

# Joshin

**Joshin Denki Co.,LTD.**

Q2 Financial Results Briefing for the Fiscal Year Ending March 2024

November 7, 2023

## Event Summary

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<b>[Company Name]</b>	Joshin Denki Co.,LTD.	
<b>[Company ID]</b>	8173-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Q2 Financial Results Briefing for the Fiscal Year Ending March 2024	
<b>[Fiscal Period]</b>	FY2023 Q2	
<b>[Date]</b>	November 7, 2023	
<b>[Number of Pages]</b>	34	
<b>[Time]</b>	17:00 – 17:53 (Total: 53 minutes, Presentation: 33 minutes, Q&A: 20 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	5	
	Ryuhei Kanatani	Representative Director, President and Executive Officer
	Tetsuya Takahashi	Representative Director, Vice President and Executive Officer, in Charge of Sales Strategy
	Koichi Yokoyama	Director and Managing Executive Officer
	Koji Tanaka	Director and Managing Executive Officer
	Suguru Oshiro	Director and Managing Executive Officer, in Charge of Financial Strategy

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# Presentation

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**Moderator:** Thank you very much for taking time out of your busy schedule today to watch the live webcast of the financial results briefing for Q2 of fiscal year 2023 of Joshin Denki Co.,LTD.

Ryuhei Kanatani, Representative Director, President, and Executive Officer, will begin today's proceedings with an explanation, which will be followed by a question-and-answer period.

If you have any questions, please feel free to ask them in the chat box. You may also enter the chat box during the explanation.

Let me now explain from Kanatani. Thank you for your cooperation.

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- Initiatives under Medium-term Management Plan (JT-2025 Management Plan)
- Topics



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**Kanatani:** Hello everyone. I am Ryuhei Kanatani, Representative Director, President, and Executive Officer of Joshin Denki Co.,LTD.

Thank you very much for taking time out of your busy schedule today to participate in this presentation of the financial results for Q2 of fiscal year 2023.

Today, we will follow this order.

After the presentation, there will be time for questions and answers. I or the director in charge will reply to you, and thank you in advance for your cooperation.

Now, please turn to page three.

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## Earnings Summary for the First Six Months of the Fiscal Year Ending March 31, 2024 (FY2023) 1

### Consolidated Income Statement (Apr.–Sept.)

(Million yen)	First six months of FY2022(Apr.–Sept.)		First six months of FY2023 (Apr. –Sept.)					
	Actual results	% of net sales	Actual results	% of net sales	Actual results	% of net sales	YoY	Actual vs. forecast
Net sales	197,918	100.0%	198,000	100.0%	197,483	100.0%	(0.2%)	(0.3%)
Of which, sales at stores	160,125	80.9%	-	-	163,356	82.7%	+2.0%	-
Of which, sales in EC business	35,634	18.0%	-	-	31,463	15.9%	(11.7%)	-
Of which, other sales	2,158	1.1%	-	-	2,664	1.4%	+23.4%	-
Gross profit	51,193	25.9%	-	-	52,868	26.8%	+3.3%	-
Selling, general and administrative expenses	47,089	23.8%	-	-	48,282	24.5%	+2.5%	-
Operating income	4,104	2.1%	4,200	2.1%	4,586	2.3%	+11.7%	+9.2%
Ordinary income	4,119	2.1%	4,200	2.1%	4,549	2.3%	+10.4%	+8.3%
Net income (*1)	3,006	1.5%	3,100	1.6%	3,110	1.6%	+3.4%	+0.3%

\*1 Profit attributable to owners of parent

Page three shows the consolidated profit and loss for H1 of FY2023.

Net sales were down slightly from the previous year and from our initial forecast, but sales at stores were up 2% from the previous year.

In terms of profit, operating income, ordinary income, and net income all exceeded both the previous year's results and our initial forecasts.

Gross profit increased 3.3% from the previous year, and the gross profit margin improved from 25.9% to 26.8%.

Factors for the increase/decrease in operating income will be explained on the next slide.

Please continue to page four.

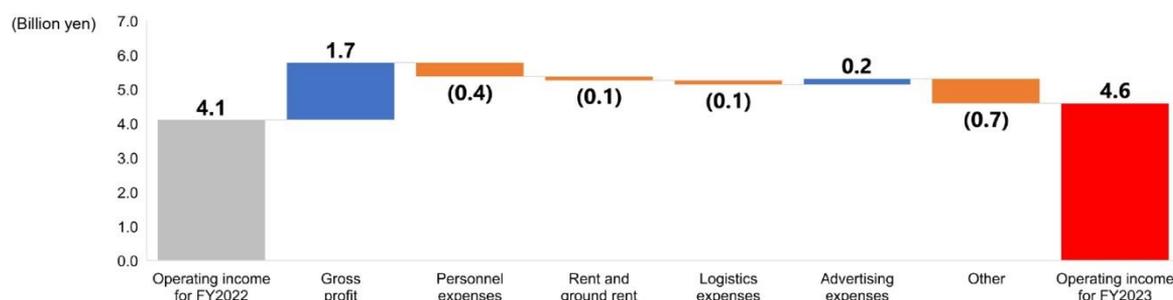
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## Earnings Summary for the First Six Months of the Fiscal Year Ending March 31, 2024 (FY2023) 2

Factors for changes in operating income (Apr.–Sept.): Vs. previous year



FY2022								
(Billion yen)	Operating income for FY2021	Gross profit	Personnel expenses	Rent and ground rent	Logistics expenses	Advertising expenses	Other	Operating income for FY2022
Apr.–Sept.	5.3	1.9	(0.4)	(0.4)	(2.1)	(0.0)	(0.2)	4.1

Factors for changes in operating income (quarterly): Vs. previous year

(Billion yen)	Operating income for FY2022	Gross profit	Personnel expenses	Rent and ground rent	Logistics expenses	Advertising expenses	Other	Operating income for FY2023
Apr.–June	1.4	(0.0)	(0.1)	(0.0)	(0.3)	0.3	(0.1)	1.1
July–Sept.	2.7	1.7	(0.3)	(0.1)	0.2	(0.2)	(0.6)	3.5

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Page four is a graph showing the factors that contributed to the increase/decrease in operating income.

Gross profit increased by JPY1.7 billion, while personnel expenses were a factor in the JPY0.4 billion decrease in profit. This was due to higher expenditures for salaries and benefits in view of increased investments in human capital.

As a result, gross profit exceeded the increase in selling, general, and administrative expenses, resulting in an increase in operating income.

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## Earnings Summary for the First Six Months of the Fiscal Year Ending March 31, 2024 (FY2023) 3

### Consolidated Income Statement (July–Sept.)

(Million yen)	1Q FY2022 (Apr.–June)		1Q FY2023 (Apr.–June)			2Q FY2022 (July–Sept.)		2Q FY2023 (July–Sept.)			
	Actual results	% of net sales	Actual results	% of net sales	YoY	Actual results	% of net sales	Actual results	% of net sales	YoY	QoQ (vs. Apr.–June)
Net sales	94,601	100.0%	90,377	100.0%	(4.5%)	103,316	100.0%	107,106	100.0%	+3.7%	+18.5%
Of which, sales at stores	75,944	80.3%	72,998	80.8%	(3.9%)	84,181	81.5%	90,358	84.4%	+7.3%	+23.8%
Of which, sales in EC business	17,367	18.3%	16,048	17.7%	(7.6%)	18,267	17.7%	15,415	14.4%	(15.6%)	(4.0%)
Of which, other sales	1,290	1.4%	1,330	1.5%	+3.1%	868	0.8%	1,333	1.2%	+53.6%	+0.2%
Gross profit	24,820	26.2%	24,787	27.4%	(0.1%)	26,373	25.5%	28,081	26.2%	+6.5%	+13.3%
Selling, general and administrative expenses	23,429	24.8%	23,695	26.2%	+1.1%	23,660	22.9%	24,587	23.0%	+3.9%	+3.8%
Operating income	1,391	1.5%	1,091	1.2%	(21.5%)	2,713	2.6%	3,495	3.3%	+28.8%	+220.1%
Ordinary income	1,394	1.5%	1,076	1.2%	(22.8%)	2,725	2.6%	3,473	3.2%	+27.4%	+222.5%
Net income*1	1,016	1.1%	620	0.7%	(39.0%)	1,990	1.9%	2,489	2.3%	+25.1%	+301.1%

\*1 Profit attributable to owners of parent

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Page five shows the results for Q2 of the fiscal year.

From July to September, sales and profit increased.

In terms of sales, the “Hanshin Tigers Victory Sale” contributed to a particularly strong increase in sales at stores.

In terms of profit, gross profit exceeded the increase in SG&A expenses, resulting in respective increases in operating income, ordinary income, and net income, with an operating income margin of 3.3%.

Please continue to page six.

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## Earnings Summary for the First Six Months of the Fiscal Year Ending March 31, 2024 (FY2023) 4

### Sales by product (Apr.–Sept.)

(Million yen)	1Q FY2022 (Apr.–June)		1Q FY2023 (Apr.–June)			2Q FY2022 (July–Sept.)		2Q FY2023 (July–Sept.)			First six months of FY2022 (Apr.–Sept.)		First six months of FY2023 (Apr.–Sept.)		
	Actual results	% of net sales	Actual results	% of net sales	YoY	Actual results	% of net sales	Actual results	% of net sales	YoY	Actual results	% of net sales	Actual results	% of net sales	YoY
TVs	5,973	6.3%	5,252	5.8%	(12.1%)	6,920	6.7%	7,120	6.6%	+2.9%	12,894	6.5%	12,372	6.3%	(4.0%)
Refrigerators	6,481	6.8%	5,841	6.5%	(9.9%)	8,139	7.9%	8,206	7.7%	+0.8%	14,620	7.4%	14,047	7.1%	(3.9%)
Washing machines and vacuum cleaners	8,651	9.1%	8,205	9.1%	(5.2%)	9,958	9.6%	10,072	9.4%	+1.1%	18,609	9.4%	18,277	9.2%	(1.8%)
Microwave ovens and cookers	3,871	4.1%	3,559	4.0%	(8.1%)	3,871	3.7%	4,218	3.9%	+9.0%	7,742	3.9%	7,777	3.9%	+0.4%
Air conditioners	14,742	15.6%	11,764	13.0%	(20.2%)	14,437	14.0%	16,289	15.2%	+12.8%	29,179	14.8%	28,053	14.2%	(3.9%)
Personal computers	5,023	5.3%	4,500	5.0%	(10.4%)	4,724	4.6%	4,580	4.3%	(3.0%)	9,747	4.9%	9,080	4.6%	(6.8%)
Mobile phones	6,113	6.5%	6,596	7.3%	+7.9%	6,824	6.6%	8,645	8.1%	+26.7%	12,937	6.5%	15,241	7.7%	+17.8%
Games, models, toys, musical instruments	11,060	11.7%	13,730	15.2%	+24.1%	15,042	14.6%	14,170	13.2%	(5.8%)	26,102	13.2%	27,901	14.1%	+6.9%

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Page six shows sales by major product.

The “Hanshin Tigers Victory Sale” also contributed to a reasonable performance for the product line, which had been sluggish since the beginning of the fiscal year.

In addition, mobile phone sales consistently outperformed the previous year.

## Earnings Summary for the First Six Months of the Fiscal Year Ending March 31, 2024 (FY2023) 5

### Balance sheet

(Million yen)	2023/03	2023/09	Change	(Million yen)	2023/03	2023/09	Change
Current assets	114,560	127,382	+12,822	Current liabilities	84,376	90,812	+6,435
Tangible assets	75,085	74,409	(675)	Non-current liabilities	38,143	41,901	+3,758
Intangible assets	2,471	2,447	(24)	Total liabilities	122,520	132,713	+10,193
Investments, other assets	31,100	30,911	(189)				
Non-current assets	108,657	107,768	(889)	Total net assets	100,698	102,437	+1,739
Total assets	223,218	235,151	+11,932	Total liabilities and net assets	223,218	235,151	+11,932
(Reference)							
Total interest-bearing liabilities	45,964	45,998	+34	Total net interest-bearing liabilities*	43,194	40,482	(2,712)

\*Total net interest-bearing liabilities: interest-bearing liabilities less cash and deposits

### Cash flows

(Million yen)	2022/09	2023/03	2023/09	Change vs. 2022/09	Change vs. 2023/03
Cash flow from operating activities (a)	4,620	7,119	7,370	+2,750	+251
Cash flow from investing activities (b)	(3,182)	(9,070)	(2,284)	+898	+6,786
(Free cash flow (a) + (b))	1,438	(1,951)	5,086	+3,648	+7,037
Cash flow from financing activities	(91)	2,360	(2,339)	(2,247)	(4,700)
Cash and cash equivalents at end of period	3,706	2,769	5,516	+1,809	+2,747

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Please continue to page seven, which shows the results of major items in the balance sheet and statement of cash flows.

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**Full-year Forecast FY2023 (ending March 31, 2024)** \*Revision to the most recent earnings forecasts: No

**Consolidated Income Statement (Full-year forecast)**

(Million yen)	Full-year FY2022 (Apr.–Mar.)		Full-year FY2023 (Apr.–Mar.)		
	Actual results	% of net sales	Forecast	% of net sales	YoY
Net sales	408,460	100.0%	410,000	100.0%	+0.4%
Operating income	8,311	2.0%	9,000	2.2%	+8.3%
Ordinary income	8,317	2.0%	9,000	2.2%	+8.2%
Net income*1	4,972	1.2%	6,000	1.5%	+20.7%

\*1 Profit attributable to owners of parent

**Forecast for second half (Oct.–Mar.)**

(Million yen)	Second half of FY2022 (Oct.–Mar.)		Second half of FY2023 (Oct.–Mar.)		
	Actual results	% of net sales	Forecast	% of net sales	YoY
Net sales	210,541	100.0%	212,516	100.0%	+0.9%
Operating income	4,206	2.0%	4,414	2.1%	+4.9%
Ordinary income	4,198	2.0%	4,450	2.1%	+6.0%
Net income*1	1,965	0.9%	2,890	1.4%	+47.0%

\*1 Profit attributable to owners of parent

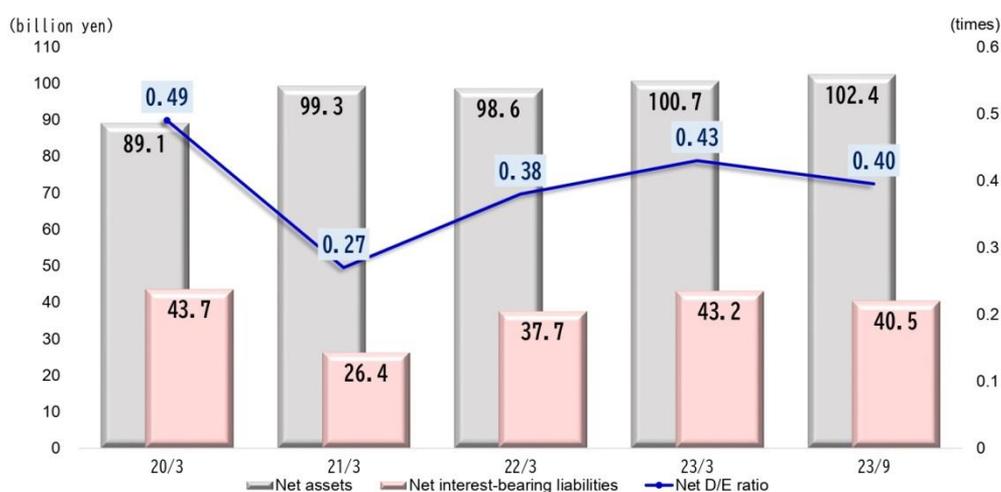
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Next, page 8 shows the forecast for the full year and H2 of FY2023.

Based on the H1 results, the full-year forecast remains unchanged. As a result, we forecast higher sales and profits in H2 of the fiscal year compared to the previous fiscal year.

**Trends of Financial Conditions and Net Interest-bearing Liabilities**

**Net interest-bearing liabilities declined and net D/E ratio stably remained low**



Net interest-bearing liabilities: Interest-bearing liabilities – Cash and deposits  
 \*Net D/E ratio: (Interest-bearing liabilities – Cash and deposits) / Net assets

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Please continue to page nine, where the financial situation and net interest-bearing liabilities are shown.

Although net assets increased, net D/E ratio remained stable at a low level due to a decrease in net interest-bearing liabilities.

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## Trend in Number of Stores

We strengthened Joshin brand directly managed stores to promote our dominant strategy.

### Breakdown of stores by region as of the end of September 2023

Region	Number of stores	Joshin		BOOK OFF	TSUTAYA
		Direct	Franchise		
Kansai	144	135		6	3
Tokai	35	32	3		
Hokushinetsu	23	23			
Kanto	16	16			
Shikoku	2	0	2		
Total	220	206	5	6	3

### Store openings and closures in FY2023

Closed	Prefecture	業態	Store name
2023	June	Osaka	TSUTAYA
			Yao-oihara store

#### BOOK-OFF

Joshin operates some BOOK-OFF shops as a franchisee. These shops buy and sell items for reuse, such as books, CDs, DVDs, video games, apparel, and hobby items.

#### TSUTAYA

Joshin is a franchisee of an entertainment shop TSUTAYA, which offers lifestyle choices by selling new books, stationery, and other goods, and renting movies, music, and comics.



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Page 10 shows the number of stores over the past 10 years.

In FY2023, the number of stores decreased by one store to 220 as of the end of September.

Over the past 10 years, the Group has worked to strengthen its “Joshin” brand directly managed stores by: 1) reorganizing its store network in line with the expansion of its logistics and service infrastructure; 2) scrapping and building unprofitable stores; and 3) transferring operations of drugstore format specialty stores with little synergy with its mainstay home appliances business.

As a result, although the number of stores itself has declined over the past 10 years, we have steadily promoted the Group's unique “dominant strategy” by positioning Kansai, Tokai, Kanto, and Hokushinetsu as priority areas.

The “dominant strategy” will be explained later in the initiatives of the JT-2025 Management Plan, our medium-term management plan.

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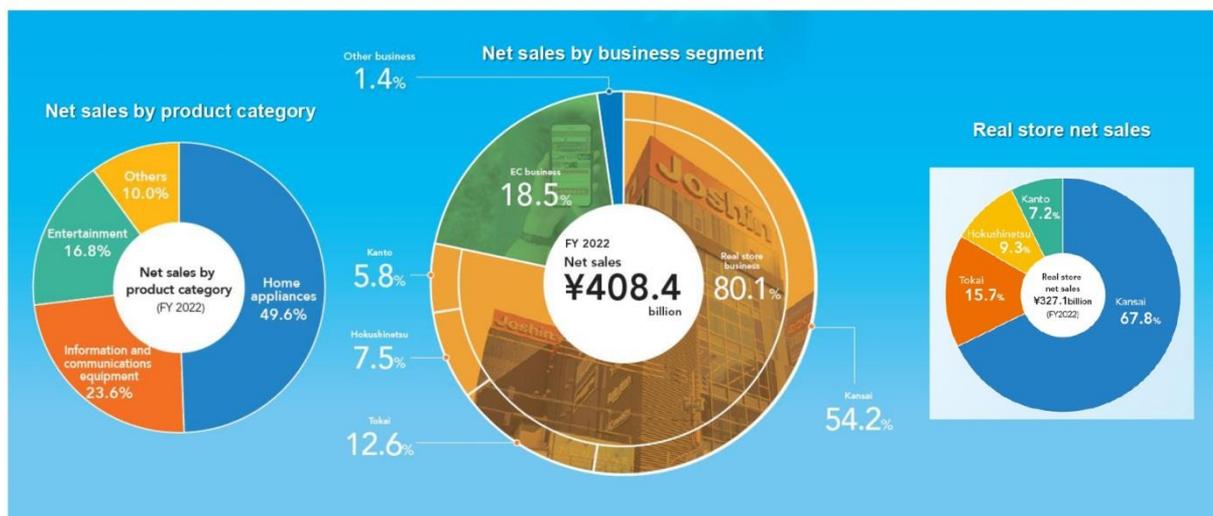
Please continue to page 11.

I would now like to explain the initiatives of our medium-term management plan “JT-2025 Management Plan.”

Joshin

Sales Composition of Joshin Group

Sales consist of two channels of real stores and EC business. Real stores in the Kansai area account for more than 50% of net sales.



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Now, please see page 12. This page shows the sales composition of the Joshin Group.

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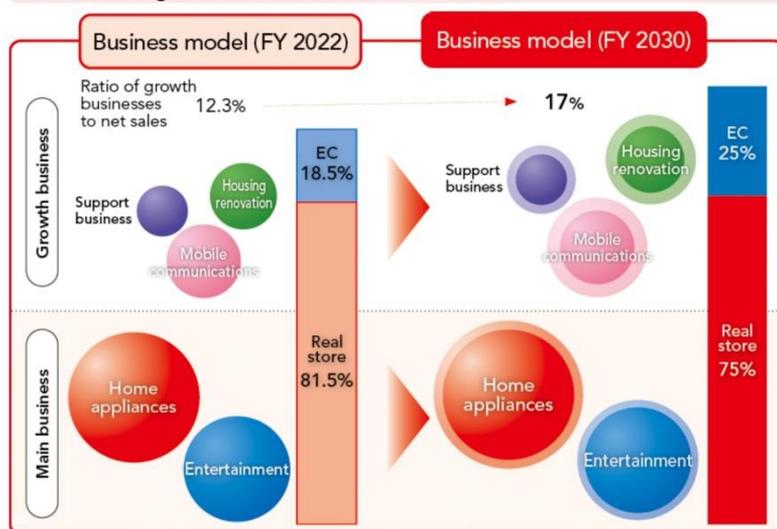
As a premise for the JT-2025 Management Plan, we once again disclosed the Group's two channels, real stores and e-commerce, and for real stores, the sales composition by area as a percentage of total sales, in the "Integrated Report 2023" published in September of this year.

The Group has positioned Kansai, Tokai, Kanto, and Hokushinetsu as priority areas, and has promoted a dominant strategy centered on the Kansai area, which now accounts for more than 50% of total sales, including EC.

In 2030, the milestone year of our mid- to long-term management strategy that looks ahead to 2050, the Kansai area will remain the center of real stores. We position this market, together with e-commerce—which is expected to grow and expand in the future—to support the sales foundation of our group.

### Joshin Group's Redefined Business Model

We redefined the business model consisting of two channels and five categories. We aim to grow and expand EC while ensuring the business scale of real stores



What Joshin Group aspires to be in FY2030

<b>Growth business</b>	<b>Growth and expansion of the real store business</b>
<b>Mainstay business</b>	<b>Growth and expansion of the EC business while maintaining the business scale</b>

FY2030 goals in material issues

<b>Growth business</b>	<b>Ratio to net sales: 17%</b>
<b>EC</b>	<b>Ratio to net sales: 25%</b>

\*Support business: house cleaning, home maintenance, reuse, rental, etc.

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Now, page 13, this is an introduction to the Joshin Group's business model.

In promoting the JT-2025 Management Plan, we reviewed and reorganized our business portfolio and once again redefined the business model in our group.

First, we positioned real stores and e-commerce as the two main sales channels that serve as points of contact with customers.

Next, we have identified five categories of areas in which we provide value to our customers through the sale of the products and services we offer.

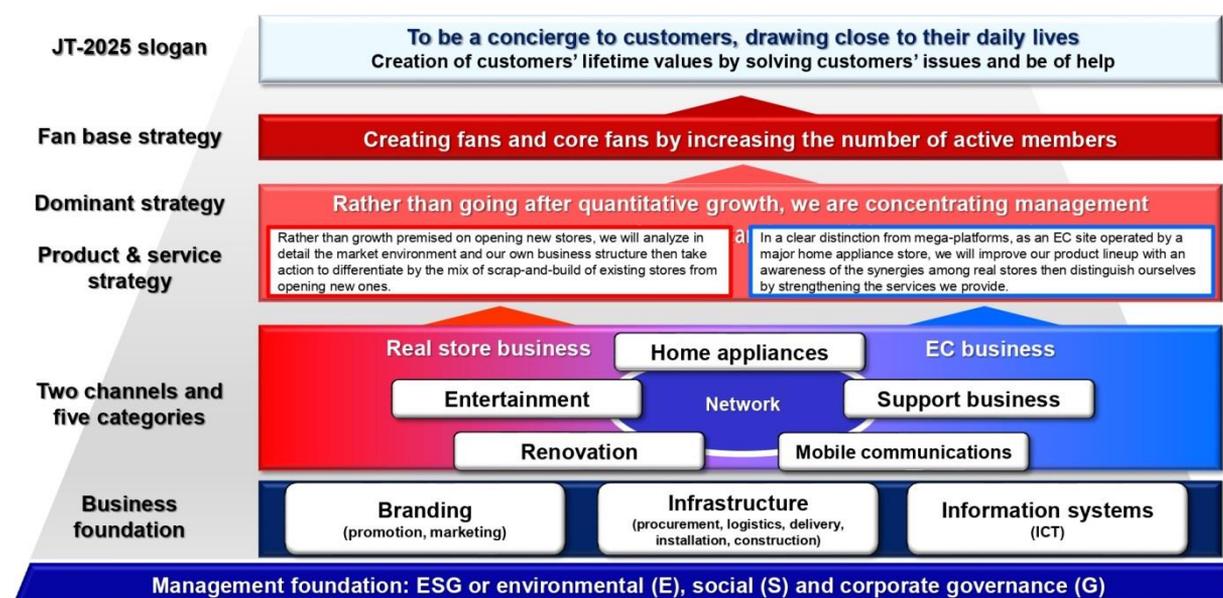
In the five categories of our core businesses of home appliances and entertainment, plus our growth businesses of renovation, mobile communications, and support business, we will strengthen our competitiveness in each category. By differentiating our competitiveness through fusion and collaboration among categories and the creation of new categories, we will achieve our vision of what we should be by 2030.

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### Clarified Basic Strategies of JT-2025 Management Plan



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On page 14 is the basic strategy in the JT-2025 Management Plan.

With service infrastructure, information systems, and branding as the foundation of our business, we will develop the Group's unique “dominant strategy” and “product & service strategy” starting from two channels and five categories.

And, by promoting a “fan base strategy” armed with customer service skills honed through 75 years of practicing service with care, we will be able to achieve stable business growth over the medium to long term.

Please continue to page 15.

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## Clarified Fan Base Strategy

The most important strategy of JT-2025 Management Plan in which we aim to create fans and core fans through retention and expansion of active members\*1

### Conceptual image of fans and core fans

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

Evaluates values we offer through products and services in addition to prices  
 ⇒ Purchase amount is on a rising trend ⇒ Steady increase in average annual purchase amount ⇒ Results in strengthened profitability

### FY2022 results

**Number of active members\*1**

Approx. **5.2** million people

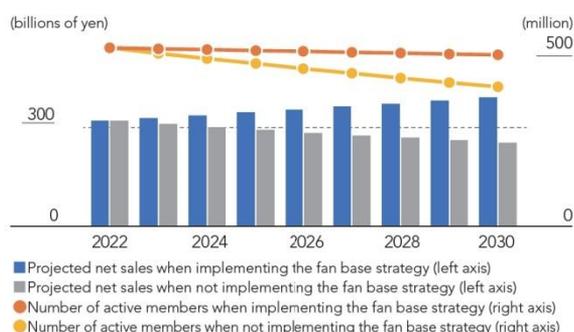
**Member Purchase Amount\*2**

approx. **62,000** yen

\*1. Customers who have purchased products or services from us at least once in FY 2022.

\*2. Average unit price per active member purchased in a year

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



Page 15 outlines the “fan base strategy.”

The Group defines an active member as a member who purchases goods or services at least once a year.

After clarifying that the fan base strategy is a strategy aimed at creating “fans” and “core fans” through the retention and expansion of active members, we disclosed the annual number of active members and the average annual purchase amount of active members.

We have also clarified the positioning and quantitative definition of “fan” and “core fan” membership.

Demand trends for home appliances are expected to continue a gradual downward trend due to the declining birthrate and aging population. The average purchase price for one side and active members has been on an upward trend.

If we can implement the fan base strategy, we will be able to achieve sustainable growth with increased profitability.

The fan base strategy is positioned as the most important strategy of our group, which we will continue to implement not only in the JT-2025 Management Plan but also beyond it.

Please continue to page 16.

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## Launch of New Loyalty Program

Started notification on our website towards the launch of the service in February 2024

Greater value, more smile!  
New program is coming!

**Joshin Smile Program**

2024.2 START!

For details, see the URL below.  
<https://card.joshin.co.jp/smileprogram/>

### New launch! What is Joshin Smile Program?

- A service where customers can enjoy greater value depending on their purchase at Joshin Group stores and Joshin web shop
- It offers five stages of member ranks, and members are entitled to benefits at both stores and Joshin web shops depending on their rank.



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Page 16 is an introduction to the new loyalty program.

The introduction of the new loyalty program is one of the core tactics of our fan base strategy, and we began announcing it on our website this past September in preparation for the service launch in February 2024.

The “Premium Stage” program, which is currently operated exclusively through the Joshin web shop of e-commerce channel, is a new membership service that has been redesigned as a new program for the entire Group, including real stores.

The Premium Stage used to consist of three stages but has been expanded to five with this redesign. “Gold Smile” and “Platinum Smile” offer a variety of benefits for fan members and “VIP Smile” for core fan members.

For details, please refer to the Company's website.

### Support

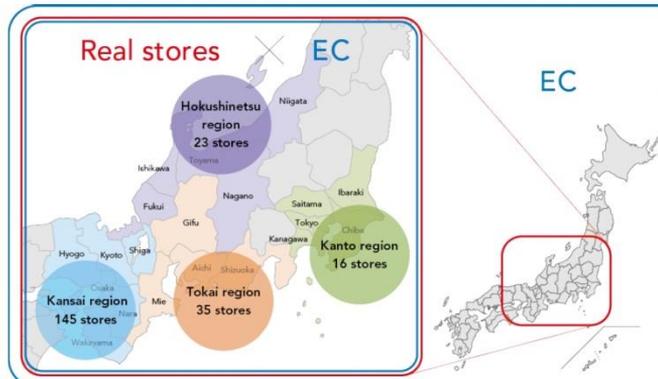
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## Clarified Joshin Group's Dominant Strategy

A differentiation program that leverages the assets accumulated over 75 years to the maximum extent and in which we focus our management resources in specialized fields where we can exploit our strengths

Kansai, Tokai, Kanto, and Hokushinetsu are positioned as key areas



\*As of the end of March 2023, there are two stores in Shikoku region (Tokushima) in addition to them

[General dominant strategy]

- Narrow down to a certain area and aim to improve the market share by focusing on new store openings in the area (it considers the entire area as a surface).

[Joshin Group's dominant strategy]

- Instead of relying on new store openings, it aims to secure market share by focusing on areas where we can expect profit expansion including synergy effects with EC, logistics, and service infrastructure primarily through strengthening of sales skills of existing stores and scrap and build (we have a grasp of the market share within 0 to 5 km radius of each store).
- The idea is to cover the entire area by growing each point and connecting the empty spaces using EC as the plaster.
- Avoiding relying on new store openings enables us to reduce expenses such as capital investment, personnel expenses, and store operation costs.

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

T7/33

On page 17 is an explanation of the “dominant strategy” of the Joshin Group.

The Group has positioned Kansai, Tokai, Kanto, and Hokushinetsu as key areas for real stores. The Group's dominant strategy is not premised on increasing market share by expanding the number of new stores, but rather on creating a Joshin economic zone that maximizes synergies with EC and service infrastructure, in addition to strengthening the sales capabilities of existing stores, including scrap-and-build.

The Group knows the market share of each store within a five-kilometer radius. The strategy for store openings has been to implement a store opening policy based on the profitability of individual stores, rather than on area profitability, which looks at an area in terms of area.

Please continue to page 18.

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Examples of Initiatives of Individual Strategies under JT-2025 Management Plan

**Logistics**

- We decided to use Tokyo Logistics Center as the mother center that covers the Kanto area by expanding the center to establish a logistics structure with one base each in the east and the west with Kansai Ibaraki Logistics Center at the core
- Taking into consideration the Act on the Arrangement of Related Acts to Promote Work Style Reform in the transportation and logistics industry, we are currently preparing to install a relay base in Chubu area for transportation to Kanto area



Kansai Ibaraki Logistics Center

**Information systems**

**Promoting introduction of a new system for enabling creation of new customer satisfaction, workstyle reform of employees, and further enhancement in member services**

- Fully self-service cash register introduced at Minami Tsumori Store in October 2023  
Enables customers to perform the entire process in simple steps, from scanning membership card and product bar code to payment including purchase of long-term warranty




- Electronic receipt to be introduced in December 2023  
Joshin app members can select to display their purchase details on their smartphones. It shortens the time required for payment at cashier and improves customer convenience. It also contributes to lowering of environmental burden through reduction in paper-based receipts

18/33

Page 18 shows the initiatives in the individual strategies of the JT-2025 Management Plan.

In the field of logistics, which plays a role in our business foundation, we have been able to promote the development of a two-base logistics system in the east and the west with the Kansai Ibaraki Logistics Center at its core by increasing the number of floors and strengthening the functions of the existing Tokyo Logistics Center.

In addition, by preparing for the establishment of a relay base in the Chubu region, we are promoting measures to address the 2024 problem of logistics.

In the area of information systems, we aim to both improve customer satisfaction and reform employee work styles through the implementation of ICT in customer service and store operations, including the new system introduced here.

Please continue to page 19.

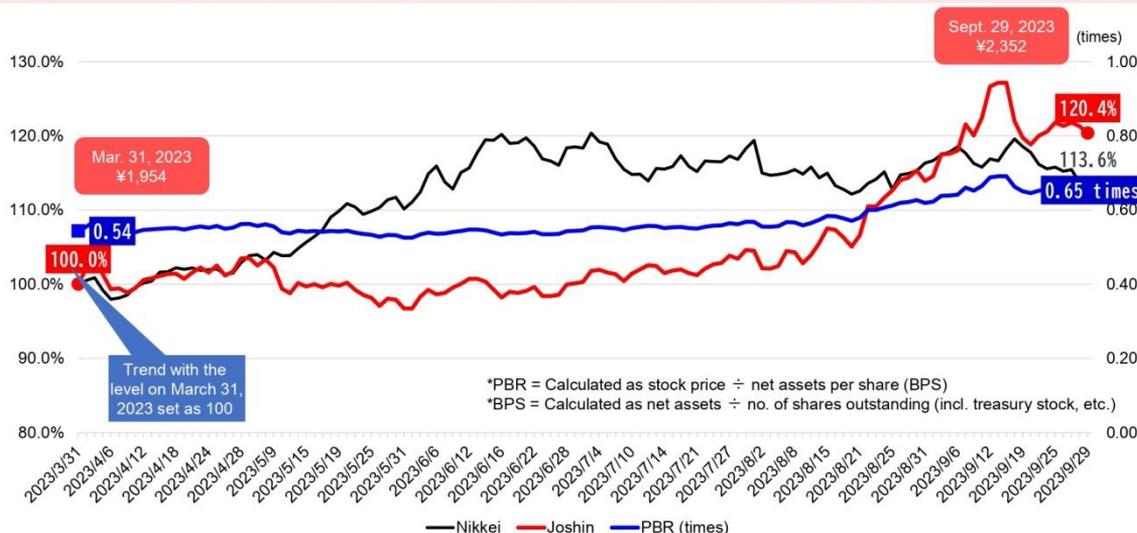
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### Trends in Joshin's Stock Price and PBR

Since September, the stock price has been outperforming the Nikkei Index, while PBR has improved to 0.6 level



19/33

Page 19 summarizes the stock price and P/B ratios from April to September 2023.

Our stock price remained at a level below the Nikkei average until August. In September, as the Hanshin Tigers approached their first league championship in 18 years, the expected contribution to earnings from the championship sale was factored into the stock price. Thus, as of the end of September, we were able to secure a performance higher than the Nikkei 225.

P/B ratio, which had been at the 0.5x level, has stepped up to 0.6x.

Since October, the share price has remained stable at around JPY2,300.

Please continue to page 20.

**Support**

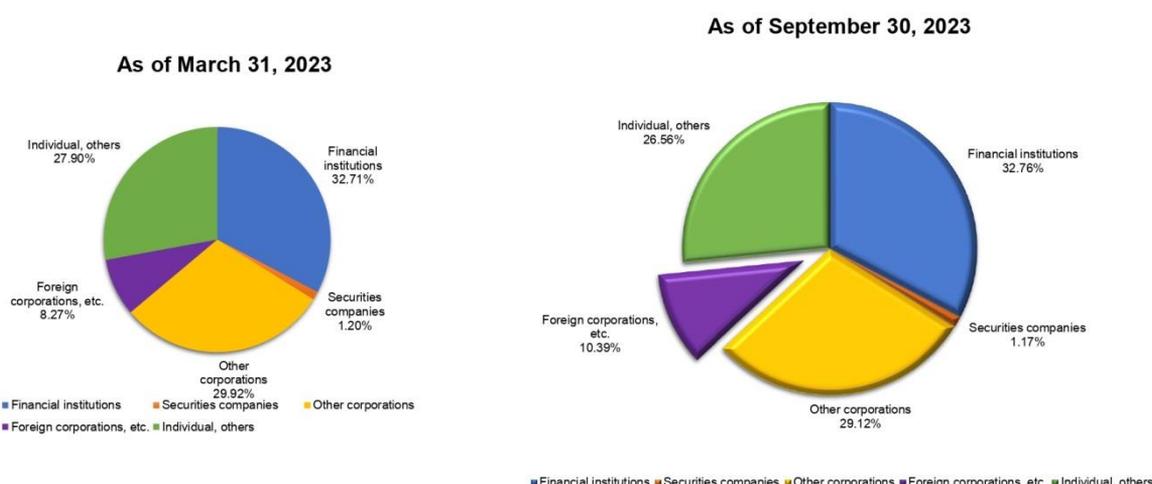
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## Changes in Shareholder Composition

The shareholding ratio of foreign corporations increased, exceeding 10%, while that of other corporations fell



(Note) The shareholding ratios are calculated by excluding treasury stock.

20/33

Page 20 shows the shareholder composition as of September 30, 2023. Compared to the end of March, the shareholding ratio of foreign corporations increased and reached the 10% level.

We also accept that our multiple inclusion in ESG indices and stocks, which we will discuss later, has contributed to this.

## Measures to Achieve Management Conscious of Capital Cost and Stock Price

$$\text{Stock price} = \text{Net income per share (EPS)} \times \text{Price earnings ratio (PER)}$$

PER = The higher the profit growth, the more the future growth prospects get reflected in stock price, and therefore it is possible to raise it by expanding EPS



ROE = Possible to raise the value by increasing EPS, the numerator

$$\begin{aligned} \text{Price book-value ratio (PBR)} &= \text{Stock price} \div \text{BPS (net assets per share)} \\ &= \text{Return on equity (ROE)} \times \text{PER} \end{aligned}$$

	FY2025 plan	Ideal form in FY2030
Operating income ratio	2.6%	Aim for 4.0% level
ROE	8.0% or higher	Aim for 10.0% or higher
ROA	5.0% or higher	Aim for 7.0% or higher
ROIC*1	5.0% or higher	Aim for 7.0% or higher
Dividend payout ratio	30% or higher	Aim for 30% or higher

\*1 ROIC: (Operating income x 0.65) ÷ (interest-bearing liabilities + equity) with assumed effective tax rate of 35%

21/33

On page 21 is a summary of our response to achieving cost of capital and stock price-conscious management.

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Stock prices and P/B ratios can be broken down in the form shown here. EPS expansion is key to both stock price and P/B ratio.

Based on the capital allocation plan set forth in the JT-2025 Management Plan, the Group will execute appropriate management of net assets by balancing shareholder returns and reduction of interest-bearing liabilities, while steadily implementing growth investments that will lead to future business growth.

On top of that, we aim to establish a muscular and sustainable management structure that can expand EPS and sustainably secure a high level of EPS by working to strengthen profitability, or so-called earning power, as targeted in the JT-2025 Management Plan.

As a result, if we can accumulate profit growth in the form of actual results, we believe that, with the addition of a higher P/E ratio, we will be able to eliminate the P/B ratio below 1x and find a path toward further P/B ratio improvement beyond that.

## [Table of Contents]

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- Earnings Summary for the First Six Months of the Fiscal Year Ending March 31, 2024 (FY2023)  
Full-year Forecast for the Fiscal Year Ending March 31, 2024 (FY2023)
- Initiatives under Medium-term Management Plan (JT-2025 Management Plan)
- Topics



22/33

Please continue to page 22. Here are some topics for H1 of FY2023.

Now, please go to page 23.

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## Hanshin Tigers Victory Sale

Promotion of the fan base strategy through expansion of active members by adding new members



During the sale (15 days)

New members → About 74,000 people

\*Equivalent to 11% of the 660,000 annual increase for FY2022

Number of Joshin Card members



Creation of fans and core fans by increasing the number of active members

23/33

Page 23 is the result of the “Hanshin Tigers Victory Sale.”

The sale, held for 15 days from September 15, attracted a large number of customers, as this was the first league championship in 18 years since 2005.

The Group saw the winning sale as an opportunity to accelerate its fan base strategy, and worked to provide concierge services that are close to customers, cultivated through the practice of service with care, in both real stores and e-commerce channels.

As a result, approximately 74,000 customers joined as new members during the sale period. This represents 11% of the total membership growth for FY2022. This includes the revival of dormant members who have not used our group for some time.

The acquisition of new members leads to an increase in active members, i.e. more fans. We will steadily implement our fan base strategy so that the relationship with our customers will not end with this sale but will grow to become fans and core fans from this point on.

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## First Joshin Customer Service Role-playing Contest

Started the contest as a new initiative under the JT-2025 Management Plan from FY2023

Aim to create fans and core fans by improving customer service techniques for achieving ultimate hospitality that will impress the customers



24/33

Next, page 24 introduces the first “Joshin Customer Service Role-playing Contest.”

This contest was launched this fiscal year as a new initiative in our fan base strategy.

A total of 221 representatives from home appliances stores competed in a two-month-long qualifying competition for the best customer service skills, from which 16 selected salespeople were chosen to compete in a final championship.

Each of the representatives made full use of their individuality and ingenuity in their customer service proposals, which were all excellent. Likewise, the contest provided an opportunity to recognize once again that each and every employee responsible for customer service is a unique asset to our group, which is in the home appliances distribution business.

We are considering continuing the event next year and beyond in order to improve customer service skills and employee motivation throughout our group.

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## Regional Cooperation Initiatives in Store Locations

Contribution to local communities through collaboration with local administrations, industry, and academia and put into practice brand recognition improvement in areas where dominant strategy is being promoted

We endorse the purport of the "Decarbonized Point System Promotion Platform" of the Osaka Prefectural Government, and participated for the second year in a row in the demonstration project for awarding decarbonization points

We made donations in support of the purport of the e-sports MICE contents demonstration project held by Izumisano, Osaka Prefecture

We held an event aimed at expanding interactions and experiences at real stores jointly with Kobe Institute of Computing (Kobe, Hyogo Prefecture) in an industry-academia partnership project

We produced three video contents as the second step of the industry-academia partnership project with Baika Women's University (Ibaraki, Osaka Prefecture)

25/33

Page 25 is an introduction to regional cooperation in the area of real store openings.

Based on the materiality “promotion of symbiosis with local communities,” the Group, which is developing a dominant strategy centered on the Kansai area, has undertaken a number of initiatives, particularly in the Kansai region.

This represents the Group's position in the Kansai area, and we will continue to work aggressively to contribute to the community and further improve our brand recognition in the areas where we are promoting our dominant strategy.

Please continue to page 26.

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**Integrated Report 2023 Published**



**Key enhancements to contents**

Revision of Material Issues
Clarification of the business model in value creation process
Enhancement to business strategy based on JT-2025 Management Plan
Messages from all executive officers
Clarification of the goals for the transition to net-zero carbon emissions plan
Practice of health and productivity management in human resources strategy
Clarification of goals in sustainability procurement
Roundtable talks with all outside directors

For details, see <https://www.joshin.co.jp/ja/csr/archive.html>  
 \*English version will be made available on the English language website in November.

26/33

Page 26 is an introduction to the Integrated Report 2023.

The Japanese version of the booklet published in September of this year and made available on our website, and the English version will be available in November.

In conjunction with the publication of this issue, we have enhanced the content of the book with our business strategy and other contents you see here.

As a new initiative, in addition to the existing messages from all executive operating directors, roundtable talks with all outside directors and messages from all executive officers have been newly posted.

Please also refer to the detailed information on the initiatives in the JT-2025 Management Plan introduced earlier, as well as the materiality and ESG initiatives introduced later.

Please continue to page 27.

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### Revision of Material Issues from Integrated Report 2023

After the announcement of material issues in 2021, the initial goals were achieved under the many action plans in two years. Therefore, we have made partial revision to the material issues and initiatives, and reviewed the action plan and goals.

(Formerly) "Integrated Report 2022" before revision

	Material Issues	Challenges
S/PE	1. Proposing enriched lives that anticipate lifestyle changes	Offering products and services designed to support a diversifying and swiftly aging society Achieving household carbon neutrality
	2. Offering safe and secure products and services	Improving data security Ensuring product quality and safety
E	3. Contributing to the creation of a better society that is in harmony with the global environment	Developing a resource recycling society Addressing climate change issues
S	4. <b>Creating work environments that enable diverse employees to enjoy successful careers and job satisfaction</b>	Securing, maintaining, and developing human resources in parallel with environmental changes <b>Diversity &amp; Inclusion</b> Creation of secure and safe workplace environments that focus on work-life balance
		Respecting human rights
		Exploring in depth the businesses that are closely aligned with local Communities
	5. Promoting synergies with local communities	Implementing purchasing and providing services based on CSR (green) purchasing guidelines and ethical Standards
	6. <b>Ensuring responsible procurement and marketing</b>	Ensuring compliance, risk management, and maintaining company morale Corporate/Group governance
G	7. Enhancing corporate governance	Corporate/Group governance

(New) Revised "Integrated Report 2023

	Material Issues	Challenges
S/PE	1. Proposing enriched lives that anticipate lifestyle changes	Offering products and services designed to support a diversifying and swiftly aging society Achieving household carbon neutrality
	2. Offering safe and secure products and services	Improving data security Ensuring product quality and safety
E	3. Contributing to the creation of a better society that is in harmony with the global Environment	Developing a resource recycling society Addressing climate change issues
S	4. <b>Diversity &amp; inclusion</b>	Securing human resources Human resource development Health and productivity Management
		Respecting human rights
		Sustainable purchasing activities
	5. <b>Building a responsible value chain</b>	Exploring in depth the businesses that support the growth of local communities
	6. Promoting synergies with local communities	Ensuring compliance, risk management, and maintaining company morale Corporate/Group governance
G	7. Enhancing corporate governance	Corporate/Group governance

NOTES: (ES) Impact (E) Environment (S) Society (G) Governance

27/33

Page 27 explains the revision of the materiality.

In 2021, the Group, with input from outside experts, compiled and published the Joshin Group's materiality.

Since we have achieved many of our initial plans over the past two years, we have revised some of them and reviewed our tasks, action plans, and targets.

In particular, in order to strengthen and promote initiatives for human resources, which are the source of lifelong value to our customers, we have upgraded "diversity & inclusion" to materiality and organized securing human resources, human resource development, and health and productivity management as issues to be addressed.

Please continue to page 28.

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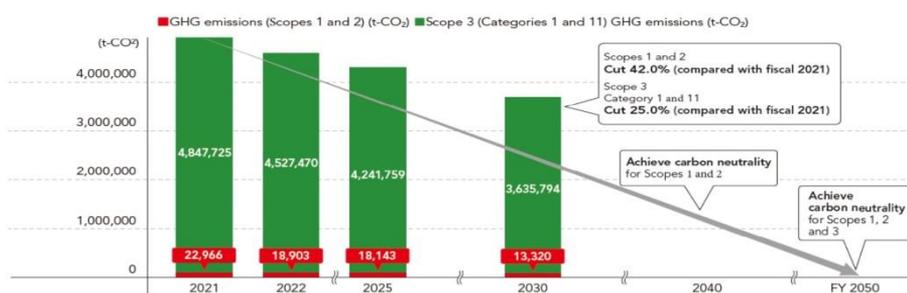
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## Environmental Initiatives 1

Announced road map for achieving net-zero carbon emissions

Received third-party assurance for calculated values  
\*Covers 98.1% of the Group's overall emissions

Changes in the decarbonization transition plan



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

Roadmap for the transition plan

Goals and measures	Till 2025	Till 2030	Till 2050
Early achievement of 100% renewable energy conversion ratio at all business sites	<ul style="list-style-type: none"> <li>● Achieve 100% renewable energy conversion ratio at business sites for which the company has signed contracts directly [2023]</li> </ul>	<ul style="list-style-type: none"> <li>● Reduce Scope 1 and 2 GHG emissions by 42% in FY2030 compared to FY2021</li> </ul>	<ul style="list-style-type: none"> <li>● Achieve practically zero Scope 1 and 2 GHG emissions [2040]</li> </ul>
Measures to manage and reduce GHG emissions in the entire supply chain	<ul style="list-style-type: none"> <li>● Categories 1 and 11 of Scope 3: 25% reduction compared to FY2021</li> <li>● Initiatives to reduce GHG emissions through engagement with suppliers</li> </ul>		<ul style="list-style-type: none"> <li>● Achieve net-zero carbon emissions across all Scope 3 categories through collaboration with suppliers</li> </ul>

On page 28, we present our environmental initiatives.

In our efforts toward decarbonization, we have published a roadmap toward zero carbon. By clearly outlining specific measures, target figures, and the timeframe for achieving them, we will ensure the steady achievement of these goals.

In addition to Scope 1 and Scope 2, the third-party assurance for calculated values has been expanded to include Category 1 and 11 in Scope 3.

This will cover 98.1% of the Group's total emissions and will lead to further qualitative improvements in sustainability reporting.

Please continue to page 29.

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## Environmental Initiatives 2

Received SBT certification for "target of 1.5°C in 2030"



Received B score for CDP climate change report 2022



Selected for the first time as a constituent of "FTSE Blossom Japan Index" (2023)

An index designed as an industry neutral benchmark that reflects the performance of companies demonstrating excellent environmental, social, and governance (ESG) practices in Japan



Retained as a constituent of "FTSE Blossom Japan Sector Relative Index" (from 2022)

An index that evaluates the quality of a company's responses to the risks and opportunities in transition to a low carbon economy



29/33

Page 29 shows the adoption of various ESG indices and stocks, including environmental.

In October of this year, the Group was able to obtain SBT certification for its greenhouse gas emissions reduction target for 2030, with the goal of limiting emissions to 1.5°C.

We will continue to earn recognition from the capital markets through our inclusion in ESG indices and issues, including a B score in the CDP and an increasing number of FTSE constituents.

## Societal Initiatives 1

Promoted diversity and inclusion (D&I) based on "respect for human rights" and "health and productivity management"



Active investment in human resources → Employees' involvement in management → Improvement in corporate value → Successful implementation of management philosophy

FY 2022 human capital investment ¥3,027 million

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

Human capital investment amount and financial data



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

30/33

Page 30 outlines our efforts in society.

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As the Group aims to create social value in two areas, supporting and strengthening resilience in our aging society and achieving household carbon neutrality, by putting into practice its management vision of “becoming an infrastructure hub for a better life through the power of home appliances and ICT,” we believe that the success of our diverse human resources is the source of our organizational strength to seize new business opportunities and lead to sustainable growth.

We will promote diversity & inclusion with respecting human rights and health and productivity management as the foundation of our human resources strategy.

Amid increasing attention to human capital management initiatives, such as the disclosure of human capital information in annual securities reports, the Group has disclosed a breakdown of its human capital investment.

In order to steadily achieve the JT-2025 Management Plan, we will link employee participation in management through proactive investment in human resources to the enhancement of corporate value.

Please continue to page 31.

**Societal Initiatives 2**

Set “Important KPIs for 2030” for promoting D&I and clarified the roadmap using backcasting approach



31/33

Page 31 is a roadmap for promoting diversity & inclusion.

We will realize a rewarding work environment by clearly setting KPIs for 2030 in line with these three themes of fostering a corporate culture, promoting the advancement of women, and supporting the advancement of diverse human resources, and by presenting specific measures in chronological order.

Please continue to page 32.

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## Governance-related Initiatives

### Revised directors' compensation system to further promote sustainability management

<Overview and purpose of revision of directors/auditors compensation system>

- 1) Clarifying management responsibility by enhancing performance-linked compensation
- 2) Motivation for improving corporate value in the medium to long term by enhancing stock compensation (long-term incentive)
- 3) Promotion of sustainability management by introducing ESG indices in compensation calculation criteria

#### Composition of directors compensation

##### Major revised points

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

#### Before revisions

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

#### After revisions

Fixed compensation (50%)	Individual performance-linked compensation (10%)	Variable compensation (50%)			
		Operating income results-linked compensation*1 (10%)	ROE-linked compensation (10%)	Environmental management indicator-linked compensation (10%)	Sustainability indicator-linked compensation (20%)
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.
- \*1 Changed from stock-based compensation to monetary compensation. The percentage was also changed from 20% to 10%.

32/33

Page 32 is an introduction to our efforts in governance.

The compensation system for directors was revised at the start of the JT-2025 Management Plan.

The key points and contents of the revision are as shown below.

The ratio of equity compensation as long-term incentive compensation is increased to 30%, of which 10% is linked to the achievement of the ROE plan and the remaining 20% is linked to the Sustainability Index.

By strengthening the linkage between medium- and long-term management strategies and director compensation, the Company will strengthen the governance of the Board of Directors in order to achieve management that is conscious of the cost of capital and stock price.

This is the end of the explanation of the financial results for Q2 of fiscal year 2023.

Thank you very much for your kind attention.

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## Question & Answer

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**Moderator [M]:** I would now like to move on to the question-and-answer session.

If you have any questions, please post your questions in the chat box on the right side of the screen.

**Kanatani [M]:** I received a question.

**Participant [Q]:** I was wondering if you could explain the results and challenges of the Hanshin Tigers Victory Sale.

**Kanatani [M]:** I will let Takahashi respond to this matter.

**Takahashi [A]:** I am Takahashi, in charge of Sales Strategy. I would like to answer your question.

First of all, regarding the results of the Hanshin Tigers Victory Sale, we have not been able to disclose specific figures, but the September monthly term was 121%, and the October monthly term was 92%.

The Hanshin Tigers won the championship in the September term. Immediately after that, we started the championship sale, and naturally, there was a reluctance to buy prior to the championship sale. And, with the winning sale, the total is 121% after this September term. The October figure will include a reaction to the October term, so I think it is best to consider the February figure together, but assuming that the September term and the October term have the same weighting, the two-month rate is 106.5%.

However, regarding the 92% figure for October, I do not believe that all of this is in the form of a rebound since GfK's figure is 93% and monthly disclosures from other companies in the industry are around 96%. In fact, since we also have sales weightings for September and October, we believe that there could have been a slightly higher increase around the 106.5% mark.

In addition, Hanshin Tigers won the CS finals, which has further dampened buying interest. Then, in this November term, we are very grateful for the fact that we started Japan's "No.1 Sale" yesterday, and the sale has been selling very well.

It has been quite wildly fluctuating. Therefore, I believe that the actual situation will emerge only after we close the November term. For the time being, we believe that we can add about 2% or 3% to the 106.5% we assumed from the monthly results for September and October regarding the effect of the league championship.

The rest of this Japan's No.1 Sale, through the end of November, will be determined by looking at our November monthly report, thank you in advance.

As for the issue, the championship sale sells very well. I had wondered how it would work in remote areas, especially in Tokyo and Hokushinetsu, but I realized that even in remote areas, it is quite effective. Furthermore, we have three stores in Nishinomiya City, and these stores sold so well that they were highly effective and unexpected sales.

Overall, sales are high from areas close to Nishinomiya City. Sales are weakening as gradually moving away from there. In total, I would like to ask you to judge our sales based on this September, October, and the monthly sales for November, which we will disclose in the future. So, thank you very much for your cooperation.

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There are no particular challenges. The Hanshin Tigers won the league championship in 2003, 2005, and now in 2023, and this time they have become the number one team in Japan. However, if the Tigers could win the championship in a shorter cycle, I think it would contribute even more to our business performance. Therefore, I hope that the Hanshin Tigers will make a great leap forward.

That is all.

**Participant [Q]:** Continuing on, is it correct to understand that inventory levels are healthy? Can I also expect the gross profit margin forecast for H2 of the year and beyond to improve as it did in H1? Please also inform me about the price competition aspect.

**Kanatani [M]:** I will let Oshiro respond to this.

**Oshiro [A]:** I am Oshiro, in charge of Financial Strategy.

As for the inventory level, last year the inventory balance at the end of September was about JPY80.2 billion, and for this fiscal year, it is JPY79.3 billion, which is almost equal to the level of last fiscal year.

According to where we divide by sales, it is about 2.4 months. There are also seasonal factors. However, as far as trends are concerned, there is no excess. As Takahashi mentioned earlier, there will naturally be a situation in the future where this inventory will be dispersed to customers through sales. Therefore, we believe that there is absolutely no problem with the soundness of this area.

In a sense, gross profit margin and price competition are one and the same. This is also due in large part to sales strategies. According to what we have heard, excessive price competition has become excessive competition. At the moment, there are some cases where this has been mitigated compared to the past.

As President Kanatani explained earlier, we are focusing on improving customer service skills through the role-playing contest. Our goal is to sell and market the right products to our customers in the right way. So, I am sure that this area will lead to an improvement in profitability. I have high expectations for the Company from a financial standpoint.

This concludes my explanation.

**Participant [Q]:** Internet sales continue to be slow. Please explain this factor. In addition, I would appreciate it if you could continue to share with me any measures you have taken to deal with the poor performance.

**Kanatani [M]:** Takahashi will explain this matter.

**Takahashi [A]:** I am Takahashi, in charge of Sales Strategy. I would like to answer your question about the sluggish Internet and how to respond to it.

As for the Internet, it greatly increased sales in FY2020. It was the kind of year in which we expanded at once and did pretty much whatever we wanted. In particular, the Internet channel of the Corona Disaster was very popular among customers. Therefore, we were also aggressive in our business activities.

After that, things gradually settled down, and conversely, as the Corona Disaster ended and people moved back into real stores after the transition of the Corona Disaster to Class 5, the EC business became slightly tougher. When the going gets tough, the competition gets tougher. This makes it difficult for us to generate earnings, so this fiscal year, you just asked about a slump, but we do not consider it to be a slump.

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We are originally an electronics store. As a result, it is possible to sell electronic goods, heavy goods, large refrigerators, and washing machines, as well as air conditioners that require installation work, at the same quality as real stores. We are aiming for such EC business. And some of those were left behind.

We are currently engaged in sales activities, positioning the current fiscal year as one in which we will once again take a hard look at our footing and look for the way things should be.

Although we do not expect any major changes in H2 of the year, we would like to use the results of the year as a benchmark to determine how we can improve our performance in the next fiscal year and beyond.

Although we do not disclose earnings, they have increased significantly compared to the previous fiscal year, so I believe that we are gradually seeing what we should be seeing and that we are seeing it clearly. We are determined to fight through the current year and carry it into the next fiscal year.

This concludes my explanation.

**Participant [Q]:** Continuing with regard to the improvement of P/B ratio below 1x, please explain the status of the Board's discussion and consideration toward the cost of capital-conscious management.

**Kanatani [M]:** I will let Tanaka respond to this.

**Tanaka [A]:** My name is Tanaka and I am in charge of corporate planning and human resources strategy. Your question is about efforts to improve P/B ratio.

In March of this year, we received a request from the TSE for initiatives regarding the implementation of management practices that are conscious of the cost of capital and stock price. For our company, it was right around the time of the renewal of this medium-term management plan. Therefore, based on TSE's request, the Board of Directors had a series of discussions and consultations.

As a result, we have compiled the results into a medium-term management plan, as I mentioned earlier. In it, we reaffirm and disclose the cost of capital, set management benchmarks and capital efficiency targets that exceed those benchmarks, and outline our plans for allocating capital to ensure that we achieve them.

We are working hard to achieve our goals of ROE of at least 8%, ROA, and ROIC of at least 5% in FY2025.

As I mentioned earlier, the Hanshin Tigers won the championship and became the number one team in Japan, so we have had a lot of visitors to our stores. New subscriptions are increasing, and our immediate task is to steadily implement initiatives to link new members to tomorrow's revenues.

In order to motivate directors and officers, we have also drastically revised our compensation system at the start of this medium-term management plan. The weighting of the performance-linked index, which was originally 30%, has been raised to 50% to clarify management responsibility, and 30% of the 50% is linked to ROE and the Sustainability Index. We would like to motivate our directors and officers to steadily implement our medium-term management plan.

In addition, we will continue to improve our earnings, of course, but we will also continue to reduce our policy shareholdings, which have long been strongly demanded, with a view to improving our bottom line.

By steadily implementing the above policies, we hope to increase ROE and thereby improve P/B ratio.

This concludes our explanation. Thank you for your question.

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**Participant [Q]:** Continuing on, I have a question about the championship sale. I think sales will increase, but gross profit will be low due to discounting. Is it safe to assume that there is a profit contribution?

This is one question and another similar question. While there was the Hanshin Tigers Victory Sale, the gross profit margin from April to September improved compared to the previous period. I have a question about gross profit, as to what factors contributed to this.

**Kanatani [M]:** I will let Takahashi respond to this.

**Takahashi [A]:** I am Takahashi, in charge of Sales Strategy. I would like to respond to your question.

About the Hanshin Tigers Victory Sale, we have certainly prepared a variety of products to please the fans and our customers. We believed that the Hanshin Tigers would win the championship, and we stocked up on merchandise from a very early stage. Therefore, we did not do business with temporary discounts on the spot but made a great deal of preparation. In particular, we have also considered the possibility of securing revenue during that preparation stage.

As you can see from the Q2 results, the Hanshin Tigers Victory Sale has indeed been a big seller. Sales have been good, but profits have also been solid. We have prepared for such a situation, and we have also done such mechanism. I think this sale was made possible by the support of our customers and business partners. There is no problem with the questions you just asked, so please be assured.

We have long recognized that improving the gross profit margin has been an issue for us. As explained earlier by President Kanatani, we have not increased the number of stores. Normally, in an environment of competition, we would like to create stores to build volume, but home appliances are durable consumer goods. Once purchased, the product is used for almost 10 years. We do not sell our products easily and without listening to our customers. We listen carefully to our customers' usage conditions, wishes, and needs before selling.

In this type of business, high-end products are more appealing to customers, and if customers understand and use such products, they will be satisfied with the comfort, enjoyment, and taste of the products once they actually arrive at their homes and install and use them.

We have always aimed for that kind of business, so high-end products are still highly profitable. Manufacturers also want to sell their products, so they have a very large support system for such products. We feel that this is the result of our efforts to achieve this kind of business. Therefore, we have not grown by doing something out of the blue. It is the accumulation of all the business we have done and all the business we have strived for.

If this business becomes somewhat stable and becomes our own, we would like to increase the number of stores, however slightly, and from there we would like to consider a growth strategy. Please understand that this is the most significant factor behind the improvement in gross profit margin.

This concludes my explanation. Thank you for your question.

**Participant [Q]:** Continuing on, can you tell me a little more about the expansion of the Tokyo Logistics Center and the concept of a relay base in the Chubu region, and what your aims are?

**Kanatani [M]:** I will let Tanaka explain this.

**Tanaka [A]:** My name is Tanaka. Your question is about the issue of two bases, including the Tokyo Logistics Center, and the development of a base in the Chubu region.

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All of these measures are rooted in logistics, the 2024 problem, and BCP, and in the Kansai region, the Kansai Ibaraki Logistics Center was newly established. We have taken this measure to move and integrate the logistics center originally located in the Nanko area and the logistics center located in Hirakata to an inland location, one for disaster preparedness, the other for logistics efficiency, and to improve customer service.

If we have only one base in Kansai, there will be issues from the viewpoint of business continuity. Tokyo is also an area where EC accounts for a very high percentage of total sales. Therefore, we will establish another logistics center in the Tokyo metropolitan area close to the major consumption areas, thereby promoting a two-base system, one in the east and one in the west. This will allow us to expand our EC business and also to expand our real store delivery network.

We believe that establishing logistics centers closer to consumers will help solve the 2024 problem, which is now an issue. In that sense, we are currently studying the possibility of establishing a new logistics base in the Chubu area, which is also a relay point, but nothing concrete has been finalized yet. As soon as we have a decision, we will announce it again.

That is all. Thank you for your question.

**Moderator [M]:** Are there any other questions?

We will now conclude the question-and-answer session.

This concludes the live webcast of the financial results briefing for Q2 of fiscal year 2023 of Joshin Denki Co.,LTD.

Thank you very much for your kind attention.

[END]

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