



Consolidated Financial Results for the First Quarter of FY 2023 [Japanese GAAP]

August 2, 2023

Listed company name EDION Corporation Listed on the Prime Market of Tokyo Stock Exchange
 Ticker code 2730 URL <https://www.edion.com/>
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 Scheduled date of filing quarterly security report August 9, 2023 Scheduled date of dividend payment --
 Preparation of supplementary explanatory documents for quarterly financial results : Yes
 Holding analyst meeting for quarterly financial results : Yes (For institutional investors and security analysts)
 (Figures rounded down to nearest million yen.)
 (Figures in parentheses are negative.)

1. Consolidated financial results for the first quarter of FY 2023 (April 1, 2023 to June 30, 2023)

(1) Consolidated financial results (cumulative)

(% change from previous fiscal year)

| | Net sales | | Operating income | | Ordinary income | | Profit (loss) attributable to owners of parent | |
|---------------|-----------------|-------|------------------|--------|-----------------|--------|--|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Q1 of FY 2023 | 160,941 | (2.4) | 1,771 | (43.2) | 1,893 | (36.3) | 1,093 | (49.6) |
| Q1 of FY 2022 | 164,854 | (0.1) | 3,121 | 27.1 | 2,973 | 15.1 | 2,171 | 25.0 |

(Note) Comprehensive income Q1 of FY 2023 1,397 million yen (36.9%)
 Q1 of FY 2022 2,214 million yen 28.2%

| | Profit per share – Basic | Profit per share – Diluted |
|---------------|-----------------------------|-------------------------------|
| | Yen | Yen |
| Q1 of FY 2023 | 11.11 | 9.87 |
| Q1 of FY 2022 | 21.22 | 18.98 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| Q1 of FY 2023 | 376,951 | 200,888 | 53.3 | 2,040.81 |
| FY 2022 | 369,365 | 201,656 | 54.6 | 2,048.30 |

(Reference) Equity Q1 of FY 2023 200,888 million yen FY 2022 201,656 million yen

2. Dividend information

| | Dividend per share | | | | |
|--------------------|--------------------|-------------|-------------|-------------|--------|
| | 1st quarter | 2nd quarter | 3rd quarter | End of year | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| FY 2022 | – | 22.00 | – | 22.00 | 44.00 |
| FY 2023 | – | – | – | – | – |
| FY 2023 (forecast) | – | 22.00 | – | 22.00 | 44.00 |

(Note) Revision of the latest dividend forecast: No

3. Forecast of consolidated financial results for FY 2023 (April 1, 2023 to March 31, 2024)

(% change from previous fiscal year)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | | Profit per share Basic |
|--------------------------|-----------------|-----|------------------|------|-----------------|------|---|------|------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Interim (1st six months) | 367,000 | 4.5 | 13,000 | 25.8 | 13,000 | 27.8 | 8,500 | 20.2 | 86.34 |
| Full Year | 745,000 | 3.4 | 19,500 | 1.6 | 19,500 | 1.3 | 11,500 | 0.9 | 116.81 |

(Note) Revision of the latest forecasts of financial results: No

* Notes

(1) Major changes in significant consolidated subsidiaries during the period
(changes in specified subsidiaries accompanying change in the scope of consolidation): No

(2) Adoption of special accounting methods for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, financial estimates and restatement

(i) Changes in accounting policies due to revisions of accounting standards: No

(ii) Changes in accounting policies by other than (i) above: No

(iii) Changes in financial estimates: No

(iv) Restatements of financial statements: No

For details, please refer to "2. Quarterly Consolidated Financial Statements and Primary Notes (4) Notes on quarterly consolidated financial statements (Changes in accounting policies)" on page 9 of the attachment.

(4) Number of shares issued (common stock)

(i) Number of shares issued at the end of the period (including treasury share)

(ii) Number of treasury shares at the end of the period

(iii) Average number of shares outstanding during the period (quarterly consolidated accumulated period)

| | | | |
|---------------|--------------------|---------------|--------------------|
| Q1 of FY 2023 | 112,005,636 shares | FY 2022 | 112,005,636 shares |
| Q1 of FY 2023 | 13,570,253 shares | FY 2022 | 13,554,763 shares |
| Q1 of FY 2023 | 98,440,815 shares | Q1 of FY 2022 | 102,291,293 shares |

* This brief report of quarterly financial statements is not subject to audit procedures by a certified public accountant or an independent auditor.

* Explanation on adequate use of forecast and or special issues

The forward-looking statements in this document concerning forecasting of performance, etc., are based on currently available information and assumptions considered by the Company to be reasonable. Such statements are neither promises nor guarantees of future performance. The actual performance may be significantly different from the forecast due to various factors. Concerning assumptions used as a basis for forecasting business performance and precautionary statements when using the forecast of performance, please refer to "1. Qualitative Information on Quarterly Results, (3) Explanation of future forecast information, such as the forecast of consolidated financial results" on page 3 of the attachment.

○ Table of Contents of Attachment

| | |
|--|---|
| 1. Qualitative Information on Quarterly Results | 2 |
| (1) Explanation of financial results..... | 2 |
| (2) Explanation of financial position..... | 3 |
| (3) Explanation of future forecast information, such as the forecast of consolidated financial results | 3 |
| 2. Quarterly Consolidated Financial Statements and Primary Notes | 4 |
| (1) Consolidated quarterly balance sheet..... | 4 |
| (2) Consolidated quarterly statements of income and comprehensive income | 6 |
| Consolidated quarterly statement of income | |
| The first quarter of FY 2023 | 6 |
| Consolidated quarterly statement of comprehensive income | |
| The first quarter of FY 2023 | 7 |
| (3) Consolidated quarterly statement of cash flows | 8 |
| (4) Notes on quarterly consolidated financial statements | 9 |
| (Notes on assumption of going concern) | 9 |
| (Notes on significant changes in shareholders' equity) | 9 |
| (Significant subsequent events)..... | 9 |

1. Qualitative Information on Quarterly Results

(1) Explanation of financial results

During the first quarter of the current fiscal year (April 1, 2023 to June 30, 2023), the outlook for the Japanese economy continued to be uncertain due to the ongoing conflict in Ukraine, a rise in prices caused by soaring raw material and energy prices, and the rapid fluctuation of the yen.

However, with the Japanese government downgrading the legal status of COVID-19 to a “Class 5 infectious disease” from Class 2 on May 8, 2023, the normalization of economic activities and recovery of personal consumption progressed gradually.

In this environment, the EDION Group has been carrying out the reorganization of its businesses, with the aim of appropriately reallocating its management resources and raising its corporate value. Following a merger by absorption of NWORK Corporation (the current EDION X Ventures Corporation), an operator and developer of information systems, with Hampstead Co., Ltd. in October 2022, Jtop Co., Ltd., a provider of distribution and delivery services, aims to merge by absorption with e-Logi Corporation in October 2023. Against the backdrop of growing EC demand, the Group will, thus, construct a nation-wide distribution network that enables it to offer its services to customers all over the country.

Furthermore, to promote the reduction of carbon dioxide emissions and improvement of employees’ work-life balance, the EDION Group increased the number of its stores that reduced their operating hours to nine hours a day in May 2023 to 126 stores (newly shortened at 78 stores in addition to 48 stores that had already implemented the reduction). The Group plans to expand the number to 200 stores by the end of March 2024. Consequently, carbon dioxide emissions are expected to be lowered by around 2,000 tons annually.

Looking at sales by product in the first quarter of the current consolidated fiscal year, overall sales fell slightly compared to the same quarter of the previous year, since spending on going-out and travel grew due to the downgrading of COVID-19 to a “Class 5 infectious disease.” However, sales of games and toys, cellular phones, hairdressing & beauty and healthcare devices exceeded those in the previous year and sales of housing equipment for home improvement remained almost unchanged from the previous year.

As to the opening of directly operated home electrical appliance retail stores during the first quarter of the current fiscal year, the EDION Group opened two stores and relocated four stores. Regarding directly operated non-home electrical appliance retail stores, the Group closed one store. In addition, the number of franchise stores increased by two (net). Thus, the number of stores at the end of the first quarter of the current consolidated fiscal year totaled 1,211, including 760 franchise stores.

Opening and closing of EDION Group’s directly operated stores

| Year and month | Names of stores | Prefecture | Category |
|----------------|---|------------|-----------|
| April 2023 | EDION Hitoyoshi Rex Store | Kumamoto | Relocated |
| | EDION NARUPARK Narumi Store | Aichi | Opened |
| | EDION VIVACITY Hikone Store | Shiga | Relocated |
| | EDION LaLaport Koshien Store | Hyogo | Relocated |
| | EDION AEON Moriyama Store | Aichi | Opened |
| | TSUTAYA Higashiura Store (non-home electrical appliance retail store) | Aichi | Closed |
| May 2023 | EDION Kojima Store | Okayama | Relocated |

Consequently, in the first quarter of the current consolidated fiscal year, the EDION Group’s net sales decreased to 160,941 million yen (97.6% of the previous year). In addition, the Group saw operating income, ordinary income, and profit attributable to owners of parent decrease as follows: operating income of 1,771 million yen (56.8% of the previous year), ordinary income of 1,893 million yen (63.7% of the previous year), and profit attributable to owners of parent of 1,093 million yen (50.4% of the previous year).

(2) Explanation of financial position

(i) Analysis of assets, liabilities, and net assets

Total assets amounted to 376,951 million yen, up 7,586 million yen from the end of the previous fiscal year. This was due to an increase in current assets of 8,841 million yen caused by a rise in inventories-merchandise and products of 20,395 million yen to secure the inventory of goods for the summer sales campaign, despite a decrease in cash and equivalents of 4,177 million yen caused by payments of accounts payable-trade and income taxes, and a decline in noncurrent assets of 1,255 million yen caused by a fall in deferred tax assets of 784 million yen.

Liabilities stood at 176,062 million yen, up 8,354 million yen from the end of the previous year. This was due to an increase in current liabilities of 8,762 million yen caused by a rise in notes and accounts payable-trade of 12,051 million yen associated with a move to obtain the inventory of goods for the summer sales campaign and to a decline in noncurrent liabilities of 407 million yen caused by a decrease in long-term debt of 251 million yen due to repayments.

Net assets totaled 200,888 million yen, down 768 million yen from the end of the previous year. This was mainly due to a decrease caused by cash dividends of surplus of 2,165 million yen despite an increase caused by the posting of profit attributable to owners of parent of 1,093 million yen.

(ii) Consolidated cash flows

Cash and cash equivalents on a consolidated basis ("funds") at the end of the first quarter of the current fiscal year amounted to 9,058 million yen, down 4,177 million yen from the end of the previous fiscal year. A summary of the cash flow situation during the first quarter of the current fiscal year and the reasons for the changes are as follows:

(Cash flows from operating activities)

Funds used in operating activities amounted to 4,983 million yen (versus 402 million yen provided in the previous year). This was attributable to profit before income taxes of 1,805 million yen, depreciation and amortization of 2,491 million yen, a decrease in funds of 20,549 million yen due to an increase in inventories, a rise in funds of 12,051 million yen due to an increase in notes and accounts payable, and income taxes paid of 4,149 million yen.

(Cash flows from investing activities)

Funds used in investing activities amounted to 2,801 million yen (versus 1,980 million yen used in the previous year). This was attributable to purchase of property and equipment of 2,009 million yen and purchase of intangible assets of 703 million yen.

(Cash flows from financing activities)

Funds provided by financing activities amounted to 3,607 million yen (versus 2,482 million yen used in the previous year). This was attributable to a net increase in short-term debt of 6,040 million yen, repayments of long-term debt of 339 million yen, and cash dividends paid of 1,862 million yen.

(3) Explanation of future forecast information, such as the forecast of consolidated financial results

The Group did not revise the forecast of its consolidated financial results for the interim and the full year of the fiscal year ending March 31, 2024 announced on May 9, 2023, since it saw performance progress steadily in July 2023 and afterward.

The estimates are based on currently available information by the Group. Actual performance may differ from the forecast due to various factors in the future.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Consolidated quarterly balance sheet

(Unit: Millions of yen)

| | FY 2022 (As of March 31, 2023) | Q1 of FY 2023 (As of June 30, 2023) |
|---------------------------------------|-----------------------------------|--|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 13,235 | 9,058 |
| Notes receivable – trade | 34 | 37 |
| Accounts receivable – trade | 37,961 | 36,596 |
| Inventories-merchandise and products | 116,061 | 136,456 |
| Other | 18,549 | 12,554 |
| Allowance for doubtful accounts | (103) | (123) |
| Total current assets | 185,739 | 194,580 |
| Noncurrent assets | | |
| Property and equipment, at cost | | |
| Buildings and structures, net | 52,183 | 52,117 |
| Tools, furniture and fixtures, net | 6,023 | 5,991 |
| Land | 57,090 | 57,090 |
| Leased assets, net | 5,015 | 4,842 |
| Construction in progress | 1,313 | 1,137 |
| Other, net | 499 | 530 |
| Total property and equipment, at cost | 122,126 | 121,710 |
| Intangible assets | | |
| Goodwill | 1,620 | 1,560 |
| Other | 8,125 | 8,046 |
| Total intangible assets | 9,746 | 9,607 |
| Investments and other assets | | |
| Investment securities | 4,019 | 4,292 |
| Guarantee deposits | 27,048 | 26,929 |
| Deferred tax assets | 18,614 | 17,829 |
| Other | 2,354 | 2,257 |
| Allowance for doubtful accounts | (284) | (255) |
| Total investments and other assets | 51,753 | 51,053 |
| Total noncurrent assets | 183,625 | 182,370 |
| Total assets | 369,365 | 376,951 |

(Unit: Millions of yen)

| | FY 2022 (As of March 31, 2023) | Q1 of FY 2023 (As of June 30, 2023) |
|--|-----------------------------------|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 42,764 | 54,816 |
| Short-term debt | 60 | 6,100 |
| Current portion of long-term debt | 10,679 | 10,561 |
| Lease obligations | 913 | 918 |
| Income taxes payable | 4,526 | 408 |
| Accrued consumption taxes | 2,086 | 1,019 |
| Provision for bonuses | 5,553 | 2,804 |
| Contract liabilities | 28,652 | 26,690 |
| Other | 12,603 | 13,285 |
| Total current liabilities | 107,841 | 116,604 |
| Noncurrent liabilities | | |
| Convertible bond-type bonds with subscription rights to shares | 13,823 | 13,816 |
| Long-term debt | 15,859 | 15,607 |
| Lease obligations | 4,682 | 4,495 |
| Deferred tax liabilities | 427 | 343 |
| Deferred tax liabilities for land revaluation | 1,584 | 1,584 |
| Net defined benefit liability | 7,283 | 7,210 |
| Asset retirement obligations | 10,678 | 10,892 |
| Other | 5,526 | 5,509 |
| Total noncurrent liabilities | 59,866 | 59,458 |
| Total liabilities | 167,708 | 176,062 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 11,940 | 11,940 |
| Capital surplus | 84,968 | 84,968 |
| Retained earnings | 125,077 | 124,005 |
| Treasury shares | (14,992) | (14,992) |
| Total shareholders' equity | 206,993 | 205,921 |
| Accumulated other comprehensive income (loss) | | |
| Net unrealized gain on other securities | 138 | 404 |
| Revaluation reserve for land | (4,849) | (4,849) |
| Remeasurements of defined benefit plans | (625) | (587) |
| Total accumulated other comprehensive income (loss) | (5,336) | (5,032) |
| Total net assets | 201,656 | 200,888 |
| Total liabilities and net assets | 369,365 | 376,951 |

(2) Consolidated quarterly statements of income and comprehensive income
(Consolidated quarterly statement of income)
(The first quarter of FY 2023)

(Unit: Millions of yen)

| | 1st quarter of FY 2022 (April 1, 2022 to June 30, 2022) | 1st quarter of FY 2023 (April 1, 2023 to June 30, 2023) |
|---|---|---|
| Net sales | 164,854 | 160,941 |
| Cost of sales | 114,219 | 112,443 |
| Gross profit | 50,634 | 48,498 |
| Selling, general and administrative expenses | 47,512 | 46,726 |
| Operating income | 3,121 | 1,771 |
| Non-operating income | | |
| Interest and dividend income | 69 | 69 |
| Commission income | 11 | 141 |
| Other | 264 | 247 |
| Total non-operating income | 345 | 458 |
| Non-operating expenses | | |
| Interest expenses | 61 | 52 |
| Equity in loss of affiliates | 73 | 99 |
| Commission fee | 182 | 31 |
| Donations | 150 | 150 |
| Other | 25 | 3 |
| Total non-operating expenses | 493 | 337 |
| Ordinary income | 2,973 | 1,893 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 174 | 19 |
| Settlement income | 70 | – |
| Other | – | 2 |
| Total extraordinary income | 244 | 21 |
| Extraordinary loss | | |
| Loss on sales or disposal of property and equipment | 31 | 80 |
| Other | 0 | 28 |
| Total extraordinary losses | 31 | 109 |
| Profit before income taxes | 3,186 | 1,805 |
| Income taxes – current | 284 | 147 |
| Income taxes – deferred | 730 | 564 |
| Total income taxes | 1,015 | 711 |
| Profit | 2,171 | 1,093 |
| Profit attributable to owners of parent | 2,171 | 1,093 |

(Consolidated quarterly statement of comprehensive income)
(The first quarter of FY 2023)

(Unit: Millions of yen)

| | 1st quarter of FY 2022 (April 1, 2022 to June 30, 2022) | 1st quarter of FY 2023 (April 1, 2023 to June 30, 2023) |
|---|---|---|
| Profit | 2,171 | 1,093 |
| Other comprehensive income | | |
| Valuation difference on other securities | (24) | 265 |
| Remeasurements of defined benefit plans, net of tax | 67 | 38 |
| Total other comprehensive income (loss) | 43 | 303 |
| Comprehensive income | 2,214 | 1,397 |
| Comprehensive income attributable to: | | |
| Owners of parent | 2,214 | 1,397 |
| Non-controlling interests | – | – |

(3) Consolidated quarterly statement of cash flows

(Unit: Millions of yen)

| | 1st quarter of FY 2022 (April 1, 2022 to June 30, 2022) | 1st quarter of FY 2023 (April 1, 2023 to June 30, 2023) |
|---|---|---|
| Net cash provided by (used in) operating activities | | |
| Profit before income taxes | 3,186 | 1,805 |
| Depreciation and amortization | 2,529 | 2,491 |
| Amortization of goodwill | 126 | 59 |
| Increase (decrease) in allowance for doubtful accounts | (2) | (8) |
| Increase (decrease) in provision for bonuses | (2,899) | (2,749) |
| Increase (decrease) in net defined benefit liability | (45) | (73) |
| Interest and dividend income | (69) | (69) |
| Interest expenses | 61 | 52 |
| Equity in losses (earnings) of affiliates | 73 | 99 |
| Loss on sales or disposal of property and equipment | 31 | 80 |
| Decrease (increase) in notes and accounts receivable | (755) | 1,361 |
| Decrease (increase) in inventories | (12,391) | (20,549) |
| Increase (decrease) in notes and accounts payable | 6,580 | 12,051 |
| Increase (decrease) in contract liabilities | 1,392 | (1,962) |
| Other | 3,517 | 6,669 |
| Subtotal | 1,335 | (740) |
| Interest and dividend income received | 52 | 53 |
| Interest expenses paid | (51) | (46) |
| Subsidies received | 22 | 6 |
| Donations paid | (150) | (150) |
| Income taxes refund | — | 42 |
| Income taxes paid | (807) | (4,149) |
| Net cash provided by (used in) operating activities | 402 | (4,983) |
| Net cash provided by (used in) investing activities | | |
| Purchases of property and equipment | (1,995) | (2,009) |
| Proceeds from sales of property and equipment | 671 | 20 |
| Purchase of intangible assets | (531) | (703) |
| Purchase of investment securities | (0) | (0) |
| Payments for guarantee deposits | (131) | (146) |
| Other | 6 | 38 |
| Net cash provided by (used in) investing activities | (1,980) | (2,801) |
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term debt | — | 6,040 |
| Repayments of long-term debt | (360) | (339) |
| Purchase of treasury shares | (0) | (0) |
| Cash dividends paid | (1,949) | (1,862) |
| Other | (171) | (230) |
| Net cash provided by (used in) financing activities | (2,482) | 3,607 |
| Effect of exchange rate change on cash and cash equivalents | — | 0 |
| Net increase (decrease) in cash and cash equivalents | (4,060) | (4,177) |
| Cash and cash equivalents at beginning of period | 29,885 | 13,235 |
| Cash and cash equivalents at end of period | 25,824 | 9,058 |

(4) Notes on quarterly consolidated financial statements

(Notes on assumption of going concern)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Significant subsequent events)

(Acquisition of shares through the underwriting of a third-party allotment of new shares by an equity-method affiliate)

As Sanfrecce Hiroshima FC Co., Ltd., the Company's equity-method affiliate, resolved, in an extraordinary general meeting of shareholders held on July 27, 2023, to issue new shares through a third-party allotment, EDION Corporation decided to underwrite part of the new shares.

After the acquisition, Sanfrecce Hiroshima FC Co., Ltd. will become a consolidated subsidiary of EDION Corporation.

Overview of business combination

(1) Name and business of the acquired company

Name : Sanfrecce Hiroshima FC Co., Ltd.

Business : Operator of a professional football club

(2) Principal reasons for implementing the business combination

As EDION Corporation is committed to community contribution through sports, it has been supporting Sanfrecce Hiroshima FC Co., Ltd. with other local enterprises from the time of foundation. The Company decided to underwrite the new shares, since it judged that the capital increase is necessary for further development of Sanfrecce Hiroshima as a community-based football club. As EDION enjoys a high market share, especially in the Chugoku and Shikoku regions, it believes that the Company's activities together with community members will contribute to a rise in the EDION Group's corporate value.

(3) Date of the business combination

September 30, 2023 (expected)

(4) Legal form of the business combination

Acquisition of shares through the underwriting of a third-party allotment of new shares

(5) Name of the acquired company after the business combination

The name of the acquired company will not change.

(6) Ratio of voting rights to be acquired

Ratio of voting rights owned immediately before the acquisition of shares : 46.96%

Ratio of voting rights acquired additionally through the acquisition of shares : 29.14%

Ratio of voting rights after the acquisition : 76.10%

(* The ratio of voting rights acquired additionally through the acquisition of shares and ratio of voting rights after the acquisition may change according to the situation of other shareholders.)

(7) Principal evidence supporting acquisition decision

The Company will acquire shares in Sanfrecce Hiroshima FC Co., Ltd. with cash.

(8) Acquisition cost of the acquired company and breakdown by type of consideration

| | |
|---|-------------------------------------|
| Fair value of equity interest owned immediately before the business combination on the date of the business combination | Not determined at the present time. |
|---|-------------------------------------|

| | |
|---|-------------------|
| Consideration for common shares additionally acquired on the date of the business combination | 1,500 million yen |
|---|-------------------|

| | |
|------------------|-------------------------------------|
| Acquisition cost | Not determined at the present time. |
|------------------|-------------------------------------|

(9) Difference between the acquisition cost of the acquired company and total amount of the acquisition cost by transaction

Not determined at the present time.

(10) Details and amounts of main acquisition-related costs

Not determined at the present time.

(11) Amount, reason for recognition, method, and period of amortization of goodwill

Not determined at the present time.

(12) Amounts and principal breakdown of assets received and liabilities assumed on the date of the business combination

Not determined at the present time.