

Fiscal Year Ended March 2022 Financial Results Materials

May 12, 2022



Daiwabo Holdings Co.,Ltd.

(Stock code: 3107)

1. Settlement of Accounts for the Fiscal Year Ended March 2022

2. Business Outlook for the Full Term of the Fiscal Year Ending March 2023

[References]

- ▶ Corporate Profile
- ▶ Charts for Performance Trend

Head Office	6-8, Kyutaromachi 3-chome, Chuo-ku, Osaka, 541-0056	
Established	Established as Daiwa Boseki	April 1, 1941
	Establishment of Daiwabo Holdings Co., Ltd.	July 1, 2009
Consolidated employees	5,671 (As of March 31, 2022)	
Capital	¥21,696,744,900	
Stock exchange listing	Listed on the Prime Market of the Tokyo Stock Exchange Stock code: 3107 /	
	Industry: Wholesale < Constituent stock of the JPX Nikkei Index 400 >	
Business profile	IT Infrastructure Distribution Business	Sales of computers, peripherals and software, and logistics services
	[Core company]  DAIWABO INFORMATION SYSTEM CO., LTD.	Installation and maintenance of and repair services for computer equipment
	Fiber Business	Manufacture and sales of fiber materials for hygienic materials, nonwoven fabrics, industrial materials, textiles for apparel and living products and finished products
	[Core company]  Daiwa Spinning	
	Industrial Machinery Business	Manufacture and sales of machine tools, automatic machinery and casting products
	[Core company] O-M Ltd.	
	Other Businesses	Insurance Agency Business, Engineering Business

Settlement of Accounts for the Fiscal Year Ended March 2022

Fiscal Year Ended March 2022 (April 1, 2021 - March 31, 2022)

Although results were below the initial plan due to the impact of global supply shortages, the company secured its third highest profit level ever in an environment of a reactionary fall in demand

IT Infrastructure Distribution Business

For corporations and government agencies, although a trend towards recovery was apparent due to focusing on promotion of the strengthening of sales, the building of increasing cloud environments and the acquisition of demand for services through community-based sales combining telework and face-to-face meetings flexibly, sales and profits decreased due to the impact of a downward rebound in the education market and the semiconductor shortage. Sales decreased in the consumer market compared with the previous fiscal year, when telework was active, centered on PCs and peripherals.

Fiber Business

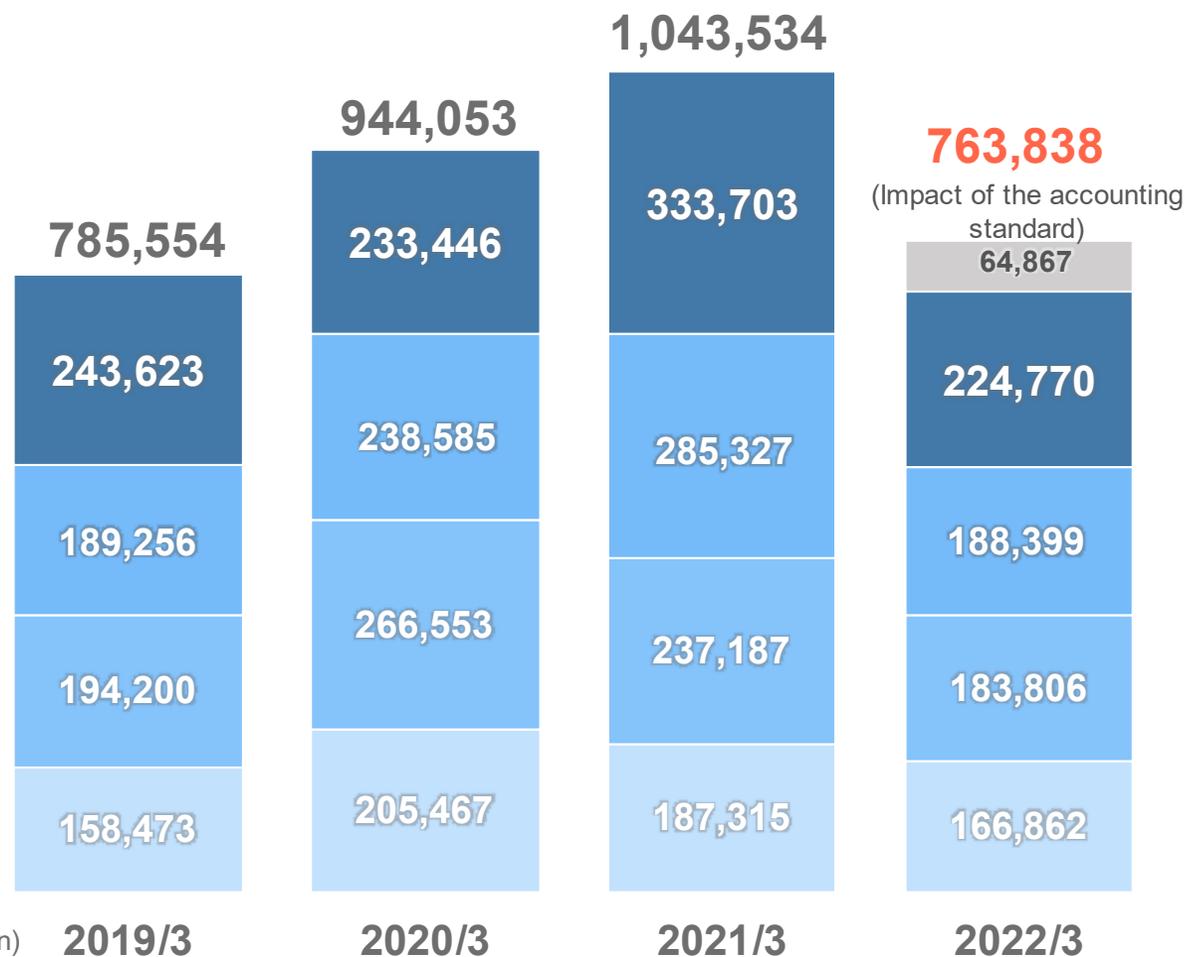
Although sales of low environmental impact rayon increased, the company struggled in terms of profit due to the downward rebound of demand related to sterilization and the impact of high raw material and fuel prices in business overall.

Industrial Machinery Business

Although concerns over soaring raw material prices have continued, the order environment is on a recovery trend and service sales for remodeling and parts replacement have also increased.

Net Sales for the Fiscal Year Ended March 2022

■ 1Q ■ 2Q ■ 3Q ■ 4Q



Net sales **763,838** million yen

- ▶ Comparison under the new standard -**21.6%**
- ▶ Impact of the standard for revenue recognition **64,867** million yen

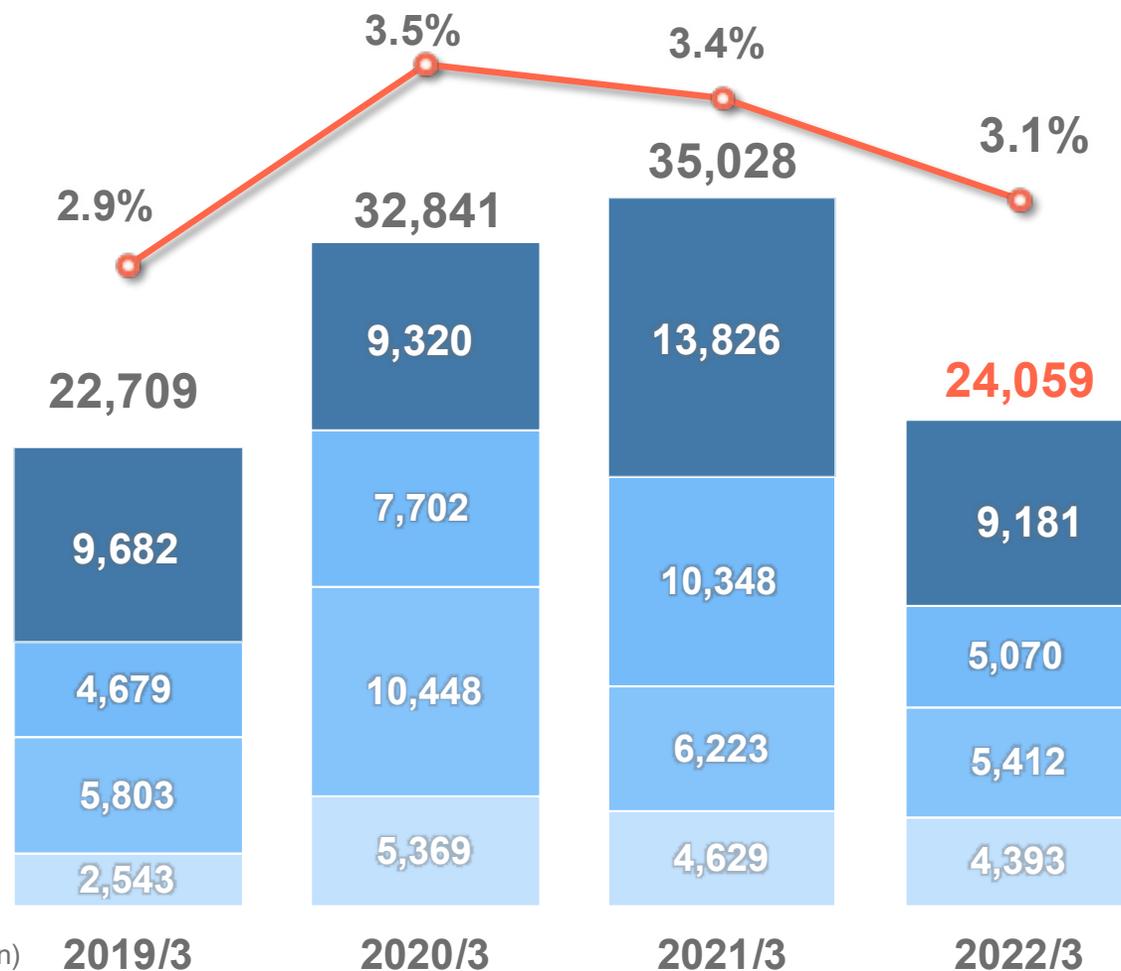
Total transactions **828,706** million yen
Against the same period of the previous fiscal year -**20.6%**

(Comparison under the previous standard)

* See page 7 with regard to the application of the "Accounting Standard for Revenue Recognition"

Operating Profit for the Fiscal Year Ended March 2022

1Q 2Q 3Q 4Q Operating profit margin



Operating profit **24,059** million yen

Against the same period of the previous fiscal year -**31.3%**

Operating profit margin **3.1%**

Operating profit third highest ever

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

		2021/3	2022/3	Change
(Million yen)				
Net sales	[1] Old standard	1,043,534	828,706	-214,828 -20.6%
	[2] New standard	-	763,838	
	[2] - [1]	-	-64,867	
<hr/>				
Operating profit		35,028	24,059	-10,968 -31.3%
<hr/>				
Operating profit margin	[1] Old standard	3.4%	2.9%	
	[2] New standard		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)



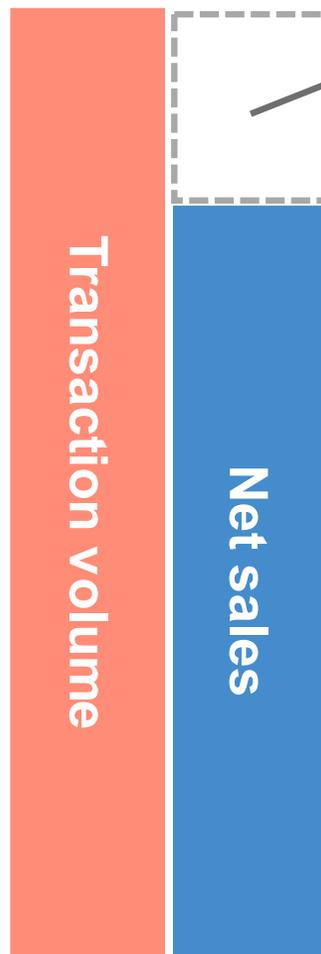
[New standard]: Record sale of the **net amount** of sales consideration (A-B)



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

Consolidated Operating Results for the Fiscal Year Ended March 2022

(Million yen)	2021/3	2022/3	Change	Compared to previous term	Results forecast	Progress rate
					(Revised April 15)	
Net sales	1,043,534	763,838	-	-	763,300	+0.1%
Operating profit	35,028	24,059	-10,968	-31.3%	23,200	+3.7%
Ordinary profit	35,781	24,554	-11,227	-31.4%	23,600	+4.0%
Profit attributable to owners of parent	25,715	16,988	-8,726	-33.9%	16,200	+4.9%
Basic earnings per share (yen)	267.47	178.14				

	2021/3	2022/3
Return on equity (ROE)	22.2%	12.9%
Return on assets (ROA)	10.0%	6.6%
Operating profit margin	3.4%	3.1%

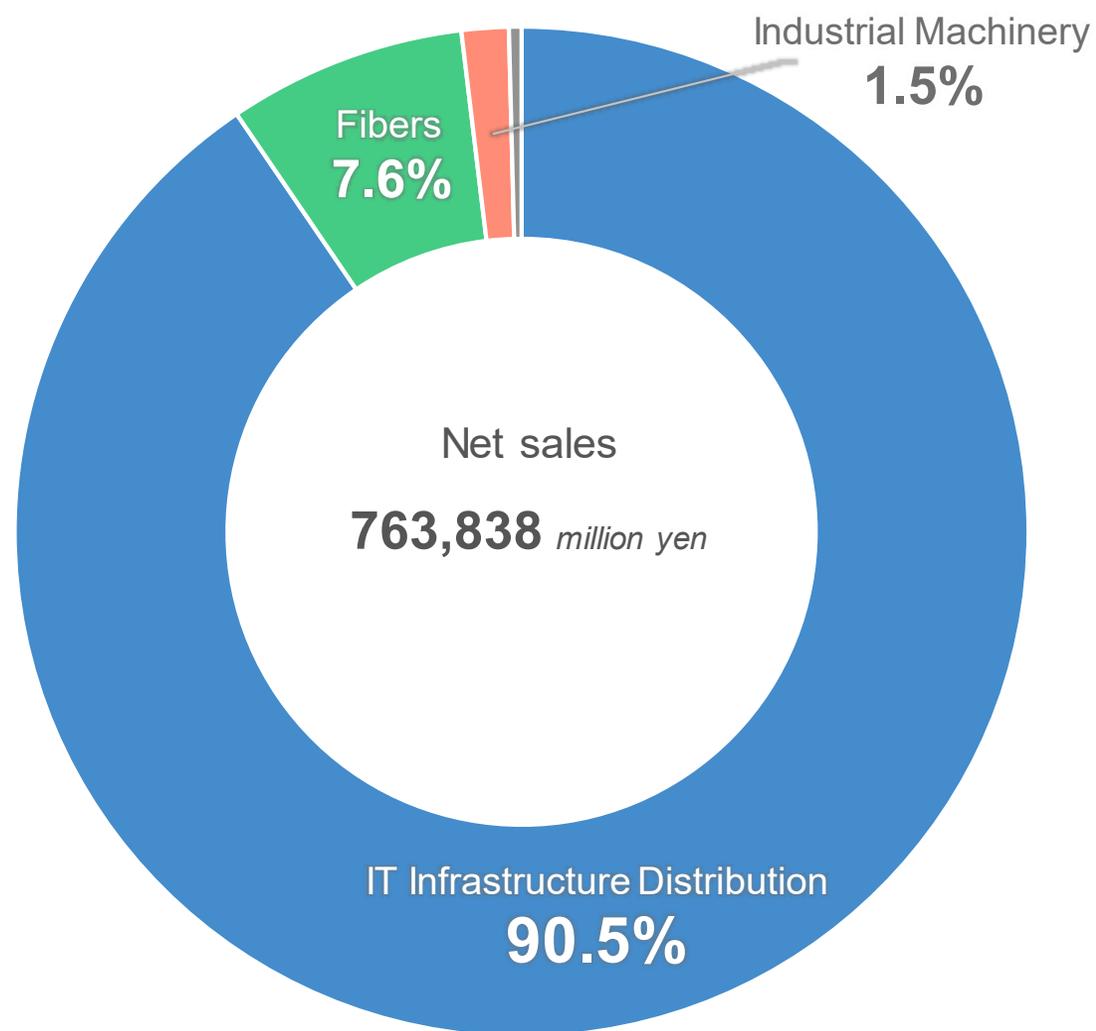
Consolidated Financial Position and Cash Flows During the Fiscal Year Ended March 2022

(Million yen)	2021/3	2022/3	Change	Major reasons for change
Collective assets	383,757	356,203	-27,553	Decrease in accounts receivable
Net assets	129,322	136,173	+6,851	Increase in retained earnings
Capital adequacy ratio	33.4%	38.0%		
Net assets per share (yen)	1,334.35	1,422.20		

(Million yen)	2021/3	2022/3
Cash flow due to operating activities	9,428	28,165
Cash flow due to investment activities	-1,357	-2,926
Cash flow due to financial activities	-7,586	-10,724
Balance of cash and cash equivalents at the end of BY	32,033	46,728

Operating Results by Segment for the Fiscal Year Ended March 2022

(Million yen)		2021/3	2022/3	Change	Compared to previous term
Net sales	IT Infrastructure Distribution	969,748	691,281	-	-
	Fibers	61,033	58,289	-2,744	-4.5%
	Industrial Machinery	11,582	11,610	+27	+0.2%
	Others	1,169	2,657	+1,487	+127.2%
	Total	1,043,534	763,838	—	—
Operating profit	IT Infrastructure Distribution	33,226	21,651	-11,575	-34.8%
	Fibers	1,350	1,617	+266	+19.7%
	Industrial Machinery	537	656	+118	+22.0%
	Others	-87	130	+217	—
	(Adjustment)	0	4		
Total	35,028	24,059	-10,968	-31.3%	



Percentage of net sales

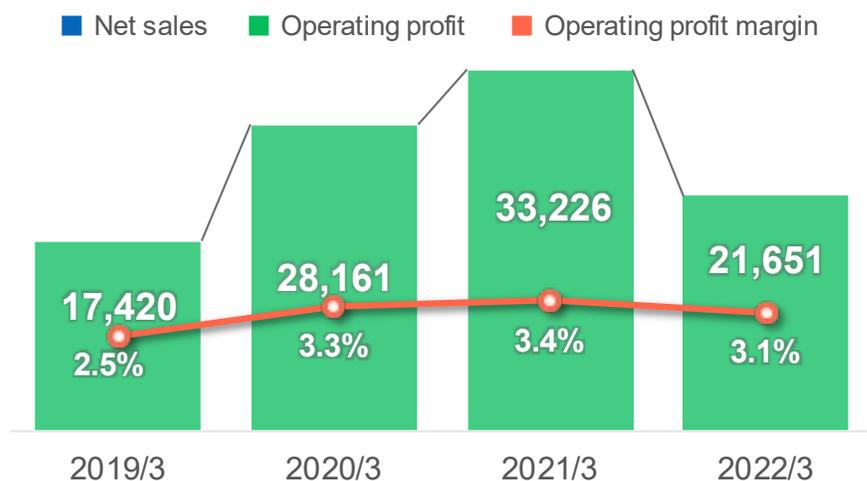
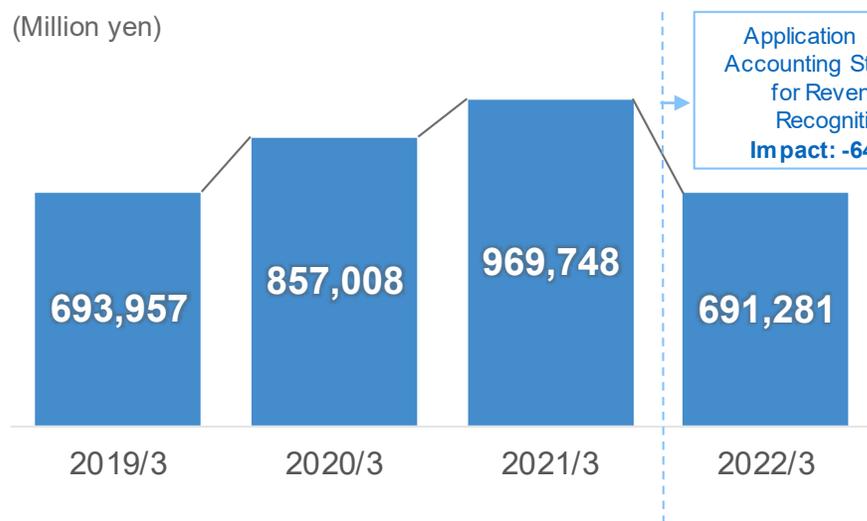
	2021/3	2022/3
IT Infrastructure Distribution	92.9%	90.5%
Fibers	5.8%	7.6%
Industrial Machinery	1.1%	1.5%

Percentage of operating profit

	2021/3	2022/3
IT Infrastructure Distribution	94.9%	90.0%
Fibers	3.9%	6.7%
Industrial Machinery	1.5%	2.7%

IT Infrastructure Distribution Business

(Million yen)



Transaction volume

* Net sales under the old standard

756,149 million yen (-22.0% compared to previous term)

Net sales

691,281 million yen (-28.7% compared to previous term)

Operating profit

21,651 million yen (-34.8% compared to previous term)

Number of PCs shipped

2,838,000 units (-44.7% compared to previous term)

Number of servers shipped

56,000 units (-7.6% compared to previous term)

Subscription handling volume

70,800 million yen (+4.1% compared to previous term)

iKAZUCHI handling volume

14,708 million yen (+31.8% compared to previous term)

Review of the business

Corporate market

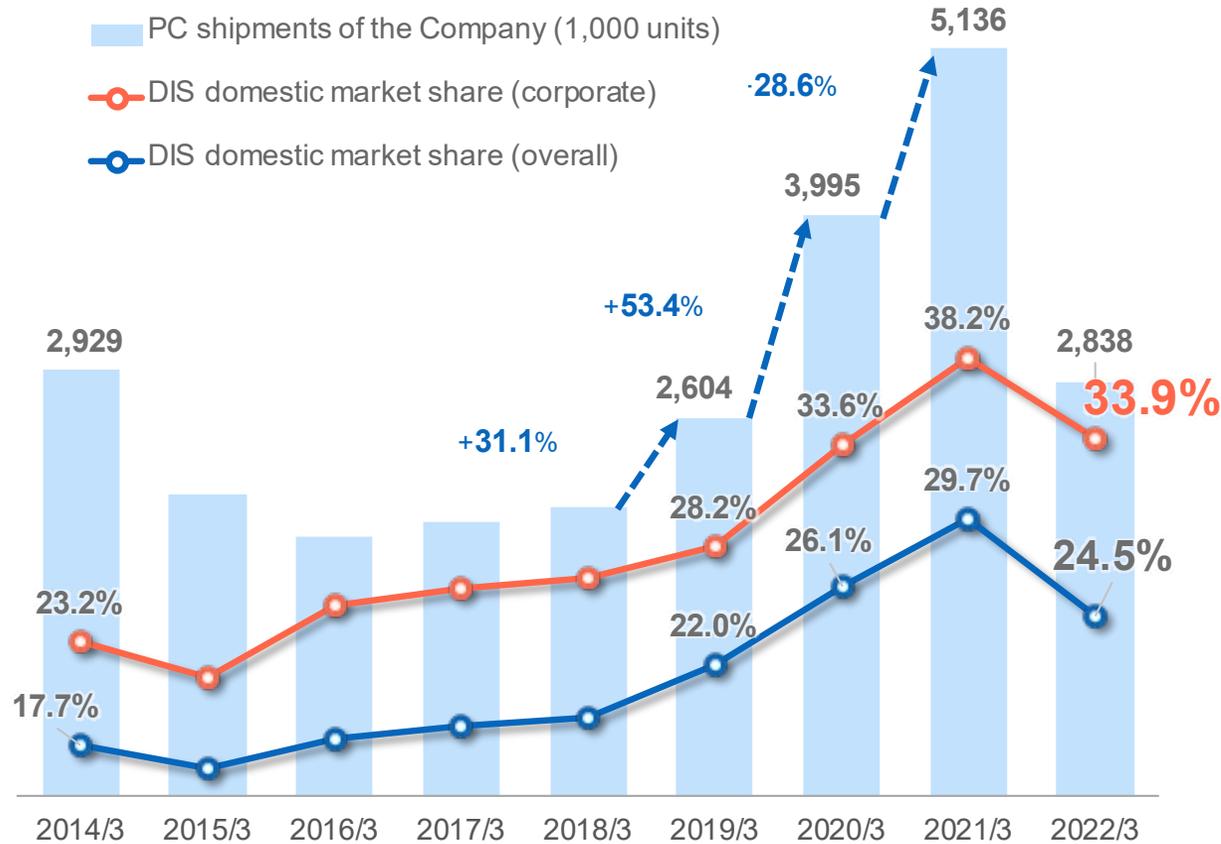
- Although composite proposals for corporations and government agencies were difficult with some products in tight supply due to the shortage of semiconductors and other factors, demand was on a recovery trend due to the building of cloud environments, and sales of subscription services, PCs, monitors, etc., grew
- Revenue decreased in the education market compared with the nationwide-scale terminal shipments in association with the GIGA School Concept of the second half of the previous term

Consumer market

- Sales of monitors for home electronics retail stores trended strongly, but sales decreased, centered on PCs and peripherals, compared to the previous term when telework demand was active

Domestic PC Market Share and Product Category Composition

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

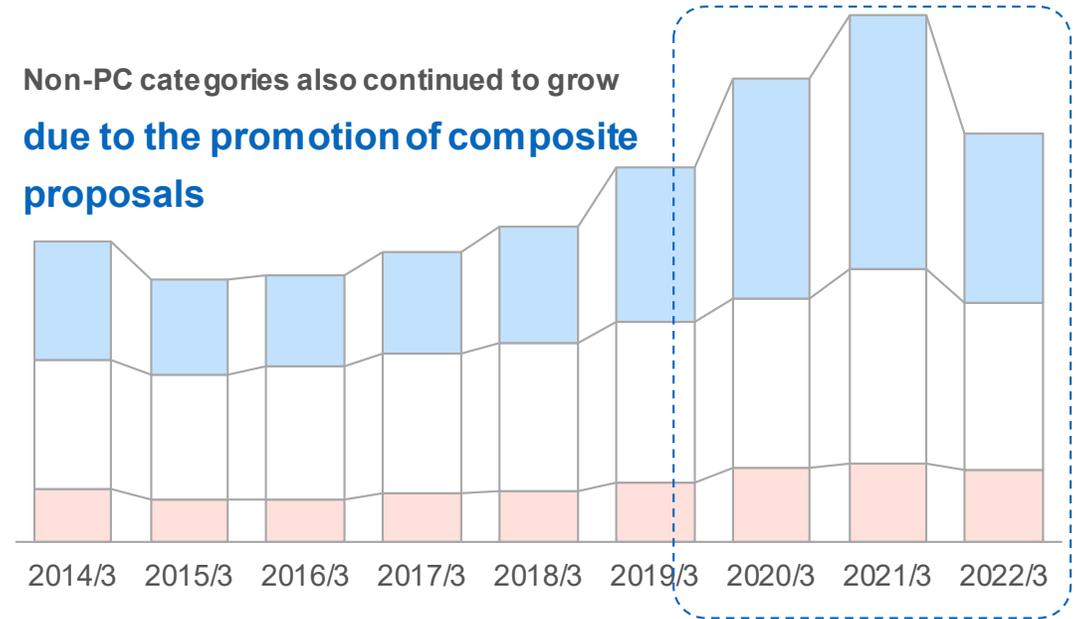


* Calculated based on the results of a survey by MM Research Institute
 (As the figure for 2022/3 is based on the survey company's preliminary results, the official figure for share may change)

< Sales trend by DIS category >

	3-year average	
	Composition ratio	Growth rate
PC main units*	46.0%	+3.2%
Software	16.1%	+6.7%
Peripherals, services, etc.	37.9%	+1.1%

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.

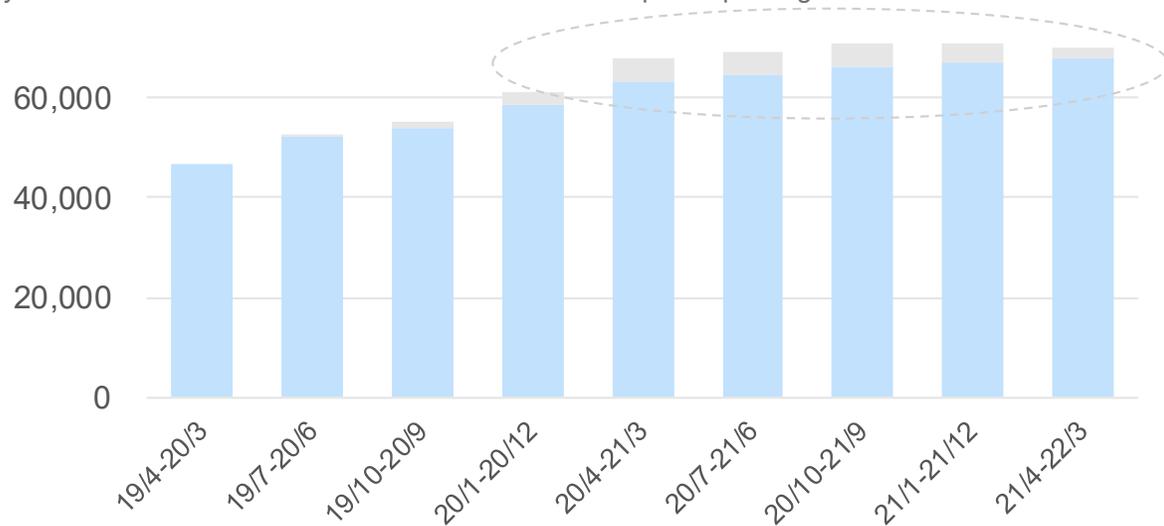
Results for Subscription Business

Subscription transaction volume (DIS only)

2021/3 full-term **68,031** +4.1% 2022/3 full-term **70,800**

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

The company plans to revise the subscription category due to the inclusion of some multi-year contracts related to GIGA School and HW composite packages



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.)

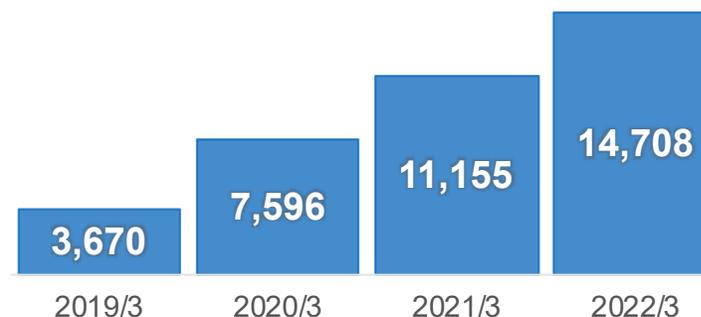
iKAZUCHI handling volume

(Million yen)

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

Compared to previous term **+31.8%**

3-year average growth rate **+58.8%**

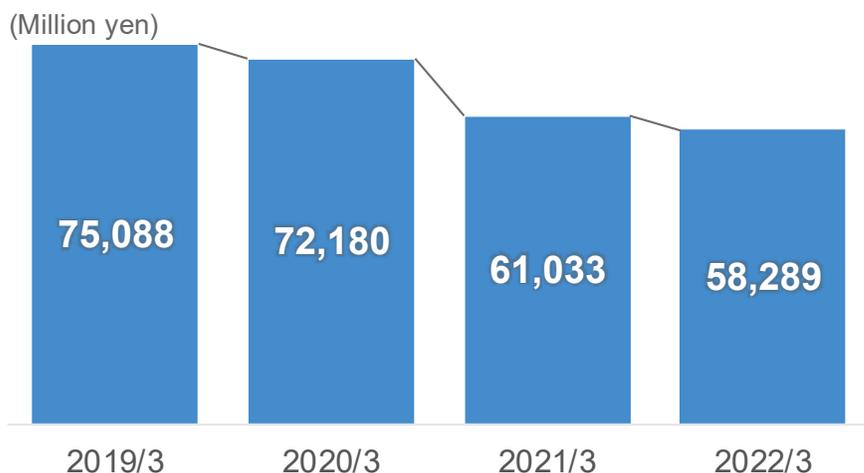


Number of supported vendor services

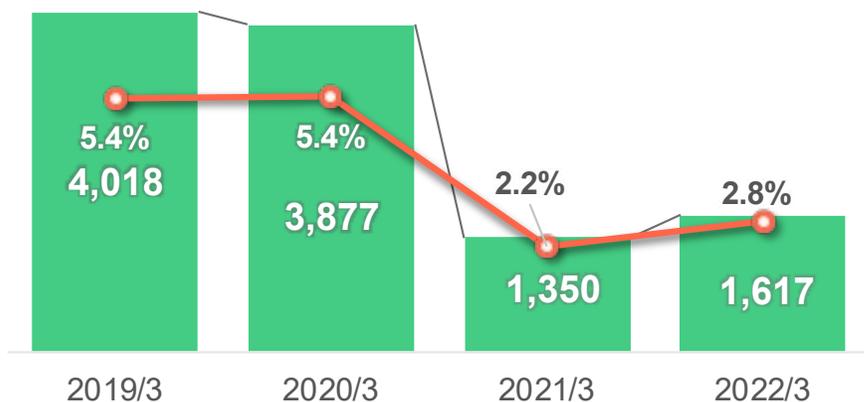
65 vendors
142 services (2021/3) ▶ 88 vendors
181 services (2022/3)



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



■ Net sales ■ Operating profit ■ Operating profit margin



Net sales

58,289 million yen (-4.5% compared to previous term)

Operating profit

1,617 million yen (+19.7% compared to previous term)

Review of the business

Synthetic Fibers and Rayon Divisions

- Although sales of low environmental impact functional rayon trended steadily, in addition to the reactionary fall in demand to last term for synthetic fiber nonwoven fabrics for masks and sterilizing sheets, we also continued to struggle due to soaring raw material and fuel prices

Industrial Material Division

- Although demand for cartridge filters for electronic parts manufacturers was vigorous, results stagnated in terms of profits due to the impact of the suspension of various events, a decrease in construction work and increased costs including soaring raw material and fuel prices

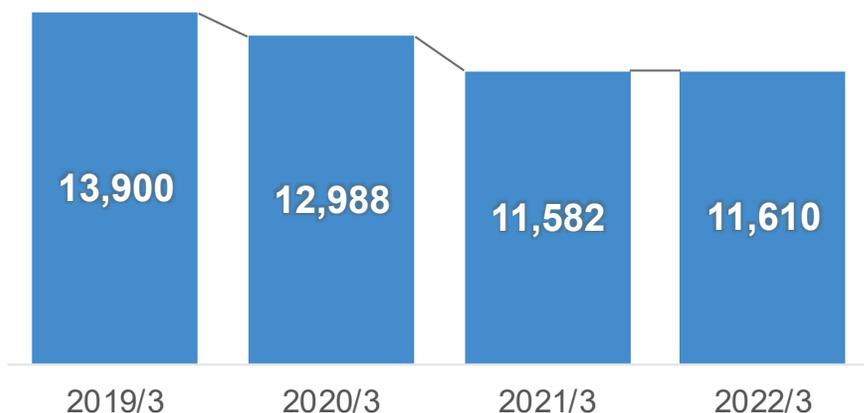
Clothing Products Division

- Although clothing and underwear for the US was on a recovery trend, purchasing at retail stores continued to decrease and both income and profits declined, due to a slump in casual clothing for children in particular

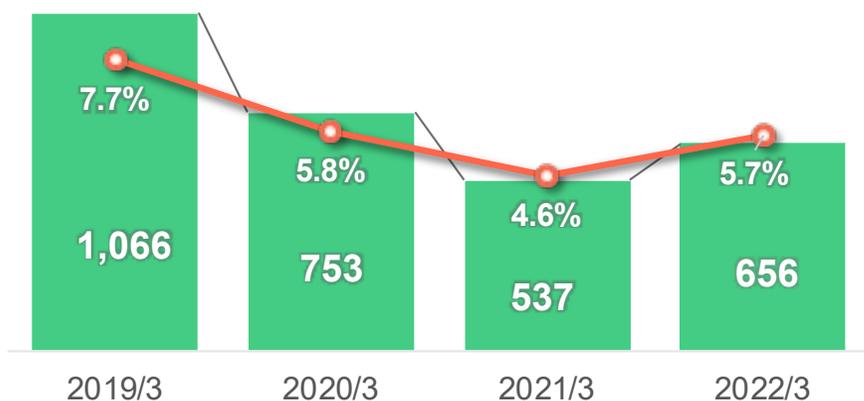
[Reference] Reflecting the effects of inappropriate transactions in 2Q of the previous term (disclosed 2020/12/11)

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

(Million yen)



■ Net sales ■ Operating profit ■ Operating profit margin



Net sales

11,610 million yen (+0.2% compared to previous term)

Operating profit

656 million yen (+22.0% compared to previous term)

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 68.7% compared to the previous term, the recovery in core aircraft and railway-related sales was dull under the restriction on movement, but orders increased 59.0% over the previous term, driven by orders for China, and we are headed for recovery
- Although the division was affected by soaring material prices, service sales increased due to the strengthening of the services division, contributing to the securing of profits

Automatic Machinery Division

- Although customers continued to have a cautious attitude towards capital investment, orders received increased by 37.7% compared to the previous term
- Results were driven by sales of lines with multiple units and the strengthening of service sales such as parts replacements

Consolidated Balance Sheet for the Fiscal Year Ended March 2022

(Summary of Accounts P5-6)

(Million yen)	2021/3	2022/3	Change		2021/3	2022/3	Change
Current assets	331,461	304,134	-27,327	Current liabilities	230,519	191,564	-38,954
Cash and deposits	32,058	46,963	+14,905	Notes payable and accounts payable	188,483	161,859	-26,623
Notes receivable, accounts receivable	246,897	202,408	-44,488	Short-term loans payable	15,255	12,589	-2,666
Goods and products	32,580	38,478	+5,898	Non-current liabilities	23,916	28,465	+4,549
Property, plant and equipment	39,172	38,272	-900	Long-term loans payable	12,065	14,895	+2,829
Intangible fixed assets	2,696	2,462	-233	Total liabilities	254,435	220,030	-34,405
Investments and other assets	10,426	11,333	+907	Total net assets	129,322	136,173	+6,851
				Treasury stock	-123	-2,123	-2,000
Total assets	383,757	356,203	-27,553	Total liabilities and net assets	383,757	356,203	-27,553

Notes receivable, accounts receivable	246,897	->	202,408	-44,488	Collection of DIS accounts receivable
Notes payable and accounts payable	188,483	->	161,859	-26,623	Decrease in DIS accounts payable
Total loans	27,321	->	27,484	+162	

Consolidated Profit Statement for the Fiscal Year Ended March 2022

(Summary of Accounts P7)



(Million yen)	2021/3		2022/3		Change	Compared to previous term
	Results	Percentage	Results	Percentage		
Net sales	1,043,534		763,838		-279,695	-26.8%
Gross profit	81,851	7.8%	64,141	8.4%		
Selling, general and administrative expenses	46,823	4.5%	40,081	5.2%		
Operating profit	35,028	3.4%	24,059	3.1%	-10,968	-31.3%
Ordinary profit	35,781	3.4%	24,554	3.2%	-11,227	-31.4%
Extraordinary profit	1,468 *		527			
Extraordinary loss	996 *		163			
Profit attributable to owners of parent	25,715	2.5%	16,988	2.2%	-8,726	-33.9%

Extraordinary profit	Gain on sales of investment securities (414 million yen), gain on sales of fixed assets (62 million yen)
* Extraordinary profit in previous term	Gain on sale of DIS Distribution Center (754 million yen), compensation for transfer of overseas Fiber Business plants (663 million yen)
* Extraordinary loss in previous term	Impairment loss for idle land (681 million yen)

Business Outlook for the Full Term of the Fiscal Year Ending March 2023

Business Forecast for the Full Term of the Fiscal Year Ending March 2023

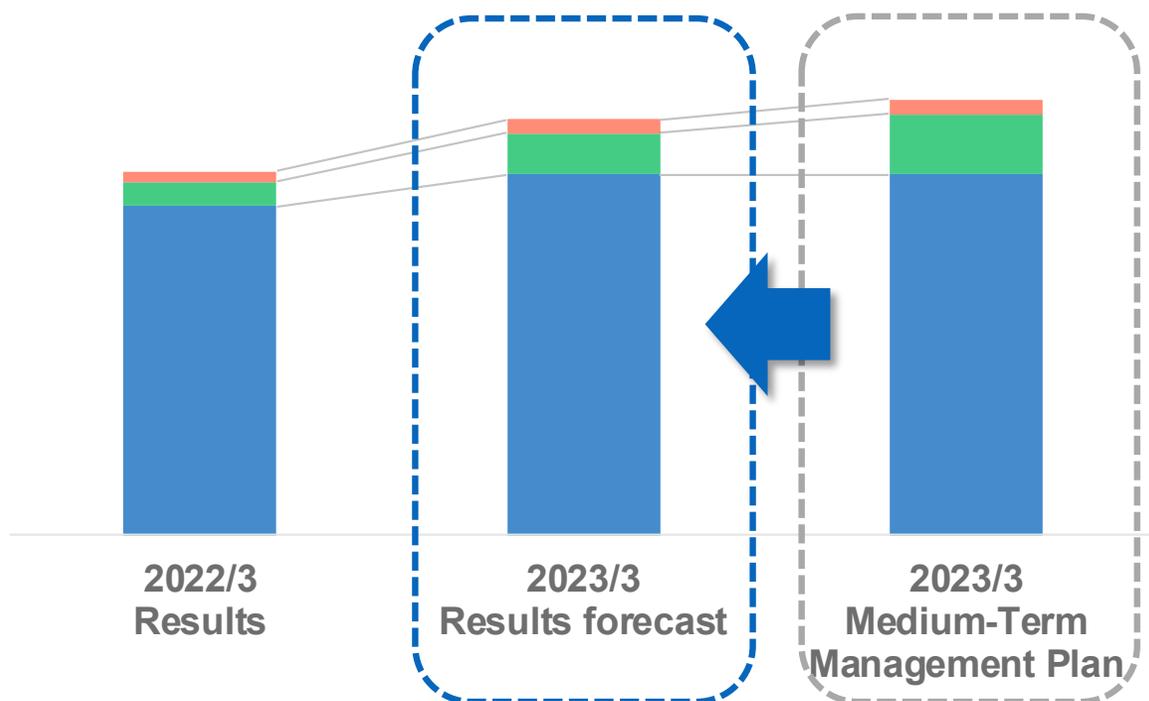
(Million yen)	2022/3 (Results)		2023/3 (Forecast)		Change	Compared to previous term
	Amount	Percentage	Amount	Percentage		
Net sales	763,838		830,000		+66,161	+8.7%
IT Infrastructure Distribution	691,281		754,820		+63,538	+9.2%
Fibers	58,289		62,060		+3,770	+6.5%
Industrial Machinery	11,610		12,480		+869	+7.5%
Operating profit	24,059	3.1%	27,360	3.3%	+3,300	+13.7%
IT Infrastructure Distribution	21,651	3.1%	23,700	3.1%	+2,048	+9.5%
Fibers	1,617	2.8%	2,760	4.4%	+1,142	+70.7%
Industrial Machinery	656	5.7%	890	7.1%	+233	+35.7%
Ordinary profit	24,554	3.2%	27,500	3.3%	+2,945	+12.0%
Profit attributable to owners of parent	16,988	2.2%	18,600	2.2%	+1,611	+9.5%

Difference between Medium-Term Management Plan and Results Forecast

Operating profit (million yen)

- IT Infrastructure Distribution Business
- Fiber Business
- Industrial Machinery Business

2023/3 Results forecast [A]	2023/3 Medium-Term Management Plan [B]	[A]/[B]
23,700	23,700	±0.0%
2,760	4,000	-31.0%
890	950	-6.3%



IT Infrastructure Distribution Business

- Revenue is expected to increase due to orders received and focusing on growth areas, but the profit forecast is maintained at the same level assuming increased man-hours for proposals and adjustments due to the semiconductor shortage

Fiber Business

- The profit forecast was lowered against the Medium-Term Management Plan due to continuing high prices of raw material and fuel and a delay in the recovery of demand

Industrial Machinery Business

- Although we expect to secure sales overall, the profit forecast has been lowered slightly based on soaring raw material prices and orders for automatic machinery

Acquisition of share in each category in IT device distribution

- Securing of superiority through delivery deadline handling in association with the semiconductor shortage and strategic products
- Strengthening of IT equipment lineup and handling of diverse forms of purchasing
- Improvement of market share in the education market through the use of GIGA School terminals

Implementation and strengthening of high-level support functions

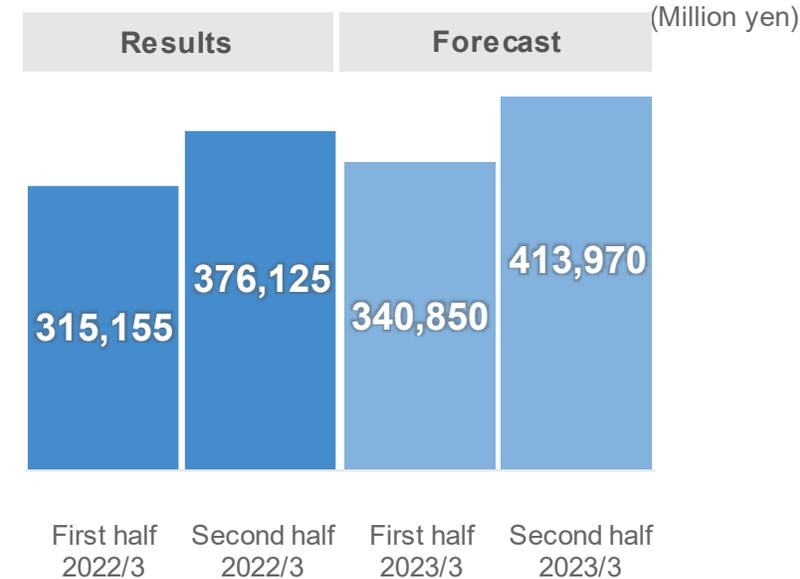
- Strengthening of the support system for increasingly sophisticated IT infrastructure and deepening of cooperation with core manufacturers
- Differentiation through the development of engineering groups and development of original services

Branding as a cloud distributor

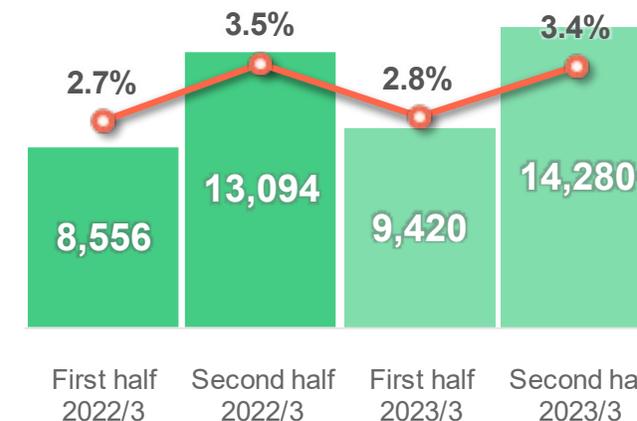
- Functional expansion of iKAZUCHI and strengthening of branding
- Acquisition of IT infrastructure migration demand through the promotion of IaaS / PaaS

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



Subscription management portal

Handling of billing formats including monthly, yearly or pay-as-you-go
Real-time management at the individual customer level

Integrated management of multiple services

Provision of information to end users

Supporting the subscription businesses of dealers nationwide



iKAZUCHI posting service

88 vendors / 181 services

(As of March 2022)



Collaboration

Business infrastructure and system infrastructure

Security and management

Design and creative work

Human resources

Sales and marketing



Vendors



Dealers

Customers

Added value

- ✓ Streamlining of service issue and billing management through automatic cooperation, etc.
- ✓ Realize the handling of more customers through dealers
- ✓ Expansion of promotions

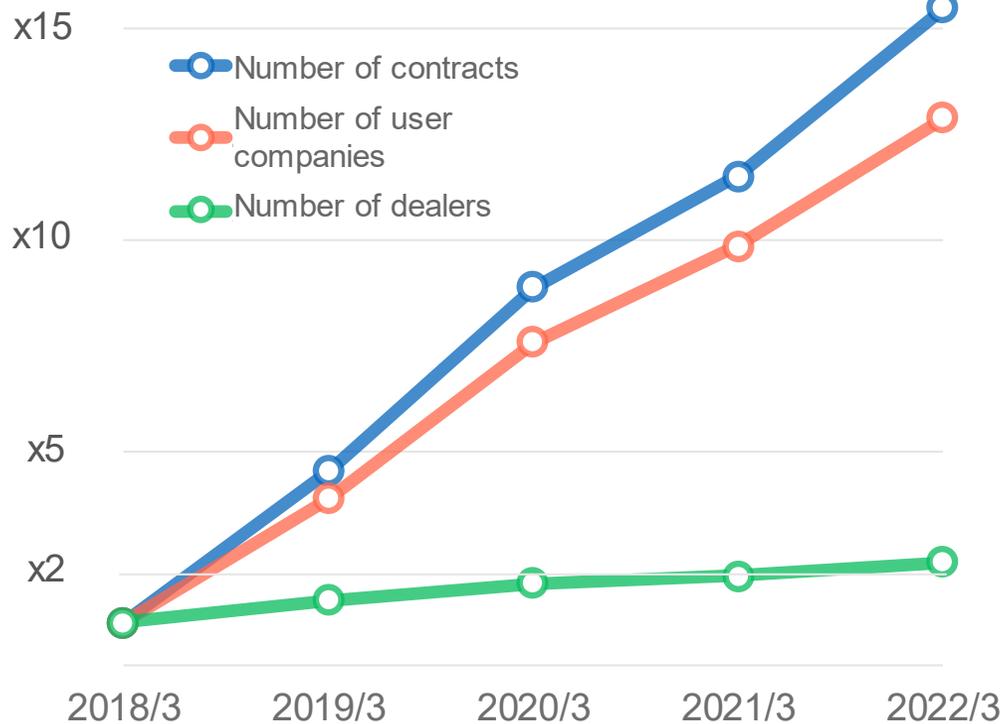
- ✓ Strengthening of proposal capabilities and competitiveness by the expansion of posted services and provided functions
- ✓ Building of ongoing contractual relationships
- ✓ Promotion of composite proposals by improving the efficiency of subscription sales

- ✓ Centralized management of multiple vendors and various billing formats
- ✓ Realize the handling of more customers with real-time contract management
- ✓ Expansion of sales by improving the efficiency of subscription sales

- ✓ Grasp the state of contracts for multiple services and implement license changes in an integrated way
- ✓ Aggregation of payment Destinations and payment timing
- ✓ Contributions to results through more efficient use of subscriptions

Establish a stable earnings base with iKAZUCHI

Compared to 2018/3
Growth rate



Number of handling vendors

13 companies **24** companies **38** companies **65** companies **88** companies

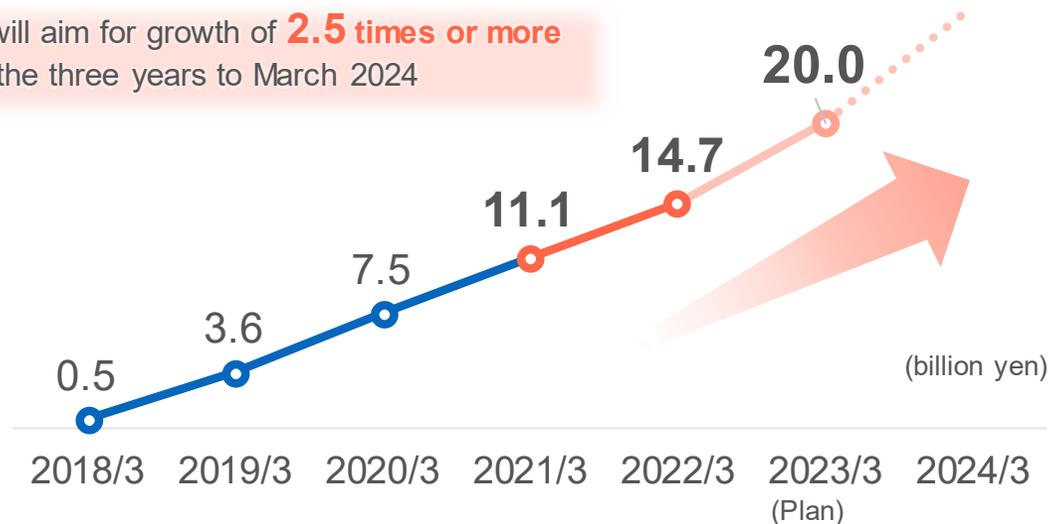


We use our “multi-vendor” strength to create added value that would not be possible with a single vendor

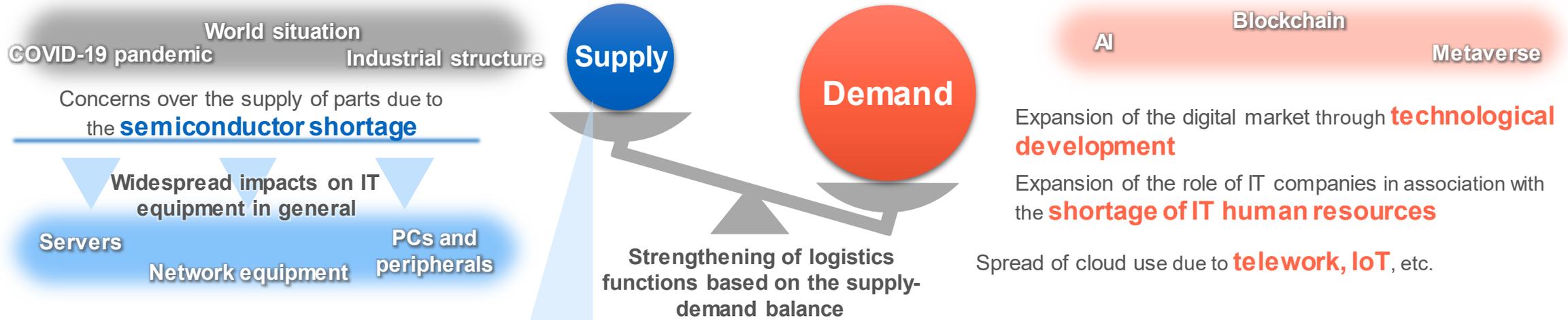


iKAZUCHI handling volume

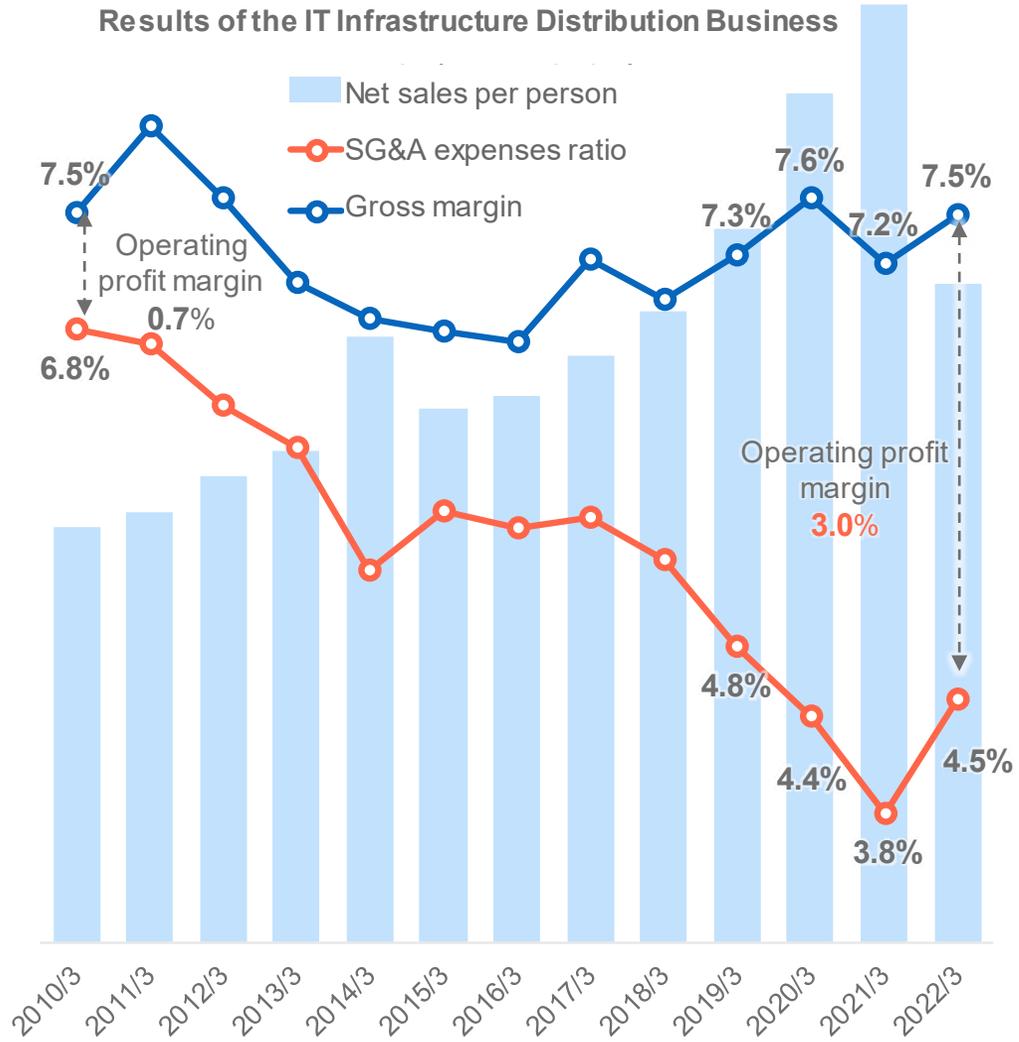
DIS will aim for growth of **2.5 times or more** over the three years to March 2024



Securing of Superiority through Strategic Products



Greater Sales Efficiency and Low-Cost Operation



* 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



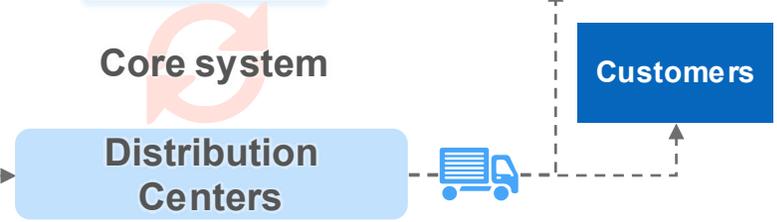
Expansion of e-commerce ratio

Productivity improvements including suppliers



Greater logistics efficiency

Control of distribution costs
Optimization of inventory locations





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”

Reform into a company satisfying to work at centered on ESG

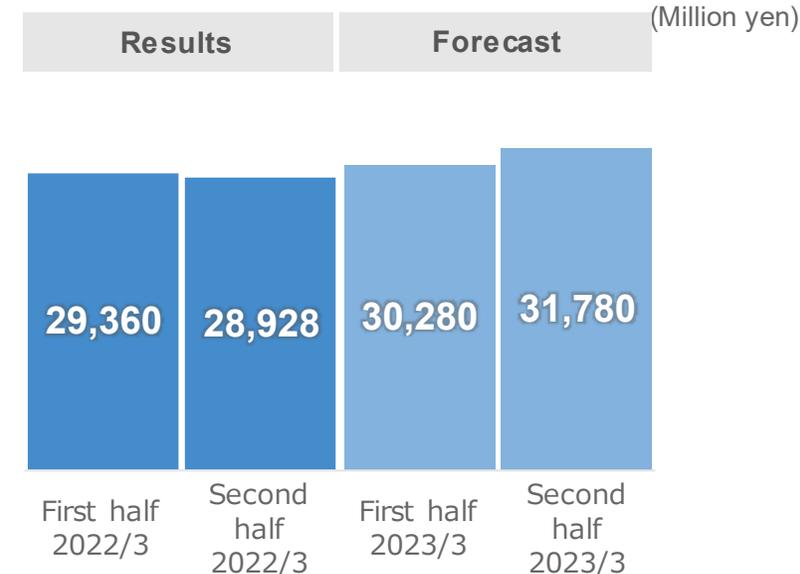
- ▶ Thorough implementation of compliance management by systematizing the entire company and strengthening the audit and check system focusing on actual sites
- ▶ Improvement of work environments based on a review of personnel systems, the introduction of new systems, expansion of employee education and continuous implementation of development-type personnel rotations

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

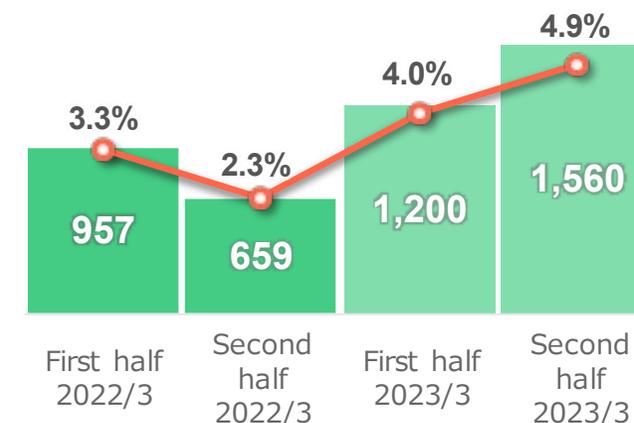
- ▶ Efficient R&D activities with awareness of the establishment of a cross-business research system and maximization of the development results of the Daiwabo Group
- ▶ Contributions to a sustainable society through the creation of environmentally conscious products based on the company's core technologies

Business activities conscious of invested fund efficiency

- ▶ Expansion of sales of synthetic cotton, nonwoven fabric and rayon using R&D of functional and sustainable materials
- ▶ Acquisition of demand related to filters with an integrated production system established by consolidation of industrial material factories



■ Net sales ■ Operating profit ■ Operating profit margin





Daiwa Spinning

Strengthening of R&D functions

Integration of R&D systems in each field into Harima Laboratory

Industry-government-academia

Market needs

Core technologies / intellectual property

Environment

- Recycling
- Biomass / biodegradation
- Energy saving / weight reduction

Safety

- Fire-proof / flame-retardant
- Ground and cement reinforcement
- Adsorption of heavy metals and harmful substances

Material development based on 3 development keywords

Health

- Sterilization / anti-viral
- Water / air purification
- Skin-friendly materials

Consolidation of production bases

Completion of the relocation and consolidation of plants in Industrial Material Division

Build an integrated production system for filters with strong demand

Reorganization of operating companies



April 2020

Daiwa Spinning Co., Ltd. becomes a core business company through the merger of business subsidiaries of each division

March 2021

Dissolution of Hong Kong subsidiary and closing of overseas offices

May 2021

Sorting out of non-fiber divisions (termination of hotel business)

September 2021

Sorting out of non-fiber divisions (reduction in scale of engineering business)

October 2021

Merger between subsidiaries of Clothing Products Division

March 2022

Transfer of shares of subsidiary of Clothing Products Division

Business expansion into potential markets in machine tools

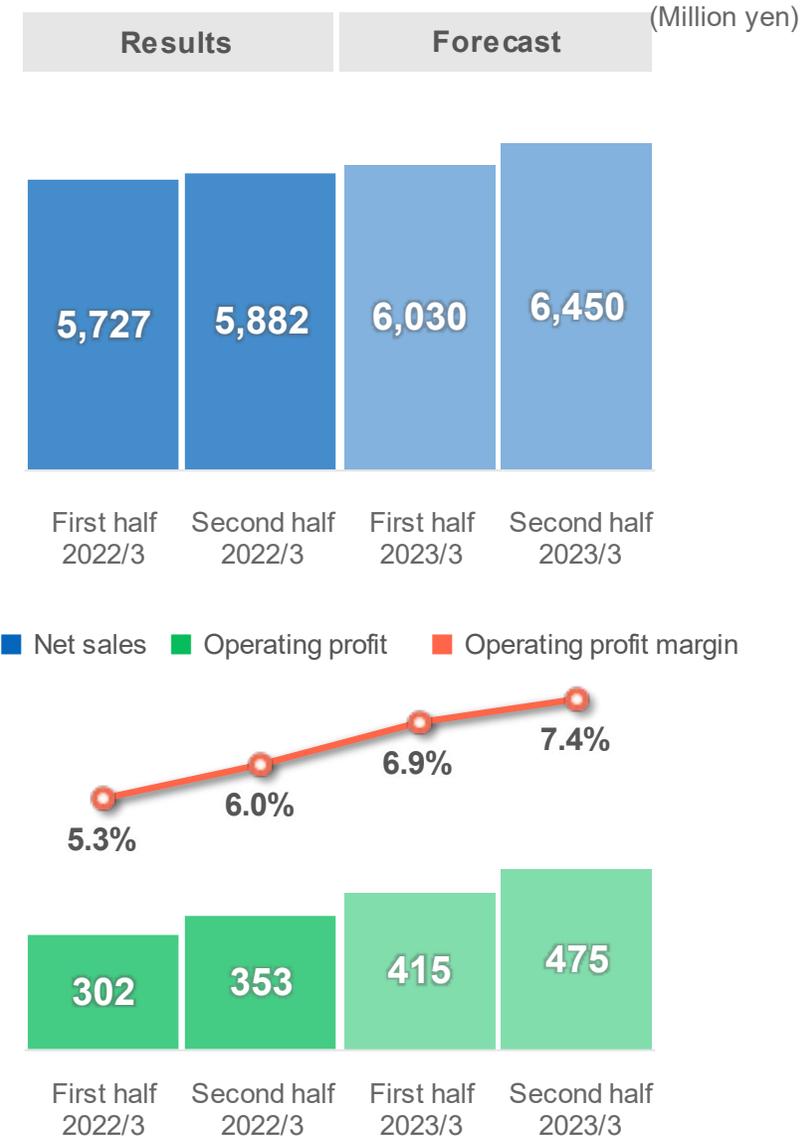
- ▶ Development of new models related to energy, where renewal demand can be expected, and improvement of proposal capabilities using subsidy adoption
- ▶ Local sales promotion centered on the energy, semiconductor and medical device industries in the strong Chinese market

Capture of demand for packaging machine automation in automatic machinery

- ▶ Strengthening of sales promotion activities through exhibitions, etc., towards the expansion of orders for carton supply equipment and the home-cooking market, where demand is expanding
- ▶ Improvement of profitability by establishing the effectiveness of product risk management, cost reductions and the strengthening of functions

Improvement of profitability by strengthening services

- ▶ Expansion of service structure through alliances with service companies and the implementation of technical education
- ▶ Strengthening of service proposals such as remodeling by following up on the state of operation of delivered machines



- 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**

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

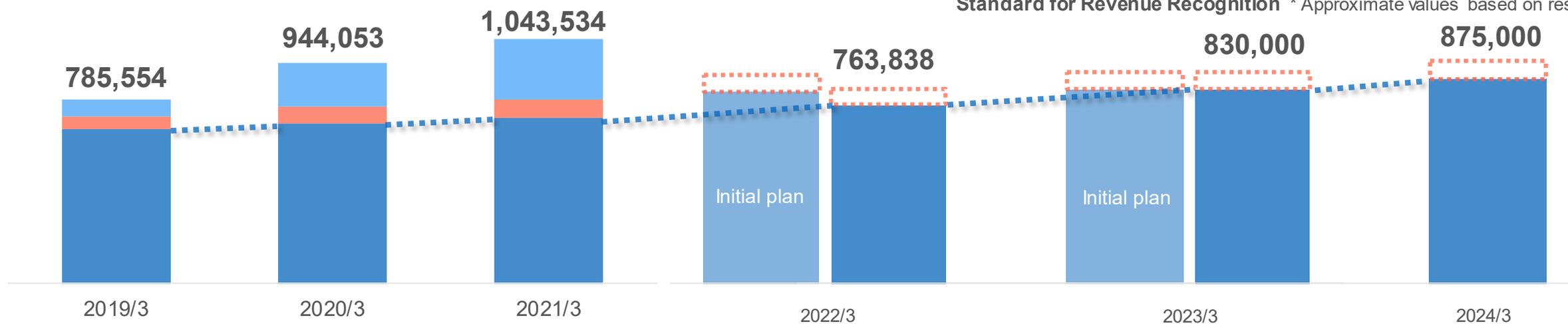
(Million yen)	2021/3		2022/3		2023/3		2024/3
	(Results)	(Initial plan)	(Results)	(Initial plan)	(Results forecast)	(Plan)	
Net sales	1,043,534	820,000	763,838	830,000	830,000	875,000	
Operating profit	35,028	28,500	24,059	28,600	27,360	31,400	
Operating profit margin	3.4%	3.5%	3.1%	3.5%	3.3%	3.6%	

< Image of the trend in net sales >

-> Application of the Accounting Standard for Revenue Recognition

■ **Net sales in association with concentrated terminal demand ***
 Approximate values 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



State of Progress of the Medium-Term Management Plan

< Group Management Indicators >

ROE 14% or higher

Return on equity
< Return on shareholder's equity >

Result for 2022/3
12.9%

Aim for achievement in the final year



Cost of
shareholders' equity

8.6%

(Company recognition of
the current situation)

ROIC 11~12% level maintenance

Return on invested capital
* Operating profit after tax / (net assets + interest-bearing debt)
< Return on invested capital >

Result for 2022/3
10.4%

Aim to maintain 11 ~ 12%



WACC
Weighted average capital
cost

7.0%

(Company recognition of the
current situation)

**Sustainable
improvement
of corporate
value**

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
We will make a stable dividend of 60 yen per share (including interim dividends) our basic policy and also consider dividend increases matched to our cash situation.	We will invest in equipment towards the sustainable growth of existing business and implement marketing, R&D and the hiring of human resources .	We will start to consider business partnerships and M&A to nurture new business pillars , centered on DX-related areas where market growth is expected.	We will consider the flexible acquisition of treasury stock in accordance with the market environment.	Securing of liquidity on hand in readiness for fund demand in association with strategic product procurement in IT Infrastructure Distribution Business and unforeseen circumstances

Shareholder Return

Dividend per share

BY2021		
Interim	At the end of BY	Annual
30 yen	30 yen	60 yen

Acquisition of treasury stock

About **2.0 billion yen** (2021/5/14 to 8/31)

Dividend Ratio

33.7%

Total payout ratio

45.4%

BY2022 (forecast)

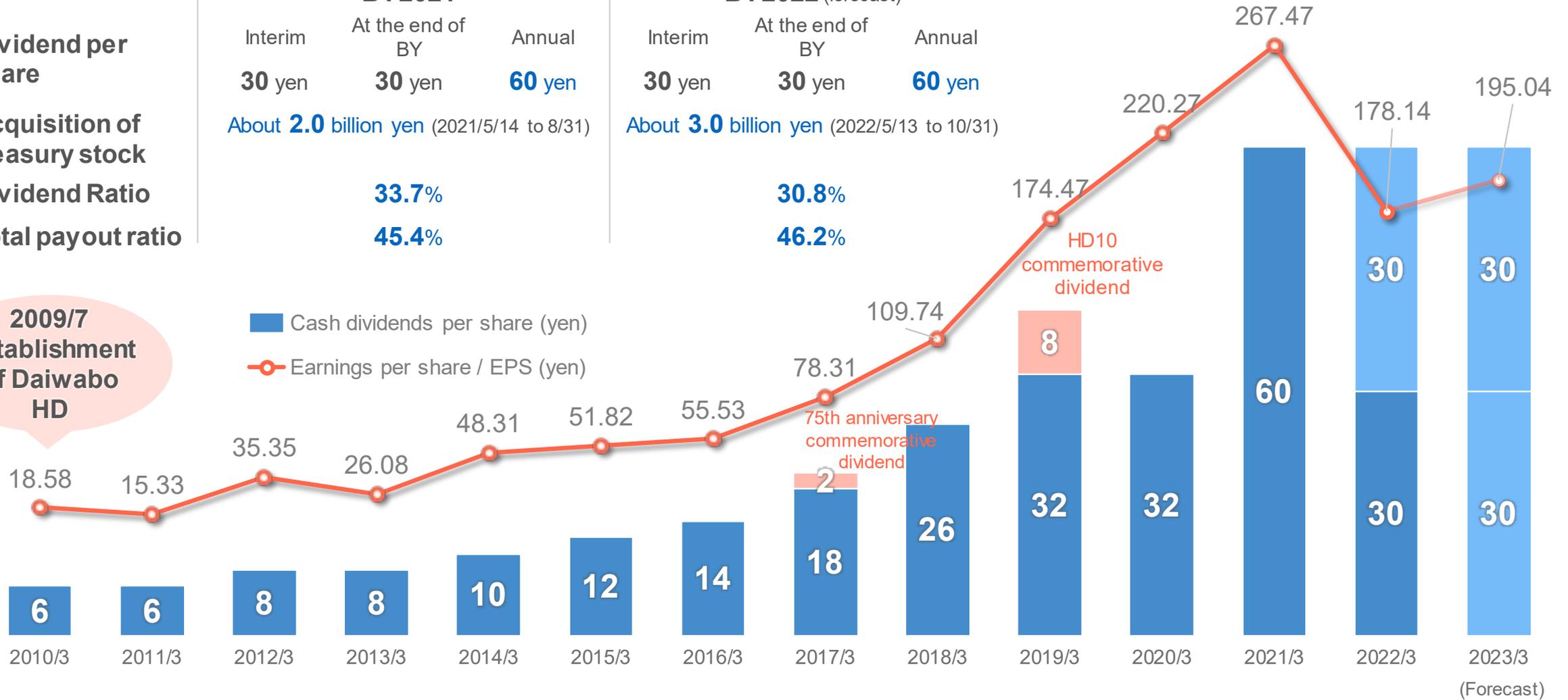
Interim	At the end of BY	Annual
30 yen	30 yen	60 yen

About **3.0 billion yen** (2022/5/13 to 10/31)

30.8%

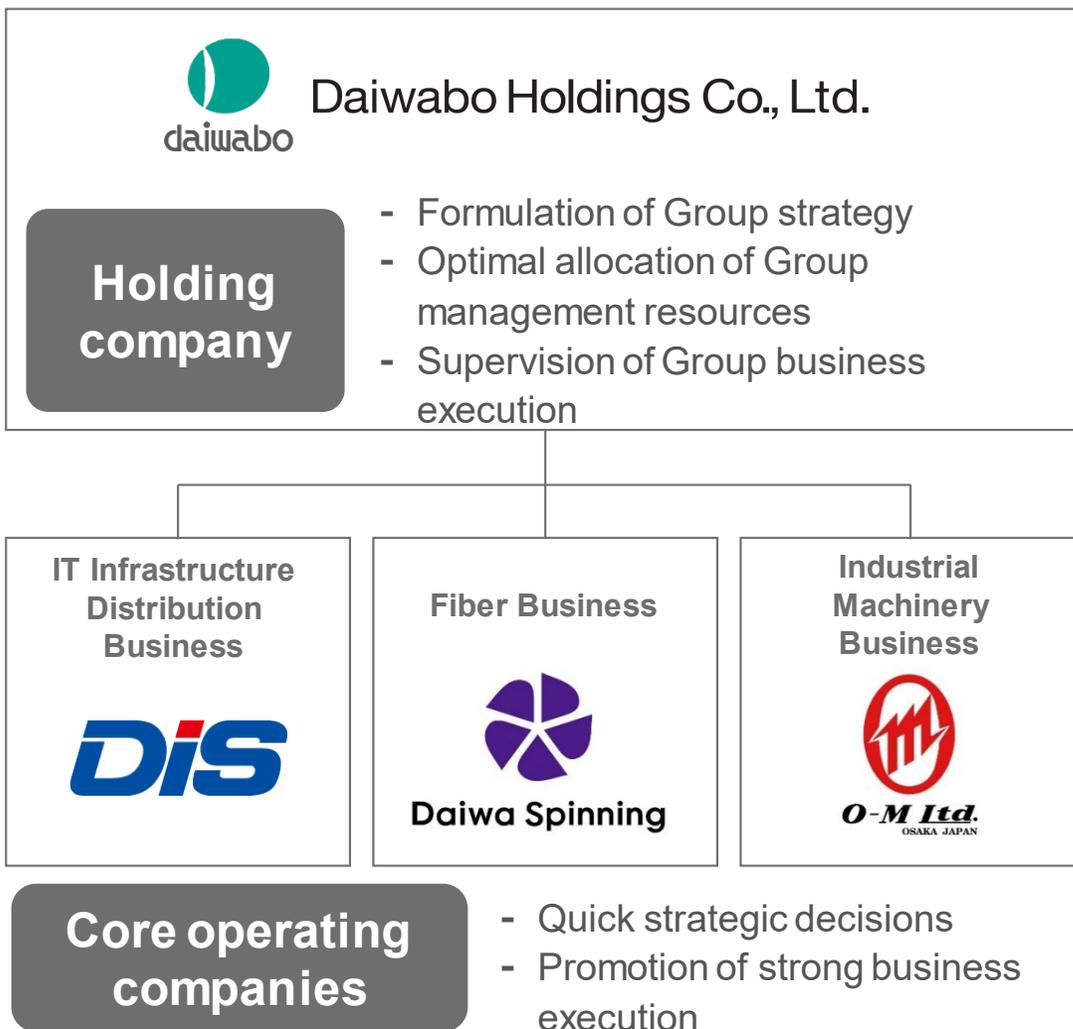
46.2%

**2009/7
Establishment
of Daiwabo
HD**



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

Clarification of each group company's responsibility and authority



Securing of independence and diversity of Board of Directors

Ratio of independent Outside Directors: **57%**

(3 inside and 4 independent outside directors)

Ratio of female Directors **29%**

Introduction of a stock-based remuneration system for Directors (scheduled to be resolved at the General Meeting of Shareholders)

- [Purpose] Incentive for the improvement of medium to long-term corporate value
- Increase motivation for the achievement of results targets
- Further promote profit sharing with shareholders
- [Subjects] Board of Directors of Daiwabo Holdings Co., Ltd. (excluding Outside Directors)
- Executive Directors of core operating companies
- [System] Executive remuneration BIP trust



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES



TCFD Consortium

Task Force on Climate-Related Financial Disclosures

- Declaration of support for the TCFD
- Participation in the TCFD Consortium

Items disclosed during the current term (overview)



Identify the impacts of risks and opportunities with climate change and disclose them appropriately to stakeholders

Group CO₂ emissions reduction target

(Disclosed in January 2022)

Reduce total CO₂ emissions * by **30%** compared to FY2013 by **2030**

* Scope 1, Scope 2 total

Promotion of activities towards the realization of a decarbonized society

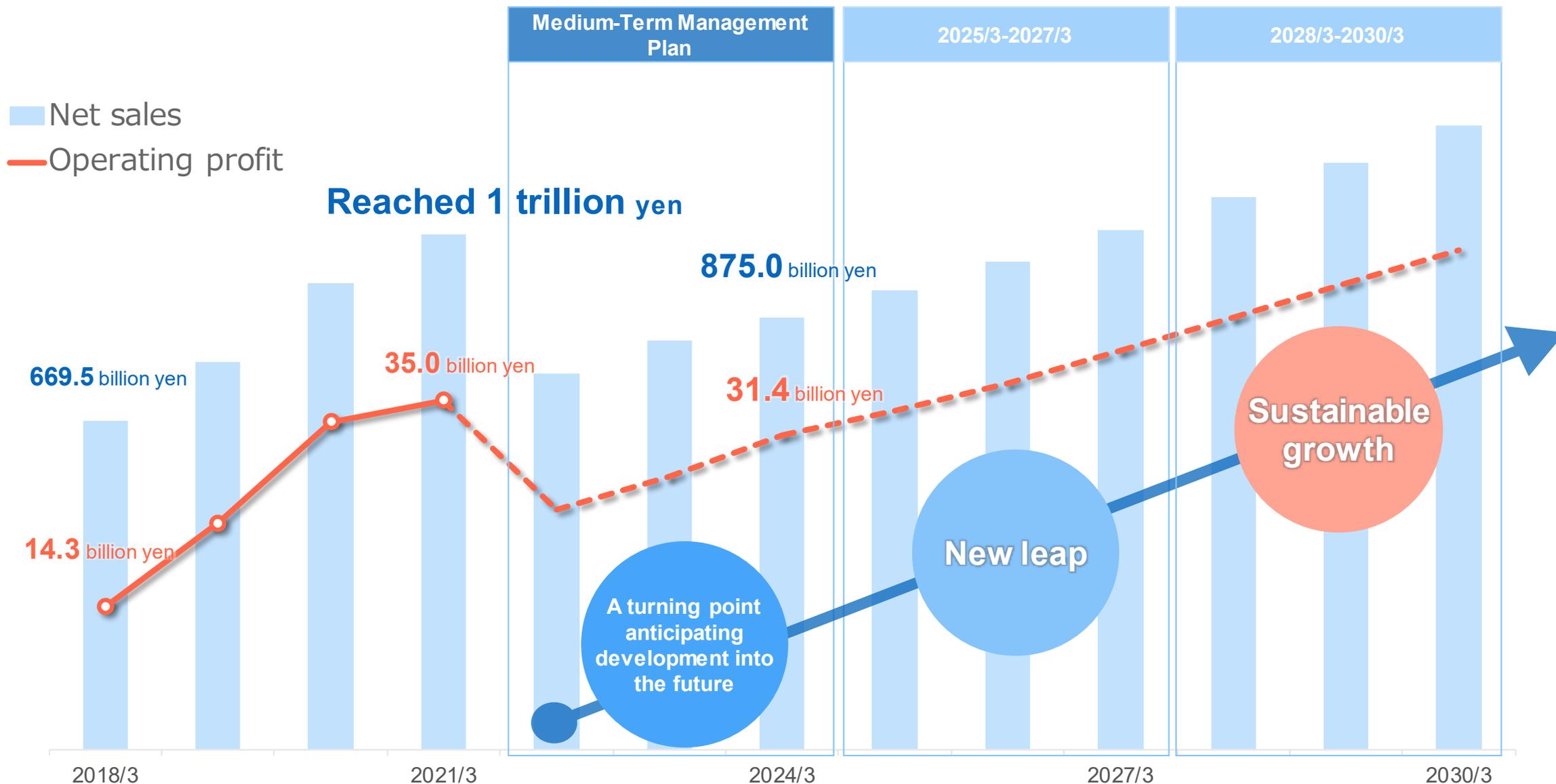
Release ESG data on the sustainability website



Environment	Society	Governance
<ul style="list-style-type: none"> • CO₂ emissions • Energy consumption etc. 	<ul style="list-style-type: none"> • Ratio of female employees • Rate of taking paid leave • Donations etc. 	<ul style="list-style-type: none"> • Rate of receiving compliance education • Composition of officers etc.

Continuous monitoring of ESG targets

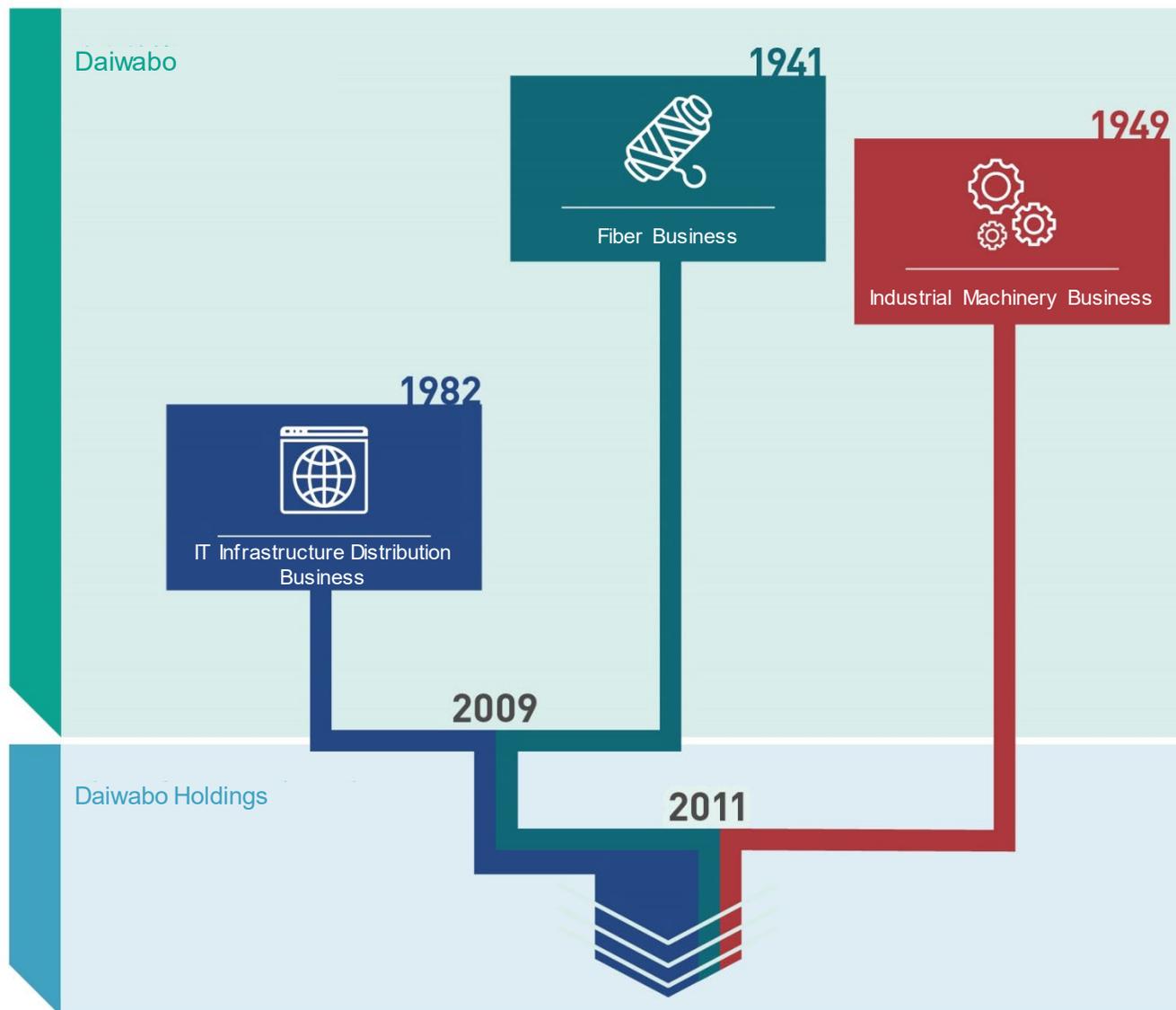
Medium to Long-Term Growth Image



References

- Corporate Profile
- Charts for Performance Trend

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

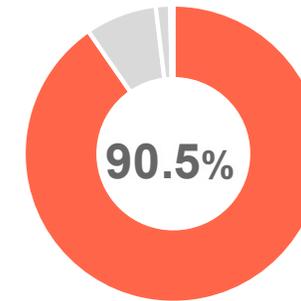
IT Infrastructure Distribution Business

Japan's largest distributor of IT-related products

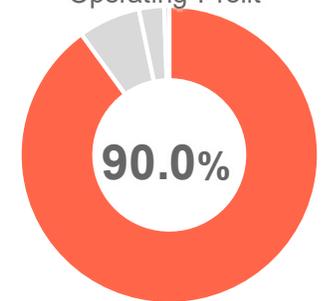
It has a large network of business partners through sales activities at 93 locations nationwide with strong ties to local communities

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

Percentage of Sales



Percentage of Operating Profit



Fiber Business

Synthetic Fibers and Rayon Divisions

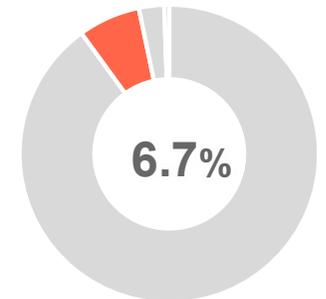
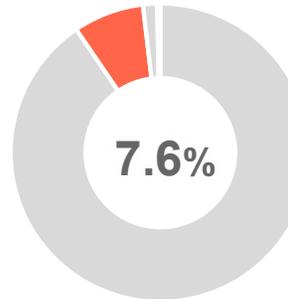
It offers fiber materials and products such as synthetic fiber cotton for use as hygiene materials including paper diapers, and highly biodegradable rayon

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



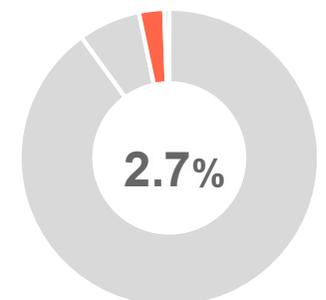
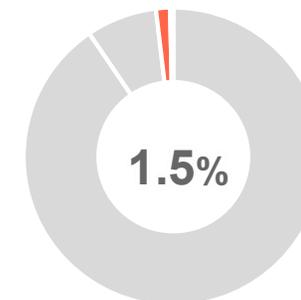
Industrial Machinery Business

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



(BY2021 results)

History of Daiwabo Information System (DIS)

1982 Founded DIS

- DIS started with only 10 staff by leveraging the knowhow for which Daiwabo Co., Ltd. developed a monitoring system for production sites in house using PCs
- It shifted from system development and sales to sales of PCs and other information equipment

1998 Started the operation of DIS-NET

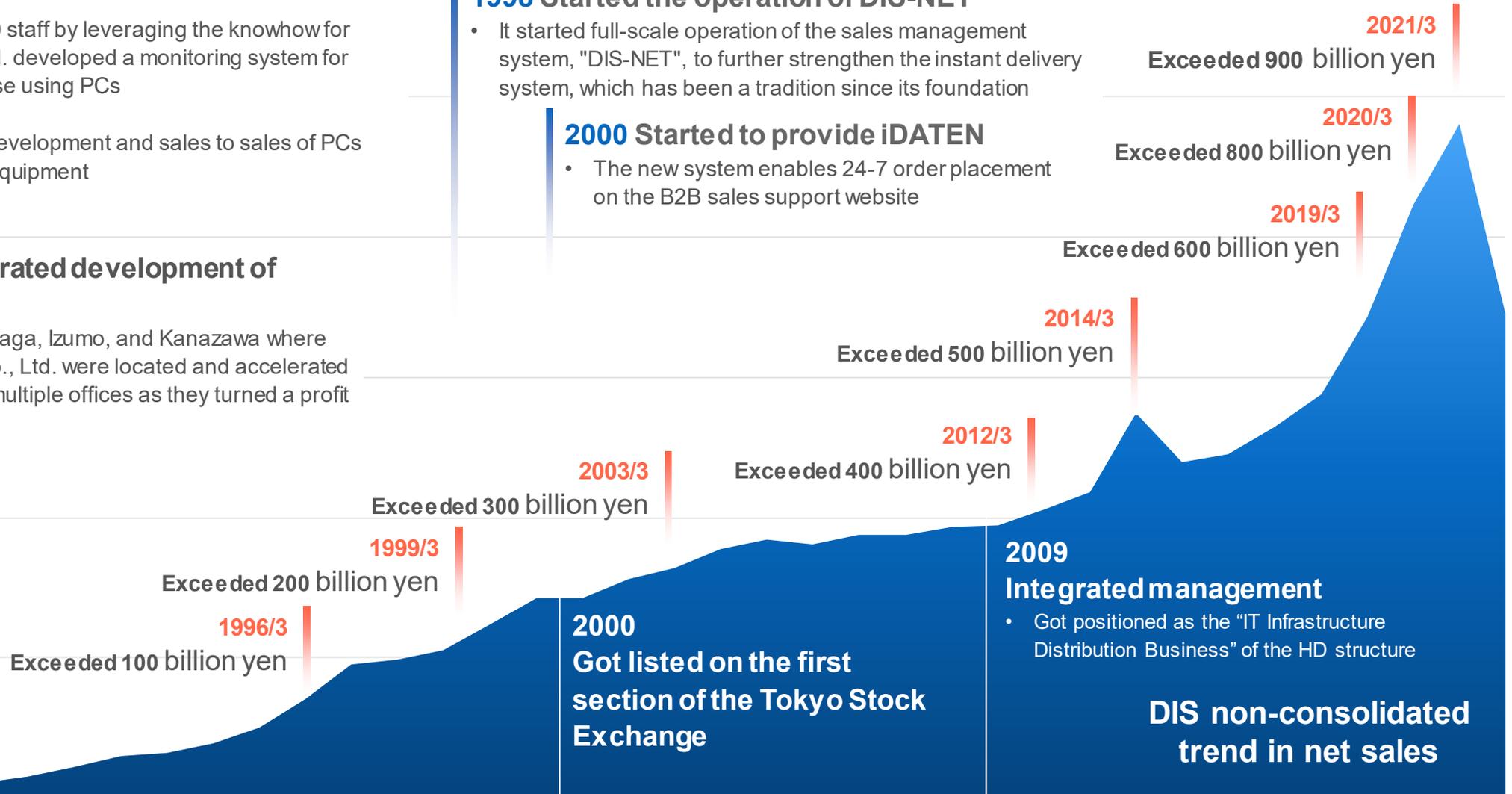
- It started full-scale operation of the sales management system, "DIS-NET", to further strengthen the instant delivery system, which has been a tradition since its foundation

2000 Started to provide iDATEN

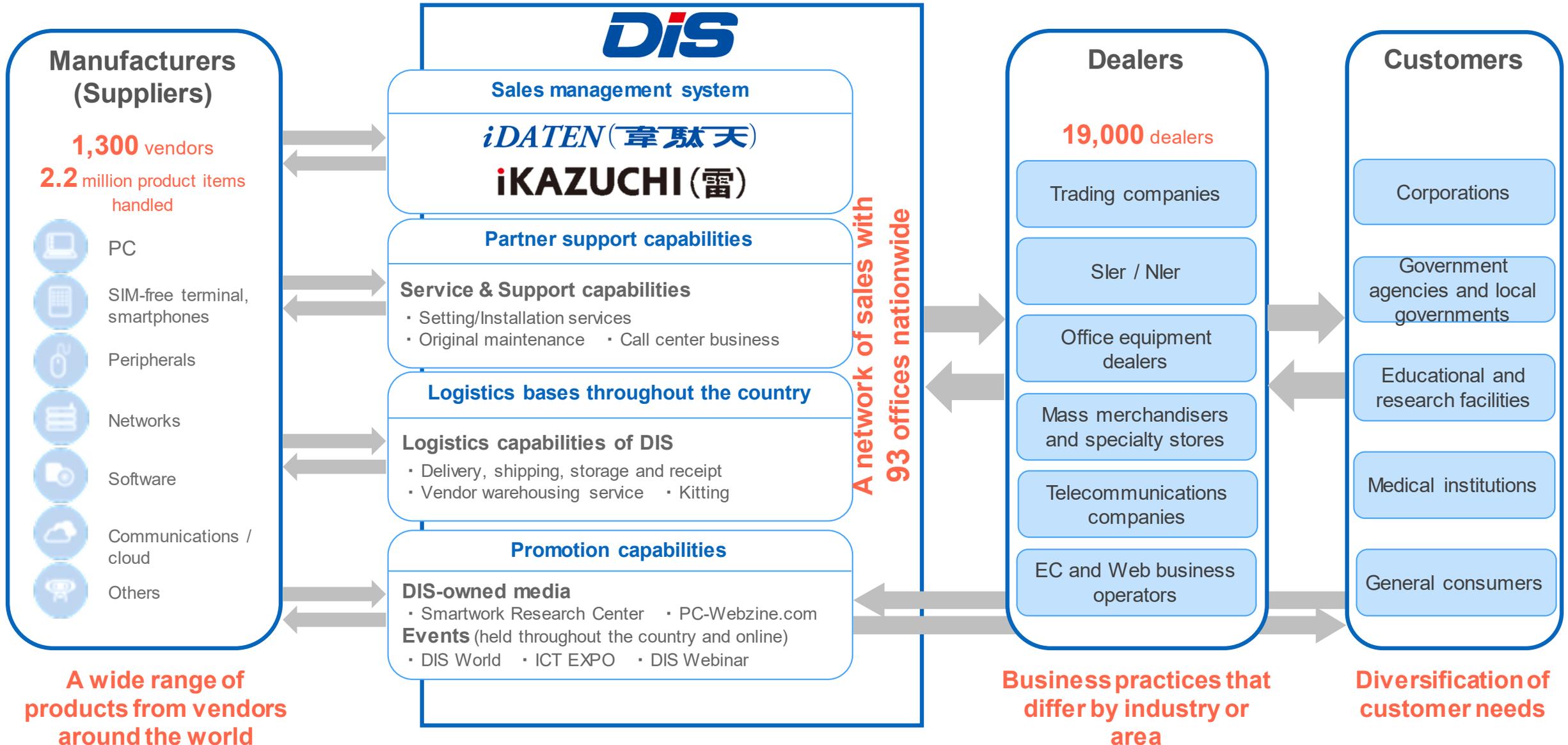
- The new system enables 24-7 order placement on the B2B sales support website

1983-1984 Accelerated development of multiple offices

- It opened offices in Saga, Izumo, and Kanazawa where plants of Daiwabo Co., Ltd. were located and accelerated the development of multiple offices as they turned a profit early

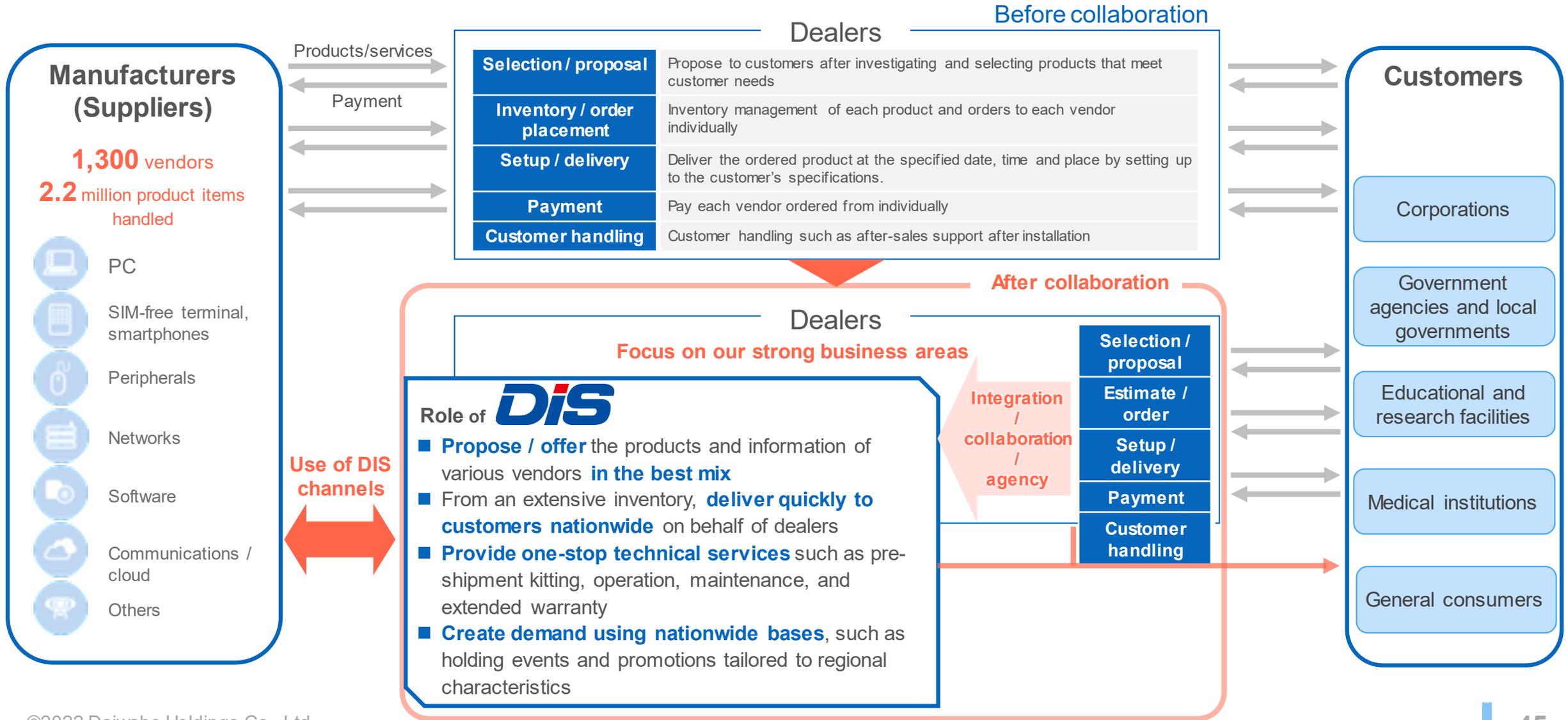


Business Structure of the IT Infrastructure Distribution Business



Value added by distributors

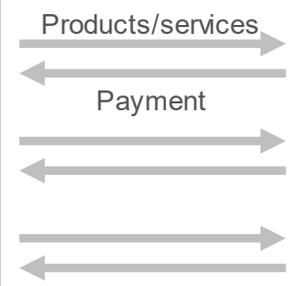
Dealers × **DIS**



Value added by distributors

Manufacturers (Suppliers) × **DIS** Before collaboration

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



Vendors After collaboration

Expand sales channels and improve sales efficiency using DIS as the contact point

Integration / collaboration / agency

Product development	<p>Role of DIS</p> <ul style="list-style-type: none"> Through supply chain management developed over many years, share demand and needs across the country and reflect them in production plans and promotions By using the logistics center as a warehouse for vendors, realize shipping combining kitting and combinations with other companies' products in addition to time and cost savings for vendors Collaborate with vendors entering the Japanese market from overseas to provide sales and distribution networks covering Japan
Sales / promotions	
Order / production	
Inventory / shipment	
Billing / collection	



Streamlining of Distribution Centers

Kansai Center (Kobe City)



Full-scale operation in May 2020

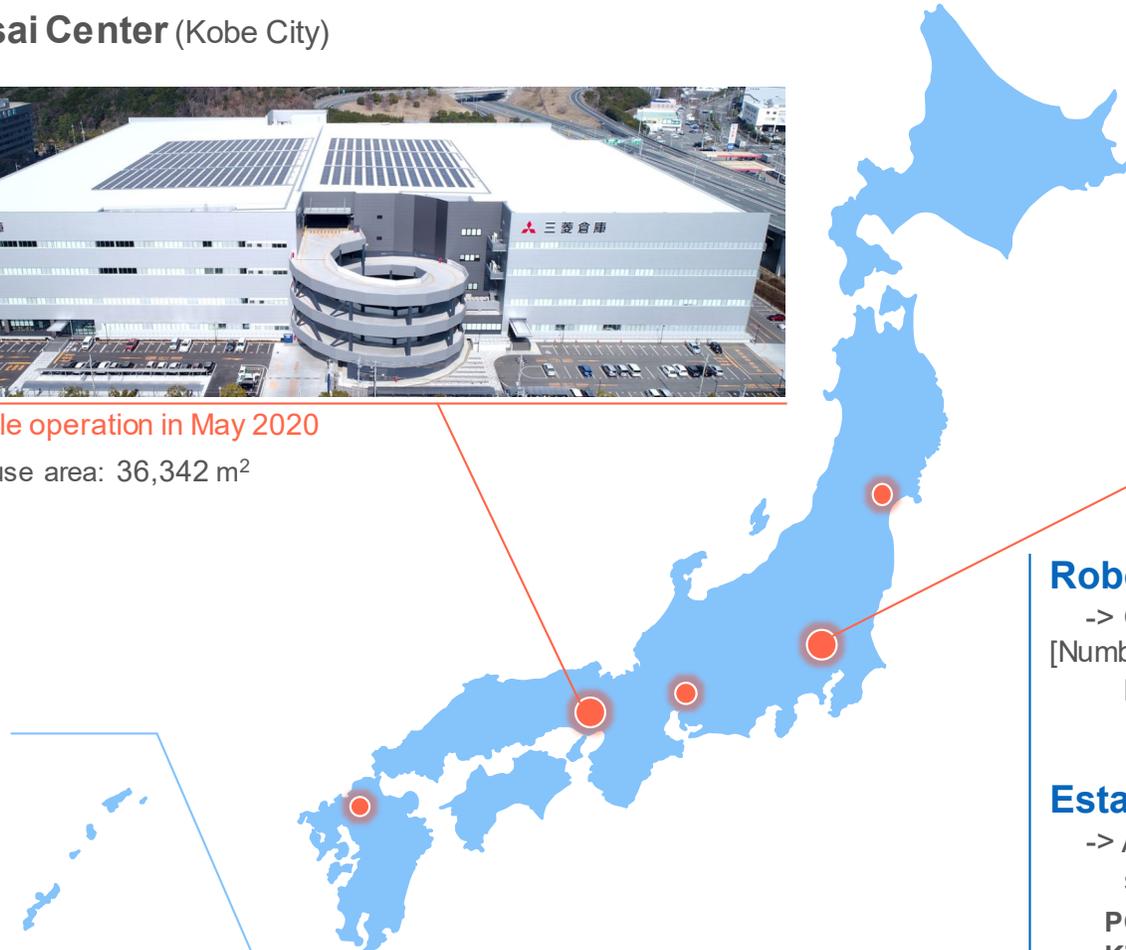
Warehouse area: 36,342 m²

Kanto Central Center (Yoshimi-machi, Saitama Prefecture)



Full-scale operation in June 2016

Warehouse area: 44,753 m²



Robot storage system

-> Optimization of work efficiency and space
[Number of robots in operation]

Kanto Central: **45** robots; Kansai: **30** robots

Established together with Kitting Center

-> Arrival of goods > work > prompt handling of shipment

PCs and tablets : **240,000** annually (2022/3)
Kitting results

Truck reservation reception system

-> Sharing of incoming and outgoing information and vehicle equalizing



Focusing on improvements to efficiency and productivity centered on the east and west mega-centers

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"

Vertical lathes/ Turning centers



- ❑ **No. 1 share in Japan** for both medium- and large-sized lathes (Cumulative shipments exceeded **7,400** 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 parts
- ❑ The photo 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

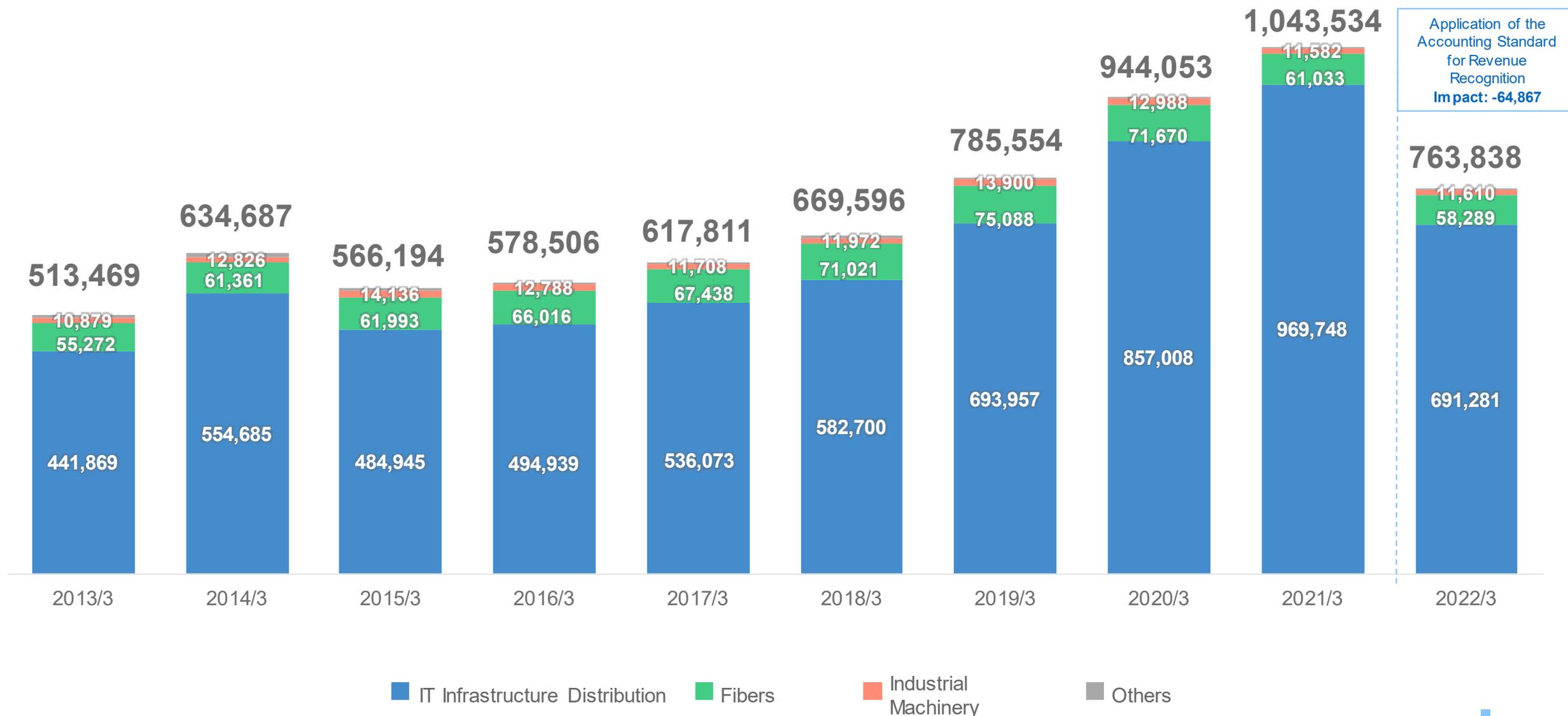
Automatic machinery



- ❑ 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

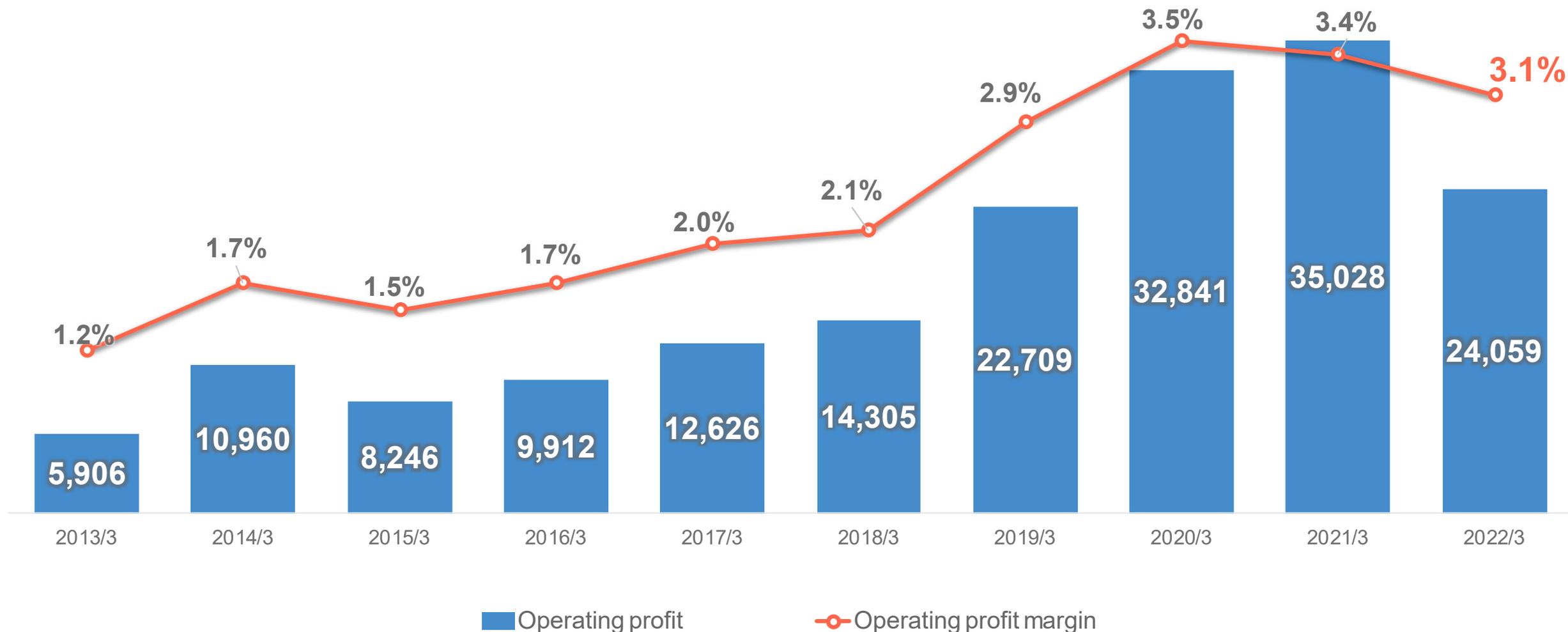
Consolidated net sales

(Million yen)



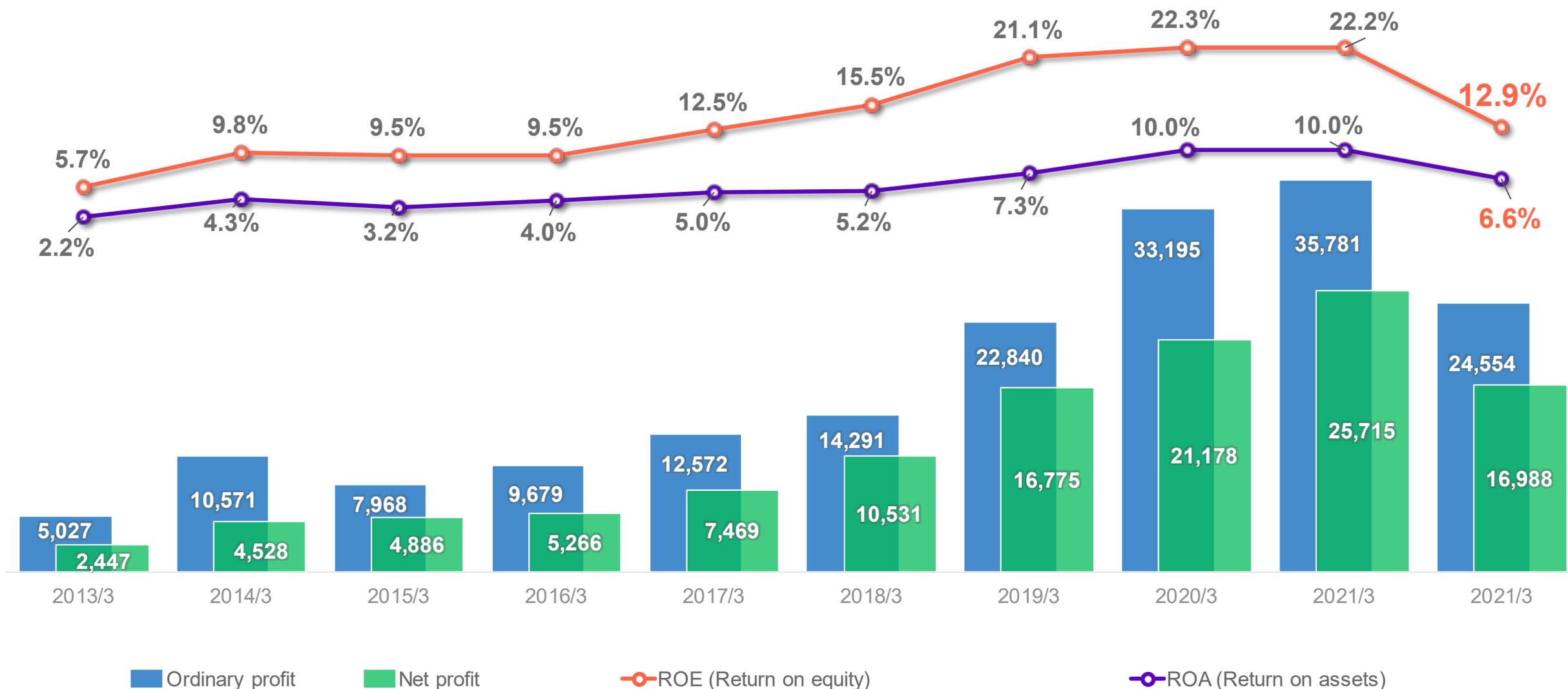
Consolidated operating profit

(Million yen)



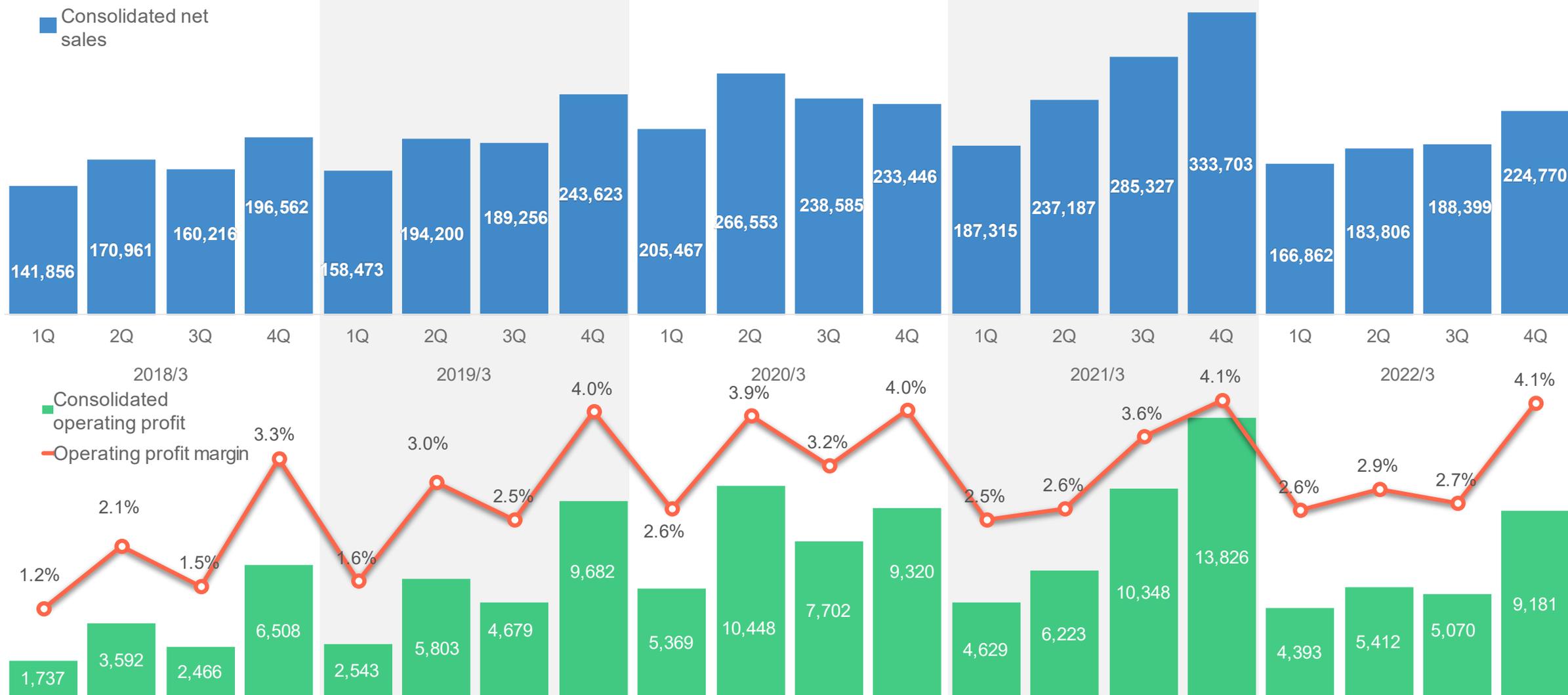
Consolidated Ordinary Profit and Consolidated Net Profit

(Million yen)



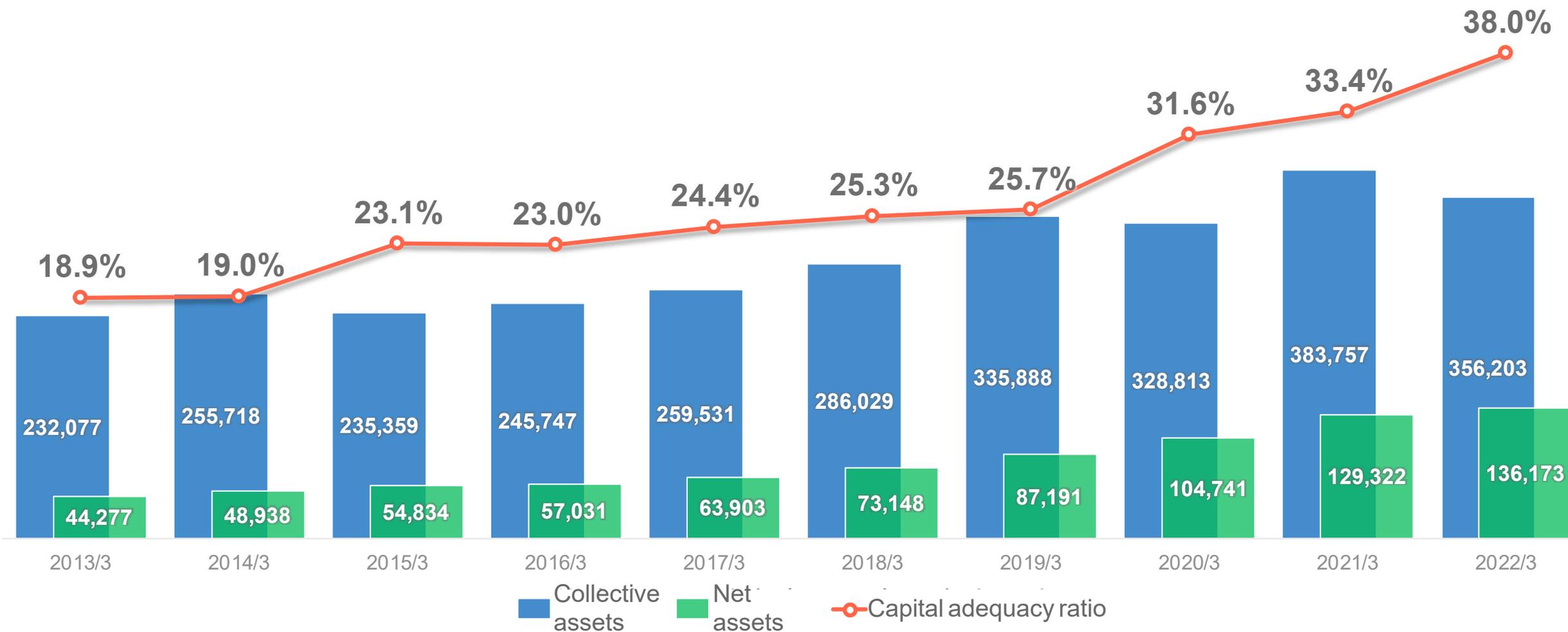
Quarterly Results

(Million yen)



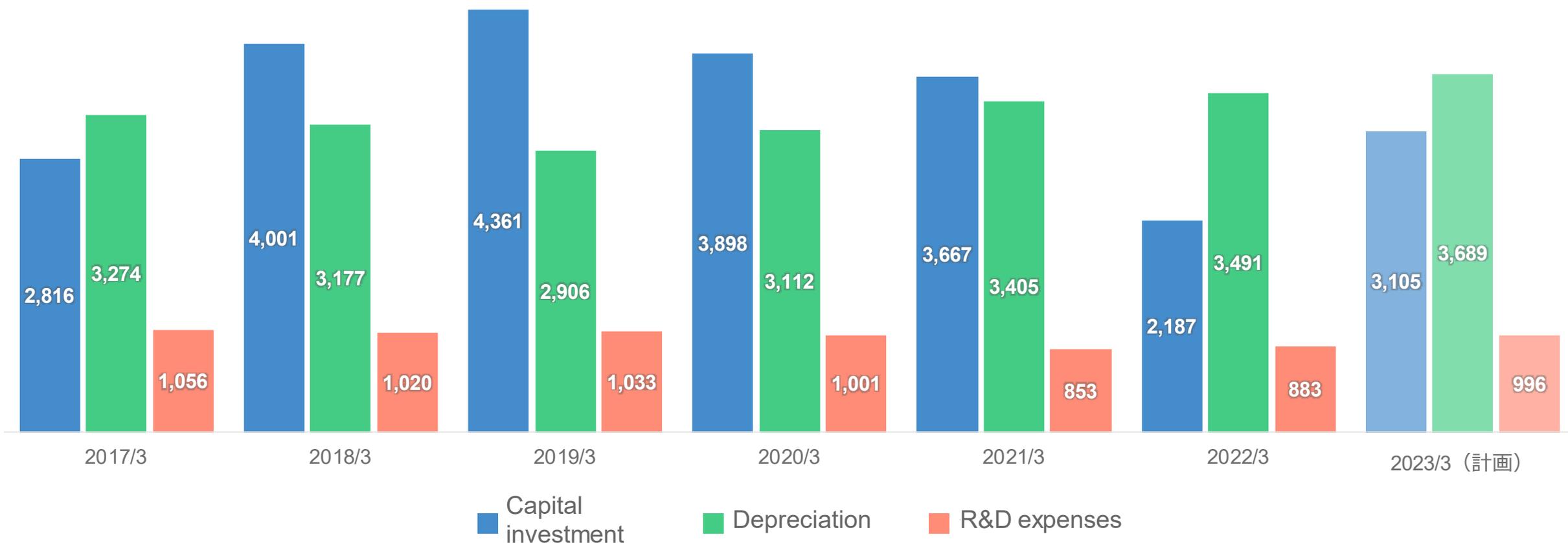
Consolidated Total Assets, Consolidated Net Assets and Capital Adequacy Ratio

(Million yen)



Capital Investment, Depreciation and R&D Expenses

(Million yen)





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>

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