

# Fiscal Year Ended March 2021 Financial Results Materials

May 13, 2021



**Daiwabo Holdings Co.,Ltd.**

(Stock code: 3107)

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

I am Nishimura, CEO of Daiwabo Holdings. I would like to explain about the financial results for the fiscal year ended March 2021 and the new medium-term management plan.

- 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

This is the flow of explanation today.

## 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><b>Cultivation of awareness of compliance and reform of corporate culture</b></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"> <li>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.</li> <li>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.</li> </ul>
<p><b>Strengthening of internal controls at Group companies</b></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"> <li>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.</li> <li>We are controlling applications, approvals and the recording of sales in Sales Division other than by the rules with the work system.</li> <li>We are improving the frequency of inventory verification and confirmation methods and reviewing suppliers.</li> </ul>
<p><b>Restructuring of the Group governance structure</b></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"> <li>Implementation of personnel rotations within the Group and the strengthening of management functions</li> <li>The Risk Management Regulations have been renewed and separate manuals prepared by the Risk Management Committee.</li> <li>Management of the state of implementation of compliance by each Group company by the Compliance Committee</li> <li>Strengthening of cooperation among the Internal Audit Divisions of the holding company and operating companies</li> </ul>

First of all, I would like to apologize for causing you concerns about the inappropriate transaction at our subsidiary that we announced about in September last year. We are making group-wide efforts to prevent recurrence. We have 3 important initiatives of "Awareness of compliance / reform of corporate culture", "enhancement of internal control" and "rebuilding of the group governance structure" and are making progress.

# Daiwabo Holdings Co., Ltd.



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

Daiwabo Holdings is a group of companies with 3 businesses. Sales of Daiwabo Information System, a trading company specialized in IT related devices accounts for more than 90%. Therefore, please recognize us as specialized IT trading company, Daiwabo Holdings.

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

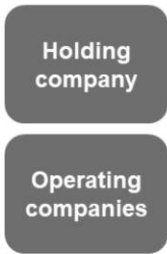
### 2020.4.1

- 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

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



### Clarification of each company's responsibility and authority



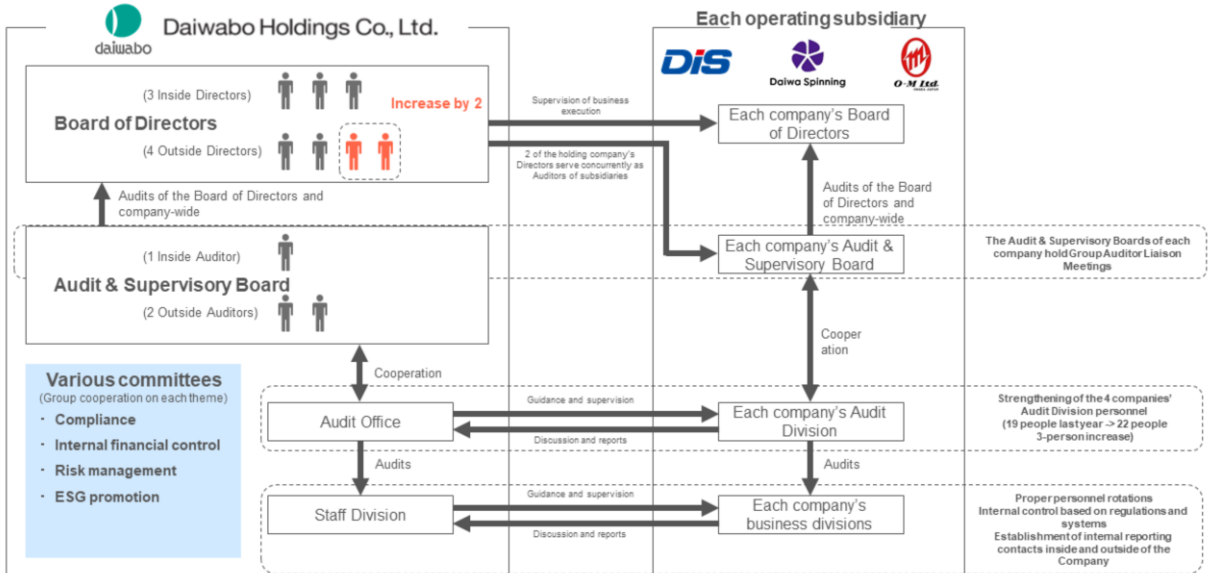
- Holding company**
- Formulation of Group strategy
  - Optimal allocation of Group management resources
  - Supervision of Group business execution

- Operating companies**
- Quick strategic decisions
  - Promotion of strong business execution

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

We reviewed our group management structure significantly in April 2020. By making the responsibilities and authorities of each company clear, the 3 companies of Daiwabo Information System, Daiwabo Co and O-M are able to facilitate making prompt strategic decisions with strong business execution as the core of each of the businesses. Daiwabo Holdings will strengthen its supervisory function, for example by formulating group strategies from a broader perspective.

# Group Internal Audit Structure (Scheduled for after the Ordinary General Meeting of Shareholders in June 2021)



Now, I would like to explain about the internal audit structure of the group. Assuming it will be approved at the regular general meeting of shareholders to be held in June, the governance structure will be enhanced with 2 more outside directors. We will realize a mechanism where a misconduct will never occur again with enhanced internal audit structure.

## Settlement of Accounts for the Fiscal Year Ended March 2021

Now, I would like to report about the financial results of 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.

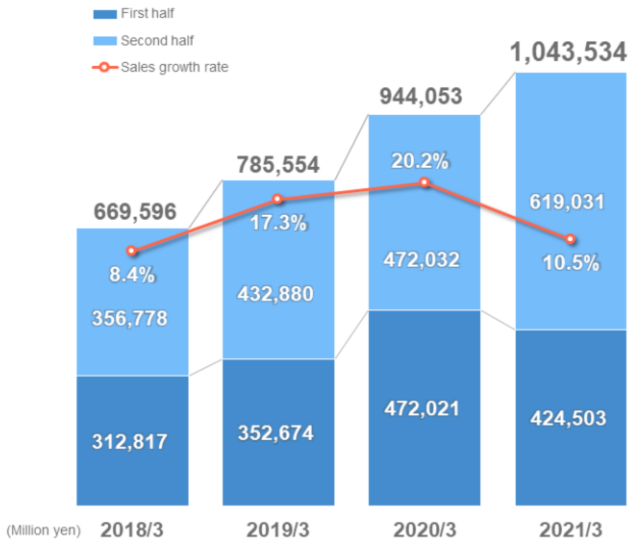
**Industrial Machinery  
Business**

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.

The business environment changed very much because of COVID-19 this fiscal year. Against such a backdrop, we were able to rightly capture demand in IT infrastructure distribution business, enabling us to achieve record high sales of 1 trillion yen for the first time since our founding.



## Cumulative Net Sales for the Fiscal Year Ended March 2021



+ **10.5%** compared to previous term

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

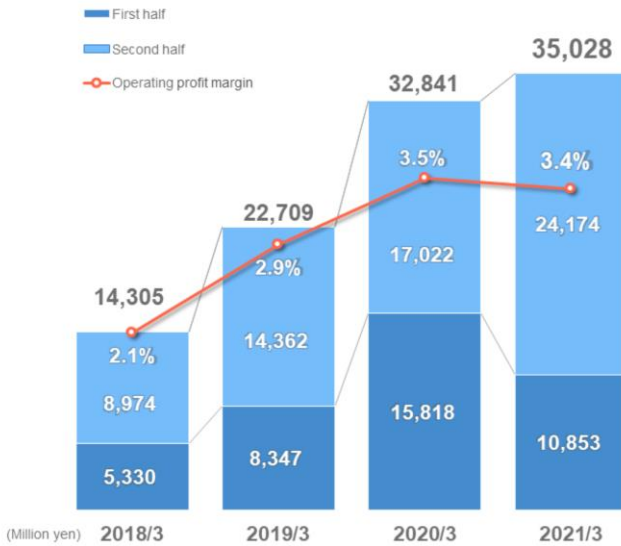
▶ 3-year average growth rate **+15.9%**

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

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

This slide shows the changes in net sales. Net sales for this fiscal year achieved 1 trillion 43.5 billion yen, year on year increase of 10.5%. We were able to maintain high growth rate of 15.9% for 3 year average as well. We renewed our record high sales for 4 consecutive years.

## 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

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This is a slide on operating profit. It increased substantially in the 2nd half, and as a result, operating profit for the full year increased to 35 billion yen, a 6.7% increase year on year. 35 billion yen is a record high and this is the 5th consecutive year that we renewed our record highs. 3-year average growth rate was 34.8%, operating profit ratio was 3.4% and we grew very much in terms of profitability as well.

## 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
<b>Net sales</b>	944,053	<b>1,043,534</b>	+99,480	+10.5%	1,020,000	+2.3%
<b>Operating profit</b>	32,841	<b>35,028</b>	+2,186	+6.7%	32,000	+9.5%
<b>Ordinary profit</b>	33,195	<b>35,781</b>	+2,586	+7.8%	32,000	+11.8%
<b>Profit attributable to owners of parent</b>	21,178	<b>25,715</b>	+4,536	+21.4%	23,000	+11.8%
Basic earnings per share (yen)	220.27	267.47				

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

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Both actual consolidated sales and operating profits exceeded last year. ROE was 22.2%, maintaining a high level continuing from last fiscal year.

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



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

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

This slide shows the consolidated financial summary and the cash flow.

## Operating Results by Segment for the Fiscal Year Ended March 2021

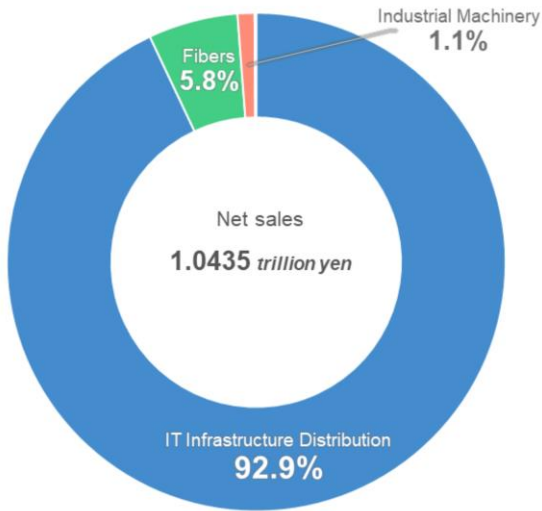


(Million yen)		2020/3	2021/3	Change	Compared to previous term
<b>Net sales</b>	IT Infrastructure Distribution	857,008	<b>969,748</b>	+112,739	+13.2%
	Fibers	72,180	<b>61,033</b>	(11,147)	(15.4%)
	Industrial Machinery	12,988	<b>11,582</b>	(1,405)	(10.8%)
	Others	1,875	<b>1,169</b>	(705)	(37.6%)
	<b>Total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

\* 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.

This is a slide that shows the results by segment.

## Segment Mix



### Percentage of net sales

	2020/3	2021/3
IT Infrastructure Distribution	90.8%	<b>92.9%</b>
Fibers	7.6%	<b>5.8%</b>
Industrial Machinery	1.4%	<b>1.1%</b>

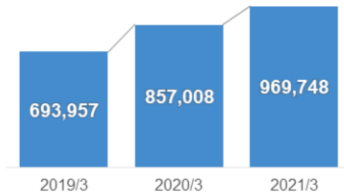
### Percentage of operating profit

	2020/3	2021/3
IT Infrastructure Distribution	85.7%	<b>94.9%</b>
Fibers	11.8%	<b>3.9%</b>
Industrial Machinery	2.3%	<b>1.5%</b>

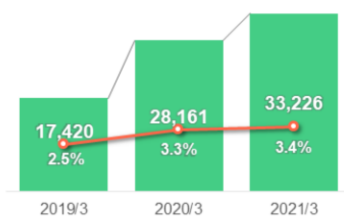
Segment composition ratio is as shown. The ratio of IT infrastructure distribution business for net sales and operating profits increased year on year.

## 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	<ul style="list-style-type: none"> <li>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.</li> <li>Subscription-based business orders through iKAZUCHI, centered on cloud services, increased.</li> <li>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.</li> </ul>
Retail Market	<ul style="list-style-type: none"> <li>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.</li> </ul>

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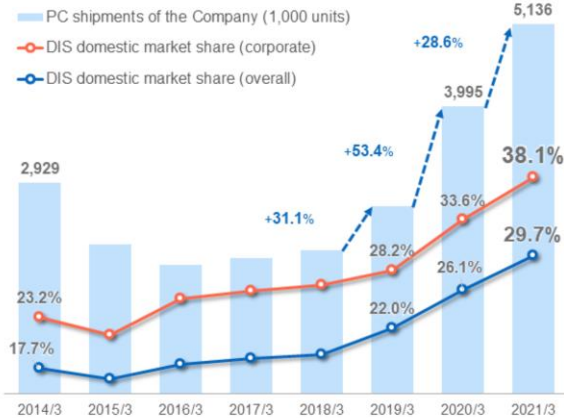
Please take a look at the actual results for this fiscal year and the 3 year trend by business.

I would like to start with IT infrastructure distribution business. In the corporate market, despite concerns about a decline in demand due to downward reaction to high replacement demand of Windows 7 in the previous fiscal year and a decrease in IT related spending triggered by COVID-19, as a result of promoting a combination of face to face and online sales activities focusing on local communities, we were able to capture IT needs driven by new normal ways of working and saw increased orders in subscription type services and teleworking related products. Sales also expanded nationwide in education market improving its ICT environment.

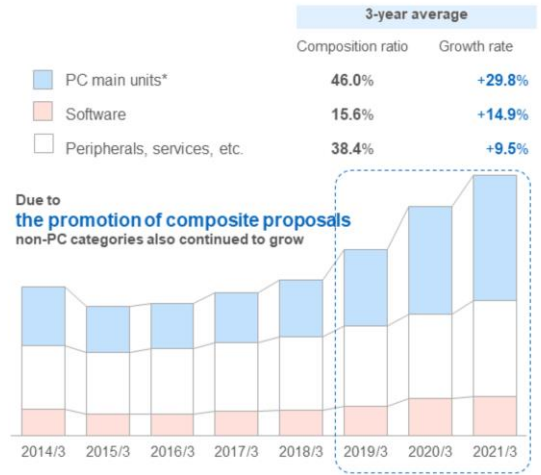
In retail market, we secured and promoted E-commerce related products, leading to expansion of sales of PC, LCD monitors and peripheral devices. As for one of our most important indicators, PC shipment volume, we were able to ship 5.13 million units, 28.6% increase year on year.

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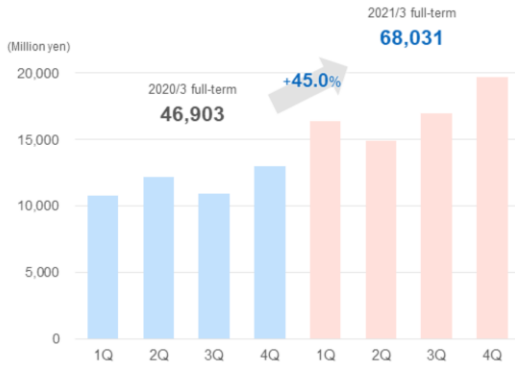
\*PC main units = the main terminal unit of a PC, server, tablet, smartphone, etc.

This is a slide on our market share in number of PCs shipped in Japan and our sales trend by category. Our total PC share grew significantly to 29.7%. We were able to achieve a very high share of 38.1% especially in the corporate market. This is because there was shortage of supply with increased note PC demand and we were able to exert our strength, namely the capability to procure, as a multi-vendor. Looking back at the past 3 years, it is for sure that PC sales drove our strong results, but other categories like software, peripheral devices, service & support, etc. also grew steadily.



# Results for Subscription Business

## Subscription net sales (DIS only)



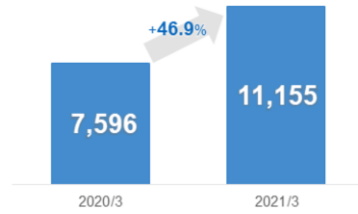
### Subscription

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



### Number of supported vendor services

38 vendors	65 vendors
77 services (2020/3)	142 services (2021/3)

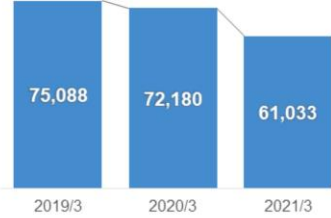
Expand the subscription business market and strengthen the "foundations" of ongoing revenue



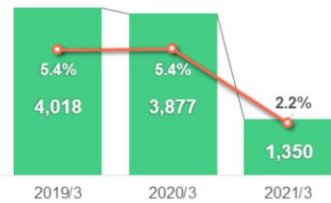
This is a slide on changes in sales of subscription business at Daiwabo Information System. Net sales achieved 68 billion yen in fiscal year ended March 2021, an increase of 45% year on year. Sales through iKAZUCHI also increased to 11.1 billion yen, 46.9% year on year increase. We were able to grow the number of vendors and the service menu, etc. significantly.

# Fiber Business

(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

<b>Synthetic Fibers and Rayon Divisions</b>	■ Although the difficult environment for cosmetics-related and clothing-related products continues, sales of sterilization-related products and rayon cotton for nonwoven fiber increased.
<b>Industrial Material Division</b>	■ Orders for heavy fabric products such as tents and canvas stagnated due to the suspension of various events and a decrease in construction work.
<b>Clothing Products Division</b>	■ Sales of functional antiviral products were strong, but casual clothing struggled.

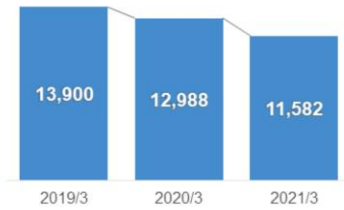
Next, is about the Fiber Business. We saw a significant increase in sales of disinfection related products and rayon for non-woven cloth in Synthetic Fibers and Rayon Divisions.

In Industrial Material Division, orders for heavy fabric products such as tents and canvas stagnated due to cancellation of various events and decrease in construction work.

In Clothing Products Division, sales of antiviral related functional products were strong but casual clothing sales continued to face challenges because people refrained from going outside. In addition, segment profit decreased significantly because of the impact of the inappropriate transaction. We will make sure to recover trust as soon as possible and rebuild a stable business structure.

## Industrial Machinery Business

(Million yen)



**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.

In Industrial Machinery Business, both Machine Tools Division and Automatic Machinery Division were hard hit by the novel COVID-19 pandemic. Companies were cautious in making capital investments and with restraints on sales activities, orders were sluggish.

# [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.

For your reference, we have the impact of COVID-19 on each business. We will leverage our strength as an independent multi-vendor, especially in IT Infrastructure Distribution Business, to deal with the foreseeable risks flexibly.

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

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

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Here, I would like to touch on the Balance Sheet. With the expansion of transaction volume at DIS, both notes and accounts receivable and notes payable and accounts payable increased significantly. We are also steadily paying back our borrowings to strengthen our financial base.

## 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		
<b>Net sales</b>	944,053		<b>1,043,534</b>		+99,480	+10.5%
Gross profit	81,476	8.6%	<b>81,851</b>	7.8%		
Selling, general and administrative expenses	48,634	5.2%	<b>46,823</b>	4.5%		
<b>Operating profit</b>	32,841	3.5%	<b>35,028</b>	3.4%	+2,186	+6.7%
<b>Ordinary profit</b>	33,195	3.5%	<b>35,781</b>	3.4%	+2,586	+7.8%
Extraordinary profit	137		<b>1,468</b>			
Extraordinary loss	2,308		<b>996</b>			
<b>Profit attributable to owners of parent</b>	21,178	2.2%	<b>25,715</b>	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)

I would also like to touch on our P&L. Net profit increased by 21.4% year on year to 25.7 billion yen. Out of the extraordinary profit of 1.4 billion yen, we posted 600 million yen of compensation received. This is a compensation from the Chinese government requesting us to relocate our Fiber Business Plant in Suzhou as they will be redeveloping that land. That is all for the financial results.

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

From here on, I would like to explain about our full year business outlook.

## 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		
<b>Net sales</b>	1,043,534		<b>820,000</b>		(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%)
<b>Operating profit</b>	35,028	3.4%	<b>28,500</b>	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%
<b>Ordinary profit</b>	35,781	3.4%	<b>28,500</b>	3.5%	(7,281)	(20.4%)
Profit attributable to owners of parent	25,715	2.5%	<b>18,500</b>	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.

In IT Infrastructure Distribution Business last fiscal year, demand for terminals surged thanks to penetration of teleworking and GIGA School concept in education market. Especially in education market, other than 1 terminal for each student at elementary and junior high schools throughout Japan, establishing ICT environment including network and software progressed rapidly, and this contributed to sales of more than 200 billion yen. On the other hand, we expect to see a downward demand reflecting the strong terminal demand until last fiscal year.

Also, as Accounting Standards for Revenue Recognition will be applied, posting of some of the transactions will change and that is incorporated in our forecast.



## 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.

(Approximate values: billion yen)		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		35.0	28.5	(6.5) (18.6%)
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.

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### < 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)



This slide describes the Accounting Standards for Revenue Recognition which will be applied starting April. Mainly in IT Infrastructure Distribution Business, some of the transactions will be recognized as agent transaction in accounting, therefore posting of net sales will be changed from the total amount to net amount.

# Shareholder Return

## 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

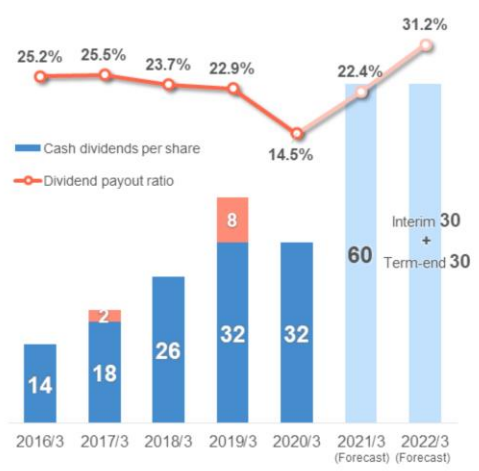
We implemented a **stock split** of five shares per share on April 1, 2021.

## 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.

Now, I would like to talk about shareholder returns. The dividend for this fiscal year will be 300 yen per share, an increase of 140 yen year on year. As of April 1st, we performed a 5 for 1 stock split, and if we take this split into consideration, then the dividend will be 60 yen per share.

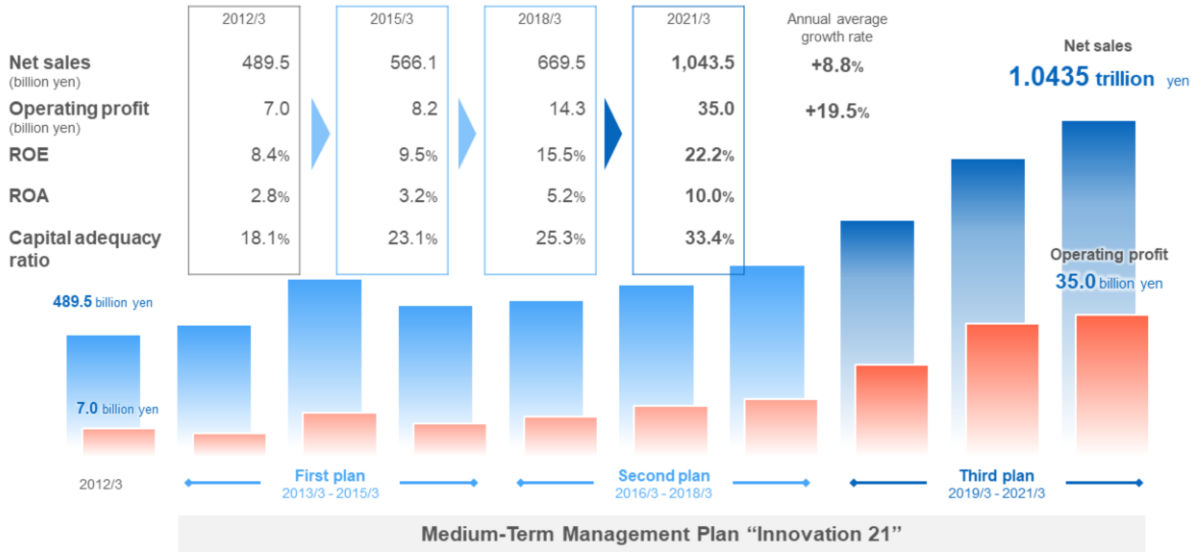
In order to enrich the opportunities for return on profits, we are planning to distribute interim dividends starting in the fiscal year ending March 2022. Our forecast is 30 yen interim dividend and 30 yen year-end dividend, a total of 60 yen dividends in a year.

We also disclose our share buybacks at the same time as our financial results briefing. We will enrich shareholder returns appropriately along with stable dividend payments.

## Medium-Term Management Plan

Next, I would like to explain about our newly formulated medium-term management plan.

## Looking Back on Medium-Term Management Plans



First, I would like to review the last medium-term management plan. We achieved record high sales and operating profits capturing a surge in demand amidst the sea change in the business environment. We are steadily expanding our business with CAGR of 8.8% for net sales and 19.5% for operating profits since the fiscal year ended March 2012. Business indicators like ROE, ROA, capital adequacy ratio also improved significantly.

# 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**

At the same time, challenges for our group have also become clear. In IT Infrastructure Distribution Business, achieving sustainable growth is a case in point. We were able to grow our sales very much because of the demand for Windows replacement, teleworking and GIGA School Concept, all brought forward. It is hard for us to avoid the backlash coming from these front-loaded demand. We need to think about how to formulate the new growth story reflecting the expected IT market expansion over the mid-to-long term with the tailwind of DX promotion including replacement demand.

As for Fiber Business and Industrial Machinery Business, because the businesses are in a challenging environment now, we need to review our management system and enhance our profitability. We need to live up to the expectations of all stakeholders by formulating and implementing corporate strategies that will lead to further enhancement of our corporate value. Against such a backdrop, we positioned this medium-term management plan period as “*the transition phase for the developed of our future*”.

We will take on the challenges to transform the business model, and contribute to solving social issues through our business from the perspective of ESG. We will also make efforts to maximize personnel value since it is the people who will be creating 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**

We have the group basic policies described here.

## 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

1st is the “*creation of the growth driver for the next generation.*” Our group was able to make a big leap in the past decade, and now we need to have a growth driver that will support the coming decade. To transform from the conventional type of business, we will be selecting and concentrating our business areas and explore untapped areas. We will also continue to develop original products and services at the same time as starting to consider new M&A strategies.

Also, we will capture new trends represented by digital shift and DX as opportunities, and grow our business. Some of such examples are 5G, AI and online usage. We will try to incorporate them as a part of our business and at the same time, be proactive in utilizing them.

In our core business of IT Infrastructure Distribution Business, on top of the conventional on premise business, we will expand the subscription business further to establish our presence as a cloud distributor. We will make efforts to expand our business in growth areas such as local government systems shifting to cloud with acceleration expected by the establishment of 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

The 2nd is “*contribution to creating a new society as a leading company.*” The 3 group companies operate B to B businesses, and all of them will make efforts to create markets utilizing partnerships. Through enhancements of services and solutions, we will reinforce trust relationship. Services and solutions are common themes throughout all our businesses, so we will make efforts to offer the best customer experience by enriching the menus and implementing sales support functions. And we will aim to expand our businesses through contribution to solutions to social issues. From the perspective of SDGs, we will take initiatives to accelerate ICT usage in education market, improve healthcare environment, improve productivity at all kinds of sites, disaster prevention and disaster mitigation, and product developed kind to the environment.



### 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

The 3rd is the “*transformation of management foundation.*” In order to improve capital efficiency through appropriate allocation of cash flow, we will make investments for growth, enrich shareholder returns and reinforce soundness of the financial base. Also for organizational cultural reform to support talent developed, we will make strategic investments in proactively hiring and educating, training personnel at the same time as hiring personnel coordinating amongst the group and provide a fulfilling work environment.

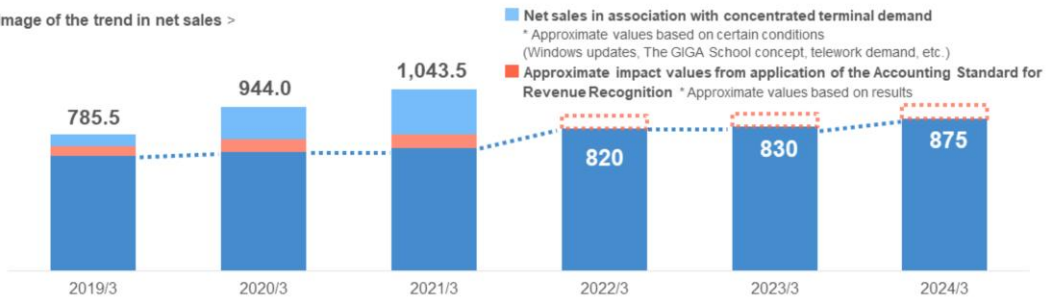
Also, to enhance effectiveness of corporate governance, we will continue to make sure that compliance will be followed and reinforce internal control of the operational processes.

## New Medium-Term Management Plan - Revenue Indicators

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

-> Application of the Accounting Standard for Revenue Recognition

< Image of the trend in net sales >



This is a slide on 3 year profit indicators. For the last fiscal year ending March 2024, we are planning net sales of 875 billion yen, operating profit of 31.4 billion yen and operating profit ratio of 3.6%. In addition to the decrease after high concentration of demand for terminals, there is an impact from the change in accounting standards related to revenue recognition and as a result, our net sales will fall temporarily but we will lead to new growth by growing sales of the foundation part excluding these factors.

**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)

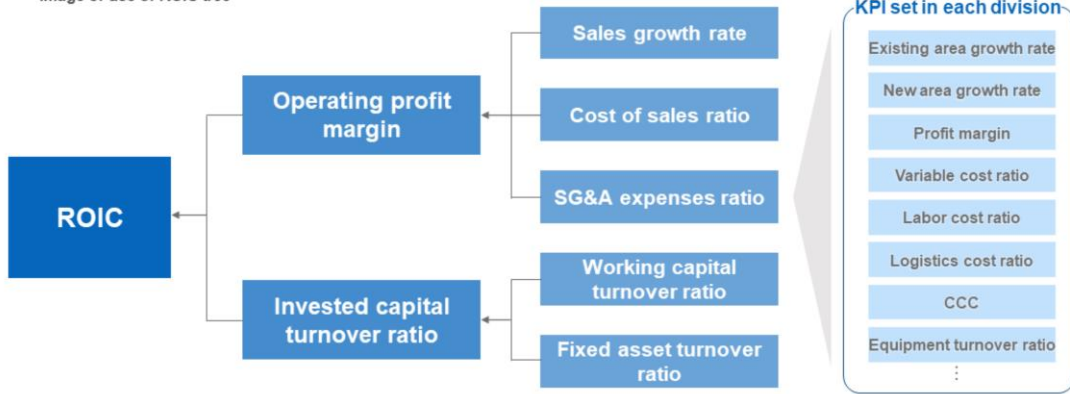
**Sustainable  
improvement  
of corporate  
value**

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

There will be two 3 year group business indicators. One is ROE of 14% or more, and the other is ROIC to maintain 11-12% level for the 3 years. We will realize sustainable improvement of corporate value by managing our business focusing on capital efficiency.

## 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.

I believe the process to achieve target ROIC is the most important. This is a ROIC tree. We will set KPIs for each operating companies and monitor improvements based on the concrete action plans. By having each business keeping hurdle rates in mind, we will be able to create corporate value as a group.

## 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
We will make a <b>stable dividend of 60 yen per share (including interim dividends)</b> our basic policy and also consider dividend increases matched to our cash situation.	We will <b>invest in equipment</b> towards the sustainable growth of existing business and implement <b>marketing, R&amp;D and the hiring of human resources</b> .	We will start to consider <b>business partnerships and M&amp;A to nurture new business pillars</b> , centered on DX-related areas where market growth is expected.	We will consider the <b>flexible acquisition of treasury stock</b> in accordance with the market environment.	<b>Securing of liquidity on hand</b> in readiness for fund demand in association with strategic product procurement in IT Infrastructure Distribution Business and unforeseen circumstances

Next is cash allocation policy based on the financial strategy. With the stable dividend policy of 60 yen per share including interim dividends, we will review increase in dividends depending on the cash status. For the growth investments in existing areas, we will make capital investments, investments in marketing, R&D, and proactive hiring. For growth investments in new areas, we will start to consider business alliances and M&As to develop new business pillars centering around DX where we expect to see market growth. If there are excess cash after these initiatives, we will consider share buyback flexibly, looking at the market environment.

## Business Strategy - IT Infrastructure Distribution Business



(billion yen)

### Acquisition of share in each category in IT device distribution

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

### Implementation and strengthening of high-level support functions

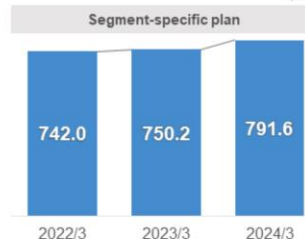
- Implementation of technical and proposal capabilities in response to various needs such as NW toughening
- Creation of new business driving force based on the development of a group of high quality engineers

### Branding as a cloud distributor

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

### Productivity improvements in the supply chain as a whole

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



■ Net sales ■ Operating profit ■ Operating profit margin



Now, I would like to explain about the strategy for each business. Let me start with IT Infrastructure Distribution Business. Acquiring market share of IT device distribution is the foundation of our existing business and we will continue to focus on this. In utilizing IT, devices such as PCs are essential and by making sure that we secure the core part of the business, we will be able to enhance our advantage in IT related businesses.

And in order to create a new market, we will establish our branding as cloud distributor by implementing advanced support functions. By providing not only IT devices but also cloud services comprehensively in the world shifting to cloud, we will be assuming the role to support our partners' IT business overall. We will also continue to improve our productivity. Through improvements in sales efficiency and enhancements of the platform, we will realize productivity improvements not only for ourselves but also for our sales partners.

## Efforts Aimed at Education Business



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

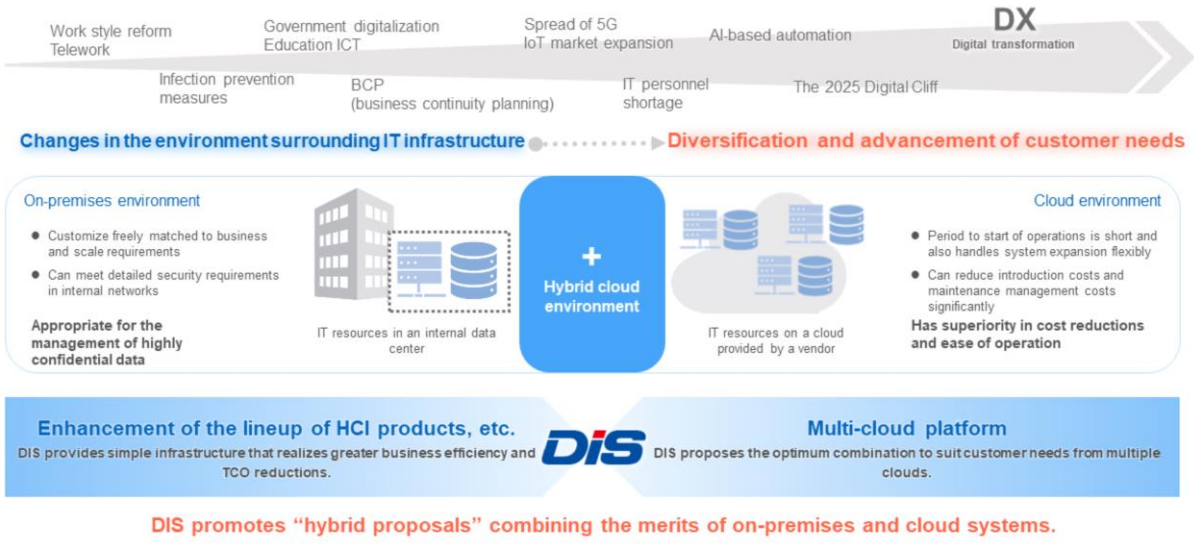


We contribute widely to the education ICT sector, which will develop long-term.

- > 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.)

From here on, I would like to explain the important points. Let me start with the education business initiatives. Leveraging the long experience of DIS in education ICT, we are exerting our advantages in education business. We deliver to educational institutions through our dealers in each area. DIS is providing one-stop added value through its strength of procurement capabilities not biased towards any specific manufacturers or OS, and also of its inventory, as well as being able to make combined proposals including peripheral devices, software, and kitting. DIS has a track record of generating more than 200 billion yen of sales related to GIGA School concept and the number of local governments served were roughly 1,400, which drove the growth for the fiscal year ended March 2021 significantly. We do not believe this is a one-off contribution but is a major opportunity to continue to contribute broadly to education ICT that is expected to grow over the long-term. There are increasing trends of 1 terminal per student in high schools and demand for digital text books and remote classes are increasing. We will serve the expanding market including continuing demand related to terminals delivered in the previous fiscal year.

# IT Infrastructure in the New Normal Era



Next, I would like to talk about the changes in IT infrastructure. The importance of IT infrastructure is increasing with technological innovations such as 5G and AI, and digitization is promoted everywhere in addition to COVID related demands. With the diversification and sophistication of user needs, the key is to be able to make optimal proposal that fit the customer needs. Conventionally, our business was mainly on premise, to prepare IT infrastructure, but with shortage of IT resources and IT systems becoming obsolete, we will see an increase in shift to cloud environment. Cloud has an advantage in that the total cost can be reduced or that there is less burden to operate, but for management of highly confidential data, on premise would be more appropriate. Thus, hybrid cloud combining both environments and the benefits of the 2, are attracting attention now. DIS will leverage its strength as a multi-vendor, providing infrastructure that has simple configuration such as HCI products and at the same time, can propose the optimal combination from multiple cloud platforms. Hybrid proposals can be promoted combining the benefits of the 2 by having various options both on premise and on cloud.

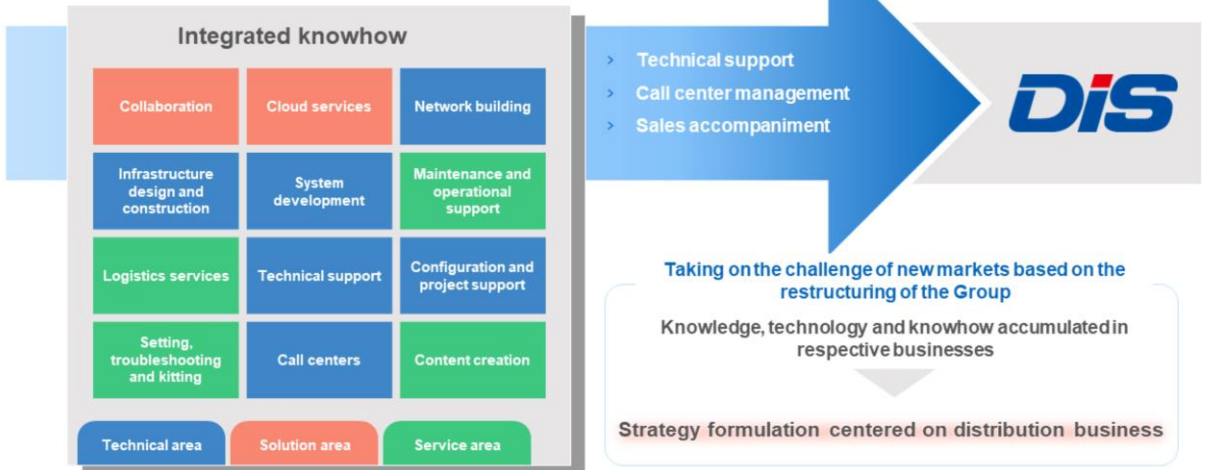


# Implementation of Technical and Proposal Capabilities in Response to Various Needs



April 1, 2021 Established based on the merger of subsidiaries

## DIS Service & Solution Co.,Ltd.



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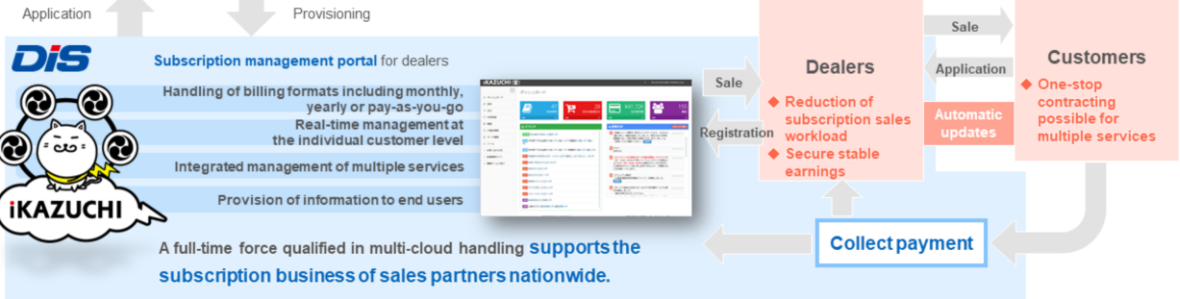
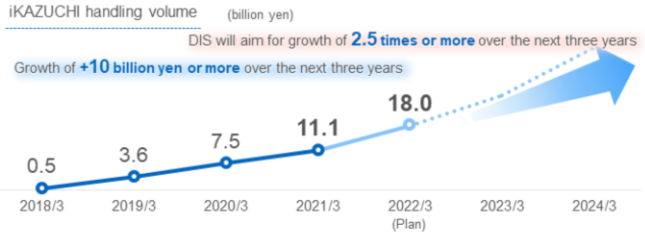
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In order to respond to diversified and complicated IT needs as represented by cloud business, technology and proposal capabilities need to be refined more. To that end, 2 subsidiaries were merged in April. And DIS Service & Solution was established. DIS Group will enhance its technology and take on the challenge of new market by integrating its intelligence / technology / know-how accumulated in the 3 areas of technical, solution and services.

# Expansion of Subscription Business Based on iKAZUCHI

**iKAZUCHI posting service**  
 65 vendors / 142 services  
 (As of March 2021)

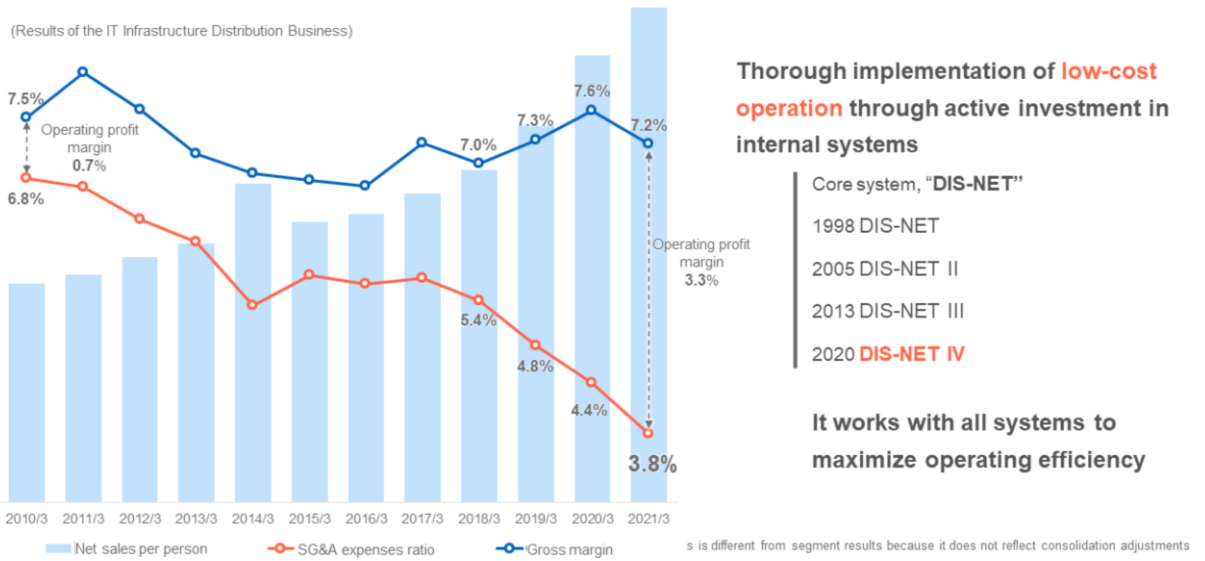
Collaboration	Business infrastructure and system infrastructure
Security and management	Design and creative work
Human resources	Sales and marketing



This is about iKAZUCHI. iKAZUCHI is a free of charge subscription management portal site that DIS offers to its sales partners. We currently have 65 vendors and 142 services offered and various cloud services can be handled on a common platform. By reducing man hours needed for contract management and invoicing, we are providing strong support to subscription business of our sales partners. The transaction value increased by more than 10 billion yen in the past 3 years till last fiscal year and we aim for 2.5 times growth in the coming 3 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

In order for DIS group to grow, full-fledged low cost operation is inevitable. What will drive this is the productivity improvement through enhanced internal systems. For the core system of DIS-NET, we had a major revamp to supplement sales strategies and we will continue to make further improvements.

**Reform into a company satisfying to work at centered on ESG**

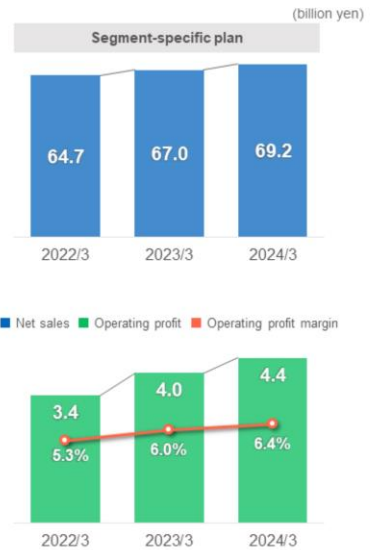
- Prevention of the reoccurrence of fraud based on the promotion of compliance and the strengthening of internal control
- Reduction of CO<sub>2</sub> emissions and implementation of regular environmental audits
- Environmentally friendly-type product development, including biodegradable, biomass and 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



Next is the Fiber Business strategy. We will transform into a company that is fulfilling to work at from the perspective of ESG. We will have strict measures to prevent recurrence of misconduct and enhance governance. For the Environment part of the ESG, we will reduce Co2 emission and roll out products that are environmentally friendly. For the Social part of ESG, we will take initiatives to improve work environment and offer educational trainings.

Next is about Fiber Strategy. By reinforcing R&D structure as a fiber manufacturer, we will focus on development of our unique functional materials and sustainable materials. And we will also review our business activities focusing on invested capital efficiency as a key indicator. Not only should we lead R&D activities to expansion of sales, but we will also take initiatives proactively to consolidate production bases, reduce inventory turnover months as well as perform business reorganization.

(billion yen)

## Business expansion into potential markets in machine tools

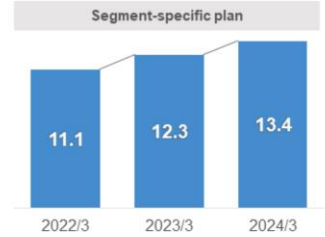
- Handling of changes in the energy industry due to decarbonization
- Acquisition of demand for 5G-related small scale power generation equipment and offshore wind power generation
- Handling of domestic and foreign demand for dedicated railway equipment
- Expansion of proposal-type sales leading to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

## Capture of demand for packaging machine automation in automatic machinery

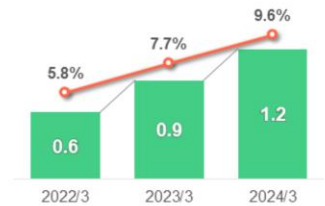
- Quality improvements and cost reductions based on the standardization of automatic supply devices
- Improvement of competitiveness in the market for the Chinese chemical industry
- Participation in new markets such as online shopping and the logistics industry
- Development of new products and new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



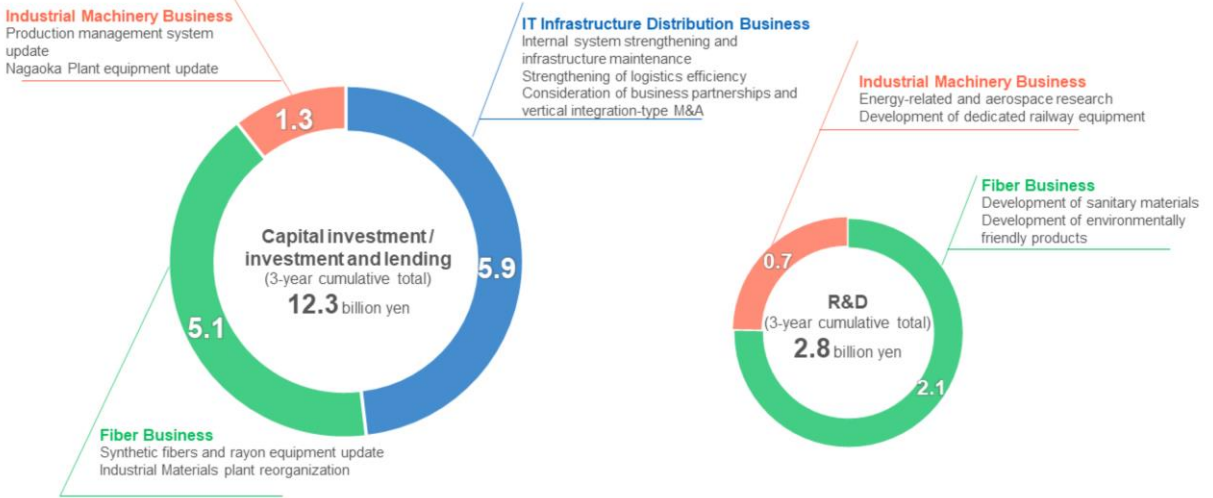
■ Net sales ■ Operating profit ■ Operating profit margin



Next is the business strategy of the Industrial Machinery Business. In Machine Tools, we aim to capture demand for energy sector whose market will convert to carbon-neutral, small electric power facilities related to 5G and offshore wind power generation.

In Automatic Machinery, we will focus on quality improvements and cost reduction, and foray into new markets and develop new products. For Industrial Machinery overall, we will further move ahead with building of the service structure. We plan to increase our service revenue and achieve profit improvements along with customer satisfaction through promotion of proposal sales that fit customer needs and enhancement of employee education.

## Capital Investment, Investment and Lending and R&D



As for investment plans, capital investments and investment and loans for the 3 years in aggregate is planned to be 12.3 billion yen, and R&D to be 2.8 billion yen.

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 CO<sub>2</sub> 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

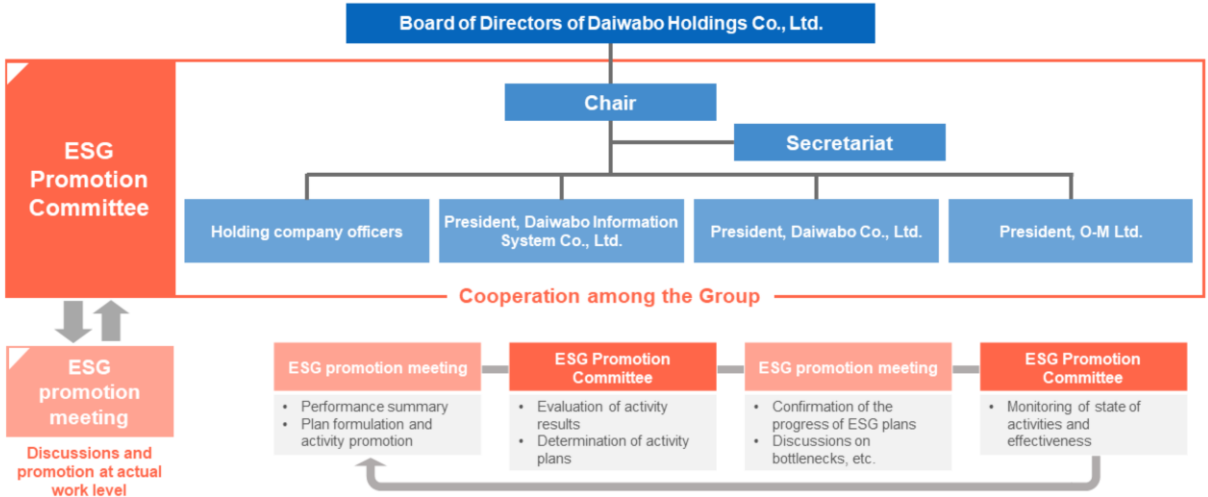
< Expansion of business opportunities >

- 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

Now, I would like to explain about our ESG initiatives. By utilizing creativity / technology / network of each businesses, we will contribute broadly to solving social issues. Our ESG initiatives should not be considered as risks but rather as opportunities. We will set important themes for each one of our initiatives and create an internal culture and be cost conscious as we connect them to business from the perspective of both defense and offence.

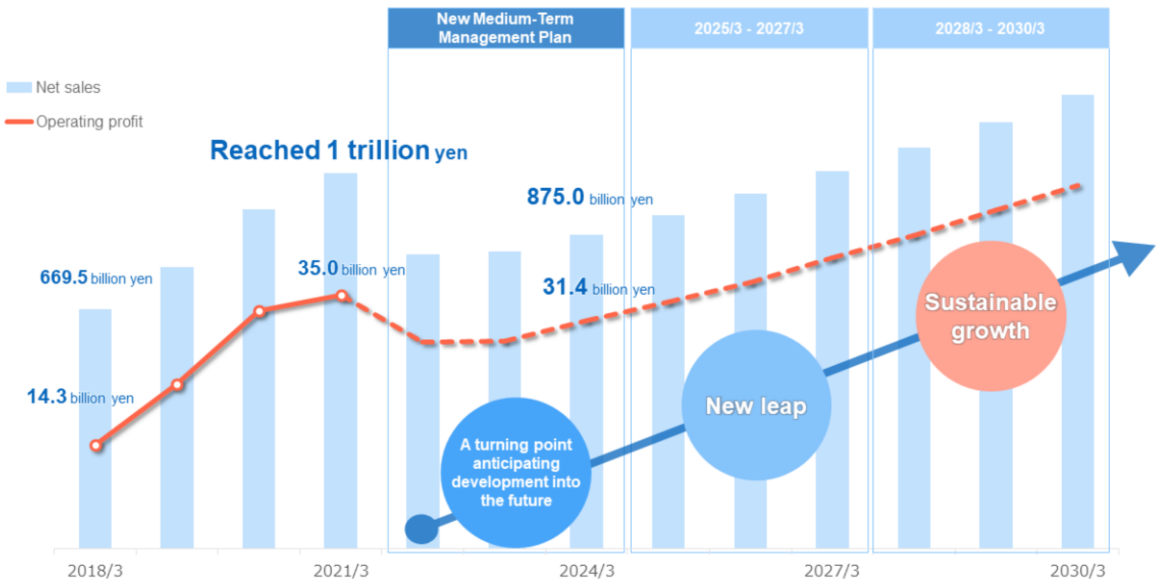
The Group will construct systems that promote ESG together.



At our company, we set up ESG promotion committee in 2020 and are deliberating various challenges collaborating within the group. We will continue to share the activities across the group and enhance our awareness about ESG.



## Medium to Long-Term Growth Image



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And last of all, I would like to share the growth image over the mid-to-long term. The 3 years spanning the medium-term management plan is positioned as *“the transition phase for the development of our future”* leading to the next leap preparing the structure to generate the next growth driver. We will continue to make group-wide efforts to aim to become a company long-trusted by our stakeholders. And I ask for your continuous support. Thank you very much for your attention.

## 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

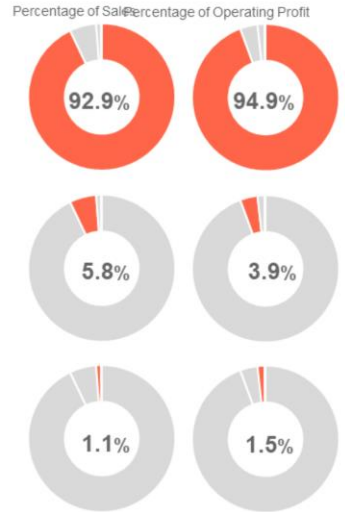
**Industrial Material Division**  
 It offers industrial fiber products such as industrial materials, filter products, civil engineering materials, heavy cloth products and rubber products

**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



(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

## 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

## 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

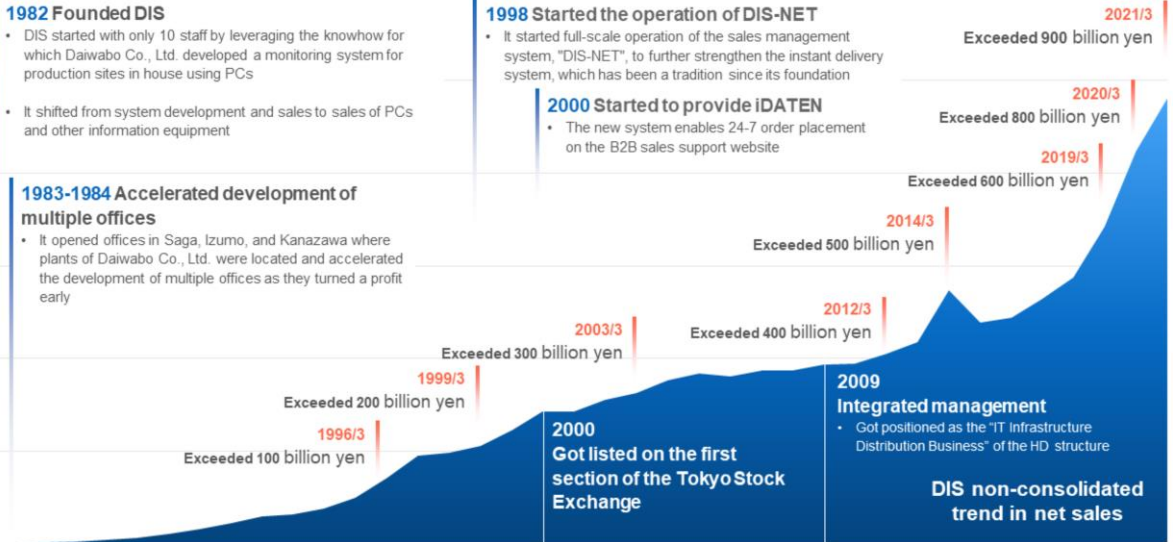
- The new system enables 24-7 order placement on the B2B sales support website

## 2009 Integrated management

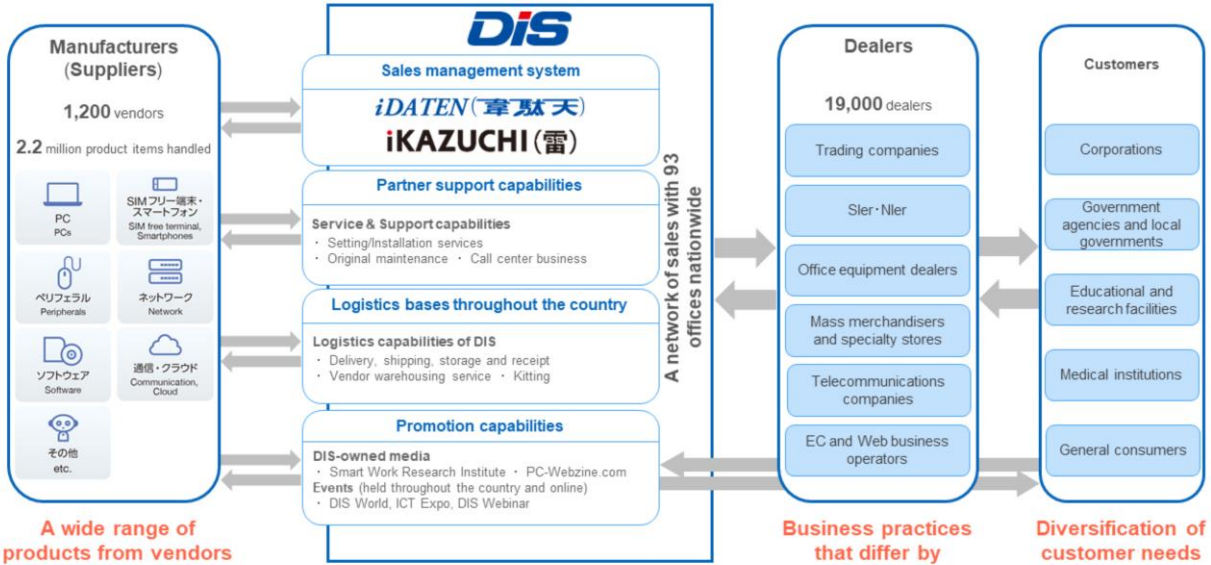
- Got positioned as the "IT Infrastructure Distribution Business" of the HD structure

**2000**  
Got listed on the first section of the Tokyo Stock Exchange

**DIS non-consolidated trend in net sales**



# Business Structure of the IT Infrastructure Distribution Business



# Value added by distributors

Dealers



**Manufacturers (Suppliers)**  
1,200 vendors  
2.2 million product items handled

- PC PCs
- SIMフリー端末・スマートフォン  
SIM free terminal, Smartphones
- ペリフェラル  
Peripherals
- ネットワーク  
Network
- ソフトウェア  
Software
- 通信・クラウド  
Communication, Cloud
- その他  
etc.



Dealers		Before collaboration
Selection / proposal	Propose to customers after investigating and selecting products that meet customer needs	
Inventory / order placement	Inventory management of each product and orders to each vendor individually	
Setup / delivery	Deliver the ordered product at the specified date, time and place by setting up to the customer's specifications.	
Payment	Pay each vendor ordered from individually	
Customer handling	Customer handling such as after-sales support after installation	

Use of DIS channels

**Dealers**  
Focus on our strong business areas

**Roles of DIS**

- Propose / offer the products, services and information of various vendors **in the best mix**
- From an extensive inventory, **deliver quickly and reliably to customers nationwide** on behalf of dealers
- Provide one-stop technical services** such as pre-shipment kitting, operation, maintenance, and extended warranty
- Create demand using nationwide bases**, such as holding events and promotions tailored to regional characteristics, and supporting skill improvement

Integration + Collaboration + Agency

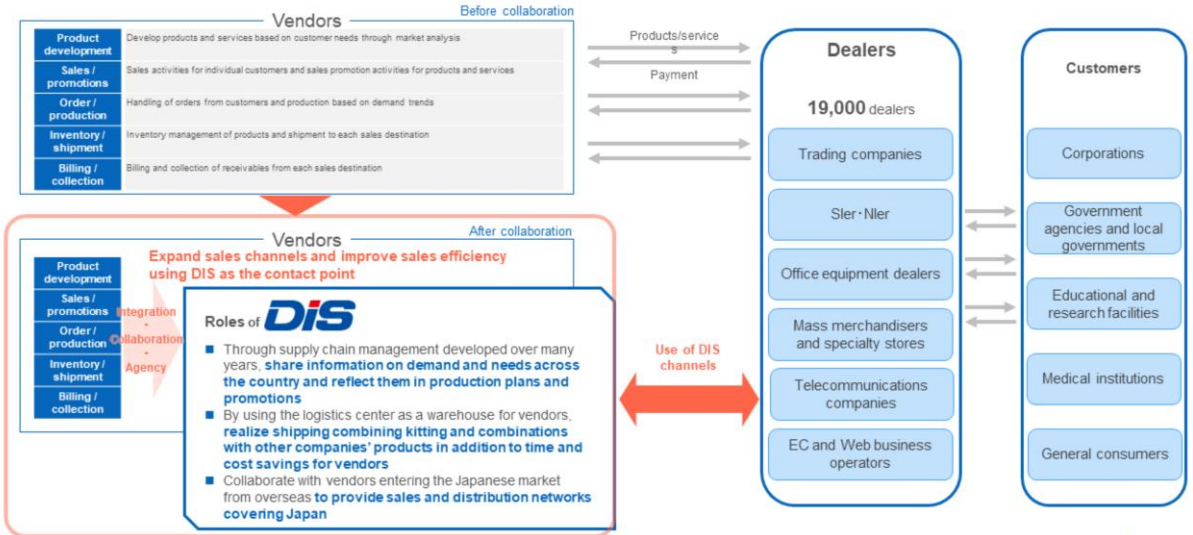
Dealers		After collaboration
Selection / proposal	Estimate / order	
Inventory / order placement	Setup / delivery	
Setup / delivery	Payment	
Payment	Customer handling	

**Customers**

- Corporations
- Government agencies and local governments
- Educational and research facilities
- Medical institutions
- General consumers

# Value added by distributors

Vendors × **DIS**



# Streamlining of Distribution Centers

## Kansai Center (Kobe City)



Full-scale operation in May 2020  
Warehouse area: 36,342 m<sup>2</sup>

## Kanto Central Center (Yoshimi-machi, Saitama Prefecture)



Full-scale operation in June 2016  
Warehouse area: 44,753 m<sup>2</sup>



**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"

## 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

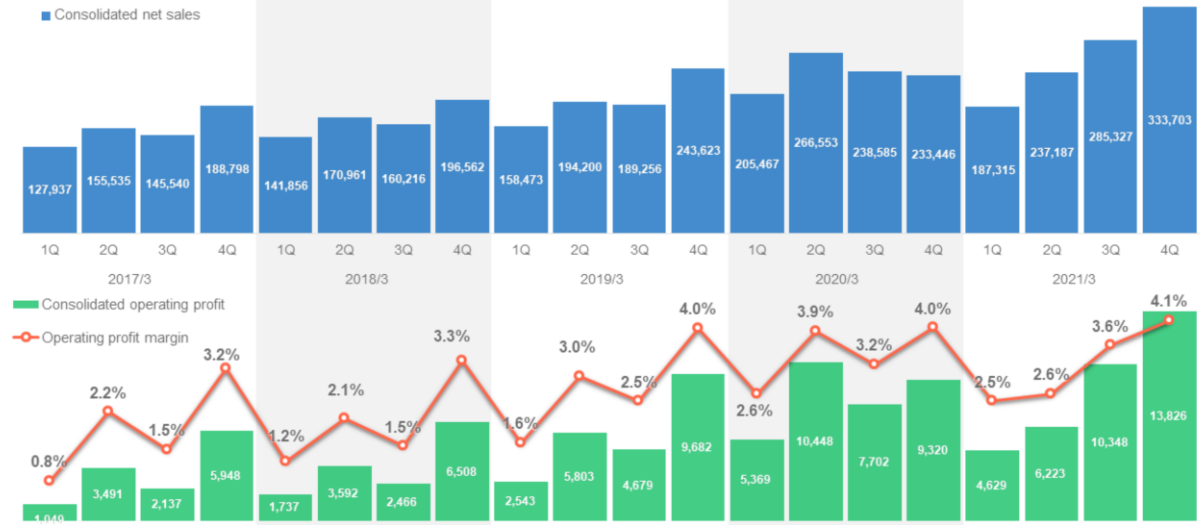


- ❑ We manufacture a wide range of automatic machinery including cartoners (cartoning machine), intermediate packaging machines for stacking and packaging products in film and corrugated cardboard casers (The picture on the left is a horizontal continuous cartoner)
- ❑ The strengths include technologies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

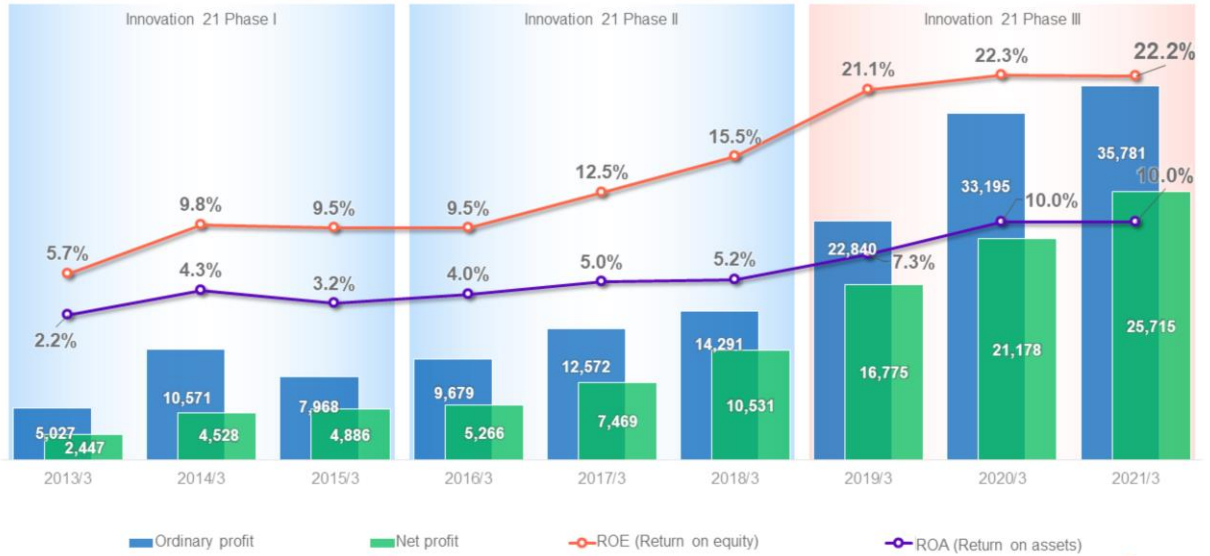


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# Consolidated Ordinary Profit and Consolidated Net Profit



(Million yen)



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**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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