

# 3rd Quarter of the Fiscal Year Ending March 2024

## Financial Results Supplementary Materials

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February 8, 2024



**Daiwabo Holdings Co., Ltd.**

(Stock code: **3107**)

## 3rd Quarter of the Fiscal Year Ending March 2024 (April 1, 2023 - December 31, 2023)

In the PC market, the number of units shipped decreased, but both sales and profits increased due to the stable acquisition of orders for companies and government offices, where there is demand

### IT Infrastructure Distribution Business

- The number of PCs shipped decreased, but net sales were above the previous year due to an increase in unit prices.
- Subscription business through iKAZUCHI remained strong.
- We acquired orders for IT investment projects stably from companies and government offices.
- Sales decreased in the consumer market due to sluggish consumer spending, but income increased due to improved profitability.

### Fiber Business

- Nonwoven fabric products continued to remain strong, but we struggled in terms of earnings in raw cotton for sanitary materials.
- Construction sheets, belt-related products, rubber sponges, etc., tended to improve.
- We decided to transfer shares in Daiwabo to realize the independence of the Fiber Business.  
\* Announced on November 22, 2023 -> Date of share transfer: February to mid-March 2024 (plan)

### Industrial Machinery Business

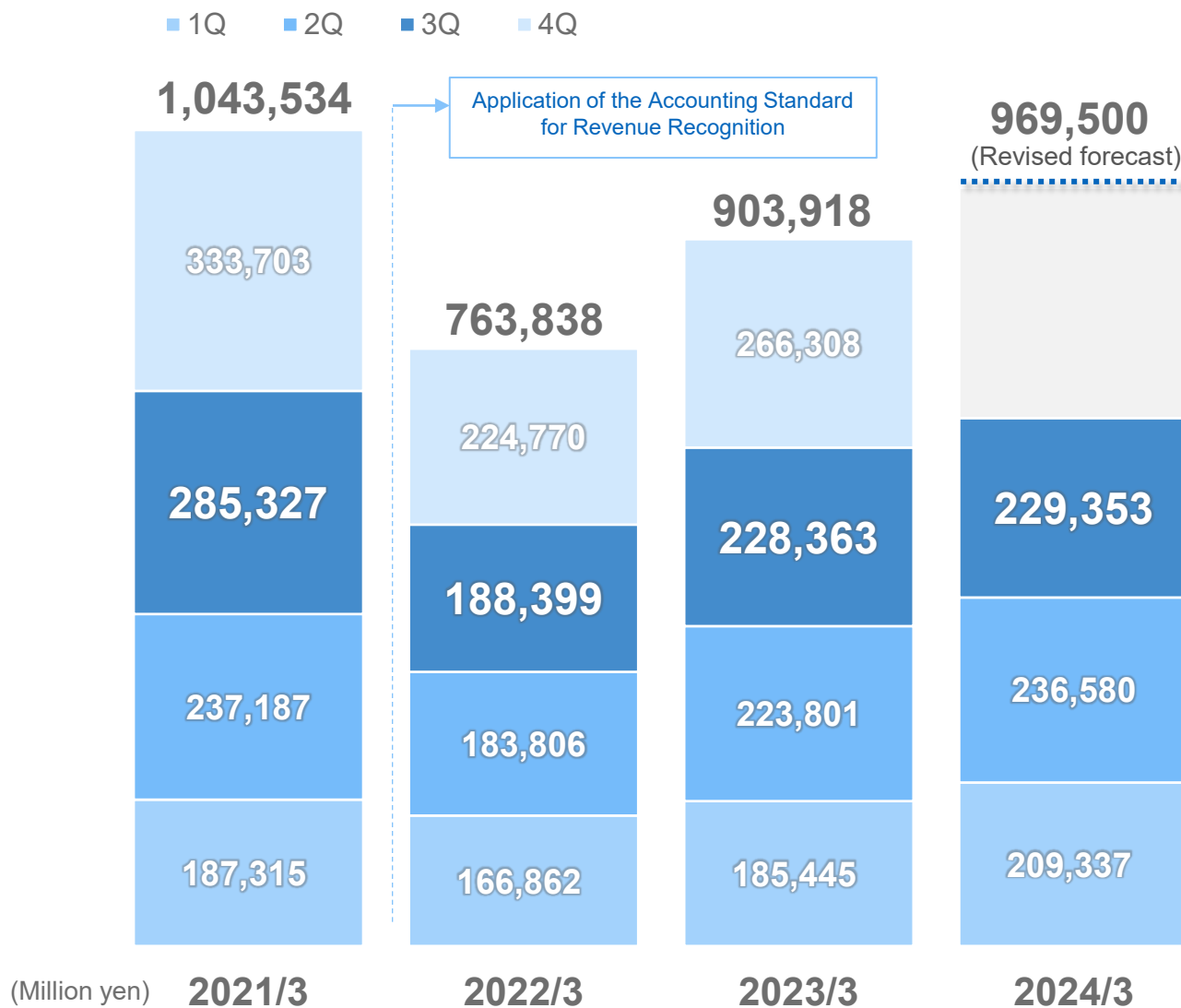
- Demand for the energy industry and aircraft industry tended to recover.
- The Chinese wind power industry entered a period of inventory adjustment and demand decreased.

# Business Outlook for the Full Term of the Fiscal Year Ending March 2024

(Million yen)	2023/3 (Results)	2024/3			Change [3] - [2]	Change [3] - previous term	Compared to previous term
		[1] Initial forecast (Disclosed May 15)	[2] Revised forecast (Disclosed November 9)	[3] Revised forecast (Disclosed November 22)			
<b>Net sales</b>	903,918	950,000	969,500	<b>969,500</b>	0	+65,581	+7.3%
IT Infrastructure Distribution	828,997	872,700	894,300	<b>894,300</b>	0	+65,302	+7.9%
Fibers	61,980	63,680	61,220	<b>61,220</b>	0	(760)	(1.2%)
Industrial Machinery	12,170	13,000	13,360	<b>13,360</b>	0	+1,189	+9.8%
<b>Operating income</b>	27,944	30,700	30,700	<b>30,700</b>	0	+2,755	+9.9%
IT Infrastructure Distribution	25,394	26,550	27,905	<b>27,905</b>	0	+2,510	+9.9%
Fibers	1,499	2,955	1,600	<b>1,600</b>	0	+100	+6.7%
Industrial Machinery	886	1,150	1,150	<b>1,150</b>	0	+263	+29.7%
<b>Ordinary income</b>	28,608	31,000	31,000	<b>31,000</b>	0	+2,391	+8.4%
<b>Profit(Loss) attributable to owners of parent</b>	19,059	20,420	20,420	<b>7,100</b>	(13,320)	(11,959)	(62.7%)

\* We are currently scrutinizing the impact of the transfer of Daiwabo shares on the financial results, and will issue a notice promptly if there is anything to disclose.

# Cumulative Net Sales for the 3rd Quarter of the Fiscal Year Ending March 2024



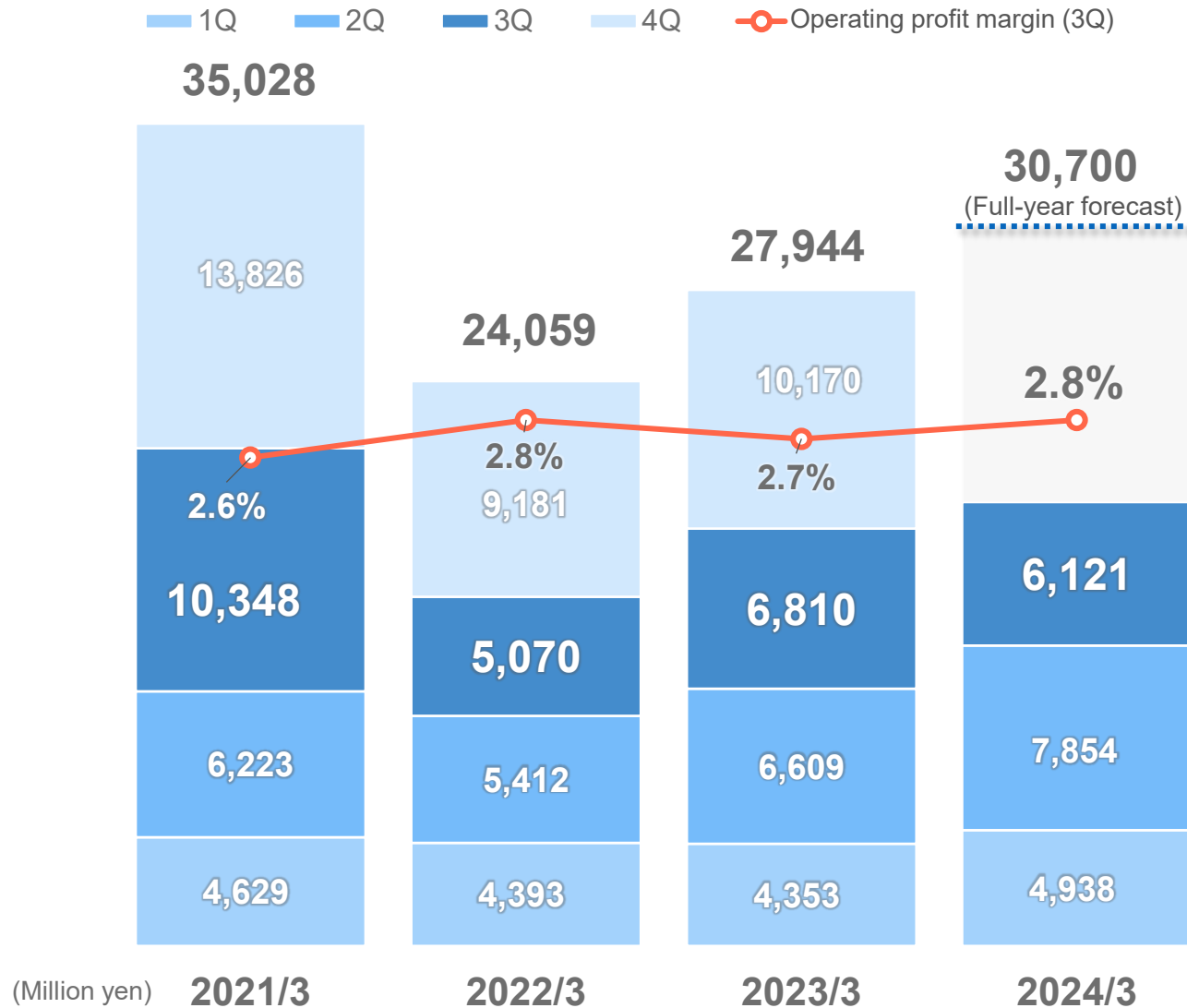
Net sales **675,271** million yen

+**5.9%** Against the same period of the previous fiscal year

Progress rate **69.7%** (Initial forecast 71.1%)

\* We are applying the "Accounting Standard for Revenue Recognition."

# Cumulative Operating Income for the 3rd Quarter of the Fiscal Year Ending March 2024



Operating income **18,913** million yen

+**6.4%** Against the same period of the  
previous fiscal year

Operating income margin **2.8%**

Progress rate **61.6%**

# Summary of the Consolidated Settlement of Accounts for the Cumulative 3rd Quarter of the Fiscal Year Ending March 2024

(Million yen)	2023/3 3Q	2024/3 3Q	Change	Compared to previous term	Revised forecast (Disclosed November 22)	Progress rate
<b>Net sales</b>	637,610	<b>675,271</b>	+37,661	+5.9%	969,500	69.7%
<b>Operating income</b>	17,774	<b>18,913</b>	+1,139	+6.4%	30,700	61.6%
<b>Ordinary income</b>	18,209	<b>19,147</b>	+938	+5.2%	31,000	61.8%
<b>Quarterly profit(loss)</b> attributable to owners of parent	12,398	<b>(4,198)</b>	(16,597)	-	7,100	-
Quarterly net profit(loss) per share (yen)	131.67	<b>(44.92)</b>				

\* Impairment losses (16,695) in association with the decision to transfer shares of Daiwabo have been reflected.

(Million yen)	2023/3	2023/12	Change	Major reasons for change
<b>Collective assets</b>	406,688	<b>388,697</b>	(17,991)	Decrease in accounts receivable, Impairment losses in association with the share transfer
<b>Net assets</b>	143,961	<b>135,764</b>	(8,197)	Decrease in retained earnings
<b>Capital adequacy ratio</b>	35.2%	<b>34.7%</b>		

# Consolidated Balance Sheet for the 3rd Quarter of the Fiscal Year Ending March 2024 (Summary of Accounts p4-5)

(Million yen)	2023/3	2023/12	Change		2023/3	2023/12	Change
<b>Current assets</b>	354,188	<b>349,550</b>	(4,637)	<b>Current liabilities</b>	231,884	<b>220,561</b>	(11,322)
Cash and deposits	52,123	<b>61,962</b>	+9,838	Notes payable and accounts payable	192,594	<b>185,406</b>	(7,188)
Notes and accounts receivable	216,674	<b>193,098</b>	(23,575)	Short-term loans payable	12,869	<b>11,547</b>	(1,321)
Goods and products	39,273	<b>50,503</b>	+11,229	<b>Non-current liabilities</b>	30,842	<b>32,371</b>	+1,528
<b>Property, plant and equipment</b>	37,127	<b>20,920</b>	(16,206)	Long-term loans payable	13,230	<b>13,500</b>	+270
<b>Intangible fixed assets</b>	2,081	<b>4,148</b>	+2,067	<b>Total liabilities</b>	262,726	<b>252,932</b>	(9,794)
<b>Investments and other assets</b>	13,291	<b>14,077</b>	+785	<b>Total net assets</b>	143,961	<b>135,764</b>	(8,197)
				Treasury stock	(5,137)	<b>(5,133)</b>	+4
<b>Total assets</b>	406,688	<b>388,697</b>	(17,991)	<b>Total liabilities and net assets</b>	406,688	<b>388,697</b>	(17,991)

Notes and accounts receivable	216,674	->	<b>193,098</b>	(23,575)	Decrease in DIS accounts receivable
Goods and products	39,273	->	<b>50,503</b>	+11,229	Increase in DIS inventory
Property, plant and equipment	37,127	->	<b>20,920</b>	(16,206)	Impairment losses in association with the decision to transfer shares (16,695)
Total loans	26,099	->	<b>25,047</b>	(1,051)	

# Consolidated Statement of Operations for the 3rd Quarter of the Fiscal Year Ending March 2024 (Summary of Accounts P6)

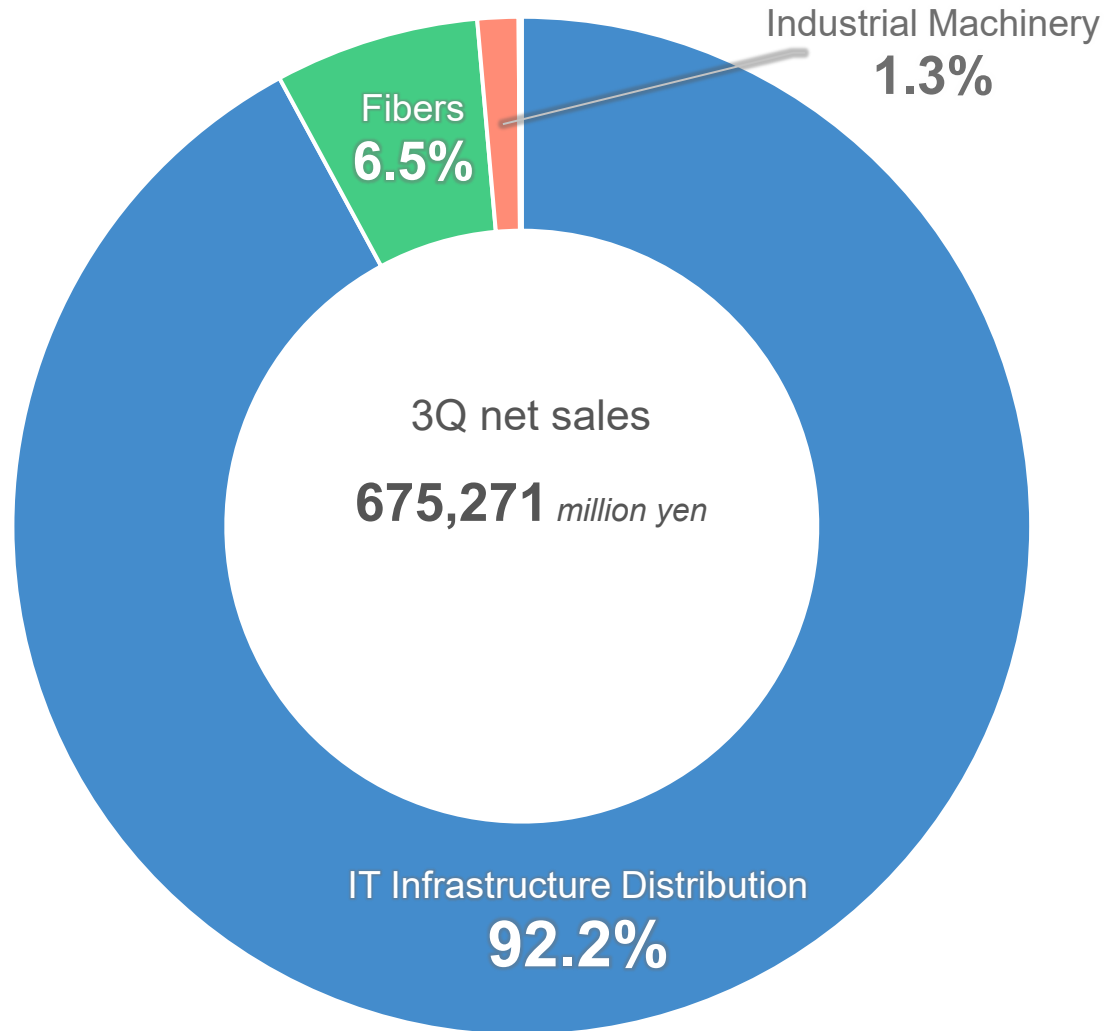
(Million yen)	2023/3 3Q		2024/3 3Q		Change	Compared to previous term
	Results	Percentage	Results	Percentage		
<b>Net sales</b>	637,610		<b>675,271</b>		+37,661	+5.9%
Gross profit	48,910	7.7%	<b>54,050</b>	<b>8.0%</b>	+5,139	+10.5%
Selling, general and administrative expenses	31,136	4.9%	<b>35,136</b>	<b>5.2%</b>	+4,000	+12.8%
<b>Operating income</b>	17,774	2.8%	<b>18,913</b>	<b>2.8%</b>	+1,139	+6.4%
<b>Ordinary income</b>	18,209	2.9%	<b>19,147</b>	<b>2.8%</b>	+938	+5.2%
Extraordinary income	58					
Extraordinary losses	44		<b>16,747</b>			
<b>Quarterly profit(loss) attributable to owners of parent</b>	12,398	1.9%	<b>(4,198)</b>	<b>(0.6%)</b>	(16,597)	-

\* Extraordinary loss    Impairment losses in association with the decision to transfer shares (16,695)



# Operating Results by Segment for the Cumulative 3rd Quarter of the Fiscal Year Ending March 2024

(Million yen)		2023/3 3Q	2024/3 3Q	Change	Compared to previous term
Net sales	IT Infrastructure Distribution	582,817	622,276	+39,459	+6.8%
	Fibers	45,713	43,845	(1,868)	(4.1%)
	Industrial Machinery	8,527	8,699	+172	+2.0%
	Others	551	450	(101)	(18.4%)
	Total	637,610	675,271	+37,661	+5.9%
Operating income	IT Infrastructure Distribution	16,270	17,459	+1,189	+7.3%
	Fibers	786	797	+11	+1.4%
	Industrial Machinery	603	584	(19)	(3.2%)
	Others	81	32	(49)	(60.4%)
	(Adjustment)	33	40	+7	+22.3%
	Total	17,774	18,913	+1,139	+6.4%



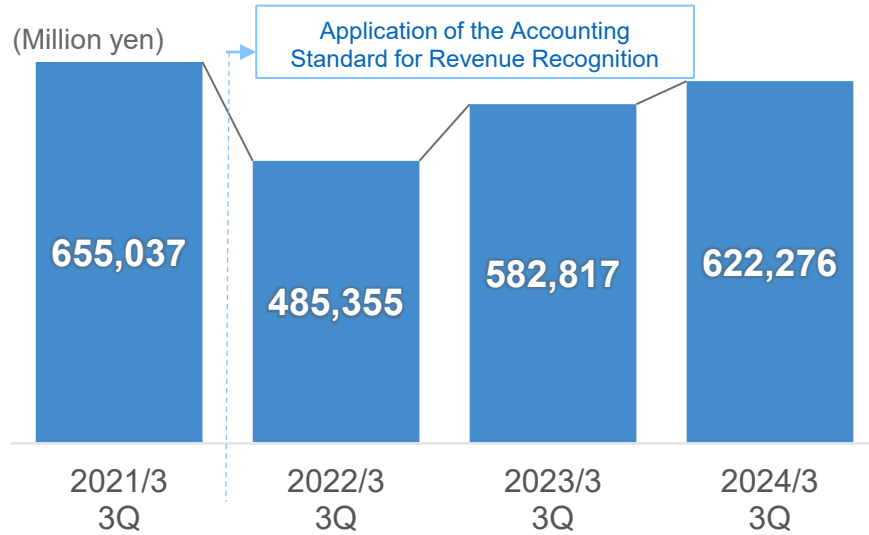
## Percentage of net sales

	2023/3 3Q	2024/3 3Q
IT Infrastructure Distribution	91.4%	<b>92.2%</b>
Fibers	7.2%	<b>6.5%</b>
Industrial Machinery	1.3%	<b>1.3%</b>

## Percentage of operating income

	2023/3 3Q	2024/3 3Q
IT Infrastructure Distribution	91.5%	<b>92.3%</b>
Fibers	4.4%	<b>4.2%</b>
Industrial Machinery	3.4%	<b>3.1%</b>

# IT Infrastructure Distribution Business



**Transaction volume** \* Net sales under the old standard

**669,757** million yen (+7.3% compared to previous term)

**Net sales**

**622,276** million yen (+6.8% compared to previous term)

**Operating income**

**17,459** million yen (+7.3% compared to previous term)

**Number of PCs shipped**

**2,067,000** units (-5.2% compared to previous term)

**Number of servers shipped**

**40,000** units (-11.1% compared to previous term)

**Subscription handling volume**

**72,759** million yen (+16.3% compared to previous term)

**iKAZUCHI handling volume**

**20,220** million yen (+40.2% compared to previous term)

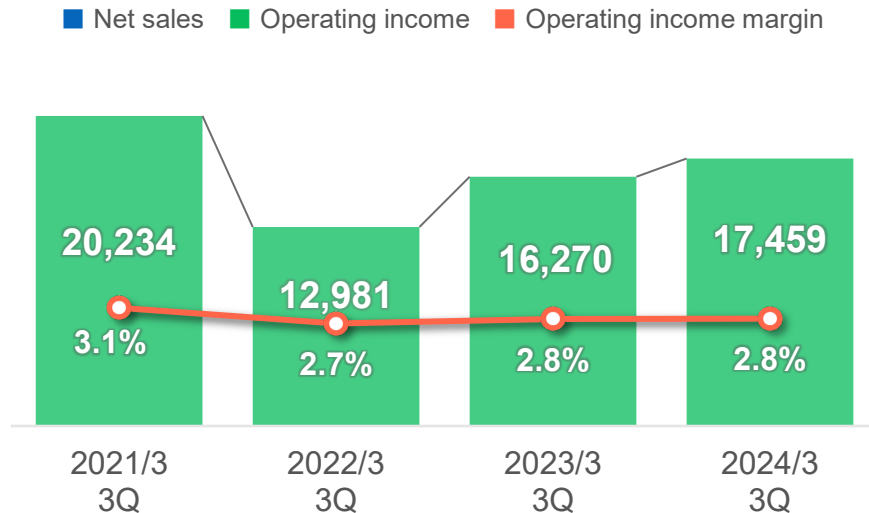
## Review of the business

### Corporate market

- Shipments decreased due to purchasing restraint prior to the end of support for Windows 10, but both sales and profits increased due to increased unit prices.
- The number of iKAZUCHI contracts, user companies, etc., expanded steadily.
- Sales to companies were driven by manufacturing, wholesale trade and services.
- We acquired orders stably for government offices, also including large-scale projects.
- In the education market, GIGA school renewal is budgeted for next fiscal year on so we are at the bottom of the demand period and sales fell below the previous year.

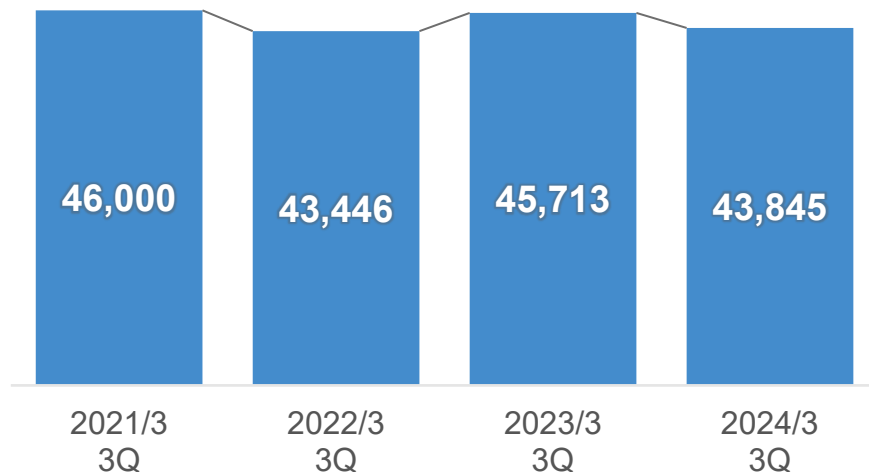
### Consumer market

- Despite struggling due to sluggish consumer spending, profits increased due to the improved profitability of PCs, monitors and printers.



# Fiber Business

(Million yen)



**Net sales**

**43,845** million yen (-4.1% compared to previous term)

**Operating income**

**797** million yen (+1.4% compared to previous term)

## Review of the business

### Synthetic Fibers and Rayon Divisions

- Although face masks and antiperspirant sheets were strong due to increased demand, sales decreased due to inventory adjustments of raw cotton for sanitary materials, and profits declined due to the high prices of raw materials.

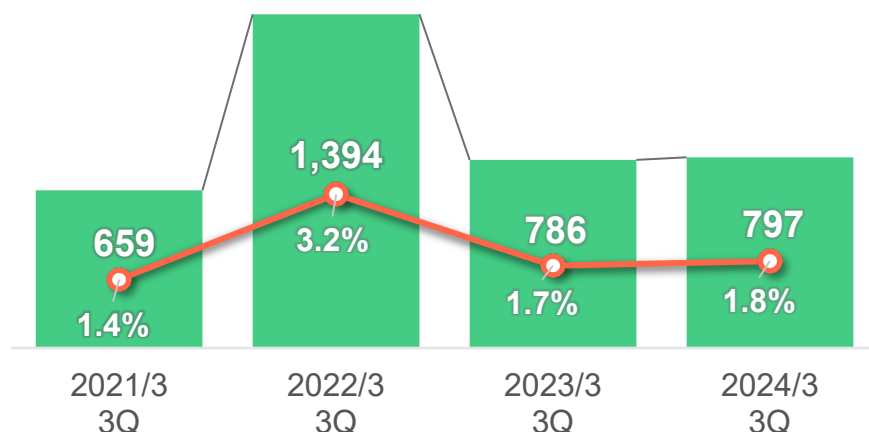
### Industrial Material Division

- Although orders for construction sheet products, which are in strong demand, drove results, sales decreased due to the delayed recovery in demand for cartridge filters for the electronic parts industry, but price pass-through spread and profits increased.

### Clothing Products Division

- Although some domestic apparel products performed well, price pass-through for inner products did not spread fully and exports to the United States continued to struggle due to weak market conditions.

■ Net sales ■ Operating income ■ Operating income margin

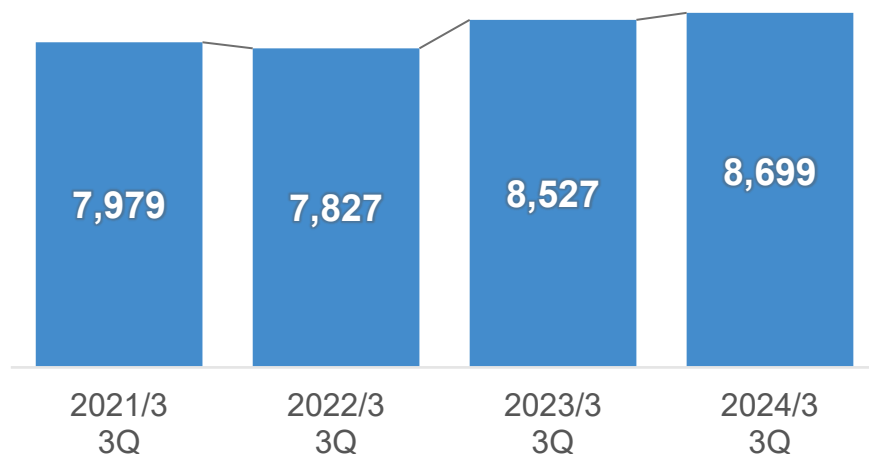


[Reference] Reflecting the effects of inappropriate transactions in 2Q of 2021/3 (disclosed December 11, 2020)

	2021/3 3Q	
	Impact	When impact is excluded
Net sales	-640 million yen	46,641 million yen
Operating income	-1,994 million yen	2,654 million yen

# Industrial Machinery Business

(Million yen)



**Net sales**

**8,699** million yen (+2.0% compared to previous term)

**Operating income**

**584** million yen (-3.2% compared to previous term)

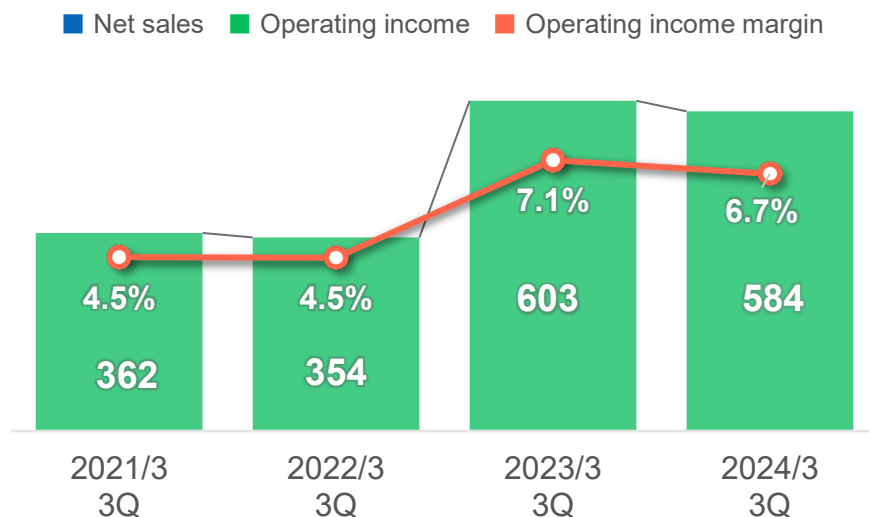
## Review of the business

### Machine Tools Division

- While total orders received from April to December as reported by the Japan Machine Tool Builders' Association decreased 16.7% compared to the previous term, domestic inquiries increased due to the energy industry, where domestic capital investment is strong, and the recovery of small engines for the aircraft industry.
- Orders decreased 18.4% compared to the previous term as the wind power generation industry in the Chinese market entered a period of inventory adjustment.

### Automatic Machinery Division

- Both sales and profits decreased due partly to soaring purchasing costs and increased product adjustment costs.
- Orders increased 7.9% compared to the previous term due partly to needs for greater efficiency to compensate for labor shortages.



# The Impact on Business Results of the Transfer of Shares in the Fiber Business and Our Way of Thinking on Returns to Shareholders

We recorded extraordinary losses due to the transfer of Daiwabo shares and we are currently scrutinizing the impacts on net sales and operating income.

In this fiscal year, we will continue our previous way of thinking on shareholder returns, and will make no changes to the implementation of the interim and year-end dividends.

## Revision of results forecasts

- Extraordinary losses in association with the transfer of Daiwabo shares (16,695 million yen).
- We are currently scrutinizing the impacts on net sales and operating income due to this matter.
- We will make a prompt announcement if there are any matters to be disclosed.

## Way of thinking on this fiscal year's shareholder returns

- Extraordinary losses have been generated due to the transfer of Daiwabo shares, but we have not changed the annual dividend amount from the levels below that were disclosed in the "Notice Concerning Dividend of Surplus (Interim Dividend)" dated November 9, 2023.
  - Interim dividend: 32 yen per share
  - Year-end dividend: 32 yen per share (planned)
- We plan to carry out the acquisition of treasury shares under consideration for the current fiscal year flexibly in view of the group's normal profitability, while **maintaining the policy on shareholder returns of the current Medium-Term Management Plan** and without making adjustments due to the extraordinary losses of this matter.

# Key Considerations for the Next Medium-Term Management Plan

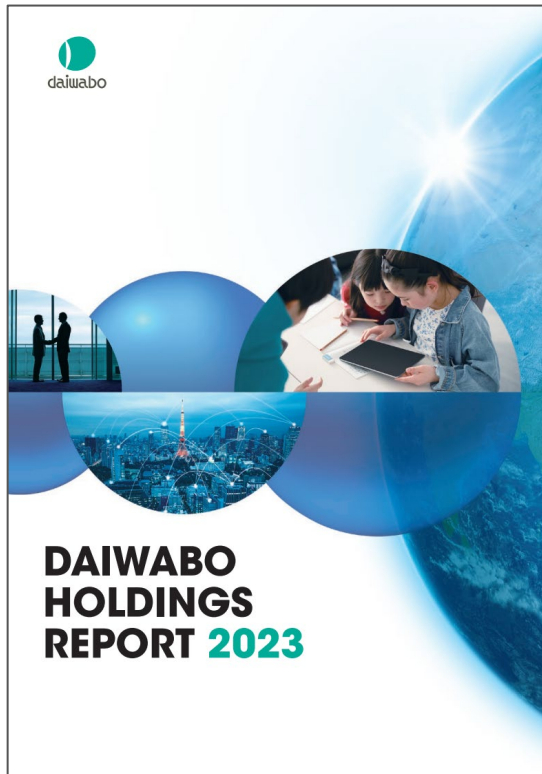
**As a result of considerations to establish the optimal business portfolio, we decided to transfer Daiwabo shares to realize the independence of the Fiber Business.**

Considerations	Overview	Current status
The establishment of a company-wide purpose and the formulation of a growth strategy	<ul style="list-style-type: none"> <li>■ We will identify the group's identity and establish a purpose based on social trends and the DNA of our corporate organization.</li> <li>■ We will formulate a growth strategy from the perspective of what to make the core of the company and how to maximize profitability from that starting point and realize the social significance of the company.</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>We formulated the new group purpose and released it along with our value creation process in the integrated report published in November 2023.</b></li> <li>■ Based on the formulated purpose, we are currently considering growth strategies while verifying growth areas and the added value that the company provides.</li> </ul>
Establishment of the optimal business portfolio for the maximization of the corporate value of the group as a whole	<ul style="list-style-type: none"> <li>■ We will establish the optimal business portfolio by implementing strategic options at the appropriate time for the maximization of corporate value after verifying the best owner principle, evaluation of the business environment and capital profitability of existing business with reference to Practical Guidelines for Business Transformations formulated by the Ministry of Economy, Trade and Industry, etc.</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>We decided to transfer Daiwabo shares to realize the independence of the Fiber Business from the perspective of maximization of the corporate value of both the company and Daiwabo.</b></li> <li>■ We will continue consideration of the establishment of the optimal business portfolio from the perspective of the value the company group provides, growth potential and sustainability.</li> </ul>
Realization of the optimization of growth investment and shareholder returns	<ul style="list-style-type: none"> <li>■ We will formulate capital allocation policies aimed at the improvement of corporate value by realizing optimal growth investment and shareholder returns based on capital costs.</li> <li>■ Optimization of the allocation of resources - people, things and money - and establishment of a capital policy that can maximize returns to shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>■ With regard to the policy for the allocation of the revenue generated by each operating company, <u>we are currently considering capital allocation aimed at the maximization of the profitability of the group overall</u>, rather than prioritizing only growth investment for expansion of the results of each respective business.</li> </ul>

Currently ongoing



# The English Version of “DAIWABO HOLDINGS REPORT 2023” was Published in December Last Year



[English version]

[https://www.daiwabo-holdings.com/en/ir/library/integrated\\_report.html](https://www.daiwabo-holdings.com/en/ir/library/integrated_report.html)

[Japanese version]

[https://www.daiwabo-holdings.com/ja/ir/library/integrated\\_report.html](https://www.daiwabo-holdings.com/ja/ir/library/integrated_report.html)



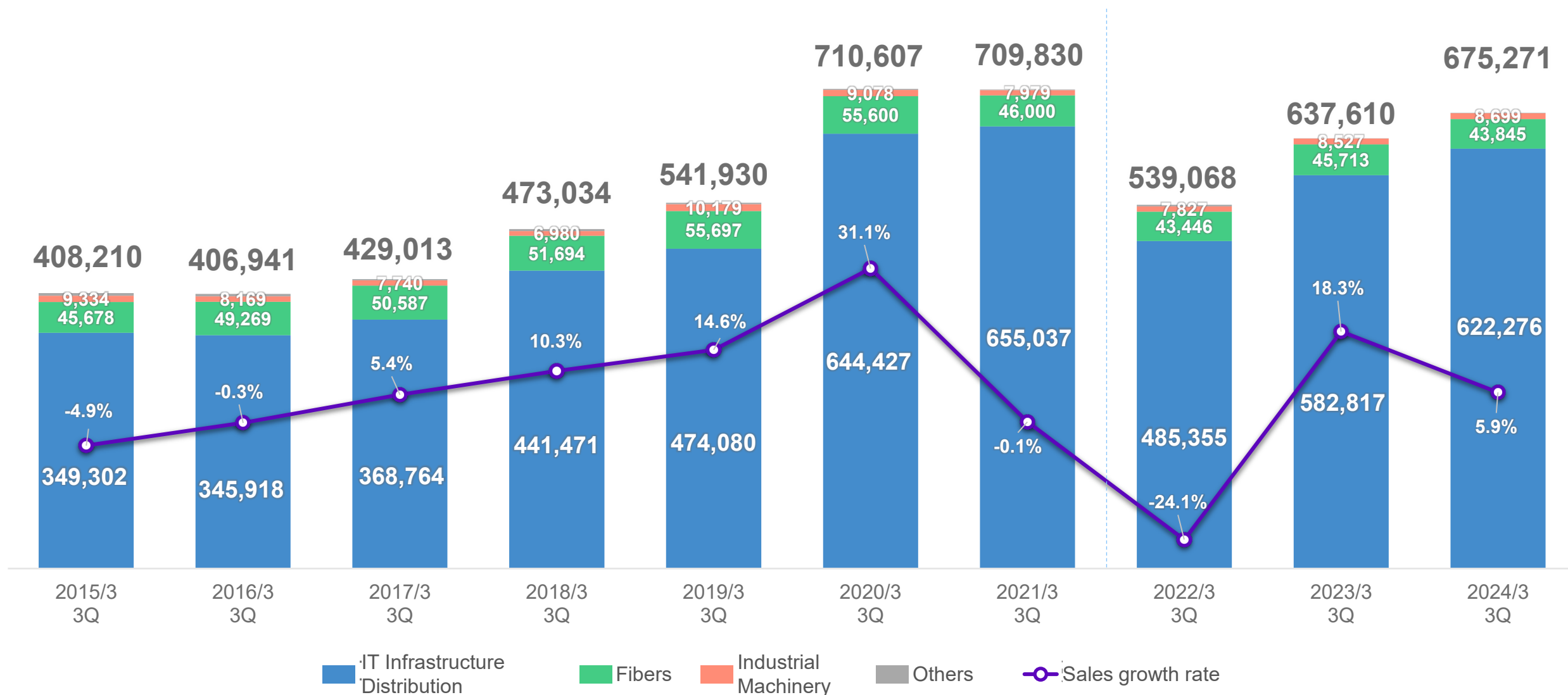
# | [References]

- Charts for Performance Trend

# Consolidated Net Sales (3Q Cumulative)

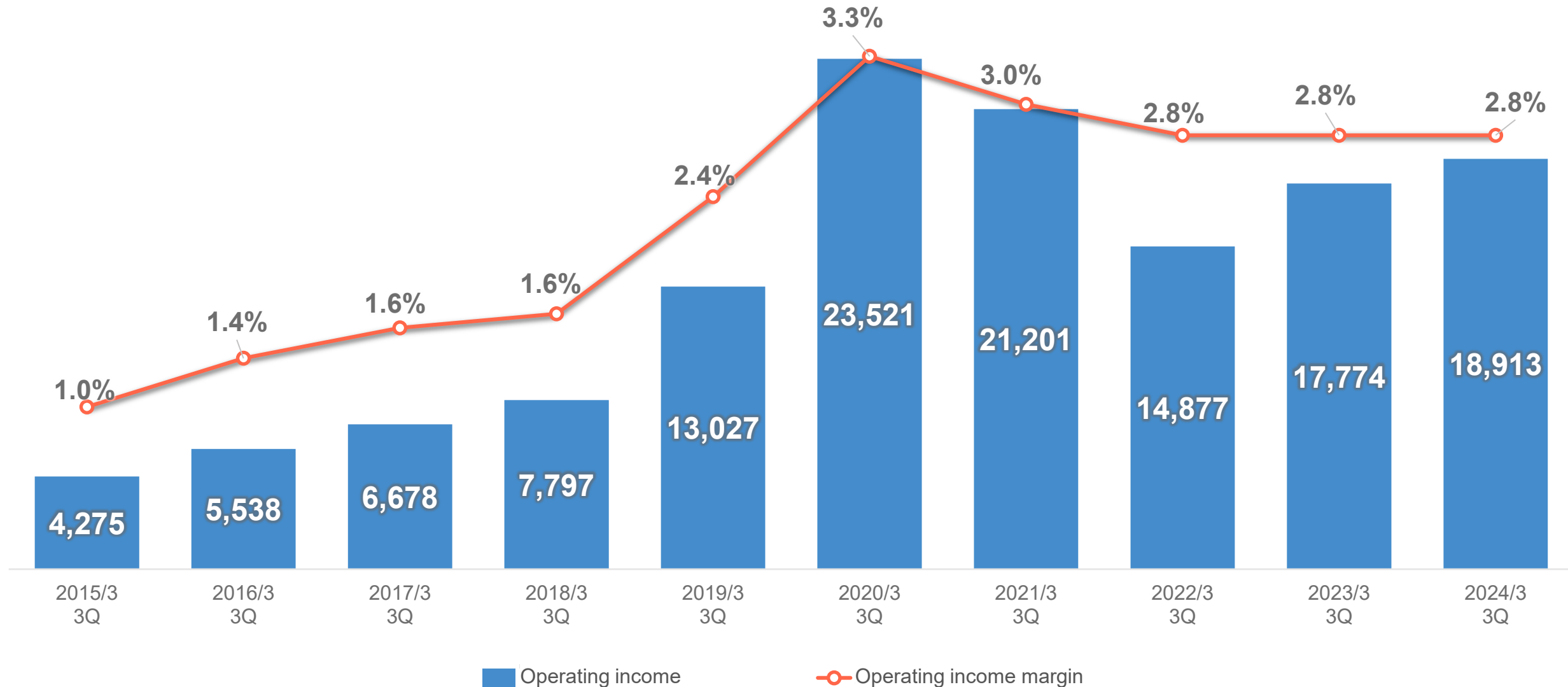
(Million yen)

Application of the Accounting Standard for Revenue Recognition



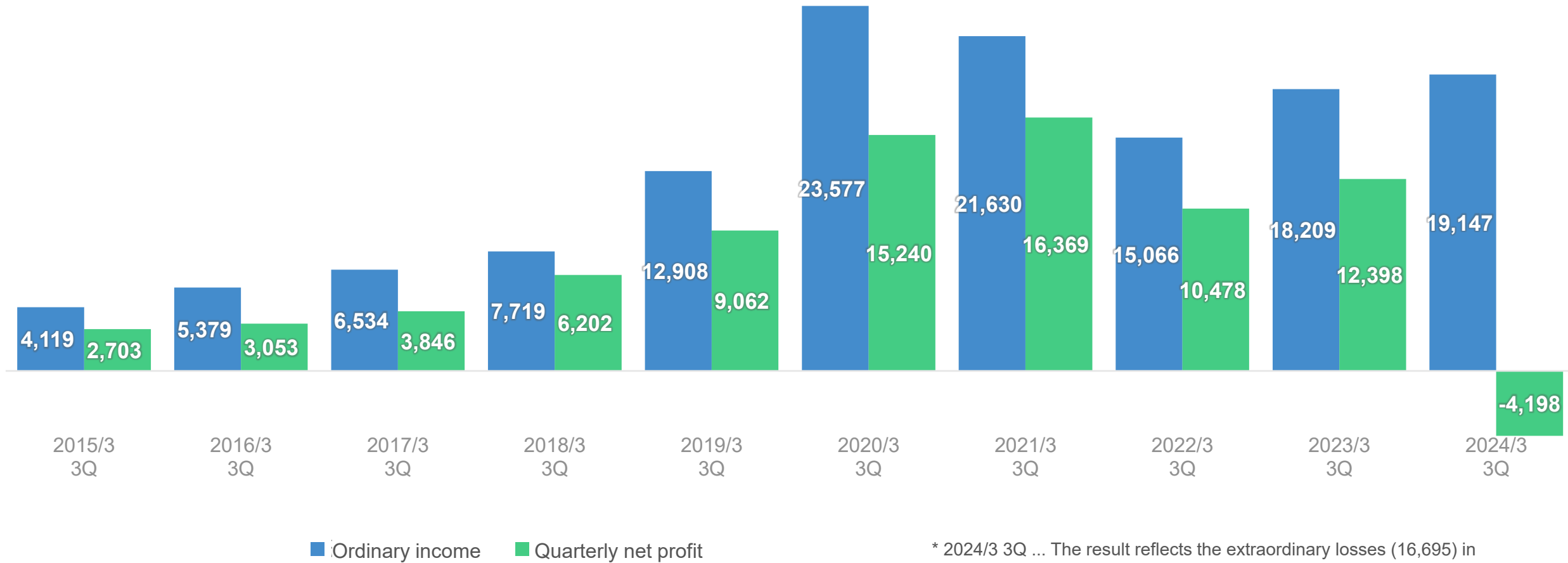
# Consolidated Operating Income (3Q Cumulative)

(Million yen)



# Consolidated Ordinary Profit and Consolidated Quarterly Net Profit (3Q Cumulative)

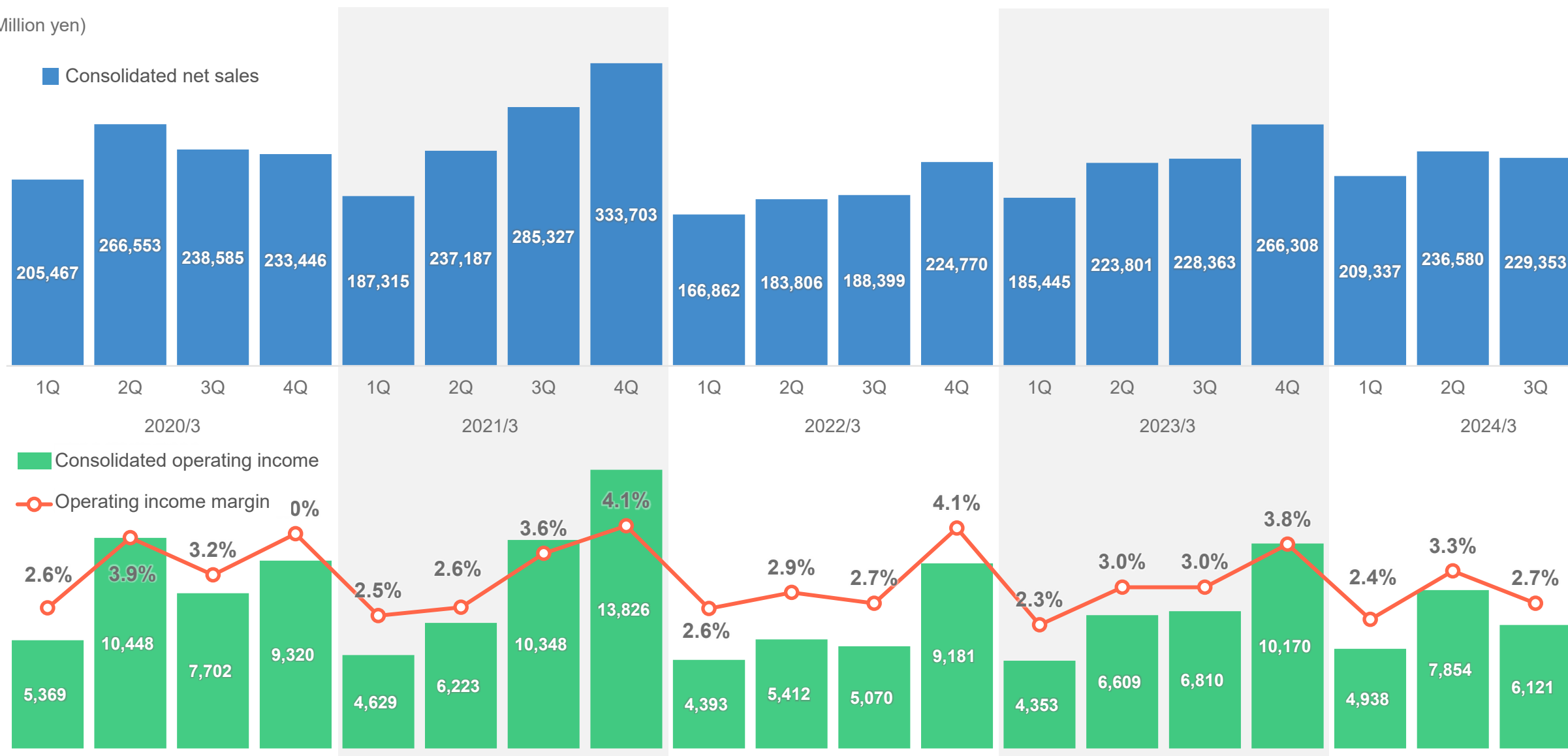
(Million yen)



\* 2024/3 3Q ... The result reflects the extraordinary losses (16,695) in association with the decision on the share transfer.

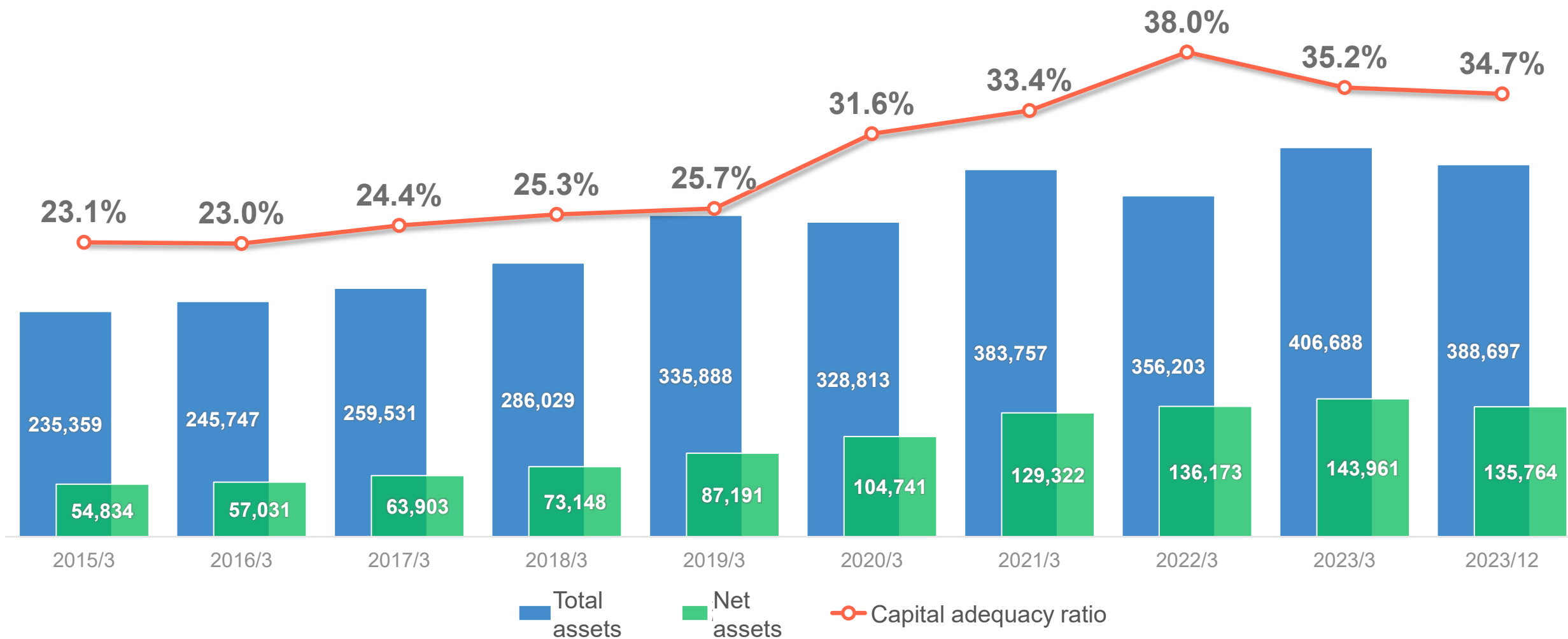
# Quarterly Results

(Million yen)



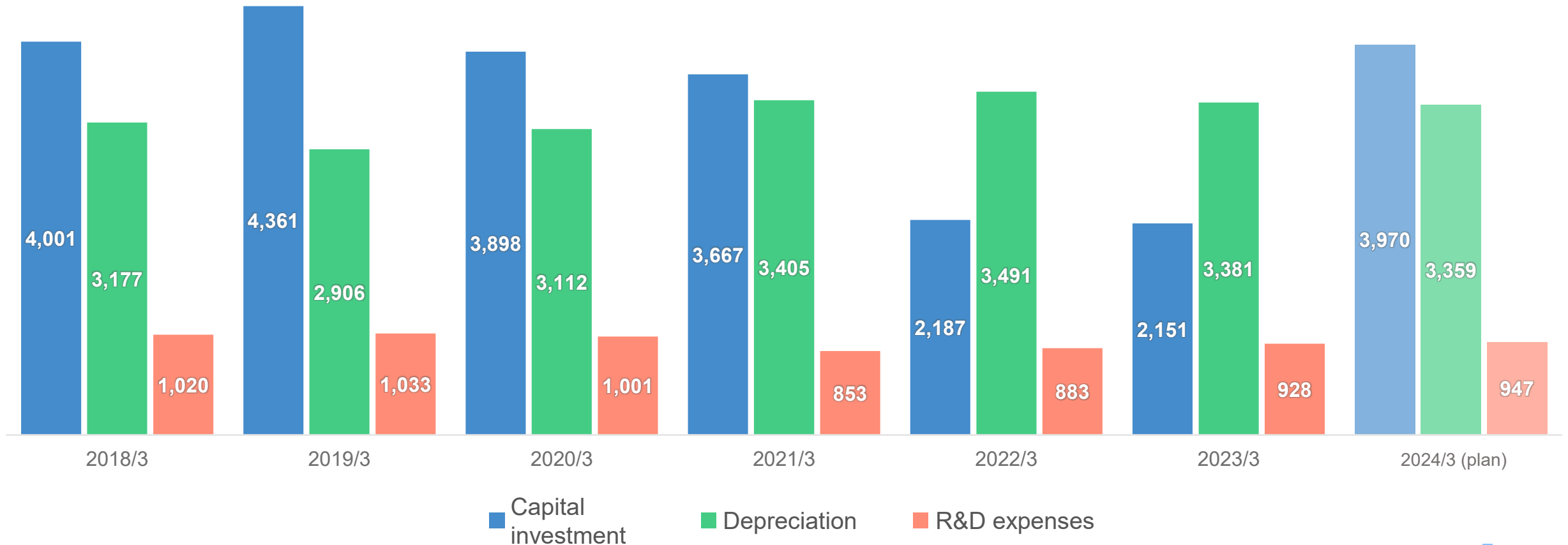
# Consolidated Total Assets, Consolidated Net Assets and Capital Adequacy Ratio

(Million yen)



# Capital Investment, Depreciation and R&D Expenses

(Million yen)



<https://www.daiwabo-holdings.com/>



**Daiwabo Holdings Co., Ltd.**

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