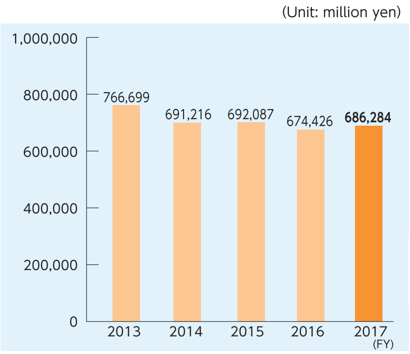
Changes in Business Results

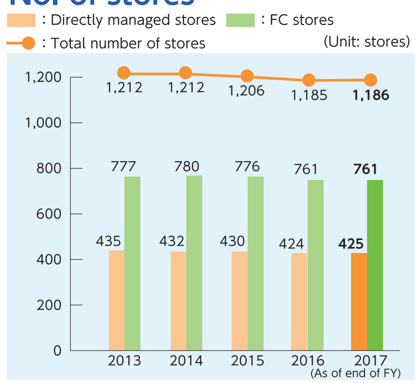
(Unit: million yen)

Fiscal year ended March 31	2013	2014	2015	2016	2017
Net sales	766,699	691,216	692,087	674,426	686,284
Ordinary income	14,883	11,118	17,275	16,005	16,167
Profit attributable to owners of parent	5,149	4,929	6,022	13,118	8,944
Profit per share (yen)	48.42	45.77	60.04	133.04	90.84
Net assets	146,756	145,086	141,986	151,512	169,005
Net assets per share (yen)	1,325.29	1,389.43	1,473.65	1,558.86	1,535.84
Total assets	385,799	367,338	360,312	368,177	369,547
Capital adequacy ratio (%)	38.0	39.5	39.4	41.2	45.7
No. of stores Total	1,212	1,212	1,206	1,185	1,186
No . of directly managed stores	435	432	430	424	425
No. of franchised stores	777	780	776	761	761
No. of full-time employees	9,109	8,788	8,663	8,551	8,653

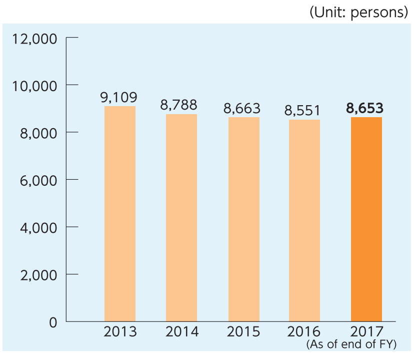
Net sales



No. of stores



No. of full-time employees



CORPORATE PROFILE

会社案内 2018

Group History

March 2002	DEODEO Corporation based in the Chugoku, Shikoku and Kyushu regions and EIDEN Co., Ltd. based in the Chubu region jointly established a holding company, EDION Corporation, through share transfer.
April 2005	Acquired 100% ownership of MIDORI DENKA Co., Ltd. based in the Kinki region through a stock swap.
July 2006	Acquired 33.4% shares of Ishimaru Denki Co., Ltd. based in the Kanto region.
March 2007	Acquired additional shares of Ishimaru Denki Co., Ltd. (40.0% in total) to make the company a subsidiary.
June 2007	Acquired 40.0% shares of SANKYU Co., Ltd. based in the Hokuriku and Hokkaido regions, to make the company a subsidiary.
October 2007	Established TOKYO EDION Co., Ltd. as a subsidiary for the purpose of enhancing the business base in the Kanto region.
October 2008	TOKYO EDION Co., Ltd. acquired all the shares of Ishimaru Denki Co., Ltd.
February 2009	EIDEN Co., Ltd. merged (by absorption) with TOKYO EDION Co., Ltd., Ishimaru Denki Co., Ltd., etc.
October 2009	DEODEO Corporation and MIDORI DENKA Co., Ltd. merged and changed their company names to EDION WEST Corporation. EIDEN Co., Ltd. changed its name to EDION EAST Corporation.
October 2010	EDION Corporation merged (by absorption) with EDION WEST Corporation and EDION EAST Corporation.Changed the name of EIDEN COMMUNICATIONS Co., Ltd., a subsidiary, to EDION COMMUNICATIONS Co., Ltd., and integrated the mobile phone business.
October 2011	Acquired all the shares of SANKYU Co., Ltd. to make the company a wholly-owned subsidiary.
April 2012	Changed the name of SANKYU House System Co., Ltd. to EDION HOUSE SYSTEM Corporation. Invested in E.R. JAPAN Corporation and acquired 55.0% of its shares.
October 2012	Integrated the "Ishimaru," "EIDEN," "MIDORI," and "DEODEO" brands into "EDION."
August 2013	Established a capital and business tie-up with LIXIL Group Corporation and increased capital through third-party allocation of new shares.
March 2017	Made E.R. JAPAN Corporation a wholly-owned subsidiary.
August 2017	Acquired all the shares of Forest Co., Ltd. to make the company a wholly-owned subsidiary.
March 2018	Invested in e-Logi Corporation and acquired 80.0% of its shares.

Management Principle

Achieving the principle of "Customer First" through high-quality products and reliable service

Provision of high-quality products

We do not simply sell products, but provide value and satisfaction together with fun, affluence and convenience through our products.

Reliable service

We offer reliable customer service so that our customers can continue using the products in their best condition for a long time.

Company Profile

(As of March 31, 2018)

Company Name	EDION Corporation
Established	March 29, 2002
Capital Stock	11,940 million yen
Representative	Masataka Kubo
Main Store Location	2-1-18 Kamiya-cho, Naka-ku, Hiroshima
Head Office	2-3-33 Nakanoshima, Kita-ku, Osaka
Stock listed	First sections of Tokyo and Nagoya Stock Exchanges
Consolidated Net sales	686.284 billion yen
No. of Group Stores	1,186 stores (425 directly managed stores, 761 franchised stores)
No. of full-time employees	8,653 (consolidated)
URL	https://www.edion.com/

Major subsidiaries and affiliated companies

(As of March 31, 2018)

Company Name	Location	Main Business
SANKYU Co., Ltd.	Fukui City, Fukui	Sales of electric home appliances
EDION COMMUNICATIONS Co., Ltd.	Nakamura-ku, Nagoya	Sales of mobile phones
EDION HOUSE SYSTEM Corporation	Amagasaki City, Hyogo	Sales and installation of solar power generation systems, home improvements, etc.
NWORK Corporation	Chikusa-ku, Nagoya	Operation and development of information systems
E.R. JAPAN Corporation	Fukuyama City, Hiroshima	Reuse and recycling businesses
Forest Co., Ltd.	Omiya-ku, Saitama	Sales of office supplies, daily commodities, various business items, etc.
e-Logi Corporation	Kita-ku, Osaka	Freight transportation, warehouse management, etc.
CHUPICOM FUREAI CORP. (*)	Naka-ku, Hiroshima	Cable television broadcasting
Sanfrecce Hiroshima FC Co., Ltd. (*)	Nishi-ku, Hiroshima	Professional soccer team
Maruni Wood Industry Inc. (*)	Saeki-ku, Hiroshima	Manufacture and sales of furniture

* Equity method affiliates

We conduct various businesses with the view of becoming a corporation that "continually endeavors to support richness and abundance in our customers' lives."

We operate community-based businesses under two store brands: "EDION" in areas from the Kanto to the Kyushu and Okinawa regions, and "Hyakuman Volt" mainly in the Hokkaido and Hokuriku regions.

No. of Group Stores **1,186** (As of March 31, 2018)

Directly managed stores : **425**

FC stores : **761**

*FC = franchised

Area	Directly managed stores	FC stores
Hokkaido region	9 stores	–
Hokuriku region	18 stores	–
Kanto region	9 stores	1 store
Chubu region	148 stores	117 stores
Kinki region	104 stores	85 stores
Chugoku region	86 stores	256 stores
Shikoku region	16 stores	83 stores
Kyushu • Okinawa region	35 stores	219 stores

Franchising — Offering fine-tuned services for local customers

We are expanding EDION's Family Shop franchises. Like our directly managed stores, EDION Family Shops sell a large variety of products of major Japanese manufacturers, as well as their original products and home improvement items, thereby proposing ideas to our customers for more comfortable lives. By operating both large-scale directly managed stores and franchised stores to achieve dominance in specific areas, we offer fine-tuned services throughout the areas.

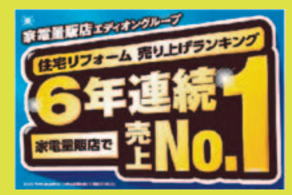
Main Businesses

Home electrical appliance sales — Offering reliable services, from purchase to installation

We operate general home electrical appliance stores dealing in a variety of goods from large home electrical appliances, such as television sets, refrigerators and air conditioners, to daily commodities, such as batteries and light bulbs. Staff members at the stores are encouraged to acquire professional qualifications, such as becoming electric home appliance advisors. A total of 4,075 store staff members have acquired some qualification (as of December 2017), and attend to customers using their extensive product knowledge. In addition, approximately 1,500 service staff members offer high-quality delivery services for customers who purchase products that need to be delivered and installed by professionals.

Eco-living & solar power goods business — Offering a wide range of proposals from home improvement to energy/electricity saving

Our product lineups in this segment cover home improvement, solar power generation systems, all-electric homes, and more. Among them, we place particular focus on home improvement as the second pillar of our business following home electrical appliances. Our home improvement product lines, such as the Petit de Rifo equipment/appliance replacement service and the Pack de Rifo remodeling service for kitchens, bathrooms and toilet rooms including interior finishing work at simple package prices, are being offered at 281 stores (as of March 31, 2018), receiving high reputation. EDION ranked first in the retailing industry category for the sixth consecutive year in the Home Improvement Sales Ranking Top 700 (in The Remodeling Business Journal, issued on September 26, 2017). In addition, EDION Housing, our real estate brokerage business, provides customers with not only real estate services but also proposals for more comfortable lives through home improvement and electrical appliances.



e-commerce business — Expanding product lineups and enhancing services

We operate EDION Net Shop to respond to customer preference for internet shopping, which has been expanding year by year in the home electrical appliance market. At the Net Shop, customers can use the same services that are available at our physical stores, including EDION Point Service and long-term repair warranties. Customers are also able to receive what they have ordered online at a preferred store* for their convenience. Besides electrical appliances, the Net Shop also sells a broad range of items, such as daily commodities, stationery, and various food items. On August 31, 2017, Forest Co., Ltd., a company operating the online shopping sites "Forestway" for businesses and "cocodecow" for individual customers, became our subsidiary. With this acquisition, we are enhancing the lineups of not only home electrical appliances but also non-electrical items, thereby satisfying diverse customer needs. * Outlet stores, franchised stores, and Hyakuman Volt stores are excluded.

EDIONネットショップ

EDION Search

https://www.edion.com/

Internet service provider business — Providing diverse services to meet customer needs

We have operated EDION Net, an internet service provider business, since the early days of the internet. Under this business, we run KuaLnet for high-speed mobile access such as WiMax, and Enjoynet for fixed-line access using optical lines, etc. Facing an increase in IoT appliances connectable to the internet, we also offer the EDION Net IoT Pack, a service that enables customers to remotely control home appliances such as air conditioners and lighting equipment using their smartphones, thereby satisfying increasingly diversifying customer needs.

快適・安心・低価格
エディオンネット
EDION Internet Service
Enjoynet KuaLnet

Business strategies taking advantage of our strengths

Card strategy — Offering secure and valued services for many customers

The EDION Card provides long-term (5-year/10-year) repair warranties for products of 5,000 yen (before tax) and above with an annual service fee of 980 yen (before tax). The repair service is available as many times as needed until the cost reaches the purchase price. More than 100 product types are covered by this warranty, regardless of the number of years of use. This card enables secure use of products for a long time, favored and used by over 4.8 million customers. We also offer the "Anshin Hosho (reassurance warranty) Card," a convenient card with no annual service fee. Members of our card services, including the Anshin Hosho Card, have reached over 12.5 million. (As of March 31, 2018)

▲EDION Card

▲Anshin Hosho Card

Service strategy — Enabling comfortable use of products for a long time

To enable our customers to feel at ease using the products they have purchased, we are committed to enhancing our after-sales services. In addition to our same-day delivery and time-specific delivery services, we also offer a check-up service at store repair counters and an on-site visiting repair service by our service staff. Furthermore, we also provide services that respond to our customers' unique needs, such as cleaning of air conditioners, professional cleaning and inspection of electrical appliances, on-site PC support, and replacement of light bulbs.

▲Cleaning an air conditioner

▲Visiting repair service

Original products strategy — Giving shape to our customers' wishes

Aiming to offer high-quality products that truly satisfy our customers, we develop and sell original home appliances under the "KuaL" brand, equipped with unique additional functions. KuaL brand products include, among others, air conditioners with outdoor units coated with an anti-corrosion agent and microwave ovens with one-touch cooking buttons, which make the lives of our customers more convenient and comfortable. We also offer "keyword" brand interior appliances with sizes and functions just right for those living alone, as well as the "MY&OUR" consumables and other original products.

New initiatives

e-Logi Corporation established — Toward the world of new logistics services

On March 1, 2018, we established e-Logi Corporation as a joint venture with Logiscom Q Co., Ltd., a company experienced in logistics consulting. The company offers unique services by utilizing the delivery/installation work techniques and maintenance skills we have developed in the electrical home appliance sales and the home appliances repair and cleaning services, as well as the know-how in logistics that Logiscom Q has accumulated.

e-Logi

Enhancing outer wall/roof coating improvement — Launch of original paint, Premium e-Coat

As part of our initiatives to enhance our home improvement business, we have launched in full scale outer wall/roof coating improvement using our original Premium e-Coat. Premium e-Coat is an innovative coating material equipped with high durability and anti-fouling function. Also with high heat shield performance, it can not only keep walls/roofs clean for a long time but also help increase cooling efficiency indoors. Besides sales of home electrical appliances, EDION offers services to increase living comfort in various ways, such as services for improvement of wet areas and outer walls.

Social contributions

Global environmental protection — Committed to conserving the environment

As part of our initiatives for global environmental protection, we have established E.R. Japan Corporation to engage in the reuse and recycling businesses, with a view to building a recycling-oriented society by promoting resource recycling. We also proactively promote energy-saving products, and participate in activities that contribute to local communities such as forest preservation activities nationwide, our annual cleaning campaign held concurrently at all EDION Group stores, and setting up of free charging stands for EVs and PHVs at our stores.

Sport promotion — Supporting various sport activities

As part of our initiatives for developing local communities and making social contributions, we have been committed to the promotion of sports. We maintain a women's track and field club and an archery club. Some club members have played on the Japanese national team at the Olympics, various world cups, and other international competitions. We also proactively host lessons and training programs for track and field, and other sports, with the aim of developing next-generation athletes. Moreover, we support the professional football club Sanfrecce Hiroshima F.C., as well as several professional and non-professional baseball clubs.

▲EDION Women's Track and Field Club

▲EDION Archery Club

Consolidated Financial Statements

EDION Corporation
and Consolidated Subsidiaries

Year ended March 31, 2018
with Independent Auditor's Report

EDION Corporation and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended March 31, 2018

Contents

Independent Auditor's Report

The Board of Directors
EDION Corporation

We have audited the accompanying consolidated financial statements of EDION Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of EDION Corporation and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

June 29, 2018
Osaka, Japan

EDION Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2018

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2018	2017	**2018**
Assets			
Current assets:			
Cash and cash equivalents *(Note 10)*	**¥ 8,228**	¥ 9,927	**$ 77,443**
Notes and accounts receivable:			
Trade *(Note 10)*	**34,530**	33,258	**325,021**
Other	**7,532**	6,956	**70,892**
Allowance for doubtful receivables	**(63)**	(94)	**(594)**
	41,999	40,120	**395,319**
Inventories:			
Merchandise and products *(Note 7)*	**111,704**	105,778	**1,051,430**
Supplies	**333**	325	**3,132**
	112,037	106,103	**1,054,562**
Deferred income taxes *(Note 9)*	**8,604**	7,870	**80,990**
Other current assets	**3,796**	3,961	**35,737**
Total current assets	**174,664**	167,981	**1,644,051**
Property and equipment, at cost *(Notes 6 and 15)*:			
Land *(Notes 4 and 7)*	**67,966**	71,868	**639,739**
Buildings and structures *(Note 7)*	**162,796**	164,505	**1,532,338**
Tools, furniture and fixtures	**27,234**	25,326	**256,344**
Leased assets	**1,566**	1,932	**14,744**
Construction in progress	**2,327**	6,231	**21,899**
Other	**1,388**	1,132	**13,069**
	263,277	270,994	**2,478,133**
Accumulated depreciation	**(125,519)**	(125,827)	**(1,181,463)**
Property and equipment, net	**137,758**	145,167	**1,296,670**
Investments and other assets:			
Investment in securities *(Notes 3 and 10)*	**2,323**	2,380	**21,867**
Investment in affiliates *(Notes 3 and 10)*	**992**	975	**9,340**
Goodwill *(Note 20 and 21)*	**919**	–	**8,653**
Guarantee deposits *(Note 10)*	**26,012**	26,180	**244,839**
Deferred income taxes *(Note 9)*	**14,277**	14,274	**134,381**
Other	**12,602**	11,220	**118,616**
Total investments and other assets	**57,125**	55,029	**537,696**
Total assets	**¥ 369,547**	¥ 368,177	**$ 3,478,417**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Liabilities and net assets			
Current liabilities:			
Short-term debt *(Notes 7 and 10)*	**¥ 4,110**	¥ –	**$ 38,686**
Current portion of long-term debt *(Notes 7 and 10)*	**17,056**	22,420	**160,546**
Notes and accounts payable:			
Trade *(Notes 7 and 10)*	**47,130**	44,803	**443,620**
Other	**14,879**	12,558	**140,051**
	62,009	57,361	**583,671**
Lease obligations *(Notes 7 and 10)*	**104**	129	**977**
Accrued income taxes *(Note 9)*	**3,835**	2,762	**36,100**
Provision for employees' bonuses	**4,753**	4,576	**44,734**
Provision for point service program	**9,498**	8,535	**89,398**
Other current liabilities	**12,543**	11,882	**118,062**
Total current liabilities	**113,908**	107,665	**1,072,174**
Long-term liabilities:			
Long-term debt *(Notes 7 and 10)*	**52,352**	73,736	**492,769**
Liability for retirement benefits *(Note 8)*	**8,486**	9,218	**79,878**
Lease obligations *(Notes 7 and 10)*	**1,553**	1,647	**14,616**
Deferred income taxes *(Note 9)*	**504**	20	**4,748**
Deferred income taxes for land revaluation *(Note 9)*	**1,709**	1,708	**16,082**
Provision for merchandise warranties	**8,558**	8,658	**80,557**
Asset retirement obligations *(Note 5)*	**7,579**	7,342	**71,339**
Other long-term liabilities	**5,893**	6,670	**55,467**
Total long-term liabilities	**86,634**	108,999	**815,456**
Contingent liabilities *(Note 12)*			
Net assets			
Shareholders' equity *(Note 13)*:			
Common stock	**11,940**	11,940	**112,390**
Capital surplus	**84,954**	84,320	**799,641**
Retained earnings	**80,098**	74,690	**753,938**
Treasury stock, at cost	**(1,669)**	(12,084)	**(15,706)**
Total shareholders' equity	**175,323**	158,866	**1,650,263**
Accumulated other comprehensive income (loss):			
Net unrealized gain on other securities	**340**	379	**3,196**
Land revaluation difference *(Note 4)*	**(5,523)**	(6,367)	**(51,987)**
Retirement benefit liability adjustments *(Note 8)*	**(1,144)**	(1,365)	**(10,768)**
Total accumulated other comprehensive loss	**(6,327)**	(7,353)	**(59,559)**
Non-controlling interests	**9**	–	**83**
Total net assets	**169,005**	151,513	**1,590,787**
Total liabilities and net assets	**¥ 369,547**	¥ 368,177	**$ 3,478,417**

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Income

Year ended March 31, 2018

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2018	2017	**2018**
Net sales	**¥ 686,285**	¥ 674,427	**$ 6,459,758**
Cost of sales *(Note 14)*	**488,119**	481,393	**4,594,496**
Gross profit	**198,166**	193,034	**1,865,262**
Selling, general and administrative expenses	**182,787**	177,760	**1,720,506**
Operating income	**15,379**	15,274	**144,756**
Non-operating income (expenses):			
Interest and dividend income	**101**	113	**946**
Interest expense	**(449)**	(522)	**(4,227)**
Commission fee	**(58)**	(82)	**(546)**
Insurance income	**363**	132	**3,414**
Penalty income	**242**	5	**2,281**
Loss on sales or disposal of property and equipment	**(641)**	(706)	**(6,030)**
Loss on impairment of property and equipment *(Notes 15 and 21)*	**(2,088)**	(3,612)	**(19,658)**
Other	**674**	415	**6,349**
	(1,856)	(4,257)	**(17,471)**
Profit before income taxes	**13,523**	11,017	**127,285**
Income taxes *(Note 9)*:			
Current	**5,364**	4,469	**50,488**
Deferred	**(784)**	(6,565)	**(7,384)**
Total income taxes	**4,580**	(2,096)	**43,104**
Profit	**8,943**	13,113	**84,181**
Loss attributable to:			
Non-controlling interests	**(1)**	(6)	**(11)**
Owners of parent	**¥ 8,944**	¥ 13,119	**$ 84,192**

	Yen		*U.S. dollars*
Amounts per share:			
Profit attributable to owners of parent			
– Basic	**¥ 90.84**	¥ 133.04	**$ 0.86**
– Diluted	**71.90**	102.89	**0.68**
Cash dividends	**28.00**	26.00	**0.26**

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year ended March 31, 2018

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2018	2017	**2018**
Profit	**¥ 8,943**	¥ 13,113	**$ 84,181**
Other comprehensive income *(Note 16)*:			
Net unrealized (loss) gain on other securities	**(39)**	230	**(371)**
Retirement benefit liability adjustments	**221**	114	**2,085**
Other comprehensive income, net	**182**	344	**1,714**
Comprehensive income	**¥ 9,125**	¥ 13,457	**$ 85,895**
Comprehensive income attributable to:			
Owners of parent	**¥ 9,126**	¥ 13,463	**$ 85,906**
Non-controlling interests	**(1)**	(6)	**(11)**

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2018

	Millions of yen				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2016	11,940	84,310	64,164	(10,457)	149,957
Purchase of stock of consolidated subsidiaries	–	10	–	–	10
Cash dividends	–	–	(2,271)	–	(2,271)
Reversal of land revaluation difference	–	–	(322)	–	(322)
Profit attributable to owners of parent	–	–	13,119	–	13,119
Purchases of treasury stock	–	–	–	(1,627)	(1,627)
Disposition of treasury stock	–	0	–	0	0
Other changes	–	–	–	–	–
Balance at March 31, 2017	¥ 11,940	¥ 84,320	¥ 74,690	¥ (12,084)	¥ 158,866
Cash dividends	**–**	**–**	**(2,692)**	**–**	**(2,692)**
Reversal of land revaluation difference	**–**	**–**	**(844)**	**–**	**(844)**
Profit attributable to owners of parent	**–**	**–**	**8,944**	**–**	**8,944**
Purchases of treasury stock	**–**	**–**	**–**	**(2,371)**	**(2,371)**
Disposition of treasury stock	**–**	**634**	**–**	**12,786**	**13,420**
Other changes	**–**	**–**	**–**	**–**	**–**
Balance at March 31, 2018	**¥ 11,940**	**¥ 84,954**	**¥ 80,098**	**¥ (1,669)**	**¥ 175,323**

	Net unrealized gain on other securities	Land revaluation difference	Retirement benefit liability adjustments	Total accumulated other comprehensive loss	Non-controlling interests	Total net assets
Balance at April 1, 2016	149	(6,689)	(1,479)	(8,019)	49	141,987
Purchase of stock of consolidated subsidiaries	–	–	–	–	–	10
Cash dividends	–	–	–	–	–	(2,271)
Reversal of land revaluation difference	–	–	–	–	–	(322)
Profit attributable to owners of parent	–	–	–	–	–	13,119
Purchases of treasury stock	–	–	–	–	–	(1,627)
Disposition of treasury stock	–	–	–	–	–	0
Other changes	230	322	114	666	(49)	617
Balance at March 31, 2017	¥ 379	¥ (6,367)	¥ (1,365)	¥ (7,353)	¥ –	¥ 151,513
Cash dividends	**–**	**–**	**–**	**–**	**–**	**(2,692)**
Reversal of land revaluation difference	**–**	**–**	**–**	**–**	**–**	**(844)**
Profit attributable to owners of parent	**–**	**–**	**–**	**–**	**–**	**8,944**
Purchases of treasury stock	**–**	**–**	**–**	**–**	**–**	**(2,371)**
Disposition of treasury stock	**–**	**–**	**–**	**–**	**–**	**13,420**
Other changes	**(39)**	**844**	**221**	**1,026**	**9**	**1,035**
Balance at March 31, 2018	**¥ 340**	**¥ (5,523)**	**¥ (1,144)**	**¥ (6,327)**	**¥ 9**	**¥ 169,005**

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Year ended March 31, 2018

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2017	$ 112,390	$ 793,675	$ 703,027	$(113,739)	$ 1,495,353
Cash dividends	–	–	**(25,340)**	–	**(25,340)**
Reversal of land revaluation difference	–	–	**(7,941)**	–	**(7,941)**
Profit attributable to owners of parent	–	–	**84,192**	–	**84,192**
Purchases of treasury stock	–	–	–	**(22,319)**	**(22,319)**
Disposition of treasury stock	–	**5,966**	–	**120,352**	**126,318**
Other changes	–	–	–	–	–
Balance at March 31, 2018	**$ 112,390**	**$ 799,641**	**$ 753,938**	**$ (15,706)**	**$ 1,650,263**

	Net unrealized gain on other securities	Land revaluation difference	Retirement benefit liability adjustments	Total accumulated other comprehensive loss	Non-controlling interests	Total net assets
Balance at April 1, 2017	$ 3,567	$ (59,928)	$ (12,853)	$ (69,214)	$ –	$ 1,426,139
Cash dividends	–	–	–	–	–	**(25,340)**
Reversal of land revaluation difference	–	–	–	–	–	**(7,941)**
Profit attributable to owners of parent	–	–	–	–	–	**84,192**
Purchases of treasury stock	–	–	–	–	–	**(22,319)**
Disposition of treasury stock	–	–	–	–	–	**126,318**
Other changes	**(371)**	**7,941**	**2,085**	**9,655**	**83**	**9,738**
Balance at March 31, 2018	**$ 3,196**	**$ (51,987)**	**$ (10,768)**	**$ (59,559)**	**$ 83**	**$ 1,590,787**

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year ended March 31, 2018

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2018	2017	**2018**
Cash flows from operating activities			
Profit before income taxes	**¥ 13,523**	¥ 11,017	**$ 127,285**
Adjustments for:			
Depreciation and amortization	**9,873**	9,193	**92,928**
Loss on impairment of property and equipment	**2,088**	3,612	**19,658**
Interest and dividend income	**(101)**	(113)	**(946)**
Interest expense	**449**	522	**4,227**
Increase (decrease) in provision for employees' bonuses	**164**	(81)	**1,543**
Increase (decrease) in provision for point service program	**890**	(376)	**8,378**
Decrease in liability for retirement benefits	**(731)**	(301)	**(6,884)**
Loss on sales or disposal of property and equipment	**641**	706	**6,030**
Changes in operating assets and liabilities:			
(Increase) decrease in notes and accounts receivable	**(685)**	1,060	**(6,449)**
Increase in inventories	**(4,960)**	(3,152)	**(46,691)**
Increase in notes and accounts payable	**3,396**	5,233	**31,969**
(Decrease) increase in advances received	**(263)**	484	**(2,472)**
Other, net	**1,716**	(618)	**16,151**
Subtotal	**26,000**	27,186	**244,727**
Interest and dividend income received	**41**	45	**384**
Interest paid	**(417)**	(473)	**(3,921)**
Income taxes refunded	**197**	218	**1,852**
Income taxes paid	**(4,267)**	(7,642)	**(40,165)**
Net cash provided by operating activities	**21,554**	19,334	**202,877**
Cash flows from investing activities			
Purchases of property and equipment	**(7,995)**	(12,068)	**(75,256)**
Proceeds from sales of property and equipment	**6,229**	1,509	**58,627**
Purchases of intangible assets	**(2,107)**	(2,505)	**(19,833)**
Payments of long-term prepaid expenses	**(193)**	(68)	**(1,815)**
Purchases of investment in securities	**(0)**	(0)	**(4)**
Proceeds from sales of investment in securities	**8**	198	**71**
Purchase of stock of subsidiaries resulting in change in scope of consolidation	**(2,078)**	–	**(19,563)**
Payments of guarantee deposits	**(207)**	(47)	**(1,951)**
Proceeds from collection of guarantee deposits	**(808)**	50	**(7,604)**
Other, net	**(1,793)**	(554)	**(16,862)**
Net cash used in investing activities	**¥ (8,944)**	¥ (13,485)	**$ (84,190)**

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year ended March 31, 2018

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2018	2017	**2018**
Cash flows from financing activities			
Increase in short-term debt, net	**¥ 4,060**	¥ –	**$ 38,215**
Proceeds from long-term loans	**9,000**	17,000	**84,714**
Repayments of long-term loans	**(22,408)**	(20,866)	**(210,915)**
Cash dividends paid	**(2,445)**	(2,265)	**(23,019)**
Purchases of treasury stock	**(2,371)**	(1,627)	**(22,319)**
Payments for acquisition of stock of subsidiaries not resulting in change in scope of consolidation	**–**	(31)	**–**
Other, net	**(145)**	(380)	**(1,360)**
Net cash used in financing activities	**(14,309)**	(8,169)	**(134,684)**
Effect of exchange rate changes on cash and cash equivalents	**0**	0	**0**
Net decrease in cash and cash equivalents	**(1,699)**	(2,320)	**(15,997)**
Cash and cash equivalents at the beginning of the year	**9,927**	12,247	**93,440**
Cash and cash equivalents at the end of the year *(Note 18)*	**¥ 8,228**	¥ 9,927	**$ 77,443**

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2018

1. Basis of Presentation of Consolidated Financial Statements

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

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

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2017, to the 2018 presentation. Such reclassifications had no effect on consolidated profit, net assets or net cash flow.

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥106.24 = U.S. $1.00, the approximate rate of exchange in effect on March 31, 2018. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all significant companies controlled directly or indirectly by the Company. The number of consolidated subsidiaries was 7 and 5 as of March 31, 2018 and 2017, respectively.

Forest Co., Ltd. was included in the scope of consolidation for the year ended March 31, 2018, as the Company acquired 100 percent stock (excluding treasury stock) on August 31, 2017.

In addition, e-Logi Corporation has been established as an 80 percent-owned subsidiary on March 1, 2018, as a result, it was included in the scope of consolidation for the year ended March 31, 2018.

Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis. The Company has applied the equity method to investments in three affiliates for the years ended March 31, 2018, and 2017.

2. Summary of Significant Accounting Policies (continued)

(a) Consolidation (continued)

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

The fiscal year end of consolidated subsidiaries is the same as that of the Company. From the current fiscal year, Forest Co., Ltd changed its fiscal year end from February year-end to March year-end, which is the same as that of the Company. As the Company acquired 100 percent stock (excluding treasury stock) of Forest Co., Ltd. on August 31, 2018, the current accounting period is seven-month period.

(b) Cash and cash equivalents

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

(c) Investment in securities

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

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

(d) Inventories

Inventories such as consumer electronics merchandise are stated principally at the lower of cost or net selling value, cost being determined by the moving average method. Supplies are stated at cost determined by the last purchase price method.

2. Summary of Significant Accounting Policies (continued)

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

Property and equipment are stated at cost. Depreciation is computed principally by the declining-balance method over the estimated useful lives of the respective assets, except for buildings (other than facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016, which are depreciated by the straight-line method. The range of estimated useful lives is principally from 2 to 60 years for buildings and structures, and from 2 to 20 years for tools, furniture and fixtures.

(f) Goodwill

Goodwill is amortized using the straight-line method over the respective determinable useful liver or a period of 5 year if useful lives are indeterminable.

(g) Leased assets

Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.
Finance lease transactions which do not transfer ownership to the lessee and commenced prior to April 1, 2008, were accounted for as operating leases.

(h) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at an amount calculated based on historical experience of bad debts on ordinary receivables, plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(i) Provision for employees' bonuses

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

(j) Liability for retirement benefits

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

Liability for retirement benefits is provided based on the amount of the projected benefit obligation after deducting the pension plan assets at fair value at the year-end. The retirement benefit obligation is attributed to each period by the benefit-formula basis over the estimated remaining years of service of the eligible employees.

2. Summary of Significant Accounting Policies (continued)

(j) Liability for retirement benefits (continued)

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

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

(k) Provision for point service program

Provision for point service program is provided at an estimate of the total cost expected to be incurred subsequent to the balance sheet date based on the historical data of utilization of points by customers.

(l) Provision for merchandise warranties

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

(m) Income taxes

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

(n) Derivatives and hedging activities

Derivatives positions are carried at fair value with any changes charged to profit, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred.

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

2. Summary of Significant Accounting Policies (continued)

(o) Per share information

Basic profit attributable to owners of parent per share is computed based on the profit attributable to shareholders of common stock and the weighted-average number of stock of common stock outstanding during the year. Diluted profit attributable to owners of parent per share assumes that outstanding convertible bonds were converted into common stock at the beginning of the period at the current conversion price, and stock acquisition rights were exercised into common stock at the time of issue at the average stock price. Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of such years.

The average number of stock of common stock used to compute basic profit attributable to owners of parent per share for the years ended March 31, 2018, and 2017 were 98,464 thousand and 98,611 thousand, respectively. The dilutive potential of stock of common stock for the year ended March 31, 2018, and 2017 were 25,945 thousand and 28,898 thousand, respectively.

Amounts per share of net assets are computed based on the number of stock of common stock outstanding at the year-end. Amounts per share of net assets at March 31, 2018 and 2017 were ¥1,535.84 ($14.46) and ¥1,558.86, respectively.

(p) Distribution of retained earnings

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

2. Summary of Significant Accounting Policies (continued)

(q) Standards Issued but Not Yet Effective

(a) Implementation Guidance on Tax Effect Accounting and Implementation Guidance on Recoverability of Deferred Tax Assets

(i) Overview

On February 16, 2018, the Accounting Standards Board of Japan (hereinafter referred to as the "ASBJ") issued "Revised Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No.28) and "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26). These revisions are arising from the timing of transferring "Practical Guidelines on Accounting Standards for Tax Effect Accounting" issued by the Japanese Institute of Certified Public Accountants to the ASBJ that made the following necessary revisions while adhering fundamentally to the framework outlined in the above practical guidelines.

(Major revised accounting treatments)

- Accounting treatment of taxable temporary differences related to investments in subsidiaries, etc. when an entity prepares separate financial statements
- Accounting treatment related to the recoverability of deferred tax assets in entities that qualify as (Category 1)

(ii) Scheduled date of adoption

The Company expects to adopt the revised implementation guidance from the beginning of the fiscal year ending March 31, 2019.

(iii) Impact of the adoption of implementation guidance

The Company is currently evaluating the effect of the adoption of the revised implementation guidance on its consolidated financial statements.

(b) Accounting Standard and Implementation Guidance for Revenue Recognition

(i) Overview

On March 30, 2018, the ASBJ issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30). The International Accounting Standards Board (hereinafter referred to as the "IASB") and the Financial Accounting Standards Board (hereinafter referred to as the "FASB") in the United States co-developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (issued as IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. The ASBJ developed comprehensive accounting standards on revenue recognition and issued

2. Summary of Significant Accounting Policies (continued)

(q) Standards Issued but Not Yet Effective (continued)

(b) Accounting Standard and Implementation Guidance for Revenue Recognition (continued)

them in conjunction with the implementation guidance based on the fact that IFRS 15 will be applied from fiscal years starting on or after January 1, 2018 and Topic 606 will be applied from fiscal years starting after December 15, 2017.

As the basic policy of the ASBJ in developing accounting standards for revenue recognition, the ASBJ defined the accounting standard starting with incorporating the basic principle of IFRS 15 from a standpoint of comparability between financial statements, which is one benefit of ensuring consistency with IFRS 15. Furthermore, the ASBJ added alternative accounting treatment without impairing comparability when there are matters to be considered related to common accounting practices in Japan, etc.

(ii) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(iii) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of the accounting standard and the implementation guidance on its consolidated financial statements.

(r) Additional information

(Change on retirement benefit plans)

On April 1, 2018, certain consolidated subsidiaries changed partial their lump-sum payment plans to defined contribution pension plans.

The total pension liabilities to be transferred subsequent to April 1, 2018 over four years to the defined contribution plan amounted to ¥351 million ($ 3,306 thousand), which has been included under "Notes and accounts payable (Other)" and "Other long-term liabilities".

3. Investment in Securities and Investment in Affiliates

(a) Information regarding investment in securities classified as other securities inclusive of marketable securities at March 31, 2018, and 2017 was summarized as follows:

	Millions of yen					
	2018			2017		
	Carrying value	**Acquisition costs**	**Unrealized gain (loss)**	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	**¥ 1,279**	**¥ 773**	**¥ 506**	**¥ 2,240**	**¥ 1,691**	**¥ 549**
Subtotal	**¥ 1,279**	**¥ 773**	**¥ 506**	**¥ 2,240**	**¥ 1,691**	**¥ 549**
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	**¥ 997**	**¥ 1,019**	**¥ (22)**	**¥ 92**	**¥ 101**	**¥ (9)**
Subtotal	**¥ 997**	**¥ 1,019**	**¥ (22)**	**¥ 92**	**¥ 101**	**¥ (9)**
Total (*a)	**¥ 2,276**	**¥ 1,792**	**¥ 484**	**¥ 2,332**	**¥ 1,792**	**¥ 540**

	Thousands of U.S. dollars		
	2018		
	Carrying value	**Acquisition costs**	**Unrealized gain (loss)**
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	**$ 12,033**	**$ 7,275**	**$ 4,758**
Subtotal	**$ 12,033**	**$ 7,275**	**$ 4,758**
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	**$ 9,387**	**$ 9,590**	**$ (203)**
Subtotal	**$ 9,387**	**$ 9,590**	**$ (203)**
Total (*a)	**$ 21,420**	**$ 16,865**	**$ 4,555**

Notes:

(*a) Because no quoted market price is available and it is extremely difficult to determine the fair value, unlisted equity securities are not included in the preceding table. The carrying values of such unlisted equity securities amounted to ¥47 million ($447 thousand) and ¥48 million as of March 31, 2018, and 2017, respectively.

3. Investment in securities and Investment in affiliates (continued)

(b) Proceeds from sales of and gross realized gain and loss on other securities for the fiscal years ended March 31, 2018, and 2017 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	**2018**
Proceeds from sales	**¥ 8**	¥ 198	**$ 71**
Gross realized gain	**–**	8	**–**
Gross realized loss	**–**	–	**–**

(c) Losses on devaluation of investment in securities of ¥0 million ($0 thousand) and ¥0 million were recognized in the consolidated statements of income for the fiscal years ended March 31, 2018, and 2017, respectively. Moreover, losses on devaluation of Investment in affiliates of nil and ¥38 million were recognized in the consolidated statements of income for the fiscal years ended March 31, 2018, and 2017, respectively.

4. Land revaluation difference

The Company revaluated land held for business use, in accordance with the “Law on Land Revaluation” at March 28 and March 31, 2002. Differences on land revaluation have been accounted for as “land revaluation difference” under net assets at the net amount of the relevant tax effect. The method followed in determining the land revaluations was in accordance with the “Enforcement Act Concerning Land Revaluation.” The carrying value of this land exceeded its fair value by ¥10,750 million ($101,189 thousand) and ¥11,237 million at March 31, 2018 and 2017, respectively, of which a certain portion of this land, in the amount of ¥2,183 million ($20,546 thousand) and ¥2,724 million, corresponded to real estate for lease at March 31, 2018, and 2017, respectively.

5. Asset Retirement Obligations

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

The amount of asset retirement obligations is calculated by the estimated useful life according to the terms of the agreement or mostly 15 years (in the case of agreements under the former Act on Land and Building Leases) using discount rates ranging from 0% to 2.75%.

Changes in asset retirement obligations during the years ended March 31, 2018, and 2017 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	**2018**
Balance at the beginning of the year	**¥ 7,342**	¥ 6,844	**$ 69,109**
Liabilities incurred due to the acquisition of property and equipment	**436**	556	**4,104**
Accretion expense	**87**	98	**816**
Liabilities settled	**(286)**	(156)	**(2,690)**
Balance at the end of the year	**¥ 7,579**	¥ 7,342	**$ 71,339**

6. Investment and Rental Property

The Company and certain consolidated subsidiaries own store properties including buildings and land for rent mainly in the main cities of Osaka, Aichi, and other prefectures. Net rental income for these properties was recognized in the amount of ¥395 million ($3,717 thousand) and ¥512 million for the years ended March 31, 2018, and 2017, respectively. Rental income was included in net sales, and rental expenses were mainly included in selling, general and administrative expenses. Impairment of rental property of ¥275 million ($2,588 thousand) and ¥13 million was recognized in loss on impairment of property and equipment for the years ended March 31, 2018, and 2017, respectively.

6. Investment and Rental Property (continued)

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

Millions of yen

2018			
Carrying Value			**Fair Value**
March 31, 2017	**Net change**	**March 31, 2018**	**March 31, 2018**
¥ 20,763	**¥ (4,374)**	**¥ 16,389**	**¥ 13,986**

Millions of yen

2017			
Carrying Value			Fair Value
March 31, 2016	Net change	March 31, 2017	March 31, 2017
¥ 22,601	¥ (1,838)	¥ 20,763	¥ 20,867

Thousands of U.S. dollars

2018			
Carrying Value			**Fair Value**
March 31, 2017	**Net change**	**March 31, 2018**	**March 31, 2018**
$ 195,438	**$ (41,173)**	**$ 154,265**	**$ 131,644**

Notes:
1. The carrying value represents the acquisition cost less accumulated depreciation and accumulated loss on impairment of property and equipment.

2. The main component of net change in the carrying value are the increases due to the reclassification from other properties related to the change in the holding purpose in the amount of ¥377 million ($3,548 thousand) and decreases due to sales of ¥4,102 million ($38,612 thousand) for the year ended March 31, 2018. The main component of net change in the carrying value are the increases due to acquisition of properties of ¥40 million and decreases due to sales of ¥1,322 million for the year ended March 31, 2017.

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

7. Short-Term Debt, Long-Term Debt, and Lease Obligations

Short-term debt at March 31, 2018, consisted of bank overdrafts. The annual average interest rate applicable to the Short-term debt was 0.22% at March 31, 2018. The Group had no outstanding Short-term debt at March 31, 2017.

Long-term debt at March 31, 2018, and 2017 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	**2018**
Zero coupon unsecured convertible bonds (with stock acquisition rights) due October 1, 2021	**¥ 1,580**	¥ 15,000	**$ 14,872**
Zero coupon unsecured convertible bonds (with stock acquisition rights) due June 19, 2025	**15,052**	15,060	**141,684**
Unsecured loans principally from banks and insurance companies with an average interest rate of 0.49%	**51,809**	65,017	**487,659**
Long-term loans with an interest rate of 2.05%	**967**	1,079	**9,100**
	69,408	96,156	**653,315**
Less: Current portion of long-term bank loans	**(17,056)**	(22,420)	**(160,546)**
	¥ 52,352	¥ 73,736	**$ 492,769**

Zero coupon unsecured convertible bonds (with stock acquisition rights) issued on October 3, 2014, are convertible at ¥888.8 ($8.37) per share in the period from October 17, 2014, to September 17, 2021 subject to adjustment in certain circumstances.
Zero coupon unsecured convertible bonds (with stock acquisition rights) issued on June 19, 2015, are convertible at ¥1,230.1 ($11.58) per share in the period from July 3, 2015, to June 5, 2025 subject to adjustment in certain circumstances.

The aggregate annual maturities of long-term debt subsequent to March 31, 2018, were summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2019	¥ 17,056	$ 160,546
2020	2,859	26,908
2021	2,861	26,931
2022	3,444	32,413
2023	9,867	92,874
2024 and thereafter	33,269	313,149
Total	¥ 69,356	$ 652,821

7. Short-Term Debt, Long-Term Debt and Lease Obligations (continued)

The average interest rates applicable to the lease obligations under current liabilities and long-term liabilities were 3.71% and 3.65% at March 31, 2018, and 2017, respectively.

The aggregate annual maturities of lease obligations subsequent to March 31, 2018 were summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2019	¥ 104	$ 977
2020	95	896
2021	98	922
2022	102	959
2023	106	997
2024 and thereafter	1,152	10,842
Total	¥ 1,657	$ 15,593

The assets pledged as collateral for notes and accounts payable-trade of ¥66 million ($618 thousand), long-term loans and the current portion of long-term loans of ¥967 million ($9,100 thousand) and guarantee deposits from lessees included in other (long-term liabilities) of ¥589 million ($5,544 thousand) was as follows:

	Millions of yen	*Thousands of U.S. dollars*
Merchandise and products	¥ 48	$ 454
Land	874	8,229
Buildings and structures – net of accumulated depreciation	1,680	15,815
Total	¥ 2,602	$ 24,498

In order to achieve more efficient and flexible financing, the Group has concluded bank overdraft agreements with 21 banks and line-of-credit agreements with 11 banks. Total committed lines of credit under such agreements amounted to ¥108,600 million ($1,022,214 thousand), of which ¥104,600 million ($984,563 thousand) was available as of March 31, 2018.

8. Retirement Benefit Plans

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

The changes in the retirement benefit obligation during the years ended March 31, 2018, and 2017 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	**2018**
Retirement benefit obligation at the beginning of the year	**¥ 16,028**	¥ 16,425	**$ 150,864**
Service cost	**514**	521	**4,836**
Interest cost	**31**	32	**290**
Actuarial gain	**(5)**	(53)	**(46)**
Decrease due to transfer to defined contribution pension plan	**(458)**	–	**(4,313)**
Retirement benefit paid	**(833)**	(897)	**(7,831)**
Retirement benefit obligation at the end of the year	**¥ 15,277**	¥ 16,028	**$ 143,800**

The changes in plan assets at fair value during the years ended March 31, 2018, and 2017 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	**2018**
Plan assets at fair value at the beginning of the year	**¥ 6,810**	**¥ 6,906**	**$ 64,102**
Expected return on plan assets	**191**	**242**	**1,795**
Actuarial loss	**(69)**	**(81)**	**(653)**
Contribution by the Company	**188**	**188**	**1,777**
Retirement benefit paid	**(329)**	**(445)**	**(3,099)**
Plan assets at fair value at the end of the year	**¥ 6,791**	**¥ 6,810**	**$ 63,922**

8. Retirement Benefit Plans (continued)

The balances of retirement benefit obligation and plan assets at fair value and liabilities recognized in the consolidated balance sheet at March 31, 2018, and 2017 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	**2018**
Funded retirement benefit obligation	**¥ 8,408**	**¥ 8,522**	**$ 79,144**
Plan assets at fair value	**(6,791)**	**(6,810)**	**(63,922)**
	1,617	**1,712**	**15,222**
Unfunded retirement benefit obligation	**6,869**	**7,506**	**64,656**
Net liability for retirement benefits in the balance sheet	**¥ 8,486**	**¥ 9,218**	**$ 79,878**

The components of retirement benefit expense for the years ended March 31, 2018, and 2017 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	**2018**
Service cost	**¥ 514**	¥ 521	**$ 4,836**
Interest cost	**31**	32	**290**
Expected return on plan assets	**(191)**	(242)	**(1,795)**
Amortization of actuarial loss	**566**	519	**5,329**
Amortization of prior service cost	**(330)**	(319)	**(3,107)**
Retirement benefit expense	**¥ 590**	¥ 511	**$ 5,553**
Loss resulting from transfer to defined contributio pension plan (Note 1)	**¥ 56**	¥ –	**$ 524**

(Note 1)
“Loss resulting from transfer to defined contribution pension plans” is included in “Other”.

8. Retirement Benefit Plans (continued)

The components of retirement benefit liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2018, and 2017 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	**2018**
Prior service cost	**¥ (212)**	**¥ (318)**	**$ (1,993)**
Actuarial loss	**546**	**490**	**5,139**
Total	**¥ 334**	**¥ 172**	**$ 3,146**

The amount of recycled prior service cost and actuarial loss, caused by transition from a particular portion of lump-sum payment plan to a defined contribution pension plan which occurred in the consolidated fiscal year, were ¥118 million ($1,114 thousands) and ¥ 44 million ($417 thousands), respectively. Those amounts are included in the table above.

The components of retirement benefit liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2018, and 2017 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	**2018**
Unrecognized prior service cost	**¥ 867**	¥ 1,079	**$ 8,164**
Unrecognized actuarial loss	**(2,533)**	(3,079)	**(23,845)**
Total	**¥ (1,666)**	¥ (2,000)	**$ (15,681)**

The components of plan assets, by major category, as a percentage of total plan assets as of March 31, 2018, and 2017 are as follows:

	2018	**2017**
Bonds	**23%**	**16%**
Stocks	**15**	**15**
General accounts	**59**	**60**
Other	**3**	**9**
Total	**100%**	**100%**

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future and long-term expected rate of return from multiple plan assets at present and in the future.

8. Retirement Benefit Plans (continued)

The assumptions used in accounting for the above plans were as follows:

	2018	2017
Discount rates	0.1%-0.2%	0.1%-0.2%
Expected rates of return on plan assets	1.4%	2.8%
Expected rates of salary increase	1.0%-2.6%	1.1%-2.8%

Note:

In addition to the above, the Company and certain consolidated subsidiaries charged contributions of ¥2,003 million ($18,856 thousand) and ¥1,958 million to the defined contribution pension plans to income during the years ended March 31, 2018, and 2017, respectively.

9. Income Taxes

Income taxes applicable to the Group comprise corporation tax, inhabitants' taxes and enterprise taxes which, in the aggregate, resulted in the statutory tax rates of 30.8% and 30.8% for the years ended March 31, 2018, and 2017, respectively.

The effective tax rates for the years ended March 31, 2018 and 2017 differed from the corresponding statutory tax rates for the following reasons:

	2018	2017
Statutory tax rates:	30.8%	30.8%
Expenses not deductible for income tax purposes	0.2	0.2
Inhabitants' per capita taxes	2.6	3.3
Change in valuation allowance	0.9	(50.6)
Effect of land revaluation difference	–	(0.6)
Tax credit	–	(1.0)
Other, net	(0.6)	(1.1)
Effective tax rates	33.9%	(19.0)%

9. Income Taxes (continued)

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities calculated for financial reporting purposes and the corresponding tax bases reported for income tax purposes. The significant components of the deferred tax assets and liabilities of the Group at March 31, 2018, and 2017 were summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	**2018**
Deferred tax assets:			
Depreciation	**¥ 1,955**	¥ 1,816	**$ 18,403**
Provision for employees' bonuses	**1,468**	1,423	**13,822**
Loss on impairment of property and equipment	**9,091**	9,234	**85,567**
Liability for retirement benefits	**2,107**	2,239	**19,832**
Provision for point service program	**2,928**	2,651	**27,560**
Provision for merchandise warranties	**2,668**	2,719	**25,117**
Unrealized loss on revaluation of land acquired by merger	**1,548**	1,548	**14,573**
Asset retirement obligations	**2,346**	2,274	**22,078**
Net operating tax loss carryforwards	**408**	335	**3,840**
Other	**5,887**	5,342	**55,413**
Less valuation allowance	**(6,513)**	(6,402)	**(61,306)**
Total deferred tax assets	**23,893**	23,179	**224,899**
Deferred tax liabilities:			
Asset retirement obligations	**(675)**	(672)	**(6,351)**
Unrealized holding gain on other securities	**(151)**	(164)	**(1,421)**
Other	**(690)**	(219)	**(6,504)**
Total deferred tax liabilities	**(1,516)**	(1,055)	**(14,276)**
Net deferred tax assets	**¥ 22,377**	¥ 22,124	**$ 210,623**

10. Financial Instruments

Overview

(a) Policy for financial instruments

The Group manages its funds by investing in short-term deposits and safe financial assets.
In consideration of plans for capital investment, the Group finances necessary funds mainly by bank borrowings, bond issuances, and other means. The Group utilizes derivatives to avoid the risk of fluctuation in market interest rates.

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

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

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

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

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

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

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

10. Financial Instruments (continued)

(c) Supplementary explanation of fair value of financial instruments

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

(d) Estimated fair value of financial instruments

Carrying value, estimated fair value and the difference between them of financial instruments on the consolidated balance sheet as of March 31, 2018 and 2017 were shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to (2) below).

	Millions of yen					
	2018			2017		
	Carrying value	**Estimated fair value**	**Difference**	**Carrying value**	**Estimated fair value**	**Difference**
Assets:						
Cash and cash equivalents	**¥ 8,228**	**¥ 8,228**	**¥ –**	¥ 9,927	¥ 9,927	¥ –
Notes and accounts receivable-trade	**34,530**	**34,530**	**–**	33,258	33,258	–
Investment in securities, inclusive marketable securities:						
Other securities	**2,276**	**2,276**	**–**	2,332	2,332	–
Total assets	**¥ 45,034**	**¥ 45,034**	**¥ –**	¥ 45,517	¥ 45,517	¥ –
Liabilities:						
Notes and accounts payable-trade	**¥ 47,130**	**¥ 47,130**	**¥ –**	¥ 44,803	¥ 44,803	¥ –
Short-term debt	**4,110**	**4,110**	**–**	–	–	–
Long-term debt:						
Long-term loans (*1)	**52,776**	**52,842**	**66**	66,096	66,211	115
Convertible bonds (with stock acquisition rights)	**16,632**	**18,743**	**2,111**	30,060	33,600	3,540
Lease obligations (*1)	**1,657**	**1,891**	**234**	1,776	2,071	295
Total liabilities	**¥122,305**	**¥ 124,716**	**¥ 2,411**	¥142,735	¥ 146,685	¥ 3,950

Notes:

(*1) Long-term loans and lease obligations include the current portion of long-term bank loans.

10. Financial Instruments (continued)

(d) Estimated fair value of financial instruments (continued)

	Thousands of U.S. dollars		
	2018		
	Carrying value	**Estimated fair value**	**Difference**
Assets:			
Cash and cash equivalents	**$ 77,443**	**$ 77,443**	**$ –**
Notes and accounts receivable-trade	**325,021**	**325,021**	**–**
Investment in securities, inclusive marketable securities:			
Other securities	**21,420**	**21,420**	**–**
Total assets	**$ 423,884**	**$ 423,884**	**$ –**
Liabilities:			
Notes and accounts payable-trade	**$ 443,620**	**$ 443,620**	**$ –**
Short-term debt	**38,686**	**38,686**	**–**
Long-term debt:			
Long-term loans (*1)	**496,759**	**497,382**	**623**
Convertible bonds (with stock acquisition rights)	**156,556**	**176,422**	**19,866**
Lease obligations (*1)	**15,593**	**17,795**	**2,202**
Total liabilities	**$ 1,151,214**	**$ 1,173,905**	**$ 22,691**

Notes:

(*1) Long-term loans and lease obligations include the current portion of long-term bank loans.

10. Financial Instruments (continued)

(d) Estimated fair value of financial instruments (continued)

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

Assets

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

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

Investment in securities:

The fair values of stocks are based on quoted market prices. Refer to Note 3. "Investment in securities and Investment in affiliates" for further information on securities by holding purpose.

Liabilities

Short-term debt and notes and accounts payable-trade:

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

Convertible bonds (with stock acquisition rights):

All bonds are valued at market price.

Long-term loans:

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

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

10. Financial Instruments (continued)

(d) Estimated fair value of financial instruments (continued)

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

Lease obligations:

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

Derivative transactions:

Refer to Note 11. "Derivatives."

(2) Financial instruments for which it is extremely difficult to determine the fair value at March 31, 2018 and 2017

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	**2018**
Unlisted stocks	**¥ 47**	¥ 48	**$ 447**
Investment in affiliates	**992**	975	**9,340**
Guarantee deposits	**26,012**	26,180	**244,839**

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

10. Financial Instruments (continued)

(d) Estimated fair value of financial instruments (continued)

(3) Redemption schedules for cash and cash equivalents, and notes and accounts receivable – trade with maturity dates at March 31, 2018 and 2017 were as follows:

	Millions of yen			
	2018			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	**¥ 3,566**	**¥ –**	**¥ –**	**¥ –**
Notes and accounts receivable-trade	**34,530**	**–**	**–**	**–**
	¥ 38,096	**¥ –**	**¥ –**	**¥ –**

	Millions of yen			
	2017			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	¥ 6,107	¥ –	¥ –	¥ –
Notes and accounts receivable-trade	33,258	–	–	–
	¥ 39,365	¥ –	¥ –	¥ –

	Thousands of U.S. dollars			
	2018			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	**$ 33,568**	**$ –**	**$ –**	**$ –**
Notes and accounts receivable-trade	**325,021**	**–**	**–**	**–**
	$ 358,589	**$ –**	**$ –**	**$ –**

Cash and cash equivalents in the table above do not include cash on hand of ¥4,662 million ($43,875 thousand) and ¥3,820 million at March 31, 2018 and 2017, respectively.

(4) Refer to Note 7. "Short-term debt, Long-Term Debt and Lease Obligations" for the redemption schedule for long-term debt.

11. Derivatives

Derivative transactions to which hedge accounting is applied

Interest rate-related transactions

			Millions of yen		
			2018		
Method of hedge accounting	Transaction	Hedged item	Notional amount	Notional amount maturing in more than one year	Fair value
Special treatment for interest rate swap	Interest rate swap Receive / floating and pay / fixed	Long-term loans	**¥ 21,000**	**¥ 6,000**	**(*)**

			Millions of yen		
			2017		
Method of hedge accounting	Transaction	Hedged item	Notional amount	Notional amount maturing in more than one year	Fair value
Special treatment for interest rate swap	Interest rate swap Receive / floating and pay / fixed	Long-term loans	¥ 40,600	¥ 21,000	(*)

			Thousands of U.S. dollars		
			2018		
Method of hedge accounting	Transaction	Hedged item	Notional amount	Notional amount maturing in more than one year	Fair value
Special treatment for interest rate swap	Interest rate swap Receive / floating and pay / fixed	Long-term loans	**$ 197,666**	**$ 56,476**	**(*)**

Notes:

(*) Because interest rate swap agreements are accounted for as if the contract rate applied to the swap agreement had originally applied to the underlying long-term loans, their fair values are included in those of the underlying long-term loans.

There are no derivative transactions to which hedge accounting is not applied for the years ended March 31, 2018 and 2017.

12. Contingent Liabilities

The Company was contingently liable for guarantees of bank borrowings made by an affiliate in the aggregate amount of ¥41 million ($382 thousand) at March 31, 2018.

13. Shareholders' Equity

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

The legal reserve of the Company was nil at March 31, 2018 and 2017.

Movements in common stock and treasury stock for the years ended March 31, 2018 and 2017 were summarized as follows:

		Number of stock			
		2018			
	Notes	April 1, 2017	Increase	Decrease	March 31, 2018
Common stock		**112,005,636**	**–**	**–**	**112,005,636**
Treasury stock	(a) and (b)	**14,810,857**	**2,258,689**	**15,099,041**	**1,970,505**

		Number of stock			
		2017			
	Notes	April 1, 2016	Increase	Decrease	March 31, 2017
Common stock		112,005,636	–	–	112,005,636
Treasury stock	(c) and (d)	13,275,997	1,535,094	234	14,810,857

(a) The increase in treasury stock of 2,258,689 common stock for the year ended March 31, 2018 was due to the purchase of 356,100 stock on the Tokyo Stock Exchange based on the resolution of the Board of Directors meeting held on March 8, 2017, the purchase of 1,901,200 stock on the Tokyo Stock Exchange based on the resolution of the Board of Directors meeting held on May 22, 2017, and the purchase of 1,389 fractional stock.

(b) The decrease in treasury stock of 15,099,041 common stock for the year ended March 31, 2018 was due to the exercise of stock acquisition rights of 15,099,000 common stock and the sales of 41 fractional stock.

(c) The increase in treasury stock of 1,535,094 common stock for the year ended March 31, 2017 was due to the purchase of 1,533,500 stock on the Tokyo Stock Exchange based on the resolution of the Board of Directors meeting held on March 8, 2017 and the purchase of 1,594 fractional stock.

(d) The decrease in treasury stock of 234 common stock for the year ended March 31, 2017 was due to the sales of fractional stock.

13. Shareholders' Equity (continued)

Movements in stock acquisition rights during the years ended March 31, 2018 and 2017 were summarized as follows:

	Thousands of stock			
	2018			
	April 1, 2017	Increase	Decrease	March 31, 2018
Stock acquisition rights attached to convertible bonds due October 1, 2021 *(Notes 1,2 and 3)*	**16,778**	**98**	**15,099**	**1,777**
Stock acquisition rights attached to convertible bonds due June 19, 2025 *(Notes 1 and 4)*	**12,124**	**70**	**–**	**12,194**
	28,902	**168**	**15,099**	**13,971**

	Thousands of stock			
	2017			
	April 1, 2016	Increase	Decrease	March 31, 2017
Stock acquisition rights attached to convertible bonds due October 1, 2021 *(Notes 1 and 2)*	**16,741**	**37**	**–**	**16,778**
Stock acquisition rights attached to convertible bonds due June 19, 2025 *(Notes 1 and 4)*	**12,096**	**28**	**–**	**12,124**
	28,837	**65**	**–**	**28,902**

Notes:
1. Stock acquisition rights attached to convertible bonds were not accounted for separately.
2. The increase in stock acquisition rights attached to convertible bonds due October 1, 2021 was due to the adjustment of the conversion price.
3. The decrease in stock acquisition rights attached to convertible bonds due October 1, 2021 was due to the exercise of stock acquisition rights.
4. The increase in stock acquisition rights attached to convertible bonds due June 19, 2025 was due to the adjustment of the conversion price.

14. Cost of Sales

Reversal gain on inventory valuation included in cost of sales for the years ended March 31, 2018 was ¥256 million ($2,405 thousand). Losses on inventory valuation included in cost of sales for the years ended March 31, 2017 was ¥424 million.

15. Loss on impairment of property and equipment

The Group recognized loss on impairment of property and equipment of ¥2,088 million ($19,658 thousand) and ¥3,612 million for the years ended March 31, 2018 and 2017, respectively, as follows:

March 31, 2018

Use	Classification	Location
Store	Buildings and structures, Tools, furniture and fixtures, Land, and other	Osaka Prefecture and other
Rental property	Land, Buildings and structures, and other	Oita Prefecture and other
Other	Lands	Okayama Prefecture and other

March 31, 2017

Use	Classification	Location
Store	Buildings and structures, Tools, furniture and fixtures, and other	Osaka Prefecture and other
Rental property	Land, Buildings and structures, and Tools, furniture and fixtures	Okayama Prefecture and other

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

Loss on impairment of property and equipment was written down for the years ended March 31, 2018 and 2017 as the assets and asset groups listed above whose operating income has been continuously negative to their respective recoverable amounts.

As a result, for the year ended March 31, 2018, the Group wrote down for the assets and asset groups listed above to their respective recoverable amounts and losses on impairment of store were recognized in the amount of ¥1,812 million ($17,057 thousand). In addition, losses on impairment of rental property was ¥271 million ($2,555 thousand) and losses on impairment of other was ¥5 million ($46thousand).

For the year ended March 31, 2017, the Group wrote down for the asset groups listed above to their respective recoverable amounts and losses on impairment of store was recognized in the amount of ¥3,599 million. In addition, losses on impairment of rental property was ¥13 million.

15. Loss on impairment of property and equipment (continued)

For the years ended March 31, 2018 and 2017, the principal components of loss on impairment by asset classification were buildings and structures of ¥1,504 million ($14,155 thousand) and ¥2,942 million, tools, furniture and fixtures of ¥258 million ($2,431 thousand) and ¥499 million, land of ¥302 million ($2,847 thousand) and ¥11 million, and other of ¥24 million ($225 thousand) and ¥160 million, respectively.

The recoverable amounts of asset groups are measured at the higher of their net selling value or value in use. The net selling value of significant asset groups is based on professional appraisals. Value in use is measured as the sum of anticipated future cash flows discounted by weighted average costs of capital of 4.03% and 3.72% for the years ended March 31, 2018 and 2017, respectively.

16. Other Comprehensive Income

Reclassification adjustments and tax effects for each component of other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	**2018**
Net unrealized gain on other securities:			
Amount arising during the year	**¥ (56)**	¥ 284	**$ (533)**
Reclassification adjustments	**0**	30	**0**
Before tax effect	**(56)**	314	**(533)**
Tax effect	**17**	(84)	**162**
Total	**(39)**	230	**(371)**
Retirement benefit liability adjustments:			
Amount arising during the year	**(64)**	(17)	**(607)**
Reclassification adjustments	**398**	190	**3,753**
Before tax effect	**334**	173	**3,146**
Tax effect	**(113)**	(59)	**(1,061)**
Total	**221**	114	**2,085**
Total other comprehensive income	**¥ 182**	¥ 344	**$ 1,714**

17. Leases

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

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

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2018 and 2017 which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen					
	2018			2017		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	**¥ 3,924**	**¥ 3,041**	**¥ 883**	¥ 3,924	¥ 2,845	¥ 1,079

	Thousands of U.S. dollars		
	2018		
	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	**$ 36,939**	**$ 28,627**	**$ 8,312**

17. Leases (continued)

Lease payments relating to finance leases accounted for as operating leases, the corresponding depreciation computed by the straight-line method for the respective lease periods assuming a nil residual value, interest expense computed by the interest method, and accounted for as operating leases for the years ended March 31, 2018 and 2017 were summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	**2018**
Lease payments	**¥ 216**	¥ 216	**$ 2,033**
Depreciation	**196**	196	**1,847**
Interest expense	**11**	13	**105**

Future minimum lease payments subsequent to March 31, 2018 for finance leases accounted for as operating leases were summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2018	¥ 207	$ 1,948
2019 and thereafter	777	7,314
Total	¥ 984	$ 9,262

Future minimum lease payments subsequent to March 31, 2018 for non-cancelable operating leases as a lessee were summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2018	¥ 3,491	$ 32,857
2019 and thereafter	28,339	266,749
Total	¥ 31,830	$ 299,606

Future minimum lease receipts subsequent to March 31, 2018 for non-cancelable operating leases as a lessor were summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2018	¥ 253	$ 2,384
2019 and thereafter	3,374	31,759
Total	¥ 3,627	$ 34,143

18. Supplementary Information on the Consolidated Statement of Cash Flows

Non cash financing activities related to asset retirement obligations and finance lease during the years ended March 31, 2018 and 2017 are summarize as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	**2018**
Increase in asset retirement obligations	**¥ 523**	¥ 654	**$ 4,920**
Capital lease obligations for new equipment	**¥ –**	¥ 892	**$ –**

Non cash financing activities related to the exercise of stock acquisition rights attached to convertible bonds during the years ended March 31, 2018 and 2017 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	**2018**
Gain on disposal of treasury stock due to an exercise of stock acquisition rights	**634**	–	**5,966**
Decrease of treasury stock due to an exercise of stock acquisition rights	**12,786**	–	**120,352**
Decrease of convertible bonds with stock acquisition rights due to an exercise of acquisition rights	**13,420**	–	**126,318**

Major components of assets and liabilities of a newly consolidated subsidiary due to acquisition of stocks during the year ended March 31, 2018:
The summary of assets acquired and liabilities assumed at the inception of consolidation of Forest Co., Ltd., a newly consolidated subsidiary through the acquisition of stocks, acquisition cost and net payment for acquisition of stocks is as follows:

	Thousands of U.S. dollars	
	2018	**2018**
Current assets	**¥ 2,772**	**$ 26,094**
Long-term assets	**396**	**3,732**
Customer-related intangible assets	**1,600**	**15,060**
Goodwill	**1,021**	**9,614**
Current liabilities	**(2,574)**	**(24,228)**
Long-term liabilities	**(203)**	**(1,925)**
Deferred tax liabilities	**(490)**	**(4,608)**
Acquisition cost of stock	**2,522**	**23,739**
Cash and cash equivalents of acquired companies	**(444)**	**(4,176)**
Net payment for acquisition of stocks	**¥ 2,078**	**$ 19,563**

19. Related Party Transactions

(a) Principal transactions between the Company and related parties during the years ended March 31, 2018 and 2017 were summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2018	**2017**	**2018**
SHOEI Co., Ltd.:			
Insurance expense	**¥ 38**	**¥ 118**	**$ 360**
Kazutoshi Tomonori:			
Advisory fee	**24**	**26**	**226**

The outstanding balance of prepaid expenses and accounts payable related to insurance expense outlined above regarding SHOEI Co., Ltd. ("SHOEI") amounted to ¥4 million ($39 thousand) and ¥4 million, and nil and ¥0 million at March 31, 2018 and 2017, respectively. There were no outstanding balances with Kazutoshi Tomonori at March 31, 2018 and 2017, respectively.

SHOEI is a majority owned company by a director and the director's relatives, located in Nisshin City, Aichi and it is engaged in the insurance agency business. The capital amount of SHOEI was ¥90 million ($847 thousand) and ¥90 million at March 31, 2018 and 2017, respectively. Kazutoshi Tomonori is an advisor of the Company at March 31, 2018 and 2017.

Insurance premiums are determined in the same manner as general insurance offered by insurance companies. Advisory fee is determined upon mutual consultation.

19. Related Party Transactions (continued)

(b) Principal transactions between the Company's subsidiaries and related parties during the years ended March 31, 2018 and 2017 were summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2018	**2017**	**2018**
SHOEI Co., Ltd.:			
Insurance expense	**¥ 1**	**¥ 3**	**$ 13**

The outstanding balance of prepaid expenses related to insurance expense outlined above regarding SHOEI amounted to ¥0 million ($1 thousand) and ¥0 million at March 31, 2018 and 2017, respectively.

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

20. Business Combinations

Business combination through an acquisition

1. Overview of business combination

    (1) Name, business, and size of an acquired entity
    Name: Forest Co., Ltd.
    Business: Mail order retailing of supplies for business use, office furniture, office automation equipment, etc.

    (2) Reasons for business combination
    The Company has been focusing on strengthening the home electrical appliance business, home improvement business, and ecommerce business to achieve its medium-term target it announced in November 2015 (net sales of 830,000 million yen, ordinary income of 24,000 million yen, profit attributable to EDION Corporation of 13,000 million yen, and ROE at average 7.0% in the fiscal year ending March 2019). It is currently striving to expand product lineups and to upgrade its delivery service to boost sales in the ecommerce business.
    The Company thinks that Forest's wide range of product lineups and its know-how concerning efficient operation of warehouses are indispensable to expand its e-commerce business.

20. Business Combinations (continued)

1. Overview of business combination (continued)
    (3) Dates of business combination

August 31, 2017

(4) Legal form of business combination
Acquisition of stocks for cash consideration

(5) Company name after business combination
Forest Co., Ltd.

(6) Ratio of voting rights acquired

Before business combination	:	0%
At the date of business combination	:	100%
After business combination	:	100%

(7) Major reason for determining the acquired company
Through the acquisition of stocks of Forest Co., Ltd. by cash.

2. Period for which the financial results of the acquired company included in the consolidated financial statements
September 1, 2017 to March 31, 2018

3. Acquisition cost and type of consideration paid for the acquired company

Consideration for acquisition	Cash and deposits	¥2,522 million ($23,739 thousand)
Acquisition cost		¥2,522 million ($23,739 thousand)

4. Details and amount of major acquisition-related costs

Fees of advisory services, etc.: ¥ 25 million ($ 233 thousand)

5. Amount of goodwill recognized arising from the acquisition, reason for recognition, and amortization method and period

(1) Amount of goodwill arising from the acquisition
¥1,021 million ($9,614 thousand)

(2) Reason for recognition
Goodwill was recognized because the acquisition cost at the acquisition date exceeded the fair value of the net assets acquired.

(3) Amortization method and period
Straight-line method over a period of 5 years

20. Business Combinations (continued)

6. The amounts and major breakdown of assets acquired and liabilities assumed on the acquisition date

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Current assets	¥ 2,772	$ 26,094
Long-term assets	396	3,732
Total assets	¥ 3,168	$ 29,826
Current liabilities	¥ 2,574	$ 24,228
Long-term liabilities	204	1,925
Total liabilities	¥ 2,778	$ 26,153

7. Approximate amount of impact on the consolidated statement of income for the year ended March 31, 2018 assuming the business combination was completed at the beginning of the fiscal year ended March 31, 2018, and the calculation method.

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Net sales	¥ 6,820	$ 64,190
Operating income	(68)	(638)
Profit before income taxes	(117)	(1,103)
Profit attributable to owners of parent	(114)	(1,069)

	Yen	U.S. dollars
Amounts per share:		
Profit attributable to owners of parent – Basic	¥ (1.15)	$ (0.01)

(Method of calculating the proforma information)
Impact amount is calculated at the difference between the amounts of net sales and profit and loss assuming that the business combination was completed at the beginning of the fiscal year ended March 31, 2018 and the amount of net sales and profits and loss on the consolidated statement of income.

In addition, amortization is calculated by assuming the goodwill and other intangible assets recognized upon the business combination were recognized at the beginning of the fiscal year ended March 31, 2018.

20. Business Combinations (continued)

The above information is not intended to suggest possible events in the future nor do it represent actual operating results had the business combination been completed at the beginning of the fiscal year.

This information is unaudited.

8. Amounts allocated to intangible assets, other than goodwill, breakdown by component and the weighted average amortization period by component

Customer-related intangible assets: ¥1,600 million ($15,060 thousand) (15 years)

21. Segment Information

Reportable segments of the Group are "Sales of home electric appliances" and "Others." As the "Others" segment is immaterial to the segment total, the disclosure of segment information for the years ended March 31, 2018 and 2017 has been omitted.

Loss on impairment of property and equipment for all segments was recorded in the amounts of ¥2,088 million ($19,658 thousand) and ¥3,612 million for the years ended March 31, 2018 and 2017, respectively.

Amortization of goodwill for all segments was recorded in the amounts of ¥102 million ($961 thousand) and nil for the years ended March 31, 2018 and 2017, respectively. Remaining balance of goodwill for all segments was recorded in the amounts of ¥919 million ($8,653 thousand) and nil as of March 31, 2018 and 2017, respectively.

As sales of products and services to external customers in a single segment account for more than 90% of net sales in the consolidated statement of income, the disclosure of the segment information by product and service for the years ended March 31, 2018 and 2017 has been omitted.

As there were no overseas sales of products and services to external customers, the disclosure of net sales by geographical region for the years ended March 31, 2018 and 2017 has been omitted.

As there was no property and equipment located overseas, the disclosure of property and equipment by geographical region as of March 31, 2018 and 2017 has been omitted.

As sales of products and services to specific customers account for less than 10% of net sales in the consolidated statement of income, the disclosure of information by major customers for the years ended March 31, 2018 and 2017 has been omitted.

22. Subsequent Events

Distribution of retained earnings of the Company

The following distribution of retained earnings at March 31, 2018 was approved at the Company's annual general meeting of shareholders held on June 28, 2018:

	Millions of yen	*Thousands of U.S. dollars*
Year-end cash dividends of ¥15.00 ($0.14) per share	¥ 1,651	$ 15,536