

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

## JCR's Rating Review of Volume-sales Consumer Electronics Retailers

JCR has reviewed ratings for volume-sales consumer electronics retailers from the following rating viewpoints. Please refer to JCR's press releases 21-D-1052 to 21-D-1056 for rating rationale for individual companies.

### *Rating Viewpoints*

- (1) As a result of rating reviews for volume-sales consumer electronics retailers: EDION Corporation (security code: 2730), Nojima Corporation (security code: 7419), Joshin Denki Co., Ltd. (security code: 8173), K'S HOLDINGS CORPORATION (security code: 8282), and YAMADA HOLDINGS CO., LTD. (security code: 9831), JCR upgraded the long-term issuer ratings on EDION Corporation and Nojima Corporation by 1 notch with Stable outlook. JCR affirmed the long-term issuer ratings on other companies with Stable outlook.
- (2) Looking at domestic home appliance sales, they were strong in FY2020 thanks to increased stay-at-home demand caused by the COVID-19 pandemic. However, the first half of FY2021 was affected by a reactionary decline in demand and unseasonable weather in the summer. However, 10 years have passed since the eco-point system for home appliances was introduced in 2011, and products purchased at that time are coming up for replacement in stages. Therefore, it is expected that a certain amount of replacement demand will continue to emerge and support the market.
- (3) It will be important to maintain and improve profitability by capturing replacement demand in the future. Customers' lifestyles are changing as they spend more time at home due to the COVID-19 pandemic. In order to increase sales, it is necessary to accurately grasp the diverse needs of customers and provide accurate explanations. In order to improve customer service, it is essential to enhance employee training, and it is possible that sales of high value-added products for energy-saving and reduction of working hours will make a difference. In recent years, excessive low-price competition has subsided, which became a factor for improvement of profitability. Some companies are developing private brand products to improve their gross profit margins. JCR will pay attention to the future results. As personnel expenses are expected to continue to rise, it is necessary to continue to work on appropriate personnel allocation and more efficient store operation.
- (4) Although these companies have been opening new stores on an ongoing basis, it needs to do so after carefully assessing profitability, taking into account the presence of competitors and the increase in personnel expenses. As for existing stores, it is important to revitalize them through renovation and scrap-and-build. In response to the increasing growth in demand, each company is working to strengthen its e-commerce business. Although sales at a store are the main business at the moment, the importance of e-commerce business is expected to increase in the future. JCR will follow the progress and results of each company's measures.
- (5) All companies are making progress in improving their financial structure. They will aggressively invest for growth by opening new stores, revitalizing existing stores, and strengthening e-commerce business. However, given their ability to generate cash flow, JCR believes it is unlikely that their financial structure will deteriorate significantly.
- (6) While some companies are specializing in their main business of selling home appliances, others are aggressively expanding their businesses such as housing, home renovation, carrier shop operations, etc., aiming to create new revenue sources in anticipation of the future contraction of the domestic home appliance market and to create synergies with existing home appliance sales. However, JCR views that there are few cases where these non-home appliance sales businesses are sufficiently contributing to their business performance. As for the non-home appliance sales businesses, JCR will confirm their performance and incorporate it into their ratings, while continuously following their business development policies and impact on earnings and financial structure.

Hiro Yoshi Otsuka, Mai Kanai

<Reference>

Issuer: EDION Corporation

Long-term Issuer Rating: A Outlook: Stable

Issuer: Nojima Corporation

Long-term Issuer Rating: A- Outlook: Stable

Issuer: Joshin Denki Co., Ltd.

Long-term Issuer Rating: A- Outlook: Stable

Issuer: K'S HOLDINGS CORPORATION

Long-term Issuer Rating: A+ Outlook: Stable

Issuer: YAMADA HOLDINGS CO., LTD.

Long-term Issuer Rating: A+ Outlook: Stable

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