

Joshin Denki Co., Ltd.

8173

Tokyo Stock Exchange Prime Market

17-Dec.-2024

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Summary

Revised down initial forecasts for FY3/25 results. 2H results show lower profitability and weak sales compared with peers, look for a prompt recovery

Joshin Denki Co., Ltd. <8173> (hereinafter, 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 FY3/25 results

In 1H FY3/25 consolidated results, net sales were ¥191,986mn, a decrease of 2.8% year on year (YoY), operating income was ¥1,838mn, a decrease of 59.9%, ordinary income was ¥1,777mn, a decrease of 60.9%, and profit attributable to owners of parent was ¥2,196mn, a decrease of 29.4%. All items fell short of the forecasts announced at the beginning of the fiscal year, which were net sales of ¥198,000mn, operating income of ¥4,600mn, ordinary income of ¥4,600mn, and profit attributable to owners of parent of ¥3,200mn. In particular, shortfalls were larger from the operating income line down compared with net sales. This is because the gross profit ratio declined 0.3 percentage points (pp) YoY from 26.8% to 26.5%, while the SG&A ratio increased 1.0pp from 24.5% to 25.5%.

2. FY3/25 results outlook

For its FY3/25 consolidated results, on October 25, 2024, the Company revised down its forecast for net sales from ¥410,000mn to ¥400,000mn (down 0.9% YoY), operating income from ¥9,000mn to ¥4,000mn (down 52.2% YoY), ordinary income from ¥9,000mn to ¥4,000mn (down 51.5% YoY), and profit attributable to owners of parent from ¥6,000mn to ¥3,800mn (down 22.3% YoY). It expects the operating income ratio to decline 1.1pp from 2.1% in FY3/24 to 1.0% in FY3/25. Its 2H forecast of 1.0% is the same as the 1H result of 1.0%, so significant improvement is unlikely. On the sales front, sales of game consoles and other products in the entertainment domain where the Company excels declined more than expected as the Nintendo Switch is nearing the end of its lifecycle and the home game market itself was stagnant. Costs also squeezed profits, with personnel costs and investment in information systems rising more than expected.

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

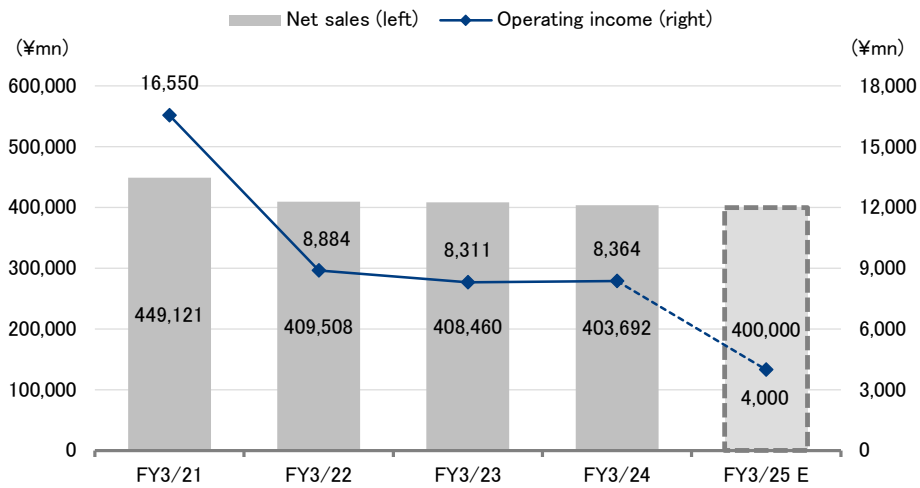
In May 2023, the Company announced the JT-2025 Management Plan, a three-year medium-term management plan ending in FY3/26. The plan’s numerical targets for FY3/26 are net sales of ¥420.0bn, operating income of ¥11.0bn, an operating income ratio of 2.6%, ROE of 8.0% or more, ROA and ROIC of 5.0% or more, a payout ratio of 30% or more (raised to 40% or more in March 2024), 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 targets an operating income ratio at the 4.0% level, ROE of 10.0% or more, ROA and ROI of 7.0% or more, and a sustained payout ratio of 30% or more. However, attaining the numerical targets for the medium-term management plan’s final year, FY3/26, does not look easy since the Company sharply lowered its forecasts for FY3/25 results. Looking at 1H FY3/25 results, the Company’s notably lower profitability and weak sales even compared with peers are somewhat concerning, and hopes are for a prompt recovery going forward.

Summary

Key Points

- In 1H FY3/25, net sales and operating income both trailed the initial forecast. Earnings were impacted by weak sales of white appliances, and a worse external environment for entertainment products to which the Company has higher sales exposure than peers
- The Company previously targeted sales and profit growth in FY3/25, aiming to catch up in the second year from the slow start in the first year of the Medium-term Management Plan, but sharply lowered its full-year forecasts on October 25, 2024. As its results are weaker than peers, promptly improving profitability is a priority
- 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

A large-scale home appliances retailer with strengths in offering services closely rooted in communities, with Osaka as its home market. With a strategy for enhancing customer loyalty, the Company aims to create 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 September 2024. It is well-known for its sponsorship of the Hanshin Tigers professional baseball team. Its store network comprises 207 directly operated stores, 4 franchised stores, and 7 stores operated by Group companies. (The Company acts as a franchisee of BOOK OFF 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 concerns about the growth in the share of direct-sales businesses specializing in e-commerce as customers shift away from real stores, as well as contraction in the home appliances market due to decreases in Japan’s number of households and population. 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.

Company profile

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 (current 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 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 BOOK-OFF 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

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Company profile

Date	Main events
September 2015	Became the first household appliance retailer to form a partnership with 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, net sales by prefecture, and store opening strategy and those of other major large-scale home appliance retailers.

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

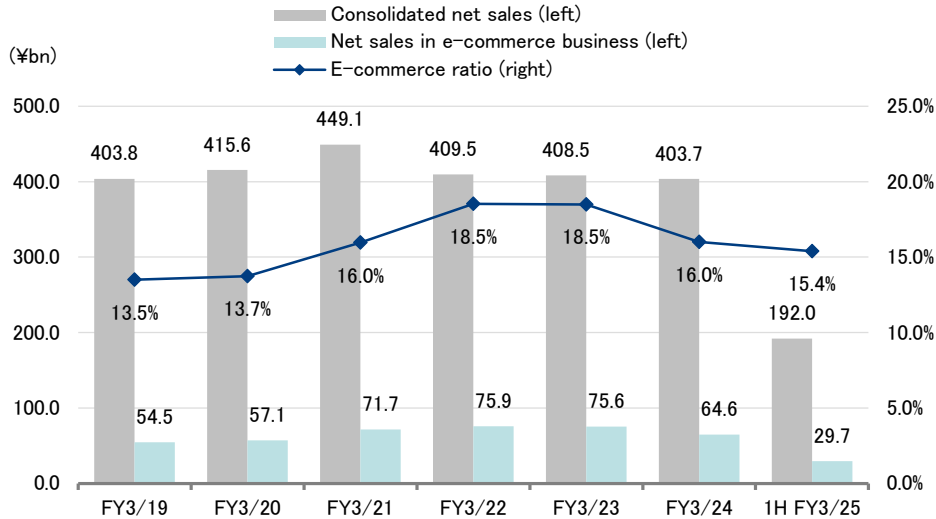
Looking at the Company's net sales composition ratios by sales channel for 1H FY3/25, sales at stores represented 82.3% of net sales, followed by 15.4% for sales in the e-commerce business and 2.3% for other sales. The Company launched the online store "Joshin web" in October 2000 and has been actively 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 FY3/21 to FY3/22, when customer visits to stores stagnated during the COVID-19 pandemic. In FY3/24, the e-commerce ratio fell modestly to 16.0% and has continued to decline in FY3/25, due partly to customers returning to real stores as the pandemic subsided. The Company aims to drive medium- to long-term growth in the e-commerce business by implementing several measures. These measures include starting operations at a new 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 (the Company aims to increase the number of listed products from 700,000 in FY3/24 to 750,000 in FY3/25).

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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Company profile

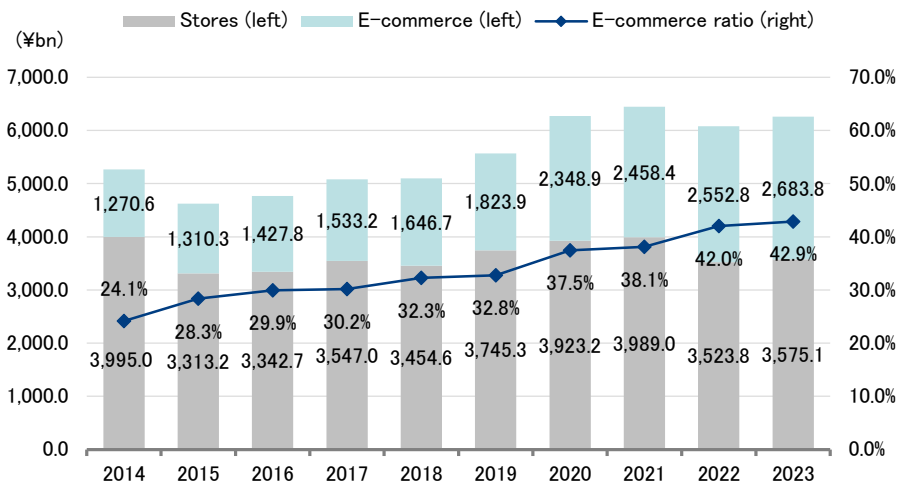
Trend in net sales and the e-commerce ratio



Source: Prepared by FISCO from the Company's results briefing materials

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 15.4% 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 CO., LTD. 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	○	×	○	×	×	×	×

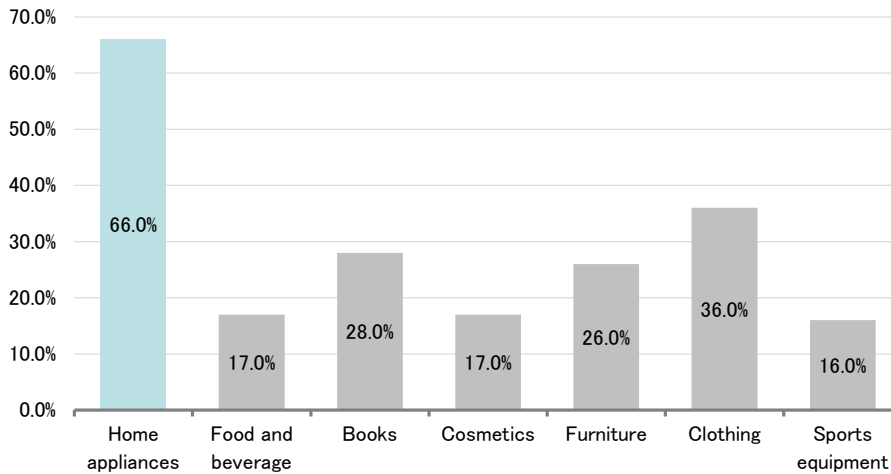
Source: Prepared by FISCO from various companies' e-commerce sites

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, including the Company, have introduced electronic shelf labeling.

* 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.

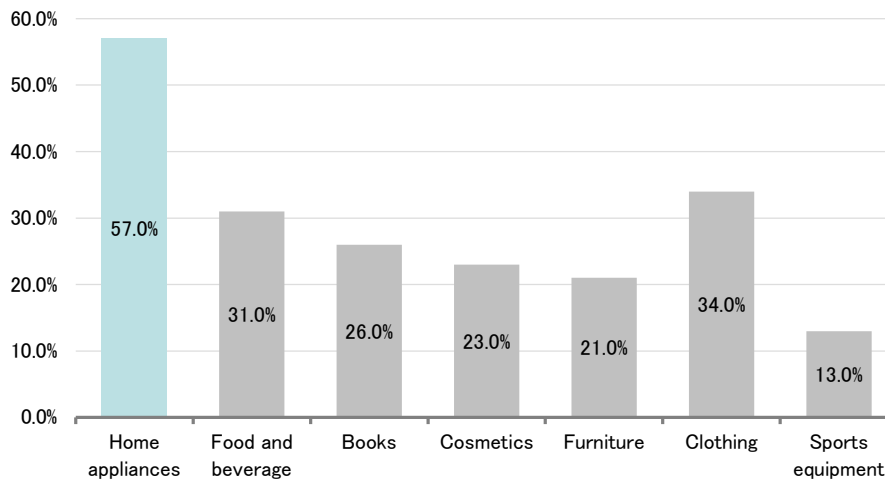
Product categories affected by showrooming among online shopping mall users



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



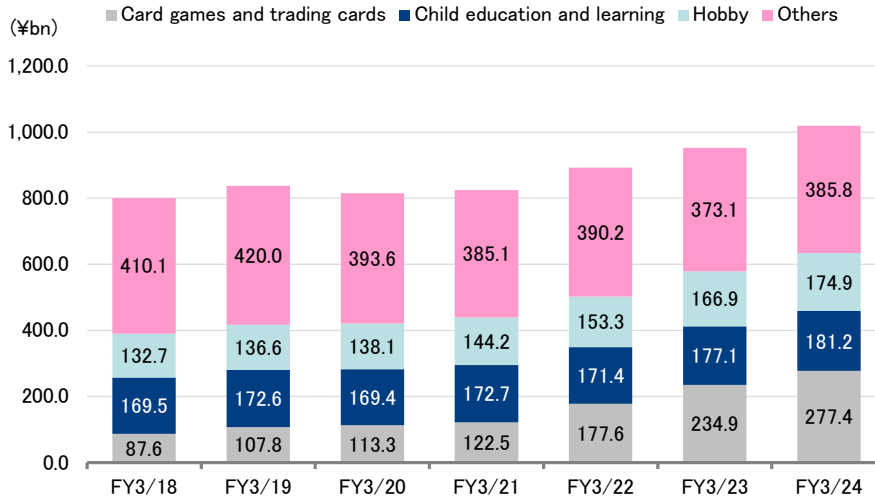
Source: Prepared by FISCO from the Japan Fair Trade Commission's "Survey Report Regarding Transactions in B2C E-Commerce"

(2) Net sales by product category

The Company's net sales composition ratios by product category for 1H FY3/25 were as follows. Audio-visual equipment, such as TVs and audio devices, accounted for 9.2% of net sales, followed by 43.3% for home appliances, primarily white appliances such as air conditioners and refrigerators, 22.5% for information communications equipment, such as personal computers and peripherals and smartphones, and 25.1% 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 large 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 <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

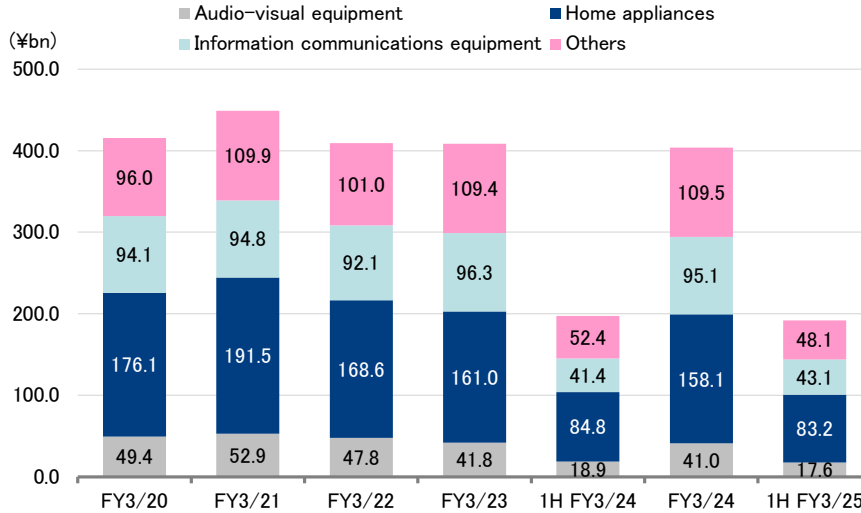


Source: Prepared by FISCO based on data from the Japan Toy Association

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 it 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) Net sales by prefecture and store opening strategy

Net sales composition ratios by prefecture for FY3/24 were as follows. Net sales in Osaka Prefecture, where the Head Office is located, accounted for 43.4%* of net sales, followed by 13.9% in Hyogo Prefecture, 6.1% in Aichi Prefecture, 5.3% in Nara Prefecture, 4.8% in Kyoto Prefecture, 3.8% in Shiga Prefecture, and 3.1% in Wakayama Prefecture. Except for Aichi Prefecture, six of the top seven prefectures in terms of net sales are in the Kansai area. Regarding the number of directly operated stores, Osaka Prefecture has the most stores at 54, followed by 37 in Hyogo Prefecture, 15 in Aichi Prefecture, and 12 each in Nara, Kyoto, and Shiga prefectures. Meanwhile, the net sales composition ratios in the Tokyo metropolitan area are relatively small: 2.5% in Saitama Prefecture, 1.8% in Chiba Prefecture, and 0.8% in Tokyo. The number of directly operated stores has been limited to five in Saitama Prefecture, five in Chiba Prefecture, and three in Tokyo. The Company considers Kansai, Tokai, Kanto, and Hokushinetsu to be priority areas and has been pursuing a dominant strategy in these areas. The dominant strategy aims to accomplish more than simply increasing the number of stores through store openings. The strategy 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 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 Osaka as a springboard to increase its share in other regions from a medium- to long-term perspective.

* Including sales other than sales at stores

Joshin Denki Co., Ltd. | 17-Dec.-2024
 8173 Tokyo Stock Exchange Prime Market | <https://www.joshin.co.jp/en/ir.html>

Company profile

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 YAMADA HOLDINGS and K'S HOLDINGS, along with regionally focused retailers such as the Company, Yodobashi Camera, 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 0.9%. 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.

Meanwhile, although most of the Company's stores are directly operated, the number of these stores has decreased by two stores every fiscal year 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 pace of 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. However, given that the Company is emphasizing growth in business scale and profitability per store over blindly accelerating store openings, and that manufacturers have been successively raising prices due to inflation, it appears somewhat underwhelming that net sales per store took a downward turn in 1H FY3/25, declining by 2.9% YoY.

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

	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24	CAGR
Joshin Denki	232	234	215	218	216	214	-1.6%
Bic Camera	40	43	45	45	45	43	1.5%
Kojima	141	142	143	140	141	141	0.0%
Sofmap	22	25	29	29	24	24	1.8%
Nojima	205	210	215	226	233	239	3.1%
EDION	436	433	437	449	450	454	0.8%
YAMADA HOLDINGS	955	968	982	978	996	975	0.4%
K'S HOLDINGS	494	500	515	529	546	552	2.2%
Total	2,525	2,555	2,581	2,614	2,651	2,642	0.9%
YoY		1.2%	1.0%	1.3%	1.4%	-0.3%	

Note: Results for fiscal years ending in August were used for Bic Camera, Kojima, and Sofmap.

Source: Prepared by FISCO from each company's results briefing materials and Annual Securities Report

Company profile

Trend in net sales per store

	FY3/24			FY3/25
	1H	2H	Full year	1H
Net sales at real stores	1,634	1,681	3,314	1,580
No. of directly operated stores	215	214	214	214
Net sales per store*	7.60	7.85	15.49	7.38
YoY	3.4%	1.6%	2.2%	-2.9%

* Net sales at real stores ÷ no. of directly operated stores

Source: Prepared by FISCO from the Company's results briefing materials

Results trends

In 1H FY3/25, both net sales and operating income fell short of the initial forecast, mainly due to sluggish demand for white appliances and game consoles

1. Overview of 1H FY3/25 results

In 1H FY3/25 consolidated results, net sales declined 2.8% YoY to ¥191,986mn, operating income decreased 59.9% to ¥1,838mn, ordinary income declined 60.9% to ¥1,777mn, and profit attributable to owners of parent decreased 29.4% to ¥2,196mn. All items were below the initial forecasts, which were net sales of ¥198,000mn, operating income of ¥4,600mn, ordinary income of ¥4,600mn, and profit attributable to owners of parent of ¥3,200mn. In particular, shortfalls were larger from the operating income line down compared with net sales. This is because the gross profit ratio decreased 0.3pp YoY from 26.8% to 26.5%, while the SG&A ratio increased 1.0pp from 24.5% to 25.5%. In addition, the net sales shortfall mainly owes to lower sales of white appliances like refrigerators and washing machines, and entertainment products like games. Looking at changes in sales by product, sales declined 4.7% YoY for TVs, 7.1% for refrigerators, 5.6% for washing machines and vacuum cleaners, 6.6% for microwave ovens and cookers, and a sharp 17.8% for games, models, toys, and musical instruments. The home appliance industry as a whole, including the Company, appears to have been impacted by adjustments due to the recoil from the front-loading of demand for core products like TVs, PCs, and game consoles over the past few years as consumers spent more time at home during the COVID-19 pandemic. However, the Company's sales in some product categories declined more YoY than at peers, and its net sales per store declined 2.9% YoY in 1H while it was consciously restraining store openings, which is somewhat concerning.

Outline of 1H FY3/25 consolidated results

	1H FY3/24		Initial forecast	1H FY3/25		
	Result	% of sales		Results	% of sales	YoY change
Net sales	197,483	-	198,000	191,986	-	-2.8%
Operating income	4,586	2.3%	4,600	1,838	1.0%	-59.9%
Ordinary income	4,549	2.3%	4,600	1,777	0.9%	-60.9%
Profit attributable to owners of parent	3,110	1.6%	3,200	2,196	1.1%	-29.4%

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

The Company has adequate financial soundness. In 1H, it sold some of its ASICS shares among cross-shareholdings, and posted a ¥1,831mn gain on the sale of investment securities. The trend toward unwinding cross-shareholdings is positive

2. Financial condition and management indicators

Looking at the Company's financial condition at the end of 1H FY3/25, total assets decreased ¥7,004mn from the end of FY3/24 to ¥225,771mn. This is mostly attributable to a ¥6,421mn decrease in current assets, in addition to decreases in cash and cash deposits of ¥239mn, accounts receivable - trade of ¥4,095mn, and inventories of ¥2,193mn. Non-current assets decreased ¥548mn from the end of FY3/24 to ¥108,185mn. There were no notable changes in tangible assets or intangible assets. Meanwhile, total liabilities decreased ¥6,002mn from the end of FY3/24 to ¥122,160mn. This is mainly because short-term interest-bearing liabilities decreased a sharp ¥11,391mn, while notes and accounts payable - trade increased ¥3,779mn in current liabilities. In non-current liabilities, long-term borrowings increased ¥4,600mn. Total net assets increased ¥1,003mn to ¥103,610mn.

In terms of management indicators, the equity ratio was 45.9% at the end of 1H FY3/25, with the Company's balance sheet indicating adequate financial soundness. In addition, the balance of investment securities stood at ¥8,017mn at the end of FY3/24. As announced on July 12, 2024, however, the Company sold 848,000 (a portion) of its shares in ASICS Corporation <7936> and posted a ¥1,831mn gain on the sale of investment securities in 1H. As DAIKIN INDUSTRIES <6367> and ASICS had accounted for the largest share of its investment securities portfolio based on market value, the majority of its remaining holdings are in DAIKIN INDUSTRIES (158,900 shares, worth about ¥3,190mn based on the market price on September 30, 2024).

Results trends

Consolidated balance sheets and management indicators

	(¥mn)				
	FY3/22	FY3/23	FY3/24	1H FY3/25	Change
Current assets	107,515	114,560	124,006	117,585	-6,421
Cash and deposits	2,360	2,769	3,891	3,652	-239
Accounts receivable – trade	18,862	17,708	20,115	16,020	-4,095
Inventories	71,689	76,229	78,224	76,031	-2,193
Non-current assets	109,902	108,657	108,769	108,185	-584
Tangible assets	73,300	75,085	74,902	74,856	-46
Intangible assets	2,405	2,471	2,545	3,128	583
Investments and other assets	34,197	31,101	31,322	30,201	-1,121
Investment securities	6,814	7,600	8,017	-	-
Guarantee deposits	13,520	12,810	12,686	12,521	-165
Total assets	217,417	223,218	232,775	225,771	-7,004
Current liabilities	78,046	84,376	84,571	73,612	-10,959
Notes and accounts payable – trade	28,269	28,152	24,520	28,299	3,779
Interest-bearing debt	21,444	28,356	30,100	18,709	-11,391
Contract liabilities	9,194	9,151	8,946	-	-
Non-current liabilities	40,729	38,143	43,590	48,548	4,958
Long-term borrowings	18,572	17,608	23,003	27,603	4,600
Contract liabilities	14,860	14,562	14,370	-	-
Total liabilities	118,776	122,520	128,162	122,160	-6,002
Interest-bearing debt	40,017	45,964	53,104	46,313	-6,791
Total net assets	98,641	100,698	104,613	103,610	-1,003
Shareholders' equity	96,662	98,760	100,677	100,119	-558
Accumulated other comprehensive income	1,978	1,937	3,935	3,491	-444
Total liabilities and net assets	217,417	223,218	232,775	225,771	-7,004
Equity ratio	45.4%	45.1%	44.9%	45.9%	1.0pp
ROE	6.6%	5.0%	4.8%	-	-
Net income margin	1.6%	1.2%	1.2%	-	-
Total capital turnover (times)	1.9	1.9	1.8	-	-
Financial leverage (x)	2.2	2.2	2.2	2.2	-

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

Consolidated statement of cash flows

	(¥mn)				
	FY3/21	FY3/22	FY3/23	FY3/24	1H FY3/25
Cash flow from operating activities (a)	25,836	1,442	7,119	2,278	11,109
Depreciation	5,330	5,523	5,572	5,763	2,816
Impairment loss	3,193	1,023	977	1,105	49
Cash flow from investment activities (b)	-6,118	-9,573	-9,070	-4,806	-1,457
Free cash flow (a) + (b)	19,718	-8,130	-1,951	-2,527	9,651
Cash flow from financing activities	-14,433	1,873	2,360	3,649	-9,891
Change in cash and cash equivalents	5,285	-6,257	409	1,121	-239
Cash and cash equivalents at end of period	8,618	2,360	2,769	3,891	3,652

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

■ Outlook

Achieving Medium-term Management Plan tougher as Company revised down its forecasts for FY3/25 results. Recovery in same-store sales that are weaker than peers, improvement in the gross profit ratio, and SG&A cost control will be key

1. FY3/25 results outlook

On October 25, 2024, the Company revised down its FY3/25 consolidated results forecast for net sales from ¥410,000mn to ¥400,000mn (down 0.9% YoY), operating income from ¥9,000mn to ¥4,000mn (down 52.2% YoY), ordinary income from ¥9,000mn to ¥4,000mn (down 51.5% YoY), and profit attributable to owners of parent from ¥6,000mn to ¥3,800mn (down 22.3% YoY). It expects the operating income ratio to decline 1.1pp from 2.1% in FY3/24 to 1.0% in FY3/25. Its 2H forecast of 1.0% is the same as the 1H result of 1.0%, so significant improvement is unlikely. On the sales front, sales of game consoles and other products in the entertainment domain where the Company excels declined more than expected as the Nintendo Switch is nearing the end of its lifecycle and the home game market itself was stagnant. Costs also squeezed profits, with personnel costs and investment in information systems rising more than expected. As the Company sharply lowered its forecasts for FY3/25 results, attaining the numerical targets for the Medium-term Management Plan's final year, FY3/26, does not look easy. Looking at 1H FY3/25 results, the Company's notably lower gross profit ratio and weak sales even compared with peers are somewhat concerning, and hopes are for a prompt recovery going forward.

FY3/25 consolidated results outlook

	(¥mn)					
	FY3/24		FY3/25			
	Result	% of sales	Initial forecast	Revised forecast	% of sales	YoY change
Net sales	403,692	-	410,000	400,000	-	-0.9%
Operating income	8,364	2.1%	9,000	4,000	1.0%	-52.2%
Ordinary income	8,251	2.0%	9,000	4,000	1.0%	-51.5%
Profit attributable to owners of parent	4,891	1.2%	6,000	3,800	1.0%	-22.3%

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 3 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. Furthermore, the Company aims to dramatically improve ROE, much more than the operating income ratio. To achieve this goal, it will need to do more than simply increase the payout ratio from 30% to 40% as announced on March 26, 2024. It will also need to more proactively consider reducing equity capital through such means as raising the payout ratio even more and acquiring treasury stock. According to FISCO's estimates, in order to achieve an ROE of 8.0%, the Company must reduce net assets, which stood at ¥104,613mn as of the end of FY3/24, to around ¥94,000mn by the end of FY3/26. If net assets are not reduced, it will be difficult to attain the ROE target unless the Company surpasses the current target by generating operating income of over ¥12.0bn. As listed companies increase their efforts to achieve a PBR of 1x, it is hoped that the Company will increase its profitability and further strengthen shareholder returns, including the acquisition of treasury stock. The ROE target of 8.0%, which was announced in the Medium-Term Management Plan, is a target that must be met.

Numerical targets of the Medium-Term Management Plan: JT-2025 Management Plan

(¥bn)

	FY3/23 Result	FY3/24 Result	FY3/25 Company forecast	FY3/26 Medium-term Management Plan target	FY3/31 Ideal form
Net sales	408.5	403.7	400.0	420.0	-
Operating income	8.3	8.4	4.0	11.0	-
Operating income ratio	2.0%	2.1%	1.0%	2.6%	4.0% level
ROE	5.0%	4.8%	-	8.0% or more	10.0% or more
ROA	3.8%	3.6%	-	5.0% or more	7.0% or more
ROIC	3.7%	3.4%	-	5.0% or more	7.0% or more
Payout ratio	40.2%	48.4%	68.4%	30% → 40% or more	30% → 40% or more
Total operating cash flow for 3 years	-	-	-	¥40.0bn to ¥45.0bn	-

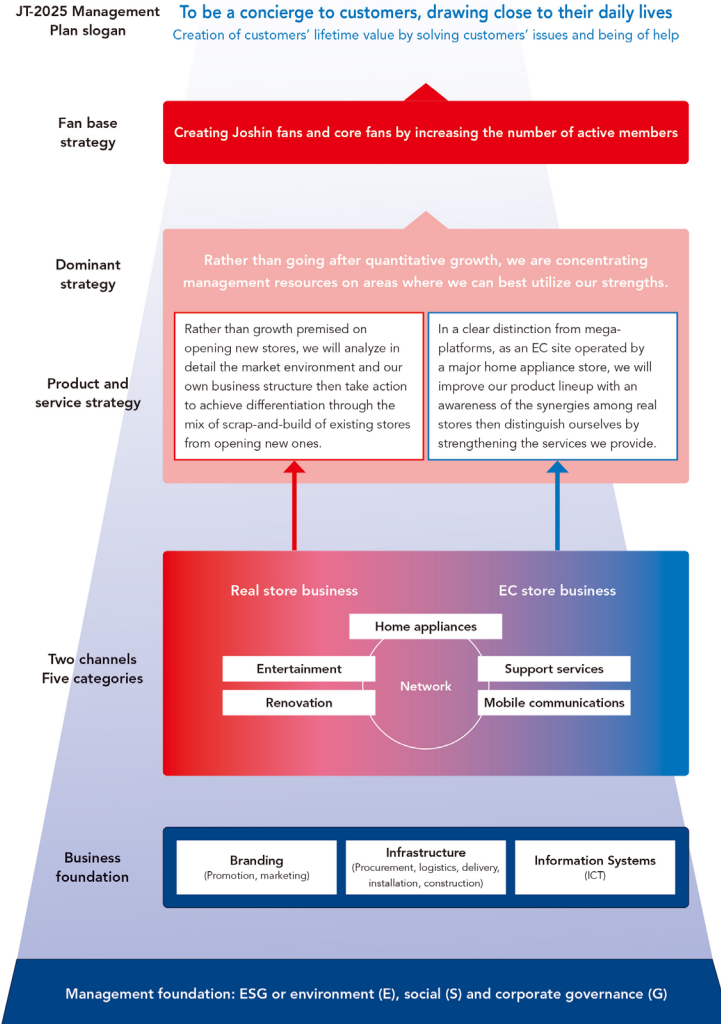
Source: Prepared by FISCO from the Company's results briefing materials

(2) Basic strategy

In order to achieve the numerical targets, the Company has adopted a qualitative goal as a theme of the Medium-Term Management Plan. This goal is to seek to be a concierge to customers, drawing close to their daily lives. 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.

Outlook

Basic Strategy of the Medium-term Management Plan: JT-2025 Management Plan



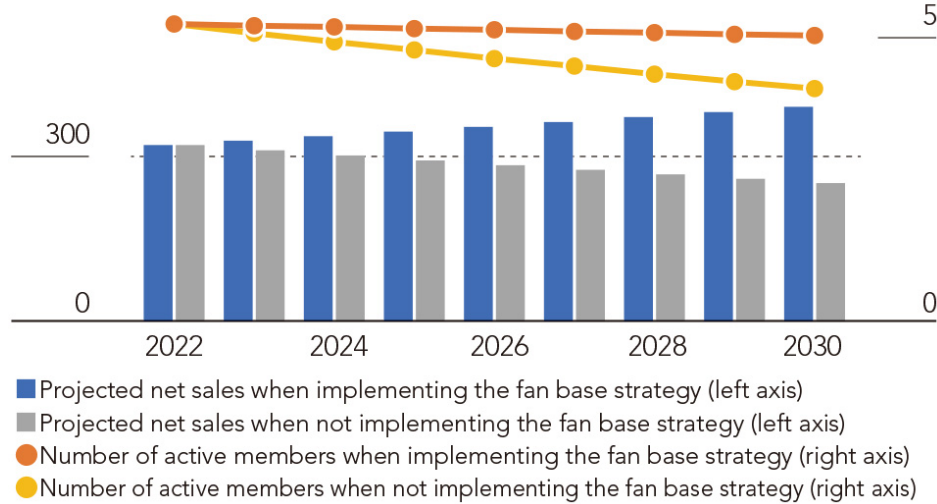
Source: The Company's Integrated Report

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 FY3/24, there were about 5 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.

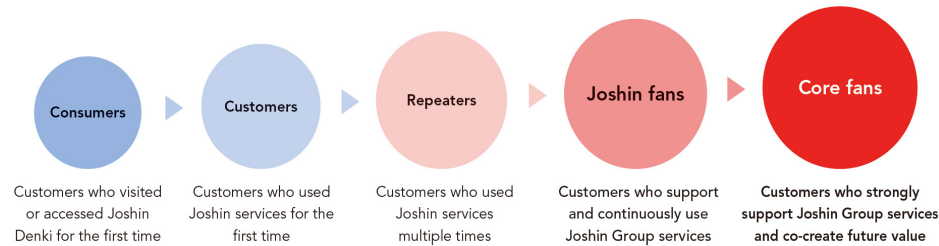
Outlook

Trends for net sales and active members when and when not implementing the fan base strategy (billions of yen) (million)



Source: The Company's Integrated Report

Process for creating fans and core fans by increasing the number of members



Source: The Company's Integrated Report

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.

Outlook

c) Strategies for real store and e-commerce channels

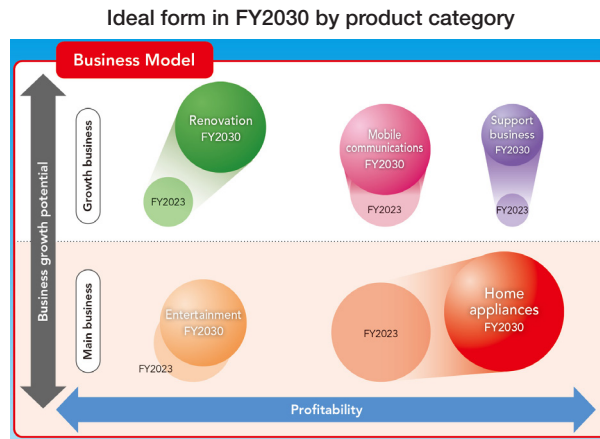
Real stores accounted for about 82.3% of net sales in 1H FY3/25. In order to drive the business growth of real stores, the Company must assign experienced salespeople and a certain number of salespeople to each store. Rather than increasing the number of stores, the Company aims to raise the sales and 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 15.4% of net sales in 1H 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 our 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 700,000 items, an increase of about 20,000 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 without being preoccupied with 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 our support lineup, such as setting up and giving instructions for the products that customers have purchased, strengthening telephone and email support with experienced staff from our real stores, and by publishing reports that employees have compiled through personally using our products.

d) Strategy for five categories

The Company provides value to customers in five categories: home appliances, its main business; entertainment, including models, toys, video games, video, and music software that have high market shares and contribute to improving the value of the Company's brand thanks to strong support from hobbyists; followed by renovation, including the energy business, anticipated as the third pillar for future growth after entertainment; and mobile communications, which is focused on the sale of mobile devices, for which demand is growing sustainably; and the support business that 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, through the development of subscription-based services such as product rentals, air conditioner cleaning, regular deliveries of consumable goods, installation, setup, and maintenance, 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.

Outlook



Source: The Company's Integrated Report

Shareholder return policy

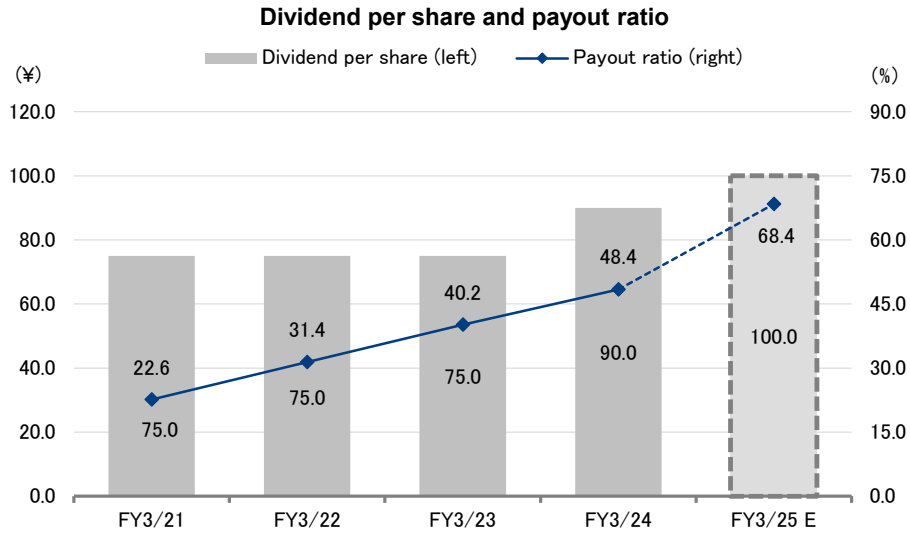
Maintained dividend forecast of ¥100.0, despite lowering results forecasts. Also, acquired 150,000 treasury shares on August 7

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 Company maintained its dividend forecast of ¥100.0 for FY3/25, despite lowering its results forecasts. As a result, it expects the payout ratio to rise to 68.4%. Moreover, on August 7, 2024, the Company acquired 150,000 treasury shares via the Tokyo Stock Exchange Trading NeTwork System (ToSTNeT). This appears to be a part of moves to unwind cross-shareholdings. 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. For example, a shareholder that held 100 shares (one share unit) for a whole year would be eligible to receive 36 vouchers (worth ¥7,200).

* Shareholders who hold less than 100 shares are eligible to receive benefits only at the end of September.

Shareholder return policy



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

Outline of shareholder benefit voucher (¥200 voucher)

Required number of shares	Holding period	Benefits in March	Benefits in September	Annual benefits
1 or more	Same for all shareholders	-	25 vouchers	25 vouchers
100 or more	Same for all shareholders	11 vouchers	25 vouchers	36 vouchers
500 or more	Less than 2 years	60 vouchers	25 vouchers	85 vouchers
	2 years or more	90 vouchers	25 vouchers	115 vouchers
2,500 or more	Less than 2 years	120 vouchers	25 vouchers	145 vouchers
	2 years or more	180 vouchers	25 vouchers	205 vouchers
5,000 or more	Less than 2 years	180 vouchers	25 vouchers	205 vouchers
	2 years or more	270 vouchers	25 vouchers	295 vouchers

* Vouchers can also be used on Joshin web

Source: Prepared by FISCO from the Company's website



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