

Promotion of Sustainability Management

Concept and promotion structure for sustainability management

Home centers are stores that support DIY, in other words, repairing the things we own by ourselves and using them carefully for a long time. In this sense, they have always had a strong connection with sustainability. In recent years, with the depopulation of regional areas and the aging of the population combined with declining birthrates, the role of providing products and services that help the elderly as well as supporting the livelihood of rural areas has been added to the roles these stores play. Home centers are also providing disaster prevention expertise and supplies in times of disaster in an environment where natural disasters are becoming more frequent.

In the pandemic, these outlets supported daily life and work, and also contributed to helping people lead more comfortable lives in transition to the new lifestyles. In addition, products and lifestyle-related knowledge that address recent environmental issues and rising energy prices are also of high interest to customers. Thus, home centers are increasingly expected to function as the infrastructure for local lifestyles.

To address such these needs, we have been focusing on sustainability management since fiscal 2022. Its aim is to transform into an integrated company that makes people's lives more comfortable, transitioning from a company that sells goods to one that comprehensively provides affluent lifestyles, as well as continuously and stably increasing corporate value. We have identified eight priority issue groups and 22 materialities for promoting the SDGs to identify the threats and opportunities for the Company posed by social issues from a medium- to long-term perspective, looking ahead to 2030, and to achieve both a sustainable society and increased corporate value.

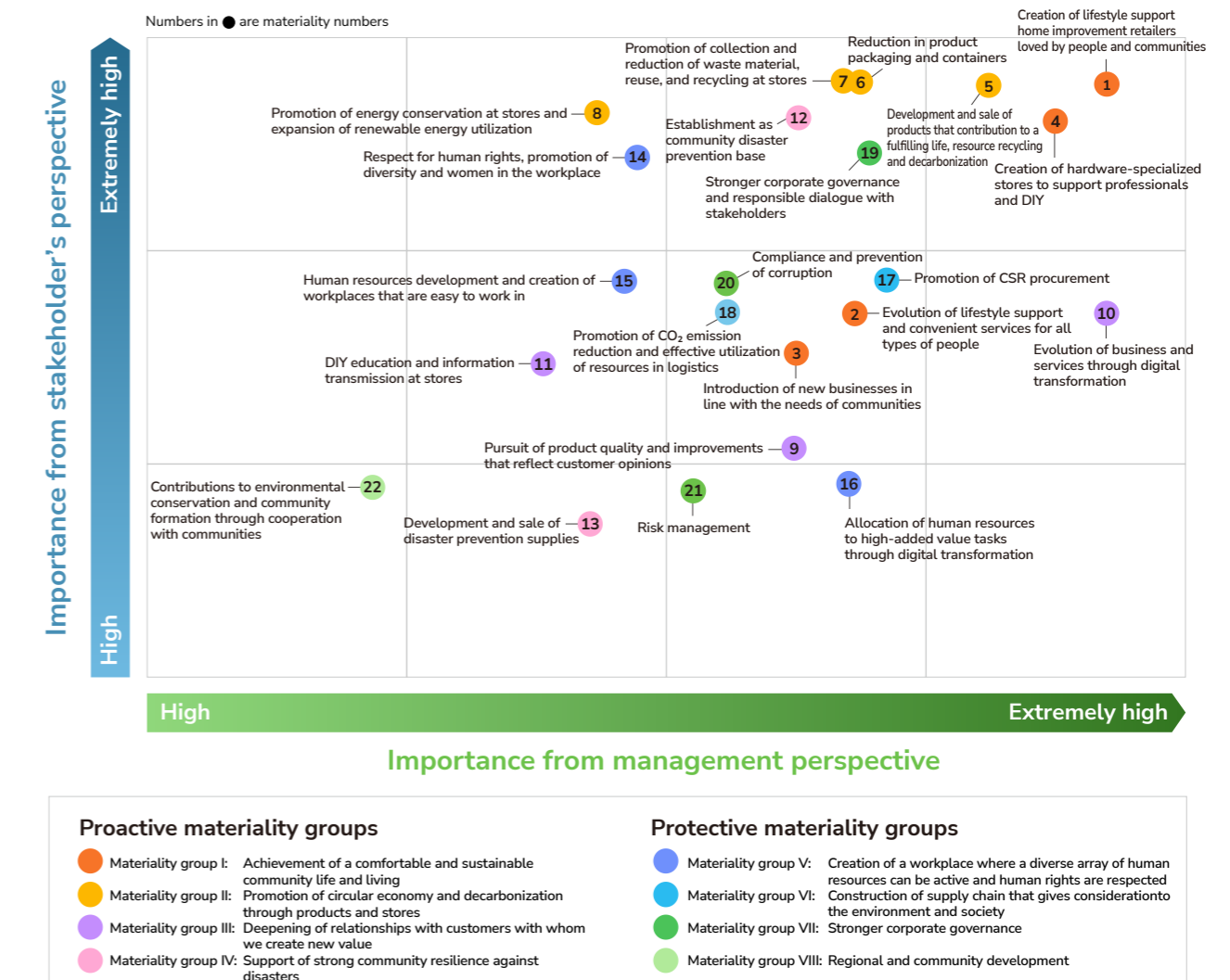
Initiatives to address the 22 priority issues are incorporated into the "36-Month Project," a cross-Company organization that is the driver of the medium-term management plan. We will continue to work toward the achievement of the 22 priority issues in the third medium-term management plan, and will steadily give shape to its various initiatives.

Overview of eight priority issue groups and 22 materiality issues

E	S	G	Core subjects of ISO 26000	No.	Materiality group <Why?>	No.	Materialities <What will we do?>	Main relevant SDGs
S			Consumer issues	I	Achievement of a comfortable and sustainable community life and living	1	Creation of lifestyle support home improvement retailers loved by people and communities	11, 12, 3
						2	Evolution of lifestyle support and convenient services for all types of people	
						3	Introduction of new businesses in line with the needs of communities	
						4	Creation of hardware-specialized stores to support professionals and DIY	
E			Environment	II	Promotion of circular economy and decarbonization through products and stores	5	Development and sale of products that contribution to a fulfilling life, resource recycling and decarbonization	12, 7, 13
						6	Reduction in product packaging and containers	
						7	Promotion of collection and reduction of waste material, reuse, and recycling at stores	
						8	Promotion of energy conservation at stores and expansion of renewable energy use	
S			Consumer issues	III	Deepening of relationships with customers with whom we create new value	9	Pursuit of product quality and improvements that reflect customer opinions	6, 9, 12
						10	Evolution of business and services through digital transformation	
						11	DIY education and information transmission at stores	
				IV	Support of strong community resilience against disasters	12	Establishment as community disaster prevention base	11, 13, 17
						13	Development and sale of disaster prevention supplies	

E	S	G	Core subjects of ISO 26000	No.	Materiality group <Why?>	No.	Materialities <What will we do?>	Main relevant SDGs
S			Human rights	V	Creation of a workplace where a diverse array of human resources can be active and respecting human rights	14	Respect for human rights, promotion of diversity and women in the workplace	4, 8, 10
						15	Human resources development and creation of workplaces that are easy to work in	
						16	Allocation of human resources to high-added value tasks through digital transformation	
E			Fair operating practices	VI	Construction of supply chain that gives consideration to the environment and society	17	Promotion of CSR procurement	8, 12, 13
						18	Promotion of CO ₂ emission reduction and effective utilization of resources in logistics	
S			Organizational governance	VII	Stronger corporate governance	19	Stronger corporate governance and responsible dialogue with stakeholders	16, 10, 5
						20	Compliance and prevention of corruption	
						21	Risk management	
E			Community involvement and development	VIII	Regional and community development	22	Contributions to environmental conservation and community formation through cooperation with communities	15, 11, 3

Materiality importance map

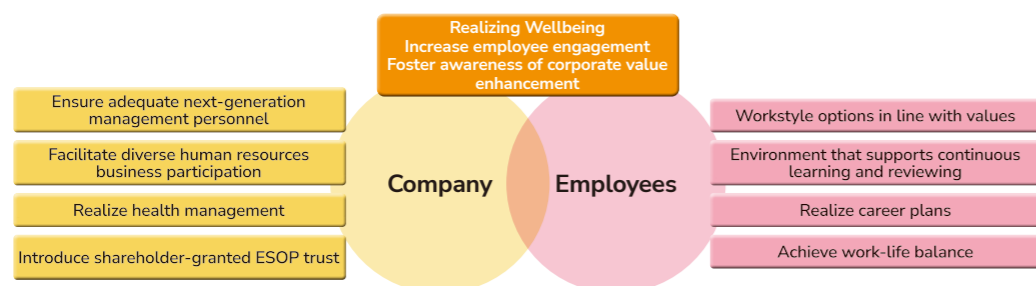


Human Capital Management

Linking Business and Human Resources Strategies

Based on our Company Philosophy "Do Create Mystyle," we aim to transform into an "integrated business that comprehensively makes people's lives more comfortable." We are working to increase customer convenience through the creation of "new generation home centers" with clearly defined store strategies, the development of products that enrich people's lives, and the formation of new purchase patterns combining the convenience of physical stores with e-commerce websites.

We believe the driving force behind the realization of this goal is the diversity and creativity of our human resources and their desire for self-growth. In creating an environment where a diverse array of human resources respect individual values and play active roles, and by proactively supporting human resources development and autonomous learning, we are promoting the creation of an organization that is able to maximize the capabilities of each individual employee. We aim to achieve sustainable growth and enhance corporate value by increasing engagement through support aimed at realizing employee wellbeing, and fostering an awareness among employees of the need to enhance corporate value.



1 Human resources development

We view the development of human resources who will lead the next generation as an important issue in terms of enhancing corporate value over the medium to long term. Accordingly, we are developing human resources in tandem with management in order to realize our medium-term management plan through 2025 and our long-term business concept for 2030. To ascertain gaps between current human resources and the ideal we are aiming for, we centralized the

management of human resources information, and starting in fiscal 2022, revamped our training system. In addition to systematized training for the development of human resources from a medium- to long-term perspective, we reassign select human resources for training purposes and proactively appoint them to projects and internal tasks in an effort to develop human resources that will serve as a foundation for growth.

Centralized management of human resources information

We introduced a talent management system to centrally manage human resources information. By centrally managing basic employee information as well as training history, skills, and career goals, then utilizing this information for recruitment, job assignments, skills development, and rapid

selection for placements in new positions, we aim to maximize performance. Further, future management personnel candidates are grouped by generation for use in selective training, policy-based assignments, and promotion to various project leadership positions.

Systematized training for the development of human resources from a medium- to long-term perspective

We emphasize the importance of employees who are capable of autonomous self-development, and in support of this ideal, we have created an environment in which all employees can learn on their own. In terms of specific efforts, we introduced tools enabling employees to view educational videos created in house, and facilitate an environment in which learning can take place anytime, anyplace, and as often as necessary. Additionally, by subsidizing a portion of the course fees for a video service providing educational content centered on business skills, employees can learn both operational skills as well as a wide range of other business-related skills.

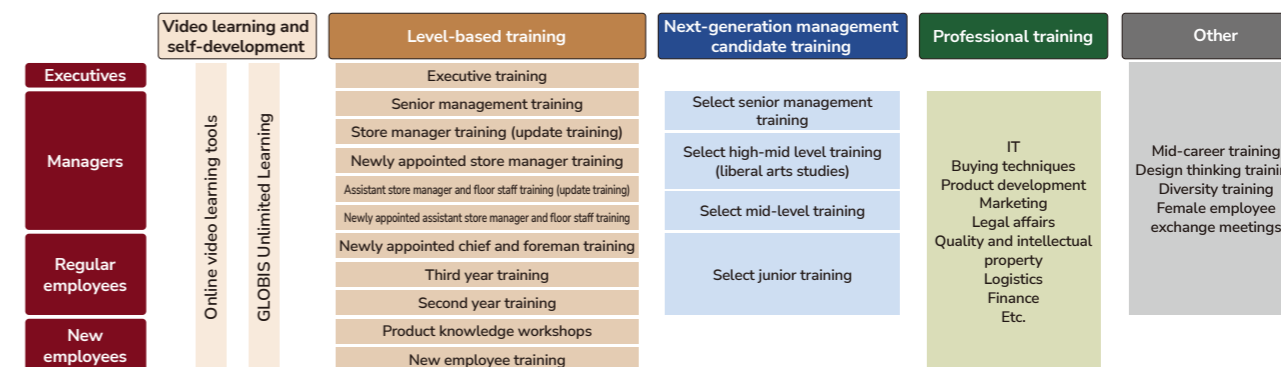
executives focused on exchanges with other companies and liberal arts studies, creating a system that is able to continuously produce human resources with broad perspectives and high degrees of insight.

Regarding the development of future management personnel for the realization of our long-term business concept, in addition to providing standard level-based training for candidates grouped by generation, we have candidates participate in training for next-generation

To ensure human resources possess expert knowledge and diverse skills, we also provide specialized education and training aimed at acquiring qualifications. We view the securing of IT personnel as a particularly important issue, and our system subsidiaries have established a structure in which mid-career hires and professional human resources who can be immediately effective are able to learn from one another.

Training is conducted with the specific aim of developing professional human resources who are able to manage projects after three years on the job through both professional education and OJT led by mid-career hires, as well as video learning and the acquisition of IT qualifications.

DCM Holdings education structure



2 Supporting the acquisition of qualifications

The DCM long-term business concept is aimed at becoming a group that not only sells products, but transforms into an integrated group of businesses that help people live more comfortably as an "integrated business that comprehensively makes people's lives more comfortable," and we view the acquisition of qualifications as one means of realizing our long-term business concept. Home centers have many highly specialized product areas, and meeting the diverse needs of customers requires high levels of expertise and skill. To provide customers with lifestyle propositions rather than simply selling products, we must improve our level of customer service and skills.

DIY•HC Association-certified DIY advisors in the industry, which differentiates us from our competitors.

We believe it is necessary to both acquire specialized knowledge through work experience, as well as to acquire high levels of expertise and skills through the acquisition of qualifications. DCM views the acquisition of qualifications as one aspect of human resources development, and aims to foster an awareness of self-directed learning, create a culture that encourages active self-development, and develop employees who can serve customers with confidence.

To enhance our expertise, we are also expanding support for the acquisition of qualifications in gardening, bicycles, pets, social welfare, remodeling, and other areas. As an example, we are proactively engaged in the acquisition of second-class electrician certifications with the aim of ensuring employees not only sell products, but are also professionals that customers can rely on, possessing highly specialized knowledge and skills and an ability to provide comprehensive assistance, from customer-centric proposals, to advice and installation. Further, while streamlining and promoting DX in business systems, we encourage employees to strategically acquire qualifications, including efforts to systematically promote the proactive acquisition of IT passports, to obtain the basic IT knowledge required to work in an IT society.

To this end, the "DCM Qualification Acquisition System" was established to actively encourage employees to acquire various qualifications. We established an environment that facilitates the acquisition of qualifications by increasing company subsidies for examination fees, expanding the scope of eligible employees, and adding supplementary qualifications. We remain particularly active in DIY, which is one of our strengths, and possess the largest number of Japan

DCM qualifications acquisition system Recommended qualifications

1. Qualifications leveraging home center strengths	
• DIY advisor	• Green advisor
2. Qualifications necessary for enhancing specializations	
• Bicycle safety mechanic	• Pet care adviser
• Counselor specializing in welfare equipment	• Registered seller
• Operations chief of asbestos	• Petroleum equipment technical manager
3. Qualifications to be strategically acquired for the realization of long-term business plans	
• IT passport	• Second-class electrician

Utilizing the DCM advisor in-house qualification and certification system

In addition to the DCM Qualification Acquisition System, we established DCM Advisor, an in-house qualification and certification system unique to DCM, to measure the degree of understanding with respect to basic product knowledge.

employees acquire knowledge and skills through classroom lectures as well as hands-on experiences.

DCM Advisor aims to provide all employees with opportunities to improve their product knowledge and cultivate continuous self-learning. We strive to develop both basic product knowledge as well as personnel who can respond appropriately to customer requests.

The DCM Advisor was introduced as an annual internal certification system in fiscal 2021, with all employees, including partner employees (part-time employees), subject to this examination. Anyone can easily take this examination using DCM's in-house system.

To this end, we have prepared an educational environment using books and videos to improve product knowledge in support of DCM Advisor certification acquisition. Additionally, product knowledge workshops, in which participants learn by using actual products, aim to help

As certification enables employees to respond to customers with confidence, partner employees are proactively taking on the challenge, with approximately 1,500 employees in total certified in fiscal 2022. DCM will continue to expand and advance this program as part of its efforts to create an organization where employees can continue learning on their own.

3 Promoting the active participation of diverse human resources

We promote diversity and inclusion so that all employees recognize and respect each individual so every employee can maximize their abilities while making the most of diversity.

Promoting the active participation of women

In promoting diversity and inclusion, DCM believes that the employment and active participation of women in particular is essential for responding to increasingly diverse market needs. Currently, the percentage of female employees among full-time employees is 14.3%, growing approximately 3% in recent years. Over the past several years, nearly half of all new hires have been women, and with the ratio of female employees expected to increase going forward, we believe it is imperative to create an environment in which women can play active roles. We are striving to create an environment in which women can develop their careers so they remain active long after marriage, childbirth, raising children, and other life events.

In order to proactively create an environment in which women can work comfortably, we conducted a survey among female employees aimed at gathering opinions and gaging awareness regarding current female employee workstyles and ascertaining actual working conditions. Based on the survey results, we identified issues that need to be addressed in order for DCM Holdings to promote the active participation of women.

As one of the measures to achieve this goal, we hold female employee exchange meetings internally. The purpose of these meetings is to create a new community among female employees, alleviate concerns regarding career development, work-life balance, and other issues, foster

We pursue diversity and inclusion through three approaches promoting (1) the active participation of women, (2) the active participation of seniors, and (3) internal appointments.

mutual awareness and empathy, and provide opportunities for future system and corporate culture reforms.

In addition to exchange meetings held internally, we also conduct exchange meetings with female employees from other companies. These are opportunities to gain insights and motivation leading to individual career development that internal meetings alone cannot provide.

Along with the creation of this environment, we conduct training for all managers on diversity and inclusion and childcare support systems to promote an understanding of these issues among employees through their managers. In this way, we are working on two fronts, creating an environment that promotes the success of female employees and encouraging understanding among all employees.

Through these efforts, we are working to create an environment facilitating the active participation of female employees, with the goal of achieving a ratio of 7% or more female employees in management positions by fiscal 2030 (3.2% as of March 2023).



Promoting the active participation of seniors

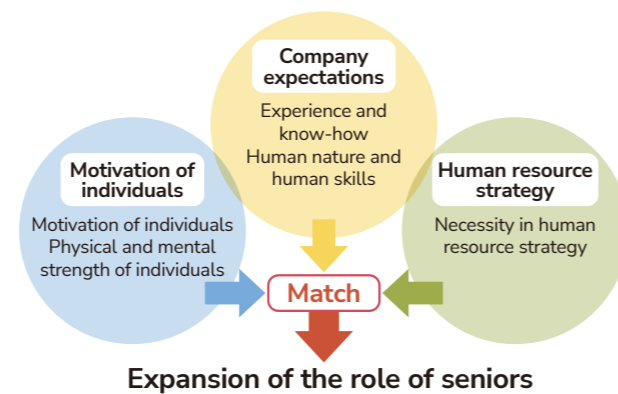
DCM has established a system facilitating the self-reporting of “work preferences” and “areas of expertise” so that employees who have reached the age limit for their role or retirement age can continue to work with vigor utilizing their individual strengths in a second career. This includes positions such as in-house instructors who leverage past experience and knowledge, specialized teams responsible for store renovations, and advisors who respond to consultations from stores. Recently, many employees have expressed interest in working for Hodaka, which is expanding store openings.

As Japan's working-age population is expected to decline, we intend to further strengthen this system to enable experienced senior personnel to play active roles.

Promoting internal appointments

DCM has introduced an internal appointment system allowing partner employees to take on the challenge of becoming full-time employees with the aim of enabling employees who wish to advance their careers to full-time status to engage in rewarding work and achieve self-actualization.

The internal appointment system is also intended to expand opportunities for capable and motivated employees to play active roles, thereby uncovering promising future store managers and head office specialists.



For example, a male employee promoted from partner to full-time employee in 2008 who gained experience in stores and at the head office is now working as a store manager. Similarly, a female partner promoted to full-time employee in 2011 also gained experience in stores and advanced to store manager in 2023, taking charge on the front lines.

In fiscal 2022, a total of 40 employees passed the internal appointment exam. DCM will continue to promote internal appointments as part of our career development efforts to increase the diversity of our human resources.

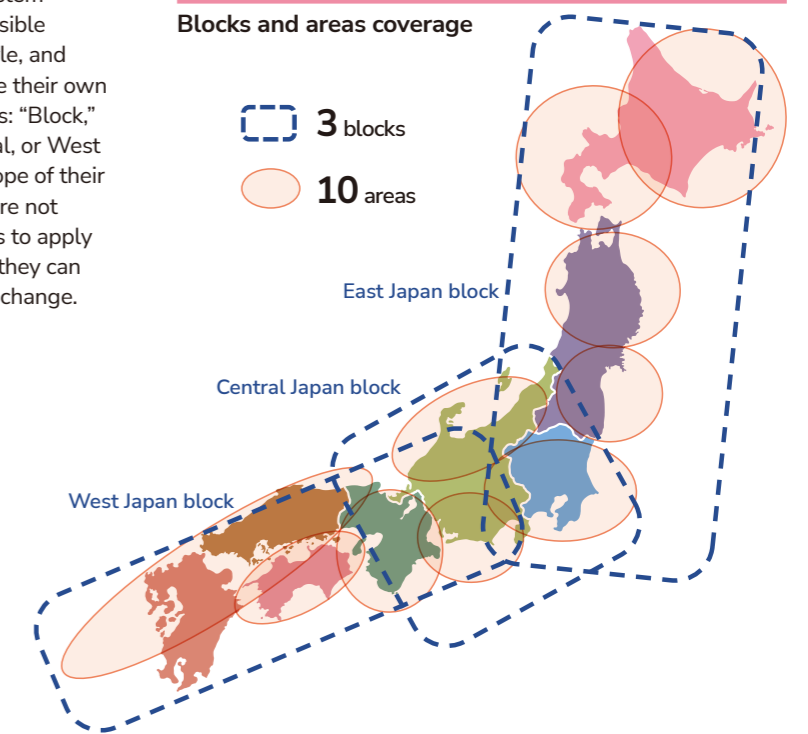
4 Promoting diverse workstyles

Employee classification system

We have introduced an employee classification system enabling all employees to apply for a range of possible transfers according to their personal values, lifestyle, and family situation, allowing each employee to choose their own workstyle. There are three employee classifications: “Block,” in which employees choose to work in East, Central, or West Japan; “Area,” in which employees can limit the scope of their work location; and “Region,” in which employees are not required to relocate. The system allows employees to apply for an employee classification once a year, so that they can change workstyles if their personal circumstances change.

There is also a national employee classification enabling employees to work anywhere in Japan. This system exposes employees to various regional cultures and lifestyles and broadens the range of their experience, which is expected to lead to personal growth.

Further, we have introduced a “temporary work location restriction system” enabling employees to temporarily change their workplace to a desired location when they encounter difficulty relocating due to special reasons (nursing care, childcare, and other life events). Employees can utilize this system with peace of mind during the approved period, as the treatment they received prior to approval is maintained.



Childcare and nursing care support system

Our childcare and nursing care support system exceeds all statutory mandates, and we are working to create an environment facilitating easy use of this system so that all employees can give birth, raise children, and care for family members with peace of mind. In fiscal 2022, 26 male employees took childcare leave, and along with employees utilizing DCM's maternity leave system, the male childcare

and nursing care leave utilization rate has increased substantially over the past several years to 60.5%. Recognition of the importance of a work-life balance has expanded in recent years, and we will continue to consider initiatives and systems that can further encourage individual employee self-realization while respecting diverse values.

5 Health management initiatives

In order to realize our Company Philosophy, “Do Create Mystyle,” and create affluent lifestyles together with customers, we believe it is essential for employees themselves to be healthy. To this end, we are making efforts to reduce long working hours and ensure that employees at all stores receive health checks by managing health checks and schedules on a 100% health check basis. We also proactively recommend specific health guidance for the prevention of lifestyle-related diseases as an opportunity to raise awareness of health promotion, creating an environment that makes it easy for employees to receive health checks with efforts that include scheduling health checks during working hours and online health checks in the workplace. As a result, 53.3% of employees received specific health guidance in fiscal 2022.

Stress checks were previously conducted only at workplaces with 50 or more employees, but since fiscal 2022, we have conducted stress checks at all workplaces for

the purpose of ascertaining and improving conditions in each location.

In fiscal 2022, 12.6% of employees were identified as having high stress, and our goal is to reduce this to less than 10% by fiscal 2025.

DCM will continue to proactively promote health management initiatives to ensure that each and every employee is healthy in mind and body and motivated to work.



On March 28, 2023, we were certified as a “2023 Health & Productivity Management Outstanding Organization.”

Sustainability – TCFD Compliance

Endorsement of TCFD

The DCM Group positions its response to climate change as a material issue within its business strategy, and in April 2023, the Company announced its endorsement of the Task Force on Climate-related Financial Disclosures (TCFD). We disclose information in accordance with the framework promoted by the TCFD (governance, strategy, risk management, metrics and targets), and will contribute to the achievement of a decarbonized society through efforts to address climate change.

Governance

We consider the issue of climate change to be of great importance for sustainability, and have put in place a governance structure centered on Board of Directors oversight and the Sustainability Committee. The Board of Directors receives reports from the Sustainability Committee at least once a year regarding climate change issues and sustainability initiatives, including SDGs materiality, reviews policies and initiatives as appropriate, and monitors and evaluates progress. The Sustainability Committee, which meets two or more times annually and is chaired by the President and CEO, examines and studies the latest sustainability trends, including climate change issues, confirms progress and deliberates policies related to sustainability initiatives, and submits reports and proposals to the Board of Directors.

Strategy

We clarify the long-term risks and opportunities presented by climate change and performs scenario analyses to create business strategy proposals aimed at minimizing risks and maximizing opportunities. Specifically, we conduct analysis conforming to the 1.5°C target, which has become the leading global initiative aimed at limiting the increase in global average temperature since the Industrial Revolution to 1.5°C, as specified in the COP26 outcome document.

Transition risks

For transition risks, a range of policies and legal regulations have been introduced for the 1.5°C target, with the DCM Group focusing on the decarbonization scenario (1.5°C to 2°C temperature increase) in which market and reputation changes occur.

Risks/opportunities	Risks for DCM	Business impact	2°C increase (or 1.5°C increase)	4°C increase	Corresponding DCM SDGs Materialities	
Transition risk	Policies/legal regulations	Carbon tax introduction (DCM)	Introduction of carbon tax results in increased procurement costs for fossil fuels used by vehicles and at stores	↑	-	8: Promotion of energy conservation at stores and expansion of renewable energy use
		Introduction of renewable energy	The cost of procuring electricity will increase due to switching from electricity derived from fossil fuels to electricity derived from renewable energy			
		Carbon tax introduction (in supply chain)	Introduction of carbon tax will result in increased procurement costs for plastic products such as containers and packaging materials			
		Stricter regulations on raw materials for products, etc.	Tighter regulations on fossil fuel-based raw materials will lead to increased costs due to the switch to reused and recycled materials			
		Tighter regulations on industrial waste disposal	Restrictions on fossil fuel-based raw materials are strengthened, and costs will be incurred for things such as reconsidering plastic films and packaging			
		Tighter building standard regulations	Costs for building new stores and renovations increase due to tightened regulations based on energy saving laws and construction standards laws, etc.			
		Stricter regulations on cargo transport vehicles	Costs incurred due to electrification of cargo transport vehicles at stores and logistics hubs and establishment of charging stations			
Market changes	Market changes	Changes in consumer environmental awareness and lifestyle	Sales opportunities lost if response to increased consumer environmental awareness and changes in their lifestyle is delayed	↑	-	1: Support home improvement retailers loved by people and communities 5: Development and sale of products that contribute to a fulfilling life, resource recycling, and decarbonization
		Impact of switch to reusable raw materials	Decline in sales if switch to reusable raw materials from fossil resource-based raw materials in products is delayed or if an increase in sales price is unavoidable			
		Structural changes in local conditions due to climate change	Sales opportunities for agriculture-related products lost if response to shifts in areas suited to agriculture caused by climate change is delayed			
Reputation changes	Reputation changes	Changes in consumer preference, criticism of the industry, increase in stakeholder concerns, etc.	Without a suitable response to social and consumer trends that reflect climate changes, support from stakeholders will decline	↑	-	9: Pursuit of product quality and improvements that reflect consumer opinions 19: Stronger corporate governance and responsible dialogue with stakeholders

↑ Major impact on administration and financial affairs ↗ Some impact on administration and financial affairs - No impact on administration and financial affairs (no change)

Physical risks

For physical risks, we consider the impact of extreme weather events such as heavy rains caused by continued warming that create disasters based on the decarbonization scenario (1.5°C to 2°C temperature increase). In the continued warming scenario (2.7°C to 4°C temperature increase), we considered the impact on store locations and facilities due to rising temperatures, the impact on the DCM Group from damaged forests, agriculture, and other natural areas, and the impact of a range of infectious diseases on business, among other risks.

Risks/opportunities	Risks for DCM	Business impact	2°C increase (or 1.5°C increase)	4°C increase	Corresponding DCM SDGs Materialities	
Physical risks	Acute physical risks	Damage caused by increasing frequency and intensification of abnormal weather	Damage to stores, disruption of lifelines, lost sales opportunities due to disruption of factories and logistic networks impacted by disasters, and recovery costs incurred due to increasing frequency and intensity of natural disasters and abnormal weather	↗	↑	12: Establishment as community disaster prevention base
		Impact on damage insurance	Damage insurance premiums increase due to increasing frequency and severity of natural disasters			
	Chronic physical risks	Store relocation due to rising sea levels	Costs incurred from unavoidable relocation of coastal area stores due to rising sea levels			
		Increase in air conditioning equipment	Rising investment, maintenance, and management costs for air conditioning equipment due to increasing average temperatures			
		Impact on wood, wooden products, and gardening products	Procurement costs for wood, wooden products, seeds, and other such things will increase due to shifting of areas suitable for agriculture due to climate change			8: Promotion of energy conservation at stores and expansion of renewable energy use
		Increase in illness due to rising temperatures	If restrictions on movement, shortened business hours, and suspension of business become unavoidable due to a range of illnesses, this will result in a loss of sales opportunities			21: Risk management

↑ Major impact on administration and financial affairs ↗ Some impact on administration and financial affairs - No impact on administration and financial affairs (no change)

Opportunities

With regard to opportunities, in the 1.5°C to 2°C temperature rise scenario, there will be growth in demand for products that deal with heat and prevent disasters due to a growing environmental awareness among consumers and their increased resonance with the approach of repairing things and using resources carefully, and we assume growth in the sales of DIY and environment-related products, as well as growth in the DIY and renovation market itself, which is at the heart of the home center business.

Risks/opportunities	DCM opportunities	Business impact	2°C increase (or 1.5°C increase)	4°C increase	Corresponding DCM SDGs Materialities	
Opportunities	Products and services	Heightened consumer environmental awareness and changes in lifestyle	Growth in sales centering on DIY and environment-related products due to lifestyle changes and heightened awareness concerning the environment among consumers	↑	-	1: Creation of lifestyle support home improvement retailers loved by people and communities 5: Development and sale of products that contribute to a fulfilling life, resource recycling, and decarbonization 9: Pursuit of product quality and improvements that reflect customer opinions
		Expanded demand for products to deal with heat	Increase in sales opportunities for products to deal with heat resulting from increase temperatures			
		Expanded demand for disaster prevention products	Increase in sales of disaster prevention products in relation to increasing frequency and intensity of natural disasters			
	Markets	Growth of DIY market	Growing consumer awareness of the need to create things on the basis of their own ingenuity and to repair and use these things over the long term will grow the DIY/repair market and increase sales opportunities for related products			
Policy incentives		Increase in sales opportunities through incentives for purchasing of sustainable products				
Resilience	Provision of emergency supplies in disasters	Establishment of a business continuity system in areas impacted by disasters, and improvement of quality in infrastructure for daily life through stocking of emergency supplies, etc.			12: Establishment as community disaster prevention base 13: Development and sale of disaster prevention supplies	

↑ Major impact on administration and financial affairs ↗ Some impact on administration and financial affairs - No impact on administration and financial affairs (no change)

Risk management

The Internal Control Committee comprehensively manages Group-wide risks based on risk management regulations, and engages in awareness, guidance, education, and other efforts aimed at preventing and minimizing risks and damage. Climate change risk is also managed under this risk management system.

Metrics and targets

Greenhouse gas emissions from the DCM Group in fiscal 2020 (March 2020 to February 2021) are as follows. For Scope 1 and 2, we aim to reduce GHG emissions by 4.2% annually in accordance with Science Based Targets (SBT), which are GHG emission reduction targets consistent with levels required by the Paris Agreement. For Scope 3, we will work to increase calculation accuracy and look into reductions in collaboration with our business partners.

Scope	Reference year	Target year	Targets
1+2 (total)	FY2020	FY2030	42% reduction in emissions
		to FY2050	Carbon neutral (net zero)

The DCM Group's GHG emissions for FY2020

Scope 1 (direct emissions)	12,057 t
Scope 2 (indirect emissions)	96,752 t
Scope 1 + 2 (total)	108,809 t