



Brief of (Consolidated) Settlement of Accounts (Based on Japanese standards) for the 3rd Quarter of Business Year 2022 Ending in March 2023

February 8, 2023

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Planned Submission Date of the quarterly report: February 13, 2023

Planned Payment startup Date of Dividends -

Support Documentation to be made available : Yes

Explanatory Meeting to be held : No

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

1. Consolidated performance for the 3rd quarter of business year 2022 (April 1, 2022 - December 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Quarterly profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
3rd quarter of the business year ending March 2023	637,610	18.3	17,774	19.5	18,209	20.9	12,398	18.3
3rd quarter of the business year ended March 2022	539,068	-	14,877	-29.8	15,066	-30.3	10,478	-36.0

(Note) Comprehensive income 3rd quarter of the business year ending March 2023 10,224 million yen (-3.2%)

3rd quarter of the business year ended March 2022 10,557 million yen (-38.0%)

	Quarterly net profit per share		Quarterly fully diluted EPS	
	yen sen		yen sen	
3rd quarter of the business year ending March 2023	131.67		-	
3rd quarter of the business year ended March 2022	109.78		-	

(Note) The company has been applying the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., from the start of the previous first quarter consolidated accounting period and the figures related to the third quarter of the business year ended March 2022 are those calculated following application of the accounting standard, etc. Further, because application of this standard, etc., has caused a large impact on net sales, the change in net sales against the same quarter of the previous year is not given for the third quarter of the business year ended March 2022. The change calculated assuming said accounting standards, etc., were applied to the term ended March 2021 would be a decrease of 18.4%.

(2) Consolidated financial status

	Collective assets		Net assets		Capital adequacy ratio	
	million yen		million yen		%	
3rd quarter of the business year ending March 2023	390,845		137,695		35.0	
BY2021	356,203		136,173		38.0	

(Reference) Net 3rd quarter of the business year ending March 2023 Business year ended March 2022

worth equity capital 136,710 million yen 135,255 million yen

2. Dividend status

	Annual dividend				
	At the end of 1st quarter	At the end of 2nd quarter	At the end of 3rd quarter	At the end of BY	Total
	yen sen				
BY2021	-	30.00	-	30.00	60.00
BY2022	-	30.00	-		
BY2022 (forecast)				32.00	62.00

(Note) Revision of most-recently announced dividend forecast: Yes

3. Estimated consolidated performance for business year 2022 (April 1, 2022 - March 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
Full-term	880,000	15.2	27,500	14.3	27,900	13.6	19,000	11.8	201.77

(Note) Revision of most-recently announced results forecast: Yes

* Comments

- (1) Important subsidiary movement during this quarterly cumulative consolidated accounting term (movement within subsidiaries affecting the overall consolidation size) : Nil
- (2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements : Nil
- (3) Modification of accounting policy, accounting estimate change, and restated modification
- [1] Modification of accounting policy required by a change or changes made to accounting standards : Yes
- [2] Modification of accounting policy required by any cause other than the foregoing [1] : Nil
- [3] Accounting estimate change : Nil
- [4] Restated modification : Nil
- (Note) For details, please see "2. Quarterly consolidated financial statements and significant notes (3) Notes on the quarterly consolidated financial statements (Modification of accounting policy)" on page 8 of the attached materials.

(4) Number of outstanding shares (of common stock)

[1] Number of outstanding shares (including treasury stock) at the end of BY	BY2022 3Q	96,356,460 shares	BY2021	96,356,460 shares
	BY2022 3Q	2,892,435 shares	BY2021	1,253,110 shares
[2] Number of treasury stock at the end of BY	BY2022 3Q	94,165,501 shares	BY2021 3Q	95,455,545 shares
[3] Average number of shares during the period (quarterly cumulative)				

(Note) The number of treasury stock includes shares in the company held in the "BIP trust account for officers' remuneration."

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

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

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

○ Contents of attached materials

1. Qualitative information on the quarterly settlement of accounts	2
(1) Explanation of operating results	2
(2) Explanation of financial situation	2
(3) Explanation of future forecast information such as consolidated results forecasts	2
2. Quarterly consolidated financial statements and significant notes	3
(1) Quarterly consolidated balance sheet.....	3
(2) Quarterly consolidated profit statement and quarterly consolidated statement of comprehensive income	5
(Quarterly consolidated profit statement)	5
(3rd quarter consolidated cumulative period)	5
(Quarterly consolidated statement of comprehensive income)	6
(3rd quarter consolidated cumulative period)	6
(3) Notes on the quarterly consolidated financial statements	7
(Notes on the going concern assumption).....	7
(Notes on substantial changes in the amount of shareholders' equity).....	7
(Modification of accounting policy)	7
(Additional information).....	7
(Segment information, etc.)	8

1. Qualitative information on the quarterly settlement of accounts

(1) Explanation of operating results

Although the Japanese economy experienced a moderate economic recovery due to the gradual normalization of economic activities during the third quarter consolidated cumulative period, the economic outlook continues to be uncertain, including the continuation of sudden fluctuations in foreign exchange, and soaring raw material and energy costs.

In such circumstances, the group apprehends the period subject to the Medium-Term Management Plan that we started from the 111th term (the fiscal year ended March 2022 to the fiscal year ending March 2024) as “A turning point anticipating development into the future,” and raise “The creation of next generation growth drivers,” “Contributions to the creation of a new society as a leading company” and “Reform of management foundations” as the group’s basic policies. We will work on the improvement of corporate value based on our growth strategy aimed at the next era and the implementation of social contributions through business.

Results for the third consolidated cumulative period saw net sales of 637,610 million yen (up 18.3% compared to the same period of the previous term), operating profit of 17,774 million yen (up 19.5% compared to the same period of the previous term) and ordinary profit of 18,209 million yen (up 20.9% compared to the same period of the previous term). In addition, we recorded 26 million yen as a gain on sale of fixed assets, 25 million yen as a gain on sale of investment securities, and 6 million yen under others as extraordinary profits, and 44 million yen as a loss on disposal of fixed assets as extraordinary losses, while quarterly profit attributable to owners of parent finished at 12,398 million yen (up 18.3% compared to the same period of the previous term).

Segment results were as follows.

(IT Infrastructure Distribution Business)

In the corporate market, we took all possible measures against COVID-19 at our sales offices nationwide and promoted community-based sales combining face-to-face and telework activities flexibly. Although business was impacted by increased purchasing costs due to the weak yen, delays in deliveries due to semiconductor shortages are gradually being resolved, and we were able to acquire orders stably for large-scale projects for companies as well as for government agencies and the education sector, so results were better than last year, centered on PCs and network equipment. In addition, the number of contracts for subscription products through the subscription management portal site “iKAZUCHI” increased, and cloud services centered on software performed well. In the education market, demand for terminals for students at high schools and for teachers at elementary and junior high schools trended strongly.

In the consumer market, EC sales struggled, but overall results were higher than the previous year due to increased sales of PCs and new products to mass retailers.

As a result of the above, the net sales of this business were 582,817 million yen (up 20.1% compared to the same period of the previous term) and operating profit was 16,270 million yen (up 25.3% compared to the same period of the previous term).

(Fiber Business)

In the Synthetic Fibers and Rayon Divisions, sales were firm due to an increase in exports of synthetic cotton due to the impact of the weak yen and the adoption of flame-retardant rayon materials in various Asian countries, but the divisions were forced to struggle in terms of profit under the impact of cost increases due to soaring raw material and fuel prices. In Industrial Material Division, sales improved due to strong orders for construction sheets under the impact of vigorous construction demand. In Clothing Products Division, although domestic apparel orders increased, profit declined due to a slowdown in sales to the United States and higher costs.

As a result of the above, the net sales of this business were 45,713 million yen (up 5.2% compared to the same period of the previous term) and operating profit was 786 million yen (down 43.6% compared to the same period of the previous term).

(Industrial Machinery Business)

In Machine Tools Division, in addition to the energy industry, where there is demand for wind power generation and efficient gas turbines, and the semiconductor industry, which has increased production due to the global shortage of semiconductors, sales increased in a wide range of industries, including construction equipment and medical devices. Orders are booming, due partly to the continuation of demand for wind power generation in the Chinese market. In Automatic Machinery Division, unit shipments decreased compared to the same period of the previous year.

As a result of the above, the net sales of this business were 8,527 million yen (up 8.9% compared to the same period of the previous term) and operating profit was 603 million yen (up 70.4% compared to the same period of the previous term).

(2) Explanation of financial situation

Total assets at the end of the third consolidated cumulative period increased by 34,641 million yen compared to the end of the previous consolidated business year to 390,845 million yen due to increases in notes and accounts receivable, merchandise and products. In addition, liabilities increased by 33,119 million yen compared to the end of the previous consolidated business year to 253,150 million yen due to increases in notes and accounts payable. Net assets increased by 1,521 million yen compared to the end of the previous consolidated business year to 137,695 million yen due to an increase in retained earnings.

(3) Explanation of future forecast information such as consolidated results forecasts

The consolidated results forecasts for the business year ending March 2023 have been revised from the consolidated results forecasts announced on May 12, 2022. For details, please refer to “Notice Concerning a Revision of the Full-year Results Forecasts and a Revision of the Dividend Forecast (Dividend Increase)” announced today (February 8, 2023).

2. Quarterly consolidated financial statements and significant notes

(1) Quarterly consolidated balance sheet

(Unit: million yen)

	Previous consolidated business year (March 31, 2022)	3rd quarter of the current consolidated business year (December 31, 2022)
Assets		
Current assets		
Cash and deposits	46,963	49,817
Notes and accounts receivable	202,408	216,630
Goods and products	38,478	52,983
Work in progress	3,053	3,584
Raw materials and supplies	2,059	2,116
Others	11,467	12,462
Allowance for doubtful accounts	-297	-151
Total current assets	304,134	337,442
Fixed assets		
Property, plant and equipment		
Land	18,385	18,460
Others (net)	19,886	19,738
Total property, plant and equipment	38,272	38,198
Intangible fixed assets		
Others	2,462	2,165
Total intangible fixed assets	2,462	2,165
Investments and other assets		
Others	11,460	13,100
Allowance for doubtful accounts	-126	-61
Total investments and other assets	11,333	13,038
Total fixed assets	52,068	53,402
Total assets	356,203	390,845

(Unit: million yen)

	Previous consolidated business year (March 31, 2022)	3rd quarter of the current consolidated business year (December 31, 2022)
Liabilities		
Current liabilities		
Notes payable and accounts payable	161,859	187,907
Short-term loans payable	12,589	14,954
Accrued corporate tax, etc.	727	2,231
Allowance for bonuses	2,476	1,349
Other allowances	324	246
Others	13,587	16,881
Total current liabilities	191,564	223,568
Non-current liabilities		
Long-term loans payable	14,895	11,989
Retirement benefit liabilities	6,677	10,571
Others	6,893	7,020
Total fixed liabilities	28,465	29,581
Total liabilities	220,030	253,150
Net assets		
Shareholders' equity		
Capital	21,696	21,696
Capital surplus	7,937	7,951
Retained earnings	106,053	112,788
Treasury stock	-2,123	-5,137
Total shareholders' equity	133,564	137,298
Accumulated other comprehensive income		
Other valuation difference on securities	1,499	1,630
Deferred hedge gain or loss	325	-461
Exchange translation adjustment account	-748	296
Accumulated adjustments related to retirement benefits	615	-2,053
Total accumulated other comprehensive income	1,691	-588
Non-controlling interests	917	984
Total net assets	136,173	137,695
Total liabilities and net assets	356,203	390,845

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

(Unit: million yen)

	Previous 3rd quarter consolidated cumulative period (From April 1, 2021 to December 31, 2021)	Current 3rd quarter consolidated cumulative period (From April 1, 2022 to December 31, 2022)
Net sales	539,068	637,610
Cost of sales	494,385	588,699
Gross profit	44,682	48,910
Selling, general and administrative expenses	29,805	31,136
Operating profit	14,877	17,774
Non-operating income		
Interest income	16	27
Dividend income	143	162
Sales support funding	210	239
Investment gain on equity method	27	113
Others	188	207
Total non-operating income	585	750
Non-operating expenses		
Interest paid	125	118
Others	271	197
Total non-operating expenses	397	316
Ordinary profit	15,066	18,209
Extraordinary profit		
Gain on sale of fixed assets	-	26
Gain on sale of investment securities	319	25
Others	23	6
Total extraordinary profit	342	58
Extraordinary loss		
Loss on disposal of fixed assets	40	44
Others	11	-
Total extraordinary loss	51	44
Quarterly net income before income taxes, etc.	15,357	18,223
Corporate tax, inhabitant tax and business tax	3,072	5,291
Corporate tax adjustment amount	1,789	506
Total corporate tax, etc.	4,861	5,797
Quarterly net profit	10,496	12,425
Quarterly profit attributable to non-controlling interests	17	27
Quarterly profit attributable to owners of parent	10,478	12,398

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

(Unit: million yen)

	Previous 3rd quarter consolidated cumulative period (From April 1, 2021 to December 31, 2021)	Current 3rd quarter consolidated cumulative period (From April 1, 2022 to December 31, 2022)
Quarterly net profit	10,496	12,425
Other comprehensive income		
Other valuation difference on securities	-215	128
Deferred hedge gain or loss	-111	-787
Exchange translation adjustment account	380	1,003
Adjustments related to retirement benefits	-41	-2,668
Share of other comprehensive income of entities accounted for using equity method	48	123
Total other comprehensive income	61	-2,201
Quarterly comprehensive income	10,557	10,224
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	10,503	10,118
Quarterly comprehensive income attributable to non-controlling interests	54	106

(3) Notes on the quarterly consolidated financial statements

(Notes on the going concern assumption)

Not applicable

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

The company acquired 1,639,000 shares of treasury stock based on a resolution of the meeting of the Board of Directors held on May 12, 2022. In addition, in association with contributions to the Performance-Linked Share-Based Remuneration Plan, the company disposed of 116,400 shares of treasury stock on December 1, 2022 based on a resolution of the meeting of the Board of Directors held on November 9, 2022. Due to this acquisition, etc., capital surplus increased by 13 million yen and treasury stock increased by 3,013 million yen during the current 3rd quarter consolidated cumulative period to finish at 7,951 million yen and 5,137 million yen respectively at the end of the current third quarter consolidated cumulative period.

(Modification of accounting policy)

(Application of the application policy of the Accounting Standard, etc., in regard to the calculation of market prices)

The company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as "Implementation Guidance") from the start of the 1st quarter consolidated accounting period, and will apply the new accounting policy established in the Implementation Guidance in accordance with the transitional handling established in Article 27-2 of the Implementation Guidance into the future. It should be noted that there will be no impact on the quarterly consolidated financial statements as a result.

(Additional information)

(Estimate in accounting terms of the impact of the expansion of COVID-19 infections)

There are no significant changes to assumptions including the time COVID-19 infections will be brought under control stated in the securities report for the previous business year in the current 3rd quarter consolidated cumulative period.

(Revision of the Retirement Allowance Regulations, etc.)

The meeting of the Board of Directors held on March 17, 2022 resolved to make partial revisions to the Retirement Allowance Regulations and Defined Benefit Corporate Pension Plan Regulations of Daiwabo Information Systems Co., Ltd., and DIS Service & Solution Co., Ltd., consolidated subsidiaries of the company, and these came into effect on October 1, 2022. Retirement allowance obligations will increase by 3,949 million yen in association with the revision of these systems. This increase in retirement allowance obligations falls under past service costs so the costs will be amortized over five years using the straight-line method in accordance with the accounting policies established by the two companies.

(Segment information, etc.)

[Segment information]

I Previous 3rd quarter consolidated cumulative period (from April 1, 2021 to December 31, 2021)

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

(Unit: million yen)

	Reporting segments				Others (Note) 1	Total	Adjustment (Note) 2	Amount recorded on quarterly consolidated profit statement (Note) 3
	IT Infrastructure Distribution Business	Fiber Business	Industrial Machinery Business	Total				
Net sales								
Net sales to external customers	485,355	43,446	7,827	536,629	2,439	539,068	-	539,068
Internal sales or transfers between segments	183	167	-	350	801	1,152	-1,152	-
Total	485,538	43,613	7,827	536,979	3,240	540,220	-1,152	539,068
Segment profit	12,981	1,394	354	14,729	144	14,874	3	14,877

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

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

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

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

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

(Unit: million yen)

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

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

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

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