

Fiscal Year Ended March 2024 Financial Results and Medium-Term Management Plan

May 9, 2024



Daiwabo Holdings Co., Ltd.

(Stock code: **3107**)

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Settlement of Accounts for the Fiscal Year Ended March 2024

Independence of Fiber Business

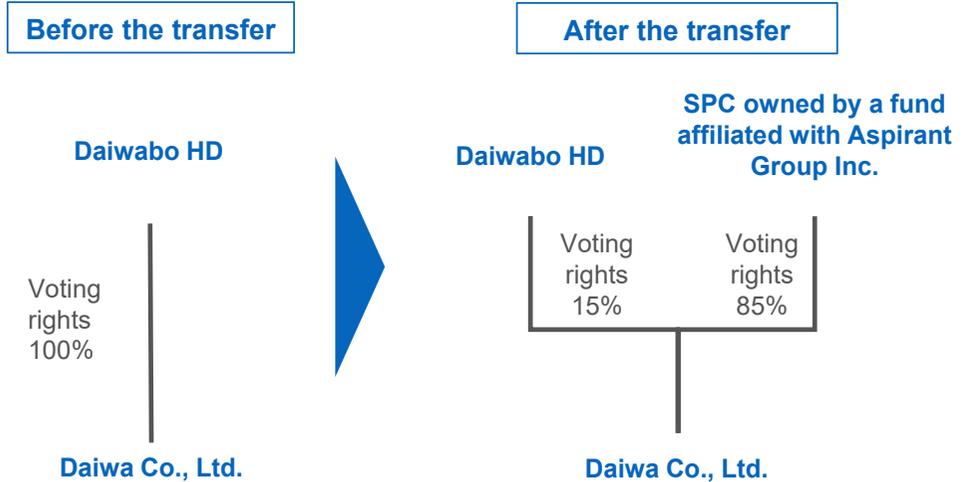
May 15, 2023: Our Company announced Considerations for the Business Portfolio (Independence of Fiber Business).
 November 22, 2023: Our Company resolved to transfer 85% of its shares in Daiwabo Co., Ltd. to Aspirant Group Inc.
 March 27, 2024: The share transfer was completed.

Summary of transfer of shares in Daiwabo Co., Ltd.

Outline of Daiwabo's Business	<ul style="list-style-type: none"> ■ Manufacture, processing and sales of fiber products ■ Controlling business activities by holding shares in operating companies
Consolidated financial summary* (March, 2023)	<ul style="list-style-type: none"> ■ Net sales: ¥62.7 billion ■ Operating income: ¥ 1.3 billion ■ Total assets: ¥63.1 billion ■ Net assets: ¥32.5 billion
Transferee	<ul style="list-style-type: none"> ■ Aspirant Group SPC No.11 (SPC whose all outstanding shares owned by Aspirant Group Inc.)
Transfer price	<ul style="list-style-type: none"> ■ ¥9.18 billion (Equivalent to 85% of the stock value of ¥10.8 billion) ■ The transfer price is based on an corporate value of ¥24.8 billion and takes into account working capital, interest-bearing liabilities, and other assets and liabilities, etc., as well as the amount of capital investment that the Aspirant Group plans to contribute to achieve sustainable growth for Daiwabo Co., Ltd.
Completion of transfer	<ul style="list-style-type: none"> ■ March 27, 2024

*Financial figures on a consolidated basis managed by Daiwabo Co., Ltd. are provided for reference only, as the consolidated financial statements have not been prepared through an external accounting audit.

Capital structure after the transfer



We plan to continue to hold 15% of the voting rights for Daiwa Co., Ltd. for the time being as a period of cooperation with the aim of having a smooth transition, while maintaining certain relationships with its existing business partners, employees, and other stakeholders.

Fiscal year ended March 2024 (April 1, 2023 - March 31, 2024)

Both net sales and profit grew as IT Infrastructure Distribution Business constantly captured IT investment demand for companies and government offices

IT Infrastructure Distribution Business

- PC demand rose in the fourth quarter, and the number of units sold surpassed that of the previous fiscal year
- The results were expanded by stepping up proposals for cloud services through iKAZUCHI
- We acquired orders for medium to large IT investment projects stably from companies and government offices.

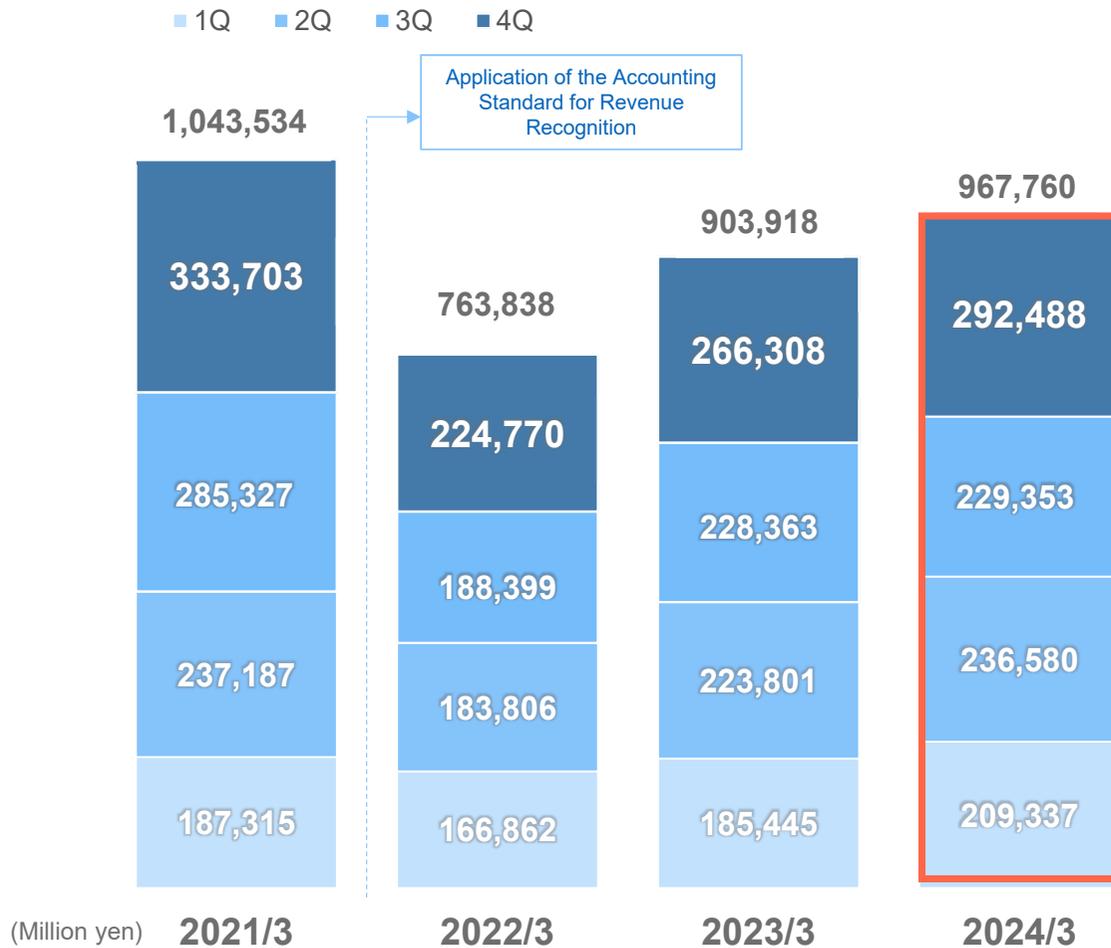
Fiber Business

- Profit increased year on year partly due to higher sales of antiperspirant sheets and cosmetic products and improved earnings of clothing products amid lower demand for cotton for use as hygiene materials and other main products and continuing high prices of raw materials and fuel
- The business became independent from the Group by the transfer of shares in Daiwa Co., Ltd on March 27, 2024

Industrial Machinery Business

- The energy industry, in which there is demand for wind power generation and highly efficient turbines, recovered. Demand for small engines for the aircraft industry picked up. Orders received for the Chinese market slowed down

Net Sales for the Fiscal Year Ended March 2024



Net sales **967,760** million yen

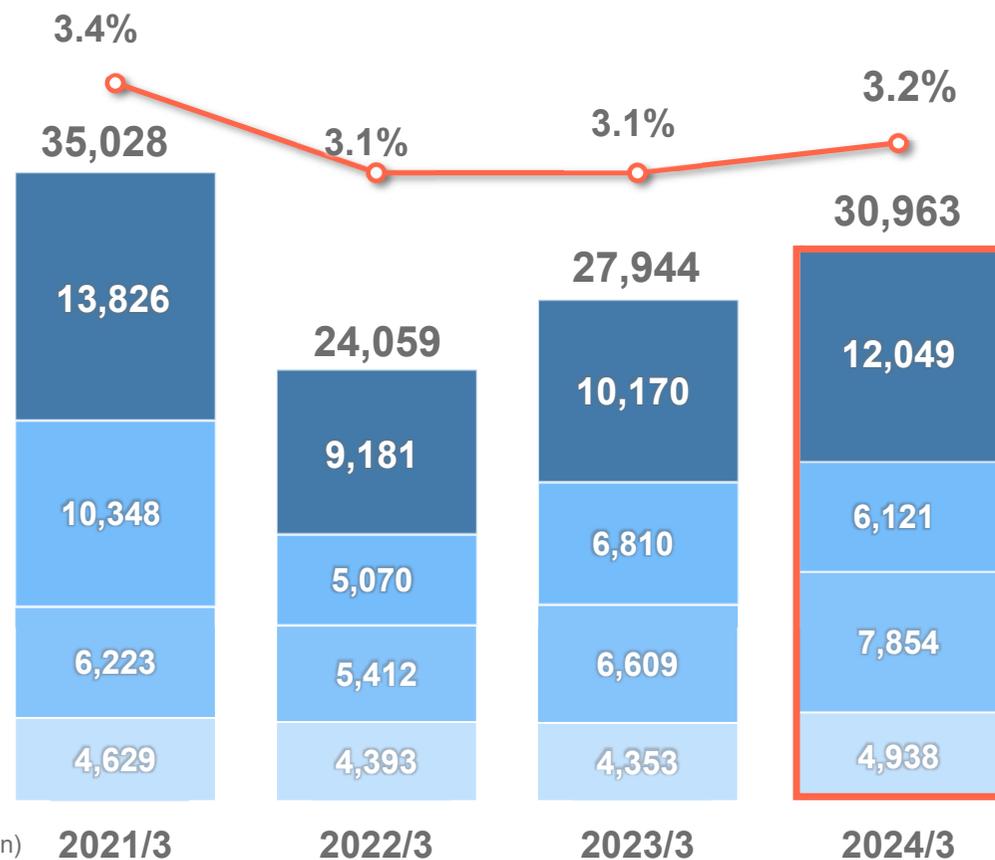
+7.1% against the previous fiscal year
(announced on March 28)

+0.6% against the results forecast (announced on March 28)

Second highest level on our record

Operating Income for the Fiscal Year Ended March 2024

1Q 2Q 3Q 4Q Operating income margin



Operating income **30,963** million yen

+ **10.8%** against the previous fiscal year

Operating income margin **3.2%**

+ **4.3%** against the results forecast (announced on March 28)

Third highest level on our record

(Million yen) **2021/3**

2022/3

2023/3

2024/3

Consolidated Operating Results for the Fiscal Year Ended March 2024



(Million yen)	2023/3	2024/3	Change	Compared to previous term	Results forecast (Revised on March 28)	Compared to results forecast	Plan at the beginning of the term	Compared to plan
Net sales	903,918	967,760	+63,841	+7.1%	962,000	+0.6%	950,000	+1.9%
Operating income	27,944	30,963	+3,019	+10.8%	29,700	+4.3%	30,700	+0.9%
Ordinary income	28,608	31,431	+2,823	+9.9%	30,000	+4.8%	31,000	+1.4%
Net profit attributable to owners of parent	19,059	4,283	(14,776)	(77.5%)	2,600	+64.7%	20,420	(79.0%)
Net earnings per share (yen)	202.79	45.82	(156.96)	(77.4%)	27.82	+64.7%	217.26	(78.9%)

	2023/3	2024/3
Return on equity (ROE)	13.7%	3.0%
Return on assets (ROA)	7.5%	7.7%
Operating income margin	3.1%	3.2%

Consolidated Financial Situation and Cash Flows During the Fiscal Year Ended March 2024



(Million yen)	2023/3	2024/3	Change	Major reasons for change
Total assets	406,688	405,256	(1,431)	Decrease in fixed assets in Fiber Business
Net assets	143,961	142,133	(1,828)	Decrease in retained earnings of Fiber Business
Equity capital ratio	35.2%	35.0%	(0.1%)	
Net assets per share (yen)	1,529.95	1,518.56	(11.39)	

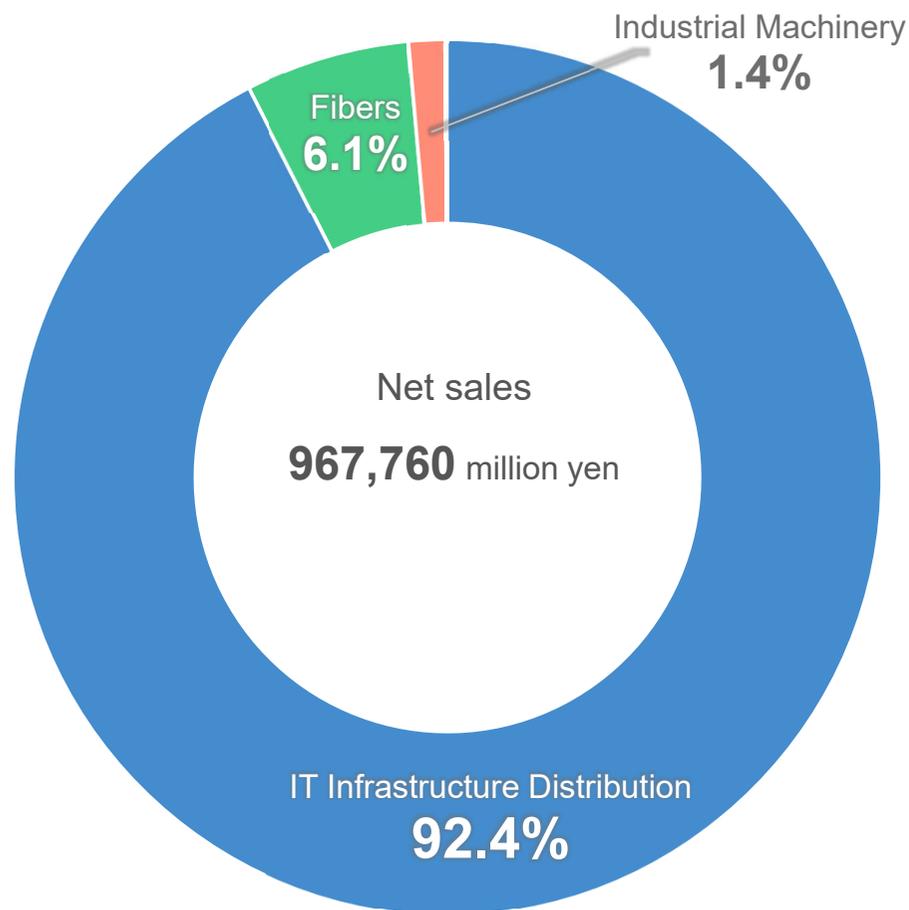
(Million yen)	2023/3	2024/3
Cash flows from operating activities	16,958	24,544
Cash flows from investing activities	(1,628)	(4,946)
Cash flows from financing activities	(10,335)	(2,856)
Balance of cash and cash equivalents at end of FY	51,923	69,172

Operating Results by Segment for the Fiscal Year Ended March 2024



(Million yen)		2023/3	2024/3	Change	Compared to previous term
Net sales	IT Infrastructure Distribution	828,997	894,693	+65,696	+7.9%
	Fibers	61,980	59,210	(2,770)	(4.5%)
	Industrial Machinery	12,170	13,213	+1,043	+8.6%
	Others	770	642	(127)	(16.6%)
	Total	903,918	967,760	+63,841	+7.1%
Operating income	IT Infrastructure Distribution	25,394	28,244	+2,850	+11.2%
	Fibers	1,499	1,580	+80	+5.4%
	Industrial Machinery	886	1,032	+145	+16.4%
	Others	115	63	(51)	(45.1%)
	(Adjustment)	48	42	(5)	(12.5%)
Total	27,944	30,963	+3,019	+10.8%	

Segment Mix



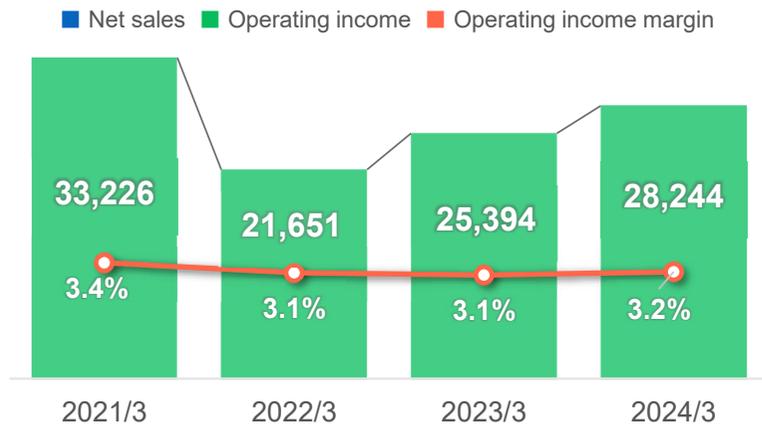
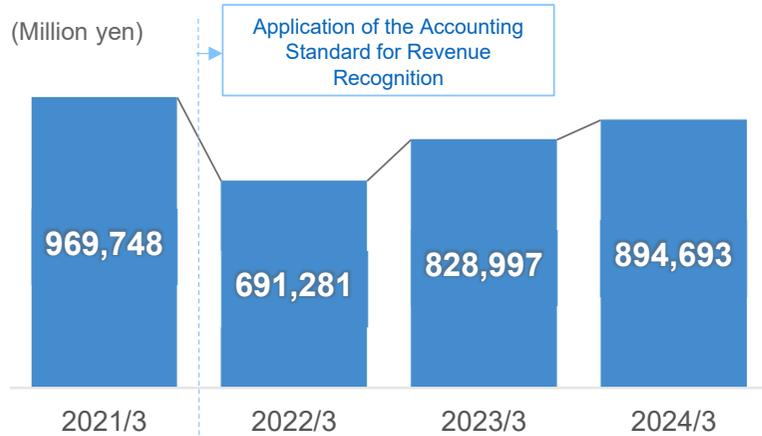
Percentage of net sales

	2023/3	2024/3
IT Infrastructure Distribution	91.7%	92.4%
Fibers	6.9%	6.1%
Industrial Machinery	1.3%	1.4%

Percentage of operating income

	2023/3	2024/3
IT Infrastructure Distribution	90.9%	91.2%
Fibers	5.4%	5.1%
Industrial Machinery	3.2%	3.3%

IT Infrastructure Distribution Business



Transaction volume *Net sales under the old standard	961,609 million yen [+8.4% compared to previous term]
Net sales	894,693 million yen [+7.9% compared to previous term]
Operating income	28,244 million yen [+11.2% compared to previous term]
Number of PCs shipped	3,014,000 units [+0.7% compared to previous term]
Number of servers shipped	58,000 units [(12.6%) compared to previous term]
iKAZUCHI handling volume	28,505 million yen [39.1% compared to previous term]

Review of the business

Corporate market

- We stably acquired orders mainly for PCs for companies and government offices, and sales of Software including service & support and cloud too remained firm
- Sales for companies in particular were driven by manufacturing, finance and wholesale
- In the education market, the adoption of terminals for learners was curbed in the run-up to the introduction of the second phase of the GIGA School. As a result, sales fell short of the previous fiscal year

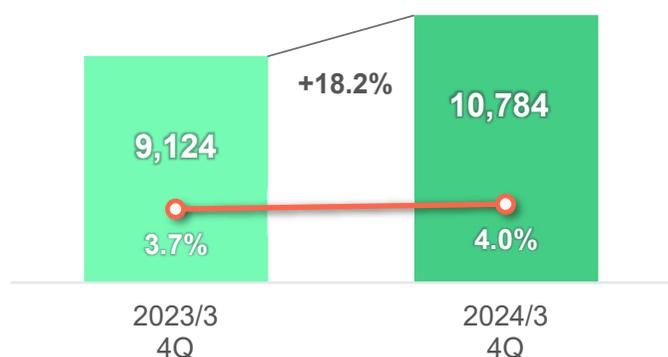
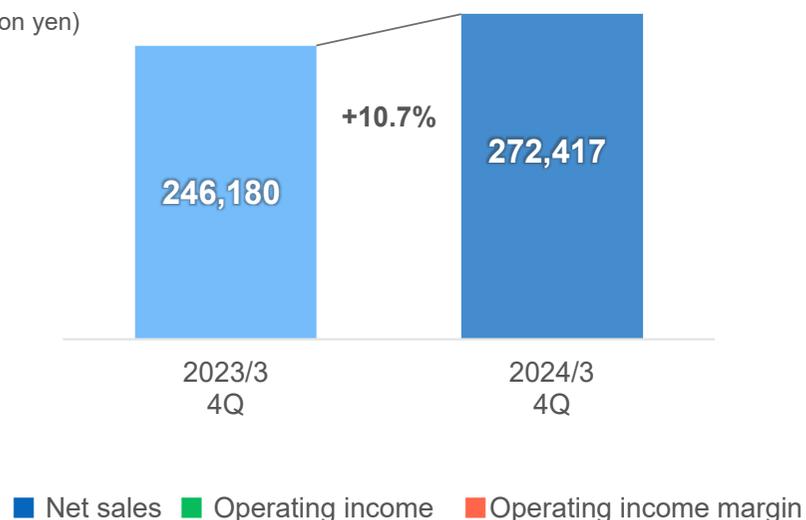
Consumer market

- Demand in mass retailers and e-commerce channels was stagnant Net sales fell below the previous fiscal year as PCs and monitors in particular struggled

IT Infrastructure Distribution Business Comparison in Quarters (4Q) with Previous Fiscal Year



(Million yen)



Difference in 4Q results from the previous fiscal year

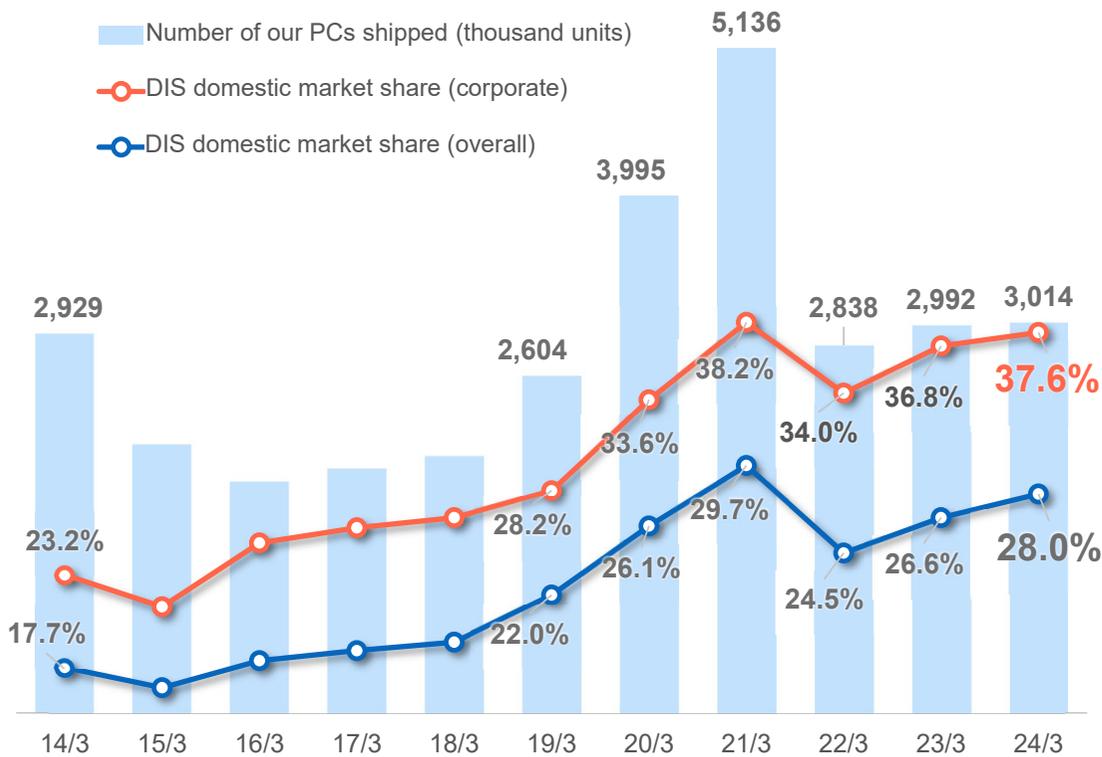
- Number of PCs shipped **+16.7%**
Shipments rose as there were signs of rising demand toward a Windows update
- iKAZUCHI handling volume **+36.4%**
 - The number of contracts increased steadily, too
 - There was a last-minute surge in demand before major software vendor's price increase
- By industry, the numbers improved significantly due to strong sales for companies and government offices.
- By category, PCs and iKAZUCHI kept delivering good results although servers, which had grown considerably in the previous fiscal year, declined.
- Profitability recovered to the standard 4Q level.

Explanation of the seasonality of IT infrastructure Distribution Business

Since registrations of sales tend to concentrate on March and September when a great number of companies in Japan close their accounts, we compare the results in the fiscal year under review with the relevant period of the previous fiscal year, not with the preceding quarter

Domestic PC Market Share and Product Category Composition

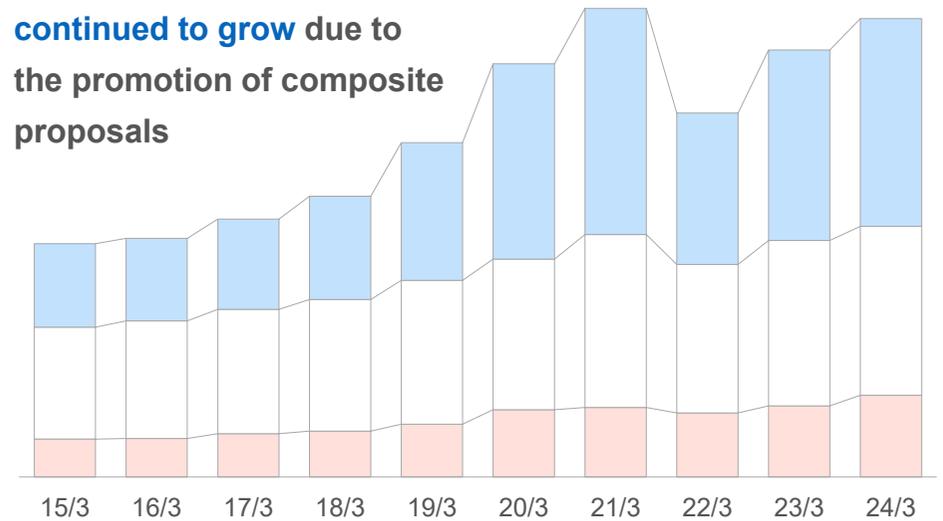
We are involved in at least one in three PCs for corporate use.



<DIS transaction volume trends by category>

Category	Composition ratio	Compared to previous term
PC unit alone*	45.3%	+9.1%
Peripheral equipment, services, etc.	36.9%	+2.1%
Software	17.8%	+14.9%

Categories other than PCs continued to grow due to the promotion of composite proposals



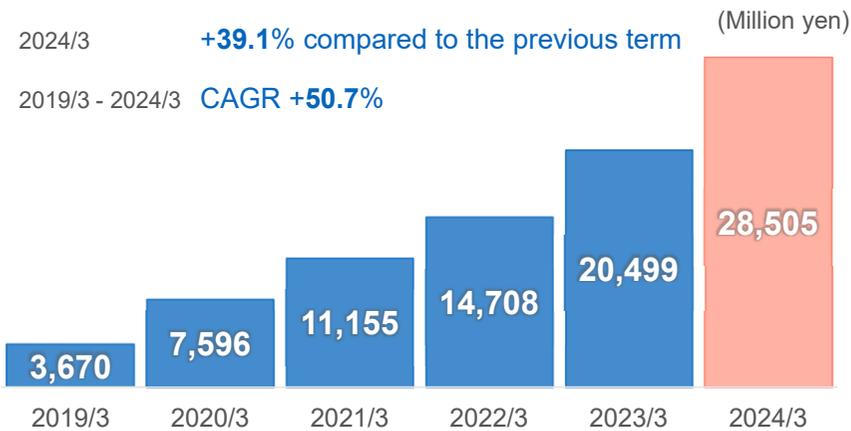
*Calculated based on the results of a survey by MM Research Institute (Since the numbers in 2024/3 are based on preliminary figures from the research firm, the figures for market share, published herein, are subject to change.)

*PC unit alone = Terminal devices such as PCs, servers, tablets, and smartphones

Results of iKAZUCHI

iKAZUCHI handling volume

Total sales to sales partners through the subscription management portal "iKAZUCHI" (included in Software)



Number of supporting vendors and services

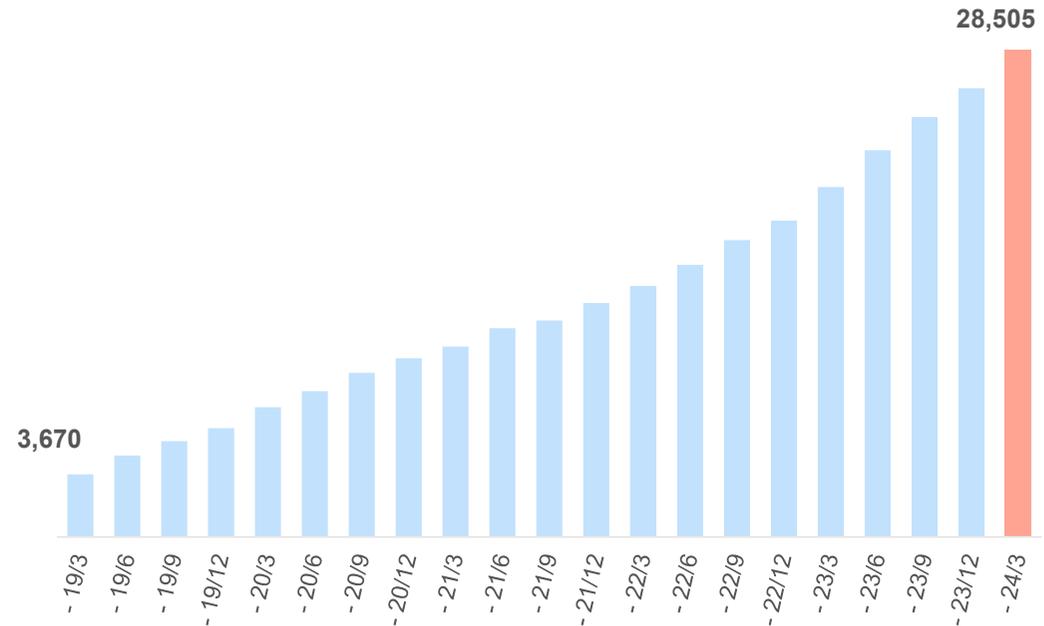
115 vendors	▶	130 vendors
230 services (2023/3)		243 services (2024/3)



Strengthen the "foundation" for continuing earnings by expanding the subscription business market

■ iKAZUCHI

Trend in handling volume 12-month cumulative (taking annual charges, etc. into account)

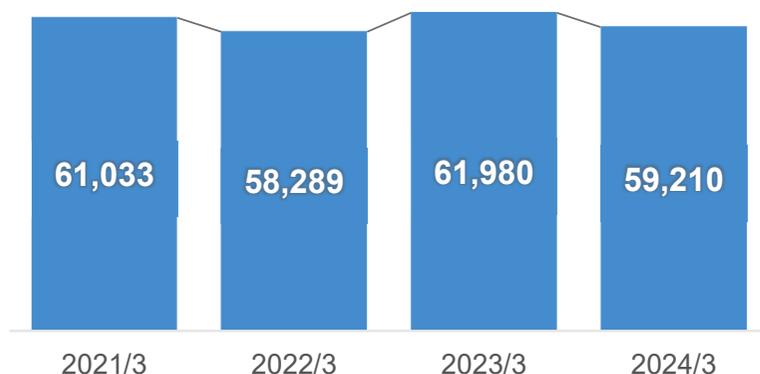


Growth trajectory of iKAZUCHI

Since the percentage of customers purchasing on an annual basis as a charging form is high, it is possible to confirm steady growth by looking at the 12-month cumulative total instead of quarterly results.

Fiber Business

(Million yen)



Net sales

59,210 million yen [(4.5%) compared to previous term]

Operating income

1,580 million yen [+5.4% compared to previous term]

Review of the business

Synthetic Fibers and Rayon Divisions

- The divisions struggled in profits due to a stagnant Chinese market in the hygiene material field and a decline in industrial materials for the U.S. as well as raw material and fuel prices staying high although nonwoven fabric products, especially antiperspirant sheets and face masks, remained firm.

Industrial Material Division

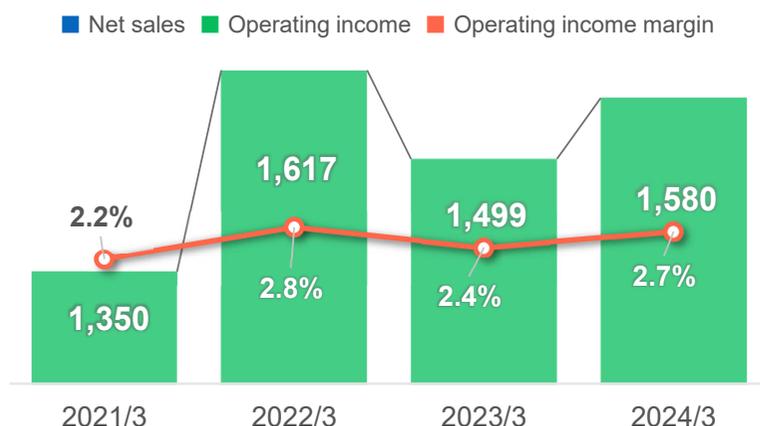
- The division saw drastic decreases in both net sales and profit due to a delay in a demand recovery for cartridge filters, main merchandise, despite an increase in orders received for sponge rubber that was a material related to automobiles, construction machinery, etc., associated with an easing in semiconductor shortages.

Clothing Products Division

- Profit grew mainly because some products for apparel customers in Japan remained firm, and earnings were improved partly by passing cost increases to selling prices although demand in exports for the U.S. was sluggish.

***Fiber Business has been included in consolidated financial results by 2024/3, and will be excluded from consolidation from 2025/3**

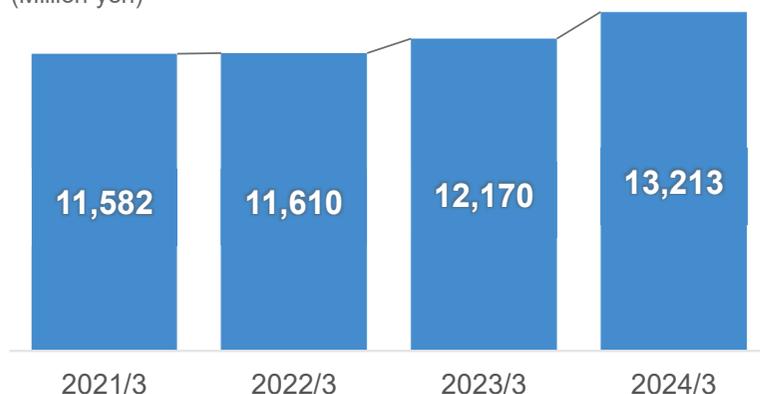
[Reference] Reflecting the effects of inappropriate transactions in 2Q of 2021/3 (disclosed on December 11, 2020)



	2021/3		2022/3
	Impact	When impact is excluded	YoY change when impact is excluded
Net sales	(640) million yen	61,673 million yen	(5.5%)
Operating income	(2,100) million yen	3,450 million yen	(53.1%)

Industrial Machinery Business

(Million yen)



Net sales **13,213** million yen (+8.6% compared to previous term)

Operating income **1,032** million yen (+16.4% compared to previous term)

Review of the business

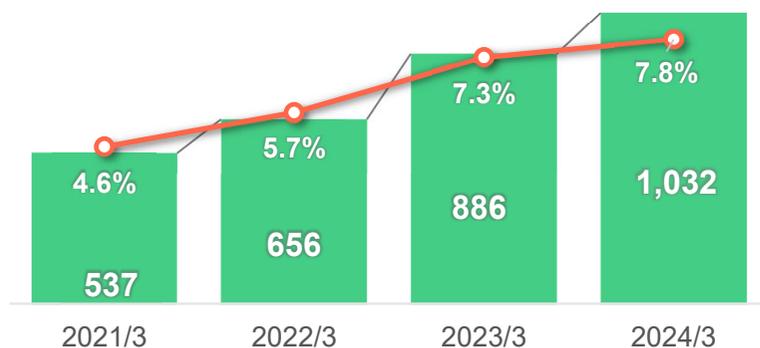
Machine Tools Division

- Total orders received by members of Japan Machine Tool Builders' Association (JMTBA) declined 14.8% year on year. Orders received by the aircraft industry were recovering. However, China's wind power generation industry entered an inventory adjustment. As a result, orders received decreased 27.7% year on year
- Both net sales and profit increased year on year as demand expanded for the energy industry and the semi-conductor industry, both of which were active in making capital investment
- Service sales expanded as a result of reinforcing a system including cooperating companies

Automatic Machinery Division

- Whereas net sales increased by stepping up sales activities to the pharmaceutical and food industries, operating income slightly fell short of the previous fiscal year due to a surge in procurement costs
- The division advanced sales activities in cooperation with packaging machine manufacturers toward the establishment of a production system in China

■ Net sales ■ Operating income ■ Operating income margin



Consolidated Balance Sheet for the Fiscal Year Ended March 2024

(Pages 4-5 in Brief of Consolidated Settlement of Account)



(Million yen)	2023/3	2024/3	Change		2023/3	2024/3	Change
Current assets	354,188	377,245	+23,057	Current liabilities	231,884	239,742	+7,858
Cash and deposits	52,123	69,372	+17,248	Notes payable and accounts payable	192,594	206,212	+13,617
Notes and accounts receivable	239,856	257,047	+17,190	Short-term loans payable	12,869	8,400	(4,469)
Goods and products	39,273	33,413	(5,860)	Non-current liabilities	30,842	23,380	(7,462)
Property, plant and equipment	37,127	10,238	(26,888)	Long-term loans payable	13,230	12,500	(730)
Intangible fixed assets	2,081	3,691	+1,609	Total liabilities	262,726	263,123	+396
Investments and other assets	13,291	14,081	+789	Total net assets	143,961	142,133	(1,828)
				Treasury shares	(5,137)	(5,133)	+4
Total assets	406,688	405,256	(1,431)	Total liabilities and net assets	406,688	405,256	(1,431)

Cash and deposits	52,123	->	69,372	+17,248	Increase due to transfer of shares in Daiwabo Co., Ltd.
Property, plant and equipment	37,127	->	10,238	(26,888)	Decrease due to exclusion of Fiber Business from the scope of consolidation
Total loans	26,099	->	20,900	(5,199)	

Consolidated Statement of Operations for the Fiscal Year Ended March 2024

(Page 6 in Brief of Consolidated Settlement of Account)



(Million yen)	2023/3		2024/3		Change	Compared to previous term
	Results	Percentage	Results	Percentage		
Net sales	903,918		967,760		+63,841	+7.1%
Gross profit	70,523	7.8%	78,209	8.1%	+7,685	+10.9%
Selling, general and administrative expenses	42,579	4.7%	47,246	4.9%	+4,666	+11.0%
Operating income	27,944	3.1%	30,963	3.2%	+3,019	+10.8%
Ordinary income	28,608	3.2%	31,431	3.2%	+2,823	+9.9%
Extraordinary income	58		60		+1	
Extraordinary losses	475		17,901		+17,426	
Net profit attributable to owners of parent	19,059	2.1%	4,283	0.4%	(14,776)	(77.5%)

Extraordinary losses

Loss on sale and retirement of fixed assets (113 million yen), Loss on sale of businesses (1,039 million yen) and Other (25 million yen)

Impairment losses* in association with the transfer of shares in Daiwabo Co., Ltd. (**16,723** million yen)

*This falls under the category of one-time profit/loss items unaccompanied by a cash payment, and has no impact on the profitability by operations.

Business Outlook for the Full Term of the Fiscal Year Ending March 2025

Full-Year Performance Forecast for the Fiscal Year Ending March 2025



(Million yen)	2024/3 (Results)		2025/3 (Forecast)		Change	Compared to previous term
	Amount	Percentage	Amount	Percentage		
Net sales	967,760		975,000		+7,239	+0.7%
IT Infrastructure Distribution	894,693		962,650		+67,956	+7.6%
Industrial Machinery	13,213		12,350		(863)	(6.5%)
Fibers	59,210		-			
Operating income	30,963	3.2%	31,100	3.2%	+136	+0.4%
IT Infrastructure Distribution	28,244	3.2%	30,200	3.1%	+1,955	+6.9%
Industrial Machinery	1,032	7.8%	900	7.3%	(132)	(12.8%)
Fibers	1,580	2.7%	-			
Ordinary income	31,431	3.2%	31,500	3.2%	+68	+0.2%
Net profit attributable to owners of parent	4,283	0.4%	21,800	2.2%	+17,516	+409.0%

Shareholder Return



Fiscal Year Ending March 2025

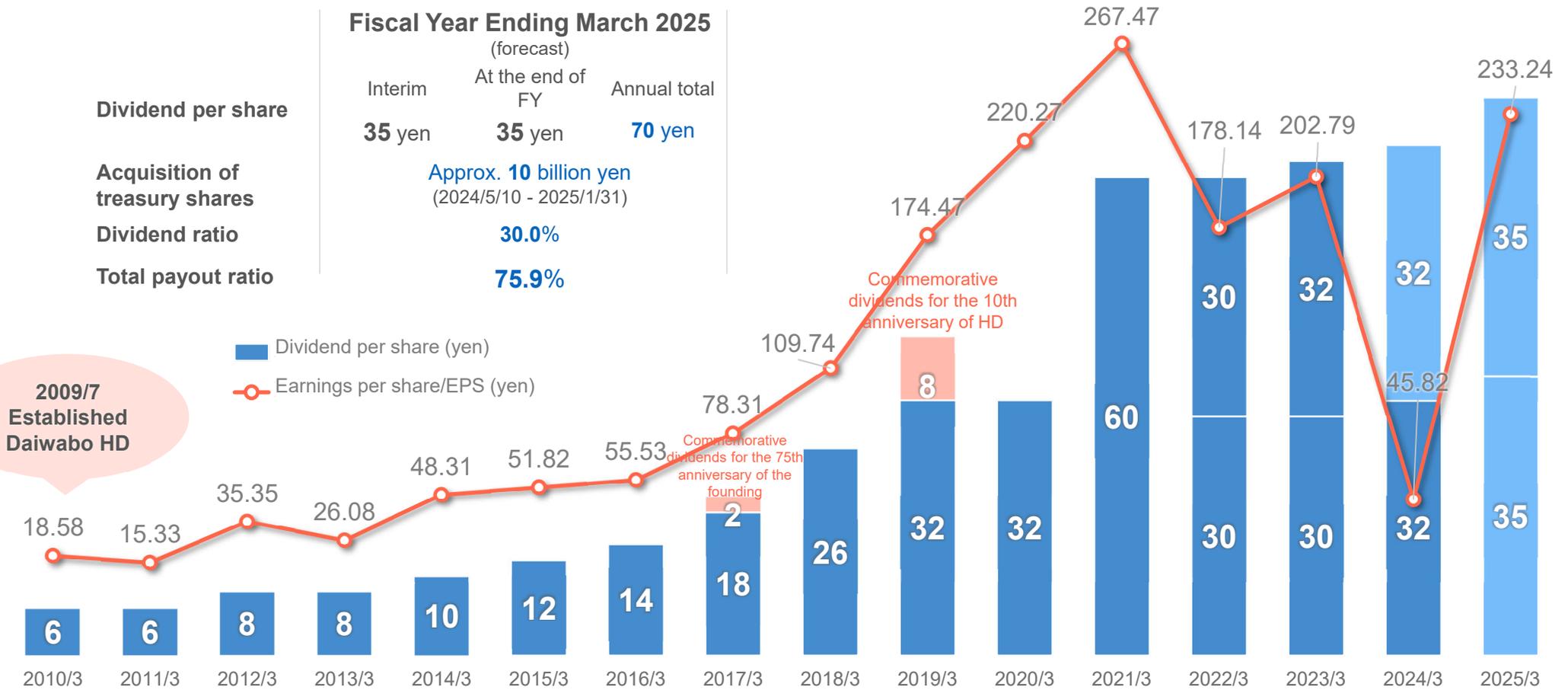
(forecast)

Interim	At the end of FY	Annual total
35 yen	35 yen	70 yen

Acquisition of treasury shares
Approx. 10 billion yen
(2024/5/10 - 2025/1/31)

Dividend ratio 30.0%

Total payout ratio 75.9%



(Forecast)

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

Medium-Term Management Plan

(March 2025 to March 2027)

1

Review of Previous Medium-Term Management Plan

2

Group Philosophy Structure / Medium- to Long-term Vision “2030 VISION”

3

Medium-Term Management Plan (March 2025 to March 2027)

Previous Medium-Term Management Plan and Results Summary

- ❑ Both net sales and operating income expanded steadily amid a severe management environment that included the longer delivery timing of equipment due to semiconductor shortages, supply chain disruptions and surging prices
- ❑ We carried out a business portfolio reform and made considerable progress toward the realization of “higher management efficiency,” “sustainable corporate value enhancement,” and “a flexible management structure”

Basic Policy of the Group “The creation of next-generation growth drivers”

- Alphatec Solutions Co., Ltd.(ATS) joined the Group through M&A We leveraged the knowledge and experience of ATS, which has accumulated unique technological know-how, thereby doubling down on expansion into a distribution business that added higher value as an IT infrastructure distribution business
- Transaction volumes of “iKAZUCHI,” the unique subscription management portal of IT Infrastructure Distribution Business, have grown about 2.5 times over three years

IT Infrastructure Distribution Business

- We took a variety of measures with the aim of establishing a presence as a cloud distributor in addition to our conventional businesses centered on hardware
- The domestic PC market share for 2024/3 is 28.0% as a whole. The market share for corporate use remained at 37.6%, high levels as the industry’s leading company

The way the business portfolio should be

- We discussed the establishment of the optimal business portfolio as a core agenda item at the board of directors meeting, and a working group that included external advisors advanced the effort to realize the goal.
- As a strategic option, we decided to make Fiber Business, our founding business, independent from the Group and carried out the share transfer on March 27, 2024

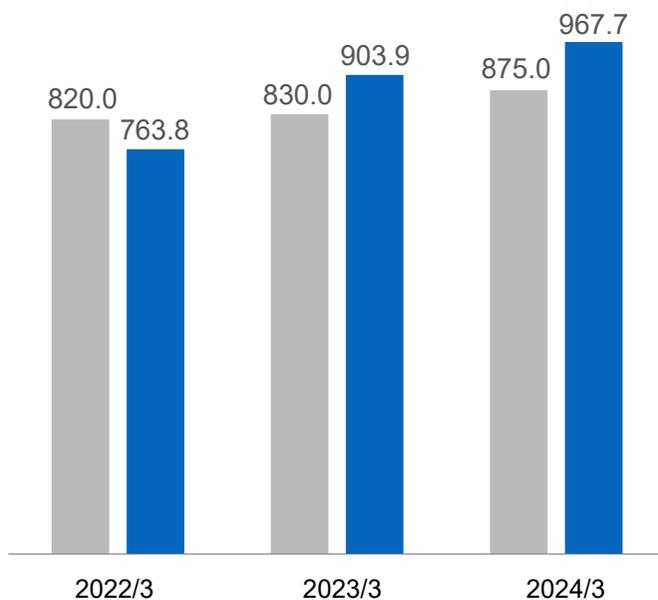
Previous Medium-Term Management Plan and Results Business Performance (On a consolidate basis)



Although the plan failure to achieve in 2022/3 due to supply issues, we have fulfilled the plan from the second year onward

Net sales (billion yen)

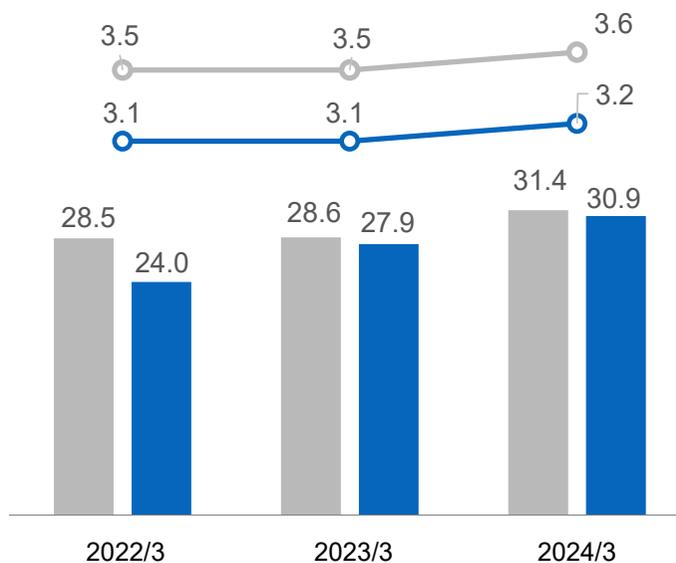
■ Plan ■ Results



Surging raw material and fuel costs and a delay in a market recovery considerably affected the performance of Fiber Business

Operating income (billion yen)

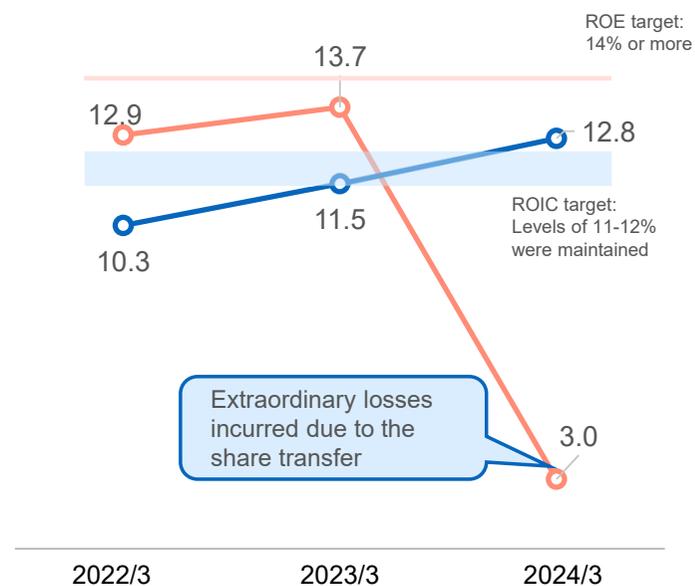
■ Plan ■ Results
○ Plan (%) ○ Results (%)



Whereas ROE failed to reach the plan for 2024/3, ROIC* exceeded the target level

ROE(%) · ROIC(%)

○ ROE ○ ROIC



Previous Medium-Term Management Plan and Results By Segment

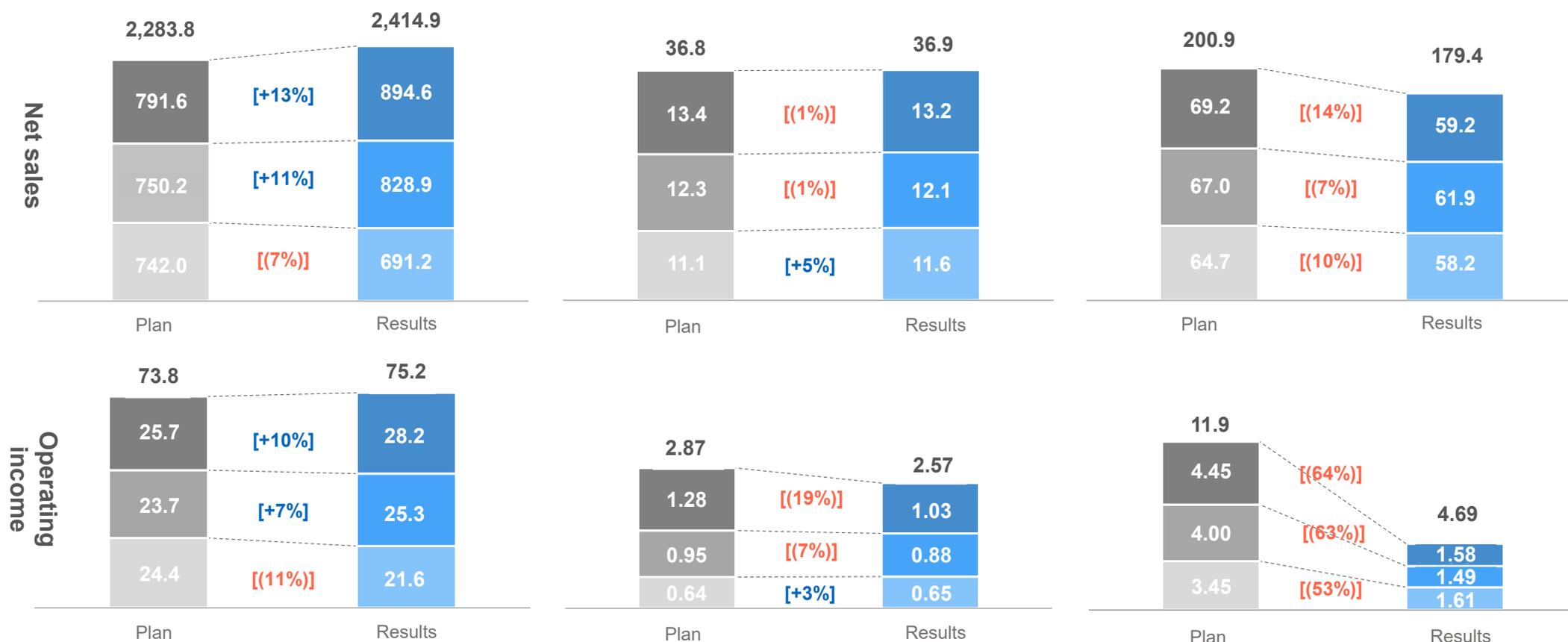


■ 2022/3 ■ 2023/3 ■ 2024/3 (Billion yen)

IT Infrastructure Distribution Business

Industrial Machinery Business

Fiber Business



Previous Mid-Term Management Plan and Results Cash Allocation Policy



Cash allocation items in the previous mid-term management plan	Assessment	Results	
Dividend	Also consider a dividend increase by setting a stable allocation of 60 yen per share (including an interim dividend) as the standard.		Annual dividend: 60 yen → 62 yen → 64 yen actually distributed (Dividends for 2024/3 are a plan) We started an interim dividend from 2022/3
Investment for future growth in existing domains	Take measures, including capital investment, marketing, R&D, and hiring of human resources, for the sustainable growth of existing businesses		We used 11.6 billion yen in capital investment and other investments and loans against the plan of 12.3 billion yen. Research and development expenses reached 2.7 billion yen as opposed to the plan of 2.8 billion yen
Investment for future growth in new areas	Start exploring business alliances and M&A in order to develop pillars for new business, focusing on DX-related areas where the market is expected to expand		We executed M&A for ATS in IT Infrastructure Distribution Business toward the expansion of a distribution that could add higher value
Acquisition of treasury shares	Study the flexible purchase of treasury shares in response to the market environment		We acquired shares worth approx. 2.0 billion yen (2022/3), approx. 3.0 billion yen (2023/3). No purchase was made in 2024/3 since the procedure for a share transfer was underway
Securing liquidity on hand	Secure liquidity on hand in preparation for funding needs in association with strategic merchandise procurement in IT Infrastructure Distribution Business and for emergency.		We secured cash and deposits in line with transaction volumes. (69.3 billion yen as of 2024/3)

1

Review of Previous Medium-Term Management Plan

2

Group Philosophy Structure / Medium- to Long-term Vision “2030 VISION”

3

Medium-Term Management Plan (March 2025 to March 2027)

The Company's Group Philosophy Structure



With the aim of realizing and performing Purpose, we chose five components as “common values that are respected as a company (the criteria for behavioral guidelines and business activities for group employees)”

Our Existence Purpose

Connecting people and society to the future with our value chain

Our Values Values

Build broad and strong cooperative relationships with partners and local communities, growing together and working together to solve issues.

Constantly pursue new technologies and take on the challenge to value creation while responding swiftly to social change with agility

Contribute to the development of a sound and sustainable society through compliance and sincere and fair business activities

Challenge to Value Creation

Sincerity & Fairness

Partnership

Diversity & Respect

Gratitude & Passion

Respect each other's human rights and individuality, and connect diverse abilities and ideas to individual growth and corporate value improvement

Value relationships with all stakeholders and respond to their trust with gratitude and passion

Medium- to Long-term Vision “2030 VISION”

Equity story

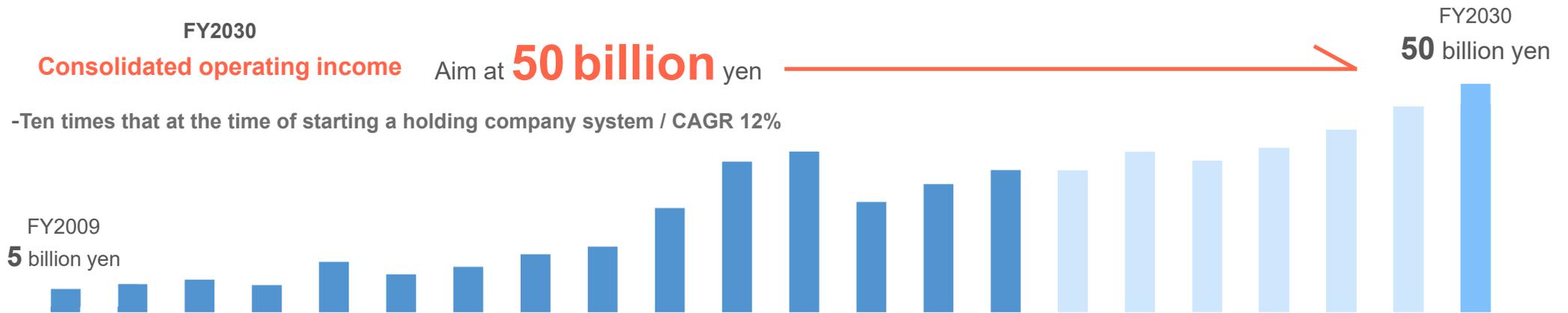
Inject management resources to new business areas centered on the IT field, thereby building a group system that leads to the further development of the value chain

The path to an “indispensable corporate group”

Create a business model that society hopes for

All-in-One Solution Company

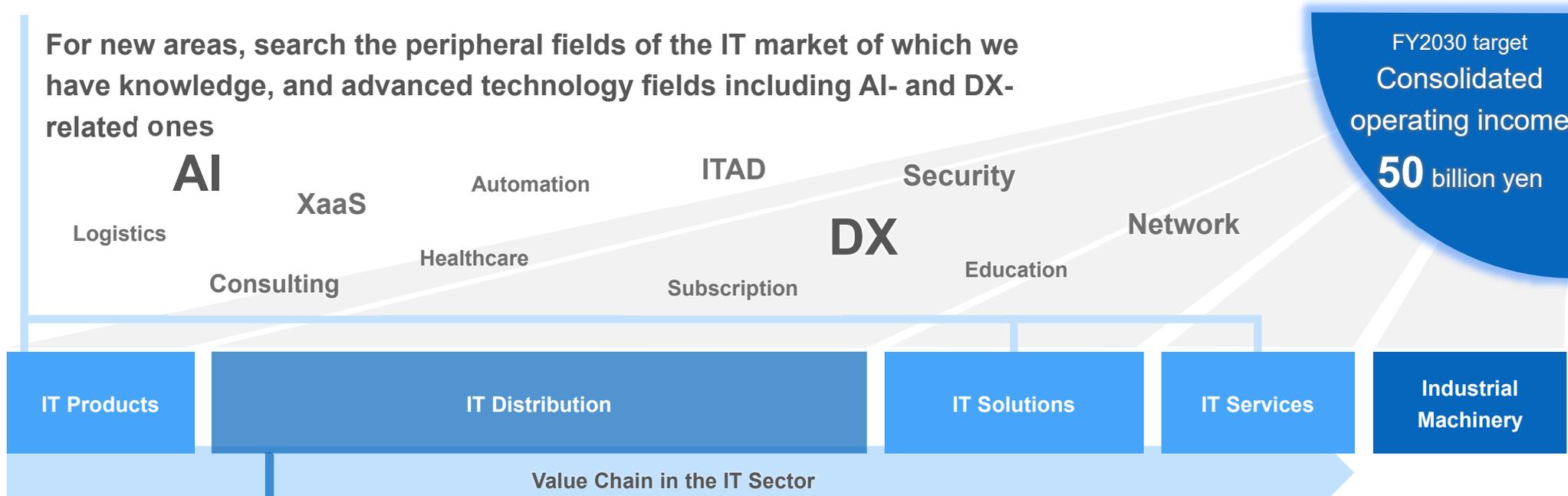
“Connect” the entire IT market with distribution as the unshakable core



The Way the Company Should Be that We Hope to Reach through “2030 VISION”



For new areas, search the peripheral fields of the IT market of which we have knowledge, and advanced technology fields including AI- and DX-related ones



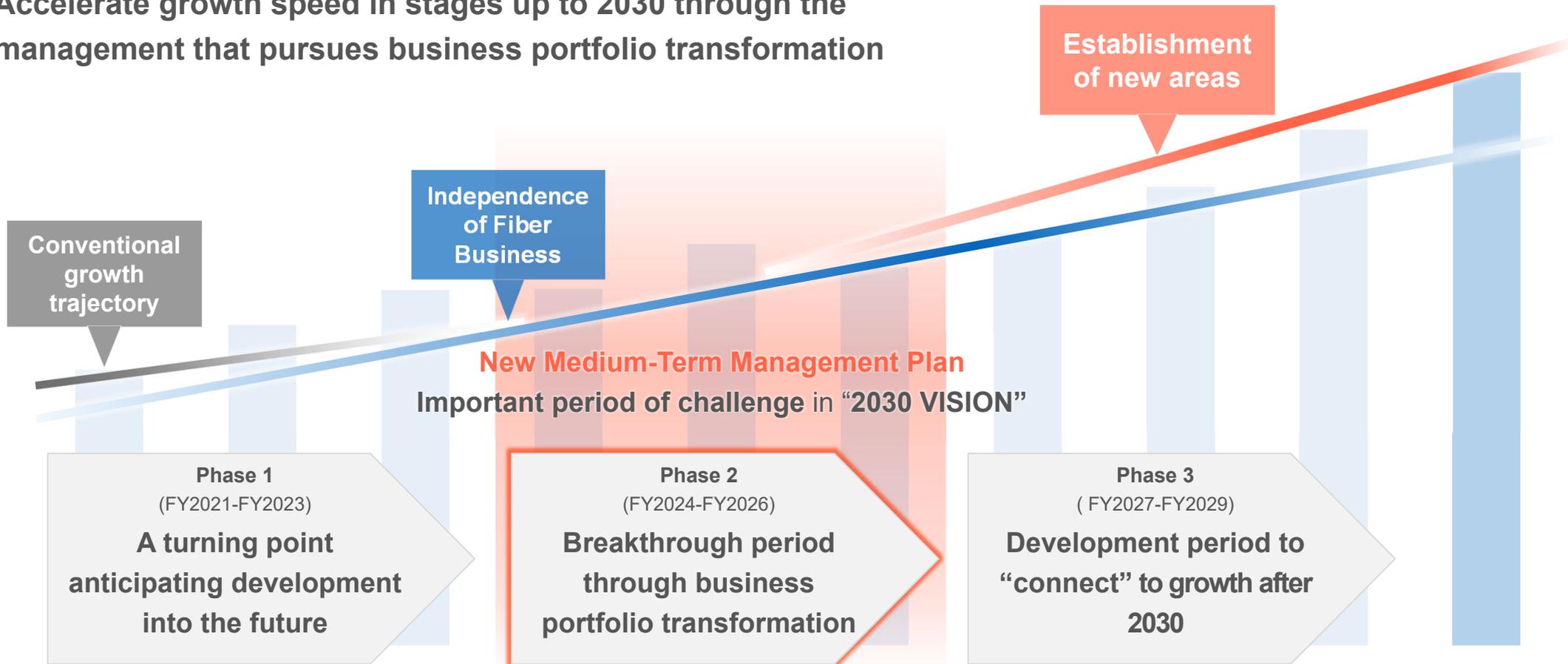
Expand and reinforce functions with a focus on the **3Ss** [Service / Solution / Sustainability] to further strengthen and deepen **core areas**

Achieve sustainable growth by leveraging the merits of a holding company system that enables rapid decision-making and investment

▶▶ We also consider changing the company name toward the embodiment of the way we should be

Concept of Growth through Realization of “2030 VISION”

Accelerate growth speed in stages up to 2030 through the management that pursues business portfolio transformation



1

Review of Previous Medium-Term Management Plan

2

Group Philosophy Structure / Medium- to Long-term Vision “2030 VISION”

3

Medium-Term Management Plan (March 2025 to March 2027)

Medium-Term Management Plan Target Values



(Billion yen)	2025/3 (Plan)	2026/3 (Plan)	2027/3 (Plan)	
Net sales	975.0	1,050.0	1,000.0	<ul style="list-style-type: none"> ✓ Special demand and recoils from booms are assumed ✓ Roll out measures with an emphasis on base earnings, as well
Operating income	31.1	35.0	33.0	<ul style="list-style-type: none"> ✓ Effects of new businesses and M&A in the future are not included
Operating income margin	3.2%	3.3%	3.3%	<ul style="list-style-type: none"> ✓ Implement the effort to improve cost efficiency, reinforcement of the management foundation and investment for future growth with a sharp distinction between measures

ROE
<Return on equity>

14% or more

ROIC
<Return on Invested Capital>

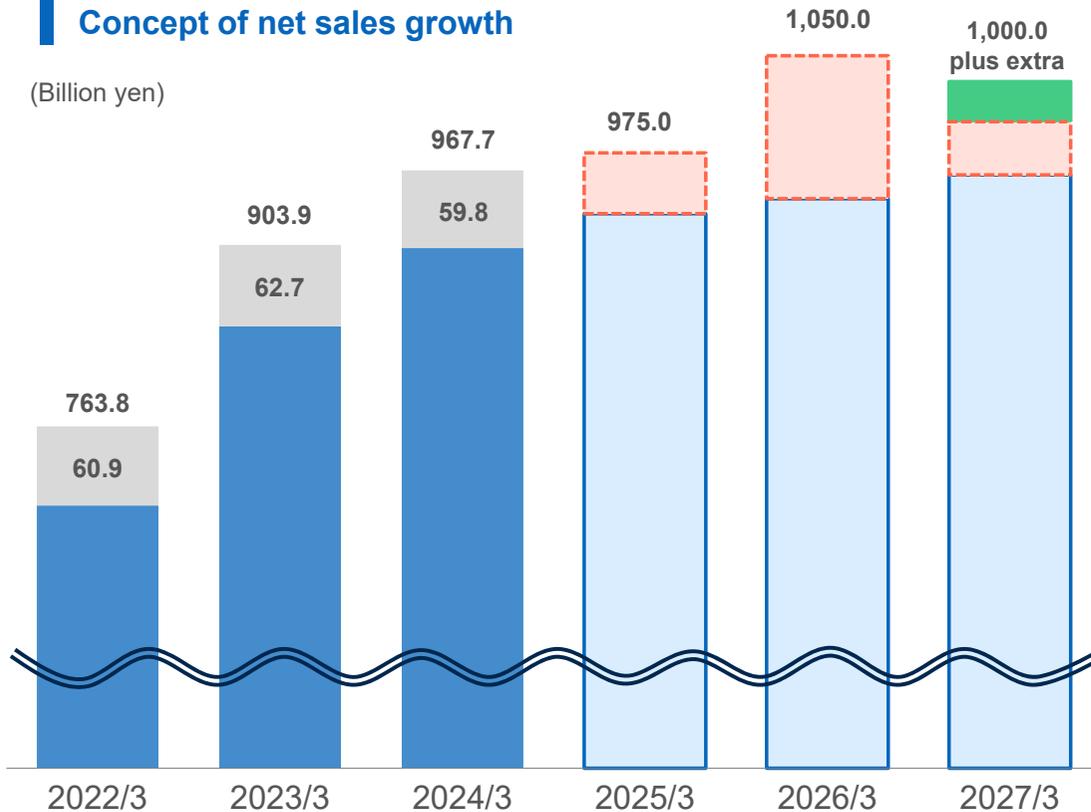
12% or more

We aim at maintaining both ROE and ROIC at or above the set values throughout the period from 2025/3 to 2027/3.

Medium-Term Management Plan Concept of Growth

Concept of net sales growth

(Billion yen)



■ Increase associated with intensive demand for terminals

*Estimates based on certain conditions (Windows update and the GIGA School Program)

■ Amount as the impact of the independence of Fiber Business *Trial calculation based on results

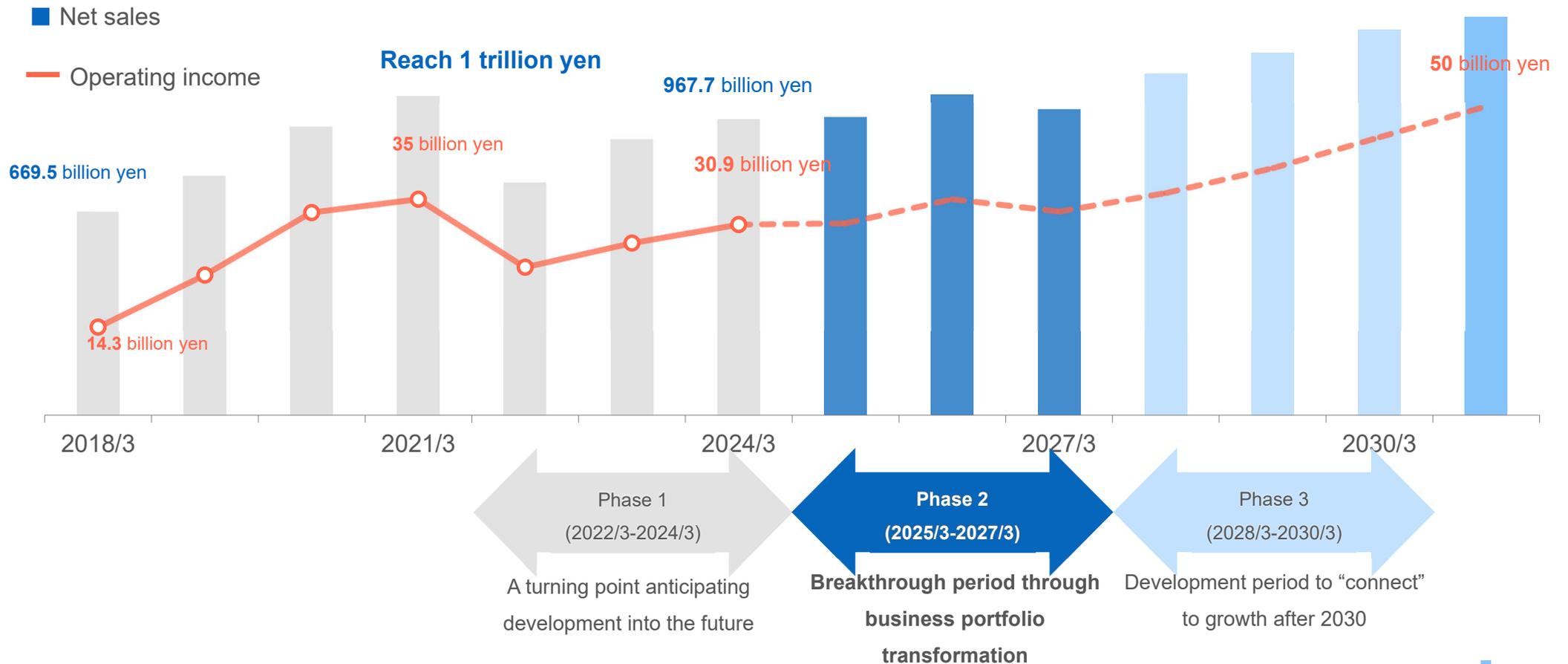
■ Plus extra coupled with new businesses

Forecasts that become the premise of performance plans

- Steady organic growth can be expected even excluding intensive demand for terminals (a special demand factor)
- Net sales are expected to grow significantly due to possible intensive demand for terminals in the wake of a Windows update and renewal of terminals in the GIGA School
- In respect of the possible demand for replacement by a Windows update, the percentage of relatively low-end PCs for office use tends to be high. Therefore, the average unit price of PCs is assumed to fall given that large-scale adoptions of new PCs by bulk purchases will increase
- The third year is assumed to suffer a recoil from special demand. Nonetheless, aim at creating new businesses including M&A (plus extra)
- Assumptions include an expense increase associated with renewal of the enterprise system in IT Infrastructure Distribution Business, an expansion of investment in human capital (including base wage hikes) and an increase in logistics cost

Positioning of Medium-Term Management Plan

Three crucial years even from the viewpoint of working backward from “2030 VISION”



01

Growth under the holding company structure

- Seek entry into new business areas as a holding company
- Operating companies will engage in strengthening and reorganization within their segment

02

Challenge to break the “highest in the past”

- Renew the past highest records in net sales and profits
- The company, organizations, businesses and individuals will aim at their best performance in their respective field

03

Enhancement of stakeholder engagement

- Enhance trusted relationships with and cooperate through mutual understanding with shareholders, business partners, employees, local communities, and others
- Further reinforce the management foundation required by the aspects including human capital, systems, and governance.
- Drive well-being oriented management

Market size and growth potential

Domestic market forecasts

- The IT market* is forecast to reach **22.7 trillion yen** (+6.1%) in 2027. (companies, government, and education)
- In terms of companies,* **14.5 trillion yen** for large companies and **5.8 trillion yen** for small and medium-sized companies (PC, IaaS, and SW will expand)
- The cloud market¹ will be **13.3 trillion yen** (+17.9%) (DX, data utilization, replacement, and higher efficiency)
- The AI system² market will reach **2.5 trillion yen** (+30.0%) (software, services, hardware markets, etc.)

Growth areas we set our eyes on

- The IaaS market is expected to exceed the size of the PC market and expand to double its current size in FY2026
- PCs are expected to expand in a broader trend, including the shift to higher functions for AI use, despite the prospect that the PC market will fluctuate due to the rise of replacement demand
- Software and IT services too will see a further expansion in market size alongside DX and AI penetration
- By industry,* growth is expected in companies (+6.2%), education (+7.1%), and government (+4.1%)

Compiled by the Company based on IDC Japan's release in April 2024, "Japan's IT Market Forecast by Industry Segment, Employee Size and Annual Sales for 2024-2028" (JPJ50712324). (%) is CAGR (2023-2027)
1: IDC Japan's release in June 2023, "Japan's Cloud Market Forecast, 2022-2027." (%) is CAGR (2022-2027)
The domestic cloud market is the total of sales related to "services," "packaged software," and "infrastructure (servers, etc. and IaaS)"
2: IDC Japan's release in April 2024, "Japan's AI System Market Forecast, 2024-2028." (JPJ50706024), (%) is CAGR (2022-2027)

Business Environment Changes to Social Environment

Efforts for new business opportunities will determine medium- to long-term growth

- IT will transform itself from being an object as a mere tool to being a source of competitive supremacy by the penetration of the notion of DX and the advancement of new technologies such as generative AI
- On the other hand, IT human resources shortages are serious particularly to small and medium-sized companies in the rural and regional areas
- It will lead to an expansion of sustainable added value to become a “Connecting” company including solutions and human resources in addition to devices and software

Stable procurement and logistics foundations will become a more socially important presence

- The significance of “necessary things will arrive when they are needed” is expected to be elevated higher than ever due to supply chain disruptions by rising geopolitical risks and the logistics 2024 problem
- Trust in the Company and the comprehensive strength of our value chain will rise higher than ever through deploying our nationwide network of bases and overwhelming procurement power



Politics

- Changes in laws and regulations related to data protection and privacy
- Governmental digital strategy
- Rising geopolitical risks

Economy

- Economic growth and IT investment
- Exchange rate fluctuations
- Corporate initiatives for DX will move to a full-fledged stage

Society

- The penetration of remote work and diversification of work styles
- Digital and productivity divides (generations, regions, and companies)
- Logistics 2024 problem

Technology

- Create business models that leverage new technologies
- Increase efficiency and expand development of new services through the use of generative AI
- IT human resources shortage

IT Infrastructure Distribution Business Business Strategy

Upgrade the position and value in growth areas

- Expand market share in the cloud platform market
- Expand business areas in the SaaS model



Partner relationships through driving DX

- Transform business models and improve productivity for enhancing corporate value
- Expand business areas through sales expansion to overseas vendors including cutting-edge technologies

Deepen core areas as an industry-leading company

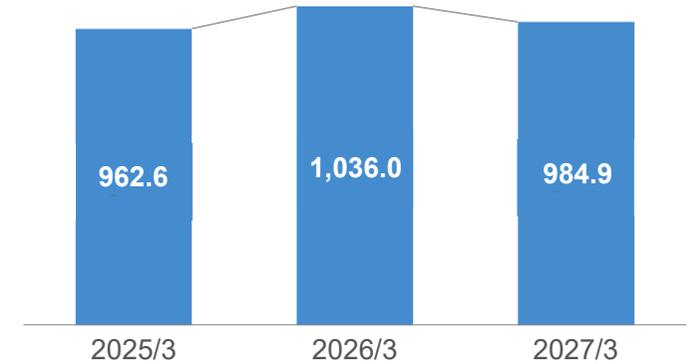
- Expand business areas in the IT device foundation
- Grow the business areas of high value-added products
- Establish a supportive system by dedicated technical teams and boost the capability to make proposals

Corporate branding and strategic investment

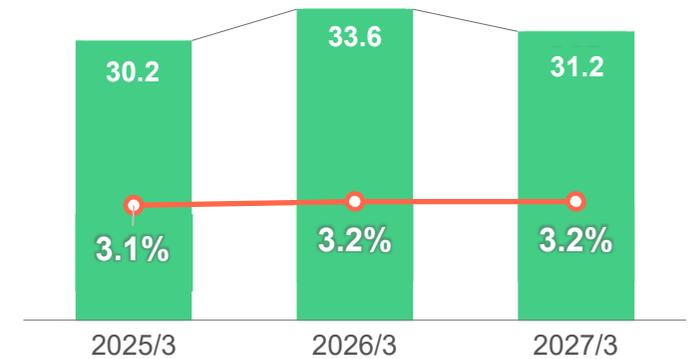
- Enhance recognition in society, help the industry develop, and contribute to the local communities
- Make investments to strengthen business (Systems, M&A, and business alliances)
- Make investments to optimize the industry (Logistics functions and iKAZUCHI)

Plan by segment

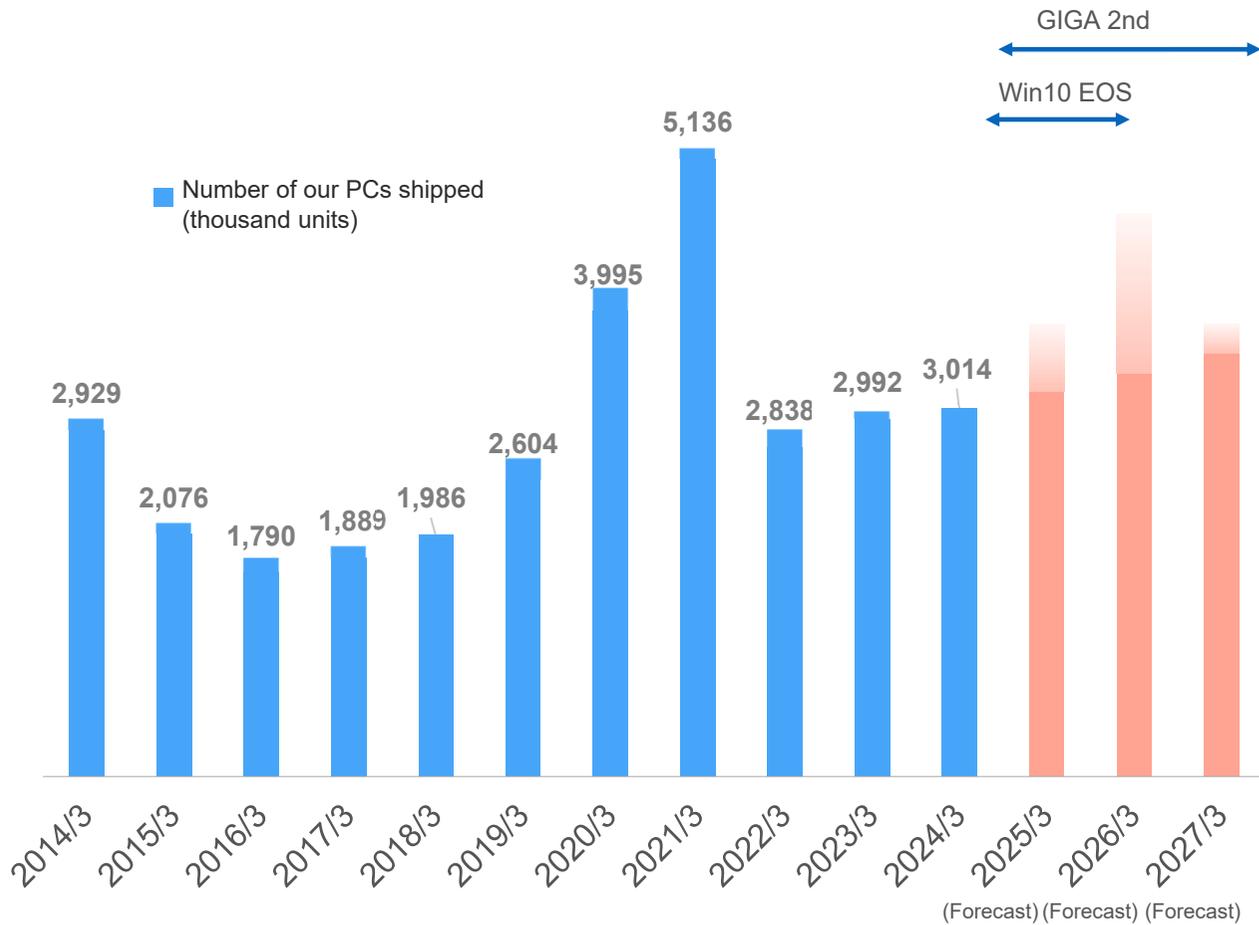
(Billion yen)



■ Net sales ■ Operating income ■ Operating profit margin



Graphical Representation of Number of PCs Shipped



End of Support for Windows 10

- Demand for replacement will increase as Windows 10 nears the end of support in October 2025
- Possible large impact on 2025/3 to 2026/3

GIGA School Program Phase 2 Updating terminals

- Terminals will be updated over the period from 2025/3 to 2027/3
- Our assumption is that demand will concentrate in FY2025

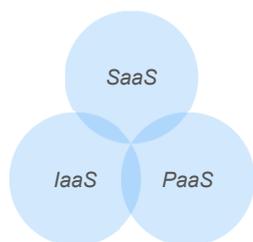
A recoil from a boom is expected to occur in FY2026

- ✓ Step up the efforts to expand market share with the aim of demonstrating our overwhelming strength at the time of demand growth through business activities closely-tied to local communities

iKAZUCHI handling volume

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

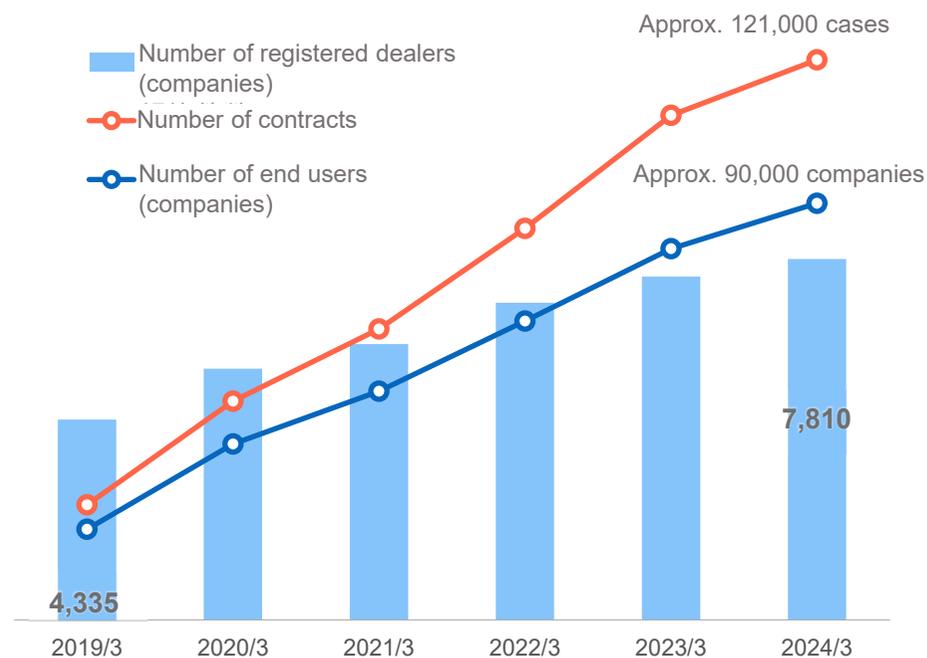
Aim at growth with **CAGR of 30% or more** from 2024/3 to 2027/3



Strengthen the "foundation" for continuing earnings by expanding the subscription business market



Trend in the number of registered dealers

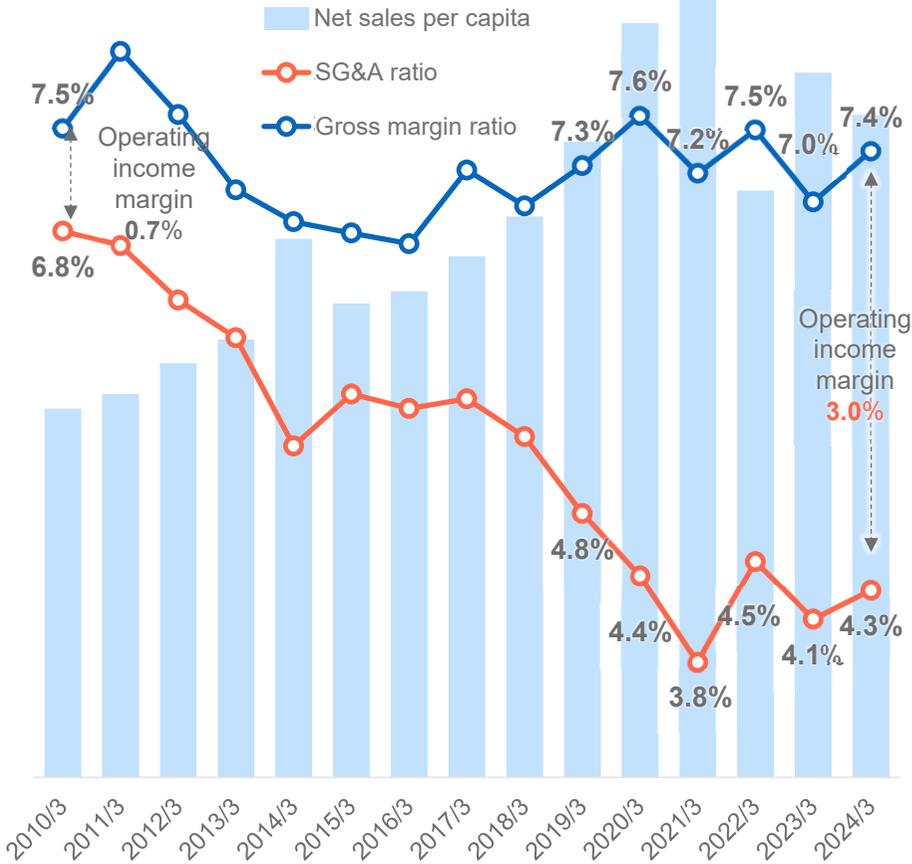


Number of supporting vendors



Sales Efficiency Improvement and Low-Cost Operation

IT Infrastructure Distribution Business Results

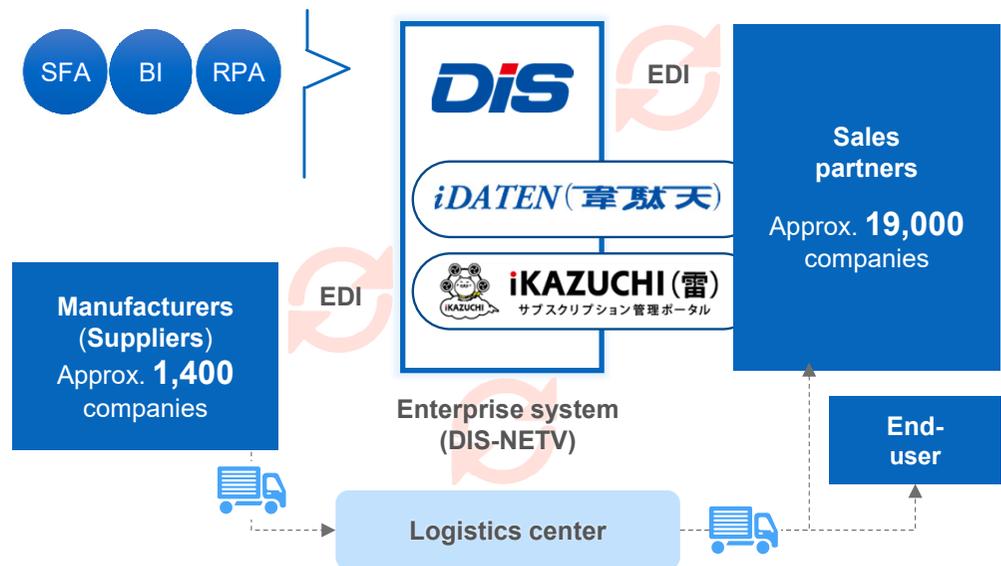


*The above results differ from segment results since consolidation adjustments are not reflected.

Strengthen the system infrastructure that supports net sales of over 1 trillion yen

Implement the following functional enhancement over the three-year period

- Add and reinforce equipment specifications to enhance performance and improve availability
- Migration including the migration of existing systems and modifications of incompatible programs
- Disaster, failure, and security countermeasures; improvement of operations management and enhancement of availability
- Strengthening of connection with internal systems and their automation
- Reinforcement of functions of iDATEN, iKAZUCHI, EDI, etc.



Expansion of Areas where Value is Provided

Provide diversifying and complicating needs and technologies in the form of “simple” IT business



Become the most “trusted” company that “connects” local communities and customers, and “maximizes” business value

Industrial Machinery Business Business Strategy

Numbers in the segment to be updated



Expand business into potential markets for machine tools

- Make proposals for improving production efficiency with machinery equipped with the energy-saving and automation functions
- Implement strategic and planned production by extending Nagaoka Plant
- Aim to expand into new markets by rolling out sales promotions by emphasizing short lead time
- Seek to expand into markets with growth potential for further growth in overseas markets



Capture demand for packaging machine automation in automatic machinery

- Raise quality and cut costs through standardization of automatic supplying equipment
- Improve productivity in collaboration with Chinese packaging-machine manufacturers
- Step up proposal-based sales activities to the food and confectionery industry

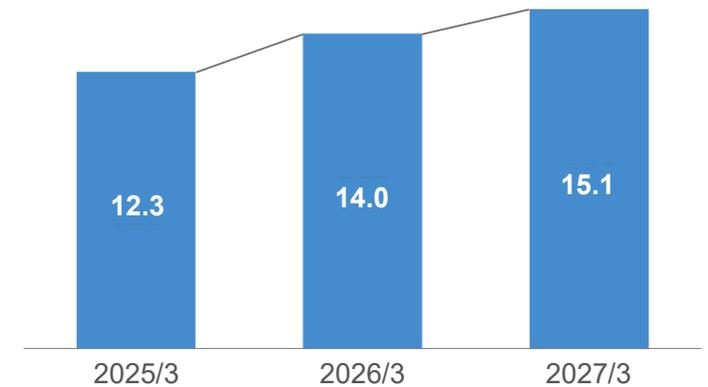
- Strengthen proposal-based sales activity with an emphasis on the energy and aircraft industries, which are expected to expand.

Improve earnings power by strengthening services

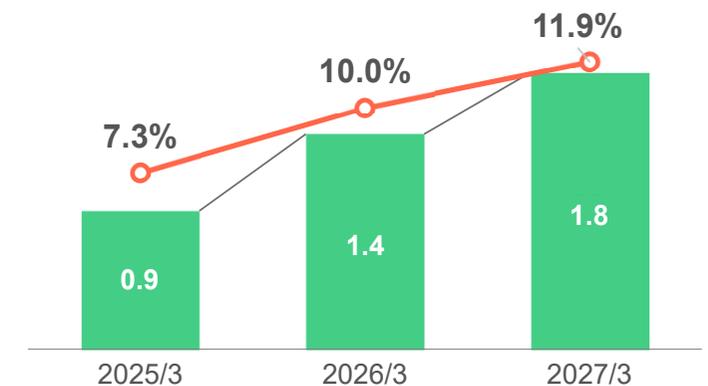
- Aim to improve customer satisfaction and expand earnings stably
- Focus on making proposals for overhauling already installed machines
- Enhance technical capabilities through cultivating cooperating companies and upgrading employee skills

Plan by segment

(Billion yen)

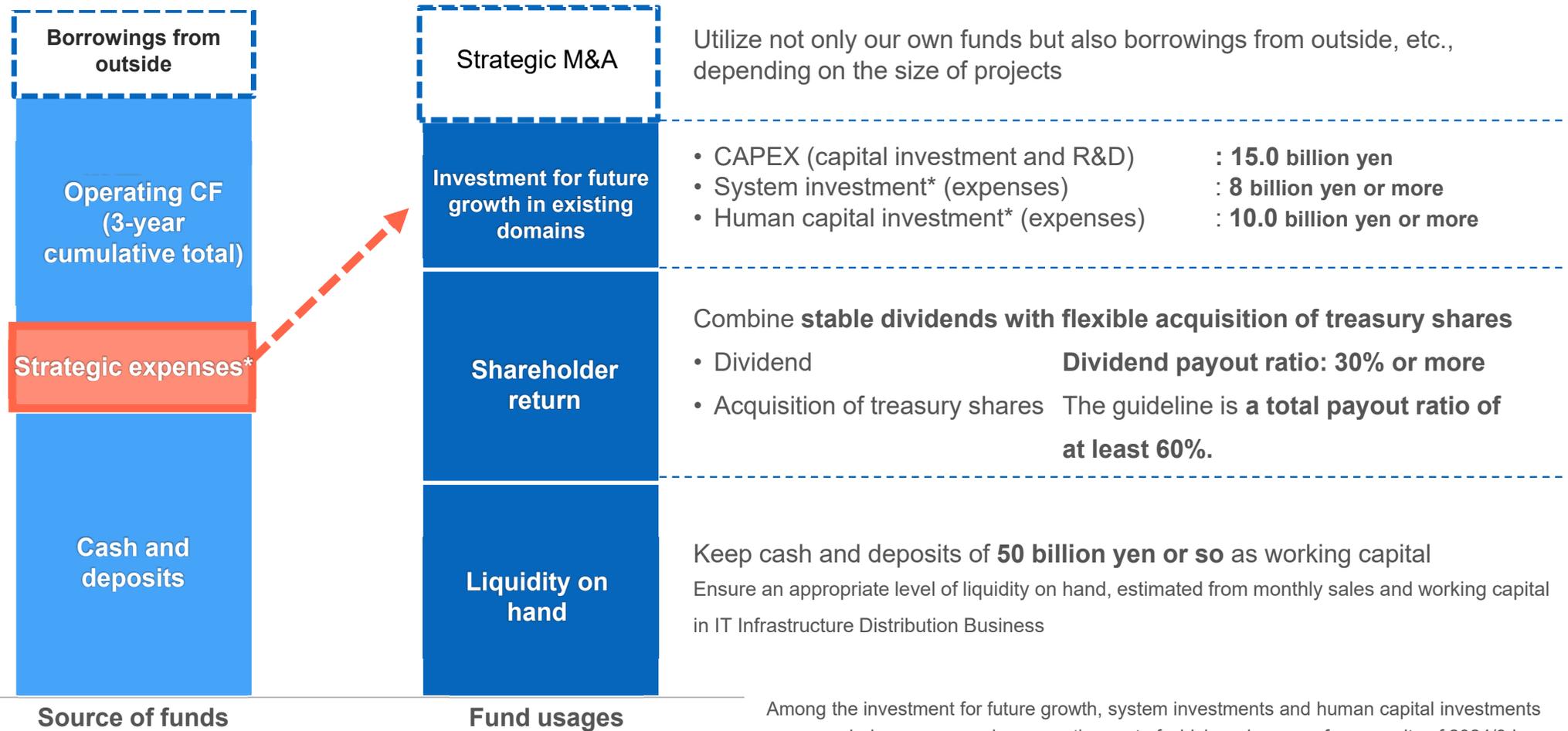


■ Net sales ■ Operating income ■ Operating income margin



Capital Allocation Policy

Graphical representation of capital allocation over a three-year cumulative period



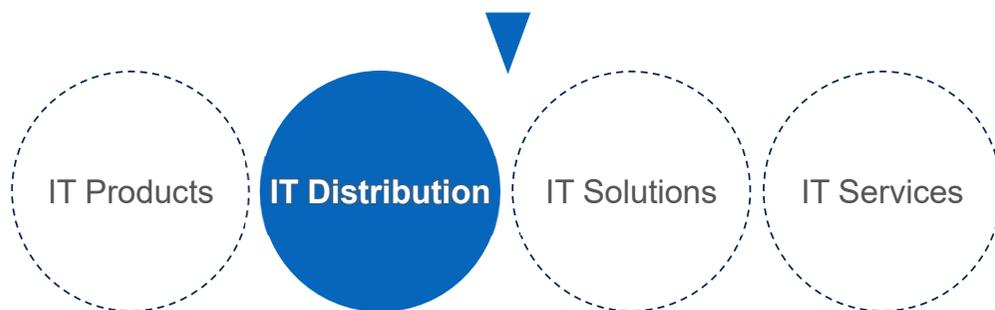
Among the investment for future growth, system investments and human capital investments are regarded as expenses in accounting, out of which an increase from results of 2024/3 is counted in

Plan to push forward with M&A for further growth
Carry out M&A through disciplined investment decisions with business areas and hurdle rates in mind

Business areas

Consider M&A mainly in the following business areas

- AI
- DX
- XaaS
- Subscription
- Network
- Logistics
- ITAD
- Consulting
- Security
- Automation
- Education
- Healthcare



Decision-making on investment and procurement

Make investment decisions on a quantitative basis

Will it exceed cost of capital?

Cost of shareholders' equity: 6.2% to 7.5% WACC: 5.8% to 7.0%

Will it contribute to improving EPS in the long term?

Compare with acquisition of treasury shares

Financial soundness: Maintain Rating A in the long term*

Will it lower capital efficiency?

Fund procurement policy

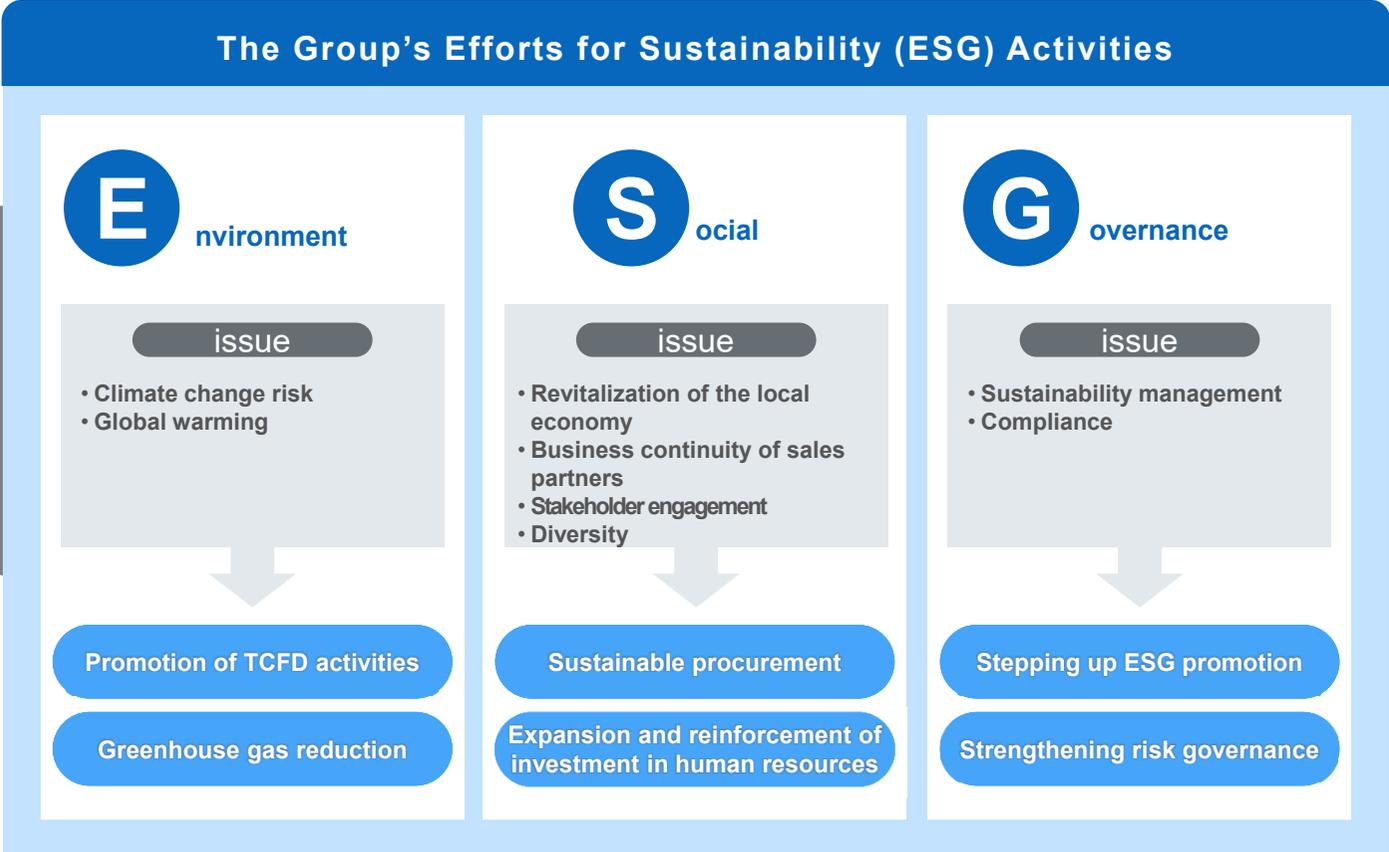
Small projects will be funded by funds on hand, but funds will be procured through borrowings, if necessary

Sustainability (ESG) Activities

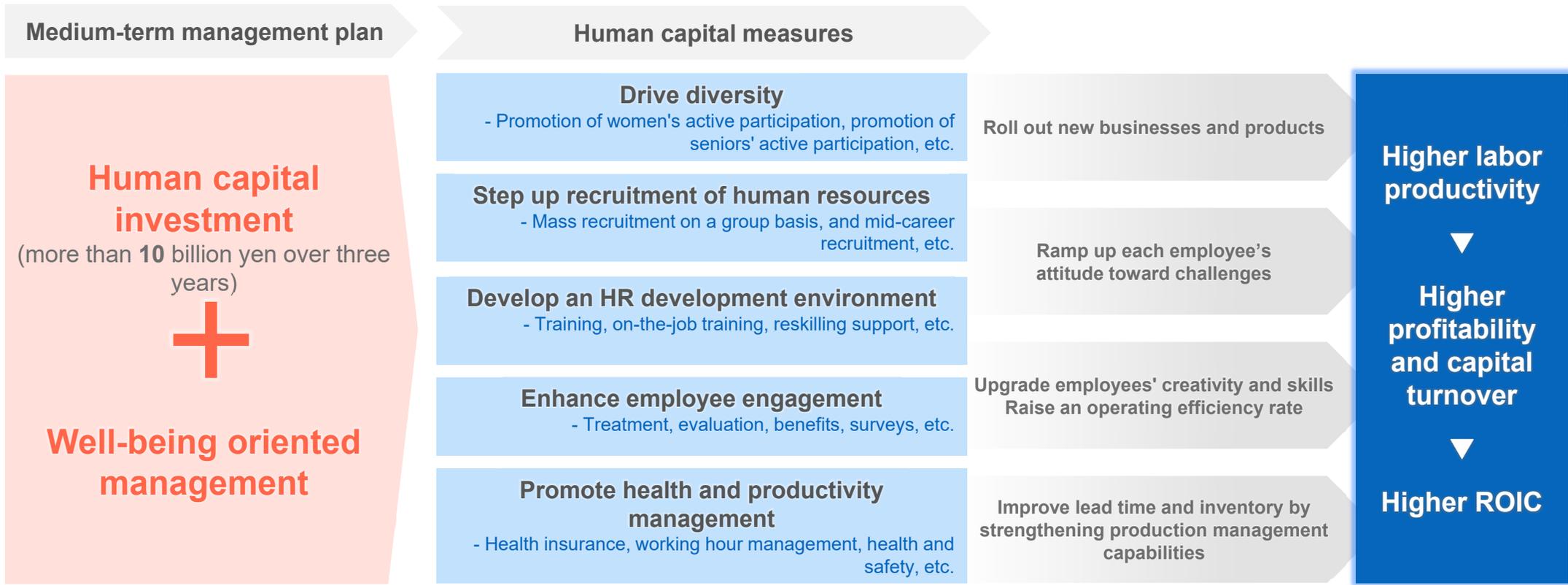
Holding up **“Contribution to solving social issues through business from an ESG perspective”** as one of the most important themes, the Group has set materiality (key issues) to address and is making group-wide efforts

Heightened uncertainty

- Supply chain fragmentation
- Climate change and natural resources problem
- Various problems associated with AI and other technological innovations



By further strengthening the management foundation, **enhance trust from stakeholders**



Aim at sustainable enhancement of corporate value by creating an environment that enables each employee to draw out their potential to the maximum

Status of Dialogue with Shareholders and Investors (April 2023 - March 2024)

Through timely and appropriate information disclosure and constructive dialogues with shareholders and investors, we aim to form an appropriate understanding of our business conditions and to enhance our corporate value by feeding back the contents of such dialogues to the management.

Status of interviews

Results of interviews for SR/IR: 186 cases

Main attendants from the Group

Interviews for SR and IR

Representative Director, President and Chief Executive Officer; Directors, IR staff from Corporate Strategy Dept.

Financial results briefing*

Representative Director and President and Chief Executive Officer

General meeting of shareholders

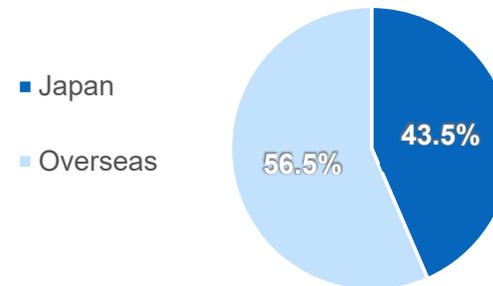
All directors and auditors

*Video distribution twice a year. Hybrid financial briefing will be held from 2025/3

Main topics of dialogues and matters of interest of shareholders

- Business strategy of IT Infrastructure Distribution Business
- Independence of Fiber Business and the way of thinking of a future business portfolio
- Status of considering capital allocation and return policy

Outline of shareholders and institutional investors interviewed



Status of feedback to the Board of Directors

- Contents of dialogs are fed back to the top management at the Board of Directors meeting every quarter
- Particularly important matters are reported to the Board of Directors by the director in charge, as appropriate

Examples of matters adopted based on dialogues

- The ESG Promotion Committee was established to promote disclosure of non-financial information
- Disclose capital allocation policy (May 2024)

References

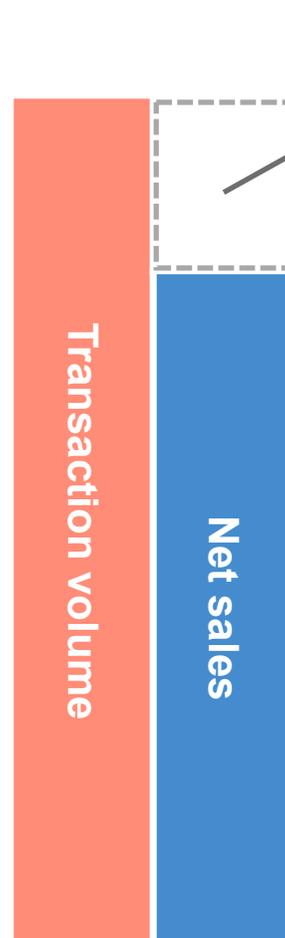
- ▶ “Transaction Volume” of IT Infrastructure Distribution Business
- ▶ Corporate Profile
- ▶ Charts for Performance Trend

(Supplement) “Transaction Volume” of IT Infrastructure Distribution Business

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 transaction
- ❑ Sales evaluations in management accounting



* Impact due to application of the
“Accounting Standard for Revenue
Recognition.”
(From the fiscal year ended March 31, 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 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 members
- Shifted to sales of PCs and other information equipment rather than system development and sales

1983-1984 Multiple-store development

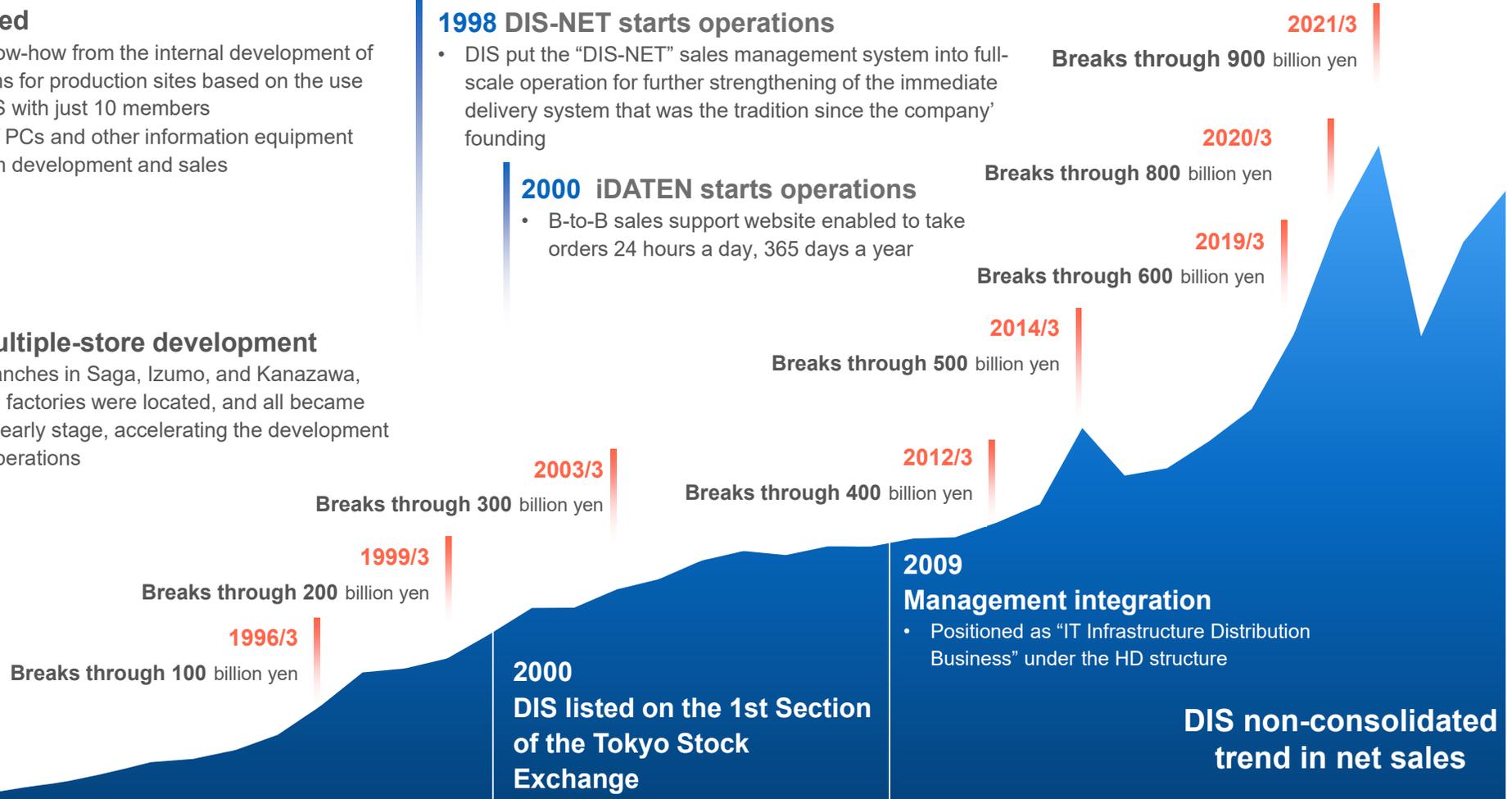
- DIS opened branches in Saga, Izumo, and Kanazawa, where Daiwabo factories were located, and all became profitable at an early stage, accelerating the development of multi-store operations

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’ founding

2000 iDATEN starts operations

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



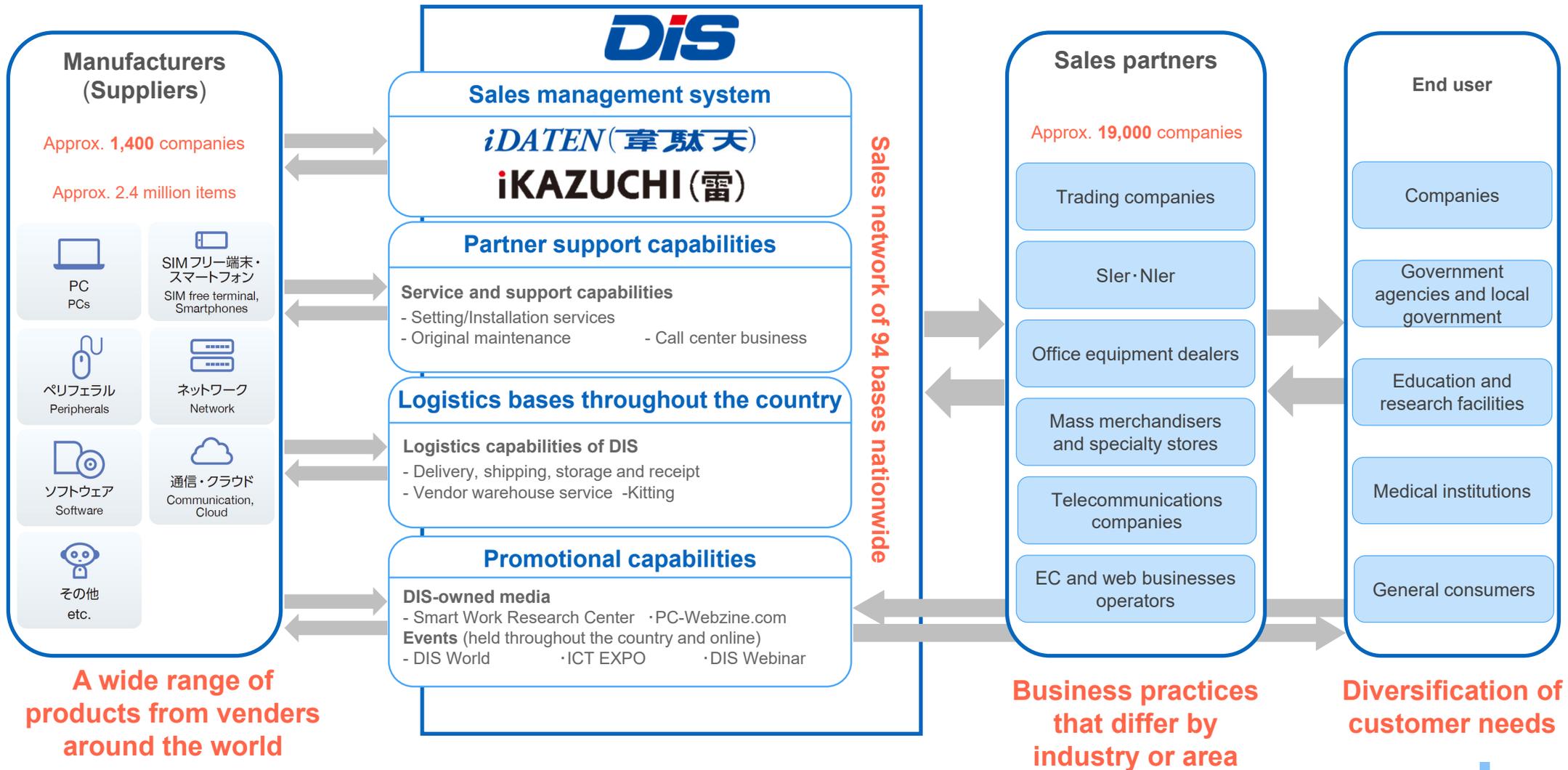
2009

Management integration

- Positioned as “IT Infrastructure Distribution Business” under the HD structure

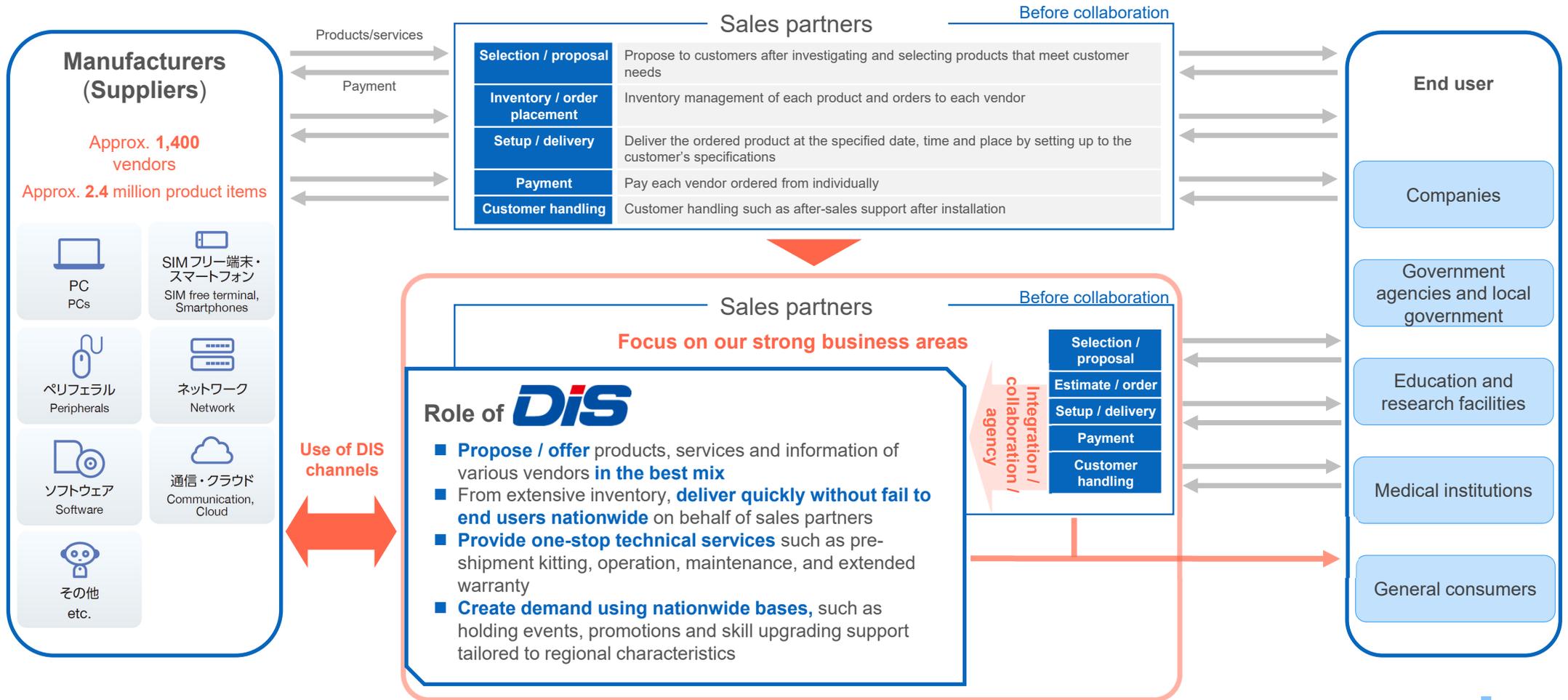
DIS non-consolidated trend in net sales

The Business Structure of IT Infrastructure Distribution Business



Value Added by Distributors

Sales partners



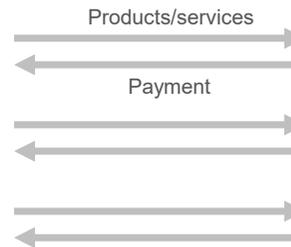
Value Added by Distributors

Manufacturers (Suppliers)



Manufacturers (Suppliers) Before collaboration

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



Sales partners

Approx. 19,000 companies

Trading companies

Sler·Nler

Office equipment dealers

Mass merchandisers and specialty stores

Telecommunications companies

EC and web businesses operators

End user

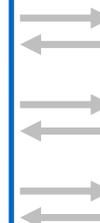
Companies

Government agencies and local government

Education and research facilities

Medical institutions

General consumers



Manufacturers (Suppliers) Before collaboration

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

Role of **DIS**

- Through supply chain management developed over many years, **share demand and needs across the country and reflect them in production plan and promotions**
- By using the logistics center as a warehouse for vendors, **realize shipping combining kitting and combinations with other companies' products in addition to time and cost savings for vendors**
- Collaborate with vendors entering the Japanese market from overseas to **provide sales and distribution networks covering Japan**

Integration / collaboration agency

Use of DIS channels



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 for end users

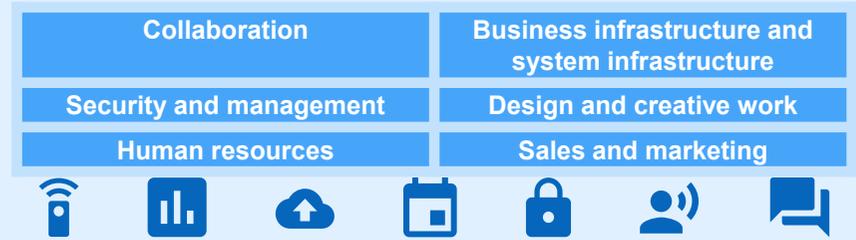


Supporting the subscription business of sales partners nationwide

iKAZUCHI posing service

130 vendors / 243 services

(As of March 2024)



Added value

- ✓ Streamlining of service issue and billing management through automatic cooperation, etc.
- ✓ Realize the handling of more customers through sales partners
- ✓ Expansion of promotions
- ✓ Strengthening of proposals capabilities and competitiveness by the expansion of posted services and provided functions
- ✓ Building of ongoing contractual relationships
- ✓ Promotion of composite proposals by improving the efficiency of subscription sales
- ✓ Centralized management of multiple vendors and various billing formats
- ✓ Realize the handling of more customers with real-time contract management
- ✓ Expansion of sales by improving the efficiency of subscription sales
- ✓ Grasp the state of contracts for multiple services and implement license changes in an integrated way
- ✓ Aggregation of payment destinations and payment timing
- ✓ Contributions to results through more efficient use of subscriptions

Establish a stable earnings base with iKAZUCHI

Greater Efficiency of Distribution Centers

Kansai Center (Kobe City)

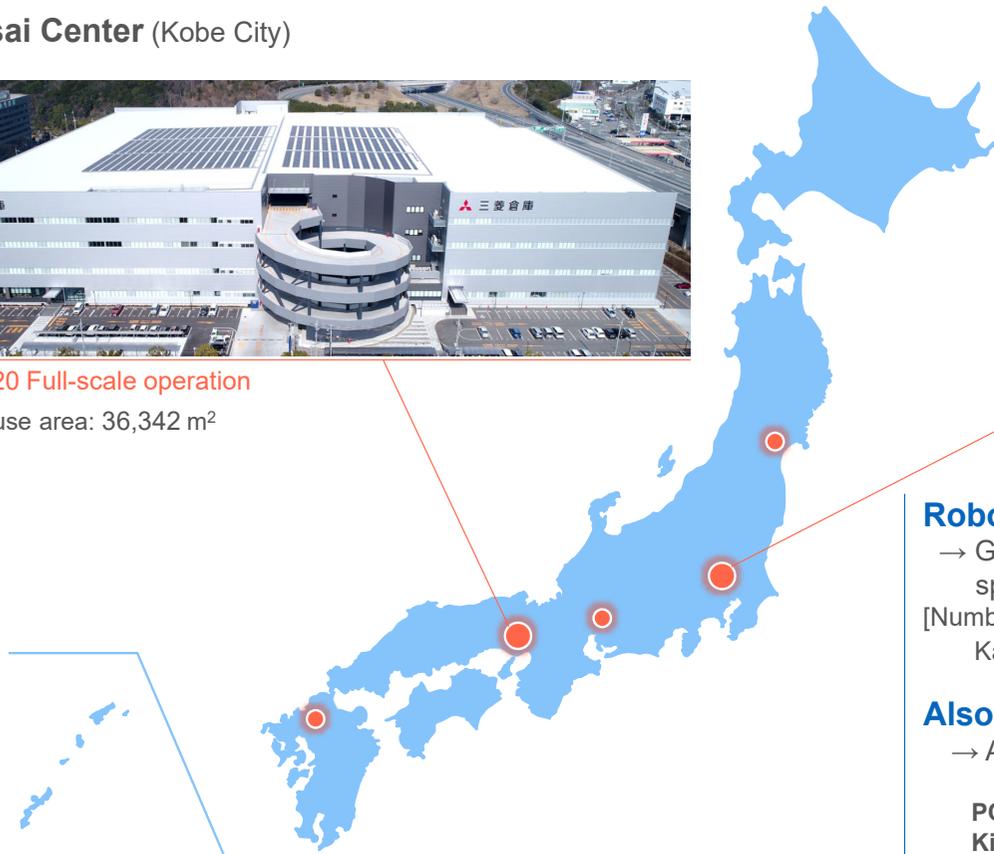


May 2020 Full-scale operation
Warehouse area: 36,342 m²

Kanto Central Center (Yoshimi Town, Saitama Prefecture)



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



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

Robot 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 : **188,000** units a year
Kitting results (2024/3)

Truck booking acceptance system

→ Sharing of incoming and outgoing information and vehicle leveling



Industrial Machinery Business - Product Examples -

Vertical lathes



- ❑ **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 and wind power parts
- ❑ The picture on the left shows the “RT-915,” a small general-purpose machine

Turning centers



- ❑ 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

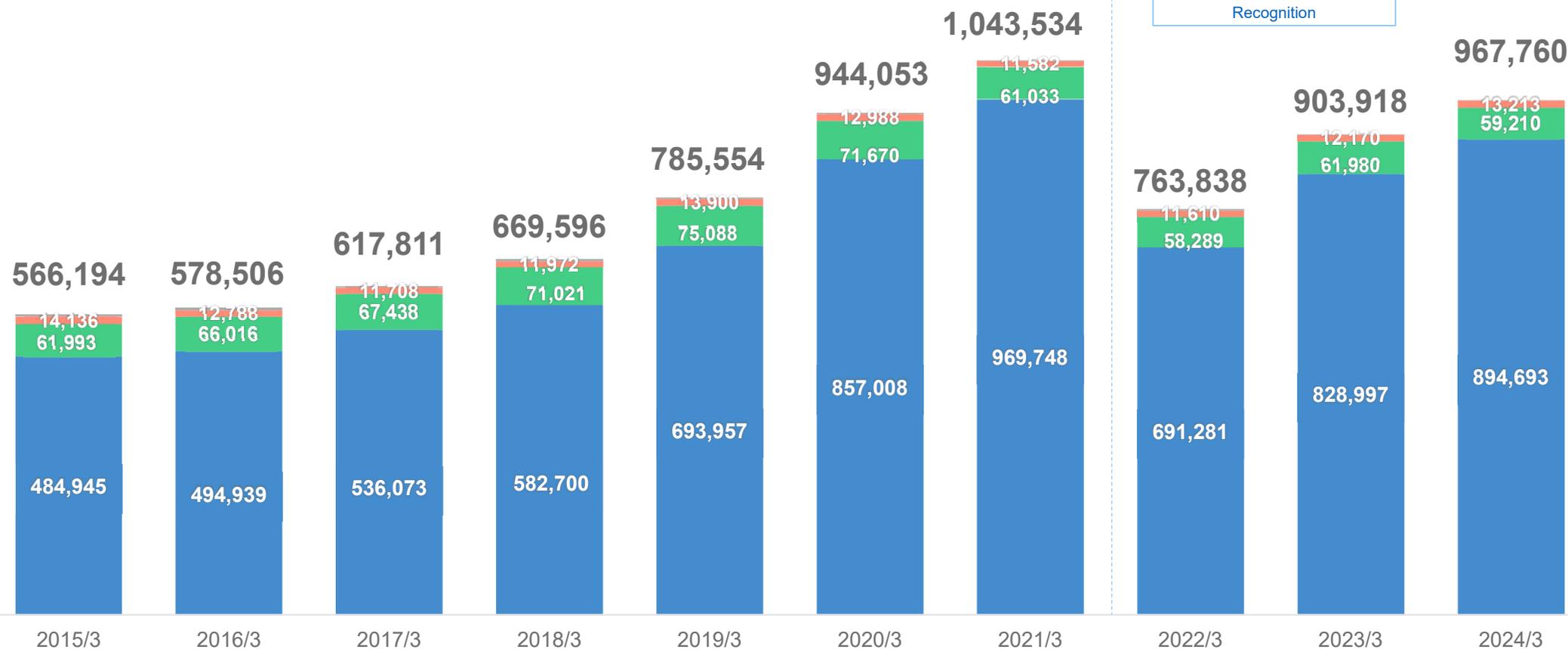


- ❑ We manufacture a wide range of automatic machinery including cartoners (cartoning machine), intermediate packaging machines for stacking and packaging products in film and corrugated cardboard casers (The picture on the left is a horizontal continuous cartoner)
- ❑ The strengths include technologies and creativities 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



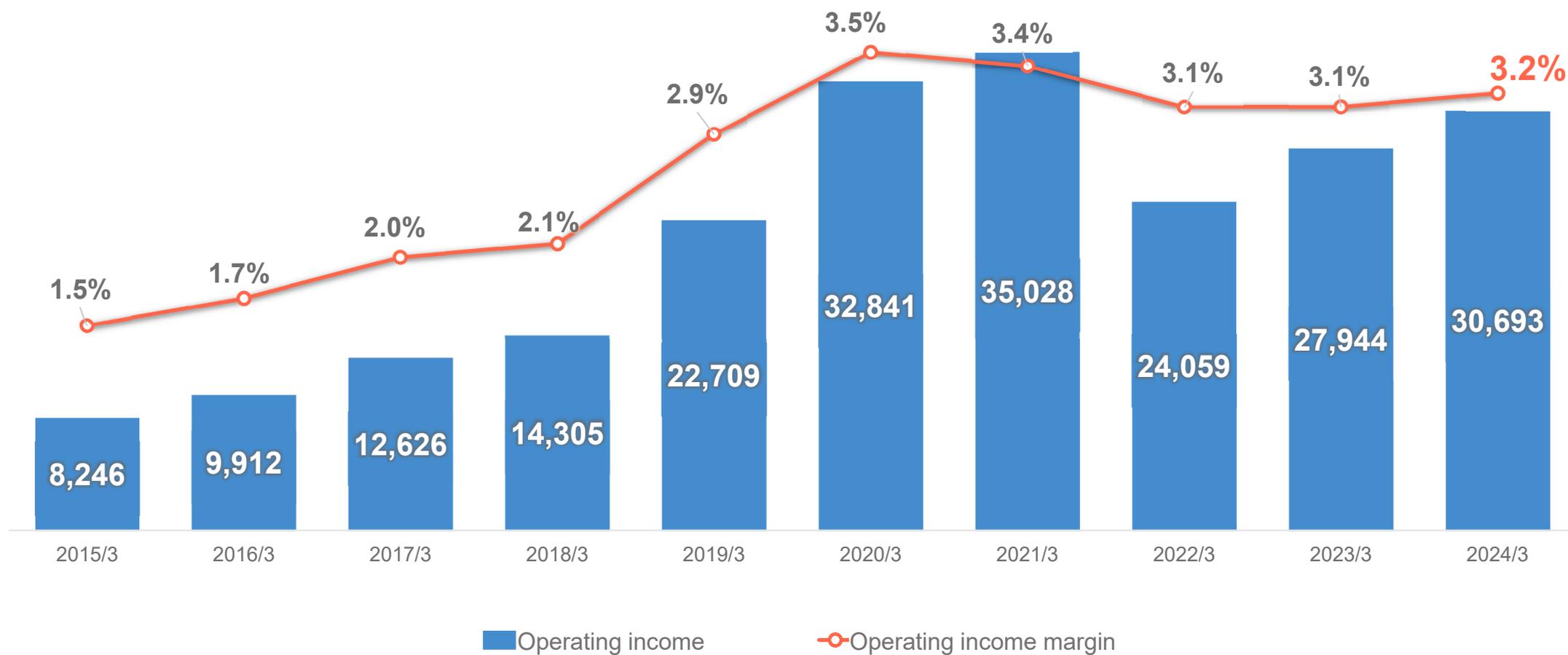
(Million yen)



■ IT Infrastructure Distribution
 ■ Fibers
 ■ Industrial Machinery
 ■ Others

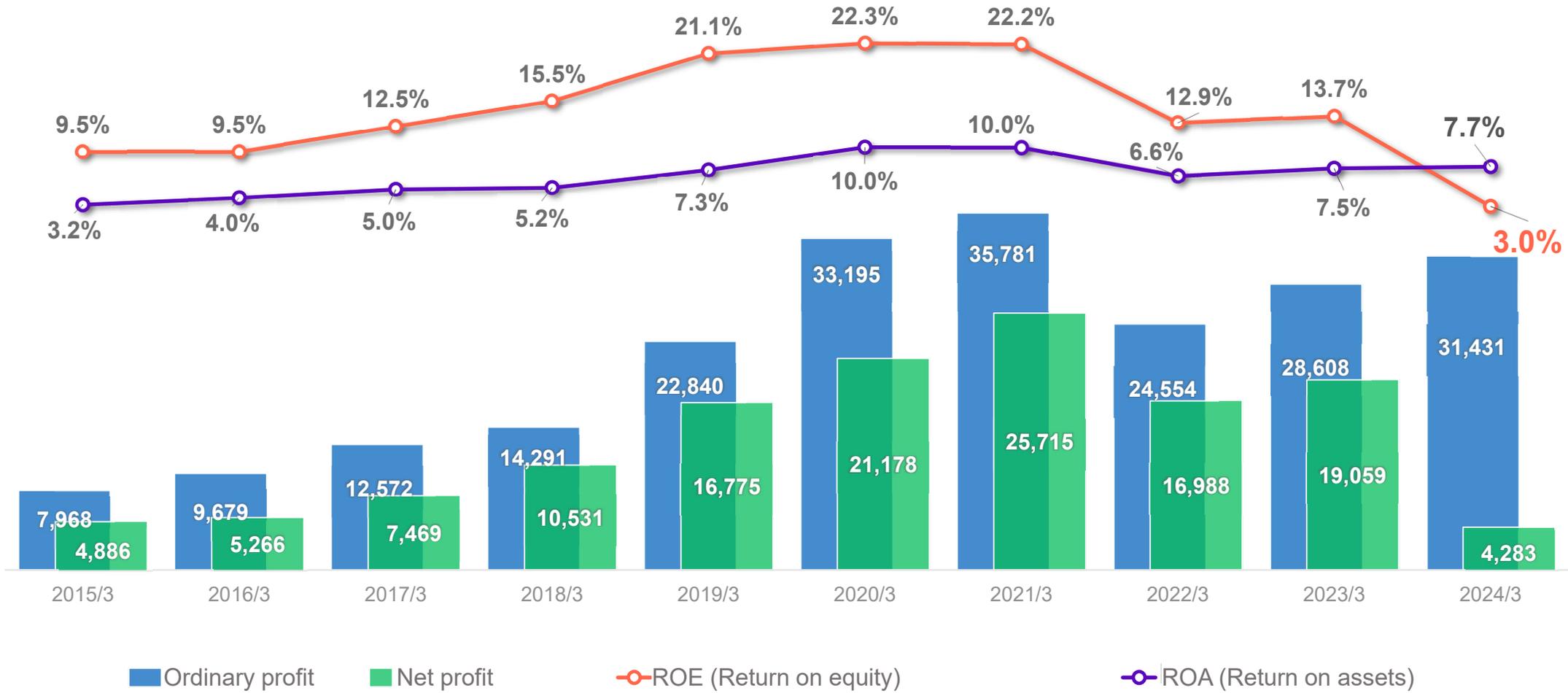
Consolidated operating income

(Million yen)



Consolidated Ordinary Profit and Consolidated Net Profit

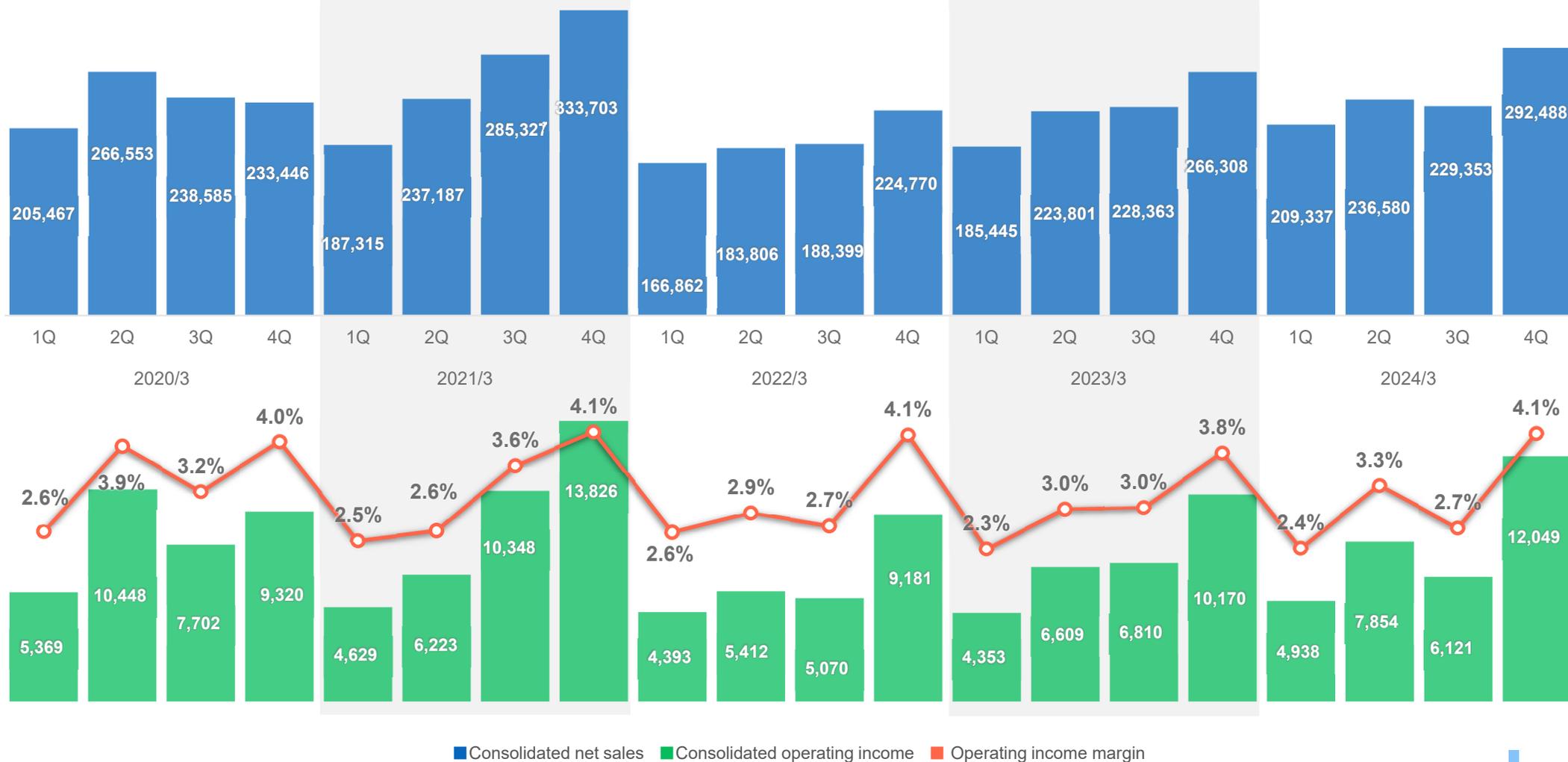
(Million yen)



Quarterly Results



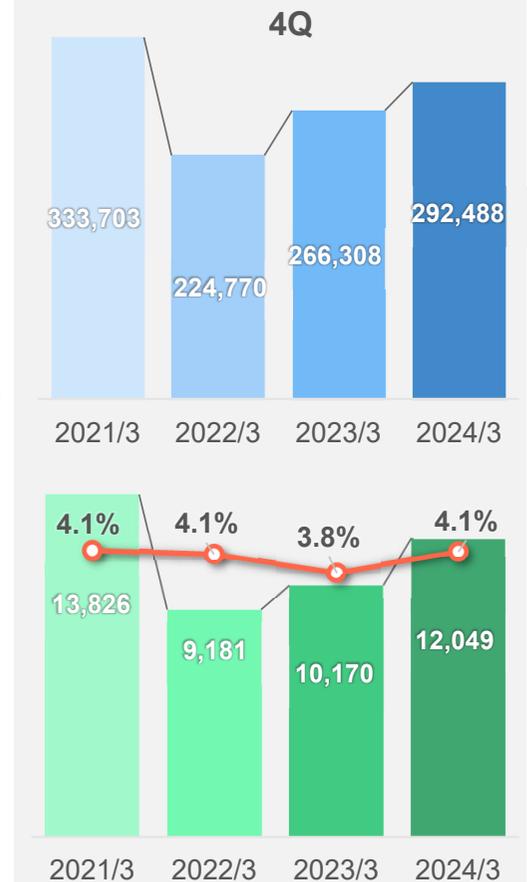
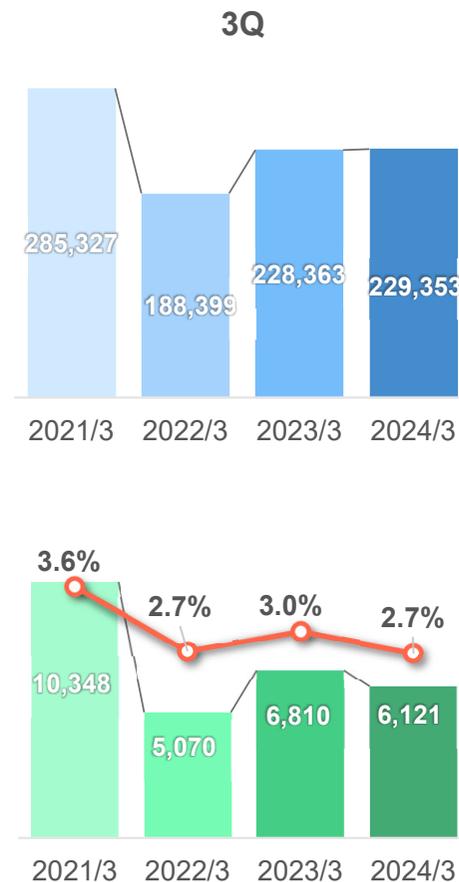
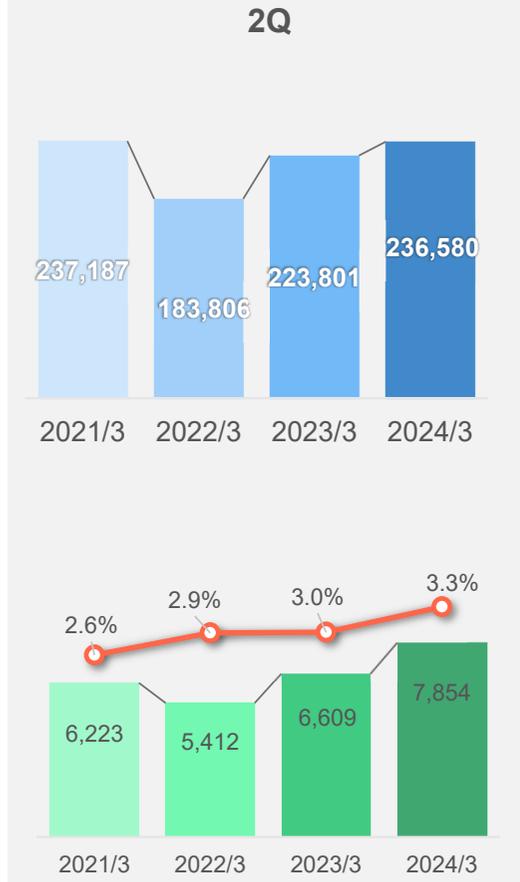
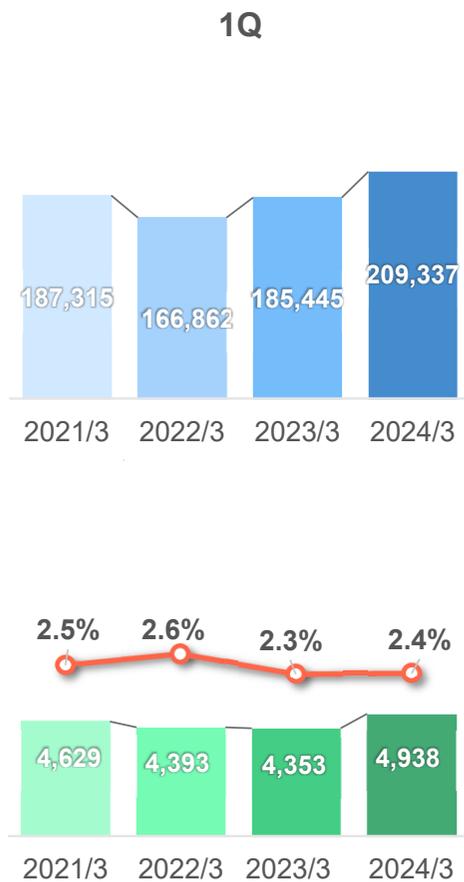
(Million yen)



■ Consolidated net sales ■ Consolidated operating income ■ Operating income margin

Quarterly Non-Consolidated Net Sales and Operating Profit

(Million yen)

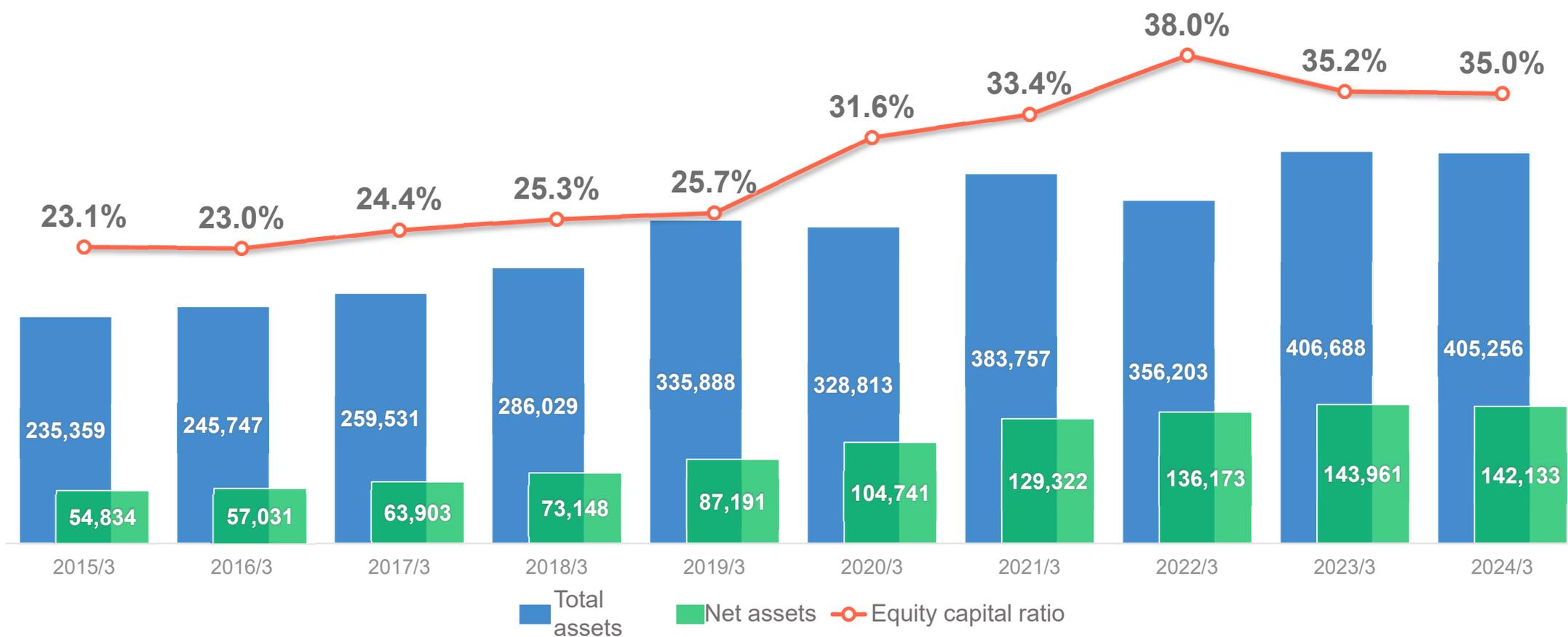


■ Consolidated net sales ■ Consolidated operating income ■ Operating income margin

Consolidated Total Assets, Consolidated Net Assets and Capital Adequacy Ratio

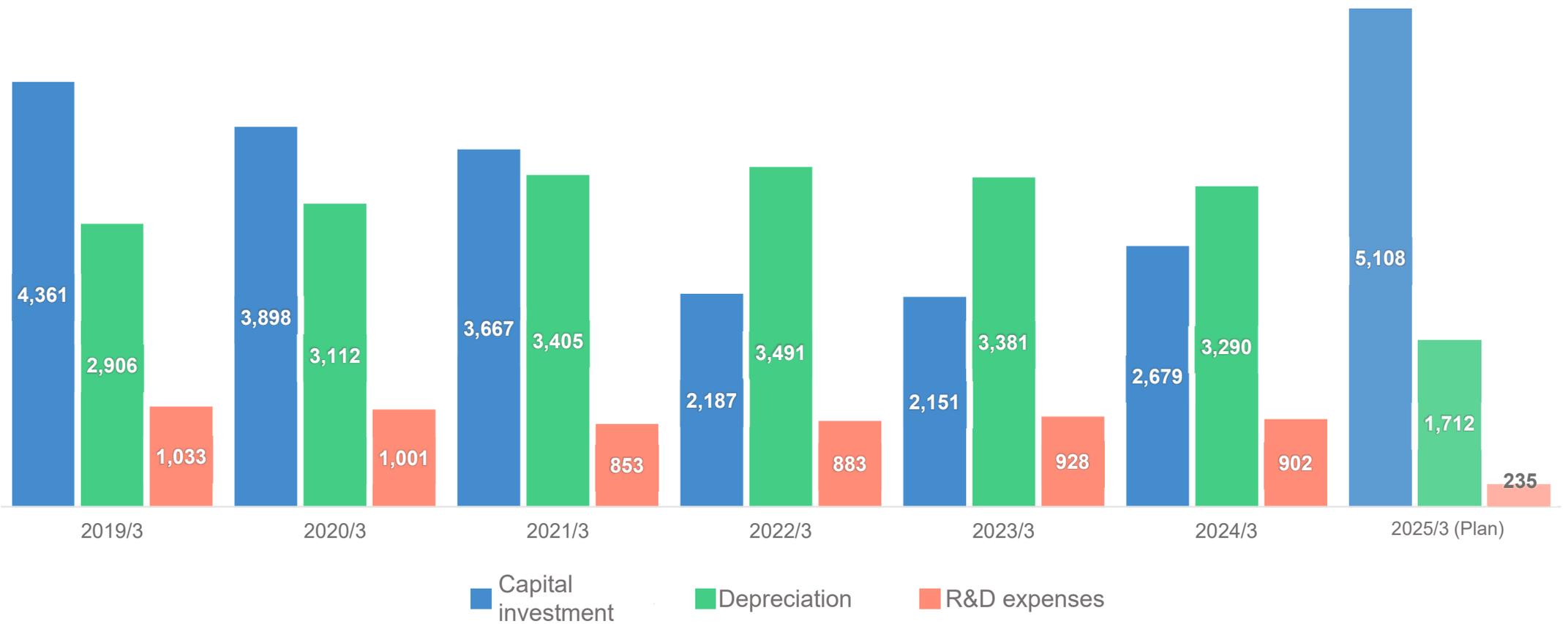


(Million yen)



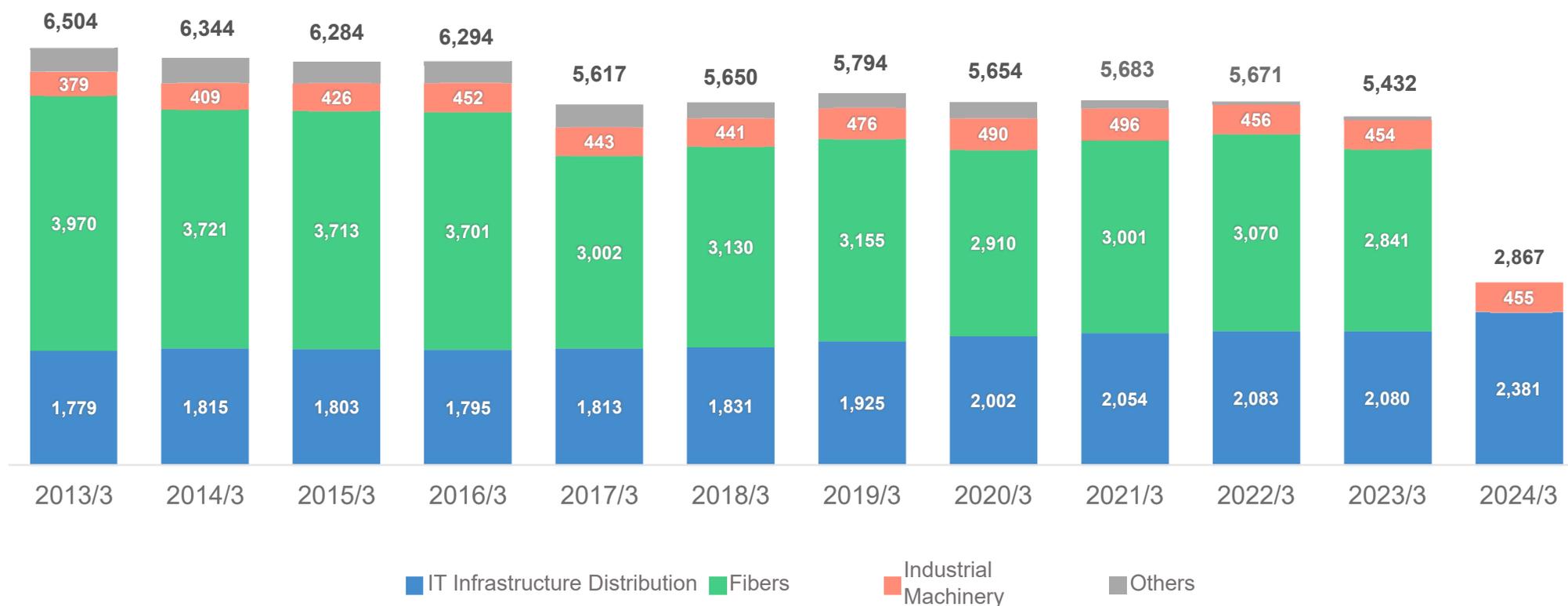
Capital Investment, Depreciation and R&D Expenses

(Million yen)



Number of employees

(Person)



*The number of employees as of the last day of each fiscal year (March 31).

Head Office	Nakanoshima Festival Tower West, 3-2-4 Nakanoshima, Kita-ku, Osaka 530-0005	
Established	Founded as Daiwa Boseki establishment of Daiwabo Holdings Co., Ltd.	April 1, 1941 July 1, 2009
Consolidated employees	2,867 (as of March 31, 2024)	
Capital	21,696,744,900 yen	
Stock exchange	Listed on the Prime Market of the Tokyo Stock Exchange Stock code 3107 / Industry: Wholesale <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, etc.
	Industrial Machinery Business [Core company]  O.M. Ltd.	Manufacture and sales of machine tools, automatic machinery and casting products

*Daiwa Co., Ltd. became independent on March 27, 2024.
(85% of outstanding shares were transferred to Aspirant Group.)



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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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.

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