EDION Corporation Analyst Meeting FY03/22

May 10, 2022

1. FY03/22 Results Announcement

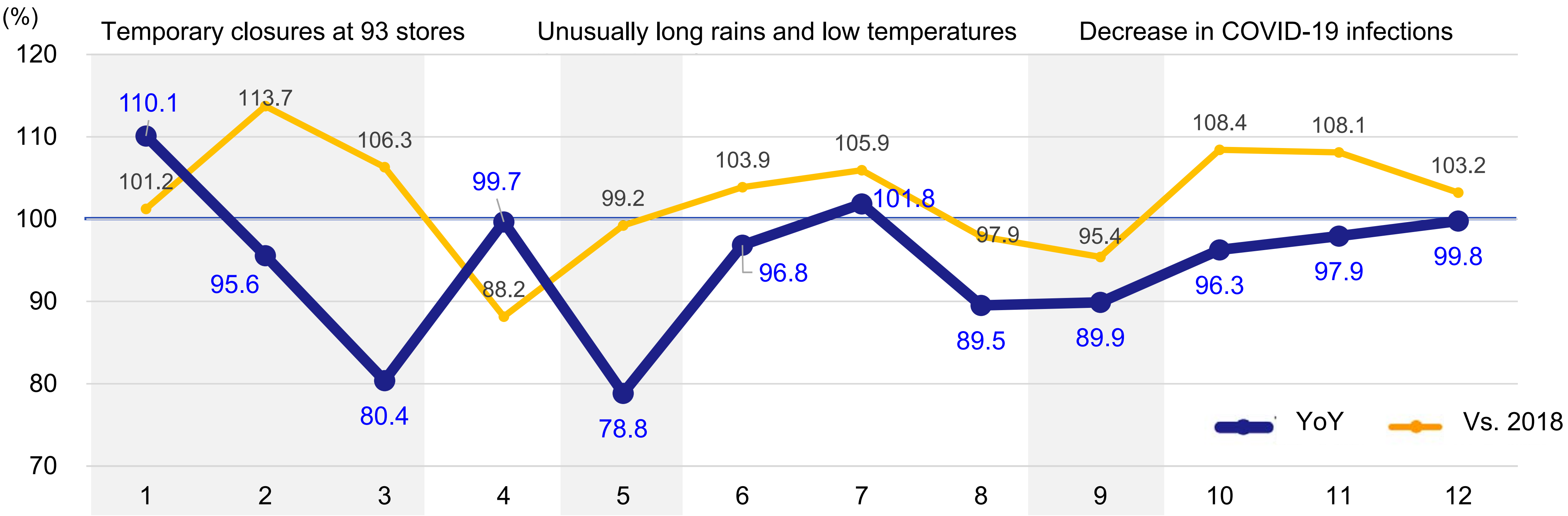
2. FY03/23 Earning Forecast

3. Key Topics

4. Medium-Term Management Vision

1. FY03/22 Results Announcement

Review of FY03/22 YoY comparisons for all stores (orders received at POS)



General Comments

YoY 93.7%
Vs. 2018 101.7%

In FY03/22, performance fell to 93.7% of its level in FY03/21 due mainly to the absence of upward impact that was previously observed in FY03/21 and stemmed primarily from special fixed benefits and stay at home demand requests issued in response to the COVID-19 pandemic; temporary closures; and exceptionally long rains. Compared to 2018, when performance was not affected by tax hikes or COVID-19, growth was 101.7%.

1H YoY 92.0%
Vs. 2018 100.8%

- April through early June: 93 temporary store closures, primarily in the Kinki area (COVID-19 response)
- May: Opened large urban store, Kyoto Shijo Kawaramachi
- August: Performance from seasonal products affected by record precipitation, low temperatures, etc.

2H YoY 95.4%
Vs. 2018 102.5%

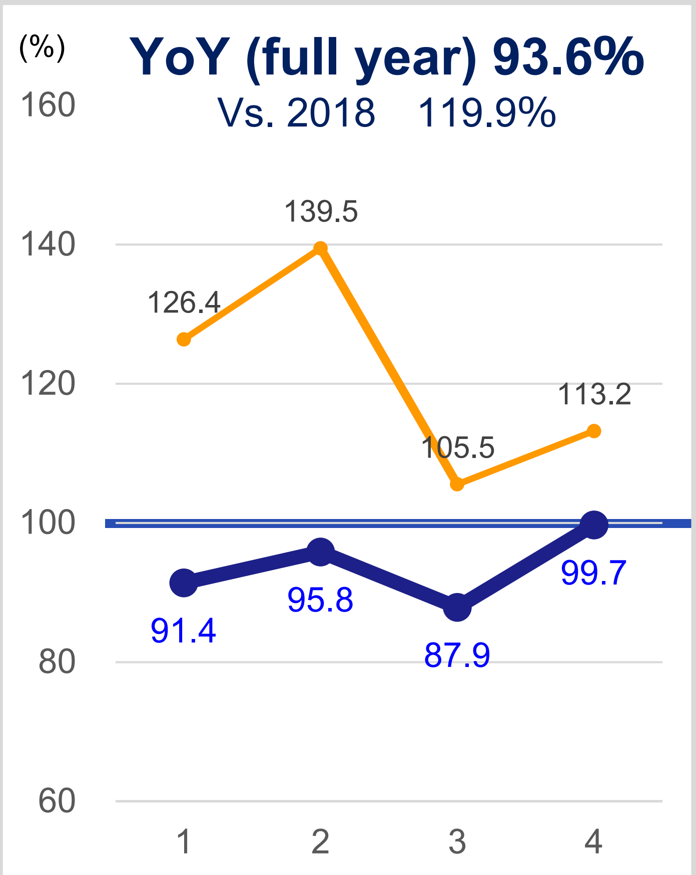
- Late November through early January: Decrease in COVID-19 infections
- December: Impact on supply of game consoles and other products associated with the year-end shopping season
- From Mid-January: Omicron variant emerges

Review of FY03/22

YoY Comparison of Orders by Product (orders acquired at POS)

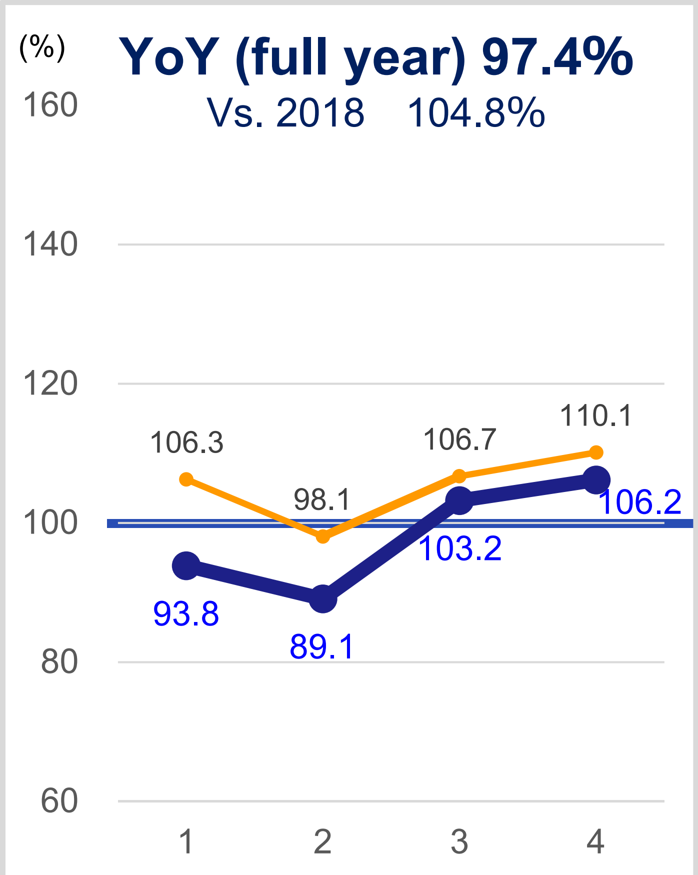
YoY　Vs. 2018

TVs

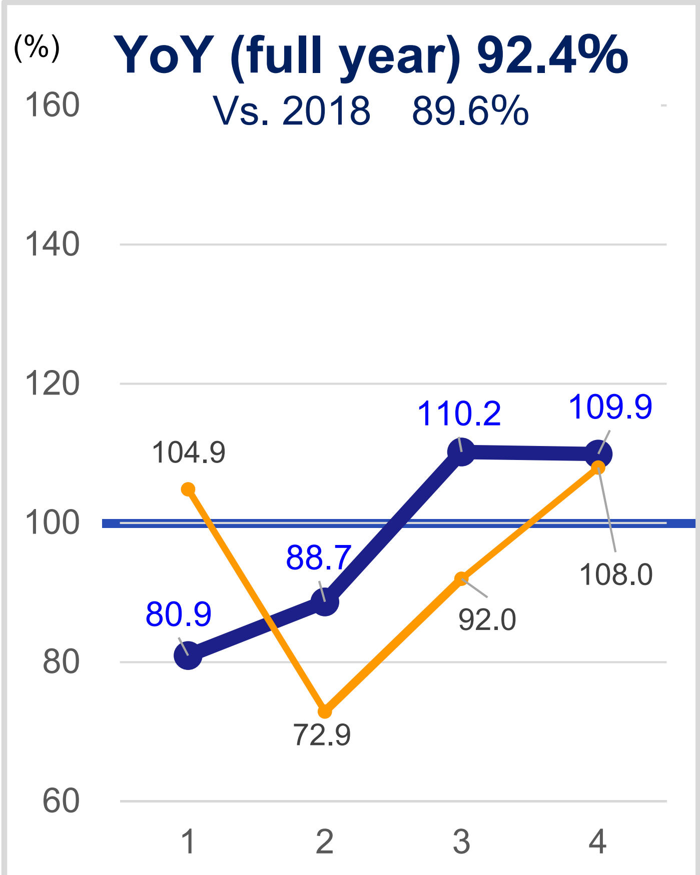


White Goods

(Refrigerators, washing machines, cleaners)



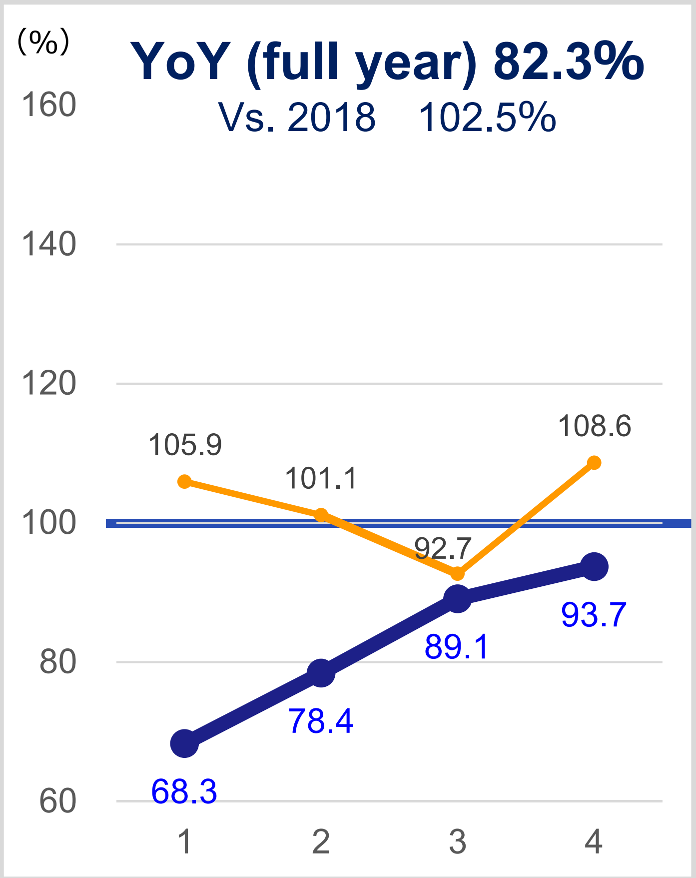
Air Conditioners



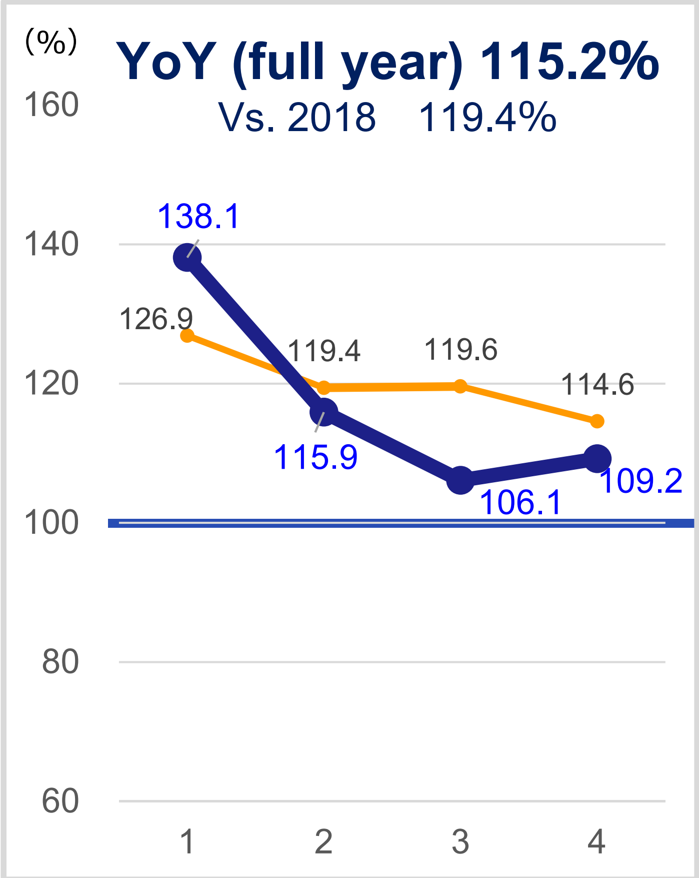
YoY Comparison of Orders by Product (orders acquired at POS)

YoY Vs. 2018

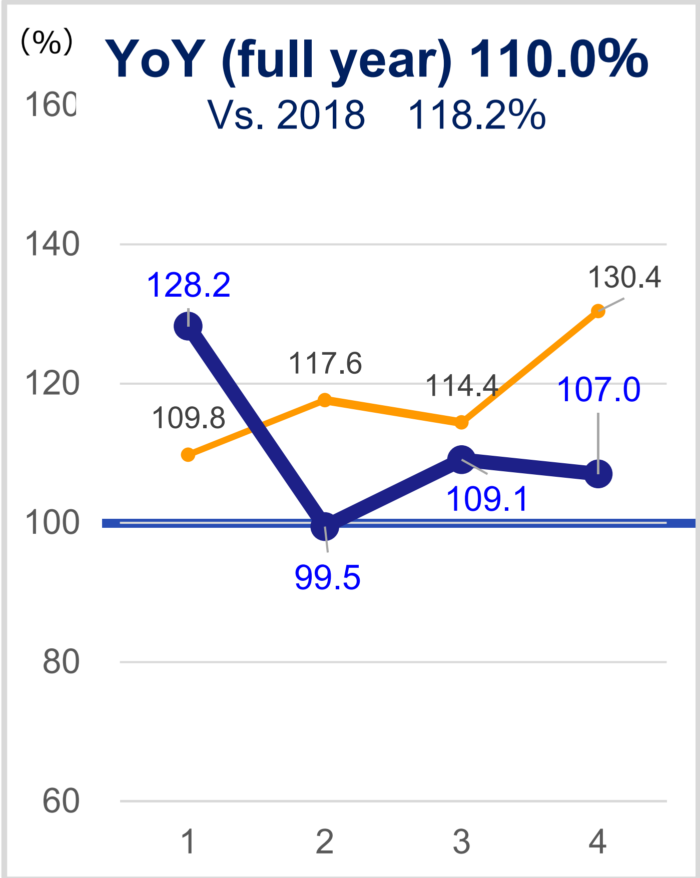
PCs



Mobile Phones (by units sold)



Home Improvement (ELS Business)

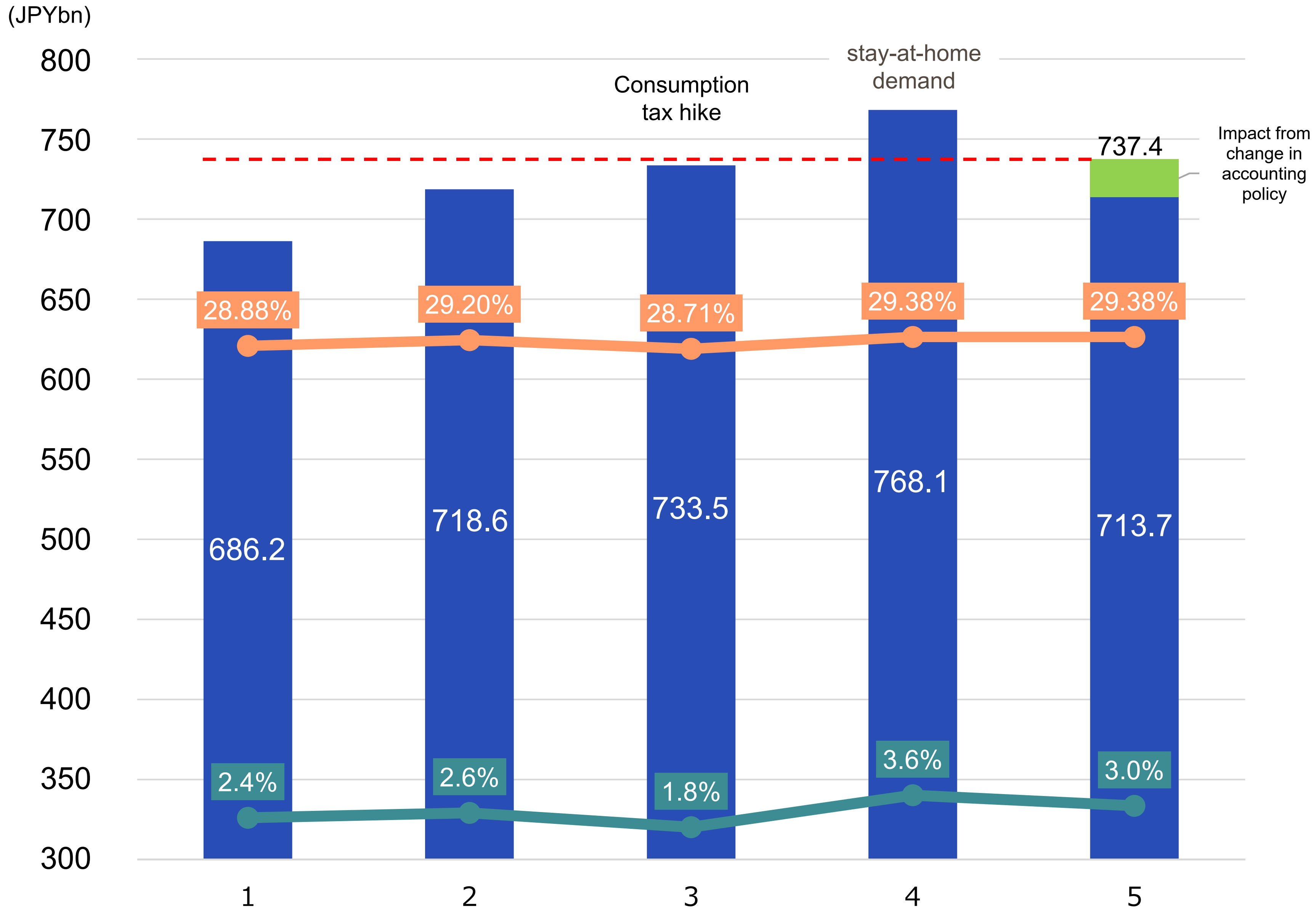


Consolidated Statements of Income

Reference: Before Application of the Accounting Standard for Revenue Recognition

Million yen, %	FY03/21			FY03/22				FY03/22 (Reference)		
	% of Sales	Results	% of Q3 FY03/20	% of Sales	Results	% of Q3 FY03/21	YoY Change	% of Sales	Results	% of Q3 FY03/21
Net Sales	100	**768,113**	104.7	100	**713,768**	92.9	**-54,345**		**737,408**	96.0
Gross Profit	29.38	**225,638**	107.1	29.38	**209,681**	92.9	**-15,957**	29.32	**216,188**	95.8
SG&A Expenses	25.9	**198,852**	100.3	26.7	**190,884**	96.0	**-7,967**	26.7	**196,781**	99.0
Advertising and Selling Expenses	7.1	54,433	96.4	6.5	46,751	85.9	-7,682	7.1	52,647	96.7
Personnel Expenses	10.4	80,098	102.2	11.2	79,877	99.7	-221	10.8	79,877	99.7
Equipment Costs and Administrative Expenses	7.0	53,760	102.6	7.4	52,561	97.8	-1,198	7.1	52,561	97.8
Depreciation	1.4	10,559	94.9	1.6	11,693	110.7	1,134	1.6	11,693	110.7
Operating Profit	3.5	**26,785**	218	2.6	**18,796**	70.2	**-7,989**	2.6	**19,407**	72.5
Non-Operating Income	0.3	**2,119**	104.7	0.5	**3,880**	183.1	1,760	0.5	**3,880**	183.1
Non-Operating Expenses	0.1	**1,094**	116.1	0.2	**1,087**	99.4	-6	0.1	**1,087**	99.4
Ordinary Profit	3.6	**27,811**	208.1	3.0	**21,589**	77.6	**-6,222**	3.0	**22,200**	79.8
Extraordinary Income	0.03	**223**	8.4	0.0	**315**	141.5	92	0.0	**315**	141.5
Extraordinary Losses	0.4	**2,761**	109.9	0.3	**2,140**	77.5	-620	0.3	**2,140**	77.5
Profit before Income Taxes	3.3	**25,273**	187.1	2.8	**19,764**	78.2	**-5,509**	2.8	**20,375**	80.6
Total Income Taxes	1.1	**8,639**	341.6	0.9	**6,655**	77.0	-1,984	0.9	**6,842**	79.2
Profit Attributable to Owners of the Parent	2.2	**16,633**	151.5	1.8	**13,109**	78.8	**-3,524**	1.8	**13,533**	81.4

Earnings



Net sales

JPY713.7bn

(Before change in accounting policy) JPY737.4bn

GPM

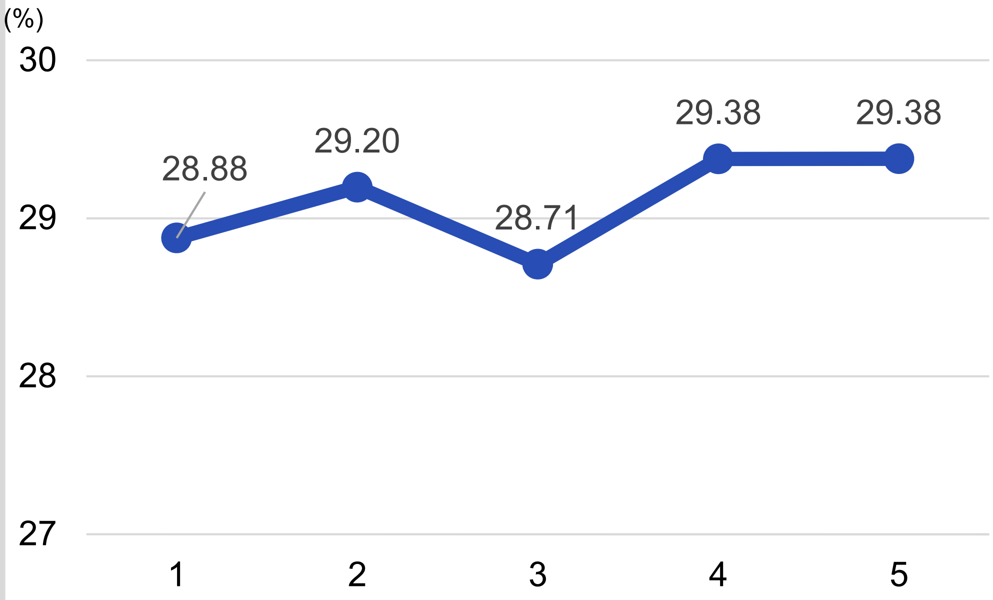
29.38%

Ordinary profit margin

3.0%

Analysis of Financial Impact (Gross profit margin and SG&A-to-sales ratio)

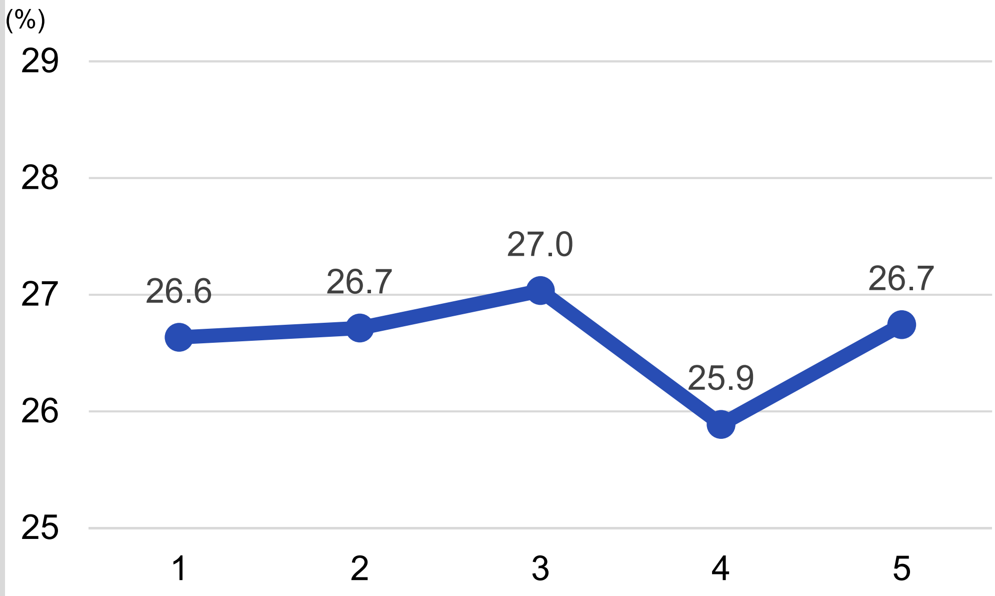
1 Gross profit margin



- GPM: 29.38% in FY03/22; 29.38% in FY03/21
  - ➢ Gross profit margin improved 0.06pp on the application of the Accounting Standard for Revenue Recognition

Observed improvement in the gross profit margins of mainstay products such as TVs, washing machines, refrigerators, and air conditioners

2 SG&A-to-sales ratio



- SG&A expenses

FY03/22: JPY190.8bn Change YoY: -JPY7.9bn
(Impact of change in accounting policy: -JPY5.89bn)

- ➢ Advertising and selling expenses: -JPY7.68bn
  (Impact of change in accounting policy: -JPY5.89bn)
- ➢ Personnel expenses -JPY220mn
  (Transfer of extraordinary losses from previous fiscal year: JPY490mn)
- ➢ Equipment costs and administrative expenses: -JPY340mn
  (System consumables: -JPY870mn, System operating expenses: JPY440mn)
- ➢ Depreciation: +JPY280mn (Electronic price leasing etc.: JPY230mn)

Consolidated Balance Sheet and Consolidated Statements of Cash Flows

Consolidated Balance Sheet

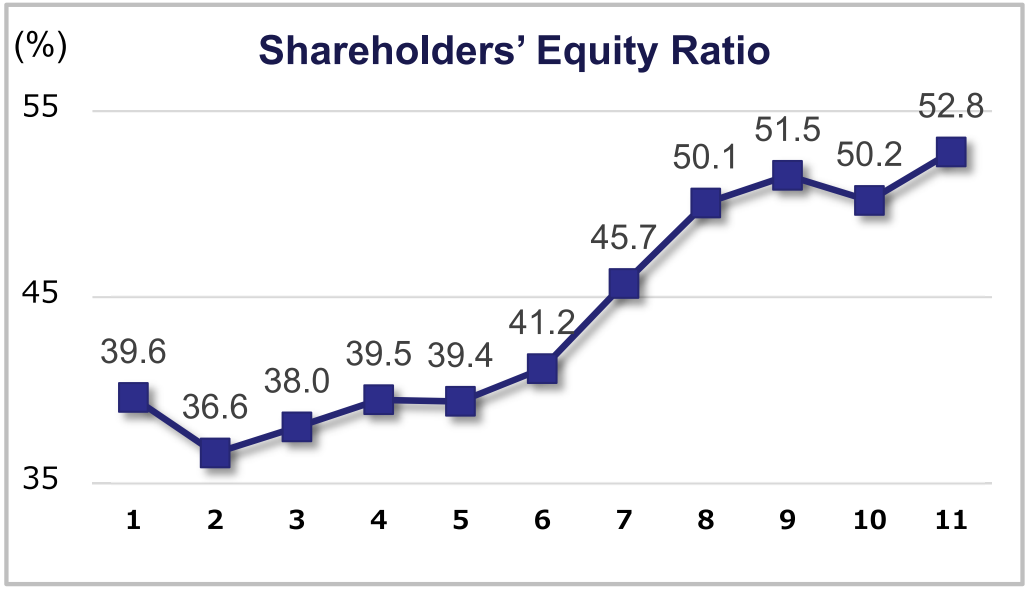
(Million yen)

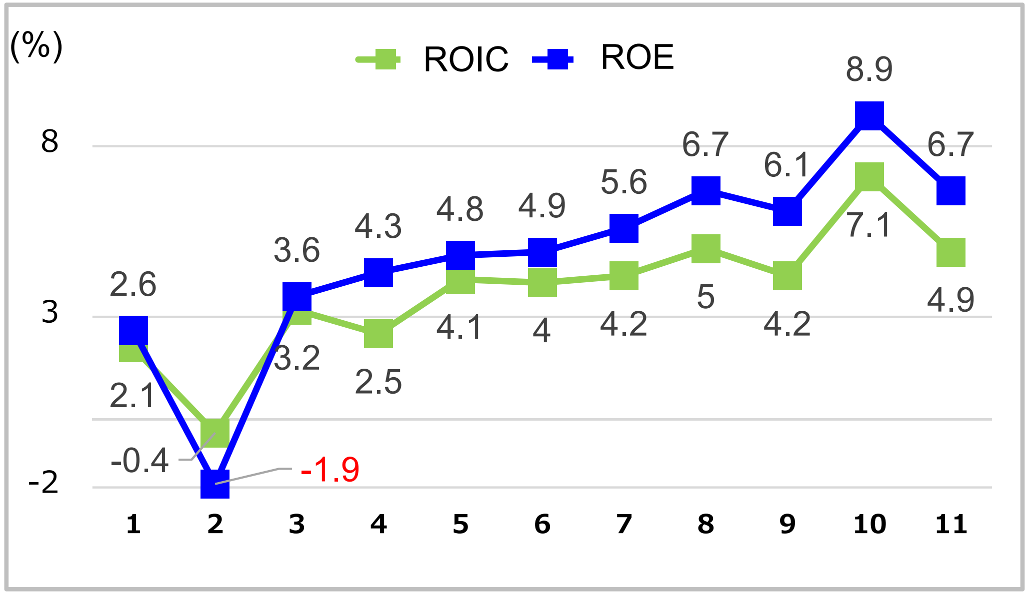
	End-March 2021	End-March 2022	YoY Change
Current Assets	192,549	190,597	-1,952
Property, Plant, and Equipment	125,864	125,504	-359
Intangible Assets	12,050	10,169	-1,881
Investments and Other Assets	55,960	51,699	-4,261
Non-Current Assets	193,875	187,373	-6,502
Total Assets	**386,425**	**377,970**	**-8,455**
Current Liabilities	103,798	109,003	+5,204
Non-Current Liabilities	88,785	69,486	-19,299
Total Liabilities	**192,583**	**178,489**	**-14,094**
Net Assets	193,841	199,480	+5,639
Total Liabilities and Net Assets	**386,425**	**377,970**	**-8,455**

Consolidated Statements of Cash Flows

(Million yen)

	End-FY03/21	End-FY03/22
CFs from Operating Activities	42,964	10,576
CFs from Investing Activities	-7,975	-10,518
FCF	34,989	58
CFs from Financing Activities	-7,891	-13,245
Cash and cash equivalents at end of FY	43,072	29,885





2. FY03/23 Earning Forecast

Consolidated Earnings Forecast

Million yen, %	1H		2H		FY03/22			
	Forecast	YoY Change	Forecast	YoY Change	% of Sales	Forecast	% of Q3 FY03/21	YoY Change
Net Sales	368,000	105.5	368,000	100.8	100	736,000	103.1	+22,232
Gross Profit	112,000	105.5	104,300	100.7	29.4	216,300	103.2	+6,619
SG&A Expenses	98,300	102.3	95,500	100.8	26.3	193,800	101.5	+2,915
Advertising and Selling Expenses	24,605	101.8	23,063	102.1	6.5	47,668	102.0	+916
Personnel Expenses	40,000	100.5	40,000	99.8	10.9	80,000	100.2	+123
Equipment Costs and Administrative Expenses	28,512	107.8	27,235	104.3	7.6	55,747	106.1	+3,185
Depreciation	5,183	90.7	5,202	87.0	1.4	10,385	88.8	-1,309
Operating Profit	13,700	136.9	8,800	100.2	3.1	22,500	119.7	+3,704
Ordinary Profit	13,700	122.3	8,800	84.7	3.1	22,500	104.2	+911
Profit Attributable to Owners of the Parent	9,000	118.3	5,000	90.9	1.9	14,000	106.8	+891

● Net Sales

Same-store sales vs. FY03/21: 103.2% in 1H, 100% in 2H, and 101.5% for the full year

Five new stores and three stores relocated or remodeled

● Gross Profit Margin Result projected to be level in comparison with FY03/21

● Ordinary profit: Subsidy income of JPY2.4bn recorded in FY03/21; a YoY decline in ordinary profit is projected for 2H

Store openings, relocations, and closings (actual and planned)

(stores)		New openings	Relocations and Renovations	Closures	YoY Change	End-of-Period Store Count
FY03/21 Results	**Full-year**	**8**	**1**	**4**	**+4**	**437**
FY03/22 Results	1H	10 (including two non-home electronics stores)	2	3 (including two non-home electronics stores)	+7	444
	2H	6	1	1	+5	449
	Full-year	**16**	**3**	**4**	**+12**	**449**
FY03/23 Plan	**Full-year**	**5**	**3**	**0**	**+5**	**454**

EDION Group

1,202 stores

- **EDION-owned stores 449**
- **Franchise stores 753**

As of end-March 2022

3. Key Topics

On April 27, 2022, EDION concluded a capital and business alliance agreement with Nitori Holdings. By leveraging each other's management resources, EDION and Nitori Holdings will help enrich their customers' lives and achieve mutual improvement in corporate value.

Details of the business alliance consideration

1) Collaboration aimed at developing appealing stores
2) Mutual product exchange and product lineup expansion
3) Creation of synergy through the E-Commerce business
4) Mutual utilization of logistics network, installation service and after-sales service network
5) Generation of synergies through the Home Improvement and Corporate businesses

Launch of Subcommittees (PJ)

- Stores
- Products
- E-commerce
- Logistics services
- Home improvement
- Corporate business, etc.

Steering Committee holds regular meetings

EDION and Nitori Holdings will strive to create new value by leveraging each other's strengths. Expect inspiring results moving forward.

■Key Topics: Sales floors development (operational efficiency and diversification)

QR codes linked to online videos

Creation of sales floors consistent with trends and seasonality

We developed QR codes as a tool that reduces and eliminates the difficulty of understanding product details from catalogs alone by providing a link to online videos that explain how these products are used and operated.

Digital Signage

Signs that are easy to read and understand

We expanded our application of bright and easy to read digital signage to include product descriptions, in-store maps, and storefront facades.

Expansion of associated products and reinforcement of the concepts focused on customer convenience

Enhanced awareness regarding the fun of viewing, discovering, and choosing products, which is unique to brick-and-mortar stores.

Modernization of in-store cameras

Reduction of missing customer service

We are striving to create proposals for the creation of trendy sales floors based on measurements of enthusiasm for, and interest in, our products while simultaneously endeavoring to enhance security.

2017 | 2019 | 2022

EDION Tsutaya Electrics
(Hiroshima Prefecture)

EDION Namba
(Osaka Prefecture)

EDION Kawasaki Daishi
(Kanagawa Prefecture)

■ Key Topics: Home Improvement Business (ELS)

Sales in FY03/22: JPY57.2bn

Expansion in sales as quality improves

(Based on preliminary orders received)

■ Home improvement market size: JPY7tn

・Projected to expand to JPY12tn in 2025

■ Response to diversifying needs

・Online consultations and customer service

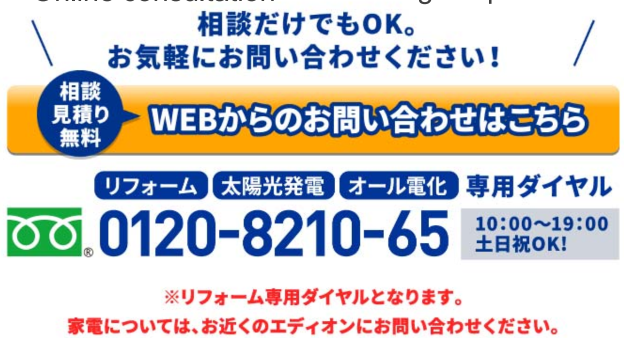
・Introduction of exterior renovation

■ EV Power Stations

・Steady growth in the rechargeable batteries for home use market

■ Expansion of support channels

・Online consultation ・Training of specialized staff



■Key Topics:
Focus on the Education Business and Local Communities

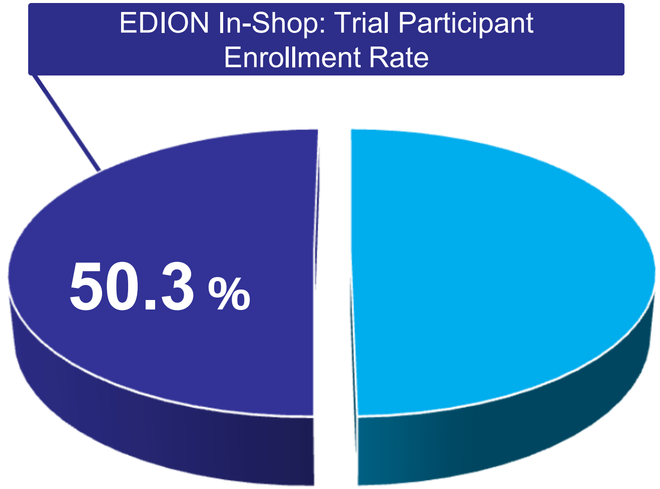
Size of the Education Market

The size of the market for children's programming education was JPY17.5bn in 2021 during the COVID-19 pandemic, up 125% compared to 2020, when programming classes in elementary schools became mandatory.
By 2025, the size of this market is projected to grow to JPY40.0bn,

EDION Kobe Kitamachi (Hyogo Prefecture)

Effective use of in-store space

Popular among families living within 30 km of the trading zones of EDION-owned stores



Number of Stores in Which the Education Business Operations Are Being Performed

143
As of end-March 2022

- ■ **EDION Academy 3 stores**
- ■ **Robo-Done 105 stores**
- ■ **STEM Academy Kids 35 stores**

EDION Hiyoshi (Kanagawa Prefecture)

Rate of household robot adoption is expanding

Size of Robot Market

The Japanese Ministry of Economy, Trade and Industry projects expansion in the market surrounding the robot industry.
Many believe that robots will soon be utilized in various areas of daily life.

Event at EDION Tsutaya Electrics (Hiroshima Prefecture)

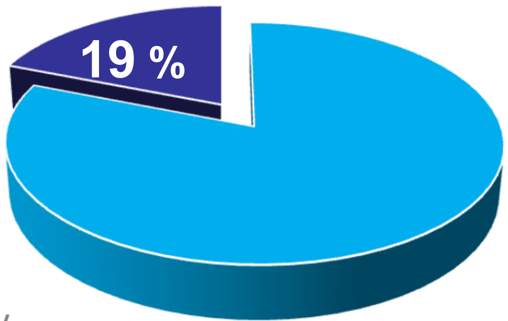
LOVOT and Romi

Introduced at large stores owned by EDION

Communication Robots

Planned stores: 26

■ **Arouse interest and appeal by providing opportunities to experience actual equipment**



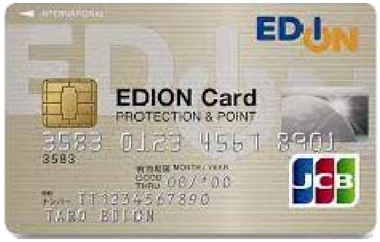
Rate of growth in event hosting
(EDION Tsutaya Electrics)

Advances in artificial intelligence have led to currently ongoing development of communication robots that can engage in conversation and exercise, participate in quizzes, or play games with people. Brain stimulation provided by communication with robots is expected to become effective in preventing dementia and defending against infirmities that confine patients to their beds.

4. Medium-Term Management Vision

Our Strengths

Anshin Hosho members
8.4 million



EDION Card members
4.8 million

App members

4.4 million

Connection with customers

Full range of services

Air conditioner cleaning
FY03/22: 190,000 units
(104.8% YoY)

Support utilizing our industry-leading warranty and repair system

Customer-first approach

Customer service and proposal capabilities

Comprehensive training system

We will leverage our strengths to develop and enhance our corporate value.

Medium-Term Management Vision and Enhancement of Three Foundational Pillars

We are building a corporate structure that evolves in response to changing market conditions.

Infrastructure

Initiatives targeting new systems

Restructuring of distribution system

Establishment of future human resource capabilities

Business

Home electronics business

ELS business

Logistics services business

Education business

Customers

Dominant enhancement

Customer touchpoints

E-commerce enhancement

Strengthening of sustainability management

Medium-Term Priority Items and Key Points

	Medium-term priority items	Key points
Infrastructure	Initiatives targeting new systems	• **Achievement of an internal production ratio of 80% through promotion of digital transformation (DX)** • **Establishment of new store system (2025)**
	Restructuring of our distribution system	• **Building of nationwide delivery construction networks** —Response to growing e-commerce demand
	Establishment of future human resource capabilities	**Creating future human resource capabilities while promoting diversity** • Review of available opportunities for post-retirement contribution. • Development of young managers • Promotion of health management • Emphasis on work-life balance • Encouragement of participation from female employees • Perpetual capacity development
Business	Home electronics business	**Discovery of new markets and launches of new products** **• Ratio of sales generated through private brand/original products: Currently 25%→Target of 35% in FY03/26**
	ELS business	**Support for our customers' lifestyles and proposals regarding ways to achieve even more comfortable lifestyles** • Enhancement of online business negotiations • Initiatives targeting new products (exterior renovation in 2022) • Sales enhancement for products contributing to decarbonized society (solar power systems)
	Logistics services business	**Strengthening and promotion of our service lineup** • Augmentation of our cleaning operations (air conditioner cleaning, etc.)
	Education business	**Becoming a company capable of contributing to the creation of Japan's future** • Franchise store expansion ・Online learning
Customers	Enhancement of our dominance strategy	Intensification of store openings aimed at achieving dominance and franchising
	Customer touchpoints	Strengthening of connections with customers through apps and other channels
Strengthening of sustainability management		Addressing of social issues and construction of a sustainable management structure

Medium-Term Targets

(JPYmn)	FY03/23 (Forecasts)		FY03/26 (Targets)
Net sales	736,000	→	810,000
Ordinary profit	22,500	→	41,000
Net income*	14,000	→	25,000
Ordinary profit margin	3.05%	→	5%
ROE	6.6%	→	At least 10%
ROIC	5.6%	→	At least 10%

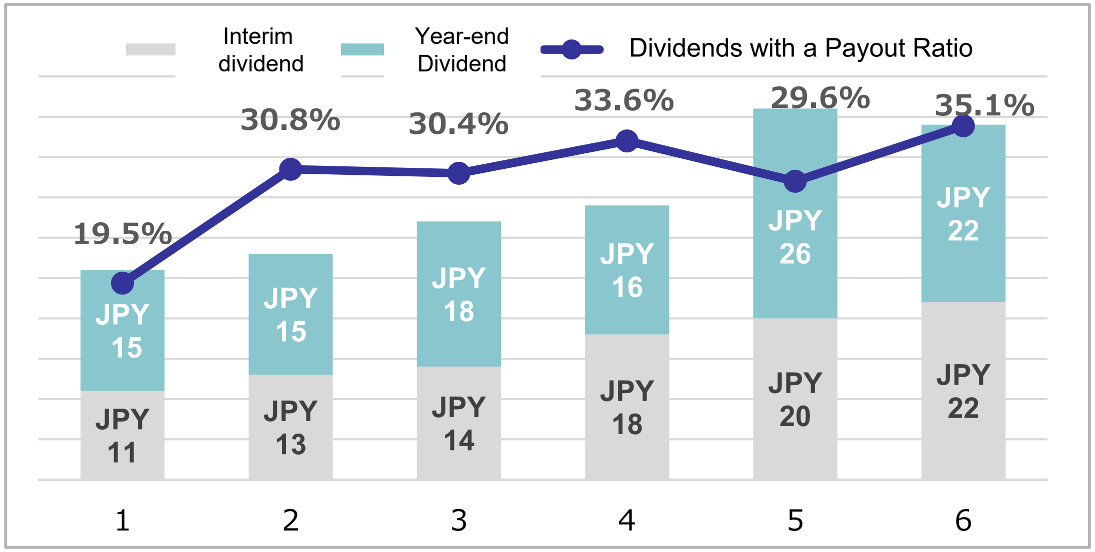
*"Net income" refers to profit attributable to owners of the parent

Dividends and Share Prices

While striving to improve capital efficiency, as measured through ROIC growth, we will focus on maintaining a sound and stable balance sheet.

1. Dividend Policy
EDION recognizes the return of profits to shareholders as an important management issue. Accordingly, we maintain a basic dividend policy of providing stable dividends with a payout ratio of at least 30% while comprehensively considering relevant factors such as business performance and our operating environment.

2. Share Buybacks
Based on the assumption that shareholder return measures contribute to the improvement in capital efficiency, we will flexibly implement these measures while comprehensively considering factors such as business performance, our operating environment, and various elements related to our market environment, including investments and stock prices.



Strengthening of Sustainability Management: Toward Solving Social Issues

Intensification of Relevant Initiatives

1 Initiatives Targeting a Sound Material-Cycle Society

In pursuit of a sound material-cycle society, we actively ensure proper disposal of home electronics products covered by the Act on Recycling of Specified Home Appliances, as well as the recycling of small home electronics and polystyrene foam. In addition, we promote multifaceted efforts targeting the resolution of social issues, such as the creation of opportunities for active participation from a diverse range of human resources.

2 Promotion of Health Management

2022 健康経営優良法人 Health and productivity

EDION values the health of its employees and is therefore committed to its maintenance and improvement. The Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi awarded EDION Corporation its 2022 Certified Health & Productivity Management Award (in the Large Enterprise category) in recognition of our outstanding initiatives.

3 Toward Better Governance

To ensure fair and impartial management of our organization, we have appointed four independent directors and three independent auditors. These independent directors and auditors facilitate the creation of systems for fair and impartial organizational management by sharing opinions and advice from an unbiased perspective.

Through proper administration of internal control systems, we are striving to strengthen groupwide governance and enhance our company's sustainable growth and corporate value over the medium to long term.

4 Community Support

Paralym Art®

We support Paralym Art® activities directed by the Shougaisha Jiritsu Suishin Kikou Association in support of promoting independence for artists with disabilities and have served as an official partner since September 2021.

Through our support for these efforts, we will target further collaboration with local communities and contribute to the realization of a sustainable society.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

SUSTAINABLE DEVELOPMENT GOALS

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May 10, 2022