



# Integrated Report 2023

Year ended February 28, 2023



Do Create Mystyle  
くらしの夢をカタチに

DCM HOLDINGS CO., LTD.

## Editorial Policy

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In March 2021, our five home improvement companies were merged into one company and relaunched as DCM Co., Ltd. This is both the culmination of 20 years of efforts to bring together home improvement retailers with strong roots in local communities across Japan to provide better products as well as a “new business foundation” for the coming era.

The purpose of this report is to provide an overview of our history, an understanding of the strengths we have developed over the years, and based on these strengths, the initiatives we will pursue under the third medium-term management plan aimed at realizing our vision for 2030, “Transforming into an integrated business that comprehensively makes people’s lives more comfortable.”

We hope to provide shareholders, investors, and other stakeholders with a better understanding of our vision and the value we provide to society, as well as our business model, operational resources, and business strategies aimed at realizing value creation with home centers as our core competence.

We encourage readers to review our medium- to long-term growth story, including our perspectives on sustainability.



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### Organizations Covered

DCM Holdings Co., Ltd., consolidated subsidiaries, and equity-method affiliates.

### Period Covered

Fiscal 2022 (March 1, 2022–February 28, 2023)  
Includes details of activities conducted since March 2023.

### Reference Guidelines

Guidance for Collaborative Value Creation (METI) and International Integrated Reporting Framework (IIRC)

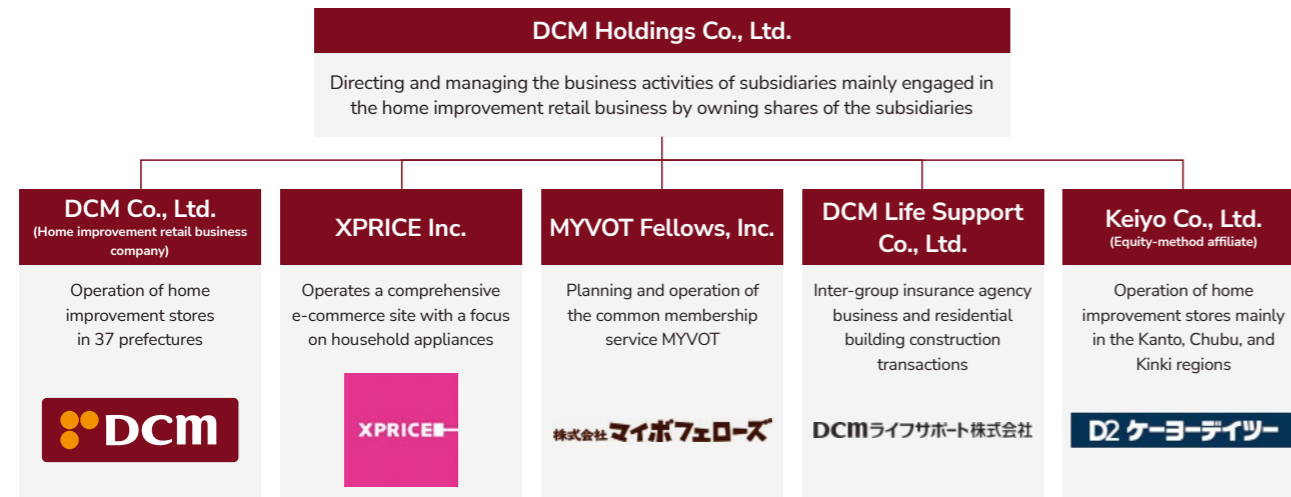
### Forward-Looking Statements

Business forecasts and other statements in this report are based on information available at time of publication and certain assumptions deemed reasonable by the Company. Accordingly, actual results may differ materially from forecasts due to various risks and uncertainties.

### Trademarks

All Company, product, and service names mentioned herein are trademarked or the registered trademarks of each company.

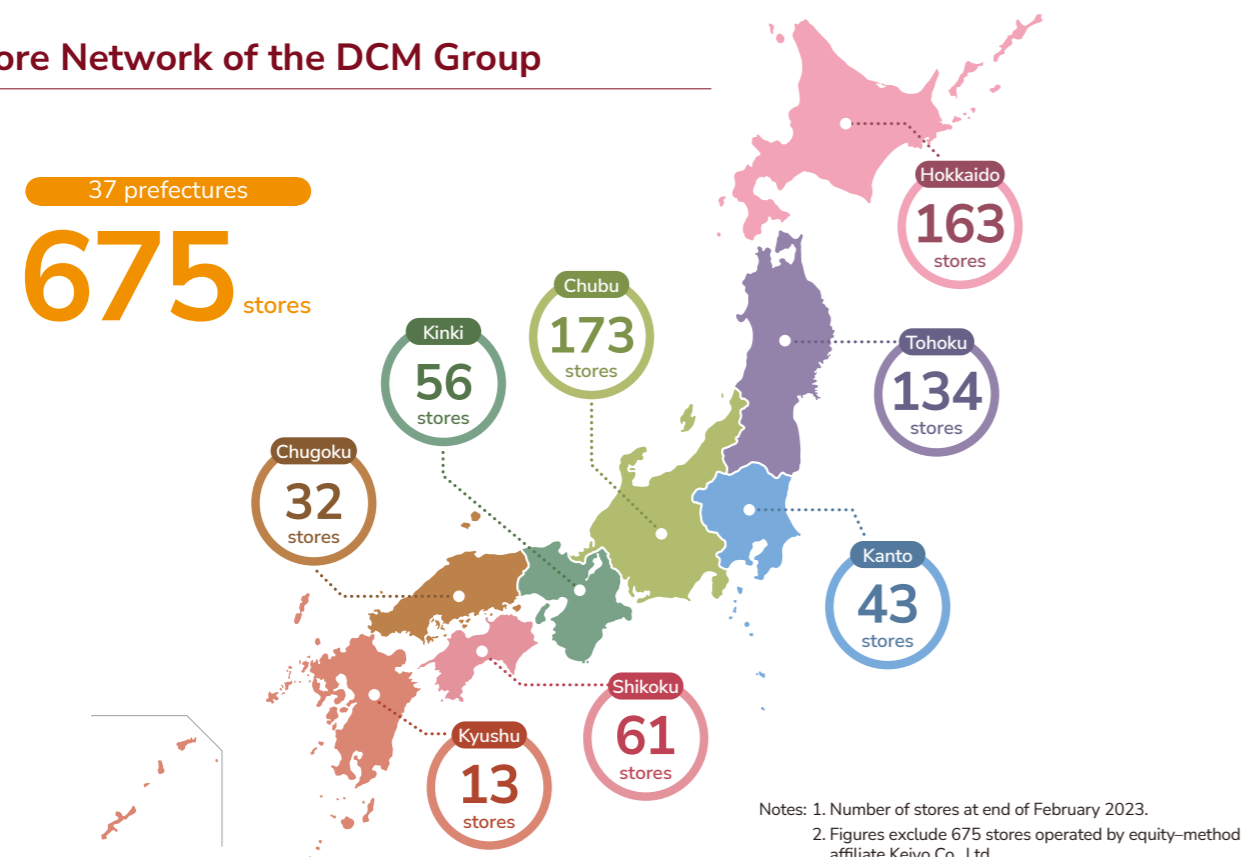
## Group Structure



### Consolidated subsidiaries of DCM Co., Ltd.

DCM Nicot Co., Ltd.		Operates home convenience stores in small business areas
Hodaka Co., Ltd.		Specialty shops selling tools, hardware and work supplies for professional use
DCM advanced technologies Co., Ltd.		A group of system engineers further the digital transformation of DCM

## Store Network of the DCM Group



## Business Portfolio

### Home improvement retail business



**DCM Co., Ltd.**  
(506 stores)



**Keiyo Co., Ltd.**  
Equity-method affiliate  
(164 stores)

Through business development leveraging comprehensive Group strengths, the DCM Group protects customer lives even in emergency situations by offering a wide range of disaster prevention equipment in addition to the best products and services for resolving problems and meeting needs in support of the desire for a better life.

### Small store and specialty store business



**Hodaka Co., Ltd.**  
(57 stores)

Specialty store offering tools, hardware, work supplies, and work clothes. Hodaka aims to be a store that satisfies everyone, from professionals to general customers, who are particular about their tools.



**DCM Nicot Co., Ltd.**  
(112 stores)

Develops stores mainly in rural areas where shopping is difficult under the concept of "delivering great convenience to small towns." DCM Nicot supports the lives of local residents through the provision of items needed in everyday life as a home convenience store.

**Common membership service MYVOT**

Points accumulate regardless of payment method, and can be used at a rate of 1 point = ¥1. Using this service, the more customers spend, the more they save.

### E-commerce business

**DCM Co., Ltd.**  
**DCM Online**

In addition to offering familiar products from home improvement retail stores, DCM Online also provides many new products unique to online shopping websites.



**XPRICE Inc.**

Operates "XPRICE," one of Japan's largest e-commerce websites focusing on consumer electronics. In addition to the online shopping website, the company has opened stores primarily in shopping malls, and has received many awards.



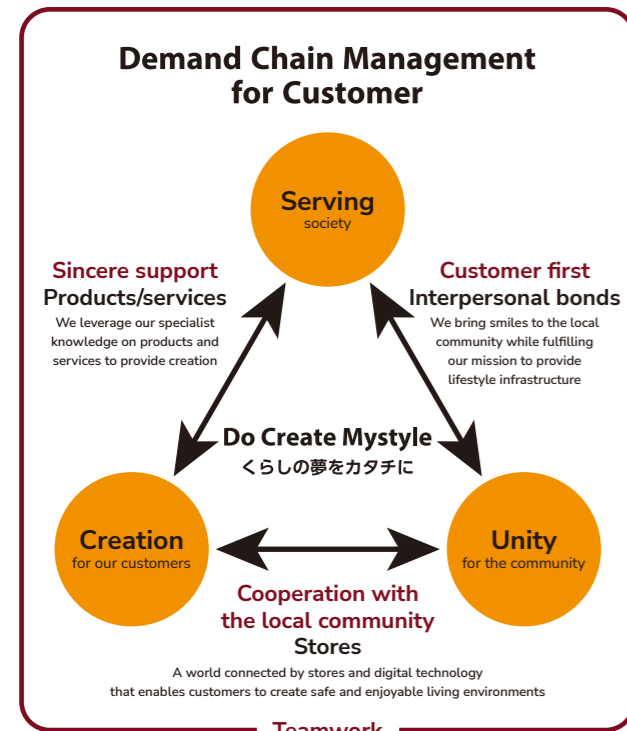
Note: MYVOT points cannot be used on XPRICE.

## DCM's Philosophy

The DCM Group creates value by helping people make their lives and homes more comfortable through the "do it yourself" (DIY) approach based on the "Do Create Mystyle" Company Philosophy.



### DCM's philosophy



#### Company Creed

Serving Creation Unity

#### Company Philosophy

**Do Create Mystyle**  
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While creating new products and services for our customers and flexibly adapting to changes, we will unite with the local community to serve society and strive to be indispensable presence.

#### Principles of Conduct

**Demand Chain Management for Customer**

Always thinking from the customer's perspective, we will strive to be a company that achieves both customer satisfaction and progress in distribution.

#### Conduct Guidelines

**Customer first**  
We put ourselves in our customers shoes and think deeply.

**Sincere support**  
We provide products and services that can bring smiles to our customers.

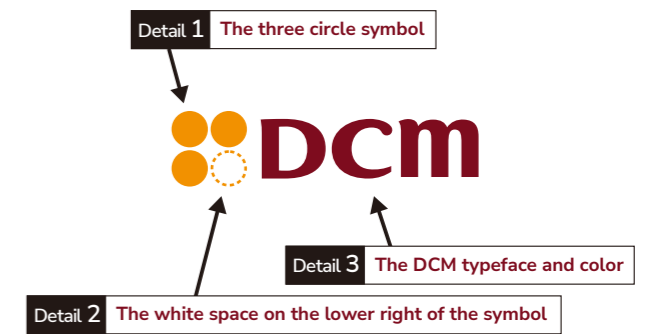
**Cooperation with the local community**  
We will enrich lives together with our customers.

**Teamwork**  
While fulfilling our role, we will respect our peers and cooperate with one another.

## DCM Brand Concept

The three circles in the DCM Group logo represent the Company Creed: "Serving society, Creation for our customers, and Unity for the community." By enlarging the connection between these three circles, we are strengthening DCM's philosophy and symbolizing the commitment of all employees to remain close to and support customers. The blank space where a circle should be in the lower right corner of the logo is intended as a space for creativity, expressing our hope that customers will realize their individual DIY objectives.

The soft, refined form of the DCM logo conveys "familiarity, trust, and peace of mind," with the orange color representing "happiness and enjoyment," and the brown color representing "nature and sustainability."



### Brand Story

As "Do Create Mystyle" world view and values, the "Creating your own happiness with DIY" brand story is based on three key concepts: "Making DIY part of life," "your style," and "support."

### Creating your own happiness with DIY

I carefully cultivate chamomile on my balcony.  
On weekends, I reward myself with a cup of herbal tea.

My grandmother said, "I'm still using the very first chair you ever made."  
Simply hanging a design sheet on part of a familiar wall transforms the room into a home café.

DIY is not difficult.  
It's about doing something for someone else, for the world.  
With a little ingenuity, you can turn thoughts, which are born from individual lifestyles, into something that provides great happiness, like an invisible tool.

Yes, happiness can be created.  
There are as many ideas to get started as there are people in your life.  
Therefore, any happiness will be a happiness that only you can create.  
DCM wants to help customers achieve this.  
We want to give shape to happiness for as many customers as possible, each of whom comes to us with their own unique feelings.

There is joy in our lives that can be realized through small changes and ideas.  
We want our customers to believe this, which is why we welcome them again today.



## Two DCMs

"DCM" has two meanings, referring to both the "Do Create Mystyle" Company Philosophy and "Demand Chain Management for Customer" as our Principles of Conduct.



#### Company Philosophy

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Taking on the challenge of creating new value based on the team spirit of 20,000 members who share the same passion for customers.

Toshihiro Hisada, Chairman and CEO

I would like to first introduce our history to date as we publish our first Integrated Report, which will explain DCM's value creation story and medium- to long-term business strategy to our stakeholders.

After dawning in the 1970s, Japan's home improvement retail industry enjoyed remarkable growth in the 1980s and 1990s. The home center market expanded rapidly as many companies from various business formats entered the market nationwide. By 2000, however, the market had transitioned from a growth phase to a maturity, and there was a growing awareness of the inevitable impact of a declining population on the future. With this long-term outlook, the starting point for the DCM Group was a group of like-minded individuals who came together to "establish an overwhelming No. 1 position in the Japanese home improvement retail industry and grow toward the future." These individuals were representatives of Kahma Co., Ltd., Daiki Co., Ltd. and Homac Corporation.

We first established a joint purchasing company, DCM Japan Co., Ltd., in 2003 to strengthen our procurement capabilities.

At that time, the name "DCM" was chosen to represent "Demand Chain Management," or reforming logistics from the perspectives of customers, rather than the conventional concept of retail of efficiently purchasing and selling products made by manufacturers. In 2006, DCM Japan Holdings Co., Ltd. (renamed DCM Holdings Co., Ltd. in 2010), a joint holding company, was established for the purpose of implementing more unified business operations, and group management was launched with three operating companies under its umbrella.

I am occasionally asked how DCM was able to successfully integrate three listed companies as if they had originally been a single entity? Indeed, all three operating companies were already well established in their respective markets at the time, and their employees were proud to work for them. In promoting the management integration of these three companies, our basic policy was to consider how we could achieve this,

theorizing the ideal state of how we should be for the sake of customers as the central axis. We tried to keep our thinking focused on the customer, rather than aligning to the way one of the operating companies conducts business.

Furthermore, rather than presenting the ideal state top-down, each person in charge had repeated discussions to find the optimal solution from the customer's perspective through trial and error until they were satisfied. Therefore, although it took time, I believe we were able to construct the new style of DCM objectively while integrating the three companies as the issues were cleared one by one. At the core of our actions was ambition to "leave the past behind, cooperate, and create something new to become the overwhelming No. 1." Therefore, we now have a corporate culture that does not care about which company employees originally came from. In this way, we have been able to deepen our product development, shelf space allocation, and new services through trial and error—all aimed at increasing customer convenience. It is truly gratifying that we were able to move forward to the 2021 integration after having prepared well.

We believe home centers will be called upon even more to evolve beyond being a retailer of goods to becoming a form of lifestyle infrastructure in light of the social issues facing Japan, such as a declining birthrate, aging population, and depopulation of rural areas. To achieve this, we must continually address our customers' changing needs and provide solutions that surpass their expectations. Through discussions and trial and error in the process of management integration, we have been able to accumulate the ability to respond to changes in the environment, as well as develop the power to think about how to solve problems. Based on the solid management foundation we have built and the lofty aspirations of all our employees, we at DCM will strive to realize our Company Philosophy, "Do Create Mystyle: Giving Shape to Your Dreams for Life," and to achieve sustainable growth. We look forward to your continued support.

## History of DCM



# The DCM Value Creation Story

A value creating business that achieves a more comfortable life and living through DIY

# Do Create Mystyle

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We will create new products and services for our customers, flexibly respond to change, unite with the community, and achieve the form of an indispensable company that serves society.

## Management resources

- The unity of our highly-motivated approximately 20,000 employees
- Database rooted in know-how and communities to meet DIY needs
- Ability to develop unique products that give consideration to people and the environment and that can be found nowhere else
- Nationwide network of over 670 stores that function as information hubs and allow us to cooperate with communities
- Supply chain which can put information to good use and which can stably supply products
- Financial foundation, which has the financial muscle necessary for mergers, acquisitions and investments and varied procurement methods

### Medium to long term threats and opportunities

#### Threats

- Structural changes to society and customer needs
- Globalization of business conditions, homogenization of the home improvement retailer business

#### Opportunities

- Permeation of DIY in life and living
- Growing expectations as social infrastructure

## Business development moving forward



\* BOPIS : Buy Online Pick-up In Store

## Materiality groups



- Achievement of a comfortable and sustainable community life and living
  -
- Promotion of circular economy and decarbonization through products and stores
  -
- Deepening of relationships with customers with whom we create new value
  -
- Support of strong community resilience against disasters
  -
- Creation of a workplace where a diverse array of human resources can be active and respecting human rights
  -
- Construction of supply chain that gives consideration to the environment and society
  -
- Stronger corporate governance
  -
- Regional and community development
  -

## Value offered by DCM

[Valuable to DCM]

Products and services that are community-based and conceived from a customer's point of view

A sense of purpose and motivation in working at DCM developed through the feelings of gratitude from customers

[Valuable to society and the environment]

Social infrastructure that can stably supply the products necessary for life, living and work

Important bases supporting living in communities where aging population and the falling birthrate is progressing

Affluent lifestyles for customers accented with DIY

Offering of products and services that give consideration to the environment and resource conservation, lifestyle proposals

Products and services for disaster prevention and damage limitation, support for recovery

## DCM Management Resources



## Do Create Mystyle 暮らしの夢をカタチに



### A workforce of about 20,000 highly motivated employees

Under the long-term business concept “transforming into an integrated business that comprehensively makes people’s lives more comfortable,” to realize the Company Philosophy “Do Create Mystyle,” approximately 20,000 employees work together to continue creating new value for society, customers, and communities. Our core value lies in human resources and organizational capabilities that enable us to collaborate as a group of DIY professionals with high aspirations and clear vision.



### Expertise in meeting DIY-related needs and databases derived from local communities

In addition to having the largest number of DIY advisors\* in the industry who possess expert DIY knowledge and skills enabling them to comprehensively support customer DIY activities, we strive to satisfy customer DIY needs and uncover potential demand by leveraging know-how accumulated over many years. Based on the characteristics of each region and the results of proprietary data analysis, we also respond to customer needs and expectations with sales floors that offer product lineups optimized for each season.

\* Professional DIY advisors certified by the Japan DIY•HC Association



### Ability to develop unique and original products that are people- and eco-friendly

We want to deliver “valuable products” offering “satisfactory quality” at a “reasonable price,” and based on this concept, we are focused on highly original private brand (PB) products that contribute to enriching customer lives. To this end, we consider raw materials, packaging, and other elements that are people- and eco-friendly, and have established an organization and human resources capable of promoting sustainable procurement and managing quality and intellectual property throughout the supply chain.



### A nationwide network of over 670 stores that can gather and provide information in collaboration with their communities

We cooperate with customers and their immediate communities to ascertain customer and community lifestyles and needs, while making new proposals and providing information with regard to each problem faced by customers through a nationwide network of over 670 stores (excluding equity-method affiliate Keiyo Co., Ltd.). Each store has different role and concept depending on whether they are large, medium, or small in size, and provide services that make full use of DX. We respond to customer needs and expectations by enabling them to use these different types of stores as necessary in accordance with their requirements.



### A supply chain able to ensure a dependable supply of products and relevant data

We collaborate with approximately 1,600 business partners in product development, supply, logistics, and other business activities to establish a system enabling us to stably provide products nationwide. Further, through collaborations with leading business partners in each field, we are able to collect the latest information on society, markets, products, and other factors, facilitating rapid responses to changes.



### Established access to financing from diverse sources for funds needed for investment and M&As

In addition to new business format developments that require capital investment and upfront investment for business expansion, including new store openings, store renovations, and system developments through a financial base offering diverse procurement methods, we proactively invest via M&A in the home improvement retail business and other areas with growth potential.

# With teamwork cultivated through corporate integration, we are creating a new generation of home improvement stores.



**Yasunori Ishiguro**  
President and COO

## Home improvement stores that continually change to meet customer needs

The company name “DCM” is derived from the concept of “Demand Chain Management,” distribution reform from the customer’s perspective. This is the opposite of the more conventional “supply chain management,” incorporating the idea of emphasizing the needs of the customer rather than the convenience of the supply side. This approach is reflected in our Principles of Conduct, “Demand Chain Management for Customer: Always thinking from the customer’s perspective.”

In 2016, at the time of the 10th anniversary of the establishment of DCM Holdings Co., Ltd., we adopted as our new company philosophy “Do Create Mystyle.” The slogan reflects our aim to be a company that helps customers realize their ideas and desires, which we call “Mystyle,” by doing and creating. The needs of customers are diverse, and the dreams they have for their lives continually change with the times. Our pledge to respond flexibly to such changes, and to change ourselves, is also embodied in this philosophy.

In March 2021, when DCM Co., Ltd. was created by integrating five home improvement companies, we established a value system based on the company philosophy of “Do Create Mystyle.” We formulated the Principles of Conduct

to embody this system, drawing on employee-generated ideas, mainly from younger employees. I was extremely pleased to see that “teamwork” featured so prominently alongside our aspirations for customers and local communities. This is because it was the employees themselves who included the concept of teamwork, with all employees working with mutual respect and cooperation as they fulfilled their roles. I truly felt the mindset of employees united for the sake of customers.

## Capturing the essence of DIY and pioneering potential markets

Home improvement stores have changed with the times. More intense competition from companies in other industries entering the market has had an effect, but the biggest factor is the changes in customers. When I entered this industry around 30 years ago, customers were eagerly buying products to make their lives easier. Durable consumer goods such as the “big three” of televisions, washing machines, and refrigerators, along with automobiles, were becoming widespread. But I think that underlying this trend was that the sort of smaller items that make life just a little more convenient had yet to reach households.

Time went on, and as consumer goods became more common in households to a certain extent, a growing need emerged not only for products that make life more convenient, but those that enrich people’s lives, such as gardening, DIY, and pet supplies. Stores needed to expand and deepen their product lineup to meet such needs.

Further, in recent years, as more companies adopted work-from-home schemes in response to the COVID-19 crisis, employees became able to work without going to the office. With this change in lifestyle, more people began dreaming of trading their small downtown apartment for

a large house in the suburbs where they could keep pets and have a garden, and raise their children in areas with fresh air. Demographic trends such as the declining birthrate, aging population, and concentration of population in cities have supported this trend, allowing people to purchase vacant houses in the suburbs at a lower cost. This in turn has driven demand for renovation of the houses that have been acquired. In response, we have expanded our offerings in the field of DIY renovation.

Homeowners can of course hire a contractor for renovation work, but more and more people are adopting the mindset that they want to do what they can on their own. This is partly to keep costs down, but also because they are attracted to the idea of doing it themselves. We first noticed this market trend and changing needs toward DIY and home renovation around 2010, and reflected it in our store management and product development. As a test, we purchased a vacant house in Sapporo, Hokkaido, and had our employees try to renovate it. We found that it was almost impossible to renovate a house using only the products that were available at DCM stores at the time. Based on this experience, we expanded the sales floor to include products that homeowners would need for renovation, and sales exceeded our expectations. Up to that point, I think it’s fair to say that our company, or anyone in the home improvement industry, had not been able to capture the latent needs and interests of customers. Afterward, we developed a “DIY renovation” format where customers could gain hands-on experience with reform in the store, or receive advice from an employee with specialized knowledge when purchasing products. This was implemented from an early stage, and has become one of our strengths.

I consider DIY to encompass not only home improvement, but also gardening, keeping pets, and enjoying the outdoors, and even cooking and





cleaning. In other words, DIY is an activity that you do on your own, in the way that you want. In that sense, by looking at the DIY domain more broadly, we are able to meet the needs of today's customers who are seeking to enrich their lives and find solutions, not just buy things. We want to make stores more interesting, and offer new formats to uncover potential markets. One example is developing the DIY market in urban areas. Until now, DIY has generally been associated with life in suburban areas with a house and a garden, rather than the city center. In 2022, we opened DCM DIY place, a new type of urban-centered store in Ebisu, Tokyo, to offer DIY ideas and experiences tailored to customers living in the city center, and develop demand.

**Strategy for a new-generation, customer-centric home improvement store**

DCM Holdings is currently implementing its third Medium-Term Management Plan, covering the

period of fiscal 2023 to fiscal 2025, which aims to advance toward achieving our long-term business vision for 2030 of “transformation into an integrated business that comprehensively makes people’s lives more comfortable.” The first medium-term management plan (fiscal 2017 to fiscal 2019) and the second (fiscal 2020 to fiscal 2022) focused on the business integration and full consolidation of the home improvement operating companies under our corporate umbrella. This third plan aims for full-fledged growth building on our business strategy of creating a “new-generation home improvement center.”

The first step is to further strengthen the areas most desired by customers, such as DIY renovation, gardening, pet supplies, and leisure, allowing us to provide greater convenience, specialization, and depth. At the same time, we are developing competitive store formats for large, medium, and small stores. At large-scale stores, we have already introduced expert consultation as a section of the sales floor, so the key will be how to expand this to medium and small-sized stores. Home improvement stores in Japan have mainly been run as general merchandise stores, so store operations have been standardized based on the same concept, regardless of store size. In this latest business plan, we will clarify the roles and concepts of each store according to size. The product lineup and certain services will be refined to best suit the store size, but even our small stores will continue to be “convenient neighborhood home improvement stores” for customers. We are working to build a unique BOPIS (Buy Online Pick-up In Store) style service, so that even if a small store does not have the specific items a customer wants, the process of acquiring them will be as smooth as possible. Customers will be able to order what they need from our e-commerce site, or with assistance from store staff, and have it delivered to the store the following day or day after.

In addition, when arranging sales floors, we are paying more attention to the balance between staples (regular products) and seasonal items. Utilizing accumulated information on local needs, we will create sales spaces that offer a full line of regular products, along with the seasonal items most in demand in a particular area. This will ensure that even small stores with limited sales

areas will offer the best product lineup in the area during certain periods and for certain categories.

**Sustainable value creation through DCM-style projects**

The driving force for the DCM Holdings medium-term management plan is the 36-Month Project, an internal, cross-sectional organization with executive officers as task leaders. Under this project, we will execute a PDCA cycle over the three years (36 months) of the plan period, and steadily implement the measures necessary to achieve the plan targets. For each task, we set themes that must be resolved for DCM to realize its aim of being “an integrated group of businesses that help people live more comfortably,” including store strategy and product development, as well as such factors as customer contact points, human resource strategies, and digital transformation (DX) measures. The 36-Month Project is a company-wide program that must be carried through to conclusion, while at the same time, it is an initiative that anticipates the changes in society and customer needs, so it inevitably includes themes related to ESG and SDGs. As such, the measures for the 36-Month Project are closely linked to initiatives to promote sustainability.

Promoting sustainability is nothing special for DCM Holdings. This is because the basic

philosophy of DIY, taking care of things and using them for a long time, and doing the things that you can on your own, overlaps with SDGs. Accordingly, we believe that by creating a solid plan for the 36-Month Project, and having all employees implement it as part of their daily work, we can naturally contribute to a sustainable society.

In addition, we encourage the appointment of young employees to implement the 36-Month Project. We feel that by including young people in various measures such as the 36-Month Project, and in the process give them the opportunity to think about larger issues, take on challenges, and experience setbacks and successes, that we will develop the next generation of leaders. I am particularly hopeful that we will develop human resources able to create systems to respond to change, and systems that are more convenient and rational.

**Message to stakeholders**

Rather than thinking about the future of home improvement centers, we try to envision the home improvement centers of the future, and through back casting seek to evolve beyond the imagination or expectations of stakeholders.

We hope you will notice and appreciate our efforts, teamwork, and the changes we make to achieve this. Thank you for your continued support.



## 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<sup>\*1</sup> and Quick Parts<sup>\*2</sup> 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

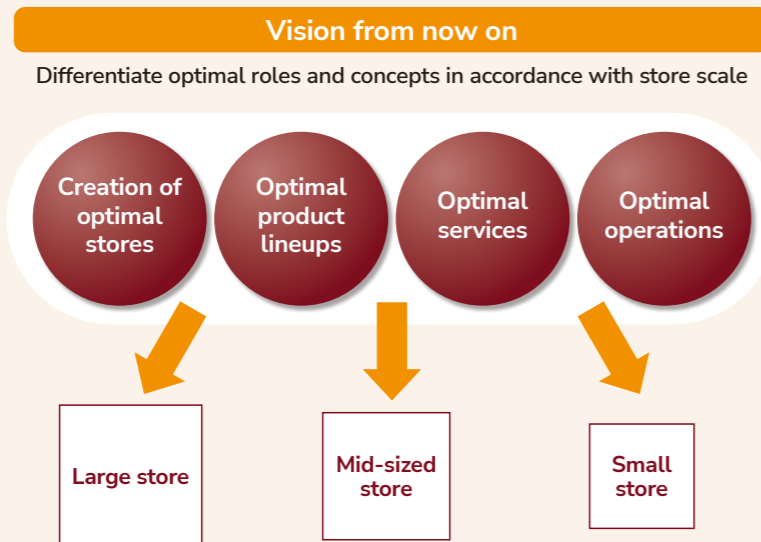
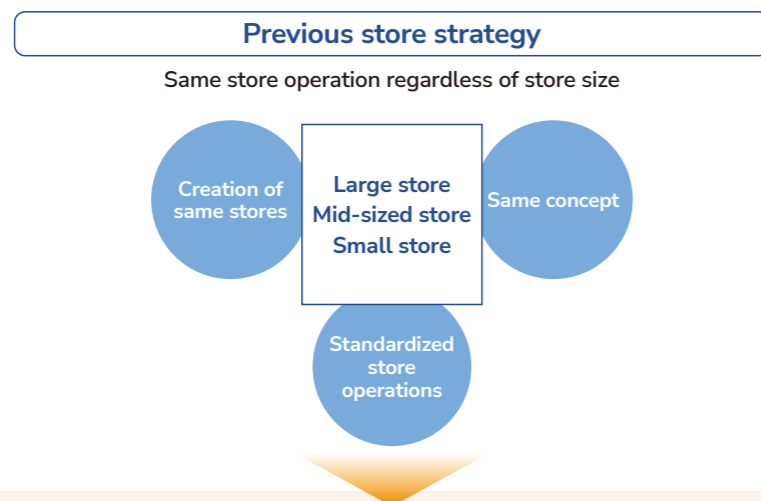
The 36-month project, which consists of eight tasks, will serve as the engine for achieving the plans in the third medium-term management plan. Each task is led by an executive officer, who takes responsibility for carrying out the task. Since each task is also linked to the priority issues of the SDGs, 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.

# Store Strategies

Previously, regardless of the size of the store, our basic policy had been standardized store management based on the same concept. In what was a necessary measure to promote sales floor area efficiency following the integration of the five home improvement companies, the sales floor areas became one. To aim for further growth, henceforward we are dividing roles and concepts into large, mid-sized, and small stores, in dominant areas centered around large stores. We believe that it is necessary to manage stores in a way that makes customers' lives more convenient as a whole by allowing customers to use stores properly in accordance with that occasional need. To that end, we will renovate 223 existing stores over the three-year period of the third medium-term management plan and realize low-cost and speedy existing store enhancements by having an in-house team of specialists handle the renovations.

The breakdown of the 223-store enhancement plan assumes 23 large stores (total of 120 stores), 86 mid-sized stores (240), and 114 small stores (260). We plan to evolve nearly half of our stores into stores that follow the new policy.

There follows an explanation of what kind of concepts we will have for large, mid-sized, and small stores in the years to come.



	Store size		Numbers of stores	Existing store enhancement plan 2023-2025
	Net sales	Floor area		
<b>Large store</b>	More than ¥1 billion	4,950 m <sup>2</sup> or more	120 stores	<b>23 stores</b>
<b>Mid-sized store</b>	More than ¥400 million but less than ¥1 billion	1,980 m <sup>2</sup> or more but less than 4,950 m <sup>2</sup>	240 stores	<b>86 stores</b>
<b>Small store (Including DCM Nicot)</b>	Less than ¥400 million	Less than 1,980 m <sup>2</sup>	260 stores	<b>114 stores</b>

## Large-scale stores: Stores that combine comprehensiveness and specialization

As regional flagship stores, the large stores are not limited to offering a wide range of highly specialized product lineups and services such as "Sumairu Helper". As represented by DIY Reform, customers will be able to do things themselves that they had previously thought obvious to ask a professional, and we will provide opportunities so that customers can perhaps dream up their own usage scenarios from our sales floor area arrangements. Rather than simply being a place to buy things, we aim to be a store that delivers

a "buzz" and excitement to customers by allowing them to feel the "fun to create and fun to think" through our sales floor areas.

At large stores, highly experienced veteran employees are placed in charge of DIY services, and we are providing them with systems that can solve a variety of customer problems.

\* **Sumairu Helper:** This is a service by which specialist staff members make home visits and can respond to housing concerns, from minor problems to renovations.



## Mid-sized store: Lifestyle variety store + α

In addition to the "lifestyle variety store that supports local lifestyles" element that is the role of our small stores, our mid-sized stores introduce the areas of expertise that are most needed in the region and raise our level of contribution to local customers. Specifically, we cover regional characteristics that include coastal, mountainous, and urban areas, and deploy sales floor areas that specialize in, for example, gardening, pets, and leisure. Not stopping at just a one-time enhancements, we will also continue to make store improvements to better match the characteristics of each region by means of ongoing area marketing.



## Small stores: Community-based stores Lifestyle variety stores

Due to floor space limitations, the reality is that it is difficult for small stores to offer a full range of products. Our small stores do however stock a solid lineup of basic products that customers in their areas need in their daily lives and thereby support local lifestyles.

Even in small stores, we are also sure to make space for a seasonal sales floor area (a sales floor area that changes frequently according to the season or theme) while deploying a wide range of products that are appropriate for seasonal items or are in keeping with local events and are needed at that time. Based on this policy, we provide products that are necessary for everyday life and for solving those "little troubles" and propose ways to spend the four seasons that are typical of that region.

For highly specialized and other products, we deliver the products that our customers need by collaborating with the large stores in dominant areas or by utilizing EC store pickup services.

Column

### Overview of Hodaka Co., Ltd.

Hodaka is a specialty store for professionals offering a variety of beautiful, top-notch products that are both durable and long-lasting, first-class sales floors that make products easy to see, understand, and purchase, and first-rate employees possessing an accumulated wealth of product and business knowledge who are trustworthy and responsive, all of which ensure that craftsmen can shine on the job and engage in first rate work.

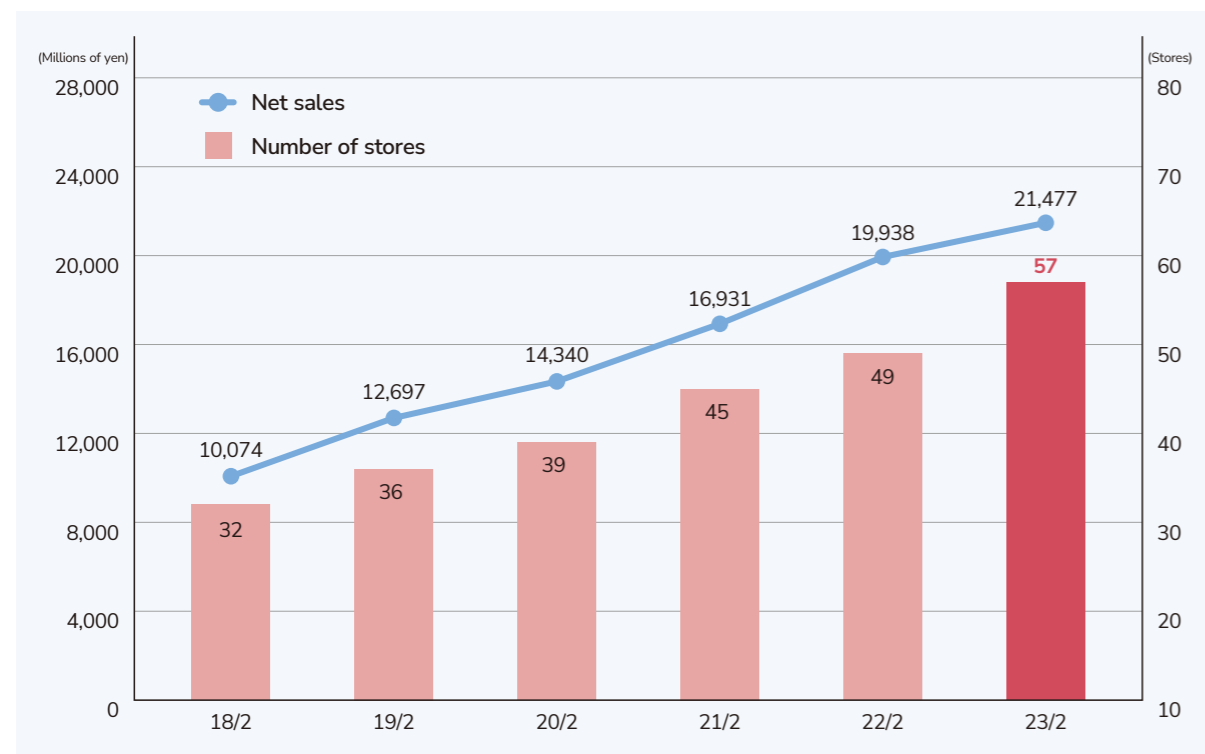
Founded in 2008 with the aim of contributing to the continuation of Japanese craftsmanship culture and techniques, Hodaka narrows its focus to target craftsmen rather than the vast home center customer segment. The company made a new start in March 2022, transitioning from an operating structure consisting mainly of divisions within DCM Co., Ltd., to a consolidated subsidiary.

Hodaka operates 57 stores in 23 prefectures across Japan (as of end of February 2023), with sales exceeding ¥20.0 billion. Since many craftsmen work in different locations across Japan, and some customers travel to Hodaka stores from neighboring prefectures where Hodaka has no presence, we hope to open stores in all 47 prefectures as soon as possible to meet the needs of all craftsmen. We expect to expand to 100 stores nationwide by the end of February 2026, the final year of the third medium-term management plan.

To expand the number of store openings, we will accelerate growth in this business by continuously developing human resources capable of making proposals and introducing new products that meet the needs of craftsmen while providing products and services at consistently high standards.



Hodaka net sales and store numbers



Column

### Overview of DCM Nicot Co., Ltd.

We proactively open stores in rural areas where shopping is difficult under the concept "delivering great convenience to small towns." To facilitate the provision of items needed in everyday life as a home convenience store, in addition to daily necessities, we also aim to become a convenient shop providing frequently used tools and materials, seasonal products, everyday clothing, and groceries. Further, we maintain minimal lineups of home appliances, sofas, beds, and other home furnishings. In terms of community-based efforts, we are also conscious of seasonality and local brands, with each store offering a different variety of products on sales floors that incorporate regional characteristics.

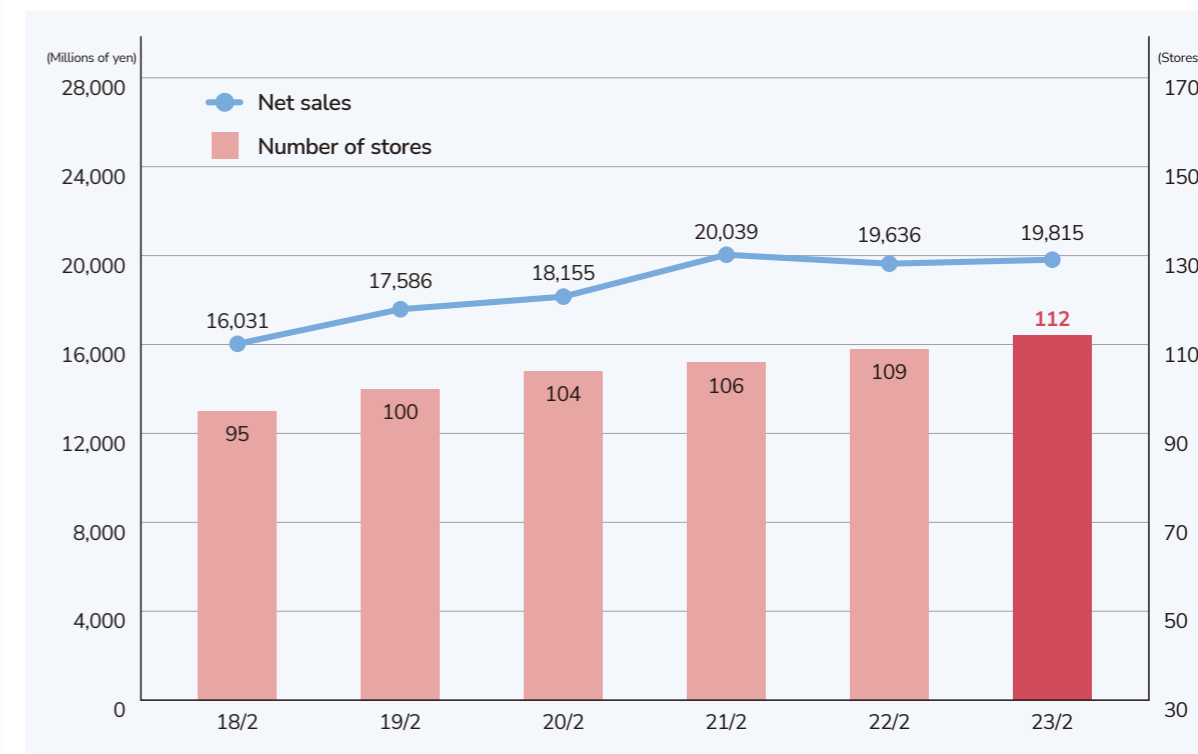
DCM Nicot has two main types of stores, one that carries groceries if there are no supermarkets nearby and grocery shopping is inconvenient, and another type of store that does not carry groceries.

Products not carried by DCM Nicot can be quickly delivered to customers from DCM stores with e-commerce shipping bases, which provides convenience to customers and enables us to leverage Group synergies.

We will continue to open stores in regions where even traveling to urban areas for shopping is inconvenient, enabling DCM Nicot to facilitate enjoyment in the daily lives of regional customers, reduce their burdens, and increase their happiness, with plans to expand to 125 stores by the end of February 2026, the final year of the third medium-term management plan. In addition, to ensure DCM Nicot stores remain in the communities where they are opened, we will pursue even lower cost operations and exhaustive operational manual advances to support regional lifestyles.



DCM Nicot net sales and store numbers



## Further Pursuit of Low-Cost Operations

There is a reason why the Company engages in low-cost operations as one of its business strategies. Efforts to reduce the cost of business operations and lower the break-even point may seem easy, but reviewing mature store operations requires that careful and more effective experimentation and drastic changes in operations based on chain store theory be deployed without causing confusion. In the process of carrying out numerous M&A transactions and organizational changes, the Company has been accumulating experience in the making of ongoing business reforms. This is enabling us to gain a deep understanding of the nature of our business and boldly pursue low-cost operations without compromising its essence. This can be said to be a major strength of the DCM corporate group. Even in these highly uncertain times, we believe that leaner management will be made possible by further strengthening the efforts we have made to date.

### Differentiation, standardization, and simplification tailored to the times ahead

Our frontline operations, in which we have been carrying out improvement activities on an ongoing basis, are adapting not only to recent changes, such as soaring logistics costs and rising personnel expenses due to the labor shortages in recent years, but also to changes in the next few years. We are thus seeking to transition to optimal operations that can be achieved at a lower cost than at present. It has also become important to incorporate improvements in employee

working environments and sustainability into our operations. Under such circumstances, we will reconsider the three concepts of differentiation, standardization, and simplification, which are deemed important in chain store theory when advancing a multistore approach and improvements in productivity, while promoting changes to our business domains that will enable us to better adapt to change.

#### Initiative 1 Reviews of ordering/deliveries/replenishment frequency

As an example, we had been separating deliveries from distribution centers to stores several times a week but have been conducting reviews of the number of deliveries in response to the impending 2024 logistics crisis and other factors we are facing. Not limiting our response to simply reducing the number of deliveries per week, by combining measures—such as increasing the truck loading efficiency during delivery, specifying delivery times that do not place

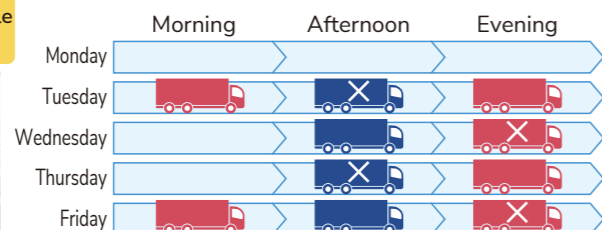
any undue strain on our partner logistics companies as well as curbing logistics costs—we are also promoting a reduction in the logistics-related impact on the environment. On the store side, by concentrating the delivery of products more than we have in the past, new operations will be required for product acceptance and inspection systems, and thus we are promoting responses while working to deepen cooperation with our partner logistics companies.

#### Initiative 2 Deliveries by aisle and gondola, efficient delivery of odd-shaped items, and facing challenges of measures to avoid being out of stock

With regard to the delivery of products from distribution centers to stores, we are strengthening our efforts to reduce the burden of inspection and display work at stores by sorting products by aisle and gondola prior to delivering them. Also, home centers handle a large number of odd-shaped items, but delivery efficiency for such difficult to pack items is generally not good. While effectively utilizing the assets at its disposal, the Company is setting up sorting facilities for odd-shaped items as close as possible to stores and promoting other initiatives that include the building of a system to conduct deliveries in an efficient manner.

In matters relating to the inventories of best-selling products, it is important to not cause product shortages by maintaining appropriate inventory levels at distribution centers. In addition to order lots that vary depending on the product, there are however other difficulties, such as the differences in details that must be taken into consideration when forecasting demand. To improve inventory management, we are working to streamline our operations by devising simplifications centered on reviews of complex, wide-ranging order conditions and by setting standards to ensure that appropriate inventory levels are maintained.

#### Improving delivery efficiency while reducing environmental impact



#### Conducting reviews of truck classes and numbers of vehicles



Having reviewed the delivery methods that we had previously been using, we will efficiently deliver products to stores by combining afternoon and evening deliveries into one.

### DX promotion: Work reduction and efficiency improvements by development of store IT tools

To promote the creation of the mechanisms needed for low-cost operations, we are working on the active utilization of digital technology. Previously when digitizing store operations, there were aspects in which software and systems were prioritized and promoted, and these were not entirely suitable for improving work efficiency at stores. In recent years, however, we have changed our approach to solving store problems by communicating closely with those locations that use the existing systems and mechanisms.

Providing a specific example of the results obtained is the development and implementation of our freshness management app. As an alarm sounds for products that are close to their expiry dates when registering them on the app, we are contributing to a significant reduction in the number of working hours store staff spend in the checking of products. We are also devising ways to reduce the number of

store worker man-hours by promoting the installation of self-service point-of-sale (POS) cash registers that feature improved operability. Furthermore, the procedures involved to sign up for insurance when selling bicycles have been greatly simplified.

As an example of our making use of customers' mobile devices, we developed an app that allows them to check the sales floor on their smartphones, enabling customers to search for product display locations by using the app. In the years to come, we will resolve store problems at stores through the promotion of DX and devise ways to reduce the number of tasks and improve efficiency. Consequently, at the same time we will be endeavoring to ensure that more of our employees' time can be devoted to improving customer service at our stores.

#### Examples of initiatives



Freshness management app to check expiry dates



Installation of self-checkouts

### Column

#### Overview of DCM advanced technologies Co., Ltd.

DCM advanced technologies Co., Ltd. (DCM-AT) was established in 2022 as a wholly owned subsidiary of DCM Co., Ltd. to employ talented human resources and realize speedily, with high quality and at low cost the digital transformation for which the DCM Group is aiming. DCM-AT's greatest strength lies in its mid-career hire employees, who possess excellent digital technology expertise and are characterized by being composed of business-side employees who are familiar with important practical matters in the business operations of home centers. This system enables user-oriented systems development compatible with on-site operations, which in turn leads to increased motivation for on-site employees and contributes to the realization of low-cost operations. Enabling developers to experience the shop floor front lines for themselves also assists the efficiency of systems development. Even in

the case of large-scale projects for which we have to work on systems development while obtaining the cooperation of an IT vendor, we are striving to develop fast, high-quality, low-cost systems by accumulating discussions on an equal footing from the system planning stage. So that employees can fully demonstrate their IT skills, we have put in place work systems—such as telework, fair evaluation and compensation based on a job-based personnel system as well as a fulfilling welfare program—while providing environments in which they can devote themselves to their work with peace of mind. By having DCM-AT play a central role in a variety of collaborations and business reforms in the DCM Group as well as in digital transformation for the future, we will strengthen our ability to respond to change and improve productivity while assisting in raising the Group's corporate value.

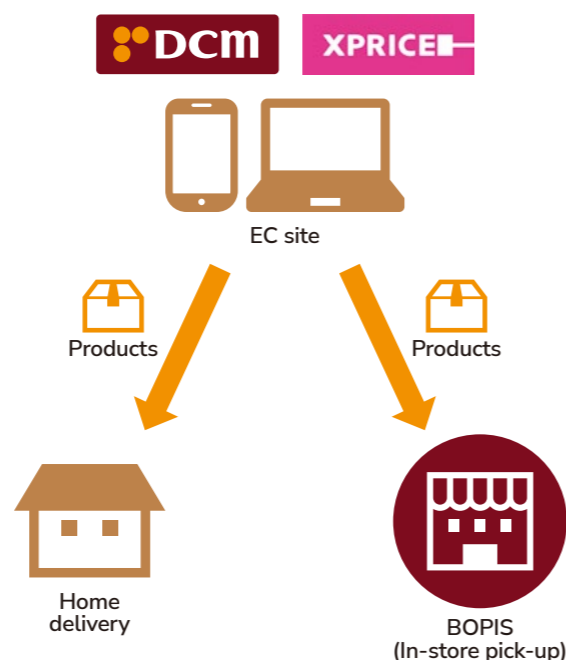
## Building of Unique BOPIS Style

Due to the evolution of the digital society and the further acceleration of the advances in online shopping and delivery services brought about by the effects of the COVID-19 pandemic, consumers are now able to choose more convenient purchasing methods by using their computers and smartphones. On the other hand, online shopping business operators are being required to review their business content due to soaring logistics and delivery costs brought about by labor shortages as well as high costs and commodity prices. Under such circumstances, we will demonstrate our strengths in developing both stores and our EC business by reinforcing our in-store pick-up (BOPIS: Buy Online Pick-up In Store) initiatives to provide our customers with even greater convenience.

### Building of unique BOPIS style under full-scale deployment

We are gradually expanding the service areas where customers can receive products purchased via our DCM Online EC site at each DCM Group store. Combining the strengths of having more than 800 stores in operation nationwide, including Keiyo Co., Ltd., with the convenience of our own EC site where customers can place orders anytime, anywhere, we will make full-scale efforts to form and establish new ways of making purchases that take advantage of the BOPIS style, which enables customers to receive EC-purchased products at stores. The benefits for customers who purchase products via EC and choose to pick them up at stores include, 1) Lower shipping costs, 2) Customers can pick up the goods at any time, 3) Can secure the required quantity of products needed in advance, 4) Can purchase products that are not in stores, and 5) Facilitates product returns in cases where the usability or impression gained of a product turns out to be different.

Having customers come to stores in the BOPIS style increases opportunities for them to gain hands-on experience of a range of in-store products. We also believe that we can work to set ourselves apart from EC businesses that do not operate stores through increased communications with customers at stores and thereby ascertaining their needs.



### Specific example of BOPIS style use 1. In-store pick-up of bicycle

Among the products handled by home centers are many that cannot be handed over as they are from stock. Bicycle sales give one example of how customers can be provided with a high degree of convenience by means of the BOPIS style. First, customers can access not only the EC site but also the QR code posted on the embedded leaflet and easily place an order with their smartphones from a wide product lineup that far exceeds a store's inventory. For customers who have

purchased a bicycle via EC, the assembly and maintenance of the bicycle can be completed in advance at the pick-up store for a specified visit date and time, and thus they are never kept waiting when they visit the store. If customers bring in their unwanted bicycles, we can take them off their hands for free and smoothly provide services such as security registration and bicycle maintenance packs (insurance with benefits).



### Specific example of BOPIS style use 2. Improved convenience in areas where shopping is difficult

In addition to its home centers, the DCM Group has several store brands, including DCM Nicot and Hodaka, and operates stores of different sizes in 37 prefectures nationwide. By having formed the stores within the Group into a network by means of the same BOPIS style system, we are able to provide our customers with uniqueness and even greater convenience.

For example, at DCM Nicot home convenience stores that are opened in areas with relatively small populations,

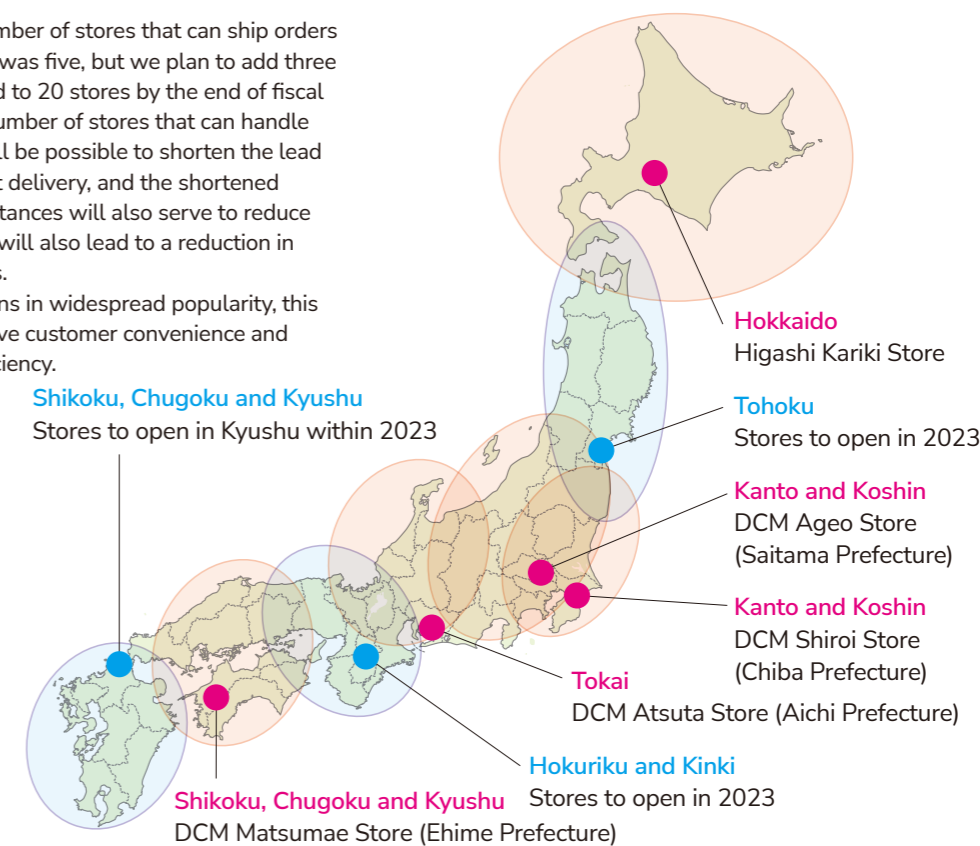
we mainly stock daily necessities that are purchased frequently, but when it comes to numbers of products that exceed that, it is necessary to visit a larger DCM store that carries a more extensive product lineup. By having customers use the BOPIS style at those stores, even if the product they want is unavailable at the nearest DCM Nicot, we are able to deliver products to customers quickly by supplying DCM Nicot stores with products from large DCM stores that handle EC shipments within the dominant area.



### Expanding number of facilities serving as EC shipment bases to 20 nationwide by fiscal 2025

As of March 2023, the number of stores that can ship orders placed via EC from stores was five, but we plan to add three stores in 2023 and expand to 20 stores by the end of fiscal 2025. By increasing the number of stores that can handle orders placed via EC, it will be possible to shorten the lead time from order to product delivery, and the shortened product transportation distances will also serve to reduce transportation costs. This will also lead to a reduction in greenhouse gas emissions.

If the BOPIS style gains widespread popularity, this will simultaneously improve customer convenience and product management efficiency.



● As of March 2023: Five facilities  
● Scheduled to be added in 2023: Three facilities

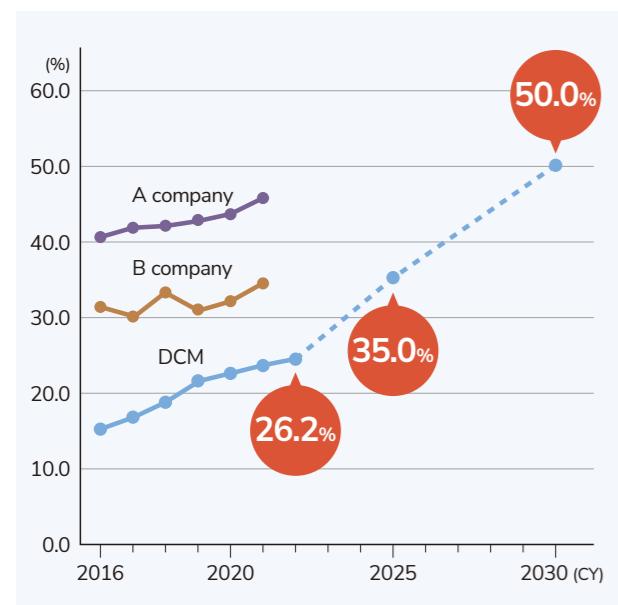
## Deepening the Private Brand (PB) Product Development System

### Basic policy for PB product development

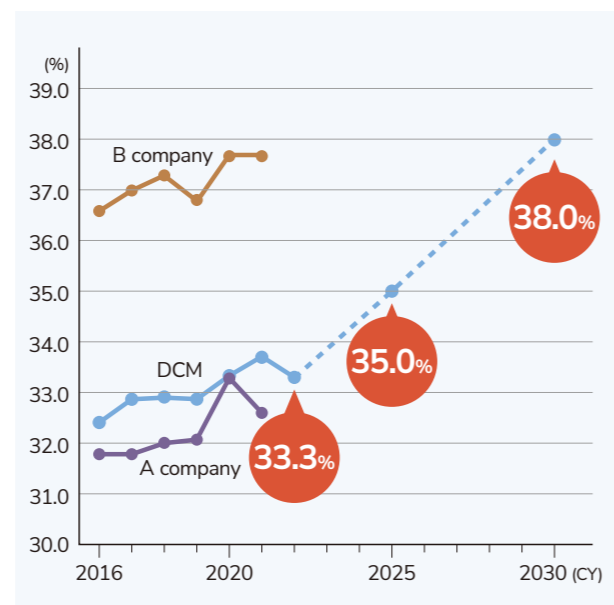
In developing PB products, DCM's basic policy is to develop only unique products that offer new value to customers, including their selling prices, as "DCM brands." This policy will remain unchanged in the process of increasing the PB ratio to 35% of net sales in the medium term and to 50% in the long term. To increase the PB ratio, we will continue to offer new products that are unique to DCM by linking each organization that is involved in "products x sales floor x sales promotion."

In the past few years, the pace of product development had slowed to some degree, as the COVID-19 pandemic reduced the frequency of direct visits to overseas business partners and made it difficult to communicate face-to-face. That said, we believe we are now in an environment where we can work on PB product development at a faster pace now that borders are reopening in many countries, including Japan. We intend to raise the gross profit margin to 35% in the medium term and to 38% in the long term, driven by an increase in the percentage of PB products in our sales mix.

Trends in PB product sales composition ratio and medium- to long-term targets



Gross profit margin trends and medium- to long-term targets



### Focusing on product development in areas with strong business characteristics (DIY, gardening, pet care products, SDGs-related)

In the category of product development, gardening, DIY and pet care products and SDGs-related products, in which we can demonstrate our strengths as a home improvement retailer, are priority areas in the current medium-term management plan. In particular, we intend to further strengthen our product proposals for gardening and DIY, which are aligned with our customers' pursuit of eco-friendly lifestyles. We aim to enrich our customers' lives through DIY by further deepening the fusion of plants and gardening.

For pet care products, we will strengthen our fortes and take on the challenge of developing new products in a genre where we have not been able to develop sufficient products in the past, as people are increasingly moving toward a lifestyle of living with pets after the pandemic.

Furthermore, we intend to offer good products at affordable prices by proposing high-priced products offered by other makers in the mid-tier range through PB development.

We are approaching the SDGs priority issues from a variety of angles. In recent years, our focus has been on using raw materials that have as minimal environmental impact as possible. Previously, raw materials with low environmental impact tended to be more expensive, but as society as a whole has become more aware of the importance of a circular society, they can now be utilized without sacrificing cost compared to the past. We are also taking measures such as using environmentally certified materials for product packaging.

## Column

### Intellectual property and quality control initiatives at DCM

The Intellectual Property and Quality Control Department supports product development from the perspectives of legal compliance, quality, security, and safety to ensure that our customers can use our DCM brand PB products, more safely and with peace of mind.

In developing PB products, we thoroughly check in advance for potential infringement of any intellectual property rights such as patents, designs, trademarks, and copyrights before consulting with the Product Development Committee, which makes decisions on commercialization. This reduces the risk of development delays due to violations of intellectual property rights once product development is fully in progress. We also work to enhance the value of the DCM brand by filing design and trademark registrations for products we are developing as needed.

#### Main items to be verified in terms of intellectual property and quality control when developing PB products

- Patent rights
- Design rights
- Trademark rights
- Unfair Competition Prevention Act
- Act against Unjustifiable Premiums and Misleading Representations
- Act on Pharmaceuticals and Medical Devices
- Household Goods Quality Labeling Act
- The Plant Variety Protection and Seed Act
- Act on Welfare and Management of Animals
- Quality design

In terms of the SDGs and quality control, we check the status of compliance based on the Code of Conduct of our Procurement Policy, with which all DCM suppliers are required to comply with. In addition to the items (1) through (4) listed on the right, which are common items for retailers in Europe, the U.S., and Japan, a feature of DCM is its inclusion of (5) "ensuring product safety and quality" to reflect its responsibilities as a manufacturer.

When evaluating a supplier's factory, we scrutinize its social responsibility and quality according to an assessment sheet we have prepared, and we also refer to reports from third-party organizations.

During the period of the third medium-term management plan, we plan to conduct assessments of all new transaction factories and all factories with transaction value above a certain level.

#### Procurement Policy

- (1) Legal compliance and ethics
- (2) Human rights and labor
- (3) Environment
- (4) Safety and health
- (5) Ensuring product safety and quality

### Product development idea contest by employees "Pikka! Egg"



As an effort to link the voices and ideas of our employees to product development, we hold a product development idea contest called Pikka! Egg. All employees are eligible to submit their ideas for the contest, and outstanding ideas will receive awards and a chance to be commercialized into products. The program is an indispensable part of our aim for product development from the customer's viewpoint by utilizing ideas from employees, who are also consumers.

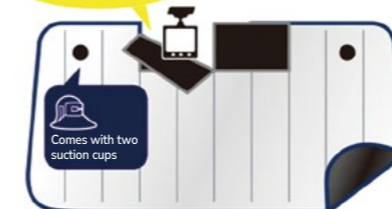
In fiscal 2022, we received more than 2,500 applications from various stores and departments. The Pikka! Egg contest has three award categories: Golden Egg, Silver Egg, and Boiled Egg, and 15 entries were eligible for the awards in fiscal 2022. All of the following criteria must be met for an idea to receive the highest Golden Egg award:

- (1) High contribution to people's lives
- (2) Product must be expected to be in demand after commercialization
- (3) Product must be unique

Examples of ideas that have won the Golden Egg award include a small holder for bottle washers and cooking and serving chopsticks, aluminum car sunshades, and foldable kitchen mats.

Example of a product that was eventually commercialized  
DCM Aluminum Car Sunshade

Can be used regardless of where the drive recorder is installed.



# M&A Strategy

## Approach to M&A strategy

Eleven companies have joined the DCM Group since the establishment of DCM Japan Holdings Co., Ltd. (renamed DCM Holdings Co., Ltd. in 2010) in September 2006. Expanding our business scale through M&A is a key strategy for us. Our approach to M&A, including capital participation and business transfers, follows two basic aspects: 1) growth of the home improvement retailer business through capital participation and alliances with other home improvement retailers, and 2) various alliances, cross-industrial partnerships, and functional reinforcement to become an integrated business that comprehensively makes people's lives more comfortable.

Until now, we have made capital participation and business acquisitions in peer companies to grow our home improvement retailer business and enhance our corporate value by expanding our catchment area and purchasing power. In the past, we were able to increase sales by

growing our sales network of products including PB products, reduce procurement costs, and enhance profitability through the development of new products. The Group has also worked to reduce costs by, for example, unifying the business model of its stores. Furthermore, the expansion of business areas has provided greater opportunities for mobility and career advancement for the employees of each Group company.

The domestic home improvement retail market is maturing. For this business to continue to grow amid social challenges such as a declining birthrate, aging population, and depopulation in rural areas, we believe it is critical to establish an overwhelming No. 1 position and to be a company that can appropriately identify changing customer needs and continue to enhance their convenience. We hope to continue to increase the number of colleagues who will join us in pursuing our aspirations.

## Various alliances, cross-industrial alliances and functional enhancements to become an integrated business that comprehensively makes people's lives more comfortable

As we move forward in our initiatives to become an integrated business that comprehensively makes people's lives more comfortable, we will not only expand our home improvement business through M&A, but also aim for M&A and business collaboration to maximize the enrichment of people's lives by supplementing elements and business domains that are lacking in response to uncertain social changes ahead. Based on this approach, in March 2022, we made a subsidiary of XPRICE, Inc., an e-commerce platform focused on home appliances. In addition to strengthening the e-commerce business, which has been lacking, XPRICE is expected to make a significant contribution

to the mutual flow of customers between virtual and real stores in the establishment of the BOPIS (buy online, pick up in-store) business model that we are focusing on. We are also striving to revitalize our sales floors by selling MAXZEN, a PB product of XPRICE in real stores, as well as other home appliance PB products with the potential for further expansion.

In addition to the investment in the e-commerce business, XPRICE, we will consider partnerships and investments in other industries to become an integrated business that comprehensively makes people's lives more comfortable, including housing equipment; renovation, reuse, and recycling; pro-use tools; and online services.

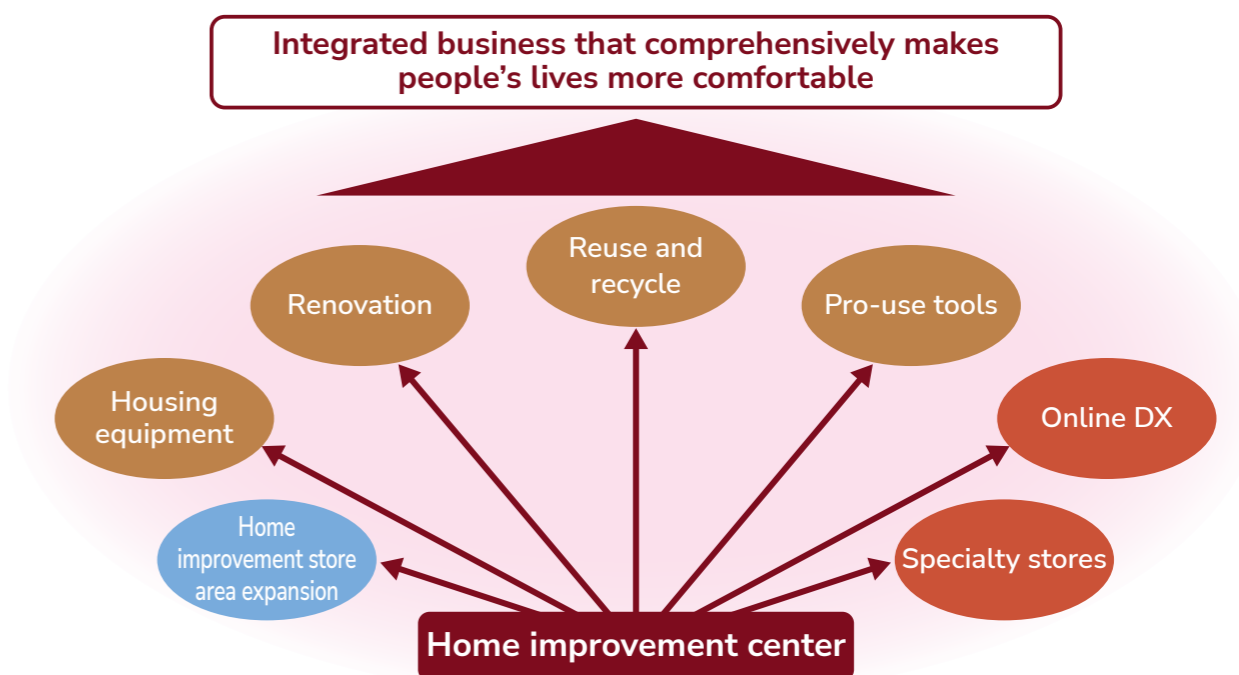
## M&A transition

### ◆ Area expansion through capital participation in and alliances with other home improvement center retailers

Company name	Years	Major areas	Capital participation/alliances
O-JOIFUL CO., Ltd.	December 2007	Osaka Prefecture, Nara Prefecture, Wakayama Prefecture, Mie Prefecture	Acquiring majority ownership
Home Center Sanko Co., Ltd.	June 2008	Kumamoto Prefecture, Fukuoka Prefecture	Acquiring majority ownership
Home Expo Co., Ltd.	October 2014	Aichi Prefecture	Acquiring majority ownership
The home improvement retail business of Fujita Sangyo Co., Ltd.	October 2014	Hokkaido	Business transfers
Sanwado Corp.	July 2015	Aomori Prefecture, Hokkaido, Akita Prefecture	Acquiring majority ownership
The home improvement retail business of UNY Holdings Co., Ltd.	June 2016	Aichi Prefecture, Gifu Prefecture, Nara Prefecture, Mie Prefecture	Business transfers
Kuroganeya Co., Ltd.	December 2016	Yamanashi Prefecture, Kanagawa Prefecture, Tokyo	Acquiring majority ownership
Keiyo Co., Ltd.	January 2017	Kanto, Koshin, Tokai, Kinki, Tohoku	Equity-method affiliates
T.O. Retailing Co., Ltd.	July 2021	Hokkaido	Capital and business alliances
Kanseki Co., Ltd.	July 2022	Tochigi Prefecture, Ibaraki Prefecture, Fukushima Prefecture, Gunma Prefecture	Capital and business alliances

### ◆ Enhancing functions to realize an integrated lifestyle comfort company

Company name	Years	Major areas	Capital participation/alliances
XPRICE Inc.	March 2022	Operation of one of Japan's largest e-commerce sites focusing on home appliances	Acquiring majority ownership




### Column

#### Introduction to XPRICE Inc.

XPRICE was founded in 2004 as a website operator focusing on home appliances and has since continued to grow while expanding its product range. XPRICE not only sells its mainstay home appliances products at competitive prices, but also works to maximize customer convenience and peace of mind by offering nationwide coverage for appliance set up and installation, extended warranties, support for appliance recycling, and diverse payment methods.

Additionally, the company offers approximately 100 items under its MAXZEN private brand. These cost-effective home appliances that thoroughly pursue a balance between functionality and price have earned a loyal following. Cumulative sales of MAXZEN brand products have exceeded 1.3 million units.



## Xtreme × PRICE

The company name was coined by combining extreme (or the ultimate) and price. The brand embodies XPRICE's ambition to provide the ultimate service unique to home appliance e-commerce at a price customers can trust.



# Financial Strategy

## Cash Allocation

The third medium-term management plan assumes cumulative operating cash flow of ¥120 billion over the three-year period plan. In principle, DCM's policy is to use cash flow generated by our business activities for investments in growth. The Company also intends to use debt as needed to achieve both investment in growth and shareholder returns.

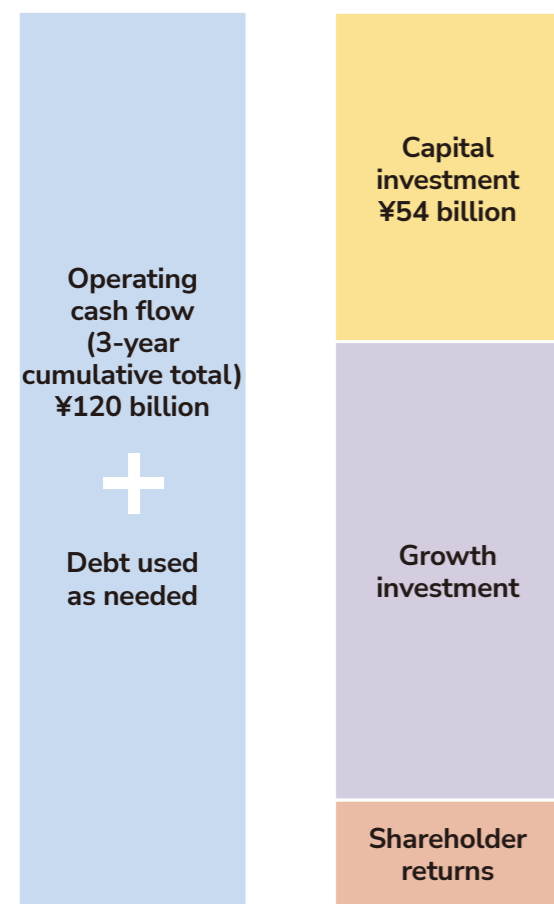
### Capital investment

With regard to capital investment during the third medium-term management plan, in addition to plans to open 52 new stores, including those in the Pro Shop Hodaka and DCM Nicot formats, we plan to renovate 223 existing stores to clarify and optimize the role of each store size. We forecast investing ¥39 billion to execute this store strategy.

Additionally, DCM Holdings has budgeted investment of ¥15 billion in systems and logistics. This investment includes reducing tasks at stores, streamlining logistics and head office operations to pursue even lower cost operations as well as that for expanding EC shipping locations and app development to build and strengthen DCM's unique BOPIS business model.

### Growth investments and shareholder returns

In the third medium-term management plan, we intend to proactively consider and implement expansion of the home improvement center business or M&A in business fields where growth is projected in the future, to promote the enhancement of corporate value. Meanwhile, we have set the minimum dividends at ¥6.0 billion for a single year and ¥18.0 billion cumulatively, assuming the dividend level is maintained at that of final year of the second medium-term management plan. We intend to consider share buybacks in a dynamic manner, taking into account the potential for investment in growth, such as M&A, while balancing medium- to long-term improvement of corporate value and the improvement of capital efficiency.



### Capital investment

Item	Billions of yen	
	Medium-term management plan period	
New store and remodeling investment	39	(13)
System and logistics-related investment	15	(5)
<b>Total</b>	<b>54</b>	<b>(18)</b>

Figures in parentheses represent single-year capital investment projections.

### Growth investment and shareholder returns

Item	Billions of yen	
	Medium-term management plan period	
Growth investment (M&A, etc.)	50~100	
Share buybacks		
Dividends	18(6)	

Figures in parentheses indicate projected dividends for a single fiscal year.  
 \* Dividends shown are the minimum amount that would be paid if the level of dividends in the final year of the second third medium-term management plan is maintained.

## Shareholder Return Policy

DCM Holdings' policy is to determine the annual dividend with a target payout ratio of 35%. At the same time, we would like to aim for a dividend payout ratio of 40% in the future, with a view to continuously increasing dividends in line with profit growth.

The Company's policy is to consider flexible implementation of share buybacks with a view to maintaining and improving capital efficiency while sustaining financial soundness (measured by the equity ratio and other indicators) for sustainable growth.

The acquired treasury shares will be held at approximately 5% of the total number of shares issued and outstanding to prepare for future strengthening of the business base including M&A and utilization through stock options, and similar measures. As general rule, any surplus shares will be cancelled.

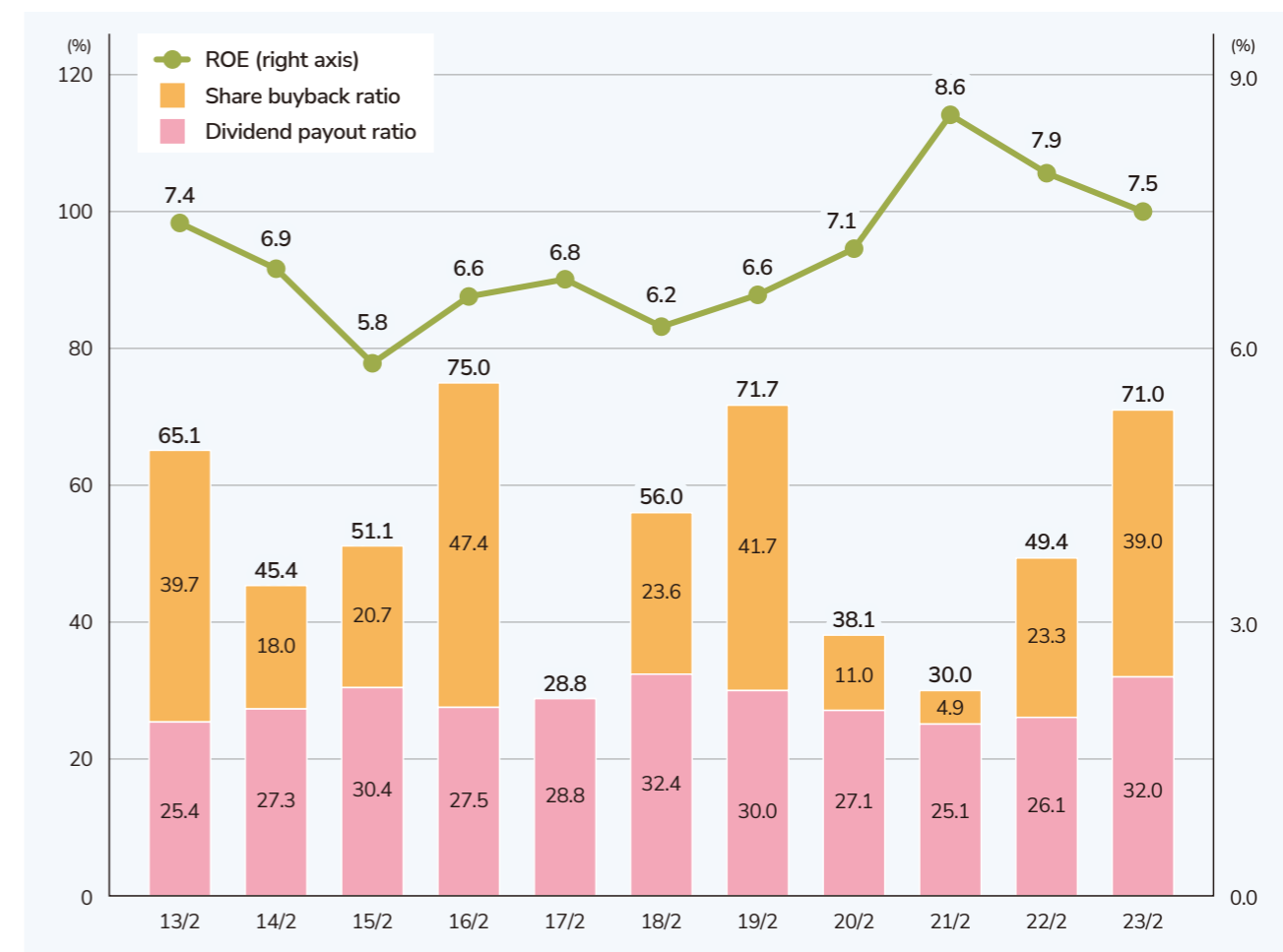
**Dividends**

- Decided to aim for an annual dividend payout ratio of 35%
- Continue to increase dividends in line with profit growth, aiming for a payout ratio of 40% in the future

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**Share buyback policy**

- Continue to consider flexible share buybacks with a view to improving capital efficiency
- Hold approximately 5% of total shares issued and outstanding, and cancel any surplus (consider using for M&A, etc.)



# 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.

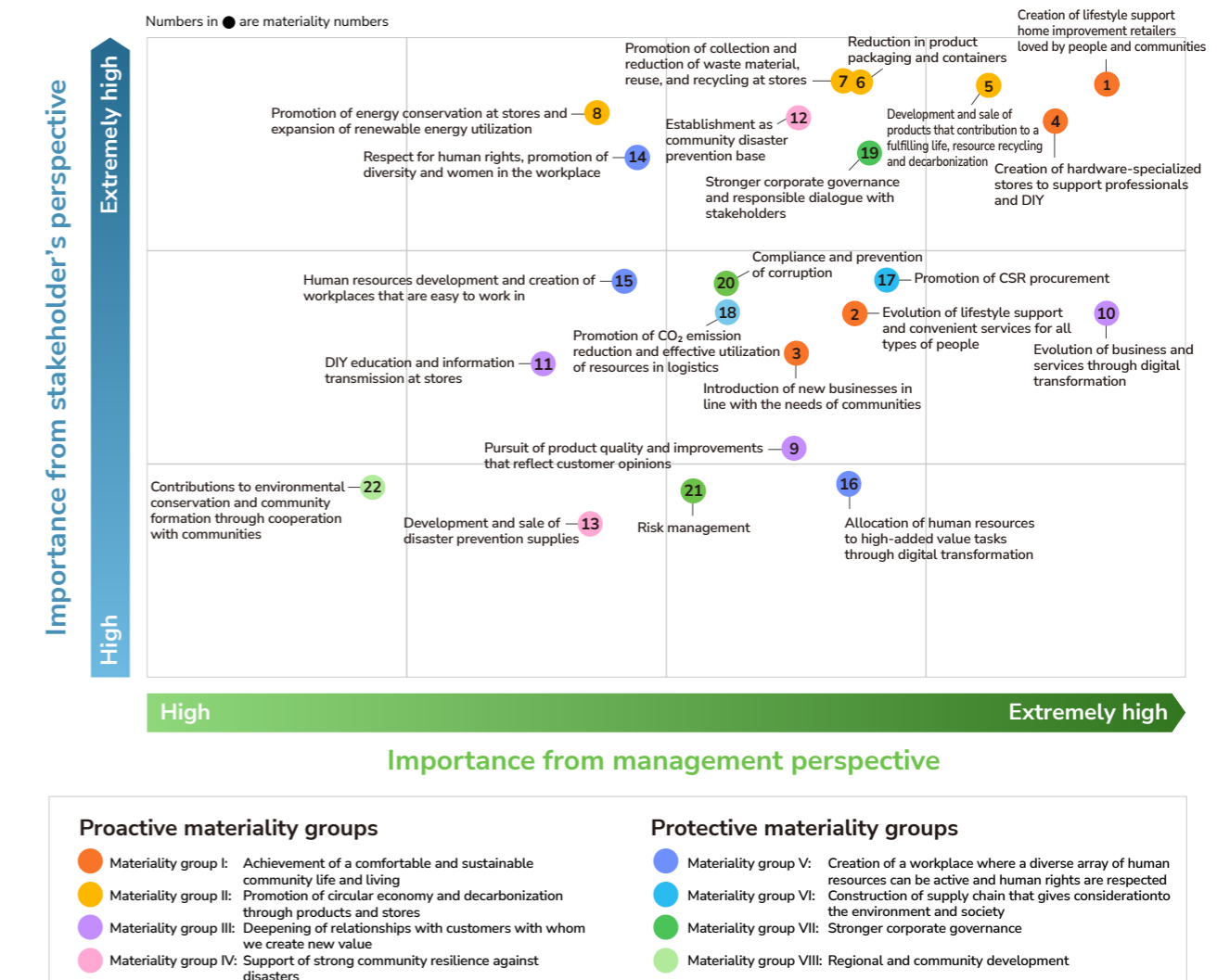
Initiatives to address the 22 priority issues are incorporated into the "36-Month Project," a cross-Company organization that is the driver of the medium-term management plan. We will continue to work toward the achievement of the 22 priority issues in the third medium-term management plan, and will 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 <sub>2</sub> 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

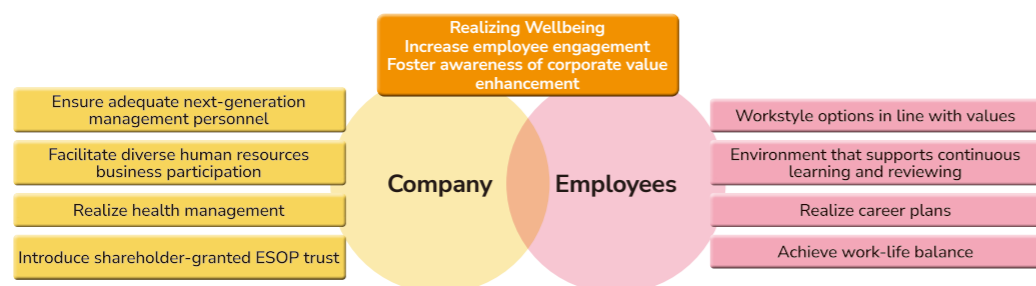


# Human Capital Management

## 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.

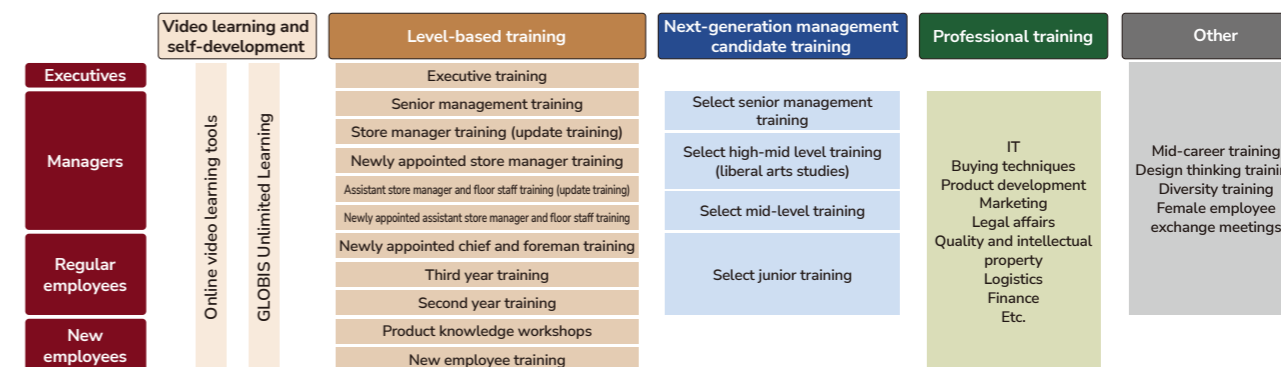
executives focused on exchanges with other companies and liberal arts studies, creating a system that is able to continuously produce human resources with broad perspectives and high degrees of insight.

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

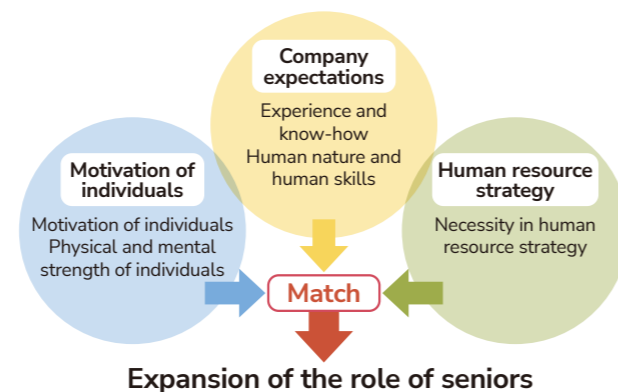
DCM has established a system facilitating the self-reporting of “work preferences” and “areas of expertise” so that employees who have reached the age limit for their role or retirement age can continue to work with vigor utilizing their individual strengths in a second career. This includes positions 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.

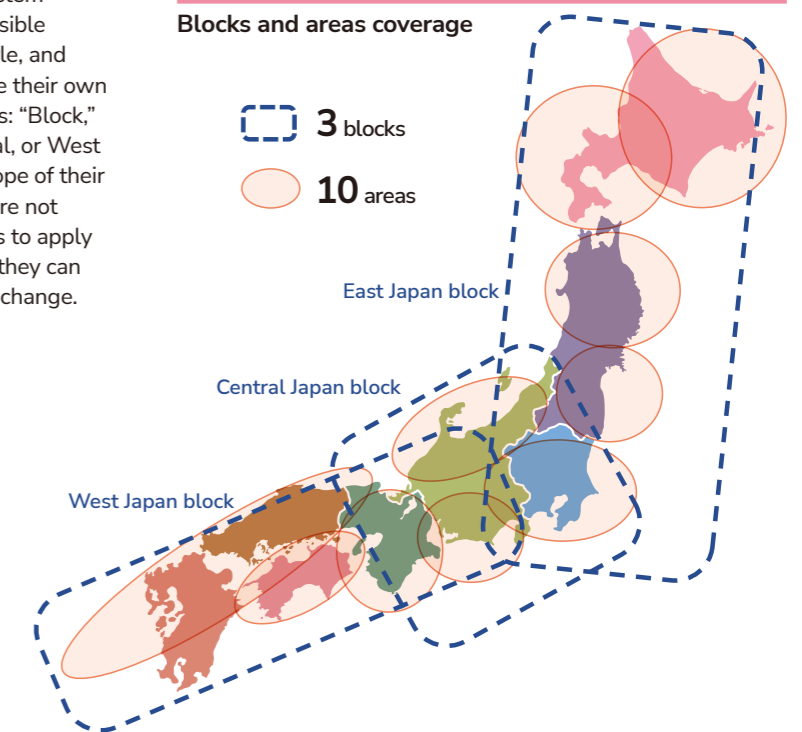
### 4 Promoting diverse workstyles

#### 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


# Board of Directors

## Directors




**Toshihiro Hisada**  
Chairman and CEO

- Chairman of the Board
- Nominating Committee Member
- Compensation Committee Member




**Yasunori Ishiguro**  
President and COO  
Representative Director and President, DCM Co., Ltd.


- Nominating Committee Member
- Compensation Committee Member




**Keizo Honda**  
Director, Executive Officer  
Director and Vice President, Executive Manager of Business Operating Headquarters, DCM Co., Ltd.  
Representative Director and President, Hodaka Co., Ltd.




**Toshimitsu Shimizu**  
Director, Executive Officer, in charge of Internal Control, General Affairs and Stocks  
Director and Vice President, Executive Manager of Administration Headquarters, DCM Co., Ltd.  
Representative Director and President, XPRICE Inc.  
Director, Keiyo Co., Ltd.




**Masayuki Nakagawa**  
Director, Executive Officer, in charge of Corporate Strategy and Public Relations  
Director, Managing Executive Officer and General Manager, Corporate Strategy Office, DCM Co., Ltd.  
Director, XPRICE Inc.



**Hiroshi Ogame**  
Director  
Representative Director and President, CEO, Daiki Axis Co., Ltd.




**Koji Jitsukawa**  
Director  
Representative Director and President, Keiyo Co., Ltd.



**Hisato Kumagai**  
Director  
Audit and Supervisory Committee Member, DCM Co., Ltd.


- Standing Audit and Supervisory Committee Member

## Independent Outside Directors




**Michio Masukawa**  
Director  
External Director, The Yamanashi Chuo Bank, Ltd.

- Audit and Supervisory Committee Member
- Chairman of Nominating Committee Member
- Chairman of Compensation Committee Member




**Naoki Uno**  
Director  
External Director, TerraSky Co., Ltd.

- Chairman of Audit and Supervisory Committee Member
- Nominating Committee Member
- Compensation Committee Member



**Hikaru Oguchi**  
Director  
Partner, Nishimura & Asahi

- Audit and Supervisory Committee Member
- Nominating Committee Member
- Compensation Committee Member



**Hitomi Iba**  
Director  
Representative Director and President, IBA Company Co., Ltd.

- Audit and Supervisory Committee Member

### Knowledge, experience, and skills held by Directors of the Company (Skill Matrix)

Name	Post	General Management	Finance and Accounting	Legal and Compliance	IT and DX	HR and Talent Development	Sales and Marketing	International	ESG
Toshihiro Hisada	Chairman and Representative Director, CEO	●	●						
Yasunori Ishiguro	Representative Director and President, COO	●	●		●		●	●	
Keizo Honda	Director, Executive Officer	●				●	●		
Toshimitsu Shimizu	Director, Executive Officer	●		●	●	●			
Masayuki Nakagawa	Director, Executive Officer	●		●		●	●		●
Hiroshi Ogame	Director	●		●				●	●
Koji Jitsukawa	Director	●	●				●		
Hisato Kumagai	Director (Standing Audit and Supervisory Committee Member)		●	●					●
Michio Masukawa	Outside, Independent Director (Audit and Supervisory Committee Member)	●	●			●	●		
Naoki Uno	Outside, Independent Director (Audit and Supervisory Committee Member)	●			●		●		
Hikaru Oguchi	Outside, Independent Director (Audit and Supervisory Committee Member)			●		●		●	●
Hitomi Iba	Outside, Independent Director (Audit and Supervisory Committee Member)	●			●	●	●	●	

# Corporate Governance

## Basic approach

In order to continue to be supported as a "valuable company" by all of our stakeholders, which include customers, business partners, shareholders, employees, and local communities, as a holding company that supervises and manages the operating companies within the Group, we believe that our mission is to enhance corporate and shareholder value, and that the foundation for realizing this mission is to strengthen corporate governance. To this end, we will work to revitalize the Board of Directors, strengthen the auditing system, increase the efficiency of the management structure, and improve the compliance system.

## Reasons for adoption of corporate governance system

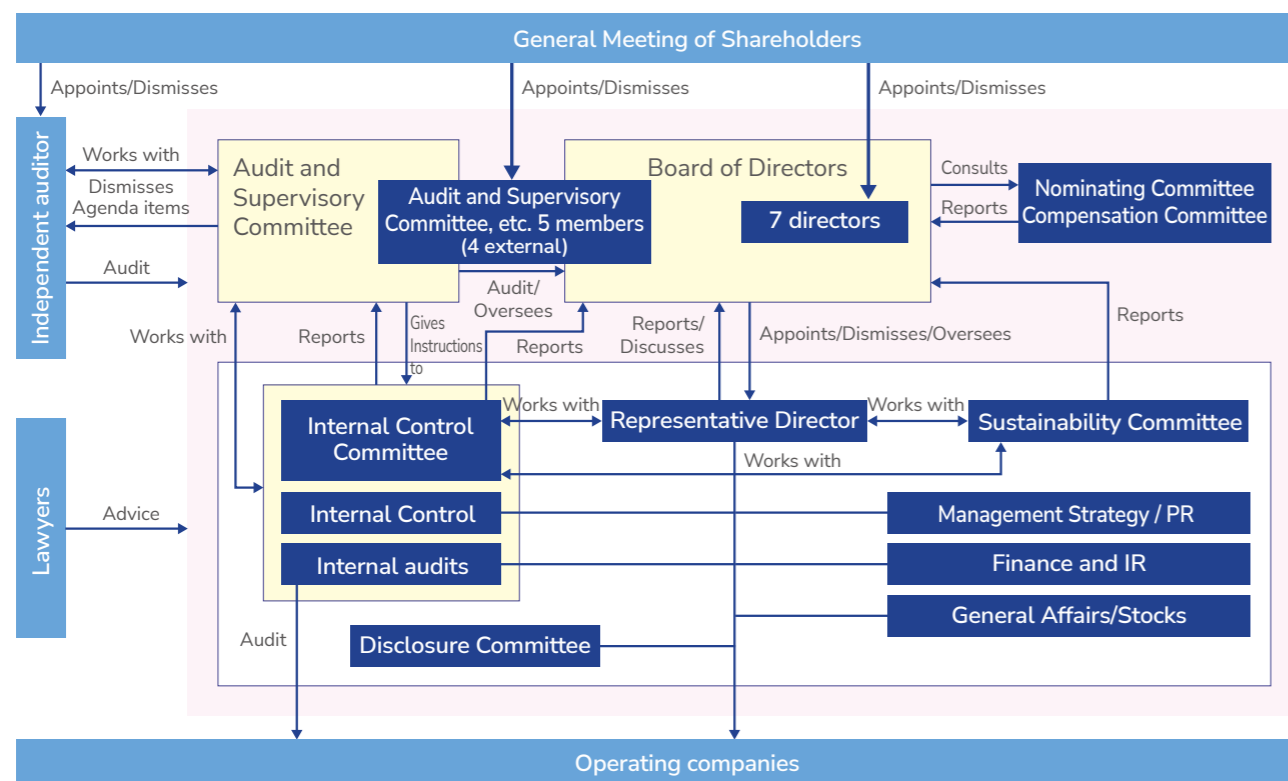
We have adopted an Audit and Supervisory Committee system based on our determination that an auditing and supervision system implemented by an Audit and Supervisory Committee is effective as a management supervision function. We believe that by establishing an Audit and Supervisory Committee with organizational auditing authority, we can strengthen the management monitoring function and continuously enhance corporate value.

Since DCM's founding, the Nominating Committee and Compensation Committee, both of which are chaired by independent external directors, have served as advisory bodies to the Board of Directors. All committees, including the Audit and Supervisory Committee, are chaired by independent external directors, and a majority of the members are independent external directors, thereby enhancing the effectiveness of governance.

## Approach regarding the Chairman of the Board of Directors

To clarify the responsibility for Group management and execution, strengthen the governance system, and build an execution system that can flexibly respond to changes in the business environment, we select two representative directors as the Chief Executive Officer (CEO) and Chief Operating Officer (COO). We believe it is appropriate that the Chairman and CEO serves as Chairman of the Board of Directors to facilitate and summarize discussions on resolutions at the Board of Directors meetings, which are proposed mainly by the President and COO to promote discussions from a broad range of perspectives.

## Schematic diagram



## Role of the Audit and Supervisory Committee

The Company's Audit and Supervisory Committee consists of five members, four of whom are independent external directors. To ensure the effectiveness of its activities, the Company has appointed a standing Audit and Supervisory Committee member. The Audit and Supervisory Committee is chaired by an independent external director and conducts audits in accordance with established audit policies and plans through the use of internal control systems and close coordination with accounting auditors.

The standing Audit and Supervisory Committee member holds regular meetings with the Internal Audit Office in charge of auditing operations and financial reporting and receives reports and exchanges opinions on the status of audits and exchange opinions.

## Role of the Nominating Committee and Compensation Committee

The Nominating Committee and Compensation Committee were established as advisory bodies to the Board of Directors. The Nominating Committee deliberates and reports to the Board of Directors policy decisions on the selection of directors and executive officers and proposals for the appointment and dismissal of directors, executive directors, and executive officers. The Compensation Committee reports to the Board of Directors and makes proposals to the Audit and Supervisory Committee regarding compensation policies and compensation for directors and executive officers.

From the perspective of ensuring independence, Nominating Committee and Compensation Committee members are appointed by Board of Director resolution, chaired by independent external directors, and comprise a majority of independent external directors as members.

Although these committees are voluntary, the chairmen of both the Nominating Committee and Compensation Committee report their decisions to the Board of Directors, which has a significant impact on Board of Director decision-making.

## External Director-only meetings and meetings between External Directors and the President

Opportunities for the four external directors to exchange opinions amongst themselves and exchanges between the President and the Audit and Supervisory Committee Members (comprising four external directors and one standing Audit and Supervisory Committee member) are provided on a regular basis and held separately from Board of Director meetings, with opinions from external directors used to improve the effectiveness of the Board of Directors.

## Evaluating Board of Director effectiveness

We evaluate the effectiveness of the Board of Directors with the aim of enhancing corporate value, verifying that the Board of Directors is fulfilling its responsibilities and roles, and identifying and continually improving issues within the Board of Directors.

In fiscal 2022, the Board of Directors shared and discussed responses from all Board members (excluding the chairman), including the four external directors, regarding evaluation items focused on the composition of the Board of Directors, the creation of an environment that stimulates discussions and management decision-making, monitoring based on medium- to long-term strategies, and the status of internal controls monitoring.

As a result of this evaluation process, we have confirmed that, at present, the Board of Directors is adequately fulfilling its supervisory function, has an appropriate composition, and engages in discussions using the requisite materials and indicators. Evaluation items include confirmation of "the content and number of proposals submitted to the Board of Directors," "the provision of information necessary for making management decisions," and "the reporting of appropriate indicators based on medium- and long-term strategies." Going forward, we will continue conducting periodic evaluations to further improve the effectiveness of the Board of Directors.

## External Director Roundtable Discussion

## Supporting Sustainable Corporate Growth with Recommendations from External Perspectives



**Michio Masukawa**  
Director, Audit and Supervisory Committee Member (External)

**Hikaru Oguchi**  
Director, Audit and Supervisory Committee Member (External)

**Hitomi Iba**  
Director, Audit and Supervisory Committee Member (External)

**Naoki Uno**  
Director, Audit and Supervisory Committee Member (External)

Four external directors, each of whom possesses a variety of experiences and expertise and are involved in DCM management decision-making and the oversight of business execution, discuss the operation of the Board of Directors and the challenges it faces in creating further corporate value.

**Masukawa:** Since my appointment as an external director, DCM has continued to expand through management integration and M&A strategies. In this context, I believe that my experience in regional bank revitalization during my time at the Bank of Japan enables me to make recommendations based on the feelings of employees when their organization undergoes a change. The Bank of Japan is also a think tank that conducts economic research and various surveys and analyses, so I have knowledge of marketing and sales gained through relationships with a wide range of companies. Further, I currently serve as an auditor for an industry organization related to information systems in the financial sector, so I also convey the importance of adhering to established standards and rules.

**Uno:** I have been involved in a wide range of management roles at a major insurance group, mainly

in the IT department, but also in sales planning and corporate planning. For this reason, I believe that I can contribute to DCM first and foremost in the establishment of business processes utilizing IT. I have also been involved in the integration of information systems and business processes as the person in charge of corporate mergers.

I am able to advise how to be careful when integrating two companies into one under the DCM growth strategy. Additionally, as an external director of an IT company that develops systems on quantum computers, I can offer opinions based on my knowledge of cutting-edge areas as well as IT implementation and operations.

**Oguchi:** As a lawyer, I have been involved in the business development of Japanese companies from a legal perspective for over 20 years in various industries, mainly in Asia. Since DCM does business in various

countries, I strive to share practical perspectives, including compliance with applicable laws and regulations, as well as responsible management and sustainability. In this age of globalization and digitalization, the application of laws and regulations is becoming increasingly complex. Taking into account regulatory trends in other countries, I hope to provide a unique outside perspective through participation in various discussions.

**Iba:** After earning a graduate degree in business, I gained experience working at the US headquarters of several companies with a strong consumer marketing focus. I believe that my experience in launching new businesses and developing products and services for consumers facilitates a "fourfold perspective" that is difficult for DCM to possess internally.

First, is the "customer's perspective," which is what customers think. Second, is the "manufacturer's perspective," which is what DCM business partners and others expect from distribution. Third, is the "future potential perspective," which refers to overseas developments in Asia, the US, and Europe. Fourth, is the "organizational and human resource utilization perspective," which based on my management experience at the headquarters of a global company, involves the efforts I want to make in supporting management.

### Board of Directors Atmosphere

**Iba:** Although I was recently appointed in May 2022, my impression is that the Board of Directors is "open and free in its discussions," with "each member willing to listen to and consider different points of view in a positive manner." I am able to express in my own words what I think is important for DCM's growth. In addition to Board meetings, I am welcome to participate in Management Council and other meetings as well as discussions on new products in the upcoming fiscal year, which enable me to hear firsthand the arguments and factual debates behind various strategies and deepen my understanding of DCM management.

**Oguchi:** Similar to Ms. Iba, I also feel that DCM has an open and flexible corporate culture. Continuously incorporating new perspectives while aiming for DCM sustainable growth, there is a sense of unity in the desire to contribute to society. I also find that when external directors ask questions or make comments, we receive immediate feedback and changes are implemented rapidly.

**Masukawa:** I like the fact that there are no discouraging responses to the opinions expressed by external

directors. There are no barriers between internal directors and external directors, so discussions are extremely impassioned.

Although discussions can sometimes become emotional, ultimately, objective judgments are made about what is beneficial and what is not. Discussions with external directors often lead to a reconsideration of internally fixed agendas. This flexibility has been a constant at DCM since I became an external director.

**Uno:** I have attended a wide variety of board meetings, from major insurance groups to venture companies, but rarely have I seen a situation where an external director recommendation caused a company to reconsider the details or direction of an agenda item. However, when we advise DCM against a course of action, they sometimes decide to reconsider without opposition to external director opinions or rigid adherence to the conclusions arrived at during internal discussions. This is a very positive corporate culture, and I think it should be maintained going forward.

### Evaluation of the medium- to long-term growth strategy

**Iba:** I think the "store strategy centered on enhancing existing stores" and "creation of a unique 'BOPIS' style" stated in the medium-term management plan are the correct strategies from both domestic and global perspectives. Looking at sales changes by channel in the US and Europe, the growth of the e-commerce channel is plateauing, and past predictions that physical stores would become less important as the shift to e-commerce progresses do not appear to be coming true. My sense is that DCM is paying attention to important trends that will occur in the future, and on that basis, carefully considers how to grow the Company, then creates medium-term management plans.







**Oguchi:** With approximately 680 physical stores throughout Japan, DCM can be seen as a provider of social infrastructure. Each store will connect people, goods, and services while remaining aware of the changing needs of local customers and utilizing the convenience of e-commerce. Through these efforts, we hope to become a corporate group that can substantially contribute to the revitalization of Japanese society by confronting current and future social issues head-on and playing the role demanded by local communities.

**Uno:** I think the platform concept is important for DCM. Placing new business and IT on a platform combining physical stores that successfully utilize IT with e-commerce will create new value. If this structure can be solidified and maintained, DCM will be able to further incorporate new companies into the Group and grow steadily going forward.

The DCM Company Philosophy “giving shape to your dreams for life” is one of my favorite phrases. We learned during the pandemic that society does not function properly without the power of essential workers. DCM’s business of “reliably providing daily life necessities” is truly essential. I believe the most important aspect of DCM sustainable growth is to develop business that never deviates from “giving shape to your dreams for life.”

**Masukawa:** We are no longer in an age when national economic growth driven by an increasing population leads to prosperity. DCM’s ongoing transformation of existing stores and pursuit of the “giving shape to your dreams for life” concept are deeply meaningful corporate activities that will improve quality of life and ultimately

lead to human happiness. The expansion of the home center industry has revolutionized the structure of the distribution industry and affected the way people shop. I believe that, as a leading Company in the home center industry, DCM must fulfill its corporate responsibility by creating a mechanism enabling people throughout Japan to conveniently obtain quality products and services in order to achieve sustainable growth.

### Overcoming Challenges to Achieve Further Growth

**Uno:** One of DCM’s strengths is that it takes business seriously. However, I am concerned that this degree of seriousness may lead to an inability to break with the past and make a fresh start. In addition to being serious and honest, it is also important that DCM communicate its presence to the world. For example, we should make it more widely known that DCM contributes to local communities through the in-store recycling of waste, DIY educational activities for parents and children, and other initiatives.

I would also like to see the further promotion of diversity, including the active participation of women. I hope to see excellence in the functions and cost of products developed by DCM, as well as product planning that incorporates women’s perspectives.

**Oguchi:** As the world enters a period of great change amid discontinuous environmental changes, I hope DCM is able to move forward, examining past experiences and data while anticipating customer needs with an overwhelming sense of speed and increasingly free and flexible ideas. To this end, I would also like to share different perspectives based on experiences from my daily interactions outside DCM and outside Japan.



**Iba:** How DCM confronts the discontinuous environmental changes Ms. Oguchi mentioned is critical for the achievement of sustainable growth. To remain connected with customers who are also undergoing discontinuous changes, DCM must maintain a deep and constant understanding of its customers. At the same time, in addition to understanding customers, DCM must maintain initiatives and efforts facilitating customer understanding of DCM. When DCM DIY Place opened at Ebisu Garden Place in central Tokyo, it was as a new beginning for DCM, which up to then had only opened stores in suburban areas. This move led to increased media exposure, and I was subsequently contacted by an acquaintance who said it was their first-time hearing of DCM. This experience made me realize that marketing activities aimed at connecting with customers is another area to focus on in pursuing DCM growth.

In regards to DCM’s seriousness, there is one additional point I would like to make. I think the seriousness everyone mentioned is a major positive for DCM. I think there is substantial room for growth if speed and boldness, which are considered lacking, are incorporated into the Company’s overall culture of seriousness.

**Masukawa:** Corporate culture is cultivated by human resources. I look forward to human resource changes, especially at the middle management level, for the good of DCM’s future. From my participation at Board of Directors’ and other meetings, I am well aware that DCM upper management is quite aggressive in their thinking. DCM’s transformation will be further accelerated if middle managers, who transform upper management intentions into action, are more willing to take on challenges rather than simply defending their existing privileges and work procedures.

**Oguchi:** I am aware of two main issues. The first is to speak freely without intimidation. I hope that conveying the experiences and perspectives I have accumulated in different countries and industries from my position outside the Company will lead to the further invigoration of discussions inside DCM.

The second issue is to become a point of contact between DCM and the outside world. In this age of discontinuous change, I think some interesting chemical reactions may result from the expansion of networks in Japan and abroad extending from different channels.

**Iba:** In my case, I am not yet familiar with the home center business itself, so I try to be as specific as possible in my remarks from the dual perspectives of “deeply understanding customers” and “facilitating customer understanding.”

At the same time, as I continue to follow the latest trends and technologies overseas, I feel strongly that we should have a sense of urgency about discontinuous environmental changes—in other words, we need to think about “a future beyond simply maintaining the status quo,” and I am willing to speak up when I think it appropriate. I also want to continue sharing facts and the latest case studies that I feel illustrate this idea through study groups and other methods.

**Masukawa:** DCM has risen to the top class in its industry in a short period of time through management integrations and proactive M&A efforts. Because of this rapid growth, there are many occasions when I feel that “I am in a position to protect what has been built up.” For DCM to continue growing, I will continuously emphasize the “importance of breaking free from the conventional way of doing things.”

I have seen many management integrations and M&A projects, but I never saw a case where the acquired company, its employees, and its culture were valued as highly as DCM values its acquisitions. I look forward to working with other external directors to contribute to DCM management so that this valuable success story can be further developed.

# Risk Management and Compliance

## Risk management structure

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. Every year, risk managers in each division identify and evaluate risks in terms of degree of impact and frequency of occurrence, summarizes them in a risk assessment chart that includes countermeasures, and submits it to the Internal Control Committee. The Internal Control Committee comprehensively assesses the status of Group-wide risks based on risk assessments and countermeasures submitted by each division risk manager.

Risk management conditions and decisions regarding major risks are reported annually to the Board of Directors for discussion and supervision. After Board of Director deliberations, the Internal Control Committee continuously monitors the risk management structure and implementation of countermeasures.

Principal risks identified as having the potential to materially affect DCM Holdings' financial position, results of operations, and cash flows are as follows. The Internal Control Committee assessment of risks in fiscal 2022 confirms there are no problems with risk responses and the variability of the risks themselves.

Risk Items	Risk Details	Responses
Risks Associated with Store Openings	<ul style="list-style-type: none"> <li>There is a possibility that plans for new store openings may be affected by changes in economic conditions may require more time to secure sites for new store openings, and that various circumstances, such as the opening of new stores by competitors, may affect plans for new store openings.</li> <li>There is a possibility that plans for new store openings may be affected by legal restrictions that delay store openings.</li> </ul>	<ul style="list-style-type: none"> <li>DCM opens new stores in coordination with local residents and local authorities, with consideration for the local environment, and in compliance with laws and regulations.</li> <li>Information pertaining to the progress of store openings is shared at Management Council and other meetings as needed, and when it is determined that the Company will be affected, we promptly coordinate with relevant departments to take countermeasures.</li> </ul>
Risks Associated with Climate Change	<ul style="list-style-type: none"> <li>There is a possibility that our product supply system and overall business may be adversely impacted by an increase in extreme weather events associated with climate change.</li> <li>There is a possibility that our business performance may be affected in the event sales of seasonal products fall short of sales promotion plans due to flagging demand caused by unseasonable weather such as cool summers or warm winters.</li> </ul>	<ul style="list-style-type: none"> <li>DCM makes efforts to procure products from multiple suppliers in order to maintain stable procurement.</li> <li>We regard climate change as an important management issue, endorse the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and have established targets for the reduction of greenhouse gas emissions by 2050.</li> <li>Going forward, the Sustainability Committee, chaired by the President and COO, will continue to discuss specific countermeasures</li> </ul>
Risks Associated with Sales Fluctuations	<ul style="list-style-type: none"> <li>There is a possibility that our business results may be affected by competitors opening new stores or changes in customer purchasing behavior in line with revisions to related laws and regulations.</li> </ul>	<ul style="list-style-type: none"> <li>Based on our Company Philosophy "Do Create Mystyle" under the long-term business concept "transforming into an integrated business that comprehensively makes people's lives more comfortable," we aim to become a company that offers comprehensive solutions that enrich people's lives and is indispensable to society.</li> </ul>
Risks Associated with Natural Disasters and Other Emergencies	<ul style="list-style-type: none"> <li>There is a possibility that our business results may be affected by the collapse of buildings and other structures in the event of a major earthquake.</li> </ul>	<ul style="list-style-type: none"> <li>We have established guidelines and an emergency response manual, maintain an emergency contact network, introduced a safety confirmation system, and implement other measures such as periodic drills and the stockpiling of necessary supplies.</li> <li>In the event of a disaster or other emergency, we create a task force to ensure business continuity through Group-wide coordination.</li> </ul>
Risks Associated with Infectious Disease	<ul style="list-style-type: none"> <li>There is a possibility that product supplies will be delayed, employees will become ill, and stores will be forced to shorten business hours or temporarily close due to infectious disease.</li> <li>There is a possibility that our business performance may be affected in the event an infectious disease epidemic becomes prolonged, economic activity stagnates, and consumer sentiment cools.</li> </ul>	<ul style="list-style-type: none"> <li>To prevent infection, we take measures that include checking employee temperatures before they come to work, handwashing, and wearing masks, and at stores, we ensure that customers keep a safe distance, thoroughly disinfect and clean surfaces, and take other measures to prevent the spread of infection among customers and employees.</li> </ul>
Risks Associated with Private Brand Products	<ul style="list-style-type: none"> <li>There is a possibility that our business performance may be affected in the event that private brand (DCM brand) products, some of which are supplied by overseas vendors, experience delivery disruptions, supply instabilities, or if we fail to develop products that meet consumer needs.</li> </ul>	<ul style="list-style-type: none"> <li>To ensure stable procurement, we will review the country of origin for each product, diversify production areas, and establish a system that enables procurement from multiple suppliers.</li> <li>When developing new products, we established a system that enables us to proactively incorporate the opinions and ideas of employees and focus on product development from the customers' perspective. We strive to reduce risks through trial sales of small lots of manufactured products before commercialization.</li> </ul>
Risks Associated with Fixed Asset Impairment	<ul style="list-style-type: none"> <li>There is a possibility that our business performance and financial position may be affected in the event we were to record an impairment loss on an asset for which a new impairment loss must be recognized.</li> </ul>	<ul style="list-style-type: none"> <li>We check for signs of impairment, and if there are any concerns regarding impairment, we take steps to improve profitability and reduce risk.</li> </ul>
Risks Associated with Exchange Rate Fluctuations	<ul style="list-style-type: none"> <li>There is a possibility that our business performance may be affected in the event exchange rate fluctuations are greater than expected.</li> </ul>	<ul style="list-style-type: none"> <li>DCM strives to reduce risks by entering into forward exchange contracts.</li> </ul>
Risks Associated with Interest Rate Fluctuations	<ul style="list-style-type: none"> <li>There is a possibility that our business performance and financial position may be affected in the event of a rapid and significant rise in interest rates leading to increased interest rate payments and other factors.</li> </ul>	<ul style="list-style-type: none"> <li>When procuring funds, we make every effort to limit the impact of market interest rate fluctuations using a combination of fixed and floating interest rates, depending on the procurement environment.</li> </ul>
Risks Associated with the Leak of Personal Information	<ul style="list-style-type: none"> <li>There is a possibility that our trustworthiness in the eyes of society and business performance may be affected in the event personal information is leaked due to unforeseen criminal acts, accidents, and other factors.</li> </ul>	<ul style="list-style-type: none"> <li>In addition to formulating rules associated with information security and the handling of personal information, creating an IT environment conforming to those rules, and regularly providing employees with educational opportunities, we make efforts to strengthen information security countermeasures using targeted email attack drills and other training.</li> </ul>
Risks Associated with Company Acquisitions and Business Transfers	<ul style="list-style-type: none"> <li>There is a possibility that unanticipated contingent or unrecognized liabilities may arise when conducting M&amp;A activities.</li> <li>There is a possibility that our business performance and financial position may be affected in the event the synergies initially envisioned are not realized.</li> </ul>	<ul style="list-style-type: none"> <li>When engaging in M&amp;A activities, we conduct detailed due diligence on the target company's business plan, financial position, real estate, employment contract relationships, and other factors. The Board of Directors and other relevant bodies review risks identified through due diligence, the synergistic effects expected from M&amp;A activity, and the appropriateness of the acquisition price, among other efforts aimed at minimizing risk.</li> </ul>

## Compliance Policy

With regard to compliance management, we laid out the DCM Holdings Compliance Policy. Each and every employee is aware of the company's societal responsibility and we ensure that we observe all laws, ordinances and societal norms and ethics, and that corruption is prevented. With this

as the foundation, employees work as members of a company that is trusted by society. To put our compliance policy into practice, we established a compliance program to lay out substantive codes of conduct and standards, and periodically and continually implement compliance education.

### 1. Statement of Compliance

We aim to be a company that is aware of its societal responsibilities, that observes all laws, ordinances, rules and societal norms and ethics, and that is trusted by society.

### 2. Charter of Corporate Behavior

The DCM Group always acts with the customer in mind

- We offer products with peace of mind
- We keep our promises and operate with integrity
- We offer products and services with good value
- We provide products and services that come with a greeting and a smile
- We promote management that puts the customer-first, and give it our all to ensure it stays that way

The DCM Group values its employees

- We respect the human rights and individuality of each and every one of our employees
- We offer opportunities and an environment where all of our employees can grow their natural gifts and abilities
- We evaluate the roles, duties and results of all employees fairly

The DCM Group aims to build even stronger partnerships with our clients

- We will clarify the conditions of the dealing, and our reciprocal responsibilities
- We respect clients who can share our principles
- We maintain fair and equitable partnerships and respect laws, ordinances and rules
- We do not accept the donation of undue money or gifts, nor entertainment

The DCM Group will not betray the trust of stockholders

- We actively work to return profits to stockholders
- We actively engage in dialogues and aim to find solutions to business challenges
- We aim for healthy growth with innovative management
- We disclose information in a timely manner and fulfill our accountability

The DCM Group grows together with local communities and society

- We aim to create community-based stores
- We work to protect the global environment with things such as developing environmentally-friendly products
- We do not involve ourselves with antisocial forces or individuals

## Our Compliance System

We have established an Internal Control Committee. This committee fulfills compliance-related functions and is responsible for compliance activities within the DCM Group. In the event that a major compliance issue arises in the DCM Group, this committee is expected to take the lead in addressing the issue and formulating countermeasures.

As for specific activities related to compliance, the Group is working to create a compliance program, create educational tools, and conduct education and training.

In addition, because we are a retail business group, we consider the issue of compliance is particularly important for merchandisers, who select products to be purchased from suppliers, and distributors, who determine the quantity and

delivery method of the selected products. Thus, not only have we created a code of conduct regarding the Antimonopoly Act, Subcontract Act, and other laws and regulations related to fair trade, but we also conduct training.

We also educate our employees about the Labor Standards Act, the Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment, and other issues that are familiar to them through internal newsletters and posters. In addition, we have established a whistleblower system (commonly known as the helpline) in accordance with the Whistleblower Protection Act, and are working to ensure that compliance management functions effectively.

	(Millions of yen)				
	2019	2020	2021	2022	2023
<b>Results of Operations</b>					
Net sales	438,683	430,000	464,212	437,722	469,782
Home improvement retail business					
Gardening	68,865	58,797	67,068	66,661	66,112
Home improvement	90,097	87,764	98,523	96,614	94,798
Home leisure and pet	64,775	63,781	67,078	63,779	63,346
Housekeeping	106,935	104,790	110,090	101,047	96,082
Home furnishing	26,677	25,496	27,762	24,830	23,058
Home electronics	39,595	45,325	51,241	47,121	46,257
Others	32,698	33,008	31,442	25,769	15,473
Product supply, etc.	9,037	11,036	11,005	11,635	12,903
Total of home improvement retail business	438,683	429,719	463,995	437,460	418,034
XPRICE business	—	—	—	—	51,423
Other business	0	0	0	262	324
Gross profit	144,257	141,350	154,697	147,386	156,279
Operating revenue					
Real estate lease revenue	7,075	7,371	6,980	7,028	7,039
Selling, general and administrative expenses	130,319	127,889	131,423	123,765	133,250
Operating profit	21,013	20,832	30,254	30,649	30,068
Ordinary profit	19,905	20,107	29,550	30,317	29,555
Profit attributable to owners of parent	12,246	13,783	18,594	18,809	18,135
Capital investment	12,248	13,117	18,302	9,368	14,290
Depreciation	12,259	11,881	11,709	12,528	12,658

	(Yen)				
	2019	2020	2021	2022	2023
<b>Per Share Information</b>					
Earnings per share	90.1	103.3	127.3	126.2	125.0
Diluted earnings per share	78.2	89.6	121.3	—	—
Net assets per share	1,410.2	1,467.3	1,531.7	1,624.2	1,738.4
Dividends per share	27.0	28.0	32.0	33.0	40.0

	2019	2020	2021	2022	2023
<b>Major Indicators</b>					
Operating profit margin (%)	4.8	4.8	6.5	7.0	6.4
Return on equity (ROE) (%)	6.6	7.1	8.6	7.9	7.5
Equity ratio (%)	45.3	46.1	47.7	53.6	47.2
Payout ratio (%)	49.6	46.5	27	28.7	12.8
Price earnings ratio	19.9	16.3	8.9	9.7	3.7
Total shareholder return (%)	105.3	98.4	108.1	117.1	123.9
Number of stores	671	673	663	669	675
Total sales floor area (m <sup>2</sup> )	746,946	745,278	737,878	739,059	742,597
Number of employees	4,331	4,248	4,059	4,025	4,102

	(Millions of yen)				
	2019	2020	2021	2022	2023
<b>Cash Flow Information</b>					
Cash flows from operating activities	25,074	36,749	45,243	(3,720)	15,614
Cash flows from investing activities	(9,770)	(5,369)	(16,002)	(7,489)	(38,459)
Cash flows from financing activities	(11,423)	(8,849)	12,421	(24,620)	34,383
Cash and cash equivalents at end of period	15,741	38,272	79,934	44,104	55,643

	(Millions of yen)				
	2019	2020	2021	2022	2023
<b>Financial Position</b>					
Current assets	138,511	161,618	207,183	175,057	214,390
Cash and deposits	15,763	38,306	79,956	44,126	55,665
Notes and accounts receivable–trade	13,500	14,883	14,946	14,211	18,109
Merchandise	97,199	99,606	99,431	106,001	121,941
Other	12,047	8,821	12,847	10,718	18,673
Non-current assets	277,172	273,114	283,666	274,093	301,564
Property, plant and equipment	196,699	195,932	202,169	196,243	195,687
Buildings and structures	93,662	89,913	95,453	91,072	90,628
Land	80,851	81,979	83,089	82,394	82,410
Other	22,185	24,039	23,626	22,776	22,648
Intangible assets	13,233	12,725	12,326	13,306	33,650
Goodwill	1,320	1,025	730	488	20,382
Other	11,913	11,699	11,595	12,818	13,267
Investments and other assets	67,239	64,456	69,170	64,542	72,226
Investment securities	20,346	19,604	25,292	23,677	30,927
Leasehold and guarantee deposits	41,379	39,333	37,937	36,634	36,282
Other	5,513	5,518	5,939	4,231	5,016
Total assets	415,684	434,733	490,849	449,151	515,955
Current liabilities	105,476	119,743	117,255	100,109	102,828
Notes and accounts payable–trade	29,130	32,657	35,277	22,816	24,155
Short-term borrowings	27,550	12,400	—	—	10,000
Current portion of long-term borrowings	8,823	6,379	13,089	30,111	16,474
Other	39,971	68,306	68,888	47,181	52,198
Non-current liabilities	121,803	114,776	139,385	108,306	169,773
Bonds payable	10,000	10,000	10,000	10,000	10,000
Long-term borrowings	63,689	78,324	102,749	73,767	137,104
Other	48,114	26,451	26,636	24,539	22,668
Net assets	188,404	200,213	234,208	240,735	243,353
Share capital	10,058	11,939	19,973	19,973	19,973
Capital surplus	45,135	47,017	55,051	55,051	54,075
Retained earnings	140,015	150,029	164,285	178,254	185,378
Treasury shares	(8,985)	(10,114)	(10,372)	(15,692)	(18,619)
Accumulated other comprehensive income	2,181	1,341	5,271	3,148	2,545
Total liabilities and net assets	415,684	434,733	490,849	449,151	515,955

\*1. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), has been applied from the beginning of the fiscal year ended February 28, 2023, with sales figures for this period reflecting the application of this accounting standard, which resulted in an ¥11,322 million decrease in recognized revenue.

\*2. Figures include XPRICE Inc., which was consolidated in the second quarter of the fiscal year ended February 28, 2023.

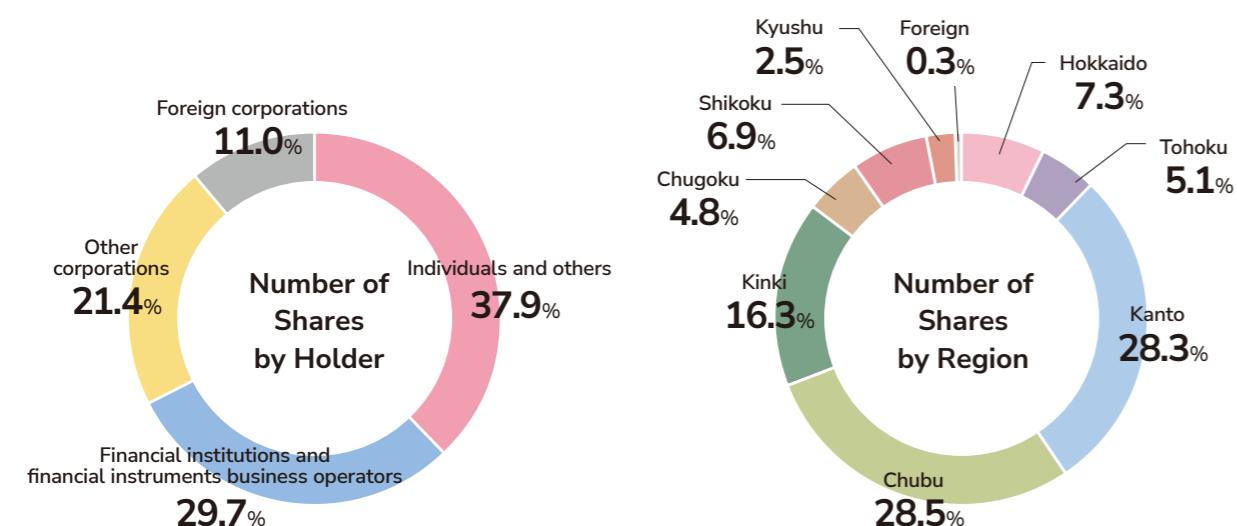
## Company Data (As of February 28, 2023)

Company name	DCM Holdings Co., Ltd.
Established	September 1, 2006
Share capital	¥19,973.5 million
Head office	Omori Bellport E Building, 6-22-7 Minami-Oi, Shinagawa-ku, Tokyo 140-0013, Japan
Consolidated number of employees	4,102
Independent auditor	Deloitte Touche Tohmatsu LLC 
URL	<a href="https://www.dcm-hldgs.co.jp/grp/english/">https://www.dcm-hldgs.co.jp/grp/english/</a>
Consolidated subsidiaries	DCM Co., Ltd., XPRICE Inc., MYVOT Fellows, Inc.

## Stock Information (As of February 28, 2023)

Total number of shares authorized to be issued	600,000,000 shares
Total number of outstanding shares	157,000,000 shares
Number of shareholders	85,051
Stock exchange listing	Prime Market of Tokyo Stock Exchange
Security code	3050
Fiscal year-end	End of February
Shareholders register administrator	Mitsubishi UFJ Trust and Banking Corporation

## Share Distribution (As of February 28, 2023)



## Major Shareholders (As of February 28, 2023)

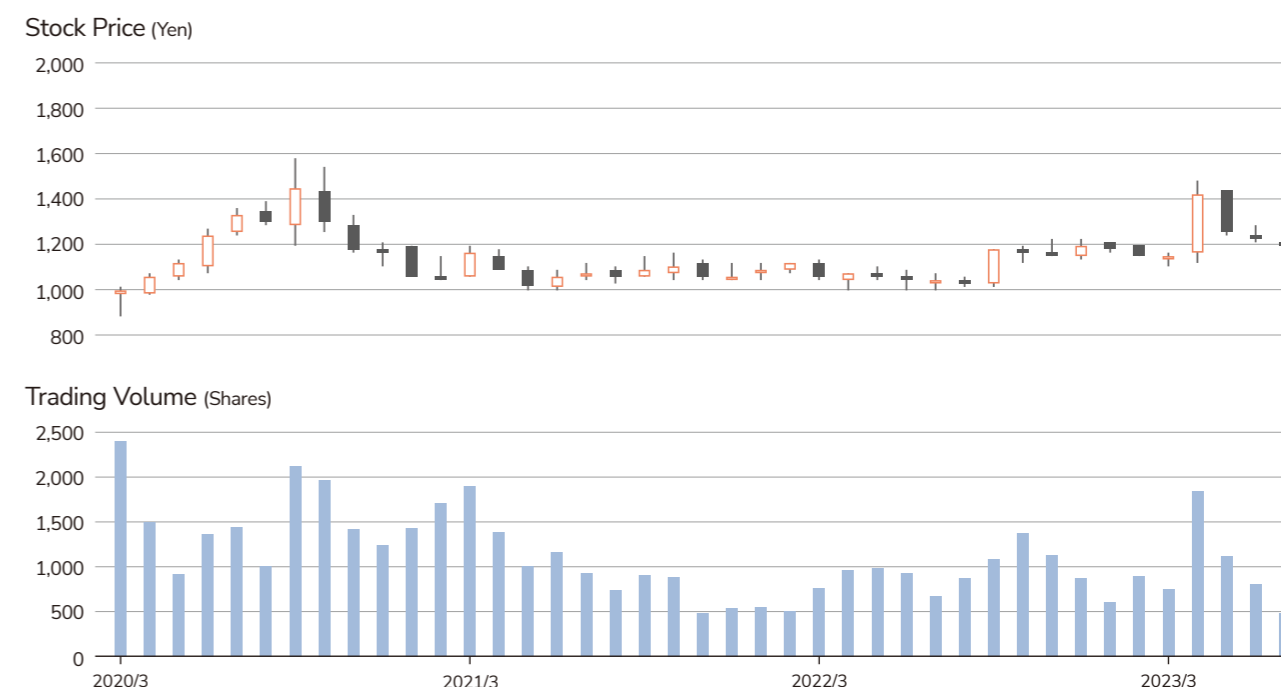
Major shareholders	Number of shares held	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Trust account)	18,950	13.22
Nisshinkikou company limited	11,870	8.28
Custody Bank of Japan, Ltd. (Trust account)	6,432	4.49
AEON Co., Ltd.	5,876	4.10
Yasunori Ishiguro	4,193	2.92
DCM Holdings Employee Stock Ownership Plan	3,988	2.78
Kaori Maki	3,723	2.60
SMBC Nikko Securities Inc.	2,915	2.03
The Master Trust Bank of Japan, Ltd. (Stock Grant ESOP Trust Account)	2,625	1.83
TAMON Co., Inc.	2,581	1.80

Notes: 1. Treasury stock held by the Company is excluded from the above major shareholders.  
2. The shareholding ratio is calculated after deducting 13,636,736 shares of treasury stock owned by the Company.

## Rating Information

Rating agency	Rating and Investment Information, Inc. (R&I)
Rating	A-
Rating outlook	Stable
Date of public announcement	November 16, 2022

## Stock Price and Trading Volume





**DCM HOLDINGS CO., LTD.**

Omori Bellport E Building, 6-22-7 Minami-Oi,  
Shinagawa-ku, Tokyo 140-0013, Japan