

Fiscal Year Ended March 2021 Financial Results Materials

May 13, 2021



Daiwabo Holdings Co.,Ltd.

(Stock code: **3107**)

- 1. Settlement of Accounts for the Fiscal Year Ended
March 2021**
- 2. Business Outlook for the Full Term of the Fiscal Year
Ending March 2022**
- 3. Medium-Term Management Plan**

[References]

- ▶ Corporate Profile
- ▶ Charts for Performance Trend

State of Implementation of Measures to Prevent Reoccurrence

The Group is working on **measures to prevent the reoccurrence** of the inappropriate transactions that occurred at consolidated subsidiaries.

Background

September 30, 2020 Announcement of the occurrence of inappropriate transactions at the former Daiwabo Neu Co., Ltd. (*1), a consolidated subsidiary of the Fiber Business, and the establishment of a Special Investigation Committee



November 27, 2020 Receipt of the Investigation Report of the Special Investigation Committee

December 11, 2020 Disclosure of the financial results for the 2nd quarter of the fiscal year ended March 2021 (Effected amount of inappropriate transactions is reflected under Fiber Business in the segment information)

December 24, 2020 Announcement of measures to prevent the reoccurrence of inappropriate transactions

(*1: Daiwabo Co., Ltd., the core company in the Fiber Business, conducted an absorption-type merger in April 2020.)

| Overview of the measures to prevent reoccurrence | State of implementation |
|---|---|
| <p>Cultivation of awareness of compliance and reform of corporate culture</p> <p>We are cultivating awareness that “Compliance is an important element in the judgment of corporate value” among all Group employees through the leading example of top management and the continuous implementation of education.</p> | <ul style="list-style-type: none"> We are holding monthly meetings between the President and employees at Daiwabo Co., Ltd., where the President will explain the importance of compliance as well as the background to the case of fraud and the measures implemented against it. We are continuously implementing compliance education and comprehension tests on case studies of the occurrence of compliance problems, the internal reporting system and the Group Charter of Corporate Behavior. |
| <p>Strengthening of internal controls at Group companies</p> <p>We are strengthening internal controls that make the respective defense lines in Sales Division, Management Division and Internal Audit Division function effectively in regard to the work processes of each Group company.</p> | <ul style="list-style-type: none"> We have newly established “Sales-Related Work Regulations” at Daiwabo Co., Ltd. and are holding explanatory meetings for employees on the regulations and work flow charts. We are controlling applications, approvals and the recording of sales in Sales Division other than by the rules with the work system. We are improving the frequency of inventory verification and confirmation methods and reviewing suppliers. |
| <p>Restructuring of the Group governance structure</p> <p>We are verifying the effectiveness of the Group governance structure through measures such as the appropriate allocation of Group management resources, the restructuring of our risk management structure, the proper use of internal reporting systems, and cooperation with the Internal Audit Divisions of each Group company.</p> | <ul style="list-style-type: none"> Implementation of personnel rotations within the Group and the strengthening of management functions The Risk Management Regulations have been renewed and separate manuals prepared by the Risk Management Committee. Management of the state of implementation of compliance by each Group company by the Compliance Committee Strengthening of cooperation among the Internal Audit Divisions of the holding company and operating companies |

| | | |
|-------------------------------|--|---|
| 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] O-M Ltd. | 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

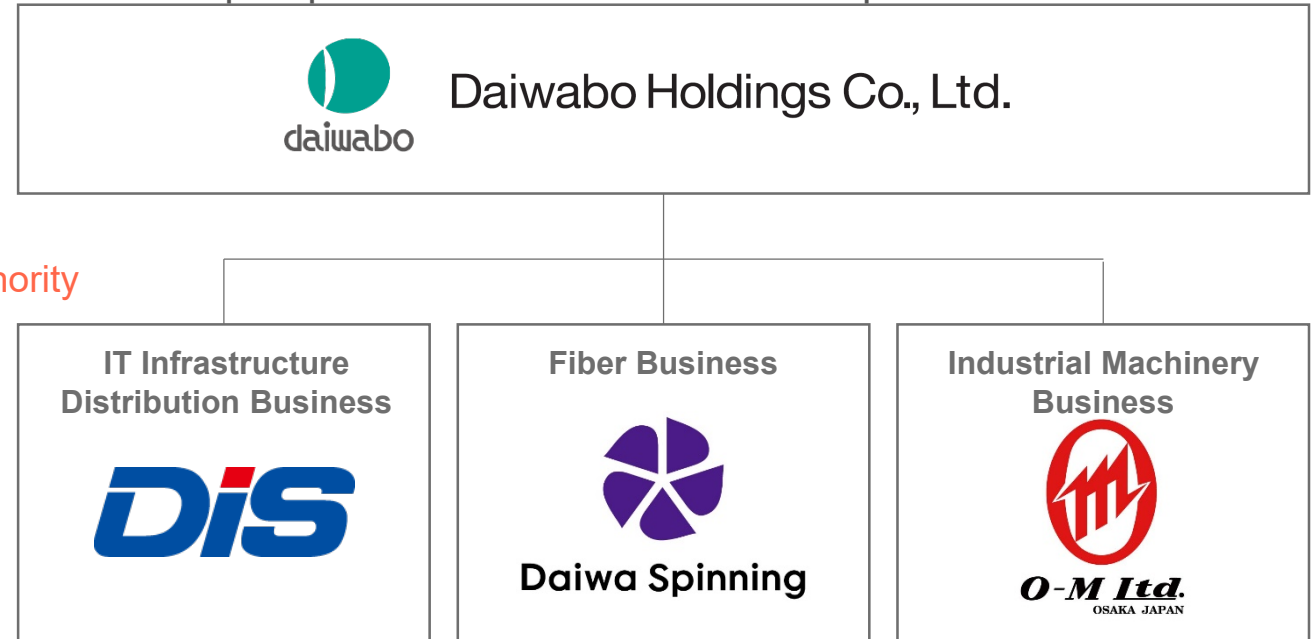
Holding company

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

Operating companies

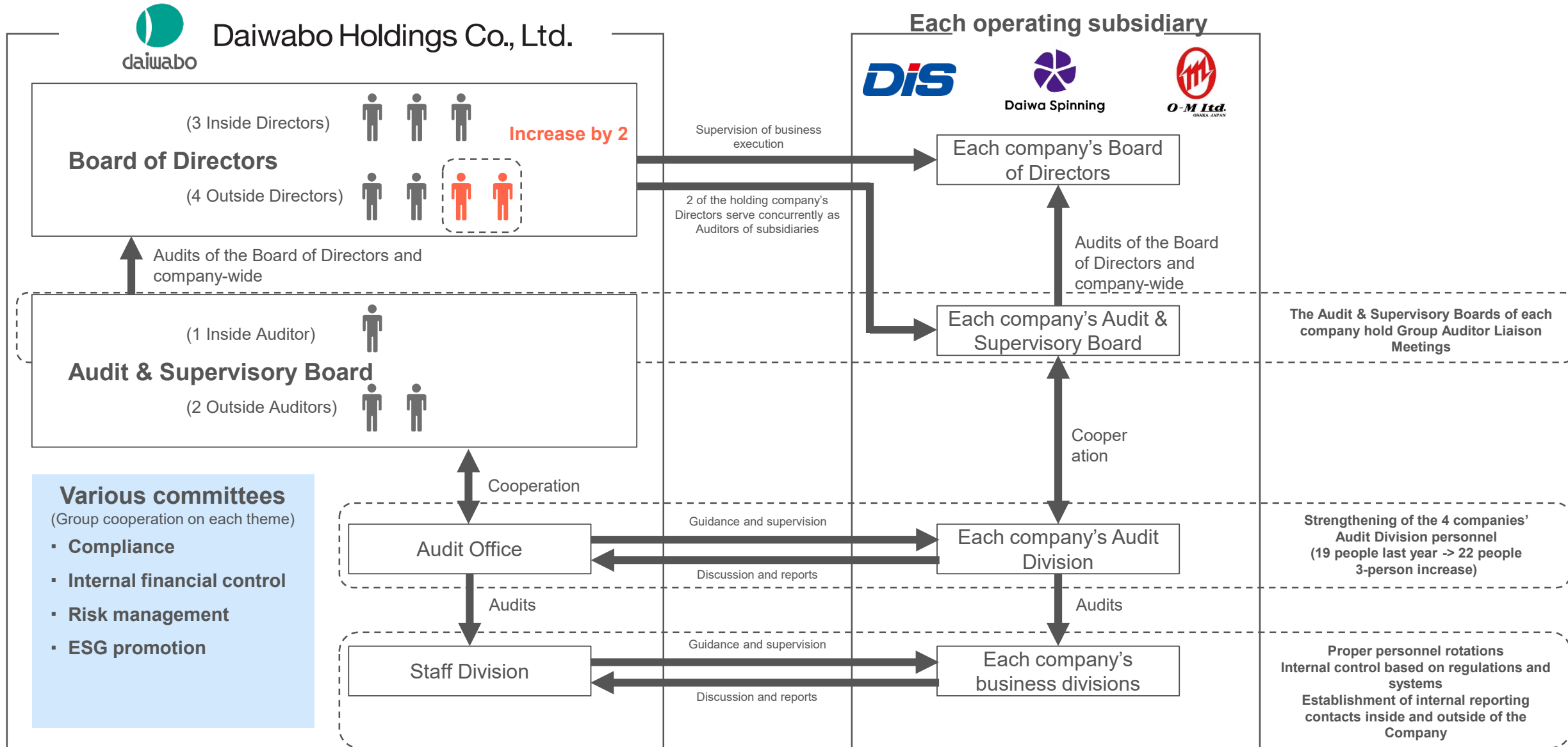
- Quick strategic decisions
- Promotion of strong business execution

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 Structure (Scheduled for after the Ordinary General Meeting of Shareholders in June 2021)



Settlement of Accounts for the Fiscal Year Ended March 2021

Fiscal Year Ended March 2021 (April 1, 2020 - March 31, 2021)

We grasped expansion of demand in IT Infrastructure Distribution Business accurately and reached consolidated net sales of 1 trillion yen for the first time.

IT Infrastructure Distribution Business

We promoted proposals of new work-styles based on the use of telework, etc., and sales of related products such as notebook PCs and LCD monitors and Cloud Services increased, and sales in the education sector also expanded nationally from the second half due to the GIGA School concept.

Results trended well in the retail market due to the focus on EC sales.

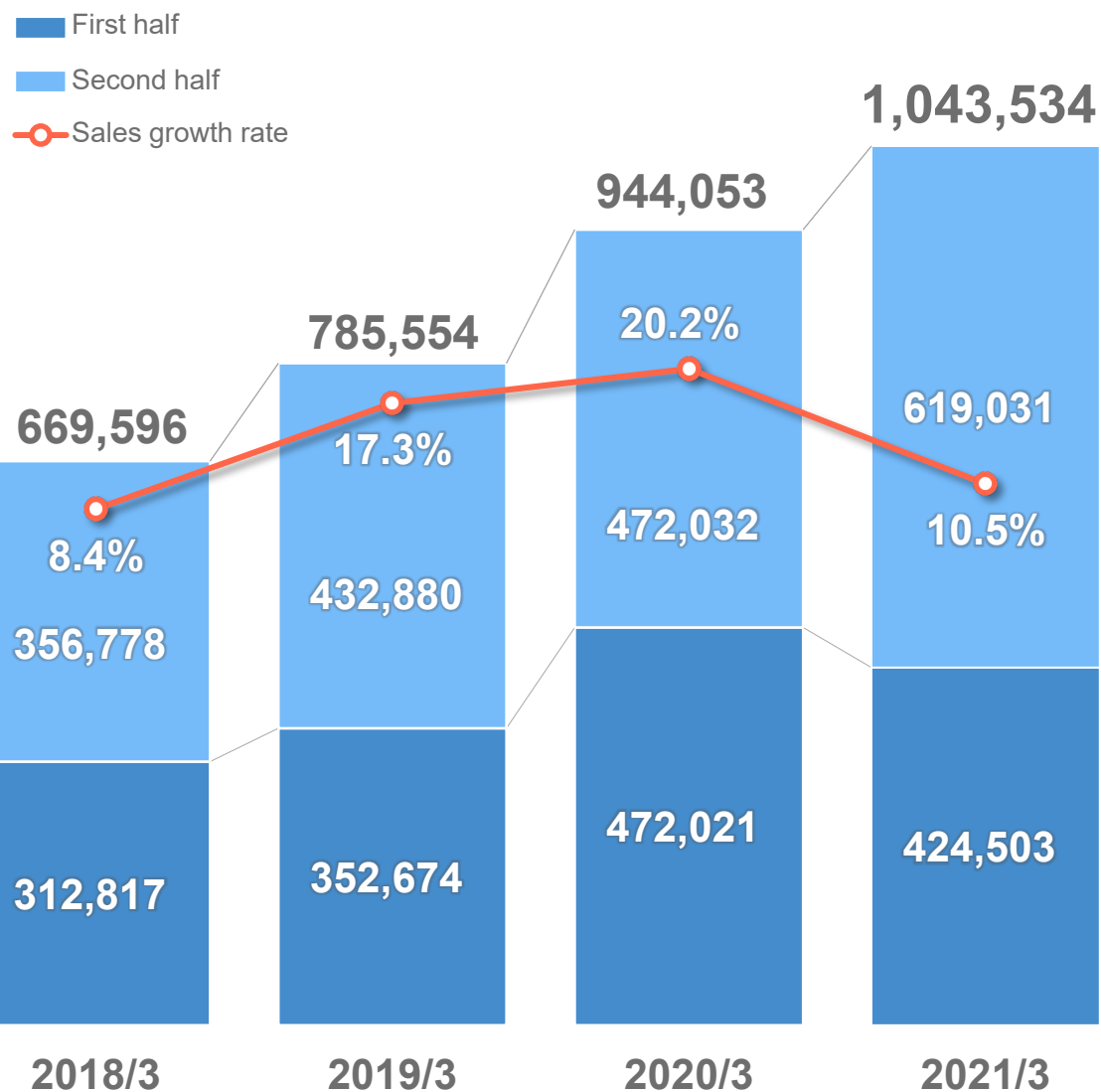
Fiber Business

Although demand for sterilization-related products grew significantly, the difficult market environment for cosmetics, heavy fabric products, clothing and other products continued and sales were sluggish.

Industrial Machinery Business

Impacts such as a slowdown in capital investment and the postponement of plans among customers as well as restrictions on movement were prolonged and both orders and sales decreased.

Cumulative Net Sales for the Fiscal Year Ended March 2021



+ **10.5%** compared to previous term

▶ First half **-10.1%** / Second half **+31.1%**

▶ 3-year average growth rate **+15.9%**

Reached **1 trillion yen** for the first time

Achieved a record high for **4 consecutive terms**

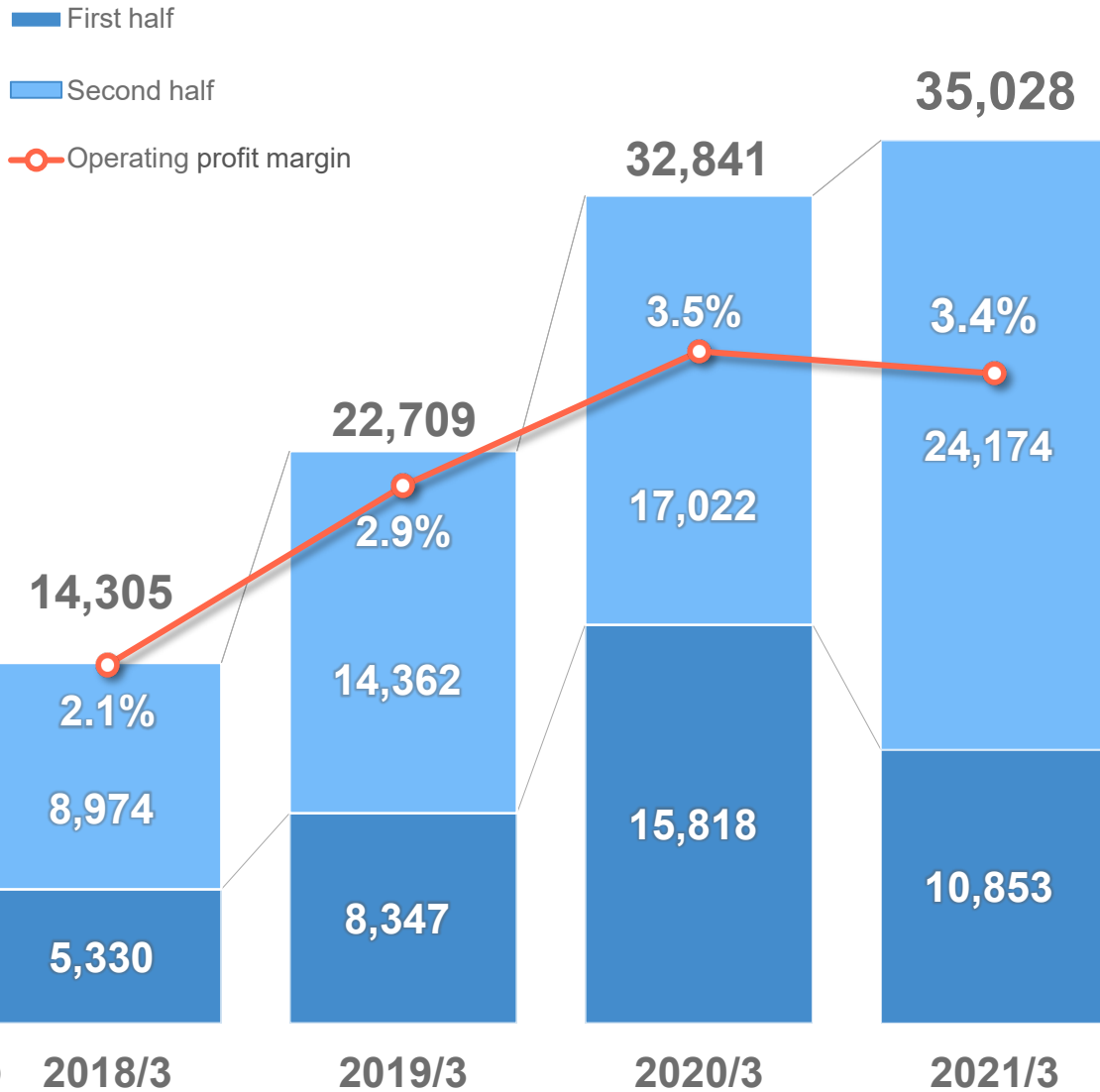
(Million yen) 2018/3

2019/3

2020/3

2021/3

Cumulative Operating Profit for the Fiscal Year Ended March 2021



+**6.7%** compared to previous term

▶ First half **-31.4%** / Second half **+42.0%**

▶ 3-year average growth rate **+34.8%**

Operating profit margin **3.4%**

Achieved a record high for **5 consecutive terms**

(Million yen) 2018/3

2019/3

2020/3

2021/3

Consolidated Operating Results for the Fiscal Year Ended March 2021

| (Million yen) | 2020/3 | 2021/3 | Change | Compared to previous term | Full-term plan (Revised 3/12) | Compared to plan |
|--|---------|------------------|---------|---------------------------|----------------------------------|------------------|
| Net sales | 944,053 | 1,043,534 | +99,480 | +10.5% | 1,020,000 | +2.3% |
| Operating profit | 32,841 | 35,028 | +2,186 | +6.7% | 32,000 | +9.5% |
| Ordinary profit | 33,195 | 35,781 | +2,586 | +7.8% | 32,000 | +11.8% |
| Profit attributable to owners of parent | 21,178 | 25,715 | +4,536 | +21.4% | 23,000 | +11.8% |
| Basic earnings per share (yen) | 220.27 | 267.47 | | | | |

| | 2020/3 | 2021/3 |
|--------------------------------|--------|--------------|
| Return on equity (ROE) | 22.3% | 22.2% |
| Return on assets (ROA) | 10.0% | 10.0% |
| Operating profit margin | 3.5% | 3.4% |

Consolidated Financial Position and Cash Flows During the Fiscal Year Ended March 2021

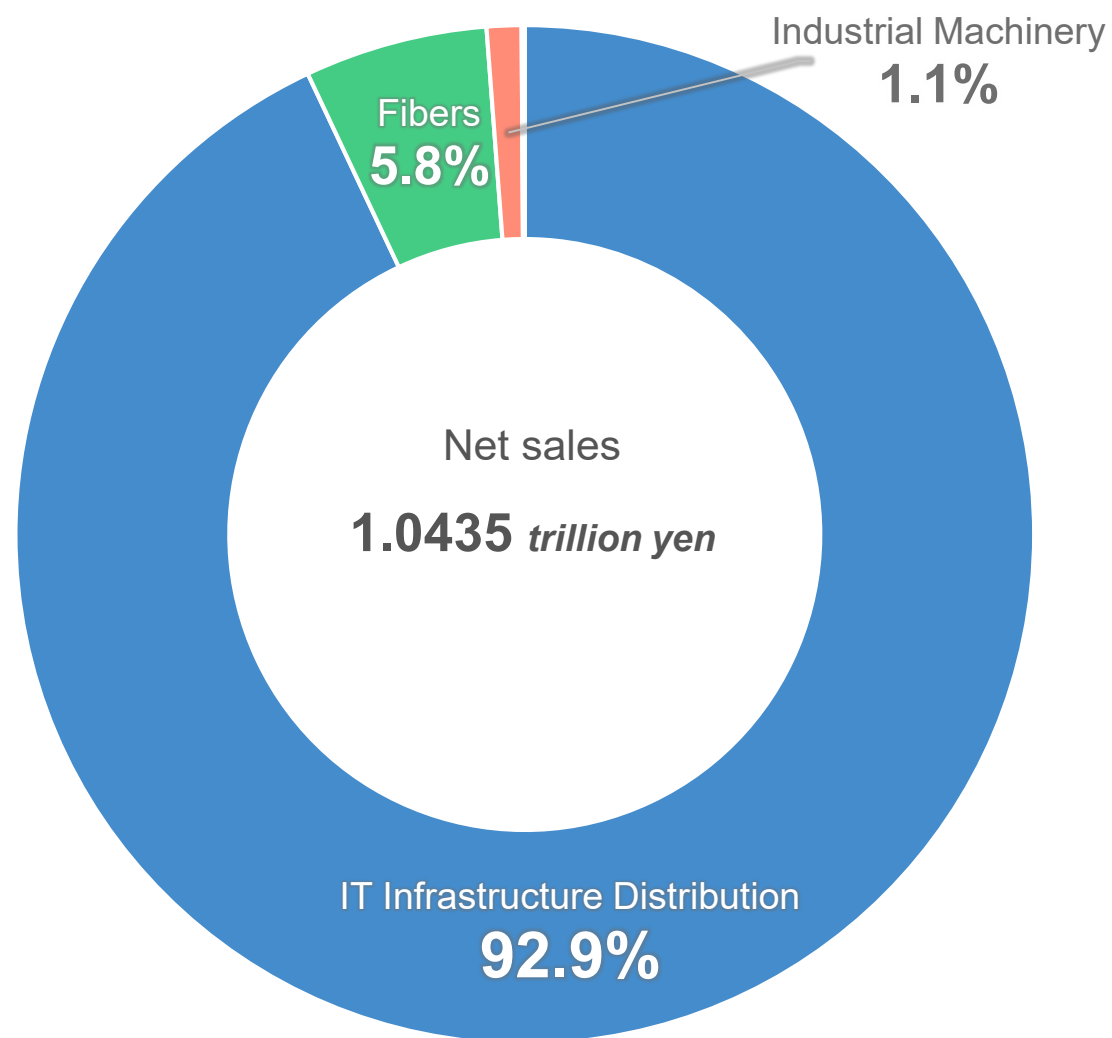
| (Million yen) | 2020/3 | 2021/3 | Change | Major reasons for change |
|-------------------------------|----------|-----------------|---------|---------------------------------|
| Total assets | 328,813 | 383,757 | +54,943 | Increase in accounts receivable |
| Net assets | 104,741 | 129,322 | +24,581 | Increase in retained earnings |
| Capital adequacy ratio | 31.6% | 33.4% | | |
| Net assets per share (yen) | 1,080.11 | 1,334.35 | | |

| (Million yen) | 2020/3 | 2021/3 |
|---|---------|----------------|
| Cash flow due to operating activities | 18,487 | 9,428 |
| Cash flow due to investment activities | (4,343) | (1,357) |
| Cash flow due to financial activities | (6,733) | (7,586) |
| Cash and cash equivalents at end of year | 31,574 | 32,033 |

Operating Results by Segment for the Fiscal Year Ended March 2021

| (Million yen) | | 2020/3 | 2021/3 | Change | Compared to previous term |
|-------------------------|--------------------------------|----------------|------------------|----------------|---------------------------|
| Net sales | IT Infrastructure Distribution | 857,008 | 969,748 | +112,739 | +13.2% |
| | Fibers | 72,180 | 61,033 | (11,147) | (15.4%) |
| | Industrial Machinery | 12,988 | 11,582 | (1,405) | (10.8%) |
| | Others | 1,875 | 1,169 | (705) | (37.6%) |
| | Total | 944,053 | 1,043,534 | +99,480 | +10.5% |
| Operating profit | IT Infrastructure Distribution | 28,161 | 33,226 | +5,065 | +18.0% |
| | Fibers | 3,877 | 1,350 | (2,526) | (65.2%) |
| | Industrial Machinery | 753 | 537 | (215) | (28.6%) |
| | Others | 46 | (87) | (133) | - |
| | (Adjustment) | 3 | 0 | | |
| Total | 32,841 | 35,028 | +2,186 | +6.7% | |

* As a result of the Fiber Business merger at Daiwabo Co., Ltd. on April 1, 2020, segment management classification has been revised partially from the current fiscal year. Segment information for the previous fiscal year is based on the information segment management classification method after the change.



Percentage of net sales

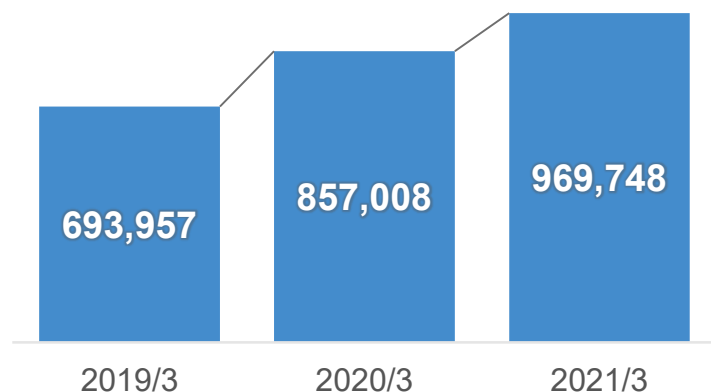
| | 2020/3 | 2021/3 |
|--------------------------------|--------|--------------|
| IT Infrastructure Distribution | 90.8% | 92.9% |
| Fibers | 7.6% | 5.8% |
| Industrial Machinery | 1.4% | 1.1% |

Percentage of operating profit

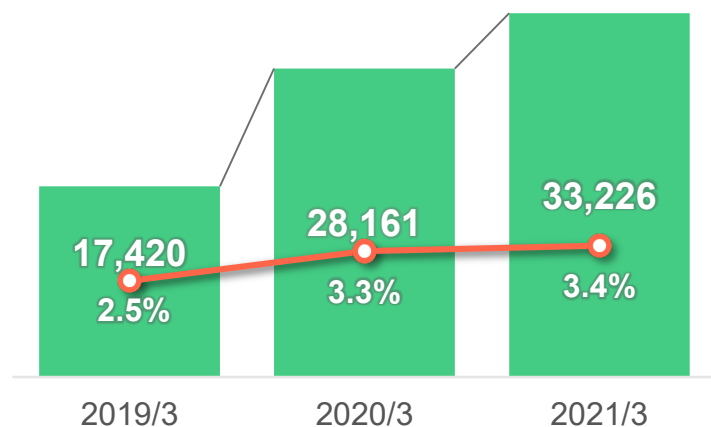
| | 2020/3 | 2021/3 |
|--------------------------------|--------|--------------|
| IT Infrastructure Distribution | 85.7% | 94.9% |
| Fibers | 11.8% | 3.9% |
| Industrial Machinery | 2.3% | 1.5% |

IT Infrastructure Distribution Business

(Million yen)



■ Net sales ■ Operating profit ■ Operating profit margin



Net sales

969,748 million yen (+13.2% compared to previous term)

Operating profit

33,226 million yen (+18.0% compared to previous term)

Number of PCs shipped

5.136 million units (+28.6% compared to previous term)
* +97.3% compared to term before previous term

Number of servers shipped

61,000 units (+1.2% compared to previous term)

Review of the business

Corporate Market

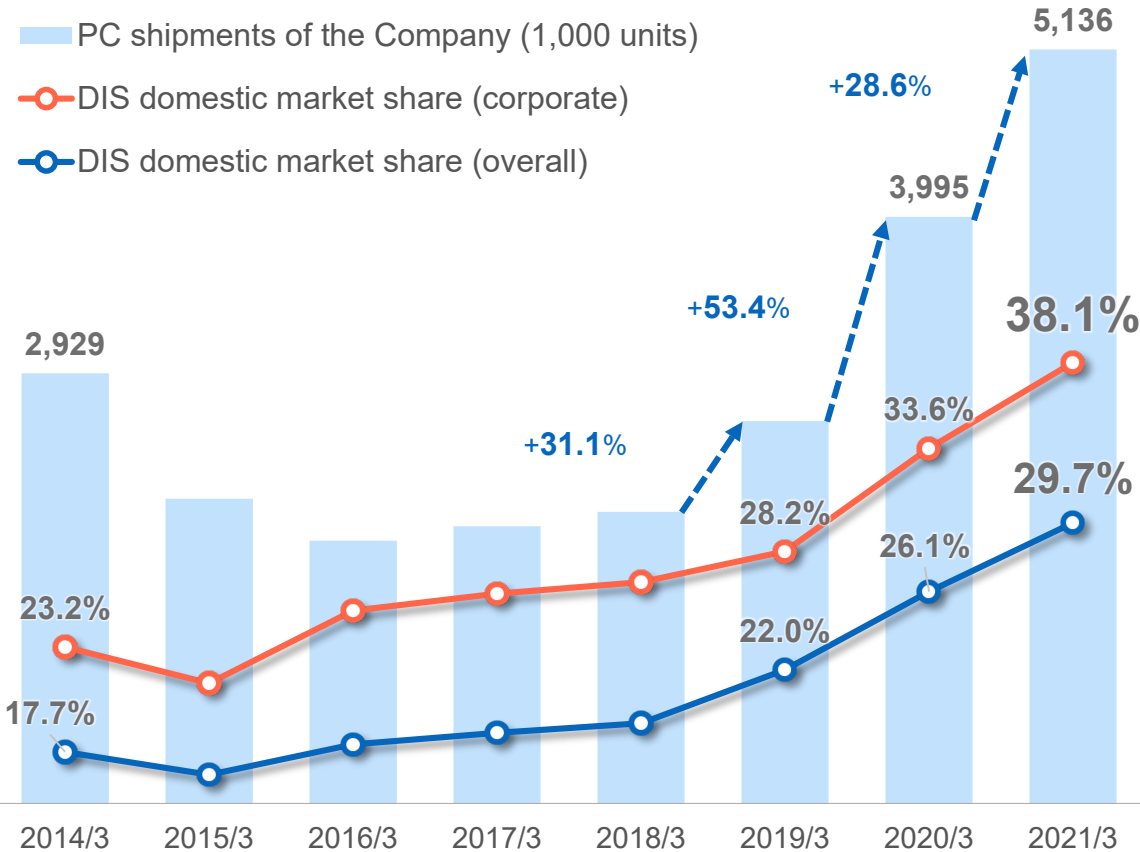
- Although corporate capital investment decreased due to the COVID-19 pandemic, we grasped needs for greater business efficiency through the use of IT, and demand for telework-related products such as notebook PCs and peripherals increased.
- Subscription-based business orders through iKAZUCHI, centered on cloud services, increased.
- Sales expanded because we focused on composite proposals for product procurement and kitting services, etc., in response to the GIGA School concept, and captured demand for PCs, tablets and network devices.

Retail Market

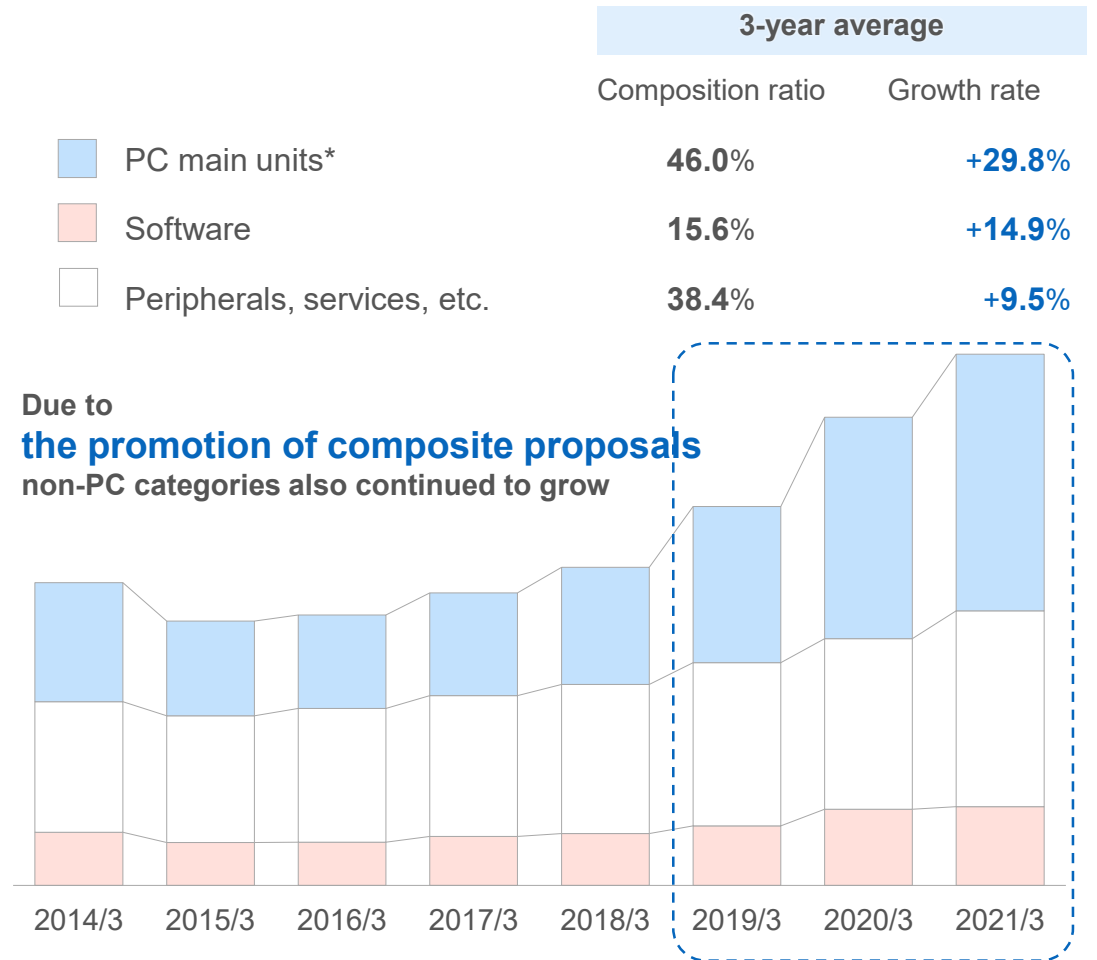
- Demand for notebook PCs and LCD monitors has increased due to the promotion of working at home and online learning, and sales have been strong as a result of strengthened procurement and product proposals, mainly through EC sales channels.

Domestic PC Market Share and Product Category Composition

More than **one in three PCs** used by corporations has ties to US



< Sales trend by DIS category >

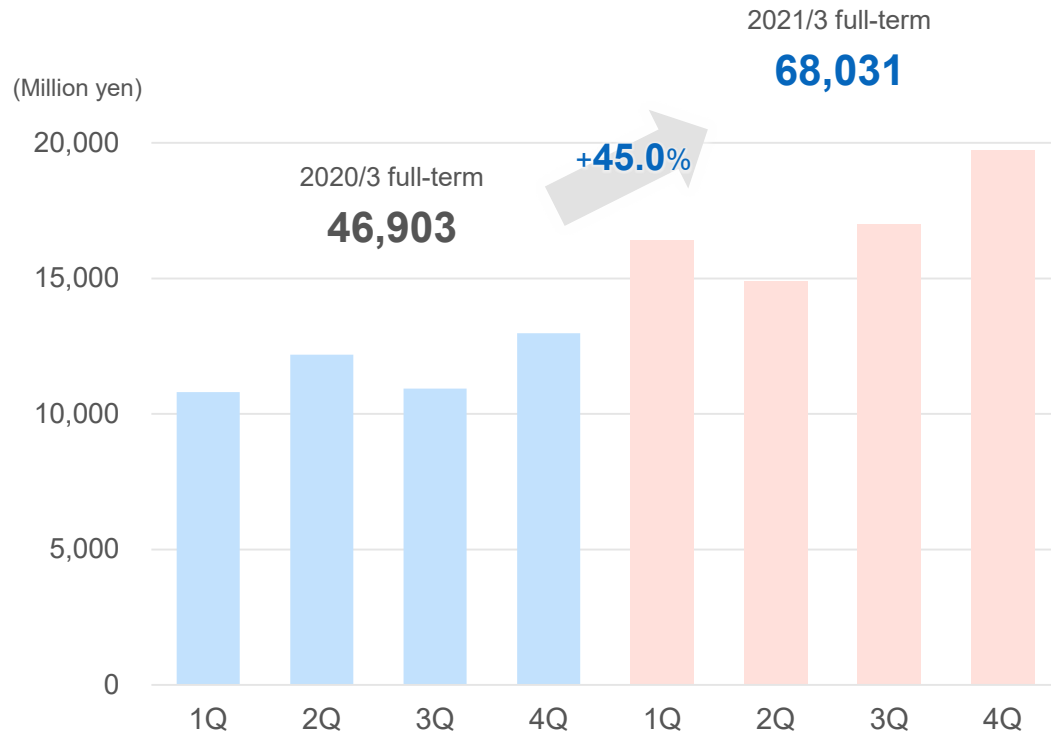


* Calculated based on the results of a survey by MM Research Institute
 (As the figure for 2021/3 is based on the survey company's preliminary results, the official figure for share may change)

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

Results for Subscription Business

Subscription net sales (DIS only)



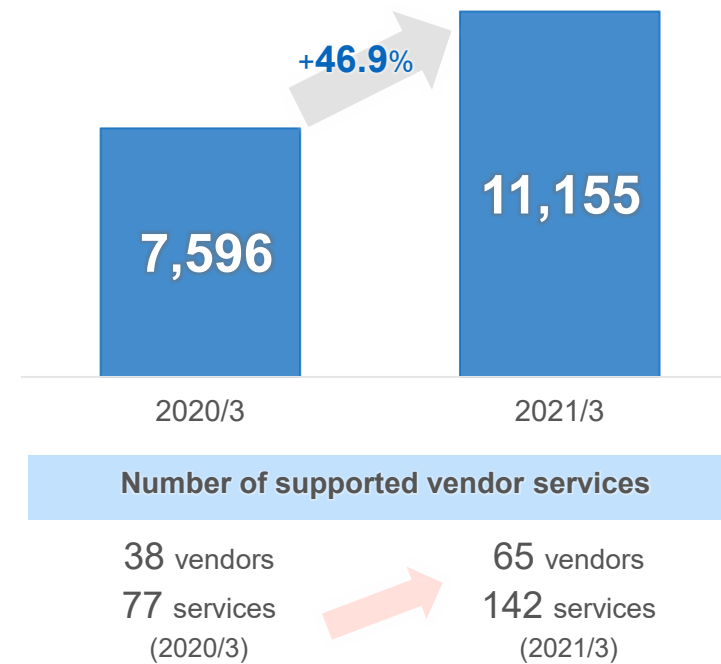
Subscription

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.)

* Excluding communications services and maintenance

iKAZUCHI net sales

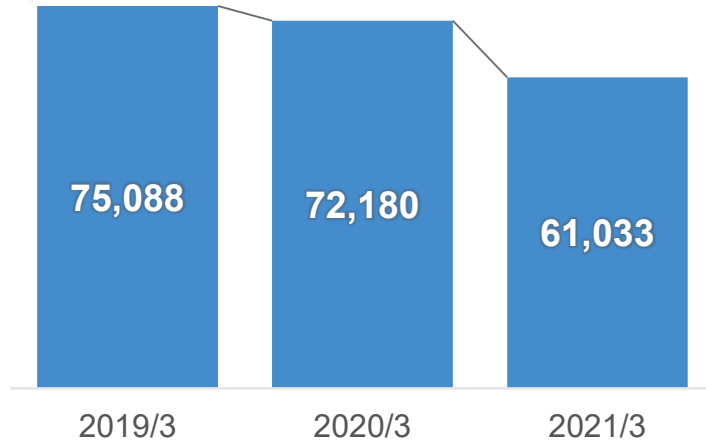
Net sales to dealers through the “iKAZUCHI” subscription management portal



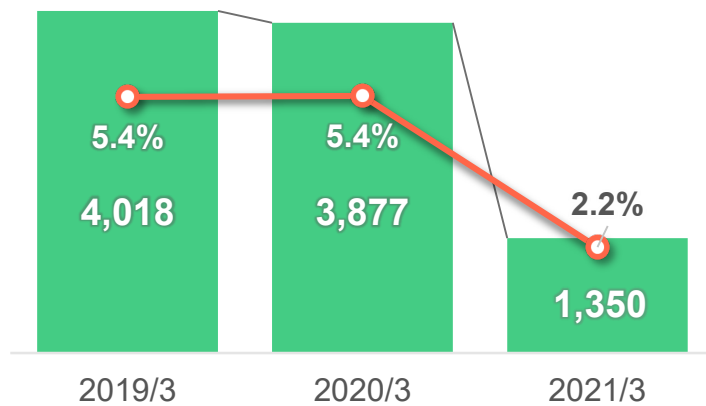
Expand the subscription business market and strengthen the “foundations” of ongoing revenue



(Million yen)



■ Net sales ■ Operating profit ■ Operating profit margin



Net sales **61,033** million yen (-15.4% compared to previous term)

Operating profit **1,350** million yen (-65.2% compared to previous term)

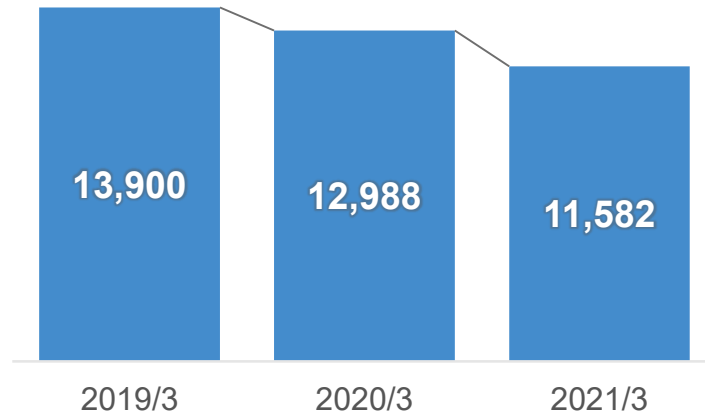
| | Effects of inappropriate transactions | [Reference] When effects are excluded | |
|------------------|---------------------------------------|---------------------------------------|----------------------------------|
| Net sales | -640 million yen | 61,673 million yen | -14.6% compared to previous term |
| Operating profit | -2,100 million yen | 3,450 million yen | -11.0% compared to previous term |

Review of the business

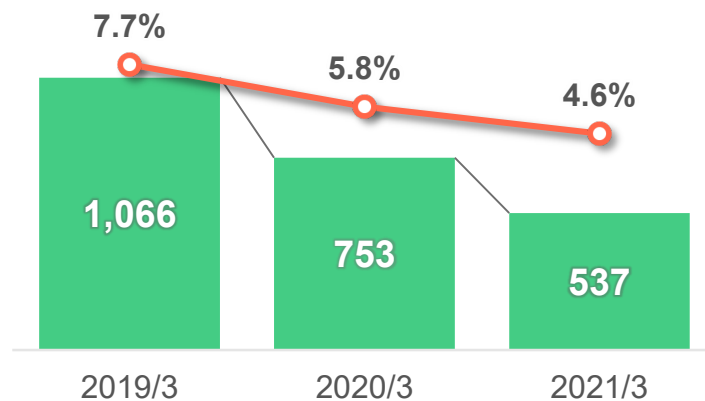
| | |
|---|--|
| Synthetic Fibers and Rayon Divisions | <ul style="list-style-type: none"> Although the difficult environment for cosmetics-related and clothing-related products continues, sales of sterilization-related products and rayon cotton for nonwoven fiber increased. |
| Industrial Material Division | <ul style="list-style-type: none"> Orders for heavy fabric products such as tents and canvas stagnated due to the suspension of various events and a decrease in construction work. |
| Clothing Products Division | <ul style="list-style-type: none"> Sales of functional antiviral products were strong, but casual clothing struggled. |

Industrial Machinery Business

(Million yen)



■ Net sales ■ Operating profit ■ Operating profit margin



Net sales **11,582** million yen (-10.8% compared to previous term)

Operating profit **537** million yen (-28.6% compared to previous term)

Review of the business

Machine Tools Division

- While total industry orders announced by the Japan Machine Tool Builders' Association during the period from April 2020 to March 2021 decreased by 10.1% compared with the previous term due to the slump in capital investment caused by the COVID-19 pandemic, orders for our core aircraft engine-related products slumped and total orders decreased by 38.0% compared with the previous term.
- Sales decreased under the impact of reviews of corporate equipment plans

Automatic Machinery Division

- Demand for automatic packaging machines in Japan remained firm, but orders fell 35.2% compared to the previous term as companies became more cautious about capital investment.

[Reference] Impacts of the Spread of COVID-19 Infections

Main impacts to the end of the fiscal year ended March 2021

IT Infrastructure Distribution Business

- Business styles changed rapidly to ensure business continuity and employee safety, and IT demand tended to increase due to the use of telework and online meetings, and cloud transitioning.
- IT-related demand for residential applications centered on the retail market increased rapidly.
 - ex. Notebook PCs, LCD monitors, mice, keyboards, headsets, web cameras, etc.
- IT investment accelerated in association with the establishment of online class environments in the education market.
- Impacts on the supply chain due to plant operations being delayed at IT-related product and part manufacturing bases
- Suspension or reduction of capital investment due to adverse impacts on corporate results

The promotion of government digitalization and ongoing needs for the establishment of online class environments in the education sector will increase.

Impacts on the supply chain are limited, but risks due to the localized spread of infections, etc., are assumed.



Handle flexibly while demonstrating our strengths as an independent, multi-vendor company

Fiber Business

- Demand for non-woven fabrics such as antibacterial sheets and synthetic fiber cotton for masks has increased.
- Clothing and cosmetics-related market conditions have deteriorated due to self restraint over going out, etc.
- Demand for industrial materials has declined due to reduced plant operations and the cancellation of events.

The recovery of overall demand will require a pickup in personal consumption.

Industrial Machinery Business

- Corporate capital investment, including that for aircraft engines, stagnated.
- Some overseas sales activities and business trip construction work has been restricted.

The Chinese market is on a recovery trend, but the aircraft engine-related market is stagnant and there is concern that will be prolonged.

Consolidated Balance Sheet for the Fiscal Year Ended March 2021

(Summary of Accounts P5-6)



| (Million yen) | 2020/3 | 2021/3 | Change | | 2020/3 | 2021/3 | Change |
|--------------------------------------|---------|----------------|---------|---|---------|----------------|---------|
| Current assets | 276,285 | 331,461 | +55,175 | Current liabilities | 192,514 | 230,519 | +38,004 |
| Cash and deposits | 31,600 | 32,058 | +457 | Notes payable and accounts payable | 158,067 | 188,483 | +30,415 |
| Notes and accounts receivable | 196,390 | 246,897 | +50,507 | Short-term loans payable | 12,608 | 15,255 | +2,647 |
| Goods and products | 33,341 | 32,580 | (760) | Non-current liabilities | 31,558 | 23,916 | (7,642) |
| Property, plant and equipment | 39,522 | 39,172 | (349) | Long-term loans payable | 19,027 | 12,065 | (6,961) |
| Intangible fixed assets | 3,403 | 2,696 | (707) | Total liabilities | 224,072 | 254,435 | +30,362 |
| Goodwill | 387 | 6 | (380) | | | | |
| Others | 3,016 | 2,689 | (327) | Total net assets | 104,741 | 129,322 | +24,581 |
| Investments and other assets | 9,601 | 10,426 | +824 | Total liabilities and net assets | 328,813 | 383,757 | +54,943 |
| Total assets | 328,813 | 383,757 | +54,943 | | | | |

| | | | | | |
|------------------------------------|---------|----|----------------|---------|---|
| Notes and accounts receivable | 196,390 | -> | 246,897 | +50,507 | Increase in accounts receivable in association with the expansion of DIS transaction volume |
| Notes payable and accounts payable | 158,067 | -> | 188,483 | +30,415 | Increase in accounts payable in association with the expansion of DIS transaction volume |
| Total loans | 31,635 | -> | 27,321 | (4,314) | Repayments of long-term loans payable |

Consolidated Profit Statement for the Fiscal Year Ended March 2021

(Summary of Accounts P7)



| (Million yen) | 2020/3 | | 2021/3 | | Change | Compared to previous term |
|--|---------|------------|------------------|-------------|---------|---------------------------|
| | Results | Percentage | Results | Percentage | | |
| Net sales | 944,053 | | 1,043,534 | | +99,480 | +10.5% |
| Gross profit | 81,476 | 8.6% | 81,851 | 7.8% | | |
| Selling, general and administrative expenses | 48,634 | 5.2% | 46,823 | 4.5% | | |
| Operating profit | 32,841 | 3.5% | 35,028 | 3.4% | +2,186 | +6.7% |
| Ordinary profit | 33,195 | 3.5% | 35,781 | 3.4% | +2,586 | +7.8% |
| Extraordinary profit | 137 | | 1,468 | | | |
| Extraordinary loss | 2,308 | | 996 | | | |
| Profit attributable to owners of parent | 21,178 | 2.2% | 25,715 | 2.5% | +4,536 | +21.4% |

Extraordinary profit

Gain on sale of DIS Distribution Center (**754** million yen), compensation for transfer of overseas Fiber Business plants (**663** million yen)

Extraordinary loss

Impairment loss for idle land (**681** million yen) * Extraordinary loss in the previous term: impairment loss for the Fiber Business' Wakayama Plant and hotels (**1,911** 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.

Application of the Accounting Standard for Revenue Recognition

Because ASBJ Statement No. 29 “**Accounting Standard for Revenue Recognition**” will apply from March 2022, the method for recording sales for some transactions, mainly in IT Infrastructure Distribution Business, will change.

| | | 2021/3 (Results) | 2022/3 (Forecast) | Change |
|--------------------------------|------------------|---------------------|----------------------|--------------------|
| Net sales | | | | |
| | [1] Old standard | 1,043.5 | 892 | (151.5) (14.5%) |
| | [2] New standard | - | 820 | |
| | [2] - [1] | - | (72) | |
| Operating profit | | | | |
| | [1] Old standard | 35.0 | 28.5 | (6.5) (18.6%) |
| | [2] New standard | - | 3.5% | |
| | [2] - [1] | - | (72) | |
| Operating profit margin | | | | |
| | [1] Old standard | 3.4% | 3.2% | |
| | [2] New standard | - | 3.5% | |

* The figures shown are reference values, based on certain conditions, of the amount of impact due to the change of accounting standard in IT Infrastructure Distribution Business.

< 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)



1 Dividend increase Continuous and stable return of profits

Term ended March 2021 **300** yen per share (+**140** yen compared to previous term)
 * **60** yen per share if the stock split is taken into consideration

2 Stock split Expansion of the investor base and improvement of stock liquidity

We implemented a **stock split** of **five** shares per share on April 1, 2021.

3 Interim dividend Enhancement of profit return opportunities

We are planning to implement an **interim dividend** from the term ending March 2022 (interim **30** yen + term-end **30** yen)

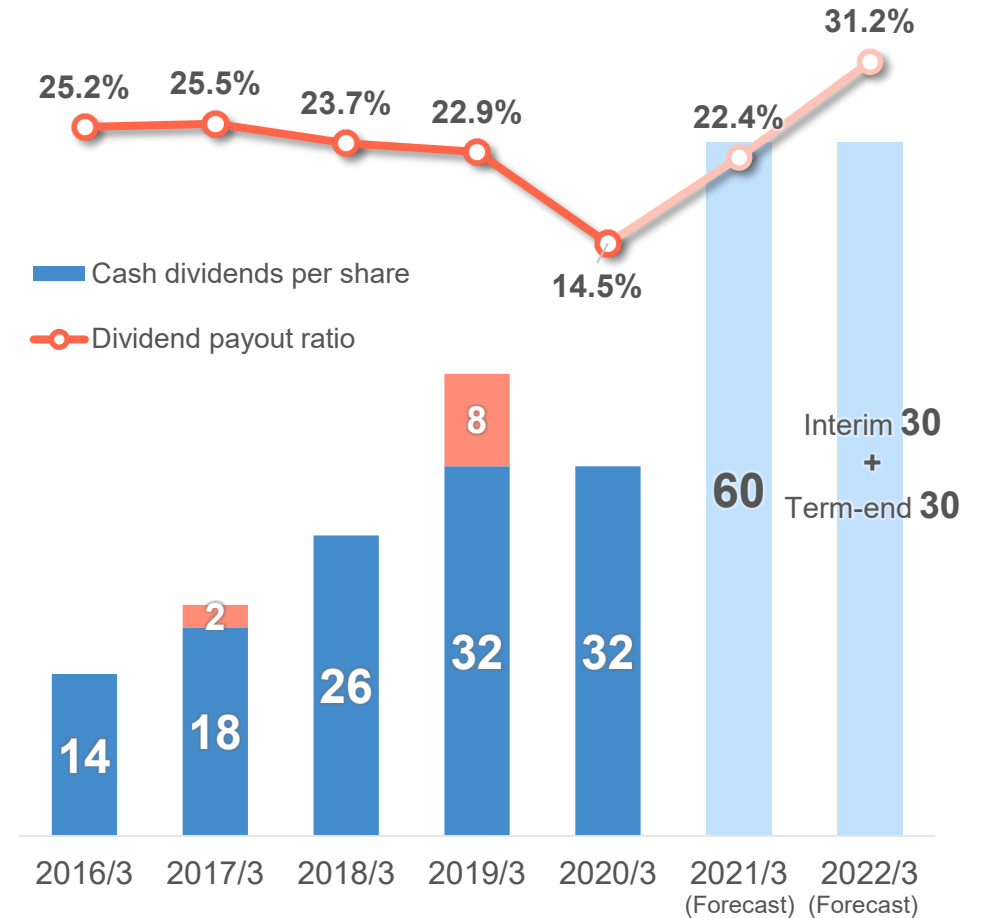
4 Acquisition of treasury stock Improvement of shareholder value per share

Total acquisition ordinary shares maximum of 1.5 million shares / 1.56%

Acquisition amount maximum of **2 billion** yen

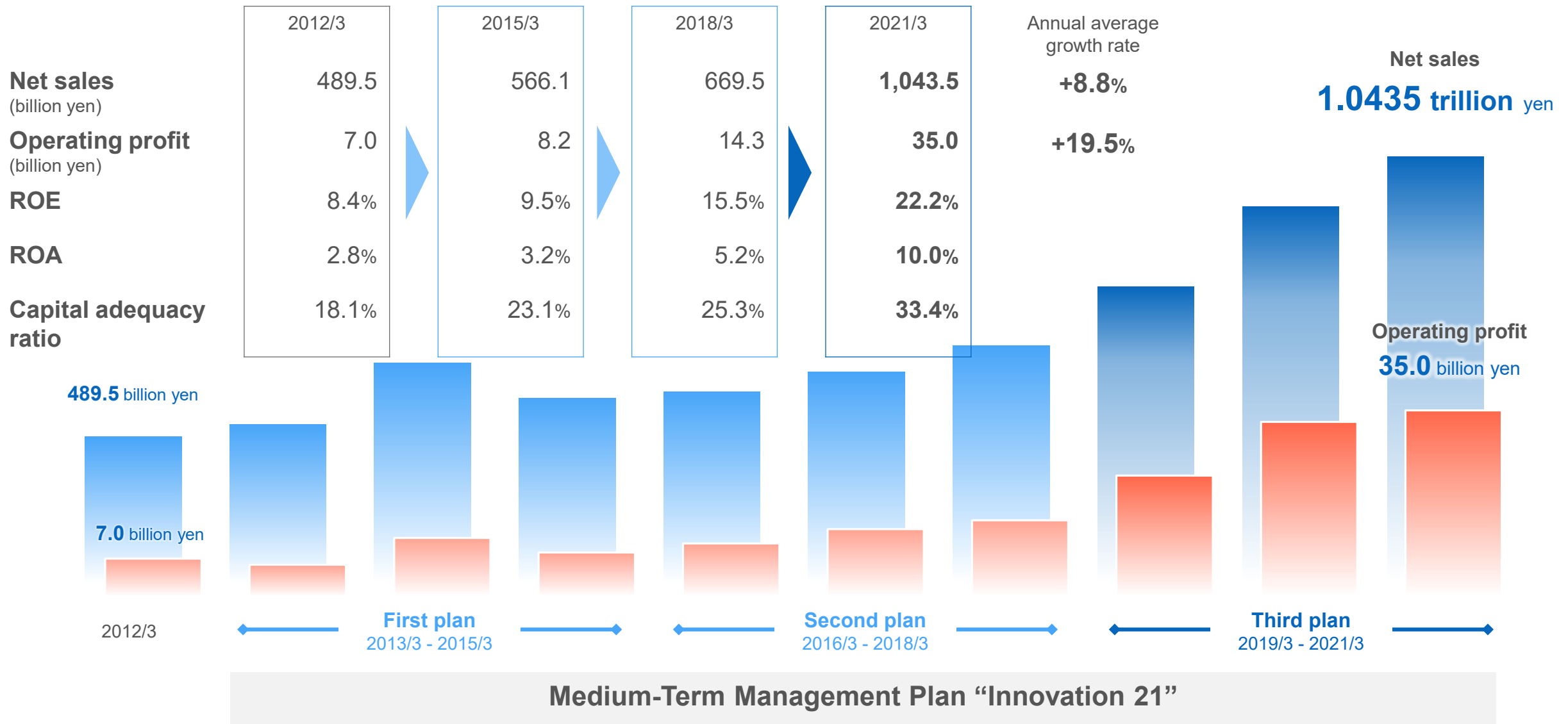
Acquisition period May 14, 2021 ~ August 31, 2021

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



Medium-Term Management Plan

Looking Back on Medium-Term Management Plans



Positioning of the New Medium-Term Management Plan

Future issues at the company group

Realization of sustainable growth in IT
Infrastructure Distribution Business

New growth stories from the recoil of terminal demand

Review of management structures and
strengthening of profitability in Fiber Business
and Industrial Machinery Business

Functional strengthening based on reform away from
previous management methods

Formulation of corporate strategy that
connects to the improvement of corporate value

Responses to the expectations of all stakeholders

Positioning of the New Medium-Term Management Plan

(Term ending March 2022 - term ending March 2024)

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

A turning point anticipating development into the future

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

01 The creation of next generation growth drivers

■ Creation of the driving force that will support us for the next ten years

- Reform away from conventional business
- Original product and service development and start of consideration of M&A strategy

■ Business development with a grasp of new trends including the digital shift and promotion of DX

- Incorporation into business of 5G, AI, IoT, online, automation, etc.
- Promotion in all business of the use of digital technologies

■ Establishment of a presence as a cloud distributor

- Further expansion of subscription business
- Business expansion in growth areas such as the handling of the cloud shift in association with the establishment of the Digital Agency

02 Contributions to the creation of a new society as a leading company

■ Market creation using partnerships

- Further strengthening of relationships with business partners in B-to-B business
- Area cultivation using our nationwide network of bases, and application proposals and product development in each category and industry type

■ Improvement of customer engagement based on the strengthening of services and solutions

- Implementation of high level sales support functions based on the enhancement of service menus and technical support
- Provision of the best customer experience (CX) in customer contact

■ Business expansion through the resolution of social issues

- Efforts in areas such as educational ICT, medical environments, productivity improvements, disaster prevention and mitigation, and environmentally-friendly products from the perspective of the SDGs

03 Reform of management foundations

- **Improvement of capital efficiency based on the appropriate allocation of cash flow**
 - Use in growth investments and the enhancement of shareholder return
 - Strengthening of the soundness of our financial base

- **Corporate culture reform that supports human resource development and growth**
 - Strategic investments in education and training, use of human resources in Group cooperation
 - Work reform based on the improvement of working environments and use of digital technologies

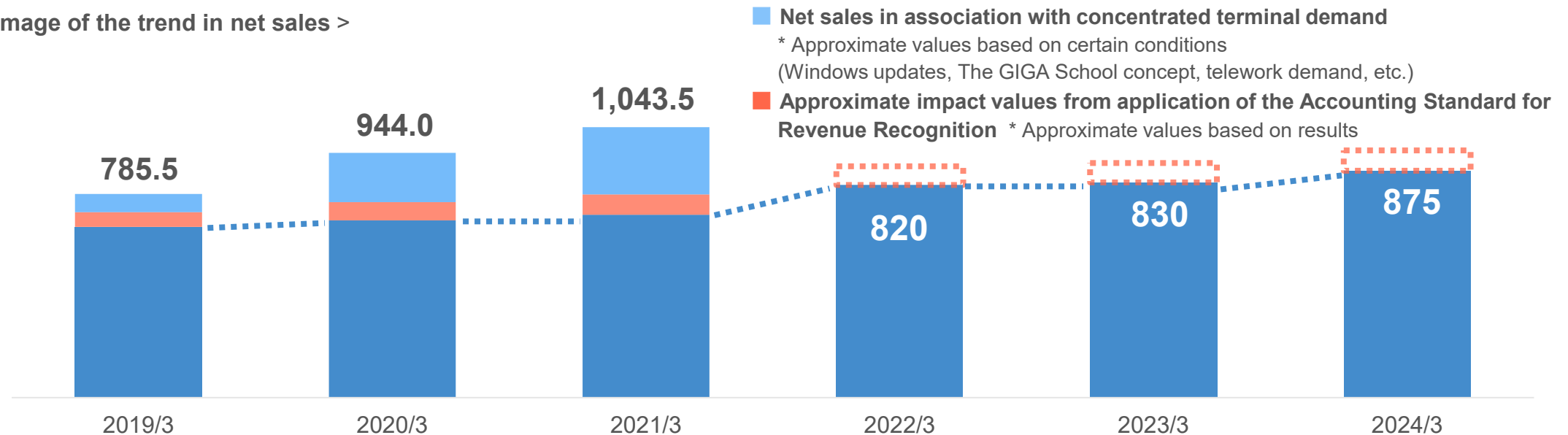
- **Strengthening of the effectiveness of corporate governance**
 - Thorough implementation of compliance
 - Strengthening of internal control in work processes

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 >

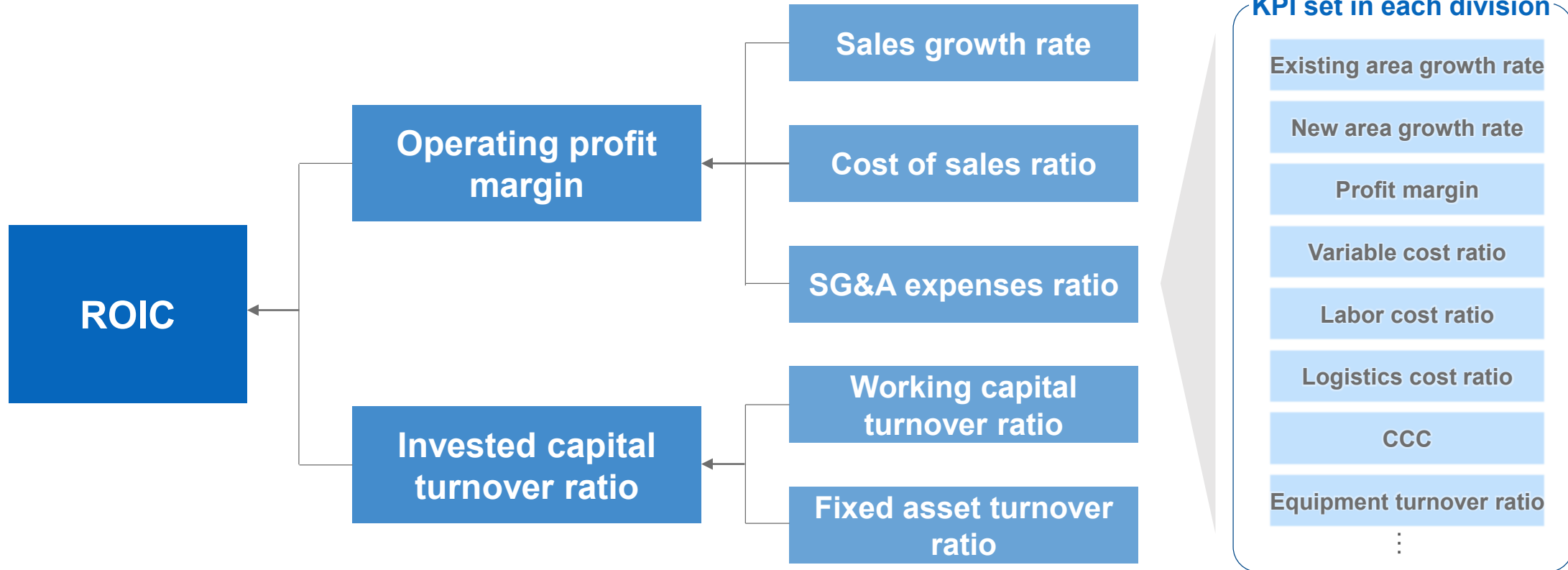
>
WACC
Weighted average capital cost
7.0%
(Company recognition of the current situation)

**Sustainable
improvement
of corporate
value**

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

New Medium-Term Management Plan - Group Management Indicators

< Image of use of ROIC tree >



We set KPIs suited to each company and monitor their state of progress (state of improvement of ROIC).

Conscious of the hurdle rate, this connects to the creation of corporate value.

New 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> |

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

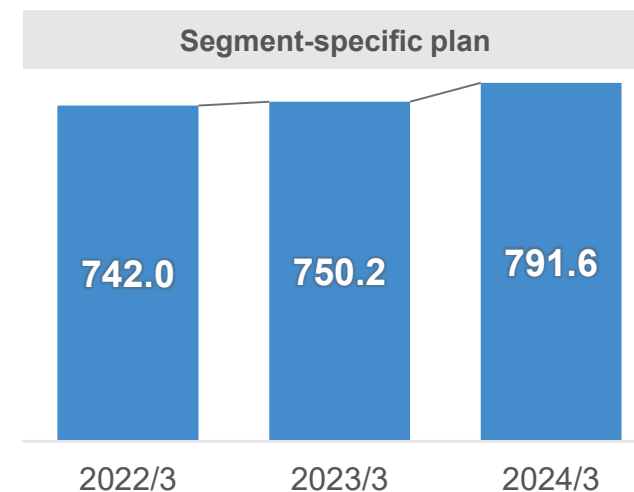
Branding as a cloud distributor

- 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

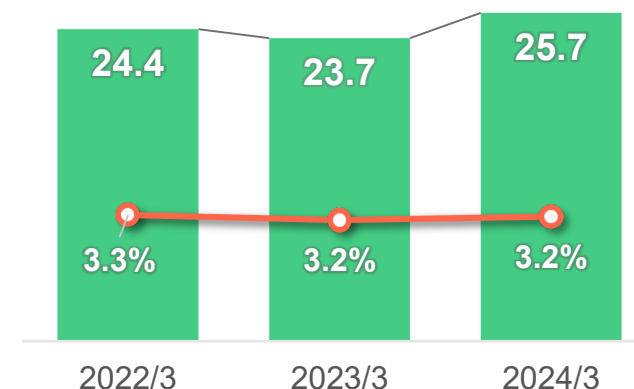
Productivity improvements in the supply chain as a whole

- 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

(billion yen)



■ Net sales ■ Operating profit ■ Operating profit margin









Strengths of DIS in education business

| A sales organization that has built strong ties to local communities | Independent, multi-vendor | One-stop service |
|---|--|---|
| <ul style="list-style-type: none"> ■ Framework for collaboration with educational dealers nationwide ■ Verification of new products and services and prompt provision of information <p>Covering the national education market</p> | <ul style="list-style-type: none"> ■ Procurement capabilities and abundant inventory that do not overemphasize specific manufacturers and operating systems ■ Composite proposals combining peripheral equipment, software, etc. <p>Optimal proposals for users</p> | <ul style="list-style-type: none"> ■ Kitting ■ Installation and setup ■ Extended warranty ■ Repairs ■ Data recovery ■ Training programs for teachers <p>Support from introduction to operation</p> |
| <p>Cooperation with cooperating manufacturers and educational sales partners</p> | | |
| <p>Accumulation of examples of use of ICT and knowhow by a specialist education team</p> | | |

DIS sales results under the **"GIGA School concept"** (2021/3)

Net sales **200** billion yen or more

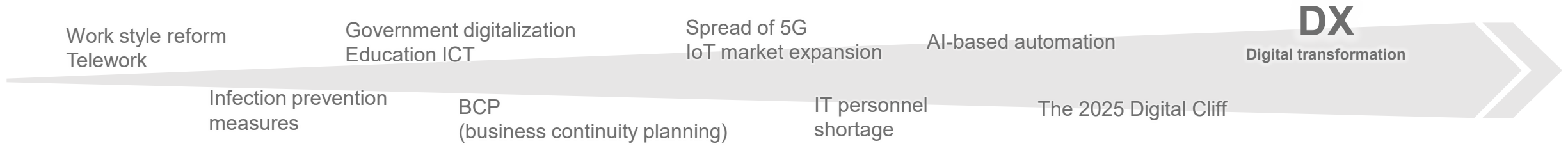
Number of local government areas About **1,400** local governments, etc.

 PC
  Tablets
  Networks
  Services
 etc.

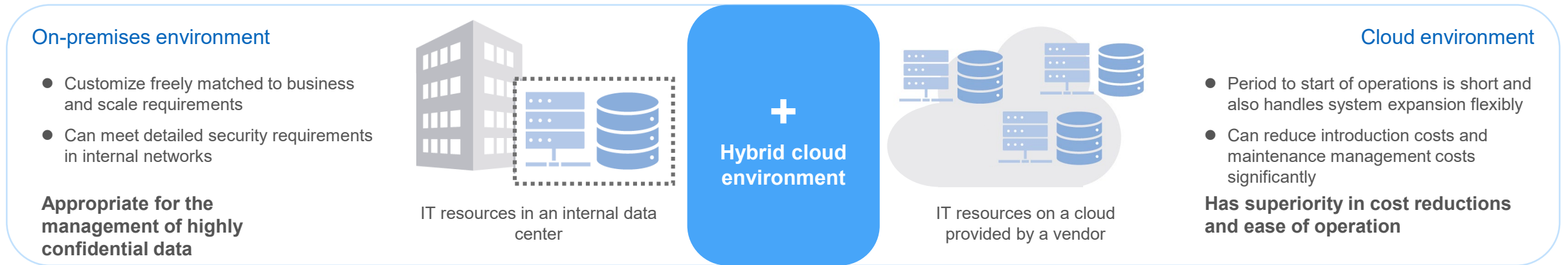
We contribute widely to the education ICT sector, which will develop long-term.

- > **Promotion of one device per student from high school on**
- > **Digital textbooks and class support software**
- > **Teacher training and remote class support**
- > **Ongoing demand related to terminals (Equipment upgrades, maintenance, warranties, set-up work, etc.)**

IT Infrastructure in the New Normal Era



Changes in the environment surrounding IT infrastructure → Diversification and advancement of customer needs

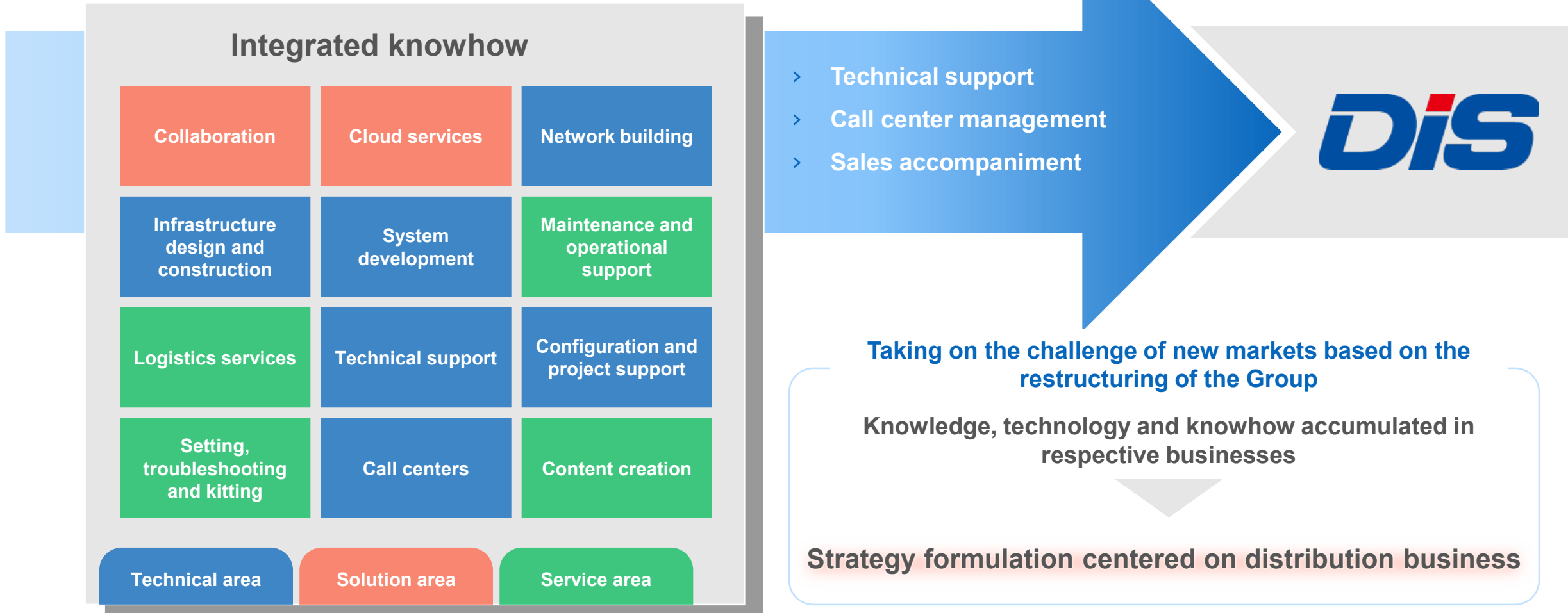


DIS promotes "hybrid proposals" combining the merits of on-premises and cloud systems.

Implementation of Technical and Proposal Capabilities in Response to Various Needs

April 1, 2021 Established based on the merger of subsidiaries

DIS Service & Solution Co.,Ltd.

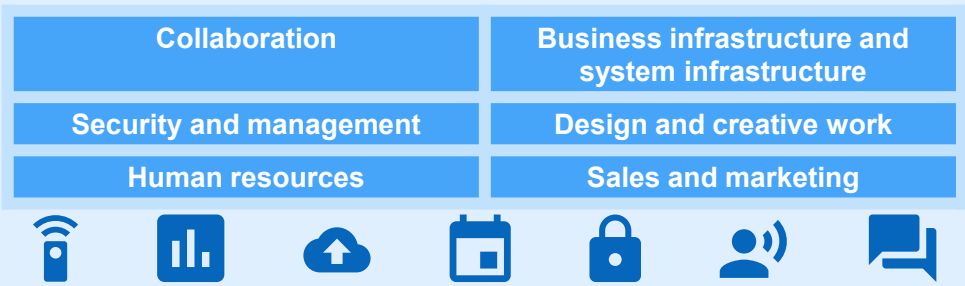


Expansion of Subscription Business Based on iKAZUCHI

iKAZUCHI posting service

65 vendors / 142 services

(As of March 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

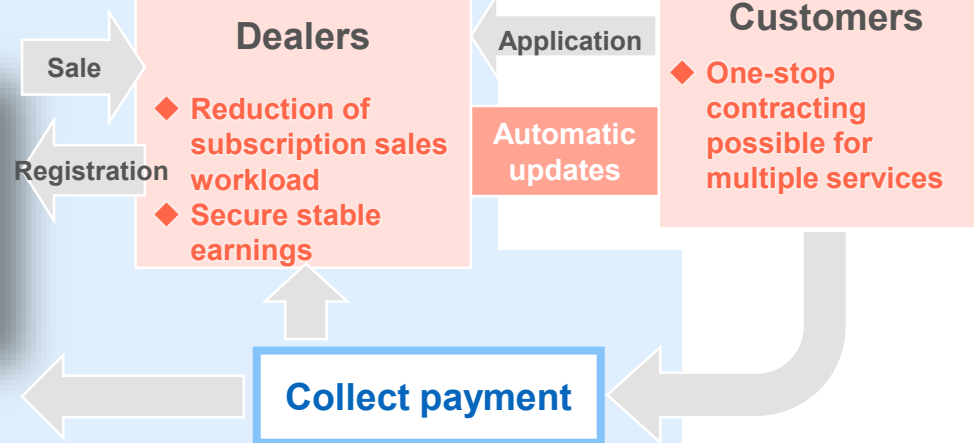
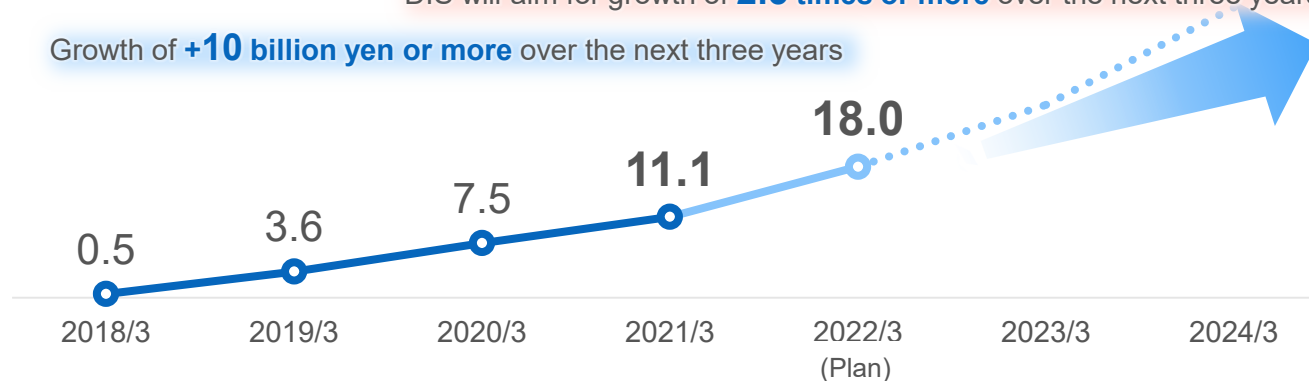
A full-time force qualified in multi-cloud handling supports the subscription business of sales partners nationwide.



iKAZUCHI handling volume (billion yen)

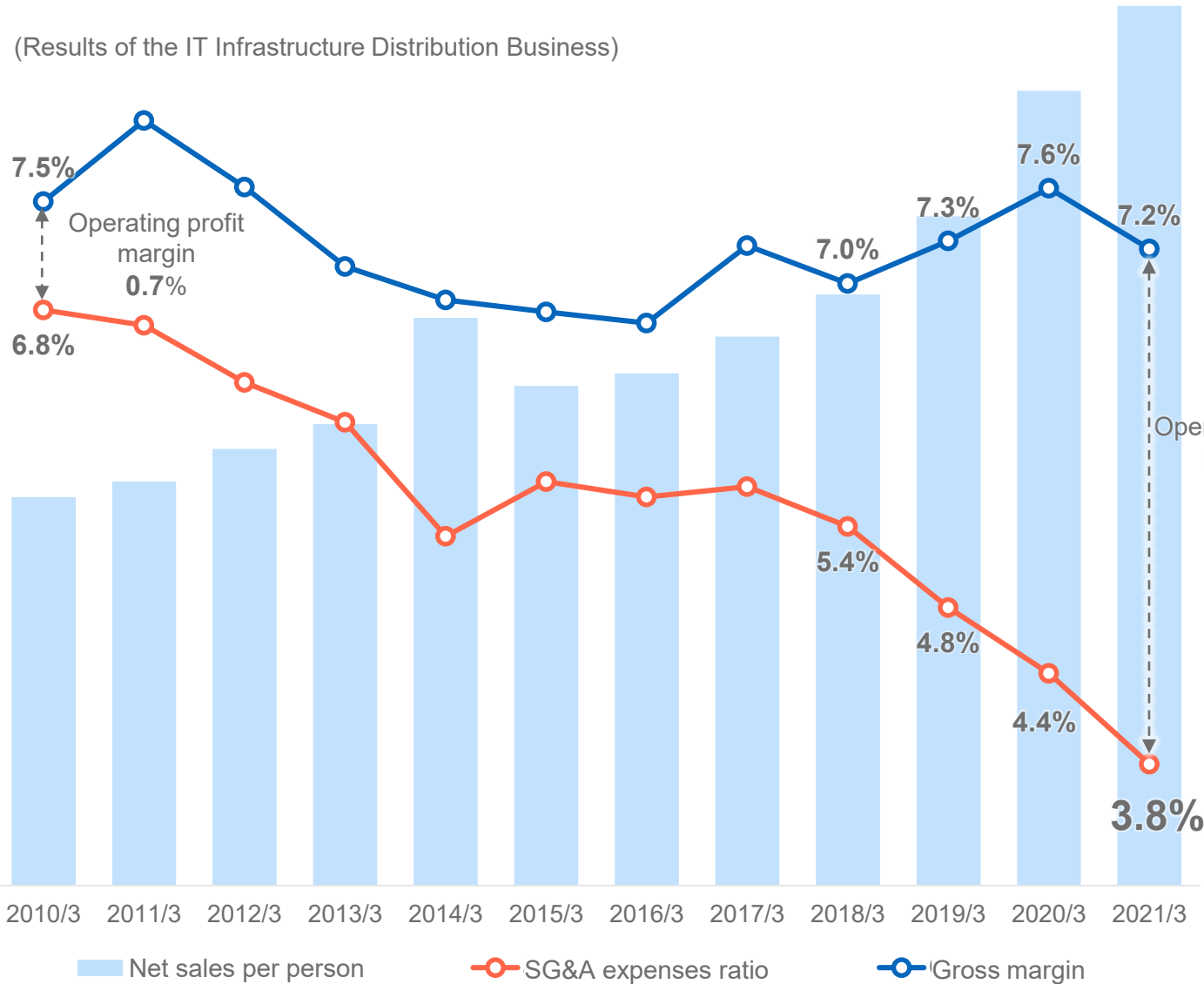
DIS will aim for growth of **2.5 times or more** over the next three years

Growth of **+10 billion yen or more** over the next three years



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

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

Reform into a company satisfying to work at centered on ESG

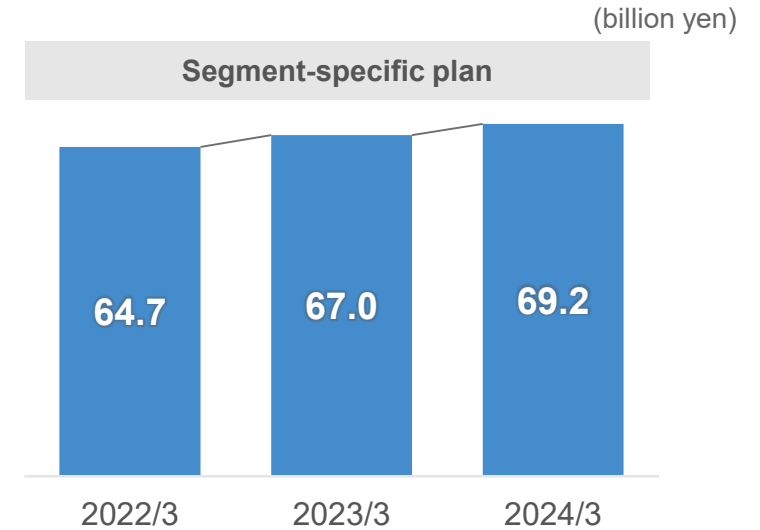
- ❑ Prevention of the reoccurrence of fraud based on the promotion of compliance and the strengthening of internal control
- ❑ Reduction of CO₂ emissions and implementation of regular environmental audits
- ❑ Environmentally friendly-type product development, including biodegradable, biomass and recycling
- ❑ 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

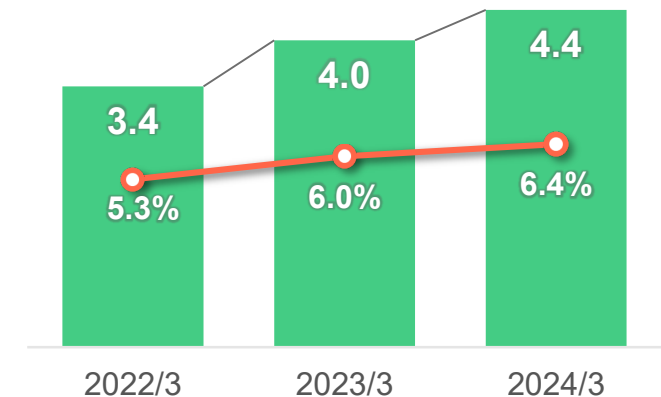
- ❑ Cross-sectional R&D system based on the new establishment of Technology and Development Division
- ❑ Sales expansion using functional materials and sustainable materials
- ❑ Horizontal development across the Group of materials and post-processing technology
- ❑ Expansion of R&D areas based on industry-academia-government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



(billion yen)

Business expansion into potential markets in machine tools

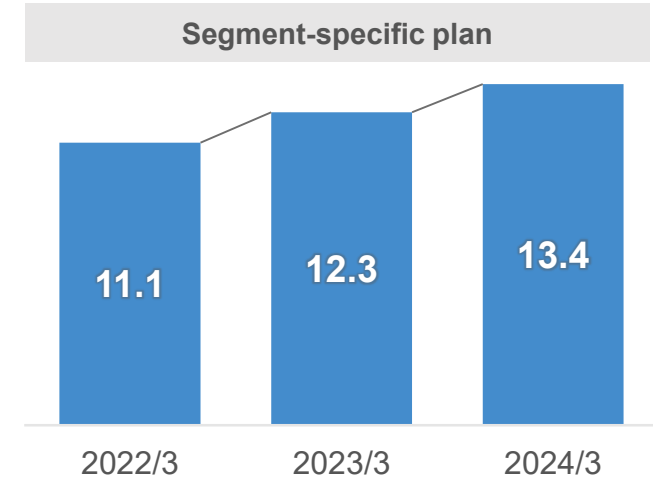
- ❑ Handling of changes in the energy industry due to decarbonization
- ❑ Acquisition of demand for 5G-related small scale power generation equipment and offshore wind power generation
- ❑ Handling of domestic and foreign demand for dedicated railway equipment
- ❑ Expansion of proposal-type sales leading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

Capture of demand for packaging machine automation in automatic machinery

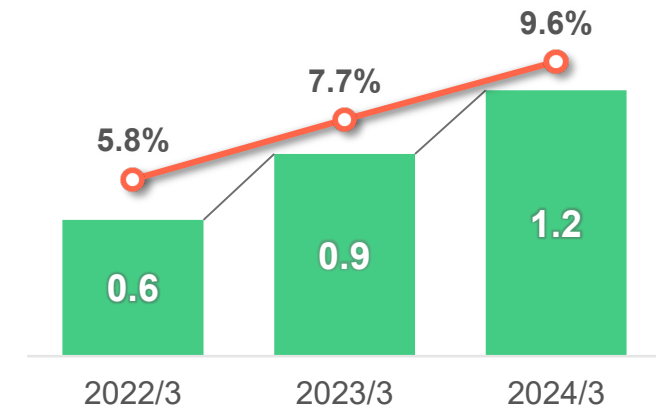
- ❑ Quality improvements and cost reductions based on the standardization of automatic supply devices
- ❑ Improvement of competitiveness in the market for the Chinese chemical industry
- ❑ Participation in new markets such as online shopping and the logistics industry
- ❑ Development of new products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



Capital Investment, Investment and Lending and R&D

Industrial Machinery Business

Production management system update
Nagaoka Plant equipment update

IT Infrastructure Distribution Business

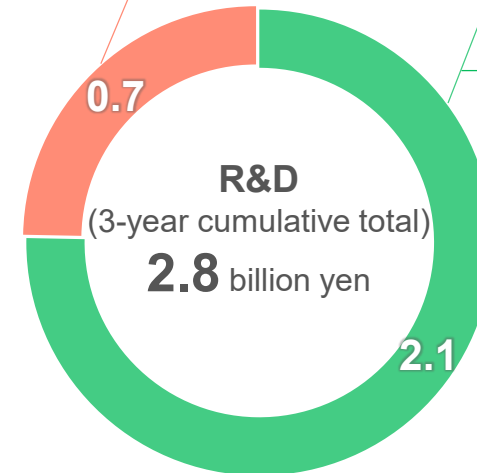
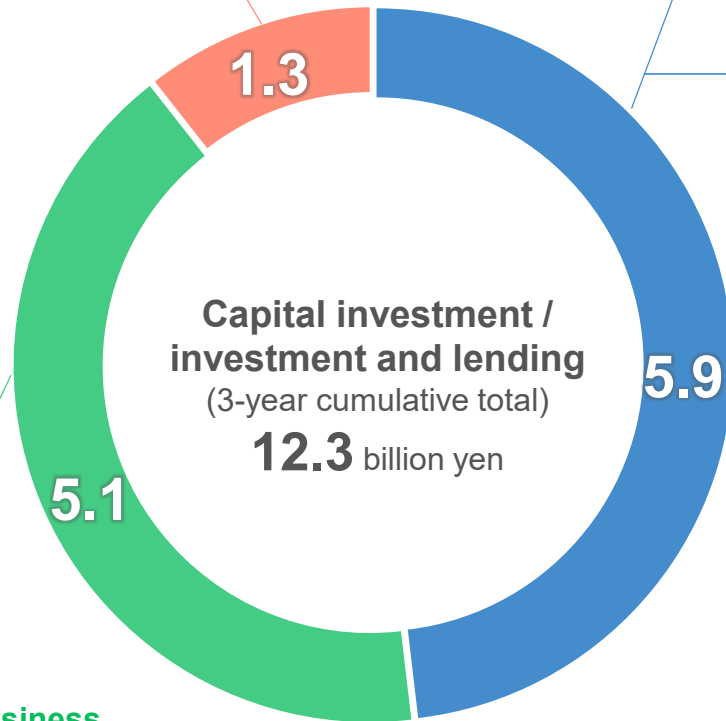
Internal system strengthening and infrastructure maintenance
Strengthening of logistics efficiency
Consideration of business partnerships and vertical integration-type M&A

Industrial Machinery Business

Energy-related and aerospace research
Development of dedicated railway equipment

Fiber Business

Development of sanitary materials
Development of environmentally friendly products



Fiber Business

Synthetic fibers and rayon equipment update
Industrial Materials plant reorganization

We are contributing widely to the resolution of social issues using the imaginative power, technical power and network power cultivated in our respective businesses.

Useful to society

Connecting people with people, people with earth, and with the future

Connecting to business

Defensive ESG

< Reduction of business risk >

- Reduction of CO₂ emissions in business activities
- Fostering of workplace health and safety and work environments that are easy to work in
- Human resource development
- Securing of stable procurement
- Corporate governance, risk management, etc.

Offensive ESG

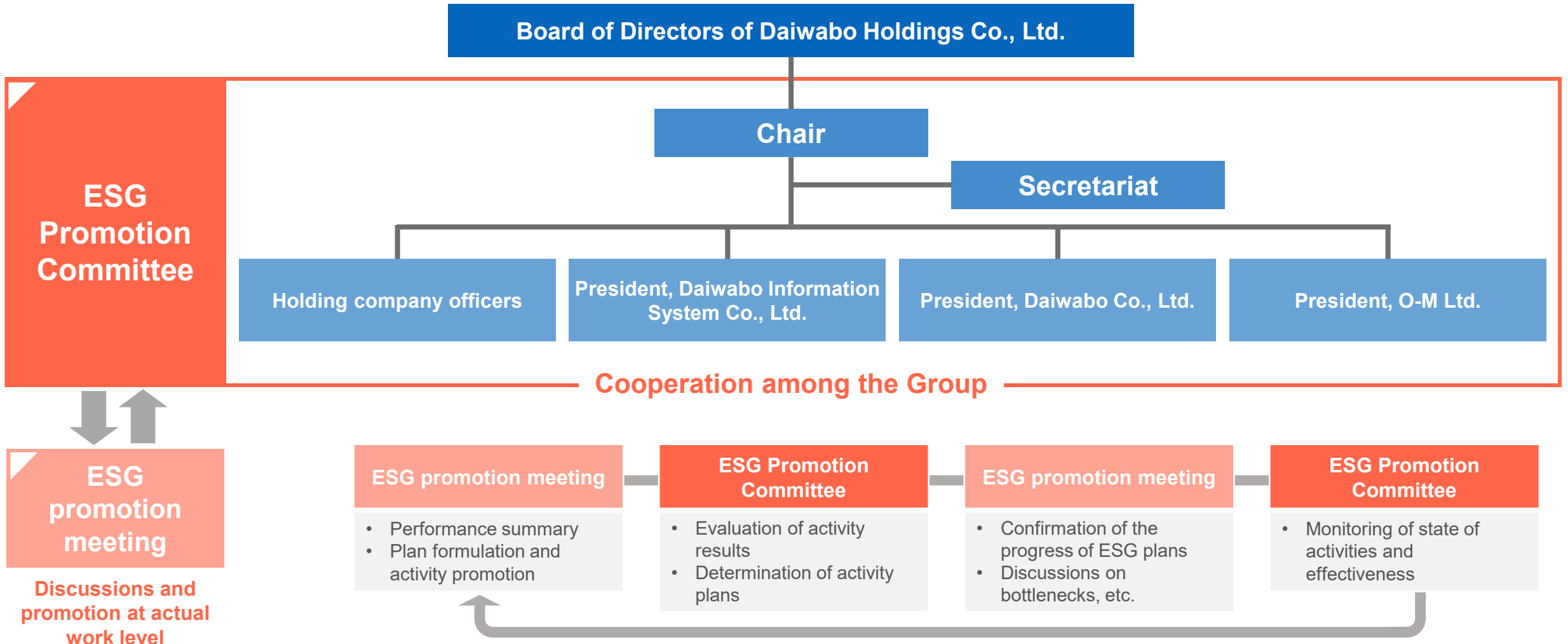
< Expansion of business opportunities >

- Provision of social issue resolution-type products and services
- Development of environmentally friendly products
- Contributions to regional society through business, etc.

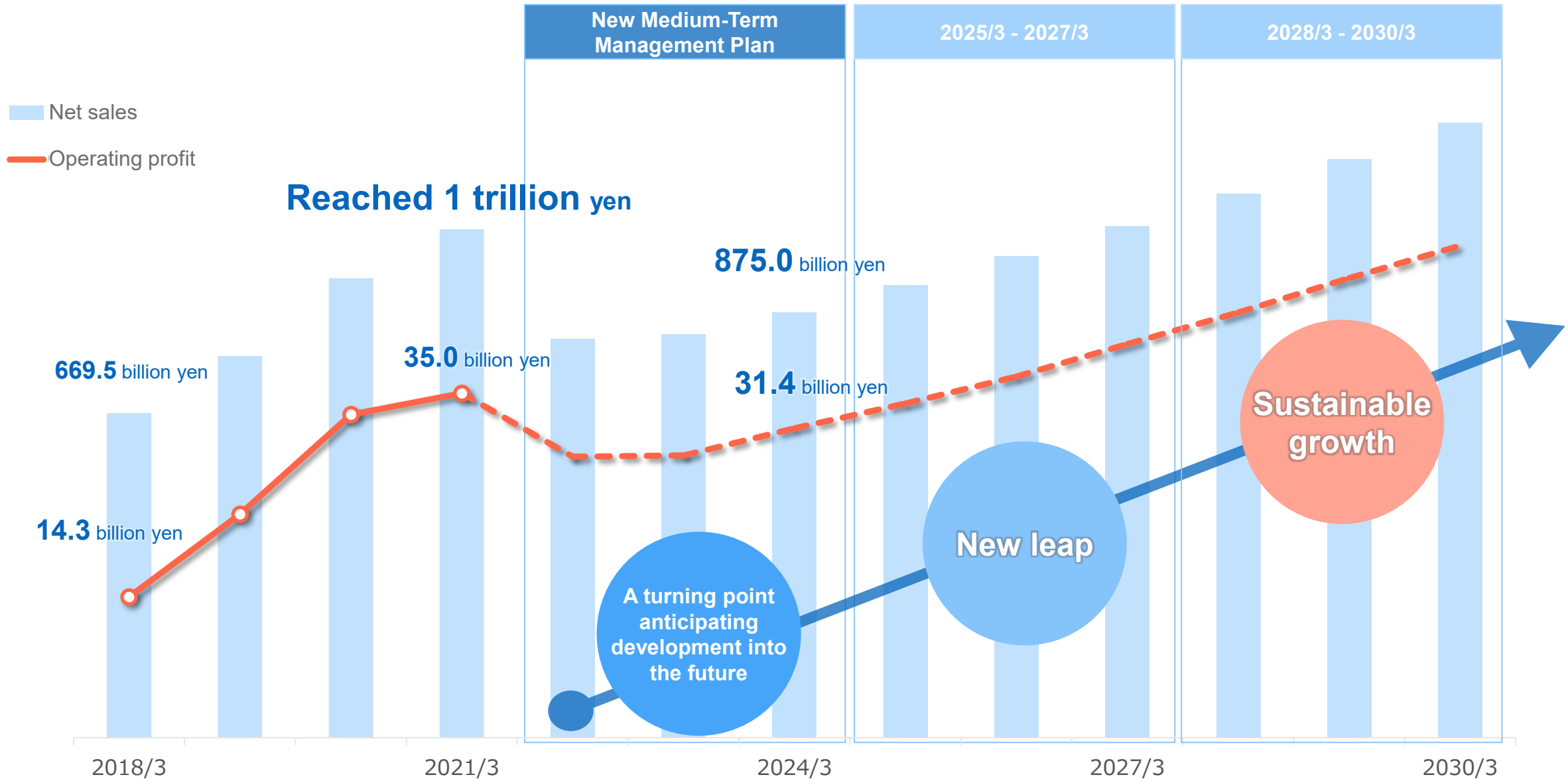


Social issues raised as priority themes in our company group

The Group will construct systems that promote ESG together.



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 1,200 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

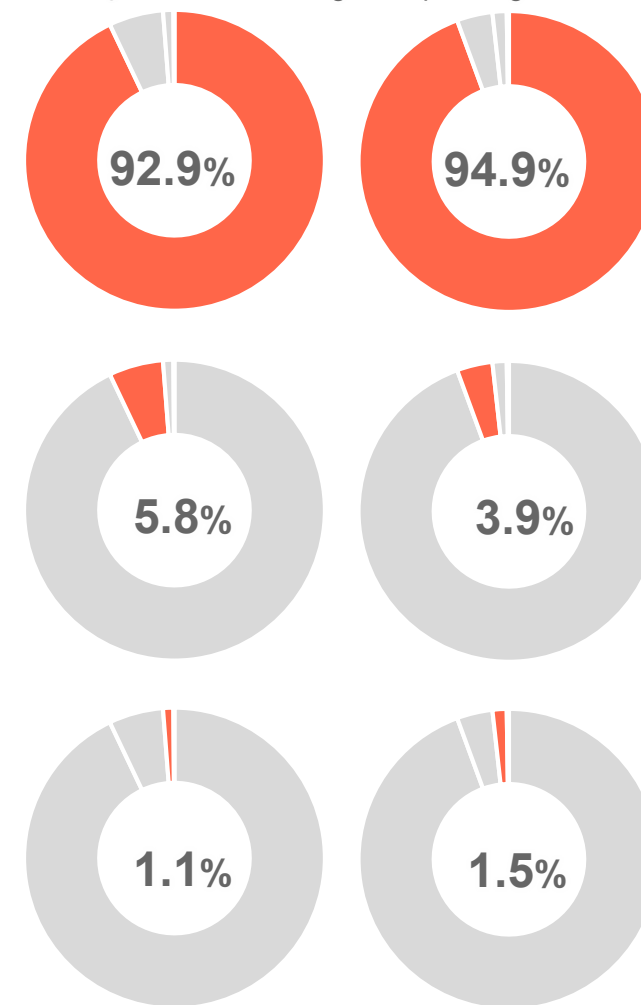
Machine Tools Division

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

Percentage of Sales Percentage of Operating Profit



(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

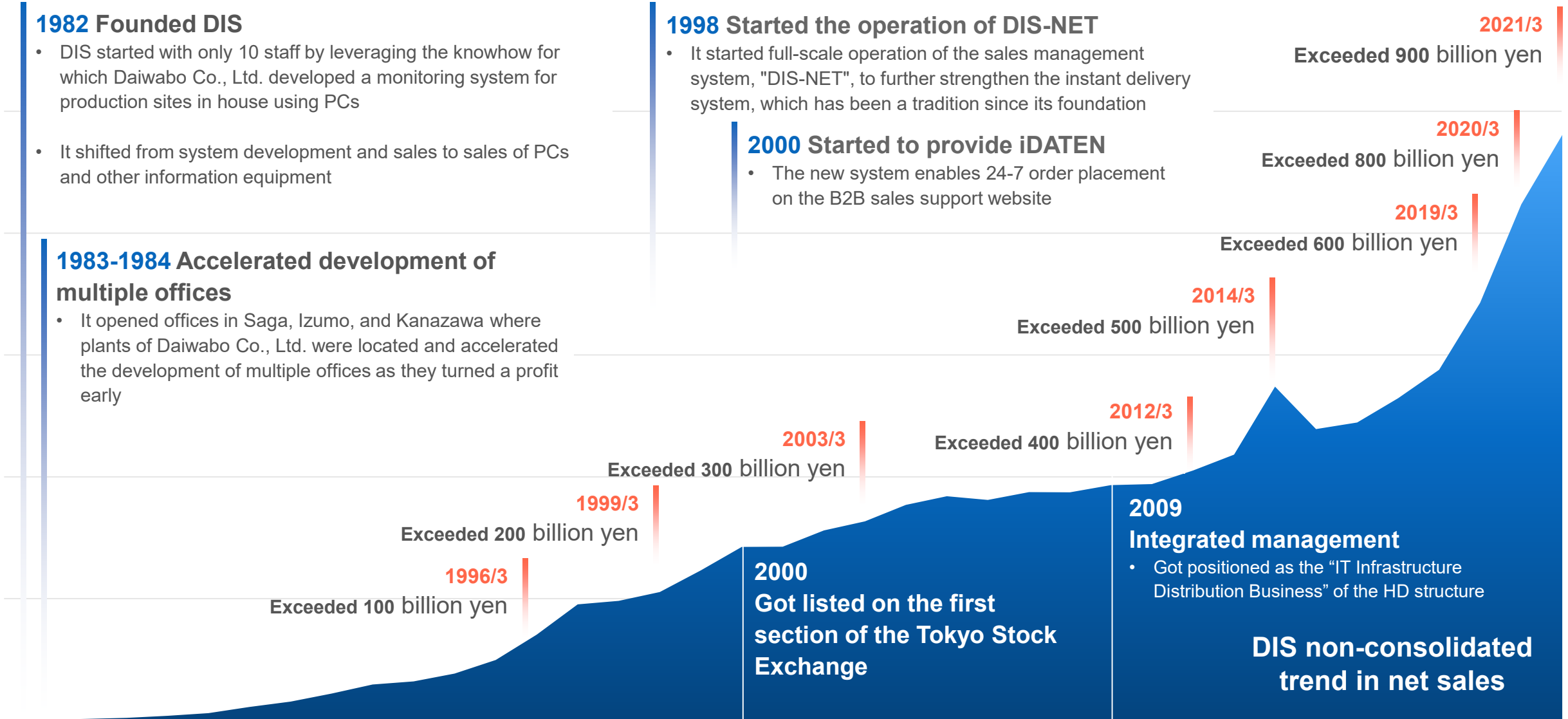
- It started full-scale operation of the sales management system, "DIS-NET", to further strengthen the instant delivery system, which has been a tradition since its foundation

2000 Started to provide iDATEN

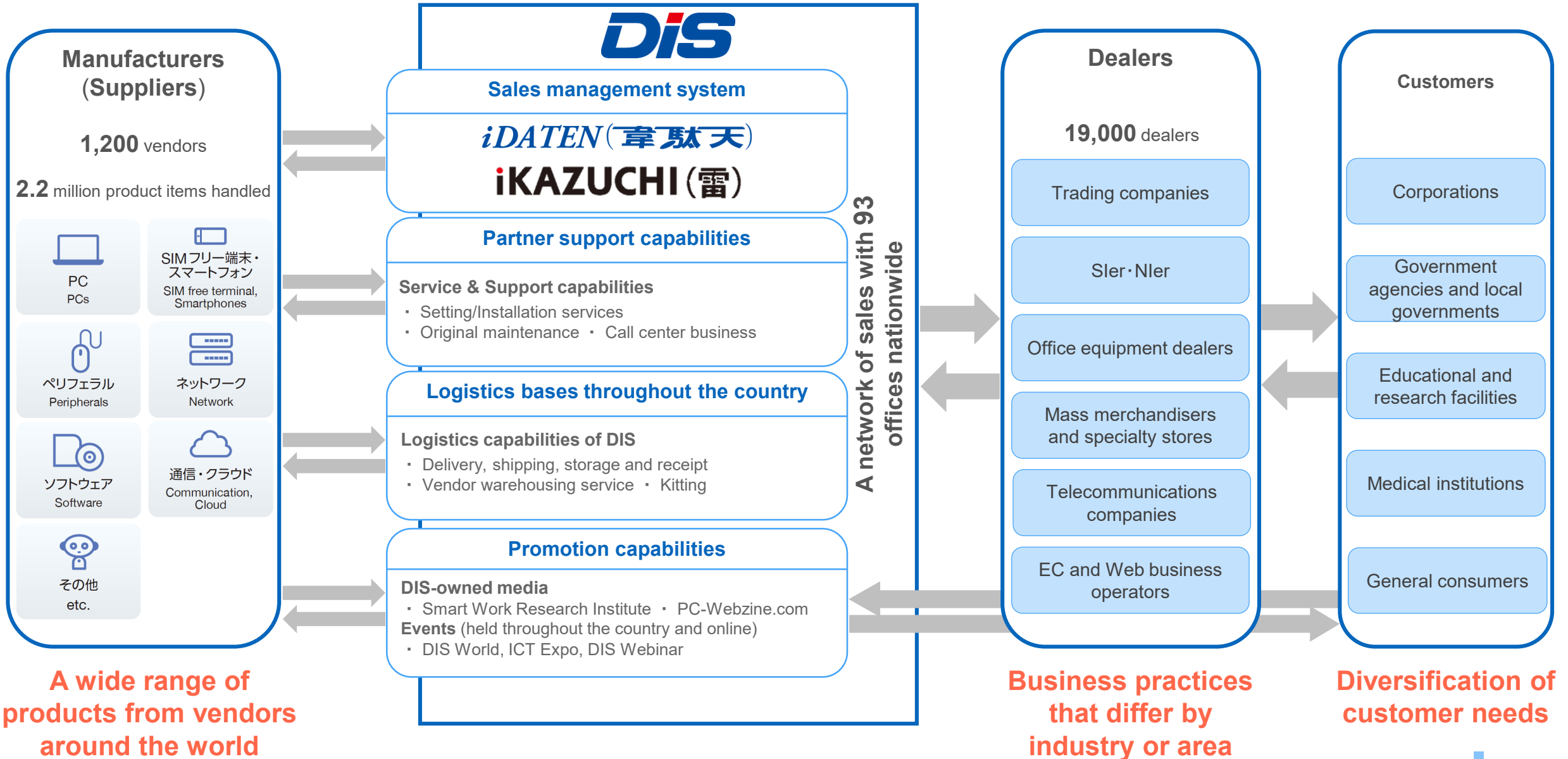
- The new system enables 24-7 order placement on the B2B sales support website

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

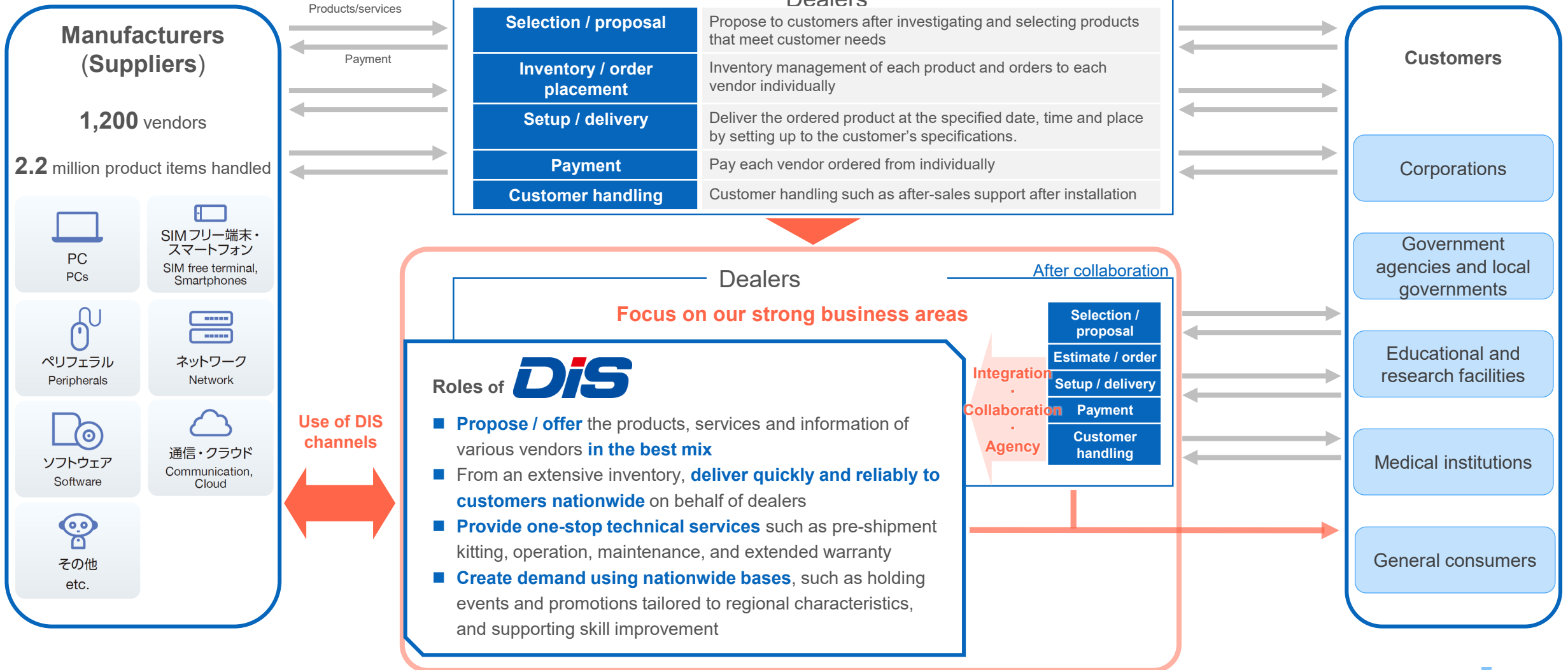


Business Structure of the IT Infrastructure Distribution Business



Value added by distributors

Dealers

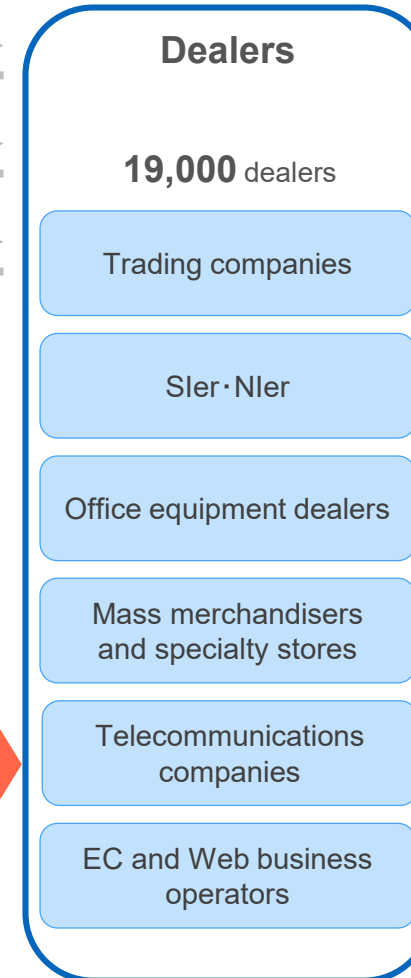
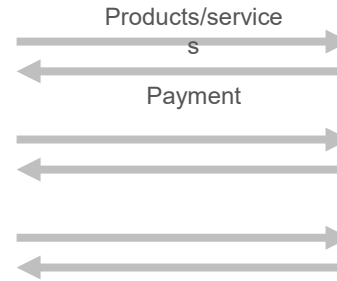


Value added by distributors

Vendors × **DiS**

Before collaboration

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



After collaboration

| | |
|-----------------------------|---|
| Product development | <p>Expand sales channels and improve sales efficiency using DIS as the contact point</p> <p>Integration Collaboration Agency</p> |
| Sales / promotions | |
| Order / production | |
| Inventory / shipment | |
| Billing / collection | |

Roles of **DiS**

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



Streamlining of Distribution Centers

Kansai Center (Kobe City)

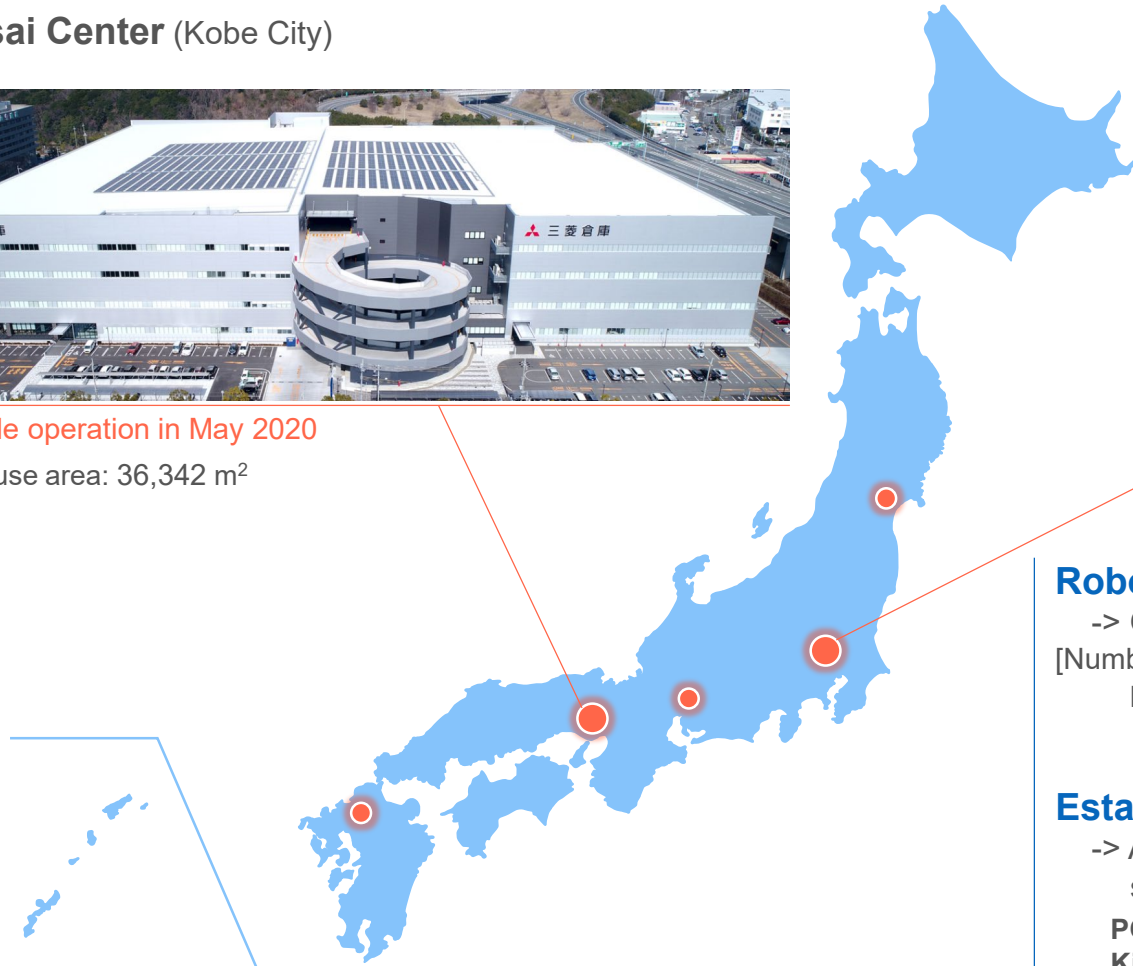


Full-scale operation in May 2020
Warehouse area: 36,342 m²

Kanto Central Center (Yoshimi-machi, Saitama Prefecture)



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



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

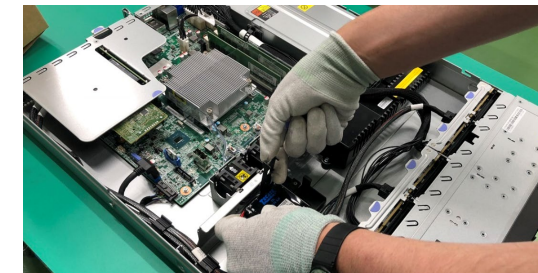
Robot storage system

-> 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
PCs and tablets : **250,000** annually (2020/3)
Kitting results



Truck reservation reception system

-> Sharing of incoming and outgoing information and vehicle equalizing

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 widely 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 used in 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”

Industrial Machinery Business - Product Examples -

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 and has an excellent delivery record around the world. The design, parts and software are all original

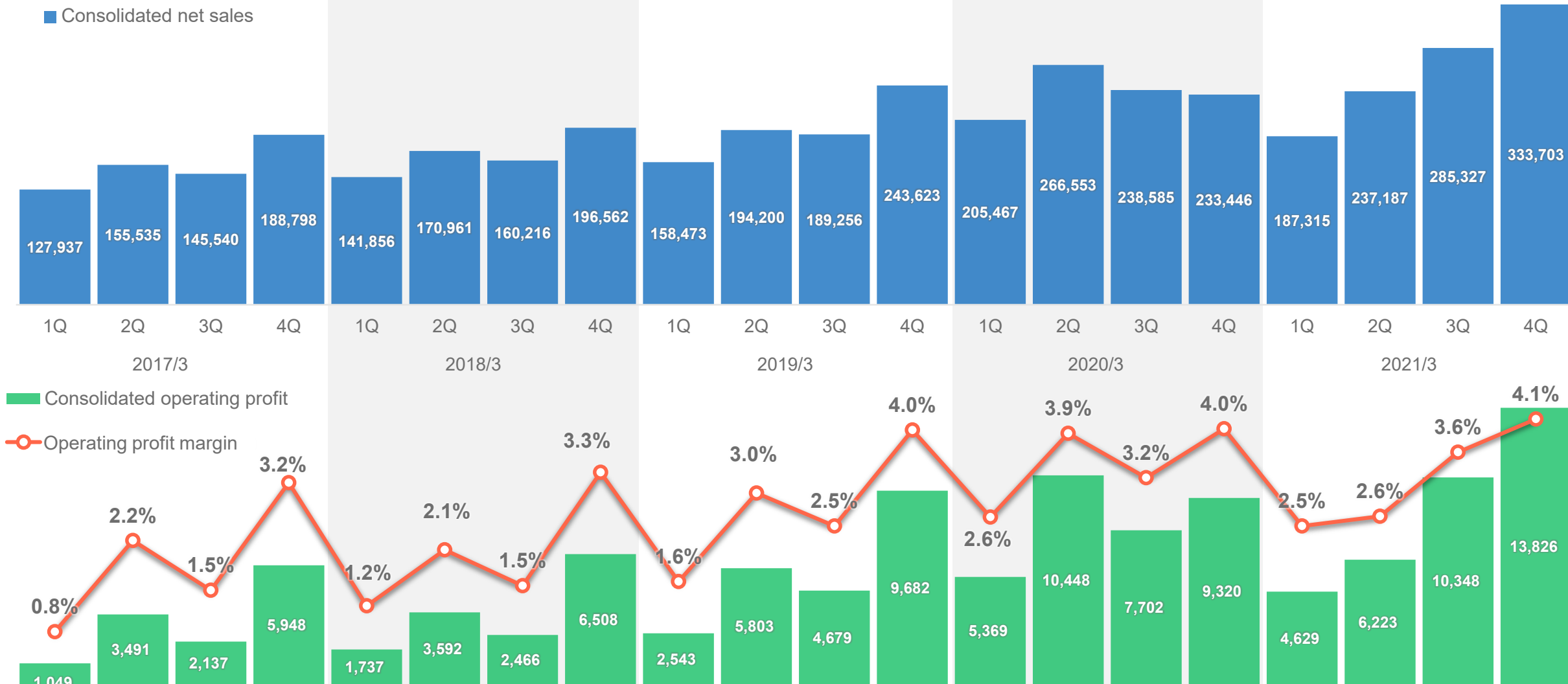
Automatic machinery



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

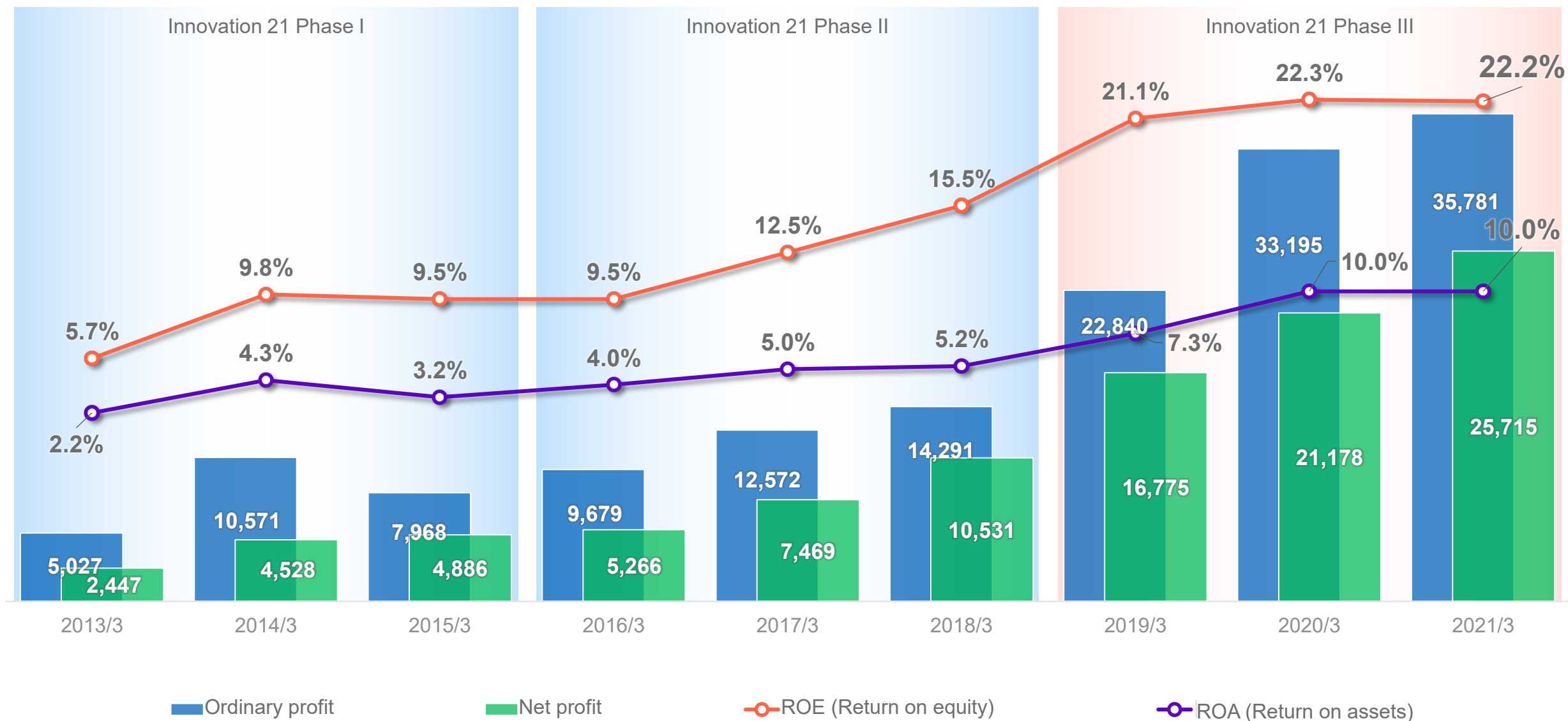
Quarterly Results

(Million yen)



Consolidated Ordinary Profit and Consolidated Net Profit

(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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