Exciting Discovery In One Network

Annual Report 2004

For Year ended March 31, 2004

edion Corporation

Management philosophy—In pursuit of the customers' best smile

Putting customers first *Customer Oriented*

- We will offer products well-suited to the customers' life style and allow the customers to enjoy the greatest satisfaction.
- We will provide new joy and a satisfying way of life as the customers have never imagined.
- We will offer full-scale after-sales service enabling the customers to always use the purchased product in the best condition.

Community-based business development

- With the recognition of being the top-brand in the region, we will aim at making stores that will continue to be supported by returning customers.
- We will focus on building up long-term relationships with the customers on the basis of trust.
- We will offer quality service in common to any store or region.

Staying creatively ahead of the curve

- We will aim at becoming a company always ready to face the challenges and to innovate.
- We will endeavor to be a "creative company" staying ahead of the curve and offering new value.
- We will improve the flexibility of the company to be able to instantly respond to the changes in the customers' needs and times.

Outline of EDION Group

EDION
A joint holding company managing the operating companies within the Group

DEODEO
Sale of consumer electronics products and information/communication devices

- DEODEO Technonet Co., Ltd.
- DEODEO Shoji Co., Ltd.

Kurashino Design
Sale of furniture and interior products through catalogue mail-order

EIDEN
Sale of consumer electronics products and information/communication devices

- HOME EXPO Co., Ltd.
- EIDEN COMMUNICATIONS Co., Ltd.
- DISC STATION Co., Ltd.
- COMNET Co., Ltd.
- NWork Co., Ltd.
- MET Special Purpose Company

EDION Corporation was established on March 29, 2002 as a joint holding company of DEODEO Corporation based in Japan's Chugoku region and EIDEN Co., Ltd. based in the Chubu region, with an aim of building a top brand among consumer electronics large-volume retailers.

As indicated in the name of EDION (abbreviation for "Exciting Discovery in One Network"), the Company strives for an ideal form of consumer electronics retailing, adhering to our corporate philosophy of "putting customers first," "developing regionally appropriate businesses" and "staying creatively ahead of the curve." While strengthening business alliances with associated companies in line with our philosophy and maximizing economies of scale, we endeavor to enhance our corporate profile and move forward along with our customers.

Contents

Financial Section

(Millions of yen)

	Period from March 29, 2002 to September 30, 2002	Period from October 1, 2002 to March 31, 2003	Period from April 1, 2003 to March 31, 2004
For the year:			
Net Sales	222,784	220,074	434,166
Gross Profit	47,455	46,221	92,588
Operating Income	2,534	3,261	5,825
Net Income	1,214	1,176	3,018
At year-end:			
Total Assets	223,758	230,333	222,615
Shareholders' Equity	91,885	92,259	94,465

Disclaimer Regarding Forward-Looking Statements

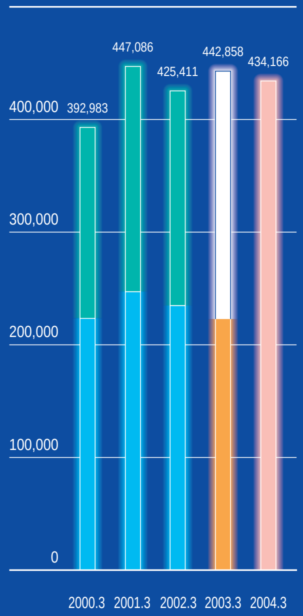
The present document contains forward-looking statements based on currently available information that EDION and the EDION Group consider to be reasonable. Actual results may differ materially from those projected as a result of various risks and uncertainties, including, but not limited to, economic 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 (Consolidated)

DEODEO　EIDEN　EDION: Period from March 29, 2002 to September 30, 2002 / Period from October 1, 2002 to March 31, 2003

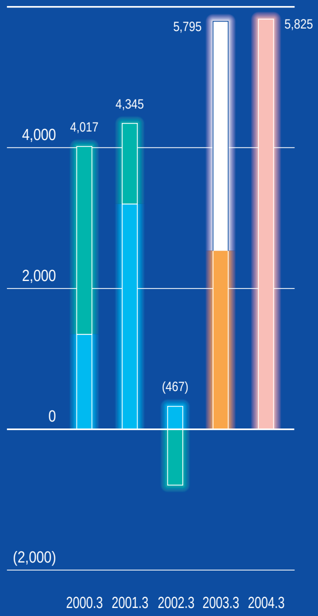
Net Sales

(Millions of yen)



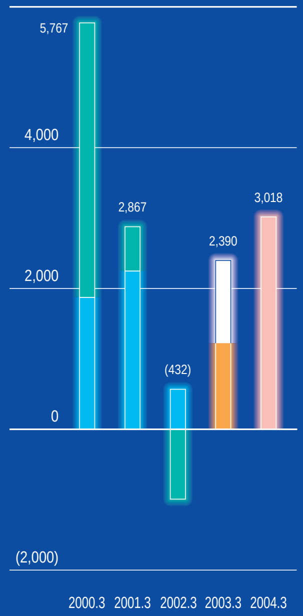
Operating Income (Loss)

(Millions of yen)



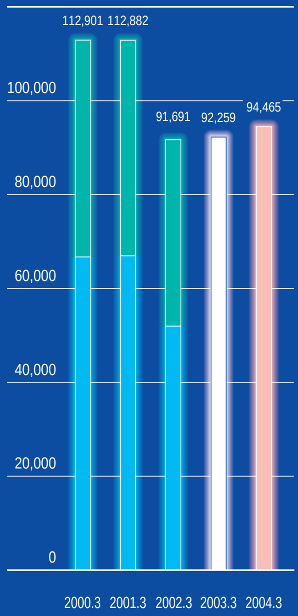
Net Income (Loss)

(Millions of yen)



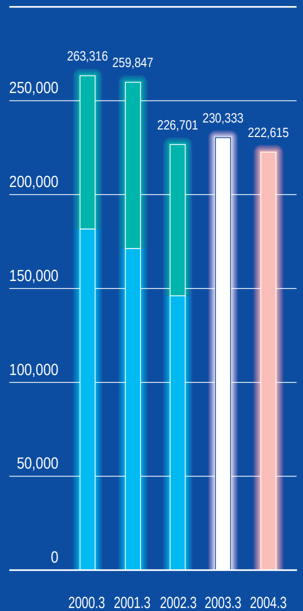
Shareholders' Equity

(Millions of yen)



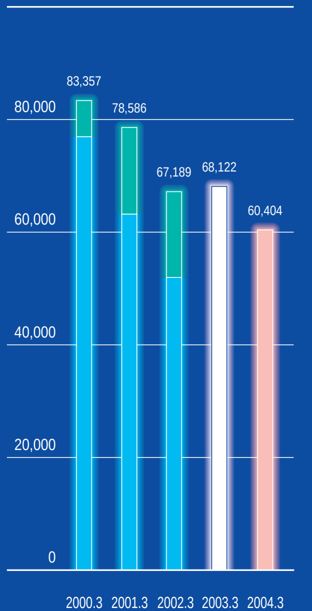
Total Assets

(Millions of yen)



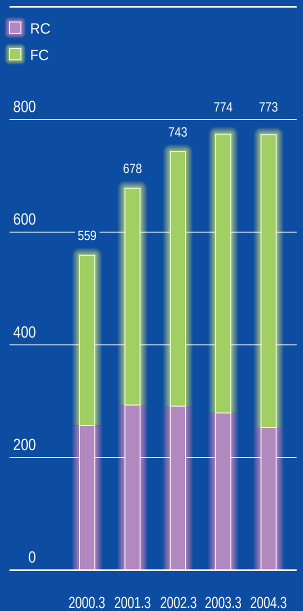
Interest-bearing Debt

(Millions of yen)



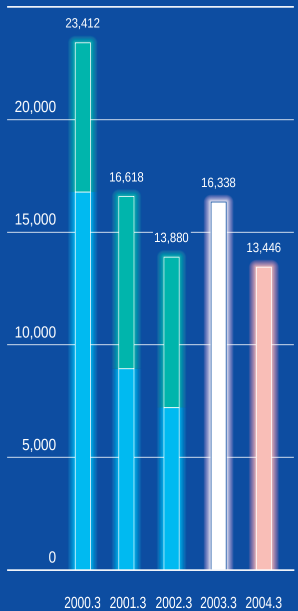
Number of Stores

(Stores)



Balance of Cash and Cash Equivalents at end of period

(Millions of yen)



*The figures from 2000 to 2002 represent the total consolidated results of DEODEO Corporation and EIDEN Co., Ltd. and the figures of 2003 represent the total full year results (1st term, March 29, 2002 – September 30, 2002 and 2nd term, October 1, 2002 – March 31, 2003).

Shoichi Okajima
Vice President
(President, EIDEN Co., Ltd.)

Masataka Kubo
President

Kazutoshi Tomonori
Director
(President, DEODEO Corporation)

Striving for an ideal business model of "quality service retailing," EDION seeks to build Japan's leading consumer electronics retail brand.

Business environment and current operating performance

The Japanese economy has been experiencing a slowdown in consumer spending resulting from anxiety over the future attributable to such factors as the prolonged deflation and cutbacks in public works spending, corporate restructuring and a deterioration in the employment environment. The environment surrounding the consumer electronics retailing industry is now more challenging, given the rapid development of competition and the reorganization of the industry, and this has made it more difficult for industry members to survive.

During fiscal 2003, EDION strove to establish “Quality Service Retailing,” our proprietary business model, and to develop brand power, by strengthening marketing capabilities with the development of proprietary products, bolstering repair and maintenance service capacity and expanding the Internet service provider business. In addition, we have successfully implemented the Group’s consolidation plan, now in its second year, as originally planned.

Looking at operational performance in fiscal 2003, sales of seasonal products such as air-conditioning products remained slow because of the unseasonably cold summer. In contrast, we recorded a steady increase in sales of visual products. This was led by digital consumer electronics products, such as flat-screen television sets, DVD players and digital cameras—reflecting the start of terrestrial digital broadcasting in the three major metropolitan areas in December last year. In addition, demand for so-called “life innovation” products, such as washer-dryers and dishwashers, was higher. Amid increasing competition, EDION aimed at improving customer satisfaction for its products. For this purpose, we focused on enhancing our service capabilities through human resource development and better training, while differentiating ourselves from our competitors by developing and stepping up the marketing of original-brand products, such as Your Voice. The development of these products incorporates the opinions of our customers. In addition, we endeavored to reorganize our retail outlets to improve managerial resource efficiency.

As a result, the consolidated results of the EDION Group for fiscal 2003 were net sales of ¥434,166 million, operating income of ¥5,825 million and net income of ¥3,017 million.

EDION’s objectives with “Quality Service Retailing”

EDION’s targeted business model can be represented by the expression “Quality Service Retailing.” Besides our core business of sales of consumer electronics products, we offer a broad array of services such as maintenance and repair of products, introduction of new products, recycling and the sale of used consumer electronics products. For example, we have developed a system to offer a seamless care service based on the product lifecycle, in which if there is a request for troubleshooting by a customer, we can respond to it on the same day so that customers can use our products in optimum condition for a long time. We also collect products after use and recycle used products. EDION’s business concept is to seek total customer satisfaction through these efforts.

With respect to our retail strategy, we not only set up retail outlets in each location but also aspire for regional dominance through the concentrated opening of stores in one area. Through this approach, we have comprehensively covered the market area and successfully differentiated ourselves from other large discount stores, thus gaining customer recognition as a top-brand within each area.

Fiscal 2004, the third year since our establishment, is the second stage of growth for EDION. We have developed a new slogan—“real quality service retailing”—to establish our own position in the consumer electronics industry through our efforts to reorganize retail outlets that can successfully compete in every aspects of customers' purchasing motive, such as added value, product lineup, store location and product price. In addition, we will further expand our range of services, such as repair and maintenance, implement effective customer relations management (CRM) measures by taking advantage of customer base represented by integrated EDION cards, which has 2.28 million cards in force, and promote direct marketing business as part of a multi-channel strategy.

The concept of the holding company system

DEODEO and EIDEN are both EDION Group companies with the former mainly operating in the Chugoku, Shikoku and Kyushu regions, and the latter in the Chubu area. Both companies have the largest market share and are the leading brand, satisfying the needs of their customers in their respective areas of focus. Through EDION, both companies leverage the benefits of economies of scale through joint inventory procurement and streamlined management through concentration of headquarters functions in one organization.

To pursue economies of scale and synergy within the Group, EDION has adopted three basic strategies: to expand the scale of operations; to strengthen the profit base through sharing and blending of knowhow; and to maximize the benefits of business consolidation.

Current status and evaluation of consolidation plan

Since its establishment in March 2002, EDION, a joint holding company, has been focusing on bolstering its management structure through business consolidation within the Group and achieving sustained growth by generating a consolidation effect. In fiscal 2003, the second year for the Group, we rapidly promoted the consolidation of the headquarters function, purchasing function, and information technology systems, under the slogan "A new start for the company."

We began by moving our head office from Tokyo to Nagoya, where EIDEN is based, in September 2003, to facilitate the execution of the consolidation plan and speed up management decision-making. In April 2004, we successfully unified supply sources by consolidating the product master system and amending contracts with business partners.

With respect to information technology systems, we promoted system consolidation within the EDION Group by adding EIDEN's IT function to the current system for DEODEO; the new system started operation in April 2004. Going forward, we will clearly delineate the function of the holding company from that of operating companies, and we will endeavor to improve the efficiency of each function. Moreover, we will downsize indirect business divisions by reviewing the overlapping divisions of both companies to enhance the consolidation effect.

Benefits of integration▼

	Achievements in fiscal 2003	
system	■ Feb. 2004 Introduction of integrated POS system to all EIDEN stores was completed. ■ Feb. 2004 Integration of various master systems was completed. ■ Feb. 2004 Integration of customer database was completed. ■ Mar. 2004 Transition to EIDEN's proprietary mission-critical system was completed.	Improved operational efficiency
organization and operation	■ Jan. 2004 Integration of merchandise (products) and information systems divisions. ■ Mar. 2004 Integration of accounting division. ■ Apr. 2004 Established merchandise policy promotion division (Field MD) in operating company. ■ Apr. 2004 Established card strategy promotion office within EDION's management planning division.	Sharing of business know-how
merchandise procurement	■ Nov. 2003 Started business talks with main manufacturers of 170 companies for the change of contract. ■ Jan. 2004 Started individual business talks for new items to be introduced in April. ■ Mar. 2004 New contracts for change of ordering and payment were completed. ■ Apr. 2004 Transition to merchandise trading contract with EDION.	Improved profit margin

Expanding our network through consolidation and new sales channel initiatives

Recently, factors such as the start of terrestrial digital broadcasting and advances in IT have enabled customers to purchase products through diversified sales channels. To satisfy the needs of these customers, EDION acquired a 100% equity stake in Kurashino Design, Inc., a catalogue mail-order company for furniture and interiors, at the end of February 2004.

In the future, we will establish a new catalogue mail-order business, adding EDION's core consumer electronics products to the lineup. We will also enter the TV shopping and electronic commerce businesses, in addition to the current catalogue mail-order business, to improve customer recognition of the EDION brand and build up new sales channels.

We have also agreed with MIDORI DENKA Co., Ltd., one of the participants in Voice Network and a firm boasting the largest market share in the Kinki area, to integrate our businesses through an exchange of shares on April 1, 2005. Consequently, we will form a holding company system whose operating companies hold the largest market share in each region to the west of the Chubu area, by consolidating EIDEN, with the leading share in Chubu area, MIDORI DENKA, the leader in the Kinki area, and DEODEO, the largest operator in the Chugoku, Shikoku and Kyushu areas. With this consolidation, we will share and integrated the know-how of each company and improve the efficiency of our sales and service systems, while pursuing higher quality service and economies of scale through the consolidation of material purchases and stocking merchandise, to aim at more efficient use of our corporate resources including our systems and human resources. MIDORI DENKA will operate as an EDION Group company, along with DEODEO and EIDEN, but will continue to develop its business by maintaining its status as the best store brand in each marketing area.

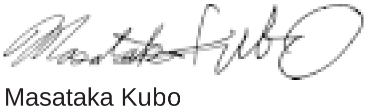
Through this consolidation, the EDION Group network will continue to expand in terms of sales, service and distribution.

To maximize shareholder value

The EDION Group will accelerate the consolidation of the Group and will sustain its focus on comprehensively improving its products' marketability, service capabilities and CS (customer satisfaction). If will achieve this by taking advantage of its own economies of scale to derive the maximum benefits from consolidation. In addition, by attaining our goal of becoming a "Quality Service Retailing" company in every respect, we will bolster corporate value for stakeholders such as customers, shareholders, employees, group companies and affiliates so that we can offer quality service, keeping a distance from the discount-seeking business model.

We look forward to the continued understanding and support of our shareholders as we address these ongoing challenges.

June 2004



Masataka Kubo
President

Offering a broader range of services

In pursuit of a competitive advantage through the value chain

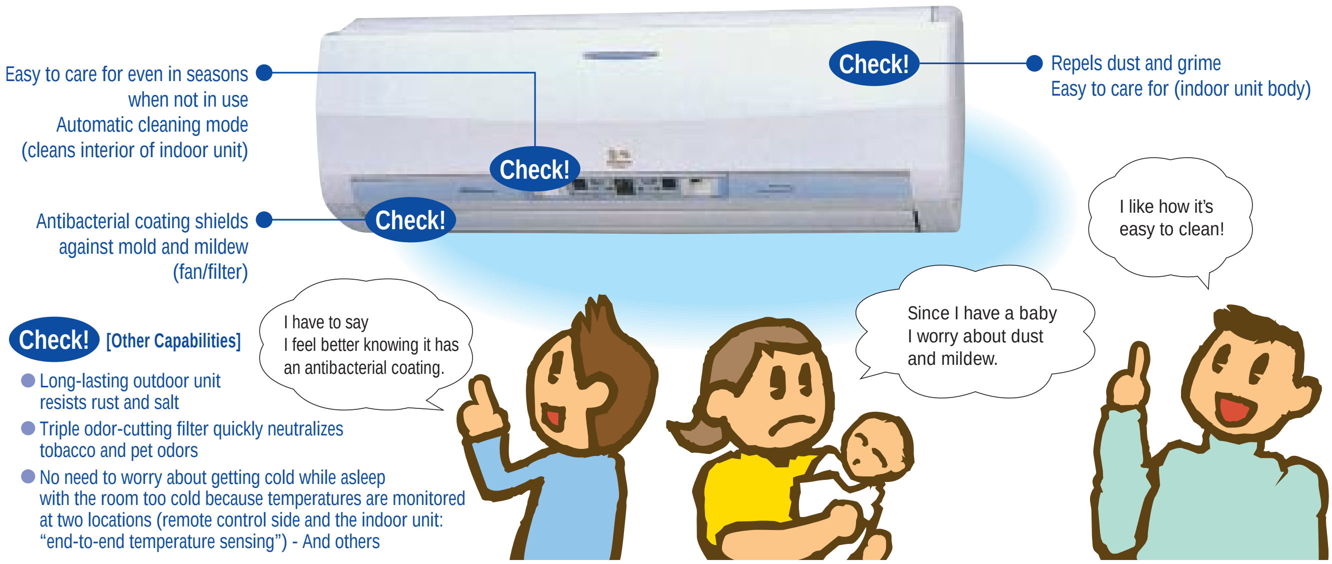
The operating environment confronting the consumer electronics industry has been severe, given such factors as prolonged deflation, a slowdown in consumer spending and an escalation of market competition. Despite this environment, EDION has been able to steadily grow its operating results, following a strategy that is different from the policies pursued by other consumer electronics large-volume retailers. This strategy is best defined by the expression “Quality Service Retailing.” In the next section, we will introduce the strengths of EDION, which is surviving a period of tough competition through comprehensive differentiation from its competitors by such means as development and the sale of original-brand products, original service strategy and economies of scale generated by the network.

Initiatives for original-brand products

EDION’s original-brand products boast proactive features that incorporate customer needs in the product specification, adding new functions and designs. This enables us to differentiate our products from those of our competitors, allowing us to secure a profit margin and avoid price competition, with strong customer support.

Realizing our customers' dreams
Our goal is to develop and sell products that meet the needs of our customer.

■ Product Example: Air Conditioner



Check! [Other Capabilities]

- Long-lasting outdoor unit resists rust and salt
- Triple odor-cutting filter quickly neutralizes tobacco and pet odors
- No need to worry about getting cold while asleep with the room too cold because temperatures are monitored at two locations (remote control side and the indoor unit: "end-to-end temperature sensing") - And others

Products to which new design and functions have been added based on customer requests

[Your Voice]

[jazzberry]

Products aimed at young people, available in 3 colors

blueberry

sunnyberry

raspberry

[MY & OUR]

Device products

Developing original-brand products starts by collecting a wide range of information on customer needs through such means as sending e-mails asking for opinions and requests and having salespeople at retail outlets interview customers in person.

In fiscal 2003, we had 2,936 original-brand products, which contributed significantly to Group earnings with net sales of ¥112 billion. Sales of original-brand products accounted for 28.6% of all products sold by EDION in fiscal 2003, up from 18.5% in fiscal 2002. We aim to increase the sales of original products to 35.0% as a percentage ratio of total sales, with net sales of ¥142 billion.

Two store brands: DEODEO and EIDEN

Under the two store brands DEODEO and EIDEN, the EDION Group will strive to become the leading brand in its markets, while sharing know-how and generating synergy.

DEODEO is operating a network of large-scale “power stores” (direct management) with a floor space of at least 1,500 m² at large regional centers, with 30 m² franchise stores known as DEODEO Family Shops (DFS) surrounding the power stores to offer a fine-tuned community-oriented service. By providing customers with these quality services, DEODEO has fostered strong customer trust, attaining a market share of about 30% in the Chugoku region, as well as establishing a significant market presence in Shikoku and Kyushu as well as elsewhere.

EIDEN has developed a market network that is geared to responding to the varying demands of the market. This network operates through three business groups: EIDEN, which specializes in general consumer electronics products, CompMart, which sells computer-related products, and HomeExpo, an advice-based selling style that combines the expertise of a do-it-yourself home center and a home electronics store.

To meet the diversifying needs of its customers, EDION also operates different kinds of stores, such as ECOMART, a specialty store for sales of used consumer electronics products and personal computers, DiscStation, which specializes in rentals and sales of audio & visual software, and stores dedicated to the sale of cellular phones.

The pursuit of growth will be the most important corporate theme. We will focus on developing the prototype for the large-scale stores of the next generation, which include 9,000 m² flagship stores within the next couple of years. To earn more recognition from customers as a dominant leader in the region in both new and existing marketing areas, EIDEN will aim to achieve a dominant marketing share of 20-30%. To do this, the EIDEN Group will make concerted efforts to develop a store base, in preparation for the entry into the enormous marketing area of the Kanto region by 2007 as the start of the second stage of store network development.

DFS strategy centered on Power stores

Active participation in regional electronics stores


EIDEN


CompMart


HomeExpo

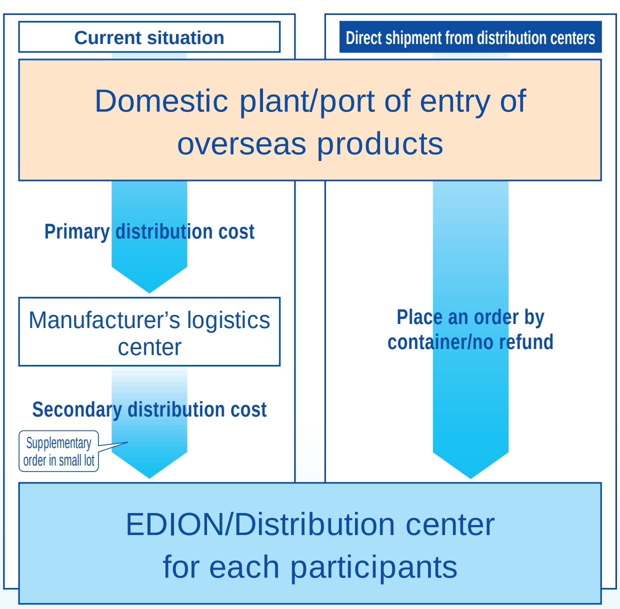
Logistics Center located in Kasugai, Aichi (with floor space of 21,018m^2). With the operation of the center, we have succeeded in cost reduction as well as significantly decreasing the work and time required for receiving merchandise at stores.

Focus on sales by unifying inventory management within one area

The EDION Group has established logistics centers in four locations across the country: Hiroshima, Kagawa, Fukuoka and Aichi. These centers were set up as part of building “integrated procurement and distribution system,” an initiative that got underway in 2002. Under this system, products that were formerly delivered from consumer electronics manufacturers to the stores are instead brought together at the logistics center. The products then collectively undergo all necessary procedures, from inspection for incoming products, sorting by store and inspection for delivery. Sorted products are then delivered to each store as a single consignment. This system has reduced the cumbersome work of receiving products, enabling store staff to increase their sales focus. In addition, the operation of logistics centers has allowed the inventories of stores dispersed across a wide area to be managed at one distribution center, which will help to significantly reduce inventory volumes. At the same time, the larger transactions that result from the consolidation of purchases will generate economies of scale, leading to lower procurement costs.

Implementing a SCM strategy

SCM (Supply-Chain Management) procurement will apply to “proper products,” including hot-selling items in the volume zone and low-priced strategic products. Orders were traditionally made to replenish inventory as required, and these products would be temporarily brought into the manufacturers’ distribution center before being delivered to the EDION distribution center. In the future, to further reduce costs, we will make order and delivery arrangements by the container directly from the manufacturers’ production base or from the port of entry in the case of overseas production.



Ensure competitive advantage through price policy for products in volume zone and bottom merchandise product

Closer to customers

Diverse approaches to the needs of customers through new sales channels

Through diverse initiatives, EDION has been rapidly establishing a business model expressed by “Real Quality Service Retailing.” In fact, we are taking multifarious approaches to meet the diversified needs of customers. For example, we have begun direct marketing, we have instituted a CRM strategy to better analyze customer needs, and we have introduced our unique service concept of lifecycle care for purchased products along with a store card strategy to increase the regular customer base.

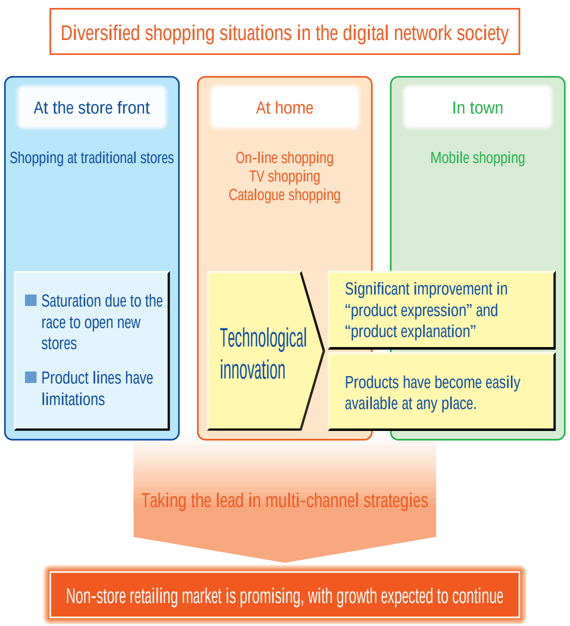
Entering the mail-order business

In February 2004, EDION purchased all the outstanding shares of Kurashino Design, Inc., a catalogue mail-order company that specializes in furniture and interior.

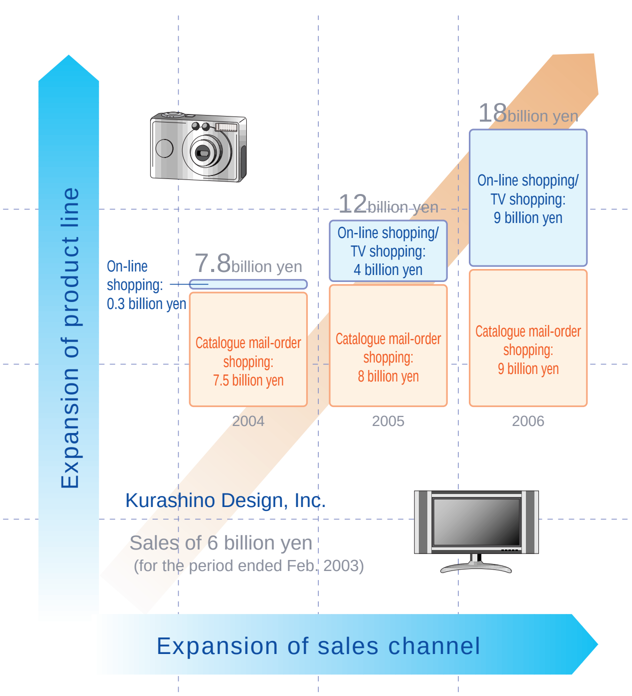
As a result, EDION added the “Direct Marketing Division” to the Group.

By starting a new mail-order business, we aim not only to increase sales items and build a new catalogue sales channel, but also to acquire sales channels in on-line shopping and TV shopping. We believe that this diversification of sales channels will make us a more attractive company.

▼Multi-channel strategy (strategic move for the future)



▼Promote multi-channel strategies



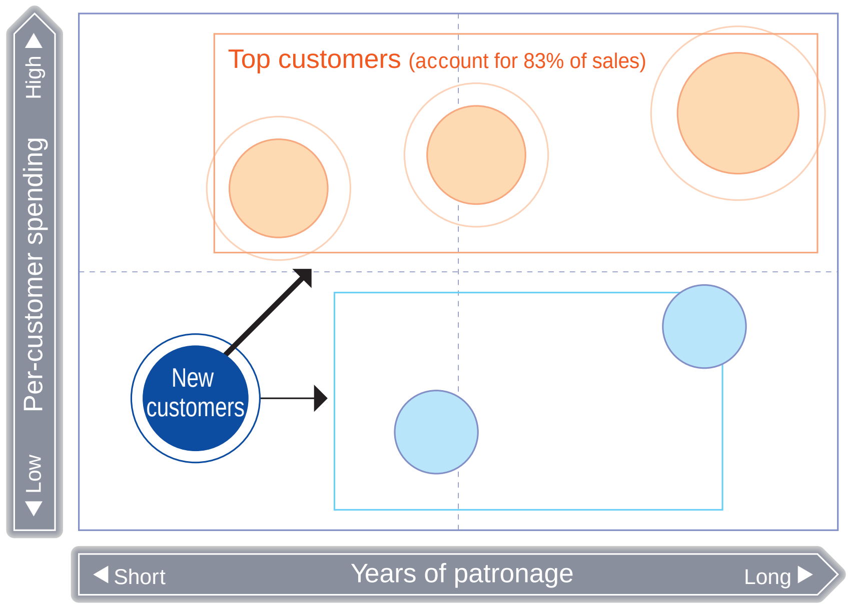
The first step toward building multiple channels

EDION sells consumer electronics products on a retail basis and offers high value-added services under the business model expressed by "Quality Service Retailing." Amid rapidly developing trends, such as the diversified purchasing approach taken by customers and the development of the Internet environment, we have begun to build multiple sales channels, in a pioneering initiative for a consumer electronics large-volume retailer.

The mail-order market is still growing and mail-order business is expected to expand further. In the case of store sales, product lineups are limited by space confines. Also, market saturation resulting from the increased competition to open new stores is a source of concern. The outlook for growth in this area is, therefore, not as promising as it is for mail-order business. In addition, innovations in information and communications technology have enabled a much better description of products through media such as the Internet, TV and catalogues. Moreover, shopping through these media in quick and hassle-free for customers. Consequently, mail-order shopping has been growing rapidly, with most customers buying a single item.

In addition to expanding the field by building new sales channels, we will upgrade and expand the lineup of products and services to win customers on a nationwide basis. Our marketing areas will exceed the limits of convention, something that is impossible to achieve with traditional type store sales.

▼CRM (Customer Relationship Management) Strategy



We make efforts for every new customer to be a top customer at each store of EDION group, based on CRM strategies.

CRM strategy to improve service by knowing customers

The crucial policy in realizing EDION's target business model of "Quality Service Retailing" is to offer value-added products and services by integrating our products' marketability, service capabilities, and ability to achieve CS (customer satisfaction). Under this policy, EDION has been actively promoting measures to establish good relationships with customers built on long-term trust and based on a customer relationship management (CRM) strategy.

To implement EDION's CRM system, we started by classifying the customers into six clusters based on the length of our relationship and the unit price per customer (average annual purchase amount), to understand customer demand. As a result, we found that the customers belonging to the three groups with the highest unit price account for only 35% of all customers, but they account for 83% of the total in terms of sales. To use this data, we have positioned the customers in these three groups as our top-tier customers, and we have been endeavoring to increase our regular customer base through effective approaches geared to the target, such as measures to encourage new customers to join these groups.

In addition, we are supporting our stores by improving the IT system. For example, we have improved customer identification display support for prospective customers and a direct mail system, to enable stores to use the marketing data collected through the CRM system in sales activities. In the future, we will develop a more effective integrated CRM strategy by aggregating the customer database, as a result of introducing the ee Card at all stores and commencing the operation of integration systems.

We will strive to bolster the Group's operational base by improving products based on customer needs and the accuracy of service.

▼EDION's service network

Service location
85

Service personnel
919

Number of repair requests (in fiscal 2003)
1,552,225 cases

House-call repairs: 70.8%
Dropped-off repairs: 29.2%

In-house repairs: 69.1%
Repairs requested to manufacturers: 30.9%

Number of days required to complete repair: **7.3** days

Service network

EDION sees it as vital that customers realize the value of EDION and its differences compared with other consumer electronics large-volume retailers after they purchase products. To ensure that this happens, we have developed a comprehensive after-sales service system appropriate for each product lifecycle, so that customers can use the product comfortably. This enables us to establish positive long-lasting relationships.

The current service system of EDION is based on a service hub, in 85 locations across the country, and more than 900 proprietary servicepersons who specialize in house-call maintenance and repair for products purchased from our stores.

In 2003, we received 1.55 million requests for repair, of which more than 70% were on a callout basis. Callout repairs are one of EDION's strengths, and by visiting customers' homes on the day when the repair is requested and finishing the work on the spot, we can bolster the relationship of trust with the customer.

EDION will continue to improve service levels as a quality service retailer under the slogan of "safe to buy and permanent satisfaction all the way."

ee Card

In April 2003, EDION integrated various customer cards issued independently by DEODEO and EIDEN as the ee Card.

In addition to a five-year repair guarantee on an unlimited number of products with payment of an annual membership fee. The features of the ee Card include shopping not only at stores within the EDION Group, but also at both domestic and overseas stores participating Master Card and Life Card member stores. Points are also awarded for payment through the ee Card, which can be redeemed for discounts on cellular phone charges and satellite broadcasting viewing fees. EDION plans to upgrade the features of the ee Card by adding new functions and enhancing benefits for cardholders.

Membership of the ee Card reached 2.28 million as of the end of March 2004. We recognize that increasing the number of cardholders will not only help expand the regular customer base, but will also be effective for improving services by collecting customer data, such as purchase trends, and enabling a detailed analysis. We are accelerating our efforts to obtain a total of 980,000 new card members for all EDION stores in fiscal 2004.

EDION group encourages card sales to increase repeat customers and gather customer information.

“More eco-friendly”

Achieving compatibility in contributing to the environment and eco-business

As part of its corporate social responsibility, the EDION Group has been committed to environmental issues and cultural programs. Since our core business is the sale of consumer electronics products, which are consumable goods, we regard environmental issues as being of the highest priority. We approach these issues from a number of different perspectives to create a recycling-oriented society. Our initiatives encompass activities designed to conserve the environment and the expansion of our reuse business.

Contribution to the local community

EDION has been committed to making a broad contribution to the surrounding community by sponsoring and supporting a wide range of local activities, such as hosting various cultural and sports events.

DEODEO has a track team and an archery team, and two of the archery team members have been selected to represent Japan at the 2004 Athens Olympic Games. In addition, EDION has been the main sponsor for SANFRECCE HIROSHIMA, one of the J-League professional soccer teams, thus helping to promote sports.

Hiroshima Flower Festival
“Sakura stage”

SUNFRECCE HIROSHIMA FC
Kazuyuki Morizaki

Energy conservation efforts and eco-business

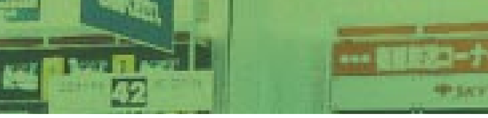
Since the Kyoto Protocol was adopted in 1997, domestic manufacturers and retailers of consumer electronics products have started making concerted efforts to conserve energy. For example, an evaluation system for retailers of energy-saving products and an energy-saving labeling system were introduced to promote sales of energy-saving products, and proper information disclosure for customers on energy-saving efforts. The EDION Group has also been working on measures to contribute to the creation of an eco-friendly society. For example, we have been dedicated to the development of original-brand eco-products, which achieve high energy conservation standards. Part of these efforts is a plan to promote the development of air-conditioners that will achieve energy conservation at 130% of the standards, and to account for more than 30% in the total development of the same item. On the sales side, we will also focus on promoting sales of eco-friendly products.

EIDEN group obtained ISO14001 certification in March 2000. We have also set up an environment management organization inside the company and have been working on eco-business from four aspects: sales, repair, recycling and collecting. One example of this is our effort to promote sales of eco-friendly products at the storefront, making proposals from our own viewpoint. DEODEO Technonet Co., Ltd., a specialist repair service subsidiary of DEODEO, obtained ISO9002 in February 2000.

Poster promoting energy saving

Activities for protecting the environment

EDION has been aggressively promoting environment conservation. For example, initiatives have included the installation of gas-operated air-conditioners in certain stores to reduce CO_2 emissions, and the introduction of a photovoltaic (solar energy) generation system at EIDEN main stores to conserve energy.



ECOMART is a recycled goods shop which specializes in purchasing and sales of used consumer electronic products.

CompMart is a specialty store, engaged in selling and purchasing computer-related products including used one.

Starting a full-scale reuse business through an alliance with Sofmap

In 2002, the EDION Group traded in and sold used consumer electronic products. In an effort to launch the reuse business in earnest, ECOMART entered into an alliance with Sofmap Co., Ltd. in April 2004. The reuse business is very promising, with the market scale likely to exceed ¥100 billion. The model it represents is highly attractive to customers, in that even if the price of a new product is high, the reuse market offers customers the chance to buy the product at a much lower price.

Based on the concept of supporting customers' digital lives for an indefinite period and becoming the leading recycling company in a recycle-oriented society, Sofmap has been operating as a specialty shop for used digital products. The company has a network of 44 shops in major metropolitan areas such as Tokyo, Osaka and Nagoya. In the meantime, EDION, under a management philosophy of placing customers first, has been selling consumer electronics products, its mainstay product area, as well as information and communication equipment at 785 stores across 28 prefectures, mainly in Chubu and western Japan. At the same time, the company has been pursuing customer satisfaction based on the product lifecycle and has developed a reuse business for consumer electronics products and information and communication equipment. With an alliance between the two companies, both committed to expanding the reuse business, we can share know-how in the reuse business, especially sharing the strengths of Sofmap in all sales channels, such as store-retailing, online retailing and retailing for corporate customers, and merchandising reuse products. In this way, we can generate synergy in all aspects of scale, quality and cost, enabling us to expand on a nationwide scale at a more rapid clip.

DEODEO

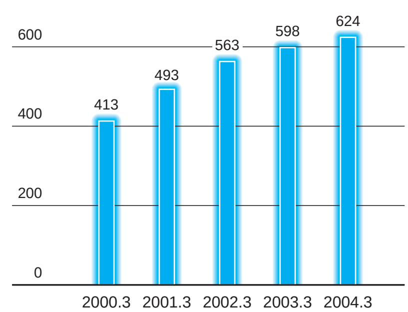
- Paid-in Capital: ¥19,294 million
- President: Kazutoshi Tomonori
- Number of Employees: 3,021
- Date of Establishment: May 7, 1947

Since its founding in 1947, DEODEO Corporation, headquartered in Hiroshima, the central metropolis of the Chugoku region, has a network totaling 624 stores (105 directly-managed and 519 franchise stores), and is steadily increasing its market share in the Chugoku, Shikoku and Kyushu regions.

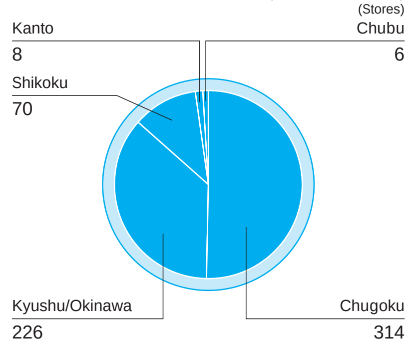
Its store network strategy is characterized by opening “Power Stores” which are large-scale stores located in large urban areas having populations of at least 200,000 people and placing DFS (DEODEO Family Stores) around the Power Stores through a franchise chain approach, providing comprehensive services to the local communities.

This area strategy is efficiently strengthening the Company’s market dominance in these areas.

■Number of DEODEO stores (Stores)



■Number of stores by area (As of March 31, 2004) (Stores)

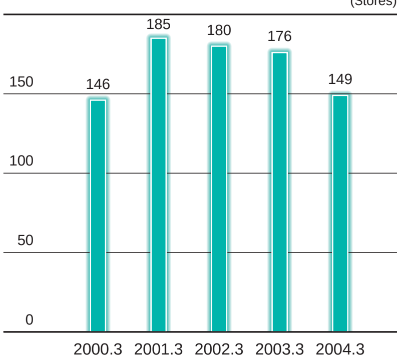


■Paid-in Capital ¥12,694 million
■President Shoichi Okajima
■Number of Employees 2,250
■Date of Establishment April 7, 1955

Since its founding in 1948, EIDEN Co., Ltd. has been striving to meet the specialized needs of its customers, through its three main business organizations: “EIDEN,” an integrated chain for general consumer electronics (including personal computers); “CompMart” which provides information/communications equipment for both business and personal use; and “HomeExpo,” an integrated lifestyle adviser of DIY “home centers,” combining the expertise of both the “home centers” and consumer electronics stores. Accordingly, the Company is directing its attention to further increasing customer satisfaction, while entering into the recycling/reuse markets.

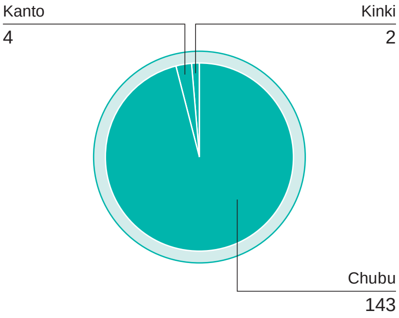
EIDEN is headquartered in Nagoya, the heart of the Chubu region. As the Group has 149 stores (89 directly managed stores, 59 stores owned by consolidated subsidiaries and 1 franchise store) as of March 31, 2004, it has a large market share in the Tokai region.

■Number of EIDEN Group’s stores (Stores)



■Number of stores by area

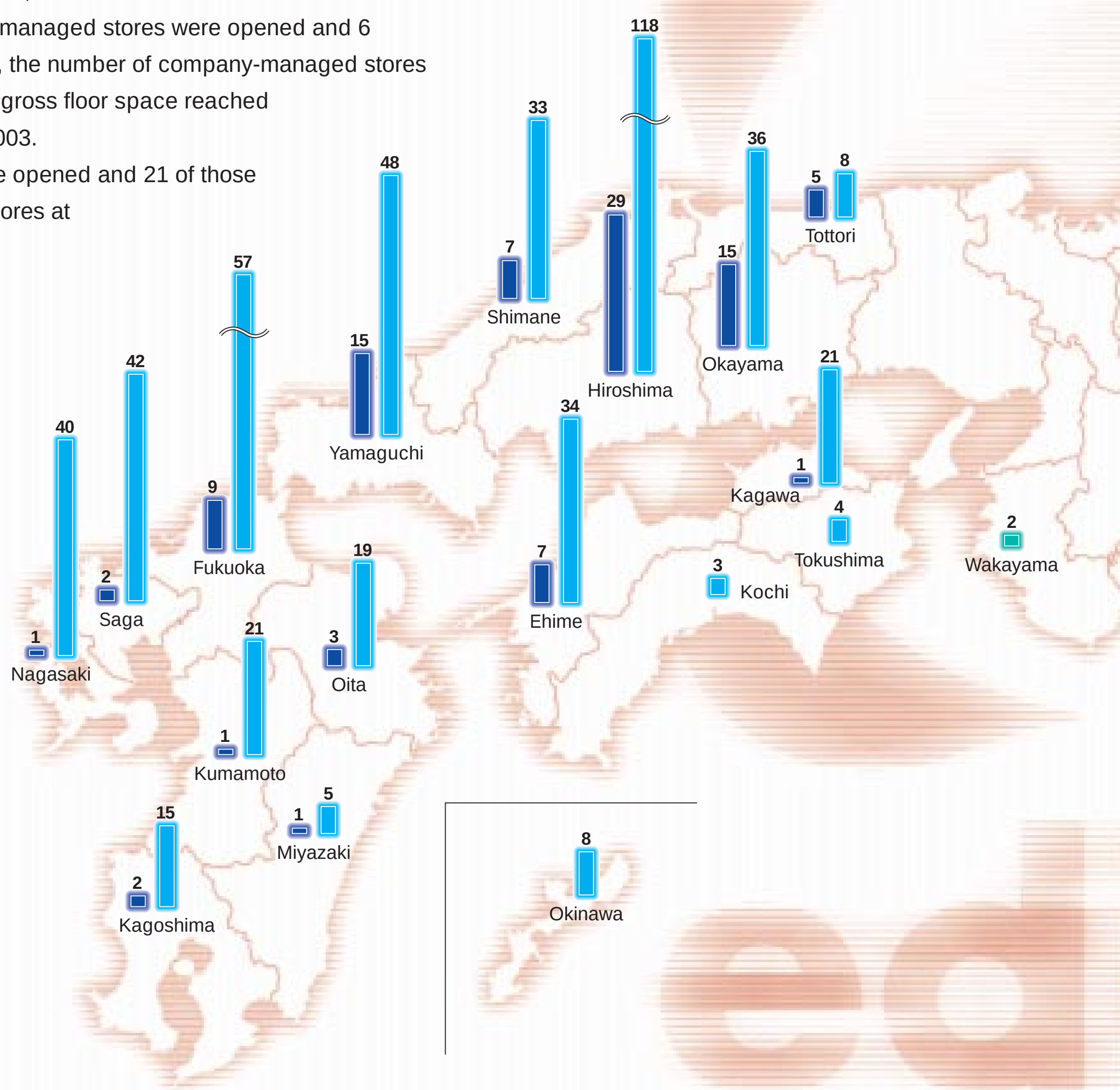
(As of March 31, 2004)
(Stores)



Store Network

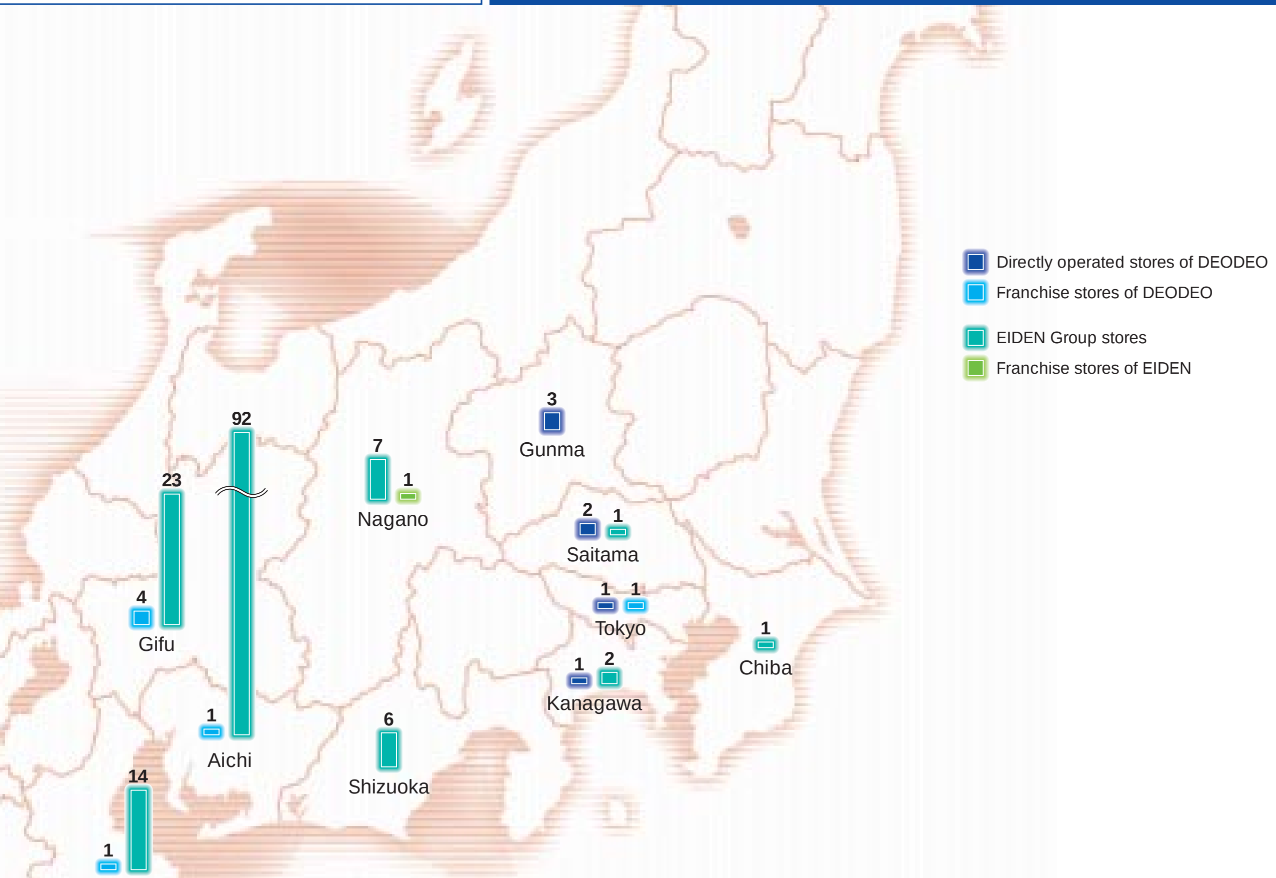
As for the retail outlets of consumer electronics, 7 new company-managed stores were opened, 6 were relocated, 1 was rebuilt, the floor spaces of 3 stores were enlarged, and 18 stores were closed. As for the other retail outlets, 3 company-managed stores were opened and 6 stores were closed. As a result, the number of company-managed stores totaled 253 and the aggregate gross floor space reached 407,484m^2 at fiscal year-end 2003.

46 new franchise stores were opened and 21 of those were closed, resulting in 520 stores at year-end (773 stores in total, including company-managed stores).



DEODEO Oita Head Store

DEODEO Yokohama Minatomirai Store



EIDEN 21

EIDEN METS Ozone Store

Subsidiaries (As of March 31, 2004)

Companies	Location	Business
DEODEO	Naka-ku, Hiroshima	Sale of consumer electronics products and information/communication devices
EIDEN	Nakamura-ku, Nagoya	Sale of consumer electronics products and information/communication devices
Kurashino Design, Inc.	Shinagawa-ku,Tokyo	Sale of furniture and interior products through catalogue mail-order
DEODEO Shoji Co., Ltd.	Minami-ku, Hiroshima	Sale of consumer electronics products for corporate customers
DEODEO Technonet Co., Ltd.	Asa-minami-ku, Hiroshima	Repair, delivery and installation of consumer electronics products
HOME EXPO Co., Ltd.	Chikusa-ku, Nagoya	Sale of home center products
EIDEN COMMUNICATIONS Co., Ltd.	Chikusa-ku, Nagoya	Sale of cellular telephones
DISC STATION Co., Ltd.	Chikusa-ku, Nagoya	Rental and sale of audio visual CD & DVD
COMNET Co., Ltd.	Kasugai city, Aichi	Repair, delivery and installation of consumer electronics products
NWork Co., Ltd.	Chikusa-ku, Nagoya	Operation and management of information systems
MET Special Purpose Company	Chiyoda-ku, Tokyo	Management of assets specified under liquidation plan

Management's Discussion and Analysis on financial standing and operating results (consolidated base)

Divergent Account Settlement Period

EDION Corporation (hereinafter the "Company") was established on March 29, 2002 as a holding company of DEODEO Corporation and EIDEN Co., Ltd. being its wholly owned subsidiaries. The Company adopted divergent periods of accounts being the period from March 29, 2002 through September 30, 2002 for the first term and the period from October 1, 2002 through March 31, 2003 for the second term during the fiscal year under review. The financial report does not include a comparison with the previous term, as the term ended September 2002 was the first business year since the Company's inception, and the length of the term ended March 2003 differs from that of the previous term. For reader's convenience, figures for "fiscal 2002" is used to denote the totals for the terms ended September 2002 and March 2003, while the term ended September 2002 may be referred to as the "1st half" and the term ended March 2003 as the "2nd half."

Business Environment

Fiscal 2003

During fiscal 2003, corporate earnings showed improvement on the back of an increase in export and private capital expenditures, and the stock market finally started to turn up. However, consumer spending remained weak due to factors such as unemployment keeping high level.

In the consumer electronics industry, sales of audio-related products were robust, led by digital-related products, such as plasma display panel TVs, DVD recorders and digital cameras. Meanwhile, competitions over the market share and price war have intensified in the industry, represented by such strategies as opening of large scale outlets.

In such circumstances, the EDION group strove to differentiate itself from its competitors by developing and expanding sales of its original-brand products, such as "Your Voice," and emphasizing customer service through continuous staff training, so as to fulfill customer satisfaction and become a real quality service retailer.

Of the overall net sales in fiscal 2003, PCs accounted for 25.7%, followed by TVs at 9.7%, video players at 8.3%, air conditioners at 5.3% and refrigerators at 4.6%.

Financial Position

Fiscal 2003

Total current assets stood at ¥85,281 million (y-o-y decrease of 6.9%) at the end of March 2004. Investments and advances were ¥10,920 million (y-o-y increase of 11.0%). Property and equipment, at cost accounted for ¥97,217 million (y-o-y decrease of 0.4%). As intangibles and deferred charges, lease deposits accounted for ¥20,581 million (y-o-y decrease of 4.1%), consolidated adjustment account were ¥1,241 million, deferred income tax assets amounted ¥5,245 million (y-o-y decrease of 4.5%) and other assets were ¥2,130 million. As a result, total assets amounted to ¥222,615 million (y-o-y decrease of 3.4%).

Total current liabilities were ¥92,438 million (y-o-y decrease of 8.0%). Notes and accounts payable, trade, totaled ¥34,086 million (y-o-y decrease of 9.9%) and short-term bank loans amounted to ¥32,770 million (y-o-y increase of 0.5%). The Company has adopted a new accounting policy for accrued sales discounts, as a result of which it posted ¥3,099 million (y-o-y increase of 18.1%) as provision for prior year's discount points of the point card system. Such expenses incurred during the term ended March 2004 were booked as selling, general and administrative (SG&A) expenses. Long-term liabilities stood at ¥34,687 million (y-o-y decrease of 5.2%). Long-term bank loans stood at ¥16,256 million (y-o-y increase of 10.3%) and accrued retirement benefits to employees amounted to ¥7,352 million (y-o-y decrease of 1.6%). As a result, current ratio stood at 92.3% (91.2% in the previous period).

Shareholders' equity totaled ¥94,465 million (y-o-y increase of 2.4%). While retained earnings amounted to ¥46,110 million (y-o-y increase of 0.3%), deficit on revaluation of land was ¥16,959 million (y-o-y increase of 8.0%). Thus, the ratio of fixed assets to net worth stood at 145.1% (150.0% in the previous period), with shareholders' equity ratio at 42.4% (40.1% in the previous period).

Operating results

(year-on-year figures are comparison of simple aggregation for the two periods)

Term ended September 2002/March 2003 (simple aggregation)

Consolidated net sales stood at ¥442,858 million, and cost of sales was ¥349,182 million. As a result, gross profit amounted to ¥93,676 million, with a gross profit margin of 21.2%. SG&A expenses totaled ¥87,881 million, and the ratio of SG&A expenses to sales was 19.8%. Operating income of ¥5,795 million was posted, resulting in a ratio of operating income to sales of 1.3%.

Non-operating income totaled ¥5,846 million, of which purchase discounts accounted for ¥4,321 million.

Non-operating expenses stood at ¥8,920 million. This was mostly as a result of the new accounting policy for accrued sales discounts, which the Company adopted last year, posting ¥2,657 million as provisions for prior year's sales discounts. In addition, the Company posted ¥1,318 million as amortization of transition difference in retirement benefit accounting, ¥868 million as loss on disposal of property and equipment and ¥961 million as loss on write-down of investments in securities. As a result, income before income taxes amounted to ¥2,721 million. Net income stood at ¥2,390 million, since deferred tax accounting was adopted. The ratio of net income to sales was 0.5%, and return on equity stood at 2.6%.

Term ended March 2004

Consolidated net sales was ¥434,166 million (y-o-y decrease of 2.0%) and cost of sales amounted to ¥341,578 million (y-o-y decrease of 2.2%). As a result, gross profit stood at ¥92,588 million (y-o-y decrease of 1.2%), with a gross profit margin of 21.3% (21.2% in the previous period). SG&A expenses totaled ¥86,763 million (y-o-y decrease of 1.3%) and the ratio of SG&A expenses to sales was 20.7% (19.8% in the previous period).

Operating income amounted to ¥5,825 million (y-o-y increase of 0.5%), with the ratio of operating income to sales standing at 1.3% (1.3% in the previous period).

Non-operating income totaled ¥7,221 million (y-o-y increase of 23.5%), with purchase discounts accounting for ¥4,259 million (y-o-y decrease of 1.4%), gain on sale of marketable securities for ¥763 million and gain on transfer to government of the substitutional portion of pension liabilities for ¥639 million.

Non-operating expenses totaled ¥8,900 million, including ¥673 million of interest expenses, ¥1,778 million of loss on disposal of property and equipment. The Company posted ¥3,375 million as rearrangement of insurance contracts on repair and warrantee costs for goods sold for transition of former 5-year repair guarantee contract to 1-year renewable contract. The Company also stood ¥688 million as cancellation charges on early termination of facility leasing arrangements for promotion of scrap and build policy.

As a result, income before income taxes amounted to ¥4,146 million (y-o-y increase of 52.4%). Net income stood at ¥3,018 million (y-o-y increase of 26.3%), since deferred tax accounting was adopted.

Liquidity and Sources of Funds

Term ended March 2003

(Cash Flow Analysis)

The balance of cash and cash equivalents at the end of the year (ended March 31, 2003) increased by ¥1,548 million to ¥16,338 million, as net cash provided by operating activities was appropriated for capital spending and repayment of interest-bearing liabilities.

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥10,007 million. This was due to: ¥1,941 million increase in inventories; depreciation and amortization were high at ¥3,144 million because of proactive investment in the previous year; notes and accounts payable increased significantly by ¥6,095 million; and ¥2,624 million increase of provision for accrued sales discounts.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥2,361 million. This was mainly because payment for acquisition of tangible fixed assets stood at ¥2,558 million including tangible fixed assets for outlets (opened during the term under review and those to be opened from the next term onwards).

(Cash flows from financing activities)

Net cash used in financing activities stood at ¥6,096 million. This reflected the results of the Company's focus on reducing the interest-bearing debt by decreasing short-term bank loans (net) and commercial papers by ¥1,560 million and ¥2,000 million, respectively, and repaying ¥5,450 million of long-term bank loans, while gaining ¥4,000 million in proceeds from long-term bank loans.

Term ended March 2004

(Cash Flow Analysis)

The balance of cash and cash equivalents (hereafter, "the Funds") at the end of the year (ended March 31, 2004) decreased by ¥2,892 million from the beginning of the term to ¥13,446 million. This was because the Funds were appropriated to ensure cash flows from operating activities, acquisition of fixed assets and equities of subsidiaries, and cash flows from financing activities were appropriated for repayment of interest-bearing liabilities and payment of cash dividends.

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥13,283 million. This was primarily attributed to: ¥5,523 million in depreciation and amortization (due to proactive investment in the previous year); ¥2,159 million decrease in notes and accounts receivable; and ¥3,853 million decrease in inventories.

(Cash flows from investing activities)

Net cash used in investing activities was ¥6,172 million. This was mainly because payments for acquisition of tangible fixed assets for outlets (opened during the term under review and those to be opened from the next term onwards) totaled ¥5,789 million, and payments for the acquisition of Kurashino Design, Inc., which has become a subsidiary, stood at ¥1,309 million.

(Cash flows from financing activities)

Net cash used in financing activities totaled ¥10,003 million. This was primarily attributed to: ¥13,368 million in repayments of long-term bank loans; ¥6,500 million in proceeds from long-term bank loans; and ¥1,563 million in cash dividends paid.

Consolidated Balance Sheets

EDION Corporation and its consolidated subsidiaries
As of September 30, 2002, and March 31, 2003 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 4)
	September 30 2002	March 31, 2003	March 31, 2004	March 31, 2004
Assets				
Current Assets:				
Cash on hand and deposits with banks (Note 5)	¥ 15,433	¥ 16,682	¥ 14,599	$ 138,137
Notes and accounts receivable				
Trade	13,539	16,491	14,332	135,602
Other	3,537	4,562	5,545	52,464
	17,076	21,053	19,877	188,066
Less: allowance for doubtful accounts	(122)	(74)	(107)	(1,013)
	16,954	20,979	19,770	187,053
Marketable securities	407	357	57	536
Inventories	47,104	49,045	45,272	428,349
Deferred income taxes (Note 11)	1,206	2,753	3,713	35,131
Other current assets	1,805	1,782	1,870	17,696
Total current assets	82,909	91,598	85,281	806,902
Investments and Advances:				
Investments in securities (Notes 6 and 7)	4,587	4,129	4,846	45,856
Investments in affiliates	1,756	1,561	1,206	11,415
Other investments	4,293	4,147	4,868	46,060
	10,636	9,837	10,920	103,331
Property and Equipment, at cost (Note 7):				
Land	52,418	51,961	51,538	487,637
Buildings and structures	73,189	74,082	74,726	707,031
Automobiles	199	178	120	1,137
Furniture and fixtures	14,090	14,221	13,971	132,189
Construction in progress	255	258	2,154	20,384
	140,151	140,700	142,509	1,348,378
Less: accumulated depreciation	(40,793)	(43,132)	(45,292)	(428,538)
	99,358	97,568	97,217	919,840
Intangibles and Deferred Charges				
Leasehold deposits	21,851	21,469	20,581	194,726
Consolidated adjustment account	—	—	1,241	11,744
Deferred income tax assets (Note 11)	5,109	5,494	5,245	49,624
Other assets	3,895	4,367	2,130	20,132
Total Assets	¥223,758	¥230,333	¥222,615	$2,106,299

The accompanying notes are an integral part of these financial statements.

	Millions of yen			Thousands of U.S. dollars (Note 4)
	September 30 2002	March 31, 2003	March 31, 2004	March 31, 2004
Liabilities, Minority Interests and Shareholders' Equity				
Current Liabilities:				
Short-term bank loans (Note 7)	¥ 34,180	¥ 32,620	¥ 32,770	$ 310,058
Commercial paper (Note 7)	3,000	1,000	—	—
Current portion of long-term bank loans (Note 7)	7,068	13,268	7,878	74,541
Notes and accounts payable				
Trade	31,739	37,836	34,086	322,506
Other	4,421	4,741	7,009	66,318
	36,160	42,577	41,095	388,824
Income taxes payable	943	1,922	1,224	11,583
Accrued expenses	3,034	3,097	3,423	32,389
Accrued sales discounts (Note 2(12))	—	2,624	3,099	29,325
Other current liabilities	2,812	3,339	2,949	27,897
Total current liabilities	87,197	100,447	92,438	874,617
Long-term Liabilities:				
Bonds (Note 7)	6,500	6,500	3,500	33,116
Long-term bank loans (Note 7)	22,385	14,734	16,256	153,813
Accrued retirement benefits to employees (Note 8)	6,495	7,470	7,352	69,558
Accrued retirement benefits to directors and corporate auditors	490	537	536	5,073
Deferred income taxes on revaluation of land (Note 11)	2,845	2,830	2,703	25,573
Deferred income tax liabilities (Note 11)	—	—	46	440
Consolidated adjustment account	427	343	—	—
Other long-term liabilities	4,459	4,188	4,294	40,618
Total liabilities	130,798	137,049	127,125	1,202,808
Minority interests in consolidated subsidiaries	1,075	1,025	1,025	9,695
Contingent Liabilities (Note 9)				
Shareholders' Equity:				
Common stock:				
Authorized:				
300,000,000 shares at September 30, 2002 and March 31, 2003 and 2004				
Issued				
78,278,839 shares at September 30, 2002 and March 31,2003 and 2004	4,000	4,000	4,000	37,847
Additional paid-in capital	60,736	60,736	60,736	574,666
Retained earnings	46,771	45,991	46,110	436,281
Excess (deficit) on revaluation of land (Note 10)	(19,504)	(18,324)	(16,959)	(160,462)
Unrealized gain on other securities, net (Note 6)	11	6	769	7,281
Foreign currency translation adjustments	(125)	(139)	(173)	(1,644)
Treasury stock: 7,673 shares at September 30, 2002 21,458 shares at March 31, 2003 29,709 shares at March 31, 2004	(4)	(11)	(18)	(173)
Total shareholders' equity	91,885	92,259	94,465	893,796
Total Liabilities, Minority Interests and Shareholders' Equity	¥223,758	¥230,333	¥222,615	$2,106,299

Consolidated Statements of Income

EDION Corporation and its consolidated subsidiaries
For the periods ended September 30, 2002 and March 31, 2003 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 4)
	6 months and 3 days from March 29, 2002 to September 30, 2002	6 months from October 1, 2002 to March 31, 2003	12 months from April 1, 2003 to March 31, 2004	12 months from April 1, 2003 to March 31, 2004
Net Sales	¥222,784	¥220,074	¥434,166	$4,107,922
Cost of Sales	175,329	173,853	341,578	3,231,889
Gross profit	47,455	46,221	92,588	876,033
Selling, General and Administrative Expenses	44,921	42,960	86,763	820,917
Operating income	2,534	3,261	5,825	55,116
Non-operating Income (Expenses):				
Interest and dividend income	127	52	230	2,174
Interest expenses	(413)	(381)	(673)	(6,364)
Purchase discounts	2,175	2,146	4,259	40,298
Amortization of consolidated adjustment account	85	84	145	1,373
Equity in losses of affiliates	(110)	(180)	(391)	(3,700)
Loss on sales of property and equipment	—	—	(360)	(3,414)
Loss on disposal of property and equipment	(521)	(347)	(1,778)	(16,827)
Loss on write-down of investments in securities	(512)	(449)	(115)	(1,090)
Payment on early retirement scheme for employees	(306)	(53)	(181)	(1,711)
Amortization of transition difference (Note 8)	(659)	(659)	—	—
Provisions for prior year's sales discounts (Note 2(12))	—	(2,657)	—	—
Gain on sale of investments in securities	—	—	258	2,442
Gain on sale of marketable securities	—	—	763	7,221
Provision for allowance for doubtful accounts	—	—	(50)	(471)
Write-offs of receivables	—	—	(208)	(1,963)
Write-downs of inventories	—	—	(250)	(2,366)
Cancellation charges on early termination of facility leasing arrangements	—	—	(688)	(6,511)
Rearrangement of insurance contracts on repair and warrantee costs for goods sold	—	—	(3,375)	(31,935)
Gain on transfer to government of the substitutional portion of pension liabilities	—	—	639	6,050
Other, net	(390)	(106)	96	903
	(524)	(2,550)	(1,679)	(15,891)
Income before income taxes and minority interests	2,010	711	4,146	39,225
Income taxes (Note 11)				
Current	951	1,423	2,256	21,347
Deferred	(230)	(1,938)	(1,228)	(11,619)
	721	(515)	1,028	9,728
Income before minority interests	1,289	1,226	3,118	29,497
Minority interests in consolidated subsidiaries	75	50	100	946
Net income	¥ 1,214	¥ 1,176	¥ 3,018	$ 28,551

	Yen			U.S.dollars (Note 4)
Amounts per share				
Net income (Notes 2(18) and 15)	¥ 15.52	¥ 14.37	¥ 37.78	$ 0.36
Cash dividends	¥ 10.00	¥ 10.00	¥ 20.00	$ 0.19

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Shareholders' Equity

EDION Corporation and its consolidated subsidiaries

For the 6 months and 3 days ended September 30, 2002, for the 6 months ended March 31, 2003 and for the 12 months ended March 31, 2004

Millions of yen

	Number of shares of common stock (thousands)	Common stock	Additional paid-in capital	Excess (deficit) on revaluation of land	Retained earnings	Unrealized gain (loss) on other securities, net	Foreign currency translation adjustments	Treasury stock
Balance at March 29, 2002	78,278	¥4,000	¥60,736	¥ (5,057)	¥45,693	¥ (82)	¥(104)	¥ —
Net income for the year					1,214			
Cash dividends					(48)			
Revaluation of land				(14,447)	(88)			
Unrealized loss on other securities, net						93		
Foreign currency translation adjustments, net							(21)	
Acquisition of treasury stock, net, (7,673 shares)								(4)
Balance at September 30, 2002	78,278	¥4,000	¥60,736	¥(19,504)	¥46,771	¥ 11	¥(125)	¥ (4)
Net income for the year					1,176			
Cash dividends					(783)			
Revaluation of land				1,180	(1,173)			
Unrealized loss on other securities, net						(5)		
Foreign currency translation adjustments, net							(14)	
Acquisition of treasury stock, net, (13,785 shares)								(7)
Balance at March 31, 2003	78,278	¥4,000	¥60,736	¥(18,324)	¥45,991	¥ 6	¥(139)	¥(11)
Net income for the year					3,018			
Cash dividends					(1,565)			
Bonuses to directors					(51)			
Adjustments due to sale of properties				1,365	(1,283)			
Unrealized gain on other securities, net						763		
Foreign currency translation adjustments, net							(34)	
Acquisition of treasury stock, net, (8,251 shares)								(7)
Balance at March 31, 2004	78,278	¥4,000	¥60,736	¥(16,959)	¥46,110	¥769	¥(173)	¥(18)

Thousands of U.S. dollars (Note 4)

	Number of shares of common stock (thousands)	Common stock	Additional paid-in capital	Excess (deficit) on revaluation of land	Retained earnings	Unrealized gain (loss) on other securities, net	Foreign currency translation adjustments	Treasury stock
Balance at March 29, 2002	78,278	$37,847	$574,666	$ (47,853)	$432,330	$ (776)	$ (984)	$ —
Net income for the year					11,486			
Cash dividends					(453)			
Revaluation of land				(136,686)	(833)			
Unrealized loss on other securities, net						880		
Foreign currency translation adjustments, net							(199)	
Acquisition of treasury stock, net, (7,673 shares)								(37)
Balance at September 30, 2002	78,278	$37,847	$574,666	$(184,539)	$442,530	$ 104	$(1,183)	$ (37)
Net income for the year					11,269			
Cash dividends					(7,555)			
Revaluation of land				11,161	(11,098)			
Unrealized loss on other securities, net						(44)		
Foreign currency translation adjustments, net							(127)	
Acquisition of treasury stock, net (13,785 shares)								(71)
Balance at March 31, 2003	78,278	$37,847	$574,666	$(173,378)	$435,146	$ 60	$(1,310)	$(108)
Net income for the year					28,551			
Cash dividends					(14,809)			
Bonuses to directors					(483)			
Adjustments due to sale of properties				12,916	(12,124)			
Unrealized gain on other securities, net						7,221		
Foreign currency translation adjustments, net							(334)	
Acquisition of treasury stock, net (8,521 shares)								(65)
Balance at March 31, 2004	78,278	$37,847	$574,666	$(160,462)	$436,281	$7,281	$(1,644)	$(173)

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

EDION Corporation and its consolidated subsidiaries
For the 6 months and 3 days ended September 30, 2002, the 6 months ended March 31, 2003 and the 12 months ended March 31, 2004

	Millions of yen			Thousands of U.S. dollars (Note 4)
	6 months and 3 days from March 29, 2002 to September 30, 2002	6 months from October 1, 2002 to March 31, 2003	12 months from April 1, 2003 to March 31, 2004	12 months from April 1, 2003 to March 31, 2004
Cash Flows from Operating Activities:				
Income before income taxes	¥ 2,010	¥ 711	¥ 4,146	$ 39,225
Adjustments to income before income taxes:				
Depreciation and amortization	2,881	3,144	5,523	52,254
Amortization of consolidation adjustment account	(85)	(84)	(145)	(1,373)
Provision of allowance for doubtful accounts	(200)	(125)	82	775
Provision for accrued bonuses to employees	237	7	317	2,997
Provision for accrued retirement benefits to employees	689	976	(124)	(1,175)
Provision for accrued retirement benefits to directors and corporate auditors	(23)	47	(1)	(9)
Provision for accrued sales discounts	—	2,624	475	4,494
Interest and dividend income	(127)	(52)	(230)	(2,174)
Interest expenses	413	381	673	6,364
Gain on sale of marketable securities and investments in securities	—	—	(1,021)	(9,663)
Loss on write-down of investments in securities	512	449	115	1,090
Equity in losses of affiliates	110	180	391	3,700
Loss on disposal of property and equipment	521	347	1,778	16,827
Decrease (Increase) in notes and accounts receivable	1,847	(2,949)	2,159	20,428
Decrease (Increase) in inventories	11,461	(1,941)	3,853	36,459
Increase (decrease) in notes and accounts payable	(10,911)	6,095	(4,182)	(39,565)
Others, net	273	1,168	2,902	27,462
Subtotal	9,608	10,978	16,711	158,116
Interest and dividend income received	62	20	59	556
Interest expenses paid	(447)	(263)	(666)	(6,304)
Settlement payments for litigation	(2,233)	—	—	—
Income taxes paid	(132)	(728)	(2,821)	(26,689)
Net cash provided by operating activities	¥ 6,858	¥10,007	¥13,283	$125,679

The accompanying notes are an integral part of these financial statements.

	Millions of yen			Thousands of U.S. dollars (Note 4)
	6 months and 3 days from March 29, 2002 to September 30, 2002	6 months from October 1, 2002 to March 31, 2003	12 months from April 1,2003 to March 31, 2004	12 months from April 1, 2003 to March 31, 2004
Cash Flows from Investing Activities:				
Increase in time deposits	¥ (440)	¥ (560)	¥(1,670)	$(15,801)
Proceeds from decrease in time deposits	330	790	980	9,272
Payments for acquisition of tangible fixed assets	(10,036)	(2,558)	(5,789)	(54,773)
Proceeds from sale of tangible fixed assets	227	803	365	3,452
Payments for acquisition of intangible fixed assets	(643)	(876)	(145)	(1,376)
Payments for acquisition of investments in securities	(459)	(26)	(691)	(6,538)
Proceeds from sale of investments in securities	142	26	2,076	19,642
Acquisition of shares of consolidated subsidiaries resulting in changes in the scope of consolidation (Note 5(2))	—	—	(1,309)	(12,384)
Payments of leasehold deposits to lessors	(256)	(215)	(726)	(6,874)
Collections of leasehold deposits from lessors	1,354	122	459	4,340
Proceeds of leasehold deposits from lessees	722	118	439	4,152
Repayments of leasehold deposits to lessees	(182)	(20)	(180)	(1,704)
Others, net	(135)	35	19	198
Net cash used in investing activities	¥(9,376)	¥(2,361)	¥(6,172)	$(58,394)
Cash Flows from Financing Activities:				
Increase (decrease) in short-term bank loans, net	(10,850)	(1,560)	150	1,419
Increase (decrease) in commercial paper, net	2,000	(2,000)	(1,000)	(9,462)
Proceeds from long-term bank loans	6,700	4,000	6,500	61,501
Repayments of long-term bank loans	(4,572)	(5,450)	(13,368)	(126,485)
Proceeds from issue of bonds	1,500	—	—	—
Cash payments for fractional shares at the exchange of shares (Note 1)	(689)	—	—	—
Cash dividends paid	—	(780)	(1,563)	(14,787)
Proceeds from issuance of shares to minority shareholders	300	—	—	—
Others, net	(306)	(306)	(722)	(6,835)
Net cash used in financing activities	(5,917)	(6,096)	(10,003)	(94,649)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	2	(2)	—	—
Net Increase (Decrease) in Cash and Cash Equivalents	(8,433)	1,548	(2,892)	(27,364)
Cash and Cash Equivalents at beginning of Year (Note 5)	23,125	14,790	16,338	154,588
Increase in Cash and Cash Equivalents Resulting from Exchange of Share	18	—	—	—
Increase in Cash and Cash Equivalents Resulting from Inclusion of Subsidiaries in the Scope of Consolidation	80	—	—	—
Cash and Cash Equivalents at end of year (Note 5)	¥14,790	¥16,338	¥13,446	$127,224

EDION Corporation and Subsidiaries
For the periods ended September 30, 2002 and March 31, 2003 and 2004

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by EDION Corporation (the "Company") and its consolidated subsidiaries (together, hereinafter referred to as "EDION") in accordance with the provisions set forth in the Commercial Code of Japan ("Code") and the Securities and Exchange Law in Japan, and in conformity with the accounting principles generally accepted in Japan.

Relevant notes have been added and certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan and to confirm with the previous presentation.

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

The Company was incorporated on March 29, 2002 as a 100% holding parent company of DEODEO Corporation ("DEODEO") and EIDEN Corporation ("EIDEN") through exchanging its shares with the shares of those companies in accordance with the Code. Under the Code, a fiscal year is required to be a period not exceeding 12 months and therefore the Company ended its first financial period on September 30, 2002 and the second period on March 31, 2003 as a step to employing March 31 as its regular year-end. As a result, the first fiscal year was 6 months and 3days ended September 30, 2002, the second fiscal year was 6 months ended March 31, 2003 and current year (the third fiscal year) was 12 months ended March 31, 2004.

Except for the cash and cash equivalents, the following assets and liabilities were assumed by the Group as a result of the share exchange stated above;

Current assets:	¥ 44 million
Fixed assets:	¥ 95,450 million
Total assets:	¥ 95,494 million
Current liabilities:	¥ 959 million
Non-current liabilities:	¥ —
Total liabilities:	¥ 959 million

Cash payments were made to shareholders who held shares of DEODEO and EIDEN which resulted in less than one share of the Company on exchange of shares with those parties in the aggregate amount of ¥ 689 million, which was shown as cash payments for fractional shares at the exchange of shares in the accompanying consolidated statements of cash flows.

2. Summary of Significant Accounting Policies

(1) Consolidation and investments in affiliates

Under Japanese accounting standards, a subsidiary and an affiliate are defined as follows:

A subsidiary: a company in which the reporting entity directly or indirectly holds more than 50% of the voting rights thereof or which is deemed to be controlled directly or indirectly by the reporting entity; and

An affiliate: a company in which the reporting entity directly or indirectly holds 20% or more of the voting rights thereof or in which the reporting entity is deemed to exercise significant influence directly or indirectly on its decision making.

- Scope of consolidation

The Company had 14 subsidiaries as of September 30, 2002. During the period ended March 31, 2003, one subsidiary was incorporated and EIDEN and Comnet Co., Ltd. merged Compmart Co., Ltd. and Eiden Services Co., Ltd., respectively. The Company had 12 subsidiaries as of March 31, 2003 and 2004. During this year, Haddock Co., Ltd, a subsidiary of the Company was liquidated. On the other hand, Kurashino Design, Inc. was acquired during this year and was newly consolidated, accordingly. Therefore the numbers of subsidiaries remained the same. The consolidated financial statements included the accounts of the Company and all subsidiaries as of September 30, 2002 and March 31, 2003 and 2004.

100 % owned subsidiary BAX Co., Ltd. transferred its business to EIDEN Co., Ltd. on April 1, 2004 and is now in the course of liquidation.

- Investments in affiliates

The Company had 7 affiliates as of March 31, 2004 (5 as of September 30, 2002 and March 31, 2003). The equity method was applied to the investments in 5 major affiliates and the cost method was applied to investments in the remaining affiliates since they were not material to the consolidated financial statements.

- Consolidation policies

For consolidation of the accounts of subsidiaries whose fiscal year-ends are not in agreement with the Company, necessary adjustments are made on significant intercompany transactions that take place during the periods between the fiscal year-end of respective consolidated subsidiaries and that of the Company.
The difference between the cost of an investment in a consolidated subsidiary and the amount of underling equity in net assets at fair value of such subsidiary is amortized over 5 years. The balance of such difference is recorded as consolidation adjustment account in the accompanying financial statements.

Full portion of the assets and liabilities of the subsidiaries is marked to fair values as of the acquisition of the control.

(For the period ended March 31, 2003)
The formation of EDION and the exchanging of shares of DEODEO and EIDEN ("two companies") ("Combination") were accounted for by using the pooling-of-interests method in accordance with "Accounting for the Consolidation of a Holding Company Established by Stock Exchange or Stock Transfers" (JICPA Accounting Committee Research Report No. 6) since the conditions included in the above standards as shown below were all satisfied.

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.

Valuations of fair value of the two companies were carried out by two external professionals in order to determine the exchange rate of shares. The fair values of the net assets of each of the two companies as of March 31, 2001, the most recent fiscal year end of the two companies before the announcement of the Combination, were not significantly different.

(2) Foreign currency transaction and translation of foreign currency financial statements

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.

Assets and liabilities of foreign affiliates are translated into yen at exchange rates prevailing at the balance sheet date, except for the components of the shareholders' equity at the beginning of the year, which are translated into yen at the historical rates. Profit and loss accounts for the year are also translated into yen at exchange rates at the balance sheet dates. Differences in yen amounts arising from the use of different rates are presented as "Foreign currency translation adjustments" in the accompanying shareholders' equity statement.

These translation adjustments attributable to the Company are not included in the determination of net income, but are reported as "foreign currency translation adjustments" in shareholders' equity in the accompanying consolidated balance sheets.

(3) Cash and cash equivalents

Cash and cash equivalents included in the accompanying consolidated financial statements are composed of cash on hand, bank deposits that may be withdrawn on demand and highly liquid investments purchased with initial maturities of three months or less and which represent low risk of fluctuation in value.

(4) Income taxes

Deferred tax accounting is applied for the preparation of consolidated financial statements. Income taxes are determined using the assets and liability approach in order to recognize deferred tax assets and liabilities in respect of temporary differences which arise between the carrying amounts and the tax basis of assets and liabilities.

(5) Securities

Securities are classified in accordance with Japanese accounting standards into four categories: 1) trading securities; 2) held-to-maturity debt securities; 3) shares in equity of subsidiaries and affiliates; and 4) other securities. These categories are treated differently for the purpose of measuring and accounting for changes in fair value. EDION did not have any securities classified as trading securities for the three periods ended September 30, 2002 and March 31, 2003 and 2004.

Trading securities and certain financial instruments which meet strict conditions are categorized as current assets and included in marketable securities, and all securities other than investments in consolidated subsidiaries are shown as investments in securities or investments in affiliates in the accompanying consolidated balance sheets, as the case may be.

Held-to-maturity debt securities that EDION has intention to hold to maturity are stated at cost after application of amortization/accumulation to premium or discount on acquisition over the period to maturity. With respect to shares in equity of subsidiaries and affiliates, all subsidiaries have been consolidated and equity in all affiliates is accounted for by the equity method.

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in shareholders' equity, net of tax effect thereon. Other securities for which market quotations are unavailable are stated at cost.

Held-to-maturity and debt securities due within one year are presented as marketable securities in the current assets and all other securities are presented as non-current assets. Where the fair value of such securities other than trading securities has declined significantly and such impairment in value is not deemed temporary, those securities are written down to the fair value and the resulting losses are charged to net profit or loss for the period.

Where market values of other securities are 50% of the carrying value or lower at the end of the financial year, such securities are written off to such market value. With respect to other 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.

(6) Derivative financial instruments

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged item or transactions are recognized in accordance with the Japanese accounting standard.

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 Japanese accounting standard.

(7) Inventories

Goods are stated at cost. Cost is principally determined by the moving average method and the first-in, first-out method for goods held by DEODEO and EIDEN, respectively. Home-center appliances, however, are determined by the retail method.

(8) Property and equipment

Depreciation is computed based on the declining-balance method while the straight-line method is applied to buildings acquired on and after April 1, 1998. The range of useful lives is principally from 2 to 60 years for buildings and from 2 to 20 years for vehicles, equipment, furniture and tools.

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets". 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 net selling price or value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. An earlier adoption is permitted for fiscal year ended March 31, 2004 in the case of the Company. However, the Company has not adopted the standard for the year ended March 31, 2004.

(9) Intangible assets
Amortization of intangible assets including capitalized software for internal use, is computed using the straight-line method mainly for 5 years.

(10) 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, EDION generally enters into an agreement with and makes advances to the lessor in the amount equivalent to the construction cost of a store. Under such agreement, EDION leases the land and building from the lessor after the completion of construction and pays lease rentals thereon from such advances previously made to the 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.

(11) Allowance for doubtful accounts
Allowance for doubtful accounts is provided based on the aggregate amount of estimated credit losses for doubtful receivables in addition to an amount calculated for the rest of the receivables using historical write-off experience from prior periods.

(12) 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 (“club point card system”).

During the 6 month period ended March 31, 2003, EDION adopted an accounting policy to recognize accrued sales discounts granted to member customers through the club point card system stated above since the basis and records for the reasonable estimates thereof became available. As a result of adoption of this accounting policy, ¥2,657 million was charged to income to recognize such accrued sales discounts as of October 1, 2002. Accrued sales discounts incurred during the year is charged to selling, general and administrative expenses.

(13) Accrued retirement benefits
The company and its consolidated subsidiaries have 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.

In accordance with the Japanese accounting standard, accrued retirement benefits to employees represent the estimated present value of projected benefit obligations in excess of the fair value of the plan assets less unrecognized transition differences, unrecognized actuarial differences and unrecognized prior service costs with respect to assumptions and accounting policies employed for the calculation of accrued retirement benefits to employees (See Note 8).

As is customary in Japan, accrued retirement benefits to directors and corporate auditors of EDION are provided for based on internal regulations. EDION recognizes 100% of such liability EDION would have paid if all directors and corporate auditors had retired at year-end, which is shown as “Accrued retirement benefits to directors and corporate auditors” in the accompanying consolidated balance sheets. Payment of such retirement benefits to directors and corporate auditors requires prior approval of shareholders as a part of appropriation of retained earnings.

(14) Revaluation of land
In accordance with the Land Revaluation Law, lands used for business purposes were revalued. The difference between the carrying amount and the revalued amount, net of tax effect thereon, is recorded as “Excess (deficit) on revaluation of land” as a separate component of the shareholders' equity. Deferred income tax recognized in relation to the land revaluation is shown as “Deferred income taxes on revaluation of land” in the accompanying consolidated balance sheets in accordance with Japanese accounting standards.

(15) Consumption tax
Consumption tax is levied at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions). The consumption tax withheld by the Company on its revenues and consumption tax paid by the Company 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 is 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.

(16) Appropriation of retained earnings
Under the Code, the plan for appropriation of retained earnings (including year-end cash dividends) proposed by the Board of Directors should be approved at the shareholders' meeting, which must be held within three months after the end of each fiscal year. On the other hand, the Code allows directors to make interim cash dividends at a certain date as stipulated in the article of a company with restrictions specifically stipulated in the Code.

The payment of bonuses to directors and corporate auditors, if any, is made out of retained earnings as a part of the appropriations mentioned above instead of being charged to income of the year.

(17) Leases
Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases except that leases do not transfer ownership of the assets at the end of the lease term are accounted for as operating lease, in accordance with accounting principles and practices generally accepted in Japan.

(18) Net income per share
Basic income (loss) per share is computed based on the weighted-average number of shares of common stock outstanding during the respective periods. The Company had no dilutive potential common shares, such as convertible debt of warrants, outstanding during the relevant two periods.

Effective from the year commenced on or commencing after April 1, 2003 the new Japanese accounting standard for calculation of earnings per share will be applied. Under the new standard, 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 standards, by the amounts deemed not attributable to the shareholders holding ordinary shares of the company, which include dividends to preferred stocks and bonuses to directors and corporate auditors which are approved by the shareholders as appropriation of retained earnings of that year at the annual general meeting held within three month after the respective year-ends (see note 15) . The new standards was not retrospectively applied for net income per share for the period ended September 30,2002.

Cash dividends per share shown in the consolidated statements of income are the total of interim cash dividends per share and year-end dividends per share as applicable to the respective years.

3. Change in Accounting Policies

Telecommunication costs and depreciation expenses related to the Internet Provider business were recorded as selling, general and administrative expenses for the period ended September 30, 2002. However, in accordance with the Company's policy to expand the Internet Provider business, such expenses stated above were recorded as cost of sales effective from the period ended March 31, 2003, in order to more appropriately present the result of operations of the business of the Company.

This change resulted in an increase of ¥528 million of cost of sales, and a decrease of the same amount of operating income and selling, general and administrative expenses, respectively, for the period ended March 31, 2003.

4. United States Dollar Amounts

U.S. dollar amounts presented in the accompanying consolidated financial statements and in these notes for the period ended March 31, 2004 are translated at ¥105.69=US$1.00, the approximate rate of exchange prevailing at March 31, 2004. These amounts are included solely for the convenience of readers, and should not be construed as representations that Japanese yen amounts have been, or could be converted into U.S. dollars at that or any other rate of exchange.

5. Cash and Cash Equivalents

(1) The reconciliation of cash and cash equivalents in the accompanying consolidated statements of cash flows to the account balances in the accompanying consolidated balance sheets is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 4)
	2002	2003	2004	2004
Cash on hand and deposits with banks	¥ 15,433	¥ 16,682	¥ 14,599	$ 138,137
Securities in current assets	407	357	57	536
Less: Deposits with maturities over three months	(750)	(400)	(1,210)	(11,449)
Debt securities with maturities over three months	(300)	(301)	–	–
Cash and cash equivalents	¥ 14,790	¥ 16,338	¥ 13,446	$ 127,224

(2) During the year ended March 31, 2004, the Company acquired shares of Kurashino Design, Inc. ("Kurashino Design") for ¥1,309 million ($12,384 thousand) to make a consolidated subsidiary.
The amounts paid for acquisition of shares and cash and cash equivalent acquired at the commencement of consolidation are analyzed as follows:

	Millions of yen	Thousand of U.S. dollars (Note 4)
Current assets	¥ 808	$ 7,647
Fixed assets and other assets	21	198
Current liabilities	(638)	(6,036)
Consolidation adjustments	1,439	13,613
Cash consideration	1,630	15,422
Cash and cash equivalents acquired	321	3,038
Consideration for acquisition	¥ 1,309	$ 12,384

6. Marketable Securities and Investments in Securities

Information for Marketable Securities and Investments in Securities held by the Company and its subsidiaries, are as follows:

(1) The following is a summary of other securities and held-to-maturity securities at September 30, 2002 and March 31, 2003 and 2004:

	Millions of yen			
	September 30, 2002			
	Cost	Book value	Gross unrealized gains	Gross unrealized losses
Other Securities:				
Market value available	¥ 3,916	¥ 3,933	¥ 255	¥ 239
Market value not available	1,054	1,054	–	–
Total other securities	4,970	4,987	255	239
Held-to-maturity securities	¥ 7	¥ 7	¥ –	¥ –

	Millions of yen			
	March 31, 2003			
	Cost	Book value	Gross unrealized gains	Gross unrealized losses
Other Securities:				
Market value available	¥ 3,467	¥ 3,477	¥ 235	¥ 225
Market value not available	1,003	1,003	–	–
Total other securities	4,470	4,480	235	225
Held-to-maturity securities	¥ 6	¥ 6	¥ –	¥ –

	Millions of yen			
	March 31, 2004			
	Cost	Book value	Gross unrealized gains	Gross unrealized losses
Other Securities:				
Market value available	¥ 2,701	¥ 3,984	¥ 1,356	¥ 73
Market value not available	913	913	–	–
Total other securities	3,614	4,897	1,356	73
Held-to-maturity securities	¥ 6	¥ 6	¥ –	¥ –

Included in the other securities, is ¥56 million ($530 thousand) which is classified as marketable securities under the Japanese accounting standard

	Thousands of U.S. dollars (Note 4)			
	March 31, 2004			
	Cost	Book value	Gross unrealized gains	Gross unrealized losses
Other Securities:				
Market value available	$ 25,560	$ 37,698	$ 12,829	$ 691
Market value not available	8,637	8,637	–	–
Total other securities	34,197	46,335	12,829	691
Held-to-maturity securities	$ 57	$ 57	$ –	$ –

The Company wrote-off equity securities amounting to ¥449 million and 115 million ($ 1,090 thousand) for the years ended March 31, 2003 and 2004, respectively.

(2) Details of other securities sold during the years ended September 30, 2002 and March 31, 2003 and 2004 are as follows:

	Millions of yen		
	For the period ended September 30, 2002		
	Amount sold	Total gain on sale	Total loss on sale
Equity securities	¥ 139	¥ 14	¥ 4

	Millions of yen		
	For the period ended March 31, 2003		
	Amount sold	Total gain on sale	Total loss on sale
Equity securities	¥ 26	¥ 2	¥ 1

	Millions of yen		
	For the period ended March 31, 2004		
	Amount sold	Total gain on sale	Total loss on sale
Equity securities	¥ 2,076	¥ 1,023	¥ 5

	Thousands of U.S. dollars (Note 4)		
	For the period ended March 31, 2004		
	Amount sold	Total gain on sale	Total loss on sale
Equity securities	$ 19,642	$ 9,675	$ 51

(3) Contractual maturities of other securities and held-to-maturity securities as at March 31, 2004, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)	
	Other securities	Held-to-maturity	Other securities	Held-to-maturity
Due within 1 year	¥ –	¥ –	$ –	$ –
Due over 1 year to 5 years	6	100	57	946
Due after 5 years	–	–	–	–
Equity securities	–	–	–	–
	¥ 6	¥ 100	$ 57	$ 946

7. Bank loans, commercial papers and bonds

The annual average interest rates applicable to short-term bank loans was 0.49% and there was no commercial paper for the year ended March 31, 2004 (0.45% of short-term bank loans and 0.43% of commercial paper for the period ended September 30, 2002, and 0.50% of short-term bank loans and 0.49% of commercial paper for the period ended March 31, 2003).

Long term bank loans and bonds outstanding at September 30, 2002 and March 31, 2003 and 2004, consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 4)
	2002	2003	2004	2004
1.68% unsecured straight bonds due September 22, 2004	¥ 3,000	¥ 3,000	¥ 3,000	$ 28,385
1.55% unsecured straight bonds due July 29, 2005	2,000	2,000	2,000	18,923
0.36% unsecured straight bonds due August 12, 2005	1,000	1,000	1,000	9,462
1.04% unsecured straight bonds due March 30, 2007	500	500	500	4,731
Loans from banks	29,453	28,003	21,134	199,968
Less: portion due within one year	(7,068)	(13,268)	(7,878)	(74,541)
	¥ 28,885	¥ 21,235	¥ 19,756	$ 186,928

Aggregated annual maturities of long-term bank loans subsequent to March 31, 2004 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 4)
2006	¥ 6,530	$ 61,789
2007	8,098	76,620
2008	3,928	37,165
2009 and thereafter	1,200	11,354
	¥ 19,756	$ 186,928

At September 30, 2002 and March 31, 2003 and 2004, assets pledged as collateral for long-term bank loans, including the current portion of long-term bank loans, were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 4)
	2002	2003	2004	2004
Buildings and structures	¥ 5,627	¥ 5,496	¥ 3,336	$ 31,561
Land	18,117	18,268	9,048	85,607
Investments in securities	723	650	–	–
	¥ 24,467	¥ 24,414	¥ 12,384	$ 117,168

In addition to the liabilities stated above, provision of collateral is served for long-term bank loans and current portion of long-term bank loans of ¥5,400 million, ¥4,000 million and ¥4,400 million ($41,631 thousand) in the aggregate for the years ended September 30, 2002 and March 31, 2003 and 2004, respectively.

To raise working capital efficiently, the Company has engaged in special commitment-line contracts with 11 banks. Total credit lines and the amounts utilized as of March 31, 2004 were ¥36,000 million ($340,619 thousand) and ¥25,200 million ($238,433 thousand), respectively. Total credit lines and the amounts utilized as of March 31, 2003 were of the same amount.

8. Accrued Retirement Benefits to Employees

Status of retirement benefits to as of September 30, 2002 and March 31, 2003 and 2004 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars (Note 4)
	2002	2003	2004	2004
Projected benefit obligations	¥ (15,039)	¥ (16,403)	¥ (14,858)	$ (140,583)
Plan assets	6,390	6,109	5,648	53,446
Funded status	(8,649)	(10,294)	(9,210)	(87,137)
Unrecognized transition difference	659	–	–	–
Unrecognized actuarial differences	1,495	2,901	1,933	18,286
Unrecognized prior service cost	–	(77)	(69)	(655)
Prepaid pension cost	–	–	(6)	(52)
Balance of accrued pension and severance cost	¥ (6,495)	¥ (7,470)	¥ (7,352)	$ (69,558)

The consolidated subsidiaries except for DEODEO Co., Ltd. and EIDEN Co., Ltd. adopt a simplified method for calculation of the above-mentioned projected benefit obligations.
In addition, prior service cost has been generated due to the amendments to the welfare pension plan.

Net pension expense related to the retirement benefits for the periods ended September 30, 2002 and March 31, 2003 and 2004, were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 4)
	2002	2003	2004	2004
Service cost	¥ 609	¥ 602	¥ 1,064	$ 10,065
Interest cost	178	178	328	3,100
Expected return on plan assets	(28)	(28)	(52)	(488)
Amortization of transition difference	659	659	–	–
Amortization of actuarial differences	85	84	250	2,364
Amortization of prior service cost	–	(4)	(8)	(77)
Net pension expense	¥ 1,503	¥ 1,491	¥ 1,582	$ 14,964

In addition to above-mentioned net pension expense, additional payments of ¥306 million, ¥53 million and ¥181 million ($1,711 thousand) were recorded in “Payment on early retirement scheme for employees” for periods ended September 30, 2002 and March 31, 2003 and 2004, respectively.
Net pension expense for subsidiaries adopting a simplified method is recorded in “Service cost”.

Assumptions used in calculation of the above information were as follows:

	2002	2003	2004
Discount rate	2.4%~2.5%	2.1%~2.5%	1.5%~2.5%
Expected rate of return on plan assets	0.8%~1.0%	0.8%~1.0%	0.8%~1.0%

Notes: (a) Amortization of transition differences incurred at the first application of the Japanese accounting standard for retirement benefits to employees was

completed in the period ended March 31, 2003.
(b) Unrecognized actuarial differences are amortized from the following year in which they incur on the straight-line method over 10 years.
(c) Unrecognized prior service costs are amortized over 10 years, which is shorter than the average remaining years of service of the eligible employees, on a straight-line method.

On June 15, 2001, the Contributed Benefit Pension Plan Law was enacted and allows a company to return the substitutional portion within the national pension scheme to the government thereby exempting the company's responsibility for future benefits subject to approval from the Ministry of Health, Labor and Welfare for the exemption from the payment of future benefits.
On July 25, 2003, the certain consolidated subsidiaries obtained approval from the Ministry of Health, Labor and Welfare for exemption from the payment of future benefit obligations with respect to the substitutional portion operated by those subsidiaries on behalf of the national government. Those subsidiaries applied accounting for return of the substitutional portion at the date of approval, which is allowed as alternative accounting method in accordance with "Practical Guidance for Accounting for Pensions" issued by the Japanese Institute of Certified Public Accountants. A gain on exemption from the payment of benefit obligations totaling ¥639 million ($6,050 thousand) was recorded in the accompanying consolidated statements of income for the year ended March 31, 2004. The fair value of fund assets to be returned to government was measured at approximately ¥1,497 million ($14,164 thousand) as of March 31, 2004.

9. Contingencies

The Company is contingently liable for guarantee of bank borrowings made by two affiliates, Cable City 22 Co., Ltd. and Aki Cable Television as follows:

	Millions of yen			Thousands of U.S. dollars (Note 4)
	2002	2003	2004	2004
Cable City 22 Co., Ltd	¥ 836	¥ 942	¥ 1,180	$ 11,170
Aki Cable Television	–	–	200	1,892

The Company and its consolidated subsidiaries were also contingently liable for trade notes receivable discounted with banks in the amount of ¥ 1,019 million at March 31, 2003.

10. Revaluation of Land

DEODEO and EIDEN revalued land in accordance with the Law for Land Revaluation as follows:

DEODEO Co., Ltd.

Date of revaluation:	March 31, 2002
Aggregate book value at the time of revaluation:	¥ 47,185 million
Fair value at the time of revaluation:	¥ 35,354 million
Differences between revalued amount and Fair value:	
At September 30, 2002	¥ 2,386 million
At March 31, 2003:	¥ 3,890 million
At March 31, 2004:	¥ 6,710 million ($63,486 thousand)

EIDEN Co., Ltd.

Date of revaluation:	March 28, 2002
Aggregate book value at the time of revaluation:	¥ 12,593 million
Fair value at the time of revaluation:	¥ 7,677 million
Differences between revalued amount and Fair value:	
At September 30, 2002	¥ 534 million
At March 31, 2003:	¥ 594 million
At March 31, 2004:	¥ 1,139 million ($10,773 thousand)

11. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitants' taxes and enterprise tax. Enterprise tax is deductible when paid as an expense for the purpose of the calculation of other income taxes. The effective statutory tax rate is approximately 42.1% for the periods ended September 30, 2002 and March 31, 2003 and 2004.

At September 30, 2002 and March 31, 2003 and 2004, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 4)
	2002	2003	2004	2004
Deferred tax assets:				
Depreciation expense	¥ 307	¥ 315	¥ 384	$ 3,634
Allowance for doubtful accounts	684	642	859	8,125
Accrued bonuses to employees	1,045	972	1,336	12,643
Accrued retirement benefits to employees	2,320	2,742	2,929	27,712
Accrued retirement benefits to directors and corporate auditors	70	53	68	639
Accrued insurance expense	–	–	263	2,485
Accrued welfare expenses	–	129	90	848
Accrued sales discounts	–	1,071	1,251	11,833
Enterprise tax payables	65	157	90	847
Unrealized gain on fixed assets	2,403	2,383	2,386	22,572
Operating loss carryforwards	734	596	376	3,556
Write-down of investments in securities	445	208	61	573
Other	243	276	576	5,476
Total deferred tax assets	8,316	9,544	10,669	100,943
Less: valuation allowance	(1,671)	(1,011)	(1,032)	(9,763)
Net deferred tax assets	6,645	8,533	9,637	91,180
Deferred tax liabilities:				
Reserve for advanced depreciation deduction	(210)	(136)	(100)	(943)
Adjustment on revaluation of land	(2,845)	(2,830)	(2,703)	(25,573)
Unrealized gain on other securities, net	(120)	(150)	(519)	(4,910)
Other	–	–	(106)	(1,012)
Total deferred tax liabilities	(3,175)	(3,116)	(3,428)	(32,438)
Net deferred tax assets	¥ 3,470	¥ 5,417	¥ 6,209	$ 58,742

Net deferred tax assets shown above are recorded in the accompanying consolidated balance sheets as follows:

	Millions of yen			Thousands of U.S. dollars (Note 4)
	2002	2003	2004	2004
Deferred income taxes- Current assets	¥ 1,206	¥ 2,753	¥ 3,713	$ 35,131
Deferred income taxes -Intangibles and deferred charges	5,109	5,494	5,245	49,624
Deferred income taxes on revaluation of land -Long-term Liabilities	(2,845)	(2,830)	(2,703)	(25,573)
Deferred income tax liabilities -Long-term Liabilities	(–)	(–)	(46)	(440)
Net deferred tax assets	¥ 3,470	¥ 5,417	¥ 6,209	$ 58,742

At September 30, 2002 and March 31, 2003 and 2004, the reconciliation of the effective statutory income tax rate to the effective income tax rate in the accompanying consolidated statements of income was as follows:

	2002	2003	2004
Effective statutory tax rate	42.1%	42.1%	42.1%
Expenses not deductible for tax purposes	1.4	3.7	0.7
Tax-exempt income of dividends received	(3.0)	–	–
Different income tax rates applied to a certain consolidated subsidiary	(2.9)	3.6	(3.1)
Per capita inhabitant taxes	5.4	17.5	6.4
Effect of change in the tax rates	–	16.0	2.5
Write-down of investments in securities	–	(30.3)	(2.0)
Equity in losses of affiliates	–	10.6	–
Amortization of consolidated adjustment account	–	4.9	(1.7)
Allowance for doubtful accounts	–	–	(5.1)
Decrease of valuation allowance	(5.3)	(140.3)	(16.7)
Other	(1.8)	(0.3)	1.7
Effective tax rate in the consolidated statements of income	35.9%	(72.5)%	24.8%

12. Leases

Lease payments are charged to expense when incurred. Lease expenses on finance lease contracts for the periods ended September 30, 2002 and March 31, 2003 and 2004, are summarized as follows:

	Millions of yen			Thousands of U.S. dollars (Note 4)
	2002	2003	2004	2004
Lease expenses	¥ 1,217	¥ 1,192	¥ 2,267	$ 21,451

The amount of outstanding future lease payments as of September 30, 2002 and March 31, 2003 and 2004, which included the portion of interest thereon, are summarized as follows:

	Millions of yen			Thousands of U.S. dollars (Note 4)
	2002	2003	2004	2004
Future lease payments:				
Within one year	¥ 2,099	¥ 2,087	¥ 2,133	$ 20,179
Over one year	5,154	4,543	3,512	33,231
	¥ 7,253	¥ 6,630	¥ 5,645	$ 53,410

Assumed acquisition costs, accumulated depreciation, net book value at September 30, 2002 and March 31, 2003 and 2004, and depreciation for the periods ended September 30, 2002 and March 31, 2003 and 2004, of the leased assets, if capitalized, were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 4)
	2002	2003	2004	2004
Acquisition costs	¥ 11,892	¥ 11,870	¥ 11,528	$ 109,071
Accumulated depreciation	4,752	5,361	5,997	56,737
Net book value	7,140	6,509	5,531	52,334
Depreciation	¥ 1,154	¥ 1,126	¥ 2,147	$ 20,317

Depreciation is calculated based on the straight-line method over the lease terms of the relevant leased assets.

13. Segment Information

(1) Information by industry segment

Disclosure of information by industry segment is omitted since consolidated net sales, operating income and assets in "Household electric and related products and repair service" are more than 90% of total sales, operating income and assets for the three periods ended September 30, 2002 and March 31, 2003 and 2004.

(2) Information by geographic segment

Disclosure of information by geographic segment is omitted since no consolidated subsidiaries are located outside Japan for the three periods ended September 30, 2002 and March 31, 2003 and 2004.

(3) Export sales

The Company and its subsidiaries have no sales outside Japan for the three periods ended September 30,2002 and March 31, 2003 and 2004.

14. Related Party Transaction

Material transactions of the Company with its related companies and individuals, excluding transactions with consolidated subsidiaries which are eliminated in the consolidated financial statements and other than those disclosed elsewhere in these financial statements, for the periods ended September 30, 2002 and March 31, 2003 were as follows:

Millions of Yen (Thousands of U.S. dollars (Note 4))

Name of the related company	Paid-in capital	Principal business	Equity ownership by the related company	Transactions: Description of the companies business	For the two periods ended Sep. 30, 2002	For the two periods ended Mar. 31, 2003	Account Balances: Account	At Sep. 30, 2002	At March 31, 2003
Shoei corporation	¥ 900 million	Insurance agent	1.75%	Insurance business	¥ 10	¥ 55	Accounts payable	¥ 60	¥ 87
				Insuring arrangement	¥ 368	¥ 420	Other accounts receivable	¥ 76	¥ 107

Note 1. Consumption taxes are excluded from the amounts above.
2. The Company's management believes that all transactions with related parties as described in the table above were in accordance with terms and conditions decided on a market-determined basis.

There was no related party transaction for the year ended March 31, 2004.

15. Net Income per Share

Calculation of net income per share in accordance with the new accounting standards for the periods ended March 31, 2003 and 2004 were calculated as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	Period ended March 31		Year ended March 31
	2003	2004	2004
Net income attributable to common shares	¥1,176	¥ 3,018	$ 28,551
Less: Bonuses to directors and statutory auditors	(51)	(61)	(578)
	¥1,125	¥ 2,957	$ 27,973

	Thousand	
Weighted average number of common shares outstanding:		
-Basic	78,361	78,253

	Yen		U.S. dollars (Note 4)
Net income per share:			
-Basic	¥ 14.37	¥ 37.78	$ 0.36

Diluted net income per share is not shown because the Company had no dilutive potential common shares, such as convertible debt or warrants, outstanding for the periods ended September 30, 2002 and March 31, 2003 and 2004.

16. Subsequent Event

(1) Appropriation of retained earnings

The following appropriations of retained earnings in respect of the period ended March 31, 2004, were proposed by the Board of Directors and approved by the shareholders of the Company at the annual general meeting held on June 29, 2004:

	Millions of yen	Thousands of U.S. dollars (Note 4)
Appropriations:		
Year-end cash dividends (¥10 per share)	¥ 783	$ 7,406

(2) Basic agreement of business integration (exchange of shares) with MIDORI DENKA

On May 18, 2004, the Board of Directors of the Company and MIDORI DENKA Co., Ltd., concluded the basic agreement of exchange of shares for the purpose of establishing the competitive enterprise group.

- Idea and object of business integration
  Both companies will provide regional service through wide-ranging network simultaneously under the idea of "the business development for customers in the local community". Also, we will raise customer satisfaction by providing the goods and service with higher satisfaction. The purpose of business integration is to decrease cost by obtaining the scale merit and accomplish further improvement by maximizing management vitality.

Business name, contents and other information of the partner company are as follows:

Business name	MIDORI DENKA Co., Ltd.
Business contents	Sales and repair of electric products and communication equipment etc. Sales of furniture and upholstery etc.
Establishment date	August, 1961
Address of head office	Amagasaki city, Hyogo prefecture
Representative	Representative President, Masayuki Umehara
Capital stock	¥1,560 million ($14,760 thousand) (*1)
Issued stocks	18,000 thousand shares (*1)
Shareholders' equity	¥17,904 million ($169,401 thousand)(*1)
Total assets	¥77,483 million ($733,116 thousand)(*1)
Numbers of employees	1,922 (*1)
Gross sales	¥222,210 million ($2,102,469 thousand)(*2)
Net income for this year	¥2,510 million ($23,749 thousand)(*2)

(*1) Based on the non-consolidated financial statements as of February 15, 2004.
(*2) Based on the consolidated financial statements as of February 15, 2004.

Terms and conditions for exchange of shares are described below

(a) Time schedule

May 18, 2004	Approval of basic agreement regarding business integration at Board of Directors' meeting
May 18, 2004	Sign on basic agreement regarding business integration
Late November 2004 (schedule)	Approval of agreement for exchange of shares at Board of Directors' meeting
Late November 2004 (schedule)	Sign on agreement for exchange of shares
Late December 2004 (schedule)	Approval of agreement for exchange of shares at shareholders' meeting
April 1, 2005 (schedule)	Exchange of shares

(b) Exchange share ratio

The ratio of exchanging shares will be 1 share of MIDORI DENKA Co., Ltd. to between 1.4 and 1.5 shares of the Company, which will be determined after due consultation between the two companies using external professional bodies.

(c) After exchange of shares

The Company, becoming a parent company, will continue to list its shares on the stock exchange.

(3) Stock subscription rights

The issuance of subscription rights was resolved at the Board of Directors' meeting on March 26, 2004, in accordance with provision of Section 20, Article 280 of the Commercial Code. The Company will grant stock subscription rights (shinkabu yoyaku ken) to allocate new shares to a third party. The Company received the payment of ¥33 million ($314 thousand) for the subscription rights on the payment day, April 12, 2004. The summary of the subscription right is as follows:

	March 31, 2004	May 31, 2004
Number of subscription rights	–	700
Class of stocks subject to exercise of stock subscription rights	–	Common stock
Number of shares to be granted	–	7,000,000 shares
Exercise period of stock options	–	From April 13, 2004 to April 12, 2007
Paid-in-price upon the exercise	–	¥1,404.74
Capital incorporation upon the exercise	–	¥703
Terms and conditions	–	Partial exercise not allowed
Conditions on transfer of shares	–	Approval on Board of Directors' meeting needed

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

To the Board of Directors and Shareholders of EDION Corporation

We have audited the accompanying consolidated balance sheets of EDION Corporation and its subsidiaries as of September 30, 2002 and March 31, 2003 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the periods then ended, 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 audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 subsidiaries as of September 30, 2002 and March 31, 2003 and 2004, and the consolidated results of their operations and their cash flows for the periods then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 3, expenses related to the Internet Provider business have been recorded as cost of sales effective from the period ended March 31, 2003.

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 4 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers
Tokyo, Japan
June 29, 2004

Board of Directors and Corporate Auditors

(As of July 1, 2004)

Board of Directors

President	Masataka Kubo (Chairman, DEODEO Corporation)
Vice President	Shoichi Okajima (President, EIDEN Co., Ltd.)
Director	Kazutoshi Tomonori (President, DEODEO Corporation)
Director	Makoto Fujikawa (General Affairs Department)
Director	Hirofumi Asukai (Merchandising Department)
Director	Tsunemi Katsuragawa (IT Planning Department)
Director	Shingo Toyama (Corporate Planning)

Corporate Auditors

Standing Auditor	Masahiro Sasaki (Auditor, EIDEN Co., Ltd.)
Auditor	Katsuharu Ishida (Standing Auditor, DEODEO Corporation)
Auditor	Kouji Hosoda (Auditor, DEODEO Corporation)
Auditor	Takenori Iso

Corporate Information

(As of March 31, 2004)

Trade name	EDION Corporation
Head office	8-9-5 Nishi Shinagawa Shinagawa-ku, Tokyo 140-0031, Japan
Date of establishment	March 29, 2002
Paid-in capital	¥4,000 million
Close of fiscal year	March 31 Note: The fiscal period consisted of two 6-month periods: Fiscal period 1: March 29, 2002 to September 30, 2002 Fiscal period 2: October 1, 2002 to March 31, 2003
Number of stores	773 (194 directly operated, 59 consolidated subsidiaries and 520 franchised)
Number of employees	Non-consolidated : 125 Consolidated : 5,291
Number of issued shares	78,278,839
Number of shareholders	16,665
Stock listing	First Section of Tokyo and Nagoya Stock Exchanges
Share transfer agent	UFJ Trust Bank Limited
Minimum trading unit of shares	100
Stock code	2730

edion Corporation

8-70-1, Kakuozan-dori Chikusa-ku, Nagoya, Aichi 464-0841, Japan
Tel: +81-52-759-2711   Fax: +81-52-759-2729
URL : http//www.edion.co.jp