

Joshin

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2024 (FY2023)

Joshin Denki Co., Ltd.
(Securities code: 8173)



November 7, 2023

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- Topics



Earnings Summary for the First Six Months of the Fiscal Year Ending March 31, 2024 (FY2023) 1

Consolidated Income Statement (Apr.–Sept.)

(Million yen)	First six months of FY2022(Apr.–Sept.)		First six months of FY2023 (Apr. –Sept.)					
	Actual results	% of net sales	Actual results	% of net sales	Actual results	% of net sales	YoY	Actual vs. forecast
Net sales	197,918	100.0%	198,000	100.0%	197,483	100.0%	(0.2%)	(0.3%)
Of which, sales at stores	160,125	80.9%	-	-	163,356	82.7%	+2.0%	-
Of which, sales in EC business	35,634	18.0%	-	-	31,463	15.9%	(11.7%)	-
Of which, other sales	2,158	1.1%	-	-	2,664	1.4%	+23.4%	-
Gross profit	51,193	25.9%	-	-	52,868	26.8%	+3.3%	-
Selling, general and administrative expenses	47,089	23.8%	-	-	48,282	24.5%	+2.5%	-
Operating income	4,104	2.1%	4,200	2.1%	4,586	2.3%	+11.7%	+9.2%
Ordinary income	4,119	2.1%	4,200	2.1%	4,549	2.3%	+10.4%	+8.3%
Net income (*1)	3,006	1.5%	3,100	1.6%	3,110	1.6%	+3.4%	+0.3%

*1 Profit attributable to owners of parent

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Factors for changes in operating income (Apr.–Sept.): Vs. previous year



FY2022								
(Billion yen)	Operating income for FY2021	Gross profit	Personnel expenses	Rent and ground rent	Logistics expenses	Advertising expenses	Other	Operating income for FY2022
Apr.–Sept.	5.3	1.9	(0.4)	(0.4)	(2.1)	(0.0)	(0.2)	4.1

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

(Billion yen)	Operating income for FY2022	Gross profit	Personnel expenses	Rent and ground rent	Logistics expenses	Advertising expenses	Other	Operating income for FY2023
Apr.–June	1.4	(0.0)	(0.1)	(0.0)	(0.3)	0.3	(0.1)	1.1
July–Sept.	2.7	1.7	(0.3)	(0.1)	0.2	(0.2)	(0.6)	3.5

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Consolidated Income Statement (July–Sept.)

(Million yen)	1Q FY2022 (Apr.–June)		1Q FY2023 (Apr.–June)			2Q FY2022 (July–Sept.)		2Q FY2023 (July–Sept.)			
	Actual results	% of net sales	Actual results	% of net sales	YoY	Actual results	% of net sales	Actual results	% of net sales	YoY	QoQ (vs. Apr.–June)
Net sales	94,601	100.0%	90,377	100.0%	(4.5%)	103,316	100.0%	107,106	100.0%	+3.7%	+18.5%
Of which, sales at stores	75,944	80.3%	72,998	80.8%	(3.9%)	84,181	81.5%	90,358	84.4%	+7.3%	+23.8%
Of which, sales in EC business	17,367	18.3%	16,048	17.7%	(7.6%)	18,267	17.7%	15,415	14.4%	(15.6%)	(4.0%)
Of which, other sales	1,290	1.4%	1,330	1.5%	+3.1%	868	0.8%	1,333	1.2%	+53.6%	+0.2%
Gross profit	24,820	26.2%	24,787	27.4%	(0.1%)	26,373	25.5%	28,081	26.2%	+6.5%	+13.3%
Selling, general and administrative expenses	23,429	24.8%	23,695	26.2%	+1.1%	23,660	22.9%	24,587	23.0%	+3.9%	+3.8%
Operating income	1,391	1.5%	1,091	1.2%	(21.5%)	2,713	2.6%	3,495	3.3%	+28.8%	+220.1%
Ordinary income	1,394	1.5%	1,076	1.2%	(22.8%)	2,725	2.6%	3,473	3.2%	+27.4%	+222.5%
Net income*1	1,016	1.1%	620	0.7%	(39.0%)	1,990	1.9%	2,489	2.3%	+25.1%	+301.1%

*1 Profit attributable to owners of parent

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Sales by product (Apr.–Sept.)

(Million yen)	1Q FY2022 (Apr.–June)		1Q FY2023 (Apr.–June)			2Q FY2022 (July–Sept.)		2Q FY2023 (July–Sept.)			First six months of FY2022 (Apr.–Sept.)		First six months of FY2023 (Apr.–Sept.)		
	Actual results	% of net sales	Actual results	% of net sales	YoY	Actual results	% of net sales	Actual results	% of net sales	YoY	Actual results	% of net sales	Actual results	% of net sales	YoY
TVs	5,973	6.3%	5,252	5.8%	(12.1%)	6,920	6.7%	7,120	6.6%	+2.9%	12,894	6.5%	12,372	6.3%	(4.0%)
Refrigerators	6,481	6.8%	5,841	6.5%	(9.9%)	8,139	7.9%	8,206	7.7%	+0.8%	14,620	7.4%	14,047	7.1%	(3.9%)
Washing machines and vacuum cleaners	8,651	9.1%	8,205	9.1%	(5.2%)	9,958	9.6%	10,072	9.4%	+1.1%	18,609	9.4%	18,277	9.2%	(1.8%)
Microwave ovens and cookers	3,871	4.1%	3,559	4.0%	(8.1%)	3,871	3.7%	4,218	3.9%	+9.0%	7,742	3.9%	7,777	3.9%	+0.4%
Air conditioners	14,742	15.6%	11,764	13.0%	(20.2%)	14,437	14.0%	16,289	15.2%	+12.8%	29,179	14.8%	28,053	14.2%	(3.9%)
Personal computers	5,023	5.3%	4,500	5.0%	(10.4%)	4,724	4.6%	4,580	4.3%	(3.0%)	9,747	4.9%	9,080	4.6%	(6.8%)
Mobile phones	6,113	6.5%	6,596	7.3%	+7.9%	6,824	6.6%	8,645	8.1%	+26.7%	12,937	6.5%	15,241	7.7%	+17.8%
Games, models, toys, musical instruments	11,060	11.7%	13,730	15.2%	+24.1%	15,042	14.6%	14,170	13.2%	(5.8%)	26,102	13.2%	27,901	14.1%	+6.9%

Earnings Summary for the First Six Months of the Fiscal Year Ending March 31, 2024 (FY2023) 5

Balance sheet

(Million yen)	2023/03	2023/09	Change
Current assets	114,560	127,382	+ 12,822
Tangible assets	75,085	74,409	(675)
Intangible assets	2,471	2,447	(24)
Investments, other assets	31,100	30,911	(189)
Non-current assets	108,657	107,768	(889)
Total assets	223,218	235,151	+ 11,932
(Reference)			
Total interest-bearing liabilities	45,964	45,998	+ 34

(Million yen)	2023/03	2023/09	Change
Current liabilities	84,376	90,812	+ 6,435
Non-current liabilities	38,143	41,901	+ 3,758
Total liabilities	122,520	132,713	+ 10,193
Total net assets	100,698	102,437	+ 1,739
Total liabilities and net assets	223,218	235,151	+ 11,932
Total net interest-bearing liabilities*	43,194	40,482	(2,712)

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

Cash flows

(Million yen)	2022/09	2023/03	2023/09	Change vs. 2022/09	Change vs. 2023/03
Cash flow from operating activities (a)	4,620	7,119	7,370	+ 2,750	+ 251
Cash flow from investing activities (b)	(3,182)	(9,070)	(2,284)	+ 898	+ 6,786
(Free cash flow (a) + (b))	1,438	(1,951)	5,086	+ 3,648	+ 7,037
Cash flow from financing activities	(91)	2,360	(2,339)	(2,247)	(4,700)
Cash and cash equivalents at end of period	3,706	2,769	5,516	+ 1,809	+ 2,747

Full-year Forecast FY2023 (ending March 31, 2024) *Revision to the most recent earnings forecasts: No

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

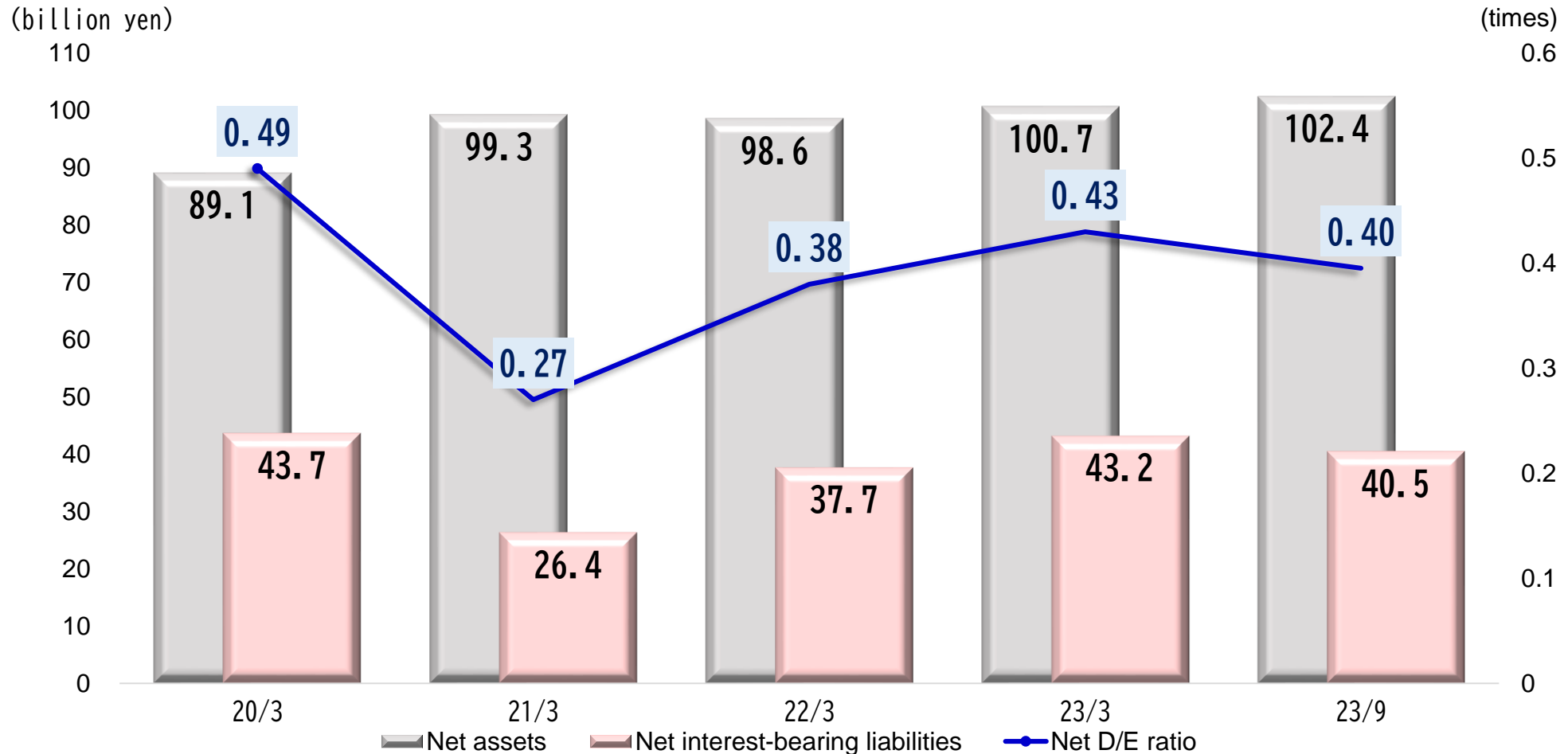
Forecast for second half (Oct.–Mar.)

(Million yen)	Second half of FY2022 (Oct.–Mar.)		Second half of FY2023 (Oct.–Mar.)		
	Actual results	% of net sales	Forecast	% of net sales	YoY
Net sales	210,541	100.0%	212,516	100.0%	+0.9%
Operating income	4,206	2.0%	4,414	2.1%	+4.9%
Ordinary income	4,198	2.0%	4,450	2.1%	+6.0%
Net income*1	1,965	0.9%	2,890	1.4%	+47.0%

*1 Profit attributable to owners of parent

Trends of Financial Conditions and Net Interest-bearing Liabilities

Net interest-bearing liabilities declined and net D/E ratio stably remained low



Net interest-bearing liabilities: Interest-bearing liabilities – Cash and deposits

*Net D/E ratio: (Interest-bearing liabilities – Cash and deposits) / Net assets

Trend in Number of Stores

We strengthened Joshin brand directly managed stores to promote our dominant strategy.

Breakdown of stores by region as of the end of September 2023

Region	Number of stores	Joshin		BOOK OFF	TSUTAYA
		Direct	Franchise		
Kansai	144	135		6	3
Tokai	35	32	3		
Hokushinetsu	23	23			
Kanto	16	16			
Shikoku	2	0	2		
Total	220	206	5	6	3

Store openings and closures in FY2023

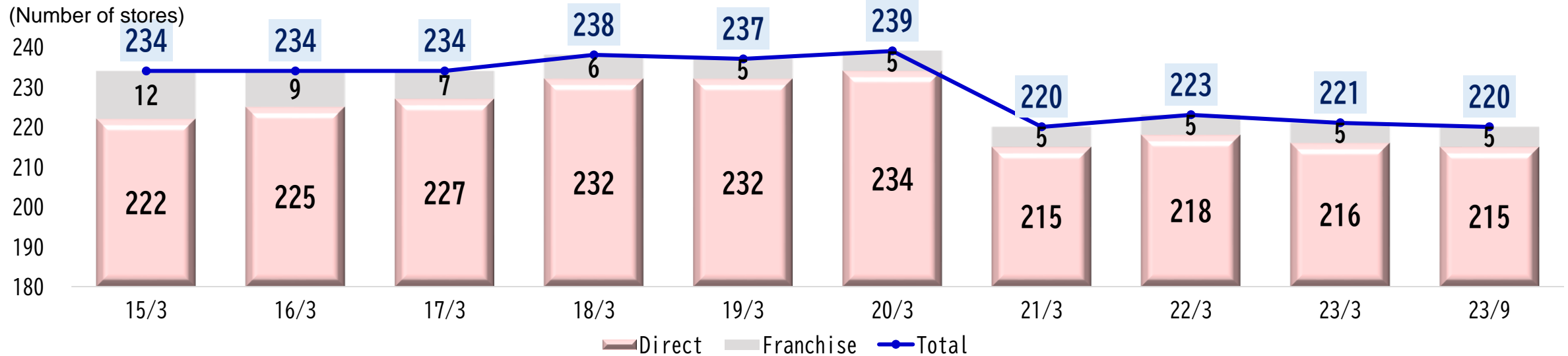
Closed		Prefecture	業態	Store name
2023	June	Osaka	TSUTAYA	Yao-oihara store



Joshin operates some BOOK-OFF shops as a franchisee. These shops buy and sell items for reuse, such as books, CDs, DVDs, video games, apparel, and hobby items.



Joshin is a franchisee of an entertainment shop TSUTAYA, which offers lifestyle choices by selling new books, stationery, and other goods, and renting movies, music, and comics.



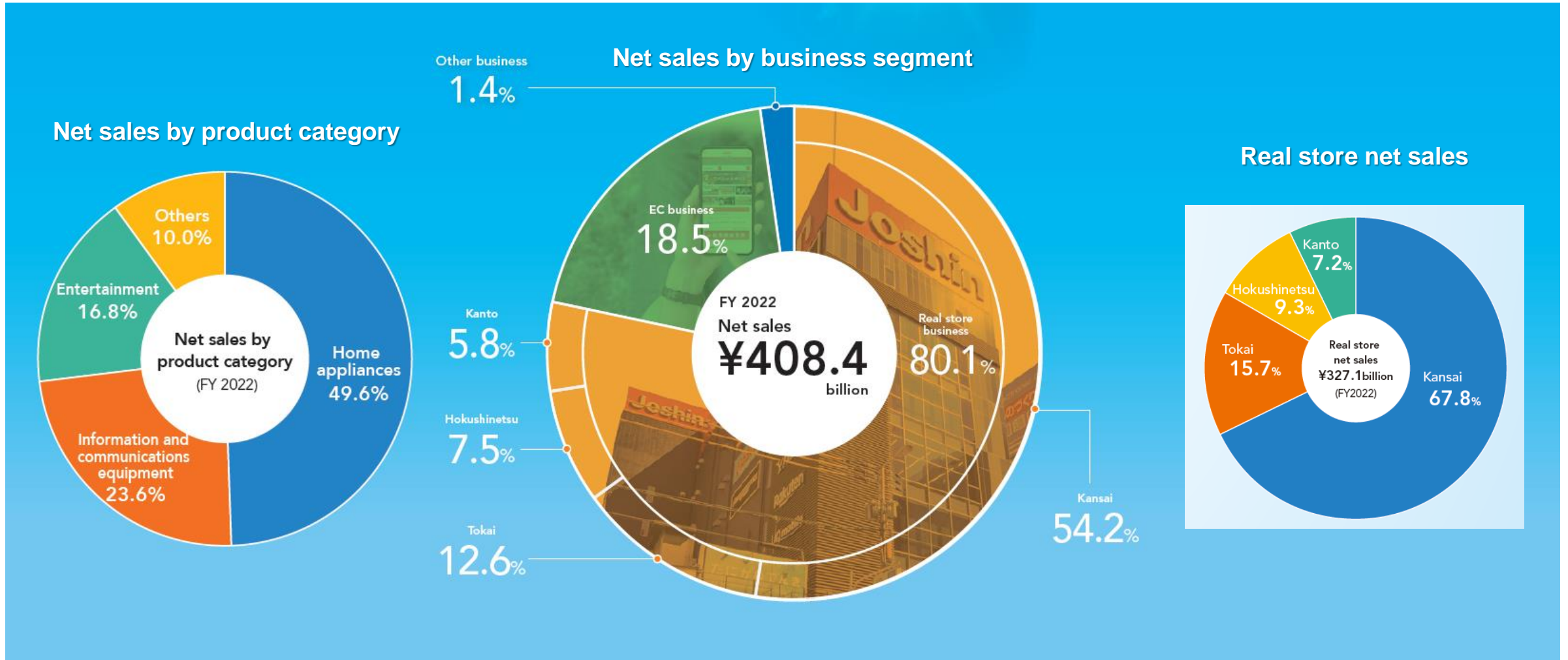
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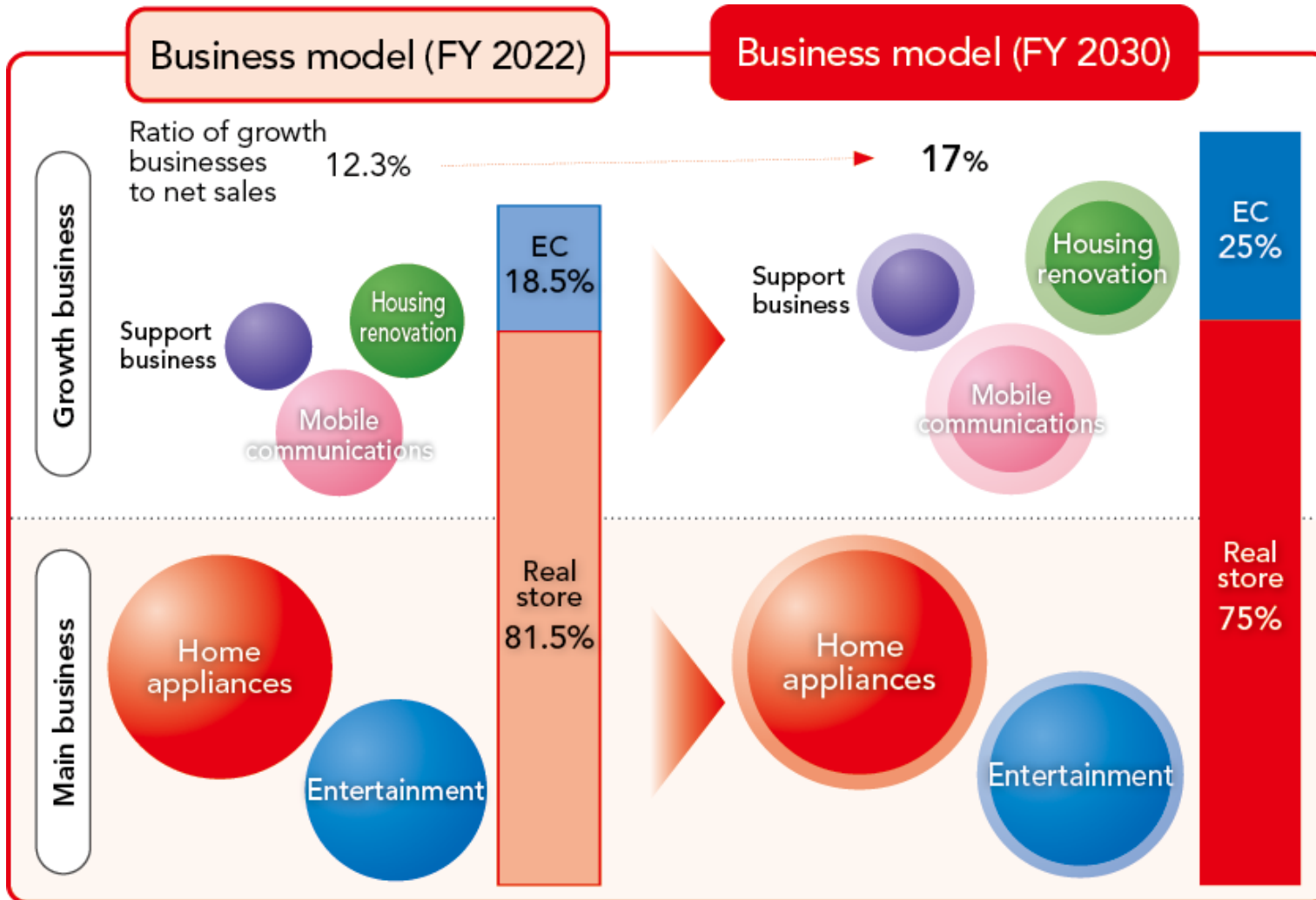
Sales Composition of Joshin Group

Sales consist of two channels of real stores and EC business. Real stores in the Kansai area account for more than 50% of net sales.



Joshin Group's Redefined Business Model

We redefined the business model consisting of two channels and five categories. We aim to grow and expand EC while ensuring the business scale of real stores



What Joshin Group aspires to be in FY2030

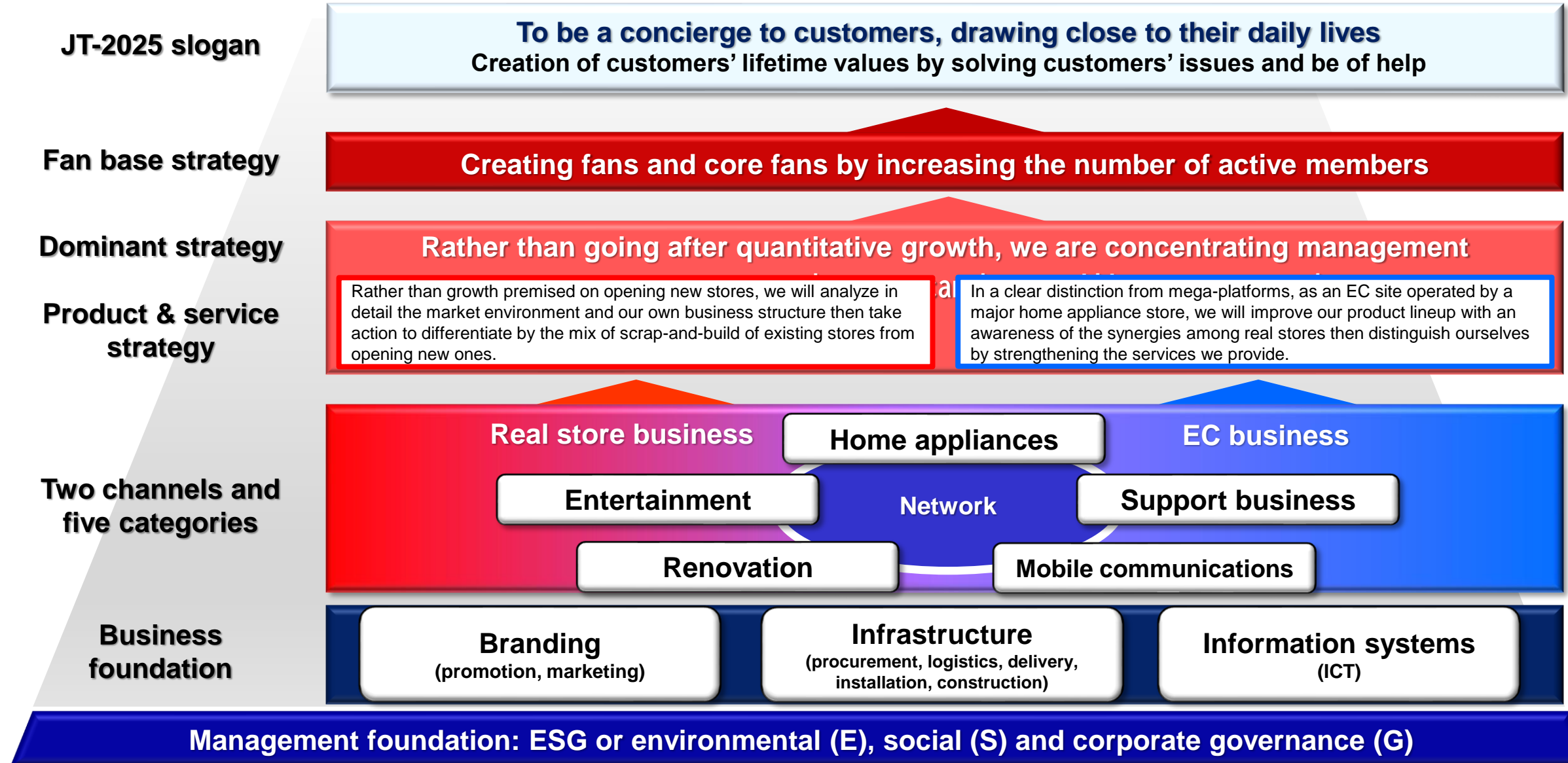
Growth business	Growth and expansion of the real store business
Mainstay business	Growth and expansion of the EC business while maintaining the business scale

FY2030 goals in material issues

Growth business	Ratio to net sales: 17%
EC	Ratio to net sales: 25%

*Support business: house cleaning, home maintenance, reuse, renal, etc.

Clarified Basic Strategies of JT-2025 Management Plan



Clarified Fan Base Strategy

The most important strategy of JT-2025 Management Plan in which we aim to create fans and core fans through retention and expansion of active members*1

Conceptual image of fans and core fans

	Fans	Core fans
Positioning	Customers who continually support and use our services	Customers who strongly support our services and co-create future value
Quantitative definition	<ul style="list-style-type: none"> • Store visits on three or more days per year • Purchase amounts of 80,000 yen or more per Year 	<ul style="list-style-type: none"> • Store visits on 10 or more days per year • Purchase amounts of 300,000 yen or more per year

Evaluates values we offer through products and services in addition to prices
 ⇒ Purchase amount is on a rising trend ⇒ Steady increase in average annual purchase amount ⇒ Results in strengthened profitability

FY2022 results

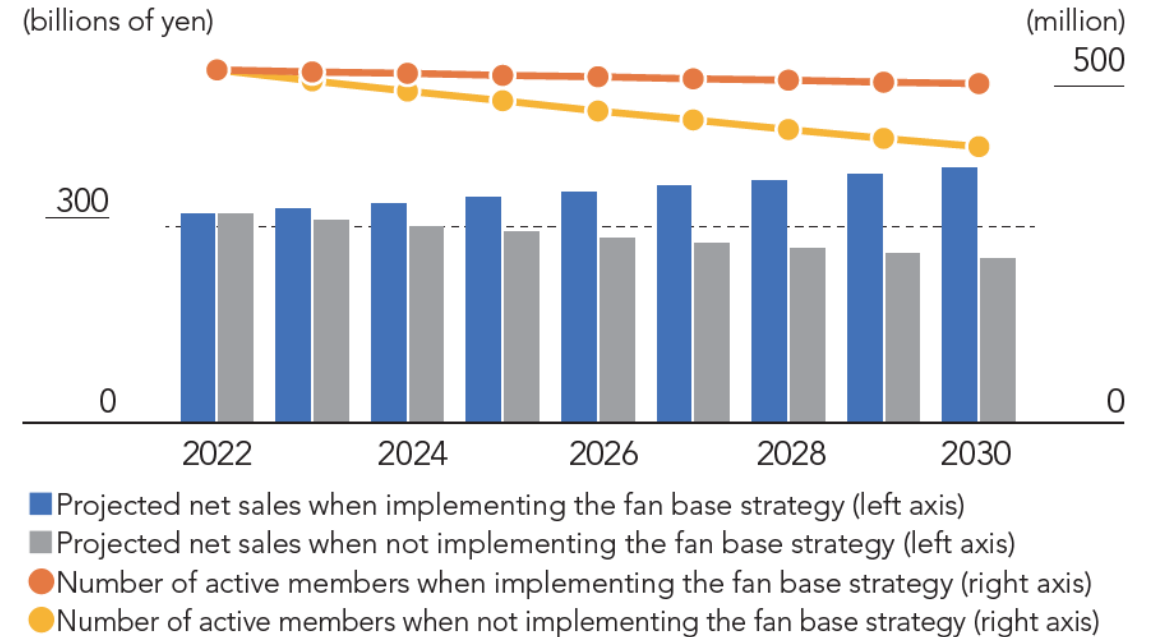
Number of active members*1

Approx. **5.2** million people

Member Purchase Amount*2

approx. **62,000** yen

Trends for net sales and active members when and when not implementing the fan base strategy



*1. Customers who have purchased products or services from us at least once in FY 2022.

*2. Average unit price per active member purchased in a year

Launch of New Loyalty Program

Started notification on our website towards the launch of the service in February 2024

Greater value, more smile!
New program is coming!

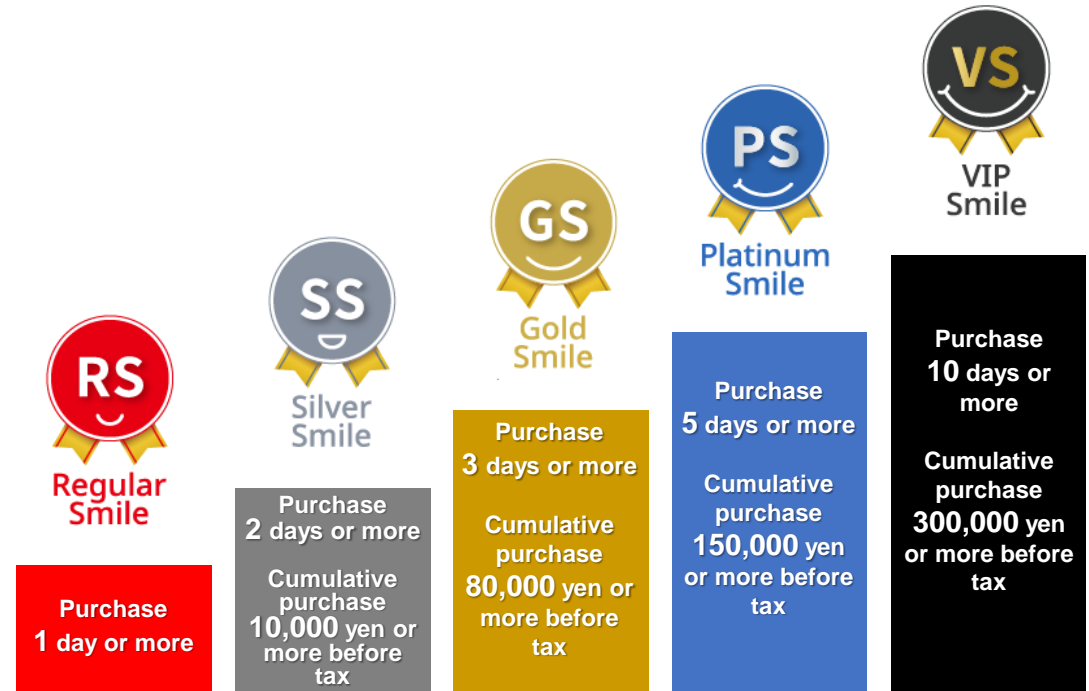
Joshin Smile Program

2024.2 START!

For details, see the URL below.
<https://card.joshin.co.jp/smileprogram/>

New launch! What is Joshin Smile Program?

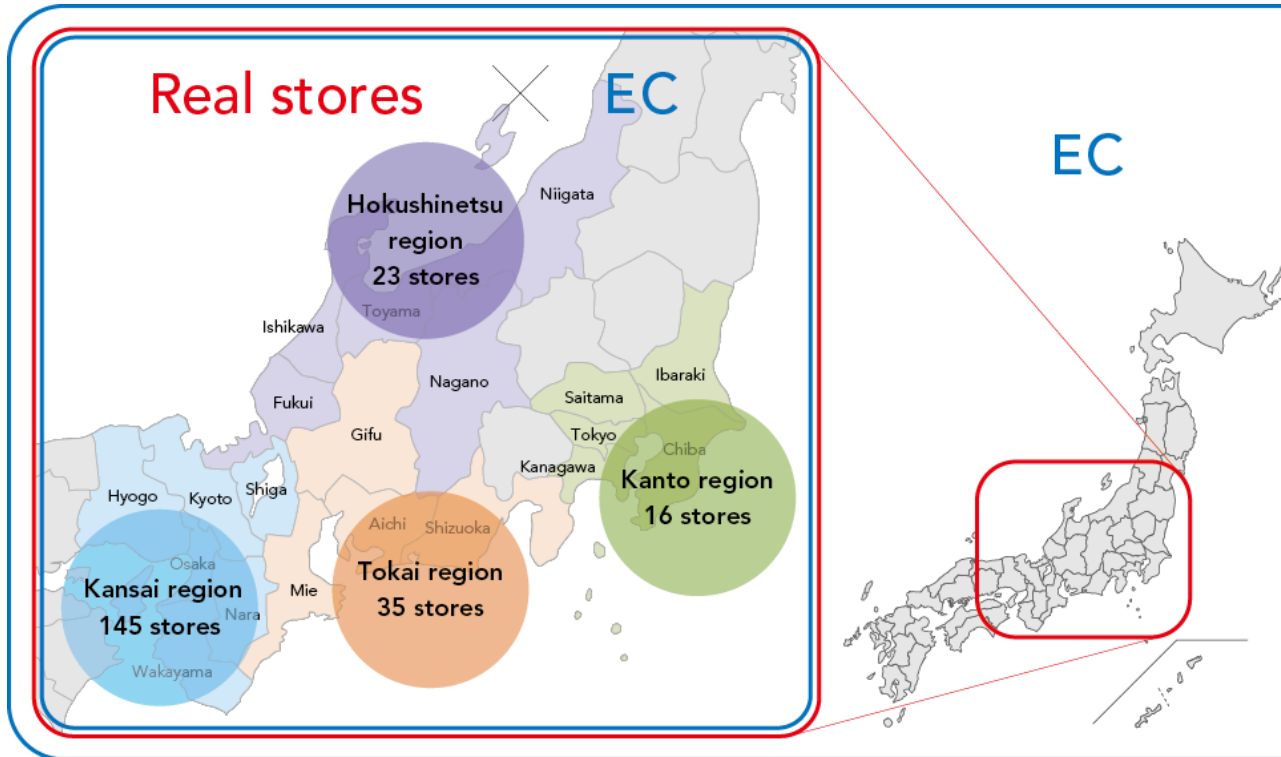
- A service where customers can enjoy greater value depending on their purchase at Joshin Group stores and Joshin web shop
- It offers five stages of member ranks, and members are entitled to benefits at both stores and Joshin web shops depending on their rank.



Clarified Joshin Group's Dominant Strategy

A differentiation program that leverages the assets accumulated over 75 years to the maximum extent and in which we focus our management resources in specialized fields where we can exploit our strengths

Kansai, Tokai, Kanto, and Hokushinetsu are positioned as key areas



[Joshin Group's dominant strategy]

- Instead of relying on new store openings, it aims to secure market share by focusing on areas where we can expect profit expansion including synergy effects with EC, logistics, and service infrastructure primarily through strengthening of sales skills of existing stores and scrap and build (we have a grasp of the market share within 0 to 5 km radius of each store).
- The idea is to cover the entire area by growing each point and connecting the empty spaces using EC as the plaster.
- Avoiding relying on new store openings enables us to reduce expenses such as capital investment, personnel expenses, and store operation costs.

General dominant strategy		Joshin's dominant strategy
Increase (focused on new openings)	Number of Stores	Slight increase in the number of stores (focused on existing stores)
Increase (focused on new openings)	Capital investment Amount	Slight increase (focused on scrapping and building)
Increase (bloated balance sheet)	Fixed assets	Slight increase (small impact on balance sheet)
Expansion through financial leverage (high interest rate burden)	Fundraising	Focus on using operating cash flow (small interest rate burden)
Increase (employee shortages, difficulty in hiring new employees)	Employees	Slight decrease (ensure maintaining the quality of customer service)
Increase (major impact on profit and loss statements)	Operating expenses	Slight increase (minor impact on profit and loss statements)

*As of the end of March 2023, there are two stores in Shikoku region (Tokushima) in addition to them

[General dominant strategy]

- Narrow down to a certain area and aim to improve the market share by focusing on new store openings in the area (it considers the entire area as a surface).

Examples of Initiatives of Individual Strategies under JT-2025 Management Plan

Logistics

- We decided to use Tokyo Logistics Center as the mother center that covers the Kanto area by expanding the center to establish a logistics structure with one base each in the east and the west with Kansai Ibaraki Logistics Center at the core
- Taking into consideration the Act on the Arrangement of Related Acts to Promote Work Style Reform in the transportation and logistics industry, we are currently preparing to install a relay base in Chubu area for transportation to Kanto area



Kansai Ibaraki Logistics Center

Information systems

Promoting introduction of a new system for enabling creation of new customer satisfaction, workstyle reform of employees, and further enhancement in member services

- Fully self-service cash register introduced at Minami Tsumori Store in October 2023

Enables customers to perform the entire process in simple steps, from scanning membership card and product bar code to payment including purchase of long-term warranty



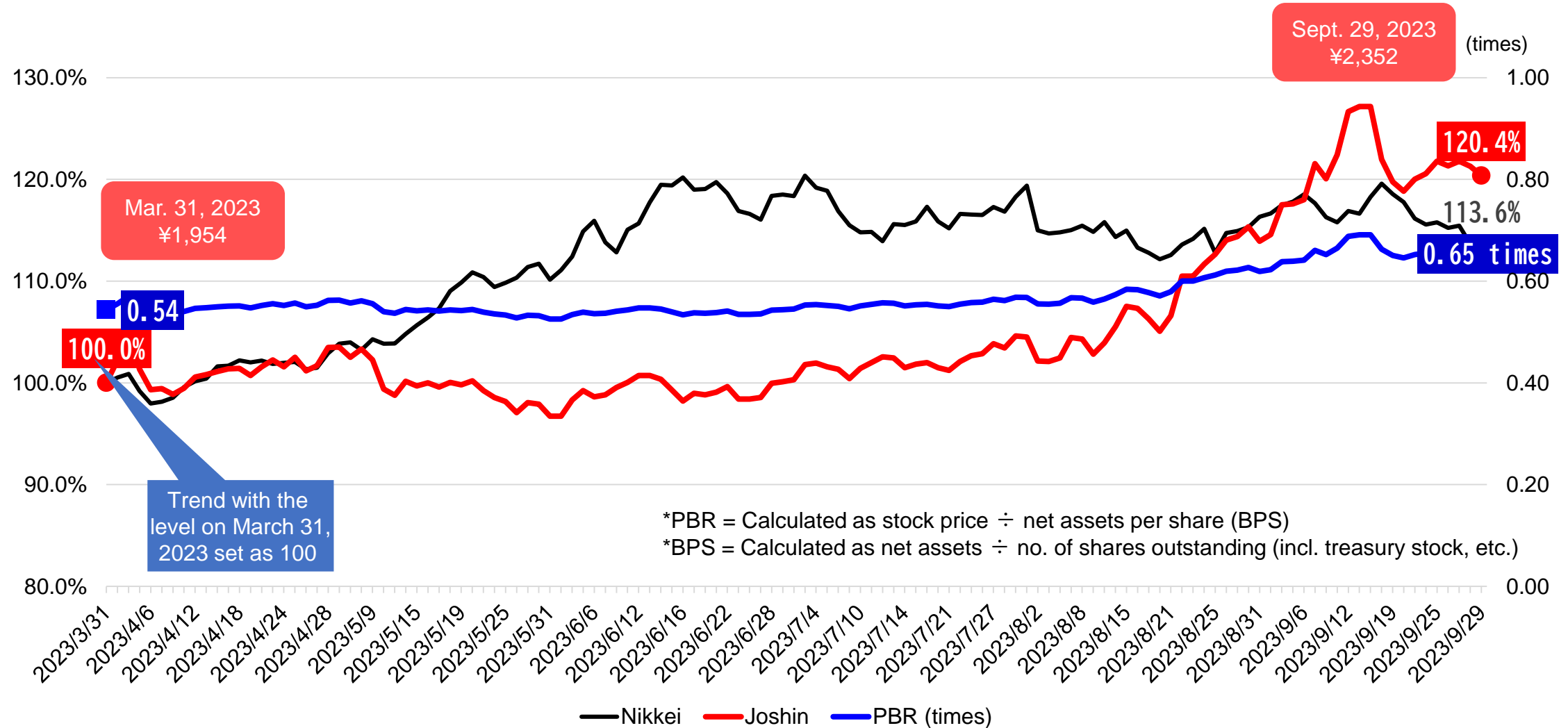
- Electronic receipt to be introduced in December 2023

Joshin app members can select to display their purchase details on their smartphones. It shortens the time required for payment at cashier and improves customer convenience. It also contributes to lowering of environmental burden through reduction in paper-based receipts



Trends in Joshin's Stock Price and PBR

Since September, the stock price has been outperforming the Nikkei Index, while PBR has improved to 0.6 level

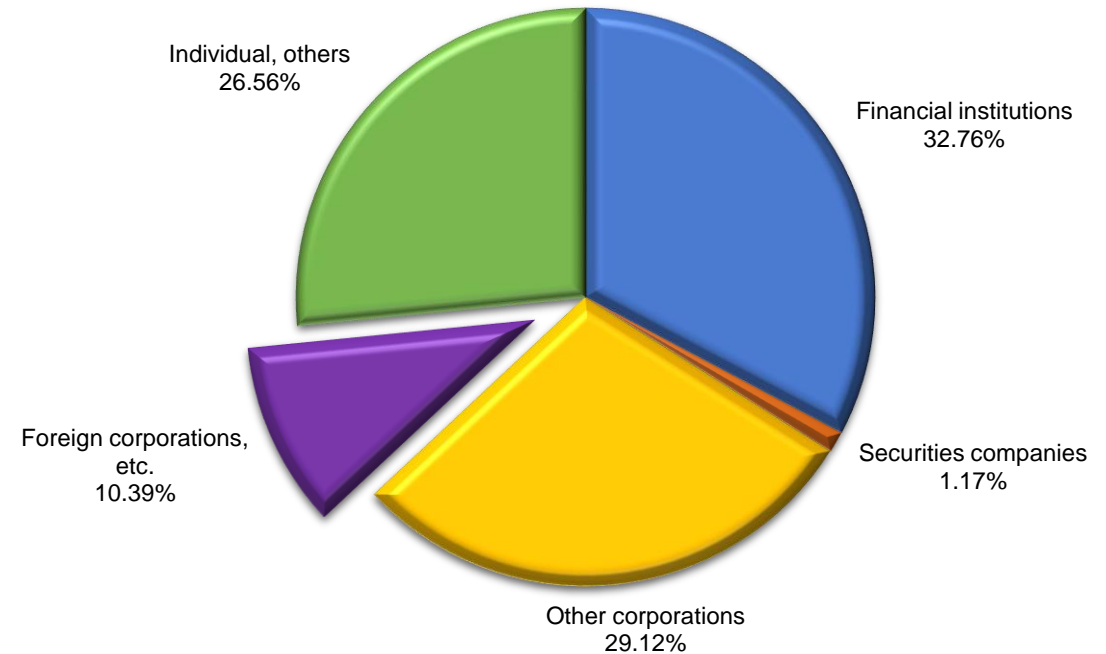
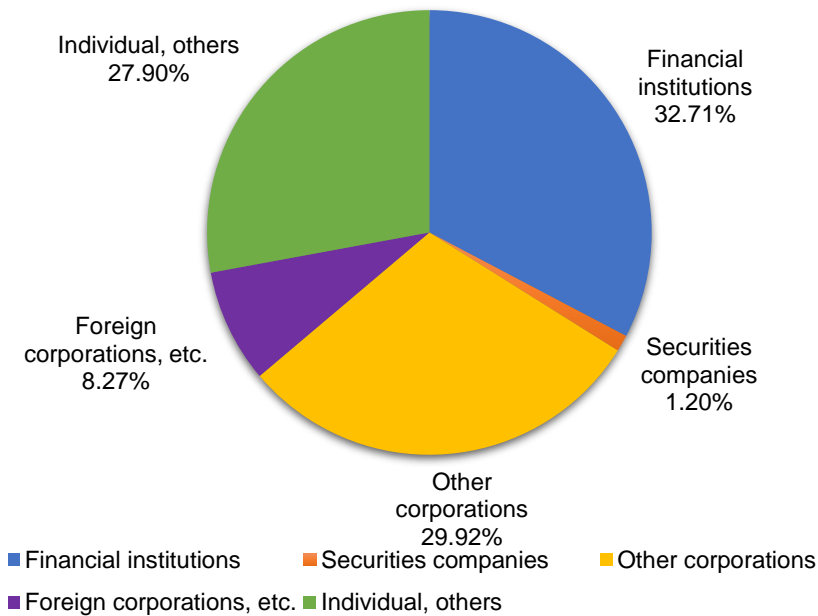


Changes in Shareholder Composition

The shareholding ratio of foreign corporations increased, exceeding 10%, while that of other corporations fell

As of September 30, 2023

As of March 31, 2023



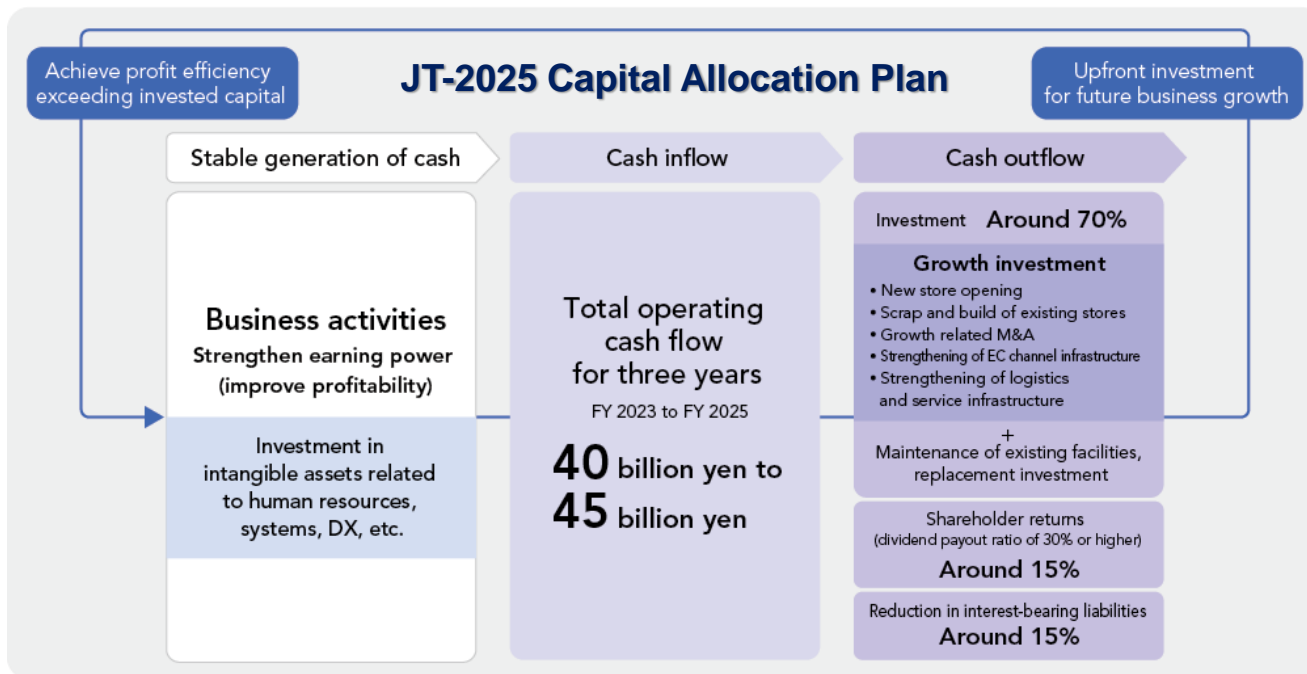
■ Financial institutions ■ Securities companies ■ Other corporations ■ Foreign corporations, etc. ■ Individual, others

(Note) The shareholding ratios are calculated by excluding treasury stock.

Measures to Achieve Management Conscious of Capital Cost and Stock Price

Stock price = Net income per share (EPS) x Price earnings ratio (PER)

PER = The higher the profit growth, the more the future growth prospects get reflected in stock price, and therefore it is possible to raise it by expanding EPS



ROE = Possible to raise the value by increasing EPS, the numerator

Price book-value ratio (PBR)
 = Stock price ÷ BPS (net assets per share)
 = Return on equity (ROE) x PER

	FY2025 plan	Ideal form in FY2030
Operating income ratio	2.6%	Aim for 4.0% level
ROE	8.0% or higher	Aim for 10.0% or higher
ROA	5.0% or higher	Aim for 7.0% or higher
ROIC*1	5.0% or higher	Aim for 7.0% or higher
Dividend payout ratio	30% or higher	Aim for 30% or higher

*1 ROIC: (Operating income x 0.65) ÷ (interest-bearing liabilities + equity) with assumed effective tax rate of 35%

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Hanshin Tigers Victory Sale

Promotion of the fan base strategy through expansion of active members by adding new members

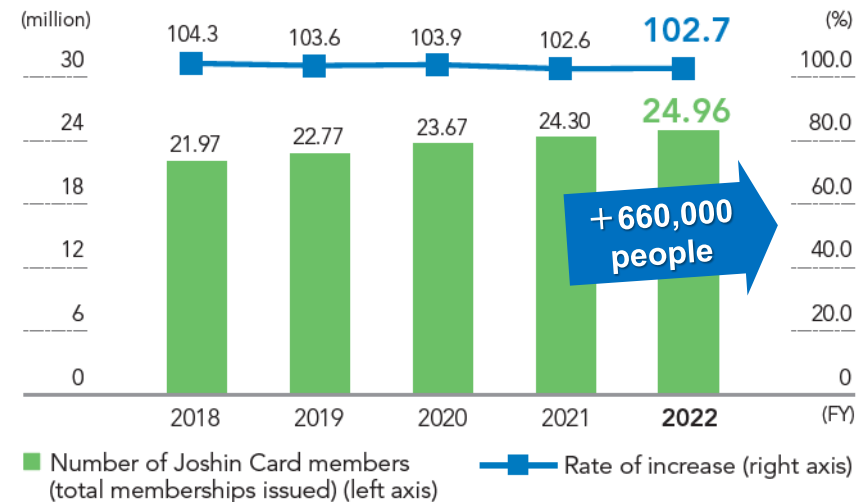


During the sale (15 days)

New members → About 74,000 people

*Equivalent to 11% of the 660,000 annual increase for FY2022

Number of Joshin Card members



Creation of fans and core fans by increasing the number of active members

First Joshin Customer Service Role-playing Contest

Started the contest as a new initiative under the JT-2025 Management Plan from FY2023

Aim to create fans and core fans by improving customer service techniques for achieving ultimate hospitality that will impress the customers

Contest overview

Selection of store representatives (221)

Preliminary rounds held in 16 areas to select one representative each

Final contest held with 16 area representatives (Oct. 26)

One person chosen for excellence award



Regional Cooperation Initiatives in Store Locations

Contribution to local communities through collaboration with local administrations, industry, and academia and put into practice brand recognition improvement in areas where dominant strategy is being promoted

We endorse the purport of the “Decarbonized Point System Promotion Platform” of the Osaka Prefectural Government, and participated for the second year in a row in the demonstration project for awarding decarbonization points



We made donations in support of the purport of the e-sports MICE contents demonstration project held by Izumisano, Osaka Prefecture



We held an event aimed at expanding interactions and experiences at real stores jointly with Kobe Institute of Computing (Kobe, Hyogo Prefecture) in an industry-academia partnership project



We produced three video contents as the second step of the industry-academia partnership project with Baika Women’s University (Ibaraki, Osaka Prefecture)



Integrated Report 2023 Published



Key enhancements to contents

Revision of Material Issues

Clarification of the business model in value creation process

Enhancement to business strategy based on JT-2025 Management Plan

Messages from all executive officers

Clarification of the goals for the transition to net-zero carbon emissions plan

Practice of health and productivity management in human resources strategy

Clarification of goals in sustainability procurement

Roundtable talks with all outside directors

For details, see

<https://www.joshin.co.jp/ja/csr/archive.html>

*English version will be made available on the English language website in November.

Revision of Material Issues from Integrated Report 2023

After the announcement of material issues in 2021, the initial goals were achieved under the many action plans in two years. Therefore, we have made partial revision to the material issues and initiatives, and reviewed the action plan and goals.

(Formerly) "Integrated Report 2022" before revision

Material Issues		Challenges
ES	1. Proposing enriched lives that anticipate lifestyle changes	Offering products and services designed to support a diversifying and swiftly aging society
		Achieving household carbon neutrality
ES	2. Offering safe and secure products and services	Improving data security
		Ensuring product quality and safety
E	3. Contributing to the creation of a better society that is in harmony with the global environment	Developing a resource recycling society
		Addressing climate change issues
S	4. Creating work environments that enable diverse employees to enjoy successful careers and job satisfaction	Securing, maintaining, and developing human resources in parallel with environmental changes
		Diversity & Inclusion
		Creation of secure and safe workplace environments that focus on work-life balance
	5. Promoting synergies with local communities	Respecting human rights
		Exploring in depth the businesses that are closely aligned with local Communities
	6. Ensuring responsible procurement and marketing	Implementing purchasing and providing services based on CSR (green) purchasing guidelines and ethical Standards
G	7. Enhancing corporate governance	Ensuring compliance, risk management, and maintaining company morale
		Corporate/Group governance

(New) Revised "Integrated Report 2023"

Material Issues		Challenges
ES	1. Proposing enriched lives that anticipate lifestyle changes	Offering products and services designed to support a diversifying and swiftly aging society
		Achieving household carbon neutrality
ES	2. Offering safe and secure products and services	Improving data security
		Ensuring product quality and safety
E	3. Contributing to the creation of a better society that is in harmony with the global Environment	Developing a resource recycling society
		Addressing climate change issues
S	4. Diversity & inclusion	Securing human resources
		Human resource development
		Health and productivity Management
S	5. Building a responsible value chain	Respecting human rights
		Sustainable purchasing activities
S	6. Promoting synergies with local communities	Exploring in depth the businesses that support the growth of local communities
G	7. Enhancing corporate governance	Ensuring compliance, risk management, and maintaining company morale
		Corporate/Group governance



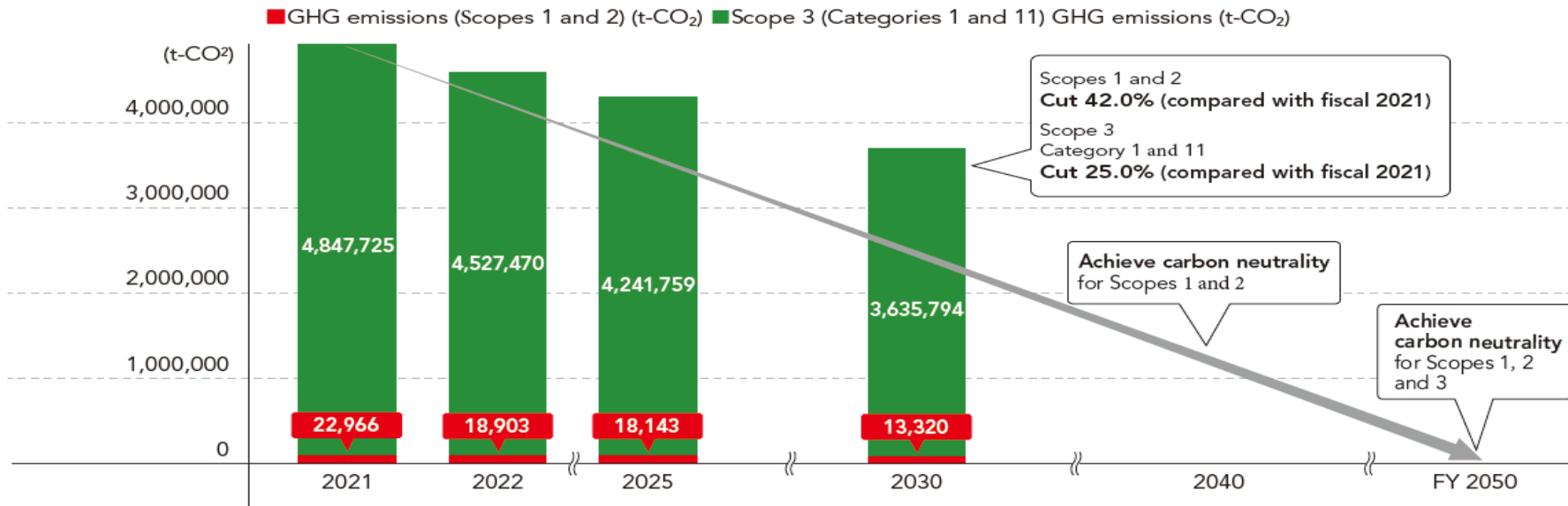
NOTES: (ES) Impact (E) Environment (S) Society (G) Governance

Environmental Initiatives 1

Announced road map for achieving net-zero carbon emissions

Received third-party assurance for calculated values
 *Covers 98.1% of the Group's overall emissions

Changes in the decarbonization transition plan



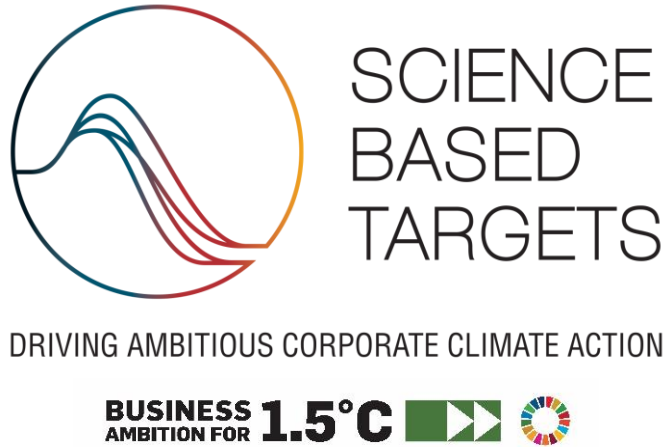
Information subject to assurance:
 Energy consumption, GHG emissions (Scope 1 + 2 and Scope 3 Categories 1 and 11)
Range of assurance:
 Japan (Joshin Denki Co., Ltd. And subsidiaries in Japan; stores, logistics sites, etc.)

Roadmap for the transition plan

Goals and measures	Till 2025	Till 2030	Till 2050
Early achievement of 100% renewable energy conversion ratio at all business sites	<ul style="list-style-type: none"> ● Achieve 100% renewable energy conversion ratio at business sites for which the company has signed contracts directly [2023] 	<ul style="list-style-type: none"> ● Reduce Scope 1 and 2 GHG emissions by 42% in FY2030 compared to FY2021 	<ul style="list-style-type: none"> ● Achieve practically zero Scope 1 and 2 GHG emissions [2040]
Measures to manage and reduce GHG emissions in the entire supply chain	<ul style="list-style-type: none"> ● Categories 1 and 11 of Scope 3: 25% reduction compared to FY2021 ● Initiatives to reduce GHG emissions through engagement with suppliers 		<ul style="list-style-type: none"> ● Achieve net-zero carbon emissions across all Scope 3 categories through collaboration with suppliers

Environmental Initiatives 2

Received SBT certification for “target of 1.5°C in 2030”



Received B score for CDP climate change report 2022



Selected for the first time as a constituent of “FTSE Blossom Japan Index” (2023)

An index designed as an industry neutral benchmark that reflects the performance of companies demonstrating excellent environmental, social, and governance (ESG) practices in Japan



**FTSE Blossom
Japan Index**

Retained as a constituent of “FTSE Blossom Japan Sector Relative Index” (from 2022)

An index that evaluates the quality of a company’s responses to the risks and opportunities in transition to a low carbon economy



**FTSE Blossom
Japan Sector
Relative Index**

Societal Initiatives 1

Promoted diversity and inclusion (D&I) based on “respect for human rights” and “health and productivity management”

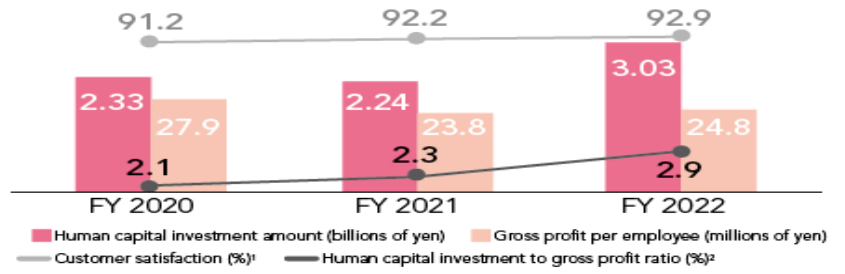


Active investment in human resources → Employees' involvement in management → Improvement in corporate value → Successful implementation of management philosophy

FY 2022 human capital investment ¥3,027 million

- Recruiting and education ¥782 million**
 - Costs of hiring new graduates and mid-career workers
 - Recruitment expenses
 - Education and training expenses
- Wage increases and a revised HR system ...¥1,154 million**
 - Wage increases (including part-time employees)
 - Risk-responsive lump sums for retirement annuities
 - Increased costs due to the extended retirement age
 - Talent management system introduction and operating costs
- Investments leading to job satisfaction and ease of work ... ¥267 million**
 - Salary compensation for ikumen (men rearing their children) leave and COVID-19 special leave
 - Workplace and equipment renovation costs
 - Investment in new work styles
- Investments in systems that improve productivity ... ¥825 million**
 - Costs related to introducing full self-service cash registers, digital signs, etc.

Human capital investment amount and financial data



1. Customer satisfaction (%) = very satisfied + satisfied in our online questionnaire
 2. Human capital investment to gross profit ratio = human capital investment per employee ÷ gross profit per employee
 We are making upfront investments to maximize the potential of our human resources and create value for the future.

Governance-related Initiatives

Revised directors' compensation system to further promote sustainability management

<Overview and purpose of revision of directors/auditors compensation system>

- 1) Clarifying management responsibility by enhancing performance-linked compensation
- 2) Motivation for improving corporate value in the medium to long term by enhancing stock compensation (long-term incentive)
- 3) Promotion of sustainability management by introducing ESG indices in compensation calculation criteria

► Composition of directors compensation

Major revised points
1) Revised the percentage of performance-linked compensation from 30% to 50%
2) Calculation performance-linked compensation: Added ROE and sustainability indicators
3) Revised long-term incentives: Increased from 20% to 30%

Before revisions

Fixed compensation (70%)	Variable compensation (30%)	
	Individual performance-linked compensation (10%)	Company performance-linked compensation (20%) Operating income
Monetary compensation (80%) Short term		Stock compensation (20%) Long term



After revisions

Fixed compensation (50%)	Variable compensation (50%)				
Fixed compensation (50%)	Individual performance-linked compensation (10%)	Financial indicator-linked compensation (20%)		Sustainability indicator-linked compensation (20%)	
		Operating income results-linked compensation*1 (10%)	ROE-linked compensation (10%)	Environmental management indicator-linked compensation (10%)	Employee engagement indicator-linked compensation (10%)
Monetary compensation (70%) Short term			Stock compensation (30%) Long term		

* The table above assumes that the level of achievement of performance targets is 100%.

* The composition of directors' compensation is common to all executive directors.

*1 Changed from stock-based compensation to monetary compensation.

The percentage was also changed from 20% to 10%.

Disclaimer

1. Earnings forecasts and other forward-looking contents of this presentation are based on the Company's decision at the time of the preparation of this document. We cannot promise or guarantee that results will match forecasts.
2. This presentation contains unaudited approximations, which may change.

Joshin

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