% compared to the fiscal 2016 level CO ₂ emission reduction: 8,656.2 t	CO ₂ emission reduction: 1,152.9 t
	Volume of green power introduced (headquarters building) ^{*1}	Lower than 95.3% compared to the fiscal 2016 level CO ₂ emission reduction: 5,196.8 t	CO ₂ emission reduction: 5,430.7 t
	Volume of green power introduced (excluding headquarters) ^{*1}	Lower than 95.6% compared to the fiscal 2016 level CO ₂ emission reduction: 1,005.0 t	CO ₂ emission reduction: 1,014.9 t
	CO ₂ emission reduction by photovoltaic power generation (Takasaki and Senri) ^{*2}	6.055 t	6.449 t
	CO ₂ emission reduction with power generated by photovoltaic power generation system installed on store roofs	Power generated: 42,177,122 kWh	Power generated: 46,383,452 kWh
CO ₂ emission reduction through enhancement of distribution efficiency		—	90.53 t-CO ₂

^{*1} CO₂ emission coefficient: 0.55 kg-CO₂/kWh

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

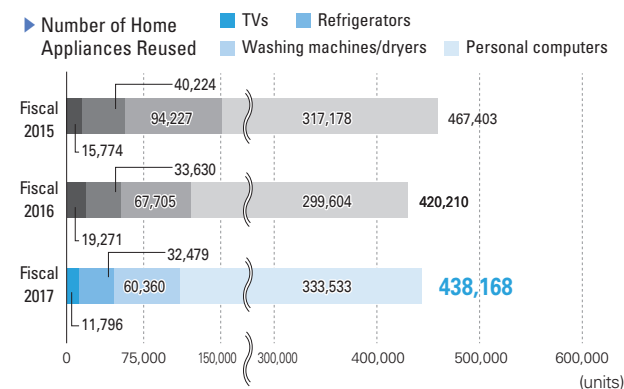
Reduction of Environmental Impact throughout the Product Lifecycle

The Yamada Denki Group 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 home appliances and photovoltaic power generation systems, and also by establishing systems to recycle and reuse used home appliances.

Reuse of Home Appliances and PCs

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

In fiscal 2017, we handled around 100,000 units of home appliances (TVs, refrigerators, washing machines and dryers) and around 330,000 units of PCs in the reuse business. In order to enable customers to reuse used 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 CIC, a group company. Meanwhile, we provide personal computer reuse and recycling services together with INVERSENET.



Recycling of Ink Cartridges and Mobile Phones

Yamada Denki is promoting recycling by installing ink cartridge collection boxes in each store. We make donations using funds obtained through the collection of cartridges (10 yen per cartridge). In fiscal 2017, we collected around 0.98 million cartridges and donated 7,047,390 yen to the Foundation for Orphans from Automobile Accidents. We will continue this initiative, thereby promoting such activities as offering support for disadvantaged children, 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 in cooperation with our group company, INVERSENET, and extract rare metals therefrom, aiming to contribute to stable supply of rare metals.

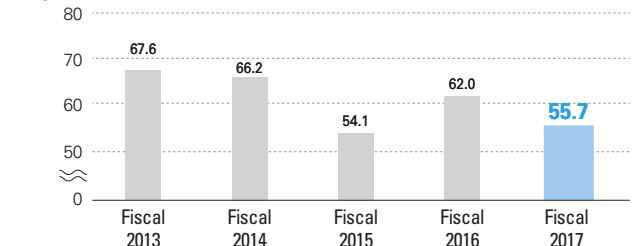
▶ Number of Collected Ink Cartridges and Mobile Phones (units)

Type	Fiscal 2015	Fiscal 2016	Fiscal 2017
Ink cartridges	1,237,503	970,275	981,993
Mobile phones	6,434	4,520	4,546

CO₂ Emissions from the Use of Electricity

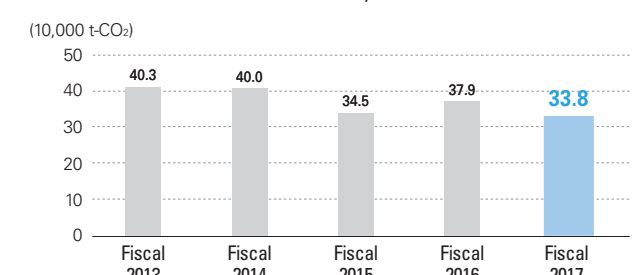
The Yamada Denki Group has continuously tried to reduce CO₂ emissions from business activities.

▶ CO₂ Emissions per Floor Area (kg-CO₂/m²)



* CO₂ emission coefficient: 0.55 kg-CO₂/kWh

▶ CO₂ Emissions from the Use of Electricity (10,000 t-CO₂)



* CO₂ emission coefficient: 0.55 kg-CO₂/kWh

Waste

We properly dispose of waste from stores and used 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 2017.

▶ Amount of Disposed Industrial Waste

	Fiscal 2015	Fiscal 2016	Fiscal 2017
Amount of disposed industrial waste (t)	26,724	26,189	24,879
Number of stores subject to resource management	737	678	686

▶ Amount of Disposed General Waste

	Fiscal 2015	Fiscal 2016	Fiscal 2017
Amount of disposed general waste (t)*	32,868	31,225	29,445
Number of stores subject to resource management	737	678	686

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



Environmental Conservation Activities

Environmental Consideration in Business Operations

Yamada Denki has been promoting activities to reduce CO₂ emissions and other environmental impact at stores and in the process of logistics.

Conclusion of Partnership Agreement on Household Energy Conservation with the Tokyo Metropolitan Government

Yamada Denki concluded a partnership agreement with the Tokyo Metropolitan Government to further promote household energy conservation. As the first specific initiative under the agreement, we have been offering cooperation for a campaign to promote an energy saving movement among households through a shift to LED bulbs since March 2018.

We consider that coexistence with the global environment is the basis of sustainable growth of our society and economy. Therefore, as our efforts to reduce environmental impact through business operation, we have been promoting energy conservation, energy creation and energy storage at homes and have been placing the emphasis on the reuse and recycling business of used home appliances and smart house business, thereby assisting customers' environmental protection activities and contributing to the reduction of environmental impact of society as a whole.

Starting with the cooperation with the Tokyo Metropolitan Government's initiative, we will further endeavor to create a general environment that is even more eco-friendly and make customers feel reassured about their health and everyday lives.

Acquisition of ISO14001 Certification for the Headquarters

In January 2011, Yamada Denki obtained ISO14001 environmental management system certification for the headquarters in Takasaki. To reduce the 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. In fiscal 2017, Yamada Denki obtained certification by satisfying ISO14001:2015 specification requirements.



ISO14001:2015
本社機能認証取得

Promotion of Energy Conservation at Stores

CO₂ Emission Reduction through the Introduction of Demand Controllers

Demand controllers have been installed to compare the CO₂ emissions of respective stores and analyze power consumption by equipment and by time zone, with the aim of promoting energy conservation at stores. Demand controllers were installed at a total of 381 stores in fiscal 2017.

Shift to LED Lighting

Since the latter half of 2013, Yamada Denki has been sequentially introducing LED lighting in its stores. As of the end of March 2018, LED lighting has been introduced in 514 stores and is contributing to energy conservation.



CO₂ Emission Reduction through Environmental Education

Yamada Denki has added environment-related matters to its qualification test system and has been encouraging employees to obtain qualifications as certified home appliance advisors and smart masters, with the aim of raising their awareness concerning reduction of environmental impact.

Introduction of Renewable Energy at Stores

Continuous Use of Green Power

Since fiscal 2008, Yamada Denki has continued the use of green power. In fiscal 2017, 79 stores used a total of 11.54 million kWh of green power. The headquarters in Takasaki uses green power for all its power consumption.

Such contribution to the dissemination of green power has been highly evaluated, and Yamada Denki was awarded "the Excellent Partner Prize" from "the Green Energy Partnership".

Introduction of Photovoltaic Power Generation Systems

Yamada Denki has been introducing photovoltaic power generation systems on store roofs. As of the end of March 2018, solar panels were installed at 199 stores and a total of 46,383,000 kWh was generated in fiscal 2017.



Efforts in Logistics

Yamada Denki has tried to ensure idling stop during distribution and delivery in order to promote environmental activities in these fields with our business partners, such as consigners and cooperative companies. In fiscal 2017 as well, the implementation rate maintained a high level, exceeding 99%, since the commencement of the initiative in 2010.

Environmental Conservation Activities by Group Companies

Housetec Inc.

Dissemination of Energy-Efficient Products under Green Product Assessment System

In order to reduce environmental impact at each stage of the product lifecycle, Housetec conducts green product assessment to approve products satisfying a certain level as green products, and proactively develop, manufacture and sell such products.

As of the end of fiscal 2017, Housetec achieved its target, the sales ratio of 99%, for green products.*

Through green product assessment, which focuses on such items as the reduction of component weight and the use of recycled materials, Housetec strengthens its efforts to develop and manufacture products with less environmental impact throughout their lifecycle.

* An estimated value as of March 31, 2018

Items Covered by Green Product Assessment

Assessment items	Assessment points
Weight reduction	Resource saving; Downsizing; Weight saving; Standardization
Lifespan extension	Durability; Reliability; Repair ease; Maintenance ease
Reuse and use of recycled resources	Use of recycled materials
Ease of disassembly	Ease of disassembly; Ease of sorting
Ease of disposal	Ease of fragmentation and degradability
Environmental friendliness	Reduction of environmental impact
Energy efficiency	Energy efficiency in the manufacture process and use

Voluntary Reduction of Emission of Chemical Substances

Housetec considers that reducing emission of chemical substances is one of the major issues in efforts for mitigating environmental impact.

Housetec voluntarily controls the purchase, use, disposal and manufacture of products of such substances as acetone and ethyl acetate, in addition to those substances covered under the PRTR Act,* in order to reduce their emissions into the air.

Substances Covered under the PRTR Act and Other Substances Subject to Housetec's Voluntary Control (fiscal 2017)

	Chemical substances
Controlled substances under the PRTR Act	Toluene, Xylene, Styrene, Methyl Methacrylate, Glyoxal, and Dicyclopentadiene
Voluntarily controlled substances	Acetone, Ethyl Acetate, and Cyclohexane

* The Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (PRTR Act) provides that business operators should ascertain the amounts of chemical substances that may pose a risk of harmful effects on human health and the ecosystem which are discharged from their business establishments into the environment (air, water and soil) and which are contained in waste and moved out of their business establishments, and report such amounts to the national government. The Act also provides that the national government should tabulate the amounts of such substances that are emitted and moved based on submitted data and estimates, and publicize those tabulated amounts. This system commenced in April 2001.

Reduction of CO₂ Emissions

In consideration of the emission reduction goals set in the Kyoto Protocol, Housetec established its goal of reducing CO₂ emissions intensity^{*1} to 68% by the end of fiscal 2019 and has been promoting relevant measures accordingly, such as through further energy conservation at production facilities.

In fiscal 2017, a 50% reduction was achieved, almost reaching the goal of a 51% reduction.^{*2} Housetec will continue its efforts for reducing CO₂ emissions and also endeavor to contribute to preventing global warming from the perspective of product lifecycle as a whole, not merely focusing on its production facilities, with the help of customers.

*1 CO₂ emission intensity = CO₂ emissions / sales (compared to the fiscal 1990 level)

*2 An estimated value as of March 31, 2018

Project White Co., Ltd.

Contribute to the Creation of Recycling-oriented Society through Collection and Recycling of PCs

Upon the amendment of the Act on the Promotion of Effective Utilization of Resources, Project White started to promote the collection and recycling of its PCs disposed of by individual customers with the aim of contributing to the creation of a recycling-oriented society. Customers' applications for disposal of Project White's PCs are all accepted at the Tsukumo Support & PC Recycling Center and collected PCs are sent to the recycling facilities for proper treatment in compliance with relevant laws.

Collection and Recycling of PCs in Fiscal 2017

Product category		Weight	Number of units	Recycled amount
		kg	Units	kg
Desktop PCs	For home use	5,574.9	604	3,685.6
Notebook PCs	For home use	154.0	77	74.2
Liquid crystal displays	For home use	154.8	30	85.5

BEST DENKI CO., LTD.

Participation in the BRING PLA-PLUS Project

Best Denki has participated in the BRING PLA-PLUS project, which is a project organized by the Ministry of the Environment to collect plastic products at stores for recycling. The latest project was conducted from February 9 to March 9, 2018, with the aim of creating a mechanism for recycling plastic products. Used plastic products were collected from consumers via home appliance mass merchandisers, general super markets, department stores and other retailers, as well as via fast food stores to conduct a demonstration test. Best Denki installed a collection box at its Fukuoka Main Store and called for customers' attention.





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.

Improvement of Customer Satisfaction

Efforts to Improve Customer Satisfaction

Yamada Denki is making constant efforts to ensure a large selection of goods, kind and meticulous customer services, and reasonable prices. We believe that it is essential not only to improve customer satisfaction at stores but also to enhance overall customer satisfaction, including after-sales services such as product delivery, installation, repair and support services, from the stage in which they use the products onward.

In addition to providing employees with OJT, group training, e-learning and other training, we conduct questionnaire surveys with customers concerning services at stores and upon delivery and after-sales services to further improve the quality and accuracy of our services. More than 90% of the customers who responded to questionnaires we sent after the completion of home renovation work were satisfied with the work and some of them even introduced us to new customers thereafter.

Additionally, we have set up various call centers to receive customers' opinions. The headquarters staff members regularly patrol stores, and working staff members' opinions are collected through the Improvement Proposal System. In this manner, Yamada Denki is making all-out efforts to constantly review and make improvements to achieve better customer satisfaction.

Encouraging the Acquisition of Qualification as Certified Home Appliance Advisors and Smart Masters

We try to increase employees' expert knowledge so that we can provide customers with proper advice on selecting 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 home appliance advisor and a smart master. We hold practical study sessions by outside lecturers, with the cooperation of manufacturers, and the number of qualified employees has been increasing.

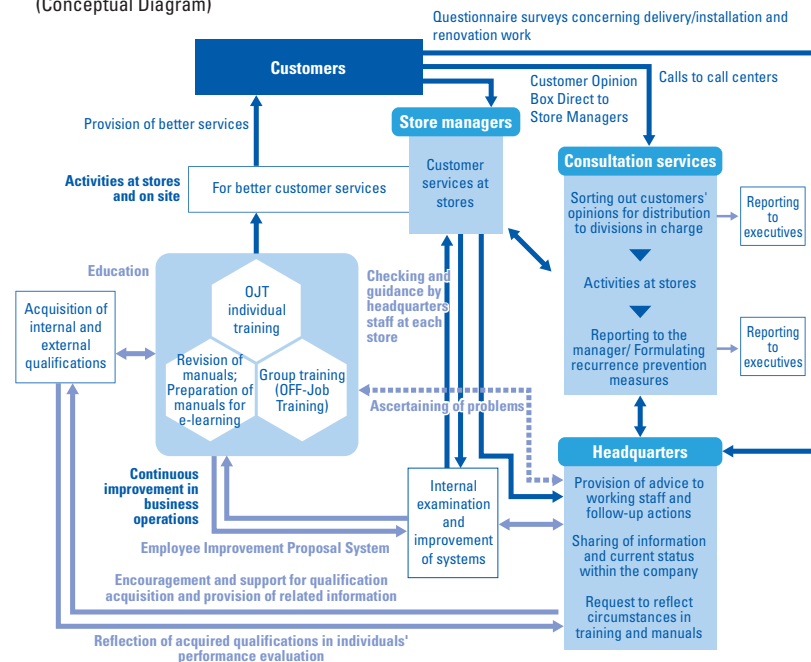
In fiscal 2017, the number of employees with a qualification as a certified home appliance advisor and/or a smart master exceeded 5,000.

▶ Number of Certified Home Appliance Advisors and Smart Masters

	Fiscal 2015	Fiscal 2016	Fiscal 2017
Audio visual information home appliances	812	1,339	1,713
Everyday life home appliances	574	920	1,425
General home appliances	1,049	1,318	1,730
Smart masters	—	43	311
Total	2,435	3,620	5,179

* A smart master is a qualification established in September 2016.

▶ Systems for Improving Customer Satisfaction and Employee Education (Conceptual Diagram)



Utilization of the Tablet POS System

Yamada Denki has introduced the highly flexible tablet POS system for the purpose of increasing customer convenience. Every store staff member has a tablet with the function of a POS register and can make even better proposals in accordance with customers' diverse needs. Before the introduction of the system, it took time to follow necessary procedures and check inventories at a register, but the system reduced customer waiting time and facilitated the flow of customer services up to payment.

Yamada Denki will continue efforts to enhance employee's customer services and the efficiency of business procedures through the integration of stores and the internet.



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 customer satisfaction, 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.

▶ Training Sessions Held in Fiscal 2017

	Number of participants
Training to Certify New CS Managers	129
Certification Renewal Training	524

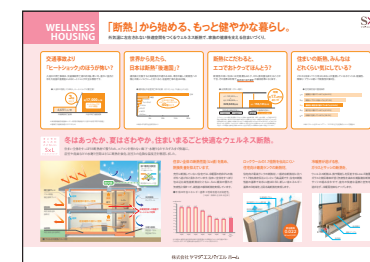
Customer Satisfaction Improvement Activities by Group Companies

Yamada SxL Home Co., Ltd.

For Customers' Healthy Longevity (Wellness Thermal Insulation & Wellness Air)

For ensuring healthy longevity, Yamada SxL Home proposes Wellness Thermal Insulation & Wellness Air, a mechanism to support good health by adjusting indoor air and temperature. Wellness Air is to create an atmosphere rich in negative ions by taking advantage of the high conductivity of walls made of high quality binchotan charcoal, which has long been used in traditional Japanese houses. It has been proven that the activation of NK cells (lymphocytes that detect and attack cancer cells and virus-infected cells) is observed in persons staying in a room installed with Wellness Air. Furthermore, Wellness Thermal Insulation adopts a thermal insulator (foamed resin insulator) exhibiting the highest performance as those for ordinary houses to realize high-level insulation efficiency. In cold winter, in particular, an accident due to heat shock is apt to occur. However, such an accident can be avoided by enhancing insulation efficiency in a bathroom or toilet without heat.

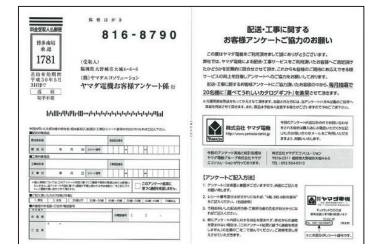
Considering that the creation of an environment that promotes good health is also an essential perspective in home building, Yamada SxL Home will continue making new proposals.



Annual Commendation Based on Customer Questionnaire Answers

The Yamada Denki Group conducts a questionnaire survey with customers concerning personnel in charge of delivery and installation. Every year, those highly evaluated by customers are given the grand prix, excellence award, prime award, or incentive award. Survey results are compiled as of the end of March and an award ceremony is held in June every year. In 2017, the eighth ceremony was held and a total of 401 employees received awards (grand prix: 2; excellence award: 12; prime award: 377; and incentive award: 10).

Commendation is expected to raise employees' motivation and facilitate information sharing, and to ultimately improve customer satisfaction.



Home Energy Management System

Yamada SxL Home, jointly with other housing makers, has conducted the development of houses utilizing IoT and started to propose new types of houses that ensure safe everyday life without anxiety amid a declining birthrate and an aging population. HEMS (Home Energy Management System) is a system to connect all housing equipment by a network to enable remote control of power sources and clarify the entirety of household power consumption. Yamada SxL Home created a new HEMS with a personal verification function by integrating a home appliance control system with a system to unlock the entrance door by finger-vein authentication. The new system can automatically send an e-mail to parents when a child gets home, or enables a user to check the temperature in the living room from outside and remotely turn on or off an air conditioner or lighting, thus ensuring safety at home while being away. Yamada SxL Home will continue developing and offering new services combined with HEMS to ensure safety not only for small children but also for elderly people in need of help.

YamadaWoodHouse Co., Ltd.

Free Maintenance of Housing Equipment for Ten Years

YamadaWoodHouse offers free maintenance and support services for housing equipment in the houses it builds. Even after the guarantee period of housing equipment makers, which usually ends in one or two years, YamadaWoodHouse offers support for the maintenance of an IH cooking heater, built-in dishwasher, water heater, etc. for ten years after move-in day. Any disorder or trouble with housing equipment is repaired free of charge (parts cost, labor cost, travel cost, etc.). A call center operating 24 hours a day, 365 days a year responds to customers' inquiries. "Living where one can feel peace of mind at the time of an emergency" is the motto of the company, and its much longer guarantee period is highly evaluated by customers.

* There are certain conditions for applying these support services and guarantee.



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.

We are endeavoring to foster personnel, develop their capability, and improve the working environment with the aim of cultivating a corporate culture in which every person's personality and characteristics are respected irrespective of their gender, age, or physical differences.

Improvement of Employee Satisfaction

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, etc. 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 the end of March 2018, the average age of employees was 37.7 years old and the average employment term was 11.8 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 2015	Fiscal 2016	Fiscal 2017
Number of managers	Men	3,021	2,996	2,998
	Women	65	67	79
	Total	3,086	3,063	3,077
Number of employees		10,725	10,568	10,249
Average number of temporary employees		8,487	7,902	7,778
Number of employees with disabilities		395	387	385

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

Recruitment of New Graduates

In 2018, we hired around 100 new graduates to invigorate the organization. As we are opening new types of stores, such as "Kaden Sumairu Kan", we try to hire personnel with the capacity to respond to such new moves, while training young new recruits. We will continue seeking personnel suited to new businesses and personnel with expertise on corporate systems for reinforcing the operations of the headquarters.



Promotion of Work-Life Balance

To improve the working environment so as to enable employees to work with good conditions, we consider 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 childcare 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 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Number of employees taking childcare leave	Total	201	204	169	159	163
	Male employees	4	6	2	5	3
Number of employees taking nursing care leave		4	7	13	11	8
Number of employees on short working hours		100	152	148	134	151
Rate of employees receiving medical checkup		94.0%	95.1%	95.3%	95.9%	95.1%

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

Introduction of the Area-Specific Employment System

We had previously hired personnel who can work nationwide, but in response to increasing needs of employees who want to have a baby or who have to take care of their children or elderly family members, we introduced an area-specific employment system free from job transfers involving moving in April 2017.

This new system aims to ensure an environment in which employees with such personal circumstances can work without anxiety. Those hired under this new system are transferred only within their respective areas, apart from employees on the main career track who may be transferred nationwide. Employees can select their own working styles depending on their life plans and household circumstances.

Start of the New Performance Evaluation System

We have launched an in-house campaign titled "CS Improvement & Personal Development Campaign" with the aim of enhancing the quality of employees' customer services and having them acquire knowledge on a variety of goods, thereby further improving customer satisfaction. At the same time, we have reviewed the performance evaluation system to make the system fairer and more transparent. Specifically, the new system adds points of "evaluation by job type," "evaluation concerning qualifications," "evaluation concerning CS," and "evaluation concerning proposals" to points of the conventional evaluation system (achievement evaluation). The acquisition of around 100 external qualifications is considered in evaluation. The addition of CS-related evaluation and personal development-related evaluation has made employees aware of the importance of CS improvement and personal development, not only the importance of prioritizing sales achievements. Furthermore, evaluation items were thus clarified and the performance evaluation as a whole has been made more transparent.

Annual Commendation System

We have 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 2017, a total of 56 individuals and 22 stores and offices were commended.



Start of the Corporate Defined Contribution Pension "CoDeCo"

The Yamada Denki Group launched an individual pension system for its employees, "Yamada CoDeCo," in October 2017, with the aim of ensuring employees' income after retirement and supporting their voluntary efforts to stabilize their everyday lives.

"CoDeCo" is the public nickname of corporate defined contribution pensions. This is a system to save funds for the future of corporate workers, taking advantage of the tax-saving effect and investment effect. Taxes and social insurance premiums are withdrawn from wages, but premiums for CoDeCo are non-taxable, which has a tax-saving effect. Additionally, the interest rates on time deposits are currently around 0.01% per year, but the average investment profit rate of CoDeCo is 2.44% and investment profits are also non-taxable.



Employee Satisfaction Improvement Activities by Group Companies

Yamada SxL Home Co., Ltd.

Product Development Reflecting Women's Views

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

In fiscal 2017, in addition to proposals concerning storage, on which the emphasis has been placed so far, the company actively made proposals reflecting women's views regarding new lifestyles utilizing HEMS (Home Energy Management System; see p.35 for details) and IoT. IoT provides convenience to housewives but the term itself may put them off. Therefore, the company prepared a leaflet to show the whole image without using technical terms, thereby helping with working staff's sales activities. The leaflet, which intuitively makes sense and is easy to understand, is popular among customers, mainly housewives, and is also appreciated by sales personnel. Yamada SxL Home will continue efforts for expanding opportunities for female staff to actively participate not only in developing products but also in making proposals, with the goal of developing a better working environment to enable them to demonstrate their abilities.



BEST DENKI CO., LTD.

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.





Social Contribution Activities

Retail companies are required to contribute to the growth of the local communities 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.

Social Contribution

Holding of "Yamada Denki Photo Contest and Children's Photo Class"

As a collaborative event with the Yamada Noboru Memorial Foundation, "Yamada Denki Photo Contest and Children's Photo Class in Akagi Nature Park" was held in November 2017.

In the same manner as Wilderness Experience Trips organized and held by the Yamada Noboru Memorial Foundation in the Akagi Nature Park four times a year, we invited junior and senior high school students from care houses, etc. in Gunma. We invited photographer ARAI Yukihiro as a lecturer, and he taught 23 children how to handle cameras and take photos, aiming to support their sound development and future. Participating children entered "the 12th Yamada Denki Photo Contest 2017" with their photos, one of which won a prize.



Donation to the Maebashi Red Cross Hospital

In February 2018, Yamada Denki and the Yamada Noboru Memorial Foundation made a donation to the Maebashi Red Cross Hospital for the construction of its new hospital buildings.

Under the principle of humanitarianism, the Maebashi Red Cross Hospital has fulfilled broad and extensive missions and roles, from meeting general medical needs to offering higher medical services. New hospital buildings with enhanced functions were completed and the Maebashi Red Cross Hospital moved in and reopened in June 2018.

Yamada Denki made a donation to help with the construction of new hospital buildings, considering the significance of the hospital's roles and medical contributions in Gunma, as part of its CSR activities to offer cooperation for the continuation and development of local medical services.



Joshu Region New Year's Shogi Contest 2018

On January 3 and 4, 2018, the "Joshu Region New Year's Shogi Contest 2018" was held in the event space, LAB11 LIFE SELECTGATE, on the fourth floor of LAB11 LIFESELECT 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. This two-day event attracted 4,540 people in total. At the "2nd Yamada Children's Challenge Cup" held on January 3, 265 children up to junior high school students were divided into three categories depending on their levels, and had heated matches. Other attractions such as guidance by professional *Shogi* players and free matches were also popular and participants and ordinary customers enjoyed the appealing features of *Shogi* all day long. The "8th Joshu Region Shogi Contest" held on January 4, featured a New Year's special match between Meijin (Master) SATO Amahiko and NAMEKATA Hisashi 8-dan (8th rank), and other matches and exchange events with the participation of 12 professional *Shogi* players. Other main events included an interesting match of the "Joshu Yamada Challenge Cup Dream Match" between ISHIMOTO Sakura female 1-dan (1st rank), who won the "3rd Women's Shogi Yamada Challenge Cup," and a 12-year-old boy, who won the "1st Yamada Children's Challenge Cup," and interesting explanations by KATO Hifumi 9-dan (9th rank), known by his nickname "Hifumin," and a female professional player, YAMADA Kumi female 4-dan (4th rank). The event site had a joyful atmosphere suited for the New Year's holidays. At the opening ceremony, Chairperson YAMADA gave an opening address, showing his passion for this *Shogi* Contest by saying, "I would like people to enjoy the appealing features of *Shogi* through this Contest and I would be happy if I could be of any help for the dissemination and development of *Shogi* into the future."



Holding of a Track and Field Class in Bangkok, Thailand

In November 2017, Yamada Denki's Track and Field Team held a track and field class at the National Stadium in Bangkok, Thailand, targeting 30 students in the track and field course of the Bangkok Sports School. From Yamada Denki's Track and Field Team, team manager Tanaka and team members Masuno and Yamazaki participated as instructors. Hurdler Masuno showed model performances and team manager Tanaka provided technical guidance and a lecture on the current status of athletic sports in Japan.



Holding of the "Fureai Track and Field Class" by Yamada Denki's Track and Field Team

On November 27, 2017, the "Fureai Track and Field Class" for 109 fourth-grade elementary students was held at Akenodaira Elementary School in Tomiya City, Miyagi. Medium-to-long-distance runners in Yamada Denki's Track and Field Team participated.

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

In 2017 as well, 13 medium-to-long-distance runners taught basic running forms and enjoyed relay races together. Thereby, the team showed the joy of running to students.



Social Contribution Activities by Group Companies

Yamada SxL Home Co., Ltd.

Holding of a Public Lecture under Industry-Academia Collaboration at a Technical College

Nihon Kogakuin College was established in 1947 in Kamata, Tokyo, a town of manufacturers, as an engineer training school. For 66 years thereafter, the College has developed industry-ready human resources in a wide range of areas, including the manufacturing domain. The College is the largest general technical college in Japan, having as many as 100 specialized courses and more than 10,000 students enrolled in two campuses in Hachioji and Kamata. It has turned out 200,000 or more graduates.

Yamada SxL Home provided a public lecture for students in the architectural course of the Hachioji campus. Yamada SxL Home has been carrying out a practical project under industry-academia collaboration, not only teaching general knowledge on architecture but also conducting studies on housing and human health, using a smart house training house.

Yamada SxL Home will continue supporting the nurturing of excellent

human resources to secure necessary personnel for the company, and at the same time, promoting social contribution making the most of its expertise in housing.



CIC Corporation

Environment Beautification Activities Together with the Local Community

The company has actively engaged in the activities of "Creation of Beautiful Hometown, Gunma" promoted by Gunma Prefecture. In 2017, three employees participated in cleaning activities during the Spring Cleanup Campaign and Autumn Cleanup Campaign. These campaigns aim 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 these activities also in 2018 as a member of the local community.

YamadaWoodHouse Co., Ltd.

A Project, "My Mom is a Carpenter," Won the Kids Design Award

The Kids Design Award is the Kids Design Association's commendation system to select and commend excellent designs of products, space, or services that would ensure safe everyday life for children, assist with the growth of sensitive and inventive children, or create a society in which people can have and raise children with ease, with the aim of publicizing such designs broadly. YamadaWoodHouse was awarded for its project "My Mom is a Carpenter," which it has been carrying out by utilizing its builder development program.

YamadaWoodHouse reformed the conventional carpenter development system, under which a single carpenter completes the whole home building process, and adopted a system whereby a team of builders builds a house. The new system enables builders who have only acquired skills for a part of the whole process to work independently and also makes it possible for team members to cover a sudden absence of a member. Under this system, even mothers with small children can balance their private lives and duties as a builder.

On the basis of the division of labor, the whole home building process is divided and teams respectively specialized in foundation work, framework construction,

finishing carpentry work, etc. are to perform their duties and jointly build one house. Accordingly, those with only partial skills can work independently, and women and the elderly who had to give up being a builder have also become able to fulfil their dreams.

Against such a backdrop, housewives and mothers with small children are working as builders for YamadaWoodHouse and some of them have grown to perform foundation work for as many as around twenty houses in a month. Work in a team ensures a working environment in which a sudden absence due to a child's illness or other reasons can be covered by the other team members. Working as a builder is rather convenient even for mothers with small children as carpentry does not require much overtime work in general. They may leave their children at and pick them up from day-care centers at a fixed time every day. YamadaWoodHouse will continue positively hiring and fostering mother carpenters.





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.

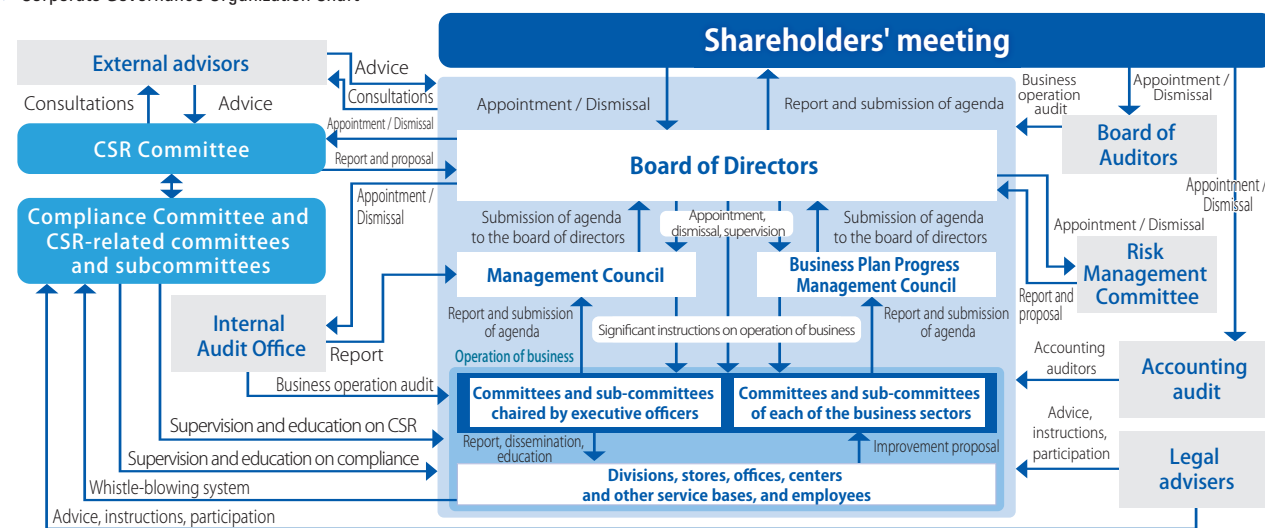
Adoption and Implementation of CSR-focused Management

Yamada Denki adopts a board of auditors system under which the execution of business 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, Chairperson and Chairperson of the Board of Directors; Representative Director, Vice Chairperson and CEO; and Representative Director, President and COO. Under the top management team are various business divisions, 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 our 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 15 directors (including two external directors) 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 two external directors, 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 Vice Chairperson 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.

Holding of a Meeting to Announce Management Policy

In January every year, the Yamada Denki Group holds a meeting to announce its management policy at the headquarters. Executive officers of Yamada Denki, representatives of respective divisions, area managers, and representatives of group companies participate in this annual meeting. The Representative Director announces the policy for the following fiscal year, representatives of group companies present their efforts and plans, and all participants share and confirm the goals to be achieved.



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 home appliance manufacturers and daily commodity manufacturers, as well as wholesalers. Many domestic home 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 respective CSR activities and sharing information on corporate social responsibility.

Questionnaire Survey with Business Partners

Currently, compliance covering the entirety of the value chain is considered to be important. Based on the Code of CSR Ethics, the Yamada Denki Group promotes compliance with environmental, social and ethical laws and regulations. Goods and services of the Yamada Denki Group are provided to customers via a number of domestic and foreign corporations, but we would like to ensure that relevant laws and regulations are thoroughly observed throughout that process and that the goods and services we provide are free from any environmental, social or ethical problems. Therefore, the Yamada Denki Group conducts a questionnaire survey once a year targeting major business partners and group companies based on the established Yamada Denki's Sourcing Policy. We are committed to continuing efforts for compliance covering our supply chain as a whole.

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 Every 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 takes actions as necessary.

Efforts Involving Business Partners to Protect Customers' Personal Information

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 the 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.



TES Co., Ltd.

Compliance during the Use of Company Vehicles

TES sets up the compliance during the use of company vehicles as one of the goals of its continued efforts. Employees often use company vehicles in their daily duties and each of them is making efforts to ensure the safety and security of local communities. Employees' high level of awareness of safety and security is maintained by the company's awareness-raising activities during morning meetings and the occasional provision of relevant information from the police. As a result, the company was able to achieve a goal of no legal violation in fiscal 2017.



Financial Summary

Major Financial Data for 10 Years

		32 nd March 2009	33 rd March 2010	34 th March 2011
Consolidated sales	million yen	1,871,828	2,016,140	2,153,259
Consolidated operating profit	million yen	49,522	87,303	122,764
Consolidated ordinary income	million yen	64,604	101,586	137,847
Current net profit belonging to parent company's shareholders	million yen	33,207	55,947	70,754
Net assets	million yen	356,452	406,381	470,849
Total assets	million yen	778,489	899,612	929,010
ROA	%	4.3	6.2	7.6
ROE	%	9.8	14.8	16.2
Net assets per share	yen	3,757.06	4,297.29	4,978.38
Basic earnings per share	yen	353.32	594.26	751.03
Diluted earnings per share	yen	352.47	593.84	-
Stated capital	100 million yen	707	710	710
Equity ratio	%	45.4	45.0	50.5
Price earnings ratio	Times	10.92	11.61	7.47
Net cash used in operating activities	million yen	50,498	133,718	93,071
Net cash used in investing activities	million yen	△67,347	△108,218	△25,237
Net cash used in financing activities	million yen	△307	8,555	△45,940
Cash and cash equivalents at end of year	million yen	47,956	83,045	104,814

	35 th March 2012	36 th March 2013	37 th March 2014	38 th March 2015	39 th March 2016	40 th March 2017	41 st March 2018
	1,835,454	1,701,489	1,893,971	1,664,370	1,612,735	1,563,056	1,573,873
	88,978	33,930	34,265	19,918	58,158	57,895	38,763
	102,225	47,906	50,187	35,537	62,734	66,040	47,335
	58,265	22,203	18,666	9,340	30,395	34,528	29,779
	526,743	555,391	553,354	509,397	557,722	585,547	588,740
	937,841	1,138,389	1,196,288	1,122,407	1,146,722	1,159,456	1,175,568
	6.2	2.1	1.6	0.8	2.7	3.0	2.6
	11.8	4.2	3.5	1.8	6.0	6.3	5.2
	5,516.15	565.33	592.17	643.03	666.03	697.46	731.57
	618.46	23.56	20.21	11.73	38.22	43.00	36.77
	-	-	20.21	11.72	38.16	42.89	36.65
	710	710	710	710	710	710	710
	55.4	46.8	44.2	43.2	46.6	48.4	49.8
	8.36	18.22	17.01	42.18	13.92	12.91	17.35
	34,259	△12,789	45,148	22,982	△23	43,855	61,689
	△38,063	△39,232	△38,606	△20,232	△13,437	△15,279	△12,668
	△24,361	47,174	△7,646	△41,487	4,732	△24,382	△32,920
	76,344	77,906	77,754	39,691	30,664	34,981	51,326

Notes: 1. Net sales do not include consumption tax.

2. Diluted earnings per share for the 34th, 35th and 36th business years are not indicated because there were no securities with dilutive effects.

3. Yamada Denki conducted a 10-for-1 stock split on common stock as of October 1, 2013. Net assets per share, basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the 36th business year.

Consolidated Balance Sheets

		(million yen)	
		The previous fiscal year (March 31, 2017)	The current fiscal year (March 31, 2018)
Assets			
	Current assets		
	Cash and time deposits	35,341	52,040
	Notes and accounts receivable	56,868	45,968
	Merchandise and finished goods	373,114	372,682
	Work in process	2,580	5,657
	Raw materials and supplies	3,355	5,121
	Deferred tax assets	9,309	9,175
	Other current assets	44,629	49,868
	Allowance for doubtful accounts	△6,714	△1,840
	Total current assets	518,484	538,676
	Non-current assets		
	Property and equipment		
	Buildings and structures (net)	220,476	216,556
	Land	187,895	187,827
	Lease assets (net)	10,355	9,558
	Construction in progress	853	678
	Others (net)	12,685	13,446
	Total property and equipment	432,266	428,068
	Intangible assets	33,526	40,287
	Investments and other assets		
	Investment securities	5,186	9,182
	Long-term loans receivable	12,582	3,510
	Retirement benefit assets	2,009	1,845
	Deferred tax assets	16,794	17,990
	Guarantee deposits	108,225	102,080
	Other assets	36,277	36,221
	Allowance for doubtful accounts	△5,896	△2,295
	Total investments and other assets	175,180	168,535
	Total non-current assets	640,972	636,891
	Total assets	1,159,456	1,175,568

		(million yen)	
		The previous fiscal year (March 31, 2017)	The current fiscal year (March 31, 2018)
Liabilities			
	Current liabilities		
	Notes and accounts payable	82,372	98,550
	Short-term loans payable	77,155	84,581
	Current portion of long-term loans payable	58,083	45,215
	Lease obligations	2,537	2,541
	Corporation taxes payable	12,481	4,757
	Provision for bonuses	7,601	8,455
	Provision for directors' bonuses	124	118
	Provision for point card certificates	10,790	7,835
	Provision for warranties for completed construction	210	592
	Provision for losses on liquidation of affiliated companies	293	302
	Other current liabilities	49,598	54,269
	Total current liabilities	301,248	307,221
	Long-term liabilities		
	Bonds	100,216	100,116
	Long-term loans payable	85,559	88,594
	Lease obligations	11,322	10,232
	Provision for directors' retirement benefits	572	465
	Provision for product warranties	11,683	9,637
	Provision for losses on interest repayments	190	97
	Provision for gift certificates, etc.	276	206
	Retirement benefit liabilities	24,763	26,287
	Asset retirement obligations	24,748	31,685
	Other long-term liabilities	13,327	12,283
	Total long-term liabilities	272,661	279,606
	Total liabilities	573,909	586,827
Net assets	Shareholders' equity		
	Stated capital	71,058	71,058
	Capital surplus	73,734	84,608
	Retained earnings	480,846	500,164
	Treasury stock	△67,213	△73,704
	Total shareholders' equity	558,426	582,127
	Accumulated other comprehensive income		
	Valuation difference on available-for-sale securities	1,221	1,854
	Foreign currency translation adjustments	△485	△814
	Accumulated adjustments for retirement benefit obligations	2,161	2,351
	Total of accumulated other comprehensive income	2,897	3,391
	Subscription rights to shares	843	1,153
	Non-controlling interests	23,380	2,068
	Total net assets	585,547	588,740
	Total liabilities and net assets	1,159,456	1,175,568

Consolidated Statements of Income

	(million yen)	
	The previous fiscal year (from April 1, 2016, to March 31, 2017)	The current fiscal year (from April 1, 2017, to March 31, 2018)
Sales	1,563,056	1,573,873
Cost of sales	1,107,856	1,135,758
Gross profit	455,199	438,114
Selling, general and administrative expenses	397,304	399,351
Operating income	57,895	38,763
Non-operating income		
Interest income	1,080	970
Purchase discounts	6,314	4,312
Rent income	4,113	4,216
Sales of electric power	1,922	2,005
Others	4,324	4,140
Total other income	17,755	15,646
Non-operating expenses		
Interest expenses	1,452	1,318
Foreign exchange (loss) gain	1,782	-
Rent expenses	3,616	3,514
Rental expenses	693	476
Cost of sale of electric power	786	784
Others	1,278	978
Total non-operating expenses	9,610	7,073
Ordinary income	66,040	47,335
Extraordinary income		
Gain on sale of non-current assets	139	-
Total extraordinary income	139	-
Extraordinary loss		
Loss on disposal of non-current assets	583	552
Impairment loss	6,083	5,515
Loss due to disasters	1,147	-
Others	1,483	1,253
Total extraordinary loss	9,297	7,321
Net income before taxes	56,882	40,014
Corporation tax, resident tax and enterprise tax	20,972	12,103
Deferred corporation taxes	△680	△1,018
Total corporation taxes	20,291	11,084
Current net profit	36,590	28,930
Current net profit belonging to non-controlling interests or current net loss belonging to non-controlling interests (△)	2,062	△849
Current net profit belonging to parent company's shareholders	34,528	29,779

Consolidated Statements of Comprehensive Income

	(million yen)	
	The previous fiscal year (from April 1, 2016, to March 31, 2017)	The current fiscal year (from April 1, 2017, to March 31, 2018)
Current net profit	36,590	28,930
Other comprehensive income		
Valuation difference on available-for-sale securities	382	582
Foreign currency translation adjustments	1,419	△337
Adjustments for retirement benefit obligations	980	88
Share of other comprehensive income of associates accounted for using equity method	0	0
Total of other comprehensive income	2,782	332
Comprehensive income	39,373	29,263
(breakdown)		
Comprehensive income attributable to owners of parent	36,969	30,273
Comprehensive income attributable to non-controlling interests	2,403	△1,010

Consolidated Statement of Changes in Shareholders' Equity, etc.

	(million yen)				
	Shareholders' equity				
The previous fiscal year (from April 1, 2016, to March 31, 2017)	Stated capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	71,058	73,001	458,107	△68,231	533,936
Changes in the year					
Cash dividends			△9,628		△9,628
Current net profit belonging to parent company's shareholders			34,528		34,528
Disposal of treasury stock		△0		6	6
Change in scope of consolidation			△2,161		△2,161
Purchase of shares of consolidated subsidiaries		733		1,010	1,744
Other changes in the year (net)					
Total changes in the year	—	733	22,738	1,017	24,489
Balance at end of year	71,058	73,734	480,846	△67,213	558,426

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit obligations	Total of accumulated other comprehensive income			
Balance at beginning of year	934	△1,966	1,488	456	521	22,807	557,722
Changes in the year							
Cash dividends							△9,628
Current net profit belonging to parent company's shareholders							34,528
Disposal of treasury stock							6
Change in scope of consolidation							△2,161
Purchase of shares of consolidated subsidiaries							1,744
Other changes in the year (net)	286	1,480	672	2,440	322	572	3,335
Total changes in the year	286	1,480	672	2,440	322	572	27,825
Balance at end of year	1,221	△485	2,161	2,897	843	23,380	585,547

	(million yen)				
	Shareholders' equity				
The current fiscal year (from April 1, 2017, to March 31, 2018)	Stated capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	71,058	73,734	480,846	△67,213	558,426
Changes in the year					
Cash dividends			△10,462		△10,462
Current net profit belonging to parent company's shareholders			29,779		29,779
Purchase of treasury stock				△15,996	△15,996
Disposal of treasury stock		△2		14	12
Purchase of shares of consolidated subsidiaries		10,876		9,491	20,367
Other changes in the year (net)					
Total changes in the year	—	10,874	19,317	△6,490	23,701
Balance at end of year	71,058	84,608	500,164	△73,704	582,127

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Foreign currency translation adjustments	Total of accumulated other comprehensive income			
Balance at beginning of year	1,221	△485	2,161	2,897	843	23,380	585,547
Changes in the year							
Cash dividends							△10,462
Current net profit belonging to parent company's shareholders							29,779
Purchase of treasury stock							△15,996
Disposal of treasury stock							12
Purchase of shares of consolidated subsidiaries							20,367
Other changes in the year (net)	632	△329	189	493	310	△21,311	△20,508
Total changes in the year	632	△329	189	493	310	△21,311	3,192
Balance at end of year	1,854	△814	2,351	3,391	1,153	2,068	588,740

Consolidated Statements of Cash Flows

	(million yen)	
	The previous fiscal year (from April 1, 2016, to March 31, 2017)	The current fiscal year (from April 1, 2017, to March 31, 2018)
Net cash used in operating activities		
Net income before taxes	56,882	40,014
Depreciation	19,460	19,621
Impairment loss	6,083	5,515
Amortization of goodwill	138	86
Increase (decrease) in provision for point card certificates (△ represents a decrease)	△6,281	△2,955
Increase (decrease) in provision for product warranties (△ represents a decrease)	△839	△2,046
Increase (decrease) in allowance for doubtful accounts (△ represents a decrease)	△242	△2,982
Increase (decrease) in retirement benefit liabilities (△ represents a decrease)	1,787	1,715
Interest and dividend income	△1,189	△1,087
Interest expenses	1,452	1,318
Foreign exchange loss (gain) (△ represents a gain)	1,927	△597
Loss (gain) on sale of investment securities (△ represents a gain)	△1	△0
Loss (gain) on sale and disposal of property and equipment (△ represents a gain)	583	552
Increase (decrease) in notes and accounts receivable (△ represents an increase)	2,106	11,198
Increase (decrease) in advances received (△ represents a decrease)	△1,239	687
Increase (decrease) in inventories (△ represents an increase)	△16,687	△3,155
Increase (decrease) in notes and accounts payable (△ represents a decrease)	2,354	13,483
Increase (decrease) in accounts receivable (△ represents an increase)	△3,877	△2,698
Increase (decrease) in consumption taxes, etc. payable (△ represents a decrease)	4,010	371
Increase (decrease) in other current assets (△ represents an increase)	058	426
Increase (decrease) in other current liabilities (△ represents a decrease)	559	19
Others	2,430	2,508
Sub-total	69,359	81,996
Interest and dividend income received	254	303
Interest expenses paid	△1,463	△1,332
Corporation taxes paid or refunds (△ represents payment)	△24,295	△19,277
Net cash used in operating activities	43,855	61,689

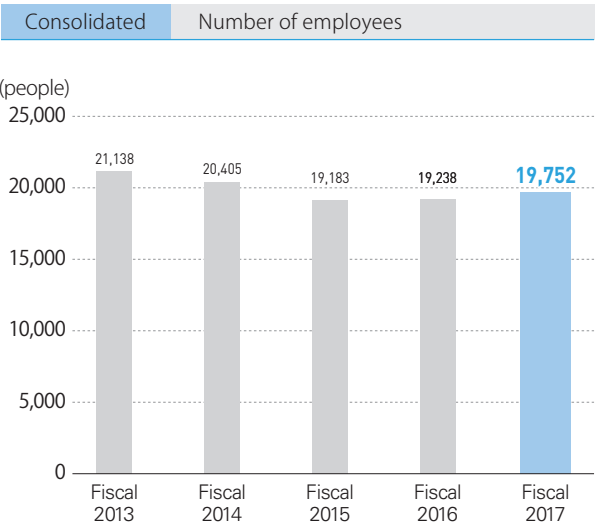
	(million yen)	
	The previous fiscal year (from April 1, 2016, to March 31, 2017)	The current fiscal year (from April 1, 2017, to March 31, 2018)
Net cash used in investing activities		
Payments into time deposits	△480	△494
Proceeds from withdrawal of time deposits	1,996	336
Purchases of property and equipment	△17,455	△10,049
Proceeds from sale of property and equipment	489	283
Purchases of intangible assets	△786	△345
Payments for guarantee deposits	△3,051	△996
Proceeds from collection of guarantee deposits	8,601	8,234
Purchases of investment securities	△9	△3,647
Proceeds from sales and redemption of investment securities	288	38
Purchases of affiliated companies shares	△589	△10
Proceeds from purchase of shares in subsidiaries resulting in change in scope of consolidation	-	137
Proceeds from sale of shares in subsidiaries resulting in change in scope of consolidation	-	540
Payment of loans receivable	△5,734	△7,697
Collection of loans receivable	979	1,389
Others	471	△387
Net cash used in investing activities	△15,279	△12,668
Net cash used in financing activities		
Net increase (decrease) in short-term loans payable (△ represents a decrease)	9,460	6,457
Proceeds from long-term loans payable	40,600	50,000
Repayments of long-term loans payable	△61,325	△60,173
Purchase of treasury stock	-	△15,996
Proceeds from disposal of treasury stock	0	0
Repayments of lease obligations	△3,600	△2,716
Proceeds from sales and leasebacks	194	218
Cash dividends paid	△9,625	△10,461
Others	△85	△248
Net cash used in financing activities	△24,382	△32,920
Effect of exchange rate change on cash and cash equivalents	△307	243
Increase (decrease) in cash and cash equivalents (△ represents a decrease)	3,887	16,345
Cash and cash equivalents at beginning of year	30,664	34,981
Increase (decrease) in cash and cash equivalents resulting from a change in scope of consolidation (△ represents a decrease)	351	-
Increase (decrease) in cash and cash equivalents resulting from mergers of consolidated subsidiaries (△ represents a decrease)	78	-
Cash and cash equivalents at end of year	34,981	51,326

Outline of the Yamada Denki Group

Yamada Denki Corporate Profile

Company name	YAMADA DENKI CO., LTD.
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 2018)
Total assets	11,755 billion yen on a consolidated basis (March 2018)
Capital adequacy ratio	49.8% on a consolidated basis (March 2018)
Number of employees	19,752 people* on a consolidated basis (March 2018)
Total outstanding shares	966,489,740 shares (March 2018)

* Excluding average number of temporary employees



List of Group Companies

Consolidated subsidiaries

Okinawa Yamada Denki Co., Ltd.
CIC Corporation
INVERSET INC.
Cosmos Berry's Co., Ltd.
Matsuya Denki Ltd.
Seidensha Co., Ltd.
Yamada Financial Co., Ltd.
Kyushu Tecc Land Co., Ltd.
Project White Co., Ltd.
Y's Select Co., Ltd.
YamadaWoodHouse Co., Ltd.
Yamada SxL Home Co., Ltd.
SxL Jyukou Corp.
Housing Works Co., Ltd.
ACE HOME Co., Ltd.
Conglo Engineering Co., Ltd.

BEST DENKI CO., LTD.
Best Service Co., Ltd.
Repair Depot Co., Ltd.
J Staff Co., Ltd.
Best Credit Service Co., Ltd.
BPC Co., Ltd.
Kurokawa Denki Co., Ltd.
Housetec Inc.
Nikka Maintenance Co., Ltd.
Chubu Nikka Service Co., Ltd.
Yamada Denki (Shenyang) Commercial Co., Ltd.
Yamada Denki (China) Investment Co., Ltd.
BEST DENKI MALAYSIA SDN.BHD.
BEST DENKI (SINGAPORE) PTE.LTD.
NAKAYAMA TECHNOLOGY CORPORATION
NAKAYAMA RESOURCES & DEV'T. CORP.

Major unconsolidated subsidiaries

Y•JUST Co., Ltd.
TES Co., Ltd.
Gunma Sogo-Setsubi Co., Ltd.
Azuma Metal Co., Ltd.
YAMADA FINANCE Co., Ltd.
Yamada Trading Co., Ltd.
YAMADA REAL ESTATE CO., LTD.

Affiliated companies

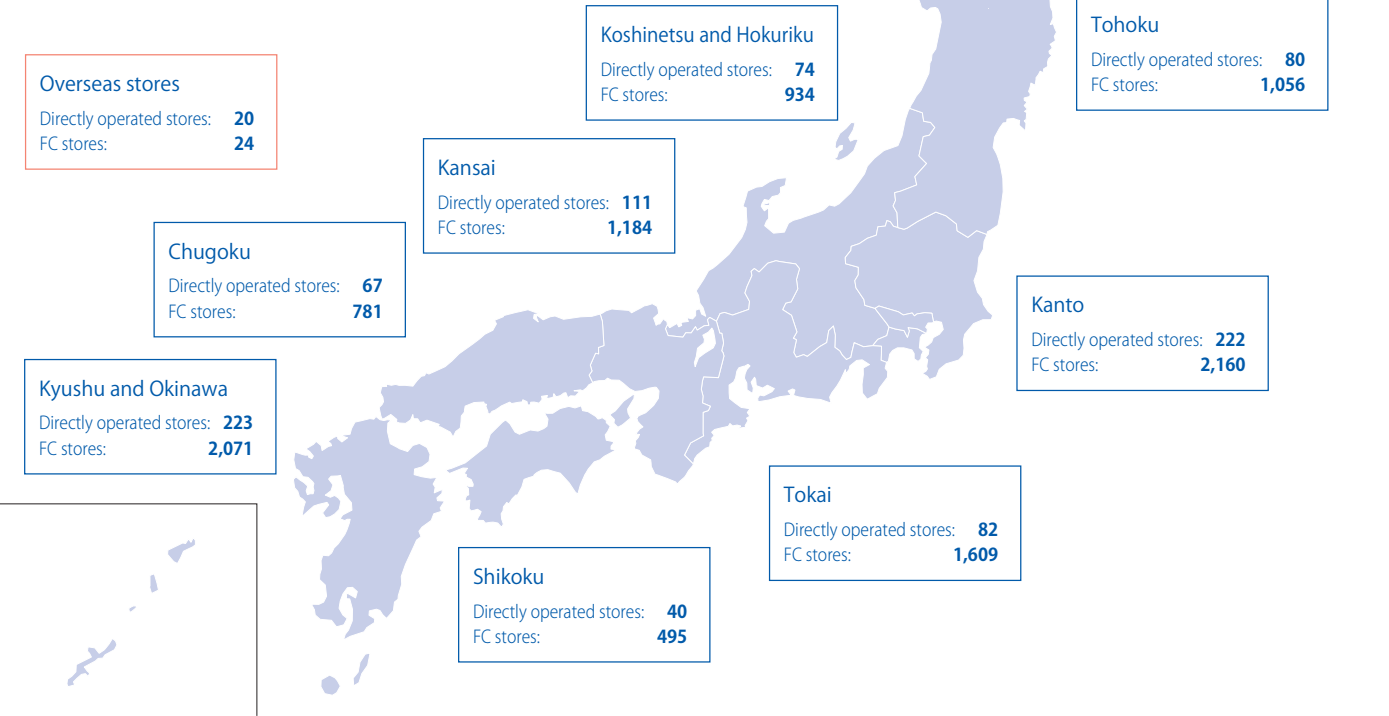
Y.U-mobile Co., Ltd.
Stream Co., Ltd.
BEST IT BUSINESS Co. Ltd.

Group Network

(as of March 31, 2018)

Number of stores directly operated by the Yamada Denki Group by prefecture		Number of directly operated stores in Japan	
Hokkaido	51	Yamada Denki	661
Aomori	10	Okinawa Yamada Denki	7
Iwate	13	Matsuya Denki	86
Miyagi	19	Seidensha	7
Akita	11	Y's Select	6
Yamagata	12	Kyushu Tecc Land	30
Fukushima	15	Project White	11
Ibaraki	16	Best Denki	142
Tochigi	16	Total: 950	
Gunma	20	Number of FC stores in Japan	
Saitama	37	Cosmos Berry's FC	10,833
Chiba	39	Matsuya Denki FC	32
Tokyo	55	Best Denki FC	170
Kanagawa	39	Total: 11,035	
Niigata	21	Number of overseas stores	
Toyama	13	Directly operated stores	20
Ishikawa	9	FC stores	24
Fukui	6	Total: 44	
Yamanashi	5		
Nagano	20		
Gifu	10		
Shizuoka	15		
Aichi	46		
Mie	11		
Total: 950			

* The number of FC stores is not included.



Yamada Denki Group
Store Network
12,029
Stores