Joshin Group's Material Issues

To realize our Management Philosophy, "Connecting people and society to the future with a smile," and our Management Vision, "Becoming a hub for the infrastructure of life through the power of home appliances and ICT," the Joshin Group has identified seven material issues that have a significant impact on corporate value creation and should be addressed as priorities, together with 15 issues to be addressed.

In identifying these issues, we considered the perspectives of both investors and a broad range of stakeholders, analyzed and organized the risks and opportunities for Joshin, and established long-term targets and KPIs for each issue to be addressed, together with action plans for achieving them. We are implementing these initiatives to achieve our material issue targets.

Sustainability Committee

The Sustainability Committee manages the material issues and action items that should be addressed as priorities to realize our Management Philosophy and Management Vision, as well as the progress of key cross-divisional internal projects that support them. It also centrally manages financial and non-financial information related to business strategies, ESG initiatives, and other matters. To verify the viability of our management strategy targeting 2050, the committee examines detailed numerical plans for each fiscal year through 2030, the strategy's midpoint, and monitors progress toward the established targets and action plans.

Revision of Material Issues

We announced our material issues in 2021 and made partial revisions to both the material issues and related initiatives in 2023. This time, we revised some of the initiatives, updated the main results to reflect the latest developments, and reviewed the issues and countermeasures.

Material Issue Identification Process

STEP 1 Identify candidate issue groups

We selected candidate issues with particular emphasis on the perspective of ESG investors, using disclosure standards such as SASB and sector materiality prioritized by major ESG rating agencies as a basis, while also taking into account the SDGs, demographic data, regional characteristics, industry trends, and other factors.

STEP 2 Narrow down and evaluate candidate issue groups

Evaluated candidate issues based on two axes: impact on medium- to long-term corporate value and impact on stakeholders. The stakeholders' axis was assessed (questionnaire conducted) by outside directors and outside experts. Impact on corporate value was evaluated by all directors.

STEP 3 Create a material issues map

Created a scatterplot with the scores for the two evaluation axes on the horizontal and vertical axes. In addition to items rated highly on both axes, others, such as those with a high impact on corporate value despite not having a high impact on stakeholders, were reaffirmed as material issues after taking comments from outside experts into account.

STEP 4 Secure approval by the Board of Directors

After gaining approval at the Board of Executive Officers, material issues were determined after being deliberated on and gaining final approval by the Board of Directors. Thereafter, all material issues were reviewed in a timely and appropriate manner, with final decisions made following deliberation by the Board of Directors.

Material issues	Challenges	Reason for selection	Main action plans	Main goals	Main results	Issues and countermeasures
ES (Impact) 1. Proposing enriched lives that anticipate lifestyle changes	Providing goods and services that support a diversifying super-aged society	To create the social value of helping to strengthen the resilience of an aging society under our Management Philosophy, "Connecting people and society to the future with a smile"	• Delivering value unique to Joshin by building a strategic business foundation closely aligned with each customer's lifestyle	• Achieving a 50% share of e-commerce sales on our own website by increasing the number of customers using both channels under our OMO strategy [FY2028]	• Expanded the Joshin economic zone by raising awareness of the Joshin website	• Eliminating shortages of human resources involved in our e-commerce systems and product planning operations
				• Percentage of consolidated net sales from the full-scale launch of the private brand (PB) product business: Achievement of 10% [FY2028]	• Established the Product Development Office within the Merchandise Department and identified and secured several OEM partners	• From FY2026, began launching PB products focused primarily on small and medium-sized home appliances
			• Enhancing the service and support capabilities of store staff	• Improving the capabilities of 33 Rapid Response Service staff in the Kansai region with on-the-job training in the Service Support Division [2028]	• Launching the Rapid Response Service marked the first step toward becoming a "local electronics store that is also a mass retailer."	• Establishing and enforcing rules for managing personal and corporate information when implementing LIVE ASSIST to leverage remote technologies
			• Resolving customer concerns using our own delivery, installation, repair, and other infrastructure along with remote technologies	• Implementing LIVE ASSIST across all sales divisions and service centers [2030]		• Increasing the participation rate for reciprocal training between store staff and Service Support Division personnel
			• Expanding the "local electronics store that is also a mass retailer" model across the entire Kansai region	• Expanding the number of stores with resident Rapid Response Service staff to 57 across the Kansai region by FY2027	• Built an environment to fully attend to the concerns of our customers	• Developing Rapid Response Service staff and establishing the necessary staffing structure
	Proposing prosperous and fulfilling lives filled with smiles, made possible by energy conservation and clean energy	To create the social value of achieving household carbon neutrality under our Management Philosophy, "Connecting people and society to the future with a smile"	• Contributing to GHG reductions by boosting sales of environmentally friendly products	• Target percentage of units accounted for by environmentally friendly products (energy-saving products): 40% (under FY2024 standards) [FY2030]	• Percentage of units accounted for by environmentally friendly products (energy-saving products): 32.1% (Target percentage of units: 30%) (Applicable products: Refrigerators, air conditioners, washing machines, and bidet toilet seats)	• Establishing a sales structure following the revision of energy efficiency standards in 2027
			• Promoting renovations to enhance the functionality of homes and thermal insulation retrofits of windows and doors	• Annual installation target for thermal insulation improvements to windows and doors (interior windows: 6,000 units; entrance doors: 200 units) [FY2030]	• FY2025 units compared with the previous fiscal year: Interior windows: 182%; entrance doors: 137%	• Promoting bundled sales with air conditioners • Proposing that the work be carried out at the same time as renovations that use subsidies
			• Promoting the adoption of V2H systems, EV charging equipment, and residential storage batteries, and increasing sales of solar power systems and high-efficiency water heaters	• Annual sales target for EV-related products (EV charging equipment: 2,000 units; V2H units: 400 units; residential storage batteries: 110 units) [FY2030]	• Began collaborating with the Toyota Nankai Group on the installation of residential EV charging equipment	• Securing B2B projects for common areas of apartment complexes and other facilities
					• Used subsidies administered by the Ministry of Economy, Trade and Industry for EV charging outlet installation	• Promoting proposals for non-FIT and self-consumption systems
	Enhancing customer service using AI and ICT technologies	To address diversifying lifestyles and household concerns while becoming a "hub for the infrastructure of life" that is indispensable to society	• Establishing a framework for providing safe and secure customer service using the latest ICT technologies	• Providing services that combine convenience with safety and reliability by promoting DX that uses AI and other ICT technologies [FY2030]	• Maximized customer lifetime value (LTV) by distributing coupons via the app and using purchase data analysis for marketing	• Establishing a framework for promoting DX to develop services that anticipate latent customer issues by enhancing the analysis of purchase histories and other data, and to accelerate the early implementation of ICT technologies
			• Developing a system that links the app with location and skills data to immediately dispatch (match) the most suitable home-visit support staff	• Establishing next-generation support infrastructure that enables the most suitable specialist staff to respond rapidly to unexpected customer concerns	• Visualized the skills of home-visit support staff and enhanced their response capabilities by accompanying staff on site visits and through other measures	• Developing a matching app that connects home-visit support staff with customer needs, and improving on-site response capabilities by using remote support technologies and AI
2. Providing safe and secure products and services			• Promoting OMO that seamlessly integrates online and offline channels	• Achieving the target number of members using both physical stores and the e-commerce site	• Improved the convenience of the e-commerce site by implementing store inventory information display and enhanced search functions	• Building a convenient, seamless service environment to encourage customers to use both physical stores and Joshin Web Shop
	Ensuring product quality and safety	Because, as a Gold Product Safety Company, it is our social responsibility to contribute to a comfortable, safe, and secure society by providing products and services that customers can use with peace of mind	• Improving the system and process for providing recall information	• Streamlining and accelerating recall notifications by upgrading the system [FY2026]; Providing recall information via the app, SMS, and other channels [FY2030]	• Began upgrading the system to provide recall information more quickly and efficiently	• Reinforcing the integration of the purchaser information database with product and defect information
			• Continuously proposing product improvements to suppliers and cooperating in the recovery of recalled products	• Establishing an integrated product safety framework with suppliers that covers both sales and manufacturing [FY2030]	• Held 28 discussions with suppliers on handling product recalls and 60 information exchange meetings on safety improvements and other topics during the year	• Continuing to contribute to improved product safety by exchanging views with our suppliers
			• Enhancing and standardizing installation techniques using AI, ICT, and other technologies	• Pursuing zero installation defects at all sites and establishing a strong safety and security brand [FY2030]	• Established a system for real-time photographic monitoring of air conditioner installation work, introduced a pre-work facial recognition system, and enhanced practical, specialized training curricula	• Using accumulated data for training and guidance to enhance and standardize installation quality
E (Environment) 3. Contributing to the creation of a prosperous society that is in harmony with the global environment	Developing a resource recycling society	As this is critically important for preventing the depletion of resources and addressing global warming, and, as a platform for local consumers, we can contribute by appropriately collecting, reusing, and recycling unwanted equipment and products	• Diversifying approaches to resource collection and establishing a recycling-based business model	• Increasing the resource collection rate by diversifying approaches to resource collection • Establishing a business model by forming alliances with other industries [2030]	• Collection rate for the four product categories subject to home appliance recycling: 63.0% • Launched the project and began considering potential collaboration partners	• Considering the development of a business model suited to the circular use of resources and extending product life
			• Recycling and reusing in-house equipment and consumables	• Developing domestic recycling channels for unwanted equipment and consumables [2028]	• Recycled unwanted equipment and other items resulting from store closures	• Increasing the recycling rate by ensuring proper waste separation
			• Reducing the use of plastic in containers and packaging materials	• Phasing out shopping bags made from plastic materials [FY2040]	• Reduction of plastic usage in shopping bags by 86.7% (compared to FY2019)	• Considering new shopping bags based on cost and materials
	Addressing climate change in our business activities	Climate change and biodiversity conservation are pressing global issues that must be addressed not only in relation to the direct environmental impact of the Group's business activities, but also across the entire supply chain	• Reducing GHG emissions across our entire supply chain	• 42% reduction in Scope 1 + 2 emissions and 25% reduction in Scope 3 (categories 1 and 11) emissions compared with FY2021 [FY2030]	• FY2025: 35.0% reduction in Scope 1 + 2 emissions and 7.8% reduction in Scope 3 (categories 1 and 11) emissions compared with FY2021	• Promoting the use of renewable energy at business sites located in leased premises and exploring initiatives to reduce emissions across our entire supply chain
			• Increasing the self-generated renewable energy ratio by optimizing infrastructure facilities	• Self-generated renewable energy ratio at business sites where the Company contracts directly with power suppliers: Achievement of 30% [FY2030]	• FY2025 self-generated renewable energy ratio: 28.0%	• Promoting the conversion of business sites into ZEBs
			• Improving the quality of climate change and biodiversity disclosures	• Maintaining a high rating in the CDP Climate Change Program [FY2030] • Expanding the scope and detail of TNFD-based disclosures	• Selected for the CDP Climate Change Program A List for the third consecutive year • Began TNFD analysis of dependencies and effects on nature in selected areas of the midstream value chain	• Exploring the creation of opportunities related to biodiversity

Material issues		Challenges	Reason for selection	Main action plans	Main goals	Main results	Issues and countermeasures
S (Society)	4. Diversity & inclusion	Securing human resources	To secure the human resources that are the source of our organizational strength, and to connect their growth to the Company's sustainable growth	• Securing human resources in line with the business plan	• Continuing to hire 150 new employees every year [FY2030]	• Number of new graduates and mid-career hires: 177	• Developing a human resources strategy aligned with the management strategy
				• Raising the expertise of head office functions	• Human resources fulfillment rate: 100% [FY2030]	• Human resources fulfillment rate: 101.2%	• Optimizing the allocation of personnel to growth businesses
				• Ensuring and retaining a diverse workforce to enhance corporate value	• Turnover rate of permanent employees: 2.5% or less [FY2030]; 2.0% or less [FY2050]	• Turnover rate: 2.3%	• Realizing an in-house environment where diverse human resources play a more active role
		Human resource development	To create new customer satisfaction and enhance corporate value by developing specialized human resources	• Developing specialized human resources for core businesses	• Percentage of employees holding Home Appliance Advisor and other certifications: 85.0% [FY2030]	• Percentage of certified Home Appliance Advisors and Engineers among permanent employees: 86.5%	• Developing self-directed human resources
				• Reskilling	• Having all employees complete DX training [Continuing initiative]	• DX literacy training: Cumulative total: 4,327 participants; generative AI training: 1,269 participants	• Developing a training framework by establishing business-specific academies
				• Systematically developing female leaders	• Percentage of female managers: 5.0% [FY2030]	• Percentage of female managers: 4.7%	• Supporting women's career development through networking
		Health and productivity management	To maximize individual and organizational performance by promoting health and productivity management	• Preserving and improving mental and physical health	• Presenteeism: 94.0% [FY2030] (Measured using the WLQ-J) Overall health risk: 102 or lower	• Presenteeism: 92.9% Overall health risk: 101	• Providing targeted support based on potential health risks
				• Improving health literacy to promote healthier lifestyles (diet, exercise, and sleep)	• Health index score (obesity, blood pressure, liver function, lipids, blood sugar, and smoking): national average +2.0% [FY2030] (National averages are based on the Ministry of Health, Labour and Welfare's NDB Open Data)	• Health index score (obesity, blood pressure, liver function, lipids, blood sugar, and smoking): national average -4.0%	• Enhancing individualized guidance and support to address health concerns
				• Creating a safe and secure work environment	• Occupational accident frequency rate: 1.30 or lower; occupational accident severity rate: 0.02 or lower	• Occupational accident frequency rate: 1.36; occupational accident severity rate: 0.02	• Regularly assessing risks in the work environment
	5. Building a responsible value chain	Respect for human rights	To carry out business management that respects the fundamental human rights of all stakeholders in line with our corporate motto of "Thoughtfulness" and international human rights standards	• Communicating the Joshin Group Human Rights Policy to stakeholders	• Promoting awareness of respect for human rights throughout our value chain	• Held stakeholder meetings	• Collaborate on human rights awareness initiatives under the UN Global Compact
				• Implement human rights due diligence	• Prevent and mitigate risks to human rights across our value chain	• Provided feedback on the results of the human rights questionnaire	• Support partner companies in implementing human rights due diligence
		Sustainable procurement activities	To reduce and prevent risks in our supply chain and build a sound and resilient procurement framework in the spirit of the UN Global Compact	• Communicate the Procurement Policy and Procurement Guidelines and conduct supplier assessments	• Establish resilient and sustainable partnerships with suppliers in order to address ESG issues	• Conducted a procurement questionnaire targeting 303 major suppliers; sustainable procurement rate: 70.5% (Response rate 52.5%)	• Enhance analysis of assessment results and hold individual feedback meetings with suppliers
				• Promote engagement (collaboration) with suppliers	• Achieve a sustainable procurement rate of 80% [FY2030] • Continue to be selected as a CDP Supplier Engagement Leader [FY2050]	• Selected as a CDP Supplier Engagement Leader for two consecutive years	• Build a framework for resolving issues across the entire supply chain through engagement
	6. Promoting coexistence with local communities	Further developing businesses that support the growth of local communities	To promote solutions to social issues by leveraging our core business in our role as part of the infrastructure of life and achieve sustainable growth alongside local communities, whose development is essential to the Company as a business built on community-based stores	• Promote community engagement and businesses that address social issues, based on the four pillars of safety and security, a healthy life, support for the development of the next generation, and the environment	• Create and expand businesses that address social issues based on these four pillars [FY2030]	• Achieved closed-loop recycling of 315.6 kg of bubble cushioning material in collaboration with other companies at Joshin Outlet Kitahanada Store	• Build a new business model that leverages stores as local hubs for the infrastructure of life
				• Promote the resolution of local issues and sustainable creation of shared value (CSV) in collaboration with local governments, educational institutions, and other organizations	• Build a model for resolving issues in collaboration with local governments and educational institutions in the communities where we operate [FY2030]	• Donated 693 air purifiers to elementary and junior high schools and other institutions in Izumisano City, Osaka • Implemented programs to support the development of the next generation in inquiry-based learning classes and other activities at elementary and junior high schools	• Participate in events and inquiry-based learning in ongoing collaboration with local governments and schools
				• Bridge the digital divide (information gap) in local communities by providing smartphone support and other services	• Achieve a digital society where people of all generations can live with peace of mind by expanding smartphone support and other services [2050]	• Contributed to bridging the digital divide by rolling out free and paid smartphone support services at all stores	• Expand the function of our physical store network as a consultation point forming part of the infrastructure of life in communities with aging populations
G (Governance)	7. Enhancing corporate governance	Corporate/Group governance	Because a sophisticated corporate governance system is required to link the creation of social value to Joshin's sustainable growth, enhanced corporate value, and realization of its Management Philosophy	• Fine-tune medium- to long-term growth strategies	• Operating income: ¥10 billion or higher, ROE: 7.0% or higher [FY2028]	• Operating income: ¥5,422 million, ROE: 3.1% [End of FY2025]	• Enhance dialogue with shareholders and institutional investors
				• Promote more efficient management with a focus on cost of capital and stock price	• Ratio of cross-shareholdings to consolidated net assets: Less than 3.0% [FY2028]	• Cross-shareholdings: Holdings in 23 companies, representing 5.5% of net assets [End of FY2025]	• Promote balance sheet management
				• Develop board succession plans to support growth strategy execution and the promotion of efficient management	• Ensure and maintain the independence and diversity of the Board of Directors [FY2028] (Maintain an outside director ratio of over 50% and a female director ratio of over 40%)	• Transitioned from being a company with a Board of Auditors to one with an Audit and Supervisory Committee [FY2025] • Independent outside director ratio: 75.0% (six outside directors / eight total directors) [FY2025] • Female director ratio: 50.0% (four female directors / eight total directors) [FY2025]	• Enhance the Board of Directors' monitoring functions and strengthen coordination with executive officers • Enhance the succession plan for outside directors
		Ensuring compliance, managing risk, and maintaining corporate ethics	Because adherence to laws and social norms (compliance) and high ethical standards (corporate ethics) are required to maintain sustainable corporate growth and the trust of stakeholders	• Enhance compliance training in the value chain	• Promote compliance training at Group subsidiaries and cooperating companies [Continuing initiative]	• Enhanced the structure of the Legal and Risk Management Divisions in anticipation of future expansion of business fields	• Promote skills training for executive officers overseeing the specialized subcommittees of the Risk Management Committee
				• Construct a business continuity management system in the value chain	• Introduce a fixed-term system (renewal system) for assigning staff to management positions [FY2030]	• Formulated information security and BCP guidelines and ensured they are widely communicated	• Encourage awareness and cooperation in compliance management among contractors
		Improving data security	Because enhancing resilience (capacity to recover) against diverse risks that threaten business continuity, including increasingly sophisticated cyberattacks, and establishing and operating a robust management framework are key management issues	• Build an effective data security system	• Retain PrivacyMark certification [FY2050] • Establish a CSIRT (Computer Security Incident Response Team) to bolster business continuity [2030]	• Maintained PrivacyMark certification for 20 consecutive years (since FY2005) • Introduced a service that detects unauthorized activity in logs and blocks network access	• Continue activities to raise awareness of personal information protection across the Group • Enhance backup capabilities to establish a rapid recovery framework