

# 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
	JT-2023 Management Plan	
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	
<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>Service infrastructure: We strengthened our service systems, including delivery, installation, and construction, to support both sales channels.</li> <li>New logistics center: We developed a logistics system in anticipation of the growth of EC (e-commerce).</li> </ul>	

Issues	
Strengthening and utilizing capital	
<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	

Second Step	
New Medium-term Management Plan	
JT-2025 Management Plan	
Plan	
Net sales	¥420.0 billion
Operating income	¥11.0 billion
ROE	8.0% or more
ROIC	5.0% or more

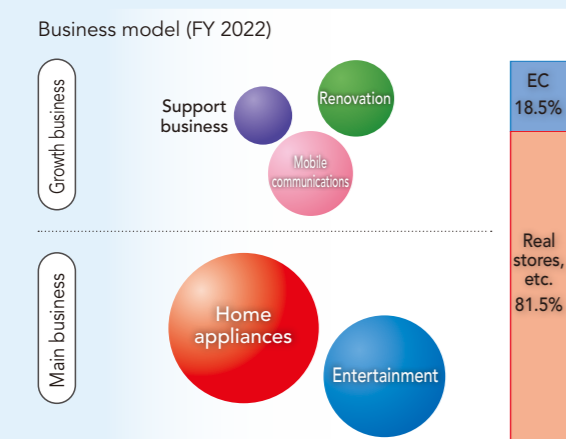
  

**New Medium-Term Management Plan Theme**

**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								
	<table border="1"> <thead> <tr> <th colspan="2">Plan</th> </tr> </thead> <tbody> <tr> <td>Operating income ratio</td> <td>Aim for 4.0% level</td> </tr> <tr> <td>ROE</td> <td>Aim for 10.0% or more</td> </tr> <tr> <td>ROIC</td> <td>Aim for 7.0% or more</td> </tr> </tbody> </table>	Plan		Operating income ratio	Aim for 4.0% level	ROE	Aim for 10.0% or more	ROIC	Aim for 7.0% or more	<p><b>2048</b> 100th anniversary</p> <p>Raise profit efficiency with respect to invested capital Build management structure that is sustainable over a long period</p>	<p><b>Management Philosophy</b></p> <p>Connecting people and society to the future with a smile</p> <p><b>Management Vision</b></p> <p>Becoming a hub for the infrastructure of life through the power of home appliances and ICT</p>
Plan											
Operating income ratio	Aim for 4.0% level										
ROE	Aim for 10.0% or more										
ROIC	Aim for 7.0% or more										
	<p><b>Ideal form of the Company in 2030</b></p> <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>										

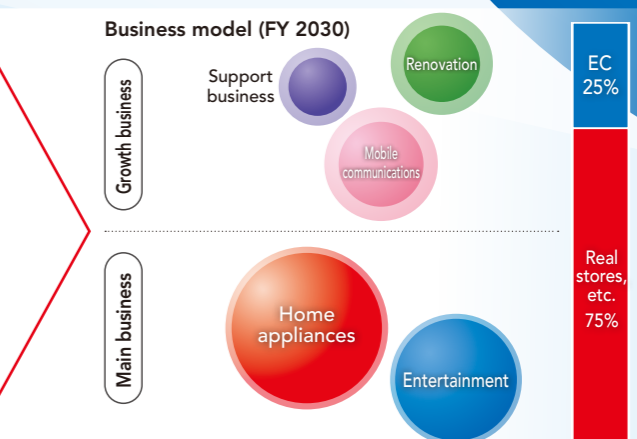


**JT-2025 Management Plan**

**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

**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

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.

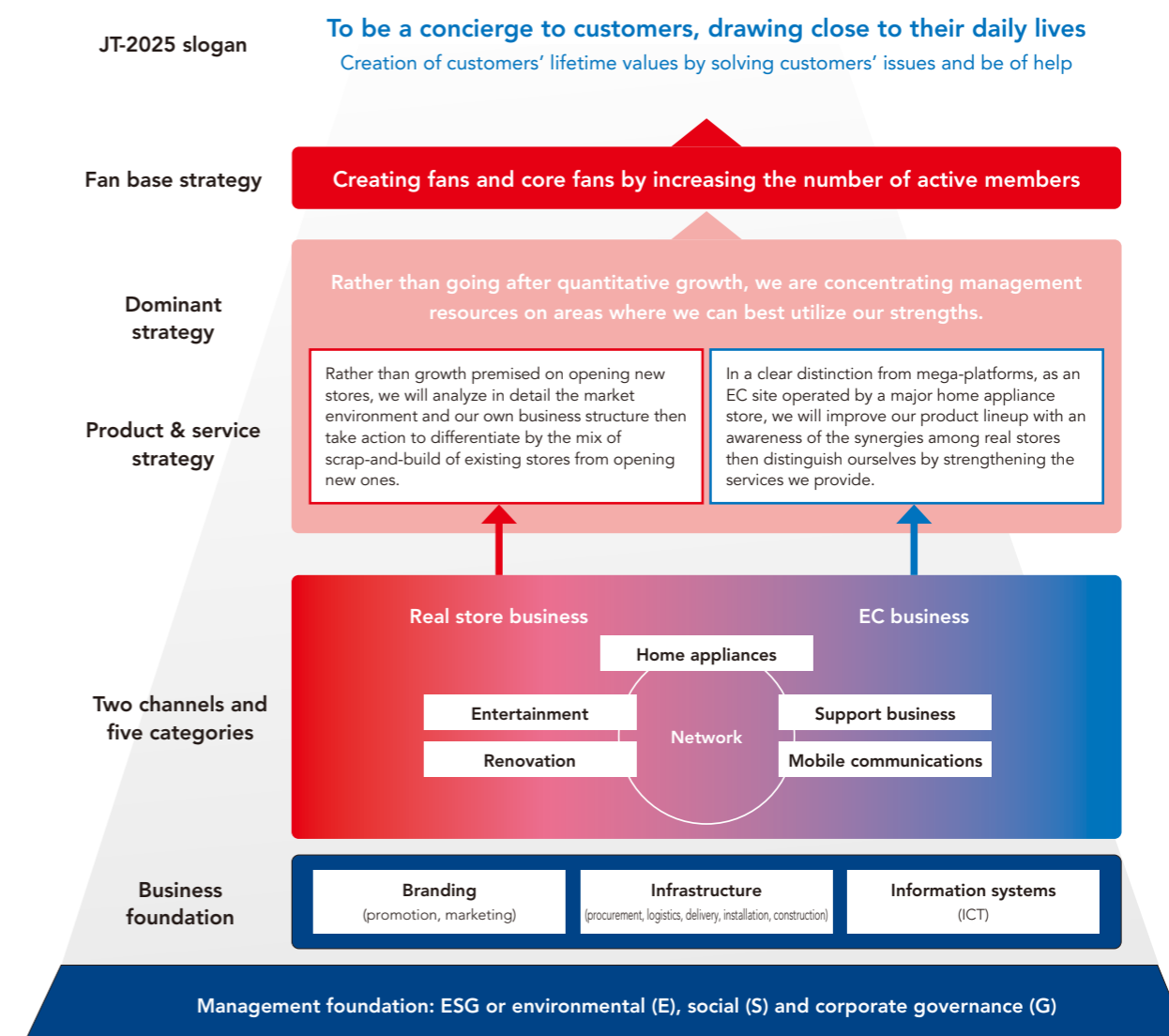
## 3

Aligning our Ideal Form with Transforming of Our Business Portfolio

## Management Targets

	Fiscal 2022 actual results	Fiscal 2025 targets	Ideal form in Fiscal 2030
Net sales	¥408.4 billion	¥420.0 billion	
Operating income ratio	2.0%	2.6%	Operating income ratio Aim for 4.0% level
Operating income	¥8.3 billion	¥11.0 billion	
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
Payout ratio	40.2%	30% or more	Maintain 30% or more
Total operating cash flow over three years	¥34.3 billion	¥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

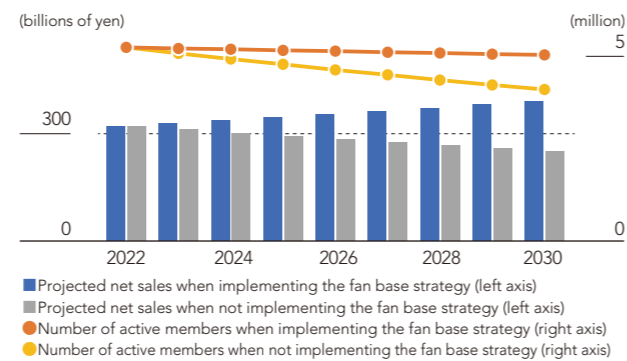
	Fans	Core fans
Positioning	Customers who continually support and use our services	Customers who strongly support our services and co-create future value
Quantitative definition	<ul style="list-style-type: none"> <li>Store visits on three or more days per year</li> <li>Purchase amounts of 80,000 yen or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

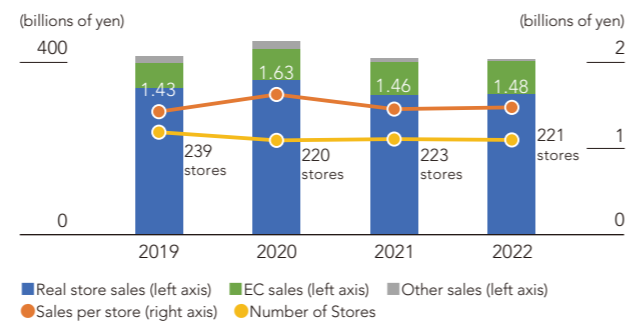
## Net Sales per Share

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



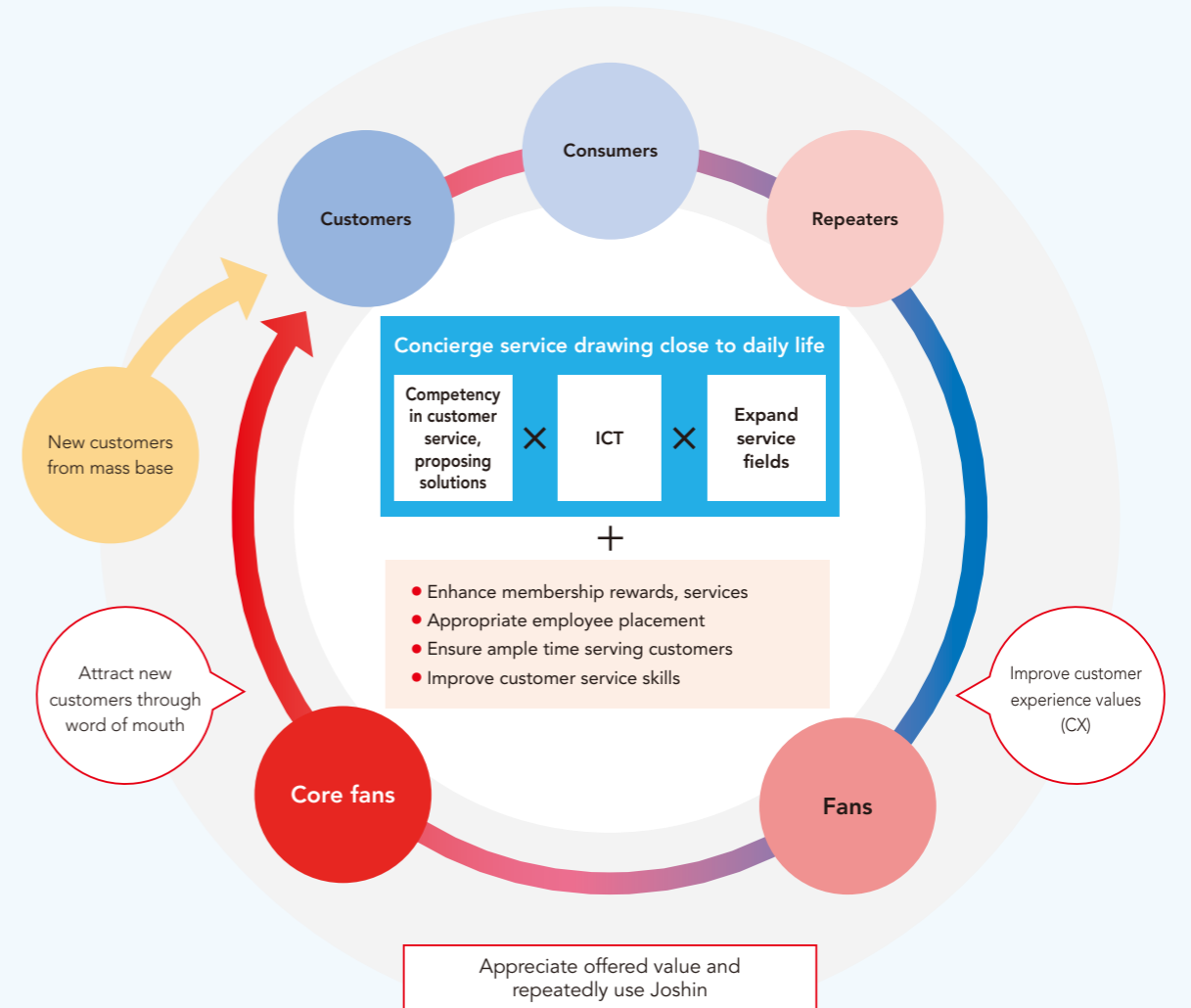
Trends in net sales per store (results)



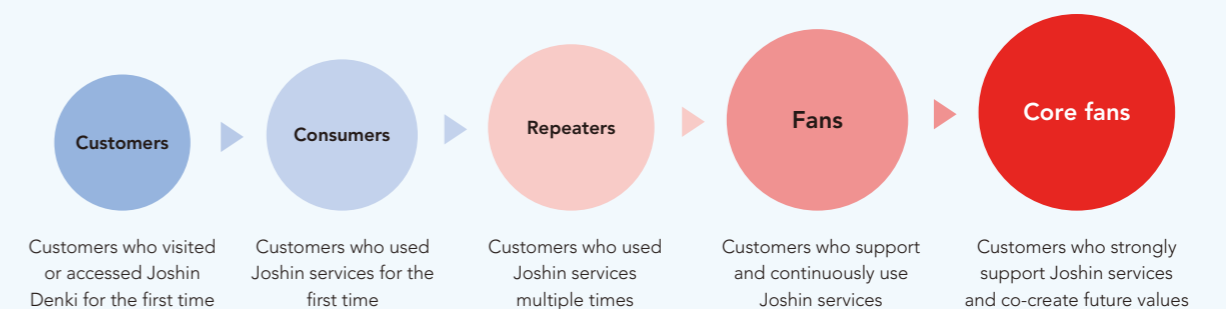
## Implementing the fan base strategy

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

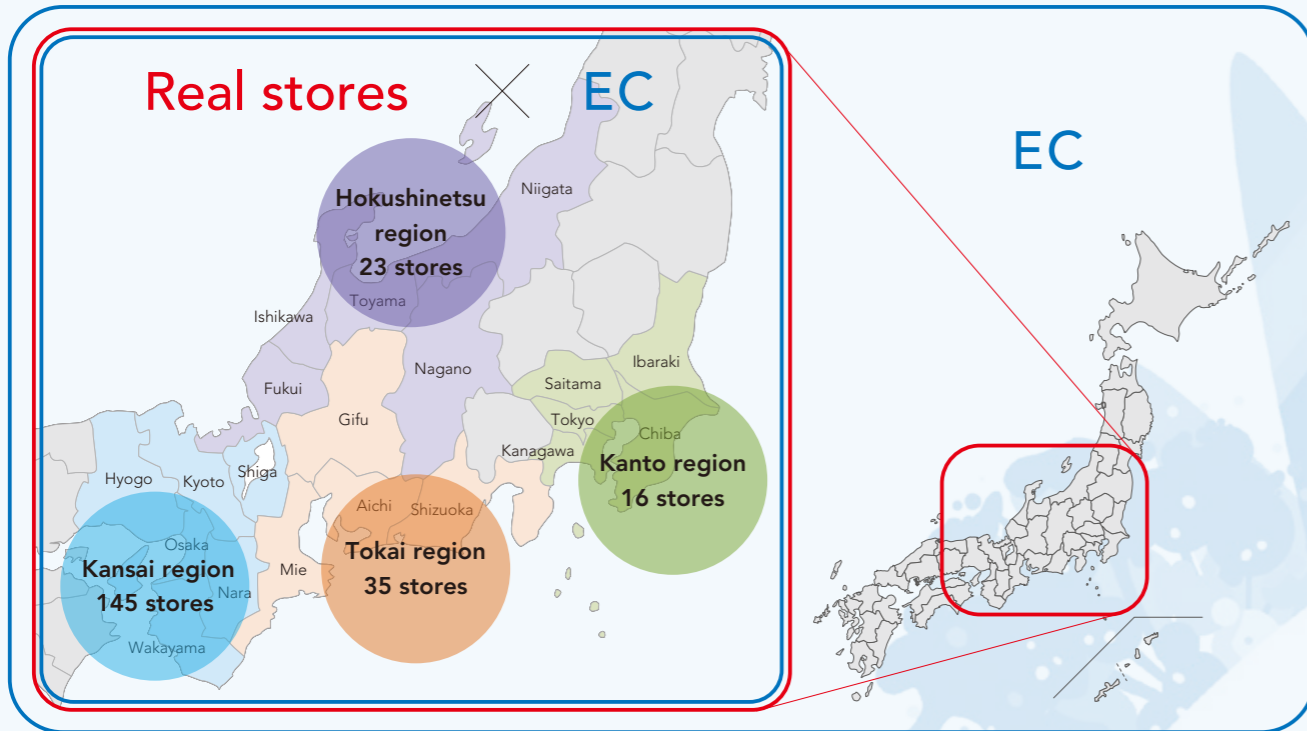


# Dominant Strategy: Real Stores, EC

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



Tatsuo Sakai  
Executive Officer  
in charge of store business

### 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



Hajime Arauchi  
Executive Officer  
in charge of EC store business

### 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

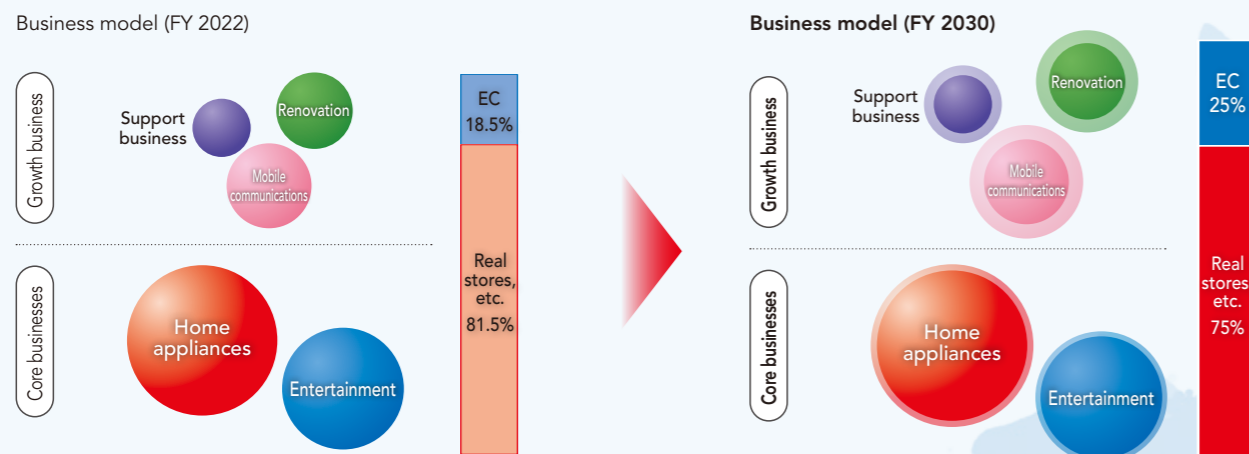
that we have set to establish a unique position for sustainable growth into the future. In the expanded New Loyalty Program used in real stores, we have established the New Stage Program for targeting the top level of core fans, which should lead to higher customer satisfaction.

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.

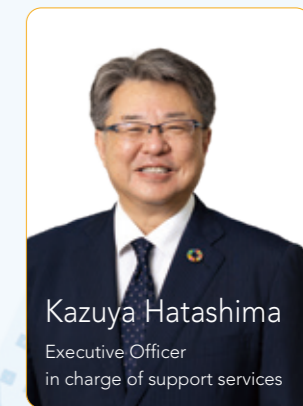


\* Support business: businesses including house cleaning, home maintenance, reuse, and equipment rental

## 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.

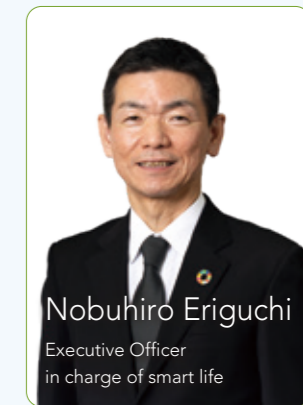
Specifically, through the development of subscription-based services, such as product rentals, air conditioner cleaning, regular deliveries of consumable goods, installation, setup, and maintenance, we intend to provide services not achievable with conventional product sales, from product ownership to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