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Joshin Denki Co.,LTD.

Financial Results Briefing for the Fiscal Year Ended March 2023 and Next Medium-Term Management Plan Briefing

May 9, 2023

Event Summary

[Company Name]	Joshin Denki Co.,LTD.	
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[Event Type]	Earnings Announcement	
[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2023 and Next Medium-Term Management Plan Briefing	
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[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	5	
	Ryuhei Kanatani	Representative Director, President and Executive Officer
	Tetsuya Takahashi	Representative Director, Vice President and Executive Officer, in charge of Sales Strategy
	Koichi Yokoyama	Director and Managing Executive Officer
	Koji Tanaka	Director and Managing Executive Officer
	Suguru Oshiro	Director and Managing Executive Officer, in charge of Financial Strategy

Presentation

Moderator: Thank you very much for joining us today amidst your busy schedule for the live broadcast of the explanation meeting for the full year financial results for FY2022 and the new medium-term management plan, JT-2025 Management Plan, of Joshin Denki Co.,LTD.

As for the proceedings today, first, we will have Mr. Ryuhei Kanatani, President and CEO, explain the situation of the full year financial results and the medium-term management plan, and then we will have a Q&A session. We will be taking your questions via the chat function, so please feel free to input them at your convenience.

Now, let's proceed with the explanation from Mr. Kanatani.

Kanatani: Hello, everyone. I am Ryuhei Kanatani, President and CEO of Joshin Denki. Thank you very much for participating in today's explanation meeting for the full year financial results for FY2022, the full year forecast for FY2023, and the new medium-term management plan, JT-2025 Management Plan.

Today, I will explain in the order shown here. After the explanation, we have set aside time for Q&A. Either I, or the responsible director, will respond, so thank you for your understanding.

Earnings Summary for the Fiscal Year Ended March 31, 2023 (FY2022): 1

Consolidated Income Statement (Full Year)

(Million yen)	Full-year FY2021 (Apr.–Mar.)		Full-year FY2022 (Apr.–Mar.)					
	Actual results	% of net sales	Forecast	% of net sales	Actual results	% of net sales	YoY	Actual vs. forecast
Net sales	409,508	100.0%	420,000	100.0%	408,460	100.0%	(0.3%)	(2.7%)
Of which, sales at stores	324,665	79.3%	–	–	327,174	80.1%	+0.8%	–
Of which, sales in EC business	75,890	18.5%	80,000	19.0%	75,552	18.5%	(0.4%)	(5.6%)
Or which, other sales	8,951	2.2%	–	–	5,732	1.4%	(36.0%)	–
Gross profit	98,427	24.0%	–	–	103,802	25.4%	+5.5%	–
Selling, general and administrative expenses	89,543	21.9%	–	–	95,491	23.4%	+6.6%	–
Operating income	8,884	2.2%	10,000	2.4%	8,311	2.0%	(6.5%)	(16.9%)
Ordinary income	9,701	2.4%	10,000	2.4%	8,317	2.0%	(14.3%)	(16.8%)
Net income (*1)	6,391	1.6%	7,000	1.7%	4,972	1.2%	(22.2%)	(29.0%)

*1 Profit attributable to owners of parent

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Now, please look at page three. These are the actual consolidated results for the full year.

The actual results of the financial results for FY2022 are as shown.

Net sales were down 0.3% from the previous term and 2.7% from the forecast, but in-store sales were up 0.8% from the previous term, resulting in a slight increase in sales. Unfortunately, on the profit side, operating income, ordinary income, and net income could not exceed the previous period or the forecast.

Gross profit on sales increased compared to the previous period, and the gross profit margin also improved from 24% to 25.4%, an increase of 1.4%.

Regarding ordinary income, we had recorded approximately JPY800 million in the previous term as cooperation money for business suspension due to COVID-19, so the decrease in profit is larger compared to operating profit.

Also, regarding net income, we had recorded a onetime special profit in the previous term, so the decrease in income is larger compared to ordinary income.

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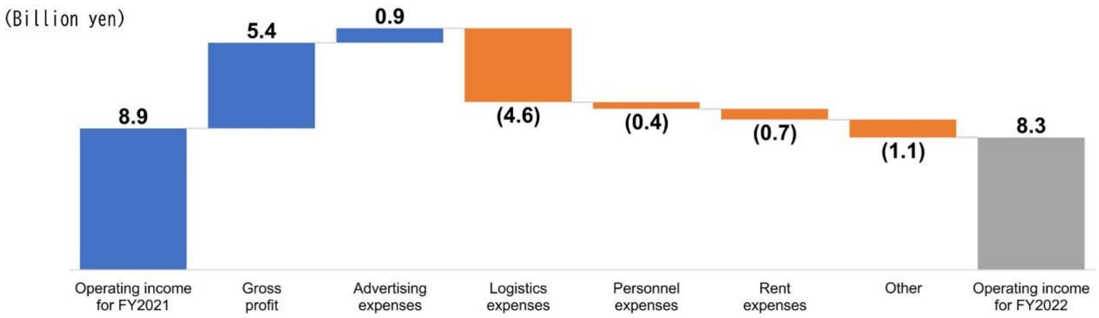
Earnings Summary for the Fiscal Year Ended March 31, 2023 (FY2022): 2

Factors for Changes in Operating Income: Vs. Previous Year



Factors for changes in operating income (by quarter): Vs. previous year

(Billion yen)	Operating income for FY2021	Gross profit	Advertising expenses	Logistics expenses	Personnel expenses	Rent expenses	Other	Operating income for FY2022
Apr.–June	3.2	0.3	(0.3)	(0.9)	(0.2)	(0.3)	(0.4)	1.4
July–Sept.	2.1	1.7	0.3	(1.3)	(0.1)	(0.1)	0.2	2.7
Oct.–Dec.	1.4	2.2	0.7	(1.5)	(0.1)	(0.2)	(0.4)	2.0
Jan.–Mar.	2.2	1.3	0.3	(1.0)	(0.1)	0.1	(0.5)	2.2

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Regarding the factors contributing to the increase and decrease in operating income, I will explain it on the next slide. Please switch to the next slide. This is a graph showing the factors contributing to the increase and decrease in operating income.

Despite the decrease in sales, we were able to secure an increase in gross profit of JPY5.4 billion. On the other hand, selling, general, and administrative expenses became a factor in the decrease in profit by a total of JPY5.9 billion.

Advertising and promotion expenses were reduced by JPY0.9 billion compared to the previous term due to the promotion of digitalization. However, due to onetime factors, such as the full operation of the Ibaraki Logistics Center in Kansai and the increase in delivery costs, logistics costs increased by JPY4.6 billion.

Personnel expenses increased as a result of increased investment in human capital, leading to an increase in salary and allowance expenditures.

Earnings Summary for the Fiscal Year Ended March 31, 2023 (FY2022): 3

Consolidated Income Statement (Jan.–Mar.)

(Million yen)	4Q FY2021 (Jan.–Mar.)		4Q FY2022 (Jan.–Mar.)					
	Actual results	% of net sales	Forecast	% of net sales	Actual results	% of net sales	YoY	Actual vs. forecast
Net sales	102,451	100.0%	114,357	100.0%	102,817	100.0%	+0.4%	(10.1%)
Of which, sales at stores	80,873	78.9%	-	-	81,857	79.6%	+1.2%	–
Of which, sales in EC business	18,605	18.2%	23,205	20.3%	18,758	18.3%	+0.8%	(19.2%)
Of which, other sales	2,972	2.9%	-	-	2,201	2.1%	(25.9%)	–
Gross profit	24,684	24.1%	-	-	25,957	25.2%	+5.2%	–
Selling, general and administrative expenses	22,514	22.0%	-	-	23,764	23.1%	+5.6%	–
Operating income	2,169	2.1%	3,882	3.4%	2,193	2.1%	+1.1%	(43.5%)
Ordinary income	2,130	2.1%	3,855	3.4%	2,172	2.1%	+2.0%	(43.6%)
Net income (*1)	1,101	1.1%	2,858	2.5%	830	0.8%	(24.5%)	(70.9%)

*1 Profit attributable to owners of parent

(Million yen)	1Q FY2022 (Apr.–June)			2Q FY2022 (July–Sept.)			3Q FY2022 (Oct.–Dec.)		
	Actual results	% of net sales	YoY	Actual results	% of net sales	YoY	Actual results	% of net sales	YoY
Net sales	94,601	100.0%	(2.9%)	103,316	100.0%	(0.1%)	107,724	100.0%	+1.4%
Of which, sales at stores	75,944	80.3%	(0.2%)	84,181	81.5%	+0.9%	85,191	79.1%	+1.2%
Of which, sales in EC business	17,367	18.4%	(6.5%)	18,267	17.7%	(0.8%)	21,159	19.6%	+4.3%
Of which, other sales	1,290	1.4%	(52.8%)	868	0.8%	(42.9%)	1,373	1.3%	(20.5%)
Gross profit	24,820	26.2%	+1.2%	26,373	25.5%	+6.7%	26,651	24.7%	+8.8%
Selling, general and administrative expenses	23,429	24.8%	+10.0%	23,660	22.9%	+4.5%	24,637	22.9%	+6.7%
Operating income	1,391	1.5%	(56.9%)	2,713	2.6%	+30.4%	2,013	1.9%	+42.9%
Ordinary income	1,394	1.5%	(56.8%)	2,724	2.6%	(4.4%)	2,025	1.9%	+35.2%
Net income (*1)	1,016	1.1%	(48.5%)	1,990	1.9%	(4.8%)	1,135	1.1%	(7.4%)

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Continuing on, please look at the next page. This is the actual performance for Q4 of the accounting period.

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Earnings Summary for the Fiscal Year Ended March 31, 2023 (FY2022): 4

Sales by Product (YoY Change in Major Products)

(Million yen)	1Q FY2022 (Apr.–June)			2Q FY2022 (July–Sept.)			3Q FY2022 (Oct.–Dec.)			4Q FY2022 (Jan.–Mar.)			Full year FY2022 (Apr.–Mar.)		
	Actual results	% of net sales	YoY	**Actual results**	% of net sales	YoY	**Actual results**	% of net sales	YoY	**Actual results**	% of net sales	YoY	**Actual results**	% of net sales	YoY
TVs	**5,973**	6.3%	(12.2%)	**6,921**	6.7%	(16.9%)	**7,671**	7.1%	(8.9%)	**6,720**	6.5%	(8.9%)	**27,285**	6.7%	(11.8%)
Refrigerators	**6,481**	6.9%	+0.1%	**8,139**	7.9%	(3.6%)	**6,050**	5.6%	(6.7%)	**5,902**	5.7%	(0.2%)	**26,573**	6.5%	(2.7%)
Washing machines and vacuum cleaners	**8,651**	9.1%	(11.6%)	**9,958**	9.6%	(4.1%)	**9,249**	8.6%	(4.0%)	**9,584**	9.3%	(2.2%)	**37,443**	9.2%	(5.5%)
Microwave ovens and cookers	**3,871**	4.1%	(14.1%)	**3,871**	3.7%	(13.2%)	**4,758**	4.4%	(7.1%)	**4,641**	4.5%	(12.6%)	**17,142**	4.2%	(11.6%)
Air conditioners	**14,742**	15.6%	+9.4%	**14,437**	14.0%	+5.0%	**6,238**	5.8%	+7.9%	**5,828**	5.7%	(6.5%)	**41,246**	10.1%	+5.1%
Personal computers	**5,023**	5.3%	(11.5%)	**4,724**	4.6%	(9.3%)	**5,882**	5.5%	+0.4%	**8,044**	7.8%	(0.5%)	**23,674**	5.8%	(4.7%)
Mobile phones	**6,113**	6.5%	+20.5%	**6,824**	6.6%	+23.8%	**8,742**	8.1%	+21.7%	**11,649**	11.3%	+15.5%	**33,329**	8.2%	+19.6%
Games, models, toys, musical instruments	**11,060**	11.7%	(13.0%)	**15,042**	14.6%	+23.2%	**21,072**	19.6%	+13.0%	**16,796**	16.3%	+14.2%	**63,972**	15.7%	+9.8%

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Continuing on, please switch to page six. This is the sales by main product categories.

As for the full year sales by product category, many categories fell below the previous year, and the categories that were able to secure higher sales than the previous term were only air conditioners, mobile phones, and entertainment products, such as games/models.

Mobile phones, in particular, were able to secure consistently higher sales than the previous term, resulting in a roughly 20% increase in full year sales compared to the previous term and an expansion of the sales ratio, from 6.8% in the previous term to 8.2%.

Earnings Summary for the Fiscal Year Ended March 31, 2023 (FY2022): 5

Balance Sheet

(Million yen)	2022/03	2023/03	Change	(Million yen)	2022/03	2023/03	Change
Current assets	107,515	114,560	7,045	Current liabilities	78,046	84,376	6,330
Tangible assets	73,300	75,085	1,784	Non-current liabilities	40,729	38,143	(2,586)
Intangible assets	2,405	2,471	65	Total liabilities	118,776	122,520	3,743
Investment, other assets	34,195	31,100	(3,095)				
Non-current assets	109,902	108,657	(1,244)	Total net assets	98,641	100,698	2,056
Total assets	217,417	223,218	5,800	Total liabilities and net assets	217,417	223,218	5,800
(Reference)							
Total interest-bearing liabilities	40,017	45,964	5,947	Total net interest-bearing liabilities*	37,656	43,194	5,538

*Total net interest-bearing liabilities: Interest-bearing liabilities less cash and deposits

Cash Flows

(Million yen)	2022/03	2023/03	Change
Cash flow from operating activities (a)	1,442	7,119	5,676
Cash flow from investing activities (b)	(9,573)	(9,070)	502
(Free cash flow (a) + (b))	(8,130)	(1,951)	6,179
Cash flow from financing activities	1,873	2,360	487
Cash and cash equivalents at end of period	2,360	2,769	409

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Continuing on, please look at page seven. This shows the actual performance of key items in the balance sheet and cash flow statement.

In the assets section of the balance sheet, there was an increase of about JPY5.8 billion in total due to factors, such as an increase in current assets resulting from an increase in merchandise.

In the liabilities section, we proceeded with the repayment of long-term loans while increasing current liabilities, such as commercial paper and accounts payable.

In the cash flow statement, the cash flow from operating activities was an inflow of JPY5.6 billion.

Cash flow from investing activities also improved by JPY6.2 billion due to a decrease in expenditures, resulting in a free cash flow of negative JPY1.9 billion.

Full-year Forecast for the Fiscal Year Ending March 31, 2024 (FY2023)

Consolidated Income Statement (Full-year Forecast)

(Million yen)	Full-year FY2022 (Apr.– Mar.)		Full-year FY2023 (Apr.– Mar.)		
	Actual results	% of net sales	Forecast	% of net sales	YoY
Net sales	408,460	100.0%	410,000	100.0%	+0.4%
Operating income	8,311	2.0%	9,000	2.2%	+8.3%
Ordinary income	8,317	2.0%	9,000	2.2%	+8.2%
Net income (*1)	4,972	1.2%	6,000	1.5%	+20.7%

*1 Profit attributable to owners of parent

Forecast for First Half (Apr.–Sept.) and Second Half (Oct.–Mar.)

(Million yen)	First half of FY2022 (Apr.–Sept.)		First half of FY2023 (Apr.–Sept.)			Second half of FY2022 (Oct.–Mar.)		Second half of FY2023 (Oct.–Mar.)		
	Actual results	% of net sales	Forecast	% of net sales	YoY	Actual results	% of net sales	Forecast	% of net sales	YoY
Net sales	197,918	100.0%	198,000	100.0%	+0.0%	210,541	100.0%	212,000	100.0%	+0.7%
Operating income	4,104	2.1%	4,200	2.1%	+2.3%	4,206	2.0%	4,800	2.3%	+14.1%
Ordinary income	4,119	2.1%	4,200	2.1%	+2.0%	4,198	2.0%	4,800	2.3%	+14.3%
Net income (*1)	3,006	1.5%	3,100	1.6%	+3.1%	1,965	0.9%	2,900	1.4%	+47.5%

*1 Profit attributable to owners of parent

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Continuing on, please look at page eight. This is the forecast for the full year, H1, and H2 of FY2023.

For the full FY2023, we forecast increases in all items, with net sales of JPY410 billion, operating income of JPY9 billion, ordinary income of JPY9 billion, and net income of JPY6 billion.

We expect the operating income margin to improve by 0.2%, from 2% in the previous term to 2.2%.

While net sales are expected to remain almost the same as in the previous term, operating income is expected to increase by 8%.

In FY2023, as in the previous term, we expect to increase expenditures for selling, general, and administrative expenses, including investment in human capital, but we aim to achieve a gross profit that exceeds the expenditures for these expenses.

The explanation for the full year financial results for FY2022 and the full year forecast for FY2023 ends here.

From here, I will explain about the new medium-term management plan, the JT-2025 Management Plan.

As you are already aware, a notice was sent out on March 31, 2023 from JPX asking for measures towards the realization of management that is conscious of capital costs and stock prices.

All companies listed on the Prime Market, to which our company belongs, are required to accurately understand their own capital costs and profitability, analyze and evaluate the current situation at the Board of Directors, and promptly formulate and disclose plans for improving the P/B ratio below 1x.

Our company positions the JT-2025 Management Plan, which I will explain from now on, as a plan aimed at improving in response to the request from JPX.

Based on the JT-2025 Management Plan, we will carry out active engagement with investors in Japan and abroad and aim to strengthen our management capabilities through dialogue. We will also analyze the status of the initiatives and results of the JT-2025 Management Plan and update our disclosure information regularly.

Review of the Previous Medium-term Management Plan "JT-2023": 1. Quantitative Goals

(Million yen)	FY2019 ※Final year of the former mid-term plan	Targets for the final fiscal year (FY2022)							
		% of net sales	(1) Initial plan	(2) Revised plan	(3) Latest plan	Actual results	% of net sales	% of FY2019	% of latest plan
Net sales	415,643	100.0%	435,000	450,000	420,000	408,460	100.0%	(1.7%)	(2.7%)
Of which, sales in EC business	57,134	13.7%	70,000	80,000	80,000	75,552	18.5%	+32.2%	(5.6%)
Gross profit	100,604	24.2%	–	–	–	103,802	25.4%	+3.2%	-
Selling, general and administrative expenses	91,624	22.0%	–	–	–	95,491	23.4%	+4.2%	-
Operating income	8,979	2.2%	11,500	16,500	10,000	8,311	2.0%	(7.4%)	(16.9%)
Ordinary income	8,900	2.1%	11,500	16,500	10,000	8,317	2.0%	(6.6%)	(16.8%)
Net income (*1)	5,418	1.3%	–	–	–	4,972	1.2%	(8.2%)	(29.0%)
*1 Profit attributable to owners of parent									
Equity ratio	45.2%	–	45.0% or higher	45.0% or higher	45.0% or higher	45.1%	–	(0.1pt)	+0.1pt
ROE	6.2%	–	7.0% or higher	9.0% or higher	7.0% or higher	5.0%	–	(1.2pt)	(2.0pt)
ROA	4.4%	–	5.0% or higher	7.0% or higher	5.0% or higher	3.8%	–	(0.6pt)	(1.2pt)
ROIC	4.3%	–	5.0% or higher	7.0% or higher	5.0% or higher	3.7%	–	(0.6pt)	(1.3pt)
Payout ratio	24.6%	–	Around 30.0%	Around 30.0%	Around 30.0%	40.2%	–	+15.6pt	+10.2pt

*(1) Initial plan released on Aug.7, 2020; (2) Revised plan released on May 7, 2021; (3) Latest plan released on May 6, 2022

(Million yen)	Total for the three years (FY2020–FY2022)	
	Initial plan	Actual results
Total operating CF	40.0–45.0 billion yen	343

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First, let me start by looking back at the previous medium-term plan, the JT-2023 Management Plan.

Please look at page 11. This is a review of the quantitative targets in the JT-2023 Management Plan.

The three years from FY2020, which marked the start of the JT-2023 Management Plan, saw tumultuous events, such as the pandemic caused by COVID-19, the invasion of Ukraine by Russia, soaring energy and food prices, and the trend of yen depreciation.

In FY2020, we achieved significant growth in performance due to special demand for staying at home due to the COVID-19 crisis, but in FY2021, we saw a significant drop in performance due to the long-term effects of the infection. FY2022, the final year, did not recover, and both sales and profit items fell short of the plan.

Compared to FY2019, the final year of the previous medium-term management plan, sales decreased due to a reduction in the total number of stores as a result of the promotion of scrap-and-build of existing stores based on the dominant strategy and the transfer of operations of six drugstore-format stores.

On the other hand, gross profit increased, and the gross profit margin also improved from 24.2% to 25.4%. This is seen as the result of the efforts to strengthen the profitability of in-store sales over the past three years.

As for internet sales, although we fell short of our plan, we were able to increase sales by more than 30% over the three years.

We achieved our equity ratio target, but ROE, ROA, and ROIC fell significantly short of our plan.

All of these indicators were affected by the decline in each profit item that makes up the numerator, the increase in net assets, which is the denominator in ROE due to the accumulation of retained earnings, and the increase in interest-bearing debt and total assets, which are the denominator in ROA and ROIC due to the increase in merchandise inventory.

As a clarification, the increase in merchandise inventory is due to an increase in unit price due to a price increase in product prices, and the number of goods themselves has not increased.

As for cumulative operating cash flow, we were unable to achieve our initial plan, but within the limited cash available, we were able to steadily implement growth investments that will lead to future business growth, including the establishment of a new logistics center in Ibaraki, Kansai.

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Review of the Previous Medium-term Management Plan “JT-2023”: 2. Key Measures

Key measures	Outcome	Tasks
➢ Consolidated the two logistics centers in the Kansai region into the Kansai Ibaraki Logistics Center ➢ It is located inland, which is superior in terms of business continuity when a major disaster occurs, and is ideal for wide coverage of western Japan ➢ Improvement of inventory efficiency anticipating expansion of the EC business ● Stocked items: Up 20% ● EC shipment capacity: Up 100% ● Total inventory amount: Down 10% ● Transport vehicles: Down 10%	➢ Started full-scale operation as a highly efficient logistics center that integrates the supply function, inventory stockpiling function, and EC shipment function for sales and delivery bases ➢ While the premises changed due to changes in external environment such as semiconductor shortage caused by the Covid-19 pandemic and increases in product prices resulting from the yen's depreciation and soaring resource and material costs, improvement in business continuity, operational efficiency, and EC shipment capacity	➢ Further enhancement of logistic function assuming expansion in shipment volume of EC
➢ Target of a 20% decline in expenses through reduction of paper-based sales promotion (flyers, DM) and advancement of digital sales promotion	➢ Reduced advertising expenses by about 30% through digitization (vs. FY2019)	➢ Improvement in corporate brand recognition assuming expansion in shipment volume of EC ➢ Implementation of one-to-one marketing through deepening of marketing automation
➢ Improve functions of the Joshin app, diversification of settlement methods, active introduction of new common points, etc. to strengthen customer convenience	➢ Introduced Kids Members (a Joshin app system for children) ➢ Launched a lottery-based sales function for popular products and a function for checking how crowded a store is ➢ Introduced the Ponta (P) point program Enhanced convenience along with Rakuten (R) and Docomo (d)	➢ Strengthening of customer convenience going beyond the boundary between stores and EC
➢ Marketing through sharing of customer data and O2O[*1] cross marketing *1 Abbreviation of “online (offline) to offline (online)”	➢ Implemented the O2O campaign with Rakuten ➢ Opened a virtual renovation shop	➢ Deepening from O2O to OMO *2 Abbreviation of “online merges with offline”

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Next, please look at page 12. This is a review of the key initiatives in the JT-2023 Management Plan. First, I will explain the achievements and challenges of the key business initiatives in the JT-2023 Management Plan.

The Kansai Ibaraki Logistics Center, which was positioned as the most important initiative in the JT-2023 Management Plan, was completed as planned and we were able to start operations.

As a highly efficient logistics center that integrates supply functions to sales and distribution bases, inventory stockpiling functions, and e-commerce, EC, shipping functions, I am confident that it will support future business growth and lead our logistics functions.

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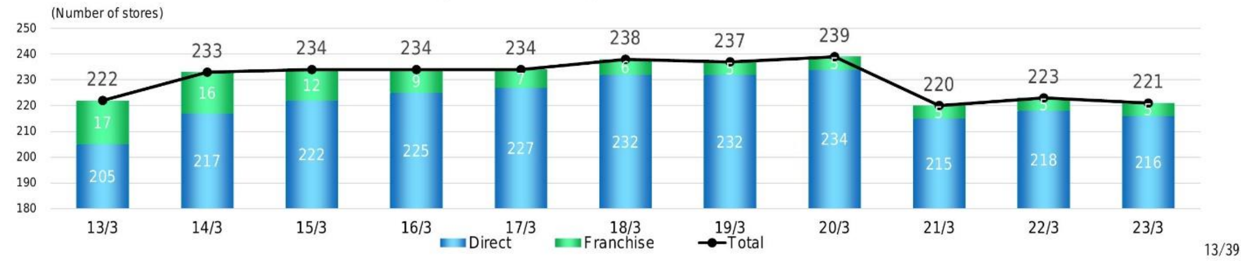
Review of the Previous Medium-term Management Plan "JT-2023": 3. Key Measures

Key measures	Outcome	Tasks
➢ Focus on vitalization of store networks and become dominant in Kansai, Tokai, Kanto, and Hokushinetsu areas ➢ Active renovation of existing stores, scrap and build, promotion of seamless operation with the EC business, enhance service infrastructure of delivery, installation, repair, etc.	➢ "Consolidated 234 directly managed stores into 216 through scrap and build including BCP measures and integration of store brands" ➢ Newly opened stores: 8 ➢ Newly opened stores involving relocation: 11 ➢ Vitalization of existing stores through renovation: 134	➢ "Strengthening of store network assuming synergy with EC"

Changes in the number of stores during the "JT-2023" period

	FY2020	FY2021	FY2022	JT-2023 period
Newly opened stores	Up 2	Up 5	Up 1	Up 8
Newly opened stores involving relocation	Up 4	Up 3	Up 4	Up 11
Withdrawal	*Down 25	Down 5	Down 7	Down 37
Change in total number of stores	**Down 19**	**Up 3**	**Down 2**	**Down 18**

*Including business transfer of 6 drugstore-format stores



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Next, please look at page 13. This is about the results and challenges of our key store opening initiatives.

We have been promoting new store openings and scrap-and-build of existing stores with the aim of activating and dominating the store network in the Kansai, Tokai, Kanto, and Hokushinetsu areas.

As a result, the number of directly managed stores decreased from 234 to 216 due to the withdrawal of old seismic standard stores considering employee safety, along with the transfer of operations of six drugstore-format stores. However, we were able to minimize the decrease in sales by strengthening our sales force through improved customer service.

Joshin

Review of the Previous Medium-term Management Plan "JT-2023": 4. Sustainability-related Initiatives

Key measures	Outcome	Tasks
➢ Strengthen proposals of energy-generating, energy-storing, and energy-saving products and services ➢ Introduce shopping bags made of a new material ➢ Review power source mix by promoting introduction of photovoltaic systems ➢ Greening of store parking lots ➢ Promote introduction of electric vehicle charging systems	➢ Number of stores that have introduced photovoltaic systems: 60 business sites ➢ GHG emission reduction vs. FY2013: down 63.4% ➢ Calculated Scope 3 emissions to grasp overall picture ➢ Received third-party assurances for Scope 1 and 2 emissions ➢ Sales target for environmentally friendly products: achieved 41.5% against the target of 40% or more of sales ➢ Implemented the Task Force on Climate-related Financial Disclosures (TCFD) scenario analysis ➢ Received B rating in CDP Climate Change Program ➢ Established Sustainability Promotion Office	➢ Formulation of transition plan based on TCFD recommendations ➢ Initiatives for acquisition of SBTi certification and setting goals ➢ Initiatives for improving rating in the CDP Climate Change Program ➢ Responses to Taskforce on Nature-related Financial Disclosures (TNFD)
➢ Promote smart work and health and productivity management through workstyle reform and utilization of IT ➢ Improve productivity and boost job satisfaction through maximization of organizational performance	➢ Endorsed UN Global Compact ➢ Formulated the Joshin Group Human Rights Policy ➢ Established Diversity Promotion Office and Health and Productivity Management Promotion Office ➢ Transition to retirement age of 65 (raising retirement age by one year every year until 2025) ➢ Increased ikumen (child-rearing men) leave (paid leave for child-rearing purposes) to 28 days ➢ Raised the age limit of children for utilizing shorter working hours for child care (till the child graduates from junior high school) ➢ Started introducing self-checkout system ➢ Strengthened installation of digital signages	➢ Enhancement of employee engagement ➢ Initiatives to strengthen hiring of employees and ensuring diversity (age, gender, mid-career hiring, foreigners, etc.) ➢ Development of education program for improving business specialization of employees

Renewable energy conversion ratio

Target	Conversion ratio *as of Mar. 31, 2023	Carbon neutrality goals
All business sites including tenants	59.4%	100% by 2040
Of which, business sites for which the Company has signed contracts directly with power suppliers	97.4%	100% by 2023

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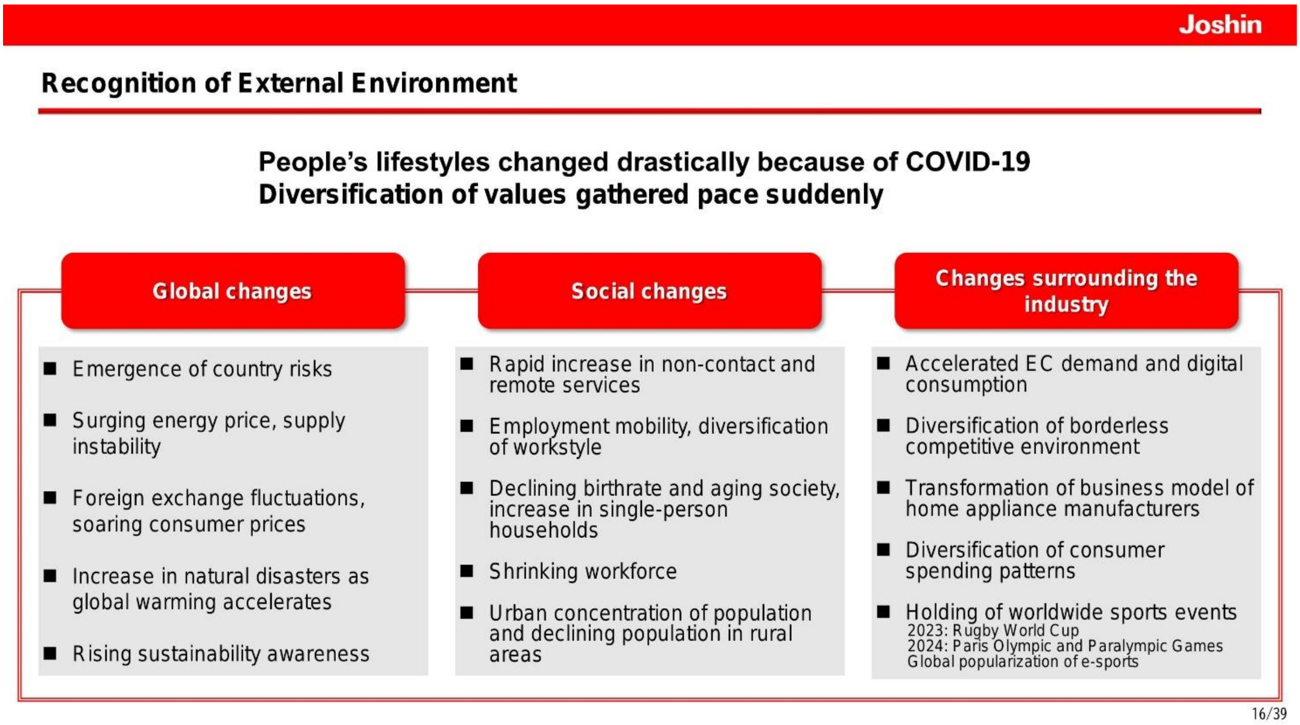
Next, please look at page 14. This is about the results and challenges of our sustainability initiatives.

In the environmental field, we have started various initiatives related to climate change, and especially in terms of carbon neutrality, we have been able to achieve steady results.

In the social field, we have steadily advanced initiatives to reform the way our employees work and improve their job satisfaction, and we have been able to establish a foundation for enhancing employee engagement.



Next, let me explain our perception of the operating environment, which serves as a premise for formulating the new medium-term management plan. Please look at page 16.

The outbreak of the pandemic caused by COVID-19 has dramatically changed people's lifestyles and accelerated the diversification of values. Three years after the pandemic, it is believed that we are transitioning to a post-coronavirus period where economic and social activities are no longer restricted by the COVID-19 disaster and the economy is not influenced by the infection situation.

Globally, country risks, such as Russia's invasion of Ukraine, have become apparent, and soaring prices of energy and food, which are directly linked to lifelines, are continuing, making the future increasingly uncertain.

Looking at Japan, changes that directly affect our business, such as a decrease in the working population due to the declining birthrate and aging population, and concentration of population in urban areas, are accelerating.

Also, the environment surrounding the consumer electronics distribution industry is rapidly changing, with the acceleration of digital consumption, including EC, diversification of the competitive environment due to entry from different industries, and changes in business models, such as direct sales by consumer electronics manufacturers.

On various scales, continuous and unpredictable changes from the past are occurring, and for our company to survive, evolution to a sustainable business model is required.

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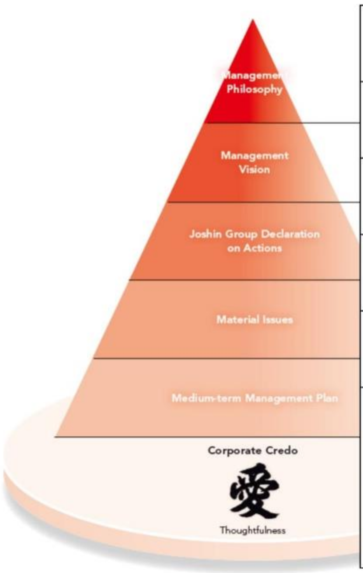
Next, please look at page 17. Now, let me explain the new medium-term management plan, the JT-2025 Management Plan, which covers the three years from FY2023 to 2025.

From this time, we have changed the notation, from indicating the year and month of the fiscal year, to only the fiscal year, and we have changed to the new three-year medium-term management plan, the JT-2025 Management Plan, with FY2025 as the final year.

Positioning in Management Policy Structure



Management Philosophy	Connecting people and society to the future with a smile
Management Vision	Becoming an infrastructure hub for a better life through the power of home appliances and ICT
Creation of Twin Social Values	"Supporting and strengthening resilience in our aging society" "Achieving carbon neutrality in the home"
Joshin Group Declaration on Actions	Five basic policies for action by each one of us
Material Issues	Seven material issues for creating corporate value
Medium-term Management Plan "JT-2025 Management Plan"	Ideal form of the Company in 2030 "A company that supports growth of local communities and contributes to the future of people and environment"
	Eight years through FY2030 is set as one package JT-2025 (Second Step) ⇒ Next Medium-Term Management Plan (Jump)

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Now, please turn to page 18. I will explain the positioning of the JT-2025 Management Plan in the management policy structure.

In 2021, our company reconsidered the future from a long-term perspective, envisioned what our company should be, and revised our management philosophy to "Connecting people and society to the future with a smile" for the first time in 57 years.

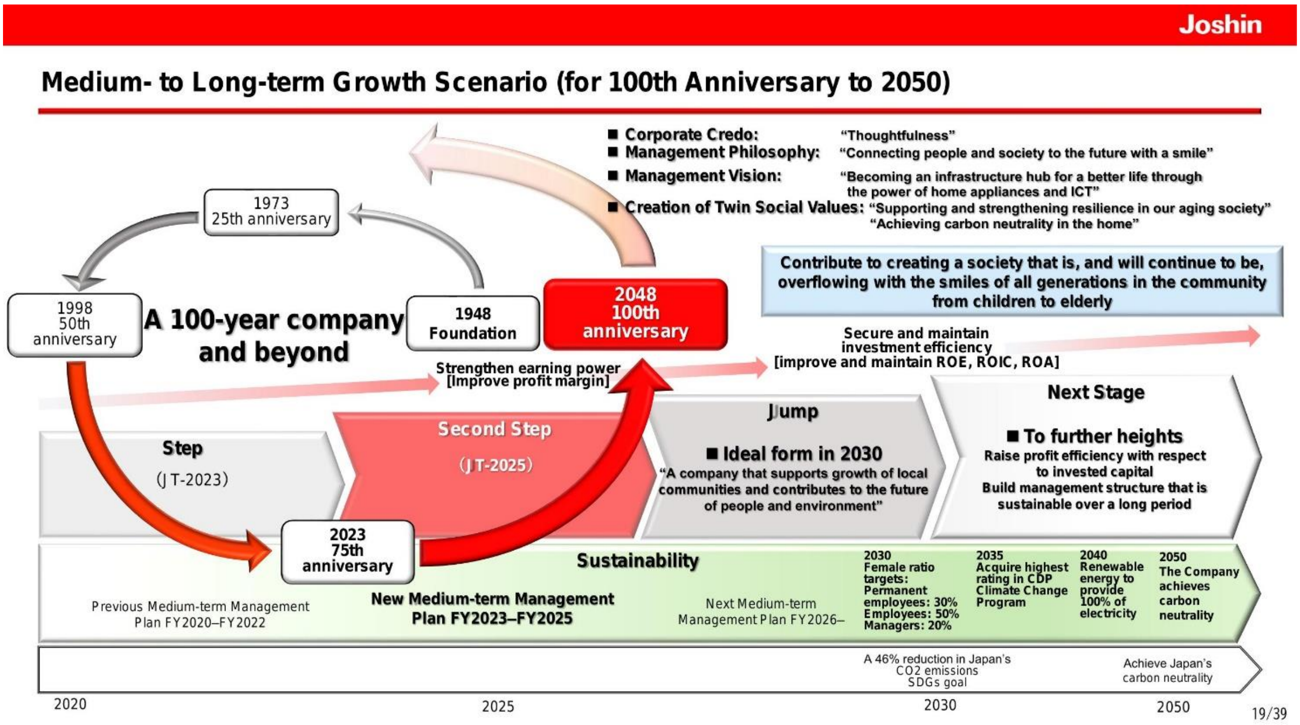
Under this new management philosophy, we defined a management vision to create two social values and identified seven material issues as important issues to be addressed.

In last year's integrated report, we announced a management philosophy system based on the corporate motto "love" and also indicated the position of the medium-term management plan within it.

This medium-term management plan is positioned as a package for the eight years up to 2030, and we have been considering what we should do in these three years, backcasting our thinking in order to achieve our desired state in 2030, "A company that supports growth of local communities and contributes to the future of people and environment."

The JT-2023 Management Plan, which was positioned as a step, was unable to build a sufficient foundation to jump due to the impact of COVID-19.

The JT-2025 Management Plan is a three-year plan that is positioned as the second step, looking ahead to the leap to our desired state in 2030.



Now, please turn to page 19. I will explain the positioning of the JT-2025 Management Plan in the medium- to long-term growth scenario.

This year, our company has been able to celebrate its 75th anniversary since its founding. We have positioned the 25 years until 2048, our 100th anniversary, as the fourth corner and have formulated a medium- to long-term growth scenario.

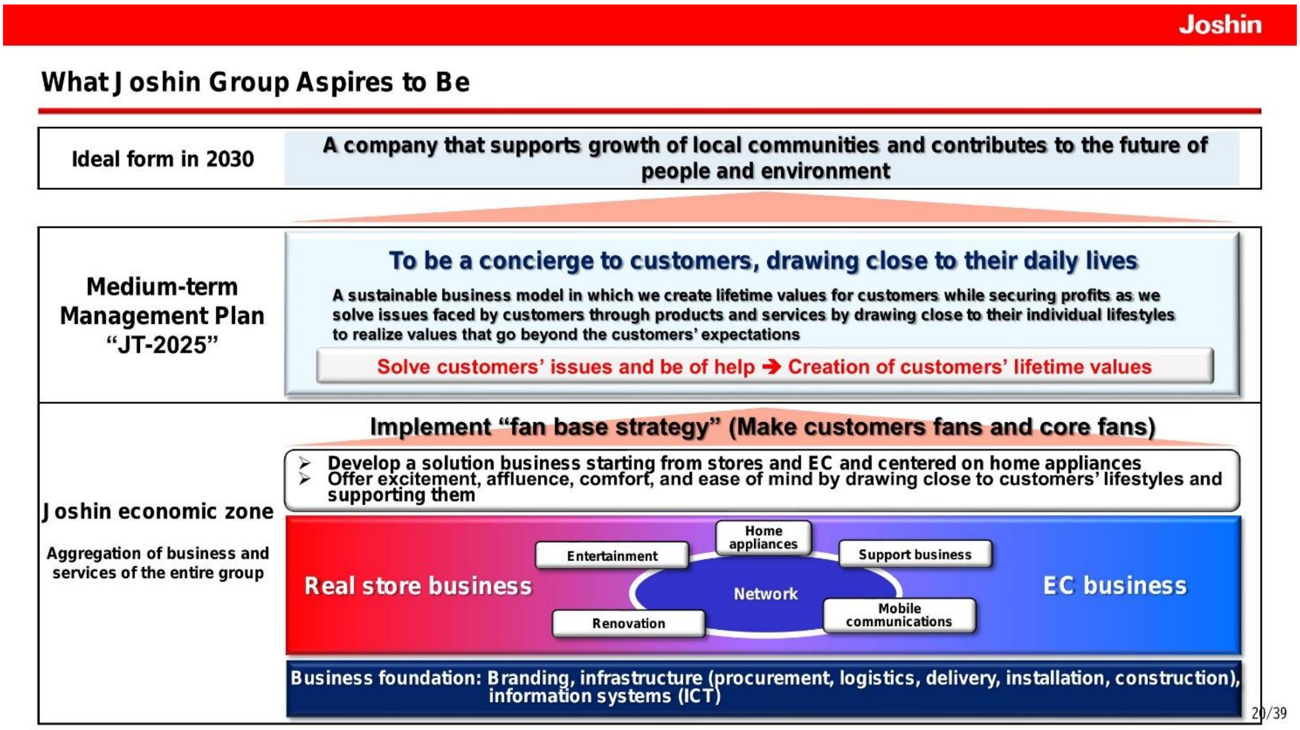
In order for our company to enhance its corporate value and achieve sustainable growth, it is required to continue a cycle of securing profit efficiency that exceeds invested capital, reinvesting the output generated, and continuously producing further returns.

By steadily implementing the JT-2025 Management Plan based on the medium- to long-term growth scenario, we believe that strengthening profitability and securing expectations for future growth will lead to stock price increases through the acquisition of risk money, expansion of market capitalization, and ultimately, a path to a P/B ratio of over 1.

Therefore, in the JT-2025 Management Plan, we will first focus on strengthening profitability, or so-called earning power. From there, we aim to transition to a muscular and sustainable management structure that can consistently secure high investment efficiency.

We believe that by creating an economic growth cycle through solving social issues in our business, we can contribute to a society where everyone, from children to the elderly, all generations living in the local community, can have a present and future filled with smiles.

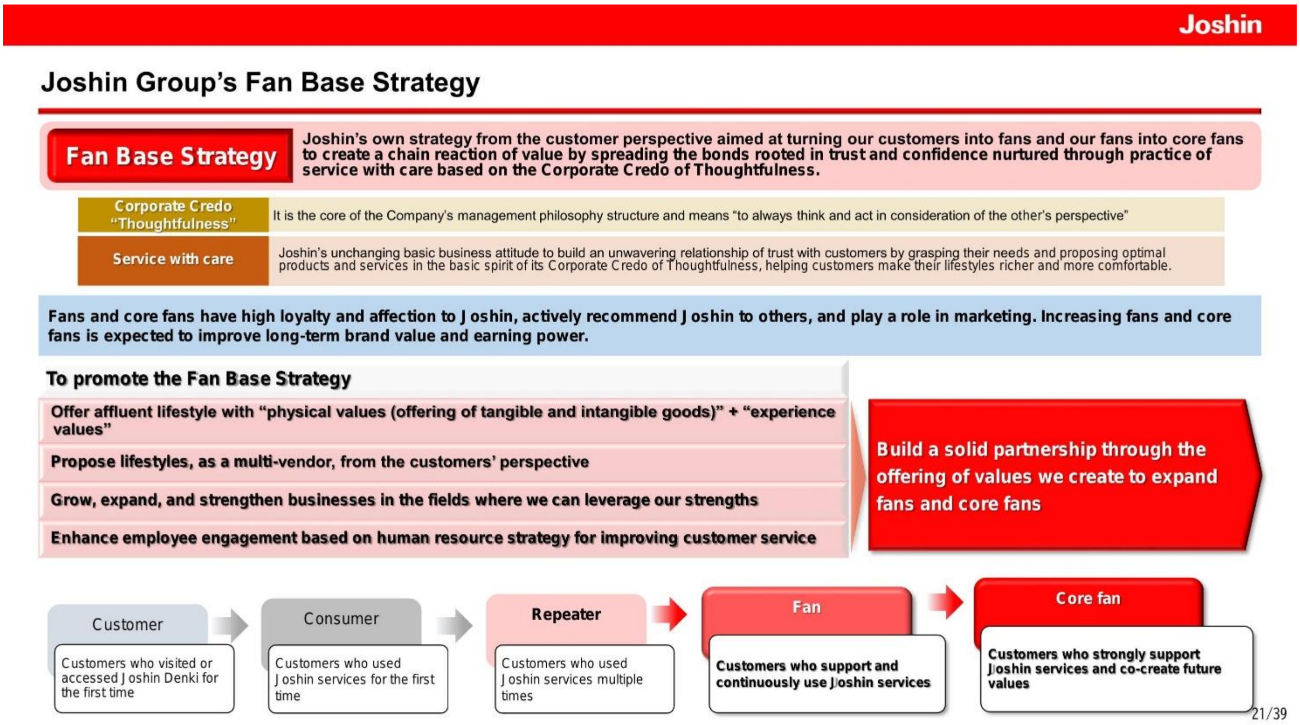
We are confident that by continuing such a cycle, our company can continue as a 100-year company and pass the baton on to the future.



Now, please turn to page 20. I will explain the vision we aim for in the JT-2025 Management Plan.

In the JT-2025 Management Plan, we have set our slogan as "To be a concierge to customers, drawing close to their daily lives."

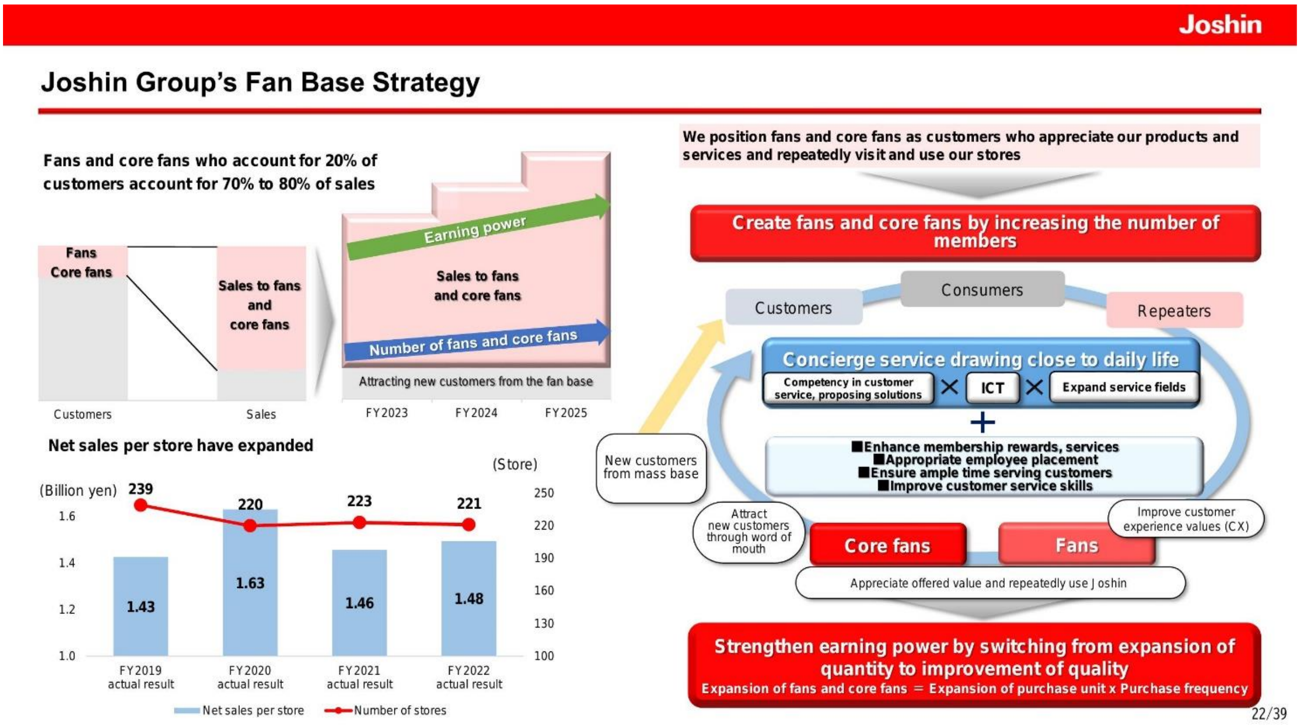
By aligning with each customer's lifestyle and solving issues through our products and services, we aim to exceed customer expectations and create value. By evolving into a sustainable business model that generates customer lifetime value and secures revenue, we aim to strengthen our earning power. The key to this evolution is the implementation of a fan base strategy.



Next, please turn to page 21. I will explain the fan base strategy. The fan base strategy is a unique customer-oriented strategy aiming to expand the circle of trust built through sincere service based on our corporate philosophy of "love" and to create a value chain through the fan formation and core fan formation of our customers.

Fans and core fans are those who have high loyalty and attachment to our company, actively recommend our company to others, and become the bearers of our marketing. Increasing the number of fans and core fans can lead to long-term improvements in brand value and earning power.

To promote the fan base strategy, we will practice four key areas providing experiential value, such as excitement, security, and comfort through products and services, prioritizing customer benefits and implementing customer-oriented proposals, strengthening our business in areas where we can utilize our strengths to meet customer needs, and enhancing employee engagement to support the fan base strategy.



Next, please turn to page 22. I will explain how the fan base strategy leads to the strengthening of earning power.

Fans and core fans are customers who appreciate not only the price but also the products and services we provide and who visit and use our services repeatedly. Since fans and core fans are based on our members, we will promote initiatives aimed at creating fans and core fans through the expansion of our membership. To do this, it is necessary to promote the concierge service, which is the slogan of the JT-2025 Management Plan, "To be a concierge to customers, drawing close to their daily lives."

Concierge service is about building a continuous, closer relationship with customers by polishing our hospitality and proposal skills, expanding the service domain to enrich the available menu, and utilizing customer data, which is our asset, through the power of ICT.

In addition to the concierge service, we will promote initiatives to enhance member benefits, service offerings, and overall hospitality, ensuring high levels of customer service quality.

We believe that in the face of a declining population, simply expanding the number of stores without securing employees will ultimately result in a drop in customer service quality and will not secure a return on the invested capital.

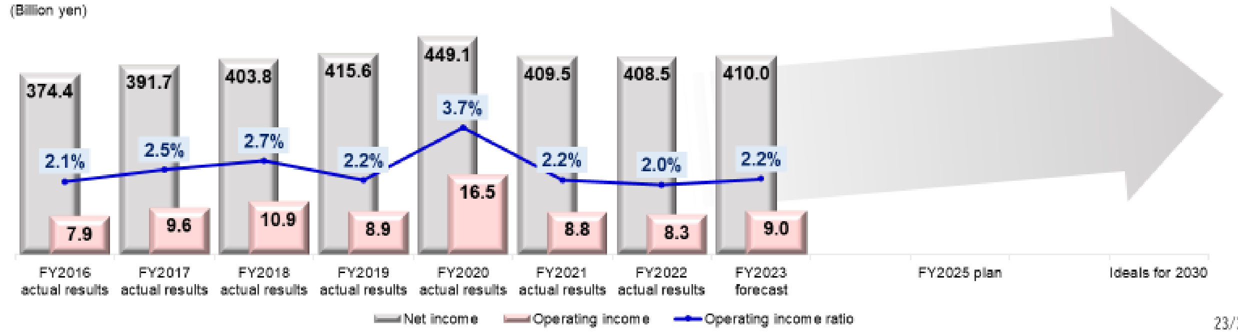
Over the past few years, our company has avoided aggressive store opening strategies and focused on the scrap-and-build of existing stores, such as those with outdated seismic standards. As a result, the number of stores has remained flat, but the sales per store have increased due to our focus on customer service.

By implementing the fan base strategy, we aim to shift our focus, from merely expanding our sales volume through low-profit sales, to increasing sales while also improving quality, as reflected by our earning power.

Consolidated Management Indices

Raise operating income ratio by strengthening earning power with focus on profit efficiency to build a foundation for improving and maintaining investment efficiency.

(Billion yen)	FY2022 actual result	FY2023 forecast	FY2025 plan	Ideal form in FY2030
Net sales	408.5	410.0	420.0	Operating profit margin Aim for 4.0% level
Operating income ratio	2.0%	2.2%	2.6%	
Operating income	8.3	9.0	11.0	



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Next, please turn to page 23. I will explain the consolidated management indicators.

For FY2025, which is the final year of the JT-2025 Management Plan, we aim for sales of JPY420 billion, operating income of JPY11 billion, and an operating income margin of 2.6%.

The most important factor for strengthening profitability is the operating income margin, and we aim to raise it to the 4% level by FY2030.

Operating income is calculated by subtracting selling, general, and administrative expenses from gross profit. Expenses include forward-looking investments essential for future sustainable growth, such as human capital and DX, so selling, general, and administrative expenses tend to increase year by year.

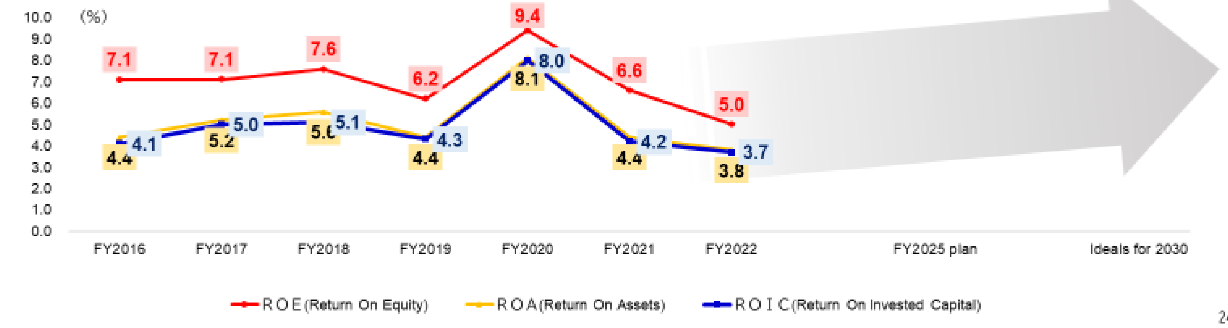
We aim to increase the operating income margin by gaining gross profit that exceeds these SG&A expenses. Therefore, it is necessary to expand sales with profitability through a fan base strategy.

Capital Efficiency Indices

We aim to improve corporate value by ensuring ROE exceeding cost of equity and ROIC exceeding weighted average cost of capital and by maintaining them long term

	FY2022 actual results	FY2025 plan	Ideal form in FY2030
ROE	5.0%	8.0% or higher	Aim for 10.0% or more
ROA	3.8%	5.0% or higher	Aim for 7.0% or more
ROIC*1	3.7%	5.0% or higher	Aim for 7.0% or more

*1 ROIC (return on invested capital) = (Operating income ×0.65) ÷ (Interest-bearing liabilities +equity) assuming effective tax rate at 35%



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Next, please turn to page 24. I will explain the indicators related to capital efficiency.

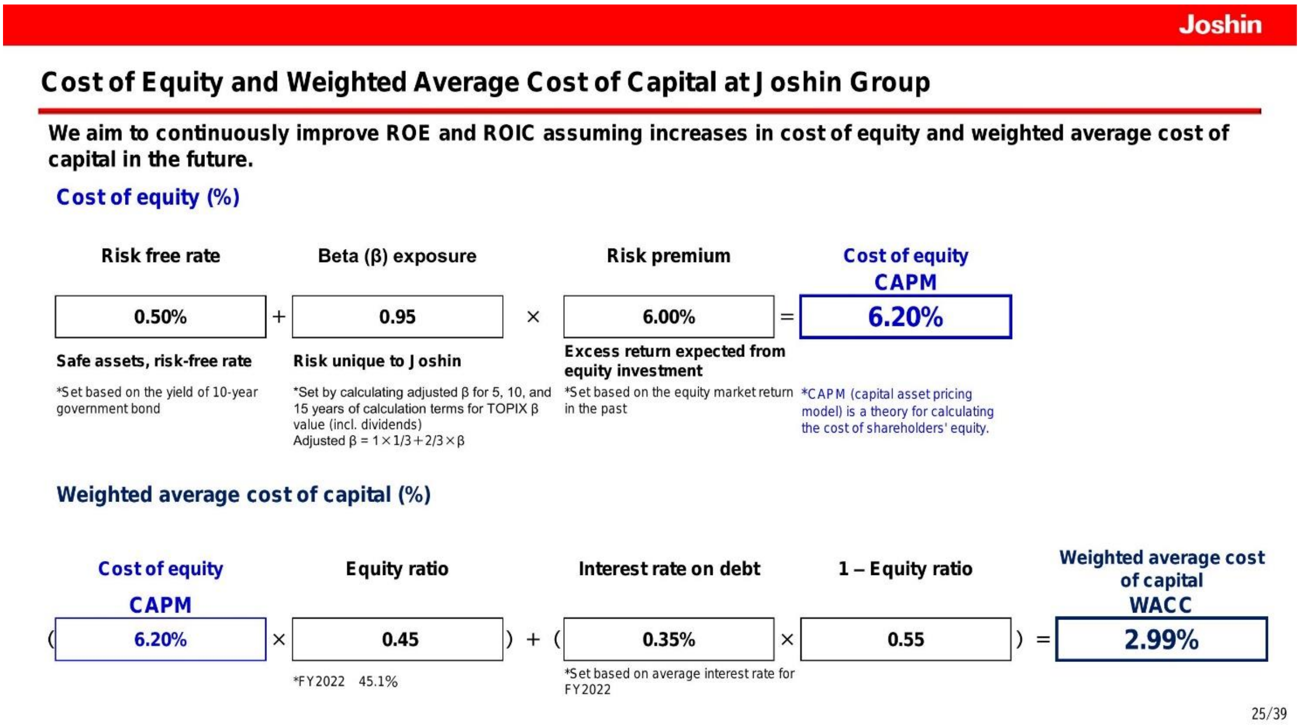
By the final year of the JT-2025 Management Plan, FY2025, we aim for an ROE of 8% or higher, an ROA of 5% or higher, and an ROIC of 5% or higher.

When formulating this plan, we calculated the cost of shareholder's equity and the weighted average cost of capital for our company, and it is a plan in which our returns would exceed these invested capitals.

In any of these indicators, we aim to achieve not by the denominator, but by expanding the operating income that is the basis of the numerator.

Ensuring a profit efficiency that exceeds the invested capital and continuing it over the long term will increase our corporate value and become a driver for sustainable growth.

To continue at a high level in 2030 and beyond, it will be necessary to strengthen the earning power during the JT-2025 Management Plan period.



Next, please turn to page 25. I will explain the cost of shareholder's equity and the weighted average cost of capital in the Joshin Group.

To set the ROE and ROIC goals outlined in the JT-2025 Management Plan, we calculated our company's cost of shareholder's equity and the weighted average cost of capital. The calculation method is as you see.

In calculating the cost of shareholder's equity, we also referred to the allowable range of fluctuations in long-term interest rates in the yield curve control implemented by the Bank of Japan, which is plus or minus 0.5%, based on the yield of 10-year government bonds.

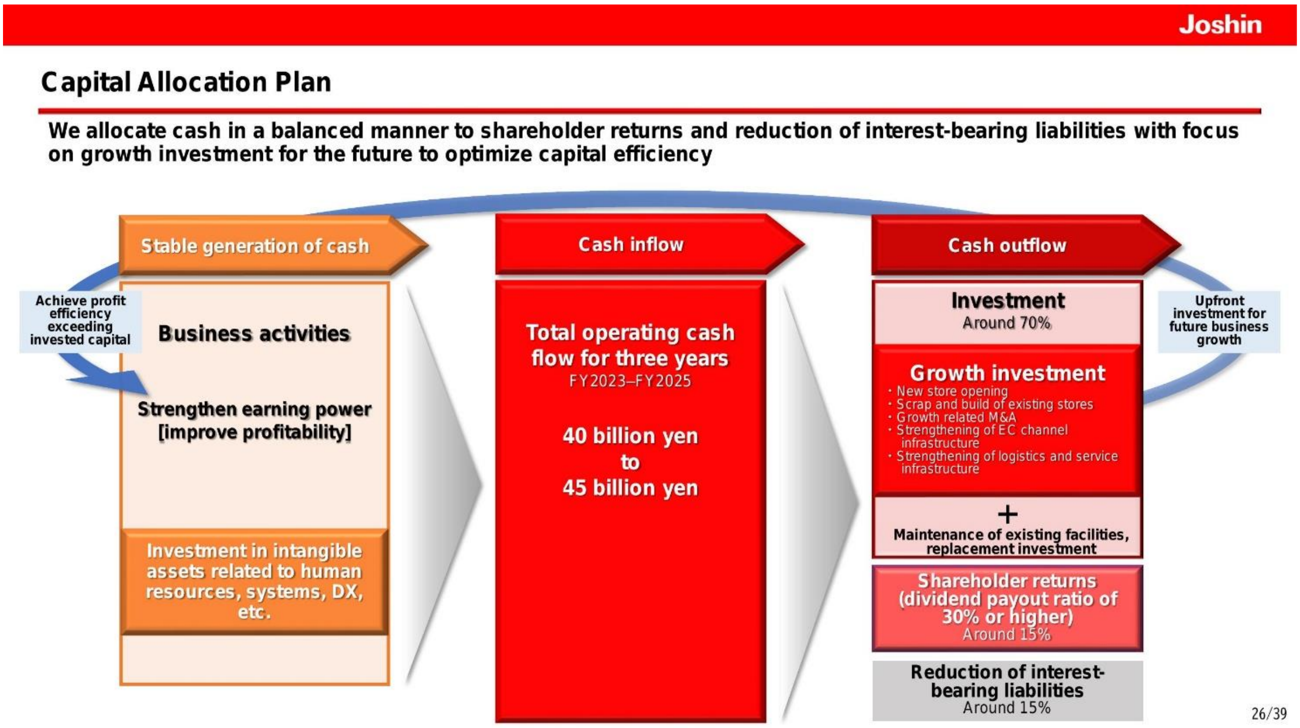
As for beta, we have based it on the adjusted beta values for the 5-year, 10-year, and 15-year calculation periods against TOPIX.

Our company's stock price has less fluctuations than the TOPIX index, resulting in a low beta value.

The risk premium was estimated from past stock market returns and set at 6%, which is commonly used.

We assume that by promoting the JT-2025 Management Plan and securing expectations for future growth, risk money leading to a rise in stock prices will flow in, pushing up beta, and future cost of shareholder's equity and the weighted average cost of capital will also rise.

Unfortunately, the most recent ROE was below the cost of shareholder's equity, but we will strive to maintain an ROE and ROIC that exceed not only the current but also the future increase in capital costs.



Moving on, please turn to page 26, where I will discuss our capital allocation plans.

For us, a labor-intensive business, our employees are our most important capital, and we recognize that investing to maximize the potential of our employees is our top priority. This investment in human capital as well as intangible assets, such as systems and DX, is positioned as an essential upfront investment to practice our fan base strategy.

Such investments will be recorded as selling, general, and administrative expenses, so we aim to generate stable cash by enhancing profitability, net of investments in intangible assets, in business activities. We anticipate cash inflows from cumulative operating cash flows over the three years of the JT-2025 Management Plan to be between JPY40 billion and JPY45 billion.

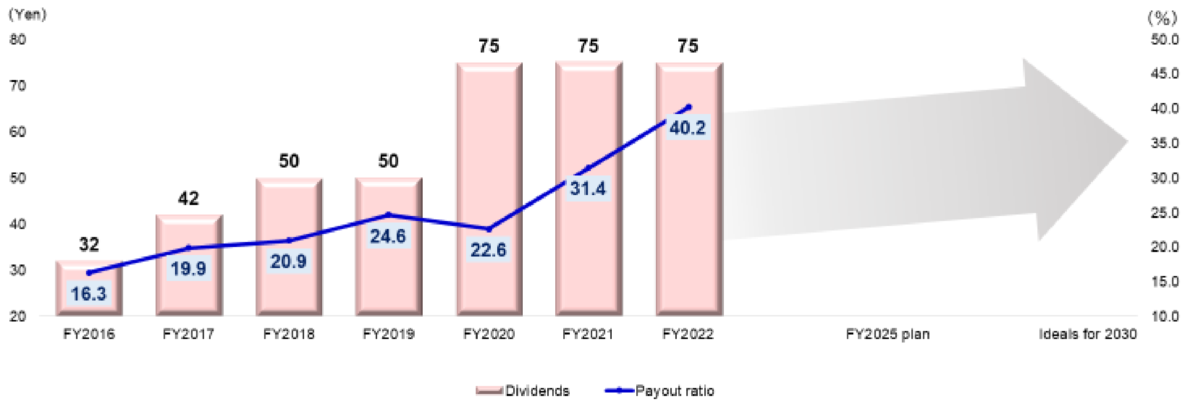
Regarding cash outflows, we aim to balance our allocations towards growth investments for the future, shareholder returns, and reduction of interest-bearing liabilities, all while optimizing capital efficiency.

Investments in intangible assets and growth are considered upfront investments, leading to future business growth beyond the JT-2025 Management Plan. By achieving a profit efficiency that exceeds the capital invested and spinning the economic growth cycle, we can promote mid- to long-term growth scenarios.

Shareholder Returns

We will ensure stable and continuous returns by setting a dividend payout ratio of roughly 30% or higher

	FY2022 actual result	FY2025 plan	Ideal form in FY2030
Payout ratio	40.2%	30.0% or higher	Maintain 30% or more

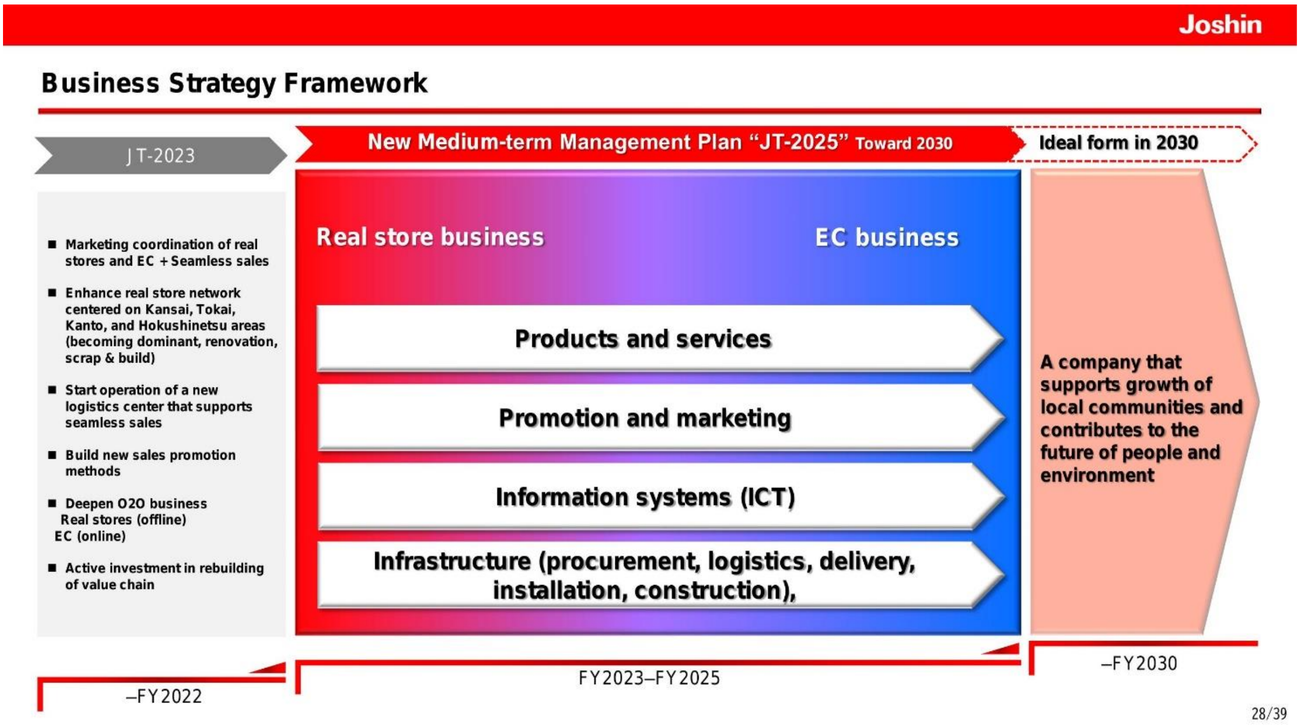


Next, please turn to page 27, where I will discuss our approach to shareholder returns.

In terms of shareholder returns, we aim to maintain a dividend payout ratio of 30% or more, implementing stable and sustainable returns.

As for share buybacks, we will consider them as needed within our cash allocation, including growth investments.

We believe that enhancing our profitability under the JT-2025 Management Plan and gaining expectations for future growth, thus enhancing the value of our shares, is the best way to return value to our shareholders.



Moving on, please turn to page 28, where I will explain our business strategy framework.

Our company operates a business that integrates two channel-specific businesses, real stores and EC, and a service infrastructure business that undertakes delivery, installation, and construction from both channels.

Rather than considering real stores and EC separately, we will strive to maximize customer convenience and aim to generate synergy effects through collaboration, treating them as the same customer touchpoints.

We consider products and services, promotion and marketing, information systems, and infrastructure to support both real stores and EC in a cross-functional manner.

I will explain our individual strategies on the following pages.

Individual strategies are positioned as commitments we will undertake during the JT-2025 Management Plan period. In each responsible department, we will break down these strategies into specific tactics and measures and monitor progress.

Let's start with the individual strategy for our physical or real stores.

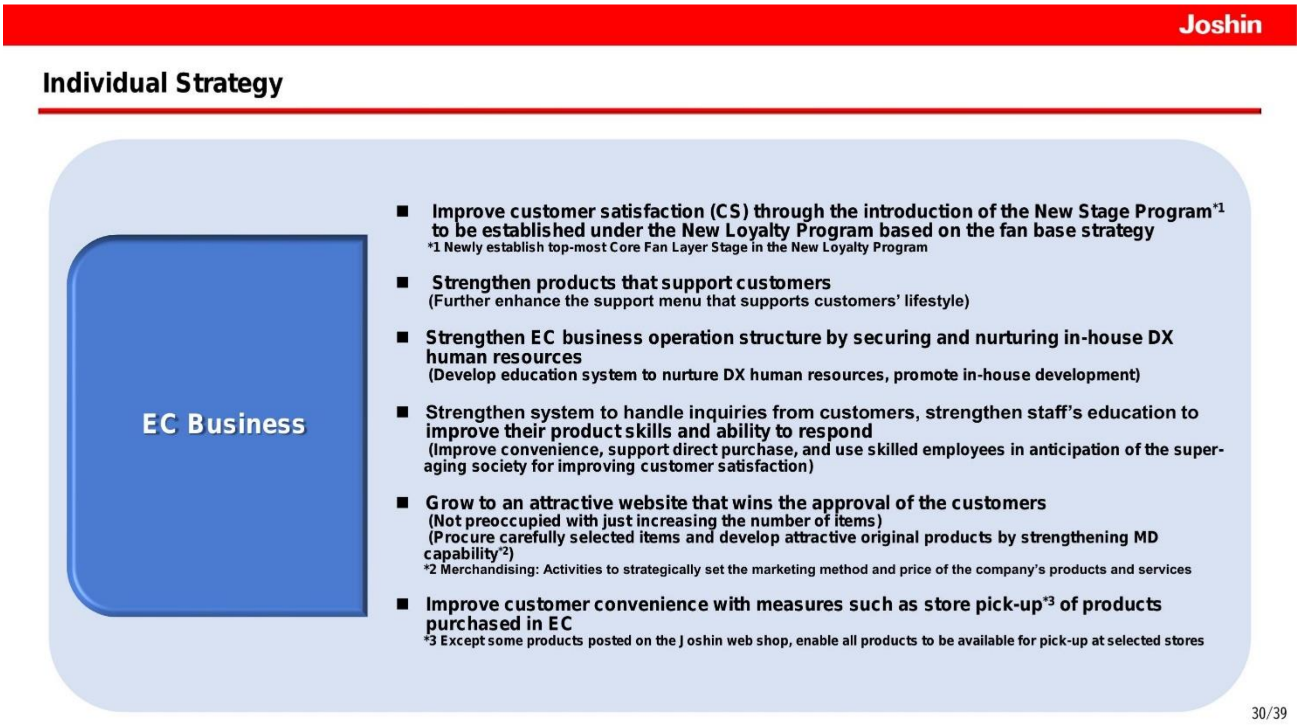
We believe that even in 2030, the sale of household appliances will remain the pillar of our business, and the heart of this will continue to be our physical stores.

The presence of our physical stores is a driver leading our business growth. They are not just purchase spaces, but also invaluable assets that connect people and society in the areas they serve, practicing our fan base strategy and realizing our management philosophy.

Regarding store openings, instead of opening new stores simply focusing on volume while disregarding profits, we will continue to strengthen our existing stores and open new ones, while prioritizing synergies with our EC stores in the Kansai, Tokai, Kanto, and Hokushinetsu areas, where we have been implementing a dominant strategy based on profitability.

In our physical stores, as explained in the fan base strategy, we will promote the strategies listed here to enhance overall customer service.

We are introducing a new loyalty program that expands the scope to physical stores, with the aim of promoting mutual usage. This program is based on the loyalty program we have been offering only in EC, and we have revamped the stage benefits.



Next, please turn to page 30. I will explain the individual strategy for our EC business.

The scale of our EC business for physical goods is steadily expanding, even amid the COVID-19 pandemic, and further growth is expected toward 2030.

After the pandemic, the market size of EC is expanding exponentially, but competition among EC businesses is intensifying. To survive, differentiation and strengthening of uniqueness from competitors are required.

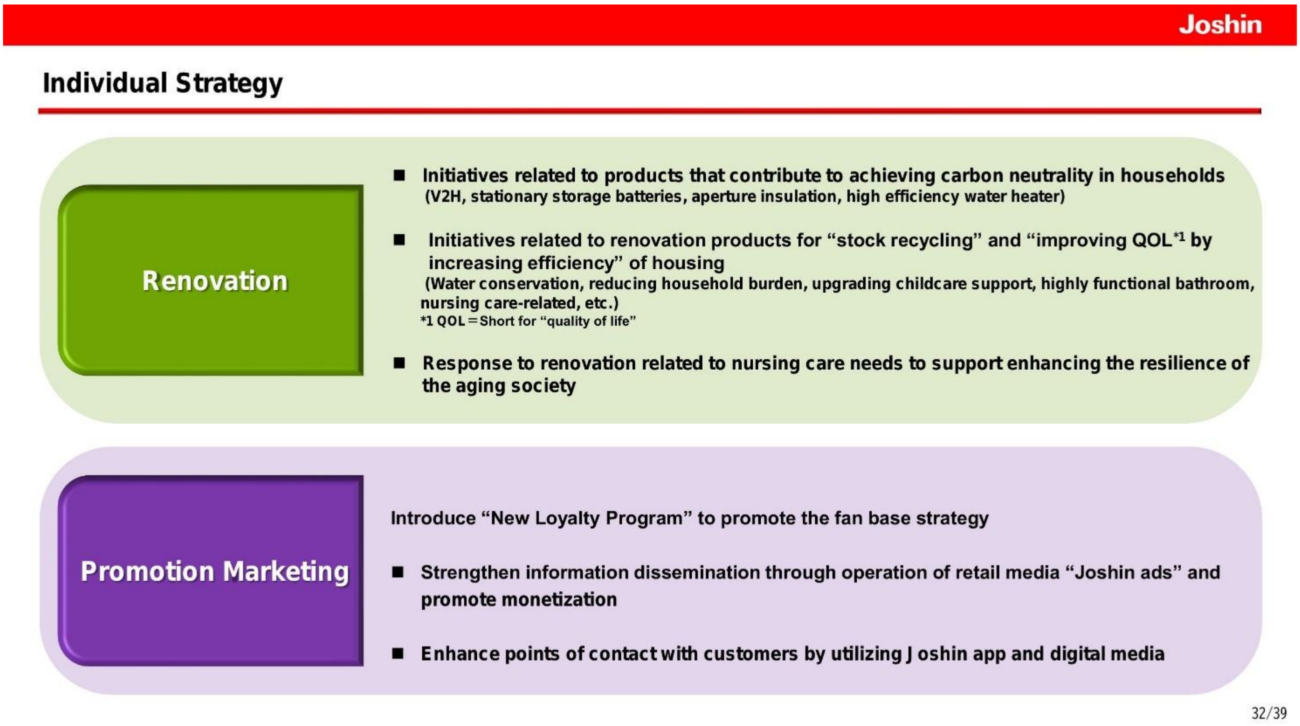
In our EC business as well, based on our fan base strategy, we aim to build an attractive EC that is conscious of the synergy effect through cooperation with our physical stores, by promoting the strategies listed here to enrich product lineups and services from the customer's perspective.

Among them, the new stage program set-up in the new loyalty program is a stage with the highest status, which did not exist in the previous program. We position it as the most important measure for acquiring core fans in EC.

Next, please turn to page 31. I will explain the individual strategy for the product support business, excluding home appliances.

To practice the fan base strategy and create two social values, in addition to strengthening the sales of environmentally friendly products, it is necessary to expand and strengthen product items and service menus that can exert synergy effects in areas where we can utilize our strengths centered on home appliances.

We will promote the strategies listed here to develop a solution business centered on home appliances, based on real stores and EC.

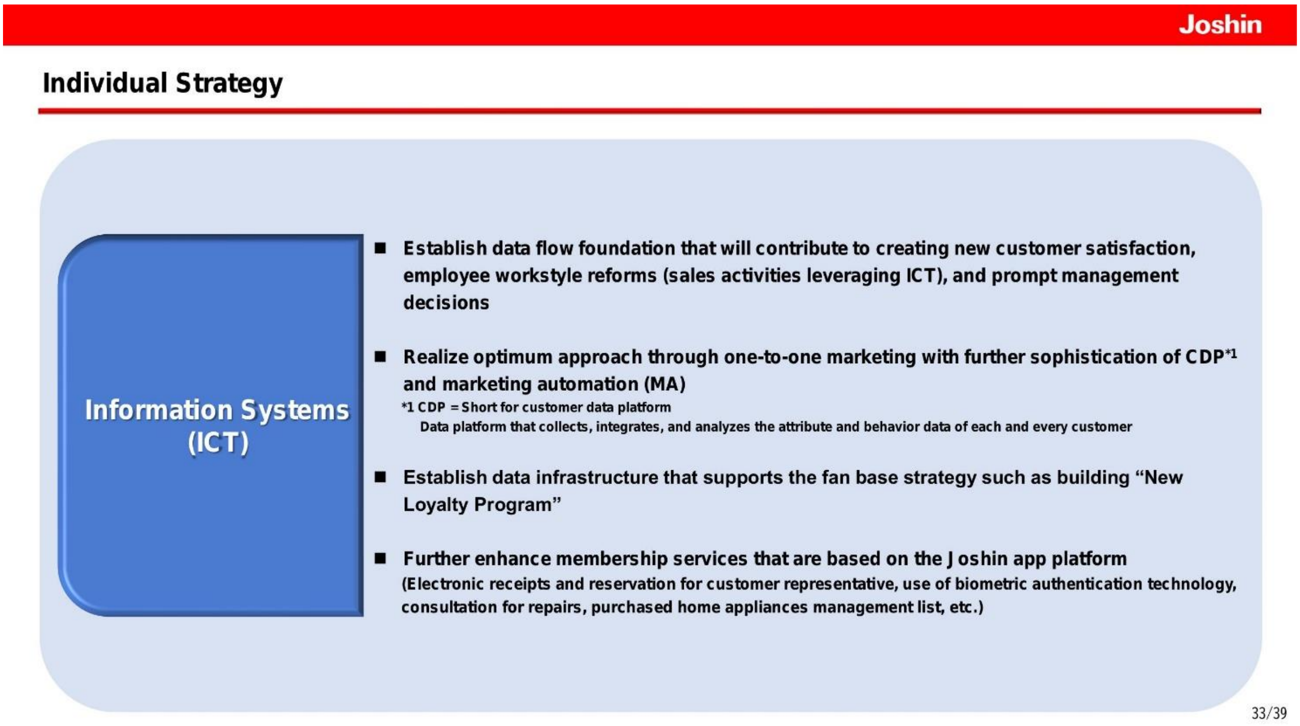


Next, please turn to page 32. I will explain the individual strategy for renovation and promotion marketing.

In renovation too, in order to create two social values, it is necessary to expand and strengthen product items and service menus.

In renovation, we will promote a strategy based on two key initiatives, first, strengthening our energy products that contribute to the reduction of CO2 emission from households, and second, enhancing renovation products.

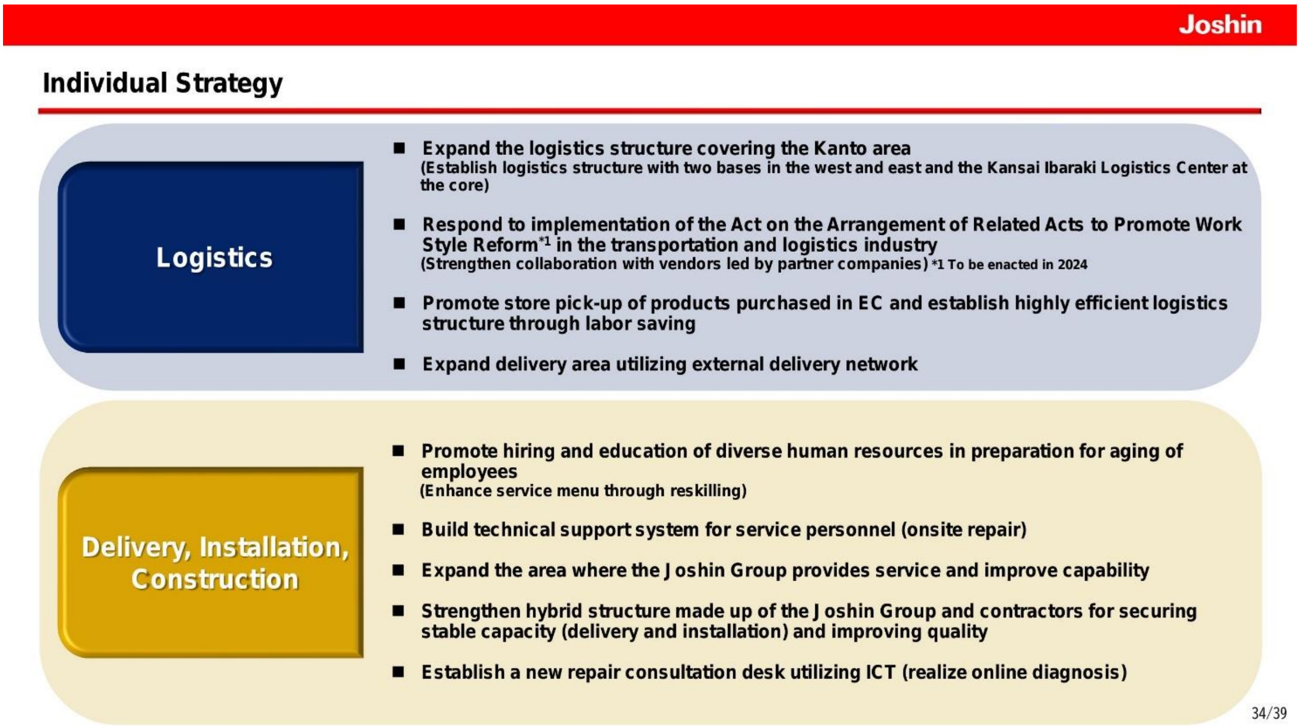
In promotion marketing, to practice the fan base strategy, we will promote the strategies listed here to enhance the interaction points with customers, including promoting the introduction of the new loyalty program and enhancing the mutual affinity of real stores and EC.



Continuing on, please turn to page 33. I will explain the individual strategy for information systems.

To practice a fan base strategy, comprehensive strengthening of customer service is necessary. To allow our limited workforce to focus on customer service, we will proceed with the establishment of a back-end support system through DX.

Furthermore, we will promote the strategies listed here to build a new loyalty program and enhance customer convenience.



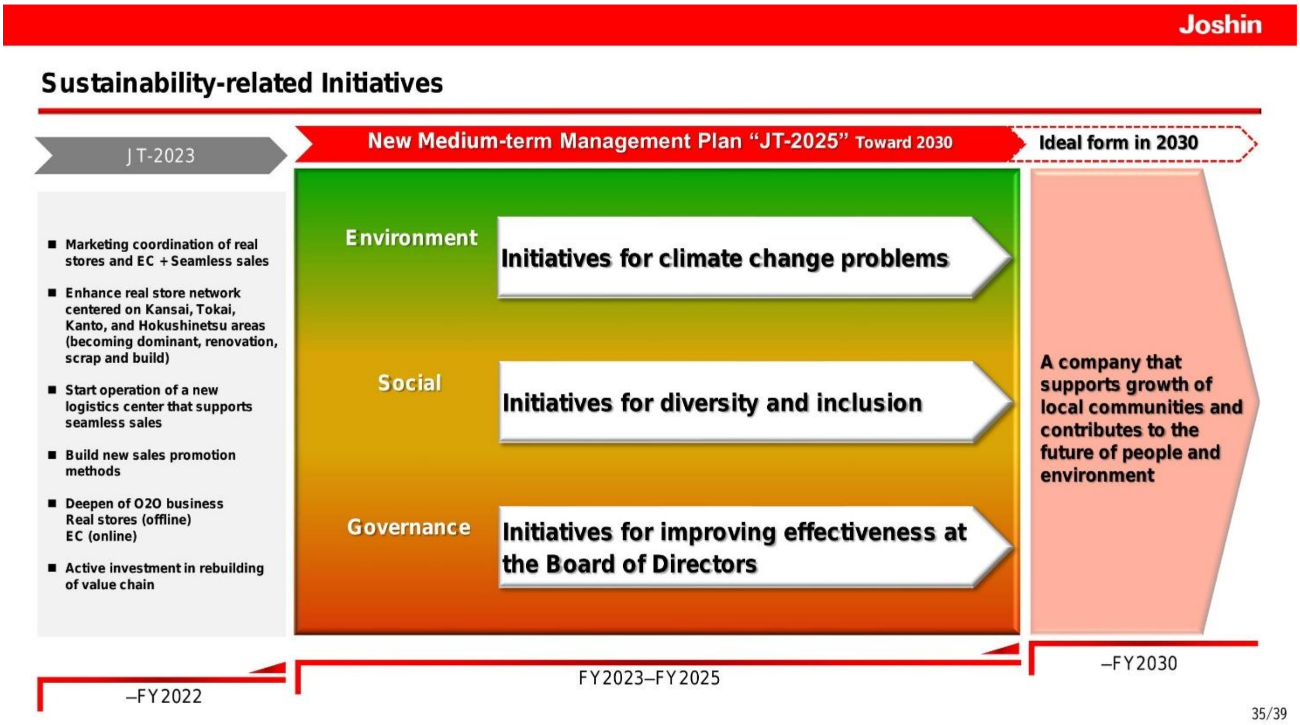
Please look at page 34. I will explain the individual strategy for logistics and delivery, installation, and construction.

Logistics and delivery, installation, and construction are both important foundations that support the sustainable growth of the business. In delivery, which supports product supply for physical stores and EC, we prioritize expanding the logistics system that covers the Kanto area, and we will proceed with the establishment of a two-point system in the east and west.

Also, in anticipation of the workstyle reform-related laws in the transportation and logistics industry scheduled to be enforced in 2024, we will promote the strategies listed here.

In delivery, installation, and construction, we provide delivery, installation, and construction of products purchased by customers and provide services in the closest place to the customer's living space. Therefore, we have been strongly committed to providing service infrastructure in our own group without relying on others.

The strength of our delivery, installation, and construction business is that it is indispensable for practicing the fan base strategy. We will promote the strategies listed here to maintain and strengthen service quality and expand service provision areas.



Please look at page 35. I will explain our sustainability initiatives.

Regarding our sustainability initiatives, we are focusing on the most important issues in each ESG item, considering the characteristics of our company that belongs to the home appliance distribution industry. I will explain individual initiatives on the following pages.

Joshin

Environment

Initiatives for climate change problems

- **Raise renewable energy conversion ratio at business sites**
  - ・Business sites for which the Company has signed contracts directly with power suppliers: To achieve 100% in FY2023
  - ・All business sites including tenants: To achieve 100% by 2040
- **Improve off-grid power generation ratio through introduction of photovoltaic systems**
  - ・All business offices where it can be installed: To achieve 100% within FY2023
  - ・Promote active introduction of off-site corporate PPA
- **Build environmentally friendly business model**
  - ・Ensure sales ratio of 35% or more of environmentally friendly products*1 at Joshin Group
  - ・Enhance lineup of products in the housing equipment field, which contributes to realization of carbon neutrality at households

  *1 FY2023 uniform energy-saving label: 4 stars or higher for color TVs; 3 stars or higher for air-conditioners and refrigerators; electric bidet toilet seats(tankless type)
- **Initiatives for reducing Scope 3 GHG emissions**
  - ・Reduce emissions throughout the supply chain through communication with business partners
  - ・Obtain third-party assurance for Scope 3*2 emissions: FY2023

  *2 We received a third-party assurance for Scope 1 and 2 emissions in FY2022
- **Initiatives for realization of circular economy**

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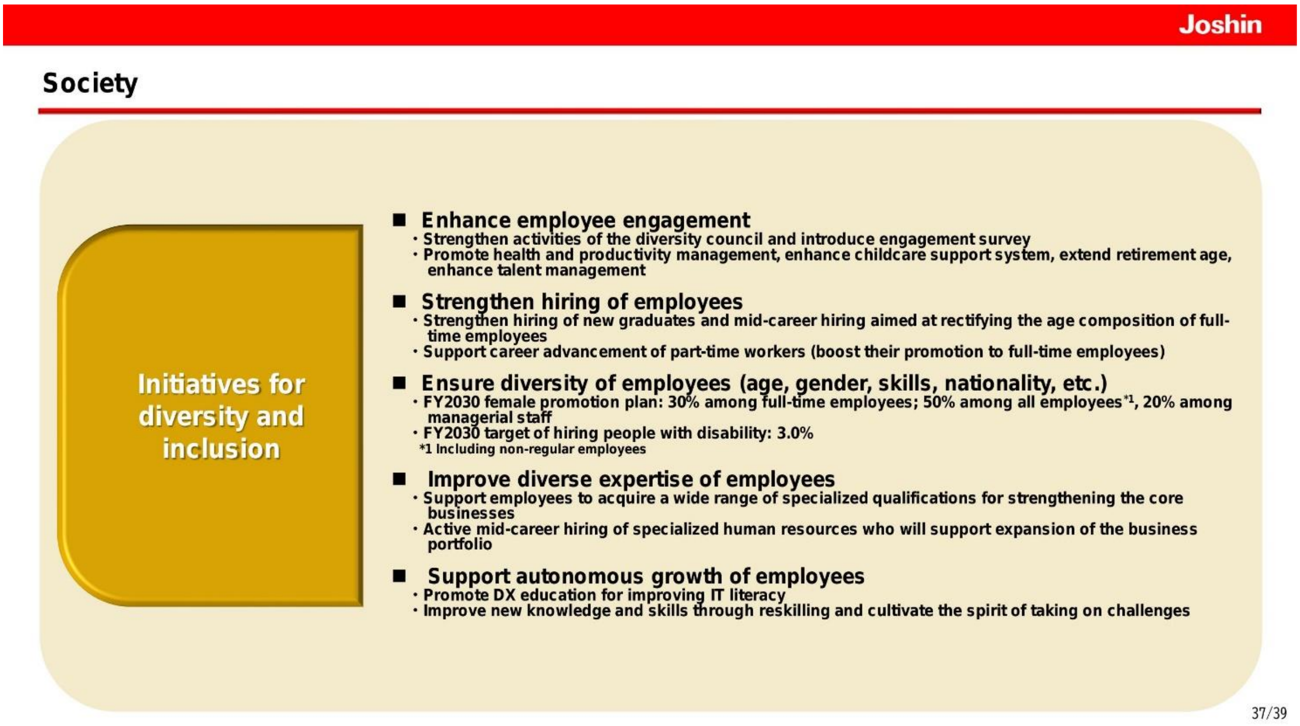
Please look at page 36. I will explain our efforts to address climate change in the environmental aspect.

As explained on page 14, as a result of proactive efforts to address climate change in the previous medium-term management plan and the JT-2023 Management Plan, especially our efforts toward carbon neutrality, have made significant progress.

In the JT-2025 Management Plan, we will accelerate our efforts towards carbon neutrality in business locations, mainly physical stores, and we will also work on reducing emissions in the supply chain through dialogue with suppliers.

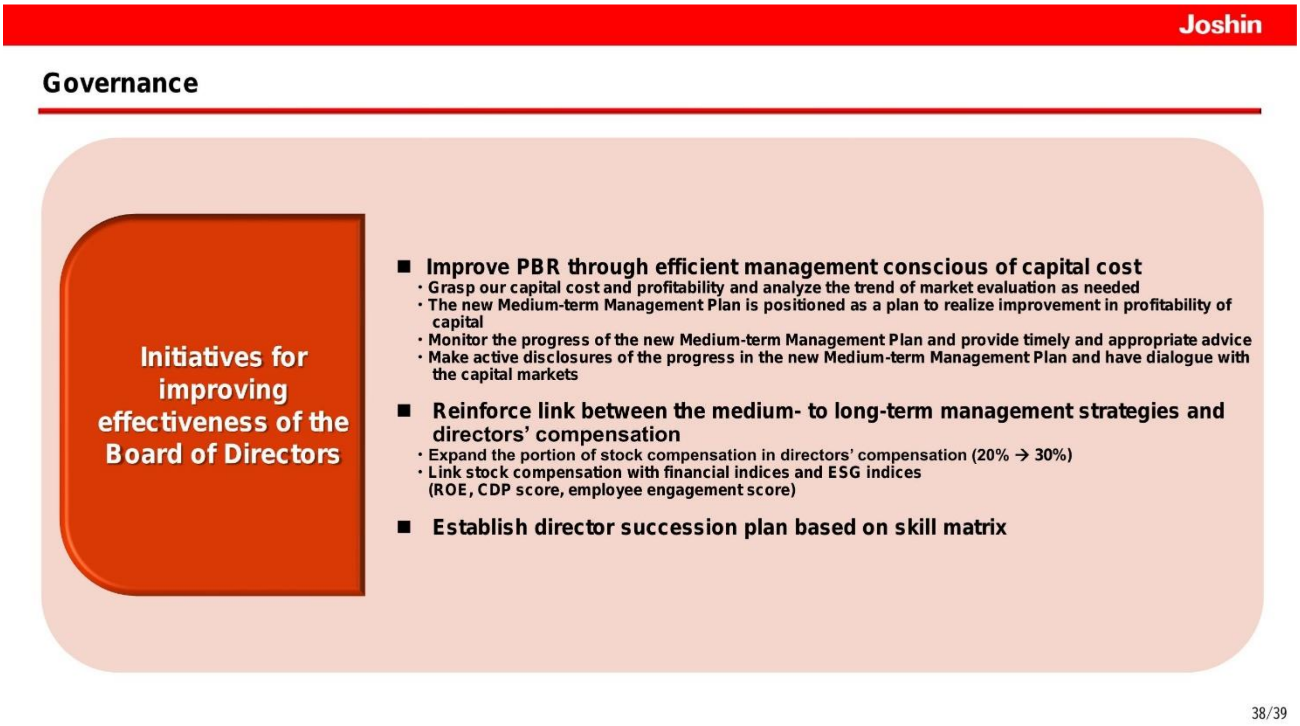
Furthermore, as an initiative through our business, we will promote the construction of an environmentally friendly business model and start efforts towards the realization of a circular economy.



Continuing on, please turn to page 37. I will explain our efforts towards diversity and inclusion in the social aspect.

For our company, which operates in a labor-intensive industry, employees are the most important capital, and the acceleration of the declining birthrate and aging population is a major issue for business continuity. To establish a foundation where employees with diverse values can work actively and enthusiastically, we will promote employee engagement and diversity.

Furthermore, we will actively invest in human capital for improving the professionalism and skills of our employees, and we will actively work towards building a human resource base that drives sustainable growth and increased corporate value for the future.



Please look at page 38. I will explain our efforts to improve the effectiveness of the Board of Directors in the governance aspect.

As explained in the medium- and long-term growth scenario, we believe that by steadily executing the JT-2025 Management Plan, strengthening profitability and ensuring growth expectations for the future, we can expand market capitalization, which will ultimately lead to a path to a P/B ratio of more than 1.

In the Board of Directors' meetings, we position the JT-2025 Management Plan as a plan to realize capital profitability improvement, monitor the progress, and promote the transition to efficient management, conscious of capital costs through the execution of timely and appropriate advice.

In addition, to fulfill our responsibilities as a Board of Directors, we will also establish a succession plan for directors based on the skill matrix and strengthen the linkage between the remuneration of directors and the medium- and long-term management strategy.

It took a long time, but with this, I will conclude the explanation of the FY2022 full year financial results, the FY2023 full year forecast, and the JT-2025 Management Plan. Thank you very much for your attention.

Question & Answer

Moderator [M]: Now, we would like to proceed to the Q&A session. If you have any questions, please post them in the chat box on the right side of your screen.

Kanatani [Q]: We have received the following question. You have stated your aim to strengthen the linkage between long-term management strategy and director compensation. Will the achievement status of the JT-2025 Management Plan be linked to the compensation system as well?

For this question, I would like to pass it over to Tanaka for the explanation.

Tanaka [A]: I'm Tanaka, in charge of management planning and human resources strategy. Regarding your question, at the same time as we formulated the JT-2025 Management Plan, we have also revised the executive compensation system.

Originally, the ratio of fixed compensation to performance-based compensation was 7 to 3, but we have now revised this to 5 to 5. In addition, we have revised the ratio of cash compensation to stock compensation from 8 to 2, to 7 to 3.

Of this 30% of stock compensation, 10% will be paid in accordance with the performance of ROE. The remaining 10% will be paid according to the results of employee engagement scores, and the Carbon Disclosure Project, CDP, score, each accounting for 10%.

We have revised the compensation system this time to promote capital cost-conscious management and to improve corporate value in the medium to long term. By implementing such measures, we aim to improve towards achieving a P/B ratio of 1x.

That's all from me. Thank you for your question.

Kanatani [Q]: Continuing, we have received another question. How do core fans, who are customers of your company that mainly deal in durable consumer goods like home appliances, make their purchasing decisions? Also, going forward, can we confirm the growth rate in terms of membership numbers?

For this question, we'll have Takahashi respond.

Takahashi [A]: I'm Takahashi, in charge of sales strategy. I'll be happy to answer your question.

First, when it comes to our customers who are fans or core fans, our store deals in durable consumer goods. These goods, by nature, have a very long lifespan. They are used for at least five years and in some cases, even up to 10 years, so when customers come to buy these items, they need to make sure they are making the right choice. Is the product really going to be useful to them? This is where our physical stores play a vital role.

By understanding the needs of our customers and enriching and simplifying their lives, we aim to make our customers feel glad about their purchase. When the product is installed at home and they see it, we want the name of our store, Joshin, to come to their mind, or perhaps the name of the salesperson who assisted them. That's the kind of business we aim for.

Naturally, when it's time for replacement, they come back to us. If the level of the salesperson is high, they would directly come to the salesperson, or to the store. Even when they need a different product, Joshin will be one of their choices.

If we weren't doing business in this way, after buying and installing the product, customers would just be thinking about where to go next, where it's cheaper, but if they are truly satisfied with the product we recommended, they will surely come back to Joshin.

If that satisfaction deepens even further, they will spread the word to those around them. If you're buying a refrigerator, go to Joshin. If you're buying a washing machine, go to Joshin. These simple words are invaluable to us.

In this age of information overload, traditional advertising methods like flyers no longer work, not because they've become ineffective, but because there's just too much information out there. Internet advertising allows us to get our message out more widely and at a lower cost, but it too is drowned out in the flood of information. No matter how much we try to get our message across to customers, it doesn't resonate.

But a customer who has used Joshin and felt the impact of our service will surely tell those around them. That message is certain to resonate with them. They come to Joshin and make a purchase, and by continuing to provide a satisfying experience, we can attract customers [inaudible]. We believe that this cycle of value is what our fan strategy is all about.

As we mentioned earlier, we've introduced a new loyalty program. In our web business, we have a ranking system based on certain criteria. The ranking goes up as the customer clears each hurdle. Each rank comes with its own set of benefits and advantages for customers. We've expanded this ranking system to five ranks, and it's shared between our physical stores and our e-commerce platform.

Customers who shop online can also shop at our physical stores, and vice versa, and for customers who shop both ways, we offer membership ranks based on their combined performance. This is the program we've set up. We can certainly keep track of the number of members, and probably, the higher the rank, the more they spend in a year.

As the number of high-ranking members increases, our sales will surely increase. How many of these high-ranking members can we acquire? This is directly linked to our sales capabilities, so our fan base strategy and membership strategy are closely interrelated. This new loyalty program is also part of this integrated approach.

There's a rule of thumb in business that 20% of customers generate 80% of sales, but at Joshin, we don't just value this 20% of customers. While cherishing all our customers, we aim to steadily increase this 20% who contribute to our sales. This is what our fan base strategy and new loyalty program are all about. We hope you look forward to them.

That concludes my explanation. Thank you very much.

Kanatani [Q]: Takahashi-san, the questioner also asked if we could expect to see numerical growth in the form of membership numbers in the future.

Takahashi [A]: Yes, while we do not actually disclose the number of members to investors, we do have these figures internally. The growth in the number of members and the growth in the average spending per member are directly connected to our performance.

Numbers that have grown suddenly can shrink suddenly, but numbers that have grown gradually, little by little, are less likely to collapse and become stable. I think that's the real strength of our fan base strategy, so we aim to make every customer a fan of Joshin one by one.

Compared to our competitors, the expansion of our store count is relatively small. Instead, we place a strong emphasis on deploying experienced, skilled employees to ensure customer satisfaction. This is the strategy we are pursuing.

When new employees join such a store, they get accustomed to such an environment and grow into such employees. This is also part of our internal education, where we continually develop strong employees. If we expand the number of stores too much, it can all collapse at once, so we plan to continue balancing the strength of the stores and the number of new stores. Thank you for your understanding.

Kanatani [Q]: Continuing on to the next question. You have declared a dividend payout ratio of 30% or more. If performance improves, is there a possibility of raising it to 35% or 40%? Also, what do you value the most in returning to shareholders, stock price, dividends, or share buybacks?

I will let Mr. Oshiro answer that.

Oshiro [A]: This is Oshiro, in charge of financial strategy. Regarding shareholder returns, we would like to consider not only the dividend payout ratio but also from various angles.

We are thinking about measures to return to shareholders while considering various factors, such as the level that you all can understand and agree with, and the current social situation. We would like to announce our policies on such matters in real-time without delay.

However, as a company currently listed on the Prime Market, the most important thing imposed on us is the P/B ratio, that is, the stock price. We believe that the most important thing is to make our business efforts to raise this stock price by accumulating our sales efforts.

We aim to gain the evaluation of investors by showing stable performance and growth, without falling into short-term measures.

That's all for my answer.

Kanatani [Q]: Continuing on to the next question. Please tell us about any issues you currently perceive in your EC business that might hinder further growth. If possible, could you elaborate on specific areas, such as interface renewal, lineup expansion, and pricing strategy?

The response to this will be from Takahashi.

Takahashi [A]: I'm Takahashi, in charge of sales strategy. First, when it comes to challenges, we naturally think of Amazon and Rakuten when we talk about the EC business. We have stores on these platforms. There are also various other sites, such as Yahoo!, but we can't really win if we directly compete with Amazon.

While we have a store on Rakuten, it's a very strong platform in terms of EC, and so is Yahoo!. We have come to realize that even if we conduct a similar business, it's quite difficult to make it work as our business.

Our EC business is an electronics store. We transport and deliver heavy items like refrigerators, washing machines, and air conditioners, products that exceed 100 kg, and install air conditioners mainly in the Tokyo, Nagoya, Osaka, and Hokuriku Shinetsu areas. We are building a system that can accept these orders and provide services as quickly and carefully as possible to satisfy our customers.

We are not trying to compete directly with Amazon, Rakuten, or Yahoo! with various categories of products. Rather, we aim to establish an EC business as an electronics store and promote our business to our customers.

As for the interface, we think there is still room for improvement on our site. We want to make it easier to buy and find products, and our main focus is increasing traffic, how many customers we can attract to our site. We plan to make various efforts to achieve this goal.

Regarding your question about the lineup, while we are working on a robust range of home electronics, there is another sector where our company's branding has been established, that is, the world of entertainment. This field is so competitive that it doesn't lose to physical stores, or rather, it's a domain where e-commerce is progressing even further. With the high level of support that this sector garners within the EC industry, we aim to solidify and expand our business in these areas as an online electronics store, focusing on our strong entertainment lineup, while gradually broadening our overall business scope.

That's indeed what we're considering, growing our business while expanding our business scope. However, unlike physical stores where you might increase the number of stores and volume, we don't adopt that approach. Instead, we focus on our core products and segments, and while solidifying these, we aim to expand our business areas. That's the direction we're taking.

As for pricing, we're indeed in a competitive environment. While we have no choice but to keep a keen eye on other companies' websites, we also prioritize providing added value to our customers. For instance, once a customer visits our site, we present them with trial reports.

Our employees actually use the products, and each one carefully records their experiences and impressions. This not only increases the options for customers but also guides them in deciding which product to buy. In a physical store, a salesperson could explain this to customers, but in the world of e-commerce, this is not possible.

However, we are indeed undertaking efforts that get us close to that experience. By doing so, we hope to transfer the value of these efforts to our pricing. Therefore, while we will indeed continue to compete on pricing, we also want to provide value at the same time. We kindly ask for your understanding in this regard.

That concludes my explanation. Thank you.

Kanatani [Q]: The next question has come in. Looking at the medium-term sales growth, will the effects of the fan base strategy be reflected in the next medium-term plan? Or do you envision an improvement in profitability due to an increase in the sales composition ratio of the fan base as a result of its expansion?

I'll have Takahashi answer this question as well.

Takahashi [A]: This is Takahashi. I would like to answer the question just asked.

As of the fiscal year ended March 2023, not all the financial results of the same period of the home electronics retailers have been announced, so I can't say anything for certain. However, looking at the numbers up to Q3 of the same period, our sales growth was third out of five companies.

In terms of the growth of gross profit, our company was number one. As for the number of stores, we ended up with two fewer this term. If you look at our competitors, you'll see that they have a fair number of stores.

From these results, you can see that we've been able to secure solid sales per store. This is undoubtedly due to our fan base strategy serving as the foundation. Instead of increasing the number of stores and volume, we aim to improve the quality per store and steadily increase our share there. Increasing our share means increasing the percentage of customers who support us, and I believe this is the result of the business we've been conducting.

Once all the results are in, I plan to look back as well, but since its founding, Joshin Denki has been a company that has always embraced the idea of a fan base. We value our customers and operate under our corporate motto of "love," continuing the practice of putting ourselves in the other person's shoes.

We've come this far with the form of a fan base, and at this point, we're clearly positioning the fan base strategy against what we've cultivated up to now. We're clearly defining what a fan base is, and all of our employees recognize it and are working towards it.

We intend to further systematize the values that have been handed down continuously throughout our history and turn them into the value of Joshin Denki. We've already started seeing the effects and results of this. In the next medium-term plan, we want to make these results even bigger, so we ask for your support.

That concludes my explanation.

Moderator [M]: Are there any other questions? If not, we'll end the Q&A session here.

This concludes the live streaming of the financial results for FY2022 and the new medium-term management plan, JT-2025 Management Plan, of Joshin Denki Co.,LTD.

Thank you very much for your attention.

[END]

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