

COMPANY RESEARCH AND ANALYSIS REPORT

Joshin Denki Co., Ltd.

8173

Tokyo Stock Exchange Prime Market

2-Jul.-2025

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<https://www.fisco.co.jp>

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Summary

In FY3/25 profit fell short of revised forecasts, the Company aiming for operating income of ¥4.0bn in FY3/26

Joshin Denki Co., Ltd. <8173> (hereafter, also “the Company”) is one of Japan’s major large-scale home appliance retailers. The Company primarily sells home appliances, information communications equipment, entertainment products, housing equipment, and related products. Furthermore, its operations involve not only product sales, but also cover incidental businesses and the repair, delivery, and maintenance of products. Beyond sales, the Company stands out for its strengths in offering a wide range of high-quality peripheral services.

1. Overview of FY3/25 results

In the FY3/25 consolidated results, both sales and profits declined. Net sales were ¥403,259mn, a decrease of 0.1% year on year (YoY), operating income was ¥3,688mn, a decrease of 55.9%, ordinary income was ¥3,491mn, a decrease of 57.7%, and profit attributable to owners of parent was ¥3,407mn, a decrease of 30.3%. In net sales, although performance in the mobile phone, air conditioner, and reform sectors was steady, the Company failed to vitalize sales of its mainstay products such as heavy appliances and entertainment-related fields including games, resulting in a decline overall. On the profit front, the main factors influencing operating income were a ¥2.9bn decrease in gross profit, a ¥0.6bn increase in personnel costs, a ¥0.6bn increase in rent and ground rent, and a ¥0.7bn increase in logistics costs. The increase in costs was particularly notable. As the Company was unable to absorb these costs by improving sales, profits ended up declining considerably.

2. FY3/26 forecasts

For its FY3/26 consolidated results, the Company is forecasting net sales of ¥404,000mn, an increase of 0.2% YoY, operating income of ¥4,000mn, an increase of 8.5%, ordinary income of ¥4,000mn, an increase of 14.6%, and profit attributable to owners of parent of ¥2,800mn, a decrease of 17.8%. The focus will be on whether it can continue the recovery in earnings seen in 4Q FY3/25. In said quarter, the Company saw e-commerce (EC) sales grow by a considerable 30.2% compared to 4Q FY3/24 and also secured a double-figure increase in store sales. In particular, its efforts to strengthen added-value services accompanying delivery, installation, and construction, especially for heavy appliances, are considered to have been successful. In FY3/26, it plans to solidify the effects of this recovery by realizing an improvement in results over the full fiscal year. As the upward pressure on costs, particularly personnel and logistics costs, looks set to continue, the Company is taking the strategy of growing profit by leveraging its economy of scale to increase sales. Although the Company’s FY3/26 forecasts feel a little unsatisfactory, they are being positioned by the management as the minimum that must be achieved, and getting a good start in 1H will be an important focus. We will be watching the Company’s movement going forward to see if it can realize stable profit growth even against the current headwinds.

3. Progress of the Medium-term Management Plan: JT-2025 Management Plan

In May 2023, the Company announced the JT-2025 Management Plan, a three-year medium-term management plan ending in FY3/26. At present, it looks unlikely that the Company will be able to meet the numerical targets for FY3/26 due to changes in the external environment and the effects of the downturn in sales. However, the plan’s business strategies are judged to have merit from a medium- to long-term perspective, and the Company will continue to persistently pursue them to the finish. It also seems to be making steady preparations on building an execution framework for making a swift start to its next medium-term management plan, which will be formulated going forward.

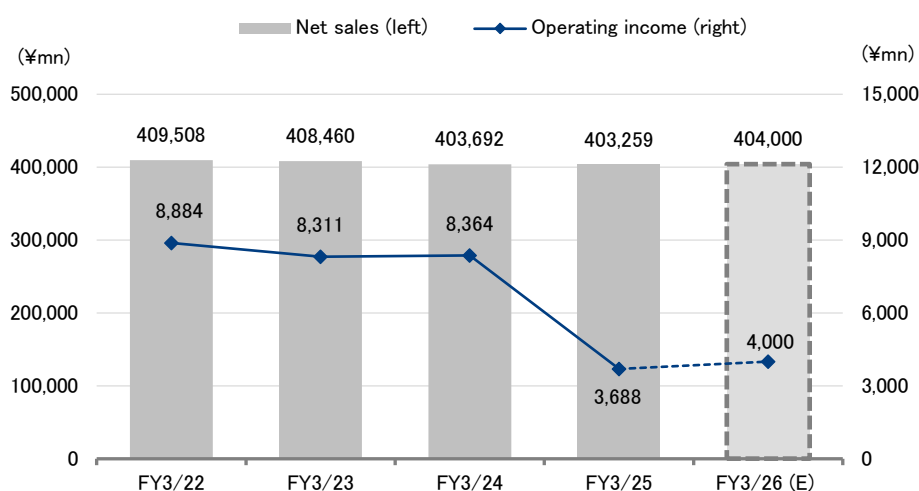
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Summary

Key Points

- FY3/25 results fell short of revised forecasts, weighed down by a slump in sales and rising costs
- Increase in sales and profit forecast in FY3/26, with the key being whether it can capture the effects of recovery
- Large-scale home appliance retailers have relatively low profit margins in the retail industry and compete fiercely with e-commerce-only businesses. The Company is working to differentiate itself by improving customer loyalty. This entails leveraging advantages such as its strengths in the after-sales service structure, rather than chasing business scale expansion. Through these efforts, the Company aims to improve medium- to long-term profitability

Result trends



Source: Prepared by FISCO from the Company's financial results

Company profile

Creating value-added propositions as a “Concierge” that supports customer lifestyles

1. Company profile

The Company is a major Japanese large-scale home appliances retailer with 218 stores as of the end of March 2025. It is well-known for its sponsorship of the Hanshin Tigers professional baseball team. Its store network comprises 208 directly operated stores, 3 franchised stores, and 7 stores operated by Group companies. (The Company acts as a franchisee of BOOKOFF and TSUTAYA, and it also operates specialty stores that rent music and video software and sell pre-owned books and related items.) The majority of its business is conducted through directly operated stores rather than franchised stores. Its operations involve not only the sale of home appliances, but also cover incidental businesses and the repair, delivery and maintenance of products. Beyond sales, the Company stands out for its strengths in offering a wide range of high-quality peripheral services.

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Company profile

Founded in Osaka in 1948, the Company has worked to build long-term trusting relationships with customers and differentiate itself from other large-scale home appliance retailers by providing sophisticated services that make the most of its regional advantages and close community ties in its hometown of Osaka, as highlighted by “Sincere Service” as its sales slogan. The Company is also notable for its innovation and has constantly sought to get the most out of cutting-edge media technologies. It was the first company in the industry to offer TV shopping in 1974, and it opened an online store in 2000.

The Company has defined its ideal form in 2030 as “A company that supports growth of local communities and contributes to the future of people and the environment.” It seeks to be a concierge to customers, drawing close to their daily lives and lifestyles. The Company aims to establish a sustainable business model in which it creates lifetime value for customers while securing profits. To do so, the Company will solve issues faced by customers through its products and services to realize value that goes beyond customers’ expectations. The excessive price competition that had previously existed in the large-scale home appliance retail industry has subsided. Meanwhile, the competition to acquire customers among retailers has grown increasingly fierce in anticipation of a medium- to long-term market contraction. This market contraction has been driven by concerns about the growth in the share of e-commerce-focused retailers, as customers shift away from real stores, the expansion of sales channels beyond electronics retailers, as well as contraction in the home appliances market due to decreases in the number of households and population in Japan. The Company has enhanced services with the goal of increasing customer touchpoints and the frequency of visits to real stores, such as the opening of eSPORTS Arena KOBE Sannomiya in February 2020. Another advantage of the Company over comparable companies is that it has a high share of sales of entertainment products, including games, models, toys, and musical instruments, as part of its non-home appliance products. Along with creating Kids Land sections in stores, it has established Super Kids Land as specialty stores: the main store in Nipponbashi, Osaka and the Osu store in Nagoya, Aichi Prefecture. Super Kids Land offers a diverse range of models such as trains and plastic figures and strives to create synergies with home appliance sales.

History

| Date | Main events |
|-----------------------|--|
| May 1948 | Joshin Denki Shokai is founded at 33 Nipponbashi-suji 4-chome, Naniwa-ku, Osaka City |
| February 1950 | Incorporated itself as Joshin Denki Sangyo |
| December 1954 | Switched its business from a home appliance parts store to a home appliances and appliance store format |
| August 1956 | Set up a service department, the first in the industry |
| April 1958 | Changed the company name to Joshin Denki Co., Ltd. |
| May 1963 | Opened Ibaraki Store in Ibaraki City of Osaka Prefecture as the first store in the satellite cities of Osaka |
| December 1964 | Opened Neyagawa Store in Neyagawa City of Osaka Prefecture as the first store of the home appliances and appliance store chain |
| September 1965 | Introduced service cars equipped with a radiotelephone |
| September 1972 | Listed its stock on the Second Section of Osaka Stock Exchange |
| November 1973 | Established a delivery department (current Joshin Service Co., Ltd.) |
| July 1974 | Pioneered an interest-free credit payment service (Rakuraku Credit) ahead of the industry |
| November 1974 | Pioneered TV shopping service ahead of the industry |
| March 1976 | Became the largest retailer in annual sales of air conditioners in Japan |
| August 1976 | Joshin Denki Labor Union is formed |
| November 1976 | Established Nipponbashi Main Store (current Super Kids Land Main Store), the Company's first large-scale store |
| October 1979 | Established Nipponbashi Ichibankan Store, a large-scale store with a multistory parking lot (current Nipponbashi Store) |
| August 1980 | Listed its stock on the First Section of the Osaka Stock Exchange |
| October 1981 | Opened a large-scale personal computer shop, J&P Technoland (current Joshin Nipponbashi Store) |
| November 1981 | Opened Mitaka Store in Mitaka City of Tokyo as the Company's first store in the Kanto region |
| April 1984 | Spun off the service department and established Joshin Service Co., Ltd. |
| December 1985 | Listed the Company's stock on the First Section of the Tokyo Stock Exchange |
| October 1986 | Opened DISC-PIER, a music software store |
| June 1988 | Opened Kids Land, a hobby shop, in Koriyama Interchange Store (current Koriyama Store) in Nara Prefecture |
| November 1988 | Opened Sannomiya Ichibankan Store, a large-scale store in Sannomiya, Kobe |
| May 1989 | Opened J&P Osu Store (current Super Kids Land Osu Store) in Nagoya City as the Company's first store in the Tokai region |

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Company profile

| Date | Main events |
|----------------|--|
| June 1989 | Issued the Joshin Membership Card mainly to improve the Company's customer management by utilizing the POS system |
| February 1990 | Reorganized Joshin Service Co., Ltd. by merging it with Joshin Logistics Co., Ltd. |
| January 1992 | Opened Yaizu Interchange Store in Yaizu City as the Company's first store in Shizuoka Prefecture |
| March 1995 | Opened the drugstore Mother-Pier |
| April 1995 | Launched the audio-visual software rental service under a franchise agreement with Culture Convenience Club Co., Ltd. |
| May 1995 | Established Joshin TEC Co., Ltd., which specializes in insurance services |
| February 1999 | Launched the Kansai Ibaraki Logistics Center as a logistics service hub |
| March 2000 | The head office building acquires a certification for ISO 14001, the international standard for environment management systems |
| May 2000 | The Company's repair service department acquires a certification for ISO 9002, the international standard (current ISO 9001) |
| October 2000 | Launched the online store "Joshin web" |
| September 2001 | Established a new company, J.E. Next Co., Ltd. |
| December 2001 | Opened BOOKOFF Shiga Minakuchi Store, the first store operated by J.E. Next Co., Ltd. |
| February 2003 | Signed a sponsorship agreement for helmets with the Hanshin Tigers |
| April 2005 | Acquired the Privacy Mark Certification for the first time among major electronics retailers |
| November 2008 | Won the METI Minister's Award (Gold Award) of the Product Safety Awards (Large Retailers Category) |
| February 2010 | The Joshin Kakogawa Store won the Energy Conservation Center, Japan (ECCJ) Chairman's Award as an excellent store to promote the spread of energy-saving products in the category of excellent store promoting energy-efficient products |
| November 2010 | Won the METI Minister's Award of the Product Safety Awards for the second straight year (Large Retailers Category) and became the first two-consecutive-year recipient |
| April 2011 | The Joshin Yamatotakada Store won the Energy Conservation Center, Japan (ECCJ) Chairman's Award as an excellent store to promote the spread of energy-saving products |
| September 2011 | Received the "Heartful Company Vocational Education Contribution Award" of Osaka Prefecture |
| April 2012 | Started the full-scale operation of the "Home Maintenance Service" business. Acquired a patent for a goods transportation training house structure for "Joshin Training House" |
| November 2012 | Won the METI Minister's Award of the Product Safety Awards for the third straight year (Large Retailers Category) and became the first three-consecutive-year recipient |
| January 2013 | Became the first official sponsor of the Hanshin Tigers |
| February 2014 | Commenced the full-scale operation of the "Wholehearted Renovation" business |
| June 2014 | Won the Gold Award, a newly created award of the Product Safety Awards organized by the Ministry of Economy, Trade and Industry of Japan |
| September 2015 | Became the first household appliance retailer to form a partnership with Rakuten, Inc. (now Rakuten Group, Inc.) regarding the common R-Point Card service of Rakuten Super Points |
| May 2016 | Signed a franchise agreement with NTT DOCOMO, INC. for the common point program "d POINT program" |
| January 2017 | Became the first major retailer in Japan to acquire a certification for ISO 22301, the international standard for business continuity management systems (BCMS) |
| February 2019 | Signed a comprehensive collaboration agreement with Osaka Prefecture in seven areas, including children/welfare, employment promotion, and the environment |
| August 2019 | Received a Dark-blue Ribbon Medal (Certificate of Merit) in recognition of its efforts for regional reconstruction support |
| February 2022 | Launched the Kansai Ibaraki Logistics Center to redevelop the logistics system in light of business continuity including the improvement of operational efficiency, such as the integration of logistics and the expansion of e-commerce business |
| April 2022 | Moved from the First Section to the Prime Market of the Tokyo Stock Exchange due to the change in the exchange's market segmentation |
| November 2022 | Opened the Nipponbashi Store, the Company's new flagship store, in Nipponbashi, the location where the Company was founded, by integrating Nipponbashi Ichibankan Store, a home appliances and appliance store; J&P, a personal computer and office appliance store; and DISC-PIER, an audio and visual software store |
| May 2023 | 75th anniversary of establishment |

Source: Prepared by FISCO from the Company's website

2. Business description, market trends, competitor analysis

The Company operates in a single business segment: retailing of home appliances and other related items, as well as other incidental businesses. The following section explores the differences between the Company's net sales by sales channel, net sales by product category, and store opening strategy and those of other major large-scale home appliance retailers.

(1) Sales channels (addressing the home appliances e-commerce market)

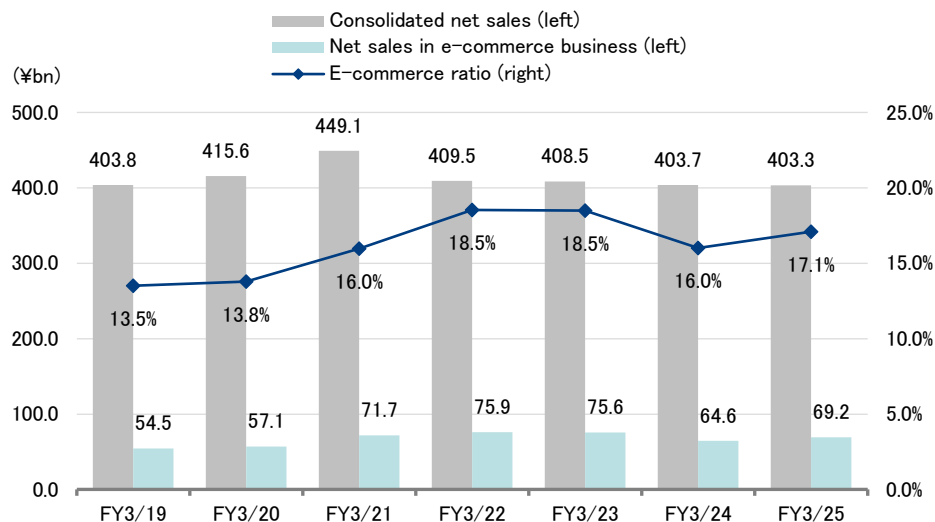
Looking at the Company's net sales composition ratios by sales channel for FY3/25, sales at stores represented 80.6% of net sales, followed by 17.1% for sales in the e-commerce business and 2.3% for other sales. The Company launched the online store "Joshin web" in October 2000 and has been actively involved in e-commerce sales from an early stage, even when compared to its competitors. In terms of the trend in the Company's sales in the e-commerce business (e-commerce ratio), the e-commerce ratio relative to net sales increased dramatically to 18.5% from FY3/22 to FY3/23, when customer visits to stores stagnated during the COVID-19 pandemic. In FY3/24, the e-commerce ratio fell modestly to 16.0% due partly to customers returning to real stores as the pandemic subsided. In FY3/25, it began rising again to 17.1% due to the company's efforts to boost sales both on its own website and through third-party platforms. The Company aims to drive medium- to long-term growth in the e-commerce business by implementing several measures. These measures include the launch of e-commerce shipments from its Tokyo Distribution Center in addition to the Kansai Ibaraki Logistics Center, increasing professional human resources such as buyers, improving after-sales services for customers, introducing a new stage program for the loyalty program, and increasing the number of items handled.

Regarding numerical targets, the Company had set a specific target of raising the e-commerce ratio to 25% in FY3/31 under its Medium-term Management Plan. However, high-value-added products are challenging to sell through e-commerce, meaning that an increase in the e-commerce ratio leads to a decrease in the gross profit ratio. Therefore, the Company has decided not to set a specific target for the e-commerce ratio. Because home appliances have a high price point per product, consumers tend to carefully consider the price by going back and forth between real stores and e-commerce. Consumers may also easily compare products using product model numbers and other standardized parameters. The Company believes that it is crucial for large-scale home appliance retailers to seek to lock-in customers by providing customer touchpoints in both real stores and e-commerce. While concentrating the most on enhancing and expanding high-value-added services in real stores, where it excels, the Company intends to expand sales that leverage the high level of convenience provided by e-commerce, and work to further integrate real stores and e-commerce in the future.

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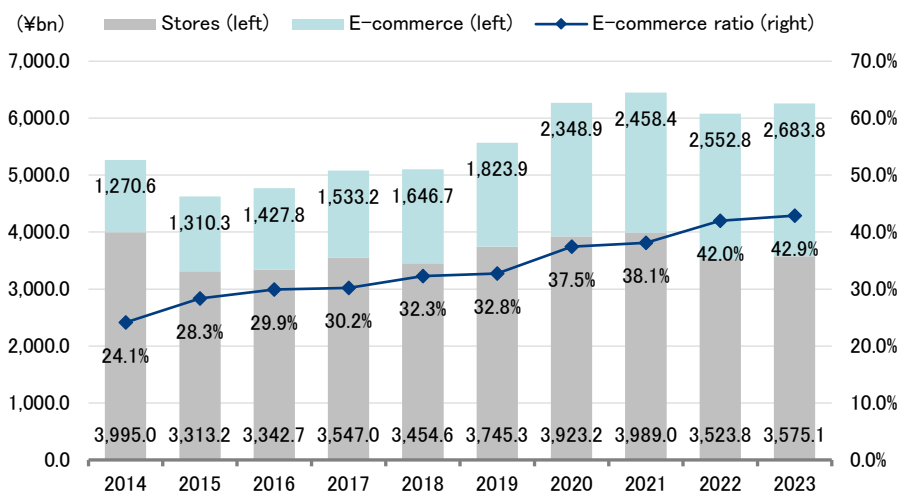
Trend in net sales and the e-commerce ratio



Source: Prepared by FISCO from the Company's financial results

Meanwhile, according to data released by the Ministry of Economy, Trade and Industry on September 25, 2024, in 2023 the e-commerce market for home appliances was worth around ¥2.7tn, with an e-commerce ratio of 42.9% (Source: FY2023 E-Commerce Market Survey, Ministry of Economy, Trade and Industry (METI)). These findings include sales channels other than large-scale home appliance retailers, making it difficult to compare them directly with the e-commerce business of large-scale home appliance retailers. It can be estimated that Amazon and other such companies are the primary drivers of growth in the e-commerce market. Furthermore, given that the e-commerce ratio for the retail industry as a whole is only 9.4%, it can be said that the usage of e-commerce has advanced very well in the home appliance industry, where the e-commerce ratio is above 40%. Furthermore, the e-commerce ratio is increasing year by year.

Trend in stores, e-commerce market scale, and e-commerce ratio in the home appliance industry



Source: Prepared by FISCO from press materials of the Ministry of Economy, Trade and Industry (METI)

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Company profile

Looking at the e-commerce initiatives of competitors in the large-scale home appliance retail industry, there are many companies with e-commerce ratios of 10% or less of net sales. This is mostly because these companies were late to enter the e-commerce business, making it difficult for them to build e-commerce sites that could beat the early entrants, and they did not devote significant resources to e-commerce because real stores were the foundation of their business. On the other hand, Yodobashi Camera Co., Ltd.'s e-commerce ratio seems to have reached nearly 40%, although precise data is unavailable due to its status as an unlisted company. This seems to have been accomplished by developing a business model in which real stores are viewed as showrooms where sales staff provide customer service such as product explanations, and users have the option of purchasing at either real stores or the official Yodobashi Camera e-commerce site, as well as by increasing the carrying of products such as food, books, and daily merchandise, to a level comparable with Amazon. The Company is one of the listed large-scale home appliance retailers putting the most effort into e-commerce. Notably, the Company's recent e-commerce ratio of 17.1% surpasses that of peers such as Bic Camera, Inc. <3048> and YAMADA HOLDINGS CO., LTD. <9831>. Meanwhile, even in recent years, home appliance retailers with lower e-commerce ratios, such as YAMADA HOLDINGS and K'S HOLDINGS CORPORATION <8282>, have not shown any clear signs of falling behind large-scale home appliance retailers with higher e-commerce ratios, such as the Company, in terms of sales growth. That is why it is important to remember that effective sales growth initiatives do not rely solely on e-commerce. It is also crucial to enhance service capabilities at real stores. FISCO believes that it will become increasingly important for large-scale home appliance retailers, including the Company, to address the needs of consumers who want to buy products after hearing product explanations from salespeople, along with having customer touchpoints in both stores and e-commerce, and striving to lock in customers. This is because the future trend of growth in the e-commerce ratio cannot be avoided as the number of e-commerce users increases following the COVID-19 pandemic, and IoT-based home appliances will become even more sophisticated and powerful as generative AI is widely adopted.

Comparison of products offered at e-commerce sites of major large-scale home appliance retailers

| | Joshin Denki | Yodobashi Camera | Bic Camera | YAMADA HOLDINGS | Kojima | K'S HOLDINGS | EDION |
|---------------------------------------|--------------|------------------|------------|-----------------|--------|--------------|-------|
| Home appliances | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Food, beverages, and alcohol | ○ | ○ | ○ | ○ | × | × | ○ |
| Baby, toys, and hobbies | ○ | ○ | ○ | ○ | ○ | × | ○ |
| PCs and tablets | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Home, kitchen and pets | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Health and beauty | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Outdoor and sports equipment | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Books | × | ○ | ○ | × | × | × | × |
| E-books | × | ○ | × | × | × | × | × |
| Audio-visual equipment | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Games | ○ | ○ | ○ | ○ | ○ | × | ○ |
| Stationery and office supplies | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Smartphones | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Cameras | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| DIY and tools | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Watches and jewelry | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Fashion and bags | ○ | ○ | ○ | × | ○ | × | ○ |
| Automotive and motorcycle accessories | ○ | ○ | ○ | ○ | × | ○ | ○ |
| Bicycles and personal mobility | ○ | ○ | ○ | ○ | ○ | × | ○ |
| Pharmaceuticals | ○ | ○ | ○ | ○ | ○ | × | ○ |
| Home equipment and remodeling | × | × | ○ | × | × | × | × |

Source: Prepared by FISCO from various companies' e-commerce sites

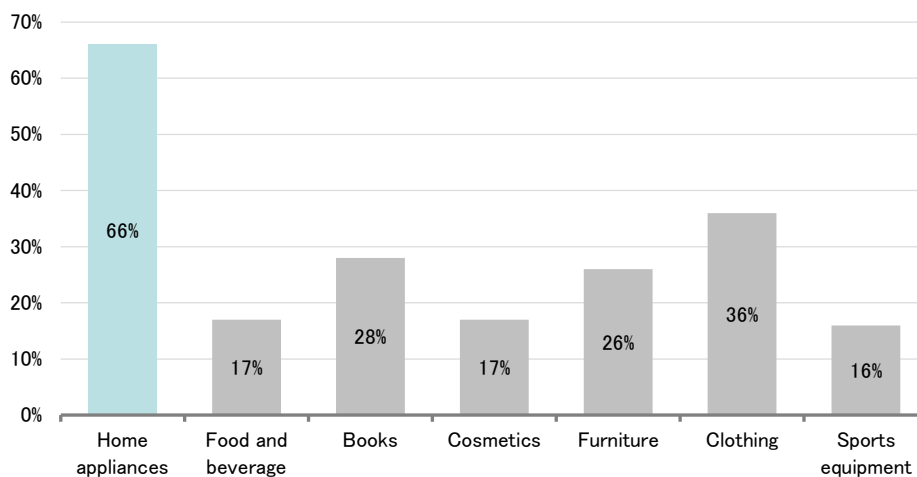
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Company profile

Meanwhile, two phenomena have emerged as a result of the development and expansion of e-commerce. The first is the “showrooming phenomenon.” Consumers receive explanations about products and so forth from salespeople at real stores, but do not buy the products on the spot. Instead, they buy the products through e-commerce sites offering lower prices. The second is known as the “webrooming phenomenon.” In contrast to showrooming, consumers first browse websites and then go to real stores. There, they confirm the products of interest, and then buy them. In particular, home appliances have a good affinity with e-commerce and consumers tend to look at the actual product before buying it. For this reason, home appliances have a higher incidence of showrooming and webrooming even when compared with other highly priced products such as furniture. Therefore, a crucial priority for management strategy is to address showrooming, in which consumers confirm products in real stores, but then end up buying them on the e-commerce sites of other companies. In this regard, in the United States, Walmart has been advancing digital technology investments, including expanding the scale of Walmart Labs, its digital arm, and Best Buy, a major large-scale consumer electronics and home appliance retailer, has worked to boost sales by, for example, utilizing dynamic pricing in e-commerce sales. It is notable that Best Buy introduced electronic shelf labeling* in 2017. Currently, almost all large-scale home appliance retailers in Japan have introduced electronic shelf labeling following the Company’s introduction of the industry’s first such system in 2018.

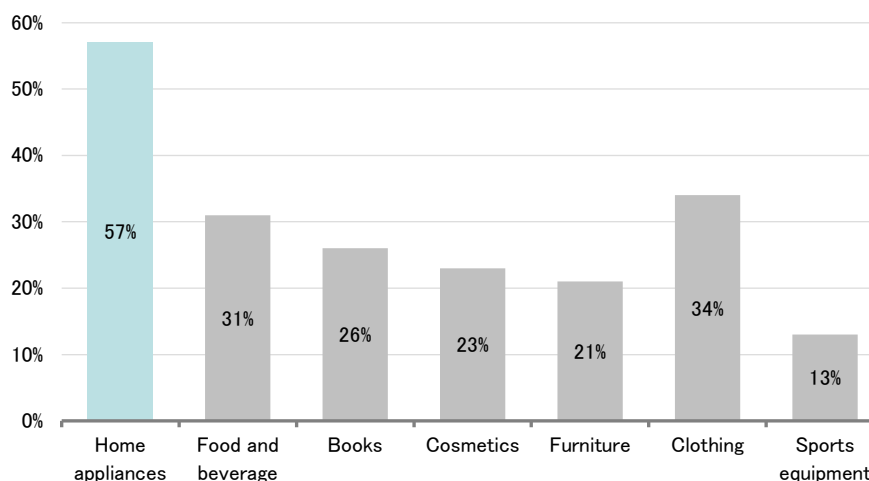
* A product that enables centralized pricing data updates from the core system and POS, as well as the display of inventory data. The traditionally time-consuming and personnel-intensive work of paper-based shelf labeling can now be managed in a unified manner.

**Product categories affected by showrooming
among online shopping mall users**



Source: Prepared by FISCO from the Japan Fair Trade Commission’s “Survey Report Regarding Transactions in B2C E-Commerce”

Company profile

**Product categories affected by webrooming
among online shopping mall users**


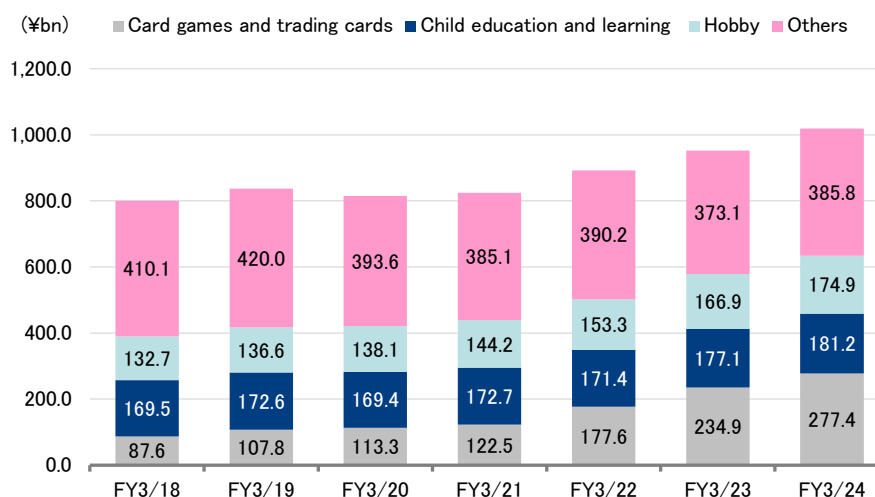
Source: Prepared by FISCO from the Japan Fair Trade Commission's "Survey Report Regarding Transactions in B2C E-Commerce"

(2) Net sales by product category

The Company's net sales composition ratios by product category for FY3/25 were as follows. Audio-visual equipment, such as TVs and audio devices, accounted for 9.4% of net sales, followed by 38.5% for home appliances, primarily white appliances such as air conditioners and refrigerators, 26.3% for information communications equipment, such as personal computers and peripherals and smartphones, and 25.8% for others. Games, models, toys, and musical instruments constituted the largest component of others. This is notable because it sets the Company apart from other large-scale home appliance retailers. It is difficult to expect substantial medium- to long-term growth in the home appliances market due to factors such as population decline. In this environment, each company is taking steps to expand beyond the specialist home appliance retail business. YAMADA HOLDINGS, the largest retailer, has expanded its business into items such as furniture and the housing market. EDION Corporation <2730> has formed a capital and business alliance with Nitori Holdings Co., Ltd. <9843>. Nitori-brand furniture and interior goods are now available at EDION stores. In contrast to these competitors, who are pursuing a business strategy with a strong affinity with the daily living field, the Company has been proactively striving to develop non-home appliance fields related to home renovation and entertainment over the medium to long term. In the entertainment field, the Company has set up a sales area for toys, game consoles and board games, rather than one for smartphones and digital home appliances, near the entrance to its flagship store in Nipponbashi, Osaka. Super Kids Land is one of Japan's largest specialty model stores, offering a comprehensive array of plastic models such as Gundam and train models, along with model cars, and has salespeople who are experts on models. Consumer recognition is also improving in the field of game consoles, as consumers can find any game they want by visiting the Company's e-commerce site. The toy market in Japan has been growing in recent years despite a decline in the population of young people. This growth reflects the rapid expansion of the game card and trading card markets. Trading cards, in addition to game consoles, have become one of the Company's staple products in the entertainment field.

Company profile

Trend in Japan's toy market

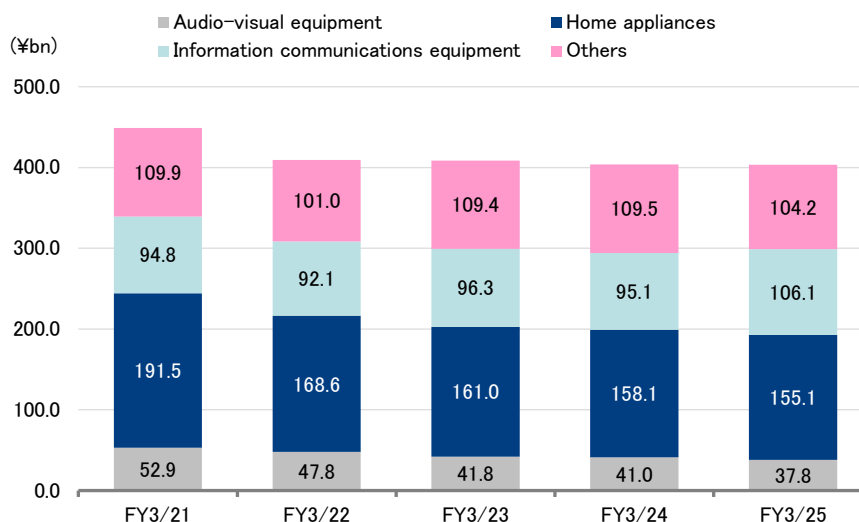


Source: Prepared by FISCO from the Japan Toy Association's "Toy Market Size Data"

FISCO believes that strengthening the handling of entertainment products and implementing decisive store management that is unrivaled by other large-scale home appliance retailers, as the Company has done at the Nipponbashi, Osaka store, is extremely important in terms of creating customer loyalty. With the traditional business model of simply purchasing and selling home appliances, it is expected that the Company will struggle to differentiate itself because it will have to compete on price with e-commerce. Against this backdrop, the Company can take steps to improve long-term customer loyalty, such as encouraging customers to visit stores by creating sales areas for not only home appliances but also entertainment products, and creating fans who visit the Company's stores regularly and request specific salespeople by holding a variety of community-related events, including experiential programs. Furthermore, the establishment of a high-quality after-sales service structure that cannot be replicated by other large-scale home appliance retailers will allow for the creation of value-added propositions as an intangible asset. However, it is currently difficult to lead consumers of entertainment products to purchase home appliances. Therefore, FISCO hopes that the Company can develop a system that can guide customers who become fans of the Company in the entertainment field to home appliance sales, as well as externally disclose targets and progress in this area as key performance indicators (KPIs).

Company profile

Trend in net sales by product category



Source: Prepared by FISCO from the Company's financial results

(3) Store opening strategy

The Company considers Kansai, Tokai, Kanto, and Hokushinetsu to be priority areas and has been pursuing a dominant strategy in these areas. This strategy does not focus on increasing the number of stores through new openings, but rather aims to create an economic zone that maximizes synergies with the e-commerce business and service infrastructure, in addition to strengthening sales capabilities at each store, including a “scrap and build” approach to existing stores. The Company is ranked seventh in the industry, with a roughly 8.5% market share in Japan and roughly 20% share in the Kansai area, where it generates most of its net sales. Going forward, the Company has room to increase its share of the Kansai market. It also intends to use its share in this region as a springboard to increase its share in other regions from a over the medium- to long-term.

Looking at the status of store openings of various companies in the past few years, companies that operate a nationwide network of stores such as K’S HOLDINGS, Bic Camera, EDION, and Nojima Corporation <7419> have continued to see a gradual increase in the number of directly operated stores. The simple sum of the store counts of the eight large-scale home appliance retailers has increased at a compound average annual growth rate of around 0.6%. Against the backdrop of sluggish growth in demand for IT equipment from office workers, who are the primary focus of businesses located near train stations in city centers, the companies have opened stores in suburbs to capture demand from families. Meanwhile, the market has seen an overabundance of store openings as retailers who were formerly located mostly along major suburban arterial roads have instead opened stores in city center locations due to a decrease in favorable sites in the suburbs. The impact of this store overcapacity has driven large-scale home appliance retailers to curtail store openings in comparison to previous years when they were vying to open stores, and to develop stores with emphasis on a “scrap and build” approach. This trend seems to be behind the gradual increase in store openings.

Company profile

Meanwhile, although most of the Company's stores are directly operated, the number of these stores has been on a declining trend since FY3/22. This is primarily because even if the Company blindly increases the number of stores, unless it can hire staff amid a declining population, customer service quality will deteriorate, making it difficult to secure returns on invested capital. Meanwhile, net sales per directly operated store at real stores (excluding e-commerce sales) have been only gradually increasing, with the exception of FY3/21 when demand for white appliances surged during the COVID-19 pandemic. This gradual growth appears to have been made possible by the Company's focus on strengthening customer service capabilities at existing stores rather than pursuing an unreasonable store opening strategy. The Company will continue to strive for a transition from volume growth through a high turnover, low-margin approach to sales growth supported by an improvement in quality in terms of profitability. This will be accomplished by continuing to implement a fan base strategy through efforts to strengthen customer loyalty.

Trend in the number of directly operated stores (excluding franchised stores) of eight large-scale home appliance retailers

(Unit: stores)

| | FY3/19 | FY3/20 | FY3/21 | FY3/22 | FY3/23 | FY3/24 | FY3/25 | CAGR |
|-----------------|--------|--------|--------|--------|--------|--------|--------|-------|
| Joshin Denki | 232 | 234 | 215 | 218 | 216 | 214 | 208 | -1.8% |
| Bic Camera | 40 | 43 | 45 | 45 | 45 | 43 | 43 | 1.2% |
| Kojima | 141 | 142 | 143 | 140 | 141 | 141 | 139 | -0.2% |
| Sofmap | 22 | 25 | 29 | 29 | 24 | 24 | 24 | 1.5% |
| Nojima | 205 | 210 | 215 | 226 | 233 | 239 | 248 | 3.2% |
| EDION | 436 | 433 | 437 | 449 | 450 | 454 | 454 | 0.7% |
| YAMADA HOLDINGS | 955 | 968 | 982 | 978 | 996 | 975 | 949 | -0.1% |
| K'S HOLDINGS | 494 | 500 | 515 | 529 | 546 | 552 | 552 | 1.9% |
| Total | 2,525 | 2,555 | 2,581 | 2,614 | 2,651 | 2,642 | 2,617 | 0.6% |

Note: Results for fiscal years ending in August were used for Bic Camera, Kojima Co., Ltd. <7513>, and Sofmap Co., Ltd.

Source: Prepared by FISCO from each company's results briefing materials and annual securities report

Results trends

FY3/25 results fell short of revised forecasts, weighed down by a slump in sales and rising costs

1. Overview of FY3/25 results

In the FY3/25 consolidated results, both sales and profits declined. Net sales were ¥403,259mn, a decrease of 0.1% YoY, operating income was ¥3,688mn, a decrease of 55.9%, ordinary income was ¥3,491mn, a decrease of 57.7%, and profit attributable to owners of parent was ¥3,407mn, a decrease of 30.3%. On October 25, 2024, the Company revised down its initial forecasts. While net sales have surpassed the revised forecast, all lines of profit have fallen short of their revised targets.

Results trends

In net sales, although performance in the mobile phone, air conditioner, and reform sectors was steady, the Company failed to vitalize sales of its mainstay products, such as heavy appliances and entertainment-related fields including video games, resulting in a decline overall. Looking at the change in net sales by product category, sales increased 28.6% YoY for mobile phones and 5.5% for air conditioners but decreased 7.4% for TVs, 9.0% for refrigerators, 3.9% for washing machines and vacuum cleaners, 4.1% for PCs, and 11.4% for games, models, toys, and musical instruments. This represents a YoY decline for many of the Company's main product categories. On the profit front, the main factors influencing operating income were a ¥2.9bn increase in gross profit, a ¥0.6bn increase in personnel costs, a ¥0.6bn increase in rent and ground rent, and a ¥0.7bn increase in logistics costs. The increase in costs was particularly notable. As the Company was unable to absorb these costs by improving sales, profits ended up declining considerably.

Outline of FY3/25 consolidated results

(¥mn)

| | FY3/24 | | FY3/25 | | |
|---|---------|------------|---------|------------|------------|
| | Result | % of sales | Result | % of sales | YoY change |
| Net sales | 403,692 | - | 403,259 | - | -0.1% |
| Cost of sales | 298,568 | 74.0% | 301,047 | 74.7% | 0.8% |
| Gross profit | 105,124 | 26.0% | 102,212 | 25.3% | -2.8% |
| SG&A expenses | 96,759 | 24.0% | 98,524 | 24.4% | 1.8% |
| Operating income | 8,364 | 2.1% | 3,688 | 0.9% | -55.9% |
| Ordinary income | 8,251 | 2.0% | 3,491 | 0.9% | -57.7% |
| Profit attributable to owners of parent | 4,891 | 1.2% | 3,407 | 0.8% | -30.3% |

Source: Prepared by FISCO from the Company's financial results

The Company has adequate financial soundness and is improving inventory liquidity

2. Financial condition and management indicators

Looking at the Company's financial condition at the end of FY3/25, total assets decreased ¥1,272mn from the end of FY3/24 to ¥231,503mn. Current assets rose ¥1,163mn, mainly due to increases in cash and cash deposits and accounts receivable – trade, but non-current assets decreased ¥2,436mn. This comprised a ¥1,934mn decrease in property, plant and equipment and a ¥1,570mn decrease investments and other assets through the sale of investment securities. Total liabilities decreased ¥1,325mn from the end of FY3/24 to ¥126,837mn. Non-current liabilities increased ¥2,692mn, mainly due to an increase in long-term borrowings, but current liabilities decreased ¥4,016mn, mainly due to a decrease in interest-bearing liabilities. Total net assets remained roughly level with the end of FY3/24, increasing ¥52mn to ¥104,665mn.

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Results trends

Looking at the main management indicators at the end of FY3/25, the Company's financial standing is still strong and its balance sheet remains sound. The equity ratio was sufficiently high at 45.2% and the current ratio was 155.4%, indicating there are no concerns about the Company's ability to service its short-term debt. Net debt, calculated by subtracting cash and cash deposits from interest-bearing liabilities, decreased ¥10,896mn from the end of FY3/24, showing management has been strengthened through equity capital and internal funds. Inventory turnover, which indicates the efficiency of inventory management, decreased 7.2 days YoY as the Company improved inventory liquidity through inventory management initiatives that make use of its Kansai Ibaraki Logistics Center and outlet stores. These efforts have been highly evaluated for improving the precision of inventory management while also raising cash flow efficiency. The Company is focusing on maintaining a sound financial base while optimizing asset efficiency and its fund procurement structure, and this management approach oriented toward enhancing medium- to long-term corporate value is reflected in its financial performance.

Consolidated balance sheets and management indicators

| | FY3/21 | FY3/22 | FY3/23 | FY3/24 | FY3/25 | YoY change |
|---|---------|---------|---------|---------|---------|------------|
| (¥mn) | | | | | | |
| Current assets | 106,807 | 107,515 | 114,560 | 124,006 | 125,169 | 1,163 |
| Cash and deposits | 8,768 | 2,360 | 2,769 | 3,891 | 7,708 | 3,817 |
| Accounts receivable – trade | 18,861 | 18,862 | 17,708 | 20,115 | 25,390 | 5,275 |
| Inventories | 71,025 | 71,689 | 76,229 | 78,369 | 70,298 | -8,071 |
| Others | 8,153 | 14,604 | 17,854 | 21,631 | 21,773 | 142 |
| Non-current assets | 103,514 | 109,902 | 108,657 | 108,769 | 106,333 | -2,436 |
| Property, plant and equipment | 72,119 | 73,300 | 75,085 | 74,902 | 72,968 | -1,934 |
| Intangible assets | 2,502 | 2,405 | 2,471 | 2,545 | 3,612 | 1,067 |
| Investments and other assets | 28,892 | 34,195 | 31,100 | 31,322 | 29,752 | -1,570 |
| Investment securities | 6,712 | 6,814 | 7,600 | 8,017 | 6,032 | -1,985 |
| Guarantee deposits | 12,688 | 13,520 | 12,810 | 12,686 | 12,600 | -86 |
| Others | 9,492 | 13,861 | 10,690 | 10,619 | 11,120 | 501 |
| Total assets | 210,321 | 217,417 | 223,218 | 232,775 | 231,503 | -1,272 |
| Current liabilities | 79,571 | 78,046 | 84,376 | 84,571 | 80,555 | -4,016 |
| Notes and accounts payable – trade | 30,950 | 28,269 | 28,152 | 24,520 | 29,227 | 4,707 |
| Interest-bearing debt | 15,836 | 21,444 | 28,356 | 30,100 | 20,952 | -9,148 |
| Contract liabilities | - | 9,194 | 9,151 | 8,946 | 9,466 | 520 |
| Others | 32,785 | 19,139 | 18,717 | 21,005 | 20,910 | -95 |
| Non-current liabilities | 31,447 | 40,729 | 38,143 | 43,590 | 46,282 | 2,692 |
| Long-term borrowings | 19,283 | 18,572 | 17,608 | 23,003 | 25,072 | 2,069 |
| Contract liabilities | - | 14,860 | 14,562 | 14,370 | 14,302 | -68 |
| Others | 12,164 | 7,297 | 5,973 | 6,217 | 6,908 | 691 |
| Total liabilities | 111,018 | 118,776 | 122,520 | 128,162 | 126,837 | -1,325 |
| Interest-bearing debt | 35,119 | 40,016 | 45,964 | 53,103 | 46,024 | -7,079 |
| Total net assets | 99,303 | 98,641 | 100,698 | 104,613 | 104,665 | 52 |
| Shareholders' equity | 97,109 | 96,662 | 98,760 | 100,677 | 100,587 | -90 |
| Accumulated other comprehensive income | 2,194 | 1,978 | 1,937 | 3,935 | 4,077 | 142 |
| Total liabilities and net assets | 210,321 | 217,417 | 223,218 | 232,775 | 231,503 | -1,272 |
| | FY3/21 | FY3/22 | FY3/23 | FY3/24 | FY3/25 | YoY change |
| Equity ratio | 47.2% | 45.4% | 45.1% | 44.9% | 45.2% | 0.3pp |
| Current ratio | 134.2% | 137.8% | 135.8% | 146.6% | 155.4% | 8.8pp |
| Net debt | 26,351 | 37,656 | 43,195 | 49,212 | 38,316 | -10,896 |
| Inventory turnover (days) | 57.7 | 63.9 | 68.1 | 70.9 | 63.6 | -7.2 |

Source: Prepared by FISCO from the Company's financial results

Results trends

Consolidated statement of cash flows

| | FY3/21 | FY3/22 | FY3/23 | FY3/24 | FY3/25 |
|--|---------|--------|--------|--------|---------|
| | (¥mn) | | | | |
| Cash flow from operating activities (a) | 25,836 | 1,442 | 7,119 | 2,278 | 16,374 |
| Depreciation | 5,330 | 5,523 | 5,572 | 5,763 | 5,825 |
| Impairment loss | 3,193 | 1,023 | 977 | 1,105 | 1,448 |
| Cash flow from investment activities (b) | -6,118 | -9,573 | -9,070 | -4,806 | -1,815 |
| Free cash flow (a) + (b) | 19,718 | -8,131 | -1,951 | -2,528 | 14,559 |
| Cash flow from financing activities | -14,433 | 1,873 | 2,360 | 3,649 | -10,741 |
| Change in cash and cash equivalents | 5,285 | -6,257 | 409 | 1,122 | 3,816 |
| Cash and cash equivalents at end of period | 8,618 | 2,360 | 2,769 | 3,891 | 7,708 |

Source: Prepared by FISCO from the Company's financial results

■ Outlook

Increase in sales and profit forecast in FY3/26, with the key being whether it can capture the effects of recovery

1. FY3/26 forecasts

For its FY3/26 consolidated results, the Company is forecasting net sales of ¥404,000mn, an increase of 0.2% YoY, operating income of ¥4,000mn, an increase of 8.5%, ordinary income of ¥4,000mn, an increase of 14.6%, and profit attributable to owners of parent of ¥2,800mn, a decrease of 17.8%.

The focus will be on whether it can continue the recovery in earnings seen in 4Q FY3/25. In said quarter, the Company saw e-commerce sales grow by a considerable 30.2% compared to 4Q FY3/24 and also secured a double-figure increase in store sales. In particular, its efforts to strengthen added-value services accompanying delivery, installation, and construction, especially for heavy appliances, are considered to have been successful. In FY3/26, it plans to solidify the effects of this recovery by realizing an improvement in results over the full fiscal year. As the upward pressure on costs, particularly personnel and logistics costs, looks set to continue, the Company is taking the strategy of growing profit by leveraging its economy of scale to increase sales.

Outlook

The Company is focusing on three main points to achieve its forecasts. The first is strengthening sales of high-value-added products. Consumer sentiment still needs time to recover as real wage growth has been sluggish, but the Company plans to grow sales of products that offer high added value, particularly heavy appliances, by enhancing customer service capabilities and actively employing IT. In the entertainment field, Nintendo Co., Ltd. <7974> is due to launch the Nintendo Switch 2 next-generation games console and the Company is expecting to capture the accompanying demand. Video game consoles provide a strong incentive for customers to visit physical stores so in addition to contributing to store visitor numbers, it might also lead to an increase in knock-on sales of game console peripherals and products in other categories. The second is further strengthening the e-commerce business. In addition to enhancing the functions of its own e-commerce site, it plans to diversify sales channels by deepening collaboration with e-commerce sites owned by other companies. This will increase contacts with consumers and raise its brand presence in the digital domain. The third is improving the inventory turnover rate by strengthening logistics structures. It is working to reduce slow-moving inventory by making inventory disposal more efficient. This will be achieved by establishing a logistics structure with two bases in the west and east through the expansion of the Kansai Ibaraki Logistics Center and the Tokyo Logistics Center and making batch shipments to outlet stores. It is aiming to raise desire to buy among consumers and improve the gross profit ratio by establishing a framework that enables the latest products to be deployed swiftly at stores to maintain a fresh feel at its sales locations.

Although the Company's FY3/26 forecasts feel a little unsatisfactory, they are being positioned by the management as the minimum that must be achieved, and getting a good start in 1H will be an important focus. Even though the climate will affect sales of some mainstay products, like air conditioners, we will be watching the Company's movement going forward to see if it can realize stable profit growth even against the current headwinds.

FY3/26 consolidated results outlook

| | FY3/25 | | FY3/26 | | |
|---|---------|------------|------------------|------------|------------|
| | Result | % of sales | Initial forecast | % of sales | YoY change |
| Net sales | 403,259 | - | 404,000 | - | 0.2% |
| Operating income | 3,688 | 0.9% | 4,000 | 1.0% | 8.5% |
| Ordinary income | 3,491 | 0.9% | 4,000 | 1.0% | 14.6% |
| Profit attributable to owners of parent | 3,407 | 0.8% | 2,800 | 0.7% | -17.8% |

Source: Prepared by FISCO from the Company's financial results

2. Outline of the Medium-term Management Plan: JT-2025 Management Plan

In May 2023, the Company announced the JT-2025 Management Plan, a three-year medium-term management plan running through the final fiscal year of FY3/26. In the JT-2025 Management Plan, the Company presents the eight year-period through FY2030 as a single package. The plan explores what should be done in the first three years to achieve the Company's ideal form in 2030.

Outlook

(1) Numerical targets

The plan's numerical targets for FY3/26 are net sales of ¥420.0bn, operating income of ¥11.0bn, an operating income ratio of 2.6%, ROE of 8.0% or more, ROA and ROIC of 5.0% or more, a payout ratio of 30% or more, and total operating cash flow over three years of ¥40.0bn to ¥45.0bn. In terms of its ideal form in FY3/31, the Company aims for an operating income ratio at the 4.0% level, ROE of 10.0% or more, and ROA and ROI of 7.0% or more, along with maintaining a payout ratio of 30.0% or more. The main thrust of the plan is to emphasize profitability and improve the operating income ratio, which has remained at slightly low levels even in comparison to competitors, without blindly pursuing growth in net sales. At present, it looks unlikely that the Company will be able to meet the numerical targets for FY3/26 due to factors including changes in the external environment and the effects of the downturn in sales. However, the plan's business strategies are judged to have merit from a medium- to long-term perspective, and the Company will continue to persistently pursue them to the finish. It also seems to be making steady preparations on building an execution framework for making a swift start to its next medium-term management plan, due to start in FY3/27, which will be formulated going forward.

(2) Basic strategy

To achieve the quantitative targets set in its Medium-term Management Plan, the Company has identified a qualitative theme of becoming a concierge that draws close to customers' daily lives and lifestyles. By solving customer challenges through the products and services it offers, the Company aims to establish a business model in which it creates lifetime value for customers while securing profits. To do so, the Company will solve issues faced by customers through its products and services to realize value that goes beyond customers' expectations. Specifically, the Company will implement its unique dominant strategy and product and services strategy beginning with the two sales channels of real stores and e-commerce, and five product categories centered on home appliances. In addition, the Company aims to create value for customers by evolving its "Sincere Service," which has been developed since its founding, into the fan base strategy. Moreover, the Company's business foundation, including infrastructure such as logistics, will support this fan base strategy and dominant strategy. Logistics, in particular, is the most important foundation for business activities. Therefore, the Company intends to upgrade and expand its logistics system even further.

a) Fan base strategy

The most important strategy in the JT-2025 Management Plan is the fan base strategy aimed at increasing fans (store visits on three or more days per year and purchase amounts of 80,000 yen or more per year) and core fans (store visits on 10 or more days per year and purchase amounts of 300,000 yen or more per year) formed by building relationships and trust with customers through maintaining and increasing the number of active members. The Company defines an active member as a customer who has purchased its products or services at least once a year. In FY3/25, there were about 4.8 million active members. Given the evolving market environment and customer needs, with Japan's home appliance market expected to gradually decrease due to population decline, the Company will practice the fan base strategy and leverage its excellent customer service — refined since its founding through "Sincere Service" — in order to achieve steady business growth over the medium to long term. Customers who become the Company's fans and core fans are highly likely to use its services over the long term. Through these relationships, the Company intends to create lifetime customer value and will implement this strategy to drive business growth 5 years, 10 years, and even further into the future. The fan base strategy is an approach that forms the foundation of management for the Company, and it will continue to implement it not only during the JT-2025 Management Plan period but also beyond.

Outlook

b) Dominant strategy

The Company's dominant strategy is positioned as a differentiation strategy that maximizes the use of the knowledge and know-how it has accumulated since its founding. This dominant strategy focuses on areas where the Company's strengths can be leveraged (such as market area, products, and services) as well as concentrates its management resources, including logistics and service infrastructure. The Company has positioned Kansai, Tokai, Kanto, and Hokushinetsu as priority areas, building a real store network, and rather than relying on new store openings, the Company has focused on improving the sales capabilities of each store, including a "scrap and build" approach to existing stores. The Company knows the market share within a 0 to 5 km radius of each store, and instead of looking at areas as a whole, the Company has subdivided market areas and focused its store openings on where future revenue growth is expected. With the addition of e-commerce, the Company believes that it can cover areas that real stores cannot reach, maximizing any synergies. By not relying on new store openings, the Company can control capital investment, personnel costs, and store operating costs. The Company's dominant strategy is different from the typical dominant strategies, which consider an entire area as a whole and focus on that specific area to increase market share through concentrated new store openings.

c) Strategies for real store and e-commerce channels

Real stores accounted for about 80.6% of net sales in FY3/25. In order to grow the Company's real stores, which primarily handle durable consumer goods, it must assign a certain number of salespeople with sales and customer service skills to each store. Rather than increasing the number of stores, the Company aims to raise the sales and profits of existing stores through quality improvements. For this reason, the Company aims to speed up efficiency investments leveraging ICT. In addition, during its long history of store operations, the Company has built up strong infrastructure for delivery, installation, and construction, and its major strengths are its customer service and making optimal proposals based on customer needs. Looking ahead, the Company aims to create new fans and core fans and expand customer lifetime value per member through the introduction of the New Loyalty Program, in which benefits are granted according to individual customer status, based on the fan base strategy. To improve customer satisfaction, the Company will continue to offer high quality service and support programs, while accelerating new services leveraging ICT, such as the introduction of touch panel product selection, online customer service, a self-checkout system, and a customer service support system. Efforts will also be made to strengthen employees' marketing/sales skills, proposal skills, and ability to serve customers by supporting their acquisition of professional certifications and enhancing the in-house education system.

Meanwhile, sales through e-commerce accounted for 17.1% of net sales in FY3/25, and the e-commerce ratio is expected to continue rising over the medium to long term. The Company's e-commerce business has a history of over 20 years. In order to meet the needs of its customers, the Company has not only offered mainstay electronics products, but has also expanded its product categories to items ranging from household goods to toys; models; entertainment products, such as games and audio-visual software; fishing gear; furniture, sports equipment, daily necessities, rice, and beverages (including alcohol). As a result, the number of product items handled as of the end of FY3/24 was about 730,000 items, an increase of about 50,000 items compared to the end of FY3/23. The Company aims to build an e-commerce site that wins the approval of customers. To this end, the Company intends to create customer value through such means as listing carefully selected items and developing attractive original products rather than focusing excessively on just increasing the number of items. The Company is striving to realize customer service that supports the lives of customers in the realm of e-commerce too. For this, the Company is transitioning to the fan base strategy in e-commerce through several initiatives. These initiatives include adding to its support services, such as setting up and giving instructions for the products that customers have purchased, strengthening telephone and email support with experienced staff from its real stores, and by publishing reports that employees have compiled through personally using its products.

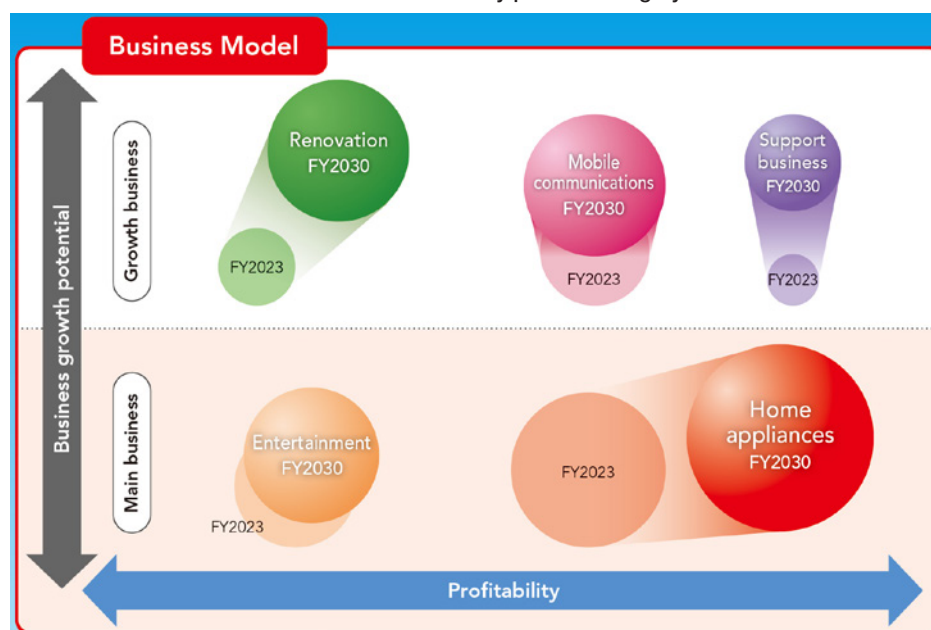
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Outlook

d) Strategy for five categories

The Company provides value to customers in five categories: 1) home appliances, its main business; 2) entertainment, including models, toys, video games, video, and music software, which have high market shares and contribute to improving the value of the Company's brand thanks to strong support from hobbyists; 3) renovation, including the energy business, anticipated as the third pillar for future growth after entertainment; 4) mobile communications, which is focused on the sale of mobile devices, for which demand is growing sustainably; and 5) the support business, which includes digital support, air conditioner cleaning and house cleaning, home maintenance, reuse, and rentals. The Company is working to strengthen renovation, mobile communications, and the support business — positioned as growth business segments — to reach its ideal form in 2030, while securing the business scale of its main businesses: home appliances and entertainment. In the support business, the Company will develop subscription-based services such as product rentals, air conditioner cleaning, regular deliveries of consumable goods, installation, setup, and maintenance. Through these it will provide services not achievable with conventional product lines, from product ownership to use, maintenance, and installation. In renovation, the Company plans to expand sales of V2H ("V2H" stands for Vehicle to Home, referring to devices that enable power stored in EV and PHEV batteries to be used in the home), which it began handling anew from FY3/24, along with stationary storage batteries for the home, positioning these as priority products.

Ideal form in FY2030 by product category



Source: The Company's Integrated Report

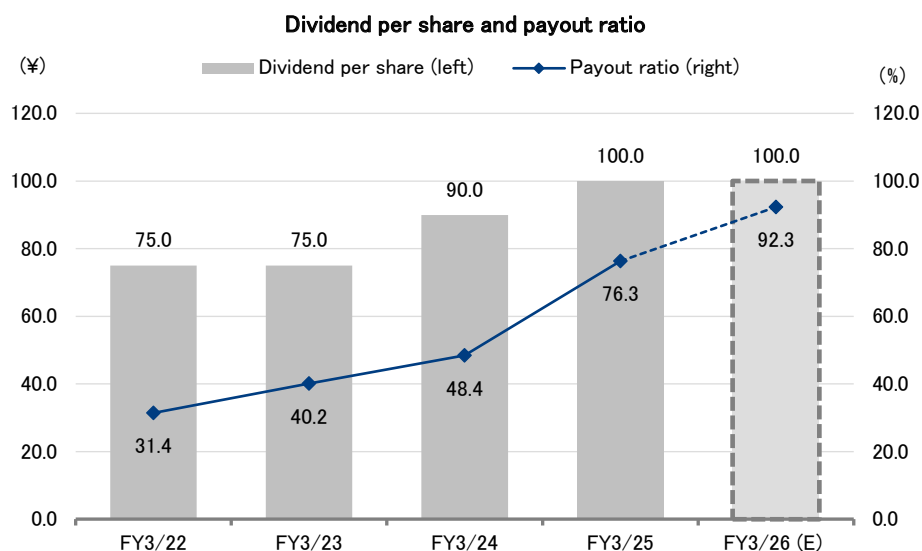
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Shareholder return policy

Plans to maintain dividend at ¥100.0 in FY3/26 and enhancement of shareholder benefits announced

The Company positions returning profits to shareholders as a key management priority. Its basic policy is to provide stable and continuous shareholder returns taking into consideration the level of internal reserves and operating conditions, while enhancing its profitability and developing its business foundation. Under this policy, the Company also set out in its Medium-term Management Plan to provide stable and sustained shareholder returns with a payout ratio target of 30% or more. However, it switched to a new policy from FY3/24 of targeting a payout ratio of 40% or more to bolster its position on shareholder returns. The annual dividend for FY3/25 was ¥100.0, and the payout ratio was 76.3%. The Company plans to maintain the dividend at ¥100.0 in FY3/26, and the anticipated payout ratio is 92.3%.

The Company has also introduced a shareholder benefits program. Every year at the end of March and September, shareholders are awarded shopping vouchers worth ¥200 each (one voucher redeemable for each ¥2,000 on purchases of at least ¥2,000 (tax included)) based on a prescribed number of shares and whether shares have been held for two years or more. On May 9, 2025, the Company announced changes to the details of this shareholder benefits program. Shareholders must now hold 100 shares or more to be eligible for the program, and the number of vouchers issued at the end of September has been increased from 25 to 50. For example, a shareholder that held 100 shares (one share unit) for a whole year would be eligible to receive 61 vouchers (worth ¥12,200).



Source: Prepared by FISCO from the Company's financial results

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Shareholder return policy

Outline of shareholder benefit voucher (¥200 voucher)

| Number of shares held | Continuous holding period | Benefits as of the End of March | Benefits as of the End of September | Annual benefits |
|-----------------------|---------------------------|---------------------------------|-------------------------------------|-----------------|
| 100 or more | Same for all shareholders | 11 vouchers | 50 vouchers | 61 vouchers |
| 500 or more | Less than 2 years | 60 vouchers | 50 vouchers | 110 vouchers |
| | 2 years or more | 90 vouchers | 50 vouchers | 140 vouchers |
| 2,500 or more | Less than 2 years | 120 vouchers | 50 vouchers | 170 vouchers |
| | 2 years or more | 180 vouchers | 50 vouchers | 230 vouchers |
| 5,000 or more | Less than 2 years | 180 vouchers | 50 vouchers | 230 vouchers |
| | 2 years or more | 270 vouchers | 50 vouchers | 320 vouchers |

* Vouchers can also be used on Joshin web

Source: Prepared by FISCO from the Company's website

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