

Fiscal Year Ended March 2023 Financial Results Materials

May 15, 2023






Daiwabo Holdings Co., Ltd.

(Stock code: **3107**)

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

[References]

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

Head Office	Nakanoshima Festival Tower West, 3-2-4 Nakanoshima, Kita-ku, Osaka 530-0005	
Established	Established as Daiwa Boseki Establishment of Daiwabo Holdings Co., Ltd.	April 1, 1941 July 1, 2009
Consolidated employees	5,432 (As of March 31, 2023)	
Capital	21,696,744,900 yen	
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 [Core company]  Daiwabo Information System Co., Ltd.	Sales of computers, peripherals and software, and logistics services Installation and maintenance of and repair services for computer equipment
	Fiber Business [Core company]  Daiwabo Co., Ltd.	Manufacture and sales of fiber materials for hygienic materials, nonwoven fabrics, industrial materials, textiles for apparel and living products and finished products
	Industrial Machinery Business [Core company]  O-M Ltd.	Manufacture and sales of machine tools, automatic machinery and casting products
	Other Businesses	Insurance Agency Business, Engineering Business

Settlement of Accounts for the Fiscal Year Ended March 2023

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

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

IT Infrastructure Distribution Business

Business negotiations increased due to the activation of communication with partners, we acquired orders stably in the corporate, government and education sectors, and results trended well centered on PCs and network equipment.

Sales to the consumer market exceeded the previous year due to PC and new product proposals at mass retailers.

Fiber Business

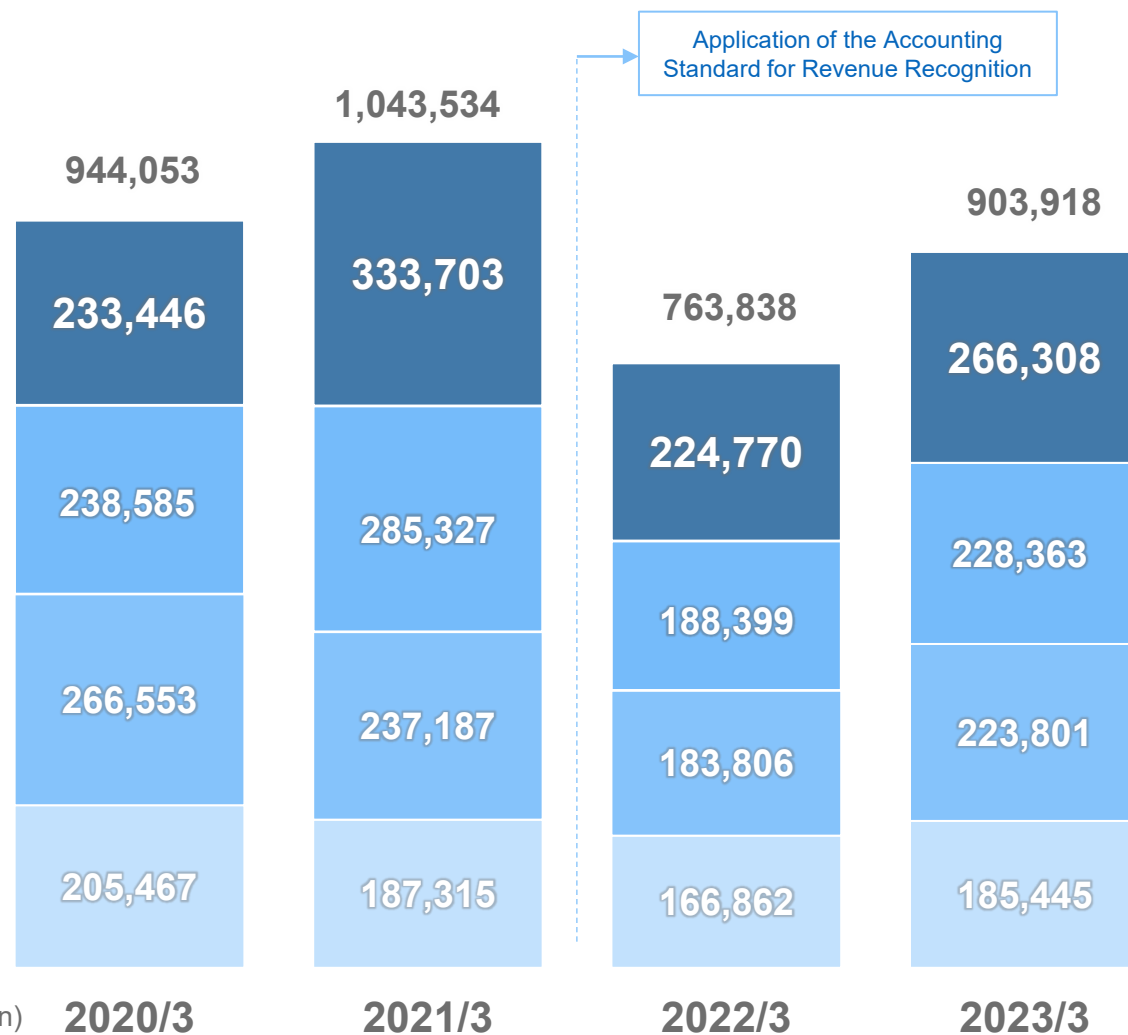
Although sales of functional rayon and construction sheets remained strong, the struggle in terms of profits continued due to the rising costs of raw materials and fuel.

Industrial Machinery Business

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

Net Sales for the Fiscal Year Ended March 2023

■ 1Q ■ 2Q ■ 3Q ■ 4Q



Net sales **903,918** million yen

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

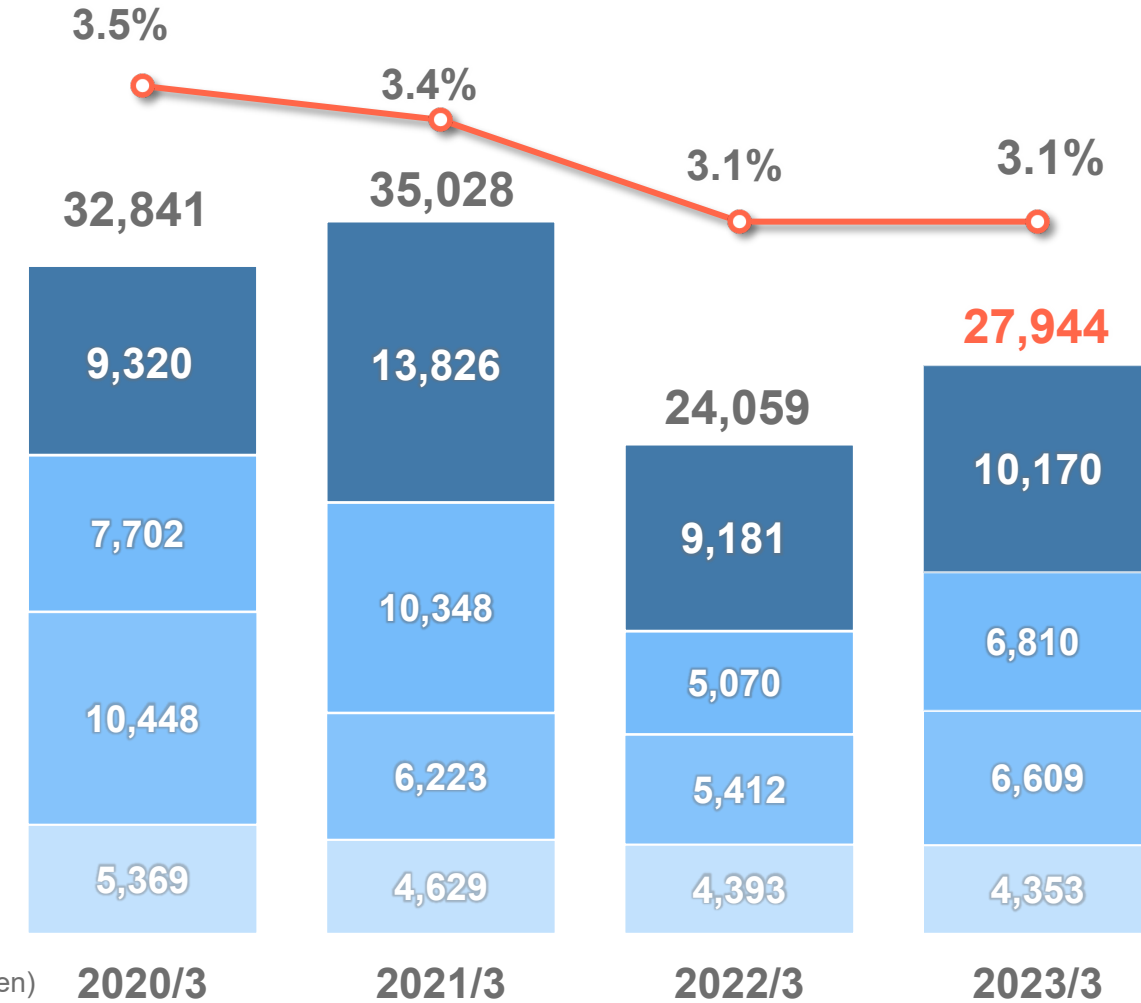
+**2.7%** against the results forecast

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

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

Operating Profit for the Fiscal Year Ended March 2023

1Q 2Q 3Q 4Q Operating profit margin



Operating profit **27,944** million yen

+**16.1%** against the same period of the previous fiscal year

Operating profit margin **3.1%**

+**1.6%** against the results forecast

(Million yen) 2020/3

2021/3

2022/3

2023/3

Consolidated Operating Results for the Fiscal Year Ended March 2023

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

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

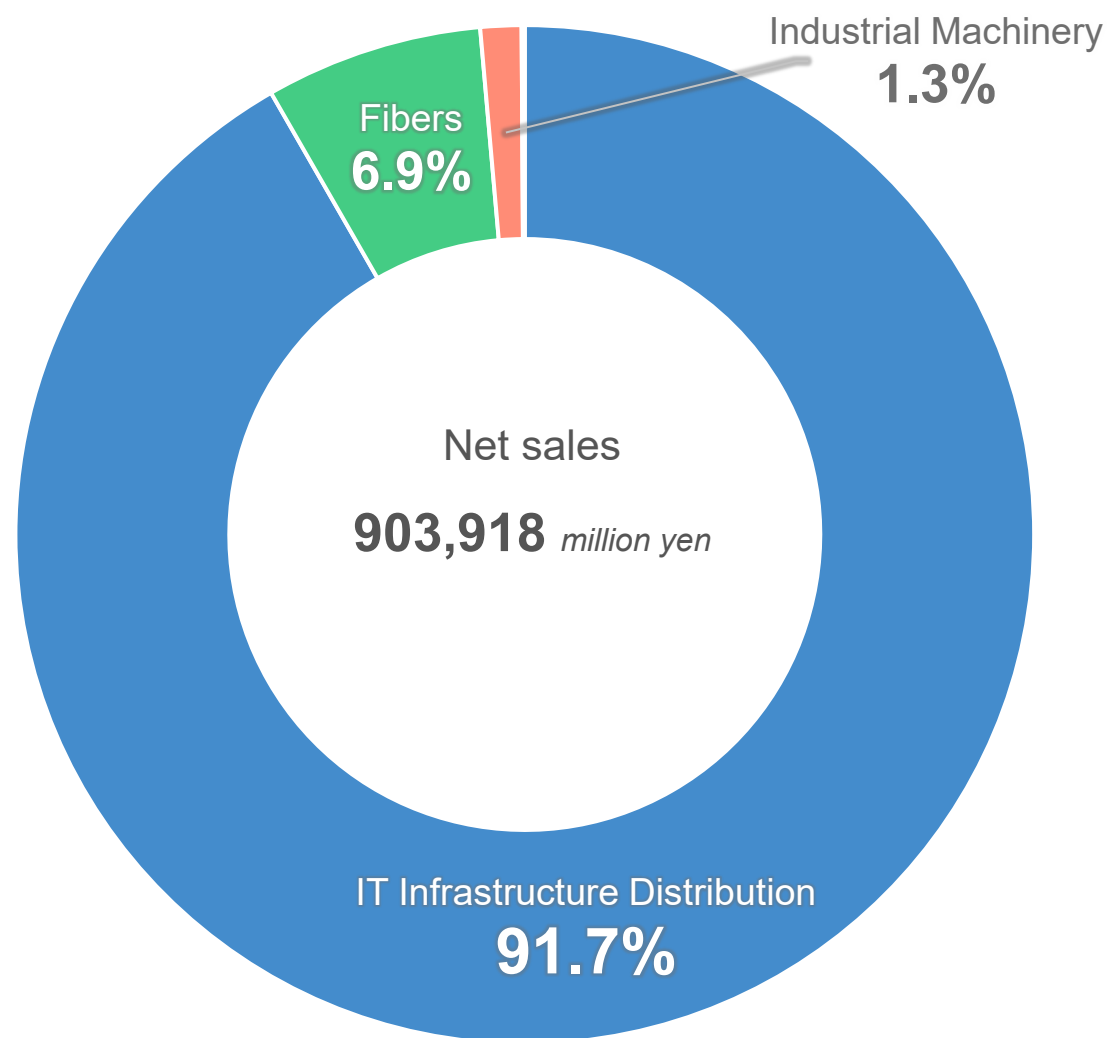
Consolidated Financial Position and Cash Flows During the Fiscal Year Ended March 2023

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

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

Operating Results by Segment for the Fiscal Year Ended March 2023

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



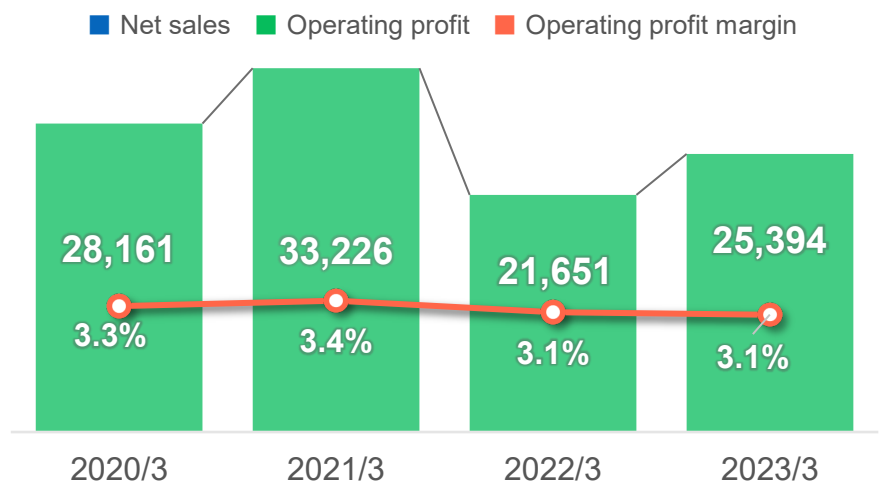
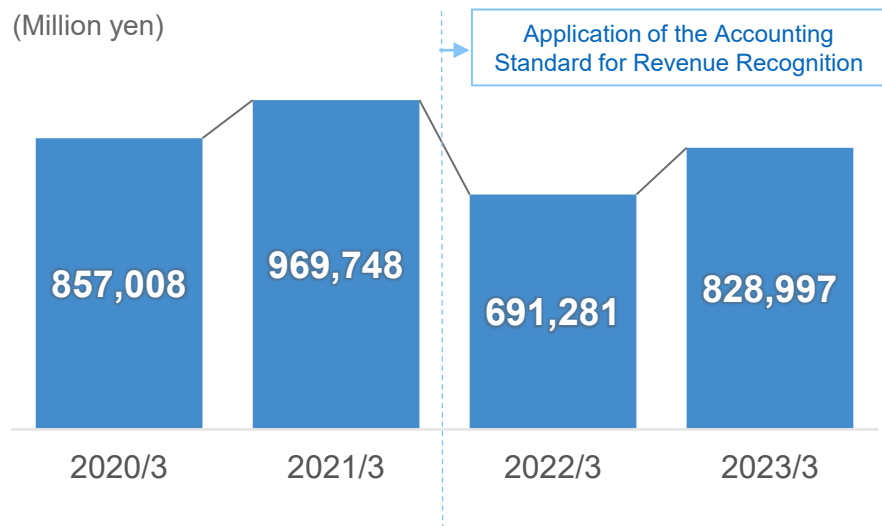
Percentage of net sales

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

Percentage of operating profit

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

IT Infrastructure Distribution Business



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

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

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

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

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

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

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

Review of the business

Corporate market

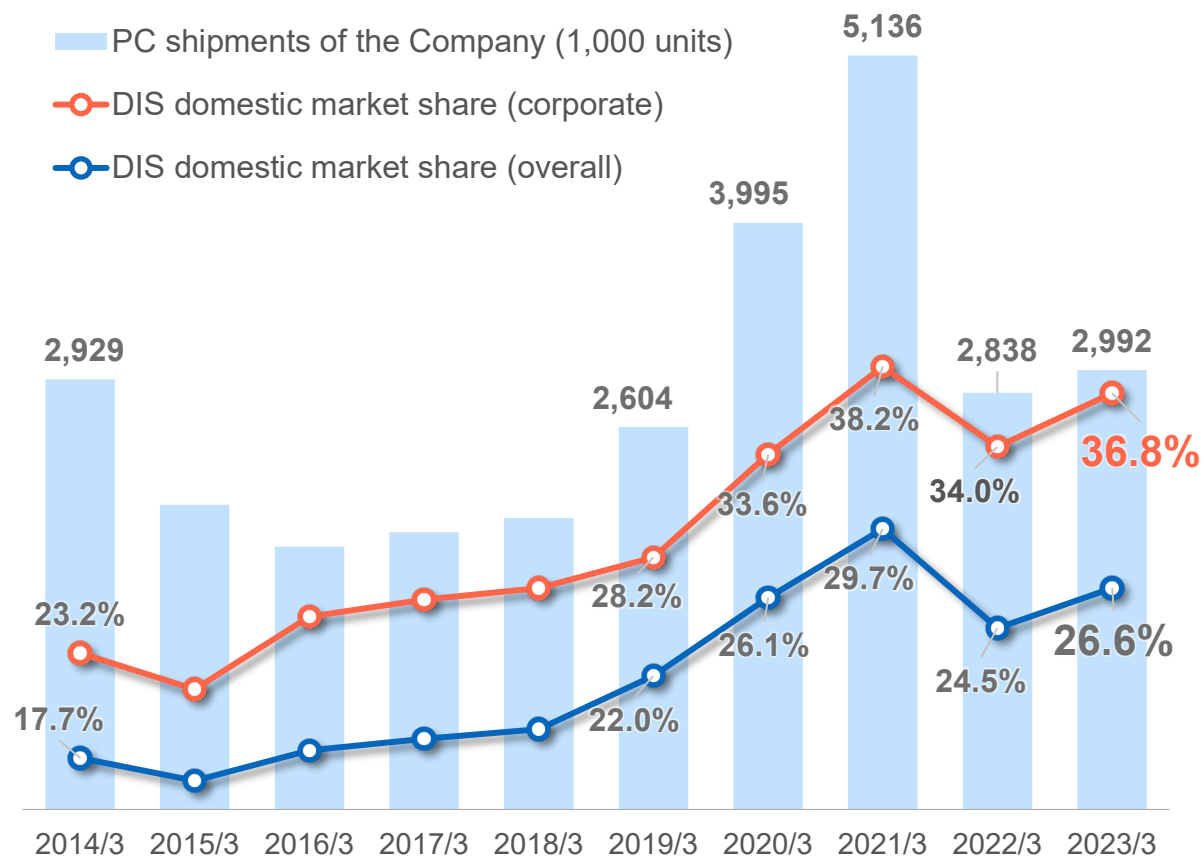
- With companies and government offices, we acquired sales stably and results expanded, centered on PCs and networks, while cloud services also trended well due to an increase in subscription product contracts.
- In the education market, the introduction of terminals for high school students and elementary and junior high school teachers increased.

Consumer market

- In sales to EC, although peripherals, etc., stagnated, PCs increased, and sales to mass retailers exceeded last year overall due to successful PC and new product proposals.

Domestic PC Market Share and Product Category Composition

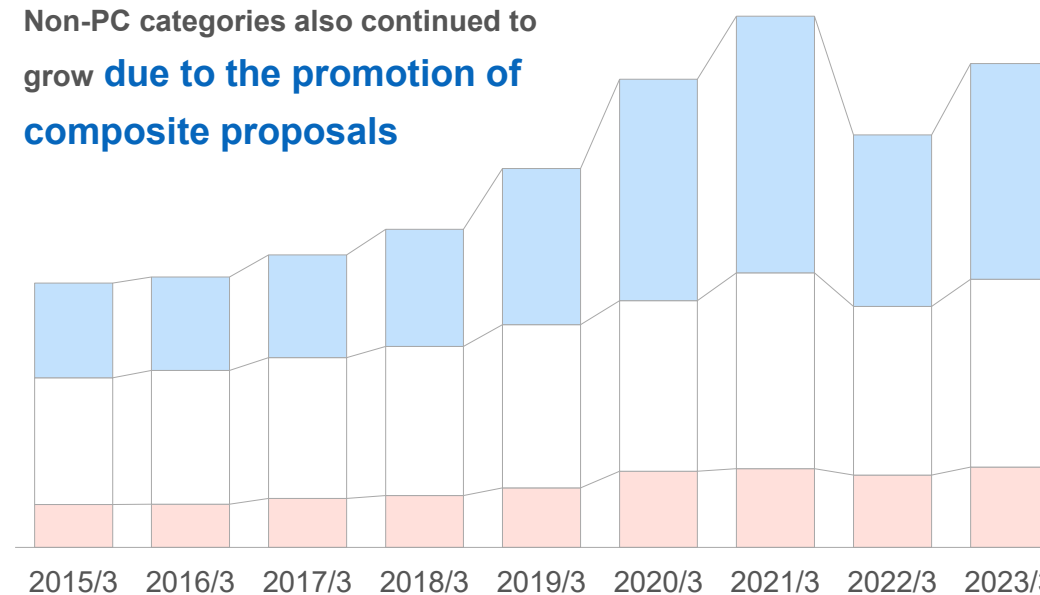
More than **one in three PCs** used by corporations has ties to US



< Sales trend by DIS category >

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

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



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

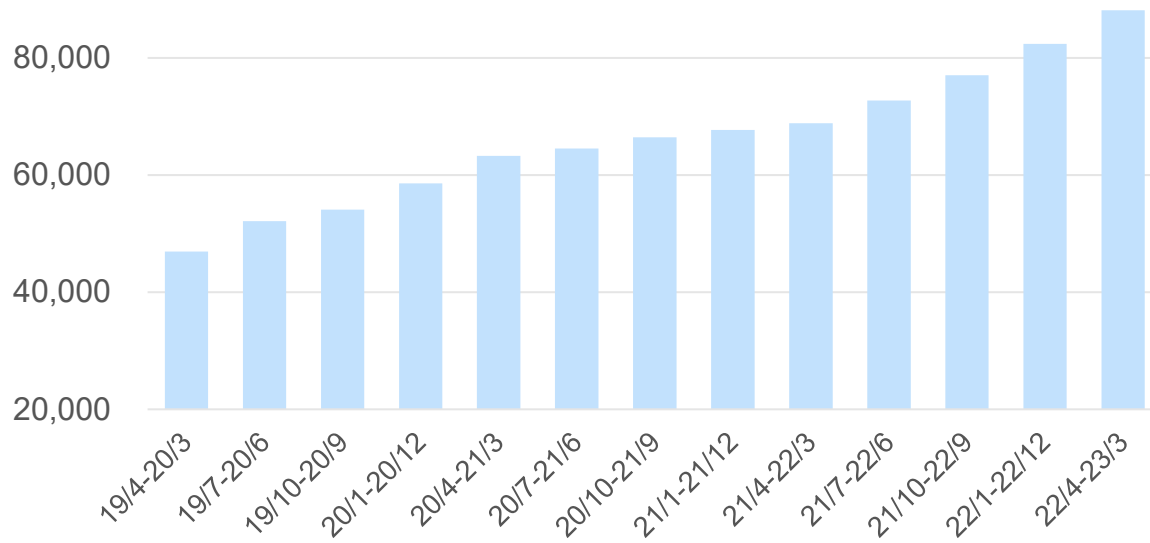
*PC main units = the main terminal unit of a PC, server, tablet, smartphone, etc.

Results for Subscription Business

Subscription transaction volume (DIS only)

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

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



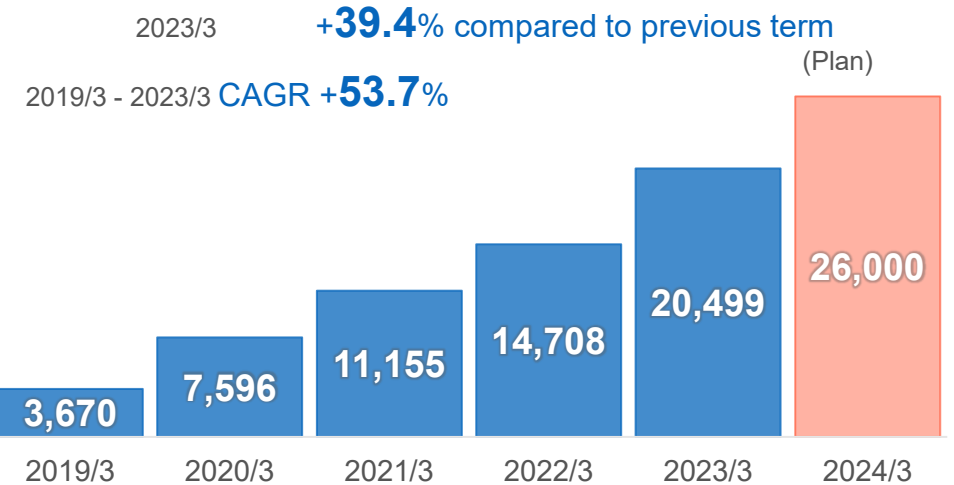
Subscription

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

iKAZUCHI handling volume

(Million yen)

Total sales to dealers through the “iKAZUCHI” subscription management portal



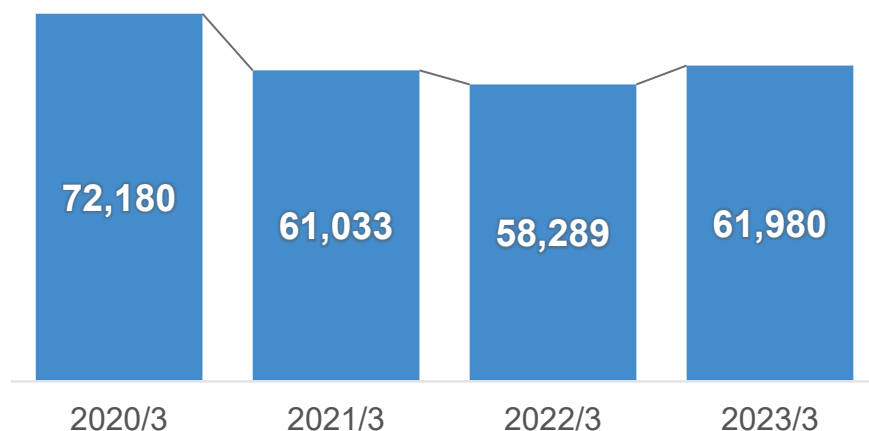
Number of supported vendor services

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

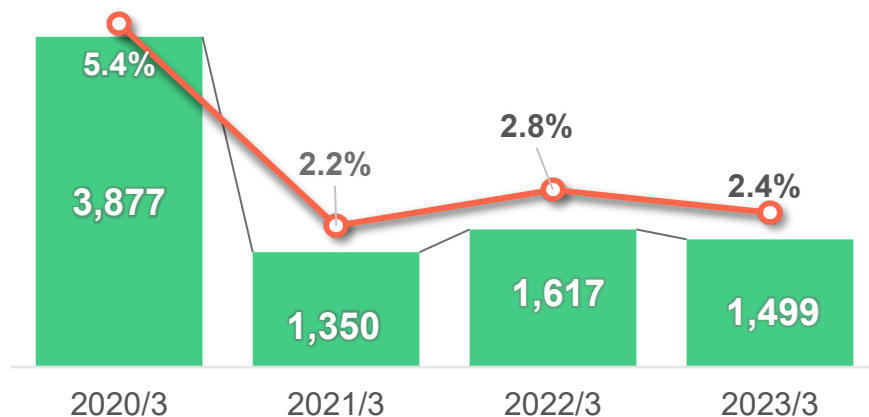
Expand the subscription business market and strengthen the “foundations” of ongoing revenue



(Million yen)



■ Net sales ■ Operating profit ■ Operating profit margin



Net sales

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

Operating profit

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

Review of the business

Synthetic Fibers and Rayon Divisions

■ Although sales of low environmental impact functional rayon trended steadily, the recovery in demand for synthetic fiber nonwoven fabrics for cosmetics applications and sterilizing sheets was slow and we also continued to struggle in terms of profits due to soaring raw material and fuel prices

Industrial Material Division

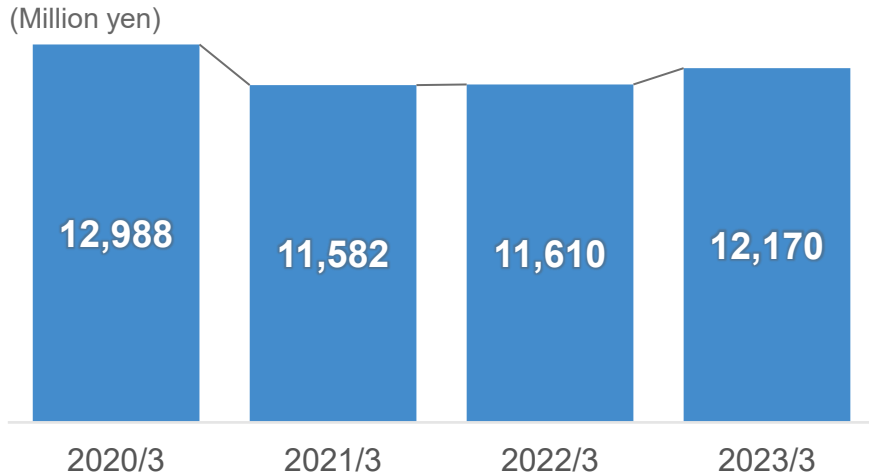
■ Sales to electronic parts manufacturers trended steadily due to the establishment of a system for increased production of cartridge filters, and sales and profits increased due to increased sales of construction sheets under the impact of vigorous construction demand.

Clothing Products Division

■ Although domestic sales trended steadily, sales to America declined due to rising costs under the influence of the progress of yen depreciation, resulting in lower revenue and profits.

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

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

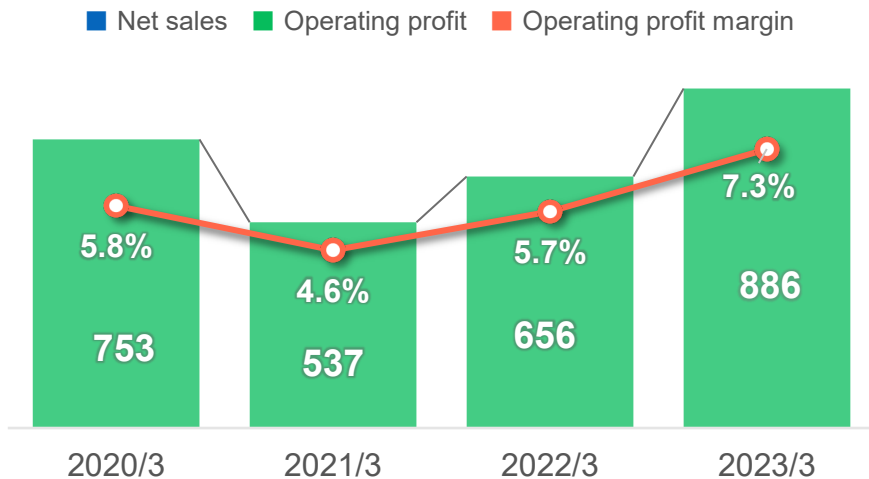


Net sales

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

Operating profit

886 million yen (+35.2% 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 2.3% compared to the previous term, the recovery in core aircraft and railway-related sales is still to come, but revenue and profits increased due to the strengthening of the sales and service systems for a wide range of industries including energy, construction equipment and semiconductors.
- Orders increased 26.4% compared to the previous term

Automatic Machinery Division

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

Consolidated Balance Sheet for the Fiscal Year Ended March 2023

(Summary of Accounts P4-5)



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

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

Consolidated Profit Statement for the Fiscal Year Ended March 2023

(Summary of Accounts P6)



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

Extraordinary loss

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

* Extraordinary profit in previous term

Gain on sale of investment securities (**414** million yen)

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

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

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

Acquisition of share in each category in IT device distribution

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

Implementation and strengthening of high-level support functions

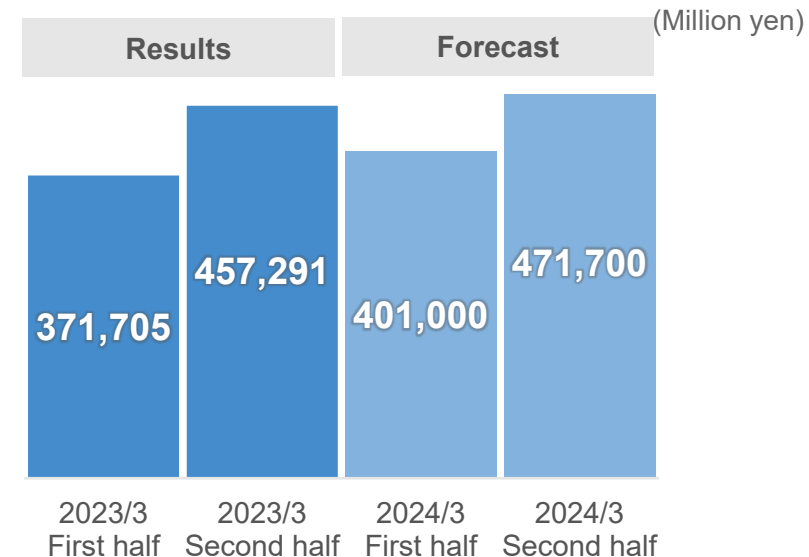
- ▶ Strengthening of the support system for increasingly sophisticated IT infrastructure and deepening of cooperation with core manufacturers
- ▶ Development of engineers, development of original services and promotion of ATS collaboration

Branding as a cloud distributor

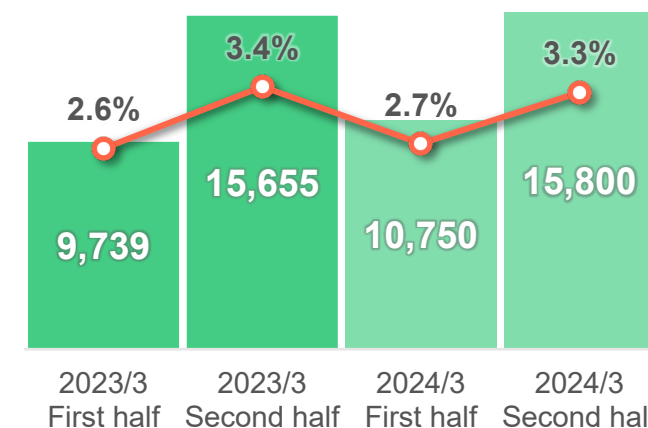
- ▶ Handling of diversifying sales methods by expanding iKAZUCHI functions
- ▶ Expansion of market share by focusing on the mega-cloud in collaboration with partners

Productivity improvements in the supply chain as a whole

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



■ Net sales ■ Operating profit ■ Operating profit margin



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

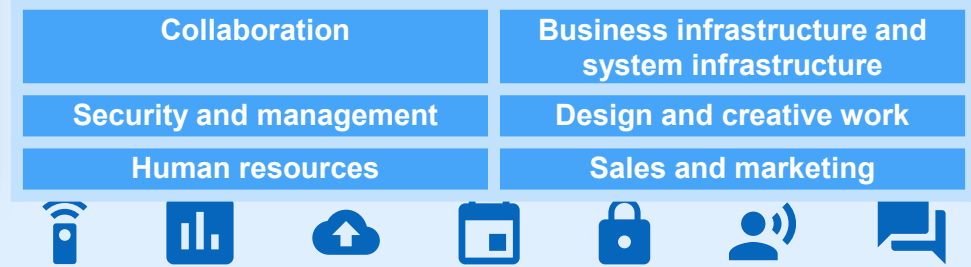


Supporting the subscription businesses of dealers nationwide

iKAZUCHI posting service

115 vendors / 230 services

(As of March 2023)

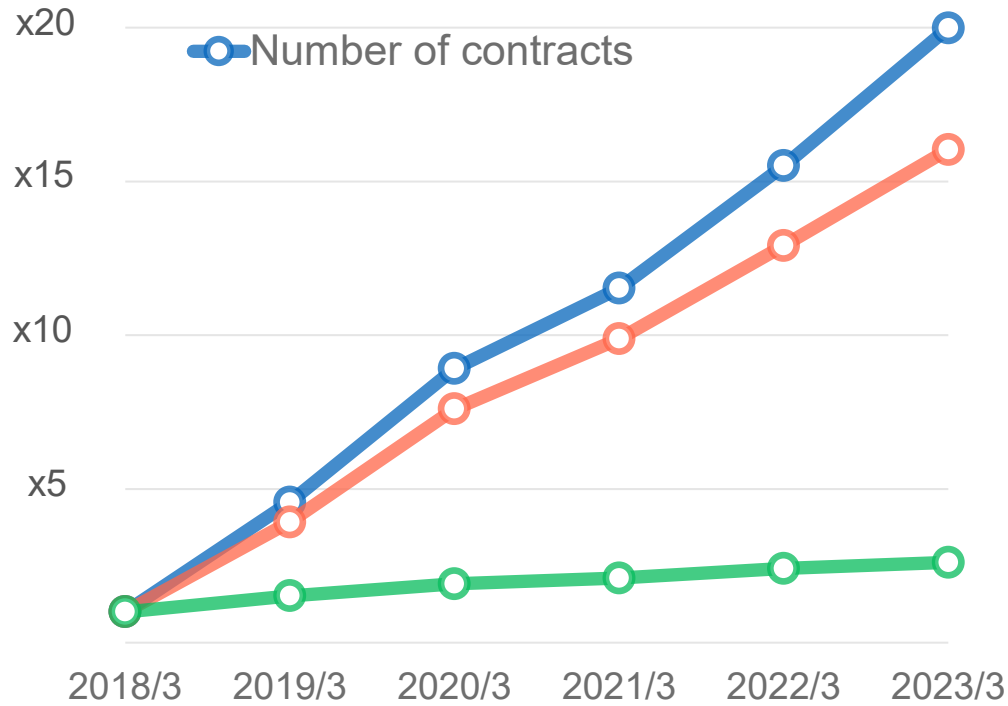


Added value

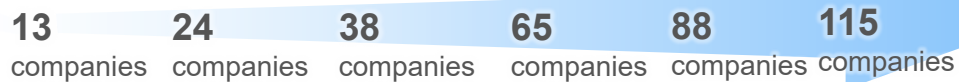
- | | | | |
|---|--|---|---|
| <ul style="list-style-type: none"> ✓ Streamlining of service issue and billing management through automatic cooperation, etc. ✓ Realize the handling of more customers through dealers ✓ Expansion of promotions | <ul style="list-style-type: none"> ✓ Strengthening of proposal 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 | <ul style="list-style-type: none"> ✓ 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 | <ul style="list-style-type: none"> ✓ 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 |
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Establish a stable earnings base with iKAZUCHI

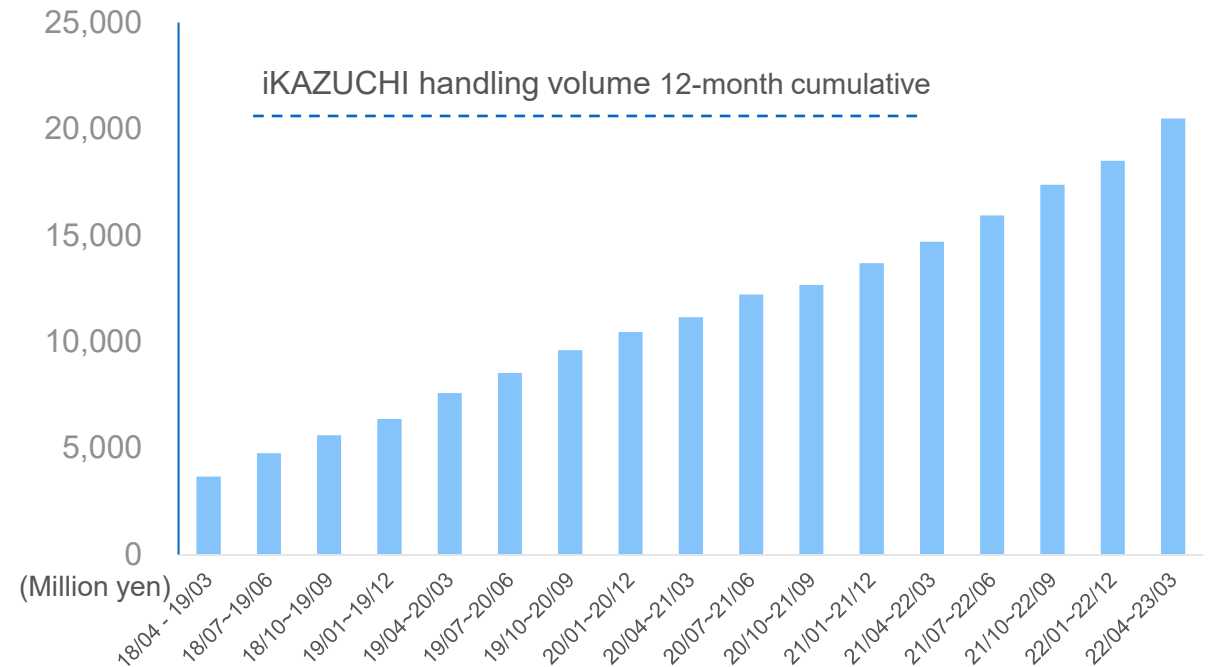
Compared to 2018/3 Growth rate



Number of handling vendors

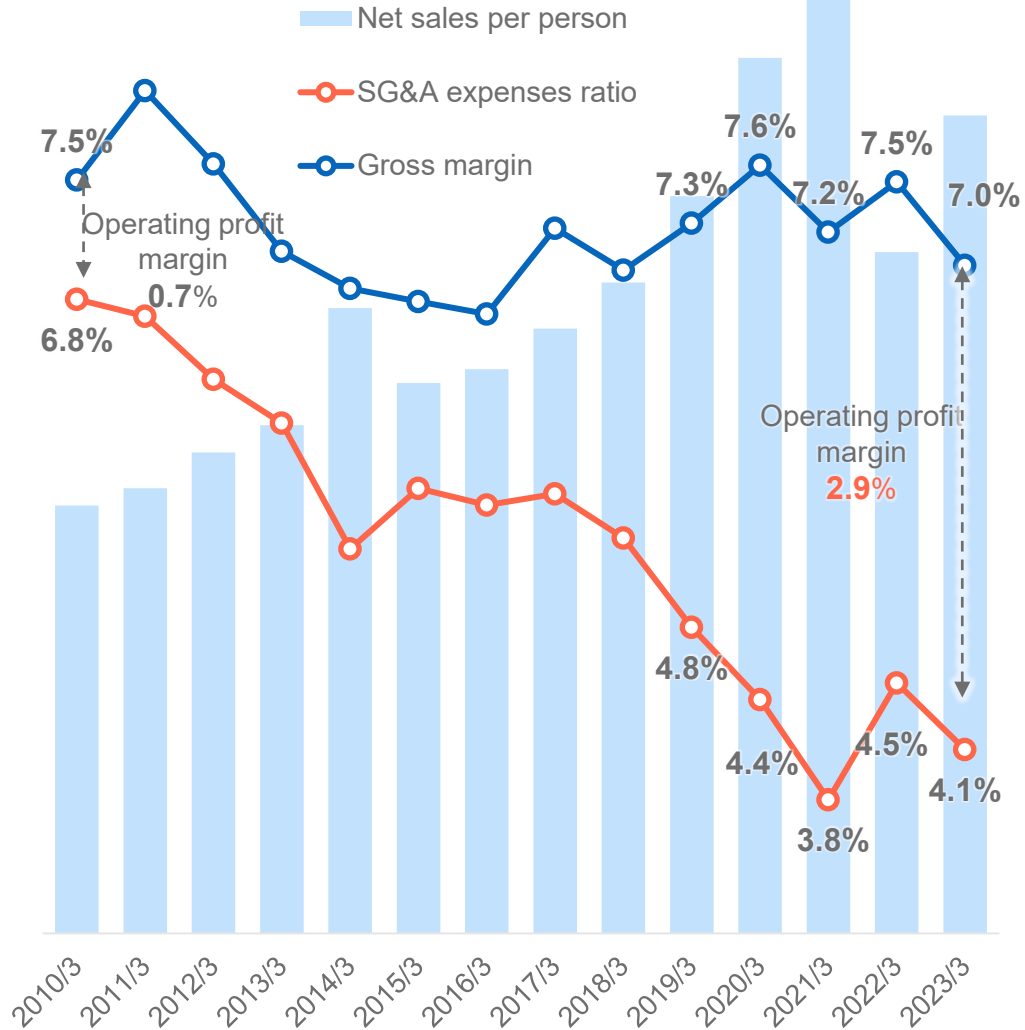


We use our “multi-vendor” strength to create added value that would not be possible with a single vendor



Greater Sales Efficiency and Low-Cost Operation

Results of the IT Infrastructure Distribution Business



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

Strengthening of sales activities

Sales expansion based on tactics
Greater efficiency of routine work

Ongoing system investment



Expansion of e-commerce ratio

Productivity improvements including suppliers

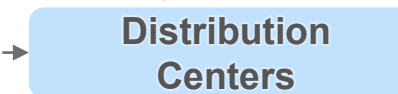
Manufacturers (suppliers)
1,300 vendors

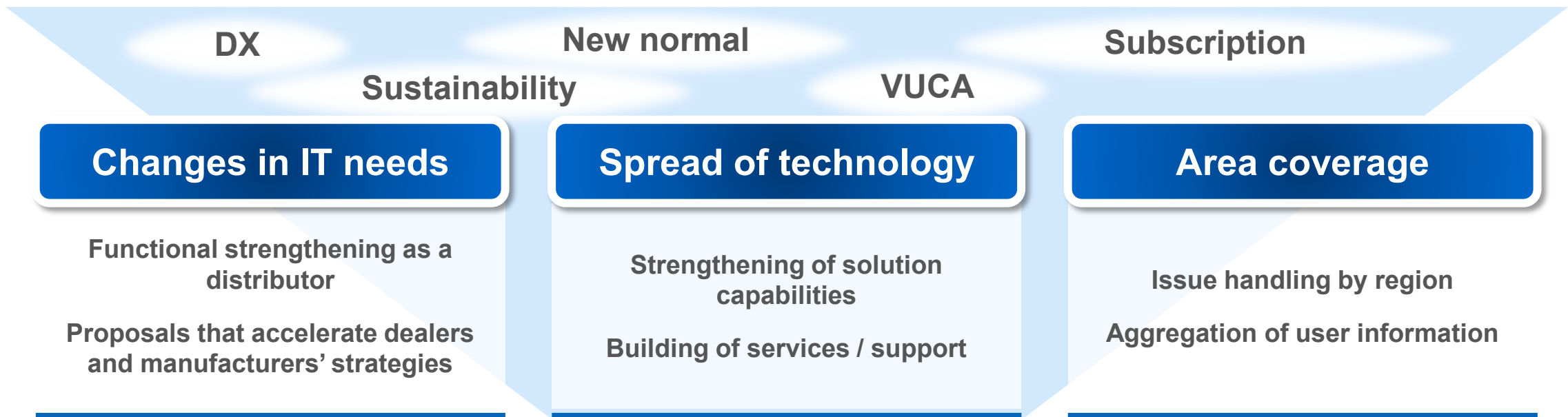


Core system

Greater logistics efficiency

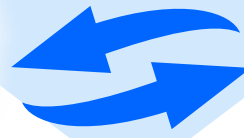
Control of distribution costs
Optimization of inventory locations





Distribution

DIS



ALPHATEC SOLUTIONS

IT Infrastructure Solutions

▼ Entry into the Group on April 1, 2023

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

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

Reform into a company satisfying to work at centered on ESG

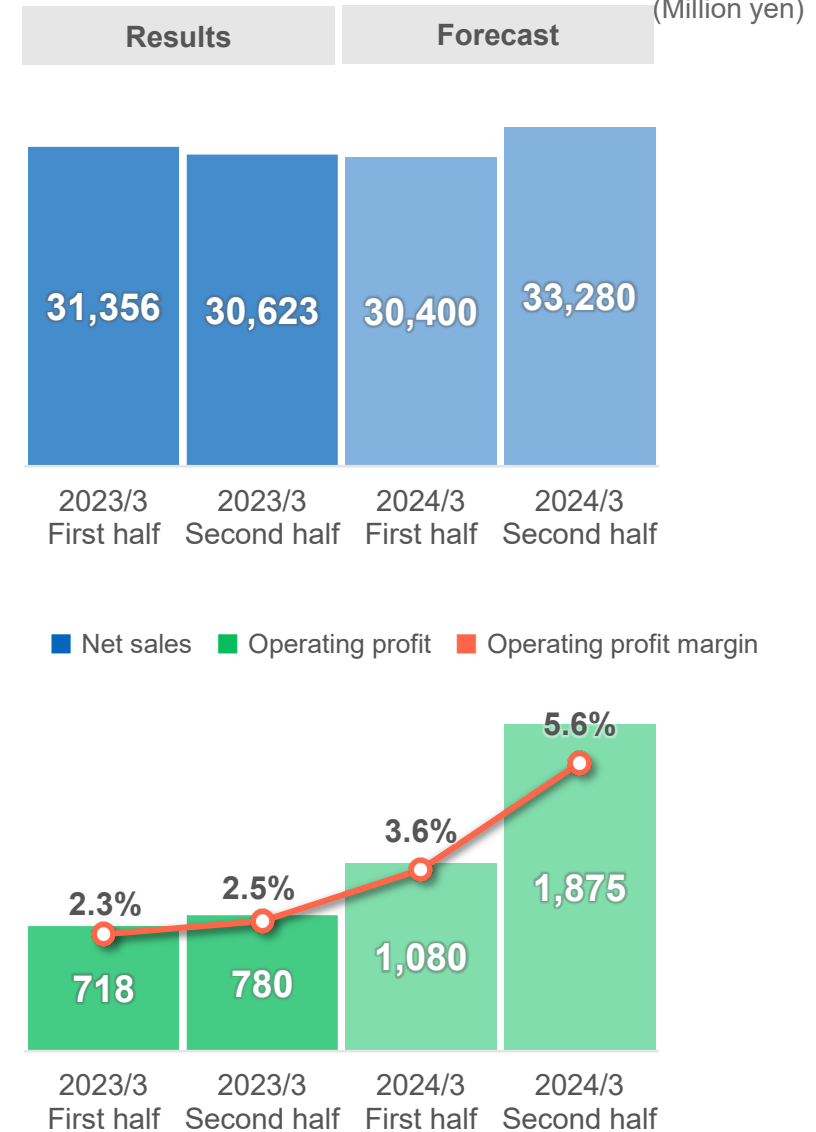
- ▶ Thorough implementation of compliance management by systematizing the work flow and strengthening the audit and check system focusing on actual sites
- ▶ Establishment of an environment that is easy to work in through reviews of personnel systems, the introduction of new systems, and the enhancement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

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

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

Business activities conscious of invested fund efficiency

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



[Textile Business] Continuous Structural Reform



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

June 2022

Transfer of shares of subsidiaries of Industrial Material Division (2 companies)

January 2023

Consolidation of Sales bases of subsidiaries of Clothing Products Division

Focus Measures in Industrial Machinery Business

Business expansion into potential markets in machine tools

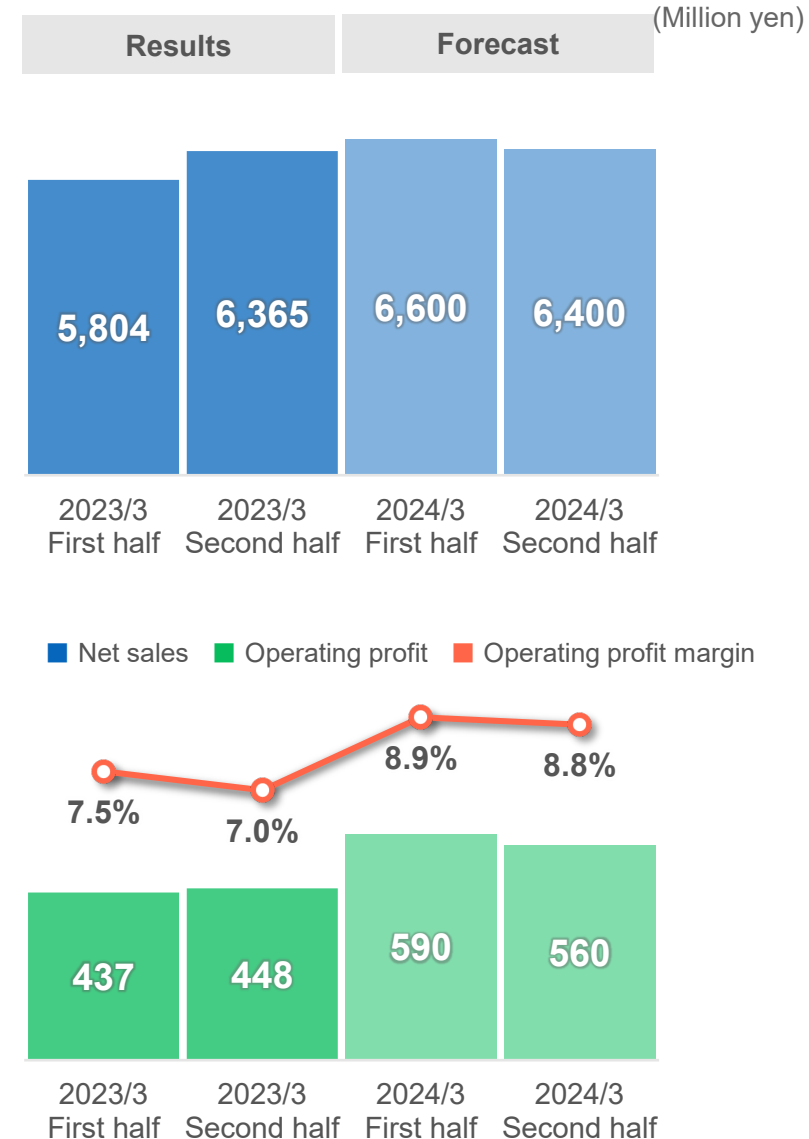
- ▶ Increase inventory of general-purpose machinery in Japan, America and China, and also begin planned production of the small RT-915 series this autumn
- ▶ Handling of the needs of customers who demand prompt or immediate delivery

Capture of demand for packaging machine automation in automatic machinery

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

Improvement of profitability by strengthening services

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



- 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**

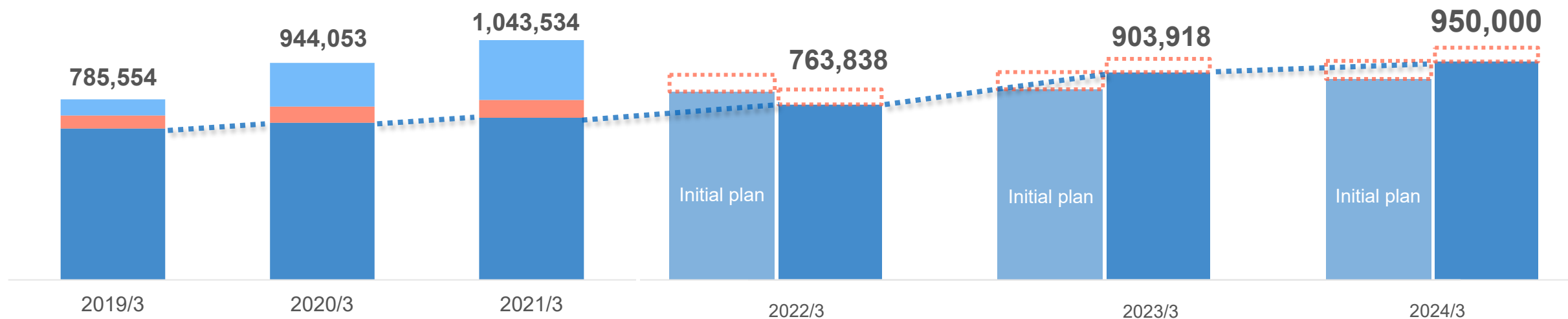
State of Progress of the Medium-Term Management Plan < Profit Indicator >

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

< Image of the trend in net sales >

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

■ Approximate impact values from application of the Accounting Standard for Revenue Recognition
* Approximate values based on results

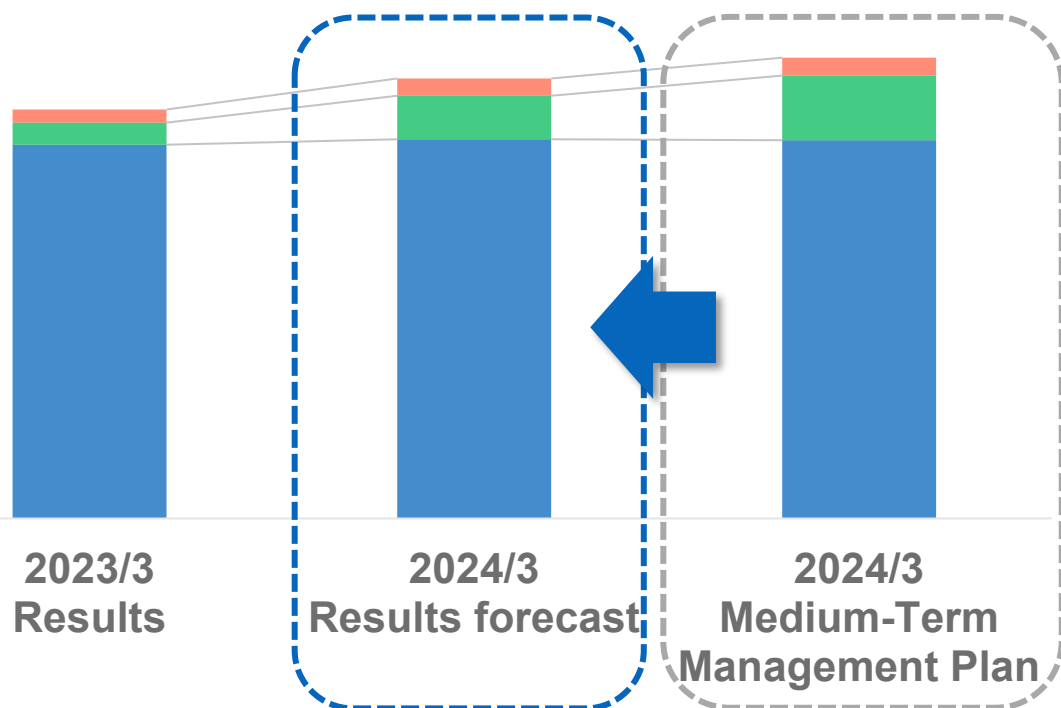


Difference between Medium-Term Management Plan and Results Forecast

Operating profit (million yen)

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

2024/3 Results forecast [A]	2024/3 Medium-Term Management Plan [B]	[A]/[B]
26,550	25,700	+3.3%
2,955	4,400	-32.8%
1,150	1,200	-4.2%



- IT Infrastructure Distribution Business**
 - While expansion of the IT market is expected, increased revenue is anticipated due to the growth of focus business, but the profit forecast is for a slight increase assuming higher costs based on the weak yen environment, etc.
- Fiber Business**
 - Even though a profit increase of +97% compared to the previous term is expected due to the stabilization of the revenue base, market conditions are difficult and results will diverge from the medium-term management plan.
- Industrial Machinery Business**
 - The profit forecast has been lowered slightly based on soaring raw material prices due to the weak yen and the impact of commodity price increases, and orders for automatic machinery

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%

Result for
2023/3
13.7%

Forecast for
2024/3
14.0%



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%

Result for
2023/3
11.6%

Forecast for
2024/3
12.1%



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
<p>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.</p> <p>BY2023 Dividend forecast Interim 32 yen + At the end of BY 32 yen</p>	<p>We will invest in equipment towards the sustainable growth of existing business and implement marketing, R&D and the hiring of human resources.</p>	<p>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.</p>	<p>We will consider the flexible acquisition of treasury stock in accordance with the market environment.</p> <p>We are currently considering continued implementation this term too</p>	<p>Securing of liquidity on hand in readiness for fund demand in association with strategic product procurement in IT Infrastructure Distribution Business and unforeseen circumstances</p>

Shareholder Return

Dividend per share

Acquisition of treasury stock

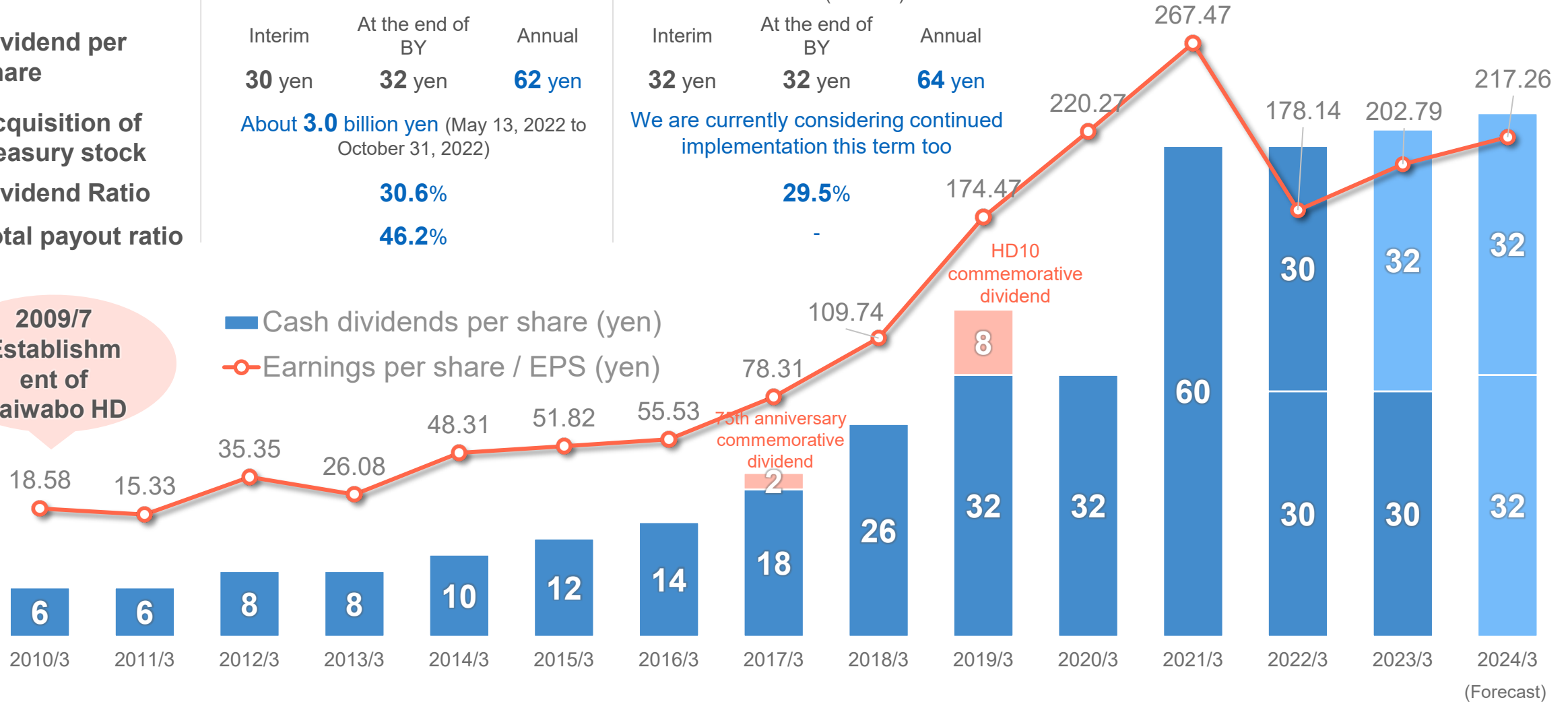
Dividend Ratio

Total payout ratio

BY2022		
Interim	At the end of BY	Annual
30 yen	32 yen	62 yen
About 3.0 billion yen (May 13, 2022 to October 31, 2022)		
30.6%		
46.2%		

BY2023 (forecast)		
Interim	At the end of BY	Annual
32 yen	32 yen	64 yen
We are currently considering continued implementation this term too		
29.5%		
-		

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.

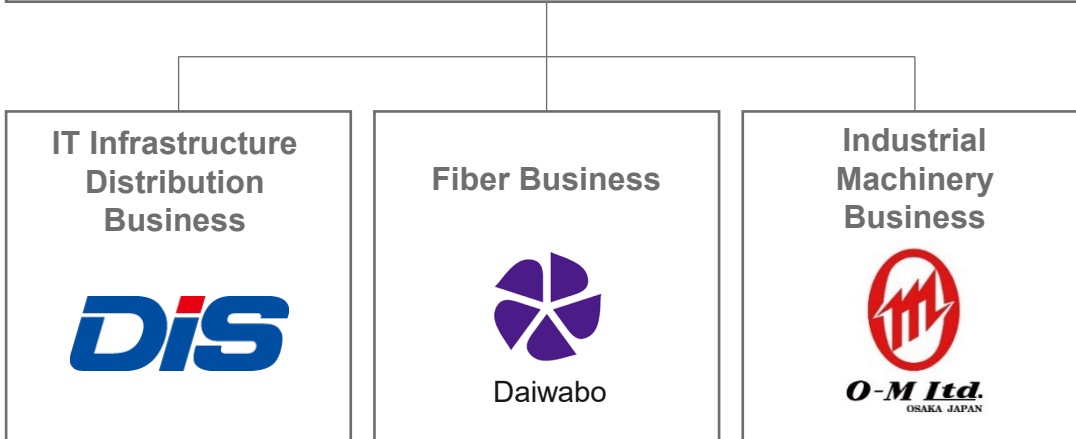
Clarification of each group company's responsibility and authority



Daiwabo Holdings Co., Ltd.

Holding company

- Formulation of Group strategy
- Optimal allocation of Group management resources
- Supervision of Group business execution



Core operating companies

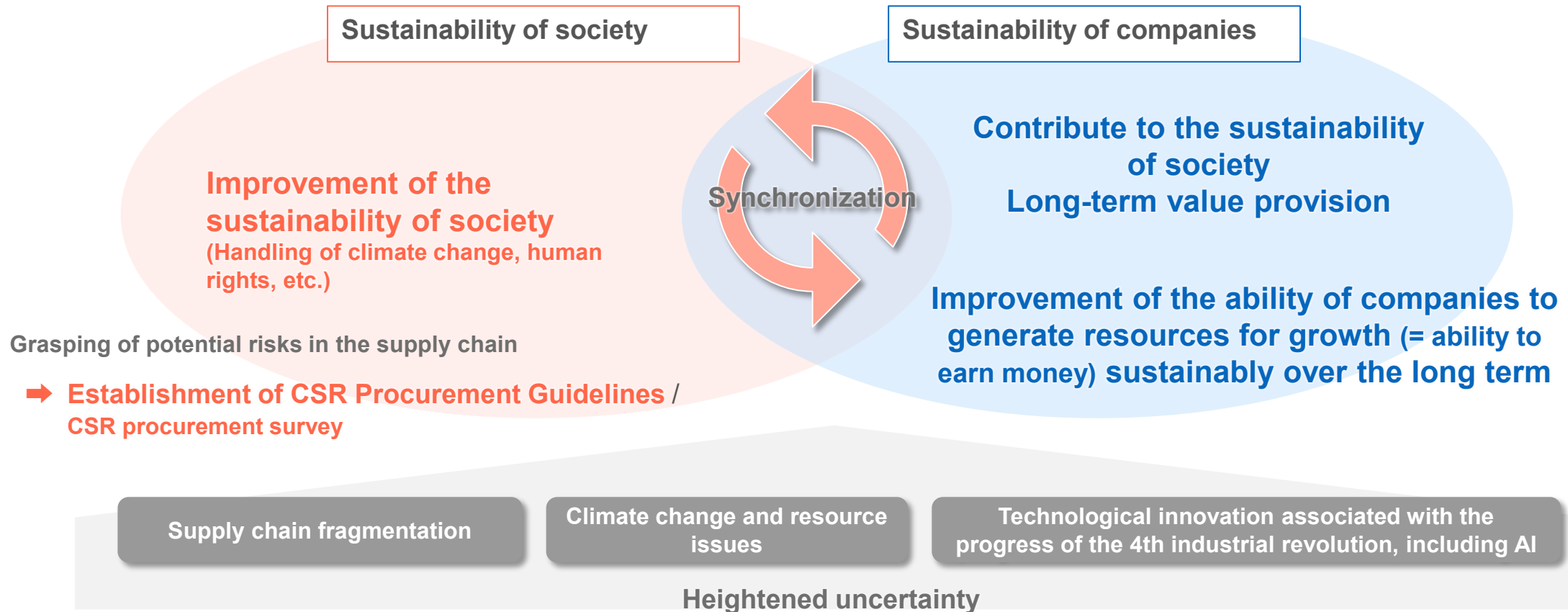
- Quick strategic decisions
- Promotion of strong business execution

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

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

Skills matrix (published in the notice of convocation)

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



→ **Establishment of CSR Procurement Guidelines / CSR procurement survey**

ESG evaluations by external institutions

MSCI
ESG RATINGS

CCC	B	BB	BBB	A	AA	AAA
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Important Considerations and System for Consideration of the Formulation of the Next Medium-Term Management Plan

Important Considerations for the Next Medium-Term Management Plan

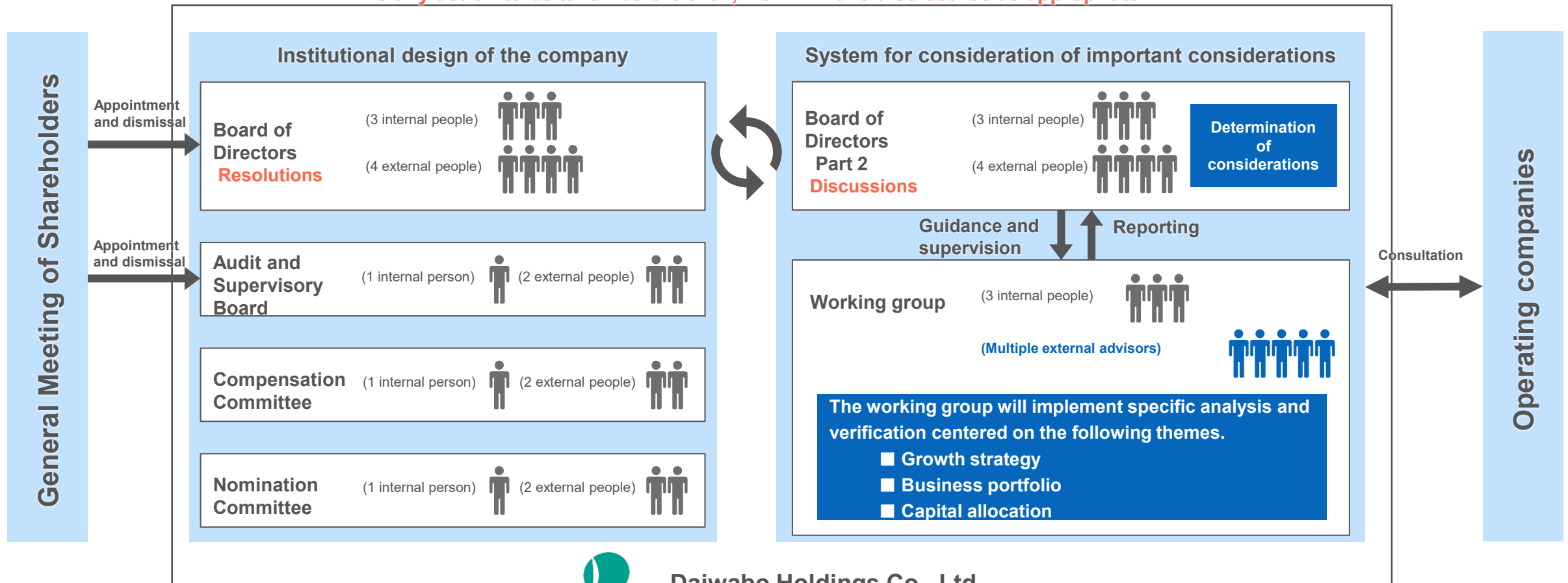
We will arrange the important considerations and the system for consideration ahead of the formulation of the next Medium-Term Management Plan scheduled to be announced in May 2024.

Considerations	Overview	Current status
<p>Establishment of a company-wide purpose and formulation of a growth strategy</p>	<ul style="list-style-type: none"> ■ We will identify the group's identity and establish a purpose based on social trends and the DNA of our corporate organization. ■ We will formulate a growth strategy from the perspective of what to make the core of the company and how to maximize profitability from that starting point and realize the social significance of the company. 	<ul style="list-style-type: none"> ■ We are planning to announce the company's purpose in the integrated report this fiscal year. ■ We are currently considering growth strategies while verifying which areas growth is expected in and whether there is added value. ■ Challenges include sustainable growth investment for the realization of the expansion of market share and customer value.
<p>Establishment of the optimal business portfolio for the maximization of value of the group overall</p>	<ul style="list-style-type: none"> ■ We will establish the optimal business portfolio by implementing strategic options at the appropriate time for the maximization of corporate value after verifying the best owner principle, evaluation of the business environment and capital profitability of existing business with reference to the Practical Guidelines for Business Transformations formulated by the Ministry of Economy, Trade and Industry, etc. 	<ul style="list-style-type: none"> ■ We are currently considering making textile business independent from the group as a strategic option for the maximization of corporate value. * We have started specific discussions with Daiwabo and will consider options that would contribute to increasing the value of textile business by a method appropriate for shareholders, employees, business partners, etc.
<p>Realization of the optimization of growth investments and shareholder returns</p>	<ul style="list-style-type: none"> ■ We will formulate a capital allocation policy that aims to increase corporate value by realizing optimal growth investments and shareholder returns based on capital costs. ■ Optimization of the allocation of resources - people, things and money - and establishment of a capital policy that can maximize returns to shareholders 	<ul style="list-style-type: none"> ■ With regard to the policy for the allocation of the revenue generated by each operating company, we are currently considering capital allocation aimed at the maximization of the profitability of the group overall, rather than prioritizing only growth investment for expansion of the results of each respective business.

The System for Consideration of Important Considerations

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

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



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

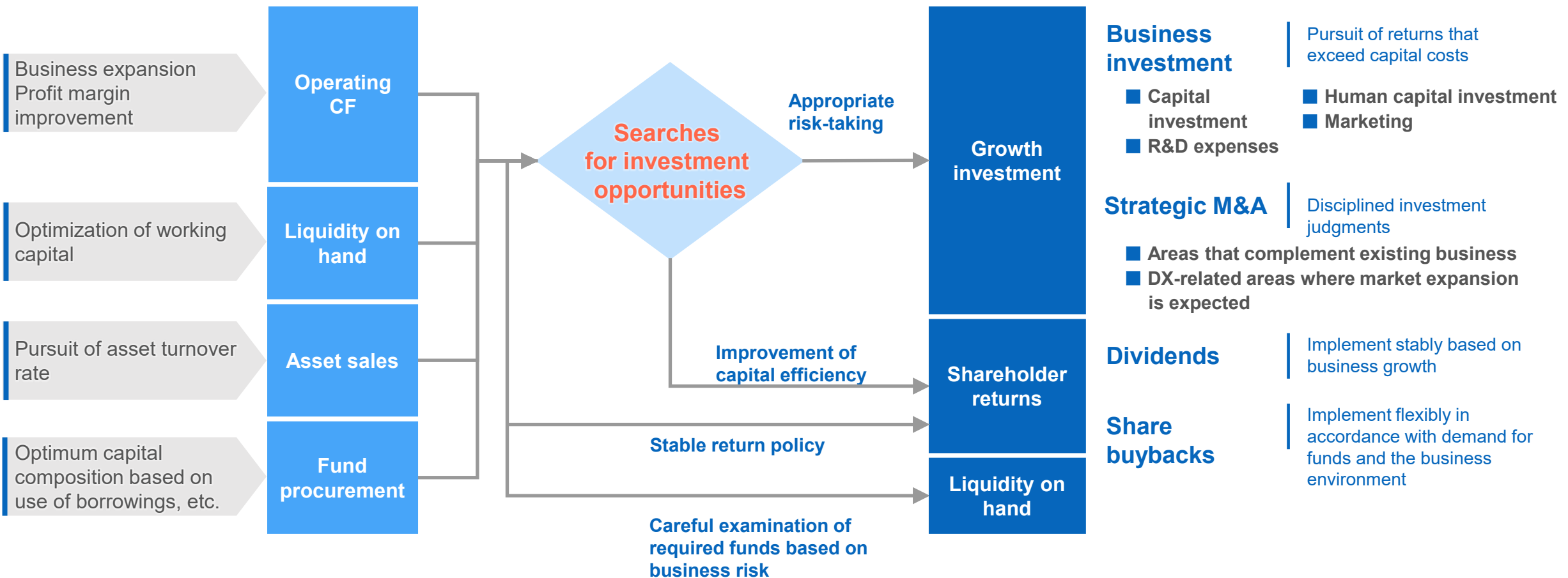
Considerations for Optimization of the Business Portfolio

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

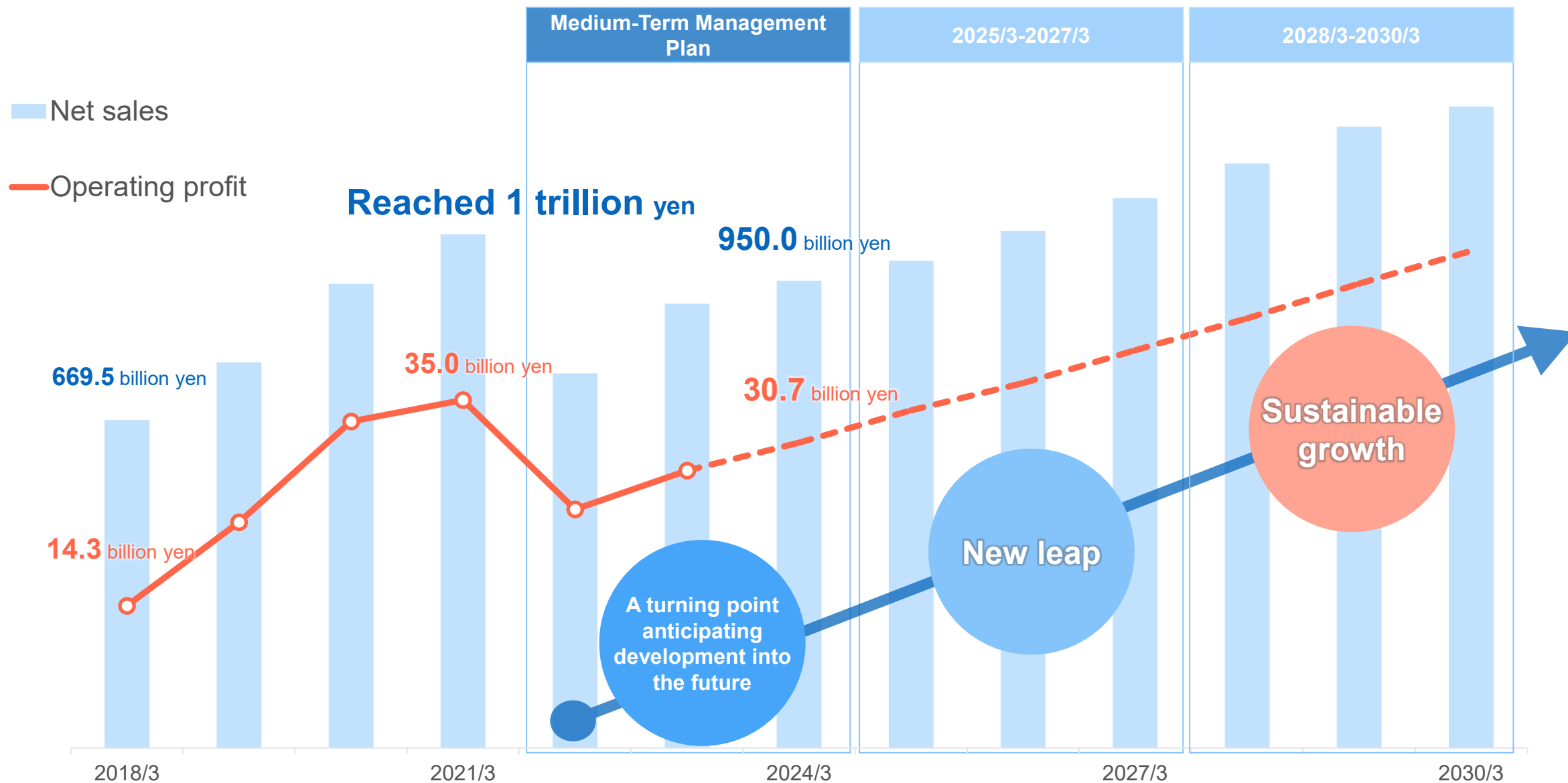
Status	Point at issue	Overview
Verification complete	Who is the best owner?	<ul style="list-style-type: none"> ■ The company (Daiwabo Holdings) evaluated the entity (best owner) that would be able to maximize the value of each subject business. ■ Specifically, the company evaluated whether it had been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

Image of Capital Allocation

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



Looking Ahead to 2030



References

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

Application of the Accounting Standard for Revenue Recognition

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

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

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

< Main changes >

■ Revenue recognition related to agency transactions

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

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



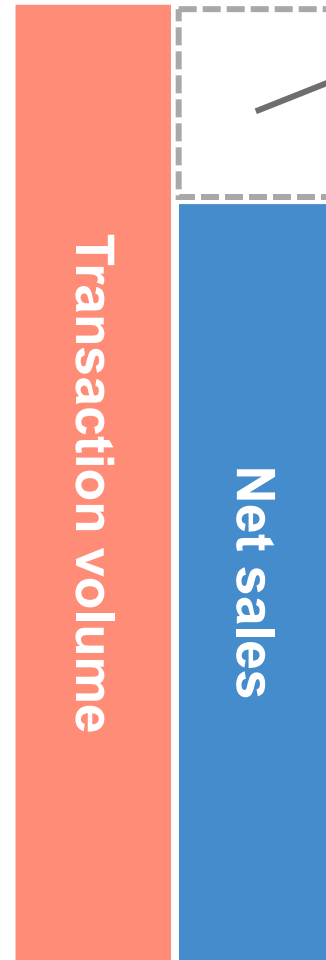
[New standard]: Record sale of the **net amount** of sales consideration (A-B)



Transaction volume

Transaction Volume

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



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

(Net sales from the fiscal year ended March 2022)

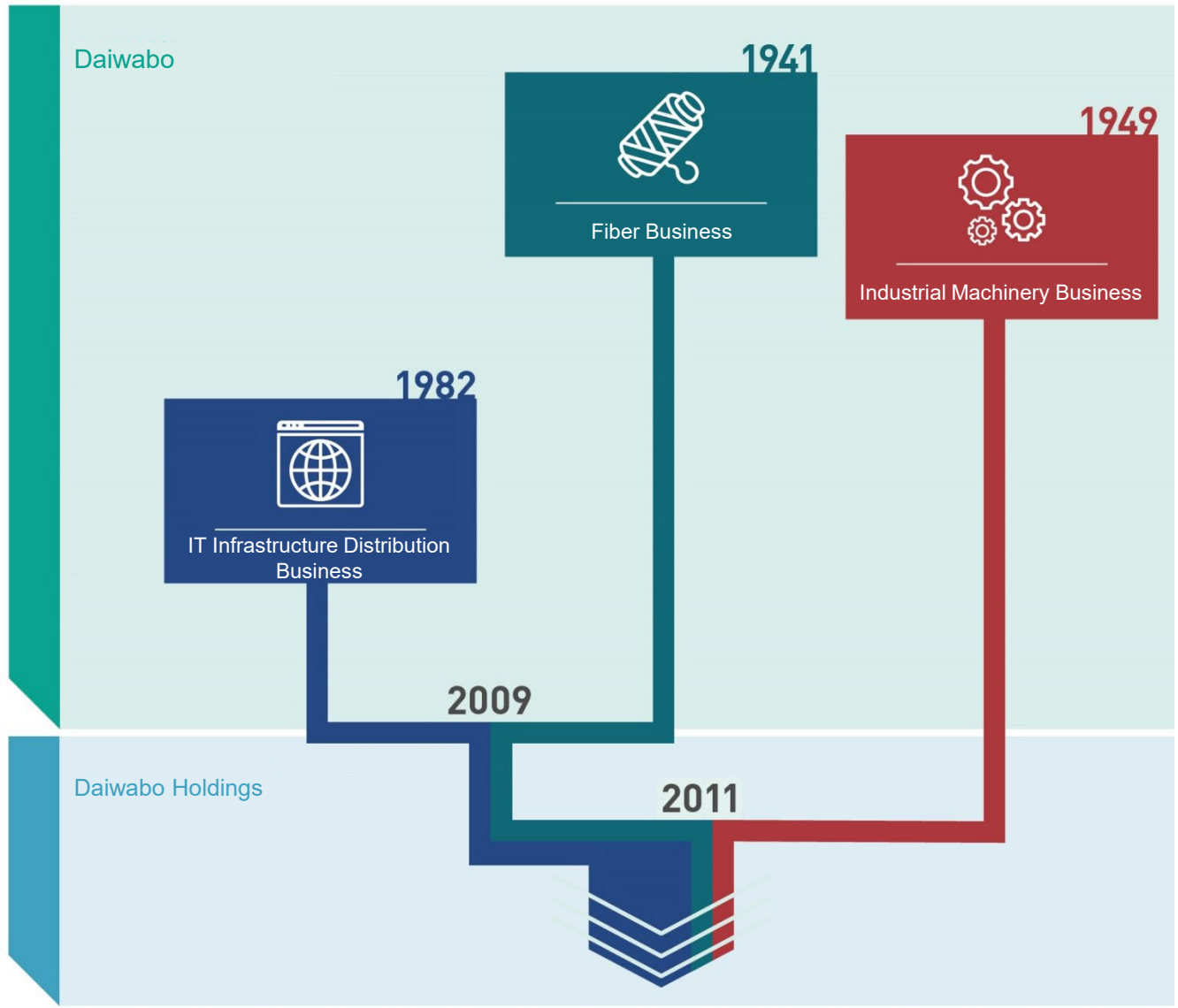
The company records as net sales the net amount of sales consideration for “agency transactions” under the accounting standards for some maintenance and warranty services, software sales due to iKAZUCHI, etc.

Net sales

Net Sales

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

History of the Group



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

Overview of Business Segments

IT Infrastructure Distribution Business

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

Fiber Business

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

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

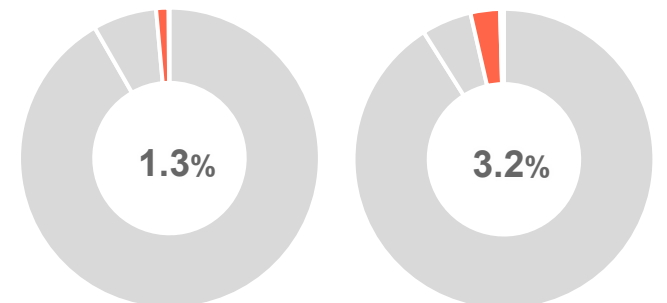
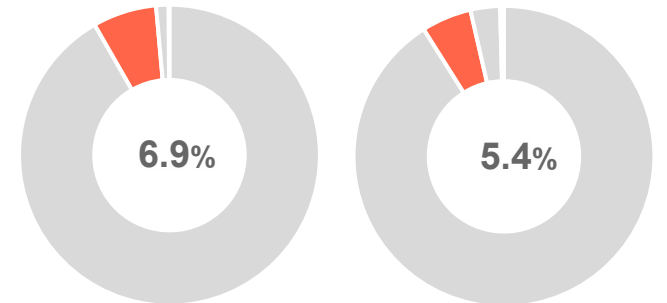
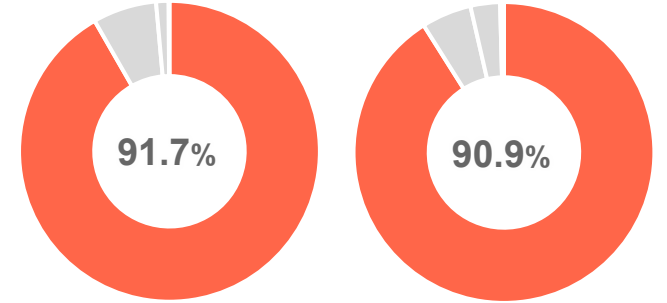
Clothing Products Division
 It develops, manufactures and sells products such as various textile materials and functional innerwear, and manufactures and sells licensed brand clothing

Industrial Machinery Business

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

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

Percentage of Sales Percentage of Operating Profit



(BY2022 results)

History of Daiwabo Information System (DIS)

1982 DIS founded

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

1983 - 1984 Multi-store development

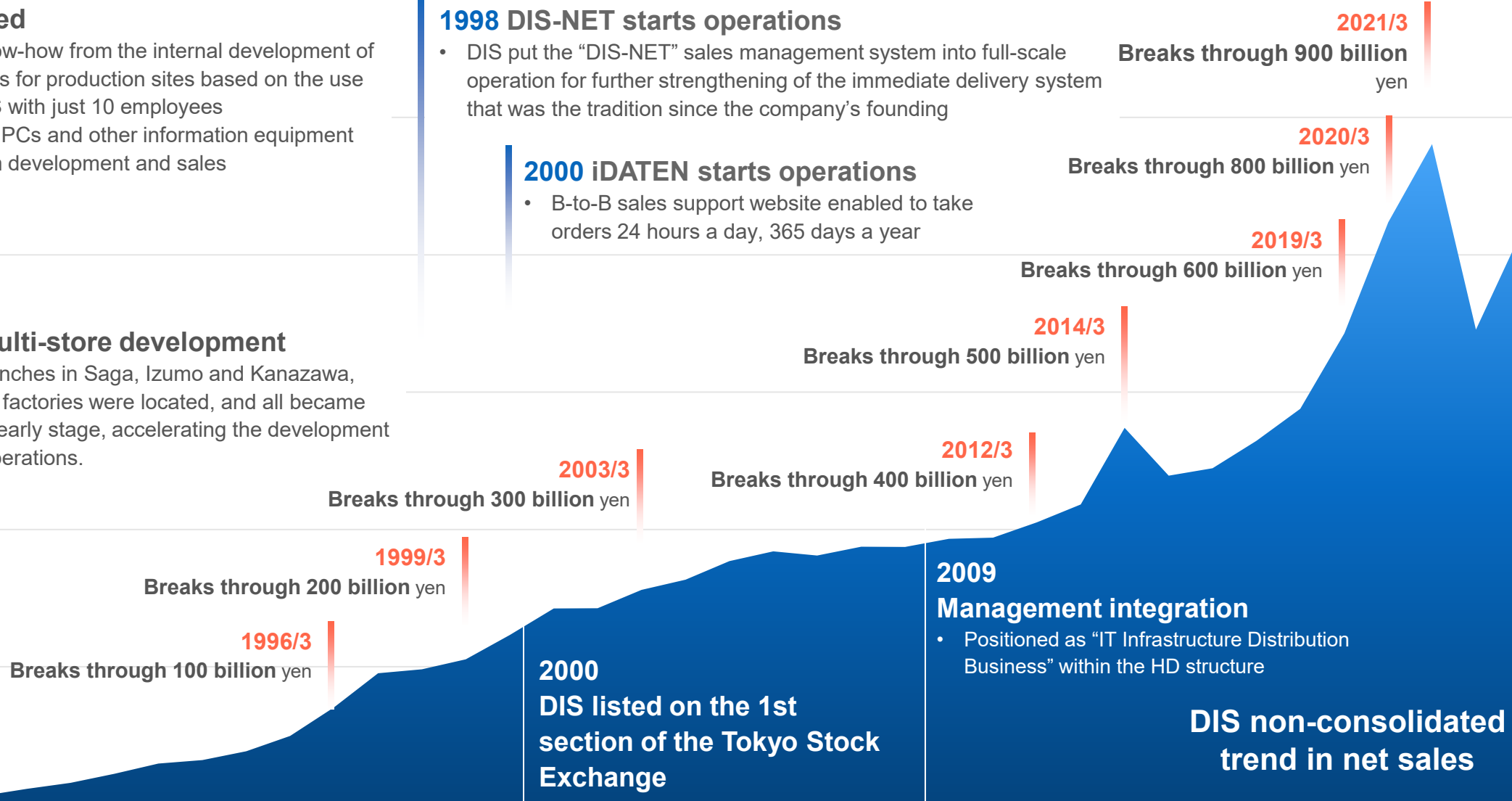
- DIS opened branches in Saga, Izumo and Kanazawa, where Daiwabo factories were located, and all became profitable at an early stage, accelerating the development of multi-store operations.

1998 DIS-NET starts operations

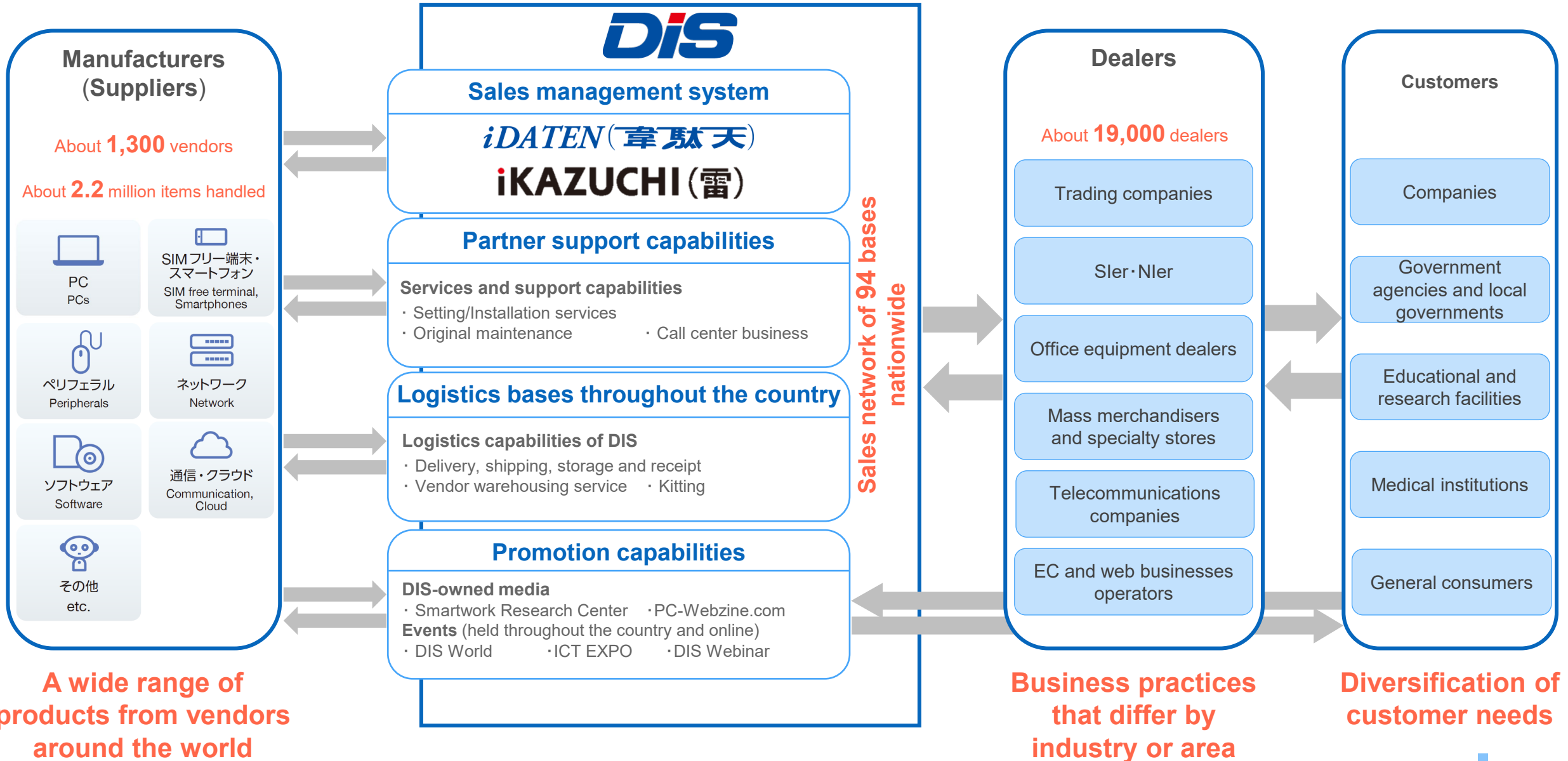
- DIS put the "DIS-NET" sales management system into full-scale operation for further strengthening of the immediate delivery system that was the tradition since the company's founding

2000 iDATEN starts operations

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

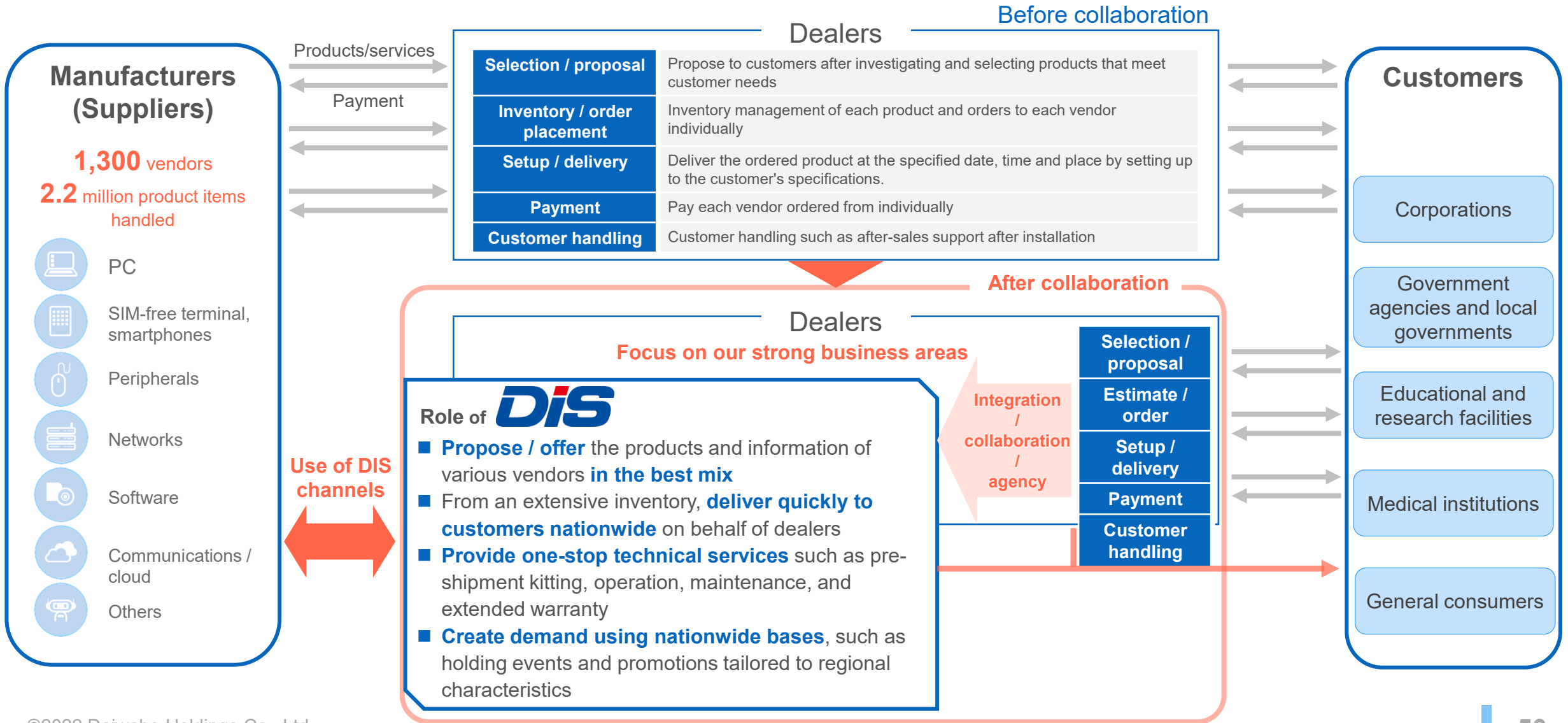


The Business Structure of IT Infrastructure Distribution Business



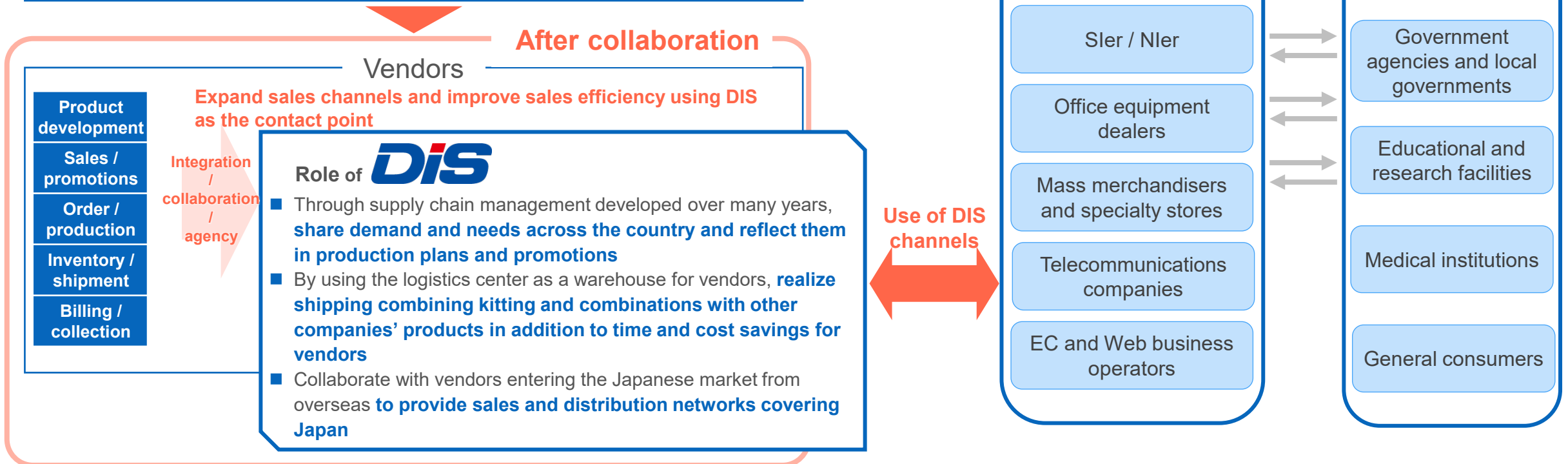
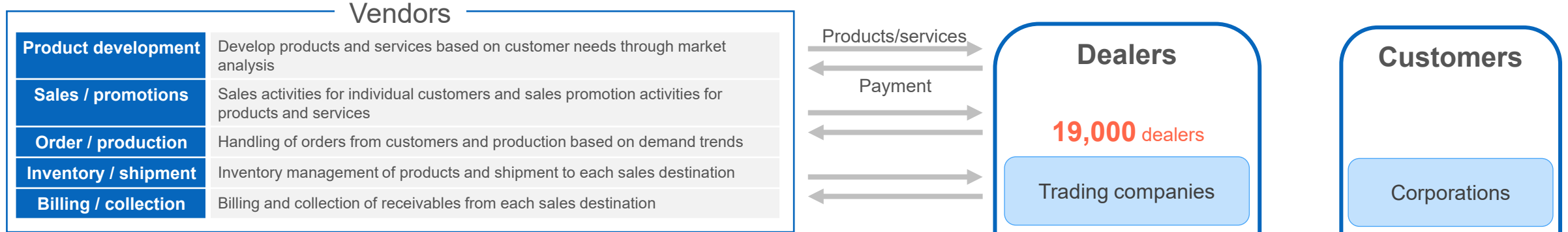
Value added by distributors

Dealers × **DIS**



Value added by distributors

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



Greater Efficiency of Distribution Centers

Kansai Center (Kobe City)

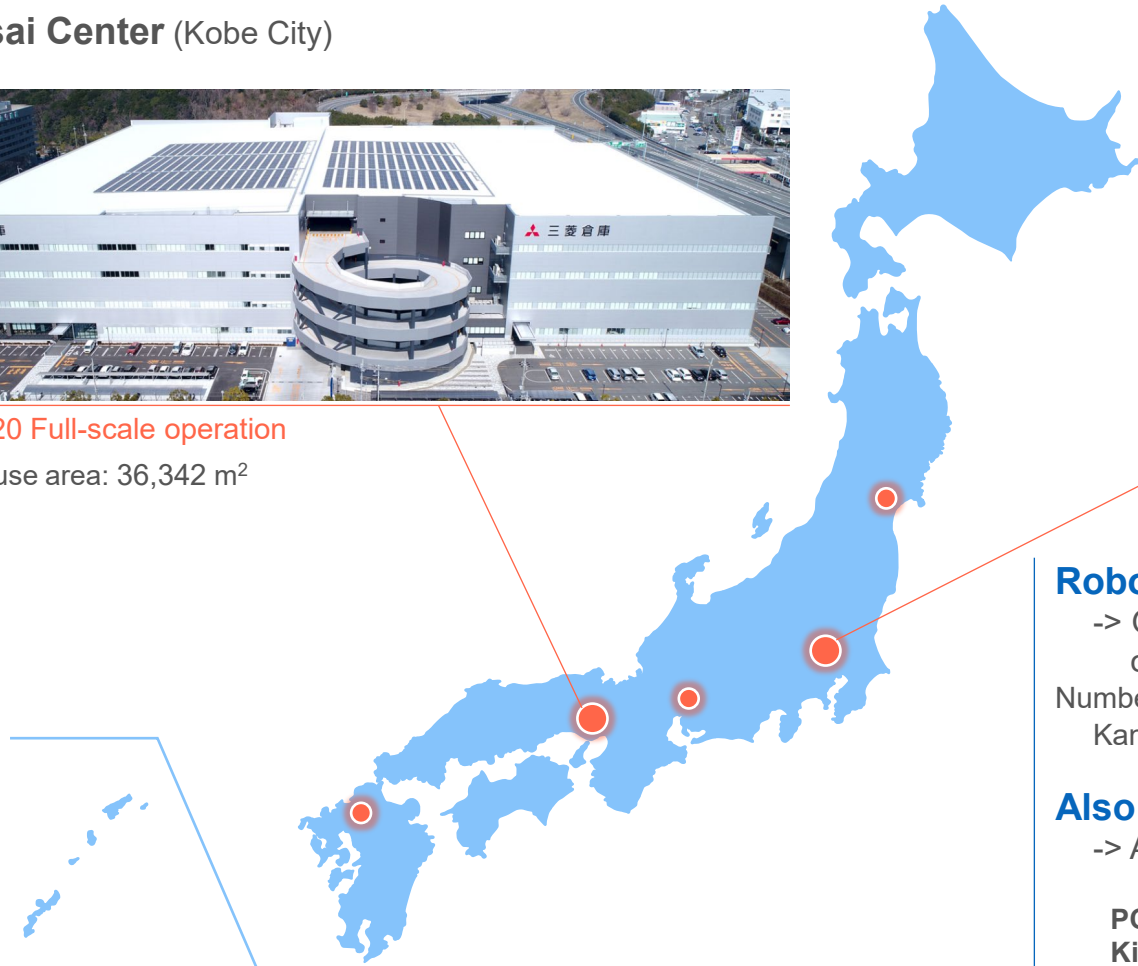


May 2020 Full-scale operation
Warehouse area: 36,342 m²

Kanto Central Center (Yoshimi Town, Saitama Prefecture)



June 2016 Full-scale operation
Warehouse area: 44,753 m²



Robotic storage system

-> Greater work efficiency and optimization of space

Number of robots operating
Kanto Central: **45**, Kansai: **30**

Also equipped with kitting centers

-> Arrival > work > quick handling for shipment

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

Truck booking acceptance system

-> Sharing of incoming and outgoing information and vehicle leveling



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

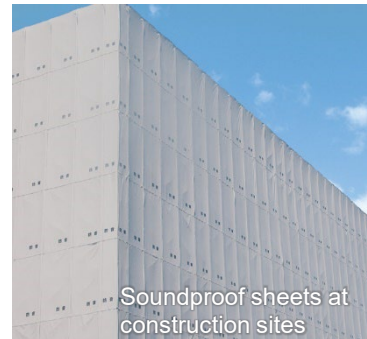
Fiber Business - Product Examples -

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 **7,500** units)
- ❑ Highly evaluated as "OM for vertical lathes" in Japan and overseas
- ❑ A machine that is used to cut a workpiece by attaching it to a horizontally rotating table. The table diameter ranges from 800 mm to 6,000 mm, and it can be used in a wide variety of production modes. Highly rigid, highly accurate and easy to operate, it is used as a mother machine in all fields including aircraft engine and wind power parts
- ❑ The picture on the left shows the "RT-915," a small general-purpose machine

Wheel lathes



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

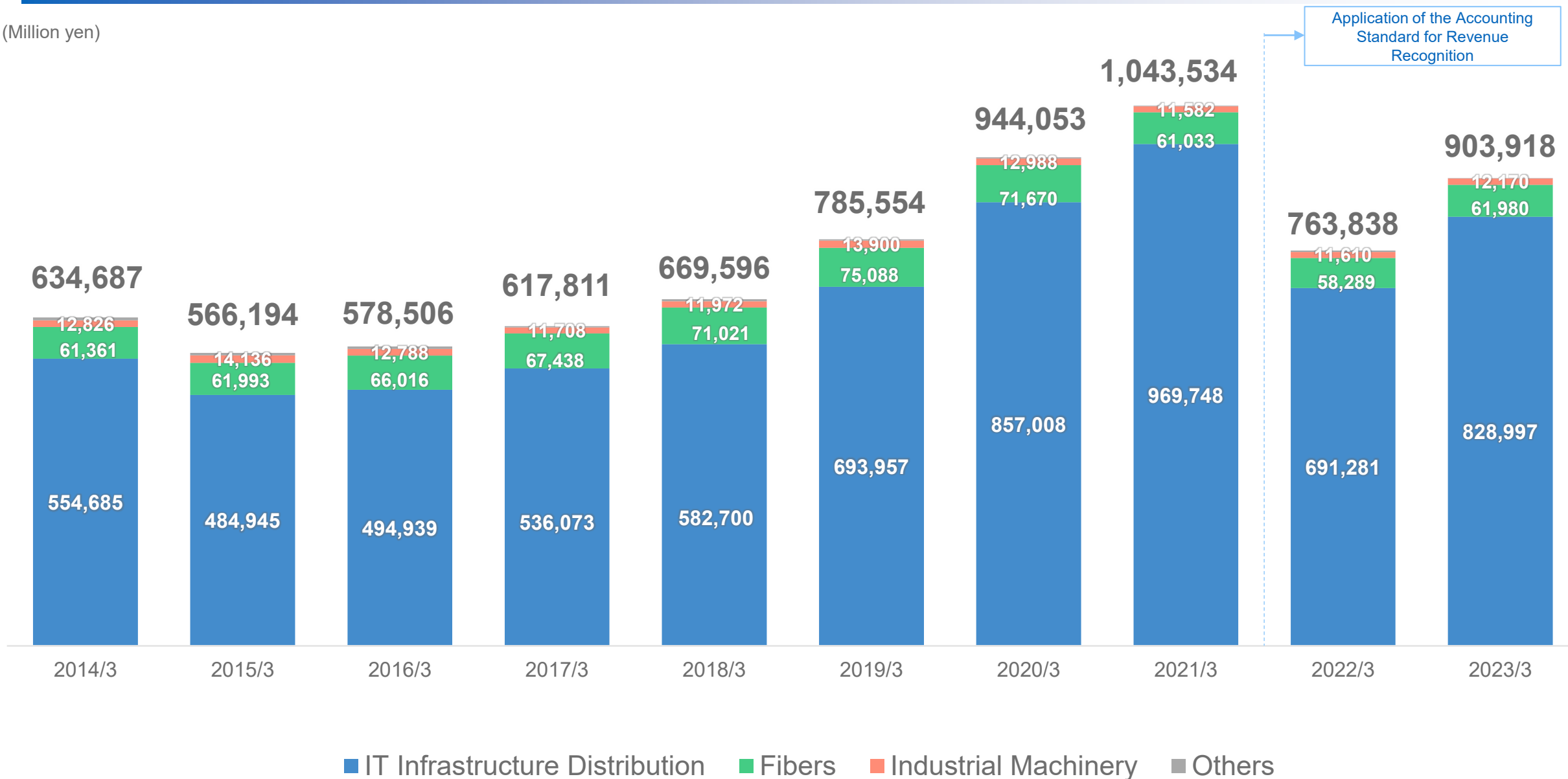
Automatic machinery



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

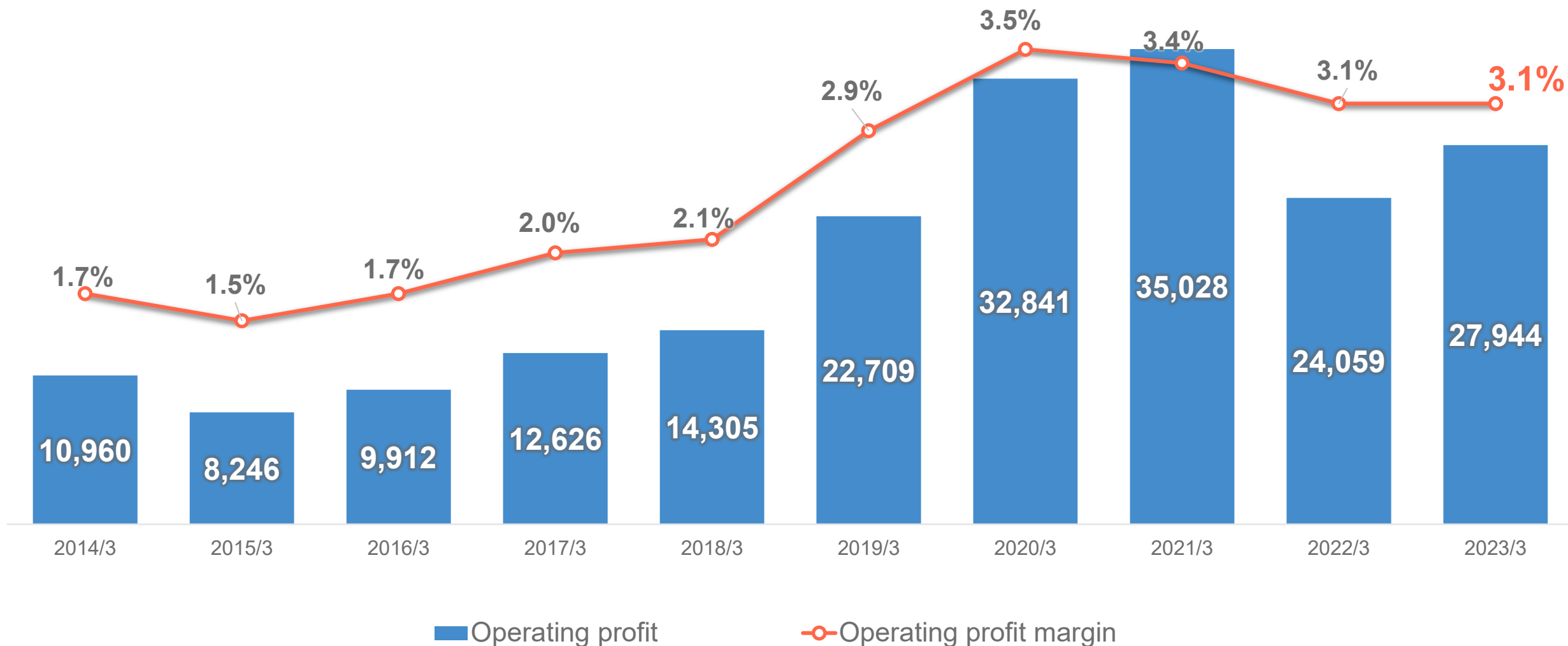
Consolidated net sales

(Million yen)



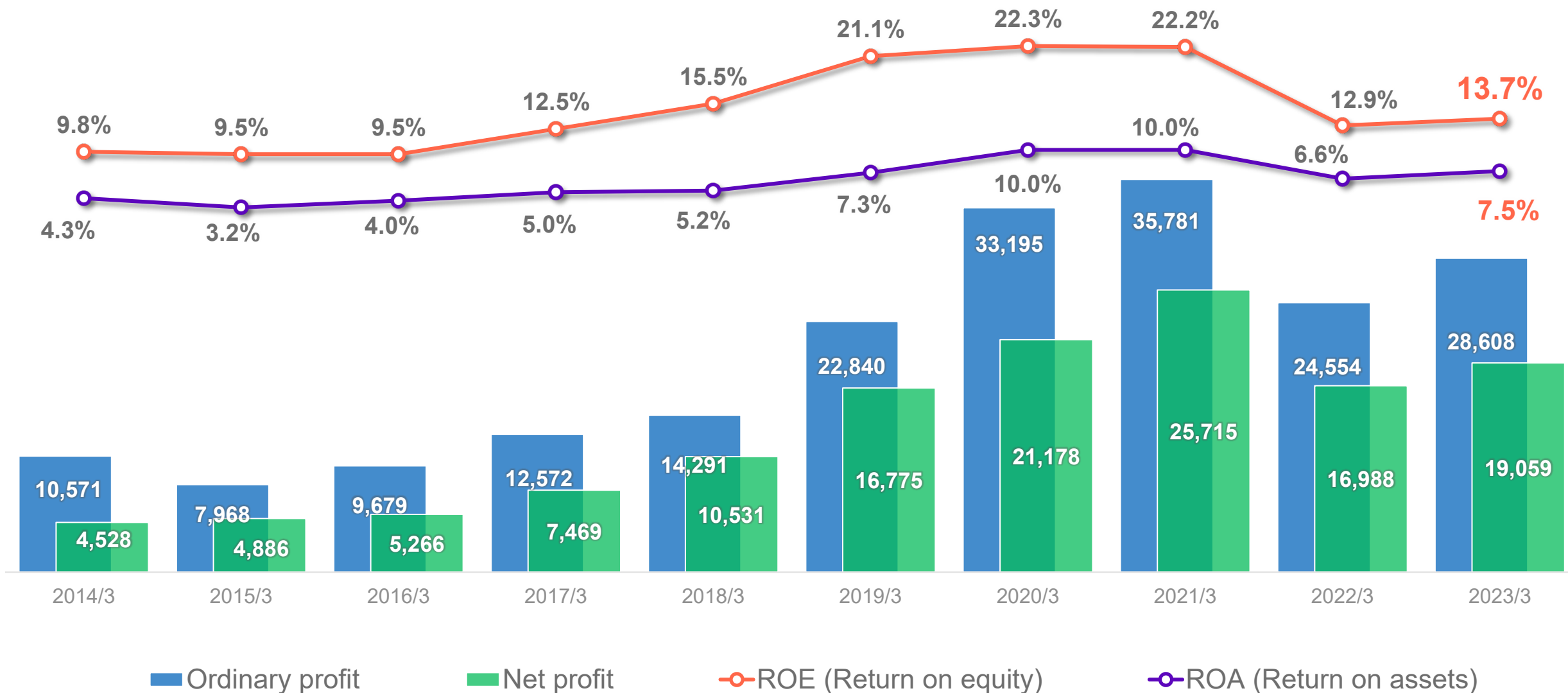
Consolidated operating profit

(Million yen)



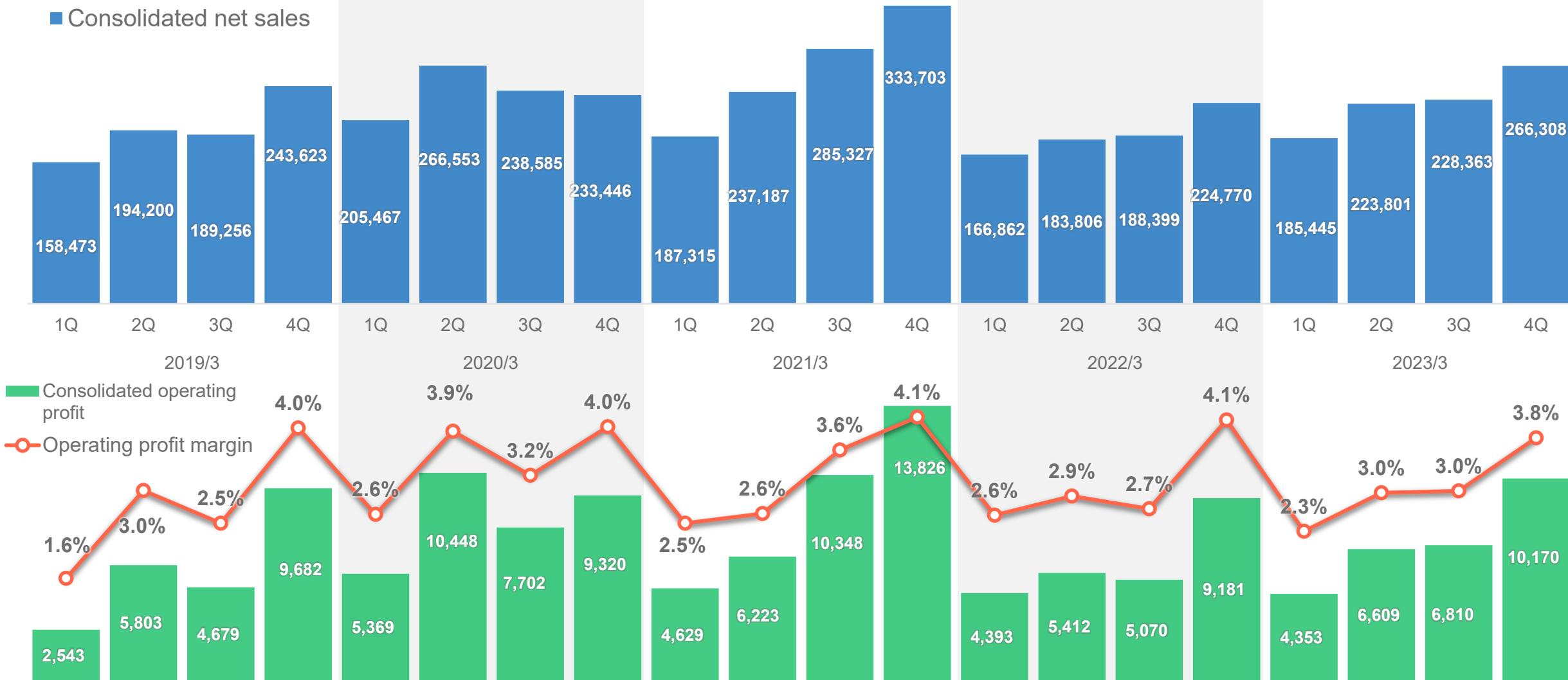
Consolidated Ordinary Profit and Consolidated Net Profit

(Million yen)



Quarterly Results

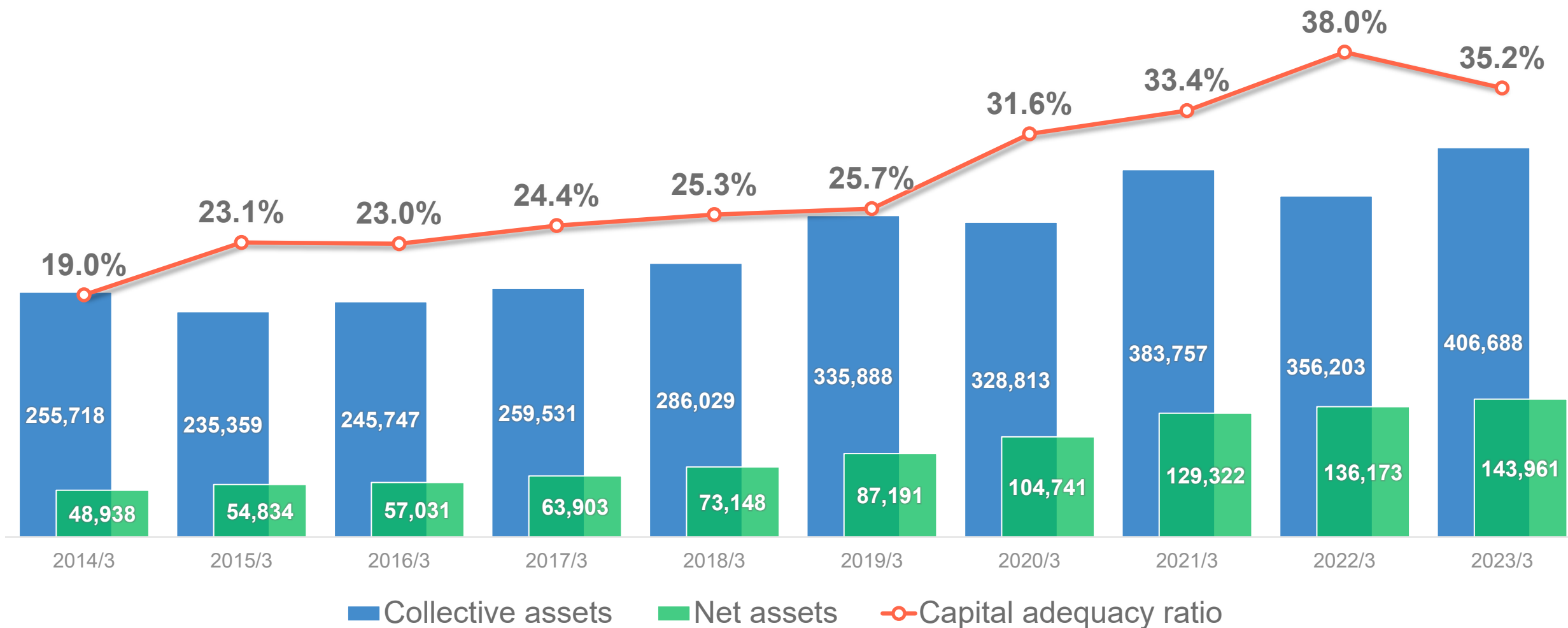
(Million yen)



Consolidated Total Assets, Consolidated Net Assets and Capital Adequacy Ratio

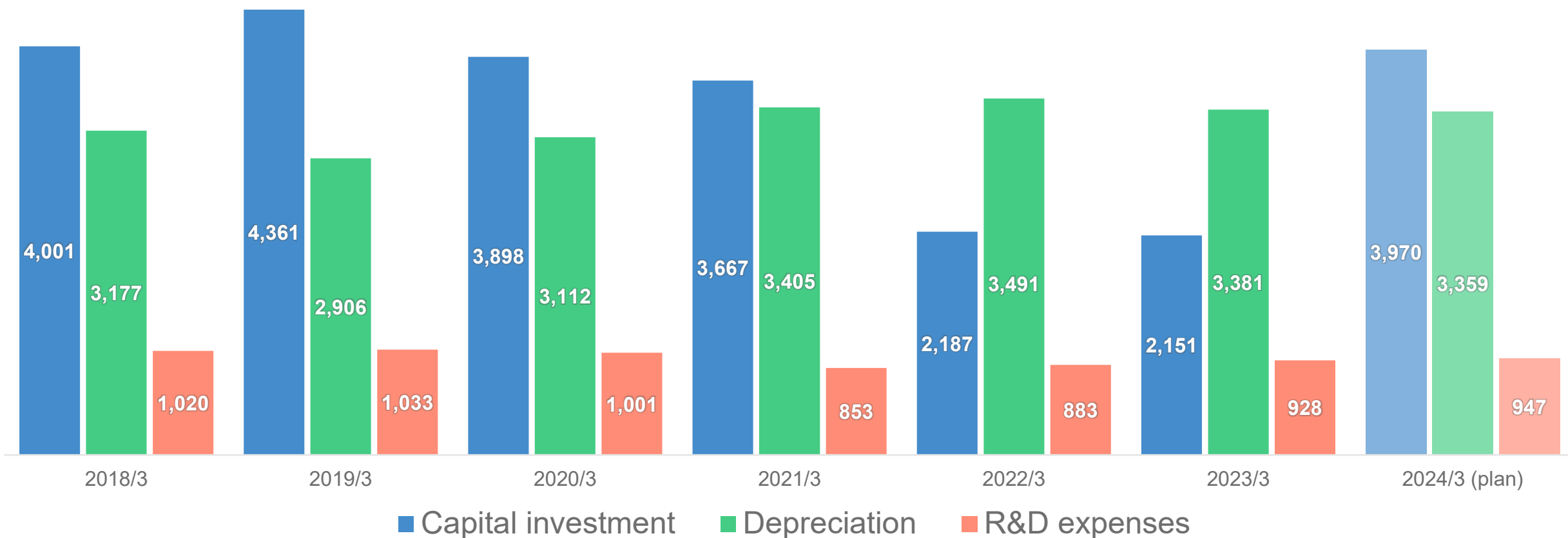


(Million yen)



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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