COMPANY RESEARCH AND ANALYSIS REPORT

Joshin Denki Co., Ltd.

8173

Tokyo Stock Exchange Prime Market

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Contents

Summary

Results for 1H FY3/26 settled at figures that exceeded Company's forecasts. Announced the new Medium-term Management Plan: JT-2028 Management Plan

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 1H FY3/26 results

In the 1H FY3/26 consolidated results, net sales were ¥210,452mn, an increase of 9.6% year on year (YoY), operating income was ¥2,138mn, an increase of 16.3%, ordinary income was ¥2,004mn, an increase of 12.8%, and profit attributable to owners of parent was ¥1,894mn, a decrease of 13.7%. Compared to the initial forecast (net sales: ¥196,000mn, operating income: ¥2,000mn), net sales and operating income ended 7.4% and 6.9% higher, respectively. In net sales, in addition to strong performance in personal computers (PCs), mobile phones, and games/toys, home appliances, which had been sluggish recently, also had a strong showing, particularly air conditioners. Looking at the change in sales by product category, PCs increased 43.6% due to replacement demand arising from the end of support for Windows 10, mobile phones increased 23.2% due to steady growth in sales volume, and games, models, toys, and musical instruments expanded 22.4% due to strong sales of game consoles and related products following the launch of Nintendo Switch 2. On the profit front, although costs such as personnel and logistics costs increased, these were offset by the effect of higher net sales.

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 Company is maintaining its initial forecast. In the 1H result, net sales and operating income exceeded the initial forecast by 7.4% and 6.9%, respectively. The 1H progress rate relative to the Company's full-year net sales plan was 52.1%. Given the Company's sales structure, which is weighted toward 2H, this is a favorable level, and achievement of the full-year plan is within reach. The categories such as PCs, mobile phones, and games/toys are expected to continue contributing to higher net sales as growth drivers. For home appliances, which had been sluggish, the focus will be on whether the recovery trend seen in 1H will continue under the Company's strategies to expand sales, including the capture of seasonal demand, despite the lingering impact of restrained purchasing against the backdrop of inflation. On the cost front, in addition to the risk factors of rising personnel and logistics costs and so forth putting pressure on profits, in 1H, the effects of discounts and other factors associated with sales promotion measures, including the championship sale for the Hanshin Tigers for which the Company serves as an official sponsor, pushed down the gross profit margin. On the other hand, in 2H, the Company is expected to curb excessive discounts and work towards ensuring an appropriate gross profit margin. If the Company can absorb the rise in costs through higher sales, meeting its full-year operating income plan is considered entirely possible.

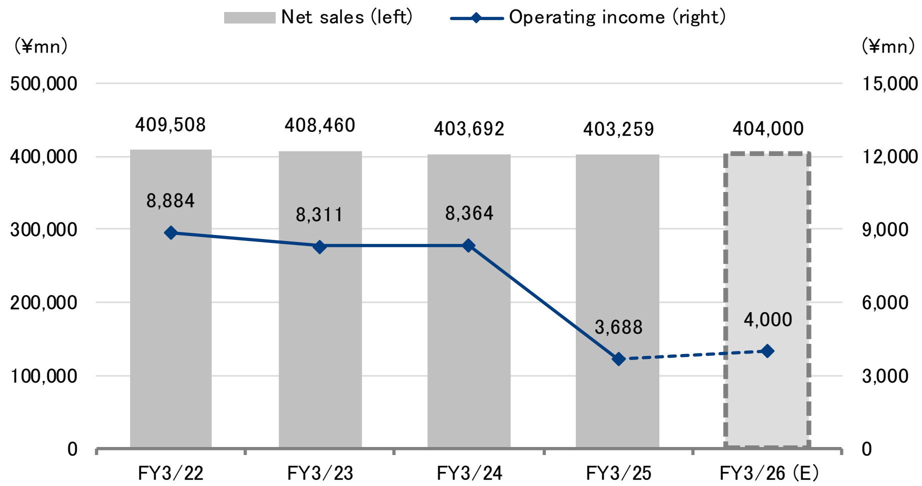
3. New Medium-term Management Plan: JT-2028 Management Plan

The Company formulated the JT-2028 Management Plan, a new medium-term management plan ending in FY3/29, under which it aims for sustainable growth as it approaches its 100th anniversary and enhanced corporate value. Its policy is to position intangible assets as the core of its value creation efforts and deepen customer touchpoints through a new model that combines mass retailers with local electronics stores. The Company prioritizes profitability over sales growth, targeting operating income of ¥10.0bn or higher and ROE of 7.0% or higher. Its strategy is three-fold: (1) improvement of store quality, (2) strengthening of private brands (PB), and (3) data-driven marketing. It will endeavor to improve LTV through expanding the ratio of sales through its own website and deepening its dominant strategy. Under its capital policy, the Company has espoused inventory optimization and the prioritization of growth investment, and has also clarified its shareholder return policy. Overall, the JT-2028 Management Plan indicates a shift from defensive management to an offensive approach and rebuilding, and it is expected that the Company's execution ability will determine the plan's success or failure.

Key Points

- Both net sales and profits for 1H FY3/26 settled at figures that exceeded Company's forecasts. While there was an increase in costs, it was offset by the effect of higher net sales
- The Company announced a new three-year medium-term management plan starting in FY3/27 under which it aims to achieve operating income of ¥10.0bn or higher and ROE of 7.0% or higher by rebuilding earning power

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 220 stores as of the end of September 2025. It is well-known for being an official sponsor of the Hanshin Tigers professional baseball team. Its store network comprises 210 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.

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 growth in the share of e-commerce-focused retailers as customers shift away from real stores, the expansion of sales channels beyond electronics retailers, and concerns over contraction in the home appliance 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 Negayawa 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
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

Date	Main events
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
June 2025	Transitioned from a company with a board of auditors to a company with an audit and supervisory committee

Source: Prepared by FISCO from the Company's website

2. Business description, market trends, competitor analysis

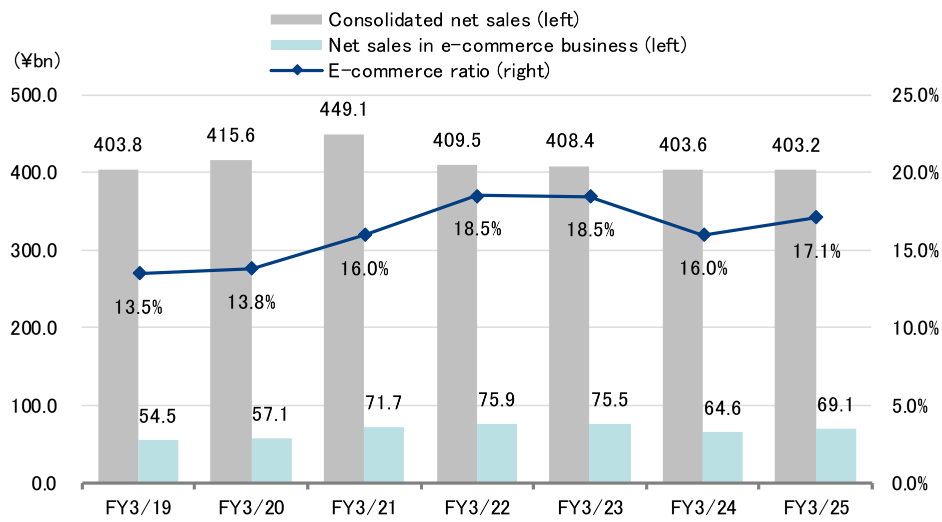
The Company operates in a single business segment: retailing of home appliances and other related items, as well as other incidental businesses. The following section explores the differences between the Company's net sales by sales channel, net sales by product category, and store opening strategy and 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 1H FY3/26, sales at stores represented 82.0% of net sales, followed by 17.2% for sales in the e-commerce business and 0.8% 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 talent 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 previous 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.

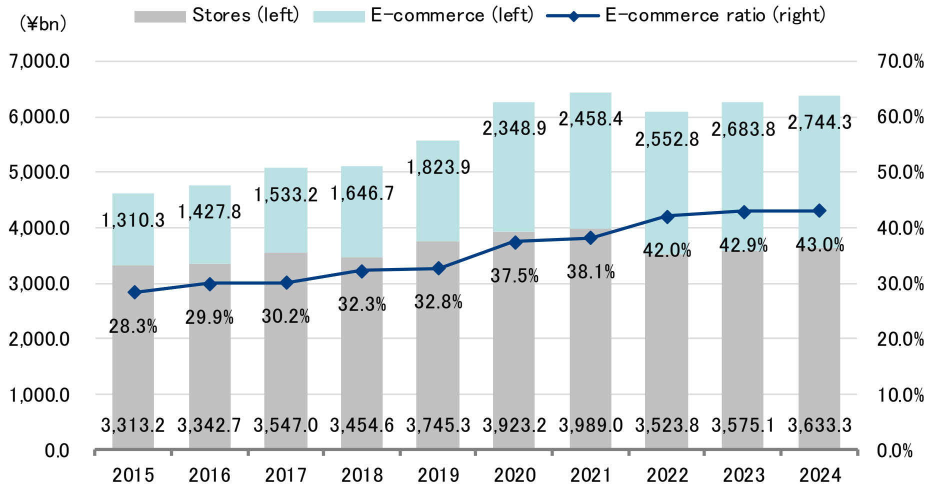
Trend in net sales and the e-commerce ratio



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

Meanwhile, according to data released by the Ministry of Economy, Trade and Industry on August 26, 2025, in 2024, the e-commerce market for home appliances was worth around ¥2.7tn, with an e-commerce ratio of 43.0% (Source: FY2024 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 9.8%, 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)

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 17.2% 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

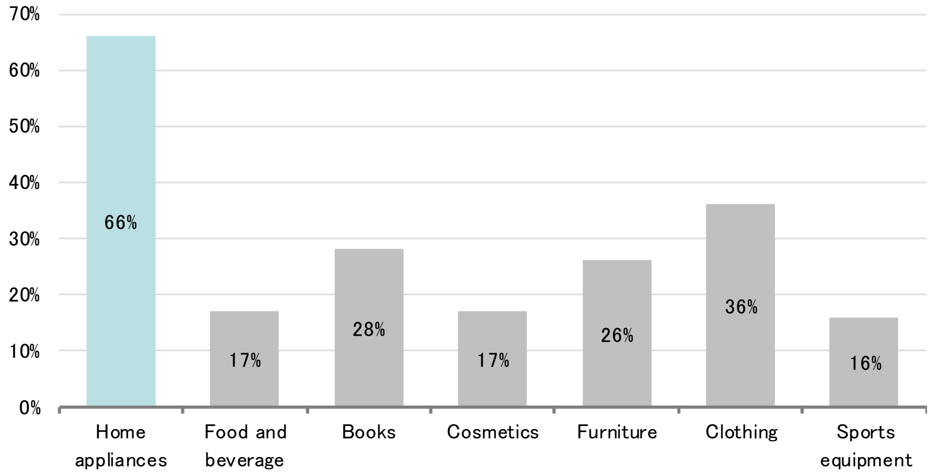
	Joshin Denki	Yodobashi Camera	Bic Camera	YAMADA HOLDINGS	Kojima	K'S HOLDINGS	EDION
Home appliances	○	○	○	○	○	○	○
Food, beverages, and alcohol	○	○	○	○	×	×	○
Baby, toys, and hobbies	○	○	○	○	○	×	○
PCs and tablets	○	○	○	○	○	○	○
Home, kitchen and pets	○	○	○	○	○	○	○
Health and beauty	○	○	○	○	○	○	○
Outdoor 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

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 Global Tech, 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.

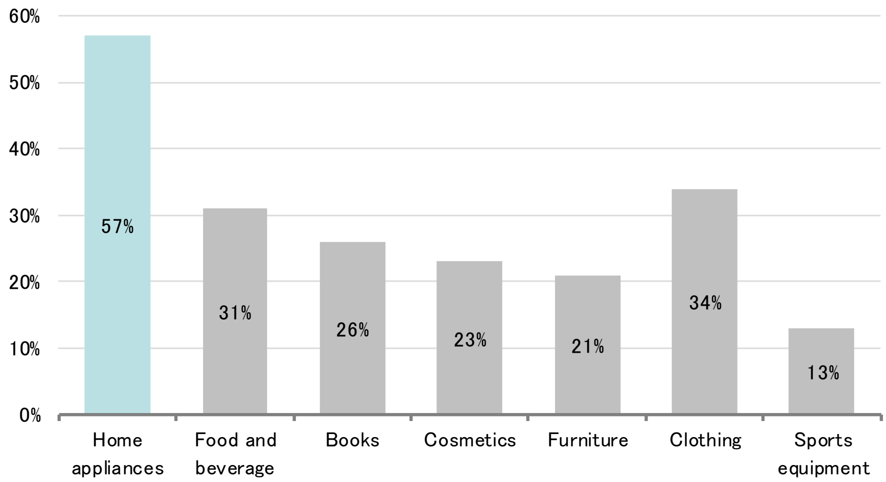
* A product that enables centralized pricing data updates from the core system and POS, as well as the display of inventory data. The traditionally time-consuming and personnel-intensive work of paper-based shelf labeling can now be managed in a unified manner.

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"

Product categories affected by webrooming among online shopping mall users

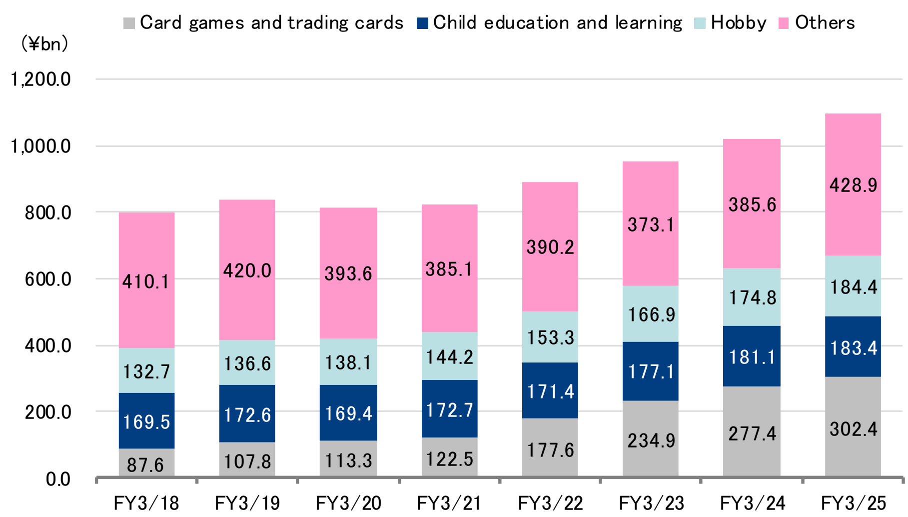


Source: Prepared by FISCO from the Japan Fair Trade Commission's "Survey Report Regarding Transactions in B2C E-Commerce"

(2) Net sales by product category

The Company's net sales composition ratios by product category for 1H FY3/26 were as follows. Audio-visual equipment, such as TVs and audio devices, accounted for 8.4% of net sales, followed by 40.7% for home appliances, primarily white appliances such as air conditioners and refrigerators, 25.4% for information communications equipment, such as personal computers and peripherals and smartphones, and 25.5% 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.

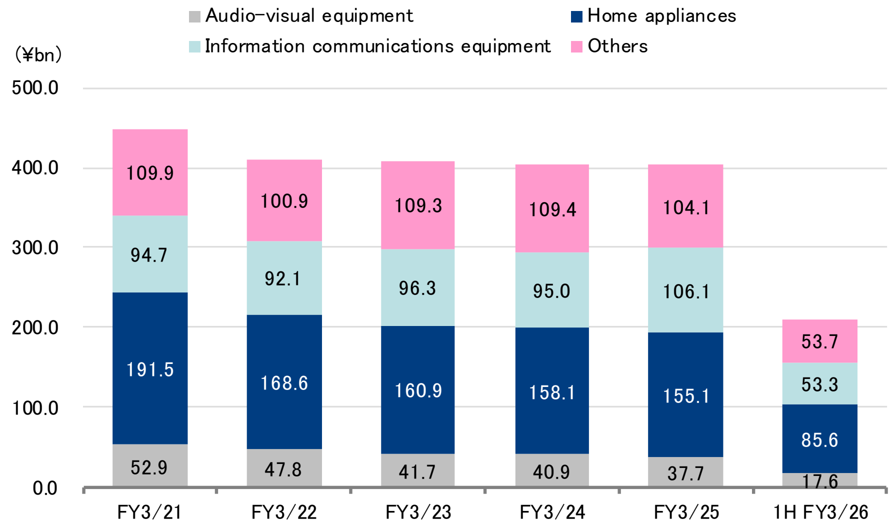
Trend in Japan's toy market



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).

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 7.9% 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 over the medium- to long-term.

The simple total number of stores for the eight large-scale home appliance retailers at the end of 1H FY3/26 turned to a decline from the end of FY3/25. 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, those businesses have opened stores in suburbs to capture demand from families. Meanwhile, the market has seen an overabundance of store openings as businesses 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.

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.

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	1H FY3/26
Joshin Denki	232	234	215	218	216	214	208	210
Bic Camera	40	43	45	45	45	43	43	42
Kojima	141	142	143	140	141	141	139	139
Sofmap	22	25	29	29	24	24	24	21
Nojima	205	210	215	226	233	239	248	252
EDION	436	433	437	449	450	454	454	454
YAMADA HOLDINGS	955	968	982	978	996	975	949	946
K’S HOLDINGS	494	500	515	529	546	552	552	557
Total	2,525	2,555	2,581	2,614	2,651	2,642	2,617	2,616

Note: Data for February was used for Bic Camera, that for August was used for Kojima Co., Ltd. <7513>, that for September was used for Sofmap Co., Ltd., and that for November was used for Nojima Corporation <7419>.
Source: Prepared by FISCO from each company’s results briefing materials and website

Results trends

Both net sales and profits settled at figures that exceeded Company's forecasts. While there was an increase in costs, it was offset by the effect of higher net sales

1. Overview of 1H FY3/26 results

In the 1H FY3/26 consolidated results, net sales were ¥210,452mn, an increase of 9.6% YoY, operating income was ¥2,138mn, an increase of 16.3%, ordinary income was ¥2,004mn, an increase of 12.8%, and profit attributable to owners of parent was ¥1,894mn, a decrease of 13.7%. Compared to the initial forecast (net sales: ¥196,000mn, operating income: ¥2,000mn), net sales and operating income ended 7.4% and 6.9% higher, respectively.

In net sales, in-store sales increased 9.3% YoY and e-commerce sales rose 22.2%, both demonstrating growth. In addition to strong performance in PCs, mobile phones, and games/toys, home appliances, which had been sluggish recently, also had a strong showing, particularly air conditioners. Looking at the change in sales by product category, PCs increased 43.6% due to replacement demand arising from the end of support for Windows 10, mobile phones increased 23.2% due to steady growth in sales volume, and games, models, toys, and musical instruments expanded 22.4% due to strong sales of game consoles and related products following the launch of Nintendo Switch 2.

On the profit front, the main factors influencing operating income included a ¥1.6bn increase in gross profit, a ¥0.3bn increase in personnel costs, a ¥0.1bn increase in rent and ground rent, a ¥0.3bn increase in logistics costs, and a ¥0.1bn increase in advertising expenses. Despite the increase in costs, it was offset by the effect of higher net sales.

Outline of 1H FY3/26 consolidated results

(¥mn)

	1H FY3/25		1H FY3/26			
	Result	% of sales	Initial forecast	Result	% of sales	YoY change
Net sales	191,986	-	196,000	210,452	-	9.6%
Cost of sales	141,134	73.5%	-	157,937	75.0%	11.9%
Gross profit	50,852	26.5%	52,000	52,515	25.0%	3.3%
SG&A expenses	49,013	25.5%	50,000	50,376	23.9%	2.8%
Operating income	1,838	1.0%	2,000	2,138	1.0%	16.3%
Ordinary income	1,777	0.9%	2,000	2,004	1.0%	12.8%
Profit attributable to owners of parent	2,196	1.1%	1,600	1,894	0.9%	-13.7%

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

The Company is evaluated as having adequate financial soundness, and is steadily improving inventory liquidity

2. Financial condition and management indicators

Looking at the Company's financial condition for 1H FY3/26, total assets decreased ¥1,839mn from the end of FY3/25 to ¥229,664mn. Total current assets decreased ¥2,430mn, mainly due to decreases in cash and cash deposits and accounts receivable – trade. Total non-current assets rose ¥592mn due to increases in property, plant and equipment and intangible assets. Total liabilities decreased ¥1,344mn from the end of FY3/25 to ¥125,493mn. Total current liabilities decreased ¥1,411mn, mainly due to a decrease in interest-bearing liabilities. Total non-current liabilities decreased ¥66mn to remain roughly level with the end of FY3/25. Total net assets decreased ¥494mn from the end of FY3/25 to ¥104,171mn, mainly due to dividends paid.

Looking at the main management indicators for 1H FY3/26, the Company's financial standing is still strong and its balance sheet remains sound. In addition to the equity ratio being at a satisfactory level of 45.4%, net debt, calculated by subtracting cash and cash deposits from interest-bearing liabilities, decreased ¥4,705mn from the end of FY3/25, showing improvement in debt repayment ability. Additionally, inventory turnover, which indicates the efficiency of inventory management, decreased 0.6 days from the end of FY3/25 as the Company continued to improve 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

(¥mn)

	FY3/23	FY3/24	FY3/25	1H FY3/26	Change
Current assets	114,560	124,006	125,169	122,739	-2,430
Cash and deposits	2,769	3,891	7,708	4,481	-3,227
Accounts receivable – trade	17,708	20,115	25,390	22,491	-2,899
Inventories	76,229	78,224	70,141	72,573	2,432
Others	17,854	21,776	21,930	23,194	1,264
Non-current assets	108,657	108,769	106,333	106,925	592
Property, plant and equipment	75,085	74,902	72,968	73,081	113
Intangible assets	2,471	2,545	3,612	4,013	401
Investments and other assets	31,100	31,322	29,752	29,830	78
Investment securities	7,600	8,017	6,032	-	-
Guarantee deposits	12,810	12,686	12,600	12,807	207
Others	10,690	10,619	11,120	17,023	5,903
Total assets	223,218	232,775	231,503	229,664	-1,839
Current liabilities	84,376	84,571	80,555	79,144	-1,411
Notes and accounts payable – trade	28,152	24,520	29,227	34,611	5,384
Interest-bearing debt	28,356	30,100	20,952	14,100	-6,852
Contract liabilities	9,151	8,946	9,466	-	-
Others	18,717	21,005	20,910	30,433	57
Non-current liabilities	38,143	43,590	46,282	46,348	66
Long-term borrowings	17,608	23,003	25,072	23,992	-1,080
Contract liabilities	14,562	14,370	14,302	-	-
Others	5,973	6,217	6,908	22,356	1,146
Total liabilities	122,520	128,162	126,837	125,493	-1,344
Interest-bearing debt	45,964	53,103	46,024	38,093	-7,932
Total net assets	100,698	104,613	104,665	104,171	-494
Shareholders' equity	98,760	100,677	100,587	99,912	-675
Accumulated other comprehensive income	1,937	3,935	4,077	4,258	181
Total liabilities and net assets	223,218	232,775	231,503	229,664	-1,839
Equity ratio	45.1%	44.9%	45.2%	45.4%	0.2pp
Current ratio	135.8%	146.6%	155.4%	155.1%	0.3pp
Net debt	43,195	49,212	38,316	33,611	-4,705
Inventory turnover (days)	68.1	70.9	63.6	62.9	0.6pp

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

Consolidated statement of cash flows

(¥mn)

	FY3/22	FY3/23	FY3/24	FY3/25	1H FY3/26
Cash flow from operating activities (a)	1,442	7,119	2,278	16,374	9,475
Depreciation	5,523	5,572	5,763	5,825	2,846
Cash flow from investment activities (b)	-9,573	-9,070	-4,806	-1,815	-1,771
Free cash flow (a) + (b)	-8,131	-1,951	-2,528	14,559	7,704
Cash flow from financing activities	1,873	2,360	3,649	-10,741	-10,930
Change in cash and cash equivalents	-6,257	409	1,122	3,816	-3,226
Cash and cash equivalents at end of period	2,360	2,769	3,891	7,708	4,481

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

Outlook

Announced a new three-year Medium-term Management Plan starting in FY3/27. Aims to achieve operating income of ¥10.0bn or higher and ROE of 7.0% or higher

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 Company is maintaining its initial forecast.

In the 1H result, net sales and operating income exceeded the initial forecast by 7.4% and 6.9%, respectively. The 1H progress rate relative to the Company's full-year net sales plan was 52.1%. Given the Company's sales structure, which is weighted toward 2H, this is a favorable level, and achievement of the full-year plan is within reach. The categories such as PCs, mobile phones, and games/toys are expected to continue contributing to higher net sales as growth drivers. For home appliances, which had been sluggish, the focus will be on whether the recovery trend seen in 1H will continue under the Company's strategies to expand sales, including the capture of seasonal demand, despite the lingering impact of restrained purchasing against the backdrop of inflation.

On the cost front, in addition to the risk factors of rising personnel and logistics costs and so forth putting pressure on profits, in 1H, the effects of discounts and other factors associated with sales promotion measures, including the championship sale for the Hanshin Tigers for which the Company serves as an official sponsor, pushed down the gross profit margin. On the other hand, in 2H, the Company is expected to curb excessive discounts and work towards ensuring an appropriate gross profit margin. If the Company can absorb the rise in costs through higher sales, meeting its full-year operating income plan is considered entirely possible.

FY3/26 consolidated results outlook

(¥mn)

	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 new Medium-term Management Plan: JT-2028 Management Plan

In the financial results briefing for 1H FY3/26, the Company formulated the JT-2028 Management Plan, a three-year medium-term management plan ending in FY3/29. The Company aims to achieve sustainable growth as it approaches its 100th anniversary and steadily enhance its corporate value. The medium-term management plan is not merely a measure to improve business performance, but is centered on "evolution and transformation" based on structural changes in the home appliance retail industry. Its aim is to build a new growth foundation that does not rely on the existing home appliance retail model.

(1) View of President Tetsuya Takahashi on the medium-term management plan

Company President Tetsuya Takahashi has positioned the JT-2028 Management Plan as an important milestone toward the Company's 100th anniversary, and stated that intangible assets such as human capital, organization, and customers are the true source of future value creation. He has positioned the strategic strengthening and deepening of these intangible assets, as well as the realization of sustainable growth, as the core themes of the medium-term management plan.

If the Japanese concept of "Shu Ha Ri" is applied to the Company's journey, "Shu" is its founding spirit and origin in the home appliance business, "Ha" is its evolution into a new home appliance business format, and "Ri" is taking on challenges in new domains based on the home appliance business. The current medium-term management plan is positioned as a phase to lay the groundwork for the future "Ri" stage upon the Company's transition from "Shu" to "Ha," The image of "Ha" envisioned by President Takahashi is a so-called local electronics store that is also a mass retailer. The Company aims to provide comprehensive value rooted in local community living by fusing the product lineups and scale advantage of a mass retailer with the meticulous customer service and after-sales support capabilities of local electronics stores. The purpose in doing so is to create a new model that combines mass retailers with local electronics stores, thereby deepening connections with customers. The Company has also announced a policy to review the balance between tangible and intangible assets to promote more efficient and streamlined operations. The intention behind this is not to simply cut costs, but rather to conduct a rebuilding for redirecting capital toward growth investments. This could be called a reflection of the Company's intention to shift its management focus from efficiency to value creation.

(2) Numerical targets

The Company has set two numerical targets for earnings: operating income of ¥10.0bn or higher and ROE of 7.0% or higher. The Company places greater emphasis on improving profitability and capital efficiency than on expanding sales volume, and is demonstrating a commitment to directly addressing the challenge of rebuilding its earning power, which has been an issue to date. As the home appliance retail market enters a mature phase, the Company is shifting its orientation from quantitative growth to qualitative growth. Operating income of ¥10.0bn or more represents a recovery to a level close to the Company's record-high profit. The ROE target of 7.0% or higher is also set with the intention of exceeding the cost of shareholders' equity.

(3) Dominant strategy

The Company is expanding its store network predominantly in the Kansai region as well as into the Tokai, Kanto, and Hokushinetsu areas, and is rolling out a dominant strategy deeply rooted in each region. The Company's community-based store operations that it has built up to date afford it the advantage of being able to accurately grasp customer needs in each region and accommodate them quickly. Under the new medium-term management plan, the Company will further evolve its dominant model and combining digital touchpoints such as e-commerce and apps with real stores as it aims to optimize the overall customer experience. The intent behind doing so is to become a presence that is closely aligned with customers' daily lives as a part of lifeline infrastructure that transcends the boundaries between the real and digital worlds.

In the e-commerce field in particular, the Company has adopted a policy of leveraging its two-base logistics structure in eastern and western Japan in strengthening its nationwide coverage. During the medium-term management plan period, the Company plans to raise the ratio of sales through its own website to 50% of total e-commerce sales and strengthen profitability by expanding sales of large home appliances. The Company also has the aim of increasing the ratio of sales through its own website to escape price-driven competition and shift its focus to marketing that utilizes customer data.

(4) Three key strategies

1) Strengthening profitability of the real store business

As of the end of September 2025, the number of directly operated stores was 210. However, the gap in profitability among them is an issue. In the new medium-term management plan, the Company has clearly set forth a policy of competing through quality over quantity, and is prioritizing the rebuilding of store value as its most important issue. For example, the Company will introduce type-based marketing tailored to stores' location characteristics and customer base, and will promotes the creation of sales floors aligned with regional characteristics. Additionally, the Company's plan is to advance the redesign of its store spaces with a view to collaboration with companies in other industries as well in order to redefine real stores not merely as sales bases but as community lifestyle proposal centers.

2) Full-scale entry in the PB product business

The next strategic pillar is the enhancement of PB products. The Company aims to newly develop 500 SKUs or more (SKU is an abbreviation for stock keeping unit. Generally, SKU is a minimum management unit for order placement, order receiving, and inventory management.), and has adopted a 10% PB product percentage in sales and a 5% improvement YoY in the PB product gross margin as targets. Its policy will be to initially focus on small and medium-sized home appliances, eventually expanding that focus to large home appliances such as air conditioners. To prepare for the above, the Company established a new division dedicated to PB and recruited expert talent in product planning and quality control from the outside. Based on this, it has put a system in place to promote collaboration with OEM manufacturers. Strengthening PB is a core strategy aimed at both differentiating the Company from its competition and enhancing profitability. It is positioned as an element that embodies the concept of a so-called local electronics store that is also a mass retailer.

3) Rebuilding the marketing function

The third strategic pillar is the renewal of the Company's marketing function. This involves a shift from the preexisting sales promotion-driven approach to a customer-centric, data-driven model. In particular, the Company aims to strengthen its reach to female and younger customers and optimize the balance of its customer base. Targeting an annual increase of 1% in the number of active members, it will further advance 1-to-1 marketing by utilizing its big data and outside network. Moreover, the Company will promote an OMO strategy (OMO means Online Merges with Offline. The OMO strategy is a marketing strategy to improve the quality of the customer experience through the merger of online and offline.) for the mutual use of real stores and e-commerce centered on the Joshin Smile Program (A loyalty program where members can enjoy benefits according to their purchase history at real stores and on e-commerce. The members are ranked based on their purchase history during the past two years.). It will strengthen mutual customer traffic between real stores and e-commerce to help maximize customer lifetime value (LTV).

(5) Capital policy

The core of the Company's capital policy is balancing efficiency and growth. Its policy will be to push forward with the optimization of its balance sheet while also keeping its eye on revisions to Lease Accounting Standards in 2027. The Company will thoroughly implement management with an awareness of capital cost and the stock price and promote the improvement of the cash conversion cycle (CCC) and ratio of gross margin to inventory (calculated by multiplying the gross profit margin by the merchandise turnover rate). In particular, the Company positions appropriate inventory management as its highest priority. Its policy will be to enhance its free cash flow (FCF) creation capability by improving inventory turnover.

It aims to achieve total operating cash flow of ¥35.0bn to ¥40.0bn over the three years of the medium-term management plan. The Company's policy will be to allocate 70% to 75% of its cash outflow to growth investment as a whole and 15% to 20% to shareholder returns. Its plans for investment break down into ¥18.0bn in investment in stores, ¥2.0bn in investment in logistics, and ¥6.0bn in investment in business domain expansion. For shareholder returns, the Company is targeting a payout ratio of 40% or higher and a DOE of 2.5% or higher, and will provides stable, sustainable dividends. In addition, the Company has established that it will further improve capital efficiency by reducing the ratio of cross-shareholdings to net assets to less than 3.0%.

(6) Thoughts

This Medium-term Management Plan: JT-2028 Management Plan can be evaluated as a turning point at which the Company shifts from the defensive management it practiced up to this point to an offensive approach and rebuilding. Of particular note is the Company's new positioning of as a so-called local electronics store that is also a mass retailer. This posture of large-scale home appliance retailers moving away from standardized store operations toward an orientation of flexible value provision tailored to regional characteristics could be called a rational response to structural changes in the Japanese market, such as the declining birthrate, aging population, and regional dispersion.

At the same time, many challenges await at the execution stage. To correct the profitability gap among existing stores, raising the level of onsite capability is imperative. A successful rollout of PB products would depend on the early establishment of a development structure and the assurance of quality. In the rebuilding of marketing as well, the speed of data utilization and human capital development will likely determine competitive advantage. That said, for the plan overall, attention should be paid to the clarity of financial targets and the consistency of capital policy. The Company can be commended for clearly disclosing both the payout ratio and DOE, and presenting its shareholder return policy in numerical terms. In addition, the concept of pursuing a community-based approach combined with a digital transformation through the execution of key strategies is highly unique within the industry.

Overall, the JT-2028 Management Plan can be described as the prologue to the Company's structural transformation. If profitability improves as planned by the Company, it may once again elevate its presence in the home appliance retail industry. Whether from "Ha" to "Ri" as advocated by President Takahashi will become a reality remains to be seen. Trends at the Company over the next three years warrant close attention.

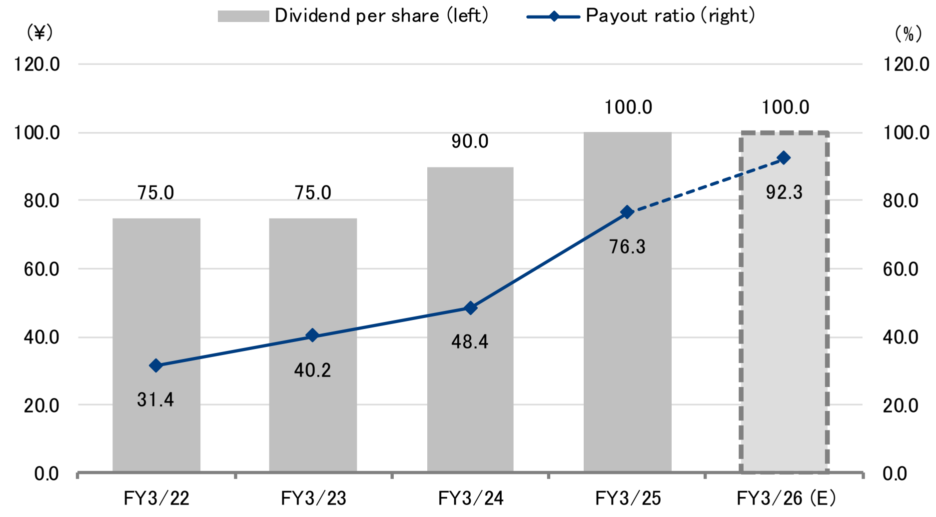
Shareholder return policy

Plans to maintain dividend at ¥100.0 in FY3/26. Targeting DOE of 2.5% or higher from FY3/27

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%. In addition, starting in FY3/27, the Company will adopt DOE, which is based on equity capital, as a new indicator in addition to the payout ratio. It has established a DOE target of 2.5% or higher.

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).

Dividend per share and payout ratio



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

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

Note: Vouchers can also be used on Joshin web
Source: Prepared by FISCO from the Company's website

Disclaimer

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