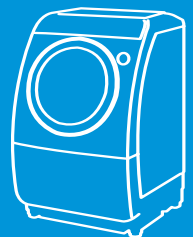




Annual Report 2007

For the Year Ended March 31, 2007

Exciting Discovery





Exciting Discovery In Your Life Style



Working to bring new discoveries that stimulate the sense and liven lifestyles.

With our corporate brand, EDION (Exciting Discovery in One Network), we endeavor to introduce "new discoveries" for daily life, to bring exciting and inspiring ideas that please our customers' senses. The EDION Group offers attractive products at reassuring prices, along with superior service. Under our management philosophy of "customer's satisfaction in purchasing and using with full services," the EDION Group aims to maximize economy of scale and further improve corporate value.



Management Philosophy

Customer's Satisfaction in Purchasing and Using with Full Services

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

We offer products that provide the highest levels of satisfaction at prices that allow assurance in the purchase.

We recommend the most suitable products to each customer based on sincere and considerate customer service.

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

Contents

Financial Highlights	2
Top Interview	4
Exciting Discovery 1 Development and Sales of Original Products	10
Exciting Discovery 2 Expanding the Store Network	12
Exciting Discovery 3 Accelerating Business Integration with MIDORI DENKA	14
Exciting Discovery 4 Service Strategy	16
Store Network	18
EDION Group: DEODEO Corporation	20
EDION Group: EIDEN Co., Ltd.	21
EDION Group: MIDORI DENKA CO., LTD.	22
EDION Group: Kurashino Design, Inc.	23
EDION Group: Ishimaru Denki Co., Ltd.	24
Corporate Governance/CSR Activities	25
Management's Discussion and Analysis	26
Financial Statements	28
Report of Independent Auditors	42
Corporate Profile	43



Financial Highlights

(Millions of Yen)

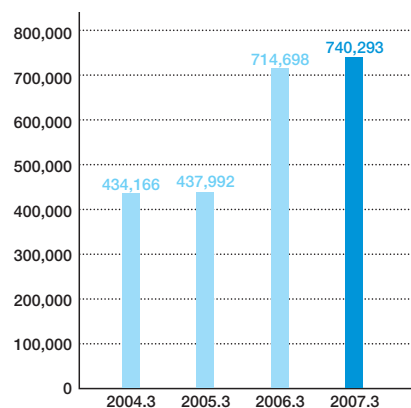
(Consolidated)	Period from April 1, 2003 to March 31, 2004	Period from April 1, 2004 to March 31, 2005	Period from April 1, 2005 to March 31, 2006	Period from April 1, 2006 to March 31, 2007
For the Year				
Net Sales	434,166	437,992	714,698	740,293
Gross Profit	92,587	95,751	157,766	164,491
Gross Profit Ratio (%)	21.3	21.9	22.1	22.2
Operating Income	5,825	5,011	8,054	6,947
Ordinary Profit	10,207	11,163	20,389	18,631
Ordinary Profit Ratio (%)	2.4	2.5	2.9	2.5
Net Income	3,017	4,919	8,226	7,368
At Year-End				
Total Assets	222,614	231,410	319,507	390,551
Total Equity	94,465	105,595	128,504	162,177

● Disclaimer Regarding Forward-Looking Statements

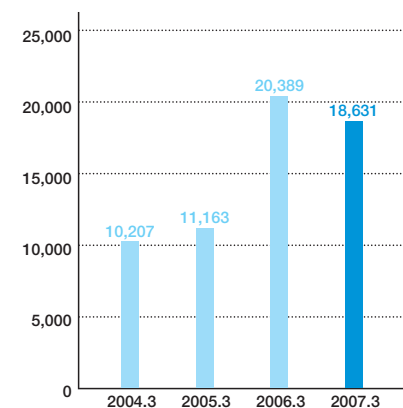
The present document contains forward-looking statements based on currently available information that EDION and the EDION Group consider to be reasonable. Actual results may differ materially from those projected as a result of various risks and uncertainties, including, but not limited to, economic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

Indicators

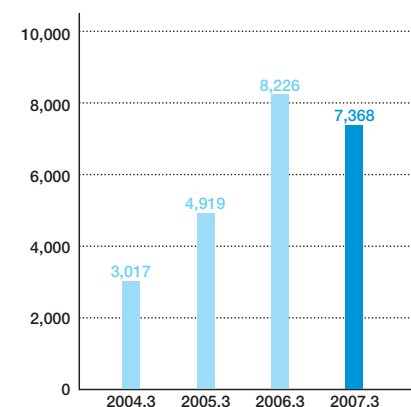
● Net Sales (Millions of Yen)



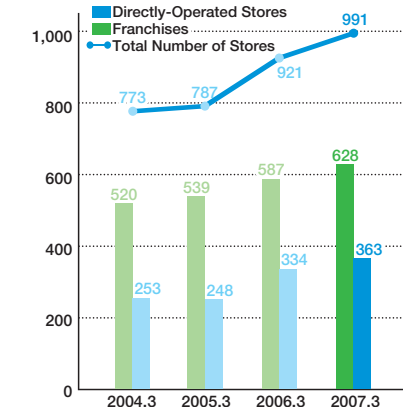
● Ordinary Profit (Millions of Yen)



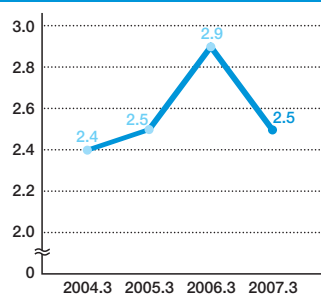
● Net Income (Millions of Yen)



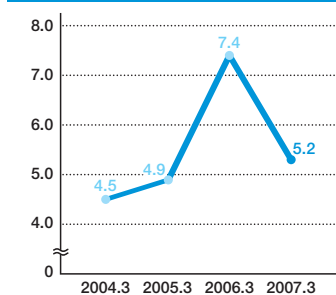
● Number of Stores (Stores)



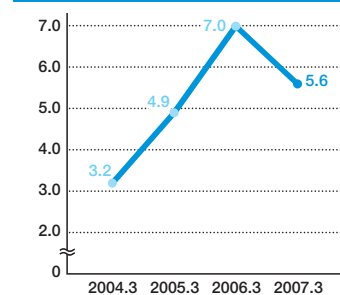
● Ordinary Profit Ratio (%)



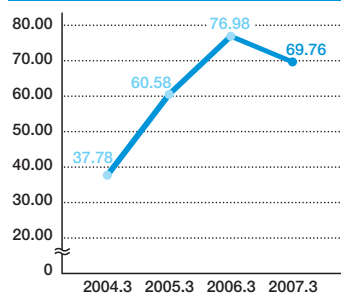
● ROA (Return on Assets) (%)



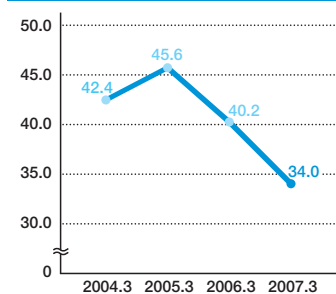
● ROE (Return of Equity) (%)



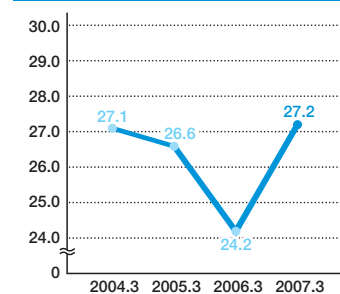
● Net Income per Share (yen)



● Shareholders' Equity to Total Assets (%)



● Interest-Bearing Debt Ratio (%)





Top Interview



Working to differentiate the EDION Group from others through the management philosophy of “customer’s satisfaction in purchasing and using with full services” and unique “service capabilities.”

TOP INTERVIEW President, Masataka Kubo, EDION Corporation

Q: Although we hear the economy is continuing its steady recovery in Japan, we'd like to ask you about the current state of the home electronics retail industry and market and the outlook for future trends.

A: Along with the economic recovery of the underlying recovery in personal consumer spending, we have also begun to see a brighter picture in the home electronics retail industry, but intense competition between mass merchants has developed on a national scale, bringing an end to expansion in individual regions.

Additionally, there has been a striking change in customers' needs due to a variety of factors including increasing diversification of lifestyles, changes in the composition of Japan's population, and the arrival of a networked society based on the accelerating spread of digital products.

In the midst of such developments, we also had the Soccer World Cup held in Germany in June 2006, and in the latter half of the year, digital terrestrial broadcasts had begun to expand even to Hiroshima, Okayama, and Fukuoka, and to areas around all prefectural governmental seats. These are major factors behind the accelerating shift to wide-screen flat-panel TVs, such that we can say it is the television sector that is literally driving the home electronics market.

Meanwhile, although expanded sales of personal computers and other IT-related products had been stagnant, sales of computers with the new Windows Vista OS installed began in January 2007, and this is expected to lead to greater demand among consumers buying new computers. As we believe the market will see accelerated purchases of wide-screen flat-panel TVs and even higher penetration rate for households, we also see more focus on health-related products as a greater interest in health takes hold.

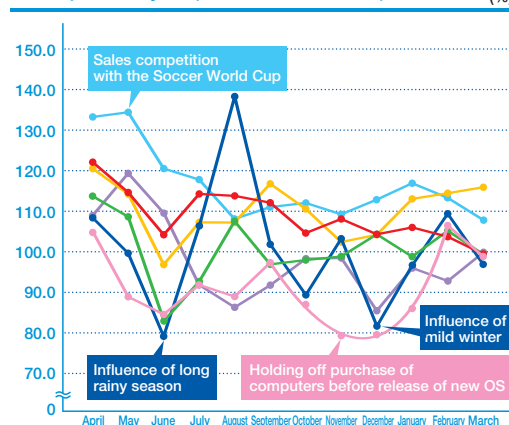
Q: Amid the continuing environment of severe competition, what is EDION's strategy for surviving and advancing?

A: In order to prevent customers forming an image of home electronics stores all being the same, the EDION Group is working to differentiate itself from competing companies both in terms of the products carried and with services provide. We are particularly active in making efforts to increase our appeal with services not offered by other companies, but available only from EDION.

Based on our approach to sales that extends from the purchase to when the item is no longer used, we in the EDION Group put a lot of effort not just in selling products, but in providing after-sales services as well. The EDION Group is strenuously working to bolster our system of assured, convenient repair services with subsidiary companies and departments dedicated to delivery, installation, and repairs, comprehensive same-day repair services, and other features.

Our approach is to keep in mind at all times the principles of offering services in constant consideration the customer's viewpoint and the customer's convenience, thus enabling our customers to purchase products with confidence and use their purchases for years to come.

● Entire Directly-Operated Stores
Ratio of sales of principle products compared to the previous year (actual for fiscal 2006) (%)



Principle Products	Year-on-Year Basis
Color TVs	114.8%
Flat-screen TVs	124.4%
DVD	96.1%
DVD Recorders	97.4%
Digital Cameras	110.1%
Air Conditioners	101.5%
Refrigerators	98.9%
Washers	108.1%
Washer/Dryers	115.3%
Personal Computers	90.4%

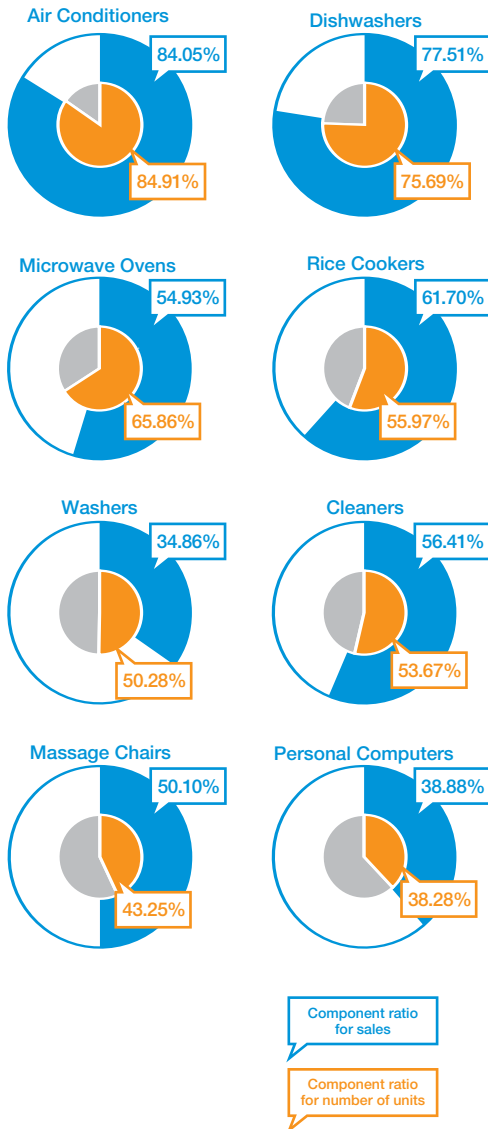
● Sales by Product Category
(actual for fiscal 2006) (millions of yen)

Principle Products	Amount	Composition Ratio
TVs	111,425	15.0
Video	67,230	9.1
Audio	11,055	1.5
Tape Recorders, Other	16,104	2.2
Air Conditioners	51,419	6.9
Heating Equipment	11,776	1.6
Refrigerators	37,145	5.0
Washers/Cleaners	44,402	6.0
Microwave Ovens	9,758	1.3
Electric Cooking Devices	24,131	3.3
Electric Beauty/Health Appliances	30,687	4.1
Lighting Equipment	8,663	1.2
Personal Computers	124,996	16.9
Other Office Equipment	34,638	4.7
Audio Software/Musical Instruments	9,291	1.3
Other	147,567	19.9
Total	740,293	100.0



Top Interview

● Component ratio for original products sales (fiscal 2006)



Q: The spirit of your "focus on service" also shows on your management philosophy, doesn't it?

A: All of the companies in the EDION Group share the spirit of "focus on service" through our management philosophy of "customer's satisfaction in purchasing and using with full services."

The basis of this spirit, offering attractive products at reassuring prices, along with superior service, is our mission. We aim to be a business that, through sales of home electronics, helps support richness and abundance in our customers' lives. We will continue to strengthen EDION's unique measures in the future based on this principle of a warm, hospitable approach to our customers.

Providing support for comfortable lifestyles with original products suited to our customers' needs.

Q: What is your strategy in regard to products considered difficult to differentiate from other companies'?

A: For some time, the EDION Group already has been offering original products developed to meet our customers' needs—and available only from EDION.

Under the motto "giving form to customers' ideas," we have developed a variety of lines including "Kual," which offers added convenience and new functionality, "keyword" products that support and celebrate the single lifestyle, and the "MY & OUR" line of environmentally friendly devices. These original products account for 23% of our sales.

We plan to make use of our strengths in retailing to enable closer contact with our customers, listening intently to their opinions as we continue to develop original products that are even more attractive and offer even greater convenience. With industry's ability to connect with the customer, we consider it the mission of retail to help provide customers with a comfortable life through the development of original products.

Q: The high value-added products available only from EDION are certainly attractive. How are you differentiating yourselves in terms of aspects other than products?

A: With the purchase of a home electronics product, the customer starts a new lifestyle. Therefore, we want to distinguish ourselves right from the time of delivery, so we have been making greater efforts to improve our delivery systems, for example by delivering large-sized products ordered by 5:00 in the evening that very day.

Furthermore, to ensure that buyers of home electronics, computers, and other products can use their purchases with confidence, we have established an expanded "five-year extended repair warranty system" which was utilized approximately 360,000 times in fiscal 2006. We plan on further aggressive development of this five-year warranty, making it a cornerstone of the ee CARD program.

In addition, to adapt to diversified customer purchasing style, we are adding more small-scale franchise stores (FCs) in the vicinity of our larger directly-operated stores. Based on the thorough services achievable by linking these franchise stores to our directly-operated stores, we will pursue business in close contact with local communities through distribution of specialized advertising flyers, provide light bulbs changes and other service directed towards elderly households, and work to establish home electronics shops that are well-regarded by all persons in their respective communities.

Expanding the EDION Group and increasing its power with the aim of operating stores throughout Japan.

Q: Please tell us about the status of business integration with MIDORI DENKA.

A: In February 2007, we transferred our headquarters from Nagoya to Osaka with the objectives of quickly realizing the effects of our integration with MIDORI DENKA and strengthening the links between stores, and we have progressed with integration of head office function related to product and promotion policies.

Since April 2007 we have integrated purchasing, aiming to improve profitability and boost competitiveness by taking advantage of scale.

Presently, operations continue to advance according to plan aimed at achieving organizational integration in fiscal 2007 and systems integration in fiscal 2008 as we work to improve efficiency across all aspects of the company, including products, promotions, store operations, and logistics.

In the future, based on the "EDION" business model, wherein each of the operating companies under the holding company vie with each other, with DEODEO, EIDEN, MIDORI DENKA, Ishimaru Denki, and other companies in the Group spurring each other as they continue to build an organic system that enables each company to share its own superior know-how.

Q: Positive rivalry among the Group's companies is an important aspect, right? Meanwhile, capital alliance also has increased the number of subsidiaries.

A: In order to achieve intimate mutual understanding among the companies in the Group, we constantly think about how to strengthen communications and work on interchanges to overcome barriers between the operational companies.

Each operational company president also serves as the EDION vice-president so as to coordinate EDION's policies with the operational companies' policies. Furthermore, twice a year we bring all of the store managers from the Group's directly-operated stores for meetings, promoting exchanges among store managers and between the store managers and headquarters.

Q: While MIDORI DENKA is included in the three companies that comprise the Group's foundation, what is the status of Ishimaru Denki, in which the Groups has a 40% of common shares, and 3Q?

A: Following our capital alliance with Ishimaru Denki in July 2006, we have used integrated purchasing since October, and are now working to improve gross profit. In fiscal 2007, as a contribution by the EDION Tokyo Sales Head Office, we are endeavoring to reinforce our sales capabilities with measures that include remodeling certain stores.

We acquired shares of 3Q in June 2007 and plan to commence with integration of purchasing from September. Through this capital alliance, we are advancing with a complementary store network in the Hokuriku and Hokkaido areas that will enable us to build a comprehensive, efficient service network through Japan in the future.

It matters not whether we own 40% or 100% of a company's shares; what is important is that each operating company can continue to develop actively and contribute to the EDION Group.





Q: We like to ask about the status of operational links with BICCAMERA.

A: Our linking operations with BICCAMERA comes from the fact that both companies operate stores in complementary areas and are mutually complementary in terms of store characteristics, in addition to the fact that each company features mutually secured operational content, so we determined that tremendous synergistic effects could be expected and moved towards cooperation. By merging the expertise of each company—EDION, with its suburban stores and small-scale franchise shops, and BICCAMERA, with its proven success in operating stores in major urban areas—will enable us to offer high-level services at any of our local stores throughout Japan.

Presently, the operational linkage committee is planning joint operations in the fields of products, promotions, and new lines of business, working enthusiastically on measures to achieve concrete results from these plans.

Starting in May, the president of each company has been attending meetings of the other's company with the aim of strengthening mutual understanding.

Strengthening the EDION Group's strategy for store openings and actively opening new stores suited to the local community.

Q: What sort of ideas do you have regarding future store openings?

A: When we look at each area separately, we see there are still some areas where our market share has remained low, so we are accelerating openings of new stores that are suited to the characteristics of the particular market area.

In April 2007, organizational reform concentrated authority for such store development in EDION, the intention being to strengthen the Group's strategy for new store openings while speeding up the decision-making process.

In addition, we are making full use of the expertise and experience of each company in the Group in developing home electronics primarily, along with furniture, interiors, home remodeling, toys, software, and other new lines, while aggressively proceeding with openings of large-scale store complexes where these goods are handled.

Moreover, we intend to expand our share in each market by opening stores with floor areas ranging from 3,300 m² to 5,000 m² in accordance with the scale of the market area.

Q: It seems that the large-scale store complexes are highly convenient for the customers.

A: Two large-scale store complexes we opened in fiscal 2006, the MIDORI Toyonaka Store and the EIDEN Toyota Store, both have more than 6,600 m² of floor space, and very popular. Customers buying home electronics at these stores also enjoy the convenience of being able to check out other products such as furniture and home interiors, which has created new purchasing patterns never seen before.

In May 2007, we opened the MIDORI Tarumi Store with approximately 9,900 m² of space, giving a store with a huge selection of different items, centering on home electronics yet also including furniture, interiors, toys, software, pet-related goods, and more.

Aiming for sales of 1 trillion yen, and striving to improve corporate value even more.

Q: It appears you are on track to hit 1 trillion yen in sales, but please tell us about your future prospects in the medium term.

A: First, we will maintain our focus on the growth of DEODEO, EIDEN and MIDORI DENKA as individual companies and work at strengthening each company's operations in close contact with their local communities. In order to exhibit each Group company's special characteristics to the fullest, we will continue to use each company's name for the store's brand. We will then reinforce the linkages between the store brands with which our customers are familiar and the "EDION" corporate brand while striving to increase the value of the overall Group.

Furthermore, we will open approximately 30 new stores each year, working actively to work into the Kanto region with new store openings there, and continue to promote our management philosophy of "customer's satisfaction in purchasing and using with full services" with pricing, services, and customer relations that bring our customers greater peace of mind.

Meanwhile, we are working to derive the maximum effect from the purchasing, organizational, and systems integration already begun in the pursuit of even greater efficiency.

Working as an single entity, the Group is going all out to improve our rate of growth, efficiency, and productivity with the aim of achieving 1 trillion yen in sales and a 5% ordinary profit ratio.

Q: What is your message to the shareholders?

A: Based on our management philosophy of "customer's satisfaction in purchasing and using with full services," the EDION Group is working diligently to develop services suited to local communities' needs and increase our "product strength," "service strength," "customer satisfaction," and other aspects of the business.

The entire Group continues to endeavor as an enterprise capable of providing assurance and satisfaction to all of our stakeholders, including our shareholders and investors, our customers, our employees, local communities, business clients, as well as the Group and its related companies, while constantly working as a "creative enterprise that continues to go ahead of the times" and investing all energies into further increasing corporate value.

Additionally, by developing highly transparent operational activities, we will sustain internal corporate systems that will bring us even greater trusted than we already enjoy, while management and all of the companies work as one to continue to our ability to provide dividend commensurate with our profitability.

I sincerely hope we continue to receive even greater support and encouragement in the future.

● Midterm Vision

Rapid Achievement of 1 Trillion Yen in Sales and a 5% Ordinary Profit Ratio

To achieve 1 trillion yen in sales

Ensure growth of existing stores

New store openings through stronger system of development

Aggressive expansion in the Kanto area

Unifying product and promotion policies

Card integration

To achieve a 5% ordinary profit ratio

Streamlining Head Office

Bolstering chain operations through creation of integrated systems

Improving inventory turnover ratio

Reducing system costs

Improving efficiency of physical distribution



Exciting Discovery 1
Development and Sales of Original Products



Finding and satisfying “wants.”

What’s “KuaL” ?

Component ratio
of original products
Air Conditioners

84.0%

In addition to development and sales of original products that incorporate customers' views, the EDION Group is also actively working on expanding its large-scale store complexes where customers can find not just our leading products home electronics, but a wide variety of products including furniture and interiors, home improvement products, toys, software, and other goods. The Group is advancing development of stores where one can purchase the products one wants, all in one place, stores where customers can buy everything—even toys for the children and grandchildren—and more, along with new lines that squarely meet the needs of today's customers, bringing them a new sense of happiness and satisfaction in their daily lives.

● Introducing Original Products

Customers' opinions are directed back to manufacturers and used in further developing products. We offer high value-added original products that feature added functionality—and are available only from the EDION Group.

Rice Cookers

61.7%



Washers

34.8%



Cleaners

56.4%



Working to develop highly convenient, original products attractive to our customers.

The EDION Group is endeavoring with development and sales of the "KuaL" line of original products that consistently meet the needs of our customers. Original products, particularly with air conditioners, make up 84% of sales of the line. We carry units boasting features such as a powerful humidifier mode that provides 50 ml/hour stronger than general products, rapid cooling and heating modes that enable speedy adjustment of room temperatures, and a variety of other new functions based on customers' comments for more comfortable lives.

The Group is working diligently to develop and vend new products, for example starting sales of television racks developed jointly with MARUNI WOOD INDUSTRY Inc.

The number of new original products was 865 items in 2006, such that as of March 2007, the number reached a total of 2,527 items.

While accelerating technological advancement in recent years has continually shortened product life cycles, especially for video and audio/visual home electronics, we will further strengthening development of original products, focusing particularly on seasonally-related items and major home electronics, with the aim of both increasing consumers' convenience and our profitability.

For fiscal 2007, we are aiming at a 25% sales ratio for original products while promoting active efforts to further improve upon our sales performance than ever before.

Operating large-scale store complexes centering on home electronics with the aim of further improving customer satisfaction.

"I want to buy a TV rack together with the TV."

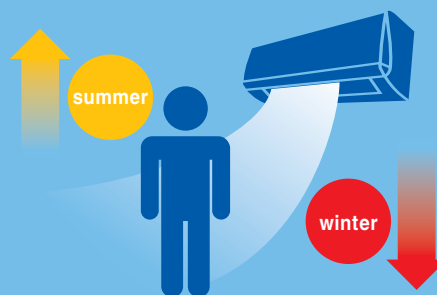
"I want to buy toys for my kids when I bring them shopping with me."

In order to respond to customer desires such as these, we have since fiscal 2006 bolstered our efforts to offer a variety of non-home electronics products, including furniture, interiors, home improvement and remodeling products, toys, and software, while maximizing the benefits of specialty shops centering on home electronics. In April 2006, we opened the "MIDORI Toyonaka Store," a large-scale store complex carrying home electronics, home improvement and remodeling goods, software, games, and toys, and opened the "EIDEN Toyota Store," which sells furniture and interiors, in June of 2006. Additionally, in May 2007 we opened "MIDORI Tarumi Store," offering furniture, interiors, home improvement products, toys, software, pet-related goods, and more. In this manner, we have been endeavoring to offer everything from home electronics to a wide variety of other goods that serve to support new lifestyles and increase customers' convenience and comfort in shopping.

Examples of Original Air Conditioner Functions

Features a powerful humidifier mode that provides 50 ml/hour stronger than general products.

This is particularly useful in humidifying rooms during the winter season or other times when the air is constantly dry.



Examples of Other Original Functions

- ◎ Rapid heating/cooling models
- ◎ Energy-saving ventilation fan mode
(Specially controls the supplied air after venting the exhaust)
- ◎ Outdoor unit with extended service life
(w/blue heat exchanger)

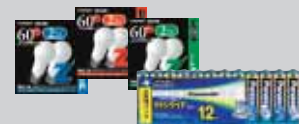
● [keyword]
Original home electronics
series for the single lifestyle

**keyword
MY&OUR**

● [MY&OUR]
eco-friendly product



暮らしをやさしく包む
MY&OUR
マイ アンド アワー





Exciting Discovery 2 Expanding the Store Network



The EDION Group has secured its high market share by running operations for each of the group companies in close contact with their respective local communities and with a comprehensive service system that promises our management philosophy "customer's satisfaction in purchasing and using with full services." Based on the group power resulting from this format utilizing close ties to the community, we aim to further develop our strategy of active store openings in the future, opening stores in new areas, and expanding our store network.



A comprehensive network.

How to “EDION” ?

The EDION Group expands its store network yet further.

In July 2006, the EDION Group formed a capital tie-up with Ishimaru Denki Co., Ltd., which since its founding in 1945 has pursued "service-focused" business under the company motto "focus on customer satisfaction." Ishimaru Denki Co., Ltd. is a total home electronics mass marketer operating primarily in the Kanto area, with 20 stores in Kanagawa, Saitama, Chiba, Ibaraki, and Niigata Prefectures. This tie-up gives us a foothold in developing our presence in the Kanto area and increase market share in the future and enables us to build an attractive physical distribution and service network over an even wider range.

Furthermore, the Group plans to share in Ishimaru Denki's know-how in sales of software and high-end audio while taking advantage of scale through consolidated purchasing, improving greater operational efficiency.

Additionally, in June 2007 the Group formed a capital tie-up with 3Q Co., Ltd., which operates 66 stores primarily in the Hokuriku and Hokkaido areas. This tie-up will enable the EDION Group to complement its store network in the Hokuriku and Hokkaido areas, resulting in expansion of our store network from Kyushu in the south to Hokkaido in the north.

Strengthening our store network in the Higashi Shizuoka and Shikoku area.

In January 2007, based on the corporate principles of "altruism" and attaining "big results through many small steps," EIDEN Co., Ltd. integrated operations with Mitsuishi Denka Center Co., Ltd., which conducts business activities in close connection with its surrounding local communities. Mitsuishi Denka Center Co., Ltd. is a comprehensive home electronics mass marketer with five stores in the eastern part of Shizuoka Prefecture, primarily Mishima City. With this business integration, the company become a subsidiary of EIDEN, allowing the Group to strengthen its store network in the eastern Shizuoka area with the "EIDEN" store brand.

Furthermore, three stores of home electronics sales business was transferred from Kyoei Co., Ltd. in February 2006. This transfer enabled the Group to open TAKUTO Store and Kitajima Store in May 2006 and to open its Utazu Store in June 2006 under the "DEODEO" store brand, achieving the realization of directly-operated stores in Tokushima Prefecture and enabling the Group to complement its store network in the Shikoku region.

The Group plans to reinforce existing stores while continuing with aggressive opening stores in new areas with the aim of further expanding the store network. Additionally, we are continually developing operations in close contact with the local communities to make the stores under our brand the premier shops in their localities as we work towards early achievement 1 trillion yen in sales and a 5% ordinary profit ratio.

Shikoku Area



● DEODEO Kitajima Store
(Tokushima Prefecture)

Higashi Shizuoka Area



● EIDEN Mishima Store
(Shizuoka Prefecture)

Kanto Area



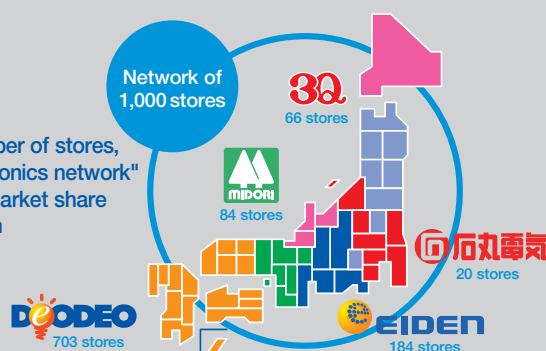
● Ishimaru Denki Kashiwa Bic-one
(Chiba Prefecture)

Hokuriku and Hokkaido Areas



● Hyakuman Volt Fukui Store
(Fukui Prefecture)

No. 1 in the number of stores, our "home electronics network" is also No. 1 in market share in western Japan



Kanto Area

Strengthening the store network through business alliance with Ishimaru Denki Co., Ltd.

Hokuriku and Hokkaido Areas

Strengthening the store network through business alliance with 3Q Co., Ltd.

Higashi Shizuoka Area

Strengthening the store network with acquiring all of the stock of Mitsuishi Denka Center Co., Ltd. by EIDEN Co., Ltd.

Shikoku Area

First store openings by the EDION Group in the Shikoku area with the transfer of three DEODEO stores from Kyoei Co., Ltd.



Exciting Discovery 3

Accelerating Business Integration with MIDORI DENKA

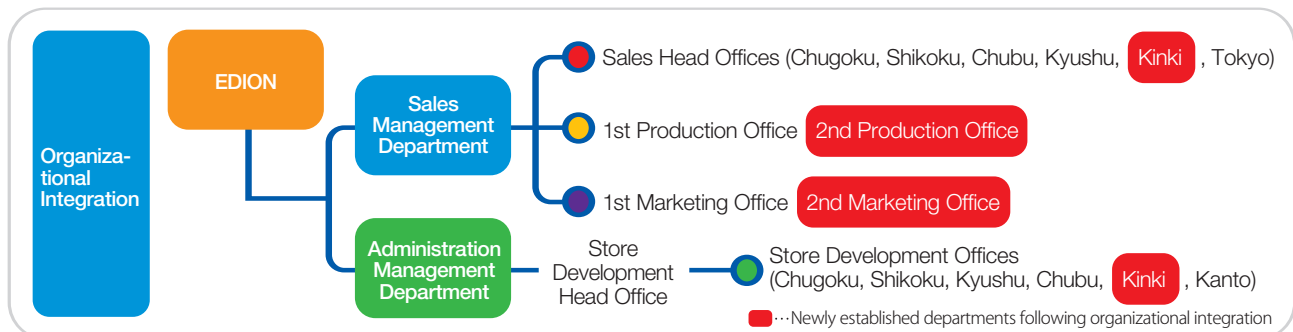


What's the strategy?

**Pursuing the
“effects of integration.”**

Since business integration with MIDORI DENKA CO., LTD., the EDION Group has become the home electronics mass marketer with the top market share in western Japan from the Chubu area. The Group moved its headquarters from Nagoya to Osaka with the aim of rapidly realizing the effects of integration with MIDORI DENKA CO., LTD. and strengthen cooperation between stores and will endeavor to create a new EDION business model in line with a running of a new system integrating the entire EDION Group.

Organizational Integration with MIDORI DENKA



Concentrating on regional conditions —transferring operations for MIDORI DENKA stores in the Chubu region to EIDEN.

In order to further develop our management philosophy of "customer's satisfaction in purchasing and using with full services," whereby we help provide customers with a more comfortable lifestyle with home electronics and a comprehensive system of services, the EDION Group is proceeding to develop operations in close contact with local communities.

As one step in this process of working to integrate operations within the Group, operations for 11 MIDORI DENKA CO., LTD. stores in the Chubu region were transferred in fiscal 2006 to EIDEN Co., Ltd., a subsidiary in that area, with a view to increasing the focus on regional conditions and improving the efficiency of services as well as the efficiency of operations for the EDION Group. The transfer of these stores establishes EIDEN's dominance in the area and reinforces the connection of its operations with the local community. Business operations for these 11 stores will be assumed under the "EIDEN" store brand, thus starting efficient operational activities with a focus on local communities' characteristics and needs.

By continuing such business integration in the future, we plan to take advantage of scale and effectively utilize our business resources with the aim of increasing the effectiveness of our business and strengthening profitability.

Transferring headquarters from Nagoya to Osaka working to achieve more efficient operations.

So as to rapidly derive and maximize the effects of integration with MIDORI DENKA CO., LTD. and strengthen links between stores, the Group moved its headquarters from Nagoya, Aichi Prefecture to Osaka City in Osaka Prefecture in February, 2007 and is continuing to concentrate headquarter's functions in this location. Consolidation of purchasing and coordinated promotional policies began in April, as the Group aims at taking advantage of scale and further improving the efficiency of its operations.

Continuing to develop new systems aiming to maximize the effects of business integration.

The Group is working on the development of new systems to manifest the effects of the business integration, including integration of each company's operations, preventing inventory stockout, reducing systems costs, and ensuring system stability and flexibility. We are creating a new EDION business model that includes measures to pursue greater operational efficiency at headquarters, in stores, with services, logistics and so on, ensure uniform service is provided by each company, bolster analysis of data, and increase the effectiveness of promotions, and with this unified management system, we aim to make the EDION Group No. 1 in the industry.

The shift to our new system in fiscal 2008 will virtually complete operational integration with MIDORI DENKA CO., LTD.



● The Nagoya Minato Store, transferred from MIDORI DENKA, opens as a 4,920m² large-scale retail store.



● Midori Service delivers customers' purchases, with staff changing into white socks upon entering the customer's home.



● MIDORI DENKA is a GAMBA OSAKA uniform sponsor.

Shifting operations in the Chubu region to EIDEN stores

	Number of directly-operated EIDEN stores		Total market share value of EIDEN for three prefectures	
	As of the end of fiscal 2005	As of the end of fiscal 2006	As of the end of fiscal 2005	As of the end of fiscal 2006
Aichi Prefecture	41 stores	42 stores	21.1%	24.8%
Mie Prefecture	11 stores	12 stores		
Gifu Prefecture	14 stores	16 stores		

Realizing new EDION business model





Pursuing
“assurance.”

Is it safe?



With the inclusion of MIDORI DENKA CO., LTD, the EDION Group has become the Group with the highest market share in western Japan from the Chubu region, while boasting the largest number of stores in Japan. The EDION Group is fully utilizing the service systems spanning this broad range while offering attractive products at reassuring prices, along with superior service, fully practicing the management philosophy of "customer's satisfaction in purchasing and using with full services."

Service Results

Types of service available	Results for FY 2006
Delivery and installation	2,998,000 cases
Same-day delivery and installation	305,000 cases
Onsite repairs	1,288,000 cases
Carry-in repairs	1,046,000 cases



The EIDEN Toyota Store, where staff work with the customer's convenience in mind.

The EIDEN Toyota Store—opened in June 2006, this location features the largest sales floor space (7,370 m²) of all EIDEN's stores. Featuring not just an overwhelming selection of home electronics, personal computers, furniture, interiors, toys, and more, this large-scale complex store also provides attentive services with top priority on customer convenience.

One of such services is the first-floor repair reception counter, where customers are welcome to bring items to be repaired. The counter is just inside the store from the parking area and customers need not carry these items for repair to any far-off location, instead receiving trustworthy service right at the counter. What's more, diagnostics are free of charge and customers can feel comfortable bringing in these products anytime, such as when coming into shop.

Also begun with the opening of the Toyota Store was the "EIDEN ee CARD" instant issuance service, with cards issued in the store immediately. In consideration of customers' convenience, we implemented this instant credit card service, which is the first trial high-volume home electronics stores. Many customers enjoy the convenience of getting the "EIDEN ee CARD" issued speedily, sometimes only in 30 minutes after completing the application procedures, then being able to use the card the very same day.

Establishment of Physical Distribution and Service Integration Promotion Office improving services by sharing experiences and know-how.

In January 2007, a "Physical Distribution and Service Integration Promotion Office" organized under the direct control of the President was newly established with the aim of rapidly integrating the EDION Group's logistics and service systems, and measures to promote sharing of logistics know-how throughout the entire group has begun. Furthermore, the Group continues to advance in its efforts to integrate the service systems for each of the group companies and create an expanded service system.

The Group aims to establish delivery services fitting our customers' schedules, devising even more comprehensive delivery options, including delivery during time periods and at particular hours specified by the customer, to more closely meet the needs of our customers' lifestyles.

To provide customers with greater assurance in use even after the sale, we have established an expanded five-year extended repair warranty as well as a revolutionary "three-year manufacturer's warranty" for certain products in our line of original personal computers.

This "three-year manufacturer's warranty," which is intended to provide extended use of purchased products under optimal conditions, is a value-added feature available only from the EDION Group that puts the management philosophy "customer's satisfaction in purchasing and using with full services" into practice.

The EDION Group will continue its focus on service with a human touch in pursuit of assurance and convenience for our customers.



● EIDEN Toyota Store Marketplace

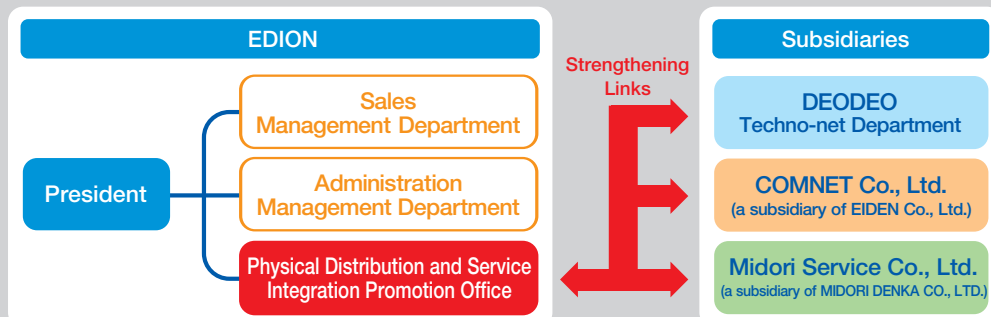


● EIDEN Toyota Store ee CARD Instant Issuance Counter



● EIDEN Toyota Store Repair Reception Counter

Sharing the Group's experiences and know-how, realizing high-quality services!



● Numbers of Directly-Operated and Franchise Stores
(As of March 31, 2007)

	DEODEO			EIDEN			MIDORI DENKA			ISHIMARU DENKI			EDION		
	RC	FC	Total	RC	FC	Total	RC	FC	Total	RC	FC	Total	RC	FC	Total
Kanto	6	1	7	0	0	0	4	0	4	19	0	19	29	1	30
Hokuriku	0	0	0	0	0	0	0	0	0	1	0	1	1	0	1
Chubu	0	5	5	137	46	183	2	0	2	0	0	0	139	51	190
Kinki	0	0	0	1	0	1	78	0	78	0	0	0	79	0	79
Chugoku	79	271	350	0	0	0	0	0	0	0	0	0	79	271	350
Shikoku	13	75	88	0	0	0	0	0	0	0	0	0	13	75	88
Kyushu and Okinawa	23	230	253	0	0	0	0	0	0	0	0	0	23	230	253
Total	121	582	703	138	46	184	84	0	84	20	0	20	363	628	991

(Including subsidiaries)

 Directly-Operated DEODEO Home Electronics Stores
 Franchise DEODEO Stores

 Directly-Operated EIDEN Home Electronics Stores
 Franchise EIDEN Stores

 Directly-Operated MIDORI DENKA Home Electronics Stores
 Franchise MIDORI DENKA Stores

 Directly-Operated Ishimaru Denki Home Electronics Stores
 Franchise Ishimaru Denki Stores



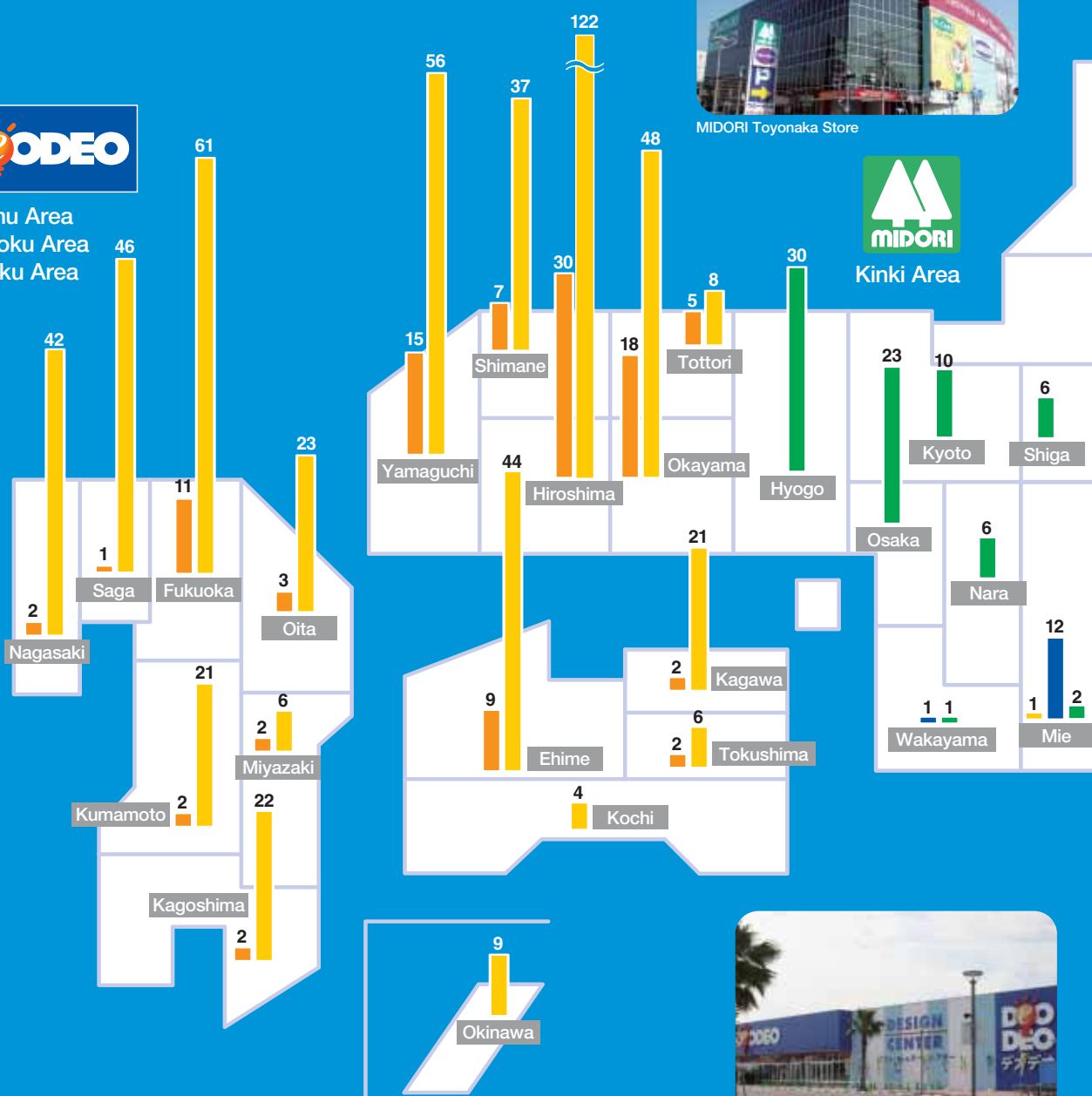
MIDORI Toyonaka Store



Kinki Area



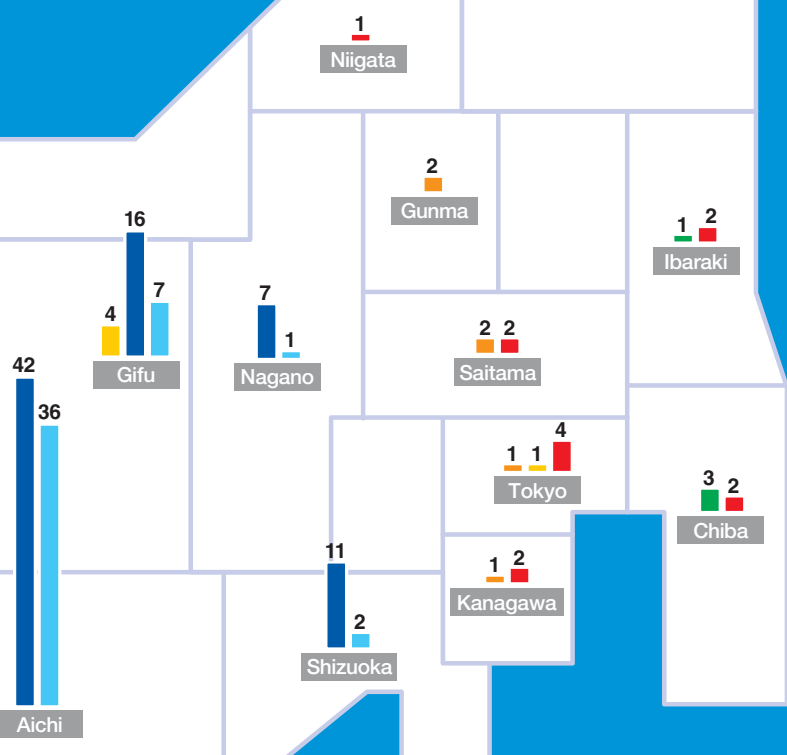
Kyushu Area
Chugoku Area
Shikoku Area



DEODEO Design Center Marina Hop Store



EDION Toyota Store



EDION Chubu Area

The EDION Group expands its network of stores yet further with the addition of Ishimaru Denki Co., Ltd.

The EDION Group is developing stores suited to the scale of a market area that extends from the Kanto area to the Kyushu area, while continuing to promote business activities in close contact with local communities. In regard to our retail stores, we have opened 34 new directly-operated home electronics stores, closed stores in 29 locations, increased the floor space at 13 stores, and either relocated or scrapped and built 11 stores. Further 11 new directly-operated stores were opened, with 7 such stores being closed.

Furthermore, the addition of Ishimaru Denki Co., Ltd. has resulted in the addition of 13 directly-operated home electronics stores and 7 other directly-operated stores.

As a result, the number of stores in operation as of the end of the fiscal year came to 363 stores, with a total sales floor space of 922,413 m².

The opening of 55 new franchise stores, coupled with closure of 14 stores brought the total number of franchise stores at the end of the fiscal year to 628 stores, which combined with the Group's directly-operated stores results in a total of 991 stores.



Ishimaru Denki Store



Kanto Area

Subsidiaries (As of March 31, 2007)

Companies	Location	Business Outline
DEODEO Corporation	Naka-ku, Hiroshima	Sales of home electronics and others
EDION Co., Ltd.	Nakamura-ku, Nagoya	Sales of home electronics and others
MIDORI DENKA CO., LTD.	Amagasaki city, Hyogo	Sales of home electronics and others
Kurashino Design, Inc.	Shinagawa-ku, Tokyo	Mail-order business of furniture and interior products
DEODEO Shoji Co., Ltd. *	Minami-ku, Hiroshima	Sales of home electronics and others
EDION COMMUNICATIONS Co., Ltd.	Chikusa-ku, Nagoya	Sales of cellular telephones
COMNET Co., Ltd.	Kasugai city, Aichi	Repair, delivery and installation of home electronics
HOME EXPO Co., Ltd.	Chikusa-ku, Nagoya	Sales of home improvement store products
NWork Co., Ltd.	Chikusa-ku, Nagoya	Operation and development of computerized information systems
Mitsuishi Denka Center Co., Ltd.	Mishima city, Shizuoka	Sales of home electronics and others
MET Special Purpose Company	Chiyoda-ku, Tokyo	Management of assets specified under liquidation plan
Midori Service Co., Ltd.	Amagasaki city, Hyogo	Delivery and installation of home electronics
Midori Corporation	Kashiwa city, Chiba	Sales of home electronics and others
Ishimaru Denki Co., Ltd.	Chiyoda-ku, Tokyo	Sales of home electronics and others
Tokyo Ishimaru Denki Co., Ltd.	Bunkyo-ku, Tokyo	Sales of home electronics and others
Ishimaru Denki Record Center Co., Ltd.	Chiyoda-ku, Tokyo	Sales of CD and DVD software
Aiai Online Co., Ltd.	Chiyoda-ku, Tokyo	Management of internet shopping site
Aiai Techno Service Co., Ltd.	Chiyoda-ku, Tokyo	Delivery and installation of home electronics and others
Ishimaru Honsha Co., Ltd.	Chiyoda-ku, Tokyo	Lease management of real estate
Yurigaoka Kosan Co., Ltd.	Chiyoda-ku, Tokyo	Lease management of real estate
Daichi Ishimaru Kyodo Building Co., Ltd.	Chiyoda-ku, Tokyo	Lease management of real estate

* Merged with DEODEO Corporation as of April 1, 2007



Profiles of EDION Group



President

K. Tomonori

Message

**60th anniversary of
our founding,
continuing to
move ahead,
building upon
our history.**

Date of Establishment	May 7, 1947
Common Stock	¥19,294 million
URL	http://www.deodeo.co.jp/
President	Kazutoshi Tomonori
Number of Stores	703 (on a consolidated basis)
Number of Employees	3,252
Sales in FY2006	¥275.9 billion (on a consolidated basis)
Description of Business	Sales of home electronics, information and communication equipments, and other products



DEODEO Corporation

With its head office in Hiroshima, DEODEO Corporation has maintained its founding spirit of "constantly acting with our customer first in mind" while developing its business activities in close connection with local communities. In May 2007, the company greeted its 60th anniversary, and will continue to cherish reliable relationships with our customers, who have supported the company over these sixty years.

● The business concept: "Quality Service Retailing"

In addition to offering "higher quality products at lower prices" in tune with customers' lifestyles with home electronics that are useful in daily life, DEODEO also employs the concept of "quality service retailing," providing a comprehensive variety of service to help customers get the most out of their purchases long after the sale.

● Meeting the specialized needs of local customers with comprehensive store development

DEODEO has established large-scale, directly-operated stores (with sales floor spaces from 1,500 to 5,000 m²) in the Chugoku, Shikoku, and Kyushu areas, while development of smaller "DFS" DEODEO Family Shop franchise stores in the vicinity of the directly-operated stores provide more locally-based sales while offering extensive services to local patrons.

As of March 2007, the company had a total of 703 stores (121 directly-operated stores and 582 franchise stores), and is expanding its market share in the Chugoku, Shikoku, and Kyushu areas.

DEODEO further aims to provide high-quality after-sales service at all times, with 69 service locations in above areas and over 300 expert service technicians.

One of DEODEO's particular strengths is the "same-day onsite repair service," whereby staff are dispatched to the customer's home the very day the request for repair comes in. Our customers continue to hold the service in high regard.

Furthermore, the company is also active in working with community activities, including contributions to local sports activities through affiliated companies such as the Hiroshima Sanfrecce professional soccer team and with the DEODEO Athletic Club for Women.



President

Message

Building stores to bring greater richness to our customers' lives.

Date of Establishment	April 7, 1955
Common Stock	¥12,694 million
URL	http://www.eiden.co.jp/
President	Shoichi Okajima
Number of Stores	184 (on a consolidated basis)
Number of Employees	2,755
Sales in FY2006	¥218.2 billion (on a consolidated basis)
Group Companies	HOME EXPO Co., Ltd., Mitsuishi Denka Center Co., Ltd., EIDEN COMMUNICATIONS Co., Ltd., COMNET Co., Ltd., NWork Co., Ltd.
Description of Business	Sales of home electronics , information and communication equipments, and other products



Based in Nagoya, EIDEN Co., Ltd. has been actively working to meet the specialized needs of our customers and striving to improve customer satisfaction through developing our businesses, including "EIDEN", a chain of comprehensive home electronics stores, "Home Expo" DIY home centers, and "EIDEN Communications" mobile phone speciality shops.

Specifically, the company aims to achieve even higher levels of customer satisfaction and further differentiate itself from the competition through sincere and considerate customer relations based on an understanding of the customer's viewpoint. Furthermore, the company's strategy for store openings includes not just openings of large-scale "super-size stores," but also efforts to develop stores in new business lines featuring an expanded selection of items such as furniture and interior goods, games, hobbies and crafts, with the aim of appealing to an expanded customer base.

As a result of this aggressive store-opening strategy, the company had a total of 184 stores as of March 2007 (138 directly-operated stores and 46 franchise stores), thus boosting its market share in the Chubu area yet another step.

● Advancing a strategy of store openings to fit the market

The EIDEN Group has been developing its strategy for store openings with the aim of meeting the needs of our customers. With stores such as CompMart, which sells primarily computers and computer-related products, EIDEN COMMUNICATIONS mobile phone shops, and Home Expo stores, which carries products found at home improvement centers, the company fully covers customers' every lifestyle need.

Moreover, the company will be continuing be flexible in store development, for example merging with the subsidiary CD, DVD, and software retailer Disk Station, and opening shops within EIDEN as well as independent store openings.

The EIDEN Group holds its resources in common, allowing development of integrated stores that bring customers total living comfort and leave them with a lasting impression.

The EIDEN Group will continue to advance its strategy of store openings while maintaining a clear picture of market characteristics.

● Intensifying efforts to improve distribution and service

As for the efficiency of our business, the EIDEN Group aims for constant improvement in profitability and service levels through integrated management of procurement and distribution, door-to-door delivery, and service operations. Additionally, the EIDEN Group is working to improve service center operations, aiming to shorten delivery lead times, achieve inventory control that eliminates waste, and further improve delivery and installation operations.



Profiles of EDION Group



President

Masahiko Kitani

Message

**Complete service
provides peace of mind,
even after the purchase.**

Date of Establishment	August, 1961
Common Stock	¥1,560 million
URL	http://www.midori-de.com/
President	Masahiko Kitani
Number of Stores	84 (on a consolidated basis)
Number of Employees	2,482 (on a consolidated basis)
Sales in FY2006	¥242.7 billion (on a consolidated basis)
Group Companies	Midori Service Co., Ltd., Midori Corporation
Description of Business	Sales of home electronics, information and communication equipments, furniture, interior accessories, CDs, DVDs, games, toys and other products



MIDORI DENKA CO., LTD.

With its head office in Amagasaki, Hyogo Prefecture, MIDORI DENKA CO., LTD. has 84 stores as of March 2007 (84 directly-operated), which with service centers located in the center of each of its areas, provides full services "anytime, anywhere." Moreover, through Midori Service Co., Ltd., the company provides rapid, quality service by highly skilled and knowledgeable specialists in close proximity to local communities. Furthermore, the company has initiated home delivery of stocked repair parts, services for such matters as changing electric bulbs and fluorescent lights, along with other new services targeting the country's aging society.

● Striving to establish honest and respectful relationships with the customers

We at MIDORI DENKA believe the three following points are important in establishing excellent personnel, along with development and prosperity that is supported by the customers.

- 1) Sincere customer relations.
- 2) Creating an environment in where the products and sales area are treated with care, enabling customers to shop comfortably.
- 3) Keeping in mind the need to improve and maintaining a constant awareness of improving oneself.

To help back up these three aspects, superiors (senior staff) provide on-the-job training to subordinates (junior staff), while the head office provides support for a variety of training and study programs. In this manner, the basis for MIDORI DENKA's human resources education is "fostering humans including all of society." People play the leading role in the business. We believe a passionate devotion to developing better personnel is intimately linked to development and successful growth of the business.

● Aiming to develop services that "touch the heart" along with a diverse line of products

At MIDORI DENKA, conversing with the customers is of the utmost importance in allowing the staff to suggest which of the number of products available are most suitable for the customer. We believe that communicating with customers enables our staff members to grasp the customers' preferences, particularities, home environment, and other factors, and using this information, the staff member can then suggest the "products of value" suited to each individual customer.

This requires both extensive knowledge about the products and "people skills" that allow staff to "sell not just the product, but themselves as well" through sincere connections with our customers. MIDORI DENKA aims to improve service quality by cultivating such "people skills."

We also carry products other than home electronics to meet our customers' widely ranging needs. Particular welcome for bridal customers and individuals starting out on their own is the fact that MIDORI DENKA has "everything you need" to set up house, all in one place. And with toys, video games, and sales and rental of CDs and DVDs, we provide total support for our customers' lifestyles.



President

S. Torigoe

Message

Aiming to be top direct marketing company in Japan for design of living spaces.

Date of Establishment	March 1, 2002
Common Stock	¥300 million
URL	http://www.e-kurashi-de.net/
President	Sadashige Torigoe
Number of Employees	31
Sales in FY2006	¥4.1 billion
Description of Business	Mail order business of home electronics, information and communication equipments, furniture, interior accessories and other products by catalog and eCommerce



Kurashino Design, Inc.

With its head office in Shinagawa-ku, Tokyo, Kurashino Design, Inc. operates a direct marketing business for sales of furniture, interiors, and home electronics through our "Kurashino Design" mail order catalogues and the "edion direct" Internet shopping site, while providing customers with welcome services. Along with these two main sales channels, the company works to help realize "customers' lifestyle dreams" by developing diverse business lines, offering original products that present customers with delightful discoveries, and exhibiting a warm and gentle style of communication.

● Participatory product development involves customers' views

At "Kurashino Design," we develop products using a "customer participatory format," in which our customers' views are always incorporated. While we naturally work to improve product quality to enable extended use, we also strive for product development that allows us to propose comprehensive suggestions for new lifestyles and interiors in accordance with different themes, while producing catalogues that are easy and enjoyable to browse.

Issued six times a year (with an annual run of 2.65 million copies), these catalogues are delivered for sale at 46,000 bookstores, convenience stores, and supermarkets, and other sales outlets throughout Japan.

● Featuring a huge variety of 42,000 different products

The "edion direct" shopping site specializes in sales of home electronics, furniture, and interior accessories that are in tune with customers' dreams over the Internet. And in addition to furniture and interiors, the lineup also feature home electronics, computers, software, and other products available only from the EDION Group.

Moreover, the product development capabilities and expertise accumulated through such catalogue sales are then utilized in further development of original products. We offer a wide variety of attractive furniture and interior products that brighten customers' lives.



Profiles of EDION Group



President

Toshiyuki Ishimaru

Message

The most important theme: satisfying our customers.

Date of Establishment	March, 1945
Common Stock	¥100 million
URL	http://www.ishimaru.co.jp/
President	Toshiyuki Ishimaru
Number of Stores	20 (on a consolidated basis)
Number of Employees	435 (on a consolidated basis)
Sales in FY2006	¥38.8 billion (on a consolidated basis)
Group Companies	Ishimaru Denki Record Center Co., Ltd., Tokyo Ishimaru Denki Co., Ltd., Aiai Techno Service Co., Ltd., Aiai Online Co., Ltd.
Description of Business	Sales of audio-visual equipment, home electronics, personal computer, telephone, facsimile, music/video software and PC software



Ishimaru Denki Co., Ltd.

With its head office in Akihabara in Tokyo, the most famous “electric town” in Japan, Ishimaru Denki has since its establishment in 1945 achieved the ultimate criterion for its business, under our concept “focus on customer satisfaction.”

In an age where people are demanding individualism and distinctive personal style in their lives, Ishimaru Denki places great importance on each individual customer's lifestyle while aiming to provide added value not only in terms of low prices, but with additional factors such as reliability, reassurances, and satisfaction.

● Aiming to improve customer satisfaction

Ishimaru Denki's most important theme is “customer satisfaction.” Thus, the company concentrating purchasing at each store to achieve greater efficiency in managing operations, consolidating logistics functions to provide prompt delivery and better backup for setup services under the motto “kindness and gentleness,” continually pursuing these and other measures to create an environment that enables the company to provide high-quality services at all times.

In regard to the development and operation of stores as well, the company constantly strives to gain an accurate grasp of market trends and tendencies, information on manufacturers, and other factors needed to respond to our customers' desires, while working to improve customer satisfaction through development of a wide range of products.

Moreover, Ishimaru Denki's idea of “customer satisfaction” does not end with the sale of the product. Delivery services are also given high priority as one aspect of “customer relations,” with employees courteously delivering purchased items to customers, and when necessary, installing and/or setting up the purchased item to enable the customer to begin using it as soon as possible. This method of creating lines of communication with our customers is intimately connected to the sense of reassurance available only from Ishimaru Denki.

● Specialty home electronics, personal computers, and software store operations, primarily in the Kanto area

As of March 2007, the company had 20 stores in operation, primarily in the Kanto area, operating directly-operated stores in Kanagawa, Saitama, Chiba, Ibaraki, and Niigata Prefectures and other locations.

Product lines handled have expanded to include audio/video equipment, home electronics, personal computers, phones, and fax machines, as well as music, video, game, and other software, being handled by each home electronics store and computer and software specialty shop.



Corporate Governance/CSR Activities



Working to create a system to earn the trust of all stakeholders

The EDION Group's management philosophy of "customer's satisfaction in purchasing and using with full services" not only describes our relationship with customers, it extends to include our shareholders and investors, local communities, clients, and all of the Group's other stakeholders as well. Due to the intense competition in the market and developments occurring amid the changing times, securing widespread support from local communities is of tremendous importance, while corporate governance is an extremely critical business issue in creating favorable relationships with the Group's stakeholders and ensuring transparency and objectivity in corporate decision-making.

Earning the trust of our customers is premised on organizational measures aimed at achieving thorough executive and employee compliance. We have thus established a "code of ethics of the EDION Group," organized a "compliance committee" that acts as our headquarters for risk management as it relates to thorough adherence to the code of ethics and compliance, and instituted a compliance training and education system for our employees that includes distribution of the Group's "ethics and compliance manual" as well as a "code of ethics card" for employees to carry. Additionally, the Group has set up a system to protect and manage personal information in compliance with the "Law Concerning the Protection of Personal Information," including personal information protection policies and basic administrative provisions for protecting personal information.

In January 2007, the company established an internal control promotion section with the aim of strengthening managerial oversight of the Group's internal controls and achieving greater efficiency through revised approaches to operational processes. We have also instituted systems for continuous study and improvement of regulations so as to enable the Group to take appropriate steps with internal control reports mandated by the Financial Products Exchange Law (the Japanese version of "SOX" (the Sarbanes-Oxley Act of 2002), due to be applied from April 2008.

Fulfilling our social responsibilities as a corporation in step with the local community

● An Outlet that Excels at Promoting Energy-Efficient Products (2006)

Stores	Number of stores
DEODEO	15 stores
EIDEN	28 stores
MIDORI DENKA	1 store

Establishing favorable relationships with all of our stakeholders is indispensable to attaining broad acceptance by local communities as well as for continued development in today's severe business environment. The EDION Group works to contribute to local communities and is involved in a variety of other efforts needed to ensure we fulfill our corporate responsibilities to society.

In addition to DEODEO's role as main sponsor of the "Sanfrecce Hiroshima" J-League soccer team, other EDION Group firms are involved in local sports promotion activities, including MIDORI DENKA, a uniform sponsor for the "Gamba Osaka" soccer team, and EIDEN, which supports various local sports clubs, including sponsorship of the "F.C. Gifu" Japan Football League soccer team and the "EIDEN Aichi OB BLITZ" adult amateur baseball club, and management of the DEODEO Athletic Club for Women and their archery club.

Furthermore, in addition to DEODEO's and EIDEN's participation in the "Team Minus 6%" movement to prevent global warming, the EDION Group is also actively pursuing other efforts to popularize energy-saving products. Meanwhile, the Group is continuing to work on environmental activities, results of which include the DEODEO Higashi Hiroshima store's receiving the 2006 Natural Resources and Energy Agency Director-General's Award as the "Outlet that Excels at Promoting Energy-Efficient Products," sponsored by the Energy Conservation Center, Japan, and selection of a total of 44 stores in the Group as superior stores.



Business Results

● Overall Operations

During this fiscal year, in spite of favorable conditions in the Japanese economy, with results buoyed by a satisfactory economic recovery in the U.S. and an improved employment picture expected as the baby boomer generation starts retiring, higher crude oil prices and cancellation of zero-interest policies have acted as negative factors increasing the costs of raising capital, resulting in an overall downward trend in personal consumer spending, while the way forward remains unclear.

In the home electronic retailing industry, favorable trends continued in sales of wide-screen flat-panel TVs and other "digital home electronics" products, influenced by the expansion of regions receiving terrestrial digital broadcasts and events such as the 2006 Soccer World Cup. However, sales of "seasonally-based products" such as air conditioners and heating-related products dropped due to a long rainy season and cool summer, which was then followed by warm winter. Customers also have held off from buying personal computers, waiting for the appearance of computers with the Windows Vista OS pre-installed and for expected drops in price, resulting in a downward trend for "information-related products" as well.

Amid such conditions, the EDION Group had, by March 30, 2007 acquired 40.0% equity interest of Ishimaru Denki Co., Ltd., with its network of stores centering on Akihabara, Tokyo and spreading throughout the Kanto region, established a section to promote its Kanto operations, and further advance reinforcement of its base in the Kanto area. Additionally, with a view to making more effective use of group business resources, 11 MIDORI DENKA CO., LTD. stores in the Chubu area were transferred to EIDEN Co., Ltd. Furthermore, with intensified efforts to develop the new business format (covering furniture, interiors, toys, remodeling, software, etc.), much focus has gone into large-scale suburban stores than previously, with the April 2006 opening of the "MIDORI Toyonaka Store," featuring its core home electronic lines and impressive selection of furniture, interiors, and toys, and the "EIDEN Toyota Store," which opened in June 2006, and the September 2006 opening of the "DEODEO Design Center Marina Hop Store," which specializes in remodeling and DIY home center offerings. Meanwhile, the group has partnered with the personnel services firm Pasona Inc. to establish Pasona e-Professional Inc. with the aim of securing highly qualified customer service personnel for the group.

The group will continue in its pursuit of customer satisfaction and its aim of becoming the top brand in volume sales of larger home electronics based on our management philosophy, "customer's satisfaction in purchasing and using with full services."

Analysis of Operating Results

● Net Sales

Net sales for the current fiscal year was ¥740,293 million (103.6% of the previous fiscal year). The increase in sales was partly driven by aggressive store openings, including large-scale urban stores (MIDORI Toyonaka Store and EIDEN Toyota Store) and with new lines (DEODEO Design Center Marina Hop Store).

In terms of products, demand for wide-screen flat-panel TVs and other digital home electronics products increased due to the 2006 Soccer World Cup held in Germany, while sales trends were favorable for washing machines, cleaners, and other items from which consumer are demanding high added value.

● Operating Income

Operating income was ¥6,947 million (86.2% of the previous fiscal year) for the current fiscal year. Although the gross profit ratio increased 0.1%, aggressive sales promotions and investment activity led to 0.3% increase in the SG&A ratio, resulting in a decrease in operating income compared to the previous fiscal year.

● Non-Operating Income and Net Income

Net income was ¥7,368 million (89.6% of the previous fiscal year) for the current fiscal year. This figure includes an impairment loss of ¥3,548 million, loss on sale or disposal of fixed assets of ¥566 million, as well as income taxes of ¥6,800 million.

Financial Position

● Assets, Liabilities, and Equity

Total assets were ¥390,551 million, an increase of ¥71,044 million over assets at the end of the previous fiscal year. While this increase was mainly due to the integration of Ishimaru Denki Co., Ltd. at the end of the current fiscal year, which brought a net increase of ¥42,536 million in total assets, other factors were involved, including total assets of ¥6,412 million for Mitsubishi Denka Center Co., Ltd., which became a new affiliate of EIDEN Co., Ltd., a rise in inventory to ¥12,079 million, and increases in receivables to ¥7,653 million.

Total liabilities were ¥228,374 million, an increase of ¥38,396 million over liabilities at the end of the previous fiscal year. While this, too, was due to the inclusion of Ishimaru Denki Co., Ltd. as a subsidiary at the end of the current fiscal year, an additional factor was the increase in interest-bearing debt to ¥28,680 million, a result of aggressive investment and expenses involved in share acquisitions.

Total equity totaled ¥162,177 million, an increase of ¥33,673 million over the previous fiscal year. The increase was due primarily to inclusion of ¥29,252 million increase in minority interest in consolidated subsidiaries resulting from the integration of Ishimaru Denki Co., Ltd. at the end of the current fiscal year and net income of ¥7,368 million for the year. For more detailed information, refer to the consolidated statement of changes in equity.

The above conditions resulted in a change of shareholder's equity ratio from 40.2% to 34.0% at the end of the current fiscal year.

● Cash Flow Analysis

Cash and cash equivalents (hereinafter referred to as "cash") increased by ¥13,819 million, or 200.3%, from the previous fiscal year end to ¥27,591 million. Cash flow conditions and analysis for the current fiscal year are as follows.

Cash flows from operating activities

Net cash provided by operating activities decreased ¥8,057 million to ¥3,408 million for the current fiscal year. This was primarily attributed to an increase in income before income taxes and minority interests of ¥14,268 million and in depreciation and amortization of ¥10,207 million due to aggressive investment in the past years, along with income taxes paid of ¥7,397 million.

Cash flows from investing activities

Net cash used in investing activities increased ¥4,351 million to ¥12,102 million for the current fiscal year. This was mainly due to payments of ¥21,799 million for acquisition of tangible fixed assets for new stores opened during the year and those to be opened in near future, proceeds of ¥7,757 million from sale of tangible fixed assets, and ¥10,805 million from acquisition of subsidiaries' stock resulting from changes in the scope of consolidation.

Cash flows from financing activities

Net cash provided by financing activities increased ¥24,398 million to ¥22,513 million for the current fiscal year. This was primarily attributed to ¥13,000 million increase in short-term bank loans, ¥26,000 million in increase in long-term debt, ¥14,209 million in repayments of long-term debt, and ¥2,112 million in cash dividends paid.



Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Assets			
Current Assets:			
Cash on hand and deposits in banks	¥ 13,912	¥ 28,993	\$ 245,598
Notes and accounts receivable:			
Trade	20,879	29,280	248,033
Other	6,901	7,395	62,639
	27,780	36,675	310,672
Less, allowance for doubtful accounts	(130)	(142)	(1,196)
	27,650	36,533	309,476
Marketable securities (Note 3)	—	107	907
Inventories	79,659	99,646	844,100
Deferred tax assets (Note 10)	4,639	5,223	44,244
Other current assets	3,244	3,575	30,282
Total current assets	129,104	174,077	1,474,607
Investments and Other Assets:			
Investments in securities (Note 3)	4,204	7,600	64,380
Investments in affiliates	368	4,048	34,291
Leasehold deposits	31,593	35,578	301,377
Deferred tax assets (Note 10)	3,892	7,475	63,322
Other assets	5,133	7,404	62,717
Less, allowance for doubtful accounts	(489)	(509)	(4,311)
	44,701	61,596	521,776
Property and Equipment, at cost (Note 4):			
Land	58,479	64,902	549,787
Buildings and structures	126,268	138,708	1,174,995
Vehicles	273	269	2,274
Furniture and fixtures	19,314	21,584	182,835
Construction in progress	3,804	1,185	10,040
	208,138	226,648	1,919,931
Less, accumulated depreciation	(71,139)	(81,917)	(693,919)
	136,999	144,731	1,226,012
Intangible Assets and Deferred Charges:			
Goodwill	3,771	3,897	33,007
Other intangible assets and deferred charges	4,932	6,250	52,948
	8,703	10,147	85,955
Total Assets	¥ 319,507	¥ 390,551	\$ 3,308,350

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Liabilities			
Current Liabilities:			
Short-term bank loans (Note 4)	¥ 14,500	¥ 29,855	\$ 252,901
Current portion of long-term debt (Note 4)	13,292	14,994	127,016
Notes and accounts payable:			
Trade	51,712	55,825	472,894
Other	17,075	9,981	84,549
	68,787	65,806	557,443
Income taxes payable	4,290	7,079	59,965
Accrued expenses	5,830	6,312	53,467
Accrued sales discounts	5,721	7,042	59,655
Other current liabilities	7,969	8,428	71,391
Total current liabilities	120,389	139,516	1,181,838
Long-term Liabilities:			
Long-term debt (Note 4)	49,665	61,289	519,176
Accrued retirement benefits to employees (Note 5)	7,312	9,244	78,305
Accrued retirement benefits to directors and corporate auditors	632	979	8,292
Deferred tax liabilities for land revaluation	2,664	2,669	22,610
Deferred tax liabilities (Note 10)	48	1,630	13,809
Negative goodwill	—	3,919	33,200
Other long-term liabilities	9,268	9,128	77,326
Total long-term liabilities	69,589	88,858	752,718
Total liabilities	189,978	228,374	1,934,556
Equity (Notes 6 and 11):			
Common stock	—	10,175	86,189
Capital surplus	—	83,420	706,652
Retained earnings	—	54,289	459,884
Less, treasury stock, at cost	—	(58)	(496)
Total shareholders' equity	—	147,826	1,252,229
Other components of equity	—	(14,901)	(126,224)
Minority interests	—	29,252	247,789
Total equity	—	162,177	1,373,794
Total liabilities and equity	—	¥ 390,551	\$ 3,308,350
Minority Interests:	1,025	—	—
Shareholders' Equity:			
Common stock	10,175	—	—
Capital surplus	83,419	—	—
Retained earnings	50,263	—	—
Land revaluation decrement	(16,254)	—	—
Net unrealized gain on other securities	947	—	—
Less, treasury stock	(46)	—	—
Total shareholders' equity	128,504	—	—
Total liabilities, minority interests, and shareholders' equity	¥ 319,507	—	—



Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars	
	2005	2006	2007	2007
Net Sales	¥ 437,992	¥ 714,698	¥ 740,293	\$ 6,271,015
Cost of Sales	342,241	556,932	575,802	4,877,615
Gross profit	95,751	157,766	164,491	1,393,400
Selling, General and Administrative Expenses	90,740	149,712	157,544	1,334,555
Operating income	5,011	8,054	6,947	58,845
Non-operating Income (Expenses):				
Interest and dividend income	288	329	416	3,521
Interest expenses	(541)	(691)	(911)	(7,714)
Purchase discounts	5,383	11,115	10,941	92,681
Equity in losses of affiliates	(138)	(18)	(177)	(1,496)
Loss on sale or disposal of property and equipment	(1,597)	(1,595)	(566)	(4,792)
Loss on write-down of investments in securities	(201)	(305)	(20)	(167)
Gain on sale of securities	591	39	65	551
Loss on fire at stores	(181)	—	—	—
Cancellation charges on early termination of facility leasing arrangements	(286)	(126)	(151)	(1,281)
Impairment loss (Note 2(k))	—	(2,063)	(3,548)	(30,059)
Loss on withdrawal of welfare pension fund (Note 5)	—	(849)	—	—
Gain on shift to new retirement benefit plan (Note 5)	—	746	—	—
Gain on transfer to defined contribution pension plan	193	—	—	—
Other, net	375	1,439	1,272	10,775
	3,886	8,021	7,321	62,019
Income before income taxes and minority interests	8,897	16,075	14,268	120,864
Income Taxes (Note 10):				
Current	3,793	6,686	10,020	84,884
Deferred	85	1,063	(3,220)	(27,278)
Total income taxes	3,878	7,749	6,800	57,606
Income before minority interests	5,019	8,326	7,468	63,258
Less, minority interests in net income of consolidated subsidiaries	100	100	100	848
Net income	¥ 4,919	¥ 8,226	¥ 7,368	\$ 62,410
	Yen		U.S. dollars	
Amounts per share:				
Net income	¥ 60.58	¥ 76.98	¥ 69.76	\$ 0.59
Cash dividends	20.00	20.00	20.00	0.17

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

Millions of yen									
	Number of shares issued (thousands)	Common stock	Capital surplus	Retained Earnings	Land Revaluation decrement	Net unrealized gain on other securities	Foreign currency translation adjustments	Treasury stock	Total shareholders' equity
Balance at March 31, 2004	78,278	¥ 4,000	¥ 60,736	¥ 46,110	¥ (16,959)	¥ 769	¥ (173)	¥ (18)	¥ 94,465
Net income for the year	—	—	—	4,919	—	—	—	—	4,919
Cash dividends	—	—	—	(1,567)	—	—	—	—	(1,567)
Bonuses to directors and corporate auditors	—	—	—	(61)	—	—	—	—	(61)
Reversal of land revaluation decrement	—	—	—	33	(33)	—	—	—	—
Exercise of stock subscription rights	210	148	147	—	—	—	—	—	295
Issuance of common stock	10,500	6,027	6,026	—	—	—	—	—	12,053
Merger of subsidiaries	—	—	—	(4,384)	—	—	—	—	(4,384)
Changes due to scope change of equity method	—	—	—	52	—	—	—	—	52
Net change in unrealized gain on other securities	—	—	—	—	—	(340)	—	—	(340)
Translation adjustment	—	—	—	—	—	—	173	—	173
Fractional shares acquired, net	—	—	—	—	—	—	—	(9)	(9)
Balance at March 31, 2005	88,988	10,175	66,909	45,102	(16,992)	429	—	(27)	105,596
Net income for the year	—	—	—	8,226	—	—	—	—	8,226
Cash dividends	—	—	—	(2,113)	—	—	—	—	(2,113)
Bonuses to directors and corporate auditors	—	—	—	(214)	—	—	—	—	(214)
Reversal of land revaluation decrement	—	—	—	(738)	738	—	—	—	—
Issuance of common stock upon stock exchange transactions (Note a-ii)	16,677	—	16,510	—	—	—	—	—	16,510
Net change in unrealized gain on other securities	—	—	—	—	—	518	—	—	518
Fractional shares acquired, net	—	—	0	—	—	—	—	(19)	(19)
Balance at March 31, 2006	105,665	¥ 10,175	¥ 83,419	¥ 50,263	¥ (16,254)	¥ 947	¥ —	¥ (46)	¥ 128,504

Millions of yen											
	Number of shares issued (thousands)	Shareholders' equity					Other components of equity			Minority interests	Total equity
		Common stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Land revaluation decrement	Total other components of equity		
Balance at March 31, 2006	105,665	¥ 10,175	¥ 83,419	¥ 50,263	¥ (46)	¥ 143,811	¥ 947	¥ (16,254)	¥ (15,307)	¥ 1,025	¥ 129,529
Net income for the year	—	—	—	7,368	—	7,368	—	—	—	—	7,368
Cash dividends	—	—	—	(2,112)	—	(2,112)	—	—	—	—	(2,112)
Bonuses to directors and corporate auditors	—	—	—	(195)	—	(195)	—	—	—	—	(195)
Reversal of land revaluation decrement	—	—	—	(1,035)	—	(1,035)	—	—	—	—	(1,035)
Fractional shares acquired, net	—	—	1	—	(12)	(11)	—	—	—	—	(11)
Net changes other than shareholders' equity for the year	—	—	—	—	—	—	(563)	969	406	28,227	28,633
Balance at March 31, 2007	105,665	¥ 10,175	¥ 83,420	¥ 54,289	¥ (58)	¥ 147,826	¥ 384	¥ (15,285)	¥ (14,901)	¥ 29,252	¥ 162,177

Thousands of U.S. dollars										
Balance at March 31, 2006	\$ 86,189	\$ 706,648	\$ 425,776	\$ (392)	\$ 1,218,221	\$ 8,021	\$ (137,685)	\$ (129,664)	\$ 8,681	\$ 1,097,238
Net income for the year	—	—	62,410	—	62,410	—	—	—	—	62,410
Cash dividends	—	—	(17,893)	—	(17,893)	—	—	—	—	(17,893)
Bonuses to directors and corporate auditors	—	—	(1,648)	—	(1,648)	—	—	—	—	(1,648)
Reversal of land revaluation decrement	—	—	(8,761)	—	(8,761)	—	—	—	—	(8,761)
Fractional shares acquired, net	—	4	—	(104)	(100)	—	—	—	—	(100)
Net changes other than shareholders' equity for the year	—	—	—	—	—	(4,769)	8,209	3,440	239,108	242,548
Balance at March 31, 2007	\$ 86,189	\$ 706,652	\$ 459,884	\$ (496)	\$ 1,252,229	\$ 3,252	\$ (129,476)	\$ (126,224)	\$ 247,789	\$ 1,373,794



Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars	
	2005	2006	2007	2007
Cash Flows from Operating Activities:				
Income before income taxes and minority interests	¥ 8,897	¥ 16,075	¥ 14,268	\$ 120,864
Adjustments for:				
Depreciation and amortization	5,563	9,521	10,207	86,466
Impairment loss	—	2,063	3,548	30,059
Net change in accrued bonuses to employees	(58)	634	208	1,761
Net change in accrued sales discounts	208	(2,067)	9	80
Gain on sale of securities	(591)	(39)	(65)	(551)
Loss on write-down of investments in securities	201	305	20	167
Equity in losses of affiliates	138	18	177	1,496
Loss on sale or disposal of property and equipment	1,597	1,595	566	4,792
Decrease (increase) in trade receivables	143	(2,095)	(7,653)	(64,831)
Increase in inventories	(1,840)	(8,858)	(12,079)	(102,319)
(Decrease) increase in trade payables	(6,257)	342	1,874	15,871
Other, net	418	3,932	420	3,560
Subtotal	8,419	21,426	11,500	97,415
Interest and dividend received	58	124	160	1,358
Interest expenses paid	(569)	(693)	(855)	(7,247)
Income taxes paid	(1,782)	(9,392)	(7,397)	(62,657)
Net cash provided by operating activities	6,126	11,465	3,408	28,869
Cash Flows from Investing Activities:				
Net change in time deposits	960	(270)	(30)	(254)
Increase in tangible fixed assets and intangible assets	(8,166)	(18,036)	(24,263)	(205,535)
Proceeds from sale of tangible fixed assets	562	1,591	7,757	65,705
Increase in investments in securities	(12,820)	(168)	(4,450)	(37,695)
Proceeds from sale of investments in securities	2,146	603	106	900
Acquisition, net	—	—	10,805	91,529
Net change in leasehold deposits to lessors	(1,108)	(1,342)	(847)	(7,173)
Net change in leasehold deposits from lessees	1,615	904	162	1,373
Other, net	(802)	265	(1,342)	(11,366)
Net cash used in investing activities	(17,613)	(16,453)	(12,102)	(102,516)
Cash Flows from Financing Activities:				
Net change in short-term bank loans	(5,770)	(12,500)	13,000	110,123
Increase in long-term debt	15,000	26,194	26,000	220,245
Repayments of long-term debt	(8,178)	(13,232)	(14,209)	(120,364)
Issuance of common stock	12,257	—	—	—
Cash dividends paid	(1,565)	(2,112)	(2,112)	(17,893)
Other, net	(348)	(235)	(166)	(1,404)
Net cash provided by (used in) financing activities	11,396	(1,885)	22,513	190,707
Net (decrease) increase in cash and cash equivalents	(91)	(6,873)	13,819	117,060
Cash and cash equivalents at beginning of year	13,446	13,355	13,772	116,662
Increase in cash and cash equivalents upon stock exchange transactions	—	7,290	—	—
Cash and cash equivalents at end of year (Note 2(d))	¥ 13,355	¥ 13,772	¥ 27,591	\$ 233,722

See accompanying Notes to Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Basis of Consolidated Financial Statements

(a) Basis of presenting the consolidated financial statements

The accompanying consolidated financial statements of EDION Corporation (the "Company") and its consolidated subsidiaries (together with the Company, the "EDION Group") have been 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. These consolidated financial statements are compiled from the original consolidated financial statements in Japanese prepared by the Company as required by the Securities and Exchange Law of Japan and submitted to the Director of the Kanto Finance Bureau of Japan.

(b) Structure

The Company was incorporated on March 29, 2002 as a 100% holding parent company of DEODEO Corporation ("DEODEO") and EIDEN Co., Ltd. ("EIDEN") through exchanging the Company's shares with the shares of these companies in accordance with the former Commercial Code of Japan ("Code"). The formation of EDION and the exchanging of shares of DEODEO and EIDEN were accounted for using the pooling-of-interests method in accordance with "Accounting for the Consolidation of a Holding Company Established by Stock Exchange or Stock Transfers" (Accounting Committee Research Report No. 6) issued by the Japanese Institute of Certified Public Accountants ("JICPA"), since the following conditions under the accounting standard above were all met:

- 1) All of the common stock with voting rights of the two companies except for fractional shares were exchanged with those of the Company, and no significant restrictions were attached to the shares of the Company;
- 2) Shareholders of the two companies are regarded as maintaining voting rights and percentage of equity;
- 3) Neither of the two companies had dominance in the decision-making process of the Company relating to significant financial, operating or business policies;
- 4) Neither of the two companies had dominance in the Board of Directors or other decision-making bodies of the Company; and
- 5) Fair values of the two companies were not significantly different from each other.

(c) Segment information

Information by industry segment is not disclosed, as the EDION Group operates predominantly in a single principal industry, "Home electronics and related products and repair service" for the years ended March 31, 2005, 2006 and 2007. Information by geographic segment and overseas sales is also not disclosed, as EDION had no overseas subsidiaries and branches.

(d) U.S. dollar amounts

The Company maintains its accounting records in Japanese Yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating Japanese Yen into U.S. dollars at a rate of ¥118.05 to \$1, the rate of exchange at March 31, 2007. The inclusion of such dollar

amounts is solely for the convenience of the readers and is not intended to imply that Yen and the assets and liabilities originating in Yen have been or could be readily converted, realized or settled in dollars at ¥118.05 to \$1 or at any other rate.

2. Summary of Significant Accounting Policies

(a-i) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in significant unconsolidated subsidiaries and affiliates are accounted for by the equity method. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost. The differences between the acquisition cost of investments in subsidiaries and the underlying equity in the net assets adjusted based on the fair value at the time of acquisition are deferred as goodwill or negative goodwill and amortized over five years, except for the cases when a definite useful life is available based on the substantive analysis by the Company. All significant inter-company accounts and transactions have been eliminated on consolidation.

(Scope of consolidation and equity method)

The number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates for the years ended March 31, 2005, 2006 and 2007 was as follows:

	2005	2006	2007
Consolidated subsidiaries	10	13	21
Affiliates, accounted for by the equity method	5	3	4
Unconsolidated subsidiaries, stated at cost	—	—	7
Affiliates, stated at cost	—	—	1

During the year ended March 31, 2005, Bax Co., Ltd. was liquidated and DEODEO Technonet Co., Ltd. was merged into DEODEO. As the Company acquired a 38.2% equity interest of MIDORI DENKA CO., LTD. ("MIDORI DENKA") on March 16, 2005, MIDORI became to be included in the scope of equity method as of March 31, 2005. On April 1, 2005, MIDORI DENKA became a wholly owned subsidiary of the Company through the stock-for-stock exchange transactions, then the Company consolidated the accounts of MIDORI DENKA and its two subsidiaries from the year ended March 31, 2006 (See Note 2(a-ii) below). On July 27, 2006 and March 30, 2007, the Company acquired 40% equity interest of Ishimaru Denki Co., Ltd. ("Ishimaru Denki"), the Company has consolidated only the balance sheet of Ishimaru Denki and its seven subsidiaries as of March 31, 2007. In addition, as EIDEN acquired 100% equity interest of MITSUISHI DENKA CENTER Co., Ltd. ("MITSUISHI DENKA") on February 19, 2007, the Company has consolidated only the balance sheet of MITSUISHI DENKA as of March 31, 2007. During the year ended March 31, 2007, DISK STATION Co., Ltd., a wholly-owned subsidiary, is merged into EIDEN.

During the year ended March 31, 2005, IMAGINE Co., Ltd. and TAIIGI Corporation were excluded from the scope of equity method due to the sale of their stocks. Aki Cable Television Co., Ltd. and JHN-Chugoku Co., Ltd. became to be included in the scope of



Notes to the Consolidated Financial Statements

equity method during the year ended March 31, 2005 due to the increase of their materiality. On March 10, 2006, Aki Cable Television Co., Ltd was merged into Fureai Channel Inc., in which the Company's investment is accounted for by the equity method. During the year ended March 31, 2007, investments in Pasona e-Professional Inc. and MARUNI WOOD INDUSTRY Inc. was included in the scope of equity method through the purchase of their stocks, and JHN-Chugoku Co., Ltd. was excluded from the scope of equity method due to the sale of its stocks. Although investment in Ishimaru Denki was accounted for by the equity method for the period from July 27, 2006, the first purchase date of its stocks, Ishimaru Denki became a consolidated subsidiary due to the additional purchase of the common shares of Ishimaru Denki on March 30, 2007.

Under the accounting standard for consolidation, a subsidiary is defined as an enterprise which is controlled by another enterprise, and that is a majority (more than 50%) owned enterprise or 40% to 50% owned enterprise that meets certain criteria. The number of the companies with not exceeding 50% voting interest classified as consolidated subsidiaries based on the self-judgment of the Company in accordance with the accounting standard was eight for the year ended March 31, 2007, while there was no company classified as above for the years ended March 31, 2005 and 2006. In addition, an affiliated company is defined as an enterprise in which the investor has a significant influence, and that is an enterprise, other than a subsidiary, with 20% or more of voting stock as well as 15% to 19% owned enterprise that meets certain criteria. For the years ended March 31, 2005, 2006 and 2007, the number of the companies with not exceeding 20% voting interest classified as affiliate based on the self-judgment of the Company in accordance with the accounting standard was two, respectively.

Although the fiscal year-end of certain consolidated subsidiaries differs from the consolidated fiscal year-end of the Company, the Company has principally consolidated their accounts as of their year-end due to the difference being not more than three months. Significant transactions for the period between subsidiaries' year-end and the Company's year-end are adjusted on consolidation.

(a-ii) Agreement of business integration (exchange of shares) with MIDORI DENKA

On May 18, 2004, the Company entered into the integration agreement with MIDORI DENKA for the purpose of establishing the competitive enterprise group. This integration was expected to provide regional service through wide-ranging network simultaneously under the idea of "the business development for customers in the local community" and to raise customer satisfaction by providing the goods and service with higher satisfaction. Business integration is also expected to decrease cost by obtaining the scale merit and accomplish further improvement by maximizing management vitality. In accordance with this integration agreement, on April 1, 2005, the Company issued 16,676,797 shares of common stock of the Company in exchange of outstanding shares of MIDORI DENKA, except for the Company's portion. As a result, MIDORI DENKA became a wholly owned subsidiary of the Company from the year ended March 31, 2006.

MIDORI DENKA is engaged in sales and repairs of electric appliances and communication equipment, and sales of furniture and upholstery. The unaudited consolidated financial information of MIDORI DENKA and its two consolidated subsidiaries as of or for the years ended March 31, 2006 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2007	2007
At the year-end:			
Current assets	¥ 42,090	¥ 42,654	\$ 361,321
Investments and other assets, and intangible assets	15,192	14,031	118,857
Property and equipment	48,238	37,660	319,019
Total assets	¥ 105,520	¥ 94,345	\$ 799,197
Total liabilities	¥ 70,349	¥ 54,400	\$ 460,823
Total shareholders' equity/equity	35,171	39,945	338,374
	¥ 105,520	¥ 94,345	\$ 799,197
For the year:			
Net sales	¥ 256,540	¥ 242,729	\$ 2,056,155
Operating income (loss)	939	(1,383)	(11,719)
Net income	3,344	5,345	45,275

(a-iii) Acquisition for the year ended March 31, 2007

As described in Note (a-i) "scope of consolidation and equity method", the Company acquired 40% equity interest of Ishimaru Denki on July 27, 2006 and March 30, 2007, the Company has consolidated only the balance sheet of Ishimaru Denki and its seven subsidiaries as of March 31, 2007. A summary of the assets and liabilities of Ishimaru Denki is as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 22,415	\$ 189,875
Noncurrent assets	20,122	170,453
Current liabilities	(3,671)	(31,095)
Noncurrent liabilities	(3,321)	(28,134)
Negative goodwill	(3,919)	(33,199)
Minority interests	(28,227)	(239,108)
Equity in losses for the period from July 27, 2006	29	249
Acquisition cost	3,428	29,041
Cash and cash equivalents held by Ishimaru Denki	14,793	125,316
Increase in cash presented on the accompanying consolidated statements of cash flows	¥ 11,365	\$ 96,275

In addition, EIDEN acquired 100% equity interest of MITSUISHI DENKA on February 19, 2007, the Company has consolidated only the balance sheet of MITSUISHI DENKA as of March 31, 2007. A summary of the assets and liabilities of MITSUISHI DENKA is as follows:

Notes to the Consolidated Financial Statements

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 2,989	\$ 25,321
Noncurrent assets	1,884	15,958
Goodwill	1,540	13,043
Current liabilities	(3,566)	(30,205)
Noncurrent liabilities	(1,254)	(10,618)
Acquisition cost	1,593	13,499
Cash and cash equivalents held by MITSUBISHI DENKA	1,033	8,753
Payments in cash presented on the accompanying consolidated statements of cash flows	¥ 560	\$ 4,746

(b) Accounting standard for business combinations

Business Accounting Council of Japan ("BACJ") issued "Accounting Standard for Business Combinations" on October 31, 2003, and the Accounting Standards Board of Japan ("ASBJ") issued "Accounting Standard for Business Divestitures (ASBJ Statement No.7)" and Implementation Guidance "Guidance on Accounting Standard for Business Combinations and Accounting Standard on Business Divestitures (ASBJ Guidance No. 10)" on December 27, 2005, which are applied for the year beginning on April 1, 2006. The EDION Group has adopted these standards from the year ended March 31, 2007. This accounting change resulted in no effect on the operational results of the EDION Group. The excess of the acquisition cost of investments over the underlying equity in the fair value of net assets acquired, which was presented as consolidating adjustment account in the prior year' s consolidated financial statements, is shown as goodwill in the consolidated financial statements for the year ended March 31, 2007 in accordance with the revised disclosure regulations.

(c) Accounting standard for presentation of net assets in the balance sheet

ASBJ issued "Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No.5)" and Implementation Guidance "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8)" on December 9, 2005, which are applied for the year ending on May 1, 2006. The standard requires presenting the equity section in the balance sheet as similar to International Financial Reporting Standards. The EDION Group has adopted these new accounting standards from the year ended March 31, 2007. If the previous accounting method had been applied for the consolidated balance sheet at March 31, 2007, equity would have amounted to ¥132,925 million (\$1,126,005 thousand).

(d) Cash and cash equivalents

For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents are composed of cash on hand, bank deposits that may be withdrawn on demand and highly liquid debt instruments purchased with original maturities of three months or less, which represent low risk of fluctuation in value, as follows:

	2005	2005	2007	2007
	Millions of yen	Millions of yen	Thousands of U.S. dollars	Thousands of U.S. dollars
Cash on hand and deposits in banks	¥ 13,495	¥ 13,912	¥ 28,993	\$ 245,598
Securities in current assets	50	—	—	—
Less, time deposits with maturities more than three months	(190)	(140)	(1,402)	(11,876)
Cash and cash equivalents	¥ 13,355	¥ 13,772	¥ 27,591	\$ 233,722

(e) Investments and marketable securities

The EDION Group classifies certain investments in debt and equity securities as "held-to-maturity," "trading" or "available-for-sale," whose classification determines the respective accounting method as stipulated by the accounting standard for financial instruments. Debt securities for which the EDION Group has both a positive intent and the ability to hold to maturity are classified as held-to-maturity securities, and are stated at amortized cost, reflecting amortization/accumulation to premium or discount on acquisition over the period to maturity. Marketable securities with market quotations for available-for-sale securities are stated at fair value and net unrealized gains or losses on these securities are reported as a component of equity, net of applicable income taxes. Gains and losses on disposition of investment securities are computed by the moving average method. Nonmarketable securities without available market quotations for available-for-sale securities are carried at cost determined by the moving average method. Adjustments in carrying values of individual investment securities are charged to income through write-downs, when the fair value of such securities other than trading securities has declined significantly (below 50% of the carrying value) and such a decline in value is deemed other than temporary. With respect to the available-for-sale securities of which market values have declined between 30% and 50%, amounts to be written off are determined by considering the recoverability of the respective securities.

(f) Accounting for derivatives

Derivative instruments are valued at fair value, if hedge accounting is not appropriate or where there is no hedging designation, and the gains or losses on derivatives are recognized in the current earnings.

Interest rate swap arrangements are used to hedge against the interest risks associated with long-term bank loans. The related elements including principals, notional amounts, receive/pay rates and terms approximately coincide with those of the corresponding bank loans, accordingly the difference of amounts received or paid on such interest rate swap arrangements are charged/credited to income as an adjustments to interest expenses of the related bank loans in accordance with the special treatment as permitted by the accounting standard for financial instruments.

(g) Allowance for doubtful accounts

Allowance for doubtful accounts has been provided for at the aggregate amount of estimated credit loss based on the individual financial review approach for doubtful or troubled receivables and a general reserve for other receivables calculated based on the historical loss experience for a certain past period.



Notes to the Consolidated Financial Statements

(h) Inventories

Merchandise inventories are stated at cost. Cost was principally determined by the moving average method, the first-in, first-out method or the last purchase price method for consumer electronics merchandise, and the retail method for home-center appliance merchandise.

Until the year ended March 31, 2004, cost for consumer electronics merchandise held by DEODEO and EIDEN was principally determined by the moving average method and the first-in, first-out method, respectively. From the year ended March 31, 2005, EIDEN changed its accounting method for such merchandise inventories from the first-in, first-out method to the moving average method based on the unification background of the computerized accounting system of the both companies. This accounting change resulted in no material effects on the consolidated financial statements for the year ended March 31, 2005. MIDORI DENKA, a subsidiary whose accounts are consolidated from the fiscal year ended March 31, 2006, principally adopts the first-in, first-out method for consumer electronics merchandise. The last purchase price method is principally adopted by Ishimaru Denki.

(i) Property and equipment, and depreciation

Property and equipment, including significant renewals and additions, are stated at cost, and have been depreciated by the declining-balance method and its consolidated subsidiaries at rates based on the estimated useful lives of the assets, except that the buildings acquired on and after April 1, 1998 have been depreciated by the straight-line method. The range of useful lives is principally from 2 to 60 years for buildings and structures, and from 2 to 20 years for vehicles, equipment, furniture and tools.

(j) Leases

Where financing leases do not transfer ownership of the leased property to the lessee during the term of the lease, the leased property is not capitalized and the relating rental and lease expenses are charged to income as incurred for using the accounting treatment similar to operating leases as accepted by the "Opinion Concerning Accounting Standard for Leases" issued by BACJ and the related practical guideline issued by JICPA.

(k) Accounting standard for impairment of fixed assets

On August 9, 2002, BACJ issued "Accounting Standard for Impairment of Fixed Assets," which was effective for the fiscal years beginning April 1, 2005. ASBJ issued related practical guidance on October 31, 2003. The EDION Group adopted this new accounting standard and related practical guidance from the year ended March 31, 2006. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of the asset's net selling price or value in use. Fixed assets include land, buildings and structures, and equipment and fixtures as well as intangible assets and are to be grouped at the lowest level for which there are identifiable cash flows from other groups of assets.

For the purpose of recognition and measurement of an impairment loss, fixed assets of the EDION Group are principally grouped into cash-generating units based on the managerial accounting classification, other than idle or unused property. Impairment loss is recognized if cash-generating units record negative operating results or the property is not planned to be used in the future. Recoverable amounts of the assets were measured based on their net selling prices primarily for appraisal valuations or value in use computed based on the future cash flows discounted with the rates of 2.78% and 3.06% for the years ended March 31, 2006 and 2007, respectively.

For the years ended March 31, 2006 and 2007, the EDION Group recognized an impairment loss on fixed assets of ¥2,063 million and ¥3,548 million (\$30,059 thousand), respectively, as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Land	¥ 650	¥ 135	\$ 1,148
Buildings and structures	1,019	2,191	18,560
Financing leases	116	257	2,174
Goodwill	-	695	5,891
Other	278	270	2,286
Total	¥ 2,063	¥ 3,548	\$ 30,059

As a result of adoption of this new accounting standard, for the year ended March 31, 2006, operating income increased by ¥181 million and income before income taxes and minority interests decreased by ¥1,882 million, as compared with the previous accounting method.

(l) Revaluation of land

In accordance with the Law Concerning Revaluation of Land, DEODEO and EDION elected the one-time revaluation to restate the cost of land used for the business at values rationally reassessed effective on the end of March 2002, reflecting appropriate adjustments for land shape and other factors, based on the municipal property tax bases. According to the Law, the amount equivalent to the tax effect on the difference of the original book values and sound reassessed values is recorded as deferred tax liabilities for land revaluation account, and the rest of such difference, net of the tax effect, is recorded in a component of the equity section as land revaluation decrement account in the accompanying consolidated balance sheets. At March 31, 2006 and 2007, the differences of the carrying values of land used for the business after reassessment over the market value of such land at the respective fiscal year-ends amounted to ¥12,071 million and ¥12,930 million (\$109,530 thousand), respectively.

(m) Intangible assets

Intangible assets, including capitalized software for internal use, are amortized using the straight-line method mainly for five years.

Pre-operating costs and new share issue costs are amortized over five and three years, respectively, as permitted by the former Commercial Code Enforcement Regulation of Japan and the current Japanese accounting standards.

(n) Leasehold deposits

The balances of leasehold deposits comprise fixed leasehold deposits and advances made to lessors for construction costs.

Fixed leasehold deposits are mainly those paid to lessors in connection with the lease of buildings and facilities or chain store operations. Lessors in Japan generally require leasehold deposits equivalent to several months' lease rental payments. Such leasehold deposits do not bear interest and are generally refundable only when the lease is terminated.

In connection with the lease of a store, the EDION Group generally enters into an agreement with and makes advances to lessors in the amount equivalent to the construction cost of a store. Under such agreement, the EDION Group leases the land and building from lessors after the completion of construction and pays lease rentals thereon from such advances previously made to lessors in installments over the period specified in each agreement (generally 20 years). Lease rentals from such agreements are charged to income as incurred. Such advances are included in "Leasehold deposits" in the accompanying consolidated balance sheets.

(o) Accrued sales discounts

Certain points are granted to member customers on their purchase of merchandise at stores in proportion to their purchase amounts, allowing them purchase discounts on merchandise in the future ("Point card system"). The EDION Group has provided accrued sales discounts granted to member customers through the point card system stated above based on the available appropriate estimates at the fiscal year-ends.

(p) Accrued retirement benefits to employees

The EDION Group has defined retirement benefit plans in addition to retirement lump sum payment schemes covering substantially all employees. In certain cases, additional payments are made to employees who terminate their service.

The EDION Group has recognized the retirement benefits for employees including pension cost and related liability based on actuarial present value of projected benefit obligation using the actuarial appraisal approach and the pension plan assets available for benefits at the fiscal year-ends in accordance with the Japanese accounting standard for employee retirement benefits. Unrecognized actuarial differences as changes in the projected benefit obligation or pension plan assets resulting from the experience different from that assumed and from changes in assumptions are amortized on a straight-line basis over ten years as a certain period within average remaining service lives of employees from the next year in which they arise. Past service costs are amortized on a straight-line basis over ten years as a certain period within average remaining service lives of employees from the year in which it occurs.

(q) Accrued retirement benefits to directors and corporate auditors

Accrued retirement benefits to directors and corporate auditors of the EDION Group are provided for based on internal regulations. The EDION Group recognizes 100% of such liability the EDION Group would have paid if all directors and corporate auditors had retired at the year-end. Payment of such retirement benefits to directors and

corporate auditors requires prior approval of shareholders.

(r) Translation of foreign currency accounts

All monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the respective balance sheet dates and resulting translation gains or losses are included in the determination of net income for the year.

(s) Consumption taxes

Consumption taxes are levied at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions). The consumption tax withheld by the EDION Group on its revenue and consumption tax paid by the EDION Group on its purchases of products, merchandise and services from vendors are not included in the amounts of respective accounts in the consolidated statements of income, but are recorded as an asset or a liability, as the case may be and the net balance is included in other current liabilities on the consolidated balance sheets.

(t) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

(u) Enterprise taxes

With the implementation of the "Revision of the Local Tax Law" issued on March 31, 2003, a local corporate enterprise tax base such as "added value amount" and "capital amount" has been adopted. Enterprise taxes based on "added value amount" and "capital amount" are included in selling, general and administrative expenses pursuant to "Practical Treatment for Presentation of Sized-based Corporate Enterprise Taxes in the Statement of Income" (ASBJ Report of Practical Issues No.12).

(v) Accounting standard for directors' bonus

From the year ended March 31, 2007, the EDION Group has adopted "Accounting Standard for Directors' Bonus (ASBJ Statement No.4)" issued by ASBJ on November 29, 2005. The standard requires that the directors' bonuses, including those for corporate auditors, shall be accounted for as an expense of the accounting period in which such bonuses are accrued. Until the year ended March 31, 2006, bonuses to directors and corporate auditors were recorded as a part of the appropriation of retained earnings in the fiscal year when a proposed appropriation of retained earnings for directors and corporate auditors' bonuses was approved by the Board of Directors and/or shareholders. As a result, as the EDION Group has accrued such bonus, operating income and income before income taxes and minority interests decreased by ¥240 million (\$2,029 thousand) for the year ended March



Notes to the Consolidated Financial Statements

31, 2007, respectively, as compared with the previous accounting method.

(w) Appropriation of retained earnings

Cash dividends and bonuses to directors and corporate auditors are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders.

See Note 2(v) for the accounting for bonuses to directors and corporate auditors.

(x) Per share data

Net income per share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the respective years. Diluted net income per share is not disclosed, as the EDION Group had no diluted common shares for the years ended March 31, 2005, 2006 and 2007. Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared as applicable to the respective years.

For the purpose of calculation of earnings per share, net income shown in the consolidated statements of income is reduced, in accordance with the Japanese accounting standard, by the amounts deemed not attributable to the shareholders holding ordinary shares of the company, which include dividends to preferred stocks.

3. Investments

At March 31, 2007, marketable securities consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Held-to-maturity debt securities	¥ 6	\$ 51
Available-for-sale securities	101	856
	¥ 107	\$ 907

At March 31, 2006 and 2007, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2007	2007
Available-for-sale securities:			
Equity securities	¥ 3,452	¥ 7,032	\$ 59,569
Bonds	101	-	-
Others	124	50	426
	3,677	7,082	59,995
Held-to-maturity debt securities	6	-	-
Other nonmarketable securities	521	518	4,385
	¥ 4,204	¥ 7,600	\$ 64,380

Marketable securities are classified as available-for-sale and are stated at fair value with unrealized gains and losses which are excluded from the current earnings and reported as a net amount within the equity account until realized. At March 31, 2006 and 2007, gross unrealized gains and losses for marketable available-for-sale securities were summarized as follows:

	Millions of yen			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
At March 31, 2006:				
Marketable securities:				
Equity securities	¥ 1,912	¥ 1,541	¥ 1	\$ 3,452
Bonds	100	1	-	101
Others	97	27	-	124
	¥ 2,109	¥ 1,569	¥ 1	\$ 3,677
At March 31, 2007:				
Marketable securities:				
Equity securities	¥ 6,415	¥ 1,155	¥ 538	\$ 7,032
Bonds	-	-	-	-
Others	50	0	-	50
	¥ 6,465	¥ 1,155	¥ 538	\$ 7,082

	Thousands of U.S. Dollars			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
At March 31, 2007:				
Marketable securities:	\$ 54,339	9,788	4,558	59,569
Equity securities	-	-	-	-
Bonds	424	2	-	426
Others	\$ 54,763	9,790	4,558	59,995

The EDION Group sold available-for-sale securities and recorded realized gains of ¥926 million, ¥133 million and ¥55 million (\$466 thousand), for the years ended March 31, 2005, 2006 and 2007, respectively, and realized losses of ¥335 million, ¥94 million for the years ended March 31, 2005 and 2006, respectively, on the accompanying consolidated statements of income. During the years ended March 31, 2005, 2006 and 2007, the EDION Group recorded a loss on the write-down of available-for-sale securities and investments in unconsolidated subsidiaries and affiliates due to other-than-temporary impairments in value amounting to ¥201 million, ¥305 million and ¥20 million (\$167 thousand), respectively.

At March 31, 2007, all held-to-maturity and available-for-sale debt securities were reported as current assets.

4. Short-term Borrowings and Long-term Debt

Short-term borrowings consisted of bank loans with the annual average interest rate of 0.89% for the year ended March 31, 2007.

At March 31, 2006 and 2007, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2007	2007
Loans principally from banks due through 2025 at the average interest rate of 1.02 % per annum at March 31, 2007:			
Collateralized	¥ 14,854	¥ 15,733	\$ 133,274
Unsecured	45,168	57,888	490,369
1.04 % secured straight bonds due in April 2007 issued by MET Special Purpose Company	500	500	4,236
0.36 % unsecured straight bonds due in March 2009 issued by MIDORI DENKA	780	540	4,574
10.0 % unsecured convertible bonds due in September 2023 issued by Ishimaru Honsha Co., Ltd.	-	32	270
Other obligation relating to the store construction	1,655	1,590	13,469
	62,957	76,283	646,192
Less, current maturities	(13,292)	(14,994)	(127,016)
	¥ 49,665	¥ 61,289	\$ 519,176

The holders of 10.0 % convertible bonds due in September 2023 issued by Ishimaru Honsha Co., Ltd. are entitled to exercise the stock acquisition rights at the conversion price of ¥50 per share, subject to adjustment in certain circumstances, for the period from December 1, 1983 to September 19, 2023.

The aggregate annual maturities of long-term debt at March 31, 2007 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2008	¥ 14,994	\$ 127,016
2009	8,877	75,198
2010	19,421	164,511
2011	12,619	106,892
2012	15,031	127,329
Thereafter	5,341	45,246
Total	¥ 76,283	\$ 646,192

Certain assets of the EDION Group that were pledged as collateral for long-term debt and other long-term liabilities at March 31, 2006 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2007	2007
Land	¥ 14,047	¥ 13,588	\$ 119,939
Buildings and structures	9,782	14,159	115,102
	¥ 23,829	¥ 27,747	\$ 235,041

At March 31, 2006 and 2007, the Company entered into the loan commitment agreements with major banks. At March 31, 2006 and 2007, total committed lines of credit under such agreements amounted to ¥30,000 million and ¥40,000 million (\$338,839 thousand), respectively, of which ¥20,000 million and ¥25,000 million (\$211,775 thousand) were available, respectively. As is customary in Japan,

substantially all bank borrowings are subject to general agreements which provide, among other things, that the banks may, under certain circumstances, request additional security for these loans and may treat any security so furnished to the banks, as well as cash deposited with them, as security for all present and future indebtedness. The banks have never requested the EDION Group to submit such additional security. Also, as is customary in Japan, the Company and certain of its subsidiaries may have time deposits with the banks from which they have short-term and long-term borrowings. However, there are no agreements with any banks, which would require maintaining such deposits.

5. Accrued Retirement Benefits to Employees

The EDION Group principally has non-contributory defined benefit pension plans and defined contribution retirement benefit plans.

The following table reconciles the benefit liability and net periodic retirement benefit expense as at March 31, 2006 and 2007 or for the years ended March 31, 2005, 2006 and 2007:

	Millions of yen		Thousands of U.S. dollars
	2005	2007	2007
Projected benefit obligation	¥ 12,346	¥ 14,659	\$ 124,172
Fair value of pension plan assets at end of year	(6,560)	(7,166)	(60,700)
Projected benefit obligation in excess of pension plan assets	5,786	7,493	63,472
Less, unrecognized actuarial differences	695	916	7,758
Unrecognized past service costs	831	835	7,075
Net amounts of accrued retirement benefits to employees	¥ 7,312	¥ 9,244	\$ 78,305

Note: Projected benefit obligation of certain subsidiaries was calculated using the simplified calculation method as permitted by the accounting standard for employee retirement benefits.

	Millions of yen		Thousands of U.S. dollars	
	2005	2006	2007	2007
Component of net periodic retirement benefit expense:				
Service cost	¥ 1,655	¥ 837	¥ 847	\$ 7,177
Interest cost	256	191	209	1,773
Expected return on pension plan assets	(52)	(50)	(63)	(533)
Amortization of actuarial differences	237	98	3	29
Amortization of past service costs	(24)	(96)	(93)	(792)
Other	(148)	96	618	5,234
Net periodic retirement benefit expense	¥ 1,924	¥ 1,076	¥ 1,521	\$ 12,888

Note: 1) Net periodic retirement benefit expense for subsidiaries adopting a simplified method is recorded as "Service cost".

2) DEODEO and its subsidiary had an approval from Japanese government for the withdrawal from a certain welfare pension fund organized by others including DEODEO on April 27, 2005. This withdrawal required DEODEO to pay a special contribution to the fund in the amount of ¥849 million, which was recorded as non-operating expenses for the year ended March 31, 2006. At the same time, DEODEO rebuilt a new retirement benefit plan and recorded a reversal of accrued retirement benefits of approximately ¥746 million as non-operating income in relation to this shift to a new retirement benefit plan for the year ended March 31, 2006.



Financial Statements

Notes to the Consolidated Financial Statements

Major assumptions used in the calculation of the above information for the years ended March 31, 2005, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2007	2007
Method attributing the projected benefits to periods of services	Straight-line method	Straight-line method	Straight-line method
Discount rate	1.4%~2.0%	1.5%~2.0%	1.5%~2.0%
Expected rate of return on pension plan assets	0.8%~1.0%	0.8%~1.0%	0.8%~1.0%
Amortization period of actuarial differences	10 years	10 years	10 years
Amortization period of past service costs	10 years	10 years	10 years

6. Equity

The authorized number of shares of common stock without par value is 300 million. At March 31, 2006 and 2007, respectively, the number of shares of common stock issued was 105,665,636 shares. At March 31, 2006 and 2007, the number of treasury stock held by the EDION Group was 47,489 and 53,221 shares, respectively.

At March 31, 2006 and 2007, respectively, capital surplus consisted of additional paid-in capital and other capital surplus which may be available for distribution for dividend subject to the approval of shareholders.

7. Lease Commitments

Total lease expenses under finance lease contracts, other than those which transfer ownership of the assets at the end of the lease term, amounted to ¥2,277 million, ¥2,246 million and ¥2,009 million (\$17,019 thousand) for the years ended March 31, 2005, 2006, and 2007, respectively, and are charged to expense when incurred, while the reversal of allowance for impairment loss on leased property of ¥62 million and ¥42 million (\$358 thousand) for the years ended March 31, 2006 and 2007, respectively.

Pro forma information of the leased property such as acquisition costs, accumulated depreciation, depreciation and interest expenses, as at or for the years ended March 31, 2006 and 2007, on "as if capitalized" basis, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2007	2007
Acquisition costs	¥ 8,799	¥ 12,240	\$ 103,685
Accumulated depreciation	(4,523)	(5,393)	(45,685)
Accumulated impairment loss	(108)	(353)	(2,993)
Net value	¥ 4,168	¥ 6,494	\$ 55,007

	Millions of yen		Thousands of U.S. dollars
	2005	2007	2007
Depreciation	¥ 2,092	¥ 1,879	\$ 15,914
Interest	80	98	829
Impairment loss on fixed assets	116	257	2,174

*1 Pro forma depreciation of the leased property is computed by the straight-line method over the lease contract terms, assuming the leased property had been capitalized.

Pro forma interest on lease obligations for financing leases is computed by the interest method over the lease contract terms.

leases and financing leases, excluding imputed interest portion, at March 31, 2006 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2007	2007
Financing leases as lessee:			
Due within one year	¥ 1,661	¥ 1,854	\$ 15,705
Due after one year	2,621	5,041	42,702
	¥ 4,282	¥ 6,895	\$ 58,407
Allowance for impairment loss on			
leased property	¥ 54	¥ 268	\$ 2,272
Operating leases as lessee:			
Due within one year	¥ 3,092	¥ 3,934	\$ 33,323
Due after one year	30,034	39,721	336,479
	¥ 33,126	¥ 43,655	\$ 369,802

8. Contingent Liabilities

The EDION Group was contingently liable for guarantee of bank borrowings made by certain affiliates in the aggregate amounts of ¥2,059 million and ¥1,947 million (\$16,491 thousand) at March 31, 2006 and 2007, respectively. The EDION Group was also contingently liable for guarantee of debt of employees in the amounts of ¥29 million and ¥22 million (\$182 thousand) at March 31, 2006 and 2007, respectively.

9. Derivative Financial Instruments

The EDION Group is a party to derivative financial instruments such as interest rate contracts in the normal course of business to reduce its own exposure to fluctuations in interest rates for hedge purposes. The EDION Group is exposed to credit loss in the event of nonperformance by the other parties. However, the EDION Group does not expect nonperformance by the counterparties, as the counterparties of the derivative transactions are limited to major banks with a relatively high credit rating. At March 31, 2006 and 2007, all outstanding derivative financial instruments are accounted for by the hedge accounting.

10. Income Taxes

Income taxes in Japan applicable to the EDION Group consist of corporate tax, inhabitants' taxes and enterprise taxes. Enterprise taxes are deductible when paid as an expense for the purpose of the calculation of other income taxes. The effective statutory tax rate was 40.2% for the years ended March 31, 2005, 2006 and 2007, respectively.

The tax effects on temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2006 and 2007, were as follows:

The aggregate future minimum payments for noncancelable operating

	Millions of yen		Thousands of U.S. dollars
	2005	2007	2007
Deferred tax assets:			
Depreciation	¥ 1,208	¥ 1,628	\$ 13,789
Allowance for doubtful accounts	199	216	1,834
Accrued bonuses to employees	1,904	2,075	17,582
Impairment loss on fixed assets	725	1,331	11,271
Accrued retirement benefits to employees	3,005	3,761	31,859
Accrued retirement benefits to directors and corporate auditors	262	404	3,419
Accrued welfare expenses	202	229	1,944
Enterprise tax accruals	397	591	5,003
Accrued sales discounts	1,324	2,012	17,043
Intercompany gains on fixed assets	115	2,137	18,102
Valuation differences for consolidation	1,522	1,798	15,233
Operating loss carryforwards	704	4,494	38,071
Other	971	1,605	13,595
	12,538	22,281	188,745
Less, valuation allowance	(3,099)	(8,896)	(75,359)
Deferred tax assets	9,439	13,385	113,386
Deferred tax liabilities			
Unrealized gains on available-for-sale securities	621	427	3,619
Valuation differences for consolidation	-	1,527	12,933
Other	335	363	3,077
Deferred tax liabilities	956	2,317	19,629
Net deferred tax assets	¥ 8,483	¥ 11,068	\$ 93,757

At March 31, 2006 and 2007, deferred tax assets and liabilities were recorded as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2007	2007
Deferred tax assets:			
Current	¥ 4,639	¥ 5,223	\$ 44,244
Non-current	3,892	7,475	63,322
Deferred tax liabilities:			
Non-current	(48)	(1,630)	(13,809)
Net deferred tax assets	¥ 8,483	¥ 11,068	\$ 93,757

In assessing the realizability of deferred tax assets, management of the EDION Group considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of the future taxable income during the periods in which those temporary differences become deductible. At March 31, 2006 and 2007, a valuation allowance was established to reduce the deferred tax assets to the extent that the management of the EDION Group believes that the amount of the deferred tax assets is expected to be realizable.

The reconciliation of the difference between the Japanese statutory effective tax rate and the effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income for the years ended March 31, 2005, 2006 and 2007, was as follows:

	Percentage of pre-tax income		
	2005	2006	2007
Japanese statutory effective tax rate	40.2%	40.2%	40.2%
Increase (decrease) due to:			
Permanently non-deductible expenses	0.3	0.3	0.3
Tax exempt income	(0.4)	(0.7)	(0.8)
Local minimum taxes-per capita levy	3.1	2.2	2.6
Differences in tax rate applied to a certain subsidiary	(1.3)	(0.8)	(0.9)
Amortization or impairment loss of goodwill	0.5	0.0	2.6
Change in valuation allowance	(0.6)	4.6	1.0
Effect on elimination of intercompany dividends	-	1.2	1.4
Other	1.8	1.2	1.3
Effective income tax rate	43.6%	48.2%	47.7%

11. Subsequent Events

(a) Appropriation of retained earnings

The following appropriations of retained earnings in respect of the year ended March 31, 2007 were proposed by the Board of Directors and approved by the shareholders of the Company at the annual general meeting held on June 28, 2007:

	Millions of yen	Thousands of U.S. dollars
Appropriations:		
Year-end cash dividends (¥10 per share)	¥ 1,056	\$ 8,946

(b) Capital and business cooperation agreement with 3Q Co., Ltd.

The Company reached to the agreements for the capital cooperation and business integration with 3Q Co., Ltd. ("3Q") based on the resolution of the Board of Directors held on February 1, 2007 and March 8, 2007, respectively. 3Q is a household electric retailer located in Hokuriku, Hokkaido, and Sanin areas of Japan. This cooperation is expected to provide strong wide-ranging retail network to develop more efficient management resources. In addition, the Company acquired 40% equity interest of 3Q on June 15, 2007 in accordance with the agreement. Information of 3Q is as follows:

Establishment date	November 1976
Address of head office	Fukui-shi, Fukui Prefecture
Capital stock	¥10 million (\$85 thousand) (*)
Gross sales	¥84,225 million (\$713,469 thousand)(*)
Numbers of store	66 (*)
Numbers of employees	1,207 (*)

(*) Data as of or for the year ended March 31, 2007



MISUZU Audit Corporation

A network firm of PRICEWATERHOUSECOOPERS 

Dai Nagoya Building
3-28-12, Meieki, Nakamura-ku
Nagoya, 450-8565 Japan
Telephone 81-52-551-3001
Facsimile 81-52-551-3005

Report of Independent Auditors

To the Board of Directors and Shareholders of
EDION Corporation

We have audited the accompanying consolidated balance sheets of EDION Corporation and its consolidated subsidiaries as of March 31, 2006 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2007, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of EDION Corporation and its consolidated subsidiaries as of March 31, 2006 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007 in conformity with accounting principles generally accepted in Japan.

As disclosed in Note 2(h), effective from the year ended March 31, 2005, a certain subsidiary, EIDEN Corporation, changed its accounting method for merchandise inventories. As described in Notes 2(k), effective from the year ended March 31, 2006, EDION Corporation and its consolidated subsidiaries adopted a new accounting standard for impairment of fixed assets.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

Misuzu Audit Corporation

Misuzu Audit Corporation
Nagoya, Japan
June 28, 2007



Corporate Profile

Corporate Information (As of March 31, 2007)

● Company Name	EDION Corporation
● Business	Safeguarding and management of subsidiaries DEODEO Corporation, EIDEN Co., Ltd., and MIDORI DENKA CO., LTD., which are primarily engaged in sales of home electronics products, and Kurashino Design, Inc., which is engaged in mail-order sales of furniture and interior accessories, through ownership of shares.
● Date of Establishment	March 29, 2002
● Common Stock	¥10,174.63 million
● Main Store	8-9-5 Nishi-gotanda, Shinagawa-ku, Tokyo
● Head Office	Dojima Grand Building, 1-5-17 Dojima, Kita-ku, Osaka
● Number of Employees	Non-Consolidated: 347 Consolidated: 9,302

Stock Information (As of March 31, 2007)

● Fiscal Year	April 1 to March 31
● Number of Shares Authorized	300,000,000
● Number of Shares Issued	105,665,636
● Number of Shareholders	17,834
● Stock Listing	First section of Tokyo and Nagoya Stock Exchanges
● Stock Code	2730

Directors and Corporate Auditors (As of June 28, 2007)

● Directors

President	Masataka Kubo	Chairman, DEODEO Corporation
Vice President	Shoichi Okajima	President, EIDEN Co., Ltd.; Chief of Administration Management Department, Manager of Business Development Department
Vice President	Kazutoshi Tomonori	President, DEODEO Corporation; Chief of Sales Management Department
Vice President	Masahiko Kitani	President, MIDORI DENKA CO., LTD.
Director	Masayuki Umehara	Director, MIDORI DENKA CO., LTD.; Chief of Promotion Office of Physical Distribution and Service Integration
Director	Makoto Fujikawa	Senior Executive Director, EIDEN Co., Ltd.; Manager of Personnel Department
Director	Seiichi Hunamori	Executive Director, DEODEO Corporation; Chief of Product Control Head Office
Director	Shingo Toyama	Representative of Tokyo Sales Head Office and Development of Kanto Stores
Director	Hiroo Murata	Director, MIDORI DENKA CO., LTD.
Outside Director	Hiroyuki Miyajima	President, BICCAMERA Inc.

● Corporate Auditors

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



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



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



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



8-9-5, Nishi-gotanda, Shinagawa-ku,
Tokyo 141-0031
<http://www.e-kurashi-de.net>



1-9-14, Sotokanda, Chiyoda-ku,
Tokyo 101-0021
<http://www.ishimaru.co.jp>

In One Network

