Consolidated Financial Statements

EDION Corporation
and Consolidated Subsidiaries

Year ended March 31, 2024
with Independent Auditor's Report

EDION Corporation and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended March 31, 2024

Contents

Independent Auditor’s Report

The Board of Directors
EDION Corporation

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of EDION Corporation and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2024, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters.

Recognition and measurement of impairment loss on property and equipment, net, related to stores operated by EDION Corporation (the Company) and 3Q Co., Ltd.	
Description of Key Audit Matter	**Auditor’s Response**
The Group’s business operations mainly involve the sales of home appliance products and others, where EDION Corporation and 3Q Co., Ltd. operate home electronics mass retailers over a wide area from Hokkaido to Okinawa. Demand in the home appliance market has been stable mainly supported by replacement demand, while the Group has taken various initiatives in order to respond to changes in business environment such as a	In considering the recognition and measurement of impairment loss on property and equipment related to stores, we mainly performed following audit procedures, among others: (1) Evaluation of IT general controls ・ We evaluated the design and effectiveness of IT general controls in order to assess the reliability of enterprise system and

decrease in the number of households and others and improve profitability and achieve sustainable growth. As described in the Note 2 “Summary of Significant Accounting Policies (m) Significant accounting estimates,” the Group recognized property and equipment related to stores with a carrying value of ¥163,525 million ($1,080,015 thousand) (*), which represent 37.9% of total assets, as of March 31, 2024. Furthermore, the Company recognized impairment loss of ¥2,564 million ($16,934 thousand) (*) on property and equipment due to a decline in profitability. The Group groups cash generating units based on stores in the sales department, and the Group determines whether or not recognition of impairment loss is necessary. When the Company determines that an asset or an asset group is impaired, the Company reduces the carrying amount to the recoverable amount and recognizes an impairment loss. The recoverable amount was the higher of net realizable value or value in use calculated as the present value of estimated future cash flows. In determining the recognition of impairment loss and calculation of value in use, the estimated future cash flows obtained from an asset group are determined based on the Company-wide business plan, budget by each asset group and store opening business plan for the year ending March 31, 2025 (hereinafter the “business plan, etc.”), and also the growth rates estimated based on the past results taking into consideration of the regional characteristics, the position of the commercial area, the external environment and the impact of sales support. As described in the Note 2 “Summary of Significant Accounting Policies (m) Significant accounting estimates,” significant assumptions used in estimating the future cash flows include sales growth rates. As mentioned above, the assumption corresponding to sales growth rates is affected by uncertainties such as regional characteristics, the position of the Group in commercial areas, the external environment and sales support, and requires management	accounting system that manage the underlying data of the figures by individual store used in documentation for determining indications of impairment. (2) Evaluation of reasonableness of estimation of future cash flows ・ We evaluated the consistency of the estimated future cash flows with the business plan, etc., approved by the Board of Directors and past performance. ・ We compared the Company’s estimation for prior years with actual results to evaluate the effectiveness of management’s estimation process for future cash flows. ・ We compared the cash flow projection period with the remaining economic lives of the major assets. ・ We assessed the sales growth rates used to calculate future cash flows through discussions with management, performed trend analysis based on past performance, and by reviewing available external data for specific asset groups to evaluate management’s assessment of future uncertainties. ・ We evaluated the consistency of the valuation methodologies of value in use with the accounting standards.

judgement, accordingly estimations of future cash flows are subject to material effects of uncertainty and subjectivity. Therefore, in view of the significance of the potential impact of the quantitative materiality of property and equipment in the consolidated financial statements, we have determined that this is a key audit matter. (*) The translation of Japanese yen amounts into U.S. dollar amounts has been made on the basis described in Note 1 to the consolidated financial statements.	

Other Information

Other information comprises the information included in disclosure documents that contain audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of EDION Corporation and its subsidiaries and other services provided by us for the year ended March 31, 2024 are 102 million yen and 3 million yen, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Osaka, Japan

August 8, 2024

Osamu Suwabe
Osamu Suwabe
Designated Engagement Partner
Certified Public Accountant

Naotaka Sasayama
Naotaka Sasayama
Designated Engagement Partner
Certified Public Accountant

EDION Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2024

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2024	2023	**2024**
Assets			
Current assets:			
Cash and cash equivalents *(Note 10)*	**¥ 12,012**	¥ 13,236	**$ 79,334**
Notes and accounts receivable:			
Notes receivable – trade *(Notes 10 and 17)*	**9**	34	**59**
Accounts receivable – trade *(Notes 10 and 17)*	**40,813**	37,962	**269,553**
Other	**14,015**	13,524	**92,563**
Allowance for doubtful receivables	**(166)**	(103)	**(1,096)**
	54,671	51,417	**361,079**
Inventories:			
Merchandise and products *(Note 7)*	**117,903**	116,061	**778,700**
Supplies	**433**	442	**2,860**
	118,336	116,503	**781,560**
Other	**4,747**	4,583	**31,353**
Total current assets	**189,766**	185,739	**1,253,326**
Property and equipment, at cost *(Notes 5 and 13)*:			
Land *(Notes 4, 6 and 7)*	**101,738**	57,090	**671,937**
Buildings and structures *(Notes 6 and 7)*	**182,552**	169,192	**1,205,680**
Tools, furniture, and fixtures	**37,232**	35,049	**245,902**
Leased assets *(Note 15)*	**7,197**	7,346	**47,533**
Construction in progress	**3,071**	1,313	**20,283**
Other	**1,881**	1,639	**12,423**
	333,671	271,629	**2,203,758**
Accumulated depreciation	**(155,847)**	(149,502)	**(1,029,305)**
Property and equipment, net	**177,824**	122,127	**1,174,453**
Investments and other assets:			
Investments in securities *(Notes 3 and 10)*	**4,925**	3,920	**32,528**
Investments in affiliates *(Notes 3 and 10)*	**0**	100	**0**
Goodwill *(Notes 13, 16 and 18)*	**1,846**	1,620	**12,192**
Guarantee deposits *(Note 10)*	**27,321**	27,049	**180,444**
Deferred tax assets *(Note 9)*	**18,236**	18,614	**120,441**
Other	**11,777**	10,196	**77,782**
Total investments and other assets	**64,105**	61,499	**423,387**
Total assets	**¥ 431,695**	¥ 369,365	**$ 2,851,166**

EDION Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet (continued)

March 31, 2024

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2024	2023	**2024**
Liabilities and net assets			
Current liabilities:			
Short-term loans payable *(Notes 7 and 10)*	**¥ 38,591**	¥ 60	**$ 254,877**
Current portion of long-term loans payable *(Notes 7 and 10)*	**10,114**	10,680	**66,799**
Notes and accounts payable:			
Trade *(Notes 7 and 10)*	**43,137**	42,765	**284,902**
Other	**13,304**	10,985	**87,867**
	56,441	53,750	**372,769**
Lease obligations *(Notes 7 and 10)*	**921**	914	**6,083**
Income taxes payable *(Note 9)*	**3,397**	4,527	**22,436**
Provision for bonuses	**5,656**	5,554	**37,356**
Contract liabilities *(Note 17)*	**30,644**	28,653	**202,391**
Other *(Note 7)*	**3,695**	3,704	**24,403**
Total current liabilities	**149,459**	107,842	**987,114**
Long-term liabilities:			
Long-term debt *(Notes 7 and 10)*	**37,770**	29,682	**249,455**
Liability for retirement benefits *(Note 8)*	**6,817**	7,284	**45,023**
Lease obligations *(Notes 7 and 10)*	**3,817**	4,683	**25,210**
Deferred tax liabilities *(Note 9)*	**243**	427	**1,605**
Deferred tax liabilities for land revaluation *(Notes 4 and 9)*	**1,585**	1,585	**10,468**
Asset retirement obligations *(Note 5)*	**11,628**	10,678	**76,798**
Other	**5,454**	5,527	**36,022**
Total long-term liabilities	**67,314**	59,866	**444,581**
Net assets			
Shareholders' equity *(Note 11)*:			
Capital stock	**11,940**	11,940	**78,859**
Capital surplus	**85,021**	84,969	**561,528**
Retained earnings	**129,363**	125,078	**854,389**
Treasury shares	**(7,657)**	(14,993)	**(50,571)**
Total shareholders' equity	**218,667**	206,994	**1,444,205**
Accumulated other comprehensive income (loss):			
Net unrealized gain on other securities	**828**	139	**5,469**
Revaluation reserve for land *(Note 4)*	**(4,447)**	(4,850)	**(29,371)**
Remeasurements of defined benefit plans *(Note 8)*	**(440)**	(626)	**(2,906)**
Total accumulated other comprehensive loss	**(4,059)**	(5,337)	**(26,808)**
Non-controlling interests	**314**	–	**2,074**
Total net assets	**214,922**	201,657	**1,419,471**
Total liabilities and net assets	**¥ 431,695**	¥ 369,365	**$ 2,851,166**

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Income

Year ended March 31, 2024

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2024	2023	**2024**
Net sales *(Note 17)*	**¥ 721,086**	¥ 720,584	**$ 4,762,473**
Cost of sales *(Note 12)*	**511,500**	509,707	**3,378,245**
Gross profit	**209,586**	210,877	**1,384,228**
Selling, general and administrative expenses *(Note 6)*	**192,656**	191,691	**1,272,412**
Operating income	**16,930**	19,186	**111,816**
Non-operating income (expenses):			
Interest and dividend income	**141**	122	**931**
Interest expense	**(264)**	(246)	**(1,744)**
Commission income	**449**	237	**2,966**
Gain on sales of investments in securities, net	**3**	32	**20**
Compensation for forced relocation	–	96	–
Settlement received	–	70	–
Equity in loss of affiliates	**(99)**	(262)	**(654)**
Contribution	**(600)**	(600)	**(3,963)**
Commission fee	**(117)**	(286)	**(773)**
Loss on sales and disposal of property and equipment, net	**(238)**	(28)	**(1,572)**
Impairment loss *(Notes 6, 13 and 18)*	**(2,811)**	(2,434)	**(18,565)**
Loss on cancellation of rental contracts	**(11)**	(60)	**(73)**
Gain on step acquisitions *(Note 20)*	**113**	–	**746**
Other	**794**	1,074	**5,245**
	(2,640)	(2,285)	**(17,436)**
Profit before income taxes	**14,290**	16,901	**94,380**
Income taxes *(Note 9)*:			
Current	**5,531**	5,534	**36,530**
Deferred	**(190)**	(26)	**(1,255)**
Total income taxes	**5,341**	5,508	**35,275**
Profit	**8,949**	11,393	**59,105**
Profit (loss) attributable to:			
Non-controlling interests	**(72)**	–	**(476)**
Owners of parent	**¥ 9,021**	¥ 11,393	**$ 59,581**

	Yen		*U.S. dollars*
Amounts per share:			
Profit attributable to owners of parent			
– Basic	**¥ 90.07**	¥ 112.36	**$ 0.59**
– Diluted	**81.35**	100.32	**0.54**
Cash dividends	**45**	44	**0.30**

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year ended March 31, 2024

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2024	2023	**2024**
Profit	**¥ 8,949**	¥ 11,393	**$ 59,105**
Other comprehensive income *(Note 14)*:			
Net unrealized gain on other securities	**689**	52	**4,551**
Remeasurements of defined benefit plans, net of tax	**186**	136	**1,228**
Other comprehensive income, net	**875**	188	**5,779**
Comprehensive income	**¥ 9,824**	¥ 11,581	**$ 64,884**
Comprehensive income (loss) attributable to:			
Owners of parent	**¥ 9,896**	¥ 11,581	**$ 65,360**
Non-controlling interests	**(72)**	–	**(476)**

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2024

	Millions of yen				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2022	¥ 11,940	¥ 84,948	¥ 118,175	¥ (10,069)	¥ 204,994
Cash dividends	–	–	(4,502)	–	(4,502)
Reversal of land revaluation difference	–	–	12	–	12
Profit attributable to owners of parent	–	–	11,393	–	11,393
Purchases of treasury shares	–	–	–	(5,001)	(5,001)
Disposition of treasury shares	–	21	–	77	98
Net changes of items other than shareholders' equity	–	–	–	–	–
Balance at April 1, 2023	**11,940**	**84,969**	**125,078**	**(14,993)**	**206,994**
Cash dividends	**–**	**–**	**(4,333)**	**–**	**(4,333)**
Reversal of land revaluation difference	**–**	**–**	**(403)**	**–**	**(403)**
Profit attributable to owners of parent	**–**	**–**	**9,021**	**–**	**9,021**
Purchases of treasury shares	**–**	**–**	**–**	**(1)**	**(1)**
Disposition of treasury shares	**–**	**52**	**–**	**7,337**	**7,389**
Net changes of items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**
Balance at March 31, 2024	**¥ 11,940**	**¥ 85,021**	**¥ 129,363**	**¥ (7,657)**	**¥ 218,667**

	Millions of yen					
	Net unrealized gain on other securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive loss	Non-controlling interests	Total net assets
Balance at April 1, 2022	¥ 87	¥ (4,838)	¥ (762)	¥ (5,513)	¥ –	¥ 199,481
Cash dividends	–	–	–	–	–	(4,502)
Reversal of land revaluation difference	–	–	–	–	–	12
Profit attributable to owners of parent	–	–	–	–	–	11,393
Purchases of treasury shares	–	–	–	–	–	(5,001)
Disposition of treasury shares	–	–	–	–	–	98
Net changes of items other than shareholders' equity	52	(12)	136	176	–	176
Balance at April 1, 2023	**139**	**(4,850)**	**(626)**	**(5,337)**	**–**	**201,657**
Cash dividends	**–**	**–**	**–**	**–**	**–**	**(4,333)**
Reversal of land revaluation difference	**–**	**–**	**–**	**–**	**–**	**(403)**
Profit attributable to owners of parent	**–**	**–**	**–**	**–**	**–**	**9,021**
Purchases of treasury shares	**–**	**–**	**–**	**–**	**–**	**(1)**
Disposition of treasury shares	**–**	**–**	**–**	**–**	**–**	**7,389**
Net changes of items other than shareholders' equity	**689**	**403**	**186**	**1,278**	**314**	**1,592**
Balance at March 31, 2024	**¥ 828**	**¥ (4,447)**	**¥ (440)**	**¥ (4,059)**	**¥ 314**	**¥ 214,922**

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Year ended March 31, 2024

	Thousands of U.S. dollars (Note 1)				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2023	**$ 78,859**	**$ 561,185**	**$ 826,088**	**$ (99,022)**	**$ 1,367,110**
Cash dividends	–	–	**(28,618)**	–	**(28,618)**
Reversal of land revaluation difference	–	–	**(2,662)**	–	**(2,662)**
Profit attributable to owners of parent	–	–	**59,581**	–	**59,581**
Purchases of treasury shares	–	–	–	**(7)**	**(7)**
Disposition of treasury shares	–	**343**	–	**48,458**	**48,801**
Net changes of items other than shareholders' equity	–	–	–	–	–
Balance at March 31, 2024	**$ 78,859**	**$ 561,528**	**$ 854,389**	**$ (50,571)**	**$ 1,444,205**

	Thousands of U.S. dollars (Note 1)					
	Net unrealized gain on other securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive loss	Non-controlling interests	Total net assets
Balance at April 1, 2023	**$ 918**	**$ (32,033)**	**$ (4,134)**	**$ (35,249)**	**$ –**	**$ 1,331,861**
Cash dividends	–	–	–	–	–	**(28,618)**
Reversal of land revaluation difference	–	–	–	–	–	**(2,662)**
Profit attributable to owners of parent	–	–	–	–	–	**59,581**
Purchases of treasury shares	–	–	–	–	–	**(7)**
Disposition of treasury shares	–	–	–	–	–	**48,801**
Net changes of items other than shareholders' equity	**4,551**	**2,662**	**1,228**	**8,441**	**2,074**	**10,515**
Balance at March 31, 2024	**$ 5,469**	**$ (29,371)**	**$ (2,906)**	**$ (26,808)**	**$ 2,074**	**$ 1,419,471**

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year ended March 31, 2024

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2024	2023	**2024**
Cash flows from operating activities			
Profit before income taxes	**¥ 14,290**	¥16,901	**$ 94,380**
Adjustments for:			
Depreciation and amortization	**10,613**	10,580	**70,094**
Impairment loss	**2,811**	2,434	**18,565**
Interest and dividend income	**(141)**	(122)	**(931)**
Interest expense	**264**	246	**1,744**
Increase (decrease) in provision for bonuses	**92**	(34)	**608**
Decrease in liability for retirement benefits	**(466)**	(166)	**(3,078)**
Loss on sales or disposal of property and equipment, net	**238**	28	**1,572**
Changes in operating assets and liabilities:			
Increase in notes and accounts receivable	**(2,851)**	(1,800)	**(18,830)**
Increase in inventories	**(1,761)**	(10,123)	**(11,631)**
Increase (decrease) in notes and accounts payable	**2,144**	(6,184)	**14,160**
Increase (decrease) increase in contract liabilities	**1,400**	(746)	**9,246**
Other, net	**649**	2,196	**4,287**
Subtotal	**27,282**	13,210	**180,186**
Interest and dividend income received	**101**	83	**667**
Interest expenses paid	**(252)**	(233)	**(1,664)**
Subsidy income	**49**	50	**324**
Income taxes refunded	**190**	2,070	**1,255**
Income taxes paid	**(6,808)**	(2,441)	**(44,964)**
Contribution paid	**(600)**	(600)	**(3,963)**
Net cash provided by operating activities	**19,962**	12,139	**131,841**
Cash flows from investing activities			
Purchases of property and equipment	**(66,435)**	(5,418)	**(438,776)**
Proceeds from sales of property and equipment	**863**	953	**5,700**
Purchases of intangible assets	**(2,982)**	(2,252)	**(19,695)**
Payments of long-term prepaid expenses	**(154)**	(55)	**(1,017)**
Purchases of investments in securities	**(0)**	(750)	**(0)**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**(10)**	–	**(66)**
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	**759**	–	**5,013**
Proceeds from sales of investments in securities	**15**	197	**99**
Payments for leasehold deposits	**(1,692)**	(1,071)	**(11,175)**
Proceeds from leasehold deposits	**1,285**	266	**8,487**
Proceeds of guarantee deposits received, net	**46**	160	**304**
Other, net	**(413)**	(366)	**(2,728)**
Net cash used in investing activities	**¥ (68,718)**	¥ (8,336)	**$ (453,854)**

EDION Corporation and Consolidated Subsidiaries

Consolidated Statements of Cash Flows (continued)

March 31, 2024

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2024	2023	**2024**
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	**¥ 38,340**	¥ (100)	**$ 253,220**
Proceeds from long-term loans payable	**25,200**	–	**166,436**
Repayments of long-term loans payable	**(10,974)**	(10,423)	**(72,479)**
Cash dividends paid	**(3,954)**	(4,121)	**(26,115)**
Purchase of treasury shares	**(1)**	(5,001)	**(7)**
Other, net	**(1,079)**	(807)	**(7,126)**
Net cash provided by (used in) financing activities	**47,532**	(20,452)	**313,929**
Effect of exchange rate changes on cash and cash equivalents	**0**	0	**0**
Net decrease in cash and cash equivalents	**(1,224)**	(16,649)	**(8,084)**
Cash and cash equivalents at the beginning of the year	**13,236**	29,885	**87,418**
Cash and cash equivalents at the end of the year (*Note 16*)	**¥ 12,012**	¥ 13,236	**$ 79,334**

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2024

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 ("IFRS"), 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, 2023, to the 2024 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 ¥151.41 = U.S. $1.00, the approximate rate of exchange in effect on March 31, 2024. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all significant companies controlled directly or indirectly by the Company. The numbers of consolidated subsidiaries are 13 and 12 as of March 31, 2024, and 2023, respectively.

On October 1, 2023, an absorption-type merger was conducted with Jtop Co., Ltd., a consolidated subsidiary of the Company, as the surviving company, and e-Logi Co., Ltd., a former consolidated subsidiary of the Company, as the absorbed company. As a result, e-Logi Co., Ltd. has been excluded from the scope of consolidation.

2. Summary of Significant Accounting Policies (continued)

(a) Consolidation (continued)

For the fiscal year ended March 31, 2024, Sanfrecce Hiroshima FC Co., Ltd. which had been an affiliate of the Company accounted for using the equity method, became a subsidiary following the subscription for a third-party allotment of shares issued by Sanfrecce Hiroshima FC Co., Ltd. and is included in the scope of consolidation.

Azabu Co., Ltd., is newly included in the scope of consolidation from the year ended March 31, 2024 as the Company acquired 100% ownership of shares of Azabu Co., Ltd., on March 1, 2024.

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 investment in Sanfrecce Hiroshima FC Co., Ltd. for the year ended March 31, 2023. For the year ended March 31, 2024, Sanfrecce Hiroshima FC Co., Ltd. has been excluded from the scope of the equity method.

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

Differences between the acquisition costs and the underlying net equities in investments in consolidated subsidiaries are recorded as goodwill in the consolidated balance sheets and amortized using the straight-line method over their estimated useful lives or a period of five years.

For Sanfrecce Hiroshima FC Co., Ltd. whose fiscal year end is January 31, the Company uses its financial statements as of its fiscal year end. For material transactions during the period from February 1 to March 31, the consolidated balance sheet date, necessary adjustments have been recorded.

(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.

2. Summary of Significant Accounting Policies (continued)

(c) Investments in securities

Investments in securities have been classified into one category as other securities. Quoted 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 or loss, and cost of securities sold is determined by the moving average method. Unquoted securities classified as other securities are carried at cost determined principally by the moving average method.

(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.

(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) Intangible assets (other than leased assets)

Intangible assets are amortized by the straight-line method. Expenditures related to computer software developed for internal use are charged to income when incurred, except if they are deemed to contribute to the generation of income or to future cost savings. Such expenditures are capitalized as intangible assets and amortized over an estimated useful life of 5 years.

(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.

2. Summary of Significant Accounting Policies (continued)

(h) Allowance for doubtful receivables

Allowance for doubtful receivables 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 bonuses

Provision for bonuses is provided to allocate to the current fiscal year among the estimated amounts of bonuses to be paid to the employees in the following 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.

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.

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.

Some consolidated subsidiaries apply the simplified method to calculate retirement benefit liabilities and retirement benefit expenses, where the net defined liability is based on the amount which would be payable at year end if all eligible employees terminated their service voluntarily.

2. Summary of Significant Accounting Policies (continued)

(k) Significant revenue and expenses

The Group has recognized revenue in the amount expected to be received in exchange for applicable goods or services when control of the promised good or service is transferred to the customer.

For (1) loyalty reward point program and (2) repair warranty service, a description of performance obligations and the normal point in time of satisfaction of performance obligations (the normal point in time of revenue recognition) are as below.

For the sale of goods in which the Group acts as an agent, such as the consignment buying and the supply of goods to some franchisees, the net amount of consideration received in exchange for the goods supplied by another party, after deducting the amount paid to that party, is recognized as revenue.

i. Revenue recognition for loyalty reward point program

The Group has introduced its own loyalty reward point program and grants points to the customers who join the membership system based on the purchases such as household appliance products. The performance obligations related to the points granted to the customers are deemed to be satisfied when the points are used and corresponding revenue is recognized at the time.

ii. Revenue recognition for the repair warranty service

The Group guarantees repair warranty service to customers who join the membership system when the Group sells household appliance products. The performance obligation related to the repair warranty service is considered to be satisfied over time, and accordingly, corresponding revenue is recognized by allocating the transaction price equally over the contract period of the repair warranty service.

(l) Significant hedge accounting method

Deferred hedge accounting has been applied.

In addition, exceptional treatment is applied when interest rate swaps meet the conditions for exceptional treatment.

2. Summary of Significant Accounting Policies (continued)

(m) Significant accounting estimates

Recognition and measurement of impairment loss on property and equipment

(1) The amounts recorded in the consolidated financial statements for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Impairment loss	**¥ 2,811**	¥ 2,005	**$ 18,565**
of which, the asset group related to stores	**2,564**	2,005	**16,934**
Property and equipment	**177,824**	122,127	**1,174,453**
of which, the asset group related to stores	**163,525**	108,544	**1,080,015**

(2) Information on significant accounting estimates regarding the identified items

i. Calculation method

The Group groups its property and equipment by sales department based on a store as a basis of unit, and the Group also groups rental property and idle assets which are not currently utilized for its operations individually in measuring impairment loss.

As a result of the measurement, if the operating results of the asset group are expected to continue to be negative, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized.

The recoverable amount of the asset group is the higher of either the realizable value or value in use.

The value in use is the present value of estimated future cash flows which are calculated based on the business plan approved by the Board of Directors and sales growth rates for the periods subsequent to the period covered by the business plan that are calculated based on actual results in the past. The discount rate is calculated based on the weighted average cost of capital. The business plans consist of a company-wide business plan for the year ending March 31, 2025, a budget for each asset group for the year ending March 31, 2025, and store opening plans for new stores covering about 10 years ahead.

2. Summary of Significant Accounting Policies (continued)

(m) Significant accounting estimates (continued)

Recognition and measurement of impairment loss on property and equipment (continued)

(2) Information on significant accounting estimates regarding the identified items (continued)

ii. Significant assumptions

The significant assumptions used in the calculation of future cash flows are the sales growth rates.

The sales growth rates for the periods subsequent to the period covered by the business plan are calculated according to the past results taking into consideration of the regional characteristics, the Group's position of the commercial area considering the history of sales activities, changes in the external environment such as regional development and the impact of sales support.

iii. Impact on the consolidated financial statements for the following year

The sales growth rates used as a significant assumption involve uncertainties and are expected to fluctuate.

If there is a change in the operating environment of each asset group, there is a possibility that an impairment loss will be recorded due to changes in the originally expected future cash flows or recoverable amount.

2. Summary of Significant Accounting Policies (continued)

(m) Significant accounting estimates (continued)

Recognition and measurement of impairment loss on goodwill and other intangible assets

(1) The amounts recorded in the consolidated financial statements for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Impairment loss	**¥ –**	¥ 429	**$ –**
Goodwill (*1)	**1,846**	1,620	**12,192**
Other intangible assets (*2)	**1,158**	1,422	**7,648**

(*1) The main components of the corresponding goodwill for the year ended March 31, 2024 are as follows:

Jtop Co., Ltd.	¥167 million ($1,103 thousand)
Yumemiru Co., Ltd.	¥128 million ($845 thousand)
Hampstead Co., Ltd. (*a)	¥999 million ($6,598 thousand)
Sanfrecce Hiroshima FC Co., Ltd. (*b)	¥344 million ($2,272 thousand)

(*a) Hampstead Co., Ltd. was renamed EDION Cross Ventures Co., Ltd.
(*b) Related to the acquisition of shares through a capital increase.

(*2) The main components of the corresponding other intangible assets are as follows:

Customer-related assets	
Forest Co., Ltd.	¥907 million ($5,990 thousand)
Jtop Co., Ltd.	¥49 million ($324 thousand)
Technology-related assets	
Hampstead Co., Ltd. (*a)	¥202 million ($1,334 thousand)

(*a) Hampstead Co., Ltd. was renamed EDION Cross Ventures Co., Ltd.

The amounts of customer-related assets and technology-related assets are included in “Other” under “Investments and other assets” in the consolidated balance sheet as of March 31, 2024.

2. Summary of Significant Accounting Policies (continued)

(m) Significant accounting estimates (continued)

Recognition and measurement of impairment loss on goodwill and other intangible assets (continued)

(2) Information on significant accounting estimates regarding the identified items

i. Calculation method

The Group groups intangible assets such as goodwill, customer-related assets and technology-related assets based on consolidated subsidiaries or a business function when the Group measures impairment loss.

As a result of the measurement, if the operating results generated by the asset group are expected to continue to be negative, the carrying amount is reduced to the recoverable amount and the Group recognizes impairment loss.

The recoverable amount is the present value of estimated future cashflows, which is calculated based on the business plans approved by the Board of Directors and the sales growth rates for the periods subsequent to the period covered by the business plan calculated based on actual results in the past. The discount rate is calculated based on the weighted average cost of capital.

The business plan approved by the Board of Directors is the business plan of each subsidiary for the fiscal year ending March 31, 2025.

ii. Significant assumptions

The significant assumptions used in the calculation of future cash flows are the sales growth rates, which are the basis of the business plans approved by the Board of Directors, the sales growth rates for the periods beyond the business plan.

iii. Impact on the consolidated financial statements for the following year

The sales growth rates used as a significant assumption involve uncertainties, if there are changes in the business environment of the relevant consolidated subsidiaries or businesses, the originally expected future cash flows or recoverable amount may fluctuate, which may result in the recording of an impairment loss.

2. Summary of Significant Accounting Policies (continued)

(n) Changes in accounting policies

Not applicable

(o) Accounting standards issued but not yet effective

“Accounting Standard for Current Income Taxes” (ASBJ Statement No.27, October 28, 2022)

“Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No.25, October 28, 2022)

“Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No.28, October 28, 2022)

(1) Overview

In February 2018, ASBJ Statement No. 28, “Partial Revisions to ‘Accounting Standard for Tax Effect Accounting’” (hereinafter the “Standard”) was announced, and the Practical Guidance on Accounting Standard for Tax Effect Accounting was issued to complete the transfer from the Japanese Institute of Certified Public Accountants to ASBJ. In the process of deliberations, the following two issues, which were to be re-examined after the publication of the Standard, were examined and announced.

- Classification of tax expense (taxation on other comprehensive income)
- Tax effect on sale of subsidiary shares, etc. (subsidiary or affiliated company shares) when group taxation rules are applied.

(2) Scheduled date of adoption

The Group adopt the accounting standards and related implementation guidance from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of adoption of revised accounting standards and related implementation guidance

The Group is currently evaluating the effect of the adoption of accounting standards and related implementation guidance on its consolidated financial statements.

3. Investments in Securities and Investments in Affiliates

1. Information regarding investments in securities classified as other securities as of March 31, 2024, and 2023 was summarized as follows:

	Millions of yen					
	2024			2023		
	Carrying value	**Acquisition costs**	**Unrealized gain (loss)**	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	**¥ 2,706**	**¥ 1,533**	**¥ 1,173**	¥ 998	¥ 614	¥ 384
Subtotal	**2,706**	**1,533**	**1,173**	998	614	384
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	**28**	**35**	**(7)**	731	944	(213)
Subtotal	**28**	**35**	**(7)**	731	944	(213)
Total (*a)	**¥ 2,734**	**¥ 1,568**	**¥ 1,166**	¥ 1,729	¥ 1,558	¥ 171

	Thousands of U.S. dollars		
	2024		
	Carrying value	**Acquisition costs**	**Unrealized gain (loss)**
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	**$ 17,872**	**$ 10,125**	**$ 7,747**
Subtotal	**17,872**	**10,125**	**7,747**
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	**185**	**231**	**(46)**
Subtotal	**185**	**231**	**(46)**
Total (*a)	**$ 18,057**	**$ 10,356**	**$ 7,701**

Notes:

(*a) Since no quoted market price is available, unlisted equity securities are not included in the table above. The carrying values of such unlisted equity securities amounted to ¥2,191 million ($14,471 thousand) and ¥2,191 million as of March 31, 2024, and 2023, respectively.

3. Investments in Securities and Investments in Affiliates (continued)

2. Proceeds from sales and gross realized gain or loss on other securities for the fiscal years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		*Thousands of U.S dollars*
	2024	2023	**2024**
Proceeds from sales	**¥ 15**	¥ 197	**$ 99**
Gross realized gain	**3**	31	**20**

Impairment loss on securities is recognized in cases where the fair value of a security declines by more than 50% of carrying value, and also, necessary amount of impairment loss is recognized by considering materiality of amount and recoverability in cases where the fair value declines by 30% to 50%.

4. Revaluation Reserve for Land

The Company revaluated land held for business use, in accordance with the “Law on Land Revaluation” as of March 28 and March 31, 2002. Differences on land revaluation have been accounted for as “Revaluation reserve for land” under net assets at the net amount of the relevant tax effect. The method followed in determining the land revaluations was based on reasonable adjustments to property tax evaluation amount in accordance with the “Enforcement Act Concerning Land Revaluation.” The carrying value of this land exceeded its fair value by ¥4,314 million ($28,492 thousand) and ¥4,584 million as of March 31, 2024 and 2023, respectively, of which a certain portion of this land, in the amount of ¥1,241 million ($8,196 thousand) and ¥1,477 million, are corresponded to real estate for lease as of March 31, 2024, and 2023, 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 2.8%.

Changes in asset retirement obligations during the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Balance at the beginning of the year	**¥ 10,678**	¥ 10,085	**$ 70,524**
Liabilities incurred due to the acquisition of property and equipment	**1,389**	553	**9,174**
Liabilities incurred due to change in estimate	**52**	–	**343**
Accretion expense	**87**	81	**575**
Liabilities settled	**(578)**	(41)	**(3,818)**
Balance at the end of the year	**¥ 11,628**	¥ 10,678	**$ 76,798**

For the year ended March 31, 2024, with regard to the asset retirement obligations recorded as restoration obligations in connection with the real estate lease contracts, the Group changed its estimate of the restoration costs in accordance with new information available on restoration costs required when stores are vacated.

The increase of ¥52 million ($343 thousand) due to this change in estimate was added to the balance of asset retirement obligations before the change.

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 ¥290 million ($1,915 thousand) and ¥305 million for the years ended March 31, 2024, and 2023, respectively. Rental income was included in net sales, and rental expenses were mainly included in selling, general and administrative expenses. Impairment loss on rental property was recognized in the amount of ¥247 million ($1,631 thousand) and nil for the years ended March 31, 2024, and 2023, 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			
2024			
Carrying Value			**Fair Value**
March 31, 2023	**Net change**	**March 31, 2024**	**March 31, 2024**
¥ 10,389	**¥ (1,163)**	**¥ 9,226**	**¥ 8,563**

Millions of yen			
2023			
Carrying Value			Fair Value
March 31, 2022	Net change	March 31, 2023	March 31, 2023
¥ 10,735	¥ (346)	¥ 10,389	¥ 9,310

Thousands of U.S. dollars			
2024			
Carrying Value			**Fair Value**
March 31, 2023	**Net change**	**March 31, 2024**	**March 31, 2024**
$ 68,615	**$ (7,681)**	**$ 60,934**	**$ 56,555**

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

2. The main component of net change in the carrying value are the increases due to transfer of properties of ¥17 million ($112 thousand) and decreases due to sales of ¥778 million ($5,138 thousand) for the year ended March 31, 2024. The main component of net change in the carrying value are the increases due to acquisition of properties of ¥366 million and decreases due to sales of ¥574 million for the year ended March 31, 2023.

3. The fair value at the end of the fiscal year was determined mainly based on the values that were internally calculated in accordance with real estate appraisal standards including those adjusted by an index and others.

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

Short-term loans payable as of March 31, 2024 consisted of bank overdrafts. The annual average interest rates applicable to the short-term loans payable were 0.35% and 0.20% for the years ended March 31, 2024 and 2023, respectively.

Long-term debt as of March 31, 2024 and 2023 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Unsecured convertible bonds (with stock acquisition rights) due June 19, 2025	**¥ 6,527**	¥ 13,824	**$ 43,108**
Unsecured loans principally from banks and insurance companies	**41,115**	26,169	**271,547**
Long-term loans	**242**	369	**1,599**
	47,884	40,362	**316,254**
Less: Current portion of long-term loans payable	**(10,114)**	(10,680)	**(66,799)**
	¥ 37,770	¥ 29,682	**$ 249,455**

Zero coupon unsecured convertible bonds (with stock acquisition rights) issued on June 19, 2015 are convertible at ¥1,109.4 ($7.33) 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 loans payables subsequent to March 31, 2024 were summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2025	¥ 10,114	$ 66,799
2026	2,692	17,779
2027	8,625	56,965
2028	2,176	14,372
2029	11,017	72,762
2030 and thereafter	6,733	44,469
Total	¥ 41,357	$ 273,146

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

The aggregate annual maturities of lease obligations subsequent to March 31, 2024 were summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2025	¥ 921	$ 6,083
2026	907	5,990
2027	824	5,442
2028	793	5,238
2029	553	3,653
2030 and thereafter	740	4,887
Total	¥ 4,738	$ 31,293

The assets pledged as collateral for notes and accounts payable-trade of ¥42 million ($277 thousand), short-term loans of ¥28 million ($185 thousand), long-term loans and the current portion of long-term loans of ¥242 million ($1,598 thousand) and guarantee deposits from lessees included in other (long-term liabilities) of ¥362 million ($2,391 thousand) were as follows:

	Millions of yen	*Thousands of U.S. dollars*
Merchandise and products	¥ 43	$ 284
Buildings and structures – net of accumulated depreciation	644	4,253
Land	278	1,836
Total	¥ 965	$ 6,373

In order to achieve more efficient and flexible financing for working capital, the Group has entered into bank overdraft agreements with 21 banks and line-of-credit agreements with 10 banks. The unexecuted loan balances under such agreements as of March 31, 2024 and 2023, are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Overdraft limits and total loan commitments	**¥ 150,600**	¥ 111,600	**$ 994,650**
Loan execution balance	**(38,500)**	–	**(254,276)**
Unexecuted loan balances	**¥ 112,100**	¥ 111,600	**$ 740,374**

8. Retirement Benefit Plans

1. Outline of retirement benefits for employees

The Company and consolidated subsidiaries have defined benefit pension plans (contract type defined benefit corporate pension system, fund type defined benefit corporate pension system and lump-sum retirement allowance system) and defined contribution pension plans to provide for employee retirement benefits. In addition, an extra retirement allowance may be paid when an employee retires.

In addition, certain consolidated subsidiaries apply the simplified method to calculated retirement benefit liabilities and retirement benefit expenses, where the amount required to be paid, as if all eligible employees voluntarily terminated their employment at the end of the fiscal year, were recorded as the retirement benefit obligation.

Moreover, the Company's fixed-term employees (contract employees, temporary employees and part-time employees, etc.) and the certain consolidated subsidiary have participated in the multi-employer pension plan as a funded retirement benefit plan. When the pension assets held by the multi-employer pension plan corresponding to the Company's and the certain consolidated subsidiary's contribution cannot be reasonably determined, the accounting treatment applied is the same as that for a defined contribution plan.

2. Defined benefit plan (excluding simplified method)

(1) The changes in the retirement benefit obligation during the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Retirement benefit obligation at the beginning of the year	**¥ 13,193**	¥ 13,699	**$ 87,134**
Service cost	**315**	332	**2,080**
Interest cost	**26**	27	**172**
Actuarial gain	**193**	2	**1,275**
Retirement benefit paid	**(994)**	(867)	**(6,565)**
Retirement benefit obligation at the end of the year	**¥ 12,733**	¥ 13,193	**$ 84,096**

8. Retirement Benefit Plans (continued)

2. Defined benefit plan (excluding simplified method) (continued)

(2) The changes in plan assets at fair value during the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Plan assets at fair value at the beginning of the year	**¥ 5,958**	¥ 6,294	**$ 39,350**
Expected return on plan assets	**101**	113	**667**
Actuarial gain (loss)	**241**	(193)	**1,592**
Contribution by the Company	**183**	186	**1,208**
Retirement benefit paid	**(467)**	(442)	**(3,084)**
Plan assets at fair value at the end of the year	**¥ 6,016**	¥ 5,958	**$ 39,733**

(3) The balances of retirement benefit obligation and plan assets at fair value and liabilities and assets recognized in the consolidated balance sheets as of March 31, 2024 and 2023 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Funded retirement benefit obligation	**¥ 7,178**	¥ 7,300	**$ 47,408**
Plan assets at fair value	**(6,016)**	(5,958)	**(39,733)**
	1,162	1,342	**7,675**
Unfunded retirement benefit obligation	**5,554**	5,893	**36,681**
Net liability for retirement benefit in the balance sheet	**6,716**	7,235	**44,356**
Liabilities for retirement benefit	**6,716**	7,235	**44,356**
Net liability for retirement benefit in the balance sheet	**¥ 6,716**	¥ 7,235	**$ 44,356**

8. Retirement Benefit Plans (continued)

2. Defined benefit plan (excluding simplified method) (continued)

(4) The components of retirement benefit expense for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Service cost	**¥ 315**	¥ 332	**$ 2,080**
Interest cost	**26**	27	**172**
Expected return on plan assets	**(101)**	(113)	**(667)**
Amortization of actuarial loss	**220**	395	**1,453**
Amortization of prior service cost	**–**	(3)	**–**
Retirement benefit expense	**¥ 460**	¥ 638	**$ 3,038**

(5) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Prior service cost	**¥ –**	¥ (3)	**$ –**
Actuarial loss	**269**	200	**1,777**
Total	**¥ 269**	¥ 197	**$ 1,777**

(6) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2024 and 2023 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Unrecognized actuarial loss	**¥ (635)**	¥ (904)	**$ (4,194)**
Total	**¥ (635)**	¥ (904)	**$ (4,194)**

8. Retirement Benefit Plans (continued)

2. Defined benefit plan (excluding simplified method) (continued)

(7) The components of plan assets, by major category, as a percentage of total plan assets as of March 31, 2024 and 2023 are as follows:

	2024	2023
Bonds	**22%**	27%
Stocks	**23**	19
General accounts	**44**	46
Other	**11**	8
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) The actuarial assumptions used in accounting for the above plans were expressed as weighted averages, as follows:

	2024	2023
Discount rates	**0.1%-0.2%**	0.1%-0.2%
Expected long-term rates of return on plan assets	**1.8%**	1.7%
Expected rates of salary increase	**0.7%**	0.9%

3. Defined benefit plan (simplified method)

(1) The changes in plan assets at fair value during the year ended March 31, 2024 and 2023 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Plan assets at fair value at the beginning of the year	**¥ 33**	¥ 42	**$ 218**
Retirement benefit expense	**10**	(31)	**66**
Contribution to the pension plan	**22**	22	**145**
Plan assets at fair value at the end of the year	**¥ 65**	¥ 33	**$ 429**

8. Retirement Benefit Plans (continued)

3. Defined benefit plan (simplified method) (continued)

(2) The changes in retirement benefit obligation at fair value during the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Retirement benefits obligation at fair value at the beginning of the year	**¥ 49**	¥ 45	**$ 324**
Increase due to acquisition of new consolidated subsidiary	**48**	–	**317**
Retirement benefit expense	**8**	4	**53**
Retirement benefit paid	**(3)**	(0)	**(20)**
Retirement benefit obligation at the end of the year	**¥ 102**	¥ 49	**$ 674**

(3) The balances of retirement benefit obligation and plan assets at fair value and liabilities and assets recognized in the consolidated balance sheet as of March 31, 2024 and 2023 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Funded retirement benefit obligation	**¥ 353**	¥ 288	**$ 2,331**
Plan assets at fair value	**(316)**	(272)	**(2,087)**
	37	16	**244**
Net liability for retirement benefit in the balance sheet	**37**	16	**244**
Liability for retirement benefit	**102**	49	**674**
Assets for retirement benefit	**(65)**	(33)	**(430)**
Net liability for retirement benefit in the balance sheet	**¥ 37**	¥ 16	**$ 244**

8. Retirement Benefit Plans (continued)

3. Defined benefit plan (simplified method) (continued)

(4) The retirement benefit expense for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Retirement benefit (income) expense calculated by simplified method	**¥ (24)**	¥ 35	**$ (159)**

4. Defined contribution pension plan

The Company and certain consolidated subsidiaries charged contributions of ¥2,310 million ($15,257 thousand) and ¥2,271 million to the defined contribution pension plans to income for the years ended March 31, 2024 and 2023, respectively.

5. Multi-employer pension plan

The Company paid contributions of ¥287 million ($1,896 thousand) and ¥289 million to the multi-employer pension plan, which were accounted in the same way as the defined contribution pension plan for the year ended March 31, 2024 and 2023, respectively.

(1) The recent funding status of multi-employer plan for the year ended June 30, 2023 and 2022 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Plan assets	**¥ 93,050**	¥ 77,272	**$ 614,557**
Total of the amount of actuarial obligations under pension funding program and minimum policy reserves	**(90,532)**	(75,264)	**(597,926)**
Difference	**¥ 2,518**	¥ 2,008	**$ 16,631**

(2) Ratio of Group contributions to total contributions in the multi-employer pension plan are 1.2% and 1.5% in 2024 and 2023, respectively.

8. Retirement Benefit Plans (continued)

5. Multi-employer pension plan (continued)

(3) Supplemental information

The main component of the difference in Note (1) is retained earnings of ¥510 million ($3,368 thousand) and ¥390 million, general reserve of ¥2,008 million ($13,262 thousand) and ¥1,618 million for the years ended March 31, 2024 and 2023, respectively.

The carryover deficit in pension funding program will be dealt with by methods such as raising the special contribution ratio as necessary based on the fiscal recalculation.

The ratio of the Group contributions referred to Note (2) does not correspond to the actual contribution of the Group.

9. Income Taxes

The effective tax rates for the years ended March 31, 2024 and 2023 differed from the corresponding statutory tax rates for the following reasons:

	2024	2023
Statutory tax rates:	**30.6%**	30.6%
Expenses not deductible for income tax purposes	**1.1**	0.8
Inhabitants' per capita taxes	**2.8**	2.3
Change in valuation allowance	**2.2**	(2.2)
Other, net	**0.7**	1.1
Effective tax rates	**37.4%**	32.6%

9. Income Taxes (continued)

The significant components of the deferred tax assets and liabilities of the Group as of March 31, 2024 and 2023 were summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Deferred tax assets:			
Depreciation	**¥ 2,862**	¥ 2,585	**$ 18,902**
Allowance for doubtful receivables	**291**	312	**1,922**
Provision for bonuses	**1,754**	1,722	**11,584**
Accrued legal welfare expense	**273**	269	**1,803**
Impairment loss	**5,414**	5,662	**35,757**
Liability for retirement benefits	**2,088**	2,259	**13,790**
Enterprise tax payable	**388**	422	**2,563**
Contract liability	**2,054**	2,231	**13,566**
Unrealized loss on revaluation of land acquired by merger	**1,391**	1,391	**9,187**
Asset retirement obligations	**3,548**	3,309	**23,433**
Net operating tax loss carryforwards (Note)	**782**	310	**5,165**
Other	**5,237**	5,027	**34,589**
Total gross deferred tax assets	**26,082**	25,499	**172,261**
Valuation allowance for net operating loss carryforwards (Note)	**(741)**	(301)	**(4,894)**
Valuation allowance for deductible temporary differences	**(5,147)**	(4,991)	**(33,994)**
Total valuation allowance	**(5,888)**	(5,292)	**(38,888)**
Total deferred tax assets	**20,194**	20,207	**133,373**
Deferred tax liabilities:			
Reserve for reduction entry of buildings	**(105)**	(106)	**(693)**
Retirement cost corresponding to asset retirement obligations	**(976)**	(936)	**(6,446)**
Net unrealized gain on other securities	**(337)**	(95)	**(2,226)**
Other	**(783)**	(883)	**(5,172)**
Total deferred tax liabilities	**(2,201)**	(2,020)	**(14,537)**
Net deferred tax assets	**¥ 17,993**	¥ 18,187	**$ 118,836**

9. Income Taxes (continued)

(Note) A breakdown of net operating loss carryforwards and valuation allowance by expiry date as of March 31, 2024 is as follows:

	Millions of yen						
	2025	**2026**	**2027**	**2028**	**2029**	**2030 and thereafter**	**Total**
Expiration schedule as of March 31, 2024							
Net operating loss carryforwards (*1) (*2)	¥ 1	¥ –	¥ 18	¥ 5	¥ 80	¥ 678	¥ 782
Valuation allowance	(1)	–	(18)	(5)	(77)	(640)	(741)
Deferred tax assets	–	–	–	–	3	38	41

	Thousands of U.S. dollars						
	2025	**2026**	**2027**	**2028**	**2029**	**2030 and thereafter**	**Total**
Expiration schedule as of March 31, 2024							
Net operating loss carryforwards (*1) (*2)	$ 7	$ –	$ 119	$ 33	$ 528	$ 4,478	$ 5,165
Valuation allowance	(7)	–	(119)	(33)	(508)	(4,227)	(4,894)
Deferred tax assets	–	–	–	–	20	251	271

(*1) The amount is determined by multiplying the corresponding net operating loss carryforwards and the effective statutory rate.

(*2) Deferred tax assets were recorded in the amount of ¥41 million ($271 thousand) for net operating loss carryforwards in the amount of ¥782 million ($5,165 thousand). This resulted from net loss before income tax recorded by some subsidiaries and deferred tax assets due to the net operating loss carryforwards is more likely than not that there will be sufficient taxable income to realize these deferred tax assets.

10. Financial Instruments

(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 related to interest rate to avoid the risk of fluctuation in market interest rates.

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

Trade receivables, such as 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 also monitors the financial conditions of customers when appropriate.

Investments in securities inclusive quoted securities are mainly shares of companies with which the Group has business relationships. Investments in securities inclusive quoted securities are subject to the risk of market price fluctuations. Unquoted 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.

The guarantee deposit is mainly related to lease contracts for such as stores, offices and parking lots. The guarantee deposit is exposed to the credit risk of the lessors, but the Group manages the credit risks by understanding the credit status of the lessors when the Group enters into lease contracts and monitoring regularly during the contract period in order to reduce the risks.

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

Short-term loans payable is 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 risk of fluctuation of interest rates. Certain loans, which are deemed to have a high risk, are hedged by utilizing derivative transactions, such as interest rate swap agreements, to avoid the risk of fluctuation of interest rates and to fix the interest rates. Effectiveness testing for hedging instruments and hedged items is omitted because the conditions are satisfied with the requirements for special treatment of interest rate swaps.

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.

10. Financial Instruments (continued)

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

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

(c) Supplementary explanation of fair value of financial instruments

Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

(d) Estimated fair value of financial instruments

Carrying value, estimated fair value and the difference between them of financial instruments on the consolidated balance sheets as of March 31, 2024 and 2023 are shown in the following table.

	Millions of yen					
	2024			2023		
	Carrying value	**Estimated fair value**	**Difference**	Carrying value	Estimated fair value	Difference
Assets:						
Investments in securities, inclusive marketable securities:						
Other securities (*2)	**¥ 2,734**	**¥ 2,734**	**¥ –**	¥ 1,729	¥ 1,729	¥ –
Guarantee deposits	**27,321**	**25,236**	**(2,085)**	27,049	25,549	(1,500)
Total assets	**¥ 30,055**	**¥ 27,970**	**¥ (2,085)**	¥ 28,778	¥ 27,278	¥ (1,500)
Liabilities:						
Convertible bonds (with stock acquisition rights)	**¥ 6,527**	**¥ 9,200**	**¥ 2,673**	¥ 13,824	¥ 15,964	¥ 2,140
Long-term loans (*3)	**41,357**	**41,164**	**(193)**	26,538	26,552	14
Lease obligations (*3)	**4,738**	**4,619**	**(119)**	5,597	5,549	(48)
Total liabilities	**¥ 52,622**	**¥ 54,983**	**¥ 2,361**	¥ 45,959	¥ 48,065	¥ 2,106
Derivatives	**¥ –**	**¥ –**	**¥ –**	¥ –	¥ –	¥ –

10. Financial Instruments (continued)

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

	Thousands of U.S. dollars		
	2024		
	Carrying value	**Estimated fair value**	**Difference**
Assets:			
Investments in securities, inclusive marketable securities:			
Other securities (*2)	**$ 18,057**	**$ 18,057**	**$ –**
Guarantee deposits	**180,444**	**166,673**	**(13,771)**
Total assets	**$ 198,501**	**$ 184,730**	**$ (13,771)**
Liabilities:			
Convertible bonds (with stock acquisition rights)	**$ 43,108**	**$ 60,762**	**$ 17,654**
Long-term loans (*3)	**273,146**	**271,871**	**(1,275)**
Lease obligations (*3)	**31,293**	**30,507**	**(786)**
Total liabilities	**$ 347,547**	**$ 363,140**	**$ 15,593**
Derivatives	**$ –**	**$ –**	**$ –**

Notes:

(*1) "Cash on hand and in banks," "Trade notes and accounts receivable," "Trade notes and accounts payable," and "Short-term borrowings" are omitted because these are cash items and their fair values approximate their carrying values due to their short maturities.

(*2) Unquoted securities, which are not included in investments in securities, inclusive marketable securities, as of March 31, 2024 and 2023 are as follows.

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Unlisted stocks	**¥ 2,191**	¥ 2,191	**$ 14,471**
Investments in affiliates	**0**	100	**0**

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

10. Financial Instruments (continued)

(e) Redemption schedules

Redemption schedules for cash and cash equivalents, and notes and accounts receivable – trade with maturity dates as of March 31, 2024 were as follows:

	Millions of yen			
	2024			
	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	**¥ 7,283**	**¥ –**	**¥ –**	**¥ –**
Notes receivable – trade	**9**	**–**	**–**	**–**
Notes and accounts receivable – trade	**40,813**	**–**	**–**	**–**
Guarantee deposits	**4,692**	**6,500**	**7,615**	**8,514**
	¥ 52,797	**¥ 6,500**	**¥ 7,615**	**¥ 8,514**

	Thousands of U.S. dollars			
	2024			
	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	**$ 48,101**	**$ –**	**$ –**	**$ –**
Notes receivable – trade	**59**	**–**	**–**	**–**
Notes and accounts receivable – trade	**269,553**	**–**	**–**	**–**
Guarantee deposits	**30,989**	**42,930**	**50,294**	**56,231**
	$ 348,702	**$ 42,930**	**$ 50,294**	**$ 56,231**

Cash and cash equivalents in the table above do not include cash on hand of ¥4,729 million ($31,233 thousand) as of March 31, 2024. It is because cash is currency and not a monetary claim.

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

10. Financial Instruments (continued)

(f) Breakdown of fair value of financial instruments by level

Fair values of financial instruments are categorized into three levels as described below on the basis of the observability and the materiality of the inputs used in the fair value measurement.

Level 1: Fair values measured using quoted prices of identical assets or liabilities in active markets among observable valuation inputs
Level 2: Fair values measured using inputs other than inputs included within Level 1 among observable valuation inputs
Level 3: Fair values measured using unobservable valuation inputs

When several inputs that have significant impact on fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest hierarchy level for fair value measurement among those to which each of the inputs belongs.

Financial instruments recorded at fair value on the consolidated balance sheets as of March 31, 2024 and 2023 are as follows:

	Millions of yen			
	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investment in securities, inclusive marketable securities:				
Other securities	**¥ 2,734**	**¥ –**	**¥ –**	**¥ 2,734**
Total assets	**¥ 2,734**	**¥ –**	**¥ –**	**¥ 2,734**

	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment in securities, inclusive marketable securities:				
Other securities	¥ 1,729	¥ –	¥ –	¥ 1,729
Total assets	¥ 1,729	¥ –	¥ –	¥ 1,729

10. Financial Instruments (continued)

(f) Breakdown of fair value of financial instruments by level (continued)

	Thousands of U.S. dollars			
	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investment in securities, inclusive marketable securities:				
Other securities	**$ 18,057**	**$ –**	**$ –**	**$ 18,057**
Total assets	**$ 18,057**	**$ –**	**$ –**	**$ 18,057**

Financial instruments other than those recorded at fair value on the consolidated balance sheets as of March 31, 2024 and 2023 are as follows:

	Millions of yen			
	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Guarantee deposits	**¥ –**	**¥ 25,236**	**¥ –**	**¥ 25,236**
Total assets	**¥ –**	**¥ 25,236**	**¥ –**	**¥ 25,236**
Liabilities:				
Convertible bonds with stock acquisition rights	**¥ –**	**¥ 9,200**	**¥ –**	**¥ 9,200**
Long-term loans	**–**	**41,164**	**–**	**41,164**
Lease obligations	**–**	**4,619**	**–**	**4,619**
Total liabilities	**¥ –**	**¥ 54,983**	**¥ –**	**¥ 54,983**

	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Guarantee deposits	¥ –	¥ 25,549	¥ –	¥ 25,549
Total assets	¥ –	¥ 25,549	¥ –	¥ 25,549
Liabilities:				
Convertible bonds with stock acquisition rights	¥ –	¥ 15,964	¥ –	¥ 15,964
Long-term loans	–	26,552	–	26,552
Lease obligations	–	5,549	–	5,549
Total liabilities	¥ –	¥ 48,065	¥ –	¥ 48,065

10. Financial Instruments (continued)

(f) Breakdown of fair value of financial instruments by level (continued)

	Thousands of U.S. dollars			
	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Guarantee deposits	**$ –**	**$ 166,673**	**$ –**	**$ 166,673**
Total assets	**$ –**	**$ 166,673**	**$ –**	**$ 166,673**
Liabilities:				
Convertible bonds with stock acquisition rights	**$ –**	**$ 60,762**	**$ –**	**$ 60,762**
Long-term loans	**–**	**271,871**	**–**	**271,871**
Lease obligations	**–**	**30,507**	**–**	**30,507**
Total liabilities	**$ –**	**$ 363,140**	**$ –**	**$ 363,140**

Notes:

1. "Cash on hand and in banks," "Trade notes and accounts receivable," "Trade notes and accounts payable," "Short-term borrowings," "Income taxes payable" and "notes payable-facilities" are omitted because they are cash items and their fair values approximate their carrying values due to their short maturities.

2. Description of valuation techniques used to measure fair value and inputs related to fair value measurement

   Investments in securities

   Fair values of listed stocks and investment trusts are determined by using quoted prices. Fair values of listed stocks and investment trusts are categorized as Level 1 since they are traded in active markets.

   Guarantee deposits

   Fair values are measured using the discounted present value method based on the total amount of principal and interest, remaining maturity, and interest rates taking into account credit risk, and are categorized as Level 2.

10. Financial Instruments (continued)

(f) Breakdown of fair value of financial instruments by level (continued)

2 Description of valuation techniques used to measure fair value and inputs related to fair value measurement (continued)

Convertible bonds with stock acquisition rights

Fair values of convertible bonds with stock acquisition rights issued by the Company are measured based on market prices. The fair values of convertible bonds with stock acquisition rights are categorized as Level 2 because they are not traded in active markets although they have market prices.

Long-term borrowings and lease obligations

Fair values are measured using the discounted present value method as if the similar loans are made with the total amount of principal and interest, remaining maturity, and interest rates taking into account credit risk, and are categorized as Level 2.

Of the long-term borrowings with variable interest rates, the market value of those that are subject to special treatment of interest rate swaps is calculated by the discounted present value method based on the reasonably estimated interest rate as if the similar loans were made with total amount of principal and interest together will the corresponding interest rate swaps. They are categorized as Level 2.

11. Shareholders' Equity

Movements in capital stock and treasury shares for the years ended March 31, 2024 and 2023 were summarized as follows:

		Number of shares			
		2024			
	Notes	**April 1, 2023**	**Increase**	**Decrease**	**March 31, 2024**
Capital stock		**112,005,636**	**–**	**–**	**112,005,636**
Treasury shares	(a) and (b)	**13,554,763**	**13,461**	**6,639,085**	**6,929,139**

		Number of shares			
		2023			
	Notes	April 1, 2022	Increase	Decrease	March 31, 2023
Capital stock		112,005,636	–	–	112,005,636
Treasury shares	(c) and (d)	9,714,361	3,916,052	75,650	13,554,763

Notes:

(a) The increase in treasury shares of 13,461 common shares for the year ended March 31, 2024 was due to the acquisition of 12,500 shares without consideration because of the expiration of restricted stock compensation rights, and due to the purchase of 961 fractional shares.

(b) The decrease in treasury shares of 6,639,085 common shares for the year ended March 31, 2024 was due to the disposal of 67,700 treasury shares for the restricted stock compensation plan that was approved at the 17th General Shareholders' Meeting held on June 28, 2018 and the exercise of stock acquisition rights of 6,571,114 shares, and the sale of 271 of fractional shares.

(c) The increase in treasury shares of 3,916,052 common shares for the year ended March 31, 2023 was due to purchase of 3,914,500 shares in the Tokyo Stock Exchange by resolution of the Board of Directors held on November 4, 2022, 400 shares upon refund of the restricted stock compensation plan and the purchase of 1,152 fractional shares.

(d) The decrease in treasury shares of 75,650 common shares for the year ended March 31, 2023 was due to the disposal of 75,500 treasury shares for the restricted stock compensation plan that was approved at the 17th General Shareholders' Meeting held on June 28, 2018 and the sale of 150 of fractional shares.

11. Shareholders' Equity (continued)

Movements in stock acquisition rights during the years ended March 31, 2024 and 2023 were summarized as follows:

	Thousands of shares			
	2024			
	April 1, 2023	**Increase**	**Decrease**	**March 31, 2024**
Stock acquisition rights attached to convertible bonds due June 19, 2025 (Notes 1, 2 and 3)	**12,203**	**245**	**6,571**	**5,877**
	–	–	–	–

	Thousands of shares			
	2023			
	April 1, 2022	Increase	Decrease	March 31, 2023
Stock acquisition rights attached to convertible bonds due June 19, 2025 (Notes 1 and 2)	11,930	273	–	12,203
	–	–	–	–

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 June 19, 2025 was due to the adjustment of the conversion price.

3. The decrease in stock acquisition rights attached to convertible bonds due June 19, 2025 was due to the pre-maturity redemption by exercising put options.

12. Cost of Sales

Loss (gain) on inventory valuation included in cost of sales was ¥112 million ($740 thousand) and ¥(66) million for the years ended March 31, 2024 and 2023, respectively.

13. Impairment Loss

The Group recognized impairment loss of ¥2,811 million ($18,565 thousand) and ¥2,434 million for the years ended March 31, 2024 and 2023, respectively, as follows:

2024

Use	Classification	Location
Store	Buildings and structures, Tools, furniture and fixtures, and other	Kyoto Prefecture and other
Rental property and idle assets	Buildings and structures, land and other	Okayama Prefecture and other

2023

Use	Classification	Location
Store	Buildings and structures, Tools, furniture and fixtures, and other	Osaka Prefecture and other
Other	Goodwill	Osaka Prefecture

The Group groups its property and equipment based on store as a basis of unit which is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash inflows from other assets or group of assets. 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. Intangible fixed assets such as goodwill and customer-related assets are grouped by the relevant subsidiary or business as a basis of unit.

For the above assets, the book value of the asset group, whose profit from operating activities is continuously negative, has been reduced to the recoverable amount.

As a result, for the year ended March 31, 2024, the Group reduced the book value of the assets and asset groups listed above to their respective recoverable amounts and a loss on impairment of stores was recognized in the amount of ¥2,564 million ($16,934 thousand), a loss on impairment of rental property was ¥121 million ($799 thousand), and a loss on impairment of idle assets was ¥126 million ($832 thousand). Total impairment losses were recognized in the amount of ¥2,811 million ($18,565 thousand).

For the year ended March 31, 2023, the Group reduced the book value of the assets and asset groups listed above to their respective recoverable amounts and a loss on impairment of stores was recognized in the amount of ¥2,005 million, and loss on impairment of other was ¥429 million. Total impairment losses were in the amount of ¥2,434 million.

13. Impairment Loss (continued)

For the years ended March 31, 2024 and 2023, the principal components of loss on impairment by asset classification were buildings and structures of ¥2,228 million ($14,715 thousand) and ¥1,453 million, tools, furniture and fixtures of ¥422 million ($2,787 thousand) and ¥399 million, land of ¥114 million ($753 thousand) and nil amount, goodwill of nil amount and ¥429 million, software of ¥5 million ($33 thousand) and nil amount, and other of ¥42 million ($277 thousand) and ¥153 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 assets is professional appraisals based on real estate appraisal standards. Value in use is measured as the sum of anticipated future cash flows discounted by weighted average costs of capital of 3.8% and 4.6% for property and equipment such as retail stores for the years ended March 31, 2024 and 2023, respectively, and 12.1% for goodwill and other intangible assets such as customer-related assets for the year ended March 31, 2023.

14. Other Comprehensive Income

Reclassification adjustments and tax effects for each component of other comprehensive income for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Net unrealized gain on other securities:			
Amount arising during the year	**¥ 996**	¥ 64	**$ 6,578**
Reclassification adjustments	**(2)**	(25)	**(13)**
Before tax effect	**994**	39	**6,565**
Tax effect	**(305)**	13	**(2,014)**
Total	**689**	52	**4,551**
Remeasurements of defined benefit plans:			
Amount arising during the year	**48**	(196)	**317**
Reclassification adjustments	**221**	393	**1,460**
Before tax effect	**269**	197	**1,777**
Tax effect	**(83)**	(61)	**(549)**
Total	**186**	136	**1,228**
Total other comprehensive gain	**¥ 875**	¥ 188	**$ 5,779**

15. Leases

The Group utilizes finance leases for store equipment (Buildings and structures). 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.

Future minimum lease payments subsequent to March 31, 2024 for non-cancelable operating leases as a lessee were summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2025	¥ 7,842	$ 51,793
2026 and thereafter	73,656	486,467
Total	¥ 81,498	$ 538,260

Future minimum lease receipts subsequent to March 31, 2024 for non-cancelable operating leases as a lessor were summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2025	¥ 373	$ 2,464
2026 and thereafter	3,407	22,501
Total	¥ 3,780	$ 24,965

16. Supplementary Information on the Consolidated Statement of Cash Flows

Major components of assets and liabilities of newly consolidated subsidiaries due to acquisition of their shares during the year ended March 31, 2024 and 2023.

The summary of assets acquired and liabilities assumed at the inception of consolidation of Sanfrecce Hiroshima FC Co., Ltd. a newly consolidated subsidiary through the acquisition of stocks, acquisition cost and net payment for acquisition of stocks during the year ended March 31, 2024 are as follows:

	Millions of yen	*Thousands of U.S. dollars*
Current assets	**¥ 2,890**	**$ 19,087**
Long-term assets	**409**	**2,701**
Goodwill	**382**	**2,523**
Current liabilities	**(1,169)**	**(7,721)**
Long-term liabilities	**(626)**	**(4,134)**
Non-controlling interests	**(386)**	**(2,549)**
Acquisition cost of stock	**1,500**	**9,907**
Cash and cash equivalents of acquired companies	**(2,259)**	**(14,920)**
Net payment for acquisition of stocks	**¥ (759)**	**$ (5,013)**

The summary of assets acquired and liabilities assumed at the inception of consolidation of Azabu Co., Ltd., a newly consolidated subsidiary through the acquisition of stocks, acquisition cost and net payment for acquisition of stocks during the year ended March 31, 2024 are as follows:

	Millions of yen	*Thousands of U.S. dollars*
Current assets	**¥ 300**	**$ 1,981**
Long-term assets	**69**	**456**
Goodwill	**121**	**799**
Current liabilities	**(146)**	**(964)**
Long-term liabilities	**(143)**	**(944)**
Acquisition cost of stock	**201**	**1,328**
Cash and cash equivalents of acquired companies	**(191)**	**(1,262)**
Net payment for acquisition of stocks	**¥ 10**	**$ 66**

16. Supplementary Information on the Consolidated Statement of Cash Flows (continued)

Information on significant non-cash transactions:
Asset retirement obligations

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Increase in asset retirement obligations	**¥ 1,528**	¥ 634	**$ 10,092**

Leased assets and lease obligations related to finance leases newly entered into during the years ended March 31, 2024 and 2023:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Leased assets and lease obligations related to finance leases	**¥ 65**	¥ 1,912	**$ 429**

Exercise of stock acquisition rights attached to convertible bonds during the years ended March 31, 2024 and 2023:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Gain on disposal of treasury shares due to exercise of stock acquisition rights	**¥ 28**	¥ –	**$ 185**
Decrease in treasury shares due to exercise of stock acquisition rights	**7,262**	–	**47,962**
Decrease in convertible bonds with stock acquisition rights due to exercise of acquisition rights	**¥ 7,290**	¥ –	**$ 48,147**

17. Revenue Recognition

(1) Information on disaggregation of revenues arising from contracts with customers

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Revenue arising from contracts with customers			
Directly managed home appliance store sales	**¥ 662,144**	¥ 663,406	**$ 4,373,185**
Franchise sales	**23,582**	24,479	**155,749**
Others	**31,281**	28,636	**206,599**
	717,007	716,521	**4,735,533**
Lease revenue	**4,079**	4,063	**26,940**
Other revenue	**4,079**	4,063	**26,940**
Net sales to external customers	**¥ 721,086**	¥ 720,584	**$ 4,762,473**

(2) Information that is the basis for understanding revenues by contract with a customers

i. Directly managed home appliance store sales

Directly managed home appliance store sales include sales of home electric appliances and related services by the home electronics mass retailers operated by the Group and the sales offices of certain subsidiaries.

For sales of home electric appliances and related services, revenue is recognized when the control of goods or services is transferred to the customer, such as the delivery of the product to the customer. In addition, for certain transactions, in which the Group is deemed to act as an agent in accordance with the nature of the contracts, the net amount is recognized as revenue.

The Group has introduced its own loyalty reward point program and grants points to the customers who join the membership system for purchases such as household appliance products.

The Group also guarantees repair warranty service to the customers who join the membership system when the Group sells household appliance products.

The nature of the performance obligations for the Company’s point system and repair warranty service as well as the normal point in time when the performance obligations are satisfied are described in “(k) Recognition policy of significant revenue and expenses in “2. Summary of Significant Accounting Policies.”

17. Revenue Recognition (continued)

(2) Information on disaggregation of revenues arising from contracts with customers (continued)

ii. Franchise sales

Franchise sales include sales of the supply of household electrical appliances and the related services to franchise member stores.

As for the supply of household electric appliances, the performance obligation in the contract is satisfied at the time of delivery to the franchise member store, and therefore the revenue is recognized at that time. In addition, for certain transactions, in which the Group is deemed to act as an agent in accordance with the contents of contracts, the net amount is recognized as revenue.

The Group receives royalties from the franchise member stores, which operate sales of household electrical appliances, by providing know-how on store management and product sales as well as continuous management guidance in accordance with the franchise contract. The royalty income is recognized on an accrual basis in accordance with the relevant contract.

iii. Others

Others include such as commission from business partners and sales by subsidiaries engaged in other businesses than household electrical appliances sales. These revenues are measured by deducting discounts from the consideration promised in the contract with the customer.

iv. Lease revenue

Revenue related to leasing is sales from renting real estate, equipment and so on.

17. Revenue Recognition (continued)

(3) Information about the relationship between satisfaction of performance obligations under contracts with customers and cash flows from these contracts, and the amount and timing of revenue from contracts with existing customers at the end of the fiscal year that are expected to be recognized in the following fiscal year or beyond

i. Balance of contract assets and contract liabilities

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Beginning balance-			
Receivables arising from contracts with customers	**¥ 37,996**	¥ 39,665	**$ 250,948**
Contract liabilities	**28,653**	29,399	**189,241**
Ending balance-			
Receivables arising from contracts with customers	**40,822**	37,996	**269,612**
Contract liabilities	**30,644**	28,653	**202,391**

Contract liabilities are mainly the amount of points granted for the loyalty reward point system, the estimated amount of future repair costs related to the repair warranty service provided free of charge to cardholder members and advances received. Contract liabilities are reversed as revenue is recognized.

Revenue recognized during the years ended March 31, 2024 and 2023 included in the balance of contract liabilities at the beginning of the respective years amounted to ¥22,863 million ($151,001 thousand), and ¥23,599 million, respectively.

The main reason for the decrease in contract liabilities by ¥746 million in the year ended March 31, 2023 is the decrease in advances received due to the decrease in the balance of unshipped products at the end of the year.

The main reason for the increase in contract liabilities by ¥1,991 million ($13,150 thousand) in the year ended March 31, 2024 is the increase in advances received from Sanfrecce Hiroshima FC Co., Ltd. which has been newly included as a consolidated subsidiary from the current fiscal year.

17. Revenue Recognition (continued)

(3) Information about the relationship between satisfaction of performance obligations under contracts with customers and cash flows from these contracts, and the amount and timing of revenue from contracts with existing customers at the end of the fiscal year that are expected to be recognized in the following fiscal year or beyond (continued)

ii. Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations and the period during which revenue is expected to be recognized are as follows.

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Less than 1 year	**¥ 23,273**	¥ 21,673	**$ 153,708**
More than 1 year but less than 2 years	**4,208**	4,065	**27,792**
More than 2 years but less than 3 years	**1,077**	1,041	**7,113**
More than 3 years	**2,086**	1,874	**13,778**
Total	**¥ 30,644**	¥ 28,653	**$ 202,391**

18. 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, 2024 and 2023 has been omitted.

Impairment loss for all segments was recorded in the amounts of ¥2,811 million ($18,565 thousand) and ¥2,434 million for the years ended March 31, 2024 and 2023, respectively.

Amortization of goodwill for all segments was recorded in the amounts of ¥277 million ($1,829 thousand) and ¥405 million for the years ended March 31, 2024 and 2023, respectively. Remaining balance of goodwill for all segments was recorded in the amounts of ¥1,846 million ($12,192 thousand) and ¥1,620 million as of March 31, 2024 and 2023, 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, 2024 and 2023 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, 2024 and 2023 has been omitted.

18. Segment Information (continued)

As there was no property and equipment located overseas, the disclosure of property and equipment by geographical region as of March 31, 2024 and 2023 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, 2024 and 2023 has been omitted.

19. Related Party Transactions

(a) Principal transactions between the Company and related parties during the years ended March 31, 2024 and 2023 were summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	**2024**
Masataka Kubo:			
Disposition of treasury stock	**¥ 37**	¥ 38	**$ 244**
Kazutoshi Tomonori:			
Advisory fee	**24**	24	**159**

No outstanding balances with Masataka Kubo and Kazutoshi Tomonori as of March 31, 2024 and 2023, respectively.

Masataka Kubo is a President of the Company, and Kazutoshi Tomonori is an advisor of the Company as of March 31, 2024 and 2023, respectively.

Disposition of treasury stock is due to allocation of treasury stock based upon a system of remuneration of shares with restriction on transfer. Advisory fee is determined upon mutual consultation.

(b) The disclosure of principal transactions between the Company's subsidiaries and related parties during the years ended March 31, 2024 and 2023 were omitted because of immateriality involved.

20. Business Combinations

Acquisition of shares by underwriting capital increase through third-party allotment of an equity method affiliate

Sanfrecce Hiroshima FC Co., Ltd. an equity method affiliate of the Company, resolved to issue new shares through a third-party allotment at the extraordinary general meeting of shareholders held on July 27, 2023, and the Company underwrote a portion with the payment completed in September 2023.

Due to the acquisition, Sanfrecce Hiroshima FC Co., Ltd. became the Company's consolidated subsidiary.

1. Outline of the business combination

    (1) Name and business description of acquired company

    Name of company: Sanfrecce Hiroshima FC Co., Ltd.
    Business description: Management of a professional soccer team

    (2) Reasons for the business combination

    We have been focusing on the activities that contribute to local community through sports, and we have been supporting Sanfrecce Hiroshima FC Co., Ltd. together with other local companies since its establishment.

    We decided to undertake the third party allotment since we believe that the capital increase is essential for Sanfrecce Hiroshima FC Co., Ltd. to further develop as a local community-based football club.

    We believe that such activities closely connected to local community will contribute to enhancing the enterprise value of the Group given that market share of the Company is particularly high in Chugoku and Shikoku regions.

    (3) Date of the business combination

    Acquisition date: September 8, 2023
    Deemed acquisition date: July 31, 2023

    (4) Legal form of the business combination

    Acquisition of shares through a third party allotment

    (5) Company name after the business combination

    No changes

20. Business Combinations (continued)

Acquisition of shares by underwriting capital increase through third-party allotment of an equity method affiliate (continued)

1. Outline of the business combination (continued)

   (6) Ratio of voting rights acquired

   Voting rights before business combination: 46.96%
   Voting rights acquired on the date of business combination: 29.14%
   Voting rights after business combination: 76.10%

   (7) Major reason for determination of acquirer

   This is due to the fact that Company acquired the shares of the acquired company in exchange for cash.

2. Period for which the operating results of the acquired company were included in the consolidated financial statements

   From August 1, 2023 to January 31, 2024

   Sanfrecce Hiroshima FC Co., Ltd. had been previously an affiliate of the Company accounted for using the equity method, and the Company recorded its operating results from February 1, 2023 to July 31, 2023 in equity in loss of affiliates.

3. Acquisition cost and type of consideration:

	Millions of yen	*Thousands of U.S. dollars*
Fair value of equity interests held before business combination on the date of business combination	**¥ 113**	**$ 746**
Consideration of the shares to be additionally acquired on the date of the business combination	**1,500**	**9,907**
Acquisition costs	**¥ 1,613**	**$ 10,653**

4. Difference between the acquisition cost of the acquired company and the aggregate amount of acquisition cost by transaction related to the acquisition:

   Gain on step acquisition: ¥113 million ($746 thousand)

20. Business Combinations (continued)

Acquisition of shares by underwriting capital increase through third-party allotment of an equity method affiliate (continued)

5. Amount of goodwill, reason for recognition, and amortization method and period:

    (1) Amount of goodwill

    ¥382 million ($2,523 thousand)

    (2) Reason for recognition

    Goodwill was recognized because the acquisition cost exceeded the net amount of assets acquired and liabilities assumed.

    (3) Amortization method and period of goodwill

    Straight-line method over 5 years

6. Amounts and major components of assets acquired and liabilities assumed on the acquisition date:

	Millions of yen	*Thousands of U.S. dollars*
Current assets	**¥ 2,890**	**$ 19,087**
Fixed assets	**409**	**2,701**
Total assets	**¥ 3,299**	**$ 21,788**
Current liabilities	**¥ 1,169**	**$ 7,721**
Non-current liabilities	**626**	**4,134**
Total liabilities	**¥ 1,795**	**$ 11,855**

7. Estimated impact on the consolidated statement of income for the year ended March 31, 2024 assuming the business combination had occurred at the beginning of the fiscal year, and the calculation method:

	Millions of yen	*Thousands of U.S. dollars*
Net sales	**¥ 1,973**	**$ 13,031**
Operating income (loss)	**(502)**	**(3,316)**
Profit (loss) before income taxes	**(377)**	**(2,490)**
Profit (loss) attributable to owners of parent	**(288)**	**(1,902)**

20. Business Combinations (continued)

Acquisition of shares by underwriting capital increase through third-party allotment of an equity method affiliate (continued)

7. Estimated impact on the consolidated statement of income for the year ended March 31, 2024 assuming the business combination had occurred at the beginning of the fiscal year, and the calculation method: (continued)

	Yen	*U.S. dollars*
Amounts per share:		
Profit (loss) attributable to owners of parent		
– Basic	**¥ (2.88)**	**$ (0.02)**

(Method of calculating the estimated impact)

The estimated impact is the difference between net sales and profit or loss information calculated assuming that the business combination had been completed at the beginning of the fiscal year ended March 31, 2024.

In addition, amortization is calculated by assuming that the goodwill recognized upon the business combination was recognized at the beginning of the fiscal year ended March 31, 2024 and the amortization period is 5 years.

The above information is not intended to suggest possible events in the future. Moreover, it does not represent actual operating results even if the business combination had been completed at the beginning of the fiscal year.

The amount of estimated impact is unaudited.

Business combination under common control

Jtop Co., Ltd, a consolidated subsidiary of the Company, absorbed and merged with e-Logi Co., Ltd., a former consolidated subsidiary of the Company, effective on October 1, 2023.

1. Outline of the business combination

(1) Names of the companies involved in the business combination and their business descriptions

i. Surviving company

Name of company: Jtop Co., Ltd
Business description: Delivery of general cargo such as free papers, job magazines, and other magazines

20. Business Combinations (continued)

Business combination under common control (continued)

1. Outline of the business combination (continued)

(1) Names of the companies involved in the business combination and their business description (continued)

ii. Absorbed company

Name of company: e-Logi Co., Ltd
Business description: Freight transportation, warehouse management, etc.

(2) Date of the business combination

October 1, 2023 (Effective date)

(3) Legal form of the business combination

Absorption-type merger treating Jtop Co., Ltd. as a surviving company and e-Logi Co., Ltd. as an absorbed company.

(4) Company name after the business combination

No changes

(5) Outline for the business combination including reasons for the transaction

With the merger of the two companies that provide logistics and delivery services, we will work to build a nationwide logistics network that will enable us to provide our services on a nationwide level, against the backdrop of increasing e-commerce demand.

2. Summary of accounting procedures implemented

The merger is accounted for as a transaction under common control in accordance with “Accounting Standard for Business Combinations” (ASBJ No.21 issued on January 16, 2019) and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 issued on January 16, 2019).

20. Business Combinations (continued)

Business combination through acquisition

The Company acquired all the shares of Azabu Co., Ltd. on March 1, 2024, making it a consolidated subsidiary.

1. Outline of the business combination

(1) Name and business description of the acquired company

Name of company:	Azabu Co., Ltd.
Business description:	Roofing, exterior wall painting, and renovation.

(2) Reasons for the business combination

The Company has continuously been focusing on the renovation business as our second pillar after home appliances, and we will strive to further develop our renovation business by utilizing Azabu Co., Ltd.'s painting technology, craftsmen network, and strong capabilities of the sales department.

(3) Date of the business combination

Acquisition date: March 1, 2024
Deemed acquisition date: March 31, 2024

(4) Legal form of the business combination

Acquisition of stocks for cash consideration

(5) Company name after the business combination

No change

(6) Ratio of voting rights acquired

Voting rights before business combination:	0%
Voting rights acquired on the date of business combination:	100%
Voting rights after business combination:	100%

(7) Major reason for determination of acquirer

This is due to the fact that the Company acquired the shares of the acquired company in exchange for cash.

20. Business Combinations (continued)

Business combination through acquisition (continued)

2. Period for which the operating results of the acquired company were included in the consolidated financial statements

   Given that the acquisition was deemed complete on March 31, 2024, consolidation of Azabu Co., Ltd. applies solely to its balance sheet.

3. Acquisition cost and type of consideration

	Millions of yen	*Thousands of U.S. dollars*
Consideration for acquisition:		
Cash and deposits	**¥ 200**	**$ 1,321**
Acquisition costs	**¥ 200**	**$ 1,321**

4. Details and amounts of major acquisition-related costs

   Advisory fee and others: ¥1 million ($7 thousand)

5. Amount of goodwill, reason for recognition, and amortization method and period

   (1) Amount of goodwill

   ¥121 million ($799 thousand)

   (2) Reason for recognition

   Goodwill was recognized because the acquisition cost exceeded the net amount of assets acquired and liabilities assumed.

   (3) Amortization method and period

   Straight-line method over 5 years

20. Business Combinations (continued)

Business combination through acquisition (continued)

6. Amounts and major components of assets acquired and liabilities assumed on the acquisition date

	Millions of yen	*Thousands of U.S. dollars*
Current assets	**¥ 300**	**$ 1,981**
Fixed assets	**69**	**456**
Total assets	**¥ 369**	**$ 2,437**
Current liabilities	**¥ 146**	**$ 964**
Non-current liabilities	**143**	**944**
Total liabilities	**¥ 289**	**$ 1,908**

7. Estimated impact and its calculation method on the consolidated statement of income for the year ended March 31, 2024, assuming the business combination was completed at the beginning of the current fiscal year

   The information is not disclosed because it is difficult to determine the estimated impact for the year ended March 31, 2024.

21. Subsequent Events

Acquisition of treasury shares

At the Board of Directors meeting held on August 2, 2024, the Company determined to acquire treasury shares under the provisions of Article 156 of the Companies Act, as applied pursuant to Article 165, paragraph (3) of the Companies Act, and as follows.

1. Reason for acquisition of treasury shares

   To increase shareholder returns and execute flexible capital policies through an improvement of return on equity.

2. Details of the Board of Directors' resolution regarding the purchase of treasury shears

   (1) Class of shares to be acquired: Common stock

   (2) Total number of shares to be acquired by the Company:
   5,500,000 shares, at maximum (Percentage of total number of issued shares (excluding treasury shares) 5.23%, at maximum)

21. Subsequent Events (continued)

Acquisition of treasury shares (continued)

2. Details of the Board of Directors' resolution regarding the purchase of treasury shears (continued)

   (3) Total acquisition amount: ¥10,000 million ($66,046 thousand), at maximum

   (4) Acquisition period: From August 5, 2024 to July 31, 2025

   (5) Acquisition method: Market acquisition on the Tokyo Stock Exchange

   (Reference)

Number of treasury shares on June 30, 2024	
Total issued shares (excluding treasury shares)	105,076,349
Treasury shares	6,929,287

Distribution of retained earnings of the Company

The following distribution of retained earnings at March 31, 2024 was approved at the Company's annual general meeting of shareholders held on June 27, 2024:

	Millions of yen	*Thousands of U.S. dollars*
Year-end cash dividends of ¥23.00 ($0.15) per share	**¥ 2,417**	**$ 15,963**