

# edion Corporation Annual Report 2008

Fiscal Year Ended March 31, 2008



## edion Group

 **DEODEO** DEODEO Corporation  
8-22, Mokuzaiko-minami, Hatsukaichi city,  
Hiroshima 738-0022  
<http://www.deodeo.co.jp/>

 **edion** TOKYO EDION Corporation  
6-13-10, Sotokanda, Chiyoda-ku,  
Tokyo 101-0021  
<http://www.edion.co.jp/tokyo-edion/>

 **EIDEN** EIDEN Co., Ltd.  
2-80-1, Enjaku-cho, Minato-ku, Nagoya city,  
Aichi 455-8501  
<http://www.eiden.co.jp/>

 **石丸電気** Ishimaru Denki Co., Ltd.  
1-9-14, Sotokanda, Chiyoda-ku,  
Tokyo 101-0021  
<http://www.ishimaru.co.jp/>

 **MIDORI** MIDORI DENKA CO., LTD.  
1-1-50, Shioe, Amagasaki city,  
Hyogo 660-8540  
<http://www.midori-de.com/>

 **満ボルト** 3Q Co., Ltd.  
2-3, Shinbo-cho, Fukui city,  
Fukui 910-0832  
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**EDION Corporation**

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Management Philosophy

**“Achieving long-lasting customer satisfaction through outstanding products and reliable service”**

The EDION Group offers attractive products at reassuring prices, along with superior service.

We offer products that provide the highest levels of satisfaction at reasonable prices.

We always endeavor to recommend the products best suited to the customer’s needs, through sincere customer service.

Sales are backed by a thorough service system, to ensure continued use under optimal conditions.

Working to bring new discoveries that stimulate the senses and enliven lifestyles. With our corporate brand, EDION (Exciting Discovery in One Network), we endeavor to introduce “new discoveries” into daily life, to bring exciting and inspiring ideas that please our customers’ senses. Under our management philosophy, “Achieving long-lasting customer satisfaction through outstanding products and reliable service,” the EDION Group strives to make the best use of its advantage of scale to further enhance its corporate value.

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# Financial Highlights

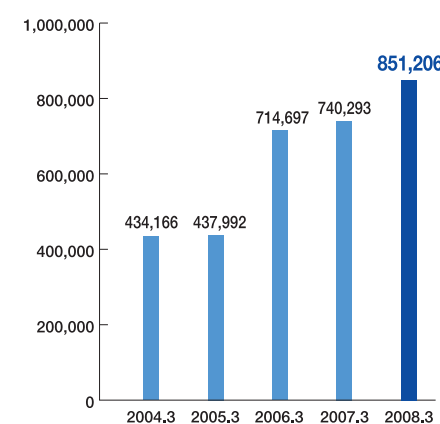
(Millions of yen)

	2004	2005	2006	2007	2008
Period	From April 1, 2003 to March 31, 2004	From April 1, 2004 to March 31, 2005	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008
Net sales	434,166	437,992	714,697	740,293	<b>851,206</b>
Operating income	5,825	5,011	8,054	6,947	<b>8,480</b>
Net income	3,017	4,918	8,226	7,368	<b>6,755</b>
Total net assets	94,465	105,595	128,504	162,177	<b>177,577</b>
Total assets	222,614	231,410	319,507	390,551	<b>437,410</b>
Net assets per share (yen)	1,206.46	1,185.82	1,214.84	1,258.61	<b>1,290.78</b>
Net income per share (yen)	37.78	60.58	76.98	69.76	<b>63.96</b>
Shareholders' equity ratio to total assets (%)	42.43	45.63	40.22	34.04	<b>31.16</b>
Return on shareholders' equity (%)	3.23	4.92	7.03	5.64	<b>5.02</b>
Price-to-earning ratio	33.54	23.62	36.63	23.58	<b>14.42</b>
Cash flow from operating activities	13,283	6,125	11,465	3,408	<b>16,156</b>
Cash flow from investing activities	-6,171	-17,612	-16,452	-12,102	<b>-41,040</b>
Cash flow from financing activities	-10,003	11,396	-1,885	22,513	<b>25,884</b>
Cash and cash equivalents	13,446	13,355	13,771	27,591	<b>28,591</b>
Number of stores	773	787	921	991	<b>1,077</b>
Capital expenditures	6,101	9,623	18,063	21,837	<b>33,344</b>
Number of employees	5,242	5,364	8,406	9,302	<b>10,534</b>

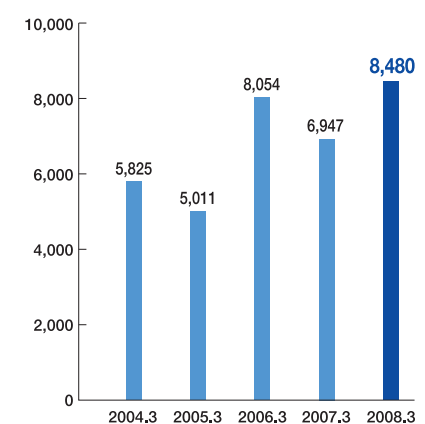
## ● Disclaimer Regarding Forward-Looking Statements

The present document contains forward-looking statements based on currently available information that EDION and the EDION Group consider to be reasonable. Actual results may differ materially from those projected due to various risks and uncertainties, including, but not limited to, economic fluctuations, unstable product demands, changes in domestic and/or overseas regulations, as well as changes in accounting standards/practices. Consequently, the information contained in this Annual Report should not be construed as the sole basis for investment decisions.

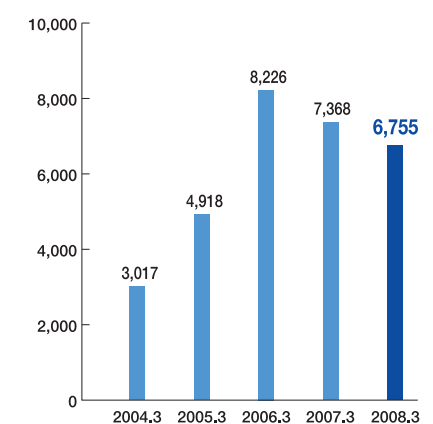
● Net sales (Millions of yen)



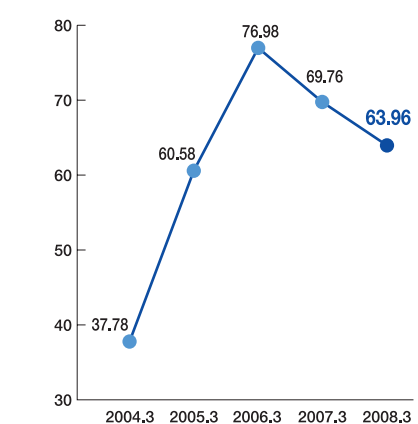
● Operating income (Millions of yen)



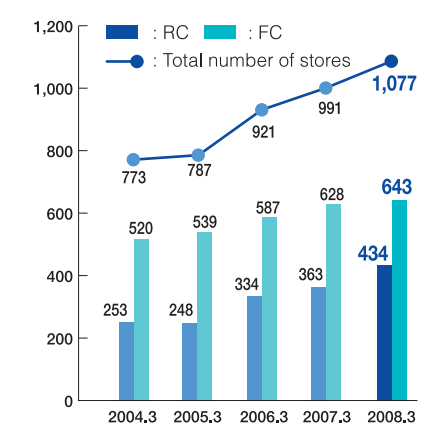
● Net income (Millions of yen)



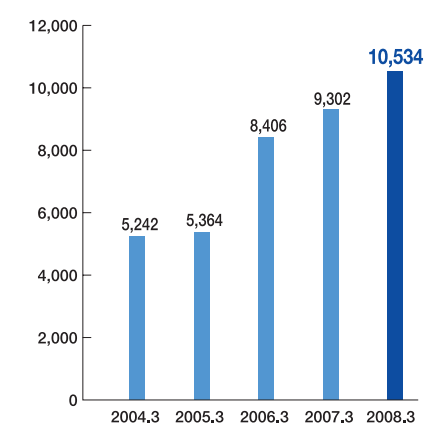
● Net income per share (Yen)



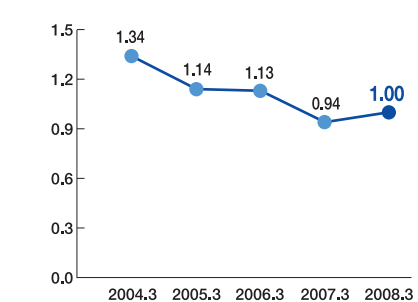
● Number of stores (Stores)



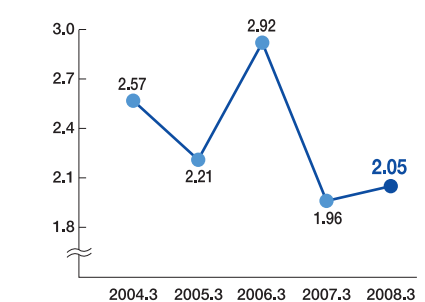
● Number of employees



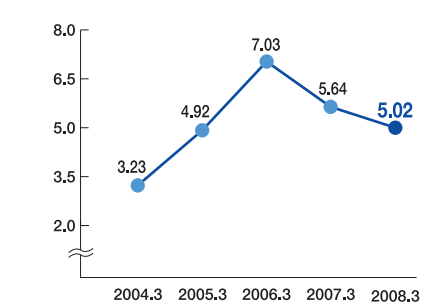
● Operating income ratio (%)



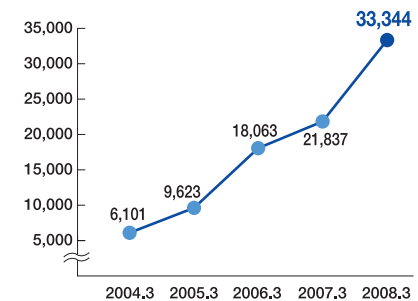
● ROA (Operating income ratio to total assets) (%)



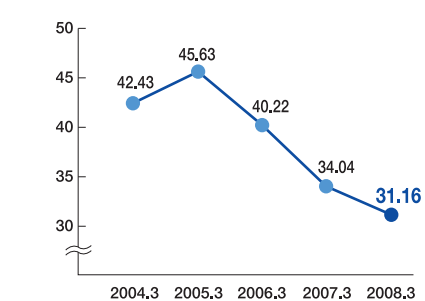
● ROE (Return on shareholders' equity) (%)



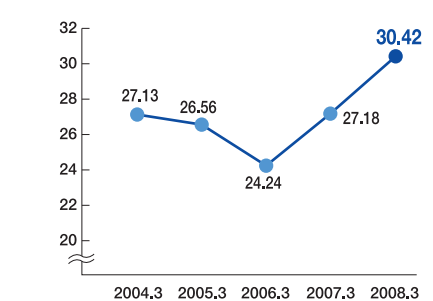
● Capital expenditures (Millions of yen)



● Shareholders' equity ratio to total assets (%)



● Interest-bearing debt ratio (%)



We will continue to pursue complete customer satisfaction under our management philosophy, “Achieving long-lasting customer satisfaction through outstanding products and reliable service.”

EDION Corporation was established in March 2002, as a joint holding company of DEODEO Corporation, based in the Chugoku, Shikoku, and Kyushu regions, and EIDEN Co., Ltd., based in the Chubu region. Subsequently, MIDORI DENKA CO., LTD., based in the Kinki region, joined the EDION Group in April 2005 through share exchange. As the integration with MIDORI DENKA enhanced our store network to cover the Kinki region, our market share is now among the highest in western Japan. The EDION Group was later joined by Ishimaru Denki Co., Ltd. in July 2007, whose store network centers on Akihabara in Tokyo and spreads throughout the Kanto region, and also joined by 3Q Co., Ltd. (store brand: Hyakuman Volt), based in the Hokuriku region, in June 2007. In October 2007, we established a new operating company, TOKYO EDION Corporation (store brand: EDION), that manages our business activities in the Kanto region. In November that year, TOKYO EDION opened “EDION Takaido Store” (Tokyo) as the first store under the “EDION” brand, which was followed by the opening of “EDION Kohoku Center Minami Store” (Kanagawa Prefecture) in February 2008. We are expanding our store network by increasing the number of stores not only in western Japan but also in the Kanto region, which has strong demand for home electronics. As a result, we aim to further improve the convenience for our customers.

The EDION Group aims to be a company that “continually endeavors to support richness and abundance in our customers’ lives.” In recent years, the decline in the prices of home appliances has been attracting attention. But still, home appliances are relatively expensive, and usually not replaced within just one or two years—often used until the end of their life spans. However, in the same way people sometimes become sick, these products occasionally fail, rendering them unable to function to their full capacities. We believe that it is an important mission of the EDION Group to improve our after-sales service system to consistently meet our customers’ satisfaction—swiftly responding to our customers needs and providing support. Accordingly, the EDION Group is strenuously working to bolster our system of reliable, convenient repair services, for example by improving our “same-day repair service” at our subsidiaries and departments dedicated to delivery, installation, and repairs.

The EDION Group believes that merely selling its merchandise is not sufficient. Our goal is to help enrich our customers’ lives through the functions and features of the products we sell. In order to achieve this goal, we must ensure that our customers can enjoy the functions and features of their purchases to their full potential. Our management philosophy, “Achieving long-lasting customer satisfaction through outstanding products and reliable service” reflects our commitment to providing an assurance that when our customers purchase our merchandise, we ensure that they are able to use those items with satisfaction for many years to come.

As Toshiba announced the discontinuation of its HD-DVD business in February 2008, the HD-DVD market has lost its continuity. Because of this, we were concerned that, although many of our customers purchased Toshiba HD-DVD players and recorders as next-generation DVD players and recorders, the expected functions of those products would not be fully available in the future. After deliberating on this problem in line with our management philosophy, “Achieving long-lasting customer satisfaction through outstanding products and reliable service,” we took immediate action by offering to exchange any Toshiba HD-DVD player or recorder purchased from any of our stores for a Blu-ray recorder. As this exemplifies, every decision the EDION Group makes is rooted in our management philosophy.

To further promote our management philosophy, we established TOKYO EDION Corporation in October 2007, and commenced new store openings in the Kanto area. This enabled us to enhance convenience for our existing customers, while at the same time increasing our sales. The EDION Group aims to increase its sales in the Kanto area to the 200 billion yen-level in the future.

With regard to the contents of our stores, we will further strengthen the following three lines of our original products: “KuaL,” value-added products developed by incorporating our customers’ ideas; “keyword,” products that support a single lifestyle; and “MY&OUR,” which are environmentally-friendly devices. Moreover, we will endeavor to offer, along with our leading merchandise of home electronics, a greater variety of goods, including: furniture, which enjoy strong demand since people are becoming more and more eager to enrich their living space; and toys, which experience great demand from families with children. By offering a wide range of goods that meets our customers’ needs, we will strive to create attractive stores where an entire family can come together and enjoy.

With regard to our employees who are serving customers at our stores, we will carry out even more thorough employee training to improve their service skills so that they can recommend the most suitable products to each customer. To this end, we have been encouraging our employees to acquire the Certificate of Home Appliance Advisor granted by the Association for Electric Home Appliances so that they can enhance their product knowledge. Furthermore, in striving to create an atmosphere where customers can feel personal warmth, we will always keep hospitality in mind when serving customers at our stores. By keeping a feeling of gratitude in our hearts, we will sincerely listen to our customers’ opinions and ideas and ensure that our customers can always feel a sense of kindness and friendliness at our stores.

We at the EDION Group believe that we have a corporate responsibility to contribute to the local communities, particularly in the field of environmental issues. Accordingly, the whole of the



EDION Group has been participating in “Team Minus 6%,” a campaign to prevent global warming. Moreover, a total of 117 stores have been selected by the Energy Conservation Center as “retail shops that excel at promoting energy-efficient products,” which is the largest number in the industry. Furthermore employees of the EDION Group have been participating in the campaign, “Let’s reduce CO<sub>2</sub> emissions by 1 kg per day per person.” The EDION Group will work hard to contribute to the local communities, with each individual employee always keeping the environment in mind.

The EDION Group will continue its concerted endeavors to become an enterprise capable of providing assurance and satisfaction to all of our stakeholders, including shareholders and investors, customers, employees, local communities, business clients, as well as the EDION Group itself and its related companies. To fulfill this commitment, the EDION Group will continue unswervingly to promote its management philosophy, “Achieving long-lasting customer satisfaction through outstanding products and reliable service,” by offering attractive products at reassuring prices, along with superior service.

Further, to develop and maintain an internal corporate system that will bring us even greater trust through highly transparent business operations, and to provide stable dividends commensurate with our profitability, the management and all of the companies within the EDION Group will continue to strive as one.

We at the EDION Group sincerely hope to enjoy your continuing support.

June 2008  
President

## Our store network has expanded further.

In June 2007, the EDION Group formed a capital tie-up with 3Q Co., Ltd., which operates 66 stores, primarily in the Hokuriku and Hokkaido areas. This tie-up enabled the EDION Group to complement its store network in the Hokuriku and Hokkaido areas, and thus opened the possibility for the EDION Group to build an attractive logistics and service network covering the whole of Japan. Through our integrated purchasing method, we will seek to increase the advantage of scale.

3Q Co., Ltd. has been actively promoting its all-electric business and house remodeling business (primarily through its subsidiary 3Q House System Co., Ltd.), and thus possesses excellent know-how in these business fields. By spreading such know-how throughout the EDION Group, we will further improve our sales and service systems to more fully meet the needs of our customers.

## We are aiming to strengthen our know-how through consolidation of internal organizations.

The 1st/2nd Merchandising Divisions and 1st/2nd Sales Promotion Divisions used to be under the Merchandising Headquarters: the 1st Divisions were under the control of DEODEO and EIDEN and the 2nd Divisions were under the control of MIDORI DENKA. In August 2007, we consolidated these organizations in order to establish a system that enables us to efficiently draw out and promote business policies of the EDION Group as a whole.

In October 2007, our Merchandising Department for Entertainment Products and Merchandising Department for Furniture and Interior Goods, which were previously operated in different places, were consolidated into one department in Osaka to help expand our business.

Moreover, in April 2008, we consolidated our Sales Division, which were located in multiple areas—Tokyo, Chugoku, Shikoku, Chubu, Kyushu, and Kinki. The Merchandising Management Division were also consolidated, which are in charge of instructing the stores on the EDION Group's product policies. This organizational integration enabled us to more smoothly promote our sales and product policies at the entire Group level.

Furthermore, the EDION Group has newly established the Sales Strategy Division under the Sales Headquarters, reinforcing the sales strategy planning function of the Group as a whole, and also has established a system to provide more comprehensive support to the business operations of the EDION Group and its operating companies in terms of strategic planning.

Through this organizational integration, we will assemble the know-how of our companies to strengthen the Group as a whole.

## Implementation of new systems has begun. Streamlining operations to maximize the effect of business integration

With regard to the new integrated information systems being developed by the EDION Group, we introduced a new accounting system in October 2007. This enables us to integrate the operations of our companies, to improve data analysis, and to enhance the effects of business integration. From fiscal 2008 onward, we will gradually introduce the new information systems to other head office functions, aiming at the streamlining of operations and the enhancement of the effects of business integration, such as cost reduction.



## Boosting store openings in the Kanto area through the establishment of a wholly-owned subsidiary, TOKYO EDION Corporation

In October 2007, TOKYO EDION Corporation was established as a wholly-owned subsidiary. Although the EDION Group had already achieved a market share which was among the highest in the Chubu region and western Japan and had the largest number of stores in the industry, our store network still had not sufficiently covered eastern Japan at that time. Considering our growth strategy for the future, we thought that it was essential for us to gain a large market share in the Kanto area in eastern Japan, which has very high demand for home electronics. In light of this, TOKYO EDION Corporation was established in order to boost store openings and more fully support our existing stores in the Kanto area.

In November of the same year, TOKYO EDION Corporation opened its first store "EDION Takaido Store" in Sugunami Ward, Tokyo, which was followed by the opening of "EDION Kohoku Center Minami Store" in February 2008.

With regard to the 10 existing stores in the Kanto area (five MIDORI DENKA stores and five DEODEO stores), their operations were transferred to TOKYO EDION Corporation to increase operational efficiency in terms of service and sales promotion. The re-branding of the five MIDORI DENKA stores to "EDION" was completed in May 2008.

In the future, all our new store openings in the Kanto area will be carried out under the EDION store brand. We will also focus on more efficient management and the improvement of existing stores, aiming at sales expansion in the Kanto area.

## Enhancing area-dominance by revitalizing our existing stores through "scrap-and-build"

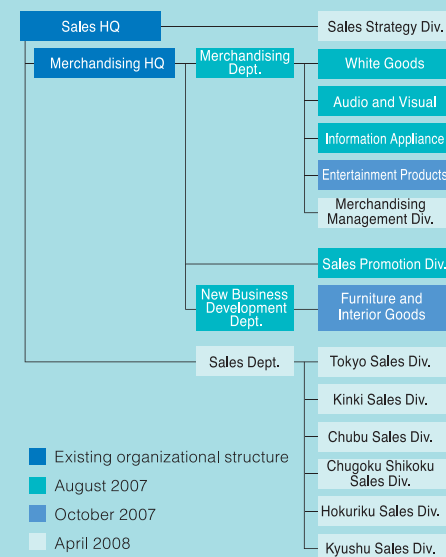
In fiscal 2007, 15 stores were newly opened, and six stores were relocated and rebuilt ("scrap-and-build"). With an expansion of the sales floor space and introduction of new product lines, the stores that were reopened through "scrap-and-build," particularly "DEODEO Yonago Store", have been on the right track from the start, enjoying a good reputation among our customers. With the introduction of new product lines, we strived to create comprehensive sales floors that offer not just home electronics, but also similar non-home electronics products, along with toys, software, or furniture. For example, at "DEODEO Yume Town Ube Store", opened in October 2007, we introduced dietary supplements to the sales space for health-related electronics, and perfumes to the sales space for beauty- and grooming-related electronics. At "DEODEO Yonago Store", opened in November 2007, and "EDION Kohoku Center Minami Store", opened in February 2008, we introduced kitchen utensils and home improvement (DIY) goods to add to our range of home electronics-related items. By broadening our range of home electronics-related items, we are expanding our ability to help enrich our customers' lifestyles.

The revitalization of directly-operated stores through such means as "scrap-and-build" can lead to the revitalization of our small-scale franchise stores operating in the surrounding areas, enabling the EDION Group to strengthen its area-dominance strategy.

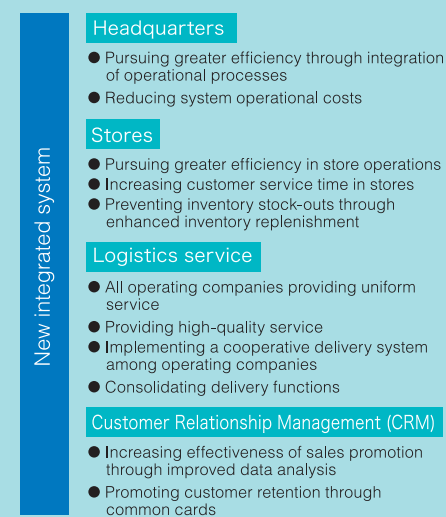
In fiscal 2008, we will continue with our store-opening program, including both new stores and "scrap-and-build" stores. With these stores, along with DEODEO and EIDEN franchise stores, we will step up promotion of our area-dominance strategy.



Figure: Reorganization



Implementing a new "EDION business model"

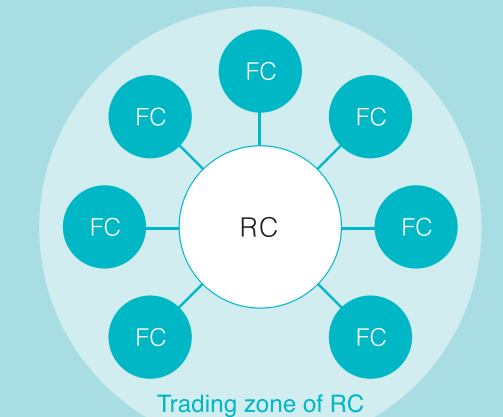


## The "EDION" store brand



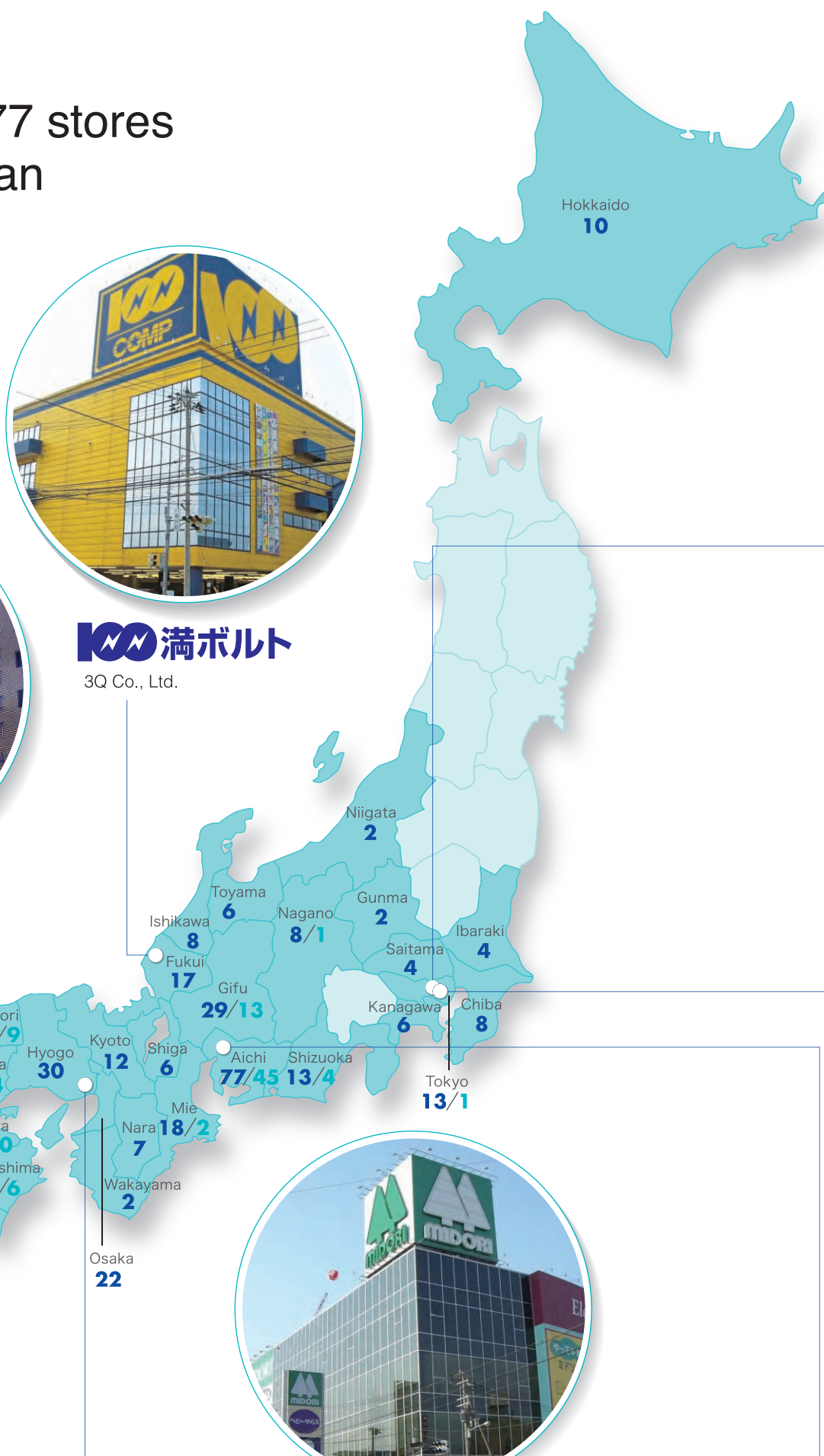
The letter "e" which stands out against the background enclosed in the curved outline, and the blue-themed colors show the commitment of the stores that represent the EDION Group, which endeavors to provide stores and service that meet the growing expectations of customers. The commitment of the EDION Group stores: to offer high-quality, sincere service.

## Pursuing area dominance by using directly operated stores and franchise stores



# Network of 1,077 stores throughout Japan

Number of RC stores / Number of FC stores



**100満ボルト**  
3Q Co., Ltd.



**DEODEO**  
DEODEO Corporation



**edion**  
TOKYO EDION Corporation



**石丸電気**  
Ishimaru Denki Co., Ltd.



**MIDORI**  
MIDORI DENKA CO., LTD.



**EIDEN**  
EIDEN Co., Ltd.

## From Hokkaido to Okinawa, the EDION Group expands its network of stores yet further.

From Hokkaido to the Kyushu-Okinawa area, the EDION Group has been developing stores suited to the scale of each individual market area, promoting community-based business operations. With regard to our retail stores, we have newly opened 15 directly-operated home electronics stores, closed 11 stores, increased the floor space at five stores, and relocated or "scrapped and built" six stores. With regard to other directly-operated stores, 20 stores were newly opened, and six stores closed. Furthermore, the joining of 3Q Co., Ltd. has resulted in the addition of 35 directly-operated home electronics stores and 30 other directly-operated stores. As a result, the number of stores in operation as of the end of March 2008 reached 434, with a total sales floor space of 1,046,334 square meters. Moreover, due to the opening of 31 new franchise stores, coupled with the closure of 16 stores, the total number of franchise stores at the end of the fiscal year was 643. Combining this number with the number of the directly-operated stores, the total number of stores was 1,077.

Numbers of Directly-Operated and Franchised Stores (As of March 31, 2008) (Stores)

	DEODEO			EIDEN			MIDORI DENKA			TOKYO EDION			ISHIMARU DENKI			3Q			EDION		
	RC	FC	Total	RC	FC	Total	RC	FC	Total	RC	FC	Total	RC	FC	Total	RC	FC	Total	RC	FC	Total
Hokkaido and Tohoku	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10	0	10	10	0	10
Kanto	6	1	7	0	0	0	2	0	2	5	0	5	17	0	17	7	0	7	37	1	38
Hokuriku	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	32	0	32	33	0	33
Chubu	0	5	5	142	60	202	2	0	2	0	0	0	0	0	0	1	0	1	145	65	210
Kinki	0	0	0	1	0	1	75	0	75	0	0	0	0	0	0	3	0	3	79	0	79
Chugoku	79	269	348	0	0	0	0	0	0	0	0	0	0	0	0	6	1	7	85	270	355
Shikoku	15	75	90	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	15	75	90
Kyushu and Okinawa	24	232	256	0	0	0	0	0	0	0	0	0	0	0	0	6	0	6	30	232	262
<b>Total</b>	<b>124</b>	<b>582</b>	<b>706</b>	<b>143</b>	<b>60</b>	<b>203</b>	<b>79</b>	<b>0</b>	<b>79</b>	<b>5</b>	<b>0</b>	<b>5</b>	<b>18</b>	<b>0</b>	<b>18</b>	<b>65</b>	<b>1</b>	<b>66</b>	<b>434</b>	<b>643</b>	<b>1,077</b>

RC--Directly-operated store FC--Franchised store

Principal Subsidiaries (As of March 31, 2008)

Corporate name	Location	Principal business
DEODEO Corporation	Naka-ku, Hiroshima	Sales of home electronics and others
EIDEN Co., Ltd.	Nakamura-ku, Nagoya	Sales of home electronics and others
MIDORI DENKA CO., LTD.	Amagasaki city, Hyogo	Sales of home electronics and others
TOKYO EDION Corporation	Chiyoda-ku, Tokyo	Sales of home electronics and others
3Q Co., Ltd.	Fukui city, Fukui	Sales of home electronics and others
Ishimaru Denki Co., Ltd.	Chiyoda-ku, Tokyo	Sales of home electronics and others
EIDEN COMMUNICATIONS Co., Ltd.	Chikusa-ku, Nagoya	Sales of cellular telephones
COMNET Co., Ltd.	Kasugai city, Aichi	Repair, delivery and installation of home electronics
HOME EXPO Co., Ltd.	Chikusa-ku, Nagoya	Sales of home improvement store products
NWork Co., Ltd.	Chikusa-ku, Nagoya	Operation and development of computerized information systems
Mitsubishi Denka Center Co., Ltd.	Mishima city, Shizuoka	Sales of home electronics and others
Tokyo Ishimaru Denki Co., Ltd.	Bunkyo-ku, Tokyo	Sales of home electronics and others
Ishimaru Denki Record Center Co., Ltd.	Chiyoda-ku, Tokyo	Sales of CD and DVD software
Aiai Online Co., Ltd.	Chiyoda-ku, Tokyo	Management of internet shopping site
Aiai Techno Service Co., Ltd.	Chiyoda-ku, Tokyo	Delivery and installation of home electronics and others

Introduction of  
Original Products

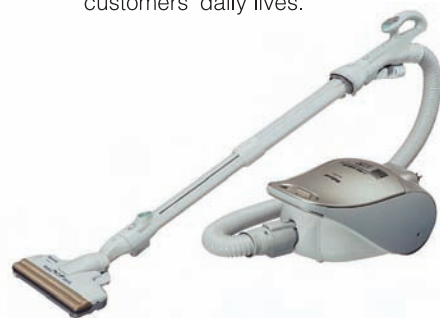


**Personal computer**

- **High-resolution, built-in webcam**  
Users can enjoy video calls or chat with high-quality images.
- **Three-year manufacturer's warranty**  
By adding two more years to the common one-year manufacturer's warranty, we provide customers with greater reassurance.

**Endeavoring to realize an even more attractive product lineup**

In addition to the development and sales of original products that incorporate our customers' opinions and ideas, the EDION Group is also actively working on expanding its large-scale store complexes where customers can find not just our leading products, home electronics, but also a wide variety of other products including furniture and interiors, home improvement products, toys, software, and other goods. The EDION Group is proceeding with the development of new business lines that fully reflect the needs of today's customers so that our customers can purchase the products they want, all in one place, even toys for their children and grandchildren, bringing a new sense of joy and excitement into our customers' daily lives.



**Vacuum cleaner**

- "Night" button
- Soft wheels

With the "Night" button for low-noise operation and the soft wheels that make little noise even on wooden floors, users can clean their house at night without disturbing their neighbors. These functions provide support to today's diverse lifestyles.

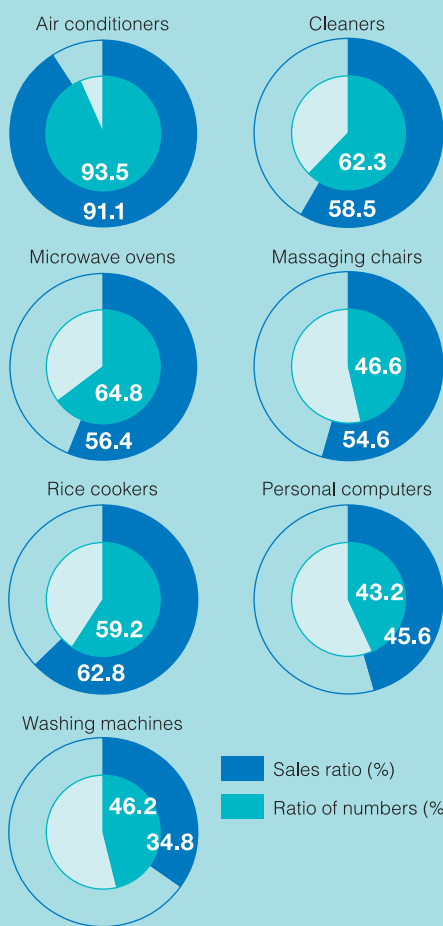


**Air conditioner**

- Durable outdoor unit

With "salt damage reduction" treatment provided to each unit, damage from wind and rain are reduced.

**Sales Ratio of Original Products (Fiscal 2007)**



**Striving to develop more attractive original products**

The EDION Group is involved in the development and sales of the "KuaL" line of original products, which offer added functions to meet the needs and lifestyles of each customer. For example, in fiscal 2007, we developed two new models of laptop computer, in collaboration with domestic home electronics manufacturers. One of the models features a numeric keypad on the keyboard. We developed the model by altering the electrical enclosure itself. The other model features a built-in webcam. Both features—numeric keypad and webcam—directly reflects our customers' voices, and have been enjoying great popularity among our customers.

Another of EDION Group's original product series is "Keyword." This is our original home appliance series featuring—along with the sizes, functions, and designs that are just right for the single life—three "Keyword Colors," from which customers can choose the right color for them based on their mood or senses. "KEYWORD BLUE" conveys a fresh image that brings a tranquil and comfortable feeling into their life space. "KEYWORD PINK" carries a cute image that brings a joyful feeling into life space. "KEYWORD YELLOW" is a color of energy that conveys the image of a bright, active lifestyle.

We also offer "MY&OUR" series, an eco-friendly series of original consumables such as low-energy batteries and light bulbs.

We developed about 700 original products in fiscal 2007 alone, and the total number reached about 2,500 as of March 2008.

For fiscal 2008, we have set a 25% target for the proportion of original product sales to total sales. We will continue the active development of original products toward achieving this target.

**Sales by Product Category (Actual for fiscal 2007)**

(Millions of yen)

Product Category	Amount	Ratio (%)
Television	128,588	15.1
Video	75,054	8.8
Audio	12,997	1.5
Digital audio, other	17,746	2.1
Air conditioner	57,679	6.8
Heating equipment	12,917	1.5
Refrigerator	40,976	4.8
Washing machine/ Cleaner	48,671	5.7
Microwave oven	11,890	1.4
Electric cooking device	26,352	3.1
Electric beauty/ health appliance	32,265	3.8
Lighting equipment	8,928	1.1
Personal computer	138,225	16.2
Other office equipment	40,021	4.7
Audio software/ Musical instrument	17,140	2.0
Other	181,750	21.4
<b>Total</b>	<b>851,206</b>	<b>100.0</b>

**Original Brand**



Casting our customers' voices into shape!



Original home appliances designed for singles



Reliable consumables





## Pursuing superior service for customer satisfaction

Pursuing high-quality after-sales service that meets our customers' satisfaction, the EDION Group provides after-sales service through a comprehensive system involving its group companies. Also, in order to create a more extensive service system, the EDION Group is promoting the sharing of the logistics know-how of group companies at the entire-Group level, while at the same time working to standardize the service systems of group companies.

We are also working to establish delivery services which are more convenient for our customers, further improving our existing delivery options, such as delivery during the hour or hours of a day specified by the customer, in order to accommodate the various lifestyles of our customers.

As these efforts were approved by our customers, the number of delivery and installation jobs we completed in fiscal 2007 totaled about 4,133,000. This means we received about 10,000 delivery and installation orders per day. Moreover, as we sincerely responded to our customers' needs, these "same-day delivery and installation" jobs accounted for as much as about one-fifth of all delivery and installation jobs.

We are constantly striving to improve our repair services, from "carry-in" to "on-site" repair services. We are currently introducing "flat-rate" repair charges, which enables customers who come to our stores to have an item repaired to make an on-the-spot decision to either go ahead with the repair or buy a new item. Through these efforts, we are striving to further improve our customer-centered after-sales service.

### Service Results

Types of services	Results for fiscal 2007
Delivery and installation	4,133,000
Same-day delivery installation	901,000
Onsite repairs	1,514,000
Same-day onsite repairs	346,000
Carry-in repairs	1,210,000



Servicing operation

## Working to develop more attractive services

To enhance customers' convenience, the EDION Group strives daily to develop attractive services.

In November 2007, we introduced the "EDION Gift Card," an electronic pre-paid card (currently accepted at DEODEO, EIDEN, and TOKYO EDION stores). The gift card giver can deposit any amount of money into the card, and the recipient can purchase any item(s) he/she wants with the card. Since people have different preferences for the design or functions of home electronics products, the EDION Gift Card enables customers to more easily present home electronics products as gifts.

In February 2008, we started to provide information to cell-phones. People who register for membership of this service can receive useful information on shopping or events at our stores, as well as coupons with which customers can purchase living ware and consumable goods with discounts on store prices.

Along with the development of these services, the EDION Group is promoting the enhancement of employees' service skills so that they can recommend the most suitable products to each of our customers. To this end, we have been encouraging our employees to acquire the "Certificate of Home Appliance Advisor" granted by the Association for Electric Home Appliances. As of the end of December 2007, a total of 2,637 employees have acquired the certificate, and we will continue our active efforts to increase this number, aiming at improving employees' service skills in order to recommend the most suitable products to each customer.



EDION Gift Card

## Launch of EDION Card

With the establishment of TOKYO EDION Corporation, we introduced a new membership card, the EDION Card. Similar to the DEODEO ee Card and the EIDEN ee Card, the most attractive feature of the EDION Card is that, with an annual fee of just 1,029 yen (tax included), customers can enjoy a five-year extended repair warranty for any number of designated products purchased at our stores priced at 5,250 yen or above. Furthermore, a 10-year free repair warranty is provided for certain designated models of refrigerators and air conditioners. The EDION Card reflects the uniqueness of the EDION Group, promising to uphold the Group's management philosophy, "Achieving long-lasting customer satisfaction through outstanding products and reliable service."

EDION Card holders can earn points not just by shopping at EDION Group stores, but also by shopping at designated member stores both within and outside Japan, or by using the card for payment of cell phone bills or satellite broadcasting subscription fees. The EDION Card has therefore debuted as a convenient, money-saving card.

We will continue to introduce new services and enhance the functions of the EDION Card so that we can build a more mutually beneficial relationship with our customers.



EDION Card



## CSR Activities and Environmental Initiatives

Working as a member of the “Team Minus 6%” campaign, we will continue to be actively involved in environmental issues.

“EDION Group Corporate Ethics,” which we distribute to all employees, stipulates that, “We will be actively involved in environmental issues: Being aware of the importance of the environment, we will actively promote the efficient use of resources, recycling, energy conservation, and other measures. We will strive to help protect nature and the earth’s resources in order to bequeath to the next generation a living environment endowed with abundant nature and resources.” In this way, the EDION Group is encouraging all of its executives and employees to be more conscious of their social responsibilities.

The EDION Group is a community-based company that “continually endeavors to support richness and abundance in our customers’ lives.” Under this concept, we are participating in the “Team Minus 6%” environmental campaign, actively engaging in such activities as reforestation programs or city cleanup efforts so that we can contribute to local communities and the environment.

In August 2007, to promote the beautification of cities, we participated in “Clean Osaka 2007,” a campaign to clean up the city of Osaka. Last year, the EDION Group took over the role played until then by its subsidiary DEODEO Corporation in a reforestation campaign in Takehara City, Hiroshima Prefecture. The EDION Group also participated in a new reforestation campaign in Yoshino-cho, Nara Prefecture. With regard to the campaign in Hiroshima Prefecture, some 270 participants, including the general public, planted about 1,500 seedlings of pasania and mountain cherry blossom trees. In the campaign in Nara Prefecture, about 200 seedlings of zelkova and horse chestnut trees were planted by some 100 participants.

At our stores, we are promoting recycling by collecting used rechargeable batteries and used ink cartridges and buying used PCs from customers. Along with the sales promotion of energy saving products, we are also actively involved in activities to promote the popularization of such products. The EDION Group’s other environmental efforts include the “Help Eco-Friendly Life Fair” and being co-sponsor of the “Let’s reduce CO<sub>2</sub> emissions by 1 kg per day per person” campaign.

Moreover, to help decrease CO<sub>2</sub> emissions by reducing the use of paper, employees at the head offices of EDION and its subsidiaries have started to use business cards half as large as regular cards. We believe that presenting this half-sized card to a client or customer can naturally stimulate conversation about environmental conservation, and thus will have the effect of raising awareness of the environment. Through exchange of business cards with our clients or customers, we are wishing to convey from hand to hand our feelings toward the environment.

In May 2008, the EDION Group commenced a service—for the first time in the retail industry—to offer “green electricity” certificates in exchange for EDION points. The aim of this initiative is to enable our customers to use green electricity to operate their home appliances through the use of the green electricity certificates. This is an environmental initiative carried out together with our customers, providing them with an opportunity to more easily contribute to reducing CO<sub>2</sub> emissions.

To be involved in environmental issues is part of our corporate social responsibility. Accordingly, utilizing an important feature of the EDION Group—a nationwide network of stores—we will continue to promote environmentally-friendly business operations at the entire-Group level, and be involved in substantial efforts to conserve the global environment.



Tree planting  
(Takehara city, Hiroshima)



Osaka Cleanup Activity 2007



Half-sized business card



Certificate of green electricity

The EDION Group has the largest number of stores in the industry commended as “retail shops that excel at promoting energy-efficient products.”

In January 2008, a total of 117 stores of the EDION Group were selected by the Energy Conservation Center as “retail shops that excel at promoting energy-efficient products,” the largest number in the industry. Of these 117 stores, 112 stores were selected under the large-scale home appliance retail store (over 500 m<sup>2</sup> of floor space) category, and the other five stores were selected under the small-and-medium-scale home appliance retail store (500 m<sup>2</sup> or less of floor space) category. Among these stores, “DEODEO Fukuyama Head Store” and “EIDEN Inazawa Harmony Store” received the Natural Resources and Energy Agency Director-General’s Award, and “DEODEO Higashi Hiroshima Store”, “DEODEO Hatsukaichi Store”, and “EIDEN Anjo Store” received the Energy Conservation Center Chairman’s Award.

As the consumption of energy, such as electricity, directly or indirectly causes greenhouse gas (such as CO<sub>2</sub>) emissions, energy conservation is one of the most effective measures to prevent global warming.

In order to further promote energy-efficient products, the Energy Conservation Center has been selecting stores based on its “energy efficiency product retailer” assessment system. Under this system, recognition is given to home appliance retailers that actively promote energy efficient products and provide appropriate energy conservation information.

The fact that the EDION Group had the largest number of stores commended gives us added impetus to further promote energy efficient products.



Ceremony of “Retail shops that excel at promoting energy-efficient products, 2007”

### Fulfilling our social responsibilities as a corporation and working together with local communities

Establishing favorable relationships with shareholders, customers, local communities, clients, employees, and other stakeholders is indispensable for gaining the broad acceptance of local communities as well as for continued development in the rapidly changing business environment. The EDION Group is involved in various efforts to fulfill our corporate social responsibilities—among them contributing to local communities.

The EDION Group has been providing support to local sports clubs. DEODEO is serving as the main sponsor of the professional soccer club Sanfrecce Hiroshima, which plays in the J.League Division 2. Likewise, EIDEN sponsors an adult amateur baseball club, EIDEN BLITZ, as well as the professional soccer club F.C. Gifu, which plays in the J.League Division 2. Furthermore, through DEODEO Corporation’s Athletic Club for Women and archery team, the EDION Group has been supporting the promotion and development of local sports clubs.

Moreover, on the 8th floor of DEODEO Hiroshima Head Store, “Yoshimoto Kamiyacho Theater (theater for comedians of Yoshimoto Kogyo)” is opened on a regular basis, showing the involvement of the EDION Group in cultural activities as well.

The EDION Group will continue to work together with local communities as a corporation that “continually endeavors to support richness and abundance in our customers’ lives.”



Sanfrecce Hiroshima  
(Victory of Xerox Super Cup 2008)



DEODEO Corporation’s  
Athletic Club for Women

## Operating Companies

### DEODEO Corporation

Establishment	May 1947
Common stock	19,294 million yen
URL	http://www.deodeo.co.jp/
President	Kazutoshi Tomonori
Number of stores	706 stores
Number of employees	3,326
Sales in FY 2007	280.6 billion yen
Principal business	Sales of home electronics and others

DEODEO Corporation, with its head store located in Hiroshima, is pursuing a community-centered area strategy, with its large-scale, directly-operated stores at its core, complemented by smaller-scale DFS (DEODEO Family Shop) franchise stores located in the surrounding areas. From sales to after-sales service, DEODEO offers high-quality services tailored to the needs of each customer. As of the end of March 2008, the company had a total of 706 stores (124 directly-operated stores and 582 franchise stores), and is expanding its market share in the Chugoku, Shikoku, and Kyushu regions.



### 3Q Co., Ltd.

Establishment	November 1976	Headquartered in Fukui City, Fukui Prefecture, 3Q Co., Ltd. operates primarily in the Hokuriku, Hokkaido, and Sanin regions. The company operates a variety of stores from the mass home electronics retail stores, Hyakuman Volt, to the CD/DVD stores, Takarajima-okoku, to the repair stores, Mr. Concent, to mobile-phone stores. As of the end of March 2008, the company had a total of 66 stores (65 directly-operated stores and one franchise store), enjoying a large market share in the Hokuriku area and beyond.
Common stock	10 million yen	
URL	http://www.100mv.com/	
President	Seiichiro Shibata	
Number of stores	66 stores (consolidated)	
Number of employees	801 (consolidated)	
Sales in FY 2007	74.4 billion yen (consolidated)	
Group companies	Hyakuman Volt Fukui Co., Ltd. and other 144 companies	
Principal business	Sales of home electronics and others	



### EIDEN Co., Ltd.

Establishment	April 1955
Common stock	12,694 million yen
URL	http://www.eiden.co.jp/
President	Shoichi Okajima
Number of stores	203 stores (consolidated)
Number of employees	2,850 (consolidated)
Sales in FY 2007	244.7 billion yen (consolidated)
Group companies	HOME EXPO Co., Ltd., Mitsuishi Denka Center Co., Ltd., EIDEN COMMUNICATIONS Co., Ltd., COMNET Co., Ltd., NWork Co., Ltd.
Principal business	Sales of home electronics and others

Headquartered in Nagoya, EIDEN Co., Ltd. operates not only its comprehensive home electronics stores, EIDEN, but also Home Expo DIY home improvement stores and mobile phone stores, working to meet the broad range of customers' needs, and always striving to improve customer satisfaction. As of the end of March 2008, the company had a total of 203 stores (143 directly-operated stores and 60 franchise stores), further increasing its market share in the Chubu region.



### MIDORI DENKA CO., LTD.

Establishment	August 1961
Common stock	1,560 million yen
URL	http://www.midori-de.com/
President	Yuji Nakaguchi
Number of stores	79 stores
Number of employees	2,386
Sales in FY 2007	210.7 billion yen (consolidated)
Principal business	Sales of home electronics and others

Headquartered in Amagasaki, Hyogo Prefecture, MIDORI DENKA CO., LTD. offers merchandise ranging from home electronics, audio-visual equipment, furniture and interior goods to toys, video games and CDs and DVDs, offering comprehensive support for customers' daily lives. The company strives to provide a higher level of customer satisfaction, continually working to offer more helpful service at each store as well as high quality after-sales service. As of the end of March 2008, the company had a total of 79 stores (all directly-operated), enjoying a large market share in the Kinki region.



### TOKYO EDION Corporation

Establishment	October 2007
Common stock	2,050 million yen
URL	http://www.edion.co.jp/tokyo-edion/
President	Tsutomu Yanagida
Number of stores	23 stores (consolidated)
Number of employees	649 (consolidated)
Sales in FY 2007	37.2 billion yen (consolidated)
Group companies	Ishimaru Denki Co., Ltd.
Principal business	Sales of home electronics and others

Headquartered in Chiyoda Ward in Tokyo, TOKYO EDION Corporation was established in October 2007 to strengthen the EDION Group's business infrastructure in the Kanto area, which was not sufficiently covered at that time by the EDION Group's store network. TOKYO EDION is endeavoring to expand its business by consolidating the existing EDION Group stores in the Kanto area, while at the same time boosting new store openings. As of the end of March 2008, the company had 23 stores (all directly-operated). The company has also been transferring MIDORI DENKA-brand stores to itself, and proceeding with the re-branding of these stores to the "EDION" store brand.



## Corporate Governance

The EDION Group's management philosophy, "Achieving long-lasting customer satisfaction through outstanding products and reliable service," not only describes our relationship with customers, it extends to all stakeholders of the EDION Group, including shareholders, local communities, clients, and employees.

In order to continually develop the company amid an increasingly competitive market in this era of rapid change, it is tremendously important to achieve widespread support from local communities. An equally important business challenge is to enhance corporate governance within each of the Group companies and within the Group as a whole. The EDION Group is continually striving to achieve a top management system capable of fast, reliable decision-making, while at the same time facilitating communication within the Group so that our individual stakeholders' opinions or requests can reach our decision-making bodies in a timely fashion. We also recognize that, in order to establish a good relationship with our stakeholders as well as to enhance transparency and sound management practices, it is vital for us to ensure appropriate disclosure of information.

Furthermore, gaining the trust of our stakeholders is premised on organizational measures aimed at achieving thorough executive and employee compliance. The EDION Group therefore established a corporate ethics code, "EDION Group Corporate Ethics," and set up a compliance committee that acts as the risk management headquarters in charge of ensuring compliance with the code. Moreover, the EDION Group has been reinforcing its compliance training and education system for its employees, improving the Group's "Ethics and Compliance Manual" and distributing "Code of Ethics" cards for employees to carry around with them. With regard to the Personal Information Protection Law, the EDION Group has instituted a Personal Information Protection Policy and an "Administrative Regulation for Protecting Personal Information," establishing an appropriate system for protecting and managing personal information.

In January 2007, the EDION Group established an Internal Control Promotion Office in order to take appropriate steps with regard to the internal control evaluation reports mandated by the Financial Products Exchange Law (the Japanese version of the SOX Act), to strengthen the EDION Group's internal controls, and to achieve greater efficiency by revising the Group's operational processes.



\* ES: Employee Satisfaction

### EDION Group Corporate Ethics

1. We will provide maximum satisfaction and reassurance to our customers.
2. We will engage in customer-centered and fair competition.
3. We will ensure transparency in business transactions with our clients and strive for mutually beneficial business relationship.
4. We will take meticulous care when handling personal information or the business secrets of our customers and clients.
5. We will maintain sound and appropriate relations with political groups and government offices.
6. We will disclose our corporate information at appropriate times in an appropriate manner.
7. We will actively be involved in environmental issues.
8. As a good corporate citizen, we will promote cooperation with local communities.
9. We will not associate with anti-social activities or movements.
10. We will strive to create ideal working conditions, to ensure fair and equitable treatment of employees, and to help employees reach their full potential.

## Business Performance

In the current fiscal year, there were some positive factors in the Japanese economy such as steady corporate business performance and improvement in the job environment. However, with some negative factors such as slowing exports due to the crisis in the subprime housing mortgage market in the U.S., soaring consumer prices triggered by rocketing crude oil prices and the abolition of the fixed-rate tax reduction, the economic outlook became uncertain and fears of an economic slowdown spread rapidly.

In the electrical appliance retail industry, sales of digital electrical appliances such as flat-screen televisions and Blu-ray Disc recorders continued to be strong, thanks to the expansion of areas covered by digital terrestrial broadcasting services, while sales of home appliances such as microwave ovens and rice cookers, especially products under the "Kual" brand (a private-label product of the company) were also steady. Sales of air conditioners and electrical heating devices were firm, but sales of oil heating devices were sluggish due to the influence of a sharp rise in crude oil prices. In the meantime, sales of "information-related products" such as personal computers were slow, due to falling retail prices and the absence of innovative new products. With consumer spending generally remaining weak and competition becoming fiercer due to the opening of new stores by competitors, the industry as a whole experienced a tough business environment.

Amid such an environment, under the initiative of the Tokyo Sales Department set up in April 2007, the EDION Group strived to improve the business infrastructure of stores in the Kanto area including those of Ishimaru Denki Co., Ltd., establishing TOKYO EDION Corporation in October 2007, a subsidiary that promotes business in the Kanto area. In November 2007, TOKYO EDION opened EDION Takaido Store, its first store in the Kanto area, and proceeded with the transfer of MIDORI DENKA stores in the Kanto area to Tokyo EDION, changing the name of three stores to "EDION." Furthermore, in June 2007, the EDION Group acquired 40% of the outstanding common stock of 3Q Co., Ltd., which is based mainly in the Hokuriku region, expanding its store network in Hokuriku and into Hokkaido. At the same time, the EDION Group has promoted the integration of organizations including procurement among MIDORI DENKA, Ishimaru Denki and 3Q, to enable the implementation of a uniform Group policy in these areas. Subsequently, certain sales activities have been introduced throughout the Group. For example, the Group made the best use of its scale advantage and held the "EDION Campaign," its first group-wide sales campaign with the participation of DEODEO, EIDEN, MIDORI DENKA, Ishimaru Denki and 3Q in June 2007.

As a result, the EDION Group reported operating income of 8,480 million yen on net sales of 851,206 million yen in the current fiscal year. Meanwhile, net income amounted to 6,755 million yen, due to loss of 3,363 million yen of employees' salaries for prior years by the MIDORI DENKA Group.

### ● Net Sales

Net sales amounted to 851,206 million yen (115.0% of the previous fiscal year). This is mainly because the Group consolidated Ishimaru Denki and 3Q as subsidiary undertakings from the current fiscal year. New openings of 25 directly-operated stores also contributed to the sales increase, including "DEODEO Takamatsu Kasuga Store", "EIDEN Hashima Inter Store", "MIDORI Tarumi Store" and "EDION Takaido Store".

In terms of products, sales of widescreen flat-panel televisions continued to be solid from the previous year and sales of high value-added microwave ovens and rice cookers were steady.

### ● Operating Income

Operating income amounted to 8,480 million yen (122.1% of the previous fiscal year). This is because the gross profit margin improved by around 0.7% thanks to the integration of MIDORI DENKA and 3Q procurement from the current fiscal year, offsetting an approximate 0.6% increase in selling, general and administrative expenses.

### ● Net Income

Net income amounted to 6,755 million yen (91.7% of the previous fiscal year). Net income decreased from the previous fiscal year, due to the posting of loss of 3,363 million yen incurred for employees' salaries for prior years, although purchase discounts increased by around 2% due to the integration of procurement and amortization of negative goodwill of 790 million yen.

## Financial Conditions

### ● Assets, Liabilities and Net Assets

Total assets as of the end of the current fiscal year amounted to 437,410 million yen, an increase of 46,859 million yen from the end of the previous fiscal year. This is mainly because 3Q, with total assets of 33,054 million yen, was consolidated as a subsidiary undertaking in this term.

Total liabilities amounted to 259,833 million yen, an increase of 31,459 million yen from the end of the previous fiscal year. This is mainly because interest-bearing debts increased by 26,910 million yen related to active investment and the acquisition of equities as well as the consolidation of 3Q.

Net assets amounted to 177,577 million yen, an increase of 15,400 million yen from the end of the previous fiscal year. This is mainly because minority interest increased by 12,009 million yen due to the consolidation of 3Q and the posting of net income of 6,755 million yen for the current fiscal year. For more details, please refer to the consolidated statement of changes in net assets.

As a result, the shareholders' equity ratio decreased to 31.2% from 34.0% at the end of the previous fiscal year.

### ● Cash Flow

Cash and cash equivalents (hereinafter "cash") at the end of the current fiscal year increased by 1,000 million yen from the end of the previous fiscal year to 28,591 million yen (103.6% of the previous fiscal year). Cash flow by activity type is summarized as follows:

#### Cash flow from operating activities

Net cash flow provided by operating activities amounted to 16,156 million yen (an increase of 12,748 million yen from the previous fiscal year), due to the posting of net income before income taxes of 13,813 million yen, depreciation of 10,933 million yen related to aggressive investment in the previous years and payment of income taxes of 14,060 million yen.

#### Cash flow from investing activities

Net cash used for investing activities amounted to 41,040 million yen (an increase of 28,938 million yen from the previous fiscal year) due to the acquisition of tangible fixed assets of 28,794 million yen for the opening of new stores in the current fiscal year and the next fiscal year, and expenses for the acquisition of a subsidiary's shares of 7,389 million yen, related to a change in the scope of consolidation.

#### Cash flow from financing activities

Net cash provided by financing activities amounted to 25,884 million yen (an increase of 3,371 million yen from the previous fiscal year) due to a net increase in short-term bank loans of 25,675 million yen, proceeds from long-term debt of 16,000 million yen, repayment of long-term debt of 14,994 million yen and cash dividends paid of 2,110 million yen.

## Consolidated Balance Sheets

EDION Corporation and Consolidated Subsidiaries  
March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	(Note 1)
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	¥ 28,591	¥ 27,591	\$ 286,196
Marketable securities (Note 4)	651	107	6,517
Notes and accounts receivable:			
Trade (Note 5)	31,662	29,280	316,937
Other	8,721	7,394	87,297
Allowance for doubtful receivables	(212)	(141)	(2,122)
Total	40,171	36,533	402,112
Inventories	101,422	99,646	1,015,235
Deferred income taxes (Note 10)	8,033	5,223	80,410
Other current assets	11,478	4,977	114,895
<b>Total current assets</b>	<b>190,346</b>	<b>174,077</b>	<b>1,905,365</b>
<b>Property and equipment, at cost (Notes 6 and 8):</b>			
Land (Note 7)	78,090	64,902	781,682
Buildings and structures	142,821	138,708	1,429,640
Vehicles	487	269	4,875
Furniture and fixtures	26,586	21,584	266,126
Construction in progress	1,007	1,185	10,080
Total	248,991	226,648	2,492,403
Accumulated depreciation	(85,702)	(81,917)	(857,878)
<b>Net property and equipment</b>	<b>163,289</b>	<b>144,731</b>	<b>1,634,525</b>
<b>Investments and other assets:</b>			
Investments in securities (Note 4)	12,718	7,600	127,307
Investments in and advances to unconsolidated subsidiaries and affiliates	4,889	4,048	48,939
Goodwill	4,289	3,897	42,933
Leasehold deposits	36,462	35,578	364,985
Deferred income taxes (Note 10)	9,116	7,475	91,251
Other	16,301	13,145	163,173
<b>Total investments and other assets</b>	<b>83,775</b>	<b>71,743</b>	<b>838,588</b>
<b>Total assets</b>	<b>¥ 437,410</b>	<b>¥ 390,551</b>	<b>\$ 4,378,478</b>

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2008	2007	(Note 1)
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Short-term bank loans (Note 8)	¥ 55,760	¥ 29,855	\$ 558,158
Current portion of long-term debt (Note 8)	10,783	14,994	107,938
Notes and accounts payable:			
Trade (Note 5)	52,493	55,825	525,455
Other	13,715	9,981	137,287
Accrued income taxes	4,256	7,079	42,603
Allowance for employees' bonuses	5,949	5,121	59,550
Reserve for point service program	9,644	7,042	96,537
Other current liabilities (Note 8)	12,311	9,619	123,233
<b>Total current liabilities</b>	<b>164,911</b>	<b>139,516</b>	<b>1,650,761</b>
<b>Long-term liabilities:</b>			
Long-term debt (Note 8)	66,505	61,289	665,716
Accrued retirement benefits (Note 9)	10,167	10,223	101,772
Negative goodwill	3,151	3,919	31,542
Deferred income taxes for land revaluation	2,651	2,669	26,536
Deferred income taxes (Note 10)	1,622	1,630	16,236
Other long-term liabilities (Notes 5 and 8)	10,826	9,128	108,368
<b>Total long-term liabilities</b>	<b>94,922</b>	<b>88,858</b>	<b>950,170</b>
<b>Contingent liabilities (Note 12)</b>			
<b>Net assets:</b>			
<b>Shareholders' equity (Note 13):</b>			
Common stock:			
Authorized: 300,000 thousand shares			
Issued: 105,665 thousand shares			
at March 31, 2008 and 2007			
	10,175	10,175	101,852
Capital surplus	82,364	83,420	824,465
Retained earnings	59,849	54,289	599,089
Treasury stock, at cost	(66)	(59)	(661)
<b>Total shareholders' equity</b>	<b>152,322</b>	<b>147,825</b>	<b>1,524,745</b>
<b>Valuation:</b>			
Net unrealized (loss) gain on other securities (Note 4)	(760)	385	(7,608)
Land revaluation difference (Note 7)	(15,246)	(15,285)	(152,613)
<b>Total valuation</b>	<b>(16,006)</b>	<b>(14,900)</b>	<b>(160,221)</b>
Minority interests	41,261	29,252	413,023
<b>Total net assets</b>	<b>177,577</b>	<b>162,177</b>	<b>1,777,547</b>
<b>Total liabilities and net assets</b>	<b>¥ 437,410</b>	<b>¥ 390,551</b>	<b>\$ 4,378,478</b>

## Consolidated Statements of Income

EDION Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Net sales	¥ 851,206	¥ 740,293	\$ 8,520,581
Cost of sales	656,176	575,802	6,568,329
<b>Gross profit</b>	<b>195,030</b>	<b>164,491</b>	<b>1,952,252</b>
Selling, general and administrative expenses	186,550	157,544	1,867,367
<b>Operating income</b>	<b>8,480</b>	<b>6,947</b>	<b>84,885</b>
Non-operating income (expenses):			
Interest and dividend income	601	416	6,016
Interest expenses	(1,428)	(911)	(14,294)
Purchase discounts	11,155	10,941	111,662
Loss on sales or disposal of property and equipment	(2,538)	(1,342)	(25,405)
Gain on sales of property and equipment	42	776	420
Loss on impairment of fixed assets (Note 4)	(1,301)	(3,548)	(13,023)
Employees' salaries for prior years	(3,363)		(33,664)
Other, net	2,165	989	21,671
Total non-operating income (expenses)—net	5,333	7,321	53,383
<b>Income before income taxes and minority interests</b>	<b>13,813</b>	<b>14,268</b>	<b>138,268</b>
Income taxes (Note 10):			
Current	9,020	10,020	90,290
Deferred	(2,224)	(3,220)	(22,262)
Total income taxes	6,796	6,800	68,028
<b>Income before minority interests</b>	<b>7,017</b>	<b>7,468</b>	<b>70,240</b>
Minority interests	262	100	2,622
<b>Net income</b>	<b>¥ 6,755</b>	<b>¥ 7,368</b>	<b>\$ 67,618</b>
Amounts per share:	Yen		U.S. dollars
Net income	63.96	69.76	0.64
Cash dividends	20.00	20.00	0.20

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Changes in Net Assets

EDION Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2008 and 2007

	Millions of yen									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized (loss) gain on other securities	Land revaluation difference	Total valuation	Minority interests	Total net assets
<b>Balance at March 31, 2006</b>	<b>¥ 10,175</b>	<b>¥ 83,419</b>	<b>¥ 50,262</b>	<b>¥ (47)</b>	<b>¥ 143,809</b>	<b>¥ 946</b>	<b>¥ (16,252)</b>	<b>¥ (15,306)</b>	<b>¥ 1,025</b>	<b>¥ 129,528</b>
Cash dividends			(2,112)		(2,112)					(2,112)
Bonuses to directors and corporate auditors			(194)		(194)					(194)
Reversal of land revaluation decrement			(1,035)		(1,035)					(1,035)
Net income			7,368		7,368					7,368
Purchases of treasury stock				(13)	(13)					(13)
Disposition of treasury stock		1		1	2					2
Other changes						(561)	967	406	28,227	28,633
<b>Balance at March 31, 2007</b>	<b>10,175</b>	<b>83,420</b>	<b>54,289</b>	<b>(59)</b>	<b>147,825</b>	<b>385</b>	<b>(15,285)</b>	<b>(14,900)</b>	<b>29,252</b>	<b>162,177</b>
Cash dividends		(1,056)	(1,156)		(2,212)					(2,212)
Reversal of land revaluation decrement			(39)		(39)					(39)
Net income			6,755		6,755					6,755
Purchases of treasury stock		(1)		(8)	(9)					(9)
Disposition of treasury stock		1		1	2					2
Other changes						(1,145)	39	(1,106)	12,009	10,903
<b>Balance at March 31, 2008</b>	<b>¥ 10,175</b>	<b>¥ 82,364</b>	<b>¥ 59,849</b>	<b>¥ (66)</b>	<b>¥ 152,322</b>	<b>¥ (760)</b>	<b>¥ (15,246)</b>	<b>¥ (16,006)</b>	<b>¥ 41,261</b>	<b>¥ 177,577</b>

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized (loss) gain on other securities	Land revaluation difference	Total valuation	Minority interests	Total net assets
<b>Balance at March 31, 2007</b>	<b>\$ 101,852</b>	<b>\$ 835,035</b>	<b>\$ 543,434</b>	<b>\$ (591)</b>	<b>\$ 1,479,730</b>	<b>\$ 3,854</b>	<b>\$ (153,004)</b>	<b>\$ (149,150)</b>	<b>\$ 292,813</b>	<b>\$ 1,623,393</b>
Cash dividends		(10,570)	(11,572)		(22,142)					(22,142)
Reversal of land revaluation decrement			(391)		(391)					(391)
Net income			67,618		67,618					67,618
Purchases of treasury stock		(10)		(80)	(90)					(90)
Disposition of treasury stock		10		10	20					20
Other changes						(11,462)	391	(11,071)	120,210	109,139
<b>Balance at March 31, 2008</b>	<b>\$ 101,852</b>	<b>\$ 824,465</b>	<b>\$ 599,089</b>	<b>\$ (661)</b>	<b>\$ 1,524,745</b>	<b>\$ (7,608)</b>	<b>\$ (152,613)</b>	<b>\$ (160,221)</b>	<b>\$ 413,023</b>	<b>\$ 1,777,547</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

EDION Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	¥ 13,813	¥ 14,268	\$ 138,268
Adjustments for:			
Depreciation and amortization	10,933	9,291	109,439
Loss on impairment of fixed assets	1,301	3,548	13,023
Amortization of goodwill, net	661	916	6,617
(Decrease) increase in accrued retirement benefits	(33)	326	(330)
Gain on sales of property and equipment	(42)	(776)	(420)
Loss on sales or disposal of property and equipment	2,538	1,342	25,405
Interest and dividend income	421	160	4,214
Interest expense	(1,386)	(855)	(13,874)
Income taxes, paid	(14,060)	(7,397)	(140,741)
Changes in operating assets and liabilities:			
Increase in accounts receivable	(492)	(7,653)	(4,925)
Decrease (increase) in inventories	8,819	(12,079)	88,278
(Decrease) increase in accounts payable	(7,446)	1,874	(74,534)
(Decrease) increase in reserve for point service program	(494)	9	(4,945)
Other, net	1,623	434	16,247
<b>Net cash provided by operating activities</b>	<b>16,156</b>	<b>3,408</b>	<b>161,722</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	(28,794)	(21,799)	(288,228)
Proceeds from sales of property and equipment	5,451	7,757	54,565
Purchases of intangible assets	(3,959)	(2,464)	(39,630)
Purchases of investments in securities	(7,764)	(4,450)	(77,718)
Purchases of investments in subsidiaries resulting in changes in scope of consolidation (Note 15)	(7,389)	10,805	(73,964)
Increase in leasehold deposits	(348)	(890)	(3,484)
Increase in leasehold deposits received from tenants, net	762	162	7,628
Other, net	1,001	(1,223)	10,020
<b>Net cash used in investing activities</b>	<b>(41,040)</b>	<b>(12,102)</b>	<b>(410,811)</b>
<b>Cash flows from financing activities</b>			
Net change in short-term bank loans, net	25,675	13,000	257,007
Increase in long-term debt	16,000	26,000	160,160
Repayments of long-term debt	(14,994)	(14,209)	(150,090)
Cash dividends paid	(2,110)	(2,112)	(21,121)
Cash dividends paid to minority shareholders	(269)		(2,693)
Other, net	1,582	(166)	15,836
<b>Net cash provided by financing activities</b>	<b>25,884</b>	<b>22,513</b>	<b>259,099</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,000</b>	<b>13,819</b>	<b>10,010</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>27,591</b>	<b>13,772</b>	<b>276,186</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 28,591</b>	<b>¥ 27,591</b>	<b>\$ 286,196</b>

See accompanying notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

### 1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of EDION Corporation (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain reclassifications of the consolidated financial statements for the year ended March 31, 2007 have been made to conform them to the 2008 presentation. Such reclassifications had no effect on consolidated net income or net assets.

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥99.9 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2008. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

### 2. Summary of Significant Accounting Policies

#### (a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all significant companies controlled directly or indirectly by the Company (collectively, the "Group"). The numbers of consolidated subsidiaries were 166 and 21 as of March 31, 2008 and 2007, respectively.

Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis. The Company has applied the equity method to investments in 4 affiliates for the years ended March 31, 2008 and 2007.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost.

All significant intercompany accounts, transactions and unrealized profit and loss have been eliminated in consolidation.

The fiscal year ends of certain consolidated subsidiaries fall on December 31, a date which differs from that of the Company. As a result, adjustments have been made for any significant intercompany transactions which took place during the period between the year end of these subsidiaries and the year end of the Company.

Goodwill or negative goodwill arising from the differences between the cost and the underlying equity in net assets at the respective dates of acquisition of the consolidated subsidiaries is amortized by the straight-line method over a period of 5 years, except for cases where an expected useful life is available.

#### (b) Cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to an insignificant risk of change in value. Cash equivalents include time deposits which mature within three months of the date of acquisition.

#### (c) Marketable and investments in securities

Securities have been classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain and loss, both realized and unrealized, are credited and charged to income. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

The Group recognizes impairment loss on securities in cases where the fair value of a security declines by more than 50% of acquisition cost. The Group also recognizes impairment loss of a necessary amount by considering the significance of the amount of decline in fair value, the recoverability of fair value and so forth when the fair value declines by 30% to 50%.

#### (d) Inventories

Inventories such as consumer electronics merchandise are stated principally at cost determined by the moving average method, the first-in, first-out method or the most recent invoice price method. Inventories of home-center appliance merchandise are stated at cost determined by the retail method. Supplies are stated at cost determined by the most recent invoice price method.

#### (e) Property and equipment

Property and equipment are stated at cost. Depreciation is computed principally by the declining-balance method over the estimated useful lives of the respective assets, while the straight-line method is applied to buildings acquired on and after April 1, 1998. The range of estimated useful lives is principally from 2 to 60 years for buildings and structures, and from 2 to 20 years for furniture and fixtures.

(Change in method of depreciation)

Effective the year ended March 31, 2008, the Group has changed its method of accounting for depreciation of property and equipment acquired on or after April 1, 2007 based on the amendment to the Corporation Tax Law of Japan. The effect of this change was to decrease operating income and income before income taxes and minority interests by ¥238 million (\$2,382 thousand) and net income by ¥165 million (\$1,652 thousand) for the year ended March 31, 2008, from the corresponding amounts which would have been recorded under the previous method.

(Supplemental Information)

Effective the year ended March 31, 2008, depreciation expense for property and equipment acquired before April 1, 2007 is computed based on the salvage value of 5% of acquisition cost, and the amount between the salvage value (5% of acquisition cost) and memorandum value is depreciated from the year following the year in which the book value of an asset reaches 5% of its acquisition cost by the straight-line method over a period of 5 years.

## Notes to Consolidated Financial Statements

This change was made based on an amendment to the Corporation Tax Law. The effect of this change was to decrease operating income and income before income taxes and minority interests by ¥105 million (\$1,051 thousand) and net income by ¥75 million (\$751 thousand) for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the method applied in the previous year.

### (f) Allowance for doubtful receivables

The Group provides an allowance for doubtful receivables at an amount calculated based on its historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

### (g) Allowance for employees' bonuses

Allowance for employees' bonuses is provided at the estimated amount of bonuses to be paid to the employees in the following year which has been allocated to the current fiscal year.

### (h) Retirement benefits

Most consolidated subsidiaries have defined benefit pension plans, retirement benefit plans and defined contribution pension plans covering substantially all employees.

Accrued retirement benefits are provided based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value at the year end.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized, principally by the straight-line method over a period of 10 years, which falls within the estimated average remaining years of service of the eligible employees.

Prior service cost is amortized by the straight-line method over a period of 10 years, which is within the estimated average remaining years of service of the eligible employees.

Retirement benefits to directors and corporate auditors of consolidated subsidiaries are provided at an amount based on the internal rules of the consolidated subsidiaries.

### (i) Reserve for point service program

Certain consolidated subsidiaries provide a reserve for their point service program at an estimate of the total cost expected to be incurred subsequent to the balance sheet date based on the historical data of utilization of points by their customers.

### (j) Leases

Non-cancelable lease transactions are accounted for as operating leases (whether such leases are classified as operating or finance leases), except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

### (k) Income taxes

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Certain temporary differences exist between taxable income and income reported for financial statement purposes which enter into the determination of taxable income in a different period. The Group has recognized the tax effect of such temporary differences in the accompanying consolidated financial statements.

### (l) Derivatives and hedging activities

Derivatives positions are carried at fair value with any changes in unrealized gain or loss credited or charged to income, except for

those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred.

If interest-rate swap contracts are used as hedges and meet certain hedging criteria, the net amounts to be paid or received under the interest-rate swap contracts are added to or deducted from the interest on the assets or liabilities for which the swap contracts are executed.

### (m) Per share information

Net income per share is computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of such years.

The average number of shares of common stock used to compute net income per share for the years ended March 31, 2008 and 2007 were 105,609 thousand and 105,615 thousand, respectively.

Amounts per share of net assets are computed based on the number of shares of common stock outstanding at the year end. Amounts per share of net assets at March 31, 2008 and 2007 were ¥1,290.78 (\$0.64) and ¥1,258.61, respectively.

### (n) Distribution of retained earnings

Under the Corporation Law of Japan, the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The accounts for that period do not, therefore, reflect such distributions (see Note 16).

## 3. Changes in Method of Accounting

### (a) Accounting standard for directors' bonuses

Effective the year ended March 31, 2007, the Company adopted "Accounting Standard for Directors' Bonuses" (Accounting Standards Board of Japan ("ASBJ")) Statement No. 4, issued on November 29, 2005). As a result of the adoption, operating income and income before income taxes and minority interests decreased by ¥239 million from the corresponding amounts which would have been recorded under the method applied in the previous year.

### (b) Accounting standard for business combinations and accounting standard for business divestitures

Effective the year ended March 31, 2007, the Company adopted "Accounting Standard for Business Combinations" (issued on October 31, 2003 by the Business Accounting Council of Japan), and "Accounting Standard for Business Divestitures" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 and ASBJ Guidance No. 10, respectively, both of which were issued on December 27, 2005).

## 4. Marketable Securities and Investments in Securities

Information regarding marketable securities classified as other securities at March 31, 2008 and 2007 is summarized as follows:

	Millions of yen			
	Cost	Unrealized gain	Unrealized loss	Carrying value
<b>March 31, 2008</b>				
Equity securities	¥ 9,023	¥ 473	¥ 1,483	¥ 8,013
Debt securities	3,004	2		3,006
Other	1,399		218	1,181
<b>Total</b>	<b>¥ 13,426</b>	<b>¥ 475</b>	<b>¥ 1,701</b>	<b>¥ 12,200</b>
<b>March 31, 2007</b>				
Equity securities	¥ 6,415	¥ 1,155	¥ 538	¥ 7,032
Debt securities	101			101
Other	50			50
<b>Total</b>	<b>¥ 6,566</b>	<b>¥ 1,155</b>	<b>¥ 538</b>	<b>¥ 7,183</b>

	Thousands of U.S. dollars			
	Cost	Unrealized gain	Unrealized loss	Carrying value
<b>March 31, 2008</b>				
Equity securities	\$ 90,320	\$ 4,735	\$ 14,845	\$ 80,210
Debt securities	30,070	20		30,090
Other	14,004		2,182	11,822
<b>Total</b>	<b>\$ 134,394</b>	<b>\$ 4,755</b>	<b>\$ 17,027</b>	<b>\$ 122,122</b>

Proceeds from sales of other securities for the years ended March 31, 2008 and 2007 were ¥6,502 million (\$65,085 million) and ¥165 million, respectively. Gross realized gain on these sales was ¥101 million (\$1,011 million) and ¥55 million for the years ended March 31, 2008 and 2007, respectively.

Other securities and held-to-maturity debt securities whose fair value is not readily determinable as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Other securities:			
Unlisted equity securities	¥ 1,138	¥ 518	\$ 11,392
Held-to-maturity debt securities:			
Unlisted debt securities	31	6	310
<b>Total</b>	<b>¥ 1,169</b>	<b>¥ 524</b>	<b>\$ 11,702</b>

The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities at March 31, 2008 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
	Other securities	Held-to-maturity debt securities	Other securities	Held-to-maturity debt securities
Due in one year or less		¥ 6		\$ 60
Due after one year through five years	¥ 3,006		\$ 30,090	
Due after five years		25		250
<b>Total</b>	<b>¥ 3,006</b>	<b>¥ 31</b>	<b>\$ 30,090</b>	<b>\$ 310</b>

## 5. Notes Receivable and Notes Payable

Since the balance sheet date of the year ended March 31, 2007 fell on a bank holiday, notes receivable, trade of ¥12 million, notes payable, trade of ¥235 million, and notes payable, construction of ¥15 million included in other long-term liabilities with maturity dates of March 31, 2007 were included in the respective balances and were settled on the next business day.

## 6. Loss on Impairment of Fixed Assets

The Group recognized loss on impairment of fixed assets of ¥1,301 million (\$13,023 thousand) and ¥3,548 million for the years ended March 31, 2008 and 2007, respectively, as follows:

March 31, 2008		
Use	Classification	Location
Shop	Buildings and other	Hyogo Prefecture and other
Property for rental	Buildings and other	Aichi Prefecture and other
Idle property	Land	Hiroshima Prefecture
March 31, 2007		
Use	Classification	Location
Shop	Buildings and other	Aichi Prefecture and other
Property for rental	Buildings and other	Gunma Prefecture and other
Idle property	Land	Yamaguchi Prefecture
Other	Finance leases and goodwill	Tokyo Prefecture

The Group groups its fixed assets based on management control units. It also groups assets which are not currently utilized for its operations and are not anticipated to be utilized in the future as idle assets individually.

Loss on impairment of fixed assets was recorded for the years ended March 31, 2008 and 2007 as the assets and asset groups listed above recorded consecutively negative operating cash flows and because their utilization in the future was not determinable. As a result, for the years ended March 31, 2008 and 2007, the Group reduced the book value of such assets and asset groups to their respective recoverable amounts and a loss on impairment was recognized for assets whose operating cash flows were consecutively negative of ¥1,257 million (\$12,583 thousand) and ¥3,427 million, respectively, and assets whose utilization in the future was not determinable of ¥44 million (\$440 thousand) and ¥121 million, respectively.

The recoverable amounts of asset groups are measured at the higher of their net realizable value or value in use. The net realizable value for significant assets is based on professional appraisals. Value in use is measured as the sum of anticipated future cash flows discounted by a weighted average cost of capital of 3.06%.

## 7. Land Revaluation

During the year ended March 31, 2002, DEODEO Corporation and EIDEN Co., Ltd., both of which were consolidated subsidiaries, revalued their land held for business use in accordance with the "Law on Land Revaluation." Differences on land revaluation have been accounted for as "land revaluation difference" under net assets at the net amount of the relevant tax effect.

## Notes to Consolidated Financial Statements

The method followed in determining the land revaluations was in accordance with the "Enforcement Act Concerning Land Revaluation." The carrying value of this land exceeded its fair value by ¥13,719 million (\$137,327 thousand) and ¥12,929 million at March 31, 2008 and 2007, respectively.

### 8. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans at March 31, 2008 and 2007 consisted of notes to banks. The annual average interest rates applicable to the short-term bank loans were 0.97% and 0.89% at March 31, 2008 and 2007, respectively.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
1.49% secured bonds due in April 2012 issued by MET Special Purpose Company	¥ 500		\$ 5,005
0.36% unsecured bonds due in March 2009 issued by MIDORI DENKA Co., Ltd.	300	¥ 540	3,003
10.0% unsecured convertible bonds due in September 2023 issued by Ishimaru Honsha Co., Ltd.	32	32	320
1.04% secured bonds due in April 2007 issued by MET Special Purpose Company		500	
Loans principally from banks and insurance companies due through 2025 with an average interest rate of 2.37%:			
- Collateralized	10,817	15,733	108,279
- Unsecured	64,124	57,888	641,882
Long-term payable due to a tenant for store construction, interest rate of 2.01% due through 2025	1,515	1,590	15,165
	77,288	76,283	773,654
Less: current portion of long-term debt	(10,783)	(14,994)	(107,938)
	¥ 66,505	¥ 61,289	\$ 665,716

The conversion price of the 10.0% unsecured convertible bonds is ¥50 per share and the convertible period is from December 1, 1983 to September 19, 2023.

The aggregate annual maturities of long-term debt subsequent to March 31, 2008 are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥ 10,783	\$ 107,938
2010	21,321	213,423
2011	14,502	145,165
2012	16,941	169,580
2013	12,587	125,996
2014 and thereafter	1,154	11,552
Total	¥ 77,288	\$ 773,654

Assets pledged as collateral for short-term bank loans of ¥2,800 million (\$28,028 thousand), long-term debt, including the current portion thereof, of ¥10,817 million (\$108,279 thousand) and security deposits of ¥1,043 million (\$10,440 thousand) included in other long-term liabilities at March 31, 2008 were as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures – net of accumulated depreciation	¥ 12,603	\$ 126,156
Land	14,159	141,732
Total	¥ 26,762	\$ 267,888

In addition to the assets pledged above, collateral must be given if requested by lending institutions under certain circumstances based on loan agreements with negative clauses entered into with lending institutions. Such long-term loans, including the current portion thereof, amounted to ¥86 million (\$861 thousand) at March 31, 2008.

Installment payables to leasing companies due through 2011 were included in other current liabilities and other long-term liabilities. At March 31, 2008, the current portion of ¥827 million (\$8,278 thousand) and the long-term portion of ¥1,423 million (\$14,244 thousand) of these installment payables were interest bearing at average interest rates of 1.98% and 2.37%, respectively.

The Group entered into loan commitment agreements with 17 banks. Total committed lines of credit under such agreements amounted to ¥40,000 million (\$400,400 thousand), of which ¥20,000 million (\$200,200 thousand) was available as of March 31, 2008.

### 9. Retirement Benefits

Most consolidated subsidiaries have defined benefit pension plans, retirement benefit plans and defined contribution pension plans covering substantially all employees. In addition, certain consolidated subsidiaries also have defined contribution pension plans. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum payment from the consolidated subsidiaries and annuity payments from a trustee. In addition to the retirement benefit plans described above, certain consolidated subsidiaries pay additional retirement benefits under certain conditions.

Accrued retirement benefits for employees at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Retirement benefit obligation	¥ (14,766)	¥ (14,659)	\$ (147,808)
Plan assets at fair value	6,303	7,166	63,093
Unfunded retirement benefit obligation	(8,463)	(7,493)	(84,715)
Unrecognized actuarial gain	(123)	(916)	(1,231)
Unrecognized prior service cost	(514)	(835)	(5,145)
Accrued retirement benefits	¥ (9,100)	¥ (9,244)	\$ (91,091)

Accrued retirement benefits for directors and corporate auditors of ¥1,067 million (\$10,681 thousand) and ¥979 million at March 31, 2008 and 2007, respectively, have been included in accrued retirement benefits in the accompanying consolidated balance sheets. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The components of retirement benefit expenses for the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service cost	¥ 900	¥ 847	\$ 9,009
Interest cost	220	209	2,202
Expected return on plan assets	(68)	(63)	(680)
Recognized actuarial gain	(82)	(93)	(821)
Amortization of prior service cost	14	3	140
Other	594	618	5,946
Retirement benefit expenses	¥ 1,578	¥ 1,521	\$ 15,796

As permitted under the accounting standard for retirement benefits, certain consolidated subsidiaries calculate accrued retirement benefits for their employees by the simplified method. The related retirement benefit expenses for these subsidiaries are included in service cost presented in the above table.

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2008 and 2007 are summarized as follows:

	2008	2007
Discount rates	1.5% – 2.0%	1.5% – 2.0%
Expected rates of return on plan assets	0.8% – 1.0%	0.8% – 1.0%

### 10. Income Taxes

Income taxes applicable to the Group comprise corporation tax, inhabitants' taxes and enterprise taxes which, in the aggregate, resulted in statutory tax rates of 40.6% and 40.2% for the years ended March 31, 2008 and 2007, respectively.

The effective tax rates for the years ended March 31, 2008 and 2007 differed from the corresponding statutory tax rates for the following reasons:

	2008	2007
Statutory tax rates:	40.6 %	40.2 %
Expenses not deductible for income tax purposes	0.4	0.3
Dividends not taxable for income tax purposes	(1.1)	(0.8)
Inhabitants' per capita taxes	2.9	2.6
Lower income tax rates applicable to a certain subsidiary	(1.0)	(0.9)
Amortization and impairment loss on goodwill		2.6
Change in valuation allowance	7.0	1.0
Elimination of intercompany dividends	1.9	1.4
Other, net	(1.5)	1.3
Effective tax rates	49.2 %	47.7 %

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities calculated for financial reporting purposes and the corresponding tax bases reported for income tax purposes. The significant components of the deferred tax assets and liabilities of

the Company and its consolidated subsidiaries at March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Depreciation	¥ 2,143	¥ 1,628	\$ 21,452
Allowance for employees' bonuses	2,413	2,075	24,154
Loss on impairment of fixed assets	1,347	1,331	13,484
Accrued retirement benefits	4,187	4,165	41,912
Reserve for point service program	4,036	2,012	40,400
Unrealized loss on intercompany transactions of fixed assets	1,636	2,137	16,376
Difference between cost of investments and their underlying net equity at fair value	1,798	1,798	17,998
Unrealized loss on revaluation of land acquired by merger	2,321		23,233
Net operating tax loss carryforwards	7,731	4,494	77,387
Other	4,204	2,641	42,082
Less valuation allowance	(14,325)	(8,896)	(143,393)
Total deferred tax assets	17,491	13,385	175,085
Deferred tax liabilities			
Unrealized holding gain on other securities	101	427	1,011
Difference between cost of investments and their underlying net equity at fair value	1,527	1,527	15,285
Other	336	363	3,364
Total deferred tax liabilities	1,964	2,317	19,660
Net deferred tax assets	¥ 15,527	¥ 11,068	\$ 155,425

### 11. Derivatives

The Company and a certain consolidated subsidiary utilize interest-rate swaps and interest-rate caps to minimize the impact of fluctuation in interest rates. In addition, a certain consolidated subsidiary utilizes hybrid financial instruments which contain embedded derivatives for the purpose of effective utilization of surplus cash. The principal policy for utilizing surplus cash is to invest in securities which are low risk and have a low likelihood of deterioration from the original investment value.

The Company and certain consolidated subsidiaries are exposed to the risk of fluctuation in market interest rates and foreign currency exchange rates. They are also exposed to the risk of credit loss in the event of nonperformance by the counterparties with respect to derivatives transactions; however, the Company and certain consolidated subsidiaries do not anticipate nonperformance by any of the counterparties, all of whom are financial institutions with high credit ratings.

The execution and control of derivative transactions at the Group are managed in accordance with internal policy which stipulates the authorization process and limits to transaction volume. Because bank loans in excess of a certain amount are subject to approval by the Board of Directors the related interest-rate swap contracts are also subject to approval at meetings of the Board of Directors at the same time as such bank loans are approved.

At March 31, 2008 and 2007, all outstanding interest-rate swap contracts for certain bank loans were accounted for by hedge accounting and, accordingly, no fair value information has been disclosed. Hybrid financial instruments are stated at fair value as a whole and included in Note 4, "Marketable securities and Investments in securities."



## Notes to Consolidated Financial Statements

### 12. Contingent Liabilities

The Group was contingently liable for guarantees of bank borrowings made by certain affiliates in the aggregate amount of ¥1,811 million (\$18,128 thousand) at March 31, 2008. The Group was also contingently liable for guarantees of debt of employees in the aggregate amount of ¥13 million (\$130 thousand) at March 31, 2008.

### 13. Shareholders' Equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The legal reserve of the Company was nil at March 31, 2008 and 2007.

Movements in treasury stock during the years ended March 31, 2008 and 2007 are summarized as follows:

	Number of shares			
	March 31, 2007	Increase	Decrease	March 31, 2008
<b>2008</b>				
Treasury stock	53,221	5,510	304	58,427
<b>2007</b>				
Treasury stock	47,489	6,216	484	53,221

### 14. Leases

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2008 and 2007, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen					
	2008			2007		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 3,971	¥ 1,112	¥ 2,859	¥ 3,976	¥ 915	¥ 3,061
Furniture and fixtures	12,683	5,889	6,794	8,264	4,831	3,433
	¥ 16,654	¥ 7,001	¥ 9,653	¥ 12,240	¥ 5,746	¥ 6,494

	Thousands of U.S. dollars		
	2008	2007	2006
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	\$ 39,750	\$ 11,131	\$ 28,619
Furniture and fixtures	126,957	58,949	68,008
	\$ 166,707	\$ 70,080	\$ 96,627

Lease payments relating to finance leases accounted for as operating leases, the corresponding depreciation computed by the straight-line method for the respective lease periods assuming a nil residual value, interest expense computed by the interest method, and reversal of and recognized loss on impairment of finance leases accounted for as operating leases for the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Lease payments	¥ 2,528	¥ 2,009	\$ 25,305
Depreciation	2,409	1,878	24,114
Interest expense	132	97	1,321
Reversal of loss on impairment of finance leases	109	42	1,091
Recognized loss on impairment of finance leases		256	

Future minimum lease payments subsequent to March 31, 2008 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2009	¥ 2,529	\$ 25,315
2010 and thereafter	7,291	72,983
Total	¥ 9,820	\$ 98,298

Reserve for loss on impairment of finance leases accounted for as operating leases which is included in other long-term liabilities, amounted to ¥159 million (\$1,592 thousand) and ¥268 million at March 31, 2008 and 2007, respectively.

Future minimum lease payments subsequent to March 31, 2008 for non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2009	¥ 3,637	\$ 36,406
2010 and thereafter	36,250	362,863
Total	¥ 39,887	\$ 399,269

### 15. Supplementary Information for Consolidated Statements of Cash Flows

During the year ended March 31, 2008, 3Q Co., Ltd. has been newly consolidated as a result of the acquisition of its shares. The assets and liabilities included in consolidation were as follows:

2008	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 17,608	\$ 176,256
Non-current assets	15,598	156,136
Goodwill	1,841	18,428
Current liabilities	(12,755)	(127,678)
Non-current liabilities	(40)	(400)
Minority interests	(12,247)	(122,592)
Acquisition cost of shares	10,005	100,150
Cash and cash equivalents of 3Q Co., Ltd.	2,616	26,186
Cash disbursement	¥ 7,389	\$ 73,964

During the year ended March 31, 2007, Ishimaru Denki Co., Ltd. ("Ishimaru Denki") and its consolidated subsidiaries were newly consolidated as a result of the acquisition of its shares. The assets and liabilities included in consolidation were as follows:

2007	Millions of yen
Current assets	¥ 22,415
Non-current assets	20,122
Current liabilities	(3,671)
Non-current liabilities	(3,321)
Negative goodwill	(3,919)
Minority interests	(28,227)
Equity in loss of an affiliate	29
Acquisition cost of shares	3,428
Cash and cash equivalents of Ishimaru Denki Co., Ltd.	14,793
Proceeds from acquisition	¥ 11,365

During the year ended March 31, 2007, Mitsuishi Denka Center Co., Ltd. was newly consolidated as a result of the acquisition of its shares. The assets and liabilities included in consolidation were as follows:

2007	Millions of yen
Current assets	¥ 2,989
Non-current assets	1,884
Goodwill	1,540
Current liabilities	(3,566)
Non-current liabilities	(1,253)
Acquisition cost of shares	1,594
Cash and cash equivalents of Mitsuishi Denka Center Co., Ltd.	1,034
Cash disbursement	¥ 560

### 16. Subsequent Events

#### (a) Issuance of convertible bonds

Pursuant to a resolution approved at a Board of Directors' meeting held on April 23, 2008, the Company issued ¥15,000 million (\$150,150 thousand) of zero coupon yen convertible bonds due May 10, 2013 with an initial conversion price of ¥1,353 (\$13.54) per share on May 3, 2007.

3,000 stock acquisition rights were granted and are exercisable during the period from May 23, 2008 to the closing of bank

operations on April 26, 2013 based on Geneva, Switzerland time. The offer price of each bond was 102.5% of its face amount.

#### (b) Acquisition of additional shares of Ishimaru Denki Co., Ltd.

Meetings of the Board of Directors of the Company and a consolidated subsidiary, TOKYO EDION Corporation ("TOKYO EDION"), held on June 25, 2008 approved resolutions for 363,914 shares (60%) for ¥32,000 million (\$32,032 thousand) by TOKYO EDION in TOKYO EDION's subsidiary, Ishimaru Denki in order to make this subsidiary into a wholly-owned subsidiary. The purpose of this acquisition is to improve the operating results of Ishimaru Denki more rapidly and establish an operating base for the EDION Group in the Kanto area. The Board of Directors meeting of TOKYO EDION for the approval of the related share transfer agreement will be held at the end of July 2008 and shares in Ishimaru Denki are planned to be transferred at the end of September 2008.

#### (c) Distribution of retained earnings

The following distribution of retained earnings at March 31, 2008 was approved at the Company's annual general meeting of shareholders held on June 27, 2008:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends of ¥10.00 (\$0.10) per share	¥ 1,056	\$ 10,571



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### Report of Independent Auditors

The Board of Directors  
EDION Corporation

We have audited the accompanying consolidated balance sheet of EDION Corporation and consolidated subsidiaries as of March 31, 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the year then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated balance sheet of EDION Corporation and consolidated subsidiaries as of March 31, 2007 and the related consolidated statements of income, changes in net assets, and cash flows for the year then ended were audited by other auditors whose report dated June 28, 2007, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of EDION Corporation and consolidated subsidiaries at March 31, 2008, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

June 28, 2008

*Ernst & Young Shin Nihon*

A MEMBER OF ERNST & YOUNG GLOBAL

### Corporate Information (As of March 31, 2008)

● Company Name	EDION Corporation
● Business	Holds shares of subsidiaries whose primary business is sales of home electronics, including DEODEO Corporation, EIDEN Co., Ltd., MIDORI DENKA CO., LTD., TOKYO EDION Corporation, and 3Q Co., Ltd.; serves as headquarters of the Group as a whole, in terms of general management and purchasing.
● Establishment	March 29, 2002
● Common Stock	10,174 million yen
● Location of Main Store	6-13-10, Sotokanda, Chiyoda-ku, Tokyo (As of June 27, 2008)
● Location of Head Office	Dojima Grand Building, 1-5-17, Dojima, Kita-ku, Osaka
● Number of Employees	Non-Consolidated: 476 Consolidated: 10,534

### Stock Information (As of March 31, 2008)

● Fiscal Year	April 1 to March 31
● Number of Shares Authorized	300,000,000 shares
● Number of Shares Issued	105,665,636 shares
● Number of Shareholders	18,194
● Stock Listing	First sections of Tokyo and Nagoya Stock Exchanges
● Stock Code	2730

### Directors and Corporate Auditors (As of July 1, 2008)

#### ● Directors

President	Masataka Kubo	Chairman, DEODEO Corporation; Chairman, MIDORI DENKA CO., LTD.
Vice President	Shoichi Okajima	Head of Administrative HQ; Head of Store Development Dept.; Head of Kanto Store Development Div.; President, EIDEN Co., Ltd.
Vice President	Kazutoshi Tomonori	Head of Sales HQ; President, DEODEO Corporation
Vice President	Yuji Nakaguchi	President, MIDORI DENKA CO., LTD.
Managing Director	Makoto Fujikawa	Head of General Affairs Dept.; Head of Legal Affairs Div.
Director	Seiichi Funamori	Head of Merchandising HQ
Director	Yuji Asada	Head of Accounting and Financing Dept.; Head of Internal Control Promotion Office
Outside Director	Hiroyuki Miyajima	President, BICCAMERA Inc.

#### ● Corporate Auditors

Corporate Auditor (Full-time)	Keiji Takahashi	Corporate Auditor, MIDORI DENKA CO., LTD.
Corporate Auditor	Katsuji Ishida	
Outside Corporate Auditor	Takenori Isou	Corporate Auditor, EIDEN Co., Ltd.
Outside Corporate Auditor	Takashi Okinaka	Corporate Auditor, MIDORI DENKA CO., LTD.