

Joshin Denki Co., Ltd.

Medium-term Management Plan “JT-2023 Management Plan”

Three-year Plan for the Fiscal Year Ending March 31, 2021 to the Fiscal Year Ending March 31, 2023

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Table of Contents

1. Summary of the Previous Medium-term Management Plan “JT-2020”
Results and Challenges (Fiscal Year Ended March 31, 2018 to Fiscal Year Ended March 31, 2020): page 1
2. New Medium-term Management Plan “JT-2023 (Fiscal Year Ending March 31, 2021 to Fiscal Year Ending March 31, 2023): page 5
3. Reference Materials: page 22



1. Summary of the Previous Medium-term Management Plan “JT-2020”

Results and Challenges

(Fiscal Year Ended March 31, 2018 to Fiscal Year Ended March 31, 2020)



- Strengthen locally focused management as “the only Kansai-owned consumer electronics mass retailer”
- Develop stores that are conscious of cost balance in densely populated areas (scrap-and-build, larger, more multifunctional)
- Establish a CSR/corporate governance system
- Continue to promote environmentally symbiotic and environmentally conscious management
- Build a solid financial foundation



Summary of Numerical Results

- All elements of the three-year plan were on track through the first six months of the final year (fiscal 2019), but starting the following quarter, profit targets were not met due to soft sales in reaction to the consumption tax hike and the impact of the COVID-19 pandemic
- On the other hand, the equity ratio improved significantly due to the reduction of interest-bearing liabilities

| | FY2016 | FY2019 | | FY2019 | |
|---|-------------------------|-----------------------|-------------|-------------------------|-----------------------------------|
| | Actual (million yen) | Plan (million yen) | Growth rate | Actual (million yen) | Percent achieved (vs. plan) |
| Net sales | 374,387 | 405,000 | 108.2% | 415,643 | 102.6% <i>Achieved!</i> |
| Operating income | 7,982 | 11,000 | 137.8% | 8,979 | 81.6% |
| Ordinary income | 8,050 | 11,000 | 136.6% | 8,900 | 80.9% |
| Net income attributable to owners of the parent | 5,190 | 6,000 | 115.6% | 5,418 | 90.3% |
| Ratio of ordinary income to net sales | 2.2% | 2.7% | - | 2.1% | - |
| Equity ratio | 40.8% | 43.0% | - | 45.2% | - <i>Achieved!</i> |

Concrete results

- ✓ Established ability to generate stable operating cash flow
 - 3-year operating CF = about 33 billion yen (144% compared to previous period)
- ✓ Steady scrap-and-build based on store strategy
 - Store openings: 41, closings: 34
 - ➔ In addition to new stores, upsize and add features to existing stores
- ✓ Executed capital investments to improve productivity
 - Capital investment over 3 years = about 25 billion yen (113% compared to previous period)
 - Deployed of electronic shelf tags in all stores (**first in the industry**), worked to integrate EC with real stores, modernized facilities to streamline sales floor, enhanced functionality of SA* systems

* SA = Store Automation

Future challenges

- ✓ Strengthen investment in human resources utilization and maintain operating cash flow balance
- ✓ Further develop sales channels in response to diversifying consumer preferences
- ✓ Further develop environmentally symbiotic and environmentally conscious management

2. New Medium-term Management Plan “JT-2023”

(Fiscal Year Ending March 31, 2021 to Fiscal Year Ending March 31, 2023)



➤ Integrate the different sales channels

In the electronics retail industry, which is said to be “overstored,” we will avoid an expansion path that focuses on opening new stores, and instead continue to refine our core business by organizationally consolidating and reorganizing the management resources and sales formats we have built up since our founding.

➤ Unlock and maximize talent

To be able to respond nimbly to the needs of the times, we will improve the work environment through workstyle (motivational) reforms in order to boost ES (employee satisfaction) and unlock and unleash the forward-thinking ideas of highly motivated employees.

Sales systems

- Since COVID-19, in order to avoid the “three Cs” (closed spaces, crowds, and close contact), consumers have shifted to a certain extent from stores near commuter hubs in the city center to suburban stores that can be easily accessed with peace of mind and safety.
- At the same time, sales on the EC site, which offers a “contactless” shopping experience, are expected to increase in the future.
- Considering our store locations and the potential of our EC business, it is assumed that future pandemics will have only a limited long-term impact on sales.

Advertising

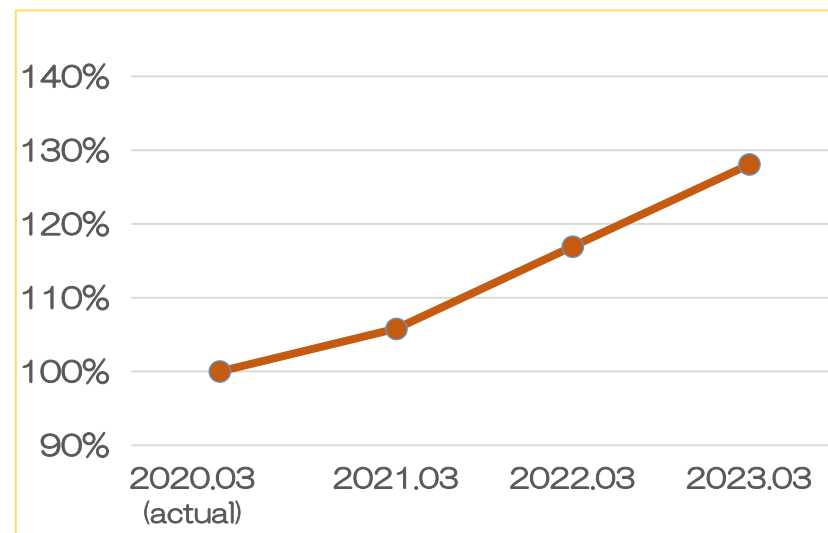
- When the state of emergency was declared, we refrained from using print media to promote sales, and after it was canceled, we made bold changes to our sales promotion methods, such as by pushing notifications on the Joshin app and encouraging phone orders.
- Going forward, we will continue to adjust the size and frequency of print media and pursue new advertising strategies such as active use of digital media.

Assumptions for Calculating the Quantitative Impact of COVID-19 (2)

Economic trends by time period

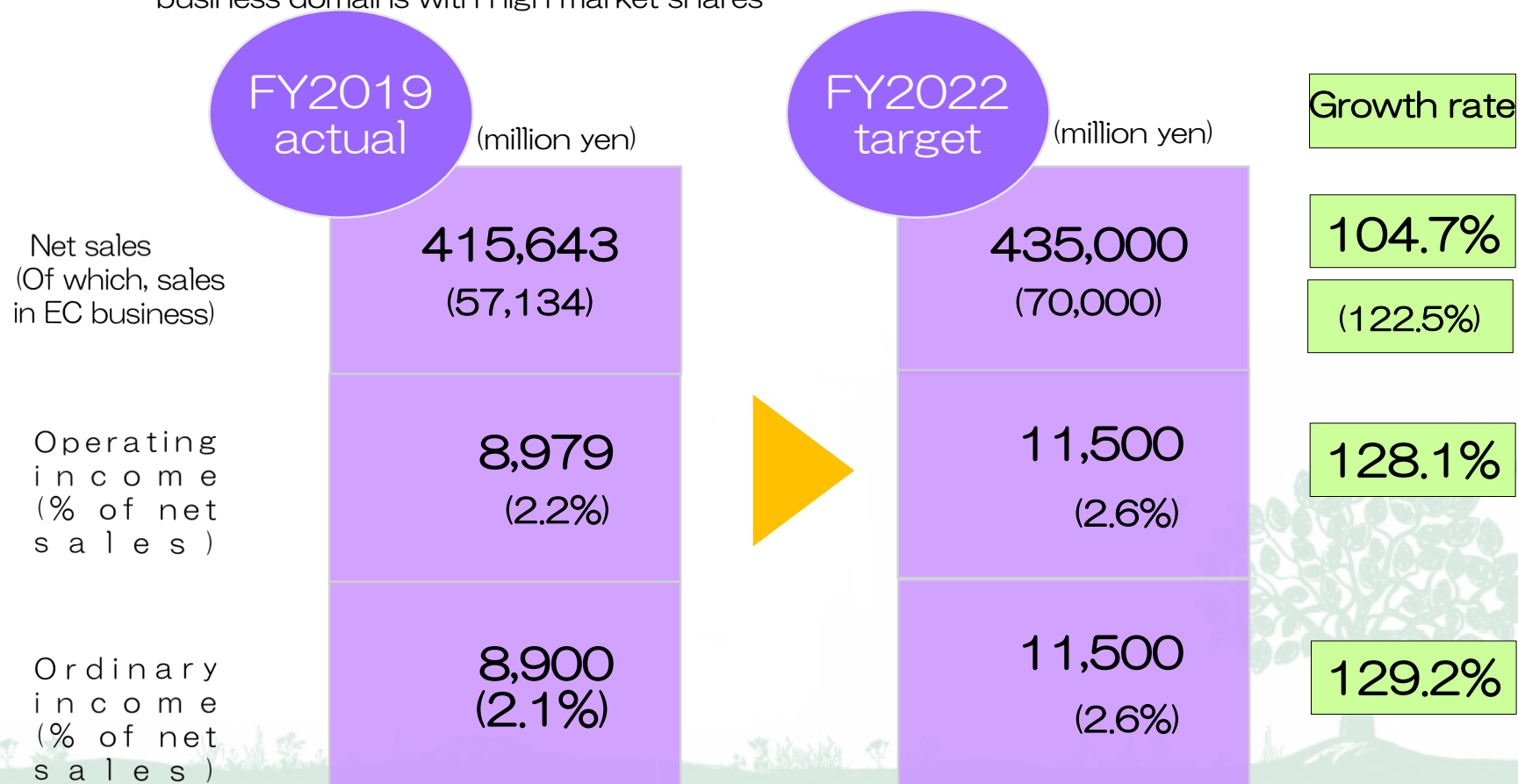
| | |
|---------------------------------|--|
| First half of FY2020 | Although the COVID-19 pandemic has reduced consumer confidence, it is assumed that the provision of special cash payments and other subsidies will generate a certain amount of demand for durable consumer goods. |
| Second half of FY2020 to FY2021 | It is assumed that the end of fiscal year 2021 will be the time when the cycle of unemployed people finding jobs again settles down and the labor and earnings environment stabilizes, and that this is the period when sales will be most affected. |
| FY2022 | With the tapering off of COVID-19 and the transition to a new normal society, we will review and restructure our business strategy in order to regain our growth path. |

Planned operating income



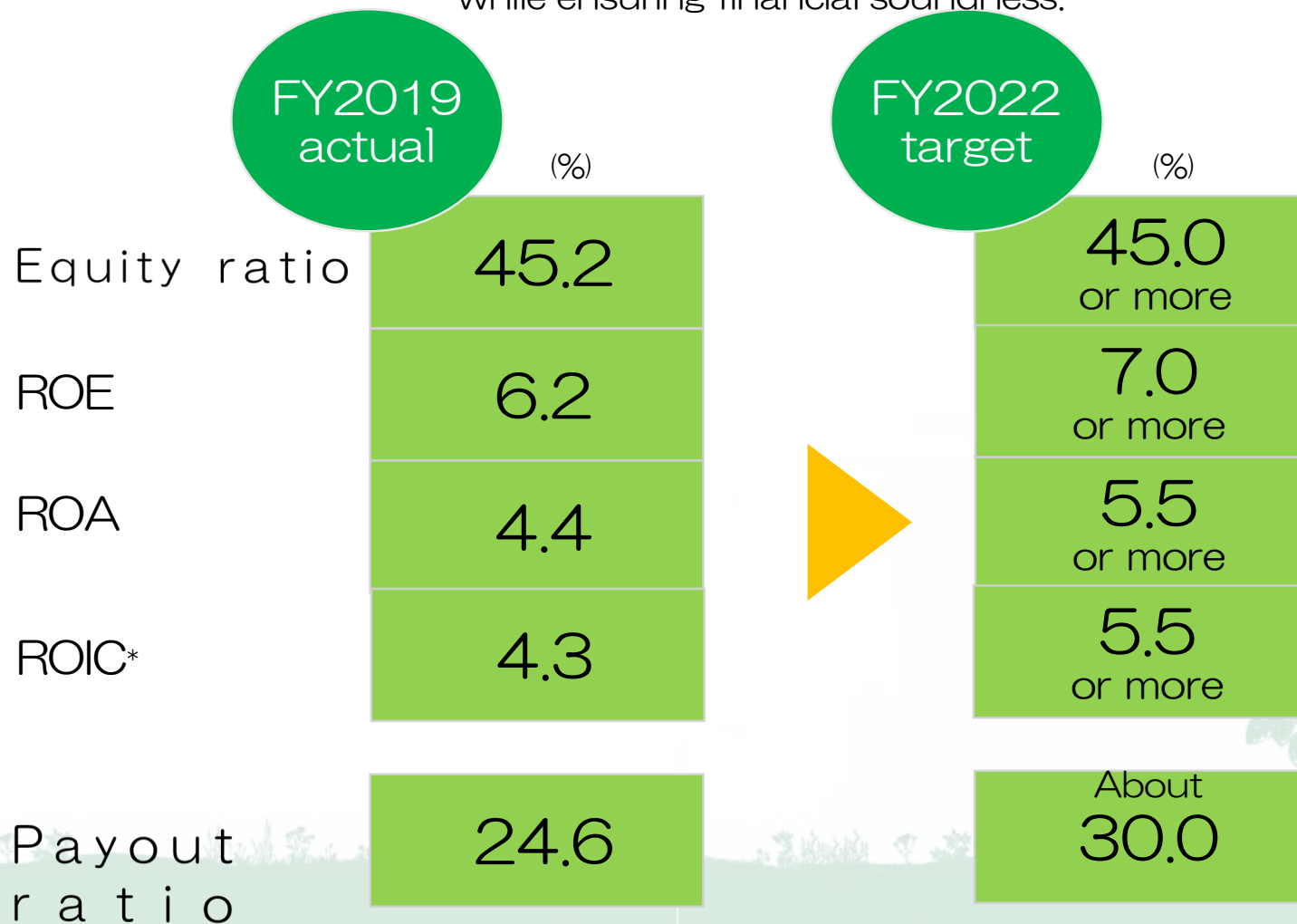
Revenue Plan

- Establish a solid business foundation for further development by investing in growth
- Strengthen sales and profitability by concentrating resources on regions and business domains with high market shares



Capital Plan

We aim to increase shareholder value by generating ROE that exceeds the cost of capital while ensuring financial soundness.



* ROIC (return on invested capital) = operating income x 0.65 (assuming tax rate of 0.35) / (net assets + interest-bearing liabilities)

- Investment funds required in the medium term will be spent from the business cash flow.
- Cash generation requires prioritizing investment in growth.

Operating cash flow for the three years from the fiscal year ending March 31, 2021 to the fiscal year ending March 31, 2023

40 to 45 billion yen

Investment in growth

Return to shareholders +
strengthening financial position

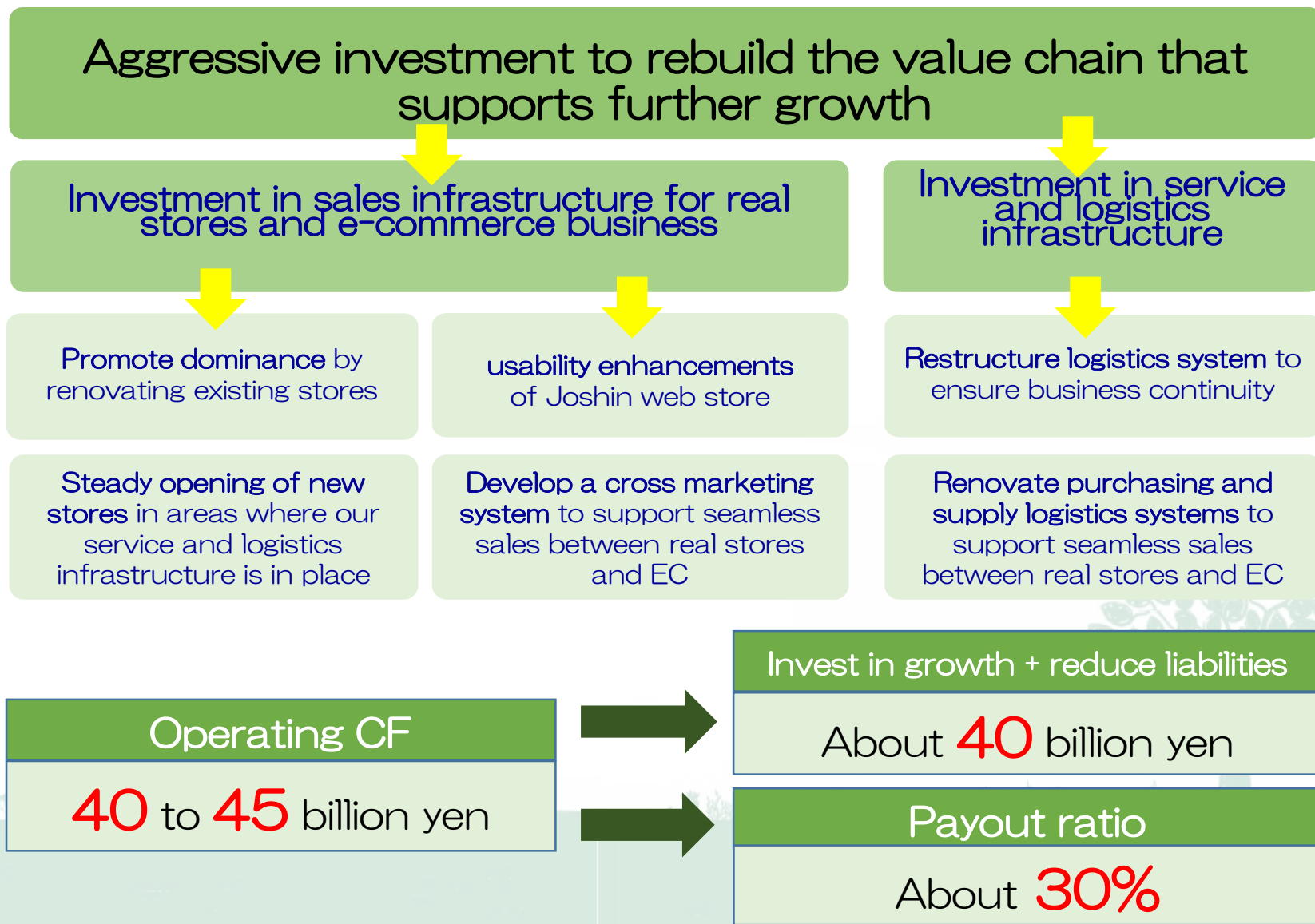
Investment to
strengthen the
value chain

Investment in
new sales
promotion tools

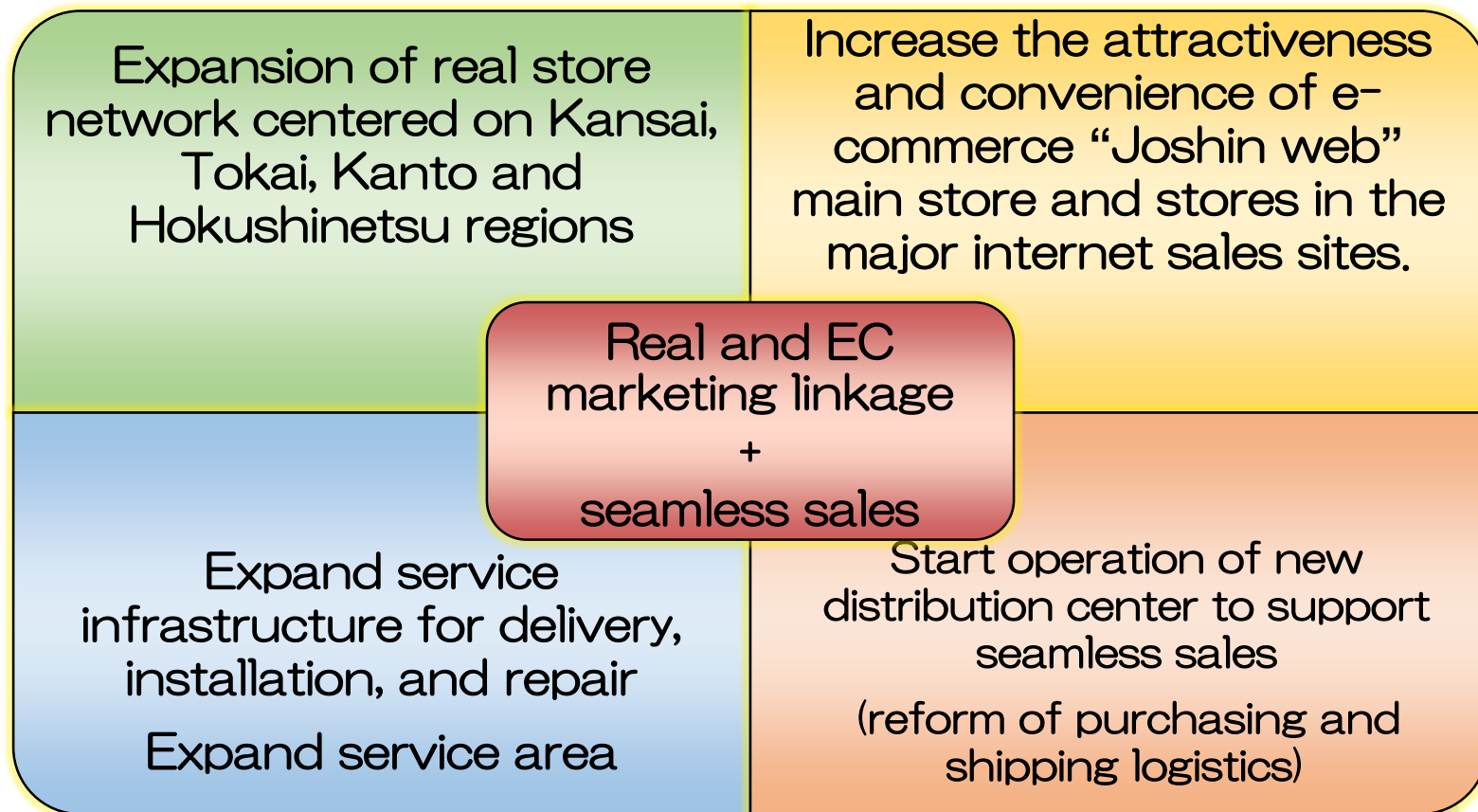
Investment
in human
resources

Dividend
+
Reduction of interest-bearing liabilities

Investment to Strengthen the Value Chain



Rebuilding the Value Chain



Start Operation of New Distribution Center

A new site to ensure both business continuity and operational efficiency

Features

- Located in an inland area with excellent business continuity in the event of a major disaster
Ideally located to cover a large area of western Japan
- Consolidates two distribution centers in the Kansai area into one to improve inventory efficiency in anticipation of EC business expansion
- Labor saving through enhanced material handling functions to improve operational efficiency

Benefits

- Number of items held → 20% increase
- EC shipping capacity → 2x greater
- Total logistics inventory value → 10% reduction
- Transport vehicles → 10% reduction

Note: Figures are current estimates

Overview

- Structure: 5 floors above ground, seismic isolation
- Total floor area: Approx. 116,000 m²
- Completion date: End of May 2021 (planned)



Logista/Logicross Ibaraki Saito Building A (rendering)



Current distribution center 1



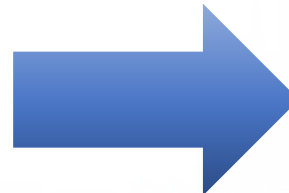
Current distribution center 2

Establish new ways to promote sales

Introduce a new system to increase profits and reduce costs

- To enhance the efficiency of our sales promotion activities, we will actively invest in MA* technology to send each customer the right message at the right time according to their individual needs.
- The goal is to reduce costs by **20%** by reducing paper-based sales promotion (flyers and direct mail) in favor of digital sales promotion.
- We will thoroughly enhance customer convenience by upgrading the functionality of the Joshin app, diversifying payment methods, and actively introducing new common points.

* MA = Marketing Automation



Sustainable Management for Achievement of SDG Targets (1)

Joshin's corporate strategy and the SDGs

Promote management that supports an aging society and contributes to the environment



Sustainable Management for Achievement of SDG Targets (2)

Contribute to the Earth's environment



- ☆ Strengthen proposals for energy-creating, energy-storing, and energy-saving products and services
- ☆ Introduce shopping bags made of new material
- ☆ Revise power supply configuration by promoting adoption of photovoltaic systems
- ☆ Greening of store parking lots
- ☆ Promote introduction of electric vehicle charging systems

Marketing



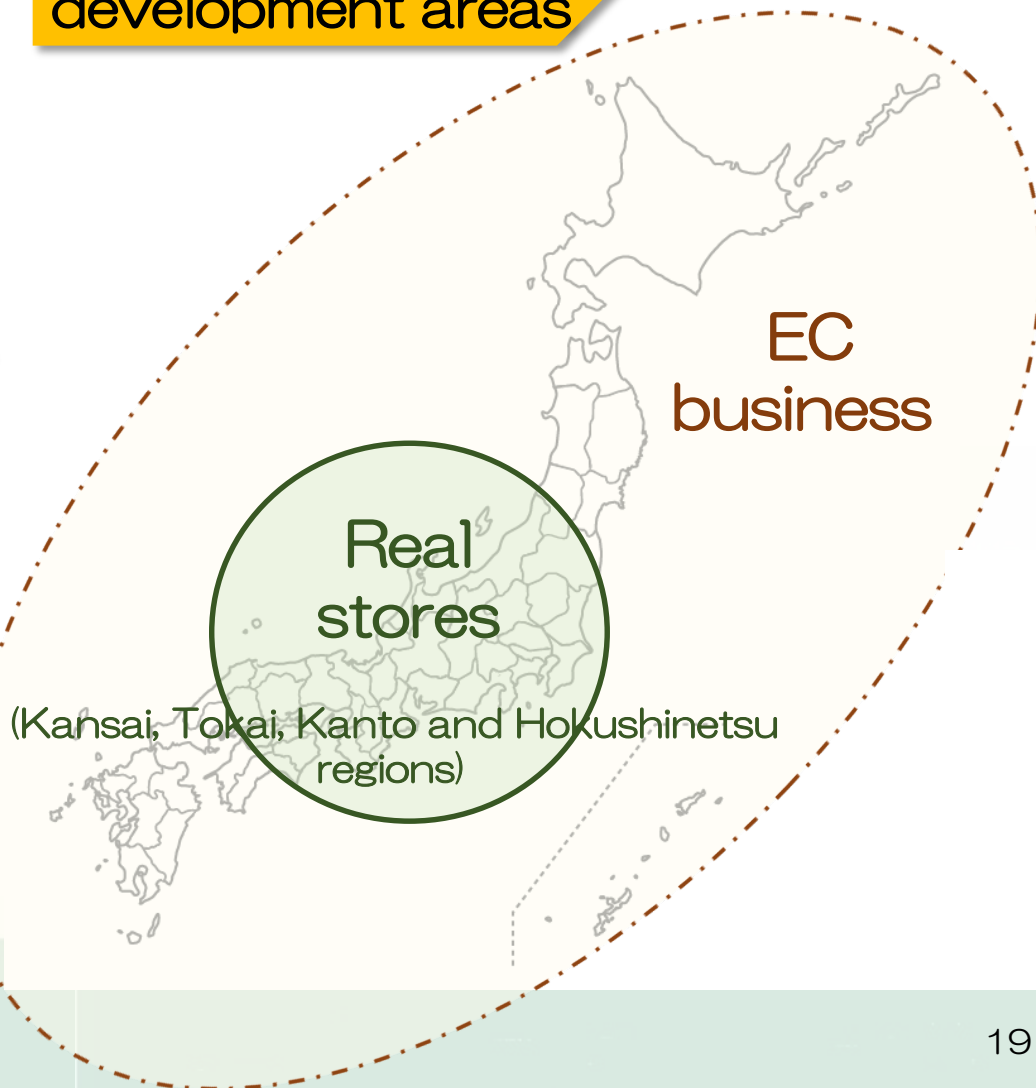
- ☆ Strengthen appeal to young people through the use of apps, social media, etc.
- ☆ Enhance one-to-one marketing through active investment in MA
- ☆ Improve operational efficiency and strengthen customer contacts by actively investing in digital innovation

Key Measures to Achieve the Plan (1)

Sales strategy

We will focus on the revitalization and dominance of our network of stores in the Tokai, Kanto, and Hokushinetsu regions, which have well-equipped service infrastructure, centered in the Kansai region; strengthen our business foundation and improve profitability through aggressive renewal of existing stores, scrap & build, promotion of seamless operation with the EC business, and expansion of our service infrastructure, including delivery, installation, and repair; and promote profit expansion through stable and steady store openings.

Business development areas



Key Measures to Achieve the Plan (2)

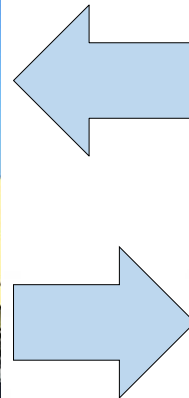
Sales strategy

Deep cultivation of **O2O** business

Off line



On line



- Easy-to-understand and courteous customer service that gives customers the information they need
- Real products experienced with all five senses
- Events and entertainment that only real stores can provide
- The fun of going shopping

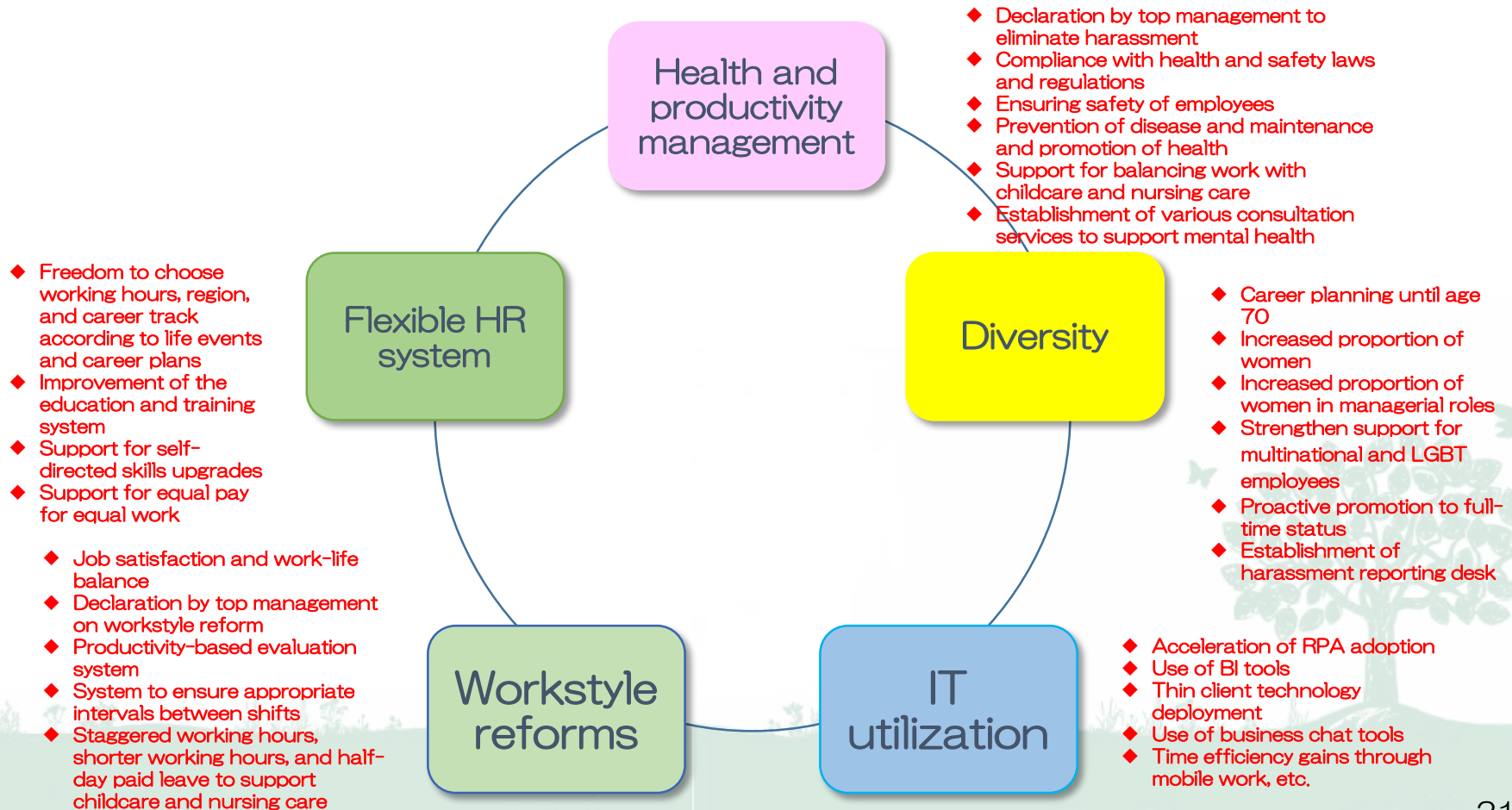
- Wider range of categories
- Huge number of products
- Access to customer reviews
- Search and compare products according to individual preferences

Cross-marketing and reciprocal O2O referrals through customer data sharing

Key Measures to Achieve the Plan (3)

Human resources strategy

- Promote smart work and health and productivity management through a combination of workstyle reforms and the use of IT
- Increase productivity and job satisfaction by maximizing organizational performance

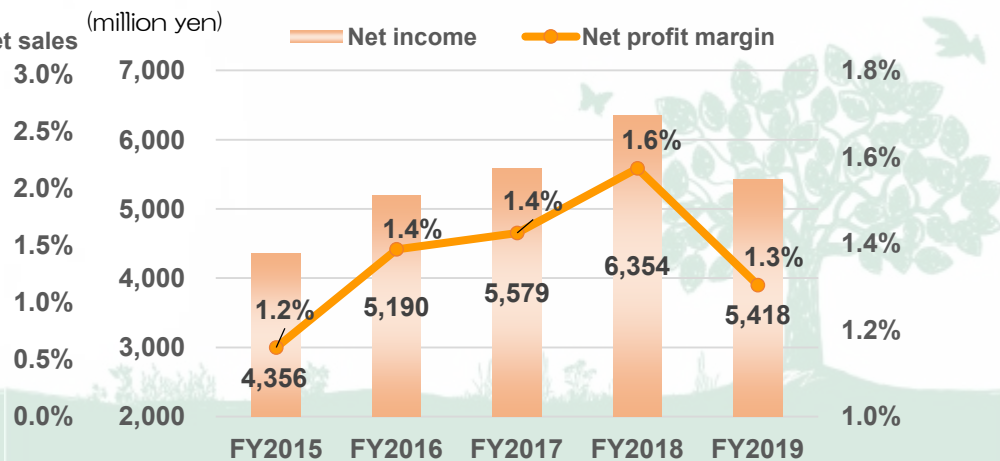
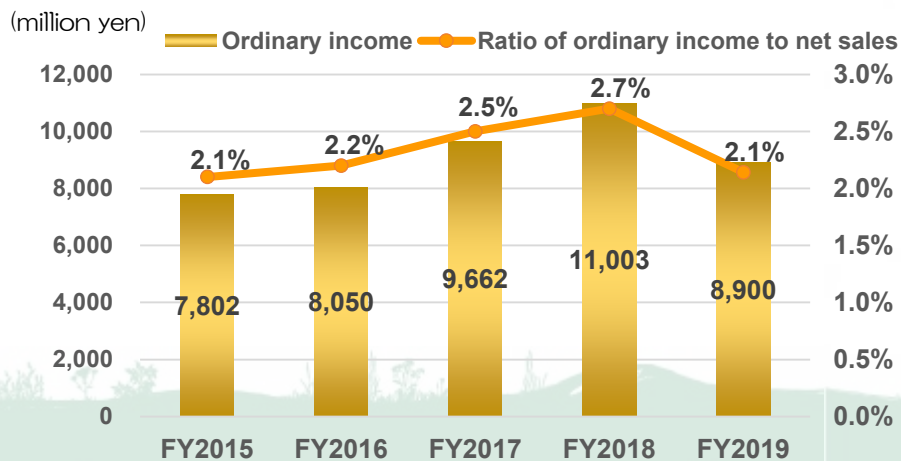
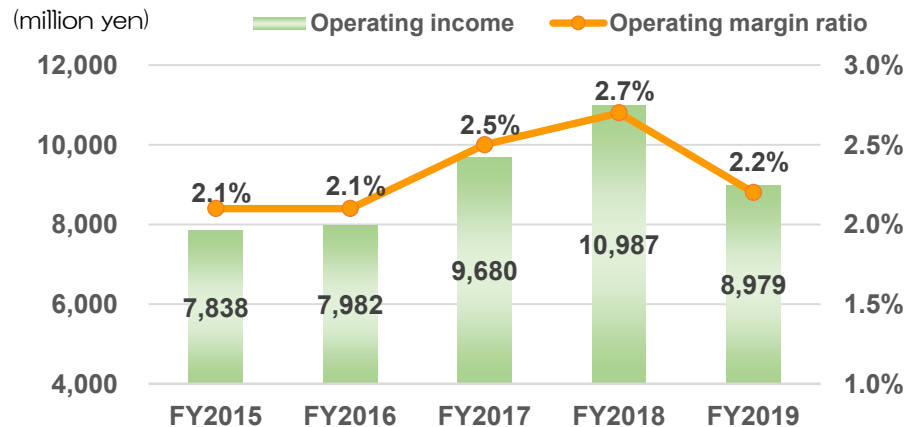
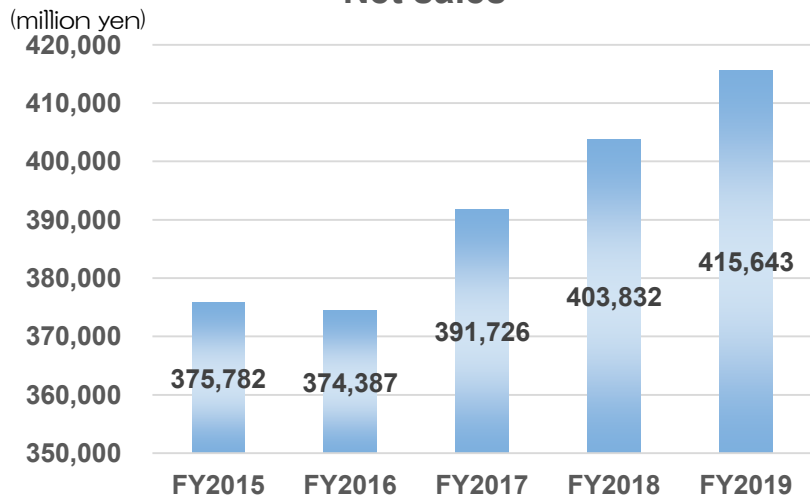


3. Reference Materials

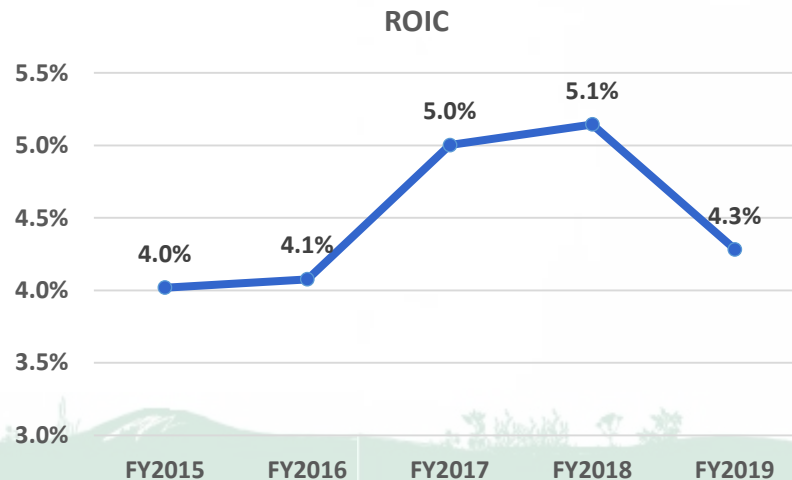
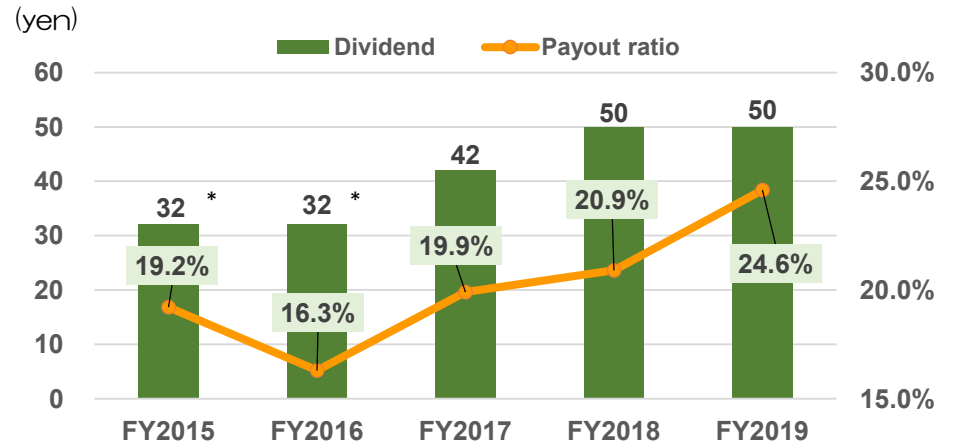
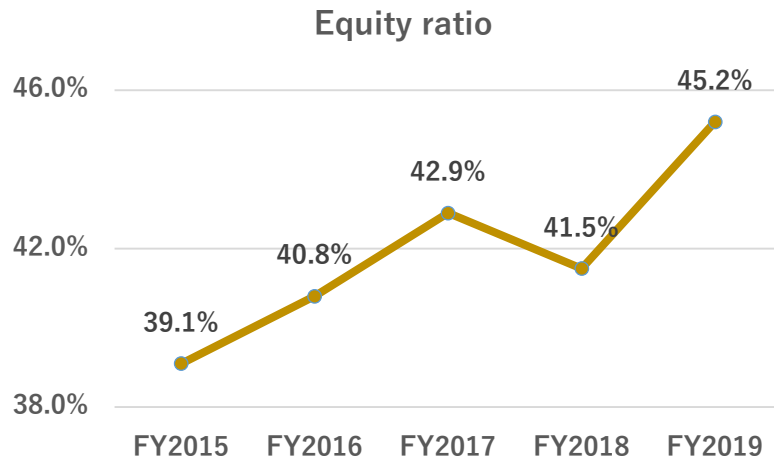


Tracking Business Performance (1)

Net sales



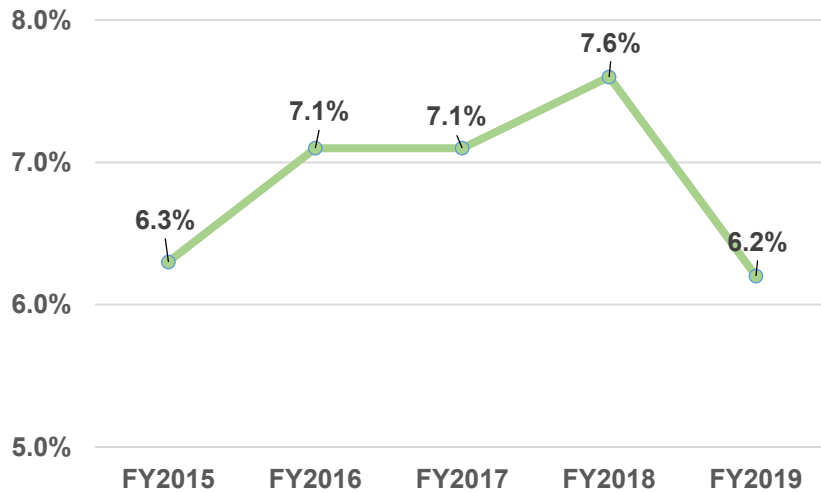
Tracking Business Performance (2)



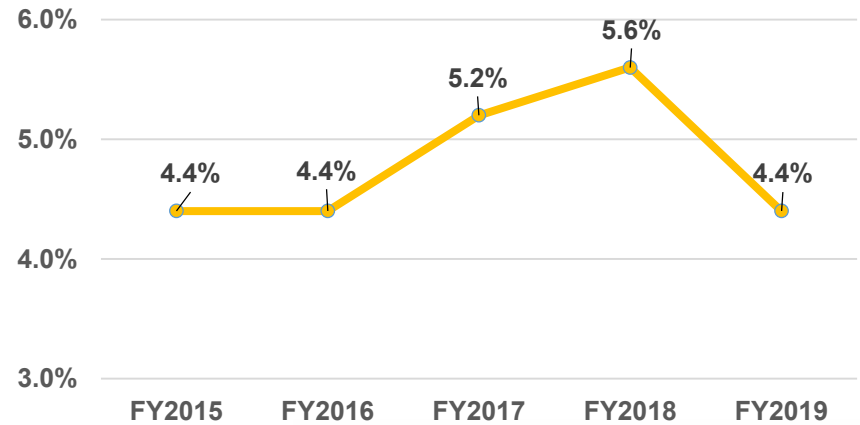
• As a result of a reverse stock split conducted on October 1, 2017 in which 2 shares of common stock were consolidated into 1 share of common stock issued by the Company, the amount of dividend per share for FY2016 indicates the amount retroactively adjusted from the reverse stock split.

Tracking Business Performance (3)

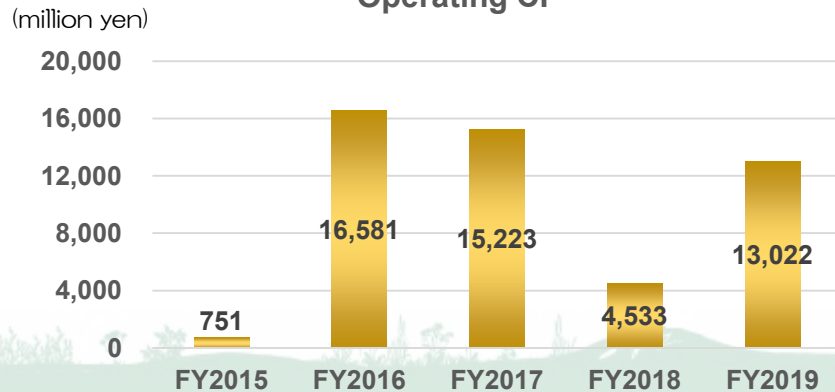
ROE



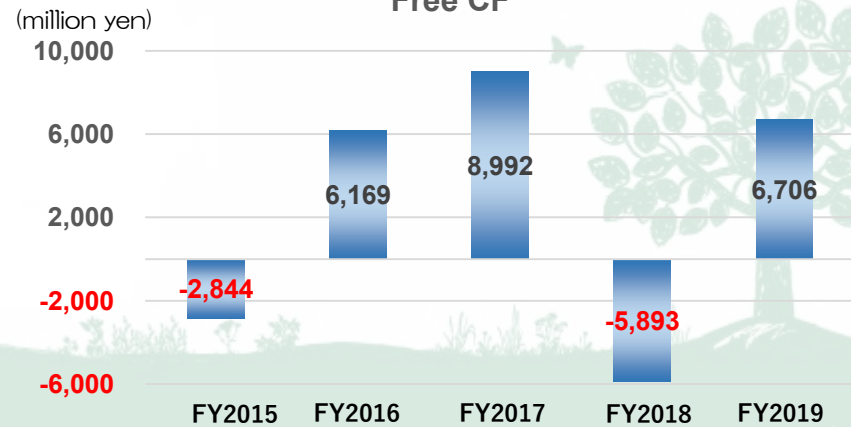
ROA



Operating CF

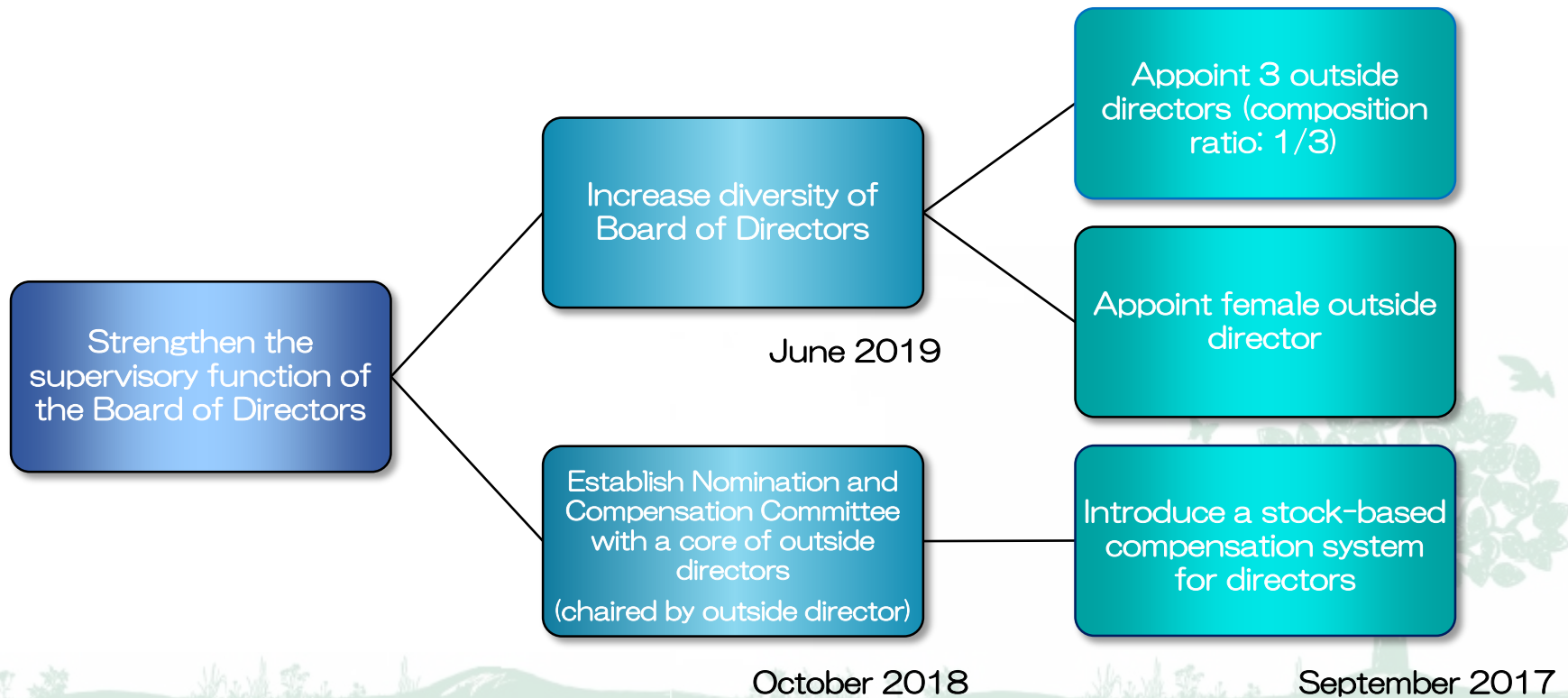


Free CF



Efforts to Strengthen Corporate Governance (1)

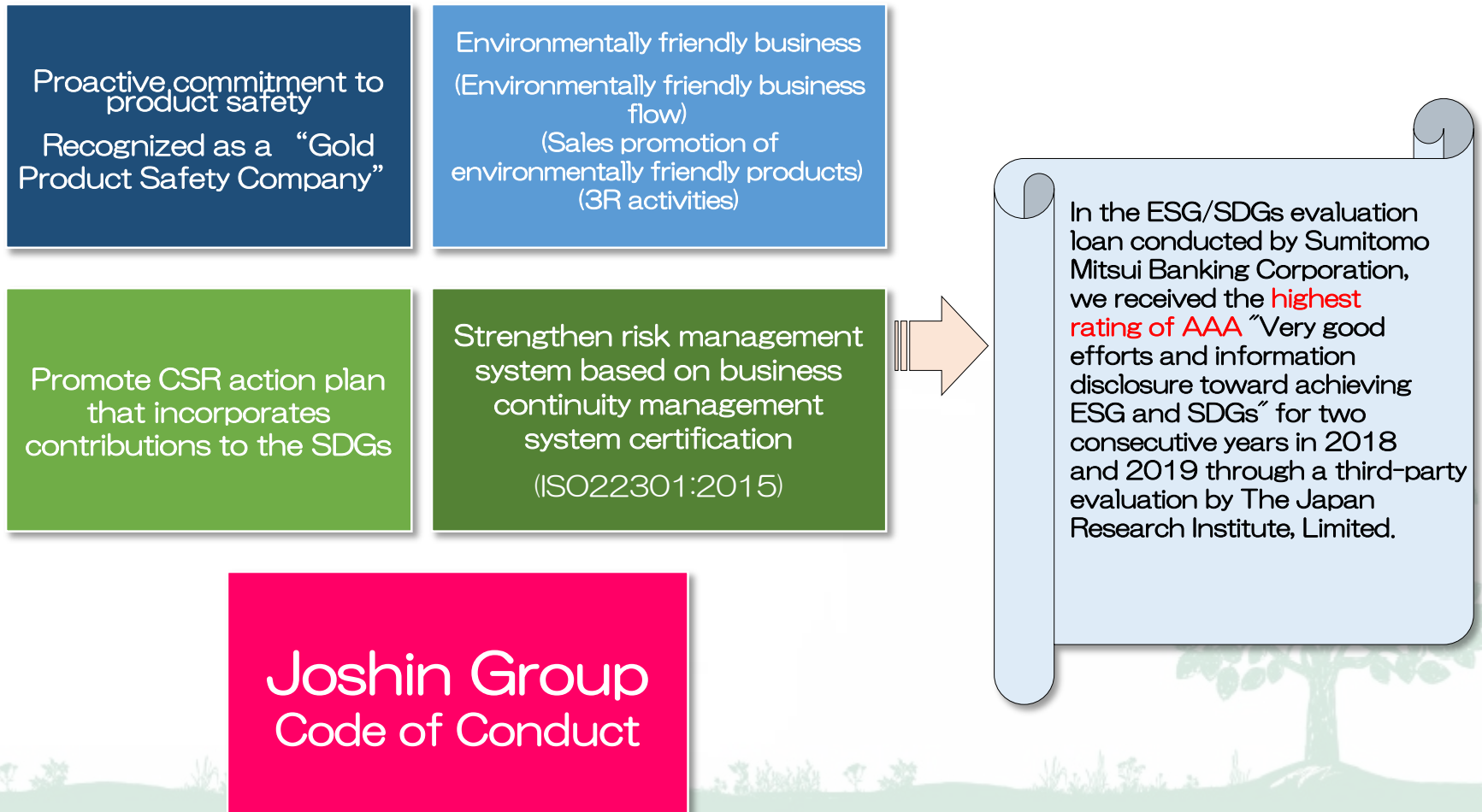
As part of our efforts to strengthen corporate governance with the aim of achieving sustainable growth and increasing corporate value over the medium to long term, we analyze and evaluate the effectiveness of the Board of Directors as a whole each fiscal year, and continuously promote measures to improve it.



Efforts to Strengthen Corporate Governance (2)



Efforts to Strengthen Corporate Governance (3)



Corporate Profile

As of March 31, 2020

Name Joshin Denki Co., Ltd.

Securities code 8173

Stock exchange First Section, Tokyo Stock Exchange

Head Office 6-5, Nipponbashi-nishi 1-chome, Naniwa-ku,
Osaka City, Osaka, Japan

Establishment May 1948

Capital stock 15,121 million yen

Number of shares outstanding 28,680,333

Representative



Ryuhei Kanatani

Representative Director
President and Executive Officer

Businesses Sale of home appliances, information communication equipment, entertainment products and housing equipment-related products and incidental businesses

Annual sales 415,643 million yen (Consolidated basis for the fiscal year ended March 31, 2020)

Number of employees 3,940 (plus an average of 3,871 temporary employees (equivalent to number of regular employees) (Consolidated basis for the fiscal year ended March 31, 2020)

Number of stores 234 (Consolidated total number); 239 (Total of the Joshin Group)

Number of consolidated subsidiaries 14 (Joshin Service Co., Ltd. and 13 others)



Disclaimer

- The descriptions concerning forecasts and outlook for future performance are based on the Company's business targets and plans, and do not guarantee the content of the representations.
- This presentation material should be used on the condition that the reader understands the uncertainties which may cause actual results to differ from the future outlook and forecasts.
- While the descriptions concerning business performance have been prepared based on the best available information, the Company does not guarantee the accuracy and completeness of such information.
- This presentation material is not intended to encourage investment decisions.
Readers are requested to make decisions on investment on their own judgment and responsibility.

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Business Administration Headquarters



Joshin

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Company' s website : https://www.joshin.co.jp/joshintop/ir_en.html

Internet shopping site : <https://joshinweb.jp/>