EDION Corporation Analyst Meeting
1H FY03/22

November 10, 2021

1H FY03/22 Overview

■ **Earnings summary**

- Net Sales: JPY348.7bn; 91.2% of 1H FY03/21; JPY26.2bn below initial forecast
- Operating Profit: JPY10.0bn; 60.0% of 1H FY03/21; JPY3.5bn below initial forecast
- Ordinary Profit: JPY11.2bn; 67.1% of 1H FY03/21; JPY2.5bn below initial forecast
- Profit Attributable to Owners of the Parent: JPY7.6bn; 73.2% of 1H FY03/21; JPY1.6bn below initial forecast

■ **Topics**

- A maximum of 93 stores closed temporarily due to the state of emergency declaration (April to June)
- Began accepting Rakuten Points on April 1
- Opened large Kyoto Shijo Kawaramachi store (postponed from April 29 to May 12, no sales until June 25)
- Seasonal products performed poorly due to abnormal weather such as the dry rainy season in June and extended rains in August
- Commenced share buybacks on July 1
- Three members of Edion's women's track and field club and one member of Edion's archery club made appearances at the Tokyo Olympics
- Began accepting EDION e-smart reservations on August 30
- Reorganization with the establishment of the GS Sales Department, which specializes in large stores (September 1)

Contents

1H FY03/22 Results

Consolidated Statements of Income

Before Application of the Accounting Standard for Revenue Recognition (Reference)

Million yen, %	1H FY03/21			1H FY03/22				1H FY03/22 (Before Application of the Accounting Standard for Revenue Recognition, Reference)		
	% of Sales	Results	% of 1H FY03/20	% of Sales	Results	% of 1H FY03/21	YoY Change	% of Sales	Results	% of 1H FY03/21
Net Sales	**100.0**	**382,629**	**96.4**	**100.0**	**348,768**	**91.2**	**-33,860**	**100.0**	**360,226**	**94.1**
Gross Profit	30.1	115,334	98.8	30.4	106,114	92.0	-9,220	30.3	109,110	94.6
SG&A Expenses	25.7	98,639	93.1	27.5	96,104	97.4	-2,535	27.5	99,134	100.5
Advertising and Selling Expenses	7.4	28,400	82.6	6.9	24,163	85.0	-4,236	7.5	27,193	95.7
Personnel Expenses	10.1	38,943	98.6	11.4	39,790	102.1	846	11.0	39,790	102.1
Equipment Costs and Administrative Expenses	6.7	25,937	97.2	7.5	26,438	101.1	500	7.3	26,438	101.9
Depreciation	1.4	5,357	99.5	1.6	5,712	110.7	354	1.5	5,712	106.6
Operating Profit	**4.3**	**16,695**	**155.1**	**2.8**	**10,010**	**60.0**	**-6,685**	**2.7**	**9,975**	**59.7**
Non-Operating Income	0.1	596	42.9	0.4	1,739	291.7	1,143	0.4	1,739	291.7
Non-Operating Expenses	0.1	610	266.6	0.1	548	89.8	-61	0.1	548	89.8
Ordinary Profit	**4.3**	**16,681**	**139.9**	**3.2**	**11,200**	**67.1**	**-5,480**	**3.1**	**11,166**	**66.9**
Extraordinary Income	0.0	24	49.3	0.0	276	1,134.2	252	0.0	276	1,134.2
Extraordinary Losses	0.2	1,105	332.9	0.0	283	25.6	-822	0.0	283	25.6
Profit before Income Taxes	4.0	15,599	134.0	3.2	11,194	71.7	-4,405	3.1	11,160	71.5
Total Income Taxes	1.3	5,204	219.0	1.0	3,587	68.9	-1,616	0.9	3,564	68.4
Profit Attributable to Owners of the Parent	**2.7**	**10,395**	**112.2**	**2.1**	**7,606**	**73.2**	**-2,788**	**2.1**	**7,595**	**73.0**

Results Summary

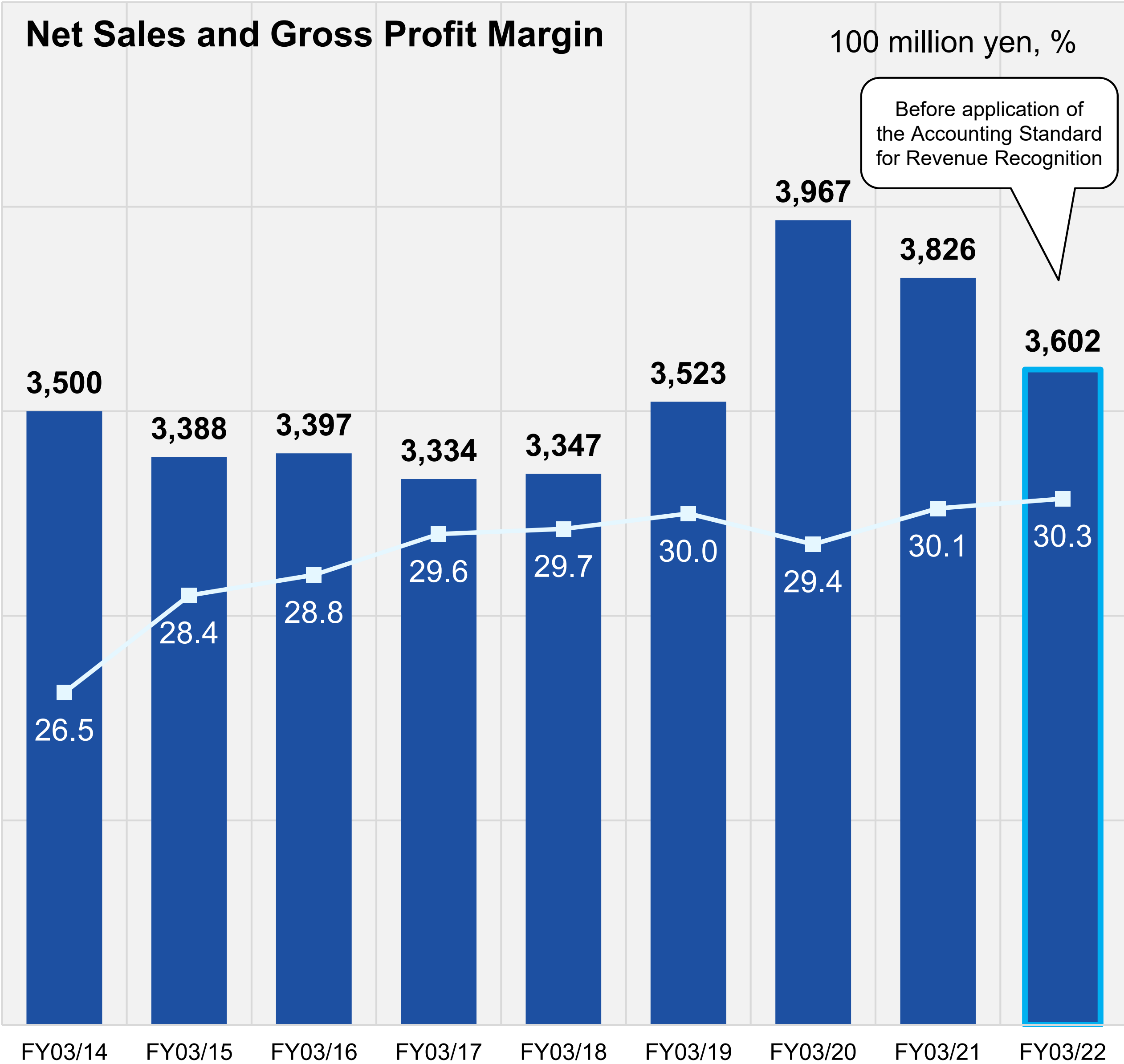
Net Sales

- 1H FY03/21 sales: JPY382.6bn; 1H FY03/22 sales: JPY348.7bn; Change YoY: -JPY33.8bn (91.2% of FY03/21; accounting policy changes accounted for -JPY11.4bn)
- Same-store sales were 90.1% of FY03/21 (on a POS basis; includes orders)
  - ➢ Sales were up in FY03/21 due to special cash payments from the government, telework demand, and at-home demand
  - ➢ Sales in FY03/22 were affected by temporary store closures due to the state of emergency declaration in Q1
    In Q2, sales of seasonal products such as air conditioners struggled, affected by extended rains and other factors (lower sales for air conditioners to the tune of -JPY8.5bn YoY)
  - ➢ Home Improvement sales grew steadily, with sales amounting to 110.7% of FY03/21 sales.

Profits

- Gross profit margin in 1H FY03/21: 30.14%; in 1H FY03/22: 30.43%; Change YoY: +0.29pp (a 0.15pp improvement adjusting for the effects of changes in accounting policy)
  - ➢ Gross profit margin improved 0.14pp on the application of the Accounting Standard for Revenue Recognition
  - ➢ Lower sales pushed down gross profit by JPY10.2bn; A higher gross profit margin increased gross profit by JPY980mn
- SG&A Expenses in FY03/21: JPY98.6bn; in FY03/22: JPY96.1bn; Change YoY: -JPY2.5bn (-JPY3.0bn due to the effect of changes in accounting policy)
  - ➢ Advertising and Selling Expenses: -JPY4.2bn (-JPY3.0bn due to the effects of changes in accounting policy)
  - ➢ Personnel Expenses: +JPY840mn (JPY480mn booked under extraordinary losses in FY03/21)
  - ➢ Equipment Costs and Administrative Expenses: +JPY500mn (one-time depreciation for consumables for store openings: +240mn)
  - ➢ Depreciation: +JPY350mn (goodwill amortization: +JPY160mn; leasing, etc.: JPY160mn)
- Non-operating Income
  - ➢ Subsidy Income: JPY980mn (large-scale facility cooperation subsidy [temporary closure, shortening hours])
- Extraordinary Losses
  - ➢ COVID-related losses in FY03/21: JPY580mn; in FY03/22: JPY40mn; Change YoY: -JPY540mn

1H Earnings Trends



1H FY03/20: Rush demand due to the consumption tax hike (8% to 10%)
1H FY03/21: Special cash payments from the government, at-home demand, and other factors

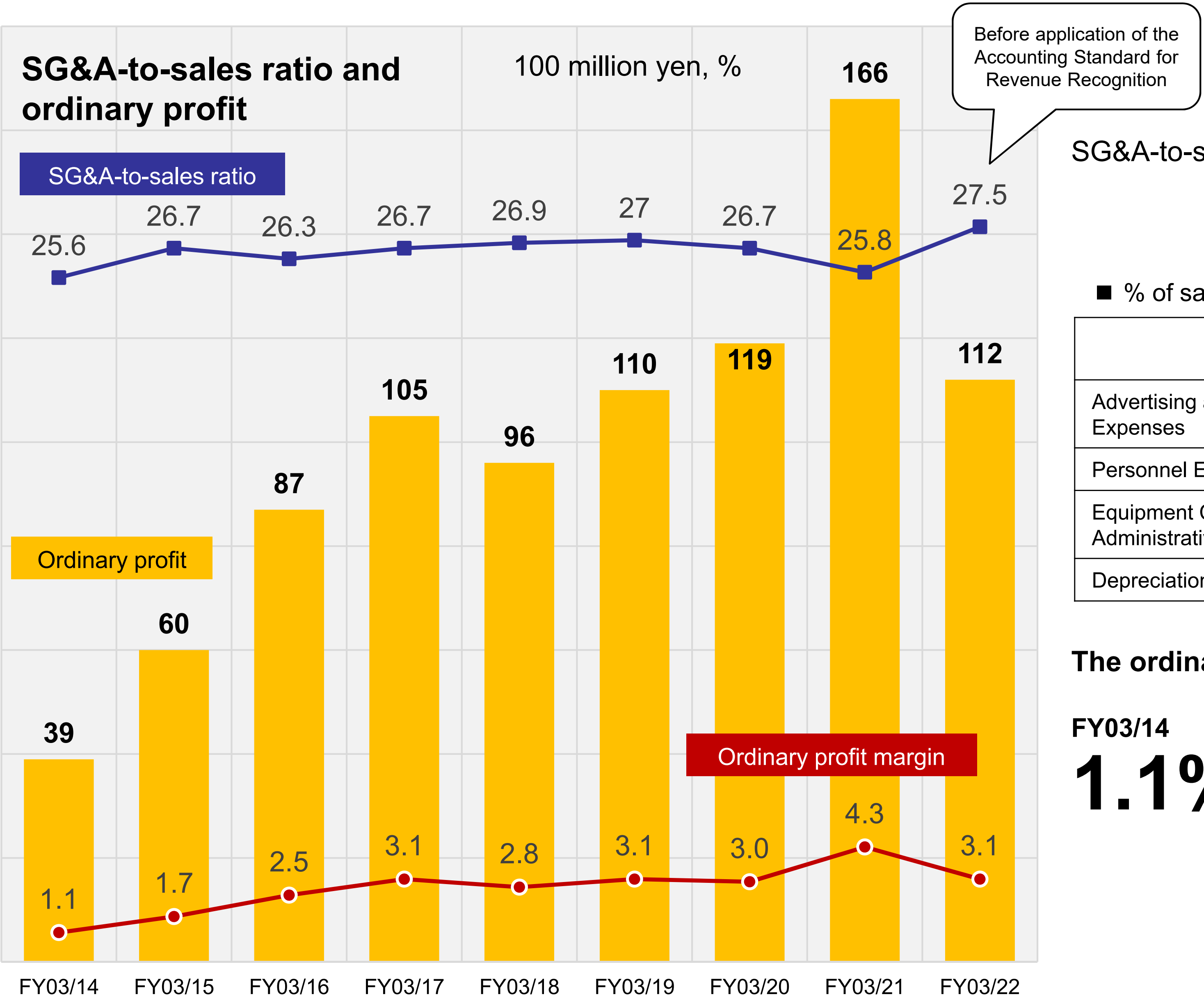
1H FY03/22
Calls for temporary closures affected up to 93 stores (April to June).

Gross profit margin at an all-time high

FY03/19		**FY03/22**
30.0%	➡	**30.3%**

Improvement in the gross margins of TVs, washing machines, and PCs contributed.

Q2 Earnings Trends



SG&A-to-sales ratio: 27.5% (up 1.7pp YoY)

Pre-application of the Accounting Standard for Revenue Recognition

■ % of sales

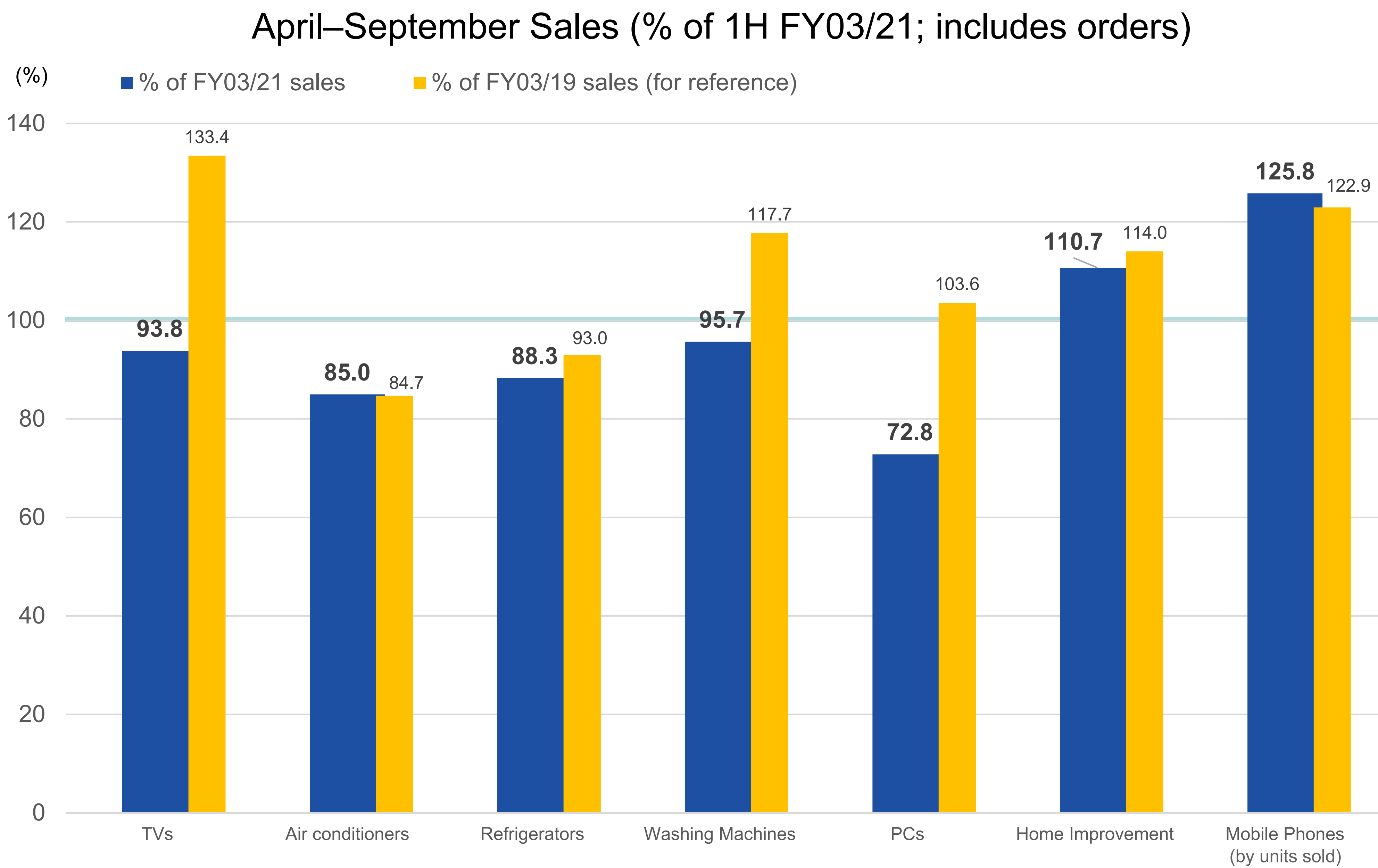
	1H FY03/21	1H FY03/22	YoY Change
Advertising and Selling Expenses	7.4	7.5	+0.13
Personnel Expenses	10.1	11.0	+0.87
Equipment Costs and Administrative Expenses	6.7	7.3	+0.56
Depreciation	1.4	1.5	+0.19

The ordinary profit margin shows stable growth

FY03/14 → **FY03/22**

1.1% ➡ 3.1%

Sales by Product



Consolidated Balance Sheet

Million yen	End-March 2021	End-September 2021	YoY Change
Current Assets	192,549	172,159	-20,390
Property, Plant, and Equipment	125,864	126,238	+374
Intangible Assets	12,050	11,211	-839
Investments and Other Assets	55,960	52,800	-3,160
Non-Current Assets	193,875	190,250	-3,625
Total Assets	**386,425**	**362,409**	**-24,016**

Million yen, %	End-March 2021	End-September 2021	YoY Change
Current Liabilities	103,798	86,557	-17,241
Non-Current Liabilities	88,785	77,709	-11,076
Total Liabilities	**192,583**	**164,267**	**-28,316**
Net Assets	193,841	198,141	+4,300
Total Liabilities and Net Assets	**386,425**	**362,409**	**-24,016**

Shareholders' Equity Ratio	**50.2**	**54.7**	**+4.5**

Current Assets: -JPY20.3bn

Cash and deposits: -JPY25.3bn

Merchandise and finished goods: +JPY9.6bn

Other: -JPY4.6bn

Non-current Assets: -JPY3.6bn

Property, plant, and equipment: +JPY370mn

Intangible assets: -JPY830mn

Investments and other assets: -JPY3.16bn

  Deferred tax assets: -JPY3.79bn

  Other: +JPY640mn

Current Liabilities: -JPY17.2bn

Accounts payable - trade: -JPY7.1bn

Provision for bonuses: -JPY1.8bn

Provision for point card certificates: -JPY9.0bn

Contract liabilities: +JPY26.6bn

Other: -JPY25.9bn

Non-Current Liabilities: -JPY11.0bn

Provision for product warranties: -JPY10.3bn

Other: -JPY700mn

Opened 10 Stores in 1H (Edion-owned chain stores)

- Opened a total of 19 stores including 10 Edion-owned chain stores and nine franchise stores (three Edion-owned chain stores and four franchise stores closed)
- Total group stores: 1,199 (including 755 franchise stores)
- Floor space of Edion-owned chain stores: +18,783sqm (+1.8%) versus end-FY03/21

As of end-September 2021

■ Openings of Edion-owned chain stores

	Month	Prefecture	Openings
1	April	Osaka	Aeon Mall Ibaraki
2		Osaka	Kishiwada
3	May	Kyoto	Kyoto Shijo Kawaramachi
4		Aichi	Aeon Mall Aratamabashi
5	June	Wakayama	Wakayama Kano
6		Osaka	Matsuzakaya Takatsuki
7		Fukuoka	Across Mall Kasuga
8	September	Osaka	Viva Mall Mihara Minami IC

In addition to the above, we also opened two Docomo shops

■ Relocations

	Month	Prefecture	Before Relocation	Relocated to
1	April	Hyogo	Sanda Woody Town	Aeon Sanda Woody Town
2	September	Kyoto	Katsuraminami	Aeon Rakunan

■ Closures

	Month	Prefecture	Before Relocation
1	July	Aichi	TSUTAYA Okazaki Tosakicho
2	August	Aichi	Komaki IC
3	September	Gifu	TSUTAYA Mizunami

(Closed to prepare for relocation)

FY03/22 Earnings Forecast and Key Initiatives

Consolidated Earnings Forecast

Million yen, %	1H			2H				Full-Year			
	% of Sales	Results	% of 1H FY03/21	Initial Forecast	**% of Sales**	**Revised Forecast**	% of 2H FY03/21	Initial Forecast	**% of Sales**	**Revised Forecast**	% of FY03/21
Net Sales	100.0	348,768	92.0	380,000	**100.0**	**366,232**	**95.0**	755,000	**100.0**	**715,000**	**93.1**
Operating Profit	2.8	10,010	60.0	10,000	**2.4**	**8,890**	**88.1**	23,500	**2.6**	**18,900**	**70.6**
Ordinary Profit	3.2	11,200	67.1	10,300	**2.6**	**9,800**	**88.1**	24,000	**2.9**	**21,000**	**75.5**
Profit Attributable to Owners of the Parent	2.1	7,606	73.2	5,000	**1.4**	**5,194**	**78.5**	14,200	**1.7**	**12,500**	**75.1**

- Net Sales: We forecast same-store sales to be 92.8% of those in 2H FY03/21.
- Gross Profit Margin: We expect the gross profit margin to be flat YoY.
- We expect 2H FY03/22 results to be affected by changes in accounting policy as follows.

  Net Sales: -JPY10.3bn

  Gross Profit: -JPY2.2bn

  SG&A Expenses: -JPY2.2bn

Planned Store Openings

New Store Openings (Plan; Edion-Owned Chain Stores)

		New Openings	Relocations and Renovations	Closures	YoY Change	End-of-Period Store Count
FY03/21 Results	Full-Year Results	8	1	4	+4	437
FY03/22	1H Results	8	2	1	+7	444
	2H Plan	6	1	–	+6	450
	Full-Year Plan	14	3	1	+13	450

October 1 opening of the Komaki store (concept image)

2H Store Opening Plan

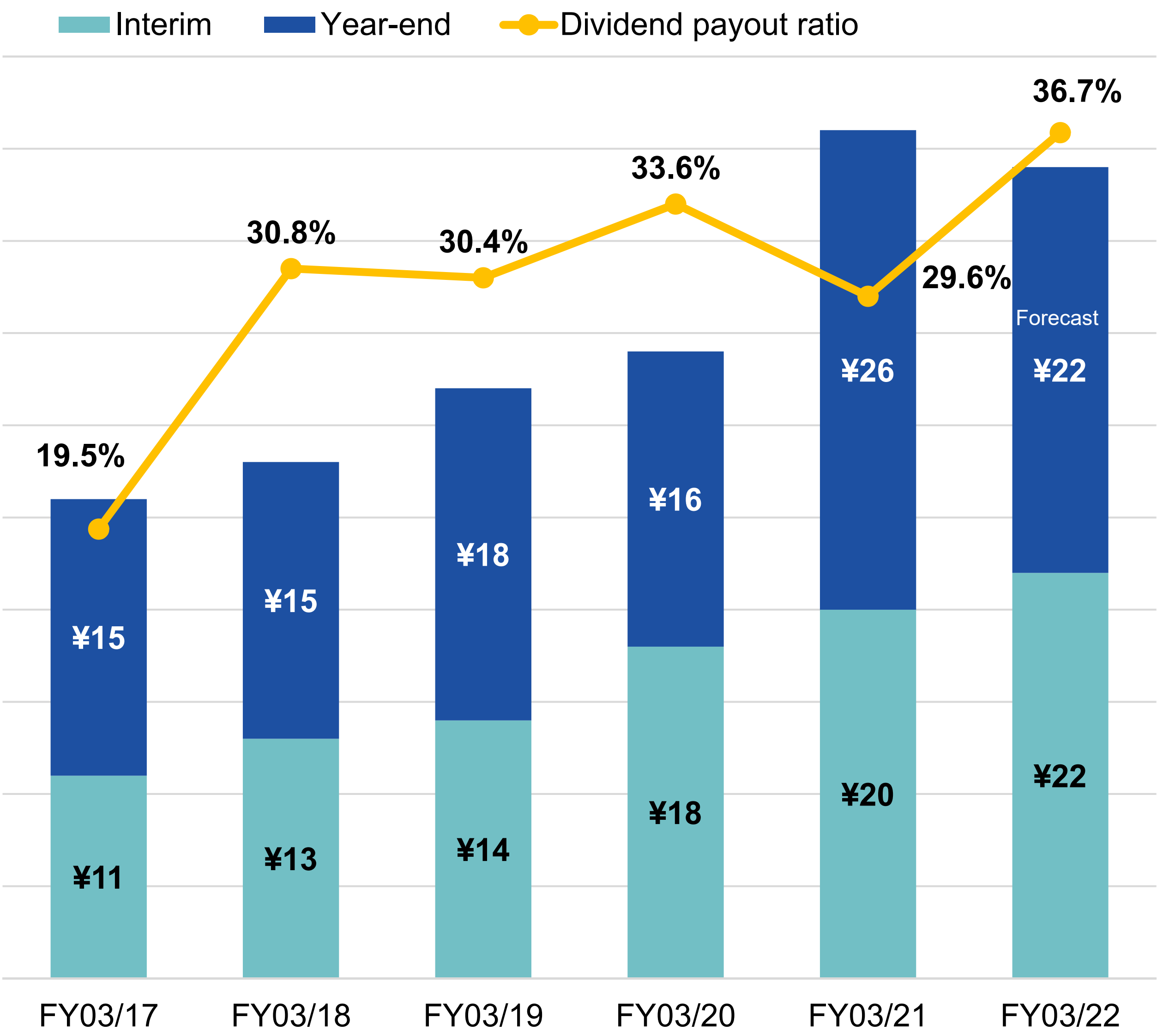
Edion Komaki (Aichi) in October
Edion Takabarihara (Aichi) in October
Aeon Mall Yahatahigashi (Fukuoka) in November
Three other stores

Six stores in total

Relocations: one store

Shareholder Returns

Dividends



Concerning the Acquisition of Treasury Shares

1. Reason for acquiring treasury shares
To further return profits to shareholders and implement a flexible capital policy by improving capital efficiency

2. Details concerning the acquisition of treasury shares

i. Type of shares to be acquired: Common stock
ii. Total number of shares to be acquired: 5,000,000 shares (upper limit)
iii. Total acquisition cost: JPY6.0bn (upper limit)
iv. Acquisition period: July 1, 2021 through December 31, 2021
v. Method of acquisition: Market purchase on the Tokyo Stock Exchange

Progress of Acquisitions As of October 31, 2021

	Shares acquired	Total cost	Average price
Jul.	1,002,500	JPY1.1bn	JPY1,100
Aug.	1,371,800	JPY1.45bn	JPY1,060
Sep.	669,400	JPY720mn	JPY1,081
Oct.	931,200	JPY1.0bn	JPY1,076
Total	**3,974,900**	**JPY4.28bn**	**JPY1,077**
Progress	**79.5%**	**71.4%**	

Strengthen Development of Original Products and Private Brand Products

■ Unify Brands

Original products

Private brand products

Gradual unification of brands

くらしを、新しい 角度から。

% of sales of private brand products

24.2%
in FY03/21

Target of **35.0%**
by FY03/26

■ Reflect feedback from various stakeholders into product development

- Customer Voices
- Employee Voices
- Shareholder Voices
- Partner Voices

Private brand products

Planning and development by Edion

Original products

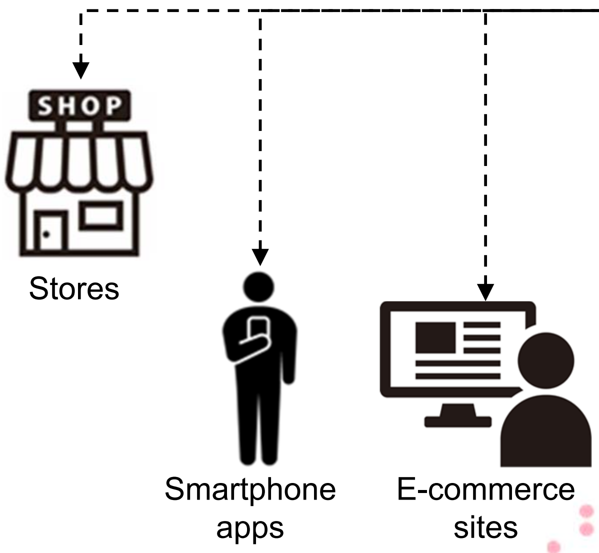
Joint development with manufacturers

Washing machine with automatic detergent loading function

Quantum dot TV released August 2021

Accelerating the creation of an environment that enhances convenience and services, placing the customer first

Promote the shift to cloud computing starting with core systems



- Electronic pricing for all stores (to be completed next fiscal year)
- Renewal of the e-commerce site to make it easier to make purchases and more convenient to use
- Strengthen marketing using the EDION App and CRM

Corporate Message

Safe and Reliable Products, Long-Term Satisfaction

Customer service reservations

Service started
in September

Reliable customer service even when buying in bulk

Replacement support

Service started
in September

Support options outside of warranties

Existing areas to be strengthened

New areas to be strengthened

Concept-focused home improvement

Home improvement toward a change in lifestyle

Strengthen design capabilities (including consideration of M&A and capital tie-ups)

DIY
Home Improvement

Involving smaller-scale construction work

Involving larger-scale construction work

Wet Area Renovation Pack

Painting of Exterior Walls & Roofs

Respond to demand for diversification of packaged products

Petit de Refo
One-Day Renovation
Water Heater

Repair

Exterior

Replacing old products and fixtures with new ones

Home improvement through exchanging products

EDION

Established a Sustainability Promotion Section within the Corporate Planning Department (July 2021)

We will improve our corporate sustainability by giving consideration to the sustainability of the global environment, society, and economic activities.

SUSTAINABLE DEVELOPMENT GOALS

Information disclosure in line with TCFD recommendations

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Promote consideration of the risks of climate change and its impact on business, and disclose information appropriately.

Social contribution activities

Paralym Art PLATINUM PARTNERS
障がい者アートを応援しています

Support for the independence of people with disabilities

Donation to COVID-19 treatment facilities

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EDION

November 10, 2021