

1st Quarter of the Fiscal Year Ending March 2024

Financial Results Supplementary Materials

August 4, 2023



Daiwabo Holdings Co., Ltd.

(Stock code: **3107**)

1st Quarter of the Fiscal Year Ending March 2024 (April 1, 2023 - June 30, 2023)

Acquired demand stably in IT Infrastructure Distribution Business
Double-digit growth for both sales and operating profit compared to results for previous term

IT Infrastructure Distribution Business

For companies and government, mainly PCs, servers, services and support were strong, and the number of subscription service contracts also increased.

In the education market, terminals are distributed to students of elementary, junior high and high schools, and the number of projects increased due to demand for terminals for teachers. Demand in the consumer market was weak due partly to the impact of the decline in consumer sentiment caused by rising prices.

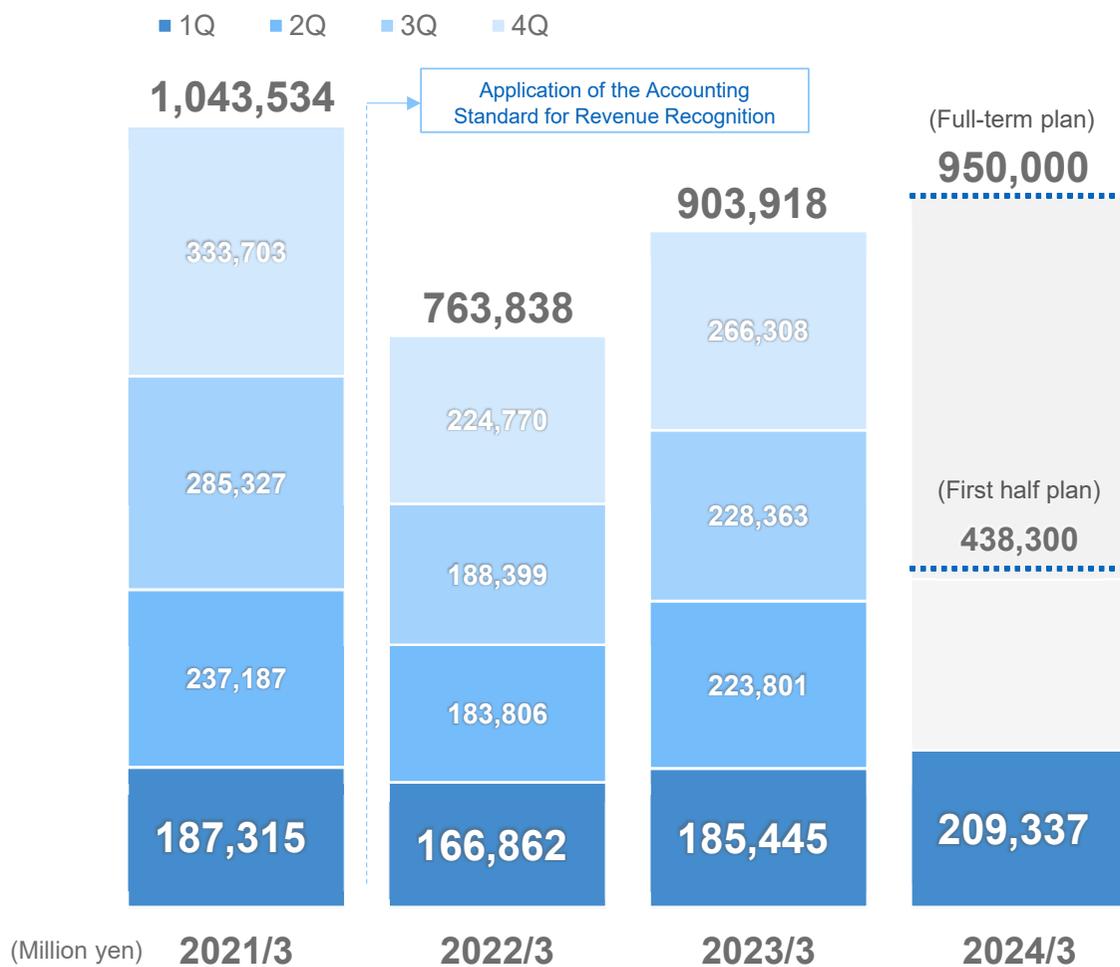
Fiber Business

Non-woven fabric products such as antiperspirant sheets and cosmetic area products, and flame-retardant rayon for overseas markets performed well, but orders for building materials and cartridge filters for the United States were sluggish, and the business overall struggled in terms of profits due to the impact of energy cost increases.

Industrial Machinery Business

Although Machine Tools Division trended strongly, centered on sales to the energy industry, both sales and profits declined as the number of machine deliveries in Automatic Machinery Division is concentrated in the second quarter.

Cumulative Net Sales for the 1st Quarter of the Fiscal Year Ending March 2024



Net sales **209,337** million yen

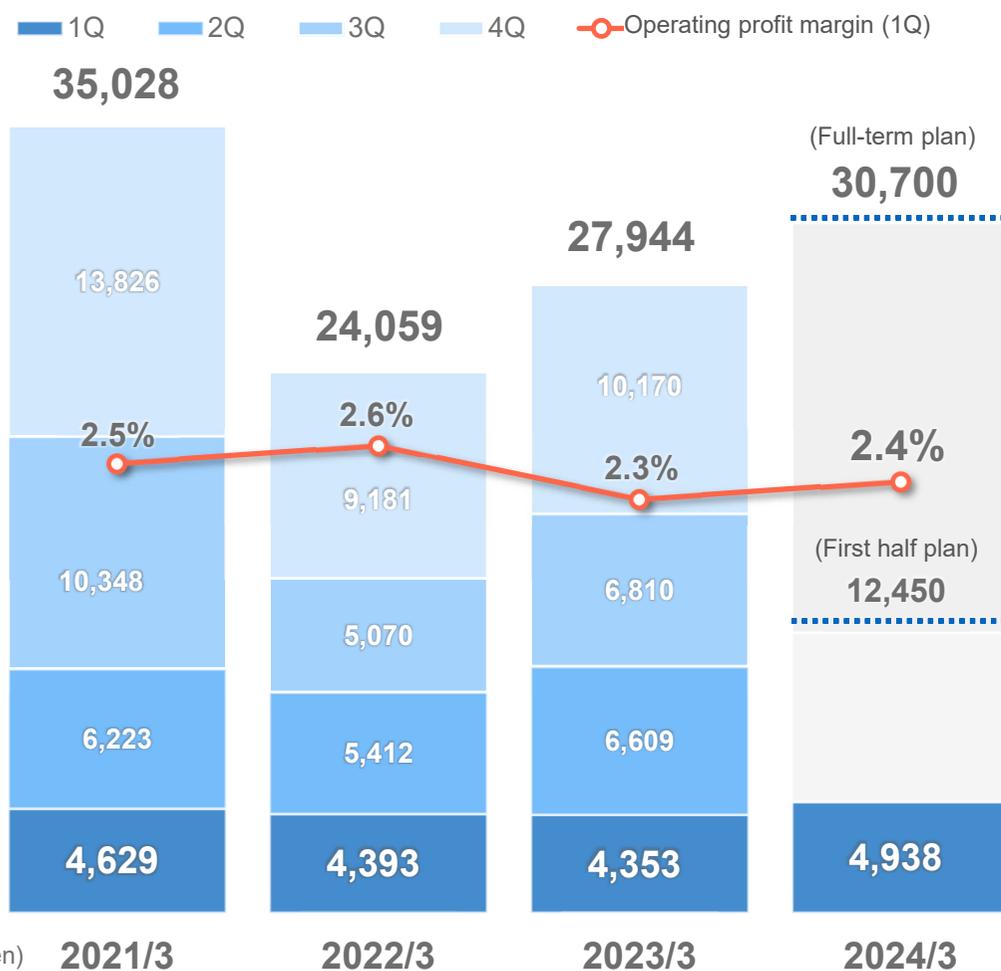
+ **12.9%** against the same period of the previous fiscal year

Progress rate **47.8%** for 1st half / **22.0%** for full-term

Record sales for 1Q

* See p17 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 2024



Operating profit **4,938** million yen
 + **13.4%** against the same period of the
 previous fiscal year

Operating profit margin **2.4%**

Progress rate **39.7%** for 1st half / **16.1%** for full-term

Summary of the Consolidated Settlement of Accounts for the Cumulative 1st Quarter of the Fiscal Year Ending March 2024



(Million yen)	2023/3 1Q	2024/3 1Q	Change	Compared to previous term	First half plan	Progress rate
Net sales	185,445	209,337	+23,892	+12.9%	438,300	47.8%
Operating profit	4,353	4,938	+584	+13.4%	12,450	39.7%
Ordinary profit	4,542	5,044	+502	+11.1%	12,650	39.9%
Quarterly profit attributable to owners of parent	3,146	3,442	+296	+9.4%	8,480	40.6%
Quarterly net profit per share (yen)	33.15	36.83				

(Million yen)	2023/3	2023/6	Change	Major reasons for change
Collective assets	406,688	386,668	-20,020	Decrease in accounts receivable, etc.
Net assets	143,961	146,036	+2,074	
Capital adequacy ratio	35.2%	37.5%		

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



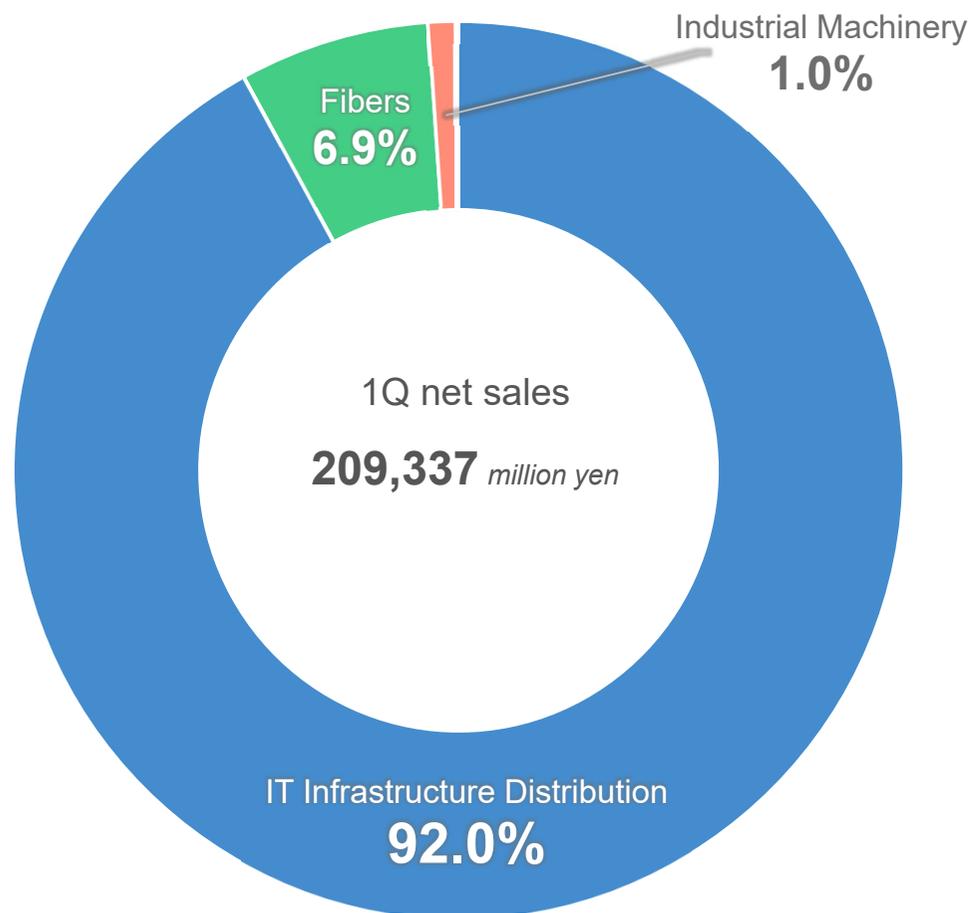
(Million yen)	2023/3 (Results)		2024/3 (Forecast)		Change	Compared to previous term
	Amount	Percentage	Amount	Percentage		
Net sales	903,918		950,000		+46,081	+5.1%
IT Infrastructure Distribution	828,997		872,700		+43,702	+5.3%
Fibers	61,980		63,680		+1,699	+2.7%
Industrial Machinery	12,170		13,000		+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%

Operating Results by Segment for the Cumulative 1st Quarter of the Fiscal Year Ending March 2024



(Million yen)		2023/3 1Q	2024/3 1Q	Change	Compared to previous term
Net sales	IT Infrastructure Distribution	168,611	192,592	+23,981	+14.2%
	Fibers	14,250	14,417	+167	+1.2%
	Industrial Machinery	2,359	2,182	-176	-7.5%
	Others	224	144	-79	-35.4%
	Total	185,445	209,337	+23,892	+12.9%
Operating profit	IT Infrastructure Distribution	3,923	4,538	+614	+15.7%
	Fibers	244	224	-20	-8.5%
	Industrial Machinery	167	137	-29	-17.8%
	Others	17	20	+2	-
	(Adjustment)	0	18	+18	
Total	4,353	4,938	+584	+13.4%	

Segment Mix



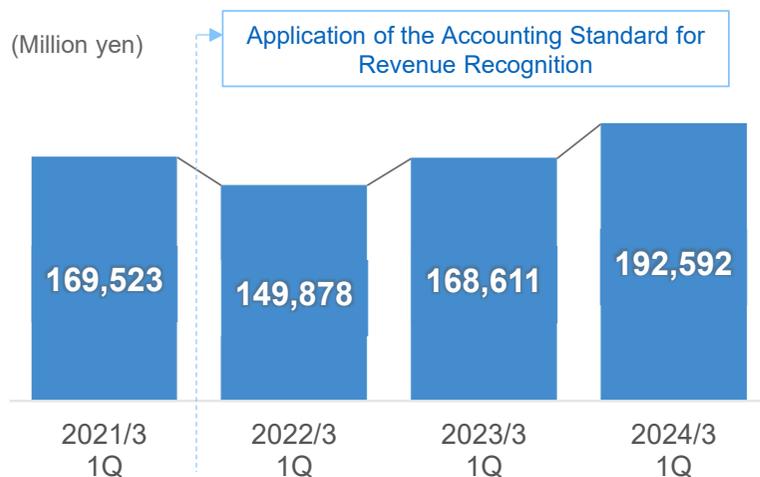
Percentage of net sales

	2023/3 1Q	2024/3 1Q
IT Infrastructure Distribution	90.9%	92.0%
Fibers	7.7%	6.9%
Industrial Machinery	1.3%	1.0%

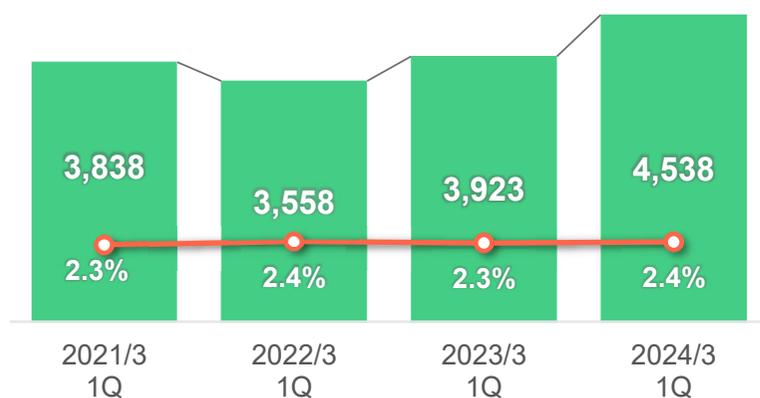
Percentage of operating profit

	2023/3 1Q	2024/3 1Q
IT Infrastructure Distribution	90.1%	91.9%
Fibers	5.6%	4.5%
Industrial Machinery	3.8%	2.8%

IT Infrastructure Distribution Business



■ Net sales ■ Operating profit ■ Operating profit margin



Net sales **192,592** million yen (+14.2% compared to previous term)

* Handling volume 207,509 million yen (+14.2% compared to previous term)

Operating profit **4,538** million yen (+15.7% compared to previous term)

Number of PCs shipped **632,000** units (+2.9% compared to previous term)

Number of servers shipped **12,000** units (+6.9% compared to previous term)

Subscription handling volume **24,252** million yen (+14.5% compared to previous term)

iKAZUCHI handling volume **6,840** million yen (+44.2% compared to previous term)

Review of the business

Corporate market

- We acquired demand steadily from companies and government offices, and mainly PCs, server, service and support increased, while among subscription products, the number of cloud service contracts also increased and sales trended well.
- In the education market, the number of projects increased due to demand for terminals for teachers.

Consumer market

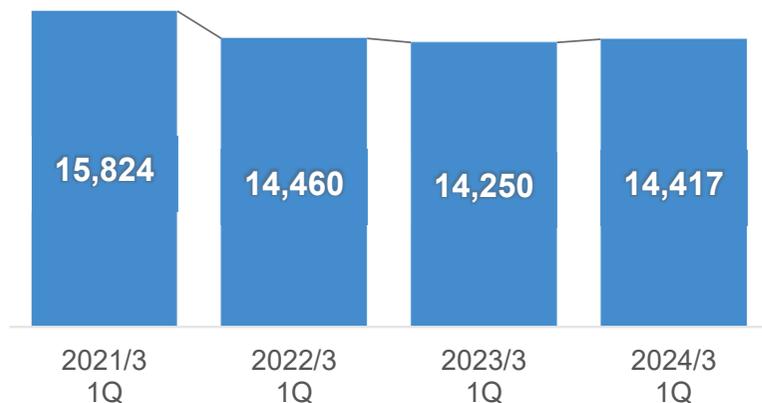
- Although consumer electronics and PCs for mass retailers struggled, products such as PCs and monitors for e-commerce performed well.
- Sales decreased and profits increased due to the profit margin improving compared to the same period last fiscal year.

* The definition of "handling volume" is given on p18.

Fiber Business



(Million yen)

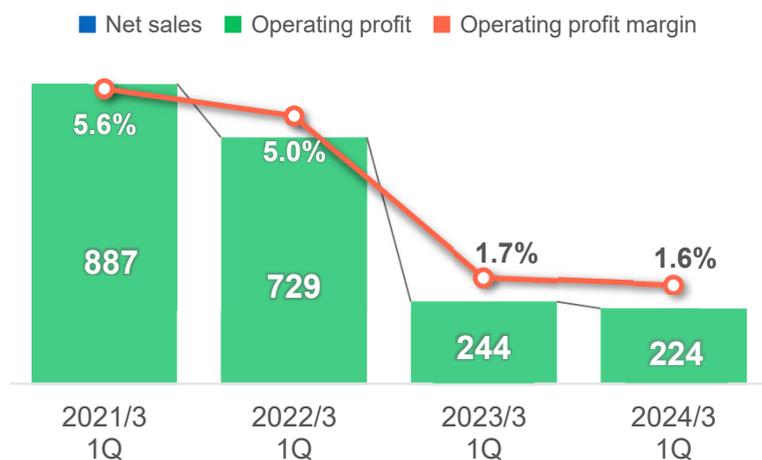


Net sales

14,417 million yen (+1.2% compared to previous term)

Operating profit

224 million yen (-8.5% compared to previous term)



Review of the business

Synthetic Fibers and Rayon Divisions

■ Non-woven fabric products such as antiperspirant sheets and cosmetic area products, and flame-retardant rayon for overseas markets performed well, but sales of building materials for the United States decreased significantly, and profits declined under the impact of competition from imported products and soaring raw material and energy prices.

Industrial Material Division

■ Although the recovery of orders for cartridge filters for the electronic parts industry has been slow, and sales have struggled, orders for canvas mesh belts and building sheets and canvas-related products remained strong.

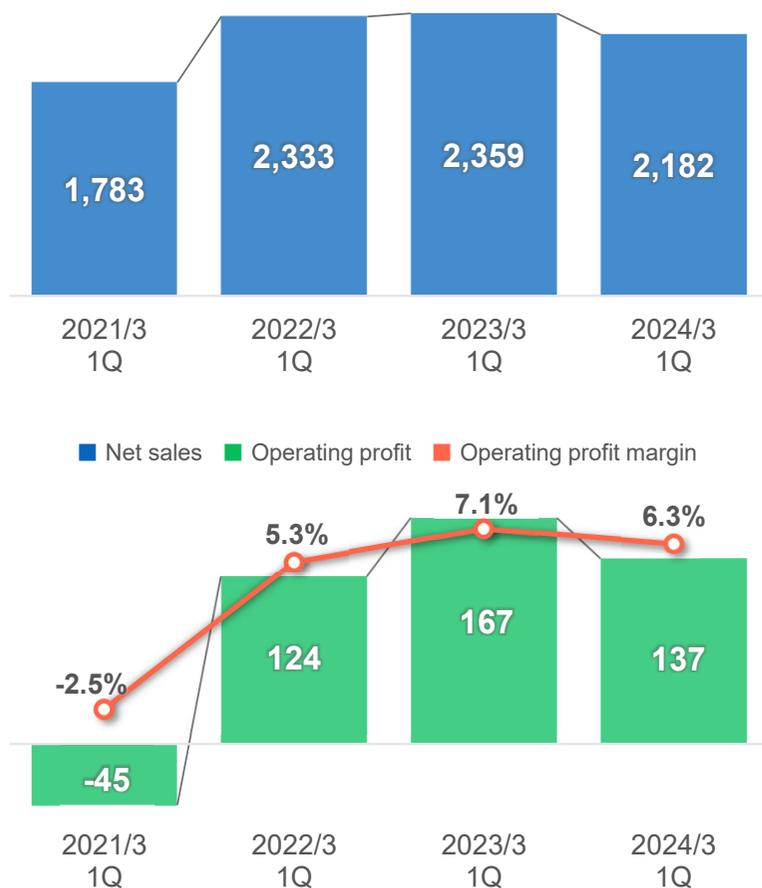
Clothing Products Division

■ Although sales to the United States struggled due to the stagnation of consumption, price revisions for the domestic market penetrated to a certain degree and profitability improved.

Industrial Machinery Business



(Million yen)



Net sales

2,182 million yen (-7.5% compared to previous term)

Operating profit

137 million yen (-17.8% 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 decreased 19.4% compared to the previous term, orders increased 3.2% compared to the previous term, partly because of ongoing capital investment in the energy industry and the recovery of the aviation industry.
- Both sales and profits increased due to increased shipments and service sales to the wind power generation industry in the Chinese market.

Automatic Machinery Division

- Production was affected by the soaring prices of materials and energy, but needs for greater efficiency through capital investment to compensate for the labor shortage can be seen to be increasing.
- Both sales and profits decreased due to unit shipments being concentrated in the second quarter.

Consolidated Balance Sheet for the 1st Quarter of the Fiscal Year Ending March 2024 (Summary of Accounts p3-4)



(Million yen)	2023/3	2023/6	Change		2023/3	2023/6	Change
Current assets	354,188	331,876	-22,311	Current liabilities	231,884	208,180	-23,703
Cash and deposits	52,123	54,975	+2,851	Notes payable and accounts payable	192,594	171,346	-21,248
Notes and accounts receivable	239,856	205,554	-34,301	Short-term loans payable	12,869	12,249	-620
Goods and products	39,273	51,257	+11,983	Non-current liabilities	30,842	32,451	+1,608
Property, plant and equipment	37,127	37,120	-6	Long-term loans payable	13,230	13,430	+200
Intangible fixed assets	2,081	4,231	+2,150	Total liabilities	262,726	240,631	-22,094
Investments and other assets	13,291	13,439	+147	Total net assets	143,961	146,036	+2,074
Total assets	406,688	386,668	-20,020	Total liabilities and net assets	406,688	386,668	-20,020

Notes and accounts receivable	239,856	->	205,554	-34,301	Collection of DIS accounts receivable
Notes payable and accounts payable	192,594	->	171,346	-21,248	Decrease in DIS accounts payable
Total loans	26,099	->	25,679	-420	

Consolidated Profit Statement for the 1st Quarter of the Fiscal Year Ending March 2024 (Summary of Accounts P5)



(Million yen)	2023/3 1Q		2024/3 1Q		Change	Compared to previous term
	Results	Percentage	Results	Percentage		
Net sales	185,445		209,337		+23,892	+12.9%
Gross profit	14,446	7.8%	16,709	8.0%	+2,262	+15.7%
Selling, general and administrative expenses	10,093	5.4%	11,771	5.6%	+1,678	+16.6%
Operating profit	4,353	2.3%	4,938	2.4%	+584	+13.4%
Ordinary profit	4,542	2.4%	5,044	2.4%	+502	+11.1%
Extraordinary profit	44		0			
Extraordinary loss	0		25			
Quarterly profit attributable to owners of parent	3,146	1.7%	3,442	1.6%	+296	+9.4%

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



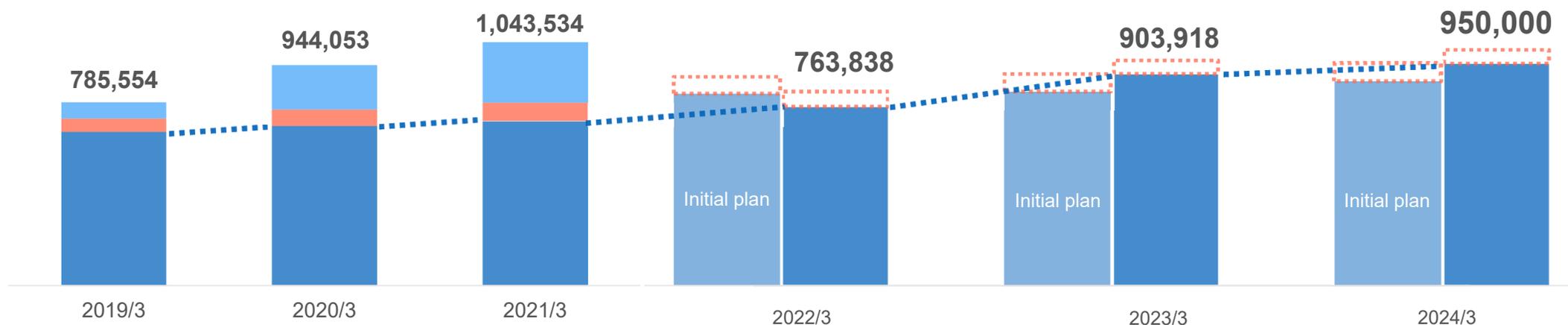
(Million yen)	2022/3		2023/3		2024/3	
	(Initial plan)	(Results)	(Initial plan)	(Results)	(Plan)	(Results forecast)
Net sales	820,000	763,838	830,000	903,918	875,000	950,000
Operating profit	28,500	24,059	28,600	27,944	31,400	30,700
Operating profit margin	3.5%	3.1%	3.5%	3.1%	3.6%	3.2%

■ 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

< Image of the trend in net sales >



Shareholder Return

Dividend per share

Acquisition of treasury stock

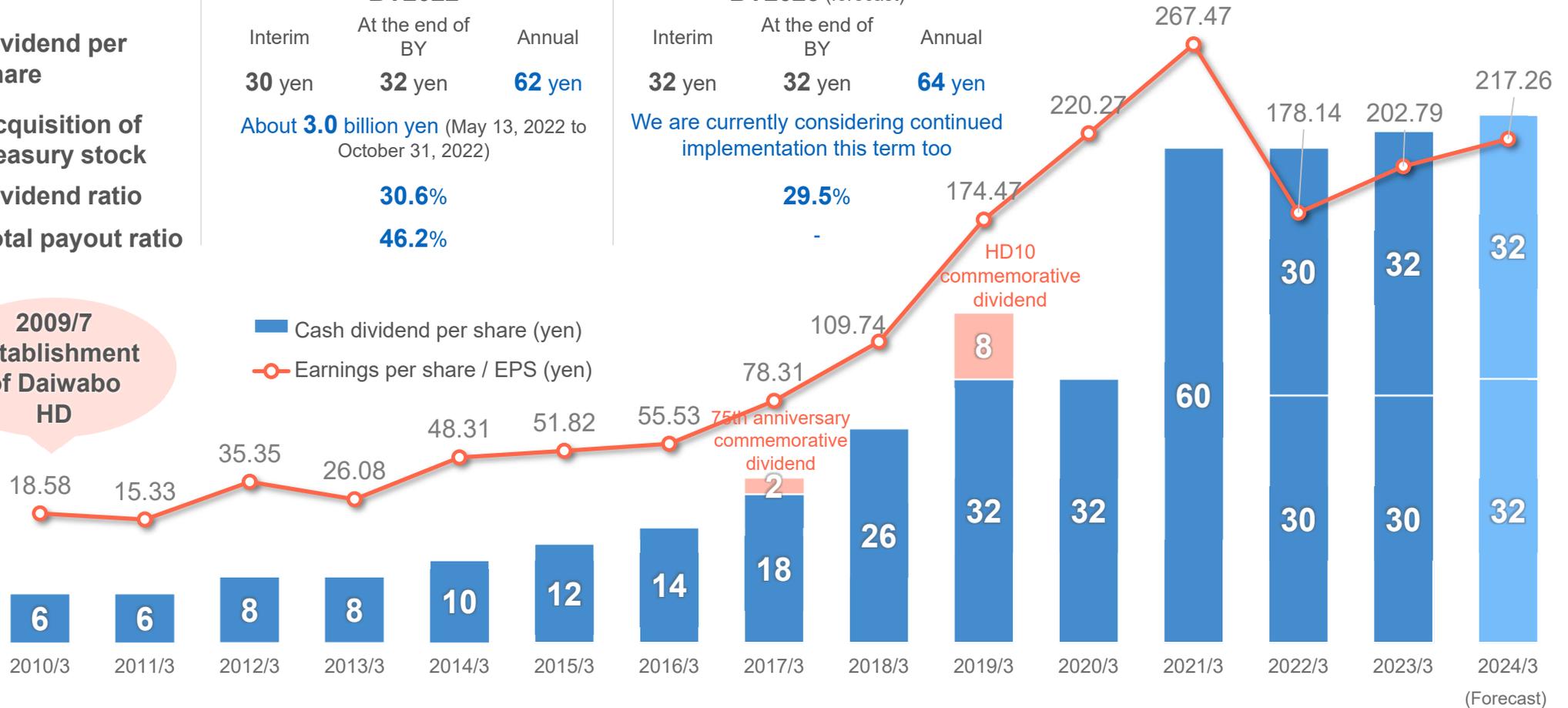
Dividend ratio

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.

Formulation of materialities

Daiwabo Sustainable Action2023

We set the issues to be addressed with priority in order to achieve coexistence with a sustainable society in the four areas of: society and industry; the environment; people; and governance.

Society and industry	Environment
<ul style="list-style-type: none"> ■ Promotion of business activities aimed at regional economic development ■ Contributions to sustainable social infrastructure ■ Contribution to digital society 	<ul style="list-style-type: none"> ■ Initiatives aimed at the realization of a decarbonized society ■ Contributions to the circular economy ■ Promotion of global environmental protection
People	Governance
<ul style="list-style-type: none"> ■ Respect for human rights in business activities ■ Expansion of human capital ■ Successful participation of diverse human resources, the improvement of well-being 	<ul style="list-style-type: none"> ■ Corporate governance (Sustainable company growth, group governance and risk management)

External ESG evaluation

In June 2023, we were selected for the first time as a member of the FTSE Blossom Japan Sector Relative Index.



FTSE Blossom Japan Sector Relative Index

*1

We continued to be selected for inclusion in the MSCI Japan Empowering Women (WIN) Select Index in June 2023.

**2023 CONSTITUENT MSCI Japan index
Japan Empowering Women (WIN) Select Index** *2

*1 FTSE Russell (registered trademark of FTSE International Limited and Frank Russell Company) certifies that, as a result of a third-party investigation, Daiwabo Holdings Co. Ltd., has satisfied the requirements for inclusion in the FTSE Blossom Japan Sector Relative Index and is a constituent member of the index. The FTSE Blossom Japan Sector Relative Index is used widely to create and evaluate sustainable investment funds and other financial products.
<https://www.ftserussell.com/ja/products/indices/blossom-japan>

*2 The inclusion of Daiwabo Holdings Co. Ltd., in the MSCI index and the use of the MSCI logo, trademark, service mark, or the name of the index name in this release do not constitute sponsorship, warranty or promotion of Daiwabo Holdings Co. Ltd., by MSCI or its affiliates. The MSCI index is the exclusive property of MSCI. The MSCI index name and logo are trademarks or service marks of MSCI or an affiliated company.

| [References]

- Impact of the Accounting Standard for Revenue Recognition
- 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

		2023/3 1Q	2024/3 1Q	Change
(Million yen)				
Net sales	[1] Old standard	198,544	224,254	+25,710 +12.9%
	[2] New standard	185,445	209,337	+23,892 +12.9%
	[2] - [1]	-13,099	-14,916	
<hr/>				
Operating profit		4,353	4,938	+584 +13.4%
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Operating profit margin	[1] Old standard	2.2%	2.2%	
	[2] New standard	2.3%	2.4%	

< 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)



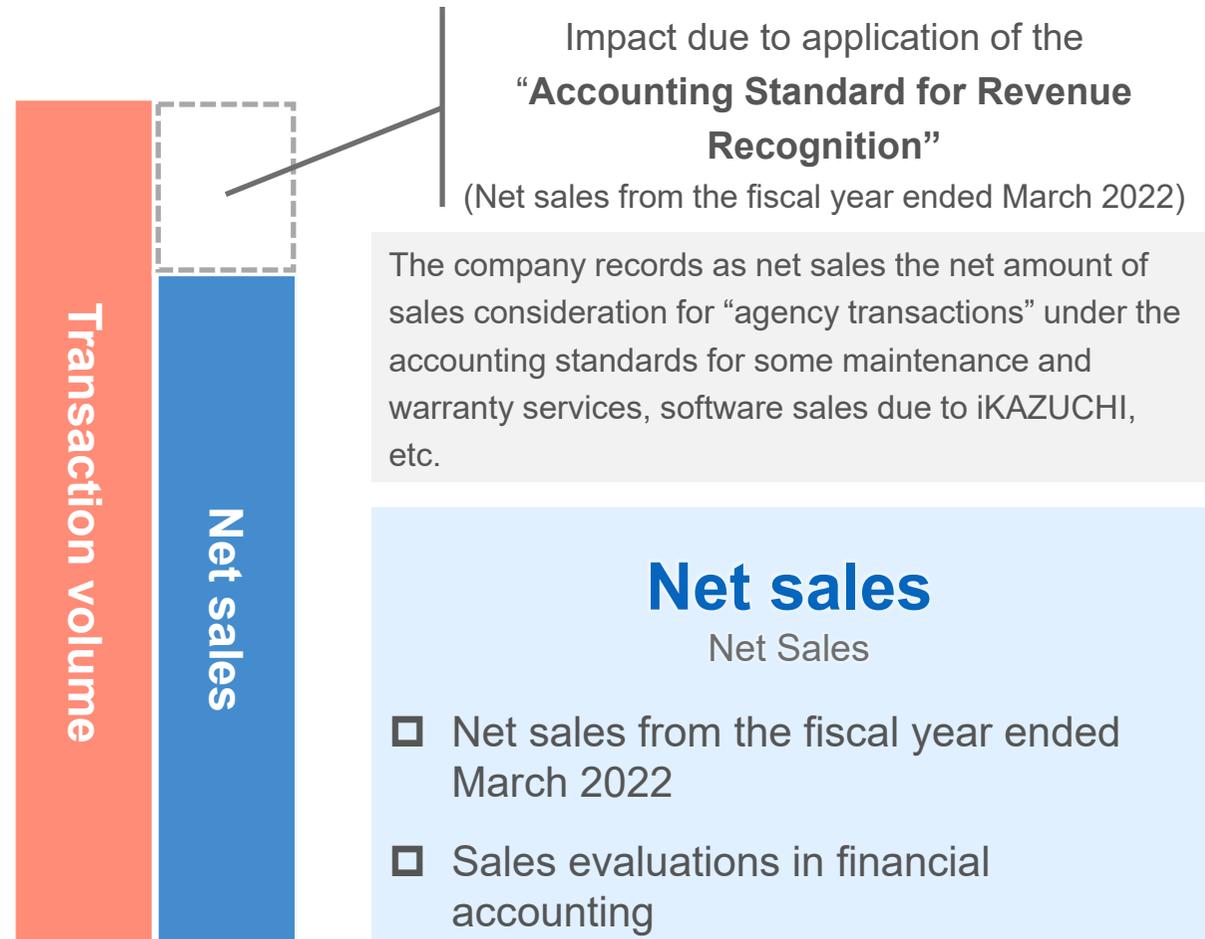
[New standard]: Record sale of the **net amount** of sales consideration (A-B)



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



Net sales

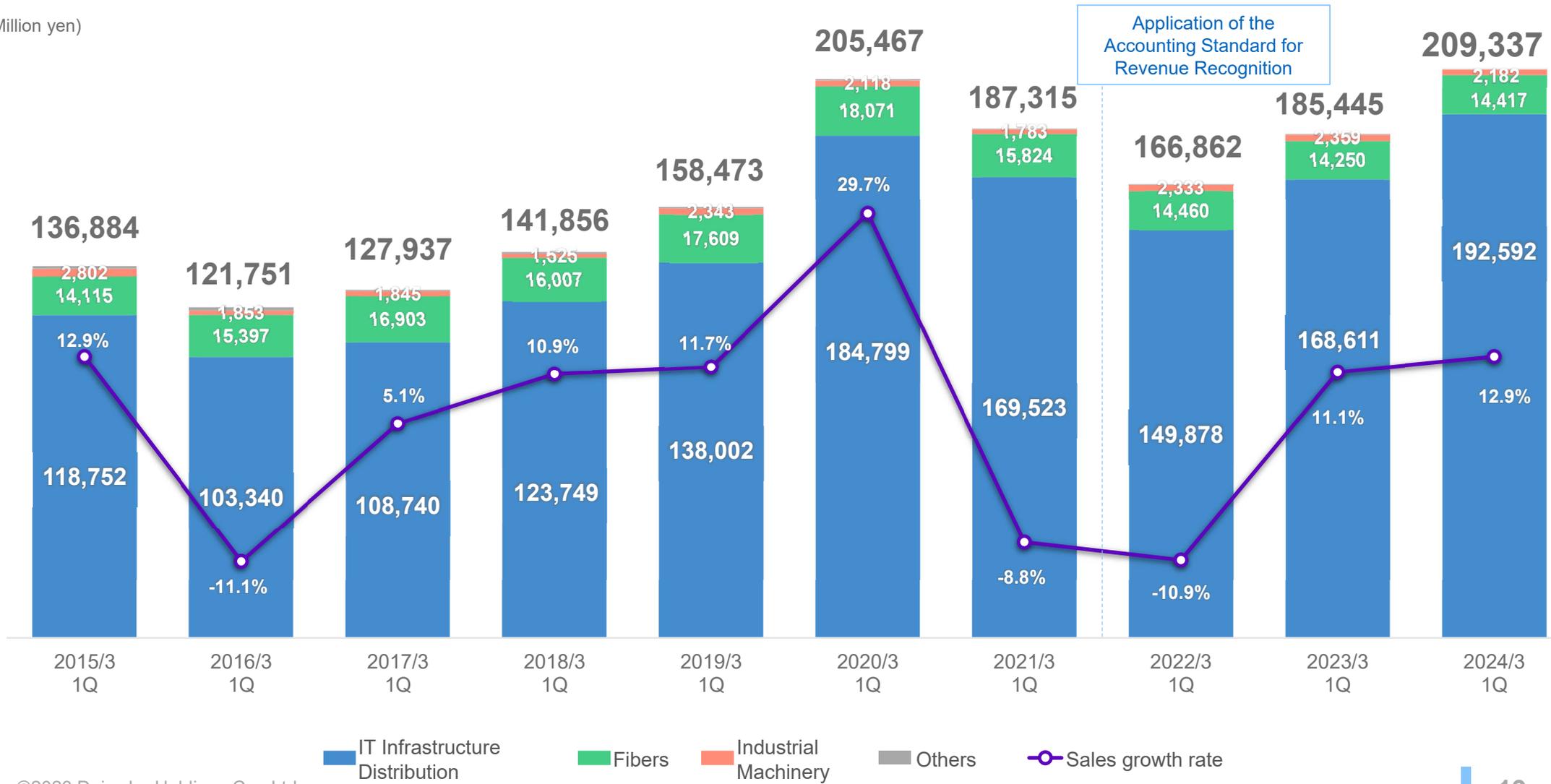
Net Sales

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

Consolidated Net Sales (1Q Cumulative)

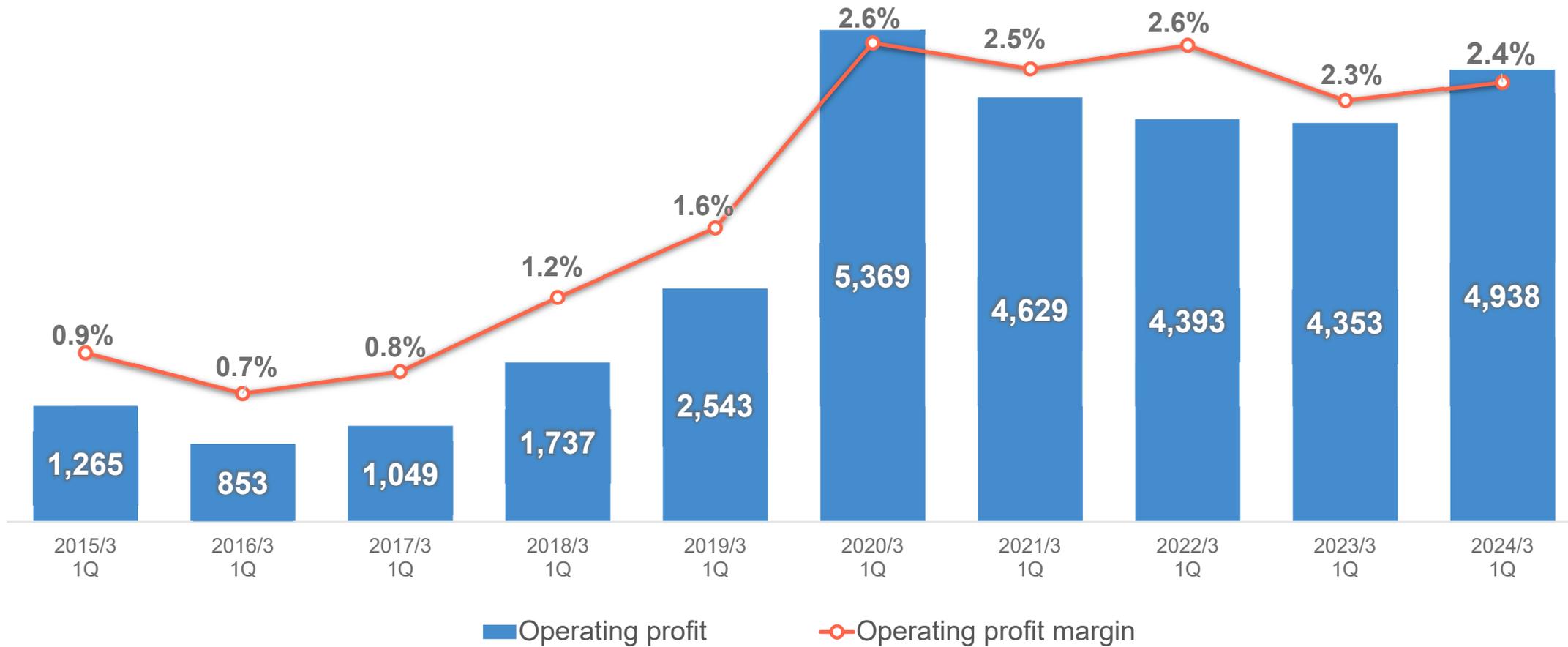


(Million yen)



Consolidated Operating Profit (1Q Cumulative)

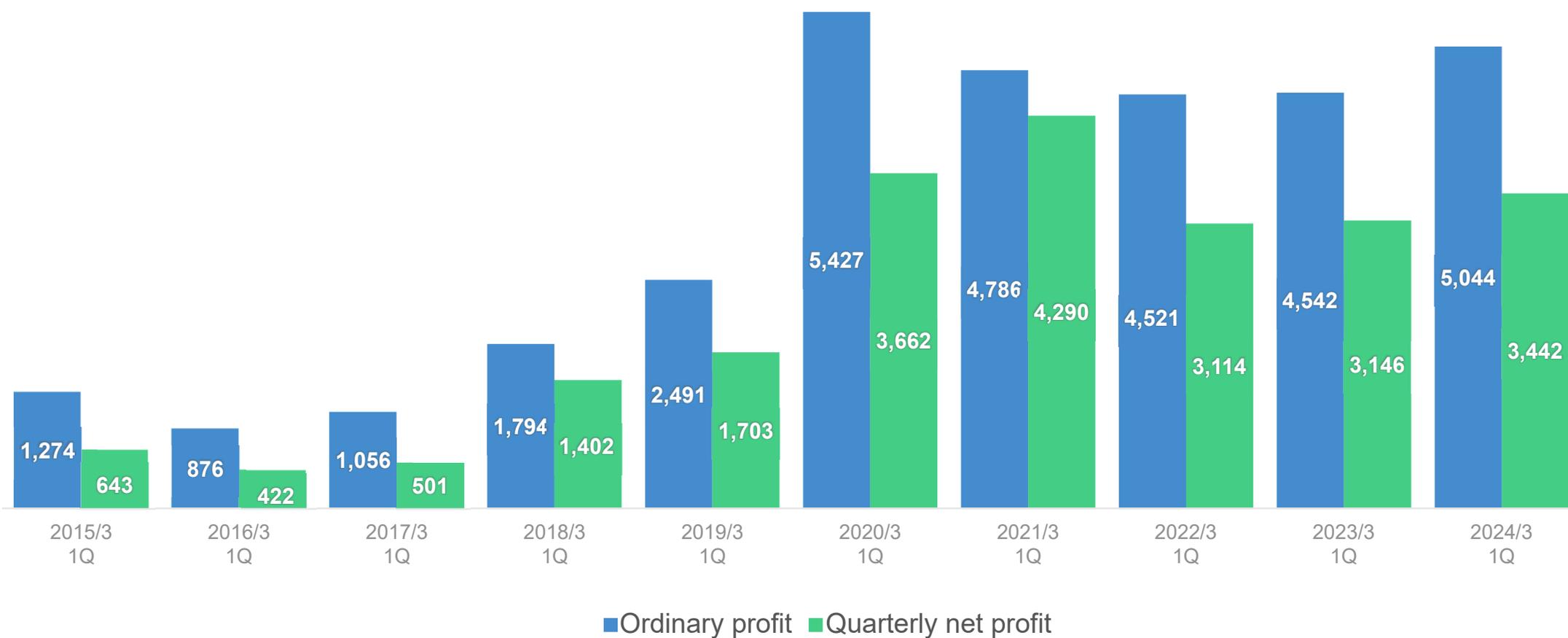
(Million yen)



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



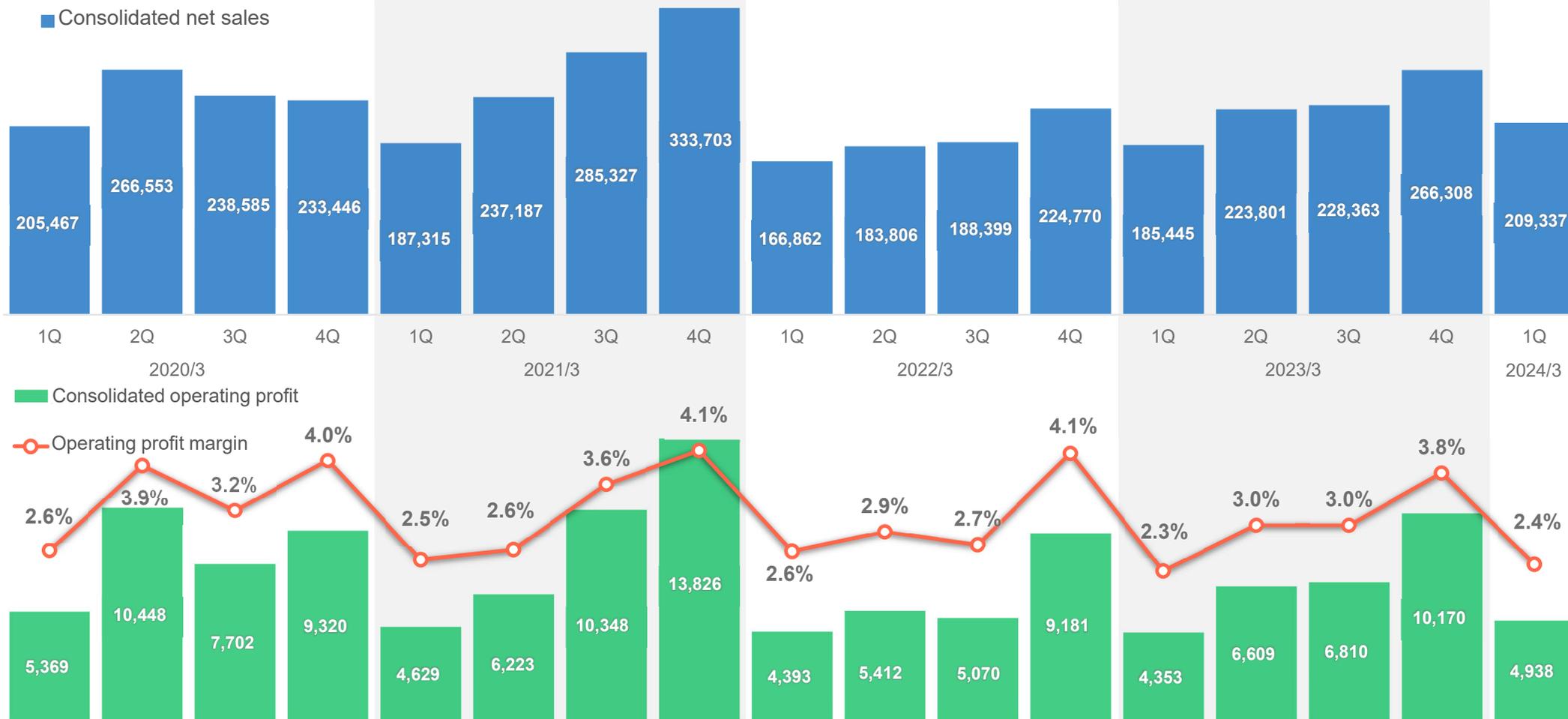
(Million yen)



Quarterly Results



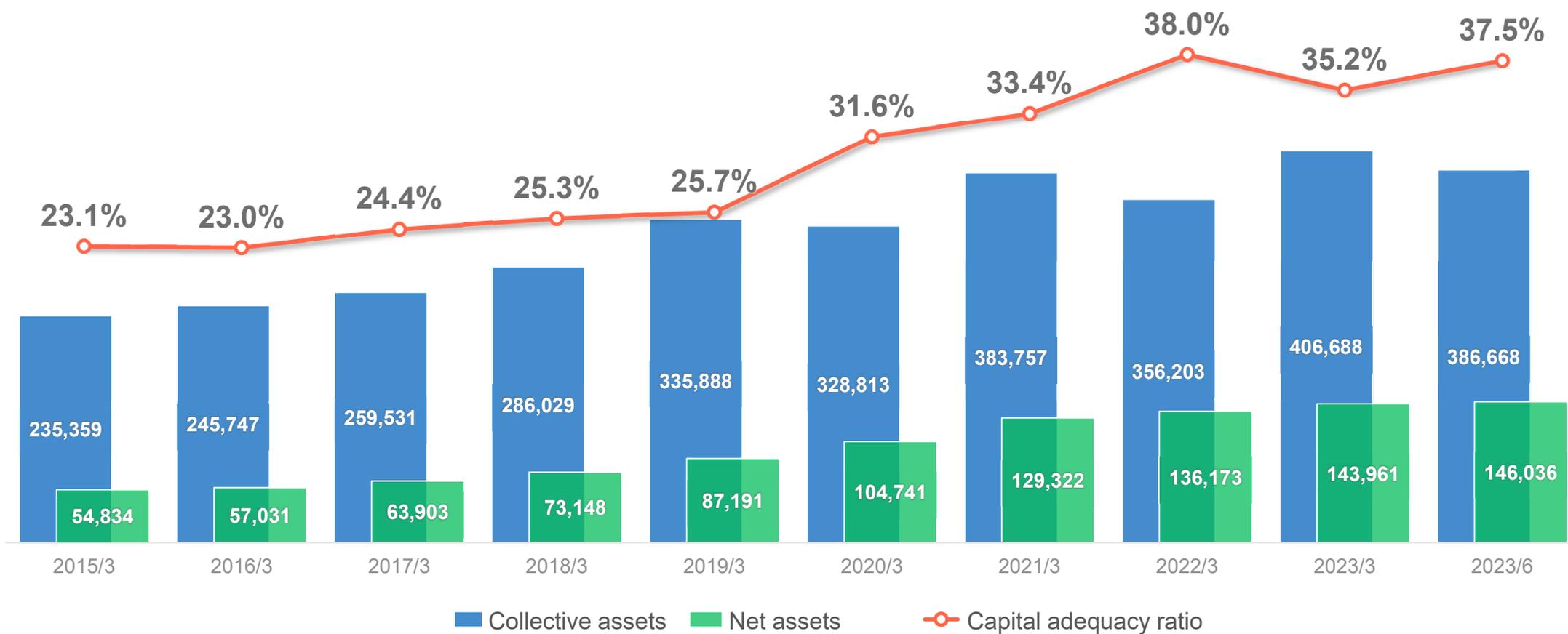
(Million yen)



Consolidated Total Assets, Consolidated Net Assets and Capital Adequacy Ratio

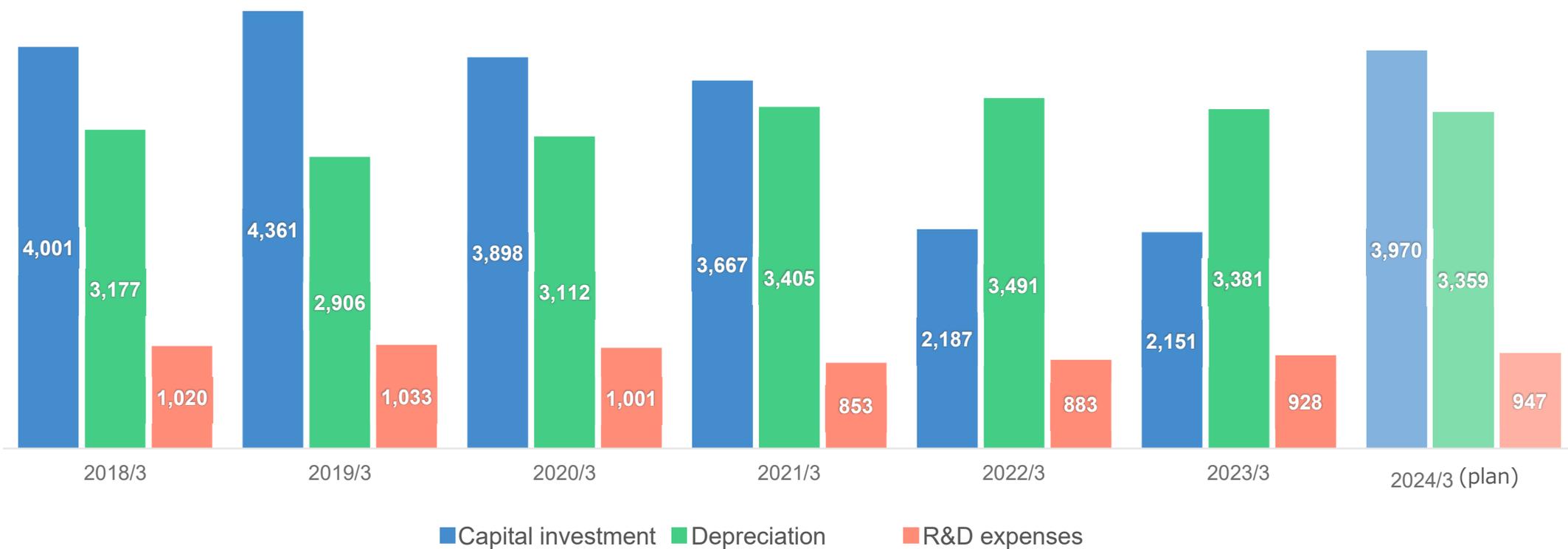


(Million yen)



Capital investment, depreciation and R&D expenses

(Million yen)



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



Daiwabo Holdings Co., Ltd.

[Disclaimer]

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