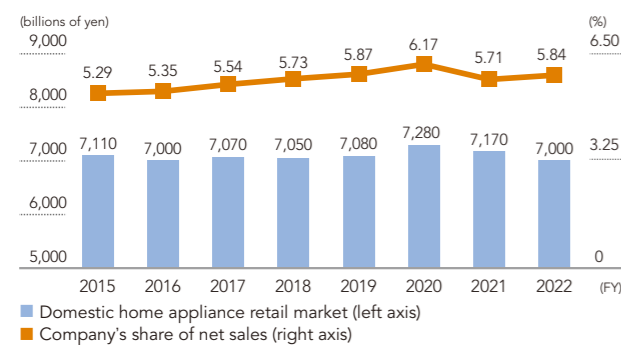


MD&A (Management Discussion and Analysis of Financial Condition and Operating Results)

Recognition of the Business Environment

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

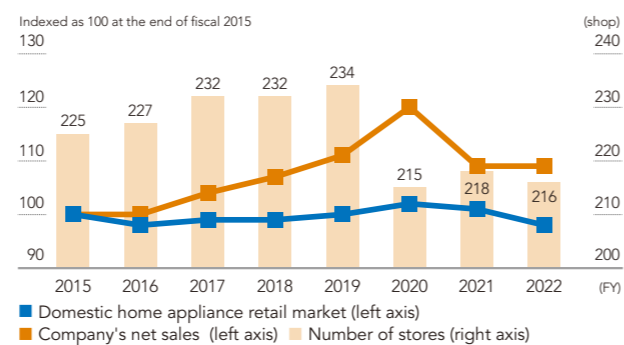
Size of domestic home appliance retail market and the Company's net sales share (estimate)



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

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

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



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

Return on Capital and Capital Cost

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

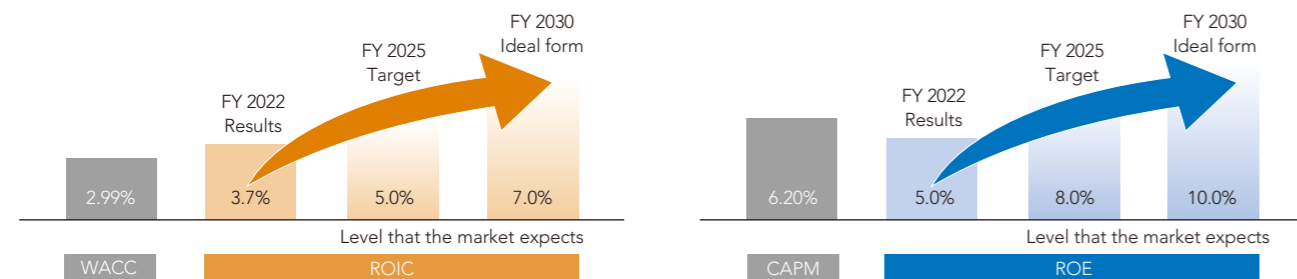
In addition, in JT-2025 Management Plan, our new medium-term management plan released in May 2023, we showed capital cost (CAPM¹/WACC²)—based on the "Action to implement management that is conscious of cost of capital and stock price" released by Tokyo Stock Exchange on March 31, 2023—and set targets for fiscal 2025, the final year of the new medium-term management plan. We are aiming for ROE of 8.0%, and for fiscal 2030, aiming for ROE of 10.0%, as our ideal form.

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

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

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

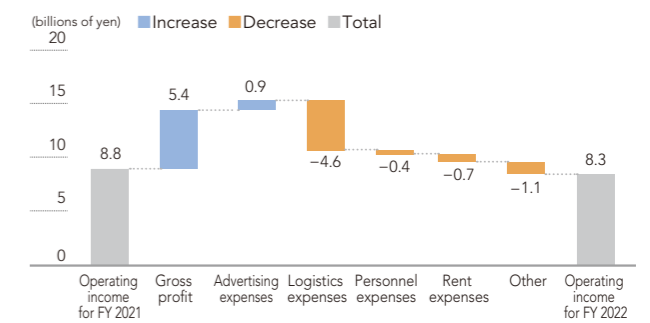
* ROIC = Operating income × 0.65 (assuming a tax rate of 0.35) ÷ (end-of-period net assets + end-of-period interest-bearing liabilities)



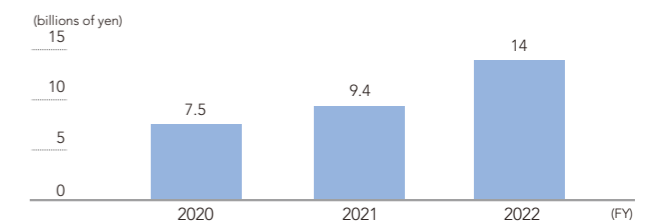
Summary of Financial Results

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

Factors for Changes in Operating Income: Vs. Previous Year



Logistics costs

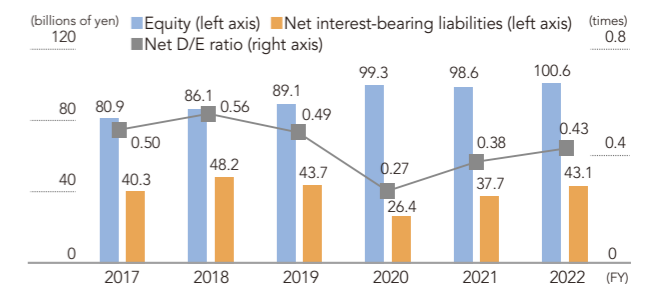


Our Cash Flows and Financial Position

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

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

Net D/E ratio



Asset efficiency

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

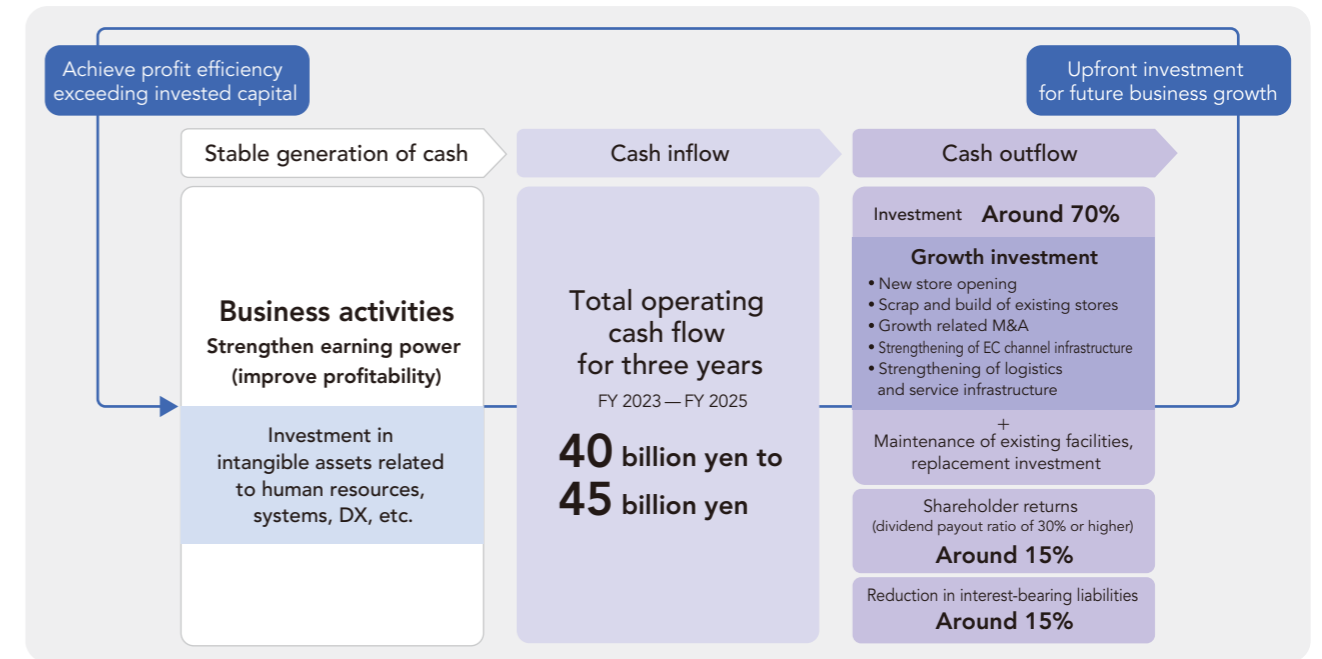
Message from the Executive Officer in Charge of Financial Strategy



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

大石 卓

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



Financial Policy

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

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

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

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

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

Capital efficiency

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

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

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

Capital efficiency indices

	FY 2022 results	FY 2025 plan	FY 2030 ideal form
ROE	5.0%	8.0% or more	Aim for 10.0% or more
ROA	3.8%	5.0% or more	Aim for 7.0% or more
ROIC*	3.7%	5.0% or more	Aim for 7.0% or more

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

Reference: Recent capital cost (based on our standards)

Capital asset pricing model (CAPM)	6.20%
Weighted average cost of capital (WACC)	2.99%

Cash allocation

Capital allocation in the new medium-term management plan is based on the goal of generating operating cash flow of approximately 40 to 45 billion yen over a three-year period.

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

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

Shareholder returns

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

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

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

* DOE: dividend on equity ratio

Capital Policy

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

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

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

Engagement with a Wide Range of Investors

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

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

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

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

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