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# Joshin

Joshin Denki Co., Ltd.

Integrated Report

# 2023

Fiscal Year Ended March 31, 2023



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### Editorial Policy

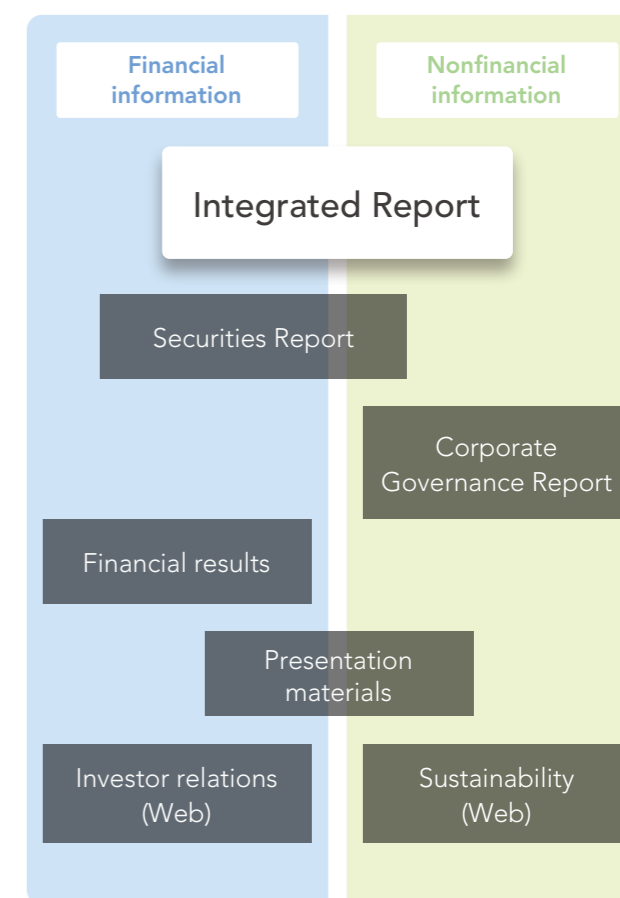
Joshin Denki identified the management vision and material issues by taking a backcasting approach from a medium- to long-term perspective, guided by our philosophy: connecting the futures of people and society with smiles. While we followed the International Integrated Reporting Framework provided by 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.

Applies to Joshin Denki Co., Ltd. and 12 consolidated subsidiaries  
From April 1, 2022 to March 31, 2023  
(some information is from the period starting April 2023)  
Issued September 2023  
Reporting frequency: once a year

**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/> (Japanese only)



#### IR information

[https://www.joshin.co.jp/joshintop/ir\\_en.asp](https://www.joshin.co.jp/joshintop/ir_en.asp)

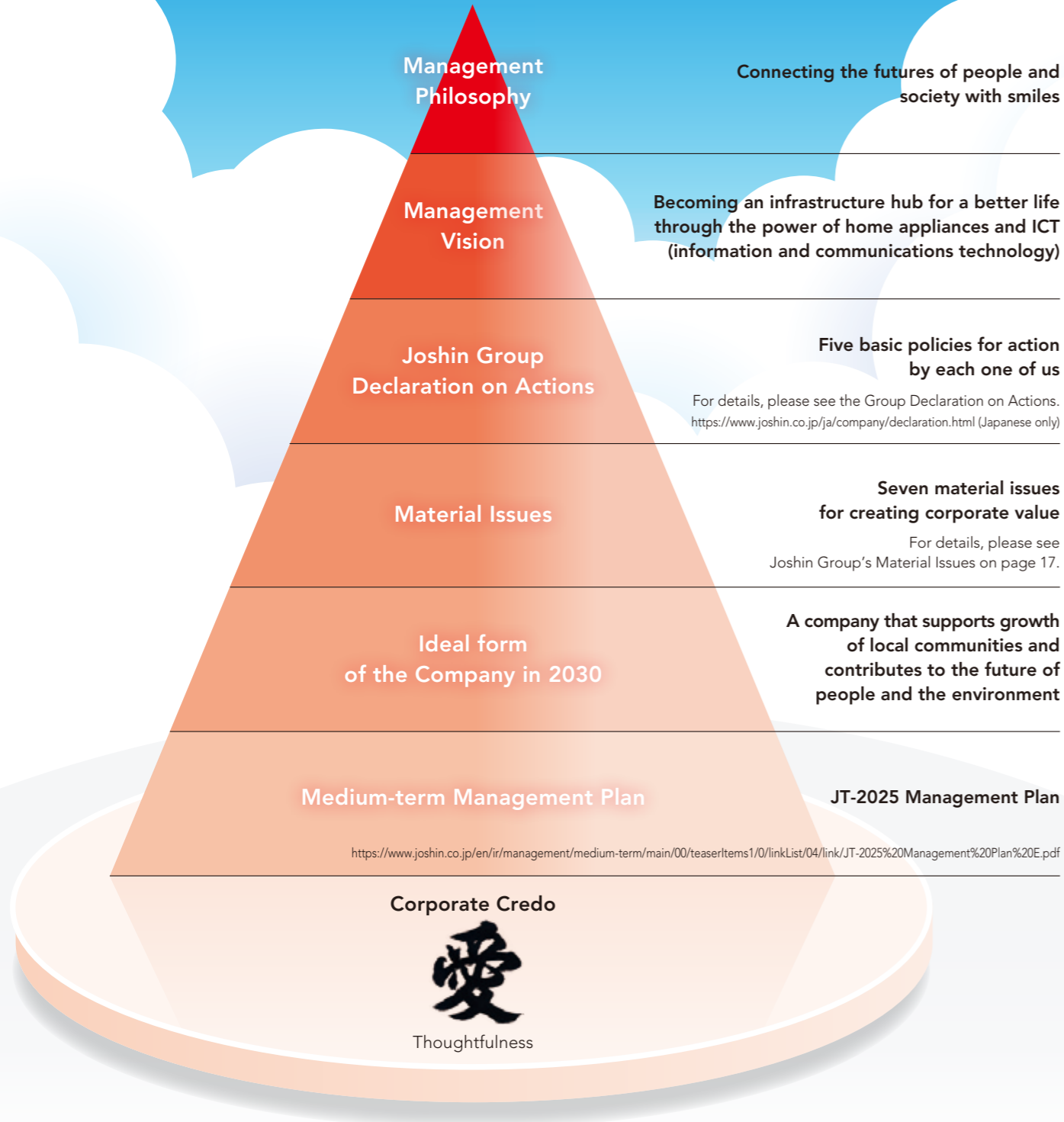


#### Sustainability

<https://www.joshin.co.jp/joshintop/csr/> (Japanese only)



# Management Philosophy Structure



# Corporate Information

## Corporate Profile (as of March 31, 2023)

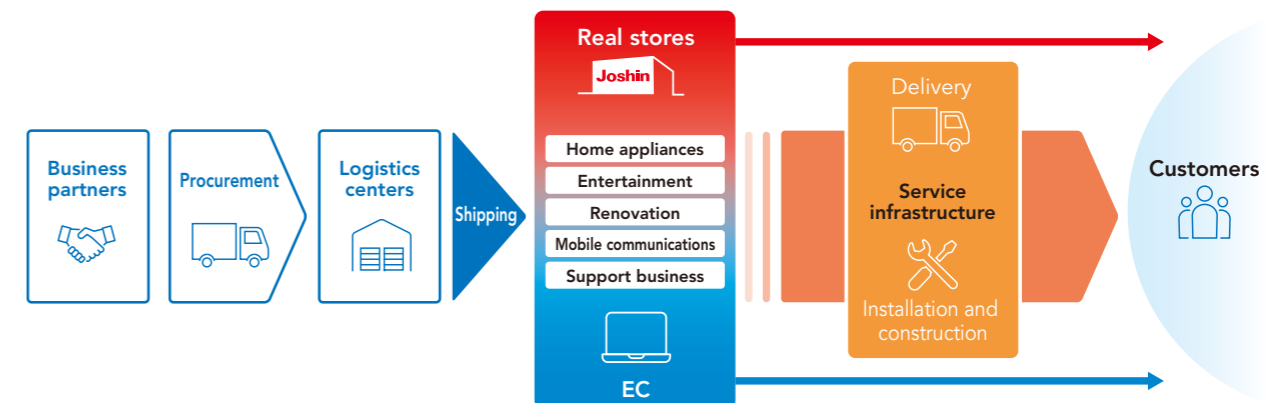
Company Name	Joshin Denki Co., Ltd.	Long-term Issuer Rating	A-
Head Office	6-5, Nipponbashi-nishi 1-chome, Naniwa-ku, Osaka City, 556-8550, Japan Phone +81-6-6631-1221	Rating Outlook	Stable
Founded	May 11, 1948	Domestic CP Rating	J-1
Established	February 2, 1950	Rating Agency	Japan Credit Rating Agency (JCR)
Net Sales	¥408.460 billion (consolidated) ¥406.502 billion (nonconsolidated)	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.
Capital Stock	¥15.121 billion	Franchises	Toyota Co-op Mikawa CLE Co., Ltd. Asaka Denki Co., Ltd.
Stock Listing	Prime Market, Tokyo Stock Exchange (code: 8173)	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 other
Number of Employees	8,906 Males: 5,651 Females: 3,255 (including temporary staff)	Corporate Website	<a href="https://www.joshin.co.jp/">https://www.joshin.co.jp/</a> (Japanese only)
Group Businesses	Sales of home appliances, information communications equipment, entertainment products, housing equipment, and related products, as well as incidental businesses; delivery, installation, and maintenance; product supply to subsidiaries and franchises; and long-term warranty repair operations.	Joshin Store Information	<a href="https://shop.joshin.co.jp/">https://shop.joshin.co.jp/</a> (Japanese only)
Number of Stores	221 (206 directly managed stores, 10 affiliates, 5 franchises)	Joshin Web	<a href="https://joshinweb.jp/">https://joshinweb.jp/</a> (Japanese only)
Service Infrastructure Bases	30		

## Overview of the Joshin Group

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

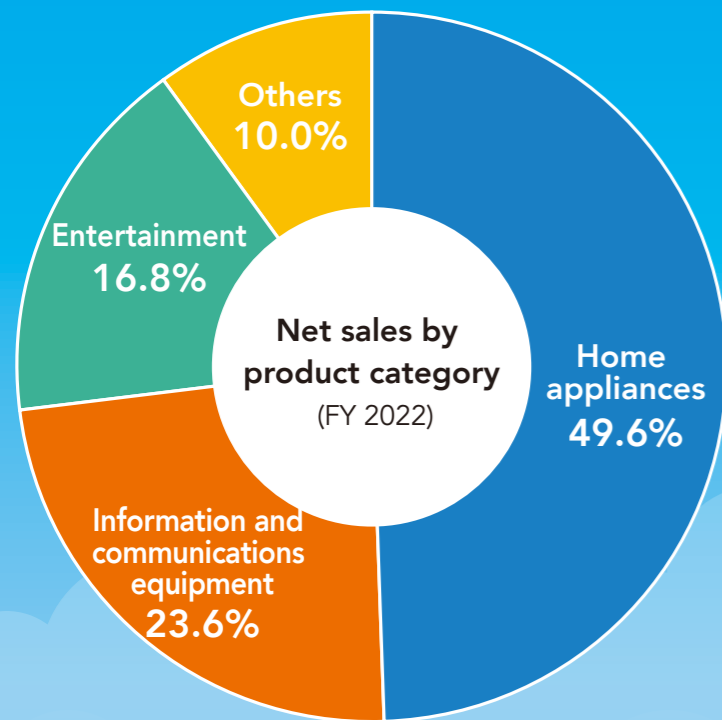
Delivery, installation, and service-related work from both the real stores and EC channel are handled by Joshin Service Co., Ltd.

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. As well, we will improve and grow our service infrastructure.

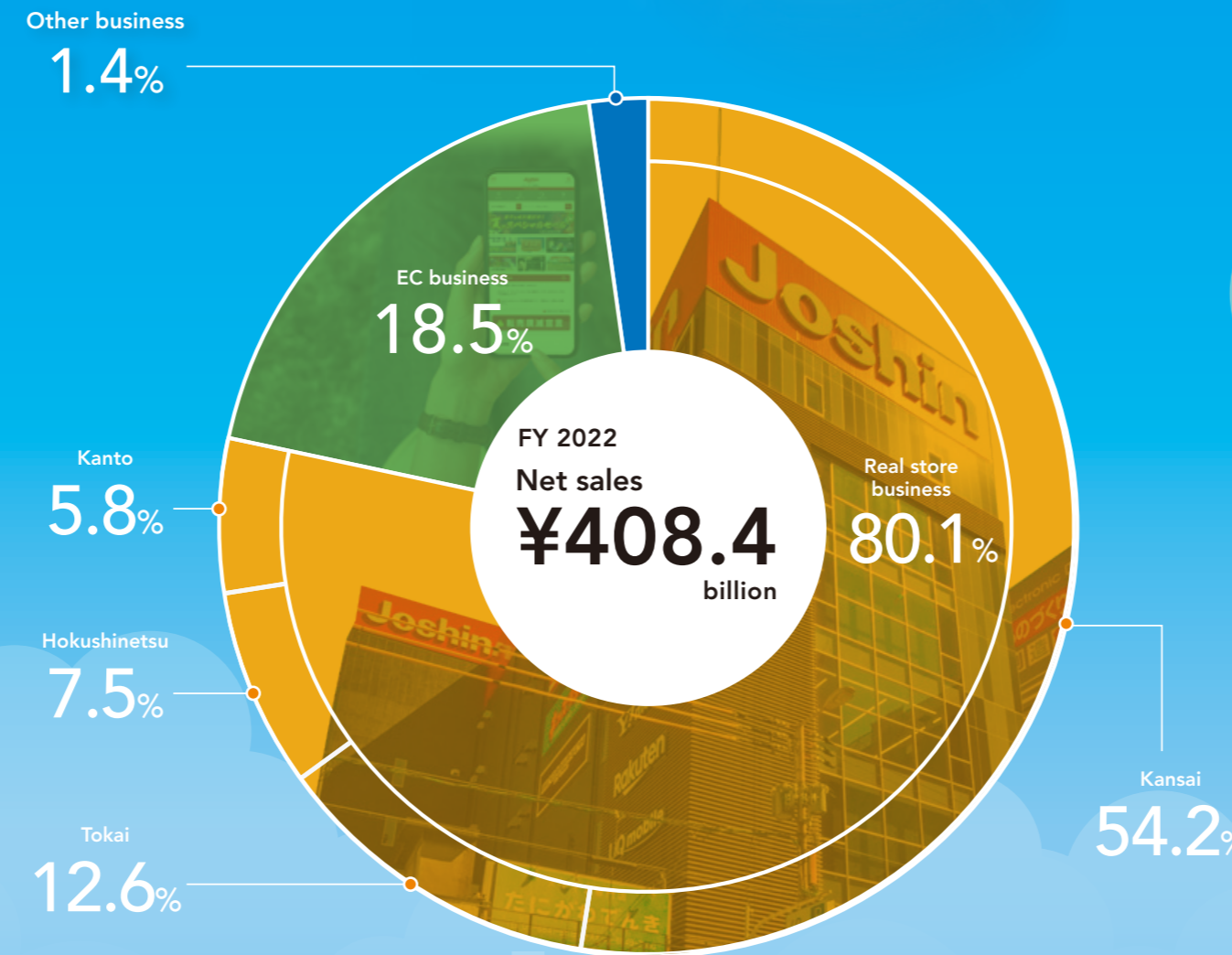


# At a Glance

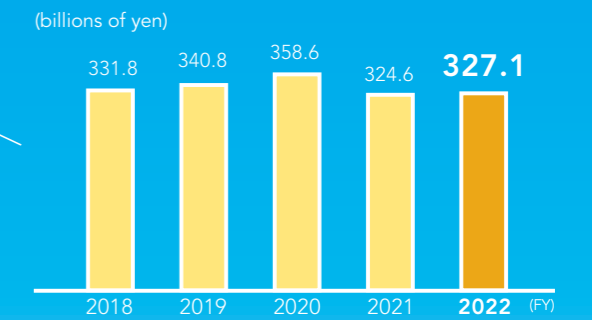
## Net sales by product category



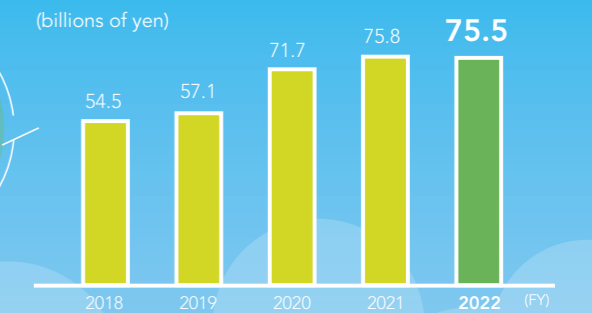
## Net sales by business segment



## Real store business net sales



## EC store business net sales



Number of real stores  
**221**

Number of items sold at the EC business  
Approx.  
**680,000 items**

## Assessments by external organizations

<p>2022 Oricon Customer Satisfaction® Survey</p> <p>Standalone housing renovations <b>Awarded 1st place</b> for two consecutive years</p>	<p>2023 Certified Health and Productivity Management Outstanding Organization (Large Enterprise Category)</p> <p><b>Four consecutive years</b></p> <p>健康経営優良法人 2023 Health and productivity</p>	<p>FTSE Blossom Japan Index FTSE Blossom Japan Sector Relative Index</p> <p><b>Adoption of constituent issues</b></p> <p>FTSE Blossom Japan Index FTSE Blossom Japan Sector Relative Index</p>
<p>Gold Product Safety Company</p> <p>Follow-up company <b>No.1</b></p>	<p>Small Rechargeable Battery Recycling Campaign</p> <p><b>Nine consecutive years</b></p> <p>Awarded the Certificate of Appreciation for Outstanding Contribution</p> <p>* Organized by JBRC (Japan Portable Rechargeable Battery Recycling Center)</p>	<p>CDP Climate Change Report 2022</p> <p><b>B score</b></p> <p>CDP DISCLOSURE INSIGHT ACTION</p>

## FY 2022 results

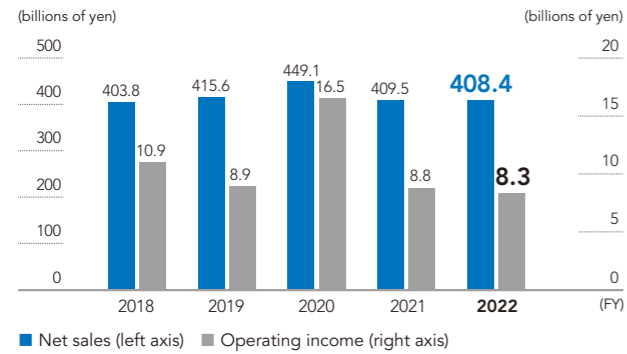
<p>Founded</p> <p><b>1948</b></p>	<p>Employees (consolidated)</p> <p><b>8,906</b> (including temporary employees)</p>	<p>ROE</p> <p><b>5.0%</b></p>	<p>Consolidated subsidiaries</p> <p><b>12 companies</b></p>
<p>Net sales</p> <p><b>¥408.4 billion</b></p>	<p>Operating income</p> <p><b>¥8.3 billion</b></p>	<p>Number of active members<sup>1</sup></p> <p>Approx. <b>5.2 million members</b></p>	<p>Member Purchase Amount<sup>2</sup></p> <p>Approx. <b>¥62,000</b></p>

1. Customers who have purchased products or services from us at least once in FY 2022.  
2. Average unit price per active member purchased in a year

# Financial/Nonfinancial Highlights

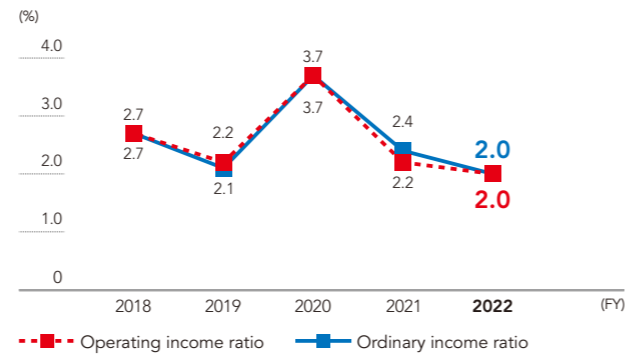
## Financial

### Net sales/operating income



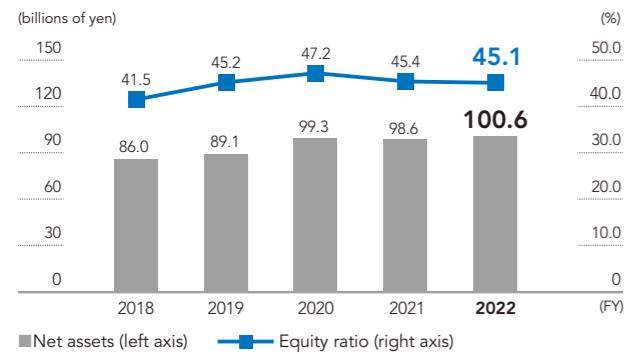
Both revenue and profit fell in fiscal 2022 due to a rebound to front-loaded demand prompted by the COVID-19 pandemic during fiscal 2020. Consumption slowed due to soaring prices and there was more leisure spending due to the easing of restrictions on going out.

### Operating income ratio/ordinary income ratio



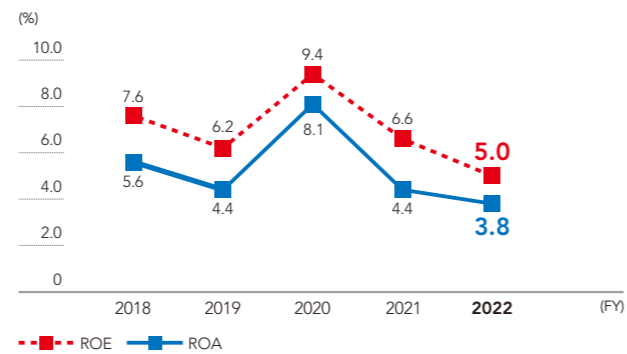
While gross profit increased, the profit margin fell due to higher selling, general and administrative expenses (SG&A).

### Equity ratio/net assets



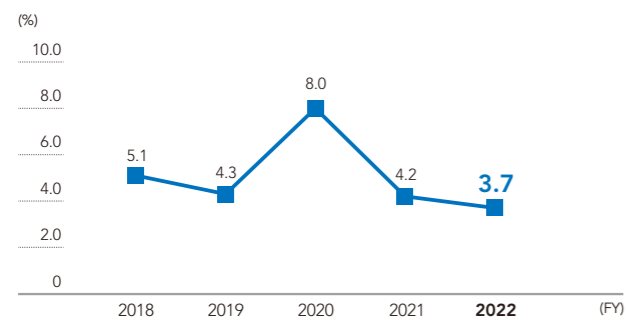
Stable earnings will lead to increases in net assets to total assets and a slower rise in interest-bearing liabilities, in this way, improving our financial stability.

### Return on equity (ROE) and return on assets (ROA)



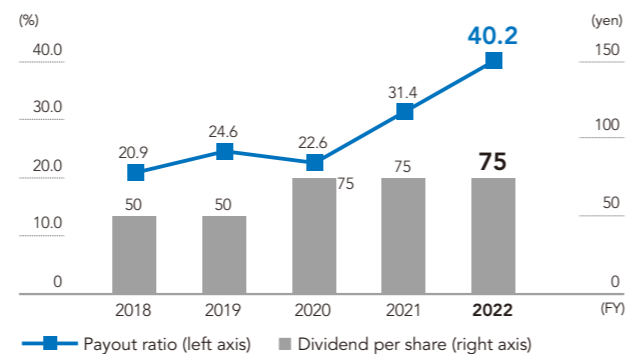
In the JT-25 Management Plan, our goal by fiscal 2025 is an ROE of 8.0% or above and an ROA of 5.0% or above.

### Return on invested capital (ROIC)



In the JT-25 Management Plan, our goal by fiscal 2025 is an ROIC of 5.0% or above.

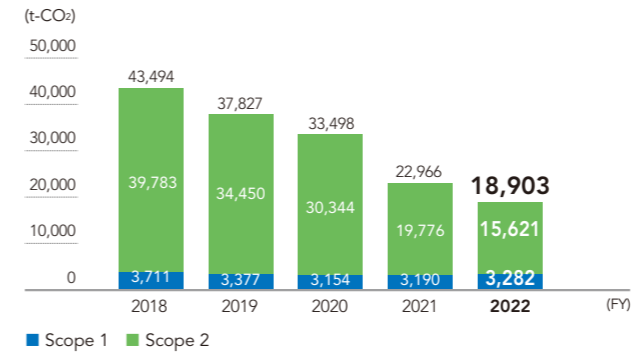
### Payout ratio/dividend per share



Although profit decreased, because the dividend amount remained unchanged, the dividend payout ratio exceeded 40%.

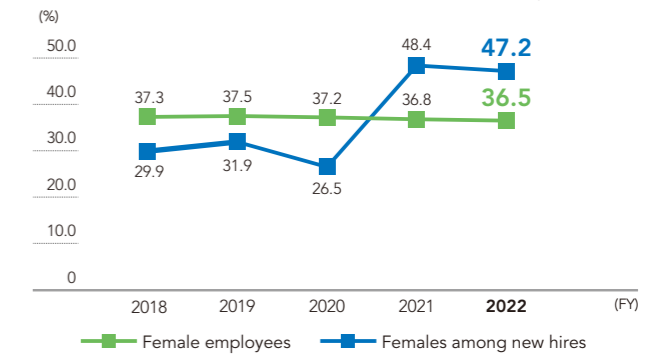
## Nonfinancial

### GHG (greenhouse gas) emissions (Scopes 1 and 2)



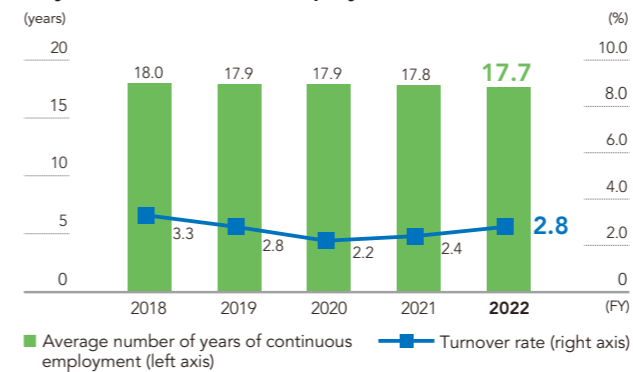
There was a steady decrease in emissions due to the introduction of power management systems, LED dimmers, and similar systems. To reduce emissions, the Company will continue proactive initiatives, such as adopting renewable energy.

### Percentage of female employees, percentage of females among new hires (as of April 1, 2022)



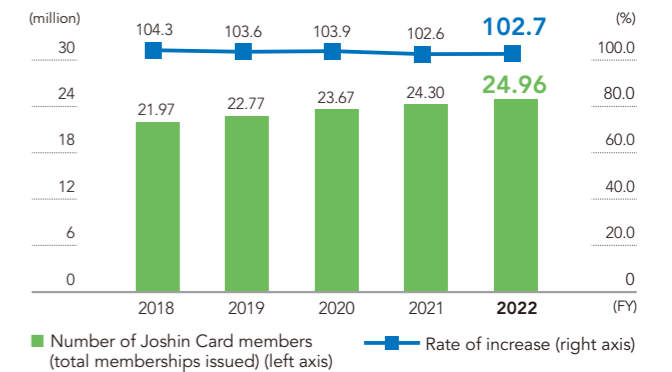
The Company aims to have 50% female employees and is strengthening support for hiring and career building. In fiscal 2022, 47.2% of all new hires were female.

### Rate of permanent employee retention (average number of years of continuous employment, turnover rate)



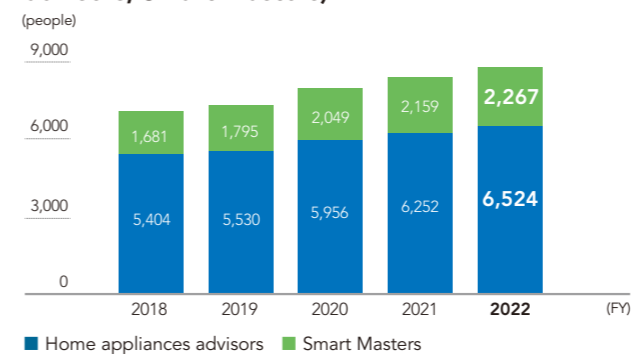
Our permanent employee retention rate is among the highest in the industry, an indication that this is a great place to work. The Company focuses on the improvement of employee engagement so that diverse employees will have job satisfaction.

### Number of Joshin Card members



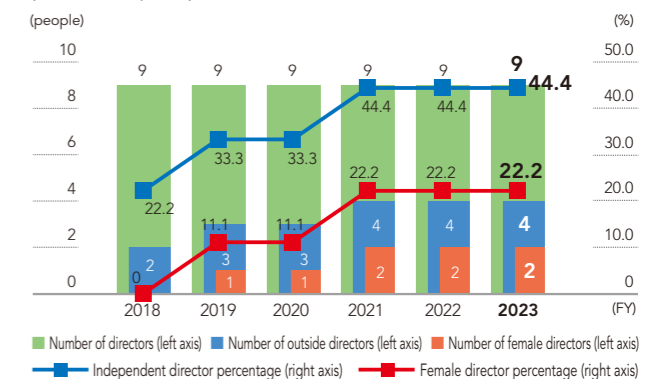
Since beginning this service in 1989, Joshin Card has been favored by customers. There are currently over 20 million members.

### Number of certification holders (home appliances advisors, Smart Masters)



Maintaining a high percentage of certification holders is a symbol of professionalism. The Company will propose a safe, secure, and comfortable lifestyle for customers and help to attain carbon neutrality in homes.

### Percentages of independent and female directors (as of June 27, 2023)



The Company appointed two female directors in fiscal 2021 in an aim to improve independence, diversity, and the effectiveness of the Board of Directors. The percentage of independent (outside) directors reached 44.4%.

## Message from Management

As we approach the 100th anniversary of our founding, we have established our medium-term management plan, the JT-2025 Management Plan (the “new medium-term management plan”) as a step toward achieving our ideal state in 2030, which we have positioned as a milestone.

This year, we marked the 75th anniversary of our founding. This longevity is a result of the trust and support that we received from all of our stakeholders, including our customers, for which we are deeply thankful.

Positioning the next 25 years leading up to our 100th anniversary in 2048 as the “fourth corner,” we have formulated our future growth scenario. As the first stage of this scenario, we aim to become “A company that supports growth of local communities and contributes to the future of people and environment” by 2030. To achieve this goal, all of our employees will work together to further expand our business, innovate, and become involved in community service.



金谷隆平

Ryuhei Kanatani  
Representative Director,  
President and Executive Officer

## Outcomes and Tasks of the Previous Medium-term Management Plan, the JT-2023 Management Plan

We compare the growth of our company to a three step process—“hop, step, and jump”—and the previous medium-term management plan JT-2023 Management Plan (the “previous medium-term management plan”), which started in fiscal 2020, was considered to be an important stage that corresponds to the “step,” focusing on the hard work and preparation for a big leap forward. However, due to various challenges, such as the spread of COVID-19, semiconductor shortages, soaring raw material prices, inflationary pressure, and higher import costs from the yen’s depreciation, we were unable to achieve the performance targets of the previous medium-term management plan, and we were unable to make full preparations for the “jump.” I regard this as similar to starting to climb a mountain with the aim of reaching the summit, but running out of time at the fifth station.

Looking at business performance, although fiscal 2020 saw significant performance improvements due to the government’s fixed benefit payments related to the spread of COVID-19 and more consumption due higher demand from customers staying home, there was a rebound in the following

two years, and performance indicators other than the equity ratio, such as net sales, various profit items, ROE, ROA, and ROIC did not reach the planned levels. As member of the top management of the Company, I am deeply aware of my responsibility for these results. I will not allow these past three challenging years go to waste, when we have spent time responding to crises. So, based on these bitter experiences, I will take on new challenges in the new medium-term management plan.

We made steady progress on the two basic policies of the previous medium-term management plan: “integration of various sales channels” and “unlocking and maximizing talent,” as well as the evolution strategy of our Corporate Credo, “Thoughtfulness” (to always think and act in consideration of the other’s perspective), which is our fan base strategy. Given these circumstances, we were able to achieve a 1.2-point improvement compared with fiscal 2019 in the gross profit margin, a profitability indicator, which reached 25.4%. We have also secured growth of over 30% year on year in Internet (online) sales, and in July 2022, we started full operation of the Kansai

Ibaraki Logistics Center, integrating the logistics of real stores and the EC (e-commerce) store. In addition, we reduced advertising expenses by 30% through digital sales promotions as well as prioritizing the safety of customers and employees in our stores by scrapping and rebuilding store buildings, or roughly 10% of all of our stores, including those built to the old seismic standards, resulting in improved profitability per store. As a result, we were able to lay the groundwork for our future growth.

## Positioning the JT-2025 Management Plan in the Medium- to Long-term Growth Scenario

For our new medium-term management plan, we reviewed our management through a backcasting approach to help realize our management philosophy, management vision, and future ideal form. For us to “Contribute to creating a society that is, and will continue to be, overflowing with the smiles of all generations in the community from children to elderly,” it is essential that we become a sustainably growing company.

To achieve this aim, the new medium-term management plan is positioned as the “second step” toward reaching the ideal state of the Company in 2030, or “a company that supports the growth of local communities and contributes to

In 2021, we updated our management philosophy for the first time in 57 years, to “Connecting people and society to the future with a smile.” In addition, we established a new management vision, “Becoming an infrastructure hub for a better life through the power of home appliances and ICT.” At the same time, by formulating management’s material issues (materiality), we were able to determine the direction we should take and to get started with value creation for the future.

the future of people and environment.” Under the slogan of “To be a concierge to customers, drawing close to their daily lives,” we are focused on our fan base and dominant strategies, in order to bolster our three pillars: profitability, efficiency, and growth potential. At the same time, we are striving to meet the expectations of our shareholders and stakeholders as well as earn trust and provide satisfaction in order to contribute to our customers and society, with all of our employees united to take on challenges.

### Three Key Points of the New Medium-term Management Plan

Our new medium-term management plan clearly shows our management indicators and strategies, with the intention of responding to the request from the Japan Exchange Group as of March 31, 2023, for “Action to implement management that is conscious of cost of capital and the stock price.”

The key points of the plan: (1) improving profitability, (2) pursuing efficiency, including lower capital costs, and (3) boosting growth potential.

The fan base strategy is the first pillar for improving profitability. By providing products and services that meet customers requirements, we continually offer solutions to improve customer satisfaction and heighten our customers’ lifetime value. Moreover, by building stronger and more sustainable relationships with customers, we will boost sales through more customer visits and the number of purchased items—even with a declining birthrate and aging society—and by simultaneously increasing profitability by offering high value-added products and a diverse range of specialized services.

The third pillar, pursuing efficiency, is Joshin’s unique dominant strategy. It is extremely important for us to optimize investments in store-related items, which account for 70% of total investments. The Company’s dominant strategy focuses on the regions, products, and services where our strengths can be best used; on building logistics and service infrastructure systems; and concentrating management resources to differentiate ourselves from our competitors. In our real stores, we will improve efficiency and competitiveness by concentrating our stores in four regions: Kansai, Tokai, Kanto, and Hokushinetsu. For the EC business, we not only respond flexibly to our customers’ lifestyles, but also serve customers in

regions with low concentrations of our real stores, creating and complementing our real stores. Going forward, in order to cater to the needs of customers in the Kanto region, where EC sales are high and there is the potential for growth due to the concentration of customers, we will expand our logistics with two bases in the west and east, and address the 2024 problem in the logistic industry. In this way, we are realizing both the pursuit of efficiency and customer satisfaction.

To boost our growth potential, we will promote a growth strategy that prioritizes profitability. This means securing sustainable growth by not only increasing sales, but also profit margins and efficiency as well, by combining the fan base strategy and the dominant strategy. Specifically, by focusing on investment in specific regions and the product service business segments where our service infrastructure is most effective and where the dominant effect is anticipated, we will grow continuing revenue through support businesses that support our customers’ lifestyles, such as maintenance, reuse, and rental services.

#### JT-2025 Management Plan Management goals

(billions of yen)	FY 2022 Results	FY 2025 Plan	Ideal state in FY 2030
Net Sales	408.4	420.0	
Operating income ratio	2.0%	2.6%	Operating income ratio Aim for 4.0% level
Operating income	8.3	11.0	
ROE	5.0%	8.0% or more	Aim for 10.0% or more
ROA	3.8%	5.0% or more	Aim for 7.0% or more
ROIC	3.7%	5.0% or more	Aim for 7.0% or more

### Promoting Sustainable Management

To achieve our vision as a 100-year company, our human resources—the source of providing lifetime value to our customers—are essential. One of management’s material issues (materiality) is diversity and inclusion, so we have listed securing and nurturing employees, as well as health and productivity management, as challenges. We are advancing the following three initiatives to further improve our human resources, the source of our value creation. The first initiative is improving employee engagement. Since July 2022, we started full operation of our Diversity Council in order to ensure that our employees find satisfaction and pride in their work. We will continue to make further improvements through engagement surveys. The second initiative is ensuring diversity. Building an organizational culture where employees with diverse values can respect and cooperate with each other is important for strengthening customer service skills. We are promoting personnel measures that prioritize diversity in hiring, training, and placement. Finally, the third initiative is accelerating investment in human capital. Employees are the most important type of capital for the Company. The decrease in the working-age population due to a declining birthrate and aging society present a significant challenge for business continuity. We will provide opportunities for employee education and training for their professional development and skill improvement, with the aim of building a human resources foundation that leads the Company’s sustainable growth into the future.



In addition, strengthening governance is indispensable for promoting sustainable management. The Board of Directors regularly assesses initiatives intended to improve the profitability of capital and promote efficient management that is conscious of capital costs.

In April 2023, we revised the director compensation system, improving the link between medium- to long-term management strategies and compensation to directors/auditors. Specifically, we set the ratio of fixed to variable compensation at “5:5,” with 30% of the total being long-term incentive compensation, consisting of ROE (10%), the CDP score (10%), and the employee engagement score (10%). With this revised approach, our compensation system considers not only improvements in short-term performance, but also sustainable growth and the fulfillment of social responsibilities.

### In Closing

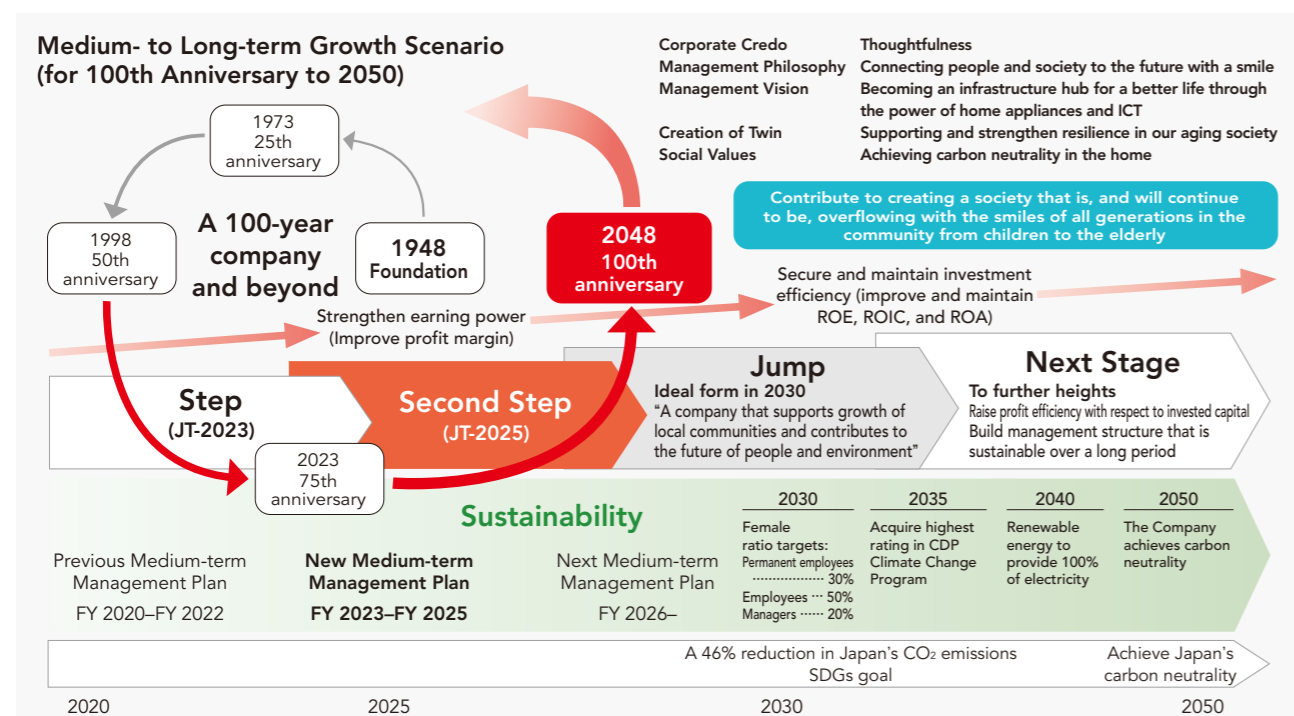
Looking back on our company’s 75-year history, I am deeply appreciative of the fact that our growth today is due to the trust and support of our many customers, business partners, employees, and shareholders. Since our founding, we have consistently implemented the Corporate Credo of “Thoughtfulness,” providing high-quality products and services that meet the needs of our customers. We will continue to operate as a company that contributes to society, while upholding our management philosophy of “Connecting people and society to the future with a smile” and maintaining high ethical standards.

To realize our management philosophy, it is essential that we become a sustainably growing company. To achieve this aim, securing profits that exceed our invested capital and continually growing those profits are critical for improving our corporate value, increasing our market capitalization, realizing

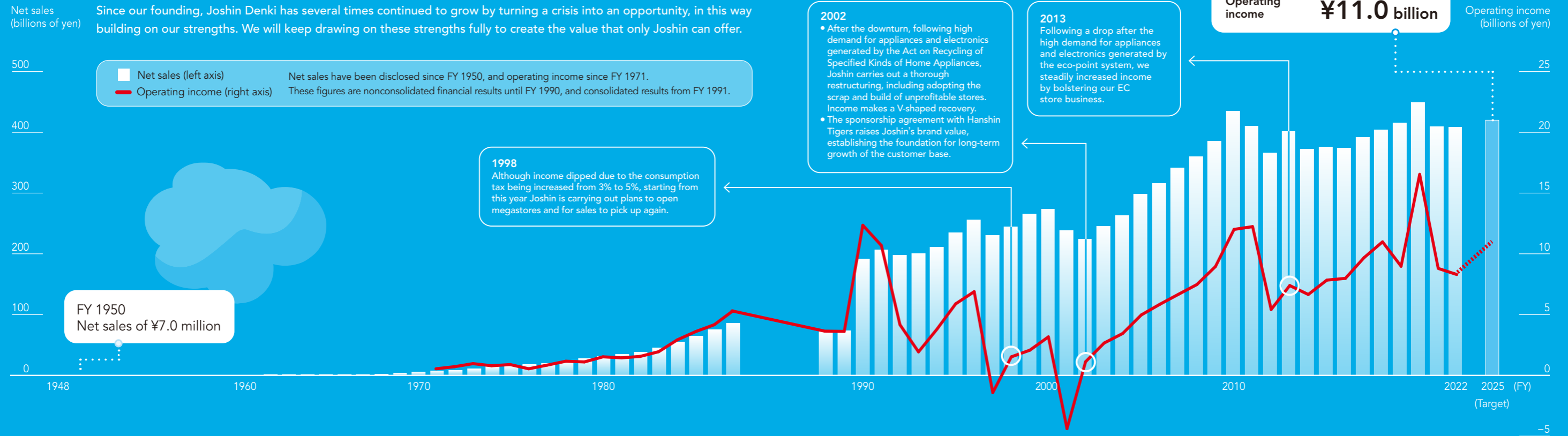
a PBR of at least 1.0x, and ultimately, ensuring the Company’s sustainable growth. We aim to boost profitability through the execution of our new medium-term management plan and achieve an ROE of 8.0% or higher, an ROA of 5.0% or higher, and an ROIC of 5.0% or higher in fiscal 2025, which is the final year of the plan.

We value constructive dialogue with all of our stakeholders, including shareholders and investors, and by earning their trust, we will achieve sustainable growth. We promise to walk together with everyone toward the sustainable growth of the Company and society, and as we do our best to achieve this goal, we look forward to your continuing support of Joshin.

金谷隆平  
Ryuhei Kanatani  
Representative Director,  
President and Executive Officer



# History of Value Creation



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

### 1948 Joshin is founded

Joshin starts up as a home appliance parts store in Osaka 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 1st in the industry

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 1st in the industry

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.

Brand recognition with a wider range of consumers

### 2002

Joshin sponsors ads for the Hanshin Tigers helmet

As part of our strategy for corporate identity (CI), 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 was launched

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

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.

Highly professional after-sales service for home electronics and appliances

### 1956 1st in the industry

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 best experiences in Japan

### 1981 1st in the industry

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.

Introduced as part of dynamic pricing

### 2018 1st in the industry

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 as a first initiative in the industry—in all of our appliance stores. Further, in September 2019, we introduced electronic shelf tags for large appliances (televisions, air conditioners, etc.).

Introduced as part of dynamic pricing

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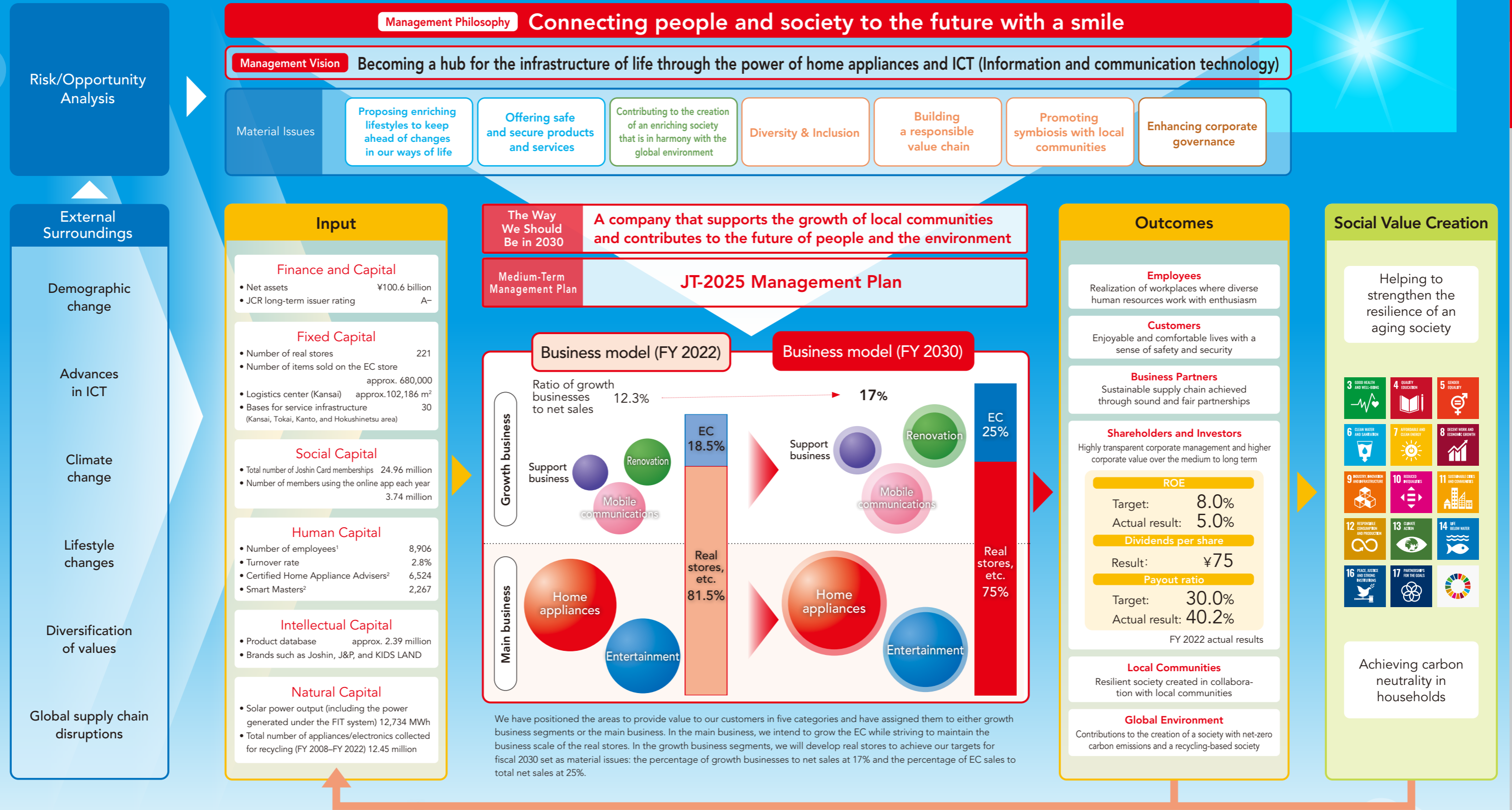
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2023 75th anniversary of our founding



# 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.



# 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 vision and philosophy, we chose the 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 the 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 materiality 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—the target year is 2050—the committee investigates the numeric plans for individual fiscal years leading up to 2030, which is the midpoint of the business strategy.

## Revision of material issues

We first announced our material issues in 2021. Two years have passed since then, and after achieved our initial goals in several action plans, we have revised some material issues and initiatives. We also reviewed our action plans and targets based on the revised material issues and initiatives.

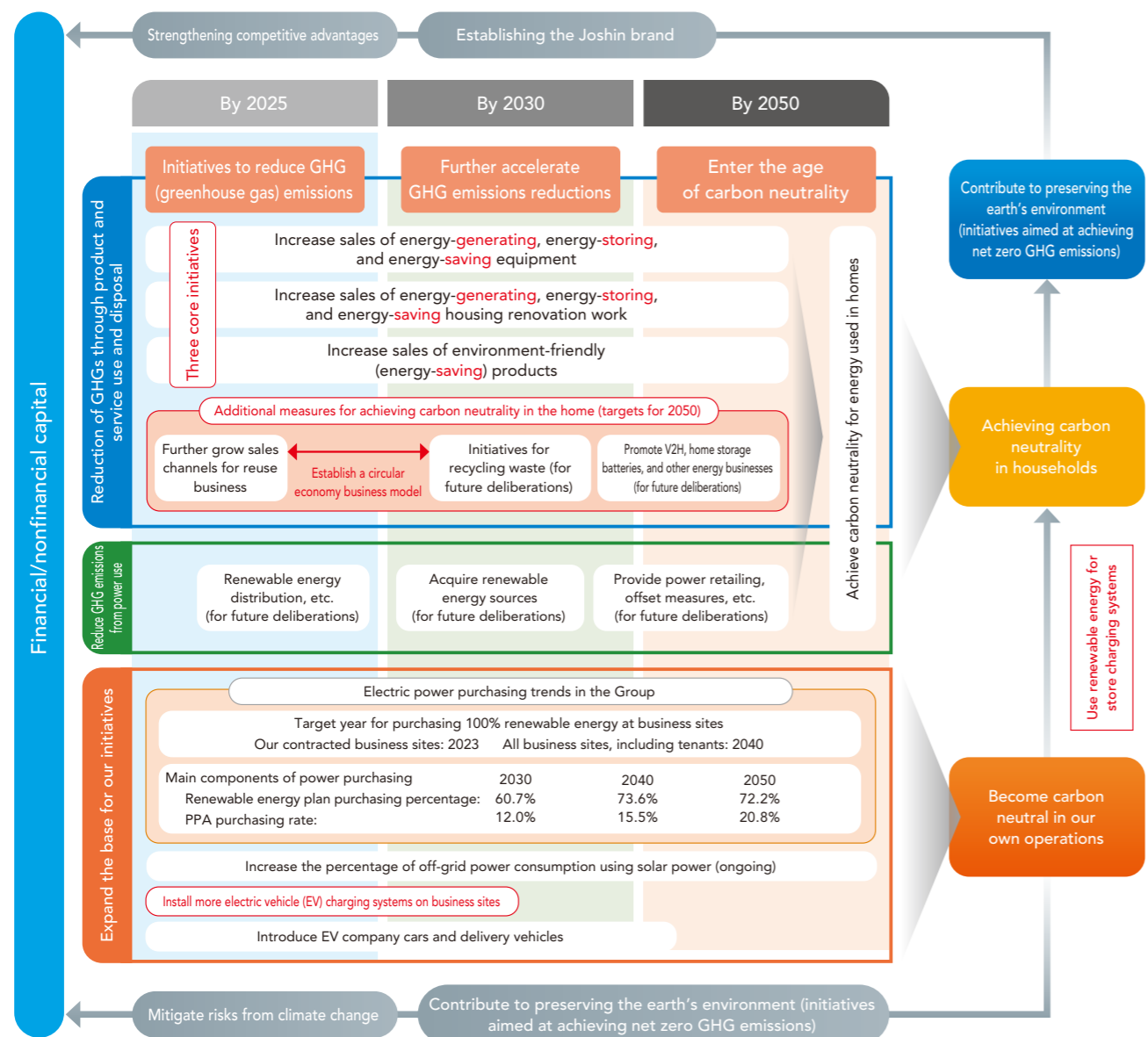
## Material issues determination process



Material Issues	Challenges	Main Action Plans	Main Achievements (FY 2022)	Main Goals	Sustainable Development Goals
ES (Impact)	Proposing enriched lives that anticipate lifestyle changes ▶ See pp. 31, 50, and 52	<ul style="list-style-type: none"> <li>Provide products and services supported by online and digital technologies</li> <li>(1) Build up the fan and core fan base by maintaining and working to increase the number of active members (annual active members) using a fan base strategy</li> <li>(2) Strengthen contact points with customers through the app and provide real-time information</li> <li>(3) Provide interactive services through the app</li> <li>(4) Implement remote (online) diagnoses and remote support</li> <li>(5) Strengthen support service operations that help resolve customers' problems and issues</li> </ul>	<ul style="list-style-type: none"> <li>EC: 18.5% of net sales</li> <li>Renovation, mobile communication, and support business: 12.3%* of net sales</li> </ul> <p>* From the JT-2025 Management Plan, the support services up until now had been divided into renovation, mobile communications, and support business. Home appliances and entertainment have been added, forming a five-category business structure.</p>	<ul style="list-style-type: none"> <li>EC: 25% [FY 2030], over 40% [FY 2050] of net sales</li> <li>Renovation, mobile communication, and support business: 17%* of net sales [FY 2030]</li> <li>Maintain or increase the FY 2022 level of active members [FY 2030]</li> </ul>	
	Achieving household carbon neutrality	<ul style="list-style-type: none"> <li>Strengthening Sales of Environmentally Friendly Products</li> <li>Promote the remodeling of housing environments for advanced features and improvements using heat insulation of openings</li> <li>Promote the spread of V2H, EV charging equipment, and household storage batteries as well as strengthen sales of solar power generation equipment and high-efficiency water heaters</li> </ul>	<ul style="list-style-type: none"> <li>Achieve a sales ratio of 41.5% for environmentally friendly products (with a target sales percentage of at least 40%)</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen actions to reduce GHG emissions through the sale of products designed to create, store, and/or save energy [FY 2030]</li> <li>Promote the wide use of product services designed for reaching household carbon neutrality through off-grid power generation and consumption [FY 2050]</li> </ul>	
	Offering safe and secure products and services ▶ See p. 64	<ul style="list-style-type: none"> <li>Take action against cyberattacks with the awareness of zero trust</li> <li>Provide membership services securely and safely that use various types of data</li> </ul>	<ul style="list-style-type: none"> <li>Operate a security monitoring system in collaboration with specialized security companies</li> <li>Introduce a facial recognition system for logging on to business-use laptops to prevent information leaks as well as introduce systems that do not require data to be saved</li> </ul>	<ul style="list-style-type: none"> <li>Retain PrivacyMark certification [FY 2030] [FY 2050]</li> <li>Provide a service for convenient, safe member benefits through a facial recognition system [FY 2030]</li> <li>By introducing the latest technologies, create a safety and security brand by maintaining high security literacy among employees [FY 2050]</li> </ul>	
	Ensuring product quality and safety	<ul style="list-style-type: none"> <li>Improve data consistency between the purchaser database, product and parts data, and fault information</li> <li>Provide information about purchased products via corporate website and the app, etc., including safety, convenience, recalls, and maintenance</li> <li>Revise product safety assessment criteria to ensure quality and safety based on the purchasing policy and guidelines [FY 2025]</li> <li>Continually implement consumer education in collaboration with the Ministry of Economy, Trade and Industry and the National Institute of Technology and Evaluation (NITE)</li> </ul>	<ul style="list-style-type: none"> <li>Revise product safety assessment criteria that ensures quality and safety</li> <li>Implement child-oriented product safety events in 191 stores during the Product Safety Inspection Campaign Month in collaboration with the Ministry of Economy, Trade and Industry</li> <li>Participate in a Ministry of Economy, Trade and Industry's working group for setting up a new system to build a safe product market</li> </ul>	<ul style="list-style-type: none"> <li>Continue actions for safety and security as a Gold Product Safety Company [FY 2030], contribute to establishing a product safety culture throughout society, and form a virtuous cycle leading to improved corporate brand and corporate value [FY 2050]</li> <li>Strengthen the links between the purchaser database, product and parts data, and fault information, then quickly give guidance and make announcements [FY 2030]</li> <li>Further strengthen collaboration with the Ministry of Economy, Trade and Industry and other organizations, and continue to play a central role in disseminating information to consumers [FY 2030]</li> </ul>	
E (Environment)	Contributing to the creation of a better society that is in harmony with the global environment ▶ See p. 45	<ul style="list-style-type: none"> <li>Rebuild the recycling system that includes reuse and resale</li> <li>Further increase recycling areas for EC</li> <li>Further cut the use of plastics by no longer offering disposable shopping bags and taking other related actions</li> </ul>	<ul style="list-style-type: none"> <li>45,491 units purchased in FY 2022 (100.6% year on year)</li> <li>Recycling rate of 62.6% for the four target product classes of home appliances (104.6% year on year)</li> <li>Cut 86% of the plastics used for shopping bags compared with FY 2019 through improved rate of refusal for plastic bags and reduced use of plastic</li> </ul>	<ul style="list-style-type: none"> <li>Cut 90% of the plastics used for shopping bags (compared with FY 2019) [FY 2025]</li> <li>Promote circular economy initiatives [FY 2030] and establish a business model through an alliance that could develop into a capital alliance [FY 2050]</li> <li>Achieve a recycling rate of 65% for the four target product classes of home appliances [FY 2030]</li> <li>Stop using shopping bags made with plastic materials [FY 2030]</li> </ul>	
	Addressing climate change issues	<ul style="list-style-type: none"> <li>Increase the percentage of renewable energy sources and install solar power equipment at our business sites. As well, introduce off-site PPAs (power purchase agreements) to boost the off-grid power percentage at business sites where the Company contracts directly with power suppliers</li> <li>Conduct negotiations to increase the percentage of renewable energy sources used by tenants and other leased properties</li> <li>Manage greenhouse gas (GHG) emissions across the supply chain, set reduction targets, and take actions for reduction by identifying figures for key items in Scope 3</li> <li>Disclose information to follow the TCFD recommendations and endorse international initiatives on climate change, then disclose this information</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of renewable energy sources used at business sites where the Company contracts directly with power suppliers: 97.4% (79.4% in March 2022) [As of March 2023]</li> <li>Apply to the Science Based Targets initiative (SBTi) with the goal of reducing GHG emissions in Scopes 1 and 2 by 42% by FY 2030 compared with FY 2021 and for Scope 3 (Category 1, 11) by 25%</li> <li>Acquire a B rank in the CDP Climate Change Program</li> </ul>	<ul style="list-style-type: none"> <li>Raise the percentage of renewable energy sources used at business sites where the Company contracts directly with power suppliers to 100% [FY 2023]</li> <li>Support the Taskforce on Nature-related Financial Disclosures (TNFD) and establish an information disclosure framework [FY 2025]</li> <li>Achieve an off-grid power percentage of 25% [FY 2030], 50% [FY 2050] at business sites where the Company contracts directly with power suppliers to promote in-house power generation/consumption</li> <li>Achieve a 42% reduction in GHG emissions for Scopes 1 and 2 [FY 2030], 100% reduction [FY 2040]</li> <li>Achieve a 25% reduction in GHG emissions for Scope 3, Categories 1 and 11 [FY 2030], 100% reduction across all categories [FY 2050]</li> <li>Become the top company in the CDP Climate Change Program [FY 2035]</li> <li>Raise the percentage of renewable energy sources to 100%, at all business sites, including those that are rented out [FY 2040]</li> </ul>	

Material Issues	Challenges	Main Action Plans	Main Achievements (FY 2022)	Main Goals	Sustainable Development Goals	
S (Society)	Diversity & inclusion ▶ See p. 57	<ul style="list-style-type: none"> <li>Strengthen recruiting 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-based employment (introduce a job-based employment system in the planning departments by FY 2025)</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>Establish and announce the Joshin Group D&amp;I Policy</li> <li>Extend retirement age to 62 years</li> </ul>	<ul style="list-style-type: none"> <li>Extend retirement age to 65 years [FY 2025]</li> <li>Keep hiring 150 new graduates/mid-career workers as permanent employees every year [FY 2030]</li> <li>Maintain an annual turnover rate of permanent employees at 2.5% or less [FY 2030], 2.0% or less [FY 2050]</li> <li>Percentage of female employees hired as new graduates: 50% [FY 2030]</li> <li>Employees with disabilities: 3.0% [FY 2030]</li> <li>No mandatory retirement [FY 2040]</li> <li>Maintain staffing levels, determined by each employee's assigned area in a store [FY 2050]</li> </ul>		
	Human resource development	<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>Planning leadership training for female employees</li> <li>Implement executive and officer training</li> <li>Train executive officers as candidates for directors</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>Launch a diversity council and initiate childcare community activities</li> <li>Start DX training: 1,000 participants in FY 2022</li> <li>Percentage of certified Home Appliance Advisors and engineers among permanent employees: 83.5%</li> </ul>	<ul style="list-style-type: none"> <li>Cumulative total of 4,200 participants in DX training [FY 2024]</li> <li>Female managers: 20% [FY 2030], 50% [FY 2050]</li> <li>Permanent female employees: 30% [FY 2030], 50% [FY 2050]</li> <li>Percentage of female employees: 50% [FY 2030]</li> <li>Maintain a job qualification percentage of 85% for Home Appliance Advisors, etc. [FY 2030]</li> <li>Train 120 onsite home appliance repair technicians [FY 2030]</li> </ul>		
	Health and productivity management	<ul style="list-style-type: none"> <li>Preserve and improve mental and physical health</li> <li>Ensure appropriate business hours to remedy long working hours and working late at night</li> <li>Take advantage of ICT and robotics technology as alternatives to employees</li> <li>Create safe and secure workplace environments that focus on work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>Joshin Group Health and Productivity Management Declaration</li> <li>Recognized as a Certified Health &amp; Productivity Management Outstanding Organization (Large Corporation Category) for four consecutive years</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 [FY 2030], +5% across Japan [FY 2050]</li> <li>Introduce full self-service registers in all stores [FY 2027]</li> <li>Paid leave percentage of 70% [FY 2030], 100% [FY 2050]</li> <li>Presenteeism: 94% [FY 2030] * Measurement by WLQ-J</li> </ul>		
	Building a responsible value chain ▶ See pp. 56 and 63	Respecting human rights	<ul style="list-style-type: none"> <li>Perform human rights due diligence</li> <li>Communicate and collaborate within the value chain</li> <li>Implement risk assessments on the value chain</li> <li>Hold stakeholder meetings (dialogues)</li> <li>Establish relief mechanisms</li> <li>Disclose information</li> </ul>	<ul style="list-style-type: none"> <li>Endorse and sign the United Nations Global Compact</li> <li>Implement a human rights impact assessment</li> <li>Establish and announce the Joshin Group Human Rights Policy</li> </ul>	<ul style="list-style-type: none"> <li>Establish opportunities for human rights awareness for every supplier [FY 2025]</li> <li>Promote respect for human rights among employees by raising awareness [FY 2025]</li> <li>Pursue initiatives to ensure respect for human rights across the value chain [FY 2050]</li> </ul>	
		Sustainable purchasing activities	<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>Establish and announce the Joshin Group Purchasing Policy and Guidelines</li> <li>Establish and announce the Joshin Group Anticorruption Policy</li> </ul>	<ul style="list-style-type: none"> <li>Regularly conduct questionnaire surveys and gather information on human rights responses of suppliers [FY 2025]</li> <li>Achieve a sustainable purchasing target of 70% and promote increased transaction volumes with suppliers who responded to our survey [FY 2030]</li> <li>Build a sound, strong supply chain by adhering to Group Purchasing Policy/Guidelines and Group Anticorruption Policy [FY 2050]</li> </ul>	
	Promoting synergies with local communities ▶ See p. 67	Exploring in depth the businesses that support the growth of local communities	<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>Publish the Group's policy on community service as the Basic Sustainability Policy in the Corporate Governance Report</li> <li>Participate in the Decarbonization Point System Promotion Platform in collaboration with Osaka Prefecture</li> <li>Create new salesfloors that respond to changes in buying styles through a collaborative project between industry and academia with Baika Women's University</li> </ul>	<ul style="list-style-type: none"> <li>Improve the strength of the brand and our corporate value in local communities through social contributions [FY 2030]</li> <li>Take part in community service activities in collaboration with businesses working with municipalities [FY 2050]</li> <li>Create shared value by offering solutions to social issues [FY 2050]</li> </ul>	
G (Governance)	Ensuring compliance, risk management, and maintaining company morale	<ul style="list-style-type: none"> <li>Implement and maintain the Joshin Group Anticorruption Policy, including in the supply chain</li> <li>Make compliance training a requirement for assigning management positions (for example, the screening process for promotion and the position renewal system)</li> <li>Implement an integrated risk management system and business continuity management system, including in the supply chain, by the Risk Management Committee</li> </ul>	<ul style="list-style-type: none"> <li>Establish the Joshin Group Anti-corruption Policy that is based on the Group's Code of Conduct</li> <li>Establish a business continuity management system</li> </ul>	<ul style="list-style-type: none"> <li>Introduce a fixed-term system (renewal system) for assigning management positions [FY 2030]</li> <li>Maintain the business continuity management system [FY 2030]</li> <li>Establish a business continuity plan (BCP) system, including in the supply chain [FY 2030]</li> </ul>		
	Enhancing corporate governance ▶ See p. 72	Corporate/Group governance	<ul style="list-style-type: none"> <li>Assign the parent company's executive officers and senior staff to management teams at Group subsidiaries</li> <li>Revise the compensation system for directors and executive officers [FY 2023]</li> <li>(1) Clarify management responsibilities through an increase in performance-linked compensation (50%)</li> <li>(2) Motivate employees to make improvements in medium- to long-term corporate value by increasing stock compensation (long-term incentives)</li> <li>(3) Promote sustainability management by introducing ESG indicators in compensation calculations</li> <li>Transition to a delegation-style executive officer system</li> </ul>	<ul style="list-style-type: none"> <li>Female officers (directors and auditors): 30% [FY 2030]</li> <li>Stock compensation: 50%; disclose the compensation standards and individual compensation [FY 2030]</li> <li>Ensure well-developed and sustainable corporate governance intended to improve our corporate value, leading to higher social value and the realization of our management philosophy [FY 2050]</li> </ul>		

### Reinforcing Joshin's financial and nonfinancial capital through the achievement of carbon neutrality in the home



### Mitigate risk and take advantage of opportunities to strengthen financial and nonfinancial capital

One of the Joshin Group's high-priority material issues (materiality) is "making possible prosperous living that anticipates lifestyle changes." To address this material issue, we are focusing on two areas: "providing products and services that support a diversifying, super-aging society" and "achieving carbon neutrality in the home." To address risk, achieving carbon neutrality in the home will help to mitigate the risks

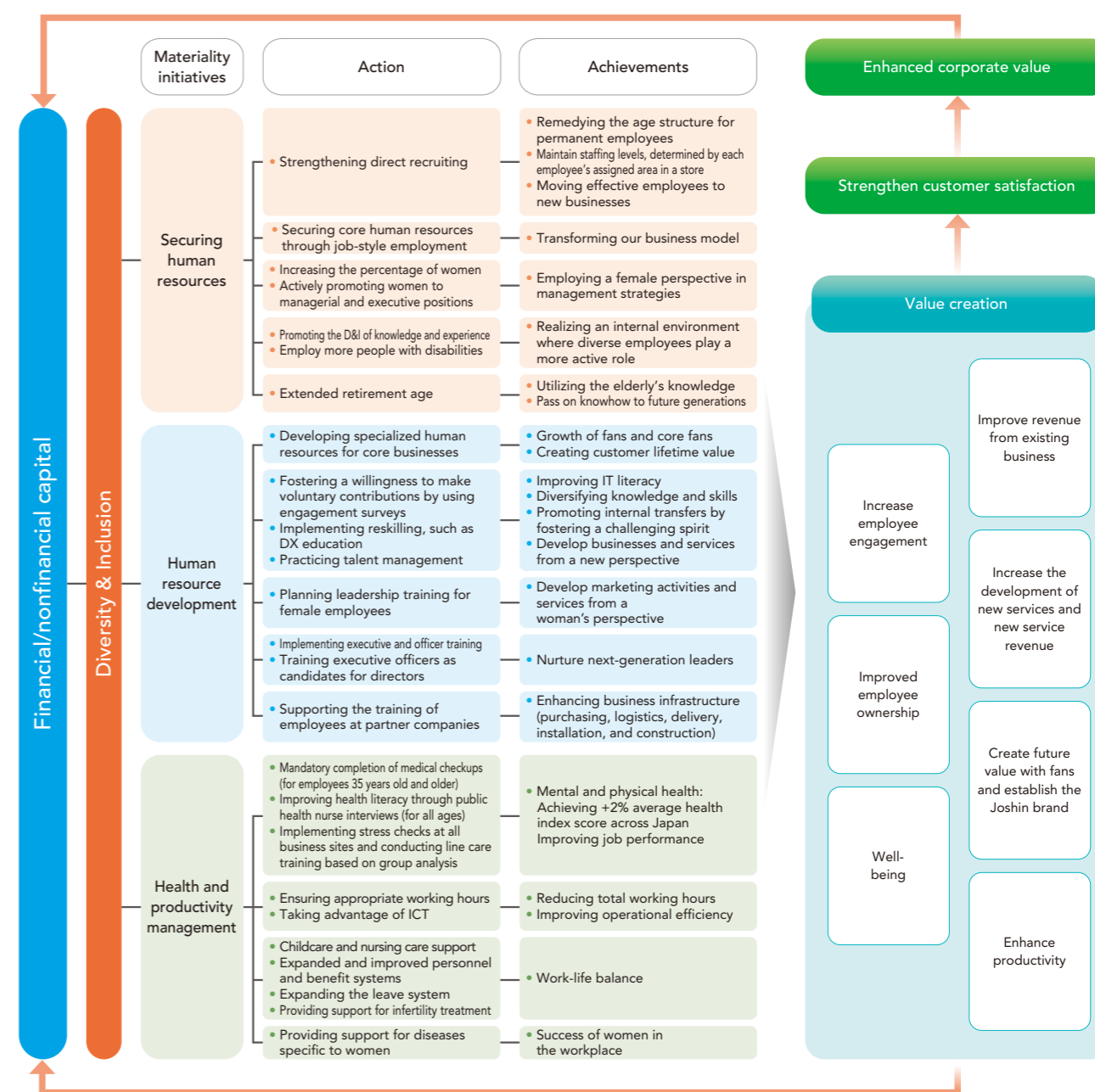
associated with climate change, while capitalizing on the opportunities from climate changes will enable us to achieve a competitive advantage for establishing the Joshin brand, which in turn will increase our revenue. Our goal in handling materiality now is to further strengthen our financial and nonfinancial capital.

### Striving to achieve carbon neutrality in the home

To achieve carbon neutrality by 2050, we will use a backcasting approach from a long-term perspective to implement a range of initiatives, such as boosting the sales of energy-generating, energy-storing, and energy-saving products and services. At the same time, we will also consider other initiatives, such as the

distribution of renewable energy used in homes. Internally, we will bolster our foundation for achieving carbon neutrality in our operations, including raising the use of renewable energy to 100% at all business sites.

### Reinforcing Joshin's financial and nonfinancial capital through the creation of work environments that enable diverse human resources to enjoy successful careers and job satisfaction



### Improve organizational performance through heightened employee engagement

In the Group's human resources strategy, we emphasize diversity and inclusion (D&I) as the foundation stones and we are putting every effort into boosting employee engagement—for improving corporate value—by 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 investing in human capital, we will secure effective employees, linking the sustained growth of businesses and diverse expertise to new levels of customer satisfaction. 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.

# Message from the Executive Officer in Charge of the Sales Strategy



**We aim to transform from “a convenient company” to “an essential company” with two channels (real stores and EC business), as well as the five categories of home appliances, entertainment, renovation, mobile communications, and support business.**

高橋 徹也

Tetsuya Takahashi

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

## Looking Back on the Previous Medium-Term Management Plan

For JT-2023 Management Plan, our previous medium-term management plan, we achieved our goals for the first year due to the extraordinary demand created by the COVID-19 pandemic and cash subsidies. After that, we were struck by backlash for two years in a row, ending up falling short of even our lower revised goals. On the other hand, we grew the base

share of individual stores by avoiding an expansion that overemphasizes new store openings. Consequently, the number of our stores fell by 18 (including the transfer of six drug stores) while net sales per store trended upwards. We faced a tough environment, but I believe we have achieved our goal of building a competitive foundation.

## Environmental Changes

The home appliance industry is facing unprecedented change from longer replacement cycles, varying lifestyles, and new buying habits. In addition to responding to this change in the market, there is a growing need to switch from providing value with physical goods to value from services. In the future, we must recognize that the home appliance industry will enter a stage of competition for providing value involving D-to-C (direct to consumer) sales, GMS, specialized EC websites, and the participation of other industries. Mindful of a shrinking working population, an aging society, and the resulting smaller market, we also redefined our SWOT analysis when formulating our new medium-term management plan (shown on page 29).

Customer requirements for durable consumer goods have

changed significantly with the times, and buying habits have changed to buying highly useful and valuable products, with people recognizing that the cost of choosing is value. In business negotiations, we have entered an era that demands wide-ranging sales strengths. In addition to the salespersons' own experience and knowledge, other skills are required: listening strengths to hear customers' needs; proposal strengths to assemble the best plan based on what was heard; and communication strengths to convey proposals in an easily understood way. I believe that from now on we will enter an era of returning to basics centered on the concepts of people and value that have long been left behind.

## JT-2025 Management Plan

The JT-2025 Management Plan (the new medium-term plan) positions the eight years until 2030 as a single package and

considers, through backcast thinking, what should be done over the next three years for the Company to reach our ideal form in

2030. First, our management base for promoting the new medium-term plan includes the business foundation of a service infrastructure<sup>1</sup>, information systems, and branding that supports the two channels (real stores and the EC business), as well as the five categories of home appliances, entertainment, renovation, mobile communications, and support business.<sup>2</sup> So, we will work on business growth with the aim of transforming from a convenient company to an essential company.

Looking at the service infrastructure, Joshin Service Co., Ltd., a wholly owned subsidiary, has long been responsible for delivery, installation, and construction work at customers' homes, and we are armed with technical strengths cultivated through training at our in-house training center.

For improving our information systems, we will nurture human resources by mechanizing and systemizing work, with the goal of boosting sales strengths and sales quality by utilizing these resources. We have also set up an online booth<sup>3</sup> (see TOPICS on page 26) and started online contract agency services. Online technology makes it possible to shorten the time and distance in our business. Moreover, we intend to strengthen existing support as well as create new businesses

and services.

In addition, PDA terminals used by salespersons, tablet information devices installed in each corner, and cashless touch POS (points of sale) systems shorten the lines of employees and make it possible to complete business negotiations at the each corner. Selling can be done with less stress for both customers and salespersons, so we can expect to increase the sales floor territory covered by each salesperson by about 10%.

Based on these three business foundations, we will strengthen our competitiveness through the integration and collaboration of channels with products to provide value to customers using our two channels: real stores and EC business.

1. Service infrastructure: Delivery, installation, and construction systems and capabilities
2. Support business: A category that aims to expand business fields by strengthening the competitiveness of core businesses such as reuse, various types of support, and maintenance.
3. We set up telephone booths at each store and began online contract agency services using video and audio. The booths are equipped with a camera for documents, assuming that they are used for a wide range of purposes, from support to contract work.

## Fan Base Strategy

The fan base strategy is at the core of our growth plan. We are developing a membership strategy, defining active members as members who have made a purchase even once a year. We monitor the number of visits and sales of those members, and have a system in place to grasp all annual changes. A fan member is someone who makes purchases of 80,000 yen or more a year and who visits our stores three or more times a year, while a core fan member is defined as someone who spends 300,000 yen or more and visits our stores 10 or more times each year. At the end of the previous fiscal year, we had approximately 5.2 million active members, and the average spending amount per member was 62,000 yen. We believe that it is necessary to factor in a 1% per year decline in memberships due to the falling population in Japan. Two important metrics for our fan base strategy are maintaining of the number of active members by investing in existing stores and acquiring new members through new store openings. On the other hand, the average spending amount per member increased by 2.9% year on year, indicating a strong tendency for members to make a large portion of their annual spending with us due to our improved sales strengths and fan base strategy, resulting in increased spending amount per customer.

Building trust relationships with customers, further improving their quality of life, and problem-solving initiatives all contribute to increasing the number of fan members and core fan members. By selling value-added products and providing a range of support businesses, we intend to grow our business by securing a rate of increase in the average spending amount per member that exceeds the rate of decrease in members.

Fan members increase their lifetime value by visiting our stores many times, and that lifetime value contributes significantly to our business performance. We believe that our

core fan members can be even more enthusiastic, strongly supporting the Company, and that they can co-create value into the future. When people have experiences that are beyond their expectations, they want to tell those around them. This is called word of mouth. We are grateful to have fan members and core fan members who not only shop for themselves when their enthusiasm rises, but also pass on recommendation by word of mouth. These recommendations create a chain of value, stronger than any media can build. The purposes of the fan base strategy are to maximize the lifetime value of every customer and to increase the number of fan members through the ability of fans and core fans to communicate with others. For this reason, we consider the fan base strategy to be the



foundation of our sales growth strategy.

The New Customer Loyalty Program, scheduled to be released in the future, is a program that supports our fan base strategy with digital technology. We plan to expand the three-stage Customer Loyalty Program currently implemented in our EC business to five stages, as a customer loyalty program common to real stores and the EC business. We will promote the conversion of customers into fans and core fans with advanced digital technology from analog points of contact with customers. In addition to the physical value of digitalization, we will provide emotional value through our skilled salespersons, so that customers will think "I can rely on that salesperson" or "I can ask Joshin for the right answer." So, by using this approach, we aim to increase the number of active members and turn them into fans and core fans.

With our fan base strategy, our goal is to have not only have customers become fans but employees, business partners, and shareholders as well. Definitely, we believe that turning employees into fans is the most important part of promoting our fan base strategy and we will work to improve the employee engagement that supports our fan base strategy.

To further develop our human resources, the driving force of our fan base strategy, in April 2023 we renovated one of the Company's buildings and reopened it as Joshin Magokoro College for improving and strengthening our education programs.

During the current fiscal year, we are planning to hold the first Joshin Customer Service Roleplaying Contest (national competition). We will promote strategic customer service events with the goal of improving customer service and hospitality (see TOPICS on next page).

## Dominant Strategy

To advance our dominant strategy, we have positioned Kansai, Tokai, Kanto, and Hokushinetsu as priority regions. Our dominant strategy is not premised on opening new stores. We consider the dominant strategy as helping to bolster the sales strengths of existing stores, including scrap-and-build stores, as well as creating a Joshin economic zone that maximizes the synergy with our EC business and service infrastructure. We know the market share within a 0 to 5 km radius of each store, and we have implemented a store opening strategy based on making individual stores profitable, instead of looking at area as a whole.

The Company ranks seventh in the industry, with a market

share of about 5% in Japan and a market share of about 20% in the Kansai region, where our net sales are the highest. In other words, there is still a market that is more than nine times as large in all of Japan and more than four times as large in the Kansai region. Therefore, we believe that there is plenty of room to grow our business not only in the rest of Japan, but in Kansai region as well, where the dominant strategy has made the most progress. We intend to raise our market share in the Kansai region to a much higher level and then use that market share as a foothold to expand the Joshin economic zone in Kansai, Tokai, Kanto, and Hokushinetsu.

## The JT-2025 Management Plan Is the Key to Our Success!

Employees are the most important "capital" for achieving our vision of becoming a company that supports the growth of local communities and contributes to the future of people and the environment, which is our ideal form in 2030. We must be strongly aware that the people included in this message are all of our stakeholders and employees.

We believe that from now on, we must adapt to changes in the social environment and the social structure. Unfortunately, the Company exists in an environment with negative factors, and our approach and way of thinking will differ sharply depending on whether we see these factors as risks or

opportunities. Today, we see these as opportunities and make that meaning clear to management, believing that management allows every employee to feel a sense of contribution to the Company and that their contribution will lead to the Company's contribution to society. We will work to bolster our earning strengths (power) by steadily implementing the growth strategies set out in the new mid-term plan, helping us to resolve issues one by one, and confidently earn the support of all our stakeholders, including customers, business partners, and shareholders.

## TOPICS JT-2025 Management Plan: Examples of Initiatives

### Implementing the fan base strategy

#### ▶ Joshin Magokoro College

In April 2023, we renovated one of the Company's buildings and reopened it as Joshin Magokoro College. This training center can accommodate up to 50 trainees at a time for in-person training and it has equipment for paperless meetings and online training. Extraordinary customer service and proposal strengths are the "lifelines" for the Company as we look for qualitative growth. Based on the idea that customer service is not an action but a skill, we will work to pass on service with care that we have accumulated since our founding.



Training in progress

#### ▶ Joshin Customer Service Roleplaying Contest

A new initiative started in 2023: the Joshin Customer Service Roleplaying Contest (national competition). By holding a final tournament with 16 representatives from 16 areas who have won their store and area qualifiers, we will promote strategic customer service activities by improving customer service skills, increasing employee motivation, and sharing success stories horizontally.

- Preliminaries: Starting from August
- Final: October 26, 2023



### More efficient sales structure built using ICT

#### ▶ Setting up booths

With the aim of maximizing employee potential by reducing workloads using the strengths of ICT and DX, since the end of fiscal 2022 we have set up telephone booths at every store and started online contract agency services using video and audio. These booths are equipped with a camera for documents, and we expect that they will be used for a range of applications, from support to contract work. In the future, we will employ a support system for all stores using online technologies, with dozens of skilled staff.



Outside a booth



Inside a booth

#### ▶ Cashless touch POS system

The driving forces to shorten sales lines and improve customer service using the strengths of ICT and DX are PDAs carried by salespersons, tablets installed on the salesfloors, and cashless touch POS (points of sale) systems in each corner. Customer service can be done with salespeople hardly moving from their position, and payments can be made without going to a cash register, making customer service stress free for the customer as well. As a result, we expect that the sales floor territory covered by each salesperson can be increased by about 10%.



Cashless touch POS system

# 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, then thinking and formulating a three-year plan as the "second step." We have 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 our corporate value and achieve sustainable growth, we must ensure operating income ratio that exceed 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 sustainably that has a high level of investment efficiency.

Step	Previous Medium-term Management Plan	
	Initial plan	Actual results
Net sales	¥435.0 billion	¥408.4 billion
Operating income	¥11.5 billion	¥8.3 billion
ROE	7.0% or more	5.0%
ROIC	5.5% or more	3.7%

**Achievements** Building a competitive foundation

- Spending amount per member: Since our founding, spending amount per member has improved due to the trust earned through the practice of service with care based on our thoughtfulness corporate credo.
- Store development: We opened stores limited to Kansai, Tokai, Kanto, and Hokushinetsu regions and established an efficient sales system through a scrap-and-build strategy.
- Service infrastructure: We strengthened our service systems, including delivery, installation, and construction, to support both sales channels.
- New logistics center: We developed a logistics system in anticipation of the growth of EC (e-commerce).

**Issues** Strengthening and utilizing capital

- Human capital: While certain results have been achieved, such as increasing the spending amount per member, it is still necessary to reinforce our sales strengths, such as listening strengths, proposal strengths, and communication strengths.
- Data assets: We must implement one-to-one marketing by employing capital that has not been fully utilized, even though we have a database that stores data of over 1.4 billion purchases.

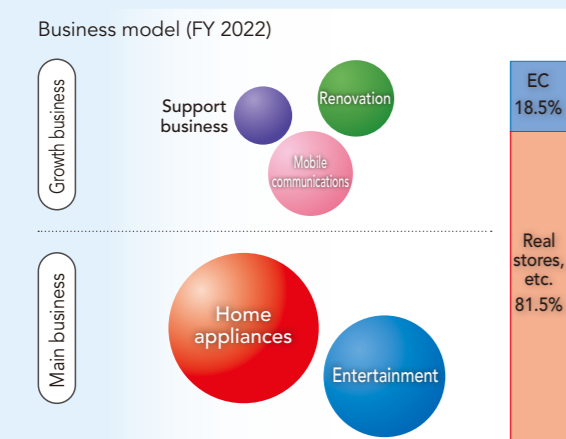
Second Step	New Medium-term Management Plan	
	Initial plan	Actual results
Net sales	¥420.0 billion	
Operating income	¥11.0 billion	
ROE	8.0% or more	
ROIC	5.0% or more	

**New Medium-Term Management Plan Theme**

### To be a concierge to customers, drawing close to their daily lives

A sustainable business model in which we create lifetime values for customers while securing profits as we solve issues faced by customers through products and services by drawing close to their individual lifestyles to realize values that go beyond the customers' expectations

Jump	Ideal Form in 2030	Next Stage	To further heights
Operating income ratio	Aim for 4.0% level	<div style="background-color: red; color: white; border-radius: 50%; width: 60px; height: 60px; display: flex; align-items: center; justify-content: center; margin: 0 auto;"> <div style="text-align: center;"> <p><b>2048</b> 100th anniversary</p> </div> </div>	<p>Raise profit efficiency with respect to invested capital</p> <p>Build management structure that is sustainable over a long period</p>
ROE	Aim for 10.0% or more		
ROIC	Aim for 7.0% or more		
<b>Ideal form of the Company in 2030</b>		<p>A company that supports growth of local communities and contributes to the future of people and environment</p> <p>Contribute to creating a society that is, and will continue to be, overflowing with the smiles of all generations in the community from children to elderly</p>	

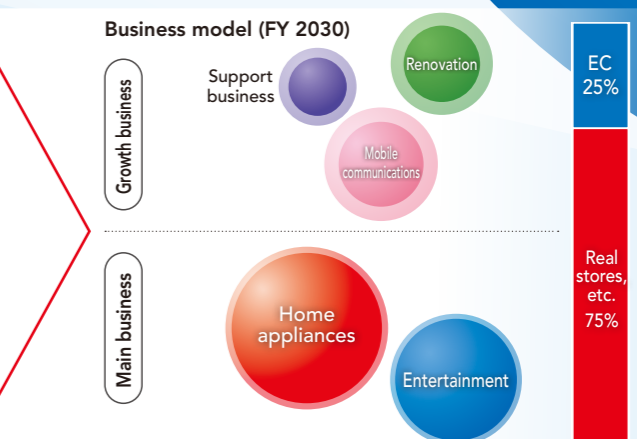


### JT-2025 Management Plan

**Three business strategies, two foundations**

- Fan base strategy
- Dominant strategy (two channels: real stores and EC)
- Product & service strategy (five categories: home appliances, entertainment, renovation, mobile communications, support business)
- Business foundation (branding, infrastructure, information systems)
- Management foundation (ESG)

We have developed our own unique dominant strategy, as well as a product and service strategy, based on the two channels (real stores and EC) and the five categories centered on home appliances. By developing and applying service with care—cultivated since our founding as the fan base strategy—we build lifelong value by assisting customers and helping to resolve their problems. Supporting this fan base strategy and dominant strategy is our business foundation, including infrastructure, such as logistics, and our solid management foundation.



# New Medium-term Management Plan: JT-2025 Management Plan

The COVID-19 pandemic caused dramatic changes in lifestyles and a diversification of values that accelerated quickly. If we look at the global picture, we must consider the impact on the Company of factors such as rising geopolitical risks and exchange rate fluctuations. While recognizing this external environment and working from a SWOT analysis, we have discussed the Group's ideal form in the future and we have formulated a new medium-term management plan as the second step to becoming a company that supports the growth of local communities and contributes to the future of people and the environment.

1

Recognition of the External Environment

Global changes

- Emergence of country risks
- Surging energy price, supply instability
- Foreign exchange fluctuations, soaring consumer prices
- Increase in natural disasters as global warming accelerates
- Rising sustainability awareness

Social changes

- Rapid increase in non-contact and remote services
- Employment mobility, diversification of workstyle
- Declining birthrate and aging society, increase in single-person households
- Shrinking workforce
- Urban concentration of population and declining population in rural areas

Changes in our industry

- Accelerated EC demand and digital consumption
- Diversification of borderless competitive environment
- Transformation of business model of home appliance manufacturers
- Diversification of consumer spending patterns
- Holding of worldwide sports events  
2023: Rugby World Cup  
2024: Paris Olympic and Paralympic Games  
Global popularization of e-sports

2

SWOT Analysis

Strengths

- Quality of employees (excellent customer service and responses that are attentive to the details)
- Trust as a services provider at customers' homes
- Joshin Service (a subsidiary in our Group) offers delivery, installation, and construction services
- Service infrastructure (delivery, construction, and maintenance) and information systems that support channel strategies for real stores and EC business
- Records for more than 1,477.17 million purchases and the Joshin Card membership database

Opportunities

- Shrinking market due to declining birthrate and aging population as well as declining population figures
- Diversification of customers' wants
- Change in customers' wants from *owning* to *using*
- Limited business area, mainly in the Kansai, Tokai, Kanto, and Hokushinetsu regions

Weaknesses

- Our customer base is skewed toward the middle-aged and elderly

Threats

- D-to-C (emergence of direct sales by manufacturers)
- Selection of product supply destinations for manufacturers
- Aging and declining number of delivery and construction workers

3

Aligning our Ideal Form with Transforming of Our Business Portfolio

In the JT-2025 Management Plan, we have stated our slogan as "to be a concierge to customers, drawing close to their daily lives." We will stay close to every customer's lifestyle and help to resolve their problems with our products and services. Our goals are to create value that exceeds our customers' expectations and to reinforce our earning strengths (earning power) through a sustainable business model that creates lifelong customer value and secures profits. To reach these goals, we have reviewed and reorganized our business portfolio.

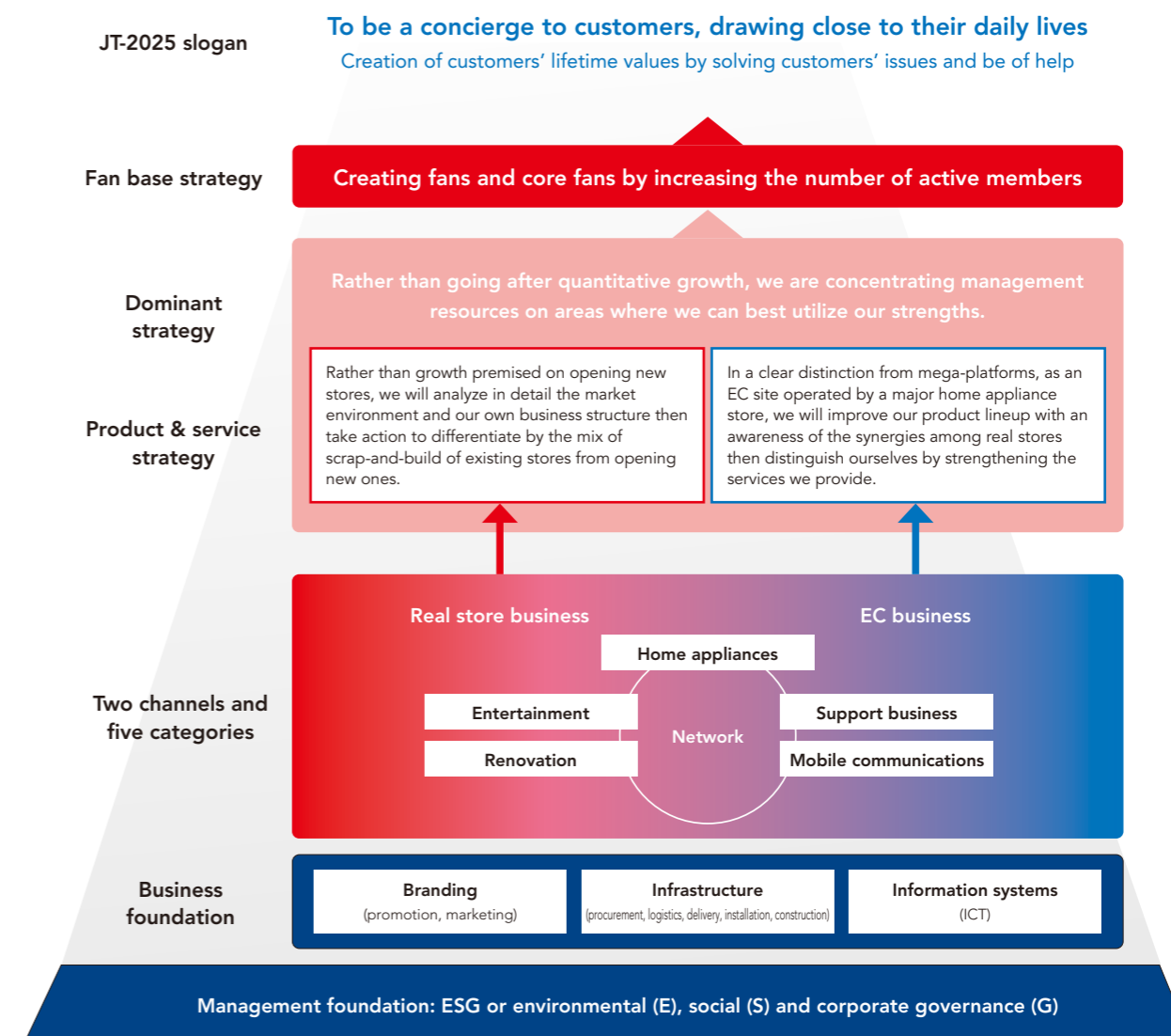
First, we position real stores and EC, our points of contact with customers, as the two channels available to them. We don't assume customers are separated into channels. We will place top priority on improving customer convenience and will capitalize on the synergy from collaboration.

We have positioned, in five categories, the areas where we provide value to customers through the sale of the products and services. We will be more competitive in every category with a strong business foundation and a solid two-channel sales system. As well, we will differentiate Joshin from our competitors by integrating, linking, and creating categories.

## Management Targets

	Fiscal 2022 actual results	Fiscal 2025 targets	Ideal form in Fiscal 2030
Net sales	<b>¥408.4 billion</b>	¥420.0 billion	
Operating income ratio	<b>2.0%</b>	2.6%	Operating income ratio Aim for 4.0% level
Operating income	<b>¥8.3 billion</b>	¥11.0 billion	
ROE	<b>5.0%</b>	8.0% or more	Aim for 10.0% or more
ROA	<b>3.8%</b>	5.0% or more	Aim for 7.0% or more
ROIC	<b>3.7%</b>	5.0% or more	Aim for 7.0% or more
Payout ratio	<b>40.2%</b>	30% or more	Maintain 30% or more
Total operating cash flow over three years	<b>¥34.3 billion</b>	¥40.0 to 45.0 billion	

## Basic Strategy of the New Medium-term Management Plan





# Fan Base Strategy

The most important strategy in the JT-2025 Management Plan is the fan base strategy, or a customer base made up of fans and core fans formed by building relationships and trust with customers through maintaining and increasing the number of active members. An active member is a customer who has purchases our products or services at least once in a year. In fiscal 2022, there were about 5.2 million active members.

The demand trend for home appliances in Japan is expected to continue to gradually decrease due to the declining birthrate and aging population. In addition, when purchasing home appliances, there's a growing trend for customers to choose stores where they can establish long-term relationships based on trust and reliability rather than price. Given the evolving market environment and customer needs, by practicing the fan base strategy and leveraging our excellent customer service—refined over 75 years since our founding through sincere service—we can achieve steady business growth over the medium to long term.

Customers who become our fans and core fans use our services over the years, leading to the creation of lifetime customer value at the Company, and we can see this strategy leading to business growth 5 years, 10 years, and even further into the future. As a company that is implementing a dominant strategy based on two channel and five categories, we position the fan base strategy as the most important strategy, not only during the JT-2025 Management Plan period but also beyond.

## Fans / Core fans

Conceptual image of fans and core fans

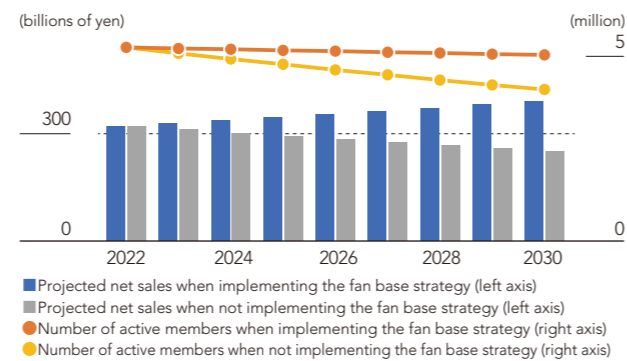
	Fans	Core fans
Positioning	Customers who continually support and use our services	Customers who strongly support our services and co-create future value
Quantitative definition	<ul style="list-style-type: none"> <li>Store visits on three or more days per year</li> <li>Purchase amounts of 80,000 yen or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

Fan and core fans not only consider the price but they also value the quality of the goods and services that the Company provides, and their purchase amounts have been trending upward year after year. With the growing membership of fans and core fans, the annual average purchase amounts of active members have been steadily increasing, contributing to higher profitability.

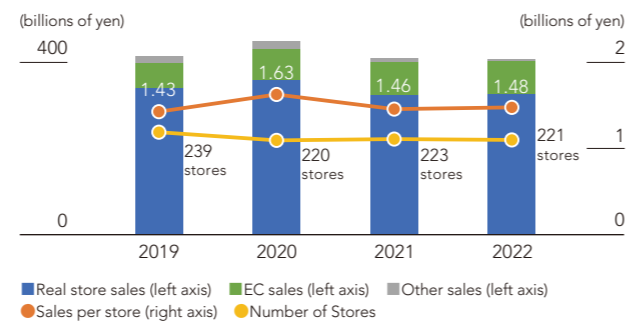
## Net Sales per Share

Without pursuing an aggressive store expansion strategy, the Company primarily focused on scrapping and rebuilding existing stores, resulting in a steady number of stores, but with an emphasis on customer service, the net sales per store have been trending upwards. In an environment with a declining population, we believe that blindly increasing the number of stores will result in a decline in the quality of customer service if employees cannot be secured, and this will not ensure a return on invested capital. The foundation of the fan base strategy lies in the excellent customer service provided by our employees, and we will promote a dominant strategy as the basis for applying the fan base strategy.

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



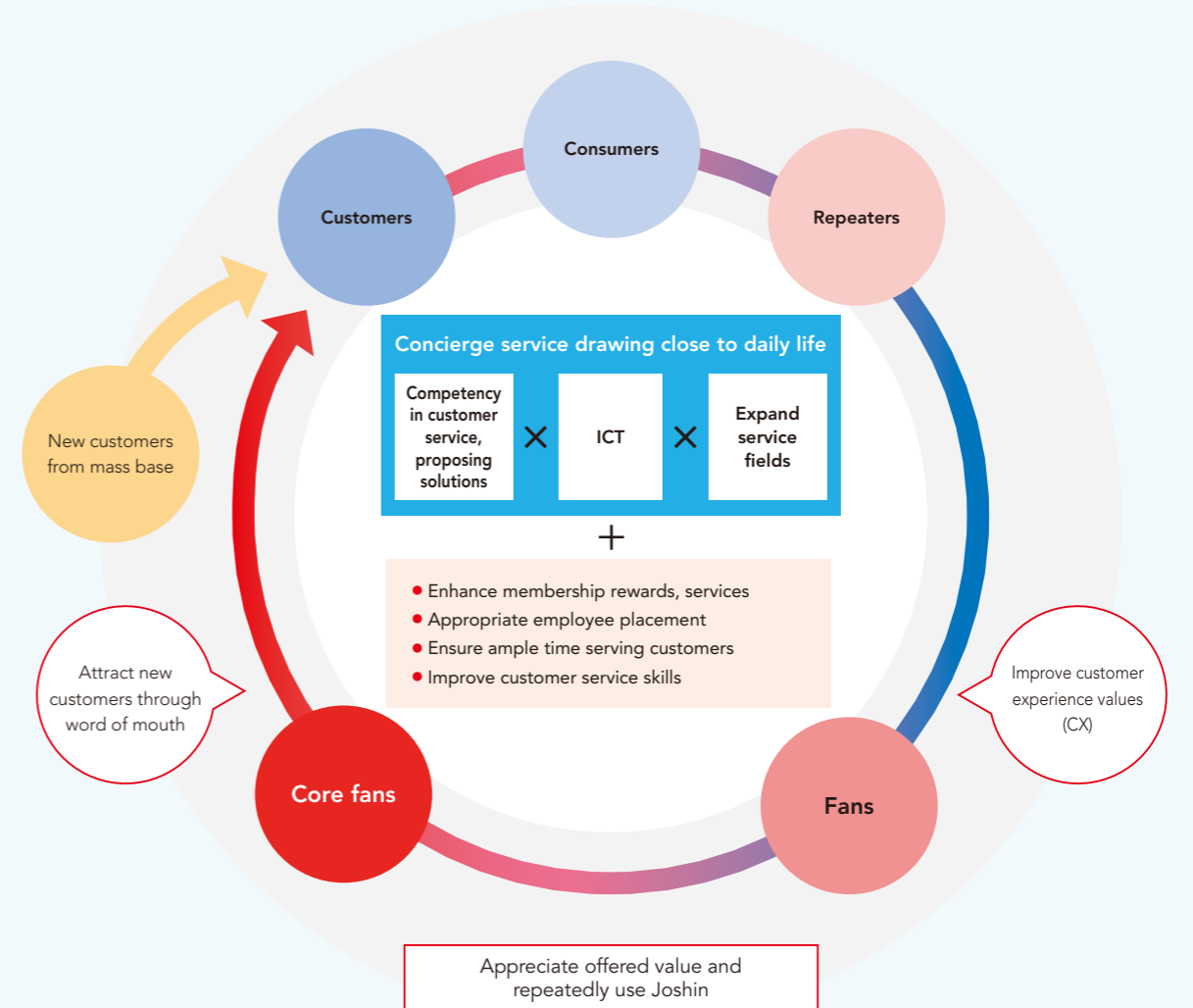
Trends in net sales per store (results)



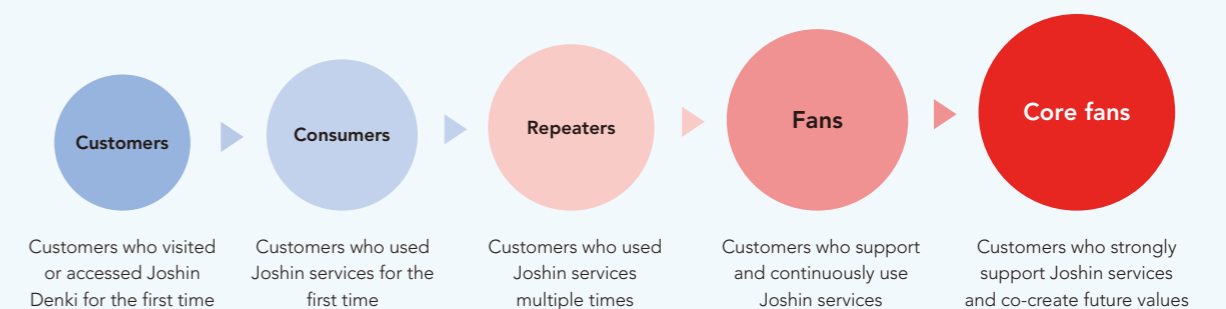
## Implementing the fan base strategy

We position fans and core fans as customers who appreciate our products and services and repeatedly visit and use our stores

Create fans and core fans by increasing the number of members



Strengthen earning power by switching from expansion of quantity to improvement of quality  
Expansion of fans and core fans = Expansion of purchase unit x Purchase frequency

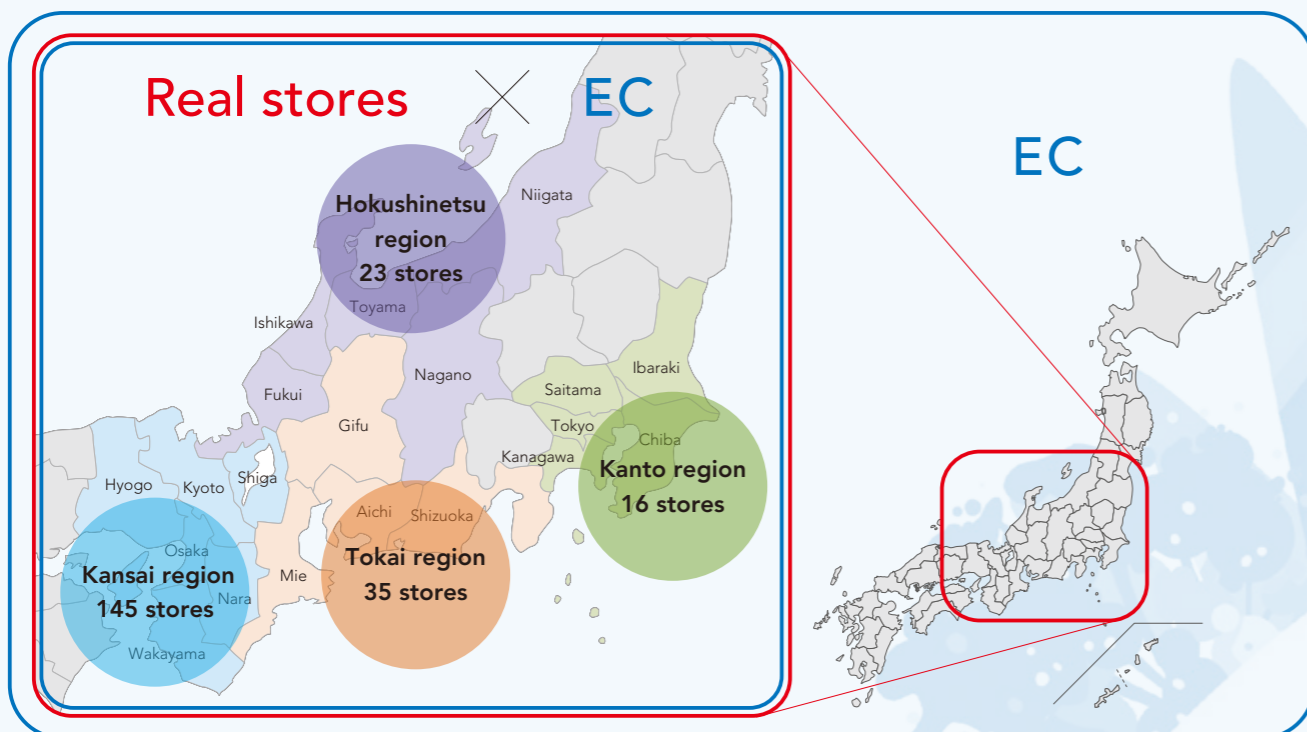


# Dominant Strategy: Real Stores, EC

Joshin's dominant strategy is positioned as a differentiation strategy that maximizes the use of the assets we have accumulated over 75 years. 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, including through scrap and build of existing stores. We know the market share within a 0 to 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 the addition of EC (e-commerce), it becomes possible to cover areas that real stores cannot reach, maximizing any synergies.



## Difference with a general dominant strategy

The general dominant strategy aims to increase market share by focusing on opening new stores in a specific area, viewing the entire area as a plane or surface. Joshin's dominant strategy, rather than relying on new store openings, focuses on strengthening sales forces as well as scrapping and rebuilding existing stores, and aims to secure market share by targeting areas where revenue growth is expected, after fully considering synergies with EC, logistics, and the service infrastructure. Instead of filling the entire geographical surface, the idea is to enlarge each area individually, with the gaps being filled in by EC, to cover the entire region. By not depending on new store openings, it is also possible to reduce costs, such as capital investments, personnel costs, and store operating costs.

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

## Real stores



### Priority strategy

- ✓ Open new stores and strengthen existing stores with focus on synergies between EC stores and real stores
- ✓ Create new fans and core fans and expand customer lifetime value per member through introduction of New Loyalty Program<sup>1</sup> based on the fan base strategy
  - 1. New program being introduced with the aim of promoting cross marketing between real stores and EC by lining up benefits corresponding to the purchase status
- ✓ Offer high quality service and support based our strength of work inside the customers' homes in the last 1 (mile) and last 1 (meter)
- ✓ Improve customer satisfaction through realization of highly efficient, high quality management leveraging ICT (Touch panel product selection, online customer service, self-checkout system, customer service support system, electronic POP, digital signage, etc.)
- ✓ Strengthen employees' marketing/sales skills, proposal skills, and ability to serve customers with in-house education system in addition to acquisition of professional certifications (Home appliance advisor, home appliance engineer, Smart Masters, welfare and living environment coordinator, etc.)
- ✓ Strengthen renovation and mobile products initiatives as the third pillar following home appliances and entertainment products

### Executive Officer's Message

Real stores account for about 80% of net sales, and the composition of personnel in these departments also accounts for about 80%. The business growth of real stores is essential for securing sales and profits, while maintaining employment levels. However, this doesn't mean increasing the number of stores, but rather raising the sales and profits of existing stores through quality improvements. To achieve this goal, it is necessary use ICT more efficiently, and while we're introducing systems, we need to further speed up the process. In addition, during our long history of store operations, we've built up a strong infrastructure for delivery, installation, and construction, and our major strengths are our customer service and making optimal proposals based on customer

needs. Going forward, we will further differentiate ourselves by promoting a new fan base strategy. We believe that improving customer satisfaction leads to an increase in lifetime purchase amounts and a widening circle of customers, which directly translates to sales and profits.

The foundation of real stores is our human resources, and we believe that the driving force is to improve or employee engagement. One requirement for engagement is a sense of pride and job satisfaction, and another is cultivating a sense of participation in management. We aim to achieve the goals of the JT-2025 Management Plan through sales that capitalize on "the power of people."

## EC business

### Priority strategy

- ✓ Improve customer satisfaction (CS) through the introduction of the New Stage Program<sup>1</sup> to be established under the New Loyalty Program based on the fan base strategy
  - 1. Newly establish top-most Core Fan Layer Stage in the New Loyalty Program
- ✓ Strengthen products that support customers (Further enhance the support menu that supports customers' lifestyle)
- ✓ Strengthen EC business operation structure by securing and nurturing in-house DX human resources (Develop education system to nurture DX human resources, promote in-house development)
- ✓ Strengthen system to handle inquiries from customers, strengthen staff's education to improve their product skills and ability to respond (Improve convenience, support direct purchase, and use skilled employees in anticipation of the super-aging society for improving customer satisfaction)
- ✓ Grow to an attractive website that wins the approval of the customers (Not preoccupied with just increasing the number of items) (Procure carefully selected items and develop attractive original products by strengthening MD capability<sup>2</sup>)
  - 2. Merchandising: Activities to strategically set the marketing method and price of the company's products and services
- ✓ Improve customer convenience with measures such as store pick-up<sup>3</sup> of products purchased in EC
  - 3. Except some products posted on the Joshin web shop, enable all products to be available for pick-up at selected stores



### Executive Officer's Message

The Company's EC business has a history of over 20 years and has been supported by many customers, just like our real stores. During this time, in order to meet the needs of our customers, we have expanded our product categories to offer products ranging from electrical appliances and household goods to toys; models; entertainment products, such as games and audio-visual software; fishing gear; furniture; sporting goods; daily necessities; rice; and beverages (including alcohol). As a result, the number of products handled as of the end of March 2023 was about 680,000 items, an increase of about 80,000 in the last year.

The environment surrounding EC continues to change at a dizzying pace within the retail industry. We need to steadily execute the individual strategies

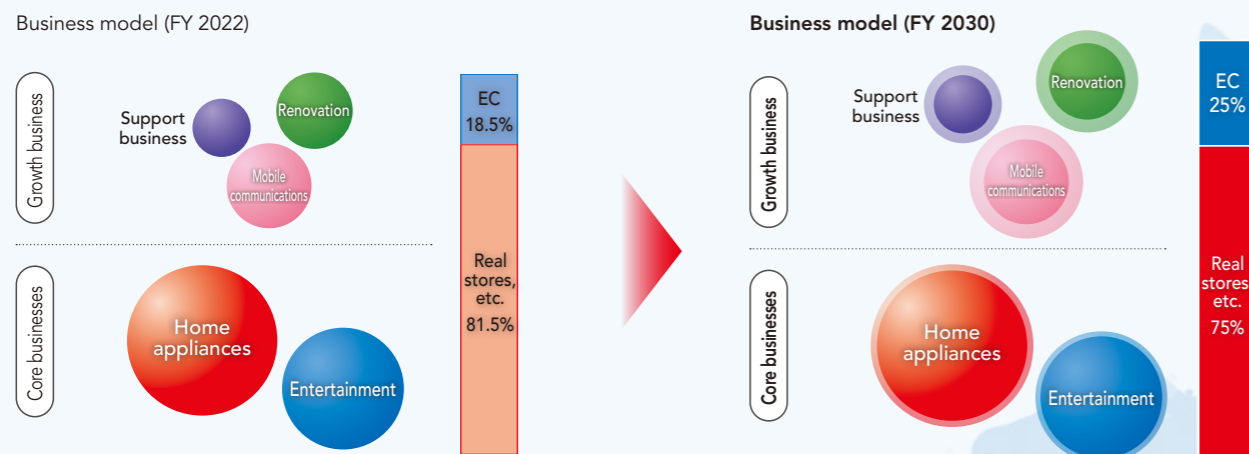
that we have set to establish a unique position for sustainable growth into the future. In the expanded New Loyalty Program used in real stores, we have established the New Stage Program for targeting the top level of core fans, which should lead to higher customer satisfaction.

In addition, for EC customer service that supports the lives of customers, we're implementing the fan base strategy online, in EC, through several initiatives, including adding to our support lineup, such as setting up and giving instruction for the products that customers have purchased; strengthening telephone and email support with experienced staff from our real stores; and by publishing reports that employees have compiled through personally using our products.

# Product & Service Strategy: Five Categories

The Company provides value to customers in five categories: home appliances, our original and main business; entertainment products, including models, toys, video games, video, and music software that have high market shares and contribute to improving the value of our brand thanks to strong support from hobbyists; followed by housing renovations, including the energy business, anticipated as the third pillar for future growth; then mobile communications, focusing on increasing demand for mobile devices; and the support business segment that

includes digital support, air conditioner cleaning and house cleaning, home maintenance, reuse, and rentals. We will focus on strengthening housing renovations, mobile communications, and the support business—positioned as growth business segments—to reach our ideal form in 2030, while securing the business scale of our main businesses: home appliances and entertainment products.

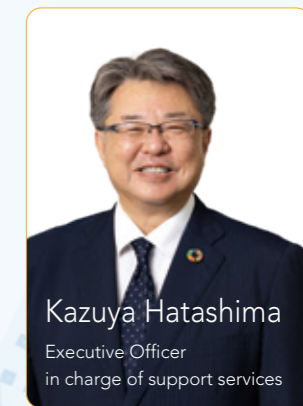


\* Support business: businesses including house cleaning, home maintenance, reuse, and equipment rental

## Delivery, installation, construction

### Priority strategy

- ✓ Promote hiring and education of diverse human resources in preparation for aging of employees (Enhance service menu through reskilling)
- ✓ Build technical support system for service personnel (onsite repair)
- ✓ Expand the area where the Joshin Group provides service and improve capability
- ✓ Strengthen hybrid structure made up of the Joshin Group and contractors for securing stable capacity (delivery and installation) and improving quality
- ✓ Establish a new repair consultation desk utilizing ICT (realize online diagnosis)



**Kazuya Hatashima**  
Executive Officer  
in charge of support services

### Executive Officer's Message

At Joshin Service Co., Ltd., responsible for delivery, installation, and construction for both channels, real stores and EC store, we believe that our reason for being is making our customers smile with the highest quality of delivery, installations, constructing, and repairing the products and services that they have purchased.

For creating a sustainable business, we are hiring diverse employees in anticipation of the aging of workers.

- (1) Promote female employees in the delivery, installation, and repair departments of home appliances
- (2) Hire qualified employees such as construction management engineers and architects/building engineers as renovation project managers
- (3) Assign experienced salespeople with extensive knowledge of home appliances as human resources who will be responsible for the support service (rakusuke) to help resolve customers' issues and be useful for responding to an aging society

For the development of our existing employees, we are building a technical support system by providing onsite repair technicians with training in repair applications specific to each type of product, including AV equipment, electrical appliances, and air conditioning equipment as well as hands-on training for installing air conditioners and electrical work, basic repair technical training for new service personnel. And we encourage active participation in product technical training.

Moreover, we will strengthen our system by increasing construction capacity during the busy season, while improving quality, and by creating a new support system that leverages ICT.

## Support services



**Koji Abe**  
Executive Officer  
in charge of merchandise policy

### Priority strategy

- ✓ Strengthen sales of environmentally friendly products (energy-saving products)\* for achieving household carbon neutrality  
\* FY 2023 uniform energy-saving label: Target products are color TVs with 4 stars or higher, air conditioners and refrigerators with 3 stars or higher, and warm water washing toilet seats (tankless type).
- ✓ Establish firm branding by further strengthening entertainment products, which are maintaining high market share
- ✓ Enhance support menu that would help in solving customers' issues
- ✓ Make proposals tailored to requirements of mobile terminal and network-related customers
- ✓ Build new business that include subscription and recurring revenue
- ✓ Realize circular economy by strengthening reuse business

### Executive Officer's Message

We will actively support decarbonization in our customers' lifestyles by firming up the sales of the environmentally friendly products that we prioritize: TVs, air conditioners, refrigerators, and warm water washing toilet seats. Although the purchase replacement cycle is lengthening, there is also a growing awareness that when replacing something, customers want to buy something that is practical and useful; they don't want to make a mistake. By further improving our customer service skills, which is our strength, we intend to offer products and services in line with the individual customer's perception, striving to provide emotional experiences, such as excitement, abundance, comfort, and peace of mind through purchasing and use.

We maintain points of contact with customers through both sales channels: our real stores and our EC (e-commerce) store. While home appliances remain our main products, we are promoting the support business as a new earnings pillar.

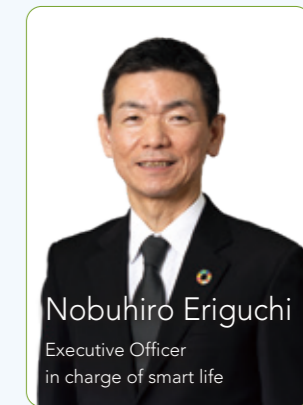
Specifically, through the development of subscription-based services, such as product rentals, air conditioner cleaning, regular deliveries of consumable goods, installation, setup, and maintenance, we intend to provide services not achievable with conventional product sales, from product ownership to use, maintenance, and installation.

In the mobile communications segment, we launched a dedicated department from fiscal 2023, the Network Communication Sales Department, to bolster our sales initiatives for mobile and broadband-related products. We will develop a lineup of new products and services for the support businesses, starting with network-related products. In addition, we will gradually offer used iPhones, which are in high demand, in our stores.

## Renovations

### Priority strategy

- ✓ Initiatives related to products that contribute to achieving carbon neutrality in households (V2H, stationary storage batteries, aperture insulation, high efficiency water heater)
- ✓ Initiatives related to renovation products for "stock recycling" and "improving QOL\* by increasing efficiency" of housing (Water conservation, reducing household burden, upgrading childcare support, highly functional bathroom, nursing care-related, etc.)  
\* QOL: = Short for "quality of life"
- ✓ Response to renovation related to nursing care needs to support enhancing the resilience of the aging society



**Nobuhiro Eriguchi**  
Executive Officer  
in charge of smart life

### Executive Officer's Message

Renovation is positioned as our third pillar, alongside mobile communications and following home appliances and entertainment products. For products that contribute to carbon neutrality in households, we will start handling V2H (vehicle to home) systems this fiscal year to position this alongside home storage batteries as a key product, aiming to establish a sales foundation during the period of the JT-2025 Management Plan. For conventional products, we will focus on strengthening sales of high-efficiency water heaters, entrance doorways, and eco-friendly interior windows, where an increased demand for purchasing replacements is expected.

For renovation products, we will address a wide range of requirements, including replacement toilets, which are central among water-saving products, by not only expanding the product lineup but also simultaneously strengthening our construction and installation systems. In addition, there is a rising demand

for nursing care-related renovations in a social environment where an increase in home care is anticipated. For the Company, we advocate helping to strengthen the resilience of an aging society, so we have positioned the renovations for nursing care, or proposing living environments more suitable for nursing care, as one of our key initiatives. We are focusing on other initiatives, such as promoting the acquisition of welfare housing environment coordinator certifications and we are training specialized staff.

For customers, renovations are expensive, so they want to assign this work to a trustworthy, reliable contractor. The majority of our customers for renovations trust us and make purchases based on their past experiences of buying home appliances from us. We intend to develop renovations as the third pillar of our business by providing value that exceeds our customers' expectations.

# Business Foundation

In logistics, the lifeblood of our business, considering the 2024 problem, we will prioritize expanding the logistics system covering the Kanto area and promote setting up a two-hub system, both east and west.

The service infrastructure responsible for delivery, installation, and construction is handled by our wholly owned subsidiary, Joshin Service Co., Ltd. In addition to the trust that we've gained by doing work inside customers' homes since our founding, we pride ourselves on our technical strengths, such as delivery, installation, and setting up heavy items (more than 100 kg),

installation of air conditioners and other equipment, as well as electrical work. Our own patented training center is the driving force for maintaining a high level of technical skills and technology.

In information systems, instead of aiming to cut costs, we intend to improve employee skills by systematizing work as well as to boost the quality of customer service by using these more efficient employees. Going forward, we will expand our online business operations by offering online support and services that connect our stores to customers' homes.



Electronic POP



Digital signs



Self-service registers in booths

## Promotion marketing



Kazuhiko Hashimoto  
Executive Officer  
in charge of CRM and MA

### Priority strategy

- ✓ Introduce "New Loyalty Program" to promote the fan base strategy
- ✓ Strengthen information dissemination through operation of retail media "Joshin ads" and promote monetization
- ✓ Enhance points of contact with customers by utilizing Joshin app and digital media

### Executive Officer's Message

The New Loyalty Program will also be introduced in real stores by further subdividing the benefits at various stages that have been well-received by customers on our Joshinweb EC site. Centered around the Joshin app, this initiative involves elevating customer stages and enhancing benefits by using both real stores and Joshinweb. We will improve CX (the value of the customer experience) by making the benefits more appealing, in turn enabling customers to purchase products not available in real stores on Joshinweb, and to promote the conversion of customers into fans through our fan base strategy. To do this, we will make the most of the cumulative 7.3 million download count and the effective distribution count of 5.71 million (as of March 31, 2023).

Currently, we are introducing electronic POP (point of purchase ads) and digital signs in stores, and reducing paper-based POP. We will use these signs as retail media and promote them as a new source of revenue. We will improve the value of the app by digitizing everything—from app recognition and store visits to fan conversions.

As the use of third-party cookies becomes restricted in the marketing industry, significantly affecting targeted advertising, it is crucial for the Company to make more effective use of first-party data. The Company will deliver the *optimal content* to the *optimal customer* at the *optimal timing* and will strengthen our alliance with all platforms and improve all points of contact with customers.

## Information systems (ICT)



Tatsuhiro Khara  
Executive Officer  
in charge of ICT and DX

### Priority strategy

- ✓ Establish data flow foundation that will contribute to creating new customer satisfaction, employee workstyle reforms (sales activities leveraging ICT), and prompt management decisions
- ✓ Realize optimum approach through one-to-one marketing with further sophistication of CDP\* and marketing automation (MA)
  - \* CDP = Short for "customer data platform"
  - Data platform that collects, integrates, and analyzes the attribute and behavior data of each and every customer
- ✓ Establish data infrastructure that supports the fan base strategy such as building "New Loyalty Program"
- ✓ Further enhance membership services that are based on the Joshin app platform (Electronic receipts and reservation for customer representative, use of biometric authentication technology, consultation for repairs, purchased home appliances management list, etc.)

### Executive Officer's Message

Using an electronic receipt is an initiative that we are prioritizing for improving member services based on the Joshin app platform. If a member using the Joshin app sets a flag on their smartphone indicating they don't need a paper receipt, no paper receipt will be issued, and their purchase history will be displayed on the Joshin app screen. Customers will no longer need to keep paper receipts, and they will be able to look back at their purchase history on the Joshin app for up to 10 years. With the introduction of electronic receipts, we expect to reduce paper receipts by about 25 tonnes every year. We believe this will be an environmentally friendly contribution to society.

In addition, we are considering adding features to the Joshin app that improve customer convenience, such as reservations for customer representative as well as consultations for repair work, purchasing home appliances, and making renovations. We will develop this app for even more convenience and usefulness. By integrating into our analysis platform, data on the behavior of our members using the Joshin app and the Joshinweb website, we will deliver personalized guidance and provide the optimal CX (the value of the customer experience).

## Logistics

### Priority strategy

- ✓ Expand the logistics structure covering the Kanto area (Establish logistics structure with two bases in the west and east and the Kansai Ibaraki Logistics Center at the core)
- ✓ Respond to implementation of the Act on the Arrangement of Related Acts to Promote Work Style Reform\*<sup>1</sup> in the transportation and logistics industry (Strengthen collaboration with vendors led by partner companies)
  - \*<sup>1</sup> To be enacted in 2024
- ✓ Promote store pick-up of products purchased in EC and establish highly efficient logistics structure through labor saving
- ✓ Expand delivery area utilizing external delivery network



Kensuke Motoi  
Executive Officer  
in charge of logistics

### Executive Officer's Message

The logistics industry, after experiencing the COVID-19 pandemic, has seen accelerated growth in online purchasing (EC), with the market currently more than two times larger than fiscal 2013. In addition, we will work on building a sustainable system for our logistics business in the face of challenges such as rising fuel costs and driver shortages due to the enactment of the Act on the Arrangement of Related Acts to Promote Work Style Reform in the transportation and logistics industry (the 2024 problem).

First, during the JT-2025 Management Plan, we will position the Kansai Ibaraki Logistics Center, which started full operations in July 2022, as the "mother" center and further expand the logistics system that covers the Kanto area in anticipation of growth in the EC business. Next, we are considering establishing a new relay hub during fiscal 2023 to handle transportation to remote areas. In addition, at the Kansai Ibaraki Logistics Center, we have implemented a berth management (delivery reservation) system that has significantly reduced the waiting time for drivers. In the future, we will introduce more automation and

reduce labor by introducing new material handling equipment\*.

At the same time, we will launch a new store pick-up service for items purchased in the EC (online) as a new service aimed at improving customer convenience. Previously, this service was limited to home appliances that were in stocked at stores, but from now on, customers will be able to pick up all products at a nearest Joshin store. By the end of fiscal 2025, the final year of the JT-2025 Management Plan, we will expand this service to all stores under the control of the Kansai Ibaraki Logistics Center. Currently, delivery areas are limited to those provided by Joshin Service, one of our Group companies, and some partner companies. However, by strengthening collaboration with partner companies, we should have nationwide deliveries and installations by the end of fiscal 2025.

For logistics, we will quickly implement strategies that support our sales system.

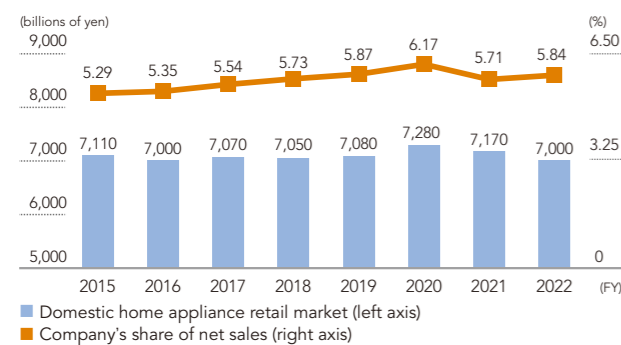
\* Equipment for saving labor, automation, and improving the efficiency of handling shipments

# MD&A (Management Discussion and Analysis of Financial Condition and Operating Results)

## Recognition of the Business Environment

The scale of the domestic home appliance retail market (according to a survey by GfK Japan) has been approximately 7 trillion yen since fiscal 2015. The Company's market share, measured by net sales, has been growing year on year, and in fiscal 2020, we recorded our highest share over recent years, partly due to the extraordinary demand generated by the COVID-19 pandemic. However, in fiscal 2021, we experienced a decrease in market share due to the downturn following the high demand in the previous fiscal year. In fiscal 2022, we experienced a slight rise in market share due to securing higher quality at individual stores, while avoiding an expansion that overemphasizes new store openings.

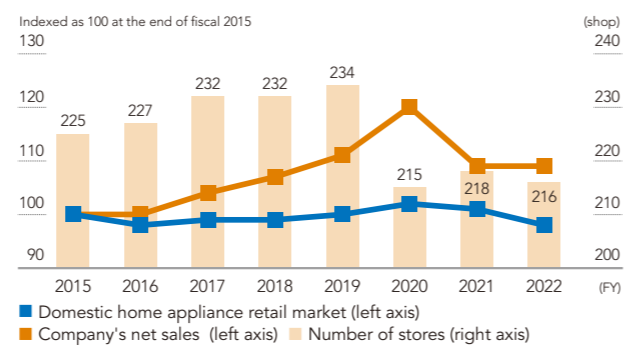
### Size of domestic home appliance retail market and the Company's net sales share (estimate)



General electronics retailer store market, domestic market, based on sales revenue, according to GfK Japan survey  
The data year of the GfK Japan survey is the calendar year (January 1 to December 31).

Looking at changes in the size of the domestic market for retail home appliances, the market size since fiscal 2015 has remained flat. Even in this environment, we have outperformed the market every fiscal year. We see this as the fruit of our steady actions 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 lifetime value of every customer and by developing fans and core fans; and the dominant strategy that focuses our management resource on certain commercial areas (Kansai, Tokai, Kanto, and Hokushinetsu) where we can capitalize on our strengths.

### Trend of the index of domestic market for retail home appliances with the Company's net sales



With the 2015 domestic market for retail home appliances and Joshin Denki net sales as an index of 100  
General electronics retailer store market, domestic market, based on sales revenue, according to GfK Japan survey  
The data year of the GfK Japan survey is the calendar year (January 1 to December 31).  
The number of stores does not include franchisees.

## Return on Capital and Capital Cost

We have positioned ROIC (return on invested capital) and ROE (return on equity) as important business indicators. ROIC measures how effectively the company generates profits with the capital invested for business operations. On the other hand, ROE is an indicator that shows how effectively the Company uses the money invested by shareholders to generate profits. Shareholders, in particular, pay close attention to these important indicators, and that is why we revised our Regulations on Compensation for Directors in April 2023 and selected this indicator as evaluation items in the stock-based compensation system for directors.

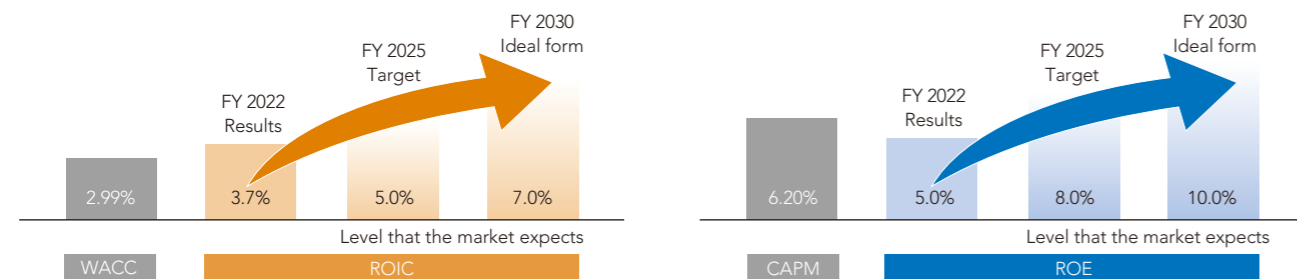
In addition, in JT-2025 Management Plan, our new medium-term management plan released in May 2023, we showed capital cost (CAPM<sup>1</sup>/WACC<sup>2</sup>)—based on the "Action to implement management that is conscious of cost of capital and stock price" released by Tokyo Stock Exchange on March 31, 2023—and set targets for fiscal 2025, the final year of the new medium-term management plan. We are aiming for ROE of 8.0%, and for fiscal 2030, aiming for ROE of 10.0%, as our ideal form.

1. CAPM = capital asset pricing model 2. WACC = weighted average cost of capital

### Return on invested capital (ROIC) / Return on equity (ROE)

	JT-2020			JT-2023			JT-2025	Ideal form
	FY 2017 Results	FY 2018 Results	FY 2019 Results	FY 2020 Results	FY 2021 Results	FY 2022 Results	FY 2025 Target	FY 2030 Target
ROIC*	5.0%	5.1%	4.3%	8.0%	4.2%	3.7%	5.0%	7.0%
ROE	7.1%	7.6%	6.2%	9.4%	6.6%	5.0%	8.0%	10.0%

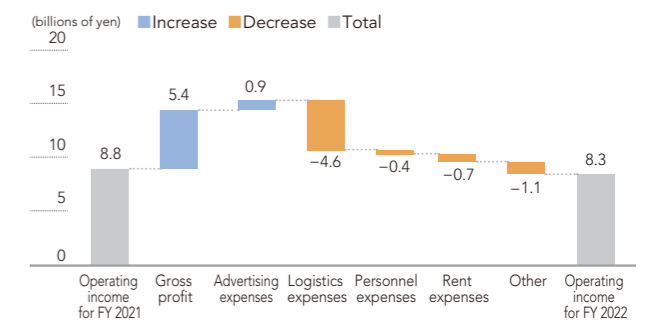
\* ROIC = Operating income × 0.65 (assuming a tax rate of 0.35) ÷ (end-of-period net assets + end-of-period interest-bearing liabilities)



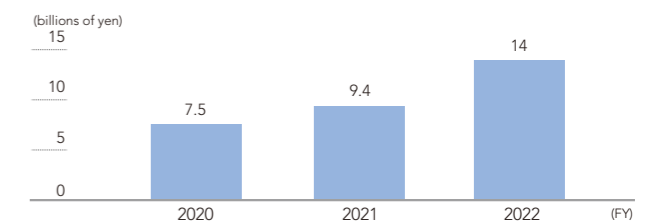
## Summary of Financial Results

In fiscal 2022, net sales were 408.4 billion yen (99.7% compared with the previous fiscal year), operating income was 8.3 billion yen (93.5% compared with the previous fiscal year), and ordinary income was 8.3 billion yen (85.7% compared with the previous fiscal year), resulting in a decrease in revenue and income. With the background of slow net sales affected by the downturn following the extraordinary demand generated by the COVID-19 pandemic, we launched the dominant strategy and the fan base strategy. Our top priority for these strategies focuses on reinforcing existing stores (improved quality), not opening new stores (increases in quantity), which minimized decreases in net sales and significantly improved gross profit margin by 1.4 points to 25.4%. We also secured gross profit of 103.8 billion yen (105.5% compared with the previous fiscal year). However, looking at our costs, in addition to the steep rise in heating and lighting expenses, logistics costs rose (up 4.6 billion yen year on year) because both old and new logistics centers were tentatively in operation for the launch of Kansai Ibaraki Logistics Center, which was rolled out in full-scale last year. The net result was lower operating income. The parallel operation has ended and the new logistics center is fully operational.

### Factors for Changes in Operating Income: Vs. Previous Year



### Logistics costs

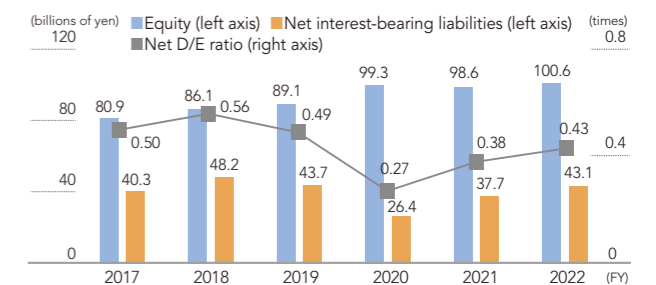


## Our Cash Flows and Financial Position

To maintain financial soundness, it is extremely important for us to generate cash flow and to optimize the balance between assets and liabilities. Cash flow generated for each fiscal year is used to invest in business, to repay interest-bearing liabilities, and to return to shareholder returns. For business investments, we made capital investments related to stores, such as store openings and the scrap and build of existing stores, and we also made upfront investments for business growth, such as ICT-related areas and reinforced logistics and service infrastructure. We will continue our business investments going forward. In addition, we worked to optimize interest-bearing liabilities in parallel with each investment. Although there were variations in operating cash flow over the previous fiscal years, free cash flow was well-managed for the period of our medium-term management plan (accumulation of three years), and we had positive cash flow. Our net assets steadily grew as we used

the cash flow generated from sound financing while reducing interest-bearing liabilities, and the net D/E ratio remained at a low level: below 0.5 times. For shareholder returns, we will ensure stable and continuous returns striving for a dividend payout ratio of 30% or higher.

### Net D/E ratio



## Asset efficiency

(millions of yen)	JT-2020				JT-2023			
	FY 2017 Results	FY 2018 Results	FY 2019 Results	Cumulative total	FY 2020 Results	FY 2021 Results	FY 2022 Results	Cumulative total
Operating CF	15,223	4,533	13,022	32,780	25,836	1,442	7,119	34,399
Investment CF	-6,230	-10,427	-6,316	-22,975	-6,118	-9,573	-9,070	-24,762
Free CF	8,992	-5,893	6,706	9,806	19,718	-8,131	-1,951	9,636
Capital investment amount	7,283	9,888	8,120	25,291	8,488	9,389	9,253	27,132
Depreciation	4,483	4,864	5,087	14,435	5,330	5,523	5,572	16,426
Lease liabilities (amount of repayment)	-996	-1,104	-1,153	-3,254	-1,067	-1,023	-910	-3,000

# Message from the Executive Officer in Charge of Financial Strategy

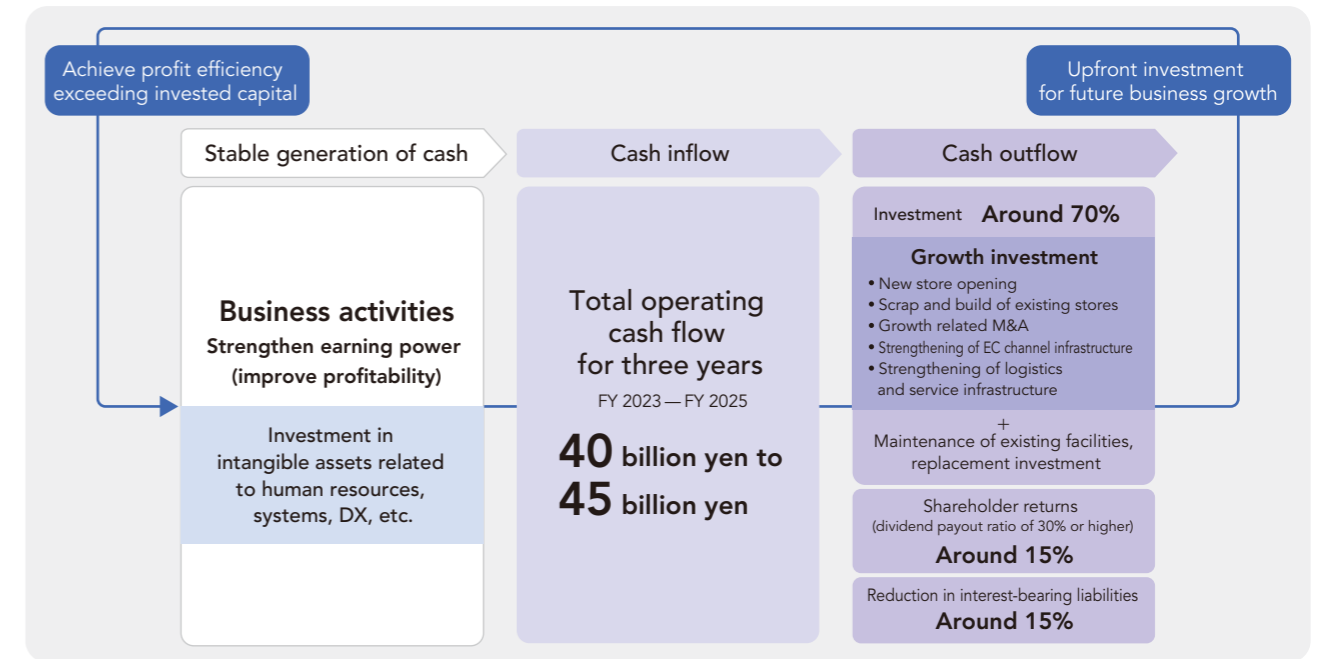


**A solid financial base is essential for sustainable corporate management. We will continue to work on improving our corporate value by using the cash flows generated through sound financing.**

大石 卓

Suguru Oshiro

Director and Managing Executive Officer in charge of Financial Strategy



## Financial Policy

### Review of the previous medium-term management plan, JT-2023 Management Plan

Looking back on the previous medium-term management plan, JT-2023 Management Plan, the majority of the business and financial KPI targets were not achieved due to the unexpected surge in demand during the COVID-19 pandemic in the first year of the plan and the rebound in the subsequent two years.

However, compared with the targets we set, the financial indicators have generally been maintained and have reached a healthy level.

During the period of the previous medium-term management plan, despite the growth of assets and changes in accounting practices, such as revenue recognition during this period, the equity ratio remained strong: in the 45% range. Net interest-bearing liabilities decreased by about 500 million yen against the cash outflow for capital investment totaling over 27 billion yen, mainly for stores, excluding lease expenses, making it possible to steadily improve the quality of financing as quantity grew (net interest-bearing liabilities = interest-bearing liabilities - cash and deposits).

Specifically, we believe that it was a major achievement to implement and complete, without any delay over the past three years, the initiatives that were essential during the period of the previous medium-term management plan. Employing the financial discipline described above, we made progress on several initiatives: the full operation of the new logistics center; the redevelopment of the Osaka Nipponbashi area; and scrapping stores, a key audit matter (KAM) material issue.

### Capital efficiency

In April last year, the Company's stock listing was moved to the Tokyo Stock Exchange Prime Market, where there are strong requirements against the PBR falling below 1.0x, based on the request from JPX (Japan Exchange Group) in March this year.

We presented the cost of equity (CAPM) and weighted average cost of capital (WACC) for the Group as the basis for our approach to capital efficiency in JT-2025 Management Plan, our recently announced medium-term management plan, (the "new medium-term management plan").

Although there is no established formula, we intend to adopt a calculation for capital costs using the standard approach, as much as possible. Based on this value, we will set KPIs. In the new medium-term management plan, we have formulated a plan to develop a medium- to long-term business model as well as sustainable growth by using backcasting. We intend to secure an ROE that exceeds the cost of equity and an ROIC that exceeds the weighted average cost of capital, and through the use of cash flows, we intend to improve our corporate value.

### Capital efficiency indices

	FY 2022 results	FY 2025 plan	FY 2030 ideal form
ROE	5.0%	8.0% or more	Aim for 10.0% or more
ROA	3.8%	5.0% or more	Aim for 7.0% or more
ROIC*	3.7%	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)	6.20%
Weighted average cost of capital (WACC)	2.99%

### Cash allocation

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.

About 70% of this cash is allocated for investments centered on growth strategies, such as existing businesses, M&As, and an improved service infrastructure. The remainder will be used for shareholder returns and reducing interest-bearing liabilities (approximately 35 billion yen in operating cash flow over the three years of the previous medium-term management plan).

We will also strengthen the management of expenditures for intangible assets related to human capital, systems, and DX. (These expenditures are considered expenses for business activities other than cash flow.) We will also work hard to build a business structure corresponding with our improved profitability (see the diagram on the next page).

### Shareholder returns

As we stated in the documents, including the notice of convocation, for the General Meeting of Shareholders, the Company's basic dividend policy is to maintain consistent dividends while fully considering business results and the balance between dividends and internal reserves. In addition, we announced in the new medium-term management plan that we will maintain a payout ratio of 30% or more.

Incidentally, we maintained a dividend of 75 yen per share (payout ratio of 40.2%) in fiscal 2022.

Going forward, there are several approaches that can be taken for maintaining shareholder returns (such as stock buybacks, total payout ratio, and DOE\*). We would like to consider optimization strategies while adapting to the current circumstances and will quickly disclose our policy for shareholder returns once it has been determined.

\* DOE: dividend on equity ratio

### Capital Policy

For the shares that we currently cross-hold, the Company qualitatively assesses the reason for cross-holding the shares, including maintaining amicable relationships with business partners and to establish effective supply chains. In addition, every quarter the Board of Directors quantitatively reviews the percentage of net assets, as well as profits and dividends, from business relationships. When the reason for holding any shares is determined to have weakened, the Company sells these shares after negotiating with the other (cross-holding) company. In the previous year, we sold four stocks.

As of March 31, 2023, cross-held shares consisted of 26 stocks with a total market value of approximately 7.3 billion yen (approximately 7% of net assets).

We will continue negotiations on selling cross-held shares based on our policy for ensuring liquidity. Although the proportion of our cross-holding shares in net assets is not particularly high, even compared with the standards set by proxy advisory, this strategy is line with our requirement as a listed company in the Prime Market, or to maintain market value (liquidity) that appeals to a diverse range of investors.

### Engagement with a Wide Range of Investors

When looking ahead to the future, the further diversification of shareholders is one of our most important themes. As a result of our steady work, the number of shareholders (based on the number of unit shareholders) increased dramatically: 5,780 from the previous year as of the end of March 2023 (about a 60% increase, totaling 15,239 shareholders as of the end of March). In this way, we are contributing to building up the number of fans at the Company's real stores and the EC store, which are retail businesses. For details, please refer to the "Engagement with Individual Shareholders" on page 68.

At the same time, over the medium term, we intend to more than double the ratio of investors from overseas, which is currently around 8%, in line with the Prime Market standards required by the Tokyo Stock Exchange.

In addition to disclosing and providing materials in English, all inside directors participate in online individual investor relations meetings with institutional investors and others, in principle.

In addition, we have been holding meetings with securities analysts familiar with the retail industry, striving for a deeper understanding of the sophistication of home appliances through future ICT (information and communications technology) as well as the affinity between Japan's unique home appliance mass retailer business model and the lifestyle service business. At the same time, in parallel with investors, we are proactively making announcements on our unique business strategy and the practical application of our value creation story.

Going forward, as a company listed on the Tokyo Stock Exchange 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.

## Message from the Officer in Charge of Infrastructure Strategy



**We believe the increasing awareness of environmental issues represents a significant business opportunity for the Company, and that this in turn allows us to generate social value for achieving carbon neutrality in the home, leading to improved corporate value.**

横山 晃一

Koichi Yokoyama

Director and Managing Executive Officer  
in Charge of Infrastructure Strategy

### Environmental Initiatives and Their Significance

The Group established the Environmental Principles in 1998. Since acquiring ISO 14001 certification for our head office building in 2000, we have been reducing our environmental load in business and improving our environmental performance, as core corporate actions, by establishing and operating an environment management system.

Recently, environmental issues such as climate change, resource depletion, and the loss of biodiversity have become increasingly important, highlighting the importance and urgency for addressing these challenges. In response to these new trends, we revised our Environmental Principles and Basic Environmental Policy in 2021 and established the Environmental Action Guidelines and the Joshin Green Smile Challenge 2050.

Addressing climate change is an important initiative for the Group. Climate change aligns closely with one of our seven material issues: “contributing to the creation of an enriching society that is in harmony with the global environment.”

The climate change initiatives (individual strategies) set out in our JT-2025 Management Plan are an action plan for achieving our ideal state in 2030: “a company that supports the growth of local communities and contributes to the future of people and the environment.” These initiatives are also consistent with our roadmap for combatting climate change that we announced last year.

Next, the Group has been tackling environmental issues, particularly climate change, and we believe that these environmental initiatives will distinguish us from others in our industry, and we even aim to be recognized as a leader in the retail industry across other industries.

What is the significance of tackling climate change at a high economic and human cost?

Tackling climate change leads to an improved social

reputation of the Company among all stakeholders, including investors and financial institutions. For example, we have been selected for the FTSE Blossom Japan Index, designed for Japanese companies with high ESG (environmental, social, and governance) ratings, adopted by Government Pension Investment Fund (GPIF), which manages one of the world's largest funds. Moreover, being selected as a constituent of both the FTSE Blossom Japan Sector Relative Index and the S&P/JPX Carbon Efficient Index enhances our appeal as a target for ESG investment, offers significant advantages for fundraising, and enables us to strengthen collaborations with local governments and participate in other initiatives by gaining a positive reputation and trust. Up until now, we have entered into a comprehensive cooperation agreement with Osaka Prefecture, primarily focused on environmental concerns. In the previous fiscal year, we joined a Decarbonization Point System Promotion Platform at the request of Osaka Prefecture.

Further, improvements in our corporate image and strengthening the brand are expected to lead to an increase in the Group's fan base, which in turn could result in increased recognition and boost sales through purchase incentives. This approach aligns with the sales strategy set out in our medium-term management plan.

Being sensitive to the environment, as well as addressing social concerns and governance, helps us attract talented employees who appreciate and share our concerns. Internally, we believe that we can gain empathy and trust from our employees, leading to improved motivation.

With an eye on the medium to long term, our actions for mitigating climate change will likely become the norm for businesses in the near future, underscoring the significance of being proactive (ahead of others) on this issue.

### Striving to achieve carbon neutrality at our business sites

The Group is a retailer that primarily sells home appliances, and most of our GHG (greenhouse gas) emissions come from using

electricity in our stores.

For this reason, we have prioritized converting the sources of

power used at business sites to renewable energy (conversion to renewable energy), and have steadily implemented this over the past two years.

As of the end of March 2023, at our business sites where the Company contracts directly with power suppliers, 97.4% have completed the conversion to renewable energy, with only four business sites remaining. The ratio of conversion to renewable energy at all of our business sites, including tenants, is 59.4%, and to achieve our goal of 100% renewable energy before 2040, the target year, we will start full-scale negotiations with lessors for introducing renewable energy.

We have been installing photovoltaic systems (solar panels) at all business sites where installing them is possible, with the aim of improving the Company's energy self-sufficiency through off-grid power generation and consumption.

As of the end of March 2023, installations were completed at 60 business sites, and we expect to finish at all remaining business sites within the current fiscal year.

From the next fiscal year onward, since there will be no space left to install solar panels at our business sites, we are planning to introduce corporate power purchase agreement (PPAs) where panels are installed off-site.

### Achieving Carbon Neutrality in the Home through Our Business

For carbon neutrality, people tend to focus on national policies and corporate actions, but reducing GHG emissions cannot be achieved without changes in personal behavior.

As individual values are gradually changing toward using electricity from renewable energy sources and switching to electric vehicles, the growing public interest and heightened awareness of the environment are seen by the Group as significant business opportunities. So, through our environmental initiatives we will create the social value of “achieving carbon neutrality in the home,” which we believe will in turn enhance our corporate value.

The Group has always been dedicated to selling environmentally friendly products, and we will further strengthen this commitment to promote products with high levels of performance for generating, storing, and saving energy.

In light of the Japanese government's initiative to realize carbon neutrality by 2050, automobile manufacturers' plans to increase the ratio of electric vehicles (EVs) and lightweight EVs

have been successful, and with the increasing focus on the spread of EVs and related businesses, the demand for EV charging is definitely expected to grow.

The Group has already been handling the construction of EV chargers, and we officially began handling V2H (vehicle to home) systems from this fiscal year.

We believe that introducing these initiatives now will create opportunities to participate in new EV and environmental businesses.

Further, in addition to pursuing the 3Rs (reduce, reuse, and recycle), we will also encourage a new, circular economy to create a recycling-based society, which we believe leads to “achieving carbon neutrality in the home” through our business and in turn contributes to Japan's carbon neutrality. We will go after sales with each goal in mind.

### Participation in Other Initiatives As Well As External Initiatives

The Group achieved a “B” score in fiscal 2022, up two ranks from the “C” score in fiscal 2021, in our response to the CDP Climate Change Program, which evaluates and discloses information on the environmental initiatives of companies at the global level. The average (overall) score for Asian companies in fiscal 2022 was a “C.”

The CDP “B/B-” rating was attained by evaluating management and recognizes our ability to act collaboratively in response to climate change challenges and to take concrete measures to reduce GHG emissions.

As part of our work to reduce GHG emissions, with the aim of obtaining SBT certification, we declared support for the Science Based Targets initiative (SBTi)—an international initiative jointly operated by four organizations: CDP, United Nations Global Compact, WRI (World Resources Institute), and WWF (World Wildlife Fund)—as well as our intention to formulate Science Based Targets (SBT), GHG-reduction targets based on scientific evidence. We applied to the SBT Secretariat for this reason in March 2023.

SBTs set by individual companies are certified if they meet the SBTi's standard.

The Group sees following the SBT guidelines as a path to realizing carbon neutrality by 2050, and we will promote more Company-wide initiatives as well as disclose information.

For participation in and initiatives for international and external initiatives, in addition to CDP and SBT, we have endorsed the TCFD recommendations and disclosed information and joined the Japan Climate Initiative (JCI). As well, this spring we completed the formal procedures to participate in the GX (green transformation) League that was established based on the GX League Basic Concept announced by the Ministry of Economy, Trade and Industry.

We believe that our participation in initiatives that demonstrate a proactive approach to combatting climate change to all stakeholders are highly effective for improving corporate trust, our corporate image, and branding that in turn improve corporate value.

We also expect that our actions will create opportunities to be featured in the media and for us to establish contacts across other industries, leading to potential new businesses.

## 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. Management system               | 5. Disclosure of environmental information     |
| 2. Ensuring compliance             | 6. Conservation of biodiversity and ecosystems |
| 3. Engagement with stakeholders    |  |
| 4. Raising environmental awareness |  |

### 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 21, 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 categories of Scope 3
- Rank as the top company in the *CDP Climate Change Report* by 2035
- 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/ja/csr/environment/policy.html> (in Japanese)

## Environmental Management System

### Organization for fiscal 2023 environmental management system (EMS)



## Material Issues

In September 2021, the Group identified seven material issues (materiality) to be prioritized in for "connecting people and society to the future with a smile." Among these issues, we have determined the required initiatives and indicators and are

working on "contributing to a prosperous society in harmony with the global environment" to achieve a sustainable society.

Here we report on the progress of our work in this area up to fiscal 2022.

### Developing a resource-recycling society

One of the solutions to environmental challenges is the transition to a circular economy, or considering discarded products and raw materials as new resources and circulating them as demanded by stakeholders. We will help to build a circular economy by

establishing a business model through initiatives such as product buybacks and resale systems, while promoting the reuse of packaging materials.

Action Plans	2030 Target	2050 Target	Achievements and evaluations up to FY 2022
<ul style="list-style-type: none"> <li>• Rebuild the recycling system that includes reuse and resale</li> <li>• Further increase recycling areas for EC</li> </ul>	<ul style="list-style-type: none"> <li>• Initiatives to move toward a circular economy</li> <li>• Recycling rate of 65% for the four target product classes of home appliances</li> </ul>	<ul style="list-style-type: none"> <li>• Establish the business model of a circular economy through an alliance</li> </ul>	<p><b>FY 2022 Results</b></p> <ul style="list-style-type: none"> <li>• Reuse results: 45,491 (100.6% compared with the previous year)</li> <li>• Recycling rate of 62.6% for the four target product classes of home appliances</li> </ul> <p><b>Evaluate</b></p> <ul style="list-style-type: none"> <li>• Though results for reuse are solid, consider expanded scale</li> <li>• Further improve the recycling rate for the four target product classes to stop illegal dumping</li> </ul>
<ul style="list-style-type: none"> <li>• Further cut the use of plastics by no longer offering disposable shopping bags and taking other related actions</li> </ul>	<ul style="list-style-type: none"> <li>• Cut 90% of the plastics for shopping bags (compared with FY 2019) by 2025</li> <li>• Discontinue using plastic shopping bags</li> </ul>		<p><b>FY 2022 Results</b></p> <ul style="list-style-type: none"> <li>• Cut 86% of the plastics used for shopping bags (compared with FY 2019)</li> </ul> <p><b>Evaluate</b></p> <ul style="list-style-type: none"> <li>• Aim to achieve zero plastic use in the future through actions such as introducing paper bags</li> <li>• Cost increases due to the introduction of paper bags: approximately 200 million yen by 2030</li> </ul>

### Addressing climate change issues

As a good corporate citizen, we see our initiatives for reducing GHG emissions from business activities as having a significant impact on global warming, as well as one of the social responsibilities of the Company, and we will make every effort

to meet the expectations of our stakeholders by using all of the strengths of the Group. To achieve our environmental goals, we formulated the Environmental Policy and Environmental Action Guidelines.

Action Plans	2030 Target	2050 Target	Achievements and evaluations up to FY 2022
<ul style="list-style-type: none"> <li>• Increase the percentages of renewable energy sources and off-grid power generated by solar power at business sites where the Company contracts directly with power suppliers</li> <li>• Conduct negotiations to increase the percentage of renewable energy sources used by tenants and other leased properties</li> </ul>	<ul style="list-style-type: none"> <li>• Raise the percentage of renewable energy sources used at business sites where the Company contracts directly with power suppliers to 100% by 2023</li> <li>• To encourage using off-grid power, raise the percentage of off-grid power to 25% at business sites where the Company contracts directly with power suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Raise the percentage of renewable energy sources to 100% (at all business sites, including those that are leased) by 2040</li> <li>• Raise the percentage of off-grid power to 50% at business sites where the Company contracts directly with power suppliers to promote off-grid power generation</li> </ul>	<p><b>Results up to FY 2022</b></p> <ul style="list-style-type: none"> <li>• Raise the percentage of renewable energy sources used at business sites where the Company contracts directly with power suppliers to 97.4%</li> <li>• 8.2% off-grid power ratio at business sites where the Company contracts directly with power suppliers</li> </ul> <p><b>Evaluate</b></p> <ul style="list-style-type: none"> <li>• Raise the percentage of renewable energy sources for business sites that are rented out (leased) →Started from FY 2023</li> <li>• Promote the introduction of off-site power purchase agreements (PPAs) and further increase the off-grid power percentage</li> </ul>
<ul style="list-style-type: none"> <li>• Manage greenhouse gas (GHG) emissions across the supply chain, set reduction targets, and take actions for reduction by identifying figures for key items in Scope 3</li> </ul>	<ul style="list-style-type: none"> <li>• Achieve 42% reduction in GHG emissions in Scopes 1 and 2</li> <li>• Achieve 25% reduction in GHG emissions in category 1 and 11 in Scope 3</li> </ul>	<ul style="list-style-type: none"> <li>• Achieve 100% reduction in GHG emissions in Scopes 1 and 2 by 2040</li> <li>• Cut 100% of GHG emissions in all categories in Scope 3</li> </ul>	<p><b>FY 2022 Results</b></p> <ul style="list-style-type: none"> <li>• Cut 17.7% in Scopes 1 and 2, compared with FY 2021</li> <li>• Cut 6.6% in Scope 3 (Categories 1 and 11), compared with FY 2021</li> </ul> <p><b>Evaluate</b></p> <ul style="list-style-type: none"> <li>• Steady reductions in Scopes 1 and 2 due to the promotion of renewable energy at business sites</li> <li>• Promote cooperation with stakeholders for Scope 3 reductions</li> </ul>
<ul style="list-style-type: none"> <li>• Disclose information to follow the TCFD recommendations, advocate international initiatives to tackle climate change, and disclose information related to our initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Advocate for TNFD (Taskforce on Nature-related Financial Disclosures) and develop framework for information disclosure by 2025</li> </ul>	<ul style="list-style-type: none"> <li>• Become the top company in the CDP Climate Change Program by 2035</li> </ul>	<p><b>FY 2022 Results</b></p> <ul style="list-style-type: none"> <li>• Acquired a "B" rank in the CDP Climate Change Program</li> <li>• Set GHG emission reduction targets and completed SBT application</li> </ul> <p><b>Evaluate</b></p> <ul style="list-style-type: none"> <li>• Participated in international initiatives as planned</li> <li>• Going forward, we aim to transform the business model through such initiatives as the GX League.</li> </ul>



## Climate Change (TCFD)

The Group will disclose a transition plan in line with business plans from this year, in addition to the disclosure on the impact and resilience of climate change within the TCFD framework, which is same as last year. The transition plan is one of the

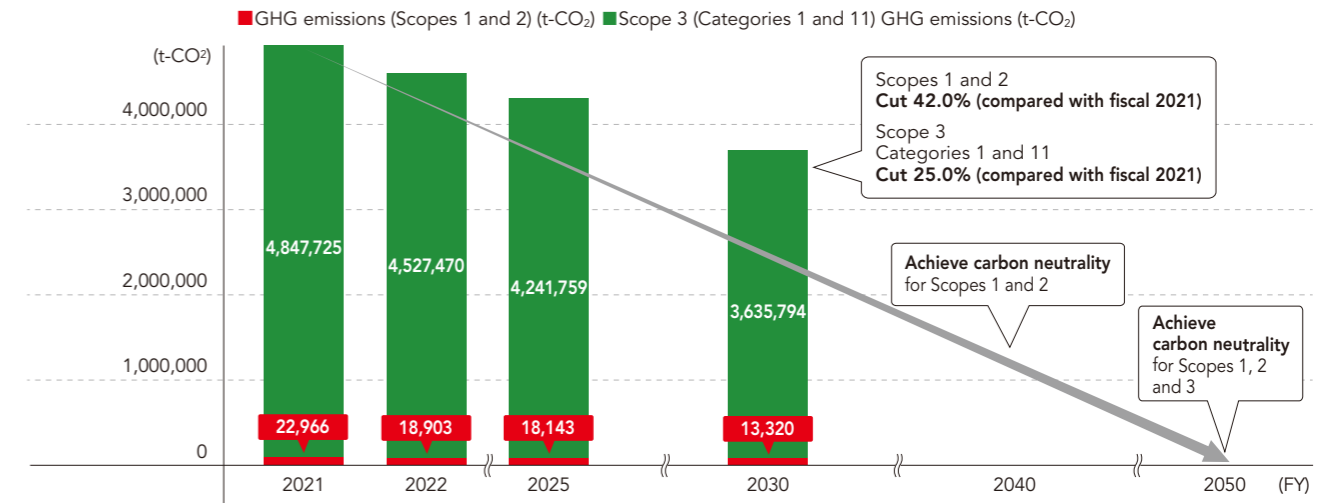
business factors, including reduced GHG emissions, that represents a series of targets and actions supporting the transition to a low-carbon economy. We intend to improve the accuracy of quantitative reduction targets for emissions and investments.

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 (1.5°C scenario)	Risks	<table border="1"> <thead> <tr> <th>Major classification</th> <th>Minor classification</th> <th>Overview</th> <th>Transition plan</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Transition risk</td> <td>Policies and legal regulations</td> <td> <ul style="list-style-type: none"> <li>A major impact from carbon pricing is expected for the plan that will be introduced in Japan</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>Achieve 100% renewable energy conversion for business sites where the Company contracts directly with power suppliers through external purchasing and off-grid power generation, including solar power (through PPAs) by fiscal 2023 and renewable energy conversion for rented (leased) properties by fiscal 2040</li> <li>Promote energy conservation at business sites</li> <li>Raise the percentage of off-grid power to 25% by fiscal 2030 and 50% by fiscal 2050 at business sites where the Company contracts directly with power suppliers</li> <li>Consider the introduction of electric vehicles and setting goals for the electrification of company cars in fiscal 2023</li> </ul> </td> </tr> <tr> <td>Markets</td> <td> <ul style="list-style-type: none"> <li>Increased electricity demand will cause electricity prices to go up, in turn raising energy costs for every business site</li> <li>Fossil fuel prices will likely soar. Fuel costs for logistics and delivery will also go up</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>Aim to increase the sales percentage of existing environmentally friendly products as well as incorporate household solar power generation and storage batteries into this sales percentage by commercializing these products</li> <li>Install EV charging systems</li> <li>100% installation planned in stores where installation is possible by fiscal 2024</li> </ul> </td> </tr> <tr> <td>Reputation</td> <td> <ul style="list-style-type: none"> <li>If we fall behind other companies in initiatives for environmentally friendly products, this will lead to a decrease in net sales, due to fewer customers visiting stores and other factors</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>Aim to increase the sales percentage of existing environmentally friendly products as well as incorporate household solar power generation and storage batteries into this sales percentage by commercializing these products</li> <li>Install EV charging systems</li> <li>100% installation planned in stores where installation is possible by fiscal 2024</li> <li>Receive SBT certification, and disclose information based on the TCFD recommendations in the securities report during fiscal 2023.</li> </ul> </td> </tr> </tbody> </table>	Major classification	Minor classification	Overview	Transition plan	Transition risk	Policies and legal regulations	<ul style="list-style-type: none"> <li>A major impact from carbon pricing is expected for the plan that will be introduced in Japan</li> </ul>	<ul style="list-style-type: none"> <li>Achieve 100% renewable energy conversion for business sites where the Company contracts directly with power suppliers through external purchasing and off-grid power generation, including solar power (through PPAs) by fiscal 2023 and renewable energy conversion for rented (leased) properties by fiscal 2040</li> <li>Promote energy conservation at business sites</li> <li>Raise the percentage of off-grid power to 25% by fiscal 2030 and 50% by fiscal 2050 at business sites where the Company contracts directly with power suppliers</li> <li>Consider the introduction of electric vehicles and setting goals for the electrification of company cars in fiscal 2023</li> </ul>	Markets	<ul style="list-style-type: none"> <li>Increased electricity demand will cause electricity prices to go up, in turn raising energy costs for every business site</li> <li>Fossil fuel prices will likely soar. 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	Opportunities	Resource efficiency	<ul style="list-style-type: none"> <li>Contribute to cutting energy costs and reducing Scope 3 emissions by improving transportation efficiency by introducing EVs and collaborations within the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Gradual electrification of delivery and construction vehicles, as well as the internal mail and parcel service Complete the introduction by 2040 (reach carbon neutrality for Scopes 1 and 2)</li> <li>Achieve efficient delivery operations in collaboration with suppliers through the mutual use of delivery networks</li> <li>Establish a logistics system to make energy consumption more efficient</li> </ul>												
		Energy sources	<ul style="list-style-type: none"> <li>Increase net sales by entering the growing renewable energy market</li> </ul>	<ul style="list-style-type: none"> <li>Raise awareness of the introduction of renewable energy to business sites that are rented out (leased), and aim for Scopes 1 and 2 carbon neutrality at all business sites by 2040</li> <li>Introduce storage batteries at 60 business sites by fiscal 2040 to promote off-grid power consumption (installation cost is approximately 200 million yen)</li> <li>Propose renewable energy sources for general consumers and small businesses</li> </ul>												
		Products Services	<ul style="list-style-type: none"> <li>Due to growing awareness of climate change, sales of environmentally friendly products and services will increase</li> </ul>	<ul style="list-style-type: none"> <li>Aim to increase the sales percentage of existing environmentally friendly products as well as incorporate household solar power generation and storage batteries into this sales percentage by commercializing these products</li> <li>Propose renewable energy sources for general consumers and small businesses</li> <li>Strengthen marketing of EV charging facilities and V2H systems for consumers and small businesses; aim for V2H sales of 400 million yen in fiscal 2030</li> </ul>												
		Markets	<ul style="list-style-type: none"> <li>Increase net sales by investing in startups working on climate change, forming alliances with other companies, and providing products and services related to environmentally friendly living.</li> </ul>	<ul style="list-style-type: none"> <li>Increase the number of items purchased through alliances with other companies to establish a circular economy business model→ Leads to the growth of the reuse business segment</li> <li>Consider entry into the mobility business centered on EV-related products and services for future market growth</li> </ul>												
		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, such as GHG emissions, the introduction of renewable energy, and the percentage of off-grid power from solar power and storage batteries. We have set the highest rank in CDP scoring as a medium- to long-term goal, with SBT certification and resolving material issues (materiality) as short-term goals. As well, 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) that we established last year.  
[https://www.joshin.co.jp/ja/csr/environment/climate\\_change.html](https://www.joshin.co.jp/ja/csr/environment/climate_change.html) (in Japanese)

## Road Map for Major Action Plans Related to Environmental Issues

### Changes in the decarbonization transition plan



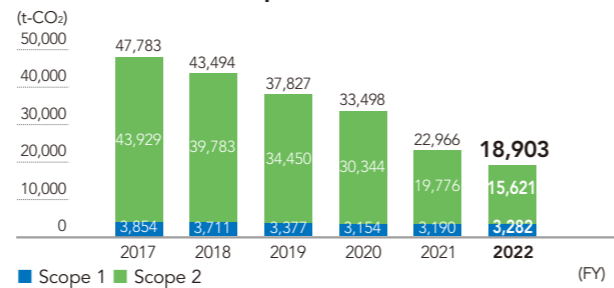
Goals and measures	By 2025	By 2030	By 2050
Early realization of 100% renewable energy power sources at all business sites	Raise the percentage of renewable energy sources used at business sites where the Company contracts directly with power suppliers to 100% <b>2023</b>	Conduct negotiations to increase the percentage of renewable energy sources used by tenants and other leased properties	Raise the percentage of renewable energy sources to 100% at all business sites <b>2040</b>
Initiatives to increase the off-grid power percentage at business sites where the Company contracts directly with power suppliers	Raise the percentage of off-grid power to 25% at business sites where the Company contracts directly with power suppliers by introducing photovoltaic systems to improve energy self-sufficiency	Complete the installation of photovoltaic systems at all possible sites, then aim to increase the off-grid power percentage by introducing off-site PPAs (power purchase agreements) <b>2023</b> Introduce storage batteries at 60 business sites by fiscal 2040 to promote off-grid power consumption (installation cost is approximately 200 million yen)	Raise the percentage of off-grid power to 50% at business sites where the Company contracts directly with power suppliers by introducing off-site PPAs in addition to introducing solar power and storage batteries
Manage and reduce GHG emissions throughout our supply chain	Set numerical targets for GHG emission reductions for major Scope 3 categories <b>2023</b>	Implement GHG emission reduction programs for major Scope 3 categories in collaboration with suppliers	Achieve 100% reduction in GHG emissions in all Scope 3 categories
Endorsement of international initiatives on climate change and qualitative/quantitative scenario analysis based on certified TCFD recommendations	Disclose information to follow the TCFD recommendations, advocate international initiatives, and disclose information related to our initiatives	Continue the action plan initiatives based on SBT and other standards	Ranked highest in CDP climate change program <b>2035</b>

### Initiatives to Reduce GHG Emissions

Among the seven material issues (materiality) of the Joshin Group, we have positioned "Contribute to a prosperous society in harmony with the global environment," as one of the highest priority issues. In particular, to reduce GHG emissions, we have set the GHG emission reduction goals as the medium-term targets for GHG emissions by fiscal 2030: cut 42.0% in Scopes 1 and 2 compared with fiscal 2021, cut 25.0% in Scope 3 (Categories 1, 11) compared with fiscal 2021. We also applied for SBT certification in fiscal 2023.

These goals are in line with 1.5°C surface temperature target that was agreed in the Paris Agreement, the international framework for combatting climate change. The goal is to hold the rise in global average surface temperature to less than 1.5°C over preindustrial levels.

#### GHG emissions (Scopes 1 and 2)



Fiscal 2021 actual results were verified by Ernst & Young ShinNihon LLC.  
Fiscal 2022 actual results were verified by Japan Audit and Certification Organization for Environment and Quality

### We Have Received Third-party Assurances of Numeric Values

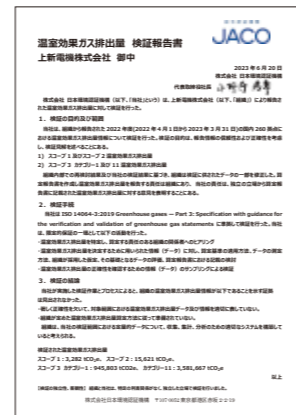
To improve trust from our stakeholders, the Group has received third-party assurances from Japan Audit and Certification Organization for Environment and Quality (JACO) for Scope 1, Scope 2, and Scope 3's categories 1 and 11, which account for the largest proportion of GHG emissions.

These amounts of target energy consumption account for 98.1% of the total emissions of the entire Group.

Through these efforts, we intend to further improve the reliability of sustainability reporting within the Group.

**Information subject to assurance:**  
Energy consumption, GHG emissions (Scope 1 and 2 and Scope 3 Categories 1 and 11)

**Range of assurance:**  
Japan  
(Joshin Denki Co., Ltd. and subsidiaries in Japan; stores, logistics sites, etc.)



### Identifying GHG Emissions in the Supply Chain

We identified all categories that correspond to indirect GHG emissions throughout the supply chain for the entire Group (Scope 3\*) in fiscal 2022 as well.

\* Scope 3: GHG emissions made indirectly by a company through its supply chain during manufacturing, distribution, delivery, business trips, commuting, etc.

#### Investigation results of major Scope 3 categories (FY 2022)

Scope 3 category	Overview of each category	Fiscal 2022 calculation results	
		GHG calculation results (t-CO <sub>2</sub> )	Ratio
1 Purchased products and services	Procuring raw materials, outsourcing packaging, purchasing consumable supplies	945,803	20.5%
2 Capital goods	Enlarging production facilities (if construction or manufacturing spans multiple years, we will record this in the final year when construction or manufacturing is completed)	31,371	0.7%
3 Fuel	Upstream processes of fuel procured (mining, refining, etc.) and electricity purchased (fuel mining, refining, etc. used for power generation)	2,579	0.1%
4 Transportation and delivery (upstream)	Procuring logistics, internal logistics, shipping logistics (Joshin Denki is the shipper)	29,323	0.6%
5 Waste generated from operations	Shipping and processing waste (excluding valuable items) outside Joshin Denki	12,374	0.3%
6 Business travel	Business travel for employees	112	0.0%
7 Employer commuting	Employee commuting	1,638	0.0%
8 Leased assets (upstream)	Not applicable because they are already calculated in Scopes 1 and 2	Not applicable	
9 Transportation and delivery (downstream)	Collected into Category 4 because the Group was responsible for the transportation payment and the shipper	Not applicable	
10 Processing of products sold	Not applicable because the Company does not process sold products	Not applicable	
11 Use of products sold	Use of the product by the end-user	3,581,667	77.6%
12 Disposal of products sold	Shipping and processing of waste products by the end-user	7,350	0.2%
13 Leased assets (downstream)	Running lease assets that the Company owns as a rental business operator and leases to other companies	3,555	0.1%
14 Franchises	Activities that correspond to Scopes 1 and 2 of franchises presided over by the Company	100	0.0%
15 Investments	Equity investments, fixed income investments, project finance, etc.	706	0.0%
Total		4,616,578	100.0%

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

### Initiatives for Decarbonization at Business Sites

#### Status of photovoltaic system installation

Implementing off-grid power generation and consumption through photovoltaic systems.

##### On-site PPA

- Install photovoltaic system equipment on roofs and unused land on Group sites
- Consume renewable energy off the grid  
Supply method: direct  
Installation location: have limitations on installation location (on site)

##### Off-site PPA

- Install photovoltaic system equipment off-site (remote locations)
- Generated renewable energy is transmitted to the Company's business sites through power transmission and distribution lines  
Supply method: indirect  
Installation location: do not have limitations on installation location (remote locations)

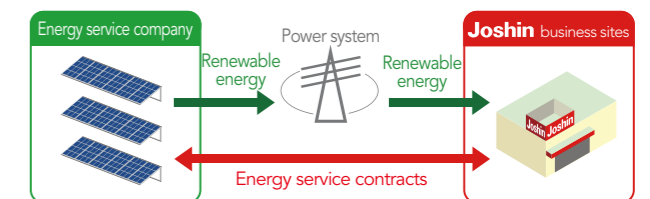
\*Introduced at 60 business sites (fiscal 2022)



Ibaraki Store

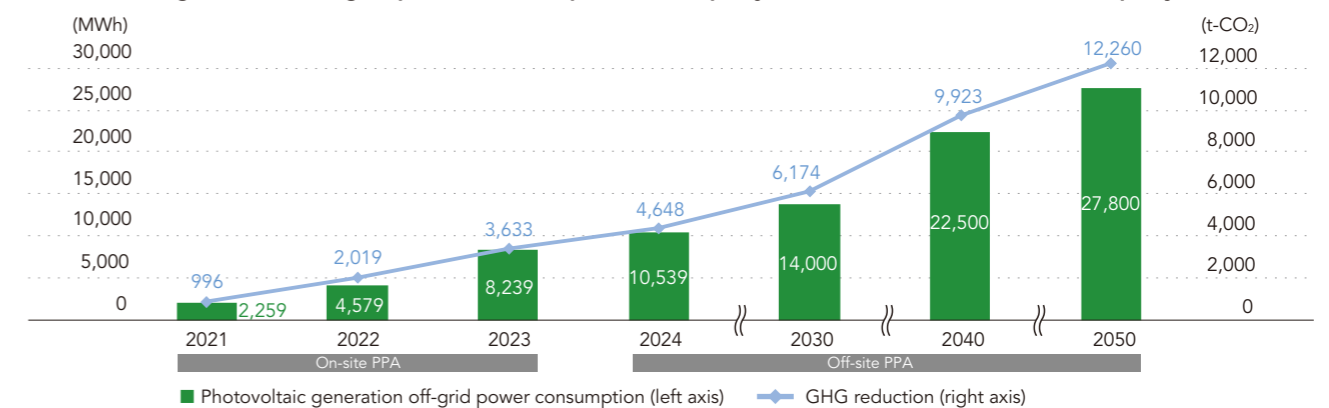


Hikone Store



Group's exclusive solar power plant

#### Photovoltaic generation off-grid power consumption MWh (per year) and GHG reduction t-CO<sub>2</sub> (per year)



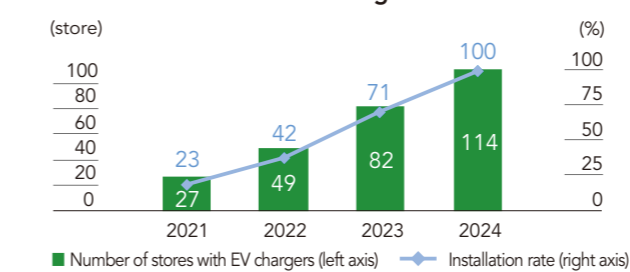
\* Default value defined by the Ministry of Economy, Trade and Industry and the Ministry of the Environment Ordinance No. 3 is 0.441 Kg-CO<sub>2</sub>/KWh (announced in May 2023).

Please see our website to learn more about how the Group is building stores for achieving carbon neutrality.  
<https://www.joshin.co.jp/ja/csr/environment.html> (Japanese only)

#### EV installations

The popularization of electric vehicles (EV) is expected to accelerate and be increasingly promoted around the world. The Ministry of Economy, Trade, and Industry has set the framework in Green Growth Strategy through Achieving Carbon Neutrality in 2050. For passenger vehicles, it was decided to achieve 100% of new vehicles sold being EVs by 2035, and for commercial vehicles, the framework established aiming for 20% to 30% new vehicle sales being EVs by 2030, and for 100% of new vehicles sales being EVs and vehicles suitable for using decarbonized fuel by 2040, along with setting the target for the 2040 penetration rate of EVs by 2030. Building out the charging infrastructure will be a significant issue for the further popularization of EV. Against this backdrop, as a part of our initiatives for building stores that consider the global environment, we advocated the Osaka EV Action Program in March 2010. We started introducing EV charging stations at the Kishiwada Store and expanded this program to 49 stores in fiscal 2022. We intend to install chargers at 100% of our stores where installation is possible by fiscal 2024.

#### Number of stores with EV chargers and installation rate



Sumiyoshi Store

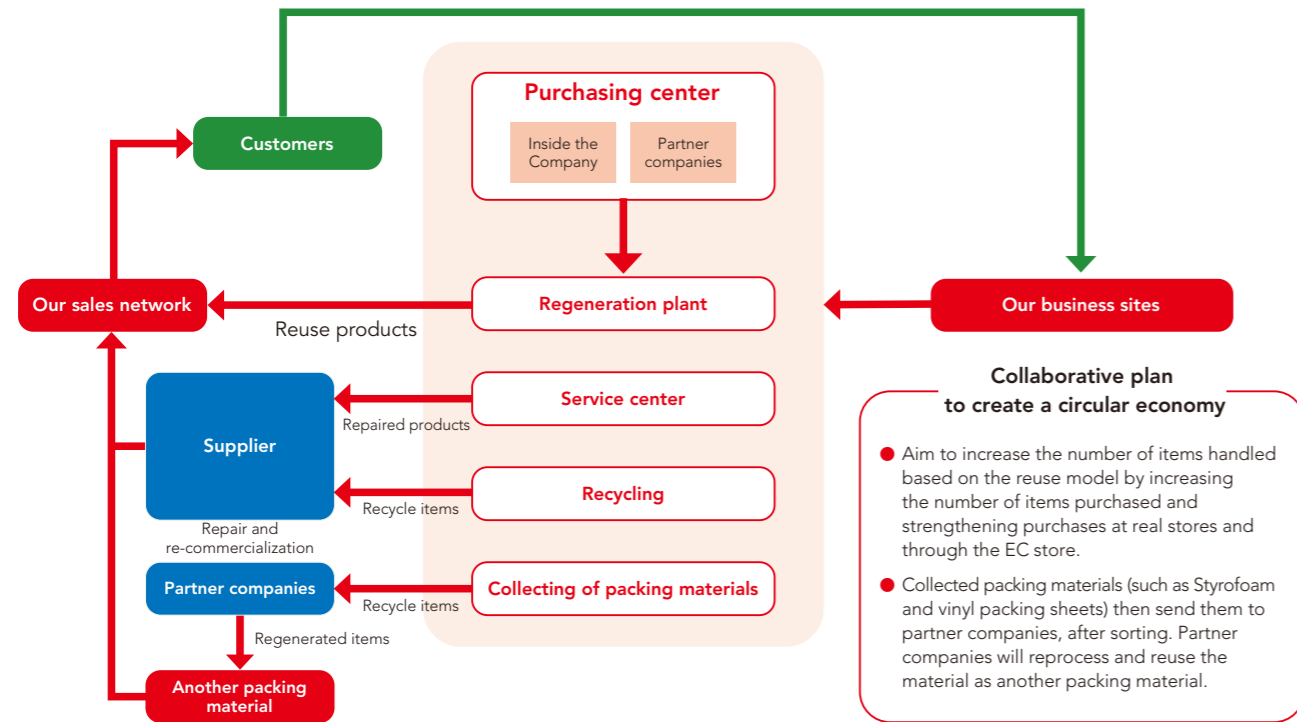


Rokujizo Store

Figures show the number of stores where it is possible to install EV chargers.

○ Strategic Concept for Circular Economy Initiatives and 2030 Action Plan

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 society. <https://www.joshin.co.jp/ja/csr/environment/recycling.html> (in Japanese)

○ Roadmap for Major Action Plans related to Environmental Issues

Developing a resource-recycling society

Environmental sustainability in sustainability management, especially the creation of a recycling-oriented society along with climate change, is the key to our environmental initiatives. Moreover, in addition to the existing 3R (reduce, reuse, and recycle) initiatives, it is necessary to promote the circular economy from a new perspective and study how to transform it into a business model.

Measures	By 2025	By 2030
Rebuild the resource circulation cycles that includes reuse and resale	<b>Target</b> Promoting a circular economy within the Company	
	<b>Main initiatives</b> <ul style="list-style-type: none"> <li>● Increase the number of items purchased through alliances with other companies→ Strengthen the reuse business segment, including resale initiatives</li> <li>● Create a new business model where packaging materials can be collected, recycled as new packing materials, and shipped out</li> </ul>	
Expand recycling for the EC site	Create a system that can support the increase of recycling areas along with the expansion of Joshin Web's delivery and working area	
Initiatives to reduce the use of shopping bags and packing materials made with plastic materials	<b>Target</b> Cut 90% of the plastics used for shopping bags (compared with FY 2019)	Stop using shopping bags made with plastic materials
	<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 <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">2023</span></li> <li>● Consider the introduction of paper bags as an alternative that does not use plastics <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">2023</span></li> </ul>	
	Aim to achieve zero plastic use through measures such as introducing paper bags (Cost increase due to the introduction of paper bags: approximately 200 million yen by 2030)	

○ Initiatives for Environmentally Friendly Products

The Group has been working on initiatives to sell environmentally friendly products from an early stage. In particular, since air conditioners and refrigerators are used frequently throughout the year, we recommend products that can reduce the burden on household budgets for electricity bills and make everyday living more comfortable.

For homes appliances adopting the uniform energy-saving label, we set a replacement cycle of approximately 12 years for refrigerators, air conditioners, TVs, and warm water washing toilet seats in 2010. For fiscal 2022, air conditioners and televisions targeted for 4 or 5 stars, while refrigerators and warm water washing toilet seats targeted for 3 to 5 stars. Based on this

pattern, we calculate the reduction in GHGs by replacements by calculating the average GHG emissions for fiscal 2010 at the same sales volume as fiscal 2022. This enabled us to visualize the difference in GHG emissions between old products and environmentally friendly products when they are replaced. For the current fiscal year, due to the change in the standard energy consumption efficiency (energy-saving standards) for air conditioners, which led to a decrease in target five-star products, we changed our sales composition target from the 40% to 35%.

Results in FY 2022 and targets for FY 2023 for sales of environmentally friendly products

Environmental conservation items	FY 2022		FY 2023	Department in charge
	Targets	Results	Targets	
Sales promotions for environmentally friendly products	Sales ratio of 40%	41.5%	Sales ratio of 35%	Merchandise Department

FY 2022 initiatives for environmentally friendly products

Air conditioners and TVs 4 or 5 stars Refrigerators and warm water washing toilet seats 3 to 5 stars	FY 2010		FY 2022		Average GHG reduction per unit (kg-CO <sub>2</sub> /year 1)-2)	GHG reduction (t-CO <sub>2</sub> /year a)-b)	Total units
	a) GHG emissions/year, Total units (t-CO <sub>2</sub> /year)	1) Average GHG emissions per unit (kg-CO <sub>2</sub> /year)	b) GHG emissions/year, Total units (t-CO <sub>2</sub> /year)	2) Average GHG emissions per unit (kg-CO <sub>2</sub> /year)			
Air conditioners total	73,696,795	708.6	63,661,308	612.1	96.5	10,035,487	104,008
Refrigerators total	21,202,730	165.6	12,622,215	121.3	44.3	8,580,515	104,045
TVs total	2,319,195	66.6	1,165,159	25.2	41.4	1,154,036	46,247
Warm water washing toilet seats total	1,315,098	128.1	823,202	80.2	47.9	491,896	10,269

○ Initiatives to Sell Environmentally Friendly Products at Business Sites

At every business site, we are working on initiatives to sell environmentally friendly products. We hold regular seminars in the stores on air conditioners and refrigerators that use excellent power-saving technology. Furthermore, with the aim of achieving monthly sales targets, we share sales methods and create salesfloor areas for recommended environmentally friendly products.

For business sites with outstanding sales results, we conduct interviews with the Store Operation Support Department as well as supervisors and staff from each sales department about sales skills and their commitment to creating salesfloor promotion areas, then the staff distribute these findings to other business sites as successful case studies.

These case studies are then posted on our company intranet, and new staff members can refer to them and use them in their own departments.



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



**We are committed to increasing corporate value and realising our management philosophy.**

田中幸治

**Koji Tanaka**  
Director and Managing Executive Officer  
In charge of Management Planning and Human Resources Strategy

The Group, now having reached our 75th anniversary, has set the management philosophy as "Connecting people and society to the future with a smile." Looking ahead a quarter-century to 2050, we are developing management that contributes to building a sustainable society through the creation of two social values: "supporting and strengthen resilience in our aging society" and "achieving carbon neutrality in the home"

To realize the creation of these two social values, we have set our management vision as "becoming a hub for the infrastructure of life through the power of home appliances and ICT," and identified the seven material issues that we need to address. One of these material issues is D&I (diversity and inclusion).

**○ We consider our human resources strategy, in which we work to ensure diversity, to be integrated with our management strategy**

The Group believes that the active participation of diverse human resources is the source of our organizational strength to control risks posed by changes in society, to seize new business opportunities, and to achieve sustainable growth. In an operating environment where change is the norm, we must be sensitive to the various challenges that society faces as well as potential consumer needs in order for us to contribute to society as a hub for life infrastructure. Our participation in society helps to achieve sustainable growth and higher corporate value for the Group. Diversity and inclusion is essential for sharpening our sensitivity to information for an internal environment where diverse employees play a more active role and produce a range of values.

By creating an environment where diverse people can work with their strengths and enthusiasm, and without discrimination, we can share within the Company the inconvenience, dissatisfaction, and uneasiness we feel in our daily lives as social issues. In addition, it is possible to achieve solutions coming out of the freethinking of diverse people as new businesses, in this way linking new customer satisfaction with improved corporate value. This is the essence of the Group's sustainability management, and we believe that our human resources strategy to ensure diversity is an integral part of our management strategy.

**○ We are promoting diversity and inclusion for human rights as well as health and productivity management as the foundations of our HR (human resources) strategy**

To create new levels of customer satisfaction, the Group is working on securing and developing diverse employees that will be at points of contact with our customers. The universal value of respect for human rights is the spiritual foundation of diversity and inclusion. 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 achieving a work environment where diverse people can perform at their best and play an active role, in this way increasing ease of work leading to job satisfaction, then to employee ownership, and finally to improved engagement.

**○ By allowing employees to participate in management, we will link proactive investments in human resources with improved corporate value**

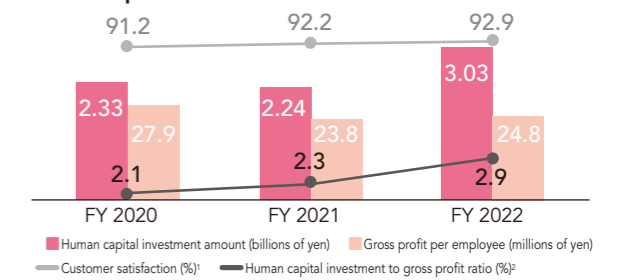
Although the previous Medium-term Management Plan that coincided with the COVID-19 pandemic has failed to achieve the targets for many indicators, we were able to steadily improve the gross profit margin from 24.2% to 25.4%. Compared with 20.6% in the fiscal year ended March 31, 2013, we achieved a 4.8-point improvement over the last 10 years. The gross profit amount compared with the fiscal year ended March 2013 was 137.8%, exceeding the net sales growth rate of 111.6%. Continual investment in human capital leads to high value-added product sales based on lifestyle proposals.

Looking ahead to 2050, the Group has formulated and announced the JT-2025 Management Plan with a backcasting approach setting 2030 as a milestone. The theme is to be a concierge to customers, drawing close to their daily lives. The Group will invest in securing and training diverse employees who will serve as points of contact with customers and promote better employee engagement.

The purpose of our human resources strategy is for the Company and employees to share a management vision and our sense of values, have every employee feel a bond with the Joshin brand and actively demonstrate their abilities, as well as motivate them to contribute to the creation of new value. We intend to improve customer satisfaction through the participation of employees in management that will lead to improve corporate value and to realize our management philosophy of "Connecting people and society to the future with a smile."

FY 2022 human capital investment		¥3,027 million
<b>Recruiting and education</b> ..... ¥782 million		
● Costs of hiring new graduates and mid-career workers	● Recruitment expenses	● Education and training expenses
<b>Wage increases and a revised HR system</b> ... ¥1,154 million		
● Wage increases (including part-time employees)	● Risk-responsive lump sums for retirement annuities	● Increased costs due to the extended retirement age
● Talent management system introduction and operating costs		
<b>Investments leading to job satisfaction and ease of work</b> ... ¥267 million		
● Salary compensation for ikumen (men rearing their children) leave and COVID-19 special leave	● Workplace and equipment renovation costs	● Investment in new work styles
<b>Investments in systems that improve productivity</b> ... ¥825 million		
● Costs related to introducing full self-service cash registers, digital signs, etc.		

**Human capital investment amount and financial data**



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



# 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.

## Aiming for Our Ideal Form

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

Category	KPIs	FY 2021 Results	FY 2022 Results	Gap	FY 2030 target
Securing human resources	Number of new graduates and mid-career hires	266	238	88	150 people annually
	Turnover rate (female permanent employees)	4.9%	4.8%	-2.3%	no more than 2.5%
	Turnover rate (male permanent employees)	2.1%	2.5%	0.0	no more than 2.5%
Human resource development	Turnover rate (permanent employees total)	2.4%	2.8%	-0.3%	no more than 2.5%
	Number of Home Appliance Advisor certification holders (total number of people)	6,252	6,524	-	-
Diversity	Number of Smart Master certification holders	2,159	2,267	-	-
	Percentage of female directors	22.2%	22.2%	-7.8%	30.0%
	Percentage of female managers	3.2%	3.6%	-16.4%	20.0%
	Percentage of female permanent employees	12.0%	13.0%	-17.0%	30.0%
Success of women in the workplace	Percentage of female employees	36.8%	36.5%	-13.5%	50.0%
	Percentage of female new employees	48.4%	47.2%	-2.8%	50.0%
Supporting work-life balance	Wage difference between men and women (permanent employees)	71.7%	71.4%	-6.6%	78.0%
	Percentage of employees with disabilities (%)	2.6%	2.7%	-0.3%	3.0%
	Number of employees 65 years old and over	97	102	-	-
Health and productivity management	Percentage of employees taking <i>ikumen</i> (men rearing their children) leave <sup>2</sup>	96.0%	100.0%	0.0	100.0%
	Average number of days taken for <i>ikumen</i> (men rearing their children) leave <sup>2</sup>	6.7	21.0	-7.0	28.0
	Health index score <sup>3</sup>	-4.5%	-4.2%	-6.2%	+2% average score across Japan
	Presenteeism <sup>4</sup>	93.0%	92.9%	-1.1%	94.0%
	Medical checkup participation rate	97.0%	99.5%	-0.5%	100.0%
Health and productivity management	Stress check participation rate <sup>5</sup>	97.5%	98.7%	-1.3%	100.0%
	Overtime work hours (monthly average)	14.7 hours	15.0 hours	-	-
	Paid leave usage rate (all employees)	54.4%	62.9%	-7.1%	70.0%

### Ideal form

Realization of management philosophy

Two types of social value creation<sup>1</sup>

Improved corporate value and customer satisfaction

Increase employee engagement

Realization of job satisfaction and ease of work

1. Two types of social value: Helping to strengthen the resilience of an aging society and achieving household carbon neutrality  
 2. *Ikumen* (men rearing their children) leave: Special paid childrearing leave for Joshin Denki Co., Ltd., Joshin Service Co., Ltd., Hyogo Kyoto Joshin Co., Ltd., Tokai Joshin Co., Ltd., Kanto Joshin Co., Ltd., Shiga Joshin Co., Ltd., Wakayama Joshin Co., Ltd., and Hokushinetsu Joshin Co., Ltd. within the Group  
 3. 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)  
 4. 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 at 100%.  
 5. Stress check participation rate: All business sites are targeted, including those with less than 50 people.

## Human Rights

### Establishment of the Joshin Group Human Rights Policy

Since our foundation, the Joshin Group has cherished the Corporate Credo "to always act in consideration of the other's perspective," embodying the spirit of thoughtfulness. This credo connects directly with respect for human rights that values an individual's perspective. With the foundational spirit of respecting human rights, and intending to contribute to resolving social issues through our business activities, we signed the United Nations Global Compact in July 2022 and announced the Joshin Group Human Rights Policy in December 2022 to clarify how we stand both internally and externally.

[https://www.joshin.co.jp/ja/csr/policy/list/humanrights/main/0/link/human\\_rights.pdf](https://www.joshin.co.jp/ja/csr/policy/list/humanrights/main/0/link/human_rights.pdf) (Japanese only)

### Identification and assessment of human rights risks

When establishing our human rights policy, we identified potential human rights risks associated with the Group's business activities

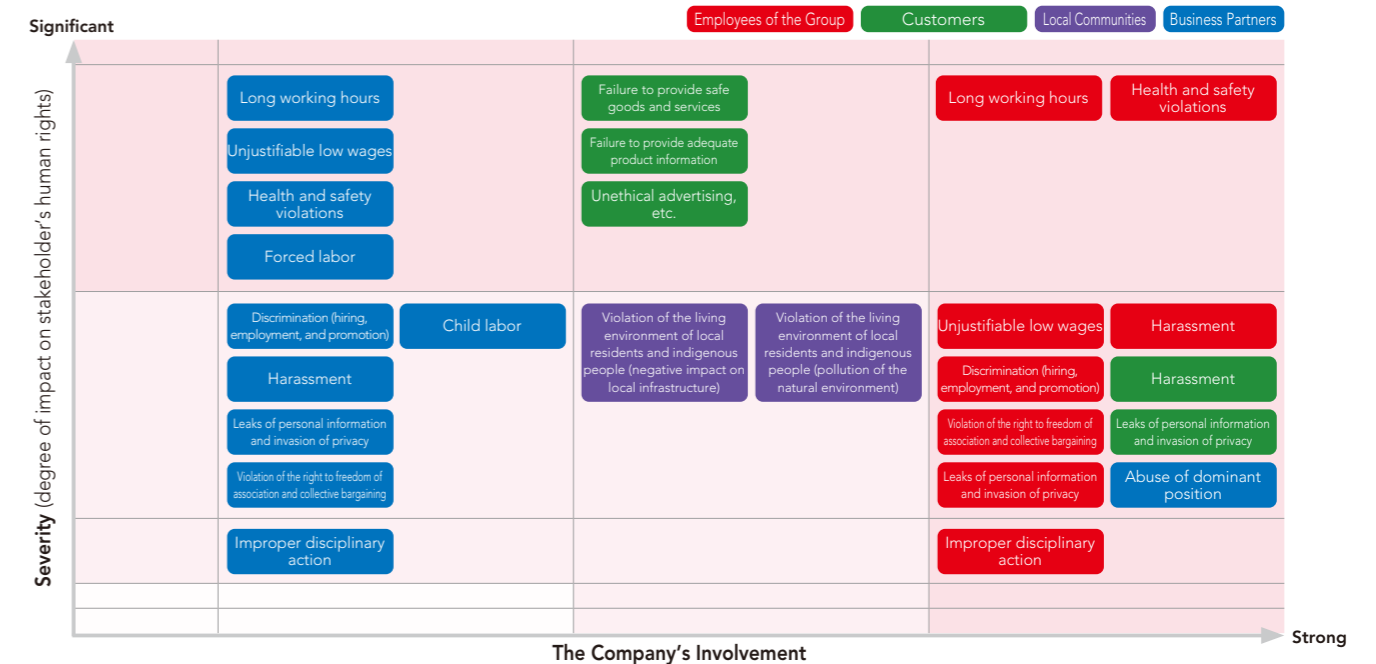
and evaluated them from the standpoints of severity and our involvement. Based on these results, for human rights risks that have been indicated as highly significant, we will consider specific actions to reduce risks and prioritize ways to address them.

Identification and assessment process

1. Refer to international guidelines and reports, and consult with experts in the field of human rights.
2. In order to identify issues that should be prioritized and strengthened, a human rights risk map was created based on quantitative analysis with the commitment of all directors and auditors involved in business execution, using severity and the Company's involvement as the evaluation axes.



Human rights risk map (risk assessment results) Unlike a typical risk matrix, there are also areas of high priority at each end of the axis.



\* Refer to United Nations Guiding Principles on Business and Human Rights, Global Compact Network Japan (GCNJ), The Arc of Human Rights Priorities of the Danish Institute for Human Rights, the Stakeholder Engagement Program of the Caux Round Table, etc.

### Main initiatives up until now

- June 2019 We issued a declaration by top management to eliminate harassment.
- July 2022 Signed in support of the United Nations Global Compact
- December 2022 Announced the Joshin Group Human Rights Policy
- April 2023 Established a Human Rights Awareness Promotion Office

### Future actions

#### Dissemination of Human Rights Policy (from FY 2023)

- Raising awareness and education within the Company
- Dissemination and collaboration in the value chain

#### Identification of human rights risks (from FY 2023)

- Conducting a risk assessment based on a business partner survey
- Conducting stakeholder meetings (dialogues)
- Visits to companies in the value chain
- Extraction and identification of human rights issues and formulation of risk mitigation and prevention
- Establishment of relief mechanisms

#### Information disclosure (from FY 2024)

- Regular disclosure of information on corporate websites of human rights due diligence, integrated reports, etc.
- Improved initiatives through response to feedback

**Diversity & Inclusion**

<https://www.joshin.co.jp/ja/csr/policy/list/di/main/0/link/DI.pdf>  
(Japanese only)

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

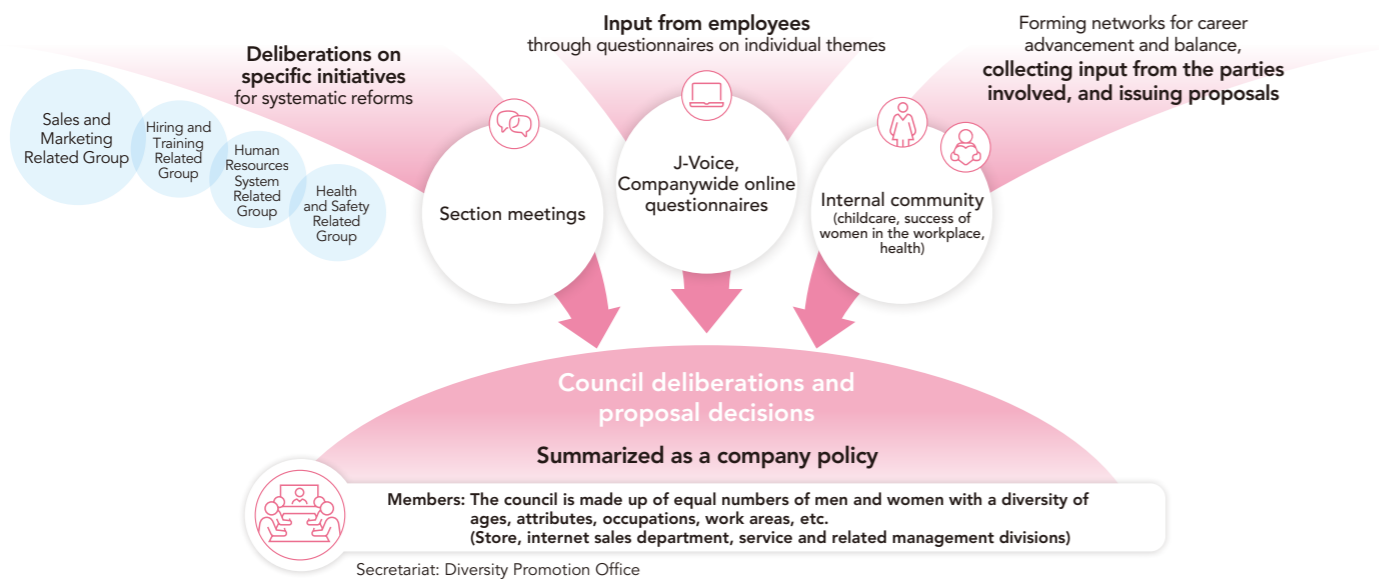
to pass on a prosperous future to the next generation. We announced the Joshin Group D&I Policy in March 2023, viewing our goal through D&I promotion as the success of all employees and sustainable growth as a company.

**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 activities in FY 2022**

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

- Embodiment of four high-priority themes
  - For childcare, expanded the scope of children eligible for the shorter working hours system to junior high school graduates
  - Increased the number of prescribed working hours under the shorter working hours system for childcare to six patterns
  - Started to support maiden names for employees who want to use them
  - Established D&I Policy

**Members who participated in the council will continue to promote D&I in their departments as Joshin DI Members.**

Creator of the Joshin DI Member naming **Miki Wada** (store employee, chief)



- Q. How has this system affected your work style?**  
A. I started using the system immediately to achieve a balance between childcare and work.
- Q. How was it following the council's approach?**  
A. I was a bit nervous about the idea of having the opinions of employees go directly to management at first, but it was a meaningful activity where members could freely exchange opinions. I felt that each theme was developed quickly.

**Promotion of Diversity and Inclusion (D&I)**

**Joshin Group D&I Promotion Roadmap**



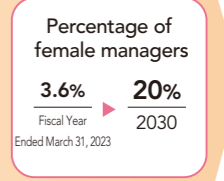
**Cultivating a corporate culture**

- April: Establishing the Diversity Council
- May: Creating a D&I top message poster
- November: Plan to start implementing J-Voice, the company-wide web survey
- April: Introduction of engagement surveys
- Plan: Improvement of annual paid leave usage rate
- Plan: Strengthening ways to correct long working hours



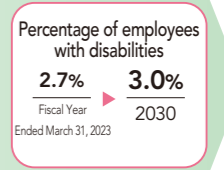
**Promoting the success of women in the workplace**

- July: Introducing role models on the Intranet
- April: Start to support maiden names for employees who want to use them
- Plan: Review of position appointment standards based on course selection
- Plan: Formation of an internal community for the success of women in the workplace
- Plan: Consideration of support for infertility treatments
- Plan: Consideration of subsidizing childcare expenses for working on holidays
- Plan: Holding a career awareness forum
- Plan: Developing stores with women in leadership positions



**Support for the active participation of diverse employees**

- April: Extension of ikumen (men rearing their children) leave to 28 days
- May: Implementation of education to promote understanding of the LGBTQ community
- July: Establishment of childcare community
- April: Making the shorter working hours system for childcare more flexible
- Plan: Making the shorter working hours system for nursing care more flexible
- Plan: Creation of job satisfaction for veteran employees
- Plan: Continuous implementation of initiatives to promote understanding of the LGBTQ community
- Plan: Continuous employment support for people with disabilities



**Support for the more active participation and work-life balance of women**

As of March 2023, the percentage of female managers is 3.6%, and the wage gap between men and women is 71.4%, making the promotion of women a challenge for the Group. We believe that the main impediment to women's success in the workplace is that housework and childcare are often biased in favor of women, leading to time, psychological and physical constraints. Considering that late working hours make it difficult for employees with children to continue working, we revised the system of shorter working hours for childcare in April 2023 to allow using this system until the child finishes the third year of junior high school. In addition, we expanded the prescribed working hours of the shorter working hours system for childcare from two patterns: 5 hours and 6 hours to six patterns from 5 hours to 7.5 hours (in 30-minute increments). This change will let employees choose their work style according to their personal circumstances. We want to link this change not only to support for balancing work with childcare, but also to the career development of women.

In addition, the percentage of employees taking special childcare paid leave, *ikumen* (men rearing their children) leave, for up to 28 days was 100% in fiscal 2022, with 135 employees taking this leave. We intend

**Support for the active participation of diverse employees**

We will create an environment where every employee can work in multiple ways.

**Active participation of 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. As experienced managers reach the retirement age each year, we will use their 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.

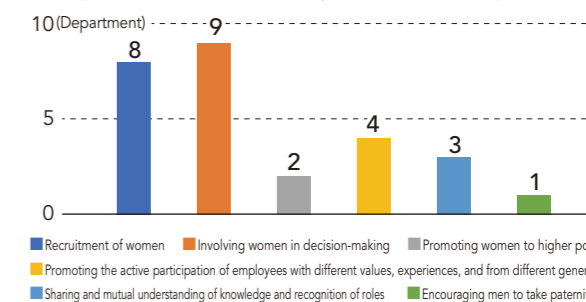
**Active participation of people with disabilities**

To support employment that matches individual characteristics, we

to create a work environment where employees, as part of their lifestyle, can enjoy both work and childcare regardless of their gender.

Further, we support the use of maiden names at work for employees who want to use them. The management listens to the voices of employees and creates restructures systems from a new perspective through the Diversity Council.

**Key measures for D&I promotion (set by each department throughout the Company)**



We have formulated key initiatives for promoting D&I in every department throughout the Company (27 departments in all). We believe that developing initiatives by ourselves will cultivate a perspective of D&I within Joshin.

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 the understanding of the LGBTQ community**

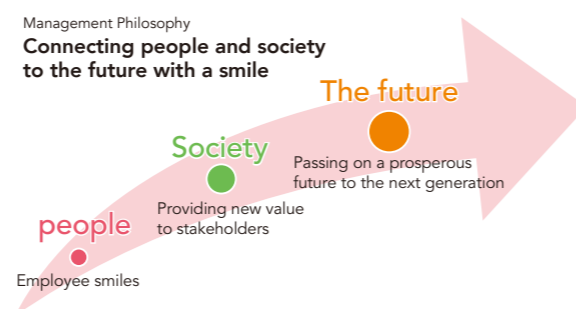
In 2022, we conducted the first Group-wide video-based training. The Diversity Promotion Office will be a consultation service and will take the initiative by first acquiring knowledge and understanding.

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

## Securing Human Resources

### Basic concept

We must first have smiling employees to achieve our management philosophy. By creating an environment where employees can be active with a smile, we will secure diverse employees and create new corporate value. Our plan includes hiring about 150 people each year. We intend to have a balanced age structure and to maintain as well as improve the human capital of the entire Group. In addition to external hiring, we will promote part-time employees within the Group to permanent positions.

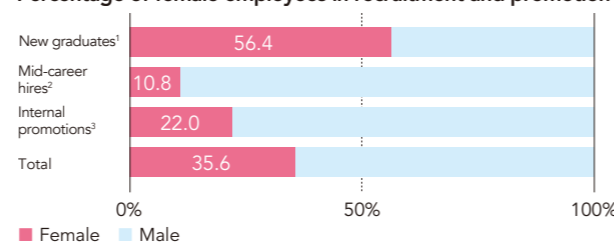


### The employees we are looking for

Through our fan base strategy, we are looking for energetic employees who can offer value for the customers' experience in addition to physical value (goods and services) and that can propose an enriching experience. Without being fixated on uniform personalities and backgrounds, we want to hire people who can connect diverse life experiences for creating new corporate value.

In addition to increasing the percentage of female employees, we will focus on job interviews conducted by female employees, providing information about active female employees, and explaining our extensive support system for balancing work and family life.

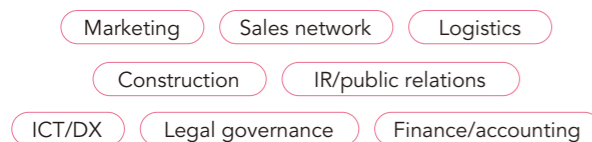
Percentage of female employees in recruitment and promotion



1. New graduates joining in April 2023.
2. Mid-career hires in fiscal 2022.
3. Employees promoted from part-time to permanent positions in fiscal 2022.
4. Percentage of female employees in the above three categories.

### Strengthening direct recruiting

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 be enter in the future. Specifically, we'll leverage direct recruiting for securing employees who can excel in the following specialties:



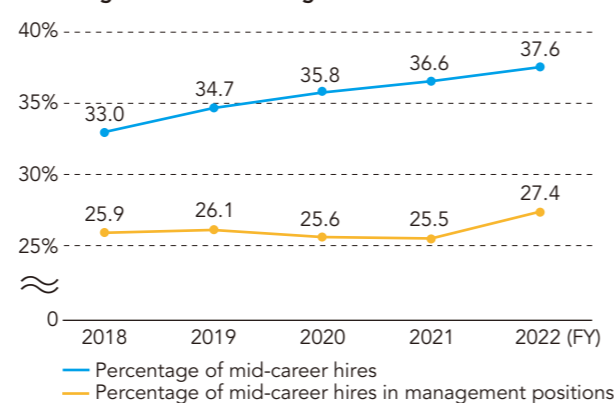
### Employee retention initiatives

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. On the other hand, the turnover rate among women is higher than men, and the turnover rate at subsidiaries is higher than the head office. Resolving these issues could increase our overall employee retention, making it an even stronger way to increase the number of fans and core fans that are the key to our sales strategy.

### Securing employees in strategic areas

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 hiring



Reference data	8,906 employees in the Group	Permanent employees...4,020 45.1%	Part-time employees.....4,886 54.9%
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## 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

we reflect their opinions in our policies. 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.

### Career enrichment support

We will systematically support career development to nurture specialized employees who will support our existing core business segments and to help them take on the challenge of internal transfers to a business segment that generates new levels of

customer satisfaction. While restructuring our existing business segments, we believe that improved reskilling is important for our goals in 2030 and 2050 that will lead to new corporate value.

### Education supporting specialization for existing 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. We also conduct study sessions and mock exams led by in-house instructors and fully support acquiring qualifications as well as full subsidies for acquiring or renewing qualifications.

### DX (digital transformation) training leading to the development of new services

In fiscal 2022, approximately 1,000 employees participated, deepening their understanding of DX, while gaining insights into operational improvements. We conduct online training on how to use DX for realizing our management vision of becoming a hub for the infrastructure of life through the power of home appliances and ICT.

### Qualification recommended & number of qualifications held

Title	Type	Holders
Home appliance advisor	All sorts	6,524
Home appliance engineer	All sorts	394
Smart Masters	—	2,267
Qualified Electrician	All sorts	301
Installation technician	All sorts	298
Health supervisor	All sorts	210
Photo master	1st-3rd grade	1,881

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

### Training hours and costs

Item	Results
Frequency (days)	409
Total hours	58,261 hours <sup>1</sup>
Total no. of trainees	72,192 <sup>2</sup>
Cost of training (yen)	¥64,480,000

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.

### Develop autonomous human resources

#### Conduct management reviews

At the beginning of each fiscal year, our superiors meet with employees and Smile Partners (part-time employee) to set individual job goals and directly convey the 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)

The 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.

#### Personnel evaluation system

When appointing employees to positions that play a central role in the execution of business operations, the Group selects

candidates with the highest business performance for promotion. Managers are rated and treated according to the weight of their responsibilities. Position grades fluctuate based on a fair evaluation of job performance, and the linked salary also fluctuates. This is an open personnel system with a semiannual salary system that has no seniority, educational background, or gender factors for salary considerations. Many employees are promoted from Smile Partner to permanent employees and even to management positions after working as a Career Promoter (junior employee).

### Nurture next-generation leaders

We conduct executive training four times a year for department heads and above, as well as 47 executives from subsidiaries, aiming to develop a broad range of knowledge over time.

#### Content of 2022 executive training

- Human resources (HR) management
- Corporate governance improvements and sustainability management
- Response during natural disasters
- Basic understanding of financial statements and the concept of improving corporate value

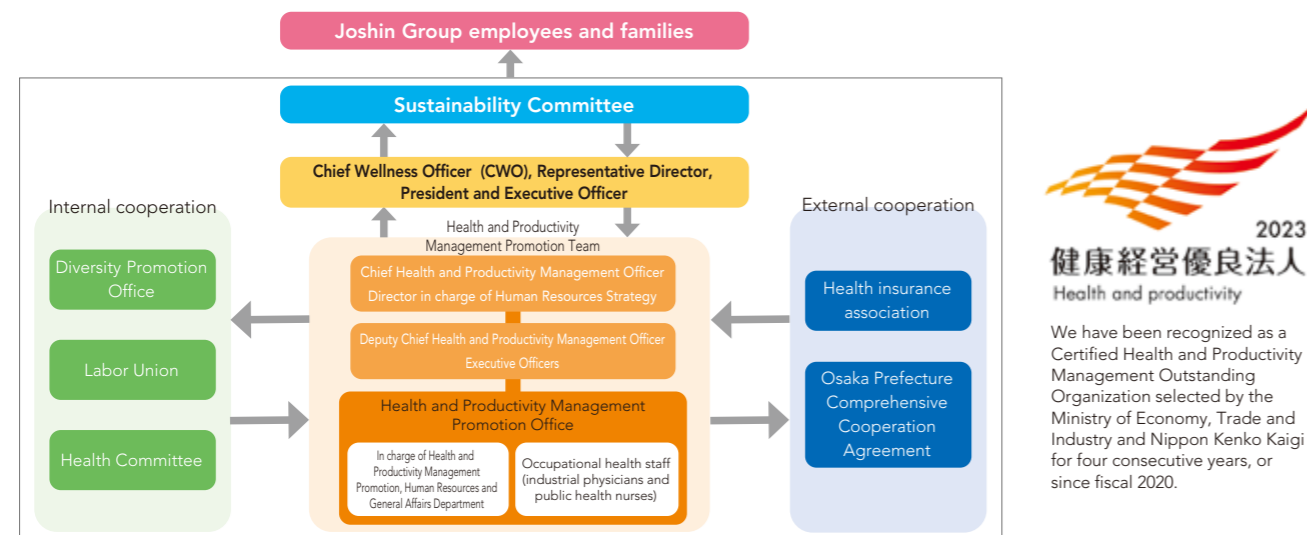
## Health and Productivity Management

For the Group, as we promote fan and core fan development based on the fan base strategy, supporting the mental and physical of the employees who interact with customers is an important foundation for supporting our HR strategy. The Group's top management personally leads and practices health and productivity management so every employee can maximize their potential and grow. Our goal is to maximize organizational performance and create new customer satisfaction (social value) as the driving force for sustainable growth.

<https://www.joshin.co.jp/ja/csr/social/hr/health.html> (Japanese only)

### The employees we are looking for

To encourage better health and productivity management, we have organized a Health and Productivity Management Promotion Team led by the Representative Director, President and Executive Officer, and are addressing the health challenges of the Group in cooperation with internal and external organizations.



### Main initiatives

- Mandatory complete medical checkups for permanent employees who have reached the age of 35 (at no cost to them)
- Improve efficiency of industrial health services and achieve faster identification of health issues by implementing ICT for health management
- Strengthen specific health guidance in collaboration with the health insurance association
- Conduct Good Condition Interviews, or individual interviews with public health nurses based on company-specific standards coming from medical checkup results (for all ages)

### Future initiatives

- Training to improve the health literacy and self-care of all employees
- Individual guidance by dietitians for dietary improvement
- Promoting smoking cessation programs
- Encouraging the early detection of cancer
- Self-care and line care training for women's health issues
- Self-care and line care training on mental health

### Health and safety

We are also working on a response to long working hours, labor accidents, infectious diseases, workplace harassment, and improving productivity by implementing ICT on the front line of sales to create a safe and secure work environment where employees can fully demonstrate their performance.

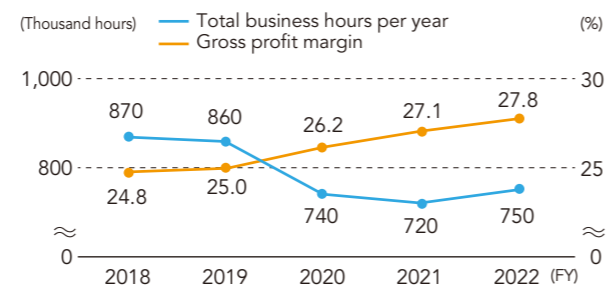
### Main initiatives

- Promoting "No Overtime Day" every day
- Promoting the system of intervals between working hours
- Shortening business hours
- Internally sharing information on disasters
- Implementing risk assessments
- Subsidizing infectious disease immunizations
- Establishing an internal harassment consultation desk
- Improving the rate that self-service sales checkout (cash registers) are installed
- Promoting the introduction of digital signs
- Safety management when working at heights (equipment and behavior management)
- Asbestos removal and dust control

Shortening business hours, which had been promoted as part of our workstyle reforms, was accelerated due to the COVID-19 pandemic, increasing the number of staff assigned during business hours and improving the customer service ratios, leading to an improvement in customer satisfaction. As a result, the gross profit margin increased 3

points, compared with fiscal 2018. We will continue to promote labor savings by implementing ICT and we will increase contact points with customers to improve customer satisfaction.

### Total business hours and gross profit margin of the store divisions



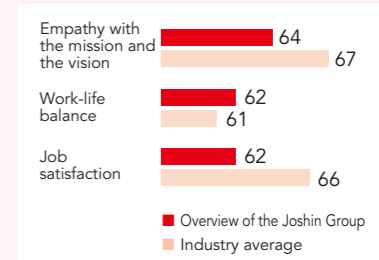
Total business hours per year: the total time actually operated  
 \* Total hours of business minus hours not open due to closures or shortened hours due to COVID-19, closures due to renovations, and regular holidays.  
 Gross profit margin: total gross profit margin of the store divisions  
 \* This differs from the gross profit margin of the consolidated Group. Including the withdrawn divisions.

## TOPICS Encouraging dialogues among employees by introducing an engagement survey

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. We will deepen understanding and improve the employee engagement that demonstrates the relationship between our company and employees by envisioning the mental state of employees and use the survey results to encourage dialogue at the front lines.

### Key areas of focus for future engagement surveys

Results of the first survey (May 2023)



### First survey overall score: 64

- Conducted in May 2023 \* 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 Atræ, 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.

### Perception of the first survey results

In nine survey areas, elements such as corporate philosophy strategy, the environment, and personal growth were significant influences on the Group's employee engagement. Therefore, the Group has decided to prioritize improving empathy for the mission and vision, work-life balance, and job satisfaction. First, we intend to instill our management philosophy—renewed in 2021—and increase the desire of employees to positively take on their own roles by being in sympathy with the Company's ideas. For work-life balance, we will check if employees are being fulfilled in both their professional and personal life. For job satisfaction, we will verify if a rewarding work environment exists, and then take action to deepen the relationship of trust between the Company and employees.

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

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 unions, issues are raised surrounding the work environment of employees and suggestions are made for 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 enables the management's visions and policies, and other details, to be shared 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: 92.7%

## Executive Officer's Message

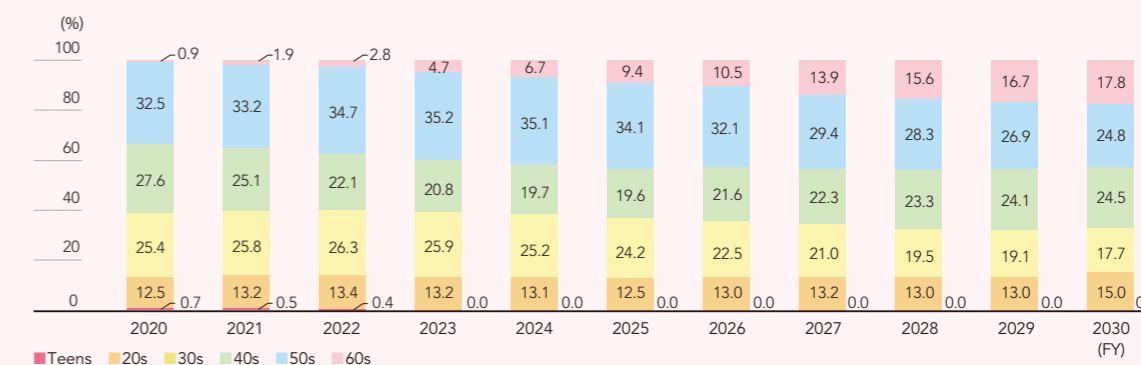
The average number of years of continuous employment for the Group's permanent employees is as high as 17.7, and the experience and skills of our veteran employees who have deepened their ties with customers are a central part of implementing our fan base strategy. On the other hand, the number of permanent employees aged 50 and over exceeds 35% of the total. To maintain the total number of permanent employees, we revised the system to set the retirement age at 65 in 2025, but we recognize the funnel-shaped personnel structure as a challenge. For diverse employees to be more active and create new value, it is necessary to have a good balance of employees age groups. We will recruit new graduates and mid-career hires, then consider the environment and work style that enable veteran employees, our strength, to best demonstrate their skills.

The challenges in recruiting due to a declining birthrate and aging population will further accelerate in the future. We will improve the environment, support, and training systems so that people want to join and continue working at Joshin to develop their careers. In fiscal 2022, the Group achieved a 100% acquisition rate for employees taking *ikumen* (men rearing their children) leave, and the average number of days taken also increased to 21 days. We will continue to implement initiatives using the Diversity Council, such as supporting the work-life balance of employees raising children regardless of gender, and then promoting women's more active participation, as well as providing support for employees who continue working while providing nursing care, as we help to develop the next generation of leaders.



**Kiminori Nishio**  
Executive Officer in charge of Human Resources and General Affairs

### Projected changes in the employee structure by age group through FY 2030





# 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.

### The Joshin Group Procurement Policy / Procurement Guidelines (excerpt)

1. Coexistence and mutual prosperity with our business partners  
Solve problems throughout the supply chain and build long-term relationships of trust
2. Ensuring quality and safety  
Together with our suppliers, maintain and improve the quality and safety of purchased products and services
3. Fair and equitable trade as well as full compliance with laws and regulations  
Comply with laws, regulations, and international guidelines as well as provide fair impartial opportunities through fair and free competition
4. Consideration for the environment  
Aim for environmentally friendly purchasing throughout the supply chain
5. Consideration for human rights and the work environment  
Promote purchasing that respects human rights, improve the work environment, and ensure health and safety
6. Effective information management  
Comply with all requirements for handling confidential and personal information gathered during purchasing
7. Coexistence with society  
Coexisting with local communities and contributing to building a sustainable society
8. Scope of application  
All suppliers

\* Please refer to our website for details.  
<https://www.joshin.co.jp/ja/csr/policy/list/procurement/main/0/link/Procurement.pdf>

## Structure of the Procurement Policy



## Establishing a Sustainable Procurement System with Suppliers

The Group will promote sustainable procurement with suppliers, continue to conduct the supply chain procurement questionnaire, and then establish a sound and robust supply chain through 100%

compliance with the Procurement Policy and Procurement Guidelines as well as anticorruption initiatives.

## Future Goals in Sustainable Procurement

### Goals for FY 2025

Raise awareness of the Procurement Guidelines among suppliers and conduct a supply chain questionnaire to comprehensively check on compliance while evaluating every supplier individually. In addition, we will distribute the Procurement Guidelines and promote sustainable procurement within the Group through the aggregation of responses from companies and online channels.

### Goals for 2030

Set a target of 70% for the percentage of the value of transactions with suppliers who responded to the supply chain questionnaire to the total value of all transactions (value of transactions with companies responding to the sustainable procurement questionnaire / total value of all transactions). We aim to build sustainable relationships with high-scoring companies. For non-respondents and low-scoring companies, we will work together to make improvements.

# 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.

### Voluntary Action Guidelines for Product Safety of Joshin Group

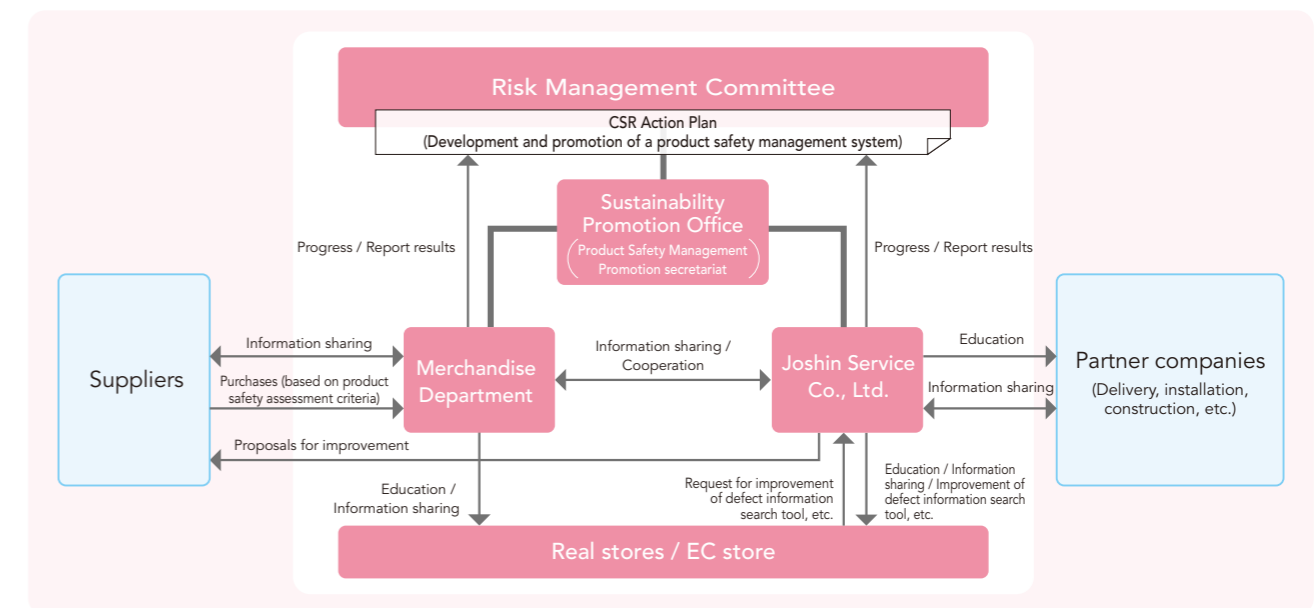
- Provide, install, and work on products trusted by customers.
- Collect data on product accidents and notify our customers.
- Establish a reporting system for product accidents, and a recall system.
- Publicize how to use products safely.
- Maintain and improve the product safety system while developing a risk management system.
- Ensure execution of "Give First Priority to Customer" and "Ensure Product Safety" set out in the Basic Management Policy.

## 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.

### 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 after-sales 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 house structures to prevent product accidents due to installation defects.

### Training for employees (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

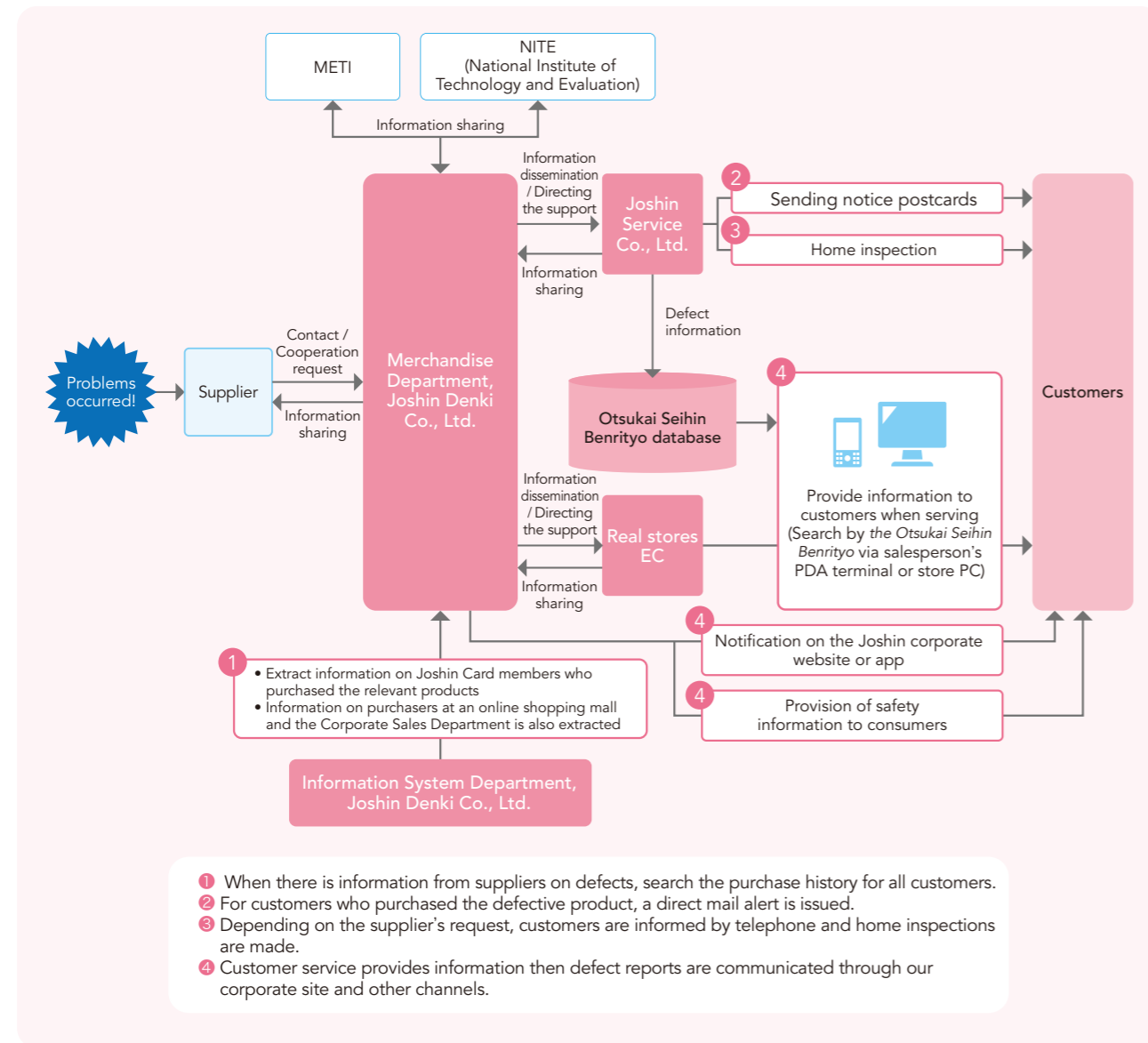
### Training for external companies (on product safety)

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. 2.4 million items 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 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.

## Suggestions for Product Improvements Using Data on Repairs

The Group currently receives about 420,000 repair requests annually through stores, service centers, and call centers.

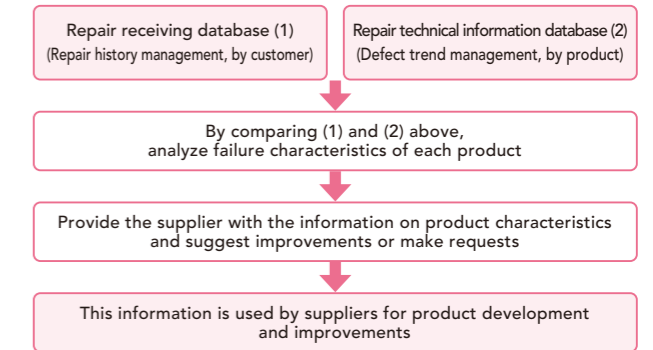
The information received during repair requests and the technical information obtained during repairs are compiled into a database to analyze the failure characteristics of each product.

The analysis results are shared with suppliers during information exchanges 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.



## Activities in the Ministry of Economy, Trade and Industry's Product Safety Community

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 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 this community, participating in discussions on the new national product safety system and distributing information to consumers.

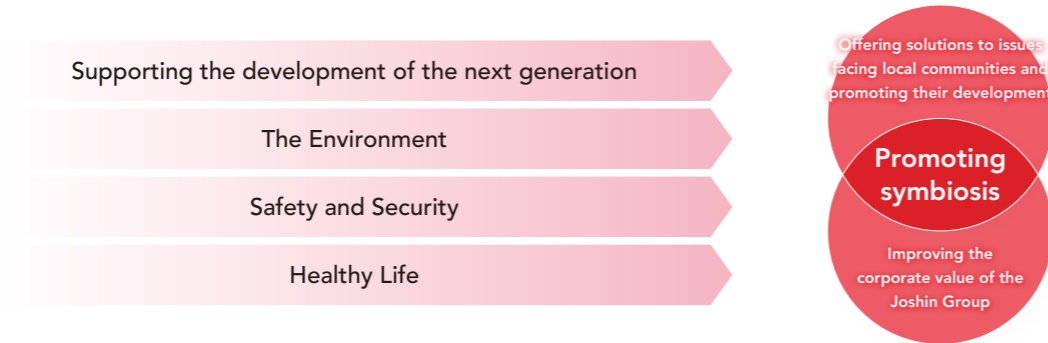
For example, during the Product Safety Inspection Campaign Month in November 2022, we collaborated with the Ministry of Economy, Trade and Industry on awareness raising events at various stores. We also cooperated in creating product safety inspection videos on the website of the Ministry of Economy, Trade and Industry.

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

## 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 the 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 circuit of capital, we will contribute to the development of these communities and improve our corporate value.

Based on our management philosophy, "Connecting people and society to the future with a smile," the Company is committed to building a prosperous and sustainable society, helping to strengthen the resilience of an aging society and to develop the next generation. By supporting the development of the next generation, the environment, safety and security, and healthy lives as our main themes, we will deepen our collaboration with the national and local governments to promote symbiosis with local communities.



### Encouraging Environmentally Friendly Behavior in Collaboration with Osaka Prefecture

The Group, in collaboration with Osaka Prefecture, aims to reform the awareness and actions of the citizens of Osaka Prefecture for decarbonization. Businesses, including Joshin, which have unique points, cooperate in this initiative. We follow the effective and sustainable nature of the decarbonization point system and have been promoting replacements by implementing additional decarbonization points after the sale of targeted energy-saving air conditioners. Looking ahead, through the sales of environmentally friendly products in collaboration with local governments, including Osaka

Prefecture, we will support changes in customer behavior for decarbonization in homes.

[Implementation period: November 1, 2022 to January 31, 2023]



### Industry-academia collaboration project

#### Supporting the development of the next generation of human resources

#### Providing eSPORTS Arena Kobe Sannomiya as a forum for event planning and management training by students for students

We support event training in response to the desire of students of Kobe Institute of Computing who want to manage events they planned at a real e-sports arena.

Following July 2022, in January 2023, as part of the course, an event workshop was held at eSPORTS Arena Kobe Sannomiya that included planning, formulating, and creating posters, all operated by students.

Going forward, we will continue to offer our full-fledged e-sports facility eSPORTS Arena Kobe Sannomiya as a platform for student e-sports presentations as we support the development of the next generation who broadcast and edit live e-sports footage, as well as plan and manage events. By doing this, we will contribute to the growth of e-sports and regional revitalization, in turn leading to higher corporate value for us.



We have established the eSPORTS Arena Kobe Sannomiya on the 9th floor of Joshin Sannomiya 1 Bankan.

## 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.

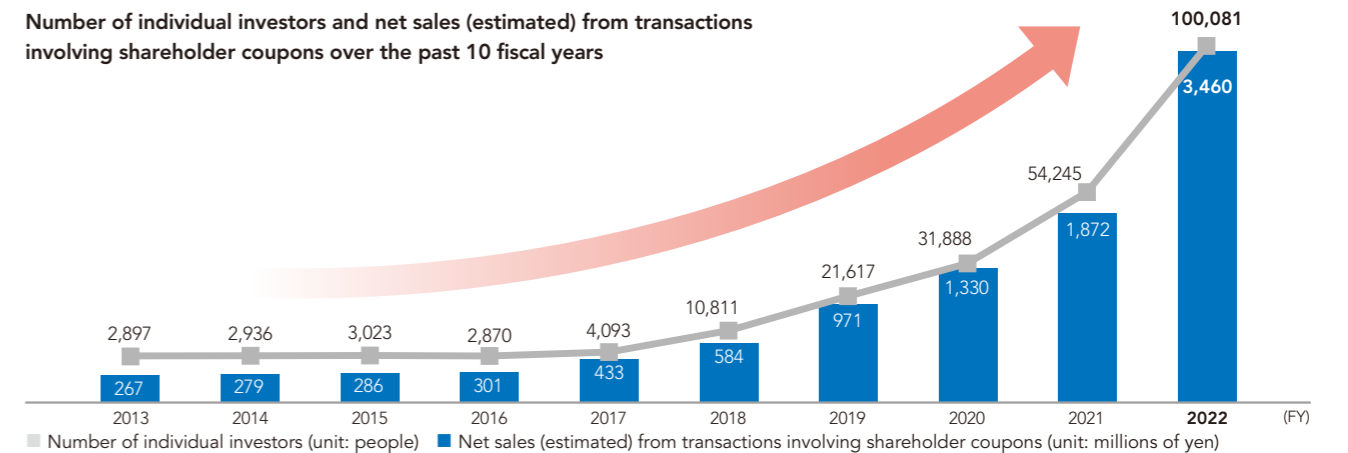
We believe that increasing the number of "fan" shareholders will increase their motivation to visit stores in person and use our EC site, and that the sales promotion

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)

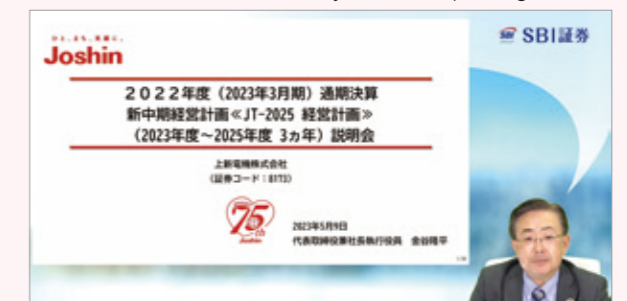
Shareholding Period	Number of Coupons	Equivalent Value	Issuance Period
One or more shares	25	5,000 yen	September
100 or more shares	11	2,200 yen	March, 25 coupons (equivalent to 5,000 yen) (September)
500 or more shares	60	12,000 yen	March, 25 coupons (equivalent to 5,000 yen) (September)
2,500 or more shares	120	24,000 yen	March, 25 coupons (equivalent to 5,000 yen) (September)
5,000 or more shares	180	36,000 yen	March, 25 coupons (equivalent to 5,000 yen) (September)

\* Can also be used on the Joshin website  
\* 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 19, 2023, we had 145 participants (based on live streaming) from a wide range of ages, mainly people in their 20s to 60s. We received many questions, ranging from financial materials to the newly announced JT-2025 Management Plan, our medium-term management plan.

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.



# Directors & Auditors

## Directors

Directors	 Ryuhei Kanatani	 Tetsuya Takahashi	 Koichi Yokoyama	 Koji Tanaka	 Suguru Oshiro	 Kinya Naito	 Keiko Yamahira	 Junko Kawano	 Seiji Nishikawa	Number of outside directors among all directors
Positions	Representative Director, President and Executive Officer	Representative Director, Vice President and Executive Officer	Director and Managing Executive Officer	Director and Managing Executive Officer	Director and Managing Executive Officer	Outside Director Independent	Outside Director Independent	Outside Director Independent	Outside Director Independent	4/9
Career summary	<p>March 1979 July 1993 June 1998 March 2002 June 2002 April 2006 October 2006 July 2008 June 2011 June 2016 June 2019</p> <p>Joined the Company Manager of General Affairs Department Director, Manager of General Affairs Department Director, General Manager of Sales Planning Division Managing Director, General Manager of Sales Division Managing Director, General Manager of Management Planning Division Senior Managing Director, General Manager of Management Planning Division Representative Director, Senior Managing Director, General Manager of Management Planning Division Representative Director, Vice President, General Manager of Management Planning Division Representative Director, Vice President and Executive Officer, General Manager of Business Administration Headquarters and Manager of Management Planning Department Representative Director, President and Executive Officer (to present)</p>	<p>March 1986 June 2013 June 2016 October 2016 June 2017 June 2019 April 2021 June 2021 April 2023</p> <p>Joined the Company Manager of Tokyo &amp; Tokai Sales Department Executive Officer, Assistant General Manager in charge of Store Sales of Sales Division and Assistant General Manager of Local Sales Support Division Executive Officer, General Manager of Kansai Sales Department Director and Executive Officer, General Manager of Sales Division Director and Managing Executive Officer, General Manager of Sales Division Representative Director and Senior Managing Executive Officer, General Manager of Sales Strategy Representative Director and Senior Managing Executive Officer, in charge of Sales Strategy Representative Director, Vice President and Executive Officer, in charge of Sales Strategy (to present)</p>	<p>March 1985 April 2001 September 2004 June 2005 April 2012 April 2016 June 2016 June 2016 April 2022</p> <p>Joined the Company Manager of PITONE Sales Department Manager of Kansai Sales Department and Manager of Central Area Director, Manager of Kansai Sales Department Director, General Manager of Sales Division Director, General Manager of Development Division and Manager of Development Department Director and Managing Executive Officer, General Manager of Development Division and Manager of Development Department Director and Managing Executive Officer, in charge of Infrastructure Strategy (to present)</p>	<p>March 1986 April 2006 June 2010 April 2016 June 2016 June 2019 April 2021</p> <p>Joined the Company Manager of General Affairs Department Director, Manager of General Affairs Department Director, Assistant General Manager of Business Administration Headquarters Director and Managing Executive Officer, Sales Division General Manager of Business Administration Headquarters Director and Managing Executive Officer, General Manager of Business Administration Headquarters Director and Managing Executive Officer, in charge of Management Planning &amp; Human Resources Strategy (to present)</p>	<p>April 1986 July 2002 April 2005 April 2012 April 2014 June 2018 June 2019 April 2021 April 2023</p> <p>Joined The Kyowa Bank, Ltd. (currently Resona Bank, Limited) Assistant General Manager of Office Sales Division, The Asahi Bank, Ltd. (currently Resona Bank, Limited) General Manager of Sales Department II, Nariba Branch, Resona Bank, Limited. Joined the Company, Manager in charge of New Properties of Store Development Department Executive Officer, Manager of Accounting Department and Manager of Management Planning Department Director and Executive Officer, Assistant General Manager of Business Administration Headquarters and Manager of Accounting Department and Manager of Management Planning Department Director and Executive Officer, in charge of Financial Strategy, and Manager of Accounting Department Director and Managing Executive Officer, in charge of Financial Strategy (to present)</p>	<p>April 1986 June 2003 April 2012 April 2014 June 2016 April 2017 June 2017 January 2020</p> <p>Admitted to the bar Outside Auditor, Iiko Corporation (currently J Trust Co., Ltd.) Vice President, Osaka Bar Association Part-time Auditor, National University Corporation Osaka University Outside Auditor of the Company Outside Director, FALCO HOLDINGS Co., Ltd. (to present) Established Naito Law Office (to present) Outside Director of the Company (to present) Chairman, Development Investigation Committee, Osaka City</p>	<p>April 1983 June 2013 June 2015 April 2017 June 2019 June 2021 June 2022</p> <p>Joined Kubota House Co., Ltd. (currently Sanyo Homes Corporation) Director &amp; Senior Executive Officer, Sanyo Homes Corporation President &amp; Director, Sanyo Homes Corporation Chairman and Representative Director, Sanyo Homes Community Corporation Outside Director, Fujitec Co., Ltd. Outside Director of the Company (to present) Outside Director, Takara Luben Co., Ltd. (currently MIRARTH HOLDINGS, Inc.) (to present) Outside Director, Shinagawa Refractories Co., Ltd. (to present)</p>	<p>April 1986 January 1997 July 2008 February 2013 April 2020 June 2021 December 2021 April 2022</p> <p>Joined Recruit Co., Ltd. Chief Editor of Travail Joined Sumitomo Corporation Director, Institute of Global Human Capital Strategies Co., Ltd. Senior Researcher of Keio Research Institute at SFC (to present) Outside Director of the Company (to present) Officer, Life Shift Japan Co., Ltd. (to present) Outside Director, DyDo Group Holdings, Inc. (to present)</p>	<p>April 1980 April 2000 October 2001 June 2003 June 2006 June 2012 June 2013 March 2021 June 2022</p> <p>Joined Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation) Chief Engineer, Information Systems Department, NTT DoCoMo, Inc. Executive Chief Engineer, Information Systems Department Department Manager, Information Systems Department Department Manager, Information Systems Department and Executive Officer Department Manager, Information Systems Department and Managing Executive Officer (CIO) President and Representative Director, DCCOMO Systems, Inc. Member of Mizuho Bank's Independent System Failure Special Investigative Committee Outside Director of the Company (to present)</p>	
Term of office (yrs.)	25 years	6 years	18 years	13 years	4 years	7 years	4 years	2 years	1 year	
Number of Company shares held	50,900 shares (15,500)*	15,513 shares (9,013)*	30,600 shares (9,900)*	26,800 shares (9,900)*	10,162 shares (5,162)*	2,500 shares	500 shares	-	200 shares	
Committee membership										
Nomination and Compensation Committee	○	○				○ (Chairman)	○	○	○	
Evaluation of the effectiveness of the Board of Directors						○ (Chairman)	○	○	○	
Attendance at meetings of the Board of Directors and Board of Auditors	During fiscal 2021: 23/23 During fiscal 2022: 18/18	23/23 18/18	23/23 18/18	23/23 18/18	23/23 18/18	23/23 18/18	22/23 18/18	16/16 18/18	(Newly appointed) 14/14	
Areas of experience/skills										
Corporate management	○	○	○	○	○	○	○	○	○	9
Finance & accounting	○									3
Capital policy	○									4
Legal governance	○									7
Management planning	○	○						○	○	6
Business strategy	○							○	○	3
HR & personnel management/Diversity	○	○						○	○	5
ICT/DX	○	○						○		
Environment & energy	○	○	○	○						
Home appliance retail business	○	○	○							
Skills related to business specialization										
Housing environment business		○								
Marketing	○	○	○					○		
Logistics		○								

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

## 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 page 75 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

## Auditors

Auditors					Number of outside auditors among all auditors
<b>Positions</b>	Full-time Corporate Auditor	Full-time Outside Auditor Independent	Outside Auditor Independent	Outside Auditor Independent	3/4
<b>Career summary</b>	April 1977: Joined the Company Area Manager, PIONEER Sales Department April 2002: Manager of Hannan and Wakayama Area, Kansai Sales Department September 2004: Manager of Kansai Sales Department and Manager of Central Area June 2016: Executive Officer, Manager in charge of Hokutsu Sales and Manager in charge of Support Service of Sales Division June 2017: Executive Officer in charge of Support Service Division April 2021: Executive Officer in charge of Support Service June 2021: Full-time Corporate Auditor (to present)	April 1982: Joined The Kyowa Bank, Ltd. (currently Resona Bank, Limited) July 1999: Branch Manager of Amagasaki Branch, The Asahi Bank, Ltd. (currently Resona Bank, Limited) July 2003: Branch Manager of Fukushima Branch, Resona Bank, Limited January 2011: Joined Resona Card Co., Ltd. Executive Officer, Resona Card Co., Ltd. June 2016: Outside Auditor of the Company (to present)	October 1980: Joined 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 Seikai 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: Registered as a certified public accountant May 1999: Registered as a tax accountant April 2002: Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) August 2007: Certified Public Accountant Office (to present) September 2020: Director, SAKA NO TOCHU Co., Ltd. June 2022: Outside Auditor, VALTES CO., LTD. (to present) September 2022: Outside Auditor, Ubie, Inc. (to present) June 2023: Outside Auditor of the Company (to present)	
<b>Term of office (yrs.)</b>	2 years	7 years	6 years	Newly appointed	
<b>Committee membership</b>					
<b>Nomination and Compensation Committee</b>					
<b>Evaluation of the effectiveness of the Board of Directors</b>	○	○	○	○	
<b>Attendance at meetings of the Board of Directors and Board of Auditors</b>	During fiscal 2021: Board of Directors 16/16, Board of Auditors 10/10 During fiscal 2022: Board of Directors 17/18, Board of Auditors 13/13	Board of Directors 23/23, Board of Auditors 13/13 Board of Directors 18/18, Board of Auditors 13/13	Board of Directors 23/23, 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 –	
<b>Areas of experience/skills</b>					
<b>Management skills</b>	Corporate management ○ Finance & accounting Capital policy ○ Legal governance ○ Management planning Business strategy ○ HR & personnel management/Diversity ICT/DX ○ Environment & energy ○	Corporate management ○ Finance & accounting Capital policy ○ Legal governance ○ Management planning Business strategy ○ HR & personnel management/Diversity ICT/DX ○ Environment & energy ○	Corporate management ○ Finance & accounting Capital policy ○ Legal governance ○ Management planning Business strategy ○ HR & personnel management/Diversity ICT/DX ○ Environment & energy ○	Corporate management ○ Finance & accounting Capital policy ○ Legal governance ○ Management planning Business strategy ○ HR & personnel management/Diversity ICT/DX ○ Environment & energy ○	
<b>Skills related to business specialization</b>	Home appliance retail business ○ Housing environment business ○ Marketing ○ Logistics ○	Home appliance retail business ○ Housing environment business ○ Marketing ○ Logistics ○	Home appliance retail business ○ Housing environment business ○ Marketing ○ Logistics ○	Home appliance retail business ○ Housing environment business ○ Marketing ○ Logistics ○	

## Executive Officers

<b>Kazuyo Nabata</b>	In charge of legal and risk management, responsible for the Risk Management Department and the Audit Department	<b>Nobuhiro Eriguchi</b>	In charge of smart life, Manager of the Smart Life Sales Department
<b>Kensuke Motoi</b>	In charge of logistics, Manager of Logistics	<b>Tatsuhiko Kihara</b>	In charge of ICT and DX, Manager of the Information System Department
<b>Tatsuo Sakai</b>	In charge of store business, Manager of the Kansai Sales Department and Manager of the Hokushinetsu Sales Department	<b>Kazuya Hatashima</b>	In charge of support services, President and Representative Director, Joshin Service Co., Ltd.
<b>Koji Abe</b>	In charge of merchandise policy, Manager of the Merchandise Department	<b>Hajime Arauchi</b>	In charge of EC store business, Manager of the Internet Sales Department
<b>Kazuhiko Hashimoto</b>	In charge of CRM and MA, Manager of the Sales Promotion Department	<b>Kiminori Nishio</b>	In charge of human resources and general affairs, Manager of the Human Resources and General Affairs Department

## 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, we chose the seven material issues (materiality) that we should address first.

The Company examined these issues from the viewpoints of

their risks and opportunities, while incorporated 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.

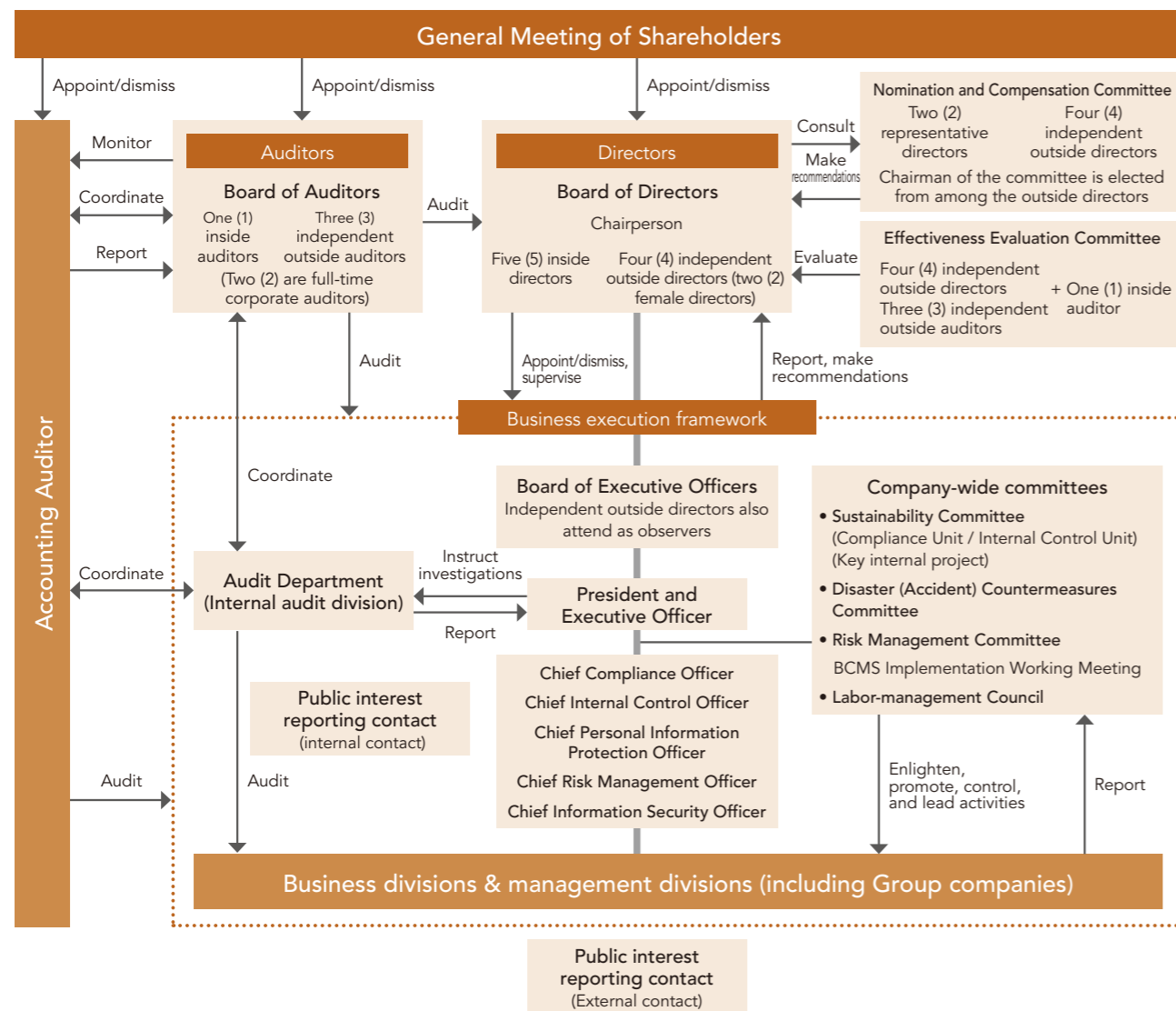
### History of Enhancing Corporate Governance

To improve the supervisory function of the Board of Directors and the execution divisions, the Company 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 Company is working on improving management effectiveness by establishing the Effectiveness

Evaluation Committee for the Board of Directors, which is made up of a majority of outside directors, as well as the Nomination and Compensation Committee. We will continue to strengthen the monitoring function of the Board of Directors which supports the Company's value creation processes.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Ensuring diversity of the Board of Directors</b>										
Skills matrix								• Skills matrix development	• Revised the skills matrix	• Revise the skills matrix and utilization policy
Succession plan								• Formulated the succession plan		
Appointment of outside directors				• 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)		
Training for Officers					• Four (4) times a year		• Six (6) times a year	• Began practical training for management skills		
<b>Improving effectiveness of the Board of Directors</b>										
Nomination and Compensation Committee								• Established the Nomination and Compensation Committee		
Performance-linked stock compensation plan							• Introduced performance-linked board benefit trust scheme			• Revise performance-linked stock compensation plan * Also applies to executive officers other than directors
Individual performance-linked compensation								• Introduced individual performance-linked compensation (Evaluation criteria focused on monitoring)		
Executive officer system							• Introduced the executive officer system	• Transitioned to a delegation-type executive officer system		
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										• Disclose capital cost
Enhancement of the Board of Auditors										• Appoint female independent outside auditor

Corporate Governance System



Board of Directors

Roles and purpose of the meetings

The Board of Directors assumes the role of a driver to create social and 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 the business operation by directors and executive officers, as the highest decision-making management body.

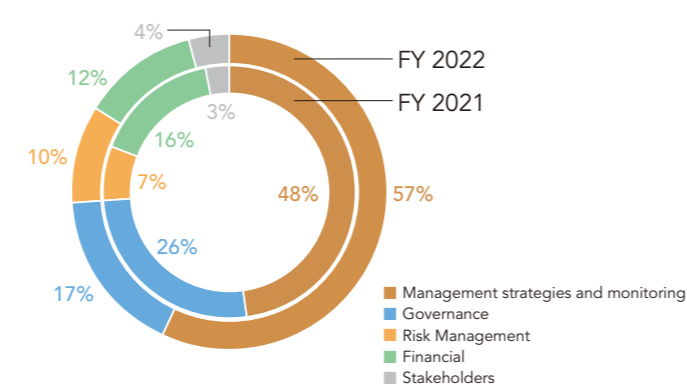
Structure of meetings

Of nine directors, four are independent outside directors (44.4%) and two are female (22.2%). Of the four auditors, three are independent outside auditors (75.0%) and one is a female auditor (25.0%). Of the 13 officers participating in Board of Directors meetings, seven are independent outside officers (53.8%) and three are female officers (23.1%). (Information on the diversity of skills is shown on pages 69 to 71)

Major discussion details in fiscal 2022

- Medium- to long-term management strategies for the years leading up to 2050
- The way we should be (ideal form) in 2030 based on these management strategies
- Evaluation of the previous medium-term management plan and identification of issues
- External environmental factors on which the new medium-term management plan is based
- Core strategies of the new medium-term management plan (fan base strategy)
- Individual strategies of the new medium-term management plan
- Cash allocations
- Recognition of capital costs and capital efficiency indicator targets
- Revision of the skills matrix based on skill assessments
- Redesign of directors' compensation system based on the medium- to long-term management strategies
- Evaluation of the effectiveness of the Board of Directors and action plans for resolving issues
- Formulation of policies on human rights, purchasing, anticorruption, D&I, and disclosure

Allocation of discussion time



Major meetings	Roles and purpose of the meetings	Key points and major discussion points in fiscal 2022
<b>Board of Auditors</b> Consisting of four (4) auditors Three (3) independent outside auditors One (1) auditor Two (2) full-time corporate auditor  Chairperson of the Board is Hidetoshi Yamamoto, Full-time Corporate Auditor	13 meetings held An organization that audits and supervises the management of the Company and business execution by the Board of Directors	Conducts audits and supervision of business execution by independent outside auditors, inside auditors, and fulltime corporate auditors • Report of the audit results to and exchange of opinions with the top management twice a year • Deliberation on KAMs and exchange opinions with the accounting auditor • Confirmation of the progress of audits by the Internal audit division and advice • Request for the submission of the proposal on the election of new auditor candidates to the General Meeting of Shareholders • Determining whether to reappoint the accounting auditor and agreement regarding compensation
<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	Four (4) 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 the revised skills matrix in conjunction with formulating the new medium-term management plan and the revised directors' compensation system. • Composition, number of members, and diversity of the Board of Directors (skills matrix) • Proposal on the election of directors to the General Meeting of Shareholders • Election of representative directors and chief executive officer • Evaluation of the business execution by directors • Composition of the compensation, compensation levels, and individual compensation of directors
<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 JT-2025 Management Plan, the new medium-term management plan, was formulated using a backcasting approach from our ideal state in 2030, the goal of the medium- to long-term management strategies for the years leading up to 2050. The committee also evaluated the specificity and feasibility of the action plans for strengthening earnings and increasing management efficiency with a focus on capital costs. The committee also evaluated improvements for training officers with the objective of upgrading the skills of directors and officers.
<b>Board of Executive Officers</b> Consisting of five (5) executive directors, ten (10) executive officers, and three (3) full-time corporate auditors  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 our previous medium-term management plan, the Board also discussed individual strategies and numeric goals for business execution when formulating the new medium-term management plan. • The way we should be (ideal form) in 2030 based on these management strategies • Identifying issues with the previous medium-term management plan • External environmental factors on which the new medium-term management plan is based • Core strategies of the new medium-term management plan (fan base strategy) • Individual strategies for business execution under the new medium-term management plan
<b>Sustainability Committee</b> Consisting of five (5) executive directors, ten (10) executive officers, and full-time corporate auditors, 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 managing the progress of the previous medium-term management plan, key division-specific actions, and important internal projects, the Committee shared information on individual business execution strategies and coordinated cooperation in key fiscal year-specific initiatives with the aim of formulating the new medium-term management plan. • Progress of the previous medium-term management plan • Progress of key medium-term management plan measures • Progress of key internal projects • Coordination on individual strategies and key division-specific measures of the new medium-term management plan • Compliance Unit activities • Internal Control Unit activities
<b>Risk Management Committee</b> Consisting of five (5) executive directors, ten (10) executive officers, full-time corporate auditors, 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 accident and disaster risks, business risks, financial risks, and management risks that threaten the Company's efforts to maintain and continue business management, and supports stable management.	• Selected risk management items based on risk assessment • Revised business continuity plans • Revised operation standards of whistleblower system • Development and promotion of personal information protection system • Data security and cyber risk management
<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 work style reforms and reform for job satisfaction.	• General labor conditions of employees • Overtime working hours and intervals between working hours • Annual paid leave and paternity leave-taking percentages • Rate of taking childcare leave and nursing care leave, and shorter working hours for childcare and nursing care • Physical checkup and complete medical checkup consultation rate • Stress check analysis results, occurrence of harassment, workplace safety and health information • Awareness of the management environment and sharing the opinions of union members of each workplace

## 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 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 69 to 71 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.

To improve the effectiveness of the Board of Directors, in fiscal 2022 we launched initiatives to upgrade the skills of individual directors and executive officers based on the skills matrix.

### (1) Evaluation process



### (2) Key assessment items

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>1) Medium- to long-term management strategies and management vision</li> <li>2) Concrete business plans for addressing material issues</li> <li>3) Allocation of management resources, including investments in human capital</li> <li>4) Reinforcing the effectiveness of the Board of Directors as well as the delegation of authority to the Board of Executive Officers</li> </ul> | <ul style="list-style-type: none"> <li>5) Skills required by the Board of Directors</li> <li>6) Succession planning</li> <li>7) Training for officers based on the skills matrix</li> <li>8) Compensation system that supports sustainable management</li> </ul> |
|---|--|

### (3) Initiatives for fiscal 2022, evaluation, and future policies

<b>Initiatives for fiscal 2022 Contents</b>	The Company steadily implemented an action plan linked to seven material issues and 14 action items, based on the new management strategies formulated in 2021. Further, in addition to working on the medium-term management plan that ends in fiscal 2022, we formulated JT-2025 Management Plan, a new three-year medium-term management plan that will be the second step of a package plan for the eight years leading up to fiscal 2030.
<b>Evaluation results for fiscal 2022</b>	During the previous medium-term management plan period, which coincided with the COVID-19 pandemic, we were unable to meet many of our quantitative objectives, such as our goal for profitability. Nonetheless, we overhauled our logistics system and deepened our one-to-one marketing, while reinforcing our sustainability initiatives, such as measures for combating climate change, and investments in human capital. In these ways, we created the business foundation of our next medium-term management plan. Based on the lessons learned through the COVID-19 pandemic, we formulated a new medium-term management plan that does not simply expand the business scale, but that is instead anchored in increasing earnings. The supervisory functions of the Board of Directors is steadily improving and we have concluded that the effectiveness of the Board of Directors has been maintained.
<b>Policy for fiscal 2023</b>	Brushing up medium- and long-term management strategies and promoting more efficient management with a focus on capital costs

## Training for Officers

In fiscal 2022, we conducted six training sessions under the following five themes conducted by outside instructors, focusing on "strengthening of training for officers to improve the skills of directors and executive officers" as the main initiative for improving the effectiveness of the Board of Directors. To polish the management skills, indicated in the skills matrix (pages 69 to 71), we have made changes to our

sustainability promotion system so that directors and executive officers serve as chief officers in important internal meetings. Through this method, we have put into action a practical training system where trainees improve their management knowledge and skills through their work. This also assists with succession plans for candidates for directorship positions.

Training themes	Reason for theme selection
Corporate governance reforms	To formulate management strategies and new medium-term management plans with awareness of sustainability issues
Climate-related disclosure (TCFD)	To reflect climate change issues in our management strategies, in this way having a positive impact on society
Digital governance in the age of DX	To acquire the knowledge that leads innovation based on digital technologies
Improved corporate value from an investor's perspective (1) and (2)	To implement reforms for more efficient management with a focus on capital costs and stock prices to improve PBR
Cross-shareholdings	

## 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 provides incentives to manage the Company from the perspective of shareholders.

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.

We revised our compensation system to directors/auditors when we launched of our new medium-term management plan, JT-2025 Management Plan.

**Overview and the purposes of revisions to the compensation system for directors/auditors**

- 1) Clarify management responsibilities by expanding and improving performance-linked compensation
- 2) Motivate officers to increase corporate value over the medium to long term by expanding and improving our stock compensation (long-term incentives)
- 3) Promote sustainability management by adding ESG indicators to our compensation calculations

To ensure transparency and objectivity, the compensation system and compensation amounts are determined by the Board of Directors after consideration by the Nomination and Compensation Committee, in which outside directors account for the majority of members and one of them serves as chairman.

### ► 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. The Nomination and Compensation Committee, in which independent outside directors account for the majority of members and one of them serves 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

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

#### Before revisions

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

#### After revisions

Fixed compensation (50%)	Variable compensation (50%)			
	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.  
\* Changed from stock-based compensation to monetary compensation.  
The percentage was also changed from 20% to 10%.

### ► Directors compensation by position

Criteria regarding compensation for directors is set as "Directors and Executive Officers" and the standard monthly compensation is set at no

more than 300% (revised from 200%) of the maximum monthly salary as set forth in the employee salary system. Maximum compensation multiplier according to position was also changed from 2.2 to 2.5.

### ► 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 of the business execution of each director, and the evaluation compensation (varying between 50% and 150%), with 100% indicating the achievement of the targets, and the fixed monetary compensation are combined and paid monthly as monetary compensation. The Individual performance-linked compensation is determined by multiplying the performance-based coefficient, which is based on an overall evaluation covering both monitoring and managing evaluations.

**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 reflect 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 relationship and then sells the shares, if necessary. In the fiscal year ended March 31, 2014, the Company held 39 stocks, but as of June 30, 2022, this number had been reduced to 26.

The Company exercises its voting rights by comprehensively taking into consideration the governance system and business performance of the issuing company.

## Roundtable Talk with Outside Directors



**Kinya Naito**  
Outside Director

**Keiko Yamahira**  
Outside Director

**Junko Kawano**  
Outside Director

**Seiji Nishikawa**  
Outside Director

Frank and proactive recommendations based on career experience improves the effectiveness of the Board of Directors and helps create corporate value by establishing new business models.

### Roles and responsibilities of outside directors: Outside directors leverage their career experience to improve profitability and corporate value

**Naito** From my position as an attorney, I have made it my duty to support the Company's corporate value, including through compliance and internal controls, and to provide recommendations on other matters, such as the systematic preparation of the Company's infrastructure. I have been very happy to see in recent years that recommendations from us as outside directors have stimulated discussions by the Board of Directors.

**Yamahira** I use the expertise developed through my own experience in corporate management to focus on providing advice on topics such as sustainable growth, increasing capital efficiency and profitability, and enhancing our human capital. This year is the first fiscal year of our new medium-term management plan. I want to leverage our management resources, while fully considering the business environment in which we find ourselves, and focus on expanding into new fields and improving the profitability of our existing business segments.

**Kawano** I have been involved in business and service development in the B2C (business to consumer) field for many

years. I want to use this experience to provide effective advice on new businesses and services that contribute to creating new value as well as proposals for new lifestyles. It is absolutely vital that diverse employees play a more active role in Joshin Denki so we can anticipate the needs of diverse customers and address them through our business activities. I believe that one of my important roles is to provide advice from the perspective of promoting diversity and inclusion (D&I), such as promoting the advancement of women.

**Nishikawa** Since this is my first time as an outside director, I initially struggled with how I should best fulfill my role, but the message that outside director Naito shared in the integrated report in fiscal 2021 provided me with a much deeper understanding. You said that outside directors were expected to oversee the Company's management from an objective perspective, and that you also believed helping the CEO decisively make decisions by taking risks was also the role of an outside director. In addition, I think it is important for me to use my career experience in DX and ICT to provide advice to executives.

### Improving the effectiveness of the Board of Directors: Aiming to provide honest advice from the perspectives of delegating authority to the Board of Executive Officers and raising the skill levels of Directors

**Naito** Within the Board of Directors' meetings, I always strive to speak openly. In past Joshin Denki's Board of Directors' meetings, mixed in with strategy-level projects, there were discussions on individual business activities, so I had been feeling there was a need to organize the proposals that we discuss. That is why we decided to make major revisions to the Regulations on Approval and Decision; we can now focus on only what is really needed to be discussed. A great deal of approval authority was delegated from the Board of Directors to the Board of Executive Officers, and we were able to reduce the number of Board of Directors' meetings, which had previously been twice a month, to an average of once a month, for 14 meetings over the course of the year. This freed up time in Board meetings and made it possible to devote more discussion to the current medium-term management plan, human resource development, and the like. I think this has been a major change over the past four years.

**Nishikawa** The Board of Executive Officers meetings are held once a week, and I participate once a month as an observer. I am sometimes worried about whether we are really gaining a complete picture of what is going on in the workplace in the ICT or DX fields, for example. I'm still new to this position, so right now I'm trying to confirm the background circumstances surrounding the discussions by the Board of Executive Officers and so on.

**Kawano** The agendas and materials from the Board of Executive Officers meetings are also shared with us outside directors, and looking them over, I sometimes wish that the discussions went a little deeper. If there are opportunities like roundtables where people could speak more frankly about medium- to long-term projects, I think we could achieve a deeper level of connection with these discussions, including sharing business perspectives.

**Yamahira** As you point out, in recent years, the primary functions of the Board of Directors have shifted from business execution to monitoring, supervision, and evaluation, so as an outside director there are times when I am not sure just how deep I should go in giving my input. I would like to explore improving the functions of the advisory board.

**Naito** Since fiscal 2017, we have been performing the training for officers to improve the effectiveness of the Board of Directors. However, since this training primarily consisted of classroom study, it has not really succeeded in improving the participants' practical skills. That is why we have revised our training system so that from this fiscal year onward officers will be able to choose and take training on their own to supplement the gaps in their skills. Unlike training provided by the Company, every person will be able to work on their own issues, which we hope will be even more effective. For the duties of officers, I think that it would be better to use a job rotation system. Right now, in an attempt to diversify officers' skills, we are trying out a system in which every officer is responsible for a project that spans multiple fields. I think we're making serious progress on improving our effectiveness.

Also, in recent years, there has been a growing shift to introducing performance-linked compensation for directors/auditors, in consideration of shareholders and investors. We have adjusted our fixed and performance-linked compensation percentages and our monetary and stock compensation percentages, reducing the portion of fixed and monetary compensation. This was a bold revision of our compensation system, and I think it is worth recognizing because it clearly highlights the weighty responsibility of directors for the Company's performance.





**JT-2025 Management Plan, the new medium-term management plan: Promoting the effective use of customer information and the clarification of targets, while supporting the implementation of strategies**

**Naito** Under JT-2025 Management, we are promoting a fan base strategy. Although we have collected tremendous amounts of customer information, we have not always realized what we should do with it. For example, there have been cases where we have not fully informed customers who have bought appliances when it is time to replace them. I think we need to delve deeper into customers who have the potential to become fans. It has become clear, statistically, that a lot of our sales comes from “fan” customers. Through our fan base strategy, we will tackle the issue of how to value our fans and further grow our fan base. This was a central discussion point when we formulated the new medium-term management plan.

**Nishikawa** DX (digital transformation) and ICT (information and communications technology) will be vital for realizing the new medium-term management plan, which is focused on a fan base strategy. We must use customer data, our most valuable asset, to rapidly, inexpensively, and continually develop systems for new services that focus on our customers’ needs. To do that, we need to change our current information system to a simpler, holistically optimized platform centered on customer data. We created the DX Committee within the Company, and they are developing a grand design that represents the ideal form of Joshin Denki’s entire information system. We plan to make this grand design the core for our system development, and I want to monitor the progress that we make.

**Kawano** The first thing I noticed since becoming involved in Joshin Denki’s management is that we needed to evolve our marketing strategies. Since we are in an age of overflowing information, it is extremely difficult to attract new customers through mass media advertising. However, we have fans that we have developed through our high-quality services. By having our fans come to our stores over and over again, having



positive experiences, and recommending us to others, we can approach new customers. This is how our growth strategy works. Japan’s population is shrinking, so if all we provide is a one-shot service, or selling appliances, then our business will also shrink. The fan base strategy is a response to these changes, and consists of us being a concierge for our customers, providing services that resolve some of the problems that our customers face throughout their lives so that they use our services over the long term. I am very pleased that we have placed this fan base strategy at the center of our business strategies. Further, I recognize the importance of accurately conveying the contents and objectives of this strategy to our stakeholders, so I also believe that we need to jointly evolve our communications strategy.

**Yamahira** This is the first year that we have launched a new medium-term management plan, after releasing our medium-to long-term vision in 2021. I think we have brushed up our plans from 2021 and clarified our business segments. We have got our sights set on 2030 as we implement this medium-term management plan, and I believe we will be formulating more concrete plans in the future. I recognize that we have launched our fan base strategy—positioned as the cornerstone of our sales strategy—with the desire to be a company that customers find useful and trustworthy, and that they can rely on again and again. As the framework for this strategy takes shape and we implement more concrete initiatives in the future, there is a sense of anticipation that the number of customers and fans we bring joy to will rise, which will contribute to improving our profitability. I will try to provide advice based on my own experience with marketing and management in the B2C (business to consumer) business field.

E-commerce (EC) also plays a major role in the new medium-term management plan. Last year, we put a new logistics center into operation, and the EC store is poised for even more growth as we move ahead with restructuring our logistics in the future.

At the same time, we have also focused on addressing the issue of PBR (profit before tax) falling below 1.0 x. Although the market decides share prices, as a company we must work to earn the recognition of the market. I believe that what we



need to do is to achieve the efficiency of the management of our existing businesses and make them even more profitable. We need to produce steady profits from our existing business segments and actively invest in other businesses, turning them into core businesses as growth drivers. Investing in ESG has become our main form of investment, and our own the climate change countermeasures are progressing according to plan. We must quickly inform investors and stakeholders about these initiatives through IR, SR, and corporate branding. The key to going ahead with these initiatives is our human resources. One of the exceptional things about the Company is how low our employee turnover is. However, because of that, our workforce has the undeniable image of lacking diversity, such as diversity of skills or values. I believe we need to hire people from outside, increasing the diversity of our skills and values so that our people can create innovation.

**Naito** I agree. I also think one of the issues we have to address for evaluating effectiveness is discussing PBR, paying close attention to capital costs. At the same time, I think we have made a lot of progress by including indicators for consolidated management and capital efficiency in the medium-term management plan. Without specific targets, we cannot have a clear roadmap. By setting numerical targets for capital costs, we have made people aware of what we can do to achieve these targets, which I think is a significant development.

**The roles and aspirations of outside directors: Assisting with establishing new business models and creating social value over the medium to long term.**

**Nishikawa** If things remain as they are, the home appliance mass retailer business will end up as a mature industry. So, how can we revive this as a new growth industry? To do that, we need to not only put into practice our slogan “To be a concierge to customers, drawing close to their daily lives” but also to refine our new medium-term management plan into a business plan with a more concrete business portfolio, such as launching new peripheral businesses. The external environment surrounding the home appliance industry is also undergoing



major changes. For example, specified prices and direct sales by manufacturers have the potential to bring about tremendous changes in the traditional business model for home appliance mass retailers. Now is the crucial point for addressing these extremely significant management issues. As an outside director in the midst of this, I will be working deeply on these initiatives.

**Kawano** Creating social value will be important for companies going forward, and I intend to provide support to make that possible. For example, one of the values we offer to society is “helping to strengthen the resilience of our aging society.” To achieve this, we must further research the changes that are happening in consumers’ lifestyles. People aged 65 and older account for 30% of the population, and the services that are needed differ completely depending on their living environment, health, and values. We will support richer lifestyles by maintaining an understanding of the physical changes that happen as a result of aging, paying close attention to the lifestyles of individual customers, and recommending home appliances with appropriate functions, services, renovations, and so on. I believe that this will enable us to “help strengthen the resilience of our aging society.”

**Yamahira** Like other companies, it has become difficult to achieve significant growth in Japan through existing businesses alone, given the current Japanese business environment. We have re-examined other segments besides home appliance mass retailing from the medium- to long-term growth perspective. Changes in the business environment could require bold management decisions and the need to overcome challenges. Under these circumstances, we will make every effort to flesh out our management plan to develop these new segments into second and third business pillars.

**Naito** Right now, it looks like we have two business segments: real stores and the EC store. However, both of these are mainly for selling home appliances. To build new business pillars, we need to have the courage to consider M&As and to move into new business segments. I plan to do my best to provide advice from these perspectives.

# Risk Management

## Risk Management System

To statistically assess, evaluate, and manage the various risks surrounding the Group, in 2008 the Company established the Risk Management Committee (chaired by the Chief Risk Management Officer) and created a Group-wide risk management (ERM) system. Once a year, this Committee identifies and assesses risks that could impact the Group and the need to confirm the state 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.

\* See pp. 73 and 74 for the system and an overview of the committees.

### Critical risk issues and state of our response

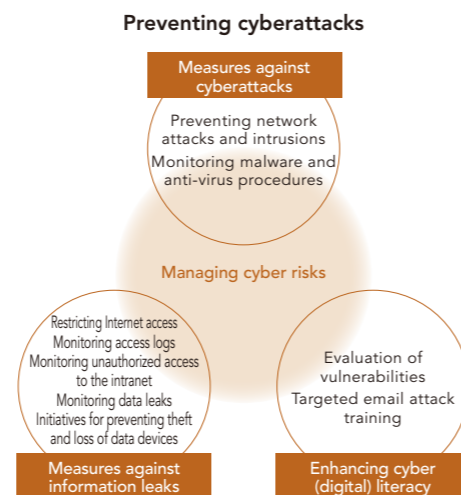
Classification	Risk issues (content)	Year in which risk response began	Countermeasure	Impact
Hazard risks	Response to natural disasters, diseases, and fires in important facilities <sup>1</sup>	2016 2017 As necessary 2016	<ul style="list-style-type: none"> <li>Formulation of basic business continuity plan (BCP) policy and informing of 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>Continue with drills and training based on BCPs and the disaster countermeasure manuals</li> </ul>	Large
	Increased importance of cybersecurity <sup>1</sup>	2002 2022 2016 2010	<ul style="list-style-type: none"> <li>Prevention of network attacks and intrusion using firewalls and other means</li> <li>Constant monitoring of all business terminals and servers, including those in remote work environments (EDR/MDR)</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>	Large
Operational risks	Increased importance of data security <sup>2</sup>	2004 2005 2004 2004	<ul style="list-style-type: none"> <li>Construction and operation of the personal information protection management system for all Group employees</li> <li>Acquisition of Privacy Mark certification</li> <li>Ongoing data security training for all Group employees</li> <li>Periodic confirmation of the state of data security implementation and operation by contractors as well as awareness training</li> </ul>	Large
	Issues affecting logistics flow <sup>1</sup>	2022 2022	<ul style="list-style-type: none"> <li>Promotion of automation and labor-saving using IT systems</li> <li>Rapid response to work style reform-related laws in coordination with contractors and the supply chain</li> </ul>	Large
	Safety of products and installations	2007 2006 2014	<ul style="list-style-type: none"> <li>Formulation of Voluntary Action Guidelines for Product Safety of Joshin Group</li> <li>Active promotion for ensuring customer safety in coordination with manufacturers</li> <li>Certified as a gold product safety company of PS Awards by METI (Ministry of Economy, Trade and Industry, Japan)</li> </ul>	Medium
	Anticorruption <sup>1</sup>	2004 2022	<ul style="list-style-type: none"> <li>Formulation of the Joshin Group Code of Conduct, distribution to all employees, and ongoing awareness training</li> <li>Formulation and announcement of the Joshin Group Anti-Corruption Policy</li> </ul>	Medium
	Human rights issues <sup>1</sup>	2006 2023	<ul style="list-style-type: none"> <li>Establish and operate an internal notification system with reporting points on internal and external public interest</li> <li>Established a Human Rights Awareness Promotion Office</li> </ul>	Medium
Business risks	Strengthening legal and regulatory systems	2022 2002	<ul style="list-style-type: none"> <li>Provide information on legal revisions related to business planning through coordination between consulting attorneys and the people in charge of legal affairs</li> <li>Ongoing legal and compliance awareness training provided to all employees who are candidates for executive positions</li> </ul>	Medium
	Response to population decline issues	2012	<ul style="list-style-type: none"> <li>Promotion of streamlining, automation, and labor savings for store operations by using ICT</li> </ul>	Medium
	Response to climate change	2021 2022	<ul style="list-style-type: none"> <li>Formulation of Joshin Group Basic Environmental Policy and Environmental Action Guidelines</li> <li>Setting environmental targets for 2050 and implementing an action plan</li> </ul>	Medium

<sup>1</sup> Including contractors and the supply chain <sup>2</sup> Including contractors

## Preventing Cyberattacks

The personal information of customers and marketing information is managed using an information system based on high security standards. 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 its real stores and EC stores offer an environment that can be used securely.

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 programs, then isolating the infected systems. We raise awareness of external threats by actions involving all Group employees, such as training every year on defeating multiple targeted email attacks.



# Compliance Systems

## Compliance Promotion System

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

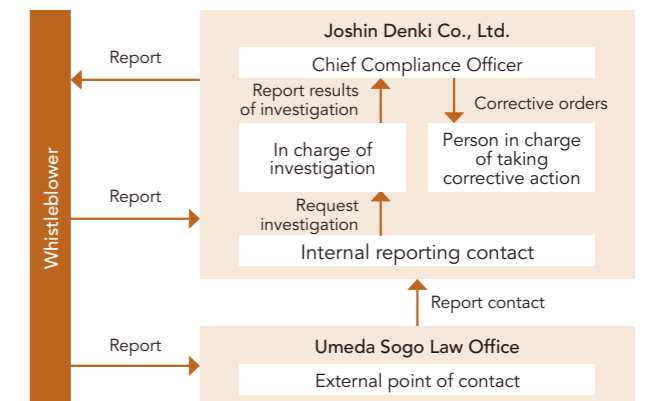


## Operation of the Public Interest Notification System

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 Joshin Group, but also to the employees of franchisees, staff of business partners and contractors, as well as former employees. The system guarantees the protection of whistleblowers, including arrangements so they are not mistreated as a result of reporting and accepting anonymous reports.

Whistleblower cases (number of cases) (FY 2022)  
61 (60 harassment cases and 1 internal rule violation case)

### Joshin Group Public Interest Notification System



## Message from an Executive Officer

As a home appliance retailer, ever since Joshin Denki was first founded, we have always focused on customer perspectives throughout business operations. Since home appliances are durable consumer goods, after-sales service is also important. That is why in 1956 we established a service division to offer all-in-one services that covered everything from sales to after-sales service. That system remains in place today. Further, by issuing member cards that can be used seamlessly in real stores and our online EC (e-commerce) store, we have been able to collect customer information in a database for use in improving member services and for diverse marketing programs. I have a mission at the Legal Affairs and Risk Management Division, where our highest priority is the creation and management of systems for continually ensuring safe and secure use of customer information, the foundation of our business, as well as employees' personal information. Our Risk Management Committee centrally manages the various risks that face the Joshin Group (such as disaster, business, and management risks), and we strive to set in place, operate, and manage systems for responding to risk.

Advances in digital technology and the acceleration of globalization are resulting in dramatic, rapid, and expansive changes in the social environment around us. When implementing the business strategies set out in JT-2025 Management Plan, we recognize that highly fair and transparent risk management is a vital issue for us, including in our supply and demand chains. We will continue to refine our risk management system so that it can support the further creation of corporate value.



**Kazuyo Nabata**  
Executive Officer in charge of legal and risk management

# Major Financial/Nonfinancial Data for 11 Years

Millions of yen (consolidated)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>Financial</b>											
<b>Profit/loss status</b>											
Net sales	365,958	401,798	372,385	375,782	374,387	391,726	403,832	415,643	449,121	409,508	<b>408,460</b>
Operating income	5,421	7,391	6,656	7,838	7,982	9,680	10,987	8,979	16,550	8,884	<b>8,311</b>
Ordinary income	5,323	7,237	6,628	7,802	8,050	9,662	11,003	8,900	16,555	9,701	<b>8,317</b>
Net income attributable to owners of the parent	3,461	3,037	3,366	4,356	5,190	5,579	6,354	5,418	8,873	6,391	<b>4,972</b>
Capital investment amount	7,967	12,316	5,654	4,931	11,767	7,283	9,888	8,120	8,488	9,389	<b>9,253</b>
<b>Status of cash flows</b>											
Net cash from operating activities	-2,884	9,815	5,367	751	16,581	15,223	4,533	13,022	25,836	1,442	<b>7,119</b>
Net cash from investing activities	-7,253	-5,625	-5,903	-3,595	-10,412	-6,230	-10,427	-6,316	-6,118	-9,573	<b>-9,070</b>
Free cash flow	-10,138	4,190	-535	-2,844	6,169	8,992	-5,893	6,706	19,718	-8,131	<b>-1,951</b>
Net cash from financing activities	10,045	-2,534	-1,494	2,167	-6,131	-8,134	5,900	-7,762	-14,433	1,873	<b>2,360</b>
<b>Financial status</b>											
Total assets	171,022	182,411	175,005	180,905	185,971	188,550	207,351	197,308	210,321	217,417	<b>223,218</b>
Net assets	58,535	61,949	66,807	70,773	75,859	80,892	86,091	89,147	99,303	98,641	<b>100,698</b>
Interest-bearing liabilities	56,056	54,487	53,872	56,002	51,423	44,877	52,717	47,144	35,119	40,017	<b>45,964</b>
Net interest-bearing liabilities <sup>1</sup>	51,438	48,193	49,609	52,416	47,749	40,345	48,178	43,661	26,351	37,656	<b>43,194</b>
Equity ratio	34.2%	34.0%	38.2%	39.1%	40.8%	42.9%	41.5%	45.2%	47.2%	45.4%	<b>45.1%</b>
Net D/E ratio (times) <sup>2</sup>	0.88	0.78	0.74	0.74	0.63	0.50	0.56	0.49	0.27	0.38	<b>0.43</b>
<b>Per share information (after reverse stock split was calculated)</b>											
Earnings per share (EPS) (yen)	139.24	121.56	133.64	166.26	196.56	210.62	239.10	202.84	331.62	238.78	<b>186.77</b>
Dividend per share (yen)	32.0	32.0	32.0	32.0	32.0	42.0	50.0	50.0	75.0	75.0	<b>75.0</b>
<b>Business indicators</b>											
ROE (return on equity)	6.1%	5.0%	5.2%	6.3%	7.1%	7.1%	7.6%	6.2%	9.4%	6.6%	<b>5.0%</b>
ROA (return on assets)	3.3%	4.1%	3.7%	4.4%	4.4%	5.2%	5.6%	4.4%	8.1%	4.4%	<b>3.8%</b>
ROIC <sup>3</sup>	3.1%	4.1%	3.6%	4.0%	4.1%	5.0%	5.1%	4.3%	8.0%	4.2%	<b>3.7%</b>
<b>Financial indicators</b>											
Operating income ratio	1.5%	1.8%	1.8%	2.1%	2.1%	2.5%	2.7%	2.2%	3.7%	2.2%	<b>2.0%</b>
Ordinary income ratio	1.5%	1.8%	1.8%	2.1%	2.2%	2.5%	2.7%	2.1%	3.7%	2.4%	<b>2.0%</b>
Net income ratio attributable to owners of the parent	0.9%	0.8%	0.9%	1.2%	1.4%	1.4%	1.6%	1.3%	2.0%	1.6%	<b>1.2%</b>
Payout ratio	23.0%	26.3%	23.9%	19.2%	16.3%	19.9%	20.9%	24.6%	22.6%	31.4%	<b>40.2%</b>
<b>Nonfinancial</b>											
GHG emissions (scope 2) (t-CO <sub>2</sub> )	49,724	44,083	47,860	46,897	45,681	43,929	39,783	34,450	30,344	19,776	<b>15,621</b>
Changes in plastic shopping bags (volume of plastic used in shopping bags) (t)	224	230	194	204	208	219	219	203	80	30	<b>28.4</b>
Sales area (m <sup>2</sup> )	442,576	477,449	489,579	501,918	502,974	512,812	514,237	518,958	505,210	513,509	<b>510,001</b>
Number of employees (including part-time employees) (people)	7,341	7,879	7,652	7,845	7,825	8,446	9,169	9,483	9,277	9,121	<b>8,906</b>
Number of new graduate employees (people)	212	48	51	59	63	55	77	91	98	126	<b>123</b>
Number of employees 65 years old or older (including part-time) (people)	26	30	27	29	39	60	80	84	93	97	<b>102</b>
Percentage of employees with disabilities (%)	2.10	1.93	2.10	2.08	2.07	2.32	2.55	2.54	2.44	2.60	<b>2.65</b>
Turnover rate of permanent employees (%)	3.8	2.9	2.9	2.6	2.7	2.8	3.3	2.8	2.2	2.4	<b>2.8</b>
Percentage of employees participating in employee stock ownership plan (Joshin Denki only) (%)	90.62	92.01	92.49	92.61	92.41	91.90	91.13	90.13	87.46	86.49	<b>86.29</b>
Cases of violations of law and regulations, monetary amount	0	0	0	0	0	0	0	0	0	0	<b>0</b>
Whistleblower cases (number of cases)	23	26	28	26	28	29	41	46	60	68	<b>61</b>

<sup>1</sup> Net interest-bearing liabilities: interest-bearing liabilities – deposits

<sup>2</sup> Net D/E ratio: (interest-bearing liabilities – deposits) ÷ (equity capital)

<sup>3</sup> 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 2023, the Joshin Group operates 221 stores in the Kansai, Tokai, Kanto, Hokushinetsu, and Shikoku regions. The Group will open new stores, while developing our service infrastructure centered on "Kansai Ibaraki Fulfillment," which started full-scale operations from last year.

- Joshin Denki Co., Ltd. Head Office
- Store
- Logistics center
- Sales office/hub
- Other brands

## Tokai region: 35 stores Total store area: 76,697 m<sup>2</sup>

Aichi Prefecture	18 stores	36,798 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

## Hokushinetsu region: 23 stores Total store area: 58,355 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	5,156 m <sup>2</sup>
Niigata Prefecture	9 stores	20,985 m <sup>2</sup>
Nagano Prefecture	1 store	2,482 m <sup>2</sup>



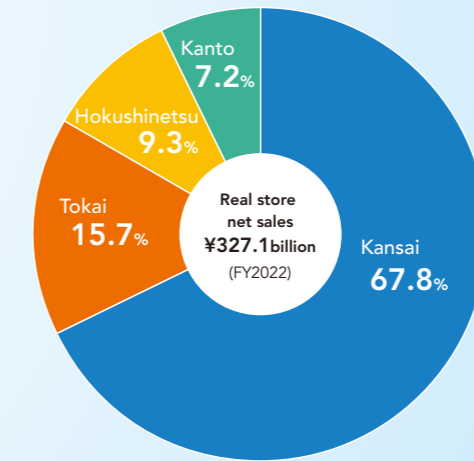
Toyama main store

## Kanto region: 16 stores Total store area: 33,304 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	6 stores	12,218 m <sup>2</sup>
Chiba Prefecture	5 stores	10,440 m <sup>2</sup>



Matsudo store



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

Tokushima Prefecture	2 stores	213 m <sup>2</sup>
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ASAKA Naruto store

## Kansai region: 145 stores Total store area: 341,430 m<sup>2</sup>

Osaka Prefecture	61 stores	141,728 m <sup>2</sup>
Kyoto Prefecture	12 stores	31,109 m <sup>2</sup>
Hyogo Prefecture	39 stores	91,019 m <sup>2</sup>
Shiga Prefecture	13 stores	27,211 m <sup>2</sup>
Nara Prefecture	12 stores	32,073 m <sup>2</sup>
Wakayama Pref.	8 stores	18,287 m <sup>2</sup>



Kishiwada store

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

# Joshin

See our website (below) for detailed store information. (Japanese only)

Store search



## ○ First Joshin Fan Meeting ○

The most important aspect of the fan base strategy that the Group is promoting is that we recognize and develop the strengths of the Group that our fans support. On January 22, 2023, we held the first fan meeting for our Group, hearing many opinions about what the fans valued and what they felt was good.

Through this fan meeting, we learned that our fans value Joshin's staff's emotional support, such as greeting customers with a smile, nonintrusive customer service, the ability to make a proposal, and service that honors trust. In addition, we heard a variety of valuable opinions about our applications, long-term warranties, handover to another staff member, etc.

The strengths that our fans support are those items that we have nurtured most carefully, and growing these strengths will lead to more originality and building up our brand. We will further deepen our connection with our fans and co-create future value as a concierge that is close to their daily lives.

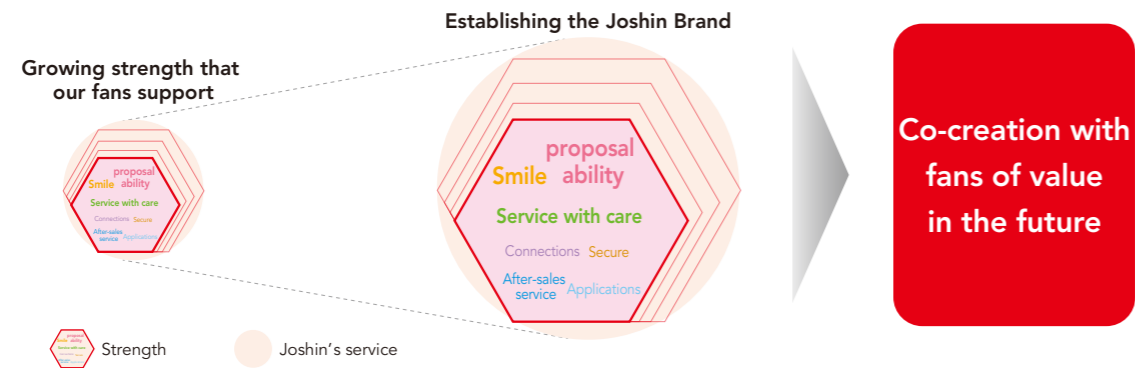


Photo with "Joshin for me" written on a board.

### Group Talk



We held a group discussion under the themes, "What I like about Joshin" and "How I could like Joshin even more." Afterwards, when the fans presented the contents of the talk, we received many opinions that we appreciate, such as "I want you to create a system to convey messages of support."

### Introduction of the Training House (training center)



The training house is a facility where delivery and installation workers conduct training. We screened a video of a training session on how to lift a refrigerator upstairs, and the fans and workers onsite interacted with each other online.



It was moving to hear about the experience of feeling connected with customers and Joshin staff. We will create the future for Joshin based on feedback from our customers.

Ryuhei Kanatani, President



I'm pleased to hear how much Joshin is loved. I felt that I want to deepen our love from Joshin and repay that love even more.

Tetsuya Takahashi, Vice President

## Stock Information (as of March 31, 2023)

### Current Shares

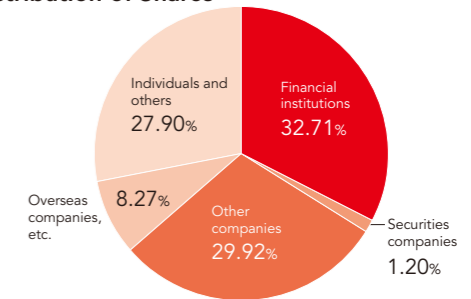
Number of shares authorized: 99,000,000

Number of shares outstanding: 28,000,000

Number of shareholders: 100,969 (excluding treasury shares)

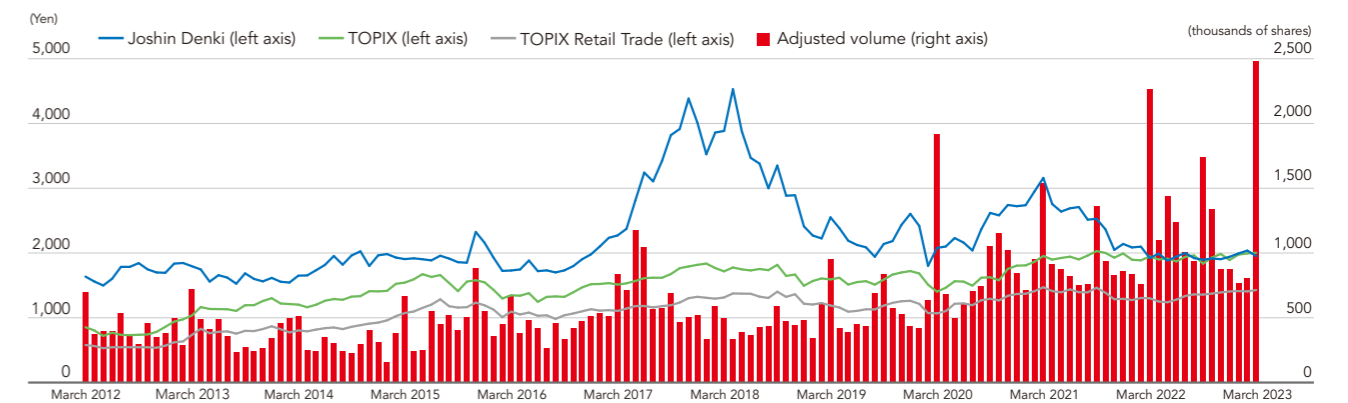
(including 15,759 shareholders holding unit shares)

### Distribution of Shares



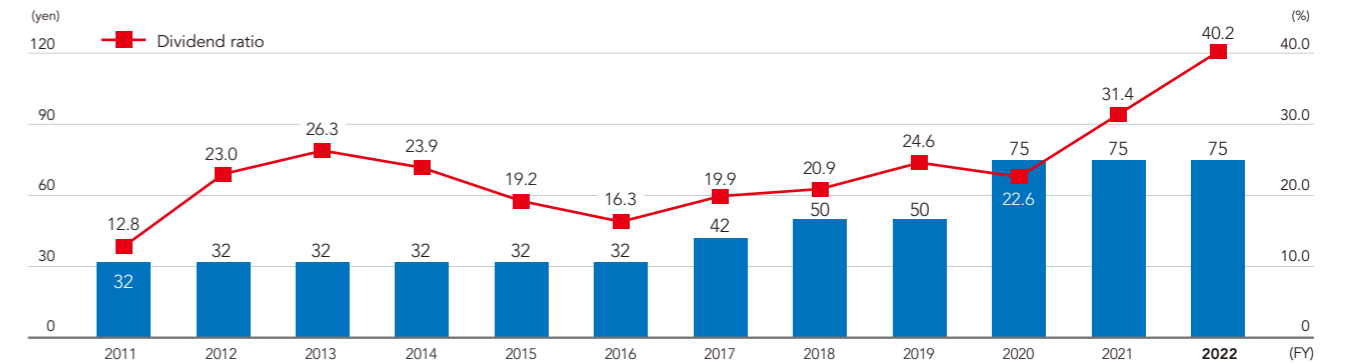
\* Above ratio is calculated excluding treasury stock (1,528,398 stocks).

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



\* On October 2, 2017, the Company split 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)	1,977,600	7.47
Joshin Denki Employee Shareholding Association	1,846,257	6.97
Resona Bank, Limited	1,200,010	4.53
The Dai-ichi Life Insurance Company, Limited	1,000,000	3.77
Sharp Corporation	542,500	2.04
Custody Bank of Japan, Ltd. (trust account)	535,375	2.02
Sompo Japan Insurance Inc.	506,500	1.91
Daikin Industries, Ltd.	447,792	1.69
Sumitomo Mitsui Trust Bank, Limited	420,000	1.58
Mitsubishi UFJ Trust and Banking Corporation	400,000	1.51

\* Shareholding percentage was calculated excluding treasury stock (1,528,398 shares).

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**Joshin**

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