



Brief of (Consolidated) Settlement of Accounts (Based on Japanese standards) for the 2nd Quarter of Business Year 2022 Ending in March 2023

November 9, 2022

Name of the Company Daiwabo Holdings Co., Ltd.
Code No. 3107 URL <https://www.daiwabo-holdings.com/>

Listed on: TSE

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Planned Submission Date of the quarterly report: November 11, 2022

Planned Payment startup Date of Dividends: December 2, 2022

Support Documentation to be made available : Yes

Explanatory Meeting to be held : Yes

(Any fractional sum of less than a million yen is disregarded.)

1. Consolidated performance for the 2nd quarter of business year 2022 (April 1, 2022 - September 30, 2022)

(1) Consolidated operating results (cumulative) (% figures are the change against the same quarter of the previous year)

| | Net sales | | Operating profit | | Ordinary profit | | Quarterly profit attributable to owners of parent | |
|--|-------------|------|------------------|------|-----------------|-------|---|-------|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| 2nd quarter of the business year ending March 2023 | 409,246 | 16.7 | 10,963 | 11.8 | 11,212 | 13.4 | 7,670 | 9.3 |
| 2nd quarter of the business year ended March 2022 | 350,668 | - | 9,806 | -9.6 | 9,883 | -10.6 | 7,015 | -20.3 |

(Note) Comprehensive income 2nd quarter of the business year ending March 2023 9,516 million yen (33.3%)
2nd quarter of the business year ended March 2022 7,140 million yen (-23.3%)

| | Quarterly net profit per share | Quarterly fully diluted EPS |
|--|--------------------------------|-----------------------------|
| | yen sen | yen sen |
| 2nd quarter of the business year ending March 2023 | 81.17 | - |
| 2nd quarter of the business year ended March 2022 | 73.36 | - |

(Note) The company has been applying the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., from the start of the previous first quarter consolidated accounting period and the figures related to the second quarter of the business year ended March 2022 are those calculated following application of the accounting standard, etc. Further, because application of this standard, etc., has caused a large impact on net sales, the change in net sales against the same quarter of the previous year is not given for the second quarter of the business year ended March 2022. The change calculated assuming said accounting standards, etc., were applied to the term ended March 2021 would be a decrease of 10.6%.

(2) Consolidated financial status

| | Collective assets | | Net assets | | Capital adequacy ratio |
|-----------|-------------------|--|-------------|--|------------------------|
| | million yen | | million yen | | % |
| BY2022 2Q | 366,388 | | 140,216 | | 38.0 |
| BY2021 | 356,203 | | 136,173 | | 38.0 |

Reference data: Net worth equity capital BY2022 2Q 139,261 million yen BY2021 135,255 million yen

2. Dividend status

| | Annual dividend | | | | |
|-------------------|---------------------------|---------------------------|---------------------------|------------------|---------|
| | At the end of 1st quarter | At the end of 2nd quarter | At the end of 3rd quarter | At the end of BY | Total |
| | yen sen | yen sen | yen sen | yen sen | yen sen |
| BY2021 | - | 30.00 | - | 30.00 | 60.00 |
| BY2022 | - | 30.00 | - | - | - |
| BY2022 (forecast) | - | - | - | 30.00 | 60.00 |

(Note) Revision of most-recently announced dividend forecast: Nil

3. Estimated consolidated performance for business year 2022 (April 1, 2022 - March 31, 2023)

(% indicates the rate of change as compared to the preceding year.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Net earnings per share |
|-----------|-------------|-----|------------------|------|-----------------|------|---|-----|------------------------|
| | million yen | % | million yen | % | million yen | % | million yen | % | yen sen |
| Full-term | 830,000 | 8.7 | 27,360 | 13.7 | 27,500 | 12.0 | 18,600 | 9.5 | 195.04 |

(Note) Revision of most-recently announced results forecast: Nil

* Comments

(1) Important subsidiary movement during this quarterly cumulative consolidated accounting term (movement within subsidiaries affecting the overall consolidation size) : Nil

(2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements : Nil

(3) Modification of accounting policy, accounting estimate change, and restated modification

[1] Modification of accounting policy required by a change or changes made to accounting standards : Yes

[2] Modification of accounting policy required by any cause other than the foregoing [1] : Nil

[3] Accounting estimate change : Nil

[4] Restated modification : Nil

(Note) For details, please see "2. Quarterly consolidated financial statements and significant notes (3) Notes on the quarterly consolidated financial statements (Modification of accounting policy)" on page 7 of the attached materials.

(4) Number of outstanding shares (of common stock)

| | | | | |
|--|-----------|-------------------|-----------|-------------------|
| [1] Number of outstanding shares (including treasury stock) at the end of BY | BY2022 2Q | 96,356,460 shares | BY2021 | 96,356,460 shares |
| [2] Number of treasury stock at the end of BY | BY2022 2Q | 2,670,935 shares | BY2021 | 1,253,110 shares |
| [3] Average number of shares during the period (quarterly cumulative) | BY2022 2Q | 94,497,781 shares | BY2021 2Q | 95,631,635 shares |

* This brief of the quarterly settlement of accounts is not subject to a quarterly review by a certified public accountant or audit corporation.

* Explanation of the appropriate use of results forecasts and other special notes

(Notes on statements concerning the future, etc.)

Results forecasts and other statements concerning the future published in this document are based on the information that the company currently possesses and certain conditions that the company judges to be reasonable, and actual results, etc., may differ greatly due to various factors. If you want to know the conditions required by such projected figures and make use of such forecasts, please see "1. (3) Explanation of future forecast information such as consolidated results forecasts" on page 2 of the attached materials.

○ Contents of attached materials

| | |
|---|---|
| 1. Qualitative information on the quarterly settlement of accounts..... | 2 |
| (1) Explanation of operating results..... | 2 |
| (2) Explanation of financial situation..... | 2 |
| (3) Explanation of future forecast information such as consolidated results forecasts..... | 2 |
| 2. Quarterly consolidated financial statements and significant notes..... | 3 |
| (1) Quarterly consolidated balance sheet..... | 3 |
| (2) Quarterly consolidated profit statement and quarterly consolidated statement of comprehensive income..... | 5 |
| Quarterly consolidated profit statement | |
| 2nd quarter consolidated cumulative period..... | 5 |
| Quarterly consolidated statement of comprehensive income | |
| 2nd quarter consolidated cumulative period..... | 6 |
| (3) Notes on the quarterly consolidated financial statements..... | 7 |
| (Notes on the going concern assumption)..... | 7 |
| (Notes on substantial changes in the amount of shareholders' equity)..... | 7 |
| (Modification of accounting policy)..... | 7 |
| (Additional information)..... | 7 |
| (Segment information, etc.)..... | 8 |
| (Significant events after the reporting period)..... | 8 |
| 2nd Quarter of the Fiscal Year Ending March 2023 Financial Results Materials..... | 9 |

1. Qualitative information on the quarterly settlement of accounts

(1) Explanation of operating results

Although the Japanese economy experienced a moderate economic recovery due to the gradual normalization of economic activities during the second quarter consolidated cumulative period, the outlook continues to be uncertain, including the prolongation of the situation in Ukraine, the sudden depreciation of the yen and soaring raw material and energy costs. In such circumstances, the group apprehends the period subject to the Medium-Term Management Plan that we started from the 11th term (the fiscal year ended March 2022 to the fiscal year ending March 2024) as “A turning point anticipating development into the future,” and raise “The creation of next generation growth drivers,” “Contributions to the creation of a new society as a leading company” and “Reform of management foundations” as the group’s basic policies. We will work on the improvement of corporate value based on our growth strategy aimed at the next era and the implementation of social contributions through business.

Results for the second consolidated cumulative period saw net sales of 409,246 million yen (up 16.7% compared to the same period of the previous term), operating profit of 10,963 million yen (up 11.8% compared to the same period of the previous term) and ordinary profit of 11,212 million yen (up 13.4% compared to the same period of the previous term). In addition, we recorded 26 million yen as a gain on sale of fixed assets, 25 million yen as a gain on sale of investment securities, and 6 million yen under others as extraordinary profits, and 44 million yen as a loss on disposal of fixed assets as extraordinary losses, while quarterly profit attributable to owners of parent finished at 7,670 million yen (up 9.3% compared to the same period of the previous term).

Segment results were as follows.

(IT Infrastructure Distribution Business)

In the corporate market, we took all possible measures against COVID-19 at our sales offices nationwide and promoted community-based sales combining face-to-face and telework activities flexibly. There were impacts from delays in deliveries due to the shortage of semiconductors and increased procurement costs, but sales of PCs and network equipment increased compared to the previous term as we strengthened proposals to corporations and government offices to switch to inventory products. In addition, the number of contracts for subscription products through the subscription management portal site “iKAZUCHI” increased, and cloud services centered on software performed well. In education, demand for terminals for high school students and terminals for elementary and junior high school teachers increased, and results were above last year. In the consumer market, although sales to mass retailers increased, e-commerce sales declined due to the stagnation of personal consumption, and sales were at the same level as last year.

As a result of the above, the net sales of this business were 371,705 million yen (up 17.9% compared to the same period of the previous term) and operating profit was 9,739 million yen (up 13.8% compared to the same period of the previous term).

(Fiber Business)

In the Synthetic Fibers and Rayon Divisions, sales of cosmetics products and antiperspirant sheets increased due to the relaxation of restrictions on movement and the impact of extreme heat, and sales of flame-retardant rayon materials to the United States trended steadily. In the Industrial Material Division, sales of rubber sponges and other products were sluggish under the impact of stagnation in the automobile market due to the shortage of semiconductors, but the recovery in sales of construction sheet-related products and synthetic fiber canvas products progressed. In the Clothing Products Division, there were signs of a recovery in demand, including strong sales to the United States and domestic consumption of clothing picking up. In terms of profits, we were forced to struggle in business overall due to the impact of cost increases caused by the soaring prices of raw materials and fuel, and the rapid depreciation of the yen.

As a result of the above, the net sales of this business were 31,356 million yen (up 6.8% compared to the same period of the previous term) and operating profit was 718 million yen (down 25.0% compared to the same period of the previous term).

Industrial Machinery Business

In the Machine Tools Division, both sales and profits were higher than the previous term due to increased shipments to a wide range of industries including the energy industry, where there is demand for wind power generation and efficient gas turbines, as well as the semiconductor, construction equipment and medical device industries, and increased sales for parts replacement and other services. In the Automatic Machinery Division, although there was a recovery trend for orders, the number of units shipped decreased compared to the same period last year.

As a result of the above, the net sales of this business were 5,804 million yen (up 1.3% compared to the same period of the previous term) and operating profit was 437 million yen (up 44.8% compared to the same period of the previous term).

(2) Explanation of financial situation

Total assets at the end of the second consolidated cumulative period increased by 10,185 million yen compared to the end of the previous consolidated business year to 366,388 million yen due to increases in merchandise and products. In addition, liabilities increased by 6,142 million yen compared to the end of the previous consolidated business year to 226,172 million yen due to increases in notes and accounts payable. Net assets increased by 4,043 million yen compared to the end of the previous consolidated business year to 140,216 million yen due to an increase in retained earnings.

(3) Explanation of future forecast information such as consolidated results forecasts

The consolidated results forecasts for the business year ending March 2023 have not changed from the consolidated results forecasts for the business year ending March 2023 announced on May 12, 2022.

2. Quarterly consolidated financial statements and significant notes

(1) Quarterly consolidated balance sheet

(Unit: million yen)

| | Previous consolidated business year (Ended March 31, 2022) | 2nd quarter of the current consolidated business year (Ended September 30, 2022) |
|-------------------------------------|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 46,963 | 51,123 |
| Notes and accounts receivable | 202,408 | 198,082 |
| Goods and products | 38,478 | 46,767 |
| Work in progress | 3,053 | 3,524 |
| Raw materials and supplies | 2,059 | 2,135 |
| Others | 11,467 | 13,768 |
| Allowance for doubtful accounts | -297 | -293 |
| Total current assets | 304,134 | 315,109 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Land | 18,385 | 18,453 |
| Others (net) | 19,886 | 19,689 |
| Total property, plant and equipment | 38,272 | 38,142 |
| Intangible fixed assets | | |
| Others | 2,462 | 2,271 |
| Total intangible fixed assets | 2,462 | 2,271 |
| Investments and other assets | | |
| Others | 11,460 | 10,879 |
| Allowance for doubtful accounts | -126 | -15 |
| Total investments and other assets | 11,333 | 10,864 |
| Total fixed assets | 52,068 | 51,279 |
| Total assets | 356,203 | 366,388 |

(Unit: million yen)

| | Previous consolidated business year (Ended March 31, 2022) | 2nd quarter of the current consolidated business year (Ended September 30, 2022) |
|--|--|--|
| Liabilities | | |
| Current liabilities | | |
| Notes payable and accounts payable | 161,859 | 164,382 |
| Short-term loans payable | 12,589 | 14,952 |
| Accrued corporate tax, etc. | 727 | 3,580 |
| Allowance for bonuses | 2,476 | 2,619 |
| Other allowances | 324 | 215 |
| Others | 13,587 | 14,932 |
| Total current liabilities | 191,564 | 200,683 |
| Non-current liabilities | | |
| Long-term loans payable | 14,895 | 12,011 |
| Retirement benefit liabilities | 6,677 | 6,600 |
| Others | 6,893 | 6,876 |
| Total fixed liabilities | 28,465 | 25,489 |
| Total liabilities | 220,030 | 226,172 |
| Net assets | | |
| Shareholders' equity | | |
| Capital | 21,696 | 21,696 |
| Capital surplus | 7,937 | 7,937 |
| Retained earnings | 106,053 | 110,870 |
| Treasury stock | -2,123 | -4,704 |
| Total shareholders' equity | 133,564 | 135,800 |
| Accumulated other comprehensive income | | |
| Other valuation difference on securities | 1,499 | 1,267 |
| Deferred hedge gain or loss | 325 | 1,533 |
| Exchange translation adjustment account | -748 | 87 |
| Accumulated adjustments related to retirement benefits | 615 | 572 |
| Total accumulated other comprehensive income | 1,691 | 3,461 |
| Non-controlling interests | 917 | 954 |
| Total net assets | 136,173 | 140,216 |
| Total liabilities and net assets | 356,203 | 366,388 |

(2) Quarterly consolidated profit statement and quarterly consolidated statement of comprehensive income
 (Quarterly consolidated profit statement)
 (2nd quarter consolidated cumulative period)

(Unit: million yen)

| | Previous 2nd quarter consolidated cumulative period (From April 1, 2021 to September 30, 2021) | Current 2nd quarter consolidated cumulative period (From April 1, 2022 to September 30, 2022) |
|--|---|--|
| Net sales | 350,668 | 409,246 |
| Cost of sales | 320,969 | 377,801 |
| Gross profit | 29,699 | 31,444 |
| Selling, general and administrative expenses | 19,893 | 20,480 |
| Operating profit | 9,806 | 10,963 |
| Non-operating income | | |
| Interest income | 9 | 16 |
| Dividend income | 91 | 99 |
| Sales support funding | 139 | 152 |
| Investment gain on equity method | 23 | 83 |
| Others | 121 | 117 |
| Total non-operating income | 385 | 471 |
| Non-operating expenses | | |
| Interest paid | 89 | 79 |
| Others | 219 | 142 |
| Total non-operating expenses | 308 | 222 |
| Ordinary profit | 9,883 | 11,212 |
| Extraordinary profit | | |
| Gain on sale of fixed assets | - | 26 |
| Gain on sale of investment securities | 319 | 25 |
| Others | 23 | 6 |
| Total extraordinary profit | 342 | 58 |
| Extraordinary loss | | |
| Loss on disposal of fixed assets | - | 44 |
| Total extraordinary loss | - | 44 |
| Quarterly net income before income taxes, etc. | 10,226 | 11,227 |
| Corporate tax, inhabitant tax and business tax | 2,216 | 3,524 |
| Corporate tax adjustment amount | 984 | 15 |
| Total corporate tax, etc. | 3,200 | 3,540 |
| Quarterly net profit | 7,025 | 7,686 |
| Quarterly profit attributable to non-controlling interests | 10 | 16 |
| Quarterly profit attributable to owners of parent | 7,015 | 7,670 |

(Quarterly consolidated statement of comprehensive income)
(2nd quarter consolidated cumulative period)

(Unit: million yen)

| | Previous 2nd quarter consolidated cumulative period (From April 1, 2021 to September 30, 2021) | Current 2nd quarter consolidated cumulative period (From April 1, 2022 to September 30, 2022) |
|--|---|--|
| Quarterly net profit | 7,025 | 7,686 |
| Other comprehensive income | | |
| Other valuation difference on securities | -89 | -234 |
| Deferred hedge gain or loss | -139 | 1,207 |
| Exchange translation adjustment account | 340 | 801 |
| Adjustments related to retirement benefits | -27 | -42 |
| Share of other comprehensive income of entities accounted for using equity method | 31 | 96 |
| Total other comprehensive income | 115 | 1,829 |
| Quarterly comprehensive income | 7,140 | 9,516 |
| (Breakdown) | | |
| Quarterly comprehensive income attributable to owners of parent | 7,102 | 9,440 |
| Quarterly comprehensive income attributable to non- controlling interests | 38 | 76 |

(3) Notes on the quarterly consolidated financial statements

(Notes on the going concern assumption)

Not applicable

(Notes on substantial changes in the amount of shareholders' equity)

The company acquired 1,417,500 shares of treasury stock based on a resolution of the meeting of the Board of Directors held on May 12, 2022. Due to this acquisition, etc., treasury stock increased by 2,581 million yen during the current 2nd quarter consolidated cumulative period to finish at 4,704 million yen at the end of the current 2nd quarter consolidated cumulative period.

(Modification of accounting policy)

(Application of the application policy of the Accounting Standard, etc., in regard to the calculation of market prices)

The company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as "Implementation Guidance") from the start of the 1st quarter consolidated accounting period, and will apply the new accounting policy established in the Implementation Guidance in accordance with the transitional handling established in Article 27-2 of the Implementation Guidance into the future. It should be noted that there will be no impact on the quarterly consolidated financial statements as a result.

(Additional information)

(Estimate in accounting terms of the impact of the expansion of COVID-19 infections)

There are no significant changes to assumptions including the time COVID-19 infections will be brought under control stated in the securities report for the previous business year in the current 2nd quarter consolidated cumulative period.

(Segment information, etc.)

[Segment information]

I Previous 2nd quarter consolidated cumulative period (from April 1, 2021 to September 30, 2021)

1. Information on net sales, profit or loss for each reporting segment

(Unit: million yen)

| | Reporting segments | | | | Others (Note) 1 | Total | Adjustment (Note) 2 | Amount recorded on quarterly consolidated profit statement (Note) 3 |
|---|--|-------------------|-------------------------------------|---------|--------------------|---------|------------------------|---|
| | IT Infrastructure Distribution Business | Fiber Business | Industrial Machinery Business | Total | | | | |
| Net sales | | | | | | | | |
| Net sales to external customers | 315,155 | 29,360 | 5,727 | 350,244 | 424 | 350,668 | - | 350,668 |
| Internal sales or transfers between segments | 153 | 100 | - | 254 | 622 | 876 | -876 | - |
| Total | 315,309 | 29,461 | 5,727 | 350,498 | 1,046 | 351,545 | -876 | 350,668 |
| Segment profit or loss (-) | 8,556 | 957 | 302 | 9,816 | -12 | 9,804 | 1 | 9,806 |

(Note) 1. The "Others" classification is a segment for business not included in the reporting segments and includes insurance agency business, engineering business, etc.

2. The adjustment of segment profit or loss (-) is mainly for the deletion of transactions between segments.

3. Segment profit or loss (-) is adjusted with the operating profit of the quarterly consolidated profit statement.

II Current 2nd quarter consolidated cumulative period (from April 1, 2022 to September 30, 2022)

1. Information on net sales, profit or loss for each reporting segment

(Unit: million yen)

| | Reporting segments | | | | Others (Note) 1 | Total | Adjustment (Note) 2 | Amount recorded on quarterly consolidated profit statement (Note) 3 |
|---|--|-------------------|-------------------------------------|---------|--------------------|---------|------------------------|---|
| | IT Infrastructure Distribution Business | Fiber Business | Industrial Machinery Business | Total | | | | |
| Net sales | | | | | | | | |
| Net sales to external customers | 371,705 | 31,356 | 5,804 | 408,866 | 379 | 409,246 | - | 409,246 |
| Internal sales or transfers between segments | 111 | 8 | - | 120 | 185 | 306 | -306 | - |
| Total | 371,817 | 31,364 | 5,804 | 408,987 | 565 | 409,552 | -306 | 409,246 |
| Segment profit | 9,739 | 718 | 437 | 10,895 | 58 | 10,954 | 9 | 10,963 |

(Note) 1. The "Others" classification is a segment for business not included in the reporting segments and includes insurance agency business, engineering business, etc.

2. The adjustment of segment profit is mainly for the deletion of transactions between segments.

3. Segment profit is adjusted with the operating profit of the quarterly consolidated profit statement.

(Significant events after the reporting period)

The meeting of the Board of Directors held on March 17, 2022 resolved to make partial revisions to the Retirement Allowance Regulations and Defined Benefit Corporate Pension Plan Regulations of Daiwabo Information Systems Co., Ltd., and DIS Service & Solutions Co., Ltd., consolidated subsidiaries of the company, and these came into effect on October 1, 2022. Retirement allowance obligations will increase by 3,949 million yen in association with the revision of these systems. This increase in retirement allowance obligations falls under past service costs so the costs will be amortized over five years using the straight-line method in accordance with the accounting policies established by the two companies.

2nd Quarter of the Fiscal Year Ending March 2023 Financial Results Materials

1. Capital investment and depreciation (Million yen)

| | Consolidated | | |
|--------------------|--------------|--------|-----------|
| | BY2021 2Q | BY2021 | BY2022 2Q |
| Capital investment | 1,356 | 2,187 | 956 |
| Depreciation | 1,732 | 3,491 | 1,676 |

2. Interest-bearing liabilities (Million yen)

| | Consolidated | | |
|---------------|--------------|--------|-----------|
| | BY2021 2Q | BY2021 | BY2022 2Q |
| Loans payable | 24,645 | 27,484 | 26,964 |

3. R&D expenses (Million yen)

| | BY2021 2Q | BY2021 | BY2022 2Q |
|--------------|-----------|--------|-----------|
| Consolidated | 458 | 883 | 488 |

4. Number of employees (People)

| | BY2021 2Q | BY2021 | BY2022 2Q |
|----------------------|-----------|---------|-----------|
| Consolidated | 5,861 | 5,671 | 5,795 |
| (of which, overseas) | (1,747) | (1,660) | (1,644) |
| Non-consolidated | 28 | 28 | 27 |

(Note) Including temporary employees, excluding seconded employees.

5. Results forecast for the full-term of BY2022 (Million yen)

| | Consolidated | | | | |
|------------------|---|----------------|-------------------------------|--------|---------|
| | IT Infrastructure Distribution Business | Fiber Business | Industrial Machinery Business | Others | Total |
| Net sales | 754,820 | 62,060 | 12,480 | 640 | 830,000 |
| Operating profit | 23,700 | 2,760 | 890 | 10 | 27,360 |

6. Capital investment and depreciation forecast for the full-term of BY2022

(Million yen)

| | Consolidated |
|--------------------|--------------|
| Capital investment | 3,105 |
| Depreciation | 3,689 |