EDION Corporation Analyst Meeting
Q1 FY03/22

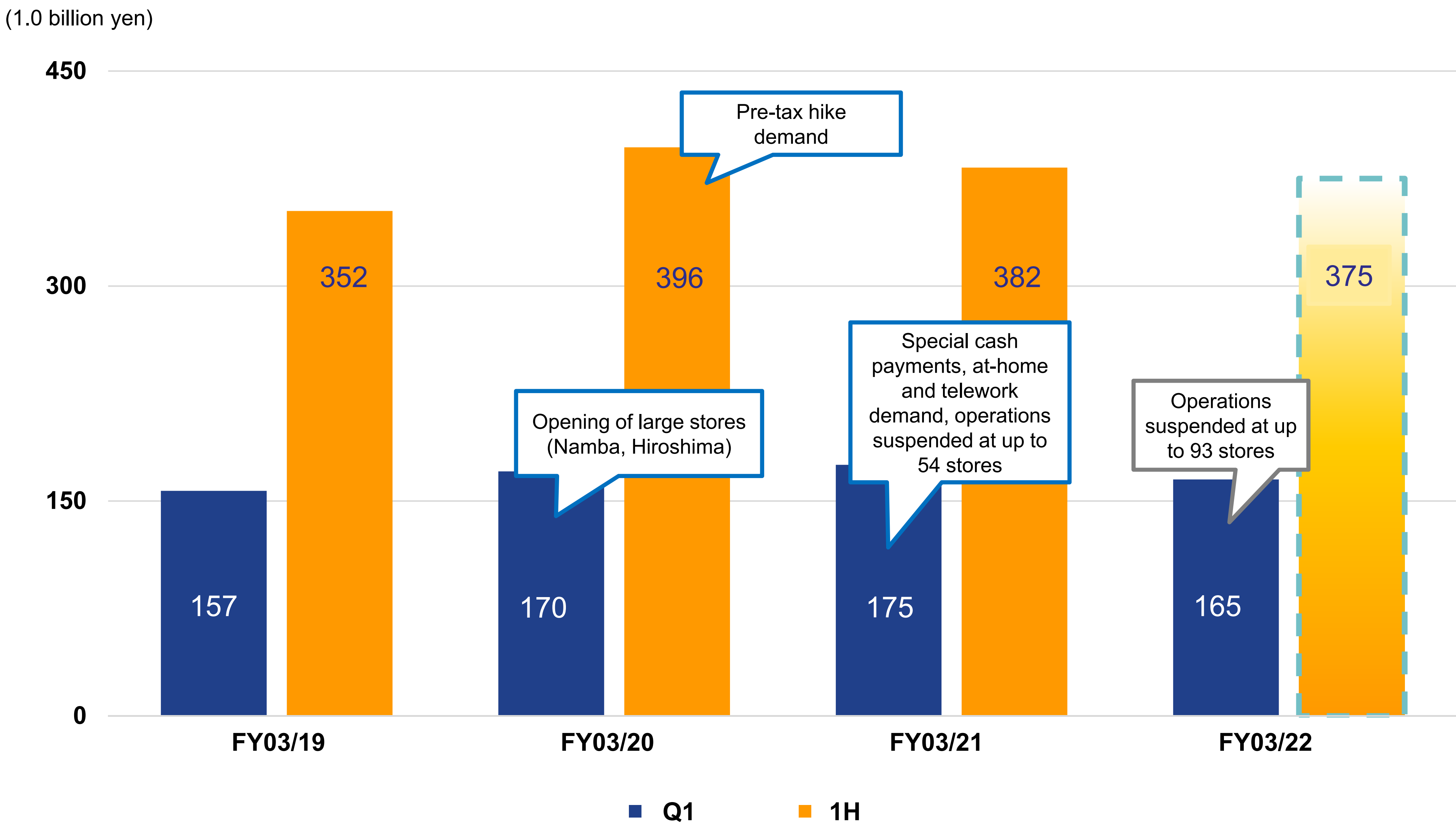
August 10, 2021

Consolidated Statements of Income

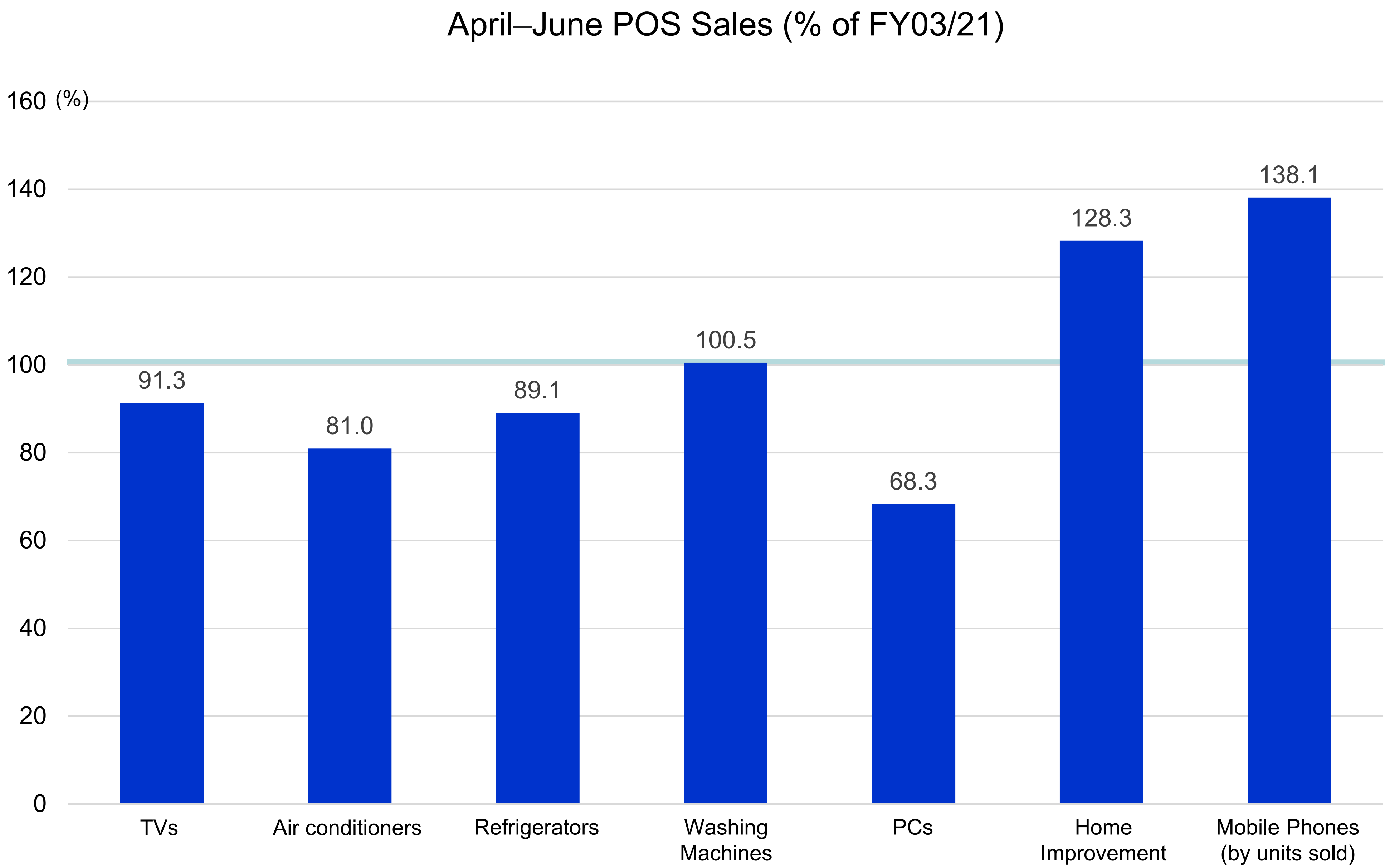
Million Yen, %	Q1 FY03/21			Q1 FY03/22				Before Application of the Accounting Standard for Revenue Recognition (Reference)		
	% of Sales	Results	% of Q1 FY03/20	% of Sales	**Results**	% of Q1 FY03/21	YoY Change	% of Sales	Results	% of Q1 FY03/21
Net Sales	100.0	175,304	102.7	100.0	165,081	94.1	-10,223	100.0	170,654	97.4
Gross Profit	30.0	52,765	104.0	30.3	50,112	94.9	-2,652	30.1	51,429	97.5
SG&A Expenses	26.9	47,228	88.0	28.8	47,656	100.9	428	28.7	48,995	103.7
Advertising and Selling Expenses	7.2	12,631	72.7	7.1	11,753	117.4	-877	7.7	13,092	103.6
Personnel Expenses	10.9	19,213	97.3	11.9	19,775	102.9	561	11.6	19,775	102.9
Equipment Costs and Administrative Expenses	7.2	12,743	90.9	8.0	13,254	127.0	426	7.8	13,254	103.0
Depreciation	1.5	2,640	105.1	1.7	2,873	102.9	318	1.7	2,873	113.8
Operating Profit	3.1	5,536	–	1.4	2,456	44.3	-3,080	1.4	2,434	44.0
Ordinary Profit	3.1	5,461	–	1.5	2,583	47.3	-2,878	1.5	2,561	46.9
Profit Attributable to Owners of the Parent	1.7	3,049	–	1.0	1,737	56.9	-1,312	1.0	1,721	56.5

- Net Sales: Same-store sales were 90.5% of Q1 FY03/21 (on a POS basis).
  - In FY03/21, net sales grew significantly due to special cash payments from the government, telework demand, and at-home demand.
    In FY03/22, the number of stores temporarily closed due to the state of emergency declaration in our existing areas increased YoY, and in June, sales of seasonal products were lackluster, resulting in a YoY decline in net sales.
- Gross Profit:
  - Grew 0.2pp on the application of the Accounting Standard for Revenue Recognition (relatively flat).
- SG&A Expenses:
  - Advertising expenses were up YoY (JPY850mn) after falling in FY03/21 due to restraint in sales promotions.
  - Temporary costs related to new store openings accounted for a JPY340mn increase (eight store relocations and openings in FY03/22 versus four in FY03/21). Amortization of goodwill related to M&A in FY03/21 was JPY120mn.

Net Sales Comparison



Sales by Product



Consolidated Balance Sheet

Consolidated Balance Sheet Indicators

Million Yen	Q1 FY03/22		
	FY03/21 (end-March)	FY03/22	YoY Change
Current Assets	192,549	188,355	-4,194
Non-Current Assets	193,875	193,446	-428
Property, Plant, and Equipment	125,864	126,911	1,047
Intangible Assets	12,050	11,540	-510
Total Assets	386,425	381,802	-4,622

Million Yen, %	Q1 FY03/22		
	FY03/21 (end-March)	FY03/22	YoY Change
Current Liabilities	103,798	108,248	4,450
Non-Current Liabilities	88,785	78,254	-10,531
Net Assets	193,841	195,299	1,457
Shareholders' Equity Ratio	50.2	51.2	+1.0pp
Total Liabilities and Net Assets	386,425	381,802	-4,622

- Current Assets: -JPY4.19bn
  - Cash and Cash Equivalents: -JPY29.2bn (decline in sales and investment in store openings)
  - Products: +JPY26.8bn (early business talks and securing products to handle the shortage of semiconductors and busy summer period)
  - Inventory turnover: 5.9 times (Q1 FY03/21: 7.1 times)
- Current Liabilities: +JPY4.45bn
  - Contract Liabilities: +JPY26.1bn (application of the Accounting Standard for Revenue Recognition)
- Non-Current Liabilities: -JPY10.5bn
  - Provision for product warranties: -JPY10.3bn (transferred to contract liabilities [current liabilities] under the Accounting Standard for Revenue Recognition)
- Shareholders' Equity Ratio: 50.2 % in FY03/21 to 51.2% in FY03/22

Store Openings, Relocations, and Closures

Q1 FY03/22		
Prefecture	Openings	Month
Osaka	Aeon Mall Ibaraki	April
Osaka	Kishiwada	April
Kyoto	Kyoto Shijo-Kawaramachi	May
Aichi	Aeon Mall Aratamabashi	May
Wakayama	Wakayama Kano	June
Osaka	Matsuzakaya Takatsuki	June
Fukuoka	Across Mall Kasuga	June

Q1 FY03/22		
Prefecture	Relocations	Month
Hyogo	Aeon Sanda Woody Town	April

Kyoto Shijo-Kawaramachi store opened as an urban-format store (soft opening in May 12 due to the state of emergency declaration followed by a grand opening on June 25)

- Opened a total of 15 stores including seven Edion-owned chain stores and eight franchise stores (one franchise store closed)
- Total group stores: 1,201 (as of end-June 2021)
- Floor space: 21,330sqm (+2.0% versus end-FY03/21)

Consolidated Earnings Forecast

Million Yen, %	1H FY03/22			2H FY03/22			Full-Year FY03/22		
	% of Sales	Plan	% of 1H FY03/21	% of Sales	Plan	% of 2H FY03/21	% of Sales	Plan	% of FY03/21
Net Sales	100.0	375,000	98.0	100.0	380,000	98.6	100.0	755,000	98.3
Operating Profit	3.6	13,500	80.9	2.6	10,000	99.1	3.1	23,500	87.7
Ordinary Profit	3.6	13,700	82.1	2.7	10,300	92.5	3.2	24,000	86.3
Profit Attributable to Owners of the Parent	2.4	9,200	88.5	1.3	5,000	80.2	1.9	14,200	85.4

Note: Unchanged from figures given in FY03/21 earnings report

- Same-Store Sales (% of FY03/21)
  1H: 98.1%, 2H: 97.8%, Full-year: 97.5%

- Operating Profit
- We anticipate a flat gross profit margin YoY.
- We expect SG&A expenses to be affected by restraint in sales promotions in FY03/21 and COVID-related losses booked under extraordinary losses in FY03/21.
- In FY03/21, we saw a decrease in expenses due to the reclassification of losses related to the COVID pandemic and a decrease in advertising expenses due to restraint in sales promotions.
- Despite the opening of large stores in FY03/22, we plan to maintain SG&A expenses at the same level as in FY03/21 by controlling expenses.

Home Electronics (Forecast of Domestic Home Electronics Demand Remains Bullish)

- Up to 93 stores have completely suspended operations, 16 have suspended operations on Saturday and Sunday, and 126 sores have shortened operating hours

- Continued strong at-home demand despite special demand in FY03/21 associated with special cash payments
  Seasonal products expected to grow due to hot weather across Japan after the end of the rainy season

Home Improvement (Market Expected to Grow to ¥7 trillion)

- Ranked ninth in the home improvement market
- FY03/21 (April 2020–March 2021) home improvement market forecast at ¥6.7 trillion (+1.6% YoY)
  (Market trends from April to June: Monthly figures from preowned detached houses in Edion's core areas were up YoY)
- Proposals of EV home charging stands and batteries in anticipation of the spread of next-generation automobiles (EV and PHV)
  Strengthen sales of solar power systems to spread renewable energy

E-Commerce (Market Growth)

- E-commerce sales as a percentage of Q1 FY03/21: 117.0%

*E-commerce market including for home appliances, Audio-Visual equipment, PCs, and peripheral products grew from JPY1.9tn to JPY2.3tn.

Source: E-Commerce Market Survey (METI, July 30, 2021)

Highlights

Financial

- **Decided to implement share buybacks (June 29, 2021; upper limit: JPY6.0bn)**

Non-Financial

- **Established the Sustainability Promotion Section; began selection of key issues**
- **Company-affiliate athletes made appearances in international competitions**
- **Endorsed recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)**

Disclaimer

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