

**Consolidated Financial Statements**

**EDION Corporation  
and Consolidated Subsidiaries**

*Year ended March 31, 2020  
with Independent Auditor's Report*

EDION Corporation and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended March 31, 2020

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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, 2020, 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, 2020, 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.

### **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, 2020 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 29, 2020

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Hiroyuki Koichi  
Designated Engagement Partner  
Certified Public Accountant

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Hironobu Ishida  
Designated Engagement Partner  
Certified Public Accountant

# EDION Corporation and Consolidated Subsidiaries

## Consolidated Balance Sheet

March 31, 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2020</b>	2019	<b>2020</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents ( <i>Note 10</i> )	¥ 15,975	¥ 9,036	\$ 146,789
Notes and accounts receivable:			
Trade ( <i>Note 10</i> )	33,666	36,339	309,345
Other	7,797	6,188	71,644
Allowance for doubtful receivables	(58)	(61)	(533)
	<u>41,405</u>	<u>42,466</u>	<u>380,456</u>
 Inventories:			
Merchandise and products ( <i>Note 7</i> )	91,286	96,687	838,794
Supplies	383	419	3,519
	<u>91,669</u>	<u>97,106</u>	<u>842,313</u>
 Other	<u>4,247</u>	<u>3,828</u>	<u>39,024</u>
Total current assets	<u>153,296</u>	<u>152,436</u>	<u>1,408,582</u>
 Property and equipment, at cost ( <i>Notes 5 and 15</i> ):			
Land ( <i>Notes 4, 6 and 7</i> )	60,613	67,537	556,951
Buildings and structures ( <i>Note 6 and 7</i> )	168,252	164,541	1,546,008
Tools, furniture and fixtures	30,736	27,768	282,422
Leased assets ( <i>Note 17</i> )	2,600	2,127	23,890
Construction in progress	293	6,208	2,692
Other	1,530	1,483	14,060
	<u>264,024</u>	<u>269,664</u>	<u>2,426,023</u>
 Accumulated depreciation	<u>(133,133)</u>	<u>(129,693)</u>	<u>(1,223,312)</u>
Property and equipment, net	<u>130,891</u>	<u>139,971</u>	<u>1,202,711</u>
 Investments and other assets:			
Investments in securities ( <i>Notes 3 and 10</i> )	1,427	1,740	13,112
Investments in affiliates ( <i>Notes 3 and 10</i> )	893	880	8,205
Goodwill ( <i>Notes 18, 20 and 21</i> )	2,986	715	27,437
Guarantee deposits ( <i>Note 10</i> )	26,094	25,346	239,768
Deferred tax assets ( <i>Note 9</i> )	22,729	23,065	208,849
Other	11,708	11,795	107,582
Total investments and other assets	<u>65,837</u>	<u>63,541</u>	<u>604,953</u>
Total assets	<u>¥ 350,024</u>	<u>¥ 355,948</u>	<u>\$ 3,216,246</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2020</b>	2019	<b>2020</b>
<b>Liabilities and net assets</b>			
Current liabilities:			
Short-term loans payable ( <i>Notes 7 and 10</i> )	¥ 70	¥ 1,040	\$ 643
Current portion of long-term loans payable ( <i>Notes 7 and 10</i> )	3,107	2,959	28,549
Notes and accounts payable:			
Trade ( <i>Notes 7 and 10</i> )	34,435	31,140	316,411
Other	11,068	14,477	101,700
	45,503	45,617	418,111
Lease obligations ( <i>Notes 7 and 10</i> )	237	171	2,178
Income taxes payable ( <i>Note 9</i> )	896	3,972	8,233
Provision for bonuses	5,454	5,251	50,115
Provision for point card certificates	11,056	10,376	101,590
Other ( <i>Note 7</i> )	13,444	16,548	123,531
Total current liabilities	79,767	85,934	732,950
Long-term liabilities:			
Long-term debt ( <i>Notes 7 and 10</i> )	53,817	56,635	494,505
Net defined benefit liability ( <i>Note 8</i> )	8,251	8,278	75,815
Lease obligations ( <i>Notes 7 and 10</i> )	2,136	1,929	19,627
Deferred tax liabilities ( <i>Note 9</i> )	623	385	5,725
Deferred tax liabilities for land revaluation ( <i>Notes 4 and 9</i> )	1,597	1,709	14,674
Provision for merchandise warranties	9,285	9,392	85,317
Asset retirement obligations ( <i>Note 5</i> )	8,842	7,909	81,246
Other	5,305	5,605	48,747
Total long-term liabilities	89,856	91,842	825,656
Contingent liabilities ( <i>Note 12</i> )			
Net assets			
Shareholders' equity ( <i>Note 13</i> ):			
Capital stock	11,940	11,940	109,712
Capital surplus	84,946	85,021	780,539
Retained earnings	94,979	88,548	872,728
Treasury shares	(4,972)	(639)	(45,686)
Total shareholders' equity	186,893	184,870	1,717,293
Accumulated other comprehensive income (loss):			
Net unrealized loss on other securities	(236)	(52)	(2,169)
Revaluation reserve for land ( <i>Note 4</i> )	(4,895)	(5,523)	(44,978)
Remeasurements of defined benefit plans ( <i>Note 8</i> )	(1,361)	(1,123)	(12,506)
Total accumulated other comprehensive loss	(6,492)	(6,698)	(59,653)
Total net assets	180,401	178,172	1,657,640
Total liabilities and net assets	¥ 350,024	¥ 355,948	\$ 3,216,246

See accompanying notes to consolidated financial statements.

# EDION Corporation and Consolidated Subsidiaries

## Consolidated Statement of Income

Year ended March 31, 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2020</b>	2019	<b>2020</b>
Net sales	<b>¥ 733,576</b>	¥ 718,638	<b>\$6,740,568</b>
Cost of sales ( <i>Note 14</i> )	<b>522,971</b>	508,818	<b>4,805,394</b>
Gross profit	<b>210,605</b>	209,820	<b>1,935,174</b>
Selling, general and administrative expenses ( <i>Note 6</i> )	<b>198,321</b>	191,977	<b>1,822,301</b>
Operating income	<b>12,284</b>	17,843	<b>112,873</b>
Non-operating income (expenses):			
Interest and dividend income	<b>89</b>	94	<b>818</b>
Interest expense	<b>(269)</b>	(328)	<b>(2,472)</b>
Commission income	<b>114</b>	311	<b>1,048</b>
Subsidy income	<b>627</b>	205	<b>5,761</b>
Penalty income	<b>52</b>	49	<b>478</b>
Equity in income (loss) of affiliates	<b>13</b>	(112)	<b>119</b>
Contribution	<b>(500)</b>	(100)	<b>(4,594)</b>
Surcharge refund	<b>1,237</b>	–	<b>11,366</b>
Gain (loss) on sales and disposal of property and equipment	<b>903</b>	(0)	<b>8,297</b>
Impairment loss ( <i>Notes 6, 15 and 21</i> )	<b>(1,839)</b>	(1,082)	<b>(16,898)</b>
Other	<b>796</b>	512	<b>7,315</b>
	<b>1,223</b>	(451)	<b>11,238</b>
Profit before income taxes	<b>13,507</b>	17,392	<b>124,111</b>
Income taxes ( <i>Note 9</i> ):			
Current	<b>2,166</b>	5,901	<b>19,902</b>
Deferred	<b>364</b>	(142)	<b>3,345</b>
Total income taxes	<b>2,530</b>	5,759	<b>23,247</b>
	<b>10,977</b>	11,633	<b>100,864</b>
Loss attributable to:			
Non-controlling interests	–	(9)	–
Profit attributable to:			
Owners of parent	<b>¥ 10,977</b>	¥ 11,642	<b>\$ 100,864</b>
	<b>Yen</b>		<b>U.S. dollars</b>
Amounts per share:			
Profit attributable to owners of parent			
– Basic	<b>¥ 101.33</b>	¥ 105.34	<b>\$ 0.93</b>
– Diluted	<b>90.49</b>	93.78	<b>0.83</b>
Cash dividends	<b>34.00</b>	32.00	<b>0.31</b>

See accompanying notes to consolidated financial statements.



# EDION Corporation and Consolidated Subsidiaries

## Consolidated Statement of Comprehensive Income

Year ended March 31, 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2020</b>	2019	<b>2020</b>
Profit	<b>¥ 10,977</b>	¥11,633	<b>\$ 100,864</b>
Other comprehensive income (Note 16):			
Net unrealized loss on other securities	<b>(184)</b>	(392)	<b>(1,691)</b>
Remeasurements of defined benefit plans, net of tax	<b>(238)</b>	21	<b>(2,187)</b>
Other comprehensive loss, net	<b>(422)</b>	(371)	<b>(3,878)</b>
Comprehensive income	<b>¥ 10,555</b>	¥11,262	<b>\$ 96,986</b>
Comprehensive income (loss) attributable to:			
Owners of parent	<b>¥ 10,555</b>	¥11,271	<b>\$ 96,986</b>
Non-controlling interests	—	(9)	—

# EDION Corporation and Consolidated Subsidiaries

## Consolidated Statement of Changes in Net Assets

Year ended March 31, 2020

	<i>Millions of yen</i>				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2018	¥ 11,940	¥ 84,954	¥ 80,098	¥ (1,669)	¥ 175,323
Cash dividends	—	—	(3,192)	—	(3,192)
Profit attributable to owners of parent	—	—	11,642	—	11,642
Purchases of treasury shares	—	—	—	(2)	(2)
Disposition of treasury shares	—	67	—	1,032	1,099
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2019	¥ 11,940	¥ 85,021	¥ 88,548	¥ (639)	¥ 184,870
Purchase of shares of consolidated subsidiaries	—	(10)	—	—	(10)
Cash dividends	—	—	(3,918)	—	(3,918)
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	—	—	—	—	—
<b>Balance at March 31, 2020</b>	<b>¥ 11,940</b>	<b>¥ 84,946</b>	<b>¥ 94,979</b>	<b>¥ (4,972)</b>	<b>¥ 186,893</b>

	<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	Non-controlling interests	Total net assets
Balance at April 1, 2018	¥ 340	¥ (5,523)	¥ (1,144)	¥ (6,327)	¥ 9	¥ 169,005
Cash dividends	—	—	—	—	—	(3,192)
Profit attributable to owners of parent	—	—	—	—	—	11,642
Purchases of treasury shares	—	—	—	—	—	(2)
Disposition of treasury shares	—	—	—	—	—	1,099
Net changes of items other than shareholders' equity	(392)	—	21	(371)	(9)	(380)
Balance at March 31, 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
<b>Balance at March 31, 2020</b>	<b>¥(236)</b>	<b>¥ (4,895)</b>	<b>¥ (1,361)</b>	<b>¥ (6,492)</b>	<b>¥ —</b>	<b>¥ 180,401</b>

# EDION Corporation and Consolidated Subsidiaries

## Consolidated Statement of Changes in Net Assets (continued)

Year ended March 31, 2020

*Thousands of U.S. dollars (Note 1)*

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2019	\$ 109,712	\$ 781,228	\$ 813,636	\$ (5,872)	\$ 1,698,704
Purchase of shares of consolidated subsidiaries	—	(92)	—	—	(92)
Cash dividends	—	—	(36,002)	—	(36,002)
Reversal of land revaluation difference	—	—	(5,770)	—	(5,770)
Profit attributable to owners of parent	—	—	100,864	—	100,864
Purchases of treasury shares	—	—	—	(45,925)	(45,925)
Disposition of treasury shares	—	(597)	—	6,111	5,514
Net changes of items other than shareholders' equity	—	—	—	—	—
<b>Balance at March 31, 2020</b>	<b>\$ 109,712</b>	<b>\$ 780,539</b>	<b>\$ 872,728</b>	<b>\$ (45,686)</b>	<b>\$ 1,717,293</b>

*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, 2019	\$ (478)	\$ (50,749)	\$ (10,319)	\$ (61,546)	\$ 1,637,158
Purchase of shares of consolidated subsidiaries	—	—	—	—	(92)
Cash dividends	—	—	—	—	(36,002)
Reversal of land revaluation difference	—	—	—	—	(5,770)
Profit attributable to owners of parent	—	—	—	—	100,864
Purchases of treasury shares	—	—	—	—	(45,925)
Disposition of treasury shares	—	—	—	—	5,514
Net changes of items other than shareholders' equity	(1,691)	5,771	(2,187)	1,893	1,893
<b>Balance at March 31, 2020</b>	<b>\$ (2,169)</b>	<b>\$ (44,978)</b>	<b>\$ (12,506)</b>	<b>\$ (59,653)</b>	<b>\$ 1,657,640</b>

# EDION Corporation and Consolidated Subsidiaries

## Consolidated Statement of Cash Flows

Year ended March 31, 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2020</b>	2019	<b>2020</b>
<b>Cash flows from operating activities</b>			
Profit before income taxes	¥ 13,507	¥ 17,392	\$ 124,111
Adjustments for:			
Depreciation and amortization	11,245	9,893	103,326
Impairment loss	1,839	1,082	16,898
Interest and dividend income	(89)	(94)	(818)
Interest expense	269	328	2,472
Increase in provision for bonuses	187	498	1,718
Increase in provision for point card certificates	680	878	6,248
Decrease in net defined benefit liability	(27)	(208)	(248)
(Gain) loss on sales or disposal of property and equipment	(903)	0	(8,297)
Surcharge refund	(1,237)	—	(11,366)
Changes in operating assets and liabilities:			
Decrease (increase) in notes and accounts receivable	1,155	(465)	10,613
Decrease in inventories	5,430	14,931	49,894
Increase (decrease) in notes and accounts payable	1,235	(15,670)	11,348
(Decrease) increase in advances received	(366)	1,596	(3,363)
Other, net	(1,961)	4,275	(18,018)
Subtotal	30,964	34,436	284,518
Interest and dividend income received	43	41	395
Interest expenses paid	(240)	(293)	(2,205)
Income taxes refunded	155	174	1,424
Income taxes paid	(6,380)	(5,953)	(58,624)
Surcharge refund income	1,237	—	11,366
Other, net	(500)	(100)	(4,594)
Net cash provided by operating activities	25,279	28,305	232,280
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	(8,929)	(11,255)	(82,045)
Proceeds from sales of property and equipment	8,675	879	79,711
Purchases of intangible assets	(1,410)	(1,727)	(12,956)
Payments of long-term prepaid expenses	(73)	(96)	(671)
Purchases of investment in securities	(0)	(0)	(0)
Proceeds from sales of investments in securities	16	19	147
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,382)	(3)	(21,887)
Payments for leasehold deposits	(1,971)	(637)	(18,111)
Proceeds from leasehold deposits	888	702	8,160
Repayment of guarantee deposits received	(51)	(53)	(469)
Other, net	(323)	(248)	(2,968)
Net cash used in investing activities	¥ (5,560)	¥ (12,419)	\$ (51,089)

EDION Corporation and Consolidated Subsidiaries

Consolidated Statements of Cash Flow (continued)

March 31, 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2020</b>	2019	<b>2020</b>
<b>Cash flows from financing activities</b>			
Net decrease in short-term loans payable	¥ (970)	¥ (3,070)	\$ (8,913)
Proceeds from long-term loans payable	—	8,300	—
Repayments of long-term loans payable	(2,952)	(16,992)	(27,125)
Cash dividends paid	(3,608)	(2,940)	(33,153)
Purchase of treasury shares	(4,998)	(2)	(45,925)
Purchase of shares of subsidiaries without changing in the scope of consolidation (Note 18)	(10)	—	(92)
Other, net	(242)	(374)	(2,223)
Net cash used in financing activities	(12,780)	(15,078)	(117,431)
Effect of exchange rate changes on cash and cash equivalents	0	0	0
Net increase in cash and cash equivalents	6,939	808	63,760
Cash and cash equivalents at the beginning of the year	9,036	8,228	83,029
Cash and cash equivalents at the end of the year (Note 18)	¥ 15,975	¥ 9,036	\$ 146,789

# EDION Corporation and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements

March 31, 2020

### 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, 2019, to the 2020 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 ¥108.83 = U.S. \$1.00, the approximate rate of exchange in effect on March 31, 2020. 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 nine and seven as of March 31, 2020, and 2019, respectively.

Jtop Co., Ltd. (“Jtop”) and Yumemiru Co., Ltd. (“Yumemiru”) are newly included in the scope of consolidation from the year ended March 31, 2020 as the Company acquired 100% ownership of their shares on November 13, 2019, and on December 23, 2019, respectively.

On March 2, 2020, Fukutoku Co., Ltd. changed its company name to Forest Liquor Sales Co., Ltd. (“Forest”).

## 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 three affiliates for the years ended March 31, 2020, and 2019.

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.

Forest's fiscal year end was January 31, and the financial statements of Forest were previously consolidated based on a provisional settlement of accounts as of the Company's fiscal year end. However, Forest has changed its fiscal year end to March 31 from this fiscal year. This change has no effect on consolidated financial statements of the Company.

##### **(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 consolidated 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, 2020, and 2019 were 108,328 thousand and 110,522 thousand, respectively. The dilutive potential of shares of capital stock for the year ended March 31, 2020, and 2019 were 12,984 thousand and 13,616 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, 2020 and 2019 were ¥1,685.50 (\$15.49) and ¥1,601.53, 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) Accounting standards issued but not yet effective

- “Accounting Standard for Revenue Recognition” Accounting Standards Board of Japan (the “ASBJ”) (ASBJ Statement No.29, issued on March 30, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30, issued on March 30, 2020)
- “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)

#### (p) 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)

#### (p) Accounting standards issued but not yet effective (continued)

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

##### (1) Overview

The ASBJ was requested to consider “sources of estimation uncertainty,” which are required by the IASB, as stipulated in International Accounting Standard 1 “Presentation of Financial Statements” (“IAS 1”) paragraph 125 issued by the IASB in 2003. Such requests encouraged the ASBJ to consider requirements for disclosures on “sources of estimation uncertainty” in the notes as useful information for users of financial statements, and as a result, the ASBJ developed and issued an accounting standard for disclosures on accounting estimates (“the accounting standard”).

As the basic policy in developing the accounting standard, which references IAS 1, paragraph 125, the ASBJ outlined the guiding principle (purpose of disclosures) instead of expanding individual notes and entities determine the specific contents of disclosures in accordance with the purpose of disclosures.

##### (2) Scheduled date of adoption

The Company expects to adopt the accounting standard from the end of the fiscal year ending March 31, 2021.

- Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No.24, issued on March 31, 2020)

##### (1) Overview

Under the proposal to consider the expansion of the notes about “principles and procedures of accounting treatment adopted in situations of uncertainty of related accounting standards,” the ASBJ made the necessary revisions and issued accounting standard for accounting policy disclosures, accounting changes and error corrections.

In considering the notes on “principles and procedures of accounting treatment adopted in situations of uncertainty of related accounting standards,” the provisions of “Annotations to Corporate Accounting Principles” (Notes 1-2) were incorporated so as to be consistent with conventional accounting practices when the related accounting standards are clear.

# EDION Corporation and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### **2. Summary of Significant Accounting Policies (continued)**

#### **(p) Accounting standards issued but not yet effective (continued)**

##### **(2) Scheduled date of adoption**

The Company expects to adopt the accounting standard and implementation guidance from the end of the fiscal year ending March 31, 2021.

#### **(q) Additional information**

The Japanese government declared a state of emergency on April 7, 2020 in response to the spread of COVID-19 and restrictions have been gradually lifted until May 25, 2020.

There is a risk that the Group will experience a decline in sales since restrictions on business operations in certain stores were imposed, business hours were shortened and the number of customers visiting its stores decreased during the period under a state of emergency.

The Group makes accounting estimates in determining the realizability of deferred tax assets and impairment tests of goodwill and tangible assets based on the assumption that the impact from the spread of COVID-19 will continue during the first quarter of the next fiscal year (from April 1, 2020 to June 30, 2020) followed by a gradual recovery.

The Group made estimates based on the currently available information, however due to uncertainties over 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, 2020, and 2019 was summarized as follows:

Millions of yen						
	2020			2019		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥ 461	¥ 294	¥ 167	¥ 881	¥ 632	¥ 249
Subtotal	¥ 461	¥ 294	¥ 167	¥ 881	¥ 632	¥ 249
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	¥ 919	¥ 1,410	¥ (491)	¥ 812	¥ 1,141	¥(329)
Subtotal	¥ 919	¥ 1,410	¥ (491)	¥ 812	¥ 1,141	¥(329)
Total (*a)	¥ 1,380	¥ 1,704	¥ (324)	¥ 1,693	¥ 1,773	¥ (80)

Thousands of U.S. dollars			
	2020		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$ 4,236	\$ 2,701	\$ 1,535
Subtotal	\$ 4,236	\$ 2,701	\$ 1,535
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	\$ 8,444	\$ 12,956	\$ (4,512)
Subtotal	\$ 8,444	\$ 12,956	\$ (4,512)
Total (*a)	\$ 12,680	\$ 15,657	\$ (2,977)

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 ¥47 million (\$432 thousand) and ¥47 million as of March 31, 2020, and 2019, 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, 2020, and 2019 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Proceeds from sales	<b>¥ 16</b>	¥ 19	<b>\$ 147</b>
Gross realized gain	<b>0</b>	0	<b>0</b>

- (c) Losses on devaluation of investment in securities of ¥53 million (\$487 thousands) and ¥0 million were recognized in “Other” in the consolidated statements of income for the years ended March 31, 2020, and 2019, respectively. Moreover, losses on devaluation of investment in affiliates were nil for the years ended March 31, 2020, and 2019.

### 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 ¥8,186 million (\$75,218 thousand) and ¥8,853 million at March 31, 2020 and 2019, respectively, of which a certain portion of this land, in the amount of ¥ 1,858 million (\$17,072 thousand) and ¥2,183 million, corresponded to real estate for lease at March 31, 2020, and 2019, 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, 2020, and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Balance at the beginning of the year	<b>¥ 7,909</b>	¥ 7,579	<b>\$ 72,673</b>
Liabilities incurred due to the acquisition of property and equipment	<b>914</b>	356	<b>8,398</b>
Accretion expense	<b>89</b>	97	<b>818</b>
Liabilities settled	<b>(70)</b>	(123)	<b>(643)</b>
Balance at the end of the year	<b>¥ 8,842</b>	¥ 7,909	<b>\$ 81,246</b>

### 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 ¥271 million (\$2,490 thousand) and ¥298 million for the years ended March 31, 2020, and 2019, 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 ¥94 million (\$864 thousand) and ¥1 million was recognized in impairment loss for the years ended March 31, 2020, and 2019, 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>			
<b>2020</b>			
<b>Carrying Value</b>			<b>Fair Value</b>
<b>March 31, 2019</b>	<b>Net change</b>	<b>March 31, 2020</b>	<b>March 31, 2020</b>
<b>¥ 15,629</b>	<b>¥(3,127)</b>	<b>¥ 12,502</b>	<b>¥ 11,102</b>

<i>Millions of yen</i>			
<b>2019</b>			
<b>Carrying Value</b>			<b>Fair Value</b>
<b>March 31, 2018</b>	<b>Net change</b>	<b>March 31, 2019</b>	<b>March 31, 2019</b>
<b>¥ 16,389</b>	<b>¥ (760)</b>	<b>¥ 15,629</b>	<b>¥ 14,181</b>

<i>Thousands of U.S. dollars</i>			
<b>2020</b>			
<b>Carrying Value</b>			<b>Fair Value</b>
<b>March 31, 2019</b>	<b>Net change</b>	<b>March 31, 2020</b>	<b>March 31, 2020</b>
<b>\$ 143,609</b>	<b>\$(28,733)</b>	<b>\$ 114,876</b>	<b>\$ 102,012</b>

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 ¥50 million (\$459 thousand) and decreases due to sales of ¥2,812 million (\$25,838 thousand) for the year ended March 31, 2020. The main component of net change in the carrying value are the increases due to acquisition of properties of ¥37 million and decreases due to sales of ¥530 million for the year ended March 31, 2019.
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, 2020, consisted of bank overdrafts. The annual average interest rates applicable to the short-term loans payable were 0.33% and 0.22% for the years ended March 31, 2020 and 2019, respectively.

Long-term debt at March 31, 2020, and 2019 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Zero coupon unsecured convertible bonds (with stock acquisition rights) due October 1, 2021	¥ 80	¥ 580	\$ 735
Zero coupon unsecured convertible bonds (with stock acquisition rights) due June 19, 2025	15,038	15,045	138,179
Unsecured loans principally from banks and insurance companies with an average interest rate of 0.32%	41,071	43,117	377,387
Long-term loans with an interest rate of 2.06%	735	852	6,753
	<b>56,924</b>	59,594	<b>523,054</b>
Less: Current portion of long-term loans payable	(3,107)	(2,959)	(28,549)
	<b>¥ 53,817</b>	¥ 56,635	<b>\$ 494,505</b>

Zero coupon unsecured convertible bonds (with stock acquisition rights) issued on October 3, 2014, are convertible at ¥872.6 (\$8.02) 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 ¥1,207.7 (\$11.10) 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, 2020, were summarized as follows:

<i>Year ending March 31,</i>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2021	¥ 3,107	\$ 28,549
2022	2,408	22,126
2023	10,110	92,897
2024	10,641	97,776
2025	1,974	18,138
2026 and thereafter	13,566	124,654
Total	<b>¥ 41,806</b>	<b>\$ 384,140</b>

# 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 2.76% and 3.06% at March 31, 2020, and 2019, respectively.

The aggregate annual maturities of lease obligations subsequent to March 31, 2020 were summarized as follows:

Year ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2021	¥ 237	\$ 2,178
2022	241	2,214
2023	247	2,270
2024	245	2,251
2025	235	2,159
2026 and thereafter	1,168	10,733
Total	¥ 2,373	\$ 21,805

The assets pledged as collateral for notes and accounts payable-trade of ¥50 million (\$459 thousand), long-term loans and the current portion of long-term loans of ¥735 million (\$6,754 thousand) and guarantee deposits from lessees included in other (long-term liabilities) of ¥516 million (\$4,741 thousand) was as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Merchandise and products	¥ 38	\$ 349
Land	874	8,031
Buildings and structures – net of accumulated depreciation	1,367	12,561
Total	¥ 2,279	\$ 20,941

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 (\$1,016,264 thousand) and full amount was available as of March 31, 2020.

# 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 calculate retirement benefit liabilities and retirement benefit expenses, where the required contributions to the pension fund are accounted for as retirement benefit expenses.

Moreover, since the current fiscal year, 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, 2020, and 2019 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Retirement benefit obligation at the beginning of the year	<b>¥ 14,960</b>	¥ 15,277	<b>\$ 137,462</b>
Service cost	<b>365</b>	379	<b>3,354</b>
Interest cost	<b>29</b>	30	<b>266</b>
Actuarial gain and loss	<b>39</b>	66	<b>358</b>
Retirement benefit paid	<b>(756)</b>	(792)	<b>(6,946)</b>
Retirement benefit obligation at the end of the year	<b>¥ 14,637</b>	¥ 14,960	<b>\$ 134,494</b>

# 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, 2020, and 2019 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Plan assets at fair value at the beginning of the year	<b>¥ 6,683</b>	¥ 6,791	<b>\$ 61,408</b>
Expected return on plan assets	<b>120</b>	95	<b>1,103</b>
Actuarial loss	<b>(193)</b>	(4)	<b>(1,773)</b>
Contribution by the Company	<b>187</b>	188	<b>1,718</b>
Retirement benefit paid	<b>(411)</b>	(388)	<b>(3,777)</b>
Plan assets at fair value at the end of the year	<b>¥ 6,386</b>	¥ 6,682	<b>\$ 58,679</b>

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, 2020, and 2019 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Funded retirement benefit obligation	<b>¥ 7,944</b>	¥ 8,073	<b>\$ 72,995</b>
Plan assets at fair value	<b>(6,386)</b>	(6,682)	<b>(58,679)</b>
	<b>1,558</b>	1,391	<b>14,316</b>
Unfunded retirement benefit obligation	<b>6,693</b>	6,887	<b>61,499</b>
Net defined benefit liability in the balance sheet	<b>8,251</b>	8,275	<b>75,815</b>
Liabilities for retirement benefit	<b>8,251</b>	8,275	<b>75,815</b>
Net defined benefit liability in the balance sheet	<b>¥ 8,251</b>	¥ 8,278	<b>\$ 75,815</b>

# 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, 2020, and 2019 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Service cost	<b>¥ 365</b>	¥ 379	<b>\$ 3,354</b>
Interest cost	<b>29</b>	30	<b>266</b>
Expected return on plan assets	<b>(120)</b>	(95)	<b>(1,103)</b>
Amortization of actuarial loss	<b>259</b>	466	<b>2,380</b>
Amortization of prior service cost	<b>(364)</b>	(364)	<b>(3,344)</b>
Retirement benefit expense	<b>¥ 169</b>	¥ 416	<b>\$ 1,553</b>

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2020, and 2019 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Prior service cost	<b>¥ (364)</b>	¥ (364)	<b>\$ (3,344)</b>
Actuarial loss	<b>27</b>	396	<b>248</b>
Total	<b>¥ (337)</b>	¥ 32	<b>\$ (3,096)</b>

The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2020, and 2019 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Unrecognized prior service cost	<b>¥ 139</b>	¥ 503	<b>\$ 1,277</b>
Unrecognized actuarial loss	<b>(2,110)</b>	(2,137)	<b>(19,388)</b>
Total	<b>¥ (1,971)</b>	¥ (1,634)	<b>\$ (18,111)</b>

The components of plan assets, by major category, as a percentage of total plan assets as of March 31, 2020, and 2019 are as follows:

	<b>2020</b>	2019
Bonds	<b>25%</b>	26%
Stocks	<b>10</b>	13
General accounts	<b>58</b>	58
Other	<b>7</b>	3
Total	<b>100%</b>	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>2020</u>	<u>2019</u>
Discount rates	<b>0.1%-0.2%</b>	0.1%-0.2%
Expected long-term rates of return on plan assets	<b>0.7%</b>	1.8%
Expected rates of salary increase	<b>1.7%</b>	2.2%

Note:

In addition to the above, the Company and certain consolidated subsidiaries charged contributions of ¥2,256 million (\$20,730 thousand) and ¥2,232 million to the defined contribution pension plans to income for the years ended March 31, 2020, and 2019, respectively.

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

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

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<u>2020</u>	<u>2020</u>
Plan assets at fair value at the beginning of the year	¥ –	\$ –
Increase from acquiring new consolidated subsidiaries	<b>42</b>	<b>386</b>
Retirement benefit expense	<b>(15)</b>	<b>(138)</b>
Retirement benefit paid	<b>5</b>	<b>46</b>
Plan assets at fair value at the end of the year	<u>¥ 32</u>	<u>\$ 294</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 balances of retirement benefit obligation and plan assets at fair value and liabilities and assets recognized in the consolidated balance sheet at March 31, 2020, and 2019 are as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<b>2020</b>	<b>2020</b>
Funded retirement benefit obligation	<b>¥ 230</b>	<b>\$ 2,113</b>
Plan assets at fair value	<b>(262)</b>	<b>(2,407)</b>
	<b>(32)</b>	<b>(294)</b>
Unfunded retirement benefit obligation	<b>–</b>	<b>–</b>
Net assets for retirement benefit in the balance sheet	<b>(32)</b>	<b>(294)</b>
Assets for retirement benefit	<b>(32)</b>	<b>(294)</b>
Net assets for retirement benefit in the balance sheet	<b>¥ (32)</b>	<b>\$ (294)</b>
	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<b>2020</b>	<b>2020</b>
Retirement benefit expense calculated by simplified method	<b>¥ 15</b>	<b>\$ 138</b>

#### (c) Multi-employer pension plan

The Company paid contributions of ¥269 million (\$2,472 thousand) 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, 2020.

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

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<b>2020</b>	<b>2020</b>
Plan assets	<b>¥ 33,945</b>	<b>\$ 311,908</b>
Total of the amount of actuarial obligations under pension funding program and minimum policy reserves	<b>(32,959)</b>	<b>(302,848)</b>
Difference	<b>¥ 986</b>	<b>\$ 9,060</b>

# EDION Corporation and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 8. Retirement Benefit Plans (continued)

#### (c) Multi-employer pension plan (continued)

Ratio of Group contributions to total contributions in the multi-employer pension plan is 1.9% in 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 ¥352 million (\$3,234 thousand) and general reserve of ¥634 million (\$5,826 thousand) for the ended March 31, 2020.

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.

### 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, 2020, and 2019.

The effective tax rates for the years ended March 31, 2020 and 2019 differed from the corresponding statutory tax rates for the following reasons:

	<b>2020</b>	2019
Statutory tax rates:	<b>30.6%</b>	30.6%
Expenses not deductible for income tax purposes	<b>0.2</b>	0.2
Inhabitants' per capita taxes	<b>2.8</b>	2.2
Change in valuation allowance	<b>(11.2)</b>	(0.4)
Surcharge refund	<b>(2.3)</b>	—
Other, net	<b>(1.4)</b>	0.5
Effective tax rates	<b>18.7%</b>	33.1%

# 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, 2020, and 2019 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2020</b>	<b>2019</b>	<b>2020</b>
Deferred tax assets:			
Depreciation	¥ 2,205	¥ 1,987	\$ 20,261
Provision for bonuses	1,690	1,623	15,529
Impairment loss	6,781	8,618	62,308
Net defined benefit liability	2,555	2,565	23,477
Provision for point card certificates	3,403	3,198	31,269
Provision for merchandise warranties	2,879	2,918	26,454
Unrealized loss on revaluation of land acquired by merger	1,502	1,548	13,801
Asset retirement obligations	2,744	2,458	25,214
Net operating tax loss carryforwards (Note)	267	317	2,453
Other	4,850	5,234	44,565
Total gross deferred tax assets	28,876	30,466	265,331
Valuation allowance for net operating loss carryforwards (Note)	(233)	(84)	(2,141)
Valuation allowance for deductible temporary differences	(4,831)	(6,415)	(44,390)
Total valuation allowance	(5,064)	(6,499)	(46,531)
Total deferred tax assets	23,812	23,967	218,800
Deferred tax liabilities:			
Asset retirement obligations	(800)	(664)	(7,351)
Unrealized holding gain on other securities	(58)	(72)	(533)
Other	(848)	(551)	(7,792)
Total deferred tax liabilities	(1,706)	(1,287)	(15,676)
Net deferred tax assets	¥ 22,106	¥ 22,680	\$ 203,124

# 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, 2020 is as follows:

Expiration schedule as of March 31, 2020	<i>Millions of yen</i>						<b>2026 and thereafter</b>	<b>Total</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>			
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

  

Expiration schedule as of March 31, 2020	<i>Thousands of U.S. dollars</i>						<b>2026 and thereafter</b>	<b>Total</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>			
Net operating loss carryforwards (*1), (*2)	—	—	\$ 83	\$459	\$ 156	\$ 1,755		\$ 2,453
Valuation allowance	—	—	(28)	(422)	(156)	(1,535)		(2,141)
Deferred tax assets	—	—	55	37	—	220		312

(\*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 (\$312 thousand) for net operating loss carryforwards in the amount of ¥267 million (\$2,453 thousand). 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.

### 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.

## EDION Corporation and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **10. Financial Instruments (continued)**

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

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.

##### **(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.

# EDION Corporation and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 10. Financial Instruments (continued)

#### (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, 2020 and 2019 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>					
	2020			2019		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets:						
Cash and cash equivalents	¥ 15,975	¥ 15,975	¥ –	¥ 9,036	¥ 9,036	¥ –
Notes and accounts receivable-trade	33,666	33,666	–	36,339	36,339	–
Investment in securities, inclusive marketable securities:						
Other securities	1,380	1,380	–	1,693	1,693	–
Total assets	<u>¥ 51,021</u>	<u>¥ 51,021</u>	<u>¥ –</u>	<u>¥ 47,068</u>	<u>¥ 47,068</u>	<u>¥ –</u>
Liabilities:						
Notes and accounts payable-trade	¥ 34,435	¥ 34,435	¥ –	¥ 31,140	¥ 31,140	¥ –
Short-term loans payable	70	70	–	1,040	1,040	–
Long-term debt:						
Convertible bonds (with stock acquisition rights)	15,118	15,078	(40)	15,625	16,143	518
Long-term loans (*1)	41,806	42,196	390	43,969	44,381	412
Lease obligations (*1)	2,373	2,564	191	2,100	2,301	201
Total liabilities	<u>¥ 93,802</u>	<u>¥ 94,343</u>	<u>¥ 541</u>	<u>¥ 93,874</u>	<u>¥ 95,005</u>	<u>¥ 1,131</u>

Notes:

(\*1) Long-term loans and lease obligations include the Current portion of 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>		
	<b>2020</b>		
	<b>Carrying value</b>	<b>Estimated fair value</b>	<b>Difference</b>
Assets:			
Cash and cash equivalents	\$ 146,789	\$ 146,789	\$ –
Notes and accounts receivable- trade	309,345	309,345	–
Investment in securities, inclusive marketable securities:			
Other securities	12,680	12,680	–
Total assets	<u>\$ 468,814</u>	<u>\$ 468,814</u>	<u>\$ –</u>
Liabilities:			
Notes and accounts payable- trade	\$ 316,411	\$ 316,411	\$ –
Short-term loans payable	643	643	–
Long-term debt:			
Convertible bonds (with stock acquisition rights)	138,914	138,546	(368)
Long-term loans (*1)	384,140	387,724	3,584
Lease obligations (*1)	21,805	23,560	1,755
Total liabilities	<u>\$ 861,913</u>	<u>\$ 866,884</u>	<u>\$ 4,971</u>

Notes:

(\*1) Long-term loans and lease obligations include the current portion of 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, 2020 and 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Unlisted stocks	¥ <b>47</b>	¥ 47	\$ <b>432</b>
Investment in affiliates	<b>893</b>	880	<b>8,205</b>
Guarantee deposits	<b>26,094</b>	25,346	<b>239,768</b>

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, 2020 and 2019 were as follows:

<i>Millions of yen</i>				
<b>2020</b>				
	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	<b>¥ 13,467</b>	¥ –	¥ –	¥ –
Notes and accounts receivable – trade	<b>33,666</b>	–	–	–
	<b>¥ 47,133</b>	<b>¥ –</b>	<b>¥ –</b>	<b>¥ –</b>
<i>Millions of yen</i>				
<b>2019</b>				
	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	¥ 3,423	¥ –	¥ –	¥ –
Notes and accounts receivable – trade	36,339	–	–	–
	<b>¥ 39,762</b>	<b>¥ –</b>	<b>¥ –</b>	<b>¥ –</b>
<i>Thousands of U.S. dollars</i>				
<b>2020</b>				
	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	<b>\$ 123,743</b>	\$ –	\$ –	\$ –
Notes and accounts receivable – trade	<b>309,345</b>	–	–	–
	<b>\$ 433,088</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>

Cash and cash equivalents in the table above do not include cash on hand of ¥2,508 million (\$23,046 thousand) and ¥5,613 million at March 31, 2020 and 2019, 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>					
<b>2020</b>					
<b>Method of hedge accounting</b>	<b>Transaction</b>	<b>Hedged item</b>	<b>Notional amount</b>	<b>Notional amount maturing in more than one year</b>	<b>Fair value</b>
Special treatment for interest rate swap	Interest rate swap Receive / floating and pay / fixed	Long-term loans	¥ 6,000	¥ 6,000	(*)

<i>Millions of yen</i>					
<b>2019</b>					
<b>Method of hedge accounting</b>	<b>Transaction</b>	<b>Hedged item</b>	<b>Notional amount</b>	<b>Notional amount maturing in more than one year</b>	<b>Fair value</b>
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>					
<b>2020</b>					
<b>Method of hedge accounting</b>	<b>Transaction</b>	<b>Hedged item</b>	<b>Notional amount</b>	<b>Notional amount maturing in more than one year</b>	<b>Fair value</b>
Special treatment for interest rate swap	Interest rate swap Receive / floating and pay / fixed	Long-term loans	\$ 55,132	\$ 55,132	(*)

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, 2020 and 2019.

# 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 ¥1 million (\$9 thousand) and ¥12 million at March 31, 2020, and 2019, 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, 2020 and 2019.

Movements in capital stock and treasury shares for the years ended March 31, 2020 and 2019 were summarized as follows:

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

  

		<i>Number of shares</i>			
		<b>2019</b>			
	Notes	April 1, 2018	Increase	Decrease	March 31, 2019
Capital stock		112,005,636	–	–	112,005,636
Treasury shares	(c) and (d)	1,970,505	1,551	1,217,717	754,339

- (a) 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.
- (b) 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, 2020 and 2019 were summarized as follows:

	<i>Thousands of shares</i>			
	<b>2020</b>			
	<b>April 1, 2019</b>	<b>Increase</b>	<b>Decrease</b>	<b>March 31, 2020</b>
Stock acquisition rights attached to convertible bonds due October 1, 2021 (Notes 1, 2 and 3)	<b>657</b>	<b>8</b>	<b>573</b>	<b>92</b>
Stock acquisition rights attached to convertible bonds due June 19, 2025 (Notes 1 and 4)	<b>12,270</b>	<b>150</b>	<b>–</b>	<b>12,420</b>
	<b>12,927</b>	<b>158</b>	<b>573</b>	<b>12,512</b>
	<i>Thousands of shares</i>			
	<b>2019</b>			
	<b>April 1, 2018</b>	<b>Increase</b>	<b>Decrease</b>	<b>March 31, 2019</b>
Stock acquisition rights attached to convertible bonds due October 1, 2021 (Notes 1 and 2)	1,777	12	1,132	657
Stock acquisition rights attached to convertible bonds due June 19, 2025 (Notes 1 and 4)	12,194	76	–	12,270
	13,971	88	1,132	12,927

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 decrease in stock acquisition rights attached to convertible bonds due October 1, 2021 was due to the exercise of stock acquisition rights.
4. The increase in stock acquisition rights attached to convertible bonds due June 19, 2025 was due to the adjustment of the conversion price.

### 14. Cost of Sales

Losses on inventory valuation included in cost of sales was ¥165 million (\$1,516 thousand) and ¥22 million for the years ended March 31, 2020 and 2019, respectively.

# EDION Corporation and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 15. Impairment Loss

The Group recognized impairment loss of ¥1,839 million (\$16,898 thousand) and ¥1,082 million for the years ended March 31, 2020 and 2019, respectively, as follows:

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, furniture and fixtures	Aichi Prefecture
2019		
Use	Classification	Location
Store	Buildings and structures, Tools, furniture and fixtures, Land, and other	Osaka Prefecture and other
Rental property	Buildings and structures, Tools, furniture and fixtures	Hyogo Prefecture
Other	Buildings and structures, Tools, furniture and fixtures, Land	Hiroshima 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, 2020 and 2019 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, 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 (\$16,016 thousand). In addition, a loss on impairment of rental property was ¥95 million (\$873 thousand) and loss on impairment of other was ¥1 million (\$9 thousand).

For the year ended March 31, 2019, 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 ¥1,071 million. In addition, a loss on impairment of rental property was ¥3 million and loss on impairment of other was ¥8 million.

# EDION Corporation and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 15. Impairment Loss (continued)

For the years ended March 31, 2020 and 2019, the principal components of loss on impairment by asset classification were buildings and structures of ¥1,211 million (\$11,127 thousand) and ¥821 million, tools, furniture and fixtures of ¥226 million (\$2,077 thousand) and ¥226 million, land of ¥366 million (\$3,363 thousand) and ¥3 million, and other of ¥36 million (\$331 thousand) and ¥32 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 3.97% and 4.07% for the years ended March 31, 2020 and 2019, respectively.

### 16. Other Comprehensive Income

Reclassification adjustments and tax effects for each component of other comprehensive income for the years ended March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2020</b>	2019	<b>2020</b>
<b>Net unrealized loss on other securities:</b>			
Amount arising during the year	¥ (347)	¥ (564)	\$ (3,188)
Reclassification adjustments	<b>103</b>	(0)	<b>946</b>
Before tax effect	(244)	(564)	(2,242)
Tax effect	<b>60</b>	172	<b>551</b>
Total	<b>(184)</b>	(392)	<b>(1,691)</b>
<b>Remeasurements of defined benefit plans:</b>			
Amount arising during the year	(232)	(70)	(2,132)
Reclassification adjustments	<b>(105)</b>	102	<b>(965)</b>
Before tax effect	(337)	32	(3,097)
Tax effect	<b>99</b>	(11)	<b>910</b>
Total	<b>(238)</b>	21	<b>(2,187)</b>
Total other comprehensive loss	<b>¥ (422)</b>	¥ (371)	<b>\$ (3,878)</b>

# 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, 2020 and 2019 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>						
	<b>2020</b>			<b>2019</b>		
	<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	<b>¥ 3,924</b>	<b>¥ 3,433</b>	<b>¥ 491</b>	¥ 3,924	¥ 3,237	¥ 687
<i>Thousands of U.S. dollars</i>						
	<b>2020</b>					
	<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>			
Buildings and structures	<b>\$ 36,056</b>	<b>\$ 31,544</b>	<b>\$ 4,512</b>			



# 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, 2020 and 2019 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Lease payments	<b>¥ 216</b>	¥ 216	<b>\$ 1,985</b>
Depreciation	<b>196</b>	196	<b>1,801</b>
Interest expense	<b>7</b>	9	<b>64</b>

Future minimum lease payments subsequent to March 31, 2020 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>
2021	¥ 211	\$ 1,939
2022 and thereafter	357	3,280
Total	<u>¥ 568</u>	<u>\$ 5,219</u>

Future minimum lease payments subsequent to March 31, 2020 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>
2021	¥ 3,534	\$ 32,473
2022 and thereafter	27,614	253,735
Total	<u>¥ 31,148</u>	<u>\$ 286,208</u>

Future minimum lease receipts subsequent to March 31, 2020 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>
2021	¥ 263	\$ 2,417
2022 and thereafter	3,036	27,896
Total	<u>¥ 3,299</u>	<u>\$ 30,313</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>
	<b>2020</b>	2019	<b>2020</b>
Increase in asset retirement obligations	<b>¥ 1,003</b>	¥ 453	<b>\$ 9,216</b>

Leased assets and lease obligations related to finance leases newly entered into during the years ended March 31, 2020 and 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Leased assets and lease obligations related to finance leases	<b>¥ 488</b>	¥ 565	<b>\$ 4,484</b>

The exercise of stock acquisition rights attached to convertible bonds during the years ended March 31, 2020 and 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2020</b>	2019	<b>2020</b>
(Loss) gain on disposal of treasury shares due to an exercise of stock acquisition rights	<b>¥ (73)</b>	¥ 41	<b>\$ (671)</b>
Decrease of treasury shares due to an exercise of stock acquisition rights	<b>573</b>	959	<b>5,265</b>
Decrease of convertible bonds with stock acquisition rights due to an exercise of acquisition rights	<b>¥ 500</b>	¥ 1,000	<b>\$ 4,594</b>

# 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, 2020:

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 is as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<b>2020</b>	<b>2020</b>
Current assets	<b>¥ 1,257</b>	<b>\$ 11,550</b>
Long-term assets	<b>293</b>	<b>2,692</b>
Customer-related intangible assets	<b>750</b>	<b>6,891</b>
Goodwill	<b>2,513</b>	<b>23,091</b>
Current liabilities	<b>(716)</b>	<b>(6,579)</b>
Long-term liabilities	<b>(793)</b>	<b>(7,286)</b>
Deferred tax liabilities	<b>(254)</b>	<b>(2,334)</b>
Acquisition cost of stock	<b>3,050</b>	<b>28,025</b>
Cash and cash equivalents of acquired companies	<b>(668)</b>	<b>(6,138)</b>
Net payment for acquisition of stocks	<b>¥ 2,382</b>	<b>\$ 21,887</b>

# 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, 2020 and 2019 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2020</b>	2019	<b>2020</b>
SHOEI Co., Ltd.:			
Insurance expense	<b>¥ 9</b>	¥ 38	<b>\$ 83</b>
Masataka Kubo:			
Disposition of treasury stock	<b>40</b>	40	<b>368</b>
Kazutoshi Tomonori:			
Advisory fee	<b>24</b>	24	<b>221</b>

The outstanding balance of prepaid expenses related to insurance expense outlined above regarding SHOEI Co., Ltd. (“SHOEI”) amounted to nil and ¥4 million at March 31, 2020 and 2019, respectively. There were no outstanding balances with Masataka Kubo and Kazutoshi Tomonori at March 31, 2020 and 2019, respectively.

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 (\$827 thousand) and ¥90 million at March 31, 2020 and 2019, respectively. Masataka Kubo is a President of the Company, and Kazutoshi Tomonori is an advisor of the Company at March 31, 2020 and 2019.

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, 2020 and 2019 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2020</b>	2019	<b>2020</b>
SHOEI Co., Ltd.:			
Insurance expense	<b>¥ 2</b>	¥ 10	<b>\$ 18</b>

No outstanding balance of prepaid expenses related to insurance expense outlined above regarding SHOEI both at March 31, 2020 and 2019.

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**

**(a) Transactions under common control**

Additional acquisition of shares in the subsidiary

1. Outline of the transaction

(1) Name and business description of acquired company

Name of company: e-Logi Co., Ltd.

Business description: Cargo transportation, warehouse management, etc.

(2) Dates of the business combination

September 2, 2019

(3) Legal form of business combination

Acquisition of shares from non-controlling interests

(4) Company name after the business combination

e-Logi Co., Ltd.

(5) Other matters concerning transaction

The voting ratio of shares on additional acquisition was 20%

The purpose of the Group's additional acquisition is to integrate operations on managing resources and streamline the decision-making process.

2. Accounting treatment

The Company accounted for such additional acquisition as the transaction with the non-controlling interest considering as a transaction under the common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on January 16, 2019) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on January 16, 2019).

# EDION Corporation and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 20. Business Combinations (continued)

#### (a) Transactions under common control (continued)

##### 3. Matters related to additional acquisition of shares in the subsidiary

Acquisition cost and type of consideration

Consideration for acquisition:	Cash and deposits	¥10 million (\$92 thousand)
Acquisition cost:		¥10 million (\$92 thousand)

##### 4. Matters relating to change in the Company's equity due to transactions with non-controlling interests

###### (1) Main reasons for change in capital surplus

Additional acquisition of shares in subsidiary

###### (2) Decrease in capital surplus due to transactions with non-controlling interests

¥10 million (\$92 thousand)

#### (b) Business combination through an acquisition (Jtop Co., Ltd.)

##### 1. Outline of the business combination

###### (1) Name and business description of acquired company

Name of company: Jtop Co., Ltd.

Business description: Delivery of general cargo such as free papers, job magazines, and other magazines

###### (2) Reasons for the business combination

The Company has made efforts to reinforce the logistics platform and service structures. Jtop Co., Ltd., which became a subsidiary, provides services that utilizes the rack media businesses and the logistics structures linked to the business.

Jtop Co., Ltd. was founded in 1979. Since then, the Company has established a distribution network for industries such as railways and bookstores. Currently, it owns more than 30,000 rack media in Japan including places such as convenience stores. The Company believes that incorporating this nationwide distribution network into the business will lead to strengthening the logistics platform as well as providing better and more efficient services.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**20. Business Combinations (continued)**

**(b) Business combination through an acquisition (Jtop Co., Ltd.) (continued)**

1. Outline of the business combination (continued)

(3) Dates of the business combination

December 31, 2019

(4) Legal form of business combination

Acquisition of shares

(5) Company name after the business combination

Jtop Co., Ltd.

(6) Ratio of voting rights acquired

Before business combination	:	0%
At the date of business combination	:	100%
After business combination	:	100%

(7) Major reason for determining the acquired company

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

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

January 1, 2020 to March 31, 2020

3. Acquisition cost and type of consideration

Consideration for acquisition:	Cash and deposits	¥1,750 million (\$16,080 thousand)
Acquisition cost:		¥1,750 million (\$16,080 thousand)

4. Details and amount of major acquisition-related costs

Advisory fee and others: ¥4 million (\$37 thousand)

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**20. Business Combinations (continued)**

**(b) Business combination through an acquisition (Jtop Co., Ltd.) (continued)**

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

(1) Amount of goodwill

¥1,206 million (\$11,082 thousand)

(2) Reason for recognition

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

(3) Amortization method and period

Straight-line method over 10 years

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>
	<b>2020</b>	<b>2020</b>
Current assets	<b>¥ 1,189</b>	<b>\$ 10,925</b>
Fixed assets	<b>190</b>	<b>1,746</b>
Total assets	<b>¥ 1,379</b>	<b>\$ 12,671</b>
Current liabilities	<b>¥ 681</b>	<b>\$ 6,257</b>
Long-term liabilities	<b>650</b>	<b>5,973</b>
Total liabilities	<b>¥ 1,331</b>	<b>\$ 12,230</b>



# EDION Corporation and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 20. Business Combinations (continued)

#### (b) Business combination through an acquisition (Jtop Co., Ltd.) (continued)

7. Estimated impact on the consolidated statement of income for the year ended March 31, 2020 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>
	<b>2020</b>	<b>2020</b>
Net sales	<b>¥ 2,882</b>	<b>\$ 26,482</b>
Operating income	<b>1</b>	<b>9</b>
Profit before income taxes	<b>1</b>	<b>9</b>
Loss attributable to owners of parent	<b>(30)</b>	<b>(276)</b>
	<i>Yen</i>	<i>U.S. dollars</i>
Amounts per share:		
Loss attributable to owners of parent		
– Basic	<b>¥ (0.28)</b>	<b>\$ (0.00)</b>

#### (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, 2020 and had net sales and profit or loss information in the Company's consolidated statement of income.

In addition, amortization is calculated assuming that the goodwill and other intangible assets recognized upon the business combination were recognized at the beginning of the fiscal year ended March 31, 2020.

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.

8. Amounts allocated to intangible assets, other than goodwill, and component by major type, and the weighted average amortization period.

Customer-related intangible assets: ¥750 million (\$6,891 thousand) (7 years)

## EDION Corporation and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 20. Business Combinations (continued)

##### (c) Business combination through an acquisition (Yumemiru Co., Ltd.)

###### 1. Outline of business combination

###### (1) Name and nature of business of acquired company

Name of company: Yumemiru Co., Ltd.

Name of business: Operation of programming school

###### (2) Reasons for the business combination

The Company has initiated a new project called “Edion Robot Academy,” which is an educational business involving computer programming, in December 2018 to not only encourage children to acquire knowledge and skills but also contribute to nurturing their development of creativity and practical understanding. Currently, the Company operates direct-managed schools in Nishinomiya City in Hyogo Prefecture, Hiroshima City in Hiroshima Prefecture, Nagoya City in Aichi Prefecture, and Matsuyama City in Ehime Prefecture. The Company intends to further strengthen the education business through the acquisition of all of Yumemiru Co., Ltd.’s shares.

Yumemiru Co., Ltd. has developed more than 100 robot programming classes nationwide in the name of “Robodan” based on the principle of “connecting children’s interests to learning.” With a focus on learning of the basics of STEM (Science/Technology/Engineering/Mathematics) education, Yumemiru Co., Ltd. has a unique curriculum that enables students to acquire logical thinking skills, problem solving skills and basic social skills on top of programming and presentations. In addition, Yumemiru Co., Ltd. has formed a Japanese national Robot Programming team with an outstanding record who participated in the 2018/2019 at WRO World Congress on Robot Programing.

In the future, the Company will further develop this area by utilizing its strengths as well as those of Yumemiru Co., Ltd. and expand the education business.

###### (3) Dates of the business combination

December 31, 2019

###### (4) Legal form of business combination

Acquisition of shares

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**20. Business Combinations (continued)**

**(c) Business combination through an acquisition (Yumemiru Co., Ltd.) (continued)**

1. Outline of business combination (continued)

(5) Company name after the business combination

Yumemiru Co., Ltd.

(6) Ratio of voting rights acquired

Before business combination	:	0%
At the date of business combination	:	100%
After business combination	:	100%

(7) Major reason for determining the acquired company

The Company's acquisition of shares of Yumemiru Co., Ltd. in cash

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

January 1, 2020 to March 31, 2020

3. Acquisition cost and type of consideration

Consideration for acquisition:	Cash and deposits	¥1,300 million (\$11,945 thousand)
Acquisition cost:		¥1,300 million (\$11,945 thousand)

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

(1) Amount of goodwill

¥1,307 million (\$12,010 thousand)

(2) Reason for recognition

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

(3) Amortization method and period

Straight-line method over 10 years

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**20. Business Combinations (continued)**

**(c) Business combination through an acquisition (Yumemiru Co., Ltd.) (continued)**

5. The 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>
	<b>2020</b>	<b>2020</b>
Current assets	<b>¥ 69</b>	<b>\$ 634</b>
Fixed assets	<b>103</b>	<b>946</b>
Total assets	<b>¥ 172</b>	<b>\$ 1,580</b>
Current liabilities	<b>¥ 36</b>	<b>\$ 331</b>
Long-term liabilities	<b>142</b>	<b>1,305</b>
Total liabilities	<b>¥ 178</b>	<b>\$ 1,636</b>

6. Estimated impact on the consolidated statement of income for the year ended March 31, 2020 assuming the business combination had occurred at the beginning of the fiscal year ended, and the calculation method.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<b>2020</b>	<b>2020</b>
Net sales	<b>¥ 120</b>	<b>\$ 1,103</b>
Operating loss	<b>(192)</b>	<b>(1,764)</b>
Loss before income taxes	<b>(189)</b>	<b>(1,737)</b>
Loss attributable to owners of parent	<b>(189)</b>	<b>(1,737)</b>
	<i>Yen</i>	<i>U.S. dollars</i>
Amounts per share:		
Loss attributable to owners of parent		
– Basic	<b>¥ (1.74)</b>	<b>\$ (0.02)</b>

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**20. Business Combinations (continued)**

**(c) Business combination through an acquisition (Yumemiru Co., Ltd.) (continued)**

6. Estimated financial effect on the consolidated statement of income for the year ended March 31, 2020 assuming the business combination had occurred at the beginning of the fiscal year ended, and the calculation method. (continued)

**(Method of calculating the estimated impact)**

Estimated impact is the difference between of 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, 2020 and net sales and profit or loss information in the Company's consolidated statement of income.

In addition, amortization is calculated assuming that the goodwill and other intangible assets recognized upon the business combination were recognized at the beginning of the fiscal year ended March 31, 2020.

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, 2020 and 2019 has been omitted.

Impairment loss for all segments was recorded in the amounts of ¥1,839 million (\$16,898 thousand) and ¥1,082 million for the years ended March 31, 2020 and 2019, respectively.

Amortization of goodwill for all segments was recorded in the amounts of ¥269 million (\$2,472 thousand) and ¥218 million for the years ended March 31, 2020 and 2019, respectively. Remaining balance of goodwill for all segments was recorded in the amounts of ¥2,986 million (\$27,437 thousand) and ¥715 million as of March 31, 2020 and 2019, 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, 2020 and 2019 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, 2020 and 2019 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, 2020 and 2019 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, 2020 and 2019 has been omitted.

### 22. Subsequent Events

#### Distribution of retained earnings of the Company

The following distribution of retained earnings at March 31, 2020 was approved at the Company’s annual general meeting of shareholders held on June 26, 2020:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Year-end cash dividends of ¥16.00 (\$0.15) per share	¥ 1,712	\$ 15,731