

Corporate Governance Report

Last Update: June 28th, 2021

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Representative Director and President and Executive Officer

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Securities Code: 8173

https://www.joshin.co.jp/joshintop/ir_en.html

The status of the Company's corporate governance is as follows.

I Basic concept of corporate governance, capital structure, corporate attributes and other basic information

1. Basic concept

The Company aims to strengthen its efforts in the home appliance retail business, which we have developed up over many years since our establishment, and to become a business management organization that can respond quickly and accurately to the rapidly changing business environment. In order to accurately understand the actual situation in the field of sales and to make effective and efficient decisions, many of our directors are in charge of business execution. At the same time, with the aim of utilizing objective viewpoints different from those of people from within the company as well as to strengthen the management system and further improve transparency, outside directors and outside auditors have been appointed as independent officers. In this way, we intend to enhance our corporate governance while further strengthening the current system of directors and auditors. In addition, we will strive to promptly and accurately disclose information to shareholders and investors from the perspective of management transparency.

[Reasons for not implementing individual principles of the Corporate Governance Code]

The Company has implemented all of the principles of the Corporate Governance Code.

[Disclosure based on the principles of the Corporate Governance Code]

[Principle 1-4: Cross-Shareholdings]

As stated in the "Annual Securities Report," the Company's policy is to hold shares from the perspective of enhancing the Company's corporate value over the medium to long term, with the aim of strengthening business relationships and promoting smooth business operations. Taking into account the percentage of total assets, eligibility of the purpose of shareholding, and profits and dividends derived from business relationships, the Company comprehensively reviews stock prices, valuation gains and losses, business conditions, and other factors reported to the Board of Directors on a quarterly basis. In the event the significance of the shares is deemed diminished, the Company shall appropriately dispose of such shares through dialogue and negotiation with the shareholding party. Regarding the criteria to exercise voting rights, the Company shall exercise such rights in light of the purpose of holding such shares and by comprehensively taking into consideration the governance system and business performance of the issuing company.

[Principle 1-7: Transactions with related parties]

Regarding all transactions which may cause conflicts of interest, such as transactions between related parties, the Company has established Internal rules which require the Board of Directors to deliberate and pass resolutions on such transactions. In addition, the Company shall regularly confirm each year whether or not there are any transactions between the Company's officers and their close relatives (including companies in which such persons hold a majority of voting rights) and the Company. In addition, as stated in the "Report on Corporate Governance," within the system to ensure the appropriateness of business operations, an internal whistleblowing system (public interest notification system) has been established in order to monitor this system.

[Principle 2-6: Demonstrating our function as an asset owner of corporate pensions]

The Company appoints personnel with experience and expertise in asset management, and who have been involved in asset management for many years at organizations entrusted with the management of corporate pension assets, as internal consultants. In asset management, our basic policy is "sound and stable asset development for the employees", under which we avoid fixed investment in the traditional four asset classes, flexibly reconfigure our portfolio in response to changes in the management environment. In addition, since fiscal 2019, we have been contributing to risk response premiums in preparation of a worsening management environment, and thereby eliminating the impact on the Company's financial position as much as possible. In addition, verification of investment results is carried out by the Asset Management Committee on a quarterly basis to continuously improve operations, and reports on the stewardship activities of Institutions entrusted with asset management are requested as a monitoring system.

[Principle 3-1: Enhancement of Information Disclosure]

(1) Corporate philosophy, management strategies, and management plans

Since June 2006, the Company has disclosed the management philosophy and other information in the "Joshin Magokoro CSR Report" (currently called the "Magokoro Integrated Report"). (The "Magokoro Integrated Report" is also available on our website (<https://www.joshin.co.jp/joshintop/csr/>) (Japanese only))

Regarding our medium-term management plan, the "JT-2023 Management Plan," a three-year plan covering the period from April 2020 to March 2023, has been announced. This plan can be viewed on our website. (https://www.joshin.co.jp/joshintop/ir_en.html)

(2) Basic concept and Basic policy on Corporate Governance

As disclosed in the "Magokoro Integrated Report" and the "Report on Corporate Governance" etc., our basic concept on corporate governance is to strengthen its efforts in the home appliance retail business, which we have developed up over many years since our establishment, and establish a management control system that can respond quickly and accurately to the rapidly changing business environment, achieve sustainable growth, and improve medium to long term corporate value.

(3) Policies and procedures for the Board of Directors in determining remuneration of Senior Management and Directors

The total amount of remuneration for Directors is set by resolution at the General Meeting of Shareholders, and monetary remuneration is set within the range of 240 million yen per year. The Nomination and Compensation Committee, which is chaired by one of independent outside directors who comprise the majority of it, and in consultation with the Board of Directors, deliberates on the allocation of compensation to individual directors based on the "Regulations on Compensation for Directors," and the Board of Directors shall make a decision based on its report.

Criteria regarding remuneration for Directors is set as "Directors and Executive Officers" and the standard monthly remuneration is set at no more than 200% of the maximum monthly salary as set forth in the employee salary system. Remuneration for Directors is determined based on the remuneration ratio and business performance of each Director. The standard for the remuneration ratio is set at 1.0 for "Directors and Executive Officers," 1.2 for "Directors and Managing Executive Officers," 1.4 for "Directors and Senior Managing Executive Officers," 1.7 for "Directors and Vice President and Executive Officer," 2.0 for "Director and President and Executive Officer," and 1.7 for "Director and Chairman and Representative Director". The remuneration ratio for the CEO is separately set by adding 0.2 to this ratio. The amount of remuneration for outside directors shall be determined on an individual basis, taking into consideration factors such as societal standards, career of the outside director concerned, and knowledge and experience in the specialized fields.

Of the total amount of remuneration for individual directors, 70% is set as fixed monetary remuneration, 10% as individual performance-linked remuneration (variable between 0% and 200%), and 20% as performance-linked stock remuneration (variable between 0% and 200%). The stock-based remuneration is determined by resolution at the General Meeting of Shareholders. The purpose of this system is to further clarify the linkage between business performance, stock value and directors' remuneration, and to increase awareness of the directors' contribution towards the improvement of business performance over the medium to long term, and to increase corporate value by sharing the benefits and risks of stock price fluctuations with the shareholders.

(4) Policies and procedures for the Board of Directors in the appointment and dismissal of senior management and the nomination of directors and auditor candidates

In the selection and dismissal of Directors, the Nomination and Compensation Committee deliberates after consultation with the Board of Directors based on the basic principle that such Director possesses knowledge, understanding, and experience on the Company's management policies, business content, and issues, etc., and can contribute to the enhancement of the Company's corporate value over the medium- to long-term, and the Board of Directors makes a decision based on the recommendations of the Nomination and Compensation Committee. As for Auditors, such personnel with experience in the Company's business operations and management, internal control, and financial management, etc., and who can use their insights in auditing based on their carrier background are nominated with the consent of the Board of Auditors. In addition, regarding outside directors and outside auditors, importance is placed on the wealth of experience and high level of insight such persons possess in their respective fields, and independency they are possessed of, and these functions are exhibited in the Board of Directors and the Board of Auditors.

(5) Explanation of individual appointments, dismissals and nominations in the event of the appointment or dismissal of senior management and the nomination of candidates for directors and auditors by the Board of Directors

Candidates for Directors and Auditors are disclosed in the reference documents of the "Notice of Convocation of the General Meeting of Shareholders" along with a brief personal history and concurrent positions held by each candidate. The Nomination and Compensation Committee consults with the Board of Directors and deliberates on the appointment and dismissal of the Directors to ensure a fair and highly transparent process, and the Board of Directors decides on the appointment and dismissal proposal based on the received report. With regard to the appointment and dismissal of Auditors, the Board of Directors shall decide on a proposal for appointment and dismissal based on the results of discussion at the meeting of Board of Auditors.

[Supplementary Principle 4-1-1 Scope of delegation to management]

The Board of Directors shall prepare resolutions on important matters such as management policies concerning corporate management, and entrust each Director with high-level judgment and decision-making as the person in charge of the execution of business of his assigned area. By defining the scope of delegation in detail through the Board of Directors regulations, managing executive officer regulations, regulations for division of duties, and rules for request for managerial decision-making etc., the Board of Directors shall establish an organizational structure which enables each director to work in close coordination and make high-level and flexible decisions.

In addition to regular meetings of the Board of Directors at least once a month, extraordinary meetings of the Board of Directors shall be held flexibly as the need arises, and the Board of Directors shall supervise the status of business execution by the Directors at the Board of Managing Executive Officers meeting held once a week.

[Principle 4-9: Criteria to determine the degree of independence of independent outside directors and their qualifications]

Criteria to determine independence at the Company is based on satisfying both the requirements for outside officers required by the Companies Act and the independence standards required by stock exchanges, and appropriate personnel who can contribute to the enhancement of corporate value and shareholder interests are registered with the stock exchanges as candidates for outside officers, with the approval of the General Meeting of Shareholders as independent officers. Criteria to determine independence are disclosed in the "Report on Corporate Governance". Criteria to determine independence are deliberated by the "Nomination and Compensation Committee", in consultation with the Board of Directors as appropriate, and the Board of Directors decides the criteria based on the received report.

[Supplementary Principle 4 -11 -1 Concept regarding the balance of knowledge, experience and skills, diversity and size of the Board of Directors as a whole]

Based on the belief that diversity of the Directors comprising the Board of Directors affects its effectiveness and significantly impacts sustainable growth and the enhancement of corporate value over the medium to long term, the Company's Board of Directors has deliberated on the balance and diversity of the composition of the Board of Directors, including the knowledge, experience and abilities of the Directors. As a result, the Company formulated the "Skill Matrix" for Directors and Auditors and published it in the notice of convocation of the 73rd Ordinary General Meeting of Shareholders as a nomination proposal prerequisite for Directors and Auditors.

The Company considers the skill matrix to be a tool to ensure diversity in the Board of Directors by recruiting a wide range of personnel with strengths in specific fields, and uses it to visualize the process to determine any excess or deficiency in skills among the Directors and to balance such excess or deficiency by the selection and dismissal of internal and external Directors.

[Supplementary Principle 4 -11 -2 Directors and corporate auditors holding concurrent positions at other listed companies]

When a proposal on candidates for Directors and Auditors in the General Meeting of Shareholders is submitted, the status of concurrently held positions are disclosed in the business reports and reference documents of the "Notice of Convocation of General Meeting of Shareholders". Some candidates are holding concurrent positions as outside officers of other listed companies, but this is not particularly considered to be an obstacle in their attendance at the meetings of the Board of Directors and the Board of Auditors of the Company, and the number of concurrent positions remains within a reasonable range.

[Supplementary Principle 4 -11 -3 Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole]

The Company continuously promotes efforts to improve the effectiveness of the Board of Directors, which plays a central role in the efforts of the Company to enhance its corporate value and shareholder profits over the medium to long term. For the fiscal year ended March 2021, an "Assessment Committee for Board of Directors", consisting of outside directors and auditors, was established to investigate the effectiveness of the Board of Directors, targeting all directors and auditors who are members of the Board of Directors. The Company conducted anonymous questionnaires and interviews with the directors, and the results were reported to the Board of Directors, along with the opinions of outside directors. The Board of Directors confirmed that the Board of Directors is functioning effectively based on the analysis of the survey results, and also identified constructive opinions and suggestions obtained in the course of the survey as issues which can contribute to the further improvement of the effectiveness of the Board of Directors and is formulating action plans to address such. A summary of the evaluation results of the effectiveness of the Board of Directors for the fiscal year ended March 2021 was disclosed on June 1, 2021 (Japanese only).

[Supplementary Principle 4 -14 -2 Training Policy for Directors and Auditors]

The Company provides opportunities for Directors and Auditors to improve their skills by acquiring the necessary knowledge and to remain up to date on the appropriate knowledge, so that such persons can properly fulfill their expected roles and responsibilities. For Directors, Auditors, and Managing Executive Officers, training by external instructors is provided six times a year on Corporate Law, Financial Instruments and Exchange Act, and other legal authorities and obligations under laws and regulations, as well as training for officers needed to acquire and remain up to date on legal and other related knowledge and skills required for the management practices of the Company. At the same time, the system to obtain advice from lawyers, certified public accountants, tax accountants, and other specialists on a case-by-case basis has been enhanced. As many of our directors are in charge of various operations in the Company and are engaged in tasks that require a high level of judgment, we believe that total training is indispensable for the execution of each operation in the Company.

[Principle 5-1 Policy for constructive dialogue with shareholders]

The basic concept and framework for information disclosure are disclosed in the Company's Integrated Report. Regarding specific activities related to IR, a forum for dialogue, such as financial results briefings, individual IR for institutional investors, and IR seminars for individuals are provided, and questions and requests received by phone or from the Company website are appropriately handled on a daily basis.

2. Capital structure

Percentage of shares held by foreigners Less than 10%

[Status of major shareholders]

Name and/or Title	Number of shares owned (stock)	Percentage (%)
<u>Joshin Denki Employee Shareholding Association</u>	<u>1,734,832</u>	<u>6.46</u>
<u>The Master Trust Bank of Japan, Ltd. (trust account)</u>	<u>1,531,000</u>	<u>5.70</u>
<u>The Dai-ichi Life Insurance Company, Limited</u>	<u>1,350,000</u>	<u>5.03</u>
<u>Resona Bank, Ltd.</u>	<u>1,251,010</u>	<u>4.66</u>
<u>Custody Bank of Japan, Ltd. (trust account)</u>	<u>755,570</u>	<u>2.81</u>
<u>Sumitomo Mitsui Trust Bank, Limited</u>	<u>600,000</u>	<u>2.23</u>
<u>Mitsubishi UFJ Trust and Banking Corporation</u>	<u>571,603</u>	<u>2.13</u>
<u>Sharp Corporation</u>	<u>542,500</u>	<u>2.02</u>
<u>Sompo Japan Nipponkoa Insurance Inc.</u>	<u>506,500</u>	<u>1.88</u>
<u>Daikin Industries, Ltd.</u>	<u>447,792</u>	<u>1.66</u>

Existence of controlling shareholders (excluding the parent company) ---

Parent company No

1. [Status of Major Shareholders] is based on the shareholder registry as of March 31, 2021.
2. Percentages (%) in the above table are calculated after excluding treasury stock (1,178,099 shares).

3. Corporate attributes

Stock exchange listing and market segment	Tokyo First Section
Fiscal Year	March
Industry	Retail
Number of employees (Consolidated) as of the end of the previous fiscal year	1,000 or more
Net sales for the previous fiscal year (consolidated)	100 billion JPY or more and less than 1 trillion JPY
Number of consolidated subsidiaries as of the end of the previous fiscal year	10 or more and less than 50

4. Guidelines on measures to protect minority shareholders in transactions, etc. with controlling shareholders

5. Other special circumstances which may significantly affect corporate governance

II Status of management control organizations and other corporate governance systems related to management decision-making, execution and supervision

1. Matters related to organizational structure, organizational management, etc.

Organizational structure

Company with auditors

[Directors]

Number of directors as stipulated in the Articles of Incorporation 15 persons

Term of office of directors as stipulated in the Articles of Incorporation 1 year

Chairman of the Board of Directors President

Number of directors 9 persons

Appointment of outside directors Nominated

Number of outside directors 3 persons

Number of outside directors who are designated as independent directors 3 persons

Relationship with the Company (1)

Name	Affiliation	Relationship with the company *										
		a	b	c	d	e	f	g	h	i	j	k
Shojiro Nozaki	From another Company								△			
Kinya Naito	Attorney at Law											○
Keiko Yamahira	From another Company											○
Junko Kawano	From another Company											○

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/auditor

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company external directors/auditor are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Relationship with the company (2)

Name	Independent Officers	Supplementary Explanation on Applicable Items	Reason for Appointment
Shojiro Nozaki	○	Shojiro Nozaki is a former employee of Resona Bank, Ltd. which is the Company's bank of transaction. However, he has been retired for the past 11 years. After retiring from the bank, he has also served as a director of a business corporation and a medical corporation which do not have business transactions with the Company.	In addition to many years of experience in a financial institution and specialized knowledge, and Shojiro Nozaki has abundant experience and insight in corporate management. He has been judged as a person who can provide advice and recommendations on the corporate activities of the Company from an objective, broad and sophisticated perspective. He is a former employee of Resona Bank, Ltd. However, the Company's share of bank transactions at said bank is not significant, and would not affect his independence. Furthermore, the said person was appointed as an independent director because there are no special stakes between the Company and the said person, and there is no reason for concern regarding conflict of interest with general shareholders.
Kinya Naito	○	Attorney at law (No business relationship with the Company)	Using his experience and expertise as a lawyer, Kinya Naito has been judged as a person who can provide advice and recommendations on the compliance management of the Company from an objective, broad and sophisticated perspective. Furthermore, the said person was appointed as an independent director because there are no special stakes between the Company and the said person, and there is no reason for concern regarding conflict of interest with general shareholders.

Keiko Yamahira	○	---	Keiko Yamahira has abundant experience and insight in corporate management, and has been judged as a person who can provide advice and recommendations on the corporate activities of the Company from an objective, broad and sophisticated perspective. Furthermore, the said person was appointed as an independent director because there are no special stakes between the Company and the said person, and there is no reason for concern regarding conflict of interest with general shareholders.
<u>Junko Kawano</u>	<u>○</u>	---	<u>Using her expertise and experience in the promotion of participation by women and in the fields of management consulting, Junko Kawano can provide advice and recommendations on the marketing strategies of the Company and regarding diversity management from an objective, broad and sophisticated perspective. Furthermore, the said person was appointed as an independent director because there are no special stakes between the Company and the said person, and there is no reason for concern regarding conflict of interest with general shareholders.</u>

Existence of arbitrary committee corresponding to a nomination committee or compensation committee

present

Status of the establishment of an arbitrary committee, composition of committee members, and attributes of the committee chairman (chairperson)

	Name of the Committee	Committee Members (Persons)	Full time committee members (Persons)	Company directors (persons)	Outside directors (Persons)	Outside experts (Persons)	Others (Persons)	Committee Chairman (Chairperson)
Arbitrary committee corresponding to a nomination committee	Nomination and Remuneration Committee	<u>6</u>	0	2	<u>4</u>	0	0	Outside Directors
Arbitrary committee corresponding to a compensation committee	Nomination and Remuneration Committee	<u>6</u>	0	2	<u>4</u>	0	0	Outside Directors

Supplementary Explanation

The Company has established the Nomination and Compensation Committee as an advisory body to the Board of Directors in order to strengthen corporate governance by ensuring the independence, objectivity, and transparency of the functions of the Board of Directors concerning decisions on the nomination and compensation of representative directors and directors, etc., as well as personnel matters such as plans of succession for the Chief Executive Officer.

The Nomination and Compensation Committee is an arbitrary committee which performs functions corresponding to both the Nomination Committee and the Compensation Committee, and consists of independent outside directors, representative directors, and directors appointed by resolution of the Board of Directors, and the chairman of the committee is elected by mutual vote from among the independent outside directors.

[Auditors]

Existence of the Board of Auditors Established
Number of auditors as stipulated in the Articles of Incorporation 5 persons
Number of auditors 4 persons

Coordination between auditors, accounting auditors, and the internal audit department

The accounting auditor, EY Ernst & Young ShinNihon LLC, reports the details and results of audits to the Board of Auditors regarding the settlement of accounts and quarterly financial results, and seeks to actively collaborate with the Board as needed to enhance the effectiveness of audits, such as through the exchange of information.

As an internal audit function, the Auditing Department, which reports directly to the President, conducts regular internal audits of each department to check the status of business execution, prevent fraud and errors, and provide advice on business improvement. The results of internal audits are regularly reported to the auditors on a monthly basis.

Appointment of outside auditors Nominated
Number of outside auditors 2 persons
Number of outside auditors appointed as independent directors 2 persons

Relation with the company (1)

Relationship with the company (*)														
Name	Affiliation	Relationship with the company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Masayasu Hashimoto	From another Company										△			
Yoshio Hayakawa	Certified public accountant										△			

- * Categories for “Relationship with the Company”
- * “○” when the director presently falls or has recently fallen under the category;
- “△” when the director fell under the category in the past
- * “●” when a close relative of the director presently falls or has recently fallen under the category;
- “▲” when a close relative of the director fell under the category in the past
- Executive of the Company or its subsidiary
 - Non-executive director or accounting advisor of the Company or its subsidiaries
 - Non-executive director or executive of a parent company of the Company
 - Auditor of a parent company of the Company
 - Executive of a fellow subsidiary company of the Company
 - A party whose major client or supplier is the Company or an executive thereof
 - Major client or supplier of the Company or an executive thereof
 - Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an auditor
 - Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
 - Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the auditor himself/herself only)
 - Executive of a company, between which and the Company external directors/auditor are mutually appointed (the auditor himself/herself only)
 - Executive of a company or organization that receives a donation from the Company (the auditor himself/herself only)
 - Others

Relationship with the company (2)

Name	Independent Officers	Supplementary Explanation on Applicable Items	Reason for Appointment
Masayasu Hashimoto	○	Masayasu Hashimoto is a former employee of Resona Bank, Ltd. which is the Company's bank of transaction. However he has been retired for the past <u>10 years</u> . After retiring from the bank, he worked at Resona Card Co., Ltd. The amount of transaction between Resona Card Co., Ltd. and our Company is extremely small.	In addition to his many years of experience in a financial institution and specialized knowledge, Masayasu Hashimoto has experience as a Managing Executive Officer in a credit card company. He has been judged as a person who can oversee the company directors from an objective, impartial and neutral standpoint and provide advice and recommendations to ensure valid and appropriate decision-making from the Board of Directors. He is a former employee of Resona Bank, Ltd. and Resona Card Co., Ltd. However, the Company's share of bank transactions at Resona Bank, Ltd. are not remarkable, and the amount of transactions with Resona Card Co., Ltd. is also minimal, and would not affect his independence. Furthermore, the said person was appointed as an independent director because there are no special stakes between the Company and the said person, and there is no reason for concern regarding conflict of interest with general shareholders.
Yoshio Hayakawa	○	Yoshio Hayakawa is a former employee of Ernst & Young ShinNihon LLC, the Company's accounting auditor. However, he has been retired for the past ten years. After retiring from the auditing firm, he opened his own private accounting firm and served as a director of a school corporation and a business corporation which do not have business transactions with the Company.	Using his expertise and experience as a chartered accountant, Yoshio Hayakawa is judged as a person who can supervise the company directors from an impartial and neutral standpoint and provide advice and recommendations to ensure valid and appropriate decision-making from the Board of Directors. He is a former employee of Ernst & Young ShinNihon LLC, as the Company's accounting auditor, but has never been in charge of this Company, and would not affect his independence. Furthermore, he was appointed as an independent director because there is no reason for concern regarding conflict of interest with the general shareholders.

[Independent directors]

Number of independent directors

6 persons

Other matters concerning independent directors

[Incentive]

Implementation status of policies regarding the granting incentives to directors

Performance-linked compensation system introduced

Supplementary explanation on corresponding matters

With the aim of sharing profits and risks with the shareholders, improving the medium- to long-term business results and raising awareness of the need to contribute to raising company value, directors of the company are granted points for each position once a year, calculated by multiplying the base points with the performance-based coefficient based on the performance of the immediately preceding fiscal year. One point is equivalent to one share of the Company's common stock. Each director will receive the shares of the Company's common stock (some of which will be converted to cash) upon retirement. Furthermore, the index related to performance-based stock compensation is the operating profit in the consolidated income statement. The said index was selected because it is the most straightforward indicator of sales performance of the group as a retail business and further, as it is connected to the performance-based bonus (year-end bonus) paid to the employees which is determined in accordance with the operating profit, it is expected for both labor and management to work in close cooperation in execution of the sales strategy. The method to determine the amount of performance-based stock compensation has been established in the stock delivery regulations and the details have been decided by the Board of Directors. The base points set as per position are: 3,060 pts for the "Chairman and Representative Director," 3,960 pts for the "Director, President and Executive Officer," 3,060 pts for the "Director and Vice President and Executive Officer," 2,520 pts to the "Director and Senior Managing Executive Officer," 2,160 pts to the "Director and Managing Executive Officer" and 1,800 pts to the "Director and Executive Officer".

Persons to whom stock options are granted

Supplementary explanation on corresponding matters

[Compensation for directors/auditors]

Status of disclosure (of individual director compensation)

Individual compensation is not disclosed

Supplementary explanation on corresponding matters

[Details of compensation to Directors/Auditors]

1. Amount of compensation for directors and auditors

Directors	<u>9 Directors</u>	<u>247 million yen</u>
Auditors	<u>4 Auditors</u>	<u>50 million yen</u>

* Of this amount, 41 million JPY was paid to outside directors (5 persons) as remuneration, etc. The total amount of remuneration, etc. for directors includes a provision of 103 million JPY for stock-based remuneration recorded in the current fiscal year.

2. Bonus allowance for the directors

No payment was made for the interim fiscal year.

Policy to determine the amount of compensation and method of calculation

present

Disclosed content on the policy to determine the amount of compensation and its method of calculation

The total amount of directors' compensation is determined by resolution at the General Meeting of Shareholders, and monetary compensation is set within the range of 240 million yen per year. Regarding allocation of individual directors, the "Nominations and Compensation Committee", which is chaired by one of independent outside directors who comprise the majority, hold deliberations based on the "Directors' Compensation Regulations" in consultation with the Board of Directors. Then the board makes a decision based on the report.

The criteria for compensation for the directors are set as "Director and Managing Executive Officer" and the standard monthly compensation shall be less than 200% of the maximum monthly salary under the employee salary system. Remuneration for Directors is determined based on the remuneration ratio and business performance of each Director. Remuneration ratio is set at 1.0 for "Directors and Executive Officers," 1.2 for "Directors and Managing Executive Officers," 1.4 for "Directors and Senior Managing Executive Officers," 1.7 for "Directors and Vice President and Executive Officer," 2.0 for "Director and President and Executive Officer," and 1.7 for "Director and Chairman and Representative Director". The remuneration ratio for the CEO is separately set by adding 0.2 to this ratio. The amount of remuneration for outside directors shall be determined on an individual basis, taking into consideration factors such as societal standards, career of the outside director concerned, and knowledge and experience etc.in the specialized fields.

Of the total amount of remuneration for individual directors, 70% is set as fixed monetary remuneration, 10% as individual performance-linked remuneration (variable between 0% and 200%), and 20% as performance-linked stock remuneration (variable between 0% and 200%). The stock-based remuneration is determined by resolution at the General Meeting of Shareholders. The purpose of this system is to further clarify the linkage between business performance, stock value and directors' remuneration, and to increase awareness of the directors' contribution towards the improvement of business performance over the medium to long term, and to increase corporate value by sharing the benefits and risks of stock price fluctuations with the shareholders.

* The following documents containing the information regarding remuneration for directors have been posted on our website home page.

1. Annual Securities Report (Japanese only)

2. Notice of General Meeting of Shareholders (Business Report attached) (Japanese only)

[Support system for outside directors (outside auditors)]

A system has been established to notify the date of the Board of Directors meeting and its agenda in advance. The director in charge shall explain the purpose of the meeting as needed. Also, outside auditors shall provide a report on the trends in the company during the auditors' meeting held twice a month, and provide support and advice so the appropriate proposals can be made during the Board of Directors' meetings.

[Status of retired representative directors and chief executive officers]

Names of advisors and consultants who are former representative directors and/or chief executive officers

Name	Job Title/Position	Business Description	Work form/condition (Full time/Part time, with or without remuneration, etc.)	Date of retirement of the President	Term
<u>Katsuhiko Nakajima</u>	Advisor	Advice on management, etc.	Part time, with remuneration	<u>06/22/2021</u>	1 year

Total number of advisors and a consultants who are former representative directors and chief executive officers 1 person

Other items

The Company appoints advisors as decided by the Board of Directors.

The Company may seek advice on matters of management from such persons due to their many years of experience and knowledge of the company's management, as needed. However, such persons are not involved in any decision-making regarding overall management.

2. Matters related to functions such as business execution, auditing and supervision, nomination, and determination of remuneration (overview of current corporate governance system)

Since many of the Company's directors are in charge of business execution, such directors have a thorough understanding of actual conditions in the sales field and make effective and efficient decisions. In addition, independent outside directors have been regularly selected each year at the General Meeting of Shareholders since June 2014, with the aim of utilizing their objective perspectives which differ from those within the company to strengthen the management system and further improve transparency. Four outside directors were selected during the shareholders' meeting held in June 2021. Moreover, the Company is working to enhance and strengthen the corporate auditor system. Two of the four corporate auditors are outside auditors, and three are full-time auditors. In addition, the Company has appointed one substitute auditor (outside auditor) in the event the number of auditors fall below that stipulated under the law. There are no personal, monetary or business relations, or other special interests between the Company and the outside auditors.

In addition to the regular meetings held at least once a month, the Board of Directors holds special meetings to make decisions on the management of the basic policy, matters stipulated by the law and other important management matters, and to supervise the status of business operations, as needed. In June 2016, the Company introduced a Managing Executive Officer system business optimization to accelerate business execution by strengthening the functions of the Board of Directors and speed up decision-making.

Based on the regulations of the Board of Auditors, the Board of Auditors establishes audit policies in accordance with laws and Articles of Incorporation, and prepares the audit report based on the individual reports from each auditor. Auditors supervise and audit the decision-making process of the Board of Directors and the execution of duties by the directors by attending important meetings of the Board of Directors and by reviewing important documents.

In addition, the Company has established the Nomination and Compensation Committee as an advisory body to the Board of Directors in order to strengthen corporate governance by ensuring the independence, objectivity, and transparency of the functions of the Board of Directors concerning decisions on the nomination and compensation of representative directors and directors, etc., as well as personnel matters such as plans of succession for the Chief Executive Officer. The Nomination and Compensation Committee consists of independent outside directors, representative directors, and directors appointed by resolution of the Board of Directors, with the majority of members independent outside directors. The chairman of the committee is elected from among the independent outside directors.

As an internal audit function, the Auditing Department, which reports directly to the President, conducts regular internal audits of each department to check the status of business execution, prevent fraud and errors, and provide advice on business improvement. The results of internal audits are regularly reported to the president and auditors on a monthly basis. In addition, the Audit Department, in coordination with the Accounting Auditor, has established a system to check for any deficiencies in the maintenance and operation of internal control of financial reporting for all processes within the scope of evaluation.

The CSR Committee (which supervises the Internal Control Project and the Compliance Project) is chaired by the Chief Compliance Officer (the director who supervises the Management Planning Department) and includes heads of each department, representatives of subsidiaries and representatives of labor unions as committee members, and requests the participation of auditors as observers.

In order to establish a flexible management system that can respond quickly to changes in the business environment and to clarify management responsibility for each fiscal year, the Company shortened the term of office of the directors from two years to one year at the General Meeting of Shareholders held in June 2003. The retirement benefit system for directors and auditors was also abolished at the General Meeting of Shareholders held on June 24, 2005.

As stipulated in Companies Act, Article 427, Paragraph 1, the Company has concluded a contract with all Outside Directors and Outside Auditors in order to limit compensation liability as stipulated in Article 423, Paragraph 1 of the same act. The limit on compensation liability under the said contract is set to the minimum liability amount stipulated by the law.

The Company has concluded a liability insurance contract for Officers, etc. with an insurance company as stipulated in the Companies Act, Article 430-3, Paragraph 1 and plans to renew the contract on July 1, 2021 with the same terms and conditions. Under the insurance contract, the Company will cover any damage that may occur for which an insured officer is held liable, which has occurred in the performance of his/her duties, or is subject to a claim pertaining to the pursuit of such responsibility. The insurance premiums are fully borne by the Company, including the special contract, so there is no substantial burden on the insured. The insurance policy is subject to certain exemptions, such as if the act was performed with due knowledge that such is in violation of laws and regulations.

The Company also has an advisory contract with a law firm and can receive advice as needed. In addition, the accounting auditor, Ernst & Young ShinNihon LLC, conducts accounting audits and internal control audits from a fair and unbiased standpoint, and reports the details and results of audits to the Board of Auditors regarding settlement of accounts and quarterly financial results.

[Status of Accounting Audits] (Fiscal Year Ended March 31, 2021)

1. Name of the Certified Public Accountant who executed the audit and his affiliated auditing firm

Designated Limited Liability Partner / Managing Partner	Yoshinori Hiraoka	Ernst & Young ShinNihon LLC
Designated Limited Liability Partner / Managing Partner	Satoshi Uchida	Ernst & Young ShinNihon LLC

(Note) 1. The number of years of continuous auditing has been omitted because everyone has performed auditing for less than seven years.

2. The auditing firm has already voluntarily taken measures to prevent its executive members from being involved in the accounting audit of the Company for longer than the specified length of time.

2. Composition of the auditing assistants

Certified public accountant	<u>5 persons</u>
Others	<u>18 persons</u>

3. Details of auditing fees

Amount of remuneration, etc. pertaining to services under Article 2, Paragraph 1 of the Certified Public Accountants Act	42 million JPY
Amount of remuneration, etc. pertaining to services other than those provided in Article 2, Paragraph 1 of the Certified Public Accountants Act	4 million JPY

4. Details of non-auditing services

The Company shall pay compensation to the accounting auditor for advisory and guidance services related to the application of the "Accounting Standard for Revenue Recognition," etc., for services other than those stipulated in Article 2, Clause 1 of the Certified Public Accountants Act (non-auditing services).

3. Reasons for selecting the current corporate governance system

The Company introduced the Managing Executive Officer System in June 2016. In addition to regular meetings of the Board of Directors held at least once a month and extraordinary meetings of the Board of Directors held as needed, meetings of the Board of Managing Executive Officers are held weekly, and prior to the submission of proposals to the Board of Directors, a system to provide detailed information prior to such meetings is in place. As a result, more active discussions within the Board of Directors have been encouraged, leading to faster management decision-making and stronger governance. Moreover, women have also been appointed as Managing Executive Officers. In order to utilize objective viewpoints which differ from those within the company, strengthen the management system, and further improve transparency, one independent outside director was appointed since 2014, two since 2017, three since 2019, and four since 2021, bringing the total number of independent outside directors to six, including two outside auditors. By this system, valuable opinions and suggestions from a management perspective can be obtained and this information can be used to revitalize management. Furthermore, two women have been appointed as independent outside directors. Three of the four auditors are full-time auditors, and efforts to enhance and strengthen the auditor system are being made. The Assessment Committee for Board of Directors, consisting of outside directors and auditors was established in fiscal year 2016 as an advisory body to the Board of Directors, and works to strengthen corporate governance. The Company believes The current management monitoring system includes independent outside directors and is considered to appropriately function to improve corporate value

III Status of implementation of measures concerning shareholders and other interested parties

1. Status of efforts to revitalize the general meeting of shareholders and to facilitate the exercise of voting rights

Supplementary Explanation

Early notification of convocation of General Meeting of Shareholders	The Company shall send these approximately three weeks before the date of the General Meeting of Shareholders. The notice to convene the General Meeting of Shareholders shall be posted on TDnet and the Company's website (https://www.joshin.co.jp/joshintop/ir_en.html) prior to the sending date.
Scheduling the General Meeting of Shareholders to avoid dates on which there are many other shareholders' meetings	The Company shall strive to avoid scheduling the General Meeting of Shareholders on dates which there are other shareholders' meetings.
Others	The Company shall post the notice to convene the General Meeting of Shareholders on its website, and after the meeting, a "Business Report" containing various corporate information along with the notice of any resolutions, is sent to the shareholders (Japanese only).

2. Status of activities related to investor relations (IR)

	Supplementary Explanation	Explanation by the representative him/herself
Holding regular briefings for individual investors	The Company shall hold IR seminars for individual investors in a timely manner.	No
Holding regular briefings for analysts and institutional investors	In response to requests from institutional investors, analysts, etc. the Company shall hold individual briefings in the form of meetings in a timely manner.	Yes
Posting IR materials on the website	The Company shall post brief reports on its financial results (quarterly financial results), securities (quarterly) reports, notices of convening general meetings of shareholders, corporate brochures, and other timely disclosure materials on its website.	
Establishing an IR department (person in charge)	The Company has established the "Management Planning Division" as the department in charge of IR.	
Others	The Company carries out IR activities mainly targeting individual investors by publishing information regarding the Company and shareholder benefit programs in IR-related magazines. The Company also holds briefing sessions on the financial results of the second quarter and the full year, in order to explain the financial results, business conditions, and future business development in detail. As a countermeasure for the novel coronavirus, meetings are held via video streaming and teleconferencing.	

3. Status of efforts to respect the position of stakeholders

	Supplementary Explanation
Regulations which respect the position of stakeholder based on Company regulations, etc.	In the established "Joshin Group Declaration and Action Plan", respect for the position of our stakeholders, including customers, business partners, shareholders, and employees, is stipulated.
Implementation of environmental conservation activities, CSR activities, etc.	<p>The Company's head office building has acquired ISO 14001 certification, an international standard for environmental management systems, and the Factory Service Department of the Company's subsidiary Joshin Service Co., Ltd. has acquired ISO 9001 certification, an international standard for quality management activities. Furthermore, in the Company's efforts for responsible corporate activities, a rooftop garden "J-Garden" has been installed at the Company's head office building and a green parking lot "J-eco Parking" at the Kishiwada store and <u>48 other stores</u> in order to mitigate the urban heat island effect. Our social mission is to maintain and create an environment where people in the local community can live in safety, comfortably, and in good health. As part of activities to promote the spread of energy-saving home appliances, Joshin participates in the "Smart Life Japan Promotion Forum", carries out sales promotion activities for energy-saving home appliances, actively promotes "energy conservation," "energy creation," and "energy storage," activities such as estimating the installation cost of household charging outlets for electric vehicles.</p> <p>In order to promote compliance and make policies regarding the social responsibilities which should be fulfilled by the Group, the Company has established the CSR Promotion Office under the direct control of the President, which holds CSR committee meetings and establishes the standard code of conduct for the Group. The Company has already enacted a basic policy on information security and a personal information protection policy, and has established an information security management system and a personal information protection management system. It is also expanding promotional activities for these across the entire Group in order to protect information assets, including the personal information of the customer. As a result, Joshin was certified by the Japan Information Processing Development Center (currently the Japan Institute for Promotion of Digital Economy and Community) with the "Privacy Mark" on April 25, 2005, the first for a large corporate retailer, and the mark has been used since May 13, 2005.</p> <p>Furthermore, a system to fulfill the social responsibilities of the stakeholders of the Group and to expand our promotion activities, the "Basic Policy on the Construction of the Internal Control System" was established in May 2006 (Last revision date May 11, 2017), the "Product Safety Voluntary Action Guidelines" in December 2007, etc. As a result, the Company was awarded the "Ministry of Economy, Trade and Industry, Product Safety Award" in the Large Retailer category in November 2008, November 2010, and November 2012, for three consecutive times, and was granted the newly established "Product Safety Gold Logo" for the first time in June 2014. In January 2017, Joshin became the first major retailer in Japan to acquire ISO 22301: 2012 certification, the international standard for Business Continuity Management Systems.</p> <p>In June 2006, the Company was the first home appliance retailer to publish a CSR report which summarized these efforts ("Joshin Integrated Report 2020" published in June 2020).</p>

IV Matters related to internal control systems, etc.

1. Basic concept on internal control system and the status of its maintenance

The Company has established the following basic policy regarding the creation of an internal control system. Based on this basic policy, the Company has created and operates a system to ensure the appropriateness of the Group's operations as stipulated in the Companies Act and the Regulations for Enforcement of the Companies Act, as well as internal control over financial reporting as stipulated in the Financial Instruments and Exchange Act.

(1) System to ensure that the execution of duties by Directors and employees are in compliance with laws and regulations and the Articles of Incorporation

1) The Company shall establish the CSR Committee, chaired by the Chief Compliance Officer (the director in charge of the Management Planning Department), as an organization to oversee overall compliance.

2) To promote compliance, the "CSR Promotion Office" shall be established under the direct control of the President, the "Joshin Group Code of Conduct" shall be enacted, and guidance through training and other means shall be provided in order to ensure that all officers and employees of the Company and its subsidiaries view compliance as a personal issue and conduct their business operations accordingly.

3) In the unlikely event that a compliance-related incident should occur, a system shall be established whereby the details of the incident and a plan to handle it shall be reported to top management, the Board of Directors, the Board of Managing Executive Officers, and the Auditors through the Chief Compliance Officer (the director in charge of the Management Planning Department).

4) The Company shall establish the "Whistleblower System Operating Standards" and establish a contact point for consultation and reporting on organizational and individual violations of laws and regulations, and introduce a whistleblower system that specifically stipulates that whistleblowers will not be treated unfavorably on the grounds that they have been consulted or reported.

- 5) The Company shall not have any connections with antisocial forces and groups which threaten the order and safety of civil society, and shall thoroughly educate all employees in accordance with the "Joshin Group Code of Conduct" to resolutely respond to such forces and groups, and shall establish a system to deal with such forces and groups.
- (2) System for the storage and management of information related to the execution of duties by Directors
- 1) Information and documents related to the execution of duties by Directors shall be stored and managed in accordance with the Company's internal regulations and related manuals, etc., and the status of operation shall be verified and the regulations, etc. shall be reviewed as needed.
 - 2) For information management, information security management standards and personal information management standards shall be established.
- (3) Regulations for managing the risk of loss and other systems
- 1) As an organization that manages the risk of loss, the "Risk Management Committee" chaired by the person in charge of risk management (the director in charge of the Management Planning Division) shall be established and the development of a risk management system shall be promoted by identifying, analyzing and evaluating various risks around the corporate group consisting of the Company and its subsidiaries, and implementing the appropriate measures.
 - 2) The Risk Management Committee shall closely cooperate with the "Compliance Project Team" established under the CSR Committee, the "Internal Control Project Team" which handles the internal control system, and other committees established for each individual business for risk management.
 - 3) The Risk Management Committee shall establish the "BCMS Promotion Working Meeting" under the Risk Management Committee in order to develop and promote the Business Continuity Management System (BCMS) as a system for effective and functional business continuity even in the event of an emergency.
 - 4) In the event of an unforeseen event, the Disaster (Accident) Countermeasures Committee shall be convened in accordance with the Risk Management Rules to prevent the spread of damage.
 - 5) The Company shall establish the "Audit Department", which reports directly to the President, and shall be in charge of internal auditing of the Company and its subsidiaries. The Audit Department shall conduct internal audits on a regular basis in accordance with the Internal Audit Regulations. The Audit Department shall periodically review the items and methods of audit implementation.
 - 6) The Managing Executive Officer in charge of internal control shall report to the Board of Directors on the status of internal control operations in the Company and its subsidiaries on a quarterly basis.
- (4) System to ensure that the execution of duties by Directors is carried out efficiently
- 1) Management of the operation plan shall be based on the annual and medium-term management plans formulated each year according to the management philosophy, and each business line shall work to achieve its goals.
 - 2) The Board of Directors shall hold regular meetings at least once a month to make decisions on important matters and to supervise the execution of duties by the directors.
 - 3) Directors and Executive Officers shall report the status of their own duties that they execute to the Board of Directors on a quarterly basis.
 - 4) To further vitalize deliberations by the Board of Directors and strengthen the management supervision function, Outside Directors shall be appointed.
 - 5) The term of office of the directors shall be one year in order to promptly respond to a rapidly changing business environment.
 - 6) Digitalization shall be promoted in order to improve operational efficiency as needed.
- (5) System to ensure the appropriateness of business operations of the corporate group
- 1) Directors of subsidiaries shall be appointed from the directors, managing executive officers, and executives of the Company.
 - 2) Appointment of corporate auditors of subsidiaries from the corporate auditors of the Company.
 - 3) The Company and each of its subsidiaries shall appoint a person in charge of compliance promotion, and the CSR Promotion Office, under the direction of the Chief Compliance Officer of the Company, shall oversee and promote compliance of the corporate group.
 - 4) Regarding management of subsidiaries, the Company shall periodically request a report on their business activities and discuss important matters with them in advance, while respecting their autonomy.
 - 5) As a system to ensure efficient execution of duties by the directors, etc. of the subsidiaries, (4) 1) 5) 6) shall apply mutatis mutandis to the subsidiaries.
- (6) In cases where an auditor requests an employees to assist in duties, matters related to the independence of such employees from the Directors
- 1) In the event a corporate auditor requests that an employee be appointed to assist him/her in his/her duties, such employee shall be appointed by resolution of the board of directors.
 - 2) Specific personnel matters of such employees shall be determined by the Board of Directors with the consent of the corporate auditors.
- (7) System for Directors, Managing Executive Officers and other employees to report to auditors
- 1) If any director, managing executive officer or other employee discovers a fact which may cause significant damage to the Company, he or she shall immediately report it to the corporate auditors in accordance with laws and regulations.
 - 2) Directors, managing executive officers and other employees shall prepare the necessary reports and provide information in response to requests from each corporate auditor in accordance with the provisions of the board of auditors.
 - 3) Directors, corporate auditors and employees of the Company's subsidiaries shall promptly prepare the appropriate reports when requested by the corporate auditors of the Company to report on matters related to the execution of business.

4) The Company shall prohibit any disadvantageous treatment of its directors, corporate auditors and employees and those of its subsidiaries who have reported to the corporate auditors for the reason that they have made such reports, and shall inform all directors, corporate auditors and employees of the Company and its subsidiaries to that effect.

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(8) System to ensure that audits by an auditor are carried out effectively

1) Corporate auditors shall attend meetings of the board of directors and other important meetings, inspect major documents requesting managerial approval and other important documents related to the execution of business, and request explanations from directors, managing executive officers and other employees as needed.

2) Corporate auditors shall receive reports from the accounting auditor regarding details of the accounting audit, exchange information, and actively collaborate with the accounting auditor to raise the effectiveness of the audit as needed.

3) Corporate auditors shall receive reports from the Audit Department on the details of internal audits of the Company and each subsidiary Company, exchange information, and actively collaborate to raise the effectiveness of the audit as needed.

4) In the event that a corporate auditor requests prepayment or reimbursement of expenses to the Company in connection with the execution of his or her duties, the Company shall promptly process such expenses or debts after deliberation by the department in charge, unless such expenses or debts related to such request are proven not to be necessary for the performance of the auditor's duties.

5) The aforementioned 1) to 4) shall apply mutatis mutandis to outside directors in order for them to effectively perform their duties.

2. Basic concept on the elimination of antisocial forces and the status of its maintenance

The Company has established the following basic policy regarding elimination of antisocial forces.

In accordance with the "Guidelines for Enterprises to Prevent Damage Caused by Antisocial Forces" (published by the Meeting of Cabinet Ministers for Anti-Crime Measures), the Company and its Group Companies will resolutely oppose and reject any intervention by antisocial forces which threaten social order and safety. In addition, the Company shall comply with the following basic principles in order to fulfill its social responsibilities as a business enterprise and to become a company that is trusted by society.

(1) Basic Principles to Prevent Damage Caused from Antisocial Forces

1) Organizational measures

2) Cooperation with external specialized agencies

3) Severing relations, including business transactions

4) Civil and criminal legal response in cases of emergency

5) Prohibition of backdoor transactions and funding

(2) Response based on basic principles

1) Unreasonable demands by antisocial forces can cause anxiety and fear in a person's mind, and if the manager or department in charge takes measures alone, he or she may be forced to comply with the demands. Therefore, the entire organization shall respond to the matter.

2) The Company shall ensure the safety of employees who respond to unreasonable demands from antisocial forces.

3) In preparation against unreasonable demands from antisocial forces, the Company shall establish close solidarity with external specialized agencies such as the police, the Center for Elimination of Boryokudan, lawyers, etc.

4) The Company shall not have any connection, including business relationships, with antisocial forces. The Company shall also reject unreasonable demands from antisocial forces.

5) The Company will take legal action, both civil and criminal, against unreasonable demands from antisocial forces.

6) The Company shall not engage in backdoor transactions to conceal the facts, even if unreasonable demands by antisocial forces are based on scandals in the business activities or misconduct of employees in the Company.

7) The Company shall not provide funds to antisocial forces.

V. Others

1. Introduction of takeover countermeasures

Introduction of takeover countermeasures

present

Supplementary explanation on corresponding matters

Basic policy regarding control of the Company

(1) Outline of the contents of the basic policy

The Company holds that persons who control decisions on the Company's financial and business policies (hereinafter referred to as "policy decisions") shall be persons who can ensure and enhance the corporate value of the Company and the common interests of its shareholders over the medium and long terms, by taking full advantage of the trusted relationships built by the Company over many years with customers, business partners, employees, etc.

The Company does not unilaterally reject the large-scale purchase of Company shares, etc., as long as such purchase contributes to the corporate value of the Company and the common interests of its shareholders. In addition, whether a proposal for a large-scale purchase that would involve the transfer of control of the company should be accepted or not should be ultimately be decided based on the consensus of the shareholders.

However, there is a possibility of cases of large-scale purchase of shares or purchase proposals, sufficient time or information may not be available for the Company or its shareholders to consider the details of the purchase proposal or alternative plans, cases where there is a mechanism to coerce shareholders into accepting the purchase, cases where the terms of the purchase are insufficient or inappropriate in light of the original corporate value of the Company, and cases which may damage the corporate value of the Company and the common interests of its shareholders in view of the purpose of the purchase or the management policy after the purchase.

The Company believes that a person who may damage the corporate value of the Company and the common interests of shareholders by such large-scale purchases or purchase proposals is not appropriate as a person to control policy decisions.

(2) Outline of specific measures to achieve the basic policy

1) Special initiatives which contribute to achieving the basic policy

Through various highly specialized stores and Internet shops, the Company offers home appliances, information and communication equipment, entertainment products, housing equipment-related products, renovation, etc. to support the comfortable lifestyles of its customers.

Additionally, the Company seeks to build a relationship of trust with its customers in the original founding spirit of "Sincere Service", including high expertise, lifestyle proposals, a wide product selection, reasonable prices, and reliable after-service.

In addition, the Company actively works to improve corporate governance with the establishment of an internal control system, which includes a CSR Promotion Office. In addition, we have established a whistle-blowing system, acquired Privacy Mark certification (April 2005) and ISO 14001 certification (March 2000). Many of the stores have been certified as excellent stores which promote energy-saving products. In addition, in recognition of the efforts implemented since the Company's establishment, the Company received the "Ministry of Economy, Trade and Industry, Product Safety Award" in the Large Retailer category for three consecutive years (2008, 2010, and 2012). Joshin is also the first company to meet the conditions for the prestigious "Gold Company Mark for Product Safety Measures" which was newly established by this system. In June 2006, the Company was the first home appliance retailer to publish a CSR report summarizing these efforts, and an updated report has been provided each year since then (the "Joshin Integrated Report 2020" was published in June 2020). In this way, effective and appropriate corporate management is promoted in order to fulfill our social responsibilities as a corporation, such as compliance with laws and regulations and social norms, participate in environmental conservation, and to maximize the corporate value of the entire company and the common interests of shareholders

2) Initiatives to prevent policy decisions from being controlled by inappropriate parties in light of the basic policy

The Company introduced the "Policy on Large Scale Purchases of Company Shares (Takeover Countermeasures)" by resolution at the Ordinary General Meeting of Shareholders held on June 22, 2007, and updated it with partial revisions at the Ordinary General Meeting of Shareholders held on June 25, 2010, June 27, 2013, and June 28, 2016. (Hereinafter referred to as "Pre-response Policy".) Since the period of validity of the Pre-response Policy was until conclusion of the Company's annual General Meeting of Shareholders held on June 25, 2019, it was decided to renew the Pre-response Policy from the perspective of securing and improving the corporate value and the common interests of the shareholders at the Board of Directors meeting held on May 10, 2019, and the same resolution was then passed at the general meeting of shareholders. (Hereinafter referred to as "the Response Policy".)

(3) Decisions by the Board of Directors regarding special initiatives and their reasons

1) Regarding special initiatives which contribute to achieving the basic policy

Regarding special initiatives which contribute to achieving the basic policy, securing and enhancing corporate values are sought by providing customers with a comfortable lifestyle, striving to build relationships of trust, and enhancing corporate governance. This in turn leads to securing and improving the common interests of shareholders, without impairing the common interests of shareholders.

In addition, all of these initiatives are in line with the basic policy that persons who may damage corporate value and the common interests of shareholders are not considered appropriate as officers who control policy decisions, and work to maintain the status of the officers of the Company.

2) Regarding initiatives to prevent policy decisions from being controlled by inappropriate parties in light of the basic policy

The Board of Directors of the Company decided to renew this Response Policy in the event that a Large-Scale Purchaser appears, in order to enable shareholders to make decisions with sufficient time and information, etc., and to deter large-scale purchases that violate the corporate value of the Company and the common interests of the shareholders. This Response Policy is considered to be an initiative that is in line with the Basic Policy.

Regarding the contents of the Response Policy, specific rules to which large-scale purchasers must comply shall be set in advance, and specific countermeasures shall be taken only in the event that a large-scale purchaser does not comply with these rules or in cases where even though the rules are observed, the Board of Directors determines that the corporate value of the Company and the common interests of its shareholders would be significantly impaired. Consequently, this Response Policy is considered to be an initiative to secure the corporate value of the Company and the common interests of the shareholders, and does not impair the common interests of its shareholders.

In addition, in order for the Board of Directors of the Company to properly carry out the Response Policy and prevent arbitrary decisions by the Board of Directors, a committee independent of the Board of Directors has been established as a third-party organization. When taking a decision on whether or not to implement countermeasures against a Large-scale Purchaser, the Board of Directors shall consult with the independent committee, and based on the consultation, recommendations by the Independent Committee shall be respected to the maximum extent, thereby eliminating arbitrary decisions by the Board of Directors. For this reason, the purpose of the response policy is not to maintain the status of the Directors of the Company.

Furthermore, the Response Policy shall satisfy three principles (A: Ensuring and enhancing the corporate value and shareholders' common interests, B: Prior disclosure and the will of the shareholders, and C: Ensuring necessity and reasonableness) as stipulated by "Guidelines Regarding Takeover Countermeasures for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" jointly released by Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005, and shall be a very rational measure.

Similar to the Pre-response Policy, shareholders are scheduled to vote on the continuation of the Response Policy every three years. From this point as well, the Company believes that the Response Policy does not impair the common interests of shareholders.

2. Other matters concerning corporate governance system, etc.

Overview of the Timely Disclosure System

1. Basic Policy of the Timely Disclosure

As a listed Company that participates in the securities market, the Company recognizes that in order to build and maintain a relationship of trust with our shareholders and investors, the Company has the extremely important responsibility to provide prompt, accurate, fair and timely disclosure of important facts and financial information that may affect investment decisions and the Company and works to provide such.

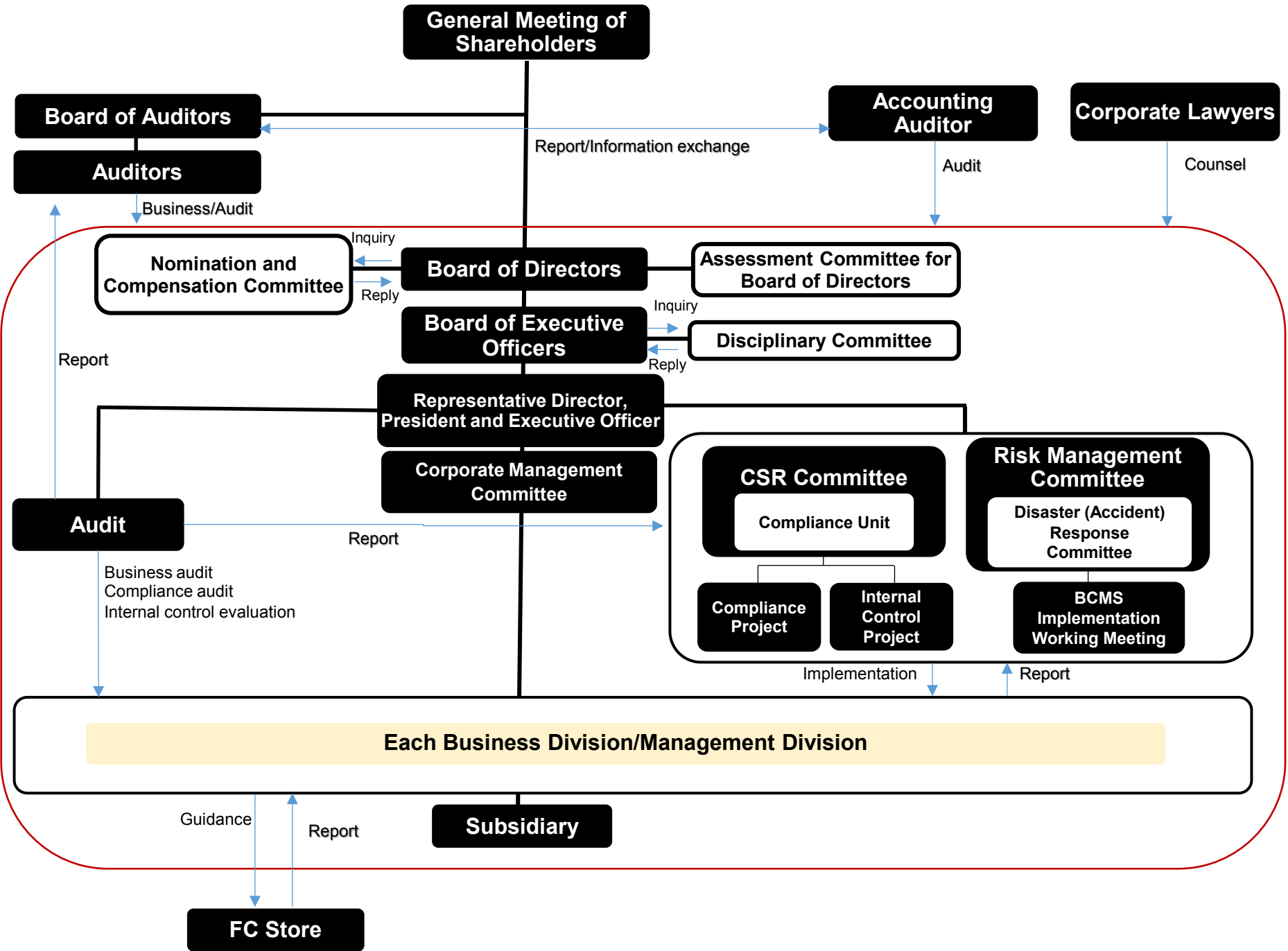
2. In-house System for Timely Disclosure

The Company's internal system for timely disclosure is shown in the attachment.

3. Method of Timely Disclosure

In principle, timely disclosure is made through the "Timely Disclosure Network (TDnet)" operated by the Japan Exchange Group. Resources are also posted to each press club. In addition, disclosure resources are promptly posted on the Company's website.

[Corporate Governance System]



[Outline Diagram of the Timely Disclosure System]

