

## Purpose

# Connecting people and society to the future with our value chain



We believe that the purpose of the group's existence is to **connect and link** people in business, **companies, and local communities** in the value chain that consists of various social activities. We will **demonstrate our collective strength** by focusing on **partnership, branding the entire value chain**, and organically collaborating and cooperating with others to address social issues that would be difficult to solve by our group alone.

Also, "**Connection to the future**" expresses our determination to realize a future with **comfort, safety and security, and happiness for people and society**. We are aiming to achieve this by **constantly exploring and experiencing new technologies** through the promotion of diverse advanced IT products and services and through the quest of research and development that can contribute to daily life and many industries, and by **feeding back those technologies to our value chain**.

We will not only support the infrastructure of modern society but also make a wide range of contributions to creating a more comfortable future society by catching changes in the business environment and values.



Our purpose

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Our origin and future visions  
—Connecting people and society to the future

This section introduces the history of Daiwabo Group, which has been growing by creating values for society through our three core businesses. In the president’s message pages, we present our goals, the process of value creation to achieve them, and our materiality that we revised in March 2023.

Path to medium- to long-term growth  
—Sustainable management in full scale

This section explains our Medium-Term Management Plan in light of the assessment by the director in charge of Corporate Strategy and from the perspective of each business activity. It also introduces our efforts to secure and strengthen our capital, which is the source of our business.

Achieving transparent, fair, and prompt decision making

This section outlines our corporate governance initiatives. A total of five outside directors, including a newly appointed one, participated in a roundtable discussion in which they objectively evaluate the effectiveness of governance, sustainability, and their expectations for the company from an outside perspective.

Prerequisite information to understand the Daiwabo Group

This section provides information such as our directors and officers, their resumes, corporate information, consolidated subsidiaries, stock information, and dividends per share. Financial and non-financial highlights section shows our major financial and non-financial data, as well as their historical changes over the years, with graphs for each item.

Editorial policy

The Daiwabo Group has decided to publish the Integrated Report this year as a communication tool to help stakeholders understand the group’s values, business model, and other value creation stories for sustainable corporate value improvement. In addition to financial information on management strategies and business activities, this Report also includes non-financial information such as how our group businesses contribute to the society and the environment. We will continue to enhance the content of the Report to help our stakeholders to more deeply understand the attractiveness and growth potential of our group.

\* “Daiwabo Group” refers collectively to Daiwabo Holdings Co., Ltd. and its consolidated subsidiaries.

Targets of this report

In principle, this Report and related data are aimed at the Daiwabo Holdings Co., Ltd., but some contents are directed at only those in Japan.

Guidelines and other references

- IFRS Foundation, *International <IR> Framework*
- Ministry of Economy, Trade and Industry, *Value Co-Creation Guidance 2.0*
- GRI (Global Reporting Initiative), *GRI Standards*

Reporting period

FY2022 (April 1, 2022 to March 31, 2023)  
Some activities included in this Report were out of this period.

Issuance

November 2023

Forward-looking statement disclaimer

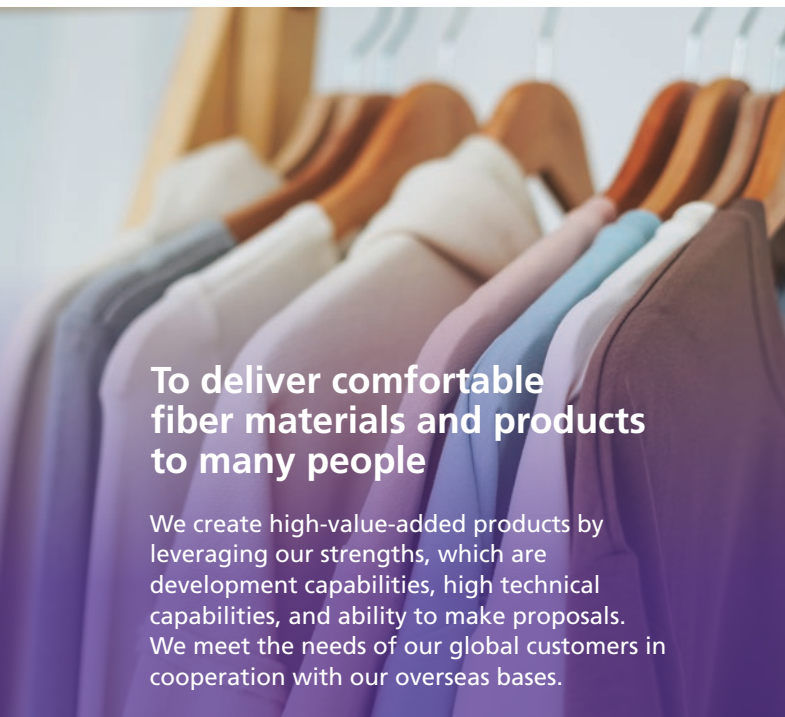
The forward-looking statements in this Report, including business forecasts, represent our current judgment based on information available to us as of Augst 2023, or during the preparation of this Report, and are subject to risks, uncertainties, and other factors. They are also subject to external factors such as economic conditions, market trends and exchange rates. Please note that actual results may differ due to changes in various factors.

Contact

Daiwabo Holdings Co., Ltd.

✉ Contact us





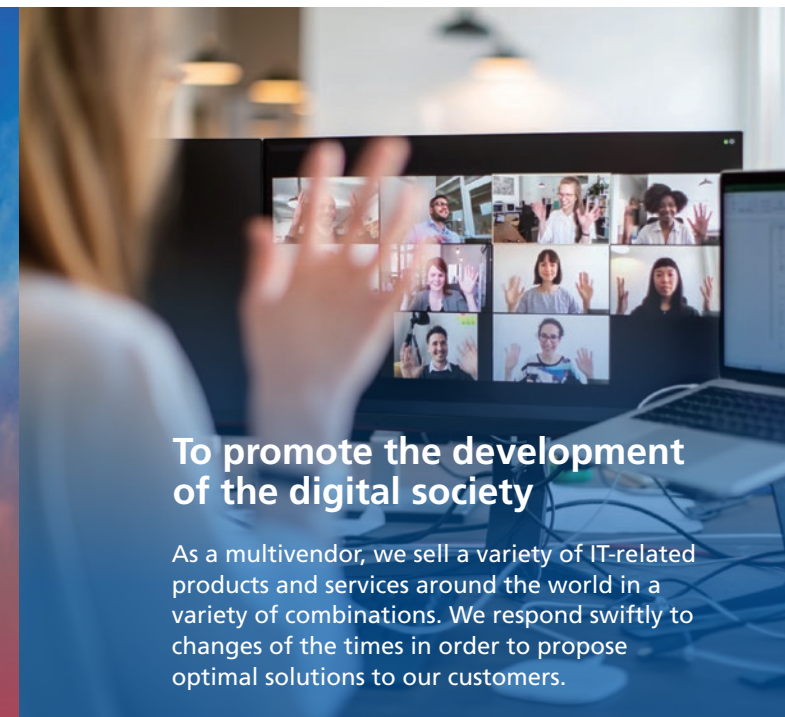
### To deliver comfortable fiber materials and products to many people

We create high-value-added products by leveraging our strengths, which are development capabilities, high technical capabilities, and ability to make proposals. We meet the needs of our global customers in cooperation with our overseas bases.



### To provide safety and security of aircraft engines and power generation equipment, etc.

Taking pride in retaining high market share for vertical lathes, we provide our unique high-precision machinery while responding to diversifying user needs.



### To promote the development of the digital society

As a multivendor, we sell a variety of IT-related products and services around the world in a variety of combinations. We respond swiftly to changes of the times in order to propose optimal solutions to our customers.



### To help children cultivate the ability to live in a digital society

For the benefit of the children who will lead the next generation, we promote the optimization of the information and communication technology (ICT) environment for STEAM Education and inquiry-based learning. We also support teachers in improving their ICT-based instructional skills.

## Our history of business development and growth in response to social needs and challenges

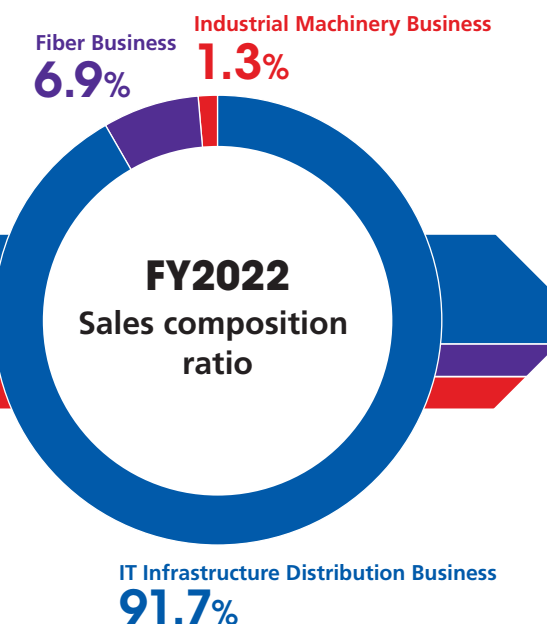
**1941** >  
Fiber Business

**1949** >  
Industrial Machinery Business

**1982** >  
IT Infrastructure Distribution Business

**2009**

**2011**



### 1941

- Daiwabo is established, with its head office in Osaka, through the merger of four companies: Kinka Boseki, Hinode Boshoku, Izumo Seishoku, and Wakayama Boshoku.

### 1949

- Daiwabo is listed on the Tokyo Stock Exchange.
- Daiwabo spins off its Shinji Factory to establish Daiwa Machinery Co., Ltd. (currently O-M Ltd.). In 1960, Daiwa Machinery Co., Ltd. merges with Osaka Kikai Seisakusho—a manufacturer of machine tools and spinning machines—to form O-M Ltd.

### 1982

- As part of new business development, Daiwabo establishes DAIWABO INFORMATION SYSTEM CO., LTD. (DIS) to advance into an information-related business.

### 1992

- DIS establishes DIS Logistics Co., Ltd. (currently DIS Service & Solution Co., Ltd.) to expand into the logistics industry.

### 2009

- Daiwabo Co., Ltd. and DIS integrate their management structures.
- Daiwabo Co., Ltd. changes its trade name to Daiwabo Holdings Co., Ltd.
- Daiwabo Co., Ltd., an intermediary holding company, is established to oversee 12 consolidated subsidiaries engaged primarily in the fiber business.

### 2011

- Daiwabo Holdings Co., Ltd. and O-M Ltd. integrate their management structures.

### 2020

- Daiwabo Co., Ltd., an intermediary holding company in the Fiber Business, becomes the core business company in the Fiber Business through the merger of five subsidiary companies.

### 2021

- DIS group companies DIS SERVICE & SUPPORT CO., LTD., and DIS Solution Co., Ltd. merge to start business as DIS Service & Solution Co., Ltd.



# Using our competitive advantages to become a company indispensable to society

Yukihiro Nishimura

Representative Director, President and Chief Executive Officer



## The reason we exist

### A Purpose centered on “connections”

This is the Daiwabo Group’s first Integrated Report. The report is the result of a year-long collaborative project between the holding company and our group companies. This close collaboration also led to one other result—the definition of our Purpose. The Purpose communicates the reason for our existence in society and our long-term vision for value proposition as well as our approach to materiality toward 2030.

Our mindset and pride are expressed in our purpose statement: “Connecting people and society to the future with our value chain.” The group plays an important role in the value chains of a wide range of social activities, and we create value by playing an important role creating and maintaining business connections between people, companies, and local communities. The process of defining our Purpose reaffirmed for us the reason we exist for society.

One of the best examples of how we create value for society is our contribution to the Japanese government’s GIGA School Program launched in 2019. The idea of the GIGA School was to provide every elementary and junior high school student with a computer as a way to facilitate a creative environment for using information and communications technology. The program was vastly accelerated due to outbreak of the COVID-19 pandemic, which created an urgent need to equip schools throughout the country with computers, tablets, and other devices so they could conduct online classes. This was an overwhelming task for the schools as well as for the Board of Education.

The Daiwabo Information System was instrumental for us to demonstrate our strength in creating the “connections” needed for the program’s success in the adverse conditions. We leveraged our nationwide network of over 90 sales bases and about 19,000 dealers to provide the fully integrated one-stop service that was needed for everything from procuring and flexibly delivering the large volumes of computers and network equipment to setting up the network environments at each school, and providing follow-up support. Right at that time, the supply of electronic devices ground to a halt around the world. Coordinating the delivery dates was extremely difficult, but the strong relationships of trust and collaboration structure we have with the equipment manufacturers and sellers helped us meet the needs of the education system and play a fundamental role in realizing the GIGA School Program.

While providing technical support for the GIGA School Program, the group is also helping introduce platforms for STEAM Education to provide foundations in science, technology, engineering, art, and mathematics for future generations of human resources. Students who learn in a fully functional and connected learning environment will be fully prepared to create a whole new future. That may well be the ultimate value that we as a company can provide to society.

## Management philosophy

### Management informed by dialogue with the capital markets

I have always considered communicating with the capital markets to be one of the most important aspects of being a manager. When I was a senior executive managing officer in 2018, I led the creation of a system for conducting our IR activities. I believe one of our most important roles as a holding company is to provide shareholders and investors with information about the characteristics and strengths of

our three business segments, their specific activities, financial status, and business prospects.

I have continued to emphasize IR activities since I became president in April 2020 and have worked to strengthen our information communication structure and to make the information easier to understand for people both inside and outside the company. In 2022, we added an IR Division to the Corporate Strategy

## Message from the President

Department, which is responsible for overseeing strategy across the group, and stepped up monitoring and PDCA checks for the progress of our business plans. We also actively host briefing sessions for institutional investors and financial institutions, investor and shareholder relations meetings, and seminars for private investors. The IR Division conducts vital functions for communicating information about our holding company operations, ranging from distributing videos and scripts of our performance results announcements and Medium-Term Management Plan briefings as well as ensuring extensive information is available in English.

Close dialogue with capital markets also helps our management evolve and improve. One specific example of this has been the reaffirmation of the importance of continuing to improve our capital efficiency. This led us

to add ROIC to ROE as group management indicators in the current Medium-Term Management Plan and to communicate targets for both, including the target to raise ROIC above the weighted average cost of capital (WACC). We are also taking steps to improve the group's overall capital efficiency.

Our communications with the capital markets have also reconfirmed the importance of initiatives related to non-financial value, such as environmental, social, and governance (ESG) activities. We created the ESG Promotion Committee, with myself as the chair, in FY2020 (fiscal year ended March 31, 2021), to oversee all of the group's ESG activities. In April 2022, we created the ESG Promotion Department to ensure we provide full disclosure of non-financial information required for a company listed on the Prime Market of the Tokyo Stock Exchange.

### Material issues

## Focus on strengthening human capital throughout the group

The Medium-Term Management Plan launched in FY2021 (fiscal year ended March 31, 2022) set the following three years as the transition period for future development. This will be the starting point for the forces that will drive our business for the next 10 years, and a fundamental strategy for the period is "the creation of next-generation growth drivers." Each of our three business divisions will be pursuing this in specific ways. The core segment of IT Infrastructure Distribution Business is focusing on developing original products and services with the aim of forming a new business model. The business is seeking to establish a presence as a cloud distributor in addition to its main hardware-based operations. We are also strengthening our business foundation following our Basic Policy by fortifying the Fiber Business's R&D structure and expanding the Industrial Machinery Business's range of services.

Human resources are the most important management resource for carrying out these strategies and ensuring ongoing business growth. We are continuing strategic investment in line with the plan's strategies to "create an organizational culture that encourages human resource development and growth."

A key element behind the IT Infrastructure Distribution Business's success has been the quality and quantity of back-office support staff and the sales representatives who are the points of contact with our 19,000 dealers. We recognize that developing young

employees to support our growing subscription business and the accelerating digitalization of businesses are of utmost importance for the sustainable growth of our business.

Our society is increasingly emphasizing diversity and well-being, and employees are changing what they expect of their company. Interviews with job candidates increasingly include questions about the management of work hours, where the work must be done, and the status of women's participation in the company. We need to be responsive to the changing conditions and create a work environment that encompasses a wide range of values and lifestyles. Our employee management must also evolve from the old system of mass hiring and one-size-fits-all learning because it does not bring out each person's individual characteristics and potential. Providing a work environment where employees with different values and abilities and of all ages and genders feel motivated and eager to be active on the front lines of our businesses will be essential to sustainable development of our operations.

Increasing the diversity of our workforce is vital to successfully meeting the changing needs of the markets. We are instilling diversity management that approaches employees on an individual basis. We have also made appointing female managers a priority for all group companies with the expressed aims of



increasing the number of candidates for managerial positions and creating an environment that supports extended long-term careers for women.

We also recognize that good physical and mental health is a prerequisite for employees to be able to

work to the best of their abilities, and we will continue to put special effort into health management, such as by examining internal systems to support employee efforts to maintain and improve their health and by continuing to improve the workplace environment.

### Creating long-term growth

## Establishing a business portfolio to maximize our corporate value

The group's long-term vision is to manage its business by following the newly defined Purpose and engaging in business that provides solutions for social issues and establishes sustained growth in corporate value. We are focusing all of our management resources on addressing issues and also using our strong relationships of trust with suppliers and partner firms to form tie-ups and collaborations for organic partnerships to pursue solutions for issues that are beyond the scope of our capabilities alone. Through these efforts, we are aiming to become a corporation delivering two types of value—value for the Company by enhancing our corporate value and value for society by addressing social issues.

To achieve that status, it will be vital for us to continue growing the IT Infrastructure Distribution

Business, which is the core operation that drives our business. The latest advances in technologies for 5G mobile networks, generative AI, and robotics are opening the doors for new solutions to issues such as the growing manufacturing labor shortage in Japan, and we believe they are creating a tailwind for expanding our business domains. This is a major trend and, while we will need to overcome the major challenges of strengthening our international competitiveness in the IT field and securing IT human resources, we will be exploring every opportunity to grow our business. We plan to continue demonstrating our superiority in the industry by leveraging our strength as a multi-vendor capable of handling any product on a worldwide scale, anticipating market changes, and



## Message from the President

stably procuring and providing strategic products. We are also branching out from our current operations to create new businesses, such as subscription businesses.

As we pursue growth into new business realms, we will continue to actively consider M&A, alliances, and other methods to accelerate our objectives. We are extremely selective when targeting business areas for M&A, and two of the areas we are considering are DX and online subscription businesses where we anticipate growing markets. We are also looking into areas where we can help address social issues, such as by contributing to creating environmental products and improving safety. We start an M&A process by considering a wide range of areas and then narrowing our search by considering perspectives including business growth potential, sale and profit scale, investment performance indicators, and management strategies.

We also need to formulate the optimal portfolio for maximizing corporate value over the longer term. We

will do this by actively increasing investment in businesses with growth potential and by carefully selecting and concentrating the businesses in our portfolio to make our group even stronger. Steps to optimize our business portfolio include thoroughly reviewing the businesses in terms of various factors, including the guidelines of the Ministry of Economy, Trade and Industry. On May 15, 2023, we disclosed information about these activities in our publication entitled Priority Considerations and the Examination System for Formulating the Next Medium-Term Management Plan. One of the strategic options we are considering is spinning off the Fiber Business to be an independent entity. We are considering all options for raising the value of all of our businesses with the intention of identifying the method that is in the best interest of shareholders, employees, and our business partners.

business sustainability and growth. The Medium-Term Management Plan applies an ESG approach to business to address social issues as a core theme as well as creates a business model for sustainable growth and maximizes the value of the human resources that will create the future.

When we were re-envisioning our value creation process in March 2023, we identified priority issues of “materiality” that we need to address to ensure our company continues to thrive in a sustainable society. The issues were defined as materiality based on important global themes, such as the sustainable development goals, as well as key issues related to our shareholders, investors, customers, trading partners, employees, and local communities. We also considered the potential future impact of the issues on the economy, environment, and society. We then categorized the materiality issues under key words and identified potential business opportunity and risk with social and environment issues that require addressing and issues that present opportunity for group business growth.

Through extensive discussions about the group’s and each group company’s long-term projects, we defined 10 material items in the four areas of society & industry, the environment, people, and governance. We particularly see opportunity to use our businesses to demonstrate our group’s character and strengths for materiality in the area of industry & society, specifically by using our business to develop local economies, contributing to a sustainable society, and contributing to a digital society.

Another item of materiality is our corporate governance. The ability to quickly strengthen the governance structure is becoming essential in the changing business environment. To improve this ability, in June 2023, we increased by one the number of outside directors on the Board of Directors. Five of the eight members of the Board are independent outside directors, two of whom are women. ESG assessment organizations give our Board of Directors high marks for independence and diversity and the strength of our management oversight.

The Board of Directors discusses and decides issues related to each business strategy, and actively examines plans to increase corporate value from a medium and long-term perspective. The opinions and recommendations from the outside directors have been invaluable. The Board has been becoming increasingly effective each year, and we will continue to improve its effectiveness because I believe it will be key to achieving sustainable growth.

Our updated purpose statement is “Our value chain is connecting to people, connecting to society, and connecting to the future,” and it is important that we ensure it permeates to all employees, and that they fully adopt and implement it in their daily work. I would like all of our managers and employees to share the idea that we are “an indispensable company for the happiness for people and society!” and to work together as a unified group to attain sustainable growth.

We, the Daiwabo Group, will always be grateful to all of our stakeholders and will continue to advance research and development to make new IT products and services widely available and to contribute to industry and to people’s daily lives. By constantly pursuing new technologies and integrating them back into the value chain, we will provide comfort, safety, and security as well as happiness for people and society while aiming to enhance our corporate value over the medium and long term. We deeply appreciate your warm understanding and support.

### Sustainability

## A company that is indispensable for the happiness of people and society

Sustainability is essential to our business continuity and growth, and is crucial to improving our corporate

value. The ESG Promotion Committee oversees the activities of all group companies aimed at bolstering



感謝

The Japanese word *kansha* means gratitude. I would like to stress to our stakeholders my sincerest appreciation for their continued support.

**Yukihiro Nishimura**  
Representative Director,  
President and Chief Executive Officer

## Value creation process

# Purpose

## Connecting people and society to the future with our value chain

A business group which continues to provide the added value that the world needs

## Input

### Financial capital

→ For more details, see page 29

Using stable cashflow to expand the scale of business operations and strengthen the company's financial foundations

- Using capital efficiency indicators for monitoring
- Balancing growth investment and shareholder returns

### Intellectual and manufacturing capital

→ For more details, see page 31

First-rate distribution capabilities and product lines, proprietary technologies and technical know-how

- Cutting-edge distribution centers and the latest IT knowhow
- Effective R&D, realizing distinctive proprietary technologies

### Human capital

→ For more details, see page 33

Building a human resource portfolio based on business-specific human resource development

- Employee-friendly systems and a comfortable working environment
- Promotion of diversity and inclusion

### Social capital

→ For more details, see page 37

Strong partnerships with customers and with other companies in the industry

- A community-based structure in cooperation with its sales offices throughout Japan
- Promotion of supply chain management

### Natural capital

→ For more details, see page 41

Effective utilization of energy and natural materials

- Transition to low-carbon energy
- Effective utilization of natural resources and natural materials

### Materiality

Addressing issues in four areas over the period between now and 2030

#### Social / Industry

- Promoting business for local economic development
- Contributing to sustainable social infrastructure
- Contributing to a digital society

#### Environment

- Making efforts toward achieving a decarbonized society
- Contributing to a circular economy
- Promoting global environmental conservation

#### People

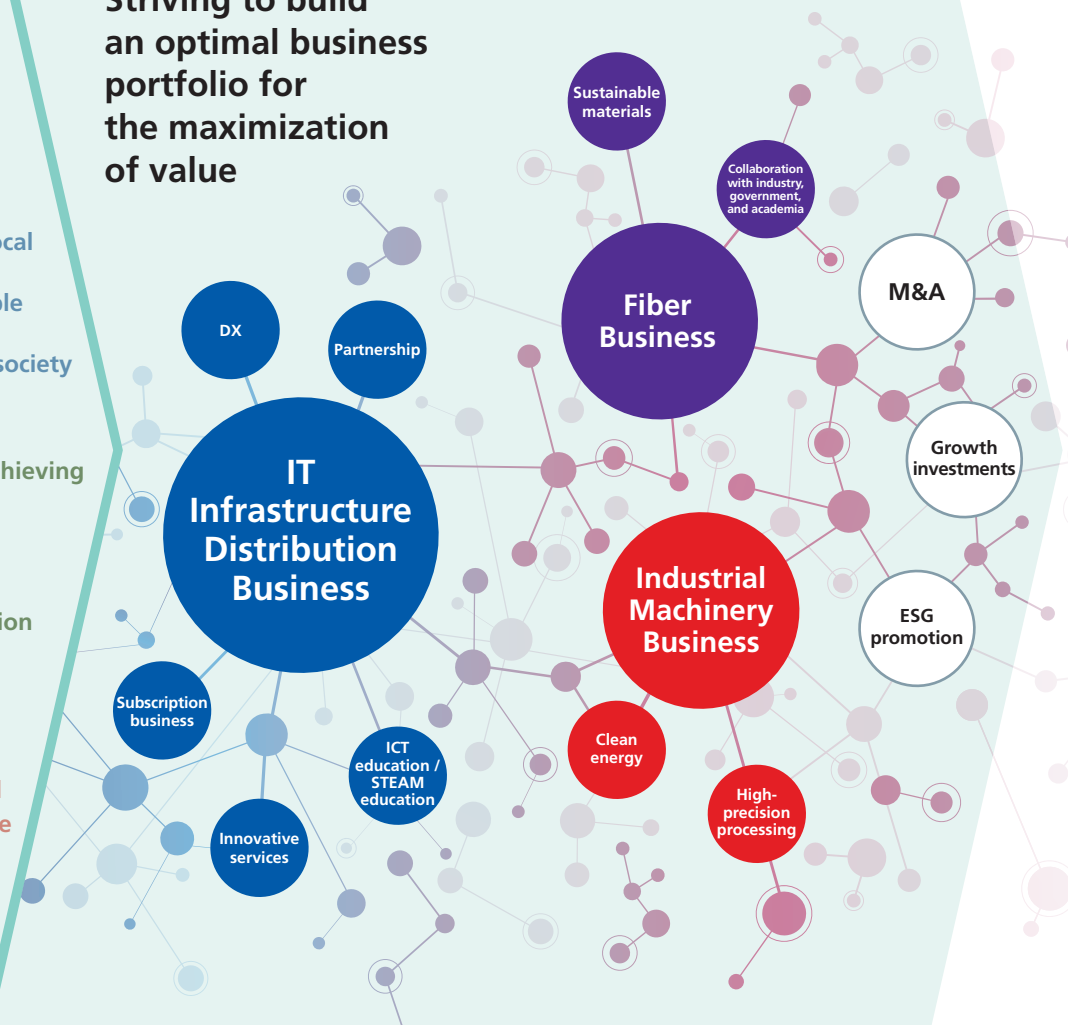
- Respecting human rights in business
- Expanding human capital
- Diversifying the workforce and improving wellbeing

#### Governance

- Corporate governance

### Business model

Striving to build an optimal business portfolio for the maximization of value



## Output Outcome

### Creating value for society

Taking the digital society to a higher level

- Adoption of world-leading technologies
- Reducing regional disparities in education by utilizing ICT

Improving social infrastructure

- Helping to realize a circular economy by increasing the adoption of subscription-based services
- Contributing to industries that support society

Contributing to the environment

- Sale of environmentally-friendly products
- Contributing to the renewable energy industry

### Creating economic value

Enhancing sustainable corporate value

- Achievement of Medium-Term Management Plan goals
- Improvement of capital efficiency (ROE and ROIC)
- Enhancing shareholder returns

## Toward the realization of a sustainable society by 2030

Making a wide range of contributions toward creating a more comfortable future society by identifying changes in the business environment and in values

Daiwabo Holdings has built up robust management resources, expanding its business areas, which help to address contemporary social issues and meet social needs, and building up a strong network that extends into every part of Japan. Developing its businesses in an organic manner that leverages the company's flexible management structure, Daiwabo continues to provide value to sustainably build a connection to the future for society.



## Business model of each business unit

	Power to distinguish our businesses (assets for our earnings)	Actions for growth
<h3>IT Infrastructure Distribution Business</h3> <p>Operating Company: DAIWABO INFORMATION SYSTEM (DIS)</p> <ul style="list-style-type: none"> <li>90% of the group's total sales</li> <li>36.8% share of the corporate PC market* One of Japan's largest trading companies specializing in IT</li> <li>Scale expansion of IT device distribution and subscription services for educational institutions</li> </ul> <p><b>Main customers</b> Information equipment sales companies, IT trading companies, system integrators, mass retailers, and e-commerce operators, etc.</p> <p>→ For more details, see page 45</p>	<p><b>Consolidated net sales composition ratio FY2022</b> 91.7%</p> <p><b>Operating profit composition ratio FY2022</b> 90.9%</p> <p><b>Intellectual and human capital</b></p> <ul style="list-style-type: none"> <li>A sales system capable of speedily proposing IT trends, products, and services to anywhere in Japan through strong partnerships with a variety of domestic and overseas manufactures and vendors (suppliers)</li> </ul> <p><b>Manufacturing capital</b></p> <ul style="list-style-type: none"> <li>Always 40,000 items in stock at our distribution center network covering Japan</li> </ul> <p><b>Social capital</b></p> <ul style="list-style-type: none"> <li>Built relationships with over 1,400 manufactures and vendors (suppliers)</li> <li>Established strong relationships with 19,000 dealers throughout Japan, creating a mutually efficient business structure</li> </ul>	<p><b>Achieving market share in each category of IT device distribution</b></p> <ul style="list-style-type: none"> <li>Effective proposals and support system utilizing information infrastructure, such as sales force automation (SFA) and customer relationship management (CRM)</li> <li>Pursuit of competitive advantages through partnership in each area</li> <li>Wide range of proposals and support for ICT development in the education area</li> </ul> <p><b>Implementing and bolstering advanced support functions</b></p> <ul style="list-style-type: none"> <li>Developing the technical capabilities and ability to make proposals in order to meet diverse needs</li> <li>Creation of driving force for new business by training up an engineer</li> </ul> <p><b>Branding as a cloud distributor</b></p> <ul style="list-style-type: none"> <li>Expansion of the user base of iKAZUCHI, a subscription management portal, by increasing its services and features</li> <li>Provision of "DX Academy Service" that supports digital transformation (DX) of corporate enterprises across Japan, to promote application of our dealers' own DX to users' DX</li> </ul> <p><b>Enhancing productivity across the entire supply chain</b></p> <ul style="list-style-type: none"> <li>Continuous investment in information systems for purposes such as enhancing sales activities with technologies, including robotic process automation (RPA) and business intelligence (BI) tools, and supporting tactical operation through SFA and CRM</li> </ul>
<h3>Fiber Business</h3> <p>Operating Company: Daiwabo Co., Ltd.</p> <ul style="list-style-type: none"> <li>Establishment of an integrated production system from material development through R&amp;D to final products</li> <li>Focus on the development of functional and sustainable materials such as biodegradable materials</li> </ul> <p><b>Main customers</b> Hygiene and skin care product manufacturers, clothing manufacturers and retailers, civil engineering and construction companies, etc.</p> <p>→ For more details, see page 49</p>	<p><b>Consolidated net sales composition ratio FY2022</b> 6.9%</p> <p><b>Operating profit composition ratio FY2022</b> 5.4%</p> <p><b>Intellectual and human capital</b></p> <ul style="list-style-type: none"> <li>Investment in the development of new functional materials and training of human resources</li> </ul> <p><b>Manufacturing capital</b></p> <ul style="list-style-type: none"> <li>Development and production in nine factories in Japan and six overseas</li> </ul> <p><b>Social capital</b></p> <ul style="list-style-type: none"> <li>Joint research with universities and other institutions to develop materials</li> </ul>	<p><b>Transforming into a company worth working for based on ESG</b></p> <ul style="list-style-type: none"> <li>Development of biodegradable, biomass, recycled and other environmentally friendly products</li> <li>Improvement of operational efficiency through working environment improvement, personnel training, and IT utilization</li> </ul> <p><b>Bolstering development of unique materials by pursuing the fiber strategy</b></p> <ul style="list-style-type: none"> <li>Cross-sectional R&amp;D structure through the establishment of a new Technology and Development Division</li> </ul> <ul style="list-style-type: none"> <li>Sales expansion by utilizing functional and sustainable materials</li> <li>Application of materials and post-processing technologies across the group</li> <li>Expansion of R&amp;D areas through industry-academia-government collaboration</li> </ul> <p><b>Business activities considering efficiency of invested capital</b></p> <ul style="list-style-type: none"> <li>Sales expansion of fiber products through R&amp;D</li> </ul>
<h3>Industrial Machinery Business</h3> <p>Operating Company: O-M Ltd.</p> <ul style="list-style-type: none"> <li>A high market share of vertical lathe, a machine tool used mainly in heavy industries such as aerospace and railroad industries, which allows us to make behind-the-scene contributions to various infrastructure industries</li> <li>Manufacture of automated packaging machinery for a wide range of industries</li> </ul> <p><b>Main customers</b> Heavy industry manufacturers, railroad companies, food manufacturers, pharmaceutical manufacturers, etc.</p> <p>→ For more details, see page 51</p>	<p><b>Consolidated net sales composition ratio FY2022</b> 1.3%</p> <p><b>Operating profit composition ratio FY2022</b> 3.2%</p> <p><b>Intellectual and human capital</b></p> <ul style="list-style-type: none"> <li>Business operations that identify customers' needs and link them to our product developments</li> <li>Training system and work environment to ensure that our experts' skills are passed on within the company</li> </ul> <p><b>Manufacturing capital</b></p> <ul style="list-style-type: none"> <li>Development and production in two factories in Japan</li> </ul> <p><b>Social capital</b></p> <ul style="list-style-type: none"> <li>Involvement in various infrastructures through machine tools and automated machinery</li> </ul>	<p><b>Business expansion into potential markets of machine tools</b></p> <ul style="list-style-type: none"> <li>Response to changes in the energy industry caused by decarbonization</li> <li>Meeting demand for 5G-related small power generation equipment and offshore wind power generation</li> <li>Response to Japanese and overseas demands for machinery specialized for railroads</li> <li>Expansion of proposal-based sales activities to improve customers' work efficiency</li> </ul> <p><b>Capturing demands for automated packaging of automated machinery</b></p> <ul style="list-style-type: none"> <li>Quality improvement and cost reduction through standardization of automatic feeding machines</li> <li>Enhancement of competitiveness in the Chinese pharmaceutical industry market</li> <li>Development of new products and equipment to meet labor-saving needs</li> </ul> <p><b>Enhancing profitability by improving services</b></p> <ul style="list-style-type: none"> <li>Establishment of a service system through the service improvement project</li> <li>Responding to customers' needs through proposals of retrofit or overhaul</li> </ul>

\* DIS's share of the domestic corporate PC market, calculated based on MM Research Institute survey results



## Sustainability management

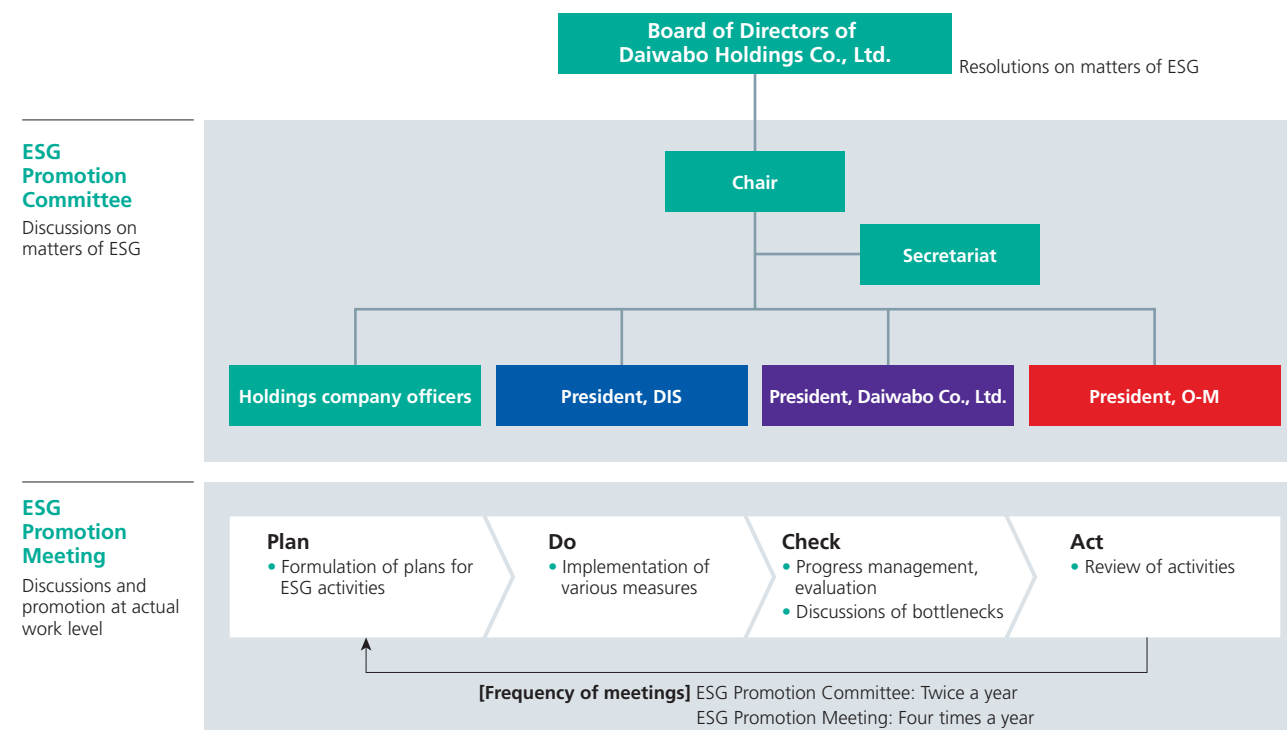
# Approach to sustainability management

## Governance in sustainability management

In April 2020, our group established the ESG Promotion Committee, chaired by the Representative Director, as an advisory body to the Board of Directors to deliberate on environmental, social, and governance issues. The ESG Promotion Meeting has been established as a subordinate organization of the ESG Promotion Committee for practical discussions about and the promotion of activities.

The ESG Promotion Committee identifies and targets basic policies and material issues related to ESG promotion, discusses various measures proposed by the ESG Promotion Meeting, and reports to the Board of Directors. The Board of Directors resolves matters reported by the ESG Promotion Committee, and gives relevant instructions and supervision. In addition, reports and recommendations are made to the Risk Management Committee as necessary.

### ESG promotion system



## Risk management and process

The ESG Promotion Meeting evaluates risks and opportunities to businesses with regard to social issues, including climate change, and sustainability issues, in cooperation with each operating company of the Daiwabo Group. After reporting and making recommendations to the ESG Promotion Committee, reviews and improvements are made on a regular basis.

In addition, reports and recommendations are made to the Risk Management Committee as necessary.

The group contributes to the sustainable growth and value creation of the entire group by minimizing risks and pursuing new opportunities through the risk management process of sustainability management.

## Daiwabo Sustainable Action: 10 materiality items set and linked to activity items

### Background of materiality review

In 2020, we identified materialities as issues that are both important to our stakeholders and have a large impact on our company. Since then, the importance of sustainability, such as ESG and the SDGs, has been increasing worldwide, and trends that may affect our business are constantly changing, so we decided to review those materialities.

Based on international standards and guidelines such as the GRI Standards, the International Integrated Reporting <IR> Framework, and the Sustainable Development Goals (SDGs), we have realigned business opportunities and risks on the two axes of “social and environmental issues to be resolved” and “Group business growth,” formulating priority issues toward FY2030 as materialities.

### Process of determining materiality

The Daiwabo Group’s materiality is evaluated and reviewed annually through the ESG Promotion Meeting and the ESG Promotion Committee. This review ensures the appropriateness of issues and plans.



## Recognition of risks and opportunities (from long-term and sustainability perspectives)

Recognizing risks and opportunities from a long-term sustainability perspective is essential for sustainable growth and social responsibility. In terms of risks, it is important to understand the potential impact of climate change, human rights issues, and other issues on our business and to formulate appropriate countermeasures, and recognize that it is necessary to steadily implement risk management to address these risks. At the same time, we believe that we can seize potential opportunities such as increasing market demand through sustainability initiatives and developing new business areas. For example, environmental issues such as climate change and resource depletion are not only risks but also create new business opportunities such as a circular economy. We, the Daiwabo Group, will appropriately evaluate these risks and opportunities, and continue working on these initiatives in order to further enhance sustainability.

Regarding risks and opportunities in the field of sustainability, together with materiality identification, we took into account the location of sustainability risks and opportunities in the business model of each business and their impact on the group, and reflected them in our materiality.

Materiality and major KPIs were determined by the Board of Directors after deliberation by the ESG Promotion Committee.





## Sustainability management

## Social / Industry

## Supporting creation and innovation in both society and industry

The Daiwabo Group constantly explores new technologies through the spread of diverse and advanced IT products and services, and the pursuit of research and development that can contribute to daily life and many industries. By returning this to the value chain, we aim to realize comfort, security and safety, and happiness for people and society, as well as to increase corporate value over the medium to long term.



## People

## Valuing people

For the future of society, human resources are the most important management resource for promoting activities in line with our strategy to the creation of next generation growth drivers.

The Daiwabo Group will invest in human capital and promote a human resources strategy based on respect for human rights. In addition, we will instill diversity management tailored to each employee, and at the same time, we will focus on further improvement of the work environment and health management.



## Environment

## Supporting harmonious coexistence with the environment

The impact on the global environment, such as climate change and increasing demand for resources against the backdrop of population growth and economic development, is reaching a critical point. As a corporate responsibility, the Daiwabo Group will focus on reducing environmental risks. Furthermore, by taking a bird's-eye view of the entire supply chain, we view the contribution to decarbonization and the circular economy demanded by the times as business opportunities, and use the power of digital technology to contribute to the recycling and efficient use of energy and resources.



## Governance

## Contributing to all stakeholders by strengthening governance

In order to enhance corporate value and contribute to all stakeholders as a group, the Daiwabo Group recognizes that it is required to make swift decisions based on changes in the business environment under an appropriate governance system.

To this end, we will maintain an independent and diverse Board of Directors system, and will continue to work strengthening the system and improving its effectiveness. In addition, we will recognize diversifying management risks and promote a system to manage them.



## Materiality and KPIs

Company-wide Daiwabo Holdings Co., Ltd. and its consolidated subsidiaries

Daiwabo Holdings Daiwabo Holdings Co., Ltd. IT DIS Fiber Daiwabo Co., Ltd. Industrial Machinery O-M

Areas	Materiality	Primary items		Secondary items	Representative KPIs
Social / Industry	1 Promoting business for local economic development	Developing local communities through community-based management		<ul style="list-style-type: none"><li>Contribution to regional economic development through support for the realization of diverse work styles and job creation</li><li>Construction of a regional distribution network in cooperation with dealers</li><li>Revitalization of local stakeholders by resolving issues faced by local companies and governments</li></ul>	IT Maintenance of relationships with 19,000 dealers
		Enhancing customer relationships		<ul style="list-style-type: none"><li>Implementation of distinctive businesses in cooperation with dealers in each area</li><li>Expansion of business through nationwide deployment of know-how accumulated through solving issues in each area</li></ul>	
		Local disaster prevention and mitigation		<ul style="list-style-type: none"><li>Support of community-based disaster responses at our nationwide bases</li></ul>	
	2 Contributing to sustainable social Infrastructure	Assisting industries to balance economic development with a resilient society		<ul style="list-style-type: none"><li>Contribution to the energy development, transportation and shipping industries</li><li>Contribution to the medical and hygiene industries</li><li>Contribution to measures to address national land resilience and aging infrastructure</li></ul>	Fiber Sales growth rate for socially and environmentally friendly products (Target for FY2023: +20% YoY)
		Achieving a global society where life is easier through technological innovation		<ul style="list-style-type: none"><li>Contribution to the improvement of livability through technology</li><li>Pursuit of improved product functionality and high quality through research and development</li><li>Contribution to technology that supports security, safety, and health</li></ul>	Industrial Machinery Sales growth rate for the energy industry (Target for FY2023: +20% YoY)
	3 Contributing to a digital society	Providing digital transformation support across all industries		<ul style="list-style-type: none"><li>Spread of IT device solutions that take advantage of multivendor strengths</li><li>Implementation of high-level support functions</li></ul>	IT Number of PC shipments (Target for FY2023: 3.16 million units) Percentage of active cloud platform* vendors (release actual results only from FY2023) Number of new solutions developed (release actual results only from FY2023)
		Promoting the spread of the latest technology		<ul style="list-style-type: none"><li>Fast-track adoption of the latest global technology</li><li>Response to diversifying user needs through cooperation with dealers</li><li>Development of products and services that enhance cybersecurity</li></ul>	
		Contributing to the field of education through informatization		<ul style="list-style-type: none"><li>Digitization of learning environments and reduction of regional disparities</li><li>Establishment of a one-stop service system from introduction to operation at schools</li><li>Promotion of the spread of new learning trends using ICT</li></ul>	
	Environment	4 Making efforts toward achieving a decarbonized society		Steadily transitioning to a decarbonized society	<ul style="list-style-type: none"><li>Introduction of low-carbon energy</li><li>Reduction in energy costs through efficiency</li><li>Timely and appropriate disclosure of information regarding environmental activities</li></ul>
Promoting products and services that encourage decarbonization			<ul style="list-style-type: none"><li>Proposal of products that contribute to efficiency and automation, and early commercialization through research and development</li><li>Response to demand for decarbonization solutions</li></ul>		
Avoiding procurement- and production-related risks from the transition to a decarbonized society			<ul style="list-style-type: none"><li>Appropriate control of rising product and raw material costs</li><li>Response to stagnation in production bases and supply chains due to disasters caused by climate change</li><li>Maintenance of comfortable working environments as a countermeasure against global warming, and disease countermeasures</li></ul>		
5 Contributing to a circular economy		Working with partners to achieve a circular economy	<ul style="list-style-type: none"><li>Enhancement of collaboration with suppliers and dealers that play a role in the circular economy</li><li>Product development based on the premise of recycling and reuse</li></ul>	IT Growth rate of cloud platform transaction volume (release actual results only from FY2023)	
		Promoting business activities that contribute to resource recycling	<ul style="list-style-type: none"><li>Expansion of the use of renewable resources and raw materials</li><li>Reduction in the use of resources within the company</li></ul>		
		Breaking away from a society of mass consumption of resources	<ul style="list-style-type: none"><li>Construction of a business model that suppresses resource consumption</li></ul>		
6 Promoting global environmental conservation	Environmental management	<ul style="list-style-type: none"><li>Compliance with environmental laws and regulations</li><li>Environmentally-friendly business operations</li><li>Reduction of water risk</li></ul>	Company-wide No violations of environmental laws and regulations		
	People	7 Respecting human rights in business	Fostering a corporate culture that respects human rights	<ul style="list-style-type: none"><li>Clear indication of corporate stance that respects human rights</li><li>Elimination of risk factors for discrimination and harassment, and appropriate response</li></ul>	Company-wide Roll out of CSR Procurement Guidelines to suppliers (Target for FY2023: First implementation)
Establishing a supply chain that ensures respect for human rights			<ul style="list-style-type: none"><li>Elimination of human rights risks in the supply chain</li><li>Provision of solutions that help customers respect human rights</li></ul>		
8 Expanding human capital		Optimizing our human resources portfolio	<ul style="list-style-type: none"><li>Identification and management of the strategically required skill sets</li><li>Reinforcement of recruitment strategy</li><li>Smooth transfer of skills to the next generation</li></ul>	Company-wide Enhancement of the education and training system (Japan) (release actual training hours per employee for the entire group)	
		Developing a flexible work style and growth environment	<ul style="list-style-type: none"><li>Creation of a virtuous cycle of retention through flexible work styles</li><li>Creation of a medium- to long-term growth environment for employees</li></ul>		
9 Diversifying the workforce and improving wellbeing		Promoting diversity and inclusion	<ul style="list-style-type: none"><li>Diversification of human resources as a foundation for comprehensive human resource improvement</li><li>Creation of a work environment that embraces diverse human resources</li></ul>	Company-wide Target for percentage of women in managerial positions by FY2030: 3% or more (Japan) Implementation of progress monitoring of the percentage of women in executive positions (Japan) (Executive positions: includes managers, section chiefs, and supervisors)	
		Creating a healthy work environment that allows employees to continue to work	<ul style="list-style-type: none"><li>Promotion of health and productivity management as part of the growth strategy</li><li>Insurance of occupational health and safety</li></ul>		
Governance	10 Corporate governance	Achieving sustainable corporate growth	<ul style="list-style-type: none"><li>Construction of businesses and organizations based on growth strategies</li><li>Appropriate corporate control by the Board of Directors</li><li>Active dialogue with stakeholders</li></ul>	Daiwabo Holdings The percentage of independent outside directors to be appointed (maintaining a majority) Number of Meetings of Compliance Management Committee and Risk Management Committee (4 times and 2 times a year, for a total of 6 times)	
		Group governance	<ul style="list-style-type: none"><li>Display of initiative by the group headquarters</li><li>Respect of the autonomy and uniqueness of each group company</li></ul>	Company-wide Compliance education attendance rate (Maintain 100%)	
		Risk management	<ul style="list-style-type: none"><li>Enforcement of management risk management and compliance</li><li>Cybersecurity measures</li><li>Promotion of supply chain management</li></ul>		

\* Cloud service that provides IaaS/PaaS IT infrastructure, middleware/development environment, etc.