EDION Corporation Analyst Meeting
1H FY03/23

EDION

November 4, 2022

1. 1H FY03/23 Results

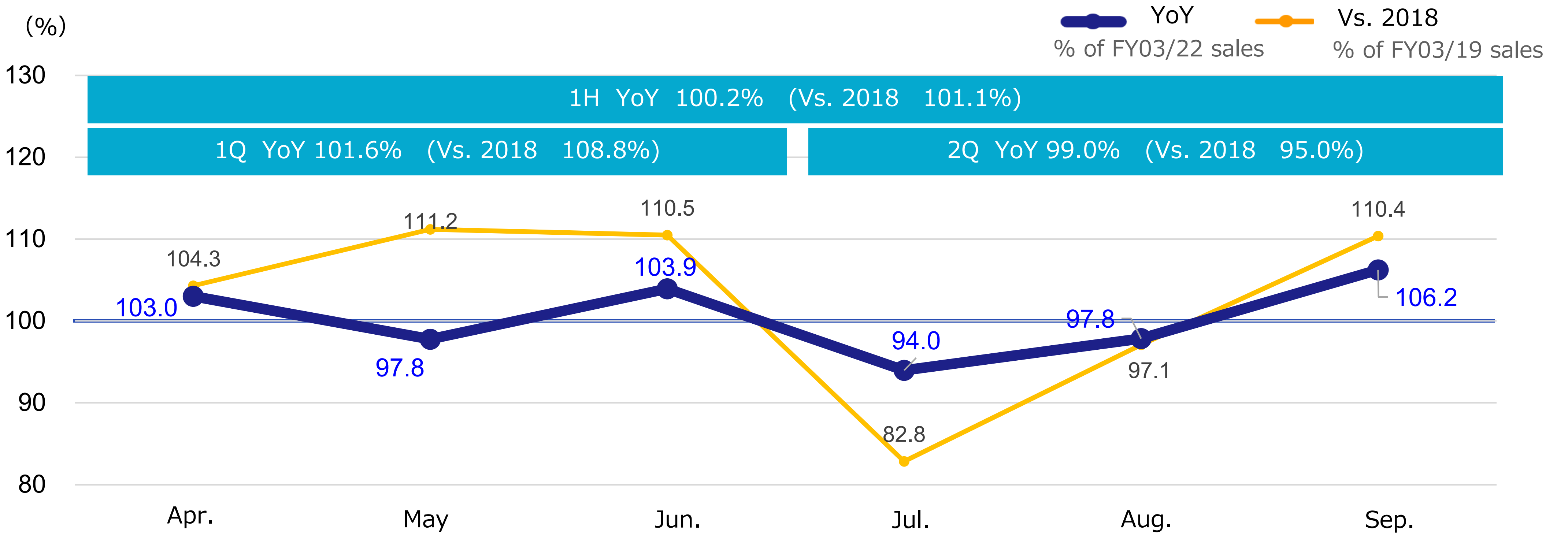
2. FY03/23 Earnings Forecast

3. Key Topics

1. 1H FY03/23 Results

Review of 1H FY03/22

YoY comparisons for all stores (orders received at POS)



General Comments

1H YoY 100.2%
Vs. 2018 101.1%

In the first half of FY2022, the entire supply chain continued to face uncertainty due to the impact of the China lockdown and tensions in Ukraine, which led to higher energy prices, increasing inflationary trends, and an increase in the number of corona cases in the country up to nearly 260,000 per day.

1Q YoY 101.6 %
Vs. 2018 108.8%

The long rainy season slowed the movement of seasonal products.
Corona infection spread, up to 260,000 cases per day (Aug. 19).
iPhone 14, Splatoon 3, and other hot products did well (Sep.)

2Q YoY 99.0%
Vs. 2018 95.0%

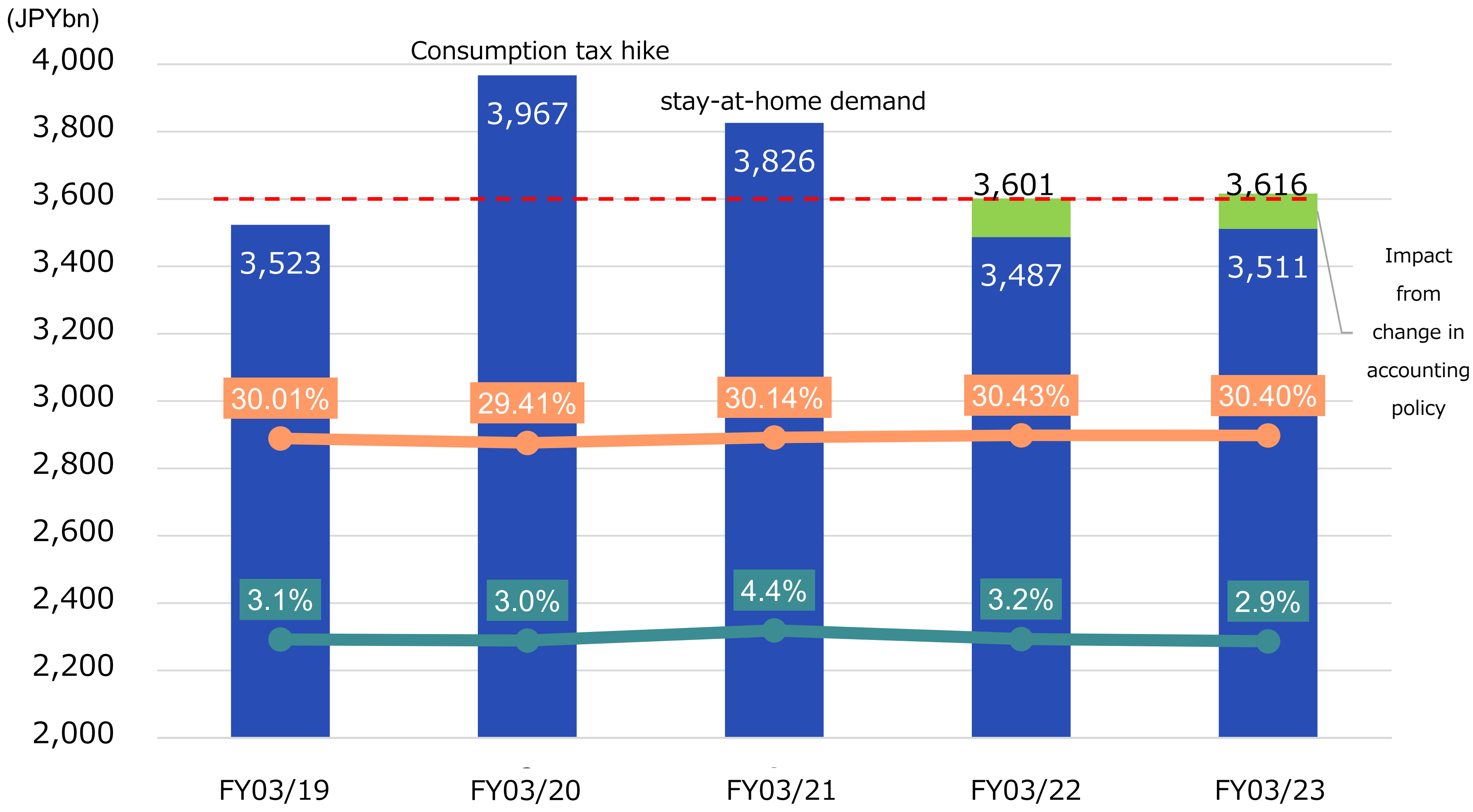
Energy prices soared due to the tense situation in Ukraine.
The lockdown, especially in China, led to earlier purchasing behavior for seasonal products, due in part to consumer concerns about inventories.
Seasonal products were strong from late June due to the unusually early declaration of the end of the rainy season.

Consolidated Statements of Income

1H cumulative consolidated results are as follows

Million yen, %	1H FY03/21			1H FY03/22			
	% of Sales	Results	% of 1H FY03/20	% of Sales	Results	% of 1H FY03/21	YoY Change
Net Sales		**348,768**	91.2		**351,115**	100.7	2,346
Gross Profit	30.43	**106,114**	92.0	30.40	**106,754**	100.6	640
SG&A Expenses	27.6	96,104	97.4	27.5	96,421	100.3	317
Advertising and Selling Expenses	6.9	24,163	85.1	6.8	23,806	98.5	▲357
Personnel Expenses	11.4	39,790	102.2	11.3	39,645	99.6	▲144
Equipment Costs and Administrative Expenses	7.6	26,438	101.0	7.9	27,590	104.4	1,152
Depreciation	1.6	5,712	111.4	1.5	5,378	94.2	▲333
Operating Profit	2.9	**10,010**	60.0	2.9	**10,333**	103.2	323
Non-Operating Income	0.5	1,739	291.7	0.2	709	40.8	▲1,029
Non-Operating Expenses	0.2	548	89.8	0.2	873	159.4	325
Ordinary Profit	3.2	**11,200**	67.1	2.9	**10,169**	90.8	▲1,031
Extraordinary Income	0.1	276	1,134.3	0.2	535	193.6	258
Extraordinary Losses	0.1	283	25.6	0.1	235	83.0	▲48
Profit before Income Taxes	3.2	**11,194**	71.8	3.0	**10,469**	93.5	▲724
Total Income Taxes	1.0	3,587	68.9	1.0	3,398	94.7	▲188
Profit Attributable to Owners of the Parent	2.2	**7,606**	73.2	2.0	**7,070**	93.0	▲536

1H Earnings



Net sales
JPY351.1bn (Before change in accounting policy) JPY361.6bn

GPM
30.40%

Ordinary profit margin
2.9%

●Net sales grew for the past five years, including the current fiscal year, excluding the period of consumption tax hike and "nesting demand"
●Gross profit margin was 30.40% in the current period and 30.43% in the previous period, almost the same as the previous period
▶In September, the composition of game-related products, which have low gross profit margins, increased, pushing down the gross profit margin slightly (by about 0.05%)
●Non-operating income in the previous period included 980 million yen in cooperation payments for the closure of large facilities to prevent the spread of COVID-19 infection, resulting in a slightly lower ordinary income margin in the current period than in the previous period

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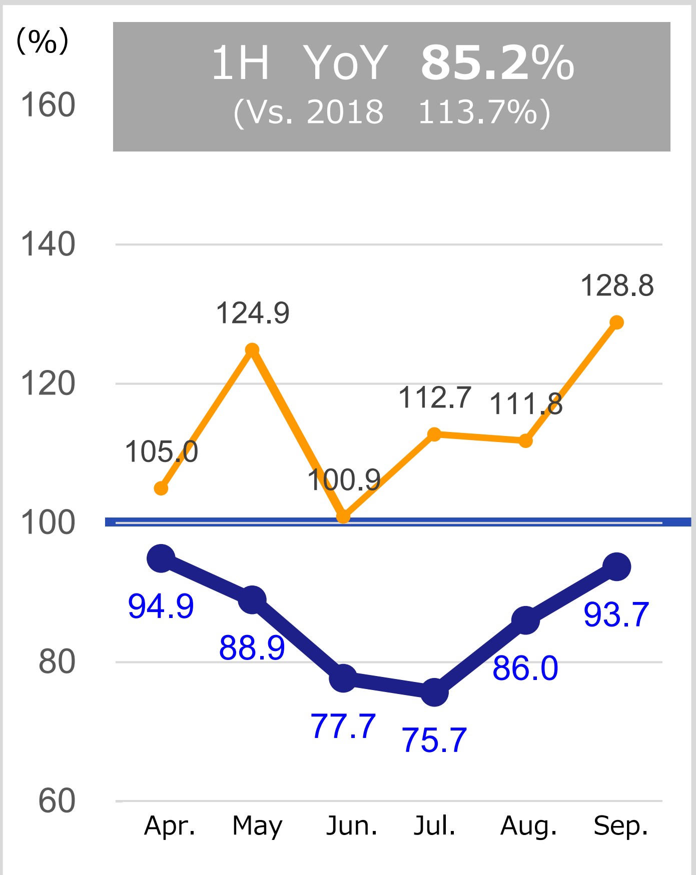
% of 1H FY03/22; includes orders (orders received at POS)

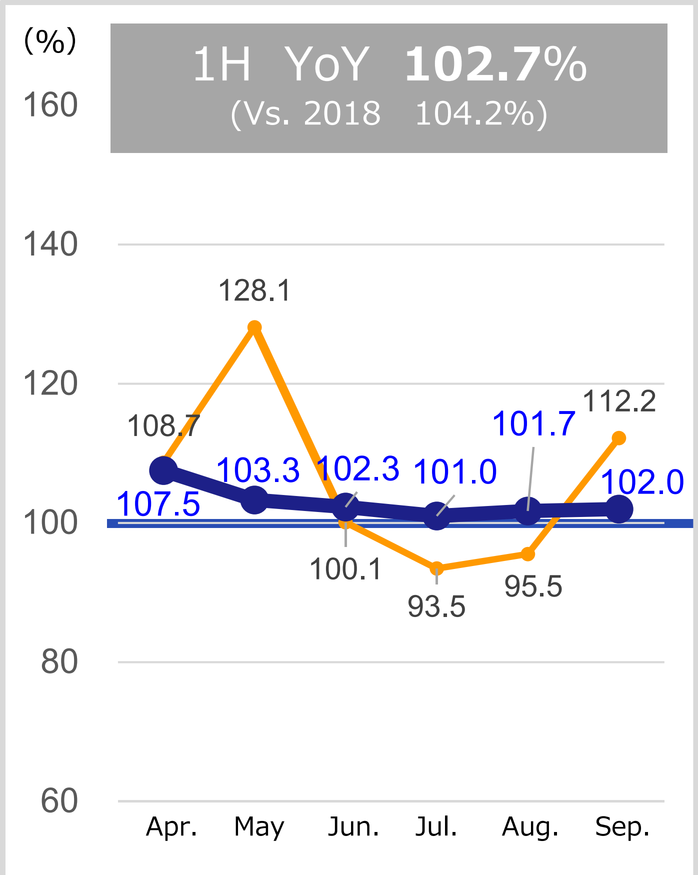
YoY — % of FY03/22 sales
Vs. 2018 (for reference) — % of FY03/19 sales

TVs

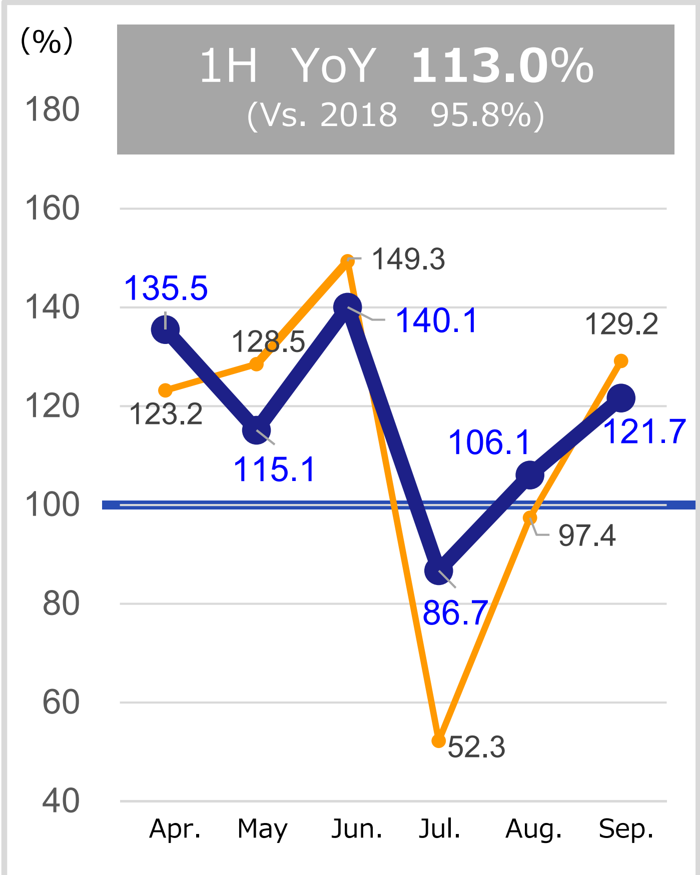


White Goods

(Refrigerators, washing machines, cleaners)



Air Conditioners



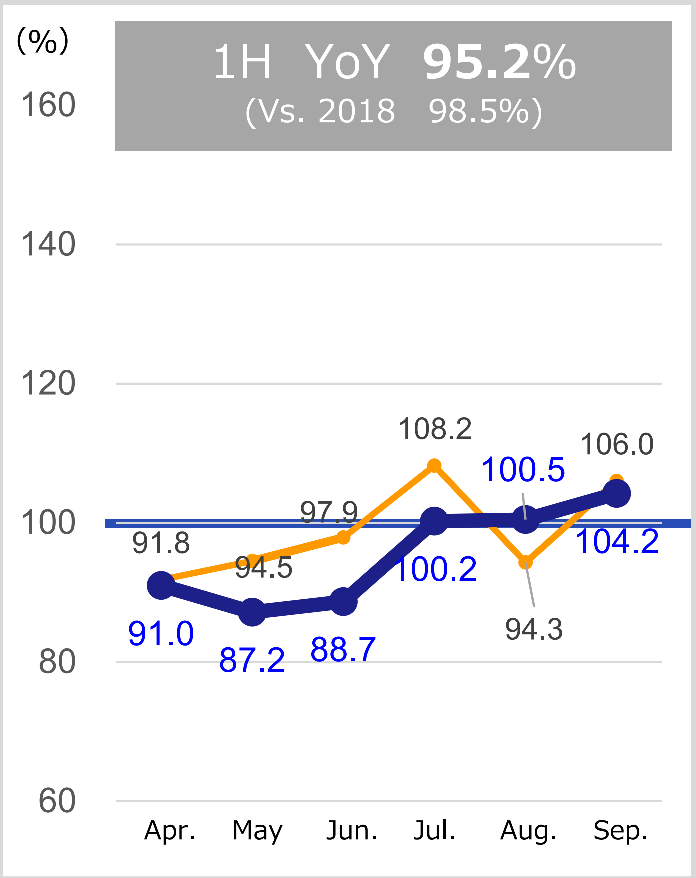
Sales by Product (Monthly disclosure basis)

% of 1H FY03/22; includes orders (orders received at POS)

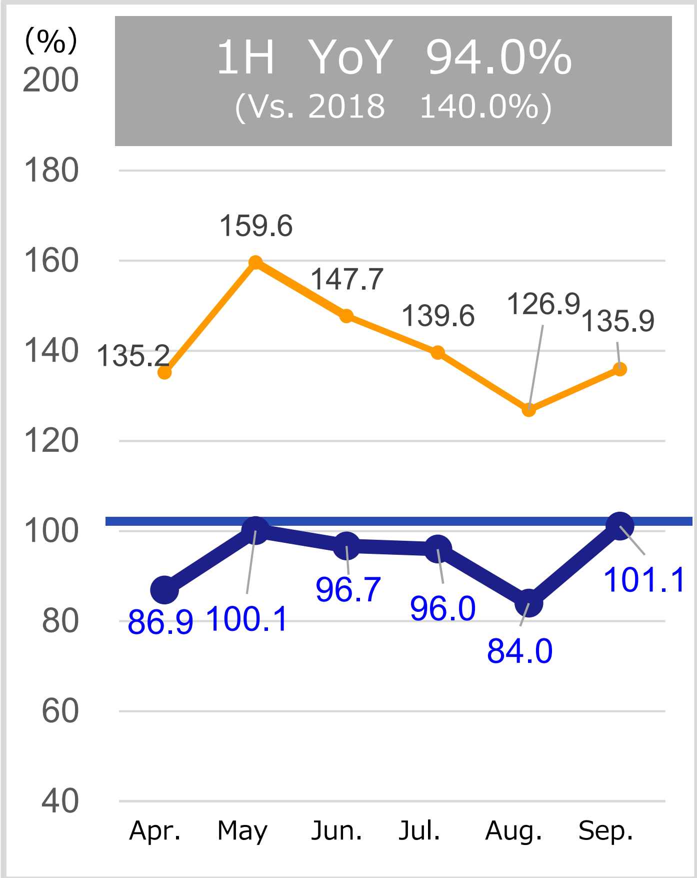
YoY — % of FY03/22 sales

Vs. 2018 (for reference) — % of FY03/19 sales

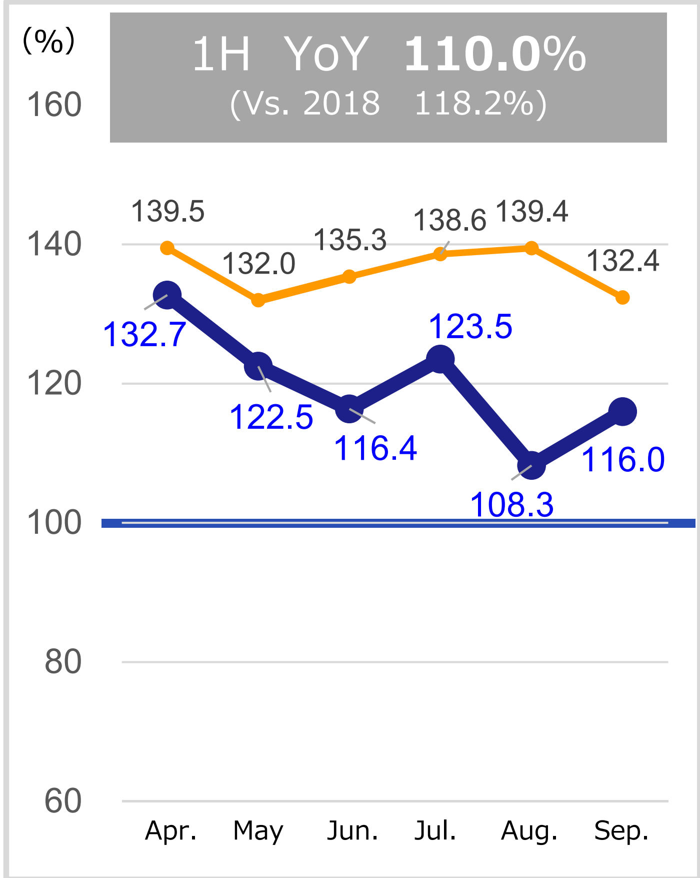
PCs



Mobile Phones (by units sold)

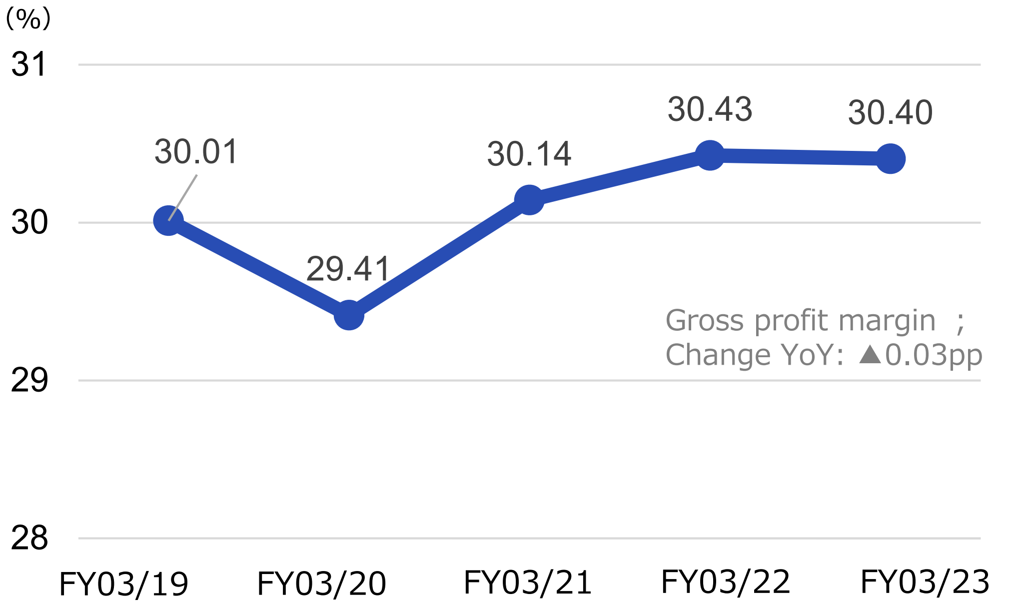


Home Improvement (ELS Business)



1H Gross Profit Margin and SG&A Ratio

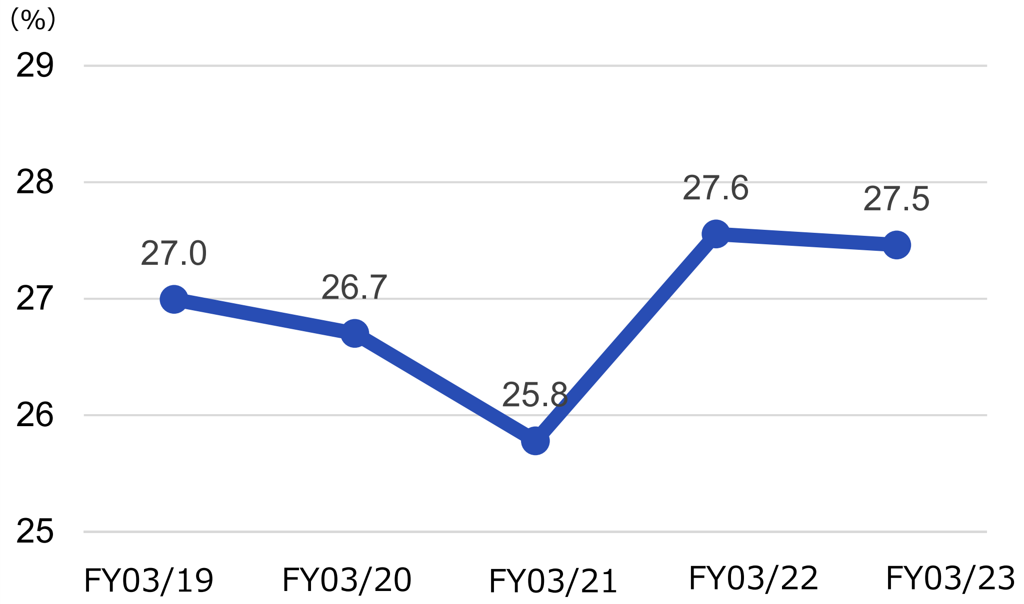
1 Gross profit margin



・Gross profit margin in 1Q FY03/23: 30.71%; in 1Q FY03/22: 30.36%; Change YoY: +0.35pp
Gross profit margin improved due to an increase in the sales composition ratio of air conditioners.

・Gross profit margin in 2Q FY03/23: 30.13%; in 2Q FY03/22: 30.49%; Change YoY: -0.36pp
Gross profit margin declined due to an increase in the sales composition ratio of game-related products and the impact of price competition among washing machine and PC makers

2 SG&A-to-sales ratio



・SG&A expenses in 1H FY03/23: JPY96.4bn; Change YoY: +JPY310mn

▶Advertising and selling expenses: -JPY350mn
▶Personnel expenses: -JPY140mn
▶Equipment costs and administrative expenses: +JPY1.15bn
(Utilities cost & Increased costs due to rising water rates :+580mn. Rental price:+530mn)
▶Depreciation: +JPY330mn

1H Consolidated Balance Sheet and Consolidated Statements of Cash Flows

Consolidated Balance Sheet

(Million yen)

	End-March 2022	End-September 2021	YoY Change
Current Assets	190,597	197,196	+6,572
Property, Plant, and Equipment	125,504	124,963	▲541
Intangible Assets	10,169	9,704	▲464
Investments and Other Assets	51,699	50,382	▲1,316
Non-Current Assets	187,373	185,050	▲2,322
Total Assets	**377,970**	**382,219**	**+4,249**
Current Liabilities	109,003	108,779	▲223
Non-Current Liabilities	69,486	68,948	▲537
Total Liabilities	**178,489**	**177,727**	**▲761**
Net Assets	199,480	204,492	+5,011
Total Liabilities and Net Assets	**377,970**	**382,219**	**+4,249**

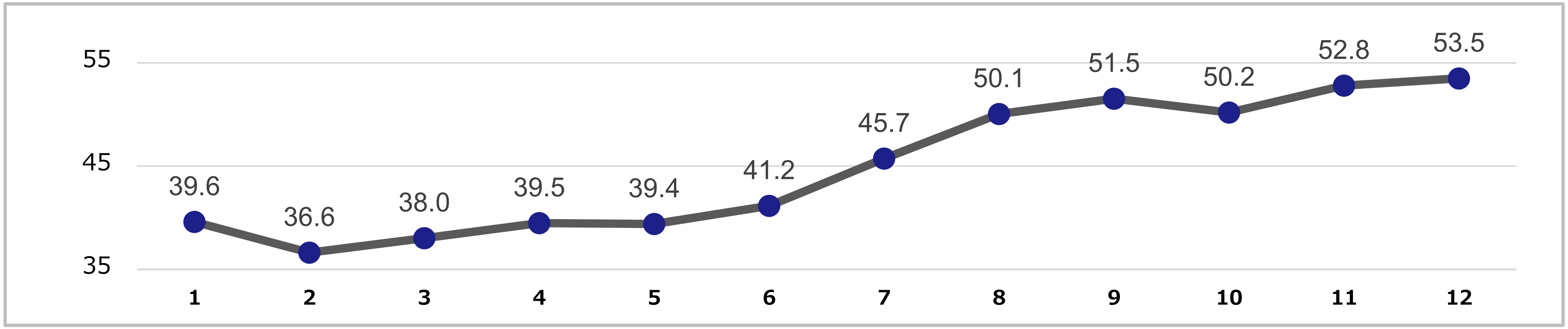
Consolidated Statements of Cash Flows

(Million yen)

	1H FY03/22	1H FY03/23
CFs from Operating	△8,926	7,851
Activities	△5,979	△3,643
CFs from Investing	△14,905	4,208
Activities	△10,477	△3,836
FCF	17,688	30,257

Consolidated Earnings Forecast

(%)



2. FY03/23 Earnings Forecast

Consolidated Earnings Forecast

Million yen, %	1H		2H		FY03/23			
	Results	YoY Change	Forecast	YoY Change	% of Sales	Forecast	% of FY03/22	YoY Change
	351,115	95.4	384,884	105.5	100	736,000	103.1	+22,232
Million yen, %	106,754	95.3	109,545	105.8	29.4	216,300	103.2	+6,618
Net Sales	96,421	98.1	97,378	102.7	26.3	193,800	101.5	+2,915
Gross Profit	23,806	96.8	23,861	105.6	6.5	47,668	102.0	+916
SG&A Expenses	39,645	99.1	40,354	100.7	10.9	80,000	100.2	+122
Advertising and Selling Expenses	27,590	96.8	27,777	106.3	7.5	55,368	105.3	+2,806
Personnel Expenses	5,378	103.8	5,384	90.0	1.5	10,763	92.0	▲930
Equipment Costs and Administrative Expenses	10,333	75.4	12,166	138.5	3.1	22,500	119.7	+3,703
Depreciation	10,169	74.2	12,330	118.7	3.1	22,500	104.2	+910
Operating Profit	7,070	78.6	6,929	125.9	1.9	14,000	106.8	+890

No profit revision is made to the full-year forecast.

●Net Sales

Existing stores YoY: 2nd half 102.2% Full year 103.5%

New store openings: 1 store

●Ordinary income

Subsidy income of 2.4 billion yen (980 million yen in 1H, 1.43 billion yen in 2H) was received in FY 03/22

Store Openings, Relocations, and Closings (Actual and Planned)

(stores)		New openings	Relocations and Renovations	Closures	YoY Change	End-of-Period Store Count
FY03/22 Results	Full-year	16	3	4	+ 12	449
FY03/23 Plan	1H Results	4	3	1 (including two non-home electronics stores)	+3	452
	2H Plan	1	—	—	+1	454
	Full-year	**5**	**3**	**1** (including two non-home electronics stores)	**+4**	**454**

EDION Group **1,210** **stores**

As of end-September 2022

■ **EDION-owned stores 452**
■ **Franchise stores 758**

■ Repaint exterior walls <12 stores in 1H / 29 stores in 2H planned>

<Most recent construction examples>


EDION Yaizu (Shizuoka Prefecture)


EDION Hamamatsu-Wada (Shizuoka Prefecture)

3. Key Topics

■ Key Topic: Corporate Reorganization

Reorganization effective October 1, 2021 to achieve the mid-term vision

Sales Division

- Product development
- EC Enhancement

Solution Services Division

- IT reinforcement
- Logistics Reorganization

Corporate Planning Division

- Store openings, productivity improvement
- Strengthening of financial position

Sales Management Dept. — **Blocks Divided Into 12** — **Each Store**

- Eliminate the previous management of subdividing the company into six regional sales headquarters and 23 areas.
- Headquarters and stores will be integrated to speed up decision-making and execution.

Consumer Electronics General Affairs Dept.

Integrate and enhance all home appliances, including air conditioners, refrigerators, washing machines, and cookware.

Digital Home Appliances Dept.

Integrate and strengthen cell phones, TVs, PCs, etc. as digital home appliances

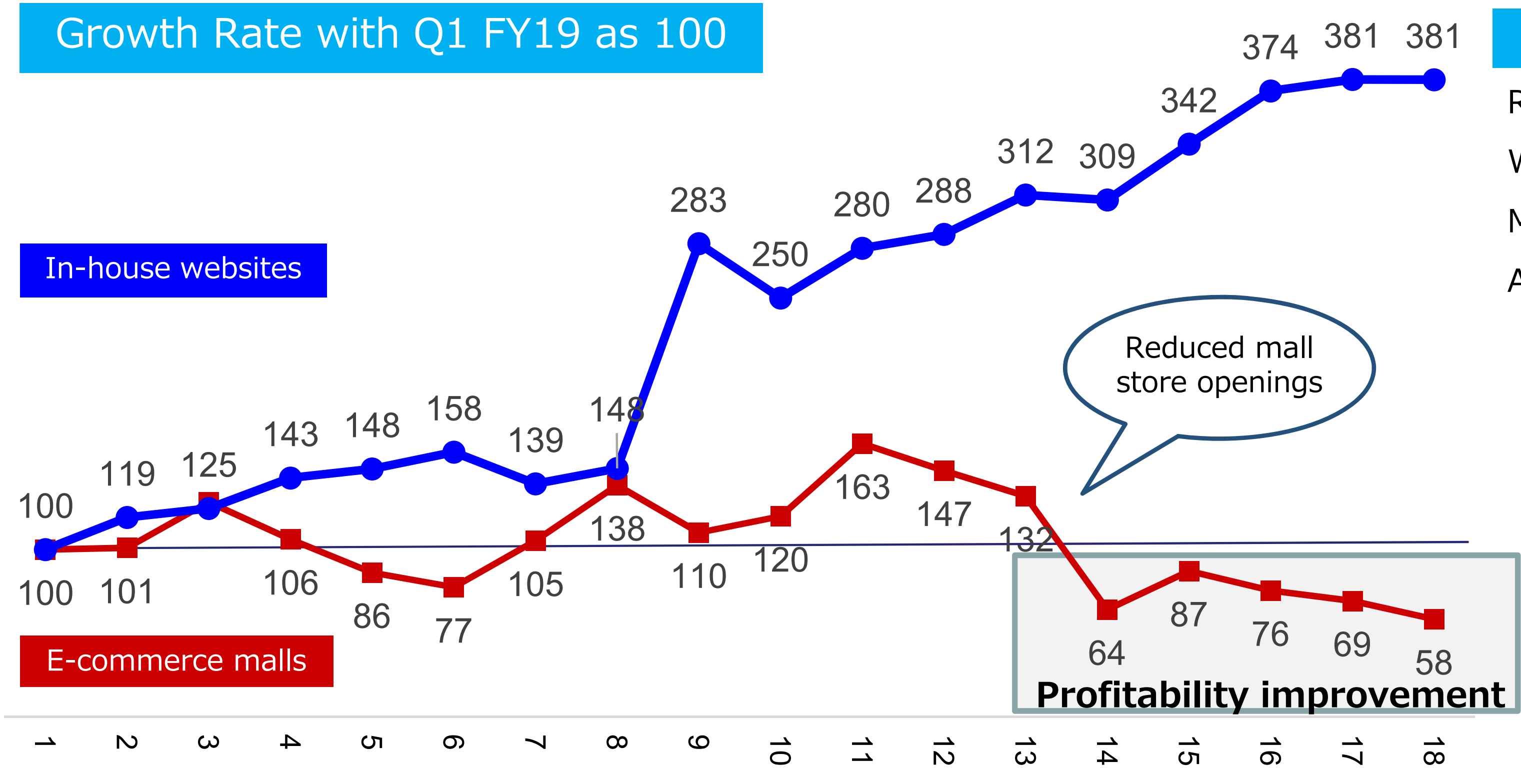
Newly established

Sustainability Promotion Dept.

Strengthening for Sustainability Management

■ Key Topic: E-commerce Initiatives

Growth Rate with Q1 FY19 as 100



Situation in the 1H of FY23 (YoY)

Refrigerators	204.5%
Washing Machines	205.1%
Microwave Oven	158.9%
Air Conditioners	133.9%

Significant growth in products for which installation service is important

Initiatives for the 2H of the Year

Spring 2023:
In-house e-commerce site to be relaunched

Improvement of search function

Improvement of purchase follow-Up

■ Key Topic ： Initiatives for the 2H of the Year
(Responding to Inbound and Strengthen logistics in the Kanto Region)

EDION Nanba main
(Osaka Prefecture)

EDION Kyoto Shijō Kawaramachi
(Kyoto Prefecture)

Market Trends

From October 11, 2022

Lifting of the cap on the number of visitors to Japan

Lifting of the ban on individual travel

Visa Exemption

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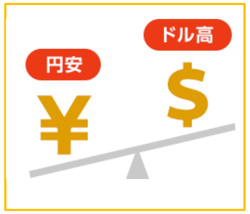
depreciation of the yen

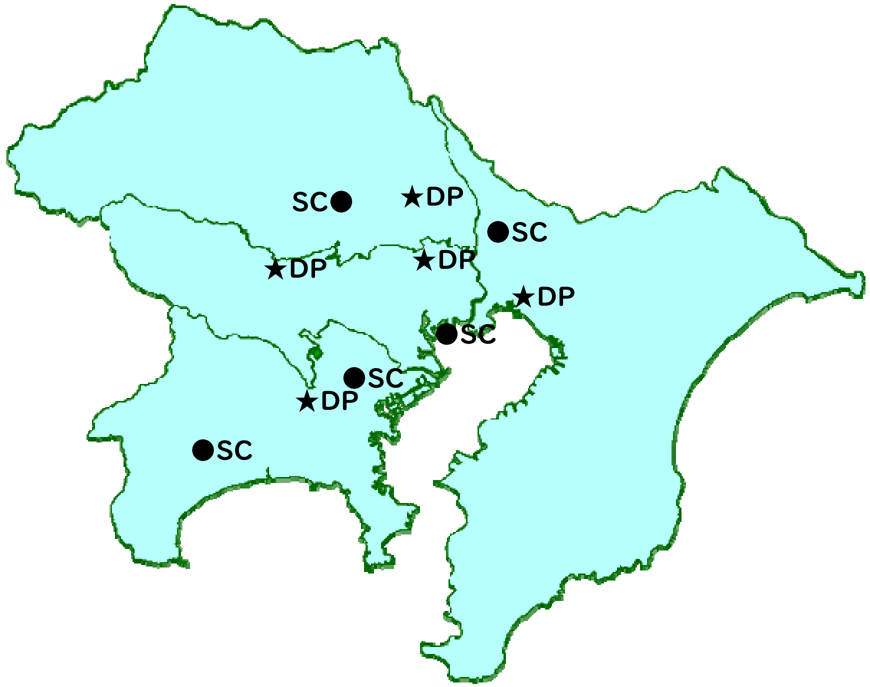


Strengthen Responding to Inbound

Gradually, visitors to Japan begin to take off in earnest

Population coverage to 100%

Rising demand for e-commerce, strengthening service capabilities in the Kanto region



●Five new service centers, including relocation
★Five new depots providing satellite support

Strengthen logistics in the Kanto Region

Support for detailed services such as time-specified delivery and same-day visits

■ Key Topic :
Stores That Can Respond to Changing Market Trends

Large Urban Stores

In-Shop Stores

Suburban Stores

Franchise Stores

Strengths in store development tailored to dominant-formed customer needs

We will strengthen product lineups, prices, and sales promotions tailored to each store and scene, rather than a common product policy.

■ Key Topic ：Implementing work style reforms by improving operations and operational efficiency

Introduction of electronic pricing

Reduction of time spent on creating in-store prices

Price guidance without error from the customer's point of view is realized. In the future, we plan to further evolve the system in accordance with store formats and future EC business development, such as creating sales areas tailored to store formats and regional characteristics, and contributing to the EC business by linking it with applications. We plan to complete the introduction of the system to all stores by the end of this fiscal year.

Internet shop/EDION App linkage

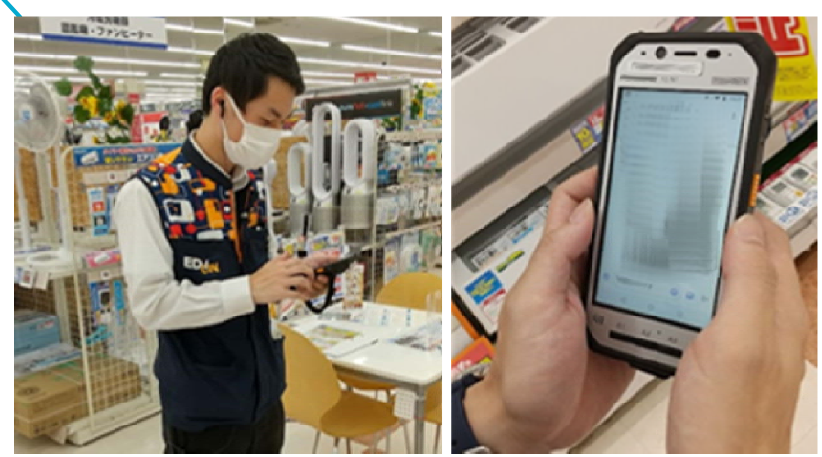
Responding to diversifying needs

e-Price works with the app to read reviews and descriptions about products, check inventory, and search and check for coupons that can be used that day.

You can also easily check warranty periods and points if you become a digital member.

Portable Terminal Introduction

Streamlining confirmation time



Checking inventory and selling prices, arranging delivery work, etc.
Reduced customer wait times

- Improved customer service efficiency
- Enhanced customer contact
- Improving work efficiency

▶Responding to diversified work styles
▶CS and ES improvements also increase corporate value

■ Key Topics: Initiatives with Nitori Holdings

EDION × NITORI

Total coordination of living space from the customer's perspective with highly compatible combinations

Opening of collaboration booth

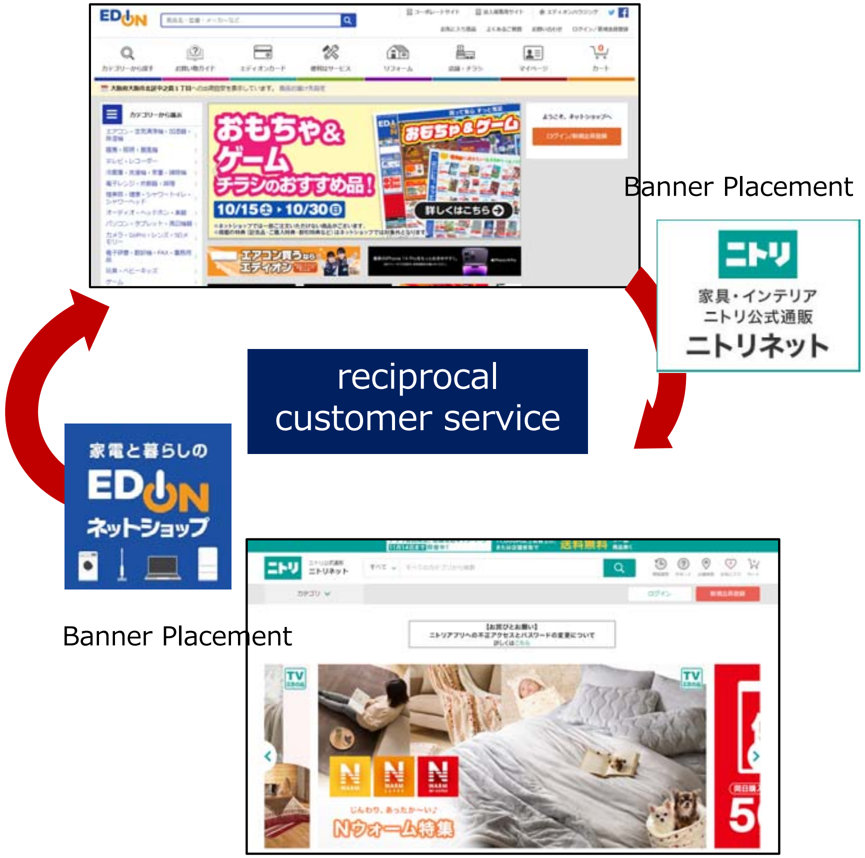
The first store opened in the EDION Kurashiki flagship store on October 22.
(Okayama Prefecture)

Expansion of sales floor proposals, especially in large stores

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

Initiatives for mutual customer transfers between e-commerce sites

■ **Mutual exchange of products and expansion of product lineup**



Key Topic : Sports Contribution Activities

Ai Hosoda placed 9th in the London Marathon 2022, the highest Japanese finish


Yuki Kawata wins the recurve men's championship at the 70th All-Japan Businessmen's Archery Competition

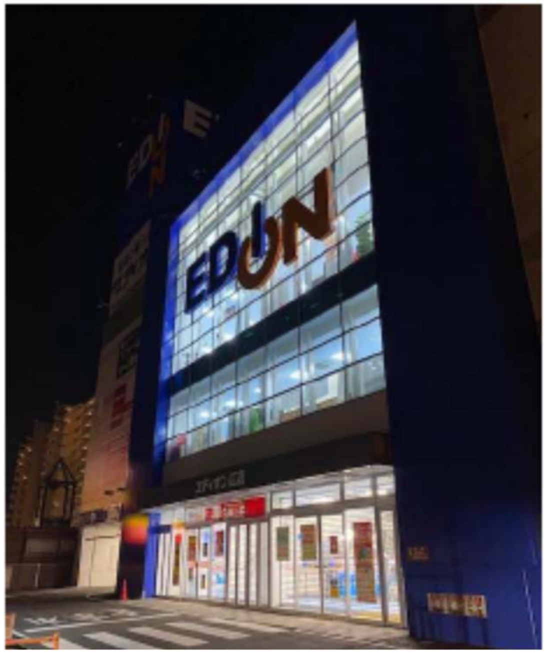
Sanfrecce Hiroshima October 22: Won the J.LEAGUE YBC Levain CUP

We will continue to inspire and empathize with people through sports

■Key Topic ：Energy Conservation Initiatives

Reducing Electricity Usage to Cope with Rising Electricity Costs and High Resource Prices

Turn off tower sign and wall sign lighting



Partial light-out of store display items

We will continue to work toward the effective use of limited resources

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.

2022
健康経営優良法人
Health and productivity

2 Promotion of Health Management

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

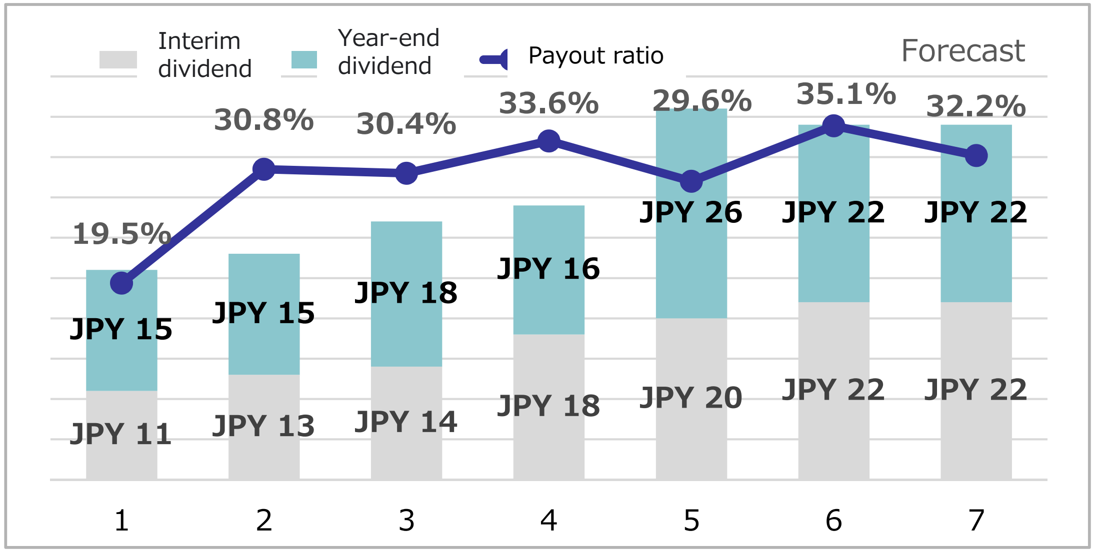
SUSTAINABLE DEVELOPMENT GOALS

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.



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November 4, 2022