

3rd Quarter of the Fiscal Year Ending March 2023

Financial Results Supplementary Materials

February 8, 2023



Daiwabo Holdings Co., Ltd.

(Stock code: **3107**)

3rd Quarter of the Fiscal Year Ending March 2023 (April 1, 2022 to December 31, 2022)

Acquisition of demand in IT Infrastructure Distribution Business drove increases in sales and profit

There are signs that delivery delays and other effects will be resolved

IT Infrastructure Distribution Business

Although we were affected by increased purchasing costs due to the weak yen, the effects of delivery delays due to the semiconductor shortage were gradually being eliminated and we focused on the acquisition of demand.

Sales mainly of PCs and networks to companies and government offices increased, and subscription products also trended well. In education, demand for terminals for high school students and terminals for elementary and junior high school teachers expanded, and in the consumer market, sales to electronics stores performed well and exceeded the previous year.

Fiber Business

Although sales of construction sheet-related products and low environmental impact rayon remained solid, the company struggled in terms of profit due to the impact of cost increases associated with high raw material and fuel prices and the depreciation of the yen in business overall.

Industrial Machinery Business

Sales and profit increased due to shipments to a wide range of industries, including wind power generation and other equipment for the energy industry, semiconductors, construction equipment and medical equipment, and the strengthening of the service system.

Business Outlook for the Full Term of the Fiscal Year Ending March 2023

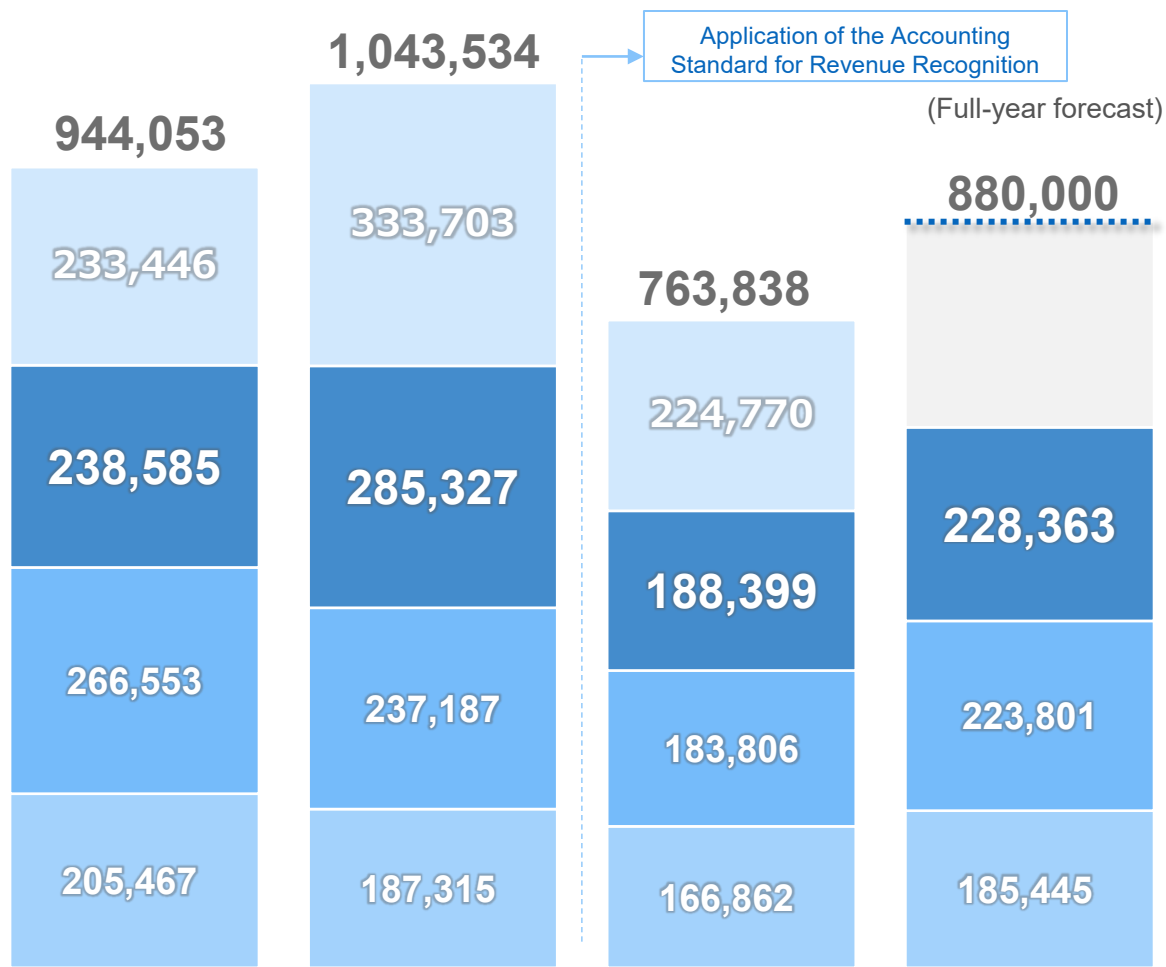
(Million yen)	2022/3 (Result)	2023/3		Change *	Compared to previous term *
		Initial forecast (Disclosed May 12)	Revised forecast (Disclosed February 8)		
Net sales	763,838	830,000	880,000	+116,161	+15.2%
IT Infrastructure Distribution	691,281	754,820	805,000	+113,718	+16.5%
Fibers	58,289	62,060	62,300	+4,010	+6.9%
Industrial Machinery	11,610	12,480	12,000	+389	+3.4%
Operating profit	24,059	27,360	27,500	+3,440	+14.3%
IT Infrastructure Distribution	21,651	23,700	24,820	+3,168	+14.6%
Fibers	1,617	2,760	1,705	+87	+5.4%
Industrial Machinery	656	890	890	+233	+35.7%
Ordinary profit	24,554	27,500	27,900	+3,345	+13.6%
Profit attributable to owners of parent	16,988	18,600	19,000	+2,011	+11.8%

* Comparison of revised forecast against previous period

Cumulative Net Sales for the 3rd Quarter of the Fiscal Year Ending March 2023



■ 1Q ■ 2Q ■ 3Q ■ 4Q



Net sales **637,610** million yen

+**18.3%** against the same period of the previous fiscal year

Progress rate **72.5%** (initial forecast 76.8%)

▶ Total transactions volume **678,729** million yen
 +**15.4%** against the same period of the previous fiscal year

(Million yen) 2020/3

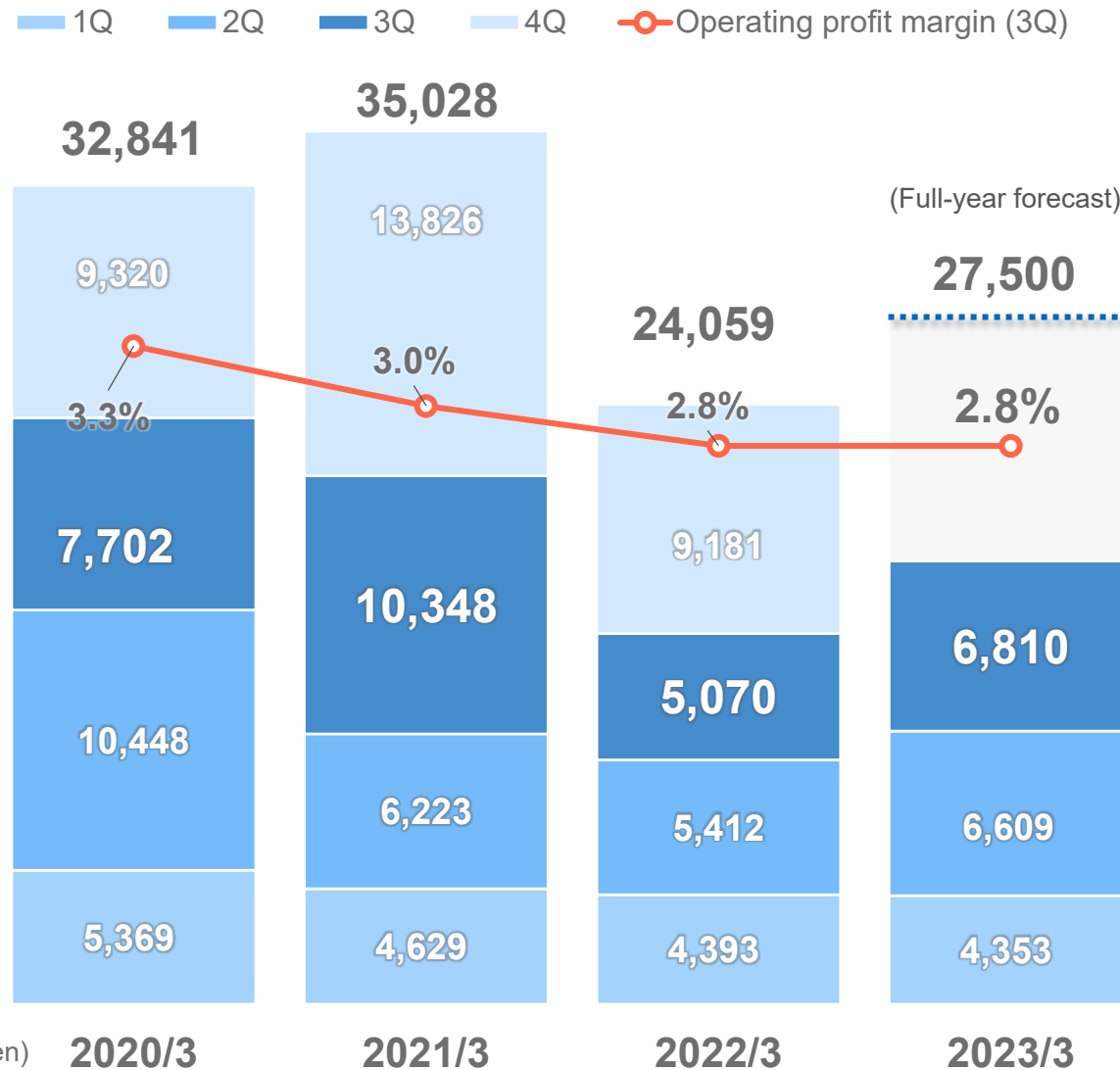
2021/3

2022/3

2023/3

* See the reference materials with regard to the application of the "Accounting Standard for Revenue Recognition"

Cumulative Operating Profit for the 3rd Quarter of the Fiscal Year Ending March 2023



Operating profit **17,774** million yen
 + **19.5%** against the same period of the
 previous fiscal year
 Operating profit margin **2.8%**
 Progress rate **64.6%** (initial forecast 65.0%)

Summary of the Consolidated Settlement of Accounts for the Cumulative 3rd Quarter of the Fiscal Year Ending March 2023

(Million yen)	2022/3 3Q	2023/3 3Q	Change	Compared to previous term	Revised forecast (Disclosed February 8)	Progress rate
Net sales	539,068	637,610	+98,541	+18.3%	880,000	71.3%
Operating profit	14,877	17,774	+2,897	+19.5%	27,500	64.6%
Ordinary profit	15,066	18,209	+3,142	+20.9%	27,900	65.3%
Quarterly profit attributable to owners of parent	10,478	12,398	+1,919	+18.3%	19,000	65.3%
Quarterly net profit per share (yen)	109.78	131.67				

(Million yen)	2022/3	2022/12	Change	Major reasons for change
Collective assets	356,203	390,845	+34,641	Increase in accounts receivable, inventories, etc.
Net assets	136,173	137,695	+1,521	Increase in retained earnings
Capital adequacy ratio	38.0%	35.0%		

Consolidated Balance Sheet for the 3rd Quarter of the Fiscal Year Ending March 2023 (Summary of Accounts P4-5)



(Million yen)	2022/3	2022/12	Change		2022/3	2022/12	Change
Current assets	304,134	337,442	+33,307	Current liabilities	191,564	223,568	+32,004
Cash and deposits	46,963	49,817	+2,853	Notes payable and accounts payable	161,859	187,907	+26,047
Notes and accounts receivable	202,408	216,630	+14,221	Short-term loans payable	12,589	14,954	+2,365
Goods and products	38,478	52,983	+14,504	Non-current liabilities	28,465	29,581	+1,115
Property, plant and equipment	38,272	38,198	-73	Long-term loans payable	14,895	11,989	-2,905
Intangible fixed assets	2,462	2,165	-297	Total liabilities	220,030	253,150	+33,119
Investments and other assets	11,333	13,038	+1,704	Total net assets	136,173	137,695	+1,521
				Treasury stock	-2,123	-5,137	-3,013
Total assets	356,203	390,845	+34,641	Total liabilities and net assets	356,203	390,845	+34,641

Notes and accounts receivable	202,408	->	216,630	+14,221	Increase in DIS accounts receivable
Goods and products	38,478	->	52,983	+14,504	Increase in DIS inventory
Total loans	27,484	->	26,943	-540	

Consolidated Profit Statement for the 3rd Quarter of the Fiscal Year Ending March 2023 (Summary of Accounts P6)



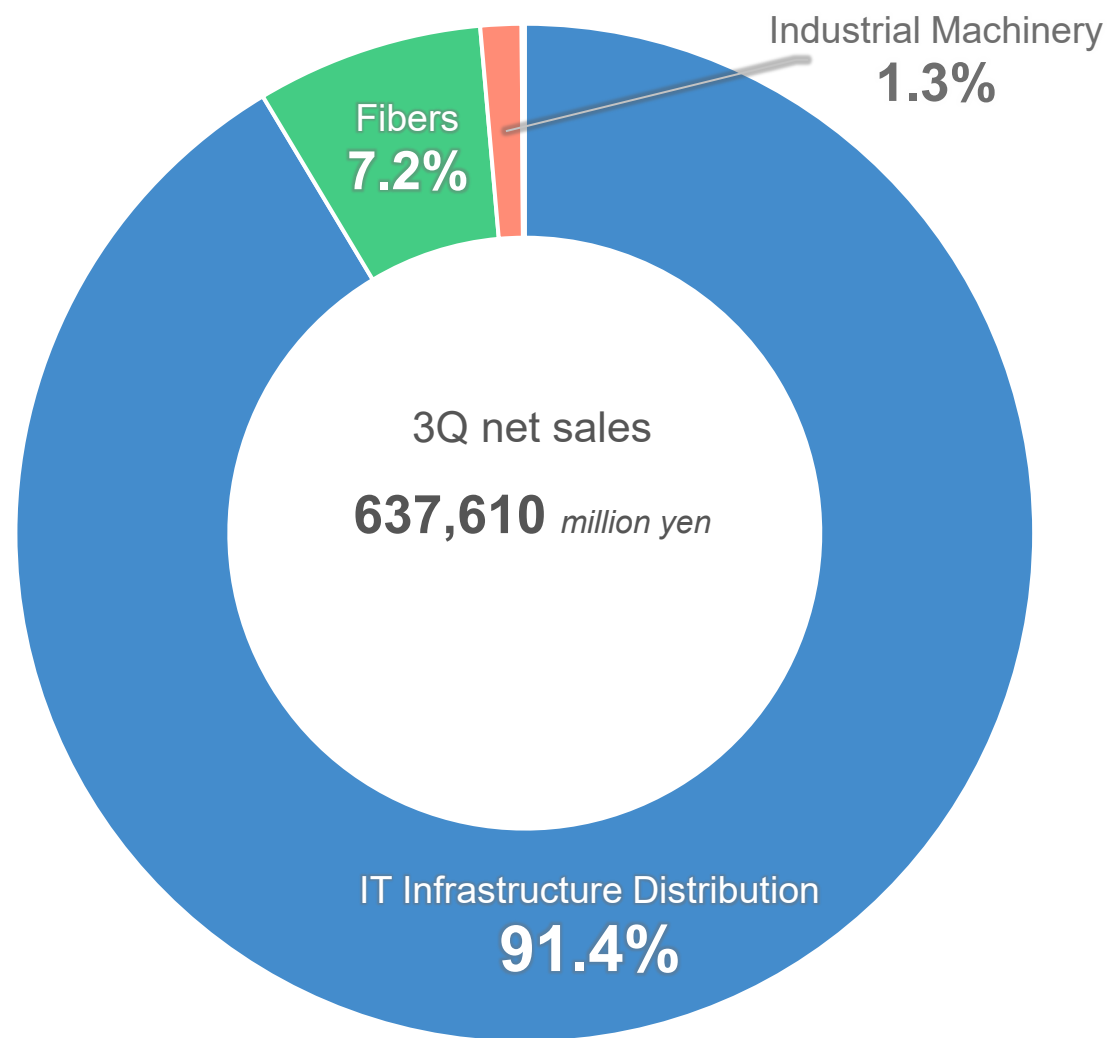
(Million yen)	2022/3 3Q		2023/3 3Q		Change	Compared to previous term
	Results	Percentage	Results	Percentage		
Net sales	539,068		637,610		+98,541	+18.3%
Gross profit	44,682	8.3%	48,910	7.7%	+4,227	+9.5%
Selling, general and administrative expenses	29,805	5.5%	31,136	4.9%	+1,330	+4.5%
Operating profit	14,877	2.8%	17,774	2.8%	+2,897	+19.5%
Ordinary profit	15,066	2.8%	18,209	2.9%	+3,142	+20.9%
Extraordinary profit	342 *		58			
Extraordinary loss	51 *		44			
Quarterly profit attributable to owners of parent	10,478	1.9%	12,398	1.9%	+1,919	+18.3%

* Extraordinary profit for the previous term Gain on sales of investment securities (319 million yen), other (23 million yen)

* Extraordinary loss for the previous term Loss on disposal of fixed assets (40 million yen)

Operating Results by Segment for the Cumulative 3rd Quarter of the Fiscal Year Ending March 2023

(Million yen)		2022/3 3Q	2023/3 3Q	Change	Compared to previous term
Net sales	IT Infrastructure Distribution	485,355	582,817	+97,461	+20.1%
	Fibers	43,446	45,713	+2,267	+5.2%
	Industrial Machinery	7,827	8,527	+699	+8.9%
	Others	2,439	551	-1,887	-77.4%
	Total	539,068	637,610	+98,541	+18.3%
Operating profit	IT Infrastructure Distribution	12,981	16,270	+3,288	+25.3%
	Fibers	1,394	786	-608	-43.6%
	Industrial Machinery	354	603	+249	+70.4%
	Others	144	81	-63	-43.7%
	(Adjustment)	3	33		
	Total	14,877	17,774	+2,897	+19.5%



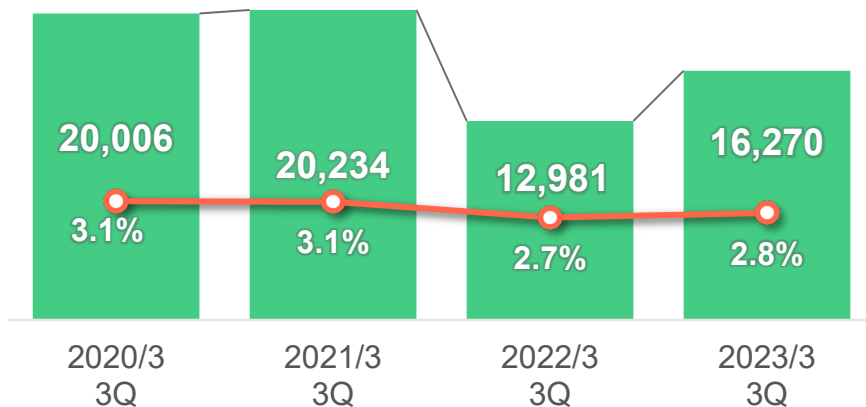
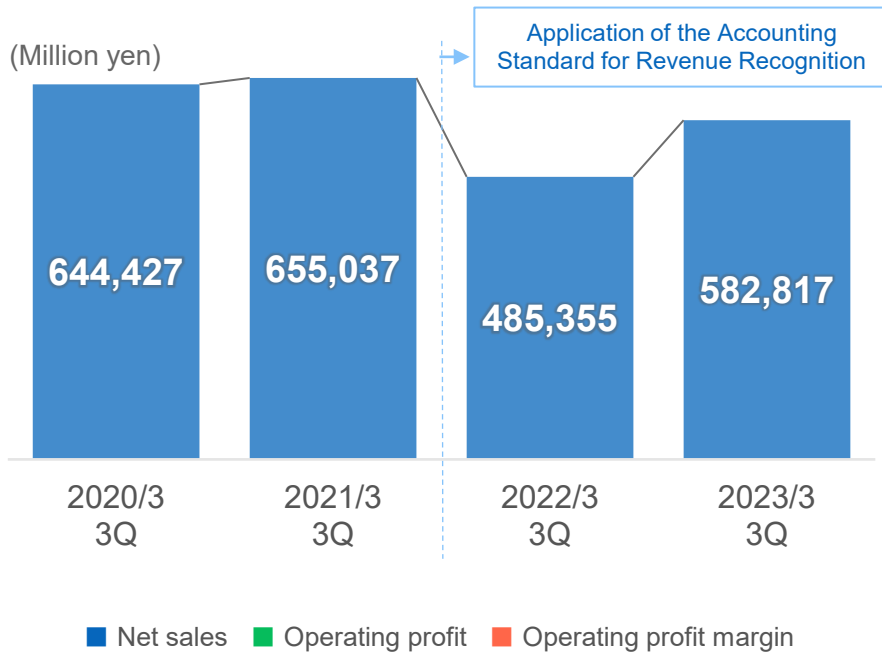
Percentage of net sales

	2022/3 3Q	2023/3 3Q
IT Infrastructure Distribution	90.0%	91.4%
Fibers	8.1%	7.2%
Industrial Machinery	1.5%	1.3%

Percentage of operating profit

	2022/3 3Q	2023/3 3Q
IT Infrastructure Distribution	87.3%	91.5%
Fibers	9.4%	4.4%
Industrial Machinery	2.4%	3.4%

IT Infrastructure Distribution Business



Transaction volume * Net sales under the old standard	623,936 million yen (+16.7% compared to previous term)
Net sales	582,817 million yen (+20.1% compared to previous term)
Operating profit	16,270 million yen (+25.3% compared to previous term)
Number of PCs shipped	2,181,000 units (+8.3% compared to previous term)
Number of servers shipped	46,000 units (+10.9% compared to previous term)
Subscription handling volume	62,545 million yen (+21.7% compared to previous term)
iKAZUCHI handling volume	14,398 million yen (+35.9% compared to previous term)

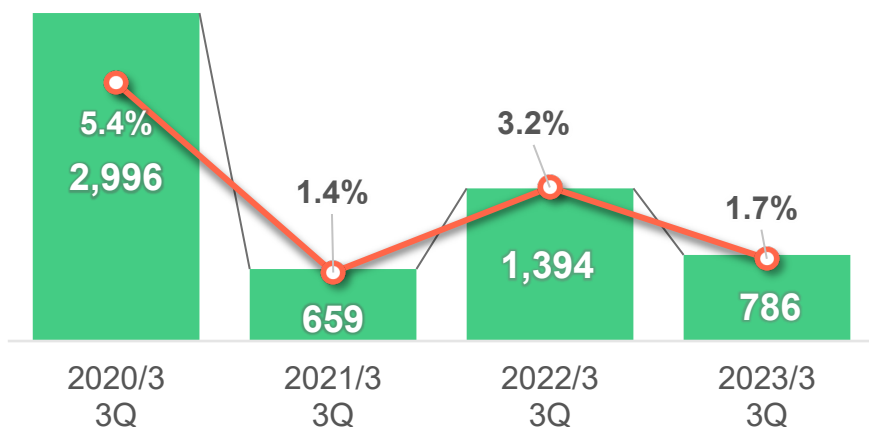
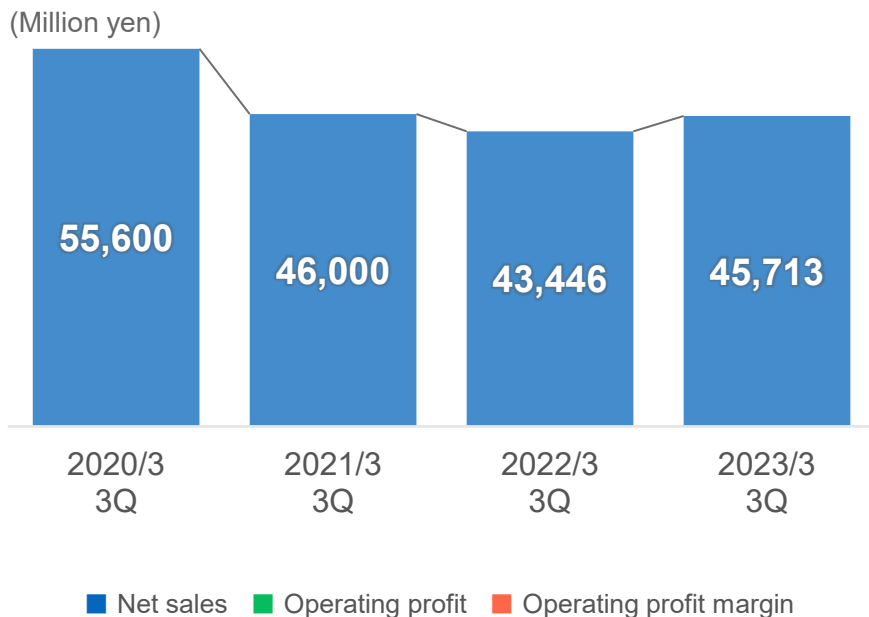
Review of the business

Corporate market

- We acquired orders from companies and government agencies stably, with mainly PCs and network products increasing, and cloud services centered on software also expanded steadily due to an increase in contracts for subscription products, which are showing increasing demand.
- In the education market, sales were strong due to the acquisition of sales of terminals for students at high schools and for teachers at elementary and junior high schools.

Consumer market

- Although EC sales of storage, home appliances and AV devices are struggling, sales to electronics mass retailers performed well, centered on PCs and new products, and were higher than the previous year.



Net sales

45,713 million yen (+5.2% compared to previous term)

Operating profit

786 million yen (-43.6% compared to previous term)

Review of the business

Synthetic Fibers and Rayon Divisions

- Sales were firm due to an increase in exports of synthetic cotton and the adoption of flame-retardant rayon materials in various Asian countries due to the impact of the weak yen, but the divisions struggled in terms of profit under the continuing impact of soaring raw material and fuel prices.

Industrial Material Division

- Revenue improved as orders for construction sheet-related products were favorable due to vigorous construction demand, and rubber products maintained their strength.

Clothing Products Division

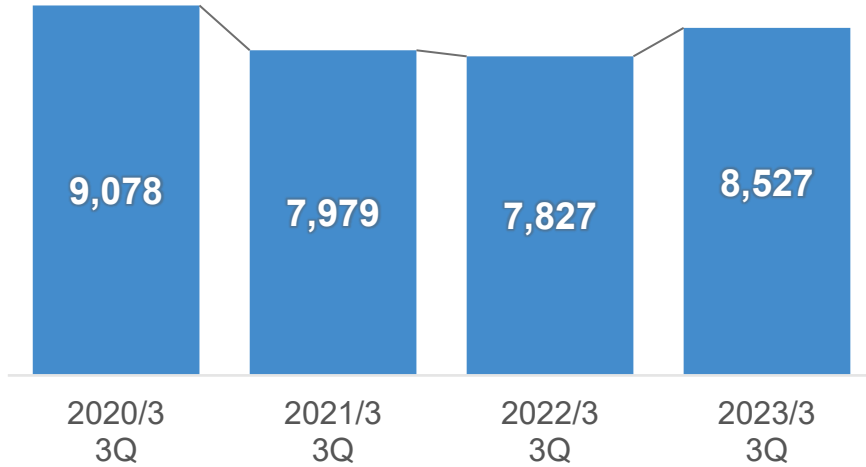
- Although domestic apparel orders increased, profit declined due to a slowdown in sales to the United States and a price pass-through of higher costs.

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

	2021/3 3Q	
	Impact	When impact is excluded
Net sales	-640 million yen	46,641 million yen
Operating profit	-1,994 million yen	2,654 million yen

Industrial Machinery Business

(Million yen)



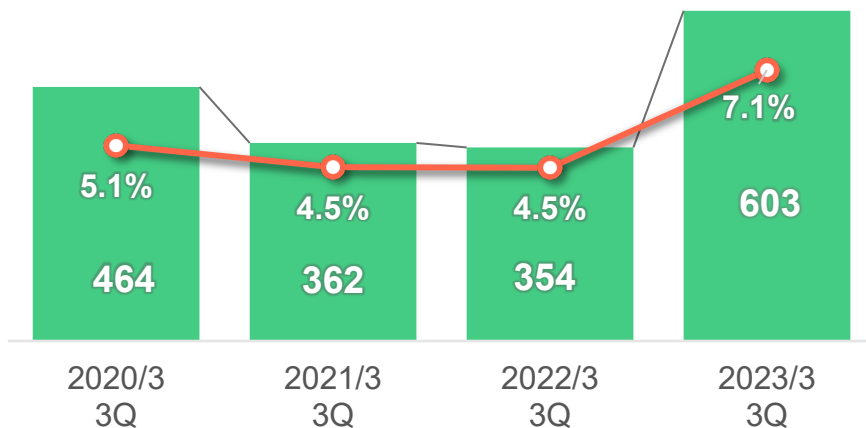
Net sales

8,527 million yen (+8.9% compared to previous term)

Operating profit

603 million yen (+70.4% compared to previous term)

■ Net sales ■ Operating profit ■ Operating profit margin



Review of the business

Machine Tools Division

- While total orders received from April to December as reported by the Japan Machine Tool Builders' Association increased 7.6% compared to the previous term, sales and profit increased the division acquired demand from a wide range of industries including the energy industry, where there is demand for wind power generation and efficient gas turbines, semiconductors, construction equipment and medical equipment.
- Orders increased 17.4% compared to the previous term

Automatic Machinery Division

- Due to the impact of the soaring prices of parts associated with price escalation and the elongation of delivery times for procured parts, customers continue to be cautious about capital investment and the division struggled in terms of both revenue and profit.
- Orders increased 3.8% compared to the previous term

Shareholder Return

Dividend per share

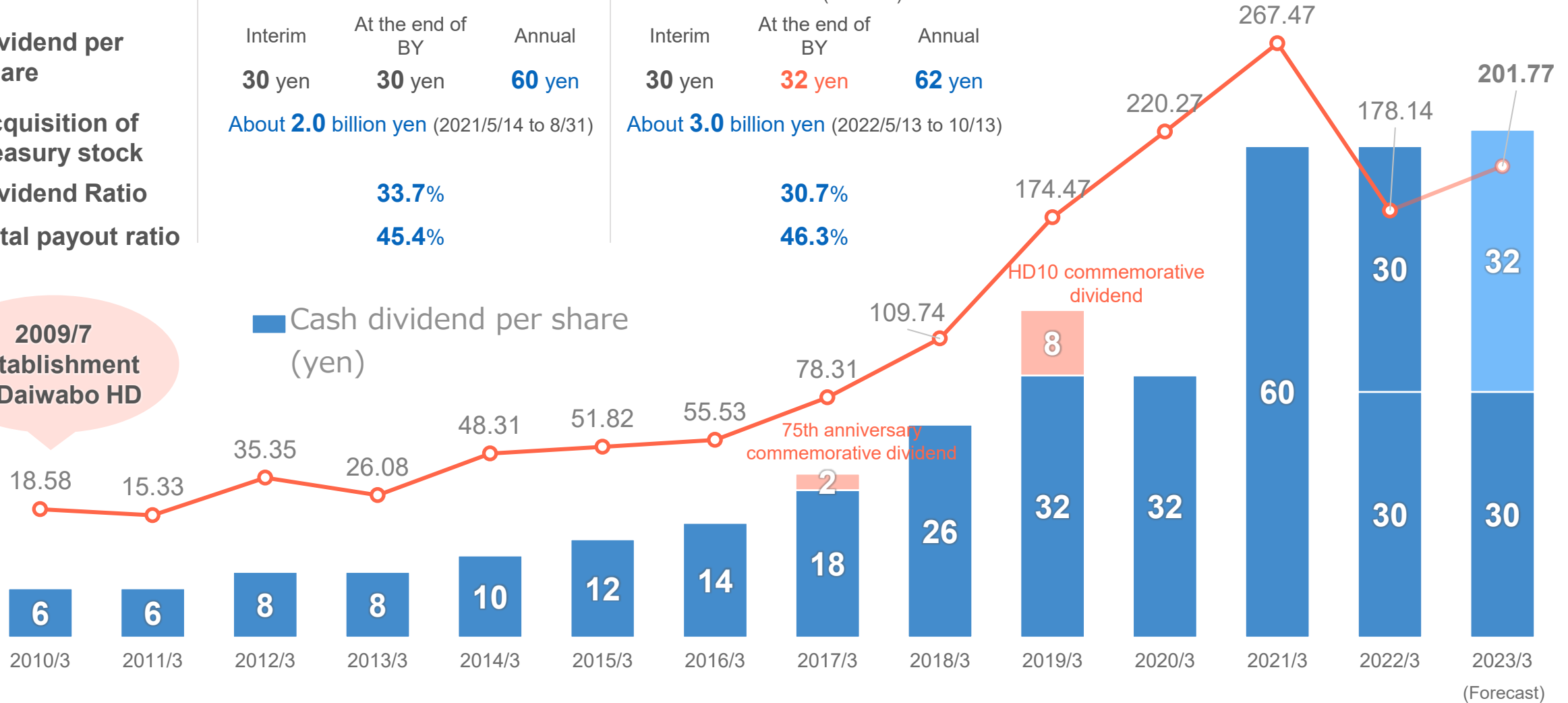
Acquisition of treasury stock

Dividend Ratio

Total payout ratio

BY2021			BY2022 (forecast)		
Interim	At the end of BY	Annual	Interim	At the end of BY	Annual
30 yen	30 yen	60 yen	30 yen	32 yen	62 yen
About 2.0 billion yen (2021/5/14 to 8/31)			About 3.0 billion yen (2022/5/13 to 10/13)		
33.7%			30.7%		
45.4%			46.3%		

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.

Response to the recommendations of the TCFD

- **January:** Announced a CO₂ emissions reduction target
- **April:** Declared support for the recommendations of the TCFD and joined the TCFD Consortium
- **June:** Disclosed information based on the recommendations of the TCFD



Main risks		Main initiatives assumed
Policy / legal	Increased costs such as carbon prices	Transition to low-carbon energy
Technology	Increase in R&D costs	Cooperation with external research institutions
Acute	Interruption of operations due to disaster	Strengthening of BCP measures
Main opportunities		Main initiatives assumed
Products and services	Provision of products and services that contribute to mitigation of and adaptation to climate change	Formulation of purchasing plans in anticipation of future IT demand
		Expansion of sales of biodegradable materials and disaster-prevention and disaster-reduction products
		Development of energy-saving, hydraulic-free, automated products, etc.

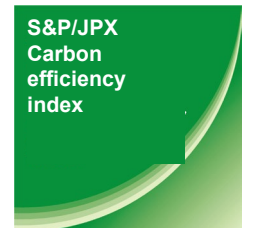
ESG external evaluation

We received a rating of BBB in an MSCI ESG evaluation in 2022



Of the five GPIF ESG indices, we have been included in the two below

2022 CONSTITUENT MSCI
 Japan Empowering Women (WIN) Select Index



*1. Use of the data of MSCI ESG Research LLC or its affiliates ("MSCI") by Daiwabo Holdings Inc., and the use of MSCI logos, trademarks, service marks or index names does not mean that MSCI sponsors, approves, endorses or promotes Daiwabo Holdings, Inc. MSCI services and data are the property of MSCI or its information providers. They are provided "as is" and are not guaranteed. The MSCI name and logo are trademarks or service marks of MSCI.

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

| [References]

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

Application of the Accounting Standard for Revenue Recognition

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

		2022/3 (result)	2023/3 (forecast)	Change
<i>(Approximate estimates: billion yen)</i>				
Net sales	[1] Old standard	828.7	891.0	+62.2 +7.5%
	[2] New standard	763.8	830.0	+66.1 +8.7%
	[2] - [1]	-64.8	-61.0	
Operating profit		24.0	27.3	+3.3 +13.7%
Operating profit margin	[1] Old standard	2.9%	3.1%	
	[2] New standard	3.1%	3.3%	

< Main changes >

■ Revenue recognition related to agency transactions

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

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



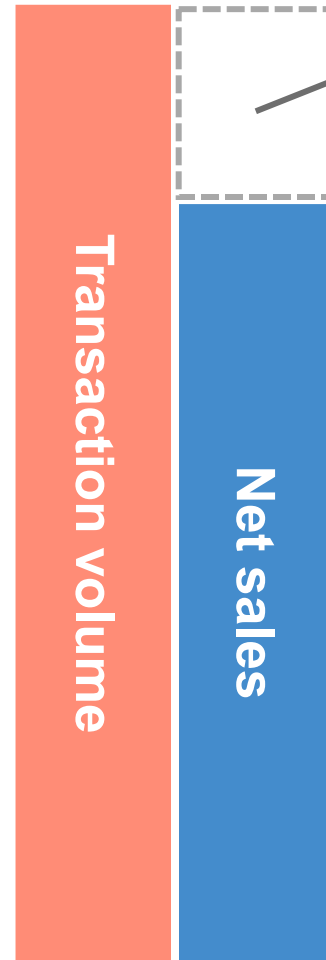
[New standard]: Record sale of the **net amount** of sales consideration (A-B)



Transaction volume

Transaction Volume

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



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

(Net sales from the fiscal year ended March 2022)

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

Net sales

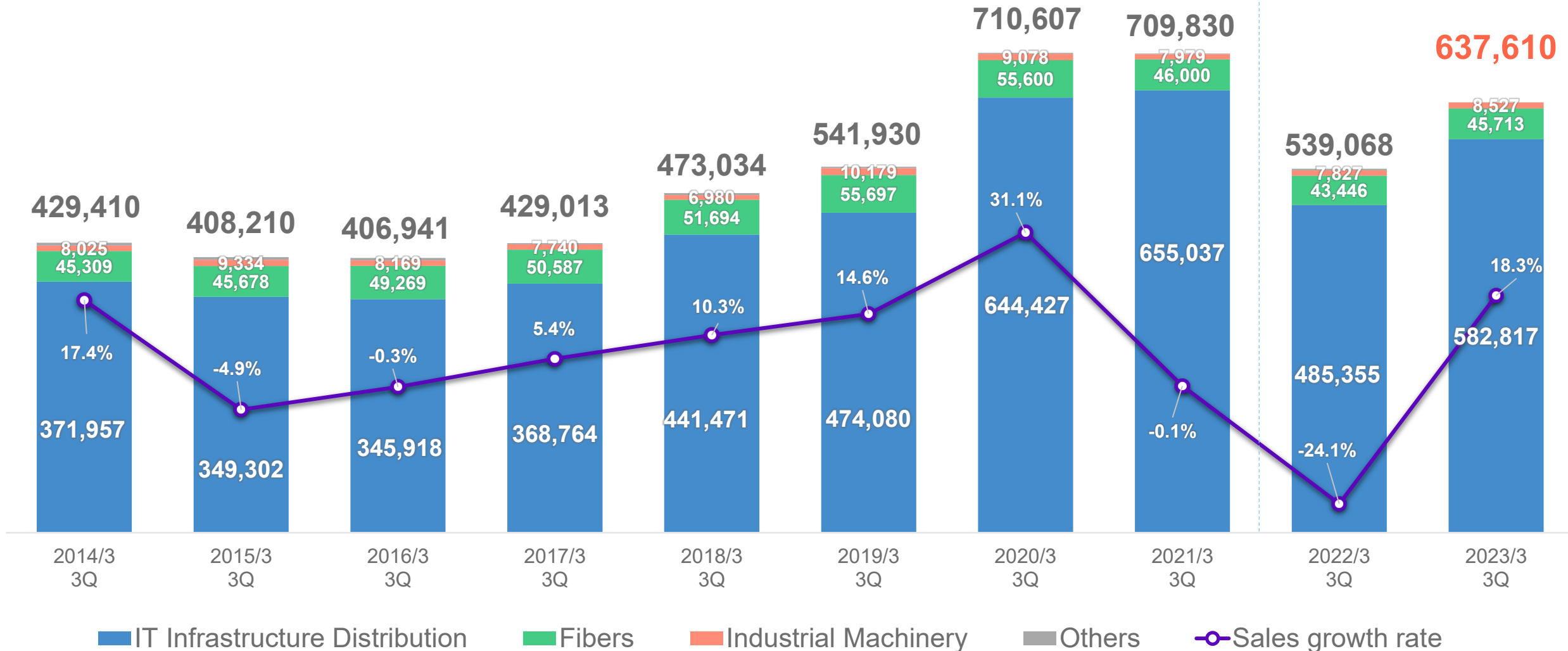
Net Sales

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

Consolidated Net Sales (3Q Cumulative)

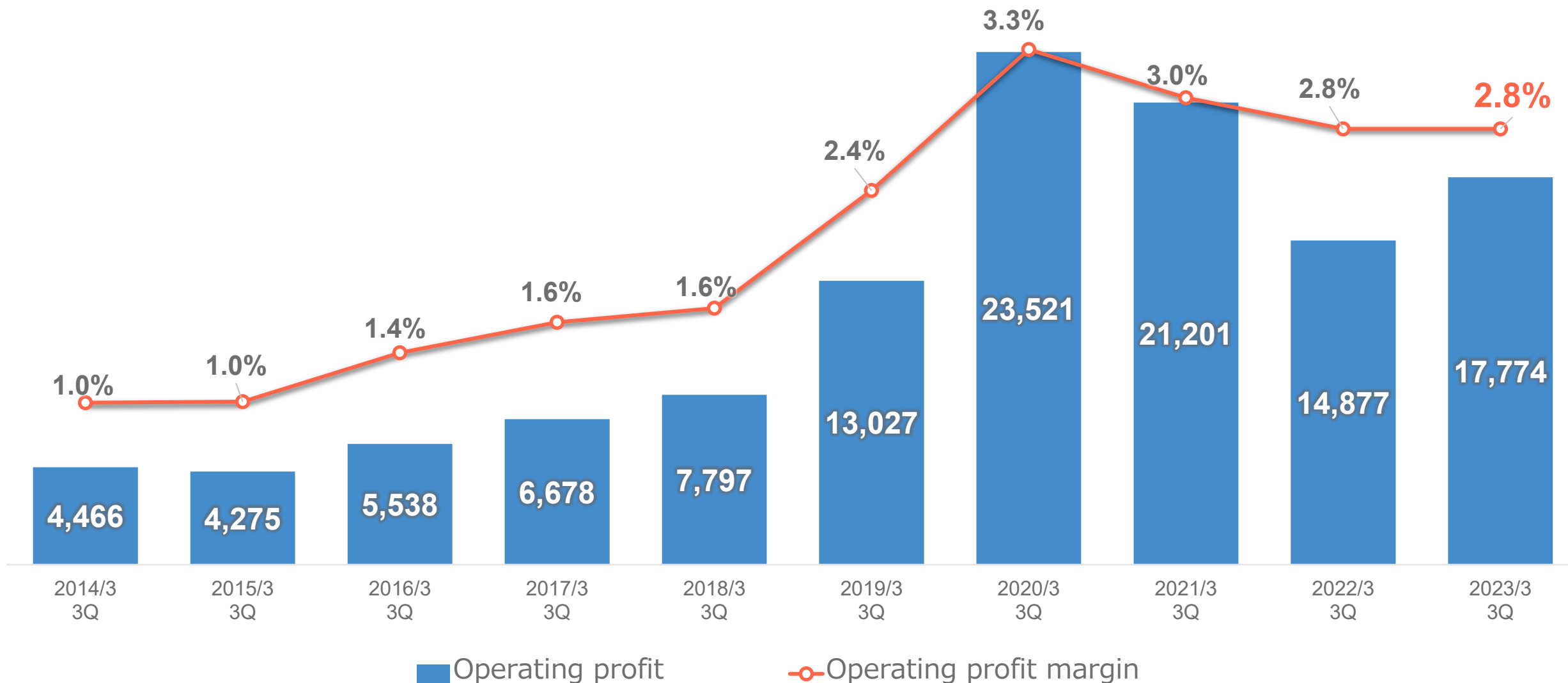
(Million yen)

Application of the Accounting Standard for Revenue Recognition



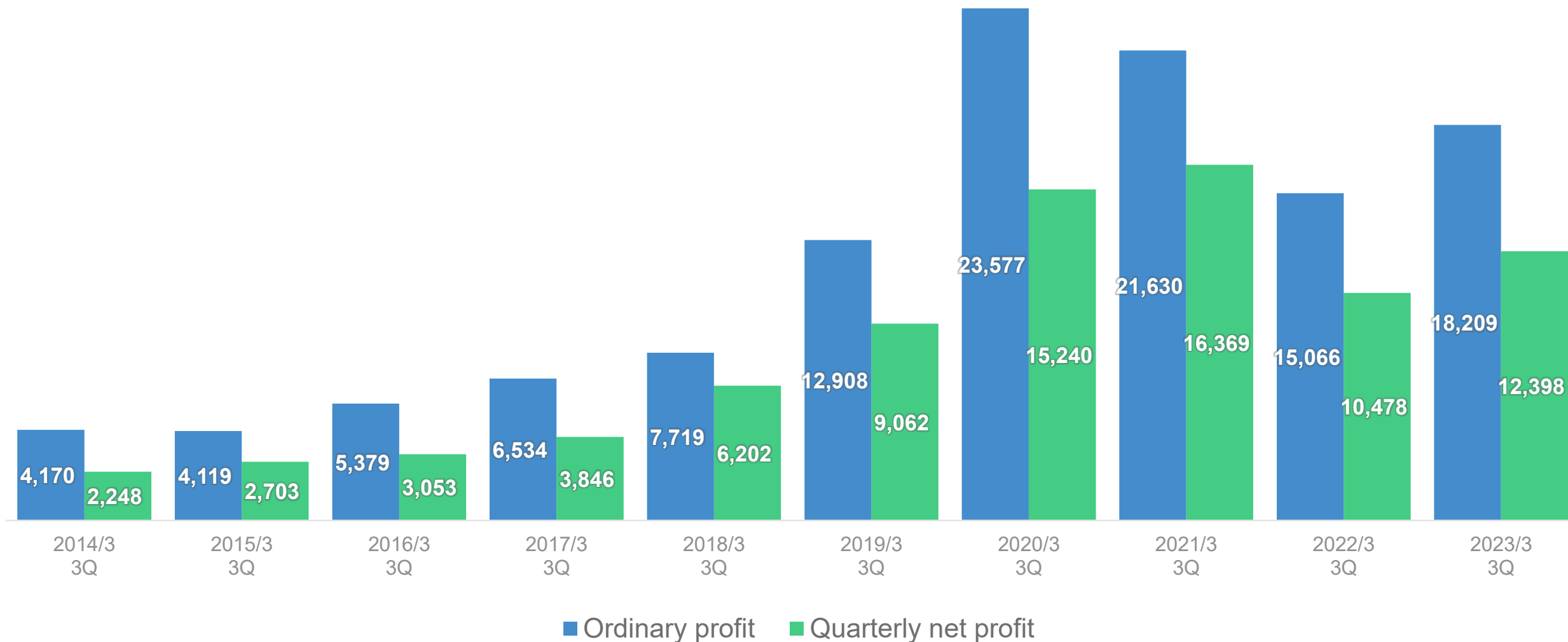
Consolidated Operating Profit (3Q Cumulative)

(Million yen)



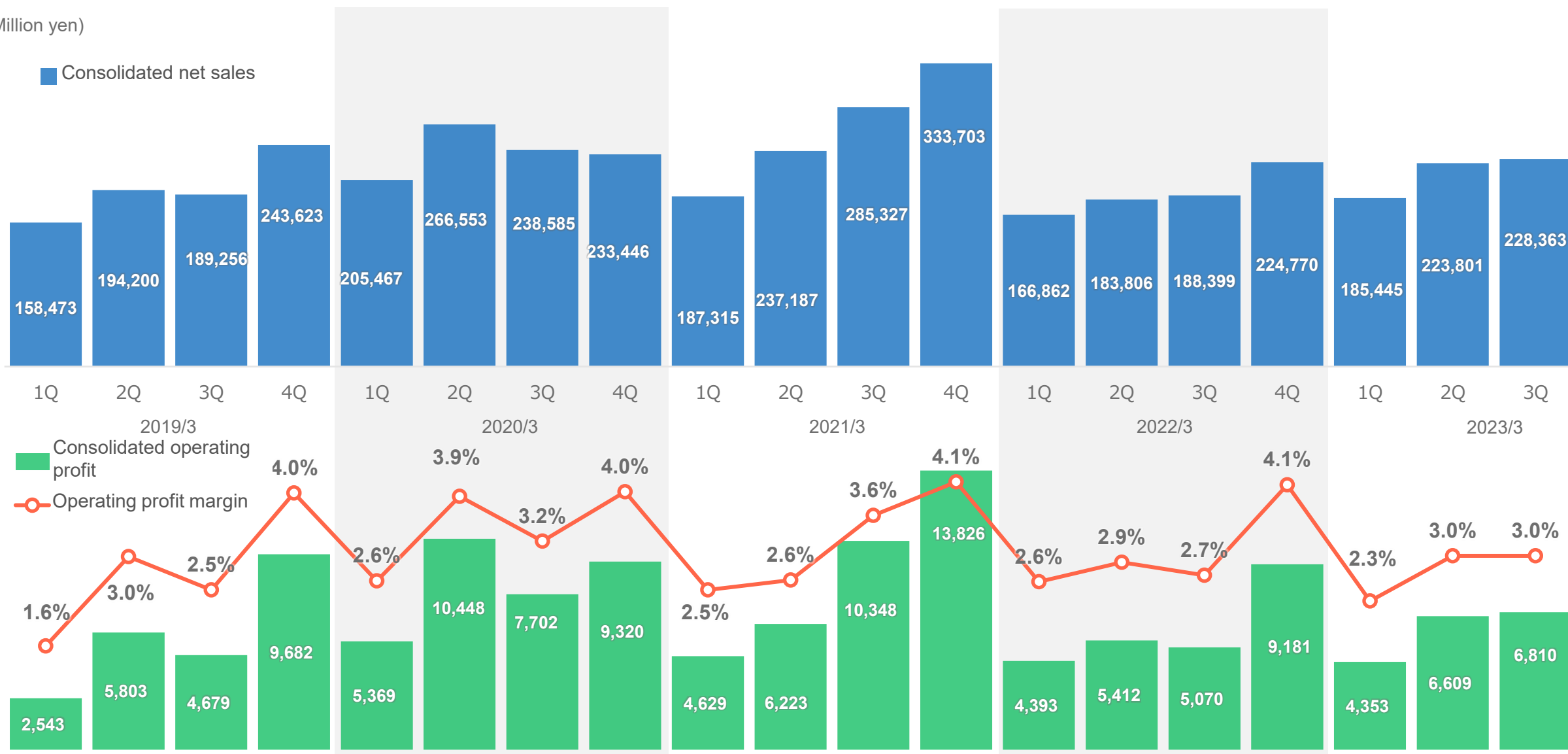
Consolidated Ordinary Profit and Consolidated Quarterly Net Profit (3Q Cumulative)

(Million yen)



Quarterly Results

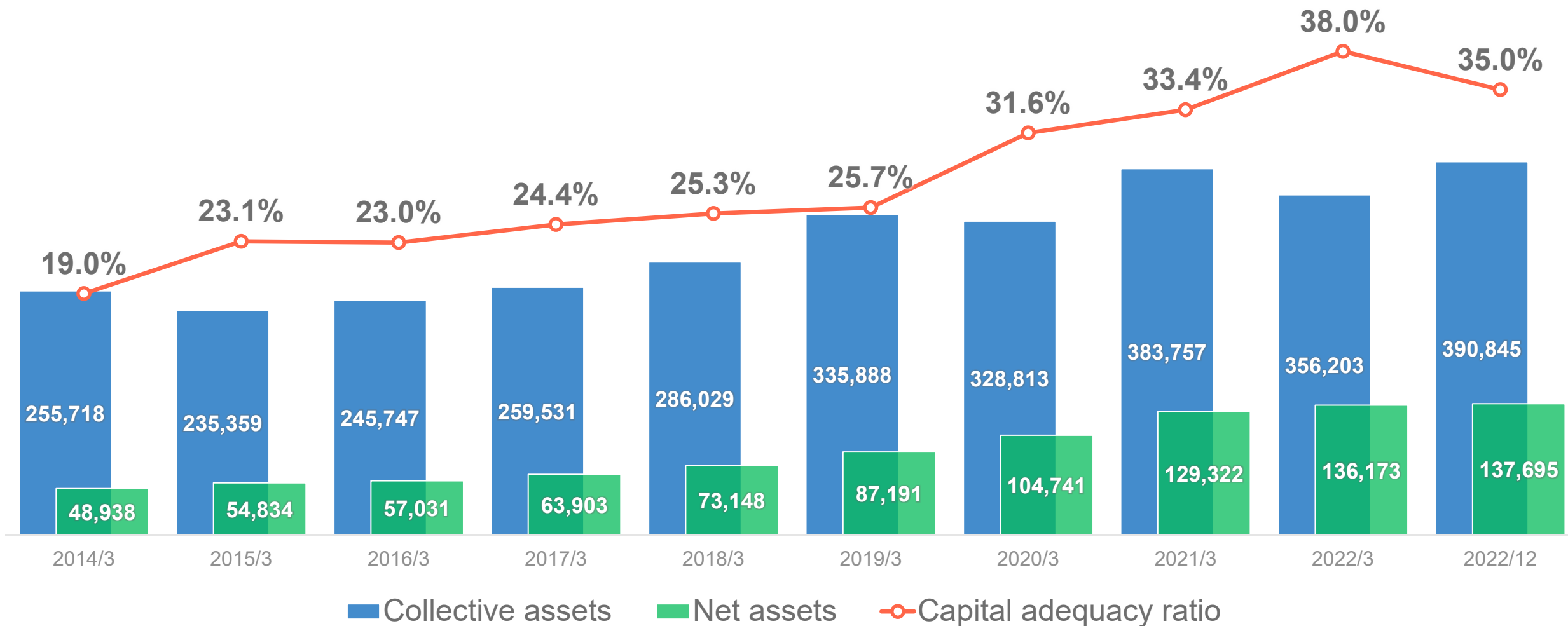
(Million yen)



Consolidated Total Assets, Consolidated Net Assets and Capital Adequacy Ratio

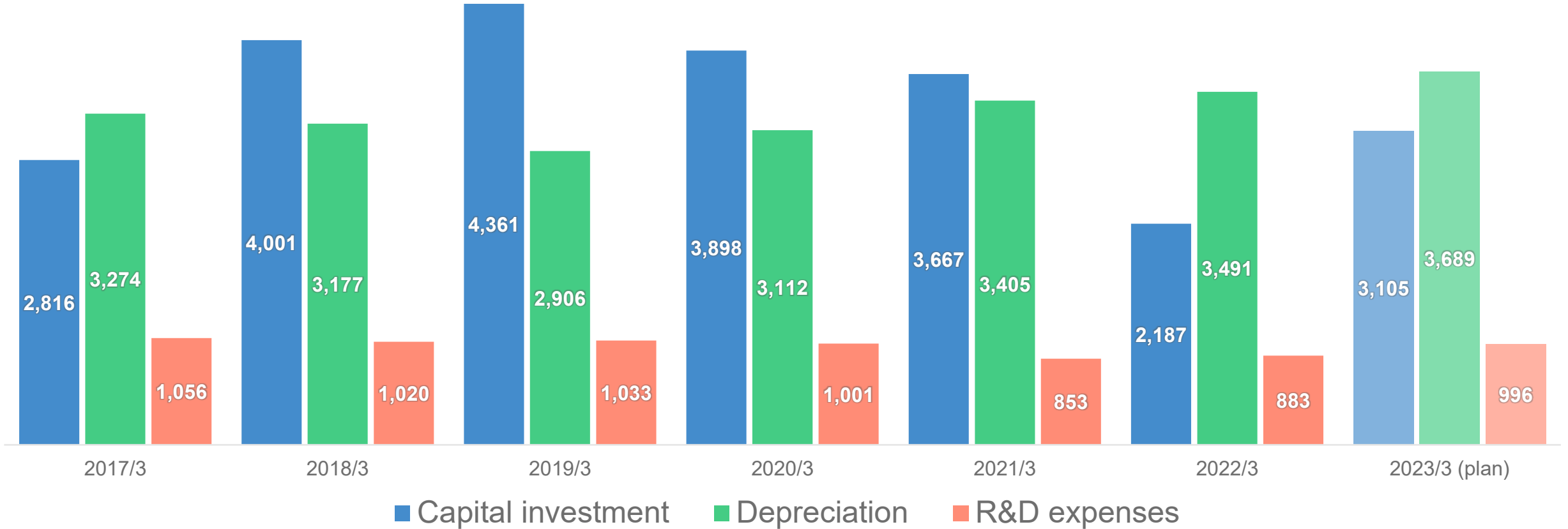


(Million yen)



Capital investment, depreciation and R&D expenses

(Million yen)



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



Daiwabo Holdings Co., Ltd.

[Disclaimer]

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

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