

Consolidated Financial Statements

EDION Corporation and Consolidated Subsidiaries

*Year ended March 31, 2019
with Independent Auditor's Report*

EDION Corporation and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended March 31, 2019

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Independent Auditor's Report

The Board of Directors
EDION Corporation

We have audited the accompanying consolidated financial statements of EDION Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of EDION Corporation and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

June 28, 2019
Osaka, Japan

EDION Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2019	2018	2019
Assets			
Current assets:			
Cash and cash equivalents <i>(Note 10)</i>	¥ 9,036	¥ 8,228	\$ 81,413
Notes and accounts receivable:			
Trade <i>(Note 10)</i>	36,339	34,530	327,408
Other	6,188	7,532	55,753
Allowance for doubtful receivables	(61)	(63)	(550)
	<u>42,466</u>	<u>41,999</u>	<u>382,611</u>
 Inventories:			
Merchandise and products <i>(Note 7)</i>	96,687	111,704	871,133
Supplies	419	333	3,775
	<u>97,106</u>	<u>112,037</u>	<u>874,908</u>
 Other	<u>3,828</u>	<u>3,796</u>	<u>34,489</u>
Total current assets	<u>152,436</u>	<u>166,060</u>	<u>1,373,421</u>
 Property and equipment, at cost <i>(Notes 6 and 15)</i> :			
Land <i>(Notes 4 and 7)</i>	67,537	67,966	608,496
Buildings and structures <i>(Note 7)</i>	164,541	162,796	1,482,485
Tools, furniture and fixtures	27,768	27,234	250,185
Leased assets	2,127	1,566	19,164
Construction in progress	6,208	2,327	55,933
Other	1,483	1,388	13,362
	<u>269,664</u>	<u>263,277</u>	<u>2,429,625</u>
Accumulated depreciation	<u>(129,693)</u>	<u>(125,519)</u>	<u>(1,168,511)</u>
Property and equipment, net	<u>139,971</u>	<u>137,758</u>	<u>1,261,114</u>
 Investments and other assets:			
Investments in securities <i>(Notes 3 and 10)</i>	1,740	2,323	15,677
Investments in affiliates <i>(Notes 3 and 10)</i>	880	992	7,929
Goodwill <i>(Note 20)</i>	715	919	6,442
Guarantee deposits <i>(Note 10)</i>	25,346	26,012	228,363
Deferred tax assets <i>(Note 9)</i>	23,065	22,783	207,812
Other	11,795	12,602	106,270
Total investments and other assets	<u>63,541</u>	<u>65,631</u>	<u>572,493</u>
Total assets	<u>¥ 355,948</u>	<u>¥ 369,449</u>	<u>\$ 3,207,028</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2019	2018	2019
Liabilities and net assets			
Current liabilities:			
Short-term loans payable (<i>Notes 7 and 10</i>)	¥ 1,040	¥ 4,110	\$ 9,370
Current portion of long-term loans payable (<i>Notes 7 and 10</i>)	2,959	17,056	26,660
Notes and accounts payable:			
Trade (<i>Notes 7 and 10</i>)	31,140	47,130	280,566
Other	14,477	14,879	130,435
	49,616	62,009	447,031
Lease obligations (<i>Notes 7 and 10</i>)	171	104	1,541
Income taxes payable (<i>Note 9</i>)	3,972	3,835	35,787
Provision for bonuses	5,251	4,753	47,311
Provision for point card certificates	10,376	9,498	93,486
Other	16,548	12,543	149,094
Total current liabilities	85,934	113,908	774,250
Long-term liabilities:			
Long-term debt (<i>Notes 7 and 10</i>)	56,635	52,352	510,271
Net defined benefit liability (<i>Note 8</i>)	8,278	8,486	74,583
Lease obligations (<i>Notes 7 and 10</i>)	1,929	1,553	17,380
Deferred tax liabilities (<i>Note 9</i>)	385	406	3,469
Deferred tax liabilities for land revaluation (<i>Note 9</i>)	1,709	1,709	15,398
Provision for merchandise warranties	9,392	8,558	84,620
Asset retirement obligations (<i>Note 5</i>)	7,909	7,579	71,259
Other	5,605	5,893	50,500
Total long-term liabilities	91,842	86,536	827,480
Contingent liabilities (<i>Note 12</i>)			
Net assets			
Shareholders' equity (<i>Note 13</i>):			
Capital stock	11,940	11,940	107,577
Capital surplus	85,021	84,954	766,024
Retained earnings	88,548	80,098	797,802
Treasury shares	(639)	(1,669)	(5,757)
Total shareholders' equity	184,870	175,323	1,665,646
Accumulated other comprehensive income (loss):			
Net unrealized gain (loss) on other securities	(52)	340	(469)
Revaluation reserve for land (<i>Note 4</i>)	(5,523)	(5,523)	(49,761)
Remeasurements of defined benefit plans (<i>Note 8</i>)	(1,123)	(1,144)	(10,118)
Total accumulated other comprehensive loss	(6,698)	(6,327)	(60,348)
Non-controlling interests	—	9	—
Total net assets	178,172	169,005	1,605,298
Total liabilities and net assets	¥ 355,948	¥ 369,449	\$ 3,207,028

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Income

Year ended March 31, 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2019	2018	2019
Net sales	¥ 718,638	¥ 686,285	\$ 6,474,800
Cost of sales (<i>Note 14</i>)	508,818	488,119	4,584,359
Gross profit	209,820	198,166	1,890,441
Selling, general and administrative expenses	191,977	182,787	1,729,679
Operating income	17,843	15,379	160,762
Non-operating income (expenses):			
Interest and dividend income	94	101	847
Interest expense	(328)	(449)	(2,955)
Commission income	311	82	2,802
Subsidy income	205	113	1,847
Penalty income	49	242	441
Equity in (loss) income of affiliates	(112)	17	(1,009)
Contribution	(100)	—	(901)
Loss on sales and disposal of property and equipment	(0)	(641)	(0)
Impairment loss (<i>Notes 15 and 20</i>)	(1,082)	(2,088)	(9,749)
Other	512	767	4,614
	(451)	(1,856)	(4,063)
Profit before income taxes	17,392	13,523	156,699
Income taxes (<i>Note 9</i>):			
Current	5,901	5,364	53,167
Deferred	(142)	(784)	(1,279)
Total income taxes	5,759	4,580	51,888
	11,633	8,943	104,811
Loss attributable to:			
Non-controlling interests	(9)	(1)	(81)
Profit attributable to:			
Owners of parent	¥ 11,642	¥ 8,944	\$ 104,892
	Yen	U.S. dollars	
Amounts per share:			
Profit attributable to owners of parent			
– Basic	¥ 105.34	¥ 90.84	\$ 0.95
– Diluted	93.78	71.90	0.84
Cash dividends	32.00	28.00	0.29

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year ended March 31, 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2019	2018	2019
Profit	¥ 11,633	¥ 8,943	\$ 104,811
Other comprehensive income (<i>Note 16</i>):			
Net unrealized loss on other securities	(392)	(39)	(3,532)
Remeasurements of defined benefit plans, net of tax	21	221	189
Other comprehensive (loss) income, net	(371)	182	(3,343)
Comprehensive income	¥ 11,262	¥ 9,125	\$ 101,468
Comprehensive income (loss) attributable to:			
Owners of parent	¥ 11,271	¥ 9,126	\$ 101,549
Non-controlling interests	(9)	(1)	(81)

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2019

<i>Millions of yen</i>					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2017	¥ 11,940	¥ 84,320	¥ 74,690	¥ (12,084)	¥ 158,866
Cash dividends	—	—	(2,692)	—	(2,692)
Reversal of revaluation reserve for land	—	—	(844)	—	(844)
Profit attributable to owners of parent	—	—	8,944	—	8,944
Purchases of treasury shares	—	—	—	(2,371)	(2,371)
Disposition of treasury shares	—	634	—	12,786	13,420
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance at March 31, 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

<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, 2017	¥ 379	¥ (6,367)	¥ (1,365)	¥ (7,353)	¥ —	¥ 151,513
Cash dividends	—	—	—	—	—	(2,692)
Reversal of revaluation reserve for land	—	—	—	—	—	(844)
Profit attributable to owners of parent	—	—	—	—	—	8,944
Purchases of treasury shares	—	—	—	—	—	(2,371)
Disposition of treasury shares	—	—	—	—	—	13,420
Net changes of items other than shareholders' equity	(39)	844	221	1,026	9	1,035
Balance at March 31, 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

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Year ended March 31, 2019

Thousands of U.S. dollars (Note 1)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2018	\$ 107,577	\$ 765,420	\$ 721,669	\$ (15,037)	\$ 1,579,629
Cash dividends	—	—	(28,759)	—	(28,759)
Profit attributable to owners of parent	—	—	104,892	—	104,892
Purchases of treasury shares	—	—	—	(18)	(18)
Disposition of treasury shares	—	604	—	9,298	9,902
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2019	\$ 107,577	\$ 766,024	\$ 797,802	\$ (5,757)	\$ 1,665,646

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	Non-controlling interests	Total net assets
Balance at April 1, 2018	\$ 3,063	\$ (49,761)	\$ (10,307)	\$ (57,005)	\$ 81	\$ 1,522,705
Cash dividends	—	—	—	—	—	(28,759)
Profit attributable to owners of parent	—	—	—	—	—	104,892
Purchases of treasury shares	—	—	—	—	—	(18)
Disposition of treasury shares	—	—	—	—	—	9,902
Net changes of items other than shareholders' equity	(3,532)	—	189	(3,343)	(81)	(3,424)
Balance at March 31, 2019	\$ (469)	\$ (49,761)	\$ (10,118)	\$ (60,348)	\$ —	\$ 1,605,298

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year ended March 31, 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2019	2018	2019
Cash flows from operating activities			
Profit before income taxes	¥ 17,392	¥ 13,523	\$ 156,699
Adjustments for:			
Depreciation and amortization	9,893	9,873	89,134
Impairment loss	1,082	2,088	9,749
Interest and dividend income	(94)	(101)	(847)
Interest expense	328	449	2,955
Increase in provision for bonuses	498	164	4,487
Increase in provision for point card certificates	878	890	7,911
Decrease in net defined benefit liability	(208)	(731)	(1,874)
Loss on sales or disposal of property and equipment	0	641	0
Changes in operating assets and liabilities:			
Increase in notes and accounts receivable	(465)	(685)	(4,190)
Decrease (increase) in inventories	14,931	(4,960)	134,526
(Decrease) increase in notes and accounts payable	(15,670)	3,396	(141,184)
Increase (decrease) in advances received	1,596	(263)	14,380
Other, net	4,175	1,716	37,616
Subtotal	34,336	26,000	309,362
Interest and dividend income received	41	41	369
Interest expenses paid	(293)	(417)	(2,640)
Income taxes refunded	174	197	1,568
Income taxes paid	(5,953)	(4,267)	(53,636)
Net cash provided by operating activities	28,305	21,554	255,023
Cash flows from investing activities			
Purchases of property and equipment	(11,255)	(7,995)	(101,406)
Proceeds from sales of property and equipment	879	6,229	7,920
Purchases of intangible assets	(1,727)	(2,107)	(15,560)
Payments of long-term prepaid expenses	(96)	(193)	(865)
Purchases of investment in securities	(0)	(0)	(0)
Proceeds from sales of investments in securities	19	8	171
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3)	(2,078)	(27)
Payments for leasehold deposits	(637)	(1,044)	(5,739)
Proceeds from leasehold deposits	702	(837)	6,325
Repayment of guarantee deposits received	(53)	(808)	(478)
Other, net	(248)	(1,793)	(2,234)
Net cash used in investing activities	¥ (12,419)	¥ (8,944)	\$ (111,893)

EDION Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year ended March 31, 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2019	2018	2019
Cash flows from financing activities			
Net (decrease) increase in short-term loans payable	¥ (3,070)	¥ 4,060	\$ (27,660)
Proceeds from long-term loans payable	8,300	9,000	74,782
Repayments of long-term loans payable	(16,992)	(22,408)	(153,095)
Cash dividends paid	(2,940)	(2,445)	(26,489)
Purchase of treasury shares	(2)	(2,371)	(18)
Other, net	(374)	(145)	(3,370)
Net cash used in financing activities	(15,078)	(14,309)	(135,850)
Effect of exchange rate changes on cash and cash equivalents	0	0	0
Net increase (decrease) in cash and cash equivalents	808	(1,699)	7,280
Cash and cash equivalents at the beginning of the year	8,228	9,927	74,133
Cash and cash equivalents at the end of the year (Note 18)	¥ 9,036	¥ 8,228	\$ 81,413

See accompanying notes to consolidated financial statements.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2019

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, 2018, to the 2019 presentation. Such reclassifications had no effect on consolidated profit, net assets or net cash flow.

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥110.99 = U.S. \$1.00, the approximate rate of exchange in effect on March 31, 2019. 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 number of consolidated subsidiaries is seven as of March 31, 2019, and 2018.

Fukutoku Co., Ltd. (“Fukutoku”) is included in the scope of consolidation from the year ended March 31, 2019 as the Company acquired 100% ownership of its shares on June 29, 2018.

On the other hand, Edion Communications Co., Ltd., is excluded from the scope of consolidation from the year ended March 31, 2019 since the Company merged with Edion Communications Co., Ltd. on October 1, 2018.

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, 2019, and 2018.

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

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(a) Consolidation (continued)

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

Fukutoku's fiscal year end is January 31. The financial statements of Fukutoku are consolidated based on provisional settlement of accounts in accordance with a regular settlement as of the Company's fiscal year end.

As the Company acquired 100% ownership of the shares of Fukutoku Co., Ltd. on June 29, 2018, the accounting period for consolidation purposes for the year ended March 31, 2019 was a nine-month period.

(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.

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.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(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.

(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.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(i) Net defined benefit liability (continued)

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.

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.

(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.

(m) Derivatives and hedging activities

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

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 the assets or liabilities for which the swap contracts are executed (“Special treatment”).

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(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, 2019, and 2018 were 110,522 thousand and 98,464 thousand, respectively. The dilutive potential of shares of capital stock for the year ended March 31, 2019, and 2018 were 13,616 thousand and 25,945 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, 2019 and 2018 were ¥1,601.53 (\$14.43) and ¥1,535.84, 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 21. “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, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30, issued on March 30, 2018)

(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 year 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 published them in step with the Implementation Guidance.

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

(2) Scheduled date of adoption

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

(3) Impact of adopting revised implementation guidance

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

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(q) Change in accounting policy

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No.28, issued on February 16, 2018)

The Company adopted the above accounting standard (“ASBJ Statement No.28”) from the beginning of the fiscal year ended March 31, 2019. As such, deferred tax assets and deferred tax liabilities are included within investments and other assets and long-term liabilities, respectively, and related income tax disclosures have been expanded.

As a result, ¥8,604 million of deferred tax assets in current assets previously presented in the consolidated balance sheet as of March 31, 2018 have been reclassified and deferred tax assets in investments and other assets increased by ¥8,506 million including the impact of offsetting deferred tax assets and deferred tax liabilities recorded in the same taxable entity.

Also, additional disclosures are made in the notes to income taxes in accordance with the Note 8 (excluding the total amount of valuation allowance) and Note 9 of Interpretive Notes to Accounting standard for Tax Effect Accounting from Section 3 to Section 5. However, no disclosure is made for the previous fiscal year in accordance with the transitional provisions set forth in Article 7 of the Partial Amendments.

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, 2019, and 2018 was summarized as follows:

<i>Millions of yen</i>						
	2019			2018		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥ 881	¥ 632	¥ 249	¥ 1,279	¥ 773	¥ 506
Subtotal	¥ 881	¥ 632	¥ 249	¥ 1,279	¥ 773	¥ 506
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	¥ 812	¥ 1,141	¥ (329)	¥ 997	¥ 1,019	¥ (22)
Subtotal	¥ 812	¥ 1,141	¥ (329)	¥ 997	¥ 1,019	¥ (22)
Total (*a)	¥ 1,693	¥ 1,773	¥ (80)	¥ 2,276	¥ 1,792	¥ 484
<i>Thousands of U.S. dollars</i>						
	2019					
	Carrying value	Acquisition costs	Unrealized gain (loss)			
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	\$ 7,938	\$ 5,694	\$ 2,244			
Subtotal	\$ 7,938	\$ 5,694	\$ 2,244			
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	\$ 7,316	\$ 10,280	\$ (2,964)			
Subtotal	\$ 7,316	\$ 10,280	\$ (2,964)			
Total (*a)	\$ 15,254	\$ 15,974	\$ (720)			

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 (\$423 thousand) and ¥47 million as of March 31, 2019, and 2018, 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, 2019, and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Proceeds from sales	¥ 19	¥ 8	\$ 171
Gross realized gain	0	—	0

- (c) Losses on devaluation of investment in securities of nil and ¥0 million were recognized in the consolidated statements of income for the years ended March 31, 2019, and 2018, respectively. Moreover, losses on devaluation of investment in affiliates were nil for the years ended March 31, 2019, and 2018.

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 ¥8,853 million (\$79,764 thousand) and ¥10,750 million at March 31, 2019 and 2018, respectively, of which a certain portion of this land, in the amount of ¥2,183 million (\$19,668 thousand) and ¥2,183 million, corresponded to real estate for lease at March 31, 2019, and 2018, 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 2.2%.

Changes in asset retirement obligations during the years ended March 31, 2019, and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Balance at the beginning of the year	¥ 7,579	¥ 7,342	\$ 68,285
Liabilities incurred due to the acquisition of property and equipment	356	436	3,207
Accretion expense	97	87	874
Liabilities settled	(123)	(286)	(1,107)
Balance at the end of the year	¥ 7,909	¥ 7,579	\$ 71,259

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 ¥298 million (\$2,685 thousand) and ¥395 million for the years ended March 31, 2019, and 2018, 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 ¥1 million (\$9 thousand) and ¥275 million was recognized in impairment loss for the years ended March 31, 2019, and 2018, 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>			
2019			
Carrying Value			Fair Value
March 31, 2018	Net change	March 31, 2019	March 31, 2019
¥ 16,389	¥ (760)	¥ 15,629	¥ 14,181

<i>Millions of yen</i>			
2018			
Carrying Value			Fair Value
March 31, 2017	March 31, 2018	March 31, 2018	March 31, 2018
¥ 20,763	¥ (4,374)	¥ 16,389	¥ 13,986

<i>Thousands of U.S. dollars</i>			
2019			
Carrying Value			Fair Value
March 31, 2018	Net change	March 31, 2019	March 31, 2019
\$ 147,662	\$ (6,847)	\$ 140,815	\$ 127,768

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 ¥37 million (\$333 thousand) and decreases due to sales of ¥530 million (\$4,775 thousand) for the year ended March 31, 2019. The main component of net change in the carrying value are the increases due to acquisition of properties of ¥377 million and decreases due to sales of ¥4,102 million for the year ended March 31, 2018.
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, 2019, consisted of bank overdrafts. The annual average interest rate applicable to the short-term loans payable was 0.22% for the years ended March 31, 2019 and 2018.

Long-term debt at March 31, 2019, and 2018 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Zero coupon unsecured convertible bonds (with stock acquisition rights) due October 1, 2021	¥ 580	¥ 1,580	\$ 5,226
Zero coupon unsecured convertible bonds (with stock acquisition rights) due June 19, 2025	15,045	15,052	135,553
Unsecured loans principally from banks and insurance companies with an average interest rate of 0.32%	43,117	51,809	388,476
Long-term loans with an interest rate of 2.05%	852	967	7,676
	59,594	69,408	536,931
Less: Current portion of long-term loans payable	(2,959)	(17,056)	(26,660)
	¥ 56,635	¥ 52,352	\$ 510,271

Zero coupon unsecured convertible bonds (with stock acquisition rights) issued on October 3, 2014, are convertible at ¥883.3 (\$7.96) 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 ¥1,222.5 (\$11.01) 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 debt subsequent to March 31, 2019, were summarized as follows:

Year ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2020	¥ 2,959	\$ 26,660
2021	2,961	26,678
2022	2,263	20,389
2023	9,967	89,801
2024	10,477	94,396
2025 and thereafter	15,342	138,229
Total	¥ 43,969	\$ 396,153

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 3.06% and 3.71% at March 31, 2019, and 2018, respectively.

The aggregate annual maturities of lease obligations subsequent to March 31, 2019 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	¥ 171	\$ 1,541
2021	175	1,577
2022	179	1,612
2023	184	1,658
2024	181	1,631
2025 and thereafter	1,210	10,902
Total	¥ 2,100	\$ 18,921

The assets pledged as collateral for notes and accounts payable-trade of ¥56 million (\$505 thousand), long-term loans and the current portion of long-term loans of ¥852 million (\$7,676 thousand) and guarantee deposits from lessees included in other (long-term liabilities) of ¥553 million (\$4,982 thousand) was as follows:

	Millions of yen	Thousands of U.S. dollars
Merchandise and products	¥ 43	\$ 387
Land	874	7,875
Buildings and structures – net of accumulated depreciation	1,489	13,416
Total	¥ 2,406	\$ 21,678

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 (\$996,486 thousand), of which ¥109,600 million (\$987,476 thousand) was available as of March 31, 2019.

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, retirement benefit 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.

The changes in the retirement benefit obligation during the years ended March 31, 2019, and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Retirement benefit obligation at the beginning of the year	¥ 15,277	¥ 16,028	\$ 137,643
Service cost	379	514	3,415
Interest cost	30	31	270
Actuarial gain and loss	66	(5)	595
Decrease due to transfer to defined contribution pension plan	—	(458)	—
Retirement benefit paid	(792)	(833)	(7,136)
Retirement benefit obligation at the end of the year	¥ 14,960	¥ 15,277	\$ 134,787

The changes in plan assets at fair value during the years ended March 31, 2019, and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Plan assets at fair value at the beginning of the year	¥ 6,791	¥ 6,810	\$ 61,186
Expected return on plan assets	95	191	856
Actuarial loss	(4)	(69)	(36)
Contribution by the Company	188	188	1,694
Retirement benefit paid	(388)	(329)	(3,496)
Plan assets at fair value at the end of the year	¥ 6,682	¥ 6,791	\$ 60,204

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Retirement Benefit Plans (continued)

The balances of retirement benefit obligation and plan assets at fair value and liabilities recognized in the consolidated balance sheet at March 31, 2019, and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Funded retirement benefit obligation	¥ 8,073	¥ 8,408	\$ 72,736
Plan assets at fair value	(6,682)	(6,791)	(60,204)
	1,391	1,617	12,532
Unfunded retirement benefit obligation	6,887	6,869	62,051
Net defined benefit liability in the balance sheet	¥ 8,278	¥ 8,486	\$ 74,583

The components of retirement benefit expense for the years ended March 31, 2019, and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Service cost	¥ 379	¥ 514	\$ 3,415
Interest cost	30	31	270
Expected return on plan assets	(95)	(191)	(856)
Amortization of actuarial loss	466	566	4,199
Amortization of prior service cost	(364)	(330)	(3,280)
Retirement benefit expense	¥ 416	¥ 590	\$ 3,748
Loss resulting from transfer to defined contribution pension plan (Note 1)	¥ –	¥ 56	\$ –

(Note 1)

“Loss resulting from transfer to defined contribution pension plans” is included in “Other” of non-operating income (expenses) in the consolidated statement income.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Retirement Benefit Plans (continued)

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2019, and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Prior service cost	¥ (364)	¥ (212)	\$ (3,280)
Actuarial loss	396	546	3,568
Total	¥ 32	¥ 334	\$ 288

The amount of recycled prior service cost and actuarial loss, caused by transition from a particular portion of lump-sum payment plan to a defined contribution pension plan which occurred in the previous fiscal year, were ¥118 million and ¥44 million, respectively. Those amounts are included in the table above.

The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2019, and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Unrecognized prior service cost	¥ 503	¥ 867	\$ 4,532
Unrecognized actuarial loss	(2,137)	(2,533)	(19,254)
Total	¥ (1,634)	¥ (1,666)	\$ (14,722)

The components of plan assets, by major category, as a percentage of total plan assets as of March 31, 2019, and 2018 are as follows:

	2019	2018
Bonds	26%	23%
Stocks	13	15
General accounts	58	59
Other	3	3
Total	100%	100%

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.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Retirement Benefit Plans (continued)

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

	2019	2018
Discount rates	0.1%-0.2%	0.1%-0.2%
Expected rates of return on plan assets	1.8%	1.4%
Expected rates of salary increase	2.2%	1.0%-2.6%

Note:

In addition to the above, the Company and certain consolidated subsidiaries charged contributions of ¥2,232 million (\$20,110 thousand) and ¥2,003 million to the defined contribution pension plans to income during the years ended March 31, 2019, and 2018, respectively.

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% and 30.8% for the years ended March 31, 2019, and 2018, respectively.

The effective tax rates for the years ended March 31, 2019 and 2018 differed from the corresponding statutory tax rates for the following reasons:

	2019	2018
Statutory tax rates:	30.6%	30.8%
Expenses not deductible for income tax purposes	0.2	0.2
Inhabitants' per capita taxes	2.2	2.6
Change in valuation allowance	(0.4)	0.9
Other, net	0.5	(0.6)
Effective tax rates	33.1%	33.9%

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, 2019, and 2018 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Deferred tax assets:			
Depreciation	¥ 1,987	¥ 1,955	\$ 17,903
Provision for bonuses	1,623	1,468	14,623
Impairment loss	8,618	9,091	77,647
Net defined benefit liability	2,565	2,107	23,110
Provision for point card certificates	3,198	2,928	28,813
Provision for merchandise warranties	2,918	2,668	26,291
Unrealized loss on revaluation of land acquired by merger	1,548	1,548	13,947
Asset retirement obligations	2,458	2,346	22,146
Net operating tax loss carryforwards (Note)	317	408	2,856
Other	5,234	5,887	47,158
Total gross deferred tax assets	30,466	30,406	274,494
Valuation allowance for net operating loss carryforwards	(84)	—	(757)
Valuation allowance for deductible temporary differences	(6,415)	—	(57,798)
Total valuation allowance (Note)	(6,499)	(6,513)	(58,555)
Total deferred tax assets	23,967	23,893	215,939
Deferred tax liabilities:			
Asset retirement obligations	(664)	(675)	(5,983)
Unrealized holding gain on other securities	(72)	(151)	(649)
Other	(551)	(690)	(4,964)
Total deferred tax liabilities	(1,287)	(1,516)	(11,596)
Net deferred tax assets	¥ 22,680	¥ 22,377	\$ 204,343

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, 2019 is as follows:

Expiration schedule as of March 31, 2019	<i>Millions of yen</i>						2025 and thereafter	Total
	2020	2021	2022	2023	2024			
Net operating loss carryforwards (*1), (*2)	—	—	—	¥ 10	¥ 50	¥ 257		¥ 317
Valuation allowance	—	—	—	(6)	(44)	(34)		(84)
Deferred tax assets	—	—	—	4	6	223		233

Expiration schedule as of March 31, 2019	<i>Thousands of U.S. dollars</i>						2025 and thereafter	Total
	2020	2021	2022	2023	2024			
Net operating loss carryforwards (*1), (*2)	—	—	—	\$ 90	\$ 450	\$ 2,316		\$ 2,856
Valuation allowance	—	—	—	(54)	(396)	(307)		(757)
Deferred tax assets	—	—	—	36	54	2,009		2,099

(*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 ¥233 million (\$2,099 thousand) for net operating loss carryforwards in the amount of ¥317 million (\$2,856 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 are 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, 2019 and 2018 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>					
	2019			2018		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets:						
Cash and cash equivalents	¥ 9,036	¥ 9,036	¥ –	¥ 8,228	¥ 8,228	¥ –
Notes and accounts receivable-trade	36,339	36,339	–	34,530	34,530	–
Investment in securities, inclusive marketable securities:						
Other securities	1,693	1,693	–	2,276	2,276	–
Total assets	¥ 47,068	¥ 47,068	¥ –	¥ 45,034	¥ 45,036	¥ –
Liabilities:						
Notes and accounts payable-trade	¥ 31,140	¥ 31,140	¥ –	¥ 47,130	¥ 47,130	¥ –
Short-term loans payable	1,040	1,040	–	4,110	4,110	–
Long-term debt:						
Long-term loans (*1)	43,969	44,381	412	52,776	52,842	66
Convertible bonds (with stock acquisition rights)	15,625	16,143	518	16,632	18,743	2,111
Lease obligations (*1)	2,100	2,301	201	1,657	1,891	234
Total liabilities	¥ 93,874	¥ 95,005	¥ 1,131	¥ 122,305	¥ 124,716	¥ 2,411

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)

	<i>Thousands of U.S. dollars</i>		
	2019		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and cash equivalents	\$ 81,413	\$ 81,413	\$ –
Notes and accounts receivable-trade	327,408	327,408	–
Investment in securities, inclusive marketable securities:			
Other securities	15,254	15,254	–
Total assets	<u>\$ 424,075</u>	<u>\$ 424,075</u>	<u>\$ –</u>
Liabilities:			
Notes and accounts payable-trade	\$ 280,566	\$ 280,566	\$ –
Short-term loans payable	9,370	9,370	–
Long-term debt:			
Long-term loans (*1)	396,153	399,865	3,712
Convertible bonds (with stock acquisition rights)	140,778	145,445	4,667
Lease obligations (*1)	18,921	20,732	1,811
Total liabilities	<u>\$ 845,788</u>	<u>\$ 855,978</u>	<u>\$ 10,190</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, 2019 and 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Unlisted stocks	¥ 47	¥ 47	\$ 423
Investment in affiliates	880	992	7,929
Guarantee deposits	25,346	26,012	228,363

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, 2019 and 2018 were as follows:

<i>Millions of yen</i>				
2019				
	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	–	–	–
	<u>¥ 39,762</u>	<u>¥ –</u>	<u>¥ –</u>	<u>¥ –</u>
<i>Millions of yen</i>				
2018				
	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	¥ 3,566	¥ –	¥ –	¥ –
Notes and accounts receivable – trade	34,530	–	–	–
	<u>¥ 38,096</u>	<u>¥ –</u>	<u>¥ –</u>	<u>¥ –</u>
<i>Thousands of U.S. dollars</i>				
2019				
	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	\$ 30,841	\$ –	\$ –	\$ –
Notes and accounts receivable – trade	327,408	–	–	–
	<u>\$ 358,249</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

Cash and cash equivalents in the table above do not include cash on hand of ¥5,613 million (\$50,572 thousand) and ¥4,662 million at March 31, 2019 and 2018, 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>					
2019					
Method of hedge accounting	Transaction	Hedged item	Notional amount	Notional amount maturing in more than one year	Fair value
Special treatment for interest rate swap	Interest rate swap Receive / floating and pay / fixed	Long-term loans	¥ 6,000	¥ 6,000	(*)

<i>Millions of yen</i>					
2018					
Method of hedge accounting	Transaction	Hedged item	Notional amount	Notional amount maturing in more than one year	Fair value
Special treatment for interest rate swap	Interest rate swap Receive / floating and pay / fixed	Long-term loans	¥ 21,000	¥ 6,000	(*)

<i>Thousands of U.S. dollars</i>					
2019					
Method of hedge accounting	Transaction	Hedged item	Notional amount	Notional amount maturing in more than one year	Fair value
Special treatment for interest rate swap	Interest rate swap Receive / floating and pay / fixed	Long-term loans	\$ 54,059	\$ 54,059	(*)

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, 2019 and 2018.

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 ¥12 million (\$108 thousand) at March 31, 2019.

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, 2019 and 2018.

Movements in capital stock and treasury shares for the years ended March 31, 2019 and 2018 were summarized as follows:

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

		<i>Number of shares</i>			
		2018			
	Notes	April 1, 2017	Increase	Decrease	March 31, 2018
Capital stock		112,005,636	–	–	112,005,636
Treasury shares	(c) and (d)	14,810,857	2,258,689	15,099,041	1,970,505

- (a) The increase in treasury shares of 1,551 common shares for the year ended March 31, 2019 was due to the purchase of 1,551 fractional shares.
- (b) The decrease in treasury shares of 1,217,717 common shares for the year ended March 31, 2019 was due to the share-based compensation of 85,600 common shares to directors and officers and the exercise of stock acquisition rights of 1,132,117 common shares.
- (c) The increase in treasury shares of 2,258,689 common shares for the year ended March 31, 2018 was due to the purchase of 356,100 shares on the Tokyo Stock Exchange based on the resolution of the Board of Directors meeting held on March 8, 2017, the purchase of 1,901,200 shares on the Tokyo Stock Exchange based on the resolution of the Board of Directors meeting held on May 22, 2017, and the purchase of 1,389 fractional shares.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Shareholders' Equity (continued)

- (d) The decrease in treasury shares of 15,099,041 common shares for the year ended March 31, 2018 was due to the exercise of stock acquisition rights of 15,099,000 common shares and the sales of 41 fractional shares.

Movements in stock acquisition rights during the years ended March 31, 2019 and 2018 were summarized as follows:

	<i>Thousands of shares</i>			
	2019			
	April 1, 2018	Increase	Decrease	March 31, 2019
Stock acquisition rights attached to convertible bonds due October 1, 2021 (Notes 1, 2 and 3)	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
<i>Thousands of shares</i>				
2018				
	April 1, 2017	Increase	Decrease	March 31, 2018
Stock acquisition rights attached to convertible bonds due October 1, 2021 (Notes 1 and 2)	16,778	98	15,099	1,777
Stock acquisition rights attached to convertible bonds due June 19, 2025 (Notes 1 and 4)	12,124	70	–	12,194
	28,902	168	15,099	13,971

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.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Cost of Sales

Losses on inventory valuation included in cost of sales was ¥22 million (\$198 thousand) and ¥256 million for the years ended March 31, 2019 and 2018, respectively.

15. Impairment Loss

The Group recognized impairment loss of ¥1,082 million (\$9,749 thousand) and ¥2,088 million for the years ended March 31, 2019 and 2018, respectively, as follows:

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, Land, Tools, furniture and fixtures	Hiroshima Prefecture and other
2018		
Use	Classification	Location
Store	Buildings and structures, Tools, furniture and fixtures, Land, and other	Osaka Prefecture and other
Rental property	Land, Buildings and structures, and other	Oita Prefecture and other
Other	Land	Okayama Prefecture and other

The Group groups its property and equipment based on management control units. 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, 2019 and 2018 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, 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 (\$9,650 thousand). In addition, a loss on impairment of rental property was ¥3 million (\$27 thousand) and loss on impairment of other was ¥8 million (\$72 thousand).

For the year ended March 31, 2018, 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 ¥1,812 million. In addition, a loss on impairment of rental property was ¥271 million and loss on impairment of other was ¥5

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

million.

15. Impairment Loss (continued)

For the years ended March 31, 2019 and 2018, the principal components of loss on impairment by asset classification were buildings and structures of ¥821 million (\$7,397 thousand) and ¥1,504 million, tools, furniture and fixtures of ¥226 million (\$2,036 thousand) and ¥258 million, land of ¥3 million (\$27 thousand) and ¥302 million, and other of ¥32 million (\$289 thousand) and ¥24 million, respectively.

The recoverable amounts of asset groups are measured at the higher of their net selling value or value in use. The net selling value of significant assets is based on professional appraisals. Value in use is measured as the sum of anticipated future cash flows discounted by weighted average costs of capital of 4.07% and 4.03% for the years ended March 31, 2019 and 2018, respectively.

16. Other Comprehensive Income

Reclassification adjustments and tax effects for each component of other comprehensive income for the years ended March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Net unrealized loss on other securities:			
Amount arising during the year	¥ (564)	¥ (56)	\$ (5,082)
Reclassification adjustments	0	0	0
Before tax effect	(564)	(56)	(5,082)
Tax effect	172	17	1,550
Total	(392)	(39)	(3,532)
Remeasurements of defined benefit plans:			
Amount arising during the year	(70)	(64)	(631)
Reclassification adjustments	102	398	919
Before tax effect	32	334	288
Tax effect	(11)	(113)	(99)
Total	21	221	189
Total other comprehensive (loss) income	¥ (371)	¥ 182	\$ (3,343)

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, 2019 and 2018 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>						
	2019			2018		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	¥ 3,924	¥ 3,237	¥ 687	¥ 3,924	¥ 3,041	¥ 883
<i>Thousands of U.S. dollars</i>						
	2019					
	Acquisition cost	Accumulated depreciation	Net book value			
Buildings and structures	\$ 35,355	\$ 29,165	\$ 6,190			

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, 2019 and 2018 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Lease payments	¥ 216	¥ 216	\$ 1,946
Depreciation	196	196	1,766
Interest expense	9	11	81

Future minimum lease payments subsequent to March 31, 2019 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>
2020	¥ 209	\$ 1,883
2021 and thereafter	568	5,118
Total	<u>¥ 777</u>	<u>\$ 7,001</u>

Future minimum lease payments subsequent to March 31, 2019 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>
2020	¥ 3,457	\$ 31,147
2021 and thereafter	28,818	259,645
Total	<u>¥ 32,275</u>	<u>\$ 290,792</u>

Future minimum lease receipts subsequent to March 31, 2019 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>
2020	¥ 222	\$ 2,000
2021 and thereafter	3,152	28,399
Total	<u>¥ 3,374</u>	<u>\$ 30,399</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>
	2019	2018	2019
Increase in asset retirement obligations	¥ 453	¥ 523	\$4,081

Leased assets and lease obligations related to finance leases newly entered into during the years ended March 31, 2019 and 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Leased assets and lease obligations related to finance leases	¥ 565	—	\$5,091

The exercise of stock acquisition rights attached to convertible bonds during the years ended March 31, 2019 and 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Gain on disposal of treasury shares due to an exercise of stock acquisition rights	¥ 41	¥ 634	\$ 370
Decrease of treasury shares due to an exercise of stock acquisition rights	959	12,786	8,640
Decrease of convertible bonds with stock acquisition rights due to an exercise of acquisition rights	¥ 1,000	¥ 13,420	\$ 9,010

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, 2019 and 2018 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
SHOEI Co., Ltd.:			
Insurance expense	¥ 38	¥ 38	\$ 342
Masataka Kubo:			
Disposition of treasury stock	40	—	360
Kazutoshi Tomonori:			
Advisory fee	24	24	216

The outstanding balance of prepaid expenses related to insurance expense outlined above regarding SHOEI Co., Ltd. (“SHOEI”) amounted to ¥4 million (\$36 thousand) and ¥4 million at March 31, 2019 and 2018, respectively. There were no outstanding balances with Masataka Kubo and Kazutoshi Tomonori at March 31, 2019 and 2018, 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 (\$811 thousand) and ¥90 million at March 31, 2019 and 2018, respectively. Masataka Kubo is a President of the Company, and Kazutoshi Tomonori is an advisor of the Company at March 31, 2019 and 2018.

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, 2019 and 2018 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
SHOEI Co., Ltd.:			
Insurance expense	¥ 10	¥ 1	\$ 90

The outstanding balance of prepaid expenses related to insurance expense outlined above regarding SHOEI amounted to nil and ¥0 million at March 31, 2019 and 2018, respectively.

EDION Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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. 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, 2019 and 2018 has been omitted.

Impairment loss for all segments was recorded in the amounts of ¥1,082 million (\$9,749 thousand) and ¥2,088 million for the years ended March 31, 2019 and 2018, respectively.

Amortization of goodwill for all segments was recorded in the amounts of ¥218 million (\$1,964 thousand) and ¥102 for the years ended March 31, 2019 and 2018, respectively. Remaining balance of goodwill for all segments was recorded in the amounts of ¥715 million (\$6,442 thousand) and ¥919 million as of March 31, 2019 and 2018, 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, 2019 and 2018 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, 2019 and 2018 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, 2019 and 2018 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, 2019 and 2018 has been omitted.

21. Subsequent Events

Distribution of retained earnings of the Company

The following distribution of retained earnings at March 31, 2019 was approved at the Company’s annual general meeting of shareholders held on June 27, 2019:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Year-end cash dividends of ¥18.00 (\$0.16) per share	¥ 2,003	\$ 18,047