

3rd Quarter of the Fiscal Year Ending March 2022 Financial Results Materials

February 8, 2022



Daiwabo Holdings Co., Ltd.

(Stock code: **3107**)

3rd Quarter of the Fiscal Year Ending March 2022 (April 1, 2021 - December 31, 2021)

In addition to the demand downturn, the impact of the global supply shortage expanded, but we secured the third highest level of profits for the cumulative 3rd quarter.

IT Infrastructure Distribution Business

Although IT demand from companies and government offices is on a recovery trend, some products are tight and composite proposals are difficult due to a shortage of semiconductors, etc.

Revenue decreased in the education market compared with terminal shipments on a nationwide scale in association with the GIGA School Concept of the second half of last term. In the consumer market, sales declined, centered on PCs and peripherals, compared to the previous term, when telework was active.

Fiber Business

Sales of rayon, which has a low environmental impact, remained steady, but profits were sluggish due to a decline in sales because of a rebound in demand for sanitation, etc., and soaring raw material and fuel prices across business in general.

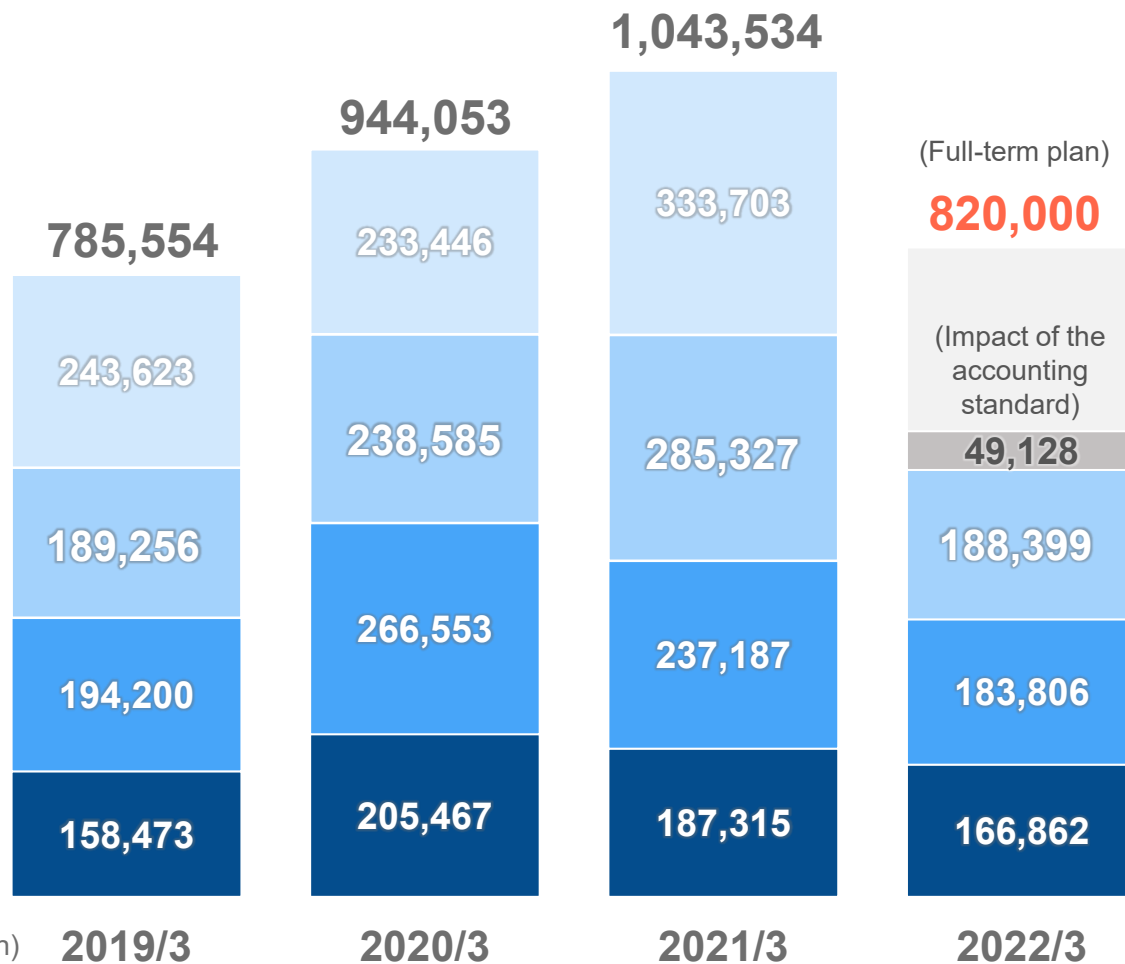
Industrial Machinery Business

Sales of services such as remodeling and parts replacement increased while the order environment recovered, but the business struggled due to a decrease in orders and soaring raw material prices last term.

Cumulative Net Sales for the 3rd Quarter of the Fiscal Year Ending March 2022



■ 1Q ■ 2Q ■ 3Q ■ 4Q



Sales **539,068** million yen

-17.1% against the same period of the previous fiscal year

(Comparison under the previous standard)

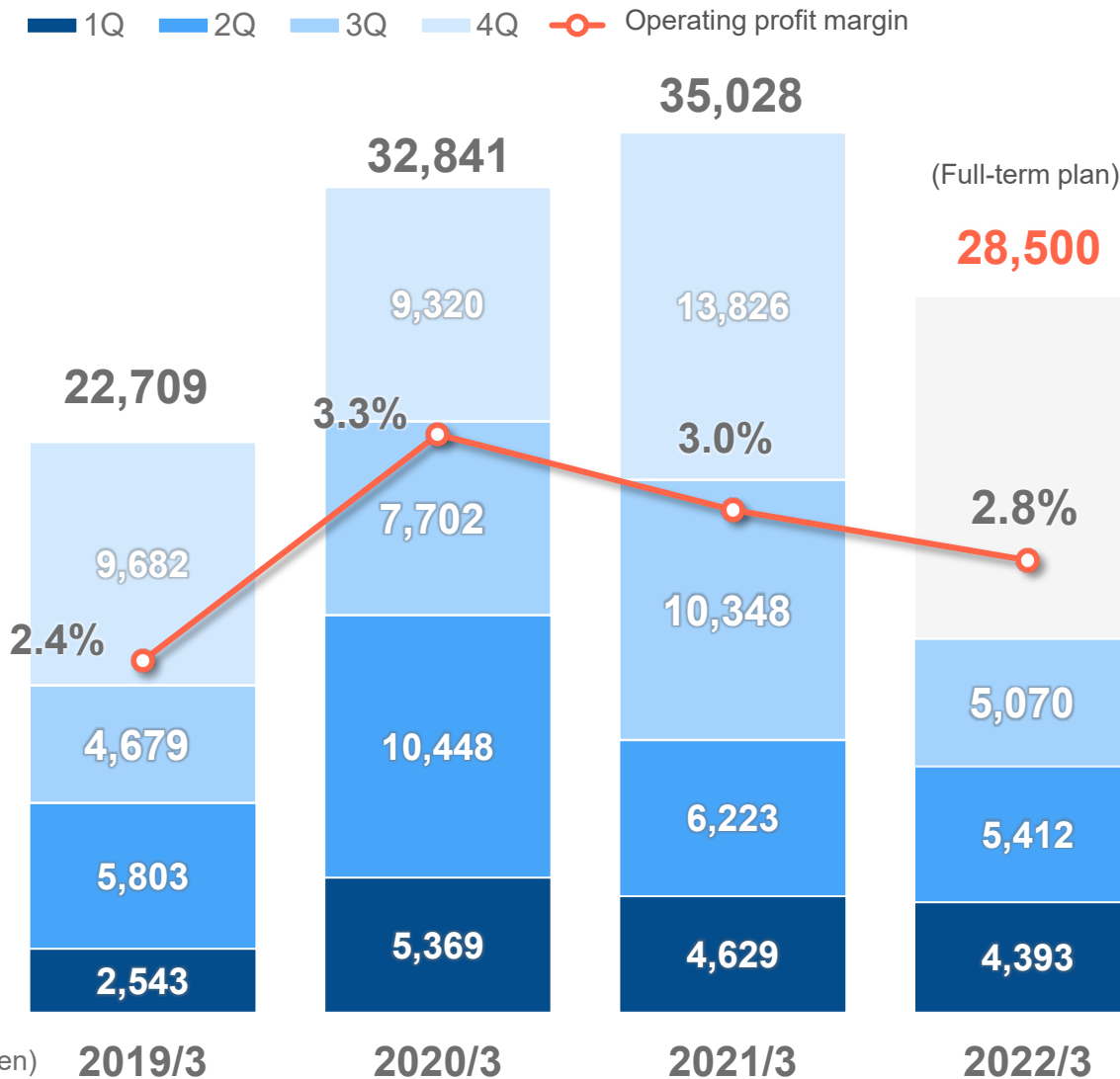
▶ Impact of the standard for revenue recognition **49,128** million yen

▶ Comparison under the new standard - **18.4%**

Full-term progress rate **65.7%**

* See page 4 with regard to the application of the "Accounting Standard for Revenue Recognition"

Cumulative Operating Profit for the 3rd Quarter of the Fiscal Year Ending March 2022



Operating profit **14,877** million yen
-29.8% against the same period of the previous fiscal year

Operating profit margin **2.8%**

Operating profit third highest ever for cumulative 3Q

Full-term progress rate **52.2%**

(Million yen) 2019/3

2020/3

2021/3

2022/3

Application of the Accounting Standard for Revenue Recognition

The company is applying the “**Accounting Standard for Revenue Recognition**,” ASBJ Statement No. 29, from the fiscal year ending March 2022

We have changed the sales recording method for some transactions of IT Infrastructure Distribution Business

(Million yen)		2021/3 3Q	2022/3 3Q	Change
Net sales	[1] Old standard	709,830	588,196	(121,633) (17.1%)
	[2] New standard	-	539,068	
	[2] - [1]	-	(49,128)	
Operating profit		21,201	14,877	(6,324) (29.8%)
Operating profit margin	[1] Old standard	3.0%	2.5%	
	[2] New standard	-	2.8%	

< 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)



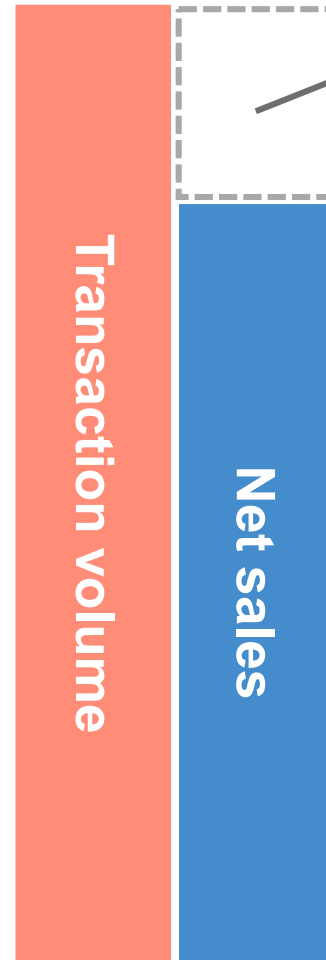
[New standard]: Record sale of the **net amount** of sales consideration (A-B)



Transaction volume

Transaction Volume

- ❑ Calculated under the same standard as net sales up to the fiscal year ended March 2021 (= net sales prior to the change in the accounting standards)
- ❑ Continuing to use as “transaction volume” to make an important index in presenting the scale of transactions
- ❑ Sales evaluations in management accounting



Impact due to application of the
“Accounting Standard for Revenue
Recognition”

(Net sales from the fiscal year ending March 2022)

The company records as net sales the net amount of sales consideration for “agency transactions” under the accounting standards for some maintenance and warranty services, software sales due to iKAZUCHI, etc.

Net sales

Net Sales

- ❑ Net sales from the fiscal year ending March 2022
- ❑ Sales evaluations in financial accounting

Summary of the Consolidated Settlement of Accounts for the Cumulative 3rd Quarter of the Fiscal Year Ending March 2022

(Million yen)	2021/3 3Q	2022/3 3Q	Change	Compared to previous term	Full-term forecast	Progress rate
Net sales	709,830	539,068	—	—	820,000	65.7%
Operating profit	21,201	14,877	(6,324)	(29.8%)	28,500	52.2%
Ordinary profit	21,630	15,066	(6,564)	(30.3%)	28,500	52.9%
Quarterly profit attributable to owners of parent	16,369	10,478	(5,890)	(36.0%)	18,500	56.6%
Quarterly net profit per share (yen)	170.26	109.78				

(Million yen)	2021/3	2021/12	Change	Major reasons for change
Collective assets	383,757	354,261	(29,496)	Decrease in accounts receivables, etc.
Net assets	129,322	129,027	(294)	Increase of treasury stock
Capital adequacy ratio	33.4%	36.2%		

Business Forecast for the Full Term of the Fiscal Year Ending March 2022

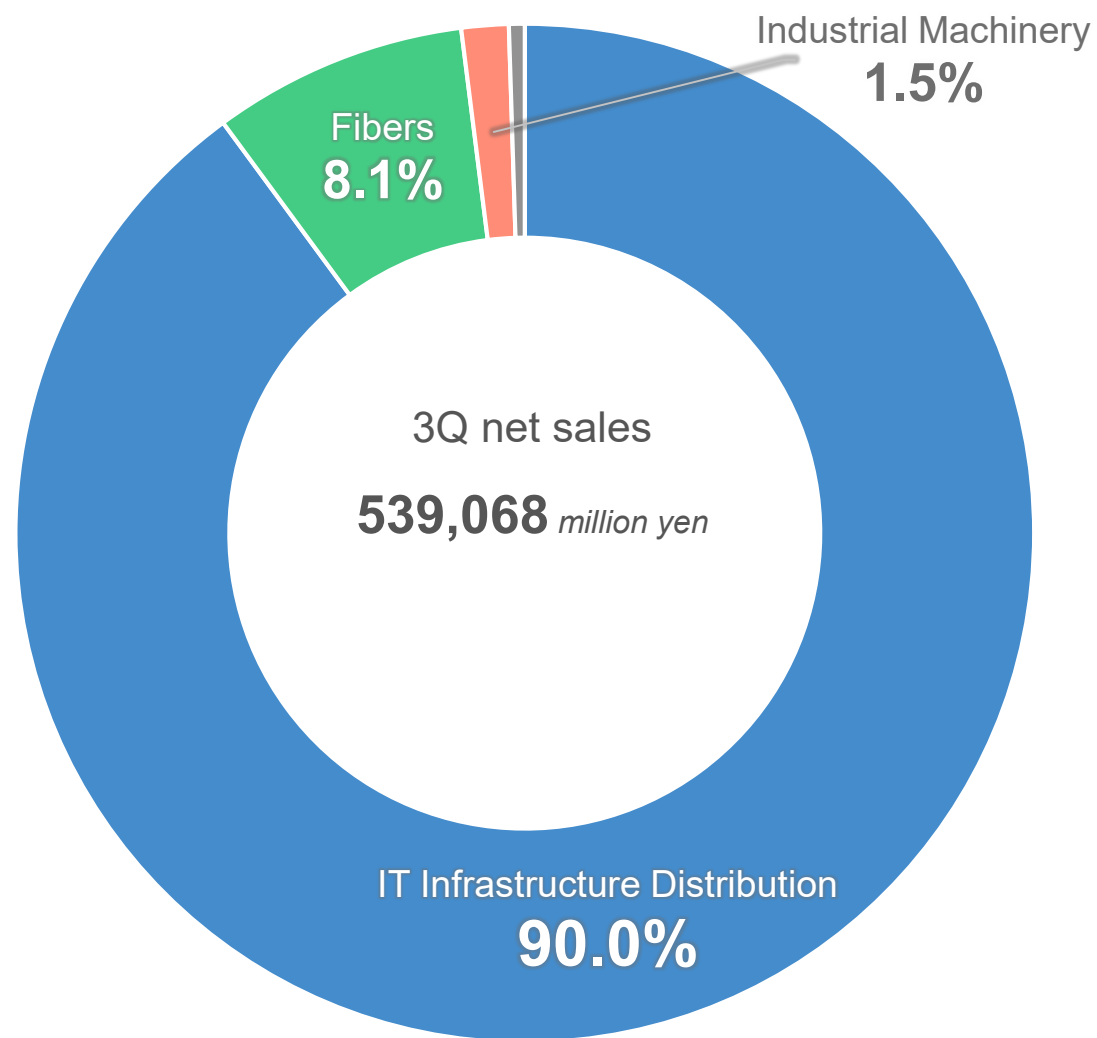
(*No Change from Announced Figures)

(Million yen)	2021/3 (Results)		2022/3 (Forecast)		Change (*)	Compared to previous term (*)
	Amount	Percentage	Amount	Percentage		
Net sales	1,043,534		820,000		(223,534)	(21.4%)
IT Infrastructure Distribution	969,748		742,000		(227,748)	(23.5%)
Fibers	61,033		64,700		+3,666	+6.0%
Industrial Machinery	11,582		11,100		(482)	(4.2%)
Operating profit	35,028	3.4%	28,500	3.5%	(6,531)	(18.6%)
IT Infrastructure Distribution	33,226	3.4%	24,400	3.3%	(8,826)	(26.6%)
Fibers	1,350	2.2%	3,450	5.3%	+2,099	+155.5%
Industrial Machinery	537	4.6%	640	5.8%	+102	+19.0%
Ordinary profit	35,781	3.4%	28,500	3.5%	(7,281)	(20.4%)
Profit attributable to owners of parent	25,715	2.5%	18,500	2.3%	(7,215)	(28.1%)

* Because the "Accounting Standard for Revenue Recognition" applies from the term ending 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.

Operating Results by Segment for the Cumulative 3rd Quarter of the Fiscal Year Ending March 2022

(Million yen)		2021/3 3Q	2022/3 3Q	Change	Compared to previous term
Net sales	IT Infrastructure Distribution	655,037	485,355	—	—
	Fibers	46,000	43,446	(2,554)	(5.6%)
	Industrial Machinery	7,979	7,827	(151)	(1.9%)
	Others	813	2,439	+1,626	+200.0%
	Total	709,830	539,068	—	—
Operating profit	IT Infrastructure Distribution	20,234	12,981	(7,252)	(35.8%)
	Fibers	659	1,394	+734	+111.4%
	Industrial Machinery	362	354	(7)	(2.2%)
	Others	(54)	144	+199	—
	(Adjustment)	0	3		
Total	21,201	14,877	(6,324)	(29.8%)	



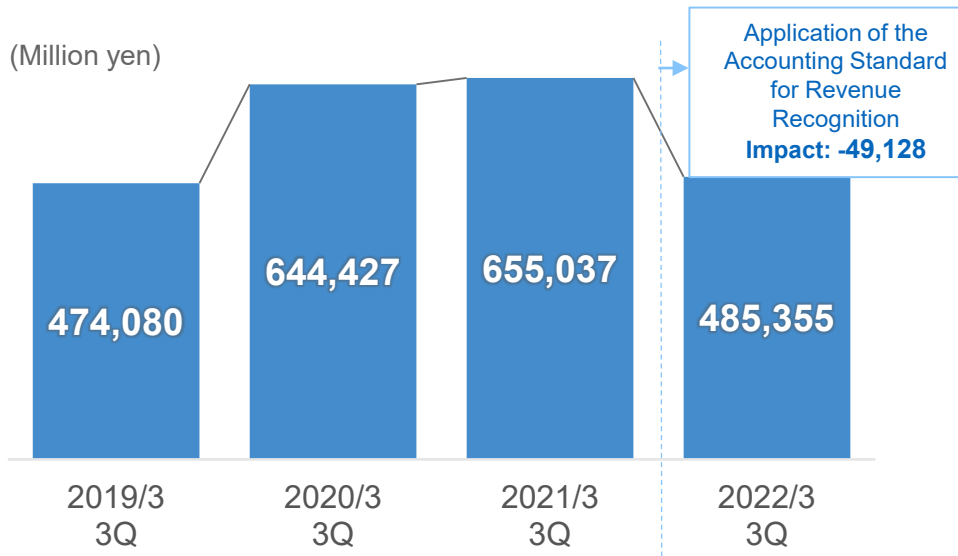
Percentage of net sales

	2021/3 3Q	2022/3 3Q
IT Infrastructure Distribution	91.1%	90.0%
Fibers	7.3%	8.1%
Industrial Machinery	1.4%	1.5%

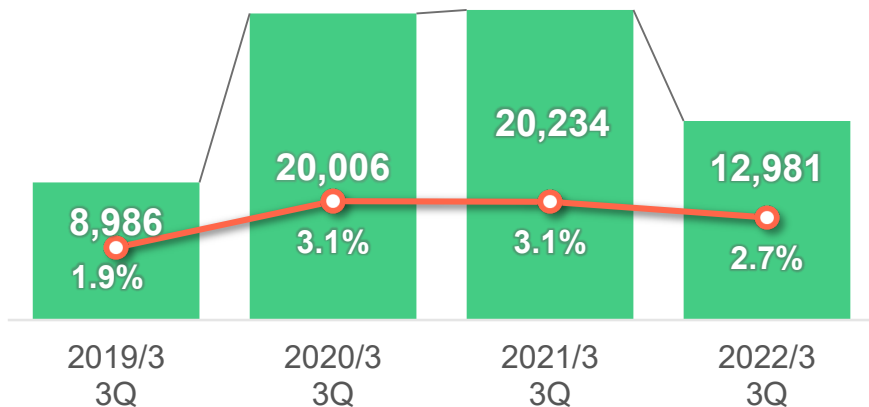
Percentage of operating profit

	2021/3 3Q	2022/3 3Q
IT Infrastructure Distribution	99.0%	87.3%
Fibers	(1.8%)	9.4%
Industrial Machinery	3.5%	2.4%

IT Infrastructure Distribution Business



■ Net sales ■ Operating profit ■ Operating profit margin



Transaction volume

* Net sales under the old standard

534,483 million yen (-18.4% compared to previous term)

Net sales

485,355 million yen (-25.9% compared to previous term)

Operating profit

12,981 million yen (-35.8% compared to previous term)

Number of PCs shipped

2,014,000 units (-35.6% compared to previous term)

Number of servers shipped

41,000 units (-5.3% compared to previous term)

Subscription handling volume

51,009 million yen (+5.6% compared to previous term)

iKAZUCHI handling volume

10,588 million yen (+31.6% compared to previous term)

Review of the business

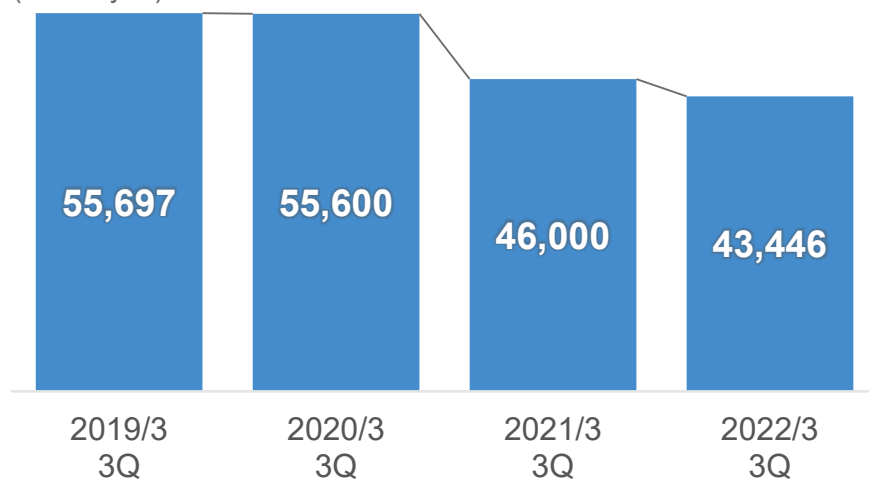
Corporate market

- Demand for subscription services, PCs, monitors, etc., for companies and government agencies expanded as the building of cloud environments progresses, although some products are tight and composite proposals difficult due to the shortage of semiconductors, etc.
- In the education market, although education ICT demand grew, revenue decreased compared with nationwide terminal shipments in association with the GIGA School Concept of the second half of last term

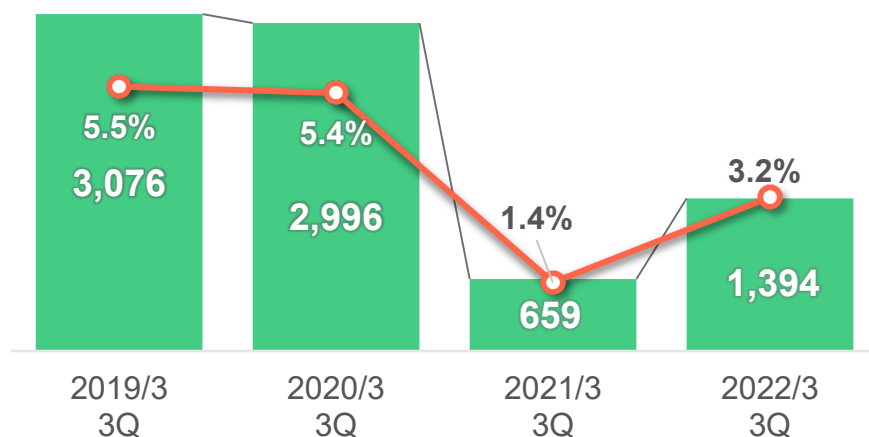
Consumer market

- Sales of monitors to electronics retail stores were strong, but sales centered on PCs and peripherals declined compared with the previous term, when telework-related demand was active.

(Million yen)



■ Net sales ■ Operating profit ■ Operating profit margin



Net sales

43,446 million yen (-5.6% compared to previous term)

Operating profit

1,394 million yen (+111.4% compared to previous term)

Review of the business

Synthetic Fibers and Rayon Divisions

■ Although rayon with a low environmental load trended well, in addition to the rebound from demand to last term for non-woven fabric for masks and sterilization sheets, raw materials prices soared so business continued to struggle.

Industrial Material Division

■ Cartridge filters for electronic parts manufacturers continued to enjoy strong demand, and demand for heavy cloth-related products such as synthetic fiber canvas also continued to recover, but profits slumped due to cost increases such as soaring raw materials prices.

Clothing Products Division

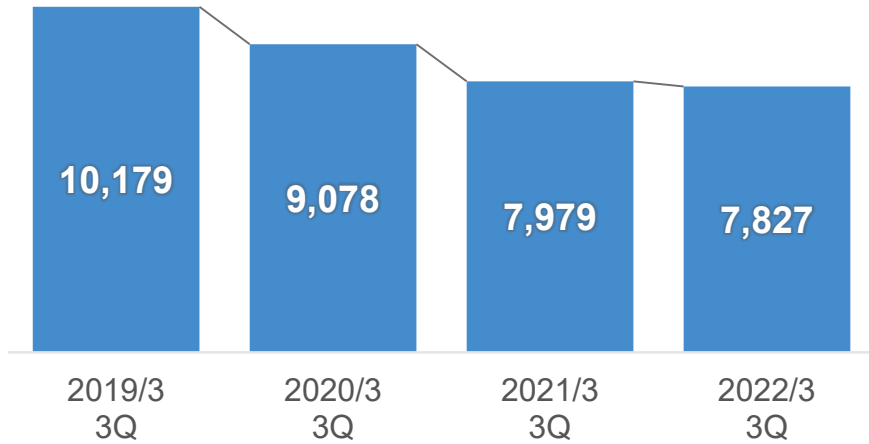
■ Although clothing and underwear for America tended to recover, purchasing at retail stores continued to decline and sales and profits decreased due to a slump in casual clothing for children in particular.

[Reference] Reflecting the effects of inappropriate transactions in 2Q of the previous term (disclosed 2020/12/11)

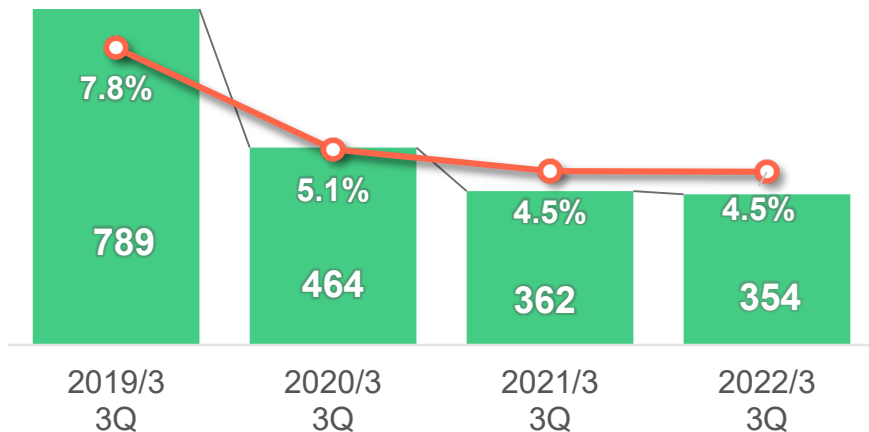
	2021/3 3Q		2022/3 3Q
	Impact	When impact is excluded	Compared to previous term when impact is excluded
Net sales	(640 million yen)	46,641 million yen	(6.9%)
Operating profit	(1,994 million yen)	2,654 million yen	(47.5%)

Industrial Machinery Business

(Million yen)



■ Net sales ■ Operating profit ■ Operating profit margin



Net sales

7,827 million yen (-1.9% compared to previous term)

Operating profit

354 million yen (-2.2% compared to previous term)

Review of the business

Machine Tools Division

- The Japan Machine Tool Builders' Association's total orders received in April to December increased by 83.3% compared to the previous term, and although the recovery in core aircraft and railway-related business was slow, orders received increased by 58.2% compared to the previous term, mainly due to the recovery of orders received in the metal products and semiconductor industries following the adoption of various capital investment subsidies.
- Sales of services increased due to the strengthening of internal systems, but both sales and profits decreased due to the impact of declining orders for machine tool bodies the previous term and soaring raw materials prices.

Automatic Machinery Division

- Although customers continued to have a cautious attitude towards capital investment, orders received increased by 60.3% compared to the previous term.
- Results improved due to sales of lines with multiple units and the strengthening of service sales such as parts replacements

Consolidated Balance Sheet for the 3rd Quarter of the Fiscal Year Ending March 2022 (Summary of Accounts P4-5)



(Million yen)	2021/3	2021/12	Change		2021/3	2021/12	Change
Current assets	331,461	303,029	(28,432)	Current liabilities	230,519	195,875	(34,643)
Cash and deposits	32,058	57,459	+25,400	Notes payable and accounts payable	188,483	166,633	(21,850)
Notes and accounts receivable, and contract assets (*)	246,897	176,366	(70,531)	Short-term loans payable	15,255	12,185	(3,070)
Goods and products	32,580	49,568	+16,987	Non-current liabilities	23,916	29,358	+5,442
Property, plant and equipment	39,172	38,725	(447)	Long-term loans payable	12,065	16,247	+4,182
Intangible fixed assets	2,696	2,470	(225)	Total liabilities	254,435	225,233	(29,201)
Investments and other assets	10,426	10,036	(390)	Total net assets	129,322	129,027	(294)
				Treasury stock	(123)	(2,123)	(2,000)
Total assets	383,757	354,261	(29,496)	Total liabilities and net assets	383,757	354,261	(29,496)

* Shown in the previous term as "Notes and accounts receivable"

Notes and accounts receivable, and contract assets	246,897	->	176,366	(70,531)	Collection of DIS accounts receivable
Notes payable and accounts payable	188,483	->	166,633	(21,850)	Decrease in DIS accounts payable
Total loans	27,321	->	28,433	+1,111	

Consolidated Profit Statement for the 3rd Quarter of the Fiscal Year Ending March 2022 (Summary of Accounts P6)

(Million yen)	2021/3 3Q		2022/3 3Q		Change	Compared to previous term
	Results	Percentage	Results	Percentage		
Net sales	709,830		539,068		(170,762)	(24.1%)
Gross profit	55,019	7.8%	44,682	8.3%		
Selling, general and administrative expenses	33,817	4.8%	29,805	5.5%		
Operating profit	21,201	3.0%	14,877	2.8%	(6,324)	(29.8%)
Ordinary profit	21,630	3.0%	15,066	2.8%	(6,564)	(30.3%)
Extraordinary profit	1,459 *		342			
Extraordinary loss	740 *		51			
Quarterly profit attributable to owners of parent	16,369	2.3%	10,478	1.9%	(5,890)	(36.0%)

* Extraordinary profit in previous term

Gain on sale of DIS Distribution Center (**754** million yen), compensation for transfer of overseas Fiber Business plants (**658** million yen)

* Extraordinary loss in previous term

Impairment loss for idle land (**521** million yen)

Shareholder Return

BY2022 (forecast)

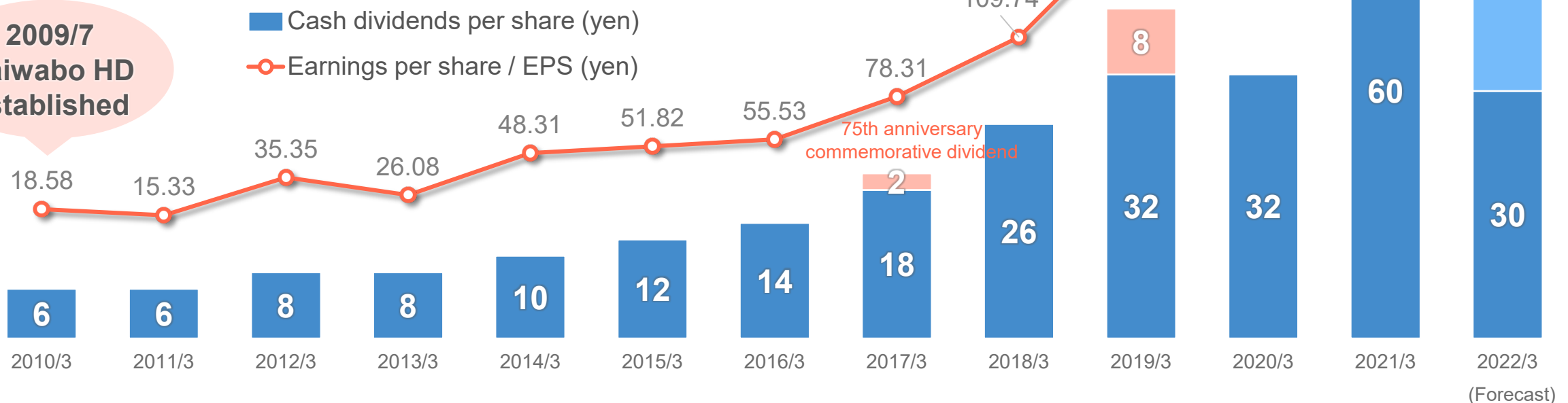
Interim dividend (first) **30 yen** Term-end dividend **30 yen**

Annual dividend **60 yen**

Dividend payout ratio **31.2%** Total shareholder return ratio **41.8%**

Acquisition of treasury stock **About 2.0 billion yen** (2021/5/14 to 8/31)

**2009/7
Daiwabo HD
established**



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

BY2021

Main initiatives in first half

Materiality formulation

Daiwabo Sustainable Action2021

Linking of action items after formulation of 5 categories and 17 items

Improvement of independence and diversity of Board of Directors

Independent outside director ratio **57%**
Female director ratio **29%**

Acquired “DX Certification” established by METI

Main initiatives in second half

Prime market selection

To be Listed on Prime Market from April 4, 2022

Formulation of total CO₂ emissions reduction for the Group

30% reduction by 2030 (Scope 1 and 2 total / compared to fiscal year 2013)

Enhancement of ESG disclosure

ESG data, basic way of thinking, etc.

Initiatives towards the disclosure of climate change-related information

Scenario analysis based on TCFD recommendations, etc. (scheduled for public announcement next fiscal year)



Strengthening of Group cooperation

ESG Promotion Committee / ESG Promotion Meeting

- Regular confirmation / sharing of progress of activities
- Evaluation, review, etc., of materialities

Ongoing
ESG
activities

Enhancement of information transmission

Sustainability site

- ESG promotion system / materiality
- Basic way of thinking on ESG
- ESG data, etc.



[Reference] Medium-Term Management Plan

- Period **Fiscal year ending March 2022 to fiscal year ending March 2024 (3-year plan)**

- Positioning **"A turning point anticipating development into the future"**

- ▶ 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

Basic policy of the group

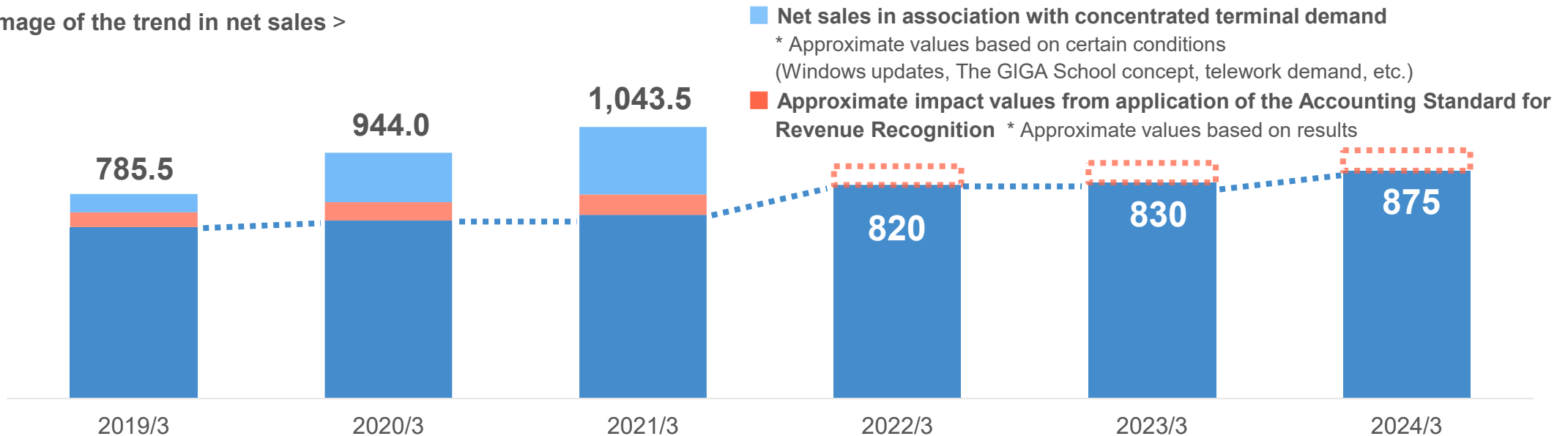
- 01 The creation of next generation growth drivers
- 02 Contributions to the creation of a new society as a leading company
- 03 Reform of management foundations

New Medium-Term Management Plan - Revenue Indicators

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

-> Application of the Accounting Standard for Revenue Recognition

< Image of the trend in net sales >



ROE 14% or higher

Return on equity
< Return on shareholder's equity >

>
Cost of shareholders' equity
8.6%
(Company recognition of the current situation)

ROIC 11~12% level maintenance

Return on invested capital (*)
< Return on invested capital >

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

**Sustainable
improvement
of corporate
value**

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

Medium-Term Management Plan - Cash Allocation Policy

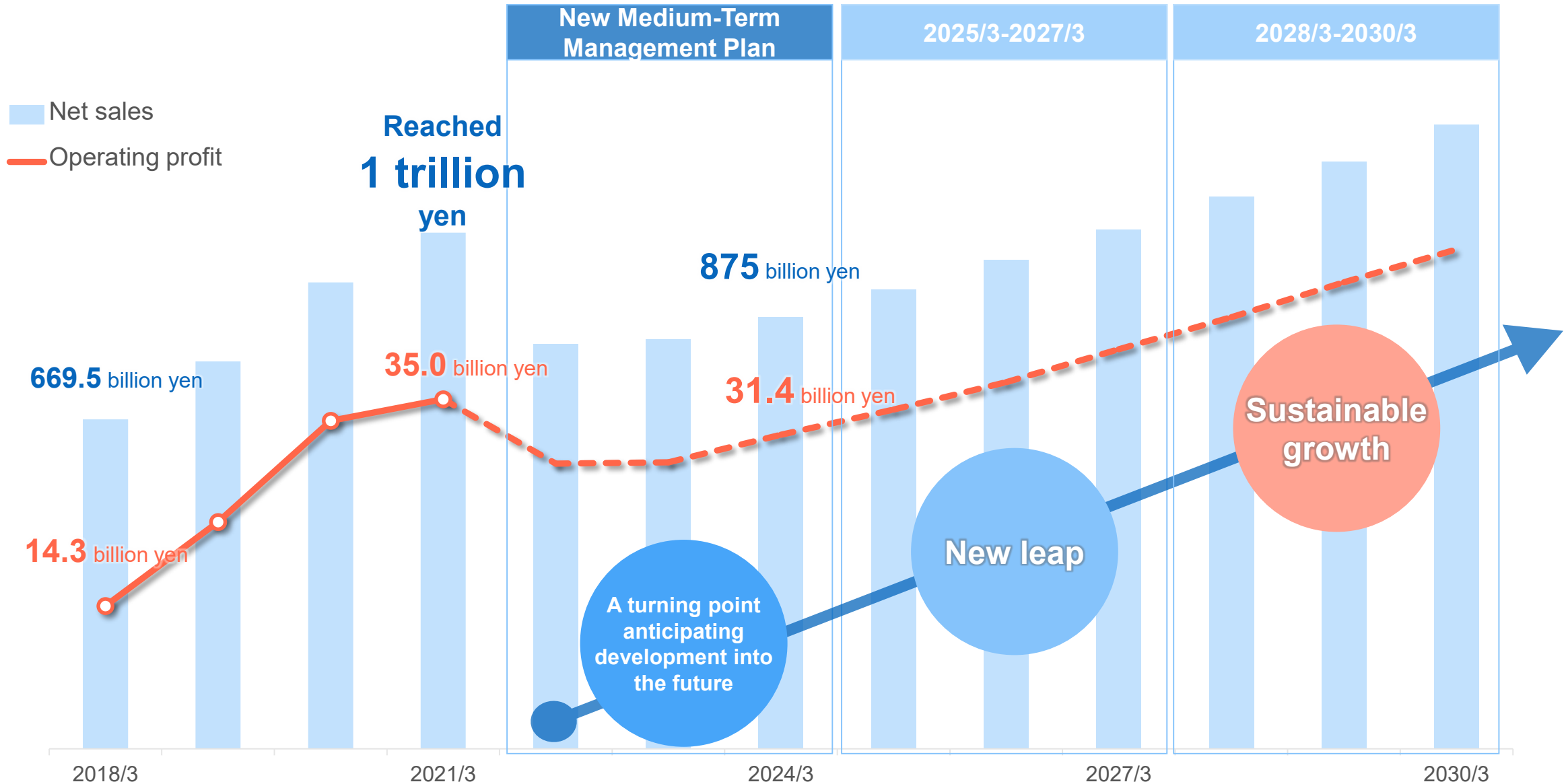
Basic policy

- We will aim to enhance shareholder returns appropriately.
- We will make growth investments in new areas while continuing to invest towards the sustainable growth of existing business.
- We will prepare for strategic product procurement and unforeseen circumstances while securing a certain level of liquidity on hand.

< Cash allocations >

Dividends	Growth investment in existing areas	Growth investment in new areas	Acquisition of treasury stock	Securing of liquidity on hand
<p>We will make a stable dividend of 60 yen per share (including interim dividends) our basic policy and also consider dividend increases matched to our cash situation.</p>	<p>We will invest in equipment towards the sustainable growth of existing business and implement marketing, R&D and the hiring of human resources.</p>	<p>We will start to consider business partnerships and M&A to nurture new business pillars, centered on DX-related areas where market growth is expected.</p>	<p>We will consider the flexible acquisition of treasury stock in accordance with the market environment.</p>	<p>Securing of liquidity on hand in readiness for fund demand in association with strategic product procurement in IT Infrastructure Distribution Business and unforeseen circumstances</p>
<p>BY2021 Dividend forecast Interim 30 yen + term-end 30 yen</p>		<p>Acquired treasury stock of approximately 2.0 billion yen Total acquisition Approximately 1.04 million shares / 1.08% Acquisition period May 14, 2021 ~ August 31, 2021</p>		

Medium to Long-Term Growth Image

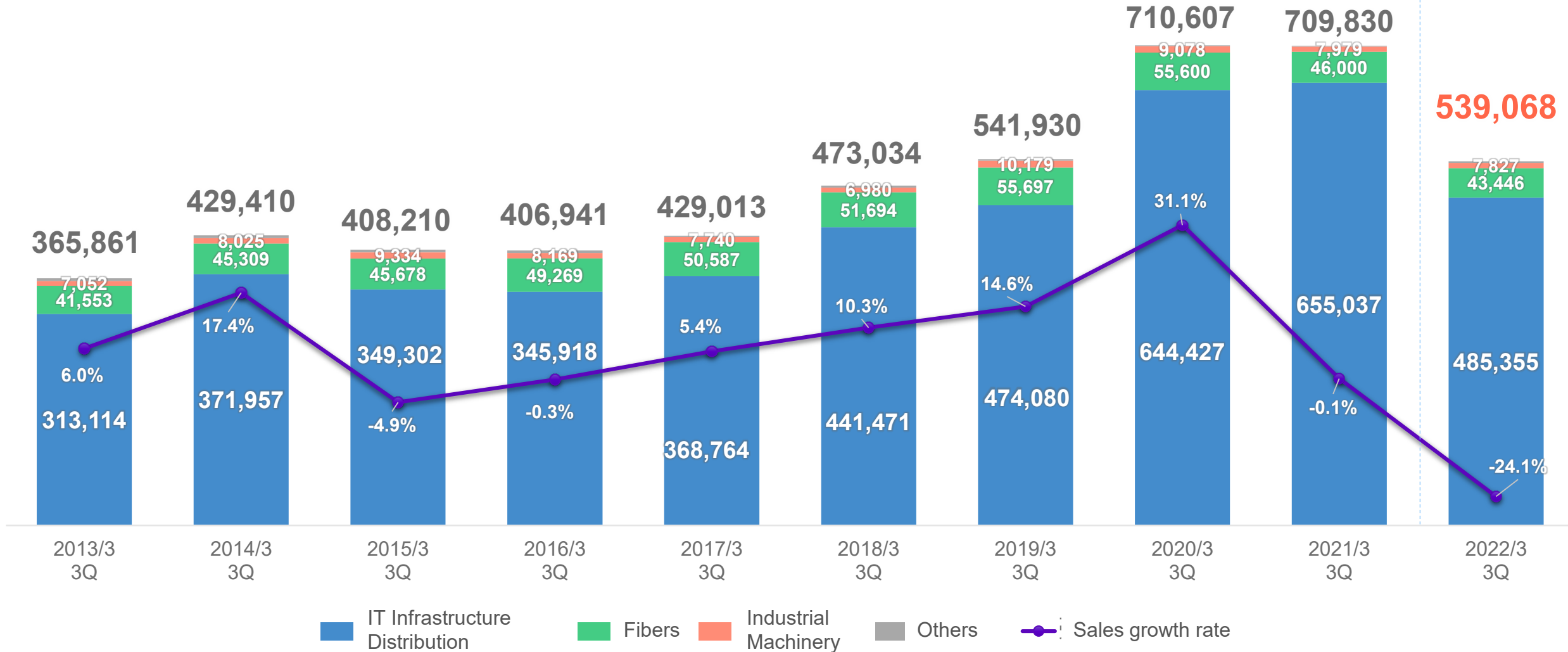


[References] Charts for Performance Trend

Consolidated Net Sales (3Q Cumulative)

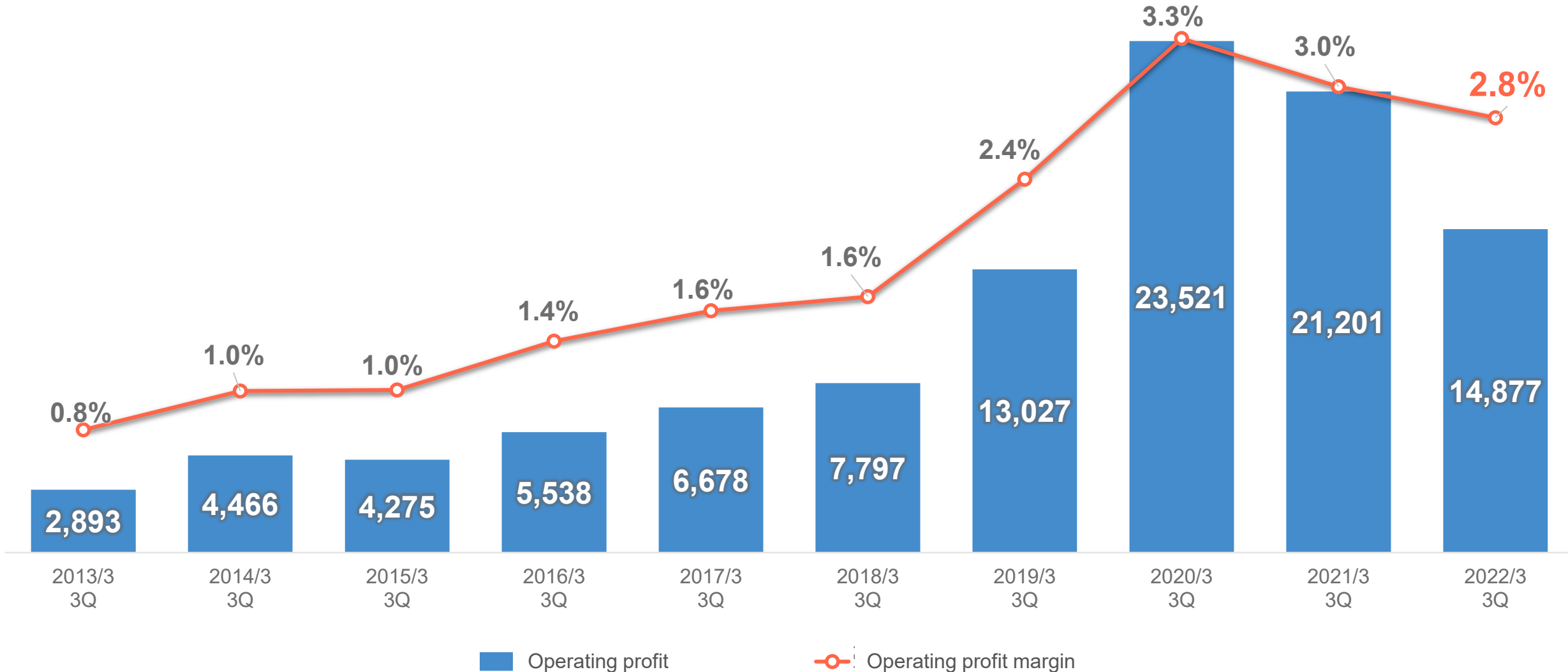
(Million yen)

Application of the Accounting Standard for Revenue Recognition
Impact: -49,128



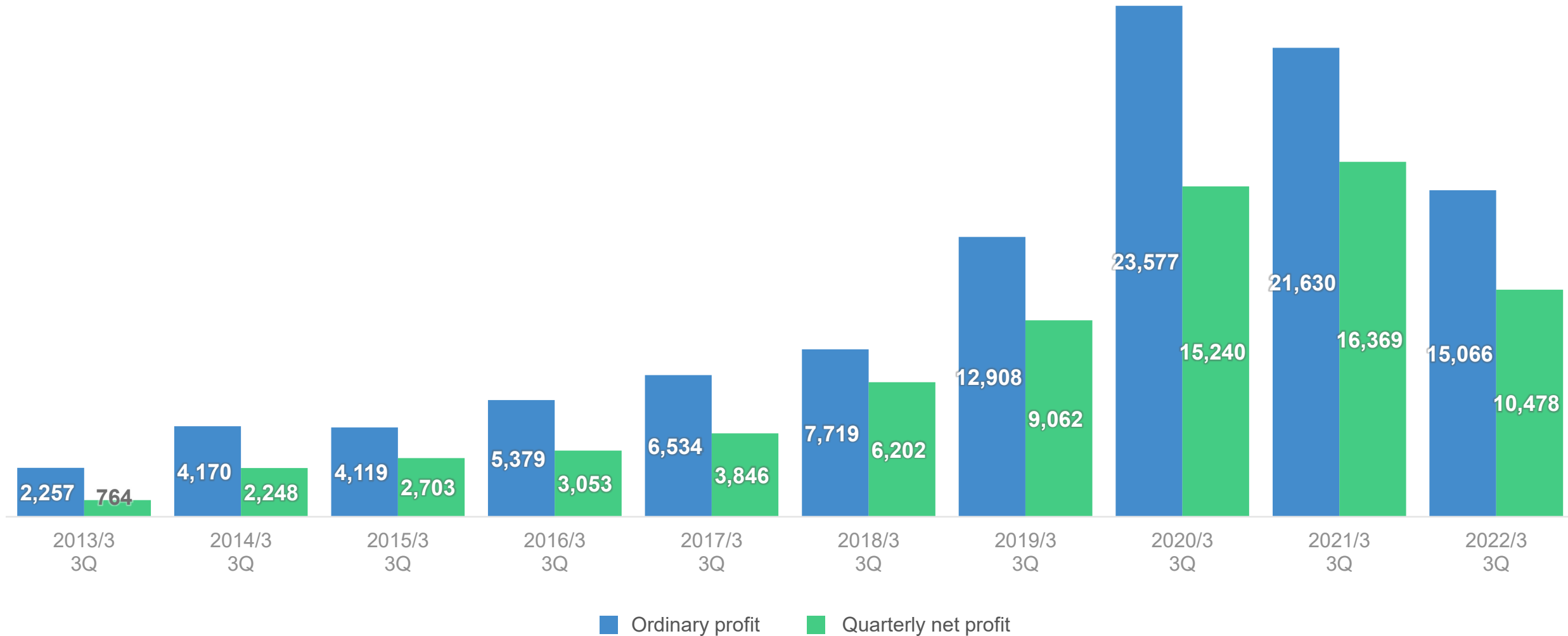
Consolidated Operating Profit (3Q Cumulative)

(Million yen)



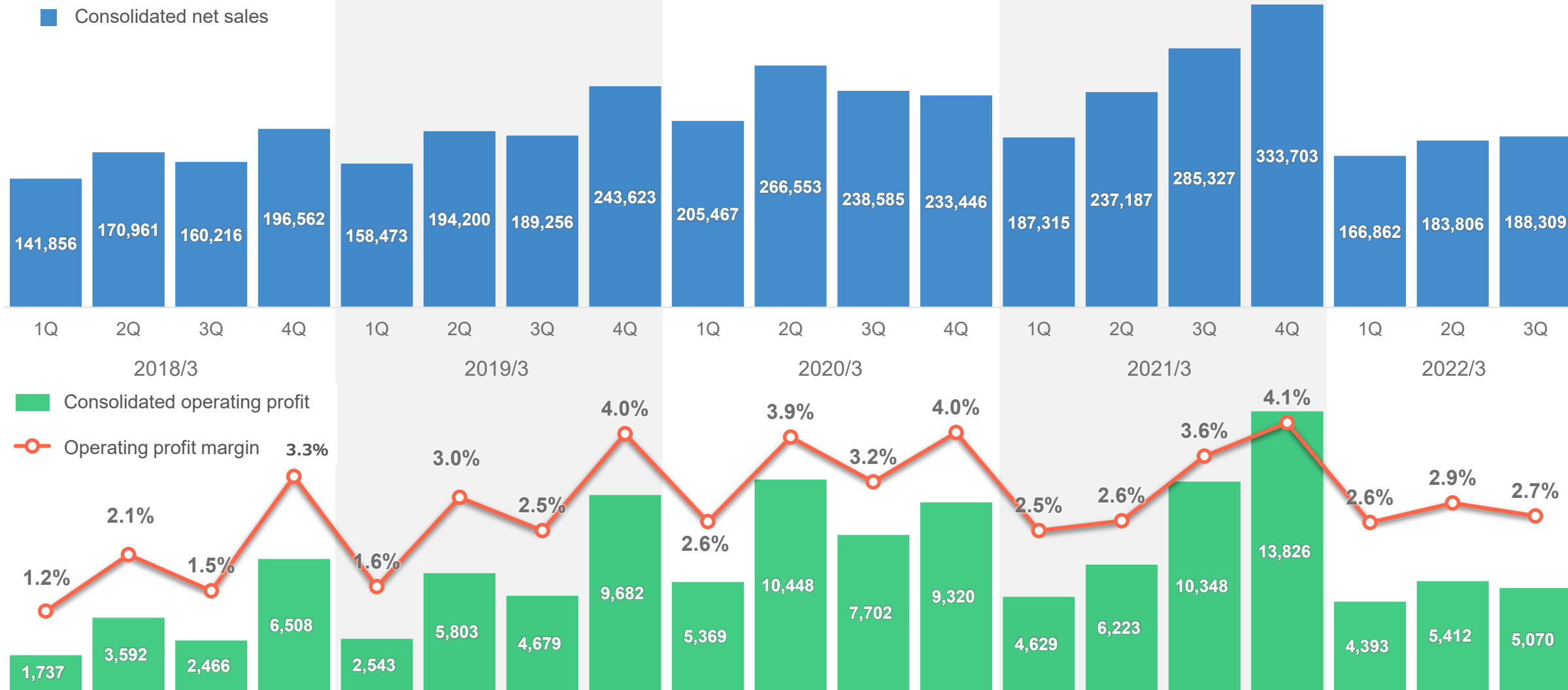
Consolidated Ordinary Profit and Consolidated Quarterly Net Profit (3Q Cumulative)

(Million yen)



Quarterly Results

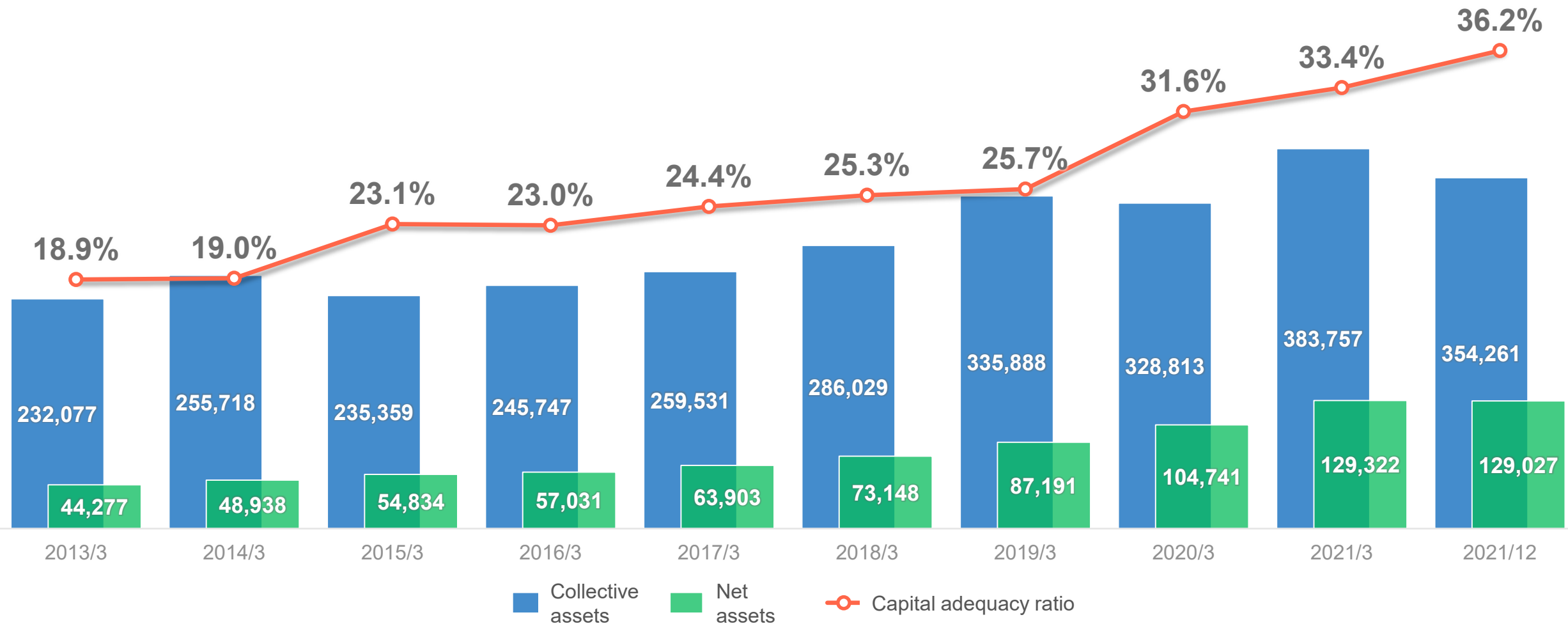
(Million yen)



Consolidated Total Assets, Consolidated Net Assets and Capital Adequacy Ratio

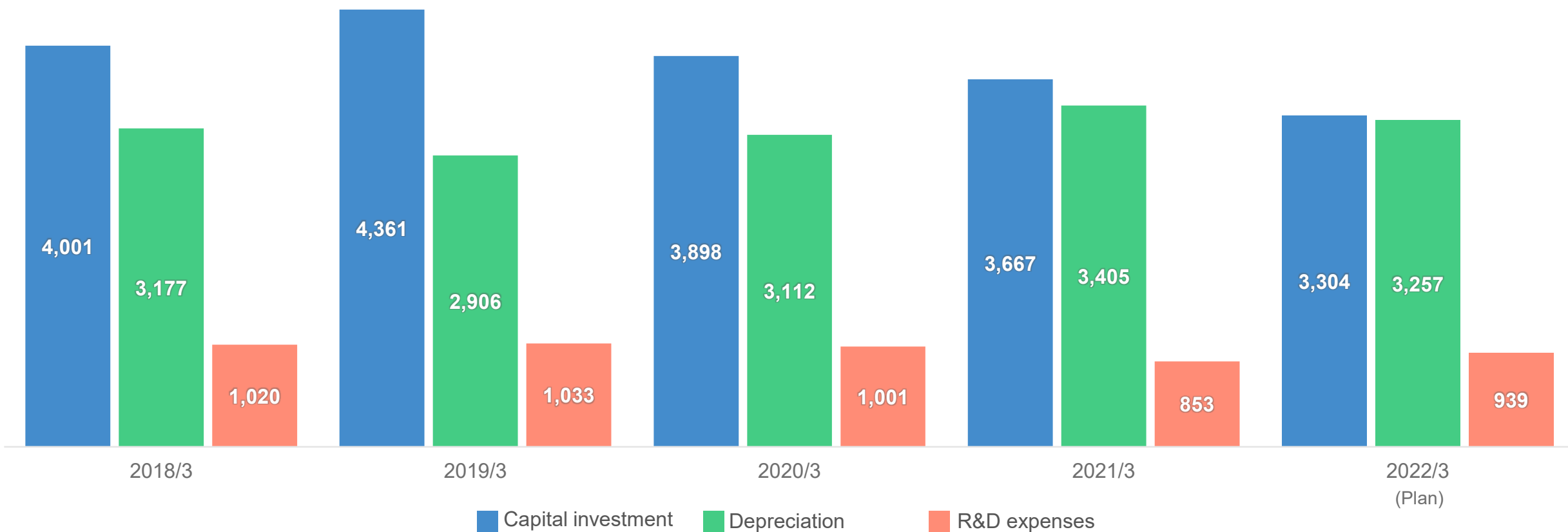


(Million yen)



Capital Investment, Depreciation and R&D Expenses

(Million yen)



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



Daiwabo Holdings Co.,Ltd.

[Disclaimer]

The statements contained in this document regarding the future, such as business performance forecasts, have been prepared based on certain assumptions that the Company has judged to be reasonable at the present time using the information currently available, and the Company does not guarantee their accuracy. Please understand in advance that actual results may differ from the details of this document due to various factors from now on. Regardless of the reason, the Company shall bear no responsibility whatsoever with regard to any damage that occurs as a result of using this document.

* The names of companies and products stated in this document are the registered trademarks or trademarks of the respective companies.