

# Approach to Sustainability

## ● Joshin Group's Sustainable Management Initiatives

Based on our Corporate Credo, Declaration on Actions, and other policies, the Joshin Group aims to build relationships of trust with our stakeholders to actively tackle problem-solving on the road to achieving sustainable management.

Through these initiatives, we have identified seven material issues (major challenges) by which we aim to achieve a "sustainable society" and "sustainable growth for the Company and society as a whole."

### Chief Sustainability Indicators and Targets for 2030–2050

| Indicator   | Target         |                |
|---|----------------|----------------|
|   | 2030           | 2050           |
| Engagement overall score                                    | 80             | 80             |
| Percentage of female managers                               | 5%             | -              |
| Percentage of female junior managers                        | 20%            | 50%            |
| Wage difference between men and women (permanent employees) | 78%            | -              |
| Employee turnover rate (permanent employees total)          | 2.5% or less   | 2% or less     |
| Percentage of employees with disabilities                   | 3%             | -              |
| Rate of male employees taking childcare leave               | 100%           | 100%           |
| Health index score  | Nat'l avg. +2% | Nat'l avg. +5% |

\* See p. 60 for more information on these indicators and historical data

We also employ a capital investment cycle using management strategies based on a long-term perspective, being 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.

| Indicator  | Target                   |             |
|--|--------------------------|-------------|
|  | 2030                     | 2050        |
| Scope 1 + 2 emissions  | 42% reduction            | 0% (2040)   |
| Scope 3 (Cat. 1, 11) emissions                                       | 25% reduction            | 0           |
| Renewable energy usage rate, all business sites                      | 80%                      | 100% (2040) |
| Renewable energy off-grid power consumption rate                     | 30%                      | 50%         |
| Introduction of storage batteries as a BCP measure                   | 40 business sites        | -           |
| Collection rate for the 4 types of home appliance recycling products | 65%                      | -           |
| Plastic shopping bags  | Usage abolished          | -           |
| Sustainable procurement rate   | 80%                      | 90%         |
| Emissions avoided through environmentally friendly products          | 17,000 t-CO <sub>2</sub> | -           |

### FY2024 Sustainability-Related Discussions and Reports

| Sustainability-related meeting bodies | Members  | No. of sessions | Summary of ESG-related discussion/report content   |
|---------------------------------------|--|-----------------|--|
| Board of Directors                    | Directors and executive officers<br>Outside directors, outside auditors<br>Full-time corporate auditors  | 18              | <ul style="list-style-type: none"> <li>Reports on progress on material issues</li> <li>FY2024 report on sustainability-related issues with respect to key division-specific actions</li> <li>Reports on the direction of HR strategy systems-building</li> <li>Governance survey reports</li> </ul>  |
| Board of Executive Officers           | Executive directors<br>Executive officers<br>Full-time corporate auditors                                | 49              | <ul style="list-style-type: none"> <li>Report on selection for another consecutive year as a component stock in the ESG-related "FTSE Blossom Japan Index" and "FTSE Blossom Japan Sector Relative Index"</li> <li>Reports on "Kurumin" certification as a company supporting parenthood and "Eruboshi" certification as a company promoting success of women in the workplace</li> <li>"ZEB" certification for Joshin Nara store</li> <li>Report on being chosen to the CDP A List for the 2nd consecutive year</li> </ul>  |
| Sustainability Committee              | Executive directors<br>Executive officers<br>Full-time corporate auditors<br>Other management executives | 12              | <ul style="list-style-type: none"> <li>Approach to the integrated report's various ESG pages</li> <li>Partial revisions to key challenges in material issue initiatives</li> <li>Signed on to the Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations and made disclosures consistent with the TNFD Framework</li> <li>Reports on supply chain questionnaires</li> <li>Joshin signed a Comprehensive Cooperation Agreement with Izumisano City</li> <li>Product Safety Awards (PS Awards), organized by Japan's Ministry of Economy, Trade and Industry (METI) Followed up by "Gold Product Safety Company" certification</li> <li>Reconsideration of the roadmap for reducing GHG emissions</li> <li>Initiatives to improve employee engagement</li> </ul> |
| Risk Management Committee             | Executive directors, executive officers<br>Labor union leaders<br>Other management executives            | 4               | <ul style="list-style-type: none"> <li>Formulation of business continuity management system plans for every fiscal year</li> <li>Formulation of a CSR Action Plan and quarterly progress management (incl. ESG)</li> <li>Selected risk management items (incl. ESG) based on risk identification and assessment each fiscal year</li> <li>Confirmation of status of measures taken at work sites earthquake-proofed under old standards and hazard map information</li> </ul>  |

# Governance

In order to achieve sustainable growth and enhance corporate value based on relationships with employees, customers, business partners, local communities, shareholders, and capital markets, Joshin will build the optimal corporate governance structure that can provide both great leadership from top management and a good partnership between executive and supervisory functions. Furthermore, through business portfolio management, proper allocation of capital and management resources, and other strategic actions as well as disclosing the results thereof, we will be accountable to the expectations that stakeholders have for us.

## ● Basic Concept

Under our management philosophy of "Connecting people and society to the future with a smile" and our management vision of "Becoming an infrastructure hub for a better life through the power of home appliances and ICT," Joshin is developing a system of management that contributes to building a sustainable society through the creation of two social values: helping to strengthen the resilience of an aging society and achieving carbon neutrality in households.

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

## ● History of Enhancing Corporate Governance

To improve the effectiveness of the Board of Directors, Joshin has worked to improve our corporate governance framework by ensuring diversity through increased independent outside directors and female directors; introducing the executive officer system; establishing a Nomination and Compensation Committee and Board of Directors Evaluation Committee made up of a majority of outside directors; and implementing a performance-linked stock-based compensation system.

In order to enhance these initiatives, Joshin transitioned from being a company with a Board of Auditors to a company with an Audit and Supervisory Committee with the approval of the 77th Annual General Meeting of Shareholders held in June 2025. This aimed to further accelerate decision-making by largely transferring

the Board of Directors' authority over business execution decisions to the business executive side of the Company, while also improving the effectiveness of the Board of Directors through focused discussion at the Board of Directors of medium- to long-term management strategy, capital policy, and other items that contribute to improving corporate value. Additionally, the Audit and Supervisory Committee, comprised exclusively of independent outside directors, will be responsible for auditing and supervising the legality and appropriateness of business execution, with the aim of further bolstering Joshin's corporate governance systems and achieving more transparent management.

|  | 2021  | 2022                        | 2023  | 2024   | 2025  |
|--|---|-----------------------------|---|--|---|
| <b>Ensuring diversity of the Board of Directors</b>      |   |                             |   |  |   |
| Skills matrix  | • Developed the skills matrix   | • Revised the skills matrix | • Revised the skills matrix and utilization policy  | • Disclosed the reason for skill set selection | • Partially revise the skills matrix                    |
| Succession plan  | 2020 • Formulated the succession plan   |                             |   |  |   |
| Appointment of outside directors                         | • Increased to four (4) members (gradual increase from FY2014)  |                             |   |  | • Increased to six (6) members (75.0% composition)      |
| Appointment of female directors                          | • Increased to two (2) members (gradual increase from FY2019)   |                             |   |  | • Increased to four (4) members (50.0% composition)     |
| <b>Improving effectiveness of the Board of Directors</b> |   |                             |   |  |   |
| Organizational structure                                 | * Consisting of six (6) outside directors out of eight (8) total directors (75.0%) and three (3) directors who are members of the Audit and Supervisory Committee (100.0% comprised of independent outside directors) |                             |   |  |   |
| Nomination and Compensation Committee                    | 2018 • Established the Nomination and Compensation Committee  |                             |   |  |   |
| Performance-linked stock compensation plan               | 2017 • Introduced performance-linked Board benefit trust scheme   |                             | • Revised performance-linked stock compensation plan (Added capital efficiency indices and ESG indicators to criteria used to calculate compensation) |  |   |
| Individual performance-linked compensation               | 2019 • Introduced individual performance-linked compensation (for assessment criteria focused on monitoring functions)  |                             |   |  |   |
| Training for officers                                    | • Held six (6) times a year   |                             | • Began practical training for management skills  |  |   |
| Evaluation of effectiveness of the Board of Directors    | 2016 • Established the Board of Directors Evaluation Committee / Held once a year   |                             |   |  |   |
| Executive officer system                                 | 2016 • Introduced the executive officer system  |                             | • Transitioned to a delegation-type executive officer system  |  | • Introduced performance-linked stock compensation plan |
| Management strategies / Management plan                  |   |                             |   | • Disclosed capital cost                       | • Updated capital cost to most recent value             |

## ● Corporate Governance Promotion System

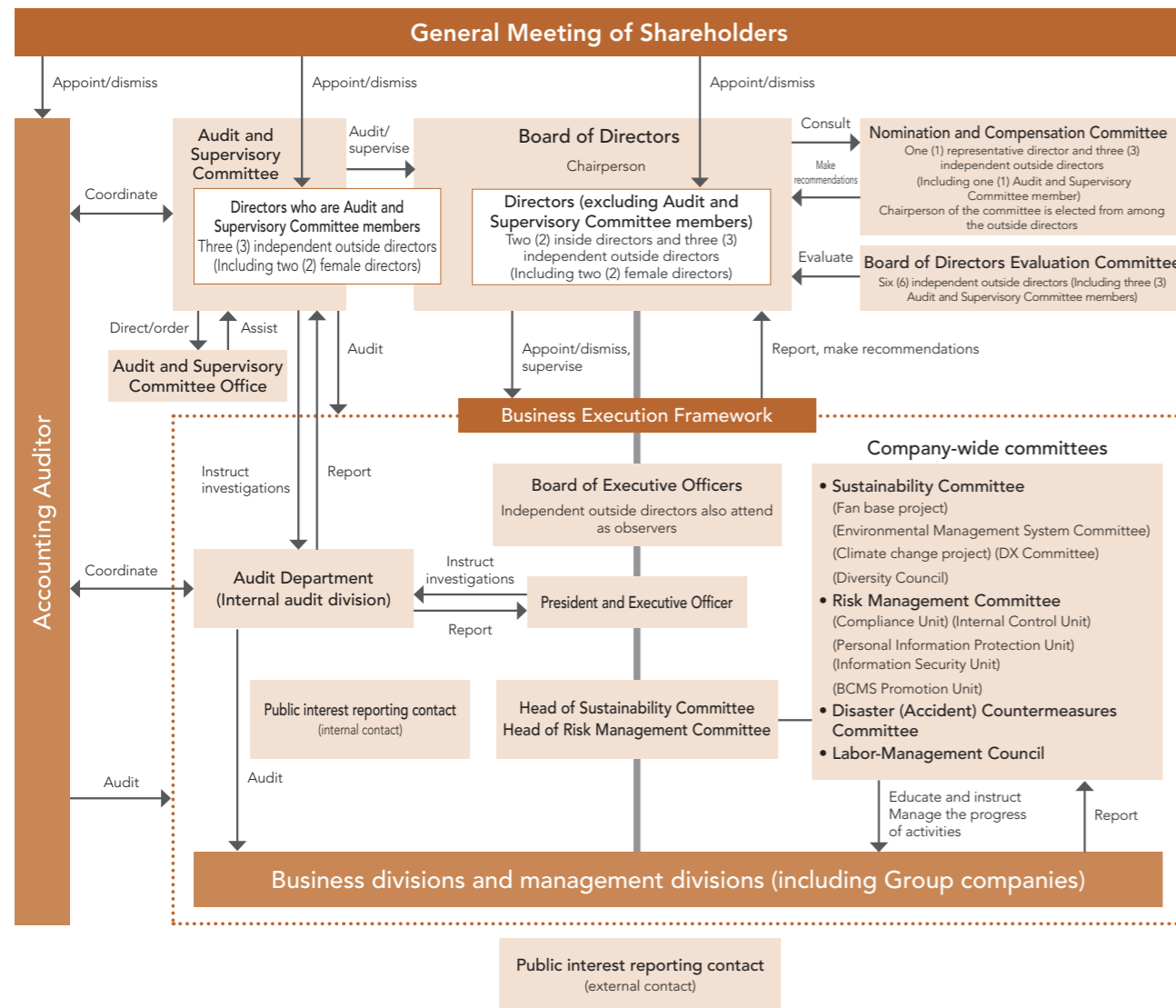
Percentage of outside directors



Percentage of female outside directors



Corporate Governance System



## ● Board of Directors

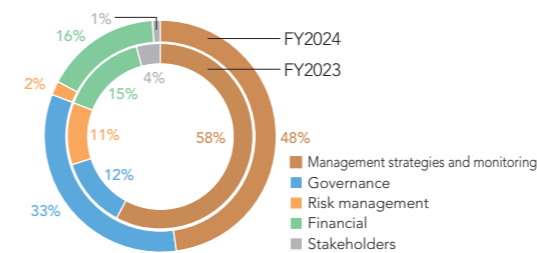
### ► Roles and purpose of the meetings

As the highest decision-making management body (meeting at least once per month as a general rule), the Board of Directors makes decisions on important management issues, such as the medium- to long-term management policies and business strategies, that help create social value and corporate value. Additionally, as per the Board of Directors Regulations, the Board supervises directors and executive officers selected by the Board of Directors in the performance of their job duties.

### ► Structure of meetings

Of the eight directors, six are independent outside directors (75.0%) and four are female directors (50.0%). There are three directors who are Audit and Supervisory Committee members, three of them being independent outside directors (100.0%), and two being women (66.7%). (See p. 54 for more on skill diversity.)

Allocation of Discussion Time



## ● Audit and Supervisory Committee

The Audit and Supervisory Committee is comprised of three directors who are Audit and Supervisory Committee members. All of them are independent outside directors. In general, they meet once per month. The outside directors who are Audit and Supervisory Committee members share information and exchange opinions on the directors' performance of their duties, in addition to timely monitoring of actual management status by reviewing important approval documents and other materials. They also monitor the

decision-making process by exchanging information with the Audit Department (internal audit division) and Accounting Auditors, and audit the directors' execution of their duties. The outside directors who are Audit and Supervisory Committee members elected a Certified Public Accountant with deep accounting knowledge and experience as well as an attorney with deep legal knowledge and experience in order to bolster the auditing and supervisory functions of the Audit and Supervisory Committee.

## ● Nomination and Compensation Committee

Joshin established the Nomination and Compensation Committee as an advisory body to the Board of Directors, in order to strengthen corporate governance by ensuring the independence, objectivity, and transparency of the Board of Directors. To ensure independence, this committee is comprised of three independent outside directors and the Chairman and Representative Director. Outside directors comprise three-fourths of the committee in addition to occupying the Head of Committee position. This

committee discusses HR issues including the appointment and dismissal of the representative director and other directors as well as CEO successor planning. It also discusses director (excluding Audit and Supervisory Committee members) remuneration system design and individual compensation amounts. These discussions produce recommendations that are then submitted to the Board of Directors for a decision.

## ● Board of Directors Evaluation Committee

The Board of Directors Evaluation Committee consists of six independent outside directors, and was 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. By evaluating the effectiveness of the Board of Directors, the independent outside directors provide appropriate advice to the Board of Directors from a variety of angles and perspectives.

## ● Board of Executive Officers

The Board of Executive Officers (which generally meets every other week) is the central body for business execution, consisting of executive directors and executive officers. It is 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. In June 2025, during the change in organizational structure wherein the Company

transitioned into a company with an Audit and Supervisory Committee, we also largely transferred the Board of Directors' authority over business execution decisions to the Board of Executive Officers with the aim of further accelerating the speed of decision-making. Independent outside directors participate as observers in order to contribute to the evaluation and training of candidates for CEO and director positions.

## ● Sustainability Committee

Chaired by the Director, President and Executive Officer, the Sustainability Committee is comprised of executive directors, executive officers, directors who are full-time members of the Audit and Supervisory Committee, and heads of departments. This committee works to achieve our management philosophy and our management vision by managing the seven material issues 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. With

respect to social and environmental problems among other sustainability-related issues, we have set up an integrated framework for monitoring business and non-business activities (financial and non-financial information) under the recognition that our handling of certain key management issues will not only mitigate risk but also present earning opportunities. These issues include our handling of population changes such as population decline and a super-aged society, climate change, lifestyle changes due to diversification of values and ICT advancements, and social changes related to diversity and inclusion.

## ● Risk Management Committee

Chaired by the Director, President and Executive Officer, the Risk Management Committee is comprised of executive directors, executive officers, directors who are full-time members of the Audit and Supervisory Committee, heads of departments (including officers at subsidiary companies), and labor union representatives. The committee analyzes and manages hazard risks, business risks, financial risks, and management risks that threaten the Company's efforts to maintain and continue business management, and supports stable management. Special units established within the

Risk Management Committee include the Compliance Unit that controls compliance overall; the Internal Control Unit, Personal Information Protection Unit, and Information Security Unit that are all focused on internal controls; the BCMS Promotion Unit that maintains and operates the Business Continuity Management System (BCMS) to ensure effective business continuity in an emergency; and other committees established for individual business areas as needed. The Risk Management Committee acts through those units to manage risk for the larger business group.

## ● Labor-Management Council

The Labor-Management Council is the highest council meeting held monthly and jointly by labor and management that is attended by executive officers of the Company and officers of the central operation office of the labor union representing the employees. The council serves the role of a cooperative organization that aims to continuously improve the labor conditions and labor environment of the employees and promote workstyle reforms and reforms for job satisfaction. Discussions at the council cover topics including general labor conditions of

employees, D&I, safety and health system, 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 rates, stress check analysis results, occurrence of harassment, and workplace safety and health, and it also provides a venue for sharing views of the management environment and feedback from labor union members at each workplace.



## Message from the Chair of the Board of Directors

# We aim to further enhance corporate value through future-oriented governance reforms.

**Ryuhei Kanatani**

Chairman and Representative Director

In the ten years since we published our Corporate Governance Code, Joshin has continuously worked to bolster our governance structure. Regrettably, these structural enhancement efforts have not always been adequately successful; because we have not fully lived up to the expectations of all of our stakeholders, a resolution was passed at the June 2025 General Meeting of Shareholders to transition to a company with an Audit and Supervisory Committee.

### <Recognition of Issues in the Governance Structure>

Aiming to achieve sustained growth and enhanced corporate value over the medium to long term, Joshin has implemented a variety of initiatives including ensuring diversity on the Board of Directors, carrying out nomination and compensation system reforms based on the recommendations of outside directors, and bolstering the supervisory functions of the Board of Directors. (See "History of Enhancing Corporate Governance" on p. 42)

However, the previous medium-term management plan (JT-2023 Management Plan) failed to meet targets, and in FY2024, the Company has also been forced to drastically cut performance estimates in the current medium-term management plan (JT-2025 Management Plan) due to sluggish results in the home appliances category, a major driver at the Company. It is clear that the Company's growth strategy, needed to enhance corporate value, is not being fulfilled. Based on this state of affairs, it is my view as the Chair of the Board of Directors that the Company's governance structure is facing the following issues.

- The Board of Directors makes decisions on most matters related to business execution, which slows down the decision-making process.
- Although there is diversity on the Board of Directors, the outside directors' viewpoints are not being fully utilized in discussions on growth strategy.
- Insufficient coordination between the Board of Directors and the business-executing departments results in a bias towards short-term business execution in Board of Directors deliberations and an inability to focus discussion on medium- to long-term growth strategy.

The FY2024 evaluation of Board of Directors effectiveness (see "Evaluation of the Effectiveness of the Board of Directors" on p. 51) also stated that strengthening Board of Directors functions is an urgent priority issue.

### <Policies and Initiatives for Resolving Issues>

The Board of Directors established the following policies to tackle these issues.

- Largely delegating decision-making authority over business execution to speed up decision-making and bolster supervisory functions
- The Board of Directors will prioritize key items that contribute to improving corporate value, e.g. medium- to long-term management strategy and capital strategy.

To achieve this policy, Joshin will transition from being a company with a Board of Auditors to a company with an Audit and Supervisory Committee, and the Board of Directors will focus on the following two initiatives.

1. Deeper medium- to long-term growth strategy with promotion of capital-cost-conscious efficient management (ongoing initiative)
2. Enhance the Board of Directors' monitoring functions and ability to respond flexibly and quickly (new initiative)

Along with the transition to being a company with an Audit and Supervisory Committee, the Board of Directors is now made up of 75.0% outside directors and 50.0% female directors, which represents major changes to Board composition. However, it will not be possible to improve the effectiveness of the Board of Directors through formal changes alone.

The issue is less that the previous Board of Directors did not function properly and more that this major delegation of authority by the Board of Directors has created a clear separation between the business execution and supervisory functions. On this present Board, my duty as the Chair is to administer the Board in accordance with those essential functions with the aim of making Joshin a company trusted by all stakeholders and vital to society.

Moving forward, the business-executing departments will bolster their policy-making and implementation capabilities, while the Board of Directors strengthens our monitoring functions and engages in intensive discussions on medium- to long-term growth strategy that fully draws on the expertise of outside directors. To achieve this, the Board of Directors formulated an annual agenda for meeting topics and is systematically and steadily pushing forward with implementation.

Moving forward, I am unwavering in my commitment as the Chair of the Board of Directors to have the Board engage in intensive discussions about key issues that contribute to sustained improvement of corporate value, thereby further enhancing the Board's effectiveness on an ongoing basis.

## Issues Facing Joshin and Recommendations for Improving Corporate Value

### Background to the Change

#### Basing the Board of Directors' agenda on themes relevant to management strategy and management fundamentals

**Naito:** In 2025, Joshin changed our organizational structure and transitioned into a company with an Audit and Supervisory Committee. The Corporate Governance Code requires thorough discussion of medium- to long-term management strategy and basic company matters by the Board of Directors. Even when the Company had a Board of Auditors, there was still discussion pertaining to the formulation of medium-term management plans, but discussion of management strategy was lacking due to time constraints. I believe the current Chair (who was company president at the time) was the person with the greatest sense of urgency with respect to this matter. Now that the organizational structure has been changed, most of the authority over business execution decisions has been transferred to the Board of Executive Officers, so the Board of Directors is freed up to focus on

discussions about management strategy and similar issues.

**Yamahira:** Although we have been working to transfer authority to the execution departments since the Board of Auditors era, we felt we had to change the Board of Directors' agenda for aspects related to board approval standards and especially management strategy and management fundamentals. After COVID-19 pandemic-related government cash payments in FY2020 gave a major boost to our performance, we experienced an ongoing decline that presented an opportunity for discussions of management strategy fundamentals and creative measures to bolster monitoring functions. I believe it is important for us to evolve from managing to monitoring, and to conduct deeper discussions that include capital policy, growth strategy, and HR strategy.

**Takahashi:** My biggest feeling was that the Company needs to change. That means we need to further leverage outside director expertise to draw out new insights while thinking about medium- to long-term strategy. It was precisely then that the

current Chair came to me with the idea of speeding up decision-making by separating execution and supervisory functions. After much discussion between the two of us, we decided to change the organizational structure. I strongly believe that we must take this opportunity to achieve quicker decision-making and build management that is not afraid of change.

### Issues After the Change

#### Board of Directors specializing in monitoring functions, with all executive officers strongly identifying as managers

**Naito:** Joshin's Board of Directors is not strictly management- or monitoring-focused, but instead a hybrid of the two. In the evaluation of performance for the purpose of individual performance-linked compensation for directors and auditors, we attempted to measure both management and monitoring contributions respectively. The monitoring-related measurements were the most difficult. Considering all of that, we decided to shift entirely to a monitoring focus for the Board. So

for me, the primary purpose of changing our organizational structure is to make the Board more specialized in monitoring functions.

**Yamahira:** Based on the last few years, I also think that we need to enhance our monitoring functions. The important roles of the Board of Directors are to thoroughly confirm whether the policies approved by the Board are being properly executed by the business-executing side and to steadily fulfill the promises made to the market. It is crucial that we cycle between these two roles more powerfully in the future.

**Takahashi:** In addition to strengthening the monitoring functions of the Board of Directors, all executive officers need to adopt a stronger "manager" mentality when performing their duties. Each and every executive officer needs to have the mindset to lead management by making their own judgments, making course corrections, and discovering new insights. This change in mindset will be the true key to transforming Joshin as a company.

### Improving Corporate Value

#### Raising profits in our core home appliances business and achieving management that serves customer needs

**Takahashi:** The sense of urgency that I feel is one shared by the industry as a whole. Domestic, retail, and home appliance markets are all undergoing tough times. However, if we can raise profits and demonstrate strength even in those circumstances, then we can take on new challenges as well. I first want to establish clear results in the home appliances business, then lead the Company out from that business into adjacent sectors and new directions.

**Yamahira:** With population decline and other issues, the social environment is undergoing extremely rapid changes that require changes to the home appliance retailer business model. Joshin's businesses can be divided into five categories. We believe it is essential to achieving sustainable company development for our future that we bolster the profitability of our core home appliances business and

invest those funds in growth sectors.

**Takahashi:** Every customer has their own distinct needs, so I want us to be pursuing management that is capable of addressing all of those diverse needs. However, it is essential that we search out those needs by listening closely to opinions from the front lines, and ensuring collaboration between the Board of Executive Officers that acts to make those requests a reality and the Board of Directors that provides supervision. We also need the Board of Directors to be a solid, reliable presence that makes sound decisions. I believe we need to go back to our roots, engage the PDCA cycle, and achieve a type of management that can address diverse and ever-changing customer needs.

**Naito:** The core of the Company is, of course, home appliance sales. Joshin's natural state of being is to be re-investing our profits from that business back into new lines of business.

### Medium- To Long-Term Goals

#### Creating new lines of business centered on home appliances to create businesses useful for society

**Naito:** I believe that Joshin's future will be determined by how effectively we expand new lines of business centered on home appliances and related areas. I believe that the new company president's vision is one of broadening our business domains, anchored in home appliances, to better serve consumers and society. Joshin is an exceptionally sincere and earnest company. Our sincerity is evident not only in our approach to environmental and human rights issues but also in the way we conduct business itself. The sense of trust and reassurance this provides to our investors is extremely important to the Company, and I believe we should highlight that more actively in our communications.

**Yamahira:** I also recognize that our real profit base is the home appliances business, and that securing profitability in this area will be the foundation for future growth. To respond to the many changes in the business environment ahead, bold management strategies and transformation of the business model will be essential. I believe we can

achieve even greater profit growth by further developing our traditional sales approach and adding new value. The foundation of any growth strategy lies in the Company's internal management resources: namely people, goods, capital, and information. Our company possesses a broad customer base and solid technological capabilities, and by leveraging these strengths, we can develop and advance concrete growth strategies. What I look forward to most is the new president's leadership and decisiveness. I expect that through bold new initiatives that transcend our conventional frameworks, he will open up a new stage of growth for the Company.

**Takahashi:** As stated earlier, in today's industrial landscape, the terms "domestic," "retail," and "home appliances" tend to carry a negative connotation, as they are often associated with the notion that products no longer sell due to Japan's declining birthrate, aging population, and the resulting changes in consumer behavior. However, I believe there are still many opportunities to be found in these areas. For example, in an aging society, there is a growing need for "monitoring and protection" services, and we aim to develop lines of businesses that can fulfill this role using home appliances. Likewise, in the area of crime prevention, by leveraging IoT technologies, we can reliably deliver value that directly addresses customers' real needs and concerns. Looking ahead, 2028 will mark the end of the next medium-term management plan. As we move toward that goal, we must both strengthen and stabilize the Company's foundation while also exploring new business domains in earnest. We will proactively pursue market share in areas that are an extension of our current businesses, while also working to create new businesses that contribute to society. The key principles we aspire to uphold are speed, quality, and price. We are currently developing a sales support system that utilizes online technology to improve customer convenience and enhance productivity on the sales front lines. With a sense of speed in everything we do, we intend to tackle the challenges ahead with determination while maintaining quality and placing importance on price competitiveness.



**Tetsuya Takahashi**

Representative Director,  
President and CEO

**Kinya Naito**

Outside Director, Audit and  
Supervisory Committee member  
Chairperson, Board of  
Directors Evaluation Committee

**Keiko Yamahira**

Outside Director  
Chairperson, Nomination and  
Compensation Committee

## Messages from Outside Directors



**Junko Kawano**  
Outside Director

### We want to support, in HR and elsewhere, the pursuit of challenging new initiatives that “create social value”

“Helping to strengthen the resilience of an aging society” and “Achieving household carbon neutrality.” These are the two types of social value that Joshin wants to create. To enhance our corporate value over the medium to long term, it is essential that we continue to generate not only financial but also social value in a consistent and meaningful way. The home appliance industry has arrived at a crossroads, and I believe that this is the time for new initiatives grounded in this perspective.

In April 2026, the Company will change its name to Joshin, reflecting our intention to pursue flexible business development without being restricted to the traditional “electric appliances” sector. Drawing on our long-cultivated ability to stay close to customer needs and leveraging our three contact points of stores, e-commerce, and delivery, we hope to develop new services that embody this spirit.

Moreover, the active participation of diverse talent will be indispensable in developing these new business initiatives. Having long been involved in both new business line development and the promotion of women’s success in the workplace, I intend to use that experience to provide appropriate oversight and guidance to support the Company’s continued growth and advancement.

### Monitoring to improve profitability and governance initiatives

In Joshin’s evaluation of the effectiveness of the Board of Directors, bolstering the Board’s monitoring functions emerged as a key issue. With my appointment as a director serving as an Audit and Supervisory Committee member, I intend to go beyond the traditional check-and-balance role and provide advice from a management perspective, contributing to the enhancement of our corporate value.

As a certified public accountant, I have experience auditing store-based businesses as well as managing corporate operations as a director at an e-commerce company. I have also been involved in the transition of a company with a Board of Auditors into a company with an Audit and Supervisory Committee. Drawing on these experiences, I will contribute to improving profitability through recommendations based on monitoring profitability by category, channel, and store, while fulfilling my supervisory responsibilities over management as an Audit and Supervisory Committee member. In doing so, I aim to help further enhance the effectiveness of the Board of Directors. In addition, as a member of the Nomination and Compensation Committee, I will actively engage in key matters such as developing and operating management staff evaluation and compensation systems to support sustainable growth, as well as formulating a robust succession plan.



**Kazumi Yoshikawa**  
Outside Director, Audit and Supervisory Committee member



**Seiji Nishikawa**  
Outside Director

### Accelerating management through DX promotion

I intend to take this opportunity presented by the change in organizational structure to closely monitor the progress toward achieving our key management KPIs, verifying them on an ongoing basis. In cases where targets are not met, I will ensure that the causes, countermeasures, and outlooks are effectively examined so that the Company’s PDCA cycle functions properly and continuously. Through this, I aim to contribute to both the achievement of the Company’s publicly announced budget targets and to the acceleration of the decision-making process.

To make this possible, management information must be monitored accurately and nearly in real time. To make such a system permanent, it will be necessary to transform our internal operational processes so that data generated along each workflow is entered into the system immediately and processed instantly. This transformation represents a true management and operational reform, and is essentially a company-wide DX initiative that cannot be realized without strong leadership from top management. It will also be crucial to pursue optimization of the overall system architecture, ensuring that digital systems do not fall into the trap of local optimization, while simultaneously achieving cost reductions and shorter development cycles. I intend to follow up on these DX and ICT initiatives, providing guidance and advice as necessary.

Ultimately, what will be most important for Joshin moving forward is that every officer and employee thinks deeply and acts proactively, so that together we can grow Joshin into an even stronger organization.

### The changing retail environment and medium- to long-term value creation

As a certified public accountant, I served at an auditing firm for approximately 20 years, during which time I was also part of the firm’s head division specializing in retail industry audits. I directly engaged with the management challenges faced by multi-store retail businesses. It was through this experience that I came to understand both the difficulty of coordinating between the head office and the front lines, and the importance of responding accurately to shifting consumer needs. Today, the retail industry is undergoing a major transformation, including diversifying lifestyles and rising e-commerce utilization. I believe that responding flexibly and swiftly to such external environmental changes will be key to achieving sustainable growth. As an outside director, I place importance on maintaining a constructive dialogue with the executive side of management, grounded in mutual trust while preserving an appropriate level of tension. I intend to draw on my expertise in financial accounting to contribute to the enhancement of corporate value. In particular, from a medium- to long-term perspective, I hope to fulfill my role as an Audit and Supervisory Committee member by promoting governance that emphasizes sustainability and remains unconstrained by conventional thinking within the Company.



**Kazuko Otsuki**  
Outside Director, Audit and Supervisory Committee member

## ● Evaluation of the Effectiveness of the Board of Directors

To strengthen corporate governance, the Board's<sup>1</sup> own Board of Directors Evaluation Committee, comprised of outside directors, takes the lead in analyzing and evaluating the effectiveness of the Board of Directors each fiscal year, and Joshin takes

continual action to improve effectiveness based on that.  
1. In FY2024, before the transition to being a company with an Audit and Supervisory Committee, it was comprised of outside directors and outside auditors

### (1) Evaluation process



### (2) FY2024 issues

"Brushing up medium- to long-term management strategies and promoting more efficient management with a focus on capital costs"

### (3) Initiatives tackling FY2024 issues

| Response 1: Advice from outside directors  | Response 2: Measures taken by the business-executing departments (Coordination between executive directors and executive officers)   |
|--|--|
| <ul style="list-style-type: none"> <li>Structural reforms to the core home appliance retailer business</li> <li>Building a business portfolio aligned with the two types of social value<sup>2</sup> that contribute to the enhancement of corporate values</li> <li>Restructuring of the CEO succession plan and other HR succession plans</li> </ul> | <ul style="list-style-type: none"> <li>Reforming merchandising by fully utilizing logistics functions</li> <li>Expansion of the operational framework for growth businesses<sup>3</sup></li> <li>Reassessment of the human resource portfolio across the five business categories<sup>4</sup></li> <li>Promoting improvements to capital efficiency</li> </ul> |

2. "Helping to strengthen the resilience of an aging society" and "Achieving household carbon neutrality"  
3. "Mobile communications," "Renovation," "Support business"  
4. "Home appliances," "Entertainment," "Mobile communications," "Renovation," "Support business"

### (4) Results of FY2024 initiatives

Result 1: Brushing up medium- to long-term management strategies

- The mobile communications business, a growth business, drove performance
- The renovation business steadily expanded
- The support business moved beyond its stable performance phase, showing potential for further growth
- The e-commerce business began to recover and expand again following profit structure reforms

Result 2: Promoting more efficient management with a focus on capital costs

- Verified the validity of capital efficiency index plans by recalculating the Company's capital costs
- Strengthened business execution systems, achieving a turnaround to higher revenues from the fourth quarter onward; improvements in inventory efficiency contributed to healthier finances and enhanced capital efficiency
- Reduced cross-shareholdings, resulting in a decrease of retained cross-held shares to 5.52% of net assets across 23 companies as of the end of March 2025

### (5) Results of the evaluation of the effectiveness of the Board of Directors

The Board of Directors discussed and reviewed the matter based on the report from the Board of Directors Evaluation Committee. It was determined that the effectiveness of the Board of Directors is generally being upheld, as both executive directors and outside directors, drawing on their medium- to long-term perspectives and diverse expertise, actively and constructively engaged in deliberations and opinion exchange, including the proactive identification of issues by outside directors, that collectively led to the results described above. On the other hand, due to a downturn in the core home appliance category, performance fell significantly short of targets, and discussions were held on growth strategies aimed at enhancing corporate value as outlined in the JT-2025 Management Plan (medium-term management plan). It was also constructively noted that, with the transition to a company with an Audit and Supervisory Committee, the Board of Directors should delegate greater authority to the business-executing departments, strengthen the monitoring framework, and focus discussions on medium- to long-term growth strategies.

### (6) FY2025 initiatives to improve the effectiveness of the Board of Directors

- Deeper medium- to long-term growth strategy with promotion of capital-cost-conscious efficient management (ongoing initiative)
- Enhance the Board of Directors' monitoring functions and ability to respond flexibly and quickly (new initiative)

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

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 p. 54). These skills are necessary to achieve the goals of our management strategies and for the effectiveness of the matrix for appointing director candidates. In appointing directors, including Audit and Supervisory Committee members, candidates are selected based on these criteria and formally

approved at the General Meeting of Shareholders. The skills matrix is also utilized in the succession plan as a benchmark for developing key personnel, including future CEO candidates. Continuous training is provided for directors, executive officers, and other senior management. For executive officers, the goal is to help them acquire a broad range of skills by having them lead cross-company committees, which are the core of the Company's business execution framework. Through this process, they are evaluated and developed as future candidates for director positions.

### ● Director Skill Sets

| Management skills                         |   |                              |   |   |        |                        |
|---|---|------------------------------|---|---|--------|------------------------|
| Corporate management                      | Finance, accounting, and capital policy | Legal affairs and governance | Management planning and business strategies | HR, personnel management, and diversity | ICT/DX | Environment and energy |
| Skills related to business specialization |   |                              |   |   |        |                        |
| Home appliance retail business            | Housing environment business            | Marketing                    | Logistics                                   |   |        |                        |

Reasons for skill set selection:  
<https://www.joshin.co.jp/en/csr/governance/corporate/skills.html>

### Purposes of the Skills Matrix

- Identification of the necessary skills for the Board of Directors in light of the management strategy
- Understanding the gap between the ideal composition of the Board of Directors and the current situation
- Appointment of human resources with skills that the directors lack
- Enhanced director training for new skills
- Use in succession plans for directors
- Use in succession plans for executive officers and other executives

### ● Training for Officers

In FY2024, "improving officer skills based on the skills matrix" was positioned as a theme of the greatest importance. Training through outside courses was carried out focused on obtaining up-to-date knowledge and building up management skills that are lacking in individual directors, auditors, and executive officers among the "management skills" listed in the skills matrix (see p. 52).

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

\* Transitioned to a company with an Audit and Supervisory Committee in June 2025

| Management skills selected for the skill set | Number of training courses on related subjects |
|--|--|
| Corporate management                         | 6  |
| Finance, accounting, and capital policy      | 8  |
| Legal affairs and governance                 | 11   |
| Management planning and business strategies  | 10   |
| HR, personnel management, and diversity      | 5  |
| ICT/DX                                       | 6  |
| Environment and energy                       | 0  |
| Total  | 46   |

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

# Directors and Auditors



**Ryuhei Kanatani**

Chairman and Representative Director

March 1979 Joined the Company  
 July 1993 Manager of General Affairs Department  
 June 1998 Director, Manager of General Affairs Department  
 March 2002 Director, General Manager of Sales Planning Division  
 June 2002 Managing Director, General Manager of Sales Division  
 April 2006 Managing Director, General Manager of Management Planning Division  
 October 2006 Senior Managing Director, General Manager of Management Planning Division  
 July 2008 Representative Director, Senior Managing Director, General Manager of Management Planning Division  
 June 2011 Representative Director, Vice President, General Manager of Management Planning Division  
 June 2016 Representative Director, Vice President and Executive Officer, General Manager of Business Administration Headquarters and Manager of Management Planning Department  
 June 2019 Representative Director, President and Executive Officer  
 June 2025 Chairman and Representative Director (to present)



**Tetsuya Takahashi**

Representative Director, President and CEO

March 1986 Joined the Company  
 June 2013 Manager of Tokyo & Tokai Sales Department  
 June 2016 Executive Officer, Assistant General Manager in charge of Store Sales of Sales Division and Assistant General Manager of Local Sales Support Division  
 October 2016 Executive Officer, General Manager of Sales Division and Manager of Kansai Sales Department  
 June 2017 Director and Executive Officer, General Manager of Sales Division  
 June 2019 Director and Managing Executive Officer, General Manager of Sales Division  
 April 2021 Director and Senior Managing Executive Officer, in charge of Sales Strategy  
 June 2021 Representative Director and Senior Managing Executive Officer, in charge of Sales Strategy  
 April 2023 Representative Director, Vice President and Executive Officer, in charge of Sales Strategy  
 June 2025 Representative Director, President and CEO (to present)



**Kazumi Yoshikawa**

Outside Director  
 Audit and Supervisory Committee member  
 Independent

December 1995 Joined Chuo Audit Corporation  
 May 1999 Registered as a certified public accountant  
 April 2002 Registered as a tax accountant  
 August 2007 Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)  
 December 2019 Established Yoshikawa Kazumi Certified Public Accountant Office (to present)  
 September 2020 Director, SAKA NO TOCHU Co., Ltd.  
 June 2022 Outside Auditor, VALTES CO., LTD. (currently VALTES HOLDINGS CO., LTD.)  
 September 2022 Outside Auditor, Ubie, Inc. (to present)  
 June 2023 Outside Auditor (Audit and Supervisory Committee member), VALTES CO., LTD. (currently VALTES HOLDINGS CO., LTD.) (to present)  
 June 2023 Outside Auditor of the Company  
 June 2025 Outside Director (Audit and Supervisory Committee member) of the Company (to present)



**Kazuko Otsuki**

Outside Director  
 Audit and Supervisory Committee member  
 Independent

October 1996 Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)  
 May 2000 Registered as a certified public accountant  
 December 2015 Left Deloitte Touche Tohmatsu LLC  
 January 2016 Joined Imaoka Certified Public Accountant and Certified Public Tax Accountant Office (to present)  
 September 2021 Auditor, Osaka Research Institute of Industrial Science and Technology  
 March 2023 Outside Director, Sakata INX Corporation (to present)  
 June 2023 Outside Director, Ishihara Chemical Co., Ltd. (Audit and Supervisory Committee member) (to present)  
 June 2024 Outside Auditor of the Company  
 June 2025 Outside Director (Audit and Supervisory Committee member) of the Company (to present)



**Keiko Yamahira**

Outside Director  
 Independent

April 1983 Joined Kubota House Co., Ltd. (currently Sanyo Homes Corporation)  
 April 2010 Executive Officer, Sanyo Homes Corporation  
 June 2011 Director and Managing Executive Officer  
 June 2012 Director, Sanyo Reform Corporation  
 June 2013 Director & Senior Managing Executive Officer, Sanyo Homes Corporation; Director, SunAdvance, Inc.; Director, Sanyo Homes Community Corporation  
 June 2015 President & Director, Sanyo Homes Corporation  
 April 2017 Chairman and Representative Director, Sanyo Homes Community Corporation  
 June 2019 Outside Director, Fujitex Co., Ltd.; Outside Director of the Company (to present)  
 June 2021 Outside Director, Takara Leben Co., Ltd. (currently MIRARTH HOLDINGS, Inc.)  
 June 2022 Outside Director, Shinagawa Refractories Co., Ltd. (currently SHINAGAWA REFRA Co., Ltd.) (to present)  
 June 2024 Outside Director, Maruichi Steel Tube Ltd. (to present)



**Junko Kawano**

Outside Director  
 Independent

April 1986 Joined Recruit Co., Ltd  
 January 1997 Chief Editor of Travail  
 July 2008 Joined Sumitomo Corporation  
 February 2013 Director, Institute of Global Human Capital Strategies Co., Ltd.  
 March 2018 Established Kawano Junko Office (to present); Executive Officer and Chief Marketing Officer, Life Shift Japan Co., Ltd.  
 September 2019 Director, Tokyo International Progressive School (to present)  
 April 2020 Senior Researcher, Keio Research Institute at SFC (to present)  
 June 2021 Outside Director of the Company (to present)  
 December 2021 Director and Chief Marketing Officer, Life Shift Japan Co., Ltd. (to present)  
 April 2022 Outside Director, DyDo Group Holdings, Inc. (to present)

|                   | Term of office | Number of Company shares held | Committee membership                  |   | Attendance at meetings of the Board of Directors and Board of Auditors |   | Areas of experience/skills |   |                              |   |   |        |   |                                |                              |           |           |   |   |   |   |   |
|-------------------|----------------|-------------------------------|---------------------------------------|---|--|---|----------------------------|---|------------------------------|---|---|--------|---|--------------------------------|------------------------------|-----------|-----------|---|---|---|---|---|
|                   |                |                               | Nomination and Compensation Committee | Board of Directors Evaluation Committee | During FY2023  | During FY2024                                       | Management skills          |   |                              |   |   |        | Skills related to business specialization |                                |                              |           |           |   |   |   |   |   |
|                   |                |                               |                                       |   |  |   | Corporate management       | Finance, accounting, and capital policy | Legal affairs and governance | Management planning and business strategies | HR, personnel management, and diversity | ICT/DX | Environment and energy                    | Home appliance retail business | Housing environment business | Marketing | Logistics |   |   |   |   |   |
| Ryuhei Kanatani   | 27 years       | 66,900 shares (29,300*)       | ○                                     |   | 18/18  | 18/18   | ○                          | ○                                       | ○                            | ○   | ○                                       | ○      | ○   | ○                              | ○                            | ○         | ○         | ○ | ○ | ○ | ○ |   |
| Tetsuya Takahashi | 8 years        | 28,901 shares (19,501*)       |                                       |   | 18/18  | 18/18   | ○                          |   |                              |   |   |        |   |                                |                              |           |           |   |   |   | ○ |   |
| Keiko Yamahira    | 6 years        | 800 shares                    | ○ (Chairman)                          | ○                                       | 18/18  | 18/18   | ○                          | ○                                       |                              |   |   |        |   |                                |                              |           |           |   |   |   | ○ | ○ |
| Junko Kawano      | 4 years        | -                             | ○                                     | ○                                       | 18/18  | 18/18   | ○                          |   |                              |   |   |        |   |                                |                              |           |           |   |   |   |   | ○ |
| Seiji Nishikawa   | 3 years        | 700 shares                    |                                       | ○                                       | 17/18  | 18/18   | ○                          |   |                              |   |   |        |   |                                |                              |           |           |   |   |   |   |   |
| Kinya Naito       | 8 years        | 4,000 shares                  |                                       | ○ (Chairman)                            | 18/18  | 18/18   | ○                          |   |                              |   |   |        |   |                                |                              |           |           |   |   |   |   |   |
| Kazumi Yoshikawa  | 2 years        | 201 shares                    | ○                                     | ○                                       | Board of Directors 14/14<br>Board of Auditors 10/10                    | Board of Directors 18/18<br>Board of Auditors 14/14 | ○                          | ○                                       | ○                            |   |   |        |   |                                |                              |           |           |   |   |   |   |   |
| Kazuko Otsuki     | 1 year         | -                             |                                       | ○                                       | Board of Directors -<br>Board of Auditors -                            | Board of Directors 14/14<br>Board of Auditors 11/11 | ○                          | ○                                       | ○                            |   |   |        |   |                                |                              |           |           |   |   |   |   |   |

\* Of which, the number of shares to be issued under the stock-based compensation plan



**Seiji Nishikawa**

Outside Director  
 Independent

April 1980 Joined Nippon Telegraph and Telephone Public Corporation (currently NTT)  
 April 2000 Chief Engineer, Information Systems Department, NTT DoCoMo, Inc.  
 October 2001 Executive Chief Engineer, Information Systems Department  
 June 2003 Department Manager, Information Systems Department  
 June 2006 Department Manager, Information Systems Department and Executive Officer  
 June 2012 Department Manager, Information Systems Department and Managing Executive Officer (CIO)  
 June 2013 President and Representative Director, DOCOMO Systems, Inc. (currently NTT DOCOMO SOLUTIONS, Inc.)  
 March 2021 Member of Mizuho Bank's independent Mizuho Failure Special Investigative Committee  
 June 2022 Outside Director of the Company (to present)



**Kinya Naito**

Outside Director  
 Audit and Supervisory Committee member  
 Independent

April 1986 Admitted to the bar  
 June 2003 Outside Auditor, Ikko Corporation (currently J Trust Co., Ltd.)  
 February 2004 Established Mizuho Partners Law Office  
 April 2012 Vice President, Osaka Bar Association; Executive Governor, Kinki Federation of Bar Associations  
 April 2014 Part-Time Auditor, National University Corporation Osaka University  
 June 2016 Outside Auditor of the Company; Outside Director, FALCO HOLDINGS Co., Ltd.  
 April 2017 Established Naito Law Office (to present)  
 June 2017 Outside Director of the Company  
 April 2019 Member, Osaka Prefecture Personnel Inspection Commission  
 January 2020 Chairman, Development Investigation Committee, Osaka City  
 June 2025 Outside Director (Audit and Supervisory Committee member) of the Company (to present)

## ● Compensation to Directors/Auditors

### ► Policy to determine the compensation of directors/auditors

In order to maximize the performance of duties in line with the management strategies and management goals, compensation for officers of the Company is based on job position and contribution to performance. With the aim of sharing profits and risks with shareholders, the compensation system provides incentives to manage the Company from the perspective of shareholders. With the start of the medium-term management plan (JT-2025 Management Plan), management responsibilities have been further clarified, and the compensation system was revised to aim for improved corporate value over the medium to long term.

For outside directors who are independent from business execution, variable compensation such as performance-linked compensation is not necessarily appropriate. Therefore, outside directors are paid fixed compensation only.

### ► Process of determining compensation to directors/auditors

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

### ► Composition of directors compensation

#### <Configuration and purpose of the compensation system for directors>

- 1) Clarify management responsibilities by setting the component ratio of performance-linked compensation to 50%.
- 2) Provide incentives for management aimed at improving corporate value from the perspective of the shareholders, with the component ratio of stock compensation set to 30%.
- 3) Promote sustainability management from a medium- to long-term perspective, with the component ratio of compensation based on ESG indicators set to 20%.

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

\* The table above assumes that the level of achievement of performance targets is 100%. The composition of directors' compensation is common to all executive directors.

### ► Directors compensation by position

Compensation for directors is based on "Directors and Executive Officers" compensation, and the standard monthly compensation is set at no more than 300% of the maximum monthly salary as set forth in the employee salary system. For individual allocations, a compensation multiplier is set according to the position.

### ► Calculation of performance-linked compensation

#### Monetary compensation paid as short-term incentive compensation (20%)

① **Individual performance-linked compensation (10%)**  
Each fiscal year, the Nomination and Compensation Committee evaluates the results from execution of duties by each director from the perspectives of monitoring and managing, and decides the individual performance-linked compensation by multiplication using the performance-based coefficient, which is based on a comprehensive evaluation. The amount paid will vary between 50% and 150%, with 100% indicating achievement of the targets.

#### ② Financial indicator-linked monetary compensation (10%)

To encourage labor and management to work together to improve business performance, this type of compensation is based on the achievement of operating income, the same as year-end bonuses for employees. The amount paid will vary between 0% and 150%, with 100% indicating achievement of the targets. For details on position-specific base compensation amounts and performance-based coefficient, please see the Securities Report.

#### Stock compensation paid as long-term incentive compensation (30%)

Directors are awarded points for each position once a year, calculated by multiplying the base points for each position by the performance-based coefficient based on the performance of the immediately preceding fiscal year (one ordinary share of the Company per one point), and each director receives ordinary shares of the Company (some are converted to cash) upon their retirement. Stock-based compensation varies between 0% and 150%, with 100% indicating achievement of the targets, based on the achievement rate against targets for financial and sustainability indicators.

#### ① Financial indicator-linked stock compensation (10%)

To reflect in the compensation the degree of improvement in capital profitability, shares are issued as compensation based on the degree of achievement of ROE targets in the medium-term management plan.

#### ② Stock compensation based on environmental management indicator (10%)

The Company has introduced this incentive to encourage directors to address the environmental issues caused by climate change within the management strategies from the perspectives of risk and opportunity, as well as to link the creation of the positive impact of our operations on society with the Company's sustainable growth. These incentives are awarded as shares for compensation based on an environmental management indicator (the CDP climate change score).

#### ③ Stock compensation based on employee engagement indicator (10%)

The creation of an internal environment where diverse human resources can play an energetic, active role as well as investments in human resource development that improve employee engagement should improve customer satisfaction, or CS (by creating new social value). In order to link this to the Company's sustainable growth, the Company continually measures engagement to monitor the progress as an engagement score and reflects this in directors' compensation.

## Compliance Systems

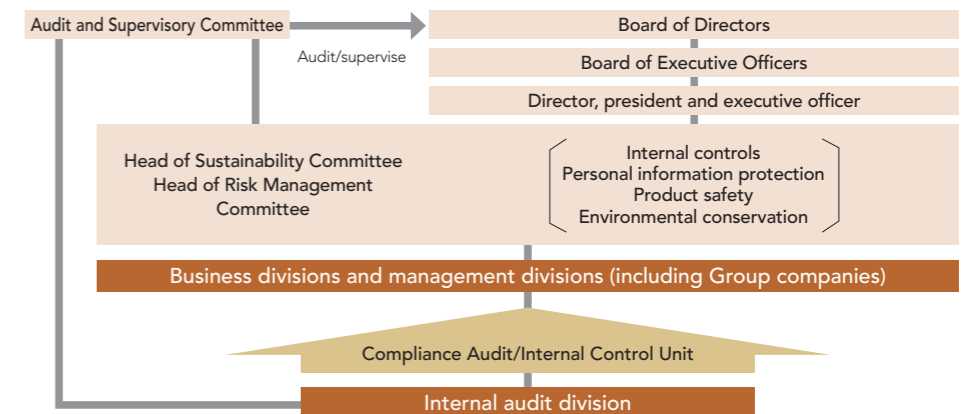
## ● Compliance Promotion System

Joshin has established a Sustainability Committee and a Risk Management Committee, both chaired by the Director, President and Executive Officer. These two committees work in coordination to oversee overall compliance while promoting the Company's growth strategy. To further strengthen this structure, the Company transitioned into being a company with an Audit and Supervisory Committee in June 2025. By substantially delegating authority over business execution decisions, this structure speeds up management while allowing the Board of Directors to focus on discussions from a medium- to long-term perspective, such as management policies and growth strategies. The Audit and Supervisory Committee, which serves as the core of the compliance framework, is comprised entirely of independent outside directors. Working closely with the Internal Audit Division, the committee monitors from an independent, third-party standpoint whether the Company's compliance promotion framework is functioning appropriately. The Internal

Audit Division reports directly to the company president, but the instructions and orders of the Audit and Supervisory Committee take precedence.

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

### Compliance Promotion System



## ● Operation of the Public Interest Notification System

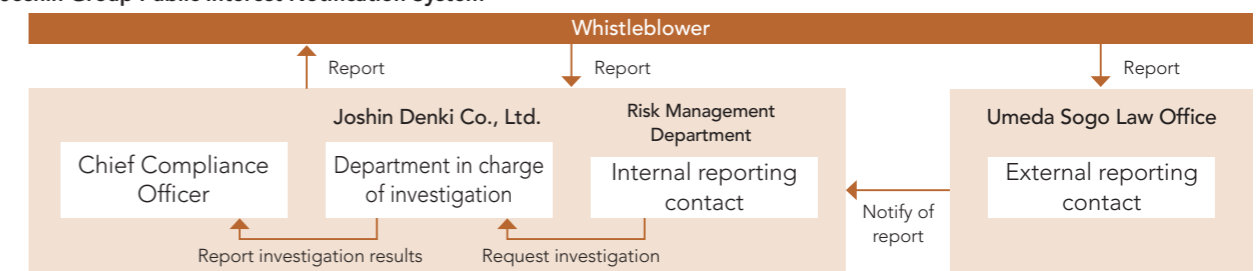
To prevent and promptly correct illegal and misguided acts, and to improve the capability to govern these acts, the Company uses a public interest notification system as our whistleblowing program. This system is made available not only to the employees of the Group, but also to the employees of franchisees,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

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

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

[Whistleblower cases (number of cases) (FY2024)]  
97 (20 harassment cases, 1 legal violation, and 76 others)

### Joshin Group Public Interest Notification System



# Risk Management

## ● Risk Management System

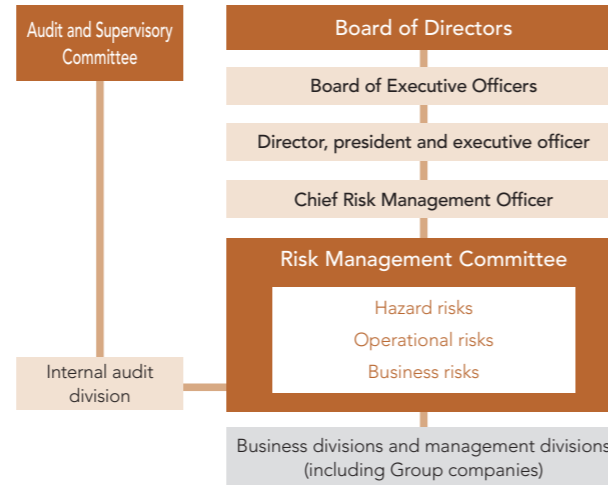
To comprehensively assess, evaluate, and manage the various risks surrounding the Group, the Company has established the Risk Management Committee and created a Group-wide risk management (ERM) system. Once a year, this Committee identifies and assesses risks that may interfere with achievement of the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

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

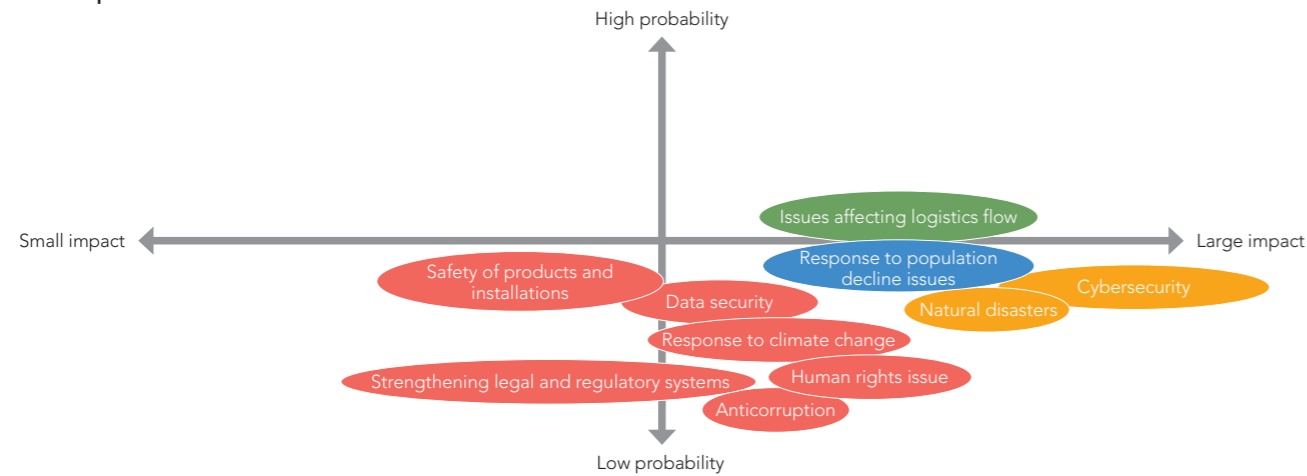
For recognized risks, a risk map is created with the risk degree of impact and probability of occurrence as the axes.

Monitoring is being strengthened for risk status and countermeasures in order to avoid or mitigate the risks.

### Risk Management System



### Risk Map



### Critical Risk Issues and Status of Our Response

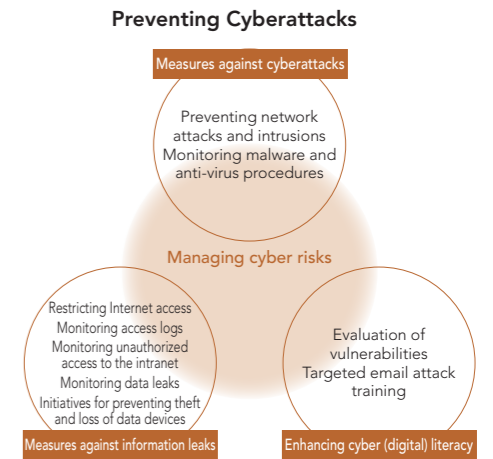
| Classification    | Risk issues (content)  | Countermeasure  |
|-------------------|--|---|
| Hazard risks      | Response to natural disasters, diseases, and fires in important facilities | <ul style="list-style-type: none"> <li>Formulation of basic business continuity plan (BCP) policy and informing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

# Data security

## ● Cyber Risk Management Promotion System

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

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



## ● Promotion of Personal Information Protection

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

Personal information protection policy  
<https://www.joshin.co.jp/en/privacy.html>



### Data Security and Personal Information Protection System



## ● Initiatives for Strengthening Security

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

operations, we are strengthening security measures for sending and receiving email. We are also enacting security measures for business terminals, such as introducing data-free PCs that do not record data to the local disk and disabling connections to external devices.

## ● Education and Training

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

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