Environment

The Group's environmental initiatives are key to the achievement of one of our seven material issues: "contributing to the creation of a prosperous society that is in harmony with the global environment." We believe that proactively tackling these issues will improve how we are viewed by society at large.

Joshin Group's Environmental Initiatives

Taking into account the increasingly serious environmental challenges facing the world and our own management policies, the Group has established its Basic Environmental Policy, Environmental Action Guidelines, and Green Smile Challenge 2050, which clearly define the society we seek to achieve from a long-term perspective.

To realize a decarbonized society, the Group has formulated the Carbon Neutrality Transition Plan aligned with the TCFD framework, based on scenarios in which the rise in the global average temperature is limited to 1.5°C or 2°C.

Environmental Philosophy

The Joshin Group recognizes, in the spirit of our corporate motto of "Thoughtfulness," that conservation of the global environment is of utmost importance for people and all other life on earth. We aim to conduct responsible corporate activities with the social mission of creating an environment in which people can live safely, comfortably, and healthily, while giving due consideration to biodiversity.

Basic Environmental Policy (excerpt)

Based on our management philosophy of "Connecting people and society to the future with a smile," we are focused on making prosperous living proposals that anticipate lifestyle changes, and on providing safe and secure products and services. Through all of our business activities, we will contribute to the creation of a prosperous society in harmony with the global environment.

Management system	Ensuring compliance	Engagement with stakeholders
Raising environmental awareness	Disclosure of environmental information	Conservation of biodiversity and ecosystems

Environmental Action Guidelines / Green Smile Challenge 2050 (excerpt)

Initiatives to counteract climate change
- Achieve a carbon-neutral society
- Increase the self-generated renewable energy ratio with solar power generation
- Raise our proportional usage of renewable energy sources at all business sites, including those in tenant (leased) premises

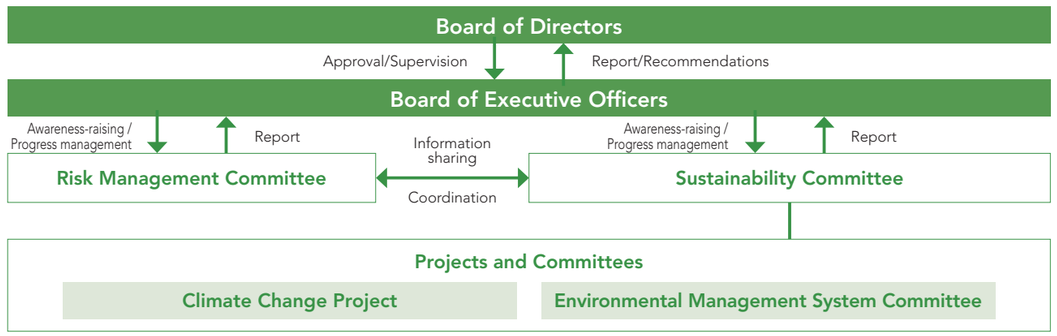
Initiatives to create a recycling-based society
- Establish circular economy businesses
- Promote proper reuse and recycling of used home appliances
- Reduce the use of plastics by no longer offering shopping bags and taking other related actions

Achieving household carbon neutrality
- Bolster sales of environmentally friendly products and promote the remodeling of housing environments for advanced features

Please refer to our website for details. https://www.joshin.co.jp/en/csr/environment/policy.html

Governance Structure for Environmental Issues

The identification of risks and opportunities related to environmental issues, as well as initiatives to address them, is reviewed by the Climate Change Project and the Environmental Management System Committee. Matters under consideration are discussed following information sharing and coordination between the Sustainability Committee and the Risk Management Committee; decisions on important matters are made by the Board of Executive Officers and approved and supervised by the Board of Directors.



Message from the Executive Officer in Charge

As we reach the milestone of changing our company name, Joshin will go beyond simply reducing its own GHG emissions by deepening collaboration across the entire supply chain and expanding its decarbonization initiatives.

Tatsuo Sakai
Executive Officer
in Charge of Development and Construction

Having proactively addressed environmental issues, the Group recognizes that people's growing concern for the environment and the transition to a decarbonized society of the future represent major business opportunities for the Group. To that end, we believe that generating social value by "achieving household carbon neutrality" will in turn enhance our corporate value.

Initiatives to encourage households to replace appliances with environmentally friendly ones and to promote the adoption of EcoCute systems, energy-efficient windows, and EV charging stations have become an important pillar in securing earnings in our business operations, and Joshin will continue to strengthen these efforts moving forward.

1. Accelerating the decarbonization of the Group's business sites and building next-generation eco-friendly stores

The Group's decarbonization efforts in its business operations are yielding steady results. In FY2025, Joshin completed the following initiatives as scheduled: installing solar power generation facilities under on-site PPAs at business sites where the Company contracts directly with power suppliers; installing battery storage systems at six stores and solar carports at two stores; and introducing air-conditioning control systems (demand control) at ten stores. Furthermore, regarding "ZEB (Net Zero Energy Building)" certification, following the Joshin Nara Store, which obtained certification in the previous fiscal year, the Joshin Konosu Store, despite being an existing store, also achieved certification in FY2025. As a result of these initiatives, the self-generated renewable energy ratio at business sites where the Company contracts directly with power suppliers has reached 28.0%, and we now aim to achieve our FY2030 target of 30% ahead of schedule.

To accelerate this momentum, in FY2026, we aim to obtain ZEB certification for three existing stores, while continuing to promote the conversion of existing stores to ZEB standards when upgrading their facilities. With an eye toward the widespread adoption of EVs, we aim to install additional fast-charging stations at the 30 business sites that already have standard charging stations, with the goal of reducing the environmental impact of our entire store network and improving infrastructure.

2. Decarbonization of the entire value chain and the creation of new solution businesses

Going beyond reducing Joshin's own GHG emissions, we are also strengthening our efforts across the entire supply chain. Starting in FY2026, we will launch initiatives among participating companies to collect primary GHG emissions data (data on GHG emissions from specific activities within the value chain).

In FY2026, we will raise our sustainable procurement rate, as measured by the supplier procurement questionnaire, from the current 70.5% to 80.0% and further deepen our collaboration with suppliers. At the same time, we will deploy new business initiatives to more robustly support the decarbonization of our customers' homes, such as exploring entry into the retail electricity market and developing sales models for next-generation solar power generation systems.

3. Addressing resource recycling and natural capital, and enhancing ESG disclosure

Leveraging the high praise we have received both domestically and internationally for our disclosure efforts, Joshin will steer the Company toward further advancing sustainability management.

To date, we have consistently earned the highest rank in initiatives such as the CDP Climate Change Program and the Ministry of the Environment's ESG Finance Awards Japan, thereby building a solid foundation of trust.

Going forward, we will not only maintain our ratings in major ESG assessments but also work toward obtaining certification for our SBT Net-Zero Goals and enhancing our disclosures in accordance with the TNFD, thereby advancing our compliance with global standards. Additionally, in the resource recycling sector, we will draw on our internal track record to explore business alliances in FY2026 aimed at expanding our reuse services.

As we mark this milestone with our change of corporate name in April 2026, we will continue to strive to enhance our corporate value over the medium to long term, and work together as one company to help achieve a prosperous society.

Roadmap for Achieving Net-Zero

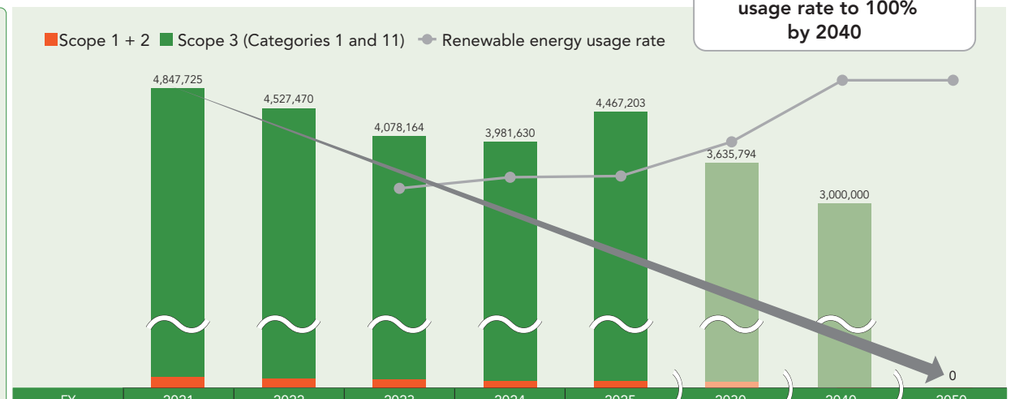
To achieve net-zero by 2050, the Group is focusing not only on reducing Joshin's own Scope 1 and 2 emissions but also on reducing GHG emissions across the entire supply chain (Scope 3).

As part of our Scope 2 initiatives, during FY2023, we completed the transition to 100% renewable energy at business sites where the Company contracts directly with power suppliers. We are also gradually promoting the introduction of renewable energy at our leased properties and aiming to have renewable energy in place at all of our business sites by 2040. In addition, to ensure a stable energy supply and further reduce our environmental impact, we are promoting the introduction of solar power generation systems and energy storage batteries, as well as the use of corporate PPAs.

As part of these efforts, in FY2025, the Joshin Konosu Store obtained the highest level of ZEB certification. We are also developing specific store models, including increasing the self-generated renewable energy ratio by installing solar carports at the Joshin Handa and Joshin Izumi Chuo Stores. To address Scope 3 emissions, which account for the majority of our total emissions, we are deepening our collaboration with suppliers and continuing our efforts to collect primary data on GHG emissions. Moving forward, we will conduct rigorous calculations and visualization with a view toward compliance with the SSBJ (Sustainability Standards Board of Japan) standards. We will also contribute to achieving net-zero emissions across the entire supply chain by promoting the spread of environmentally friendly products and advancing initiatives aligned with the circular economy.

Climate Change Roadmap

Raise the renewable energy usage rate to 100% by 2040



Reduction target

FY	2021	2022	2023	2024	2025	2030	2040	2050
Scope 1 + 2 (t-CO_2)	22,966	18,903	17,808	14,845	14,929	13,320	0	0
Scope 3 (Categories 1 and 11) (t-CO_2)	4,847,725	4,527,470	4,078,164	3,981,630	4,467,203	3,635,794	3,000,000	0
Renewable energy usage rate (%)	—	—	64.9	68.5	68.9	80.0	100	100

Action plan

Scope 1 and 2

- Introduction of renewable energy at business sites where Joshin contracts directly with power suppliers (Completed in FY2023)
- Optimizing energy consumption by improving operational efficiency

→
- Promoting introduction of renewable energy at leased properties
- Introduction of renewable energy at all business sites (2040)
- Increasing the self-generated renewable energy ratio by promoting on-site power generation

Scope 3

- More efficient logistics
- Assessing GHG emissions across the supply chain
- Promoting energy-saving, energy-generating, and energy-storage products, as well as renovations that enhance functionality

→
- GHG reduction through collaboration with suppliers
- Decarbonization of products handled
- Promotion of the circular economy

Investment plan

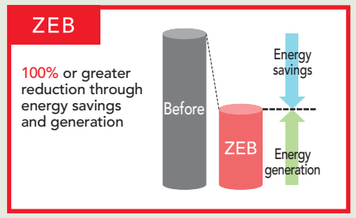
- Introduction of renewable energy facilities (including PPAs and storage batteries) and energy-saving equipment, and expansion of ZEB business sites
- Costs for renewable energy procurement
- Costs for expanding decarbonization/circular economy–related solutions

→
- Expanding investments in line with business growth targets
- Decarbonization measures through the introduction of DX
- Purchasing carbon credits

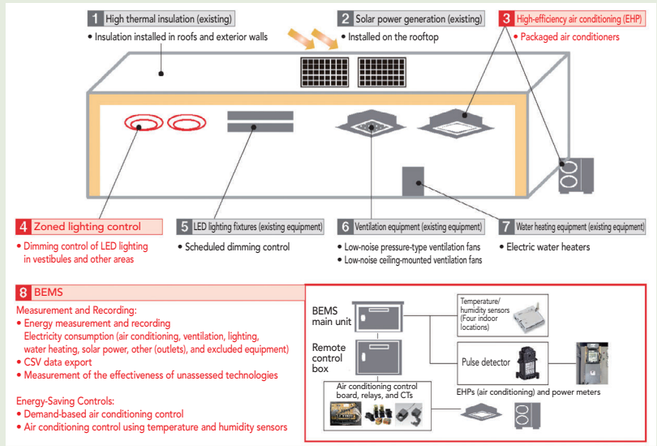
Converting Business Sites into ZEBs

The Group is converting its business sites into ZEBs with the aim of reducing environmental impact and creating comfortable store environments. In FY2025, the Joshin Konosu Store (Saitama Prefecture) earned "ZEB" certification, the highest rank in the four-tier ZEB certification system based on energy consumption performance under the BELS (Building-Housing Energy-Efficiency Labeling System). This marks the second Group store to obtain "ZEB" certification, following the Joshin Nara Store, which obtained certification as a newly constructed store. In addition to reducing energy consumption, ZEB initiatives also contribute to improved business continuity in the event of a disaster.

● Joshin Konosu Store



ZEB Initiatives



Installation of Solar Carports

We have completed the installation of solar carports at the Joshin Handa Store (Handa City, Aichi Prefecture) and the Joshin Izumi Chuo Store (Izumi City, Osaka Prefecture). The renewable energy generated by the solar carports is consumed on-site at each store. When generation exceeds consumption, the surplus electricity is supplied via i GRID SOLUTIONS Inc. As a result of this initiative, we expect the annual renewable energy self-sufficiency rate to reach approximately 45% at the Handa Store and approximately 35% at the Izumi Chuo Store.

GHG Emissions in the Supply Chain

For indirect GHG emissions (Scope 3) throughout the Group's supply chain, we will continue working with suppliers to obtain primary data in preparation for compliance with SSBJ Standard No. 2, which was developed to provide a global baseline for mandatory disclosures building on the voluntary disclosures made to date under sustainability disclosure standards.

Scope 3 category		FY2025 calculation results: CO_2 calculation results (t-CO_2)	Ratio (%)
1	Purchased goods and services	1,096,663	24.3%
2	Capital goods	15,791	0.3%
3	Fuel- and energy-related activities	2,523	0.1%
4	Upstream transportation and distribution	19,473	0.4%
5	Waste generated in operations	4,710	0.1%
6	Business travel	119	0.0%
7	Employee commuting	1,714	0.0%
8	Upstream leased assets	Not applicable (outside the scope of calculation)	
9	Downstream transportation and distribution	Not applicable (outside the scope of calculation)	
10	Processing of sold products	Not applicable (outside the scope of calculation)	
11	Use of sold products	3,370,540	74.5%
12	End-of-life treatment of sold products	6,773	0.1%
13	Downstream leased assets	3,005	0.1%
14	Franchises	76	0.0%
15	Investments	261	0.0%
Total		4,521,648	100.0%

Information Disclosure Based on TCFD Recommendations

Governance

Risks and opportunities related to environmental issues such as climate change and biodiversity conservation, together with measures to address them, are put forward through the Climate Change Project. These measures are discussed by the Sustainability Committee and the Risk Management Committee, both of which are comprised of executive directors, executive officers, and department heads, etc. Following these discussions, final decisions are made by the Board of Executive Officers, the Company's central body for business execution, under the supervision of the Board of Directors.

Strategy

Impact of Climate-Related Risks and Opportunities on the Organization's Business, Strategy, and Financial Planning

The Group conducts scenario-based analyses based on a global average temperature increase of 1.5/2°C and 4°C, respectively, with the aim of assessing the risks and opportunities that climate change presents to the Group, evaluating its impact on our businesses, and developing appropriate countermeasures.

We identify the impact on businesses under the transition risks, physical risks, and related business opportunities for each average temperature increase scenario, and have begun initiatives to implement response measures by 2030.

Based on these assumptions, we analyze the potential impact of climate change and develop new growth opportunities aligned with our business strategy and medium-term management plan under each average temperature increase scenario.

Assessment of Climate-Related Risks and Opportunities for Our Business, and Countermeasures

• Scenario used: 1.5°C/2°C scenario and 4°C scenario

		Time frame[1]	Risks/opportunities	Financial impact[2] 1.5°C/2°C	Financial impact[2] 4°C	Countermeasures	Status of our response
Transition risks	Policies and legal regulations	Medium term	Increase in costs resulting from introduction of carbon pricing	Medium (-¥280 million/year)	Small	Increasing the renewable energy usage rate	Scheduled to be introduced at all business sites by 2040
			Increased costs due to stronger plastic regulations	Large	Small	Reducing the use of disposable plastic packaging materials	Scheduled to be abolished by 2040
	Technologies	Long term	Increased costs due to renewable energy facilities, electric vehicles, and other factors	Medium	Medium	Reducing investment burden through corporate PPAs, subsidies, and other measures	Underway
	Markets	Long term	Increased costs due to soaring energy prices	Medium	Medium	Increasing Joshin's own renewable energy usage rate through the expansion of ZEB initiatives	Ongoing
Physical risks	Acute	Long term	Risk of business suspension due to intensifying storms and floods	Medium	Large (-¥1,532 million)	Establishing and promoting a business continuity management framework; providing stores with disaster preparedness equipment and supplies, including storage batteries and emergency supplies	Implemented
	Chronic	Long term	Increased air conditioning costs and other electricity consumption due to rising average temperatures	Medium	Large (-¥540 million)	Investing in energy-saving facilities to reduce temperature increases in stores and facilities (e.g., greening of parking lots and the installation of heat-shielding films)	Ongoing
Opportunities	Products and services	Medium term	Increased sales of products and services that address climate change	Large	Medium	Promoting sales of environmentally friendly products and services	Ongoing
						Promoting home renovations that enhance the functionality of living environments	
						Promoting sales of energy-generating and energy-storage facilities (solar panels, storage batteries, etc.)	
	Markets	Medium term	Expansion of business markets with the transition to a decarbonized society	Large	Medium	Promoting decarbonization businesses through alliances with other companies, such as circular economy businesses	Ongoing
		Medium term	Opportunities for more consistent earnings through mitigation of the risk of seasonal fluctuations	Large	Medium	Bolstering initiatives for products and services (support businesses, mobile communications, subscription models, etc.) that are not easily affected by seasonal factors	Ongoing
	Reputation	Long term	Growing demand for investment focused on ESG assessments	Large	Medium	Proper disclosure and enhanced transparency for ESG-related information Improving ESG ratings and strengthening branding through active promotion of climate change countermeasures and the realization of a circular economy	Ongoing

1. Term: Short-term (within 2 years), Medium-term (3–5 years), Long-term (6 years or more) 2. Impact: Large: ¥500 million or more; Medium: ¥50 million or more but less than ¥500 million; Small: less than ¥50 million

For the scenario analysis, we adopted NZE 2050, a scenario published by the International Energy Agency (IEA) that is aligned with a 1.5°C world. We set 2030 as the time horizon and calculated the Group's tax increase risk.

Based on projected carbon tax data for developed countries under NZE 2050, Japan's carbon tax rate in 2030 was set at $140/t-$CO_2$ (¥21,000/t-CO_2 at an exchange rate of $1 = ¥150). This assumes an exchange rate similar to the current level.

Risk Management

The Group analyzes medium- to long-term issues impacting our businesses and identifies potential risk factors, which are then used to formulate a medium- to long-term business strategy. The Climate Change Project reviews progress on environmental initiatives and challenges therein, and then reports are submitted to the Sustainability Committee. Upon receiving the Sustainability Committee's reports, the Board of Executive Officers deliberates on the Group's environmental response and all other sustainability matters. This is all supervised by the Board of Directors.

Furthermore, the Risk Management Committee examines and manages key risks within the Group.

Metrics and Targets

The Group has established Scope 1, 2, and 3 GHG emissions, as well as the percentage of renewable energy in the electricity used in our business operations, as indicators for assessing risks and opportunities related to climate change.

Metric	Target fiscal year	Target value
Scope 1 + 2 emissions	FY2030	42.0% reduction compared to FY2021
	FY2040	Carbon neutrality
Scope 3 (Categories 1 and 11) emissions	FY2030	25.0% reduction compared to FY2021
	FY2050	Carbon neutrality
Renewable energy usage rate	FY2030	80%
	FY2040	100%

Environmentally Friendly Products

The Group is promoting the sale of environmentally friendly products as a key priority directly linked to environmental conservation, and we are working to expand sales of energy-efficient products. By enhancing in-store recommendations and refining product selection, we aim to continuously increase the share of value-added products designated by the Company, such as those with high star ratings on energy-saving labels, to at least 30% of total units sold. Furthermore, since energy-efficiency standards are regularly revised, we view the stable maintenance of a high proportion of products with high star ratings as a significant achievement in itself and will continue our efforts in this regard. Going forward, we will continue to offer our products in ways that make them easy to choose and understand, contribute to reducing energy consumption during the customer's usage phase, and promote the provision of value toward the achievement of a decarbonized society.

Environmental conservation items	Target	FY2025 results	Department in charge
Promotion of sales of environmentally friendly products	Unit sales ratio of 30%	32.1%	Merchandise Department

[Target categories]
- Refrigerators: 450 L or larger, rated three stars or higher under the unified energy-saving label system, with an automatic icemaker
- Air conditioners: Rated two stars or higher under the energy-saving label system (no star-rating requirement for units of 5.0 kW or above), featuring automatic filter cleaning, auto-louver control, and a high-power cooling or heating function that is unaffected by outside temperatures
- Drum-type washer-dryers
- Instant-heating warm-water washing toilet seats

We calculated the contribution to GHG reduction for the environmentally friendly products listed above (excluding drum-type washer-dryers). Assuming replacement cycles of 8 to 13 years, we defined the contribution to GHG reductions as the difference in GHG emissions based on the assumption that the number of environmentally friendly products sold was equal to the actual number sold during FY2021–FY2025.

(Excluding drum-type washer-dryers)

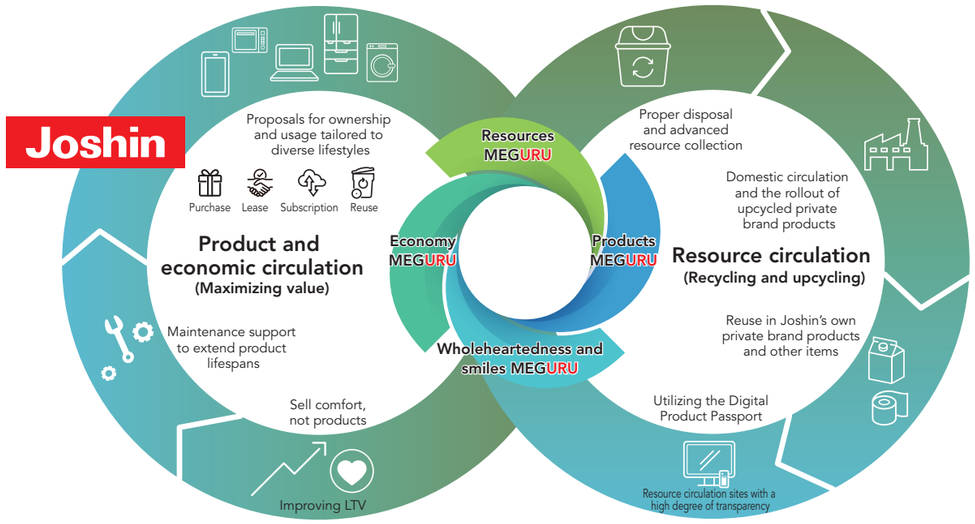
Categories covered by the emissions reduction contribution calculation	Contribution to GHG emissions reductions (Unit: t-CO_2) FY2021	FY2022	FY2023	FY2024	FY2025	Target FY2030 target
Total for environmentally friendly air conditioners	4,950	3,256	7,948	7,387	21,018	23,000
Total for environmentally friendly refrigerators	5,501	4,596	6,714	5,922	6,126	8,000
Total for instant-heating warm-water washing toilet seats	288	188	371	386	392	500
Total for environmentally friendly target categories	10,379	8,040	15,032	13,694	27,535	31,500

Emissions reduction contribution = (Average GHG emissions per unit during use in FY2013 × number of units sold in each FY) – (GHG emissions during use of products sold in each FY × actual number of units sold)

We are also encouraging customers to switch to high-efficiency water heaters, promoting the remodeling of housing environments for advanced features in areas such as bathrooms and toilets, and promoting sales of energy-generation products such as solar power systems and storage batteries.

Joshin Resource Circulation Model

From a "URU (selling)" Society to a "MEGURU (circulation)" Society



In a resource-circulation society, it is crucial that we determine how to reduce waste and respond to resource circulation, as well as to provide services that support "extending the lifespan of products." The word "MEGURU," which means "circulate," contains the word "URU" (to sell).

The Group aims to build a business model that goes beyond simply "selling (URU)" and incorporates the four forms of "circulation (MEGURU)" to help achieve a circular society.

MEGURU (1) "Resources"

Proper Disposal Consistent with Laws and Regulations

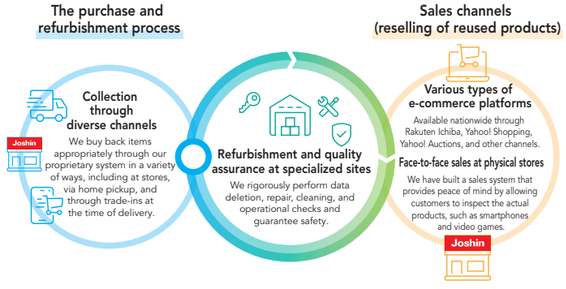
For the four types of home appliances covered by the Act on Recycling of Specified Kinds of Home Appliances (air conditioners, televisions, refrigerators and freezers, and washing machines and clothes dryers), we collected 807,672 units at the time of replacement purchases in FY2025. The collected products are transported to recycling plants via designated collection locations, where they are sorted by material type and recommercialized.

We also collected 222,014 small home appliances. We are a member of the PC3R Promotion Association and ensure that computers are disposed of properly. We also promote the collection and recycling of used button batteries and rechargeable batteries in collaboration with the Battery Association of Japan and the JBRC. We have also installed collection boxes at our stores to collect used ink and toner. We are reducing waste generation at each of our business sites through thorough sorting and recycling.

MEGURU (2) "Products"

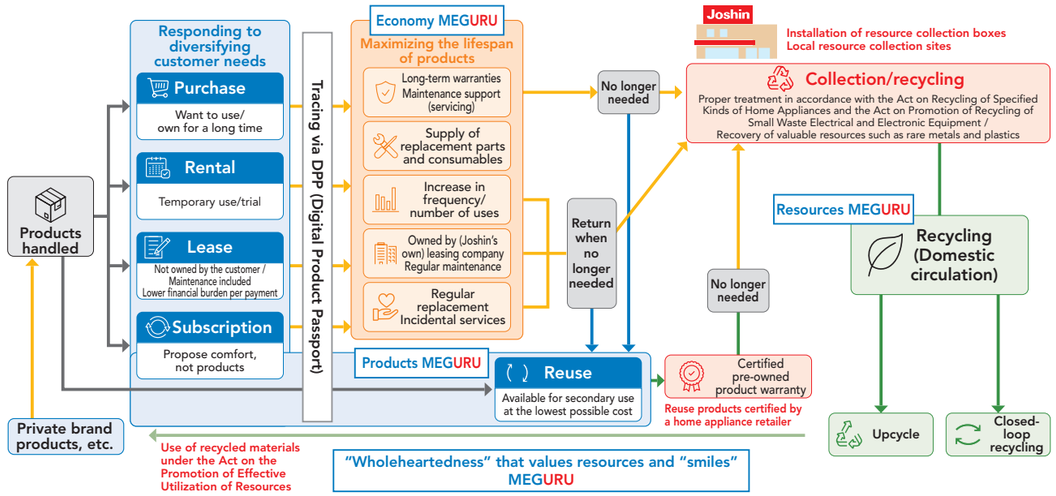
The Reuse Business

The Group purchases and resells unwanted products, focusing primarily on digital devices such as personal computers, smartphones, game consoles, and cameras. In FY2025, we accepted a total of 21,308 units through trade-ins and purchases. The purchased products are collected at our Reuse Business Promotion Center, which serves as our refurbishment site. After undergoing data deletion, repair, conditioning, cleaning, and operational checks, they are sold at select stores and through our EC site.



MEGURU (3) "Economy"

As the ecosystem transitions toward a circular economy, the traditional business model of "making money by selling goods" will begin to decline, and future business models will center on how to enhance the value of each product and the services associated with it. By extending and optimizing the lifespan of products and matching products with customer needs, we aim to maximize the value of products and achieve both resource circulation and economic performance.



Proposals Tailored to Lifestyles

We will establish a service framework that provides services tailored to our customers' needs and optimizes the lifespan of products.

● **Rental**	For products used only a few times a year or for trial use, utilizing a "rental" service instead of making a "purchase" can help reduce customers' financial burden and prevent products from missing opportunities to be used.
● **Lease/subscription**	We offer "lease" and "subscription" services that allow customers to use products comfortably with maintenance included, while reducing the financial burden of each payment.
● **Reuse/outlet**	Products that are still usable after their first users part with them are offered as "reuse" or "outlet" products.
● **Long-term warranties/ maintenance support / provision of replacement parts**	For products purchased by our customers, we enhance our "long-term warranties," "maintenance support," and "replacement parts" offerings to provide services that enable customers to use them for a longer time.

MEGURU (4) "Wholeheartedness and Smiles"

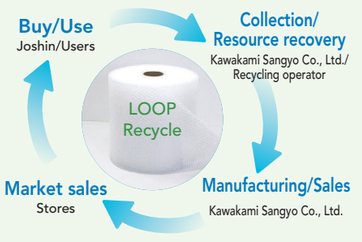
At each store, we collect used ink and toner, button batteries, rechargeable batteries, and other such items. As a resource collection platform, we aim to create a "wholeheartedness" cycle of our customers who care for resources and the "smiles" that connect us to the future.

● Example of an Initiative
Collection of Air-cushioning Material

In collaboration with Kawakami Sangyo Co., Ltd., we are conducting closed-loop recycling of the company's air-cushioning material, PUTIPUTI. Kawakami Sangyo Co., Ltd. collects used air-cushioning material that we no longer need and uses it as raw material for PUTIPUTI.

We then purchase PUTIPUTI made from the recycled material, completing the closed-loop recycling process.

Note: Kawakami Sangyo Co., Ltd. will change its name to Putiputi Co., Ltd. effective October 1, 2026.



Biodiversity Initiatives

The Group recognizes nature-related impacts as a key management challenge. Based on the FY2024 results, we disclose the results of our LEAP approach* assessment of our dependence and impact on nature, as well as related risks and opportunities, together with the metrics and targets established for them.

* LEAP approach is a comprehensive process recommended by the TNFD for assessing nature-related issues, including an organization's interactions with nature, its dependencies, and impacts on nature, and the resulting risks and effects.

Please refer to our website for details of our FY2024 initiatives. https://www.joshin.co.jp/en/csr/environment/biodiversity.html

Governance

As our governance structure addresses biodiversity and climate change issues in an integrated manner, please refer to the Governance section of "Information Disclosure Based on the TCFD" (P. 49–50).

Strategy

Business model clarification chart for the Group's direct operations

Value chain	Upstream			Midstream					Downstream	
	A	B	C	A	B	C	D	E	A	B
Product stage	Input goods	Raw materials	Basic products	Intermediate products	Final products	Store construction	Sales	Services	Consumption	
Examples of raw materials, products, and customers	Products • Industrial machinery and parts manufacturing • Mining machinery manufacturing	Raw materials for products • Oil • Ores • Rare metals, etc. Raw materials for store construction	Products • Steel • Glass • Plastics • Aluminum • Urethane, etc. Building materials for store construction, etc.	Products • Semiconductors • Frames • Boards, etc.	Products • Personal computers • Smartphones • Televisions • Refrigerators • Washing machines • Air conditioners, etc. Customers • Mass retailers of home appliances	Machines employed • Construction equipment • Heavy trucks Planning, design, and engineering Construction • Procurement • Construction plan • Construction management • Construction supervision • Disposal	Retailers • Mass retailers of home appliances Customers • General consumers • Businesses • Local governments	Product shipment and setup work for installation Repair services	—	Collectors • Recycling operators

Please see our website for the detailed version of the Business Model Clarification Chart. https://www.joshin.co.jp/en/csr/environment/biodiversity.html

◆ Assessing Nature-related Risks Associated with a Single Part (Assumed to Be a Semiconductor) in the Midstream of the Value Chain

Purpose of the risk assessment

To understand the risks of semiconductor supply chain disruptions and gather information to inform related engagement activities under the Group's procurement strategy

As the natural environment becomes increasingly challenging, the home appliance industry will likely be required to take measures such as sourcing sustainable raw materials, developing products based on circular design, and strengthening collection, reuse, and recycling. Consumers are also likely to show a growing preference for products that are considerate of biodiversity and the environment. Given these factors, we believe the Group can identify opportunities by examining products and technologies for which demand may increase under future scenarios, as well as the corresponding procurement and sales methods.

In FY2026, based on information disclosed by semiconductor manufacturers and other sources, we identified representative nature-related risks in semiconductor manufacturing, selected approximately three companies, and compiled information on their responses to these risks, including the status of risk identification, whether countermeasures have been disclosed, and details of those countermeasures.

Nature-related risks and negative impacts in semiconductor manufacturing

Risk type		Representative nature-related risks	Negative impact on business	Negative impact on the Group
Category 1	Category 2			
Physical risks	Acute	Landslides and mudslides resulting from the increasing frequency and severity of extreme weather events, as well as the rise in heavy rainfall due to climate change	Decline in productivity and increased restoration costs resulting from factory shutdowns and road closures	Rising costs for home appliances and declining sales due to a semiconductor shortage, etc.
	Chronic	Decrease in available water resources due to climate change	Delays in water-intensive production processes and increased response costs due to a decrease in available water resources	
Transition risks	Policy	Strengthening of laws and regulations related to natural capital (water source conservation, marine pollution, soil contamination, ecosystem protection, etc.)	Increased costs associated with stricter regulations	
	Reputation	Deterioration of the company's reputation among surrounding communities and stakeholders due to the decline of ecosystems caused by environmental impacts such as water use and pollution	Decline in corporate value, deteriorating earnings, and increased costs associated with litigation	Decline in corporate value resulting from doing business with companies whose reputation has suffered due to negative impacts on the ecosystem, among other factors

The Group's main measures to address nature-related risks in semiconductor manufacturing

1. Review of procurement strategies (including investigations and corrective actions targeting companies deemed to have insufficient countermeasures in place to address nature-related risks)
2. Avoidance of nature-related risks by engaging with home appliance manufacturers

We believe it would be desirable to propose the above countermeasures to semiconductor manufacturers that have not disclosed countermeasures for representative nature-related risks, through home appliance manufacturers, and to encourage upstream companies to take action as well.

Creating Nature-related Opportunities

With an eye toward the future of nature-related issues, Joshin conducted an initiative to identify opportunities for the Group, such as products and technologies expected to see growing demand in the home appliance industry, as well as business opportunities arising from corresponding procurement and sales methods, and compiled a long list of such opportunities. Starting in FY2027, we will conduct monitoring based on these indicators.

◆ Implementation of an Approach to Create Biodiversity- and Nature-related Opportunities

Target: Executive officers responsible for environmental matters and representatives from related departments
Purpose: 1. To clarify the direction of future nature-related initiatives with executive officers and management, in order to identify opportunities related to nature-related issues
2. To identify more specific and diverse business ideas and opportunities from a frontline perspective through member participation

Indicators for opportunities

Opportunities	Related events	Positive impact on business	Proposed related indicators	Additional information
Acquiring new customers by strengthening e-commerce	Climate change/ Natural disasters	Improved earnings Market expansion	Reviewing the store-dominance and strategy in response to demographic changes and promoting e-commerce	Due to the growing demand for e-commerce, it is necessary to reevaluate the dominance strategy encompassing physical stores and e-commerce
Market stimulation through expanded subsidies for energy-saving products and energy-efficiency upgrades	Climate change/ Natural disasters	Improved earnings Market expansion	Sales performance and emissions avoided through targeted environmentally friendly products	In response to rising demand for low-priced, energy-efficient air conditioners driven by rising temperatures and deteriorating air quality, Joshin is promoting sales of air conditioners across a wide range of price points
Strengthening sales of cooking appliances that allow users to adjust cooking methods to changes in harvested ingredients	Food/Agriculture	Improved earnings	Earnings	
Strengthening sales of green home appliances (high-performance, high-output air conditioners, etc.)	Climate change/ Natural disasters Biodiversity/ Natural capital Health/Public health	Improved earnings Improved reputation (corporate value)	Number of units, reduction rate (if available), earnings	To encourage customers to use their home appliances for a long time, we are proposing a subscription-based maintenance service and promoting the creation of a system that fosters ongoing relationships with customers so they will purchase from Joshin when it is time for replacement
Quantifying the contribution to the circular economy and inclusion in ESG indices	Biodiversity/ Natural capital	Improved earnings Improved reputation (corporate value) Increased investment capital and stable funding	Improving ESG index ratings, investment capital	We are quantifying our contribution to the circular economy to enable inclusion in ESG indices as a highly resource-efficient company and to secure long-term, stable funding from institutional investors
Acquiring new customers by improving services at urban stores (e.g., holding seminars to raise disaster preparedness awareness)	Climate change/ Natural disasters	Improved earnings Improved reputation (corporate value)	Absolute amount Number of seminars held	We are reviewing Joshin's store-dominance strategy and strengthening and promoting e-commerce We are holding seminars to raise awareness of disaster preparedness and thereby encourage purchases of disaster preparedness products
Extending the lifespan of home appliances (building a repair system)	Biodiversity/ Natural capital	Stable product procurement Improved reputation (corporate value)	Earnings	Extending the lifespan of home appliances by developing repair systems and using recycled materials help prevent land alteration and habitat destruction associated with new mining for metal resources such as copper, lithium, and rare earth elements

Note: Only items with high feasibility and significant impact have been selected.