

# 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 vision and philosophy, we chose the 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 the 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 materiality 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 business strategy—the target year is 2050—the committee investigates the numeric plans for individual fiscal years leading up to 2030, which is the midpoint of the business strategy.

## Revision of material issues

We first announced our material issues in 2021. Two years have passed since then, and after achieved our initial goals in several action plans, we have revised some material issues and initiatives. We also reviewed our action plans and targets based on the revised material issues and initiatives.

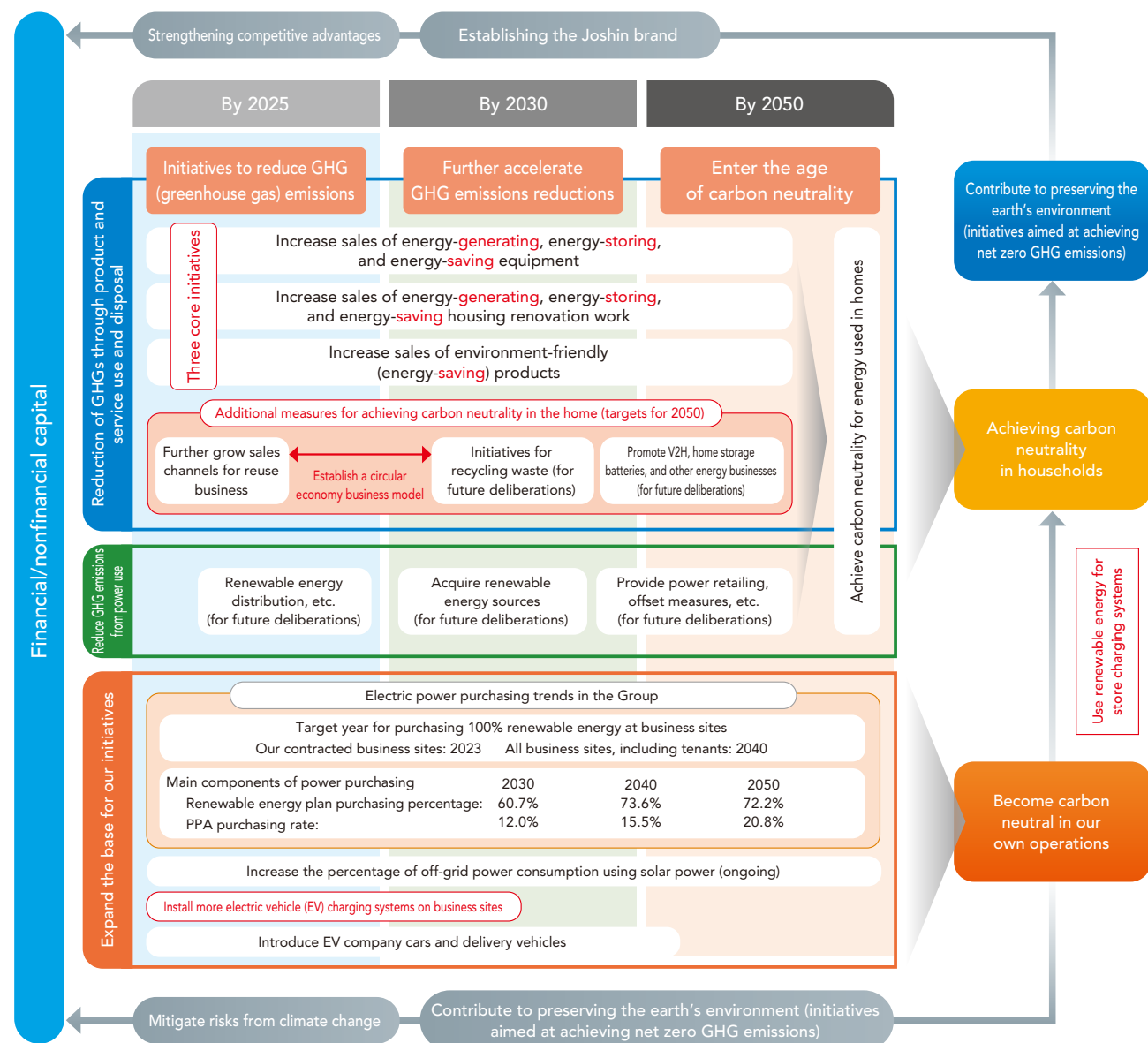
## Material issues determination process



Material Issues	Challenges	Main Action Plans	Main Achievements (FY 2022)	Main Goals	Sustainable Development Goals
ES (Impact)	Proposing enriched lives that anticipate lifestyle changes ▶ See pp. 31, 50, and 52	<ul style="list-style-type: none"> <li>Provide products and services supported by online and digital technologies</li> <li>(1) Build up the fan and core fan base by maintaining and working to increase the number of active members (annual active members) using a fan base strategy</li> <li>(2) Strengthen contact points with customers through the app and provide real-time information</li> <li>(3) Provide interactive services through the app</li> <li>(4) Implement remote (online) diagnoses and remote support</li> <li>(5) Strengthen support service operations that help resolve customers' problems and issues</li> </ul>	<ul style="list-style-type: none"> <li>EC: 18.5% of net sales</li> <li>Renovation, mobile communication, and support business: 12.3%* of net sales</li> </ul> <p>* From the JT-2025 Management Plan, the support services up until now had been divided into renovation, mobile communications, and support business. Home appliances and entertainment have been added, forming a five-category business structure.</p>	<ul style="list-style-type: none"> <li>EC: 25% [FY 2030], over 40% [FY 2050] of net sales</li> <li>Renovation, mobile communication, and support business: 17%* of net sales [FY 2030]</li> <li>Maintain or increase the FY 2022 level of active members [FY 2030]</li> </ul>	
	Achieving household carbon neutrality	<ul style="list-style-type: none"> <li>Strengthening Sales of Environmentally Friendly Products</li> <li>Promote the remodeling of housing environments for advanced features and improvements using heat insulation of openings</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>Achieve a sales ratio of 41.5% for environmentally friendly products (with a target sales percentage of at least 40%)</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen actions to reduce GHG emissions through the sale of products designed to create, store, and/or save energy [FY 2030]</li> <li>Promote the wide use of product services designed for reaching household carbon neutrality through off-grid power generation and consumption [FY 2050]</li> </ul>	
	Offering safe and secure products and services ▶ See p. 64	<ul style="list-style-type: none"> <li>Take action against cyberattacks with the awareness of zero trust</li> <li>Provide membership services securely and safely that use various types of data</li> </ul>	<ul style="list-style-type: none"> <li>Operate a security monitoring system in collaboration with specialized security companies</li> <li>Introduce a facial recognition system for logging on to business-use laptops to prevent information leaks as well as introduce systems that do not require data to be saved</li> </ul>	<ul style="list-style-type: none"> <li>Retain PrivacyMark certification [FY 2030] [FY 2050]</li> <li>Provide a service for convenient, safe member benefits through a facial recognition system [FY 2030]</li> <li>By introducing the latest technologies, create a safety and security brand by maintaining high security literacy among employees [FY 2050]</li> </ul>	
	Ensuring product quality and safety	<ul style="list-style-type: none"> <li>Improve data consistency between the purchaser database, product and parts data, and fault information</li> <li>Provide information about purchased products via corporate website and the app, etc., including safety, convenience, recalls, and maintenance</li> <li>Revise product safety assessment criteria to ensure quality and safety based on the purchasing policy and guidelines [FY 2025]</li> <li>Continually implement consumer education in collaboration with the Ministry of Economy, Trade and Industry and the National Institute of Technology and Evaluation (NITE)</li> </ul>	<ul style="list-style-type: none"> <li>Revise product safety assessment criteria that ensures quality and safety</li> <li>Implement child-oriented product safety events in 191 stores during the Product Safety Inspection Campaign Month in collaboration with the Ministry of Economy, Trade and Industry</li> <li>Participate in a Ministry of Economy, Trade and Industry's working group for setting up a new system to build a safe product market</li> </ul>	<ul style="list-style-type: none"> <li>Continue actions for safety and security as a Gold Product Safety Company [FY 2030], contribute to establishing a product safety culture throughout society, and form a virtuous cycle leading to improved corporate brand and corporate value [FY 2050]</li> <li>Strengthen the links between the purchaser database, product and parts data, and fault information, then quickly give guidance and make announcements [FY 2030]</li> <li>Further strengthen collaboration with the Ministry of Economy, Trade and Industry and other organizations, and continue to play a central role in disseminating information to consumers [FY 2030]</li> </ul>	
E (Environment)	Contributing to the creation of a better society that is in harmony with the global environment ▶ See p. 45	<ul style="list-style-type: none"> <li>Rebuild the recycling system that includes reuse and resale</li> <li>Further increase recycling areas for EC</li> <li>Further cut 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>45,491 units purchased in FY 2022 (100.6% year on year)</li> <li>Recycling rate of 62.6% for the four target product classes of home appliances (104.6% year on year)</li> <li>Cut 86% of the plastics used for shopping bags compared with FY 2019 through improved rate of refusal for plastic bags and reduced use of plastic</li> </ul>	<ul style="list-style-type: none"> <li>Cut 90% of the plastics used for shopping bags (compared with FY 2019) [FY 2025]</li> <li>Promote circular economy initiatives [FY 2030] and establish a business model through an alliance that could develop into a capital alliance [FY 2050]</li> <li>Achieve a recycling rate of 65% for the four target product classes of home appliances [FY 2030]</li> <li>Stop using shopping bags made with plastic materials [FY 2030]</li> </ul>	
	Addressing climate change issues	<ul style="list-style-type: none"> <li>Increase the percentage of renewable energy sources and install solar power equipment at our business sites. As well, introduce off-site PPAs (power purchase agreements) to boost the off-grid power percentage at business sites where the Company contracts directly with power suppliers</li> <li>Conduct negotiations to increase the percentage of renewable energy sources used by tenants and other leased properties</li> <li>Manage greenhouse gas (GHG) emissions across the supply chain, set reduction targets, and take actions for reduction by identifying figures for key items in Scope 3</li> <li>Disclose information to follow the TCFD recommendations and endorse international initiatives on climate change, then disclose this information</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of renewable energy sources used at business sites where the Company contracts directly with power suppliers: 97.4% (79.4% in March 2022) [As of March 2023]</li> <li>Apply to the Science Based Targets initiative (SBTi) with the goal of reducing GHG emissions in Scopes 1 and 2 by 42% by FY 2030 compared with FY 2021 and for Scope 3 (Category 1, 11) by 25%</li> <li>Acquire a B rank in the CDP Climate Change Program</li> </ul>	<ul style="list-style-type: none"> <li>Raise the percentage of renewable energy sources used at business sites where the Company contracts directly with power suppliers to 100% [FY 2023]</li> <li>Support the Taskforce on Nature-related Financial Disclosures (TNFD) and establish an information disclosure framework [FY 2025]</li> <li>Achieve an off-grid power percentage of 25% [FY 2030], 50% [FY 2050] at business sites where the Company contracts directly with power suppliers to promote in-house power generation/consumption</li> <li>Achieve a 42% reduction in GHG emissions for Scopes 1 and 2 [FY 2030], 100% reduction [FY 2040]</li> <li>Achieve a 25% reduction in GHG emissions for Scope 3, Categories 1 and 11 [FY 2030], 100% reduction across all categories [FY 2050]</li> <li>Become the top company in the CDP Climate Change Program [FY 2035]</li> <li>Raise the percentage of renewable energy sources to 100%, at all business sites, including those that are rented out [FY 2040]</li> </ul>	

Material Issues	Challenges	Main Action Plans	Main Achievements (FY 2022)	Main Goals	Sustainable Development Goals	
S (Society)	Diversity & inclusion ▶ See p. 57	Securing human resources	<ul style="list-style-type: none"> <li>Strengthen recruiting 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 through job-based employment (introduce a job-based employment system in the planning departments by FY 2025)</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>Establish and announce the Joshin Group D&amp;I Policy</li> <li>Extend retirement age to 62 years</li> </ul>	<ul style="list-style-type: none"> <li>Extend retirement age to 65 years [FY 2025]</li> <li>Keep hiring 150 new graduates/mid-career workers as permanent employees every year [FY 2030]</li> <li>Maintain an annual turnover rate of permanent employees at 2.5% or less [FY 2030], 2.0% or less [FY 2050]</li> <li>Percentage of female employees hired as new graduates: 50% [FY 2030]</li> <li>Employees with disabilities: 3.0% [FY 2030]</li> <li>No mandatory retirement [FY 2040]</li> <li>Maintain staffing levels, determined by each employee's assigned area in a store [FY 2050]</li> </ul>	
		Human resource development	<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>Implement reskilling, including DX education</li> <li>Planning leadership training for female employees</li> <li>Implement executive and officer training</li> <li>Train executive officers as candidates for directors</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>Launch a diversity council and initiate childcare community activities</li> <li>Start DX training: 1,000 participants in FY 2022</li> <li>Percentage of certified Home Appliance Advisors and engineers among permanent employees: 83.5%</li> </ul>	<ul style="list-style-type: none"> <li>Cumulative total of 4,200 participants in DX training [FY 2024]</li> <li>Female managers: 20% [FY 2030], 50% [FY 2050]</li> <li>Permanent female employees: 30% [FY 2030], 50% [FY 2050]</li> <li>Percentage of female employees: 50% [FY 2030]</li> <li>Maintain a job qualification percentage of 85% for Home Appliance Advisors, etc. [FY 2030]</li> <li>Train 120 onsite home appliance repair technicians [FY 2030]</li> </ul>	
		Health and productivity management	<ul style="list-style-type: none"> <li>Preserve and improve mental and physical health</li> <li>Ensure appropriate business hours to remedy long working hours and working late at night</li> <li>Take advantage of ICT and robotics technology as alternatives to employees</li> <li>Create safe and secure workplace environments that focus on work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>Joshin Group Health and Productivity Management Declaration</li> <li>Recognized as a Certified Health &amp; Productivity Management Outstanding Organization (Large Corporation Category) for four consecutive years</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 [FY 2030], +5% across Japan [FY 2050]</li> <li>Introduce full self-service registers in all stores [FY 2027]</li> <li>Paid leave percentage of 70% [FY 2030], 100% [FY 2050]</li> <li>Presenteeism: 94% [FY 2030] * Measurement by WLQ-J</li> </ul>	
	Building a responsible value chain ▶ See pp. 56 and 63	Respecting human rights	<ul style="list-style-type: none"> <li>Perform human rights due diligence</li> <li>Communicate and collaborate within the value chain</li> <li>Implement risk assessments on the value chain</li> <li>Hold stakeholder meetings (dialogues)</li> <li>Establish relief mechanisms</li> <li>Disclose information</li> </ul>	<ul style="list-style-type: none"> <li>Endorse and sign the United Nations Global Compact</li> <li>Implement a human rights impact assessment</li> <li>Establish and announce the Joshin Group Human Rights Policy</li> </ul>	<ul style="list-style-type: none"> <li>Establish opportunities for human rights awareness for every supplier [FY 2025]</li> <li>Promote respect for human rights among employees by raising awareness [FY 2025]</li> <li>Pursue initiatives to ensure respect for human rights across the value chain [FY 2050]</li> </ul>	
		Sustainable purchasing activities	<ul style="list-style-type: none"> <li>Share purchasing guidelines with suppliers</li> <li>Conduct engagement related to sustainable purchasing</li> </ul>	<ul style="list-style-type: none"> <li>Establish and announce the Joshin Group Purchasing Policy and Guidelines</li> <li>Establish and announce the Joshin Group Anticorruption Policy</li> </ul>	<ul style="list-style-type: none"> <li>Regularly conduct questionnaire surveys and gather information on human rights responses of suppliers [FY 2025]</li> <li>Achieve a sustainable purchasing target of 70% and promote increased transaction volumes with suppliers who responded to our survey [FY 2030]</li> <li>Build a sound, strong supply chain by adhering to Group Purchasing Policy/Guidelines and Group Anticorruption Policy [FY 2050]</li> </ul>	
	Promoting synergies with local communities ▶ See p. 67	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>Publish the Group's policy on community service as the Basic Sustainability Policy in the <i>Corporate Governance Report</i></li> <li>Participate in the Decarbonization Point System Promotion Platform in collaboration with Osaka Prefecture</li> <li>Create new salesfloors that respond to changes in buying styles through a collaborative project between industry and academia with Baika Women's University</li> </ul>	<ul style="list-style-type: none"> <li>Improve the strength of the brand and our corporate value in local communities through social contributions [FY 2030]</li> <li>Take part in community service activities in collaboration with businesses working with municipalities [FY 2050]</li> <li>Create shared value by offering solutions to social issues [FY 2050]</li> </ul>	
G (Governance)	Ensuring compliance, risk management, and maintaining company morale	<ul style="list-style-type: none"> <li>Implement and maintain the Joshin Group Anticorruption Policy, including in the supply chain</li> <li>Make compliance training a requirement for assigning management positions (for example, the screening process for promotion and the position renewal system)</li> <li>Implement an integrated risk management system and business continuity management system, including in the supply chain, by the Risk Management Committee</li> </ul>	<ul style="list-style-type: none"> <li>Establish the Joshin Group Anti-corruption Policy that is based on the Group's Code of Conduct</li> <li>Establish a business continuity management system</li> </ul>	<ul style="list-style-type: none"> <li>Introduce a fixed-term system (renewal system) for assigning management positions [FY 2030]</li> <li>Maintain the business continuity management system [FY 2030]</li> <li>Establish a business continuity plan (BCP) system, including in the supply chain [FY 2030]</li> </ul>		
	Enhancing corporate governance ▶ See p. 72	Corporate/Group governance	<ul style="list-style-type: none"> <li>Assign the parent company's executive officers and senior staff to management teams at Group subsidiaries</li> <li>Revise the compensation system for directors and executive officers [FY 2023]</li> <li>(1) Clarify management responsibilities through an increase in performance-linked compensation (50%)</li> <li>(2) Motivate employees to make improvements in medium- to long-term corporate value by increasing stock compensation (long-term incentives)</li> <li>(3) Promote sustainability management by introducing ESG indicators in compensation calculations</li> <li>Transition to a delegation-style executive officer system</li> </ul>	<ul style="list-style-type: none"> <li>Female officers (directors and auditors): 30% [FY 2030]</li> <li>Stock compensation: 50%; disclose the compensation standards and individual compensation [FY 2030]</li> <li>Ensure well-developed and sustainable corporate governance intended to improve our corporate value, leading to higher social value and the realization of our management philosophy [FY 2050]</li> </ul>		

### Reinforcing Joshin's financial and nonfinancial capital through the achievement of carbon neutrality in the home



### Mitigate risk and take advantage of opportunities to strengthen financial and nonfinancial capital

One of the Joshin Group's high-priority material issues (materiality) is "making possible prosperous living that anticipates lifestyle changes." To address this material issue, we are focusing on two areas: "providing products and services that support a diversifying, super-aging society" and "achieving carbon neutrality in the home." To address risk, achieving carbon neutrality in the home will help to mitigate the risks

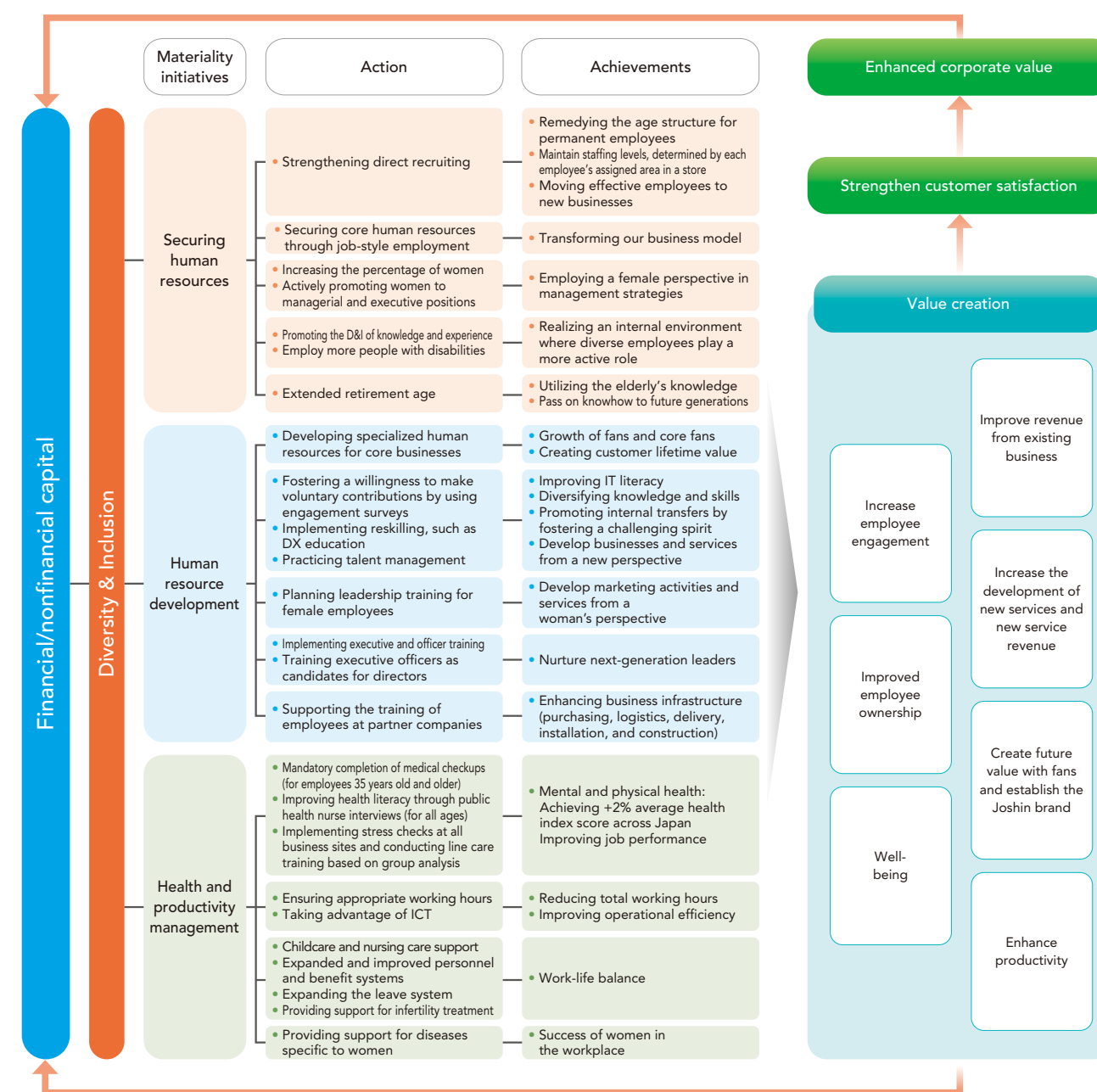
associated with climate change, while capitalizing on the opportunities from climate changes will enable us to achieve a competitive advantage for establishing the Joshin brand, which in turn will increase our revenue. Our goal in handling materiality now is to further strengthen our financial and nonfinancial capital.

### Striving to achieve carbon neutrality in the home

To achieve carbon neutrality by 2050, we will use a backcasting approach from a long-term perspective to implement a range of initiatives, such as boosting the sales of energy-generating, energy-storing, and energy-saving products and services. At the same time, we will also consider other initiatives, such as the

distribution of renewable energy used in homes. Internally, we will bolster our foundation for achieving carbon neutrality in our operations, including raising the use of renewable energy to 100% at all business sites.

### Reinforcing Joshin's financial and nonfinancial capital through the creation of work environments that enable diverse human resources to enjoy successful careers and job satisfaction



### Improve organizational performance through heightened employee engagement

In the Group's human resources strategy, we emphasize diversity and inclusion (D&I) as the foundation stones and we are putting every effort into boosting employee engagement—for improving corporate value—by actions that build a rewarding work

environment where diverse employees play a more active role. We will capitalize on the strengths that individual fulfillment brings to improve organizational performance, creating the new value that society requires.

### Creating a virtuous cycle of higher corporate value and a stronger foundation for management

By investing in human capital, we will secure effective employees, linking the sustained growth of businesses and diverse expertise to new levels of customer satisfaction. By promoting health and productivity management, we will

maximize the potential of diverse human resources, improve corporate value, and create a virtuous cycle that strengthens the management foundation.