

2nd Quarter of the Fiscal Year Ending March 2022 Financial Results Materials



Daiwabo Holdings Co.,Ltd.



November 9, 2021

(Stock code: **3107**)

- 1. Settlement of Accounts for the 2nd Quarter of the Fiscal Year Ending March 2022**
- 2. Business Outlook for the Full Term of the Fiscal Year Ending March 2022**

[References]

- ▶ Medium-Term Management Plan
- ▶ Corporate Profile
- ▶ Charts for Performance Trend

Head Office	6-8, Kyutaromachi 3-chome, Chuo-ku, Osaka, 541-0056	
Established	Established as Daiwa Boseki Establishment of Daiwabo Holdings Co., Ltd.	April 1, 1941 July 1, 2009
Consolidated employees	5,683 (As of March 31, 2021)	
Capital	¥21,696,744,900	
Stock exchange listing	Listed on the First Section of the Tokyo Stock Exchange Stock code: 3107 / Industry: Wholesale < Constituent stock of the JPX Nikkei Index 400 >	
Business Profile	IT Infrastructure Distribution Business [Core company]  DAIWABO INFORMATION SYSTEM CO., LTD.	Sales of computers, peripherals and software, and logistics services Installation and maintenance of and repair services for computer equipment
	Fiber Business [Core company]  Daiwa Spinning	Manufacture and sales of fiber materials for hygienic materials, nonwoven fabrics, industrial materials, textiles for apparel and living products and finished products
	Industrial Machinery Business [Core company] <i>O-M Ltd.</i>	Manufacture and sales of machine tools, automatic machinery and casting products
	Other Businesses	Insurance Agency Business, Engineering Business

- Reform into a management structure that is efficient and flexible for the growth strategy of the 2020s -

2020.4.1

- ❑ Abolition of the operating officer system
- ❑ Abolition of concurrent director positions at the company and subsidiaries
- ❑ Reorganization of the Fiber Business through the merging of subsidiaries

Clarification of each company's responsibility and authority

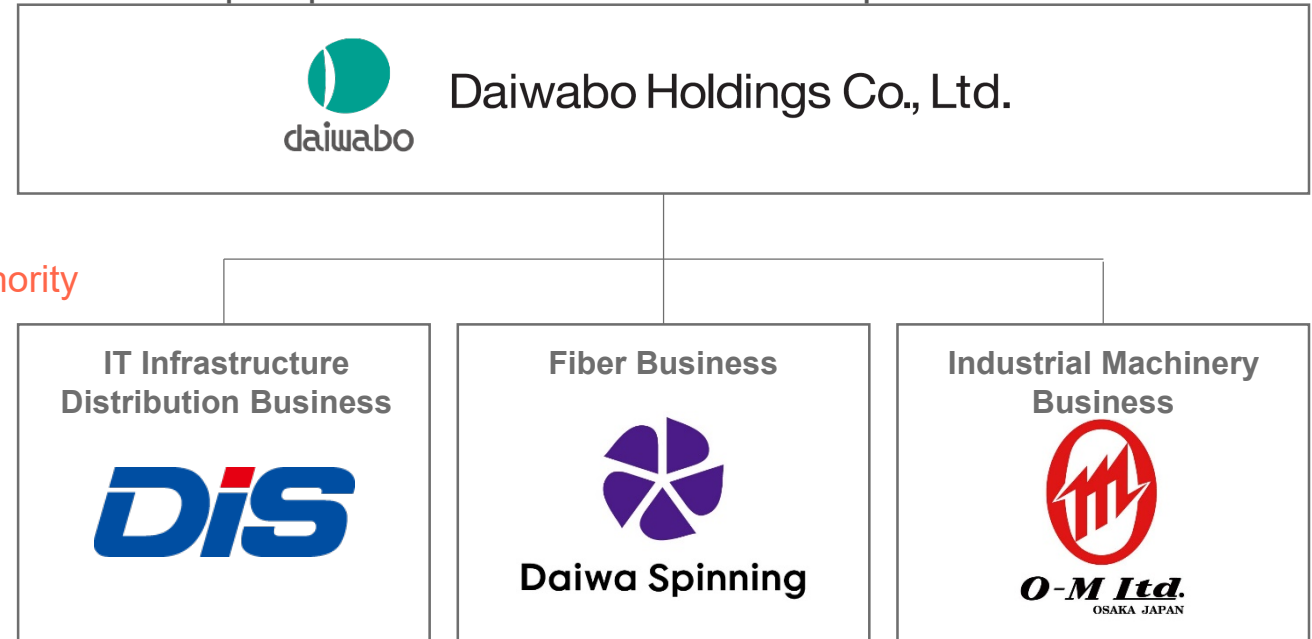
Holding company

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

Operating companies

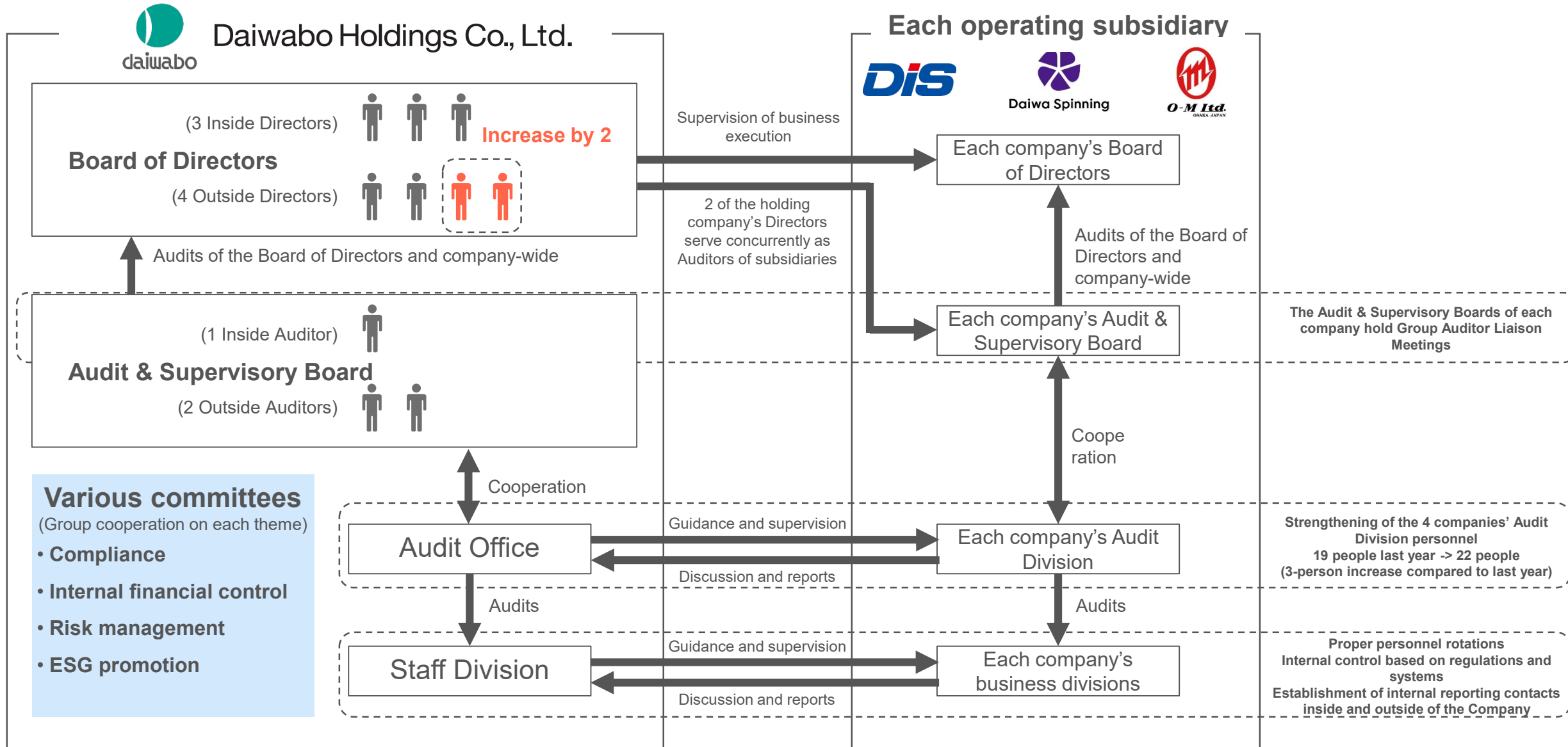
- Quick strategic decisions
- Promotion of strong business execution

We will accelerate management decision-making and strengthen supervisory functions by moving from localized perspectives to overlook the Group as a whole



The three core operating companies have the **authority and responsibility to execute their respective business**

Group Internal Audit System (Since the Ordinary General Meeting of Shareholders of June 2021)



Settlement of Accounts for the 2nd Quarter of the Fiscal Year Ending March 2022

2nd Quarter of the Fiscal Year Ending March 2022 (April 1, 2021 - September 30, 2021)

We secured the 3rd highest ever level of profits for the 1st half even while impacted by an opaque market environment in addition to the rebound decline in demand

IT Infrastructure Distribution Business

Although the number of subscription service contracts for corporations increased and monitor sales, etc., were good due to the maintenance of office environments, sales of PCs, etc., were sluggish

Revenue decreased in the education market compared with terminal shipments in association with the GIGA School Concept of last term

In the consumer market, sales of PCs and peripherals decreased in comparison to the previous term

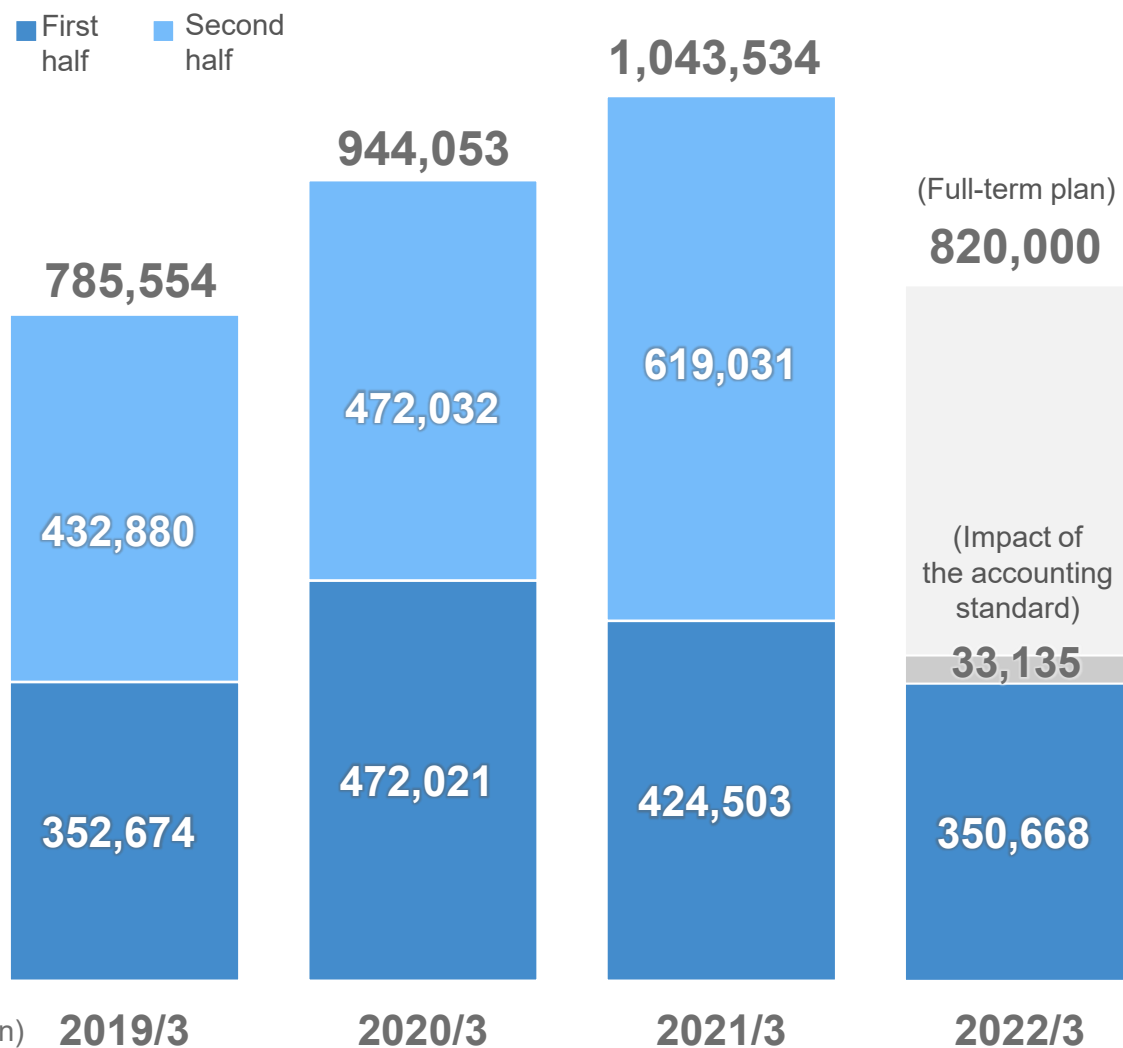
Fiber Business

Synthetic fiber cotton for use in construction materials, etc., and rayon with a low environmental load were strong, but in addition to the rebound of sterilization-related demand, sales of industrial materials and clothing continued to stagnate

Industrial Machinery Business

Although recovery of the demand environment was apparent and sales of services such as remodeling and parts replacement also increased, both revenue and profits decreased under the impact of declining orders from last term and soaring materials prices

Cumulative Net Sales for the 2nd Quarter of the Fiscal Year Ending March 2022



-9.6% Against the same period of the previous fiscal year
(comparison using previous standard)

- ▶ Impact of the standard for revenue recognition **33,135** million yen

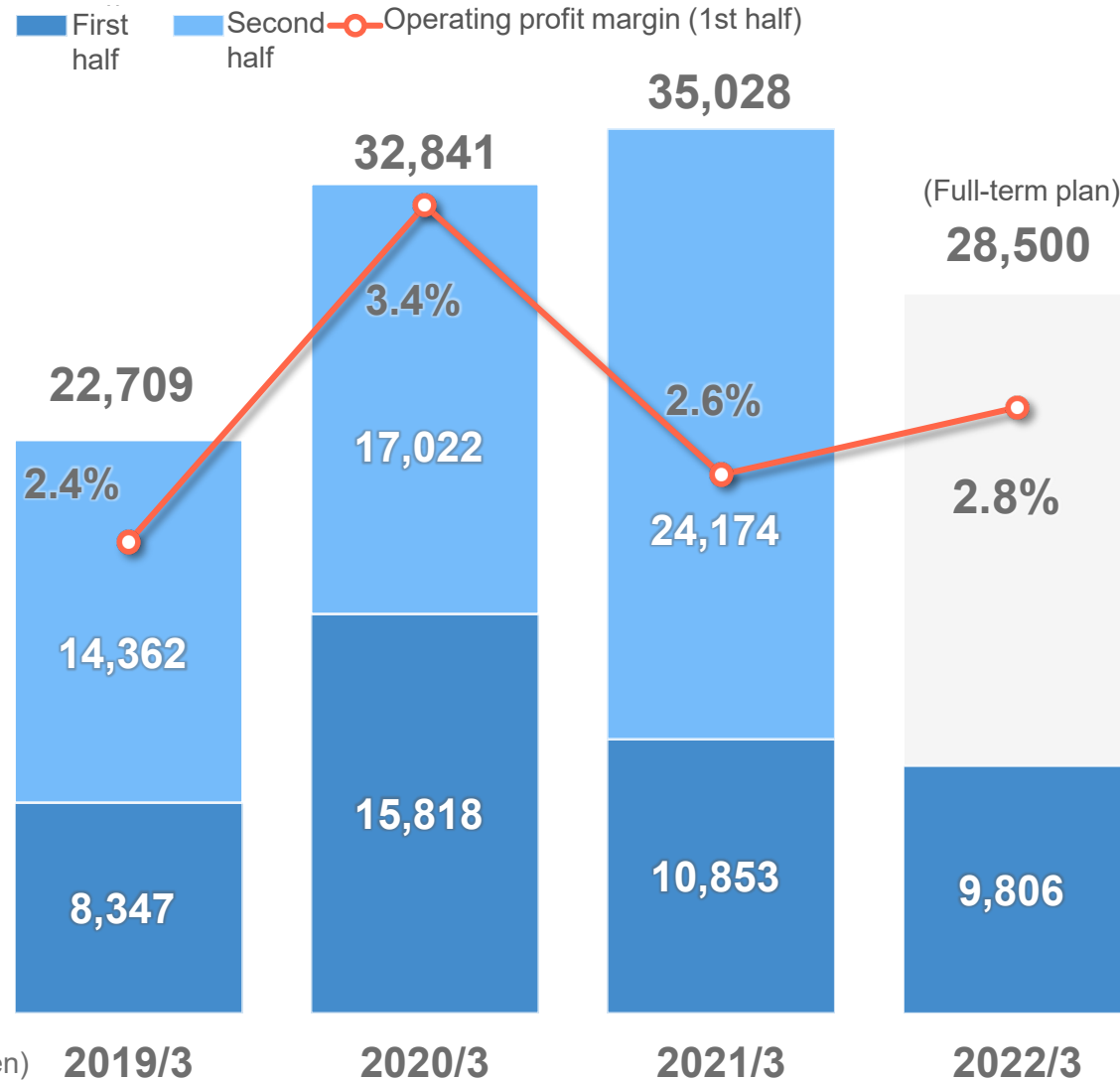
- ▶ Comparison under the new standard **-10.6%**

Compared to first half plan **-9.4%**

Full-term progress rate **42.8%**

* See page 9 with regard to the application of the "Accounting Standard for Revenue Recognition"

Cumulative Operating Profit for the 2nd Quarter of the Fiscal Year Ending March 2022



-9.6% Against the same period of the previous fiscal year

Operating profit margin **2.8%**

Operating profit third highest ever for first half

Compared to first half plan **-16.8%**

Full-term progress rate **34.4%**

(Million yen) 2019/3

2020/3

2021/3

2022/3

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 ending March 2022

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

(Million yen)		2021/3 2Q	2022/3 2Q	Change
Net sales	[1] Old standard	424,503	383,804	(40,699) (9.6%)
	[2] New standard	-	350,668	
	[2] - [1]	-	(33,135)	
Operating profit		10,853	9,806	(1,046) (9.6%)
Operating profit margin	[1] Old standard	2.6%	2.6%	
	[2] New standard	-	2.8%	

< Main changes >

■ Revenue recognition related to agency transactions

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

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



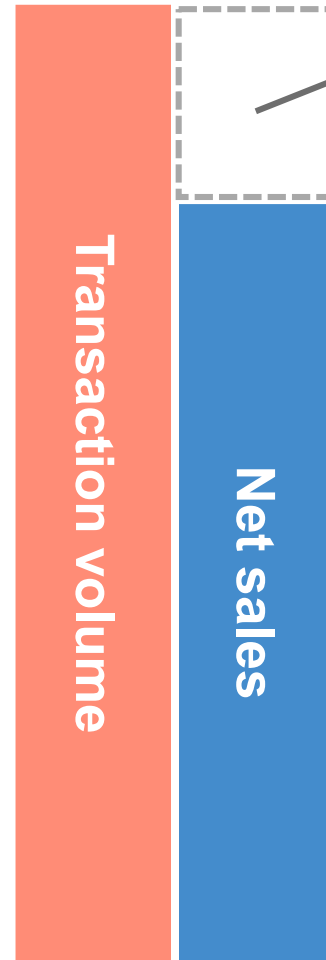
[New standard]: Record sale of the **net amount** of sales consideration (A-B)



Transaction volume

Transaction Volume

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



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

(Net sales from the fiscal year ending March 2022)

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

Net sales

Net Sales

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

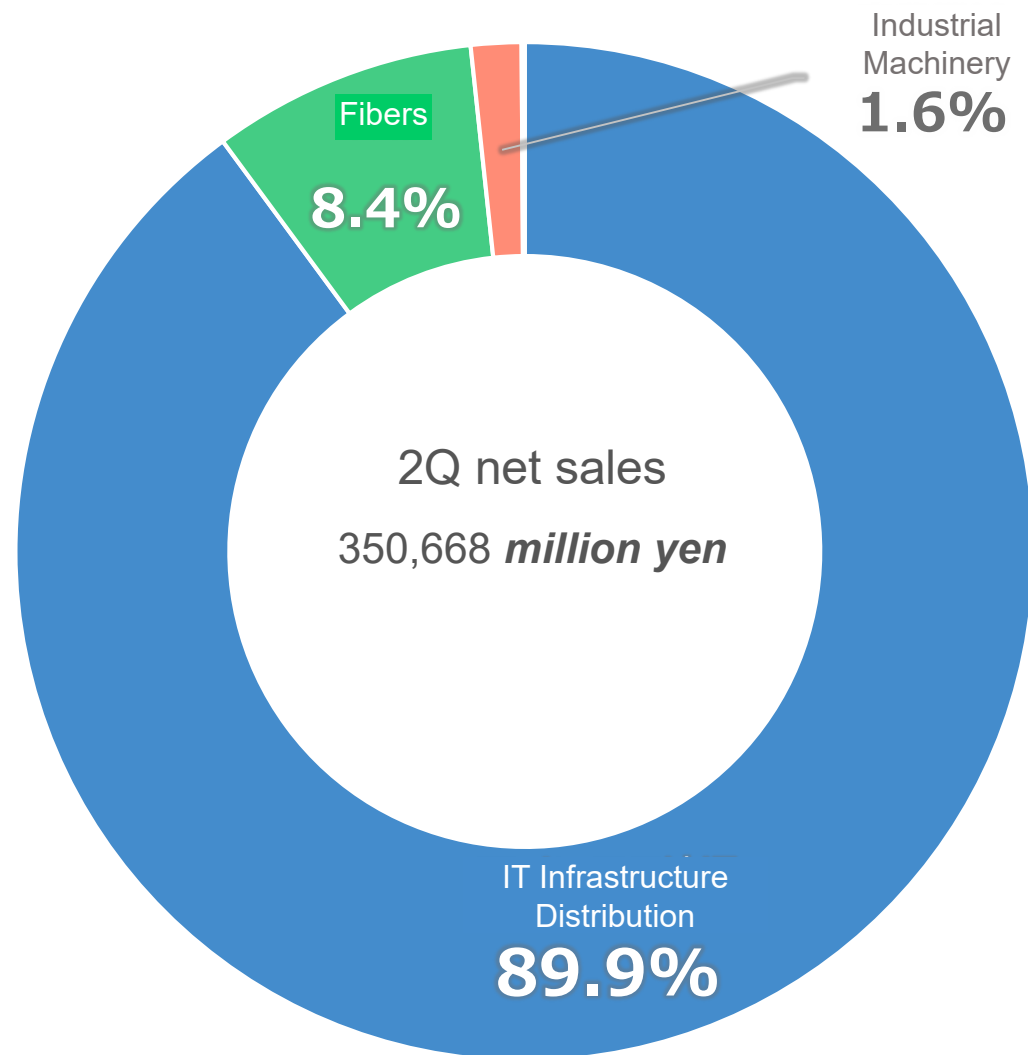
Summary of the Consolidated Settlement of Accounts for the Cumulative 2nd Quarter of the Fiscal Year Ending March 2022

(Million yen)	2021/3 2Q	2022/3 2Q	Change	Compared to previous term	Full-term forecast	Progress rate
Net sales	424,503	350,668	—	—	820,000	42.8%
Operating profit	10,853	9,806	(1,046)	(9.6%)	28,500	34.4%
Ordinary profit	11,052	9,883	(1,168)	(10.6%)	28,500	34.7%
Quarterly profit attributable to owners of parent	8,803	7,015	(1,788)	(20.3%)	18,500	37.9%
Quarterly net profit per share (yen)	91.57	73.36				

(Million yen)	2021/3	2021/9	Change	Major reasons for change
Collective assets	383,757	321,702	(62,055)	Decrease in accounts receivables, etc.
Net assets	129,322	128,548	(773)	Increase of treasury stock
Capital adequacy ratio	33.4%	39.6%		

Operating Results by Segment for the Cumulative 2nd Quarter of the Fiscal Year Ending March 2022

(Million yen)		2021/3 2Q	2022/3 2Q	Change	Compared to previous term
Net sales	IT Infrastructure Distribution	386,870	315,155	—	—
	Fibers	31,179	29,360	(1,818)	(5.8%)
	Industrial Machinery	5,994	5,727	(266)	(4.4%)
	Others	459	424	(35)	(7.7%)
	Total	424,503	350,668	—	—
Operating profit	IT Infrastructure Distribution	10,749	8,556	(2,193)	(20.4%)
	Fibers	(194)	957	+1,152	—
	Industrial Machinery	375	302	(73)	(19.5%)
	Others	(77)	(12)	+65	—
	(Adjustment)	0	1	1	
Total	10,853	9,806	(1,046)	(9.6%)	



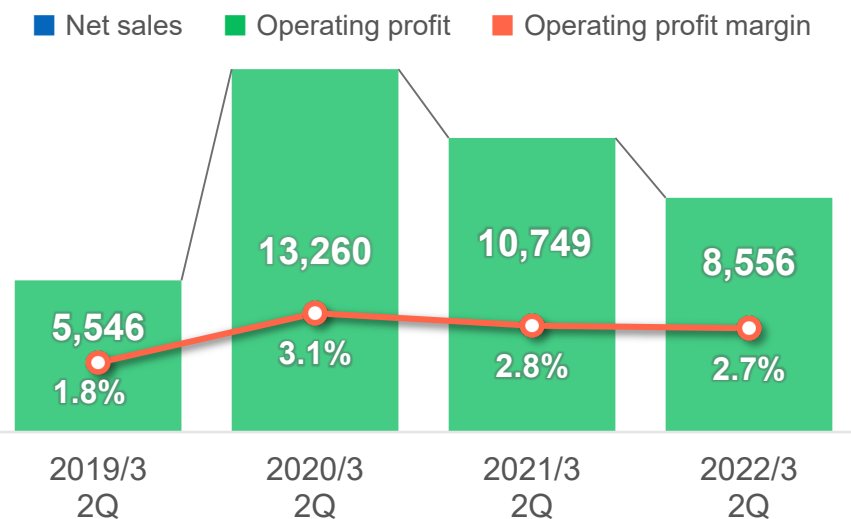
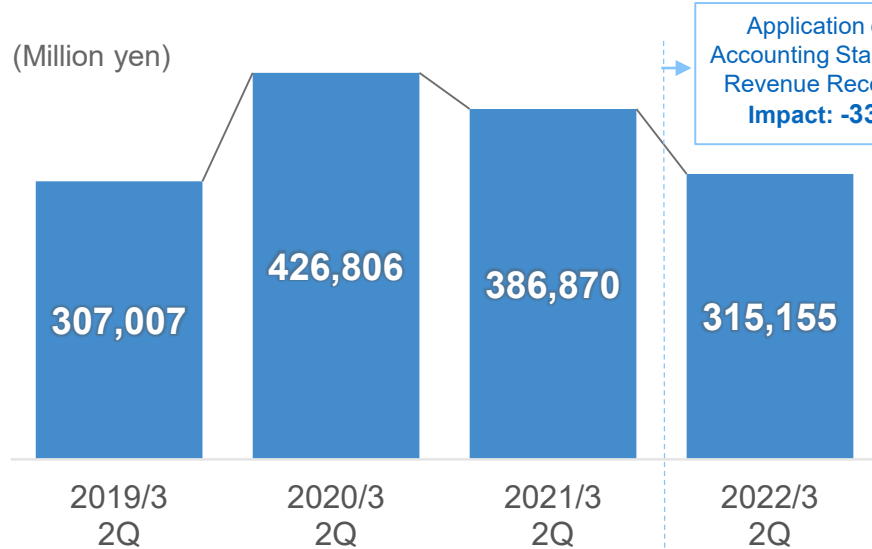
Percentage of net sales

	2021/3 2Q	2022/3 2Q
IT Infrastructure Distribution	91.1%	89.9%
Fibers	7.3%	8.4%
Industrial Machinery	1.4%	1.6%

Percentage of operating profit

	2021/3 2Q	2022/3 2Q
IT Infrastructure Distribution	99.0%	87.3%
Fibers	(1.8%)	9.8%
Industrial Machinery	3.5%	3.1%

IT Infrastructure Distribution Business



Transaction volume
under the old standard

* Net sales

348,291 million yen (-10.0% compared to previous term)

Net sales

315,155 million yen (-18.5% compared to previous term)

Operating profit

8,556 million yen (-20.4% compared to previous term)

Number of PCs shipped

1,329,000 units (-14.6% compared to previous term)

Number of servers shipped

26,000 units (-6.7% compared to previous term)

Subscription handling volume

34,176 million yen (+9.2% compared to previous term)

iKAZUCHI handling volume

6,959 million yen (+28.0% compared to previous term)

Review of the business

Corporate market

- The number of subscription service contracts for corporations increased against the backdrop of the building of corporate cloud environments and the shift to using services
By industry, despite a demand recovery trend in the manufacturing industry and medical care-related areas, the service industry and others stagnated, and PC sales, etc., struggled
- In the education market, although education ICT demand grew, revenue decreased compared with terminal shipments in association with the GIGA School Concept of last term

Consumer market

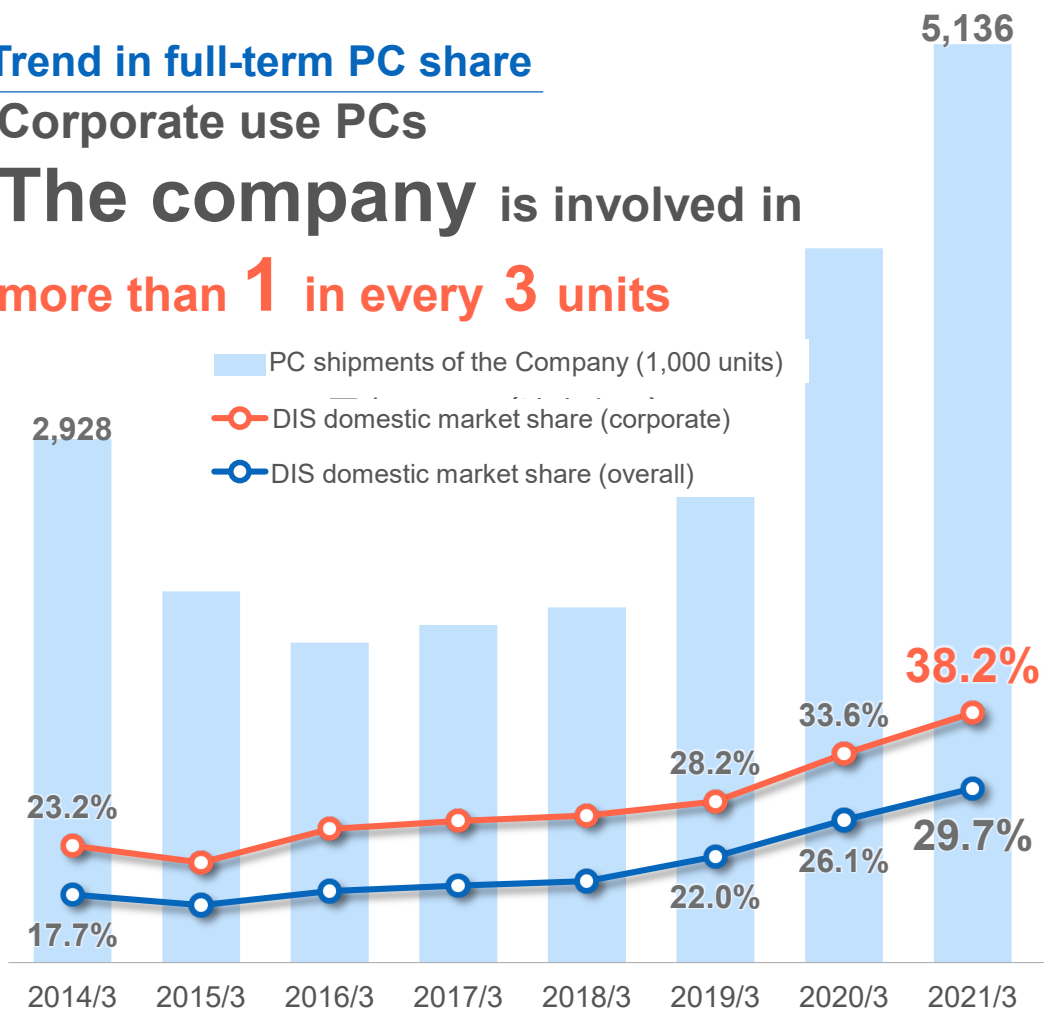
- Although telework and online learning-related demand was solid, sales of PCs, LCD monitors and other peripherals decreased compared to the same period of the previous year

Domestic PC Market Share and Product Category Composition

Trend in full-term PC share

Corporate use PCs

The company is involved in more than **1** in every **3** units



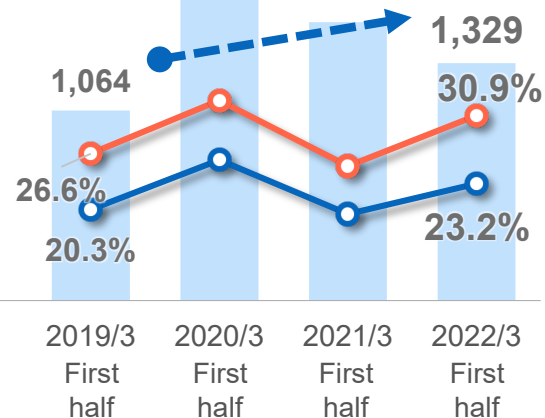
Trend in 1st half results

Domestic PC market share

Corporate **30.9%**
Overall **23.2%**

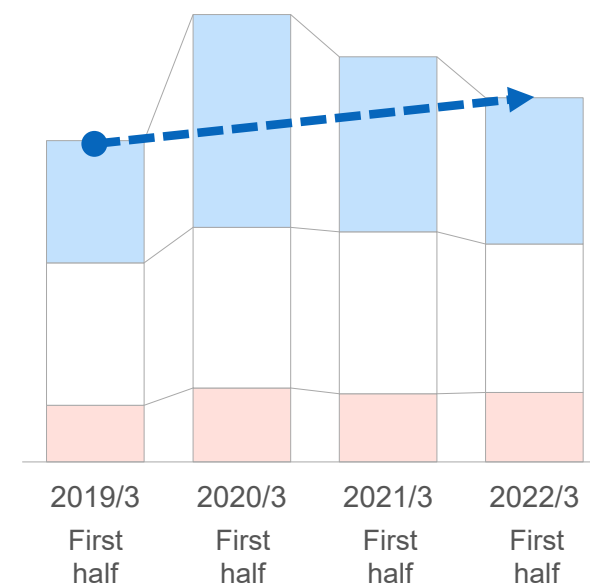
3-year average growth rate

Number of PCs shipped **+7.7%**



Transaction volume by DIS category

Category	3-year average growth rate
PC main units*	+6.2%
Peripherals, services, etc.	+1.4%
Software	+6.9%



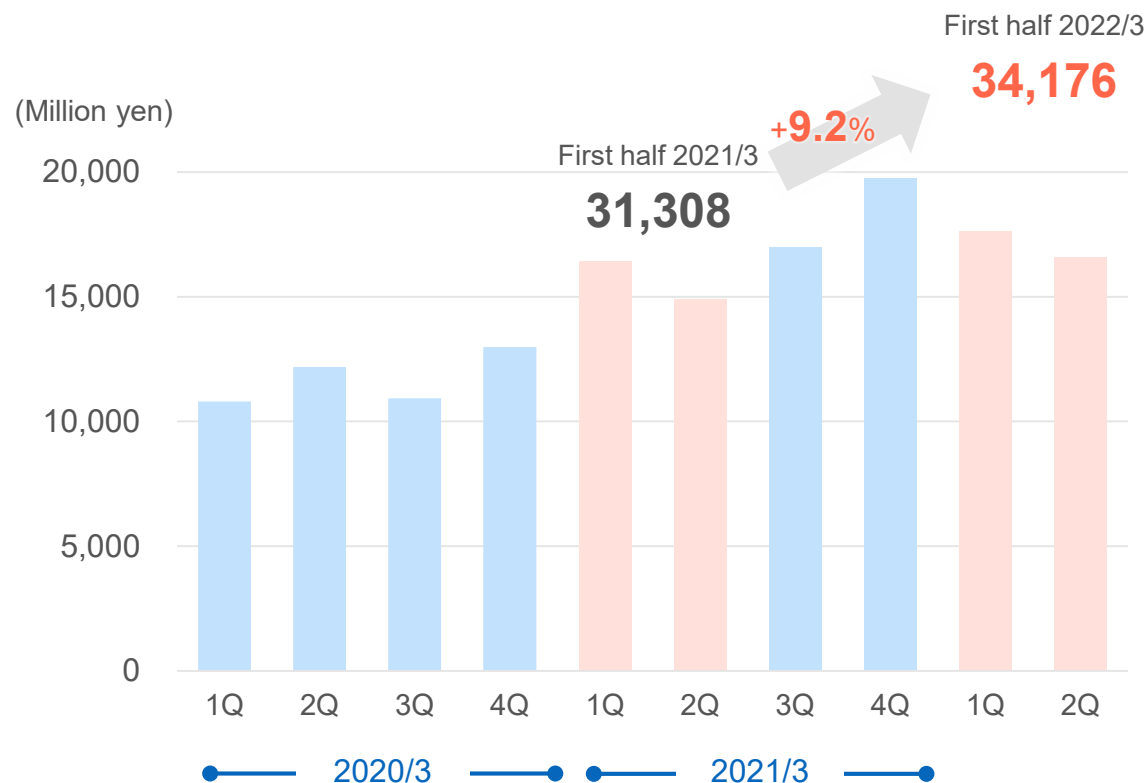
* Calculated based on the results of a survey by MM Research Institute
(As the figure for the first half of 2022/3 is based on the survey company's preliminary results, the official figure for share may change)

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

Results for Subscription Business

Subscription transaction volume

(DIS only)

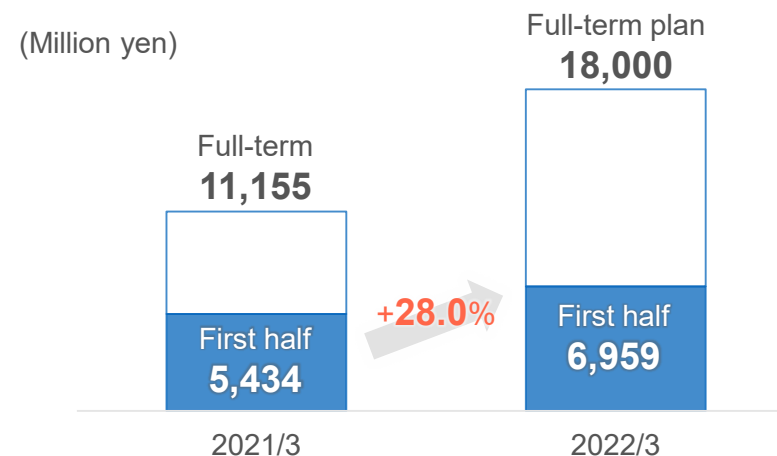


Subscription

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

iKAZUCHI handling volume

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

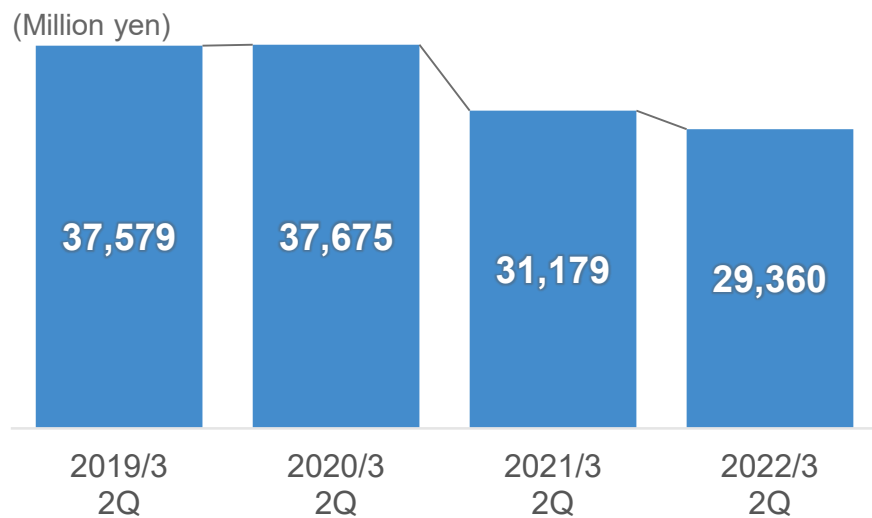


Number of supported vendor services

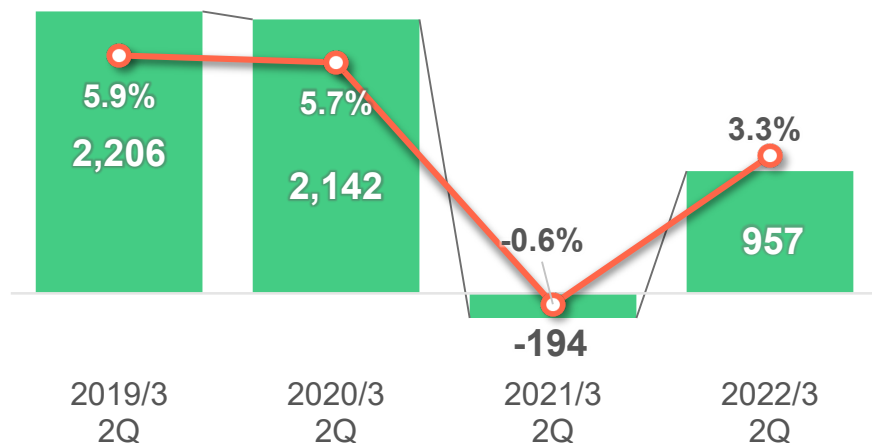
65 vendors	76 vendors
142 services (2021/3)	163 services (2021/9)

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





■ Net sales ■ Operating profit ■ Operating profit margin



Net sales **29,360** million yen (-5.8% compared to previous term)

Operating profit **957** million yen (+1,152 million yen compared to previous term)

Review of the business

Synthetic Fibers and Rayon Divisions

- Rayon with a low environmental load was strong, but sales decreased due to the rebound from demand to last term for non-woven fabric for masks and sterilization sheets

Industrial Material Division

- Although demand for cartridge filters for electronic parts manufacturers was vigorous, sales continued to stagnate due to the impact of the suspension of various events and a decrease in construction work

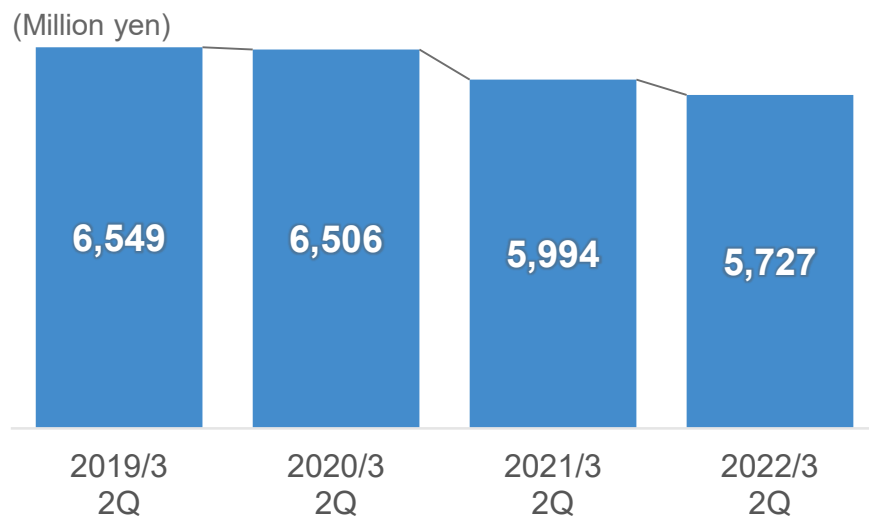
Clothing Products Division

- Although innerwear orders for America increased, domestically, sales of casual clothes struggled because of the prolonged impact of self-restraint on going out and store closures

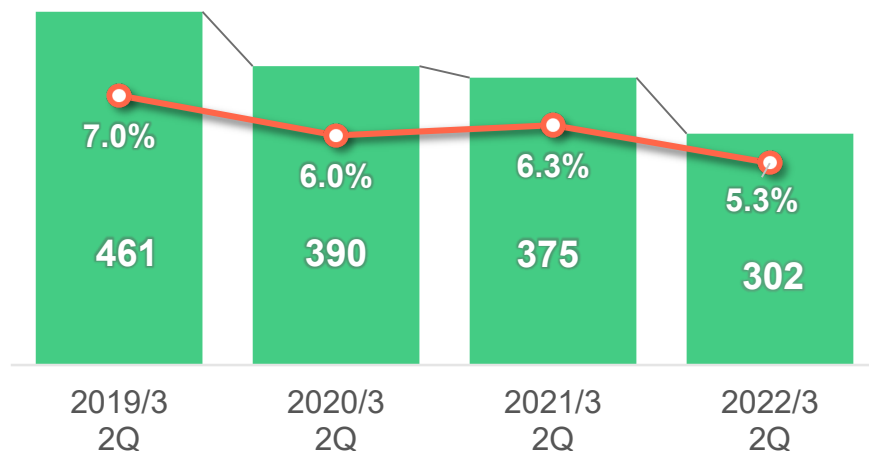
[Reference] Reflecting the effects of inappropriate transactions in 2Q of the previous term (disclosed 2020/12/11)

	2021/3 2Q		2022/3 2Q
	Impact	When impact is excluded	Compared to previous term when impact is excluded
Net sales	-640 million yen	31,819 million yen	-7.7%
Operating profit	-1,994 million yen	1,800 million yen	-46.7%

Industrial Machinery Business



■ Net sales ■ Operating profit ■ Operating profit margin



Net sales

5,727 million yen (-4.4% compared to previous term)

Operating profit

302 million yen (-19.5% compared to previous term)

Review of the business

Machine Tools Division

- While total orders received from April to September as reported by the Japan Machine Tool Builders' Association increased 98.1% compared to the previous term, the recovery in core aircraft and railway-related sales was dull under the restriction on movement, but orders increased 36.8% over the previous term, driven by orders for China
- Sales of services increased due to the strengthening of internal systems, but both sales and profits decreased due to the impact of declining orders for machine tool bodies the previous term and soaring materials prices

Automatic Machinery Division

- Although customers continued to have a cautious attitude towards capital investment, orders received increased by 15.2% compared to the previous term
- Results improved due to sales of lines with multiple units and the strengthening of service sales such as parts replacements

Consolidated Balance Sheet for the 2nd Quarter of the Fiscal Year Ending March 2022 (Summary of Accounts P4-5)



(Million yen)	2021/3	2021/9	Change		2021/3	2021/9	Change
Current assets	331,461	269,809	(61,651)	Current liabilities	230,519	167,738	(62,780)
Cash and deposits	32,058	43,911	+11,852	Notes payable and accounts payable	188,483	137,249	(51,233)
Notes and accounts receivable, and contract assets (*)	246,897	165,568	(81,328)	Short-term loans payable	15,255	11,740	(3,515)
Goods and products	32,580	43,587	+11,007	Non-current liabilities	23,916	25,414	+1,498
Property, plant and equipment	39,172	39,109	(63)	Long-term loans payable	12,065	12,905	+839
Intangible fixed assets	2,696	2,563	(132)	Total liabilities	254,435	193,153	(61,281)
Investments and other assets	10,426	10,219	(206)	Total net assets	129,322	128,548	(773)
				Treasury stock	(123)	(2,123)	(2,000)
Total assets	383,757	321,702	(62,055)	Total liabilities and net assets	383,757	321,702	(62,055)

Notes and accounts receivable, and contract assets	246,897	->	165,568	(81,328)
Notes payable and accounts payable	188,483	->	137,249	(51,233)
Total loans	27,321	->	24,645	(2,675)

* Shown in the previous term as "Notes and accounts receivable"
 Collection of DIS accounts receivable
 Decrease in DIS accounts payable

Consolidated Profit Statement for the 2nd Quarter of the Fiscal Year Ending March 2022 (Summary of Accounts P6)

(Million yen)	2021/3 2Q		2022/3 2Q		Change	Compared to previous term
	Results	Percentage	Results	Percentage		
Net sales	424,503		350,668		(73,834)	(17.4%)
Gross profit	33,233	7.8%	29,699	8.5%		
Selling, general and administrative expenses	22,379	5.3%	19,893	5.7%		
Operating profit	10,853	2.6%	9,806	2.8%	(1,046)	(9.6%)
Ordinary profit	11,052	2.6%	9,883	2.8%	(1,168)	(10.6%)
Extraordinary profit	1,446 *		342			
Extraordinary loss	631 *		0			
Quarterly profit attributable to owners of parent	8,803	2.1%	7,015	2.0%	(1,788)	(20.3%)

* Extraordinary profit in previous term

Gain on sale of DIS Distribution Center (**754** million yen), compensation for transfer of overseas Fiber Business plants (**645** million yen)

* Extraordinary loss in previous term

Impairment loss for idle land (**513** million yen)

| Business Outlook for the Full Term of the Fiscal Year Ending March 2022

Business Forecast for the Full Term of the Fiscal Year Ending March 2022

(Million yen)	2021/3 (Results)		2022/3 (Forecast)		Change (*)	Compared to previous term (*)
	Amount	Percentage	Amount	Percentage		
Net sales	1,043,534		820,000		(223,534)	(21.4%)
IT Infrastructure Distribution	969,748		742,000		(227,748)	(23.5%)
Fibers	61,033		64,700		+3,666	+6.0%
Industrial Machinery	11,582		11,100		(482)	(4.2%)
Operating profit	35,028	3.4%	28,500	3.5%	(6,531)	(18.6%)
IT Infrastructure Distribution	33,226	3.4%	24,400	3.3%	(8,826)	(26.6%)
Fibers	1,350	2.2%	3,450	5.3%	+2,099	+155.5%
Industrial Machinery	537	4.6%	640	5.8%	+102	+19.0%
Ordinary profit	35,781	3.4%	28,500	3.5%	(7,281)	(20.4%)
Profit attributable to owners of parent	25,715	2.5%	18,500	2.3%	(7,215)	(28.1%)

* Because the "Accounting Standard for Revenue Recognition" will apply from March 2022, we have made forecasts based on this standard. Changes and comparisons with the previous term are included purely as comparative reference values without considering the change in the accounting standard.

(billion yen)

Acquisition of share in each category in IT device distribution

- Efficient proposals using information infrastructure and the building of a support system
- Pursuit of competitive superiority based on partnerships in each area
- Wide-ranging implementation of proposals and support for the transition to ICT in the education sector

Implementation and strengthening of high-level support functions

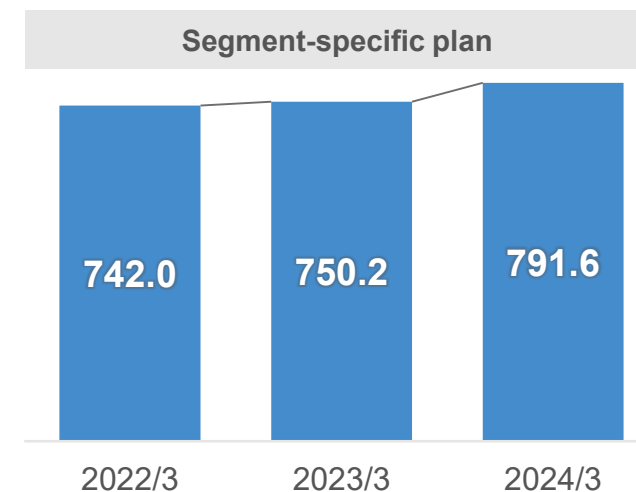
- Implementation of technical and proposal capabilities in response to various needs such as NW toughening
- Creation of new business driving force based on the development of a group of high quality engineers

Branding as a cloud distributor

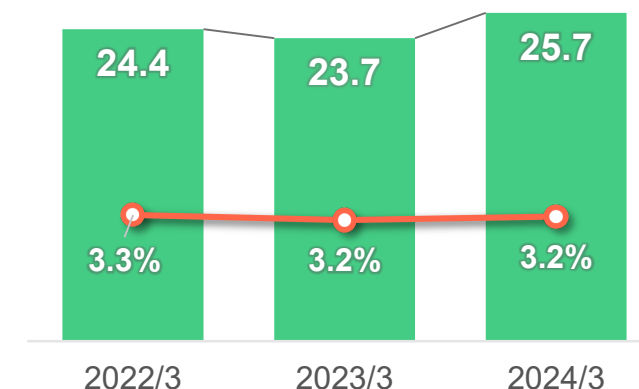
- Functional expansion of iKAZUCHI and expansion of the user base
- Expansion of share in the SaaS market and acquisition of foundation business based on mega cloud proposals

Productivity improvements in the supply chain as a whole

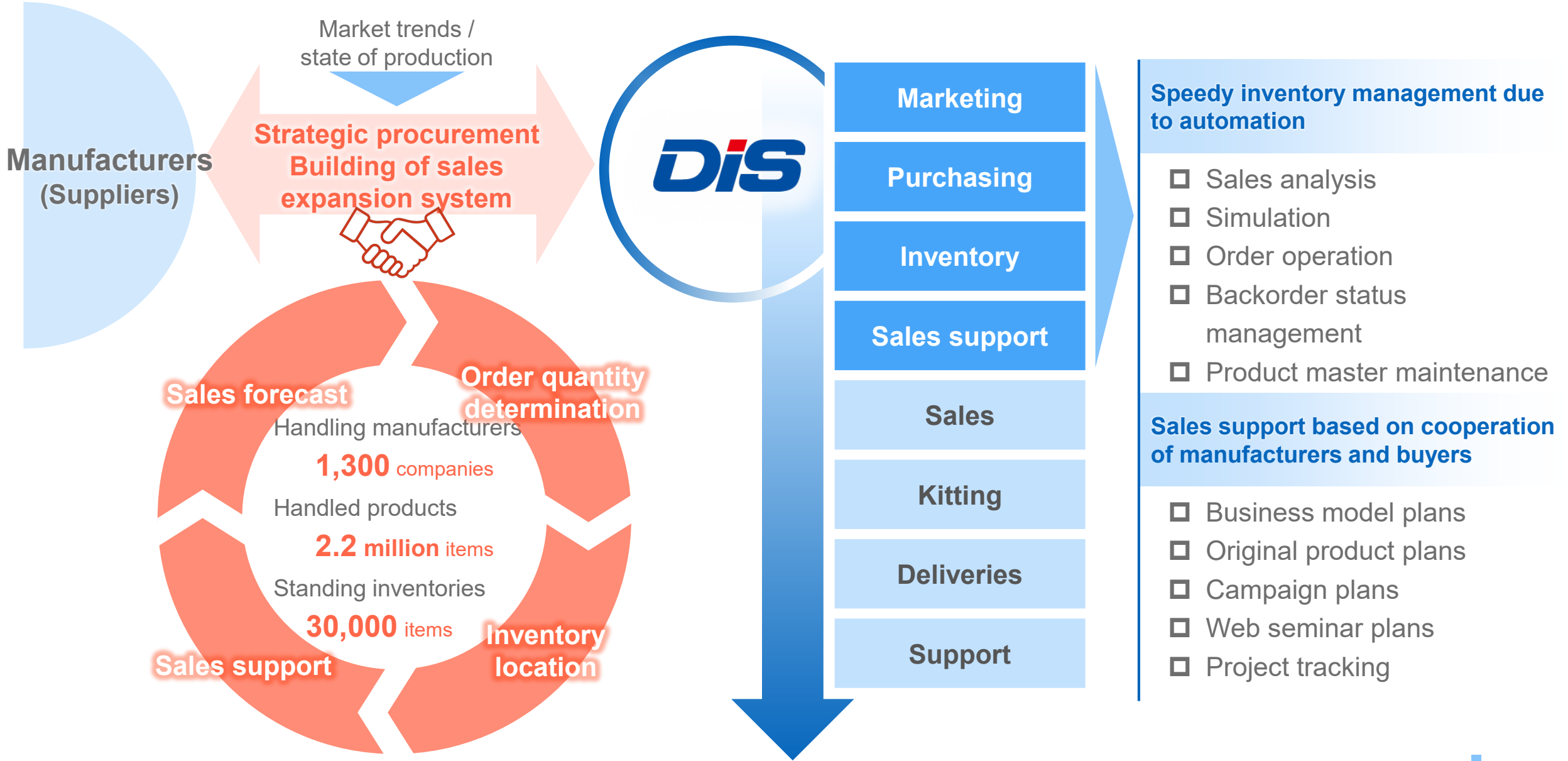
- Realization of the strengthening and greater efficiency of sales activities using RPA and BI tools
- Sales expansion based on potential customer selection using MA and tactical support
- Continued pursuit of low-cost operation



■ Net sales ■ Operating profit ■ Operating profit margin



Cooperation system with vendors



After GIGA

Support for use after introduction of ICT and issue resolution with wide-ranging menu

- Training programs for teachers (improvement of class design ability / ICT use ability)
- Information moral education / remote class pack / questionnaire analysis
- Add-on tools (digital textbooks, programming, etc.)
- Account management support including annual upgrades
- Terminal warranties / security infrastructure reinforcement

High School GIGA

Contributions to optimal and efficient ICT establishment at high schools nationwide

Forecast for establishment of 1 person 1 terminal at public high schools (by 47 prefectures / as of end August 2021)

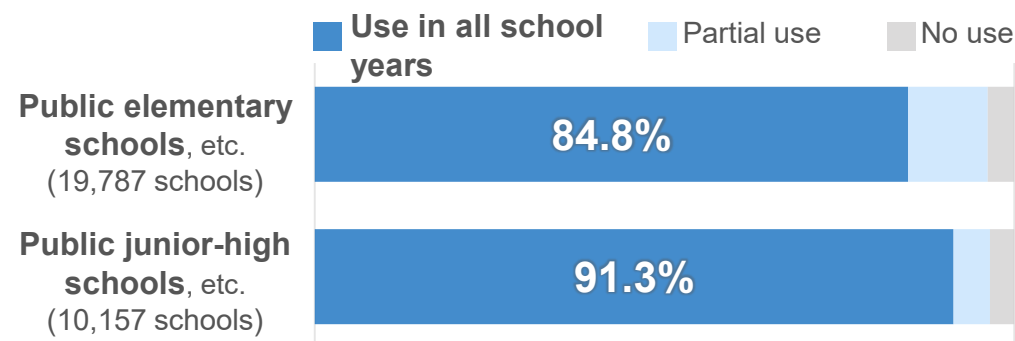
Establishment period	Completed		Currently considering	
	Number of schools	Number of local governments	Number of schools	Number of local governments
	Completed in fiscal year 2020	11	11	8
During fiscal year 2021	8	8	28	28
Apart from above (including currently considering)				

Cost burden	Completed		Currently considering	
	Number of schools	Number of local governments	Number of schools	Number of local governments
	Installer burden	11	11	8
Guardian burden in principle	8	8	21	21
Currently considering				

Source: MEXT "Results of various surveys on the GIGA School Concept" (August 2021)

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State of use of 1 person 1 terminal (as of end July 2021)



Beyond GIGA

Promotion of STEAM education environment / demonstration research

- High performance PCs, 3D printers, content production applications, etc.
- Effective use of traditional PC classrooms and empty classrooms

Strengthening of cooperation with cooperating manufacturers and educational sales partners

Support and promotion by specialist education teams

Increase presence in education area
Connect to sustainable business growth and social contributions

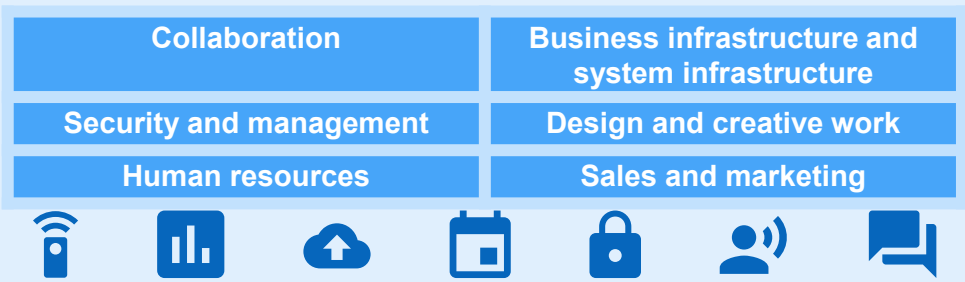
*STEAM=Science, Technology, Engineering, Mathematics + Liberal Arts(A)

Expansion of Subscriptions Based on iKAZUCHI

iKAZUCHI posting service

76 vendors / 163 services

(As of September 2021)



Application

Provisioning



Subscription management portal for dealers

Handling of billing formats including monthly, yearly or pay-as-you-go

Real-time management at the individual customer level

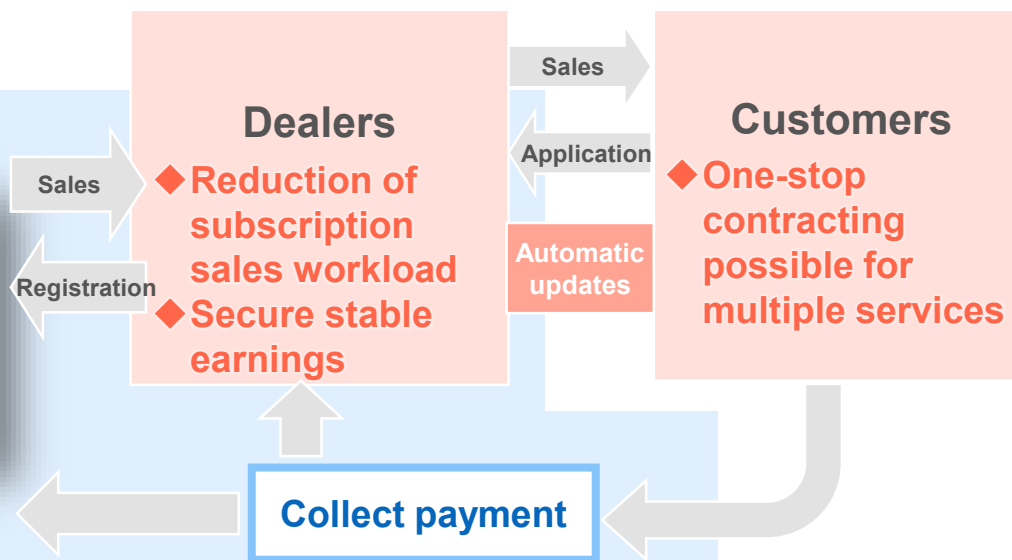
Integrated management of multiple services

Provision of information to end users

A full-time force qualified in multi-cloud handling supports the subscription business of sales partners nationwide.



iKAZUCHI handling volume DIS will aim for growth of **2.5 times or more** over the three years to March 2024



Dealers

- ◆ Reduction of subscription sales workload
- ◆ Secure stable earnings

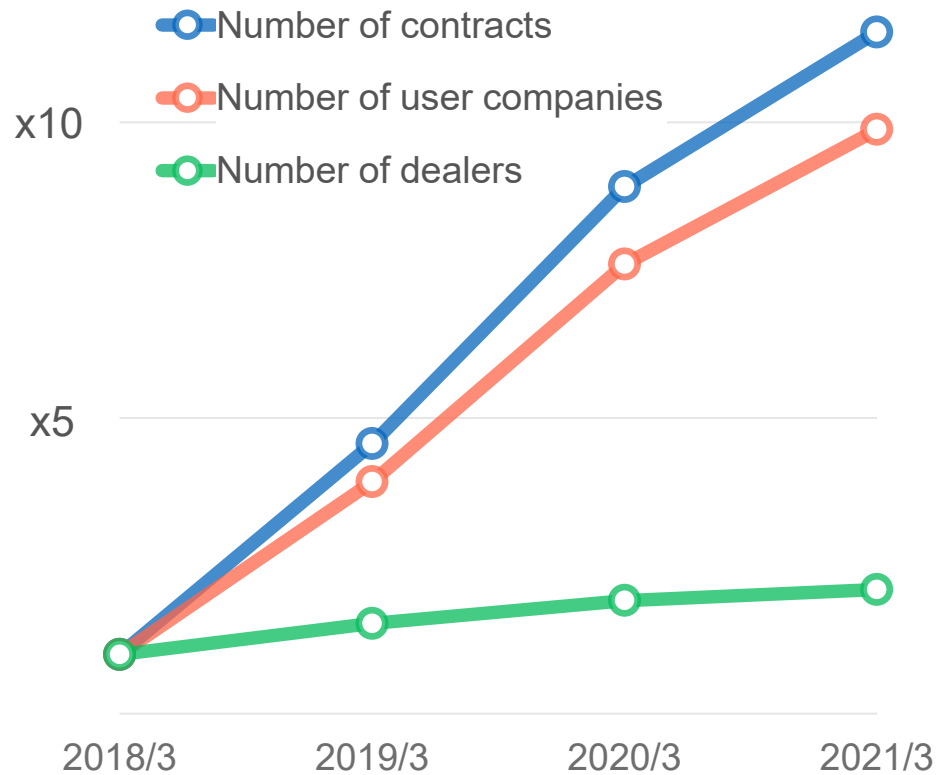
Customers

- ◆ One-stop contracting possible for multiple services

Collect payment

Expansion of Subscriptions Based on iKAZUCHI

Growth rate compared to 2018/3



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

Products

Proposals that improve affinity at the service level and combine multiple services

Coordinate

A community with dealers that covers the whole of Japan

Management

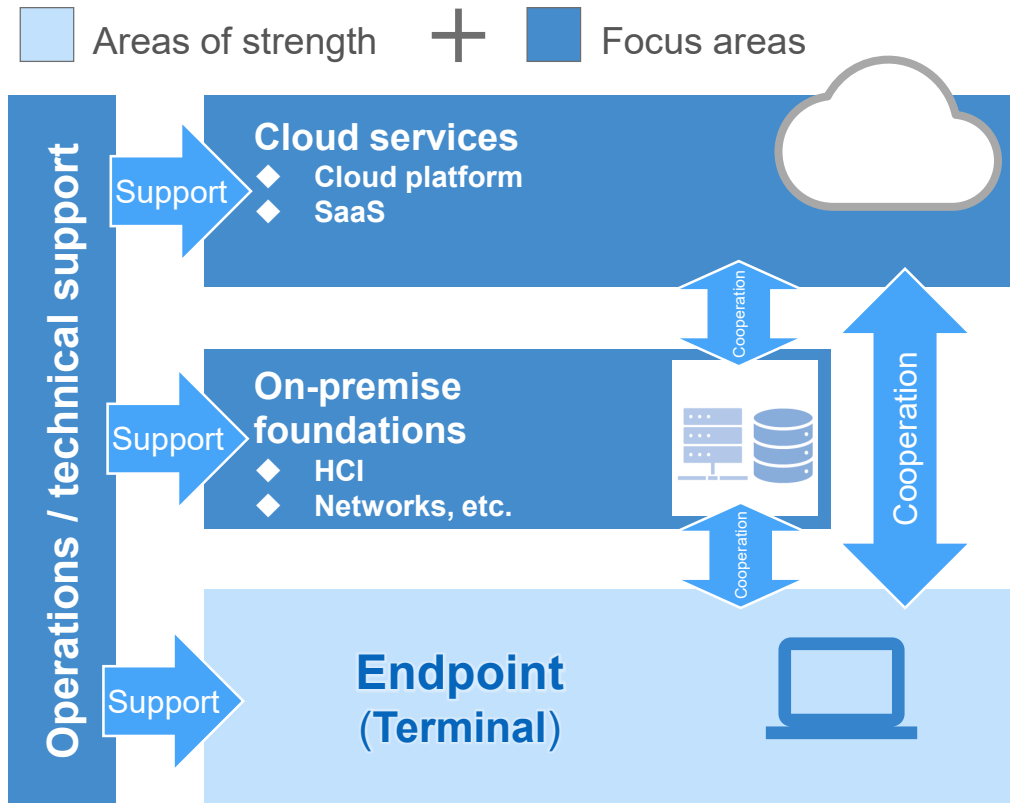
Further strengthening of functions that manage multiple service contracts centrally

Number of handling vendors

13 companies **24** companies **38** companies **65** companies

Strengthening of Infrastructure Business Proposal Capabilities

Structure of next generation infrastructure business



Social issues surrounding IT infrastructure

“The 2025 Digital Cliff”

Decreasing competitiveness of companies

- Complex / swollen legacy systems
- IT human resource shortages will expand into the future

Become unable to respond to environmental changes with existing IT facilities

Business continuity risk underlined by the COVID-19 pandemic

- Security measures under telework
- Network burden / cost increases

In addition to the **endpoint**, our strength, **a business model structure that can support systems overall**, from the **cloud** to **on-premises** and **support**

Dealers can concentrate resources in specialist areas by using what they require from the company's functions

We provide **“the value of leaving everything to us”** depending on **the project handling of every direction**

As a Company that Continues to Support All IT Business

Customers

DX

New Normal

Subscription

Dealers

Manufacturers

Sustainability

VUCA

Changes in needs

Spread of technology

Area coverage

Functional strengthening as a distributor

Proposals that accelerate dealers and manufacturers' strategies

Strengthening of solution capabilities

Building of services / support

Issue handling by region

Aggregation of user information



We create “new value” by multiplying “strengths” depending on our partner business

Matching the “diversification of customer needs” and “diversification of technology”

efficiently to develop nationwide

Reform into a company satisfying to work at centered on ESG

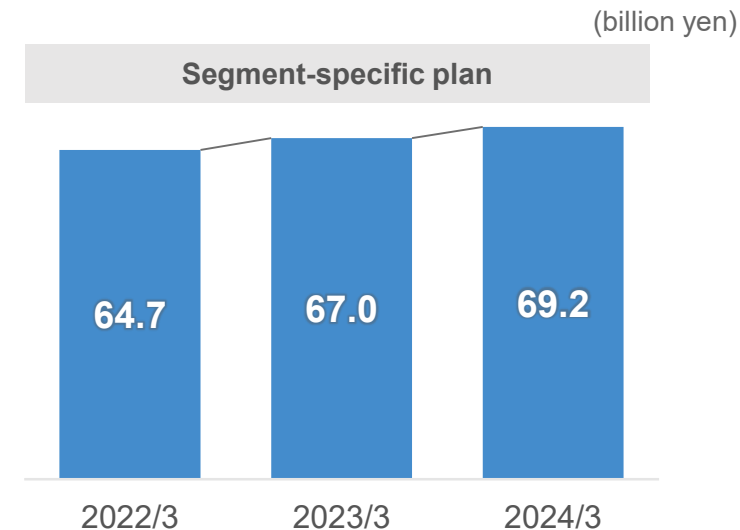
- ❑ Prevention of the reoccurrence of fraud based on the promotion of compliance and the strengthening of internal control
- ❑ Reduction of CO₂ emissions and implementation of regular environmental audits
- ❑ Environmentally friendly-type product development, including biodegradable, biomass and recycling
- ❑ Greater business efficiency based on work environment improvements, human resource education and use of IT

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

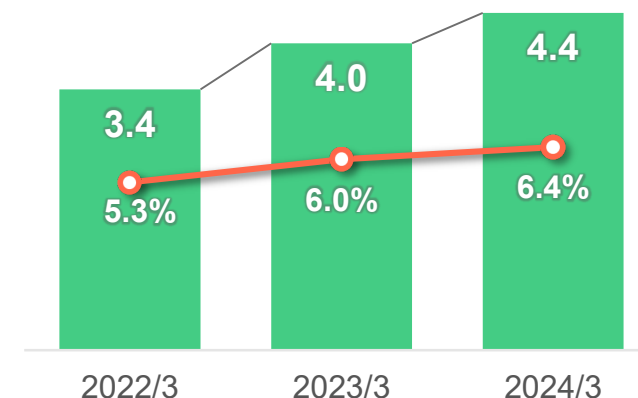
- ❑ Cross-sectional R&D system based on the new establishment of Technology and Development Division
- ❑ Sales expansion using functional materials and sustainable materials
- ❑ Horizontal development across the Group of materials and post-processing technology
- ❑ Expansion of R&D areas based on industry-academia-government collaboration

Business activities conscious of invested fund efficiency

- ❑ Sales expansion of synthetic fiber cotton using R&D
- ❑ Consolidation of Izumo Plant production bases towards increased sales of industrial materials
- ❑ Reduction of number of months for inventory turnover based on the reduction of long-term inventories and appropriate management
- ❑ Reinforcement through business restructuring in product business



■ Net sales ■ Operating profit ■ Operating profit margin



Development of unique materials based on the deep plowing of fiber strategy

< Development keywords >



- ◆ Application development using environmentally friendly materials and biodegradable materials
- ◆ Development of materials and products considerate of environmental conservation (air / water purification, energy-saving)
- ◆ Development of comfortable materials and products that allow you to spend time healthily, hygienically and safely

< Example images of development and applications >

Cross-sectional R&D system based on the new establishment of Technology and Development Division
 (Gathered at Harima Laboratory in September 2021)

Expansion of R&D areas based on industry-academia-government collaboration



Daiwabo
material
development

Hygienic products	Skin-friendly materials, absorbers
Home-use products	Sterilization / anti-viral treatment
Energy-saving / CO₂ reduction	Electric materials, plant growth media
Industrial materials	Fire retardant / flame resistant, adsorption of pollutants
Clothing	Recycled resin, biodegradation

(billion yen)

Business expansion into potential markets in machine tools

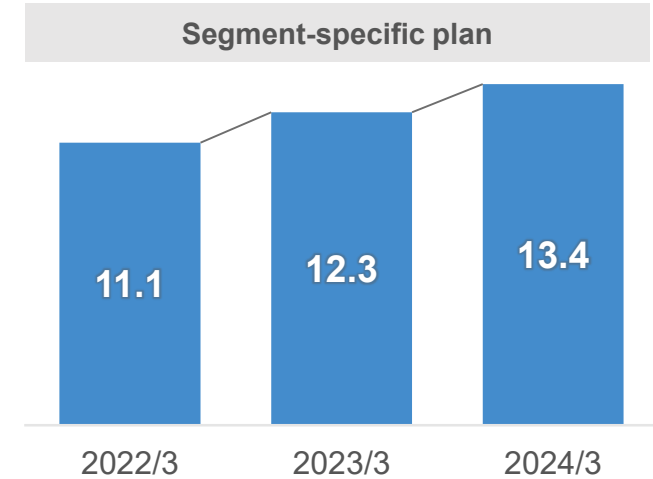
- ❑ Handling of changes in the energy industry due to decarbonization
- ❑ Acquisition of demand for 5G-related small scale power generation equipment and offshore wind power generation
- ❑ Handling of domestic and foreign demand for dedicated railway equipment
- ❑ Expansion of proposal-type sales leading to improvements in user operations

Capture of demand for packaging machine automation in automatic machinery

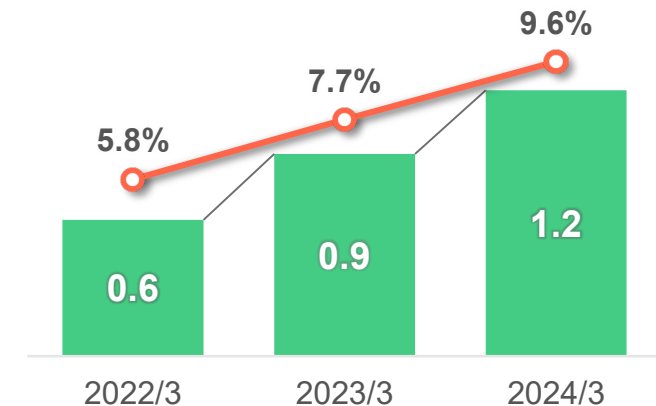
- ❑ Quality improvements and cost reductions based on the standardization of automatic supply devices
- ❑ Improvement of competitiveness in the market for the Chinese chemical industry
- ❑ Participation in new markets such as online shopping and the logistics industry
- ❑ Development of new products and new devices in response to manpower reduction needs

Improvement of profitability by strengthening services

- ❑ Construction of a service system through a service improvement project
- ❑ Handling of customer needs based on retrofit and overhaul proposals
- ❑ Acceleration of initial handling based on service contact office development
- ❑ Expansion of service business including annual railway inspections



■ Net sales ■ Operating profit ■ Operating profit margin



Shareholder Return

BY2022 (forecast)

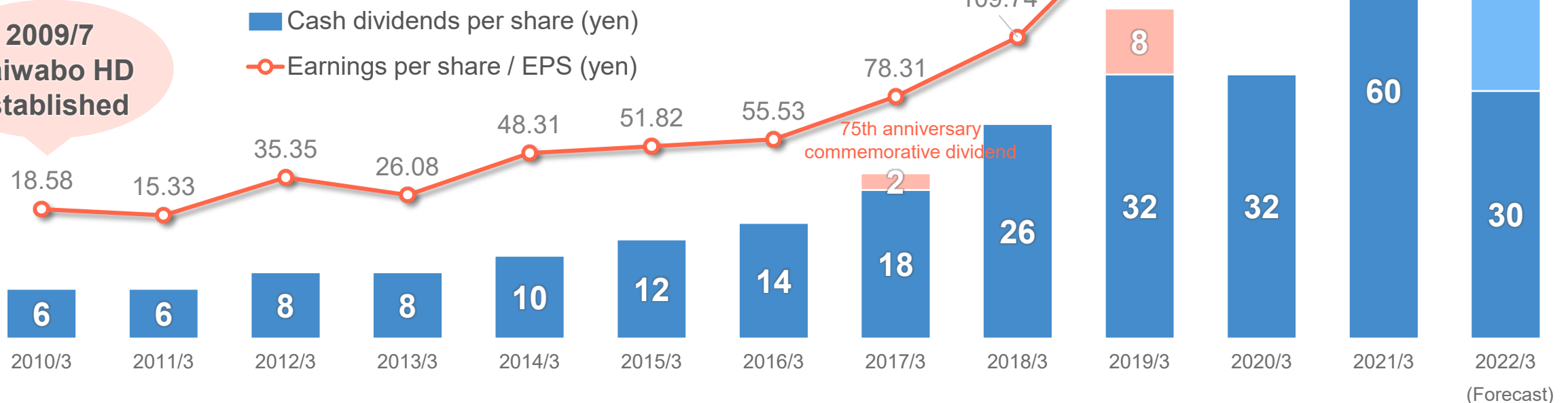
Interim dividend (first) **30 yen** Term-end dividend **30 yen**

Annual dividend **60 yen**

Dividend payout ratio **31.2%** Total shareholder return ratio **41.8%**

Acquisition of treasury stock **About 2.0 billion yen** (2021/5/14 to 8/31)

**2009/7
Daiwabo HD
established**



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

Main initiatives in first half

Materiality formulation

Daiwabo Sustainable Action2021

Linking of action items after formulation of 5 categories and 17 items

Improvement of independence and diversity of Board of Directors

Independent outside director ratio **57%**

Female director ratio **29%**

Acquired “DX Certification” established by METI

Plan for main initiatives in second half

Prime market selection (applied for)

Expansion of ESG data disclosure items

Environment: CO₂ Scope 1, 2-related, etc.

Announcement of basic way of thinking on ESG

Human rights, diversity, etc.

Initiatives towards the disclosure of climate change-related information

Scenario analysis based on TCFD recommendations, etc.
(Planned for announcement in fiscal year 2022)

Strengthening of Group cooperation

ESG Promotion Committee / ESG Promotion Meeting

- ❑ Regular confirmation / sharing of progress of activities
- ❑ Evaluation, review, etc., of materialities

Ongoing ESG activities

Enhancement of information transmission

Sustainability site

- ❑ ESG promotion system
- ❑ Materiality formulation process
- ❑ ESG data (governance-related) etc.



Reference

- Medium-Term Management Plan

- Period **Fiscal year ending March 2022 to fiscal year ending March 2024 (3-year plan)**

- Positioning **"A turning point anticipating development into the future"**

- ▶ A period of challenge towards "business model reform" aimed at sustainable growth
- ▶ Contributions to the resolution of social issues through business with an ESG perspective
- ▶ Maximization of the human resource value that will create the future

Basic policy of the group

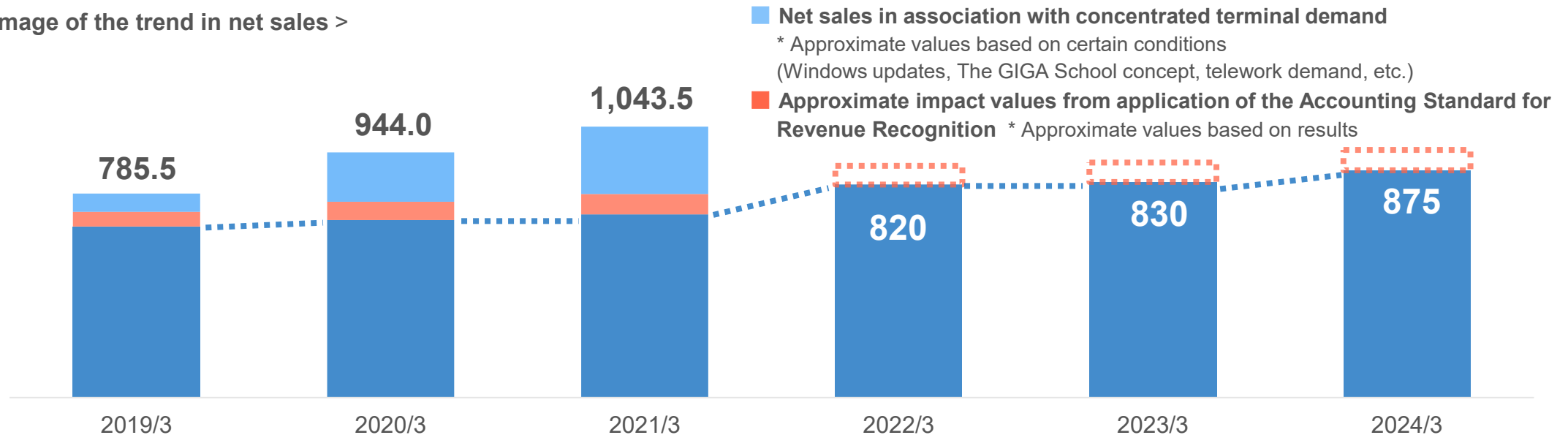
- 01 The creation of next generation growth drivers
- 02 Contributions to the creation of a new society as a leading company
- 03 Reform of management foundations

New Medium-Term Management Plan - Revenue Indicators

(billion yen)	2021/3 (Results)	2022/3 (Plan)	2023/3 (Plan)	2024/3 (Plan)
Net sales	1,043.5	820	830	875
Operating profit	35.0	28.5	28.6	31.4
Operating profit margin	3.4%	3.5%	3.5%	3.6%

-> Application of the Accounting Standard for Revenue Recognition

< Image of the trend in net sales >



ROE 14% or higher

Return on equity
< Return on shareholder's equity >

>
Cost of shareholders' equity
8.6%
(Company recognition of the current situation)

ROIC 11~12% level maintenance

Return on invested capital (*)
< Return on invested capital >

>
WACC
Weighted average capital cost
7.0%
(Company recognition of the current situation)

**Sustainable
improvement
of corporate
value**

* Operating profit after tax / (net assets + interest-bearing debt)

Medium-Term Management Plan - Cash Allocation Policy

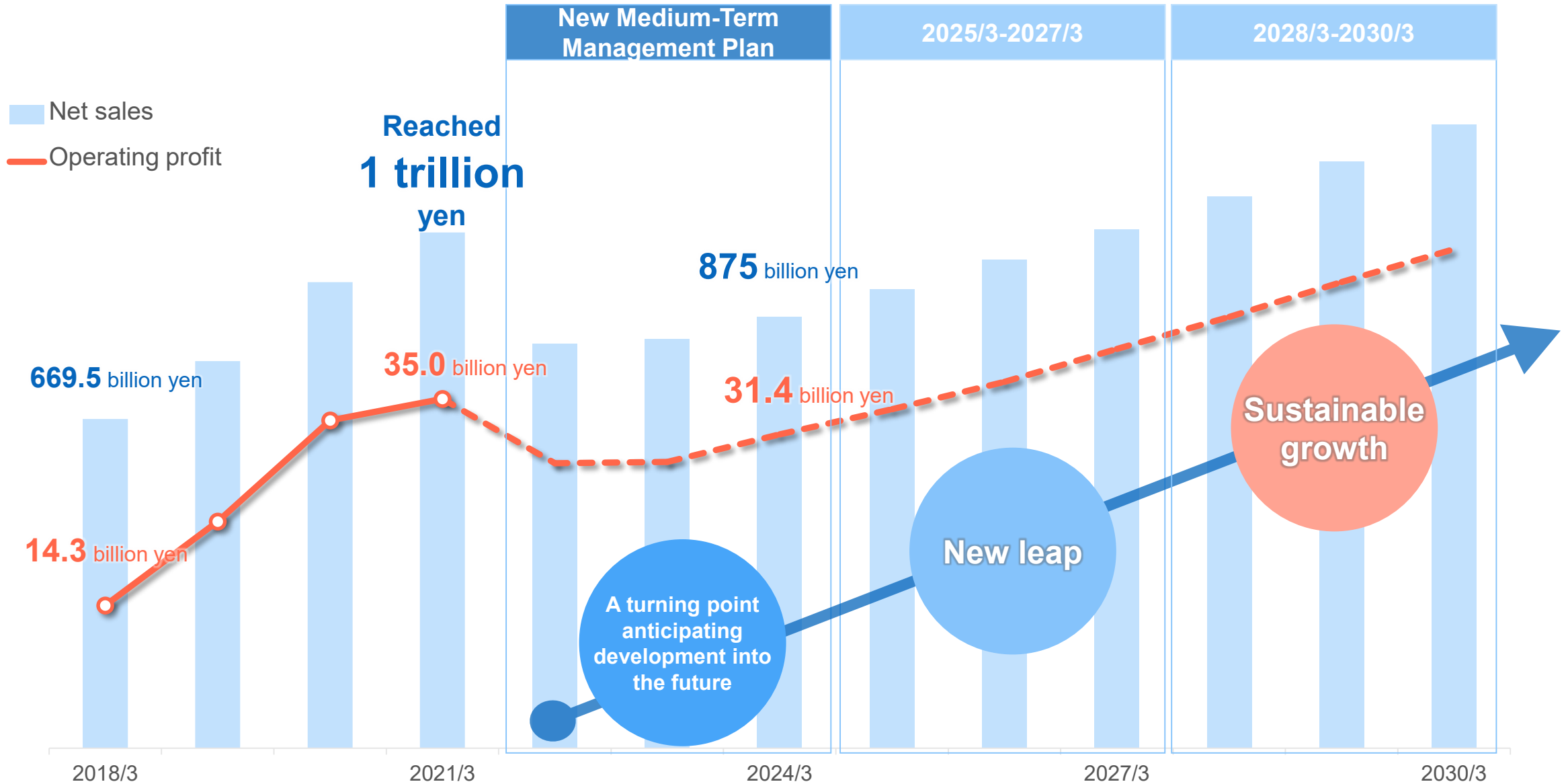
Basic policy

- We will aim to enhance shareholder returns appropriately.
- We will make growth investments in new areas while continuing to invest towards the sustainable growth of existing business.
- We will prepare for strategic product procurement and unforeseen circumstances while securing a certain level of liquidity on hand.

< Cash allocations >

Dividends	Growth investment in existing areas	Growth investment in new areas	Acquisition of treasury stock	Securing of liquidity on hand
<p>We will make a stable dividend of 60 yen per share (including interim dividends) our basic policy and also consider dividend increases matched to our cash situation.</p>	<p>We will invest in equipment towards the sustainable growth of existing business and implement marketing, R&D and the hiring of human resources.</p>	<p>We will start to consider business partnerships and M&A to nurture new business pillars, centered on DX-related areas where market growth is expected.</p>	<p>We will consider the flexible acquisition of treasury stock in accordance with the market environment.</p>	<p>Securing of liquidity on hand in readiness for fund demand in association with strategic product procurement in IT Infrastructure Distribution Business and unforeseen circumstances</p>
<p>BY2021 Dividend forecast Interim 30 yen + term-end 30 yen</p>		<p>Acquired treasury stock of approximately 2.0 billion yen Total acquisition Approximately 1.04 million shares / 1.08% Acquisition period May 14, 2021 ~ August 31, 2021</p>		

Medium to Long-Term Growth Image



References

- Corporate Profile
- Charts for Performance Trend

Overview of Business Segments

IT Infrastructure Distribution Business

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

Fiber Business

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

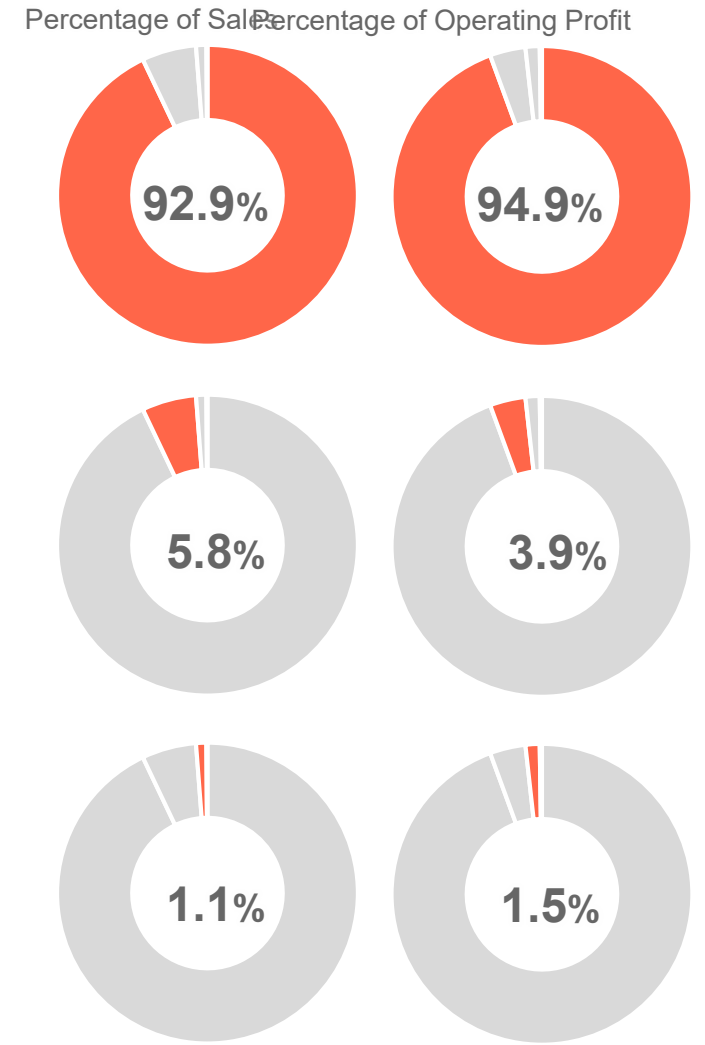
Industrial Material Division
 It offers industrial fiber products such as industrial materials, filter products, civil engineering materials, heavy cloth products and rubber products

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

Industrial Machinery Business

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

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



(BY2020 results)

History of Daiwabo Information System (DIS)

1982 Founded DIS

- DIS started with only 10 staff by leveraging the knowhow for which Daiwabo Co., Ltd. developed a monitoring system for production sites in house using PCs
- It shifted from system development and sales to sales of PCs and other information equipment

1998 Started the operation of DIS-NET

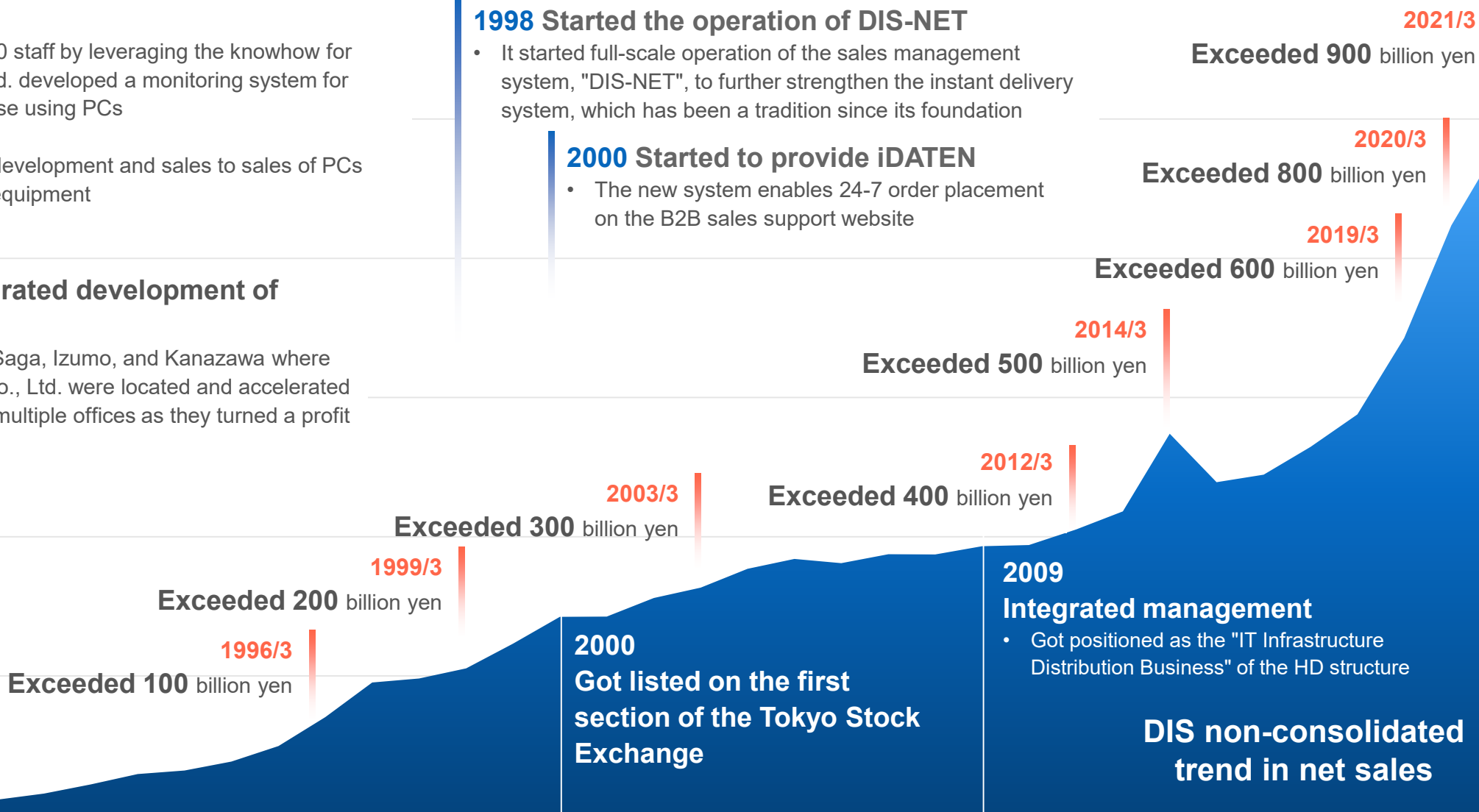
- It started full-scale operation of the sales management system, "DIS-NET", to further strengthen the instant delivery system, which has been a tradition since its foundation

2000 Started to provide iDATEN

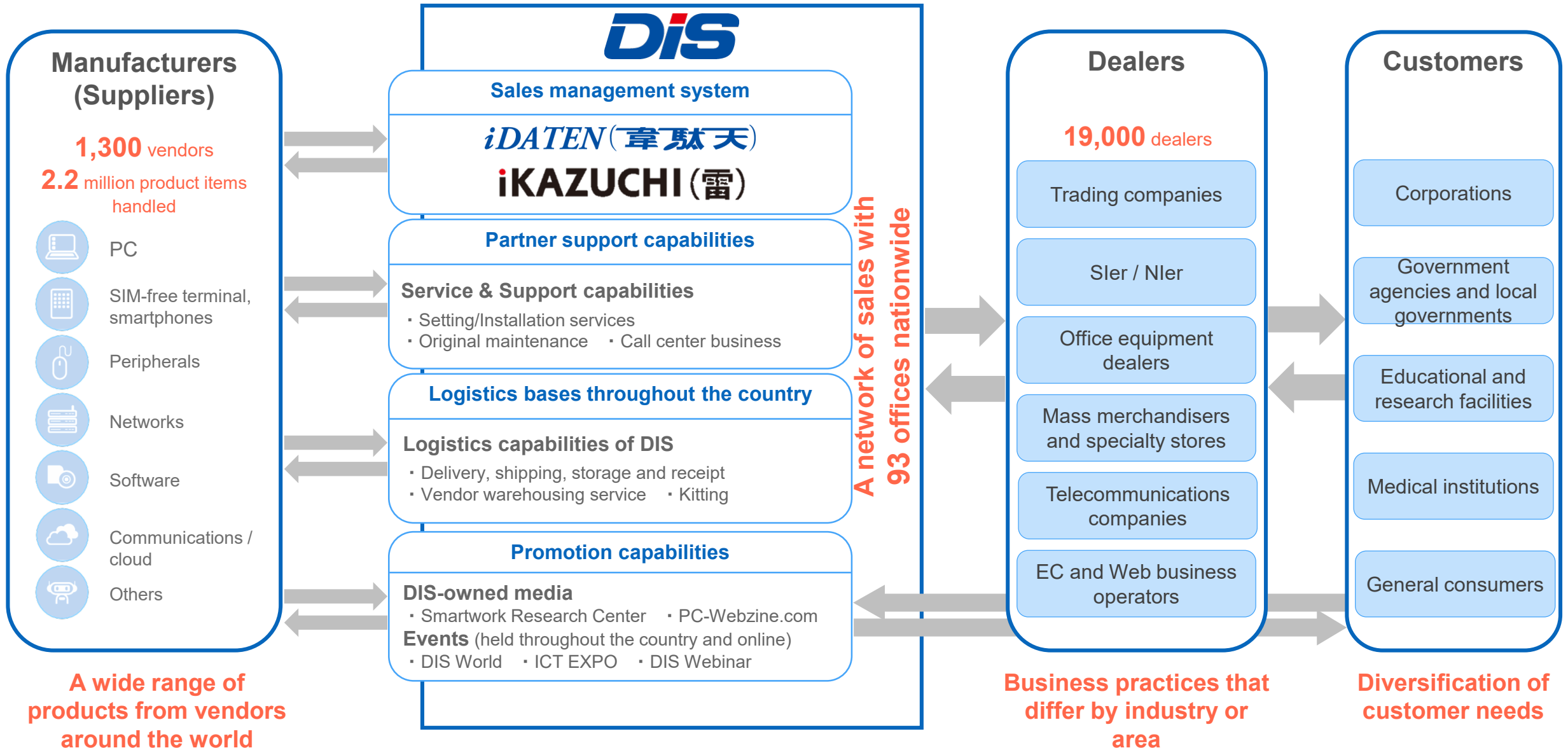
- The new system enables 24-7 order placement on the B2B sales support website

1983-1984 Accelerated development of multiple offices

- It opened offices in Saga, Izumo, and Kanazawa where plants of Daiwabo Co., Ltd. were located and accelerated the development of multiple offices as they turned a profit early

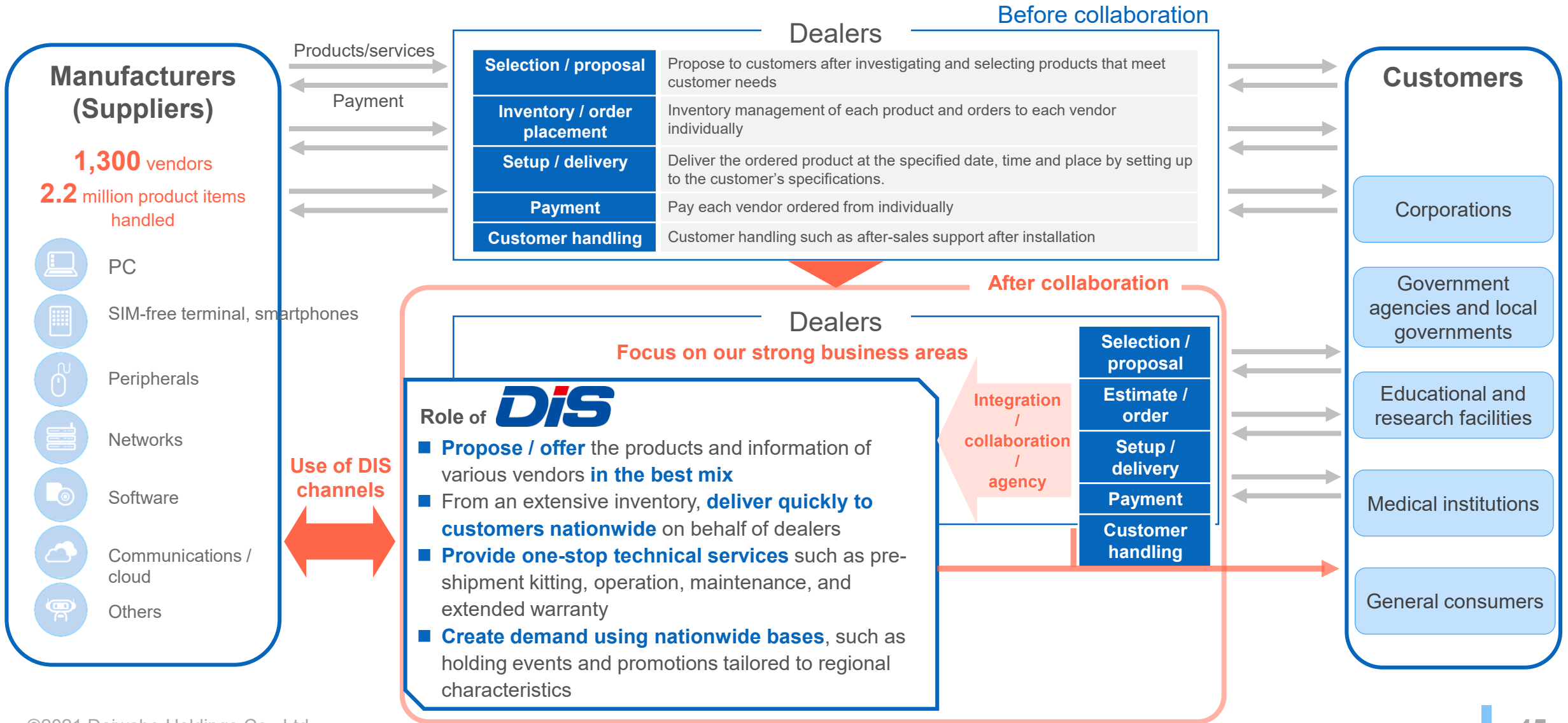


Business Structure of the IT Infrastructure Distribution Business



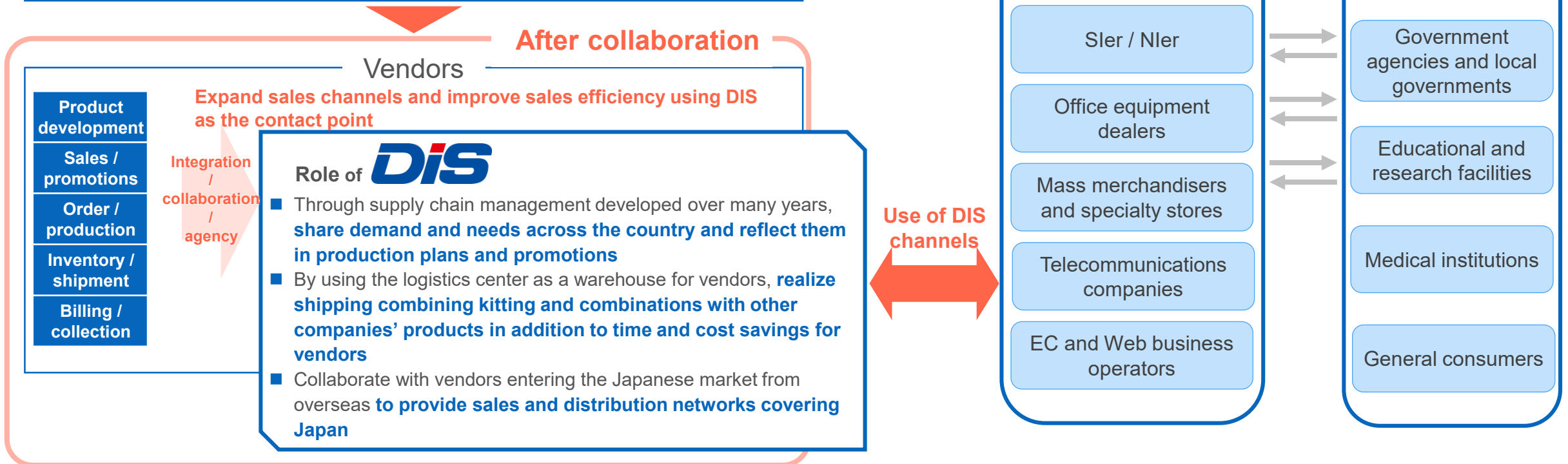
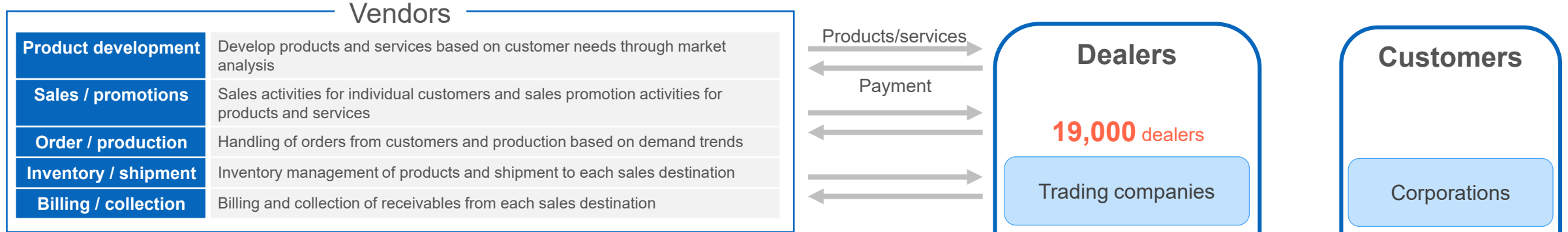
Value added by distributors

Dealers × **DIS**



Value added by distributors

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



Streamlining of Distribution Centers

Kansai Center (Kobe City)



Full-scale operation in May 2020

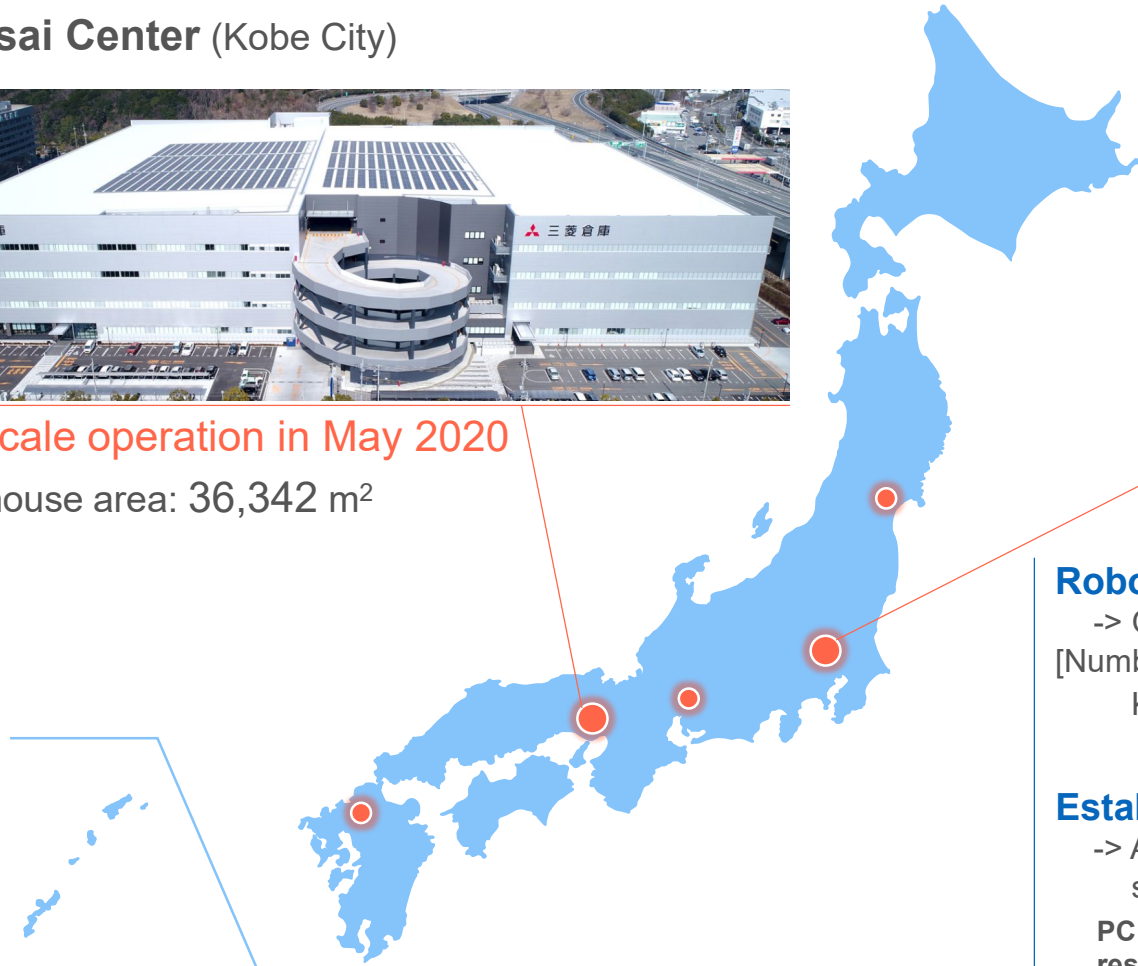
Warehouse area: 36,342 m²

Kanto Central Center (Yoshimi-machi, Saitama Prefecture)



Full-scale operation in June 2016

Warehouse area: 44,753 m²



Robot storage system

-> Optimization of work efficiency and space
[Number of robots in operation]

Kanto Central: **45** robots; Kansai: **30** robots

Established together with Kitting Center

-> Arrival of goods > work > prompt handling of shipment

PC / tablet kitting : **870,000** annually (2021/3) results

Truck reservation reception system

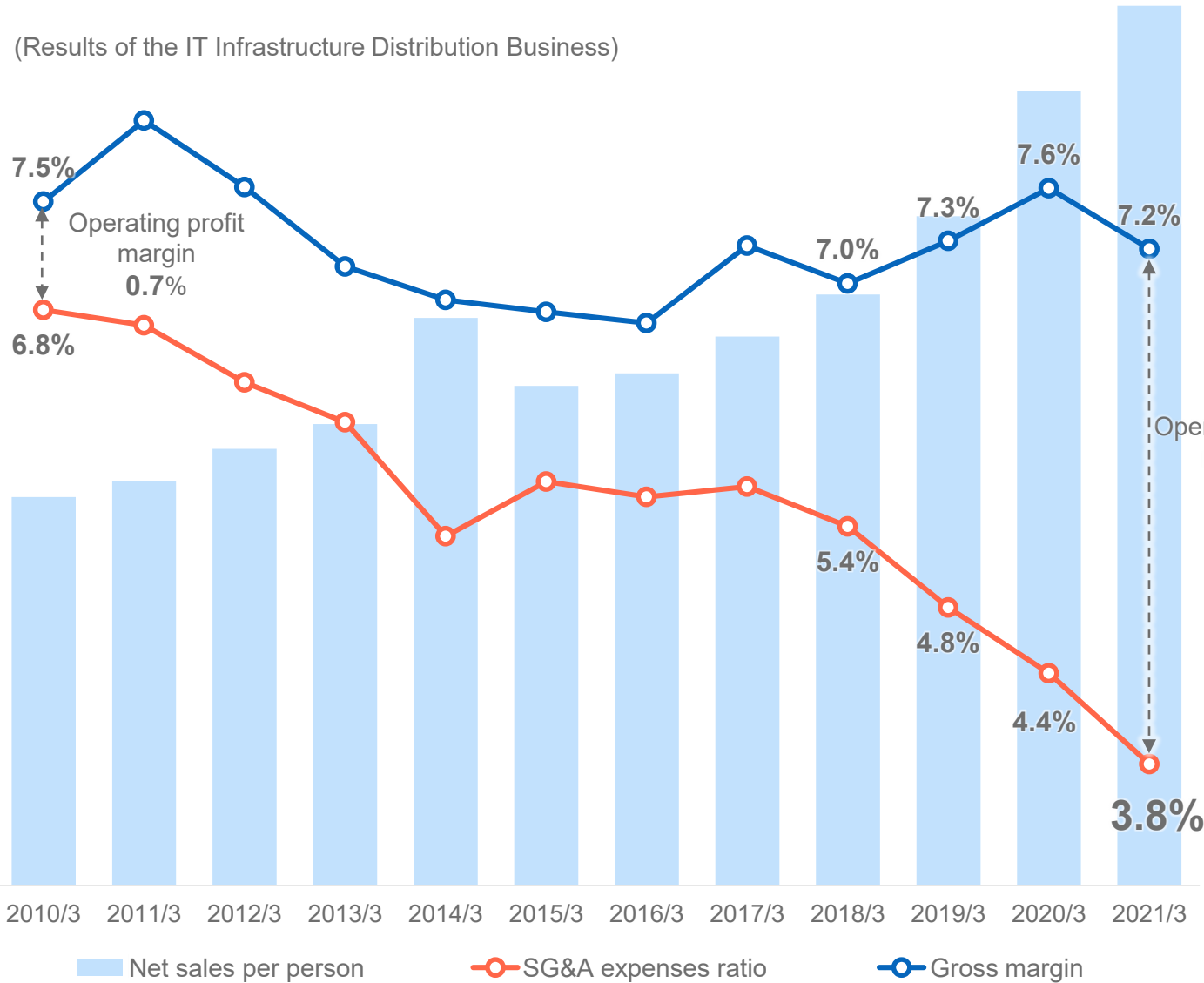
-> Sharing of incoming and outgoing information and vehicle equalizing



Focusing on improvements to efficiency and productivity centered on the east and west mega-centers

Low-Cost Operation

(Results of the IT Infrastructure Distribution Business)



Thorough implementation of **low-cost operation** through active investment in internal systems

Core system, "DIS-NET"

1998 DIS-NET

2005 DIS-NET II

2013 DIS-NET III

2020 **DIS-NET IV**

It works with all systems to maximize operating efficiency

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

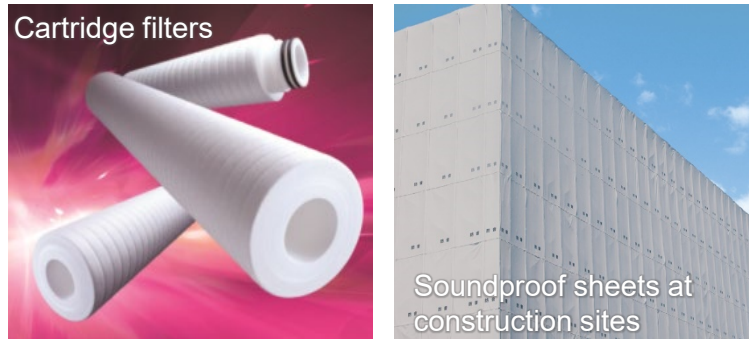
Fiber Business Product Examples

Synthetic fibers and rayon



- ❑ Synthetic fibers used in hygiene products such as paper diapers and feminine hygiene items
- ❑ Non-woven fabrics used for baby wipes, antibacterial sheets, face masks and other daily necessities
- ❑ Fibers that are used as an asbestos substitute and can self-heal mortar cracks
- ❑ Non-woven fabrics and clothing made from highly biodegradable rayon produced from wood pulp

Industrial materials



- ❑ Filters to filter impurities used in the chemical, electronic and food industries
- ❑ Civil engineering materials such as heavy fabrics used for truck tops and tent warehouses, waterproof sheeting and greening nets
- ❑ High-quality rubber sponge products for a variety of purposes including automotive parts and home appliances
- ❑ Various industrial sheets such as soundproof sheets and curing meshes at construction sites

Clothing products



- ❑ Clothing products such as functional innerwear and comfortable outerwear
- ❑ Living materials and products
- ❑ Licensed brand clothing
"FILA" "T&C" "Prince" "NCAA"

Vertical lathes/ Turning centers



- ❑ **No. 1 share in Japan** for both medium- and large-sized lathes (Cumulative shipments exceeded **7,400** units)
- ❑ Highly evaluated as "**OM for vertical lathes**" in Japan and overseas
- ❑ A machine that is used to cut a workpiece by attaching it to a horizontally rotating table. The table diameter ranges from 800 mm to 6,000 mm, and it can be used in a wide variety of production modes. Highly rigid, highly accurate and easy to operate, it is used as a mother machine in all fields including aircraft engine parts
- ❑ The photo on the left shows the "RT-915," a small general-purpose machine

Wheel lathes



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

Automatic machinery

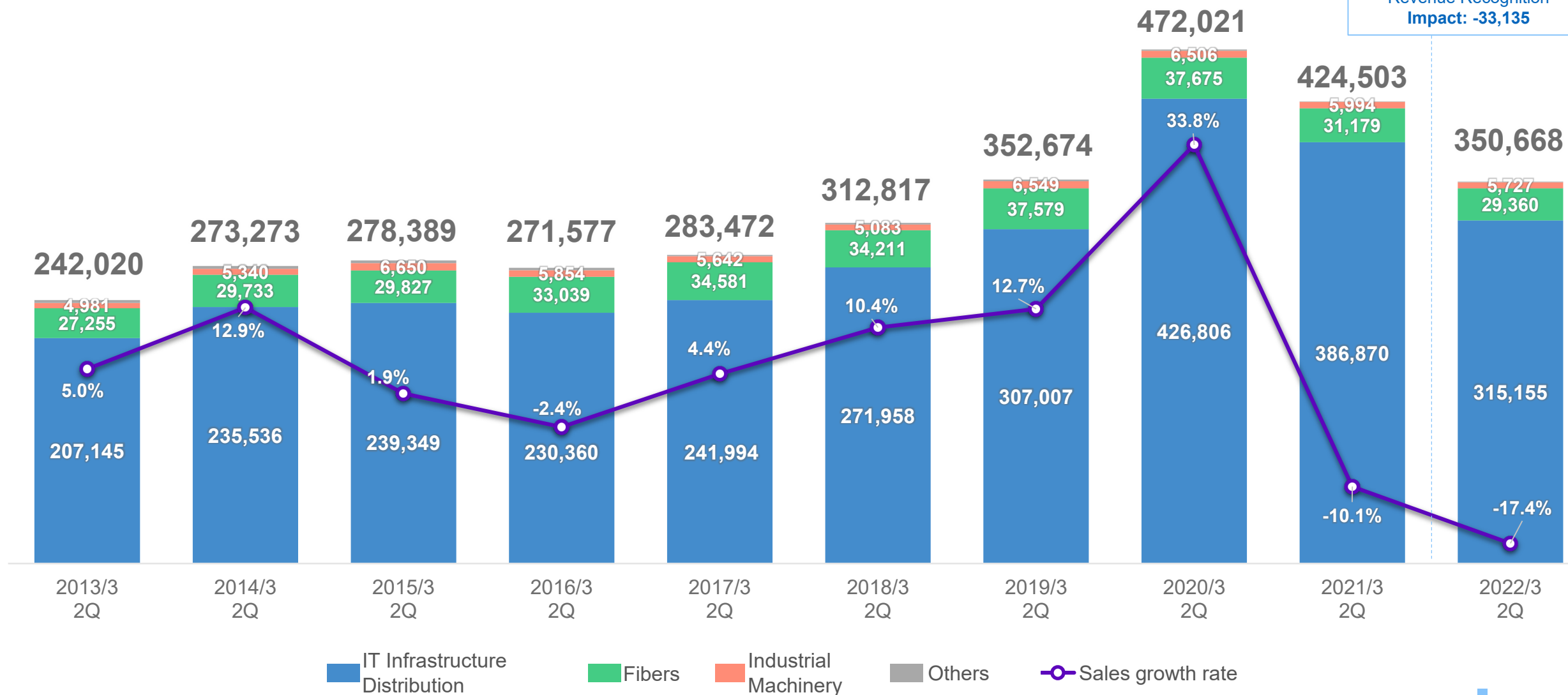


- ❑ We manufacture a wide range of automatic machinery including cartoners (cartoning machine), intermediate packaging machines for stacking and packaging products in film and corrugated cardboard casers (The picture on the left is a horizontal continuous cartoner)
- ❑ The strengths include technologies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

Consolidated Net Sales (2Q Cumulative)

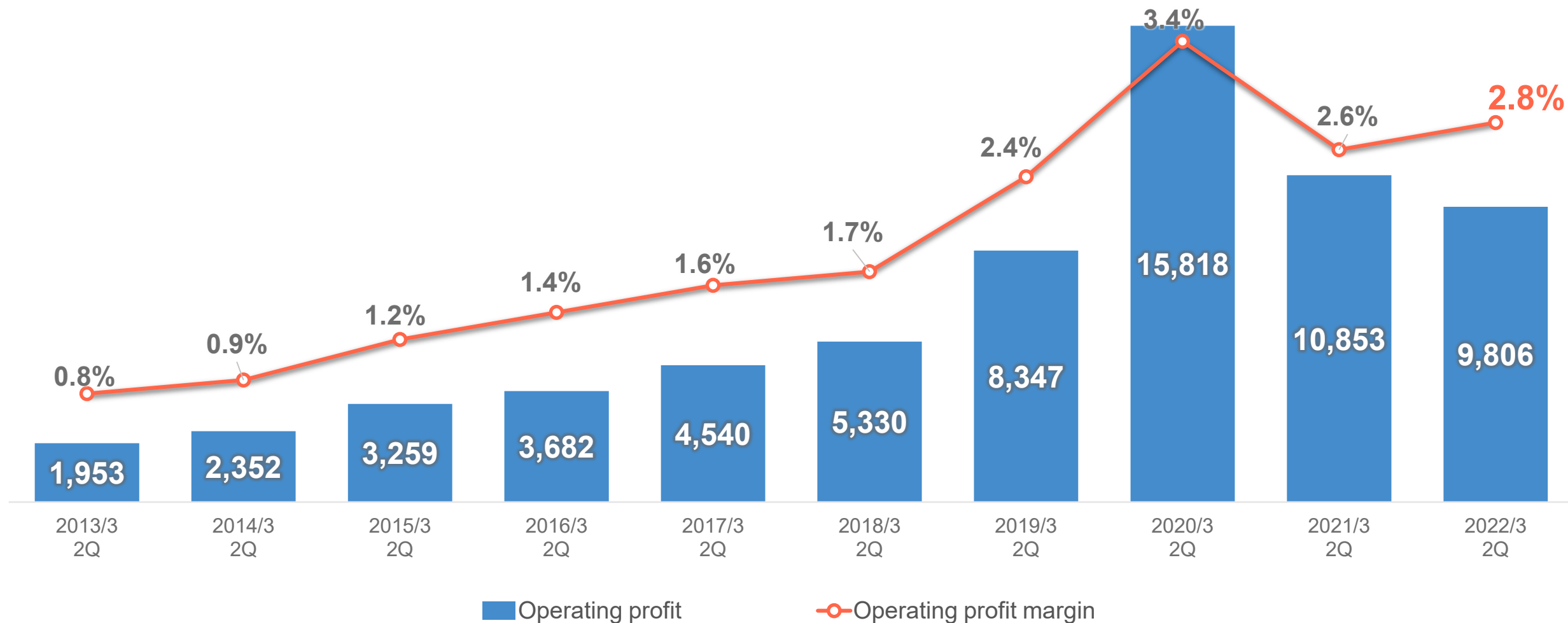
(Million yen)

Application of the Accounting Standard for Revenue Recognition
Impact: -33,135



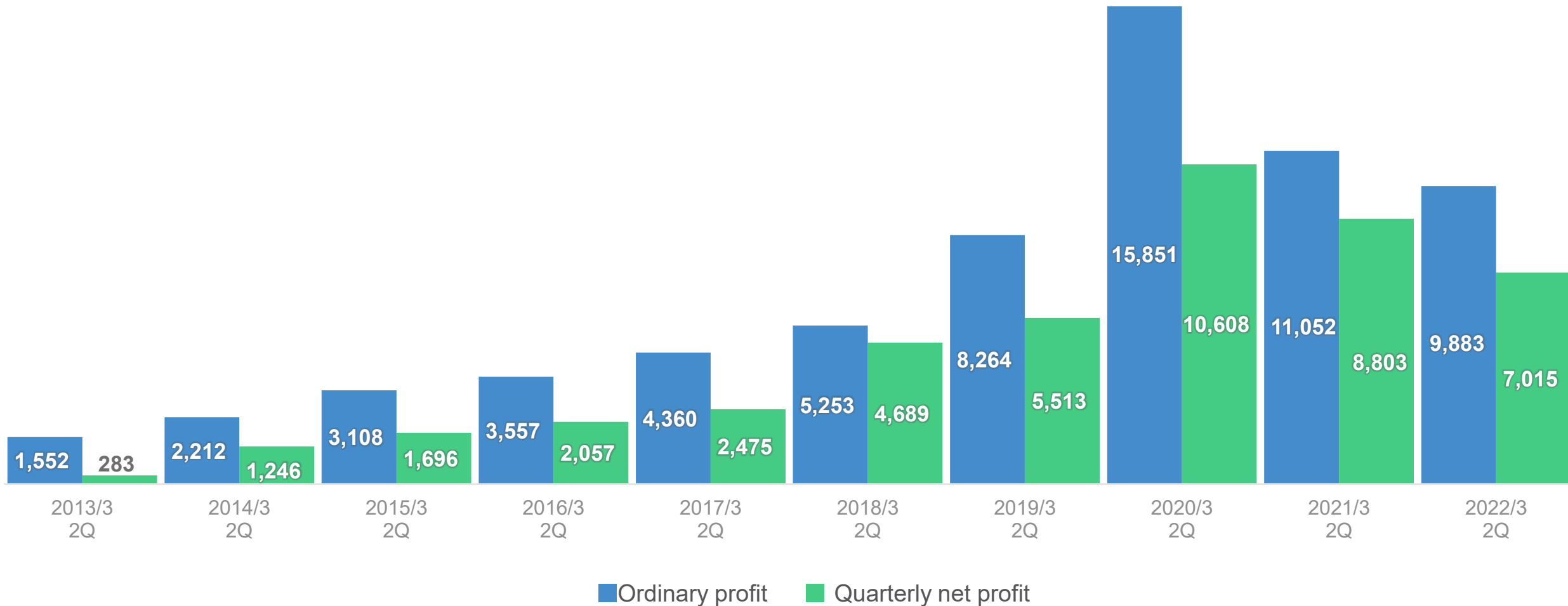
Consolidated Operating Profit (2Q Cumulative)

(Million yen)



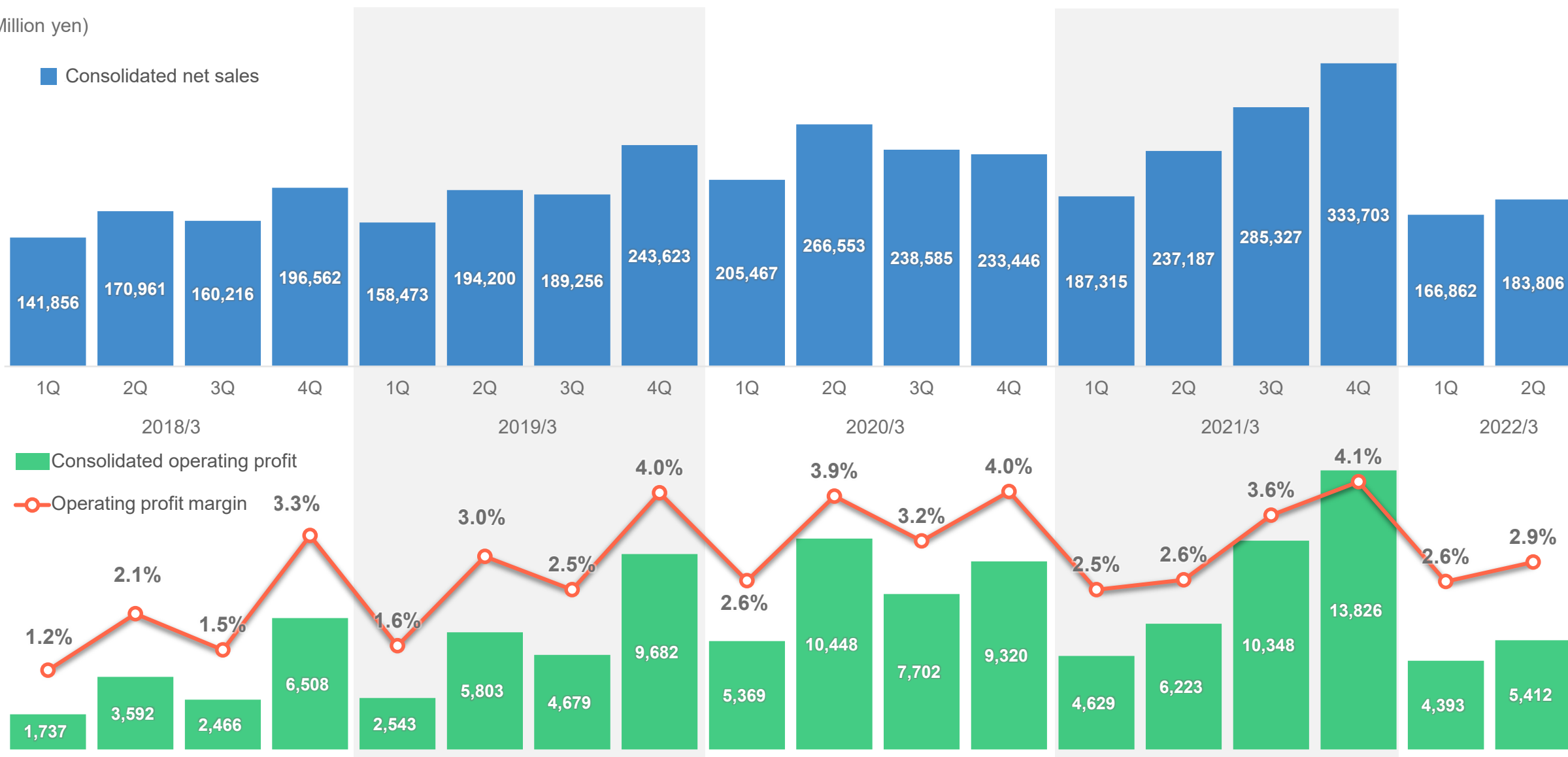
Consolidated Ordinary Profit and Consolidated Quarterly Net Profit (2Q Cumulative)

(Million yen)



Quarterly Results

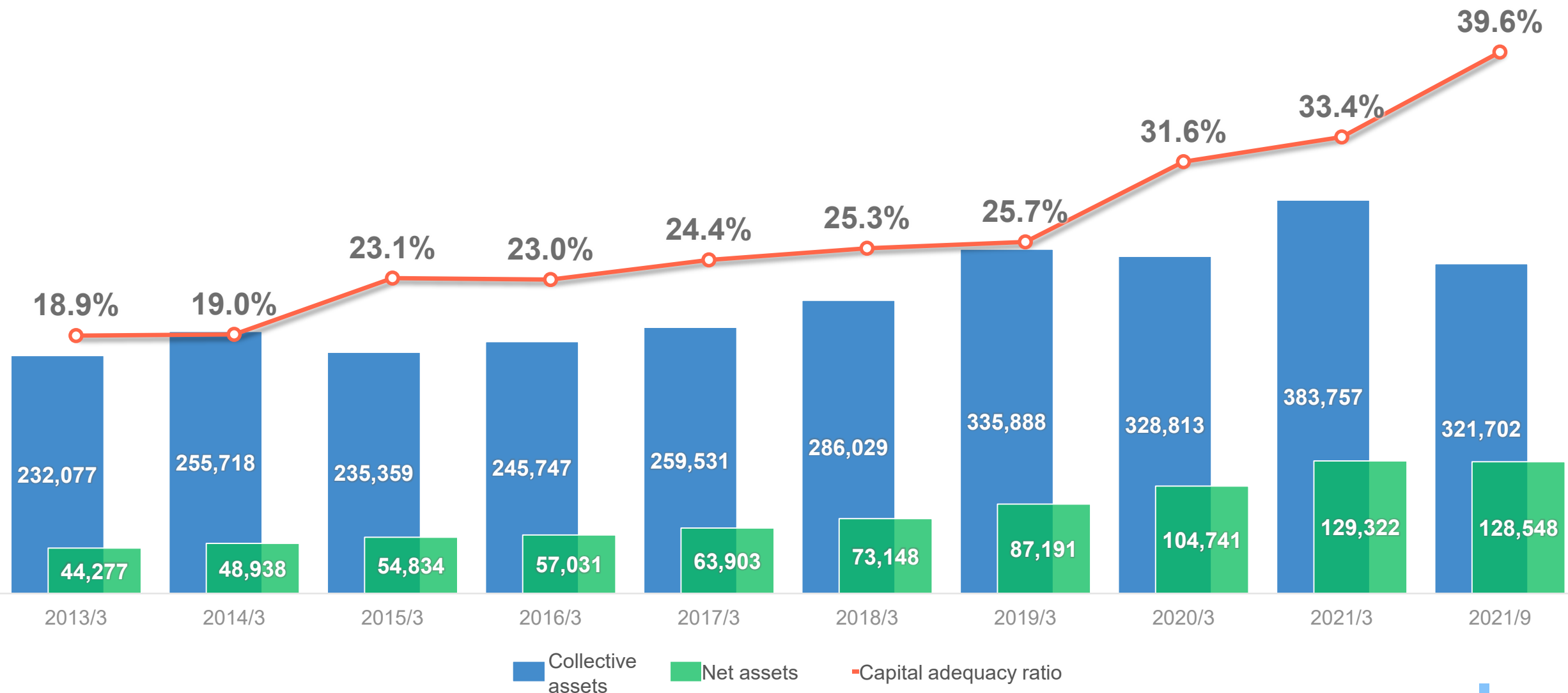
(Million yen)



Consolidated Total Assets, Consolidated Net Assets and Capital Adequacy Ratio



(Million yen)





Daiwabo Holdings Co., Ltd.

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



News

<https://www.daiwabo-holdings.com/ja/news.html>

Daiwabo Group list

<https://www.daiwabo-holdings.com/ja/group.html>

History

<https://www.daiwabo-holdings.com/ja/company/history.html>

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