

2nd Quarter of the Fiscal Year Ending March 2021 Financial Results Materials

December 11, 2020



Daiwabo Holdings Co.,Ltd.

(Stock code: **3107**)

- 1. Investigation Report of the Special Investigation Committee**
- 2. Settlement of Accounts for the 2nd Quarter of the Fiscal Year Ending March 2021**
- 3. Business Outlook for the Full Term of the Fiscal Year Ending March 2021**
- 4. IT Infrastructure Distribution Business**

[References]

- Corporate profile
- Charts for Performance Trend

| Investigation Report of the Special Investigation Committee

Investigation Report of the Special Investigation Committee

■ Summary of the investigation results

- A former employee executed fictitious round-trip transactions (*2) across six years from 2014 to 2020 at the former Daiwabo Neu Co., Ltd. (*1), a consolidated subsidiary of the Fiber Business.
 - *1: Daiwabo Co., Ltd., the core company in the Fiber Business, conducted an absorption-type merger in April 2020.
 - *2: The former employee circulated funds by implementing fictitious transactions involving forms alone without any products actually being transferred between multiple companies including Daiwabo Neu Co., Ltd.
- The former employee hid the fact that they were inappropriate transactions by falsifying documents or making false explanations to both Daiwabo Neu Co., Ltd. and the companies involved, and it has not been recognized that Daiwabo Neu Co., Ltd. and the companies involved understood that the transactions were fictitious and circular.

■ Direct effects on the financial results for the 2nd quarter of the fiscal year ending March 2021

- The amounts shown on the right have been reflected under Fiber Business in the segment information for the fiscal year under review.
- The financial results for past fiscal years have not been revised because the effects for each quarter were calculated and it was judged that there was no significant impact on the consolidated financial statements.

[Fiber Business]

Effect on net sales	-640 million yen
Effect on operating profit	-1,994 million yen



■ Proposal of measures to prevent reoccurrence by the Special Investigation Committee

1. Reform of corporate culture based on the strong leadership of top management
2. Formulation of business procedure regulations
3. Improvement and appropriate operation of internal control systems
4. Measures against counterfeit documents, etc.
5. Enhancement of internal reporting system
6. Appropriate personnel appointment and hiring
7. The “fraud suppression” function should be strengthened during systemic improvements as well
8. Group structure

We will accept the recommendations of the Special Investigation Committee seriously and formulate measures to prevent reoccurrence promptly.

Daiwabo Holdings Co., Ltd.



Head Office	6-8, Kyutaromachi 3-chome, Chuo-ku, Osaka, 541-0056	
Established	Established as Daiwa Boseki April 1, 1941 Establishment of Daiwabo Holdings Co., Ltd. July 1, 2009	
Consolidated employees	5,654 (As of March 31, 2020)	
Capital	¥21,696,744,900	
Stock exchange listing	Listed on the First Section of the Tokyo Stock Exchange Stock code: 3107 / Industry: Wholesale < JPX Nikkei Index 400 constituent stock >	
Business Profile	IT Infrastructure Distribution Business [Core company]  DAIWABO INFORMATION SYSTEM CO., LTD.	Sales of computers, peripherals and software, and logistics services Installation and maintenance of and repair services for computer equipment
	Fiber Business [Core company]  Daiwa Spinning	Manufacture and sales of fiber materials for hygienic materials, nonwoven fabrics, industrial materials, textiles for apparel and living products and finished products
	Industrial Machinery Business [Core company] O-M Ltd.	Manufacture and sales of machine tools, automatic machinery and casting products
	Other Businesses	Hotel Business, Engineering Business

Construction of a New Group Management Structure

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

2020.4.1

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

Clarification of each company's responsibility and authority

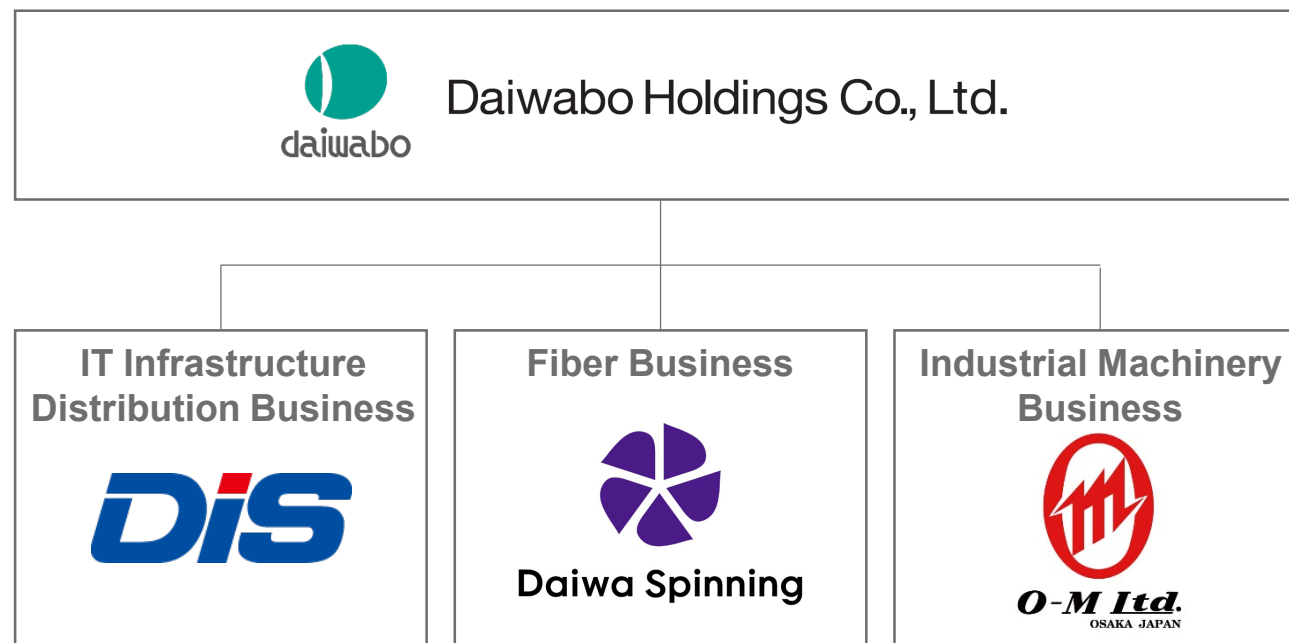
Holding company

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

Operating companies

- Quick strategic decisions
- Promotion of strong business execution

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



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

| Settlement of Accounts for the 2nd Quarter of the Fiscal Year Ending March 2021

Consolidated Results Highlights

2nd Quarter of the Fiscal Year Ending March 2021

(April 1, 2020 - September 30, 2020)

Net sales and operating profit were the second highest ever after the previous fiscal year, despite the impact of COVID-19 in each business.

IT Infrastructure Distribution Business

Although there was a downward reaction in demand for replacement PCs following the end of Windows 7 support in the previous fiscal year, sales of related products such as notebook PCs and LCD monitors increased centered on the retail market due to telework demand, and sales in the educational field also expanded nationwide.

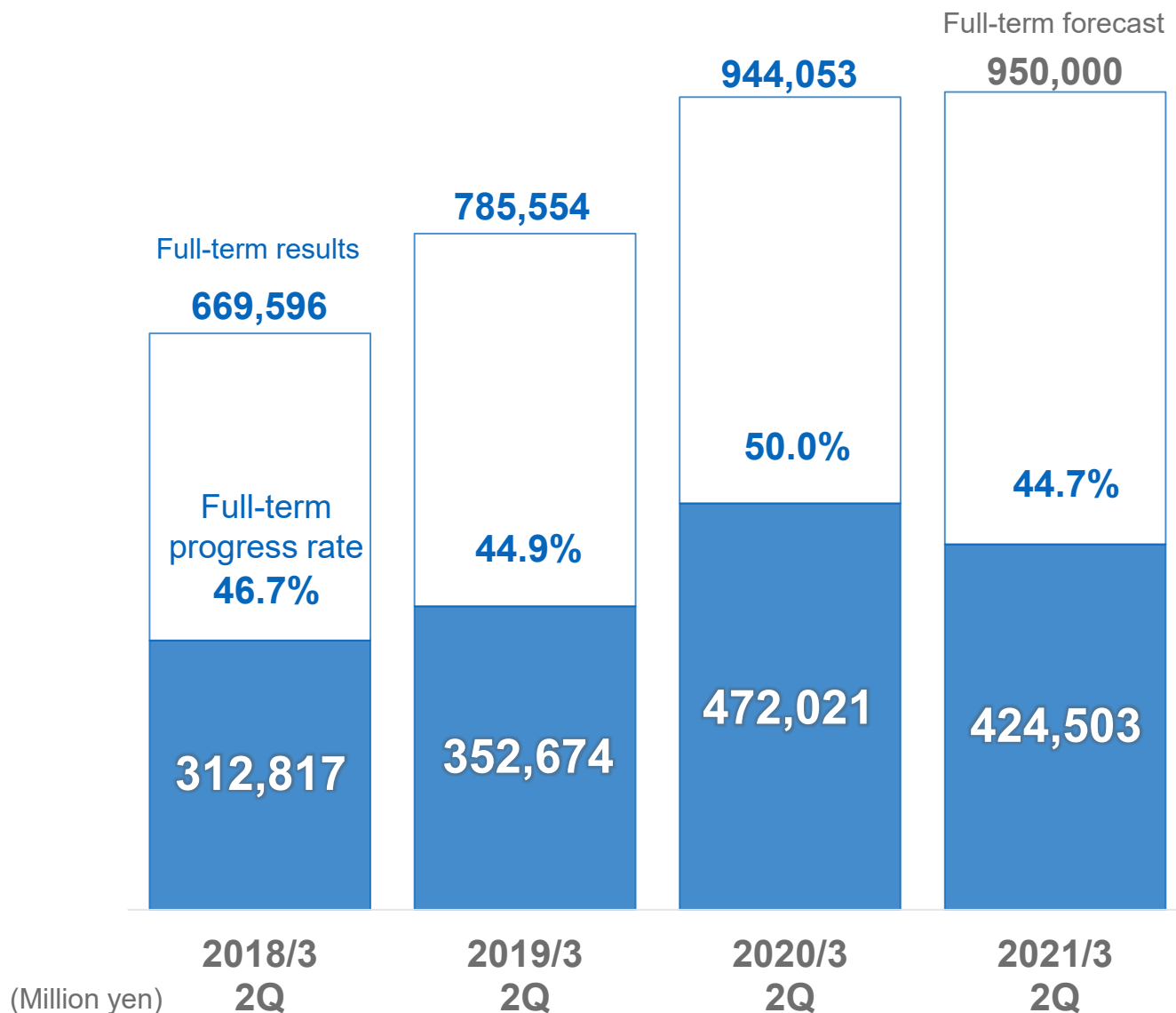
Fiber Business

Sales of cosmetics, heavy fabric products, clothing and other products were sluggish due to a decline in demand, but sales of sterilization-related products grew significantly.

Industrial Machinery Business

Sales decreased due to a slowdown in capital investment among customers, the postponement of plans, restrictions on movement, etc.

Cumulative Net Sales for the 2nd Quarter of the Fiscal Year Ending March 2021



-10.1% against the same period of the previous fiscal year

▶ Compared to 2019/3 2Q

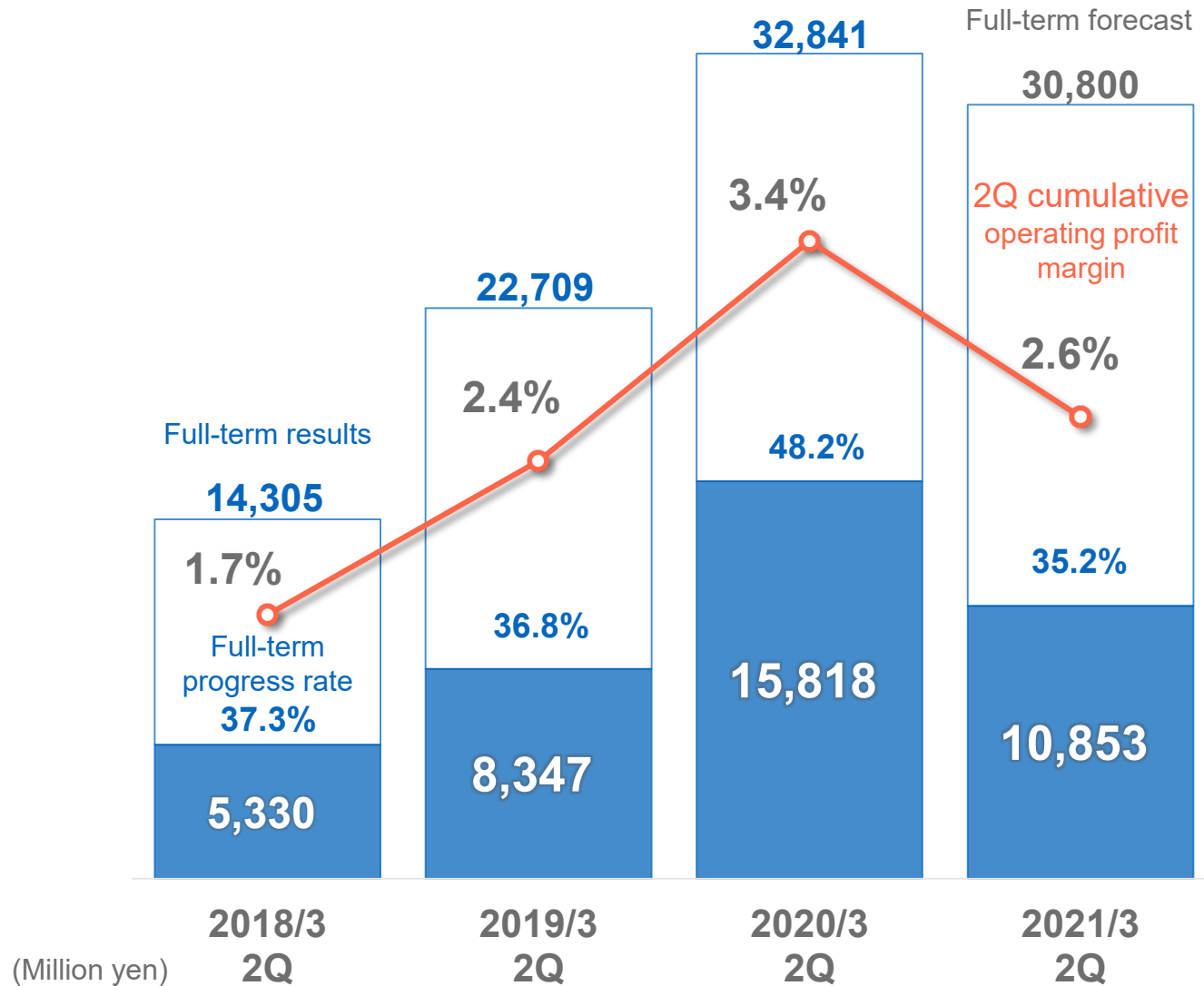
+20.4%

▶ 3-year average growth rate

+10.7%

Cumulative 2Q results the second highest ever following the previous fiscal year

Cumulative Operating Profit for the 2nd Quarter of the Fiscal Year Ending March 2021



-31.4% against the same period of the previous fiscal year

► Compared to 2019/3 2Q

+30.0%

► 3-year average growth rate

+26.7%

Operating profit margin **2.6%**

Summary of the Consolidated Settlement of Accounts for the Cumulative 2nd Quarter of the Fiscal Year Ending March 2021

(Million yen)	2020/3 2Q	2021/3 2Q	Change	Compared to previous year	Full-term forecast	Progress rate
Net sales	472,021	424,503	(47,518)	(10.1%)	950,000	44.7%
Operating profit	15,818	10,853	(4,965)	(31.4%)	30,800	35.2%
Ordinary profit	15,851	11,052	(4,798)	(30.3%)	31,000	35.7%
Quarterly profit attributable to owners of parent	10,608	8,803	(1,804)	(17.0%)	21,000	41.9%
Quarterly basic earnings per share (yen)	551.69	457.85				

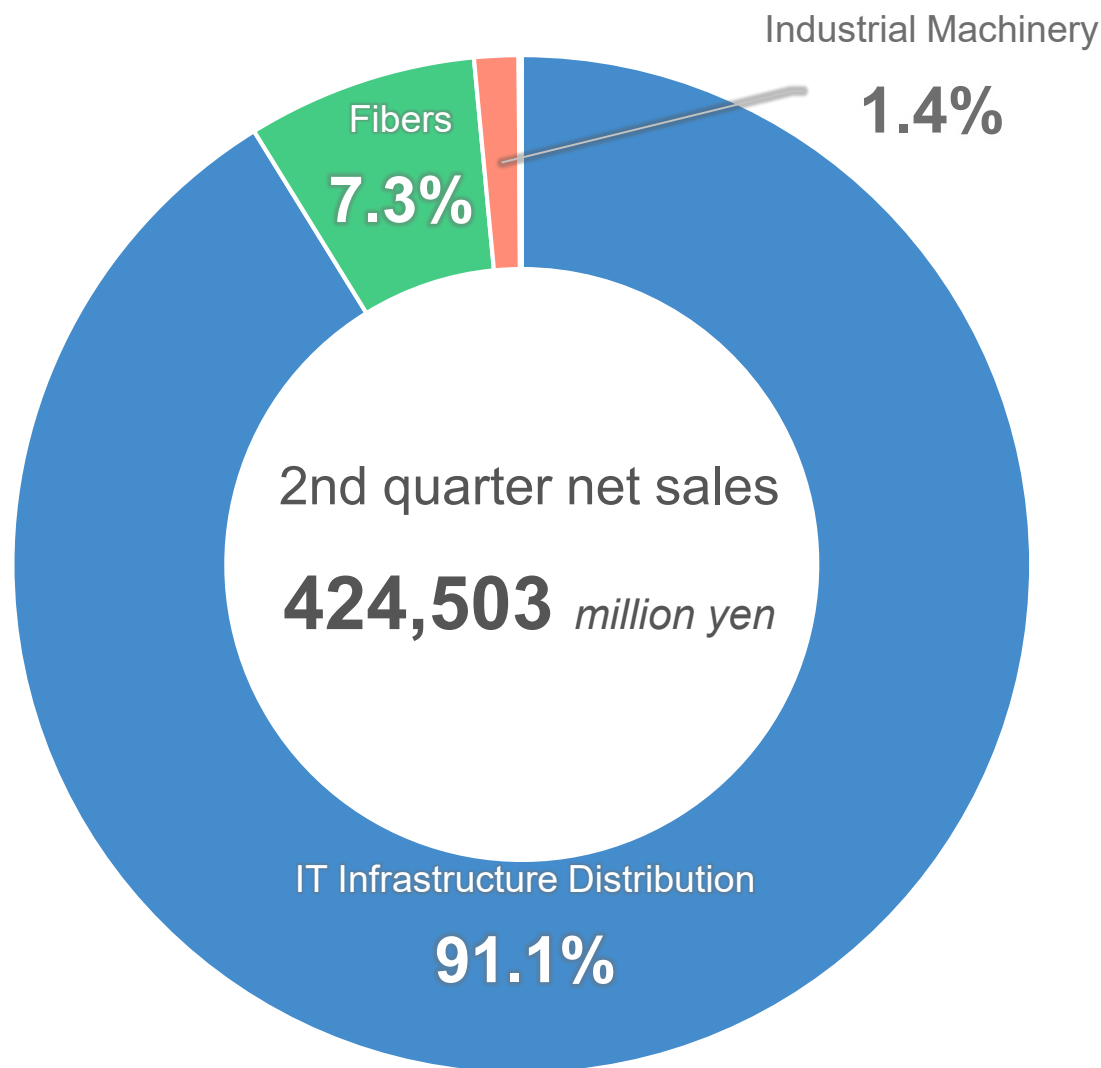
(Million yen)	2020/3	2020/9	Change	Major reasons for change
Total assets	328,813	341,705	+12,891	Increase in goods inventory
Net assets	104,741	110,962	+6,221	Increase in retained earnings
Capital adequacy ratio	31.6%	32.2%		

Operating Results by Segment for the Cumulative 2nd Quarter of the Fiscal Year Ending March 2021

(Million yen)		2020/3 2Q	2021/3 2Q	Change	Compared to previous term
Net sales	IT Infrastructure Distribution	426,806	386,870	(39,935)	(9.4%)
	Fibers	37,675	31,179	(6,496)	(17.2%)
	Industrial Machinery	6,506	5,994	(512)	(7.9%)
	Others	1,033	459	(573)	(55.5%)
	Total	472,021	424,503	(47,518)	(10.1%)
Operating profit	IT Infrastructure Distribution	13,260	10,749	(2,510)	(18.9%)
	Fibers	2,142	(194)	(2,337)	-
	Industrial Machinery	390	375	(14)	(3.8%)
	Others	21	(77)	(99)	-
	(Adjustment)	2	0		
	Total	15,818	10,853	(4,965)	(31.4%)

* As a result of the Fiber Business merger at Daiwabo Co., Ltd. on April 1, 2020, segment management classification has been revised partially from the current fiscal year.

Segment information for the previous fiscal year is based on the information segment management classification method after the change.



Percentage of net sales

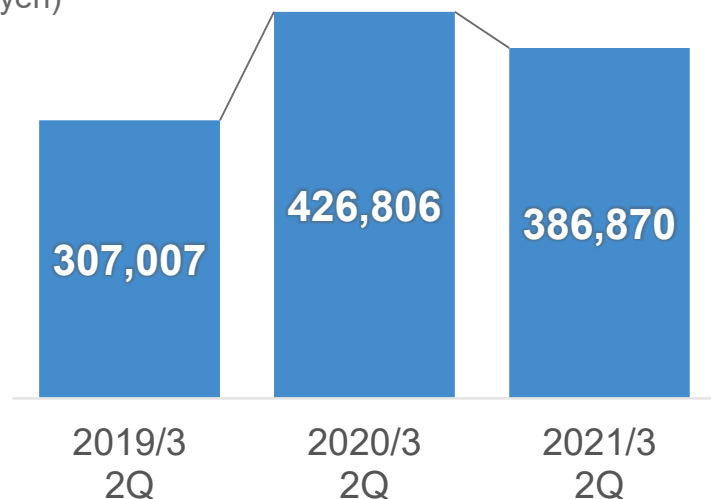
	2020/3 2Q	2021/3 2Q
IT Infrastructure Distribution	90.4%	91.1%
Fibers	8.0%	7.3%
Industrial Machinery	1.4%	1.4%

Percentage of operating profit

	2020/3 2Q	2021/3 2Q
IT Infrastructure Distribution	83.8%	99.0%
Fibers	13.5%	(1.8%)
Industrial Machinery	2.5%	3.5%

IT Infrastructure Distribution Business

(Million yen)



2Q cumulative net sales

386,870 million yen (-9.4% compared to previous term)

2Q cumulative operating profit

10,749 million yen (-18.9% compared to previous term)

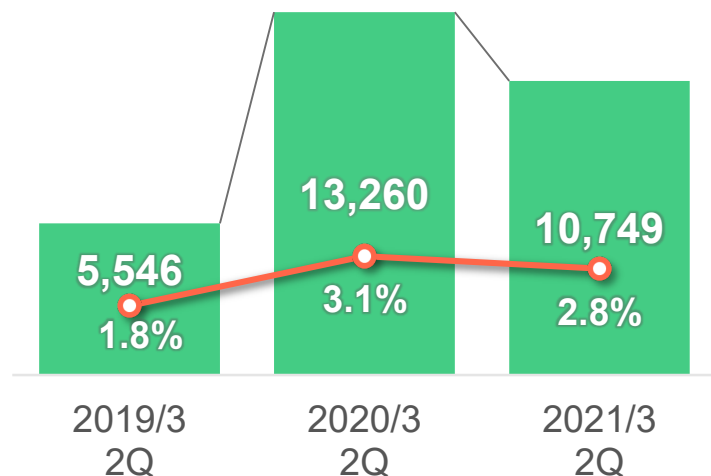
Number of PCs shipped

1.557 million units (-23.7% compared to previous term) * +46.3% compared to term before previous term

Number of servers shipped

28,000 units (-6.4% compared to previous term)

■ Net sales ■ Operating profit ■ Operating profit margin



Review of the business

Corporate Market

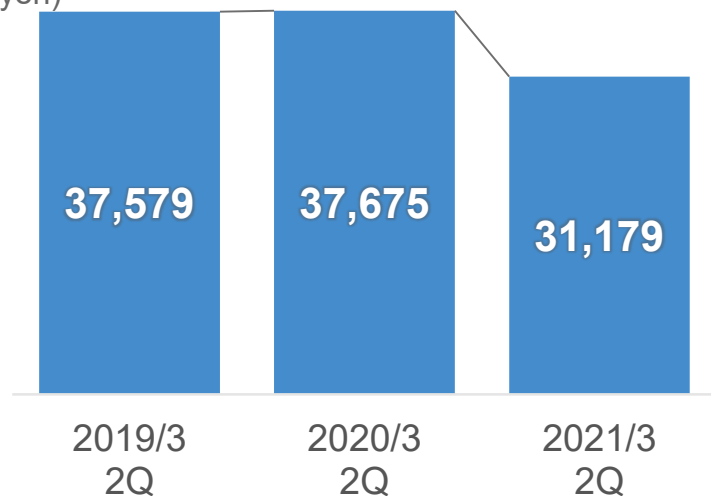
- Demand for IT-related products increased because the introduction of telework accelerated, although corporate capital investment declined due to the COVID-19 pandemic, in addition to a downward reaction to demand for PC replacement in the previous fiscal year.
- Subscription-based business orders through iKAZUCHI increased.
- Nationwide sales in the educational field increased and are expected to increase throughout the year.

Retail Market

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

Fiber Business

(Million yen)



2Q cumulative net sales

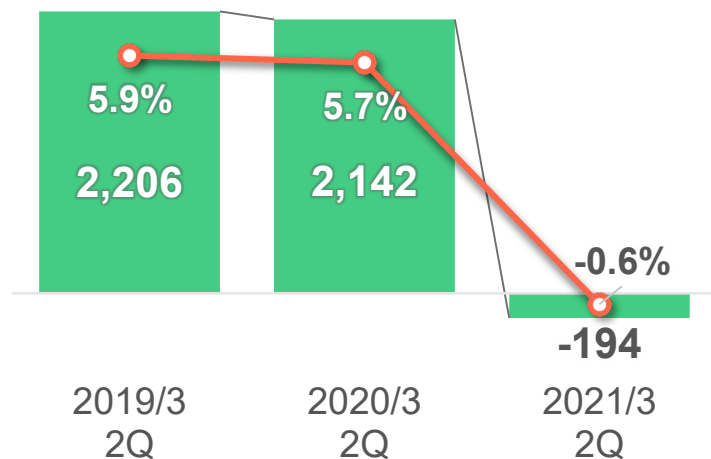
31,179 million yen (-17.2% compared to previous term)

2Q cumulative operating profit

-194 million yen (-2,337 million yen compared to previous term)

	Effects of inappropriate transactions	[Reference] When effects are excluded	
Net sales	¥-640 million	¥31,819 million	-15.5% compared to previous term
Operating profit	¥-1,994 million	¥1,800 million	-16.0% compared to previous term

■ Net sales ■ Operating profit ■ Operating profit margin

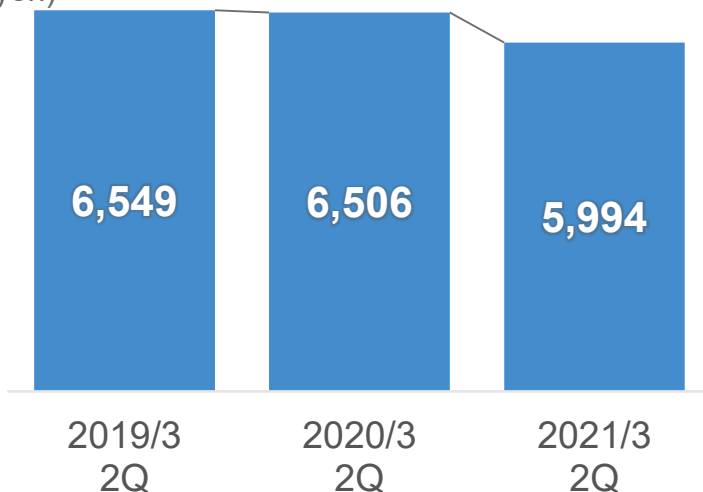


Review of the business

Synthetic Fibers and Rayon Divisions	■ Although the difficult environment for cosmetics-related and clothing-related products continues, sales increased significantly, supported by increased demand for sterilization-related products.
Industrial Material Division	■ Orders for heavy fabric products such as tents and canvas stagnated due to the suspension of various events and a decrease in construction work.
Clothing Products Division	■ Sales of functional antiviral products were strong, but casual clothing struggled under the impact of factors such as voluntary restraint on going out.

Industrial Machinery Business

(Million yen)



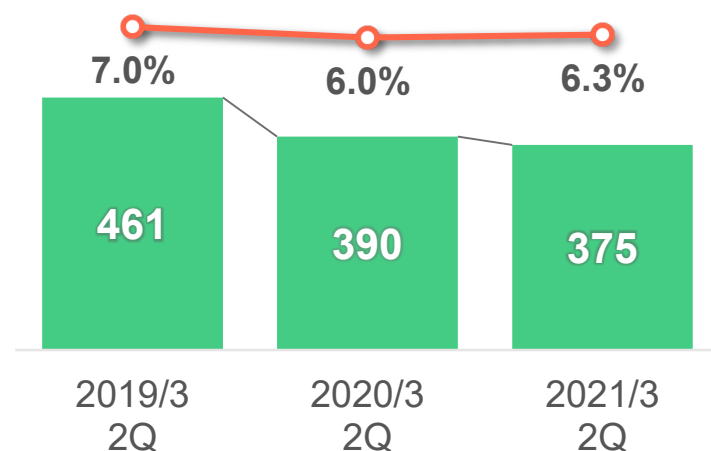
2Q cumulative net sales

5,994 million yen (-7.9% compared to previous term)

2Q cumulative operating profit

375 million yen (-3.8% compared to previous term)

■ Net sales ■ Operating profit ■ Operating profit margin



Review of the business

Machine Tools Division

- While total industry orders announced by the Japan Machine Tool Builders' Association during the April to September period decreased by 34.5% compared with the previous term with the prolongation of year-on-year decreases following the slump in capital investment caused by the COVID-19 pandemic, the company's orders decreased by 43.9% 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 18.1% compared to the previous term as companies became more cautious about capital investment.

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

Main impacts in the 1st half of the fiscal year ending March 2021

IT Infrastructure Distribution Business

- The development of IT environments accelerated, including the use of telework and online meetings, to ensure business continuity and employee safety.
- IT-related demand for residential applications centered on the retail market increased rapidly.
 - ex. Notebook PCs, LCD monitor, mice, keyboards, headsets, web cameras, etc.
- Early realization of the “GIGA School concept” based on the emergency economic countermeasures
- 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

Currently, the 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.

There are some signs of recovery in the stagnation of consumer spending.

Industrial Machinery Business

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

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

Consolidated Balance Sheet for the 2nd Quarter of the Fiscal Year Ending March 2021 (Summary of Accounts P4-5)

(Million yen)	2020/3	2020/9	Change		2020/3	2020/9	Change
Current assets	276,285	289,753	+13,467	Current liabilities	192,514	202,550	+10,036
Cash and deposits	31,600	34,784	+3,183	Notes payable and accounts payable	158,067	167,442	+9,375
Notes and accounts receivable	196,390	191,548	(4,842)	Short-term loans payable	12,608	15,634	+3,025
Goods and products	33,341	46,635	+13,294	Non-current liabilities	31,558	28,192	(3,365)
Property, plant and equipment	39,522	38,672	-849	Long-term loans payable	19,027	15,595	(3,431)
Intangible fixed assets	3,403	3,074	(329)	Total liabilities	224,072	230,743	+6,670
Goodwill	387	197	(190)				
Others	3,016	2,877	(139)				
Investments and other assets	9,601	10,204	+602	Total net assets	104,741	110,962	+6,221
Total assets	328,813	341,705	+12,891	Total liabilities and net assets	328,813	341,705	+12,891

Goods and products	33,341	→	46,635	+13,294	Securing of inventories for delivery in the 2nd half
Goodwill	387	→	197	(190)	Amortization of O-M Ltd. goodwill
Total loans	31,635	→	31,230	(405)	Short-term loans payable + long-term loans payable

Consolidated Profit Statement for the 2nd Quarter of the Fiscal Year Ending March 2021 (Summary of Accounts P6)

(Million yen)	2020/3 2Q		2021/3 2Q		Change	Compared to previous term
	Results	Percentage	Results	Percentage		
Net sales	472,021		424,503		(47,518)	(10.1%)
Gross profit	39,796	8.4%	33,233	7.8%		
Selling, general and administrative expenses	23,978	5.1%	22,379	5.3%		
Operating profit	15,818	3.4%	10,853	2.6%	(4,965)	(31.4%)
Ordinary profit	15,851	3.4%	11,052	2.6%	(4,798)	(30.3%)
Extraordinary profit	-		1,446			
Extraordinary loss	212		631			
Quarterly profit attributable to owners of parent	10,608	2.2%	8,803	2.1%	(1,804)	(17.0%)

Extraordinary profit

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

Extraordinary loss

Impairment loss on idle land, etc. (**513** million yen)

| Business Outlook for the Full Term of the Fiscal | Year Ending March 2021

Business Forecast for the Full Term of the Fiscal Year Ending March 2021

(Million yen)	2020/3 (Results)		2021/3 (Forecast)		Change	Compared to previous year
	Amount	Percentage	Amount	Percentage		
Net sales	944,053		950,000		+5,946	+0.6%
IT Infrastructure	857,008		875,500		+18,491	+2.2%
Distribution						
Fibers	*72,180		61,700		(10,480)	(14.5%)
Industrial Machinery	12,988		11,700		(1,288)	(9.9%)
Operating profit	32,841	3.5%	30,800	3.2%	(2,041)	(6.2%)
IT Infrastructure	28,161	3.3%	29,000	3.3%	+838	+3.0%
Distribution						
Fibers	*3,874	5.4%	1,250	2.0%	(2,624)	(67.7%)
Industrial Machinery	753	5.8%	600	5.1%	(153)	(20.4%)
Ordinary profit	33,195	3.5%	31,000	3.3%	(2,195)	(6.6%)
Profit attributable to owners of parent	21,178	2.2%	21,000	2.2%	(178)	(0.8%)

* 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. The Fiber Business segment information for the previous fiscal year are reference figures based on the information segment management classification method after the change.

Priority Measures by Segment

IT Infrastructure Distribution Business

Corporate Market

- Promote the use of telework and online meetings by proposing workstyles for the new normal, and uncover demand for notebook PCs, web meeting systems and security
- In subscription business using iKAZUCHI, focus on the promotion of multi-cloud platforms that combine multiple cloud services to realize the optimum environment as a business development that apprehends the growing desire of enterprises to invest in the cloud

Corporate Market (Education Sector)

- Strengthen various support systems for sales partners nationwide aimed at the early realization of the GIGA School concept, and accumulate mobile terminal management know-how
- In anticipation of “utilization” after the introduction of ICT environments, meet demand for the additional deployment of electronic blackboards, digital textbooks, etc., and in combination, strengthen proposals for high schools

Retail Market

- Acquisition of demand for home-use terminals in association with elementary schools making programming compulsory and the rise in popularity of e-sports
- Strengthen proposals for PCs and peripherals to respond to telework demand from small and medium enterprises and sole proprietors through cooperation with mass retailers and e-commerce businesses

Priority Measures by Segment

Fiber Business

Synthetic Fibers and Rayon Divisions

- Increased production of raw cotton and nonwoven fabrics in the sterilization and sanitary materials sectors and increased operating rates at our plants in response to demand related to measures against infectious diseases
- Focus on improving profitability by restructuring high-value-added sectors of cosmetics applications such as antiperspirant sheets and face masks
- Expanded sales of functional materials and the development of new sales channels in the rayon field

Industrial Material Division

- Rollout of new products that meet customer needs by capitalizing on demand for cartridge filters in growing sectors
- Strengthen sales of mesh belt products for parts transport applications and the food industry
- Strengthen plant functions based on the consolidation of production sites

Clothing Products Division

- Acquisition of demand for anti-viral clothing, bedding and disinfectants
- Promotion of customer proposals for proprietary products that combine functional materials with reduced environmental load
- Expansion of sales of new brand products

Industrial Machinery Business

Machine Tools Division

- Strengthening of after-sales service by enhancing the service business system
- Promote solutions that improve product proposal capabilities and brands
- Strengthening of our business structure for the railway industry

Automatic Machinery Division

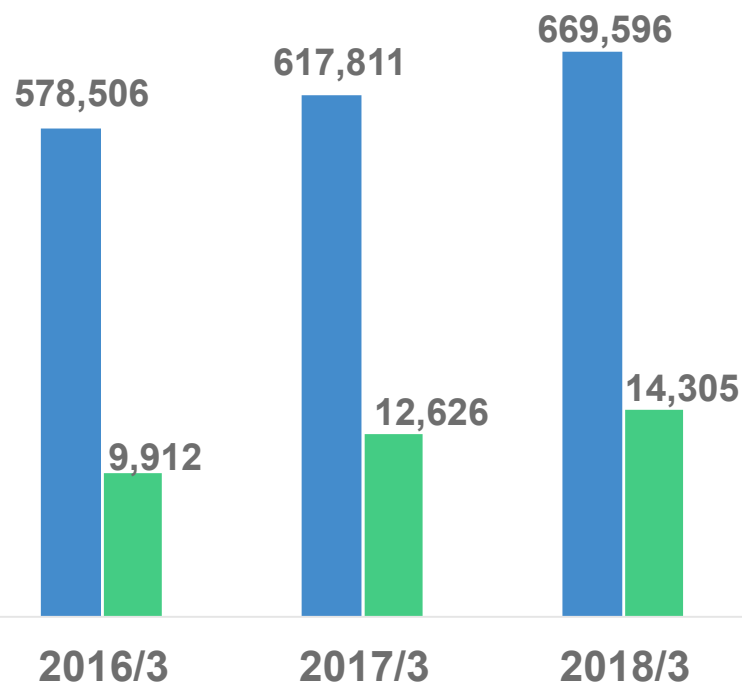
- Development of automatic supply devices utilizing robots
- Strengthening of the service system in the Kanto region

Progress on the Medium-Term Management Plan

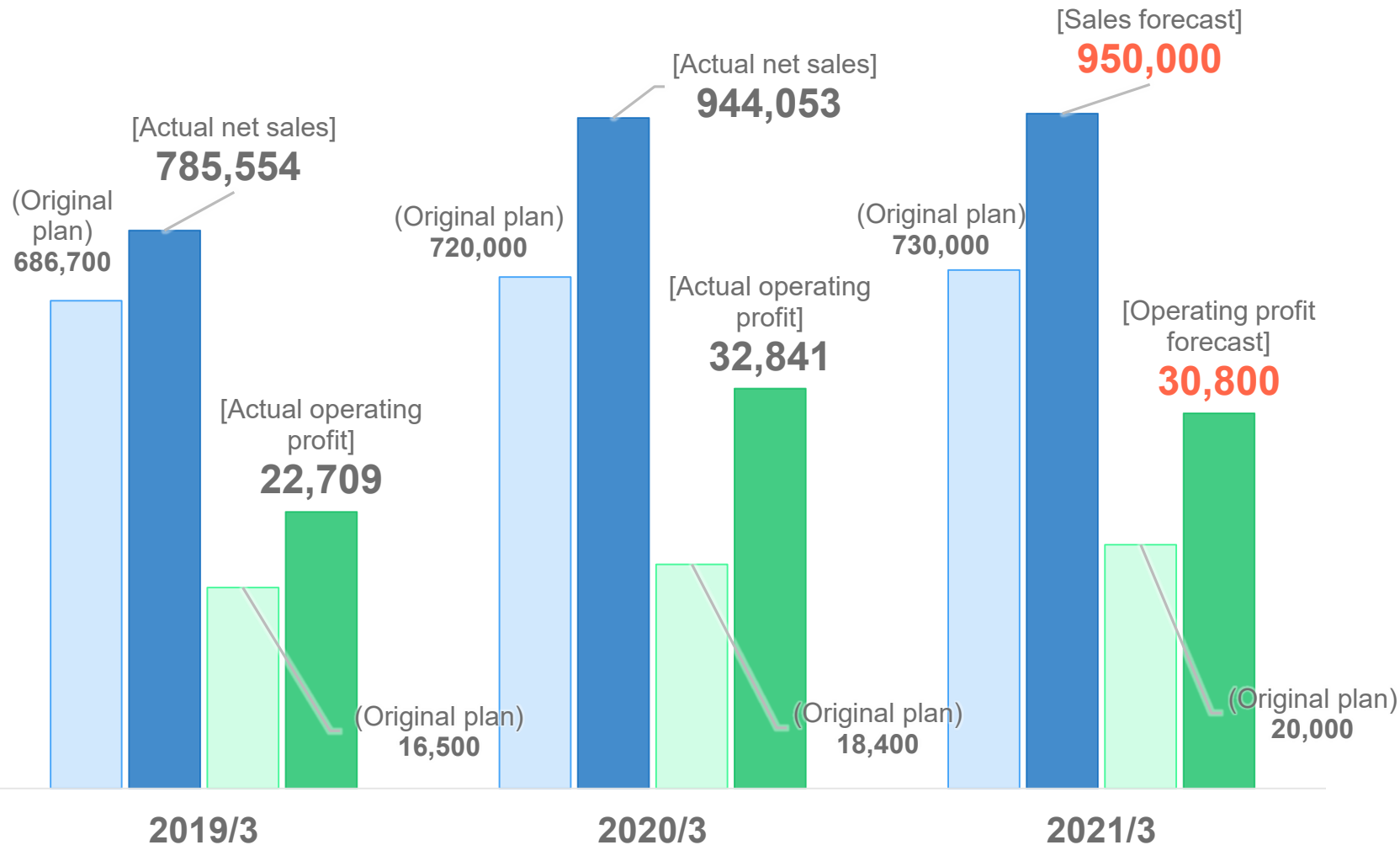
(Million yen)

Innovation 21 Phase II (Results)

- Consolidated net sales
- Consolidated operating profit

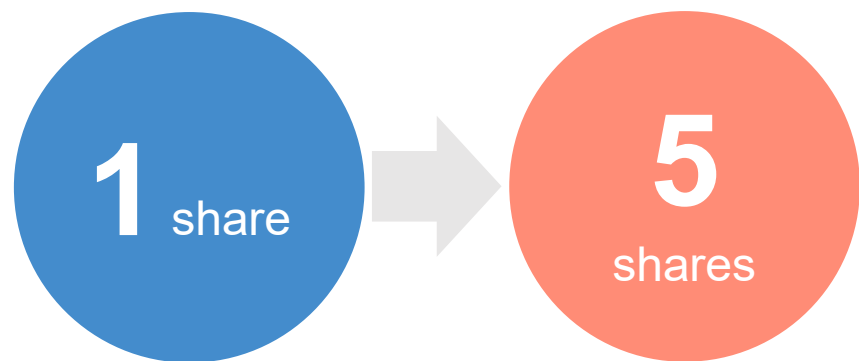


Innovation 21 Phase III



Shareholder Return

Stock split



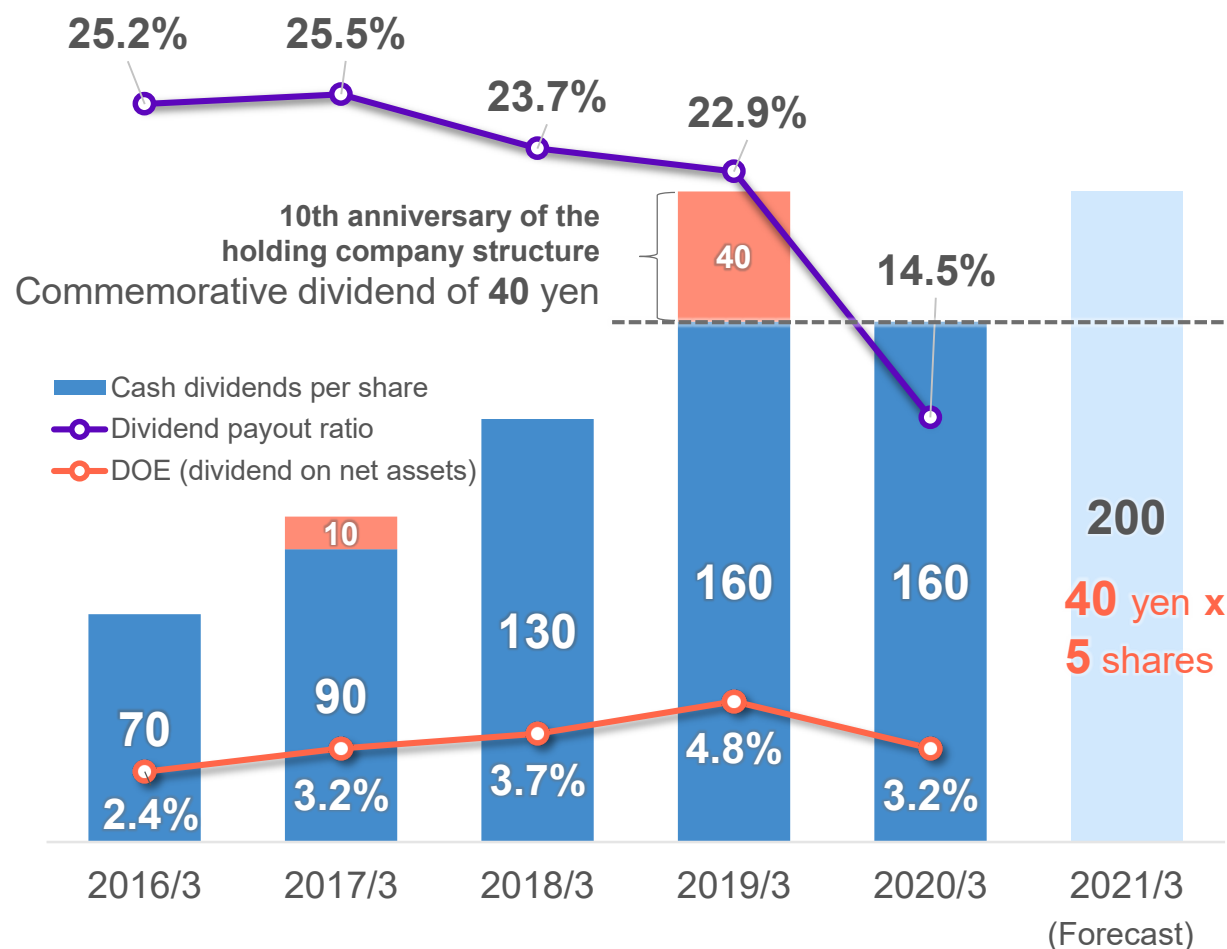
5 shares per share

Purpose	Expansion of the investor base and improvement of stock liquidity
Base date	March 31, 2021
Effective date	April 1, 2021

(Note) We changed the share trading unit from 1,000 shares to 100 shares on October 1, 2017 and implemented a one-for-ten reverse stock split

(Note) Cash dividends per share are translated into Japanese yen after the reverse stock split

Real dividend increase of 40 yen



| IT Infrastructure Distribution Business

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

1996/3
Exceeded 100
billion yen

1999/3
Exceeded 200
billion yen

2003/3
Exceeded 300
billion yen

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

2012/3
Exceeded 400
billion yen

2014/3
Exceeded 500
billion yen

2009
Integrated management

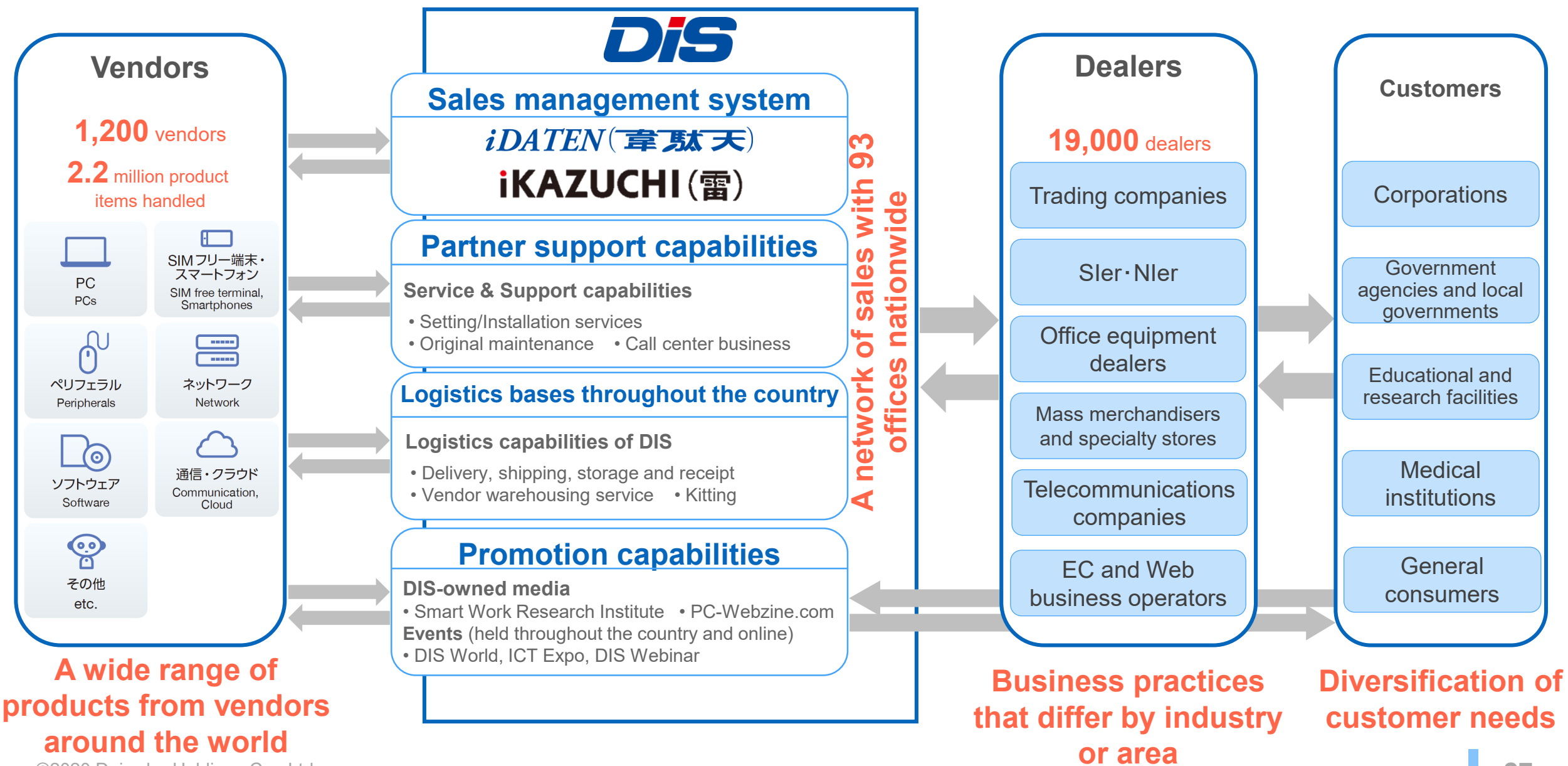
- Got positioned as the "IT Infrastructure Distribution Business" of the HD structure

**Non-consolidated
sales of DIS**

2020/3
Exceeded 800
billion yen

2019/3
Exceeded 600
billion yen

Business Structure of the IT Infrastructure Distribution Business



Value added by distributors

Dealers



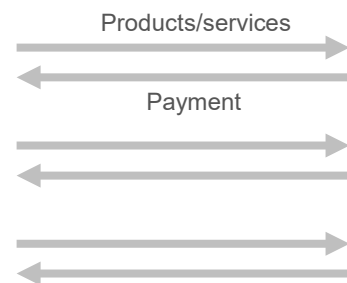
Value added by distributors

Vendors



Before collaboration

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



Dealers

19,000 dealers

Trading companies

Sler·Nler

Office equipment dealers

Mass merchandisers and specialty stores

Telecommunications companies

EC and Web business operators

Customers

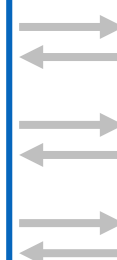
Corporations

Government agencies and local governments

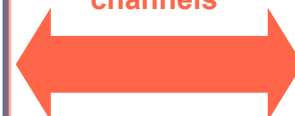
Educational and research facilities

Medical institutions

General consumers



Use of DIS channels



Vendors

After collaboration

Expand sales channels and improve sales efficiency using DIS as the contact point

Product development
Sales / promotions
Order / production
Inventory / shipment
Billing / collection

Integration, cooperation, agency



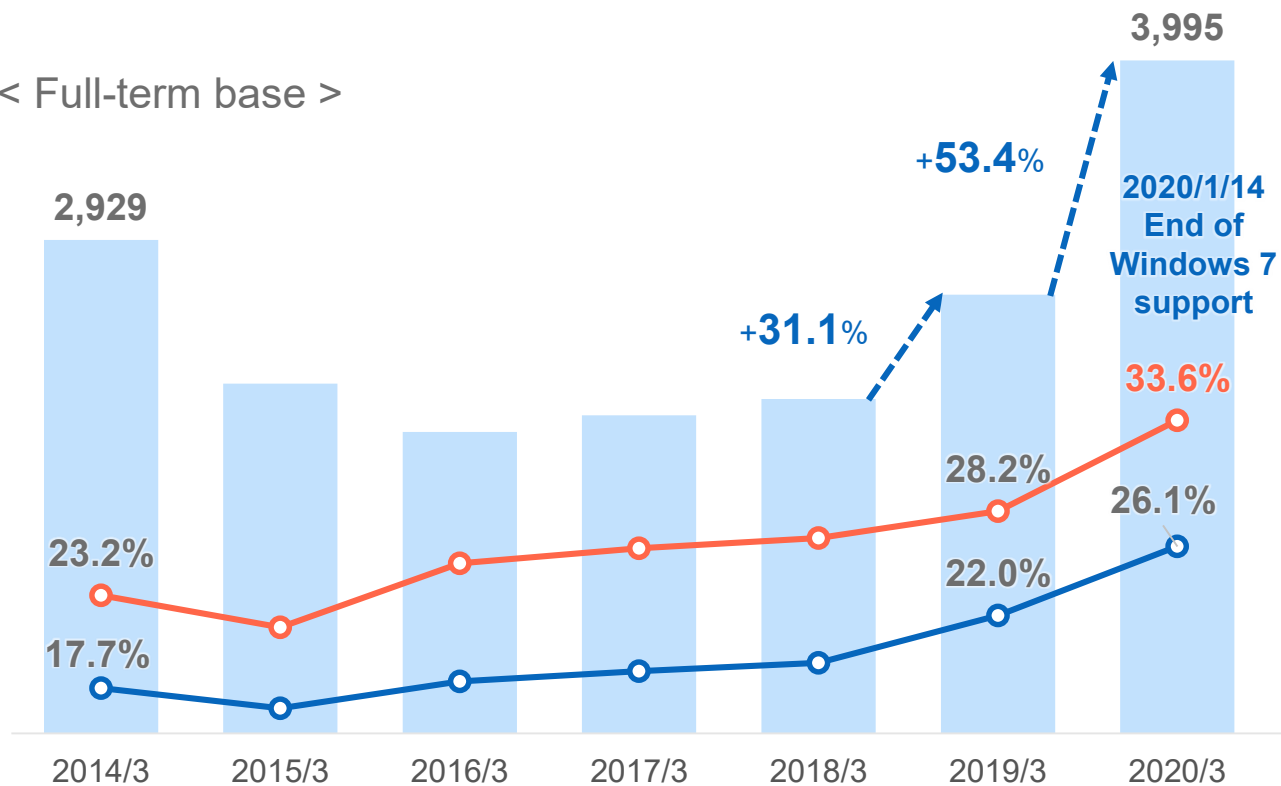
roles

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

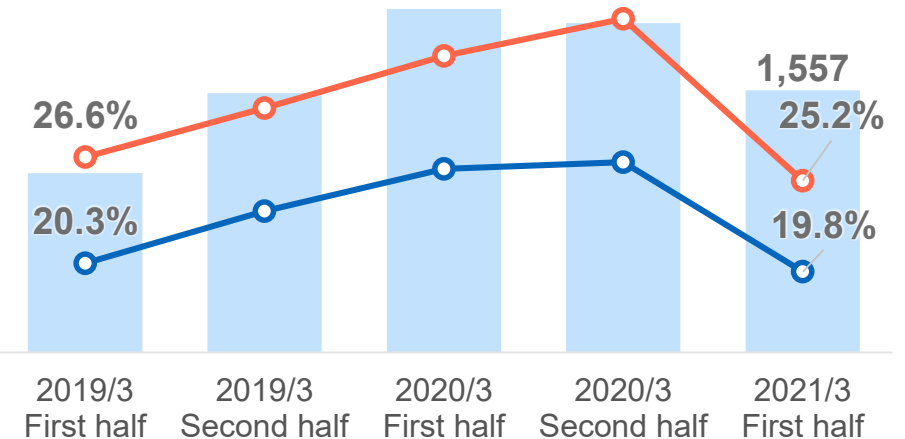
Trend in Domestic PC Market Share

One in three PCs used by corporations has ties to US

< Full-term base >



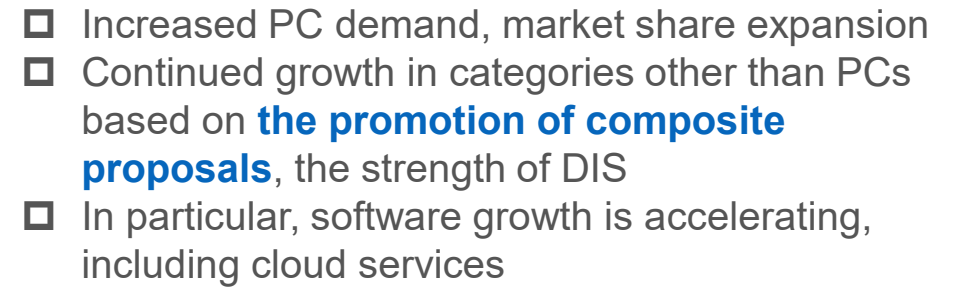
< Half-year base >



Figures do not include inventory secured for shipments from the second half on because this is the total number of shipments.

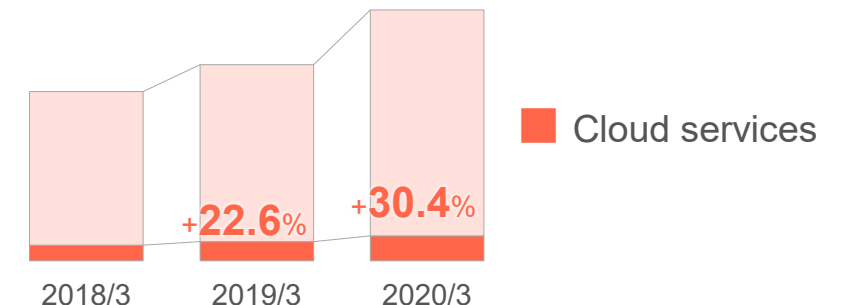
■ PC shipments of the Company (1,000 units) ● DIS domestic market share (corporate) ● DIS domestic market share (overall)

* Calculated based on the results of a survey by MM Research Institute



IT demand and cloud utilization will expand in all aspects over the medium to long term

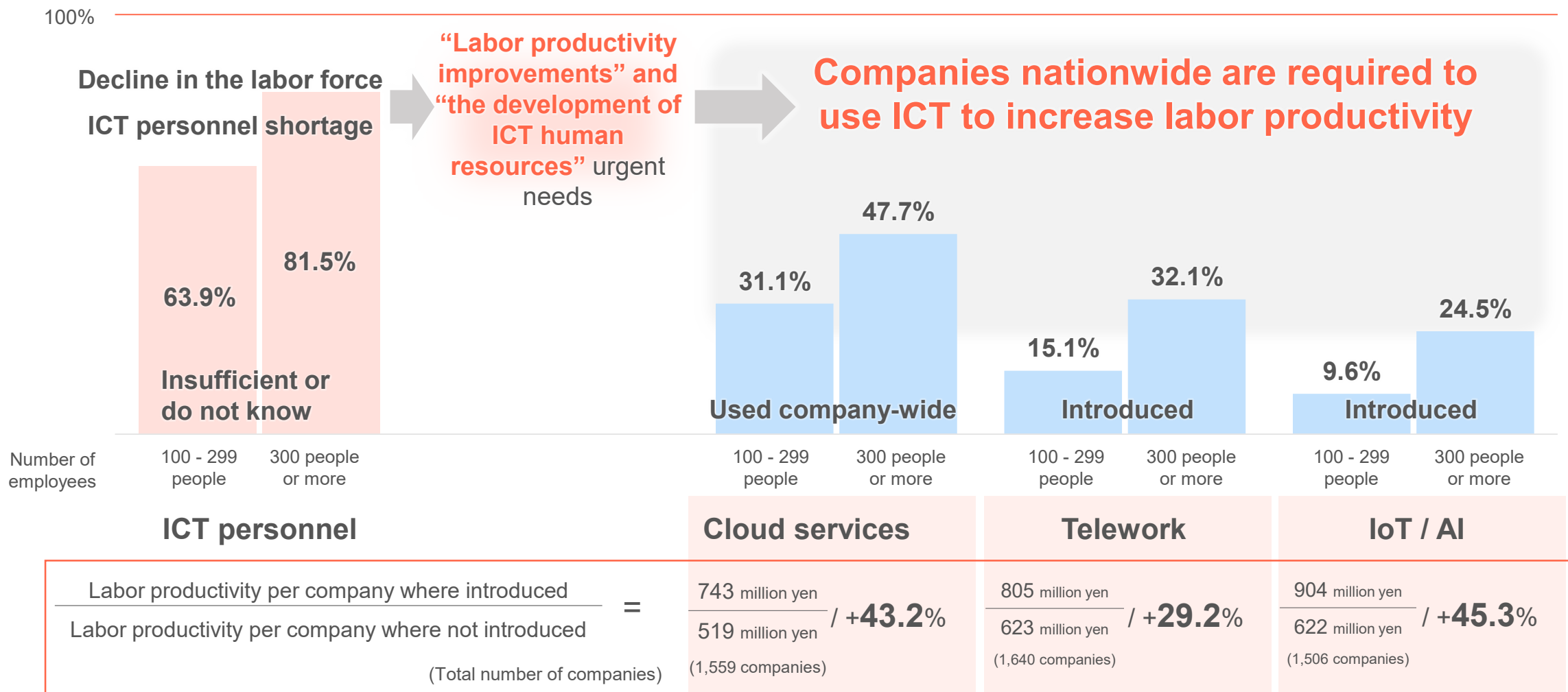
Corporations	"DX" "Work style reform"
Government	"Digital agencies" "Paperless"
Residential	"Telework" "Home learning"
Schools	"GIGA School concept" "EdTech"



©2020 Daiwabo Holdings Co., Ltd.

State of Corporate ICT Use

* Survey of September 2019 (before the COVID-19 pandemic)



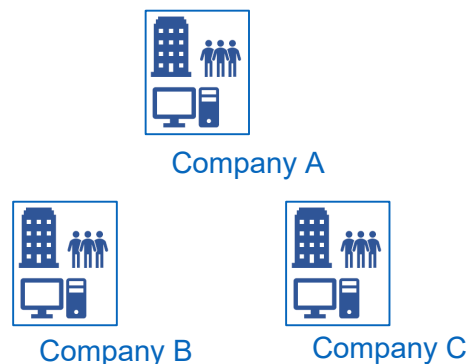
Source: Ministry of Internal Affairs and Communications “2019 Telecommunication Usage Trend Survey”

* Labor productivity = (operating profit + labor costs + depreciation expenses) / number of employees

Support for the Introduction of Cloud Services

Image of cloud use in the IT infrastructure environment

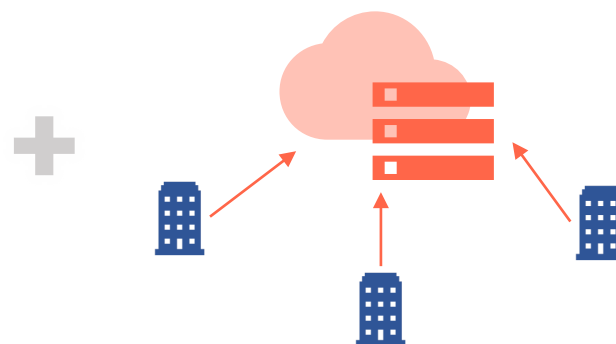
On-premises (internal operation)



- ❑ Updating and maintenance of servers, etc.
- ❑ Security / disaster measures
- ❑ Equipment installation location and maintenance costs
- ❑ Operation, management, data integrity, etc.

- ❑ Initial cost generated during construction and expansion
- ❑ Secure spare scale and functionality in anticipation of busy peaks and trouble
- ❑ Time required for equipment arrangement and verification

Cloud platform



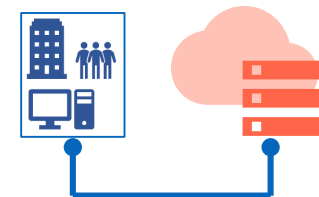
Use cloud provider infrastructure

- * The more users there are, the less the cost burden per company

→ **Huge infrastructure**

- ❑ Initial costs not required (subscription)
- ❑ Scale and functions can be set and changed flexibly as needed depending on the situation
- ❑ Time to introduction shortened significantly

Demand for “**hybrid cloud**” services is increasing



Combined use of **on-premises facilities** and **the cloud**

- Differentiated use in accordance with data confidentiality
- Customization of functions and security
- Operational and cost optimization

DIS



Cloud platform business

- **On-premises** and **cloud platform** support
- Provide **multiple cloud platforms**
= **Choose the optimal cloud matched to customer needs**
- Propose collaborative solutions that combine hardware and other services compositely
- Centralized management of complex contracts and billing using **IKAZUCHI**

iKAZUCHI posting service

System infrastructure
Application
Security

IaaS / PaaS / communications
Telework / operations / productivity
Environment / maintenance / management



Continue to add diverse services in succession through collaboration with multiple vendors
Post services with various billing forms including monthly, annual and pay-as-you-go
Expand the lineup of **cloud platforms**

Supported vendors **51** companies
(As of September 2020)



Latest information on services handled
<https://www.ikazuchi.biz/>
(Written in Japanese)

Application

Provisioning

DIS

Subscription management portal for dealers



Integrated management of multiple services

Real-time management at the individual customer level

Accommodation of various payment cycles

Provision of information to end users



Reduce order workload for diversifying subscription services
A portal site that realizes centralized management of continuous stock business contracts

Sale
Registration

Dealers

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

Sale
Application

Customers

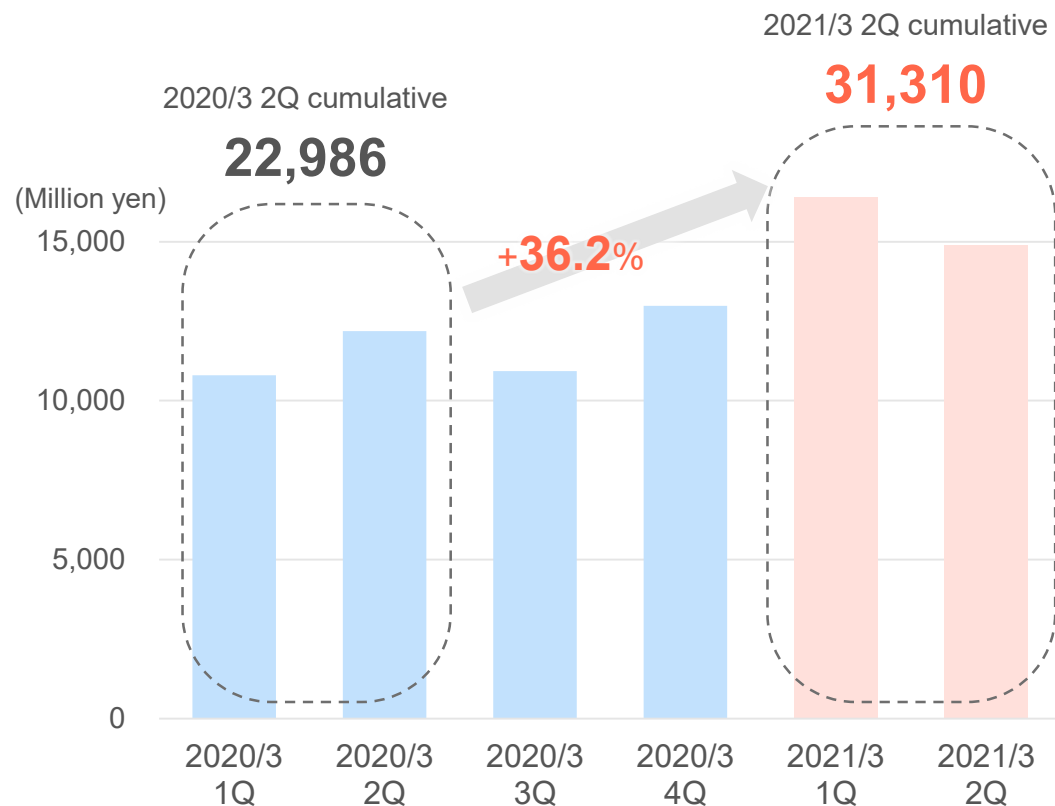
- ◆ One-stop contracting possible for multiple services

Automatic updates

Collect payment

Promotion of the Subscription Business

Subscription net sales (DIS only)



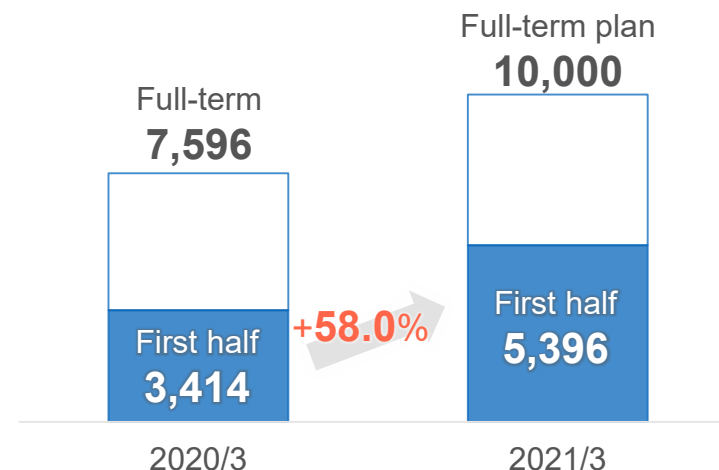
Subscription

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

31 companies
65 services
(2019/9)

51 companies
108 services
(2020/9)

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



Initiatives for the GIGA School Concept

The GIGA School concept

- One terminal per student and the establishment of high-speed, large-capacity communications networks
- Sustainable realization of fair and individually-optimized learning at schools nationwide

National budget

FY2019 supplementary budget
“Realization of the GIGA School concept”

231.8 billion yen

Supplementary Budget for FY2020 → **Emergency Economic Measures Against Infections (April 2020)**
“Guarantee of learning based on acceleration of the GIGA School concept”

229.2 billion yen

1. Establishment of communications networks within schools **129.6 billion yen**
2. Provision of one terminal per student [national, public and private elementary and junior high schools]
→ Subsidy of 45,000 yen per terminal **102.2 billion yen**

Of which, early realization of “one terminal per student”

195.1 billion

Subsidies for terminals of about **300 billion yen**

* Because the provision of terminals for one in every three classes by FY2022 based on local fiscal measures will be advanced in parallel, two-thirds of the units required will be subsidized under the budget for the GIGA School concept

[Reference] State of establishment of PCs for students at public schools (national average)

	2018/3	2019/3	2020/3
Elementary schools	6.4 children / computer	6.1 children / computer	5.5 children / computer
Junior high schools	5.5 children / computer	5.2 children / computer	4.8 children / computer
High schools	4.6 children / computer	4.2 children / computer	4.1 children / computer

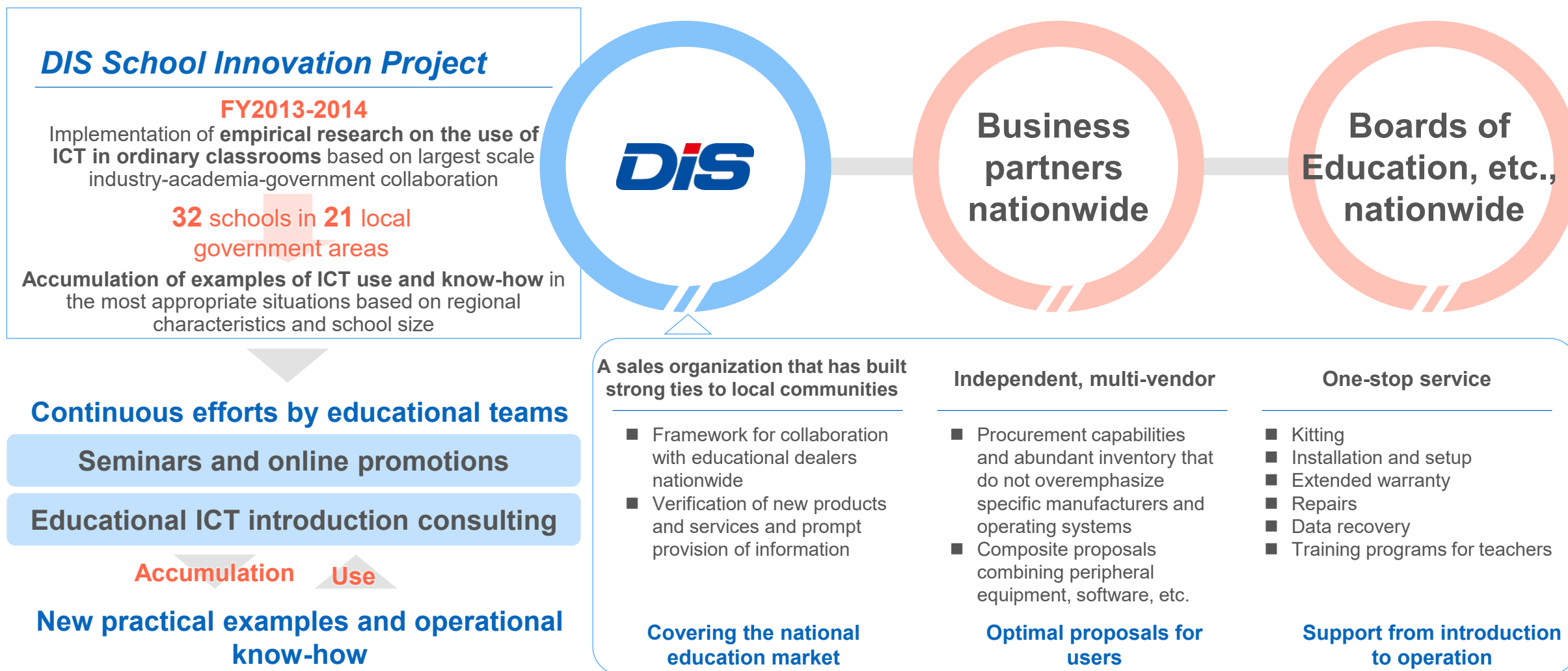
An **environment with one computer per child** is expected to be created due to the realization of the **GIGA School Concept**

Timing of completion of deliveries	Number of local government areas (as of the end of August)
Deliveries completed (by August 2020)	36 local government areas (2.0%)
Scheduled for September to December 2020	489 local government areas (27.0%)
Scheduled for January to March 2021	1,280 local government areas (70.6%)

- ▣ Increased ongoing demand for terminal replacement, maintenance, setup work, etc.
- ▣ Teacher training, proposals for use of ICT and spread of digital textbooks
- ▣ The introduction of terminals for high schools has also been accelerated

Source: Ministry of Education, Culture, Sports, Science and Technology “Survey on the State of Computerization of Education in Schools”
Ministry of Education, Culture, Sports, Science and Technology “State of Procurement, etc., for the Realization of the GIGA School Concept (as of the end of August)”

Initiatives for the GIGA School Concept



Contributing to the realization of the **GIGA School concept** through strong cooperation with cooperating manufacturers and dealers

Streamlining of Distribution Centers

Kansai Center (Kobe City)



Full-scale operation in May 2020

Warehouse area: 36,342 m²

Kanto Central Center (Yoshimi-machi, Saitama Prefecture)



Full-scale operation in June 2016

Warehouse area: 44,753 m²

Robot storage system

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

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

Established together with Kitting Center

→ Arrival of goods > work > prompt handling of shipment

PC / tablet
kitting results : **250,000** annually (2020/3)

Truck reservation reception system

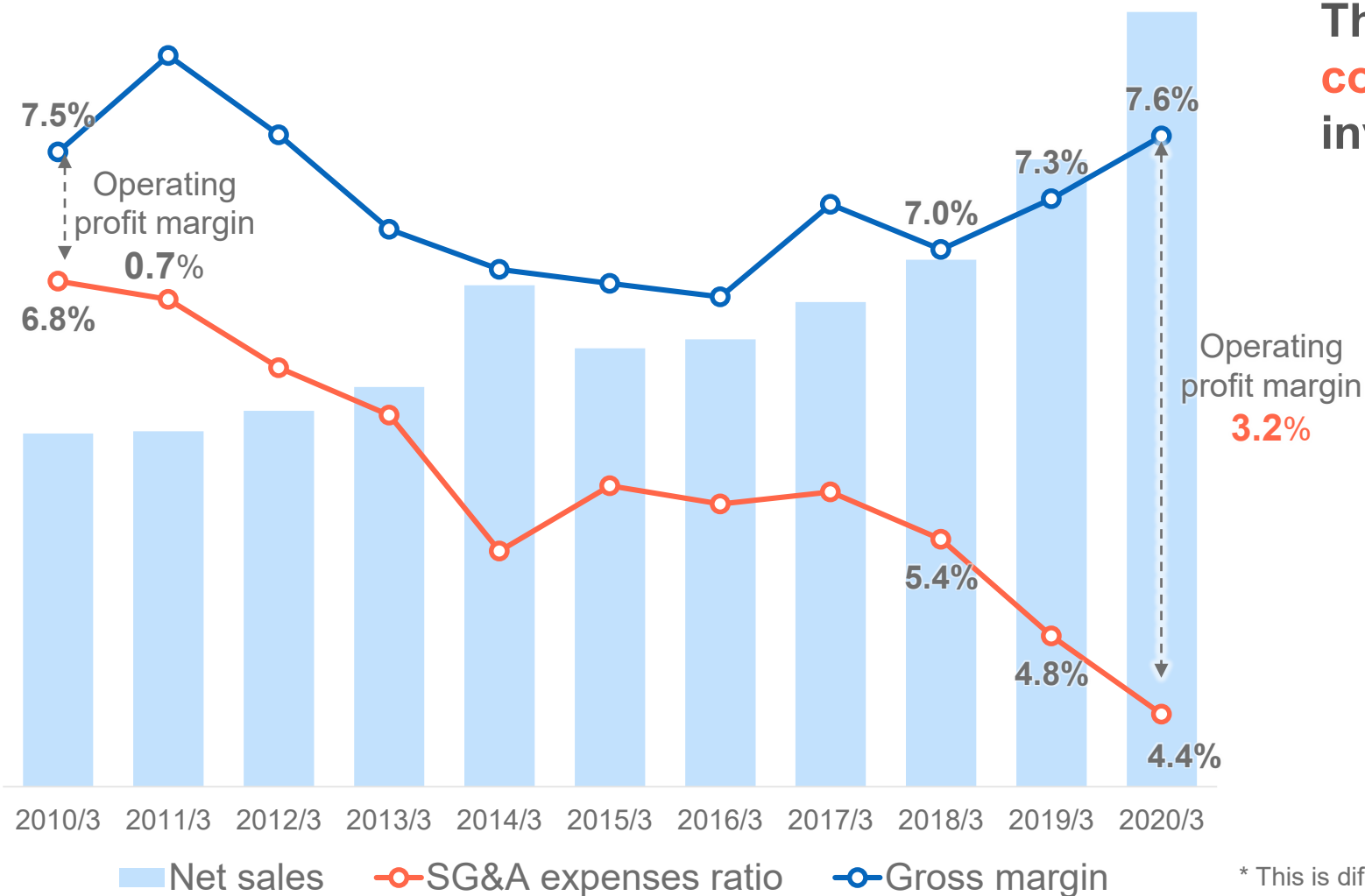
→ Sharing of incoming and outgoing information
and vehicle equalizing



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

Low-cost operation

(Results of the IT Infrastructure Distribution Business)



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

Core system, "**DIS-NET**"

1998 DIS-NET

2005 DIS-NET II

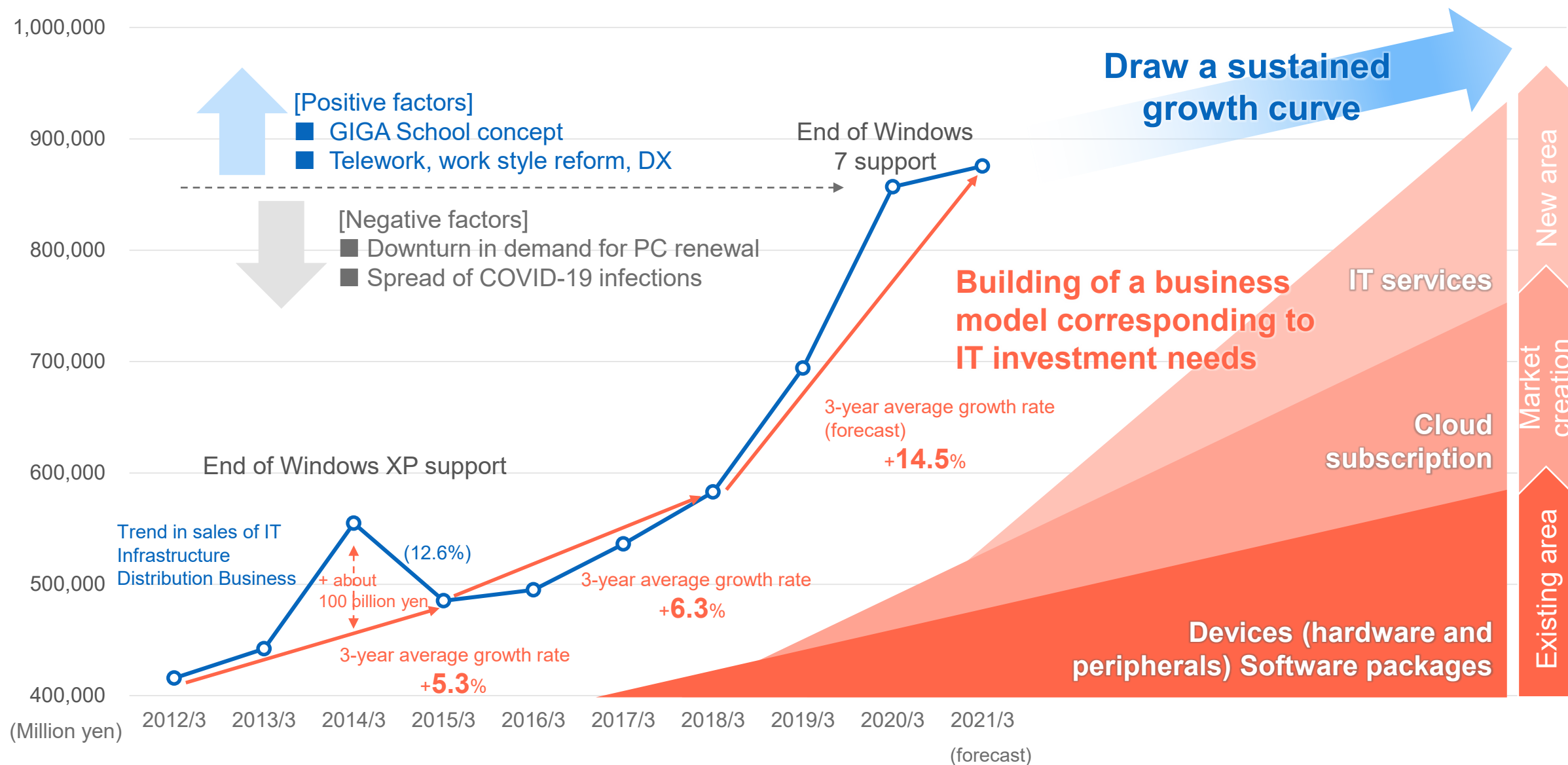
2013 DIS-NET III

2020 **DIS-NET IV**

It works with all systems to maximize operating efficiency

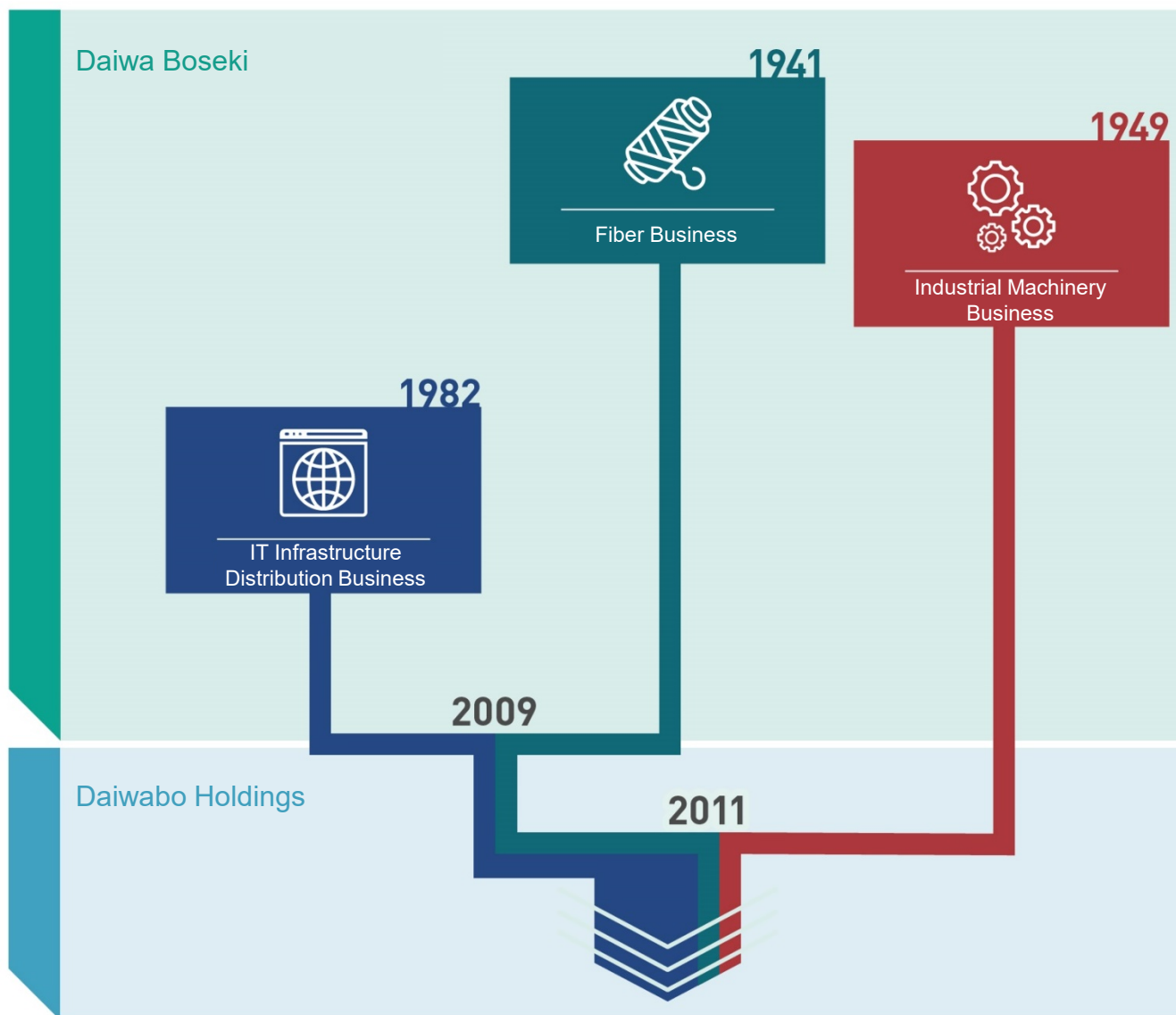
* This is different from segment results because it does not reflect consolidation adjustments

IT Infrastructure Distribution Business Growth Strategy



| [References] Corporate profile

History of the Group



- 1941. 4** **Daiwabo** was formed by the merger of four companies: Kinka Boseki, Hinode Boshoku, Izumo Seishoku, and Wakayama Boshoku.
- 1949. 5** ▶ Daiwabo got listed on the first section of the Tokyo Stock Exchange
- 1949. 7** Daiwabo spun off its Shinji Plant and established Yamato Machinery Co., Ltd. (currently **O-M Ltd.**)
→ In 1960, Yamato Machinery Co., Ltd. merged with Osaka Kikai Seisakusho, which had been engaged in the manufacture of machine tools and spinning machines, to form O-M Ltd.
- 1971. 11** ▶ O-M Ltd. got listed on the first section of the Tokyo Stock Exchange
- 1982. 4** As part of new business development, Daiwabo established **Daiwabo Information System Co., Ltd.** to advance into an information-related business
- 2000. 9** ▶ Daiwabo Information System got listed on the first section of the Tokyo Stock Exchange
- 2009. 3** Daiwabo and Daiwabo Information System integrated their management
- 2009. 7** Daiwabo changed its trade name to **Daiwabo Holdings** and newly established **Daiwabo Co., Ltd.** as a core company of the fiber business
- 2011. 7** Daiwabo Holdings and O-M Ltd. integrated their management -> **To the existing structure consisting of three major businesses**

Overview of Major 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 textile products such as various textile materials and functional innerwear, and manufactures and sells licensed brand clothing

Industrial Machinery Business

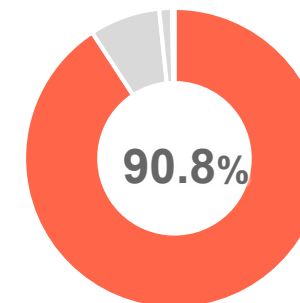
Machine Tools Division

It has a top market share in Japan in the manufacturing of "vertical lathes/turning centers", machine tools mainly used by heavy industries such as the aerospace field

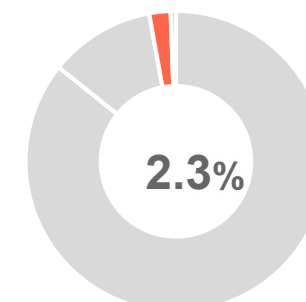
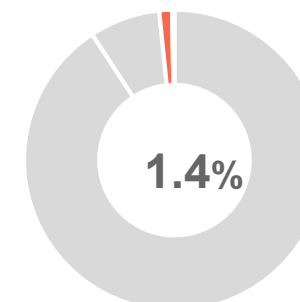
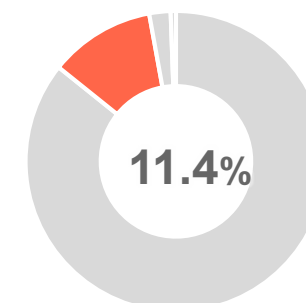
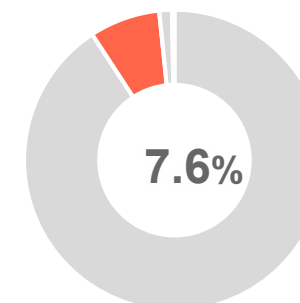
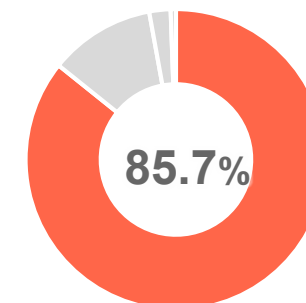
Automatic Machinery Division

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

Percentage of Sales



Percentage of Operating Profit



(FY2020 results)

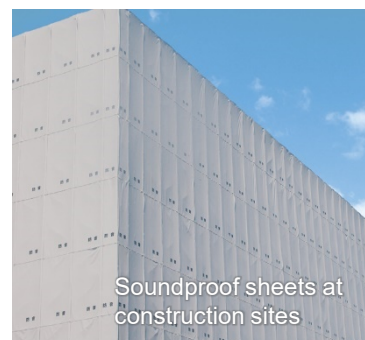
Fiber Business - Product Examples -

Synthetic fibers and rayon



- ❑ Synthetic fibers used in hygiene products such as paper diapers and feminine hygiene items
- ❑ Non-woven fabrics (a sheet of intertwined fibers made by special methods such as water or needles without weaving) 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



- ❑ Cartridge 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, living materials and products such as functional innerwear, high-density textiles and comfortable outerwear
- ❑ Licensed brand clothing
"FILA" "T&C" "Prince" "NCAA"

Industrial Machinery Business - Product Examples -

Vertical lathes/ Turning centers



- ❑ **No. 1 share in Japan** for both medium- and large-sized lathes (Cumulative shipments exceeded **7,000** 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 8,500 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

Daiwabo Holdings Co., Ltd.

Formulation of group strategy, optimal allocation of group management resources and supervision of group business execution

IT Infrastructure Distribution Business

DAIWABO INFORMATION SYSTEM CO., LTD.

DIS Service & Support Co., Ltd.
DIS Solution Co., Ltd.

Fiber Business

Daiwabo Co., Ltd.

* Changed system from an intermediate holding company into a core business company through a merger in April 2020

Daiwabo RAYON CO., LTD.
KANBO PRAS CORPORATION
Daiwabo advance co., ltd.
Daiwabo Spintec Co., Ltd.
DN PRODUCTS CO., LTD.
DAIWA MARU S CO., LTD.
NISHIAKI CO., LTD.
Oji Fiber Co., Ltd.
Asahi Kako Co., Ltd.
K B INDUSTRY CO., LTD.
KANBO CANVAS CUTTING SERVICE CO., LTD.

< Overseas bases >

Daiwabo Hong Kong Co., Limited
SUZHOU DAIWA KNITTING AND GARMENT CO., LTD.
DAIWABO INDUSTRIAL (SUZHOU) CO., LTD.
P.T. DAIWABO NONWOVEN INDONESIA
P.T. DAIWABO INDUSTRIAL FABRICS INDONESIA
P.T. DAIWABO SHEETEC INDONESIA
P.T. DAIWABO GARMENT INDONESIA
P.T. PRIMATEXCO INDONESIA

Industrial Machinery Business

O-M Ltd.

O-M MACHINERY Ltd.
OMK Ltd.
OMTEC Ltd.

< Overseas bases >

O-M(U.S.A.),INC.
O-M SHANGHAI CO., LTD.

Other Businesses

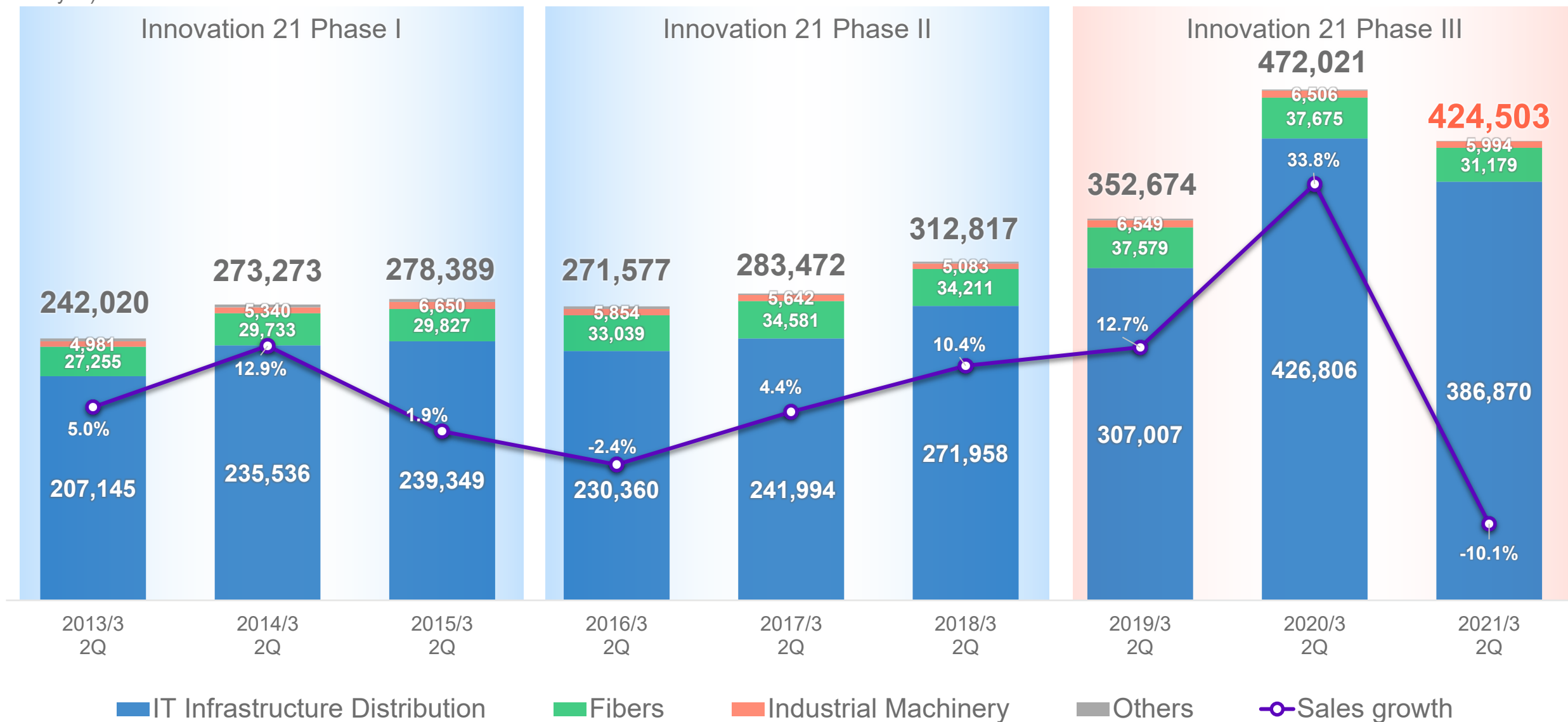
DAIWABO KANKO CO., LTD. (KIRISHIMA KOKUSAI HOTEL)
DAIWA ENGINEERING CO., LTD.
Daiwabo Lifesupport Co., Ltd.

2020.11.25	IT Infrastructure Distribution	Daiwabo Information System begins providing Google Workspace as a distributor
2020.11.13	Industrial Machinery	Announcement of JIMTOF 2020 Online Exhibition
2020.08.25	Fiber	Creation of the New Daiwabo Logo
2020.07.29	IT Infrastructure Distribution	Daiwabo Information System establishes a professional organization exclusively for Microsoft Azure DIS launches “DIS Cloud Business Center for Microsoft Azure” aimed at the promotion of cloud migration in the small and medium-sized enterprise market
2020.07.01	IT Infrastructure Distribution	Daiwabo Information System begins offering the DIS Easy Teleclass Pack and recruiting schools for monitoring Even teachers conducting remote classes for the first time can do so easily
2020.07.01	IT Infrastructure Distribution	Daiwabo Information System concludes a partnership agreement with Amazon Web Services DIS starts AWS business as the first distributor in Japan
2020.06.29	Fiber	Daiwabo Rayon to Cooperate with German Kelheim Fibres
2020.06.23	IT Infrastructure Distribution	Daiwabo Information System provides users of Microsoft Azure with cyber risk insurance at no additional charge DIS starts provision of “DIS Azure Cyber Risk Support”
2020.06.11	IT Infrastructure Distribution	Daiwabo Information System provides full-scale DX development support for Development Partners and Solution Vendors DIS starts provision of a “DX app development environment” based on IBM Cloud Pak products
2020.06.01	IT Infrastructure Distribution	Daiwabo Information System begins offering an agency service to dealers for the collection of usage fees for their own services DIS has expanded the functions of “iKAZUCHI Payment Collection” and will collect payments with no fee
2020.05.12	IT Infrastructure Distribution	Daiwabo Information System concludes a distributorship agreement with Juniper Networks on marketing Mist Systems products DIS will start providing AI-driven wireless LAN systems through its nationwide sales network
2020.04.08	IT Infrastructure Distribution	Daiwabo Information System provides companies with HYCU’s free backup service until June 30 DIS will support Japanese companies dealing with an increase in remote workers

| [References] Charts for Performance Trend

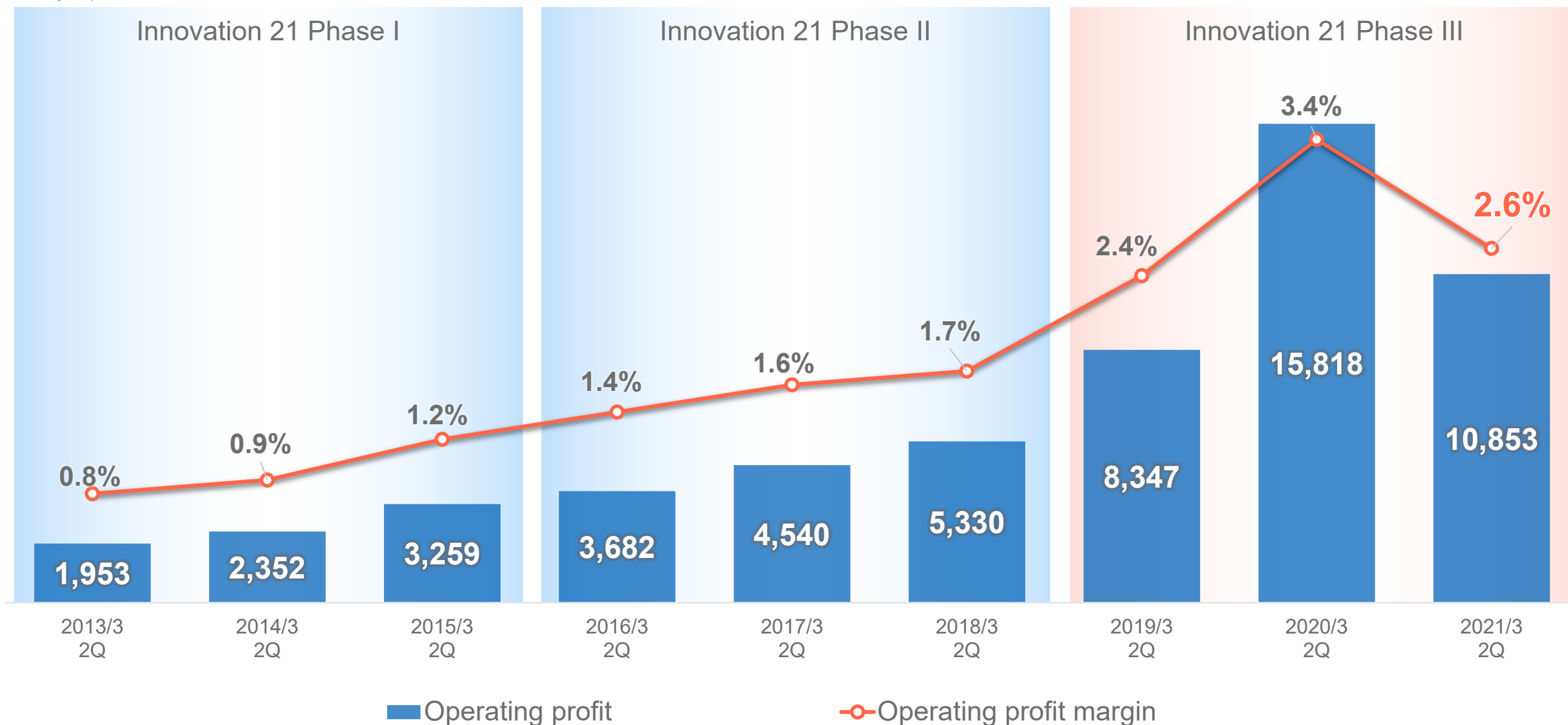
Consolidated Net Sales (2Q Cumulative)

(Million yen)



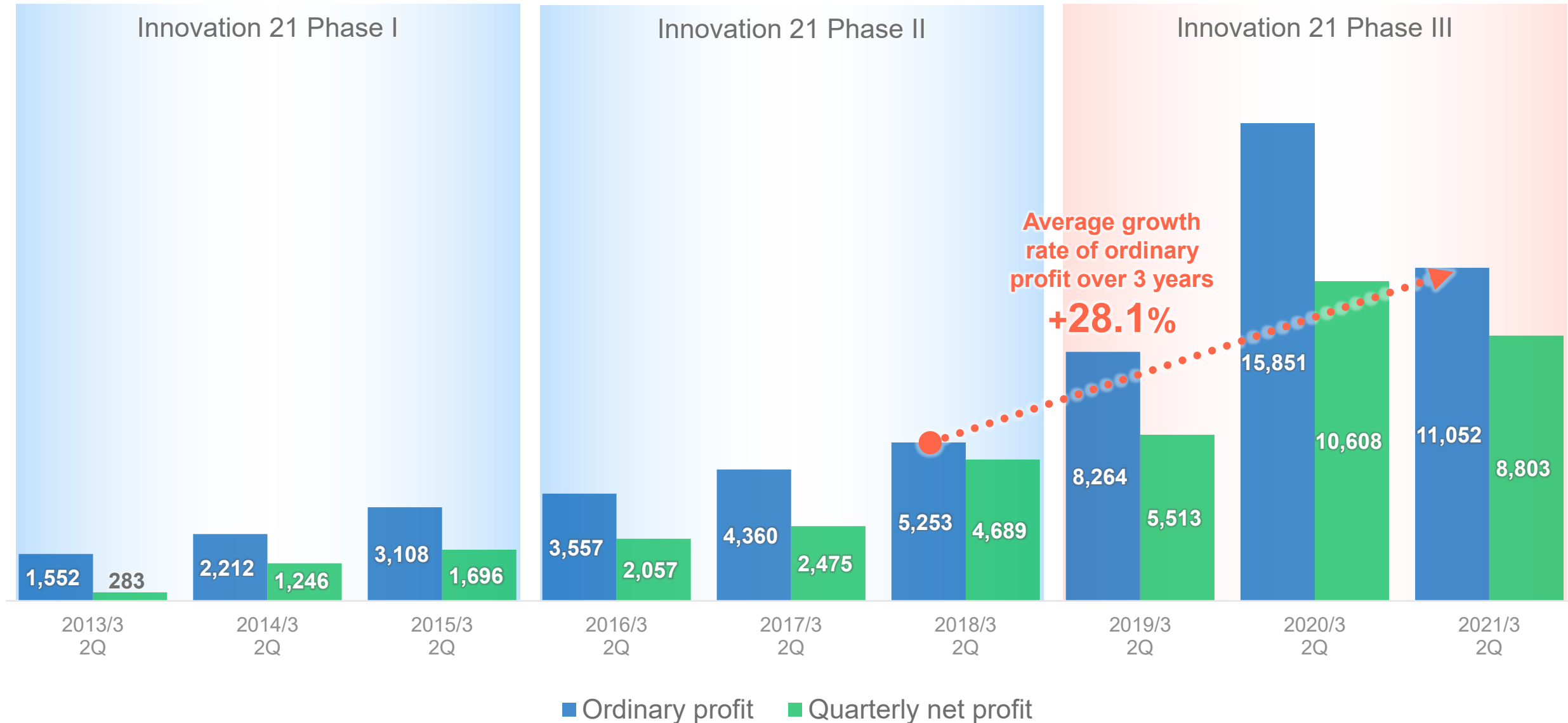
Consolidated Operating Profit (2Q Cumulative)

(Million yen)



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

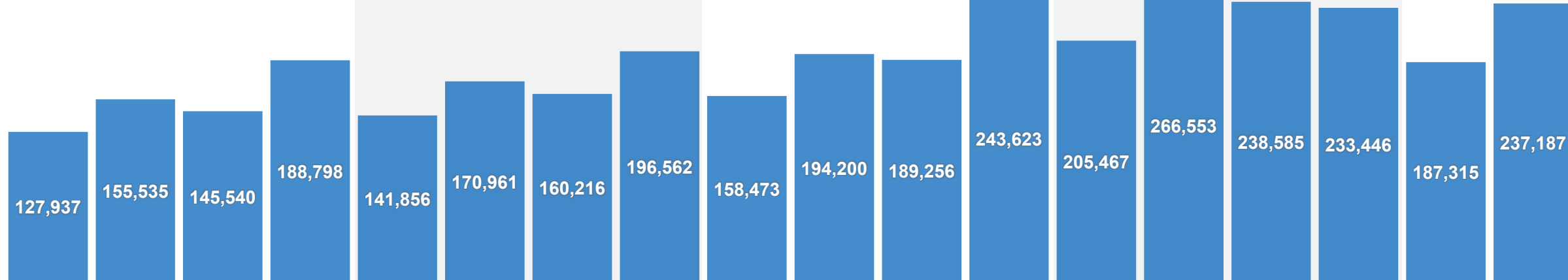
(Million yen)



Quarterly Results

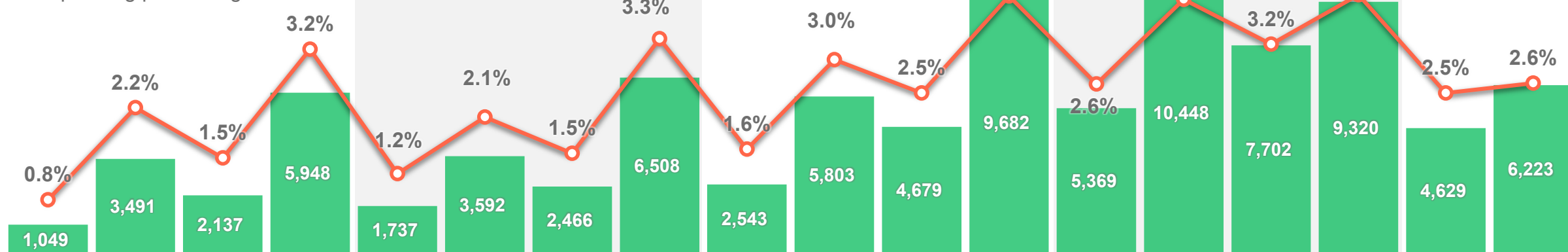
(Million yen)

■ Consolidated net sales



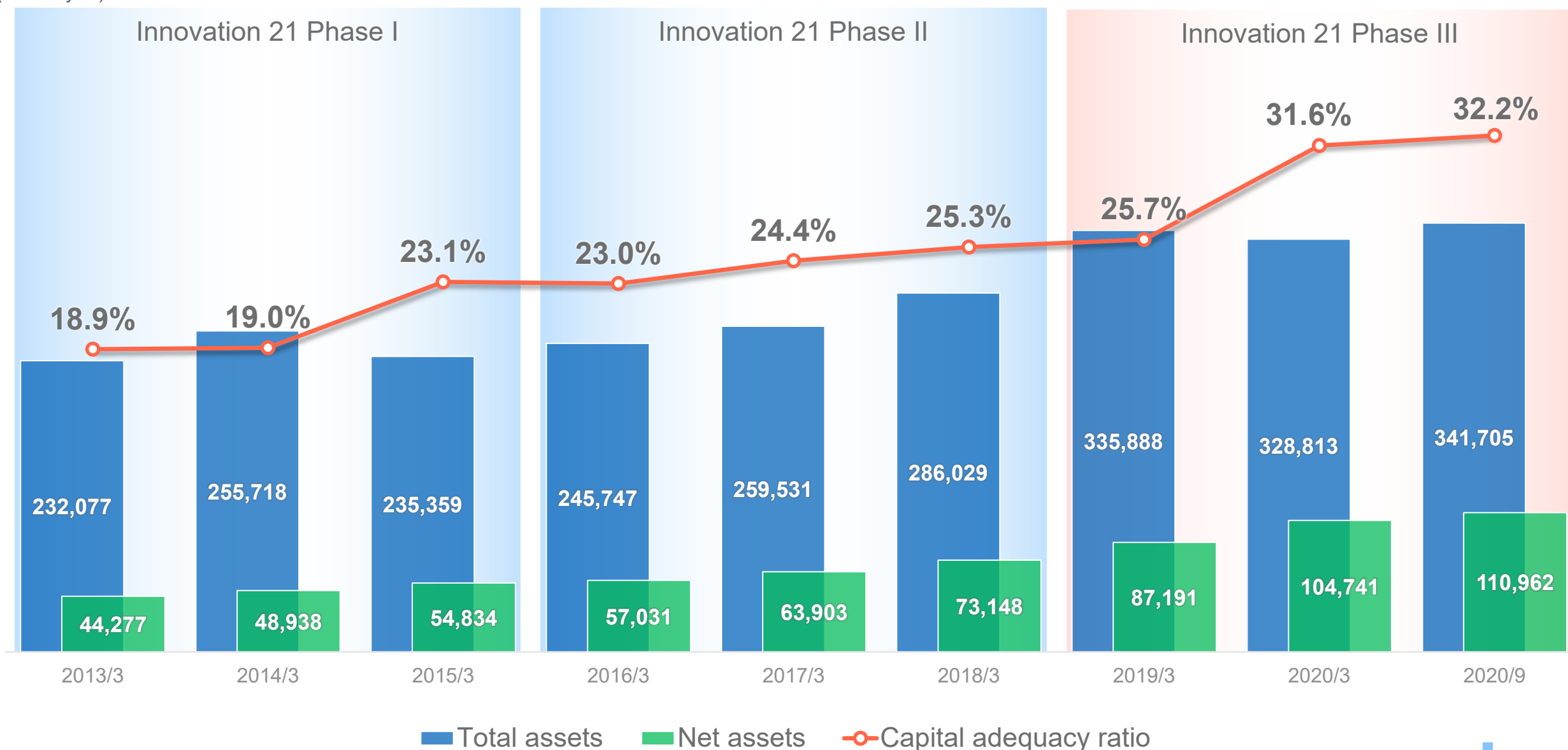
■ Consolidated operating profit

○ Operating profit margin



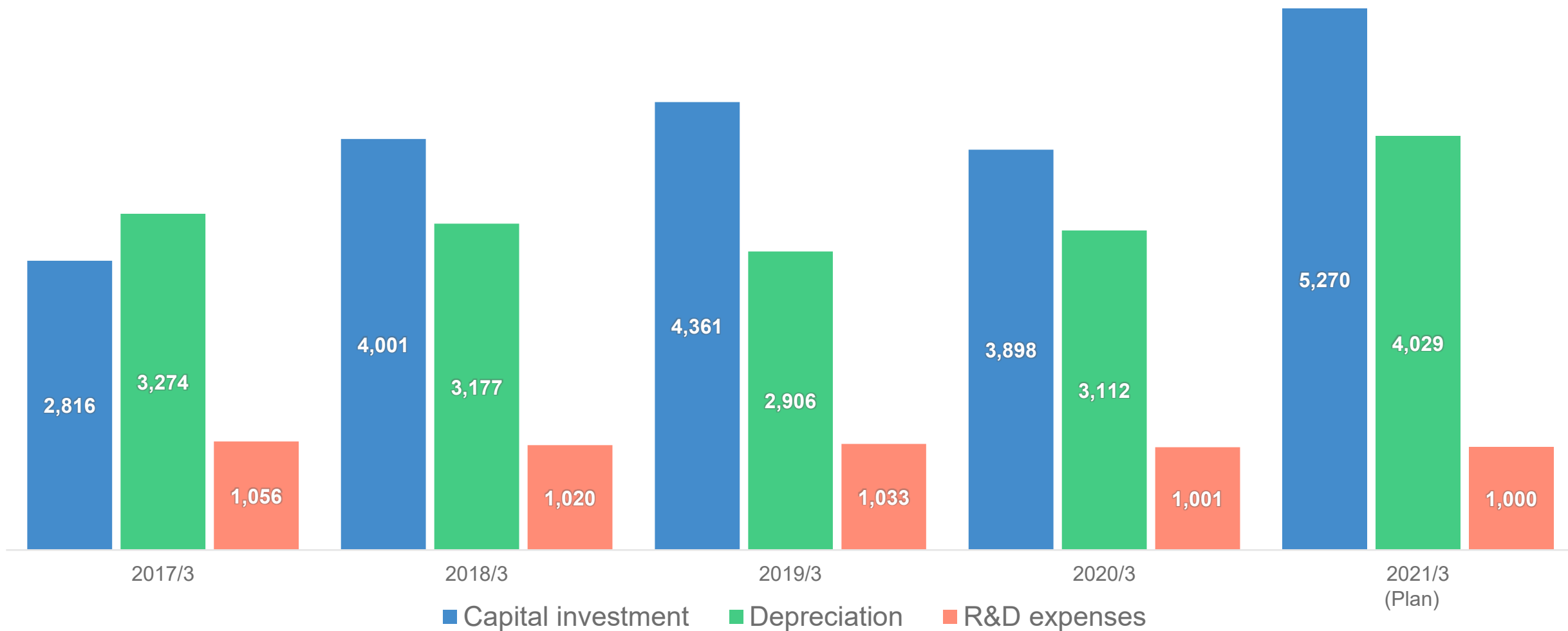
Consolidated Total Assets, Consolidated Net Assets and Capital Adequacy Ratio

(Million yen)



Capital Investment, Depreciation and R&D Expenses

(Million yen)



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



Daiwabo Holdings Co., Ltd.

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