

# Fiscal Year Ended March 2023 Financial Results Materials

---

May 15, 2023



daiwabo

**Daiwabo Holdings Co., Ltd.**

(Stock code: 3107)

My name is Nishimura of Daiwabo Holdings.

I would like to explain our financial results for the fiscal year ended March 2023.

- 1. Settlement of Accounts for the Fiscal Year Ended March 2023**
- 2. Business Outlook for the Full Term of the Fiscal Year Ending March 2024**
- 3. Important Considerations and the System for Consideration of the Formulation of the Next Medium-Term Management Plan**

[References]

- ▶ Application of the Accounting Standard for Revenue Recognition
- ▶ Corporate Profile
- ▶ Charts for Performance Trend

This is the flow of today's explanation.

# Daiwabo Holdings Co., Ltd.



<b>Head Office</b>	Nakanoshima Festival Tower West, 3-2-4 Nakanoshima, Kita-ku, Osaka 530-0005	
<b>Established</b>	Established as Daiwa Boseki Establishment of Daiwabo Holdings Co., Ltd. July 1, 2009	April 1, 1941
<b>Consolidated employees</b>	5,432 (As of March 31, 2023)	
<b>Capital</b>	21,696,744,900 yen	
<b>Stock exchange listing</b>	Listed on the Prime Market of the Tokyo Stock Exchange Stock code: <b>3107</b> / Industry: <b>Wholesale</b> < Constituent stock of the JPX Nikkei Index 400 >	
<b>Business profile</b>	<b>IT Infrastructure Distribution Business</b> [Core company] <b>Daiwabo Information System Co., Ltd.</b>	Sales of computers, peripherals and software, and logistics services Installation and maintenance of and repair services for computer equipment
	<b>Fiber Business</b> [Core company] <b>Daiwabo Co., Ltd.</b>	Manufacture and sales of fiber materials for hygienic materials, nonwoven fabrics, industrial materials, textiles for apparel and living products and finished products
	<b>Industrial Machinery Business</b> [Core company] <b>O-M Ltd.</b>	Manufacture and sales of machine tools, automatic machinery and casting products
	Other Businesses	Insurance Agency Business, Engineering Business

This page is a summary of the company overview.

The group consists of 3 businesses.

Since Daiwabo Information System, a trading company specializing in IT-related equipment, accounts for about 90% of our sales, our business category is “Wholesale” on the Tokyo Stock Exchange Prime Market.

## Settlement of Accounts for the Fiscal Year Ended March 2023

Now, I'd like to report the settlement of accounts for the fiscal year ended March 2023.

**Fiscal Year Ended March 2023** (April 1, 2022 - March 31, 2023)

Acquired demand, especially from companies and government offices, in IT Infrastructure Distribution Business  
Significant increase in sales and profits compared to the previous term

**IT Infrastructure Distribution Business**

Business negotiations increased due to the activation of communication with partners, we acquired orders stably in the corporate, government and education sectors, and results trended well centered on PCs and network equipment.  
Sales to the consumer market exceeded the previous year due to PC and new product proposals at mass retailers.

**Fiber Business**

Although sales of functional rayon and construction sheets remained strong, the struggle in terms of profits continued due to the rising costs of raw materials and fuel.

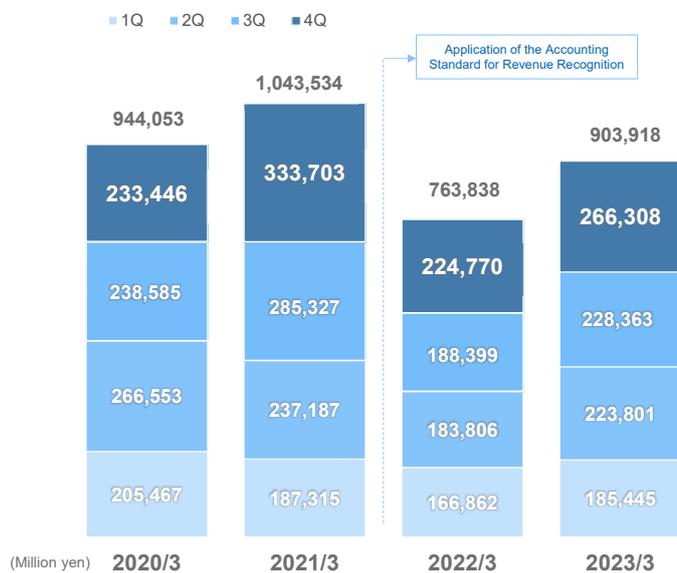
**Industrial Machinery Business**

Sales and profit increased due to sales to a wide range of industries, including wind power generation and other equipment for the energy industry, semiconductors, construction equipment and medical equipment, and the strengthening of the service system.

In this fiscal year, IT infrastructure distribution business achieved a significant increase in both sales and profit, thanks to stable demand mainly from companies and government agencies.

The status of each business will be explained later.

## Net Sales for the Fiscal Year Ended March 2023



Net sales **903,918** million yen

**+18.3%** against the same period of the previous fiscal year

**+2.7%** against the results forecast

▶ Total transactions **962,233** million yen  
**+16.1%** against the same period of the previous fiscal year

(Million yen)

2020/3

2021/3

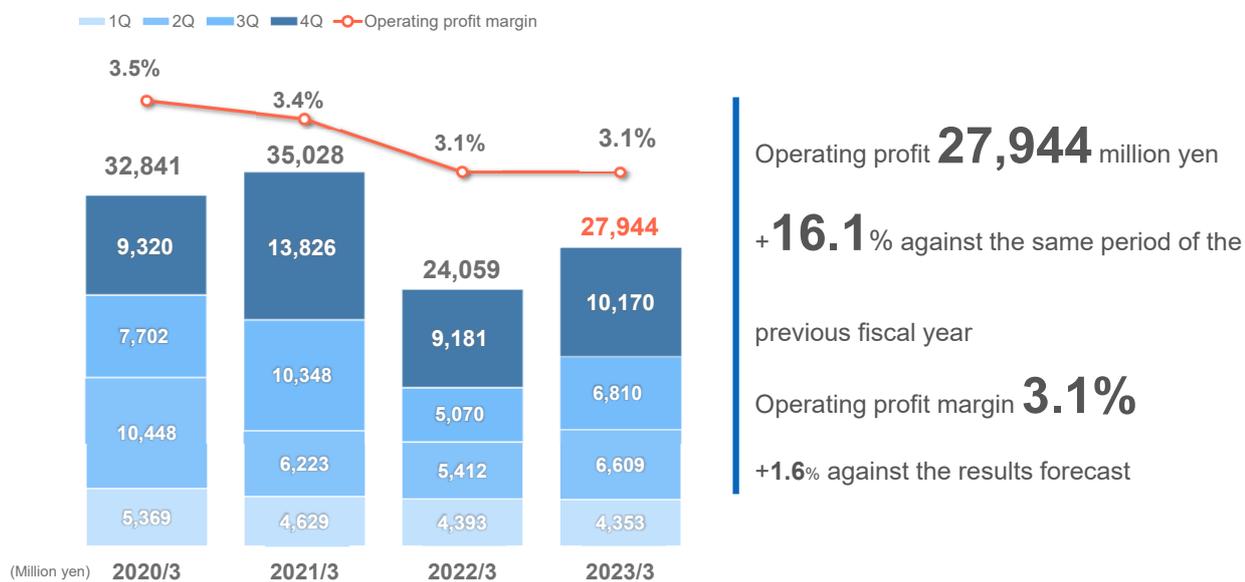
2022/3

2023/3

\* See the reference materials with regard to the application of the "Accounting Standard for Revenue Recognition"

Net sales for the fiscal year ended March 2023 was 903.5 billion yen.  
It is a year-on-year increase by 18.3%.

## Operating Profit for the Fiscal Year Ended March 2023



Operating profit also increased year-on-year by 16.1% to 27.9 billion yen.

## Consolidated Operating Results for the Fiscal Year Ended March 2023



(Million yen)	2022/3	2023/3	Change	Compared to previous term	Results forecast (Revised February 8)	Progress rate
<b>Net sales</b>	763,838	<b>903,918</b>	+140,079	+18.3%	880,000	+2.7%
<b>Operating profit</b>	24,059	<b>27,944</b>	+3,885	+16.1%	27,500	+1.6%
<b>Ordinary profit</b>	24,554	<b>28,608</b>	+4,054	+16.5%	27,900	+2.5%
<b>Profit</b> attributable to owners of parent	16,988	<b>19,059</b>	+2,071	+12.2%	19,000	+0.3%
Net earnings per share (yen)	178.14	<b>202.79</b>				

	2022/3	2023/3
<b>Return on equity (ROE)</b>	12.9%	<b>13.7%</b>
<b>Return on assets (ROA)</b>	6.6%	<b>7.5%</b>
<b>Operating profit margin</b>	3.1%	<b>3.1%</b>

This is the summary of the consolidated settlement of accounts.  
ROE and ROA are as shown.

## Consolidated Financial Position and Cash Flows During the Fiscal Year Ended March 2023



(Million yen)	2022/3	2023/3	Change	Major reasons for change
<b>Collective assets</b>	356,203	<b>406,688</b>	+50,485	Increase in accounts receivable
<b>Net assets</b>	136,173	<b>143,961</b>	+7,788	Increase in retained earnings
<b>Capital adequacy ratio</b>	38.0%	<b>35.2%</b>		
Net assets per share (yen)	1,422.20	<b>1,529.95</b>		

(Million yen)	2022/3	2023/3
<b>Cash flow due to operating activities</b>	28,165	<b>16,958</b>
<b>Cash flow due to investment activities</b>	-2,926	<b>-1,628</b>
<b>Cash flow due to financial activities</b>	-10,724	<b>-10,335</b>
<b>Balance of cash and cash equivalents at the end of BY</b>	46,728	<b>51,923</b>

This is the summary of the consolidated financial position and the cash flow. Total assets increased 50.4 billion yen due to an increase in accounts receivables.

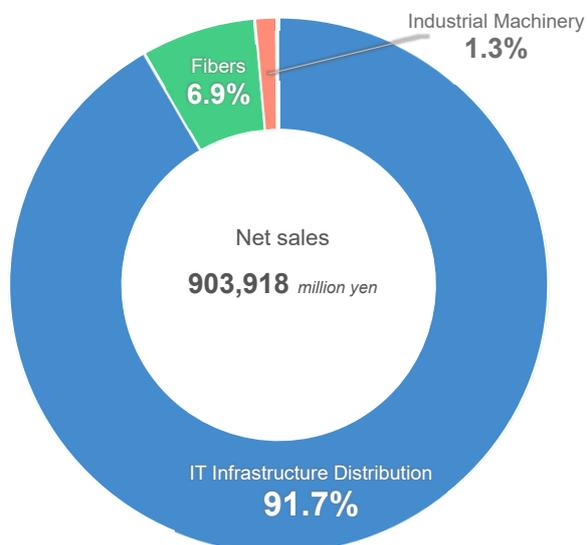
## Operating Results by Segment for the Fiscal Year Ended March 2023



(Million yen)		2022/3	2023/3	Change	Compared to previous term
<b>Net sales</b>	IT Infrastructure Distribution	691,281	<b>828,997</b>	+137,715	+19.9%
	Fibers	58,289	<b>61,980</b>	+3,691	+6.3%
	Industrial Machinery	11,610	<b>12,170</b>	+560	+4.8%
	Others	2,657	<b>770</b>	-1,886	-71.0%
	<b>Total</b>	<b>763,838</b>	<b>903,918</b>	<b>+140,079</b>	<b>+18.3%</b>
<b>Operating profit</b>	IT Infrastructure Distribution	21,651	<b>25,394</b>	+3,743	+17.3%
	Fibers	1,617	<b>1,499</b>	-117	-7.3%
	Industrial Machinery	656	<b>886</b>	+230	+35.2%
	Others	130	<b>115</b>	-15	-11.8%
	(Adjustment)	4	48	+44	-
<b>Total</b>	<b>24,059</b>	<b>27,944</b>	<b>+3,885</b>	<b>+16.1%</b>	

This is the results by segments.

## Segment Mix



### Percentage of net sales

	2022/3	2023/3
IT Infrastructure Distribution	90.5%	<b>91.7%</b>
Fibers	7.6%	<b>6.9%</b>
Industrial Machinery	1.5%	<b>1.3%</b>

### Percentage of operating profit

	2022/3	2023/3
IT Infrastructure Distribution	90.0%	<b>90.9%</b>
Fibers	6.7%	<b>5.4%</b>
Industrial Machinery	2.7%	<b>3.2%</b>

©2023 Daiwabo Holdings Co., Ltd.

10

Segment mix is as shown.

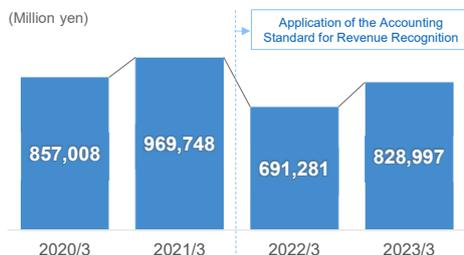
IT Infrastructure Distribution business accounted for approximately 90% of net sales and operating profit.

I will now explain the results by each segment.

## IT Infrastructure Distribution Business



(Million yen)



■ Net sales ■ Operating profit ■ Operating profit margin



**Transaction volume** \* Net sales under the old standard **887,311** million yen (+17.3% compared to previous term)

**Net sales** **828,997** million yen (+19.9% compared to previous term)

**Operating profit** **25,394** million yen (+17.3% compared to previous term)

**Number of PCs shipped** **2,992,000** units (+5.4% compared to previous term)

**Number of servers shipped** **67,000** units (+18.1% compared to previous term)

**Subscription handling volume** **88,098** million yen (+24.4% compared to previous term)

**iKAZUCHI handling volume** **20,499** million yen (+39.4% compared to previous term)

### Review of the business

<b>Corporate market</b>	<ul style="list-style-type: none"> <li>With companies and government offices, we acquired sales stably and results expanded, centered on PCs and networks, while cloud services also trended well due to an increase in subscription product contracts.</li> <li>In the education market, the introduction of terminals for high school students and elementary and junior high school teachers increased.</li> </ul>
<b>Consumer market</b>	<ul style="list-style-type: none"> <li>In sales to EC, although peripherals, etc., stagnated, PCs increased, and sales to mass retailers exceeded last year overall due to successful PC and new product proposals.</li> </ul>

©2023 Daiwabo Holdings Co., Ltd.

11

First, the IT Infrastructure Distribution business.

As the impact of the semiconductor shortage gradually dissipated, we achieved a significant increase in both sales and profit thanks to stable demand mainly from companies and government agencies.

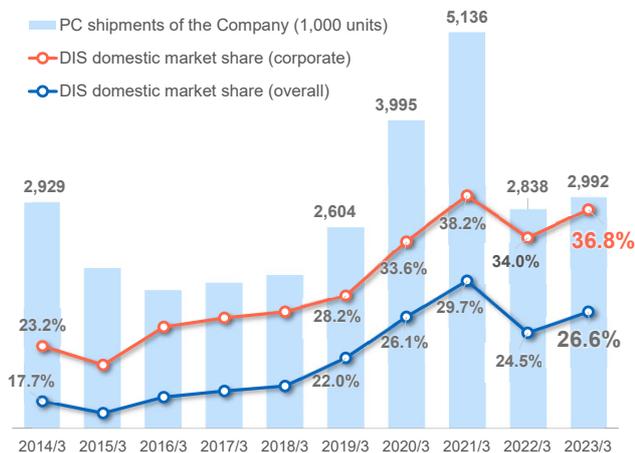
In the education market, demand for student terminals at high schools and terminals for teachers at elementary and junior high schools expanded.

In the Consumer Market, sales exceeded that of last year's due to increased PC sales and successful proposals for new products.

Overall, PCs, servers, network, subscriptions and others grew significantly.

# Domestic PC Market Share and Product Category Composition

More than **one in three PCs** used by corporations has ties to **US**



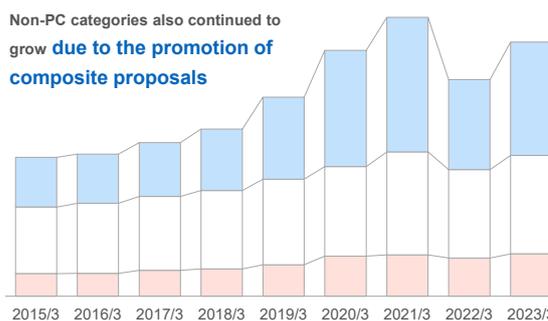
\* Calculated based on the results of a survey by MM Research Institute  
 (As the figure for 2023/3 is based on the survey company's preliminary results, the official figure for share may change)

©2023 Daiwabo Holdings Co., Ltd.

< Sales trend by DIS category >

Category	Composition ratio	Compared to previous term
PC main units*	44.6%	+26.0%
Software	16.6%	+10.8%
Peripherals, services, etc.	38.7%	+11.4%

Non-PC categories also continued to grow **due to the promotion of composite proposals**



\*PC main units = the main terminal unit of a PC, server, tablet, smartphone, etc.

This is our domestic PC market share and sales trend by product category.

Our share of the total market for the fiscal year ended March 2023 was 26.6%, and 36.8% for corporate market.

Despite the impact of shortage of semiconductors, we were able to demonstrate our strength in procurement capability, maintaining high market share.

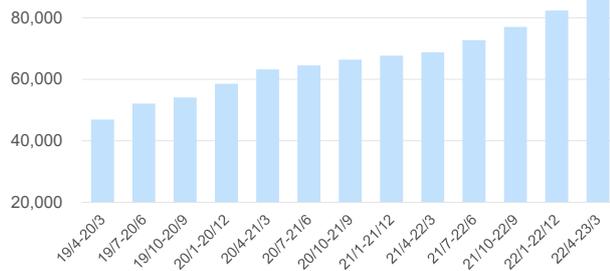
In terms of product category, in addition to PCs, we see steady growth in software, peripherals and services.

## Results for Subscription Business

### Subscription transaction volume (DIS only)

2022/3 full-term **70,800** +24.4% 2023/3 full-term **88,098**

■ Trend in total transaction volume for 12 months (considering annual charges, etc.)



#### Subscription

Defined as products and services where ongoing revenue can be expected as long as users do not terminate their contracts, regardless of billing type (monthly, annual, pay-as-you-go, etc.)

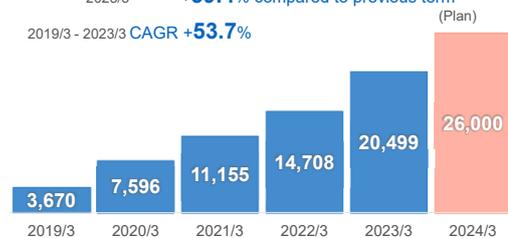
©2023 Daiwabo Holdings Co., Ltd.

### iKAZUCHI handling volume

(Million yen)

Total sales to dealers through the "iKAZUCHI" subscription management portal

2023/3 **+39.4%** compared to previous term  
2019/3 - 2023/3 CAGR **+53.7%**



#### Number of supported vendor services

88 vendors ▶ 115 vendors  
181 services (2022/3) ▶ 230 services (2023/3)



Expand the subscription business market and strengthen the "foundations" of ongoing revenue

This is the results for subscription business.

Transaction volume of subscription products and services increased 24.4% year-on-year to 88 billion yen.

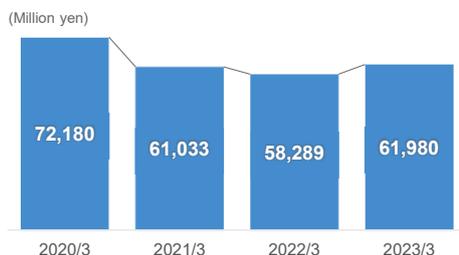
As shown in the blue bar chart on the left, the transaction volume of recurring revenue is steadily expanding.

iKAZUCHI, which is DIS proprietary management portal, is making steady progress in the number of supported vendors and service menus.

Total sales to dealers for the fiscal year ended March 2023 increased 39.4% year-on-year to 20 billion 499 million yen.

CAGR since fiscal year ended March 2019 continues to be high at 53.7%. We will continue with our efforts aiming for 26 billion yen this fiscal year.

## Fiber Business



■ Net sales ■ Operating profit ■ Operating profit margin



**Net sales** **61,980** million yen (+6.3% compared to previous term)

**Operating profit** **1,499** million yen (-7.3% compared to previous term)

### Review of the business

<b>Synthetic Fibers and Rayon Divisions</b>	<ul style="list-style-type: none"> <li>Although sales of low environmental impact functional rayon trended steadily, the recovery in demand for synthetic fiber nonwoven fabrics for cosmetics applications and sterilizing sheets was slow and we also continued to struggle in terms of profits due to soaring raw material and fuel prices</li> </ul>
<b>Industrial Material Division</b>	<ul style="list-style-type: none"> <li>Sales to electronic parts manufacturers trended steadily due to the establishment of a system for increased production of cartridge filters, and sales and profits increased due to increased sales of construction sheets under the impact of vigorous construction demand.</li> </ul>
<b>Clothing Products Division</b>	<ul style="list-style-type: none"> <li>Although domestic sales trended steadily, sales to America declined due to rising costs under the influence of the progress of yen depreciation, resulting in lower revenue and profits.</li> </ul>

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

	2021/3		2022/3
	Impact	When impact is excluded	Compared to previous term when impact is excluded
<b>Net sales</b>	-640 million yen	61,673 million yen	-5.5%
<b>Operating profit</b>	-2,100 million yen	3,450 million yen	-53.1%

©2023 Daiwabo Holdings Co., Ltd.

14

Next is Fiber business.

In Synthetic Fibers and Rayon division, Rayon with low environmental load trended strongly but sales of disinfectant related products and non-woven fabric declined as demand recovery was delayed. Profits also continued to suffer due to soaring raw material and fuel prices.

In the Industrial Material division, sales for electronic components manufacturers remained vigorous as we enhanced production structure for cartridge filters.

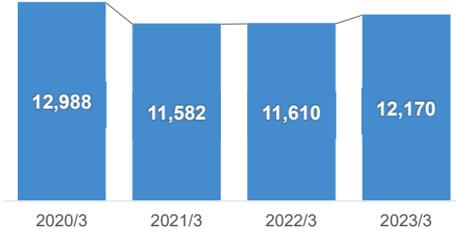
In addition, expansion of sales of construction sheets due to construction demand increase, pushed up both sales and profit.

On the other hand, in the Clothing Products division, US sales are declining and combined with cost increase due to depreciation of the Japanese yen, both sales and profit declined. As a result of continued structural reforms in the previous fiscal year, a significant increase in profit is expected in the current fiscal year.

# Industrial Machinery Business



(Million yen)



**Net sales** **12,170** million yen (+4.8% compared to previous term)

**Operating profit** **886** million yen (+35.2% compared to previous term)

■ Net sales ■ Operating profit ■ Operating profit margin



## Review of the business

### Machine Tools Division

- While total orders received from April to March as reported by the Japan Machine Tool Builders' Association increased 2.3% compared to the previous term, the recovery in core aircraft and railway-related sales is still to come, but revenue and profits increased due to the strengthening of the sales and service systems for a wide range of industries including energy, construction equipment and semiconductors.
- Orders increased 26.4% compared to the previous term

### Automatic Machinery Division

- Although the division aimed to increase profitability by strengthening proposals and services in accordance with demand in each industry, customers continue to be cautious about capital investment due to the impact of soaring material costs, resulting in lower revenue and profits
- Orders increased 4.5% compared to the previous term

In the industrial machinery business, the machine tool division achieved increases in both sales and profit by strengthening sales to a wide range of industries, including energy, construction machinery, and semiconductors, and by enhancing its service structure. In the Automatic Machinery division, despite the increasing trend of orders, both sales and profit fell as a result of continued cautious stance of our customers towards capital investments.

## Consolidated Balance Sheet for the Fiscal Year Ended March 2023

(Summary of Accounts P4-5)



(Million yen)	2022/3	2023/3	Change		2022/3	2023/3	Change
<b>Current assets</b>	304,134	<b>354,188</b>	+50,053	<b>Current liabilities</b>	191,564	<b>231,884</b>	+40,319
Cash and deposits	46,963	<b>52,123</b>	+5,160	Notes payable and accounts payable	161,859	<b>192,594</b>	+30,735
Notes and accounts receivable	202,408	<b>239,856</b>	+37,447	Short-term loans payable	12,589	<b>12,869</b>	+280
Goods and products	38,478	<b>39,273</b>	+795	<b>Non-current liabilities</b>	28,465	<b>30,842</b>	+2,377
<b>Property, plant and equipment</b>	38,272	<b>37,127</b>	-1,144	Long-term loans payable	14,895	<b>13,230</b>	-1,665
<b>Intangible fixed assets</b>	2,462	<b>2,081</b>	-381	<b>Total liabilities</b>	220,030	<b>262,726</b>	+42,696
<b>Investments and other assets</b>	11,333	<b>13,291</b>	+1,957	<b>Total net assets</b>	136,173	<b>143,961</b>	+7,788
				Treasury stock	-2,123	<b>-5,137</b>	-3,013
<b>Total assets</b>	356,203	<b>406,688</b>	+50,485	<b>Total liabilities and net assets</b>	356,203	<b>406,688</b>	+50,485

Notes and accounts receivable	202,408	->	<b>239,856</b>	+37,447	Increase in DIS accounts receivable
Notes payable and accounts payable	161,859	->	<b>192,594</b>	+30,735	Increase in DIS accounts payable
Total loans	27,484	->	<b>26,099</b>	-1,385	

©2023 Daiwabo Holdings Co., Ltd.

16

Next, I'd like to comment on the balance sheet.

Total assets increased by 50.4 billion yen compared to the end of the previous term to 406.6 billion yen due to increase in notes and accounts receivable.

Net assets increased by 7.7 billion yen compared to the end of the previous term to 143.9 billion yen mainly due to increase in retained earnings.

Accounts receivable and accounts payable have increased significantly, due to the expansion of our business performance and we also believe it reflects the impact of higher product prices due to the weaker yen.

## Consolidated Profit Statement for the Fiscal Year Ended March 2023 (Summary of Accounts P6)



(Million yen)	2022/3		2023/3		Change	Compared to previous term
	Results	Percentage	Results	Percentage		
<b>Net sales</b>	763,838		<b>903,918</b>		+140,079	+18.3%
Gross profit	64,141	8.4%	<b>70,523</b>	<b>7.8%</b>	+6,382	+10.0%
Selling, general and administrative expenses	40,081	5.2%	<b>42,579</b>	<b>4.7%</b>	+2,497	+6.2%
<b>Operating profit</b>	24,059	3.1%	<b>27,944</b>	<b>3.1%</b>	+3,885	+16.1%
<b>Ordinary profit</b>	24,554	3.2%	<b>28,608</b>	<b>3.2%</b>	+4,054	+16.5%
Extraordinary profit	527 *		<b>58</b>			
Extraordinary loss	163		<b>475</b>			
<b>Profit attributable to owners of parent</b>	16,988	2.2%	<b>19,059</b>	<b>2.1%</b>	+2,071	+12.2%

Extraordinary loss      Loss on sale of fixed assets (194 million yen), impairment loss (191 million yen)

\* Extraordinary profit in previous term      Gain on sale of investment securities (414 million yen)

Now, allow me to comment about the profit statement.

While the gross profit margin declined to 7.8% from 8.4% in the previous year, the SG&A expense ratio also declined to 4.7% from 5.2% in the previous year, resulting in an operating profit margin of 3.1%, the same as the previous year.

Extraordinary, losses include a 194 million yen loss on sales and retirement of fixed assets and a 191 million yen impairment loss.

This is all for the financial results.

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

Next, I will explain the business outlook for the fiscal year ending in March 2024.

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



(Million yen)	2023/3 (Results)		2024/3 (Forecast)		Change	Compared to previous term
	Amount	Percentage	Amount	Percentage		
<b>Net sales</b>	903,918		<b>950,000</b>		+46,081	+5.1%
IT Infrastructure Distribution	828,997		<b>872,700</b>		+43,702	+5.3%
Fibers	61,980		<b>63,680</b>		+1,699	+2.7%
Industrial Machinery	12,170		<b>13,000</b>		+829	+6.8%
<b>Operating profit</b>	27,944	3.1%	<b>30,700</b>	3.2%	+2,755	+9.9%
IT Infrastructure Distribution	25,394	3.1%	<b>26,550</b>	3.0%	+1,155	+4.6%
Fibers	1,499	2.4%	<b>2,955</b>	4.6%	+1,455	+97.0%
Industrial Machinery	886	7.3%	<b>1,150</b>	8.8%	+263	+29.7%
<b>Ordinary profit</b>	28,608	3.2%	<b>31,000</b>	3.3%	+2,391	+8.4%
<b>Profit</b> attributable to owners of parent	19,059	2.1%	<b>20,420</b>	2.1%	+1,360	+7.1%

Forecast for net sales is 950 billion yen and for operating profit is 30.7 billion yen.  
All segments are expected to exceed the results for fiscal year ended March 2023.

## Focus Measures in IT Infrastructure Distribution Business



### Acquisition of share in each category in IT device distribution

- ▶ Strengthening of information gathering and approaches for the acquisition of PC replacement demand
- ▶ Strengthening of IT equipment lineup and handling of diverse forms of purchasing
- ▶ Improvement of market share in the education market through the use of terminals and the promotion of STEAM education

### Implementation and strengthening of high-level support functions

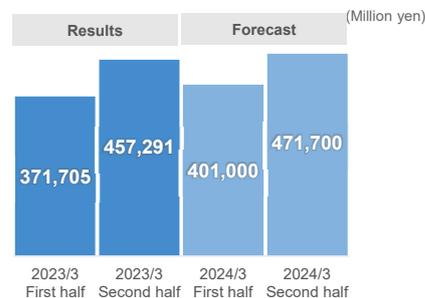
- ▶ Strengthening of the support system for increasingly sophisticated IT infrastructure and deepening of cooperation with core manufacturers
- ▶ Development of engineers, development of original services and promotion of ATS collaboration

### Branding as a cloud distributor

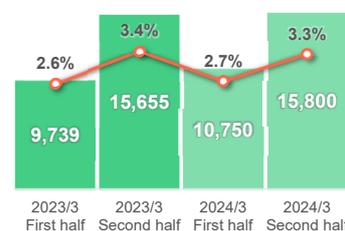
- ▶ Handling of diversifying sales methods by expanding iKAZUCHI functions
- ▶ Expansion of market share by focusing on the mega-cloud in collaboration with partners

### Productivity improvements in the supply chain as a whole

- ▶ Continuous investment in information systems, such as the strengthening of sales activities by use of RPA and BI tools, and support for tactical development by use of SFA
- ▶ Promotion of low-cost operations through the use of e-commerce



■ Net sales ■ Operating profit ■ Operating profit margin

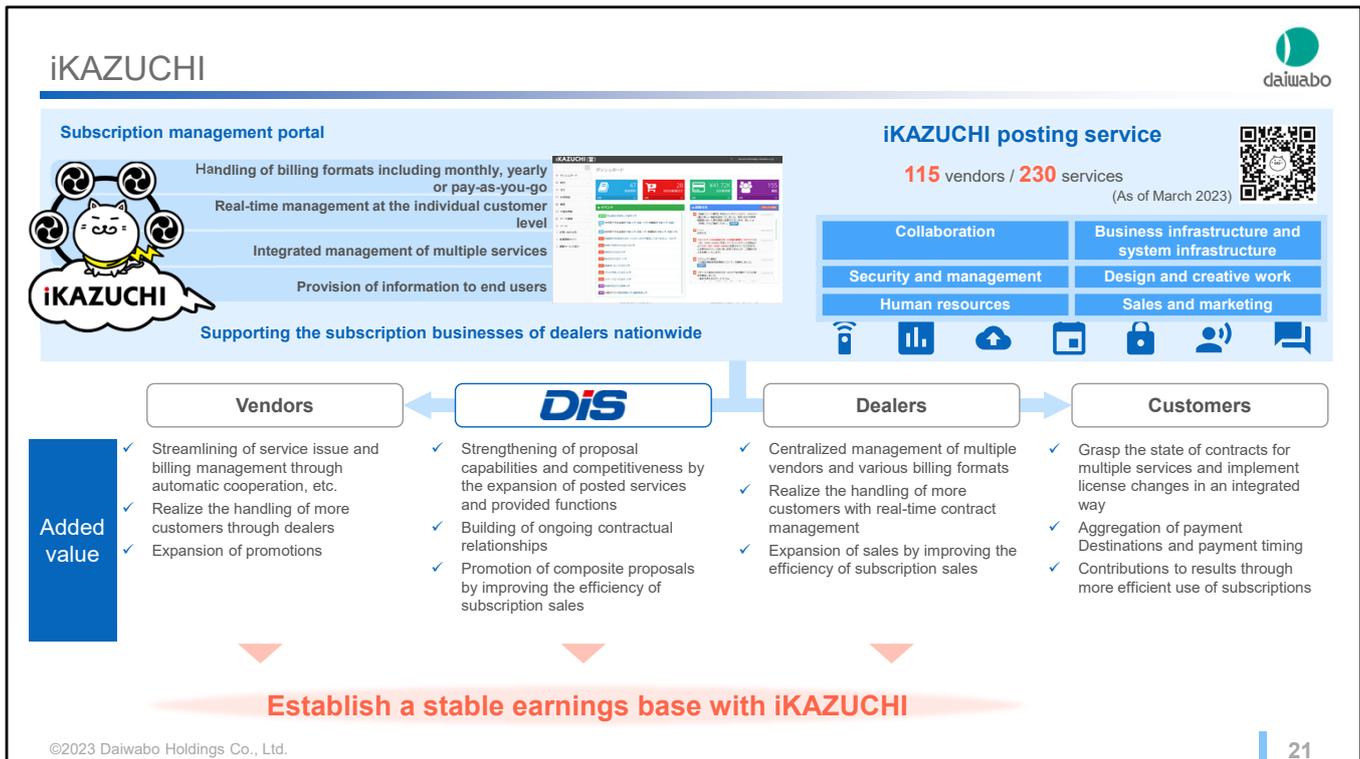


Now, I will explain the business strategies in each segment for the fiscal year ending in March 2024.

First, the IT Infrastructure Distribution business.

In addition to expanding the existing business areas, we will work on market creation in growing areas such as cloud, and productivity improvements in the supply chain as a whole.

By gathering information to capture PC replacement demand and enhance approaches, we will lead to steady growth.



The strategy in the IT Infrastructure Distribution business is to aim to be a “cloud distributor”.

I will explain about iKAZUCHI, which is the core of this strategy.

iKAZUCHI is a proprietary subscription management portal that DIS offers for dealers.

It is available free of charge to DIS dealers. As of March, there are 115 vendors and 230 services posted.

Various billing formats for auto-renewal cloud services include monthly, annual, or pay as-you-go, can be handled on a common platform.

Subscription sales tend to incur complex contract management and billing process.

By substantially reducing dealers’ workload and man-hours, iKAZUCHI provides strong support for dealers’ subscription business.

Increase in sales utilizing iKAZUCHI will enable vendors, dealers, and DIS to establish stable revenue foundation.

# iKAZUCHI



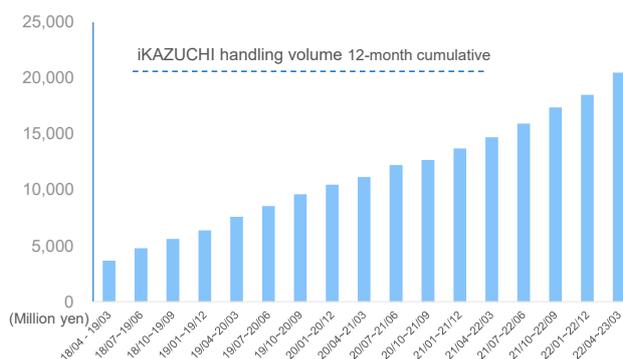
Compared to 2018/3 Growth rate



Number of handling vendors



We use our “multi-vendor” strength to create added value that would not be possible with a single vendor



©2023 Daiwabo Holdings Co., Ltd.

The graph on the left shows the growth rate compared to March 2018.

The green line is the number of dealers contracting iKAZUCHI.

It has grown 2.6 times in the last 5 years.

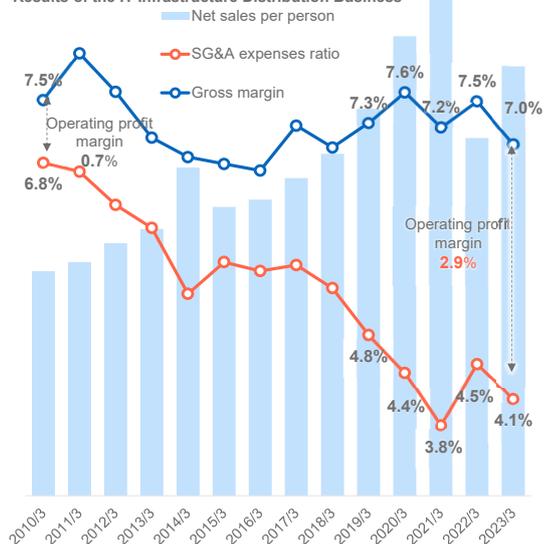
Furthermore, the number of contracts increased by roughly 20 folds and the number of user companies increased by about 16 times, indicating that contracts per dealer is steadily growing.

We believe that this is a result of the growing penetration and usage of cloud services, as well as using our strength as a “multi-vendor” that can offer combine of multiple services. Going forward, we will continue to enhance our service menu proposal capability by making full use of our sales network.

We will further strengthen the contract management function to grow iKAZUCHI into even more substantial platform so that we bring added value that cannot be offered by single vendors.

## Greater Sales Efficiency and Low-Cost Operation

Results of the IT Infrastructure Distribution Business



\* This is different from segment results because it does not reflect consolidation adjustments

### Strengthening of sales activities

Sales expansion based on tactics  
Greater efficiency of routine work

Ongoing system investment



### Expansion of e-commerce ratio

Productivity improvements including suppliers

Manufacturers (suppliers)  
1,300 vendors



### Greater logistics efficiency

Control of distribution costs  
Optimization of inventory locations



Next, I'd like to touch on sales efficiency improvement and low cost operation.

As the scale of our business expands, we have been striving to strengthen our profit structure by reducing the SG&A ratio while maintaining an appropriate gross profit margin level as a trading company.

We will continue to reform our operations by strengthening our sales activities through ongoing system investment, increasing productivity of manufacturers and sales partners by expanding e-commerce, and by increasing efficiency of our distribution centers that cover the entire country.

# As a Company that Continues to Support All IT Business



Distribution



IT Infrastructure Solutions

▼ Entry into the Group on April 1, 2023

Matching the “diversification of customer needs” and “diversification of technology” efficiently to develop nationwide

Evolve the partner business and build a new business model that realizes customers' objectives using IT by combining “strengths”

In IT Infrastructure Distribution business, we advocate to be “As a co that continues to support all IT business”.

We aim to respond to changes in IT needs and spread of technology. And leverage our unique strength of nationwide area coverage to further evolve our existing partner business.

And by strengthening collaboration among the vendors, DIS and dealers, to build new business model that will realize end-users' objectives through IT.

## Focus Measures in Fiber Business



### Reform into a company satisfying to work at centered on ESG

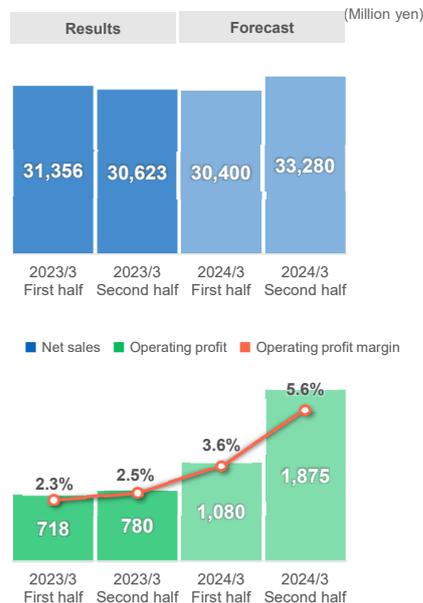
- ▶ Thorough implementation of compliance management by systematizing the work flow and strengthening the audit and check system focusing on actual sites
- ▶ Establishment of an environment that is easy to work in through reviews of personnel systems, the introduction of new systems, and the enhancement of employee education

### Strengthening of the development of unique materials based on the deep plowing of fiber strategy

- ▶ R&D activities that capture the company's strengths and opportunities based on the Group's cross-business research system and create products that become our next generation pillars
- ▶ Contributions to a sustainable society through the creation of environmentally conscious products based on the company's core technologies

### Business activities conscious of invested fund efficiency

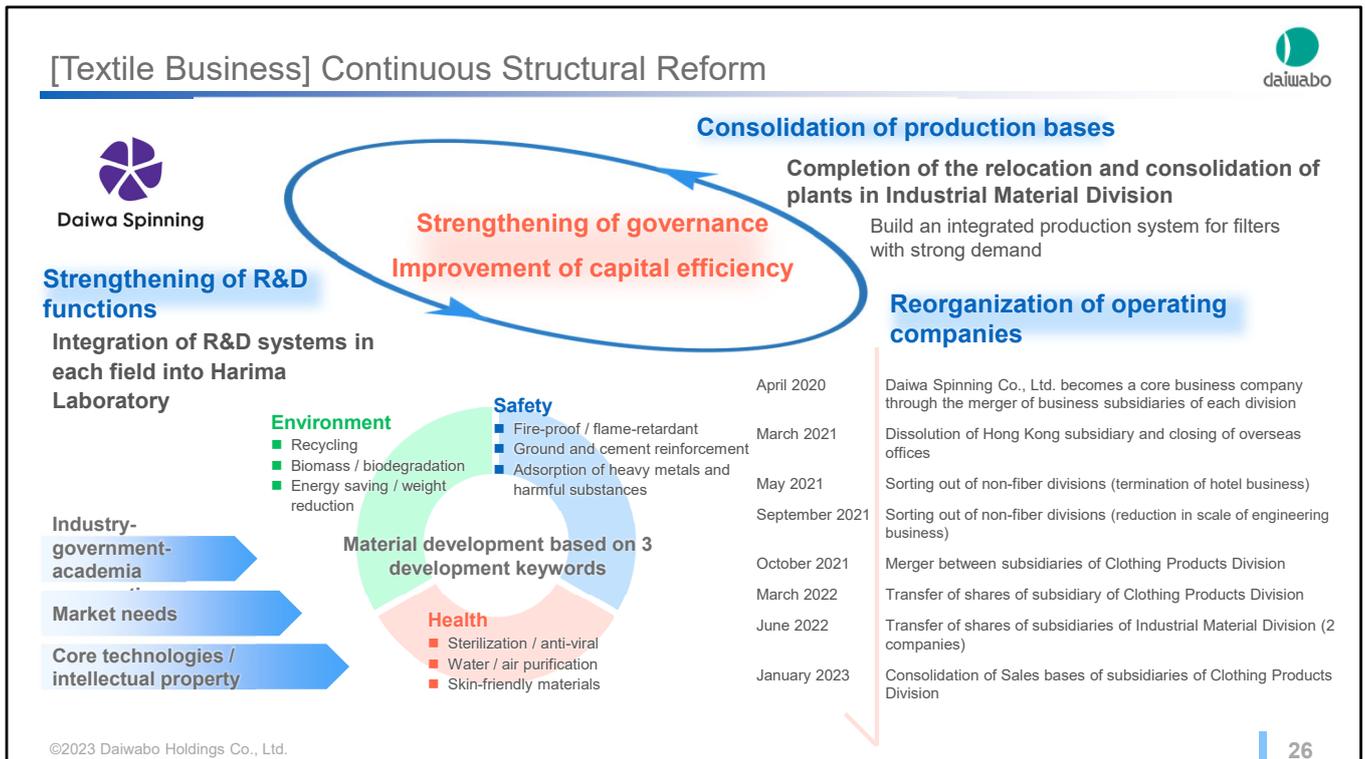
- ▶ Effective investment in new growth opportunities for the improvement of corporate value
- ▶ Strengthening of the development of new customers and applications for sanitary materials, and focused allocation of management resources, such as for industrial materials applications that are growth areas



Next is Fiber business.

Although market environment remains challenging, we are strengthening our corporate governance to put in place a firm management structure.

Based on such setting, we are expanding our R&D functions and being conscious of the optimal allocation of management resources to continue to contribute to business.



We are also actively engaged in structural reforms.

Integration of various fields of R&D, factory consolidation of the Industrial Material division and restructuring of group companies are being implemented.

We will continue to fully focus on strengthening governance and improving capital efficiency.

In particular, in R&D, we aim to maximize R&D results and contribute to a sustainable society, based on 3 development keywords of Environment, Safety and Health.

## Focus Measures in Industrial Machinery Business



### Business expansion into potential markets in machine tools

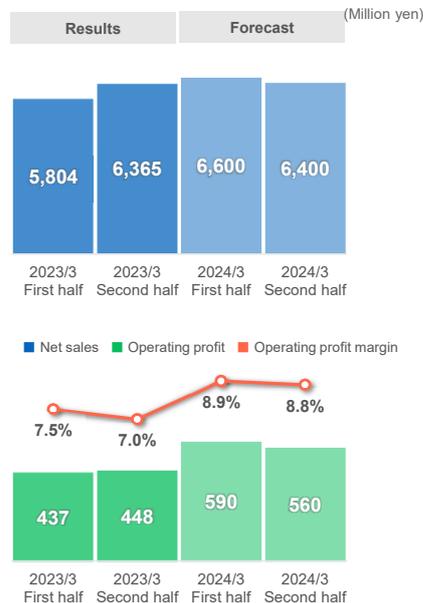
- ▶ Increase inventory of general-purpose machinery in Japan, America and China, and also begin planned production of the small RT-915 series this autumn
- ▶ Handling of the needs of customers who demand prompt or immediate delivery

### Capture of demand for packaging machine automation in automatic machinery

- ▶ Renew and promote sales of continuous cartoners for the food and confectionery industries and intermittent cartoners for the pharmaceutical industry
- ▶ Reduce costs by strengthening overseas procurement
- ▶ Strengthen service systems and improve competitiveness in the Chinese market

### Improvement of profitability by strengthening services

- ▶ Strengthen alliances with external service companies and strengthen service systems continuously
- ▶ Improve customer satisfaction by raising the level of junior salespeople and engineers through in-house training towards the expansion of services



Next is Industrial Machinery business.

We are putting efforts in making proposals that are well-focused on industries and markets where potential demand can be expected.

At the same time, we are expanding service related business to improve profitability.

We will also continue to strengthen our sales and service system in preparation for the recovery in demand of the aircraft industry.

- Period **Fiscal year ended March 2022 to fiscal year ending March 2024 (3-year plan)**
- Positioning **"A turning point anticipating development into the future"**
  - ▶ A period of challenge towards "business model reform" aimed at sustainable growth
  - ▶ Contributions to the resolution of social issues through business with an ESG perspective
  - ▶ Maximization of the human resource value that will create the future

### Basic policy of the group

- 01 The creation of next generation growth drivers
- 02 Contributions to the creation of a new society as a leading company
- 03 Reform of management foundations

Next, I'd like to review the Medium-Term Management Plan, which will be the final year this year.

We have positioned the 3 years under the plan to be "A turning point anticipating development into the future".

It focuses on business model transformation, business operation with ESG perspectives and human resource development.

## State of Progress of the Medium-Term Management Plan < Profit Indicator >



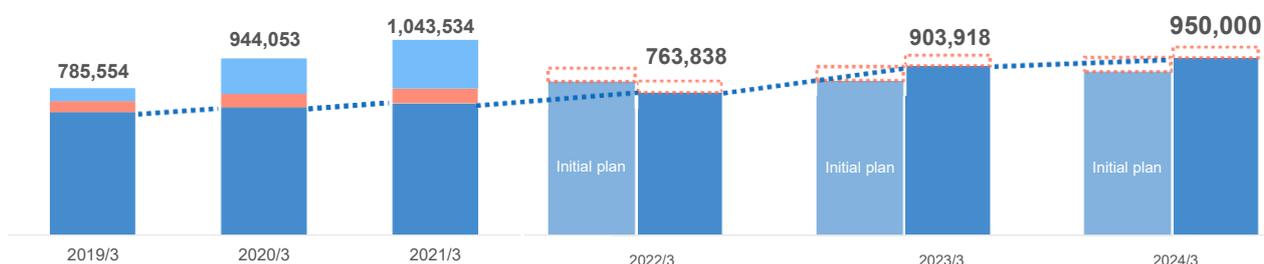
(Million yen)	2022/3		2023/3		2024/3	
	(Initial plan)	(Results)	(Initial plan)	(Results)	(Plan)	(Results forecast)
<b>Net sales</b>	820,000	<b>763,838</b>	830,000	<b>903,918</b>	<b>875,000</b>	<b>950,000</b>
<b>Operating profit</b>	28,500	<b>24,059</b>	28,600	<b>27,944</b>	<b>31,400</b>	<b>30,700</b>
<b>Operating profit margin</b>	3.5%	<b>3.1%</b>	3.5%	<b>3.1%</b>	<b>3.6%</b>	<b>3.2%</b>

< Image of the trend in net sales >

■ Sales in association with concentrated terminal demand \* Estimate based on certain conditions  
(Windows updates, The GIGA School concept, telework demand, etc.)

■ Approximate impact values from application of the Accounting Standard for Revenue Recognition

\* Approximate values based on results



©2023 Daiwabo Holdings Co., Ltd.

29

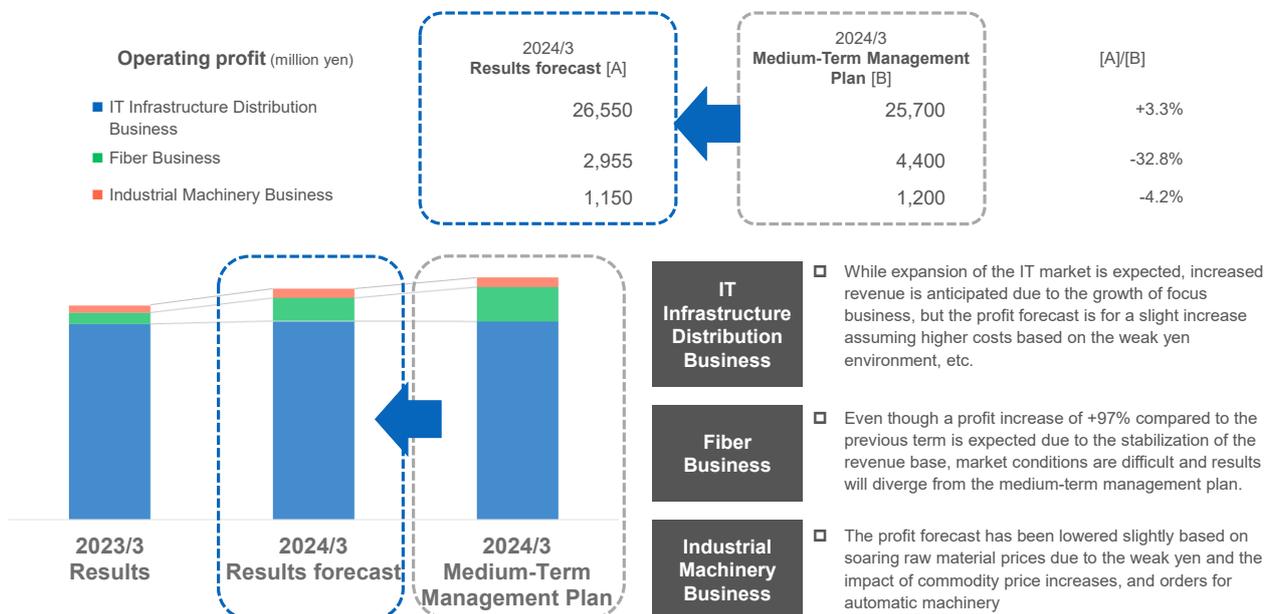
I will explain the progress of the medium-term management plan against the revenue indicators.

In the 1st year of the plan, both net sales and operating profit fell short of the initial plan.

In the 2nd year, which was the last year, net sales exceeded the initial plan by far but operating profit decreased.

In the final year ending in March 2024, we expect sales to exceed the plan but operating profit is expected to be unachieved as of now.

## Difference between Medium-Term Management Plan and Results Forecast



©2023 Daiwabo Holdings Co., Ltd.

30

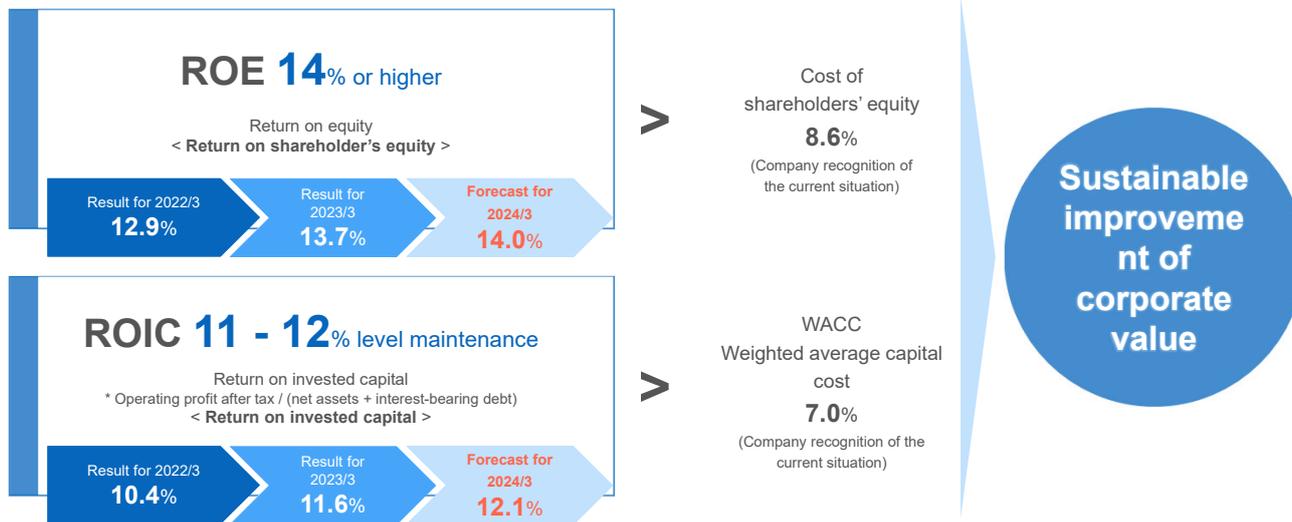
This chart shows the difference between the operating profit plan announced in the medium-term management plan and the forecast for this fiscal year for each business.

For the IT infrastructure distribution business, although sales are expected to increase, operating profit forecast is assumed to increase slightly in light of cost increases due to the weak yen environment and other factors.

Although the Fiber business is expected to see a significant recovery from the sharp rise in raw materials and fuel prices compare to the previous year, the market environment is severe and deviates from the medium-term management plan.

For the industrial machinery business, we have also lowered our operating profit forecast slightly, due to a close examination of soaring raw material prices and orders in the automation machinery segment.

## State of Progress of the Medium-Term Management Plan < Group Management Indicators >



Let us now review the actual results including group management indicators of ROE and ROIC.

ROE actual was 13.7% in the fiscal year ended March 2023.

We are aiming for 14% or more this fiscal year. We are aiming to maintain ROIC at 11-12% level for 3 years.

We achieved 11.6% in the fiscal year ended March 2023.

We will make improvements by managing the business, paying full attention to capital efficiency.

## Medium-Term Management Plan - Cash Allocation Policy



### Basic policy

- We will aim to enhance shareholder returns appropriately.
- We will make growth investments in new areas while continuing to invest towards the sustainable growth of existing business.
- We will prepare for strategic product procurement and unforeseen circumstances while securing a certain level of liquidity on hand.

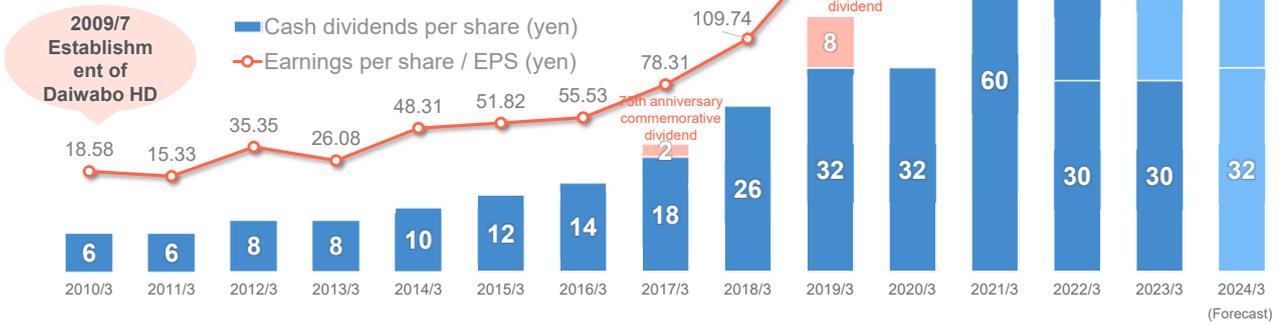
< Cash allocations >

Dividends	Growth investment in existing areas	Growth investment in new areas	Acquisition of treasury stock	Securing of liquidity on hand
<p>We will make a <b>stable dividend of 60 yen per share (including interim dividends)</b> our basic policy and also consider dividend increases matched to our cash situation.</p> <p>BY2023 Dividend forecast Interim <b>32</b> yen + At the end of BY <b>32</b> yen</p>	<p>We will <b>invest in equipment</b> towards the sustainable growth of existing business and implement <b>marketing, R&amp;D and the hiring of human resources.</b></p>	<p>We will start to consider <b>business partnerships and M&amp;A to nurture new business pillars</b>, centered on DX-related areas where market growth is expected.</p>	<p>We will consider the <b>flexible acquisition of treasury stock</b> in accordance with the market environment.</p> <p><b>We are currently considering continued implementation this term too</b></p>	<p><b>Securing of liquidity on hand</b> in readiness for fund demand in association with strategic product procurement in IT Infrastructure Distribution Business and unforeseen circumstances</p>

Cash is being allocated based on the policy of the medium-term management plan. We are planning an interim dividend and year end dividend of 32 yen per share, making the full year dividend to be 64 yen per share.

# Shareholder Return

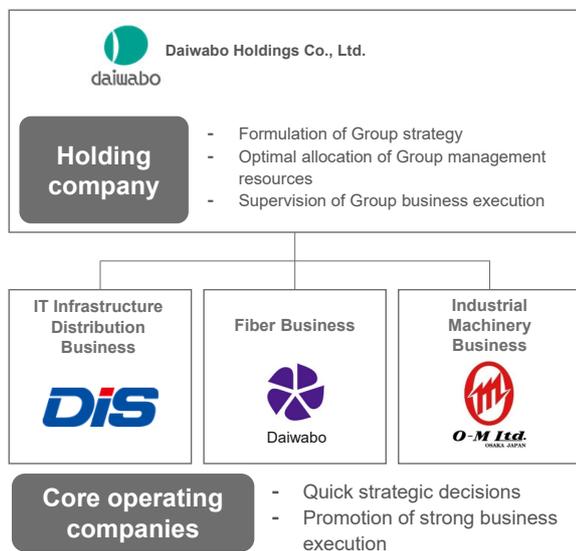
	BY2022			BY2023 (forecast)		
	Interim	At the end of BY	Annual	Interim	At the end of BY	Annual
Dividend per share	30 yen	32 yen	62 yen	32 yen	32 yen	64 yen
Acquisition of treasury stock	About 3.0 billion yen (May 13, 2022 to October 31, 2022)			We are currently considering continued implementation this term too		
Dividend Ratio	30.6%			29.5%		
Total payout ratio	46.2%			-		



\* Figures shown with the reverse stock split (October 1, 2017) and stock split (April 1, 2021) applied retrospectively to past fiscal years.

This is the trend of dividend per share and EPS since the establishment of Daiwabo Holdings.  
 I would like to repeat that we are planning dividend of 64 yen a share for the fiscal year ending March 2024.

## Clarification of each group company's responsibility and authority



## Securing of independence and diversity of Board of Directors (\* after the General Meeting of Shareholders)

We will propose the **election of one new independent Outside Director**  
 Ratio of independent Outside Directors **57%** to **\*62.5%**  
 Ratio of female Directors **29%** to **\*25%**

## Skills matrix (published in the notice of convocation)

Overall corporate management	Management planning Management strategy	Legal affairs Compliance Governance	Finance and accounting
Personnel and labor Human resource development Diversity	ICT DX-related	ESG SDGs	Internationalism

Next, I will explain our group governance.

By clarifying the responsibilities and authority of each company, the core 3 companies, Daiwabo Information System, Daiwabo Spinning and O-M Limited, undertakes prompt strategy decisions and strong business execution in their respective businesses.

The holding company, Daiwabo Holdings takes a high-level stand point and with a group wide broad perspective, formulates group strategies and strengthen its supervisory function.

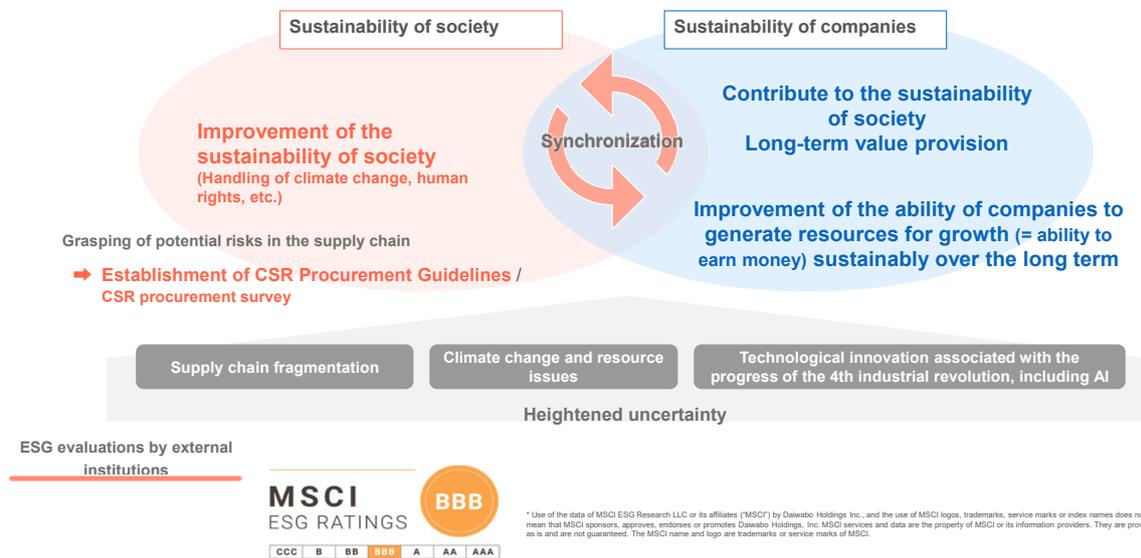
Our board consists of 4 outside directors, 2 of whom are female, and 3 inside directors, to ensure independence and diversity.

Assuming the resolution approval at the Ordinary General Meeting of Shareholders to be held in June, we are planning to appoint another independent outside director.

With such efforts, we will enhance our group governance in order to enhance our corporate value over the mid to long term.

We also plan to publish in the notice of convocation, a skills matrix that shows the composition of skills we seek in our Board of Directors and Board of Statutory Auditors.

## Sustainability activities



©2023 Daiwabo Holdings Co., Ltd.

35

Next, I would like to talk about our sustainability activities.

Looking at the environment surrounding us, requests from our business partners, especially for climate change and human rights, have become very important factors.

Against such a backdrop, we must synchronize the pursuit of sustainability for both the company and society and lead to the enhancement of the Group's long-term earning power and the creation of added value.

Furthermore, as social issues such as human rights become more serious, we must also make efforts to understand potential risks in our supply chain and focus on sustainable procurement.

We will continue to take action referring to external rating agencies and investors.

## **Important Considerations and System for Consideration of the Formulation of the Next Medium-Term Management Plan**

I would like to explain about the important considerations and system for consideration of the formulation of the next Medium Term Management Plan.

## Important Considerations for the Next Medium-Term Management Plan



We will arrange the important considerations and the system for consideration ahead of the formulation of the next Medium-Term Management Plan scheduled to be announced in May 2024.

Considerations	Overview	Current status
<b>Establishment of a company-wide purpose and formulation of a growth strategy</b>	<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>We are planning to announce the company's purpose in the integrated report this fiscal year.</li> <li>We are currently considering growth strategies while verifying which areas growth is expected in and whether there is added value.</li> <li>Challenges include sustainable growth investment for the realization of the expansion of market share and customer value.</li> </ul>
<b>Establishment of the optimal business portfolio for the maximization of value of the group overall</b>	<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 the Practical Guidelines for Business Transformations formulated by the Ministry of Economy, Trade and Industry, etc.</li> </ul>	<ul style="list-style-type: none"> <li>We are currently considering making textile business independent from the group as a strategic option for the maximization of corporate value.</li> <li>* We have started specific discussions with Daiwabo and will consider options that would contribute to increasing the value of textile business by a method appropriate for shareholders, employees, business partners, etc.</li> </ul>
<b>Realization of the optimization of growth investments and shareholder returns</b>	<ul style="list-style-type: none"> <li>We will formulate a capital allocation policy that aims to increase corporate value by realizing optimal growth investments 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, we are currently considering capital allocation aimed at the maximization of the profitability of the group overall, rather than prioritizing only growth investment for expansion of the results of each respective business.</li> </ul>

We were planning to announce our next medium term management plan next May but let us share our important considerations and system for the formulation of the next medium term management plan.

We decided to announce this this time from the viewpoint that it is important to gain a broad understanding of the issues that we recognize among our stakeholders including our shareholders.

As for "Establishment of a company wide purpose and formulation of a growth strategy", we are planning to communicate our purpose in the integrated report to be issued this fiscal year.

Keeping our purpose in mind, we are currently discussing what should be positioned as core and how to maximize our profitability.

Under "Establishment of the Optimal Business Portfolio for the maximization of value of the group overall," we aim to establish an optimal business portfolio for maximizing corporate value by examining the best owner principles, business environment assessment, and return on capital in existing businesses.

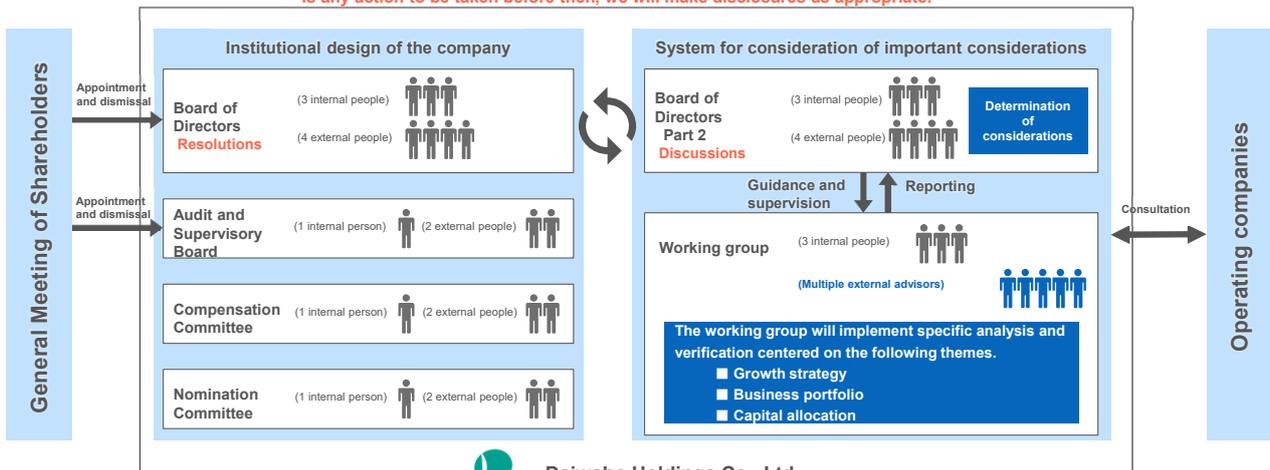
As one of the strategic options, we are currently considering making the Fiber Business independent.

With regard to "Realization of the Optimization of growth investments and shareholder returns," we will formulate a capital allocation policy that aims to increase corporate value by realizing optimal growth investment and shareholder returns based on the cost of capital.

# The System for Consideration of Important Considerations

We will determine the matters to be considered by the Board of Directors, including outside directors, analyze and verify these matters in a working group with the participation of internal directors and external advisors, and then hold discussions and pass resolutions as appropriate at meetings of the Board of Directors.

The results of this consideration are scheduled for disclosure in the next Medium-Term Management Plan to be announced in May 2024, and if there is any action to be taken before then, we will make disclosures as appropriate.



Daiwabo Holdings Co., Ltd.

This chart shows the structure for examining the important considerations. The Board of Directors, including 4 outside directors, determines the matters to be considered, and a working group consisting of 3 internal directors and outside advisors perform analysis and verification. A system is then established for discussion and resolution by the Board of Directors. The results of the review are scheduled to be disclosed in the medium-term management plan in May 2024, and any actions prior to that date will be disclosed as appropriate.

Background	Overview
<p><b>Establishment of the holding system</b></p>	<ul style="list-style-type: none"> <li>■ <b>2009</b> Daiwabo and Daiwabo Information System integrated their management structures, and Daiwabo changed its trade name to Daiwabo Holdings. The company then newly established Daiwabo as the core company of its textile business.</li> <li>■ <b>2011</b> Daiwabo Holdings and O-M integrated their management structures to form the current system with three core businesses.</li> <li>■ <b>2020</b> Daiwabo transitions from an intermediate holding company into an operating holding company to clarify the responsibilities and authority of each group company.</li> </ul> <p>➢ Each operating company has strengthened its profitability by consolidating, closing, merging and transferring business, and implementing M&amp;A as appropriate.</p>
<p><b>Positioning of the current Medium-Term Management Plan</b></p>	<ul style="list-style-type: none"> <li>■ We have positioned the Medium-Term Management Plan as "a turning point anticipating development into the future" and incorporated ROIC as a new management indicator, and make assessments for the realization of the sustainable improvement of corporate value.</li> </ul> <p>➢ A period of challenging towards "business model reform" for the sustainable growth of the company</p> <p>➢ Contributions to the resolution of social issues through business from an ESG perspective</p> <p>➢ Positive investment in the human resources that will create the future</p>
<p><b>Initiatives for the next Medium-Term Management Plan</b></p>	<ul style="list-style-type: none"> <li>■ This fiscal year, we are considering and implementing drastic initiatives for the next Medium-Term Management Plan.</li> </ul> <p>➢ Establishment of a company-wide purpose and formulation of a growth strategy</p> <p>➢ Establishment of the optimal business portfolio for the maximization of value of the group overall</p> <p>➢ Realization of the optimization of growth investments and shareholder returns</p>

This slide describes our business portfolio, starting with how we came to our current business structure.

Since the current business structure with 3 core businesses was established in 2011, we have clarified the responsibilities and authority of each company and tried to strengthen profitability at each of them.

In the current medium term management plan, we have positioned the period as a "turning point anticipating development into the future and have newly incorporated ROIC as a management indicator to determine how we can improve our corporate value on a sustainable basis.

As this is the final year of the current medium term management plan, and verification activities are being performed to implement drastic measures for the next medium term management plan.

## Considerations for Optimization of the Business Portfolio



We are currently considering matters concerning existing business using the following points at issue for optimization of the portfolio of businesses that will contribute to the improvement of the group's corporate value.

Status	Point at issue	Overview
Verification complete	Who is the best owner?	<ul style="list-style-type: none"> <li>The company (Daiwabo Holdings) evaluated the entity (best owner) that would be able to maximize the value of each subject business.</li> <li>Specifically, the company evaluated whether it had been possible to support the maximization of business value through five measures: business synergies; superiority in fund procurement; strategy formulation; headquarters functions and resources; and positive involvement in operations, with regard to each subject business.</li> </ul>
	Is sustainable value creation possible?	<ul style="list-style-type: none"> <li>The company evaluated each subject business from the perspective of whether it could generate capital profitability in excess of capital costs into the future under the group system.</li> <li>Specifically, we evaluated the business environment surrounding each business (market attractiveness x position in the market), analyzed whether the ROIC of each business would be able to exceed the business-specific WACC over the next five years and evaluated the degree of value generation.</li> </ul>
Currently under consideration	Implementation of optimal strategic options	<ul style="list-style-type: none"> <li>We are currently advancing considerations also including strategic options that will contribute the most to corporate value (strengthening based on business transfers, stock transfers, spin-offs, implementation of additional M&amp;A, etc.) and plan to execute such measures at the optimal time.</li> <li>We plan to allocate resources appropriately if we will obtain consideration from the implementation of strategic options.</li> </ul>

Here are the verification points. Based on METI's guide and others, and the following points are being verified. First, we, Daiwabo Holdings, evaluated the entities that would be able to maximize the value of each subject business as the best owner.

Specifically, we evaluated whether it had been possible to support the maximization of business value through the 5 items listed below.

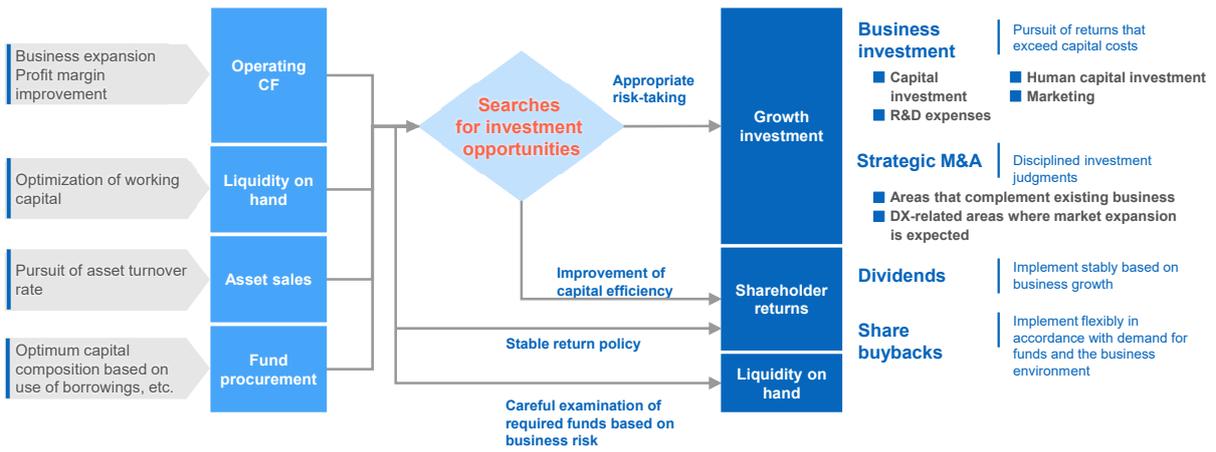
Next, we evaluated each subject business from the perspective of whether it could generate capital profitability in excess of capital costs into the future. To be specific, we evaluated the degree of value creation by conducting business environment assessment and analyzed whether ROIC of each business can exceed WACC of each business in the coming 5 years.

We are currently advancing considerations also including strategic options that will contribute the most to corporate value and plan to execute such measures at the optimal timing.

# Image of Capital Allocation



We will aim for the improvement of corporate value by formulating and implementing appropriate investment evaluation standards to realize the optimal growth investments and shareholder returns.



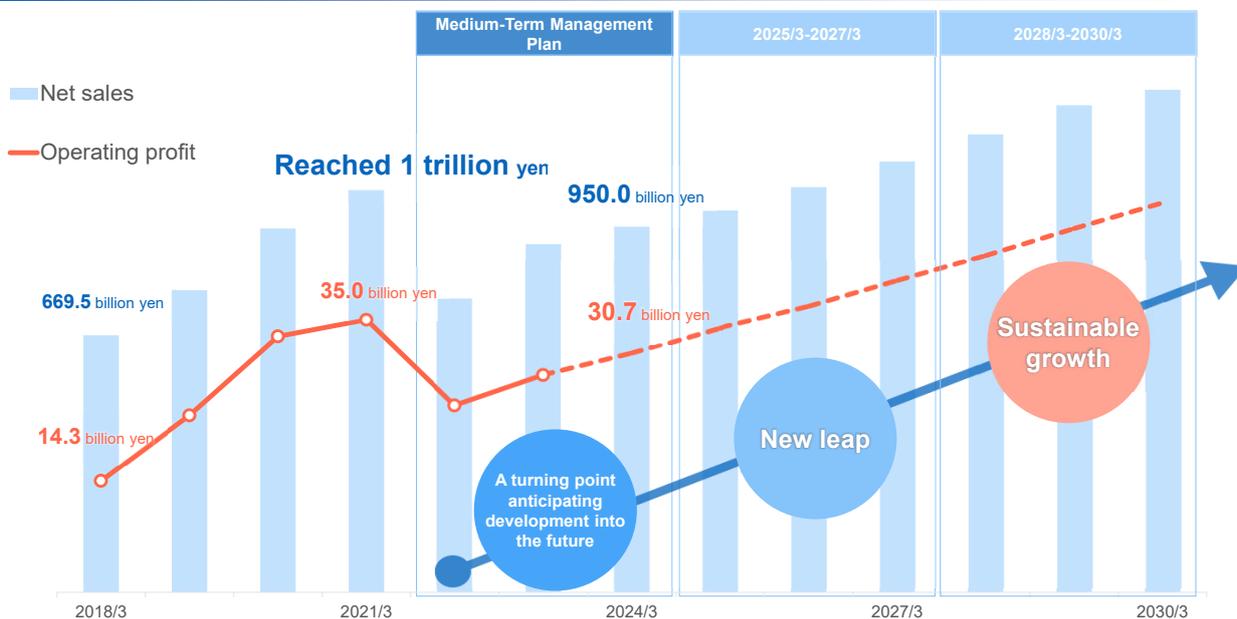
This is the image of optimal capital allocation for growth investment and shareholder returns.

In order to allocate capital appropriately, we need to define the hurdle rate and if there are investment opportunities that exceed it, we will think about allocating capital to growth investment while taking the risk.

And for shareholder returns, in addition to demonstrating stable shareholder return policy, if there are no investment opportunities, we plan to bolster shareholder returns.

In the next medium term management plan, we aim to hammer out a clear balanced growth strategy and return to shareholders.

# Looking Ahead to 2030



©2023 Daiwabo Holdings Co., Ltd.

Last of all, I would like to share an image of our future growth. We will disclose the result of the discussion on the 3 important considerations I talked about today and make a leap to lead to sustainable growth ahead. We aim to become a group, long trusted by our stakeholders.

I ask for your continued support. That is all from me. Thank you very much for your attention.

## References

- ▶ Application of the Accounting Standard for Revenue Recognition
- ▶ Corporate Profile
- ▶ Charts for Performance Trend

## Application of the Accounting Standard for Revenue Recognition



The company is applying the “**Accounting Standard for Revenue Recognition**,” ASBJ Statement No. 29, from the fiscal year ended March 2022

We have changed the sales recording method for some transactions of IT Infrastructure Distribution Business

		2022/3	2023/3	Change
<b>(Million yen)</b>				
<b>Net sales</b>	[1] Old standard	828,706	962,233	+133,526+16.1%
	[2] New standard	763,838	903,918	+140,079+18.3%
	[2] - [1]	-64,867	-58,314	
<b>Operating profit</b>		24,059	27,944	+3,885 +16.1%
<b>Operating profit margin</b>	[1] Old standard	2.9%	2.9%	
	[2] New standard	3.1%	3.1%	

### < Main changes >

#### ■ Revenue recognition related to agency transactions

Because the role of the company in the provision of product and services to customers in regard to some transactions such as sales of **maintenance and warranty services and software (ongoing billing, etc.)** in IT Infrastructure Distribution Business falls under the category of “**agent**” in the accounting standard, the method for revenue recognition will change.

**[Old standard]:** Record sale of the **total amount** of sales consideration (A)



**[New standard]:** Record sale of the **net amount** of sales consideration (A-B)



## Transaction volume

Transaction Volume

- ❑ Calculated under the same standard as net sales up to the fiscal year ended March 2021 (= net sales prior to the change in the accounting standards)
- ❑ Continuing to use as “transaction volume” to make an important index in presenting the scale of transactions
- ❑ Sales evaluations in management accounting



Impact due to application of the  
“Accounting Standard for Revenue  
Recognition”

(Net sales from the fiscal year ended March 2022)

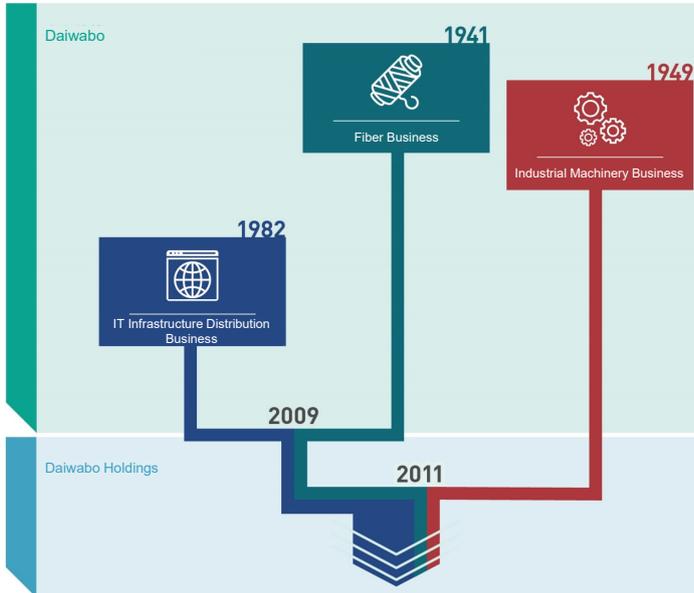
The company records as net sales the net amount of sales consideration for “agency transactions” under the accounting standards for some maintenance and warranty services, software sales due to iKAZUCHI, etc.

## Net sales

Net Sales

- ❑ Net sales from the fiscal year ended March 2022
- ❑ Sales evaluations in financial accounting

# History of the Group



- 1941. 4 **Daiwabo** is established through the merger of four companies: Kinka Boseki, Hinode Boshoku, Izumo Seishoku and Wakayama Boshoku
- 1949. 5 ▶ Daiwabo is listed on the first section of the Tokyo Stock Exchange
- 1949. 7 Daiwabo spins off its Shinji Plant to establish Daiwa Machinery Co., Ltd. (currently **O-M Ltd.**).  
-> Subsequently Daiwa Machinery Co., Ltd., merges with Osaka Kikai Seisakusho, a manufacturer of machine tools and spinning machines, for O-M Ltd. to be born in 1960
- 1971.11 ▶ O-M Ltd. is listed on the first section of the Tokyo Stock Exchange
- 1982. 4 As part of new business development, Daiwabo establishes **Daiwabo Information System Co., Ltd.** to advance into information-related business
- 2000. 9 ▶ Daiwabo Information System Co., Ltd. is listed on the first section of the Tokyo Stock Exchange
- 2009. 3 Daiwabo and DIS integrate their management structures
- 2009. 7 Daiwabo changes its name to **Daiwabo Holdings Co., Ltd.** and newly establishes **Daiwa Spinning Co., Ltd.** as the core company in its Fiber Business
- 2011. 7 Daiwabo Holdings Co., Ltd. and O-M Ltd. integrate their management structures => **Formed the current structure with 3 core businesses**

# Overview of Business Segments



## IT Infrastructure Distribution Business

**Japan's largest distributor of IT-related products**  
 It has a large network of business partners through sales activities at 93 locations nationwide with strong ties to local communities  
 As an independent multi-vendor company that does not specialize in specific vendors, it sells products and services of approximately 1,300 vendors around the world including PCs

## Fiber Business

### Synthetic Fibers and Rayon Divisions

It offers fiber materials and products such as synthetic fiber cotton for use as hygiene materials including paper diapers, and highly biodegradable rayon

### Industrial Material Division

It offers industrial fiber products such as industrial materials, filter products, civil engineering materials, heavy cloth products and rubber products

### Clothing Products Division

It develops, manufactures and sells products such as various textile materials and functional innerwear, and manufactures and sells licensed brand clothing

## Industrial Machinery Business

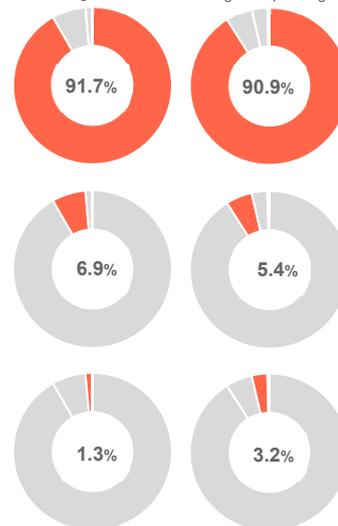
### Machine Tools Division

It has high market share in the domestic manufacturing of "vertical lathes/turning centers," machine tools mainly used by heavy industries such as the aerospace field

### Automatic Machinery Division

It manufactures and delivers automated packaging and packing machines to a wide range of industries including food and medical products

Percentage of Sales Percentage of Operating Profit



(BY2022 results)

# History of Daiwabo Information System (DIS)

## 1982 DIS founded

- Daiwabo used know-how from the internal development of monitoring systems for production sites based on the use of PCs to start DIS with just 10 employees
- Shifted to sales of PCs and other information equipment rather than system development and sales

## 1983 - 1984 Multi-store development

- DIS opened branches in Saga, Izumo and Kanazawa, where Daiwabo factories were located, and all became profitable at an early stage, accelerating the development of multi-store operations.

## 1998 DIS-NET starts operations

- DIS put the "DIS-NET" sales management system into full-scale operation for further strengthening of the immediate delivery system that was the tradition since the company's founding

## 2000 iDATEN starts operations

- B-to-B sales support website enabled to take orders 24 hours a day, 365 days a year

**2021/3**  
Breaks through 900 billion yen

**2020/3**  
Breaks through 800 billion yen

**2019/3**  
Breaks through 600 billion yen

**2014/3**  
Breaks through 500 billion yen

**2012/3**  
Breaks through 400 billion yen

**2003/3**  
Breaks through 300 billion yen

**1999/3**  
Breaks through 200 billion yen

**1996/3**  
Breaks through 100 billion yen

**2000**  
DIS listed on the 1st section of the Tokyo Stock Exchange

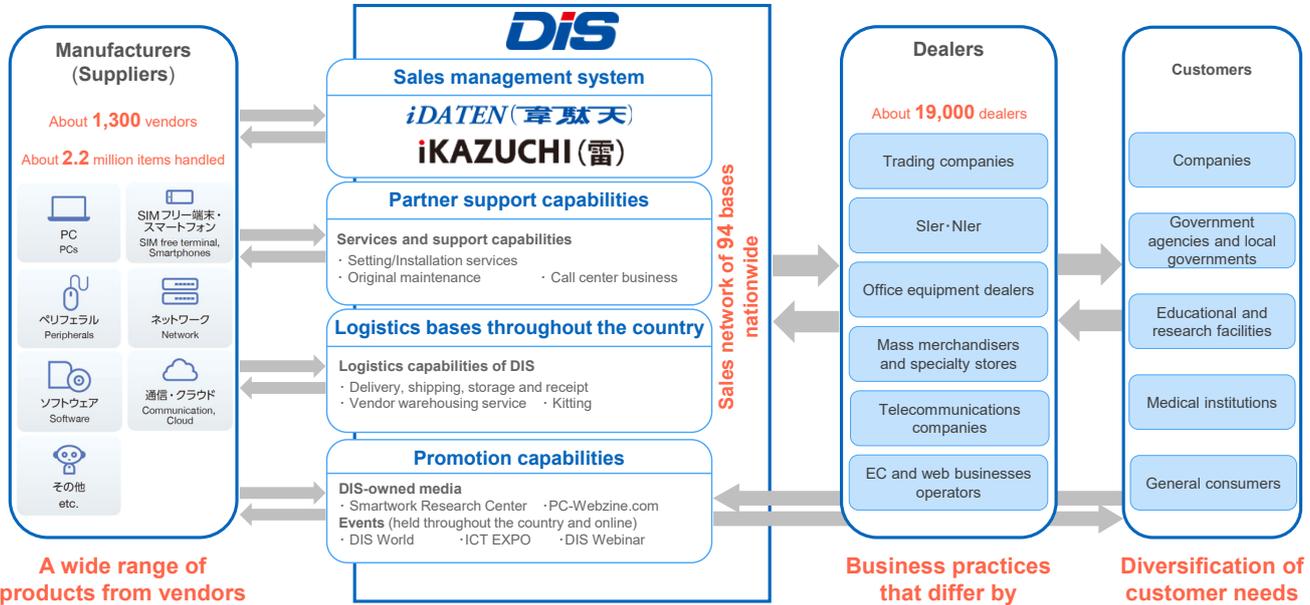
## 2009

### Management integration

- Positioned as "IT Infrastructure Distribution Business" within the HD structure

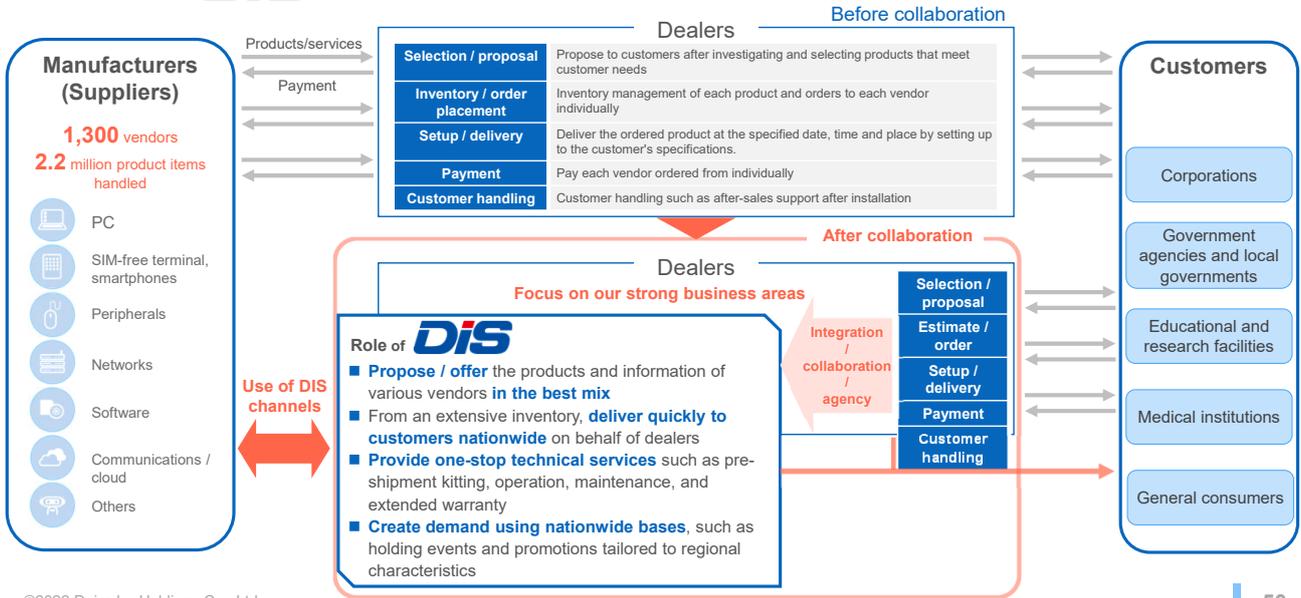
**DIS non-consolidated trend in net sales**

# The Business Structure of IT Infrastructure Distribution Business



# Value added by distributors

Dealers × **DIS**

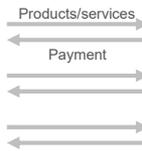


# Value added by distributors

Manufacturers (Suppliers) × **DIS**

Before collaboration

Vendors	
<b>Product development</b>	Develop products and services based on customer needs through market analysis
<b>Sales / promotions</b>	Sales activities for individual customers and sales promotion activities for products and services
<b>Order / production</b>	Handling of orders from customers and production based on demand trends
<b>Inventory / shipment</b>	Inventory management of products and shipment to each sales destination
<b>Billing / collection</b>	Billing and collection of receivables from each sales destination



After collaboration

Vendors	
<b>Product development</b>	<p style="color: red; font-weight: bold;">Expand sales channels and improve sales efficiency using DIS as the contact point</p> <p style="color: red; font-weight: bold;">Integration / collaboration / agency</p> <div style="border: 1px solid blue; padding: 5px; margin-top: 10px;"> <p style="text-align: center;"><b>Role of DIS</b></p> <ul style="list-style-type: none"> <li>■ Through supply chain management developed over many years, <b>share demand and needs across the country and reflect them in production plans and promotions</b></li> <li>■ By using the logistics center as a warehouse for vendors, <b>realize shipping combining kitting and combinations with other companies' products in addition to time and cost savings for vendors</b></li> <li>■ Collaborate with vendors entering the Japanese market from overseas <b>to provide sales and distribution networks covering Japan</b></li> </ul> </div>
<b>Sales / promotions</b>	
<b>Order / production</b>	
<b>Inventory / shipment</b>	
<b>Billing / collection</b>	

Use of DIS channels

# Greater Efficiency of Distribution Centers

## Kansai Center (Kobe City)



May 2020 Full-scale operation  
Warehouse area: 36,342 m<sup>2</sup>

## Kanto Central Center (Yoshimi Town, Saitama Prefecture)



June 2016 Full-scale operation  
Warehouse area: 44,753 m<sup>2</sup>



**Focus on greater efficiency and improvements in productivity centered on eastern and western mega-centers**

### Robotic storage system

-> Greater work efficiency and optimization of space  
Number of robots operating  
Kanto Central: **45**, Kansai: **30**

### Also equipped with kitting centers

-> Arrival > work > quick handling for shipment

PCs and tablets  
Kitting results : **180,000** units a year (2023/3)

### Truck booking acceptance system

-> Sharing of incoming and outgoing information and vehicle leveling



## Fiber Business - Product Examples -

### Synthetic fibers and rayon



- Synthetic fibers used in hygiene products such as paper diapers and feminine hygiene items
- Non-woven fabrics used for baby wipes, antibacterial sheets, face masks and other daily necessities
- Fibers that are used as an asbestos substitute and can self-heal mortar cracks
- Non-woven fabrics and clothing made using highly biodegradable rayon produced from wood pulp

### Industrial materials



- Filters to filter impurities widely used in the chemical, electronic and food industries
- Civil engineering materials such as heavy fabrics used for truck tops and tent warehouses, waterproof sheeting and greening nets
- High-quality rubber sponge products used in a variety of purposes including automotive parts and home appliances
- Various industrial sheets such as soundproof sheets and curing meshes at construction sites

### Clothing products



- Clothing products such as functional innerwear and comfortable outerwear
- Living materials and products
- Licensed brand clothing  
"FILA" "T&C" "Prince" "NCAA"

## Industrial Machinery Business -Product Examples -



### Vertical lathes/ Turning centers



- ❑ **No. 1 share in Japan** for both medium- and large-sized lathes (Cumulative shipments exceeded **7,500** units)
- ❑ Highly evaluated as "OM for vertical lathes" in Japan and overseas
- ❑ A machine that is used to cut a workpiece by attaching it to a horizontally rotating table. The table diameter ranges from 800 mm to 6,000 mm, and it can be used in a wide variety of production modes. Highly rigid, highly accurate and easy to operate, it is used as a mother machine in all fields including aircraft engine and wind power parts
- ❑ The picture on the left shows the "RT-915," a small general-purpose machine

### Wheel lathes



- ❑ A machine tool specifically used to maintain rolling stock. It contributes to improved railway safety and riding comfort
- ❑ **No. 1 share in Japan** for underfloor wheel lathes
- ❑ To start domestic production, we had a licensing agreement with Hegenscheidt which manufactured the first wheel lathe in the world and has an excellent delivery record around the world. The design, parts and software are all original

### Automatic machinery



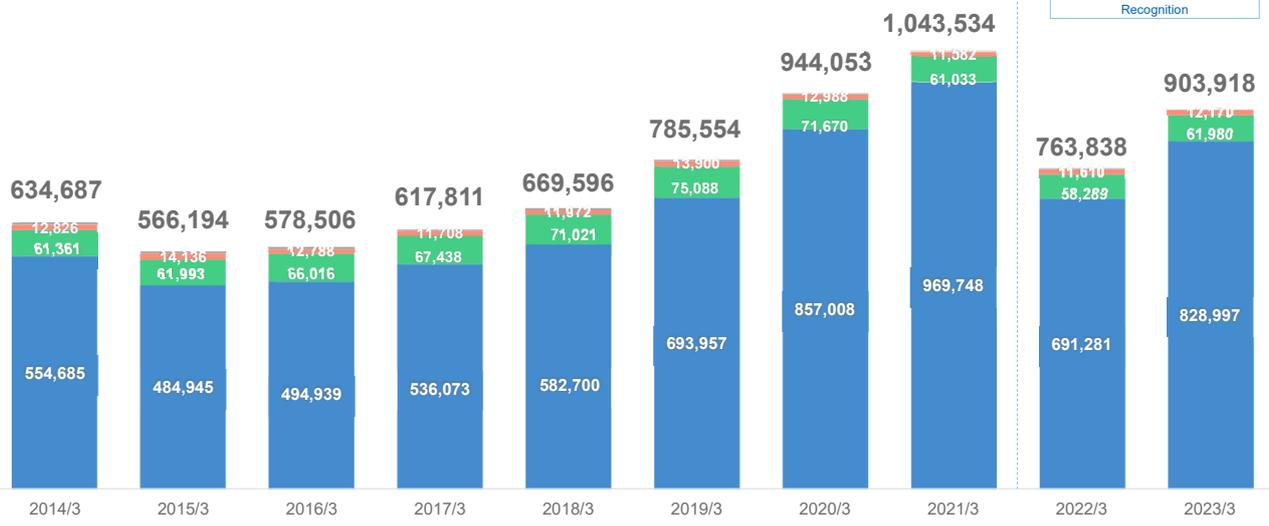
- ❑ We manufacture a wide range of automatic machinery including cartoners (cartoning machine), intermediate packaging machines for stacking and packaging products in film and corrugated cardboard casers (The picture on the left is a horizontal continuous cartoner)
- ❑ The strengths include technologies and creativity that allow us to flexibly respond to the needs of packaging processes in rapidly changing industries such as foods with short life cycles and remarkable diversification and pharmaceuticals with increasingly strict manufacturing standards

# Consolidated net sales



(Million yen)

Application of the Accounting Standard for Revenue Recognition



■ IT Infrastructure Distribution ■ Fibers ■ Industrial Machinery ■ Others

©2023 Daiwabo Holdings Co., Ltd.

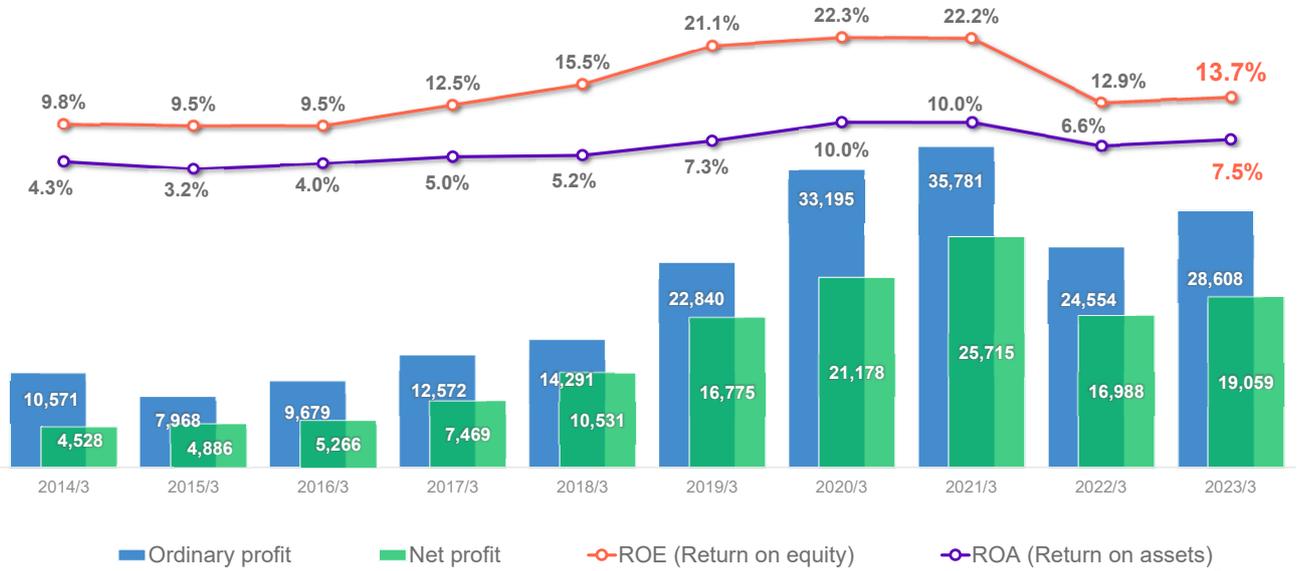
# Consolidated operating profit

(Million yen)



# Consolidated Ordinary Profit and Consolidated Net Profit

(Million yen)



©2023 Daiwabo Holdings Co., Ltd.

# Quarterly Results



(Million yen)

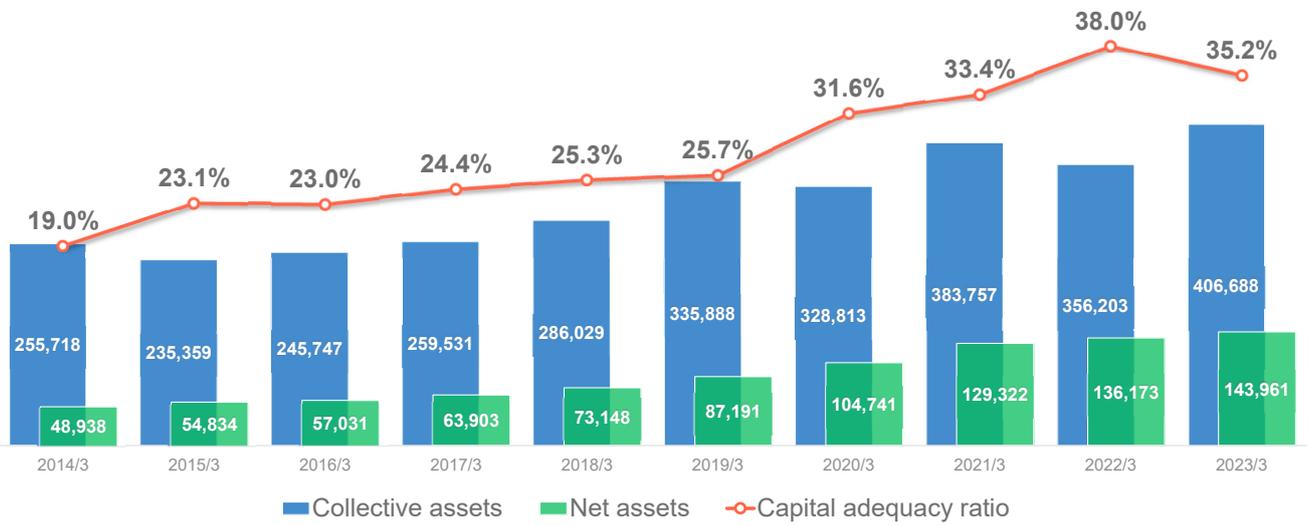


©2023 Daiwabo Holdings Co., Ltd.

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



(Million yen)

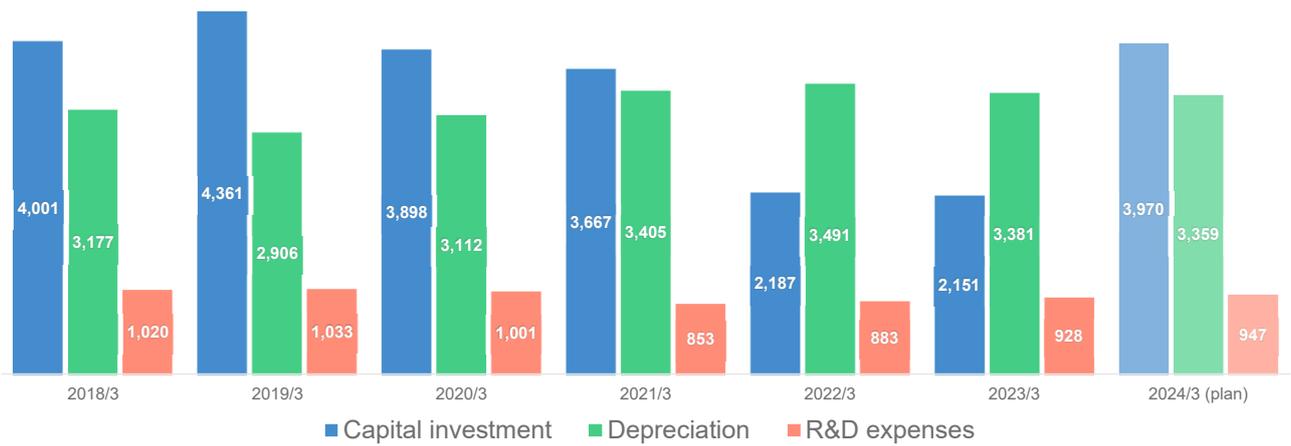


©2023 Daiwabo Holdings Co., Ltd.

## Capital Investment, Depreciation and R&D Expenses



(Million yen)



©2023 Daiwabo Holdings Co., Ltd.



**Daiwabo Holdings Co., Ltd.**

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



**News**

<https://www.daiwabo-holdings.com/ja/news.html>

**Daiwabo Group List**

<https://www.daiwabo-holdings.com/ja/group.html>

**History**

<https://www.daiwabo-holdings.com/ja/company/history.html>

[Disclaimer]

The statements contained in this document regarding the future, such as business performance forecasts, have been prepared based on certain assumptions that the Company has judged to be reasonable at the present time using the information currently available, and the Company does not guarantee their accuracy. Please understand in advance that actual results may differ from the details of this document due to various factors from now on. Regardless of the reason, the Company shall bear no responsibility whatsoever with regard to any damage that occurs as a result of using this document.

\* The names of companies and products stated in this document are the registered trademarks or trademarks of the respective companies.