

Important Considerations and the System for Consideration of the Formulation of the Next Medium-Term Management Plan

May 15, 2023



Daiwabo Holdings Co., Ltd.

(Stock code: **3107**)

Important Considerations for the Next Medium-Term Management Plan

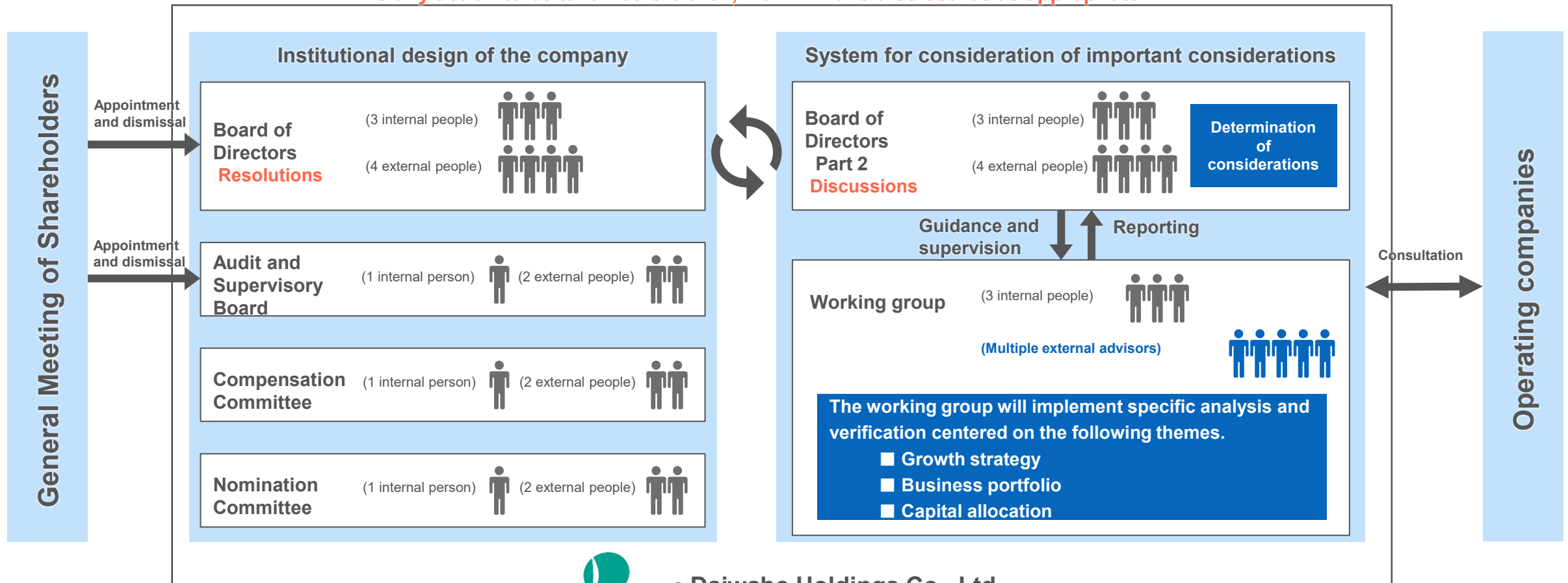
We will arrange the important considerations and the system for consideration ahead of the formulation of the next Medium-Term Management Plan scheduled to be announced in May 2024.

Considerations	Overview	Current status
<p>Establishment of a company-wide purpose and formulation of a growth strategy</p>	<ul style="list-style-type: none"> ■ We will identify the group's identity and establish a purpose based on social trends and the DNA of our corporate organization. ■ We will formulate a growth strategy from the perspective of what to make the core of the company and how to maximize profitability from that starting point and realize the social significance of the company. 	<ul style="list-style-type: none"> ■ We are planning to announce the company's purpose in the integrated report this fiscal year. ■ We are currently considering growth strategies while verifying which areas growth is expected in and whether there is added value. ■ Challenges include sustainable growth investment for the realization of the expansion of market share and customer value.
<p>Establishment of the optimal business portfolio for the maximization of value of the group overall</p>	<ul style="list-style-type: none"> ■ We will establish the optimal business portfolio by implementing strategic options at the appropriate time for the maximization of corporate value after verifying the best owner principle, evaluation of the business environment and capital profitability of existing business with reference to Practical Guidelines for Business Transformations formulated by the Ministry of Economy, Trade and Industry, etc. 	<ul style="list-style-type: none"> ■ We are currently considering making textile business independent from the group as a strategic option for the maximization of corporate value. <p>* We have started specific discussions with Daiwabo and will consider options that would contribute to increasing the value of textile business by a method appropriate for shareholders, employees, business partners, etc.</p>
<p>Realization of the optimization of growth investments and shareholder returns</p>	<ul style="list-style-type: none"> ■ We will formulate a capital allocation policy that aims to increase corporate value by realizing optimal growth investments and shareholder returns based on capital costs. ■ Optimization of the allocation of resources - people, things and money - and establishment of a capital policy that can maximize returns to shareholders. 	<ul style="list-style-type: none"> ■ With regard to the policy for the allocation of the revenue generated by each operating company, we are currently considering capital allocation aimed at the maximization of the profitability of the group overall, rather than prioritizing only growth investment for expansion of the results of each respective business.

The System for Consideration of Important Considerations

We will determine the matters to be considered by the Board of Directors, including outside directors, analyze and verify these matters in a working group with the participation of internal directors and external advisors, and then hold discussions and pass resolutions as appropriate at meetings of the Board of Directors.

The results of this consideration are scheduled for disclosure in the next Medium-Term Management Plan to be announced in May 2024, and if there is any action to be taken before then, we will make disclosures as appropriate.



Background

Overview

Establishment of the holding system

- **2009** Daiwabo and Daiwabo Information System integrated their management structures, and Daiwabo changed its trade name to Daiwabo Holdings.
The company then newly established Daiwabo as the core company of its textile business.
- **2011** Daiwabo Holdings and O-M integrated their management structures to form the current system with three core businesses.
- **2020** Daiwabo transitions from an intermediate holding company into an operating holding company to clarify the responsibilities and authority of each group company.
 - Each operating company has strengthened its profitability by consolidating, closing, merging and transferring business, and implementing M&A as appropriate.

Positioning of the current Medium-Term Management Plan

- We have positioned the Medium-Term Management Plan as “a turning point anticipating development into the future” and incorporated ROIC as a new management indicator, and make assessments for the realization of the sustainable improvement of corporate value.
 - A period of challenging towards “business model reform” for the sustainable growth of the company
 - Contributions to the resolution of social issues through business from an ESG perspective
 - Positive investment in the human resources that will create the future

Initiatives for the next Medium-Term Management Plan

- This fiscal year, we are considering and implementing drastic initiatives for the next Medium-Term Management Plan.
 - Establishment of a company-wide purpose and formulation of a growth strategy
 - Establishment of the optimal business portfolio for the maximization of value of the group overall
 - Realization of the optimization of growth investments and shareholder returns

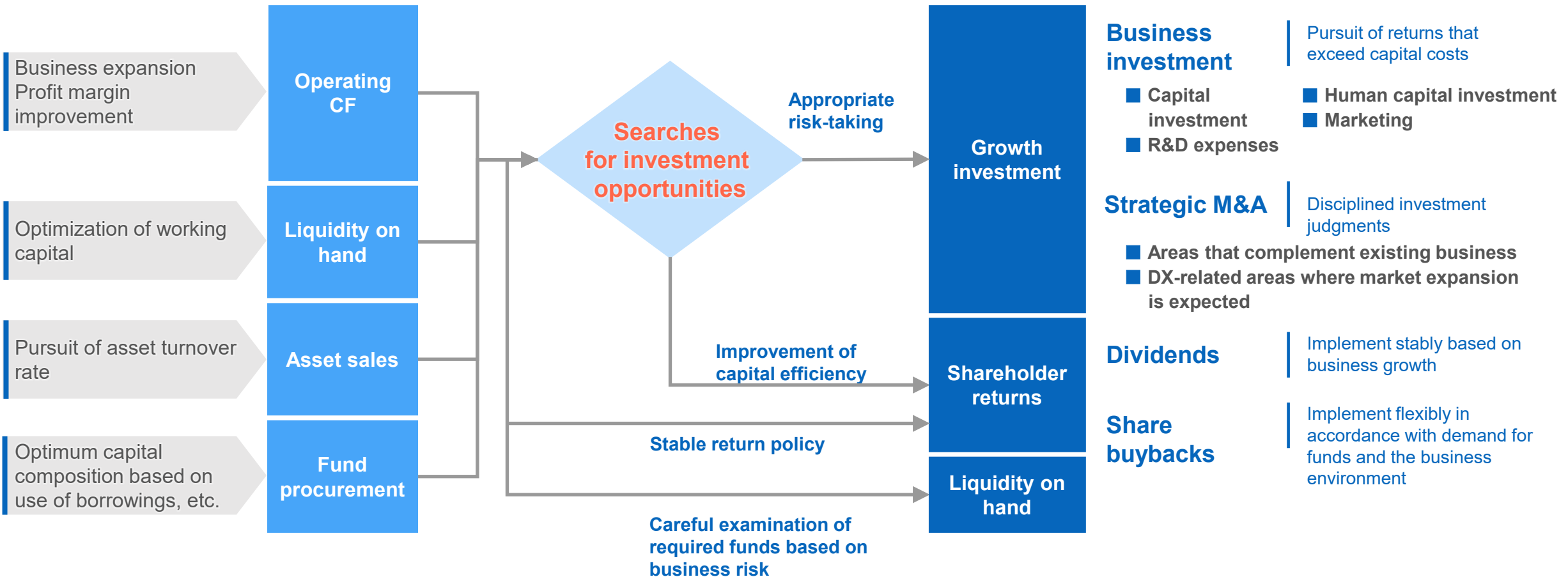
Considerations for Optimization of the Business Portfolio

We are currently considering matters concerning existing business using the following points at issue for optimization of the portfolio of businesses that will contribute to the improvement of the group's corporate value.

Status	Point at issue	Overview
Verification complete	Who is the best owner?	<ul style="list-style-type: none"> ■ The company (Daiwabo Holdings) evaluated the entity (best owner) that would be able to maximize the value of each subject business. ■ Specifically, the company evaluated whether it had been possible to support the maximization of business value through five measures: business synergies; superiority in fund procurement; strategy formulation; headquarters functions and resources; and positive involvement in operations, with regard to each subject business.
	Is sustainable value creation possible?	<ul style="list-style-type: none"> ■ The company evaluated each subject business from the perspective of whether it could generate capital profitability in excess of capital costs into the future under the group system. ■ Specifically, we evaluated the business environment surrounding each business (market attractiveness x position in the market), analyzed whether the ROIC of each business would be able to exceed the business-specific WACC over the next five years and evaluated the degree of value generation.
Currently under consideration	Implementation of optimal strategic options	<ul style="list-style-type: none"> ■ We are currently advancing considerations also including strategic options that will contribute the most to corporate value (strengthening based on business transfers, stock transfers, spin-offs, implementation of additional M&A, etc.) and plan to execute such measures at the optimal time. ■ We plan to allocate resources appropriately if we will obtain consideration from the implementation of strategic options.

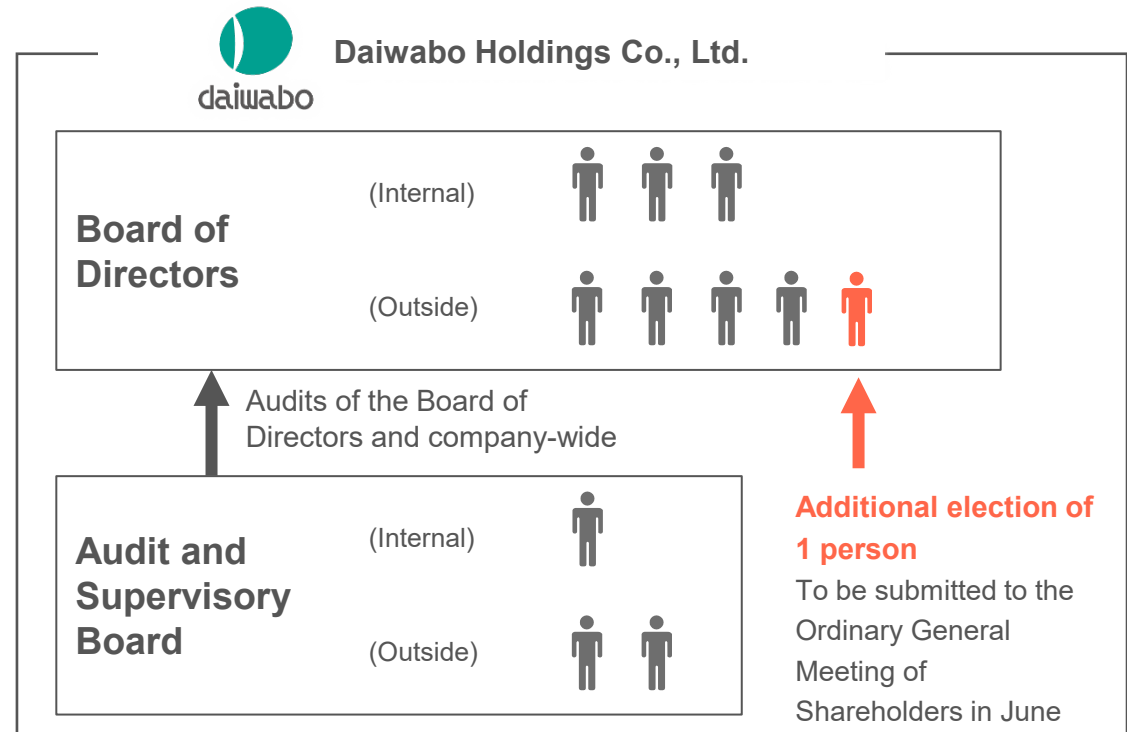
Image of Capital Allocation

We will aim for the improvement of corporate value by formulating and implementing appropriate investment evaluation standards to realize the optimal growth investments and shareholder returns.



Group Management System

April 2020 Renovation of the group's management structure Clarification of the responsibilities and authority of each group company



Securing of the independence and diversity of the Board of Directors (*After the General Meeting of Shareholders)

We will newly propose the **election of an independent outside director**

Ratio of independent outside directors **57% to *62.5%**

Ratio of female directors **29% to *25%**

New Outside Director Candidate

Name Date of birth	Brief personal history	
<p data-bbox="180 596 443 639">Tetsuro Hori</p> <p data-bbox="168 696 456 782">October 20, 1961 (61 years old)</p>	<p data-bbox="580 315 715 339">April 1985</p> <p data-bbox="580 351 715 375">April 2001</p> <p data-bbox="580 386 715 411">June 2003</p> <p data-bbox="580 422 715 446">June 2013</p> <p data-bbox="580 458 715 482">June 2015</p> <p data-bbox="580 494 715 518">June 2016</p> <p data-bbox="580 529 715 554">June 2017</p> <p data-bbox="580 565 715 589">April 2018</p> <p data-bbox="580 601 715 625">June 2019</p> <p data-bbox="580 636 715 661">July 2022</p> <p data-bbox="580 672 792 696">December 2022</p>	<p data-bbox="835 315 1302 339">Joined Tokyo Electron Limited (TEL)</p> <p data-bbox="835 351 1467 375">General Manager of Management Strategy Office</p> <p data-bbox="835 386 2440 411">General Manager of Legal Affairs and Intellectual Property Department and General Manager of Management Strategy Office</p> <p data-bbox="835 422 1870 446">Director and Executive Officer in charge of Legal Affairs and Intellectual Property</p> <p data-bbox="835 458 1926 482">Director, Managing Executive Officer and General Manager of Administration Division</p> <p data-bbox="835 494 2226 518">Representative Director, Senior Managing Executive Officer and General Manager of Administration Division</p> <p data-bbox="835 529 1727 554">Representative Director, Senior Managing Executive Officer and CFO</p> <p data-bbox="835 565 1760 589">Director, Senior Managing Executive Officer and Special Representative</p> <p data-bbox="835 601 1735 625">Managing Executive Officer and Business Reform Project Sub-Leader</p> <p data-bbox="835 636 1174 661">Senior Advisor (to present)</p> <p data-bbox="835 672 1946 696">Head of Operations and Legal / IP Advisor, Value-Quest Partners Co., Ltd. (to present)</p>
	<p data-bbox="580 775 1335 799">Reason for selection as candidate for outside director</p> <p data-bbox="580 811 2405 868">Mr. Hori has a wealth of experience as a manager at an international listed company as well as experience mainly of the following duties, and we believe that he will be able to perform duties as an outside director appropriately.</p> <p data-bbox="580 879 2440 1046"> (1) Mr. Hori promoted the strengthening of TEL's governance structure amid business expansion and globalization as the manager responsible for legal affairs and intellectual property. (2) Mr. Hori promoted multiple M&A. (3) Mr. Hori has a wealth of knowledge in finance and accounting, promoted opinion exchanges with many investors in Japan and overseas positively and worked to improve shareholder value. </p>	

The company's policy is to continue discussions and consideration towards the improvement of medium to long-term corporate value, including the positive expansion of investment in business where growth is expected, the selection and concentration of business, the enhancement of the shareholder return policy taking appropriate capital allocation into account, etc., without letting opportunities slip, and will continuously promote initiatives towards the improvement of its management system.

Composition of the Skills the Company Seeks from Its Board of Directors and Audit and Supervisory Board

For the building and promotion of management strategies aimed at increasing the company group's medium to long-term corporate value, as a holding company, **we have set eight categories of knowledge, experience and skills expected of executives**, rather than mere work experience, taking into account that executives supervise the group as a whole.

Corporate management in general	Corporate management experience enables broader and higher dimensional judgment throughout group management and medium to long-term management strategies in general.
Corporate planning and management strategy	The building of an appropriate management strategy, including the selection and concentration of business, and the transformation of our business portfolio, as well as the knowledge and experience related to business restructuring, M&A, etc., associated with this will be required for growth of the company overall.
Legal affairs, compliance and governance	Strengthening of the governance system and putting it into practice are essential in managing the company group, and knowledge and experience related to this are required.
Finance and accounting	As the same time as skills related to finance and accounting are required in managing the company group, knowledge and experience of finance and capital markets and capital allocation are required in implementing restructuring, M&A, etc.
Personnel, human resource development and diversity	In addition to the use of human resources, the promotion of diversity is an important issue for the growth of the company group and the resolution of social issues, and knowledge and experience are required to that end.
ICT and DX-related	In addition to the promotion of growth strategies in IT Infrastructure Distribution Business being important for the company group, changing to ICT is required for greater management efficiency in all businesses, and the promotion of DX is an issue that we should work on ahead of other companies for the expansion of the company's business, and knowledge and experience is required for those changes.
ESG・SDGs	These are issues that the company should work on positively as social issues, and related knowledge and experience will be required in their execution.
Internationality	We have tie-ups with global companies among the suppliers of IT Infrastructure Distribution Business, and in Fiber Business and Industrial Machinery Business too, we have places of business and sales offices overseas so it would be beneficial to use global knowledge in the building of the company group's medium-term management strategies.

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



Daiwabo Holdings Co., Ltd.

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