



ひと、まち、笑顔に。

# Joshin

Joshin Denki Co., Ltd.

Integrated Report

# 2024

————— Fiscal Year Ended March 31, 2024 —————



CONTENTS

3

Profile

3

Management Philosophy Structure/  
Corporate Information

5

At a Glance

7

Financial/Nonfinancial Highlights

9

Value Creation Story

9

Message from Management

13

History of Value Creation

15

Value Creation Processes

17

Joshin Group's Material Issues

23

Business Strategy

23

Message from the Executive Officer in  
Charge of the Sales Strategy

27

Medium- to Long-Term Growth  
Scenario

28

Basic Strategies of the JT-2025  
Management Plan

29

Individual Strategies

37

Business Foundation

39

Special Report - Joshin Group  
Logistics Strategy and Initiatives

41

Financial Strategy

41

MD&A

43

Message from the Executive Officer  
in Charge of Financial Strategy

46

Engagement with Individual Investors

47

The Environment

47

Message from the Officer in Charge  
of Infrastructure Strategy

49

Environmental Policy and  
Environmental Management System

50

Environmental Value Correlation Chart

51

Climate Change (TCFD)

52

FY2024 Roadmap for Major Action  
Plans Related to Environmental Issues

53

Biodiversity Conservation Response

54

Carbon Neutrality Initiatives

55

Initiatives to Move Toward a Circular  
Economy

56

Initiatives for Environmentally Friendly  
Products

57

Society

57

Message from the Officer in Charge  
of Management Planning and Human  
Resources Strategy

60

Human Resources Strategy

69

Building a Responsible Value Chain

70

Providing Safe and Secure Products  
and Services

73

Promoting Synergies with Local  
Communities

74

Governance

74

Corporate Governance

79

Roundtable Talk with Outside  
Directors

83

Directors and Auditors

86

Compliance Systems

87

Risk Management

88

Data Security

89

Data

89

Major Financial/Nonfinancial Data for  
11 Years

91

Group Locations

93

First Joshin Customer Service  
Roleplaying Contest

94

Stock Information



Editorial Policy

Joshin Denki identified its management vision and material issues by taking a backcasting approach from a medium- to long-term perspective, guided by our philosophy: connecting the futures of people and society with smiles. While we followed the ITALICS provided by the IFRS Foundation and other relevant information to prepare this Integrated Report, we focused on presenting the following information to a wide range of stakeholders, including our shareholders and investors, especially the direction in which the Joshin Group aims to move; our key management strategies; and our business activities and ESG initiatives that will form the foundation of value creation. The intention is also to promote constructive dialogue and improve Joshin's sustainable corporate value.

The sustainability page on our website presents ESG-related information that is essentially the same as the information included in this Integrated Report. We plan to keep updating our website with the latest data and information about new initiatives. Please see our website for these updates.

**Scope**  
Applies to Joshin Denki Co., Ltd. and 12 consolidated subsidiaries  
From April 1, 2023 to March 31, 2024  
(Some information is from the period starting April 2024)  
Issued September 2024  
Reporting frequency: Yearly

**Notes on Forecasts**  
The forecasts for financial results are based on information currently available to us and on certain assumptions that we consider reasonable. Actual results could differ from the forecasts due to such factors as risks and uncertainties.

Integrated Report Framework



Our Websites

Corporate site  
<https://www.joshin.co.jp/en/index.html>



IR information  
<https://www.joshin.co.jp/en/ir.html>



Sustainability  
<https://www.joshin.co.jp/en/csr.html>





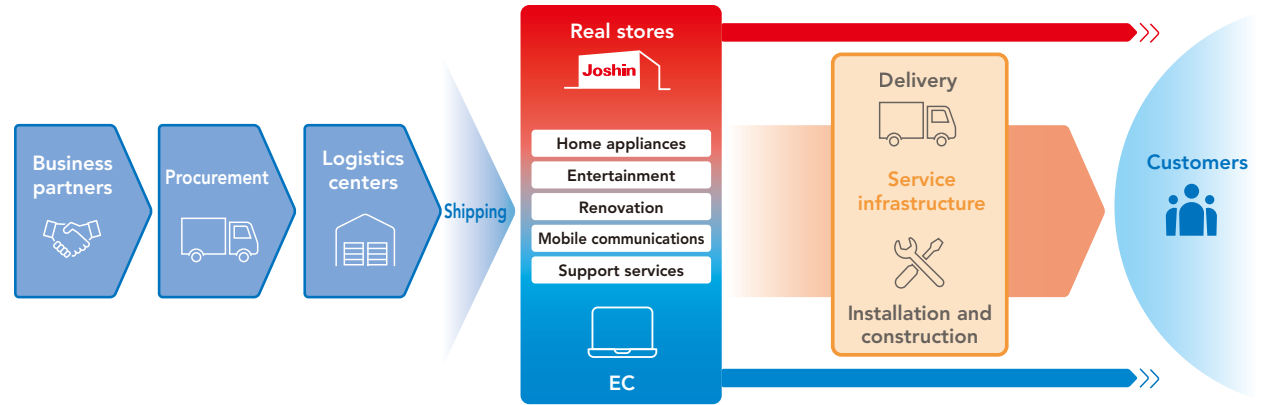
Corporate Information (As of March 31, 2024)

Company Name	Joshin Denki Co., Ltd.	Subsidiaries and Affiliates	Hyogo Kyoto Joshin Co., Ltd. Shiga Joshin Co., Ltd. Wakayama Joshin Co., Ltd. Tokai Joshin Co., Ltd. Kanto Joshin Co., Ltd. Hokushinetsu Joshin Co., Ltd. J.P.S Trading Co., Ltd. Joshin Service Co., Ltd. JAPRO Co., Ltd. Joshin TEC Co., Ltd. JSD INSURANCE PTE. LTD. J.E. Next Co., Ltd.
Head Office	6-5, Nipponbashi-nishi 1-chome, Naniwa-ku, Osaka City, 556-8550, Japan Tel.: +81 6-6631-1221		
Founded	May 11, 1948		
Established	February 2, 1950		
Net Sales	¥403.692 billion (consolidated) ¥402.108 billion (nonconsolidated)		
Capital Stock	¥15.121 billion		
Stock Listing	Prime Market, Tokyo Stock Exchange (code: 8173)	Franchises	Toyota Co-op Mikawa CLE Co., Ltd. Asaka Denki Co., Ltd.
Number of Employees	8,711 Males: 5,512 Females: 3,199 (Including temporary staff)	Banks	Resona Bank, Limited MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited The Bank of Nagoya, Ltd. and others
Group Businesses	Sales of home appliances, information communications equipment, entertainment products, housing equipment, and related products, as well as incidental businesses. Delivery, installation, construction, and maintenance. Product supply to subsidiaries and franchises. Long-term warranty repair operations.	Corporate Website	<a href="https://www.joshin.co.jp/en/index.html">https://www.joshin.co.jp/en/index.html</a>
Number of Real Stores	218 (206 directly managed stores, 8 affiliates, 4 franchises)	Joshin Store Information	<a href="https://shop.joshin.co.jp/">https://shop.joshin.co.jp/</a> (Japanese only)
Service Infrastructure	31 bases	Joshin Web	<a href="https://joshinweb.jp/top.html">https://joshinweb.jp/top.html</a> (Japanese only)
Long-term Issuer Rating	A-		
Rating Outlook	Stable		
Domestic CP Rating	J-1		
Rating Agency	(Japan Credit Rating Agency (JCR))		

Group Overview

The Company operates businesses in five categories: home appliances, entertainment, renovation, mobile communications, and support businesses with a three-part structure through two channels, real stores and the EC (e-commerce) business, along with service infrastructure. Rather than thinking about real stores and EC separately, we assign first priority to improving convenience for customers and aim to create synergy through collaboration using the same contact points for customers.

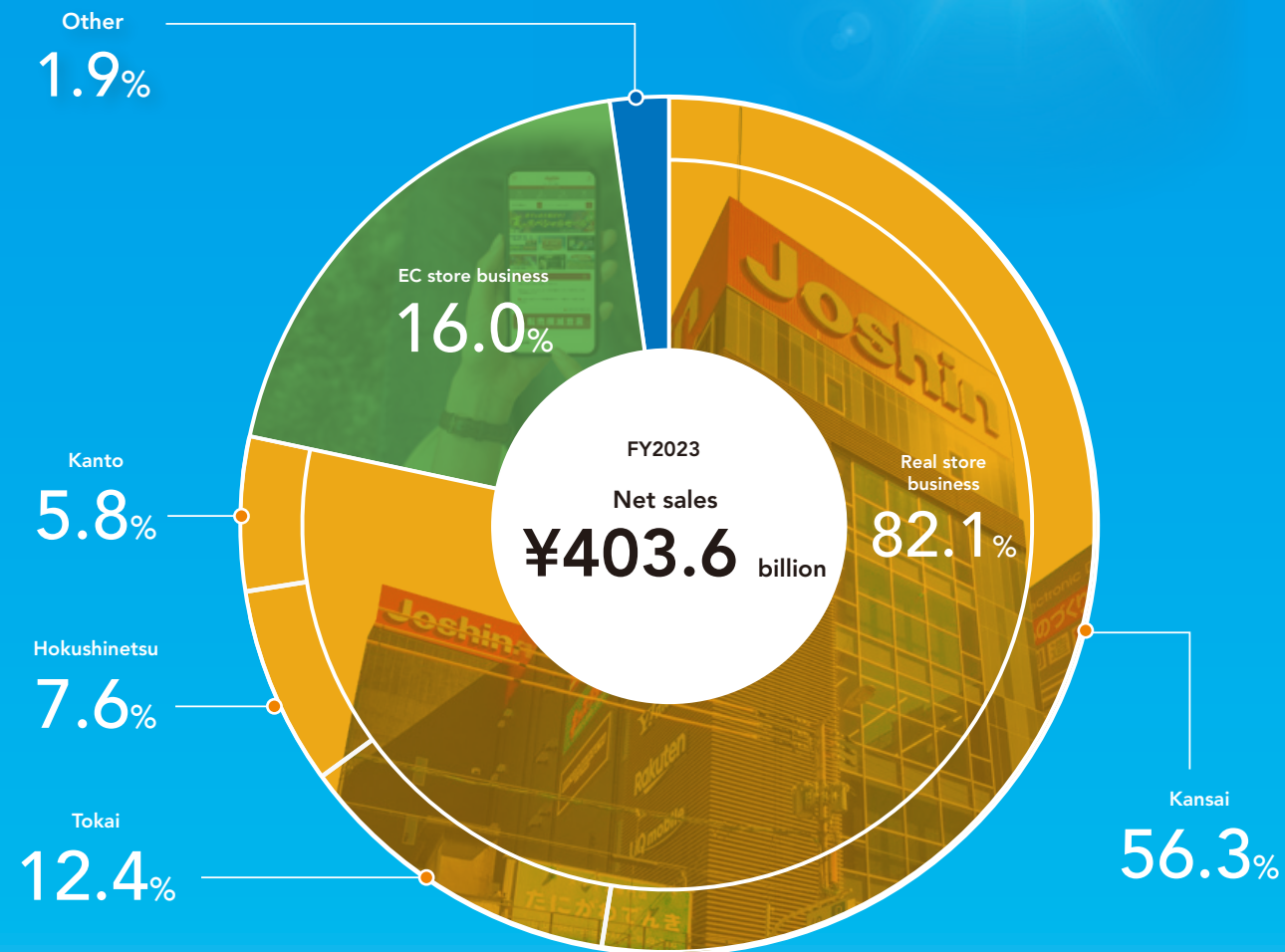
Delivery, installation, and service-related work from both the real stores and EC channel are handled by Joshin Service Co., Ltd. The Company has a locally focused market dominant strategy, mainly in Kansai, Tokai, Kanto, and the Hokushinetsu areas. Looking ahead, we will open more real stores and strengthen our existing stores with an emphasis on the synergy with EC. We will also improve and grow our service infrastructure.



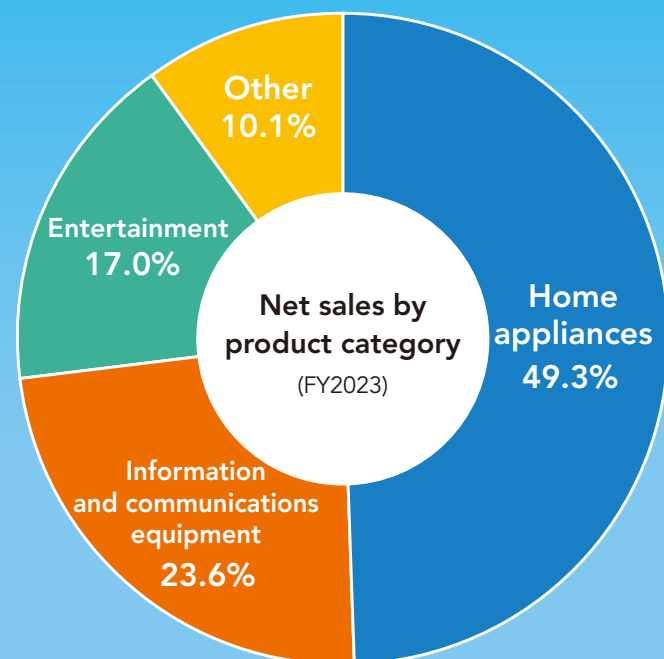


# At a Glance

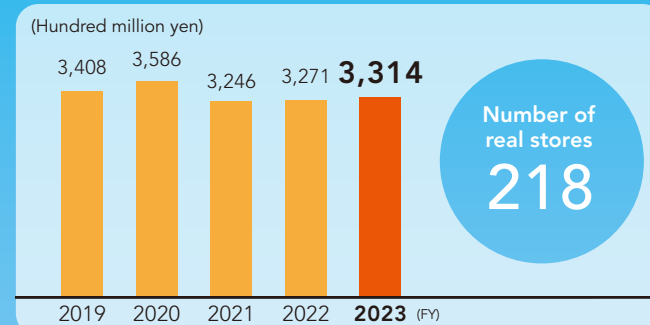
## Net Sales by Business Segment



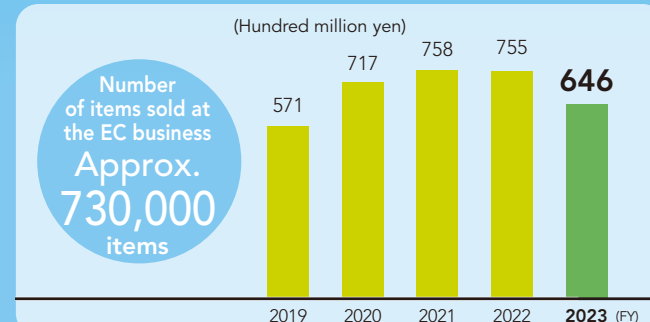
## New Sales by Product Category



## Net Sales of Real Store Business



## Net Sales by EC Store Business



## Assessments by External Organizations

CDP Climate Change Report 2023



This is the highest CDP rating in the climate change sector

Achieved an **A score**

Included in Major ESG Investment Indices

As of FY2024, the Joshin Group is included in the following major ESG investment indices.



Selected for two consecutive years



Selected for three consecutive years



Selected for the S&P/JPX Carbon Efficient Index

Other Assessments by External Organizations



FY2023 Oricon Customer Satisfaction® Survey, Standalone Housing Renovations

Awarded **1st place** for three consecutive years



Gold Product Safety Company, Follow-up Company **No.1**



2024 Certified Health and Productivity Management Outstanding Organization (Large Enterprise Category) **Five consecutive years**



Kurumin **certification** as a childcare supporter company



Eruboshi **certification** (Certification level 2) as a company promoting women's participation and advancement

## Participated in Initiatives



UN Global Compact

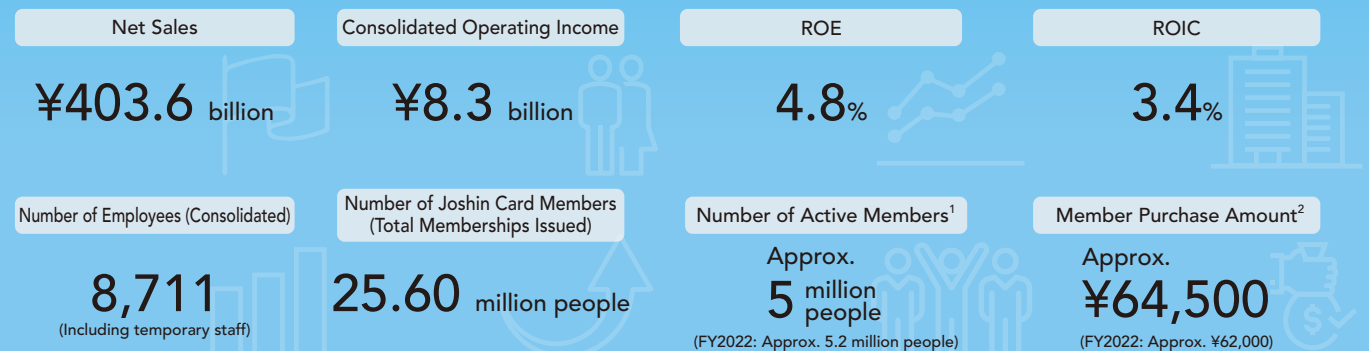


Task Force on Climate-related Financial Disclosures (TCFD)



Science Based Targets (SBT) **certification**

## FY2023 Results



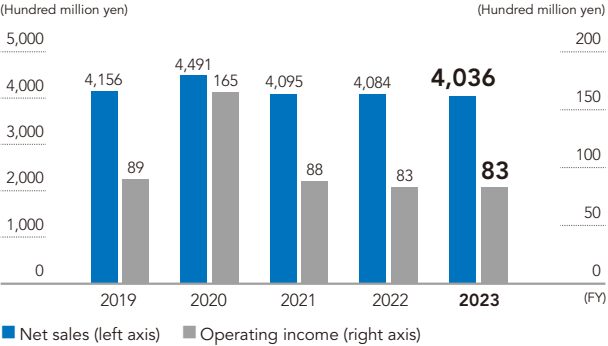
1. Customers who have purchased products or services from us at least once in FY2023.  
2. Average unit price per active member purchased in a year



Financial/Nonfinancial Highlights

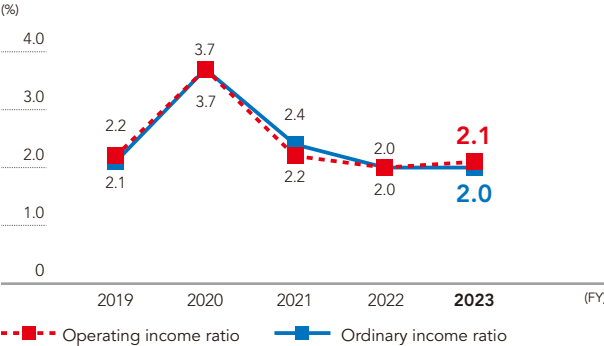
Financial

Net Sales/Operating Income



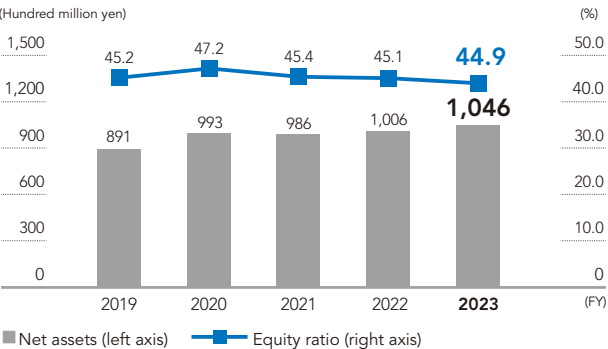
Net sales fell in fiscal 2023 but operating income increased due to a rebound to front-loaded demand prompted by the COVID-19 pandemic during past years. Consumption slowed due to soaring prices and there was more leisure spending due to the easing of restrictions on going out.

Operating Income Ratio/Ordinary Income Ratio



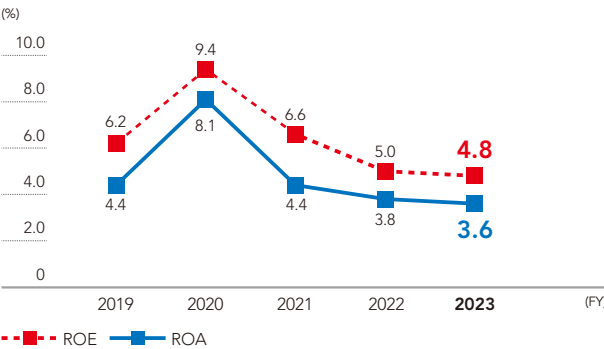
The operating income ratio improved due to gross profits outpacing increases in selling, general and administrative expenses (SG&A).

Equity Ratio/Net Assets



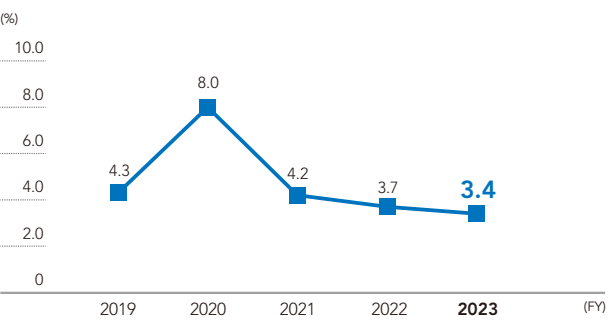
Stable earnings will lead to increases in net assets to total assets and a slower rise in interest-bearing liabilities, in this way, securing our financial stability.

Return on Equity (ROE)/Return on Assets (ROA)



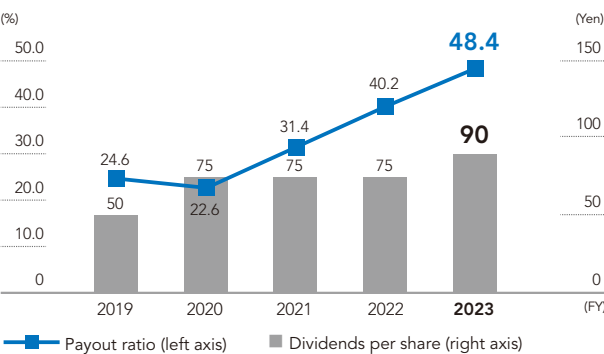
In the JT-2025 Management Plan, our goal by fiscal 2025 is an ROE of 8.0% or above and an ROA of 5.0% or above.

Return on Invested Capital (ROIC)



In the JT-2025 Management Plan, our goal by fiscal 2025 is an ROIC of 5.0% or above.

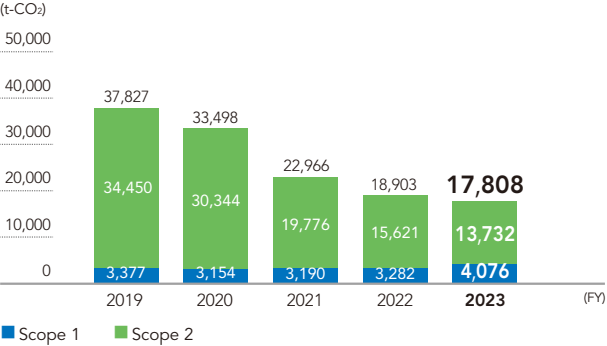
Payout Ratio/Dividend per Share



In March 2024, we increased our target payout ratio to 40% or more. Because we increased the dividend amount by 15 yen in FY2023, the dividend payout ratio greatly exceeded 40%.

Nonfinancial

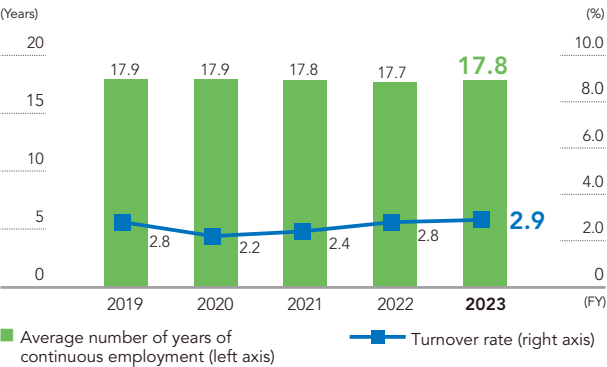
GHG\* Emissions (Scopes 1 and 2)



In FY2023, we raised the percentage of renewable energy sources used at business sites where the Company contracts directly with power suppliers to 100%. We will continue pursuing carbon neutrality for all of our operations, including our tenants.

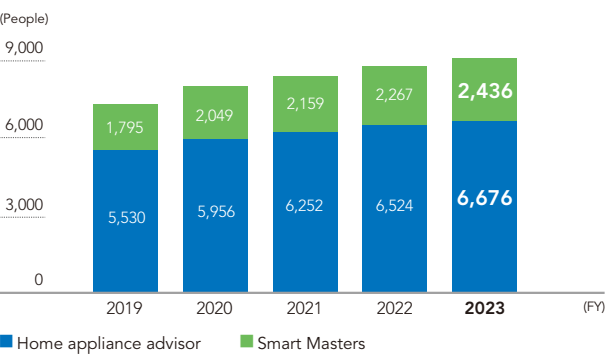
\* GHG: Greenhouse Gas

Permanent Employee Retention (Average Number of Years of Continuous Employment/Turnover Rate)



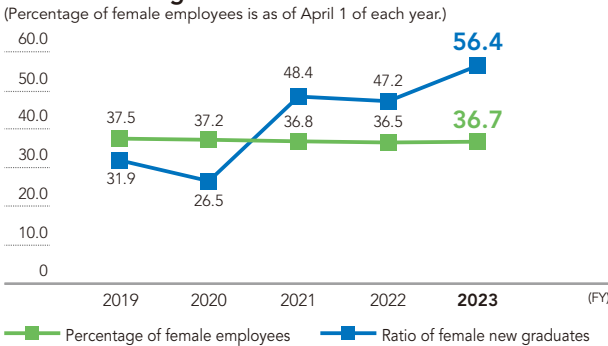
Our permanent employee retention rate is among the highest in the industry, an indication that this is a great place to work. The Company focuses on the improvement of employee engagement so that diverse employees will have job satisfaction.

Number of Certification Holders (Home Appliance Advisors/Smart Masters)



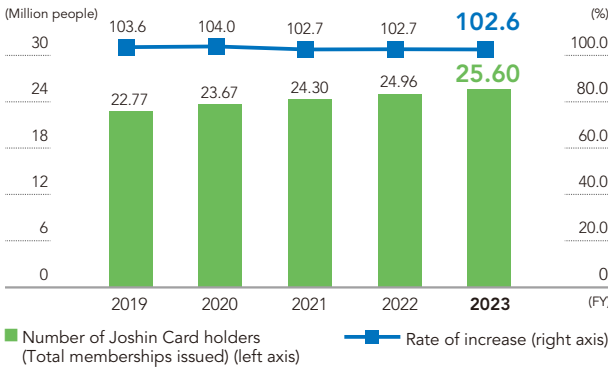
Maintaining a high percentage of certification holders is a symbol of professionalism. We propose ideas for secure and comfortable living to the customers, leading to the values of “helping to strengthen the resilience of an aging society” and “achieving household carbon neutrality.”

Percentage of Female Employees/Percentage of Females Among New Hires



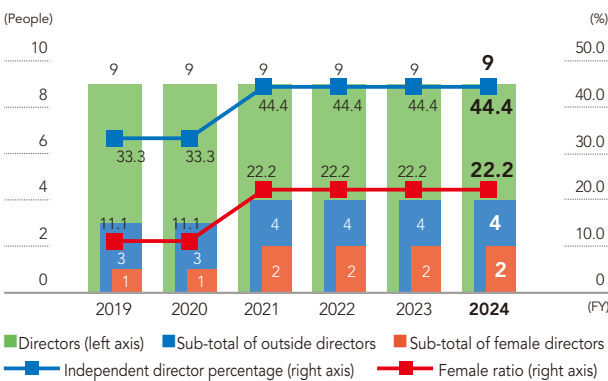
Our target was to have 50% female employees and strengthen support for hiring and career building, and in FY2023 we exceeded our target by hiring new graduates that were 56.4% female.

Number of Joshin Card Holders



Since beginning this service in 1989, Joshin Card has been favored by customers. There are currently over 25 million holders.

Independent Director Percentage/Female Ratio



The percentage of independent (outside) directors was 44.4%. Looking at the full Board of nine directors plus four auditors, the Board was 53.8% independent directors and 30.8% women.

## Message from Management

### We will securely pass the baton to the next generation so that we can achieve our management philosophy of “connecting people and society to the future with a smile.”

In fiscal 2023, which was the first year of the new medium-term management plan “JT-2025 Management Plan,” the key management targets did not reach the initially forecast values, and the year left top management with regrets. However, we will renew our efforts to achieve the ideal image of the Joshin Group for 2030, described as “a company that supports the growth of local communities and contributes to the future of people and the environment,” and will steadily carry out the three points of “improving profitability,” “pursuing efficiency,” and “boosting growth potential” that hold the important keys to the new medium-term management plan.

## Recognition of the External Environment

The Japan home appliance market in 2023 (according to an investigation by GfK Japan) shrank by 1.4% from the previous year to reach 6.9 trillion yen. This was due to a variety of factors including the normalization of demand after the special stay-home demand and the special government benefits during the COVID-19 pandemic, as well as an increase in leisure spending following the easing of behavior restrictions. However, the home appliance product market has remained at around 7 trillion yen for the past 10 years, and this stability shows how essential home appliances are to our everyday lives. The manufacturer designated price system that was introduced in 2020 restricted price competition and reduced the inventory risk of retailers.

As a result, consumers have increasingly trended towards making purchase decisions based not only on price, but also on high-quality customer services. In this market environment, in line with the spirit of our Corporate Credo of “Thoughtfulness\*” that is the core of the Group’s management philosophy structure, we will continue to carry out the service with care that we have been dedicated to since our founding, deepen our relationships of trust with customers as a concierge to customers, drawing closer to their daily lives, and provide fine-tuned and high-quality services to every customer in order to pursue a business model that is resistant to changes in the environment and strive for sustainable growth.

\* This means “to always think and act in consideration of the other’s perspective.”

## A Look Back at Fiscal 2023

During fiscal 2023, the Hanshin Tigers, which the Company is an official sponsor of, won the league and became Japan champions. Sales events related to this victory were held in the second quarter and third quarter, and contributed to an increase in sales. However, overall sales were 403.6 billion yen, down 1.2% from the previous fiscal year. The number of stores declined by three, however as a result of improving quality and reinforcing sales strength at our existing stores, Sales via stores were up 1.3% from the previous fiscal year. In the EC store business, sales were down 14.5% from the previous fiscal year. However, as a result of structural improvements aimed at strengthening earning power, centered on our own site “Joshin web shop,” we were in fact able to improve earning power.

In terms of profits, the “fan base strategy,” which aims to increase Joshin fans and core fans by maximizing the value provided to customers (based on improving the customer service abilities of sales personnel), contributed to an increase in the gross profit margin. Gross profit margin increased by 0.6

points from the previous fiscal year to reach 26.0%. Although SG&A expenses were up 1.3 points from the previous fiscal year as a result of human capital investment and information systems investment, this investment supported growth in the gross profit margin, and as a result operating income was 8.3 billion yen, up 0.6 points from the previous fiscal year.

As a result of declaring impairment of stores and reducing cross-shareholdings, ordinary income and net income were down slightly.

ROE, ROA, and ROIC are capital efficiency indices positioned as important targets in the new medium-term management plan, and all were down from the previous year. In particular, the failure of ROE to exceed cost of equity remains a major issue for improving PBR. In future management strategies, we intend to improve these indices in order to achieve sustainable growth and meet the expectations of our investors.



## Progress of the JT-2025 Management Plan

In fiscal 2023, of the three points that hold the keys to the new medium-term management plan, we believe that we are partway towards achieving two of them: “improving profitability” and “pursuing efficiency.” We recognize that the remaining point, “boosting growth potential,” remains an issue.

Fiscal 2024 is an important milestone and marks the midpoint of the current medium-term management plan. Aiming to maximize return on investment, the Group is focusing on achieving the targets for each index: ROE, ROA, and ROIC. These indices are indicators of sustainable earning power and are directly linked to increased corporate value. The targets of 11.0 billion yen in operating income and 2.6% operating income ratio for fiscal 2025, the final year of the current medium-term management plan, are important steps towards achieving an operating income ratio of 4.0% in fiscal 2030. Essential elements for achieving these targets include efficient allocation of management resources, responding rapidly to market changes, developing new sources of revenue, and

thoroughly managing costs. By bringing the entire company together to address these issues, we aim to improve corporate value over the medium- to long-term, and believe that we can meet the expectations of shareholders, investors, and all other stakeholders.

Efforts for “improving profitability” are steadily delivering results through structural improvements in the EC store business and carrying out the fan base strategy. Clear results were delivered, including increasing the total number of customer members who use the Company by 640,000 during the past year to reach a total of 25.6 million. The average annual member purchases also grew by 2,500 yen, and we assess that the expansion of the customer base and improvement in buying sentiment are truly the results of the fan base strategy. The introduction of the “Joshin Smile Program” (new loyalty program) that was launched in February 2024 is playing an important role in terms of strengthening relationships with customers. This program strengthens



relationships with customers and contributes to improving brand loyalty. In addition, we are also focusing efforts on developing new business that incorporates subscriptions and recurring models, and are proceeding with our transition to a sustainable business model. We expect that the creation of new customer satisfaction through these measures will make a large contribution to improving profitability, and will lead to continual corporate growth and enhanced competitiveness in the market.

In terms of “pursuing efficiency,” we have reinforced the east-west logistics network through stable operation of the Kansai Ibaraki Logistics Center, and by enhancing the functions of the Tokyo Logistics Center, which was expanded in October 2023. As a result, we were able to reduce product delivery times to customers in Kanto and northward, and enabled an advance response to the logistics so-called “2024 problem.” We are carrying out measures for efficient links between logistics centers, optimizing transport routes, improving transport capacity, and reducing driver workloads. These efforts both reduce logistics costs and improve service quality, and are at the core of our corporate strategy that aims to construct a sustainable logistics system and enhance competitiveness through technical innovations. The pursuit of efficiency in logistics will continue to be extremely important as a foundation for our business activities in the future, and we will further strengthen these efforts.

The declining birthrate and aging population, and the decline in the productive-age populations, are further deepening the personnel shortage in an industry that is labor intensive. The Group is carrying out a personnel shift through reskilling, aiming to reduce personnel through the installation of ICT and other improvements at real stores. The use of these technologies will allow us to effectively use limited human resources, leading to the creation of new value.

Regarding “boosting growth potential,” the Group has established areas for providing value to our customers in five categories,<sup>1</sup> and positioned the three categories of mobile communications, renovation, and support business as growth businesses. In April 2023, we newly launched the Network Communication Sales Department, which controls the two

categories of mobile communications and support business, reinforcing our ability to drive business forward. In particular for mobile communications, as part of efforts to strengthen our sales system, the improvement of sales skills through development program training, and the introduction of special staff uniforms, resulted in our achieving revenue growth for three consecutive years. Because mobile communication devices (smartphones) are expected to continue operating a diverse range of services in the future, this category contains room for further growth. This kind of strategic approach is essential for a corporation to continue growing. This is an area that has potential, including expectations for continuing to apply this approach to a wide range of services, and we believe there are possibilities for further growth.

The next category where expectations are high is renovation. The renovation market has seen significant growth in recent years, and one driving force behind this growth is the diversification of needs in an aging society. The size of the renovation market in 2022 set a new record for the fourth consecutive year, reaching 6.86 trillion yen,<sup>2</sup> showing the potential of this field. This is ideal for establishing it as a new business model that makes use of the compatibility with home appliance products, and as a new earnings pillar, and is also essential in order to meet diversifying customer needs. In particular, with the progress of our aging society, it is estimated that the elderly population ratio (persons aged 65 years or older out of the total population) will reach about 31% in 2030. Demand for nursing care renovation services is expected to further grow together with the elderly population ratio, and training of human resources who have specialized knowledge is essential. Through the current medium-term management plan, we are carrying out training of welfare housing environment coordinators who are experts in nursing care renovations in order to accurately meet these diverse needs. Specialist positions such as welfare housing environment coordinators prepare living environments that allow elderly persons to comfortably live their lives in safety and with peace of mind. They also play a large role in helping to strengthen the resilience of an aging society. We will position them as an important element of this business.

1. Refer to the business model diagram in the value creation processes on p. 15 - 16.

2. This figure was released by the Center for Housing Renovation and Dispute Settlement Support on January 5, 2024. This estimate is based on the annual report of construction start statistics, annual report of housing surveys, and national population, households, and demographics tables. It combines the expenses for housing expansion and renovation work with facility and other maintenance expenses.

## Promoting Sustainable Management

The significant achievements by the Group in the field of combatting climate change in fiscal 2023 are the result of the Group being highly rated for its corporate social responsibilities and consideration for the environment. Obtaining the CDP “A” score can be described as proof that our establishment of a

sustainable business model and strong commitment to environmental preservation have been internationally recognized. We are accomplishing as planned our material issue targets for achieving 100% renewable energy at the 150 business sites where the Company contracts directly with power suppliers and minimizing our impact on the global environment. Our efforts to achieve carbon neutrality in 2050 will focus on both corporate social value and environmental value in order to open up a path to a sustainable future.

At the same time, carrying out human capital management is essential for medium- and long-term business growth and improving corporate value. From fiscal 2024, we introduced a performance-linked stock-based compensation system for employees, a revolutionary step for increasing the sense of belonging and the desire to participate in management among employees. As a result of this initiative, we expect employees will feel that they are contributing directly to the success of the Company, boosting their motivation. Promoting Diversity & Inclusion prepares the groundwork for human resources with diverse backgrounds to make the most of their individual abilities and produce new ideas and innovations. By combining

## Initiatives for Shareholder Returns

In March 2024, the Group increased our target payout ratio from 30% or more to 40% or more, demonstrating our strong commitment to returning profits to shareholders. This decision was reached through dialogue with the capital market, and is intended to meet the expectations of shareholders. The dividend in fiscal 2023 was increased by 15 yen from the previous fiscal year to 90 yen. In fiscal 2024, based on expected net profits of 6.0 billion yen, we are planning to pay a 100 yen dividend. We

these strategies, we will boost corporate competitiveness and actively contribute to society.

## In Closing

Although fiscal 2023, the first year of the new medium-term management plan, ended without achieving our targets, the improvement to earning power on the sales front lines, establishment of logistics, shipping, installation, construction, and other infrastructure, and reinforcement of the business foundation through installation of ICT and other means represent bright signs for future growth. In particular, the installation of ICT is an important element that will promote efficiency and rapid decision-making, and will increase flexibility and the ability to respond in our business.

In fiscal 2020, when we achieved our highest-ever sales and profits due to the special demand resulting from the COVID-19 pandemic, ROE was 9.4%, ROA was 8.1%, and ROIC was 8.0%. However, when we consider that the gross profit margin at that time was 25.0%, the targets in the new medium-term management plan for fiscal 2023, when the gross profit

margin improved to 26.0%, are not considered high. In other words, this shows that achieving the targets of the new medium-term management plan is realistic, and means that we have constructed a solid foundation for future growth and maintaining stable business performance.

We promise to continue working together with all our stakeholders and to improve corporate value in order to achieve our management philosophy. We look forward to your continuing support of Joshin.

金谷隆平

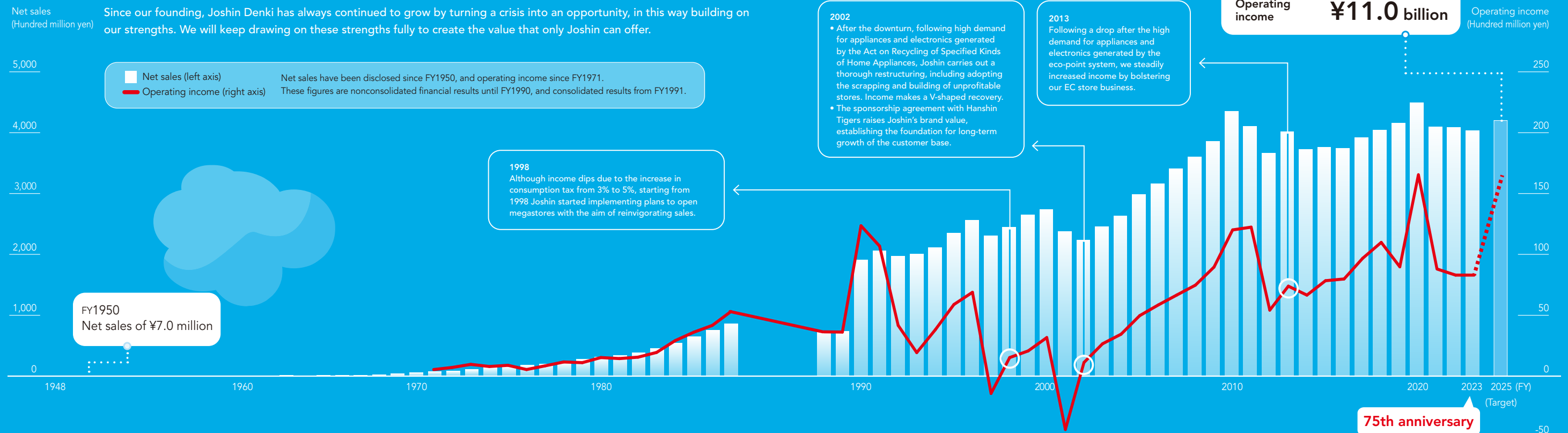
Ryuhei Kanatani

Representative Director,  
President and Executive Officer  
Joshin Denki Co., Ltd.





# History of Value Creation



## 1940s – 1960s 1970s – 1990s 2000s – 2020s

**1948**  
**Founded**

Joshin starts up as a home appliance parts store in Nipponbashi, Osaka. In 1954, we switched our business to become a home electronics and appliance store.

More than 500,000 items targeted at markets across Japan

**1974** **Industry first**

**Joshin launches TV shopping service**

Joshin pioneers TV shopping service, the first in the industry. This service helped raise Joshin Denki's profile and boost store sales.

Brand building as a pillar of the strategies to attract customers from wide areas

**1988** **Industry first**

**Joshin establishes the principal sub-brand KIDS LAND Joshin**

Joshin begins the operation of KIDS LAND Joshin, the first brand launched by a major electronics store that offers toys, models, and TV games. We earned one of the biggest market shares for model sales in Japan.

Highly professional after-sales service for home electronics and appliances

**1956** **Industry first**

**Service department established**

Joshin sets up a service department to offer a well-developed all-in-one service package that covered the entire process from sale to after-sales service. Today, Joshin Service's after-sales service includes delivery, installation, and repairs.

Know-how in personal computer sales built on one of the highest levels of experiences in Japan

**1981** **Industry first**

**Opened the industry's first large-scale specialty store for personal computers**

Joshin was the first to sell personal computers as home electronics in Japan. Information communication devices have grown to become the mainstay of this segment, making up 20% of our sales today.

Marketing and big data accumulated from data of 1.4 billion purchases

**1989**

**Joshin issues the Joshin Membership Card and launches customer management through a POS system**

By creating a customer database, Joshin establishes the foundation for improving membership services and for varied marketing techniques.

Brand recognition with a wider range of consumers

**2002**

**Joshin sponsors ads for the Hanshin Tigers helmet**

As part of our branding strategy, Joshin staged publicity that featured the Hanshin Tigers, Kansai's enormously popular baseball team. The strategy raised our profile and brand value, dramatically increasing the Company's net sales and membership.

Contributing to the growth of the EC website business by improving the efficiency of inventory and shipping, developing a BCP, and controlling GHG emissions, all at the same time

**2021**

**The Kansai Ibaraki Logistics Center launched**

The new logistics center was built in Ibaraki, Osaka, to pursue our business strategies, enabling the Company to manage all inventory from one place for real and EC stores.

Common service that can be used at both real stores and the Joshin web shop

**2023**

**Introduced the Joshin Smile Program**

The introduction of the Joshin Smile Program based on the fan base strategy aims to create new Joshin fans and core fans and expand the customer lifetime value per member. (See page 29 for details.)

Introduced as part of dynamic pricing

**2018** **Industry first**

**Introduced electronic shelf tags (electronic pricing) in all appliance stores**

To realize dynamic pricing and support our workstyle reforms for employees, we introduced electronic shelf tags (electronic pricing) for small and medium-sized appliances in all of our appliance stores as an industry-first initiative. Further, in September 2019, we introduced electronic shelf tags for large appliances (televisions, air conditioners, etc.).

Building new store branding for Joshin

**2022**

**Opened our Nipponbashi flagship store in Nipponbashi, Osaka, where the Company was founded**

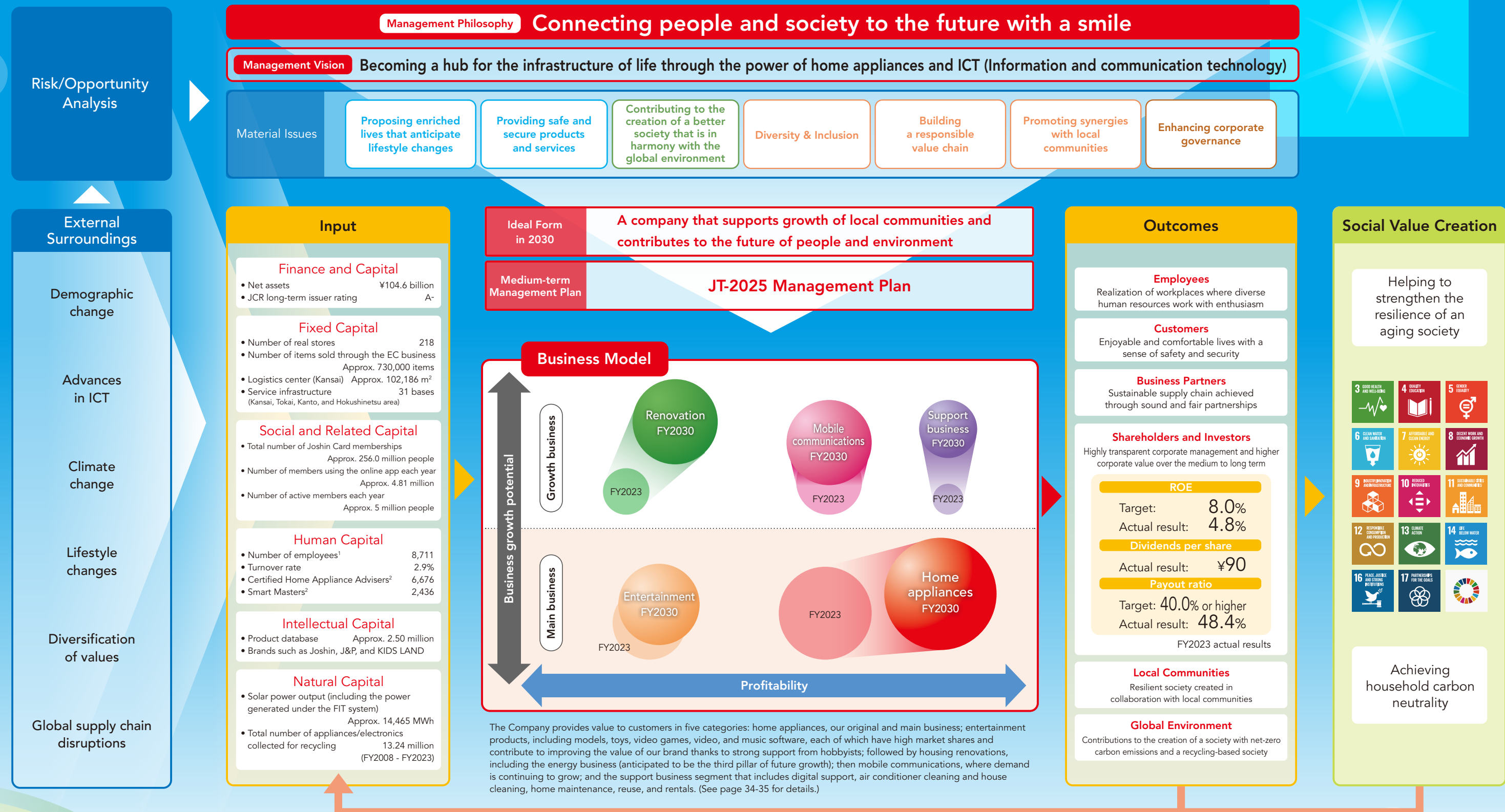
We renovated the flagship store and seismically strengthened it in line with an improvement initiative for stores built to the old quakeproof standards. We also integrated and reorganized this store and our brand in line with Nipponbashi's market characteristics, which have changed over time. This renovated flagship store will attract many people over a wide area, mostly in the Kansai region.

When the old store was opened When the new store was opened



# Value Creation Processes

The Joshin Group, employing a virtuous cycle for capital investment based on long-term management strategies, is committed to increasing corporate value while creating the social value that supports two social goals: helping to strengthen the resilience of an aging society and achieving household carbon neutrality.



1. Including temporary employees

2. Home Appliance Advisers and Smart Masters are certified by the Association for Electric Home Appliances. Home Appliance Advisers are professionals in home appliance sales and customer service, and Smart Masters are specialists in everyday life and homes, which are being increasingly made "smart."



Joshin Group’s Material Issues

Our management philosophy is connecting people and society to the future with a smile and our management vision is becoming an infrastructure hub for a better life through the power of home appliances and ICT. To realize the goals of our philosophy and vision, we chose seven material issues (major challenges) that we should address first, due to their high impact on corporate value creation of the Joshin Group, as well

as 14 issues to help resolve through our initiatives.

After determining which issues to tackle, we analyzed the risks and opportunities based on the perspectives of both our investors and stakeholders, organized the issues, and set long-term targets and KPIs, as well as action plans to reach the goals for every initiative. The Company will also use these initiatives to reach our material issue targets.

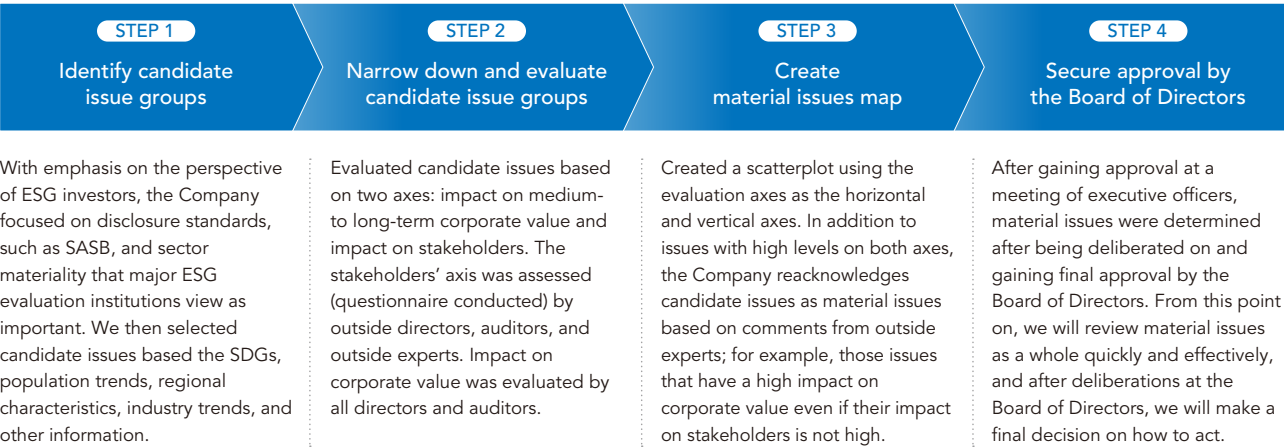
Sustainability Committee

The Sustainability Committee works to achieve our management philosophy and our management vision by dealing with our highest priority initiatives and material issues, together with the progress of important department-spanning internal projects that support these initiatives. The committee also oversees financial and nonfinancial information for our business strategies and our ESG initiatives, among other items. To verify the viability of our business strategy with the target year of 2050, the committee investigates the financial plans for individual fiscal years leading up to 2030, which is the midpoint of the business strategy, and manages the progress of the targets and action plans.

Revision of Material Issues

The material issues were announced in 2021, and we revised some material issues and initiatives in 2023. We newly included the reason for selecting each initiative, and the relevant challenges and countermeasures, and reviewed our action plans and targets.

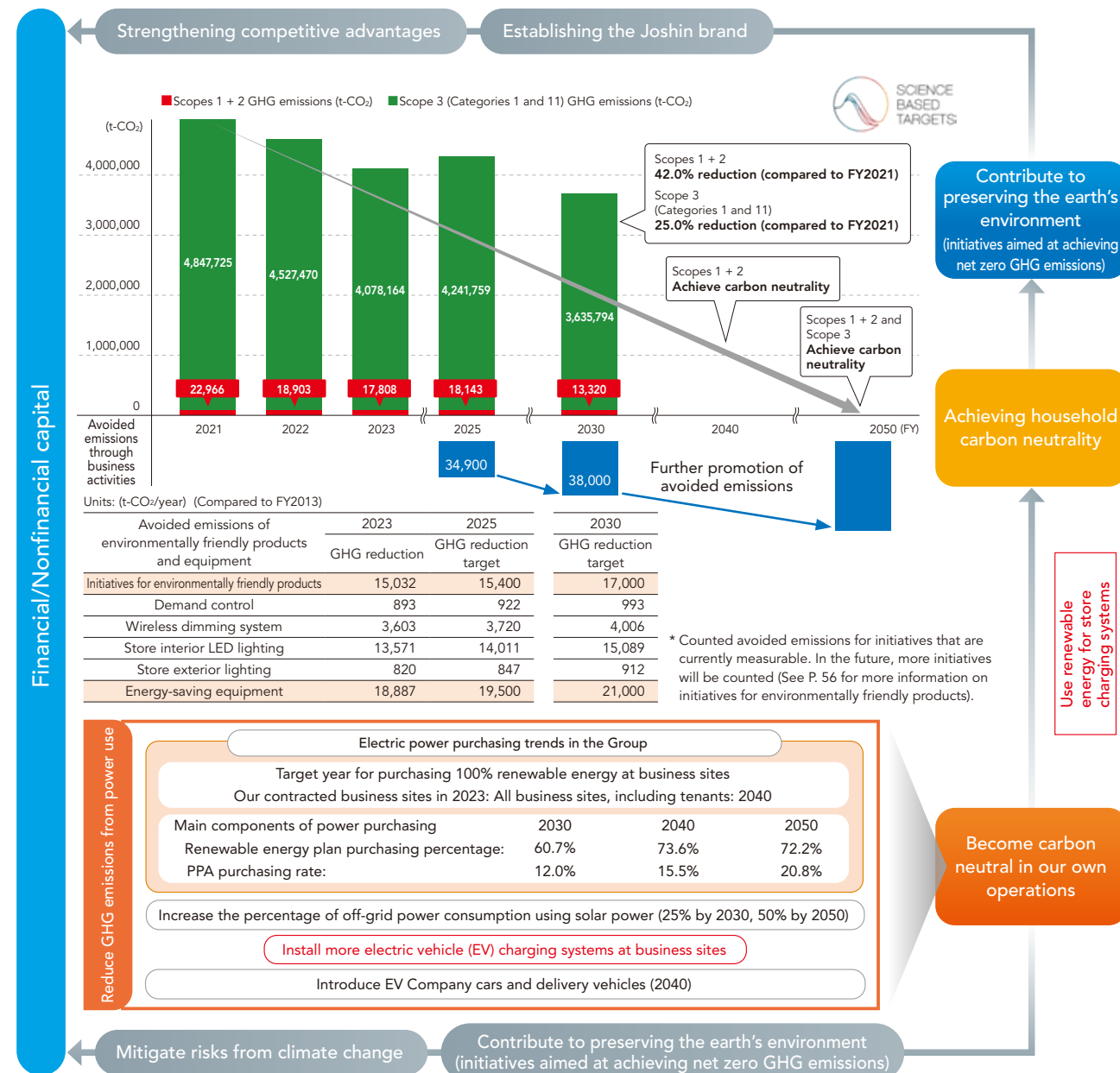
Material Issue Identification Process





	Material Issue	Challenges	Reason for Selection	Main Action Plans	Main Goals	Main Results	Issues and Countermeasures
S (Society)	4. Diversity & Inclusion ▶ See p. 63	Securing human resources	To secure the human resources that are the source of our organizational strength, and connect growth in human resources to continual corporate growth	<ul style="list-style-type: none"><li>Strengthen recruiting of new graduates and mid-career hires and promote part-time employees to full time</li><li>Strengthen direct recruiting</li><li>Secure core human resources through job-style employment</li><li>Increase the percentage of women and actively promote women to managerial and executive positions</li><li>Promote D&amp;I for knowledge and experience (ensure diversity, develop new partner companies)</li><li>Employ more people with disabilities</li><li>Establish work environments that enable employees to have successful lifelong careers (extend retirement age)</li></ul>	<ul style="list-style-type: none"><li>Keep hiring 150 new employees every year [FY2030]</li><li>Annual turnover rate of permanent employees 2.5% or less [FY2030], 2.0% or less [FY2050]</li><li>Introduce a job-based employment system in the planning departments [FY2025]</li><li>Permanent female employees: 30% [FY2030], 50% [FY2050]</li></ul>	<ul style="list-style-type: none"><li>Number of new graduates and mid-career hires: 237</li><li>Turnover rate: 2.9%</li><li>Removed (partially relaxed) restrictions on promotions resulting from the selection of working location</li><li>Percentage of mid-career hires among all employees: 38.5%</li><li>Percentage of employees with disabilities: 2.7%</li><li>Extended retirement age to 63 years</li></ul>	<ul style="list-style-type: none"><li>Remedying the age structure for permanent employees</li><li>Moving employees appropriately to growth businesses</li><li>Transforming our business model</li><li>Support for the active participation of women and balance between work and private life</li><li>Realizing an internal environment where diverse employees play a more active role</li><li>Creation of job satisfaction for veteran employees</li></ul>
		Human resource development	To create new customer satisfaction and improve corporate value by training specialized human resources	<ul style="list-style-type: none"><li>Develop specialized human resources for core businesses</li><li>Foster a willingness to make voluntary contributions by using engagement surveys</li><li>Implement reskilling, including DX education</li><li>Practice talent management</li><li>Plan leadership training for female employees</li><li>Conduct training for senior management positions</li><li>Train onsite home appliance repair technicians</li><li>Support the training of human resources at partner companies</li></ul>	<ul style="list-style-type: none"><li>Job qualification percentage of 85% for Home Appliance Advisors, etc. [FY2030]</li><li>Engagement overall score 80 [FY2030]</li><li>Cumulative total of 4,200 participants in DX training (training rate 100%) [FY2024]</li><li>20% female junior managers [FY2030], 50% [FY2050]</li><li>Train 120 onsite home appliance repair technicians [FY2030]</li></ul>	<ul style="list-style-type: none"><li>Percentage of certified Home Appliance Advisors and engineers among permanent employees: 84.2%</li><li>Conducted engagement training for superiors</li><li>Cumulative total of participants in DX training: 1,724 (training rate 41.0%) (FY2022 - FY2023)</li><li>Solicited participants in a career awareness forum</li></ul>	<ul style="list-style-type: none"><li>Growth of Joshin fans and core fans</li><li>Promotion of engagement understanding by the promotion team</li><li>Develop new businesses and services utilizing ICT</li><li>Personnel assignments making best use of individual abilities and characteristics</li><li>Start a networking and mentoring system for women</li><li>Training of senior management</li></ul>
		Health and productivity management	To maximize individual and organizational performance by carrying out health and productivity management	<ul style="list-style-type: none"><li>Conduct initiatives including education and public health nurse interviews to improve health literacy</li><li>Ensure appropriate business hours to reduce total working hours and working late at night</li><li>Take advantage of ICT and robotics technology as alternatives to employees</li><li>Implement flexible working styles</li></ul>	<ul style="list-style-type: none"><li>Achieve the average health index score (for obesity, blood pressure, liver function, fats, blood sugar, and smoking) of +2% across Japan [FY2030], +5% across Japan [FY2050]</li><li>Presenteeism: 94.0% [FY2030] * Measurement by WLQ-J</li><li>Introduce full self-service registers in all stores [FY2027]</li><li>100% rate of male employees taking childcare leave or leave for the purpose of child care [FY2030]</li></ul>	<ul style="list-style-type: none"><li>Recognized as a Certified Health &amp; Productivity Management Outstanding Organization (Large Corporation Category) for five consecutive years</li><li>Monthly average overtime work hours: 13.6 hours (down 1.4 hours from the previous year)</li><li>Rate of male employees taking childcare leave or leave for the purpose of child care: 96.3%</li><li>Made the shorter working hours system for nursing care more flexible</li></ul>	<ul style="list-style-type: none"><li>Preserve and improve mental and physical health</li><li>Reducing total working hours</li><li>Improving operational efficiency by utilizing ICT</li><li>Achieve work-life balance that accommodates a wide range of working styles</li></ul>
	5. Building a responsible value chain ▶ See p. 61 and 69	Respect for human rights	To carry out business management that respects the fundamental human rights of all stakeholders in line with our Corporate Credo of “Thoughtfulness” and international human rights standards	<ul style="list-style-type: none"><li>Implement risk assessments for the value chain</li><li>Conduct the “supply chain procurement questionnaire” upstream in the value chain</li><li>Communicate the Joshin Group Human Rights Policy to stakeholders</li><li>Establish relief mechanisms</li><li>Hold stakeholder meetings (dialogues)</li><li>Disclose information related to respect-for-human-rights initiatives</li></ul>	<ul style="list-style-type: none"><li>Establish opportunities for human rights awareness for every supplier [FY2025]</li><li>Promote respect for human rights among employees by raising awareness [FY2025]</li><li>Pursue initiatives to ensure respect for human rights across the value chain [FY2050]</li></ul>	<ul style="list-style-type: none"><li>Created a human rights risk map</li><li>Conducted the “supply chain procurement questionnaire” at 249 suppliers</li><li>Participation rate in basic training for human rights policy (for all employees): 96.3%</li><li>Constructed and began operation of the Human Rights Awareness Promotion System and Human Rights Remedy System</li></ul>	<ul style="list-style-type: none"><li>Conduct continued education and training related to respect for human rights</li><li>Conduct an investigation of human rights remedies at supplier manufacturing sites (areas in conflict) upstream in the value chain</li><li>Conduct the questionnaire for suppliers downstream in the value chain (cooperating companies and others in shipping, installation, construction, and recycling)</li><li>Formulate and implement measures for human rights risk mitigation and prevention</li></ul>
		Sustainable purchasing activities	To appropriately share management and operating conditions in the four key areas and Ten Principles of the UN Global Compact, which are the foundation for the policies decided by the Company	<ul style="list-style-type: none"><li>Share purchasing guidelines with suppliers</li><li>Conduct engagement related to sustainable purchasing</li></ul>	<ul style="list-style-type: none"><li>Enact corrective measures for companies that failed to respond to the supply chain procurement questionnaire [FY2025]</li><li>Build a sound, strong supply chain by adhering to policies for Group purchasing, human rights, and preventing corruption [FY2050]</li></ul>	<ul style="list-style-type: none"><li>In January 2024, the questionnaire was sent to 249 suppliers together with a video introducing the ESG initiatives of the Group</li><li>151 companies responded to the questionnaire (response rate: 60.6%), Sustainable procurement rate: 68.8%</li></ul>	<ul style="list-style-type: none"><li>Continue to conduct for new suppliers in and after FY2024</li></ul>
	6. Promoting synergies with local communities ▶ See p. 73	Exploring in depth the businesses that support the growth of local communities	To strengthen relationships through communication with stakeholders	<ul style="list-style-type: none"><li>Participate in social contribution activities centered on our real stores and other business locations</li><li>For Joshin’s community service activities that are connected with our main business, engage in projects that are intended to build stronger relationships with local customers based on these pillars: safety and security, a healthy life, supporting the development of the next generation, and the environment</li></ul>	<ul style="list-style-type: none"><li>Improve the strength of our brand and our corporate value in local communities through social contributions [FY2030]</li><li>Take part in community service activities in collaboration with businesses working with local governments [FY2050]</li><li>Create shared value by offering solutions to social issues [FY2050]</li></ul>	<ul style="list-style-type: none"><li>Participated in decarbonization events conducted with Osaka Prefecture and Sakai City</li><li>Participated in events related to product safety at elementary schools in Osaka Prefecture and in Atsugi City, Kanagawa Prefecture</li><li>As one part of “exploration learning,” conducted discussions at multiple junior high schools and high schools</li></ul>	<ul style="list-style-type: none"><li>Continue to participate in events and exploration learning for large numbers of local governments, schools, and others in FY2024</li></ul>
G (Governance)	7. Enhancing corporate governance ▶ See p. 74 - 78 See p. 83 - 87	Ensuring compliance, risk management, and maintaining Company morale	To achieve harmony with society and carry out fair business activities that contribute to society through organizational operations that include the spirit of respect for laws and business continuity	<ul style="list-style-type: none"><li>Conduct compliance training in the value chain</li><li>Expand the risk assessment system in the value chain</li></ul>	<ul style="list-style-type: none"><li>Construct a business continuity management system in the value chain [FY2030]</li><li>Introduce a fixed-term system (renewal system) for assigning staff to management positions [FY2030]</li><li>Conduct compliance training at Group subsidiaries and cooperating companies [Continuing initiative]</li></ul>	<ul style="list-style-type: none"><li>Dramatically revised the risk management system to change the system of responsibility for the areas of general compliance by directors and executive officers, internal controls, protection of personal information, information security, BCP, and environmental management. Conducted practical work training based on the skills matrix</li></ul>	<ul style="list-style-type: none"><li>Expand the BCP operation system at logistics sites</li></ul>
		Corporate/Group governance	Because an advanced corporate governance system is required that will connect the creation of social value to continual growth, improved corporate value, and achievement of our management philosophy for Joshin	<ul style="list-style-type: none"><li>Brush up medium- and long-term management strategies and promote more efficient management with a focus on capital costs</li><li>Study the optimal governance system for achieving the medium- to long-term management strategies and realizing efficient management</li><li>Expand training for officials based on the succession plan for directors and executive officers</li><li>Provide a well-developed executive compensation system that could be an incentive for creating sustainable growth and higher corporate value</li></ul>	<ul style="list-style-type: none"><li>Operating income ratio: 2.6%, ROE: 8.0%, ROA: 5.0%, ROIC: 5.0% [FY2025]</li><li>Operating income ratio: 4.0%, ROE: 10.0%, ROA: 7.0%, ROIC: 7.0% [FY2030]</li><li>Study the further transfer of authority to the Board of Executive Officers, and optimal institutional design [FY2025]</li><li>Conduct training for required skills based on the skills matrix for executive officers [Continuing initiative]</li><li>Stock compensation: 50%, disclose individual compensation [by FY2030]</li></ul>	<ul style="list-style-type: none"><li>Outside officer ratio: 53.8% (four outside directors and three outside auditors, total seven of 13)</li><li>Female officer ratio: 30.8% (two female directors and two female auditors, total four of 13) [FY2024]</li><li>Revised stock compensation ratio 20% ⇒ 30% and performance-linked stock compensation ratio 30% ⇒ 50%</li><li>Adopted an environmental management index (CDP score) as a standard for calculating stock compensation</li></ul>	<ul style="list-style-type: none"><li>Expand the succession plan based on the skills matrix</li><li>Improve capital profitability indicators and PBR</li><li>Increase the stock compensation ratio</li></ul>

## Reinforcing Joshin's Financial and Nonfinancial Capital through the "Achievement of Carbon Neutrality in the Home"



### Initiatives to Achieve Carbon Neutrality in the Home

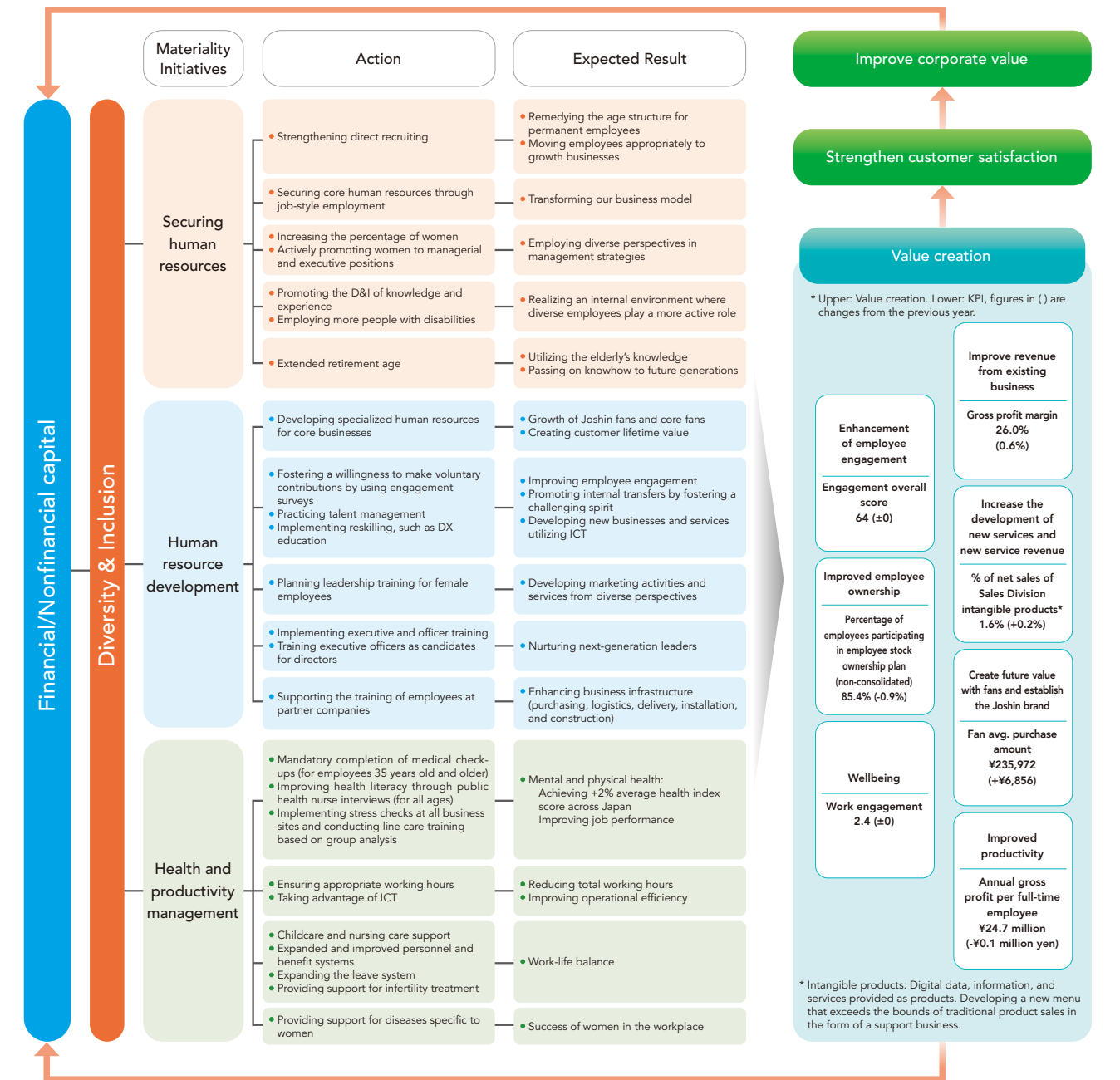
The Joshin Group has positioned "Contributing to the creation of a better society that is in harmony with the global environment" as a material issue (materiality) on the path to realizing carbon neutrality by 2050. Among related initiatives, we obtained SBT certification in fiscal 2023 for our supply chain emissions targets and reduction initiatives.

In order to achieve carbon neutrality moving forward, the Joshin Group will need to not only reduce emissions in our

Company value chain but also actively work to expand decarbonization initiatives in our business activities (promoting the substitution of current products with energy-saving, high-performance, environmentally friendly products) and worksites (by introducing energy-saving equipment at worksites and promoting ZEB\*). We decided to newly count the resulting GHG emissions reductions as "Avoided Emissions."

\* See p. 54

## Reinforcing Joshin's Financial and Nonfinancial Capital through the Promotion of Diversity and Inclusion (D&I)



### Improving Organizational Performance through Heightened Employee Engagement

At the Joshin Group, we emphasize diversity and inclusion (D&I) as a pillar of our human resources strategy and we are putting every effort into boosting employee engagement—for improving corporate value—through actions that build a

rewarding work environment where diverse employees play a more active role. We will capitalize on the strengths that individual fulfillment brings to improve organizational performance, creating the new value that society requires.

### Creating a Virtuous Cycle of Higher Corporate Value and a Stronger Foundation for Management

By actively investing in human capital, we will secure employees, linking the sustained growth of businesses and diverse expertise to new levels of customer satisfaction. Moreover, by promoting health and productivity management, we will maximize the potential of diverse human resources,

improve corporate value, and create a virtuous cycle that strengthens the management foundation.

In 2024, we established new KPIs for value creation through our human resources strategy. Moving forward, we will monitor progress on this KPI.

Message from the Executive Officer in Charge of the Sales Strategy



We aim to achieve Joshin’s vision for itself through further development of the fan base strategy and dominant strategy.

高橋 徹也

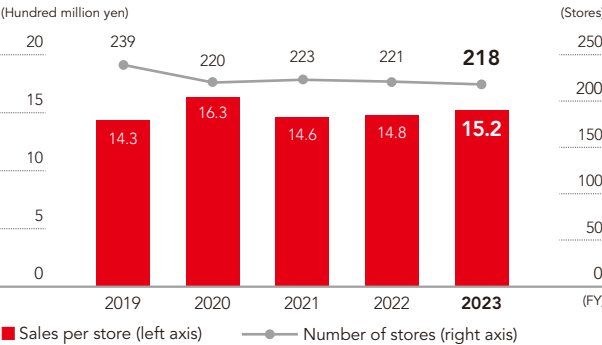
Tetsuya Takahashi  
Representative Director, Vice President and Executive Officer in Charge of Sales Strategy

Completing Year One of the JT-2025 Management Plan

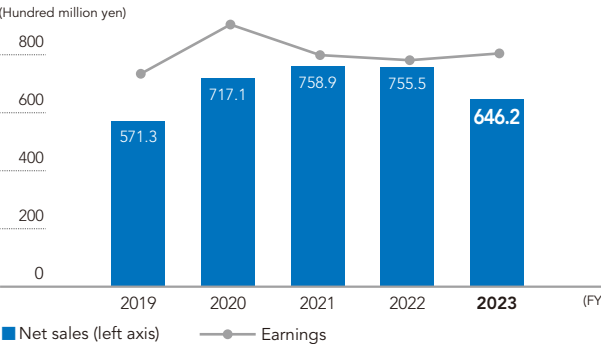
Fiscal 2023 continues a three-year trend of plateaued sales, a rebound from fiscal 2020 that saw strong performance from extraordinary demand created by the COVID-19 pandemic and cash subsidies. However, sales at real stores are reliably growing. While the number of appliance stores remained the same as last year, per-store sales grew from 1.48 billion yen in fiscal 2022 to 1.52 billion yen in fiscal 2023, so it is believed

initiatives to strengthen sales capabilities are bearing fruit. Gross profit margin also grew from 25.4% in fiscal 2022 to 26.0% in fiscal 2023. Our restructuring initiatives aimed at strengthening the profitability of the EC business saw a drop in sales but improvements to operating income ratio and sales volume, which is believed to be a good sign for the future.

Real Store Performance



EC Business Performance



Pursuing the Best State of Business by Predicting Changes in the Market and Society

With the shrinking working population associated with overall population decline, the 2024 problem in logistics and other regulation-related issues, and changing customer needs as Japan becomes a super-aged society, we must expect that

Joshin’s market environment will continue to change a breakneck pace. An important point moving forward will be how we link our business strategy to the economic strategy aimed at a “virtuous cycle” of rising wages and prices, and whether we can

bring more consumption to the home appliances business. Assuming that individual consumers replace their home appliances in the 50 years between ages 20 and 70, an individual will buy a replacement of an appliance six times for long-lifecycle products (assuming a 10-year period of use), or 12 times for short-lifecycle products (assuming a 5-year period of use). This approach to buying a replacement of home appliances has increased along with increase of the senior citizens’ share of the population, leading to an increase in customers who seek out truly necessary and valuable items, with a price that represents a cost needed to ensure value. Along with this, there have also been changes in young people’s approach to home

appliances as they have watched their parents growing up. Changing values and awareness can be seen in diversifying needs, such as how modes of consumption have changed from an emphasis on “ownership” to an emphasis on “use” through subscriptions and other paths. These changing attitudes have also led to changes among creators and sellers, and there may be major changes to the form of the market, from manufacturing to distribution. To tackle these changes, we offer support businesses such as reuse and rental services in addition to our main home appliance sales business, and we hope to actively challenge ourselves to new fields in the future as well.

SWOT Analysis

<strong>Strengths</strong> <ul style="list-style-type: none"><li>Quality of employees (excellent customer service and responses that are attentive to details)</li><li>Service infrastructure (delivery, construction, and maintenance) and information systems that support channel strategies for real stores and EC business</li><li>Approx. 5 million active members each year, and approx. 4.81 million online app users</li><li>Carrying of products requiring a high level of expertise (e.g. KIDS LAND models and toys)</li></ul>	<strong>Opportunities</strong> <ul style="list-style-type: none"><li>Expansion and diversification of the senior citizens market</li><li>Diversification of customer needs and forms of consumption (e.g. from “owning” to “using”)</li><li>Focusing of business resources under the dominant strategy in limited business areas in the Kansai, Tokai, Kanto, and Hokushinetsu regions</li><li>Expansion of new sales channels via e-commerce, etc.</li><li>Introduction into the market of IoT home appliances and other such new sectors of products</li></ul>
<strong>Weaknesses</strong> <ul style="list-style-type: none"><li>Our customer base is skewed toward the middle-aged and elderly</li><li>Lack of resources and framework for addressing the aging of personnel by passing along specialized knowledge and skills</li><li>Lack of human resources who have advanced expertise in DX, etc.</li></ul>	<strong>Threats</strong> <ul style="list-style-type: none"><li>D-to-C (emergence of direct sales by manufacturers)</li><li>Selection of product supply destinations for manufacturers</li><li>Aggressive store openings by competitors and participants entering the market from other industries</li><li>Shrinking market due to shrinking population</li></ul>

JT-2025 Management Plan

The Joshin Group began working on the new medium-term management plan (“JT-2025 Management Plan”) in fiscal 2023. The theme of the new medium-term management plan is to become a “concierge to customers, drawing close to their daily lives” as we work to strengthen profitability, or our ability to generate profits, through growth rooted in quality rather than the conventional quantity. In growing a business, it is essential to strike a balance between quality (sales capabilities) and quantity (number of stores and sales floor area), and we believe that improving “quality” is the top priority. Improving quality means the Joshin Group’s goals to improve profitability, profit structure, and revenue base. The new medium-term management plan aims to increase “quantity” only once

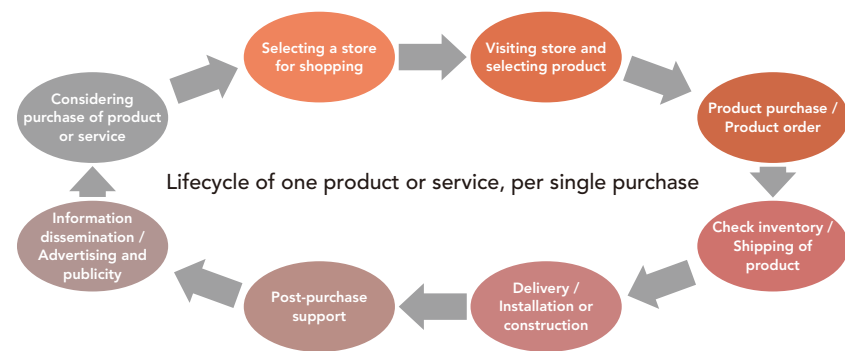
“quality” improvements are ensured. At the core of our plan is the fan base strategy, which refers to Joshin’s sales strategy itself, rooted in our corporate credo of “Thoughtfulness” that has been continuously passed down within the Company since our founding in May 1948. We aim to redefine these concepts based on the fan base approach, providing two types of value — the sentimental value we have amassed over time (trust, reliability, stability) and a more functional value that combines digital capabilities to be more attuned to customers (provision of various information; timely proposals). Through these two types of value, we aim to become a company that “supports growth of the local community and contributes to both individuals and the future.”

Fan Base as the Core of Joshin Group’s Growth Strategy

“Fan base” refers to the management philosophy that Joshin has cultivated since our founding, and the fan base strategy refers to our initiatives to see that philosophy become reality. The fan base strategy is our ability to continuously provide an advanced form of value that has its origins in a deep understanding of what customers expect “before the purchase,” “during the purchase,” and “after the purchase.” While working to enhance products and service content to serve customers’ individual needs, the biggest factors for the pre-purchase stage are “information provision and solution proposals,” for the purchase stage they are “price and solution proposals,” and for

the post-purchase stage it is “after-sales service.” The foundation at all stages is our customer service capabilities. At the Joshin Group, information provision is the responsibility of the Sales Promotion Department, prices are the responsibility of the Merchandise Department, solution proposals are the responsibility of the Sales Department, customer service is the responsibility of the CS Promotion Department, and after-sales service is the responsibility of Joshin Service Co., Ltd. Our information systems provide the platform underlying all of this, and that role is covered by the Information System Department. Each department implements measures with an awareness of





the “fan base,” and collaboration among sections as well as maximizing value provision out of each section together constitute what we consider Joshin’s fan base strategy.

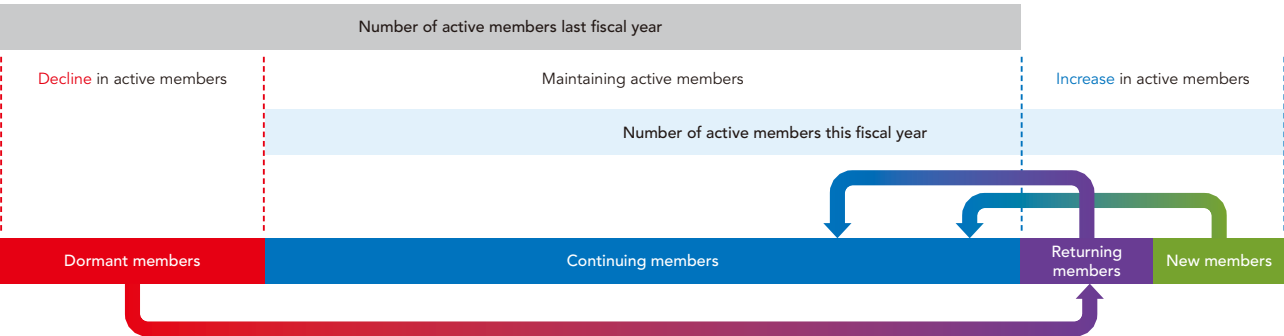
Diligently pursuing customer service for each and every customer, we develop our core customer base of clients who recognize the value that the Joshin Group provides. Whenever customers return to Joshin to use our services, or when they go beyond that and actually recommend the Joshin Group to others, that activity helps to generate new customers for us. The generation of a chain of “fans” in that way is a major objective of our fan base strategy.

In February 2024, we launched a new customer loyalty program called the “Joshin Smile Program.” In this program, we classify our top-ranked members in terms of annual store visits and purchase amount as VIP “core fans,” while platinum members and gold members are “fans,” as we announced last year. We keep an eye on our active member count (members who used Joshin services in the last year), annual number of store visits, and annual purchase amounts over time and use this information to bolster our initiatives under the fan base strategy. Since household appliances are durable consumer goods that are replaced once every several years, there are

some cases in which a customer defined as a “fan” based on their consumption behavior is nonetheless excluded from the active member count. To that end, we monitor our customers in terms of a range of background metrics and factors rather than simply pursuing absolute numbers.

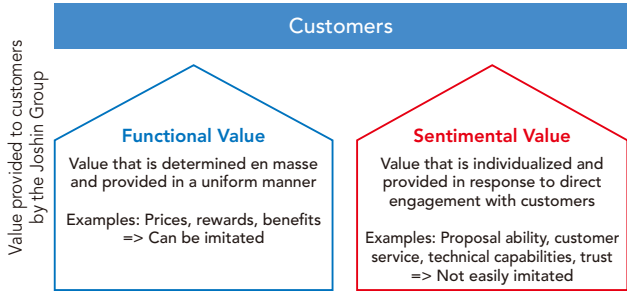
The diagram below aims to depict the development of active members over time. Active members are calculated with continuing members as the base (1) plus the total of new members and returning members (use by members who have not used the service in at least one year). On the other hand, (2) factors pushing in the other direction include dormant members who have not used the service in a year. The difference between (1) and (2) represents the cause of an increase or decrease in active members. Picking up the pace on store openings will lead to an increase in new members, but if the pace of new store openings is too fast, there will likely be problems maintaining a high level of quality in customer service, which in turn leads to growth in the number of dormant users. The Joshin Group focuses on “quality” in our sales activities, and a steadily increasing number of members are coming back as returning members after having become dormant members. We believe that combining this quality with the “power of numbers” (quantity) will be what increases our active member count.

Active Members Over Time (Contextual Image)



The growth strategy that the Joshin Group aims to implement is focused first and foremost on improving quality, and only upon satisfying that prerequisite do we aspire to growth via quantity or to taking on the challenge of pursuing new lines of business. “Quality” refers to customer service quality, and it is human resources that are absolutely the most important requirement to ensuring both quality and quantity. Failure to build the required company environment to support a rapid increase in store count, sales floor area, and product lineups may damage human resources and potentially stifle

Organizing the Fan Base Strategy



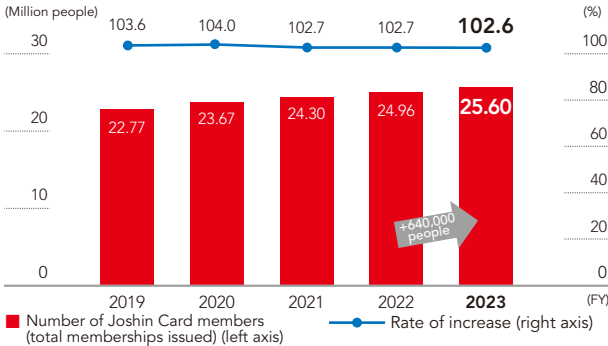
growth. Ultimately, it is important to strike a balance between quality and quantity, and we believe that a fan base strategy focused on maximizing the quality provided to customers will lead to growth in the numbers of gold and higher members as well as growth in active members. The value provided by the Joshin Group at the pre-purchase, time of purchase, and post-purchase stages includes both functional value and sentimental value. Functional value like prices and loyalty points can be imitated by competitors, but sentimental value is unique to the Joshin Group and therefore not easy to imitate. Examples of sentimental value include: 1) proposed product solutions that the customer will never regret accepting; 2) customer service capabilities that provide each customer with customized solutions; and 3) technical capabilities and trust that we have developed through installation and construction work performed at customers’ homes since our founding in 1948. Through these strengths, we aim to push the fan base strategy ever further ahead. In order to cherish our customer relationships and ensure their everlasting loyalty, we hold regular Joshin Fan Meetings to strengthen those relationships with Joshin fans and core fans, and since fiscal 2024 we have systematically organized a “fan community.” We also hold the Joshin Customer Service Roleplaying Contest targeted at sales personnel at stores among other initiatives aimed at strengthening the creation of sentimental value. In addition to customer purchase history information, we have also begun collecting customer behavioral data for the pre-purchase, time of purchase, and post-purchase stages and utilizing marketing automation with the aim of providing “fan” and “core fan” customers with timely information. By combining sentimental

Business Strategy

At the core of the Joshin Group’s business strategy is home appliance sales, which goes to our founding roots, and we do not expect any major changes in this on the path to 2030. Based on home appliance sales and our highly original, highly specialized entertainment business developed through the KIDS LAND brand, the Joshin Group’s growth strategy is to tackle business areas in which we have a high affinity and add these to our lines of business by means of expansion. These high-affinity business areas include the renovation, mobile communications, and support businesses. In fiscal 2023, these business areas accounted for 14% of sales and almost 10% of net sales growth, and we expect to grow them into “core” businesses that will drive the entire Joshin Group in the future. In home appliances sales, rather than pursuing large expansions, we have instead used existing assets to enhance profitability. In order to enable our customers to lead more enjoyable, more comfortable, and more enriched lives, we work to propose a diverse range of solutions customized to customers’ problems in order to contribute to solutions to those problems.

The Joshin Group’s “dominant strategy” is to fuse our EC store business with our store network spanning the Kansai, Tokai, Kanto, and Hokushinetsu areas. Of the EC-compatible products as of fiscal 2024, we expanded support for store pick-ups to all products other than CDs/DVDs and large-sized products, whereas previously store pick-ups were only available

Number of Joshin Card Members Over Time



value and functional value, we aim to achieve a higher level of value provision for our customers.

We aim to have the Joshin Group fan base include not only customers but also employees, business partners, shareholders, investors, and all other stakeholders as fans. Our business partners, in particular, are the stakeholders who sustain our businesses themselves, and so we strive to respect one another as we grow our business on fair and equal footing with one another in all things. By having shareholders and investors become fans and customers who shop at our stores with shareholder rewards, we aim to improve performance and thereby achieve dividends that satisfy expectations, boost our stock price, and improve PBR as called for by the Tokyo Stock Exchange (TSE). To that end, we must create a virtuous cycle within the Joshin commercial zone and secure more investment. The fan base aims to transform all stakeholders into fans and core fans, without being restricted to just customers alone.

for a limited inventory. We also began offering home delivery services for large-sized products and recyclable products outside of local store areas. These initiatives were achieved thanks to the Kansai Ibaraki Logistics Center, which started operation two years ago, as well as the expansion of the Tokyo Logistics Center, and the full-fledged launch of the two-hub east/west logistics framework. In this way, we have built a foundation for the dominant strategy to play out. Meanwhile, our wholly owned subsidiary Joshin Service Co., Ltd. has established new offices in six Kansai area prefectures in order to rebuild our service personnel framework for providing on-site repairs. At present, our methods of tackling individual problems aim to include fault diagnoses and cost estimates utilizing online service technology, as well as new systems and business creation that will generate social value and resolve customer issues by listening to customers’ requests and expectations.

These platforms that underlie our business strategies are information systems. This platform-building is making steady progress, and while we will of course further strengthen core businesses with a focus on home appliances, we will also use this to drive ahead our renovation business and other growth businesses while helping to create new businesses as well. With our existing businesses at the core, we will add growth businesses alongside on the same track, and transform our entrepreneurial mindset towards creating new businesses into energy for growth.

Medium- to Long-Term Growth Scenario

Positioning of JT-2025

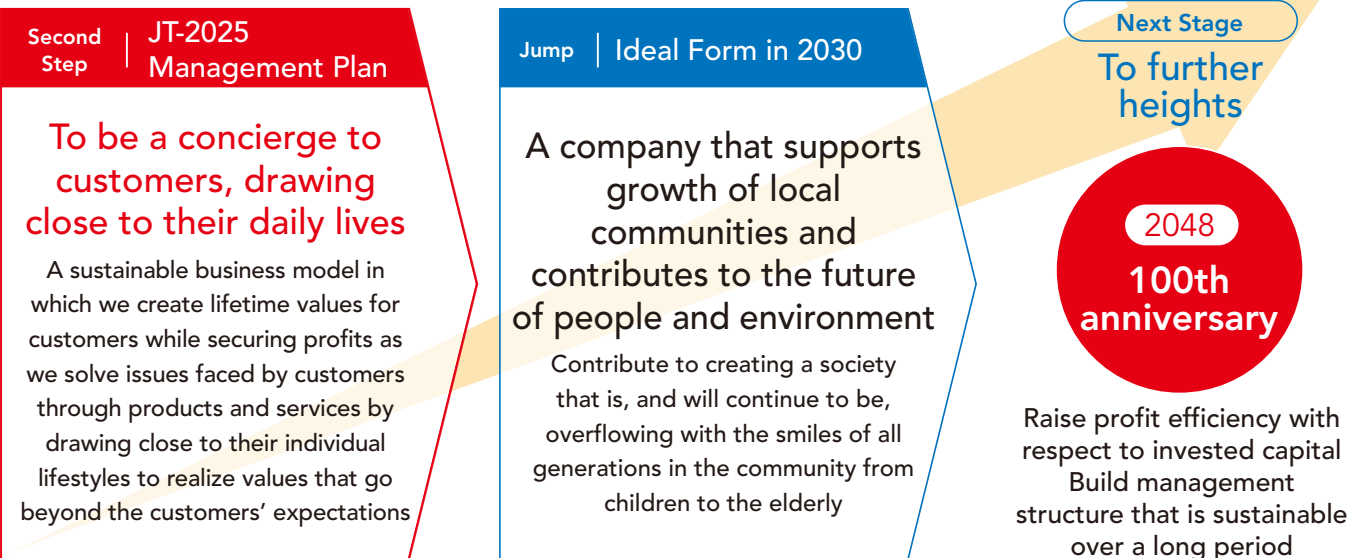
The JT-2025 Management Plan positions the eight years until 2030 as a single package. To realize our ideal form (what we should be like) in 2030, we examine what we should do in the next three years. For this, we will use backcasting, and then think and formulate a three-year plan as the “second step.” The Joshin Group has positioned the 25 years leading up to 2048, the 100th anniversary of our founding, as the fourth corner and have formulated a Medium- to Long-Term Growth Scenario. To increase the Joshin Group’s corporate value and achieve sustainable growth, we must ensure an operating income ratio that exceeds invested capital then reinvest the generated gains. In this way, we will maintain the cycle that continues to generate returns. For this virtuous cycle, outlined in the JT-2025 Management Plan, we will first work to strengthen our earning power. Using this approach, we intend to transition to a leaner, more sustainable management structure capable of continuously maintaining a high level of investment efficiency.

Management Philosophy

Connecting people and society to the future with a smile

Management Vision

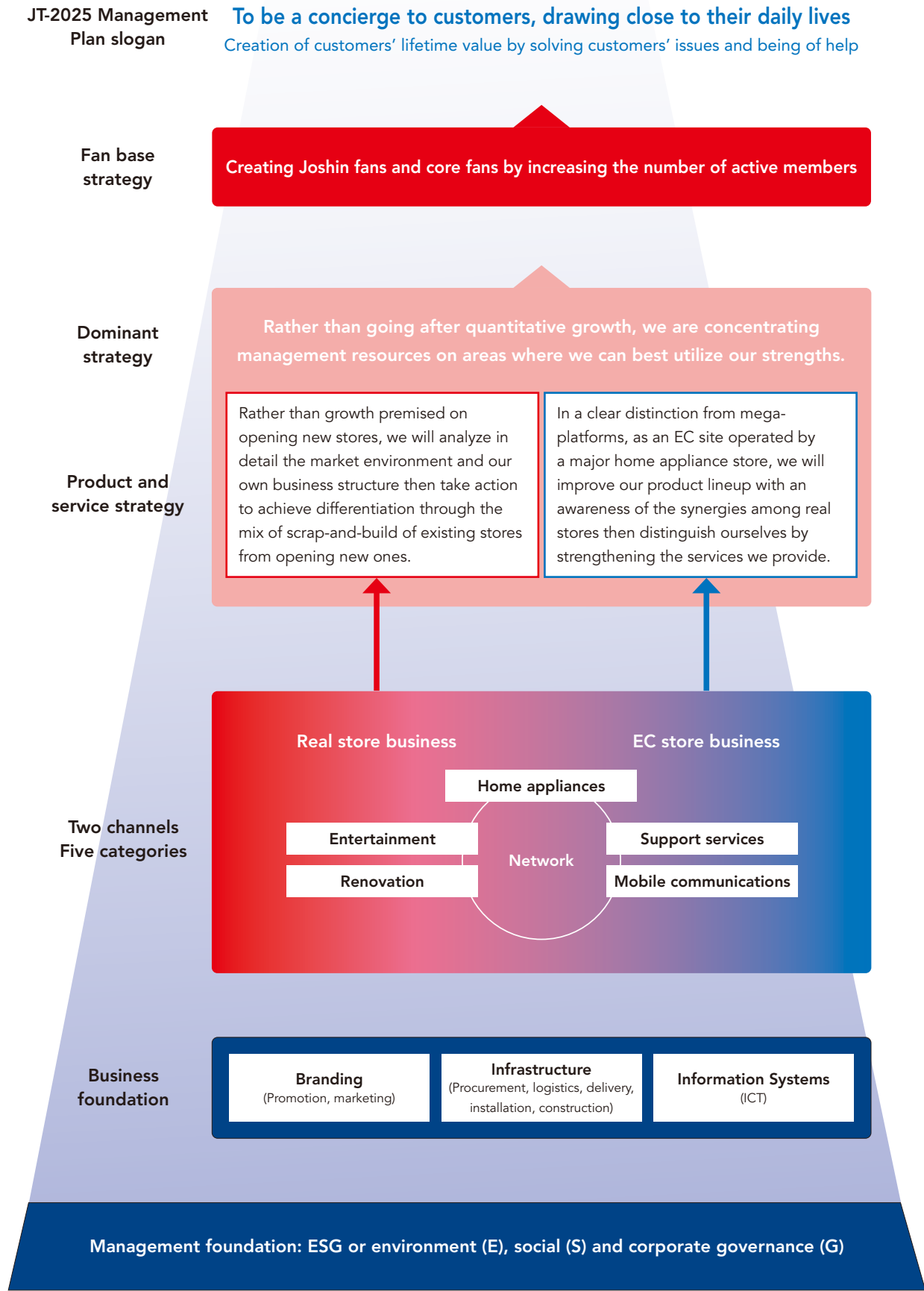
Becoming a hub for the infrastructure of life through the power of home appliances and ICT (information and communication technology)



Management Targets

	FY2022 Result	FY2023 Result	FY2024 Forecast	FY2025 Plan	FY2030 Ideal form
Net sales (Billions of yen)	4,084	4,036	4,100	4,200	–
Operating income ratio	2.0%	2.1%	2.2%	2.6%	4.0% level
Operating income (Billions of yen)	83	83	90	110	–
ROE	5.0%	4.8%	–	8.0% or more	10.0% or more
ROIC	3.7%	3.4%	–	5.0% or more	7.0% or more

Basic Strategies of the JT-2025 Management Plan



Fan Base Strategy

Our “fan base” is our management philosophy rooted in our corporate credo of “Thoughtfulness” that has been continuously passed down since our founding. We are always thinking about the other party and their perspective in order to provide even more value than was expected, and our “fan base strategy” is a plan for putting this philosophy into action in our actual business activities. Naturally, the JT-2025 Management Plan is our top priority strategy now and for the immediate future.

Domestic demand for home appliances in Japan is expected to continue to gradually decline in the future due to the declining birthrate, aging population, and lengthening of appliance replacement periods. In this market environment, by leveraging our excellent customer service—refined since our

founding through sincere service—and practicing a fan base strategy that builds a solid base of customers, we can achieve steady business growth over the medium to long term.

In February 2024, we launched the new “Joshin Smile Program.” In the Joshin system, we call our top-ranked VIP members “core fans,” while our platinum members and gold members are “Joshin fans,” and in this way, we provide customers with many store visits and high purchase totals with a higher level of service.

We also combine shopping totals across our e-commerce store and real stores for improved convenience. Moving forward, Joshin will continue to position the fan base strategy as our most important strategy to be implemented both during the JT-2025 Management Plan period and beyond.



Please refer to our website for details.  
<https://card.joshin.co.jp/smileprogram/> (Japanese only)

**What is the Joshin Smile Program?**

- Common services that provide discount rewards based on customers’ usage of both Joshin Group stores and the Joshin web shop
- Member rank is determined by shopping total across both stores and the Joshin web shop
- Members advance across five member ranks, with discount rewards awarded for both stores and the Joshin web shop based on rank

A bar chart showing the progression of member ranks in the Joshin Smile Program. The ranks are represented by colored bars: RS (Regular Smile, red), SS (Silver Smile, grey), GS (Gold Smile, yellow), PS (Platinum Smile, blue), and VS (VIP Smile, black). Each rank has a corresponding icon above it.

Executive Officer’s Message

The fan base strategy, promoted as a top-priority strategy in the JT-2025 Management Plan, is the very business philosophy that Joshin has developed since the Company was founded. Rooted in our corporate credo of “Thoughtfulness” and our management philosophy of “Connecting people and society to the future with a smile,” the fan base strategy means to always think and act in consideration of the other party’s perspective. As population decline has become unstoppable, it has become increasingly important to have customers become Joshin fans in order to ensure that they choose Joshin from among the many choices available. I believe there are three stages to sales activities built on “fans” as a base or platform (see diagram below). (1) It is essential to create new fans. In order to turn customers into fans, we will put forth our very best to secure their purchase today and support them in resolving the issues they face, potentially earning trust in our employees. (2) Continued active communication with trusting customers can help us to strengthen those relationships of trust. (3) Customers with the strongest relationships of trust will not stop at shopping for themselves. They will become true core fans (enthusiastic fans) who send out recommendations to their friends, acquaintances, relatives, and others. Fan base information collected from customer service activities, Fan Meetings, Customer Service Roleplaying Contests, and other opportunities is shared with both real stores and departments responsible for EC stores, shipping, installation, and construction in an effort to turn more customers into Joshin fans and core fans.

(1) Creating new fans

In order to turn customers into fans who will visit stores multiple times and make purchases on a continuous basis, we put forth our very best to secure their purchase today and win their trust.

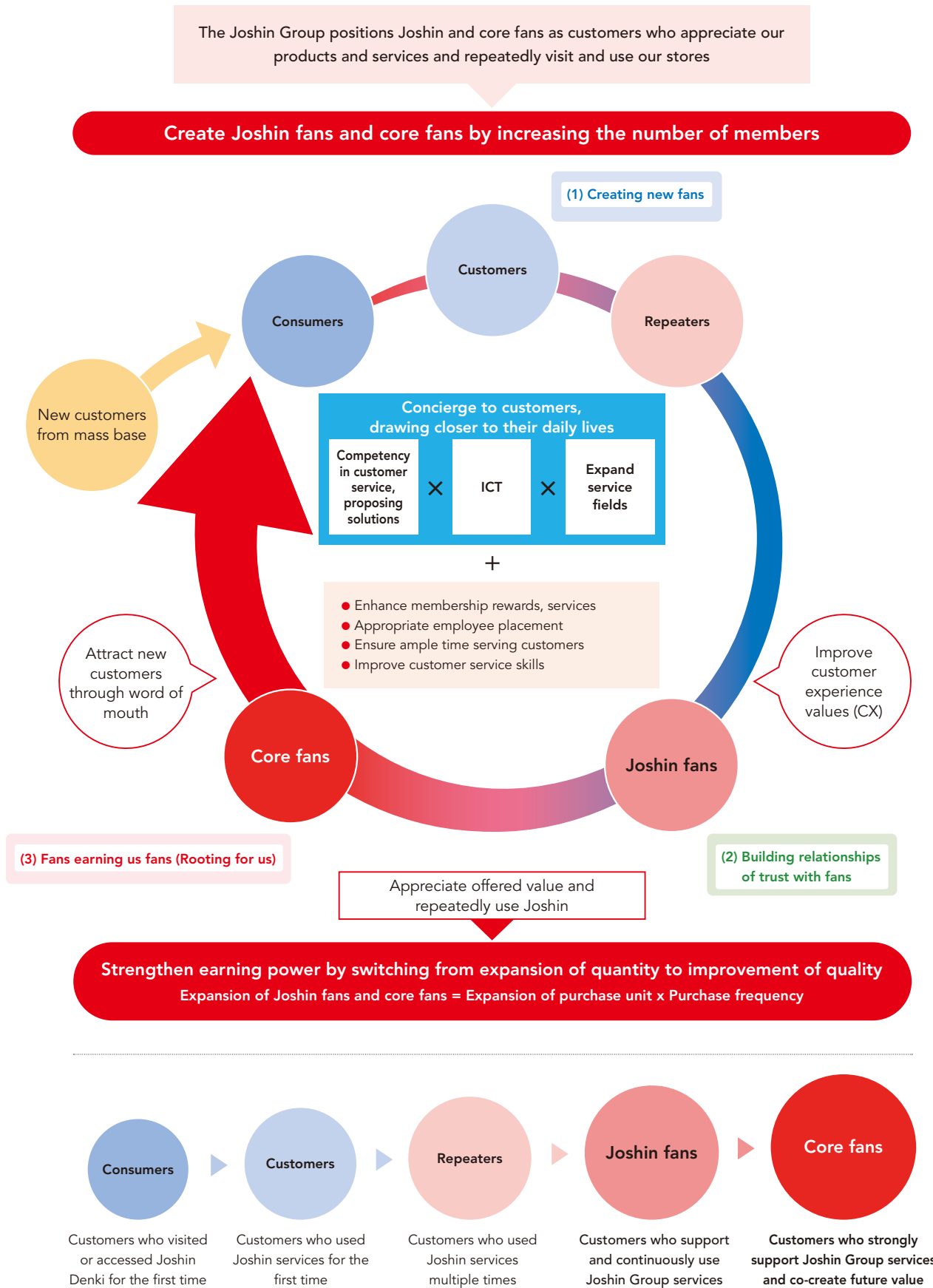
(2) Building relationships of trust with fans

We work to have more customers visit our stores and make more purchases by sending them thank-you letters and invitations, thereby developing their fondness for Joshin. Through customer service over several visits, we strengthen our relationships of trust with them.

(3) Fans earning us fans (Rooting for us)

We are deeply grateful for customers who introduce us to their friends, acquaintances, relatives, and others. When customers make a purchase from us and we then resolve their dissatisfactions and other problems, the trust they had in our sales staff grows into “support” for us (rooting for us).

Implementing the Fan Base Strategy





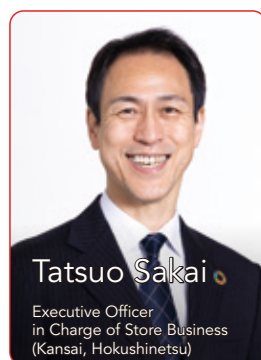
# Dominant Strategy

Joshin's dominant strategy is positioned as a differentiation strategy that maximizes the use of the assets we have accumulated since our founding. This dominant strategy focuses on areas where our strengths can be leveraged (like market area, products, and services) as well as concentrates our management resources, including logistics and service infrastructure.

We have positioned Kansai, Tokai, Kanto, and Hokushinetsu as priority areas, building a real store network, and rather than increasing the number of stores through new

store openings, we have focused on improving the sales force at each store, as well as by scrapping and building of existing stores. The Joshin Group knows the market share within a 5 km radius of each store, and instead of looking at areas as a whole, we've subdivided market areas and focused our store openings on where revenue growth is expected. With EC (e-commerce) covering areas that real stores cannot reach, we can maximize synergies through service infrastructure for delivery, installation, and construction provided by Joshin Service.

## Real Stores



### Executive Officer's Message

The Joshin Group has grown and been beloved by our many customers for our home appliances. We will continue strengthening our relationships with our customers at real stores in the future. As Japan's birthrate continues to decline and its population continues to age, it is expected that the Japanese population will begin to shrink at an increasing pace. As this happens, rather than simply growing by expanding the number of stores we operate, we aim to manage our stores such that Joshin customers who have become Joshin fans pay repeated visits to our stores. This is the fan base strategy as implemented for our real stores, forming the sales foundation for our stable home appliance and entertainment businesses. By building on this foundation to develop growth businesses including renovations, mobile communications, and support businesses, we aim to both be of use to our customers and achieve sustained growth as well.

It is our human resources that sustain our real stores. In order to achieve differentiation through our human resources, we need to thoroughly systematize tasks that can be systematized and focus our resources on work that can only be performed by humans to achieve a highly efficient and high-quality business structure.

Engagement on the part of the employees who sustain stores is closely linked with performance, and those employees are driven by their job satisfaction and pride in their work. Developing job satisfaction and pride in work enhances employee engagement and can be expected to promote further growth for all those employees. We aim to achieve the JT-2025 Management Plan through management that capitalizes on "the power of people."



### Executive Officer's Message

As populations concentrate in urban areas, real stores in the Tokai and Kanto areas play an important role in boosting the name recognition of the Joshin brand. Our approach to store deployment is to maintain and improve the principle of "quality = sales capability & customer service capability" on a per-store basis, including at existing stores. We do not simply aim to expand our store count. We will also boost customer convenience through store deployment aimed at capturing synergies with the EC store business. Centered on the fan base strategy that is the core of our growth strategy, each and every one of our employees will serve as a "concierge" for customers, deeply knowledgeable about home appliances and other fields, as we carefully add stores that will truly secure the support of our customers. We also recognize that boosting employee engagement is a crucial element to store management as we aim to build highly motivated workplaces full of smiles and to enhance teamwork, thereby both achieving the JT-2025 Management Plan and achieving a sustainable Joshin for the future.

External Surroundings	Priority Strategy / Key Measures	Progress of JT-2025
<ul style="list-style-type: none"> <li>▶ Growth of products offered at manufacturer-designated prices</li> <li>▶ Dominant store deployment in areas such as Kansai that exhibit low rates of population decline</li> <li>▶ Expanding the renovation market and diversifying sales channels</li> </ul>	<ul style="list-style-type: none"> <li>▶ Implementing ICT to differentiate between jobs (performed by humans) and tasks (that can be automated)</li> <li>▶ Bolstering customer service capabilities through human resource development (promotion of the fan base strategy)</li> <li>▶ Improving our ability to propose customer solutions by combining the "real" and "virtual" technology</li> <li>▶ Further enhancing customer trust and technical capabilities in delivery, installation, and construction, cultivated since our founding, to promote differentiation from our competitors</li> </ul>	<ul style="list-style-type: none"> <li>▶ Opened two new stores (one new, one transfer), including the first in Gunma Prefecture in 20 years</li> <li>▶ Full renovations at 30 stores, partial renovations at 19 stores, and repair work at 48 stores</li> <li>▶ Gradually introduced self-service registers during new store openings and renovations (Currently implemented at eight stores as of the end of March 2024)</li> </ul>
Strengths and Issues		
<ul style="list-style-type: none"> <li>▶ Human resources with abundant product knowledge and advanced expertise</li> <li>▶ Building strong relationships of trust with customers</li> <li>▶ Structure for providing delivery, installation, and construction services</li> <li>▶ Entertainment products</li> <li>▶ Further linkage between human resources development and product service</li> </ul>		

## EC Store Business



### Executive Officer's Message

The Joshin Group's EC business has a history of over 20 years and is supported by our many customers. Fiscal 2023 has been positioned as a year for building the foundation for future growth. Moreso than sales, we have focused on the themes of improving customer service quality, investing in and developing human resources, and improving satisfaction among new customers (CS). As a result of these efforts, net sales declined by 14.6%, but we did succeed in dramatically improving profitability. In the home appliances distribution industry, which has exhibited a marked return to real stores, we did come one step closer this year to the Joshin EC Store Business that we want to achieve in the future.

Moving forward, our growth strategy will be to utilize the fan base strategy focused on the Joshin Smile Program launched in February 2024. Improving convenience through dual use of EC stores and real stores, as well as being more useful to customers by further improving customer service quality, will lead to growth in members who become fans that continuously use Joshin products and services. Furthermore, we will also grow the number of core fans who not only shop with Joshin but distribute comments (reviews) recommending us to others. The new customers attracted by those recommendations could combine with new customers coming in from the masses to grow Joshin's fan base. We will aim for stable, sustainable business growth through such a process. We will work to build an attractive "Joshin web shop" as a distinctive e-commerce site that many customers will use on a continuous basis.



### Japanese Customer Satisfaction Index (JCSI) Survey Conducted by the Japan Productivity Center

"Joshin web shop" was selected as one of the top 51 companies

External Surroundings	Priority Strategy / Key Measures	Progress of JT-2025
<ul style="list-style-type: none"> <li>▶ Emergence of direct (D-2-C) sales by manufacturers</li> <li>▶ Increase in personnel expenses, distribution costs, and other costs</li> <li>▶ Companies entering the home appliance market from other industries</li> </ul>	<ul style="list-style-type: none"> <li>▶ Maximization of synergies between e-commerce stores and real stores <ul style="list-style-type: none"> <li>• Promoting mutual use by customers brought in through the Joshin Smile Program</li> <li>• Beginning store pick-up services at real stores for new e-commerce purchases (excluding some regions and some products)</li> <li>• Beginning nationwide shipping, installation, and recycling of home appliances (excluding some regions and some products)</li> </ul> </li> <li>▶ Strengthening of customer inquiry handling systems and improvement of the quality thereof in order to improve customer satisfaction levels</li> <li>▶ Improving the attractiveness of the Joshin web shop by increasing the number of listed items <ul style="list-style-type: none"> <li>• Developing a choice selection of items by bolstering Joshin's merchandising capabilities</li> <li>• Strengthening an expansive product lineup that differs from that of real stores</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▶ Growing the listed product lineup to 730,000 items</li> <li>▶ DX human resource development through OJT and external lecturers, in addition to raising the base DX level in departments</li> <li>▶ Improving systems to support timely handling of inquiries and improved response rates</li> <li>▶ Strengthening human resource development and active promotion of part-timers to full-time regular positions</li> </ul>
Strengths and Issues		
<ul style="list-style-type: none"> <li>▶ Polite, thorough customer service</li> <li>▶ Acquiring fans in highly specialized product categories unique to EC stores</li> <li>▶ Safe and secure site management that sells high-priced products and large-sized products that require installation and construction</li> <li>▶ Popular and well-received "trial-use reports" compiled by employees who tried out products personally</li> <li>▶ Providing rank-specific member rewards through the Joshin Smile Program</li> </ul>		

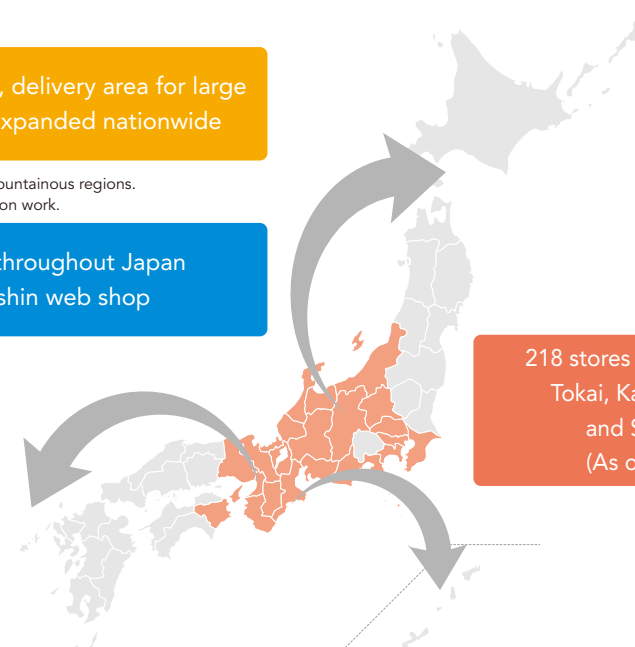
\* Refer to the website for more information on trial-use reports. <https://joshinweb.jp/products.html> (Japanese only)

Beginning February 2024, delivery area for large home appliances was expanded nationwide

\* Excluding some isolated islands and mountainous regions. Excluding products involving construction work.

Shopping possible throughout Japan thanks to the Joshin web shop

218 stores opened in the Kansai, Tokai, Kanto, Hokushinetsu, and Shikoku regions. (As of Mar. 31, 2024)



Product & Service Strategy

The products and services through which the Joshin Group provides value to customers have been divided into five categories based on their characteristics and market positioning, and they occupy those categories in Joshin's strategy and initiatives.

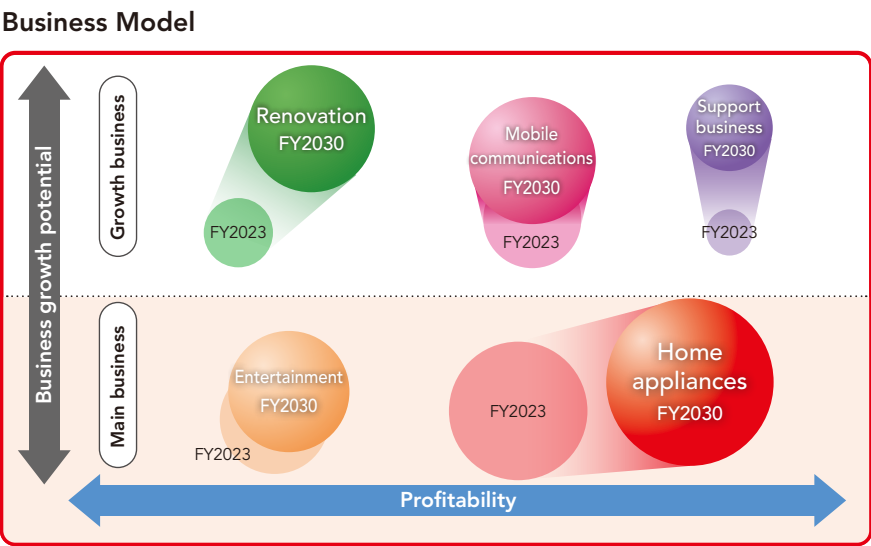
Joshin's leading business is home appliances, which is the founding business and core of the Joshin Group. Another leading business is entertainment, which includes models, toys, video games, video, musical software, and other product areas in which Joshin boasts a high market share and strong support from hobby users, enhancing the Joshin Group's brand value. With respect to both home appliances and entertainment, we aim to maintain the size of these business while improving profitability in pursuit of stable growth.

Next, the renovations, mobile communications, and support businesses are positioned as growth businesses that we expect will see growth on the path towards Joshin's 2030 vision for itself.

Given the strong expansion of the renovations market overall, we expect that the Joshin Group will be able to draw on its customer base to make the renovations business the third pillar of the Company after home appliances and entertainment.

The mobile communications business is focused on mobile device sales, which is seeing continuously increasing demand. From among the many options available, expert employees draw on Joshin's multi-vendor strengths to present customers with customized plans and advice to ensure customer satisfaction.

The support business includes "reuse" services such as used device buybacks and sales, and "on-site" services such as PC setup, air conditioner cleaning, and other services performed at customers' homes to help them resolve problems. It will also include video sharing, security software, and some Joshin-developed services that can be used through a subscription model for a fixed fee. These will be the pillars supporting the business, through which we will work to grow our services.



Main Businesses (Home Appliances and Entertainment)

Home Appliances



Executive Officer's Message

In both our real stores and EC store channels, we cherish our points of contact with our customers as we propose products and services in a way customized to each customer's perspective, with a focus on home appliances, Joshin's founding business. In this way, by having customers purchase or use Joshin products and services, we aim to provide a diverse range of emotional experiences that convey fulfillment, comfort, and fun.

Additionally, the Joshin Group has been certified as a "gold product safety company." While we naturally want our customers to use our products with peace of mind, we can also make use of our member database in the rare event of a recall to contact our roughly 25.6 million members and offer rapid customer service, so we consider that to be one of the types of value that Joshin offers. Joshin will actively pursue product safety at a higher level while still maintaining our conventional activities.

When there are increases in the costs of raw materials, energy, logistics, or other factors of production, Joshin will not only address business partners' proposals to implement cost pass-throughs but also work to create an environment in which proper pass-throughs are possible, thereby further promoting fairness in business dealings.

As markets shrink due to the declining birthrate and aging population, a major issue in the home appliances retail industry is the intensifying price competition between online retailers and direct-from-manufacturer sites. By drawing on Joshin's strength in customer service, we aim to achieve differentiation between online retailers and direct-from-manufacturer sites through the implementation of ICT, product training sessions utilizing both face-to-face and online methods, and the provision of various emotional experiences ranging from fulfillment, comfort, and fun.

Joshin will also use DX to revise our sales floor compositions and bolster promotions for existing products with the aim of achieving sales floors that target a younger demographic, utilizing trending products, introducing promotions, and proposing sales floor layouts that lead customers towards making a purchase through their experiences at real stores.

In addition, through our dual channel approach of using both real stores and EC stores, we will propose products and services in a way customized to fit the needs of each individual customer as a way of handling customers' increasingly diverse needs.

External Surroundings	Priority Strategy / Key Measures	Progress of JT-2025
<ul style="list-style-type: none"><li>Shrinking workforce with a declining and aging population</li><li>Growth of products offered at manufacturer-designated prices</li><li>Growth of the home appliance peripherals sector</li><li>Emergence of direct sales by manufacturers</li><li>Entry to the market by other industries, added competition</li></ul>	<ul style="list-style-type: none"><li>Strengthening product sales through high-quality customer service (e.g. environmentally friendly products) in addition to price competitiveness</li><li>Use of DX for speedy price and information dissemination and otherwise stronger information propagation and solution proposal capabilities for sales personnel</li></ul>	<ul style="list-style-type: none"><li>Ratio for environmentally friendly products (energy-saving products): 25.6% (Target ratio: 35%)</li><li>Strengthening sales capabilities through expansion of products offered at manufacturer-designated prices</li></ul>
Strengths and Issues		
<ul style="list-style-type: none"><li>Customer service capabilities of sales personnel</li><li>Joshin Service delivery, installation, and construction service capabilities</li><li>Accumulation of customer data (purchases, repairs)</li><li>Improving customer service quality and work speed through ICT implementation</li><li>Further development of the young demographic</li></ul>		

Entertainment

At real stores, Joshin conducts training focused on bolstering sales floor arrangement, product knowledge, and management capabilities in a way that cannot be imitated by other companies. By improving employee skills and specialized knowledge, we achieve sales floor management that helps create the stores that customers continue to choose to shop at again and again. We hold at least six sales floor contests per year with the aim of achieving sales floors that are enjoyable to children, and in this way we encourage stores to improve their sales floor production capabilities through competition with one another. We also have all our stores actively participate in nationwide sales floor competitions hosted by manufacturers, and in fiscal 2023 we won first place nationally on two separate occasions.

We also hold the Joshin Hobby Show at SUPER KIDS LAND, which primarily carries hobby goods popular with a wide range of age groups. Though this, we aim to further boost our brand presence, including that of the Joshin web shop, to bolster our brand strength and expand our share of the market.

External Surroundings	Priority Strategy / Key Measures	Progress of JT-2025
<ul style="list-style-type: none"><li>Growth of demand from inbound tourism</li><li>Expansion of EC sales</li><li>Aggressive store openings by competitors</li><li>Shrinking market in conventional categories due to diversification in entertainment</li></ul>	<ul style="list-style-type: none"><li>Acquiring inbound tourists and new customers through stronger collaboration between real stores and EC sites</li><li>High-quality sales floor management by training employees with expert knowledge</li><li>Bolster the level of management at stores by assigning experienced staff to various areas</li></ul>	<ul style="list-style-type: none"><li>New Kids Members in excess of targets</li><li>Sales floor competitions held at all KIDS LAND stores</li></ul>
Strengths and Issues		
<ul style="list-style-type: none"><li>SUPER KIDS LAND core fans and demand from inbound tourism</li><li>Toys, models, video games, and a wide variety of other family-oriented products</li><li>Well-designed sales floor at a KIDS LAND store</li><li>Cultivation of employees with expert knowledge</li><li>Strengthen collaboration between real stores and EC stores</li></ul>		

Participating in Manufacturer-hosted Nationwide Sales Floor Competitions

Hosted by TOMY Company	Hosted by TOMY Company
Tomica - Minna no Machi no Tanoshii Sales Floor Contest 2023	Licca-chan - Sales Floor Contest 2023 - First Clinic
Sales floor period > July 15 to August 4, 2023	Sales floor period > September 2 to 22, 2023
Grand prize > AL PLAZA KOURIEN	Grand prize > Komaki store
Key Points (Comment from TOMY Company) The powerful use of the Slider Parking to have the Tomica toys all come out at once was surprising and spectacular! We find ourselves overcome with the urge to have a Tomica drive down the side slope. This layout really lets kids play where they want to play, making for a great sales floor that customers will want to visit again and again.	Key Points (Comment from TOMY Company) The big, colorful decorations are exciting and catch the eye - it's like there's a real Licca-chan Clinic there! The sales floor really makes you want to go play.

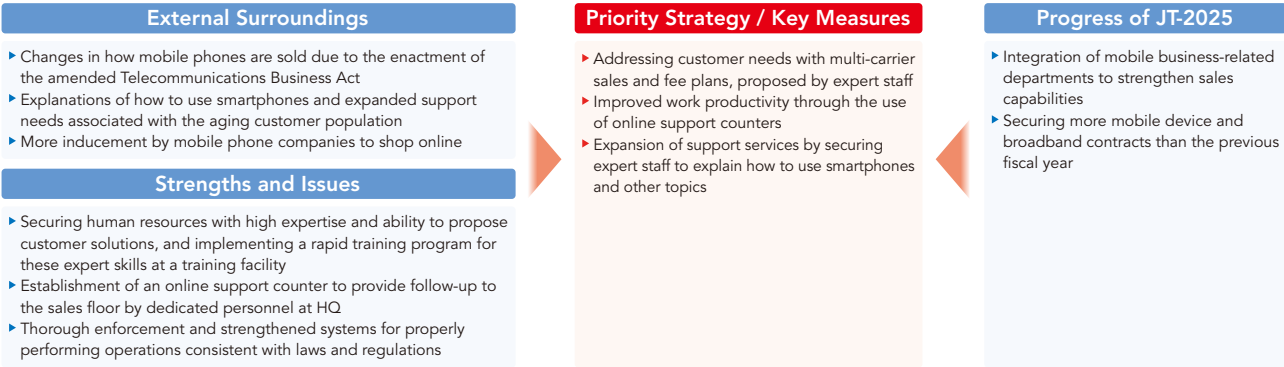


Growth Businesses (Mobile Communications, Support Business, Renovation)

Mobile Communications

The smartphone is already an essential item that is thoroughly entrenched in our lives. As that market continues to grow, Joshin's net sales have grown by 1.5 times over the last five years and a tremendous 14.6% compared to the last fiscal year. Moreover, progress on DX has led to a planned integration of health insurance cards and other ID cards into smartphones, so the customer themselves will need to choose the product and plan that is right for them. On the other hand, devices are becoming more complicated and mobile phone fee plans more complex, making it more difficult to make the best choice.

At the Joshin Group, we interview customers about their needs and budget in order to propose the best plan and model for them, as well as to provide them with the opportunity to try out features and devices for themselves. We also emphasize post-purchase user support, including how to use the device, in our efforts to ensure that customers can comfortably use their devices. Furthermore, we have set up online support counters at all stores in order to provide high-quality support, and we assign expert staff to provide that support. Through this, our customers can receive the same high-quality service no matter which store they visit. With the smartphone serving as an essential infrastructural hub for everyday life, we will continue to strive to develop and provide high-quality services and support options, always conceived from the customer perspective, in order to provide customers with richer lifestyles.



Support Business

Joshin Group's support business primarily offers "reuse" and "on-site" services, and we are currently aiming to introduce "rental services" and similar services as a way to expand the business. Through "reuse," Joshin promotes contributions to the environment through used devices sales and buybacks. Through "on-site" services, Joshin works to resolve customers' problems through services such as air conditioner cleaning and PC setup, as well as post-purchase appliance maintenance and device usage support options. In particular, we will bolster advertising of our highly in-demand air conditioner cleaning service to expand sales and continue to provide high-quality support so that customers can use our products for a long time with peace of mind. In terms of new services, we are considering offering video distribution services, security software, and some Joshin-developed services that can be used through a subscription model for a fixed fee. Through this, we aim to build deeper relationships with our customers to establish a sustainable business model.



\* For more information on our joining of Reuse Mobile Japan, see the press release on the website.  
<https://www.joshin.co.jp/ja/news/info/info6471558088122796064/main/0/link/20240523%20Joshin%20RMJ%20participation%20Release.pdf>  
(Japanese only)

Renovation



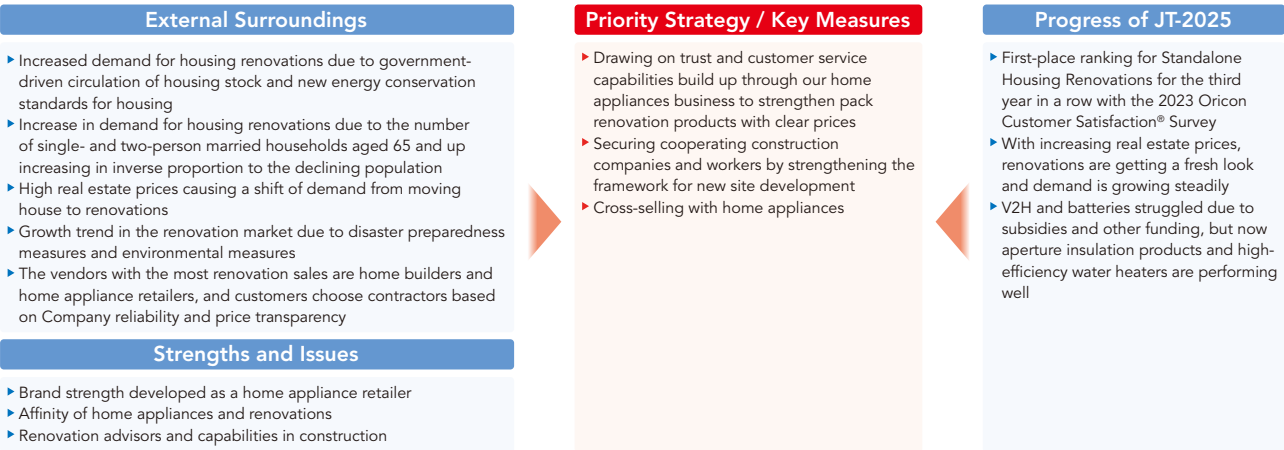
Executive Officer's Message

The Smart Life Business actively develops renovation- and energy-related products in order to create two types of social value: "helping to strengthen the resilience of an aging society" and "achieving household carbon neutrality."

For renovations, in order to contribute to improving customers' quality of life by resolving the problems they face, Joshin is bolstering its proposed solutions for remodeling bathrooms, kitchens, toilets, washrooms, and other water-related areas, as well as equipment renovations that reduce the workload of household chores and lead to energy savings. Especially given our changing environment in which the number of single- and two-person married households aged 65 and up is increasing in inverse proportion to the declining population, it is necessary to accurately understand customers' life situation. For that reason, we recommend that our employees obtain "welfare housing environment coordinator" certification in order to ensure they have basic knowledge about healthcare, welfare, and construction. With respect to the renovation service options that we present to customers, we will enhance our pack product lineup and expand the price range such that it is possible to provide products that match needs of each individual customer. We will make product content easier to understand and thereby continuously enhance our ability to propose products and solutions to customers.

With respect to energy-related solutions, in addition to our initiatives related to solar, batteries, and EV charging stations (incl. V2H), we will also actively propose hybrid water heaters including Eco Cute (energy-efficient electric water heater promoted by the Ministry of Economy, Trade and Industry for widespread use), Eco-Jozu (energy-efficient gas water heater), hybrid water heaters that combine the advantages of gas and electric, and other high-efficiency water heaters. We will also propose aperture insulation products for entrance doors and eco-friendly window products that boast much better energy-saving performance than existing cooling and heating equipment.

Moving forward, we will continue working to satisfy our home appliance retail customers' trust and expectations by drawing on our brand strength while accurately identifying changes in society, and actively contributing to solutions pertaining to nursing care, reducing the burden of household chores, reducing energy burden, healthy and comfortable lifestyles, and CO<sub>2</sub> reductions.



### Renovation Business Examples from Real Stores

In the Smart Life Business, Joshin has publicized that we are properly engaging in the renovation business as a company, even establishing our first renovation corner at the Kanmaki store (Nara Prefecture) on November 2, 2023, in an effort to improve Company performance.

At a sales floor differing in atmosphere from existing home appliance sales floors, we set up a consultation desk staffed by dedicated renovation staff and began receiving customers.

In the eight months since establishing that sales floor (November 2023 to the end of June 2024), we saw strong growth of 132.9% in net sales year on year, contributing tremendously to that store's overall performance.

1st place, 2023 Oricon Customer Satisfaction® Survey, Standalone Housing Renovations



Promotion and Marketing



Executive Officer's Message

Promotions in the home appliance retail industry seem to have suddenly jumped from mass marketing to personalized digital ads during the COVID-19 pandemic. This is due in part to the unstoppable declining birthrate and aging population, as well as the digital shift occurring among young people. The Joshin Group anticipated those developments and has shifted away from traditional folding ads and some paper media in favor of smartphone apps and digital advertising. We also introduced the Joshin Smile Program to support our fan base strategy and enable more precise promotional activities targeted at members set to specific ranks. Moving forward, by having highly ranked fan/members become repeat users of the Joshin Group, we can expect those fan/members to go beyond being mere users and create a chain of fans by recommending us to their friends, acquaintances, relatives, and others. Having these customers use both real stores and the Joshin web shop will increase their customer lifetime value and lead to sustained growth. Moving forward, we will continue to work on the fan base strategy as a keystone of our overall growth strategy.

External Surroundings

- ▶ Young people's shift away from TV and transition towards smartphone-centric information collection
- ▶ Fiercer competition for customers through shared reward points systems in domestic Japanese markets
- ▶ Rapid digital shift in retail during and after the COVID-19 pandemic

Strengths and Issues

- ▶ Approx. 5 million active members each year, and approx. 4.81 million app users
- ▶ Segmentation of customers based on loyalty, and the gathering of useful data
- ▶ Base of support among middle-aged and senior citizens with a lot of disposable income
- ▶ Room for growth among Kanto area customers

Priority Strategy / Key Measures

- ▶ Offering convenient services to high-loyalty customers based on the Joshin Smile Program
- ▶ Digital marketing using marketing automation
- ▶ Effective use of apps and paper media for different purposes to attract customers, customized to each customer

Progress of JT-2025

- ▶ Introduced the Joshin Smile Program in February 2024
- ▶ Increase in contracts for "Joshin Ads" retail media that utilizes digital signage (23 partner manufacturers, 75 projects)
- ▶ Digital leaflet pageviews grew to 180% YoY due to app collaboration

Infrastructure (Logistics)



Executive Officer's Message

In fiscal 2024, our initiatives implemented to address the "2024 problem" facing logistics will be tested, including revisions to delivery routes, relaying of transport (swap transport and driver replacement) centered on the Chubu region, and bolstering of the functions of the Tokyo Logistics Center (EC shipments began in June 2024). Joshin aims to build a more stable product supply system by both resolving social issues through these initiatives and by efficiently linking the operations of the Kansai Ibaraki Logistics Center and Tokyo Logistics Center (fully launched in October 2023). Moreover, by developing a two-hub east/west logistics framework, we can cut down on CO<sub>2</sub> emissions through more efficient delivery routes, establish more stable operations through BCP measures, and reduce logistics costs, among other benefits. We will also continue to bolster our collaboration with 3PL\* to build a sustainable high-efficiency logistics system and rapidly address a variety of problems.

External Surroundings

- ▶ Addressing the "2024 problem" in logistics (regulations related to the enactment of the "Act on the Arrangement of Related Acts to Promote Work Style Reform;" driver shortage; increasing logistics costs)
- ▶ Advancements in logistics DX and material handling equipment
- ▶ Re-delivery problems for home deliveries
- ▶ Addressing environmental problems (e.g. gas emissions regulations, improved energy efficiency)

Strengths and Issues

- ▶ A logistics structure with two bases in the west and east (Kansai Ibaraki Logistics Center, Tokyo Logistics Center), with the Kansai Ibaraki Logistics Center as the central hub
- ▶ Logistics centers that can handle both real stores and EC stores (TC/DC/EC integrated centers) (Kansai Ibaraki Logistics Center, Tokyo Logistics Center)
- ▶ Strong connections with 3PL (MITSUI-SOKO LOGISTICS Co., Ltd.)
- ▶ Building efficient inventory management systems focused on stock turnover rates

Priority Strategy / Key Measures

- ▶ Full launch of the Tokyo Logistics Center after renovations to strengthen its functions
- ▶ Establishment of labor-saving systems through further automation at the Kansai Ibaraki Logistics Center (establishing a high-efficiency logistics framework)
- ▶ Bolstering of initiatives contributing to logistics efficiency with an aim to reduce manpower in Joshin's internal logistics operations (e.g. pick-up service for EC purchases at real stores, paperless store replenishment system, inspection-less delivery operations)

Progress of JT-2025

- ▶ Adapting to the Act on the Arrangement of Related Acts to Promote Work Style Reform in the logistics industry (revising delivery routes and times; establishing a relay transport hub in the Chubu region)
- ▶ Advanced start of a paperless store replenishment system in the Kansai region
- ▶ Renewal of the "order online, pick-up at stores" system
- ▶ Expansion of the shipping, installation, and recycling pick-up service for large home appliances to cover the entire country of Japan

\* 3PL: Contractor that comprehensively undertakes and implements logistics strategy planning and logistics system proposals on behalf of the shipping company

Infrastructure (Delivery, Installation, Construction)



Executive Officer's Message

Joshin Service aims to transition from a traditional cost center model to a benefit center model capable of creating added value. To achieve this, we plan to secure a certain ratio of Company-owned vehicles in addition to our current Company partnership system for delivery and installation, to enhance both capacity and quality. Furthermore, we have restructured our in-house service personnel system over the past two years and are working on one aspect of our social value creation: "helping to strengthen the resilience of an aging society." To this end, we are continuously investing in human resources, including hiring diverse talent and providing reskilling support training. Beginning in fiscal 2024, we implemented nationwide recruitment of new graduates throughout Japan and have established rules on "relocation preparation funds" and "Company housing with meals provided" as a part of our employee benefits. In terms of training, 5,794 employees participated in training programs in fiscal 2023, with a total of 604 training sessions held. While there are negative external factors such as a shrinking labor force due to the declining birthrate and aging population, and the reduction in service opportunities due to the increase in direct-to-consumer sales, Joshin anticipates new opportunities to arise such as the spread of electric vehicles. We aim to achieve sustainable business operations by building systems that can flexibly respond to these environmental changes.

External Surroundings

- ▶ Shrinking and aging workforce due to the declining birthrate and aging population
- ▶ Wage increases due to labor shortages
- ▶ Spread of EV
- ▶ Reduction in service opportunities due to the increase in direct-to-consumer (D-to-C) sales

Strengths and Issues

- ▶ High construction work quality achieved through strong relationships of trust with partner companies
- ▶ Business Development Department established to pass along various advanced technical skills
- ▶ Independent CS Promotion Department established to improve customer satisfaction
- ▶ Passing on of technical skills, aging employees, and securing talent

Priority Strategy / Key Measures

- ▶ Maintaining and expanding high-quality delivery, installation, and construction services, as well as repair systems
- ▶ Enhancing internal Company training and human resource systems to secure human resources and pass along technical skills
- ▶ Enhancing construction capabilities through collaboration with partner companies

Progress of JT-2025

- ▶ Diversifying talent acquisition (38 new graduate and mid-career hires, including four women), hiring one female delivery supporter, and conducting various training programs
- ▶ Establishing a remote diagnostic system for product malfunctions using the Joshin app
- ▶ Strengthening relationships with partner companies (developing new partners and providing training for new partner companies)

Information Systems (ICT)



Executive Officer's Message

The Joshin Group is pushing ahead with initiatives utilizing ICT and DX to adapt to changes in the external business environment and provide new value to our customers. By integrating real stores with EC stores, proposing solutions to customers in virtual spaces, and innovating business models using AI technology, we provide an optimal shopping experience tailored to each customer. Through the completion of the CDP\* analytics platform and the promotion of digitalization within stores, we are continuously working to improve service quality by deeply understanding customers' needs and even predicting unmet needs to incorporate them into the service proposals we make to customers. In addition, we are aiming to achieve efficient and effective business operations by addressing the issue of labor shortage due to a declining workforce with utilization of ICT and DX. To achieve this, we hold monthly DX Committee meetings with Company executives and work to promote DX as a priority management issue. The Joshin Group sees the evolution of technology as an opportunity and promises to remain our customers' most trusted partner.

External Surroundings

- ▶ Shifting from real stores to EC usage
- ▶ Increase in the use of virtual spaces to make service proposals to customers
- ▶ Labor shortages due the declining population
- ▶ Business reforms through advancements in AI technology

Strengths and Issues

- ▶ Advanced ICT implementation in apps, in-store devices, etc.
- ▶ Implementation of a profitability management system for each business division
- ▶ Securing ICT and AI talent

Priority Strategy / Key Measures

- ▶ Seamless linking of customer service between online and real stores using tablets and apps
- ▶ Improvements to operational efficiency and productivity through DX

Progress of JT-2025

- ▶ Completion of the CDP analytics platform
- ▶ Installation of order card issue devices that both display product details and can summon staff in 115 stores (as of the end of July 2024)
- ▶ Started issuing "electronic receipts" to Joshin app members beginning in November 2023 (enabling access to purchase history for up to 10 years prior)

\* CDP: Customer Data Platform. Data platform that collects, integrates, and analyzes the attribute and behavior data of each individual customer



Since 2018, the Joshin Group has been working on structural reforms to our logistics systems. With the cooperation of 3PL (third-party logistics) partners, we have been addressing issues such as increasing distribution costs and the shortage of drivers, both caused by the “2024 Problem,” and we have already entered the operational phase of our response to those issues. Although the overall logistics environment is expected to remain challenging in the future, Joshin will continue to work towards improving customer satisfaction while continuously evolving to build efficient logistics systems.

## Logistics Strategy

The Joshin Group’s logistics strategy formation process began with the Logistics Project launched internally in 2018. At that time, we recognized the following issues:

- The need to address the future growth of the EC business
- The need for business continuity planning (BCP; for flood risk and earthquake-resistant structures)

The above issues needed to be addressed in addition to other social and market environment challenges. In addition to the above, specific issues facing Joshin included:

- Aging of existing warehouses
- Inefficient inventory management and high cost structure due to the scattered storage warehouses used for inventory

Due to these and other issues, it was urgent to implement

fundamental improvement measures.

To implement these basic initiatives to address our future, Joshin determined that specialized knowledge, experience, and facilities were essential. Therefore, we sought external support early on, aiming not only to solve immediate problems but also to create systems that differentiate Joshin from other companies, with a vision for the most beneficial state of logistics in the future. In this process, Joshin decided to collaborate with MITSUI-SOKO LOGISTICS Co., Ltd. (MSL) due to their expertise in material handling,<sup>1</sup> their record of large warehouse operations, and their extensive delivery network.

1. Material handling refers to equipment for saving labor, automation, and improving the efficiency of handling shipments

## Building the New Two-Hub East/West Logistics Framework

Previously, there were two main logistics centers in the Kansai region (Kansai Logistics Center and Hirakata Logistics Center). This necessitated frequent inventory transfers between the centers, which incurred cross-transportation costs and complicated management.

To address this, Joshin consolidated those two centers and built the Kansai Ibaraki Logistics Center, the location and structure of which were chosen to mitigate risks. This new center consolidates both B-to-B (business-to-business) and B-to-C (business-to-consumer) hubs and has created a multi-functional warehouse

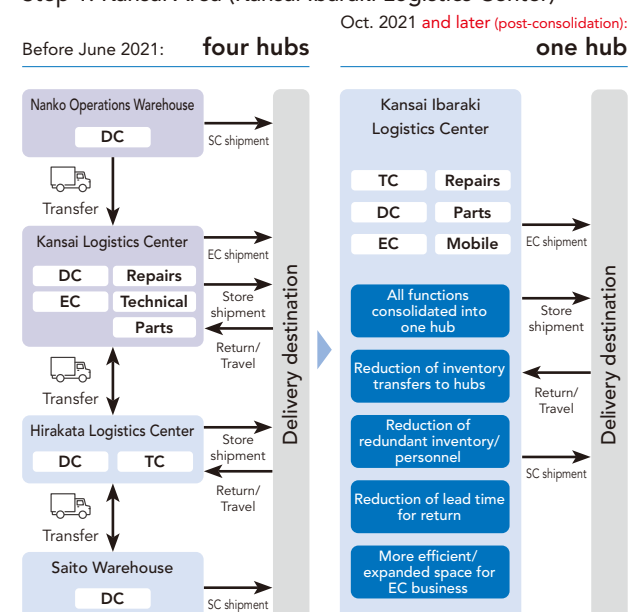
that integrates TC,<sup>2</sup> DC,<sup>3</sup> and EC functions into one facility.

Additionally, in anticipation of future labor shortages, Joshin has actively introduced material handling equipment in the warehouse, achieving streamlined and efficient operations.

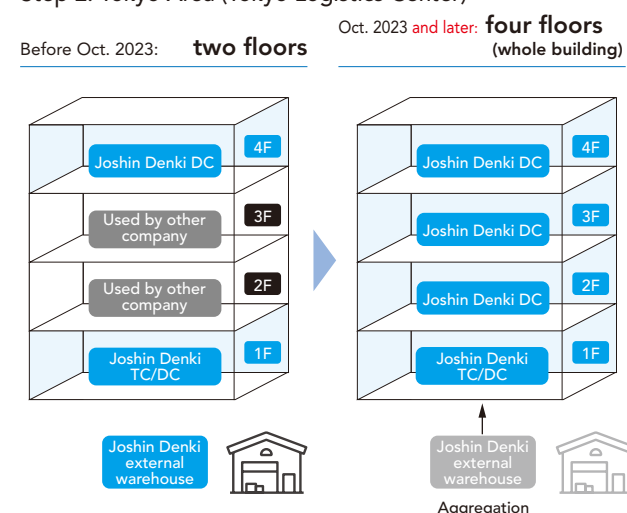
Similarly, we are advancing the development of logistics facilities in the Kanto region with the same approach, particularly with respect to enhancing the functionality of centers as distribution hubs for e-commerce customers in Kanto and areas north, where there are no real stores.

2. TC: Transfer Center  
3. DC: Distribution Center

### Step 1: Kansai Area (Kansai Ibaraki Logistics Center)



### Step 2: Tokyo Area (Tokyo Logistics Center)



## Collaborative Efforts to Resolve Issues

As the Joshin Group has been systematically implementing structural reforms to our logistics networks, the “2024 Problem” in logistics has gained considerable attention in society as a whole. We have been addressing this issue in collaboration with MSL. Below are some examples of our main initiatives.

### Diminished Transportation Capacity due to Driver Shortages

- Improving efficiency and load efficiency by reviewing store delivery routes and numbers of deliveries  
\* Implemented in the Kansai, Kanto, and Hokushinetsu areas
- Launch of relay transport initiatives centered on the Chubu region  
\* From April 2024, we began trial runs of container swapping and driver substitution methods

### Freeing Up Drivers’ Time (Including Time Spent Waiting)

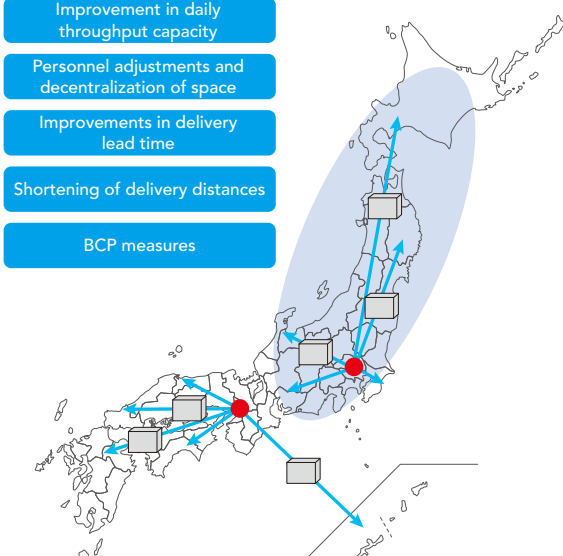
- Introducing a berth management system (delivery reservation system) to shorten truck delivery wait times  
\* The system already in place at the Kansai Ibaraki Logistics Center will also be introduced at the Tokyo Logistics Center (August 2024)
- Promoting paperless processes and EDI for delivery operations to stores and warehouses

### Shortening Transport Distances

- Enhancing the functions of the Tokyo Logistics Center, the logistics hub for the Kanto region (EC shipments started June 2024)

### Deliveries from Two Hubs in the East and West

- Improvement in daily throughput capacity
- Personnel adjustments and decentralization of space
- Improvements in delivery lead time
- Shortening of delivery distances
- BCP measures



## Future Initiatives

With the Kansai Ibaraki Logistics Center beginning operations in 2022, our original plan has been achieved. During this period, we flexibly responded to changes in business operations from a logistics perspective and have successfully implemented services that enhance customer convenience.

- We expanded delivery, installation, and recycling services for large home appliances to cover all of Japan, where they were previously limited to areas covered by Joshin Service locations
- We launched the “order online, pick-up at stores” system, which enables customers to purchase products on EC sites and pick them up at the nearest real store

However, to prepare for future labor shortages and the further growth in EC sales, we will focus on automation at the Kansai Ibaraki

Logistics Center and develop a multifunctional Tokyo Logistics Center as well. Moreover, we will streamline the entire supply chain, viewing it as an integrated whole with store operations, as we expand the scope of our initiatives.

We are also actively addressing environmental issues in the logistics field. By adopting MITSUI-SOKO Group’s SustainaLink service, we will gain detailed insights into CO<sub>2</sub> emissions and collaborate to contribute effectively to reducing emissions.



## Comment from MITSUI-SOKO LOGISTICS

MITSUI-SOKO LOGISTICS Co., Ltd. has been supporting Joshin Denki’s logistics networks for many years. It took all of our logistics capabilities and accumulated experience to build the new logistics system, as we developed the plan for it and worked together with Joshin Denki to implement that plan. Through extensive discussions, Joshin Denki and MITSUI-SOKO LOGISTICS established strong trust and mutual understanding, which I believe was a key factor in successfully realizing this collaboration, something that was relatively unfamiliar in the market at the time.

Today, labor shortages have worsened, and along with various legal changes such as the law related to the “2024 Problem” facing logistics and environmental regulations, companies still need to make changes. We will continue to support Joshin Denki’s business growth through our LLP<sup>4</sup> program and other service offerings.

4. LLP: Lead Logistics Partner. A service that supports supply chain management (SCM) and logistics at the planning and strategic level as well as the operational and management level



Dai Yaegashi

General Manager of Appliance Retail Logistics Sales Division, Sales Branch, Strategic Sales Headquarters MITSUI-SOKO LOGISTICS Co., Ltd.

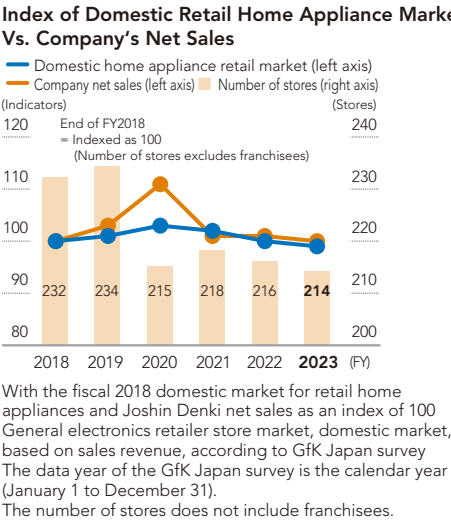
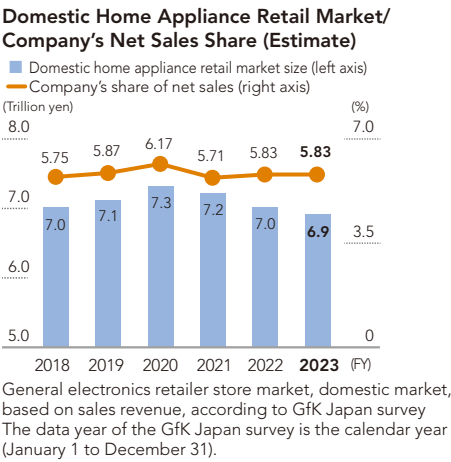


Recognition of the Business Environment

The scale of the domestic home appliance retail market (according to a survey by GfK Japan) has been approximately seven trillion yen in recent years, as per the diagram at right. Stay-at-home demand from the COVID-19 pandemic and special demand from pandemic-related government cash payments boosted the market to 7.3 trillion yen in fiscal 2020, but demand somewhat normalized from those spikes in the form of a gradual decline for the three years since fiscal 2021. In the most recent year, fiscal 2023, the market dropped below 7 trillion yen to 6.9 trillion yen, a 1.4% YoY decline. Meanwhile, the Company maintained a steady 5.8% share of the home appliance market. Indexing against fiscal 2018 as 100, a year that saw rush demand in advance of fiscal 2019's consumption tax increase,<sup>1</sup> the Japanese domestic home appliance market dropped below 100 in fiscal 2023. Yet although the Company closed some stores, it has continued to stay above the standard in the Japanese home appliances market.

The Joshin Group sees this as the fruit of steady initiatives that contributed to our business performance based on two strategies: the “fan base strategy,” aiming to increase the number of fan members by maximizing the value of every customer and by developing Joshin fans and core fans, and the “dominant strategy” that aims to fuse store networks with the e-commerce business in certain commercial areas (Kansai, Tokai, Kanto, and Hokushinetsu) where we can capitalize on our strengths, then adding a business foundation (including branding, logistics, delivery, construction, ICT, etc.) with the aim of establishing a Joshin commercial zone. Especially in the case of the dominant strategy, we focused on profitability at specific stores (in the opening of new stores) and bolstering sales strength (at existing stores) by ensuring quality, including through scrap-and-build. Although there was little growth in terms of store count, per-store sales are increasing year by year.

1. In October 2019, the consumption tax was increased from 8% to 10%.

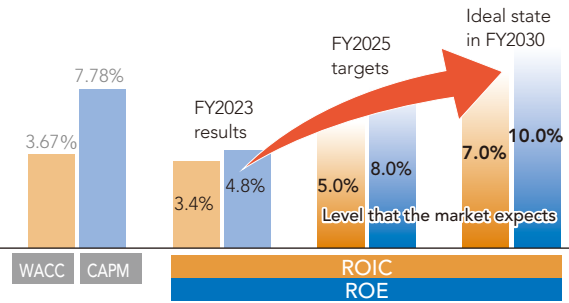


Return on Capital and Capital Cost

In March of 2023, the Tokyo Stock Exchange published the *Action to Implement Management That is Conscious of Cost of Capital and Stock Price* to express concern about the high proportion of Japanese companies with a P/B ratio of less than one compared to Europe and North American companies. Reacting to this, the Company turned an ear to the views of external organizations and took a precise and conservative look at our own capital costs (cost of equity [CAPM<sup>2</sup>] and weighted average cost of capital [WACC<sup>3</sup>]) with the aim of enhancing our mindset towards improving corporate value in the medium to long term. The Company then presented a basic direction for our earnings plans and capital policy, established target levels for ROE and ROIC as metrics for capital profitability to aim for, and described our review of our business portfolio as well as our allocation of management resources including investment in physical capital and human capital towards achieving those goals, which was laid out in the new medium-term management plan JT-2025 Management Plan that was published alongside our financial results for fiscal 2022. Additionally, in October of 2023, additional content requirements were added for

corporate governance reports and the TSE began publishing a list of companies that had completed their disclosures. Therefore, in December of 2023, we reported that we had made our disclosures (with an English version available) with respect to *Action to Implement Management That is Conscious of Cost of Capital and Stock Price*.

2, 3. With the release of our financial results for fiscal 2023, we reviewed our risk-free rate basis (yields on domestic and international sovereign bonds and similar securities) and re-calculated results based on recent data. For more information, see the “Briefing Materials on the Financial Results for the Fiscal Year Ended March 31, 2024,” p. 15.



Summary of Financial Results

Turning to financial results for fiscal 2023, companies focused on department stores, convenience stores, food supermarkets, and similar stores performed well across the board thanks to widespread acceptance of price increases and the resurgence of demand from inbound tourism, but there was a stark contrast with other companies even in the same retail industry.

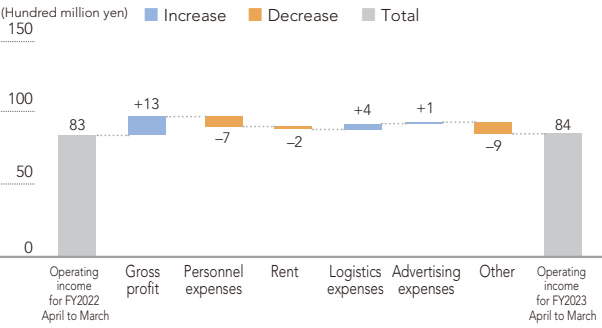
Business conditions have not fully rebounded from the COVID-19 pandemic. The gap between U.S. and Japanese interest rates, which has persisted ever since the United States began raising interest rates in March 2022, has continued to make for a cheap yen and strong dollar. Real consumer spending was sluggish due to rising prices, and a “preference for saving” is causing consumers to stay away from durable consumer goods. Especially in the home appliance sector, the consumer mindset is fading in part because consumers’ replacement cycle for appliances has become longer. Moving forward, that mindset will be key to predict consumer spending trends while implementing sustained, structural wage increases that outpace the rising prices of goods.

It was in this context that the financial results for fiscal 2023 were as follows. Net sales were 403.6 billion yen (-1.2% compared with the previous fiscal year), operating income was 8.3 billion yen (+0.6% compared with the previous fiscal year), ordinary income was 8.2 billion yen (-0.8% compared with the previous fiscal year), and net income attributable to owners of the parent was 4.8 billion yen (-1.6% compared with the previous fiscal year), resulting in a decrease in both revenue and income (ordinary income slightly improved over the previous fiscal year). This trend of declining revenue and income has been ongoing for three consecutive fiscal years. The Company’s two chief strategies—the fan base strategy and the dominant strategy—need to be deeper and need more thorough penetration. On

the front lines, efforts are underway to streamline tasks through operational reforms that utilize ICT (e.g. fully self-service cash registers and “Raku-Raku” printer ink ordering machines). This frees up more time to devote to customer service. Through these efforts, including the Joshin Customer Service Roleplaying Contest and other initiatives aimed at boosting personnel’s customer service skills, we increased frontline staff’s ability to generate profits, resulting in a gross profit margin that improves with every reporting period from 24.0% (FY2021) to 25.4% (FY2022), and finally to 26.0% (FY2023).

In terms of costs, high logistics expenses were a major factor depressing operating income in fiscal 2022 but finally began declining with the Kansai Ibaraki Logistics Center entering full operation. Despite that, with an eye to the ideal form of the Company in 2030, projects such as bolstering the e-commerce business functions of the Tokyo Logistics Center in its role as a “mother center” that covers the Kanto area, as well as preemptive initiatives to address the logistics “2024 problem,” contributed to a slight decline in costs of -400 million yen compared with the previous fiscal year.

Factors for Changes in Operating Income: Vs. Previous Year



Our Cash Flows and Financial Position

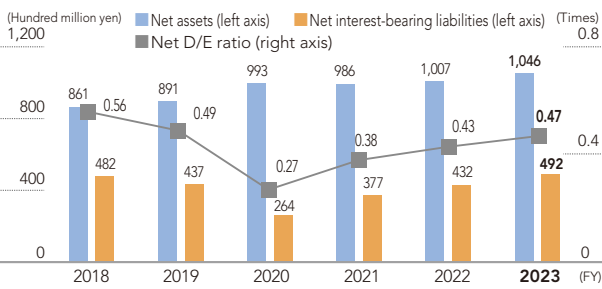
The Company’s approach to cash allocation is a balanced one, wherein cash flows generated in each fiscal year are actively put to use in growth investments to maximize corporate value, as well as being directed to shareholder returns, reducing interest-bearing liabilities, and other avenues. For growth investments, we made capital investments not only in new store openings but also in the scrap and build of existing stores. We also invested in ICT-related areas and reinforced logistics and service infrastructure. We will continue such investments going forward.

The new medium-term management plan included 40 to 45 billion yen in cumulative operating cash flow throughout the period, but sales were sluggish in fiscal 2023 due to the effects

Asset Efficiency

	JT-2023				JT-2025	
(Million yen)	FY2020 Results	FY2021 Results	FY2022 Results	Cumulative Results to Date	FY2023 Results	Planned Cumulative Results
Operating CF	25,836	1,442	7,119	34,399	2,278	40,000 to 45,000
Investment CF	-6,118	-9,573	-9,070	-24,762	-4,806	
Free CF	19,718	-8,131	-1,951	9,636	-2,527	

Net D/E Ratio





Message from the Executive Officer in Charge of Financial Strategy

We aim for sustainable corporate management through a solid financial base and efficient capital management.

We will continue to work on improving our corporate value by tackling PBR and capital markets heads-on as well as working to improve cash flows.

大石 卓

Suguru Oshiro  
Director and Managing Executive Officer  
in Charge of Financial Strategy



Recognition of the External Environment

With a rebound to front-loaded demand prompted by the lingering effects of the last fiscal year's COVID-19 pandemic and sluggish consumption due to soaring prices, the business environment lacked vitality on the whole, other than demand for buying replacements associated with additional leisure spending due to the easing of restrictions on going out. Meanwhile, we held two major sales campaigns due to the Hanshin Tigers winning the league championship in September and then the Japan Series in November, as we are the only official sponsor of that team in the entire industry. These sales brought crowds of customers to our Group company stores and we saw major growth in new memberships that will serve as a foundation for business in the future.

In this context, the results for the first year of the new medium-term management plan JT-2025 Management Plan mostly failed to meet financial targets. Improvements to the gross profit margin (+1.3% YoY) pushed operating income ahead of last fiscal year's result (+0.6% YoY), while in terms of "financial base" indicators, net assets were 104.6 billion yen and

the net D/E ratio was 0.47, indicating that financial soundness was maintained.

Meanwhile, there were issues associated with sluggish sales across the Company as a whole, such as increasing inventory assets (approx. 2.1 billion yen) and trade receivables in March alone (approx. 2.4 billion yen), resulting in operating cash flow declining by roughly 4.8 billion yen and net interest-bearing liabilities\* increasing by roughly 6.0 billion yen. By further expanding on initiatives in which we have already been engaged such as the effective utilization of our Kansai Ibaraki Logistics Center, the blending of physical and online retail formats, and the enhancement of sales strategy through active investment in stores, the Company views the improvement of our ability to draw consumer interest despite the harsh business environment as a challenge for the Group to find room to grow in the future. We aim to connect this back to Company-wide initiatives so that we can achieve our total cash flow targets in the medium-term management plan overall.

\* Net interest-bearing liabilities = Interest-bearing liabilities – Deposits

Financial Policy

Our basic financial policy is to support sustainable corporate management through a solid financial base and efficient capital management. The three key points of our financial policy are as follows. The new medium-term management plan uses ROE, ROA, and ROIC as its core management indicators.

- (1) Maintenance of a solid financial base
- (2) Optimal allocation of operating cash flows
- (3) Promotion of efficient management that is conscious of capital cost and stock price

Maintenance of a Solid Financial Base

The Group views financial stability, an area in which we have previously been inferior to our competitors, as the foundation for corporate growth. In the previous medium-term management plan, we focused on building up capital with an aim to achieve an equity ratio of over 45.0%. Since fiscal 2019, we have generally maintained this equity ratio level while also keeping the D/E ratio under 0.5.

Moving forward, we will continue to maintain a stable financial base that will serve as the key to our corporate growth.

Capital Efficiency Indices

	FY2023 results	FY2025 plan	FY2030 ideal form
ROE	4.8%	8.0% or more	Aim for 10.0% or more
ROA	3.6%	5.0% or more	Aim for 7.0% or more
ROIC*	3.4%	5.0% or more	Aim for 7.0% or more

\* ROIC = Operating income × 0.65 (assuming a tax rate of 0.35) ÷ (end-of-period net assets + end-of-period interest-bearing liabilities)

Reference: Recent capital cost (based on our standards)

Capital asset pricing model (CAPM)	7.78%
Weighted average cost of capital (WACC)	3.67%

Optimal Allocation of Operating Cash Flows

In the new medium-term management plan, while still focusing centrally on growth investment for the future, we allocate cash flows generated by businesses to shareholder returns and reduction of interest-bearing liabilities in a balanced manner, and we work to optimize capital efficiency.

Promotion of Efficient Management That Is Conscious of Capital Cost and Stock Price

In order to achieve management conscious of the cost of capital and the stock price, the Group will craft a story for the path ahead, break down the logic tree of the price-to-book ratio, and apply that logic to our various management initiatives. Then we will pursue engagement with our shareholders and investors, and strive to manage our business such that we can push PBR over 1 (as of the end of fiscal 2023, it is 0.6).

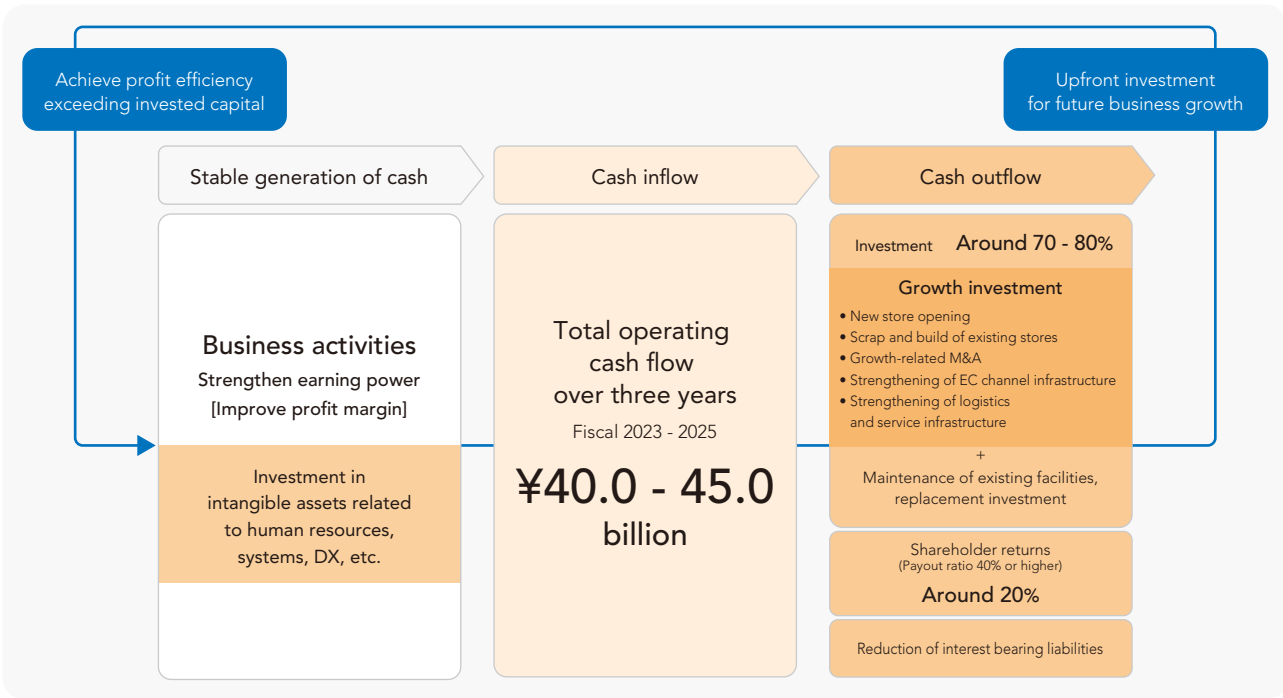
Cash Allocations

Capital allocation in the new medium-term management plan is based on the goal of generating operating cash flow of approximately 40 to 45 billion yen over a three-year period. Cash flow in the first fiscal year of the plan was only 2.3 billion yen, but we will maintain the current direction for future growth investment through appropriate financial leverage and other means.

Specifically, at least 40% of this investment is assumed to be devoted to the shareholder payout ratio, with roughly 20% for operating cash flow and 70-80% centered on growth

strategy investment into existing businesses, M&As, and improvements to service infrastructure. The remainder will be used for reducing interest-bearing liabilities in order to maintain a stable financial base, as well as to improve ROE to enhance shareholder returns.

In terms of growth investment, we will continue to actively pursue human capital — an operating expense in terms of operating cash flow — in addition to actively pursuing system and DX-related intangible assets.



Shareholder Returns

We recently revisited the Company's shareholder returns (March 26, 2024 - Notice Regarding Changes to Dividend Policy).

The Company's basic approach to dividends remains unchanged: to maintain consistent dividends while fully considering business results and the balance between dividends and internal reserves. In addition, we shifted the payout ratio from 30% to 40% or more. Under this approach, we

maintained a dividend of 90 yen per share in fiscal 2023 (vs. 75 yen per share in fiscal 2022). (Payout ratio of 48.4%)

We will continue to consider shareholder returns a critical priority in the future, adapting our various approaches to suit the circumstances (e.g. DOE and total payout ratio through share buybacks) as necessary in order to optimize returns.

## ○ Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

### ▶ Basic Approach

We seek to optimize our net assets, the core of capital allocations, through annual reviews, accounting discussions, and scrap-and-build strategies when appropriate. This strengthening of profitability in asset-based business activities will help grow EPS (earnings per share), and achieving this consistently will build expectations for future growth, raise PER (price-earnings ratio), and boost PBR.

### ▶ Optimum Capital Structure Initiatives

#### (1) Share buybacks

The Company currently has relatively few outstanding shares (28 million shares), so moving towards setting up a bracket for share buybacks is unrealistic.

However, in the recent moves to dispose of cross-shareholding positions, there have been batches of shares sold off all at once in some cases, and in the course of striking a good balance with shareholder interests, we have also considered acquiring shares as it is expeditious to do so.

#### (2) Payout ratio

As stated, we will continue to consider and work to optimize the payout ratio as one means of securing shareholder returns. Due to the number of outstanding shares, it is possible to be flexible with respect to dividends and there will be limited impact on cash flow.

#### (3) Cross-shareholdings

As stated in the Corporate Governance Report, we will be

disposing of sellable shares as appropriate, with mutual consent with counterparties after repeated discussions that examine the purpose of holding such shares. In fiscal 2023, the Company recorded approximately 1.2 billion yen in gains from stock transactions including cross-shareholding and net investments, and this has played a role in final earnings and ROE improvement, so we will continue to engage in these activities from a capital efficiency perspective. (As a rule, the Company also will not acquire new cross-shareholdings.)

#### (4) Building an Optimized Business Portfolio

The Company is actively pursuing sustainable corporate management by building an optimized business portfolio and making strategic growth investments. However, we believe that investment decisions must be based on the premise of sustaining Company-wide management metrics such as ROA and ROIC. Moving forward, we will continue to work with the Chief Officer for Business Strategy to make active investments with a focus on efficient management.

#### (5) Strengthening IR Activities (Bolstering Organizational Systems)

The Company is actively engaged in IR activities, including biannual financial results briefings, individual investor meetings, and web disclosures. We will continue to actively conduct IR activities, aiming to enhance communication with shareholders, investors, and other stakeholders, and thereby enhancing corporate management and deepening their understanding of our growth strategy.

We newly established an IR Promotion Office on July 1, 2024.

## ○ Engagement with Shareholders and Investors

### ▶ Initiatives for Fiscal 2023

Although we did not have many meetings in fiscal 2023, we used the valued opinions and findings gained from these limited opportunities to re-examine our cost of equity and weighted average cost of capital, while sharing our progress and issues with individual strategies discussed in the new medium-term management plan. Aiming to achieve our ideal state in 2030 through management conscious of our capital costs and stock price, we have launched discussions within the Board of Directors and other executive-level committees on business strategy focused on the next medium-term management plan to follow the current one.

### ▶ Engagement with a Wide Range of Investors

The diversification of shareholders will be one of our most important themes moving forward. The Company has integrated the fan base strategy approach into our IR activities as well, seeking to acquire a diverse body of “fan” shareholders regardless of the investors’ personal attributes or whether they are domestic or international. As a result of our steady work, the number of unit shareholders continued to increase as of the end of March 2024, growing by 2,784 people (about a 17.0% increase, totaling 18,543 shareholders as of the end of March). Most of this was from individual shareholders, so it is expected to contribute to our efforts to build fans for our stores and

e-commerce business (being as we are in the retail industry).

However, the ratio of overseas investors is currently only 7.51% (as of the end of March 2024), and we aim to more than double that ratio over the medium term in order to improve our price-to-book ratio and improve liquidity as called for by the Tokyo Stock Exchange. In addition to disclosing materials simultaneously in English and providing information in a timely manner, generally all internal directors participate in individual investor relations meetings with institutional investors and others, whether online or face-to-face. Through consistently candid, active engagement, we can benefit from a variety of new findings to inform future management decisions. Additionally, we actively set up opportunities to meet with securities analysts who cover the retail sector (to which we belong) and engage in discussions that will deepen those analysts’ understanding of the Company’s unique qualities and differentiation strategy. We then utilize that in implementing management strategy that is mindful of capital costs and share price.

Going forward, as a company listed on the Prime Market, we will continue to make growth investments that are even more proactive and conscious of capital efficiency, while maintaining a strong balance with improving shareholder returns. We will also further intensify our investor relations (IR) activities, and strive to be evaluated as a target for medium- to long-term investment by a wide range of investors.

## Engagement with Individual Investors

## ○ Broadening the Scope of Our Fans (Consumers) as a Company in the Retail Industry

As a company listed on the TSE’s Prime Market, one of the pillars of our capital policy is to work with personal investors from the perspectives of increasing the number of outstanding shares and the number of shareholders who are fans of us as a retailer.

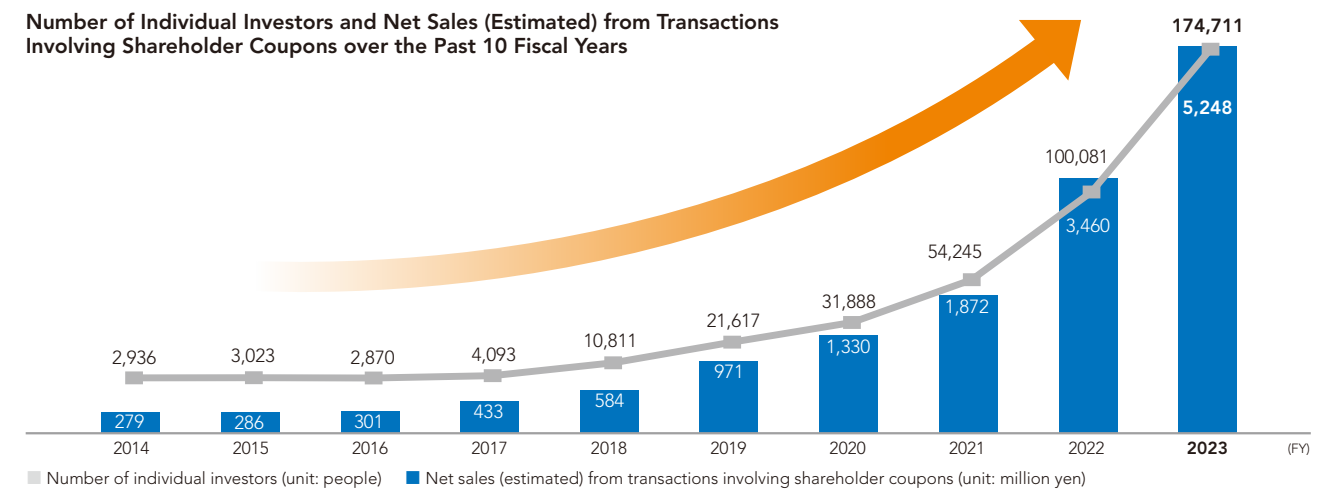
We believe that increasing the number of “fan” shareholders will increase their motivation to visit stores in

person and use our EC site, and that the sales promotion benefits from this will increase our sales.

We currently provide complimentary discount coupons to our shareholders.

This contributes to higher sales through word of mouth and the reviews that are generated, and is significantly increasing the percentage of our shares held by individual investors.

### Number of Individual Investors and Net Sales (Estimated) from Transactions Involving Shareholder Coupons over the Past 10 Fiscal Years



Notes: 1. Net sales from transactions involving shareholder coupons were estimated by Joshin (= number of coupons x 2,000 yen)  
2. One coupon can be used for a 2,000-yen sale, and each coupon provides a discount of 200 yen

## ○ Shareholder Benefits



### Shareholder Coupons (200-yen Coupons)

One or more shares	25 coupons (equivalent to 5,000 yen) (September)
100 or more shares	11 coupons (equivalent to 2,200 yen) (March), 25 coupons (equivalent to 5,000 yen) (September)
500 or more shares	60 coupons (equivalent to 12,000 yen) (March), 25 coupons (equivalent to 5,000 yen) (September)
2,500 or more shares	120 coupons (equivalent to 24,000 yen) (March), 25 coupons (equivalent to 5,000 yen) (September)
5,000 or more shares	180 coupons (equivalent to 36,000 yen) (March), 25 coupons (equivalent to 5,000 yen) (September)

\* Can also be used at the Joshin web shop.

\* Additional discount coupons were issued (below) to shareholders who continuously held shares for two years or more as of March 31 (the same shareholder number was listed consecutively three or more times in the March 31 register of shareholders).  
30 coupons (equivalent to 6,000 yen) – (500 or more shares)  
60 coupons (equivalent to 12,000 yen) – (2,500 or more shares)  
90 coupons (equivalent to 18,000 yen) – (5,000 or more shares)

## Briefings for Individual Investors

Starting in 2017, we have used meeting rooms in branches of securities companies and similar locations to hold quarterly briefings for investors. We conduct online briefings provided by SBI Securities Co., Ltd. for fiscal year-end reporting. In the briefing held on May 17, 2024, we had 156 participants (based on live streaming) from a wide range of ages, mainly people in their 20s to 60s and older. We received many questions, ranging from questions on the financial statements to the status of our initiatives to improve PBR. Through these briefings, we are providing a better understanding of our Company and gathering feedback to be reflected in our management. We will continue to use these briefings to increase engagement and cultivate even more “fan” shareholders.





Message from the Officer in Charge of Infrastructure Strategy



Our environmental mission is one of the strengths of the Group, and we intend to convincingly communicate this to our customers and all other stakeholders to ensure that it makes a large contribution to business (profit-making business).

横山 晃一  
Koichi Yokoyama  
Director and Managing Executive Officer  
in Charge of Infrastructure Strategy

Initiatives for Environmental Issues and Their Significance

The Group established the Environmental Principles as part of its environmental initiatives in 1998. We acquired ISO 14001 certification for our Head Office building in 2000, and have been working continually to reduce our environmental impact and improve our environmental performance by establishing and operating an environment management system. Addressing climate change as we work for decarbonization is an important initiative for the Group. This initiative closely aligns with the achievement of one of our seven material issues: “contributing to the creation of an enriching society that is in harmony with the global environment.”

We recognize that people’s growing concern regarding the environment in the future represents a large business opportunity for the Group, as we have been at the forefront of environmental initiatives. In addition to reinforcing sales of environmentally friendly products, we will expand our EV-related business, and explore the feasibility of a future renewable energy agency business for households. Through these environmental initiatives, we will create the social value of “achieving household carbon neutrality,” which we believe will in turn enhance our corporate value. Initiatives for transitioning the energy used at each business site to renewable energy will make a large contribution to reducing the corporate financial burden, which will depend on the amount of greenhouse gas emissions when Japan introduces carbon pricing in the future.

Amidst the need to reduce GHG emissions throughout the supply chain as we aim to achieve carbon neutrality by 2050, we believe that an active approach to visualization and reduction of

GHG emissions based on their correct calculation, and the knowledge gained from such initiatives, are essential requirements for the Group to maintain sustainable business relationships with home appliance manufacturers and other suppliers.

As will be described in more detail later in this document, we have also participated in a variety of international initiatives and external initiatives, and taken other steps to steadily take action and produce results in the areas in which the Group operates.

As a result, when we take an overall look at the environmental initiatives of the Group, we are confident that we are among the leading environmental corporations, remaining a step ahead both within our industry and within the retail industry as a whole.

The Prime Market where the Joshin Group is listed is positioned as a market for listing corporations that are targets for investment by international investors. This requires corporate governance with English document disclosure with greater quantity and quality, and that disclosure needs to be based on the TCFD and other frameworks.

Under these conditions, our leading initiatives in addressing climate change have raised the social evaluation of the Group among investors and all other stakeholders. We will continue to work to improve the image of the Group and strengthen our branding in order to generate the desire to buy among consumers.

In the near future, our previous and current actions for mitigating climate change will likely become the norm for businesses, underscoring the significance of being proactive and ahead of the curve on this issue.

emissions are produced by the use of power at our stores (business sites). For this reason, we have prioritized the use of renewable energy for the power used at business sites, and have steadily carried out this change.

Fiscal 2023 Initiatives and Results

The Joshin Group is a retail business and we do not have plants as businesses in the manufacturing industry do. When we consider what the Group can do as a retail business to achieve decarbonization, we see that the majority of the Group’s GHG

The achievement of 100% renewable energy at business sites that contract directly with power suppliers, and the completion of solar power generating systems at 100% of our business sites where such installation is possible, are parts of the action plan that we worked to achieve in fiscal 2023 in the roadmap for environmental issues announced by the Group. We were successful in achieving both of these goals as planned during fiscal 2023.

In the future, we will continue to tenaciously negotiate with tenants regarding the introduction of renewable energy, aiming to achieve 100% renewable energy at all business sites including tenants by 2040. Regarding the installation of solar power generating systems, since there will be no space left to install solar panels at our business sites, we are actively working to introduce corporate power purchase agreements (PPA) where solar panels are installed at locations separate from our business sites. Our goals are to achieve a 25% in-house consumption rate by 2030 for total power consumed by business sites that contract directly with power suppliers, and a 50% rate by 2050.

As one of our international strategies, we obtained SBT certification, which we had previously applied for, of our science-based targets for reduction of GHG emissions by 2030 that are consistent with the levels required by the Paris Agreement.

The largest topic for fiscal 2023 was our acquiring an A score, the highest CDP rating, for our information disclosure under the CDP Climate Change Program that we began responding to in fiscal 2021. We received a score of C in the first

Issues for the Future

While it is also an issue that we are presently working on, our environmental mission is one of the strengths of the Group, and we intend to convincingly communicate this to our customers and all other stakeholders to ensure that it makes a large contribution to business (profit-making business).

As part of efforts to reinforce this branding, we will strongly promote our A score for CDP initiatives, achievement of 100% renewable energy at business sites that contract directly with power suppliers, and other accomplishments through signage at business sites and our homepage.

In order to prevent problems such as a loss of sales strength for environmentally friendly products resulting from insufficient environmental education of employees, we are also proceeding with creation of a skills improvement plan system focusing on environmental education.

This will further reinforce sales of environmentally friendly products and renovations, products that have long been a focus of our sales and contribute to household carbon neutrality, and will promote wider use of products with high energy generation, energy storage, and energy conservation performance. We will also strengthen our proposal ability and promote sales of home EV charging equipment and other EV-related products in order to strengthen our earning power.

year of our response in 2021, and moved up one rank to B in fiscal 2022. In fiscal 2023, the third year, we moved up two ranks and were able to achieve a score of A.

In fiscal 2023, 1,985 Japanese corporations responded to the CDP questionnaire. Among them, just 112 Japanese corporations (including the Company) received an A score. We believe that this shows how the Group’s initiatives to mitigate climate change and promote information disclosure have been highly evaluated internationally. Beginning from fiscal 2024, we will improve the quality and accuracy of our disclosed information to maintain our A score.

In 2023, we were selected for the second consecutive year as a component stock in the FTSE Blossom Japan Index stock price index for Japanese corporations that are actively working for ESG (Environment, Society, and Governance) initiatives. We were also selected for the third consecutive year for the FTSE Blossom Japan Sector Relative Index that evaluates the quality of action related to risks and opportunities involved in transitioning to a low-carbon economy. Both of these indexes are used as standards for ESG investment decisions by the Japanese Government Pension Investment Fund (GPIF), which is one of the largest pension funds in the world.

In the future, we will continue to engage with our partners to reduce GHG emissions, working towards achieving the SBT targets. At the same time, through initiatives for achieving carbon neutrality, we will reinforce the relationship between our ESG initiatives and the Group’s business and connect it to new environmental business.

In regards to initiatives for biodiversity, we recognize that climate change is a major causes contributing to the loss of biodiversity and that we require a nature-positive approach based on the dual goals of carbon neutrality and getting back on course to prevent loss of biodiversity. In September 2023, the Taskforce on Nature-related Financial Disclosures (TNFD), an information framework related to natural capital, was released. We believed that through this disclosure of nature-related information, corporate initiatives to preserve biodiversity will accelerate rapidly, and that disclosure based on the TNFD framework will become necessary in the future, just as it has for TCFD.

The Joshin Group has positioned preservation of biodiversity as one of its material issues to be addressed. We have begun with a LEAP approach for identifying and analyzing how we engage with natural resources as part of the retail industry, including store construction, product procurement, delivery and installation, and scrapping and recycling of used products, in other words our dependence on, impacts on, and risks and opportunities involved with nature. We first intend to advance to a level where we are capable of simplified TNFD disclosure. We will also clearly connect these initiatives related to biodiversity to the branding of our environmental mission.



Environmental Policy

### Joshin Group Environmental Principles

The Joshin Group recognizes that conservation of the global environment based on the spirit of our Corporate Credo of “Thoughtfulness” is of extreme importance for people and all other life on earth. We intend to work hard as a responsible corporation with the social mission of creating an environment where people can live in peace, comfort, and good health, while also considering biodiversity.

Revised December 21, 2021

### Joshin Group Basic Environmental Policy (excerpt)

Based on our management philosophy of “Connecting people and society to the future with a smile,” the Joshin Group conducts all business activities while focused on making prosperous living proposals that anticipate lifestyle changes, and on providing safe and secure products and services. Through these activities, we will contribute to a prosperous society in harmony with the global environment.

1. Implementing a responsible management system
2. Ensuring compliance
3. Engagement with stakeholders
4. Raising environmental awareness

5. Disclosure of environmental information
6. Conservation of biodiversity and ecosystems

### Joshin Group Environmental Action Guidelines (excerpt)

#### 1. Initiatives to counteract climate change

Climate change is one of the most important issues facing humanity, and we intend to realize a carbon-neutral society as a countermeasure to climate change.

#### 2. Initiatives to create a recycling-based society through the effective use of resources

We intend to realize a sustainable, recycling-based society by efficiently using limited resources, minimizing waste, and through recycling.

Enacted December 2021

### Joshin Green Smile Challenge 2050 (excerpt)

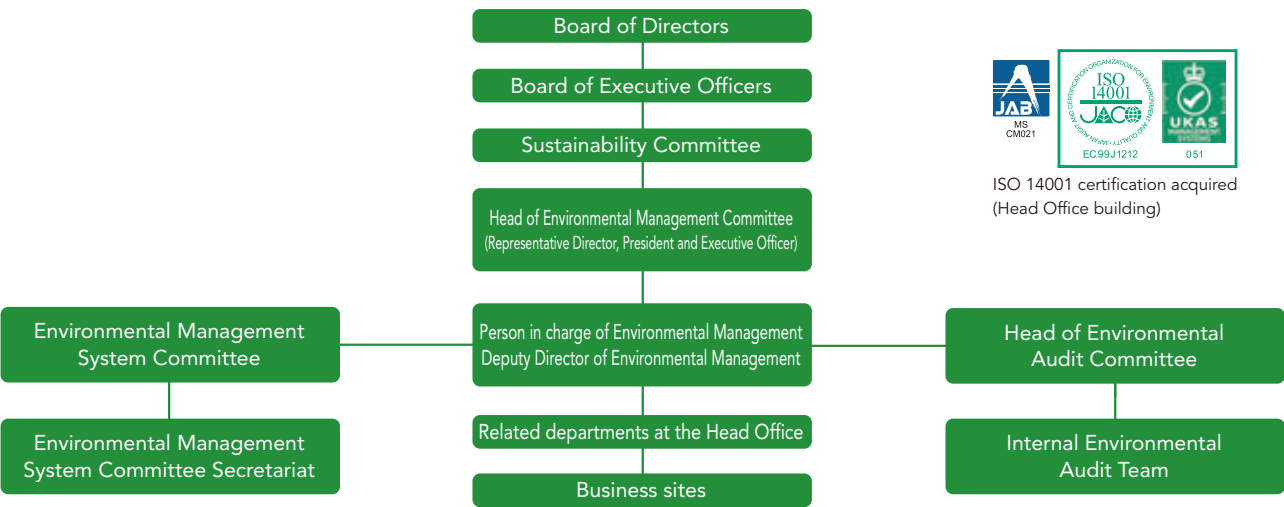
The Joshin Group aims to achieve sustainable growth by “contributing to a prosperous society in harmony with the global environment,” and has set the following targets for environmental issues, to be achieved by 2050.

- Raise the percentage of renewable energy sources to 100% (at all business sites, including those that are rented out) by 2040
- Raise the percentage of off-grid power to 50% at business sites where the Company contracts directly with power suppliers by promoting off-grid power generation and consumption
- Cut 100% of GHG emissions in all Scope 3 categories
- Establish the business model of a circular economy, through value co-creation with business partners

Please refer to our website for details. <https://www.joshin.co.jp/en/csr/environment/policy.html>

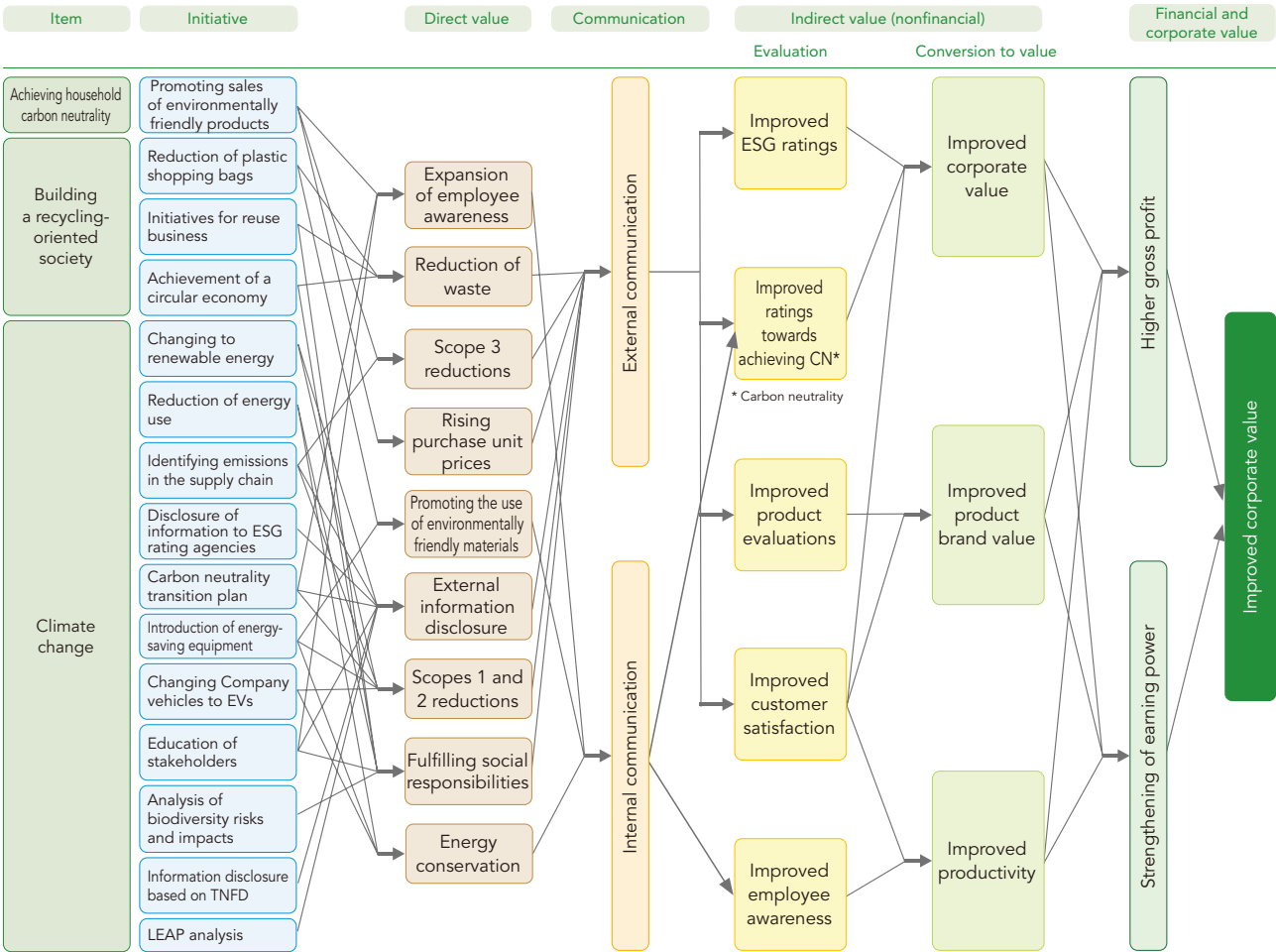
Environmental Management System

Fiscal 2024 Environmental Management System (EMS)  
(Initiatives for climate change and biodiversity preservation)



Environmental Value Correlation Chart

In order to show how initiatives related to the environment in the Group have final effects from the perspective of financial value, we have assessed the correlation among direct value, communication, and financial value, and the eventual improvement in corporate value as shown in the diagram below. We will continue to verify this correlation in the future as we work to improve financial value and corporate value.



Receiving Numerous Evaluations from External ESG Rating Agencies

Obtaining Our First Ever CDP Climate Change Program “A” Score

The CDP climate change program investigates corporate environmental information based on requests from institutional investors and other organizations engaged in ESG investment. It requires comprehensive information disclosure, recognition and management of environmental risks, and setting of ambitious and meaningful targets. The CDP score is widely used for investment and purchasing decisions aimed at a sustainable and resilient net-zero economy. We believe that the fiscal 2023 environmental initiatives of the Group led to our selection as a “Climate Change A List” company.



Selection for the “FTSE Blossom Japan Index”

The Joshin Group has been selected\* as a component stock for both the “FTSE Blossom Japan Index” and “FTSE Blossom Japan Sector Relative Index,” which are top indexes for ESG investment. They are used as one standard for investment decisions by the Japanese Government

Pension Investment Fund (GPIF), which is actively carrying out ESG investment, and are widely used by investors worldwide as an important standard for investment decisions. Fiscal 2024 marks the second consecutive year when the Joshin Group was selected for both indexes.

\* FTSE Blossom Japan Index Series: This is designed to measure the performance of Japanese corporations with high ESG (Environment, Society, and Governance) ratings, and is composed of two indexes: the “FTSE Blossom Japan Index” and the “FTSE Blossom Sector Relative Index”.



S&P/JPX Carbon Efficient Index

This is an index whose universe is the component stocks of the Tokyo Stock Exchange stock price index (TOPIX), a representative stock price index showing trends in the Japanese market, and weights the component stocks based on the conditions of environmental information disclosure and level of carbon efficiency. The Joshin Group is included as a component stock of this index.



Climate Change (TCFD)

The Group will disclose a transition plan in line with business plans from the previous fiscal year, in addition to disclosure of the impact and resilience of climate change within the TCFD framework. The transition plan is one of the business factors

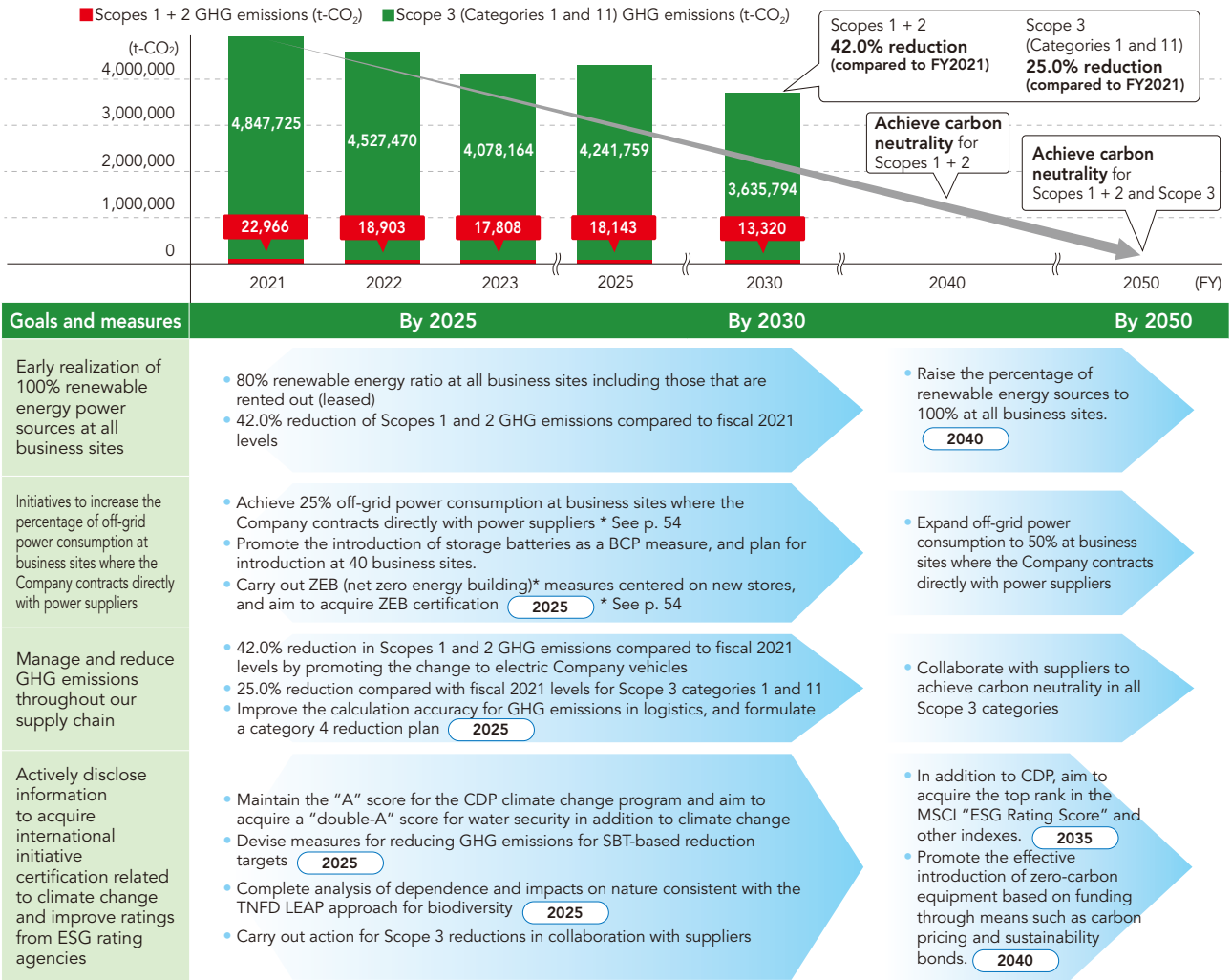
(including reducing GHG emissions), that sets out a series of targets and actions supporting the transition to a low-carbon economy. We intend to improve the accuracy of quantitative reduction targets for emissions and investments.

TCFD requirements		Description of the transition plan		
Governance		We discuss general environmental actions, including the transition plan, in the Climate Change Project, and hold discussions and submit regular reports at Sustainability Committee meetings. This committee manages the progress of high-priority financial and nonfinancial issues, then informs the Board of Executive Officers and the Board of Directors.		
Strategy	Risk/opportunity classification		Organization of Company risks and opportunities (1.5°C scenario)	
	Major classification	Minor classification	Overview	
	Opportunities	Products and services	Increasing net sales through environmentally friendly products and services	<ul style="list-style-type: none"><li>• In order to enable the setting of medium- to long-term targets, set a level of avoided emissions for environmentally friendly products and energy-saving equipment.</li><li>• <u>V2H result target: Aiming for 400 million yen in FY 2030</u></li></ul>
			Improving income through initiatives for a household renewable energy agency and EV-related business	<ul style="list-style-type: none"><li>• Conduct studies for a renewable energy plan agency for consumers, aiming for introduction in FY 2025.</li><li>• <u>Target quantity for annual sales related to EV (FY 2030)</u> EV charging equipment: 2,000 sets, V2H units: 400, household storage batteries: 110</li></ul>
		Energy sources	Reducing power costs by introducing renewable energy and energy-saving equipment	<ul style="list-style-type: none"><li>• Achieve off-grid power consumption of 25% [FY 2030] and 50% [FY 2050] at business sites where the Company contracts directly with power suppliers</li><li>• <u>Introduce commercial storage batteries at 60 business sites by FY 2040 (installation cost approximately 200 million yen).</u></li><li>• <u>Achieve renewable energy ratio targets of 80% [FY 2030] and 100% [FY 2050] at all business sites</u></li></ul>
		Resource efficiency	Reduction of expenses through increasing energy efficiency in logistics, deliveries, etc.	<ul style="list-style-type: none"><li>• Further implement comprehensive measures to reduce driver workloads and improve delivery efficiency.</li><li>1) Improve efficiency and load efficiency by reviewing store delivery routes and numbers of deliveries.</li><li>2) Begin an initiative for relay transport centered on the Chubu Region.</li><li>3) Conduct a program to reduce driver work hours by introducing a berth management system.</li></ul>
		Markets	Reduction of packaging and other expenses by addressing the risk of rising raw material costs	<ul style="list-style-type: none"><li>• Aim to achieve zero plastic material content through measures such as changing from plastic shopping bags to paper bags (<u>trial calculation of investment cost for introduction of paper bags: approximately 200 million yen by FY 2030.</u>)</li></ul>
	Transition risk	Policies and legal regulations	Increase in costs resulting from introduction of carbon pricing (hereafter, "CP")	<ul style="list-style-type: none"><li>• To prepare for product price increases resulting from the introduction of government regulations such as CP, set Company internal CP (target FY 2025) before the national CP, and avoid risk through sales of environmentally friendly products.</li></ul>
		Technologies	Increase in costs related to introduction of low-carbon, energy-saving equipment	<ul style="list-style-type: none"><li>• <u>Operate Company vehicles efficiently, and complete the change to EVs by FY 2040.</u></li><li>• <u>Change approximately 40% of Company vehicles at Joshin Service Co., Ltd. to EVs by FY 2030.</u></li></ul>
		Markets	Rising renewable energy prices	<ul style="list-style-type: none"><li>• <u>Aim for introduction of off-site PPA for low voltage at 50 sites by FY 2030.</u></li><li>• <u>Introduce commercial storage batteries at 60 business sites by FY 2040 (installation cost approximately 200 million yen).</u></li></ul>
			Markets	Reduction in consumer demand shift toward environmentally friendly products
Risk management		In our Company-wide risk management system for responding to climate change, including the transition plan, we established the Risk Management Committee and Sustainability Committee to identify, assess, and manage risks for the entire Group, as well as evaluate and implement countermeasures for mitigating the impact on business. Further, we established an environmental management system for departments at our Head Office based on ISO 14001 certification.		
Metrics and targets		For addressing climate issues, we have set indicators for GHG emissions, the percentage of renewable energy at business sites, and the percentage of off-grid power from solar power generation. As a medium- to long-term target, we have set "expanding sales of environmentally friendly products through the introduction of internal CP, and promoting the introduction of zero-carbon equipment based on funding through means such as sustainability bonds." As short-term targets, we have set "achievement of SBT targets" and "resolution of material issues." We will monitor these indicators while managing the progress of strategies and risks.		

Please see our website for scenario analyses based on TCFD recommendations for the 1.5 to 2°C and 4°C higher surface temperatures (than preindustrial levels). [https://www.joshin.co.jp/en/csr/environment/climate\\_change.html](https://www.joshin.co.jp/en/csr/environment/climate_change.html)

FY2024 Roadmap for Major Action Plans Related to Environmental Issues

Changes in the Decarbonization Transition Plan



Initiatives to Reduce GHG Emissions

Identifying GHG Emissions in the Supply Chain

For indirect GHG emissions (Scope 3) in the supply chain throughout the Joshin Group, carry out initiatives for acquiring primary data with suppliers in order to satisfy IFRS S2, which was developed in order to provide a global baseline for system disclosure based on the primary voluntary disclosure that was previously used for sustainability disclosure.

Scope 3 category		Fiscal 2023 calculation results		Scope 3 category		Fiscal 2023 calculation results	
		CO <sub>2</sub> calculation results (t-CO <sub>2</sub> )	Percentage (%)			CO <sub>2</sub> calculation results (t-CO <sub>2</sub> )	Percentage (%)
1	Purchased products and services	900,994	21.7%	9	Transportation and delivery (downstream)	Not applicable because consolidated with Category 4	
2	Capital goods	23,852	0.6%	10	Processing of products sold	Not applicable because the Company does not process sold products	
3	Fuel	2,706	0.1%	11	Use of products sold	3,177,170	76.5%
4	Transportation and delivery (upstream)	23,396	0.6%	12	Disposal of products sold	6,788	0.2%
5	Waste generated from operations	10,407	0.3%	13	Leased assets (downstream)	3,555	0.1%
6	Business travel	116	0.0%	14	Franchises	100	0.0%
7	Employer commuting	1,712	0.0%	15	Investment	457	0.0%
8	Leased assets (upstream)	Not applicable because they are already calculated in Scopes 1 and 2		Total		4,151,253	100.0%

Totals do not add up to 100% because figures are rounded off to the nearest whole number.

We Have Received Third-party Assurances of Numeric Values

In fiscal 2024, the Group received third-party assurances from Japan Audit and Certification Organization for Environment and Quality (JACO) for Scope 1, Scope 2, and Scope 3 categories 1, 4, and 11. These account for 98.8% of total emissions from the entire Group.

- Information subject to assurance: Energy consumption, GHG emissions (Scopes 1 and 2 and Scope 3 categories 1, 4, and 11)
- Range of assurance: Japan (Joshin Denki Co., Ltd. and subsidiaries in Japan; stores, logistics sites, etc.)

For the third-party assurance reports, please refer to our website. <https://www.joshin.co.jp/en/csr/environment/guarantee.html>



Biodiversity Conservation Response

The Joshin Group has positioned preservation of biodiversity as a material issue to be resolved, and it is incorporated into the Joshin Group Basic Environmental Policy and the Joshin Group Procurement Policy and Procurement Guidelines.

In addition, in our role as a corporation, we endeavor to preserve biodiversity and protect the natural environment

based on our impacts on natural capital. The Group endeavors to avoid and minimize negative impacts on the natural environment and human rights through our business activities, and contributes to the preservation and regeneration of the natural environment (nature positive).

Please refer to our website for the Joshin Group Environmental Principles, Basic Policy, Action Guidelines, and the Joshin Green Smile Challenge 2050.  
<https://www.joshin.co.jp/en/csr/environment/policy.html>  
Please refer to our website for the Joshin Group Procurement Policy and Procurement Guidelines.  
<https://www.joshin.co.jp/en/csr/policy/list/procurement/main/0/link/Procurement.pdf>

Governance

Within the Joshin Group, the Board of Directors maintains supervisory functions through regular reports (three reports in fiscal 2023) concerning the implementation of initiatives related to climate change and biodiversity. A basic policy for this implementation is formulated by the Sustainability Committee, which is chaired by the Representative Director, President and Executive Officer. This committee also sets important

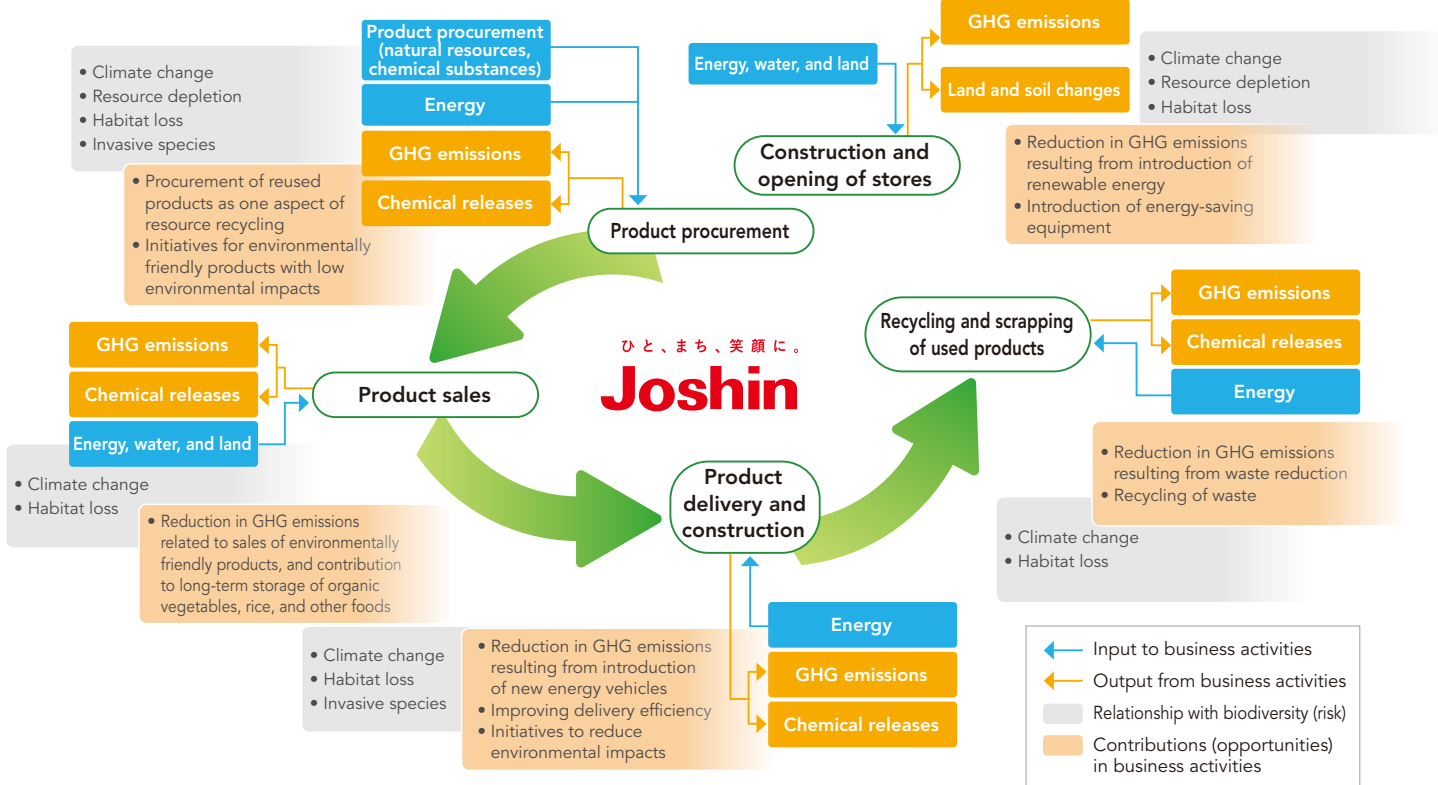
targets and conducts progress management, and discusses and decides policies in response to issues. The Climate Change Project, led by the person in charge of Environmental Management, discusses individual issues and reports to the Sustainability Committee before consulting with the Board of Executive Officers and Board of Directors.

Analysis of Risks and Opportunities Related to Biodiversity in the Value Chain of the Joshin Group

We have analyzed risks and opportunities related to biodiversity arising from the business activities of our Group. Opportunities include initiatives for resource recycling, reduction of environmental impacts by reducing and reusing waste, contributing to GHG emission reductions through sales of environmentally friendly products, thereby helping to combat climate change. Risk factors include a decline in natural resources resulting from use of energy resources, and the

effects on climate change and environmental impacts resulting from emissions into the atmosphere and water bodies. In this way, we understand that our business has various effects on biodiversity. These have been collected into the following relationship map. In line with the TNFD LEAP approach, we will analyze dependence, impacts, risks, and opportunities in the future.

Biodiversity Relationship Map of Joshin Group Business Activities



Carbon Neutrality Initiatives

We began working for carbon neutrality at Group business sites from an early stage, and have actively introduced solar power generating systems through on-site and off-site PPA.

In the future, we aim to further increase our percentage of off-grid power consumption by introducing storage batteries, and will prepare for the risk of high renewable energy power prices.

Active introduction of renewable energy

At the end of fiscal 2023, we achieved 100% introduction of renewable energy at 150 business sites where the Company contracts directly with power suppliers.



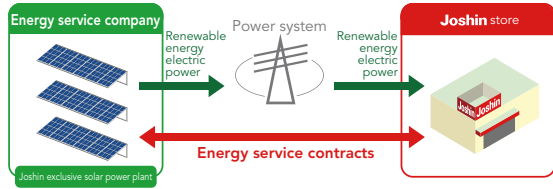
Ibaraki Store

Results from renewable energy generation and off-grid energy consumption following introduction of off-site solar power generating systems (including off-site PPA)

For the solar power generating systems that we have been installing since fiscal 2012, installation was completed at 73 business sites where such installation is possible at the end of 2023. Amount of renewable energy generated: 14,465 MWh (including FIT)

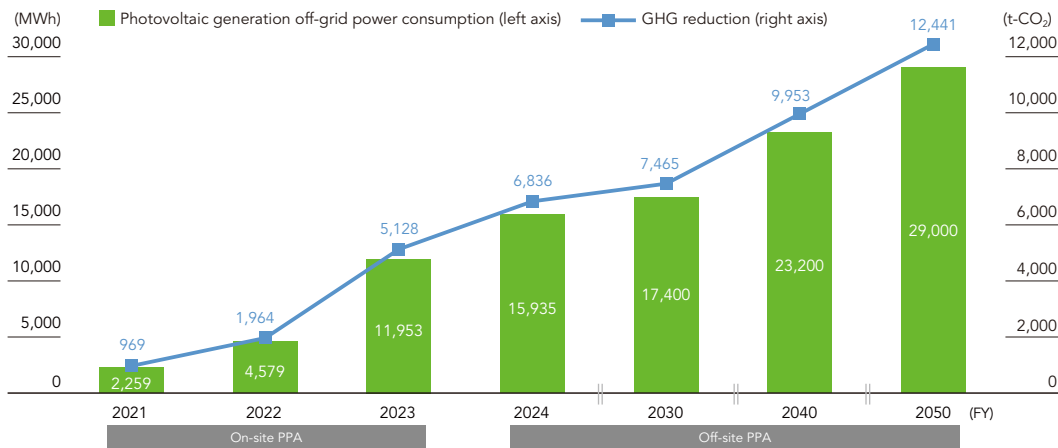
Off-grid renewable energy consumption results following introduction of off-site solar power generating systems (PPA)

- Introduction of off-site PPA in cooperation with Daigas Energy Co., Ltd. in November 2023  
Off-grid renewable energy consumption (expected): 2,129 MWh
- Introduction of off-site PPA in cooperation with The Kansai Electric Power Co., Inc. in April 2024  
Off-grid renewable energy consumption (expected): 2,156 MWh



Amount of solar energy generated in fiscal 2023 (including PPA)	15,159 MWh
(Breakdown)	
• On-site generation in fiscal 2023 (including FIT)	14,465 MWh
• Off-site generation in fiscal 2023	694 MWh
Off-grid solar power consumption in fiscal 2023	11,953 MWh

Off-grid Solar Power Consumption (MWh per Year) and GHG Emissions Reduction (t-CO<sub>2</sub> per Year)



\* Default value defined by the Ministry of Economy, Trade and Industry and the Ministry of the Environment Ordinance No. 3 is 0.429 kg-CO<sub>2</sub>/kWh (announced in December 2023).

Installation of EV charging systems

- Installed at a total of 82 stores by the end of fiscal 2023  
Installation at 20 stores in fiscal 2024 (total installed: 102 stores)  
Notes:  
1. Charging stands (details) Rapid charging: 3 stores, normal charging: 99 stores  
2. Rapid charging will be installed as soon as preparation of the necessary infrastructure is completed.

Introduction of storage batteries

- Introduction of lithium-ion batteries linked with solar power, serving also as a BCP measure  
Introduced at 32 business sites as of the end of fiscal 2023.  
Note: 3 kW internal power conditioner type (Can sustain continuous power usage of approx. 900 W for 12 hours.)

\* ZEB: Buildings that utilize advanced architectural designs to reduce energy burdens, actively utilize natural energy, and introduce high-efficiency equipment to achieve large energy savings while maintaining the quality of the interior environment. Renewable energy is then added to increase energy independence as much as possible and reduce the annual primary energy consumption budget to zero.

Introduction of BEMS

- We are introducing demand control devices, and using automatic air conditioner control to reduce energy consumption and perform energy management.  
Introduced at 70 business sites (as of March 2024)

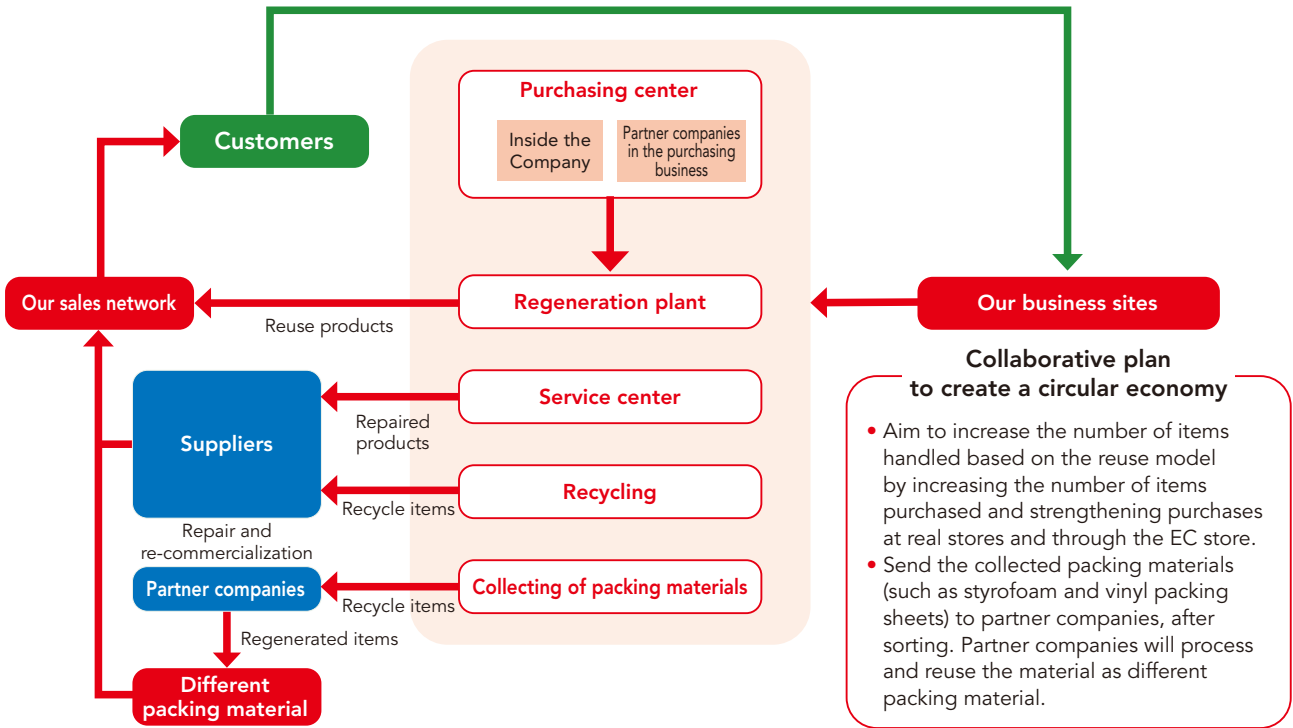
Acquisition of ZEB\* (net zero energy building) certification

- At present, we are acquiring ZEB certification for new stores that are at the planning stage. We are also studying whether acquisition of Nearly ZEB certification is possible at existing stores.  
ZEB Reduction to 0% with energy generation + energy savings  
Nearly ZEB Reduction to 25% or less with energy generation + energy savings  
ZEB Ready Reduction to 50% or less with energy savings



Initiatives to Move Toward a Circular Economy

The Group's initiatives for creating a circular economy



Please see our website for information on the Group's initiatives for developing a resource recycling-oriented society.  
<https://www.joshin.co.jp/en/csr/environment/recycling2.html>

Roadmap for Major Action Plans Related to Construction of a Recycling-oriented Society

Goals and measures	By 2025	By 2030
Rebuilding the resource circulation cycle that includes reuse and resale	<b>Target</b> Construct a circular economy model through engagement with outside parties.	
	<b>Main initiatives</b> <ul style="list-style-type: none"><li>Achieve a 65% collection rate for the four products subject to home appliance recycling (total of Joshin Denki + Joshin Service).</li><li>Strengthen the web purchasing system with consideration for external alliances (actively promote buy-back campaigns on the web).</li></ul> As the target for fiscal 2025, we are aiming to double the number of cases to 1,000 from fiscal 2023, and are aiming for 3,000 cases in fiscal 2030.	
Initiatives for collecting used paper and reusing cardboard through alliances	<b>Main initiatives</b> <ul style="list-style-type: none"><li>At present, in cooperation with an agent that collects used paper and cardboard, we are establishing and will implement a plan for recycling of collected used paper for regeneration and reuse as different packing material, toilet paper, printer paper, or for other purposes.</li></ul>	
Reducing the use of plastics by no longer offering disposable shopping bags and taking other related actions	<b>Target</b> Achieve a 90% reduction in the plastics used for shopping bags (compared with FY2019)	<b>Stop using shopping bags made with plastic materials</b>
	<b>Main initiatives</b> <ul style="list-style-type: none"><li>Initiatives to improve the rate of refusal for plastic bags while introducing LIMEX material plastic bags</li><li>Consider the introduction of replacement bags that do not use plastics.</li></ul> Introduce shopping bags that do not contain plastic, and eliminate the use of conventional shopping bags.	

Initiatives for Environmentally Friendly Products

The Group is continuing to work for sales of environmentally friendly products. However in fiscal 2023, energy-saving label standards for color televisions were reviewed, and there was a trend toward increasing screen sizes that conflicted with energy savings, producing a decline in the number of three-star or higher products. As a result, a deviation from our product policy occurred, and it was decided to exclude these products from the category of environmentally friendly products beginning from fiscal 2024.

Starting from fiscal 2024, in addition to three-star or higher refrigerators, air conditioners, and instant water heating

type warm water washing toilet seats, drum-type washer/dryers were newly added to the list of environmentally friendly products. Drum-type washer/dryers are products that are not subject to the energy-saving labeling system, however they provide energy saving effects due to the faster washing and drying times compared with conventional top-loaded washer/dryers, as well as water saving effects due to the smaller amount of water used.

The target sales ratios for environmentally friendly products in fiscal 2024 are shown below, and we will continue to address them actively.

FY2023 Results and FY2024 Targets for Sales of Environmentally Friendly Products

Environmental conservation items	FY2023		FY2024		Department in charge
	Target	Result	Target		
Sales promotions for environmentally friendly products	Sales ratio of 35%	25.6%	Sales ratio of 30%		Merchandise Department

Note: Subject categories and target sales ratios: 45% or higher ratio of three-star or higher refrigerators, 20% or higher ratio of three-star or higher air conditioners, 25% or higher ratio of drum-type washer/dryers, 75% or higher ratio of instant water heating type warm water washing toilet seats

Avoided Emissions through Environmentally Friendly Products

For home appliances adopting the uniform energy-saving label, we set a replacement cycle guideline using refrigerators, air conditioners, and warm water washing toilet seats made in fiscal 2013 as the base models. For average GHG emissions per product in fiscal 2013, an approximate emissions guideline was extracted for each category from *Energy-Saving Replacement Navigation: Shinkyusan* issued by the Ministry of the Environment. For fiscal 2021 to 2023, the amount of reduction

was calculated based on the number of environmentally friendly products (subject categories were reviewed due to a change in the energy-saving labeling system for air conditioners in fiscal 2023) sold and the difference in emissions from when the same number of base model products were sold. (The approach to targets for fiscal 2025 and 2030 involves calculations assuming there is no change in the achievement rate of energy-saving standards under the Top Runner Program.)

Category for avoided emissions (Energy-saving level: three to five stars)	Reduction in GHG emissions			Avoided GHG emissions	
	FY2021	FY2022	FY2023	FY2025 target	FY2030 target
Environmentally friendly air conditioners total	4,590	3,256	7,948	8,000	8,500
Environmentally friendly refrigerators total	5,501	4,596	6,714	7,000	8,000
Instant water heating type warm water washing toilet seats total	288	188	371	400	500
Environmentally friendly categories total	10,379	8,040	15,032	15,400	17,000

Note: Comparison of GHG reductions assuming the same sales ratio as fiscal 2013 in each fiscal year

Sales Promotion of Environmentally Friendly Products in Cooperation with Local Governments  
<Initiative for Improving Awareness and Changing Behavior for Decarbonization with Osaka Prefecture and Sakai City>

Aiming to achieve materially zero GHG emissions in 2050, in order to improve awareness and change behavior for decarbonization among the citizens of Osaka Prefecture we have been utilizing a Joshin point system as part of our participation in the "Decarbonization Point Awarding System Promotion Project for Promoting Environmentally Friendly Consumption" since fiscal 2022. This project grants "decarbonization points" for subject energy-saving air conditioners, thereby promoting sales of environmentally friendly products.

In the Eco Life Point Project that we have participated in since fiscal 2023, a special smartphone app is used by

the citizens of Sakai City to enter a prize drawing after buying an environmentally friendly product or to collect original Sakai City "Eco Life Points." Through these sales of environmentally friendly products in cooperation with local governments, we will continue to support initiatives aimed at decarbonization of customer households.



## Message from the Officer in Charge of Management Planning and Human Resources Strategy



### Utilizing diverse human resources to increase corporate value and put our management philosophy into practice

田中幸治

Koji Tanaka

Director and Managing Executive Officer  
In Charge of Management Planning and  
Human Resources Strategy

Looking forward to 2050, the Group has established the management philosophy of “Connecting people and society to the future with a smile.” As part of our efforts to put this into practice, we have set an interim goal of being “A company that supports growth of local communities and contributes to the future of people and environment” by 2030. We are developing a system of management that contributes to building a sustainable society through the creation of two social values: helping to strengthen the resilience of an aging society and achieving carbon neutrality in households.

The theme of the Group's medium-term management plan is to be a concierge to customers, drawing closer to their daily lives. This is also an unchanging theme in our training of human resources. We have established interconnected initiatives to

[secure human resources] who can satisfy a diverse range of customer needs, [train human resources] who can support new growth businesses, and [increase employee engagement] in pursuit of the idea that “new customer satisfaction equals new business.” We consider our human resources strategy for increasing corporate value to be an integral part of our management strategy that aims to contribute to a sustainable society.

Based on our human resources strategy that is grounded in Diversity & Inclusion (D&I), one of the Group's seven material issues, we are working to secure a diverse range of human resources who can respond flexibly to changes in the management environment and to increase the level of employee engagement.

### By pursuing expertise and shifting to growth fields, we are implementing a human resources strategy that is coordinated with our management strategy.

The Group is expanding its business in the five categories of home appliances, entertainment, renovation, mobile communications, and support business, and the retention rate of the employees who support these businesses will have a large effect on the business growth potential. Improving the already high retention rate increases the level of employee expertise, and long-standing relationships of trust with the customers will produce lifestyle ideas with high added value and increase the income ratio. (See p. 65 for details.) In the home appliances business, which is a stable foundation of management, the percentage of employees who have home appliance advisor certification has risen to 84.2%, and we have trained approximately 300 qualified electricians and installation technicians as we pursue a higher level of expertise.

An issue for the future will be securing personnel in growth businesses. In the home appliances business, we must proceed with training of IT personnel and using ICT installation to reduce the required labor in order to improve CS while shifting our human resources to growth businesses.

The renovation business is closely related to the two social values that the Group aims for, namely “helping to strengthen the resilience of an aging society” and “achieving household carbon neutrality,” and is a growth field where we can expect synergy with the home appliances business.

The renovation market is supported by the needs for “stock recycling” and “improving QOL by increasing efficiency” of housing, backed by factors such as the soaring prices of new housing and the increase in empty housing units. We expect steady growth in this market as a result of demand for nursing care renovations in a super-aging society, and housing energy conservation aimed at reducing GHG emissions. We must expand our renovation menu to meet a diverse range of needs, and must also pursue specialization in the home environment field. Training of housing environment coordinators who are experts in nursing care renovations is an urgent issue, and we must also expand our construction system, including by securing architects and interior planners who are capable of large-scale projects. We will strengthen the sales and construction system by shifting human resources in order to support growth in the renovation business.

Another important management issue is maximizing employee abilities and the desire of employees to participate in management, and strengthening the organizational capabilities that will support continued growth. We will refine our sensitivity to the variety of issues faced by society (potential needs), and construct a resilient organization that is capable of turning the ideas that come from the freethinking of diverse employees into new businesses. This is the sustainability management of the Joshin Group.

### We will reinforce our organizational strength through D&I promotion as a foundation for respecting human rights and carrying out health and productivity management.

Aiming to create “new customer satisfaction,” the Group is now engaged in securing and training a diverse range of human resources with D&I as the pillar of our strategy. The universal value of respect for human rights is the foundation of D&I that aims to ensure diversity. As well, initiatives for health and productivity management maximize organizational performance by fully harnessing the potential of diverse employees.

The Group's human resources strategy includes creating a work environment where diverse people can perform at their best and play an active role, in this way creating an upward spiral that increases ease of work, leading to job satisfaction, then to employee ownership, and finally to improved engagement.

### By investing in human resources from a medium- to long-term perspective, we will work to increase our corporate value.

Although the indicators for capital-related profitability including ROE, ROA, and ROIC fell below the plan targets in fiscal 2023, the first year of the JT-2025 Management Plan, as a result of our pursuit of expertise in human resources we were able to increase the gross profit margin from 25.4% in the previous year to 26.0% this year. Starting from 20.2% in fiscal 2013, we have achieved a 5.8-point improvement over the last 10 years. Regarding “Human capital RoI” in the graph on the following page, although no immediate benefits from investment are visible, continual investment in human resources for training concierges leads to high value-added product sales based on lifestyle proposals, and has raised the profit base.

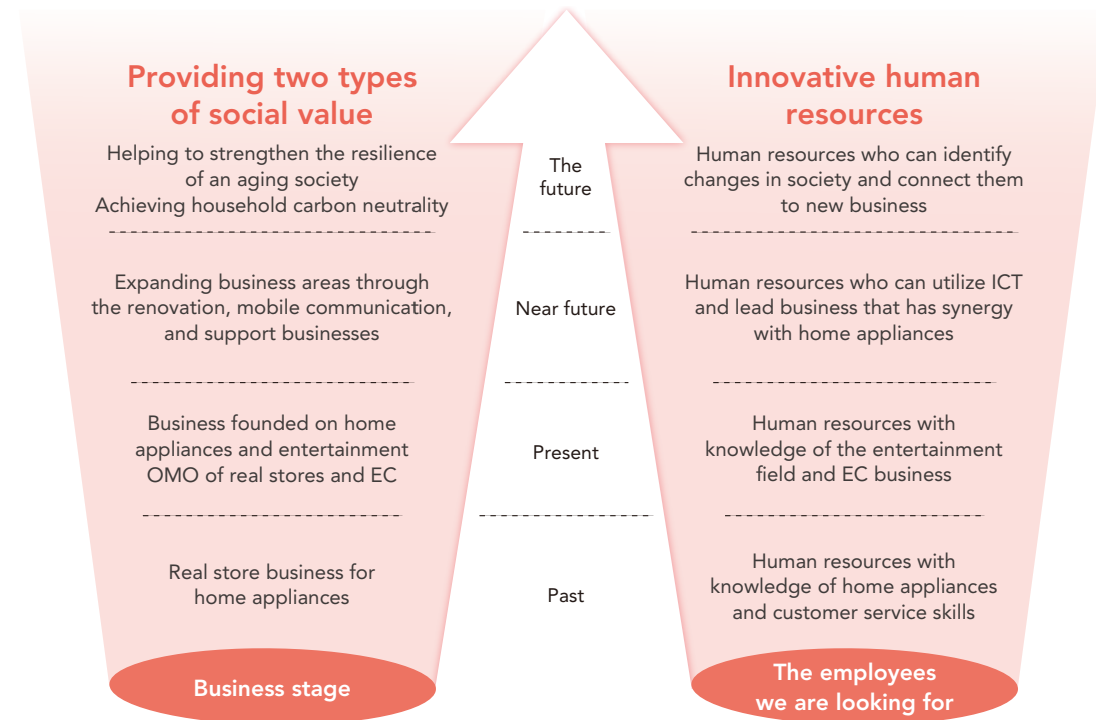
In May 2024, the Group introduced a performance-linked stock-based compensation system for employees. The purpose is to engender a sense of belonging and desire to participate in management among employees, and improve the awareness of increasing business performance and stock price, in order to improve the medium- to long-term corporate value of the Group.

Granting stock of the Company and sharing economic value as a result of improved business performance creates a feeling of unity among Joshin employees, and leads to sharing of interests with stakeholders. Aiming for partnership management where the Company and its employees share the same perspectives in creating economic value, we hope that this will serve as a trigger for a positive cycle of increasing corporate value starting from employee engagement.

The goal of our human resources strategy is for the Company and employees to share a management vision and values, have every employee feel a bond with the Joshin brand and actively demonstrate their abilities, and to motivate them to contribute to the creation of new social value. We intend to connect “new customer satisfaction” to improved corporate value through the active participation of employees in management, and to realize our management philosophy of “Connecting people and society to the future with a smile.”



## Human Resources Linked with the Business Stage

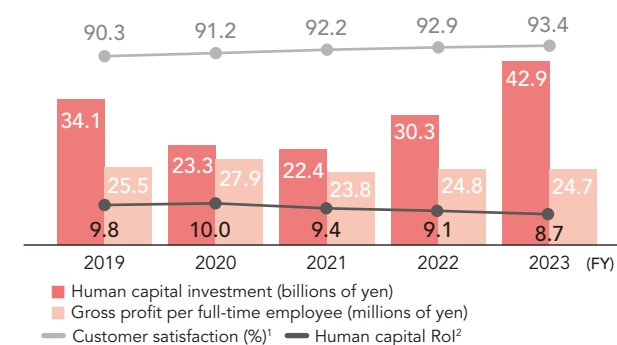


## Human Capital Investment

Note: Figures in ( ) are changes from the previous year.

FY2023 Human Capital Investment ¥4,293 million (¥1,266 million)	
<b>Recruiting and education</b> .....¥765 million (-¥17 million)	<b>Investments leading to job satisfaction and ease of work</b> .....¥114 million (-¥152 million)
<ul style="list-style-type: none"><li>Cost of hiring new graduates and mid-career workers</li><li>Recruitment expenses</li><li>Education and training expenses</li></ul>	<ul style="list-style-type: none"><li>Investment in new work styles</li><li>Salary compensation for <i>ikumen</i> (men rearing their children) leave and COVID-19 special paid leave</li><li>Nursing care support</li><li>Expenses for conducting engagement surveys</li></ul>
<b>Wage increases and a revised HR system</b> ..... ¥1,672 million (¥518 million)	<b>Investments in systems that improve productivity</b> ..... ¥1,742 million (¥917 million)
<ul style="list-style-type: none"><li>Wage increases (including part-time employees)</li><li>Risk-responsive lump sums for retirement annuities</li><li>Increased costs due to the extended retirement age, revision of the management retirement system</li><li>Talent management system introduction and operating costs</li></ul>	<ul style="list-style-type: none"><li>Expenses for self checkout systems, digital POP, and electronic pricing</li><li>Electronic receipt systems and order card issue systems</li><li>Expenses for introduction of generative AI, etc.</li></ul>

Human Capital Investment and Related Data



At present, we are making upfront investments to maximize the potential of our human resources and create value for the future. Going forward, we will continue investment to produce future leaders.

- Customer satisfaction (%) = very satisfied + satisfied in our online questionnaire
- Human capital Rol: ISO 30414 indicator [Sales - (Sales, general, and administrative expenses - (Wages and allowances + Bonuses + Legally required and other welfare expenses))] ÷ (Wages and allowances + Bonuses + Legally required and other welfare expenses) - 1
- In fiscal 2019 we carried out large-scale investment in electronic pricing.

## Human Resources Strategy

### Internal Environmental Improvement Policy

The Group believes that the active participation of diverse human resources is the source of our organizational strength to seize new business values, and to achieve sustainable growth. To improve the Group's corporate value by contributing to society as an infrastructure hub for a better life, it is necessary to create new value by understanding the issues and needs of society. For

that reason, the Group will create an internal environment where everyone is given a fair opportunity and can thrive in good mental and physical health while achieving job satisfaction.

We will then turn the ideas coming from the freethinking of diverse employees into new businesses as well as make sustainability management a reality.

### Human Capital KPI for Realization of Our Management Philosophy

We will implement initiatives aimed at building a rewarding work environment where diverse employees play a more active role.

Ideal form					
Category	KPI	FY2022 results	FY2023 results	Gap Negative gaps are indicated by "-."	FY2030 target
Securing human resources Human resource development	Number of new graduates and mid-career hires	238	237	87	150 annually
	Turnover rate (female permanent employees)	4.8%	5.2%	-2.7%	2.5% or less
	Turnover rate (male permanent employees)	2.5%	2.6%	-0.1%	2.5% or less
	Turnover rate (permanent employees total)	2.8%	2.9%	-0.4%	2.5% or less
	Number of Home Appliance Advisor certification holders (total number of people)	6,524	6,676	-	-
	Number of Smart Master certification holders	2,267	2,436	-	-
Diversity & Inclusion	Percentage of female directors	22.2%	22.2%	-7.8%	30.0%
	Percentage of female managers (section manager or higher)	1.3%	1.8%	-3.2%	5.0%
	Percentage of female junior managers (deputy section manager or higher)	3.6%	4.3%	-15.7%	20.0%
	Number of female chiefs	35	40	-	-
	Percentage of female permanent employees	13.0%	14.1%	-15.9%	30.0%
	Percentage of female employees	36.5%	36.7%	-13.3%	50.0%
	Percentage of female new employees	47.2%	56.4%	6.4%	50.0%
	Wage difference between men and women (permanent employees)	71.4%	72.1%	-5.9%	78.0%
	Percentage of employees with disabilities	2.7%	2.7%	-0.3%	3.0%
	Number of employees 65 years old and over	102	126	-	-
Health and productivity management	Rate of male employees taking childcare leave or leave for the purpose of child care <sup>1</sup>	100.0%	96.3%	-3.7%	100.0%
	Health index score <sup>2</sup>	-4.2%	-4.2%	-6.2%	+2.0% average score across Japan
	Presenteeism <sup>3</sup>	92.9%	93.0%	-1.0%	94.0%
	Medical checkup participation rate	99.5%	98.3%	-1.7%	100.0%
	Stress check participation rate <sup>4</sup>	98.7%	98.9%	-1.1%	100.0%
	Overtime work hours (monthly average)	15.0 hours	13.6 hours	-	-
	Paid leave usage rate (all employees)	62.9%	60.9%	-9.1%	70.0%

- Rate of male employees taking childcare leave or leave for the purpose of child care: Rate of taking childcare leave or leave for the purpose of child care based on the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members
- Health index score: An original index compared with national data based on the number of those who have medical checkup results for weight, blood pressure, liver function, fats, and blood sugar within the average range and of nonsmokers (target: 40 years old and above)
- Presenteeism: Where employees are at work but their work efficiency is declining due to health problems (measured by WLQ-J). Performance in the best condition is calculated as 100%.
- Stress check participation rate: All business sites are targeted, including those with less than 50 people.





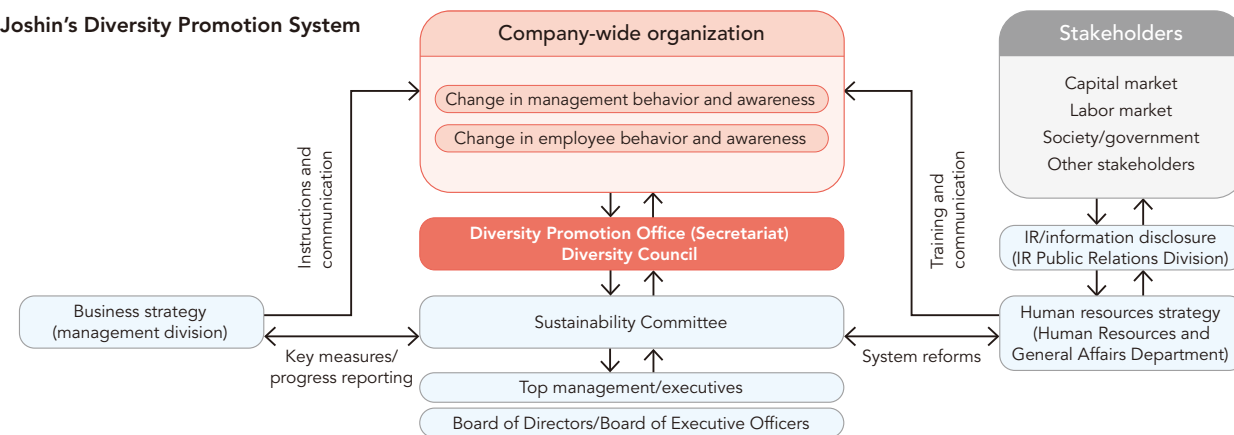
## Diversity & Inclusion

Diversity and Inclusion (D&I) helps to realize job satisfaction and ease of work, and to create a foundation that opens up business prospects from diverse perspectives. We believe that the promotion of D&I is necessary to connect with society through services that bring smiles to the faces of our

stakeholders and to pass on a prosperous future to the next generation. We announced the Joshin Group D&I Policy in March 2023, viewing our goal through D&I promotion as the success of all employees and sustainable growth as a company.

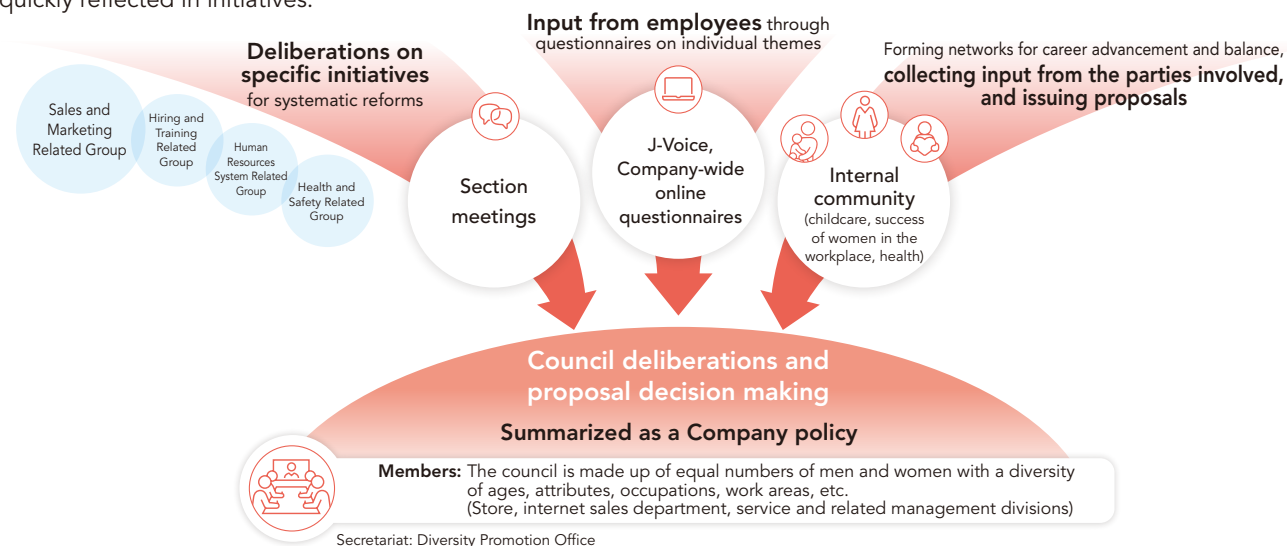
<https://www.joshin.co.jp/en/csr/policy/list/di/main/0/link/DI.pdf>

### Joshin's Diversity Promotion System



## Employee Participation in Management through the Diversity Council

The Diversity Council allows employees to directly communicate their opinions to management and have their opinions quickly reflected in initiatives.



### Results of Main Activities in FY2023

The council holds discussions aimed at achieving job satisfaction and improved work environments using monthly one-hour online meetings and group chats.

- Removed (partially relaxed) restrictions on promotions resulting from the selection of working location under the personnel system
- Increased the number of prescribed working hours under the shorter working hours system for nursing care to six patterns
- Developed stores with women in leadership positions
- Added new subsidy system for childcare expenses on holidays
- Began initiatives of the engagement survey use promotion team

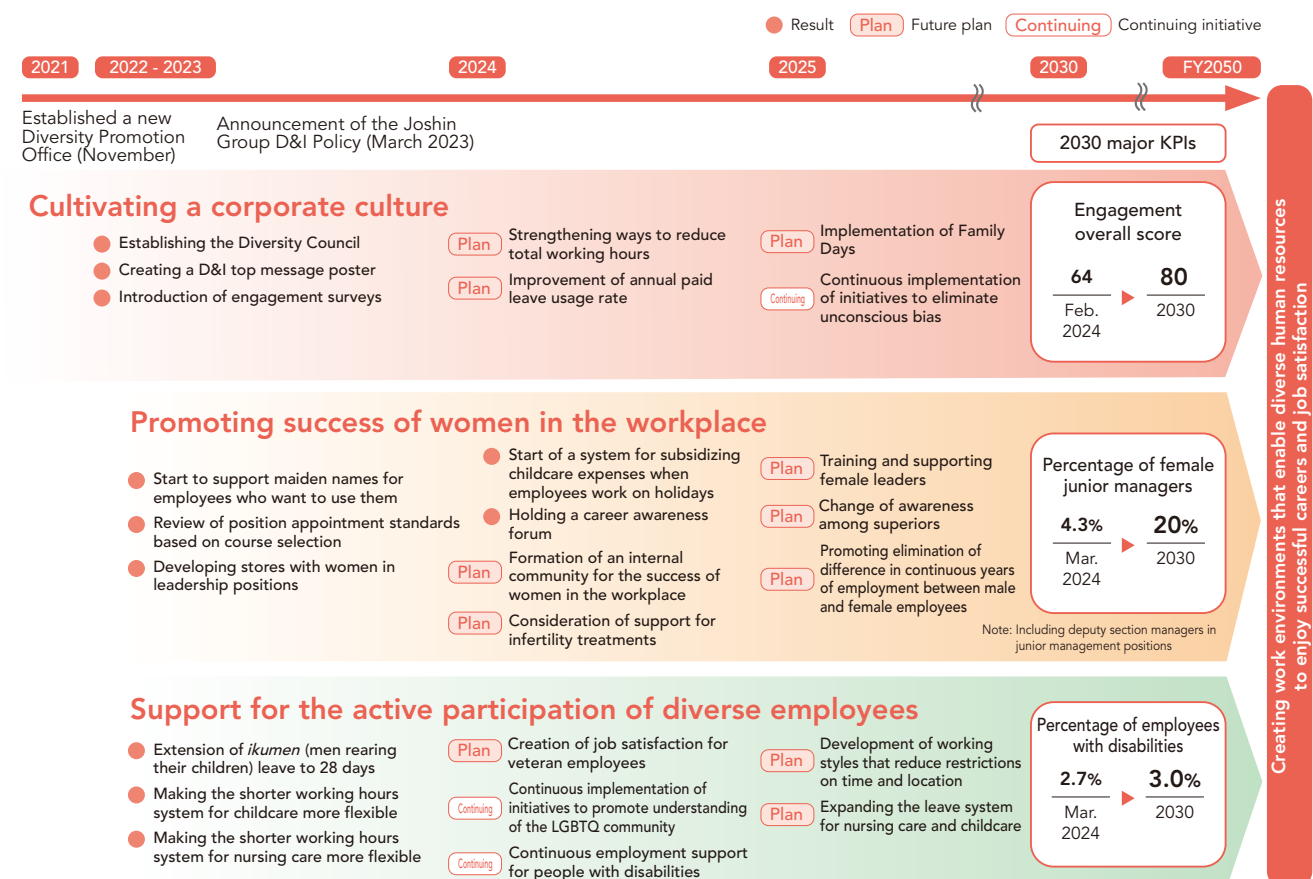
**Chiemi Ogawa**  
Store manager,  
Kashihara Store  
(Appointed October 2023)



### I want to create a strong, unified team.

I want to create a team that can really help in the face of adversity, and where each member can give their input. I want to make clear our sense of purpose for why we do our work, and want my approach to being a store manager as someone who supports the staff.

## Joshin Group D&I Promotion Roadmap



### Initiatives for Elimination of Gender Bias

As shown in the percentage of female managers and the wage gap between men and women, the promotion of women remains a challenge for the Group. The primary causes of the wage gap are that, under the personnel system, more than 40% of female employees choose the course that involves reduced salary but no moves or transfers in the selection of work location, in addition to the smaller number of female managers and the large ratio of part-time female employees.

In order to identify the reason for the small number of female managers and take corrective action in the future, we investigated the correlation between promotions and having children or not or the timing of having children for groups with different years of continuous employment. While having children or not showed no effect in past promotions of men, an effect was seen in promotions of women. In order to further expand the promotions of female employees that became more active since around 2015, we recognize the importance of removing the difficult obstacles for employees who are raising children or employees who may raise children in the future. In fiscal 2023, we removed (partially relaxed) restrictions on promotions resulting from the selection of working location under the personnel system.

### Encouraging men to take paternity leave

In order to support a balance between work and childcare regardless of sex, in April 2024 we extended the required number of leave days from 14 days to 28 days for "*ikumen* leave (special paid childcare leave for a maximum of 28 days)." In fiscal 2023, 103 persons (leave taking rate 96.3%) took an average of 14.7 days of leave.

### Women's career awareness forum

We solicit volunteer participants, and 11 female employees participate in this forum for shaping their future careers. Participants share their concerns about their careers and learn about careers within and outside of the Company while receiving advice from the female outside officers who are participating as observers.

### Support or the Active Participation of Diverse Employees

In order for a corporation to grow in rapidly changing times, it is necessary to identify risks and opportunities by making use of diverse perspectives.

### Creation of job satisfaction for veteran employees

The Group is raising the retirement age by one year each year and we will extend the retirement age to 65 by April 2025. We will use the senior employees' abilities and skills in developing successors and to support the younger generation. In this way, we will build work styles that lead to job satisfaction for veteran employees.

### Employment support for people with disabilities

To support employment that matches individual characteristics, we conduct trial training during hiring and are now intending to employ one person with disabilities in every department of our stores, primarily in the Kansai and Tokai regions. We also work to develop job opportunities in cooperation with local employment support agencies and school career guidance counselors.

### Promoting understanding of the LGBTQ community

In order to deepen understanding of diverse sexuality, we are carrying out video-based training and sharing information about allies. The Diversity Promotion Office will be a consultation service and will take the initiative by first acquiring knowledge and understanding.

Creating work environments that enable diverse human resources to enjoy successful careers and job satisfaction



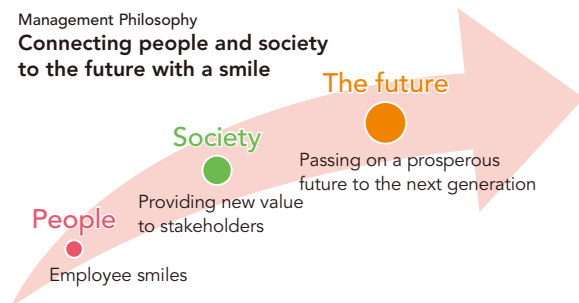
## Securing Human Resources

### Basic concept

The smiling faces of our employees are the driving force behind continual growth of the Group. Only when employees can participate actively with smiles on their faces can we provide services that bring smiles to our customers and all other stakeholders. For this purpose, we are working to create an environment where all employees can work with peace of mind, and to secure a diverse pool of human resources.

- Achieving a balanced age configuration ▶ Hiring of recent graduates (around 100 annually)
- Securing specialized knowledge and skills as well as diverse values ▶ Hiring of experienced employees (around 100 annually)

- Vitalizing employees by providing opportunities for career advancement
- ▶ Promoting part-time employees to full-time (around 50 annually)



### The employees we are looking for

#### Maximizing strengths Utilizing proposal-type sales strength to turn lifestyle changes into opportunities

We are seeking human resources who have expert knowledge as concierges who provide ideas for rich lifestyles, as well as human resources who produce new value in a growth business that turns lifestyle changes into opportunities. Without being fixated on a uniform personnel image, and actively evaluating and hiring persons with a wide range of experience and personalities, we aim to create a highly diverse corporate culture.

### Strengthening direct recruiting

#### Making up for weaknesses Ensuring diversity through strengthening of hiring and female empowerment

We are already using direct recruiting for hiring women. Going forward, we intend to directly approach students and mid-career hires in various fields to support our core appliance business segment and potential new businesses that we will enter in the future. Specifically, we will leverage direct recruiting for securing employees who can excel in the following specialties:

- Renovation
- Mobile communications
- Support services
- Marketing/promotions
- ICT/DX
- Logistics
- Delivery, installation, and construction

To support the activities of our diverse members, we are focusing on supporting work-life balance. In our hiring activities, we also distribute booklets featuring women's careers, and are taking other steps to increase the percentage of female employees.

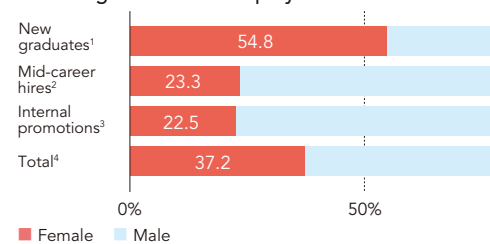
### Employee retention initiatives

#### Maximizing strengths Deepening connections with fans by utilizing our high retention rate

The Group has managed to keep our turnover rate low,\* supporting the retention of experienced employees. This is a major strength of our fan base strategy, which involves building deeper relationships with customers over time.

However, issues include the fact that the turnover rate for employees in their 20s is higher among both men and women

Percentage of Female Employees in Recruitment and Promotion



1. New graduates joining in April 2024
2. Mid-career hires in fiscal 2023
3. Employees promoted from part-time to permanent positions in fiscal 2023
4. Percentage of female employees in the above three categories

than for other age groups, and that the turnover rate is higher (5.2%) among women than men. We are promoting the appeal of multi-path careers while focusing on continuing to support employment and retention, and eliminating gender bias.

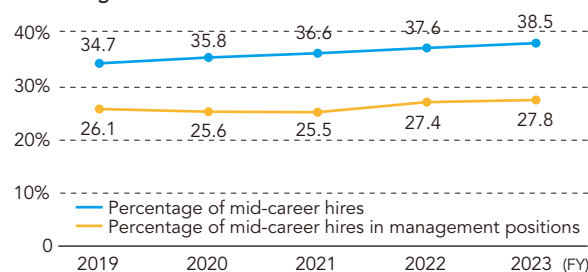
\* Turnover rate of permanent employees: 2.9% Reference: In the results of the 2022 Employment Trends Survey released by the Ministry of Health, Labour and Welfare, the average turnover rate among general workers was 11.9%.

### Securing employees in strategic areas

#### Making up for weaknesses Securing expert knowledge by strengthening mid-career hires

We are promoting career recruitment of people with specialized skills to respond to changing social needs and to create diverse values. To increase the percentage of mid-career hires, approximately 50% of the planned hires for each fiscal year are mid-career hires.

Percentage of Mid-Career Hires



Reference data	Total Group employees	Permanent employees: 4,113 (47.2%)
	8,711	Part-time employees: 4,598 (52.8%)

## Human Resource Development

### Human resource development policy

The Group believes that human resource development is an investment that will result in sustainable growth. To develop employees who are sensitive to changes in the environment and motivated to transform the Company's structure and business model, we encourage employee participation in management by creating opportunities for everyone to express their opinion, and their opinions are reflected in our policies.

### Career enrichment support

#### Maximizing strengths Increasing our proposal capability for a diverse range of lifestyles with concierge training utilizing specialized knowledge

##### ▶ Education supporting specialization for core business segments

To enable employees to independently learn the skills and knowledge required for their work, we have designated 25 recommended qualifications in 13 fields, provide subsidies for obtaining and renewing qualifications, and provide other active support for skills improvement. The number of persons with home appliance advisor certification has reached 84.2% of full-time employees; 55.6% of employees have already acquired the Smart Master certification for knowledge that is essential for the renovation and energy-conservation business, and we are further improving our ability to deliver proposals to customers.

Certifications and Number of Holders

Title	Type	Holders (including persons holding multiple certifications)
Home appliance advisor	All sorts	6,676
Home appliance engineer	All sorts	406
Smart Masters	—	2,436
Qualified electrician	All sorts	308
Installation technician	All sorts	292
Health supervisor	All sorts	226
Photo master	1st-3rd grade	1,854

\* Number of certifications held by officers, permanent employees, junior employees, temporary employees, and part-time employees of the Joshin Group

### Develop autonomous human resources

#### Facing threats with strength Creating ownership through an extensive personnel welfare system

##### ▶ Conduct management reviews

At the beginning of each fiscal year, senior staff meet with employees and Smile Partners (part-time employee) to set individual job goals and directly convey expectations to each employee. We encourage employees and Smile Partners in their self-directed skill development and personal growth by having them take on the challenge of creating ways to help themselves to accomplish their goals and experience a sense of achievement.

##### ▶ Well-placed employees (self-reporting)

Self-reporting is a tool for employees to report their desired department and future position, and it has become a well-placed practice to encourage employees to exercise their abilities autonomously by assigning the right person to the right job. Every year, many suggestions are received from employees through self-reporting forms.

Then every employee feels a bond with the Joshin brand and voluntarily demonstrates their abilities, resulting in the desire to actively contribute to the creation of new value. We create new levels of customer satisfaction and intend to improve our corporate value by offering services provided by employees with deep knowledge and experience.

#### Making up for weaknesses Creating motivation by improving IT literacy and developing innovation through reskilling

##### ▶ Initiatives to promote DX

We have started the use of generative AI to actively promote DX for realizing our management vision of becoming a hub for the infrastructure of life through the power of home appliances and ICT, and conduct online DX training for all employees. 1,724 employees (41.0%) have already participated, deepening their understanding of the DX that will bring innovations to business, while gaining insights into operational improvements.

Training Hours and Cost

Item	Result
Frequency (days)	309
Total hours	57,259 <sup>1</sup>
Total no. of trainees	109,313 <sup>2</sup>
Cost of training (yen)	65,995,000

1. E-learning is calculated by setting the average viewing time to 5 minutes per content and multiplying that by the number of times viewed.
2. Figures for temporary employees are also included in the total number of trainees.

### Nurture next-generation leaders

#### Minimizing weaknesses and threats Connecting the creation of job satisfaction for veteran employees to training of the next generation

51 members of management in positions of department head and higher, including officials at Group companies, regularly attend "executive training," and acquire a wide range of knowledge that will be required by the next generation of leaders.

[Training themes in FY2023] Note: 100% course attendance rate for both 1) and 2)

- 1) Readiness for cyber risks in corporate management
- 2) Trends in human capital and the corporate response to them

In April 2024, we revised the system for maintaining qualification grades at the time when persons in management positions reach post-retirement age. We have many veteran employees who want to take on the role of training the next generation, and we are building work styles in which the communication of knowledge leads to the creation of job satisfaction for veteran employees.



## Employee Engagement and Executive Officer's Message

The Group will link the creation of customer satisfaction resulting from improved employee engagement to continued growth and increased corporate value.

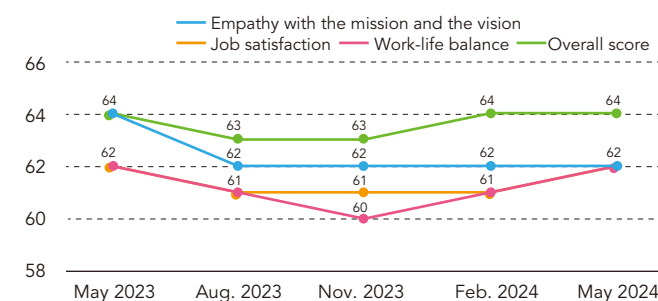
### Engagement surveys

We introduced an engagement survey in April 2023 as a management support tool for every department to regularly check on the progress of initiatives that create a comfortable, rewarding work environment.

**Fifth survey overall score: 64 (±0 from previous year)**

- \* Conducted in May 2024
- \* Retail standard average score: 66
- \* Survey covered more than 8,000 employees (including part-time employees) from all Group companies engaged in the home appliance sales and support business
- \* Wevox by Atrave, Inc. is the survey tool that was used
- \* The overall score is reflected in the stock compensation of executive directors and executive officers as a long-term incentive.

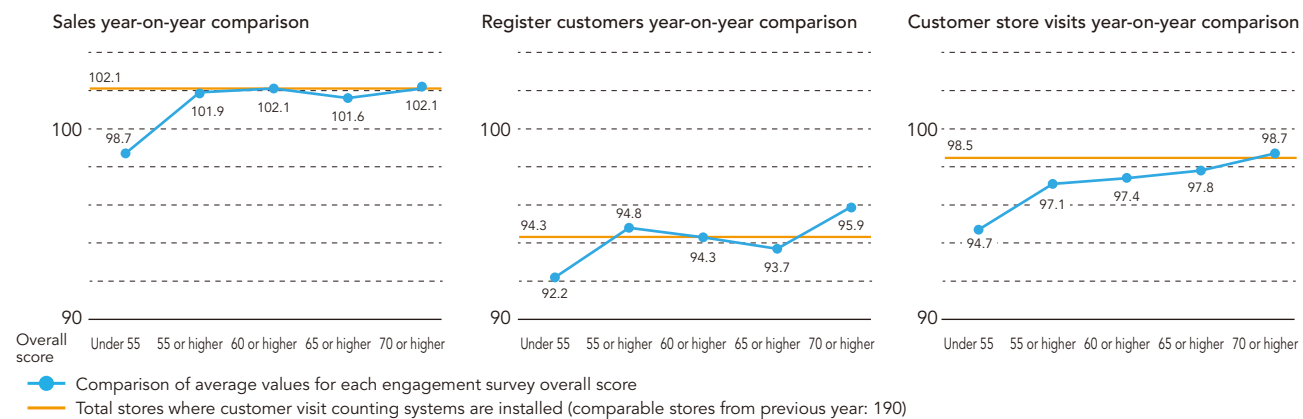
Changes in Overall Scores and Focus Items



### Issue-based awareness

In the first fiscal year of introduction, we conducted training for staff and formed a promotion team in order to begin engagement improvement activities. As promoting use of the survey as a tool for expressing mental state has only just started, there have been no large changes in the scores of the primary items. Regarding "Sympathy with mission/vision," we are carrying out initiatives so that employees will think of the management philosophy as it relates to their own work. At stores where engagement is high, sales and numbers of customer visits tend to be higher year-on-year in comparison to stores where engagement is low. Engagement is a key to organizational performance.

### Correlation between Overall Engagement Score and Sales Data



### Initiatives of the engagement survey use promotion team

One store from each area is selected as a promotion team that is taking proactive steps to improve engagement. One leader on each promotion team participates in promotion leader meetings where opinions on how to improve engagement are exchanged. Information about initiatives of the promotion teams is shared on the intranet, and is applied to activities throughout the Company.



### Promote management by smoothly sharing information between labor and management

The labor union represents the workers and works to improve working conditions and economic positions. It also develops a relationship of trust with the Company that is the foundation for improving employee engagement. The Company and the labor union regularly hold labor-management council meetings. From the Company's side, detailed information is shared about the changing management environment, management policies, business plans and their progress, financial results, and other items. From the labor union, issues are raised related to the work environment of employees and suggestions are made to management, making this a valuable forum for information sharing between labor and management. Labor-management council meetings are attended by the Company's executive directors and executive officers, as well as the union's full-time officers and executives from each region. This facilitates the sharing of management's visions and policies, and other details, with frontline union members. The council, as well as driving the business forward, plays a leading role in establishing a management system in which labor and management are united.

(Collective agreement coverage: 92.9%)

### Executive Officer's Message

As indicated in the human rights strategy overview diagram, people are the driving force of continued growth and improving corporate value. Securing and training human resources is a management issue of top importance. (For a diagram of the human resources strategy overview, see p. 58.)

#### Securing human resources

As the working population continues to decline, the Joshin Group is working to achieve a personnel balance in age groups while improving its corporate value by further promoting D&I and polishing our appeal to make ourselves the corporation chosen by people within and outside the Company. We must also create a foundation that allows for flexible choices of work styles and provides fair opportunities so that we can make use of the abilities of diverse human resources with changing lifestyles and senses of values. Based on this understanding, in fiscal 2023 we removed\* restrictions on promotions resulting from the selection of working location in the personnel system. This system revision enables employees who were previously restricted in their working locations because of their involvement in childcare or nursing care to aim for management positions based on their abilities and performance. The Group will transition to a 65-year retirement age system in the future, which increases the percentage of employees in their 60s. We will utilize the extensive experience and skills that they have accumulated and promote working styles that provide job satisfaction to veteran employees.

\* Relaxed at some subsidiaries.

#### Human resource development

Our strength is our ability to provide proposals that enhance everyday living in line with customer needs. We promote the acquisition of recommended qualifications for developing expert human resources, and conduct DX training to cultivate perspectives that will fuel innovation in the structure of our business. In addition to training for each level, we continually conduct management training to develop the next generation of management executives. As a new trial, we have started an initiative for women's career awareness forums that foster a career perspective while networking. We provide support for career development as volunteer participants gain the necessary confidence to take a proactive approach to their own careers.

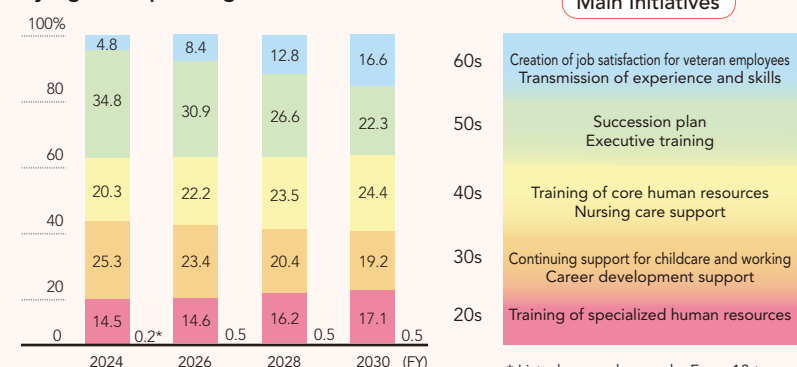
The Group is focused on human resource development to secure human resources and improve expertise by improving company appeal, and is working to increase its corporate value.



**Kiminori Nishio**

Executive Officer in Charge of Human Resources and General Affairs

**Projected Changes in Employee Structure by Age Group through FY2030**



#### Main Initiatives

- Creation of job satisfaction for veteran employees
- Transmission of experience and skills
- Succession plan
- Executive training
- Training of core human resources
- Nursing care support
- Continuing support for childcare and working
- Career development support
- Training of specialized human resources

\* Listed as numbers only: From 18 to less than 20 years of age

Building a Responsible Value Chain

Promotion of Safe and Secure Procurement Based on the Joshin Group Procurement Policy and Procurement Guidelines

Responding to social demand for environmental protection and human rights required of the Group is no longer just our responsibility but that of the entire supply chain. For this reason, we established a Procurement Policy that includes selecting business partners, taking into consideration human rights, labor, and the natural environment, as well as monitoring

and improvements, and we will work hard for more sustainable procurement. In addition, the Procurement Guidelines, based on the Procurement Policy, help us to maintain and improve the environment and society throughout the supply chain. All of our suppliers are now expected to follow these guidelines.

Please refer to our website for details of the Procurement Policy and Procurement Guidelines. <https://www.joshin.co.jp/en/csr/policy/list/procurement/main/0/link/Procurement.pdf>

Sending of Joshin Group ESG Videos to Suppliers

In January 2024, we created a video introducing the Group initiatives related to ESG, titled “Joshin Group ESG—About the Joshin Group Procurement Guidelines.”

We sent the URL for accessing this video together with a supply chain procurement questionnaire to the top 249 suppliers of the Company, and requested that they view it.

Compared to actually gathering the suppliers together for an explanation meeting, this allows viewing at a convenient time within the period. By responding to questions through a questionnaire system, we believe that this method provided a better understanding of the purpose of the Joshin Group

Please see our website for the video. <https://www.joshin.co.jp/en/csr/policy/policy-4629973818172643225.html>

Procurement Policy and Procurement Guidelines, and details of our ESG activities.



The video that was viewed by suppliers has been edited for general viewing and uploaded to the corporate website.

Supply Chain Procurement Questionnaire Results and Objectives

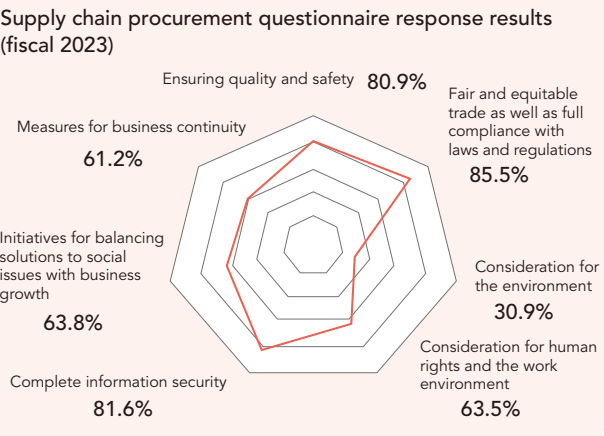
In January 2023 we conducted the first “supply chain procurement questionnaire” as an assessment of whether or not our suppliers are engaged in suitable management and operations. The questionnaire centers on the Ten Principles of the UN Global Compact that is the foundation of our Human Rights Policy, Procurement Policy, Anticorruption Policy, Environmental Policy, and other policies, including protection of human rights, elimination of unfair labor, and addressing environmental problems.

The Company has set an objective of achieving a 70% sustainable procurement rate (procurement from suppliers responding to the questionnaire / total Company procurement) by 2030. The result in fiscal 2023 was 68.8%.

The results of the questionnaire showed that many suppliers have constructed internal systems for implementing sustainable initiatives and enacted measures for “ensuring safety and quality,” “fair and equitable trade as well as full compliance with laws and regulations,” and “complete information security.” Regarding “consideration for the environment,” we learned that there are many suppliers who are facing issues in construction of an internal promotion system and information disclosure.

We will continue the supply chain procurement questionnaire in the future in order to identify issues with human rights, environment, and others in the supply chain, and discuss solutions to be carried out in cooperation with suppliers when improvements are necessary.

We will also work to improve engagement by actively establishing opportunities for dialogue with suppliers who fail to respond.



Note: For all questions, the ratio of the highest response is indicated as a percentage, and the average value for each question item is shown.

Number of questionnaires sent	249 companies (selected from the top values of procurement)
Questionnaire responses	151 companies (response rate 60.6%)
Sustainable procurement rate	68.8% (Procurement from suppliers responding to the questionnaire / Total Company procurement)

Providing Safe and Secure Products and Services

Approach to Product Safety and Voluntary Action Guidelines

Since Joshin was founded, we have been developing our business based on the concept that “The duty of a retailer is to ensure that the customers who purchase products always use them with peace of mind,” with the consistent offering of safe and secure products and services to our customers as a key question.

We formulated the “Voluntary Action Guidelines for Product Safety of Joshin Group” in 2007 to further embody this idea, and have developed a product safety promotion system in cooperation with the Group, so that our customers can always select and use the products we sell with peace of mind.

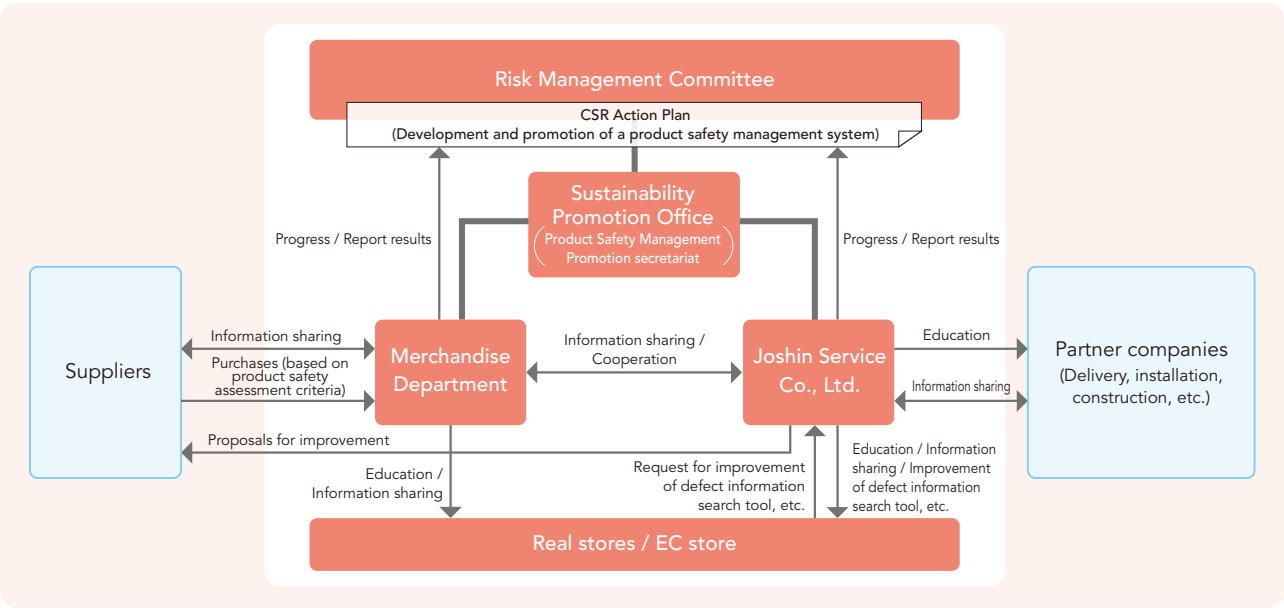
Please see our website for the “Voluntary Action Guidelines for Product Safety of Joshin Group.” [https://www.joshin.co.jp/en/product\\_secure.html](https://www.joshin.co.jp/en/product_secure.html)

Product Safety Management Promotion System

At our Group, every division in charge of product safety reports to the Risk Management Committee every quarter on the state of activities based on the CSR Action Plan for the development and promotion of the product safety management system, in

this way sharing information. The Risk Management Committee regularly reviews the CSR Action Plan, and has established a system to direct departments to make required improvements.

Diagram of the product safety management promotion system



Development and Implementation of Education System

We proactively incorporate product safety-related subjects into the curriculum of various employee training programs conducted within the Company. Also, employees of our aftersales service department serve as instructors to provide product safety education to delivery, installation, and construction partner companies. Further, at the Joshin Training House inside our Technical Training Center, we conduct training for delivery, installation, and construction suitable for various house structures to prevent product accidents due to installation defects.

In order to maintain the Company's operating standards and high-quality services, beginning from fiscal 2023 we have increased the variations in training for employees of partner companies.

In addition to training to prevent recurrence of serious

accidents and training to reinforce CS and work quality, we also carry out introductory training for partner companies and are working for complete safety education and to strengthen delivery and construction skills.

Result of training for employees (including training on product safety)

Targets of the training	Frequency
Management candidates	At least 10 times a year
Service technology	At least 100 times a year
Solar power & Home renovation	At least 10 times a year
Product installation demonstration (store staff)	A few times a year
New employee	Once a year

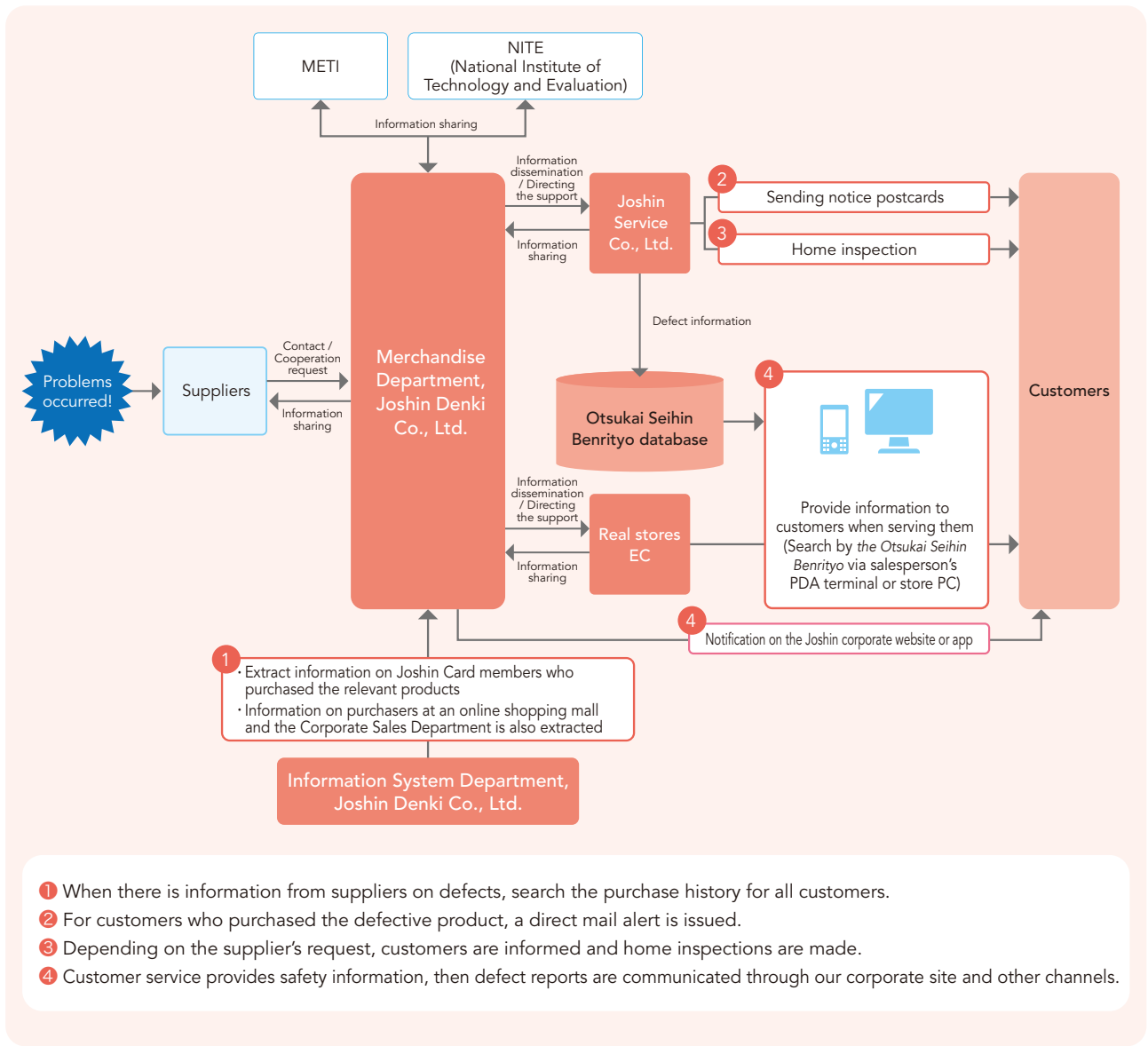
Result of training for external companies (including trading on product safety)

Targets of the training	Frequency
Delivery & Construction (partner companies)	At least 70 times a year

○ Flow When a Defect Occurs (Joshin's Response)

In the event that a defective or faulty product is reported, the Company will work closely with the supplier and take prompt action following the workflow shown below. All information on products handled is managed and controlled by the

Merchandise Department, and whenever a problem occurs, the department issues instructions to each business site with a summary of countermeasures, which are then followed.



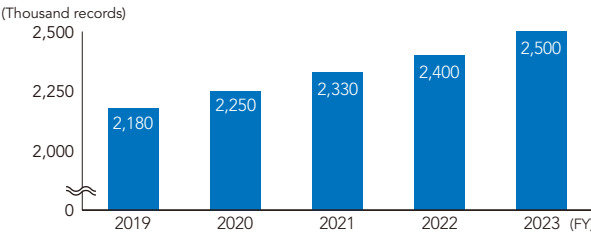
○ Defect Database and How It Is Used

Information on defects is stored in the Otsukai Seihin Benrityo database. The database stores approx. 2.5 million items (as of March 31, 2024) of product information and related information, and is Joshin's proprietary system that allows employees to easily retrieve information on the product itself, related information such as compatible consumables and accessories, and even defect information from their PDA terminals and store PCs.

Using this system, we provide customers with information on product defects even when they inquire about consumables and accessories. Moreover, we have established a system

enabling us to send direct mail on defects based on the purchaser data of consumables and accessories.

Quantity of product information registered in the Otsukai Seihin Benrityo database



Note: Number at the end of each fiscal year

○ Suggestions for Product Improvements Using Data on Repairs

The Group currently receives about 400,000 repair requests annually through stores, service centers, and call centers.

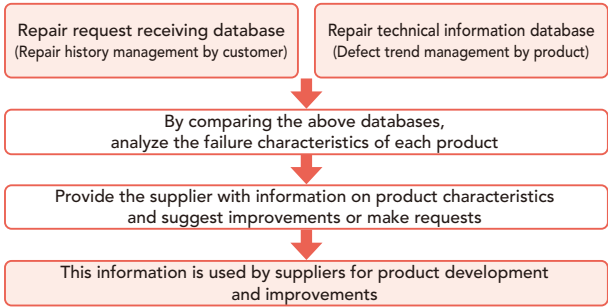
The information received during repair requests and the technical information obtained during repairs are compiled into a database to analyze the failure characteristics of each product.

The analysis results are shared with suppliers during dozens of information exchange meetings throughout the year, which provide suggestions for product improvements.

In addition to suggestions on how to improve products, we also collect feedback from delivery and installation workers and propose ideas to suppliers to prevent accidents during delivery and installation.

In this way, the Group, from the standpoint of being close to customers, contributes to improving the safety of home appliances and other products.

Information flow on product characteristics based on repair history



○ External Evaluations (Product Safety Awards)

The Product Safety Awards commend advanced product safety initiatives by companies, aiming to establish product safety as an essential value in business operations and consumers' lives, and to ensure the safety of products throughout society.

The Company was certified as the first Gold Medal Winning Company\* in the Product Safety Awards. Since then, the Company has been recognized for proactive initiatives aimed at achieving a higher level of product safety, while maintaining our existing initiatives. Since the Awards Committee followed up—confirmation that the initiatives at the time of certification are still being maintained, which is conducted every five years after certification as a Gold Medal

Winning Company—the “★” mark was added to the Product Safety logo for the first time.

\* A company that has won the highest rating in the Product Safety Awards, the Minister of Economy, Trade and Industry Award (Gold Award) three times or more are certified as a Gold Medal Winning Company.



○ Engagement with Government Agencies and Local Communities

The Product Safety Community is a forum for discussing advanced product safety initiatives and cultivating a culture of product safety through collaboration among Product Safety Awards-winning companies, and with experts, such as judging committee members, the Ministry of Economy, Trade and Industry, and the National Institute of Technology and Evaluation (NITE). The goal is to deepen public understanding of product safety as well as to create and expand a product safety market in which consumers preferentially select products and services that consider product safety. The Company plays a central role as a core company in the Product Safety Community, actively participating in studies for new national product safety systems and distributing information to consumers.

In fiscal 2023, we lectured at a product safety lecture event for senior citizens “Useful Facts About Product Safety”

For more information on Providing Safe and Secure Products and Services, see Defect trend management by product. <https://www.joshin.co.jp/en/csr/social/safety.html>

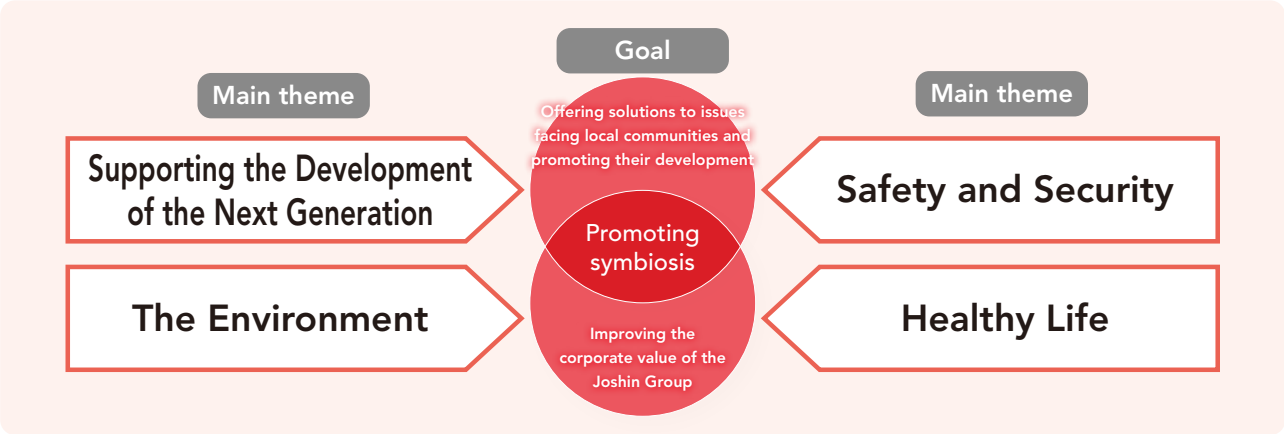
that was held jointly by the Ministry of Economy, Trade and Industry and a local government (Atsugi City). We also cooperated in creating product safety inspection videos on the website of the Ministry of Economy, Trade and Industry.

The Company has also concluded a Comprehensive Cooperation Agreement with the government of Osaka Prefecture, and conducts visiting after-school children's classes on the subject of product safety at elementary schools administered by the Osaka government. In fiscal 2023, we conducted a class titled, “Home Appliance Safety—Becoming a Home Product Safety Leader.” During the visiting class, we conducted quizzes and showed videos to the children while teaching them about important points for preventing product accidents at home and in school lives, as well as information about systems for ensuring product safety and product safety marks.



Promoting Synergies with Local Communities

The Joshin Group believes that our brand value increases when we successfully develop a good relationship with local communities as part of our business operations, and by offering solutions to issues facing local communities while promoting their development through our business activities. These efforts toward symbioses with local communities create business benefits and value. By putting these benefits and value into the cycle of capital, we will contribute to the development of these communities and improve our corporate value.



Support Following the 2024 Noto Peninsula Earthquake

Following the Noto Peninsula Earthquake in 2024, we provided a variety of support for recovery for many reasons including because the Group operates in those communities. Beginning from January 2024, we have collected assistance through donations at our stores, and provided matching assistance from the Company to the generous donations received from customers and employees, donating five million yen to the Japan Red Cross. In February 2024, in response to a request for support for home appliances in free housing provided to victims by Osaka Prefecture, we donated home appliances (electric kettles, air purifiers, and humidifiers, 40 of each) to support the disaster victims.

E-Sports Project Conducted in Cooperation with Local Governments

As the Group considers project activities for achieving “Promoting synergies with local communities” that is positioned as a material issue, we believe that contributing to community revitalization in cooperation with local governments, and nurturing the next generation and providing them with opportunities for new experiences, is one of our important missions. One area is the e-sports that are particularly popular among the younger generations and are receiving attention as an area where we can increase our corporate value, and we are actively involved in projects related to e-sports.

**E-sports project activity results (fiscal 2023)**  
We support the E-Sports MICE Content Verification Project conducted by Izumisano City in Osaka Prefecture, and provided donations using the corporate version of the hometown tax system, which were used in the following two events hosted by Izumisano City.

- E-Sports Camp 2023 Summer e-sports camp for high school students
- E-Sports Game Creator Academy Spring 2024 job experience event that parents and children participate in together

In addition in February 2024, we provided the eSPORTS Arena Kobe Sannomiya on the 9th floor of Joshin Sannomiya 1 Bankan as the championship venue for the HYOGO High School E-Sports Championship for high school students organized by Hyogo Prefecture.



Scene from the E-Sports Camp 2023 Summer held in August 2023



HYOGO High School E-Sports Championship held in February 2024

Corporate Governance

Basic Concept of Corporate Governance

Our management philosophy is “Connecting people and society to the future with a smile” and our management vision is “Becoming an infrastructure hub for a better life through the power of home appliances and ICT.” To realize the goals of our vision and philosophy, the Group chose seven material issues (materiality) that we should address first.

The Company examined these issues from the viewpoints of their risks and opportunities, while incorporating them into our management strategies and business portfolio. We intend to continue improving our corporate governance system to better manage the value creation processes that we have built up, using our capital flow in a beneficial cycle to create more social and economic value.

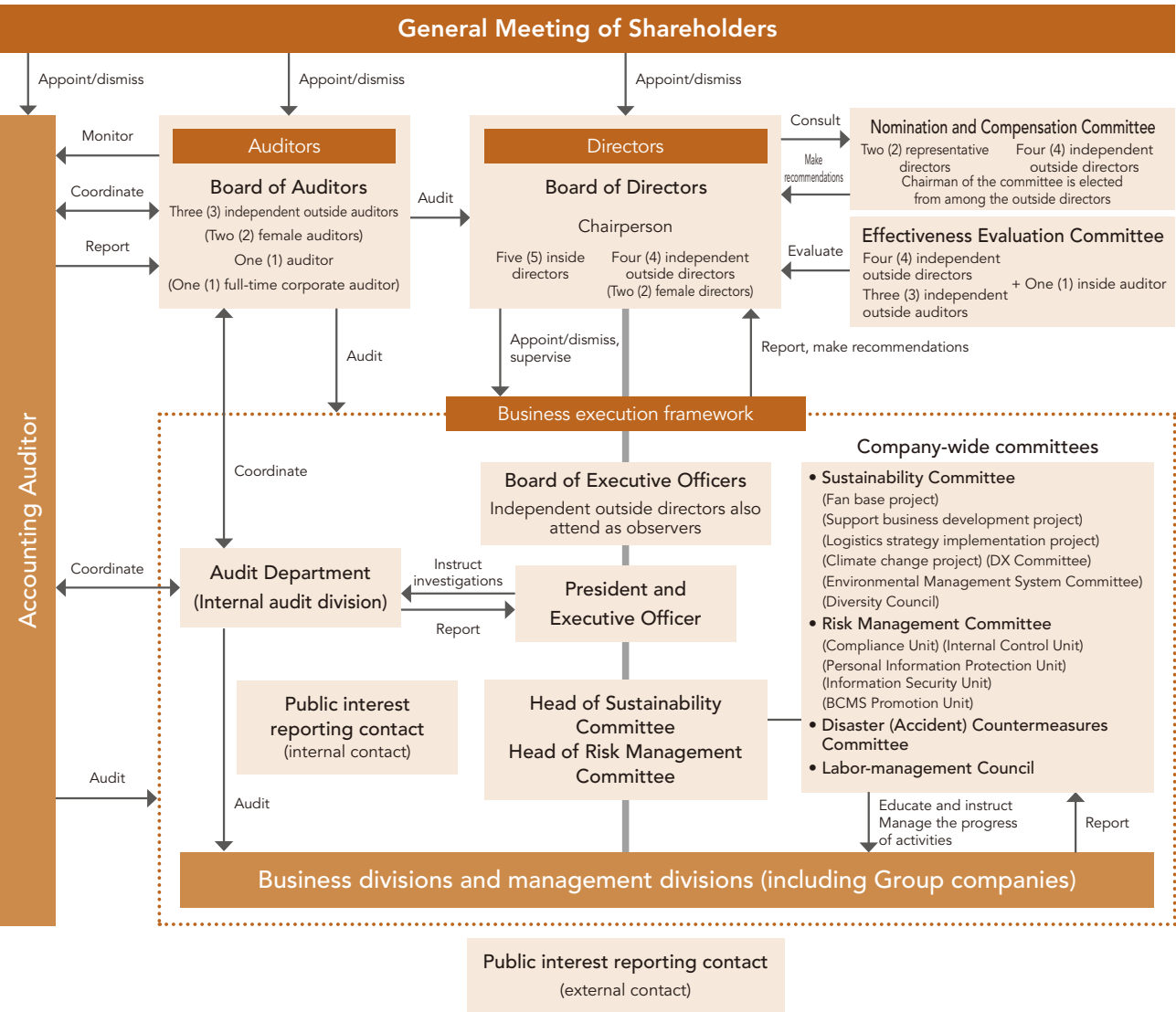
History of Enhancing Corporate Governance

To improve the supervisory function of the Board of Directors and the execution divisions, the Group ensures diversity of the Board of Directors by increasing the number of independent outside directors, appointing female directors, and in other ways. At the same time, the Group is working on improving management effectiveness by establishing the Board of Directors Effectiveness Evaluation Committee, which is made up of a majority of outside directors, as well as the Nomination and Compensation Committee. As a result of appointments at the General Meeting of Shareholders held in June 2024, the percentage of independent outside officers among all directors is 44.4%, and the percentage of female directors is 22.2%. The percentage of independent outside officers among all directors and auditors is 53.8%, and the percentage of female officers is 30.8%. The Group will continue to strengthen the monitoring function of the Board of Directors, which supports the Company’s value creation processes.

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Ensuring diversity of the Board of Directors									
Skills matrix						• Developed the skills matrix	• Revised the skills matrix	• Revised the skills matrix and utilization policy	• Disclose the reason for skill set selection
Succession plan						• Formulated the succession plan			
Appointment of outside directors	From 2014 • Appointed one (1) outside director	• Increased to two (2) outside directors	• Increased to three (3) outside directors			• Increased to four (4) outside directors (44.4% composition)			
Appointment of female directors				• Appointed one (1) female director		• Increased to two (2) female directors (22.2% composition)			
Improving effectiveness of the Board of Directors									
Nomination and Compensation Committee						• Established the Nomination and Compensation Committee			
Performance-linked stock compensation plan						• Introduced performance-linked Board benefit trust scheme		• Revised performance-linked stock compensation plan * Also applies to executive officers other than directors	
Individual performance-linked compensation						• Introduced individual performance-linked compensation (for assessment criteria focused on monitoring functions)			
Executive officer system						• Introduced the executive officer system		• Transitioned to a delegation-type executive officer system	• Introduced performance-linked stock compensation plan
Training for officers						• Four (4) times a year	• Six (6) times a year	• Began practical training for management skills	
Evaluation of effectiveness of the Board of Directors						• Established the Effectiveness Evaluation Committee for the Board of Directors / Once a year			
Management strategies / Management plan								• Disclosed capital cost	• Update capital cost to most recent value
Enhancement of the Board of Auditors								• Appointed female independent outside auditor	• Increase to two (2) female independent outside auditors

(The percentage of independent outside officers among all directors and auditors is 53.8%. The percentage of female independent outside officers is 30.8%.)

Corporate Governance System



Board of Directors

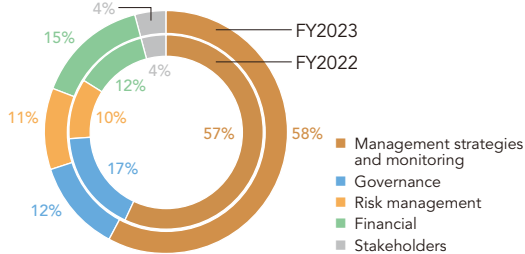
Roles and purpose of the meetings

As the highest decision-making management body, the Board of Directors assumes the role of a driver to create social value and improve corporate value. This is done by discussing important management issues, such as the medium- to long-term management policies and business strategies that adhere to the management philosophy, and by supervising business operation by directors and executive officers.

Structure of meetings

Of the nine directors, four are independent outside directors (44.4%) and two are female directors (22.2%). Of the four auditors, three are independent outside auditors (75.0%) and two are female auditors (50.0%). Of the 13 officers participating in Board of Directors meetings, seven are independent outside officers (53.8%) and four are female officers (30.8%). (Information on the diversity of skills is shown on pages 83 to 84.)

Allocation of Discussion Time



Major discussion details in fiscal 2023

- ◆ Medium- to long-term management strategies for the years leading up to 2050, and our ideal form for the milestone year of 2030
- ◆ Evaluation of the previous medium-term management plan (JT-2023 Management Plan) and identification of issues
- ◆ Formulation of the new medium-term management plan (JT-2025 Management Plan)
  - Recognition of the external environment
  - Material issues
  - Core strategies (fan base strategy)
  - Individual strategies (sales channels, service categories, business foundation, ESG)
  - Cash allocations (Growth investment + Shareholder returns + Reducing interest-bearing debt)
  - Recognition of capital costs and capital efficiency indicator plans
- ◆ Improving effectiveness of the Board of Directors as a driver of improving corporate value
  - Reinforcing the monitoring functions by delegating authority to the Board of Executive Officers
  - Skills matrix
  - Director compensation (strengthening performance links, expanding stock compensation, sustainability perspective)

Other Major Meetings

Major meetings	Roles and purpose of the meetings	Key points and major discussion points in fiscal 2023
<b>Nomination and Compensation Committee</b> Consisting of four (4) independent outside directors and two (2) representative directors Chairperson of the Committee is Kinya Naito, Independent Outside Director	Three (3) meetings held Established as an advisory body to the Board of Directors, in order to strengthen corporate governance by ensuring the independence, objectivity, and transparency 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 succession plans for the Chief Executive Officer.	Discussions focusing on revision of the skills matrix based on the medium- to long-term management plan and revision of the directors' compensation system. <ul style="list-style-type: none"><li>• Composition, number of members, and diversity of the Board of Directors (skills matrix)</li><li>• Proposal on the election of directors to the General Meeting of Shareholders</li><li>• Election of representative directors and chief executive officer</li><li>• Evaluation of the business execution by directors</li><li>• Composition of the compensation, compensation levels, and individual compensation of directors</li></ul>
<b>Effectiveness Evaluation Committee</b> Consisting of four (4) independent outside directors and four (4) auditors Chairperson of the Committee is Kinya Naito, Independent Outside Director	Three (3) meetings held Established as an advisory body to the Board of Directors, to analyze and evaluate the effectiveness of the Board of Directors and continuously improve its effectiveness. This advisory body is part of overall initiatives to strengthen corporate governance, while aiming to achieve sustainable growth and increase medium- to long-term corporate value.	The Committee evaluated whether the JT-2025 Management Plan, the new medium-term management plan, was formulated using a backcasting approach from our ideal state in 2030 based on the medium- to long-term management strategies for the years leading up to 2050. The committee also provided advice related to active management improvements based on viability evaluations and evaluations of plan progress for management strategies aimed at increasing management efficiency with a focus on capital costs and stock price.
<b>Board of Executive Officers</b> Consisting of five (5) executive directors, eleven (11) executive officers, and one (1) full-time corporate auditor Chairperson of the Committee is Ryuhei Kanatani, Representative Director, President and Executive Officer	50 meetings held The central body for business execution, consisting of executive directors and executive officers. Established to formulate the management strategies of the Board of Directors, improve the supervisory functions, and speed up the decision-making process for business execution through the delegation of authority for determining business execution. Independent outside directors, as well as auditors, also attend the meetings as observers in order to contribute to planning for the training of candidates for CEO and director positions.	In addition to managing the progress of the JT 2025 Management Plan, this board also focuses on improving the individual strategies for business execution aiming to achieve the plan. <ul style="list-style-type: none"><li>• Progress of core strategies for the JT-2025 Management Plan (fan base strategy)</li><li>• Progress of and improvements to the individual strategies for business execution in the JT-2025 Management Plan</li><li>• Growth strategy for more efficient management with a focus on capital costs and stock prices</li><li>• Revision of the compensation system for executive officers and individual compensation amounts based on the medium- to long-term management strategies</li><li>• Direction of capital policy</li><li>• Store openings, S&amp;B plan</li><li>• New Loyalty Program</li></ul>
<b>Sustainability Committee</b> Consisting of five (5) executive directors, eleven (11) executive officers, one (1) full-time corporate auditor, and other management executives Chairperson of the Committee is Ryuhei Kanatani, Representative Director, President and Executive Officer	12 meetings held An organization that works to achieve our management philosophy and our management vision by managing the seven materiality and 14 action items, together with the progress of important division-spanning internal projects that support this work. The Committee centrally manages financial and nonfinancial information for our business strategies, our ESG initiatives, and similar items.	In addition to coordination related to association of the core strategies of the JT-2025 Management Plan and individual business execution strategies, and to drilling down into key fiscal year-specific initiatives, the committee also manages the progress of the medium-term management plan, key division-specific actions, and important internal projects. <ul style="list-style-type: none"><li>• Progress of key measures of the JT-2025 Management Plan</li><li>• Progress of key internal projects</li><li>• Various industry guidelines from industry organizations that we are members of</li><li>• Progress of human rights due diligence</li></ul>
<b>Risk Management Committee</b> Consisting of five (5) executive directors, eleven (11) executive officers, one (1) full-time corporate auditor, other management executives, and one (1) labor union representative Chairperson of the Committee is Tetsuya Takahashi, the Representative Director, Vice President and Executive Officer	Four (4) meetings held An organ that analyzes and manages hazard risks, business risks, financial risks, and management risks that threaten the Company's efforts to maintain and continue business management, and supports stable management.	<ul style="list-style-type: none"><li>• Selected risk management items based on risk assessment</li><li>• Formulation of and progress management for a business continuity management system plan</li><li>• Progress of the compliance action plan</li><li>• Operating status of internal controls</li><li>• Operating conditions of the Public Interest Notification System</li><li>• Development and implementation status of the personal information protection system</li><li>• Data security and cyber risk management system</li><li>• Management of old seismic resistant equipment and hazard maps</li><li>• Response to severe disaster (the 2024 Noto Peninsula Earthquake)</li></ul>
<b>Labor-management Council</b> Consisting of a member of the central operation office of the labor union, executive directors, and executive officers	Convened 12 times (eight (8) Labor-management Council meetings and four (4) Company-wide Health Committee meetings) The highest council meeting held monthly and jointly by labor and management that draws officers of the central operation office of the labor union representing the employees and the executive directors and executive officers. A cooperative organization that aims to continuously improve the labor conditions and labor environment of the employees and promote workplace reforms and reforms for job satisfaction.	<ul style="list-style-type: none"><li>• General labor conditions of employees, D&amp;I, safety and health system</li><li>• Overtime working hours and intervals between working hours</li><li>• Annual paid leave and paternity leave-taking percentages</li><li>• Rate of taking childcare leave and nursing care leave, and shorter working hours for childcare and nursing care</li><li>• Physical checkup and complete medical checkup consultation rate</li><li>• Stress check analysis results, occurrence of harassment, workplace safety and health information</li><li>• Awareness of the management environment and sharing the opinions of union members of each workplace</li></ul>



Evaluation of the Effectiveness of the Board of Directors

To strengthen corporate governance in an aim to achieve sustainable growth and improve medium-to-long-term corporate value, the Board of Directors Effectiveness Evaluation Committee, consisting of outside directors and auditors each fiscal year, takes the lead in analyzing and evaluating the effectiveness, etc. of the Board of Directors, and the Company takes continual action to improve the effectiveness. Further, based on the belief that the diversity of directors has an impact

on the Board of Directors’ effectiveness and has a major impact on sustainable growth and the ability to increase the Company's corporate value over the medium- to long term, we compiled a list of the skills required of the Board of Directors as a whole into the skills matrix (see pages 83 to 84 for details). These skills are necessary to achieve the goals of our management strategies and for the effectiveness of the matrix for appointing director candidates.

(1) Evaluation process



(2) Key assessment items

- 1) Ensuring suitability of diversity and skills balance for the overall Board of Directors based on the skills matrix

2) Culture that values free and open, constructive discussion and exchange of opinions among officials including outside directors

3) Multifaceted discussion of medium- to long-term management strategies and management vision that make full use of diversity

4) Compensation system that is based on a medium- to long-term perspective that supports sustainable management
- 5) Training for officers based on the skills matrix

6) Reinforcing the functions of the Board of Directors by delegating authority to the Board of Executive Officers

7) Functions of the Nomination and Compensation Committee that is in charge of appointing directors, deciding compensation, and formulating succession plans

(3) Initiatives for fiscal 2023, evaluation, and future policies

Initiatives for fiscal 2023 contents	In fiscal 2023, the Board of Directors launched the JT-2025 Management Plan (a medium-term management plan), demonstrated an awareness of capital costs for carrying out efficient management with a focus on capital costs, formulated a plan for capital profitability indicators such as ROE and ROIC, and worked for strengthening earning power and improving management efficiency.
Evaluation results for fiscal 2023	<p>Operation of the Board of Directors featured multifaceted discussions utilizing the diverse range of knowledge of the Board of Directors, strengthened monitoring through substantial delegation of authority to the Board of Executive Officers, identified medium-to long-term management responsibilities through revision of the directors' compensation system, and carried out other ongoing improvements, and we have concluded that the effectiveness of the Board of Directors has been maintained.</p> <p>At the same time, the results for capital profitability indicators during the first year of the medium-term management plan fell far below the plan, and discussions were incomplete regarding specific strategies aimed at the PBR improvement listed in the plan and at improving corporate value. As a result, we have concluded that it is necessary to further improve the resolution level for the growth strategies themselves by making KGI and KPI clearer in the future.</p>
Policy for fiscal 2024	Brushing up medium- and long-term management strategies and promoting more efficient management with a focus on capital costs (Repeated challenge for carrying over fiscal 2023 policies to fiscal 2024)

Training for Officers

In fiscal 2023, “improving officer skills based on the skills matrix” was positioned as a theme of the greatest importance. Training through outside courses was carried out focused on building up management skills that are lacking in individual directors, auditors, and executive officers among the “management skills” listed in the skills matrix (pages 83 to 84).

Management skills selected for the skill set	Number of training courses on related subjects
Corporate management	7
Finance, accounting, and capital policy	9
Legal affairs and governance	13
Management planning and business strategies	9

\* Two courses were conducted for each director, auditor, and executive officer.

As one part of the succession plans, the system was changed so that directors and executive officers serve as chief officers related to sustainability and risk management, and practical training is carried out for acquisition and improvement of management skills through actual work.

Management skills selected for the skill set	Number of training courses on related subjects
HR, personnel management, and diversity	1
ICT/DX	6
Environment and energy	1
Total	46

Compensation to Directors/Auditors

**► Policy to determine the compensation of directors/auditors**  
In order to maximize the performance of duties in line with the management strategies and management goals, compensation for officers of the Company is based on job position and contribution to performance. With the aim of sharing profits and risks with shareholders, the compensation system provides incentives to manage the Company from the perspective of shareholders. With the start of the medium-term management plan (JT-2025 Management Plan), management responsibilities have been further clarified, and the compensation system was revised to aim for improved corporate value over the medium to long term.  
For outside directors who are independent from business execution, variable compensation such as performance-linked compensation is not necessarily appropriate. Therefore, outside directors are paid fixed compensation only.

**► Process of determining compensation to directors/auditors**  
The total amount of compensation for directors is set by resolution at the General Meeting of Shareholders, and monetary compensation is set within the range of 240 million yen per year, and stock compensation is set within the range of 50,000 points per year (1 point = 1 share). The Nomination and Compensation Committee, in which independent outside directors account for the majority of members with one of them serving as chairman, consults with the Board of Directors and deliberates on the allocation of compensation to individual directors based on the Regulation on Compensation for Directors, and the Board of Directors then makes the decision based on their report.

► Composition of directors compensation

<Configuration and purpose of the compensation system for directors>

1) Clarify management responsibilities by setting the component ratio of performance-linked compensation to 50%.

2) Provide incentives for management aimed at improving corporate value from the perspective of the shareholders, with the component ratio of stock compensation set to 30%.

3) Promote sustainability management from a medium- to long-term perspective, with the component ratio of compensation based on ESG indicators set to 20%.

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 (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.

**► Directors compensation by position**  
Compensation for directors is based on “Directors and Executive Officers” compensation, and the standard monthly compensation is set at no more than 300% of the maximum monthly salary as set forth in the employee salary system. For individual allocations, a compensation multiplier is set according to the position.  
**► Calculation of performance-linked compensation**  
**Monetary compensation paid as short-term incentive compensation (20%)**  
**1) Individual performance-linked compensation (10%)**  
Each fiscal year, the Nomination and Compensation Committee evaluates the results from execution of duties by each director from the perspectives of monitoring and managing, and decides the individual performance-linked compensation by multiplication using the performance-based coefficient, which is based on a comprehensive evaluation. The amount paid will vary between 50% and 150%, with 100% indicating achievement of the targets.

**2) Financial indicator-linked monetary compensation (10%)**  
To encourage labor and management to work together to improve business performance, this type of compensation is based on the achievement of operating income, the same as year-end bonuses for employees. The amount paid will vary between 0% and 150%, with 100% indicating achievement of the targets. For details on position-specific base compensation amounts and performance-based coefficient, please see the Securities Report.  
**Stock compensation paid as long-term incentive compensation (30%)**  
Directors are awarded points for each position once a year, calculated by multiplying the base points for each position by the performance-based coefficient based on the performance of the immediately preceding fiscal year (one ordinary share of the Company per one point), and each director receives ordinary shares of the Company (some are converted to cash) upon their retirement.  
**1) Financial indicator-linked stock compensation (10%)**  
To reflect in the compensation the degree of improvement in capital profitability, shares are issued as compensation based on the degree of achievement of ROE targets in the medium-term management plan.  
**2) Stock compensation based on environmental management indicator (10%)**  
The Company has introduced this incentive to encourage directors to address the environmental issues caused by climate change within the management strategies from the perspectives of risk and opportunity, as well as to link the creation of the positive impact of our operations on society with the Company's sustainable growth. These incentives are awarded as shares for compensation based on an environmental management indicator (the CDP climate change score).  
**3) Stock compensation based on employee engagement indicator (10%)**  
The creation of an internal environment where diverse human resources can play an energetic, active role as well as investments in human resource development that improve employee engagement should improve customer satisfaction, or CS, (by creating new social value). In order to link this to the Company's sustainable growth, the Company continually measures engagement to monitor the progress as an engagement score and reflects this in directors' compensation.

Cross-Shareholdings

Currently, the Company strategically holds shares of listed companies 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. The Company is gradually reducing the number of shares held, and as a general rule, will not purchase any new shares.  
The Company conducts qualitative assessments of the shares currently held to maintain smooth and amicable business relationships with business partners and to establish smooth-running supply chains. In addition, every quarter the Board of Directors conducts quantitative reviews of the percentage of total assets as well as profits and dividends derived from business relationships and then sells the shares, if necessary. In the fiscal year ended March 31, 2014, the Company held 39 stocks, but as of March 31, 2024, this number had been reduced to 25 (7.4% of consolidated net assets).  
The Company exercises its voting rights by comprehensively taking into consideration the governance system and business performance of the issuing company.

# Advice from Outside Directors for the Future of Joshin



Seiji Nishikawa  
Outside Director

Junko Kawano  
Outside Director

Keiko Yamahira  
Outside Director

Kinya Naito  
Outside Director

Introduction

Deeper discussion focused on management strategies and business strategies is more necessary than ever.

**Naito:** The fiscal 2023 Board of Directors conducted multilateral discussion utilizing a wide range of knowledge regarding the issues from the previous fiscal year: reinvigorating the Board of Directors, brushing up medium- and long-term management strategies, and promoting more efficient management with a focus on capital costs. It also carried out other discussions, such as strengthening of monitoring through a major transfer of authority to the Board of Executive Officers. At the same time, the fiscal 2023 results fell far below the capital profitability indicators in the new medium-term management plan JT-2025 Management Plan. Deeper discussion is now more important than ever regarding the management strategies and fan base strategy that represent a shared understanding of issues among the independent outside directors, and I hope to discuss these matters with all of you.

A Look Back at the First Year of the JT-2025 Management Plan

We must check whether the Board of Directors is effective and where the responsibility lies for the failure to achieve the targets.

**Naito:** Despite the large event following the championship victory of the Hanshin Tigers, which the Company is an official sponsor of, we did not take full advantage of this opportunity, and the results for fiscal 2023 failed to achieve the targets. There was some level of awareness that the Hanshin victory sale was a kind of festival, however it felt like the Board of Directors was not fully committed. The Board of Directors did not take any effective steps in response to the large postponement of buying prior to start of the Japan champion sale, or to the drop in sales after the sale concluded. We must recognize that advice to management and monitoring were not sufficient.

**Kawano:** I feel that monitoring of measures to connect the fan base strategy that is at the core of the new medium-term management plan to sales and profits was lacking. Everyone

on the frontlines must consider what they can propose to all customers, including the customers who are core fans and fans, challenge themselves, share examples of success, and deploy them across the Company as strategies. I believe that we needed to operate this cycle at a rapid pace, for example every quarter. In addition, what is important when we propose ideas to the customers is the link with the social value that the Company wants to demonstrate. The Company has presented the two social values of “helping to strengthen the resilience of an aging society” and “achieving household carbon neutrality.” By refining these proposals to produce high quality that matches these values and connecting them to sales, this will lead to profits. It is important that we create this kind of flow. I first want to check whether the message from management to the frontlines was primarily focused on profits.

**Nishikawa:** Although partly due to the existing corporate culture at the Company, I feel a lot of the proposals were for bottom-up type measures. While this is also important, steering a great ship requires a top-down strategy in the form of a company-wide strategy, as well as the leadership to carry it out.

Sustainable Management and Growth Strategies

Based on strong leadership, we should challenge ourselves to achieve structural innovations in home appliance sales itself on the dual axes of the fan base strategy and DX promotion.

**Kawano:** When I look at the recent external environment that faces our company, I feel that the future of the home appliance volume sales business is becoming increasingly uncertain. From my experience developing new businesses over many years and from my position in great support of the fan base strategy, I believe that a new area centering on renovations has potential. Our company has a base of fan customers that it has valued for 70 years, and as these customers grow older, the demand for renovations is expected to increase. Joshin Service, which is responsible for shipping, installation, and construction, also



believes the value of visiting customer homes is large. When we visit them, it gives us an opportunity to find out what they need. The fan base strategy is the core strategy that will support the Company in the future. In fiscal 2024, we assigned an officer in charge, and the system for implementing this strategy reached full speed. We have great expectations for this strategy, and should provide it proper support.

**Nishikawa:** As Ms. Kawano understands, I believe that structural reforms of home appliance sales are a prerequisite for sustainable management at the Company. In order to steadily carry them out, there are two key points, namely the fan base strategy and DX promotion.

First, the fan base strategy: this should not simply be action on an extension of the course we charted in the past. I believe it must consist of comprehensive action that will resonate with the customers. For example, take changes to the organization system. We will create an organization where all actions taken by the Company are linked to the fan base strategy at its core (for example, a Fan Base Strategy Division), demonstrate it inside and outside the Company, and develop a sense of unity within the Company as a whole. This organization should be given authority including sales, marketing, and PR. Changing the way that we have been working in the past with a focus on the fan base is one idea, and I think reference should be made to the institutional customer strategies operated by department stores.

Next, DX promotion: the Company system runs the risk of becoming siloed because each organization has prepared the items that it requires. We need to rapidly construct or transition to a comprehensive platform focused on realizing the fan base strategy starting from the customers.

**Yamahira:** To be ready for the future, the initiatives that we carry out each and every year from the base are also important, but at the same time the target figures in the new medium-term management plan are not easy figures to achieve. In order to achieve the targets, I believe we must constantly be reviewing the strategies for (1) stores, (2) products, (3) marketing and sales, and (4) costs, in order to determine whether continuing on our present course is the correct choice.

When we consider sustainability of the Company, over the long term there is the possibility of large-scale changes in the structure of the home appliance industry. In order for a company to continue growing and be sustainable in an age of high uncertainty, the management team must have sensitivity to identify the changes in the times, as well as passion and vision, and the ability to quickly take action. The key to success is spreading this concept throughout the Company.

**Naito:** The reason that we took up the subject of structural changes in home appliances in the agenda for this discussion was due to the concerns that we felt over the inventory and interest-bearing debt trends in the fiscal 2023 results. Since the





Company was founded, we have engaged in sales by placing all kinds of electrical products from large products such as refrigerators to dry-cell batteries on display in stores. There is room to reconsider whether it is actually necessary for the stores to maintain this level of product lineups. The Company has presented “helping to strengthen the resilience of an aging society” and “achieving household carbon neutrality” as the creation of two social values in the management philosophy structure. In order to provide value consistent with these policies in the future, we must consider reviewing the ways that we promote product lineups and product value, and consider the store strategies and product strategies that incorporate original elements for each individual store.

**Yamahira:** I consider the designated price system led by the manufacturer to be an opportunity for us to make best use of the customer service abilities that are a strength of the Company in the short term. However, whether or not we can continue with the same perspective in the medium and long term is a question that will require continued discussion by the Board of Directors in the future. At present, we have carved out five business categories. In order to grow them and establish them as the business portfolio of the Company, we must establish a medium- and long-term future image for each business, set targets for size and other characteristics, and the Board of Directors must check the progress of and reliably carry out the annual KPI for target achievement. For now, the strategy is to work to grow these businesses, and to develop businesses that will be a second pillar of the Company after home appliances. I intend to provide strong support for this strategy. Without solid earning power in our core business of home appliances, we will be unable to formulate the next growth strategies. Without investing the generated cash flow into not only our core business but also into growth investment, we will be unable to proceed to the next step. In the renovation business, there is much potential for the Company with its large base of customers, and I believe this may become an extremely attractive business if we adopt the correct strategies.

If we are able to clearly demonstrate to the market that we are developing these five businesses to be business pillars supporting the Company, PBR (Price Book-value Ratio) will also go up.

**Nishikawa:** In order to achieve these growth strategies, we must move forward with a broad range of measures at a rapid pace. This will require working together with third parties; however what is most important at this time is the formulation of strategies and policies within the Company. The Company itself must carefully consider what it wants to accomplish. When the what has become clear, in the implementation phase (how), we can achieve our goals by gaining assistance from third parties, and accumulate knowledge within the Company.

#### Initiatives for Employee Engagement

**In order to increase empathy with the management philosophy, trust in the management team, and motivation for work, we require top-down message communication and frontline leadership.**

**Naito:** Based on the results from the engagement survey, the Company is rated highly by its employees for the comfortable work and working environments. On the other hand, there remain issues related to empathy with the management philosophy and trust in the management team. If we do not improve these results, we will be unable to achieve strategy implementation by our employees. I feel that more messaging and communication of suitable measures for obtaining understanding of and trust in the management strategies are necessary.

**Kawano:** Dialogue is important in order to achieve greater penetration of the management philosophy and vision. For example, we should create opportunities for discussion at each store about what the employees can do on the frontlines in regards to the two social values of “helping to strengthen the resilience of an aging society” and “achieving household



carbon neutrality.” One more potential concern is the low level of engagement among female middle management. Through career support forums and other initiatives, we are slowly making progress in female career development. We are also making steady progress with other D&I programs, focusing on practical effectiveness.

**Nishikawa:** I believe the roles of the management positions that connect the management team and frontline staff are important. One other step we can take is developing leaders who can be role models for employees.

**Yamahira:** The turnover rate at the Company is extremely low, and I feel that there is a truly comfortable working environment. The Diversity Promotion Office is also carrying out improvements to working conditions and compensation. However, in order to reach a higher level of engagement, it is necessary for the employees to feel a higher level of motivation. If all employees understand their roles within the Company, align the vectors of their goals with the management philosophy and vision, and can truly feel growth, this will be a large strength for the entire Company. For this purpose, it is necessary to carry out proactive initiatives, including by management and workplace leaders.

#### Advice from Outside Directors

**The management team must exercise leadership and carry out strategies from a top-down perspective, and must further strengthen monitoring of business performance and the progress of agenda items through the Board of Directors.**

**Yamahira:** We recognize that now is an extremely important phase for achieving the medium-term management plan and realizing the vision that extends beyond it. Although all members of the Board of Directors fulfilled their roles as an advisory board, I believe there is room for improvement in terms of monitoring and follow-up of strategies and business performance. We must further strengthen the reporting of agenda items and progress status at Board of Directors meetings, as well as follow-up of the contents. I will provide my full support as an Outside Director towards achieving our targets.

**Naito:** Fiscal 2023 also featured the Hanshin Tigers championship event, and I painfully feel the issues in the Company performance, especially considering the high expectations of those around us. We must not repeat that failure this fiscal year. All directors must take this to heart, and should consider the best approach to management. Each director should conduct discussions focused on being sensitive



in identifying changes in the external environment, and rapidly and promptly performing follow-up related to the progress of strategy and policy implementation, and of business results.

**Nishikawa:** I have two points I would like to make. The first is that the management team must exercise leadership and carry out strategies from a top-down perspective, and we must develop this kind of corporate culture. The other is that we must consider how we will react in different scenarios concerning potential large changes in our existing business caused by changes in the external environment, such as the designated price system and manufacturer direct sales.

**Kawano:** Right now the Company is preparing to make large changes aimed at the future. At this time, strengthening our human resources is also of great importance. When we make changes, we will also require different human resources than we did before. I intend to provide support so that strengthening of human resources leads to strengthening and improvement of the organization.

#### Response to Advice from Outside Directors





**Ryuhei Kanatani**  
Representative Director, President and Executive Officer

I thank you for the comprehensive advice to management and ideas regarding issues in our business execution that only Outside Directors can provide.

In fiscal 2023, which was the first year of the new medium-term management plan, the key management targets did not reach the initially forecast values, and the year left top management with regrets. Using this regret as a lever, we will accelerate the discussion and implementation of specific strategies for communicating the ideal image of the Joshin Group for 2030, described as “a company that supports the growth of local communities and contributes to the future of people and the environment,” within and beyond the Company, and for improving corporate value. We will steadily implement the three key points of the new medium-term management plan: “improving profitability,” “pursuing efficiency,” and “boosting growth potential.”

Directors and Auditors

Directors

Directors				
				
	Ryuhei Kanatani	Tetsuya Takahashi	Koichi Yokoyama	Koji Tanaka
Positions	Representative Director, President and Executive Officer	Representative Director, Vice President and Executive Officer	Director and Managing Executive Officer	Director and Managing Executive Officer
Career summary	March 1979 Joined the Company July 1993 Manager of General Affairs Department June 1998 Director, Manager of General Affairs Department March 2002 Director, General Manager of Sales Planning Division June 2002 Managing Director, General Manager of Sales Division April 2006 Managing Director, General Manager of Management Planning Division October 2006 Senior Managing Director, General Manager of Management Planning Division July 2008 Representative Director, Senior Managing Director, General Manager of Management Planning Division June 2011 Representative Director, Vice President, General Manager of Management Planning Division June 2016 Representative Director, Vice President and Executive Officer, General Manager of Business Administration Headquarters and Manager of Management Planning Department June 2019 Representative Director, President and Executive Officer (to present)	March 1986 Joined the Company June 2013 Manager of Tokyo & Tokai Sales Department June 2016 Executive Officer, Assistant General Manager in charge of Store Sales of Sales Division and Assistant General Manager of Local Sales Support Division October 2016 Executive Officer, General Manager of Sales Division and Manager of Kansai Sales Department June 2017 Director and Executive Officer, General Manager of Sales Division June 2019 Director and Managing Executive Officer, General Manager of Sales Division April 2021 Director and Senior Managing Executive Officer, in charge of Sales Strategy June 2021 Representative Director and Senior Managing Executive Officer, in charge of Sales Strategy April 2023 Representative Director, Vice President and Executive Officer, in charge of Sales Strategy (to present)	March 1985 Joined the Company April 2001 Manager of PiONE Sales Department September 2004 Manager of Kansai Sales Department and Manager of Central Area June 2005 Director, Manager of Kansai Sales Department April 2012 Director, General Manager of Sales Division April 2016 Director, General Manager of Development Division and Manager of Development Department June 2016 Director and Managing Executive Officer, General Manager of Development Division and Manager of Development Department April 2022 Director and Managing Executive Officer, in charge of Infrastructure Strategy (to present)	March 1986 Joined the Company April 2006 Manager of General Affairs Department June 2010 Director, Manager of General Affairs Department April 2016 Director, Assistant General Manager of Business Administration Headquarters June 2016 Director and Managing Executive Officer, Assistant General Manager of Business Administration Headquarters and Manager of General Affairs Department June 2019 Director and Managing Executive Officer, General Manager of Business Administration Headquarters April 2021 Director and Managing Executive Officer, in charge of Management Planning & Human Resources Strategy (to present)
	Term of office	26 years	7 years	19 years
	Number of Company shares held	58,800 shares (22,400*)	22,157 shares (14,257*)	34,312 shares (13,212*)
	Committee membership			
	Nomination and Compensation Committee	○	○	
	Board of Directors Effectiveness Evaluation Committee			
	Attendance at meetings of the Board of Directors and Board of Auditors	During fiscal 2022 18/18 During fiscal 2023 18/18	18/18 18/18	18/18 18/18
	Areas of experience/skills			
	Management skills	Corporate management Finance, accounting, and capital policy Legal affairs and governance Management planning and business strategies HR, personnel management, and diversity ICT/DX Environment and energy	○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○
	Skills related to business specialization	Home appliance retail business Housing environment business Marketing Logistics	○ ○ ○ ○	○ ○ ○ ○

\* Number of shares to be issued under the stock-based compensation plan

Reasons for skill set selection

Skill set		Reason for selection
Management skills	Corporate management	In order to achieve continual growth for the Group and improve corporate value by achieving our management philosophy “Connecting people and society to the future with a smile,” we require a wide range of knowledge and experience that can identify changes in the management environment and construct suitable management strategies from a long-term perspective.
	Finance, accounting, and capital policy	We must ensure our financial soundness, and balance growth investment and shareholder returns through efficient operation of capital. At the same time, we require extensive knowledge and experience that can connect the creation of new social value to continued growth of the Group and increase our corporate value.
	Legal affairs and governance	In order to increase corporate value through stable operation of the Group business, we require a broad range of legal knowledge including social norms and corporate ethics, and require the skills that can construct an effective corporate governance system that can connect the implementation of management strategies to continual growth.
	Management planning and business strategies	In order to achieve continual growth for the Group and increase our corporate value, we require the knowledge and experience that can construct a solid earnings base through effective recomposition of our business portfolio and can construct an external alliance system for creating new social value.
	HR, personnel management, and diversity	We require knowledge and experience related to management of diverse human resources in order to take the lead in training of the human resources who are the source of our organizational strength to control risks posed by changes in society, to seize new business opportunities, and to achieve sustainable growth for the Group, and to connect higher employee engagement to the creation of new customer value and increased corporate value.
	ICT/DX	In order to optimize the data flow from perspectives including delivering customer convenience and new experience value, improving operating efficiency, making fast and correct management decisions, business continuity, and security, we require a complete understanding of digital technologies and the knowledge and experience that enables us to take the lead in innovation.
	Environment and energy	We require the knowledge and experience that can rapidly incorporate medium- to long-term risks and opportunities resulting from environmental issues such as climate change, as well as energy problems, into our management strategies, and can create the new social value by achieving household carbon neutrality—a goal of the Group.

					Number of outside directors among all directors
Suguru Oshiro	Kinya Naito	Keiko Yamahira	Junko Kawano	Seiji Nishikawa	
Director and Managing Executive Officer	Outside Director Independent	Outside Director Independent	Outside Director Independent	Outside Director Independent	4/9
April 1986 Joined The Kyowa Bank, Ltd. (currently Resona Bank, Limited) July 2002 Assistant General Manager of Sales Department II, Head Office Sales Division, The Asahi Bank, Ltd. (currently Resona Bank, Limited) April 2005 General Manager of Sales Department II, Nanba Branch, Resona Bank, Limited. April 2012 Joined the Company; Manager in charge of New Properties of Store Development Department April 2014 Executive Officer, Manager of Accounting Department June 2018 Executive Officer, Manager of Accounting Department and Manager of Management Planning Department June 2019 Director and Executive Officer, Assistant General Manager of Business Administration Headquarters and Manager of Management Planning Department April 2021 Director and Executive Officer, in charge of Financial Strategy, and Manager of Accounting Department April 2023 Director and Managing Executive Officer, in charge of Financial Strategy (to present)	April 1986 Admitted to the bar June 2003 Outside Auditor, Ikko Corporation (currently J Trust Co., Ltd.) April 2012 Vice President, Osaka Bar Association April 2014 Part-time Auditor, National University Corporation Osaka University June 2016 Outside Auditor of the Company Outside Director, FALCO HOLDINGS Co., Ltd. April 2017 Established Naito Law Office (to present) June 2017 Outside Director of the Company (to present) January 2020 Chairman, Development Investigation Committee, Osaka City	April 1983 Joined Kubota House Co., Ltd. (currently Sanyo Homes Corporation) June 2013 Director & Senior Executive Officer, Sanyo Homes Corporation June 2015 President & Director, Sanyo Homes Corporation April 2017 Chairman and Representative Director, Sanyo Homes Community Corporation June 2019 Outside Director of the Company (to present) June 2021 Outside Director, Takara Leben Co., Ltd. (currently MIRARTH HOLDINGS, Inc.) (to present) June 2022 Outside Director, Shinagawa Refractories Co., Ltd. (to present) June 2024 Outside Director of Manuchi Steel Tube Ltd. (to present)	April 1986 Joined Recruit Co., Ltd. January 1997 Chief Editor of Travail July 2008 Joined Sumitomo Corporation February 2013 Director, Institute of Global Human Capital Strategies Co., Ltd. April 2020 Senior Researcher of Keio Research Institute at SFC (to present) June 2021 Outside Director of the Company (to present) December 2021 Director and Chief Marketing Officer, Life Shift Japan Co., Ltd. (to present) April 2022 Outside Director, DyDo Group Holdings, Inc. (to present)	April 1980 Joined Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation) April 2000 Chief Engineer, Information Systems Department, NTT DoCoMo, Inc. October 2001 Executive Chief Engineer, Information Systems Department June 2003 Department Manager, Information Systems Department June 2006 Department Manager, Information Systems Department and Executive Officer June 2012 Department Manager, Information Systems Department and Managing Executive Officer (CIO) June 2013 President and Representative Director, DOCOMO Systems, Inc. March 2021 Member of Mizuho Bank's Independent System Failure Special Investigative Committee June 2022 Outside Director of the Company (to present)	
5 years 14,174 shares (8,474*)	7 years 3,300 shares	5 years 700 shares	3 years -	2 years 400 shares	
	○ (Chairman)	○	○	○	
	○ (Chairman)	○	○	○	
18/18	18/18	18/18	18/18	14/14	
18/18	18/18	18/18	18/18	17/18	
○	○	○	○	○	Number of applicable directors
○	○	○	○	○	9
○	○	○	○	○	3
○	○	○	○	○	4
○	○	○	○	○	7
	○	○	○	○	6
				○	3
		○			5
		○			
		○			
			○		



Auditors

Auditors		<div></div>				Number of outside auditors among all auditors
		<div></div> <div>Hidetoshi Yamamoto</div>	<div></div> <div>Yoshio Hayakawa</div>	<div></div> <div>Kazumi Yoshikawa</div>	<div></div> <div>Kazuko Otsuki</div>	
Positions		Full-time Corporate Auditor	Outside Auditor Independent	Outside Auditor Independent	Outside Auditor Independent	3/4
Career summary		April 1977 Joined the Company April 2002 Area Manager, PiTONE Sales Department September 2004 Manager of Hannan and Wakayama Area, Kansai Sales Department April 2012 Manager of Kansai Sales Department and Manager of Central Area June 2016 Executive Officer, Manager in charge of Hokuetsu Sales and Manager in charge of Hokushin Sales of Local Sales Support Division June 2017 Executive Officer in charge of Support Service of Sales Division April 2021 Executive Officer in charge of Support Service of Sales Division June 2021 Full-time Corporate Auditor (to present)	October 1980Joined Showa Audit Corporation (currently Ernst & Young ShinNihon LLC), Osaka Office March 1985 Registered as a certified public accountant August 2003 Member of Tax System Examination Committee, The Japanese Institute of Certified Public Accountants July 2005 Senior Partner, ShinNihon & Co. (currently Ernst & Young ShinNihon LLC) April 2007 Part-time Lecturer, School of Accountancy, Graduate School of Kansai University June 2011 Retired from ShinNihon & Co. (currently Ernst & Young ShinNihon LLC) July 2011 Established Hayakawa Accountant Office (to present) December 2011 Registered as a tax accountant May 2014 Part-time Auditor, Education Corporation Osaka Seikei Gakuen (to present) March 2015 Part-time Auditor, Rokko Butter Co., Ltd. (to present) June 2017 Outside Auditor of the Company (to present)	December 1995 Joined Chuo Audit Corporation May 1999 Registered as a certified public accountant April 2002 Registered as a tax accountant August 2007 Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) December 2019 Established Yoshikawa Kazumi Certified Public Accountant Office (to present) September 2020 Director, SAKA NO TOCHU Co., Ltd. Outside Auditor, VALTES CO., LTD. (now VALTES HOLDINGS CO., LTD.) (to present) June 2022 Outside Auditor, VALTES CO., LTD. (now VALTES HOLDINGS CO., LTD.) (to present) September 2022 Outside Auditor, Ubie, Inc. (to present) June 2023 Outside Auditor of the Company (to present)	October 1996 Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) May 2000 Registered as a certified public accountant December 2015 Left Deloitte Touche Tohmatsu LLC January 2016 Joined Imaoka Certified Public Accountant and Certified Public Tax Accountant Office (to present) September 2021 Auditor, Osaka Research Institute of Industrial Science and Technology (to present) March 2023 Outside Director of Sakata INX Corporation (to present) June 2023 Outside Director of Ishihara Chemical Co., Ltd. (Audit and Supervisory Committee) (to present)	
	Term of office		3 years	7 years	1 year	Newly appointed
	Committee membership					
	Nomination and Compensation Committee					
	Board of Directors Effectiveness Evaluation Committee		○	○	○	○
	Attendance at meetings of the Board of Directors and Board of Auditors	During fiscal 2022	Board of Directors 17/18 Board of Auditors 13/13	Board of Directors 18/18 Board of Auditors 13/13	Board of Directors - Board of Auditors -	Board of Directors - Board of Auditors -
		During fiscal 2023	Board of Directors 18/18 Board of Auditors 13/13	Board of Directors 18/18 Board of Auditors 13/13	Board of Directors 14/14 Board of Auditors 10/10	Board of Directors - Board of Auditors -

Using the Skills Matrix to Improve the Effectiveness of the Board of Directors

Based on the belief that the diversity of the directors who are on the Board of Directors determines the effectiveness of the Board and has a significant impact on sustainable growth and on improving corporate value over the medium- to long-term, the Board of Directors regularly deliberates on the balance and diversity of the Board of members, including the knowledge, experience, and abilities of directors, and identifies the skills required of directors and auditors, which are published in the skills matrix.

The Company sees the skills matrix as a tool to ensure the requisite skills and diversity of the Board of Directors by recruiting a wide range of human resources with strengths in specific fields. When appointing directors and auditors, the Company will select candidates with the required skills and experience in light of the skills matrix and follow the procedures to be approved at the Annual General Meeting of Shareholders.

We believe that the skills matrix will play an important role in our succession plan, and we use it, as indicated on the right, for evaluating core personnel in order to develop them as candidates for executive director and CEO positions. We continually provide training for the current directors, executive

officers, and executives in order to develop candidates for the next term. (See p. 77 for information on training for officers.) In particular, executive officers share a wide range of skills and knowledge required of directors, including experience with legal issues and governance, sales strategies, finance, human resources, and managing subsidiaries gained at meetings for the Board of Executive Officers, the Sustainability Committee, and the Risk Management Committee. Directors and auditors attend these meetings. In addition, the Board of Directors regularly receives reports on the results of the executive officers' performance, and the Company takes time to evaluate and develop them as employees capable of serving as directors and CEO in the future.

Purposes of the Skills Matrix

1. Identification of the necessary skills for the Board of Directors in light of the business strategy
2. Understanding the gap between the ideal composition of the Board of Directors and the current situation
3. Appointment of human resources with skills that the directors lack
4. Enhanced director training for new skills
5. Use in succession plans for directors
6. Use in succession plans for executive officers and other executives

Compliance Systems

Compliance Promotion System

The sustainability activities of the Company are actions to resolve issues in overall Group business activities and the system to promote compliance that creates the foundation to support these actions. The Board of Executive Officers determines policies on how to address various issues in our business activities and social challenges, and checks the status on a regular basis in order to improve corporate value.

We have formulated the Joshin Group Code of Conduct as the foundation for promoting compliance. This code shows the course of action that all employees working for

the Group should take, as well as the assessment criteria and the guidelines for action that must be followed. This Code of Conduct, along with the Joshin Group Anti-Corruption Policy, sets out the behavior required of various stakeholders, as well as compliance with laws and social norms, fair trade practices, conservation of the environment, handling personal information, policy on purchasing products, etc., and guidelines for activities within the supply chain. The Code of Conduct is used as a basic tool for training of employees by category including company orientation and schooling for promotion.

Compliance Promotion System



Operation of the Public Interest Notification System

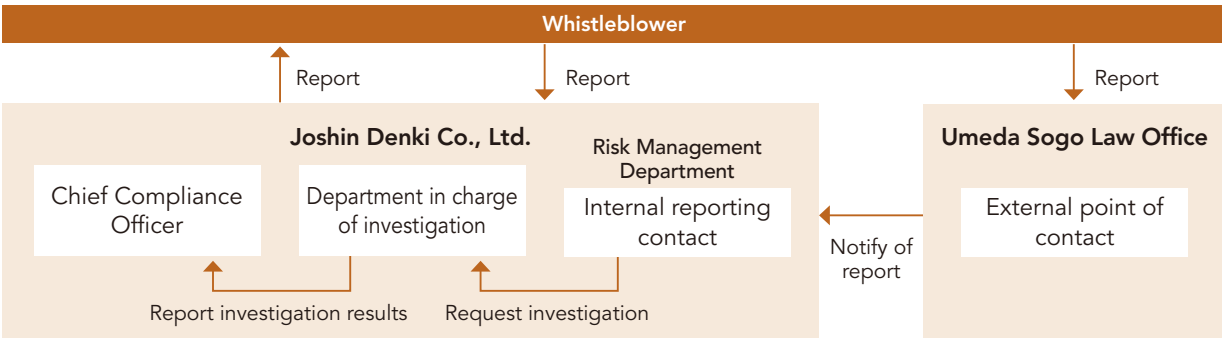
To prevent and promptly correct illegal and misguided acts, and to improve the capability to govern these acts, the Company uses a public interest notification system as our whistleblowing program. This system is made available not only to the employees of the Group, but also to the employees of franchisees, staff of business partners and contractors, as well as former employees as prescribed by laws.

It guarantees the protection of whistleblowers, including measures to prevent disadvantage to whistleblowers resulting from their reporting, and accepting of anonymous reports.

In order to prevent information that could identify the whistleblower from leaking, and to thoroughly communicate confidentiality obligations not only to employees involved with whistleblowing, but to all Group employees, these requirements have been applied to the Group Code of Conduct and regulations and procedures have been established.

[Whistleblower cases (number of cases) (FY 2023)]  
39 (38 harassment cases and 1 internal rule violation case)

Joshin Group Public Interest Notification System



Risk Management

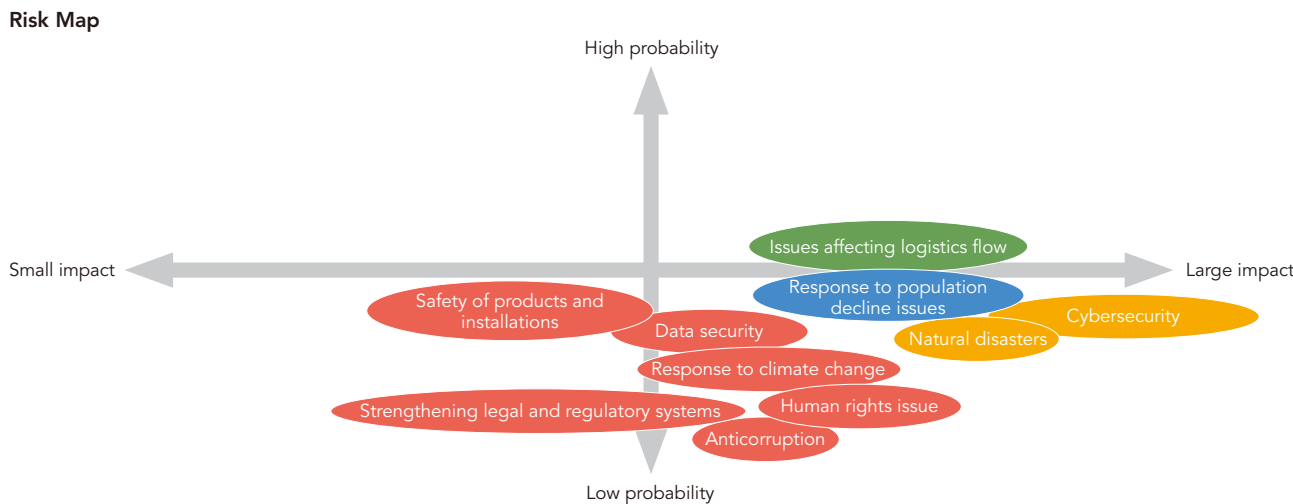
Risk Management System

To statistically assess, evaluate, and manage the various risks surrounding the Group, the Company has established the Risk Management Committee and created a Group-wide risk management (ERM) system. Once a year, this Committee identifies and assesses risks that may interfere with achievement of the targets in the JT-2025 Management Plan (medium-term management plan) and other risks that could impact the Group, and confirms the status of our response to high-priority risks.

Also, in the event of a material incident, the Disaster (Accident) Countermeasures Committee, chaired by the president and executive officer, is convened to facilitate initial measures and minimize the impacts on the management of the Group. Amid growing threats of major natural disasters, such as large earthquakes and heavy rain, as well as the risks of a cyberattack, the Company will fulfill all social responsibilities to stakeholders by ensuring early recovery and continuity of our business activities.



For recognized risks, a risk map is created with the risk degree of impact and probability of occurrence as the axes. Monitoring is being strengthened of the risk status and countermeasures in order to avoid or mitigate the risks.



Critical Risk Issues and Status of Our Response

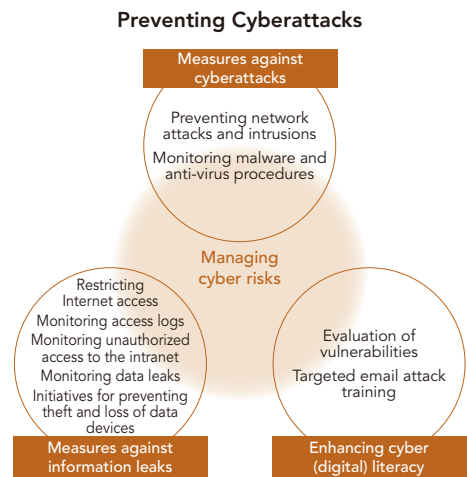
Classification	Risk issues (content)	Countermeasure
Hazard risks	Response to natural disasters, diseases, and fires in important facilities	<ul style="list-style-type: none"><li>Formulation of basic business continuity plan (BCP) policy and informing all employees throughout the Group</li><li>Acquisition of ISO 22301 certification under the international standard for business continuity management</li><li>Review of business continuity plans (BCPs) and disaster countermeasure manuals, as necessary</li><li>Continuing drills and training based on BCPs and the disaster countermeasure manuals</li></ul>
	Increased importance of cybersecurity	<ul style="list-style-type: none"><li>Prevention of network attacks and intrusion using firewalls and other means</li><li>Constant EDR/MDR monitoring of all business terminals and servers, including those in remote work environments</li><li>Ongoing targeted email attack training for all Group employees</li><li>Ongoing maintenance of website safety based on results of website vulnerability evaluations</li></ul>
Operational risks	Issues affecting logistics flow	<ul style="list-style-type: none"><li>Promotion of automation and labor-saving using IT systems</li><li>Rapid response to workstyle reform-related laws in coordination with contractors and the supply chain</li></ul>
Business risks	Response to population decline issues	<ul style="list-style-type: none"><li>Promotion of streamlining, automation, and labor savings for store operations by using ICT</li></ul>

Data Security

Cyber Risk Management Promotion System

In order to protect POS data, net shopping purchase information, and other valuable customer information, we have enacted a variety of measures for information security.

In addition to defense systems, such as firewalls, as countermeasures against cyberattacks, the Company operates a system that constantly monitors all business terminals and servers through EDR/MDR, in order to eliminate threats by immediately detecting the intrusion of malware and other unauthorized programs, then isolating the infected systems. External public servers are monitored 24 hours a day, 365 days a year by specialized security companies. Each year we also receive vulnerability diagnosis and immediately enact countermeasures to any vulnerabilities.



Promotion of Personal Information Protection

The personal information of customers and information used within the Company is managed using an information system based on high security standards. For personal information protection, since the Company became the first major retailer to acquire Privacy Mark certification in 2005, we have built and maintained an operating system that clears the strict compliance criteria, and both our real stores and EC store offer an environment that can be used securely.

Joshin Group Personal Information Protection Policy  
<https://www.joshin.co.jp/en/privacy.html>



Data Security and Personal Information Protection System



Initiatives for Strengthening Security

As initiatives for strengthening security in sales operations, we are carrying out a paperless transition in store operations such as accepting member card applications and issuing receipts. In addition to simplifying our operations, this has reduced accidents involving information leakage or loss. In our office

operations, we are strengthening security measures for sending and receiving email. We are also enacting security measures for business terminals, such as ensuring they are data-free and disabling connections to external devices.

Education and Training

The Group conducts training for information management and training for preventing personal information accidents once each year. (Textbook learning and test of understanding)

In order to prevent accidents and raise the level of knowledge related to external threats, we conduct response training for targeted email attacks several times each year.



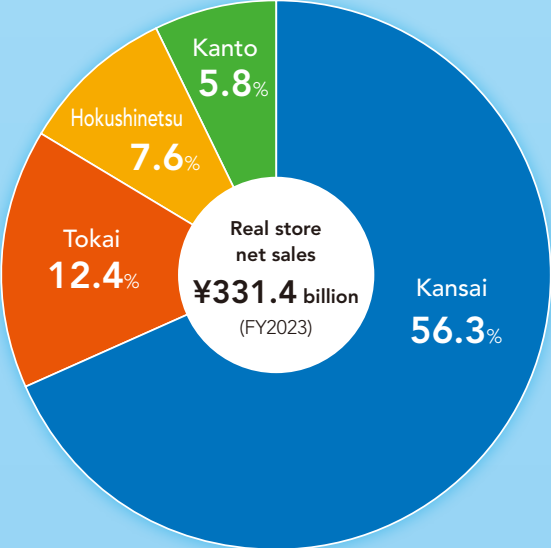
Major Financial/Nonfinancial Data for 11 Years

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Millions of yen (consolidated)											
Financial											
Profit/loss status											
Net sales	401,798	372,385	375,782	374,387	391,726	403,832	415,643	449,121	409,508	408,460	403,692
Operating income	7,391	6,656	7,838	7,982	9,680	10,987	8,979	16,550	8,884	8,311	8,364
Ordinary income	7,237	6,628	7,802	8,050	9,662	11,003	8,900	16,555	9,701	8,317	8,251
Net income attributable to owners of the parent	3,037	3,366	4,356	5,190	5,579	6,354	5,418	8,873	6,391	4,972	4,891
Capital investment amount	12,316	5,654	4,931	11,767	7,283	9,888	8,120	8,488	9,389	9,253	7,036
Status of cash flows											
Net cash from operating activities	9,815	5,367	751	16,581	15,223	4,533	13,022	25,836	1,442	7,119	2,278
Net cash from investing activities	-5,625	-5,903	-3,595	-10,412	-6,230	-10,427	-6,316	-6,118	-9,573	-9,070	-4,806
Free cash flow	4,190	-535	-2,844	6,169	8,992	-5,893	6,706	19,718	-8,131	-1,951	-2,527
Net cash from financing activities	-2,534	-1,494	2,167	-6,131	-8,134	5,900	-7,762	-14,433	1,873	2,360	3,649
Financial status											
Total assets	182,411	175,005	180,905	185,971	188,550	207,351	197,308	210,321	217,417	223,218	232,775
Net assets	61,949	66,807	70,773	75,859	80,892	86,091	89,147	99,303	98,641	100,698	104,613
Interest-bearing liabilities	54,487	53,872	56,002	51,423	44,877	52,717	47,144	35,119	40,017	45,964	53,104
Net interest-bearing liabilities <sup>1</sup>	48,193	49,609	52,416	47,749	40,345	48,178	43,661	26,351	37,656	43,194	49,212
Equity ratio	34.0%	38.2%	39.1%	40.8%	42.9%	41.5%	45.2%	47.2%	45.4%	45.1%	44.9%
Net D/E ratio (times) <sup>2</sup>	0.78	0.74	0.74	0.63	0.50	0.56	0.49	0.27	0.38	0.43	0.47
Per share information (after reverse stock split was calculated)											
Earnings per share (EPS) (yen)	¥121.56	¥133.64	¥166.26	¥196.56	¥210.62	¥239.10	¥202.84	¥331.62	¥238.78	¥186.77	¥185.90
Dividends per share	¥32.0	¥32.0	¥32.0	¥32.0	¥42.0	¥50.0	¥50.0	¥75.0	¥75.0	¥75.0	¥90.0
Management indicators											
ROE (return on equity)	5.0%	5.2%	6.3%	7.1%	7.1%	7.6%	6.2%	9.4%	6.6%	5.0%	4.8%
ROA (return on assets)	4.1%	3.7%	4.4%	4.4%	5.2%	5.6%	4.4%	8.1%	4.4%	3.8%	3.6%
Return on invested capital (ROIC) <sup>3</sup>	4.1%	3.6%	4.0%	4.1%	5.0%	5.1%	4.3%	8.0%	4.2%	3.7%	3.4%
Financial indicators											
Operating income ratio	1.8%	1.8%	2.1%	2.1%	2.5%	2.7%	2.2%	3.7%	2.2%	2.0%	2.1%
Ordinary income ratio	1.8%	1.8%	2.1%	2.2%	2.5%	2.7%	2.1%	3.7%	2.4%	2.0%	2.0%
Net income ratio attributable to owners of the parent	0.8%	0.9%	1.2%	1.4%	1.4%	1.6%	1.3%	2.0%	1.6%	1.2%	1.2%
Payout ratio	26.3%	23.9%	19.2%	16.3%	19.9%	20.9%	24.6%	22.6%	31.4%	40.2%	48.4%
Nonfinancial											
GHG emissions (Scope 2) (t-CO <sub>2</sub> )	44,083	47,860	46,897	45,681	43,929	39,783	34,450	30,344	19,776	15,621	13,732
Changes in plastic shopping bags (volume of plastic used in shopping bags) (t)	230	194	204	208	219	219	203	80	30	28.4	27.5
Sales area (m <sup>2</sup> )	477,449	489,579	501,918	502,974	512,812	514,237	518,958	505,210	513,509	510,001	510,319
Number of employees (including part-time employees) (people)	7,879	7,652	7,845	7,825	8,446	9,169	9,483	9,277	9,121	8,906	8,711
Number of new graduate employees (people)	48	51	59	63	55	77	91	98	126	123	110
Number of employees 65 years old or older (including part-time) (people)	30	27	29	39	60	80	84	93	97	102	126
Percentage of employees with disabilities (%)	1.93	2.10	2.08	2.07	2.32	2.55	2.54	2.44	2.60	2.65	2.73
Turnover rate of permanent employees (%)	2.9	2.9	2.6	2.7	2.8	3.3	2.8	2.2	2.4	2.8	2.9
Percentage of employees participating in employee stock ownership plan (Joshin Denki only) (%)	92.01	92.49	92.61	92.41	91.90	91.13	90.13	87.46	86.49	86.29	85.44
Cases of violations of law and regulations, monetary amount (yen)	0	0	0	0	0	0	0	0	0	0	0
Whistleblower cases (number of cases)	26	28	26	28	29	41	46	60	68	61	39

1. Net interest-bearing liabilities: interest-bearing liabilities – deposits  
2. Net D/E ratio: (interest-bearing liabilities – deposits) ÷ (equity capital)  
3. ROIC = Operating income × 0.65 (assuming a tax rate of 0.35) ÷ (end-of-period net assets + end-of-period interest-bearing liabilities)

Group Locations

As of the end of March 2024, the Joshin Group operates 218 stores in the Kansai, Tokai, Kanto, Hokushinetsu, and Shikoku regions. The Group will open new stores while developing our service infrastructure centered on a two-hub east/west logistics framework through the Kansai Ibaraki Logistics Center and the Tokyo Logistics Center.



Kansai region: 143 stores  
Total store area: 339,106 m<sup>2</sup>

Osaka Prefecture	60 stores	141,932 m <sup>2</sup>	Shiga Prefecture	13 stores	27,291 m <sup>2</sup>
Kyoto Prefecture	12 stores	31,338 m <sup>2</sup>	Nara Prefecture	12 stores	30,494 m <sup>2</sup>
Hyogo Prefecture	38 stores	89,572 m <sup>2</sup>	Wakayama Prefecture	8 stores	18,477 m <sup>2</sup>



Nipponbashi store



Kishiwada store

Shikoku region: 2 stores  
Total store area: 213 m<sup>2</sup>

Tokushima Prefecture	2 stores	213 m <sup>2</sup>
----------------------	----------	--------------------



ASAKA Naruto store

Hokushinetsu region: 23 stores  
Total store area: 58,518 m<sup>2</sup>

Toyama Prefecture	8 stores	22,465 m <sup>2</sup>
Ishikawa Prefecture	3 stores	7,265 m <sup>2</sup>
Fukui Prefecture	2 stores	5,319 m <sup>2</sup>
Niigata Prefecture	9 stores	20,985 m <sup>2</sup>
Nagano Prefecture	1 store	2,482 m <sup>2</sup>



Toyama main store

Kanto region: 16 stores  
Total store area: 35,515 m<sup>2</sup>

Tokyo	3 stores	5,381 m <sup>2</sup>
Kanagawa Prefecture	2 stores	5,263 m <sup>2</sup>
Saitama Prefecture	5 stores	11,373 m <sup>2</sup>
Chiba Prefecture	5 stores	10,464 m <sup>2</sup>
Gunma Prefecture	1 store	3,033 m <sup>2</sup>



Matsudo store

Tokai region: 34 stores  
Total store area: 76,966 m<sup>2</sup>

Aichi Prefecture	17 stores	37,066 m <sup>2</sup>
Gifu Prefecture	7 stores	16,135 m <sup>2</sup>
Mie Prefecture	9 stores	21,780 m <sup>2</sup>
Shizuoka Prefecture	1 store	1,984 m <sup>2</sup>



Komaki store

\* All figures are rounded down to the nearest whole number.



For more specific store information, visit this site.  
(Japanese only)

Store search

<https://shop.joshin.co.jp/>





## ○ First Joshin Customer Service Roleplaying Contest ○

In fiscal 2023, the Joshin Group held the **first ever** Joshin Customer Service Roleplaying Contest as part of our Fan Base Strategy that aims to create a chain reaction of value through our customer Joshin fans and core fans by spreading the bonds rooted in trust and confidence nurtured through our practice of service with care based on the Corporate Credo of Thoughtfulness.

The purpose of this contest is to promote self-directed growth in employees' customer service awareness and skills, while boosting the Company's customer service standards that are already so highly praised by our Joshin fans and core fans. Representatives from each store attend the contest to polish their hospitality and customer solutions skills in competition with one another. Participating employees who are rated the highest based on the judging criteria will be recognized and given monetary bonuses.

Employees who are victorious in the qualifier contests will be declared the "No. 1" employees in their respective areas and thereby qualify to participant in the finals competition. The top three at the finals will be awarded certificates, with 1st place receiving a trophy and monetary prize, and 2nd and 3rd places receiving monetary prizes as well.

### Overview

June 2023  
Representatives from  
each store compete  
(Total 221 participants)

August to October 2023  
Qualifiers (Area Contests)  
(Total of 16 held in various regions)

October 26, 2023  
Contest Finals  
(Held at the Head Office)



#### Hokuriku Area

**2nd place -  
Fukui Main Store**  
Mr. Yamaguchi



I strive to stand in the customer's shoes, address their concerns, and create an environment in which they find it easy to contact us even after they make their purchase.

#### Kyoto Area

**1st place -  
Yamashina branch**  
Mr. Takeda



I always try to be bright and cheerful. I do everything I can to ensure that customers continue wanting to shop at Joshin Denki in the future.

#### Kanto Area

**3rd place -  
Konosu branch**  
Ms. Enomoto



I listen carefully to what customers have to say, and rather than simply pointing them in the direction of what they want, I engage them in conversation and provide advice on how to use the products, giving my own ideas and mixing in my own experiences.

Note: The employees' respective places of work were up-to-date as of the time of the contest.

By staffing our stores with incredible personnel who have great customer service and customer solution skills, we aim to impress our customers with the very best hospitality possible.

The 2nd "Joshin Customer Service Roleplaying Contest" will be held in FY2024.

## Stock Information (As March 31, 2024)

### Number of Shares

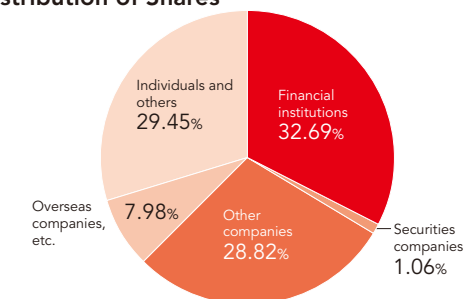
Number of shares authorized: 99,000,000

Number of shares outstanding: 28,000,000

Number of shareholders: 175,881 (excluding treasury shares)

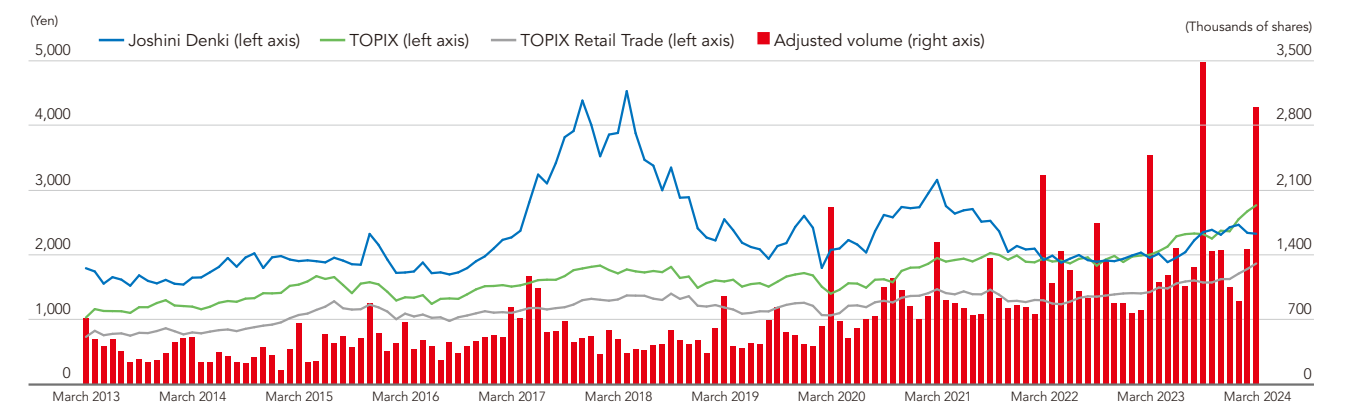
(including 18,543 shareholders holding unit shares)

### Distribution of Shares



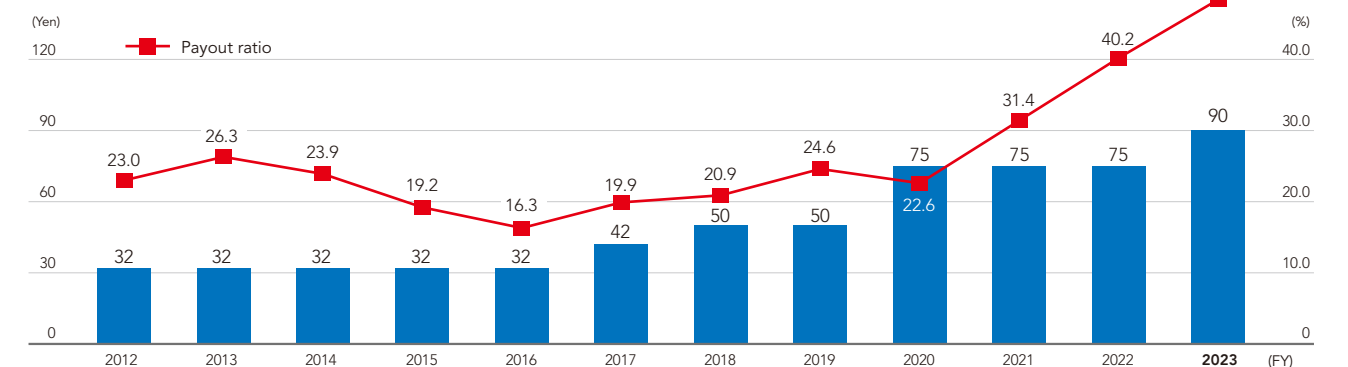
\* The above ratio is calculated excluding treasury stock (1,653,495 shares).

### Share Prices (After calculations for reverse stock splits)



\* On October 2, 2017, the Company consolidated ordinary shares issued by two to one.

### Dividends per Share



### Current Major Shareholders

Shareholder	Number of Shares Held	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	1,961,100	7.44
Joshin Denki Employee Shareholding Association	1,836,805	6.97
Resona Bank, Limited	1,200,010	4.55
Custody Bank of Japan, Ltd. (trust account)	904,575	3.43
The Dai-ichi Life Insurance Company, Limited	675,000	2.56
Sharp Corporation	542,500	2.05
Sompo Japan Insurance Inc.	506,500	1.92
Daikin Industries, Ltd.	432,792	1.64
Sumitomo Mitsui Trust Bank, Limited	420,000	1.59
Mitsubishi UFJ Trust and Banking Corporation	400,000	1.51

\* The above ratio is calculated excluding treasury stock (1,653,495 shares).

ひと、まち、笑顔に。

**Joshin**

Inquiry:  
Management Planning Department  
Joshin Denki Co., Ltd.  
Tel.: +81 6-6631-1122  
Fax: +81 6-6644-3626