

# Joshin Group's Material Issues

Our management philosophy is connecting people and society to the future with a smile and our management vision is becoming an infrastructure hub for a better life through the power of home appliances and ICT. To realize the goals of our philosophy and vision, we chose seven material issues (major challenges) that we should address first, due to their high impact on corporate value creation of the Joshin Group, as

well as 14 issues to help resolve through our initiatives.

After determining which issues to tackle, we analyzed the risks and opportunities based on the perspectives of both our investors and stakeholders, organized the issues, and set long-term targets and KPIs, as well as action plans to reach the goals for every initiative. The Company will also use these initiatives to reach our material issue targets.

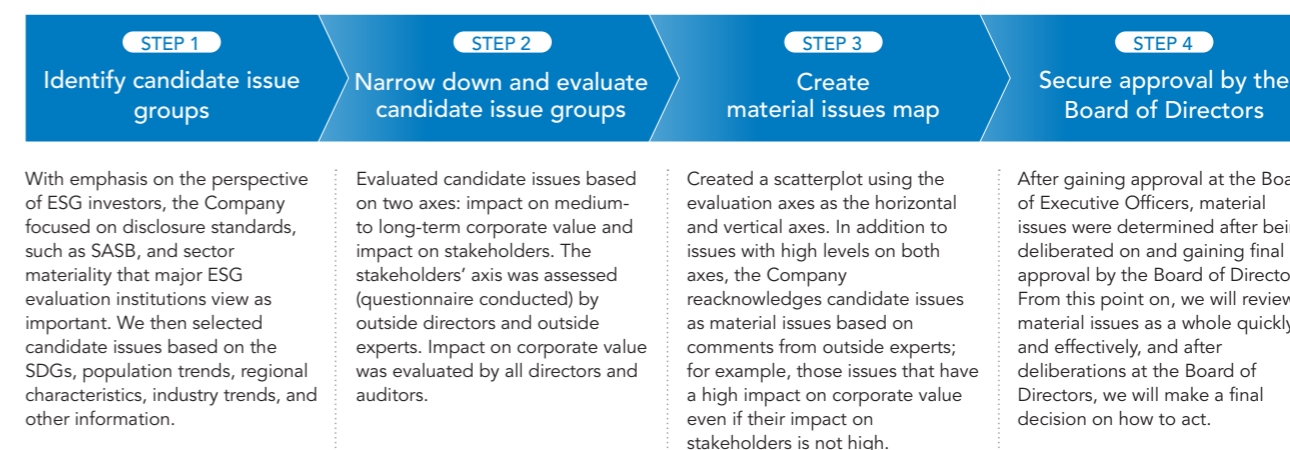
## Sustainability Committee

The Sustainability Committee works to achieve our management philosophy and our management vision by dealing with our highest priority initiatives and material issues, together with the progress of important department-spanning internal projects that support these initiatives. The committee also oversees financial and nonfinancial information for our business strategies and our ESG initiatives, among other items. To verify the viability of our management strategy with the target year of 2050, the committee investigates the financial plans for individual fiscal years leading up to 2030, which is the midpoint of the business strategy, and manages the progress of the targets and action plans.

## Revision of Material Issues

The material issues were announced in 2021, and we revised some material issues and initiatives in 2023. The revisions reflect the latest results and circumstances, reassessing key issues and corresponding countermeasures accordingly.

## Material Issue Identification Process



Material Issue	Challenges	Reason for Selection	Main Action Plans	Main Goals	Main Results	Issues and Countermeasures	
ES (Impact)	1. Proposing enriched lives that anticipate lifestyle changes ▶ See p. 25-28, p. 36-40, and p. 88	To create social value of helping to strengthen the resilience of an aging society based on our management philosophy of "Connecting people and society to the future with a smile"	<ul style="list-style-type: none"> <li>Construct a business strategy based on the fan base concept, and succeed in providing original Joshin value</li> <li>Revise our service personnel system (onsite repairs) for six prefectures in the Kansai region, and combine it with our online service</li> <li>Implement remote (online) diagnoses and remote support from customer homes</li> <li>Provide bidirectional services with customers and provide real-time information through our app</li> </ul>	<ul style="list-style-type: none"> <li>Improving profitability in the EC store business [FY2030]</li> <li>Ratio of renovation, mobile communication, and support business in net sales: Approx. 20% [FY2030]</li> </ul>	<ul style="list-style-type: none"> <li>Profits in the EC store business: Although net sales grew from last year, margins on sales shrank</li> <li>Ratio of renovation, mobile communication, and support business in net sales: Approx. 16%</li> </ul>	<ul style="list-style-type: none"> <li>Expand the EC store business, focusing on the growth of the Company's own website</li> <li>Broaden the lineup of services offered in the renovation, mobile communication, and support business</li> </ul>	
	Achieving household carbon neutrality	To create social value of achieving household carbon neutrality based on our management philosophy of "Connecting people and society to the future with a smile"	<ul style="list-style-type: none"> <li>Strengthen sales of environmentally friendly products</li> <li>Promote the remodeling of housing environments for advanced features and improvements using heat insulation of doorways and windows</li> <li>Promote the spread of V2H, EV charging equipment, and household storage batteries as well as strengthen sales of solar power generation equipment and high-efficiency water heaters</li> </ul>	<ul style="list-style-type: none"> <li>Target quantity ratio for environmentally friendly products (energy-saving products): 40% (FY2024 reference) [FY2030]</li> <li>Target annual EV-related units sold (EV charging equipment: 2,000 sets, V2H units: 400, household storage batteries: 110) [FY2030]</li> </ul>	<ul style="list-style-type: none"> <li>Quantity ratio for environmentally friendly products (energy-saving products): 25.3% (Target quantity ratio: 30%) * Subject products: Refrigerators, air conditioners, washing machines, and warm water washing toilet seats</li> <li>Discussions with other companies on establishing renewable energy-related businesses</li> </ul>	<ul style="list-style-type: none"> <li>Maintain excellent energy-saving performance, strengthening initiatives for high value-added products while also taking into account added comfort and ease of use</li> </ul>	
ES (Impact)	2. Offering safe and secure products and services ▶ See p. 72-75 and p. 58	To protect information assets and gain customer trust	<ul style="list-style-type: none"> <li>Take action against cyberattacks based on the zero trust perspective</li> <li>Provide membership services that use various types of data securely and safely</li> </ul>	<ul style="list-style-type: none"> <li>Retain PrivacyMark certification [FY2030] [FY2050]</li> <li>Provide a service for convenient, safe member benefits through a biometric recognition system [FY2030]</li> <li>By introducing the latest technologies, create a safety and security brand by maintaining high security literacy among employees [FY2050]</li> </ul>	<ul style="list-style-type: none"> <li>Introduce a filtering service to block harmful websites</li> <li>Begin using the SAKULaLa biometric authentication service in April 2025. This enables customers to authenticate their identity and earn or use reward points simply by scanning their finger vein.</li> </ul>	<ul style="list-style-type: none"> <li>Safely use and share the data we handle</li> <li>Make data visible and conduct evaluations</li> </ul>	
	Ensuring product quality and safety	To construct a product safety system linked through the Group based on the Voluntary Action Guidelines for Product Safety of Joshin Group	<ul style="list-style-type: none"> <li>Improve data consistency between the purchaser database, product and parts data, and fault information</li> <li>Provide support information for purchased products via the corporate website, the app, and other means</li> <li>Consider reviewing the processes for product safety evaluations and for responding when a defect occurs in order to ensure quality and safety based on the purchasing policy and guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Continue actions for safety and security as a Gold Product Safety Company [FY2030]</li> <li>Contribute to establishing a product safety culture throughout society, and form a virtuous cycle leading to improved corporate branding and corporate value [FY2050]</li> <li>Strengthen the links between the purchaser database, product and parts data, and fault information, then quickly give guidance and make announcements [FY2030]</li> </ul>	<ul style="list-style-type: none"> <li>Received Gold Product Safety Company certification multiple times (First time in history this certification was awarded a 2nd time)</li> <li>Conducted lectures at product safety events held by the Ministry of Economy, Trade and Industry and local governments, and conducted visiting lectures on product safety at elementary schools</li> <li>Conducted educational activities using posters and digital signage in collaboration with the Ministry of Economy, Trade and Industry during Product Safety Inspection Campaign Month</li> </ul>	<ul style="list-style-type: none"> <li>Construct a mechanism for providing more dependable support to customers, including more rapid action regarding product defect information</li> </ul>	
E (Environment)	3. Contributing to the creation of a better society that is in harmony with the global environment ▶ See p. 77-88	Developing a resource-recycling society	To carry out initiatives for realizing of a circular economy and reducing the amount of plastic used	<ul style="list-style-type: none"> <li>Rebuild the recycling system taking into account reuse and resale</li> <li>Initiatives for reusing collected used paper and cardboard through alliances</li> <li>Reduce the use of plastics by no longer offering disposable shopping bags and taking other related actions</li> </ul>	<ul style="list-style-type: none"> <li>Recycling rate for the four target product classes of home appliances: 65% [FY2030]</li> <li>Establish the business model of a circular economy through an alliance [FY2030]</li> <li>Plastic usage in shopping bags: 90% reduction (compared to FY2019) [FY2025]</li> <li>Stop using shopping bags made with plastic materials [FY2030]</li> <li>Promote recycling and reuse of consumable products used inside the Company, e.g., used paper and cardboard</li> </ul>	<ul style="list-style-type: none"> <li>Began collecting model runners and reselling them as new models (from April 2025)</li> <li>Reuse results: 47,479</li> <li>Recycling rate for the four target product classes of home appliances: 63.8%</li> <li>Reduction of plastic usage in shopping bags by 87.1% (compared to FY2019)</li> </ul>	<ul style="list-style-type: none"> <li>Establish the business model of a circular economy focused on alliances and other external collaborations</li> </ul>
			To realize renewable energy in the Company business sites, including ensuring a stable supply of renewable energy by improving the percentage of off-grid power consumption, and reduce GHG emissions throughout the supply chain	<ul style="list-style-type: none"> <li>Increase the percentage of off-grid power consumption through the introduction of solar power generation, storage batteries, and off-site PPA</li> <li>Negotiations for raising the percentage of renewable energy sources at business sites that are rented out (leased)</li> <li>Manage Scope 3 greenhouse gas (GHG) emissions across the supply chain, set reduction targets, and take action</li> <li>Strengthen activities aimed at education of stakeholders utilizing questionnaires and educational tools</li> <li>Appropriately evaluate risks and degrees of impact related to biodiversity, and formulate TNFD and LEAP approach analysis</li> <li>Engage in active disclosure of information to obtain international initiative recognition related to climate change and improve evaluations from ESG rating agencies</li> </ul>	<ul style="list-style-type: none"> <li>Off-grid power consumption at business sites where the Company contracts directly with power suppliers: Achieve 25% [FY2030]; Achieve 50% [FY2050]</li> <li>Renewable energy ratio at all business sites including those that are rented out (leased): 80% [FY2030]; 100% [FY2040]</li> <li>GHG emissions for Scopes 1 and 2, compared to FY2021: 42% reduction [FY2030]; Compared to FY2021: Achieve 100% reduction [FY2040]</li> <li>GHG emissions for Scope 3 (Categories 1 and 11), compared to FY2021: 25% reduction [FY2030]; Compared to FY2021: 100% reduction in GHG emissions across all categories [FY2050]</li> </ul>	<ul style="list-style-type: none"> <li>Off-grid power consumption at business sites where the Company contracts directly with power suppliers: 27.2% (FY2024)</li> <li>Scopes 1 and 2, compared to FY2021: 35.4% reduction</li> <li>Scope 3 (Categories 1 and 11): 17.9% reduction compared to FY2021</li> </ul>	<ul style="list-style-type: none"> <li>Initiatives for continual Scope 3 reductions based on a reduction plan that is unaffected by business performance</li> </ul>
				<ul style="list-style-type: none"> <li>Complete analysis of dependence and impacts on nature consistent with the LEAP approach of the TNFD [2025]</li> <li>Carry out biodiversity preservation activities at Group business sites [2040]</li> <li>Maintain an "A" score in the CDP climate change program, and further improve evaluations from rating agencies related to climate change [FY2050]</li> </ul>	<ul style="list-style-type: none"> <li>Support TNFD Recommendations and disclose initial analysis results for "dependence and impact on nature" and "risks and opportunities."</li> <li>Achieved a CDP Climate Change Program "A" rating for two consecutive years and selected for the first time as a CDP Supplier Engagement Leader in the Supplier Engagement Assessment</li> <li>"AAA" rating under the MSCI ESG Ratings</li> <li>Continuously selected as component stocks for both the "FTSE Blossom Japan Index" (three consecutive years) and "FTSE Blossom Japan Sector Relative Index" (four consecutive years)</li> </ul>	<ul style="list-style-type: none"> <li>Alongside quantitative TNFD disclosures, explore opportunities to create nature-positive lines of business</li> </ul>	

Material Issue	Challenges	Reason for Selection	Main Action Plans	Main Goals	Main Results	Issues and Countermeasures
S (Society)	4. Diversity & Inclusion ▶ See p. 67-68	Securing human resources	<ul style="list-style-type: none"> <li>Strengthen recruiting of new graduates and mid-career hires and promote part-time employees to full time</li> <li>Strengthen direct recruiting</li> <li>Secure core human resources to support head office functions</li> <li>Increase the percentage of women and actively promote women to managerial and executive positions</li> <li>Promote D&amp;I for knowledge and experience (ensure diversity, develop new partner companies)</li> <li>Employ more people with disabilities</li> <li>Establish work environments that enable employees to have successful lifelong careers (extend retirement age)</li> </ul>	<ul style="list-style-type: none"> <li>Keep hiring 150 new employees every year [FY2030]</li> <li>Annual turnover rate of permanent employees: 2.5% or less [FY2030]; 2.0% or less [FY2050]</li> <li>Consider new systems to secure core human resources [FY2028]</li> <li>Permanent female employees: 30% [FY2030]; 50% [FY2050]</li> <li>Extend retirement age to 65 years [FY2025], no mandatory retirement [FY2040]</li> </ul>	<ul style="list-style-type: none"> <li>Number of new graduates and mid-career hires: 190</li> <li>Turnover rate: 2.4%</li> <li>Introduce shorter working hours and leave systems for employees undergoing infertility treatment</li> <li>Introduce systems supporting fewer work days and reduced hours for veteran employees</li> <li>Percentage of mid-career hires among all employees: 39.2%</li> <li>Percentage of employees with disabilities: 2.8%</li> <li>Extended retirement age to 64 years</li> </ul>	<ul style="list-style-type: none"> <li>Remediating the age structure for permanent employees</li> <li>Moving employees appropriately to growth businesses</li> <li>Transforming our business model</li> <li>Support for the active participation of women and balance between work and private life</li> <li>Realizing an internal environment where diverse employees play a more active role</li> <li>Creation of job satisfaction for veteran employees</li> </ul>
	Human resource development	To create new customer satisfaction and improve corporate value by training specialized human resources	<ul style="list-style-type: none"> <li>Develop specialized human resources for core businesses</li> <li>Foster a willingness to make voluntary contributions by using engagement surveys</li> <li>Reskilling</li> <li>Practice talent management</li> <li>Plan leadership training for female employees</li> <li>Conduct training for senior management positions</li> <li>Train onsite home appliance repair technicians</li> <li>Support the training of human resources at partner companies</li> </ul>	<ul style="list-style-type: none"> <li>Proportion of holders of Home Appliance Advisor certification, etc.: 85% [FY2030]</li> <li>Overall engagement score 80 [FY2030]</li> <li>Have all employees complete DX training [Continuing initiative]</li> <li>Have all employees complete generative AI training [FY2026]</li> <li>Percentage of female junior managers: 20% [FY2030]; 50% [FY2050]</li> <li>Onsite home appliance repair technicians: 120 trained [FY2030]</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of certified Home Appliance Advisors and engineers among permanent employees: 85.5%</li> <li>Conducted engagement training for mid-level/assistant managers</li> <li>Cumulative total of participants in DX training: 4,097 (training rate: 97.1%) (FY2022–FY2024)</li> <li>Hold a career forum for female employees who voluntarily expressed interest in participating</li> <li>Establish four new internal company communities focused on success of women in the workplace, nursing care, mid-career hires, and veteran personnel</li> <li>Add new subsidy system for childcare expenses on holidays</li> </ul>	<ul style="list-style-type: none"> <li>Growth of Joshin fans and core fans</li> <li>Promotion of engagement understanding by the promotion team</li> <li>Develop new businesses and services utilizing ICT</li> <li>Personnel assignments making best use of individual abilities and characteristics</li> <li>Start a networking and mentoring system for women</li> <li>Training of senior management</li> <li>Enhancing business infrastructure (purchasing, logistics, delivery, installation, and construction)</li> </ul>
	Health and productivity management	To maximize individual and organizational performance by carrying out health and productivity management	<ul style="list-style-type: none"> <li>Conduct initiatives including education and public health nurse interviews to improve health literacy</li> <li>Ensure appropriate business hours to reduce total working hours and working late at night</li> <li>Take advantage of ICT and robotics technology as alternatives to employees</li> <li>Implement flexible working styles</li> </ul>	<ul style="list-style-type: none"> <li>Achieve the average health index score (for obesity, blood pressure, liver function, fats, blood sugar, and smoking) of +2% across Japan [FY2030], +5% across Japan [FY2050]</li> <li>Presenteeism: 94.0% [FY2030] * Measurement by WLQ-J</li> <li>Introduce full self-service registers in all stores [FY2027]</li> <li>Rate of male employees taking childcare leave or time off for the purpose of childcare: 100% [FY2030]</li> </ul>	<ul style="list-style-type: none"> <li>Recognized as a Certified Health &amp; Productivity Management Outstanding Organization (Large Corporation Category) for six consecutive years</li> <li>Monthly average overtime work hours: 12.7 hours (down 0.9 hours from the previous fiscal year)</li> <li>Rate of male employees taking childcare leave or time off for the purpose of childcare: 98.5%</li> <li>Extension of mandatory Ikumen (men rearing their children) leave days</li> </ul>	<ul style="list-style-type: none"> <li>Preserve and improve mental and physical health</li> <li>Reducing total working hours</li> <li>Improving operational efficiency by utilizing ICT</li> <li>Achieve work-life balance that accommodates a wide range of working styles</li> </ul>
	Respect for human rights	To carry out business management that respects the fundamental human rights of all stakeholders in line with our Corporate Credo of "Thoughtfulness" and international human rights standards	<ul style="list-style-type: none"> <li>Implement risk assessments for the value chain</li> <li>Conduct the supply chain procurement questionnaire</li> <li>Conduct the human rights initiatives questionnaire at stakeholder companies</li> <li>Communicate the Joshin Group Human Rights Policy to stakeholders</li> <li>Establish relief mechanisms</li> <li>Hold stakeholder meetings (dialogues)</li> <li>Disclose information related to respect-for-human-rights initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Establish opportunities for human rights awareness for every supplier [FY2025]</li> <li>Promote respect for human rights among employees by raising awareness [FY2025]</li> <li>Pursue initiatives to ensure respect for human rights across the value chain [FY2050]</li> </ul>	<ul style="list-style-type: none"> <li>Introduced a video on the Joshin Group Human Rights Policy to delivery service partners</li> <li>Implemented human rights initiatives questionnaires and survey feedback for delivery service partners (responses from 58 of 88 companies)</li> <li>Conduct human rights trainings twice a year</li> </ul>	<ul style="list-style-type: none"> <li>Conduct continued education and training related to respect for human rights</li> <li>Conduct an investigation of human rights remedies at supplier manufacturing sites (areas in conflict) in the value chain</li> <li>Conduct the questionnaire for suppliers in the value chain (cooperating companies and others in shipping, installation, construction, and recycling)</li> <li>Formulate and implement measures for human rights risk mitigation and prevention</li> </ul>
G (Governance)	5. Building a responsible value chain ▶ See p. 65 and 72	Sustainable purchasing activities	<ul style="list-style-type: none"> <li>To appropriately share management and operating conditions in the four key areas and Ten Principles of the UN Global Compact, which are the foundation for the policies decided by the Company</li> <li>Share purchasing guidelines with suppliers</li> <li>Conduct engagement related to sustainable purchasing</li> </ul>	<ul style="list-style-type: none"> <li>Enact corrective measures for companies that failed to respond to the supply chain procurement questionnaire [FY2028]</li> <li>Build a sound, strong supply chain by adhering to policies for Group purchasing, human rights, and preventing corruption [FY2050]</li> </ul>	<ul style="list-style-type: none"> <li>The questionnaire was sent to suppliers together with a video introducing the ESG initiatives of the Group</li> <li>Of 298 target companies, 210 responded to the questionnaire (response rate: 70.4%), yielding a sustainable procurement rate of 78.8%</li> <li>Received the highest CDP Supplier Engagement Assessment Rating in FY2024</li> </ul>	<ul style="list-style-type: none"> <li>Continue to conduct for new suppliers in and after FY2024</li> </ul>
	6. Promoting synergies with local communities ▶ See p. 76	Exploring in depth the businesses that support the growth of local communities	<ul style="list-style-type: none"> <li>Participate in social contribution activities centered on our real stores and other business locations</li> <li>For Joshin's community service activities that are connected with our main business, engage in projects that are intended to build stronger relationships with local customers based on these pillars: safety and security, a healthy life, supporting the development of the next generation, and the environment</li> </ul>	<ul style="list-style-type: none"> <li>Improve the strength of our brand and our corporate value in local communities through social contributions [FY2030]</li> <li>Take part in community service activities in collaboration with businesses working with local governments [FY2050]</li> <li>Create shared value by offering solutions to social issues [FY2050]</li> </ul>	<ul style="list-style-type: none"> <li>Participated in decarbonization events conducted with Osaka Prefecture and Sakai City</li> <li>Donated 693 air purifier machines to elementary and junior high schools in Izumisano City, Osaka Prefecture, to support educational and child-rearing environments</li> <li>As one part of "exploration learning," conducted discussions at multiple junior high schools and high schools</li> </ul>	<ul style="list-style-type: none"> <li>Continue to participate in events and exploration learning for large numbers of local governments, schools, and others in FY2025</li> </ul>
	7. Enhancing corporate governance ▶ See p. 42-46 and p. 51-57	Ensuring compliance, risk management, and maintaining Company morale	<ul style="list-style-type: none"> <li>To achieve harmony with society and carry out fair business activities that contribute to society through organizational operations that include the spirit of respect for laws and business continuity</li> <li>Conduct compliance training in the value chain</li> <li>Expand the risk assessment system in the value chain</li> </ul>	<ul style="list-style-type: none"> <li>Construct a business continuity management system in the value chain [FY2030]</li> <li>Introduce a fixed-term system (renewal system) for assigning staff to management positions [FY2030]</li> <li>Conduct compliance training at Group subsidiaries and cooperating companies [Continuing initiative]</li> </ul>	<ul style="list-style-type: none"> <li>Strengthened the functions of the Risk Management Committee to reinforce the corporate governance framework</li> <li>Revised the structure so that the Representative Director, President and Executive Officer now serves as Chair of the committee</li> <li>Reorganized the Risk Management Committee's special units into five areas under the supervision of an executive officer: compliance, internal controls, personal information protection, information security, and BCP</li> </ul>	<ul style="list-style-type: none"> <li>Promote skills training for executive officers overseeing the Risk Management Committee's special units</li> <li>Enhance the structure of the Legal and Risk Management Divisions in anticipation of future expansion of business fields</li> <li>Encourage awareness and cooperation in compliance management among contractors</li> </ul>
Corporate/Group governance	Because an advanced corporate governance system is required that will connect the creation of social value to continual growth, improved corporate value, and achievement of our management philosophy for Joshin	<ul style="list-style-type: none"> <li>Brush up medium- and long-term management strategies and promote more efficient management with a focus on capital costs</li> <li>Study the optimal governance system for achieving the medium- to long-term management strategies and realizing efficient management</li> <li>Expand training for officials based on the succession plan for directors and executive officers</li> <li>Provide a well-developed executive compensation system that could be an incentive for creating sustainable growth and higher corporate value</li> </ul>	<ul style="list-style-type: none"> <li>Operating income ratio: 1.0%, ROE: 8.0%, ROA: 5.0%, ROIC: 5.0% [FY2025]</li> <li>Operating income: Over 10 billion yen, ROE: Over 7.0% [FY2028]</li> <li>Study the further transfer of authority to the Board of Executive Officers, and optimal institutional design [FY2025]</li> <li>Conduct training for required skills based on the skills matrix for executive officers [Continuing initiative]</li> <li>Stock compensation: 50%, disclose individual compensation [by FY2030]</li> </ul>	<ul style="list-style-type: none"> <li>Transition to a company with an Audit and Supervisory Committee following approval at the General Meeting of Shareholders in June 2025</li> <li>Bolstered the Board of Directors' audit and supervisory functions, improving fairness, transparency, and efficiency in management while enabling more rapid decision-making and execution</li> <li>Independent outside director ratio: 75.0% (six outside directors / eight total directors)</li> <li>Female director ratio: 50.0% (four female directors / eight total directors)</li> <li>Independent outside director ratio on the Audit and Supervisory Committee: 100% (three outside directors / three total directors)</li> <li>Training based on the skills matrix: 48 total sessions (twice per director)</li> <li>Cross-shareholdings: As of the end of the fiscal year ended March 31, 2025, stock was held in 23 companies, representing 5.52% of net assets</li> </ul>	<ul style="list-style-type: none"> <li>Deepen growth strategies and improve capital profitability indicators and PBR</li> <li>Reorganize board succession plans following the transition to a company with an Audit and Supervisory Committee</li> <li>Strengthen the functions and effectiveness evaluations of the Nomination and Compensation Committee</li> <li>Increase the proportion of performance-linked compensation (stock compensation)</li> <li>Bolster communication between the Board of Directors and the Board of Executive Officers</li> <li>Enhance the Board of Directors' monitoring functions and ability to respond flexibly and quickly</li> <li>Improve dialogue with shareholders and investors</li> </ul>	