

Year ended February 29, 2024



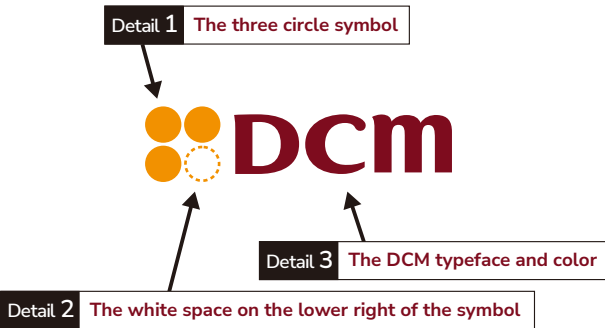
DCM HOLDINGS CO., LTD.



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 open space on the lower right of the symbol represents an open space for creation, and our hope that each and every one of our customers can realize their own, unique DIY.

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."



Editorial Policy

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 home improvement retailers with strong roots in local communities across Japan together to provide better products, as well as a "new founding" 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. and consolidated subsidiaries (As of February 29, 2024).

Period Covered

Fiscal 2023 (March 1, 2023–February 29, 2024)
Includes details of activities conducted since March 2024.

Reference Guidelines

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

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.

Overview of DCM

Group Structure

As of end of September 2024



Note: Merged with Keiyo Co., Ltd., in September 2024

Consolidated subsidiary of DCM Co., Ltd.

DCM advanced technologies Co., Ltd. A group of system engineers further the digital transformation of DCM

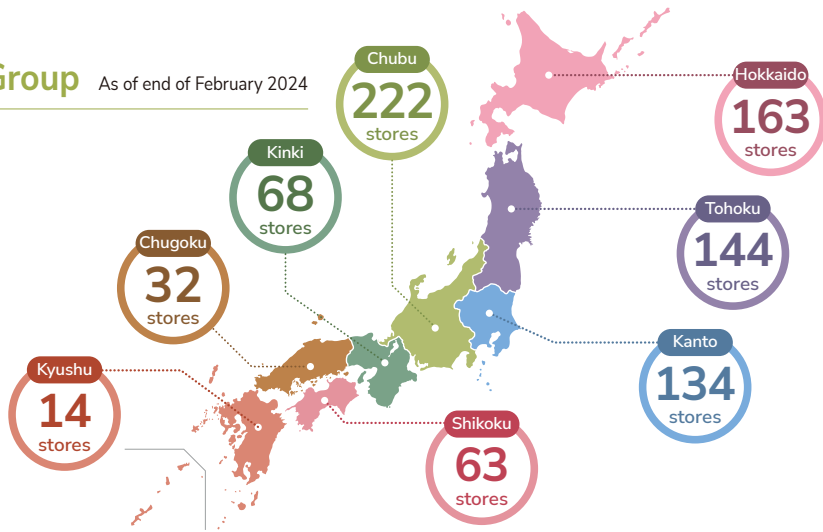
Consolidated subsidiary of XPRICE Inc.

MAXZEN Inc. MAXZEN MAXZEN brand development, planning, importing, and sales

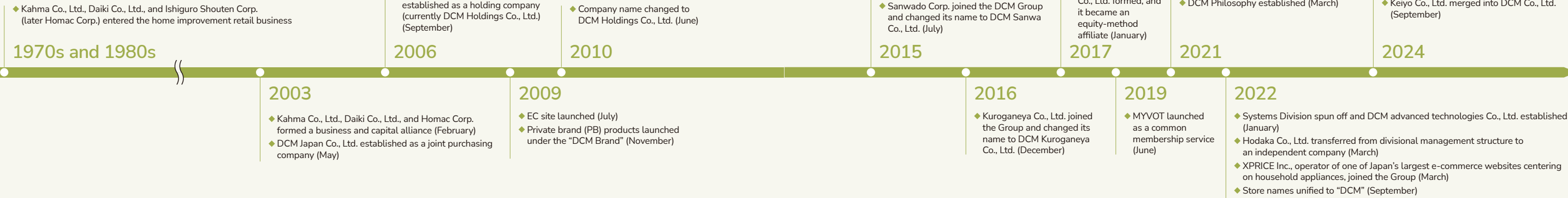
Store Network of the DCM Group

As of end of February 2024

39 prefectures
840 stores



History of the DCM Group



Business Portfolio

As of end of September 2024

Home improvement retail business



DCM Co., Ltd.
(665 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.
(65 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.
(111 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.

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.



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.



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.

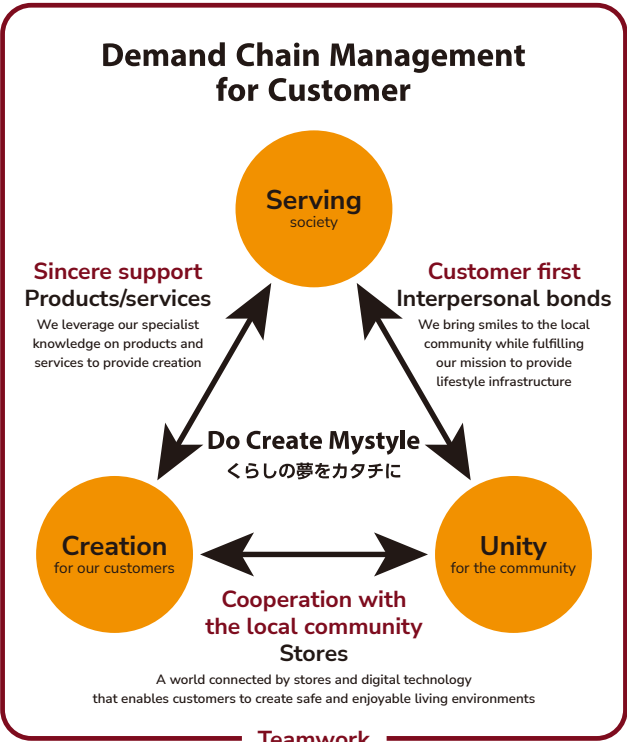
Note: MYVOT cannot be used on XPRICE.

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.

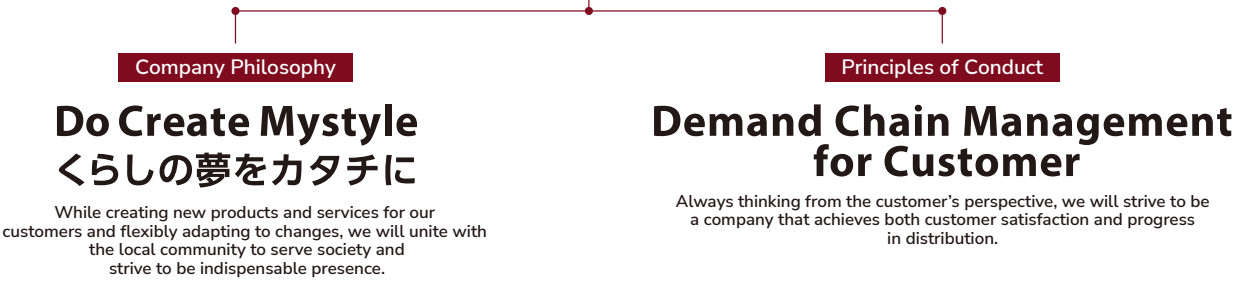


DCM's philosophy



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 Creed
Serving Creation Unity
Company Philosophy
Do Create Mystyle くらしの夢をカタチに
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.

We aim to realize our management philosophy by working together from the customer's perspective, and continuing to create new value.



Toshihiro Hisada
Chairman and CEO



Yasunori Ishiguro
President and COO

Thoughts on instilling DCM's Philosophy

In March 2021, the five home improvement companies of DCM Holdings Co., Ltd. were merged to form DCM Co., Ltd. Each company had its own management philosophy that reflected the ideas of its founding, but in the belief that a shared philosophy is important for a combined company, we took this opportunity to establish the new

DCM's Philosophy with a Company Creed, Company Philosophy, Principles of Conduct, and Conduct Guidelines. We felt that the important point was not simply to merge and become one company physically, but to be united mentally based on the DCM's Philosophy system.

Three years have now passed since the merger. While I have tried to convey the DCM's Philosophy system at every opportunity, due in

part to the disruptions from the COVID-19 pandemic along the way, there are still some parts that have yet to fully reach every employee. We are only halfway there, and I believe that now is the time to firmly instill the DCM's Philosophy system in our employees.

With this in mind, I began my fiscal 2024 policy presentation with an explanation of our company creed, "Serving, Creation, Unity." In previous addresses to employees, I had examined in detail our company philosophy of "Do Create Mystyle" and the principles of conduct "Demand Chain Management for Customer," but I realized that I had not yet touched on how I interpreted the company creed.

Starting with "Serving," when we consider the first principles of service, what naturally comes to mind is to treat customers kindly, and to make them feel comfortable while shopping. I consider providing new value to be service. "Creation" is the creation of new value, while "Unity" means that we accomplish this together. In other words, I wanted to convey that our job is to create new value. The ideas and changes produced by a single individual may be small, but together they amount to substantial new value. There are individuals, there are departments, and there are companies. I want to make DCM a company where everyone creates new value.



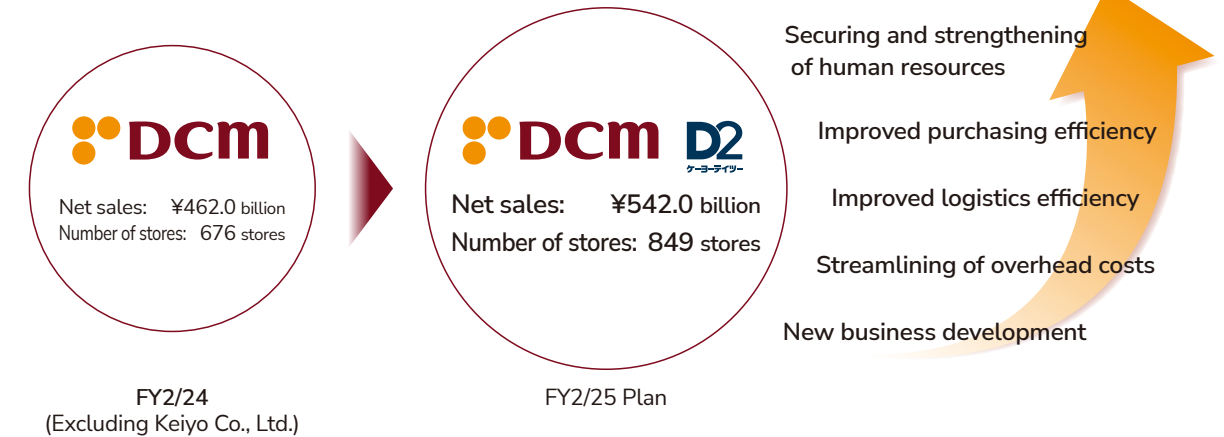
Shortening the PDCA cycle to respond quickly to changes in the business environment

My honest impression is that fiscal 2023, the first year of our third medium-term management plan ("Taking on the challenge of creating a new generation of home improvement retailers ~Revitalizing stores and expanding the areas in which we do business~"), was a difficult year in terms of sales throughout the period. Customer traffic and the way products are sold had been affected by the COVID-19 pandemic until about the second quarter. In addition, the depreciation of the yen and rising material costs have driven up prices for a range of consumer goods, strengthening customers' desire to save money.

Up to now, our assumption has been that what customers want from a home improvement store is a mid-priced product lineup, so we have offered new and value-added products in that volume zone. However, considering that customer perception is increasingly oriented toward the lower price range, from the second half of fiscal 2023, we implemented measures to bring products with a lower price point to the forefront. We also did what we could to get ahead on controlling costs. As a result, although we did not meet the initial plan targets, we were able to secure a certain level of earnings. Through this experience, I believe that the managerial level of employees has improved. I feel that we have acquired the skills and capabilities to overcome severe external factors such as weather and economic conditions.

Based on our experience in fiscal 2023, from fiscal 2024, we are shortening the PDCA cycle for planning. Up to now, we would begin planning in the latter part of the second half, looking back on the year to formulate a plan for the next year. However, this timetable no longer allows us to keep pace with changes in the lifestyles and needs of our customers. Accordingly, we have shortened the PDCA cycle to six months, formulating a plan for the first half of fiscal 2024 early in the second half of fiscal 2023, procuring goods and making preparations so that we can start the new fiscal year at full strength. The specific results and practicality of this system are yet to be

Merger with Keiyo Co., Ltd.



determined, but I feel that there have already been significant differences from last year, especially for seasonal items. New ways of thinking are steadily taking hold, and I think we are establishing a system where we continually think about what to do next. In fiscal 2024, we will change the way we work, and take concrete action to implement an action plan for the creation of new value.

Strengthening branding in the Tokyo metropolitan area through merger with Keiyo

In September 2024, DCM merged with Keiyo Co., Ltd. DCM did not have many stores in the Kanto area, so the greatest benefit of the merger is that it will now be easier to conduct branding for DCM in the Tokyo metropolitan area, which has the largest population in Japan. I think that's a big deal. Our brand power in regional cities has always been strong, so if we can raise our brand presence in Tokyo, that will give us considerable leverage.

We have been coordinating with Keiyo on a variety of initiatives since 2017, mainly for products, logistics, and sales promotions, and the integration of products and store operations is nearly complete. At the same time, DCM has conducted a series of experiments that has improved our knowledge and skill regarding implementing effective renovations. Up to now, we have focused on procuring products and ensuring that sales performance is on track, but going

forward, we plan to apply the know-how cultivated at DCM to Keiyo locations to make the sales space even more attractive for customers.

From the standpoint of strengthening human capital, we are also anticipating positive chemistry from the interaction with new personnel. Keiyo employees don't need to be hesitant just because they joined DCM later, and being at DCM first doesn't mean that someone has an advantage. We have experience with mergers, so there is no need for concern in that regard. This is, in a sense, culture. We want all employees to work together under the DCM's Philosophy, accelerating the creation of new value through friendly competition. And if there is a company that resonates with our philosophy, we would like to work with them to create new value.

Accelerating growth of distinctive formats as the next pillars of business

To achieve our vision of an "integrated business that comprehensively makes people's lives more comfortable," as the next pillars of business, I am focusing on 1) Business expansion and diversification, 2) Business development, and 3) Sowing the seeds of new businesses. First, as part of our efforts to expand and diversify business, in March 2024 we restructured Hodaka Co., Ltd., a subsidiary of DCM that operates specialty stores with products for professional use, and DCM Nicot Co., Ltd., which operates convenience

store-style home stores in small catchment areas, into operating companies under the direct control of DCM Holdings. As subsidiaries of DCM, aspects such as the personnel evaluation system and recruitment standards needed to be aligned with that of DCM. However, since both companies have grown to a suitable business scale, we decided that they needed to have their own systems. We anticipate that independent management will accelerate their growth.

I believe that it is difficult to meet all customer needs with a single format (type of store according to the characteristics of the product lineup). Utilizing the know-how cultivated at home improvement centers, DCM Group companies such as Hodaka, serving craftsmen doing professional work; DCM Nicot, serving people living in areas with small populations; and XPRICE, providing e-commerce that helps people achieve their ideal living style in the same way as home improvement centers, are responding to the diverse needs of customers. In this way, we aim to position the DCM Group as a point of connection for all types of customers throughout Japan.

Reform of the “Sumairu Helper” business

For business development, DCM has also begun revising its “Sumairu Helper” service, where specialist staff members visit customer homes to directly address their housing concerns (see page

22). Until recently, the Sumairu Helper service has been able to handle most customer needs, but due to labor shortages, each year there are more and more cases where we are not able to respond straightaway. When we consider what we can do to solve customer problems, it’s clear that we need to be able to handle these issues ourselves.

Since the number of carpenters and craftsmen is expected to decline sharply in the future, even if we receive a request to repair or replace home facilities or equipment, we anticipate that it will take some time to respond, which will be inconvenient for the customer. By preparing now for such an eventuality, we hope to play a role as an “unsung hero,” a home improvement store that can properly respond to customer concerns, not just sell products. Further, by deepening communication with customers, our employees will be able to better understand their needs. I believe that this is where the creation of new value truly begins.

Establishing a structure to easily experiment as a means of sowing seeds for the creation of new value

I have been advocating internally about the need for new business development, but little progress has been made. The reason, I think, is the daunting impression of the term “new business.” Employees become hesitant because they don’t want to fail, or they think that they will have to take

responsibility if the business does not do well. Rather, I want our people to think “This is interesting,” and give it a try. If the business fails to develop and grow after two or three years, give up. Sow about 10 seeds a year, and even if you fail, it’s still a learning experience. I think it’s okay to even be amused by failure. If we do this, perhaps one in 10 endeavors will develop into something that will drive business in the future. I want to create an atmosphere where everyone is willing to conduct experiments that will lead to new businesses. Conducting experiments sows the seeds for the creation of new value.

I recently re-read the classic international business book *Built to Last: Successful Habits of Visionary Companies* by Jim Collins and Jerry Porras. The authors assert that the characteristics that allow a company to continue to grow over the long term are “valuing basic principles and pursuing profit” and “thoroughly trying out ideas that come to mind, and expanding on the success achieved.” I feel the same. I want to establish a structure in which people feel free to conduct experiments.

Launch of the Top Management Development Program

We believe that for our company to achieve sustainable growth in 2030 and beyond, it is vital that we effectively pass the torch to the next generation. Recognizing this issue, this fiscal year we launched the Senior Management Training Program to systematically nurture the next generation of leaders. We established three classes: Diamond Class for young employees, Core Professional Class for mid-career staff, and Master Class for veteran personnel. Training is conducted over a two-year period.

We believe that to become a top manager, it is necessary to have a wide range of experience. How well someone can complete a difficult task is essential. In other words, how well they can overcome adversity. The purpose of this program is to give employees the experience of hard work and serious consideration needed to become a top manager.



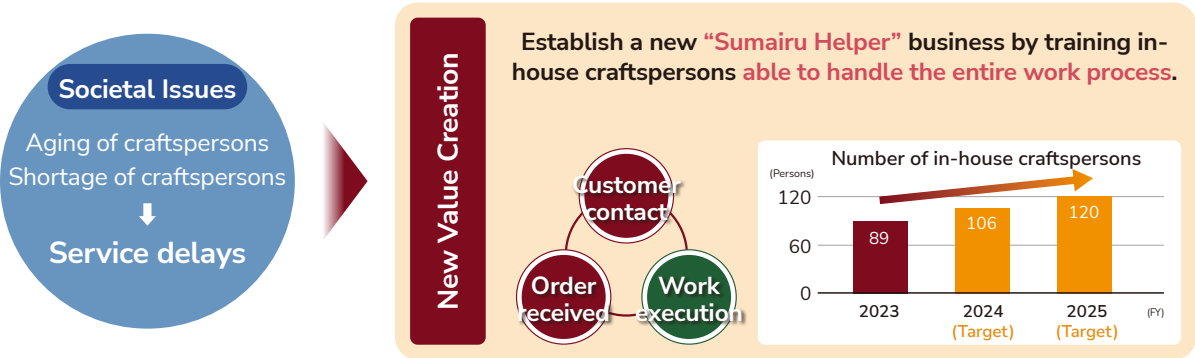
In my honest opinion, I think it is difficult to complete this training while working. That’s how intensive this program is. Top management makes decisions on important matters affecting the company on a daily basis, so they need to be armed with theory as well as experience. After completing the two-year program, employees are expected to grow into top management personnel who can make decisions based on experience and theory.

Message to stakeholders

I believe that while we of course need to achieve what we have outlined in our long-term vision and medium-term management plans, it is important to continually create forward-looking plans in the form of the next plan, and the next. Based on the new value creation strategy that we have adopted as our approach to growth, I will lead the company while actively sowing the seeds to produce results that meet the expectations of shareholders and investors. Thank you for your continued support.

Creating New Value to Solve Societal Issues

Strengthen and expand the “Sumairu Helper” business as new value creation to address societal issues



The DCM Value Creation Story

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

Do Create Mystyle

くらしの夢をカタチに

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.



DCM Management Resources



Do Create Mystyle 暮らしの夢をカタチに



A workforce of about 26,000 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 26,000 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 840 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 840 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.

Medium-Term Management Plan

Overview and promotion system of third medium-term management plan

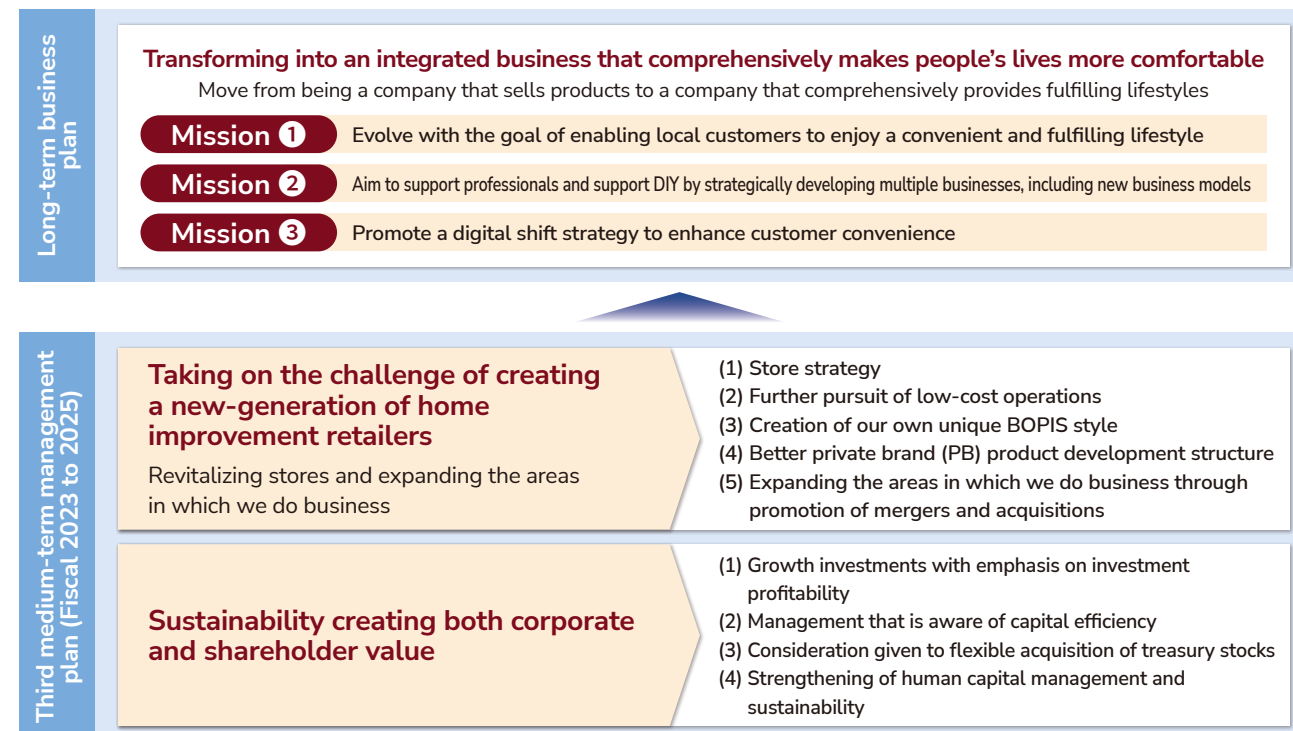
Based on the concepts of “Taking on the challenge of creating a new-generation of home improvement retailers” and “Revitalizing stores and expanding the areas in which we do business,” under our third medium-term management plan (fiscal 2023 to 2025) we aim to achieve net sales of ¥550 billion, operating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

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

(Millions of yen)

	Fiscal 2023 results	Fiscal 2025 targets	Fiscal 2030 targets (image)*
Net sales	481,310	550,000	900,000
Gross profit margin	33.3%	35.0%	38.0%
Operating profit	28,685	38,000	63,000
Operating profit margin	6.0%	6.9%	7.0%
Ordinary profit	27,412	37,500	63,000
Profit attributable to owners of parent	21,446	22,800	40,000
ROE	8.7%	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.



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

Store facility/dominant strategy creation tasks	DX promotion tasks	New business development tasks
Human resource strategy tasks	Realization of Long-Term Business Plan	New format creation tasks
Sumairu Helper creation tasks	Product development innovation and logistics reform tasks	Customer contact expansion tasks

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.

Priority Measures of third medium-term management plan

(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 (PB) 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 (PB) 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 (PB) 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.

Column

Steady progress in building unique BOPIS style

As one of the key initiatives in our third medium-term management plan, we are promoting the creation of our own unique Buy Online Pick-up In Store (BOPIS) style of delivery.

By utilizing this BOPIS style, we are gradually expanding the service area where products purchased via the DCM Online EC site can be picked up at any DCM Group store. The number of stores targeted was 690 by the end of fiscal 2023, and with further expansion to DCM Nicot, the goal is to have approximately 800 stores nationwide in fiscal 2024. The plan is for the Company to set up a system that will allow products from XPRICE, Japan's largest EC site focusing on home appliances, to be picked up at DCM stores.

Our efforts have so far met with success, with EC sales in fiscal 2023 increasing 33.6% compared with the previous fiscal year. In addition, in the last week of February the ratio of products purchased online via our EC site and picked up in-store increased 15.2 points compared with the previous fiscal year, indicating that the BOPIS style is seeing positive results.

Combining the strengths of having physical stores nationwide with the convenience of our own EC site, which allows customers to order anytime, anywhere, we will continue to work to further establish the BOPIS style of purchase, in which products purchased online via EC sites can be picked up in-store, as a new purchasing style.



Business Strategies Sales Policy Action Plan

Aiming to remain a store to which customers who visit will want to come again, we will work on key sales measures to drive the effects of organizational reforms to the maximum extent

Toshimasa Tanaka
Managing Executive Officer
and Senior General Manager
of Store Sales Division,
DCM Co., Ltd.



Aims of and background to organizational reforms

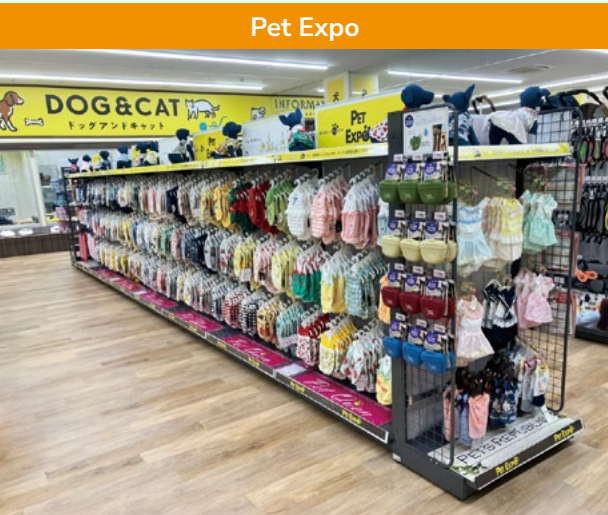
Toward the realization of our long-term business vision and achieving our third medium-term management plan, our organizational reforms in fiscal 2023 consolidated the Store Sales Division, which had previously been divided by area, into a single, nationwide organization. Following the integration of our home improvement business companies in March 2021, we launched three store sales divisions covering east, central, and west Japan, based on the areas that had previously been covered by each business company. It was, however, inevitable that there would be some aspects of each business company's way of thinking that we could not completely get away from, and thus we had faced the challenges of ensuring that the atmosphere and style of the stores were consistent. To concentrate our efforts into transforming ourselves into an integrated business that comprehensively makes people's lives more comfortable, we had thought it would be better to consolidate the sales headquarters that were responsible for creating sales floor areas and opening and renovating new stores. That is the background to the reforms.

The unified Store Sales Division currently operates a 97-zone system across eight blocks: Hokkaido, Tohoku, Kanto-Koshin, Tokai, Hokuriku/Kinki, Shikoku/Chugoku/Kyushu, KE East, and KE West. The rapid decision-making of our flat organization has enabled us to have more detailed close contact with the local communities.

As part of the abovementioned organizational reforms, the functions of store revitalization, new and specialized business promotion, renovation planning, and sales support have all been incorporated in the Store Sales Division. Store revitalization involves two processes. First, the creation of new formats (store types based on product lineup characteristics) that are more efficient in terms of their square footage and correspond to the role of each store size. Second, with the exception of the traditional sales floors managed by the Merchandising Division, the setting up of new departments with more highly specialization and specialty stores to generate new demand and customers particularly in large stores. The building of specialized sales floor areas, such as DIY Reform^{*1}, Pet Expo, and Leisure Field, forms another store revitalization role. Also, we have now reached the stage at which we are able to work together on renovation planning and sales support to reform existing stores. While maintaining consistency in the height of fixtures and various signs, the speed at which we reform existing stores has also increased. With regard to cooperation between the Store Sales Division and the Merchandising Division, a system has been put in place by which buyers' intentions and product policies are quickly communicated to stores nationwide via product strategy meetings.

^{*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. (See page 22)

In addition to traditional sales floors, the creation of more highly specialized sales floors



Priority Initiatives for Fiscal 2024 Onward

1. Thorough implementation of store size-based policies

In the days when products sold well, we promoted the same sales policy regardless of store size. In today's low-growth era, however, it is necessary to determine the role of each store within a dominant strategy (concentrating store openings in specific regions to secure competitive advantages within those regions) and to implement sales policies efficiently and without waste overall. Accordingly, it is my belief that we need to develop and implement action plans tailored to the size of each store.

The strategy for small stores (net sales of less than ¥400 million, floor areas of less than 1,980 m²), including DCM Nicot, is for them to become lifestyle variety stores and community-based stores. So that they remain stores that continue to support local lifestyles, we focus on operations at extremely low cost. Seasonal sales floor areas (sales floor areas that change frequently according to the season or theme) are laid out in accordance with shelf layouts determined by buyers from product management departments, and unnecessary work is eliminated by thoroughly implementing basic operations.

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

^{*} The number of stores and existing store renovation plans are figures from our third medium-term management plan.

2. Strengthening sales of core products

In the Store Sales Division that I oversee, the basic policy is to fully carry out on the sales floor area policies drawn up by the Merchandising Division buyers. We create sales floor areas with shelf layouts, products, and promotional materials in accordance with the buyers' instructions. At the product strategy meetings I outlined earlier, we confirm the actions that need to be taken this week and next week, and the zone managers who oversee multiple stores in each block ensure that these are rolled out to their assigned stores. In the case of important seasonal planning, the examples of best practice are reported at product strategy meetings, and the field managers will horizontally deploy them on the sales floors of large stores.

With the aim of increasing the number of DCM fans, we steadily create: (1) sales floors where customers can touch and try out DCM brands, and (2) dynamic sales floor areas that will attract customers' attention. With regard to home appliances, we will strengthen sales of the MAXZEN private brand (PB) home appliances from XPRICE Inc. In addition to their simple functions and good cost performance, MAXZEN has obtained the PSE mark under the Electrical Appliances and Materials Safety Act, which indicates the safety of home appliances. Actively displaying MAXZEN on sales floor areas together with DCM brands, we will also devise ways to maximize store profits by increasing the proportion of PB products.

The strategy for mid-sized stores (net sales of more than ¥400 million but less than ¥1 billion, floor areas of more than 1,980 m² but less than 4,950 m²) is for lifestyle variety stores +α. We promote store strategies that add the ability to respond to regional characteristics and specialization to the roles of our small stores. In mid-sized stores, we therefore create sales floors that enhance measures designed to cater to the local conditions.

The store strategy for large stores (net sales of more than ¥1 billion, floor areas of 4,950 m² or more) combines comprehensiveness with specialization. As regional flagship stores, the format has become one of: (1) maximizing sales and customer numbers, (2) specialization in expertise, (3) acquiring new customers, and (4) delivering proposals that offer a "buzz" and excitement. As a measure designed to enhance the seasonal sales floor areas, field managers—who are responsible for coordination between the Merchandising Division and stores—will not only proactively reflect best practices from other stores but also aim for stores that can offer creative ingenuity in store and proposals that generate a buzz and a sense of excitement among customers.

Finding examples of best practices at one or two stores will not significantly change the numbers for the entire organization. I tell each store manager that I do not want them to just strictly follow the basic policies but also to be aware that they can use their own store's example to change the figures for the entire company. It was for that reason that this year we adopted the slogan, "Make this the year to pool our ideas."



3. Promotion of DCM fan base creation

At DCM, there are contests hosted by the Merchandising Division and by the Store Sales Division. Those hosted by the former include sales floor area, DCM core product, and manufacturer contests, and their direct purpose is to boost sales. I would like to enliven our stores by taking on these initiatives proactively and hope that through the contests we will strengthen the awareness of: (1) competing with stores of the same size, (2) winning by demonstrating on-site capabilities to their maximum extent, and (3) putting all of our efforts into creative and innovative sales floor areas.

In larger stores, we also hold contests sponsored by the Store Sales Division. Called the Wakuwaku D-1 Grand Prix, the event aims to create sales areas where by communicating the appeal of products customers can make new discoveries and to increase the number of DCM fans by providing customers with inspiration. One of the reasons behind this is the need not only to maximize sales and customer numbers but also to pass on the techniques for creating sales floor areas that are in keeping with the times. By giving them the freedom to choose their own themes, we also hope to encourage creativity and ingenuity among store employees, the intention is that this will also lead to heightened motivation.

We will also further strengthen gardening and DIY, areas on which we had previously been focusing. In the case of gardening, store sales can vary greatly depending on whether the store has veteran staff with extensive gardening knowledge and experience. To overcome the hurdles of knowledge and experience, we have launched an in-house community called the Gardening Club (see page 21) to promote the sharing of knowledge and know-how about sales floor areas, products, and sales promotions across the

4. Transformation of the Sumairu Helper business

Directed toward achieving our transformation into an integrated business that comprehensively makes people's lives more comfortable, we are aiming to build a system that will enable us to provide not only product sales but also services (installation, construction) in-house. For this reason, we are currently working on reforming our Sumairu Helper business^{*2}. The reason behind this is to prepare for a future shortage of craftspersons. For example, when a customer is already having trouble with a leaking faucet, finding a craftsperson and obtaining an estimate is a slow process, and with the number of craftspersons likely to decrease, there is a concern that it will take a considerable amount of time to get the problem fixed. I would like us form a service network that will enable us to respond quickly to such urgent repairs in-house. Also, by bringing the Sumairu Helper business in-house, we will be able to better ascertain our customers' potential needs.

In the short term, we will bring in-house the replacement work and minor repairs of home appliances. In the medium to long term, I would like us to create new demand by developing support for DIY renovations and services for the elderly. When it comes to DIY, although they would like to try replacing wallpaper or flooring themselves, there are many people who would feel nervous at first. By having DCM employees provide on-site support to these

organization. With regard to DIY, DIY Reform (see page 22), which enables customers to experience and receive advice on how to put up wallpaper, install flooring, and more, has been running for the past three years and been rolled out to each store. DCM DIY place (see page 23), which opened in Ebisu, Tokyo, as a DIY experience store with the aim of raising awareness and popularizing DIY, has more than 800,000 visitors per year and is playing a key role as the face of DIY. Our policy is to set ourselves apart as a store that can provide not only products and know-how but also experiences.

Wakuwaku D-1 Grand Prix



customers, I believe that they will be able not only to take on the challenges in DIY with peace of mind but also to acquire skills and know-how. I hope that by carrying out these services, we can create a synergistic effect that will expand the DIY market itself. Also with regard to services for the elderly, I also have in mind services that include providing various cleaning and housekeeping services to customers.

Of great social significance, I would like to grow our Sumairu Helper business into a major business in the years to come.



^{*2} 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. (See page 22)

5. Further pursuit of low-cost operations

Implementing aggressive measures, such as growing the top line, developing new businesses, and renovating existing stores, requires a significant amount of capital. To secure these funds, it is essential to further pursue low-cost operations. Thus far, the Company has promoted initiatives—including the introduction of a freshness management app, the promotion of subscriptions to bicycle maintenance packs (insurance with benefits), the installation of self-checkouts, and improving and expanding the frequency of deliveries—and achieved great results by reducing labor hours across all stores.



What I ask of store managers across the country is to put “thorough mastery of the basics” into practice. By having new recruits and veteran employees alike thoroughly master the basics, I believe that customers will be satisfied at every DCM store across Japan. By making these efforts and continuing to improve ourselves every day, I hope to create stores where customers who visit will say they want to come again.

Column

Gardening Club

On gardening sales floors, the depth of information that can be conveyed through display design and customer service can vary greatly depending on the level of knowledge and sales experience of the store employees in charge. However, previously there had been few opportunities to learn directly about the initiatives of other stores or to share the knowledge and know-how of experienced, veteran employees. To address these issues, DCM launched an in-house community called the Gardening Club in fiscal 2022. The theme of the program is to create a forum where people and information can connect, where employees from different stores and regions can have fun while learning and interacting. Approximately 5,000 people have registered, including horticultural staff from all stores, horticultural buyers from the head office, and employees with an interest in gardening. Starting with providing knowledge and information useful on the sales floor through a dedicated website, from fiscal 2023 we have provided a forum for sharing best practices in sales by connecting stores nationwide via an online conference system, opportunities for employees to receive advice from veteran employees on sales floor design and gardening products, and a forum for employees to interact with each other. Employees collaborate and learn from each other to improve their skills, which also helps to increase their motivation. Going forward, we plan to broaden the community's circle to include our business partners.



In fiscal 2024, we will continue to add, renovate, and efficiently operate self-checkout registers as well as promote increased efficiency in stocking operations. Having also begun a full-scale unification of operations based on store size, we are working on the standardization of tasks and multi-skill development. On the basis of the results obtained from trials conducted in stores, we are starting by thoroughly finalizing a standard model geared toward multi-skill development.

Special Feature 1

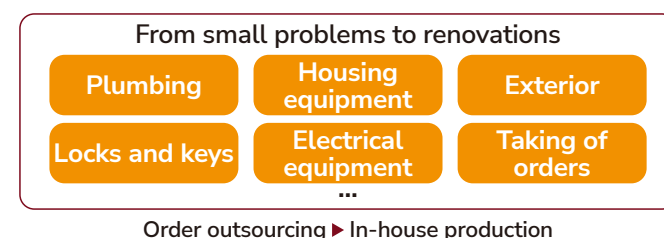
As an integrated business that comprehensively makes people's lives more comfortable, initiatives to support our customers' lifestyles

Creating the new Sumairu Helper business

DCM is currently promoting the creation of a new Sumairu Helper business. As part of our Sumairu Helper business, we have traditionally been providing a variety of services to respond to our customers' housing concerns, from repairing water-related issues and replacing housing equipment and electrical appliances to remodeling. Much of the actual work is outsourced to subcontractors, and with a shortage of craftsmen predicted for the future, there remains a risk that urgent home repairs and services will be subject to delays. Therefore, we will be switching to a new Sumairu Helper business, in which DCM employees will visit customers' homes and carry out a variety of tasks.

As an initial step, we are establishing service menus and preparing a phased, systematic training program to ensure

that we can deliver services with reliable expertise as "construction professionals." We plan to increase our service area and skilled employees (in charge of Sumairu business) over the coming years. The employees in charge of Sumairu business will also act as bridges between customers and DCM. With the key concept of "catching customer problems," we will identify potential demand during visits and work with store employees and renovation staff to resolve customer concerns. The new Sumairu Helper business covers more than just home repairs. In the years to come, we plan to expand our services to include supporting customers with their DIY home renovations, elderly support services, and services for taking orders.



DIY Reform

DCM is strengthening its efforts to meet the needs of customers who want to resolve their housing problems by DIY. Although many customers would like to try carrying out repairs and renovations themselves, there are quite a few who are worried, saying that they do not know what to buy or methods of use or that they feel a sense of unease about whether they will be able to do DIY well enough. DIY Reform grew out of the format (a store type based on the characteristics of the product lineup) that we developed to not only just sell products to such customers but also to provide them with the venue and opportunity to experience new products as well as the know-how. To gain practical know-how right from the start, the Company actually purchased a used home and had employees renovate it themselves, thereby increasing their knowledge of products, tools, and construction methods. At the stores, employees who share such specialized knowledge and know-how offer advice to help customers carry out their own renovations. We have received feedback from customers such as, "The things I experienced at the store gave me the confidence that I could do it myself," "It was good that I was able to practice beforehand," "I was able to renovate for less than if I had asked a professional," and "I still want to do a lot of renovations, so I'd like you to give me some more advice."



DCM DIY place

In November 2022, we opened DCM DIY place at Yebisu Garden Place (Shibuya-ku and Meguro-ku, Tokyo). As a "new urban store format specializing in experiences," the store not only solves problems unique to urban residents and suggests DIY ideas and products to make their lives more attractive, it also provides a series of processes from trying them out in-store to "experiencing" them.

The main features of the DCM DIY place store design are: (1) conducting surveys on concerns about living environments in Tokyo and reflecting the results, (2) offering a lineup of products that are in high demand in urban areas, such as soundproofing, and (3) displaying living spaces created by DIY using the products and tools sold in the store. In terms of the customer "experience," we provide spaces and opportunities for a variety of experiences, including replacing wallpaper and flooring, which are relatively difficult DIY projects, as well as plastering and trying out power tools. We also have a workshop where customers can work freely using paints and power tools, and from time to time we also hold DIY workshops. This is an experiential store brimming

with hospitality, where specialized consultation staff, known as DIY concierges, will listen to the challenges customers are facing in their daily lives and to their requests and work together with them to find the best solutions. They also serve as the face of DCM by increasing awareness of DCM in the metropolitan area and promoting the spread of DIY.



Introduction of "D Advisor," a customer service support system for stores

Customer service work at a home improvement center requires a wide range of knowledge, including not only product information such as specifications but also how to use and repair products. Since there are so many products, it takes experience and time to acquire the product knowledge necessary to provide professional customer service. For that reason, DCM set up its 2525 (Nikoniko) Call Center* to support store employees in providing customer service by compiling a database of past customer service cases and other information. However, depending on the customer's question, it could take a long time for a response, resulting in customers being kept waiting. To resolve these issues, we developed D Advisor, a customer service support system for stores. Utilizing generative AI, this pioneering system has been installed at all stores. Store employees are now able to

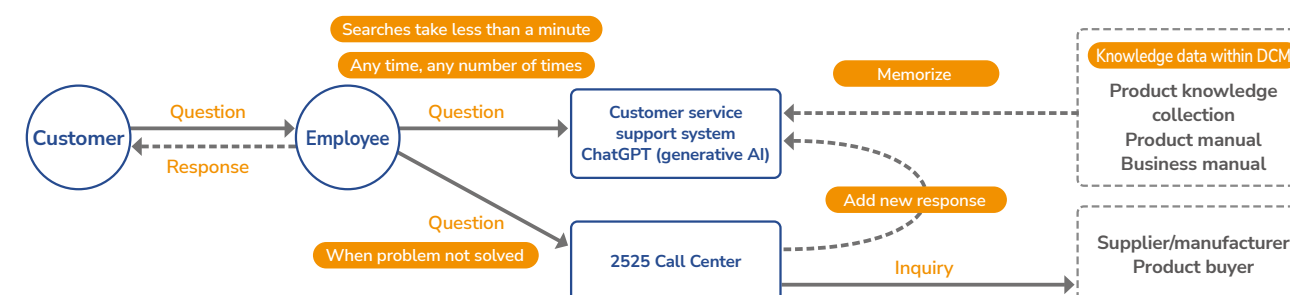
quickly search for similar cases at any time using their mobile devices, while also providing high-quality customer service.

The unique feature of D Advisor is that its generative AI derives responses based on DCM's product knowledge collection for employees (approximately 25,000 items) and past customer service cases (approximately 60,000 items) amassed at the 2525 Call Center. As a result, the accuracy of responses given by D Advisor is high, with scores of more than 80% on the exam questions for the in-house DCM Advisor qualification. Going forward, we will continuously update our internal data to improve the accuracy of our responses. The installation of D Advisor will enable even inexperienced sales staff to provide customer service on the same level as veterans, which we are expecting will lead to further improvements in customer satisfaction.

* 2525 Call Center

A dedicated call center operated independently to provide customer service support

Resulting inquiry flow



Business Strategies Product Policy Action Plan

Based on a new organizational structure that integrates product planning and logistics functions, we will work to further strengthen the DCM brand by expanding product development capabilities and establishing sustainable delivery methods

Hirokuni Kamiya
Managing Executive Officer
and Senior General Manager
of Merchandising Division,
DCM Co., Ltd.



Fiscal 2023 organizational changes: Strengthening product planning and promotion capabilities

In March 2023, we made organizational changes and incorporated the Product Planning Section with the Product Development Department. The purpose of this move was to strengthen product planning and promotion. By consolidating development and planning capabilities in the Product Development Department and linking “Products x Sales floor x Sales promotion,” we are focusing our efforts on raising the value of DCM brand products to the fullest extent.

Previously, the Product Planning Section’s task had focused primarily on how to promote the functions of DCM brand products and increase sales. However, we reconsidered that way of thinking and changed the direction of our role to one of identifying “What do our customers want?” The main reason was that our objectives had changed, and we decided that development would be smoother if they joined forces with the Product Development Department. This organizational reform has enabled us to explore new products based on specific customer requests, which has also led to shorter development times. One example is the DCM cutting board with no backing, which was launched in the summer of 2024. At a roundtable discussion with monitors, several people mentioned that they did not want to use the same cutting board to prepare fish, meat, and vegetables, and that washing the board each time was a burdensome chore. In response, we developed a

“floating cutting board” that can also be used on the reverse side and does not come into full direct contact with a counter. By placing product planning, which has responsibility for marketing, in the same department as product development, information can be shared more efficiently and faster, shortening the time from planning to launch by approximately 25% compared with the previous method.

Also strengthening our efforts from the perspectives of the SDGs and quality control, when conducting assessments of supplier factories we assess their social responsibility, quality, and management status according to an evaluation checklist we have created. Factory assessments and pre-shipment inspections are also carried out by third-party inspection companies, allowing DCM and our suppliers to work together to make improvements on any issues that are pointed out impartially from an external perspective. Conducting the pre-shipment inspections also helps us to provide products of consistently high quality. DCM does not directly own any factories, but through these efforts I believe that we have been able to put in place a system for product development based on DCM’s ideas—or in other words, the foundation for being the equivalent of a Specialty store retailer of Private label Apparel (SPA) manufacturing retailer with a medium- to long-term perspective—and plan to bring about the further evolution of this system in the years ahead.



Priority Initiatives for Fiscal 2024 Onward

1. Strengthening of DCM brand

When it comes to DCM brand products, we focus on planning and developing unique DCM products that can only be purchased at DCM to embody the “DCM-ness” of the brand. If I were to give my definition of unique to DCM products, I think of them as products that solve the inconveniences and dissatisfactions of our customers and that really help to make their lives and homes more comfortable.

In the 36-Month Project subcommittee, we are currently examining what would be the best way to come up with starting ideas for the development of a products that are unique to DCM. At a fundamental level, I think it is important to learn from the marketing and approaches of national brand manufacturers. We are also taking into consideration complaints about the DCM brand and suggestions for improvements received from our Customer Consultation Office as well as product reviews on our DCM Online e-commerce site. In addition, we are utilizing “home use tests,” which allow employees to test products and incorporate their feedback into the products, and “Pikka! Egg,” an idea contest that all employees are eligible to enter.

Every year, we receive a large number of submissions for “Pikka! Egg.” Since these are creative products, many of them

are well received by customers and become hit products when they are released onto the market. However, as up until now buyers have conducted the screening process, the tendency has been for them to be carefully selected based on criteria such as “Will it sell?” and “What would be the likely cost and selling price?” Thus those products that will be commercialized compared with the number of applications have been confined to a very small proportion. Henceforward, the Product Planning Department will take the lead in reviewing “Pikka! Egg” and unearthing the “eggs” of new value creation from among our employees’ ideas and hatch them as new products. I am hoping and expecting that an increase in the number of products being adopted for commercialization will boost employee motivation and create a virtuous cycle that will generate even more diverse ideas.

I also place importance on packaging developments that are linked to customers’ purchases. Product packaging and appearance exert a major influence on customers, so we will appeal to customers by changing the look of products on sales floors. For example, by unifying package design by category and presenting them as a surface on shelves rather than just as a point, we can arouse customer interest in the products, leading to purchases.

DCM brand products that arose from the “Pikka! Egg” product development idea contest



2. Main priority product initiatives

As one of our action plans for fiscal 2024, we are strengthening our horticulture and plant areas. We plan to increase the number of customers visiting our stores by offering “proposals for a green lifestyle.” To allow all our customers to enjoy gardening and plants, we will create sales areas and develop products that will be of interest even to beginners who do not have flower beds or vegetable gardens and make suggestions that will allow them to feel the presence of greenery in a variety of situations. From the perspective of product development, we will also strengthen our efforts to incorporate opinions from the sales floor by, for example, thoroughly collecting feedback from the Gardening Club, our in-house gardening community (see page 21).

We are also strengthening our collaboration with XPRICE Inc. and focusing on expanding sales of that company’s MAXZEN private brand (PB) home appliances at DCM stores (see page 47). In fiscal 2024, we started by deploying sales floor layouts geared toward new lifestyles and added MAXZEN electric fans to our lineup as a new summer product. Going forward, we will continue to expand the range of MAXZEN items we handle, increasing its market

exposure and promoting the quality of its products. It is also our policy to work in partnership with XPRICE on new product development and logistics reform.



Logistics Strategy

1. Organizational changes for fiscal 2024: Speeding up of logistics-related decision-making

As a result of the organizational changes in March 2024, the Merchandising Division and Logistics Division were merged. We established a Logistics Department within the Merchandising Division. The main aim of this organizational change is to be able to respond more rapidly to change. Having made information sharing smoother, allowing us to share information such as inventory status and product trends in real time, this move is also enabling us to carry out quick decision-making accurately. In particular, the processes from planning to ordering and delivery of DCM brand products will become more efficient, and the expected effects will include a reduction in related tasks.

There were significant benefits to be gained from integrating the logistics functions with the Merchandising Division. For example, when considering logistics-related questions—such as “By which supply route should products be transported?” or “In which logistics center should the inventory be stored?”—these issues were previously handled by different departments, and thus there were aspects where operations were being carried out with only partial optimization. However, the Merchandising Division is now able to make decisions with overall optimization in mind. We have a system in place that allows us to respond efficiently and flexibly to how we deliver products to each store while keeping total logistics costs as low as possible.

Fiscal 2023

Merchandising Division

Logistics Division

Fiscal 2024

Merchandising Division

Benefits from merging Merchandising Division and Logistics Division

- (1) Makes information sharing smoother, information such as inventory status and product trends can be shared in real time, decision-making can be carried out quickly and accurately
- (2) Enables more efficient inventory management, properly managed inventory reduces costs of over/understocking, increasing efficiency
- (3) Enables quick responses to market fluctuations and changing trends, also enables efficient and smooth responses when demand surges or new products introduced
- (4) Processes from planning to ordering and delivery of DCM brand products in particular have become more efficient with fewer unnecessary steps and communication delays, whole operation runs smoothly

2. Priority initiative for fiscal 2024 onward: Establishing sustainable delivery methods

Due to a shortage of truck drivers, there are concerns that not enough cargo will be transported. In response to this situation, we are working to establish sustainable delivery methods by thoroughly reconsidering the optimal delivery methods and reducing costs through thorough efficiency improvements.

First, we are working on three measures to streamline store deliveries: (1) concentration of delivery frequency by increasing the number of orders placed for popular items at one time and reducing the frequency of orders, (2) concentrating the number of deliveries by consolidating multiple deliveries into one shipment, and (3) consolidation of delivery trips to make deliveries to multiple stores on one trip. Stores will need to revise their operating plans due to changes in delivery times and frequency of deliveries, but I believe that it will be difficult to address the shortage of truck drivers unless we take measures of this kind to reduce the number of trucks in operation.

We will also work on joint deliveries and collaborations with other companies. In cases where stores are not going through a domination process (concentrating stores in a

specific area to secure a competitive advantage in that area) and are scattered in remote locations, truck loading rates will inevitably be low. We are considering partnering with other companies to carry packages for such stores. I believe that other companies are also feeling a sense of crisis, that the time will come when similar cases will occur and they will not be able to transport goods. Although there are still many challenges to overcome, such as costs and securing stable routes, in transcending corporate boundaries I would like to aim to provide a stable supply of products that are closely tied to local communities.

We are also considering a new initiative called milk runs (pick-up logistics). This is an approach that improves delivery efficiency by using post-store delivery return trips as product collection trips. Here too, there are challenges to be faced, such as adjusting store delivery times and supplier collection times and responding to fluctuations in volume, but I like to think that we will be equal to those challenges.

Fiscal 2023 Results

- Reduction in number of store deliveries
▲ 4,112 time (77.2% compared with previous fiscal year)
- Reduction in CO₂ emissions
▲ 2,624 t (84.7% compared with previous fiscal year)

Fiscal 2024 Plan

In addition to the initiatives we have taken so far...

Inventory and distribution base optimization

Joint deliveries

Milk runs (pick-up logistics)

etc.

Until now



Improvement and optimization of the logistics environment using in-house resources

From now on



DCM Logistics Center

Company A

Stable supply to areas where deliveries are difficult by means of logistics innovation that transcends boundaries

Column

Showcasing DCM brand products that help sustainable lifestyles

DCM is focusing its efforts on developing and selling products that help its customers lead sustainable lives. One example is the DCM Mint Insect Repellent and DCM Lemon Insect Repellent. As natural ingredients such as peppermint and lemon are used instead of chemicals to repel insects, these products are people-friendly. Some of the fragrances used include peppermint produced in Hokkaido and lemons from the Seto Inland Sea region.

Also, the packaging has been changed from the conventional gift box to a paper bag, reducing paper usage by 60% and also making these products environmentally friendly. We offer three types of each: one that can be attached to a screen door, another designed to be installed inside a trash can, and a dual-use type that can be placed both indoors and outdoors.



Financial Strategy

To become the overwhelming No. 1 in the industry, we will actively pursue M&A while also working to strengthen shareholder returns through dividends and the acquisition of treasury shares

Hisakazu Katoh

Executive Officer, Finance & Investor Relations
DCM Holdings Co., Ltd.
Director, Managing Executive Officer and Senior General Manager, Financial Division
DCM Co., Ltd.



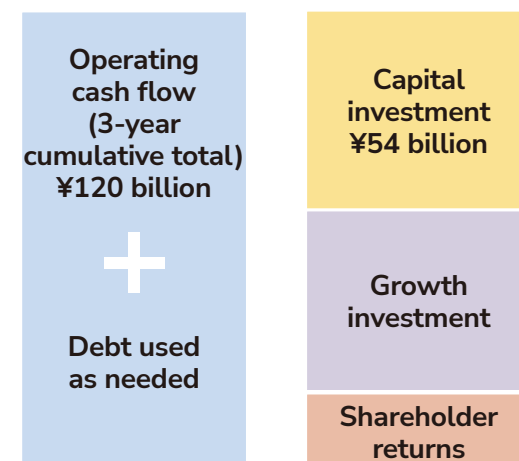
Operating cash flow

The third medium-term management plan assumes that the cumulative operating cash flow over the three-year period will amount to ¥120 billion. Although consolidated results for fiscal 2023, the first fiscal year, were slightly lower than expected, new store openings and other initiatives have proceeded largely as planned. In the meantime, the effects of our acquisition of Keiyo Co., Ltd. as a wholly owned subsidiary in fiscal 2023 were only felt in our performance in the fourth quarter. From fiscal 2024 onward, the company will be making contributions throughout the year, so I see no need to change the planned figure of ¥120 billion.

With regard to the effects of the merger between DCM Co., Ltd. and Keiyo, as an example we are expecting to see a reduction in selling and administrative expenses in the short term due to a review of the logistics system in the Kanto region and other factors. At our company, logistics costs are included in the cost of goods sold for private brand (PB) products, so reducing logistics costs will also lead to an improvement in gross profit margin. As with previous business integrations, we are also working to streamline redundant organizational structures in head office departments and elsewhere. I am expecting these effects to become apparent from the second half of fiscal 2024.

Capital investment

The amount of capital investment will vary from year to year, but I estimate that this will be around ¥15–20 billion per year. DCM and Keiyo merged on September 1, 2024. In accordance with the merger, investment in changes to store façade signs and other areas will be required, but I believe this will fall within the scope of the ¥54 billion investment plan envisaged under our third medium-term management plan. With regard to the systems for operating Keiyo's stores following the merger, the installation of "hard" (tangible) aspects such as cash registers has already been completed. In terms of the "soft" (intangible) aspects, the installation of DCM systems has negated the need to develop new software.



Growth investments and shareholder returns

Under the third medium-term management plan, I am expecting to allocate ¥50–100 billion to growth investments and share buybacks. Due to the efforts centered on making Keiyo a wholly owned subsidiary, the lower limit has already been reached. I am not sure whether an investment opportunity on a similar scale to Keiyo will arise any time soon, but I would like to actively pursue capital alliances and other such ventures with companies that endorse our Company Philosophy. Concerning our own investments, we are for example also considering investments that will organically link DCM with XPRICE Inc.

Capital investment

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

Figures in parentheses represent single-year capital investment projections.

Growth investment and shareholder returns

Billions of yen		
Item	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.

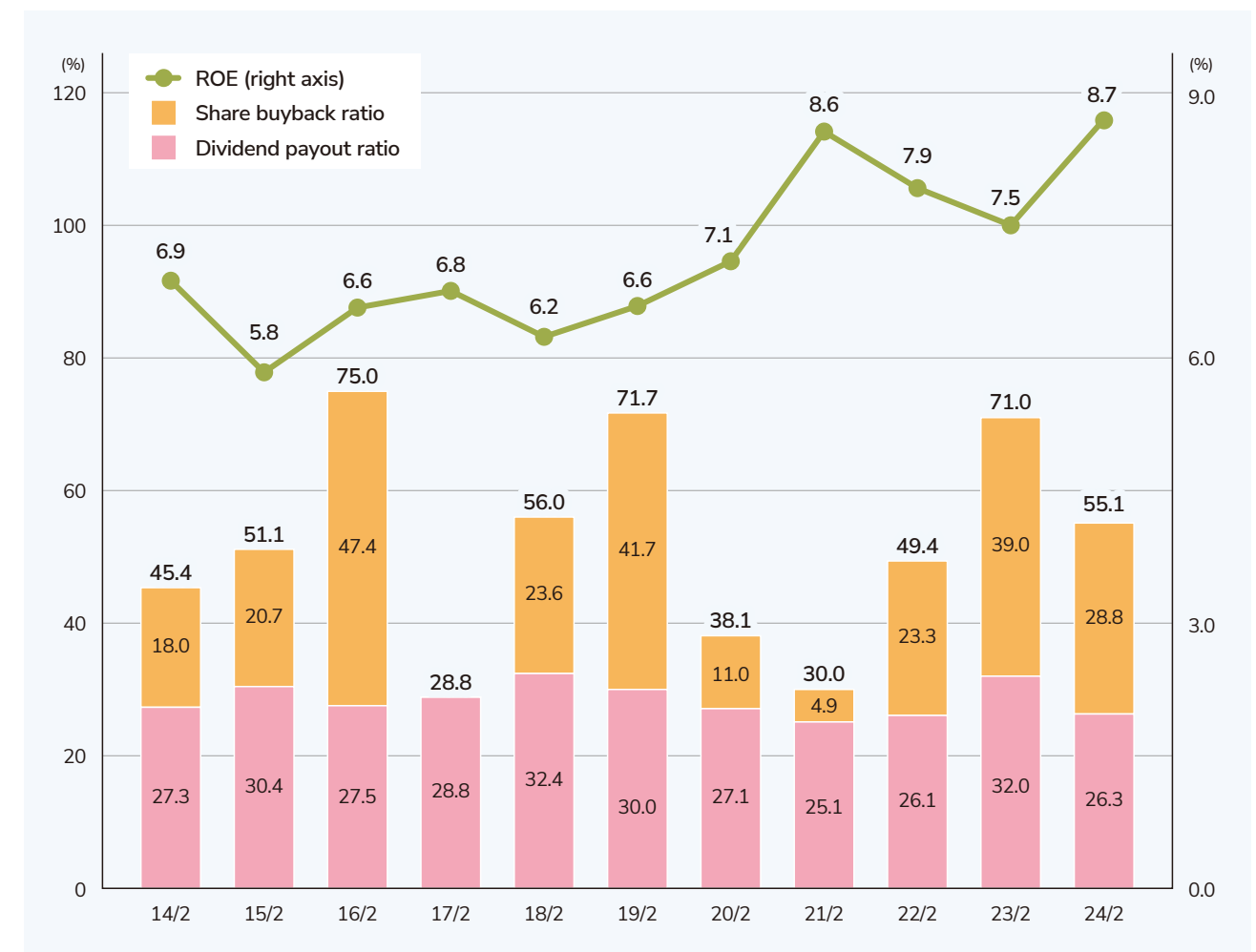
Cash and deposit levels

The balance of cash and cash equivalents at the end of fiscal 2023 was at the high level of approximately ¥93.7 billion. In addition to preparing for the risk of future interest rate increases and raising funds while interest rates are low, although I do not anticipate a situation in which we would be unable to raise funds from financial institutions when new growth opportunities arise, this was the Company making preparations so that we would be able to respond swiftly without worrying about fundraising.

Shareholder returns

Under the third medium-term management plan, the shareholder returns target is a dividend payout ratio of 35%. Although the external environment is challenging, exemplified by customers showing a tendency toward saving due to the weak yen and high prices, I would like to steadily increase dividends through the effects of the merger with Keiyo and the expansion of business performance through the progress of a raft of measures.

With regard to share buybacks, I will consider implementing them flexibly as necessary from the perspective of improving capital efficiency. At the fiscal 2023 financial results briefing, this question was put to me: "I view the acquisition of treasury stock positively, but what are your thoughts on improving stock liquidity?" Given the history of business integration to date, I recognize that the total number of our issued shares remains as high as ever. Although the number of shares outstanding will decrease when a company buys back its own shares, it also has the added benefit of increasing liquidity if the share price rises. Therefore, while I will of course strive to expand our business performance to achieve a price-to-book ratio (PBR) of 1, I would also like to combine this with measures such as share buybacks while ensuring financial stability.



M&A Strategy

1. Approach to M&A strategy

Our policy remains one of continuing to proactively pursue M&A strategies to further grow our home improvement business. I recognize that our share of sales in the home improvement market stands at approximately 15%. Going forward, I would like to raise our share of the market and establish an overwhelming No. 1 position in the home improvement retail center industry.

As I outlined earlier, there may not be another M&A opportunity on the same scale as Keiyo any time soon. In the

meantime, a certain level of strength is required to absorb rising raw material prices, including those affected by the weak yen, and soaring labor costs through cost controls such as promoting digital transformation (DX) and improving business efficiency. I am confident in our ability to undertake such initiatives, so if there are companies that empathize with our Company Philosophy, I will actively consider capital participation or business partnerships.

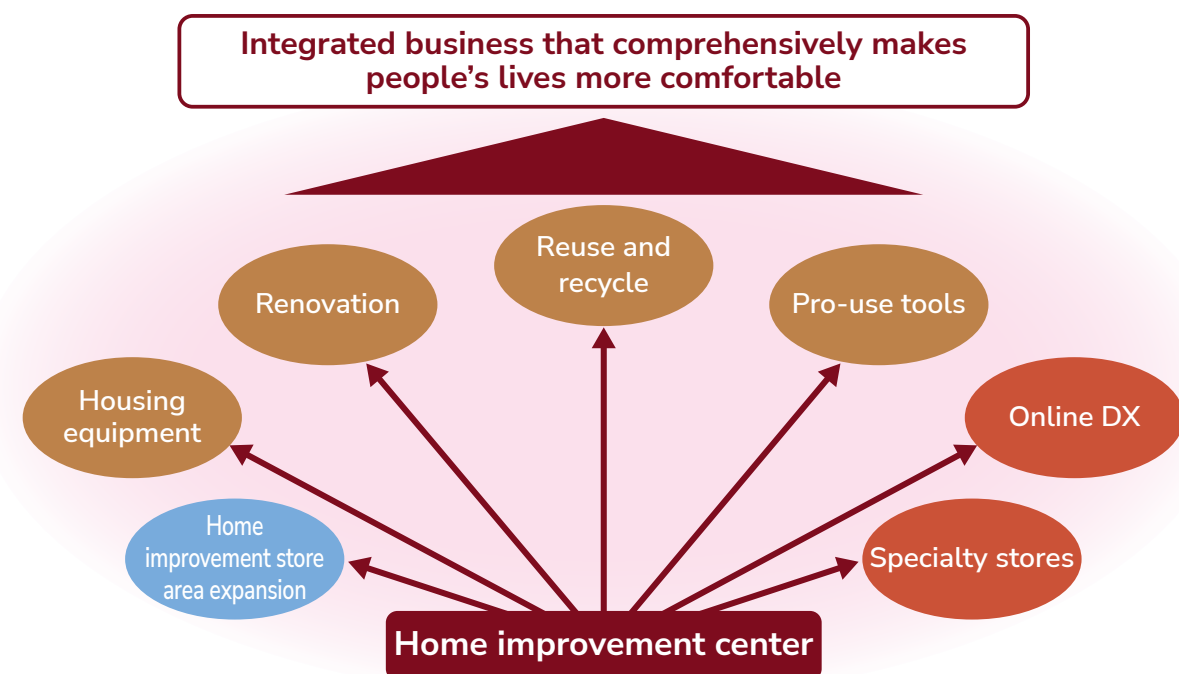
2. Two approaches to expanding our business areas

There are two main approaches to expanding our business areas through M&A. One approach is to expand sales of products, including PB products, and reduce purchasing costs by taking capital participation in or acquiring the businesses of other home improvement retailers.

The other involves the Company strengthening its various alliances as well as collaborations and functions with different industries toward further expansion of our vision of becoming an “integrated business that comprehensively makes people’s lives more comfortable.” The main target areas are home improvement businesses or renovation and remodeling businesses, reuse and recycling businesses, and online service providers that would be compatible with the home improvement business. I also believe that we need to develop highly specialized business models, such as Hodaka,

which specializes in products for professional use. This is something that we are currently looking into under the 36-Month Project. I believe that there are two ways to do this—to develop new businesses within the Group, or through M&A—and we will continue to work on them without narrowing our options.

With regard to the Company’s efforts to date, from the integration of the five operating companies in March 2021 to the recent merger of DCM and Keiyo, there have been no negative comments from investors or analysts, and the mergers were assessed as having been smoothly carried out. I would like to achieve results as quickly as possible so that all our stakeholders can have even greater expectations for the future of the Company.



Column

From Keiyo's perspective, effects of joining the DCM Group and future expectations

Previously an equity-method affiliate, Keiyo Co., Ltd. was made a wholly owned subsidiary in January 2024 and absorbed into DCM Co., Ltd. in September 2024. Through this column, we would like to convey the effects of the partnership so far from Keiyo’s perspective as well as what can be expected in the future.

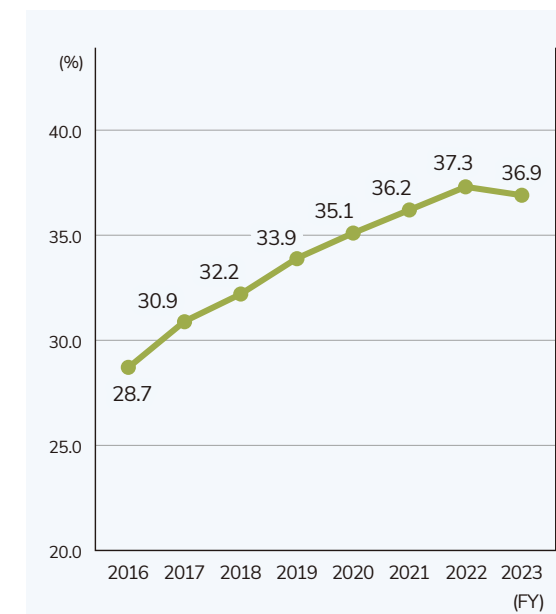
Effects of being equity-method affiliate when with DCM Holdings Co., Ltd.

Since concluding a capital and business alliance agreement in January 2017, the two companies had been working together primarily in the areas of products, logistics, and sales promotion to improve gross profit margins and reduce advertising and promotional expenses.

In terms of products, they had been carrying out joint purchasing by unifying suppliers, reducing purchasing costs by introducing common products, and implementing joint marketing measures by unifying the PB products of both companies into the DCM brand. In terms of logistics, they had been promoting the mutual use of logistics centers and joint deliveries, improving the efficiency of logistics management, and developing a logistics network. In terms of sales promotion, they had also been working to standardize their flyers and other promotional materials.

As a result of these efforts, they had been able to achieve a significant improvement of 8.2 percentage points in gross profit margin, which had previously been an issue, from 28.7% in fiscal 2016 to 36.9% in fiscal 2023. They had also been able to reduce their advertising expenses by ¥2.7 billion during the same period, which helped improve their operating profit margin by 3.7 percentage points.

Keiyo's gross profit margin



Following merger with DCM Co., Ltd.

Since the conclusion of the capital and business alliance agreement, the two companies had been steadily enjoying synergies through cooperation in areas such as products, logistics, and sales promotion as well as store operations. Keiyo had been sharing information and exchanging opinions with the DCM members for the past seven years, so it felt natural for them to become part of the DCM team. Previously, Keiyo had been a partner of the DCM Group, but now, as a member of DCM, would be contributing to the convenient and prosperous lives of our local customers and to the further development of the Group.

Effects of merger with DCM Co., Ltd.

(a) What could be expected

Enabling the consolidation of overlapping tasks in the headquarters administrative departments, the merger would also immediately benefit from synergies that would improve operational efficiency and reduce administrative costs by consolidating the administrative systems.

(b) Leveraging the management resources of both companies

By formulating a new medium-term management plan (our fourth) that will leverage the specialist human resources of both companies, we will build the next step for the DCM Group.

Leveraging the stores in the relatively densely populated Kanto region by means of the DCM Group’s know-how in each business format, store development, store management and operations, we will explore the possibilities of new business formats, implement marketing strategies, and increase the proportion of PB products in our sales.

Message to stakeholders

Keiyo closed its doors 72 years after the company’s founding in 1952, but this marks a new start for the company as DCM.

We believe that, under the leadership of the DCM Group, the company creed adopted by Keiyo’s founder—“Our company will contribute to society through sales and service,” “Our company will align the prosperity of the company with the happiness of its employees,” and “Our company will become a first-class company”—will be achievable in an even more forthright form. To all the stakeholders who previously supported Keiyo, please have high hopes for what the DCM Group will be able to achieve in the coming years.

Sustainability Management

DCM's business itself contributes to sustainability, and we believe the road to corporate value enhancement is fulfilling our social mission while targeting business growth

Masayuki Nakagawa
Director, Executive Officer,
in charge of Internal Control,
Management Strategy, and Public
Relations, DCM Holdings Co., Ltd.
Director, Managing Executive
Officer and Senior General
Manager, Management Strategy
Office, DCM Co., Ltd.



The home improvement retail business itself contributes to sustainability

As home improvement stores are a business supporting customers who repair things themselves or engage in DIY, the DCM Group views its business as being deeply connected to sustainability. Based on this idea, senior management have themselves communicated to employees that “sustainability is not a special activity, but the essence of our daily work,” and the Company is working to address sustainability as a measure aimed at enhancing corporate value over the medium to long term. Specifically, the spirit of sustainability and related issues are firmly incorporated into our long-term business concept and medium-term management plan, and we are working as one through the 36-Month Project, an internal, cross-sectional organization

that aims to resolve medium- to long-term issues. The 36-Month Project comprises eight tasks led by general managers, with several subcommittees within each task. Members from various departments participate in the tasks and subcommittees, utilizing their various perspectives and experiences to work toward the resolution of issues. From the perspective of corporate governance, the Sustainability Committee, chaired by the President, meets twice a year to review and evaluate the progress of sustainability-related issues, coordinate risk management, and research and study the latest trends, which are reported to the Board of Directors and discussed in more depth as necessary.

Various efforts aimed at cultivating a sense of participation among employees

We are engaged in various sustainability initiatives, including the popularization of DIY, the development and sales of products that contribute to achieving the SDGs, as well as efforts to reduce CO₂, use resources effectively and reduce waste, prevent disaster and crime, enhance human capital, and contribute to local communities. In terms of progress thus far, to popularize DIY, we introduced the DIY Reform format in stores (see page 22), so that customers who are interested in home DIY but have never tried it before, or are worried about working on their own for the first time, can gain experience and seek advice on how to hang wallpaper, install flooring, and perform other DIY projects. We also opened DCM DIY place in Ebisu, Tokyo (see page 23), with the aim of raising awareness and popularizing DIY. Furthermore, my sense is that the number of private brand (PB) products supporting sustainable customer lifestyles has increased in recent years. Regarding CO₂ reductions, we formulated a framework to systematically promote TCFD compliance, and we seized on the 2024 logistics problem as an opportunity to work on reducing the volume and frequency of deliveries in our logistics activities, which has resulted in increased operational efficiencies and reduced CO₂ emissions. Going forward, we want to deepen partnerships and expand contributions to the circular economy, such as the effective use of resources and waste reduction, from a point to a line, and from a line to a surface, throughout the entire supply chain. With regard to enhancing human capital, we have been working to improve measures for the active participation of women and senior personnel, and in 2024, we launched a

program to develop next-generation management personnel. Based on the belief that the ongoing cultivation of senior management personnel will lead to sustainable management, we restructured existing training programs to systematically develop the next generation of senior management personnel. With this new educational program, we aim to develop “human resources” into “human capital,” then into “senior management.” Furthermore, we set tree planting for environmental protection, disaster prevention support to protect lives and livelihoods, and community beautification as social contribution themes. Regarding disaster prevention, we leveraged knowledge and expertise gained from disaster prevention awareness-raising activities at stores and local events, as well as disaster prevention classes at elementary and junior high schools to launch a new project in Matsuyama, Ehime Prefecture, where we collaborate with local municipalities, companies, organizations, and universities to promote new disaster preparedness measures (see page 43). Volunteers visit the elderly and other households in need of assistance to provide the latest disaster prevention information and install anti-tip devices on furniture. Our employees also participated as volunteers, and survey results showed that many of them felt that they were making a contribution to the local community, proving that the event was extremely well received. Employee participation in social contribution activities has created a virtuous cycle that leads to increased motivation. Accordingly, please look forward to seeing more unique sustainability initiatives like the 36-Month Project that promote the resolution of medium- to long-term issues and employee participation in social contribution activities.

Overview of eight priority issue groups and 22 materiality issues

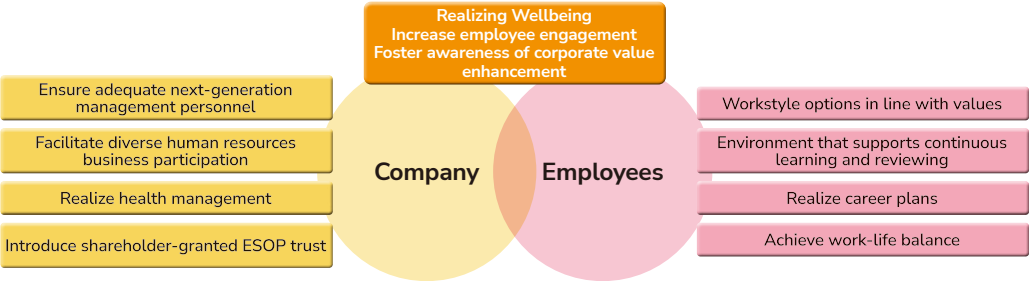
E	S	G	Core subjects of ISO 26000	No.	Materiality group <Why?>	No.	Materialities <What will we do?>	Main relevant SDGs
	S		Consumer issues	I	Achievement of a comfortable and sustainable community life and living	1	Building lifestyle variety stores loved by people and communities	
						2	Evolution of 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	
			Fair operating practices			6	Reduction in product packaging and containers	
			Environment			7	Promotion of collection and reduction of waste material, reuse, and recycling at stores	
	S		Consumer issues	III	Deepening of relationships with customers with whom we create new value	8	Pursuit of product quality and improvements that reflect customer opinions	
						10	Evolution of business and services through digital transformation	
				IV	Support of strong community resilience against disasters	11	DIY education and information transmission at stores	
						12	Establishment as community disaster prevention base	
	S		Human rights	V	Creation of a workplace where a diverse array of human resources can be active and respecting human rights	13	Development and sale of disaster prevention supplies	
			Labor practices			14	Respect for human rights, promotion of diversity and women in the workplace	
						15	Human resources development and creation of workplaces that are easy to work in	
E		G	Fair operating practices	VI	Construction of supply chain that gives consideration to the environment and society	16	Allocation of human resources to high-added value tasks through digital transformation	
						17	Promotion of CSR procurement	
	S	G	Organizational governance	VII	Stronger corporate governance	18	Promotion of CO ₂ emission reduction and effective utilization of resources in logistics	
						19	Stronger corporate governance and responsible dialogue with stakeholders	
						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	

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

Centralized management of human resources information

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

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 utilize 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. Learning through videos has become widespread throughout the company, with the average monthly usage rate over the past year standing at 75.4%. 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 in an environment that makes learning easy.

management of human resources information. 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.

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.

In this era of rapid changes in the business environment, the role and responsibilities of senior management responsible for steering the company are becoming greater. We have launched the Senior Management Training Program as a curriculum for systematically developing management talent. Participants are encouraged to develop a desire for self-innovation, and we are strengthening our training from a management perspective. From fiscal 2024, the program has been revamped, with three levels of classes established according to desired skills and generation, with training conducted long term over a two-year period per class. Participants apply on their own or are recommended by others and selected through a screening process, and we ensure a diverse range of people are able to voluntarily participate. Through training, we systematically develop human resources who will pave the way for the future, leading to enhanced corporate value and sustainable growth.

DCM Holdings education structure



Supporting the acquisition of qualifications

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.

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, with 1,238 advisors (as of end of May 2024), the largest number of Japan DIY•HC Association-certified DIY advisors in the industry, which differentiates us from our competitors.

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.

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 advisor
• 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. 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.

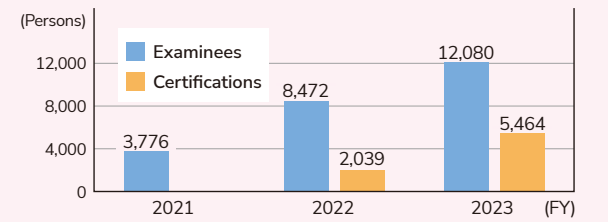
To this end, we have prepared an educational environment using books and videos to improve product knowledge in support of DCM Advisor certification acquisition. Additionally, product knowledge workshops, in which participants learn by using actual products, aim to help employees acquire knowledge and skills through classroom lectures as well as hands-on experiences.

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.

As certification enables employees to respond to customers with confidence, partner employees are proactively taking on the challenge, and since the system began, the number of people taking the exam and being certified has increased on an annual basis, with approximately 5,500 people certified in fiscal 2023 .

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.

DCM Advisor examinees and certifications (total people)



Notes:
1. In fiscal 2021, there were no certifications, only a pass/fail evaluation.
2. Certification is valid for one year.

2 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. As of March 2024, there were 658 female employees, accounting for 13.3% of full-time employees. Nearly half of the new graduates who joined the company in the past three fiscal years have been female, and we expect the ratio of female employees to continue to increase going forward, as we believe that creating an environment where women can play an active role is a pressing issue. 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.

As part of our efforts to create a comfortable working environment for women, we hold in-house exchange meetings for female employees. The aim is to create a new community among female employees, dispel anxieties female employees may have about their careers and life plans, gain mutual awareness and empathy, and create opportunities with the potential to lead to future systemic and cultural 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. A total of 283

Promoting the active participation of seniors

DCM has established a system facilitating the self-reporting of “desired work going forward” and “areas of expertise” to enable employees who have built up a variety of careers and experience within the company to continue playing active roles while utilizing their 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, there has been an increase in the number of employees who want to work as in-house craftsmen in the Sumairu Helper business, which is responsible for repairing and renovating housing equipment.

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

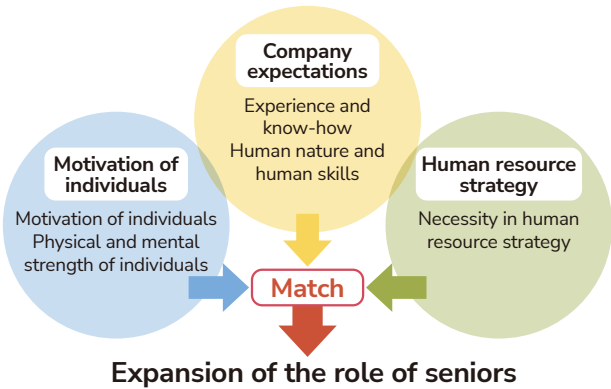
DCM has introduced an internal appointment system allowing partner employees to take on the challenge of becoming full-time employees with the aim of enabling employees who wish to advance their careers to full-time status to engage in rewarding work and achieve self-actualization.

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 fiscal 2008 who gained experience in stores and at the

employees participated in female employee exchange meetings in fiscal 2023.

As a new initiative in fiscal 2024, we invited female employees from other companies to give seminars on career advancement for women. A total of 114 female employees voluntarily participated in the seminar, which provided them with an opportunity to think about their own career development.

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 (3.4% as of end of March 2024).



head office, then from fiscal 2018 worked as a store manager, is now active as a manager in the head office division. Similarly, a female partner promoted to full-time employee in fiscal 2011 also gained experience in stores and advanced to store manager in fiscal 2023, taking charge on the front lines.

In fiscal 2023, a total of 16 employees passed the internal full-time employee appointment exam. DCM will continue to promote internal appointments as part of our career development efforts to increase the diversity of our human resources.

Side job system

In January 2024, we introduced a system enabling employees to request permission to engage in side jobs, with the aim of promoting career development and personal growth. We hope to create opportunities for employees to

acquire knowledge and skills that cannot be gained within the company that will lead to personal growth, synergies with their main career, and the promotion of innovation.

3 Promoting diverse workstyles

Increase in number of annual holidays

To improve work-life balance and promote mental and physical health, starting in fiscal 2024 we increased the number of annual holidays for employees by eight days, to a total of 122 days. As holidays are critical for maintaining health and the ability to work, we will continue improving this system.

Transfer classification system

We have introduced a transfer 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 transfer classifications: “area-free,” which allows enables to work anywhere in the country; “area,” which limits the place of work to a specified area; and “local,” which limits the place of work to an area within commuting distance of the employee’s place of residence.

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.

My City system

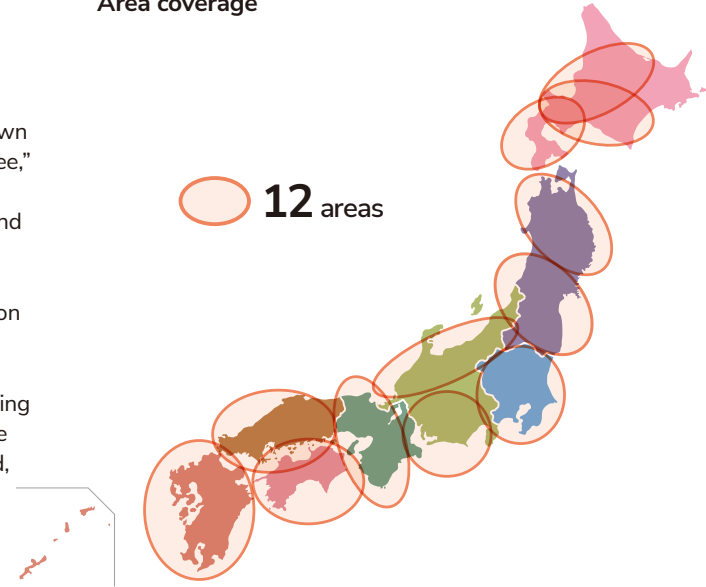
The My City system, which enables employees to choose their base of operations, was introduced in fiscal 2024. This system enables employees eligible for nationwide transfers to select their desired location, respecting the wishes of individual employees while enabling them to play active roles.

Childcare and nursing care support system

Our childcare and nursing care support system benefits exceed 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 2024, we introduced the Iku-boss/Care-boss certification system in an effort to create a work environment in which employees feel comfortable consulting with their superiors.

Area coverage



Additionally, if an employee’s workplace is located far from My City, we provide extra compensation in support of lifestyles and returning home, so that employees working far from My City can work with peace of mind.

In fiscal 2023, 43 male employees utilized childcare leave and DCM’s maternity leave system, and the male childcare and nursing care leave utilization rate has increased substantially over the past several years to 69.4%.

We will continue to promote diverse workstyles to further support the self-realization of all employees while respecting the diverse values of each employee.

Response to TCFD (climate change countermeasures)

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 perform 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)	↑	—	8: Promotion of energy conservation at stores and expansion of renewable energy use
		Introduction of renewable energy			
		Carbon tax introduction (in supply chain)			6: Reduction in product packaging and containers 7: Promotion of collection, reduction, reuse, and recycling of waste at stores
		Stricter regulations on raw materials for products, etc.			
		Tighter regulations on industrial waste disposal			—
		Tighter building standard regulations			
		Stricter regulations on cargo transport vehicles			
		Increased scope of information disclosure			18: Promotion of CO ₂ emission reduction and effective utilization of resources in logistics
	Market changes	Changes in consumer environmental awareness and lifestyle	↑	—	19: Stronger corporate governance and responsible dialogue with stakeholders
		Impact of switch to reusable raw materials			1: Building lifestyle variety stores loved by people and communities 5: Development and sale of products that contribute to a fulfilling life, resource recycling, and decarbonization
Structural changes in local conditions due to climate change		—			
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	↑	↑	12: Establishment as community disaster prevention base
		Impact on damage insurance			
	Chronic physical risks	Store relocation due to rising sea levels			8: Promotion of energy conservation at stores and expansion of renewable energy use
		Increase in air conditioning equipment			—
		Impact on wood, wooden products, and gardening products			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 environment awareness and changes in lifestyle	↑	—	1: Building lifestyle variety stores 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			13: Development and sale of disaster prevention supplies
		Expanded demand for disaster prevention products			
	Markets	Growth of DIY market			1: Building lifestyle variety stores loved by people and communities 4: Creation of hardware-specialized stores to support professionals and DIY 11: DIY education and information transmission at stores
		Policy incentives			1: Building lifestyle variety stores loved by people and communities 5: Development and sale of products that contribute to a fulfilling life, resource recycling, and decarbonization 11: DIY education and information transmission at stores
	Resilience	Provision of emergency supplies in disasters			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

Social Contribution Initiatives

DCM Group collaborative approach to CSR

Before the merger of our home improvement retail business companies, DCM Group companies engaged in CSR activities individually. In line with our management integration in March 2021, we reorganized our approach to CSR and positioned “collaboration” as the key word for ONE DCM. Our hope is that by leveraging our core competencies as a home improvement retailer and having employees engage in CSR activities together with local residents, we will be able to contribute to local communities and help people experience and empathize with the “Do Create Mystyle” Company Philosophy.

Our CSR activities are centered on environmental protection, disaster prevention, and community beautification. In these areas, our employees are working to contribute to society while providing their own skills and expertise. Participating in CSR activities also provides opportunities for employees to experience our management philosophy and deepen their understanding of their how daily work is linked to our long-term business concept and the SDGs.

In this section, we introduce examples of our CSR efforts: tree planting activities, the effective use of resources, and disaster prevention activities.



Environmental conservation

1. DCM Forest Project

As our business is made possible by the bounty of nature—primarily lumber, a DIY material—we place particular emphasis on environmental conservation. As part of these conservation efforts, we launched the DCM Forest Project in 2007, a tree planting project that began in Hokkaido. In fiscal 2021, the project was expanded nationwide, and each year, approximately 60 employees and their families participate in each location where these activities are held across Japan. In fiscal 2024, the project will be expanded to five locations, with two in Hokkaido, and one each in Tohoku, Chubu, and Shikoku, bringing the cumulative number of trees planted thus far to approximately 110,000.

In addition to fulfilling our mission of protecting forests, tree planting activities offer a variety of benefits, such as refreshing employees and creating memories of outdoor activities with their families. In a survey of participants, comments included, “I was glad to be able to engage with people from other stores,” “It was so fun that it blew away all the concerns I had before participating,” “I enjoyed a valuable experience with my child,” and “It was instructive for parents and children to learn about nature and forest conservation together.” Many of the participants expressed a desire to participate again next time, which not only fosters local pride among employees but also leads to increased loyalty.

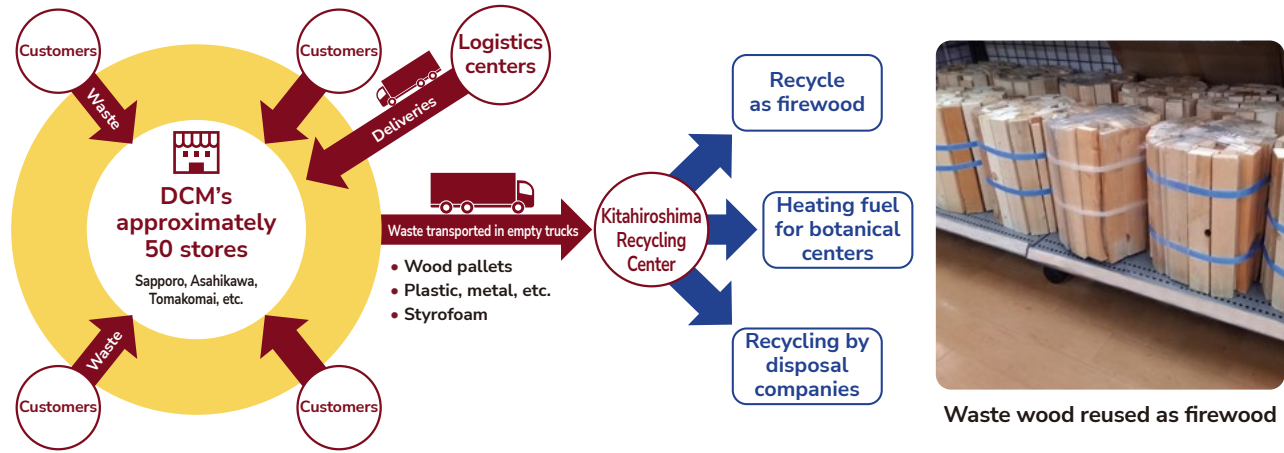


2. Resource recovery at stores and initiatives at DCM Kitahiroshima Recycling Center

All DCM stores collect waste such as used printer ink cartridges, button batteries, rechargeable batteries, and car batteries, with some stores also collecting used clothing and paper. DCM is working to reduce environmental impacts and make effective use of resources.

Furthermore, the DCM Kitahiroshima Recycling Center, located next to our logistics center in Kitahiroshima City, Hokkaido, recycles waste collected from the cities of

Sapporo, Asahikawa, and Tomakomai, as well as waste (wood and plastic pallets, lumber, scrap iron, and Styrofoam) collected using trucks empty after delivery of goods from 52 stores and two logistics centers. The lumber is recycled as firewood, a heating material frequently used for camping and an essential part of everyday life. It is also used as heating fuel at our botanical centers.



Disaster prevention

1. Disaster prevention awareness activities

With regard to disaster prevention aimed at the sustainable development of local communities, we believe it is important that, in addition to selling products, home improvement centers also provide the latest disaster information and knowledge. Based on this idea, under the slogan “disaster prevention DIY,” we are (1) raising awareness in stores, (2) holding exhibitions in local communities, and (3) conducting disaster prevention classes at elementary and junior high schools. In addition to providing people with the opportunity to actually try out disaster prevention products and supplies

at stores and local community exhibitions, we also distribute booklets that contain advice on which items and how much to prepare.

Comments received from customers include, “I’m glad you’re providing the latest disaster prevention knowledge and survival tips,” and “If done according to your recommendations, I can prepare for disaster prevention all by myself.” As a Company operating home improvement stores, we have a strong sense of the importance of promoting activities that protect the lives and livelihoods of local residents.

2. Disaster prevention activities with local communities

Going a step further in promoting awareness in stores and through exhibitions in local communities, we proposed and led a community collaborative disaster prevention initiative in which local residents supported the elderly and other households in need of assistance, and in June 2022 we launched the “New Preparedness Support Team in Matsuyama,” the first collaborative scheme in Japan involving industry, government, academia, and the public. The Executive Committee (comprising local companies and organizations that support the aims of the project) has signed an agreement with the city of Matsuyama in Ehime Prefecture and Ehime University to support the elderly and other households in need of assistance who wish to participate in the project. Every year, local volunteers trained and organized as supporters visit over 100 households in the

city to provide the latest disaster prevention information and install anti-tip devices on furniture. Going forward, we will use efforts conducted in Matsuyama as a model case as we expand these activities to other areas with high disaster risk.



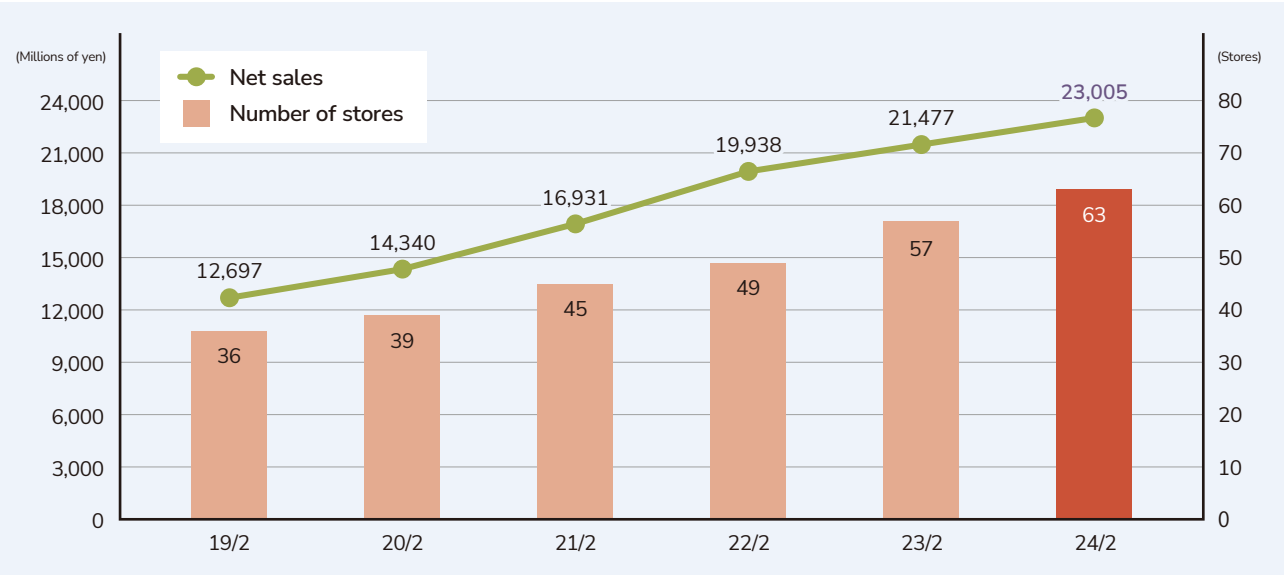
Group Initiatives

Specialty Store Selling Tools, Hardware, and Work Supplies
Hodaka Co., Ltd.



Proactively Expanding Specialty Stores
for Professionals

Hodaka net sales and store numbers



In 2008, Hodaka Co., Ltd. narrowed its target to professional craftspersons and commenced business mainly through physical stores with the aim of contributing to the development of Japanese craftsmanship culture and the preservation of delicate artisan skills unique to Japanese people.

To ensure that skilled craftspersons particular about their respective fields are able to do first-rate work, they are served by knowledgeable, first-rate employees who recommend first-rate products that are durable, long-lasting, and attractive that customers can actually touch and choose from well-stocked, first-rate sales floors that make products easy to understand and purchase, among other efforts to work with craftspersons and resolve issues from their perspective.

Although we are a chain store, we will boldly change our product lineup to suit craftspersons living in each region, and continue moving forward to enable these craftspersons to shine even more.



Keizo Honda
Representative Director and
President, 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 craftspersons can shine on the job and engage in first-rate work.

Hodaka operates 63 stores in 26 prefectures across Japan (as of end of February 2024), with sales exceeding ¥23.0 billion. Since many craftspersons 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 craftspersons.

We will continue to develop human resources and provide products and services that meet the needs of craftspersons with consistently high standards, while accelerating the pace of new store openings by taking on the challenge of establishing new store formats, including the opening of stores in existing downsized DCM stores, and ultra-small turnkey stores with narrow product lineups based on tools and work supplies, and we expect to expand to 120 stores by the end of fiscal 2030.

We will accelerate business growth by expanding our store network and improving our product lineup and services to establish a presence near worksites to support skilled craftspersons who are busy traveling around the country.



Hodaka Suzuka store



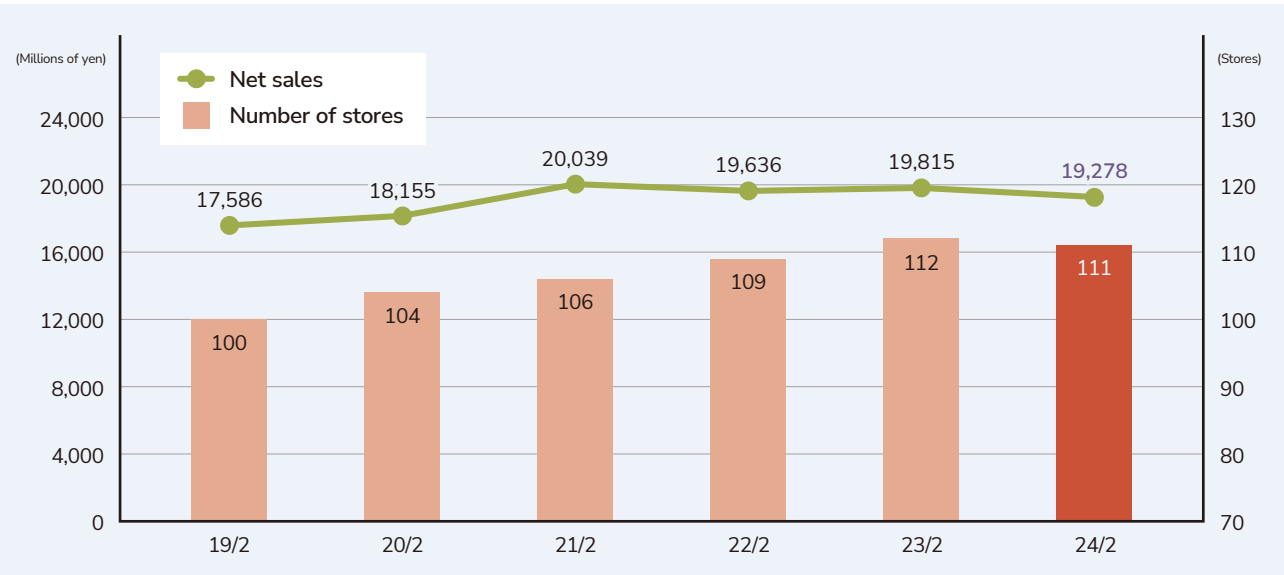
Hodaka Kawasaki Kajigaya store

Home Convenience Stores in Small Business Areas
DCM Nicot Co., Ltd.



Seeking to Enhance Customer Convenience
with Product Lineups that Incorporate
Regional Characteristics

DCM Nicot net sales and store numbers



DCM Nicot Co., Ltd. was founded in Hakodate as Tsuruya Kanamono-ten, and will celebrate its 75th anniversary in 2024.

We would like to express our gratitude to all stakeholders who support our company. Due to the impact of the pandemic, people are reconsidering the potential of rural areas as the population becomes increasingly concentrated in urban areas. We will make greater efforts than ever before to strengthen ties with local organizations, and promote regional revitalization efforts through the creation of stores supported by customers and proactive new store openings.

Fiscal 2024 is also the second year of our second medium-term management plan “Challenge” (fiscal 2023–2025). We will take on challenges in terms of people, products, and experiences as we make efforts to further enhance corporate value over the long term.



Hidetoshi Takahashi
Representative Director and
President, DCM Nicot Co., Ltd.

We proactively open stores in rural areas where shopping is difficult under the concept “delivering great convenience to small towns.” As a “home convenience store” (a portmanteau of “home center” and “convenience store”), we aim to be a convenient store that provides the necessities of everyday life, stocking not only daily necessities but also frequently used tools and materials, seasonal products, clothing, groceries, furniture, and home appliances. 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. With respect to our lineup of groceries in particular, we work with local businesses to offer products that can only be found in that area.

There are two main types of DCM Nicotto stores, those that sell groceries and those that do not. We use different store types to improve our ability to attract customers by differentiating ourselves from our competitors.



DCM Nicot Hitachi Ogawa store

Leveraging the DCM Group EC platform, 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 even in regions where shopping is inconvenient, enabling DCM Nicot to facilitate enjoyment in the daily lives of regional customers, reduce their burdens, and increase their happiness. 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 Okura store

Operates an e-commerce site focused on household appliances
XPRICE Inc.

Two years have passed since we joined the DCM Group, and synergy effects are being seen at both DCM Co., Ltd., and XPRICE Inc. Earnings are improving steadily thanks to sales of private brand (PB) home appliances MAXZEN at DCM stores, the development of suppliers for both DCM and XPRICE, and sales promotions on the e-commerce sites of both companies. We will continue to accelerate these efforts, further expanding our product lineup and promoting the sharing and utilization of management assets (IT, human resources, platforms, etc.) to maximize the benefits of e-commerce and improve efficiency. Additionally, we will continue to take on new initiatives and expand our business, including the provision of housing equipment construction and services on our EC site, and grow as the EC division of the DCM Group.



Toshimitsu Shimizu
Representative Director and
President, XPRICE Inc.

Since its founding in 2004, XPRICE has been an e-commerce company specializing in the sale of a wide range of products, with a focus on home appliances. The company name was coined by combining extreme (or “ultimate”) and price, embodying XPRICE’s ambition to provide the ultimate service unique to home appliance e-commerce at a price customers can trust

The e-commerce site managed by XPRICE also has stores in external malls, and has received consecutive awards from multiple malls, including Rakuten Marketplace, and is highly regarded in the EC industry. In addition to our carefully selected range of home appliances, we also offer set up and installation services for purchased products, a distribution

center that facilitates efficient deliveries, and a directly operated customer center to ensure customers receive value for money, peace of mind, and convenience.

Leveraging experience cultivated by XPRICE in the home appliance online retail operation, MAXZEN is a line of simple (generic) private brand (PB) home appliance products created to make products that customers truly need (see page 47).

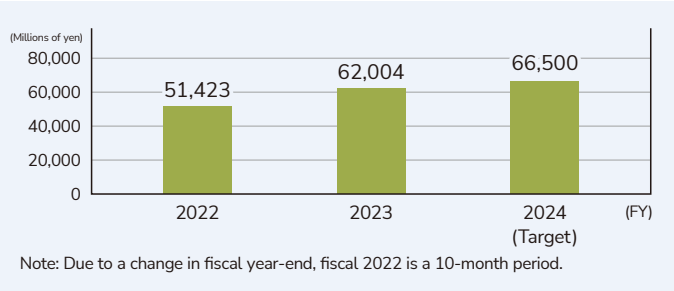
As part of the DCM Group, XPRICE will continue to improve customer convenience and create new value in both our physical and online stores as we work toward our goal of transforming into an integrated business that comprehensively makes lives more comfortable.

Customer satisfaction
98%
*Fiscal 2023 average
Kakaku.com shop evaluation

Awards received
40
Rakuten Marketplace,
Yahoo! Shopping, others
*2023 results

Rakuten Marketplace ranking
No. 2
Approx. 55,000 stores
*2022 results

XPRICE Inc. net sales (consolidated)



State-of-the-art large-scale logistics center that facilitates same-day shipping and short delivery times

Column

Overview of MAXZEN

MAXZEN

MAXZEN is a private brand (PB) owned by XPRICE Inc., a DCM Group company that operates XPRICE, one of Japan’s largest e-commerce sites focused on home appliance products. The brand name MAXZEN was coined by combining MAX (ultimate) and ZEN (Buddhism), and expresses the concept of providing ultimate luxuries at reduced prices.

MAXZEN believes in identifying the true needs of our customers and then providing simple products that thoroughly balance functionality and price. To this end, during the product development stage, we also incorporated the perspectives of home appliance retail store employees who have ample experience interacting with customers. In terms of quality control, we have strict outsourced manufacturing standards in all processes, from design and parts used to packaging, and our staff also conduct on-site factory inspections. We have established a system that consistently ensures high quality based on long-standing relationships of trust with powerful partners.

Starting with the launch of LCD TVs in fiscal 2013, MAXZEN has specialized in large home appliances such

as refrigerators and washing machines. We have established a solid reputation with customers for our logistics system that facilitates the delivery of even large home appliances quickly to customers across Japan, as well as for our aftersales service, which includes phone support by Japanese staff. In terms of product lineups, in addition to large home appliances, we offer approximately 250 items in 21 categories, including small home appliances such as vacuum cleaners and humidifiers, as well as kitchen appliances, with cumulative sales of over 1.68 million units. Our concept of “simple home appliances that eliminate unnecessary functions to keep prices low” has been recognized by the Japan Generic Home Electric Appliance Promotion Committee, which awarded MAXZEN the Generic Home Appliance Product Award* for the second consecutive year.

From fiscal 2025, we have launched the provision of products sold only in DCM stores, and enhanced collaborations. Going forward, we will also strengthen collaborations in terms of logistics, and work to further improve cost performance.

* 7th Generic Home Appliance Products Award - Audio-Visual Appliances category
8th Generic Home Appliance Products Award - Household Appliances category

MAXZEN products



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

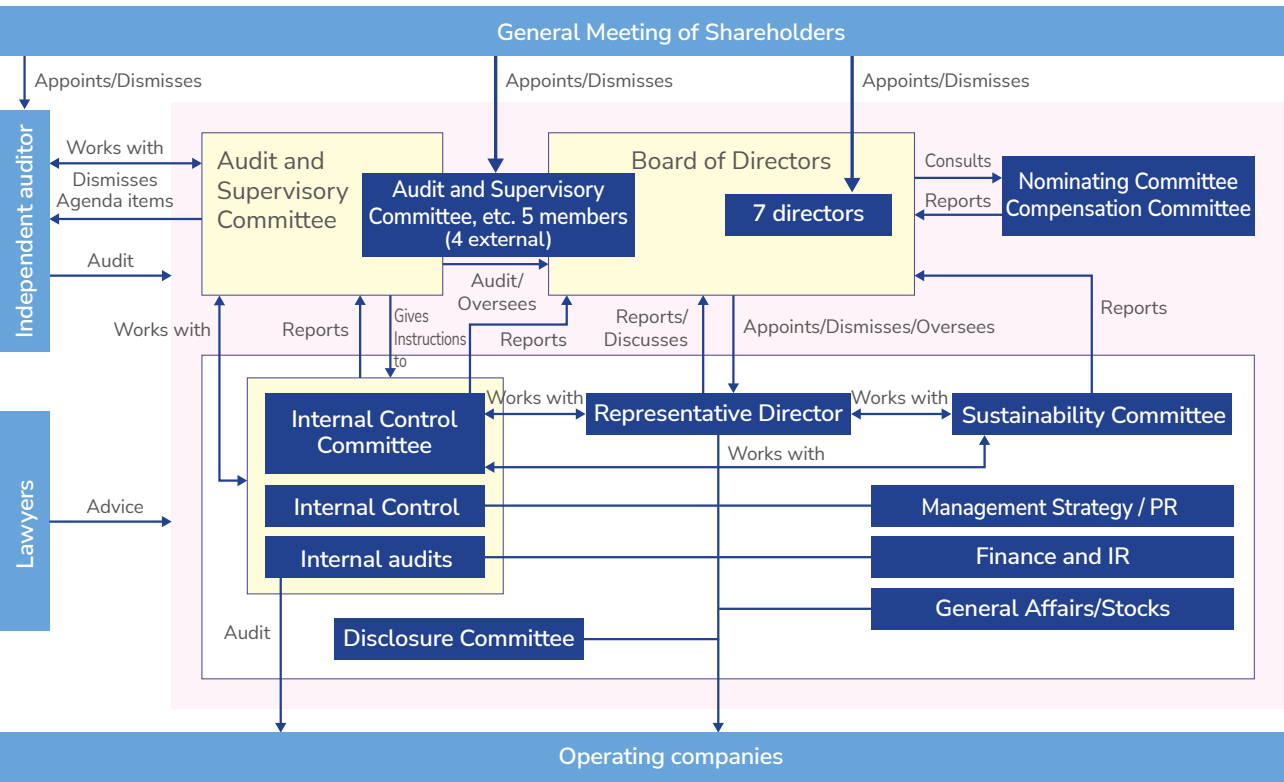
We have adopted an Audit and Supervisory Committee system based on our determination that an auditing and supervision system implemented by an Audit and Supervisory Committee is effective as a management supervision function. We believe that by establishing an Audit and Supervisory Committee with organizational 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.

Efforts to improve the Board of Directors' effectiveness

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 2023, 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.

Board of Directors

Directors



Toshihiro Hisada
Representative Director and Chairman, 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 in charge of Hodaka business
Representative Director and President, Hodaka Co., Ltd.



Toshimitsu Shimizu
Director, Executive Officer in charge of XPRICE business
Representative Director and President, XPRICE Inc.
Representative Director and President, MAXZEN Inc.



Masayuki Nakagawa
Director, Executive Officer, in charge of Internal Control, Management Strategy, and Public Relations
Director, Managing Executive Officer and Senior General Manager, Management Strategy Office, DCM Co., Ltd.
Director, DCM Advanced Technologies Co., Ltd.



Hiroshi Ogame
Director
Representative Director and Chairman, CEO, Daiki Axis Co., Ltd.
Representative Director and President, Daiki Axis Venture Partners Co., Ltd.



Koji Jitsukawa
Director



Kenjiro Terada
Director
Audit and Supervisory Committee Member, DCM Co., Ltd.

Standing Audit and Supervisory Committee Member

Independent Outside Directors



Michio Masukawa
Director
Outside Director, The Yamanashi Chuo Bank, Ltd.

Audit and Supervisory Committee Member

Chairman of Nominating Committee Member

Chairman of Compensation Committee Member



Naoki Uno
Director
Outside Director, TerraSky Co., Ltd.

Chairman of Audit and Supervisory Committee Member

Nominating Committee Member

Compensation Committee Member



Hikaru Oguchi
Director
Partner, Nishimura & Asahi (Gaikokuho Kyodo Jigyo)

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	Representative Director and Chairman, 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								
Kenjiro Terada	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)								

Outside Director Messages



Michio Masukawa
Director
Outside Director, The Yamanashi
Chuo Bank, Ltd.

With the Group Fully Assembled, It's Time for the "Second Act"

Looking back over the past year, I feel that it was the year in which we completed the first act of our rise to become the largest company in the industry. The smooth integration has solidified the Group's management team and our low-cost mentality has become widely established and is being put into practice.

From here, we are ready to move on to the "second act." Although I expect the Company to grow into a leading player in the industry, I think the surrounding environment will be quite difficult. First, there is the trend toward the SDGs and decarbonization. I hesitate when it comes to some of the overly logical arguments, but if I think about these issues in terms of "moderation and compassion," I can accept them. Fulfilling social responsibilities is important as a leader, but I would also like to see the Company proactively create products and services that leverage these trends. Next, there is the issue of an aging population and the subsequent decline in population. One in three or four people is already an elderly person, and this is the most pressing issue that requires a completely different way of thinking. Furthermore, global politics, economies, and societies are becoming destabilized on a scale not seen in decades, making the future difficult to predict. We need to be more vigilant than ever before, share information across the Group, and make flexible and swift decisions.

Needless to say, under these circumstances, strengthening profitability is our top priority. Dividends, wages, and social contributions are all impossible without profitability. Low-cost operations are the foundation, and quality products are the most important thing of all. I look forward to seeing the creation of interesting and useful private brand (PB) products, and hope DCM continues to take on challenges without fear of failure.



Naoki Uno
Director
Outside Director, TerraSky Co., Ltd.

High Expectations for Tokyo Metropolitan Area Store Network Expansion and Unique Group Management

The biggest event for DCM Holdings over the past year was the acquisition of Keiyo Co., Ltd. as a wholly owned subsidiary. This acquisition expands the Company's store network in the Tokyo metropolitan area, Japan's largest market, and with Keiyo taking over the DCM Group's efficient business management structure, I expect this will greatly contribute to the Group overall in terms of both increased sales and cost reductions. At all stores in the newly expanded store network, the DCM Group will deploy the various innovative initiatives it has implemented at DCM DIY place in Ebisu in Tokyo, sell MAXZEN PB home appliances from XPRICE, which offer customers high value for money, and further expand the BOPIs system, which has proven extremely successful in bicycle sales and other areas. I expect these efforts will enable the Company to communicate its unique value to customers more effectually than ever before.

The DCM Group has built an efficient management structure that can raise the bottom line even in the absence of top-line growth, which gives the Company an advantage in Japan, where the overall pie is shrinking. Additionally, Hodaka, which transitioned from a subsidiary of DCM Co., Ltd. to a subsidiary of DCM Holdings, and now enjoys greater management freedom, and XPRICE, which has become more stable as a company specializing in e-commerce, are expected to increase their contributions to the Group. I believe fiscal 2024 will be a year in which the DCM Group achieves solid results as a highly profitable corporate entity.



Hikaru Oguchi
Director
Partner, Nishimura & Asahi
(Gaikokuho Kyodo Jigyo)

Aiming to Contribute as an "Integrated Business that Comprehensively Makes People's Lives More Comfortable"

In fiscal 2023, the DCM Group completed the preparations necessary for its transformation into an integrated company that makes people's lives more comfortable. The evolution from a company that sells goods to one that comprehensively provides affluent lifestyles shows various possibilities. For the DCM Group, which has over 840 real stores across Japan, providing customers nationwide with products and services, as well as affluent lifestyles through shared spaces and experiences, is itself an effort aimed at resolving Japan's sustainability issues. I sense that a new virtuous cycle is being created in which employees of different ages, genders, and places of origin bring together diverse knowledge and experience to create new things while having fun, which in turn contributes to making each customer's life more comfortable, forming revitalized communities, and ultimately leading to a sustainable society.

DCM DIY place, a hands-on DIY home improvement store located in Tokyo's Ebisu district, is also focused on creating a community to hold events for parents and children and conduct other activities. DIY workshops using environmentally friendly materials and health events featuring physiotherapists are also popular at stores across Japan. The Social Welfare Support Shop sells and rents nursing care products and social welfare equipment, and also provides support for home renovations and the use of nursing care insurance. Hodaka is home to a thriving professional and semi-professional community.

In fiscal 2024, I hope to see the birth of new business initiatives that will bring customers closer to their dreams and, as a result, contribute greatly to business earnings.



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

Anticipating Evolution Leveraging Group Strengths and Synergies

This past year has made me feel that DCM Holdings has established the foundation for ongoing evolution and change. What gave me a particularly strong sense of the foundation for future expansion was the acquisition of Keiyo Co., Ltd. as a wholly owned subsidiary, which was conducted through a takeover bid (TOB) conducted from October 2023. The addition of this wholly owned subsidiary has enabled the DCM brand to increase its presence and share of sales in the industry. We had been working to strengthen our relationship with Keiyo as a partner company to ensure a smooth integration, promoting joint purchases and the joint development of new private brand (PB) products, and in fiscal 2022 the DCM Group increased its stake in Keiyo to 31.8%, which I think enabled the acceleration of Keiyo's integration and the formation of ONE DCM. Going forward, I expect the Company to leverage its foundation bolstered by the addition of Keiyo and XPRICE, carefully consider its unique strengths and synergies, and make advances Group-wide.

I believe this is a critical time that requires continuous change and advances, both for the DCM Group and in the distribution industry overall. The DCM Group will continue striving for "change" through measures that include developing the next generation of leaders, digitalization, advancing Hodaka, a specialty store for professionals, and the development of private brand (PB) products tailored to customer needs. I look forward to being able to report on our progress in Integrated Report 2025.

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 2023 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	- 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. - There is a possibility that plans for new store openings may be affected by legal restrictions that delay store openings.	- 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. - 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.
Risks Associated with Climate Change	- 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. - 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.	- DCM makes efforts to procure products from multiple suppliers in order to maintain stable procurement. - 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. - Going forward, the Sustainability Committee, chaired by the President and COO, will continue to discuss specific countermeasures
Risks Associated with Sales Fluctuations	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.	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.
Risks Associated with Natural Disasters and Other Emergencies	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.	- 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. - In the event of a disaster or other emergency, we create a task force to ensure business continuity through Group-wide coordination.
Risks Associated with Infectious Disease	- 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. - 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.	We have created guidelines to ensure that prompt and appropriate action is taken when such risks materialize.
Risks Associated with Private Brand (PB) Products	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.	- 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. - 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.
Risks Associated with Fixed Asset Impairment	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.	We check for signs of impairment, and if there are any concerns regarding impairment, we take steps to improve profitability and reduce risk.
Risks Associated with Exchange Rate Fluctuations	There is a possibility that our business performance may be affected in the event exchange rate fluctuations are greater than expected.	DCM strives to reduce risks by entering into forward exchange contracts.
Risks Associated with Interest Rate Fluctuations	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.	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.
Risks Associated with the Leak of Personal Information	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.	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.
Risks Associated with Company Acquisitions and Business Transfers	- There is a possibility that unanticipated contingent or unrecognized liabilities may arise when conducting M&A activities. - There is a possibility that our business performance and financial position may be affected in the event the synergies initially envisioned are not realized.	When engaging in M&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&A activity, and the appropriateness of the acquisition price, among other efforts aimed at minimizing risk.

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.

Financial Highlights

	(Millions of yen)				
	2020	2021	2022	2023	2024
Results of Operations					
Net sales	430,000	464,212	437,722	469,782	481,310
Home improvement retail business					
Gardening	58,797	67,068	66,661	66,112	65,917
Home improvement	87,764	98,523	96,614	94,798	95,176
Home leisure and pet	63,781	67,078	63,779	63,346	66,795
Housekeeping	104,790	110,090	101,047	96,082	99,029
Home furnishing	25,496	27,762	24,830	23,058	22,070
Home electronics	45,325	51,241	47,121	46,257	45,711
Others	33,008	31,442	25,769	15,473	14,916
Product supply, etc.	10,755	10,788	11,635	12,903	10,044
Total of home improvement retail business	429,719	463,995	437,460	418,034	419,663
XPRICE business	—	—	—	51,423	61,258
Other business	281	216	262	324	388
Gross profit	141,350	154,697	147,386	156,279	160,266
Operating revenue					
Real estate lease revenue	7,371	6,980	7,028	7,039	7,303
Selling, general and administrative expenses	127,889	131,423	123,765	133,250	138,885
Operating profit	20,832	30,254	30,649	30,068	28,685
Ordinary profit	20,107	29,550	30,317	29,555	27,412
Profit attributable to owners of parent	13,783	18,594	18,809	18,135	21,446
Capital investment	13,117	18,302	9,368	14,290	12,739
Depreciation	11,881	11,709	12,528	12,658	13,328
	(Yen)				
	2020	2021	2022	2023	2024
Per Share Information					
Earnings per share	103.3	127.3	126.2	125.0	159.5
Diluted earnings per share	89.6	121.3	—	—	—
Net assets per share	1,467.3	1,531.7	1,624.2	1,738.4	1,877.9
Dividends per share	28.0	32.0	33.0	40.0	42.0
	2020	2021	2022	2023	2024
Major Indicators					
Operating profit margin (%)	4.8	6.5	7.0	6.4	6.0
Return on equity (ROE) (%)	7.1	8.6	7.9	7.5	8.7
Equity ratio (%)	46.1	47.7	53.6	47.2	40.4
Payout ratio (%)	27.1	25.1	26.1	32.0	26.3
Price earnings ratio (Times)	9.5	8.3	8.8	9.2	9.0
Total shareholder return (%)	93.3	102.7	111.4	118.1	149.2
Number of stores (Stores)	673	663	669	675	840
Total sales floor area (m²)	745,278	737,878	739,059	742,597	906,392
Number of employees (Persons)	4,248	4,059	4,025	4,102	4,955

	(Millions of yen)				
	2020	2021	2022	2023	2024
Cash Flow Information					
Cash flows from operating activities	36,749	45,243	(3,720)	15,614	32,101
Cash flows from investing activities	(5,369)	(16,002)	(7,489)	(38,459)	(57,981)
Cash flows from financing activities	(8,849)	12,421	(24,620)	34,383	63,969
Cash and cash equivalents at end of period	38,272	79,934	44,104	55,643	93,733
	(Millions of yen)				
	2020	2021	2022	2023	2024
Financial Position					
Current assets	161,618	207,183	175,057	214,390	268,112
Cash and deposits	38,306	79,956	44,126	55,665	93,755
Notes and accounts receivable–trade	14,883	14,946	14,211	18,109	10,421
Merchandise	99,606	99,431	106,001	121,941	151,497
Other	8,821	12,847	10,718	18,673	12,437
Non-current assets	273,114	283,666	274,093	301,564	354,622
Property, plant and equipment	195,932	202,169	196,243	195,687	218,121
Buildings and structures	89,913	95,453	91,072	90,628	99,093
Land	81,979	83,089	82,394	82,410	96,678
Other	24,039	23,626	22,776	22,648	22,349
Intangible assets	12,725	12,326	13,306	33,650	57,222
Goodwill	1,025	730	488	20,382	45,155
Other	11,699	11,595	12,818	13,267	12,066
Total assets	434,733	490,849	449,151	515,955	622,734
Current liabilities	119,743	117,255	100,109	102,828	168,707
Notes and accounts payable–trade	32,657	35,277	22,816	24,155	23,794
Short-term borrowings	12,400	—	—	10,000	57,250
Current portion of long-term borrowings	6,379	13,089	30,111	16,474	27,345
Other	68,306	68,888	47,181	52,198	60,317
Non-current liabilities	114,776	139,385	108,306	169,773	202,752
Bonds payable	10,000	10,000	10,000	10,000	—
Long-term borrowings	78,324	102,749	73,767	137,104	169,757
Other	26,451	26,636	24,539	22,668	32,995
Net assets	200,213	234,208	240,735	243,353	251,274
Share capital	11,939	19,973	19,973	19,973	19,973
Capital surplus	47,017	55,051	55,051	54,075	51,408
Retained earnings	150,029	164,285	178,254	185,378	192,532
Treasury shares	(10,114)	(10,372)	(15,692)	(18,619)	(18,327)
Accumulated other comprehensive income	1,341	5,271	3,148	2,545	5,687
Total liabilities and net assets	434,733	490,849	449,151	515,955	622,734

* As a result of making former equity-method affiliate Keiyo Co., Ltd., a wholly owned subsidiary through the acquisition of shares, it has been included in the scope of consolidation from the fourth quarter of fiscal 2023.

Company Data

Company Data

As of February 29, 2024

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	4,955
Independent auditor	Deloitte Touche Tohmatsu LLC
URL	https://www.dcm-hldgs.co.jp/grp/english/



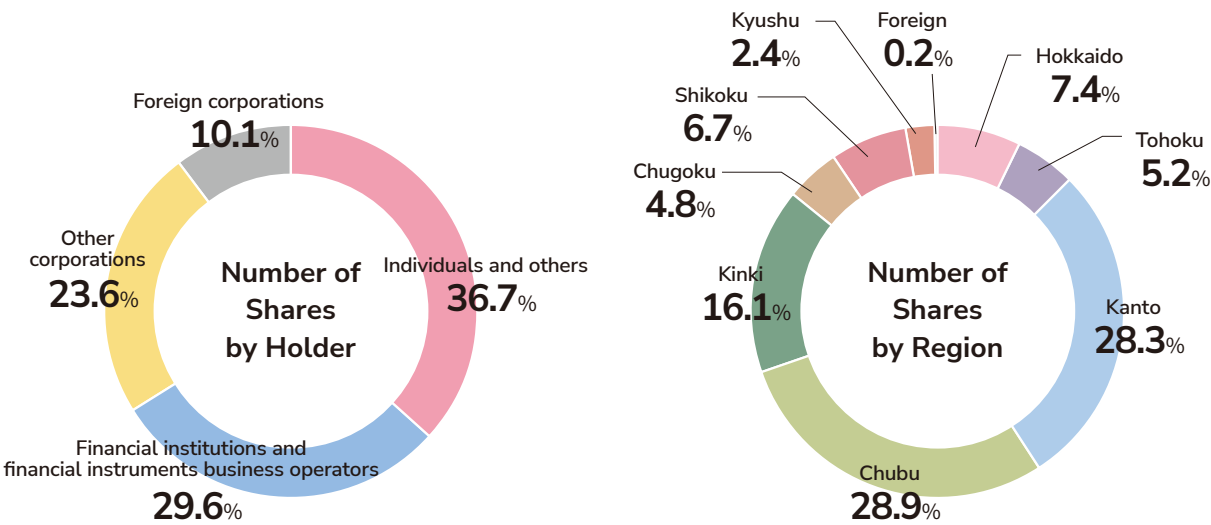
Stock Information

As of February 29, 2024

Total number of shares authorized to be issued	600,000,000 shares
Total number of outstanding shares	149,500,000 shares
Number of shareholders	89,795
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 29, 2024



Major Shareholders

As of February 29, 2024

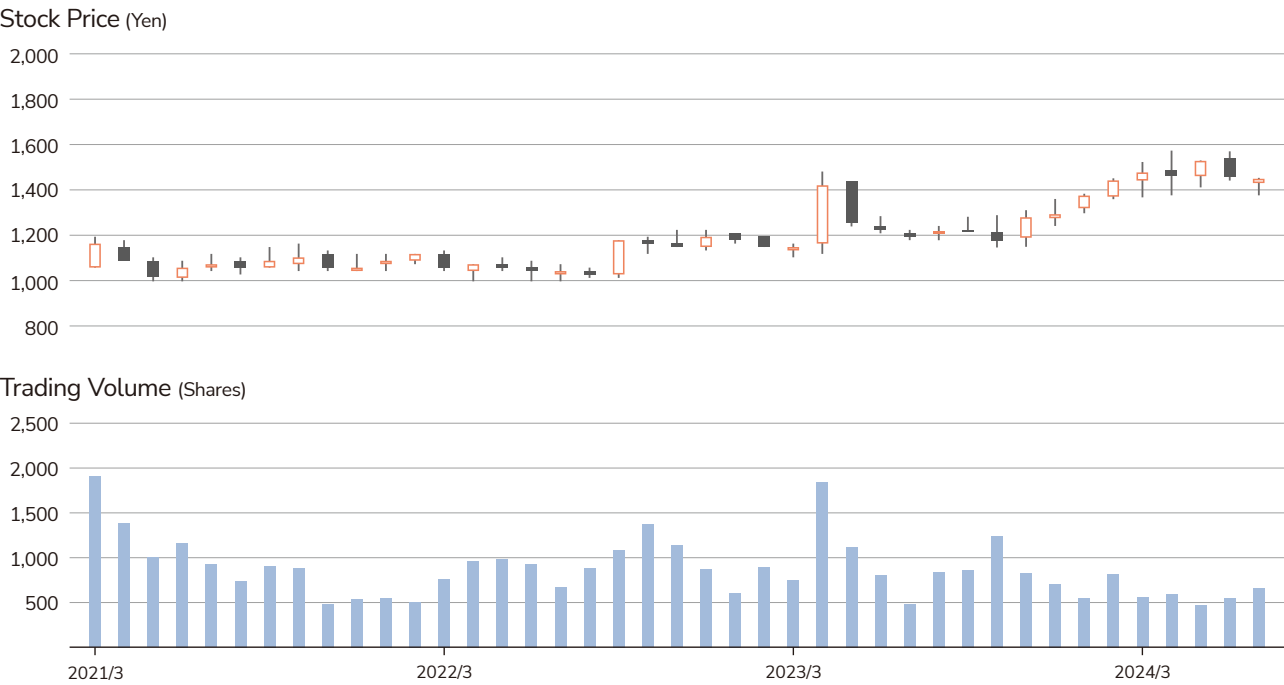
Major shareholders	Number of shares held	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Trust account)	15,573	11.22
Nisshinkikou company limited	11,870	8.55
AEON Co., Ltd.	7,697	5.54
Custody Bank of Japan, Ltd. (Trust account)	5,037	3.63
Yasunori Ishiguro	4,193	3.02
DCM Holdings Employee Stock Ownership Plan	3,907	2.81
Kaori Maki	3,638	2.62
JAPAN POST INSURANCE Co., Ltd.	2,892	2.08
The Master Trust Bank of Japan, Ltd. (Stock Grant ESOP Trust Account)	2,623	1.89
TAMON Co., Inc.	2,581	1.86

Notes: 1. Treasury stock held by the Company is excluded from the above major shareholders.
2. The shareholding ratio is calculated by deducting 10,669,612 shares of treasury stock owned by the Company, excluding 2,623,515 shares (76,718 units) of treasury stock owned by the ESOP trust, 1,860,300 shares (76,855 units) of stock owned by the ESOP trust, 390,100 shares of treasury stock owned by the BIP trust, and 150,200 shares owned by the employees' ESOP trust, from the 15,693,727 shares of treasury stock.

Rating Information

Rating agency	Rating and Investment Information, Inc. (R&I)
Rating	A-
Rating outlook	Stable
Date of public announcement	November 27, 2023

Stock Price and Trading Volume



DCm HOLDINGS CO., LTD.

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

Published October 2024