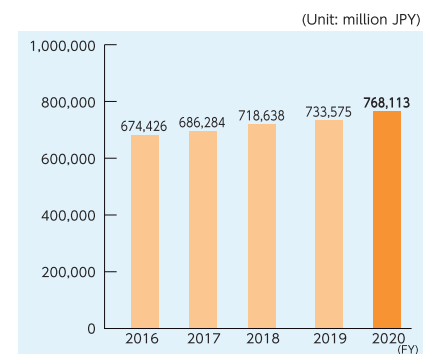


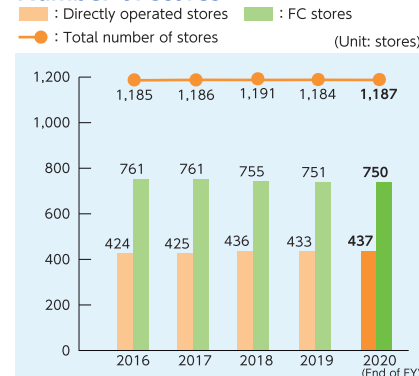
Transition of business performance

(Unit: million JPY)					
Fiscal year	2016	2017	2018	2019	2020
Sales	674,426	686,284	718,638	733,575	768,113
Recurring profit	16,005	16,167	18,889	13,365	27,811
Net income attributable to owners of the parent	13,118	8,944	11,642	10,977	16,633
Per-share net income (JPY)	133.04	90.84	105.34	101.33	155.34
Net assets	151,512	169,005	178,172	180,400	193,841
Per-share net assets (JPY)	1,558.86	1,535.84	1,601.53	1,685.50	1,809.68
Total assets	368,161	369,448	355,947	350,024	386,210
Equity ratio (%)	41.2	45.7	50.1	51.5	50.2
Number of stores (stores) Total	1,185	1,186	1,191	1,184	1,187
No. of directly operated stores (stores)	424	425	436	433	437
No. of franchise stores (stores)	761	761	755	751	750
Number of permanent employees (persons)	8,551	8,653	8,761	8,778	9,007

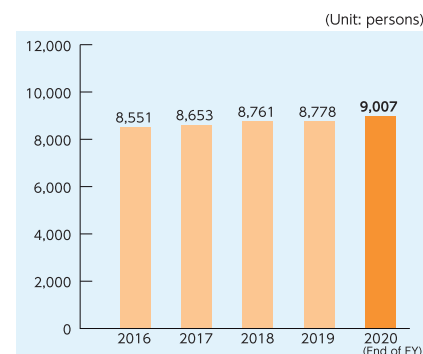
Sales



Number of stores



Number of permanent employees



CORPORATE PROFILE 2021

Group history

Mar. 2002	DEODEO Corporation, which had its base in the Chugoku, Shikoku and Kyushu regions, and EIDEN Co., Ltd., which had its base in the Chubu region, jointly established EDION Corporation, through share transfer.
Apr. 2005	Made MIDORI DENKA Co.,Ltd., which had its base in the Kinki region, a wholly owned subsidiary through a stock swap.
Jul. 2006	Acquired 33.4% of shares in Ishimaru Denki Co., Ltd., which had its base in the Kanto region.
Mar. 2007	Acquired additional shares in Ishimaru Denki Co., Ltd. (40% in total) and made it a subsidiary.
Jun. 2007	Acquired 40% of shares in SANKYU Co.,Ltd., which had its base in the Hokuriku and Hokkaido regions, and made it a subsidiary.
Oct. 2007	Established TOKYO EDION Co.,Ltd. as a subsidiary to reinforce the Group's base in the Kanto region.
Oct. 2008	TOKYO EDION Co.,Ltd. acquired all shares in Ishimaru Denki Co., Ltd.
Feb. 2009	EDION Corporation merged (by absorption) with TOKYO EDION Co.,Ltd., Ishimaru Denki Co., Ltd. and other subsidiaries.
Oct. 2009	DEODEO Corporation merged with MIDORI DENKA Co.,Ltd., and changed its name to EDION West Corp. EIDEN Co.,Ltd. renamed to EDION East Corp.
Oct. 2010	EDION Corporation merged (by absorption) with EDION West Corp. and EDION East Corp. Renamed the subsidiary. EIDEN COMMUNICATIONS Co.,Ltd. to EDION COMMUNICATIONS Co., Ltd., and consolidated its mobile phone business.
Oct. 2011	Acquired all shares in SANKYU Co.,Ltd. and made it a wholly owned subsidiary.
Apr. 2012	Renamed SANKYU HOUSE SYSTEM Corporation to EDION HOUSE SYSTEM Corporation, and made it a subsidiary. Acquired 55.0% of shares in E.R.JAPAN Corp.
Oct. 2012	Unified the store brands of Ishimaru, EIDEN, MIDORI and DEODEO into EDION.
Aug. 2013	Concluded a capital and business alliance agreement with LIXIL Group Corporation, and conducted an allocation of new shares to a third party.
Mar. 2017	Made E.R.JAPAN Corporation a wholly owned subsidiary.
Aug. 2017	Acquired all shares in Forest Co., Ltd., and made it a subsidiary.
Mar. 2018	Established e-Logi Corp. through joint investment.
Oct. 2018	EDION Corporation merged (by absorption) with EDION COMMUNICATIONS Co.,Ltd.
Sep. 2019	Made e-Logi Corporation a wholly owned subsidiary.
Nov. 2019	Made Jtop Co., Ltd. a subsidiary.
Dec. 2019	Made Youmemiru Inc. a subsidiary.
Feb. 2021	Made PTN Corporation a subsidiary.

Corporate philosophy

Achieving long-lasting customer satisfaction through outstanding products and reliable service

Outstanding
products with
high utility

We do not simply sell products. Through the sale of products, we provide our customers with value and satisfaction in addition to pleasure, richness and convenience.

Reliable
service

We provide all possible services to ensure that our customers can use their purchases in optimal condition over a longer period of time.

Company overview

(As of March 31, 2021)

Company name	EDION Corporation
Founded	March 29, 2002
Capital	11.94 billion JPY
Representative	Masataka Kubo
Head store address	2-1-18 Kamiya-cho, Naka-ku, Hiroshima City, Hiroshima Prefecture, Japan
Head office	2-3-33 Nakanoshima, Kita-ku, Osaka City, Osaka Prefecture, Japan
Stock exchange	Listed on the First Section of the Tokyo Stock Exchange and Nagoya Stock Exchange
Consolidated sales	768.113 billion JPY
Number of group stores	1,187 stores (directly operated store: 437 stores, franchise store: 750 stores)
Number of permanent employees	8,778 persons (consolidated))
URL	https://www.edion.com

Status of major subsidiaries and affiliates

(As of March 31, 2021)

Company name	Head office address	Main business
SANKYU Co.,Ltd.	Fukui City, Fukui Prefecture	Sales of home electronics
EDION HOUSE SYSTEM Corporation	Amagasaki City, Hyogo Prefecture	Prefecture Sales and installation of home improvements; solar powergeneration systems; other
NWORK Corporation	Chikusa-ku, Nagoya City	Operation and development of information systems
E.R. Japan Corporation	Fukuyama City, Hiroshima Prefecture	Reuse and recycling businesses
Forest Co., Ltd.	Omiya-ku, Saitama City	Mail-order sales of stationary, office supplies, everyday items, etc.
Forest Shuhan Co., Ltd.	Omiya-ku, Saitama City	Sales of liquor
e-Logi Corporation	Kita-ku, Osaka City	Freight transportation, warehouse management, other
Jtop Co., Ltd.	Nakamura-ku, Nagoya City	Distribution of general cargo including free magazines, job board, and other magazines
Youmemiru Inc.	Yodogawa-ku, Osaka City	Operates programming courses
PTN Corporation	Shinjuku, Tokyo	Management of the PTN group's stocks
Sanfrece Hiroshima FC Co., Ltd.*	Nishi-ku, Hiroshima City	Professional soccer team
Maruni Wood Industry Inc.*	Saeki-ku, Hiroshima City	Manufacture and sales of furniture

* Equity-method affiliates

Broadening our scope of operations with the aim of being a company that perpetually helps customers enjoy full and satisfying lives

We carry out community-based business activities under the two store brands: Edion, which covers a broad area ranging from the Kanto region to the Kyushu and Okinawa regions, and Hyakuman Volt, mainly covering the Hokkaido and Hokuriku regions.



Franchise operations

Providing local customers with close-knit services
Establishing strategic dominance, we provide fine-tuned services throughout each local community.



Home electronics retail business

Providing reliable services from sale to installation
We provide our customers with products through courteous customer service and safe, reliable delivery and installation.



Eco living/solar power business

Offering a wide range of proposals, from renovation work to energy and power saving
We provide customers with a comfortable life through simple, all-inclusive pricing and reliable customer support.



Delivery, construction and repair services

Allowing our customers to use their purchases safely over a long period of time
We provide various services, including same-day/timed delivery and construction, and on-site repairs.



Home electronics total support service

Applying the knowledge and techniques of home electronics professionals in homes
We provide cleaning services for air conditioners, range hoods and tubs of washing machines; and cleaning and inspection services for home electronics.



E-commerce business

Offering points equivalent to those for purchases at physical stores and worry-free long-term repair warranties
Our online shopping site deals with a wide variety of products, including home electronics, daily necessities, stationery, and fishing equipment.



Communications (ISP) business

Providing a variety of needs-tailored services
We respond to customer needs by offering a wide range of services, including fiber-optic network and WiMAX.



Robot programming education business

Rearing children who can learn and practice on their own initiative
Through programming lessons, we develop human resources who can play an active role worldwide.



Edion membership card

Providing reliable, advantageous services for more customers
Cards that provide advantageous reward points, long-term repair warranties, and other attractive services are available.



Original products

Products embodying requests from our customers
Taking advantage of the voices of customers, we have expanded the range of products tailored to our customers' needs.



Product performance testing laboratory

For the provision of reliable products
To allow our customers to use their purchases over a long time in a worry-free manner, we test our products from the customers' perspective.



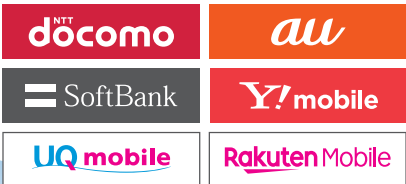
Real estate brokerage

Serving as a familiar real-estate agent easy to consult with
We provide one-stop service, helping to find ideal housing and offering proposals in terms of renovation, purchase of home electronics, and financing.



Mobile business

Providing our customers with courteous consultations
Our highly specialized staff members provide reliable services.



Business for corporate customers

Providing scrupulous business services regardless of the type of industry, business category or scale
We provide reliable services for not only retail but also corporate customers.



Promotion of sports

[Management of works teams]
• Edion women's track and field club
• Edion archery club
[Professional sports sponsorship]
• J.League professional soccer team Sanfrecce Hiroshima
• Professional baseball teams, including Chunichi Dragons, Hiroshima Toyo Carp, and Fukuoka SoftBank Hawks



Customer service utilizing expert knowledge and expertise

Name of certification	No. of certified persons
Electric Home Appliance Advisor	3,871 persons
Electric Home Appliance Engineer	268 persons
Smart Master	475 persons
Photo Master	856 persons

* As of December 2021



Nature conservation activities

• Yoshino forest maintenance activities
• Clean-up activities simultaneously carried out by all Edion group stores
• Encouraging the use of reusable shopping bags
• Reduction in the use of plastic bags



Contribution toward a recycling-based society

• Compliance with the Home Appliance Recycling Law
• Promotion of recycling of small home appliances
• Reuse of home appliances
• Collection of small rechargeable batteries
• Collection of button batteries
• Volume reduction and recycling of Styrofoam



Activities to achieve a low-carbon society

• Installation of solar power systems in stores
• Promotion of the introduction of LED lights, energy-saving air conditioners, and the Building Energy Management System (BEMS)
• Installation of electric vehicle charging stations at stores
• Promotion of energy-saving home electronics



Consolidated Financial Statements

**EDION Corporation
and Consolidated Subsidiaries**

*Year ended March 31, 2021
with Independent Auditor's Report*

EDION Corporation and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended March 31, 2021

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Independent Auditor's Report

The Board of Directors
EDION Corporation

Opinion

We have audited the accompanying consolidated financial statements of EDION Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Property and Equipment related to stores	
Description of Key Audit Matter and Reason for Determination	Audit Response
As described in the Note 2 “Summary of Significant Accounting Policies (p) Significant accounting estimates,” the Company recognized impairment loss of ¥780 million on property and equipment related to stores with a carrying value of ¥110,168 million during the year ended March 31, 2021 due to a decline in profitability. Whenever there are indications of impairment for an asset or an asset group, the Company determines whether recognition of impairment loss is necessary or not. When the Company determines that an asset or an asset group is impaired, the Company reduces the carrying amount to the recoverable amount and recognizes an impairment loss. The recoverable amount was the higher of net realizable value or value in use, and value in use was calculated as the present value of estimated future cash flows. In determining the recognition of impairment loss and calculation of value in use, the estimated future cash flows generated from the continued use of an asset group are determined based on the business plan, budget, and store opening plan approved by the Board of Directors (hereinafter the “business plan, etc.”) and the growth rates for the periods subsequent to the period covered by the business plan are estimated based on the past results taking into consideration of the regional characteristics, the position of the commercial area, the external environment and the impact of sales support. As described in the Note 2 “Summary of Significant Accounting Policies (p) Significant accounting estimates,” significant assumptions used in estimating the future cash flows include sales growth rates, which serve as the basis of the business plan, the sales growth rates for the periods subsequent to the period covered by the business plan and the discount rates. Given that the significant assumptions used to estimate the recoverable amount are subject to uncertainty and require management’s judgement, we determined impairment of property and equipment related to stores to be a key audit matter.	The audit procedures we performed to assess impairment loss on property and equipment related to stores include the following, among others: • We compared the cash flow projection period with the remaining economic lives of the major assets. • We compared the estimated future cash flows with the business plan approved by the Board of Directors to evaluate consistency. • We compared the Company’s business plan for prior years with actual results to evaluate the effectiveness of management’s estimation process for business planning. • We assessed the significant assumptions including sales growth rates, which serve as the basis of the business plan, and the sales growth rates for the periods subsequent to the period covered by the business plan by discussing with the management and store managers, and performed trend analyses based on past performance. • We assessed the sales growth rates for the periods subsequent to the period covered by the business plan by reviewing available external data. We also assessed the management’s evaluation of future uncertainties. • We evaluated the consistency of the valuation methodologies of value in use with the accounting standards and the consistency of input data used for the discount rates with external data.

Impairment of Goodwill and Other Intangible Assets	
Description of Key Audit Matter and Reason for Determination	Audit Response
As of March 31, 2021, goodwill and other intangible asset amounted to ¥4,274 million and ¥7,562 million, respectively, in the consolidated balance sheet. As described in the Note 15 “Impairment Loss” and the Note 2 “Summary of Significant Accounting Policies (p) Significant accounting estimates,” the Company determined that there was an indication of impairment on goodwill and recognized impairment loss of ¥342 million due to a decline in profitability caused by changes in the business environment, for which goodwill and intangible assets, such as a customer-related assets in the amount of ¥1,055 million and ¥273 million, respectively, recognized through acquisition of Jtop Co., Ltd. (hereinafter, these are collectively referred to as “goodwill, etc.”), goodwill and intangible assets such as customer-related assets in the amount of ¥306 million and ¥1,226 million, respectively recognized through the acquisition of Forest Co., Ltd. and goodwill of ¥750 million recognized through the acquisition of Yumemiru Co., Ltd. Whenever there are indications of impairment for an asset or an asset group, the Company determines whether recognition of impairment loss is necessary or not. When the Company determines that an impairment loss should be recognized, the Company reduces the carrying amount to the recoverable amount and recognizes an impairment loss. The recoverable amount was the higher of net realizable value or value in use, and value in use was calculated as the present value of estimated future cash flows. In determining the recognition of impairment loss and calculation of value in use, the estimated future cash flows generated from the continued use of an asset group are determined based on the business plan approved by the Board of Directors and the growth rates for the periods subsequent to the period covered by the business plan. As described in the Note 2 “Summary of Significant Accounting Policies (p) Significant accounting estimates,” significant assumptions used in estimating the future cash flows include sales growth rates, which serve as the basis of the business plan, the sales growth rates for the periods subsequent to the period covered by the business plan and the discount rates. Given that the significant assumptions used to estimate the future cash flow are subject to uncertainty and require management’s judgement, we determined impairment of goodwill to be a key audit matter.	The audit procedures we performed to assess the impairment loss on goodwill, etc. recognized through the acquisition of Jtop Co., Ltd., Forest Co., Ltd. and Yumemiru Co., Ltd., include the following, among others: • We compared the cash flows projection period with the remaining economic lives of the major assets. • We compared the estimated future cash flows with the business plan approved by the Board of Directors to evaluate consistency. • We compared the Company’s business plan for prior years with actual results to evaluate the effectiveness of management’s estimation process for business planning. • We assessed the sales growth rates, which serve as the basis of the business plan, by discussing with the management, and performed trend analyses based on past performance. • We assessed the sales growth rates for the periods subsequent to the period covered by the business plan by reviewing publicly available external data relating to market trend. We also assessed the management’s evaluation of future uncertainties. • We evaluated the consistency of the valuation methodologies of value in use with the accounting standards and the consistency of input data used for the discount rates with external data.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Osaka, Japan

June 30, 2021

小市 裕之 

Hiroyuki Koichi
Designated Engagement Partner
Certified Public Accountant

笹山 直孝 

Naotaka Sasayama
Designated Engagement Partner
Certified Public Accountant

EDION Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2021	2020	2021
Assets			
Current assets:			
Cash and cash equivalents <i>(Note 10)</i>	¥ 43,072	¥ 15,975	\$ 389,052
Notes and accounts receivable:			
Trade <i>(Note 10)</i>	39,074	33,666	352,940
Other	7,694	7,797	69,497
Allowance for doubtful receivables	(62)	(58)	(560)
	<u>89,778</u>	<u>41,405</u>	<u>810,929</u>
 Inventories:			
Merchandise and products <i>(Note 7)</i>	97,919	91,286	884,464
Supplies	342	383	3,089
	<u>98,261</u>	<u>91,669</u>	<u>887,553</u>
 Other	<u>4,511</u>	<u>4,247</u>	<u>40,746</u>
Total current assets	<u>192,550</u>	<u>153,296</u>	<u>1,739,228</u>
 Property and equipment, at cost <i>(Notes 5 and 15)</i> :			
Land <i>(Notes 4, 6 and 7)</i>	57,942	60,613	523,367
Buildings and structures <i>(Notes 6 and 7)</i>	167,510	168,252	1,513,052
Tools, furniture, and fixtures	32,592	30,736	294,391
Leased assets <i>(Note 17)</i>	3,274	2,600	29,573
Construction in progress	1,640	293	14,813
Other	1,622	1,530	14,651
	<u>264,580</u>	<u>264,024</u>	<u>2,389,847</u>
 Accumulated depreciation	<u>(138,716)</u>	<u>(133,133)</u>	<u>(1,252,967)</u>
Property and equipment, net	<u>125,864</u>	<u>130,891</u>	<u>1,136,880</u>
 Investments and other assets:			
Investments in securities <i>(Notes 3 and 10)</i>	2,350	1,427	21,227
Investments in affiliates <i>(Notes 3 and 10)</i>	392	893	3,541
Goodwill <i>(Notes 18, 20 and 21)</i>	4,274	2,986	38,605
Guarantee deposits <i>(Note 10)</i>	26,616	26,094	240,412
Deferred tax assets <i>(Note 9)</i>	23,253	22,729	210,035
Other	10,912	11,708	98,564
Total investments and other assets	<u>67,797</u>	<u>65,837</u>	<u>612,384</u>
Total assets	<u>¥ 386,211</u>	<u>¥ 350,024</u>	<u>\$ 3,488,492</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2021	2020	2021
Liabilities and net assets			
Current liabilities:			
Short-term loans payable (<i>Notes 7 and 10</i>)	¥ 188	¥ 70	\$ 1,698
Current portion of long-term loans payable (<i>Notes 7 and 10</i>)	2,525	3,107	22,807
Current portion of convertible bonds (<i>Notes 7 and 10</i>)	80	—	723
Notes and accounts payable:			
Trade (<i>Notes 7 and 10</i>)	43,906	34,435	396,586
Other	13,517	11,068	122,094
	60,216	45,503	543,908
Lease obligations (<i>Notes 7 and 10</i>)	332	237	2,999
Income taxes payable (<i>Note 9</i>)	9,229	896	83,362
Provision for bonuses	7,147	5,454	64,556
Provision for point card certificates	9,082	11,056	82,034
Other (<i>Note 7</i>)	17,793	13,444	160,716
Total current liabilities	103,799	79,767	937,575
Long-term liabilities:			
Long-term debt (<i>Notes 7 and 10</i>)	51,202	53,817	462,488
Net defined benefit liability (<i>Note 8</i>)	7,849	8,251	70,897
Lease obligations (<i>Notes 7 and 10</i>)	2,442	2,136	22,058
Deferred tax liabilities (<i>Note 9</i>)	482	623	4,354
Deferred tax liabilities for land revaluation (<i>Notes 4 and 9</i>)	1,591	1,597	14,371
Provision for merchandise warranties	10,400	9,285	93,939
Asset retirement obligations (<i>Note 5</i>)	9,231	8,842	83,380
Other	5,374	5,305	48,540
Total long-term liabilities	88,571	89,856	800,027
Contingent liabilities (<i>Note 12</i>)			
Net assets			
Shareholders' equity (<i>Note 13</i>):			
Capital stock	11,940	11,940	107,849
Capital surplus	84,952	84,946	767,339
Retained earnings	107,698	94,979	972,794
Treasury shares	(4,890)	(4,972)	(44,170)
Total shareholders' equity	199,700	186,893	1,803,812
Accumulated other comprehensive income (loss):			
Net unrealized gain (loss) on other securities	59	(236)	533
Revaluation reserve for land (<i>Note 4</i>)	(4,835)	(4,895)	(43,673)
Remeasurements of defined benefit plans (<i>Note 8</i>)	(1,083)	(1,361)	(9,782)
Total accumulated other comprehensive loss	(5,859)	(6,492)	(52,922)
Total net assets	193,841	180,401	1,750,890
Total liabilities and net assets	¥ 386,211	¥ 350,024	\$ 3,488,492

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Income

Year ended March 31, 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2021	2020	2021
Net sales	¥ 768,114	¥ 733,576	\$ 6,938,073
Cost of sales <i>(Note 14)</i>	542,475	522,971	4,899,964
Gross profit	225,639	210,605	2,038,109
Selling, general and administrative expenses <i>(Note 6)</i>	198,853	198,321	1,796,162
Operating income	26,786	12,284	241,947
Non-operating income (expenses):			
Interest and dividend income	91	89	822
Interest expense	(247)	(269)	(2,231)
Commission income	44	114	397
Subsidy income	877	627	7,922
Penalty income	101	52	912
Equity in (loss) income of affiliates	(63)	13	(569)
Contribution	(600)	(500)	(5,420)
Surcharge refund	–	1,237	–
(Loss) gain on sales and disposal of property and equipment	(534)	903	(4,823)
Impairment loss <i>(Notes 6, 15 and 21)</i>	(1,350)	(1,839)	(12,194)
Infectious related loss	(585)	–	(5,284)
Other	754	796	6,811
	(1,512)	1,223	(13,657)
Profit before income taxes	25,274	13,507	228,290
Income taxes <i>(Note 9)</i> :			
Current	9,543	2,166	86,198
Deferred	(903)	364	(8,156)
Total income taxes	8,640	2,530	78,042
	16,634	10,977	150,248
Profit attributable to:			
Owners of parent	¥ 16,634	¥ 10,977	\$ 150,248

	<i>Yen</i>	<i>U.S. dollars</i>
Amounts per share:		
Profit attributable to owners of parent		
– Basic	¥ 155.34	¥101.33
– Diluted	139.79	90.49
Cash dividends	46.00	34.00
		0.42

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year ended March 31, 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2021	2020	2021
Profit	¥ 16,634	¥10,977	\$ 150,248
Other comprehensive income (<i>Note 16</i>):			
Net unrealized gain (loss) on other securities	295	(184)	2,665
Remeasurements of defined benefit plans, net of tax	278	(238)	2,511
Other comprehensive income (loss), net	573	(422)	5,176
Comprehensive income	¥ 17,207	¥10,555	\$ 155,424
Comprehensive income attributable to:			
Owners of parent	¥ 17,207	¥10,555	\$ 155,424

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2021

<i>Millions of yen</i>					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2019	¥ 11,940	¥ 85,021	¥ 88,548	¥ (639)	¥ 184,870
Purchase of shares of consolidated subsidiaries	—	(10)	—	—	(10)
Cash dividends	—	—	(3,918)	—	(3,198)
Reversal of land revaluation difference	—	—	(628)	—	(628)
Profit attributable to owners of parent	—	—	10,977	—	10,977
Purchases of treasury shares	—	—	—	(4,998)	(4,998)
Disposition of treasury shares	—	(65)	—	665	600
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2020	¥ 11,940	¥ 84,946	¥ 94,979	¥ (4,972)	¥ 186,893
Cash dividends	—	—	(3,855)	—	(3,855)
Reversal of land revaluation difference	—	—	(60)	—	(60)
Profit attributable to owners of parent	—	—	16,634	—	16,634
Purchases of treasury shares	—	—	—	(1)	(1)
Disposition of treasury shares	—	6	—	83	89
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2021	¥ 11,940	¥ 84,952	¥107,698	¥ (4,890)	¥ 199,700

<i>Millions of yen</i>					
	Net unrealized gain (loss) on other securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive loss	Total net assets
Balance at April 1, 2019	¥ (52)	¥ (5,523)	¥ (1,123)	¥ (6,698)	¥ 178,172
Purchase of shares of consolidated subsidiaries	—	—	—	—	(10)
Cash dividends	—	—	—	—	(3,918)
Reversal of land revaluation difference	—	—	—	—	(628)
Profit attributable to owners of parent	—	—	—	—	10,977
Purchases of treasury shares	—	—	—	—	(4,998)
Disposition of treasury shares	—	—	—	—	600
Net changes of items other than shareholders' equity	(184)	628	(238)	206	206
Balance at March 31, 2020	¥(236)	¥ (4,895)	¥ (1,361)	¥ (6,492)	¥ 180,401
Cash dividends	—	—	—	—	(3,855)
Reversal of land revaluation difference	—	—	—	—	(60)
Profit attributable to owners of parent	—	—	—	—	16,634
Purchases of treasury shares	—	—	—	—	(1)
Disposition of treasury shares	—	—	—	—	89
Net changes of items other than shareholders' equity	295	60	278	633	633
Balance at March 31, 2021	¥ 59	¥ (4,835)	¥ (1,083)	¥ (5,859)	¥ 193,841

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Year ended March 31, 2021

Thousands of U.S. dollars (Note 1)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2020	\$ 107,849	\$ 767,285	\$ 857,908	\$ (44,910)	\$ 1,688,132
Cash dividends	—	—	(34,820)	—	(34,820)
Reversal of land revaluation difference	—	—	(542)	—	(542)
Profit attributable to owners of parent	—	—	150,248	—	150,248
Purchases of treasury shares	—	—	—	(9)	(9)
Disposition of treasury shares	—	54	—	749	803
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2021	\$ 107,849	\$ 767,339	\$ 972,794	\$ (44,170)	\$ 1,803,812

Thousands of U.S. dollars (Note 1)

	Net unrealized gain (loss) on other securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive loss	Total net assets
Balance at April 1, 2020	\$ (2,132)	\$ (44,215)	\$ (12,293)	\$ (58,640)	\$ 1,629,492
Cash dividends	—	—	—	—	(34,820)
Reversal of land revaluation difference	—	—	—	—	(542)
Profit attributable to owners of parent	—	—	—	—	150,248
Purchases of treasury shares	—	—	—	—	(9)
Disposition of treasury shares	—	—	—	—	803
Net changes of items other than shareholders' equity	2,665	542	2,511	5,718	5,718
Balance at March 31, 2021	\$ 533	\$ (43,673)	\$ (9,782)	\$ (52,922)	\$ 1,750,890

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year ended March 31, 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2021	2020	2021
Cash flows from operating activities			
Profit before income taxes	¥ 25,274	¥ 13,507	\$ 228,290
Adjustments for:			
Depreciation and amortization	10,630	11,245	96,017
Impairment loss	1,350	1,839	12,194
Interest and dividend income	(91)	(89)	(822)
Interest expense	247	269	2,231
Increase in provision for bonuses	1,687	187	15,238
(Decrease) increase in provision for point card certificates	(1,973)	680	(17,821)
Decrease in net defined benefit liability	(445)	(27)	(4,020)
Loss (gain) on sales or disposal of property and equipment	534	(903)	4,823
Surcharge refund	—	(1,237)	—
Changes in operating assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(4,491)	1,155	(40,565)
(Increase) decrease in inventories	(6,593)	5,430	(59,552)
Increase in notes and accounts payable	10,658	1,235	96,270
Increase (decrease) in advances received	1,598	(366)	14,434
Other, net	5,573	(1,961)	50,338
Subtotal	43,958	30,964	397,055
Interest and dividend income received	50	43	452
Interest expenses paid	(221)	(240)	(1,996)
Payment for infectious related loss	(554)	—	(5,004)
Subsidy income received	802	207	7,244
Income taxes refunded	1,410	155	12,736
Income taxes paid	(1,880)	(6,380)	(16,981)
Surcharge refund income	—	1,237	—
Other, net	(601)	(500)	(5,429)
Net cash provided by operating activities	42,964	25,279	388,077
Cash flows from investing activities			
Purchases of property and equipment	(5,559)	(8,929)	(50,212)
Proceeds from sales of property and equipment	2,730	8,675	24,659
Purchases of intangible assets	(2,100)	(1,410)	(18,968)
Payments of long-term prepaid expenses	(176)	(73)	(1,590)
Purchases of investment in securities	(15)	(0)	(135)
Proceeds from sales of investments in securities	13	16	117
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 18)	(1,535)	(2,382)	(13,865)
Payments for leasehold deposits	(1,327)	(1,971)	(11,986)
Proceeds from leasehold deposits	346	888	3,125
Repayment of guarantee deposits received, net	157	(51)	1,418
Other, net	(509)	(323)	(4,598)
Net cash used in investing activities	¥ (7,975)	¥ (5,560)	\$ (72,035)

EDION Corporation and Consolidated Subsidiaries

Consolidated Statements of Cash Flow (continued)

March 31, 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2021	2020	2021
Cash flows from financing activities			
Net decrease in short-term loans payable	¥ —	¥ (970)	\$ —
Proceeds from long-term loans payable	290	—	2,619
Repayments of long-term loans payable	(3,030)	(2,952)	(27,369)
Cash dividends paid	(3,550)	(3,608)	(32,066)
Purchase of treasury shares	(1)	(4,998)	(9)
Purchase of shares of subsidiaries without changing in the scope of consolidation <i>(Note 18)</i>	—	(10)	—
Other, net	(1,601)	(242)	(14,461)
Net cash used in financing activities	(7,892)	(12,780)	(71,286)
Effect of exchange rate changes on cash and cash equivalents	0	0	0
Net increase in cash and cash equivalents	27,097	6,939	244,756
Cash and cash equivalents at the beginning of the year	15,975	9,036	144,296
Cash and cash equivalents at the end of the year <i>(Note 18)</i>	¥ 43,072	¥ 15,975	\$ 389,052

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2021

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of EDION Corporation (the “Company”) and consolidated subsidiaries (collectively, the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”), and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2020, to the 2021 presentation. Such reclassifications had no effect on consolidated profit, net assets or net cash flow.

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥110.71 = U.S. \$1.00, the approximate rate of exchange in effect on March 31, 2021. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all significant companies controlled directly or indirectly by the Company. The numbers of consolidated subsidiaries are thirteen and nine as of March 31, 2021, and 2020, respectively.

PTN Co., Ltd. (“PTN”) and its subsidiaries, Prime Station Co., Ltd. (“Prime Station”), Hampstead, Co., Ltd. (“Hampstead”), and EdBank Co., Ltd. (“EdBank”), are newly included in the scope of consolidation from the year ended March 31, 2021 as the Company acquired 100% ownership of shares of PTN on February 8, 2021.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(a) Consolidation (continued)

Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis. The Company has applied the equity method to investments in two affiliates and three affiliates for the years ended March 31, 2021, and 2020, respectively.

All significant intercompany accounts, transactions and unrealized profit and loss have been eliminated in consolidation.

Differences between the acquisition costs and the underlying net equities in investments in consolidated subsidiaries are recorded as goodwill in the consolidated balance sheets and amortized using the straight-line method over their estimated useful lives or a period of five years.

The fiscal year end for all consolidated subsidiaries is the same as the Company's fiscal year end.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and demand deposits. Cash and cash equivalents also include short-term investments with a maturity date within three months of the date of acquisition, which are readily convertible into cash and are exposed to an insignificant risk of change in value.

(c) Investment in securities

Securities have been classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain and loss, both realized and unrealized, are credited and charged to income. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income (loss). Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(c) Investment in securities (continued)

The Group recognizes impairment loss on securities in cases where the fair value of a security declines by more than 50% of carrying value. The Group also recognizes impairment loss of a necessary amount by considering the significance of the amount of decline in fair value, the recoverability of fair value and so forth when the fair value declines by 30% to 50%.

(d) Inventories

Inventories such as consumer electronics merchandise are stated principally at the lower of cost or net selling value, cost being determined by the moving average method. Supplies are stated at cost determined by the last purchase price method.

(e) Property and equipment (other than leased assets)

Property and equipment are stated at cost. Depreciation is computed principally by the declining-balance method over the estimated useful lives of the respective assets, except for buildings (other than facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016, which are depreciated by the straight-line method. The range of estimated useful lives is principally from 2 to 60 years for buildings and structures, and from 2 to 20 years for tools, furniture and fixtures.

(f) Leased assets

Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

Finance lease transactions which do not transfer ownership to the lessee and commenced prior to April 1, 2008, were accounted for as operating leases.

(g) Allowance for doubtful receivables

Allowance for doubtful receivables is provided at an amount calculated based on historical experience of bad debts on ordinary receivables, plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(h) Provision for bonuses

Provision for bonuses is provided at the estimated amount of bonuses to be paid to the employees in the following year which has been allocated to the current fiscal year.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(i) Net defined benefit liability

The Company and most consolidated subsidiaries have defined benefit pension plans, retirement benefit plans and defined contribution pension plans covering substantially all employees.

Net defined benefit liability is provided based on the amount of the projected benefit obligation after deducting the pension plan assets at fair value at the year-end. The retirement benefit obligation is attributed to each period by the benefit-formula basis over the estimated remaining years of service of the eligible employees.

Prior service cost is amortized by the straight-line method over a period of 10 years, which falls within the estimated average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized, principally by the straight-line method over a period of 10 years, which falls within the estimated average remaining years of service of the eligible employees.

Some consolidated subsidiaries apply the simplified method to calculated retirement benefit liabilities and retirement benefit expenses, where the net defined liability is based on the amount which would be payable at year end if all eligible employees terminated their service voluntarily.

(j) Provision for point card certificates

Provision for point card certificates is provided at an estimate of the total cost expected to be incurred subsequent to the balance sheet date based on the historical data of utilization of points by customers.

(k) Provision for merchandise warranties

Provision for merchandise warranties is provided at an estimate of the total cost expected to be incurred at the balance sheet date during the warranty period based on the historical data for repair expenses.

(l) Income taxes

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Certain temporary differences exist between taxable income and income reported for financial statement purposes which enter into the determination of taxable income in a different period. The Group has recognized the tax effect of such temporary differences in the accompanying consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(m) Derivatives and hedging activities

Derivatives positions are carried at fair value with any changes charged to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred.

The Company enters into interest-rate swap contracts for certain long-term loans to avoid the risk arising from fluctuation in interest rate.

If interest-rate swap contracts are used as hedges and meet certain hedging criteria, the net amounts to be paid or received under the interest-rate swap contracts are added to or deducted from the interest on certain long-term loans for which the swap contracts are executed (“Special treatment”).

(n) Per share information

Basic profit attributable to owners of parent per share is computed based on the profit attributable to shareholders of capital stock and the weighted-average number of shares of capital stock outstanding during the year. Diluted profit attributable to owners of parent per share assumes that outstanding convertible bonds were converted into capital stock at the beginning of the period at the current conversion price, and stock acquisition rights were exercised into capital stock at the time of issue at the average stock price. Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of such years.

The average number of shares of capital stock used to compute basic profit attributable to owners of parent per share for the years ended March 31, 2021, and 2020 were 107,081 thousand and 108,328 thousand, respectively. The dilutive potential of shares of capital stock for the year ended March 31, 2021, and 2020 were 11,907 thousand and 12,984 thousand, respectively.

Amounts per share of net assets are computed based on the number of shares of capital stock outstanding at the year-end. Amounts per share of net assets at March 31, 2021 and 2020 were ¥1,809.68 (\$16.35) and ¥1,685.50, respectively.

(o) Distribution of retained earnings

Under the Corporation Law of Japan (the “Law”), the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at an annual meeting held subsequent to the close of the financial period. The accounts for that period do not, therefore, reflect such distributions (see Note 22. “Subsequent Events”).

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(p) Significant accounting estimates

- Recognition and measurement of impairment of property and equipment

- (1) The amounts recorded in the consolidated financial statements for the current fiscal year are as follows:

Impairment loss of ¥1,007 million (\$9,096 thousand)

- of which, the asset group related to stores is ¥780 million (\$7,045 thousand)

Property and equipment of ¥125,864 million (\$1,136,880 thousand)

- of which, the asset group related to stores is ¥110,168 million (\$995,104 thousand)

- (2) Information on significant accounting estimates regarding the identified items

① Calculation method

The Group groups its property and equipment in sales department based on a store as a basis of unit, and the Group also groups idle assets which are not currently utilized for its operations individually in measuring impairment loss.

As a result of the measurement, if the operating results of the asset group are expected to continue to be negative, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized.

The recoverable amount of the asset group is the higher of the realizable value or value in use.

The value in use is the present value of estimated future cash flows which is calculated based on the business plan approved by the Board of Directors and sales growth rates for the periods subsequent to the period covered by the business plan calculated based on actual results in the past. The discount rate is calculated based on the weighted average cost of capital. The business plans consist of a company-wide business plan (FY2021), a budget for each asset group (FY2021), and store opening plans for new stores covering about first five years.

② Significant assumptions

The significant assumptions used in the calculation of future cash flows are the sales growth rates, which serves as the basis of the business plan approved by the Board of Directors (0% to 3%), the sales growth rates for the periods subsequent to the period covered by the business plan (0% to 300%), and the discount rate (4.2%).

The sales growth rates for the periods subsequent to the period covered by the business plan are calculated based on the past results taking into consideration of the regional characteristics, the Group's position of the commercial area considering the history of sales activities, changes in the external environment such as regional development and the impact of sales support.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(p) Significant accounting estimates (continued)

- (2) Information on significant accounting estimates regarding the identified items (continued)

② Significant assumptions (continued)

At present, the effects of COVID-19 may cause a temporary decrease in sales due to store closures in the short term over several months, but recovery is expected after the resumption of business. Therefore, the Group does not expect it to have a significant impact on the medium to long-term business plan used in measurement of impairment loss.

③ Impact on the consolidated financial statements for the following year

Due to uncertainties, the sales growth rate, which is one of the key assumptions, is expected to fluctuate in a range between a 20% decline and a 20% increase. Impairment losses of ¥0 million to ¥5,652 million (\$0 thousand to \$51,052 thousand) may be recorded in the following year depending on any fluctuations in the growth rate.

Recognition and measurement of impairment of goodwill and other intangible assets

- (1) The amounts recorded in the consolidated financial statements for the current fiscal year are as follows:

Impairment loss of ¥342 million (\$3,089 thousand)
Goodwill of ¥4,274 million (\$38,605 thousand) (*1)
Customer-related assets of ¥1,500 million (\$13,549 thousand) (*2)

- (*1) The main components of the corresponding goodwill are as follows:

Forest Co., Ltd.	¥306 million (\$2,764 thousand)
Jtop Co., Ltd.	¥1,055 million (\$9,529 thousand)
Yumemiru Co., Ltd.	¥750 million (\$6,774 thousand)
PTN Co., Ltd.	¥2,138 million (\$19,312 thousand)

The amount of goodwill related to the acquisition of PTN at the end of the current fiscal year is provisionally calculated because the allocation of acquisition costs incurred in the business combination due to the acquisition of shares of PTN in the current fiscal year has not been completed.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(p) Significant accounting estimates (continued)

Recognition and measurement of impairment of goodwill and other intangible assets (continued)

(1) The amounts recorded in the consolidated financial statements for the current fiscal year are as follows (continued):

(*2) Details on the amount are as follows:

Forest Co., Ltd. ¥1,226 million (\$11,074 thousand)

Jtop Co., Ltd. ¥273 million (\$2,466 thousand)

The amount of customer-related assets are included in “Other” under “Investments and other assets” in the consolidated balance sheet.

(2) Information on significant accounting estimates regarding the identified items.

① Calculation method

The Group groups intangible assets such as goodwill and customer-related assets based on consolidated subsidiaries or a business function when the Group measures impairment loss.

As a result of the measurement, if the operating results generated by the asset group are expected to continue to be negative, the carrying amount is reduced to the recoverable amount and the Group recognizes impairment loss.

The recoverable amount is the present value of estimated future cashflows which is calculated based on the business plan approved by the Board of Directors and sales growth rates for the periods subsequent to the period covered by the business plan calculated based on actual results in the past. The discount rate is calculated based on the weighted average cost of capital.

The business plans of certain consolidated subsidiaries approved by Board of Directors are as follows:

Forest Co., Ltd. (FY2021 to FY2022)

Jtop Co., Ltd. (FY2021 to FY2023)

Yumemiru Co., Ltd (FY2021 to FY2026)

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(p) Significant accounting estimates (continued)

② Significant assumptions

The significant assumptions used in the calculation of future cash flows are the sales growth rates, which is the basis of the business plan approved by the Board of Directors, the sales growth rates for the periods subsequent to the period covered by the business plan (a range between a 3% decrease and a 0%) and discount rates (9.3% to 11.3%).

Forest Co., Ltd. sells office supplies, daily necessities, various business supplies, etc. in Omiya-ku, Saitama City. Sales of office supplies, mainly sales to corporate customers, are stable and the Group is making efforts to also sell to retail consumers as well. The sales growth rates are expected to be 2.7% to 8.4% for the periods covered by the business plan.

Jtop Co., Ltd. delivers general cargo such as free papers, job magazines and other magazines in Nakamura-ku, Nagoya city. Demand for free papers and job magazines has temporarily declined due to the effects of the COVID-19, but the service delivery field that can offer added value is expanding and the sales growth rates are expected to be 7.1% to 16.3% for the periods covered by the business plan.

Yumemiru Co., Ltd. operates a programming school in Kita-ku, Sakai city. In response to the growing demand for programming education under the “GIGA School Concept,” Yumemiru Co., Ltd. is actively opening new classrooms centered on the Kansai region in the name of “Robodan,” and the sales growth rates are expected to be 4.1% to 61.4% for the periods covered by the business plan.

As for the impact on COVID-19 at this point, the business environment has changed due to the pandemic, and sales have declined in the businesses of the three companies above. Therefore, future business plans have been reviewed and updated taking into consideration of the their business performance in the current fiscal year.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(p) Significant accounting estimates (continued)

③ Impact on the consolidated financial statements for the following year

The sales growth rate, one of the key assumptions, involves estimation uncertainties. In the event that Forest Co., Ltd.'s sales for each fiscal year after 2022 are 90% of the amount used in the calculation, an impairment loss on goodwill and customer-related assets associated with the acquisition of Forest Co., Ltd. in the amount of ¥43 million (\$388 thousand) may be incurred.

In the event that Jtop Co., Ltd.'s sales for each fiscal year after 2022 are 95% of the amount used in the calculation, an impairment loss on goodwill and customer-related assets associated with the acquisition of Jtop Co., Ltd. in the amount of ¥426 million (\$3,848 thousand) may be incurred.

In the event that Yumemiru Co., Ltd.'s sales for each fiscal year after 2022 are 85% of the amount used in the calculation, an impairment loss on goodwill and customer-related assets associated with the acquisition of Yumemiru Co., Ltd. in the amount of ¥532 million (\$4,805 thousand) may be incurred.

(Note) The analysis above provides the highest percentage of sales at each subsidiary that the impairment loss is expected to be recorded, and corresponding amount of impairment loss if sales figures of each subsidiary were reduced in increments of 5% from the figures used in the original assumption.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(q) Accounting standards issued but not yet effective

- “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (the “ASBJ”) Statement No.29, issued on March 30, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30, issued on March 26, 2021)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, issued on March 31, 2020)

(1) Overview

The International Accounting Standards Board (the “IASB”) and the Financial Accounting Standards Board (the “FASB”) in the United States jointly developed comprehensive accounting standards for revenue recognition and published “Revenue from Contracts with Customers” (IFRS 15 in the IASB and Topic 606 in the FASB) in May 2014. Given that IFRS 15 will be applied from fiscal years beginning on or after January 1, 2018, and that Topic 606 will be applied from fiscal years beginning after December 15, 2017, the ASBJ has developed comprehensive accounting standards for revenue recognition and issued them together with the Implementation Guidance.

The basic policy of the ASBJ in developing accounting standards for revenue recognition is thought to be setting accounting standards, with the incorporation of the fundamental principles of IFRS 15 as a starting point, from a standpoint of comparability between financial statements, which is one of the benefits of ensuring consistency with IFRS 15, and to add alternative accounting treatments without losing comparability if there is an item that should be taken into account in practices, etc. that have been conducted in Japan.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of adopting revised implementation guidance

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(q) Accounting standards issued but not yet effective (continued)

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, issued on July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9, issued on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, issued on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31, issued on July 4, 2019)
- “Implementation Guidance for Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, issued on March 31, 2020)

(1) Overview

The ASBJ tried ensuring consistency between Japanese standards and international standards mainly for guidance and disclosures on estimated fair value of financial instruments and issued “Accounting Standard for Fair Value Measurement”, etc. based on the fact that the IASB and the FASB in the United States had already issued almost identical detailed guidance on fair value measurement (issued as IFRS 13 “Fair Value Measurement” by the IASB and Topic 820 “Fair Value Measurement” in the Accounting Standards Codification by the FASB).

As the basic policy in developing accounting standards for fair value measurement, the ASBJ incorporated basically all of the matters defined in IFRS 13 from a standpoint of increasing comparability of financial statements among domestic and foreign companies by using a unified measurement method. Furthermore, the ASBJ defined alternative accounting treatment to the individual matters without impairing comparability considering related to accounting practices, etc. common in Japan.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of adopting revised standards and implementation guidance.

The Company has not determined the effect of the accounting standards and implementation guidance on its consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(r) Adoption of accounting standard

“Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No.31, issued on March 31, 2020)

The Company has adopted “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No.31, issued on March 31, 2020) from the current fiscal year. Notes regarding significant accounting estimates is included in the consolidated financial statements.

However, comparative information for the previous fiscal year is not included in accordance with the transitional treatment stipulated in the provision of paragraph 11 of the standards.

(s) Additional information

The Japanese government declared a state of emergency for certain prefectures sequentially after April 25, 2021 in response to the spread of COVID-19.

There is a risk that the Group will experience a decline in sales since some stores were closed, business hours were shortened and the number of customers visiting its stores decreased during the period in which the state of emergency was in place.

The Group estimates that the effect on the accounting estimates such as recoverability of deferred tax assets is minor, however due to uncertainties about the economic circumstances from the spread of COVID-19, its financial condition and business performance may be affected if there is a change in the assumption shown above.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Investment in Securities and Investment in Affiliates

- (a) Information regarding investment in securities classified as other securities inclusive of marketable securities at March 31, 2021, and 2020 was summarized as follows:

Millions of yen						
	2021			2020		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying Value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥ 973	¥ 708	¥ 265	¥ 461	¥ 294	¥ 167
Subtotal	¥ 973	708	¥ 265	¥ 461	¥ 294	¥ 167
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	¥ 884	¥ 1,047	¥ (163)	¥ 919	¥ 1,410	¥(491)
Subtotal	¥ 884	¥ 1,047	¥ (163)	¥ 919	¥ 1,410	¥(491)
Total (*a)	¥ 1,857	¥ 1,755	¥ 102	¥ 1,380	¥ 1,704	¥(324)
Thousands of U.S. dollars						
	2021					
	Carrying value	Acquisition costs	Unrealized gain (loss)			
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	\$ 8,789	\$ 6,395	\$ 2,394			
Subtotal	\$ 8,789	\$ 6,395	\$ 2,394			
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	\$ 7,985	\$ 9,457	\$ (1,472)			
Subtotal	\$ 7,985	\$ 9,457	\$ (1,472)			
Total (*a)	\$ 16,774	\$ 15,852	\$ 922			

Notes:

- (*a) Because no quoted market price is available and it is extremely difficult to determine the fair value, unlisted equity securities are not included in the preceding table. The carrying values of such unlisted equity securities amounted to ¥493 million (\$4,453 thousand) and ¥47 million as of March 31, 2021, and 2020, respectively.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Investment in Securities and Investment in Affiliates (continued)

- (b) Proceeds from sales of and gross realized gain on other securities for the fiscal years ended March 31, 2021, and 2020 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Proceeds from sales	¥ 13	¥ 16	\$ 117
Gross realized gain	0	0	0

- (c) Losses on devaluation of investment in securities of nil and ¥53 million were recognized in “Other” in the consolidated statements of income for the years ended March 31, 2021, and 2020, respectively.

4. Revaluation Reserve for Land

The Company revaluated land held for business use, in accordance with the “Law on Land Revaluation” at March 28 and March 31, 2002. Differences on land revaluation have been accounted for as “Revaluation reserve for land” under net assets at the net amount of the relevant tax effect. The method followed in determining the land revaluations was in accordance with the “Enforcement Act Concerning Land Revaluation.” The carrying value of this land exceeded its fair value by ¥6,826 million (\$61,657 thousand) and ¥8,186 million at March 31, 2021 and 2020, respectively, of which a certain portion of this land, in the amount of ¥ 1,582 million (\$14,290 thousand) and ¥1,858 million, corresponded to real estate for lease at March 31, 2021, and 2020, respectively.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Asset Retirement Obligations

Asset retirement obligations mainly consist of restoration costs related to lease contracts for stores and rental property.

The amount of asset retirement obligations is calculated by the estimated useful life according to the terms of the agreement or mostly 15 years (in the case of agreements under the former Act on Land and Building Leases) using discount rates ranging from 0% to 2.8%.

Changes in asset retirement obligations during the years ended March 31, 2021, and 2020 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Balance at the beginning of the year	¥ 8,842	¥ 7,909	\$ 79,866
Liabilities incurred due to the acquisition of property and equipment	379	914	3,423
Accretion expense	85	89	768
Liabilities settled	(75)	(70)	(677)
Balance at the end of the year	¥ 9,231	¥ 8,842	\$ 83,380

6. Investment and Rental Property

The Company and certain consolidated subsidiaries own store properties including buildings and land for rent mainly in the main cities of Osaka, Aichi, and other prefectures. Net rental income for these properties was recognized in the amount of ¥159 million (\$1,436 thousand) and ¥271 million for the years ended March 31, 2021, and 2020, respectively. Rental income was included in net sales, and rental expenses were mainly included in selling, general and administrative expenses. Impairment of rental property of ¥226 million (\$2,041 thousand) and ¥94 million was recognized in impairment loss for the years ended March 31, 2021, and 2020, respectively.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Investment and Rental Property (continued)

The carrying value of rental property in the consolidated balance sheet, net change in the carrying value and corresponding fair value of those properties were as follows:

<i>Millions of yen</i>			
2021			
	Carrying Value		Fair Value
March 31, 2020	Net change	March 31, 2021	March 31, 2021
¥ 12,502	¥(1,055)	¥ 11,447	¥ 10,178

<i>Millions of yen</i>			
2020			
	Carrying Value		Fair Value
March 31, 2019	Net change	March 31, 2020	March 31, 2020
¥ 15,629	¥ (3,127)	¥ 12,502	¥ 11,102

<i>Thousands of U.S. dollars</i>			
2021			
	Carrying Value		Fair Value
March 31, 2020	Net change	March 31, 2021	March 31, 2021
\$ 112,926	\$ (9,530)	\$ 103,396	\$ 91,934

Notes:

1. The carrying value represents the acquisition cost less accumulated depreciation and accumulated impairment loss.
2. The main component of net change in the carrying value are the increases due to acquisition of properties of ¥261 million (\$2,358 thousand) and decreases due to sales of ¥850 million (\$7,678 thousand) for the year ended March 31, 2021. The main component of net change in the carrying value are the increases due to acquisition of properties of ¥50 million and decreases due to sales of ¥2,812 million for the year ended March 31, 2020.
3. The fair value was based on the real estate appraisals issued by the third-party professional appraisers for main properties and internal computations including the adjustment by an index and others in accordance with appraisal standards for other properties.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Short-Term Loans Payable, Long-Term Debt, and Lease Obligations

Short-term loans payable at March 31, 2021, consisted of bank overdrafts. The annual average interest rates applicable to the short-term loans payable were 0.47% and 0.33% for the years ended March 31, 2021 and 2020, respectively.

Long-term debt at March 31, 2021, and 2020 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Zero coupon unsecured convertible bonds (with stock acquisition rights) due October 1, 2021	¥ 80	¥ 80	\$ 723
Zero coupon unsecured convertible bonds (with stock acquisition rights) due June 19, 2025	13,838	15,038	124,993
Unsecured loans principally from banks and insurance companies with an average interest rate of 0.34%	39,274	41,071	354,747
Long-term loans with an interest rate of 2.06%	615	735	5,555
	53,807	56,924	486,018
Less: Current portion of long-term loans payable	(2,525)	(3,107)	(22,807)
Less: Current portion of convertible bonds	(80)	-	(723)
	¥ 51,202	¥ 53,817	\$ 462,488

Zero coupon unsecured convertible bonds (with stock acquisition rights) issued on October 3, 2014, are convertible at ¥860.4 (\$7.77) per share in the period from October 17, 2014, to September 17, 2021 subject to adjustment in certain circumstances.

Zero coupon unsecured convertible bonds (with stock acquisition rights) issued on June 19, 2015, are convertible at ¥1,190.8 (\$10.76) per share in the period from July 3, 2015, to June 5, 2025 subject to adjustment in certain circumstances.

The aggregate annual maturities of long-term loans payables subsequent to March 31, 2021, were summarized as follows:

<i>Year ending March 31,</i>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2022	¥ 2,525	\$ 22,807
2023	10,305	93,081
2024	10,964	99,034
2025	2,080	18,788
2026	878	7,931
2027 and thereafter	13,137	118,661
Total	¥ 39,889	\$ 360,302

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Short-Term Loans Payable, Long-Term Debt and Lease Obligations (continued)

The average interest rates applicable to the lease obligations under current liabilities and long-term liabilities were 2.43% and 2.76% at March 31, 2021, and 2020, respectively.

The aggregate annual maturities of lease obligations subsequent to March 31, 2021 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2022	¥ 332	\$ 2,999
2023	339	3,062
2024	337	3,044
2025	329	2,972
2026	308	2,782
2027 and thereafter	1,129	10,198
Total	¥ 2,774	\$ 25,057

The assets pledged as collateral for notes and accounts payable-trade of ¥54 million (\$488 thousand), long-term loans and the current portion of long-term loans of ¥615 million (\$5,555 thousand) and guarantee deposits from lessees included in other (long-term liabilities) of ¥467 million (\$4,218 thousand) was as follows:

	Millions of yen	Thousands of U.S. dollars
Merchandise and products	¥ 39	\$ 352
Land	749	6,765
Buildings and structures – net of accumulated depreciation	1,158	10,460
Total	¥ 1,946	\$ 17,577

In order to achieve more efficient and flexible financing, the Group has concluded bank overdraft agreements with 20 banks and line-of-credit agreements with 10 banks. Total committed lines of credit under such agreements amounted to ¥110,600 million (\$999,006 thousand) and full amount was available as of March 31, 2021.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Retirement Benefit Plans

The Company and most consolidated subsidiaries have defined benefit pension plans and defined contribution pension plans covering substantially all employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum payment from the Company and the consolidated subsidiaries and annuity payments from a trustee. In addition to the retirement benefit plans described above, the Company and certain consolidated subsidiaries pay additional retirement benefits under certain conditions.

In addition, certain consolidated subsidiaries apply the simplified method to calculated retirement benefit liabilities and retirement benefit expenses, where the required contributions to the pension fund are accounted for as retirement benefit expenses.

Moreover, the Company has participated in the multi-employer pension plan as a funded retirement benefit plan for fixed-term employees (contract employees, temporary employees and part-time employees, etc.). When the pension assets held by the multi-employer pension plan corresponding to the Company's contribution cannot be reliably determined, the accounting treatment applied is the same as that for a defined contribution plan.

(a) Defined benefit plan (excluding simplified method)

The changes in the retirement benefit obligation during the years ended March 31, 2021, and 2020 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Retirement benefit obligation at the beginning of the year	¥ 14,637	¥ 14,960	\$ 132,210
Service cost	352	365	3,179
Interest cost	29	29	262
Actuarial loss	177	39	1,599
Retirement benefit paid	(904)	(756)	(8,165)
Retirement benefit obligation at the end of the year	¥ 14,291	¥ 14,637	\$ 129,085

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Retirement Benefit Plans (continued)

(a) Defined benefit plan (excluding simplified method) (continued)

The changes in plan assets at fair value during the years ended March 31, 2021, and 2020 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Plan assets at fair value at the beginning of the year	¥ 6,386	¥ 6,683	\$ 57,682
Expected return on plan assets	45	120	406
Actuarial gain (loss)	306	(193)	2,764
Contribution by the Company	186	187	1,680
Retirement benefit paid	(438)	(411)	(3,956)
Plan assets at fair value at the end of the year	¥ 6,485	¥ 6,386	\$ 58,576

The balances of retirement benefit obligation and plan assets at fair value and liabilities and assets recognized in the consolidated balance sheet at March 31, 2021, and 2020 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Funded retirement benefit obligation	¥ 7,886	¥ 7,944	\$ 71,231
Plan assets at fair value	(6,485)	(6,386)	(58,576)
	1,401	1,558	12,655
Unfunded retirement benefit obligation	6,405	6,693	57,854
Net defined benefit liability	7,806	8,251	70,509
Liabilities for retirement benefit	7,806	8,251	70,509
Net defined benefit liability	¥ 7,806	¥ 8,251	\$ 70,509

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Retirement Benefit Plans (continued)

(a) Defined benefit plan (excluding simplified method) (continued)

The components of retirement benefit expense for the years ended March 31, 2021, and 2020 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Service cost	¥ 352	¥ 365	\$ 3,179
Interest cost	29	29	262
Expected return on plan assets	(45)	(120)	(406)
Amortization of actuarial loss	434	259	3,920
Amortization of prior service cost	(158)	(364)	(1,427)
Retirement benefit expense	¥ 612	¥ 169	\$ 5,528

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2021, and 2020 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Prior service cost	¥ (158)	¥ (364)	\$ (1,427)
Actuarial loss	562	27	5,076
Total	¥ 404	¥ (337)	\$ 3,649

The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2021, and 2020 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Unrecognized prior service cost	¥ (19)	¥ 139	\$ (172)
Unrecognized actuarial loss	(1,548)	(2,110)	(13,982)
Total	¥ (1,567)	¥ (1,971)	\$ (14,154)

The components of plan assets, by major category, as a percentage of total plan assets as of March 31, 2021, and 2020 are as follows:

	2021	2020
Bonds	24%	25%
Stocks	17	10
General accounts	54	58
Other	5	7
Total	100%	100%

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Retirement Benefit Plans (continued)

(a) Defined benefit plan (excluding simplified method) (continued)

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future and long-term expected rate of return from multiple plan assets at present and in the future.

The assumptions used in accounting for the above plans were as follows:

	<u>2021</u>	<u>2020</u>
Discount rates	0.1%-0.2%	0.1%-0.2%
Expected long-term rates of return on plan assets	1.9%	0.7%
Expected rates of salary increase	2.2%	1.7%

Note:

In addition to the above, the Company and certain consolidated subsidiaries charged contributions of ¥2,281 million (\$20,603 thousand) and ¥2,256 million to the defined contribution pension plans to income for the years ended March 31, 2021, and 2020, respectively.

(b) Defined benefit plan (simplified method)

The changes in plan assets at fair value during the year ended March 31, 2021 and 2020 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Plan assets at fair value at the beginning of the year	¥ 32	¥ -	\$ 289
Increase from acquiring new consolidated subsidiaries	-	42	-
Retirement benefit expense	6	(15)	54
Retirement benefit paid	-	5	-
Plan assets at fair value at the end of the year	<u>¥ 38</u>	<u>¥ 32</u>	<u>\$ 343</u>

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Retirement Benefit Plans (continued)

(b) Defined benefit plan (simplified method) (continued)

The changes in retirement benefit obligation at fair value during the year ended March 31, 2021 and 2020 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Retirement benefits obligation at fair value at the beginning of the year	¥ -	¥ -	\$ -
Increase from acquiring new consolidated subsidiaries	43	-	388
Retirement benefit obligation at the end of the year	¥ 43	¥ -	\$ 388

The balances of retirement benefit obligation and plan assets at fair value and liabilities and assets recognized in the consolidated balance sheet at March 31, 2021, and 2020 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Funded retirement benefit obligation	¥ 277	¥ 230	\$ 2,502
Plan assets at fair value	(272)	(262)	(2,457)
	5	(32)	45
Unfunded retirement benefit obligation	-	-	-
Net liability (assets) for retirement benefit in the balance sheet	5	(32)	45
Liability for retirement benefit	43	-	388
Assets for retirement benefit	(38)	(32)	(343)
Net liability (assets) for retirement benefit in the balance sheet	¥ 5	¥ (32)	\$ 45

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Retirement benefit expense calculated by simplified method	¥ (6)	¥ 15	\$ (54)

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Retirement Benefit Plans (continued)

(c) Multi-employer pension plan

The Company paid contributions of ¥291 million (\$2,628 thousand) and ¥269 million to the multi-employer pension plan, which were accounted in the same way as the defined contribution pension plan for the year ended March 31, 2021, and 2020, respectively.

The recent funding status of multi-employer plan for the year ended March 31, 2021, and 2020 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Plan assets	¥ 50,275	¥ 33,945	\$454,114
Total of the amount of actuarial obligations under pension funding program and minimum policy reserves	(49,085)	(32,959)	(443,365)
Difference	¥ 1,190	¥ 986	\$ 10,749

Ratio of Group contributions to total contributions in the multi-employer pension plan are 1.9% in 2021 and 2020. This ratio does not necessarily correspond to the actual contribution ratio of the Group.

The main component of the difference is retained earnings of ¥203 million (\$1,834 thousand) and ¥352 million, general reserve of ¥986 million (\$8,906 thousand) and ¥634 million for the ended March 31, 2021, and 2020 respectively.

The carryover deficit in pension funding program will be dealt with by methods such as raising the special contribution ratio as necessary based on the fiscal recalculation.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Income Taxes

Income taxes applicable to the Group comprise corporation tax, inhabitants' taxes and enterprise taxes which, in the aggregate, resulted in the statutory tax rates of 30.6% for the years ended March 31, 2021, and 2020.

The effective tax rates for the years ended March 31, 2021 and 2020 differed from the corresponding statutory tax rates for the following reasons:

	2021	2020
Statutory tax rates:	30.6%	30.6%
Expenses not deductible for income tax purposes	0.2	0.2
Inhabitants' per capita taxes	1.5	2.8
Change in valuation allowance	1.4	(11.2)
Surcharge refund	-	(2.3)
Other, net	0.5	(1.4)
Effective tax rates	34.2%	18.7%

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Income Taxes (continued)

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities calculated for financial reporting purposes and the corresponding tax bases reported for income tax purposes. The significant components of the deferred tax assets and liabilities of the Group at March 31, 2021, and 2020 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Deferred tax assets:			
Depreciation	¥ 2,266	¥ 2,205	\$ 20,468
Provision for bonuses	2,212	1,690	19,980
Impairment loss	6,477	6,781	58,504
Net defined benefit liability	2,433	2,555	21,976
Provision for point card certificates	2,798	3,403	25,273
Provision for merchandise warranties	3,219	2,879	29,076
Unrealized loss on revaluation of land acquired by merger	1,391	1,502	12,564
Asset retirement obligations	2,860	2,744	25,833
Net operating tax loss carryforwards (Note)	364	267	3,288
Other	5,903	4,850	53,320
Total gross deferred tax assets	29,923	28,876	270,282
Valuation allowance for net operating loss carryforwards (Note)	(306)	(233)	(2,764)
Valuation allowance for deductible temporary differences	(5,185)	(4,831)	(46,834)
Total valuation allowance	(5,491)	(5,064)	(49,598)
Total deferred tax assets	24,432	23,812	220,684
Deferred tax liabilities:			
Asset retirement obligations	(771)	(800)	(6,964)
Unrealized holding gain on other securities	(93)	(58)	(840)
Other	(797)	(848)	(7,199)
Total deferred tax liabilities	(1,661)	(1,706)	(15,003)
Net deferred tax assets	¥ 22,771	¥ 22,106	\$ 205,681

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Income Taxes (continued)

(Note) A breakdown of net operating loss carryforwards and valuation allowance by expiry date as of March 31, 2021 is as follows:

	<i>Millions of yen</i>						
Expiration schedule as of March 31, 2021	2022	2023	2024	2025	2026	2027 and thereafter	Total
Net operating loss carryforwards (*1), (*2)	—	¥3	¥43	¥1	¥2	¥ 315	¥ 364
Valuation allowance	—	(3)	(36)	(1)	0	(266)	(306)
Deferred tax assets	—	—	7	—	2	49	58

	<i>Thousands of U.S. dollars</i>						
Expiration schedule as of March 31, 2021	2022	2023	2024	2025	2026	2027 and thereafter	Total
Net operating loss carryforwards (*1), (*2)	—	\$27	\$388	\$ 9	\$18	\$ 2,846	\$ 3,288
Valuation allowance	—	(27)	(325)	(9)	0	(2,403)	(2,764)
Deferred tax assets	—	—	63	—	18	443	524

(*1) The amount is determined by multiplying the corresponding net operating loss carryforwards and the effective statutory rate.

(*2) Deferred tax assets were recorded in the amount of ¥58 million (\$524 thousand) for net operating loss carryforwards in the amount of ¥364 million (\$3,288 thousand). This resulted from net loss before income tax recorded by some subsidiaries, and it is more likely than not that there will be sufficient taxable income to realize these deferred tax assets.

A breakdown of net operating loss carryforwards and valuation allowance by expiry date as of March 31, 2020 is as follows:

	<i>Millions of yen</i>						
Expiration schedule as of March 31, 2020	2021	2022	2023	2024	2025	2026 and thereafter	Total
Net operating loss carryforwards (*1), (*2)	—	—	¥9	¥ 50	¥ 17	¥ 191	¥ 267
Valuation allowance	—	—	(3)	(46)	(17)	(167)	(233)
Deferred tax assets	—	—	6	4	—	24	34

(*1) The amount is determined by multiplying the corresponding net operating loss carryforwards and the effective statutory rate.

(*2) Deferred tax assets were recorded in the amount of ¥34 million for net operating loss carryforwards in the amount of ¥267 million. This resulted from net loss before income tax recorded by some subsidiaries, and it is more likely than not believed that there will be sufficient taxable income to realize these deferred tax assets.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Financial Instruments

Overview

(a) Policy for financial instruments

The Group manages its funds by investing in short-term deposits and safe financial assets. In consideration of plans for capital investment, the Group finances necessary funds mainly by bank borrowings, bond issuances, and other means. The Group utilizes derivatives to avoid the risk of fluctuation in market interest rates.

(b) Types of financial instruments, related risks and risk management

Trade receivables, notes and accounts receivables, are exposed to credit risk of customers. To respond to this risk, the Group manages settlement due dates and balances of each customer and monitors the financial conditions of customers when appropriate.

Securities and investments in securities inclusive marketable securities are mainly shares of companies with which the Group has business relationships. Securities and investments in securities inclusive marketable securities which have market price are subject to the risk of market price fluctuations. Non-marketable securities are exposed to the risk of impairment due to the decline in the financial results of the issuers. To correspond to this risk, the Group periodically monitors their market values and corporate values and reports information to meetings of the Board of Directors if the Group identifies significant fluctuations.

Trade payables, notes and accounts payable, are all due within one year.

Short-term loans payable is mainly utilized for business operations of the Group and long-term loans are mainly utilized for capital investments. Loans with floating rates are exposed to the risk of fluctuation of interest rates. Certain long-term loans are hedged by utilizing derivative transactions, such as interest rate swap agreements, to avoid the risk of fluctuation of interest rates and fix the interest rates. Effectiveness testing for hedging instruments and hedged items is omitted because the conditions are satisfied which allow the Group to account for them as if the interest rates applied to the interest-rate swap agreements had originally applied to the underlying loans.

The execution and control of derivative transactions of the Group are made in accordance with internal policy including the authorization process. In addition, to mitigate the risk of counterparty nonperformance, the Group enters into transactions only with the financial institutions with high credit ratings.

In addition, trade payables and loans are exposed to liquidity risk. This risk is managed by the adoption of a cash management system in the Group.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Financial Instruments (continued)

(c) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

(d) Estimated fair value of financial instruments

Carrying value, estimated fair value and the difference between them of financial instruments on the consolidated balance sheet as of March 31, 2021 and 2020 were shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to (2) below).

	<i>Millions of yen</i>					
	2021			2020		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets:						
Cash and cash equivalents	¥ 43,072	¥ 43,072	¥ –	¥ 15,975	¥ 15,975	¥ –
Notes and accounts receivable-trade	39,074	39,074	–	33,666	33,666	–
Investment in securities, inclusive marketable securities:						
Other securities	1,857	1,857	–	1,380	1,380	–
Total assets	<u>¥ 84,003</u>	<u>¥ 84,003</u>	<u>¥ –</u>	<u>¥ 51,021</u>	<u>¥ 51,021</u>	<u>¥ –</u>
Liabilities:						
Notes and accounts payable-trade	¥ 43,906	¥ 43,906	¥ –	¥ 34,435	¥ 34,435	¥ –
Short-term loans payable	188	188	–	70	70	–
Long-term debt:						
Convertible bonds (with stock acquisition rights) (*1)	13,918	15,727	1,809	15,118	15,078	(40)
Long-term loans (*1)	39,889	40,161	272	41,806	42,196	390
Lease obligations (*1)	2,774	2,929	155	2,373	2,564	191
Total liabilities	<u>¥100,675</u>	<u>¥102,911</u>	<u>¥ 2,236</u>	<u>¥ 93,802</u>	<u>¥ 94,343</u>	<u>¥ 541</u>

Notes:

(*1) Convertible bonds, long-term loans and lease obligations include the current portion of convertible bonds, long-term loans payable and lease obligations, respectively.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Financial Instruments (continued)

(d) Estimated fair value of financial instruments (continued)

	<i>Thousands of U.S. dollars</i>		
	2021		
	Carrying Value	Estimated fair value	Difference
Assets:			
Cash and cash equivalents	\$ 389,052	\$ 389,052	\$ –
Notes and accounts receivable- trade	352,940	352,940	–
Investment in securities, inclusive marketable securities:			
Other securities	16,774	16,774	–
Total assets	<u>\$ 758,766</u>	<u>\$ 758,766</u>	<u>\$ –</u>
Liabilities:			
Notes and accounts payable- trade	\$ 396,586	\$ 396,586	\$ –
Short-term loans payable	1,698	1,698	–
Long-term debt:			
Convertible bonds (with stock acquisition rights) (*1)	125,716	142,055	16,339
Long-term loans (*1)	360,302	362,759	2,457
Lease obligations (*1)	25,057	26,457	1,400
Total liabilities	<u>\$ 909,359</u>	<u>\$ 929,555</u>	<u>\$20,196</u>

Notes:

(*1) Convertible bonds, long-term loans and lease obligations include the current portion of convertible bonds, long-term loans payable.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Financial Instruments (continued)

(d) Estimated fair value of financial instruments (continued)

- (1) Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions:

Assets

Cash and cash equivalents and notes and accounts receivable-trade:

Because these items are settled in a short time period, their carrying value approximates fair value.

Investment in securities:

The fair values of stocks are based on quoted market prices. Refer to Note 3. "Investment in securities and Investment in affiliates" for further information on securities by holding purpose.

Liabilities

Short-term loans payable and notes and accounts payable-trade:

Because these items are settled in a short time period, their carrying value approximates fair value.

Convertible bonds (with stock acquisition rights):

All bonds are valued at market price.

Long-term loans:

The fair value of long-term loans is based on the present value of the total of principal and interest discounted by the interest rate to be applied assuming that new loans under similar conditions to existing loans are made.

Certain long-term loans with floating interest rates were hedged by interest rate swap agreements and accounted for as loans with fixed interest rates. The fair value of those long-term loans hedged by the swap agreements is based on the present value of the total principal, interest and net cash flows of the swap agreements discounted by the interest rates to be applied assuming that new loans under similar conditions to the existing loans are made.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Financial Instruments (continued)

(d) Estimated fair value of financial instruments (continued)

- (1) Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions (continued)

Lease obligations:

The fair value of lease obligations is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new lease agreements are made.

Derivative transactions:

Refer to Note 11. "Derivatives."

- (2) Financial instruments for which it is extremely difficult to determine the fair value at March 31, 2021 and 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Unlisted stocks	¥ 493	¥ 47	\$ 4,453
Investment in affiliates	392	893	3,541
Guarantee deposits	26,616	26,094	240,412

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Financial Instruments (continued)

(d) Estimated fair value of financial instruments (continued)

- (3) Redemption schedules for cash and cash equivalents, and notes and accounts receivable – trade with maturity dates at March 31, 2021 and 2020 were as follows:

<i>Millions of yen</i>				
2021				
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	¥ 40,061	¥ –	¥ –	¥ –
Notes and accounts receivable – trade	39,074	–	–	–
	<u>¥ 79,135</u>	<u>¥ –</u>	<u>¥ –</u>	<u>¥ –</u>
<i>Millions of yen</i>				
2020				
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	¥ 13,467	¥ –	¥ –	¥ –
Notes and accounts receivable – trade	33,666	–	–	–
	<u>¥ 47,133</u>	<u>¥ –</u>	<u>¥ –</u>	<u>¥ –</u>
<i>Thousands of U.S. dollars</i>				
2021				
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	\$ 361,855	\$ –	\$ –	\$ –
Notes and accounts receivable – trade	352,940	–	–	–
	<u>\$ 714,795</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

Cash and cash equivalents in the table above do not include cash on hand of ¥3,011 million (\$27,197 thousand) and ¥2,508 million at March 31, 2021 and 2020, respectively.

- (4) Refer to Note 7. “Short-term loans payable, Long-Term Debt and Lease Obligations” for the redemption schedule for long-term debt.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Derivatives

Derivative transactions to which hedge accounting is applied

Interest rate-related transactions:

<i>Millions of yen</i>					
2021					
Method of hedge accounting	Transaction	Hedged item	Notional amount	Notional amount maturing in more than one year	Fair value
Special treatment for interest rate swap	Interest rate swap Receive / floating and pay / fixed	Long-term loans	¥ 6,271	¥ 6,232	(*)

<i>Millions of yen</i>					
2020					
Method of hedge accounting	Transaction	Hedged item	Notional amount	Notional amount maturing in more than one year	Fair value
Special treatment for interest rate swap	Interest rate swap Receive / floating and pay / fixed	Long-term loans	¥ 6,000	¥ 6,000	(*)

<i>Thousands of U.S. dollars</i>					
2021					
Method of hedge accounting	Transaction	Hedged item	Notional amount	Notional amount maturing in more than one year	Fair value
Special treatment for interest rate swap	Interest rate swap Receive / floating and pay / fixed	Long-term loans	\$ 56,643	\$ 56,291	(*)

Notes:

(*) Because interest rate swap agreements are accounted for as if the contract rate applied to the swap agreement had originally applied to the underlying long-term loans, their fair values are included in those of the underlying long-term loans.

There are no derivative transactions to which hedge accounting is not applied for the years ended March 31, 2021 and 2020.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Contingent Liabilities

The Company was contingently liable for guarantees of bank borrowings made by an affiliate in the aggregate amount of nil and ¥1 million at March 31, 2021, and 2020, respectively.

13. Shareholders' Equity

The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The legal reserve of the Company was nil at March 31, 2021 and 2020.

Movements in capital stock and treasury shares for the years ended March 31, 2021 and 2020 were summarized as follows:

		<i>Number of shares</i>			
		2021			
	Notes	April 1, 2020	Increase	Decrease	March 31, 2021
Capital stock		112,005,636	–	–	112,005,636
Treasury shares	(a) and (b)	4,974,637	1,089	83,600	4,892,126
		<i>Number of shares</i>			
		2020			
	Notes	April 1, 2019	Increase	Decrease	March 31, 2020
Capital stock		112,005,636	–	–	112,005,636
Treasury shares	(c) and (d)	754,339	4,886,298	666,000	4,974,637

- (a) The increase in treasury shares of 1,089 common shares for the year ended March 31, 2021 was due to the purchase of fractional shares.
- (b) The decrease in treasury shares of 83,600 common shares for the year ended March 31, 2021 was due to the share-based compensation to directors and officers.
- (c) The increase in treasury shares of 4,886,298 common shares for the year ended March 31, 2020 was due to the purchase of 4,882,900 shares in the Tokyo Stock Exchange based on the resolution of the Board of Directors meeting held on June 27, 2019, the return of 1,400 shares of share-based compensation with transfer restriction by non-attainment of condition, and the purchase of 1,998 fractional shares.
- (d) The decrease in treasury shares of 666,000 common shares for the year ended March 31, 2020 was due to the share-based compensation of 93,000 common shares to directors and officers and the exercise of stock acquisition rights of 573,000 common shares.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Shareholders' Equity (continued)

Movements in stock acquisition rights during the years ended March 31, 2021 and 2020 were summarized as follows:

	<i>Thousands of shares</i>			
	2021			
	April 1, 2020	Increase	Decrease	March 31, 2021
Stock acquisition rights attached to convertible bonds due October 1, 2021 (Notes 1 and 2)	92	1	—	93
Stock acquisition rights attached to convertible bonds due June 19, 2025 (Notes 1, 3 and 4)	12,420	176	999	11,597
	12,512	177	999	11,690
	<i>Thousands of shares</i>			
	2020			
	April 1, 2019	Increase	Decrease	March 31, 2020
Stock acquisition rights attached to convertible bonds due October 1, 2021 (Notes 1, 2 and 5)	657	8	573	92
Stock acquisition rights attached to convertible bonds due June 19, 2025 (Notes 1 and 3)	12,270	150	—	12,420
	12,927	158	573	12,512

Notes:

1. Stock acquisition rights attached to convertible bonds were not accounted for separately.
2. The increase in stock acquisition rights attached to convertible bonds due October 1, 2021 was due to the adjustment of the conversion price.
3. The increase in stock acquisition rights attached to convertible bonds due June 19, 2025 was due to the adjustment of the conversion price.
4. The decrease in stock acquisition rights attached to convertible bonds due June 19, 2025 was due to the pre-maturity redemption by exercising put options.
5. The decrease in stock acquisition rights attached to convertible bonds due October 1, 2021 was due to the exercise of stock acquisition rights.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Cost of Sales

Loss (gain) on inventory valuation included in cost of sales was ¥308 million (\$2,782 thousand) and ¥(165) million for the years ended March 31, 2021 and 2020, respectively.

15. Impairment Loss

The Group recognized impairment loss of ¥1,350 million (\$12,194 thousand) and ¥1,839 million for the years ended March 31, 2021 and 2020, respectively, as follows:

2021		
Use	Classification	Location
Store	Buildings and structures, Tools, furniture and fixtures, and other	Hyogo Prefecture and other
Rental property	Buildings and structures, Land, and other	Hiroshima Prefecture and other
Other	Building and structures, Tools, furniture and fixtures, Land and other	Aichi Prefecture and other
2020		
Use	Classification	Location
Store	Buildings and structures, Land, Tools, furniture and fixtures, and other	Yamaguchi Prefecture and other
Rental property	Buildings and structures and Land	Osaka Prefecture and other
Other	Tools and furniture and fixtures	Aichi Prefecture and other

The Group groups its property and equipment based on store as a basis of unit which is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash inflows from other assets or group of assets. It also groups assets which are not currently utilized for its operations and are not anticipated to be utilized in the future as idle assets individually.

Impairment loss was recorded for the years ended March 31, 2021 and 2020 as the assets and asset groups listed above recorded consecutive years of negative operating cash flows and because their utilization in the future was not determinable.

As a result, for the year ended March 31, 2021, the Group reduced the book value of the assets and asset groups listed above to their respective recoverable amounts and a loss on impairment of store was recognized in the amount of ¥780 million (\$7,045 thousand). In addition, a loss on impairment of rental property was ¥227 million (\$2,050 thousand) and loss on impairment of other was ¥343 million (\$3,099 thousand).

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Impairment Loss (continued)

For the year ended March 31, 2020, the Group reduced the book value of the assets and asset groups listed above to their respective recoverable amounts and a loss on impairment of store was recognized in the amount of ¥1,743 million. In addition, a loss on impairment of rental property was ¥95 million and loss on impairment of other was ¥1 million.

For the years ended March 31, 2021 and 2020, the principal components of loss on impairment by asset classification were buildings and structures of ¥675 million (\$6,097 thousand) and ¥1,211 million, tools, furniture and fixtures of ¥227 million (\$2,050 thousand) and ¥226 million, land of ¥98 million (\$885 thousand) and ¥366 million, and other of ¥350 million (\$3,162 thousand) and ¥36 million, respectively.

The recoverable amounts of asset groups are measured at the higher of their net selling value or value in use. The net selling value of significant assets is based on professional appraisals. Value in use is measured as the sum of anticipated future cash flows discounted by weighted average costs of capital of 4.22% and 3.97% for the years ended March 31, 2021 and 2020, respectively.

16. Other Comprehensive Income

Reclassification adjustments and tax effects for each component of other comprehensive income for the years ended March 31, 2021 and 2020 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Net unrealized gain (loss) on other securities:			
Amount arising during the year	¥ 426	¥ (347)	\$ 3,848
Reclassification adjustments	-	103	-
Before tax effect	426	(244)	3,848
Tax effect	(131)	60	(1,183)
Total	295	(184)	2,665
Remeasurements of defined benefit plans:			
Amount arising during the year	129	(232)	1,165
Reclassification adjustments	276	(105)	2,493
Before tax effect	405	(337)	3,658
Tax effect	(127)	99	(1,147)
Total	278	(238)	2,511
Total other comprehensive loss	¥ 573	¥ (422)	\$ 5,176

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Leases

The Group utilizes finance leases for store equipment. Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

The Group continues to account for finance lease transactions not involving the transfer of ownership that commenced prior to April 1, 2008 as operating lease transactions.

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2021 and 2020 which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

<i>Millions of yen</i>						
	2021			2020		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	¥ 3,924	¥ 3,630	¥ 294	¥ 3,924	¥ 3,433	¥ 491
<i>Thousands of U.S. dollars</i>						
	2021					
	Acquisition cost	Accumulated depreciation	Net book value			
Buildings and structures	\$ 35,444	\$ 32,788	\$ 2,656			

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Leases (continued)

Lease payments relating to finance leases accounted for as operating leases, the corresponding depreciation computed by the straight-line method for the respective lease periods assuming a nil residual value, interest expense computed by the interest method, and accounted for as operating leases for the years ended March 31, 2021 and 2020 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Lease payments	¥ 216	¥ 216	\$ 1,951
Depreciation	196	196	1,770
Interest expense	5	7	45

Future minimum lease payments subsequent to March 31, 2021 for finance leases accounted for as operating leases were summarized as follows:

<i>Year ending March 31,</i>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2022	¥ 214	\$ 1,933
2023 and thereafter	143	1,292
Total	<u>¥ 357</u>	<u>\$ 3,225</u>

Future minimum lease payments subsequent to March 31, 2021 for non-cancelable operating leases as a lessee were summarized as follows:

<i>Year ending March 31,</i>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2022	¥ 4,097	\$ 37,007
2023 and thereafter	29,254	264,239
Total	<u>¥ 33,351</u>	<u>\$ 301,246</u>

Future minimum lease receipts subsequent to March 31, 2021 for non-cancelable operating leases as a lessor were summarized as follows:

<i>Year ending March 31,</i>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2022	¥ 263	\$ 2,376
2023 and thereafter	2,774	25,056
Total	<u>¥ 3,037</u>	<u>\$ 27,432</u>

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Supplementary Information on the Consolidated Statement of Cash Flows

Information on significant non-cash transactions:

Asset retirement obligations

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Increase in asset retirement obligations	¥ 464	¥ 1,003	\$ 4,191

Leased assets and lease obligations related to finance leases newly entered into during the years ended March 31, 2021 and 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Leased assets and lease obligations related to finance leases	¥ 674	¥ 488	\$ 6,088

The exercise of stock acquisition rights attached to convertible bonds during the years ended March 31, 2021 and 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Loss on disposal of treasury shares due to an exercise of stock acquisition rights	¥ (13)	¥ (73)	\$ (117)
Decrease of treasury shares due to an exercise of stock acquisition rights	93	573	840
Decrease of convertible bonds with stock acquisition rights due to an exercise of acquisition rights	¥ 80	¥ 500	\$ 723

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Supplementary Information on the Consolidated Statement of Cash Flows (continued)

Major components of assets and liabilities of newly consolidated subsidiaries due to acquisition of their shares during the year ended March 31, 2021 and 2020.

The summary of assets acquired and liabilities assumed at the inception of consolidation of PTN and its subsidiaries, Prime Station, Hampstead and EdBank, newly consolidated subsidiaries through the acquisition of stocks, acquisition cost and net payment for acquisition of stocks during the year ended March 31, 2021. Moreover, the summary of assets acquired and liabilities assumed at the inception of consolidation of Jtop Co., Ltd. and Yumemiru Co., Ltd., newly consolidated subsidiaries through the acquisition of stocks, acquisition cost and net payment for acquisition of stocks during the year ended March 31, 2020 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Current assets	¥ 1,433	¥ 1,257	\$ 12,944
Long-term assets	557	293	5,031
Customer-related intangible assets	-	750	-
Goodwill	2,139	2,513	19,321
Current liabilities	(785)	(716)	(7,091)
Long-term liabilities	(1,044)	(793)	(9,430)
Deferred tax liabilities	-	(254)	-
Acquisition cost of stock	2,300	3,050	20,775
Cash and cash equivalents of acquired companies	(765)	(668)	(6,910)
Net payment for acquisition of stocks	¥ 1,535	¥ 2,382	\$ 13,865

(Note) The amount of goodwill that occurred from the event is calculated tentatively because the allocation of acquisition costs incurred in the business combination related to the acquisition of PTN and its subsidiaries has not been completed at March 31, 2021.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Related Party Transactions

- (a) Principal transactions between the Company and related parties during the years ended March 31, 2021 and 2020 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
SHOEI Co., Ltd.:			
Insurance expense	¥ -	¥ 9	\$ -
Masataka Kubo:			
Disposition of treasury stock	37	40	334
Kazutoshi Tomonori:			
Advisory fee	24	24	217

No outstanding balances with Masataka Kubo and Kazutoshi Tomonori at March 31, 2021 and 2020, respectively.

There was no outstanding balance of prepaid expenses related to insurance expense outlined above regarding SHOEI at March 31, 2020.

SHOEI is a majority owned company by a director and the director's relatives, located in Nisshin City, Aichi Prefecture and it is engaged in the insurance agency business. The capital amount of SHOEI was ¥90 million at March 31, 2020. Masataka Kubo is a President of the Company, and Kazutoshi Tomonori is an advisor of the Company at March 31, 2021 and 2020, respectively.

Insurance premiums are determined in the same manner as general insurance offered by insurance companies. Disposition of treasury stock is due to allocation of treasury stock based upon a system of remuneration of shares with restriction on transfer. Advisory fee is determined upon mutual consultation.

- (b) Principal transactions between the Company's subsidiaries and related parties during the years ended March 31, 2021 and 2020 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
SHOEI Co., Ltd.:			
Insurance expense	¥ -	¥ 2	\$ -

No outstanding balance of prepaid expenses related to insurance expense outlined above regarding SHOEI at March 31, 2020.

Insurance premiums are determined in the same manner as general insurance offered by insurance companies.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Business Combinations

Business combination through an acquisition (PTN Co., Ltd.)

1. Outline of the business combination

(1) Name and business description of acquired company

Name of company: PTN Co., Ltd. (PTN)

Business description: Holding company

(2) Reasons for the business combination

Based on the Company's management philosophy of "Achieving long-lasting customers satisfaction through outstanding products and reliable service," the Company has been developing businesses that are considerate of customers since establishment, and providing various services so that customers can live a safer and more comfortable life.

As the consumption environment is changing drastically due to the expansion of the internet sales market, the declining birthrate and the aging population, the Company believes that it is important to create a new retail business model that can provide efficient and innovative services by utilizing IT technology. We have been thinking about promptly incorporating new technology into management and utilizing it.

Hampstead, a subsidiary of PTN, has a track record of developing a wide range of systems, including order management systems and the production of official websites for J League and professional baseball teams and also has many achievements in the digital marketing business.

Prime Station, a subsidiary of PTN, operates a planning and printing business, and EdBank, a subsidiary of PTN, provides programming classes. As a result, PTN has strengths in fields other than system development.

With the share acquisition, the Company will lead the evolution of the system in a wide range from store sales to logistics, marketing, EC, and the development of a foundation that can improve business efficiency, provide better services, realize an evolution in the marketing system, and the development of an education business. Based on this decision, the Company acquired shares of PTN.

(3) Dates of the business combination

Acquisition date: February 8, 2021

Deemed acquisition date: March 31, 2021

EDION Corporation and Consolidated Subsidiaries
Notes to Consolidated Financial Statements (continued)

20. Business Combinations (continued)

Business combination through an acquisition (PTN) (continued)

(4) Legal form of the business combination

Acquisition of shares

(5) Company name after the business combination

PTN Co., Ltd.

(6) Ratio of voting rights acquired

100%

(7) Major reason for determining the acquired company

The Company acquired shares of PTN Co., Ltd. in cash.

2. Financial performance period of the acquired company included in the consolidated financial statements

Only the balance sheet of the acquired company is included in the consolidated financial statements as of March 31, 2021.

3. Acquisition cost and type of consideration

Consideration for acquisition:	Cash and deposits	¥2,300 million (\$20,775 thousand)
Acquisition cost:		¥2,300 million (\$20,775 thousand)

4. Details and amount of major acquisition-related costs

Advisory fee and others: ¥11 million (\$99 thousand)

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Business Combinations (continued)

Business combination through an acquisition (PTN Co., Ltd.) (continued)

5. Amount of goodwill, reason for recognition, and amortization method and period

(1) Amount of goodwill

¥2,139 million (\$19,321 thousand)

The amount of goodwill is a provisionally calculated amount using available information at that time because the assessment of identifiable assets acquired and liabilities assumed, the calculation of market value and the allocation of acquisition costs have not been completed at March 31, 2021.

(2) Reason for recognition

Goodwill was recognized because the acquisition cost exceeded the net amount of assets acquired and liabilities assumed.

(3) Amortization method and period of goodwill

Not determined at the submission date of this report.

6. Amounts and major components of assets acquired and liabilities assumed on the acquisition date

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2021	2021
Current assets	¥ 1,433	\$ 12,944
Fixed assets	557	5,031
Total assets	¥ 1,990	\$ 17,975
Current liabilities	¥ 785	\$ 7,091
Long-term liabilities	1,044	9,430
Total liabilities	¥ 1,829	\$ 16,521

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Business Combinations (continued)

Business combination through an acquisition (PTN Co., Ltd.) (continued)

7 Allocation of acquisition costs.

The amount of goodwill is provisionally calculated amount using available information at that time because the assessment of identifiable assets acquired and liabilities assumed, the calculation of market value and the allocation of acquisition costs have not been completed at March 31, 2021.

8 Estimated impact on the consolidated statement of income for the year ended March 31, 2021 assuming the business combination had occurred at the beginning of the fiscal year, and the calculation method.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2021	2021
Net sales	¥ 1,995	\$ 18,020
Operating loss	(96)	(867)
Loss before income taxes	(21)	(190)
Loss attributable to owners of parent	(46)	(415)
	<i>Yen</i>	<i>U.S. dollars</i>
Amounts per share:		
Loss attributable to owners of parent		
– Basic	¥ (0.43)	\$ (0.00)

(Method of calculating the estimated impact)

The estimated impact is the difference between net sales and profit or loss information calculated assuming that the business combination had completed at the beginning of the fiscal year ended March 31, 2021.

In addition, amortization is calculated by assuming that the goodwill recognized upon the business combination were recognized at the beginning of the fiscal year ended March 31, 2021 and the amortization period is 10 years.

The above information is not intended to suggest possible events in the future. Moreover, it does not represent actual operating results even if the business combination had been completed at the beginning of the fiscal year.

The amount of estimated impact is unaudited.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Segment Information

Reportable segments of the Group are “Sales of home electric appliances” and “Others.” As the “Others” segment is immaterial to the segment total, the disclosure of segment information for the years ended March 31, 2021 and 2020 has been omitted.

Impairment loss for all segments was recorded in the amounts of ¥1,350 million (\$12,194 thousand) and ¥1,839 million for the years ended March 31, 2021 and 2020, respectively.

Amortization of goodwill for all segments was recorded in the amounts of ¥854 million (\$7,714 thousand) and ¥269 million for the years ended March 31, 2021 and 2020, respectively. Remaining balance of goodwill for all segments was recorded in the amounts of ¥4,274 million (\$38,605 thousand) and ¥2,986 million as of March 31, 2021 and 2020, respectively.

As sales of products and services to external customers in a single segment account for more than 90% of net sales in the consolidated statement of income, the disclosure of the segment information by product and service for the years ended March 31, 2021 and 2020 has been omitted.

As there were no overseas sales of products and services to external customers, the disclosure of net sales by geographical region for the years ended March 31, 2021 and 2020 has been omitted.

As there was no property and equipment located overseas, the disclosure of property and equipment by geographical region as of March 31, 2021 and 2020 has been omitted.

As sales of products and services to specific customers account for less than 10% of net sales in the consolidated statement of income, the disclosure of information by major customers for the years ended March 31, 2021 and 2020 has been omitted.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Subsequent Events

Acquisition of treasury shares

The Company determined to acquire treasury shares in accordance with Article 156 and Article 165 (3) of the Law at a meeting of the Board of Directors held on June 29, 2021.

1. Objective
To improve shareholder returns and ensure flexible financing through an improvement of return on equity
2. Details of matters regarding the purchase of treasury shares
 - (1) Class of treasury shares Common stock
 - (2) Total treasury shares the Company may acquire 5,000,000 shares, at maximum (4.66% of total issued shares excluding treasury shares)
 - (3) Total acquisition amount ¥6,000 million (\$54,196 thousand), at maximum
 - (4) Acquisition period From July 1, 2021 to December 31, 2021
 - (5) Acquisition method Tender offer at Tokyo Stock Exchange

(Reference)

Number of treasury shares on May 31, 2021

Total issued shares 107,206,277

Treasury shares 4,799,359

Distribution of retained earnings of the Company

The following distribution of retained earnings at March 31, 2021 was approved at the Company's annual general meeting of shareholders held on June 29, 2021:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Year-end cash dividends of ¥26.00 (\$0.23) per share	¥ 2,785	\$ 25,156