

Overview and Promotion System of Third Medium-Term Management Plan

Review of the second medium-term management plan

The second medium-term management plan (fiscal 2020 to 2022) was positioned as the final finishing touches to the integration of the home center business companies under DCM Holdings and preparations for growth. Due to the unexpected outbreak of the COVID-19 pandemic, there were social factors such as complete changes in people's lifestyles and behavior patterns, but the Company responded flexibly and appropriately to these changes and was able to achieve results that exceeded our expectations.

In particular, with regard to DIY, gardening, and pet products, areas in which we had been focusing on strengthening product development and on proposals at stores since before the pandemic, business performance grew significantly following the changes in lifestyles and the emergence of latent needs, including 1) Increases in time spent at home and leisure time; and 2) Growing awareness of health and healing needs. As store enhancements, we also worked on the remodeling and introduction of, for example, the highly specialized home improvement (HI) DIY Reform^{*1} and Quick Parts^{*2} zones primarily in large stores. Through the acquisition of shares of XPRICE Inc., which operates one of the largest home appliance-focused EC sites in Japan, we believe that we were also able to form the foundation for strengthening the EC business, integrating EC and store business, and for sending customers each other's way.

Second Medium-Term Management Plan: Results

(Unit: Millions of yen)

	Fiscal 2022 targets	Fiscal 2022 results	Evaluation
Net sales	433,000	469,782	◎
Gross profit margin	33.6%	33.3%	○
Operating profit	25,000	30,068	◎
Operating profit margin	5.8%	6.4%	◎
Ordinary profit	24,400	29,555	◎
Profit attributable to owners of parent	16,400	18,135	◎
ROE	7.5%	7.5%	◎

- *1 DIY Reform:** This is a store zone where customers who are carrying out renovation or repair work by themselves can gather together the tools and materials they will need. They can also receive renovation assistance, such as wallpaper replacement experience, for free.
- *2 Quick Parts:** This is a parts zone that provides electrical materials and plumbing parts for craftsmen and DIYers. Having more than 10,000 items in stock, if a customer places an order by phone, we will prepare those items that are in stock within 60 minutes.

Overview and promotion system of third medium-term management plan

Based on the concepts of "Taking on the challenge of creating a new-generation of home improvement retailers" and "Revitalizing stores and expanding the areas in which we do business," under our third medium-term management plan (fiscal 2023 to 2025) we aim to achieve net sales of ¥550 billion, operating profit of ¥38 billion, and ROE of 8.5% in fiscal 2025.

Priority Measures

(1) Store strategies

Pursuing a store strategy centered on enhancing existing stores by the clarification of roles by store size and the forming of in-store remodeling teams, we will strive to create stores that have a more familiar feel and are more convenient.

(2) Further pursuit of low-cost operations

Creating a rational system through shelving allocation and logistics reforms as well as DX promotion and actively developing store IT tools, we will devise ways to reduce store duties and improve efficiency and engage in low-cost operations.

(3) Building of unique BOPIS style

We built our unique Buy Online Pick-up In Store (BOPIS) style by promoting the seamless integration of stores and online businesses. We will strive to improve convenience for our customers by creating new forms of home centers.

(4) Deepening of private brand product development system

Focusing on the development of products in areas with distinct business characteristics (DIY, gardening, pet supplies, SDGs-related) and products in the mid-price range, we will work to expand the proportion of sales of private brand products and improve the gross profit margin.

(5) Expansion of business domains by M&A promotion

We aim to expand the home center area and expand sales channels for private brand products. Toward achieving our goal of becoming an integrated group of businesses that help people live more comfortably, we will also actively promote collaboration and co-creation through M&A with the aim of expanding business domains by means of collaborations with different industries and functional enhancements.

(6) Human capital strategies

We will work to create a culture that respects individual values and an environment that facilitates growth and self-fulfillment. In addition to fostering in employees an awareness of the benefits of raising corporate value, for example through the introduction of an employee stock ownership plan (ESOP) trust, we will work to encourage health management among employees.

(7) Sustainability

Aiming to remain a company that creates value by helping people make their lives and homes more comfortable through the DIY approach, we contribute to social issues such as environmental protection and social mission, which are linked to the eight objectives and 22 material goals (materialities) of the SDGs, as home centers. At the same time, we will strive to build a management foundation that supports sustainable growth.

Third Medium-Term Management Plan: Fiscal 2025 numerical targets and notional fiscal 2030 targets

(Unit: Millions of yen)

	Fiscal 2022 results	Fiscal 2025 targets	Fiscal 2030 targets (image)*
Net sales	469,782	550,000	900,000
Gross profit margin	33.3%	35.0%	38.0%
Operating profit	30,068	38,000	63,000
Operating profit margin	6.4%	6.9%	7.0%
Ordinary profit	29,555	37,500	63,000
Profit attributable to owners of parent	18,135	22,800	40,000
ROE	7.5%	8.5%	Continuously 10.0% or more

* In the case of the (notional) fiscal 2030 targets, expansion of the scale of sales is expected through M&A, etc.

Long-term business plan

Transforming into an integrated business that comprehensively makes people's lives more comfortable
Move from being a company that sells products to a company that comprehensively provides fulfilling lifestyles

- Mission 1** Evolve with the goal of enabling local customers to enjoy a convenient and fulfilling lifestyle
- Mission 2** Aim to support professionals and support DIY by strategically developing multiple businesses, including new business models
- Mission 3** Promote a digital shift strategy to enhance customer convenience

Third medium-term management plan (Fiscal 2023 to 2025)

Taking on the challenge of creating a new-generation of home improvement retailers
Revitalizing stores and expanding the areas in which we do business

- (1) Store strategy
- (2) Further pursuit of low-cost operations
- (3) Creation of our own unique BOPIS style
- (4) Better in-house brand product development structure
- (5) Expanding the areas in which we do business through promotion of mergers and acquisitions

Sustainability creating both corporate and shareholder value

- (1) Growth investments with emphasis on investment profitability
- (2) Management that is aware of capital efficiency
- (3) Consideration given to flexible acquisition of treasury stocks
- (4) Strengthening of human capital management and sustainability

The 36-Month Project, an in-house, cross-company organization that promotes the achievement of the medium-term management plan and long-term business plan

◆ Mandala chart

Development of new types of business/Enhance existing stores	Human resource strategy	Raising of corporate value
Construction of next-generation logistics	Realization of Long-Term Business Plan	DX promotion
Construction of HI comprehensive type of business and service system	Product reforms	Expansion of customer points of contact

The 36-month project, which consists of eight tasks, will serve as the engine for achieving the plans in the third medium-term management plan. Each task is led by an executive officer, who takes responsibility for carrying out the task. Since each task is also linked to the priority issues of the SDGs, promoting the 36-month project will not only contribute to the achievement of the medium-term management plan but also to enhancing the Company's sustainability.