Material Issues

The S-Pool Group has revised its list of material issues to reflect new growth strategies in response to the changing social environment. These material issues are articulated for creating shared value (CSV) along three strategic axes: Creating a more inclusive society, realizing a sustainable society, and supporting community development. Additionally, our business activities account for newly identified risks, opportunities, and targets to enhance the management foundations needed for CSV. The Group strives to achieve sustained growth in corporate value and social progress by concurrently strengthening social and economic value.

▶ CSV Through Social Businesses for Society's Challenges

Striving to establish earnings foundations and pursuing unique business models that draw on our unique strengths

	Material Issues	Theme	Specific Initiatives	Fiscal 2024 Results	Fiscal 2025 Targets	Contribution to the United Nations Sustainable Development Goals
S	Creation of a more inclusive society	• Creation of jobs for those who lack employment opportunities	• Creation of opportunities for people with disabilities	Creation of jobs for 4,405 people with disabilities	Creation of jobs for 5,000 people with disabilities	5, 8, 10
E	Realization of a sustainable society	• Support for a society characterized by decarbonization	• Calculation of greenhouse gas emissions • Seeking of consultations for environmental disclosure	Decarbonization support for 554 companies and 52 municipalities	Decarbonization support for 600 companies and 100 municipalities	2, 6, 7, 13
S	Support for community development	• Rectification of regional disparities through job creation	• Opening of locations and creation of jobs in provincial areas • Support for business succession	Operating of 24 regional centers Creation of jobs for 381 people	Operating of 25 regional centers Creation of jobs for 400 people	17

▶ Enhancement of Management Foundations to Support ESG Value Creation

Streamlining the execution of business activities further by identifying opportunities and risks and managing key performance indicators

	Material Issues	Opportunities	Risks	Main KPI Results for Fiscal 2024	Main KPI Targets for Fiscal 2025	Contribution to the United Nations Sustainable Development Goals
S	Promotion of DE&I	• Leveraging of diverse human resources to create new value	• Loss of new business opportunities due to imbalances in attributes or skills • Less effective organization due to lack of diversity	Percentage of employees with disabilities: 3.62% Percentage of female managers: 20.8% Gender wage disparity: 80.9%	Percentage of employees with disabilities: 3.5% or higher Percentage of female managers: 20% Gender wage disparity: 80%	16, 17
S	Promotion of employee well-being	• Improvement of productivity by strengthening engagement • Improvement of employee retention through workstyle transformation	• Impaired productivity due to lower satisfaction • Employees taking leave due to mental health concerns	Engagement score: 4.96 points Absenteeism: 2.6%; Presenteeism: 69.6%	Engagement score: 5 points Absenteeism: 2.3%; Presenteeism: 70.5%	
S	Hiring and development of human resources to strengthen corporate value	• Creation of the next generation of managers • Securing of human resources and reskilling through enhanced HR measures	• Growing competition for human resources due to shrinking workforce • Stagnating strategy implementation due to human resource outflows and shortages	Number of employees having completed the Next-Generation Manager Training Program: 12 Percentage of young managers (aged 35 and younger): 29.8% Hours of training per employee: 28.7	Number of employees having completed the Next-Generation Manager Training Program: 10 Percentage of young managers (aged 35 and younger): 30% Hours of training per employee: 30	
G	Maintenance and strengthening of governance	• Enhancement of the Board of Directors' functions for business growth and increased corporate value	• Loss of business value due to dysfunctional governance	Annual assessment of the Board of Directors Attendance at Board of Directors meetings: 100% Percentage of female directors: 16.6%	Annual assessment of the Board of Directors Attendance at Board of Directors meetings: 100% Percentage of female directors: 30% (by fiscal 2030)	
G	Thoroughgoing compliance	—	• Damage to reputation and loss of public confidence due to compliance violations	Percentage of employees having completed compliance training: 84.9% Number of major compliance violations: 0	Percentage of employees having completed compliance training: 90% Number of major compliance violations: 0	
G	Information security	—	• Operational suspension or information leaks due to cyberattacks	Percentage of employees having completed information security training: 91.9% Number of major information security violations: 0	Percentage of employees having completed information security training: 90% Number of major information security violations: 0	
E	Response to climate change	• Increase in the provision of services with reduced environmental impact • Establishment of a sustainable operating structure	• Amendments of regulations and policies for existing businesses • Operational shutdowns due to typhoons and earthquakes	Disclosure and strategy execution in line with TCFD*[1] and TNFD*[2] recommendations Ratio of renewable energy use: 9.36%	Disclosure and strategy execution in line with TCFD*[1] and TNFD*[2] recommendations Reduction of Scope 1 + 2 GHG*[3] emissions: 25% (by fiscal 2030) Ratio of renewable energy use: 40% (by fiscal 2030)	

E: Environment S: Society G: Governance

*1 Task Force on Climate-related Financial Disclosures *2 Taskforce on Nature-related Financial Disclosures *3 greenhouse gas

Identification Process for Material Issues

STEP 01 Topic recognition ▶ **STEP 02 Assessment of relationship to businesses** ▶ **STEP 03 Assessment of scope and significance for the Group** ▶ **STEP 04 Discussion and decision by the Board of Directors**

- **STEP 01**: Listing a wide range of environmental, social, and economic issues with reference to ISO 26000, the Sustainability Accounting Standards Board Standards, the United Nations Sustainable Development Goals, and other materials
- **STEP 02**: Identifying listed issues that are closely linked to Group business activities while keeping stakeholder perspectives in mind
- **STEP 03**: Prioritizing and validating issues to ensure consistency with the Group's philosophy, management policies, and growth strategies
- **STEP 04**: Making the final decision through discussion by the Board of Directors, including independent outside directors

Comment from an External Expert

The Company's newly identified material issues are well aligned with the basic policy of the Medium-Term Management Plan (FY2025–FY2029), which is to further strengthen the management foundations for the next decade, anchored in three core businesses comprising Special Needs Employment Services, Wide-area Administrative BPO Services, and Environmental Management Support Services. These material issues are easy for stakeholders to understand. From the perspective of enhancing corporate value, it is also noteworthy that these material issues are organized into two key areas: value creation through business, which drives earnings power, and enhancing management foundations to support value creation, which helps reduce management risks. By addressing pressing challenges in modern society, these material issues have the potential to contribute not only to the Company's corporate value but also more broadly to the realization of a sustainable society.

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