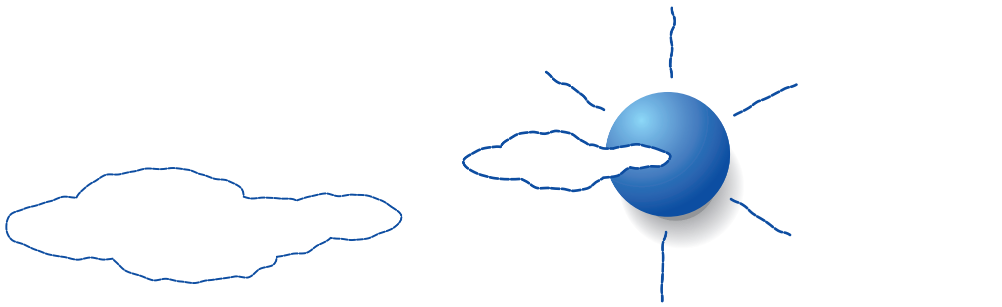
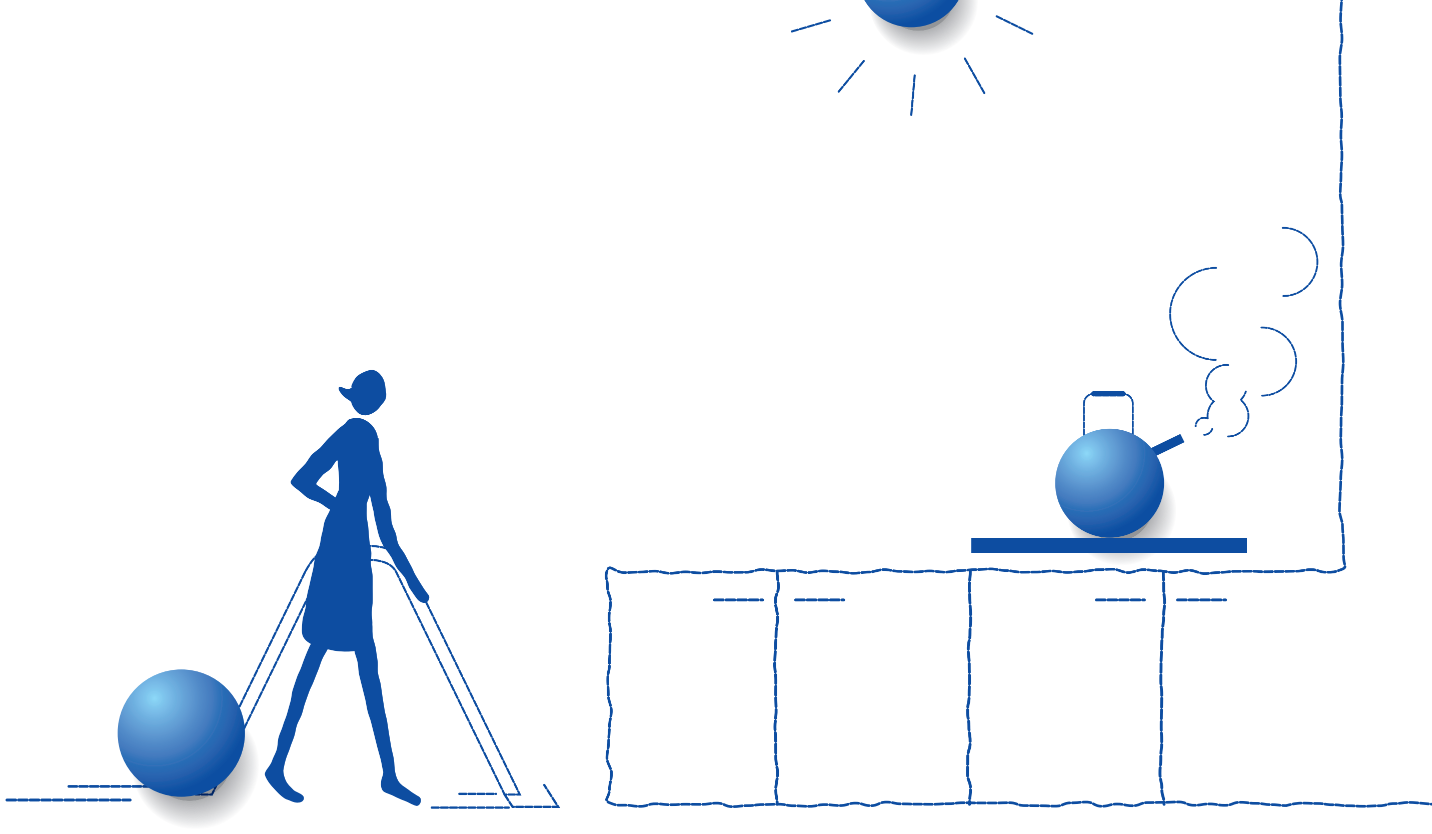
edion ANNUAL REPORT 2011

Fiscal Year Ended March 31, 2011





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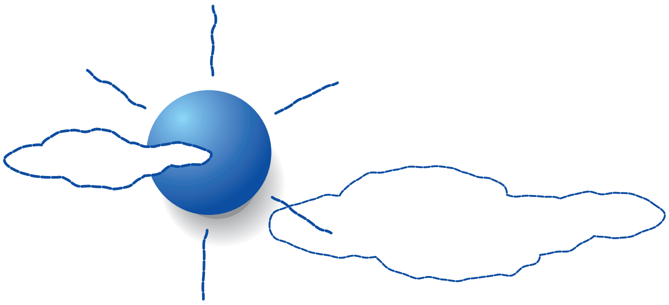
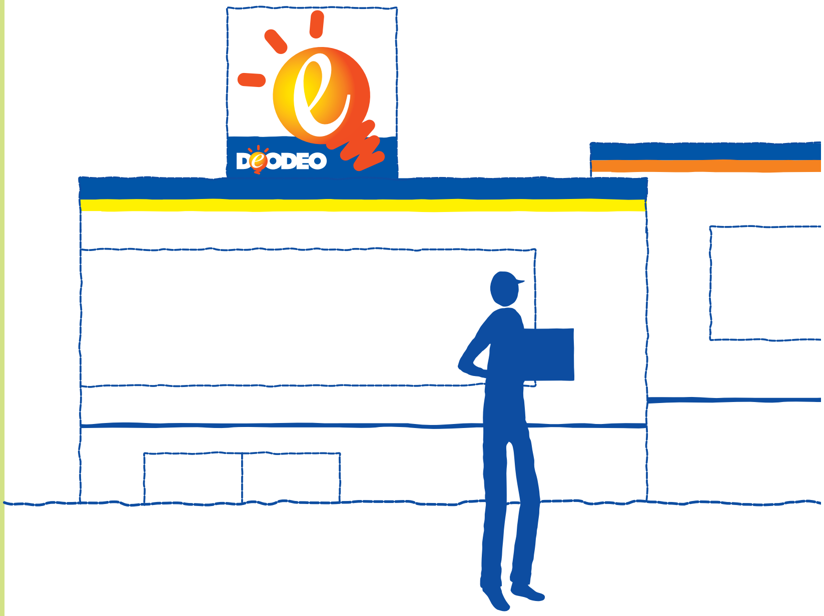


At the EDION Group, providing hospitality is our highest priority. By sincerely listening to our customers' opinions and ideas, and by always maintaining our feeling of gratitude, we will continue our concerted endeavors to remain an enterprise that offers the highest level of customer satisfaction.

Disclaimer Regarding Forward-Looking Statements

The present document contains forward-looking statements based on currently available information that EDION Corporation 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 demand, 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 comprise the sole basis for investment decisions.



Management Philosophy

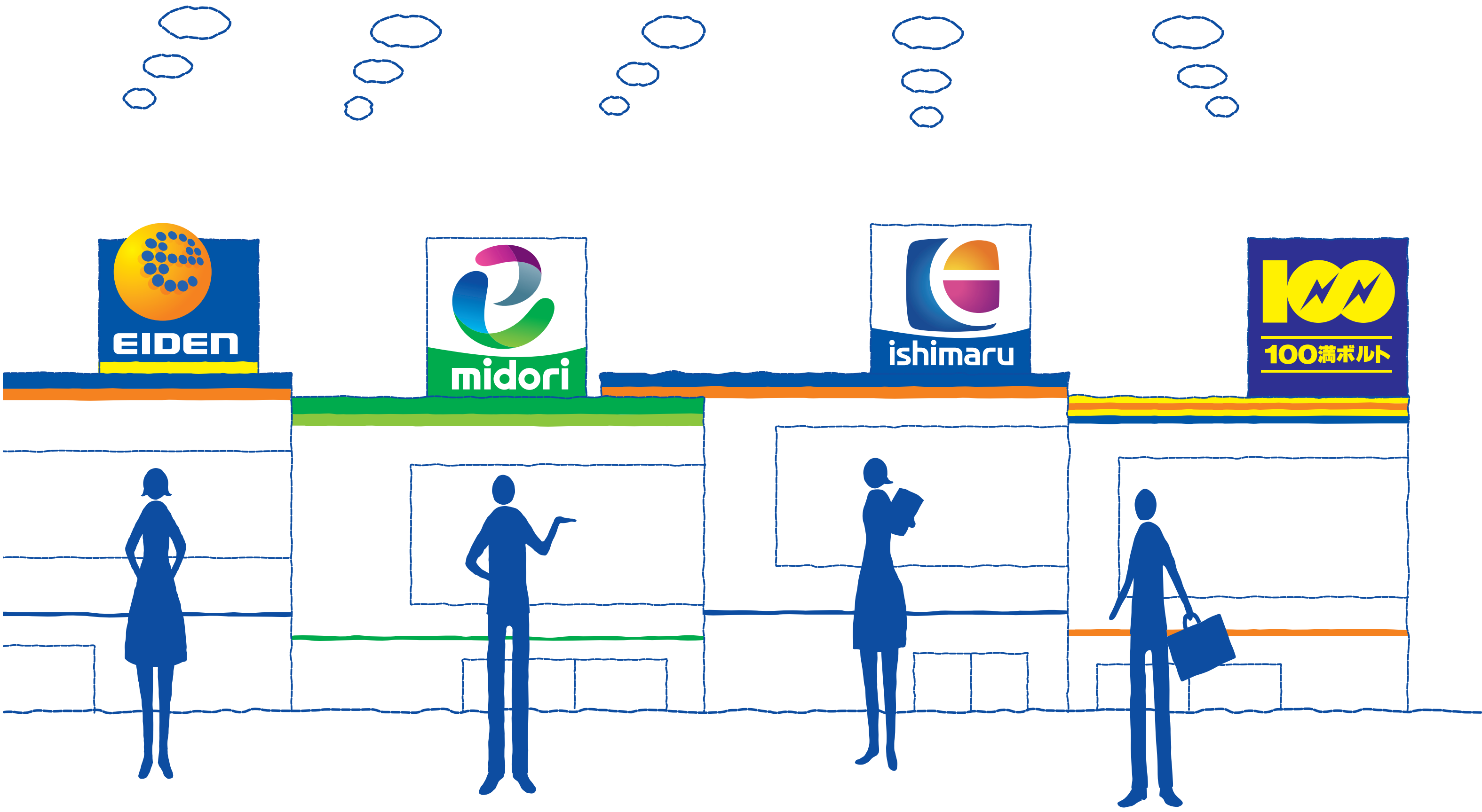
"Achieving long-lasting customer satisfaction through outstanding products and reliable service"

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

Our products provide the highest level of customer satisfaction at reasonable prices.

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

All sales are backed up by a thorough service system, ensuring continued use of our products under optimal conditions.

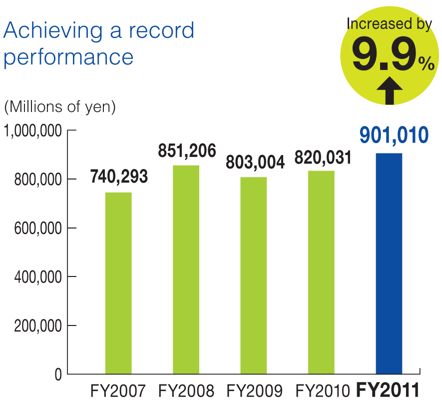


(Millions of yen)

Period	FY2007 From April 1, 2006 to March 31, 2007	FY2008 From April 1, 2007 to March 31, 2008	FY2009 From April 1, 2008 to March 31, 2009	FY2010 From April 1, 2009 to March 31, 2010	FY2011 From April 1, 2010 to March 31, 2011
Net sales	740,293	851,206	803,004	820,031	**901,010**
Operating income	6,947	8,480	1,233	10,510	**26,340**
Net income	7,368	6,755	△13,506	9,323	**16,212**
Net assets	162,177	177,577	135,583	141,642	**155,947**
Total assets	390,551	437,410	387,137	403,180	**403,400**
Book-value per share (yen)	1,258.61	1,290.78	1,149.25	1,237.96	**1,376.18**
Earnings per share (yen)	69.76	63.96	△127.90	89.60	**157.76**
Equity ratio (%)	34.03	31.16	31.35	31.67	**34.97**
Return on equity (%)	5.64	5.02	△10.48	7.49	**12.06**
Price earnings ratio (%)	23.58	14.42	△1.91	10.75	**4.48**
Cash flows from operating activities	3,408	16,156	26,323	35,576	**41,833**
Cash flows from investing activities	△12,102	△41,040	△31,399	△23,010	**△16,539**
Cash flows from financing activities	22,513	25,884	△5,040	△11,713	**△23,169**
Cash and cash equivalents	27,591	28,591	17,012	17,864	**19,990**
Number of stores	991	1,077	1,078	1,101	**1,130**
Capital investment	21,951	37,000	32,124	25,854	**20,242**
Number of employees	9,302	10,534	10,664	10,640	**10,022**

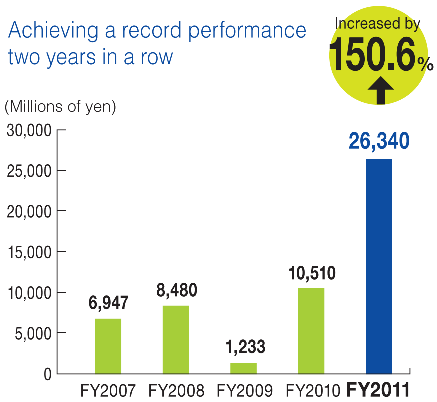
Net sales

Achieving a record performance



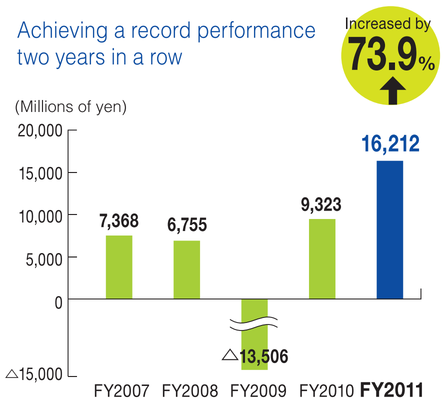
Operating income

Achieving a record performance two years in a row



Net income

Achieving a record performance two years in a row



Business Performance

In the consolidated fiscal year under review, the Japanese economy experienced some positive factors, such as improvement of corporate earnings. However, with such negative factors as lack of improvement in the employment and income situations, due to continued deflation, the management environment remained severe.

In the home electrical appliance retail industry, sales of television sets and Blu-ray disc recorders increased sharply, thanks to the replacement demand for televisions due to full transition from analog to digital broadcasting in July 2011, as well as the extension of the "eco-point" program for "green" home electrical appliances, the Japanese government's economic-stimulus package. Moreover, due to record-breaking heat in the summer of 2010, sales performance of air-conditioners and refrigerators, both of which were target products of the "eco-point" program, also increased steadily. In November 2010 especially, the Group saw unprecedented sales of television sets, air-conditioners and refrigerators. This sales performance was due to the substantial rush demand caused by the government decision that points to be earned for the purchase of these home electrical appliances would be changed from December. In addition, sales of personal computers showed a firm increase, thanks to the release of "Office 2010" products. Sales of mobile phones also grow steadily, backed by expanding demand for smartphone products.

Against this backdrop, the EDION Group focused on improving operational efficiency by implementing organizational restructuring. As part of such efforts, in October 2010 the Group merged EDION Corporation with its two subsidiaries EDION WEST Corporation and EDION EAST Corporation. The Group also strove to offer more sincere customer service, improve the quality of its product delivery system and actively conduct advertising and sales promotion activities, all with the aim of meeting the expanding demand for home electrical appliances backed by the "eco-point" program. The Group also sought to reinforce and expand the eco-friendly living & solar power business, which it had entered full scale in the previous fiscal year, by increasing the number of stores offering such products and strengthening human resources development at its own employees training center.

When the Great East Japan Earthquake struck on March 11, 2011, although merchandise and store fixtures fell and toppled in some stores in the Kanto region, the overall damage was minimal.

With regard to store development in the consolidated fiscal year under review, the Group newly opened nine directly operated home electrical appliance stores, including DEODEO Alpark Minami Store, EIDEN Kota Store and MIDORI Kizugawa Store, and relocated or increased the sales floor area of three stores, including EIDEN Nisshin Takenoyama Store, all with the aim of expanding market share in each market area. On the other hand, four stores were closed to improve business efficiency. Regarding software product specialty stores and other directly operated non-home electrical appliance stores, the Group newly opened one store and closed nine stores. With regard to franchise stores, their net number increased by 32. Consequently, the number of EDION Group stores, coupled with 715 franchise stores, totaled 1,130 at the end of this consolidated fiscal year.

As a result, the EDION Group reported net consolidated sales of ¥901,010 million, operating income of ¥26,340 million and net income of ¥16,212 million for the current fiscal year. Both operating income and net income substantially exceeded those of the previous fiscal year, achieving a record performance.

Financial Highlights

● Net sales

Net consolidated sales totaled ¥901,010 million (109.9% year-on-year). This is because sales of television sets, air-conditioners and refrigerators increased steadily, due to the effects of the "eco-point" program for "green" home electrical appliances and the record-breaking heat summer 2010; and the Group actively opened new stores based on its store development strategy.

● Operating income

Operating income in the consolidated fiscal year under review amounted to ¥ 26,340 million (250.6% year-on-year). This is because, despite increased selling expenses, the solid increase in sales resulted in a 0.3 percentage point increase in the gross profit ratio; and the Group focused on reducing general administrative expenses.

● Net income

Net income in the consolidated fiscal year under review amounted to ¥16,212 million (173.9% year-on-year). This is because non-operating income decreased by ¥7,042 million from the previous fiscal year as a result of a loss on impairment of fixed assets of ¥6,974 million and a loss of ¥2,252 million arising from initial adoption of accounting standard for asset retirement obligations.

Based on our management philosophy of "Achieving long-lasting customer satisfaction through outstanding products and reliable service," we of the EDION Group remain committed to offering sincere customer service and developing a thorough service system.

Masataka Kubo
President

Q. Could you tell us about business performance during fiscal 2011?

A. Thanks to demand boosted by the "eco-point" program and other positive factors, we achieved record profits this fiscal year.

In fiscal 2011, we achieved record net sales of ¥901,010 million (109.9% year-on-year), operating income of ¥26,340 million (250.6% year on year) and net income of ¥16,212 million (173.9% year-on-year), backed by expanding demand resulting from extension of the "eco-point" program for "green" home electrical appliances, the Japanese government's economic-stimulus package. In particular, sales of television sets sharply increased (123.6% year-on-year), thanks to replacement demand during the full transition from analog to digital broadcasting in July 2011, in addition to the effect of the "eco-point" program.

Regarding the eco-friendly living & solar power business that commenced full-scale operations during the previous fiscal year, we have reinforced efforts to expand the number of stores offering home remodeling products, all-electrical home appliances and solar power generation products, as well as to strengthen employee training and education programs. As a result, sales of these products have been steadily increasing.

We also focused on improving business efficiency this fiscal year. On October 1, 2010, the pure holding company EDION Corporation merged with the two operating companies EDION EAST Corporation and EDION WEST Corporation, establishing a more integrated and efficient business management system.

Upholding our management philosophy of "Achieving long-lasting customer satisfaction through outstanding products and reliable service," we will continue our concerted efforts to provide attractive stores and sincere service, with the aim of ensuring higher levels of customer satisfaction.

Q. What is the advantage of the EDION Group, compared to its competitors?

A. Our advantage is enhanced service systems, which ensure higher levels of satisfaction.

We at the EDION Group have been promoting business operations focused on providing customer-oriented service, based on our management philosophy of “Achieving long-lasting customer satisfaction through outstanding products and reliable service.” Currently, our repair/delivery service department employees total some 1,500 persons. Repair service staff members are committed to accurately and promptly accommodating requests for repair of products that customers have purchased at our stores. In addition, we do not commission product installation work to any external companies; instead, our delivery staff members provide installation service as well, as we strive to offer more attentive customer service.

We have also been introducing the EDION Card, which reflects the uniqueness of the EDION Group. With an annual fee, EDION card holders can enjoy a five-year extended repair warranty for any number of designated home electrical appliances purchased at our stores for 5,250 yen or more. The EDION Card, which ensures that our customers can continue using their purchased products under optimal conditions, has been winning great acclaim from customers.

We also recognize that enhancing our employees’ service skills is vital for offering customer-oriented service. In light of this, we have been encouraging our employees to acquire the “Home Appliance Advisor Certificate.” As a result, about 70% of our sales staff members have now obtained this certificate, sincerely serving customers on the basis of their abundant product knowledge.

Q. Please tell your outlook on the home electrical appliance market and the EDION Group’s priority efforts in the years to come.

A. We will strive to achieve further growth by reinforcing business operations for promising products and accelerating the opening of new stores.

During the past several years, the home electrical appliance market has showed steady growth backed by replacement demand for television sets due to full transition from analog to digital broadcasting on July 24, 2011. Although such expanding demand is expected to slow after completing the transition to digital broadcasting, innovative products such as tablet terminals (e.g. the iPad), smartphones, home solar power generations systems and robot vacuum cleaners, are increasingly appearing on the home electrical appliance market. Such emerging products also include electric motorcycles and other items not belonging to the conventional category of home electrical appliances.

In response to such a market environment, we will continue to expand eco-friendly living & solar power business operations, while at the same time focusing on the promising mobile phone business stimulated by the expanding demand for smartphones, as driving forces of our future growth.

Now that the Group has been operationally integrated, we will accelerate the opening of new stores, aiming to grow yet further.

June 2011

Masataka Kubo
President

Top Message

Highlights of fiscal 2011

1. The EDION Group experienced a significant increase in sales of television sets and other products, thanks to the demand boost from the “eco-point” program.

2. The EDION Group greatly improved management efficiency through merger between the pure holding company and operating companies.

Priority efforts in the future

We at the EDION Group will continue to pursue further growth, with emphasis on the opening of new stores as well as on reinforcing eco-friendly living & solar power business and mobile phone business operations.

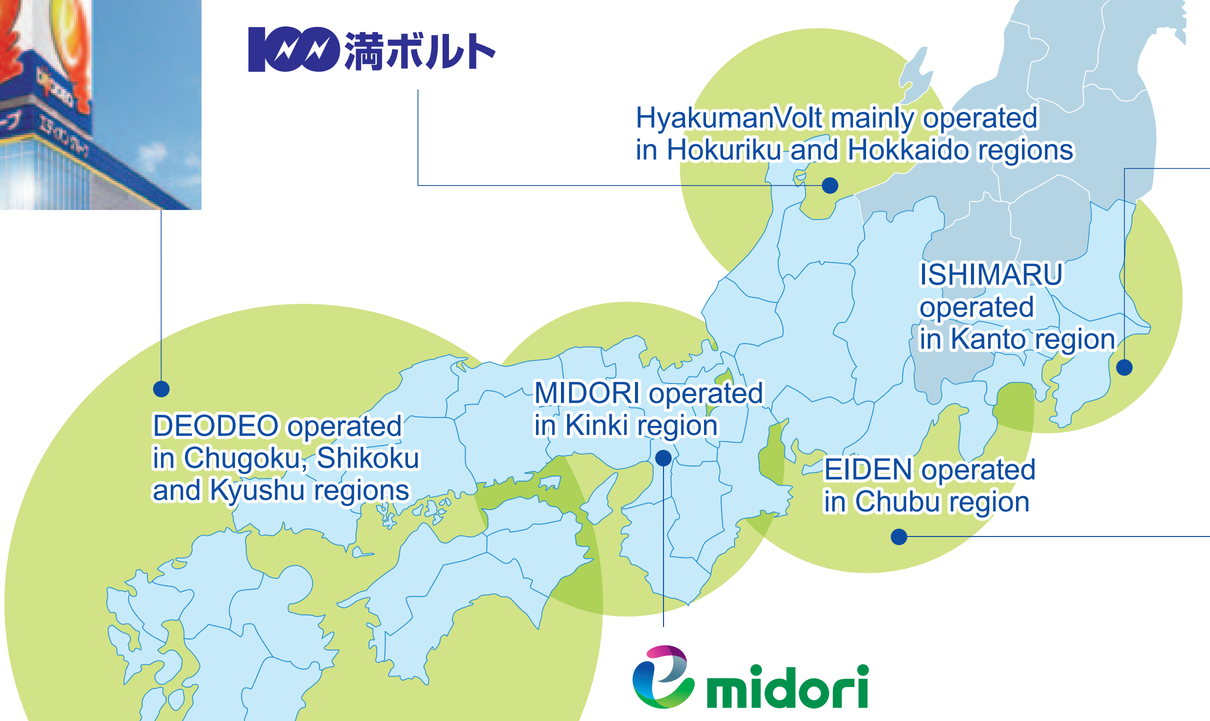
We have been enhancing community-based business operations by making the best use of each individual local store brand.

The EDION Group consists of: EDION Corporation and 3Q Co., Ltd., both of which focus on operating home electrical appliance retail stores; EDION COMMUNICATIONS Co., Ltd., which conducts mobile phone-related business; NWORK Co., Ltd., which specializes in developing and operating IT systems, and other companies.

The EDION Group has expanded its network of 1,100 stores throughout Japan, mainly in the Kanto region and western Japan. Under the store brands Ishimaru, EIDEN, MIDORI, DEODEO and Hyakuman Volt, these stores have been engaged in community-based business operations in each local market area for many years, where they have been winning great acclaim and the patronage of local consumers.

100満ボルト

DEODEO

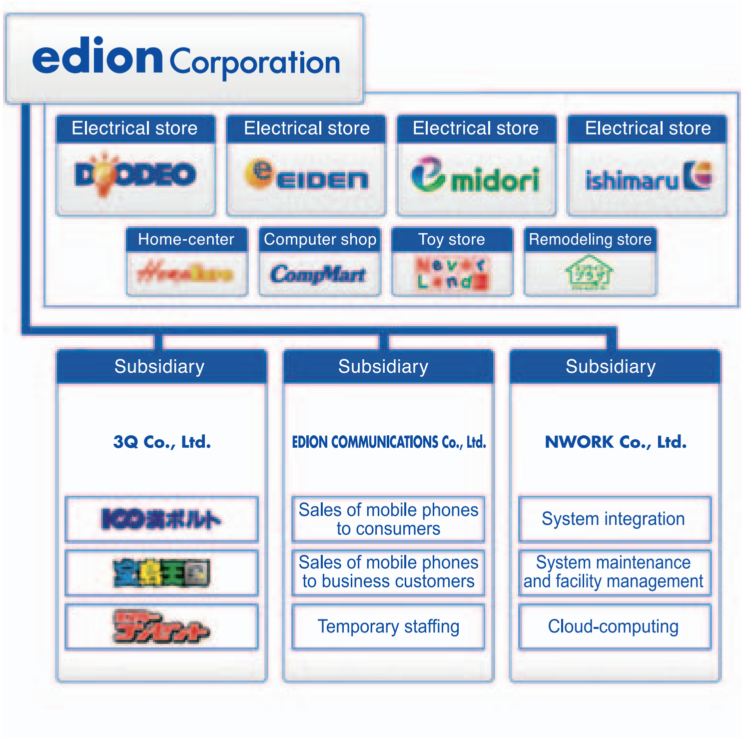


midori

ishimaru

EIDEN

Group Overview



Principal subsidiaries and affiliated companies

(as of April 1, 2011)

Company name	Location	Main business	Voting rights (%)
EDION COMMUNICATIONS Co., Ltd.	Chikusa-ku, Nagoya	Sales of mobile phones and others	100.00
NWORK Co., Ltd.	Chikusa-ku, Nagoya	Operation and development of information technology systems	100.00
3Q Co., Ltd.	Fukui City, Fukui	Sales of home electrical appliances and others	40.00
Fureai Channel Inc.*	Naka-ku, Hiroshima	CATV broadcasting	16.45
Sanfrecce Hiroshima FC*	Nishi-ku, Hiroshima	Professional football (soccer) club	39.85
Maruni Wood Industry Inc.*	Hatsukaichi City, Hiroshima	Furniture manufacturing and sales	23.49

* Affiliated companies

(and other 146 companies)

Group Overview

History of the EDION Group

Establishment

EDION Corporation was established in March 2002 as a joint holding company of EIDEN Co., Ltd., based in the Chubu region, and DEODEO Corporation, based in the Chugoku, Shikoku and Kyushu regions.

In each individual market area, long-established local mass retailers had traditionally been maintaining large market shares. After deregulation, however, Kanto region-based mass retailers began focusing on opening new stores in other local market areas. In response, we decided to integrate our business management and established EDION Corporation.

DEODEO

Expansion through merger and acquisition

In 2005, we acquired 100% ownership of MIDORI DENKA Co., Ltd., based in the Kinki region, through an exchange of shares. In 2007, we also obtained the shares of Ishimaru Denki Co., Ltd., based in the Kanto region, and 3Q Co., Ltd., based in the Hokkaido and Hokuriku regions and converted them into subsidiaries.

Through these mergers and acquisitions, the EDION Group has become a home electrical appliance retailer with an expanded store network throughout Japan.

EIDEN

Improvement of business efficiency through organizational restructuring efforts

While expanding our store network by merger and acquisition, we have also focused on organizational restructuring efforts to improve business efficiency.

In November 2007, we integrated the operations of stores in the Kanto region into Tokyo Edion Co., Ltd., a subsidiary established in the Kanto region. Subsequently, in February 2009 EIDEN Co., Ltd. merged with Tokyo Edion Co., Ltd. and Ishimaru Denki Co., Ltd.

In October 2009, EIDEN Co., Ltd. changed its corporate name to EDION EAST Corporation. DEODEO Corporation also merged with MIDORI DENKA Co., Ltd., changing the name of the new company to EDION WEST Corporation.

As a result, the organizational structure of the EDION Group became such that EDION EAST Corporation manages the operations of stores located in the Chubu and Kanto regions, and EDION WEST Corporation manages the operations of stores located in the Kinki, Chugoku, Shikoku and Kyushu regions.

MIDORI

Efforts to grow even further through management integration

While engaged in organizational restructuring efforts, the EDION Group developed an integrated operational management system in November 2009, with the aim of managing EDION Group business operations in an integrated manner.

Furthermore, after merging with EDION WEST Corporation and EDION EAST Corporation in October 2010, EDION Corporation changed from a joint holding company to an operating company of the EDION Group, beginning its advance toward further growth.

History of the EDION Group

March 2002	EDION Corporation established.
April 2005	Acquired 100% ownership of MIDORI DENKA Co., Ltd., based in Kinki region, through exchange of shares.
May 2005	Operations of nine stores of failed NINOMIYA Co., Ltd. transferred to EDION Group.
June 2005	Commenced development of EIDEN Family Shop (EFS), small-scale franchise stores based in Chubu region.
February 2007	EIDEN Co., Ltd. acquired 100% of shares of Mitsuishi Denka Center Co., Ltd., converting it into wholly owned subsidiary.
March 2007	Obtained a total of 40% of shares of Ishimaru Denki Co., Ltd., based in Kanto region; converted the company into consolidated subsidiary.
June 2007	Acquired a total of 40% of shares of 3Q Co., Ltd., which centers on Hokkaido and Hokuriku regions, and converted the company into consolidated subsidiary.
October 2007	Established wholly owned subsidiary Tokyo Edion Co., Ltd.
October 2008	Tokyo Edion Co., Ltd. acquired remaining shares of Ishimaru Denki Co., Ltd.
February 2009	EIDEN Co., Ltd. merged with Tokyo Edion Co., Ltd., Ishimaru Denki Co., Ltd. and Mitsuishi Denka Center Co., Ltd.
May 2009	Initiated full-scale home remodeling business operations.
October 2009	EIDEN Co., Ltd. changed its corporate name to EDION EAST Corporation. DEODEO Corporation merged with MIDORI DENKA Co., Ltd., changed its corporate name to EDION WEST Corporation.
October 2009	Began offering WiMax (Worldwide Interoperability for Microwave Access) internet-access service, named “EDION-kual net.”
November 2009	Integrated operational management system of EDION Group commenced function.
March 2010	Initiated development of MIDORI Family Shop (MFS), small-scale franchise stores in Kinki region.
March 2010	EDION product performance testing laboratory established.
October 2010	EDION Corporation merged with EDION WEST Corporation and EDION EAST Corporation.
October 2010	Changed corporate name of subsidiary EIDEN COMMUNICATIONS Co., Ltd. to EDION COMMUNICATIONS Co., Ltd.; integrated its mobile phone business operations.

Ishimaru Denki

Hyakuman Volt (3Q)

EIDEN Family Shop

MIDORI Family Shop

Group History

We have been expanding market share in each area through our store strategy, based on respective local market needs.

Opening directly operated stores

To improve operational efficiency and accommodate the varying needs of customers in different areas, we have focused on opening new stores that are best suited to the respective local market environment.

Not only in populated metropolitan market areas, but also in small market areas we have been newly opening small and mid-sized stores to meet a wide variety of customer needs.

Specifically, in large market areas we have been intensively opening large stores in areas neighboring existing stores, based on an area-dominance strategy. As a result, we have achieved more effective logistics and sales promotion activities, as well as higher levels of profitability.

Large-scale directly operated store (DEODEO Alpark Minami store)

Development of small-scale franchise stores

We have been focusing on the development of small-scale franchise stores.

The franchise system is a unique EDION Group store strategy, based on which small-scale local electrical stores are operated as franchise stores of the EDION Group. Although mass retail stores have become the mainstream in Japan's home electrical appliance market, many customers in local areas do not or are unable to access such mass retail stores to purchase merchandise. To carefully and attentively meet the needs of such local customers, we have opened EIDEN Family Shop stores in the Chubu region, MIDORI Family Shop stores in the Kinki region and DEODEO Family Shop stores in the Chugoku, Shikoku and Kyushu regions.

Small-scale franchise store (DEODEO Kumano store)

Numbers of directly operated and franchise stores

(as of March 31, 2011)

	EDION (non-consolidated)		3Q		EDION COMMUNICATIONS		Group Total	
	DOS	FC	DOS	FC	DOS	FC	DOS	FC
Hokkaido and Tohoku	0	0	9	0	0	0	**9**	**0**
Kanto	11	0	6	0	2	0	**19**	**0**
Hokuriku	0	0	23	0	0	0	**23**	**0**
Chubu	107	87	1	0	41	0	**149**	**87**
Kinki	83	23	3	0	1	0	**87**	**23**
Chugoku	81	280	3	1	0	0	**84**	**281**
Shikoku	15	93	0	0	0	0	**15**	**93**
Kyushu and Okinawa	24	231	5	0	0	0	**29**	**231**
Total	**321**	**714**	**50**	**1**	**44**	**0**	**415**	**715**

DOS···Directly operated store FC···Franchise store

Expansion of market share by opening stores

In fiscal 2010, the EDION Group opened 12 electrical stores (9 newly opened, 3 relocated).

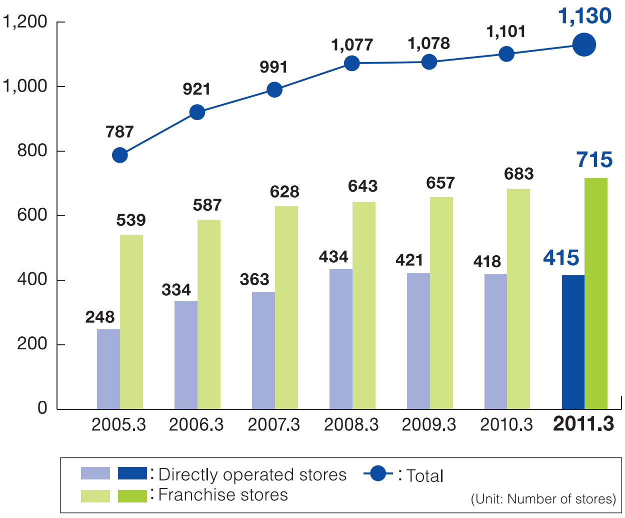
Currently, the Group is working to expand market share in the Chubu region and western Japan, as part of our efforts to strengthen our revenue base in each market area. In addition to opening stores, in fiscal 2010 the Group also changed the store brand logo of MIDORI DENKA, which is based in the Kinki region, and actively renovated existing stores.

EIDEN Takayama store

Store opening and closing

		as of March 31, 2010	Increase	Decrease	Net increase	as of March 31, 2011
Directly operated store	Electrical store	335	+9	△4	+5	340
	Non-electrical store	83	+1	△9	△8	75
Franchise store		683	+41	△9	+32	715
Total		1,101	+51	△22	+29	1,130
Directly operated store sales floor space		1,081,762 m^2	+38,257 m^2	△91,990 m^2	△53,733 m^2	1,028,029 m^2

Change in the number of stores



Opened stores

(Directly-operated electrical stores) (From April 2010 to March 2011)

Opened in		Store name	Location
April	relocated	EIDEN Takayama store	Takayama City, Gifu
April	newly opened	MIDORI Sakaiishizu store	Sakai-ku, Sakai City
April	newly opened	EIDEN Elcity Kariya store	Kariya City, Aichi
April	newly opened	DEODEO Yahatakurosaki store	Yahatanishi-ku, Kitakyushu City
May	relocated	HyakumanVolt Obama main store	Obama City, Fukui
June	newly opened	MIDORI Higashiomi store	Higashiomi City, Shiga
July	newly opened	DEODEO Alpark Minami store	Nishi-ku, Hiroshima City
October	newly opened	EIDEN Masa21 store	Gifu City, Gifu
October	newly opened	MIDORI Kyoto Family store	Ukyo-ku, Kyoto City
November	newly opened	EIDEN Kota store	Kota Town, Aichi
December	newly opened	MIDORI Kizugawa store	Kizugawa City, Kyoto
December	relocated	EIDEN Nissin Takenoyama store	Nisshin City, Aichi

The EDION Group continues its active involvement in developing products that meet customer needs.

Development of original products

With the aim of attentively accommodating the needs and lifestyles of customers, the EDION Group has been focusing on sales of original products jointly developed with manufacturers.

Our original product line includes the "KuaL" series of home electrical appliances featuring additional functions, such as an air conditioner characterized by rust prevention treatment on external units and a microwave oven with additional useful function buttons. Also included in our original home electrical appliance line is the "keyword" series, featuring sizes and functions perfectly suited to the single life, as well as unified styles of design, together with the "MY & OUR" series of eco-friendly original consumables.

These original products reached some 2,200 in number as of March 2011.

"KuaL"
Original home electrical appliances offering unique added functions

"keyword"
Original home electrical appliances designated for singles

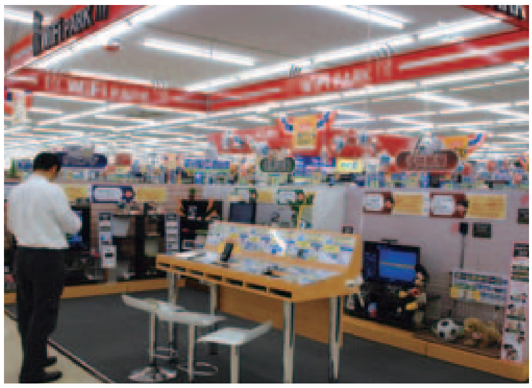
"MY & OUR"
Reliable consumable devices

Efforts to create sales floors that meet current needs

We at the EDION Group have been focusing on the creation of sales floors that can meet the needs of the times.

For example, in response to rapid popularization of the WiFi wireless network, we established a sales floor named "WiFi Park" in February 2011.

We also introduced a shop-in-shop system for "mobile e-mall" shops operated by the Group subsidiary EDION COMMUNICATIONS. Through these efforts, we have been promoting the creation of sales floors offering highly specialized home electrical appliances.



WiFi Park

Mobile e-mall

Entry into the eco-friendly living & solar power business

The EDION Group entered full-scale operation of the eco-friendly living & solar power business in fiscal 2009, commencing sales of home remodeling products, solar power generation products and all-home electrical appliances.

During the past two years, the Group has improved its tangible and intangible business bases by increasing the number of stores selling eco-friendly living & solar power products, and by focusing on programs for training relevant sales staff. Combined with our know-how in selling home electrical appliances, these efforts, the first of their kind in the existing construction industry, have brought about a sharp increase in sales.


Home remodeling floor

Home remodeling

We at the EDION Group have been promoting home remodeling "package products," focusing on the remodeling of bathrooms, kitchens and toilet areas. These package products are characterized by a transparent price system that includes fees for products, basic construction work (installation, disassembly, etc.), as well as finishing work on walls, floors and other interiors.

The home remodeling package products have won great acclaim from consumers, who can now purchase products with a sense of assurance after confirming the actual products in stores; and the price system is quite transparent. Growth in the number of stores offering home remodeling package products has led to greater product recognition; sales have been increasing as well.


Home solar power generation products and all-electrical home appliances floor

Home solar power generation system and all-electric system

Home solar power generation products and all-electrical home appliances have been attracting attention in recent years, with greater demand backed by increasing awareness of energy saving.

All-electric systems are gaining greater interest from consumers, since they substantially reduce heating & lighting expenses through use of economical nighttime electricity.

Home solar power generation systems are also promising. The home solar power generation system market has expanded rapidly since 2010, with greater demand backed by increasing awareness of energy saving, increase in government subsidies and increase in the selling price of surplus home solar power-generated electricity to electric power companies.

In response to the increasing demand for all-electrical home appliances and home solar power generation products, we at the EDION Group have established three technical training facilities nationwide, where we are providing integrated training and educational programs for both our sales staff and construction work staff.


Construction work training for home solar power generation system

We at the EDION Group are committed to offering higher quality of service to ensure the highest level of customer satisfaction.

Employee training

To achieve a higher level of customer satisfaction, we focus on employee training programs to help our sales staff enhance their product knowledge and to train them in serving customers with great courtesy and politeness at all stores.

To be specific, we have been providing thorough employee training, by such means as new employee training programs and, as needed, employee educational programs based on employee position and/or length of employment. In addition, to help sales staff enhance their product knowledge, we have been encouraging our employees to acquire the “Home Electrical Appliance Advisor Certificate” and/or “Home Electrical Appliance Engineer Certificate,” awarded by the Association for Electric Home Appliances.

Thus far, 6,006 of our sales staff (approximately 70% of the total) have acquired the certificates.


Employee training

Home Electrical Appliance Advisor

EDION Card

The EDION Card, the unique membership card of the EDION Group, was introduced with the aim of providing our customers with great assurance. For an annual fee of 1,029 yen, customers can enjoy a five-year extended repair warranty for designated home electrical appliances (excepting certain products) purchased at our stores for a price of 5,250 yen or more.

Moreover, EDION Card holders can earn points, not just by shopping at EDION Group stores, but also by using the card when shopping on credit at stores both in and outside Japan.

As of March 2011, EDION Card holders totaled 4.41 million, showing that the Card is one of Japan’s major membership cards.

EDION Card

After-sales service systems

To ensure that our customers can continue using merchandise purchased at our stores under optimal conditions, we have been engaged in establishing high-quality after-sales service systems.

Regarding delivery service, to accommodate the various lifestyles and needs of our customers, we offer customer-oriented services such as same-day delivery and delivery during hours specified by the customer.

As for repair service, our service department employees are engaged in accurately and promptly handling repair requests submitted at the dedicated service counters in our stores. Repair service at the customer's home is also available.

Currently, there are about 1,500 EDION Group service department employees. As this number indicates, we have developed the most enhanced after-sales service system in Japan's home electrical appliance retail industry, thereby offering the highest quality service to our customers.

Repair service counter

A wide variety of customer services

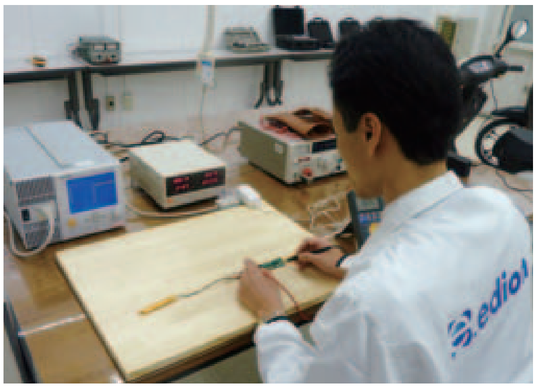
Our business operations are not limited just to the sales and repair of home electrical appliances. To satisfy our customers' diverse needs and requests regarding home electrical appliances, we also offer a wide variety of customer services. Such services include light bulb replacement for elderly households, and cleaning of our customers' home air-conditioners to remove musty odor and ensure proper functioning of the air conditioner.

Repair service at customer's home

Product performance testing laboratory

Our product performance-testing laboratory is the only one of its kind in Japan's home electrical appliance retail industry.

In the lab we independently test the performance of products being sold for the first time at our stores, or products from new manufacturers, in regard to safety, ease of use and durability. Our aim is to ensure that our customers can continue using their purchases for a longer period, and to maintain their trust in our products.



Our product performance testing laboratory

We are actively involved in environmental initiatives to contribute to environmental conservation.

Environmental Activities

Participation in tree-planting and forestation programs

At the EDION Group, we have been active in various tree-planting and forestation programs, as part of our environmental contribution to local communities.

For example, we have been serving as an original member of the executive committee of "Hiroshima Forest Planting Activity in Takehara," a tree-planting/reforestation campaign begun in November 2004 in Takehara City, Hiroshima Prefecture. This campaign is acknowledged as an ideal model for tree-planting programs conducted through partnerships between government organizations, local residents and enterprises.

In addition, since 2008, EDION Group employees have participated and cooperated in "Genki-Mori-Mori on Mt. Yoshino" reforestation campaign on Mt. Yoshino (Nara Prefecture), which is located in an area registered as a World Heritage Cultural site, as well as in the "Planting in the Nagoya Nishi-no Mori Forest" program in Todagawa Green Park, Nagoya City.

We will continue working together with local residents and participating in various environmental initiatives, to contribute all the more to local environmental conservation.

Tree-planting activity

Retail shops that excel at promoting energy-efficient products

In fiscal 2010, the Energy Conservation Center selected a total of 301 EDION Group stores as "retail shops that excel at promoting energy-efficient products"; this was the largest number in Japan.

This recognition is given to home appliance retailers that actively promote energy-efficient products. In this fiscal year, EIDEN Ogaki Bell Plaza received Director General Prize of Agency of Natural Resources and Energy, an award presented to stores that make outstanding efforts to promote energy-saving products.

Director General Prize of Agency of Natural Resources and Energy

Promoting the installation of energy efficient equipment

We at the EDION Group have been promoting the installation of various types of energy-efficient equipment in our stores.

In fiscal 2010, we introduced a "real-time HVAC (heating, ventilation and air conditioning) & lighting fixture control system for energy saving." The purpose of this system is to enable careful overall control of air-conditioning equipment and lighting fixtures in individual stores. Moreover, we have been promoting the installation of light-emitting diodes (LEDs) and motion sensors in warehouses, as well as the use of eco-friendly floor tiles, primarily targeting newly opened stores.

Solar power generation and eco-friendly hybrid power generation

We are actively involved in sports and cultural activities to contribute to development of local communities.

Community Activities

Promoting the development of sports in local communities

The EDION Group is contributing to the development of sports in local communities by providing support for local sports clubs and community-based sports activities.

• Sanfrecce Hiroshima FC

We serve as the main sponsor of Sanfrecce Hiroshima FC, a member team of the Japan Professional Football League (J. League). Sanfrecce Hiroshima FC won at the Fuji Xerox Super Cup in 2008, and played in the Asian Champions League in 2010, substantially contributing to the regional development of Hiroshima Prefecture.

Sanfrecce Hiroshima FC

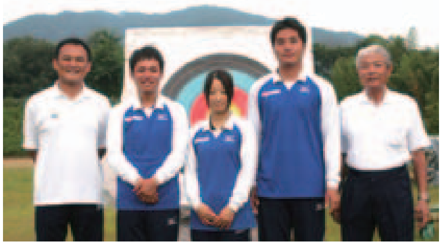
• EDION Athletic Club for Women

Since its establishment in 1989, EDION Athletic Club for Women has participated 21 times in the All-Japan Corporate Women's Ekiden Championships, and has produced excellent athletes who were selected as national contestants for world championships. The Club has contributed substantially to the development of athletic sports in Japan.


EDION Athletic Club for Women

• EDION Archery Club

Since its establishment in 1990, EDION Archery Club has produced outstanding archers, as proven by the fact that some club members were selected as national contestants for the Athens 2004 Olympic Games and the world championship in 2009, contributing greatly to the development of archery in Japan.


EDION Archery Club

• EIDEN BLITZ

EIDEN BLITZ was established in 2007 as an adult amateur baseball club, with the aim of helping revitalize adult amateur baseball in Japan.

Cultural activities

EDION Group is active in various cultural efforts to always work together with local communities.

• Exhibiting a pavilion at KidZania

We are exhibiting a pavilion at KidZania, a facility where children can enjoy doing their favorite job.
At KidZania Koshien, we have a pavilion called the "MIDORI Home Electrical Appliance Repair Center," where we give children the opportunity to experience home electrical appliance repair work. At KidZania Tokyo, we have a pavilion called the "Ishimaru Music Studio," where children can experience images & music recording and editing work, using real musical instruments and sound equipment.


Ishimaru Music Studio (KidZania Tokyo)

• DEODEO CLUB

DEODEO CLUB, a membership club, was launched in 2009 to give member customers a stronger sense of joy and excitement in using home electrical appliances in their daily lives. The Club provides a wide range of interesting programs, such as courses on more effective use of digital cameras and videos, cooking events using the latest electric cooking appliances, and other attractive offerings. All are winning great acclaim from member customers. DEODEO CLUB programs are offered only in Hiroshima and neighboring areas.


DEODEO CLUB

Outline of our corporate governance system

We have set up a board of directors that meets twice monthly and serves as a management decision-making body; a management meeting, held prior to the board of directors meeting, that serves as a liaison meeting for operational adjustments and discusses how to address Group-wide important management issues; a compliance committee that serves as risk management headquarters in charge of ensuring compliance with our corporate ethics code; and a risk management committee that conducts overall management of risks to companies within the Group. In addition, the board of corporate auditors and the Internal Audit Department focus on information sharing by conducting liaison meetings to enhance the corporate governance system of the EDION Group as a whole.

Reasons for introducing the corporate governance system

The EDION Group endeavors to conduct “quality service retailing” operations. To that end, it is vital for us to continue to win higher levels of satisfaction and trust from our stakeholders, including shareholders, customers, local communities and business clients.

To achieve continued development of the company amid increasingly competitive markets in this era of rapid change, and to become an enterprise that can win widespread recognition and support from local communities as a “quality service retailer,” we recognize that the most important management challenge is to enhance corporate governance, both within the individual Group companies and within the Group as a whole. In view of this, the EDION Group strives continually to establish a top management system that is capable of fast, reliable decision-making, while at the same time facilitating communication within the Group so that individual stakeholders’ opinions or requests can reach our decision-making bodies in timely fashion. We also recognize that establishing good relations between each of the Group companies and stakeholders, as well as between the Group as a whole and stakeholders, is also a tremendously important management challenge for us. To achieve these goals, we are striving fully to establish a top management system that will ensure transparency, objectivity and consensus, from the perspectives of our stakeholders (shareholders in particular), and to conduct business operations and activities based on our corporate social responsibilities. Furthermore, gaining the trust of our stakeholders is premised on organizational measures aimed at achieving thorough executive and employee compliance. We consider all of these challenges as issues to be addressed, so as to enhance corporate governance of the Group as a whole.

At EDION Corporation, the President/Vice-Presidents or Directors concurrently serve as general manager of one headquarters or of one department, with the aim of strengthening administrative capabilities and ensuring that each individual store is promptly informed of the latest management decisions. EDION Corporation also strives to enhance the thorough Group-wide management system with EDION Corporation at its core, while at the same time playing key roles in the coordination between EDION Corporation and subsidiaries, as well as among the Group’s subsidiary companies.

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 relationships.
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 be actively involved in environmental issues.
8. As a good cooperate 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.

* ES is an abbreviation for employee satisfaction.

Current situation of our internal control system and risk management system

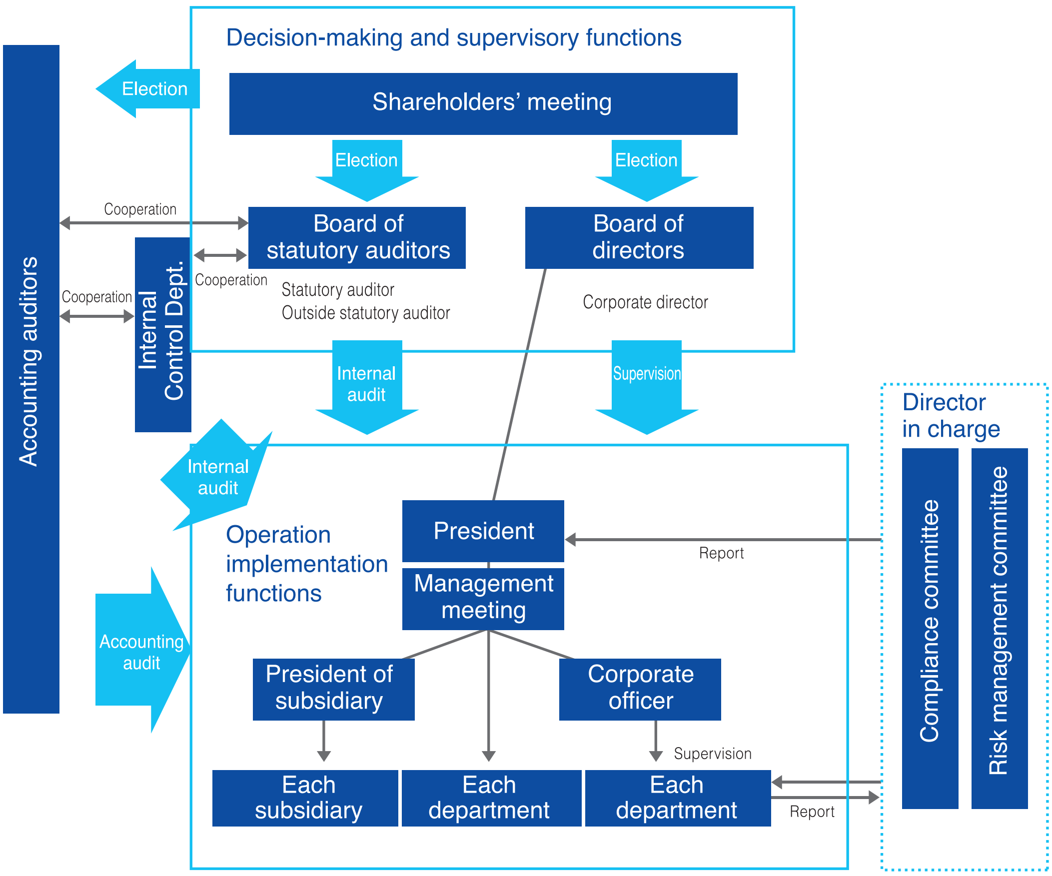
a. The board of directors, consisting of 10 members (as of June 29, 2011), meets twice monthly.

b. At EDION Corporation, the President/Vice-Presidents or Directors concurrently serve as general manager of one headquarters or of one department, seeking to enhance the thorough Group-wide management system with EDION Corporation at its core. EDION Corporation also plays key roles in the coordination between EDION Corporation and subsidiaries, as well as among the Group's subsidiary companies.

c. We have established a management meeting that serves as a liaison meeting for operational adjustments. It is held prior to the board of directors meeting, to discuss how to address Group-wide important management issues. The weekly management meeting, chaired by the President, consists of Directors and general managers of relevant departments of EDION Corporation.

d. As part of our efforts to enhance corporate governance, in December 2004 the EDION Group established a corporate ethics code, the "EDION Group Corporate Ethics." Since 2005, the EDION Group has also reinforced its compliance training and education system for new employees, distributing the Group's "Ethics and Compliance Manual" and "Code of Ethics" cards to employees, to carry around with them. The Group has also established a compliance committee that serves as risk management headquarters in charge of ensuring compliance with the ethics code. The compliance committee, which meets as necessary, consists of the head (President of EDION Corporation), chairperson (director in charge of compliance-related matters) and other members (General Affairs Dept. staff, Human Resources Dept. staff, Internal Control Dept. staff and corporate auditors). A risk management committee, which conducts overall management of risks to companies within the Group, also meets as necessary, and is comprised of the head (President of EDION Corporation), chairperson (director in charge of risk management affairs) and other members (General Affairs Dept. staff, Human Resources Dept. staff, Internal Control Dept. staff and corporate auditors). Furthermore, based on an advisory contract with a law office, EDION Corporation has been consulting an expert regarding legal judgments on its management decisions and daily store operations, as well as executive and employee compliance with its ethical code. Concerning the Personal Information Protection Law that took effect in April 2005, the EDION Group has instituted a "Personal Information Protection Policy" and an "Administrative Regulation for Protecting Personal Information," establishing an appropriate personal information protection and management system that is managed by the General Affairs and Human Resources Dept. of EDION Corporation.

Corporate governance structure



Consolidated Balance Sheets

EDION Corporation and Consolidated Subsidiaries
March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Assets			
Current assets:			
Cash and cash equivalents *(Note 12)*	¥ 19,990	¥ 17,865	$ 240,409
Time deposits *(Note 12)*	1,605	3,340	19,302
Marketable securities *(Notes 4 and 12)*	6	6	72
Notes and accounts receivable:			
Trade *(Note 12)*	40,084	38,876	482,069
Other	8,287	9,334	99,663
Allowance for doubtful receivables	(29)	(133)	(349)
	48,342	48,077	581,383
Inventories:			
Merchandise and products	89,131	82,827	1,071,930
Supplies	432	287	5,196
	89,563	83,114	1,077,126
Deferred income taxes *(Note 11)*	10,532	8,836	126,663
Other current assets	4,222	4,828	50,776
Total current assets	174,260	166,066	2,095,731
Property and equipment, at cost *(Notes 5 and 8)*:			
Land *(Notes 6 and 9)*	75,434	77,615	907,204
Buildings and structures *(Notes 7 and 9)*	161,508	153,129	1,942,369
Tools, furniture and fixtures	24,497	23,647	294,612
Leased assets	2,583	2,078	31,064
Construction in progress	415	1,708	4,991
Other	3,604	3,600	43,344
	268,041	261,777	3,223,584
Accumulated depreciation	(106,272)	(97,715)	(1,278,076)
Net property and equipment	161,769	164,062	1,945,508
Investments and other assets:			
Investments in securities *(Notes 4 and 12)*	4,329	5,873	52,062
Investments in an unconsolidated subsidiary and affiliates *(Note 12)*	460	635	5,532
Goodwill *(Note 21)*	368	767	4,426
Leasehold deposits *(Note 12)*	32,137	33,518	386,494
Deferred income taxes *(Note 11)*	8,227	7,497	98,942
Other *(Note 5)*	21,850	24,762	262,778
Total investments and other assets	67,371	73,052	810,234
Total assets	¥ 403,400	¥ 403,180	$ 4,851,473

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Liabilities and net assets			
Current liabilities:			
Short-term bank loans *(Notes 9 and 12)*	**¥ 21,212**	¥ 39,396	**$ 255,105**
Current portion of long-term debt *(Notes 9 and 12)*	**22,385**	19,243	**269,212**
Notes and accounts payable:			
Trade *(Note 12)*	**55,085**	48,215	**662,477**
Other	**13,854**	16,372	**166,615**
	68,939	64,587	**829,092**
Lease obligations *(Notes 9 and 12)*	**145**	138	**1,744**
Accrued income taxes	**2,989**	4,566	**35,947**
Allowance for employees' bonuses	**6,785**	5,321	**81,600**
Reserve for point service program	**8,765**	8,739	**105,412**
Other current liabilities	**17,294**	20,871	**207,985**
Total current liabilities	**148,514**	162,861	**1,786,097**
Long-term liabilities:			
Long-term debt *(Notes 9 and 12)*	**64,063**	68,308	**770,451**
Accrued retirement benefits *(Note 10)*	**9,786**	9,748	**117,691**
Lease obligations *(Notes 9 and 12)*	**1,029**	1,175	**12,375**
Negative goodwill	**3,634**	5,560	**43,704**
Deferred income taxes for land revaluation *(Note 6)*	**2,513**	2,614	**30,222**
Allowance for merchandise warranties	**5,069**	2,323	**60,962**
Deferred income taxes *(Note 11)*	**—**	116	**—**
Asset retirement obligations *(Note 7)*	**4,604**	—	**55,370**
Other long-term liabilities *(Note 9)*	**8,240**	8,832	**99,099**
Total long-term liabilities	**98,938**	98,676	**1,189,874**
Contingent liabilities *(Note 15)*			
Net assets:			
Shareholders' equity *(Note 16)*:			
Common stock	**10,175**	10,175	**122,369**
Capital surplus	**82,347**	82,368	**990,343**
Retained earnings	**64,419**	50,723	**774,732**
Treasury stock, at cost	**(2,184)**	(1,874)	**(26,265)**
Total shareholders' equity	**154,757**	141,392	**1,861,179**
Accumulated other comprehensive (loss) income:			
Net unrealized (loss) gain on other securities	**(136)**	261	**(1,636)**
Land revaluation difference *(Note 6)*	**(13,533)**	(13,980)	**(162,754)**
Accumulated other comprehensive loss, net	**(13,669)**	(13,719)	**(164,390)**
Stock acquisition rights *(Note 16)*	**209**	85	**2,513**
Minority interests	**14,651**	13,885	**176,200**
Total net assets	**155,948**	141,643	**1,875,502**
Total liabilities and net assets	**¥ 403,400**	¥ 403,180	**$ 4,851,473**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

EDION Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Net sales	¥ 901,010	¥ 820,031	$ 10,835,959
Cost of sales *(Note 13)*	683,868	625,229	8,224,510
Gross profit	217,142	194,802	2,611,449
Selling, general and administrative expenses	190,802	184,292	2,294,672
Operating income	26,340	10,510	316,777
Non-operating income (expenses):			
Interest and dividend income	445	501	5,352
Interest expenses	(1,132)	(1,304)	(13,614)
Purchase discounts	6,559	6,479	78,882
Amortization of negative goodwill *(Note 21)*	1,926	1,926	23,163
Loss on sales or disposal of property and equipment	(1,052)	(1,276)	(12,652)
Loss on impairment of fixed assets *(Notes 5, 8 and 21)*	(6,974)	(3,539)	(83,873)
Cumulative effect of initial adoption of accounting standard for asset retirement obligations	(2,252)	—	(27,084)
Loss on devaluation of investments in securities *(Note 4)*	(68)	(2)	(818)
Other, net	(392)	1,317	(4,714)
	(2,940)	4,102	(35,358)
Income before income taxes and minority interests	23,400	14,612	281,419
Income taxes *(Note 11)*:			
Current	7,262	6,088	87,336
Prior years	711	—	8,551
Deferred	(2,368)	(1,933)	(28,479)
Total income taxes	5,605	4,155	67,408
Income before minority interests	17,795	10,457	214,011
Minority interests	1,583	1,134	19,038
Net income	¥ 16,212	¥ 9,323	$ 194,973

	Yen		U.S. dollars
Amounts per share:			
Net income			
—Basic	¥ 157.76	¥ 89.60	$ 1.90
—Diluted	140.82	80.43	1.69
Cash dividends	25.00	20.00	0.30

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

EDION Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Income before minority interests	¥ 17,795	¥ 10,457	$ 214,011
Other comprehensive (loss) income:			
Net unrealized (loss) gain on other securities	(411)	394	(4,943)
Land revaluation difference	(13)	—	(156)
Other comprehensive (loss) income, net	(424)	394	(5,099)
Comprehensive income	¥ 17,371	¥ 10,851	$ 208,912
Comprehensive income attributable to:			
Shareholders of EDION Corporation	¥ 15,801	¥ 9,674	$ 190,030
Minority interests	1,570	1,177	18,882

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

EDION Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

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	Accumulated other comprehensive loss, net	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2009	¥ 10,175	¥ 82,359	¥ 43,917	¥ (68)	¥ 136,383	¥ (89)	¥ (14,938)	¥ (15,027)	¥	¥ 14,228	¥ 135,584
Cash dividends			(1,559)		(1,559)						(1,559)
Reversal of land revaluation difference			(958)		(958)						(958)
Net income			9,323		9,323						9,323
Purchases of treasury stock				(1,834)	(1,834)						(1,834)
Disposition of treasury stock		9		28	37						37
Other changes						350	958	1,308	85	(343)	1,050
Balance at March 31, 2010	10,175	82,368	50,723	(1,874)	141,392	261	(13,980)	(13,719)	85	13,885	141,643
Cash dividends			**(2,056)**		**(2,056)**						**(2,056)**
Reversal of land revaluation difference			**(460)**		**(460)**						**(460)**
Net income			**16,212**		**16,212**						**16,212**
Purchases of treasury stock				**(880)**	**(880)**						**(880)**
Disposition of treasury stock		**(21)**		**570**	**549**						**549**
Other changes						**(397)**	**447**	**50**	**124**	**766**	**940**
Balance at March 31, 2011	**¥ 10,175**	**¥ 82,347**	**¥ 64,419**	**¥ (2,184)**	**¥ 154,757**	**¥ 136**	**¥ (13,533)**	**¥ (13,669)**	**¥ 209**	**¥ 14,651**	**¥ 155,948**

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	Accumulated other comprehensive loss, net	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2010	$ 122,369	$ 990,595	$ 610,018	$ (22,537)	$ 1,700,445	$ 3,139	$ (168,130)	$ (164,991)	$ 1,022	$ 166,987	$ 1,703,463
Cash dividends			**(24,727)**		**(24,727)**						**(24,727)**
Reversal of land revaluation difference			**(5,532)**		**(5,532)**						**(5,532)**
Net income			**194,973**		**194,973**						**194,973**
Purchases of treasury stock				**(10,583)**	**(10,583)**						**(10,583)**
Disposition of treasury stock		**(252)**		**6,855**	**6,603**						**6,603**
Other changes						**(4,775)**	**5,376**	**601**	**1,491**	**9,213**	**11,305**
Balance at March 31, 2011	**$ 122,369**	**$ 990,343**	**$ 774,732**	**$ (26,265)**	**$ 1,861,179**	**$ (1,636)**	**$ (162,754)**	**$ (164,390)**	**$ 2,513**	**$ 176,200**	**$ 1,875,502**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

EDION Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 23,400	¥ 14,612	$ 281,419
Adjustments for:			
Depreciation and amortization	14,823	13,731	178,268
Loss on impairment of fixed assets	6,974	3,539	83,873
Interest and dividend income	(445)	(501)	(5,352)
Interest expense	1,132	1,304	13,614
Amortization of negative goodwill, net	(1,527)	(794)	(18,364)
Cumulative effect of initial adoption of accounting standard for asset retirement obligations	2,252	–	27,084
Increase in allowance for employee's bonuses	1,464	235	17,607
Increase (decrease) in reserve for point service program	26	(599)	313
Increase (decrease) in accrued retirement benefits	38	(414)	457
Gain on sales of property and equipment	(28)	(139)	(337)
Loss on sales or disposal of property and equipment	1,052	1,276	12,652
Loss on devaluation of investment securities	68	2	818
Changes in operating assets and liabilities:			
Increase in accounts receivable	(1,208)	(11,399)	(14,528)
(Increase) decrease in inventories	(6,450)	2,944	(77,571)
Increase in accounts payable	6,870	1,720	82,622
Other, net	2,805	14,011	33,733
	51,246	39,528	616,308
Interest and dividends received	177	247	2,129
Interest paid	(1,074)	(1,286)	(12,917)
Income taxes refunded	1,194	2,422	14,360
Income taxes paid	(9,710)	(5,335)	(116,777)
Net cash provided by operating activities	41,833	35,576	503,103
Cash flows from investing activities			
Investments in time deposits	(1,625)	(3,380)	(19,543)
Proceeds from time deposits	3,360	150	40,409
Purchases of property and equipment	(17,598)	(15,242)	(211,642)
Proceeds from sales of property and equipment	246	1,302	2,959
Purchases of intangible assets	(1,665)	(8,125)	(20,024)
Payments of long-term prepaid expenses	(270)	(323)	(3,247)
Purchases of investments in securities	(102)	(226)	(1,227)
Proceeds from sales of investments in securities	1,183	1,446	14,227
Proceeds from redemption of securities	–	2,000	–
Increase in leasehold deposits, net	(150)	(552)	(1,804)
Increase in leasehold deposits received from tenants, net	234	106	2,814
Other, net	(152)	(166)	(1,828)
Net cash used in investing activities	¥ (16,539)	¥ (23,010)	$ (198,906)
Cash flows from financing activities			
Decrease in short-term bank loans, net	¥ (18,183)	¥ (12,225)	$ (218,677)
Increase in long-term debt	18,600	28,955	223,692
Repayments of long-term debt	(19,653)	(22,883)	(236,356)
Cash dividends paid	(2,056)	(1,559)	(24,727)
Cash dividends paid to minority shareholders	(804)	(1,520)	(9,669)
Purchase of treasury stock	(880)	(1,834)	(10,583)
Other, net	(193)	(647)	(2,321)
Net cash used in financing activities	(23,169)	(11,713)	(278,641)
Effect of exchange rate changes on cash and cash equivalents	0	0	0
Net increase in cash and cash equivalents	2,125	853	25,556
Cash and cash equivalents at beginning of year	17,865	17,012	214,853
Cash and cash equivalents at end of year	¥ 19,990	¥ 17,865	$ 240,409

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements (March 31, 2011)

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of EDION Corporation (the "Company") and consolidated subsidiaries (collectively, the "Group") 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.

Effective the year ended March 31, 2011, the Company has adopted "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standards Board of Japan ("ASBJ") Statement No. 25, issued on June 30, 2010), and the Company was required to present a consolidated statement of comprehensive income. In connection with the application of this new standard, the Company presented the consolidated statement of comprehensive income for the year ended March 31, 2010 for comparative purposes. In addition, "Accumulated other comprehensive (loss) income" and "Accumulated other comprehensive loss, net" shown in the accompanying consolidated balance sheet as of March 31, 2010 had been newly presented in place of "Valuation adjustments" and "Total valuation adjustments" shown in the prior years' consolidated financial statements, respectively.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2010 to the 2011 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 ¥83.15 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2011. 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. The numbers of consolidated subsidiaries were 150 and 152 as of March 31, 2011 and 2010, 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 3 affiliates and 4 affiliates for the years ended March 31, 2011 and 2010, respectively.

Investment in an unconsolidated subsidiary not accounted for by the equity method is carried at cost.

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

The fiscal year end of one consolidated subsidiary falls on December 31, a date which differs from that of the Company. As a result, adjustments have been made for any significant transactions which took place during the period between December 31 to March 31.

(Change in method of accounting for affiliate companies)

Effective the year ended March 31, 2011, the Group adopted "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 issued on March 10, 2008), and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ Practical Issues Task Force ("PITF") No. 24 issued on March 10, 2008). The effect of the adoption of this standard on the consolidated financial statements was nil for the year ended March 31, 2011.

(b) Cash and cash equivalents

Cash and cash equivalents are consisted of cash on hand and demand deposits. Cash and cash equivalents also include short-term investments with maturity date within three months of the date of acquisition, which are readily convertible into cash and are exposed to an insignificant risk of change in value.

(c) Marketable securities 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 accumulated other comprehensive (loss) income. 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 carrying value. 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 the lower of cost or net selling value, cost being determined by the moving average method or the last purchase price method. Inventories of home-center appliance merchandise are stated at the lower of cost or net selling value, cost determined by the retail method. Supplies are stated at cost determined by the last purchase price method.

(Change in method of inventory valuation)

Effective the year ended March 31, 2010, MIDORI DENKA CO., LTD. (currently, merged into EDION Corporation, "MIDORI DENKA"), a consolidated subsidiary, has changed its inventory valuation method from the first-in, first-out method to the moving average method. This change was policies to conform the accounting policy of MIDORI DENKA with the accounting policies employed by the main consolidated subsidiaries since the introduction of a group-wide integrated information system enabled the application of the same accounting policies. The effect of this change was to decrease operating income and income before income taxes and minority interests by ¥175 million for the year ended March 31, 2010 from the amounts which would have been recorded under the previous method.

(e) Property and equipment (other than leased assets)

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 (other than attachments) 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 tools, furniture and fixtures.

(f) Goodwill and negative goodwill

Goodwill is amortized by the straight-line method over a period of 5 years, except for cases where a specific expected useful life is available.

Negative goodwill recognized on or prior to March 31, 2010 is amortized by the straight-line method over a period of 5 years. Negative goodwill recognized on and after April 1, 2010 is credited to income as incurred.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(g) Allowance for doubtful receivables

Allowance for doubtful receivables is provided 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.

(h) 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.

(i) Retirement benefits

The Company and 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.

(Change in method of accounting for retirement benefits)

Effective the year ended March 31, 2010, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19 issued on July 31, 2008) has been applied. The effect of the adoption of this standard on the consolidated operating results was nil for the year ended March 31, 2010. However, the effect of the adoption of this standard was to increase the unrecognized portion of the unfunded retirement benefit obligation at March 31, 2010 by ¥676 million.

(Supplementary information)

Certain consolidated subsidiaries had provided retirement benefits to directors and corporate auditors at an amount based on the internal rules of the consolidated subsidiaries. During the year ended March 31, 2010, Board of Directors' meetings of these subsidiaries resolved to abolish retirement benefits to directors and corporate auditors. In addition, extraordinary shareholders' meetings of these subsidiaries approved the payment of retirement benefits calculated based on the periods during which they served as directors or corporate auditors. As a result, the outstanding balances of the provision for retirement benefits for directors and corporate auditors, less payments made, were reclassified to other long-term liabilities in the consolidated balance sheet at March 31, 2010.

(j) Reserve for point service program

Reserve for point service program is provided 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.

(k) Allowance for merchandise warranties

Allowance for merchandise warranties is provided at an estimate of the total cost expected to be incurred during the warranty period based on the historical data for repair expenses.

(l) Leased assets

Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

Finance lease transactions which do not transfer ownership to lessee and commenced prior to April 1, 2008 were accounted for as operating leases.

(m) 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.

(n) 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.

(o) Per share information

Basic 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. Diluted net income per share assumes that outstanding convertible bonds were converted into common stock at the beginning of the period at the current conversion price, and stock acquisition rights were exercised into common stock at the time of issue at the average stock price. 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, 2011 and 2010 were 102,765 thousand and 104,058 thousand, respectively. Effect to the dilutive potential of shares of common stock for the years ended March 31, 2011 and 2010 were 12,360 thousand and 11,859 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, 2011 and 2010 were ¥1,376.18 ($16.55) and ¥1,237.96, respectively.

(p) Accounting for trust-type employee stock ownership incentive plan

The Company introduced an employee incentive plan, "Employee Stock Ownership Plan Trust" for the purpose of enhancing mid and long-term corporate value by promoting motivation and corporate management participation by employees. In addition, the plan aims to contribute to the enhancing as driving the Company's stock value.

Under this plan, the money trust (the "Trust") was set up and the employees who participated in the EDION Group Employee Stock Ownership Group (the "ESO Group") and who met certain criteria became beneficiaries of the Trust. The Trust purchases a number of the Company's shares, which the ESO Group will purchase during the following year and sells them to the ESO Group on a certain date every month.

The Company guarantees the losses in the Trust Account (the "Trust Account") at Mitsubishi UFJ Trust Banking Corporation resulting from the purchase and sale of the Company's stock and accounts for the transactions involving the Trust Account as its own. Accordingly, shares of the Company held by Trust Account, assets, liabilities, expenses and income of the Trust Account were recorded in the accompanying consolidated financial statements.

The number of shares of the Company held by the ESOP Trust was 993,600 and 740,200 as of March 31, 2011 and 2010, respectively.

The first ESOP trust introduced on February 16, 2010 was ended during the year ended March 31, 2011 and the Company introduced the second ESOP trust on March 15, 2011.

(q) Distribution of retained earnings

Under the Corporation Law of Japan (the "Law"), the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at an annual meeting held subsequent to the close of the financial period. The accounts for that period do not, therefore, reflect such distributions (see Note 22. "Subsequent Events").

3. Changes in Method of Accounting

(a) Asset retirement obligations

Effective the year ended March 31, 2011, the Group has adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008). The effect of this change was to decrease operating income by ¥315 million ($3,788 thousand) and income before income taxes and minority interests by ¥2,567 million ($30,872 thousand) for the year ended March 31, 2011.

(b) Business combinations and others

Effective the year ended March 31, 2011, the Group has adopted "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on December 26, 2008), "Revised Accounting Standard for Business Divestures" (ASBJ Statement No. 7 revised on December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 revised on December 26, 2008).

(c) Purchase discounts

Until the year ended March 31, 2009, the Group had accounted for purchase discounts as other income under non-operating income. Effective the year ended March 31, 2010, the Group changed its accounting treatment and accounted for purchase discounts from certain suppliers as a deduction from purchases.

During the year ended March 31, 2010, the Group analyzed purchase contracts with certain suppliers due to the spread variation between the purchase discount rate and the market interest rate for long-term periods. As a result of the analysis, the Group determined to change the accounting treatment of purchase discounts in order to present gross profit more clearly in the consolidated statement of income for the year ended March 31, 2010.

The effect of this change was to increase gross profit by ¥7,912 million and operating income by ¥4,005 million, and to decrease income before income taxes and minority interests by ¥473 million for the year ended March 31, 2010.

4. Marketable Securities and Investments in Securities

Information regarding marketable securities classified as other securities at March 31, 2011 and 2010 is summarized as follows:

	Millions of yen			
	Cost	Unrealized gain	Unrealized loss	Carrying value
March 31, 2011				
Equity securities	**¥ 2,421**	**¥ 143**	**¥ 421**	**¥ 2,143**
Other	**2,362**	**90**	**596**	**1,856**
Total	**¥ 4,783**	**¥ 233**	**¥ 1,017**	**¥ 3,999**
March 31, 2010				
Equity securities	¥ 3,151	¥ 646	¥ 199	¥ 3,598
Other	2,262	77	504	1,835
Total	¥ 5,413	¥ 723	¥ 703	¥ 5,433

	Thousands of U.S. dollars			
	Cost	Unrealized gain	Unrealized loss	Carrying value
March 31, 2011				
Equity securities	**$ 29,116**	**$ 1,720**	**$ 5,063**	**$ 25,773**
Other	**28,407**	**1,082**	**7,168**	**22,321**
Total	**$ 57,523**	**$ 2,802**	**$ 12,231**	**$ 48,094**

Because no quoted market price is available and it is extremely difficult to determine the fair value, unlisted equity securities are not included in the preceding table. The carrying values of such unlisted equity securities were amounted to ¥330 million ($3,968 thousand) and ¥440 million as of March 31, 2011 and 2010, respectively.

Hybrid financial instruments containing embedded derivatives were included in the "Other" in the above table at March 31, 2011, and 2010. Loss on devaluation of these hybrid financial instruments had been recognized in the accumulated amount of ¥584 million ($7,023 thousand) and ¥492 million for the years ended March 31, 2011 and 2010, respectively.

Proceeds from sales of other securities for the years ended March 31, 2011 and 2010 were ¥1,207 million ($14,516 thousand) and ¥1,281 million, respectively. Gross realized gain on these sales was ¥387 million ($4,654 thousand) and ¥173 million for the years ended March 31, 2011 and 2010, respectively. Gross realized loss on these sales was ¥42 million ($505 thousand) for the year ended March 31, 2011.

Loss on devaluation of investments in securities of ¥68 million ($818 thousand) and ¥2 million were recognized for the years ended March 31, 2011 and 2010, respectively.

Carrying value of held-to-maturity debt securities at March 31, 2011 was ¥6 million ($72 thousand). The relevant information of held-to-maturity at March 31, 2011 has been omitted due to its immateriality.

5. Loss on Impairment of Fixed Assets

The Group recognized losses on impairment of fixed assets of ¥6,974 million ($83,873 thousand) and ¥3,539 million for the years ended March 31, 2011 and 2010, respectively, as follows:

March 31, 2011

Use	Classification	Location
Store and planned store site	Land, buildings, structures and other	Aichi Prefecture and other
Property for rent	Land, buildings, structures and other	Shimane Prefecture and other
System	Tools, furniture, fixtures and software included in other assets	Osaka Prefecture and other
Idle property	Land, buildings, structures and other	Chiba Prefecture and other

March 31, 2010

Use	Classification	Location
Store	Buildings and other	Shiga Prefecture and other
Property for rent	Buildings and other	Hiroshima Prefecture and other
System	Tools, furniture, fixtures and software included in other assets	Aichi Prefecture and other

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.

Losses on impairment of fixed assets were recorded for the years ended March 31, 2011 and 2010 as the assets and asset groups listed above recorded consecutive years of negative operating cash flows and because their utilization in the future was not determinable. In addition, loss on impairment of systems and related assets was recorded for the year ended March 31, 2011 because they were not expected to be utilized in the future due to the reorganization of the Group. Loss on impairment of systems and related assets was recorded for the year ended March 31, 2010 because they were not expected to be utilized in the future due to the introduction of a new ERP system.

As a result, for the year ended March 31, 2011, the Group reduced the book value of the assets and asset groups listed above to their respective recoverable amounts and a loss on impairment of store and planned store sites was recognized in the amount of ¥6,147 million ($73,927 thousand), of which the amount corresponding to planned store sites was ¥4,112 million ($49,453 thousand). In addition, losses on impairment were recognized for software and related assets of ¥495 million ($5,953 thousand), and idle property of ¥332 million ($3,993 thousand).

Notes to Consolidated Financial Statements (continued)

5. Loss on Impairment of Fixed Assets (continued)

For the year ended March 31, 2010, 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 those assets, whose operating cash flows were negative in consecutive years, in the amounts of ¥2,888 million, and impairment loss on software and related assets not expected to be utilized in the future in the amounts of ¥651 million.

For the years ended March 31, 2011 and 2010, the principal components of impairment losses by asset classification were buildings and structures of ¥1,241 million ($14,925 thousand) and ¥1,631 million, tools, furniture and fixtures of ¥160 million ($1,924 thousand) and ¥247 million, land of ¥5,080 million ($61,094 thousand) and ¥1,008 million, and "other" in intangible assets of ¥478 million ($5,749 thousand) and ¥179 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 weighted average costs of capital of 3.17% and 2.90% for the years ended March 31, 2011 and 2010, respectively.

6. Land Revaluation

The Company revaluated their land held for business use, in accordance with the "Law on Land Revaluation" at March 28 and March 31, 2002, respectively. Differences on land revaluation have been accounted for as "land revaluation difference" under net assets at the net amount of the relevant tax effect. 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 ¥9,321 million ($112,099 thousand) and ¥9,634 million at March 31, 2011 and 2010, respectively, with a certain portion of this land, in the amount of ¥2,815 million ($33,854 thousand) and ¥3,580 million, related to real estate for lease at March 31, 2011 and 2010, respectively.

7. Asset Retirement Obligations

Asset retirement obligations mainly consist of restoration costs related to lease contracts for stores and property for sub-lease.

The amount of asset retirement obligations is calculated by the estimated useful life according to the terms of the agreement or mostly 15 years (in the case of agreements under the former Act on Land and Building Leases) using mainly a discount rate of 1.75%.

Changes in asset retirement obligations for the year ended March 31, 2011 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Asset retirement obligations at the beginning of the year	¥ 4,503	$ 54,155
Liabilities incurred due to the acquisition of property and equipment	171	2,057
Accretion expense	80	962
Liabilities settled	(150)	(1,804)
Asset retirement obligations at the end of the year	¥ 4,604	$ 55,370

Asset retirement obligations at the beginning of the year represented the cumulative effect of initial application of Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008.)

8. Investment and Rental Property

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20 issued on November 28, 2008) and "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23 issued on November 28, 2008).

The Company and certain consolidated subsidiaries own store properties including buildings and land for rent mainly in the main cities of Osaka, Aichi and other prefectures. Net rental income for these properties was recognized in the amount of ¥647 million ($7,781 thousand) and ¥731 million for the years ended March 31, 2011 and 2010, respectively. Rental income was included in net sales and rental expenses were mainly included in selling, general and administrative expenses. Impairment of rental property of ¥1,184 million ($14,239 thousand) and ¥1,548 million were recognized in the loss on impairment of fixed assets for the years ended March 31, 2011 and 2010, respectively.

The carrying value of rental property in the consolidated balance sheets, net change in the carrying value and its fair value of those properties were as follows:

Millions of yen

2011			
Carrying Value			Fair Value
March 31, 2010	**Net change**	**March 31, 2011**	**March 31, 2011**
¥ 28,592	**¥ (1,622)**	**¥ 26,970**	**¥ 26,348**

Millions of yen

2010			
Carrying Value			Fair Value
March 31, 2009	Net change	March 31, 2010	March 31, 2010
¥ 28,150	¥ 442	¥ 28,592	¥ 28,766

Thousands of U.S. dollars

2011			
Carrying Value			Fair Value
March 31, 2010	**Net change**	**March 31, 2011**	**March 31, 2011**
$ 343,861	**$ (19,507)**	**$ 324,354**	**$ 316,873**

Notes:

(a) The carrying value represents the acquisition cost less accumulated depreciation and accumulated impairment loss.

(b) The components of net change in the carrying value included increases mainly due to acquisition of properties of ¥188 million ($2,261 thousand) and decreases mainly due to impairment loss of ¥1,184 million ($14,239 thousand) and depreciation expenses of ¥653 million ($7,853 thousand) for the year ended March 31, 2011. The components of net change in the carrying value included increases mainly due to the change in the holding purpose in the amount of ¥2,598 million and decreases mainly due to impairment loss of ¥1,548 million and depreciation expenses of ¥637 million for the year ended March 31, 2010.

(c) The fair value was based on the real estate appraisals issued by third party professional appraisers for main properties and internal computations including the adjustment by an index and others in accordance with appraisal standards for other properties.

9. Short-Term Bank Loans, Long-Term Debt and Lease Obligations

Short-term bank loans at March 31, 2011 and 2010 consisted of bank overdrafts. The annual average interest rates applicable to the short-term bank loans were 0.53% and 0.62% at March 31, 2011 and 2010, respectively.

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
1.49% secured bonds due April 26, 2012 issued by MET Special Purpose Company	**¥ 500**	¥ 500	**$ 6,013**
Zero coupon unsecured convertible bonds (with stock acquisition rights) due May 10, 2013	**15,000**	15,000	**180,397**
Loans principally from banks and insurance companies with an average interest rate of 1.05%:			
– Collateralized	**2,685**	5,948	**32,291**
– Unsecured	**66,555**	64,298	**800,421**
Long-term payable due to a tenant for store construction, interest rate of 2.11%	**1,708**	1,805	**20,541**
	86,448	87,551	**1,039,663**
Less: current portion of long-term debt	**(22,385)**	(19,243)	**(269,212)**
	¥ 64,063	¥ 68,308	**$ 770,451**

Zero coupon unsecured convertible bonds (with stock acquisition rights) issued on May 9, 2008 are convertible at ¥1,353 ($16) per share in the period from May 23, 2008 to April 26, 2013 subject to adjustment in certain circumstances.

The Company exercised a call option in accordance with the articles of the zero coupon unsecured convertible bonds (with stock acquisition rights) and redeemed a certain portion of the bonds before maturity on May 9, 2011 (Geneva time). As a result, the outstanding balance of the bonds at June 30, 2011 is ¥1,765 million ($21,227 thousand) (see Note 22. "Subsequent Events").

The aggregate annual maturities of long-term debt subsequent to March 31, 2011 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 22,385	$ 269,212
2013	18,106	217,751
2014	25,504	306,723
2015	8,856	106,506
2016	10,408	125,171
2017 and thereafter	1,189	14,300
Total	¥ 86,448	$ 1,039,663

The average interest rate applicable to the lease obligations under current liabilities and long-term liabilities was 3.26% at March 31, 2011 and 2010.

The aggregate annual maturities of lease obligations subsequent to March 31, 2011 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 145	$ 1,744
2013	152	1,828
2014	159	1,912
2015	118	1,419
2016	52	625
2017 and thereafter	548	6,591
Total	¥ 1,174	$ 14,119

The assets pledged as collateral for long-term loans payable and the current portion of long-term loans payable of ¥2,685 million ($32,291 thousand), bonds of ¥500 million ($6,013 thousand) and guarantee deposits from lessees included in other long-term liabilities of ¥1,219 million ($14,660 thousand) are as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures – net of accumulated depreciation	¥ 5,865	$ 70,535
Land	6,369	76,597
Total	¥ 12,234	$ 147,132

In order to achieve more efficient and flexible financing, the Group has concluded line-of-credit agreements with 16 banks. Total committed lines of credit under such agreements amounted to ¥50,000 million ($601,323 thousand), of which ¥38,000 million ($457,005 thousand) was available as of March 31, 2011.

10. Retirement Benefits

The Company and most consolidated subsidiaries have defined benefit pension plans, retirement benefit plans and defined contribution pension plans covering substantially all employees. 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 Company and the consolidated subsidiaries and annuity payments from a trustee. In addition to the retirement benefit plans described above, the Company and certain consolidated subsidiaries pay additional retirement benefits under certain conditions.

Accrued retirement benefits for employees at March 31, 2011 and 2010 consisted of the following:

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Retirement benefit obligation	**¥ (12,831)**	¥ (16,189)	**$ (154,311)**
Plan assets at fair value	**6,849**	6,611	**82,369**
Unfunded retirement benefit obligation	**(5,982)**	(9,578)	**(71,942)**
Unrecognized actuarial loss	**381**	181	**4,582**
Unrecognized prior service cost	**(4,185)**	(351)	**(50,331)**
Accrued retirement benefits	**¥ (9,786)**	¥ (9,748)	**$ (117,691)**

The components of retirement benefit expenses for the years ended March 31, 2011 and 2010 are summarized as follows:

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Service cost	**¥ 688**	¥ 1,043	**$ 8,274**
Interest cost	**288**	277	**3,464**
Expected return on plan assets	**(53)**	(50)	**(637)**
Recognized actuarial loss	**120**	271	**1,443**
Amortization of prior service cost	**(288)**	(82)	**(3,464)**
Other	**1,316**	841	**15,827**
Retirement benefit expenses	**¥ 2,071**	¥ 2,300	**$ 24,907**

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.

"Other" in the above table represented contributions to defined contribution pension plans.

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2011 and 2010 are summarized as follows:

	2011	2010
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**0.8%**	0.8%

Notes to Consolidated Financial Statements (continued)

11. Income Taxes

Income taxes applicable to the Group comprise corporation tax, inhabitants' taxes and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of 40.6% for the years ended March 31, 2011 and 2010.

The effective taxes rates for the years ended March 31, 2011 and 2010 differed from the corresponding statutory tax rate for the following reasons:

	2011	2010
Statutory tax rate:	**40.6%**	40.6%
Expenses not deductible for income tax purposes	**0.2**	0.3
Dividends not taxable for income tax purposes	**(2.5)**	(3.6)
Inhabitants' per capita taxes	**2.0**	2.9
Lower income tax rates applicable to a certain subsidiary	**(0.7)**	(0.2)
Amortization of negative goodwill, net	**(2.8)**	(4.2)
Change in valuation allowance	**(20.3)**	(13.5)
Elimination of intercompany dividends	**2.8**	5.0
Income taxes for prior years	**4.1**	–
Gain on sales of land	**–**	0.5
Other, net	**0.6**	0.6
Effective tax rates	**24.0%**	28.4%

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, 2011 and 2010 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2011	2010	2011
Deferred tax assets:			
Depreciation	**¥ 1,265**	¥ 3,253	**$ 15,213**
Allowance for employees' bonuses	**2,762**	2,148	**33,217**
Loss on impairment of fixed assets	**6,948**	2,247	**83,560**
Accrued retirement benefits	**3,989**	3,994	**47,974**
Reserve for point service program	**3,585**	3,560	**43,115**
Allowance for merchandize warranties	**2,077**	943	**24,979**
Unrealized gain on intercompany transactions of fixed assets	**–**	636	**–**
Unrealized loss on revaluation of land acquired by merger	**3,936**	2,511	**47,336**
Asset retirement obligations	**1,833**	–	**22,044**
Net operating tax loss carryforwards	**2,930**	9,743	**35,238**
Other	**5,690**	4,323	**68,431**
Less valuation allowance	**(15,032)**	(16,512)	**(180,782)**
Total deferred tax assets	**19,983**	16,846	**240,325**
Deferred tax liabilities:			
Asset retirement obligations	**(827)**	–	**(9,946)**
Unrealized holding loss on other securities	**(71)**	(228)	**(854)**
Other	**(326)**	(401)	**(3,920)**
Total deferred tax liabilities	**(1,224)**	(629)	**(14,720)**
Net deferred tax assets	**¥ 18,759**	¥ 16,217	**$ 225,605**

12. Financial Instruments – Fair Value

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 issued on March 10, 2008) and "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued on March 10, 2008). The above accounting standards require the Company to disclose the fair value of all financial instruments.

Overview

(a) Policy for financial instruments

The Group manages its funds by investing in short-term deposits, safe financial assets and comparably safe hybrid financial instruments which contain embedded derivatives with principally low risk of deterioration from the original investment value.

In consideration of plans for capital investment, the Group finances necessary funds mainly by bank borrowings, bond issuances and other means. The Group utilizes derivatives to avoid the risk of fluctuation in market interest rates.

(b) Types of financial instruments, related risks and risk management

Trade receivables, notes and accounts receivables, are exposed to credit risk of customers. To respond to this risk, the Group manages settlement due dates and balances of each customer and monitors the financial conditions of customers when appropriate.

Securities and investments in securities are mainly held-to-maturity bonds, or shares of companies with which the Group has business relationships. Securities and investments which have market price are subject to the risk of market price fluctuations. Non-marketable securities are exposed to the risk of impairment due to the decline in the financial results of the issuers. To correspond to this risk, the Group periodically monitors their market values and financial position and reports information to meetings of the Board of Director if the Group identifies significant fluctuations.

Trade payables, notes and accounts payable, are all due within one year.

Short-term bank loans are mainly utilized for business operation of the Group and long-term loans are mainly utilized for capital investments. Loans with floating rates are exposed to the risk of fluctuation of interest rates. Certain long-term loans are hedged by utilizing derivative transactions, such as interest rate swap agreements, to avoid the risk of fluctuation of interest rates and fix the interest rates. Effectiveness testing for hedging instruments and hedged items is omitted because the conditions are satisfied which allow the Group to account for them as if the interest rates applied to the interest-rate swap agreements had originally applied to the underlying loans.

The execution and control of derivative transactions of the Group are made in accordance with internal policy including the authorization process. In addition, to mitigate the risk of counterparty nonperformance, the Group enters into transactions only with the financial institutions with high credit ratings.

In addition, trade payables and loans are exposed to liquidity risk. This risk is managed by the adoption of a cash management system in the Group.

(c) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

(d) Estimated Fair Value of Financial Instruments

Carrying value, estimated fair value and the difference between them of financial instruments on the consolidated balance sheets as of March 31, 2011 and 2010 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to (2) below).

	Millions of yen					
	2011			2010		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets:						
Cash and cash equivalents	¥ 19,990	¥ 19,990	¥ –	¥ 17,865	¥ 17,865	¥ –
Time deposits	1,605	1,605	–	3,340	3,340	–
Notes and accounts receivable-trade	40,084	40,084	–	38,876	38,876	–
Marketable securities and investments in securities:						
Marketable securities	6	6	–	6	6	–
Investments in securities	3,999	3,999	–	5,433	5,433	–
Total assets	¥ 65,684	¥ 65,684	¥ –	¥ 65,520	¥ 65,520	¥ –
Liabilities:						
Notes and accounts payable-trade	¥ 55,085	¥ 55,085	¥ –	¥ 48,215	¥ 48,215	¥ –
Short-term bank loans	21,212	21,212	–	39,396	39,396	–
Long-term debt:						
Bonds	500	504	4	500	504	4
Convertible bonds with stock acquisition rights	15,000	14,968	(32)	15,000	14,446	(554)
Long-term loans	70,948	71,166	218	72,051	72,358	307
Lease obligations	1,174	1,227	53	1,313	1,374	61
Total liabilities	¥ 163,919	¥ 164,162	¥ 243	¥ 176,475	¥ 176,293	¥ (182)

	Thousands of U.S. dollars		
	2011		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and cash equivalents	$ 240,409	$ 240,409	$ –
Time deposits	19,302	19,302	–
Notes and accounts receivable-trade	482,069	482,069	–
Marketable securities and investments in securities:			
Marketable securities	72	72	–
Investments in securities	48,094	48,094	–
Total assets	$ 789,946	$ 789,946	$ –
Liabilities:			
Notes and accounts payable-trade	$ 662,477	$ 662,477	$ –
Short-term bank loans	255,105	255,105	–
Long-term debt:			
Bonds	6,013	6,061	48
Convertible bonds with stock acquisition rights	180,397	180,012	(385)
Long-term loans	853,253	855,875	2,622
Lease obligations	14,119	14,757	638
Total liabilities	$1,971,364	$1,974,287	$ 2,923

(1) Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets

Cash and cash equivalents, notes and accounts receivable-trade:

Because these items are settled in a short time period, their carrying value approximates fair value.

Investments in securities:

The fair values of stocks are based on quoted market prices. The fair value of debt securities is based on either quoted market prices or the prices provided by financial institutions. Refer to Note 4. "Marketable Securities and Investments in Securities" for further information on securities by holding purpose.

Liabilities

Short-term bank loans and notes and accounts payable-trade:

Because these items are settled in a short time period, their carrying value approximates fair value.

Bonds and convertible bonds with stock acquisition rights:

The market prices of all bonds were not available. The fair value of bonds is based on the present value of the total of principal and interest discounted by the interest rate with reference to the remaining periods and the credit risk.

Long-term debt:

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied assuming that new loans under the similar conditions to existing loans are made.

Floating interest rates for certain long-term loans were hedged by interest rate swap agreements and accounted for as loans with fixed interest rates. The fair value of those long-term loans is based on the present value of the total of principals, interests and net cash flows of the swap agreements discounted by the interest rates to be applied assuming that new loans under similar conditions to existing loans are made.

Lease obligations:

The fair value of lease obligations is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new lease agreements are made.

Derivative Transactions

Refer to Note 14. "Derivatives."

(2) Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unlisted stocks	¥ 330	¥ 440	$ 3,968
Investments in unconsolidated subsidiaries and affiliates	460	635	5,532
Leasehold deposits	32,137	33,518	386,494

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

(3) Redemption schedule for cash and cash equivalents, time deposits, notes and accounts receivable – trade and marketable securities with maturity dates at March 31, 2011 and 2010 is as follows:

	Millions of yen			
	2011			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	¥ 15,484	¥ –	¥ –	¥ –
Time deposits	1,605	–	–	–
Notes and accounts receivable-trade	40,084	–	–	–
Marketable securities:				
Held-to-maturity debt securities	6	–	–	–
	¥ 57,179	¥ –	¥ –	¥ –

	Millions of yen			
	2010			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	¥ 13,775	¥ –	¥ –	¥ –
Time deposits	3,340	–	–	–
Notes and accounts receivable-trade	38,876	–	–	–
Marketable securities:				
Held-to-maturity debt securities	6	–	–	–
	¥ 55,997	¥ –	¥ –	¥ –

	Thousands of U.S. dollars			
	2011			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	$ 186,218	$ –	$ –	$ –
Time deposits	19,302	–	–	–
Notes and accounts receivable-trade	482,069	–	–	–
Marketable securities:				
Held-to-maturity debt securities	72	–	–	–
	$ 687,661	$ –	$ –	$ –

Notes to Consolidated Financial Statements (continued)

(d) Estimated Fair Value of Financial Instruments (continued)

Cash and cash equivalents in the table above do not include cash on hand of ¥4,506 million ($54,191 thousand) and ¥4,090 million at March 31, 2011 and 2010, respectively.

(4) Refer to Note 9. "Short-Term Bank Loans, Long-Term Debt and Lease Obligations" for the redemption schedule for long-term debt.

13. Cost of Sales

Loss on inventory valuation included in cost of sales for the year ended March 31, 2011 was immaterial and that for the year ended March 31, 2010 was in the amount of ¥249 million.

14. Derivatives

Derivative transactions to which hedge accounting is applied

Interest rate-related transactions

			Millions of yen		
			2011		
Method of hedge accounting	Transaction	Hedged item	Contract value: Notional amount	Contract value: More than one year	Fair value
Swap rate applied to underlying debt	Interest rate swap Receive / floating and pay / fixed	Long-term loans	**¥ 43,340**	**¥ 29,855**	**(*)**

			Millions of yen		
			2010		
Method of hedge accounting	Transaction	Hedged item	Contract value: Notional amount	Contract value: More than one year	Fair value
Swap rate applied to underlying debt	Interest rate swap Receive / floating and pay / fixed	Long-term loans	¥ 43,160	¥ 36,640	(*)

			Thousands of U.S. dollars		
			2011		
Applied hedge accounting	Transaction	Hedged item	Contract value: Notional amount	Contract value: More than one year	Fair value
Swap rate applied to underlying debt	Interest rate swap Receive / floating and pay / fixed	Long-term loans	**$ 521,227**	**$ 359,050**	**(*)**

* Because interest rate swap agreements are accounted for as a single item with underlying long-term loans payable, their market values were included in those of long-term loans.

15. Contingent Liabilities

The Group was contingently liable for guarantees of bank borrowings made by an affiliate in the aggregate amount of ¥420 million ($5,051 thousand) and debt of employees in the aggregate amount of ¥4 million ($48 thousand) at March 31, 2011.

16. Shareholders' Equity

The Law 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, 2011 and 2010.

In accordance with the Law, stock option plans for certain directors and certain employees of the Company and certain directors of certain subsidiaries were approved at annual general meetings of the shareholders of the Company. The 2009 stock option plan (the 2009 plan) was approved by shareholder meeting of the Company on June 26, 2009.

According to the 2009 plan, on August 6, 2009, the Company granted 1,570,000 stock options for common stock to 9 board directors and 3 employees of the Company and 12 board directors, 21 managing directors and 647 employees of certain subsidiaries. The service period for grantees is from August 6, 2009 to August 6, 2011 and the exercisable period is August 7, 2011 to August 6, 2014. Stock option cost of ¥125 million ($1,503 thousand) and ¥85 million were included in selling, general and administrative expenses for the years ended March 31, 2011 and 2010, respectively.

Movements in the number of stock options before vesting for the stock option plan of the Company during the years ended March 31, 2011 and 2010 were summarized as follows:

	2011				
	Outstanding as of March 31, 2010	Granted	Forfeited	Vested	Outstanding as of March 31, 2011
The 2009 plan	**1,562,000**	**–**	**20,000**	**–**	**1,542,000**

	2010				
	Outstanding as of March 31, 2009	Granted	Forfeited	Vested	Outstanding as of March 31, 2010
The 2009 plan	–	1,570,000	8,000	–	1,562,000

The unit price of the stock options under the 2009 plan of the Company during the years ended March 31, 2011 and 2010 is summarized as follows:

	The 2009 plan (*Yen*)	The 2009 plan (*U.S. dollars*)
Unit price of stock options:		
Exercise price at March 31, 2011	**¥ 597**	**$ 7.18**
Average market price per share upon exercise	**–**	**–**
Estimated fair value of unit price at grant date	**163**	**1.96**
Exercise price at March 31, 2010	597	
Average market price per share upon exercise	–	
Estimated fair value of unit price at grant date	163	

Valuation technique for estimated fair value was the Black-Sholes model. The major inputs and estimation methods were as follows:

Major inputs and estimation method	Note	The 2009 plan
Estimated volatility	(a)	54.4%
Estimated remaining period	(b)	3.5 years
Estimated dividend yield	(c)	2.79%
Risk-free rate	(d)	0.5%

(a) Estimated volatility was computed by the actual stock price based on the period from January 30, 2006 to July 27, 2009 which corresponds to the estimated remaining period of 3.5 years.

(b) Because there was insufficient data and a reasonable estimate was difficult, the estimated remaining period was assumed to be the middle of the exercisable period.

(c) The estimated dividend was calculated at the actual amount for the year ended March 31, 2009.

(d) The risk-free rate was based on the linearly adjusted spot rate of Japanese government bond with segregated interest on August 6, 2009 which corresponds to the estimated remaining period of 3.5 years.

Because it is difficult to reasonably estimate the number of stock options that will be forfeited, the estimation reflects only the actual number of forfeited stock options.

Movements in common stock and treasury stock for the years ended March 31, 2011 and 2010 are summarized as follows:

		Number of shares			
		2011			
	Note	March 31, 2010	Increase	Decrease	March 31, 2011
Common stock		**105,665,636**	**–**	**–**	**105,665,636**
Treasury stock	(a) and (b)	**2,533,812**	**1,401,482**	**790,778**	**3,144,516**

		Number of shares			
		2010			
	Note	March 31, 2009	Increase	Decrease	March 31, 2010
Common stock		105,665,636	–	–	105,665,636
Treasury stock	(c) and (d)	70,340	2,502,251	38,779	2,533,812

As indicated in Note 2. (p) "Accounting for trust-type employee stock ownership incentive plan," transactions of the Trust Account are accounted for as those of the Company. Consequently, the sale of the Company's stock of 1,044,100 shares to the Trust on March 18, 2011 was not treated as the decrease of treasury stock, and treasury stock at March 31, 2011 in the table above included the Company's stock of 993,600 shares owned by the Trust.

In addition, the sale of the Company's stock of 778,900 shares to the Trust on February 16, 2010 was not treated as the decrease of treasury stock, and treasury stock at March 31, 2010 in the table above included the Company's stock of 740,200 shares owned by the Trust.

(a) The increase in treasury stock (1,401,482 common shares) for the year ended March 31, 2011 was due to the purchase of 1,400,000 shares on the Tokyo Stock Exchange based on the resolution of the Board of Directors meeting held on August 6, 2010, and the purchase of 1,482 fractional shares.

(b) The decrease of 790,778 common shares for the year ended March 31, 2011 consisted of the sales from the Trust to the ESO Group of 790,700 shares and sales to shareholders of 78 fractional shares at their request.

(c) The increase of treasury stock (2,502,251 common shares) for the year ended March 31, 2010 consisted of the purchase during off-hour trading on the Tokyo Stock Exchange of 2,500,000 shares and the purchase of 2,251 fractional shares.

(d) The decrease of 38,779 common shares for the year ended March 31, 2010 consisted of the sales from the Trust to the ESO Group of 38,700 shares and sales to shareholders of 79 fractional shares at their request.

Movements in stock acquisition rights during the years ended March 31, 2011 and 2010 are summarized as follows:

	Thousands of shares				Millions of yen	Thousands of U.S. dollars
	2011					
	March 31, 2010	Increase	Decrease	March 31, 2011	March 31, 2011	March 31, 2011
Stock acquisition rights with convertible bonds due May 10, 2013	**11,086**	**–**	**–**	**11,086**	**¥ –**	**$ –**
Stock acquisition rights as stock options	**–**	**–**	**–**	**–**	**209**	**2,513**
	11,086	**–**	**–**	**11,086**	**¥ 209**	**$ 2,513**

	Thousands of shares				Millions of yen
	2010				
	March 31, 2009	Increase	Decrease	March 31, 2010	March 31, 2010
Stock acquisition rights with convertible bonds due May 10, 2013	11,086	–	–	11,086	¥ –
Stock acquisition rights as stock options	–	–	–	–	85
	11,086	–	–	11,086	¥ 85

17. Leases

The Group utilizes finance leases for store equipment. Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

The Group continues to account for finance lease transactions not involving the transfer of ownership that commenced prior to April 1, 2008 as operating lease transactions.

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation, accumulated impairment loss and net book value of the leased assets at March 31, 2011 and 2010, 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							
	2011				2010			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings and structures	**¥ 3,924**	**¥ 1,668**	**¥ –**	**¥ 2,256**	¥ 3,934	¥ 1,480	¥ –	¥ 2,454
Tools, furniture and fixtures	**1,578**	**1,062**	**8**	**508**	1,872	1,012	263	597
Other	**775**	**498**	**–**	**277**	936	442	–	494
	¥ 6,277	**¥ 3,228**	**¥ 8**	**¥ 3,041**	¥ 6,742	¥ 2,934	¥ 263	¥ 3,545

	Thousands of U.S. dollars			
	2011			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings and structures	**$ 47,192**	**$ 20,060**	**$ –**	**$ 27,132**
Tools, furniture and fixtures	**18,978**	**12,773**	**96**	**6,109**
Other	**9,320**	**5,989**	**–**	**3,331**
	$ 75,490	**$ 38,822**	**$ 96**	**$ 36,572**

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, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Lease payments	**¥ 501**	¥ 985	**$ 6,025**
Reversal of loss on impairment of finance leases	**255**	441	**3,067**
Depreciation	**700**	917	**8,419**
Interest expense	**53**	73	**637**
Recognized loss on impairment of finance leases	**–**	98	**–**

Future minimum lease payments subsequent to March 31, 2011 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 635	$ 7,637
2013 and thereafter	2,563	30,824
Total	¥ 3,198	$ 38,461

Future minimum lease payments subsequent to March 31, 2011 for non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 2,613	$ 31,425
2013 and thereafter	26,620	320,144
Total	¥ 29,233	$ 351,569

18. Supplemental Information on Consolidated Statements of Cash Flows

In connection with the preparation of the consolidated statements of cash flows, an increase in asset retirement obligations amounting to ¥4,604 million ($55,370 thousand) was recognized as a significant non-cash transaction for the year ended March 31, 2011.

Notes to Consolidated Financial Statements (continued)

19. Business Combinations

The Group accounted for the merger described in (a) below as transactions under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ No. 21 issued on December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 revised on December 26, 2008).

The Group accounted for the mergers described in (b) and (c) below as transactions under common control in accordance with "Accounting Standard for Business Combinations" (issued on October 31, 2003 by the Business Accounting Council of Japan) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 revised on November 15, 2007).

(a) Merger of EDION EAST and EDION WEST by EDION

EDION EAST and EDION WEST had been wholly-owned subsidiaries of the Company and were engaged in sales of home electric appliances to customers. On October 1, 2010, EDION EAST and EDION WEST were merged into the Company. Because these are mergers of wholly-owned subsidiaries, there were no determinations of merger ratio, increase of shares or increase of common stock amount. The purpose of this merger was to enhance the utilization of resources of the Group and management efficiency.

(b) Merger of HOME EXPO Co., Ltd. by EIDEN Co., Ltd.

HOME EXPO Co., Ltd. ("HOME EXPO") was a wholly-owned subsidiary of EIDEN and engaged in the sales of home-center products.

On April 1, 2009, HOME EXPO had been merged into EIDEN. The purpose of this merger is to enhance business efficiencies in terms of concentration of management resources, rationalization of logistics and set so forth. On October 1, 2009, EIDEN changed its name to EDION EAST.

(c) Merger of MIDORI DENKA by DEODEO Corporation

DEODEO Corporation ("DEODEO") was a wholly-owned subsidiary of the Company and had been engaged in sales of home electric appliances to customers in Chugoku, Shikoku, and Kyushu Area.

On October 1, 2009, MIDORI DENKA was merged into DEODEO. The purpose of this merger was to manage business in the west Japan area integrally by merging a Kinki based subsidiary and a Chugoku based subsidiary and to enhance management efficiency by expanding its business, strengthening and establishing more efficient functions, appropriate utilization of management resources. On October 1, 2009, DEODEO changed its name to EDION WEST.

20. Related Party Transactions

(a) Related party transactions for the year ended March 31, 2011

Principal transactions between the Company and an unconsolidated subsidiary during the year ended March 31, 2011 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2011	2011
MMKS Japan Corporation: Purchase of land	¥ 6,811	$ 81,912

MMKS Japan Corporation ("MMKS") is an unconsolidated subsidiary, located in Chiyoda-ku, Tokyo. The capital amount of MMKS is ¥350 million ($4,209 thousand) at March 31, 2011 and it operates real estate business.

Purchase prices are determined with reference to the real estate appraisals issued by professional appraisers. There were no outstanding balances at March 31, 2011 for the above transaction.

Principal transactions between the Company and a company which is majority owned by a director and the director's relatives during the year ended March 31, 2011:

	Millions of yen	Thousands of U.S. dollars
	2011	2011
SHOEI Co., Ltd.: Insurance expense	¥ 56	$ 673

The outstanding balance of prepaid expenses at March 31, 2011 amounted to ¥46 million ($553 thousand).

SHOEI Co., Ltd. ("SHOEI") is a majority owned company by a director and the director's relatives, located in Nagoya City, Aichi. The capital amount of SHOEI is ¥900 million ($10,824 thousand) at March 31, 2011 and it is engaged in the insurance business.

Insurance premiums are determined at the same as general insurance offered by insurance companies.

Principal transactions between EDION EAST, a consolidated subsidiary, and a company which is majority owned by a director and the director's relatives for the year ended March 31, 2011:

	Millions of yen	Thousands of U.S. dollars
	2011	2011
SHOEI Co., Ltd.: Insurance expense	¥ 2	$ 24

Insurance premiums are determined at the same as general insurance offered by insurance companies.

On October 1, 2010, EDION EAST was merged into the Company (See Note 19 (a) "Merger of EDION EAST and EDION WEST by the Company").

Transactions between 3Q Co., Ltd. ("3Q"), a consolidated subsidiary, and companies which are majority owned by a director and the director's relatives for the year ended March 31, 2011:

	Millions of yen	Thousands of U.S. dollars
	2011	2011
SS Co., Ltd.: Purchases of shares in subsidiary	¥ 55	$ 661
SHIMODA Co., Ltd.: Purchases of shares in subsidiary	¥ 68	$ 818

SS Co., Ltd. ("SS") is a majority owned company by a director and the director's relatives, located in Fukui City, Fukui. The capital amount of SS is ¥3 million ($36 thousand) at March 31, 2011 and it is engaged in the management consultant business.

SHIMODA Co., Ltd. ("SHIMODA") is a majority owned company by a director and the director's relatives, located in Fukui City, Fukui. The capital amount of SHIMODA is ¥3 million ($36 thousand) at March 31, 2011 and it is engaged in the management consultant business.

The outstanding balance of other current liabilities due to SS and SHIMODA at March 31, 2011 amounted to ¥55 million ($661 thousand) and ¥68 million ($818 thousand), respectively.

Purchase prices are determined with reference to net assets of the subsidiary.

(b) Related party transactions for the year ended March 31, 2010

Principal transactions between the consolidated subsidiaries and related parties during the year ended March 31, 2010 are summarized as follows:

Transactions between EDION WEST and its related parties:

	2010
Freai Channel Inc.:	
Guarantees issued by EDION WEST	¥ 171
Guarantee fee received	¥ 3
MARUNI WOOD INDUSTRY Inc.:	
Guarantees issued by EDION WEST	¥ 75
Purchase of product	¥ 34

Freai Channel Inc. ("Freai Channel") is a 16.4% owned affiliate of EDION WEST, located in Hiroshima City, Hiroshima. The capital amount of the Freai Channel is ¥1,500 million at March 31, 2010 and it operates a cable television network.

MARUNI WOOD INDUSTRY Inc. ("MARUNI WOOD") is a 30.6% owned affiliate of EDION WEST. The capital amount of MARUNI WOOD is ¥100 million at March 31, 2010 and it is engaged in the business of manufacturing and selling furniture.

The guarantee fee received by Freai Channel and interest rate received by MARUNI WOOD are determined with reference to market rates.

The outstanding guaranteed amounts to Freai Channel Inc. and MARUNI WOOD at March 31, 2010 were ¥1,489 million and ¥125 million, respectively.

20. Related Party Transactions

Principal transactions between a consolidated subsidiary and a director at March 31, 2010 during the year then ended are summarized as follows:

Transaction between EDION WEST and its director:

Name	Relationship	2010
Masataka Kubo	Sales of products	¥ 15

Masataka Kubo was the director and chairman of EDION WEST.

Sales prices are determined at the same price as those to general customers. There were no outstanding balances at March 31, 2010 for the above transaction.

Principal transactions between EDION EAST, a consolidated subsidiary, and a company which is majority owned by a director and the director's relatives for the year ended March 31, 2010:

	Millions of yen
	2010
SHOEI Co., Ltd.: Insurance expense	¥ 99

The outstanding balance of prepaid expenses at March 31, 2010 amounted to ¥32 million.

The capital amount of SHOEI is ¥900 million at March 31, 2010.

Insurance premiums are determined at the given rates for fire, automobile and other insurance offered by insurance companies.

Transactions between 3Q, a consolidated subsidiary, and its director:

		Millions of yen
Name	Relationship	2010
Tsuneo Mishima	Loan	¥ 2

Tsuneo Mishima is the president of 3Q and he owns 1.5% shares of 3Q. Interest rate on the loan is determined with reference to market rate. Tsuneo Mishima provides shares in 3Q Co., Ltd. as collateral for loans.

The outstanding loan receivable balances due from Tsuneo Mishima at March 31, 2010 were ¥96 million.

21. Segment Information

Effective the year ended March 31, 2011, the Group has adopted "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17 revised on March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 issued on March 21, 2008).

Reportable segments of the Group are "Sales of home electric appliances," "Home center stores" and "Others."

As the "Home center stores" and "Others" segments are immaterial in relation to segment total, the disclosure of segment information for the year ended March 31, 2011 has been omitted.

Loss on impairment of fixed assets for all segments was recorded in the amount of ¥6,974 million ($83,873 thousand) for the year ended March 31, 2011. In addition, remaining balance and amortization of goodwill for all segments were recorded in the amounts of ¥399 million ($4,799 thousand) and ¥368 million ($4,426 thousand) as of and for the year ended March 31, 2011, respectively. Remaining balance and amortization of negative goodwill for all segments were recorded in the amounts of ¥1,926 million ($23,163 thousand) and ¥3,634 million ($43,704 thousand) as of and for the year ended March 31, 2011, respectively.

There was no gain on recognition of negative goodwill for the year ended March 31, 2011.

As sales of products and services to external customers in a single segment account for more than 90% of net sales in the consolidated statements of income, the disclosure of the segment information by product and service for the year ended March 31, 2011 has been omitted.

As there were no overseas sales of products and services to external customers, the disclosure of net sales by geographical region for the year ended March 31, 2011 has been omitted.

As there was no property and equipment located overseas, the disclosure of property and equipment by geographical region as of March 31, 2011 has been omitted.

As sales of products and services to specific customers account for less than 10% of net sales in the consolidated statements of income, the disclosure of information by major customers for the year ended March 31, 2011 has been omitted.

22. Subsequent Events

(a) Distribution of retained earnings of the Company

The following distribution of retained earnings at March 31, 2011 was approved at the Company's annual general meeting of shareholders held on June 29, 2011:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends of ¥15.00 ($0.18) per share	¥ 1,538	$ 18,497

(b) Acquisition of Additional Shares of 3Q

The Company entered into an agreement regarding a capital alliance with 3Q on February 1, 2007 and acquired 1,613,768 shares (40%) in 3Q on June 15, 2007. As a result, 3Q became a consolidated subsidiary at that time.

On May 11, 2011, the meeting of the Board of Directors approved a resolution whereby the Company would acquire additional shares of 3Q to make it a wholly-owned subsidiary.

The Company and 3Q made efforts to enhance customer satisfaction and strengthen business performance by mutually complementing their network of stores, logistics and services.

The purpose of this acquisition is to further integrate purchasing functions and overall business, to enhance management efficiencies of the Group and to expand its business and earnings.

The general information of the acquired company as of March 31, 2011 is summarized as follows:

Outline	3Q Co., Ltd. (Acquired company)
Main business	Sales of home electric appliances
Address of head office	Shinbo-cho, Fukui city, Fukui
Name of representative	Seichiro Shibata
Title of representative	Representative director
Date of establishment	May 7, 1947
Common stock as of March 31, 2011	¥10 million ($120 thousand)
Net sales for the year ended March 31, 2011	¥80,337 million ($966,170 thousand)
Number of stores as of March 31, 2011	50
Number of employees as of March 31, 2011	820

Movement in number of shares in 3Q occurred by the Company subsequent to March 31, 2011 is as follows:

	Number of shares	Percentage of shares
Shares before acquisition	1,613,768	40%
Shares additionally acquired	2,420,650	60%
Shares after acquisition	4,034,418	100%

The schedule of the acquisition is as follows:

Expected date of acquisition agreement	September 30, 2011
Expected date of acquisition of shares	October 1, 2011

(c) Early redemption of the convertible bonds with stock acquisition rights

The Company made early redemption of certain portion of the zero coupon unsecured convertible bonds with stock acquisition rights due May 10, 2013, which were issued on May 9, 2008.

The early redemption was completed by May 9, 2011 (Geneva time). The Company exercised a call option in accordance with the articles of the zero coupon unsecured convertible bonds with stock acquisition rights.

Total bond amount at face value before redemption was ¥15,000 million ($180,397 thousand) and total amount redeemed was ¥13,235 million ($159,170 thousand). Accordingly, the outstanding amount of the bond after redemption was ¥1,765 million ($21,227 thousand).

The effect of the early redemption on the consolidated operating results for the year ending March 31, 2012 will be nil.

This redemption was financed by cash on hand and a "syndicate loan with specified available period" entered into on September 15, 2010.

Ernst & Young ShinNihon LLC

Report of Independent Auditors

The Board of Directors
EDION Corporation

We have audited the accompanying consolidated balance sheets of EDION Corporation and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of EDION Corporation and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 22(b), on May 11, 2011, the Board of Directors of the Company approved the acquisition of additional shares of consolidated subsidiary, 3Q Co., Ltd., making it a wholly-owned subsidiary.

As described in Note 22(c), the Company made early redemption of certain portion of the convertible bonds with stock acquisition rights due May 10, 2013.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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.

Ernst & Young ShinNihon LLC

Osaka, Japan
June 30, 2011

A member firm of Ernst & Young Global Limited

Corporate Information

Company Name	EDION Corporation
Business	Sales of home electrical appliances
Establishment	March 29, 2002
Capital Stock	10,174 million yen
Registered Office Address	2-1-18 Kamiyacho, Naka-ku, Hiroshima
Head Office Address	Dojima Grand Building, 1-5-17 Dojima, Kita-ku, Osaka
Number of Employees (as of March 31, 2011)	Non-consolidated: 8,381 Consolidated: 10,022

Stock Information (as of March 31, 2011)

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	21,019
Stock Listing	First sections of Tokyo and Nagoya Stock Exchanges
Stock Code	2730

Directors and Corporate Auditors (as of June 29, 2011)

Directors

President	Masataka Kubo	Head of Merchandising HQ.
Executive Deputy President	Shoichi Okajima	Head of Administrative HQ.
Executive Deputy President	Kazutoshi Tomonori	Head of Sales HQ.
Senior Executive Vice President	Makoto Fujikawa	Head of Human Resources and General Affairs Div., Head of Regal Affairs Dept.
Vice President	Seiichi Funamori	Head of Sales Div.
Vice President	Hirohisa Kato	Head of Merchandising Div., Head of Inventory Control Dept.
Vice President	Yuji Asada	Head of Accounting and Financing Div., Head of IR Dept.
Vice President	Norio Yamasaki	Head of Corporate Strategy Div.
Vice President	Yasuo Matsuyama	Head of Logistics and Services Div.
Vice President	Ryuji Yuyama	Head of Store Development Div.

Corporate Auditors

Standing Statutory Auditor	Masayuki Umehara
Statutory Auditor	Masahiro Sasaki
Outside Statutory Auditor	Takenori Isou
Outside Statutory Auditor	Takashi Okinaka

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The Challenge 25% Campaign &
the Forum of Energy-saving home appliance

EDION group participates in the Challenge 25% Campaign and the Forum of Energy-saving home appliance and promotes energy-efficient products.