



Brief of (Consolidated) Settlement of Accounts (Based on Japanese standards) for 3rd Quarter of Fiscal Year 2023 Ending in March 2024

February 8, 2024

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 Code No. 3107 URL <https://www.daiwabo-holdings.com/>
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Planned Submission Date of the quarterly report: February 13, 2024

Planned Payment startup Date of Dividends -

Support Documentation to be made available : Yes

Explanatory Meeting to be held : No

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

1. Consolidated performance for the 3rd quarter of business year 2023 (April 1, 2023 - December 31, 2023)

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

	Net sales		Operating income		Ordinary income		Profit(loss) attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
3rd quarter of the fiscal year ending March 2024	675,271	5.9	18,913	6.4	19,147	5.2	(4,198)	-
3rd quarter of the fiscal year ended March 2023	637,610	18.3	17,774	19.5	18,209	20.9	12,398	18.3

(Note) Comprehensive income 3rd quarter of the business year ending March 2024 (2,197 million yen) -%

3rd quarter of the business year ended March 2023 10,224 million yen (3.2%)

	Earnings per share		Earnings per share (Diluted)	
	yen		yen	
3rd quarter of the fiscal year ending March 2024	(44.92)		-	
3rd quarter of the fiscal year ended March 2023	131.67		-	

(2) Consolidated financial status

	Total assets	Net assets	Capital adequacy ratio
	million yen	million yen	%
3rd quarter of the fiscal year ending March 2024	388,697	135,764	34.7
FY2022	406,688	143,961	35.2

(Reference) Net worth equity capital 3rd quarter of the fiscal year ending March 2024 134,707 million yen
 The fiscal year ended March 2023 142,994 million yen

2. Dividend status

	Annual dividend				
	At the end of 1st quarter	At the end of 2nd quarter	At the end of 3rd quarter	At the end of FY	Total
	yen	yen	yen	yen	yen
FY2022	-	30.00	-	32.00	62.00
FY2023	-	32.00	-		
FY2023 (forecast)				32.00	64.00

(Note) Revision of most-recently announced dividend forecast: No

3. Estimated consolidated performance for the fiscal year 2023 (April 1, 2023 - March 31, 2024)

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

	Net sales		Operating income		Ordinary income		Profit(loss) attributable to owners of parent		Net earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
Full-term	969,500	7.3	30,700	9.9	31,000	8.4	7,100	(62.7)	75.96

(Note) Revision of most-recently announced results forecast: No

* Comments

- (1) Important subsidiary movement during this quarterly cumulative consolidated accounting term (movement within subsidiaries affecting the overall consolidation size) : Nil
- (2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements : Nil
- (3) Modification of accounting policy, accounting estimate change, and restated modification
- (1) Modification of accounting policy required by a change or changes made to accounting standards : Nil
- (2) Modification of accounting policy required by any cause other than the foregoing (1) : Nil
- (3) Accounting estimate change : Nil
- (4) Restated modification : Nil
- (4) Number of stocks issued (common stock)

(1) Number of stocks issued at the end of FY (including treasury stock)	FY2023 3Q	96,356,460 shares	FY 2022	96,356,460 shares
	FY 2023 3Q	2,890,075 shares	FY 2022	2,892,570 shares
(2) Number of treasury stock at the end of FY	FY 2023 3Q	93,465,518 shares	FY 2022 3Q	94,165,501 shares
(3) Average number of common stocks outstanding during the period (quarterly cumulative)				

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

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

(Notes on statements concerning the future, etc.)

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

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1. Qualitative information on the quarterly settlement of accounts

(1) Explanation of operating results

During the cumulative consolidated third quarter of the fiscal year under review, a moderate economic recovery was apparent in the Japanese economy, including the improvement of corporate profits and the recovery of consumer spending, while the positioning of COVID-19 infections in terms of the Infectious Diseases Act transitioned to a Class 5 disease and socioeconomic activities have normalized. On the other hand, the uncertain outlook continues with regard to growing tension in the global situation, high prices for resources and energy, price increases due to yen depreciation, etc.

In such circumstances, we apprehend the period subject to the company group's Medium-Term Management Plan (FY2021 - FY2023) as "A turning point anticipating ongoing development into the future," and raise "The creation of next generation growth drivers," "Contributions to the creation of a new society as a leading company" and "Reform of management foundations" as the group's basic policies. We have been working on the improvement of corporate value based on our growth strategy aimed at the next era and the implementation of social contributions through business.

Results for the third consolidated cumulative quarter saw net sales of 675,271 million yen (up 5.9% compared to the same period of the previous fiscal year), operating income of 18,913 million yen (up 6.4% compared to the same period of the previous term) and ordinary income of 19,147 million yen (up 5.2% compared to the same period of the previous fiscal year). In addition, we recorded 19 million yen as a loss on sale and retirement of non-current assets, 23 million yen as a loss on valuation of shares of subsidiaries and associates, 16,703 million yen as impairment losses and 1 million yen under others as extraordinary losses, while quarterly net losses attributable to owners of parent finished at 4,198 million yen (quarterly net profit attributable to owners of parent of 12,398 million yen in same period of the previous fiscal year).

Segment results were as follows.

(IT Infrastructure Distribution Business)

In the corporate market, opportunities for face-to-face visits increased at sales bases nationwide, and more business negotiations occurred due to smooth communication. In particular, consultation regarding the end of support for Windows 10 planned for October 2025 and the replacement of GIGA school terminals tended to increase. In terms of PC sales, although the number of units decreased under the impact of restrained buying ahead of the abovementioned renewal demand, etc., net sales were higher than the same period of the previous year due to an increase in unit prices. In addition, we captured demand through high-value-added proposals combining peripheral devices, services and support, centered on devices such as PCs and tablets. In addition, we expanded cloud services through iKAZUCHI and strengthened proposal activities so net sales also expanded in subscription business, a key measure. By industry, we acquired orders steadily for medium to large projects for companies and government offices, and they were above orders for the same period of the previous year.

In the consumer market, the market stagnated for both mass retailers and EC channels and net sales were lower than the same period of the previous year but profit increased due to the increased profitability of PCs, monitors and printers.

As a result of the above, net sales of this business were 622,276 million yen (up 6.8% compared to the same period of the previous fiscal year) and operating income was 17,459 million yen (up 7.3% compared to the same period of the previous fiscal year).

(Fiber Business)

In the Synthetic Fibers and Rayon Divisions, non-woven fabric products such as face masks and antiperspirant sheets remained strong, but earnings struggled due to inventory adjustments in raw cotton for sanitary materials, sluggish demand related to US housing market conditions, and high raw material and fuel prices. In the Industrial Material Division, although construction sheets, belt-related products, rubber sponges, etc., improved, the recovery of demand for cartridge filters was delayed. In Clothing Products Division, some domestic apparel sales remained steady, but the division was forced to struggle due to the continued market downturn for exports to the US.

As a result of the above, net sales of this business were 43,845 million yen (down 4.1% compared to the same period of the previous fiscal year) and operating income was 797 million yen (up 1.4% compared to the same period of the previous fiscal year).

(Industrial Machinery Business)

In the Machine Tools Division, a recovery in demand was apparent in the energy industry, where there is demand for wind power generation and high-efficiency turbines, and also for small aircraft engines for the aircraft industry, which had been sluggish due to the COVID-19 pandemic. On the other hand, in the wind power generation industry in the Chinese market, which was still booming, demand tended to decrease as the market entered an inventory adjustment phase. In the Automatic Machinery Division, sales decreased compared to the same period of the previous year, and profit declined due to soaring purchasing costs and increases in product adjustment costs.

As a result of the above, net sales of this business were 8,699 million yen (up 2.0% compared to the same period of the previous fiscal year) and operating income was 584 million yen (down 3.2% compared to the same period of the previous fiscal year).

(2) Explanation of financial situation

Total assets at the end of the third consolidated cumulative period decreased by 17,991 million yen compared to the end of the previous consolidated fiscal year to 388,697 million yen due to a decrease in notes and accounts receivable, etc. In addition, liabilities decreased by 9,794 million yen compared to the end of the previous consolidated fiscal year to 252,932 million yen due to decreases in notes and accounts payable. Net assets decreased by 8,197 million yen compared to the end of the previous consolidated fiscal year to 135,764 million yen due to a decrease in retained earnings, etc.

- (3) Explanation of future forecast information such as consolidated results forecasts
There has been no change in the consolidated results forecasts for the fiscal year ending March 2024 from the consolidated results forecasts announced on November 22, 2023.

2. Quarterly consolidated financial statements and significant notes

(1) Quarterly consolidated balance sheet

(Unit: Rounded down at the nearest million yen)

	Previous consolidated fiscal year (March 31, 2023)	3rd quarter of the current consolidated fiscal year (December 31, 2023)
Assets		
Current assets		
Cash and deposits	52,123	61,962
Notes receivable	3,718	3,195
Accounts receivable	212,956	189,903
Electronically recorded monetary claims	23,181	26,097
Goods and products	39,273	50,503
Work in process	3,725	4,036
Raw materials and supplies	2,049	2,303
Others	17,322	11,692
Allowance for doubtful accounts	(163)	(143)
Total current assets	354,188	349,550
Fixed assets		
Property, plant and equipment		
Land	18,029	9,699
Others (net)	19,098	11,221
Total property, plant and equipment	37,127	20,920
Intangible fixed assets		
Goodwill	-	1,389
Customer-related intangible assets	-	1,073
Others	2,081	1,686
Total intangible fixed assets	2,081	4,148
Investments and other assets		
Others	13,349	14,133
Allowance for doubtful accounts	(57)	(56)
Total investments and other assets	13,291	14,077
Total fixed assets	52,500	39,146
Total assets	406,688	388,697

(Unit: Rounded down at the nearest million yen)

	Previous consolidated fiscal year (March 31, 2023)	3rd quarter of the current consolidated fiscal year (December 31, 2023)
Liabilities		
Current liabilities		
Notes payable and accounts payable	192,594	185,406
Short-term loans payable	12,869	11,547
Accrued corporate tax, etc.	6,077	977
Allowance for bonuses	2,879	1,500
Other allowances	442	238
Others	17,020	20,890
Total current liabilities	231,884	220,561
Non-current liabilities		
Long-term loans payable	13,230	13,500
Provision for share awards for directors.	75	90
Retirement benefit liabilities	10,764	11,340
Others	6,772	7,439
Total fixed liabilities	30,842	32,371
Total liabilities	262,726	252,932
Net assets		
Shareholders' equity		
Capital	21,696	21,696
Capital surplus	7,951	7,951
Retained earnings	119,449	109,261
Treasury stock	(5,137)	(5,133)
Total shareholders' equity	143,959	133,776
Accumulated other comprehensive income		
Other valuation difference on securities	1,559	2,437
Deferred hedge gain or loss	(201)	(204)
Foreign currency translation adjustment account	(208)	367
Accumulated adjustments related to retirement benefits	(2,114)	(1,670)
Total accumulated other comprehensive income(loss)	(965)	930
Non-controlling interests	966	1,057
Total net assets	143,961	135,764
Total liabilities and net assets	406,688	388,697

(2) Quarterly consolidated statement of operations and quarterly consolidated statement of comprehensive income
 (Quarterly consolidated profit statement)
 (3rd quarter consolidated cumulative period)

(Unit: Rounded down at the nearest million yen)

	Previous 3rd quarter consolidated cumulative period (From April 1, 2022, to December 31, 2022)	Current 3rd quarter consolidated cumulative period (from April 1, 2023, to December 31, 2023)
Net sales	637,610	675,271
Cost of sales	588,699	621,221
Gross profit	48,910	54,050
Selling, general and administrative expenses	31,136	35,136
Operating income	17,774	18,913
Non-operating income		
Interest income	27	12
Dividend income	162	173
Sales support funding	239	229
Investment gain on equity method	113	-
Others	207	347
Total non-operating income	750	763
Non-operating expenses		
Interest paid	118	117
Investment loss on equity method	-	19
Others	197	393
Total non-operating expenses	316	530
Ordinary income	18,209	19,147
Extraordinary income		
Gain on sale of fixed assets	26	-
Gain on sale of investment securities	25	-
Others	6	-
Total extraordinary income	58	-
Extraordinary losses		
Loss on sale and retirement of non-current assets	44	19
Loss on valuation of shares of subsidiaries and associates	-	23
Impairment losses	-	16,703
Others	-	1
Total extraordinary losses	44	16,747
Quarterly net income before income taxes, etc.	18,223	2,399
Corporate income taxes-current	5,291	5,182
Corporate income taxes-deferred	506	1,365
Total corporate income taxes	5,797	6,547
Profit (Loss)	12,425	(4,148)
Profit attributable to non-controlling interests	27	49
Profit(Loss) attributable to owners of parent	12,398	(4,198)

(Quarterly consolidated statement of comprehensive income)
(3rd quarter consolidated cumulative period)

(Unit: Rounded down at the nearest million yen)

	Previous 3rd quarter consolidated cumulative period (from April 1, 2022 to December 31, 2022)	Current 3rd quarter consolidated cumulative period (from April 1, 2023 to December 31, 2023)
Profit (Loss)	12,425	(4,148)
Other comprehensive income		
Other valuation difference on securities	128	883
Deferred loss on hedge	(787)	(2)
Foreign currency translation adjustment account	1,003	512
Adjustments related to retirement benefits	(2,668)	444
Share of other comprehensive income of entities accounted for using equity method	123	113
Total other comprehensive income(loss)	(2,201)	1,951
Comprehensive income (loss)	10,224	(2,197)
(Breakdown)		
Comprehensive income(loss) attributable to owners of parent	10,118	(2,302)
Comprehensive income attributable to non- controlling interests	106	105

(3) Notes on the quarterly consolidated financial statements

(Notes on the going concern assumption)

Not applicable

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

Not applicable

(Additional information)

(Transfer of shares of subsidiary company)

At a meeting of the Board of Directors held on November 22, 2023, the company resolved to transfer 85.0% of the issued shares of Daiwabo Co., Ltd. (hereinafter referred to as "Daiwabo") (hereinafter referred to as "Transfer"), a consolidated subsidiary of the company (specified subsidiary), to Aspirant Group SPC 11, Inc. (hereinafter referred to as "SPC No. 11"), of which Aspirant Group Inc. (hereinafter referred to as "Aspirant Group") owns all issued shares.

The date of transfer of the shares is scheduled to be from February to mid-March 2024.

The group has been working on measures for the improvement of corporate value under the Medium-Term Management Plan (term ended March 2022 to the term ending March 2024) announced in May 2021 (hereinafter referred to as "Medium-Term Management Plan"). Under such circumstances, the group entered the final business year of the Medium-Term Management Plan, and prior to the formulation of the next Medium-Term Management Plan, summarized and disclosed the key considerations and the consideration system for the group's business portfolio, capital allocation, etc., in May 2023. We considered our business portfolio from the two perspectives of "best owner" and "sustainable value creation, and considered carefully the positioning of Daiwabo, including independence from the group as a strategic option that will contribute most to the improvement of our corporate value. For Daiwabo to achieve further growth, flexible management decision-making will be required, including positive R&D and large-scale capital investment. Because of this, the company advanced considerations while holding discussions with Daiwabo on the pros and cons of the implementation of strategic options within the current group business portfolio. As a result, we judged that the selection of the best owner to replace the company's management resources and decision-making system was required to maximize the business value of Daiwabo in full. And, as a result of process-based discussions with multiple candidates for the transfer, we decided on the Transfer having judged that flexible decision-making as a corporate group independent of our group under the management resources of the Aspirant Group was optimal for Daiwabo to realize independent and sustainable growth with its employees and to create prosperous future life through the provision of value to customers, and that this is also in the best interests of the company and its stakeholders, including its shareholders.

Number of shares to be transferred, shares held before and after the change, etc.

(1) Number of shares held before the change	107,932,163 shares (Number of voting rights: 107,932,163) (Percentage of voting rights owned: 100%)
(2) Number of shares to be transferred	91,742,339 shares (Number of voting rights: 91,742,339)
(3) Transfer price	9,541 million yen (Amount equivalent to 85.0% of the stock value of 11,224 million yen)
(4) Number of shares held after the change	16,189,824 shares (Number of voting rights: 16,189,824) (Percentage of voting rights owned: 15.0%)

The reporting segment that includes the business to be transferred is the Fiber Business, We have reduced the book value of the fixed assets of the Fiber Business to the recoverable amount in association with the decision on the Transfer, and recorded the reduction as impairment losses of 16,695 million yen under extraordinary losses. The recoverable amount has been measured based on net realizable value evaluated based on the share transfer agreement, etc.

(Segment information, etc.)

[Segment information]

I Previous 3rd quarter consolidated cumulative period (from April 1, 2022 to December 31, 2022)

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

(Unit: Rounded down at the nearest million yen)

	Reporting segments				Others (Note) 1	Total	Adjustment (Note) 2	Amount recorded on quarterly consolidated statement of operations (Note) 3
	IT Infrastructure Distribution Business	Fiber Business	Industrial Machinery Business	Total				
Net sales								
Net sales to external customers	582,817	45,713	8,527	637,058	551	637,610	-	637,610
Internal sales or transfers between segments	161	13	-	175	248	423	(423)	-
Total	582,978	45,726	8,527	637,233	800	638,033	(423)	637,610
Segment income	16,270	786	603	17,659	81	17,741	33	17,774

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

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

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

II Current 3rd quarter consolidated cumulative period (from April 1, 2023 to December 31, 2023)

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

(Unit: Rounded down at the nearest million yen)

	Reporting segments				Others (Note) 1	Total	Adjustment (Note) 2	Amount recorded on quarterly consolidated statement of operations (Note) 3
	IT Infrastructure Distribution Business	Fiber Business	Industrial Machinery Business	Total				
Net sales								
Net sales to external customers	622,276	43,845	8,699	674,821	450	675,271	-	675,271
Internal sales or transfers between segments	118	13	-	131	167	299	-299	-
Total	622,394	43,859	8,699	674,953	617	675,571	-299	675,271
Segment income	17,459	797	584	18,841	32	18,873	40	18,913

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

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

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

2. Information on impairment losses or goodwill of non-current assets by reporting segment

(Significant impairment losses related to non-current assets)

In Fiber Business, we reduced the book value to the recoverable amount, and recorded impairment losses of 16,703 million yen as extraordinary losses in the current 3rd quarter consolidated cumulative period. The important details have been described in 2. Quarterly consolidated financial statements and significant notes (3) Notes on the quarterly consolidated financial statements (Additional information) (Transfer of shares of subsidiary company).