

1st Quarter of the Fiscal Year Ending March 2023 Financial Results Materials

August 5, 2022



Daiwabo Holdings Co., Ltd.

(Stock code: **3107**)

1st Quarter of the Fiscal Year Ending March 2023 (April 1, 2022 - June 30, 2022)

We demonstrated our strengths amid continuing supply shortages and achieved double-digit increase in revenue.

Consolidated profit was firm despite the impact of soaring raw material and fuel prices and foreign exchange rates.

IT Infrastructure Distribution Business

We promoted a shift to inventory products for companies and government offices and sales of PCs and network equipment were above the previous year's level. The number of contracts for subscription services also increased.

In the education market, the reactionary decline in demand following the GIGA school program eased, and results were unchanged from the previous year.

In the consumer market, although PC sales declined compared to the previous term, peripheral equipment made steady progress.

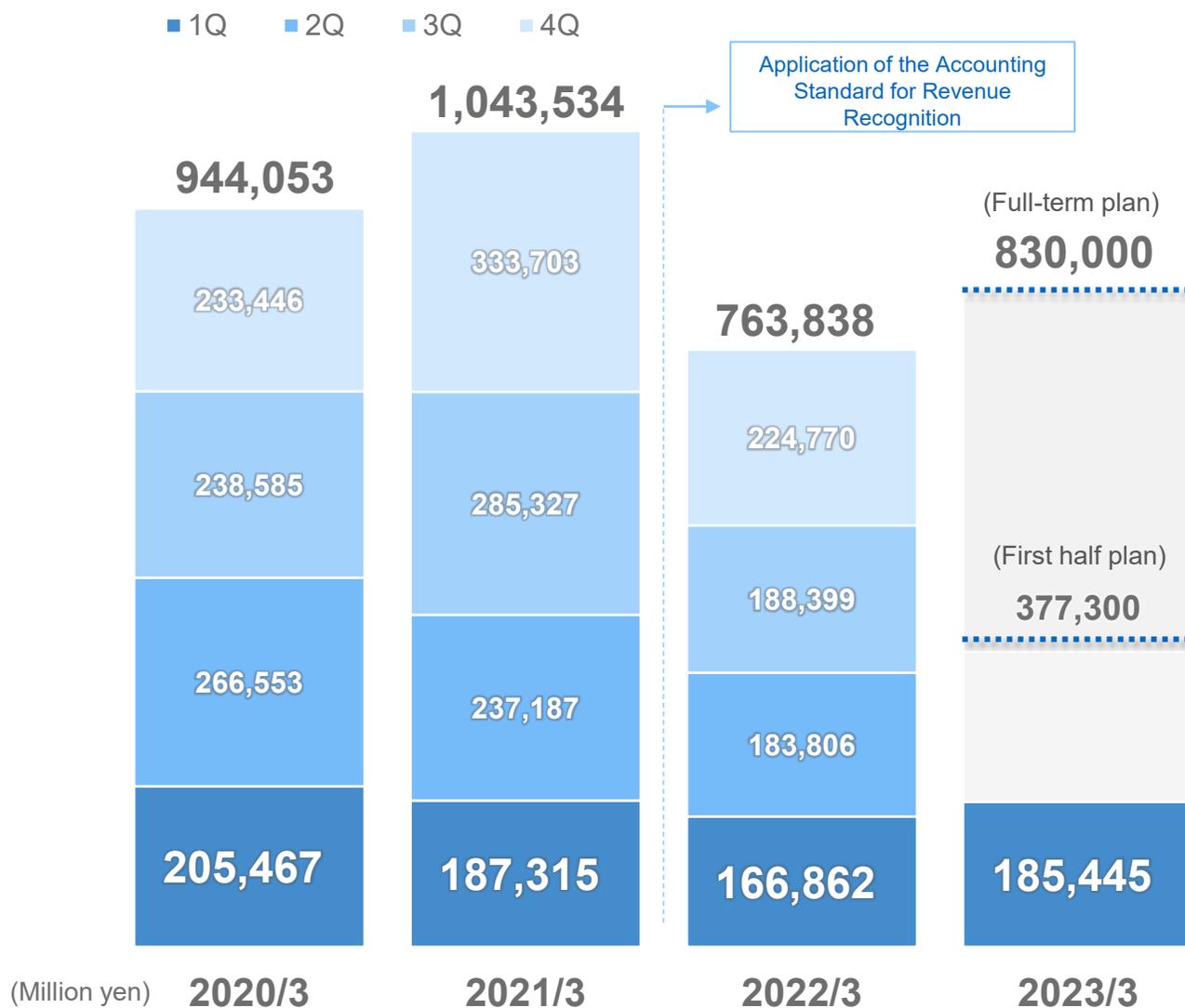
Fiber Business

Synthetic cotton for industrial applications and functional rayon, which has a low environmental impact, were strong, but sales of heavy cloth products, clothing, etc., continued to struggle, and profits declined due to soaring raw material and fuel prices and the rapidly weaker yen.

Industrial Machinery Business

The recovery of our core aircraft and railway-related business has been slow, but orders in strong industries like construction equipment, energy and semiconductors have tended to rise, and service sales have also increased.

Cumulative Net Sales for the 1st Quarter of the Fiscal Year Ending March 2023



Net sales **185,445** million yen
 Against the same period of the previous fiscal
 year + **11.1%**

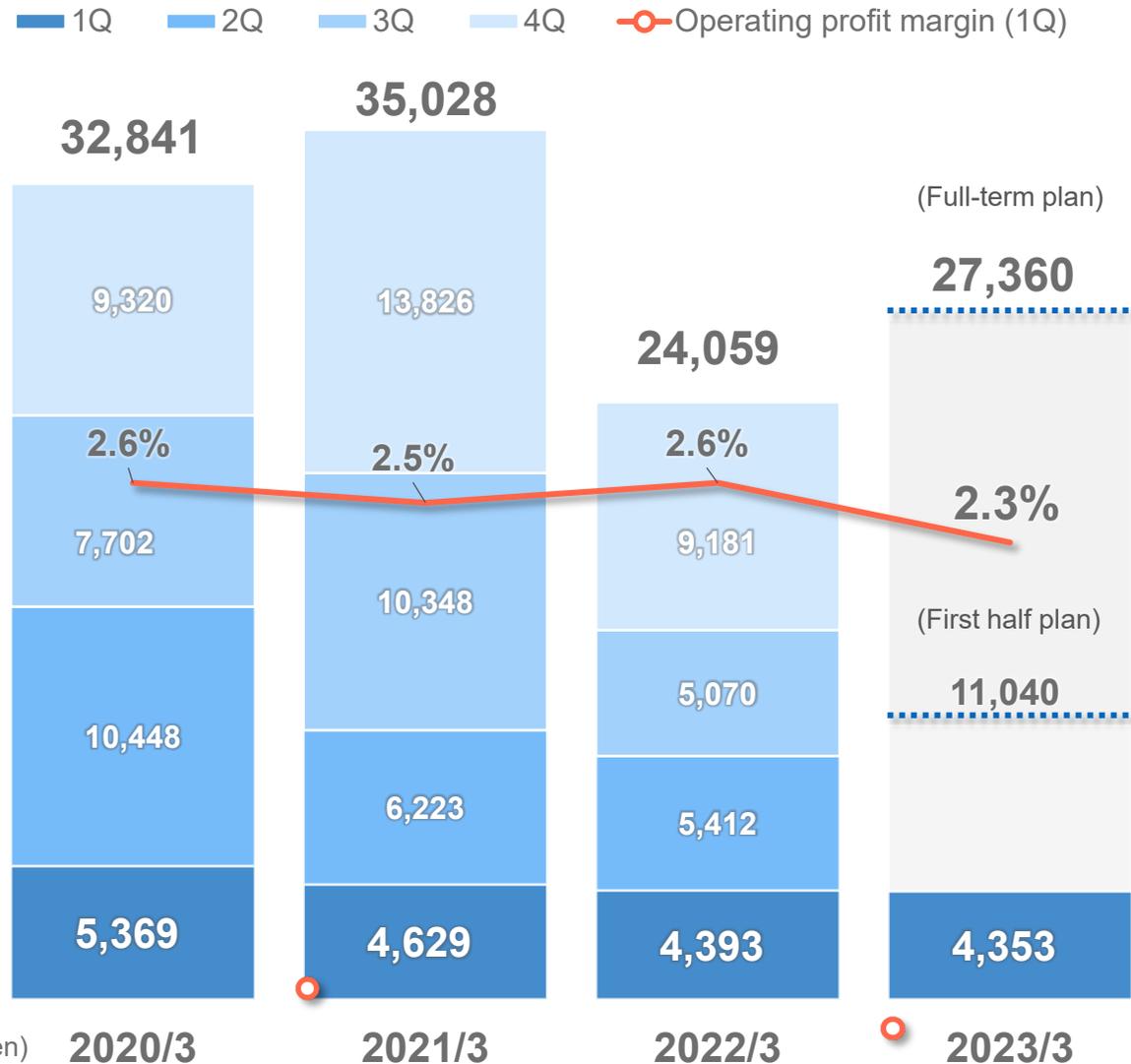
- ▶ Impact of the standard for revenue recognition **13,099** million yen

- ▶ Comparison under the previous standard + **7.8%**

First half progress rate **49.2%** / full-term progress rate **22.3%**

* See page 17 with regard to the application of the "Accounting Standard for Revenue Recognition"

Cumulative Operating Profit for the 1st Quarter of the Fiscal Year Ending March 2023



Operating profit **4,353** million yen

-0.9% against the same period of the previous fiscal year

Operating profit margin **2.3%**

First half progress rate **39.4%** / full-term progress rate **15.9%**

Summary of the Consolidated Settlement of Accounts for the Cumulative 1st Quarter of the Fiscal Year Ending March 2023



(Million yen)	2022/3 1Q	2023/3 1Q	Change	Compared to previous term	First half plan	Progress rate
Net sales	166,862	185,445	+18,582	+11.1%	377,300	49.2%
Operating profit	4,393	4,353	-39	-0.9%	11,040	39.4%
Ordinary profit	4,521	4,542	+21	+0.5%	11,100	40.9%
Quarterly profit attributable to owners of parent	3,114	3,146	+31	+1.0%	7,600	41.4%
Quarterly net profit per share (yen)	32.45	33.15				

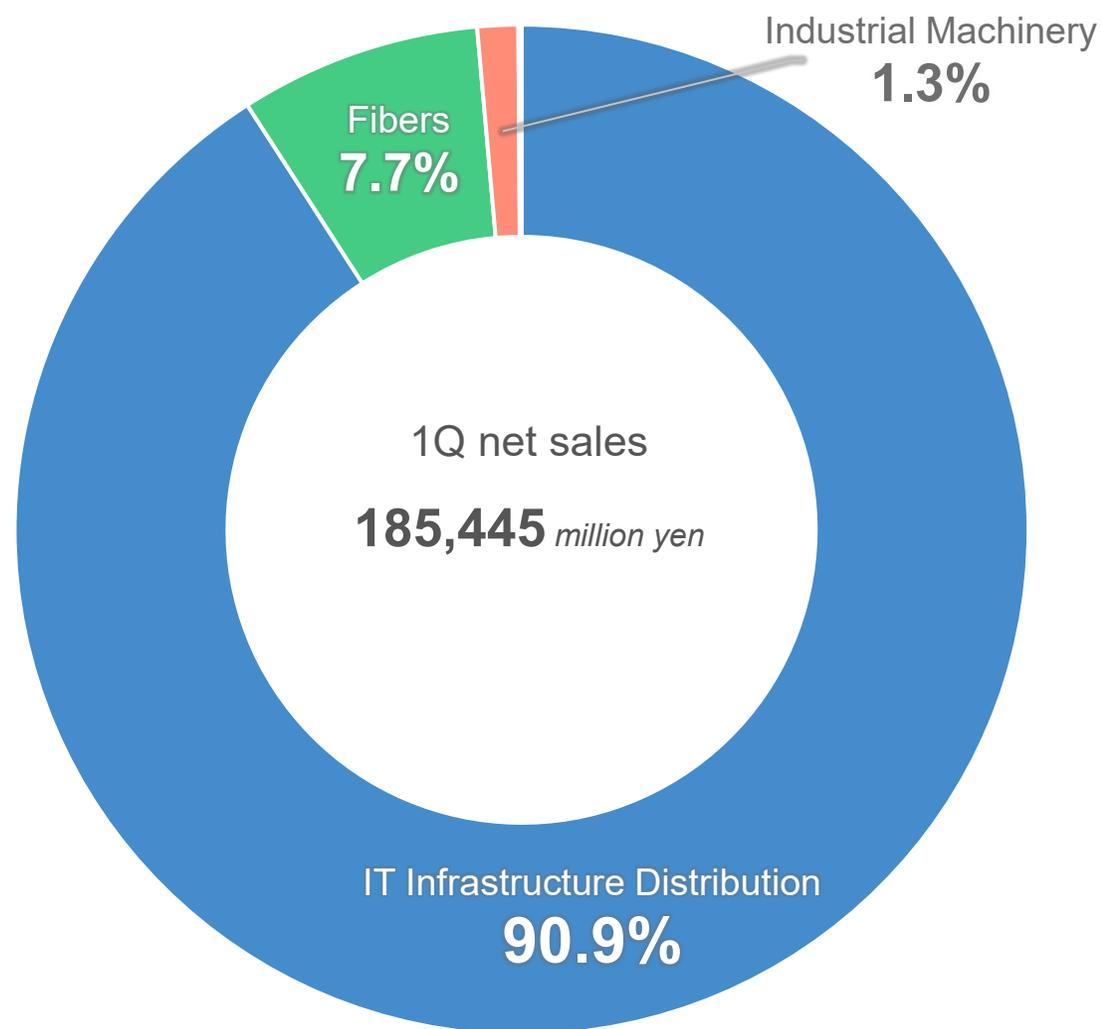
(Million yen)	2022/3	2022/6	Change	Major reasons for change
Collective assets	356,203	349,431	-6,772	Decrease in accounts receivables, etc.
Net assets	136,173	135,890	-282	Acquisition of treasury stock (-1,053)
Capital adequacy ratio	38.0%	38.6%		

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%

Operating Results by Segment for the Cumulative 1st Quarter of the Fiscal Year Ending March 2023

(Million yen)		2022/3 1Q	2023/3 1Q	Change	Compared to previous term
Net sales	IT Infrastructure Distribution	149,878	168,611	+18,732	+12.5%
	Fibers	14,460	14,250	-209	-1.5%
	Industrial Machinery	2,333	2,359	+25	+1.1%
	Others	190	224	+34	+18.1%
	Total	166,862	185,445	+18,582	+11.1%
Operating profit	IT Infrastructure Distribution	3,558	3,923	+364	+10.3%
	Fibers	729	244	-484	-66.4%
	Industrial Machinery	124	167	+43	+34.9%
	Others	-19	17	+37	-
	(Adjustment)	0	0		
Total	4,393	4,353	-39	-0.9%	



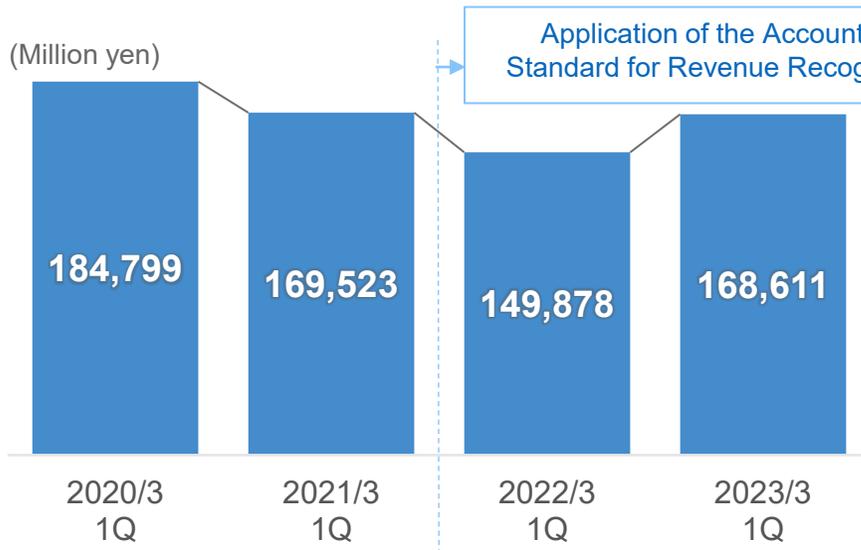
Percentage of net sales

	2022/3 1Q	2023/3 1Q
IT Infrastructure Distribution	89.8%	90.9%
Fibers	8.7%	7.7%
Industrial Machinery	1.4%	1.3%

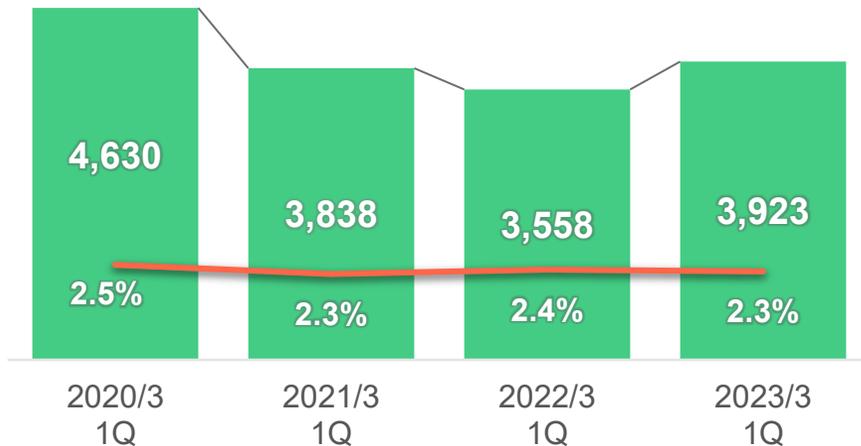
Percentage of operating profit

	2022/3 1Q	2023/3 1Q
IT Infrastructure Distribution	81.0%	90.1%
Fibers	16.6%	5.6%
Industrial Machinery	2.8%	3.8%

IT Infrastructure Distribution Business



■ Net sales ■ Operating profit ■ Operating profit margin



Transaction volume
under the old standard

* Net sales

181,710 million yen (+8.6% compared to previous term)

Net sales

168,611 million yen (+12.5% compared to previous term)

Operating profit

3,923 million yen (+10.3% compared to previous term)

Number of PCs shipped

614,000 units (-0.9% compared to previous term)

Number of servers shipped

11,000 units (-1.9% compared to previous term)

Subscription handling volume

21,083 million yen (+19.6% compared to previous term)

iKAZUCHI handling volume

4,709 million yen (+34.3% compared to previous term)

Review of the business

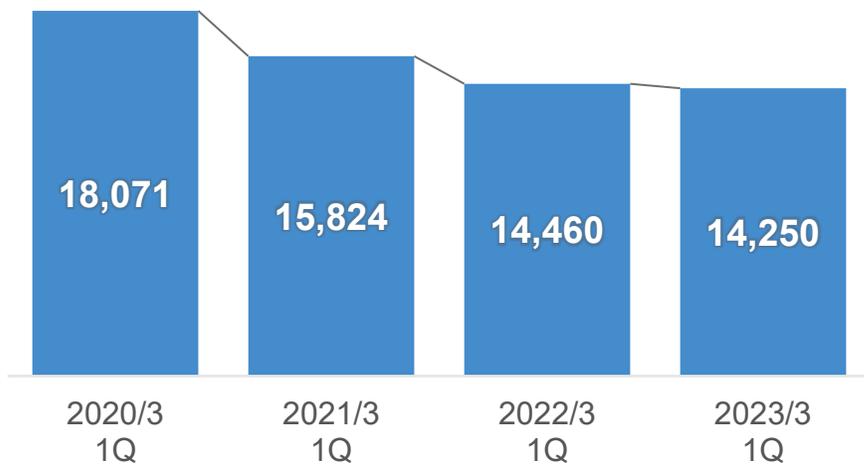
Corporate market

- For companies and government agencies, we promoted a switch to inventory products and sales of PCs and network equipment increased compared to the same period of the previous year. The number of contracts for subscription products also performed well, due to the building of the cloud environment we are focusing on and an increase in the use of services.
- In the education market, the reactionary decline in demand following the GIGA school program eased, and results were unchanged from the previous year.

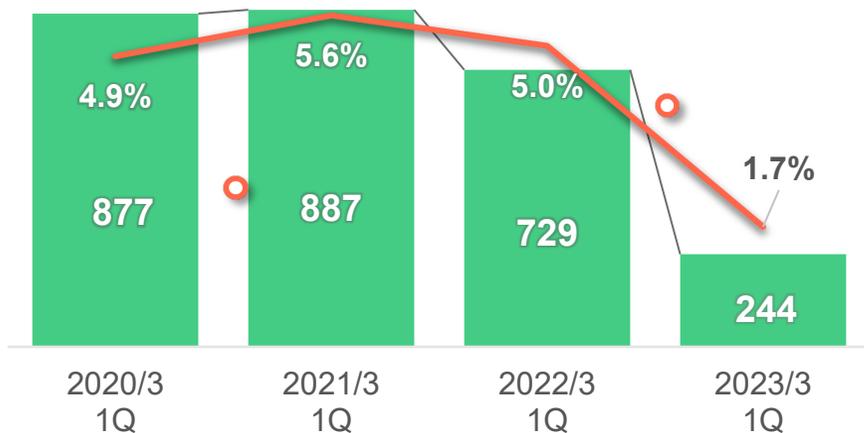
Consumer market

- Although PC sales declined compared to the previous term, peripheral equipment such as monitors and network equipment made steady progress.

(Million yen)



■ Net sales ■ Operating profit ■ Operating profit margin



Net sales

14,250 million yen (-1.5% compared to previous term)

Operating profit

244 million yen (-66.4% compared to previous term)

Review of the business

Synthetic Fibers and Rayon Divisions

- Although a rebound in demand for core raw cotton for sanitary materials and non-woven fabric for sterilization was apparent, sales of synthetic cotton for industrial applications and flame-proof / flame-retardant rayon materials for overseas markets performed well.

Industrial Material Division

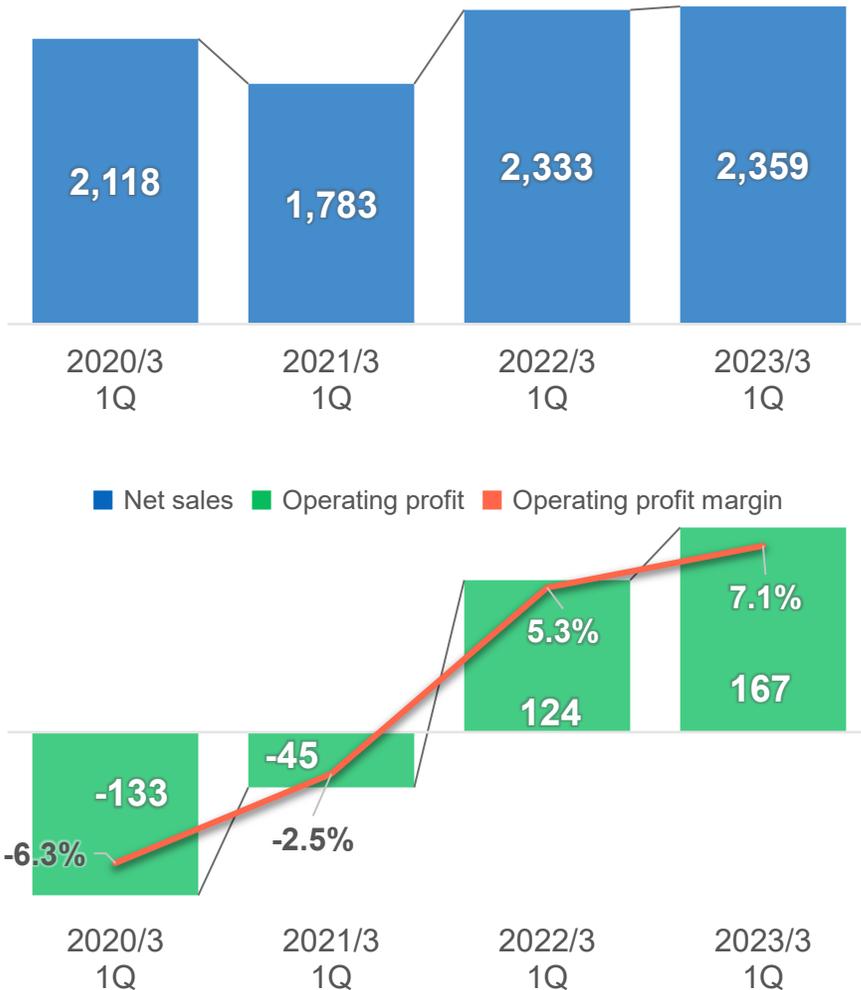
- Demand for cartridge filters for electronic component manufacturers is vigorous and sales of construction-related products are also increasing moderately. However, orders for heavy cloth-related products such as tents and canvas have not recovered.

Clothing Products Division

- Although clothing consumption has been picking up gradually, retail stores continue to be cautious over purchasing so sales were sluggish and we also struggled over profits.

Industrial Machinery Business

(Million yen)



Net sales

2,359 million yen (+1.1% compared to previous term)

Operating profit

167 million yen (+34.9% compared to previous term)

Review of the business

Machine Tools Division

- While total orders received from April to June as reported by the Japan Machine Tool Builders' Association increased 21.8% compared to the previous term, the recovery in core aircraft and railway-related sales was slow, but orders from the construction machinery and energy industries grew, and orders overall increased by 46.8% over the previous term.
- Both sales and profits increased due to increased shipments to the construction machinery, energy and semiconductor industries, and increased sales of services.

Automatic Machinery Division

- According to the Ministry of Economy, Trade and Industry's Current Survey of Production, while the amount of packaging machine production from January to April 2022 decreased by 15% compared to the previous term, the amount of orders received decreased by only 4.0% compared to the previous term.
- Both sales and profits decreased due to lower unit shipments compared to the same period of the previous year, partly due to the cautious stance of customers over capital investment.

Consolidated Balance Sheet for the 1st Quarter of the Fiscal Year Ending March 2023 (Summary of Accounts P3-4)



(Million yen)	2022/3	2022/6	Change		2022/3	2022/6	Change
Current assets	304,134	297,950	-6,184	Current liabilities	191,564	185,926	-5,638
Cash and deposits	46,963	52,433	+5,470	Notes payable and accounts payable	161,859	153,528	-8,330
Notes and accounts receivable	202,408	176,728	-25,680	Short-term loans payable	12,589	13,224	+635
Goods and products	38,478	48,744	+10,265	Non-current liabilities	28,465	27,614	-851
Property, plant and equipment	38,272	38,069	-202	Long-term loans payable	14,895	14,097	-797
Intangible fixed assets	2,462	2,389	-73	Total liabilities	220,030	213,540	-6,489
Investments and other assets	11,333	11,021	-312	Total net assets	136,173	135,890	-282
				Treasury stock	-2,123	-3,177	-1,053
Total assets	356,203	349,431	-6,772	Total liabilities and net assets	356,203	349,431	-6,772

Notes and accounts receivable	202,408	->	176,728	-25,680	Collection of DIS accounts receivable
Notes payable and accounts payable	161,859	->	153,528	-8,330	Decrease in DIS accounts payable
Total loans	27,484	->	27,322	-161	

Consolidated Profit Statement for the 1st Quarter of the Fiscal Year Ending March 2023 (Summary of Accounts P5)



(Million yen)	2022/3 1Q		2023/3 1Q		Change	Compared to previous term
	Results	Percentage	Results	Percentage		
Net sales	166,862		185,445		+18,582	+11.1%
Gross profit	14,465	8.7%	14,446	7.8%	-18	-0.1%
Selling, general and administrative expenses	10,071	6.0%	10,093	5.4%	+21	+0.2%
Operating profit	4,393	2.6%	4,353	2.3%	-39	-0.9%
Ordinary profit	4,521	2.7%	4,542	2.4%	+21	+0.5%
Extraordinary profit	97		44			
Extraordinary loss	0		0			
Quarterly profit attributable to owners of parent	3,114	1.9%	3,146	1.7%	+31	+1.0%

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

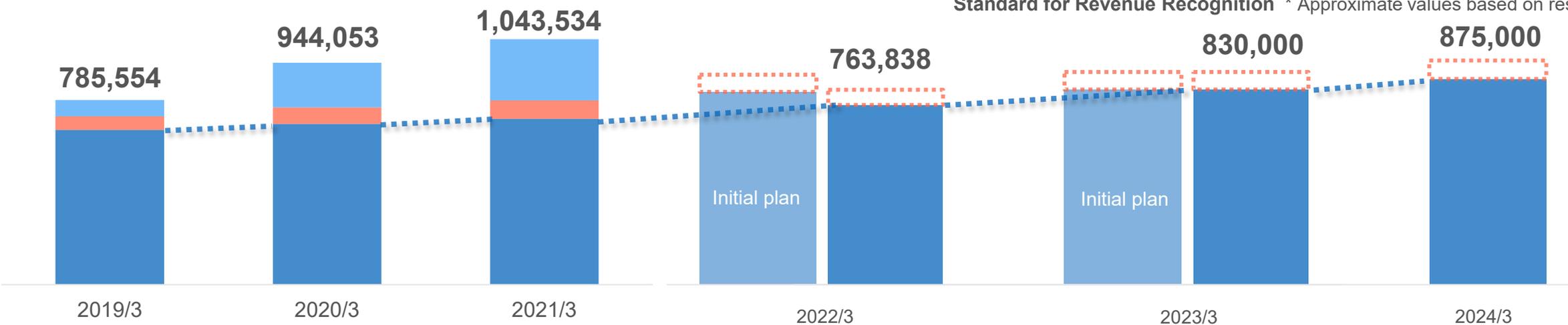
(Million yen)	2021/3		2022/3		2023/3		2024/3
	(Results)	(Initial plan)	(Results)	(Initial plan)	(Results forecast)	(Plan)	
Net sales	1,043,534	820,000	763,838	830,000	830,000	875,000	
Operating profit	35,028	28,500	24,059	28,600	27,360	31,400	
Operating profit margin	3.4%	3.5%	3.1%	3.5%	3.3%	3.6%	

< 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



Shareholder Return

Dividend per share

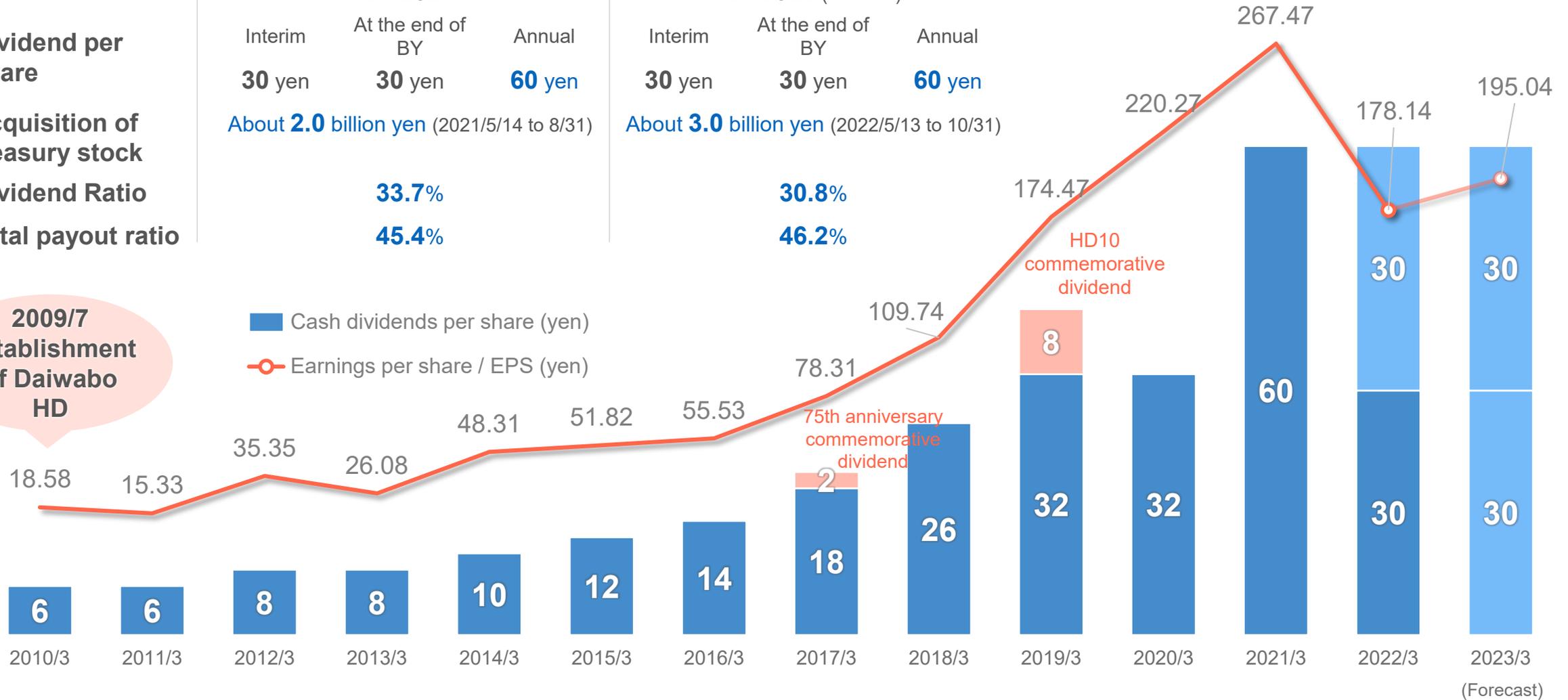
Acquisition of treasury stock

Dividend Ratio

Total payout ratio

	BY2021			BY2022 (forecast)		
	Interim	At the end of BY	Annual	Interim	At the end of BY	Annual
Dividend per share	30 yen	30 yen	60 yen	30 yen	30 yen	60 yen
Acquisition of treasury stock	About 2.0 billion yen (2021/5/14 to 8/31)			About 3.0 billion yen (2022/5/13 to 10/31)		
Dividend Ratio	33.7%			30.8%		
Total payout ratio	45.4%			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.



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 on June 24, 2022 (overview)



Scheduled for disclosure from next term

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

Materiality formulation

Daiwabo Sustainable Action 2022



Linking to action items after formulation of 5 categories and 16 items

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

[References]

- Impact of the Standard for Revenue Recognition
- Charts for Performance Trend

Application of the Accounting Standard for Revenue Recognition

We have applied Accounting Standard No. 29, “**Accounting Standard for Revenue Recognition**” from the fiscal year ended March 2022, and have mainly changed the sales recording method for some transactions of IT Infrastructure Distribution Business.

		2022/3 (result)	2023/3 (forecast)	Change
<i>(Approximate estimates: billion yen)</i>				
Net sales	[1] Old standard	828.7	891.0	+62.2 +7.5%
	[2] New standard	763.8	830.0	+66.1 +8.7%
	[2] - [1]	-6.48	-6.10	
Operating profit		24.0	27.3	+3.3 +13.7%
Operating profit margin	[1] Old standard	2.9%	3.1%	
	[2] New standard	3.1%	3.3%	

< 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)



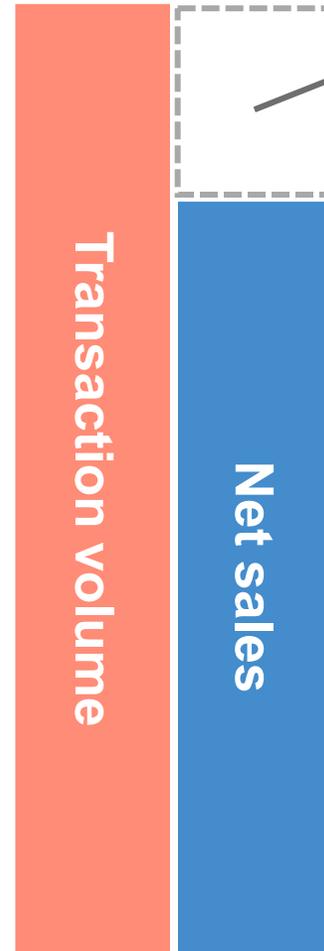
[New standard]: Record sale of the **net amount** of sales consideration (A-B)



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

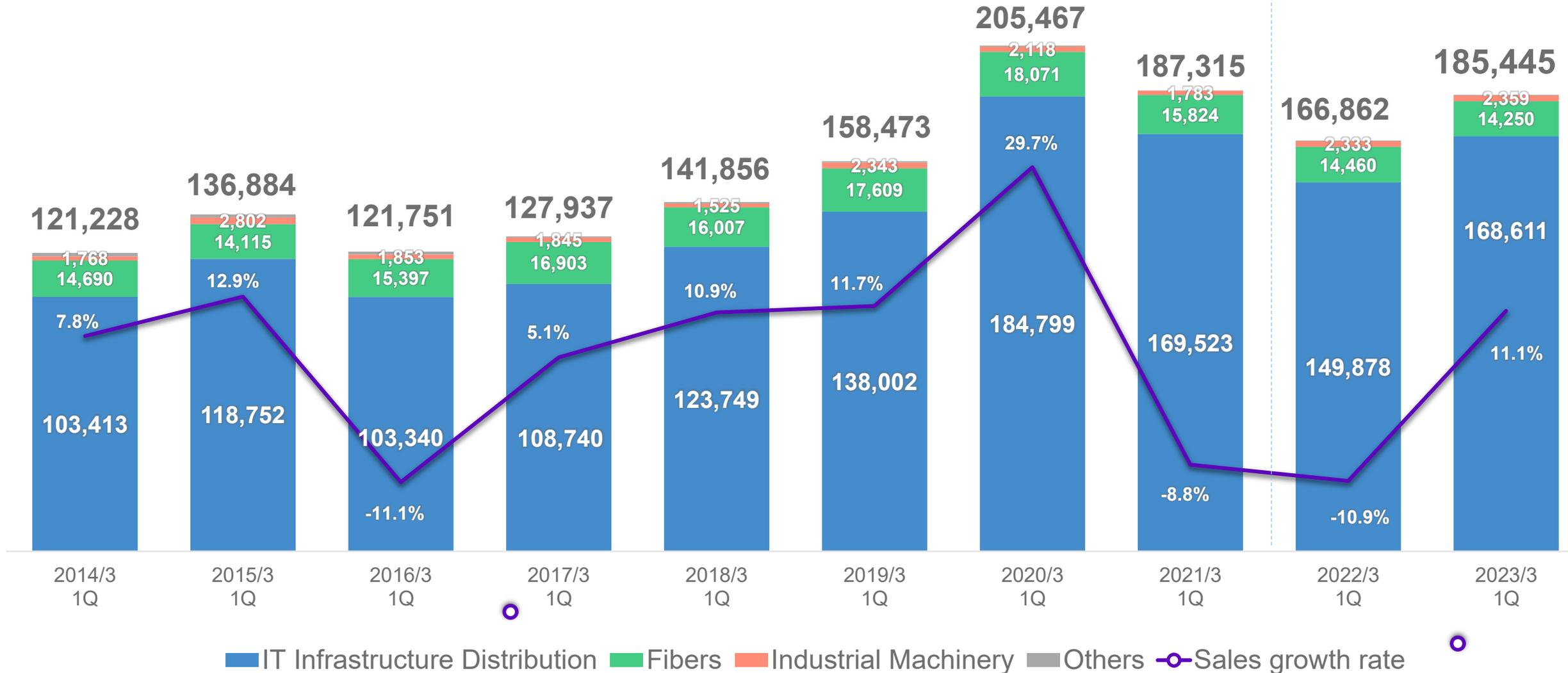
Net Sales

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

Consolidated Net Sales (1Q Cumulative)

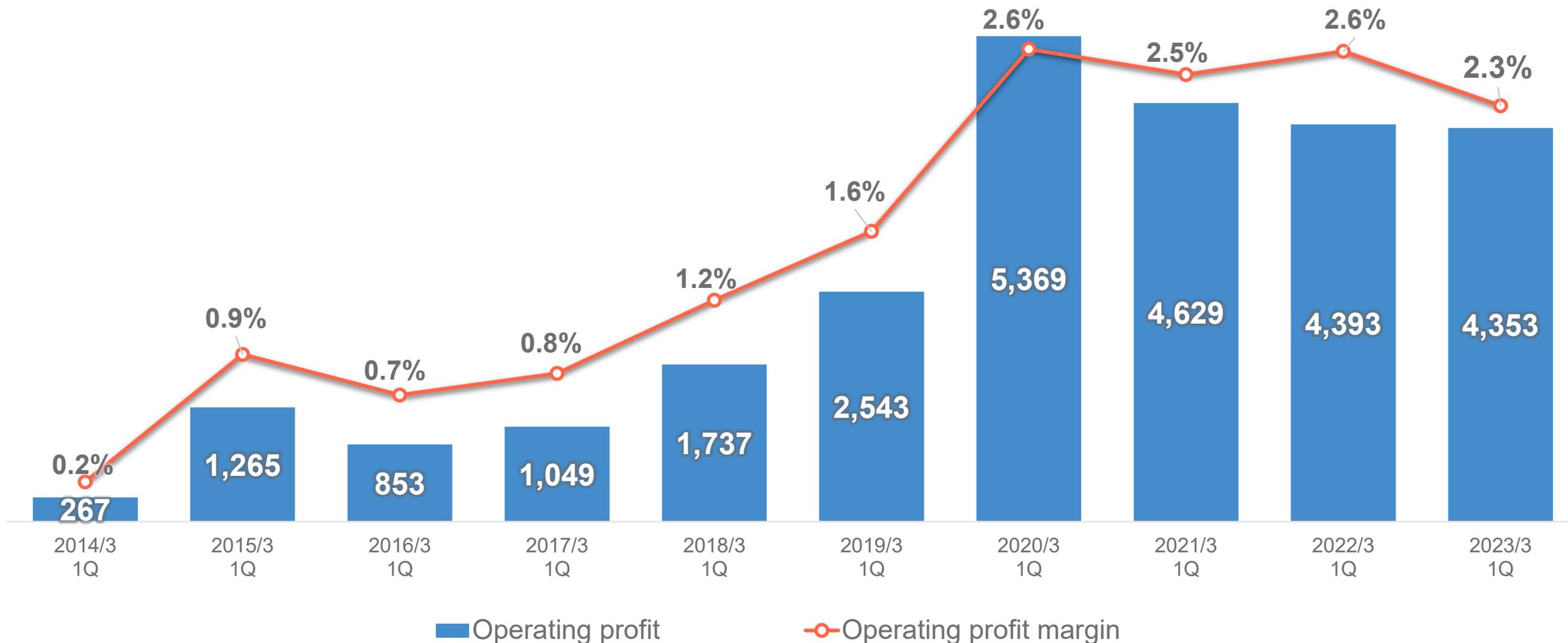
(Million yen)

Application of the Accounting Standard for Revenue Recognition



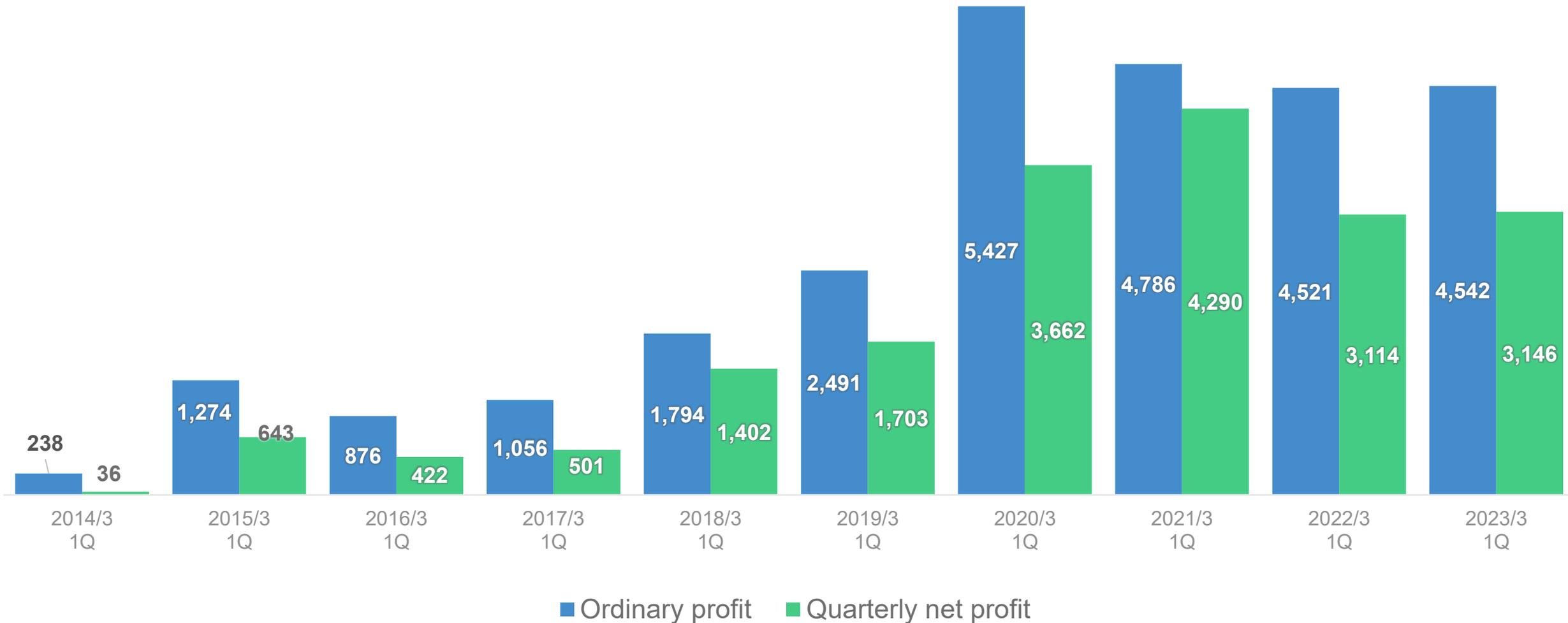
Consolidated Operating Profit (1Q Cumulative)

(Million yen)



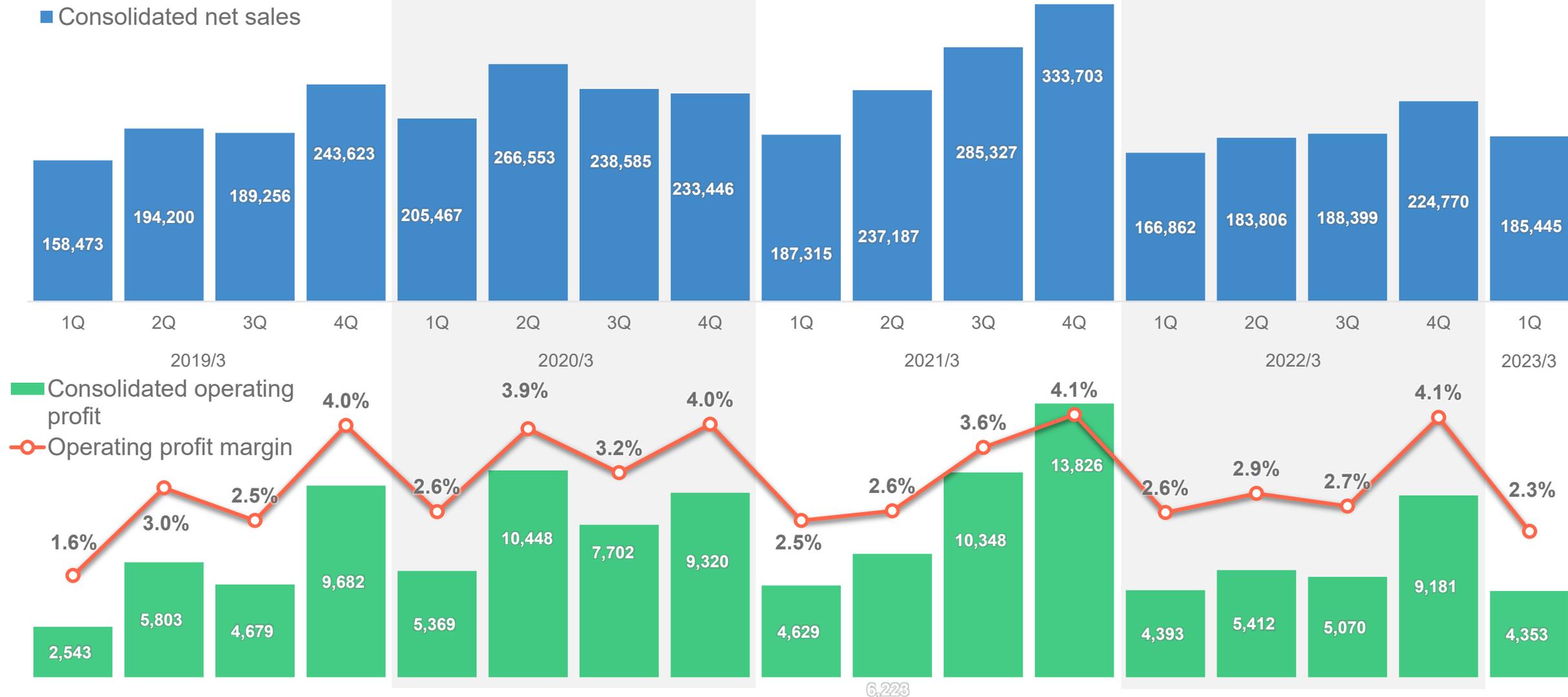
Consolidated Ordinary Profit and Consolidated Quarterly Net Profit (1Q Cumulative)

(Million yen)



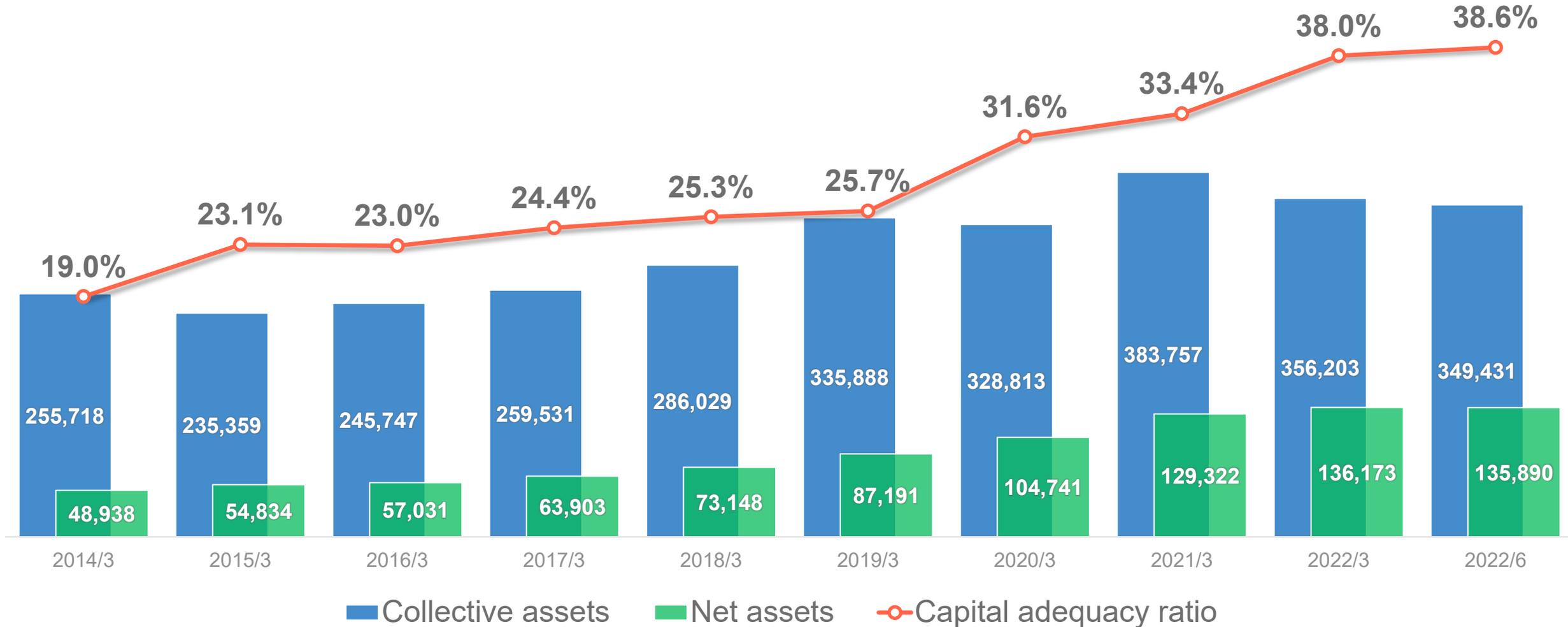
Quarterly Results

(Million yen)



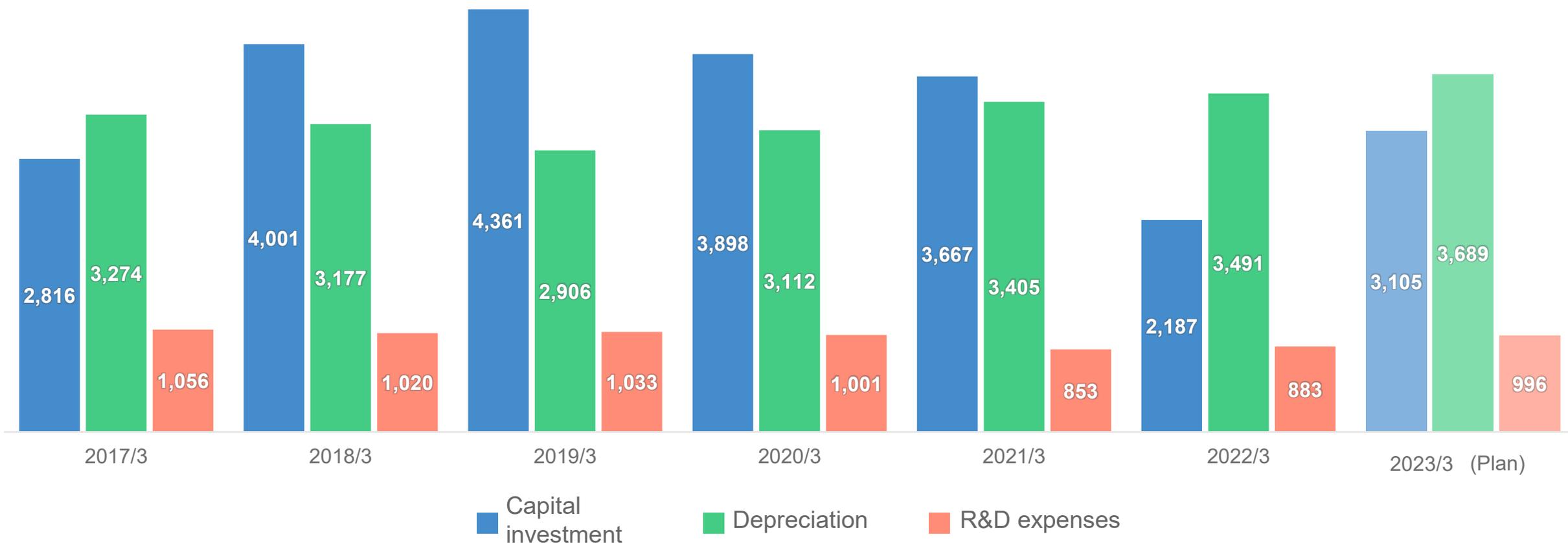
Consolidated Total Assets, Consolidated Net Assets and Capital Adequacy Ratio

(Million yen)



Capital Investment, Depreciation and R&D Expenses

(Million yen)



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



Daiwabo Holdings Co.,Ltd.

[Disclaimer]

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

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