SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JANUARY 31, 2004 COMMISSION FILE NO. 0-13283

REX STORES CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	31-1095548
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2875 Needmore Road, Dayton, Ohio	45414
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (937) 276-3931

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [X] No [ ]

At the close of business on July 31, 2003 the aggregate market value of the registrant's outstanding Common Stock held by non-affiliates of the registrant (for purposes of this calculation, 1,896,784 shares beneficially owned by directors and executive officers of the registrant were treated as being held by affiliates of the registrant), was $117,326,622.

There were 11,390,493 shares of the registrant's Common Stock outstanding as of April 14, 2004.

Documents Incorporated by Reference

Portions of REX Stores Corporation's definitive Proxy Statement for its Annual Meeting of Shareholders on May 27, 2004 are incorporated by reference into Part III of this Form 10-K.

AVAILABLE INFORMATION

REX makes available free of charge on its Internet website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. REX's Internet website address is www.rextv.com.

PART I

Item 1. Business

Overview

We are a leading specialty retailer in the consumer electronics/appliance industry, serving over 200 small to medium-sized towns and communities. Since 1980, when our first four stores were acquired, we have expanded into a national chain operating 248 stores in 37 states under the "REX" trade name. Our stores average approximately 11,300 square feet and offer a broad selection of brand name products within selected major product categories, including big screen and standard-sized televisions, video and audio equipment, camcorders and major household appliances.

Our business strategy emphasizes depth of selection within key product categories. Brand name products are offered at everyday low prices combined with frequent special sales and promotions. We concentrate our stores in small and medium sized markets where we believe that by introducing a high volume, low price merchandising concept, we can become a dominant retailer. We support our merchandising strategy with extensive newspaper advertising in each of our local markets and maintain a knowledgeable sales force which focuses on customer service. We believe our low price policy, attention to customer satisfaction and deep product selection provide customers with superior value.

Our strategy is to continue to open stores in small to medium sized markets when market conditions merit. We will focus on markets with a newspaper circulation which can efficiently and cost-effectively utilize our print advertising materials and where we believe we can become a dominant retailer.

REX was incorporated in Delaware in 1984 as a holding company to succeed to the entire ownership of three affiliated corporations, Rex Radio and Television, Inc., Stereo Town, Inc. and Kelly & Cohen Appliances, Inc., which were formed in 1980, 1981 and 1983, respectively. Our principal offices are located at 2875 Needmore Road, Dayton, Ohio 45414. Our telephone number is (937) 276-3931.

Fiscal Year

All references in this report to a particular fiscal year are to REX's fiscal year ended January 31. For example, "fiscal 2003" means the period February 1, 2003 to January 31, 2004. We refer to our fiscal year by reference to the year immediately preceding the January 31 fiscal year end date.

Business Strategy

Our objective is to be a leading consumer electronics/appliance retailer in each of our markets. The key elements of our business strategy include:

Focusing on Small Markets

We traditionally have concentrated our stores in markets with populations of 20,000 to 300,000. When opening stores, we focus in markets with populations under 85,000, which generally are underserved by our competitors. We believe our low-overhead store format and our ability to operate in free-standing as well as strip shopping centers and regional mall locations makes us well suited to serve these small markets.

Maintaining Guaranteed Lowest Prices

We actively monitor prices at competing stores and adjust our prices as necessary to meet or beat the competition. We guarantee the lowest price on our products through a policy of refunding 125% of the difference between our price and a competitor's price on the same item.

Offering a Broad Selection of Brand Name Products

We offer a broad selection of brand name products within key product categories. We carry most major brands of consumer electronics and several major brands of appliances. We offer merchandise in each of our product categories at a range of price points and generally maintain sufficient product stock for immediate delivery to customers.

Capitalizing on Our Opportunistic Buying

We frequently purchase large quantities of products directly from manufacturers on an opportunistic basis at favorable prices. We believe this buying strategy makes us a unique and attractive customer for manufacturers seeking to sell cancelled orders and excess inventory and enables us to develop strong relationships and extended trade credit support with vendors.

Striving to be the Low Cost Operator in Our Markets

Our current prototype store is approximately 12,000 square feet and provides us with cost and space efficiencies. Our market selection criteria and operating philosophy allow us to minimize both occupancy and labor costs. Generally, all of our store employees, including our store managers, sell products, unload trucks, stock merchandise and process sales, which helps minimize employee count and overhead within each store. Most stores are staffed with between three and six employees.

Leveraging Our Strong Operational Controls

Our information systems and point-of-sale computer systems, which are installed in every store, allow management to monitor our merchandising programs, sales, employee productivity and in-store inventory levels on a daily basis. Our operational controls provide us with cost efficiencies which reduce overhead while allowing us to maintain high levels of in-stock merchandise. Our three distribution centers, strategically located in Dayton, Ohio, Pensacola, Florida and Cheyenne, Wyoming, reduce inventory requirements at individual stores and facilitate centralized inventory and accounting controls.

Store Openings

Site Selection. When expanding, we select locations for future stores based on our evaluation of individual site economics and market conditions. When deciding whether to enter a new market or open another store in an existing market, we evaluate a number of criteria, including:

- sales volume potential;
- competition within the market area, including size, strength and merchandising philosophy of former, existing and potential competitors;
- cost of advertising;
- newspaper circulation; and
- size and growth pattern of the population.

In choosing specific sites, we apply standardized site selection criteria taking into account numerous factors, including:

- local demographics;
- real estate occupancy expense based upon ownership and/or leasing;
- traffic patterns; and
- overall retail activity.

Stores typically are located on high traffic arteries, adjacent to or in major shopping areas, with adequate parking to support the stores' sales volume.

We either lease or purchase store sites depending upon opportunities available to us and relative costs. We did not open any stores in fiscal 2003 and currently have no new stores under development for fiscal 2004. We are, however, currently working on relocating seven existing stores to new locations in the same markets. Six of these new locations will be owned rather than leased.

Store Economics. For leased stores, we anticipate per store capital expenditures of $100,000 to $250,000. This amount may increase to the extent we are responsible for the remodeling or renovation of the new leased site. We anticipate expenditures of approximately $950,000 to $1,400,000 when we build and own a store location, which include the cost of the land purchased, building construction and fixtures. The purchase amount varies depending upon the size and location of the store. The purchase amount may be higher if we build or purchase a location larger than our needs and attempt to lease a portion of the store. Historically, we have normally obtained long-term mortgage financing of approximately 75% of the land and building cost of opening owned stores. Mortgage financing is generally obtained after a store is opened, either on a site by site or multiple store basis. The extent to which we seek mortgage financing for owned stores is dependent upon mortgage rates, terms, availability and needs.

The gross inventory requirements for new stores are estimated at $250,000 to $500,000 per store depending upon the season and store size.

Store Operations

Stores. We locate our stores in the general vicinity of major retail shopping districts and design our stores to generate their own traffic. Currently, 178 stores are located in free-standing buildings, with the balance situated in strip shopping centers and regional malls. Stores located in malls have exterior access and signage rights.

Our stores are designed with minimal interior fixtures to provide an open feeling and a view of all product categories upon entering the store. The stores are generally equipped with neon signage above each product category to further direct the customer to particular products. We believe the interior layout of our stores provides an inviting and pleasant shopping environment for the customer.

Our existing stores average approximately 11,300 square feet, including approximately 7,800 square feet of selling space and approximately 3,500 square feet of storage. New stores are planned to be approximately 12,000 square feet. Stores are open seven days and six nights per week, except for certain holidays. Hours of operation are 10:00 a.m. to 9:00 p.m. Monday through Saturday and 12:00 p.m. to 6:00 p.m., or 1:00 p.m. to 5:00 p.m. in some states, on Sunday.

Our operations are divided into regional districts, containing from two to 11 stores whose managers report to a district manager. Our 42 district managers report to one of five regional vice presidents. Each store is staffed with a full-time manager and one or two assistant managers, commissioned sales personnel and, in higher-traffic stores, seasonal support personnel. Store managers are paid on a commission basis and have the opportunity to earn bonuses based upon their store's sales and gross margins. Sales personnel work on a commission basis.

We evaluate the performance of our stores on a continuous basis and, based on an assessment of overall profitability, future cash flows and other factors we deem relevant, will close any store which is not adequately contributing to our profitability. We closed 4, 10 and 10 stores during fiscal 2003, 2002 and 2001, respectively.

Store Locations. The following table shows the states in which we operated stores and the number of stores in each state as of January 31, 2004:

State	Number of Stores	State	Number of Stores
Alabama	13	Nebraska	2
Arkansas	1	New Mexico	1
Colorado	3	New York	19
Florida	26	North Carolina	7
Georgia	7	North Dakota	3
Idaho	5	Ohio	21
Illinois	10	Oklahoma	5
Indiana	4	Pennsylvania	19
Iowa	10	South Carolina	9
Kansas	2	South Dakota	3
Kentucky	3	Tennessee	9
Louisiana	6	Texas	11
Maryland	1	Vermont	1
Massachusetts	1	Virginia	2
Michigan	8	Washington	3
Minnesota	1	West Virginia	6
Mississippi	12	Wisconsin	4
Missouri	3	Wyoming	2
Montana	5		

Personnel. We train our employees to explain and demonstrate to customers the use and operation of our merchandise and to develop good sales practices. Our in-house training program for new employees combines on-the-job training with use of a detailed company-developed manual entitled "The REX Way." Sales personnel attend in-house training sessions conducted by experienced salespeople or manufacturers' representatives and receive sales, product and other information in meetings with managers.

We also have a manager-in-training program that consists of on-the-job training of the assistant manager at the store. Our policy is to staff store management positions with personnel promoted from within REX and to staff new store management positions with existing managers or assistant managers.

Services. Virtually all of the products we sell carry manufacturers' warranties. Except for our least expensive items, we offer extended service contracts to customers, usually for an additional charge, which typically provide one to five years of extended warranty coverage. We also provide a free two-year warranty on products purchased for over $99 where permitted. We offer maintenance and repair services for most of the products we sell. These services are generally subcontracted to independent repair firms.

Our return policy provides that any merchandise may be returned for exchange or refund within seven days of purchase if accompanied by original packaging material and verification of sale.

We accept MasterCard, Visa and Discover. We estimate that, during fiscal 2003, approximately 38.8% of our total sales were made on these credit cards, and approximately 17.4% were made on revolving or installment credit contracts arranged through banks or independent finance companies which bear the credit risk of these contracts. We work with local consumer finance companies in each of our markets in implementing these credit arrangements and are able to offer competitive credit packages, generally including interest-free financing options. During fiscal 2003 we offered a Rex private label credit card in approximately 183 stores using a third party finance company. As of April 1, 2004, we began to offer the REX private label credit card in all stores.

Merchandising

Products. We offer a broad selection of brand name consumer electronics and home appliance products at a range of price points. We emphasize depth of product selection within selected key product categories. We sell approximately 1,200 products produced by approximately 60 manufacturers. Our product categories include:

Televisions	Video	Audio	Appliances	Other
TVs	VCRs	Stereo Systems	Air Conditioners	Extended Service Contracts
Big Screen TVs	Camcorders	Receivers	Microwave Ovens	Ready to Assemble Furniture
TV/VCR/DVD Combos	Digital Satellite Systems	Compact Disc Players	Washers	Recordable Tapes
Plazma/LCD TVs	DVD Players	Tape Decks	Dryers	Telephones
	DVD Recorders	Speakers	Ranges	Audio/Video Accessories
	DVD/VCR Combos	Car Stereos	Dishwashers	Radar Detectors
		Portable Radios	Refrigerators	CB Radios
		Turntables	Freezers	
		Home Theater Systems	Vacuum Cleaners	
		Satellite Radio	Dehumidifiers	

Among the leading brands sold by us during fiscal 2003, in alphabetical order, were Frigidaire, Hitachi, JVC, Panasonic, Philips Magnavox, RCA, Sharp, Sony, Toshiba and Whirlpool.

All our stores carry a broad range of televisions, video and audio products, microwave ovens and air conditioners. In addition, all but two stores carry major appliances.

The following table shows the approximate percent of net sales for each major product group for the last three fiscal years:

	Fiscal Year		
Product Category	2003	2002	2001
Televisions	52%	48%	45%
Appliances	19	19	19
Audio	13	15	16
Video	8	10	12
Other	8	8	8
	100%	100%	100%

Pricing. Our policy is to offer our products at guaranteed lowest prices combined with frequent special sales and promotions. Our retail prices are established by our merchandising department, but each district manager is responsible for monitoring the prices offered by competitors and has authority to adjust prices to meet local market conditions. Our commitment to offer the lowest prices is supported by our guarantee to refund 125% of the difference in price if, within 30 days of purchase, a customer can locate the same item offered by a local competitor at a lower price.

Advertising. We use a "price and item" approach in our advertising, stressing the offering of nationally recognized brands at significant savings. The emphasis of our advertising is our Guaranteed Lowest Price. Our guarantee states:

> "Our prices are guaranteed in writing. If you find any other local store (excluding Internet) stocking and offering to sell for less the identical item in a factory sealed box within 30 days after your REX purchase, we'll refund the difference plus an additional 25% of the difference."

Advertisements are concentrated principally in newspapers and preprinted newspaper inserts, which are produced for us by an outside advertising agency. When market conditions warrant, we supplement our newspaper advertising with television and radio advertisements in certain markets. Advertisements are also complemented by in-store signage highlighting special values, including "Value Every Day," "Best Value," and "Top of the Line." Our advertising strategy includes preferred customer private mailers, special events such as "Moonlight Madness Sales" and coupon sales to provide shopping excitement and generate traffic.

Purchasing. Our merchandise purchasing and opportunistic buying are performed predominantly by three members of senior management. Each individual has responsibility for a specific product category, and two share appliance buying responsibility. By purchasing merchandise in large volume, we are able to obtain quality products at competitive prices and advertising subsidies from vendors to promote the sale of their products. For fiscal 2003, 11 vendors accounted for approximately 89% of our purchases, with two vendors representing approximately 29% of our inventory purchases in 2003. We typically do not maintain long-term purchase contracts with vendors and operate principally on an order-by-order basis.

e-Commerce

We sell selected televisions, audio and video products and small appliances on our retail store Web site at www.rexstores.com.

Distribution

Our stores are supplied by three regional distribution centers. The distribution centers consist of:

- a 470,000 square foot owned facility in Dayton, Ohio;

- a 180,000 square foot owned facility in Pensacola, Florida; and

- a 145,000 square foot owned facility in Cheyenne, Wyoming.

We also lease a 67,000 square foot auxiliary warehouse in Pensacola, Florida, which expires August 31, 2004. In addition, we may lease overflow warehouse space as needed to accommodate seasonal inventory requirements and opportunistic purchases. During fiscal 2003 we completed the construction of a 156,000 square foot addition to our Dayton facility to help eliminate the need for overflow warehouse space.

Inventory Management

The regional distribution centers reduce inventory requirements at individual stores, while preserving the benefits of volume purchasing and facilitating centralized inventory and accounting controls. Virtually all of our merchandise is distributed through our distribution centers, with the exception of major appliances which are generally shipped directly by the vendor to the retail location. All deliveries to stores are made by independent contract carriers.

Management Information Systems

We have developed a computerized management information system which operates an internally developed software package. Our computer system provides management with the information necessary to manage inventory by stock keeping unit (SKU), monitor sales and store activity on a daily basis, capture marketing and customer information, track productivity by salesperson and control our accounting operations.

Our mainframe computer is an IBM A/S 400 model 720. The host computer is integrated with our point-of-sale system which serves as the collection mechanism for all sales activity. The combined system provides for next-day review of inventory levels, sales by store and by SKU and commissions earned, assists in cash management and enables management to track merchandise from receipt at the distribution center until time of sale.

Competition

Our business is characterized by substantial competition. Our competitors include national and regional large format merchandisers and superstores such as Best Buy Co., Inc. and Circuit City Stores, Inc., other specialty electronics retailers including RadioShack Corporation, department and discount stores such as Sears, Roebuck and Co. and Wal-Mart Stores, Inc., furniture stores, warehouse clubs, home improvement retailers and Internet and store-based retailers who sell competitive products online. We also compete with small chains and specialty single-store operators in some markets, as well as Sears' dealer-operated units. Some of our competitors have greater financial and other resources than us, which may increase their ability to purchase inventory at a lower cost, better withstand economic downturns or engage in aggressive price competition. Competition within the consumer electronics/appliance retailing industry is based upon price, breadth of product selection, product quality, customer service and credit availability. We expect competition within the industry to increase.

Facilities

We own 151 of our stores. The remaining 97 stores operate on leased premises, with the unexpired terms of the leases ranging from less than one year to 21 years, inclusive of options to renew. For fiscal 2003, the total net rent expense for our leased facilities was approximately $6,680,000.

To date, we have not experienced difficulty in securing leases or purchasing sites for suitable store locations. We continue to remodel and upgrade existing stores as appropriate. In addition, to minimize construction costs, we have developed prototype formats for new store construction.

Employees

At January 31, 2004, we had 151 hourly and salaried employees and 893 commission-based sales employees. We also employ additional personnel during peak selling seasons. None of our employees are represented by a labor union. We consider our relationship with our employees to be good.

Service Marks

We have registered our rights in our service mark "REX" with the United States Patent and Trademark Office. We are not aware of any adverse claims concerning our service mark.

Synthetic Fuel Partnerships

In fiscal 1998, we invested in two limited partnerships which owned facilities producing synthetic fuel. The partnerships earn federal income tax credits under Section 29 of the Internal Revenue Code based on the tonnage and content of solid synthetic fuel sold to unrelated parties. We have sold our entire interest in one of the partnerships and expect to receive payments from the sales, on a quarterly basis, through 2007. We remain a limited partner in the other partnership. On September 5, 2002 we closed on the purchase of an additional synthetic fuel facility in Gillette, Wyoming. We sold our membership interest in the entity that owned the Gillette facility on March 30, 2004 for $2,750,000 along with a secured contingent payment note that could provide additional investment income to us if certain tax issues are favorably resolved for the buyer with the Internal Revenue Service and/or the facility resumes commercial operation.

In 2003, the Internal Revenue Service (IRS) questioned the scientific validity of the testing procedures used to support synthetic fuel credits. The IRS has completed its review of these procedures and resumed issuing letter rulings based on its previous requirements. The IRS has completed an audit on the partnership we have sold with no impact on related tax credits generated. The IRS has commenced auditing the other partnership which is currently in operation as part of its normal audit program of the general partner. In addition, a U.S. Senate subcommittee has initiated an investigation into income tax credits involving synthetic fuel operations. REX has been allocated income tax credits of approximately $33.1 million through fiscal 2003, including approximately $7.3 million for fiscal 2003. All of the tax credits for fiscal 2003 and approximately $13.3 million of our total tax credits are from the partnership currently under audit. In addition, REX has recognized investment income of approximately $62.6 million from the sales of its partnership interest including $16.0 million for fiscal 2003.

Although we believe the retroactive disallowance of our synthetic fuel credits is unlikely, any such disallowance could result in a significant liability for income tax credits previously taken. In addition, REX's use of income tax credits and investment income in the future could be limited by any new IRS interpretations or regulations or by any new income tax legislation.

See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 2 to the Consolidated Financial Statements for further discussions.

Item 2. Properties

The information required by this Item 2 is set forth in Item 1 of this report under "Store Operations--Stores," "Distribution" and "Facilities" and is incorporated herein by reference.

Item 3. Legal Proceedings

We are involved in various legal proceedings incidental to the conduct of our business. We believe that these proceedings will not have a material adverse effect on our financial condition or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Executive Officers of the Company

Set forth below is certain information about each of our executive officers.

Name	Age	Position
Stuart Rose........................	49	Chairman of the Board, President and Chief Executive Officer*
Douglas Bruggeman..................	43	Vice President-Finance, Chief Financial Officer and Treasurer
Edward Kress.......................	54	Secretary*

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*Also serves as a director.

Stuart Rose has been our Chairman of the Board and Chief Executive Officer since our incorporation in 1984 as a holding company to succeed to the ownership of Rex Radio and Television, Inc., Kelly & Cohen Appliances, Inc. and Stereo Town, Inc. Upon the retirement of Lawrence Tomchin in 2004, Mr. Rose was also elected President. Prior to 1984, Mr. Rose was Chairman of the Board and Chief Executive Officer of Rex Radio and Television, Inc., which he founded in 1980 to acquire the stock of a corporation which operated four retail stores.

Douglas Bruggeman has been our Vice President - Finance and Treasurer since 1989 and was elected Chief Financial Officer in 2003. From 1987 to 1989, Mr. Bruggeman was our Manager of Corporate Accounting. Mr. Bruggeman was employed with the accounting firm of Ernst & Young prior to joining us in 1986.

Edward Kress has been our Secretary since 1984 and a director since 1985. Mr. Kress has been a partner of the law firm of Chernesky, Heyman & Kress P.L.L., our legal counsel, since 1988. Mr. Kress has practiced law in Dayton, Ohio since 1974.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

SHAREHOLDER INFORMATION

Common Share Information and Quarterly Share Prices

Our common stock is traded on the New York Stock Exchange under the symbol RSC.

Fiscal Quarter ended	High	Low
April 30, 2002	$19.87	$14.70
July 31, 2002	16.67	10.16
October 31, 2002	11.95	9.35
January 31, 2003	13.26	9.86
April 30, 2003	$11.46	$ 9.84
July 31, 2003	14.91	10.40
October 31, 2003	16.10	12.71
January 31, 2004	16.59	12.55

As of April 14, 2004, there were 178 holders of record of our common stock, including shares held in nominee or street name by brokers.

Dividend Policy

Our revolving credit agreement places restrictions on the payment of dividends. We did not pay dividends in the current or prior years.

Item 6. Selected Financial Data

Five Year Financial Summary

(In Thousands, Except Per Share Amounts)	January 31,				
	2004	2003	2002	2001	2000
Net sales	$417,402	$428,625	$464,503	$475,419	$466,386
Net income	$ 27,440	$ 22,932	$ 22,309	$ 18,736	$ 18,293
Basic net income per share	$ 2.53	$ 1.89	$ 1.91	$ 1.32	$ 1.01
Diluted net income per share	$ 2.17	$ 1.61	$ 1.65	$ 1.21	$ 0.91
Total assets	$313,411	$310,922	$307,329	$310,885	$304,036
Long-term debt, net of current maturities	$ 53,548	$ 64,426	$ 77,203	$ 81,262	$ 46,200

Quarterly Financial Data (Unaudited)

	Quarters Ended (In Thousands, Except Per Share Amounts)			
	April 30, 2003	July 31, 2003	October 31, 2003	January 31, 2004
Net sales	$95,411	$91,436	$96,556	$133,999
Cost of merchandise sold	67,573	63,079	67,869	96,635
Net income	3,138	3,167	4,081	17,054
Basic net income per share (a)	$ 0.29	$ 0.30	$ 0.38	$ 1.55
Diluted net income per share (a)	$ 0.25	$ 0.25	$ 0.32	$ 1.32

	Quarters Ended (In Thousands, Except Per Share Amounts)			
	April 30, 2002	July 31, 2002	October 31, 2002	January 31, 2003
Net sales	$93,536	$93,070	$95,743	$146,276
Cost of merchandise sold	66,282	63,740	66,825	104,654
Net income	4,184	5,391	4,274	9,083
Basic net income per share (b)	$ 0.34	$ 0.43	$ 0.35	$ 0.78
Diluted net income per share (b)	$ 0.28	$ 0.37	$ 0.31	$ 0.68

a) The total of the quarterly net income per share amounts is less than the annual net income amounts primarily due to the impact of more shares outstanding and higher stock price resulting in higher dilution from stock options during the fourth quarter versus the full year and 62% of the net income occurring in the fourth quarter of fiscal 2003.

b) The total of the quarterly net income per share amounts is more than the annual net income per share amounts due to the combination of rounding, the disproportionate impact from the 1,549,000 shares repurchased during the fourth quarter versus the full year, the impact of the lower stock price resulting in less dilution from stock options during the fourth quarter versus the full year and 40% of the net income occurring in the fourth quarter of fiscal 2002.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are a leading specialty retailer in the consumer electronics/appliance industry. Since acquiring our first four stores in 1980, we have expanded into a national chain operating 248 stores in 37 states under the "REX" trade name. By offering a broad selection of brand name products at guaranteed lowest prices, we believe we have become a leading consumer electronics/appliance retailer in our markets.

Our comparable store sales declined 0.9%, 5.1%, and 7.9% for fiscal 2003, 2002 and 2001, respectively. We believe our comparable store sales have been adversely affected by the economy, price deflation in certain categories and the increasing competitive environment. We consider a store to be comparable after it has been open six full fiscal quarters. Comparable store sales comparisons do not include sales of extended service contracts.

Extended Service Contracts

Our extended service contract revenues, net of sales commissions, are deferred and amortized on a straight-line basis over the life of the contracts after the expiration of applicable manufacturers' warranty periods. Terms of coverage, including the manufacturers' warranty periods, are usually for periods of 12 to 60 months. Extended service contract revenues represented 3.4% of net sales for fiscal 2003, 3.6% of net sales for fiscal 2002 and 3.3% of net sales for fiscal 2001. Service contract costs are charged to operations as incurred. Gross profit realized from extended service contract revenues was $10.7 million, $11.4 million and $11.4 million in fiscal 2003, 2002 and 2001, respectively.

Investment in Synthetic Fuel Partnerships

In fiscal 1998, we invested in two limited partnerships which owned four facilities producing synthetic fuel. The partnerships earn federal income tax credits under Section 29 of the Internal Revenue Code based on the tonnage and content of solid synthetic fuel sold to unrelated parties. Our share of the credits generated may be used to reduce our federal income tax liability down to the alternative minimum tax (AMT) rate. Under current law, credits under Section 29 are available for qualified fuels sold before January 1, 2008. The tax credits begin to phase out if the reference price of a barrel of oil exceeds certain levels adjusted annually for inflation. The 2003 phase-out started at $50.14 per barrel.

We initially held a 30% interest in Colona Synfuel Limited Partnership, L.L.L.P. (Colona) and an 18.75% interest in Somerset Synfuel, L.P. (Somerset). We sold our ownership in the Colona partnership as described below. This partnership was being audited by the Internal Revenue Service (IRS). The audit was finalized in February, 2004 and a closing agreement signed with the IRS with no impact on tax credits generated. Certain quarterly payments from the sales had been held in escrow, beginning in fiscal 2002, pending the results of the audit.

Effective February 1, 1999, we sold 13% of our interest in the Colona partnership, reducing our ownership percentage from 30% to 17%. We expect to receive cash payments from the sale on a quarterly basis through 2007. These payments are contingent upon and equal to 75% of the federal income tax credits attributable to the 13% interest sold and are subject to certain annual limitations. The maximum amount of cash that can be received varies by year. The maximum that could be received for calendar 2003 and 2002 was approximately $7.7 million and $7.4 million, respectively. The maximum that can be received for calendar 2004 is approximately $8.1 million. We received approximately $6.4 million, $5.9 million and $7.0 million for fiscal 2003, 2002 and 2001, respectively. None of these proceeds were held in escrow.

Effective July 31, 2000, we sold an additional portion of our interest in the Colona partnership, reducing our ownership percentage from 17% to 8%. We expect to receive payments from the sale on a quarterly basis through 2007. These payments are contingent upon and equal to the greater of 82.5% of the federal income tax credits attributable to the 9% interest sold subject to annual limitations or 74.25% of the federal income tax credits amounts attributable to the interest sold with no annual limitations. Quarterly payments from this sale were being held in escrow beginning in fiscal 2002 pending the results of the IRS audit. The amount earned and reported as income was approximately $5.0 million for fiscal 2003, all of which was put into escrow. The amount earned and reported as income was approximately $4.7 million for fiscal 2002; we received approximately $1.4 million of these proceeds with the remaining $3.3 million held in escrow. The amount earned and received for fiscal 2001 was approximately $5.3 million. During fiscal 2003 we took $6.5 million from escrow and delivered a letter of credit for the same amount. The letter of credit guaranteed our own performance. In February, 2004 the audit was finalized and we received our remaining money from escrow and the letter of credit was cancelled.

Effective May 31, 2001, we sold our remaining 8% ownership in the Colona partnership. We expect to receive payments from the sale on a quarterly basis through 2007. These payments are contingent upon and equal to the greater of 82.5% of the federal income tax credits attributable to the 8% interest sold subject to annual limitations or 74.25% of the federal income tax credits amounts attributable to the interest sold with no annual limitations. Quarterly payments from this sale were being held in escrow beginning in fiscal 2002 pending the results of the IRS audit. The amount earned and reported as income was approximately $4.6 million for fiscal 2003, all of which was put into escrow. The amount earned and reported as income was approximately $4.1 million for fiscal 2002; we received approximately $1.1 million of these proceeds with the remaining $3.0 million held in escrow. The amount earned and received for fiscal 2001 was approximately $3.5 million, including a down payment of $355,000. During fiscal 2003 we took $6.9 million from escrow and delivered letters of credit for the same amount. The letters of credit guaranteed our own performance. In February, 2004 the audit was finalized and we received our remaining money from escrow and the letters of credit were cancelled.

We remain a limited partner in the Somerset partnership. Net income for fiscal 2002 reflects pre-tax income, net of litigation expenses, of approximately $400,000 from the settlement of a previously filed lawsuit relating to our participation in this partnership. As part of the settlement, which was effected without the admission of liability by any party, we entered into an Amended and Restated Agreement of Limited Partnership which facilitates increased participation in future production of synthetic fuel. This partnership is now operational and producing synthetic fuel. The IRS has notified the parent company of the general partner of Somerset of its intention to audit the synthetic fuel operations of the parent company's subsidiaries as part of its normal audit program for the parent company.

The tax credits applied to reduce tax expense were approximately $7.3 million, $3.1 million and $2.9 million in fiscal 2003, 2002 and 2001, respectively.

On September 5, 2002, we closed on the purchase of a plant located in Gillette, Wyoming designed and constructed for the production of synthetic fuel, which qualifies for tax credits under Section 29 of the Internal Revenue Code. We obtained a Private Letter Ruling from the Internal Revenue Service, which would allow the disassembly, and reconstruction, of the facility. We incurred approximately $2.2 million of direct cost on this project, with approximately an additional $325,000 being held in escrow to guarantee our contractual obligation. On March 30, 2004, we sold our membership interest in the limited liability company that owned the Gillette facility to an outside party. We received $2,750,000 at the time of sale along with a secured contingent payment note that could provide additional investment income to us if certain tax issues are favorably resolved for the buyer with the IRS and/or the facility resumes commercial operation.

Results of Operations

The following table sets forth, for the periods indicated, the relative percentages that certain income and expense items bear to net sales:

	Fiscal Year Ended January 31,		
	2004	2003	2002
Net sales	100.0%	100.0%	100.0%
Cost of merchandise sold	70.7	70.3	71.1
Gross profit	29.3	29.7	28.9
Selling, general and administrative expenses	26.1	24.9	24.1
Income from operations	3.2	4.8	4.8
Investment income	--	0.1	0.1
Interest expense	(1.1)	(1.3)	(1.9)
Gain on sale of real estate	0.3	--	--
Income from limited partnerships	3.8	3.5	3.4
Income before provision for income taxes	6.2	7.1	6.4
(Benefit) Provision for income taxes	(0.4)	1.8	1.6
Net income	6.6%	5.3%	4.8%

Comparison of Fiscal Years Ended January 31, 2004 and 2003

Net Sales - Net sales in fiscal 2003 were $417.4 million, a 2.6% decrease from $428.6 million in fiscal 2002. This decrease was due to a decline in comparable store sales of 0.9% for fiscal 2003 and a reduction in store count. We closed 4 stores during fiscal 2003 and 10 stores during fiscal 2002. We did not open any stores in fiscals 2003 and 2002. We had 248 stores open at January 31, 2004 compared to 252 stores at January 31, 2003.

All product categories, except television sales, contributed to the negative comparable store sales for fiscal 2003. The television category positively impacted comparable store sales by 3.6% primarily due to increased sales of high definition ready large screen televisions offsetting declining sales of analog projection and smaller screen televisions. The video category negatively impacted comparable store sales by 1.6% primarily due to lower sales of camcorders and video cassette recorders (VCR's). The audio category contributed 1.5% to the decline in comparable store sales. The appliance category contributed 0.7% to the decline in comparable store sales primarily due to lower air conditioner sales. Air conditioner sales were impacted by lower demand primarily due to cooler temperatures in certain markets as compared to the prior year and lower average selling price. The other category contributed 0.7% to the decline in comparable store sales.

The following table reflects the approximate percent of net sales for each product group for the periods presented.

Product Category	Fiscal Year 2003	Fiscal Year 2002	Fiscal Year 2001
Televisions.....	52%	48%	45%
Appliances......	19	19	19
Audio...........	13	15	16
Video...........	8	10	12
Other...........	8	8	8
	100%	100%	100%

Gross Profit - Gross profit was $122.2 million in fiscal 2003, or 29.3% of net sales, versus $127.1 million for fiscal 2002 or 29.7% of net sales. The primary factors impacting the gross profit margin have been an increased promotional activity and recognizing a reduced amount of extended service contracts sales which generally have higher gross profit margin associated with them. Demand for extended service contracts has declined, which is partially due to lower prices on many products we sell.

Selling, General and Administrative Expenses - Selling, general and administrative expenses for 2003 were $108.9 million, or 26.1% of net sales, a 2.3% increase from $106.5 million, or 24.9% of net sales, for fiscal 2002. The increase in expenditures was primarily due to increased commission cost of approximately $1.1 million to the sales staff, increased delivery charges of approximately $500,000 due to selling more deliverable items and an increase in other administrative cost of approximately $700,000.

Income from Operations - Income from operations was $13.3 million, or 3.2% of net sales, for fiscal 2003, a 35.3% decrease from 20.6 million, or 4.8% of net sales for fiscal 2002.

Investment Income - Investment income decreased to $77,000 in fiscal 2003 from $393,000 in fiscal 2002 primarily as a result of more excess cash available for investment in the first half of fiscal 2002.

Interest Expense - Interest expense decreased to $4.9 million, or 1.1% of net sales, for fiscal 2003 from $5.6 million, or 1.3% of net sales, for fiscal 2002. Interest expense for fiscal 2002 includes a charge of approximately $250,000 for early extinguishment of mortgage loans of $7.0 million. The decline in interest expense was primarily caused by a reduction in the amount of mortgage debt outstanding and restructuring a large portion of the remaining debt at lower floating interest rates.

Gain on Sale of Real Estate - During fiscal 2003, we sold four retail store locations for a gain of $1.2 million. This included two stores we closed during fiscal 2003 and two stores we had closed in prior years that were being leased to outside companies.

Income from Limited Partnerships - Results for fiscals 2003 and 2002 also reflect the impact of our equity investment in two limited partnerships (Colona Synfuel Limited Partnership L.L.L.P. and Somerset Synfuel, L.P.) which produce synthetic fuels. Effective February 1, 1999, we entered into an agreement to sell a portion of our investment in the Colona partnership, which resulted in the reduction in our ownership interest from 30% to 17%. Effective July 31, 2000, we sold an additional portion of our ownership interest in that partnership, reducing our ownership percentage from 17% to 8%. Effective May 31, 2001, we sold our remaining 8% ownership interest. We expect to receive payments from the sales on a quarterly basis through 2007, which will range from 74.25% to 82.5% of the federal income tax credits attributable to the interest sold. This partnership was being audited by the Internal Revenue Service (IRS). The audit was finalized in

February, 2004 and a closing agreement signed with the IRS. Proceeds from the 2000 and 2001 sales were being put into escrow pending the results of the audit. During fiscal 2003 we removed $13.4 million from escrow and replaced it with letters of credit to guarantee our performance. At January 31, 2004 we had approximately $1.7 million held in escrow in addition to the $13.4 million outstanding letters of credit. All proceeds were released from escrow and the letters of credit canceled in February, 2004 when the audit was finalized. All proceeds were reported as income at the time of production, whether received or put into escrow. Below is a table summarizing the income from the sales, net of certain expenses.

	Year Ended January 31,	
	2004	2003
February 1, 1999 sale	$ 6,409	$ 5,939
July 31, 2000 sale	5,041	4,655
May 31, 2001 sale	4,561	4,118
	$16,011	$14,712

Net income for fiscal 2002 also reflects pre-tax income, net of litigation expenses, of approximately $0.4 million from the settlement of a previously filed lawsuit relating to our participation as a limited partner in the Somerset limited partnership.

Income Taxes - Our effective tax rate was (6.9)% and 24.6% for fiscals 2003 and 2002, respectively, after reflecting our share of federal tax credits earned by the limited partnerships. Our effective tax rate was reduced for fiscal 2003 as a result of a $4.2 million increase in tax credits generated by the Somerset partnership and a $3.6 million net reduction in our valuation allowance on the alternative minimum tax carryforwards due to the current status of the IRS audits of the limited partnerships.

Net Income - As a result of the foregoing, net income was $27.4 million for fiscal 2003 versus $22.9 million for fiscal 2002.

Comparison of Fiscal Years Ended January 31, 2003 and 2002

Net Sales--Net sales in fiscal 2002 were $428.6 million, a 7.7% decrease from $464.5 million in fiscal 2001. This decrease was primarily due to a decline in comparable store sales of 5.1% for fiscal 2002. Sales also declined due to closing 10 stores during fiscal 2002 with no store openings. During fiscal 2001, we opened 10 stores and closed 10 stores. We had 252 stores open at January 31, 2003 compared to 262 stores at January 31, 2002.

All product categories, except television sales, contributed to the negative comparable store sales for fiscal 2002. The television category positively impacted comparable store sales by 1.3% primarily due to strong sales in high definition ready large screen televisions offsetting declining sales of analog projection and smaller screen televisions. The video category negatively impacted comparable store sales by 2.8% primarily due to slower sales of camcorders, video cassette recorders (VCR's) and digital satellite systems. The audio category contributed 2.5% to the decline in comparable store sales. The appliance category contributed 0.9% to the decline in comparable store sales with strong air conditioner sales being offset by a decline in the remaining products in this category. The other category contributed 0.2% to the decline in comparable store sales.

Gross Profit--Gross profit was $127.1 million in fiscal 2002, or 29.7% of net sales, versus $134.4 million for fiscal 2001 or 28.9% of net sales. The gross profit margin has been positively impacted by a shift in sales mix toward higher gross profit margin categories and more favorable pricing from vendors on certain products.

Selling, General and Administrative Expenses--Selling, general and administrative expenses for 2002 were $106.5 million, or 24.9% of net sales, a 5.0% decrease from $112.2 million, or 24.1% of net sales, for fiscal 2001. The reduction in expenditures primarily relates to the reduction in the number of stores in operation and lower sales commission costs related to lower sales. We also had reduced television advertising expenditures in the first half of fiscal 2002, which were resumed later in fiscal 2002. The increase in selling, general and administrative expense as a percentage of sales was primarily caused by the decline of 7.7% in net sales.

Income from Operations--Income from operations was $20.6 million, or 4.8% of net sales, for fiscal 2002, a 7.4% decrease from $22.2 million, or 4.8% of net sales for fiscal 2001. The decline was primarily caused by the reduction in net sales.

Investment Income--Investment income increased to $393,000 in fiscal 2002 from $210,000 in fiscal 2001 primarily as a result of increased excess cash available for investment in the first half of fiscal 2002.

Interest Expense--Interest expense decreased to $5.6 million, or 1.3% of net sales, for fiscal 2002 from $8.6 million, or 1.9% of net sales, for fiscal 2001. The decline in interest expense was primarily caused by a reduction in the amount of mortgage debt outstanding and restructuring a large portion of the remaining debt to lower floating interest rates. Interest expense includes a charge of approximately $250,000 in fiscal 2002 for early extinguishment of mortgage loans of $7.0 million. Fiscal 2001 includes a charge of approximately $400,000 for paying off approximately $7.7 million of mortgage debt and refinancing approximately $21.5 million of mortgage debt.

Income from Limited Partnerships--Results for fiscals 2002 and 2001 also reflect the impact of our equity investment in two limited partnerships which produce synthetic fuels. Effective February 1, 1999, we entered into an agreement to sell a portion of our investment in one of the limited partnerships, which resulted in the reduction in our ownership interest from 30% to 17%. Effective July 31, 2000, we sold an additional portion of our ownership interest in that partnership, reducing our ownership percentage from 17% to 8%. Effective May 31, 2001, we sold our remaining 8% ownership interest. We expect to receive payments from the sales on a quarterly basis through 2007, which will range from 74.25% to 82.5% of the federal income tax credits attributable to the interest sold. This partnership is currently being audited by the Internal Revenue Service. Proceeds from the 2000 and 2001 sales are now being put into escrow pending the results of the audit. The amount to be held in escrow is approximately $6.3 million at January 31, 2003. All proceeds have been reported as income whether received or put into escrow. Below is a table summarizing the income from the sales, net of certain expenses.

	Year Ended January 31,	
	2003	2002
February 1, 1999 sale	$ 5,939	$ 6,950
July 31, 2000 sale	4,655	5,261
May 31, 2001 sale	4,118	3,505
	$14,712	$15,716

Net income for fiscal 2002 also reflects pre-tax income, net of litigation expenses, of approximately $0.4 million from the settlement of a previously filed lawsuit relating to our participation as a limited partner in a second limited partnership formed to produce synthetic fuel which qualifies for tax credits under Section 29 of the Internal Revenue Code. As part of the settlement, which was effected without the admission of liability by any party, the Company entered into an Amended and Restated Agreement of Limited Partnership which facilitates increased participation in future production of synthetic fuel.

Income Taxes--Our effective tax rate was approximately 24.6% for fiscals 2002 and 2001 after reflecting our share of federal tax credits earned by the limited partnerships.

Net Income--As a result of the foregoing, net income was $22.9 million for fiscal 2002 versus $22.3 million for fiscal 2001.

Liquidity and Capital Resources

Our primary sources of financing have been income from operations and our investment in synthetic fuel limited partnerships, supplemented by mortgages on owned properties. We also use borrowings under our revolving line of credit to fund our seasonal working capital needs.

Outlook - We would expect our ongoing inventory levels to be higher than the balance of $116.7 million reflected at January 31, 2004. There is currently a short supply on certain televisions which is contributing to our lower inventory levels. Our inventory levels are also subject to seasonal fluctuations, with January 31 traditionally a time of lower inventory levels. Our cash levels will tend to fluctuate with our inventory levels. Separately, in August of 2004, a sale lease-back agreement covering 25 stores will expire. We have renewed the leases of five stores, have plans to relocate seven stores and the remaining 13 stores are still under management review.

Operating Activities - Net cash provided by operating activities was $35.9 million for fiscal 2003 compared to net cash used in operating activities of $37.2 million in fiscal 2002. For fiscal 2003, operating cash flow was provided by net income of $27.4 million adjusted for the impact of a $16.0 million gain on sales of partnership interest and non-cash items of $5.5 million, which consist of deferred income, the deferred income tax provision and depreciation and amortization. The primary sources of cash were the decrease in inventory of $25.3 million and an increase in accounts payable of $5.3 million. Inventory levels are reduced largely due to tight supply on certain televisions and lower demand in our stores for the lower end television products. Accounts payable has increased primarily due to timing of purchases and terms with manufacturers. Another source of cash was a reduction in accounts receivable of $0.9 million. Cash was used by an increase in other assets of $0.7 million and a decrease in other current liabilities of $0.8 million.

For fiscal 2002, operating cash flow was provided by net income of $22.9 million adjusted for the impact of a $15.1 million gain on sales of partnership interest and non-cash items of $6.3 million, which consist of deferred income, the deferred income tax provision and depreciation and amortization. The primary use of cash was an increase in inventory of $41.0 million to rebuild our inventory from a low level in the previous year partially due to a shortage of inventory available in the consumer electronics portion of the business. Cash was also used by a reduction in accounts payable of $5.2 million due to timing of inventory purchases and payments to vendors, an increase in accounts receivable of $2.3 million, an increase in other assets of $1.7 million and a decrease in other liabilities of $1.1 million.

Investing Activities - Net cash was provided by investing activities of $19.1 million for fiscal 2003. Cash of $19.5 million was provided by proceeds from the sale of our partnership interest in synthetic fuel and $3.6 million from the sale of real estate from closed stores. Capital expenditures in fiscal 2003 totaled $4.0 million. Expenditures included approximately $2.3 million with respect to the completion of an addition to the Dayton, Ohio distribution center, approximately $0.5 million for improvements at existing facilities and approximately $1.2 million in land purchases toward the relocation of three store sites for fiscal 2004. We currently have plans to relocate a total of seven stores in fiscal 2004, with six of those sites to be owned store locations.

Capital expenditures in fiscal 2002 totaled $2.4 million. Expenditures included approximately $1.2 million with respect to in-progress payments for an addition to the Dayton, Ohio distribution center and approximately $1.2 million for improvements at existing facilities.

Financing Activities - Cash used in financing activities was $27.3 million for fiscal 2003. During fiscal 2003 we acquired 711,153 shares of our common stock for approximately $8.2 million. During fiscal 2002 we acquired 1,549,380 shares of our common stock for approximately $16.8 million. At January 31, 2004 we had authorization from the Board of Directors to purchase an additional 170,480 shares of our common stock. In February, 2004 we increased our share repurchase authorization for up to an additional 1,000,000 shares. All acquired shares will be held in treasury for possible future use.

At January 31, 2004, we had approximately $58.8 million of mortgage debt outstanding at a weighted average interest rate of 5.73%, with maturities from October 1, 2004 to September 30, 2016. We have balloon payments due totaling approximately $5.3 million over the next two fiscal years, which we plan to either refinance with long-term mortgage debt or satisfy through cash payment or borrowings on our revolving credit agreement. During fiscal 2003, we paid off $11.3 million of long-term mortgage debt from scheduled repayments and the early extinguishment of debt for 17 retail locations primarily which had balloon payments due within a year.

We received proceeds of approximately $4.0 million and $2.8 million for fiscal 2003 and 2002, respectively, from the exercise of stock options by employees and directors. The exercise of non-qualified stock options resulted in a tax benefit of approximately $1.6 million and $2.2 million for fiscals 2003 and 2002, respectively, which was reflected as an increase in additional paid-in capital.

We have a revolving credit agreement with six banks through July 31, 2005 with interest at prime or LIBOR plus 1.875% and commitment fees of 1/4% payable on the unused portion. Amounts available for borrowing are equal to the lesser of (1) $100 million for the months of January through June and $130 million for the months of July through December or (2) the sum of specific percentages of eligible accounts receivable and eligible inventories, as defined. Amounts available for borrowing are reduced by any letter of credit commitments outstanding. Borrowings on the revolving credit agreement are secured by certain fixed assets, accounts receivable, inventories and the capital stock of our subsidiaries.

We had no borrowings outstanding on the line of credit at January 31, 2004. At January 31, 2003, we had borrowings outstanding of $13.5 million. A total of approximately $59.1 million was available at January 31, 2004, net of letters of credit outstanding of $14.2 million at that time. We currently have only one letter of credit outstanding for $807,000. Borrowing levels vary during the course of a year based upon our seasonal working capital needs. The maximum direct borrowings outstanding during fiscal 2003 were approximately $37.4 million. The weighted average interest rate was 3.5% (4.7% including commitment fees) for fiscal 2003. The revolving credit agreement contains restrictive covenants which require us to maintain specified levels of consolidated tangible net worth and limit capital expenditures and the incurrence of additional indebtedness. The revolving credit agreement also places restrictions on common stock repurchases and the payment of dividends.

Tabular Disclosure of Contractual Obligations

In the ordinary course of business, the Company enters into agreements under which it is obligated to make legally enforceable future cash payments. These agreements include those related to purchasing inventory, mortgaging and leasing retail space. The following table summarizes by category expected future cash outflows associated with contractual obligations in effect as of January 31, 2004.

Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	Payment due by period				
Operating lease obligations	$15,839	$ 6,330	$ 6,992	$ 2,030	$ 487
Long-term debt obligations	58,806	5,258	19,249	11,289	23,010
Inventory purchase orders	20,370	20,370	--	--	--
Total	$95,015	$31,958	$26,241	$13,319	$23,497

Seasonality and Quarterly Fluctuations

Our business is seasonal. As is the case with many other retailers, our net sales and net income are greatest in our fourth fiscal quarter, which includes the Christmas selling season. The fourth fiscal quarter accounted for 32.1% and 34.1% of net sales and 62.1% and 59.5% of income from operations in fiscal 2003 and 2002, respectively. Year to year comparisons of quarterly results of operations and comparable store sales can be affected by a variety of factors, including the duration of the holiday selling season, weather conditions and the timing of new store openings.

Impact of Inflation

The impact of inflation has not been material to our results of operations for the past three fiscal years.

Critical Accounting Policies

We believe the application of the following accounting policies, which are important to our financial position and results of operations, require significant assumptions, judgments and estimates on the part of management. We base our assumptions, judgments and estimates on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. Further, if different assumptions, judgments and estimates had been used, the results could have been different and such differences could be material. For a summary of all of our accounting policies, including the accounting policies discussed below, see Note 1 of the Consolidated Financial Statements.

Revenue Recognition - We recognize sales of products upon receipt by the customer. We will honor returns from customers within seven days from the date of sale. We establish liabilities for estimated returns at the point of sale.

We also sell product service contracts covering periods beyond the normal manufacturers' warranty periods, usually with terms of coverage (including manufacturers' warranty periods) of between 12 to 60 months. Contract revenues, net of sales commissions, are deferred and amortized on a straight-line basis over the life of the contracts after the expiration of applicable manufacturers' warranty periods. We retain the obligation to perform warranty service and such costs are charged to operations as incurred.

We recognize amounts billed to a customer for shipping and handling as revenue and actual costs incurred for shipping as selling, general and administrative expense in the income statement.

Vendor allowances - Vendors often fund, up front, certain advertising costs and exposure to general changes in pricing to customers due to technological change. Allowances are deferred as received from vendors and recognized into income as an offset to the cost of merchandise sold when the related product is sold. Advertising costs are expensed as incurred, with no offset of vendor allowances.

Inventory Reserves - Inventory is recorded at the lower of cost or market, net of reserves established for estimated technological obsolescence. The market value of inventory is often dependent upon changes in technology resulting in significant changes in customer demand. If these estimates are inaccurate, we may be exposed to market conditions that require an additional reduction in the value of certain inventories affected.

Income Taxes - Income taxes are recorded based on the current year amounts payable or refundable, as well as the consequences of events that give rise to deferred tax assets and liabilities based on differences in how those events are treated for tax purposes, net of valuation allowances. We base our estimate of deferred tax assets and liabilities on current tax laws and rates and other expectations about future outcomes, including the outcome of tax credits under Section 29 of the Internal Revenue Code. Changes in existing regulatory tax laws and rates may affect our ability to successfully manage regulatory matters, and future business results may affect the amount of deferred tax liabilities or the valuation of deferred tax assets over time. Our accounting for deferred tax consequences represents management's best estimate of future events that can be appropriately reflected in the accounting estimates.

Recoverability of Long-Lived Assets - Given the nature of our business, each income producing property must be evaluated separately when events and circumstances indicate that the value of that asset may not be recoverable. We recognize an impairment loss when the estimated future undiscounted cash flows expected to result from the use of the asset and its value upon disposal are less than its carrying amount.

New Accounting Pronouncements

In December 2003, the Financial Accounting Standards Board issued a revised FASB Interpretation No. 46, entitled, "Consolidation of Variable Interest Entities." As revised, the new Interpretation requires that the Company consolidate all variable interest entities in its financial statements under certain circumstances. The Company will adopt the revised Interpretation for our interim period ending April 30, 2004, as required, and does not expect the Interpretation to have a material effect on the financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As of January 31, 2004, we had financial instruments which were sensitive to changes in interest rates. These financial instruments consist of a revolving credit agreement and various mortgage notes payable secured by certain land, buildings and leasehold improvements.

The revolving credit agreement is with six banks through July 31, 2005, with interest at prime or LIBOR plus 1.875% and commitment fees of 1/4% payable on the unused portion. Amounts available for borrowing are equal to the lesser of (1) $100 million for the months of January through June and $130 million for the months of July through December or (2) the sum of specific percentages of eligible accounts receivable and eligible inventories, as defined. Amounts available for borrowing are reduced by any letter of credit commitments outstanding. Borrowings on the revolving credit agreement are secured by certain fixed assets, accounts receivable, inventories and the capital stock of our subsidiaries. At January 31, 2004, a total of approximately $59.1 million was available for borrowings under the revolving credit agreement, net of letters of credit outstanding of $14.2 million. We had no outstanding borrowings under the revolving credit agreement at January 31, 2004.

Approximately $24.3 million of the mortgage debt consists of fixed rate debt. The interest rates range from 3.7% to 8.5%. The remaining $34.5 million of mortgage debt is variable rate mortgage debt. In general, the rate on the variable rate debt ranges from prime to prime plus 0.625%. If the prime interest rate increased 1%, we estimate our annual interest cost would increase approximately $0.3 million for the variable rate mortgage debt. Principal and interest are payable monthly over terms which generally range from 5 to 15 years. Substantially all of the notes payable require balloon payments at the end of the scheduled term. The fair value of our long-term fixed mortgage debt at January 31, 2004 was approximately $26.2 million. The fair value was estimated based on rates available to us for debt with similar terms and maturities.

Item 8. Financial Statements and Supplementary Data

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
JANUARY 31, 2004 AND 2003
(Amounts in thousands)

	2004	2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 29,026	$ 1,380
Accounts receivable--net of allowance for doubtful accounts of $235 and $200 in 2004 and 2003, respectively	2,560	3,413
Synthetic fuel receivable	3,098	6,619
Merchandise inventory	116,755	142,063
Prepaid expenses and other	1,481	1,546
Future income tax benefits	8,703	8,860
Total current assets	161,623	163,881
PROPERTY AND EQUIPMENT--Net	131,409	134,563
OTHER ASSETS	3,477	2,677
FUTURE INCOME TAX BENEFITS	14,645	7,560
RESTRICTED INVESTMENTS	2,257	2,241
TOTAL ASSETS	$ 313,411	$ 310,922
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	$ --	$ 13,451
Current portion of long-term debt	5,258	5,657
Accounts payable--trade	32,745	27,417
Accrued income taxes	806	--
Current portion of deferred income and deferred gain on sale and leaseback	10,544	11,107
Accrued payroll	6,602	6,750
Other current liabilities	7,214	8,669
Total current liabilities	63,169	73,051
LONG-TERM LIABILITIES:		
Long-term mortgage debt	53,548	64,426
Deferred income	12,762	13,993
Deferred gain on sale and leaseback	--	348
Total long-term liabilities	66,310	78,767
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, 45,000 shares authorized, 28,308 and 27,746 shares issued at par	283	277
Paid-in capital	126,124	121,282
Retained earnings	185,080	157,640
Treasury stock, 17,214 and 16,607 shares	(127,555)	(120,095)
Total shareholders' equity	183,932	159,104
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 313,411	$ 310,922

See notes to consolidated financial statements.

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED JANUARY 31, 2004, 2003 AND 2002
(Amounts in Thousands, Except Per Share Amounts)

	2004	2003	2002
NET SALES	$417,402	$428,625	$464,503
COSTS AND EXPENSES:			
Cost of merchandise sold	295,156	301,501	330,110
Selling, general and administrative expenses	108,933	106,535	112,157
Total costs and expenses	404,089	408,036	442,267
INCOME FROM OPERATIONS	13,313	20,589	22,236
INVESTMENT INCOME	77	393	210
INTEREST EXPENSE	(4,885)	(5,626)	(8,560)
GAIN ON SALE OF REAL ESTATE	1,153	--	--
INCOME FROM LIMITED PARTNERSHIPS	16,011	15,080	15,716
INCOME BEFORE PROVISION FOR INCOME TAXES	25,669	30,436	29,602
(BENEFIT) PROVISION FOR INCOME TAXES	(1,771)	7,504	7,293
NET INCOME	$ 27,440	$ 22,932	$ 22,309
WEIGHTED AVERAGE SHARES OUTSTANDING--BASIC	10,863	12,142	11,698
BASIC NET INCOME PER SHARE	$ 2.53	$ 1.89	$ 1.91
WEIGHTED AVERAGE SHARES OUTSTANDING--DILUTED	12,648	14,192	13,509
DILUTED NET INCOME PER SHARE	$ 2.17	$ 1.61	$ 1.65

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JANUARY 31, 2004, 2003 AND 2002
(Amounts in thousands)

	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 27,440	$ 22,932	$ 22,309
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization--net	3,994	4,325	4,198
Income from limited partnerships	(16,011)	(15,080)	(15,716)
(Gain) loss on disposal of fixed assets	(1,077)	290	155
Deferred income	(1,498)	(1,863)	(1,265)
Deferred income tax	(6,928)	3,514	(574)
Changes in assets and liabilities:			
Accounts receivable	853	(2,293)	2,043
Merchandise inventory	25,308	(41,046)	43,133
Other current assets	65	1,002	1,612
Other long term assets	(800)	(2,677)	--
Accounts payable--trade	5,328	(5,202)	(15,062)
Other current liabilities	(797)	(1,129)	1,442
Net cash provided by (used in) operating activities	35,877	(37,227)	42,275
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(4,043)	(2,404)	(9,948)
Proceeds from sale of partnership interest	19,532	10,006	15,716
Proceeds from sale of real estate and fixed assets	3,636	2,131	943
Restricted investments	(16)	(19)	(56)
Net cash provided by investing activities	19,109	9,714	6,655
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in note payable	(13,451)	13,385	(676)
Proceeds from long-term debt	--	--	8,200
Payments of long-term debt	(11,277)	(12,132)	(12,170)
Stock options exercised and related tax effects	4,848	4,584	10,554
Treasury stock issued	754	377	579
Treasury stock acquired	(8,214)	(16,762)	(16,663)
Net cash used in financing activities	(27,340)	(10,548)	(10,176)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,646	(38,061)	38,754
CASH AND CASH EQUIVALENTS--Beginning of year	1,380	39,441	687
CASH AND CASH EQUIVALENTS--End of year	$ 29,026	$ 1,380	$ 39,441

See notes to consolidated financial statements.

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED JANUARY 31, 2004, 2003 AND 2002
(Amounts in thousands)

	Common Shares						
	Issued		Treasury				
	Shares	Amount	Shares	Amount	Paid-In Capital	Retained Earnings	Total Shareholders' Equity
BALANCE--January 31, 2001	26,001	$260	13,653	$ 87,626	$106,161	$112,399	$131,194
Net income						22,309	22,309
Treasury stock acquired			1,550	16,663			(16,663)
Stock options exercised and related tax effects	1,357	14	(90)	(579)	10,540		11,133
BALANCE--January 31, 2002	27,358	274	15,113	103,710	116,701	134,708	147,973
Net income						22,932	22,932
Treasury stock acquired			1,549	16,762			(16,762)
Stock options exercised and related tax effects	388	3	(55)	(377)	4,581		4,961
BALANCE--January 31, 2003	27,746	277	16,607	120,095	121,282	157,640	159,104
Net income						27,440	27,440
Treasury stock acquired			711	8,214			(8,214)
Stock options exercised and related tax effects	562	6	(104)	(754)	4,842		5,602
BALANCE--January 31, 2004	28,308	$283	17,214	$127,555	$126,124	$185,080	$183,932

See notes to consolidated financial statements

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The accompanying financial statements consolidate the operating results and financial position of REX Stores Corporation and its wholly-owned subsidiaries (the "Company"). All significant intercompany balances and transactions have been eliminated. The Company operates 248 retail consumer electronics and appliance stores under the REX name in 37 states. The Company operates in one segment.

Reclassifications - Extraordinary charges of $248,000 ($91,000 net of tax) and $405,000 ($245,000 net of tax), in fiscal 2003 and 2002, respectively, related to the extinguishment of debt have been reclassified to interest expense, as an effect of the Company's adoption, as of February 1, 2003, of SFAS No. 145.

Fiscal Year - All references in these consolidated financial statements to a particular fiscal year are to the Company's fiscal year ended January 31. For example, "fiscal 2003" means the period February 1, 2003 to January 31, 2004.

Use of Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents - Cash equivalents are principally short-term investments with original maturities of less than three months. The carrying amount of cash equivalents approximate fair value.

Merchandise Inventory - Substantially all inventory is valued at the lower of average cost or market, which approximates cost on a first-in, first-out ("FIFO") basis, including certain costs associated with purchasing, warehousing and transporting merchandise. Reserves are established for estimated technological obsolescence. The market value of inventory is often dependent upon changes in technology resulting in significant changes in customer demand. The inventory of an acquired subsidiary, Kelly & Cohen Appliances, Inc. ("K&C"), is valued at the lower of cost or market using the last-in, first-out ("LIFO") method. Following the lower of cost or market principle, the K&C inventory value using the LIFO method ($34,679,000 and $38,729,000 at January 31, 2004 and 2003, respectively) is equivalent to the FIFO value in all years presented. Eleven suppliers accounted for approximately 89% of the Company's purchases in fiscal 2003. Two vendors represented approximately 29% of our inventory purchases in fiscal 2003.

Property and Equipment - Property and equipment is recorded at cost. Depreciation is computed using the straight-line method. Estimated useful lives are 15 to 40 years for buildings and improvements, and 3 to 12 years for fixtures and equipment. Leasehold improvements are depreciated over 10 to 12 years. The components of property and equipment at January 31, 2004 and 2003 are as follows (amounts in thousands):

	2004	2003
Land	$ 38,519	$ 38,567
Buildings and improvements	101,448	99,448
Fixtures and equipment	18,567	18,471
Leasehold improvements	9,797	9,882
Construction in progress		1,251
	168,331	167,619
Less: accumulated depreciation	(36,922)	(33,056)
	$131,409	$134,563

In accordance with FASB Statement No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets, the carrying value of long-lived assets is assessed for recoverability by management when changes in circumstances indicate that the carrying amount may not be recoverable, based on an analysis of undiscounted future expected cash flows from the use and ultimate disposition of the asset. There were no material impairment losses incurred in the fiscal years ended January 31, 2004, 2003, and 2002.

Restricted Investments - Restricted investments, which are principally marketable debt securities, are stated at cost plus accrued interest, which approximates market. Restricted investments at January 31, 2004 and 2003 are required by two states to cover possible future claims under product service contracts.

Revenue Recognition - The Company recognizes sales of products upon receipt by the customer. The Company will honor returns from customers within seven days from the date of sale. The Company establishes liabilities for estimated returns at the point of sale.

The Company also sells product service contracts covering periods beyond the normal manufacturers' warranty periods, usually with terms of coverage (including manufacturers' warranty periods) of between 12 to 60 months. Contract revenues, net of sales commissions, are deferred and amortized on a straight-line basis over the life of the contracts after the expiration of applicable manufacturers' warranty periods. The Company retains the obligation to perform warranty service and such costs are charged to operations as incurred.

The Company recognizes amounts billed to a customer for shipping and handling as revenue and actual costs incurred for shipping as selling, general and administrative expense in the income statement. Amounts classified as selling, general and administrative expense was $3,817,000, $3,309,000 and $3,209,000 in fiscal 2003, 2002 and 2001, respectively.

Merchandise sold under interest-free financing arrangements is recorded as a sale when the customer receives the merchandise. In general, the Company receives payment within 3 to 10 business days from the third-party lender. The amount the Company receives from the third-party lender is generally discounted for the interest free financing option, which is recorded as a marketing expense in selling, general and administrative expense. The net expense for third party financing was approximately $1,096,000, $930,000, and $87,000 for the years ended January 31, 2004, 2003 and 2002, respectively.

Costs of Merchandise Sold - Cost of sales includes the cost of merchandise, markdowns and inventory shortage, receiving, warehousing and freight charges to get merchandise to retail stores, service repair bills as well as cash discounts and rebates. The Company classifies purchasing costs as selling and administrative expenses. Due to this classification, the Company's gross margins may not be comparable to those of other retailers that include costs related to their distribution network in selling and administrative expense.

Selling and Administrative Expenses - The Company includes store expenses (such as payroll and occupancy costs), advertising, buying, depreciation, insurance and overhead costs in selling and administrative expenses.

Vendor Allowances and Advertising Costs - Vendors often fund, up front, certain advertising costs and exposure to general changes in pricing to customers due to technological change. Allowances are deferred as received from vendors and recognized into income as an offset to the cost of merchandise sold when the related product is sold. Advertising costs are expensed as incurred. Advertising expense was approximately $31,680,000, $32,169,000 and $34,775,000 for the years ended January 31, 2004, 2003 and 2002, respectively and was not offset by vendor allowances.

Interest Cost - Interest expense of $4,885,000, $5,626,000 and $8,560,000 for the years ended January 31, 2004, 2003 and 2002, respectively, is net of approximately $79,000, $5,000 and $30,000 of interest capitalized related to store or warehouse construction. Interest expense includes approximately $18,000, $248,000 and $405,000 for fiscals 2003, 2002 and 2001, respectively related to the early termination of mortgage debt. Cash paid for interest in fiscals 2003, 2002 and 2001 was approximately $4,767,000, $5,199,000 and $8,047,000, respectively.

Deferred Financing Costs - Direct expense and fees associated with obtaining notes payable or long-term mortgage debt are capitalized and amortized to interest expense over the life of the loan.

Store Opening and Closing Costs - Store opening costs are expensed as incurred. The costs associated with closing stores are accrued when the decision is made to close a location. Store closing costs incurred in fiscal year ended January 31, 2004 and 2003 were not material. Store closing costs incurred in the fiscal year ended January 31, 2002 were $1,460,000.

Stock Compensation - The Company accounts for its stock-based compensation plans under Accounting Principles Board Opinion ("APB Opinion") No. 25, Accounting for Stock Issued to Employees, under which no compensation cost has been recognized. Had compensation cost for these plans been determined at fair value consistent with FASB Statement No. 123, Accounting for Stock-Based Compensation, the Company's net income and net income per share would have been reduced to the following pro forma amounts for the years ended January 31, 2004, 2003 and 2002 (amounts in thousands, except per-share amounts):

		2004	2003	2002
Net income	As reported	$27,440	$22,932	$22,309
	Compensation Cost	2,901	3,621	3,154
	Pro forma	24,539	19,311	19,155
Basic net income per share	As reported	$ 2.53	$ 1.89	$ 1.91
	Compensation Cost	0.27	0.30	0.27
	Pro forma	2.26	1.59	1.64
Diluted net income per share	As reported	$ 2.17	$ 1.61	$ 1.65
	Compensation Cost	0.23	0.25	0.23
	Pro forma	1.94	1.36	1.42

The fair values of options granted were estimated as of the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions used for grants in fiscal years ended January 31, 2004, 2003 and 2002, respectively: risk-free interest rate of 4.3%, 5.2% and 5.1%, expected volatility of 65.9%, 65.4% and 68.9% and a weighted average stock option life of nine years for all years. In accordance with the provisions of FASB Statement No. 123, the fair value method of accounting was not applied to options granted prior to February 1, 1995 in estimating the pro forma amounts. Therefore, the pro forma effect on net income and net income per share may not be representative of that to be expected in future years.

Extended Service Contracts - Extended service contract revenues, net of sales commissions, are deferred and amortized on a straight-line basis over the life of the contracts after the expiration of applicable manufacturers' warranty periods. Terms of coverage, including the manufacturers' warranty periods, are usually for periods of 12 to 60 months. Extended service contract revenues represented 3.4% of net sales for fiscal 2003, 3.6% of net sales for fiscal 2002 and 3.3% of net sales for fiscal 2001. Service contract costs are charged to operations as incurred. Gross profit realized from extended service contract revenues was $10.7 million, $11.4 million and $11.4 million in fiscal 2003, 2002 and 2001, respectively.

New Accounting Pronouncements - In December 2003, the Financial Accounting Standards Board issued a revised FASB Interpretation No. 46, entitled, "Consolidation of Variable Interest Entities." As revised, the new Interpretation requires that the Company consolidate all variable interest entities in its financial statements under certain circumstances. The Company will adopt the revised Interpretation for our interim period ending April 30, 2004, as required, and does not expect the Interpretation to have a material effect on the financial statements.

2. INVESTMENTS IN LIMITED PARTNERSHIPS

During fiscal 1998, the Company invested in two limited partnerships which produce synthetic fuels. The limited partnerships earned Federal income tax credits under Section 29 of the Internal Revenue Code based upon the quantity and content of synthetic fuel production. Under current law, credits under Section 29 are available for qualified fuels sold before January 1, 2008. The tax credits begin to phase out if the price of a barrel of oil exceeds certain levels adjusted annually for inflation. The 2003 phase-out started at $50.14 per barrel. The Company accounts for its share of the income tax credits as a reduction of the income tax provision in the period earned and such credits totaled approximately $7,300,000, $3,100,000 and $2,900,000 in fiscal 2003, 2002 and 2001, respectively (see Note 9).

Effective February 1, 1999, the Company sold a 13% interest in Colona Synfuel Limited Partnership, L.L.L.P (Colona) reducing its initial 30% ownership interest to 17%. The Company expects to receive cash payments from the sale on a quarterly basis through December 31, 2007. These payments are contingent upon and equal to 75% of the federal income tax credits attributable to the 13% interest sold and are subject to certain annual limitations, as specified in the sale agreement. The maximum amount that could be received for calendar years 2003, 2002 and 2001 was approximately $7,700,000, $7,400,000 and $7,100,000 respectively. The Company earned and received approximately $6,400,000, $5,900,000 and $7,000,000 for fiscal years 2003, 2002 and 2001, respectively. The maximum that can be received for calendar 2004 is approximately $8,100,000.

Effective July 31, 2000, the Company sold an additional portion of its interest in the Colona partnership, reducing its ownership percentage from 17% to 8%. The Company expects to receive payments from the sale on a quarterly basis through December 31, 2007. These payments are contingent upon and equal to the greater of 82.5% of the federal income tax credits attributable to the 9% interest sold subject to annual limitations or 74.25% of the federal income tax credits attributable to the 9% interest sold with no annual limitations. Quarterly payments from this sale were held in escrow beginning in fiscal 2002 pending the results of an Internal Revenue Service (IRS) audit of the partnership. The amount earned and reported as income was approximately $5.0 million for fiscal 2003, all of which was put into escrow. The amount earned and reported as income was approximately $4.7 million for fiscal 2002; the Company received approximately $1.4 million of these proceeds with the remaining $3.3 million held in escrow. The amount earned and received for fiscal 2001 was approximately $5,300,000. During fiscal 2003 we took $6.5 million from escrow and delivered a letter of credit for the same amount. The letter of credit guaranteed our own performance. In February 2004, the audit was finalized and we received our remaining money from escrow and the letter of credit was cancelled.

Effective May 31, 2001, the Company sold its remaining 8% ownership in the Colona partnership. The Company expects to receive payments from the sale on a quarterly basis through December 31, 2007. These payments are contingent upon and equal to the greater of 82.5% of the federal income tax credits attributable to the 8% interest sold, subject to annual limitations or 74.25% of the federal income tax credits attributable to the 8% interest sold with no annual limitations. Quarterly payments from this sale were being held in escrow beginning in fiscal 2002 pending the results of the IRS audit. The amount earned and reported as income was approximately $4.6 million for fiscal 2003, all of which was put into escrow. The amount earned and reported as income was approximately $4.1 million for fiscal 2002; the Company received approximately $1.1 million of the proceeds with the remaining $3.0 million held in escrow. The amount earned and received for fiscal 2001 was approximately $3,500,000, including a down payment of $355,000. During fiscal 2003 we received $6.9 million from escrow and delivered a letter of credit for the same amount. The letters of credit guaranteed our own performance. In February 2004, the audit was finalized and we received our remaining money from escrow and the letters of credit were cancelled.

The Company remains a limited partner in Somerset Synfuel, L.P. Net income for fiscal 2002 reflects pre-tax income, net of litigation expenses, of approximately $400,000 from the settlement of a previously filed lawsuit relating to the Company's participation in this partnership. This partnership is operational and producing synthetic fuel.

In 2003, the Internal Revenue Service (IRS) issued Announcement 2003-46, stating it had reason to question the scientific validity of testing procedures and results related to Section 29 income tax credits. The notice also announced that it would suspend the issuance of new rulings until its review was complete and that ruling could be revoked if the IRS did not determine that the test procedures demonstrate a significant chemical change between the feedstock coal and the synthetic fuel. The IRS completed its review and announced that it would again be issuing private letter rulings based on the previous requirements. The Permanent Subcommittee on Investigations of the U.S. Senate's Committee on Government Affairs has initiated an investigation on the subject of these income tax credits.

The IRS has completed an audit on the Colona partnership. The audit was finalized in February, 2004 and a closing agreement was signed with the IRS with no impact on tax credits generated. Beginning in fiscal 2002, certain quarterly payments from the sales were being held in escrow pending the results of the audit. The IRS is auditing the Somerset partnership as part of its normal audit program of the general partner.

On September 5, 2002, we closed on the purchase of a plant located in Gillette, Wyoming designed and constructed for the production of synthetic fuel, which qualifies for tax credits under Section 29 of the Internal Revenue Code. We obtained a Private Letter Ruling from the Internal Revenue Service, which would allow the disassembly, and reconstruction, of the facility. We incurred approximately $2.2 million of direct costs on this project, with approximately an additional $325,000 being held in escrow to guarantee our contractual obligation. On March 30, 2004, we sold our membership interest in the limited liability company that owned the Gillette facility to an outside party. We received $2,750,000 at the time of sale along with a secured contingent payment note that could provide additional investment income to us if certain tax issues are favorably resolved for the buyer with the IRS and/or the facility resumes commercial operation.

3. NET INCOME PER SHARE

The Company reports net income per share in accordance with FASB Statement No. 128 Earnings per Share.

Basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted net income per share is computed by dividing net income available to common shareholders by the weighted average number of shares outstanding and dilutive common share equivalents during the year. Common share equivalents for each year include the number of shares issuable upon the exercise of outstanding options, less the shares that could be purchased with the proceeds from the exercise of the options, based on the average trading price of the Company's common stock for fiscal 2004, 2003 and 2002.

The following table reconciles the basic and diluted net income per share computations for each year presented for the years ended January 31, 2004, 2003, and 2002 (amounts in thousands, except per-share amounts):

	2004		
	Income	Shares	Per Share
Basic net income per share	$27,440	10,863	$2.53
Effect of stock options		1,785	
Diluted net income per share	$27,440	12,648	$2.17

	2003		
	Income	Shares	Per Share
Basic net income per share	$22,932	12,142	$1.89
Effect of stock options		2,050	
Diluted net income per share	$22,932	14,192	$1.61

	2002		
	Income	Shares	Per Share
Basic net income per share	$22,309	11,698	$1.91
Effect of stock options		1,811	
Diluted net income per share	$22,309	13,509	$1.65

For the years ended January 31, 2004, 2003 and 2002, a total of 666,336, 346,937 and -0- shares, respectively, subject to outstanding options were not included in the common equivalent shares outstanding calculation as the exercise prices were above the average trading price of the Company's common stock for those periods.

On both August 10, 2001 and February 11, 2002, the Company effected a 3-for-2 stock split. All per share data shown above has been retroactively restated to reflect these splits.

4. COMMON STOCK

During the years ended January 31, 2004, 2003, and 2002, the Company purchased 711,153, 1,549,000 and 1,550,000 shares of its common stock for $8,214,000, $16,762,000 and $16,663,000, respectively. At January 31, 2004, the Company was authorized by its Board of Directors to purchase an additional 170,480 shares of its common stock. Effective February 27, 2004 the Company increased its authorization by 1,000,000 shares bringing the total authorization to 1,170,480 shares.

5. REVOLVING LINE OF CREDIT

The revolving credit agreement is with six banks and expires on July 31, 2005. Under the terms of the agreement, available revolving credit borrowings are equal to the lesser of: (1) $100 million for the months of January through June and $130 million for the months of July through December or (ii) the sum of specific percentages of eligible accounts receivable and eligible inventories, as defined. Borrowings available are reduced by letter of credit commitments outstanding of $14.2 million and $500,000 at January 31, 2004 and 2003, respectively. The Company had outstanding borrowings under the revolving credit agreement of $-0- and $13,451,000 at January 31, 2004 and 2003, respectively. At January 31, 2004, a total of approximately $59.1 million was available for borrowings under the revolving credit agreement.

The interest rate charged on borrowings is prime or LIBOR plus 1.875% (4.0% at January 31, 2004) and commitment fees of 1/4% are payable on the unused portion. Borrowings are secured by certain fixed assets, accounts receivable and inventories.

The revolving credit agreement contains restrictive covenants which require the Company to maintain specified levels of consolidated tangible net worth and limits capital expenditures and the incurrence of additional indebtedness. The revolving credit agreement also places restrictions on the amount of common stock repurchased and the payment of dividends. The Company was in compliance with all covenants as of January 31, 2004.

6. LONG-TERM MORTGAGE DEBT

Long-term mortgage debt consists of notes payable secured by certain land, buildings and leasehold improvements. During fiscal 2003 and 2002, the Company switched certain of its fixed rate debt to variable rate debt. Interest rates ranged from 2.975% to 8.5% in fiscal 2003 and 3.215% to 8.5% in fiscal 2002. Principal and interest are payable monthly over terms which generally range from 5 to 15 years. Substantially all of the notes payable require balloon payments at the end of the scheduled term. The following provides information on rates segregated as fixed or variable and by term for fiscal 2003 and fiscal 2002:

Interest Rates	Fiscal 2003 Maturity	Balance (in thousands)
	Variable	
2.98% - 6.00%	Within five years	$17,119
4.00% - 5.00%	Five to ten years	$ 5,755
4.00% - 4.50%	Ten to fifteen years	$11,650
	Fixed	
6.49% - 8.00%	Within five years	$ 2,890
3.70% - 8.50%	Five to ten years	$ 5,928
6.49% - 8.40%	Ten to fifteen years	$15,464

Interest Rates	Fiscal 2002 Maturity	Balance (in thousands)
	Variable	
3.20% - 6.00%	Within five years	$20,863
4.25% - 5.00%	Five to ten years	$ 7,133
4.25% - 5.00%	Ten to fifteen years	$14,294
	Fixed	
4.75% - 6.90%	Within five years	$ 1,247
5.75% - 8.50%	Five to ten years	$ 6,854
6.25% - 8.40%	Ten to fifteen years	$19,691

Maturities of long-term debt are as follows (amounts in thousands):

Year Ending January 31	
2005	$ 5,258
2006	9,200
2007	10,049
2008	6,628
2009	4,661
Thereafter	23,010
	$58,806

In fiscal 2003, the Company paid off approximately $4.8 million in mortgage debt prior to maturity. As a result, the Company expensed unamortized financing cost of approximately $18,000 as interest expense.

In fiscal 2002, the Company paid off approximately $7.0 million in mortgage debt prior to maturity. As a result, the Company expensed unamortized financing cost of approximately $248,000 as interest expense.

In fiscal 2001, the Company paid off approximately $7.7 million in mortgage debt and refinanced approximately $21.5 million in mortgage debt. As a result, the Company expensed unamortized financing cost of approximately $405,000 as interest expense.

The fair value of the Company's long-term debt at January 31, 2004 and 2003 was approximately $60.7 million and $73.0 million, respectively. At January 31, 2004, the Company had approximately $24.3 million of fixed rate mortgage debt and approximately $34.5 million of variable rate mortgage debt.

7. EMPLOYEE BENEFITS

Stock Option Plans - The Company maintains the REX Stores Corporation 1995 Omnibus Stock Incentive Plan and the REX Stores Corporation 1999 Omnibus Stock Incentive Plan (the Omnibus Plans). Under the Omnibus Plans, the Company may grant to officers and key employees awards in the form of incentive stock options (1995 Plan only), non-qualified stock options, stock appreciation rights, restricted stock, other stock-based awards and cash incentive awards. The Omnibus Plans also provide for yearly grants of non-qualified stock options to directors who are not employees of the Company. The exercise price of each option must be at least 100% of the fair market value of the Company's common stock on the date of grant. A maximum of 4,500,000 shares of common stock are authorized for issuance under each of the Omnibus Plans. On January 31, 2004, 108,011 and 2,304,153 shares remain available for issuance under the 1995 and 1999 Plans, respectively.

On October 14, 1998, the Company's Board of Directors approved a grant of non-qualified stock options to two key executives for 1,462,500 shares at an exercise price of $4.42, which represented the market price on the date of grant. These options are fully vested as of December 31, 2003. All of these options remained outstanding at January 31, 2004.

On April 17, 2001, the Company's Board of Directors approved a grant of non-qualified stock options to two key executives for 1,462,500 shares at an exercise price of $8.01, which represented the market price on the date of grant. These options vest over a three-year period with the first one-third vesting as of December 31, 2003, the second one-third vesting as of December 31, 2004 and the third one-third vesting as of December 31, 2005. All of these options remained outstanding at January 31, 2004.

The following summarizes stock option activity for the years ended January 31, 2004, 2003 and 2002 (amounts in thousands, except per-share amounts):

	2004		2003		2002	
	Shares (000's)	Weighted Average Exercise Price	Shares (000's)	Weighted Average Exercise Price	Shares (000's)	Weighted Average Exercise Price
Outstanding--Beginning of year	6,736	$ 6.83	6,882	$ 6.40	6,224	$ 5.99
Granted	363	12.92	354	14.84	2,120	8.05
Exercised	(667)	6.06	(443)	6.34	(1,446)	7.01
Canceled or expired	(41)	9.84	(57)	8.68	(16)	7.22
Outstanding--End of year	6,391	$ 7.24	6,736	$ 6.83	6,882	$ 6.40
Exercisable--End of year	4,238	$ 5.94	3,958	$ 5.42	3,430	$ 5.47
Weighted average fair value of options granted	$9.50		$11.06		$ 6.15	

Price ranges and other information for stock options outstanding as of January 31, 2004 were as follows (amounts in thousands, except per share amounts):

	Outstanding			Exercisable	
Range of Exercise Prices	Shares (000's)	Weighted Average Exercise Price	Weighted Average Remaining Life	Shares (000's)	Weighted Average Exercise Price
$3.61 to $5.42	2,489	$ 4.60	4.45	2,437	$ 4.59
$5.56 to $8.34	2,761	7.50	5.63	1,475	7.05
$9.51 to $14.265	805	11.38	7.75	259	10.09
$14.745 to $16.04	336	14.84	8.25	67	14.84
	6,391	$ 7.24	5.57	4,238	$ 5.94

Profit Sharing Plan - The Company has a qualified, noncontributory profit sharing plan (the "Plan") covering full-time employees who meet certain eligibility requirements. The Plan also allows for additional 401(k) saving contributions by participants, along with certain company matching contributions. Aggregate contributions to the Plan are determined annually by the Board of Directors and are not to exceed 15% of total compensation paid to all participants during such year. The Company contributed approximately $29,000, $36,000 and $40,000 for the years ended January 31, 2004, 2003 and 2002, respectively, under the Plan.

8. LEASES AND COMMITMENTS

The Company is committed under operating leases for certain warehouse and retail store locations. The lease agreements are for varying terms through 2011 and contain renewal options for additional periods. Real estate taxes, insurance and maintenance costs are generally paid by the Company. Contingent rentals based on sales volume are not significant. Certain leases contain scheduled rent increases and rent expense is recognized on a straight-line basis over the term of the leases.

On August 30, 1989, the Company completed a transaction for the sale and leaseback of the corporate office, distribution center and certain stores under an initial 15-year lease term. This transaction resulted in a pre-tax financial statement gain of $15,600,000, which was deferred and is being amortized as a reduction to lease expense over the term of the leases. The unamortized deferred gain at January 31, 2004 was $300,000.

During the year ended January 31, 2002, the Company repurchased the building which contains the corporate office, distribution center and retail store in Dayton, Ohio for approximately $6.0 million. For financial statement purposes, the purchase of this facility resulted in approximately $600,000 of the deferred gain associated with the sale/leaseback being recorded as a reduction in the carrying value of the property.

The following is a summary of rent expense under operating leases (amounts in thousands):

Years Ended January 31	Minimum Rentals	Gain Amortization	Sublease Income	Total
2004	$ 8,553	$(645)	$(1,228)	$6,680
2003	8,801	(597)	(1,366)	6,838
2002	10,280	(805)	(1,313)	8,162

The Company is secondarily liable under certain lease arrangements when there is a sublessee. These arrangements arise out of the normal course of business when the Company decides to close stores prior to lease expiration or on owned locations. Future minimum annual rentals, gain amortization on non-cancelable leases and sublease income as of January 31, 2004 are as follows (amounts in thousands):

Years Ended January 31	Minimum Rentals	Gain Amortization	Sublease Income
2005	$ 6,330	$300	$ 931
2006	4,211		493
2007	2,781		305
2008	1,132		224
2009	898		207
Thereafter	487		120
	$15,839	$300	$2,280

9. INCOME TAXES

The provision for income taxes for the years ended January 31, 2004, 2003 and 2002 consists of the following (amounts in thousands):

	2004	2003	2002
Federal:			
Current	$ 4,550	$3,171	$3,219
Deferred	(6,948)	2,719	3,154
	(2,398)	5,890	6,373
State and Local:			
Current	607	819	250
Deferred	20	795	671
	627	1,614	921
	$(1,771)	$7,504	$7,294

The tax effects of significant temporary differences representing deferred tax assets and liabilities are as follows as of January 31, 2004 and 2003 (amounts in thousands):

	2004	2003
Assets:		
Deferral of service contract income	$ 8,857	$ 8,705
Sale and leaseback deferred gain	117	331
Accrued liabilities	2,191	2,273
Inventory accounting	3,835	3,497
AMT credit carryforward	15,458	11,736
Valuation allowance	(6,651)	(10,246)
Other items	(459)	124
Total net future income tax benefits	$23,348	$ 16,420

For the fiscal year ended January 31, 2004 and 2003, the Company was subject to the alternative minimum tax ("AMT") rules due to the Section 29 tax credits generated from the limited partnerships (see Note 2). The Company's AMT liability was approximately $3,582,000 and $3,470,000 for the years ended January 31, 2004 and 2003, respectively. The AMT liability in excess of the regular tax liability results in AMT credit carryforwards which can be used to offset future regular income tax, subject to certain limitations. Therefore, for financial statements purposes, the required AMT payment has been recorded as an AMT credit carryforward with a valuation allowance of $6,651,000. The AMT credit carryforwards have no expiration date.

The Company has been allocated in aggregate approximately $33.1 million in Section 29 tax credits from its investment in two partnership (see Note 2). The Internal Revenue Service (IRS) has completed an audit of the Colona partnership and has recently commenced an audit of the Somerset partnership. Should the tax credits be denied on audit and the Company fails to prevail through the IRS or the legal process, there could be a significant tax liability owed for previously taken tax credits with a significant impact on earnings and cash flows. In the Company's opinion, the Somerset partnership is complying with all the necessary requirements to be allowed such credits and believes it is likely, although not certain, that the Partnership will prevail if challenged by the IRS on any credits taken. The timing of the completion of the audit has not been determined.

The Company paid income taxes of $2,710,000, $3,817,000 and $4,540,000 in the years ended January 31, 2004, 2003 and 2002, respectively.

The effective income tax rate on consolidated pre-tax income differs from the federal income tax statutory rate for the years ended January 31, 2004, 2003 and 2002 as follows:

	2004	2003	2002
Federal income tax at statutory rate	35.0%	35.0%	35.0%
Tax credits from investment in limited partnership	(28.5)	(10.1)	(9.6)
State and local taxes, net of federal tax benefit	1.6	3.4	2.0
Net reduction in Section 29 credit valuation allowance	(14.0)		
Other	(1.0)	(3.3)	(2.6)
	(6.9)%	25.0%	24.8%

10. CONTINGENCIES

The Company is involved in various legal actions arising in the normal course of business. After taking into consideration legal counsels' evaluation of such actions, management is of the opinion that their outcome will not have a material effect on the Company's consolidated financial statements.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
REX Stores Corporation

We have audited the accompanying consolidated balance sheets of REX Stores Corporation (the "Company") (a Delaware corporation) and subsidiaries as of January 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended. Our audit also included the financial statement schedule II listed in the Index at Item 15, for the years ended January 31, 2004 and 2003. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the January 31, 2004 and 2003 consolidated financial statements and financial statement schedule based on our audits. The consolidated financial statements and financial statement schedule for the year ended January 31, 2002 (fiscal 2001) were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those consolidated financial statements and stated that such fiscal 2001 financial statement schedule, when considered in relation to the fiscal 2001 financial statements taken as a whole, presented fairly, in all material respects, the information set forth therein, in their report dated March 26, 2002.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statement schedule for the years ended January 31, 2004 and 2003, when considered in relation to the basic consolidated financial statements taken as a whole for the year ended January 31, 2004 and 2003, presents fairly, in all material respects the information set forth therein.

As discussed above, the consolidated financial statements of the Company for the year ended January 31, 2002 were audited by other auditors who have ceased operations. As described in Note 1, those consolidated financial statements have been reclassified to give effect to Statement of Financial Accounting Standards No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections (SFAS 145), which was adopted by the Company on February 1, 2003. We audited the adjustment described in Note 1 that was applied to conform the consolidated financial statements for the year ended January 31, 2002 to the presentation required by SFAS 145. Our audit procedures with respect to the disclosures in Note 1 for the year ended January 31, 2002 included (1) comparing the previously reported loss on extinguishment of debt, net of tax, to the previously issued consolidated financial statements and (2) tracing the reclassification adjustment amounts into interest expense and tax provision in the Company's fiscal 2001 consolidated statement of operations. In our opinion, such reclassification has been properly applied. However, we were not engaged to audit, review, or apply any procedures to the fiscal 2001 financial statements of the Company other than with respect to such reclassification and, accordingly, we do not express an opinion or any form of assurance on the fiscal 2001 financial statements taken as a whole.

/s/ DELOITTE & TOUCHE LLP

April 8, 2004

The following report is a copy of a previously issued Arthur Andersen LLP ("Andersen") report, and the report has not been reissued by Andersen. The Andersen report refers to the consolidated balance sheet as of January 31, 2002 and 2001 and the consolidated statements of income, shareholders' equity and cash flows for the year ended January 31, 2001, which are no longer included in the accompanying financial statements.

Report of Independent Public Accountants

To the Shareholders and Board of Directors of REX Stores Corporation:

We have audited the accompanying consolidated balance sheets of REX Stores Corporation (a Delaware corporation) and subsidiaries as of January 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three fiscal years in the period ended January 31, 2002. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of REX Stores Corporation and subsidiaries as of January 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 31, 2002 in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedule listed under Part IV, Item 14(a)(2) is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

Cincinnati, Ohio,
March 26, 2002

/s/ Arthur Andersen LLP

REX STORES CORPORATION AND SUBSIDIARIES

Schedule II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED JANUARY 31, 2004, 2003 AND 2002
(Amounts in thousands)

	Balance Beginning of Year	Additions Charged to Cost and Expenses	Deductions Charges for Which Reserves Were Created	Balance End of Year
2004:				
Allowance for doubtful accounts	$ 200	$ 556	$ 521	$ 235
2003:				
Allowance for doubtful accounts	$ 852	$ 276	$ 928	$ 200
2002:				
Allowance for doubtful accounts	$ 410	$1,003	$ 561	$ 852
2004				
Inventory Reserve	$5,726	$ 956	$1,296	$5,386
2003				
Inventory Reserve	$5,194	$1,362	$ 830	$5,726
2002				
Inventory Reserve	$5,723	$ 320	$ 849	$5,194

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

The Company's management evaluated, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures, as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There were no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required by this Item 10 is incorporated herein by reference to the Proxy Statement for our Annual Meeting of Shareholders on May 27, 2004, except for certain information concerning our executive officers which is set forth in Part I of this report.

Item 11. Executive Compensation

The information required by this Item 11 is set forth in the Proxy Statement for our Annual Meeting of Shareholders on May 27, 2004 and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item 12 is set forth in the Proxy Statement for our Annual Meeting of Shareholders on May 27, 2004 and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information required by this Item 13 is set forth in the Proxy Statement for our Annual Meeting of Shareholders on May 27, 2004 and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this Item 14 is set forth in the Proxy Statement for our Annual Meeting of Shareholders on May 27, 2004 and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a)(1) Financial Statements

The following consolidated financial statements of REX Stores Corporation and subsidiaries are filed as a part of this report at Item 8 hereof.

Consolidated Balance Sheets as of January 31, 2004 and 2003

Consolidated Statements of Income for the years ended January 31, 2004, 2003 and 2002

Consolidated Statements of Cash Flows for the years ended January 31, 2004, 2003 and 2002

Consolidated Statements of Shareholders' Equity for the years ended January 31, 2004, 2003 and 2002

Notes to Consolidated Financial Statements

Independent Auditors' Report

Report of Independent Public Accountants

(a)(2) Financial Statement Schedules

The following financial statement schedule is filed as a part of this report at Item 8 hereof.

Schedule II - Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or notes thereto.

(a)(3) Exhibits

See Exhibit Index at page 47 of this report.

Management contracts and compensatory plans and arrangements filed as exhibits to this report are identified by an asterisk in the exhibit index.

(b) Reports on Form 8-K

On December 2, 2003, the Company filed a Form 8-K reporting under Item 12 the issuance of a press release announcing financial results for the fiscal quarter ended October 31, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REX STORES CORPORATION

By /s/ STUART A. ROSE
Stuart A. Rose
Chairman of the Board, President and
Chief Executive Officer

Date: April 15, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ STUART A. ROSE Stuart A. Rose	Chairman of the Board, President and Chief Executive Officer (principal executive officer)	April 15, 2004
/s/ DOUGLAS L. BRUGGEMAN Douglas L. Bruggeman	Vice President-Finance, Chief Financial Officer and Treasurer (principal financial and accounting officer)	
LAWRENCE TOMCHIN* Lawrence Tomchin	Director	
/s/ EDWARD M. KRESS Edward M. Kress	Secretary and Director	
ROBERT DAVIDOFF* Robert Davidoff	Director	
LEE FISHER* Lee Fisher	Director	
CHARLES A. ELCAN* Charles A. Elcan	Director	
*By /s/ STUART A. ROSE (Stuart A. Rose, Attorney-in-Fact)		

EXHIBIT INDEX

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(3) Articles of incorporation and by-laws:

3(a) Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3(a) to Form 10-K for fiscal year ended January 31, 1994, File No. 0-13283)

3(b)(1) By-Laws, as amended (incorporated by reference to Registration Statement No. 2-95738, Exhibit 3(b), filed February 8, 1985)

3(b)(2) Amendment to By-Laws adopted June 29, 1987 (incorporated by reference to Exhibit 4.5 to Form 10-Q for quarter ended July 31, 1987, File No. 0-13283)

(4) Instruments defining the rights of security holders, including indentures:

4(a) Amended and Restated Loan Agreement dated July 31, 1995 among Rex Radio and Television, Inc., Kelly & Cohen Appliances, Inc., Stereo Town, Inc. and Rex Kansas, Inc. (the "Borrowers"), the lenders named therein, and NatWest Bank N.A. as agent (incorporated by reference to Exhibit 4(a) to Form 10-Q for quarter ended July 31, 1995, File No. 0-13283)

4(b) Form of Amended and Restated Revolving Credit Note (incorporated by reference to Exhibit 4(b) to Form 10-Q for quarter ended July 31, 1995, File No. 0-13283)

4(c) Guaranty of registrant dated July 31, 1995 (incorporated by reference to Exhibit 4(c) to Form 10-Q for quarter ended July 31, 1995, File No. 0-13283)

4(d) Borrowers Pledge Agreement as amended and restated through July 31, 1995 (incorporated by reference to Exhibit 4(d) to Form 10-Q for quarter ended July 31, 1995, File No. 0-13283)

4(e) Borrowers General Security Agreement as amended and restated through July 31, 1995 (incorporated by reference to Exhibit 4(e) to Form 10-Q for quarter ended July 31, 1995, File No. 0-13283)

4(f) Parent Pledge Agreement as amended and restated through July 31, 1995 (incorporated by reference to Exhibit 4(f) to Form 10-Q for quarter ended July 31, 1995, File No. 0-13283)

4(g) Parent General Security Agreement as amended and restated through July 31, 1995 (incorporated by reference to Exhibit 4(g) to Form 10-Q for quarter ended July 31, 1995, File No. 0-13283)

4(h) Amendment Agreement dated April 1, 1997 to Amended and Restated Loan Agreement dated July 31, 1995 and to Guaranty of registrant dated July 31, 1995 among the Borrowers, the registrant, the lenders named therein and Fleet Bank, N.A. (as successor to NatWest Bank N.A.) as agent (incorporated by reference to Exhibit 4(h) to Form 10-Q for quarter ended April 30, 1997, File No. 0-13283)

4(i) Amendment No. 2 dated October 19, 1999 to Amended and Restated Loan Agreement dated July 31, 1995 among the Borrowers, the registrant, the lenders named therein and Fleet Bank, N.A. (as successor to NatWest Bank N.A.) as agent (incorporated by reference to Exhibit 4(i) to Form 10-Q for quarter ended October 31, 1999, File No. 0-13283)

4(j) Amendment No. 3 dated January 11, 2000 to Amended and Restated Loan Agreement dated July 31, 1995 among the Borrowers, the registrant, the lenders named therein and Fleet Bank, N.A. (as successor to NatWest Bank N.A.) as agent (incorporated by reference to Exhibit 4(j) to Form 10-K for fiscal year ended January 31, 2000, File No. 0-13283)

4(k) Amendment No. 4 dated March 10, 2000 to Amended and Restated Loan Agreement dated July 31, 1995 among the Borrowers, the registrant, the lenders named therein and Fleet Bank, N.A. (as successor to Natwest Bank N.A.) as agent (incorporated by reference to Exhibit 4(k) to Form 10-K for fiscal year ended January 31, 2000, File No. 0-13283)

4(l) Amendment No. 5 dated December 31, 2000 to Amended and Restated Loan Agreement dated July 31, 1995 among the Borrowers, the registrant, the lenders named therein and Fleet Bank, N.A. (as successor to NatWest Bank N.A.) as agent (incorporated by reference to Exhibit (4)(1) to Form 10-K for fiscal year ended January 31, 2001, File No. 0-13283)

4(m) Amendment No. 6 dated April 16, 2001 to Amended and Restated Loan Agreement dated July 31, 1995 among the Borrowers, the registrant, the lenders named therein and Fleet Bank, N.A. (as successor to NatWest Bank N.A.) as agent (incorporated by reference to Exhibit 4(m) to Form 10-K for fiscal year ended January 31, 2001, File No. 0-13283)

4(n) Amendment No. 7 dated November 25, 2002 to Amended and Restated Loan Agreement dated July 31, 1995 among the Borrowers, the registrant, the lenders named therein and Fleet Bank, N.A. (as successor to NatWest Bank N.A.) as agent (incorporated by reference to Exhibit 4(n) to Form 10-K for fiscal year ended January 31, 2003, File No. 0-13283)

4(o) Amendment No. 8 dated January 30, 2004 to Amended and Restated Loan Agreement dated July 31, 1995 among the Borrowers, the registrant, the Lenders named therein and Fleet Capital Corporation (as successor to Fleet Bank, N.A., as successor to NatWest Bank, N.A.) as agent................

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, the registrant has not filed as an exhibit to this Form 10-K certain instruments with respect to long-term debt where the total amount of securities authorized thereunder does not exceed 10% of the total assets of the registrant and its subsidiaries on a consolidated basis. The registrant agrees to furnish a copy of such instruments to the Commission upon request.

(10) Material contracts:

10(a)* Employment Agreement dated April 17, 2001 between Rex Radio and Television, Inc. and Stuart Rose (incorporated by reference to Exhibit 10(c) to Form 10-K for fiscal year ended January 31, 2002, File No. 0-13283)

10(b)* Employment Agreement dated January 31, 2004 between Rex Radio and Television, Inc. and Lawrence Tomchin.............

10(c)* Executive Stock Option dated October 14, 1998 granting Stuart Rose an option to purchase 500,000 shares of registrant's Common Stock (incorporated by reference to Exhibit 10.3 to Form 10-Q for quarter ended October 31, 1998, File No. 0-13283)

10(d)* Executive Stock Option dated October 14, 1998 granting Lawrence Tomchin an option to purchase 150,000 shares of registrant's Common Stock (incorporated by reference to Exhibit 10.4 to Form 10-Q for quarter ended October 31, 1998, File No. 0-13283)

10(e)* Executive Stock Option dated April 17, 2001 granting Stuart Rose an option to purchase 500,000 shares of registrant's Common Stock (incorporated by reference to Exhibit 10(g) to Form 10-K for fiscal year ended January 31, 2002, File No. 0-13283)

10(f)* Executive Stock Option dated April 17, 2001 granting Lawrence Tomchin an option to purchase 150,000 shares of registrant's Common Stock (incorporated by reference to Exhibit 10(h) to Form 10-K for fiscal year ended January 31, 2002, File No. 0-13283)

10(g)* Subscription Agreement dated December 1, 1989 from Stuart Rose to purchase 300,000 shares of registrant's Common Stock (incorporated by reference to Exhibit 6.5 to Form 10-Q for quarter ended October 31, 1989, File No. 0-13283)

10(h)* Subscription Agreement dated December 1, 1989 from Lawrence Tomchin to purchase 140,308 shares of registrant's Common Stock (incorporated by reference to Exhibit 6.6 to Form 10-Q for quarter ended October 31, 1989, File No. 0-13283)

10(i)* 1995 Omnibus Stock Incentive Plan, as amended and restated effective June 2, 1995 (incorporated by reference to Exhibit 4(c) to Post-Effective Amendment No. 1 to Form S-8 Registration Statement No. 33-81706)

10(j)* 1999 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10(a) to Form 10-Q for quarter ended April 30, 2000, File No. 0-13283)

10(k) Real Estate Purchase and Sale Agreement (the "Agreement") dated March 8, 1989 between registrant as Guarantor, four of its subsidiaries (Rex Radio and Television, Inc., Stereo Town, Inc., Kelly & Cohen Appliances, Inc., and Rex Radio Warehouse Corporation) as Sellers and Holman/Shidler Investment Corporation as Buyer (incorporated by reference to Exhibit (b)(5)(1) to Amendment No. 1 to Schedule 13E-4 filed March 15, 1989, File No. 5-35828)

The Table of Contents to the Agreement lists Exhibits A through P to the Agreement. Each of the following listed Exhibits to the Agreement is incorporated herein by reference as indicated below. The registrant will, upon request of the Commission, provide any of the additional Exhibits to the Agreement.

10(l) Form of Full Term Lease (incorporated by reference to Exhibit (b)(5)(2) to Amendment No. 1 to Schedule 13E-4 filed March 15, 1989, File No. 5-35828)

10(m) Form of Divisible Lease (incorporated by reference to Exhibit (b)(5)(3) to Amendment No. 1 to Schedule 13E-4 filed March 15, 1989, File No. 5-35828)

10(n) Form of Terminable Lease (incorporated by reference to Exhibit (b)(5)(4) to Amendment No. 1 to Schedule 13E-4 filed March 15, 1989, File No. 5-35828)

10(o) Continuing Lease Guaranty (incorporated by reference to Exhibit (b)(5)(5) to Amendment No. 1 to Schedule 13E-4 filed March 15, 1989, File No. 5-35828)

10(p) Agreement Regarding Leases and Amending Amended and Restated Real Property Purchase and Sale Agreement dated May 17, 1990 among Shidler/West Finance Partners I (Limited Partnership); Rex Radio and Television, Inc., Stereo Town, Inc., Kelly & Cohen Appliances, Inc. and Rex Radio Warehouse Corporation; and registrant (incorporated by reference to Exhibit (a)(10) to Form 10-Q for quarter ended April 30, 1990, File No. 0-13283)

10(q) Lease dated December 12, 1994 between Stuart Rose/Beavercreek, Inc. and Rex Radio and Television, Inc. (incorporated by reference to Exhibit 10(q) to Form 10-K for fiscal year ended January 31, 1995, File No. 0-13283)

(14) Code of Ethics:

14(a) Code of Business Conduct and Ethics.........................

(21) Subsidiaries of the registrant:

21(a) Subsidiaries of registrant..................................

(23) Consents of experts and counsel:

23 Consent of Deloitte & Touche LLP to use its report dated April 8, 2004 included in this annual report on Form 10-K into registrant's Registration Statements on Form S-8 (Registration Nos. 33-3836, 33-81706, 33-62645, 333-69081, 333-69089, 333-35118 and 333-69690).........................

(24) Power of attorney:

Powers of attorney of each person whose name is signed to this report on Form 10-K pursuant to a power of attorney..

(31) Rule 13a-14(a)/15d-14(a) Certifications:

31 Certifications..

(32) Section 1350 Certifications:

32 Certifications..

99(a)	Risk Factors (incorporated by reference to Exhibit 99(a) to Form 10-K for fiscal year ended January 31, 2002, File No. 0-13283)

Copies of the Exhibits not contained herein may be obtained by writing to Edward M. Kress, Secretary, REX Stores Corporation, 2875 Needmore Road, Dayton, Ohio 45414.

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Those exhibits marked with an asterisk (*) above are management contracts or compensatory plans or arrangements for directors or executive officers of the registrant.

AMENDMENT NO. 8 TO AMENDED AND RESTATED LOAN AGREEMENT

AMENDMENT AGREEMENT, dated as of January 30, 2004, to the Amended and Restated Loan Agreement, dated as of July 31, 1995 (as the same has been or may be further amended, supplemented, modified or restated in accordance with its terms, the "Loan Agreement") among REX RADIO AND TELEVISION, INC., an Ohio corporation ("Rex Radio"), KELLY & COHEN APPLIANCES, INC., an Ohio corporation ("Kelly"), STEREO TOWN, INC., a Georgia corporation ("Stereo Town"), REX KANSAS, INC., a Kansas corporation ("Rex Kansas"), REX ALABAMA, INC., an Ohio corporation ("Rex Alabama"), REXSTORES.COM, INC., an Ohio corporation ("Rex Internet" and together with Rex Radio, Kelly, Stereo Town, Rex Kansas and Rex Alabama, each a "Borrower" and collectively, the "Borrowers"), those financial institutions named as lenders on Schedule 2.01 thereto (the "Lenders") and FLEET CAPITAL CORPORATION (as successor to Fleet Bank, N.A., as successor to NatWest Bank N.A.), in its capacity as agent (the "Agent") for itself and the Lenders. Capitalized terms used herein and not otherwise defined shall have the meanings attributed to them in the Loan Agreement.

I. AMENDMENT TO LOAN AGREEMENT

1. Section 1.01 of the Loan Agreement is hereby amended by adding the following defined term in the correct alphabetical order:

> "PV Synfules Letter of Credit" shall mean the Letter of Credit to be issued by Fleet Capital Corporation on or prior to January 31, 2004 in favor of PV Synfules, LLC in an original face amount not to exceed $9,000,000.

2. Section 2.15 of the Loan Agreement is hereby amended by (a) adding the parenthetical "(excluding the undrawn amount of the PV Synfules Letter of Credit)" after "Letters of Credit" appearing in the first proviso of the first sentence thereof and (b) adding the parenthetical "(other than the PV Synfules Letter of Credit)" after "Letters of Credit" appearing in the last sentence thereof.

II. CONDITIONS PRECEDENT

This Amendment Agreement shall become effective upon the execution and delivery of counterparts hereof by the Borrowers, the Parent, the other Guarantors, the Agent and the Required Lenders and the fulfillment of the following conditions:

1. No unwaived event has occurred and is continuing which constitutes a Default or an Event of Default.

2. All representations and warranties made by the Borrowers, the Parent and the other Guarantors in this Amendment Agreement shall be true and correct.

3. All required corporate actions in connection with the execution and delivery of this Amendment Agreement shall have been taken, and each shall be satisfactory in

form and substance to the Agent, and the Agent shall have received all information and copies of all documents, including, without limitation, records of requisite corporate action that the Agent may reasonably request, to be certified by the appropriate corporate person or governmental authorities.

III. MISCELLANEOUS

1. By its signature below, each of the Borrowers reaffirms and restates the representations and warranties set forth in Article VII of the Loan Agreement, and all such representations and warranties are true and correct on the date hereof with the same force and effect as if made on such date (except to the extent that they relate expressly to an earlier date). The Parent reaffirms and restates the representations and warranties set forth in Section 14 of the Parent Guaranty, and all such representations and warranties are true and correct on the date hereof with the same force and effect as if made on such date (except to the extent that they relate expressly to an earlier date). In addition, each of the Borrowers, the Parent and the other Guarantors represents and warrants (which representations and warranties shall survive the execution and delivery hereof) to the Agent and the Lenders that:

(a) it has the power and authority to execute, deliver and carry out the terms and provisions of this Amendment Agreement and the transactions contemplated hereby, and has taken or caused to be taken all necessary actions to authorize the execution, delivery and performance of this Amendment Agreement and the transactions contemplated hereby;

(b) no consent of any other Person (including, without limitation, shareholders or creditors of the Borrowers, the Parent or any of the other Guarantors) and no action of, or filing with any governmental or public body or authority is required to authorize, or is otherwise required in connection with the execution, delivery and performance of this Amendment Agreement, or consummation of the transactions contemplated hereby;

(c) this Amendment Agreement has been duly executed and delivered by or on behalf of the Borrowers, the Parent and the other Guarantors and constitutes a legal, valid and binding obligation of each of the Borrowers, the Parent and the other Guarantors enforceable in accordance with its terms, subject as to enforceability to bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting the enforcement of creditors' rights generally and the exercise of judicial discretion in accordance with general principles of equity;

(d) the execution, delivery and performance of this Amendment Agreement will not violate any law, statute or regulation, or any order or decree of any court or governmental instrumentality, or conflict with, or result in the breach of, or constitute a default under any contractual obligation of any Borrower, the Parent or any of the other Guarantors; and

(e) as of the date hereof (after giving effect to the consummation of the transactions contemplated under this Amendment Agreement) there exists no Default or Event of Default.

By its signature below, each of the Borrowers, the Parent and the other Guarantors agree that it shall constitute an Event of Default if any representation or warranty made above should be false or misleading in any material respect.

2. Each of the Loan Agreement and the other Loan Documents is hereby ratified and confirmed in all respects and, except as expressly amended hereby, all of the representations, warranties, terms, covenants and conditions of the Loan Agreement and the other Loan Documents shall remain unamended, unwaived and in effect in accordance with their respective terms. The amendments set forth herein shall be limited precisely as provided for herein and shall not be deemed to be amendments or consents to, or waivers of modifications of, any term or provision of the Loan Documents or any other document or instrument referred to herein or therein or of any transaction or further or future action on the part of any Borrower, the Parent or any of the other Guarantors requiring the consent of the Agent or any Lender, except to the extent specifically provided for herein.

3. Each of the Borrowers, the Parent and the other Guarantors confirms in favor of the Agent and each Lender that it agrees that it has no defense, offset, claim, counterclaim or recoupment with respect to any of its obligations or liabilities under the Loan Agreement or any other Loan Document and that, except as herein provided, all terms of the Loan Agreement and the other Loan Documents shall continue in full force and effect.

4. This Amendment Agreement may be executed by the parties hereto individually or in combination, in one or more counterparts, each of which shall be an original and all of which shall constitute one and the same agreement.

5. Delivery of an executed counterpart of a signature page by telecopier shall be effective as delivery of a manually executed counterpart.

6. THIS AMENDMENT AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN SAID STATE (WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF).

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment Agreement as of the day and year first above written.

"Borrowers"

REX RADIO AND TELEVISION, INC.

By: /s/ EDWARD M. KRESS

Name: Edward M. Kress
Title: Secretary

KELLY & COHEN APPLIANCES, INC.

By: /s/ EDWARD M. KRESS

Name: Edward M. Kress
Title: Secretary

STEREO TOWN, INC.

By: /s/ EDWARD M. KRESS

Name: Edward M. Kress
Title: Secretary

REX KANSAS, INC.

By: /s/ EDWARD M. KRESS

Name: Edward M. Kress
Title: Secretary

REX ALABAMA, INC.

By: /s/ EDWARD M. KRESS

Name: Edward M. Kress
Title: Secretary

rexstores.com, Inc.

By: /s/ EDWARD M. KRESS

Name: Edward M. Kress
Title: Secretary

"Parent"

REX STORES CORPORATION

By: /s/ EDWARD M. KRESS

Name: Edward M. Kress
Title: Secretary

"Guarantors"

REX RADIO AND TELEVISION, INC.

By: /s/ EDWARD M. KRESS

Name: Edward M. Kress
Title: Secretary

KELLY & COHEN APPLIANCES, INC.

By: /s/ EDWARD M. KRESS

Name: Edward M. Kress
Title: Secretary

STEREO TOWN, INC.

By: /s/ EDWARD M. KRESS

Name: Edward M. Kress
Title: Secretary

REX KANSAS, INC.

By: /s/ EDWARD M. KRESS

Name: Edward M. Kress
Title: Secretary

REX ALABAMA, INC.

By: /s/ EDWARD M. KRESS

Name: Edward M. Kress
Title: Secretary

rexstores.com, Inc.

By: /s/ EDWARD M. KRESS

Name: Edward M. Kress
Title: Secretary

REX STORES CORPORATION

By: /s/ EDWARD M. KRESS

Name: Edward M. Kress
Title: Secretary

AVA ACQUISITION CORP.

By: /s/ EDWARD M. KRESS

Name: Edward M. Kress
Title: Secretary

REX INVESTMENT, LLC

By: Kelly & Cohen Appliances, Inc., its
Managing Member

By: /s/ EDWARD M. KRESS

Name: Edward M. Kress
Title: Secretary

REX INVESTMENT I, LLC

By: AVA Acquisition Corp., its
Managing Member

By: /s/ EDWARD M. KRESS

Name: Edward M. Kress
Title: Secretary

"Lenders"

FLEET CAPITAL CORPORATION, Individually

By: /s/ ADAM SEIDEN

Name: Adam Seiden
Title: VP Loan Officer

BANK ONE, N.A.
(successor to Bank One, Dayton, N.A.)

By:

Name:
Title:

KEY BANK NATIONAL ASSOCIATION

By: /s/ R. MICHAEL DUNLAVEY

Name: R. Michael Dunlavey
Title: Vice President

NATIONAL CITY BANK (as successor by merger to National City Bank, Dayton)

By: /s/ JOHN KEENAN

Name: John Keenan
Title: Vice President

THE PROVIDENT BANK

By: /s/ JEROME J. BRUNSWICK

Name: Jerome J. Brunswick
Title: Senior Vice President

U.S. BANK
(successor to Firstar Bank, N.A.)

By:

Name:
Title:

"Agent"

FLEET CAPITAL CORPORATION, As Agent

By: /s/ ADAM SEIDEN

Name: Adam Seiden
Title: VP Loan Officer

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the 31st day of January, 2004, between Rex Radio and Television, Inc., an Ohio corporation (the "Corporation"), and Lawrence Tomchin (the "Employee").

Recitals

A. The Corporation and Employee entered into Employment Agreements dated July 17, 1984, December 1, 1989, January 1, 1993 January 1, 1994, September 1, 1995, October 14, 1998, and April 17, 2001.

B. The Corporation and Employee now desire to enter into a new Employment Agreement to reflect changes in the Employee's position with the Corporation.

C. Employee desires to accept such employment on the basis of the mutual benefits and covenants contained herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties agree as follows:

ARTICLE I - DUTIES OF EMPLOYEE

1.1 Duties of Employee. Employee shall be employed as a consultant for the period set forth in Article II below. Employee shall be subject to the supervision of the Board of Directors of the Corporation, and shall perform those duties as directed by the Board of Directors of the Corporation. Employee shall be available to consult with the Corporation on matters relating to the marketing, distribution and sale of retail television, electronic and audio products and to perform such other duties as may from time to time be designated by the Board of Directors of the Corporation. Employee agrees to perform the duties assigned to him faithfully and to the best of his ability and to devote sufficient time and effort to the performance of his duties.

1.2 Engaging in Other Employment. Employee shall devote a substantial portion of his business time, energies, attention and abilities to the business of the Corporation; provided, however, that Employee shall not be prohibited from: (i) making investments in other businesses; and (ii) actively participating in the operation of any business within which he has invested.

ARTICLE II - TERM OF EMPLOYMENT

2.1 Term. The Corporation shall employ Employee commencing as of the 1st day of February, 2004, and continuing for a one (1) year period through January 31, 2005 (the "Employment Period") and any renewal period provided for in Section 2.2 below unless earlier terminated by Employee's: (i) resignation; (ii) death; (iii) total disability; or (iv) termination of employment, as provided in Article VI. "Total disability" shall mean such disability as shall render Employee incapable of performing substantially all of his duties for the Corporation as determined by any two qualified physicians chosen by the Corporation.

2.2 Renewal Term. The terms and conditions of this Agreement shall automatically renew, without any further action by either party required, upon the expiration of the Employment Period and any period of renewal for subsequent one (1) year periods unless (i) notice of termination is provided to the other party at least ninety (90) days prior to the expiration of the Employment Period or any period of renewal or (ii) this Agreement is otherwise terminated pursuant to Article VI.

ARTICLE III - COMPENSATION AND EXPENSES

3.1 Compensation. Employee shall receive as compensation for services rendered under this Agreement a base salary of Seventy-seven Thousand Two Hundred Fifty Dollars ($77,250.00) per year, payable in equal monthly installments of Six Thousand Four Hundred Thirty-seven and 50/100 Dollars ($6,437.50) per month on the last working day of each month (or such more frequent dates as the Corporation may choose), and prorated for any partial monthly period.

3.2 Expenses. Employee is authorized to incur reasonable expenses in connection with the performance of his duties for the Corporation, including expenses for entertainment of customers, travel, and similar business purposes. The Corporation will reimburse Employee for all such expenses upon the presentation of an itemized account of such expenditures and approval of the expenditures by a designated officer. In incurring reasonable business expenses, Employee shall conform to the policies of the Corporation as adopted by the Board of Directors from time to time.

ARTICLE IV - EMPLOYEE BENEFITS AND BONUSES

4.1 Employee Benefit Plans. Employee shall be entitled to participate in any qualified pension plan, qualified profit-sharing plan, medical and dental reimbursement plan, group term life insurance plan, and any other employee benefit plan which may be established by the Corporation, such participation to be in accordance with the terms of any such plan.

4.2 Bonus. In addition to Employee's salary as provided in Section 3.1, Employee may be paid a cash bonus as determined in the sole discretion of the Board of Directors of the Corporation, any such bonus to be commensurate with the effort and achievement of Employee on behalf of the Corporation.

4.3 Vacation. Employee shall be entitled to eight (8) weeks of vacation during each 12-month period of the Employment Period or any period of renewal at full pay; provided, however, that no portion of a vacation not taken in any 12-month period may be taken in any other 12-month period. The time for such vacation shall be selected by Employee. Employee shall not be entitled to vacation pay in lieu of vacation.

ARTICLE V - NONDISCLOSURE AND NONCOMPETITION

5.1 Confidential Information. Employee agrees to keep secret and confidential the Confidential Information (as defined below) and shall not use or disclose such information, either during or after his employment with the Corporation, for any purpose not authorized by the Corporation. Upon termination of his employment with the Corporation, Employee shall leave with the Corporation all records, including all copies thereof, containing any Confidential Information, including, but not limited to, such documents as memoranda, notes, records, reports, customer lists, manuals, drawings, blueprints and maps. "Confidential Information" means information about the Corporation and any of its subsidiaries which is disclosed to Employee or known by him as a consequence of or through his work with or on behalf of the Corporation (including information conceived, originated, discovered, or developed by him) not generally known about the Corporation, including, but not limited to, matters of a technical nature, such as "know-how," innovations, research projects, methods, and matters of a business nature, such as information about costs, profits, markets, sales, lists of customers, suppliers, business processes, computer programs, accounting methods, information systems, business or marketing, financial plans and reports and any other information of a similar nature.

5.2 Restrictions on Competition. During the term of this Agreement and for a period of two years after termination of Employee's employment with the Corporation, for any reason, Employee shall not directly or indirectly, either as an employee, employer, consultant, agent, principal, partner, stockholder, corporate officer, director, or in any other individual or representative capacity, engage or participate in any business that is in competition in any manner whatsoever with the business of the Corporation within one hundred (100) miles of any store operated by the Corporation or its affiliates at the time of Employee's termination nor shall Employee be the owner or operator of a retail business similar to that of the Corporation within one hundred (100) miles of any store operated by the Corporation or its affiliates at the time of Employee's termination.

5.3 Saving. In the event any provision of this Article V shall be held invalid, illegal, or unenforceable, the remaining provisions shall in no way be affected thereby, and shall continue in full force and effect. If, moreover, any one or more of the provisions contained in this Article V shall for any reason be held to be excessively broad as to time, duration, geographical scope, activity or subject, it shall be construed, by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

ARTICLE VI - TERMINATION

6.1 Termination of Employment with Cause. The Corporation may at any time terminate Employee's employment for cause. Such termination of employment for cause shall not prejudice any other remedy to which the Corporation may be entitled either at law, in equity, or under this Agreement. "Termination of employment for cause" shall mean termination upon: (i) Employee's repeated failure or refusal to perform his duties hereunder faithfully, diligently, competently and to the best of his ability for reasons other than serious disability or other incapacity; (ii) Employee's violation of any material provision of this Agreement; or (iii) Employee's clear and intentional violation of a state or federal law of which he is aware or should have been aware: (a) involves the commission of a felonious crime against the Corporation which has a materially adverse effect upon the Corporation; or (b) involves a felony other than against the Corporation having a materially adverse effect upon the Corporation, as determined in either case in the reasonable judgment of the Board of Directors.

6.2 Termination by Either Party. This Agreement may be terminated by either party with or without cause upon ninety (90) days notice.

6.3 Effect of Termination on Compensation. In the event this Agreement is terminated prior to the completion of the Employment Period or any period of renewal, Employee shall be entitled to the compensation earned by him prior to the date of termination as provided for in this Agreement computed pro rata up to and including that date. Employee shall be entitled to no further compensation as of the date of termination.

6.4 Effect of Termination on Bonus Plans. In the event of the termination of this Agreement prior to the completion of the Employment Period or any period of renewal, Employee shall automatically and completely forfeit any rights which he may have under any bonus plan established by the Corporation.

ARTICLE VII - WAIVER OF BREACH

7.1 Effect of Waiver. Waiver by the Corporation of any condition, or of the breach of Employee of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances shall not be deemed to be or construed as a further or continuing waiver of any such condition or to be a waiver either of any other condition or of the breach of any other term or covenant of this Agreement. The failure of the Corporation at any time or times to require performance of any provision hereof shall in no manner affect its rights at a later time to require the same.

ARTICLE VIII - MISCELLANEOUS

8.1 Notices. All notices and other communications by any party hereto shall be made in writing to the other party and shall be deemed to have been duly given when mailed by United States certified mail, with postage prepaid, addressed as the parties hereto may designate from time to time in writing.

8.2 Entire Agreement. This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the employment of Employee by the Corporation, and contains all of the covenants and agreements between the parties with respect to such employment in any manner whatsoever.

8.3 Assignability. Neither this Agreement, nor any duties or obligations hereunder shall be assignable by Employee without the prior written consent of the Board of Directors of the Corporation.

8.4 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns.

8.5 Captions. The captions in this Agreement are inserted for convenience only and shall not be considered part of or affect the construction or interpretation of any provision of this Agreement.

8.6 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first set forth above.

REX RADIO AND TELEVISION, INC.

By: /s/ EDWARD M. KRESS

Edward M. Kress, Secretary

EMPLOYEE:

/s/ LAWRENCE TOMCHIN

Lawrence Tomchin

REX Stores Corporation

Code of Business Conduct and Ethics

1. Compliance with Laws, Rules and Regulations

All employees, officers and directors of the Company should respect and comply with all laws, rules and regulations of federal, state and local jurisdictions in which the Company conducts business or which are applicable to the Company. Legal compliance should include, without limitation, compliance with the insider trading prohibitions of the federal securities laws. Generally, employees, officers and directors who have access to or knowledge of material non-public information from or about the Company are not permitted to buy, sell or otherwise trade in the Company's common stock, whether or not they are using or relying on the information. This restriction extends to sharing or tipping others about the information. In addition, the Company has implemented trading restrictions (blackout periods) to reduce the risk, or appearance, of insider trading. Company employees, officers and directors are directed to the Company's Insider Trading Policy if they have any questions regarding insider trading prohibitions.

2. Conflicts of Interest

All employees, officers and directors of the Company should avoid any conflict of interest with regard to the Company. A "conflict of interest" occurs whenever an individual's private interests interfere or conflict in any way, or even appear to interfere or conflict, with the interests of the Company. A conflict situation can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interest may also arise when an employee, officer or director, or members of his or her family, receives improper personal benefits as a result of his or her position in the Company, whether received from the Company or a third party. Loans to, or guarantees of obligations of, employees, officers and directors and their respective family members may create conflicts of interest. Federal law prohibits loans to directors and executive officers.

Conflicts of interest are prohibited as a matter of Company policy. Conflicts of interest may not always be clear-cut. If you have any questions, you should consult with higher levels of management or the Company's legal counsel. Any employee, officer or director who becomes aware of a conflict or potential conflict should bring it to the attention of a supervisor, manager or other appropriate personnel.

3. Corporate Opportunity

Employees, officers and directors are prohibited from (i) taking for themselves personally opportunities that properly belong to the Company or are discovered through the use of corporate property, information or position, (ii) using corporate property, information or position for personal gain, and (iii) competing with the Company. Employees, officers and directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

4. Confidentiality

Employees, officers and directors of the Company must maintain the confidentiality of confidential information entrusted to them by the Company or its suppliers or customers, except when disclosure is authorized by the Company or required by law, regulations or legal proceedings. Confidential information includes all non-public information that might be of use to competitors of the Company, or harmful to the Company or its customers if disclosed.

5. Fair Dealing

Each employee, officer and director should endeavor to deal fairly with the Company's customers, suppliers, competitors and employees. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.

6. Protection and Proper Use of Company Assets

All employees, officers and directors should protect the Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability. All Company assets should be used for legitimate business purposes.

7. Accounting Complaints

The Company's policy is to comply with all financial reporting and accounting regulations applicable to the Company. If any employee, officer or director of the Company has concerns or complaints regarding questionable accounting or auditing matters of the Company, then he or she is encouraged to submit those concerns or complaints (anonymously, confidentially or otherwise) to the Audit Committee of the Board of Directors which will, subject to its duties under applicable law, regulations and legal proceedings, treat such submissions confidentially. Such submissions may be directed to the attention of the Chairman of the Audit Committee, or any other director who is a member of the Audit Committee, at the principal executive offices of the Company. The members of the Audit Committee are listed in the Company's proxy statement for its annual meeting of shareholders.

8. Reporting Illegal or Unethical Behavior

Employees are encouraged to talk to supervisors, managers or other appropriate personnel about observed illegal or unethical behavior and, when in doubt, about the best course of action in a particular situation. Employees, officers and directors who are concerned that violations of this Code or other illegal or unethical conduct by employees, officers or directors of the Company have occurred or may occur should contact their supervisor or superiors. If they do not believe it appropriate or are not comfortable approaching their supervisor or superiors about their concerns or complaints, then they may contact the Audit Committee of the Board of Directors. If their concerns or complaints require confidentiality, including keeping their identity anonymous, then this confidentiality will be protected, subject to applicable law, regulation or legal proceedings.

9. No Retaliation

The Company will not permit retaliation of any kind by or on behalf of the Company and its employees, officers and directors against good faith reports or complaints of violations of this Code or other illegal or unethical conduct.

10. Adherence to Code

The Company expects compliance with this Code and all applicable laws, rules and regulations by all employees, officers and directors. Persons who violate this Code or applicable laws, rules or regulations are subject to disciplinary and/or corrective measures appropriate to the violation, up to and including termination of employment and reporting violators to the appropriate authorities.

11. Public Company Reporting

The Company is committed to full, fair, accurate, timely and understandable disclosure in the reports and documents it files with the Securities and Exchange Commission and in other public communications it makes. Depending on their position with the Company, an employee, officer or director may be called upon to provide necessary information to assure that the Company's public reports and other public communications are complete, fair and understandable. The Company expects employees, officers and directors to take this responsibility seriously and to provide prompt accurate answers to inquiries related to the Company's public disclosure requirements.

12. Amendment, Modification and Waiver

This Code may be amended, modified or waived by the Board of Directors and waivers may also be granted by the Nominating/Corporate Governance Committee, subject to the disclosure and other provisions of applicable law, rules, regulations and listing standards.

13. No Contract of Employment

This Code is not an express or implied contract of employment and does not create any contractual rights of any kind between the Company and its employees, officers and directors. All employees should understand that this Code does not modify their employment relationship, whether at will or governed by contract.

The Company reserves the right to amend, alter or terminate this Code at any time and for any reason.

Adopted: March 30, 2004

EXHIBIT 21(a)

SUBSIDIARIES OF REX STORES CORPORATION

Name	State of Incorporation
Rex Radio and Television, Inc.(1)	Ohio
Stereo Town, Inc.	Georgia
Kelly & Cohen Appliances, Inc.(1)	Ohio
Rex Kansas, Inc.(2)	Kansas
AVA Acquisition Corp.	Delaware
Rex Louisiana, Inc.(3) (4)	Ohio
Rex Alabama, Inc.(2)	Ohio
REX Investment, LLC(5)	Ohio
rexstores.com, Inc.	Ohio
Rex Acquisition, LLC(3)	Ohio

- ----------

(1) Wholly-owned subsidiary of AVA Acquisition Corp.

(2) Wholly-owned subsidiary of Rex Radio and Television, Inc.

(3) Non-operating subsidiary.

(4) Wholly-owned subsidiary of Kelly & Cohen Appliances, Inc.

(5) Kelly & Cohen Appliances, Inc. is the managing member and owns a 98.032% Class A interest. AVA Acquisition Corp. owns a 95.46% Class B interest and a 100% Class C interest.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 33-3836, 33-81706, 33-62645, 333-69081, 333-69089, 333-35118 and 333-69690 of REX Stores Corporation on Forms S-8 of our report dated April 8, 2004 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the adjustment described in Note 1 that was applied to conform the consolidated financial statements for the year ended January 31, 2002 to the presentation required by SFAS 145), relating to the consolidated financial statements of REX Stores Corporation as of and for the years ended January 31, 2004 and 2003, appearing in this Annual Report on Form 10-K of REX Stores Corporation for the years ended January 31, 2004.

Cincinnati, Ohio
April 12, 2004

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, in his capacity as a director or officer, or both, of REX Stores Corporation, a Delaware corporation (the "Company"), hereby constitutes and appoints Stuart A. Rose and Edward M. Kress, or any one of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2004 and to sign any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, and any one of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any one of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument on this 24th day of March, 2004.

/s/ LAWRENCE TOMCHIN

Lawrence Tomchin

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, in his capacity as a director or officer, or both, of REX Stores Corporation, a Delaware corporation (the "Company"), hereby constitutes and appoints Stuart A. Rose and Edward M. Kress, or any one of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2004 and to sign any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, and any one of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any one of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument on this 24th day of March, 2004.

/s/ ROBERT DAVIDOFF

Robert Davidoff

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, in his capacity as a director or officer, or both, of REX Stores Corporation, a Delaware corporation (the "Company"), hereby constitutes and appoints Stuart A. Rose and Edward M. Kress, or any one of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2004 and to sign any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, and any one of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any one of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument on this 24th day of March, 2004.

/s/ LEE FISHER

Lee Fisher

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, in his capacity as a director or officer, or both, of REX Stores Corporation, a Delaware corporation (the "Company"), hereby constitutes and appoints Stuart A. Rose and Edward M. Kress, or any one of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2004 and to sign any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, and any one of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any one of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument on this 24th day of March, 2004.

/s/ CHARLES A. ELCAN

Charles A. Elcan

Exhibit 31

CERTIFICATIONS

I, Stuart A. Rose, certify that:

1. I have reviewed this annual report on Form 10-K of REX Stores Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 15, 2004

/s/ STUART A. ROSE

Stuart A. Rose
Chairman of the Board, President and
Chief Executive Officer

I, Douglas L. Bruggeman, certify that:

1. I have reviewed this annual report on Form 10-K of REX Stores Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 15, 2004

/s/ DOUGLAS L. BRUGGEMAN

Douglas L. Bruggeman
Vice President, Finance, Treasurer and
Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officers of REX Stores Corporation (the "Company") hereby certify, to their knowledge, that the Company's Annual Report on Form 10-K for the period ended January 31, 2004, which this certificate accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained therein fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ STUART A. ROSE

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Stuart A. Rose

/s/ DOUGLAS L. BRUGGEMAN

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Douglas L. Bruggeman

Dated: April 15, 2004