



2nd Quarter of the Fiscal Year Ending March 2023 Financial Results Materials

November 9, 2022

(Stock code: **3107**)






Daiwabo Holdings Co., Ltd.

- 1. Settlement of Accounts for the 2nd Quarter of the Fiscal Year Ending March 2023**
- 2. Business Outlook for the Full Term of the Fiscal Year Ending March 2023**

[References]

- Application of the Accounting Standard for Revenue Recognition
- Corporate Profile
- Charts for Performance Trend

Head Office	Nakanoshima Festival Tower West, 3-2-4 Nakanoshima, Kita-ku, Osaka 530-0005	
Established	Established as Daiwa Boseki	April 1, 1941
	Establishment of Daiwabo Holdings Co., Ltd.	July 1, 2009
Consolidated employees	5,671 (As of March 31, 2022)	
Capital	¥21,696,744,900	
Stock exchange listing	Listed on the Prime Market of the Tokyo Stock Exchange Stock code: 3107 / Industry: Wholesale < Constituent stock of the JPX Nikkei Index 400 >	
Business profile	IT Infrastructure Distribution Business	Sales of computers, peripherals and software, and logistics services
	[Core company]  Daiwabo Information System Co., Ltd.	Installation and maintenance of and repair services for computer equipment
	Fiber Business	Manufacture and sales of fiber materials for hygienic materials, nonwoven fabrics, industrial materials, textiles for apparel and living products and finished products
	[Core company]  Daiwabo Co., Ltd.	
	Industrial Machinery Business	Manufacture and sales of machine tools, automatic machinery and casting products
	[Core company]  O-M Ltd.	
	Other Businesses	Insurance Agency Business, Engineering Business

Settlement of Accounts for the 2nd Quarter of the Fiscal Year Ending March 2023

2nd Quarter of the Fiscal Year Ending March 2023 (April 1, 2022 to September 30, 2022)

Sales and profit increased, driven by the recovery of demand in IT infrastructure distribution business, even while being impacted by continued supply shortages.

IT Infrastructure Distribution Business

For companies and government agencies, although we were impacted by delayed deliveries due to the semiconductor shortage and rising costs, the company increased results by strengthening proposals to switch to products in the company's inventories, while subscription products also performed well.

In education, demand for terminals for high school students and terminals for elementary and junior high school teachers increased, and results were above last year.

Sales in the consumer market were at the same level as last year due to the stagnation of personal consumption.

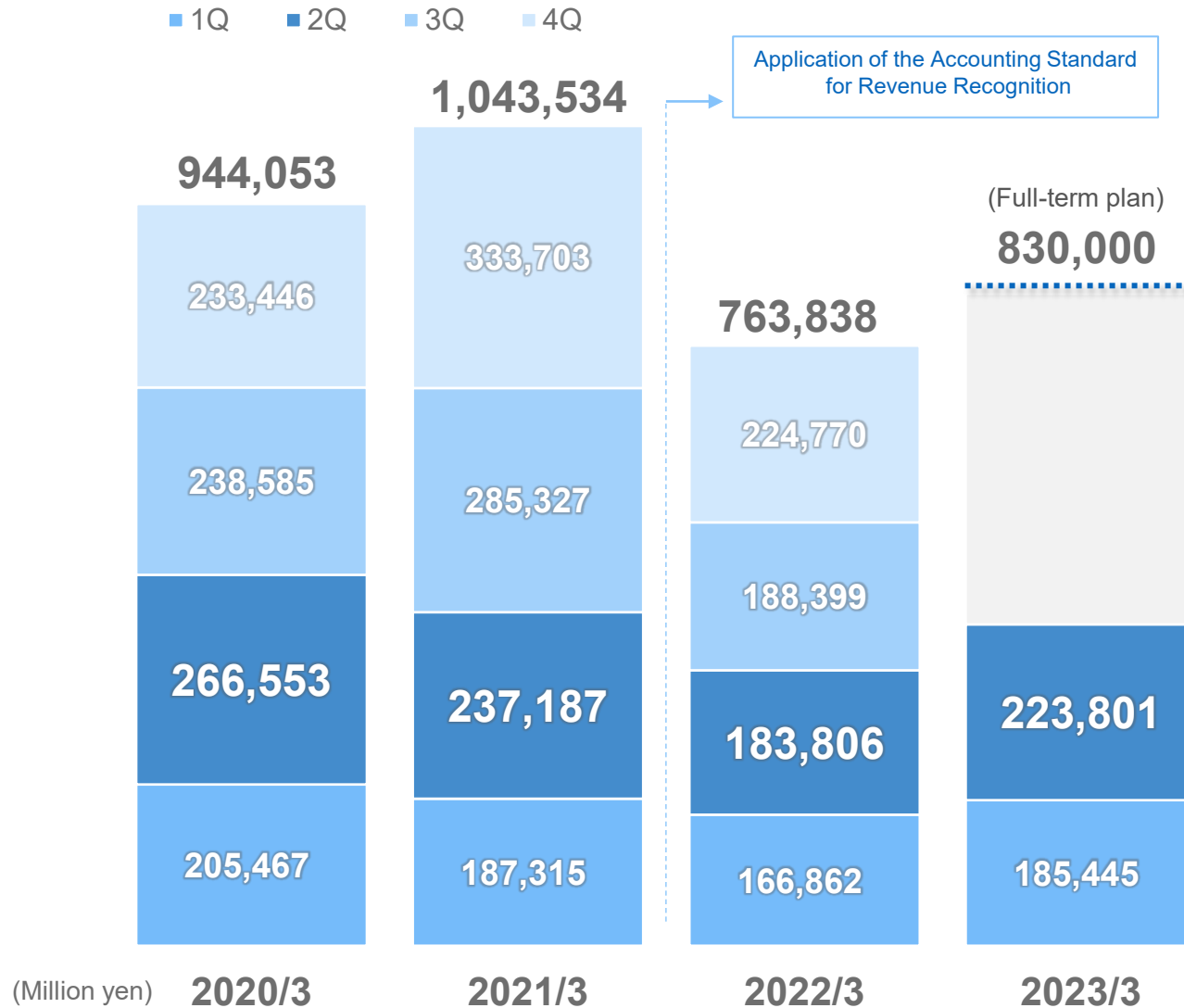
Fiber Business

Although sales of low environmental impact rayon increased, the company struggled in terms of profit under the impact of cost increases due to high raw material and fuel prices and the depreciation of the yen in business overall.

Industrial Machinery Business

Sales and profit increased due to increased shipments and service sales to a wide range of industries, including wind power generation and other equipment for the energy industry, semiconductors, construction equipment and medical equipment.

Cumulative Net Sales for the 2nd Quarter of the Fiscal Year Ending March 2023



Net sales **409,246** million yen

Against the same period of the previous fiscal year + **16.7%**

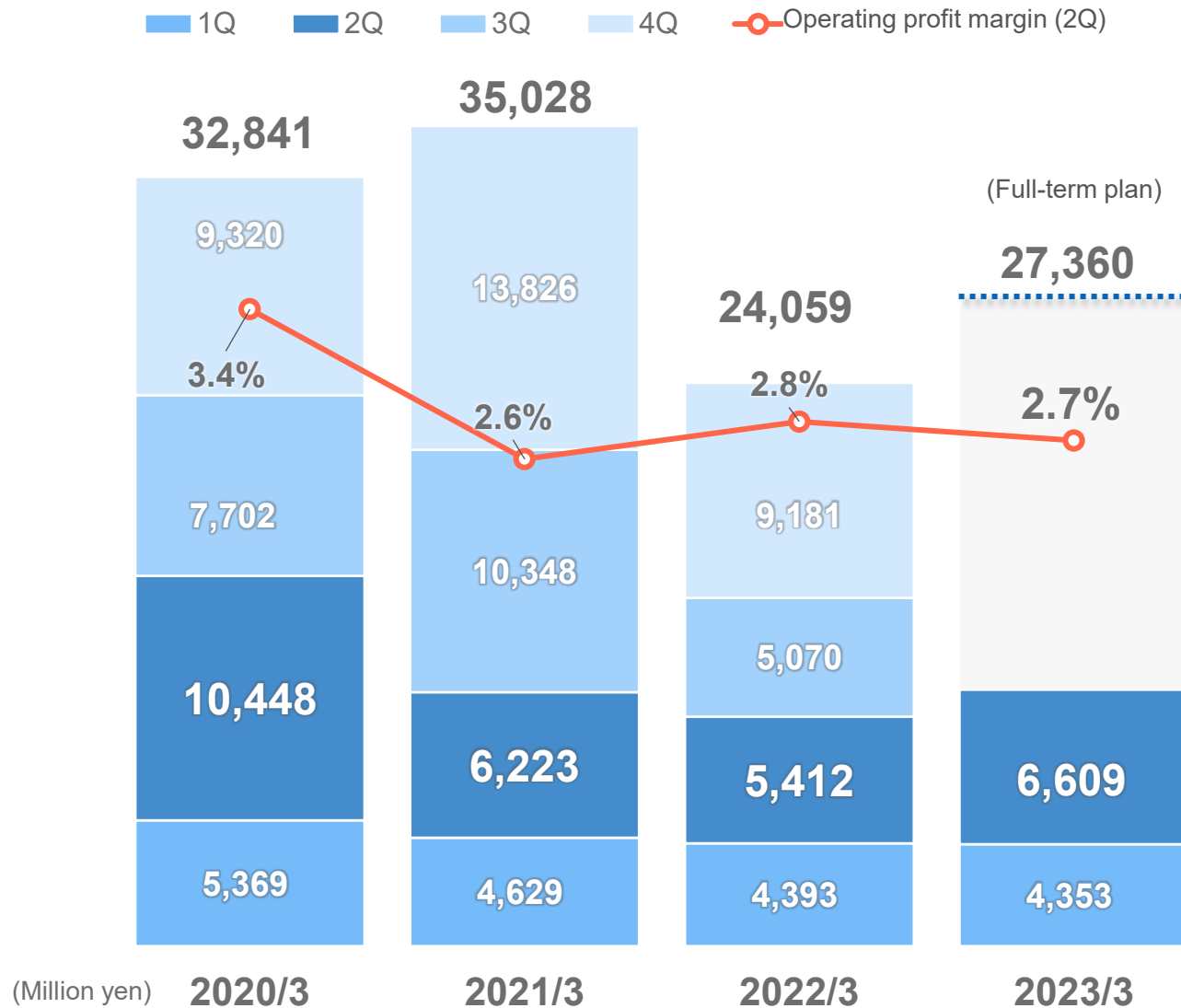
► Total transactions volume **436,265** million yen

Transaction volume was the second highest ever for the first half

First half progress rate **108.5%** / full-term progress rate **49.3%**

* See page 37 with regard to the application of the "Accounting Standard for Revenue Recognition"

Cumulative Operating Profit for the 2nd Quarter of the Fiscal Year Ending March 2023



Operating profit **10,963** million yen

+ **11.8%** against the same period of the previous fiscal year

Operating profit margin **2.7%**

Operating profit was the second highest ever for the first half

First half progress rate **99.3%** / full-term progress rate **40.1%**

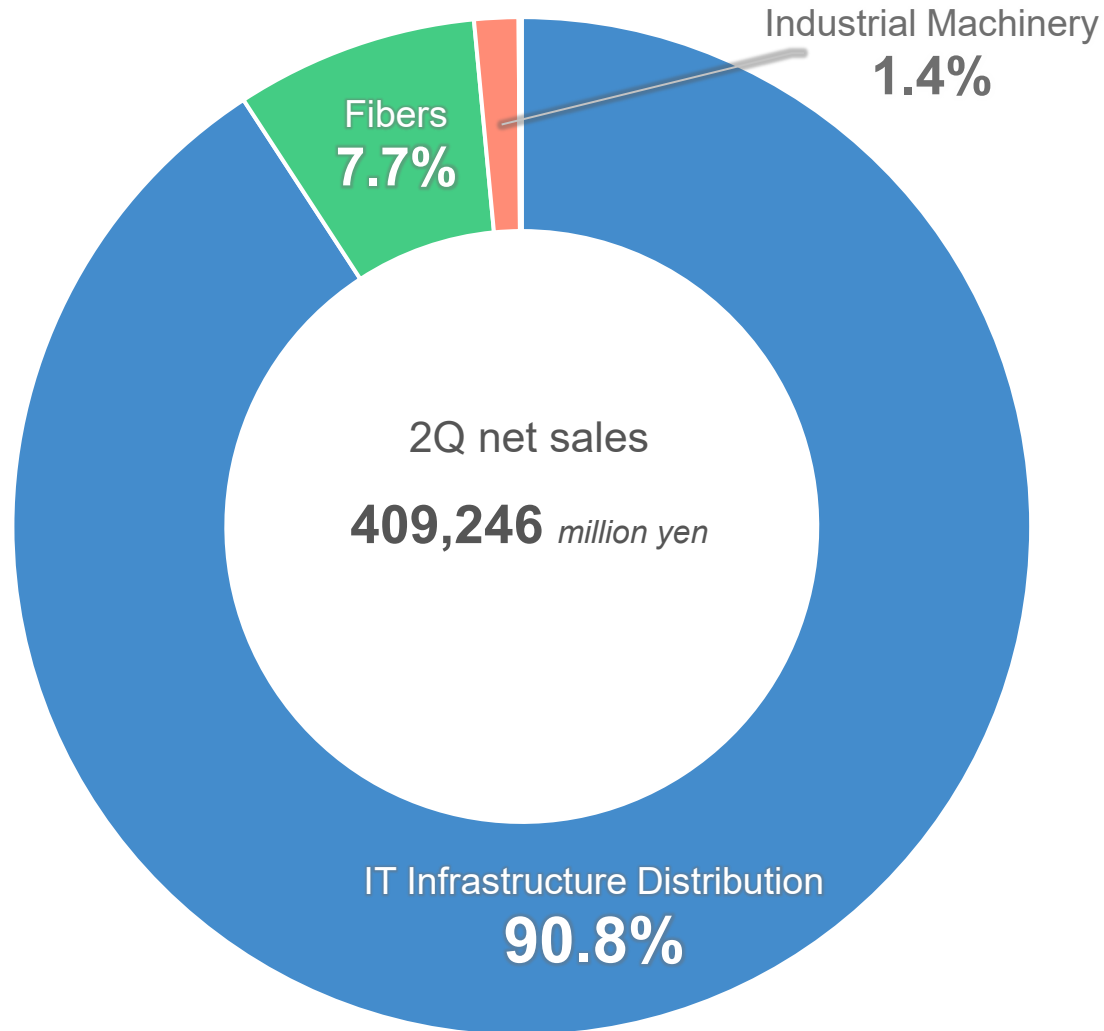
Summary of the Consolidated Settlement of Accounts for the Cumulative 2nd Quarter of the Fiscal Year Ending March 2023

	2022/3 2Q	2023/3 2Q	Change	Compared to previous term	Full-year forecast	Progress rate
(Million yen)						
Net sales	350,668	409,246	+58,577	+16.7%	830,000	49.3%
Operating profit	9,806	10,963	+1,156	+11.8%	27,360	40.1%
Ordinary profit	9,883	11,212	+1,328	+13.4%	27,500	40.8%
Quarterly profit attributable to owners of parent	7,015	7,670	+654	+9.3%	18,600	41.2%
Quarterly net profit per share (yen)	73.36	81.17				

	2022/3	2022/9	Change	Major reasons for change
(Million yen)				
Collective assets	356,203	366,388	+10,185	Increases in cash and inventories
Net assets	136,173	140,216	+4,043	Increase in retained earnings
Capital adequacy ratio	38.0%	38.0%		

Operating Results by Segment for the Cumulative 2nd Quarter of the Fiscal Year Ending March 2023

(Million yen)		2022/3 2Q	2023/3 2Q	Change	Compared to previous term
Net sales	IT Infrastructure Distribution	315,155	371,705	+56,550	+17.9%
	Fibers	29,360	31,356	+1,995	+6.8%
	Industrial Machinery	5,727	5,804	+76	+1.3%
	Others	424	379	-44	-10.5%
	Total	350,668	409,246	+58,577	+16.7
Operating profit	IT Infrastructure Distribution	8,556	9,739	+1,182	+13.8%
	Fibers	957	718	-239	-25.0%
	Industrial Machinery	302	437	+135	+44.8%
	Others	-12	58	+70	—
	(Adjustment)	1	9	7	—
	Total	9,806	10,963	+1,156	+11.8%



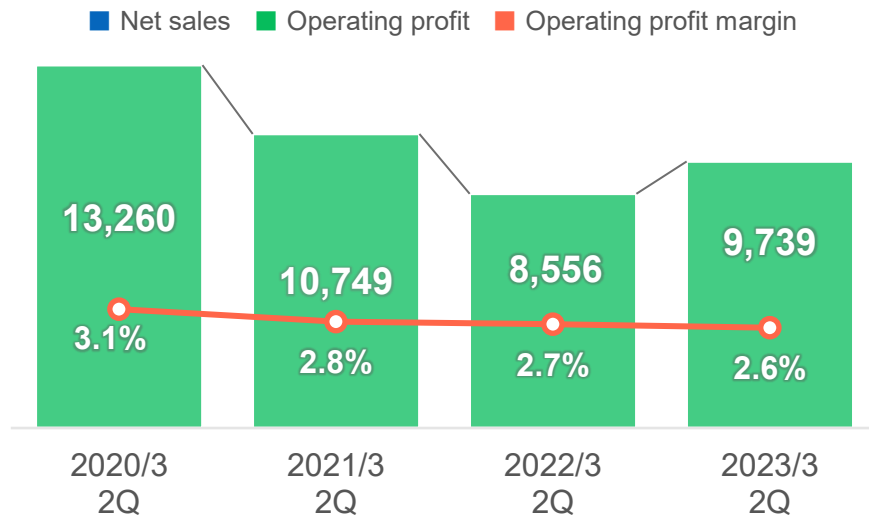
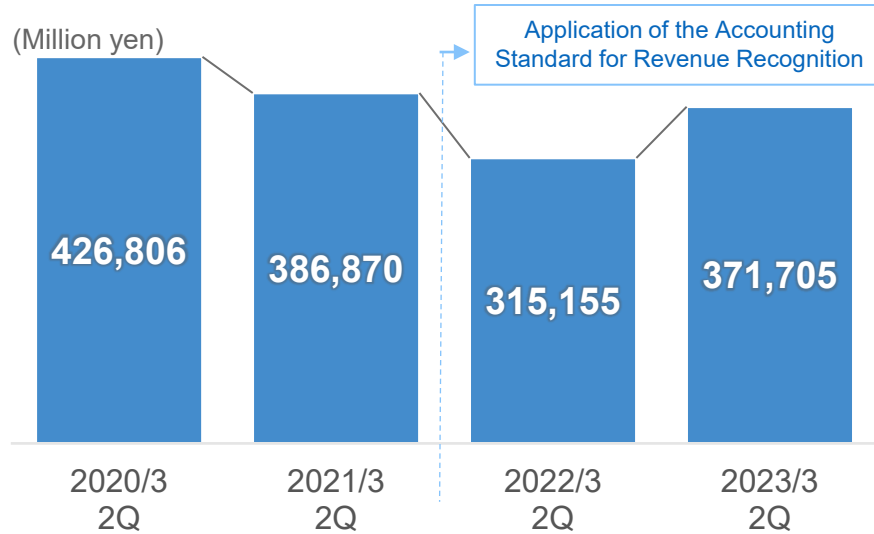
Percentage of net sales

	2022/3 2Q	2023/3 2Q
IT Infrastructure Distribution	89.9%	90.8%
Fibers	8.4%	7.7%
Industrial Machinery	1.6%	1.4%

Percentage of operating profit

	2022/3 2Q	2023/3 2Q
IT Infrastructure Distribution	87.3%	88.8%
Fibers	9.8%	6.6%
Industrial Machinery	3.1%	4.0%

IT Infrastructure Distribution Business



Transaction volume * Net sales under the old standard

398,724 million yen (+14.5% compared to previous term)

Net sales

371,705 million yen (+17.9% compared to previous term)

Operating profit

9,739 million yen (+13.8% compared to previous term)

Number of PCs shipped

1,445,000 units (+8.7% compared to previous term)

Number of servers shipped

28,000 units (+9.1% compared to previous term)

Subscription handling volume

41,546 million yen (+21.3% compared to previous term)

iKAZUCHI handling volume

9,620 million yen (+38.2% compared to previous term)

Review of the business

Corporate market

- For companies and government agencies, although we were impacted by delayed deliveries due to the semiconductor shortage and rising costs, the company increased results, centered on PCs and networks, by strengthening proposals to switch to products in the company's inventories, while subscription products also performed well.
- In the education market too, demand for terminals for high school students and terminals for elementary and junior high school teachers increased, and results were above last year.

Consumer market

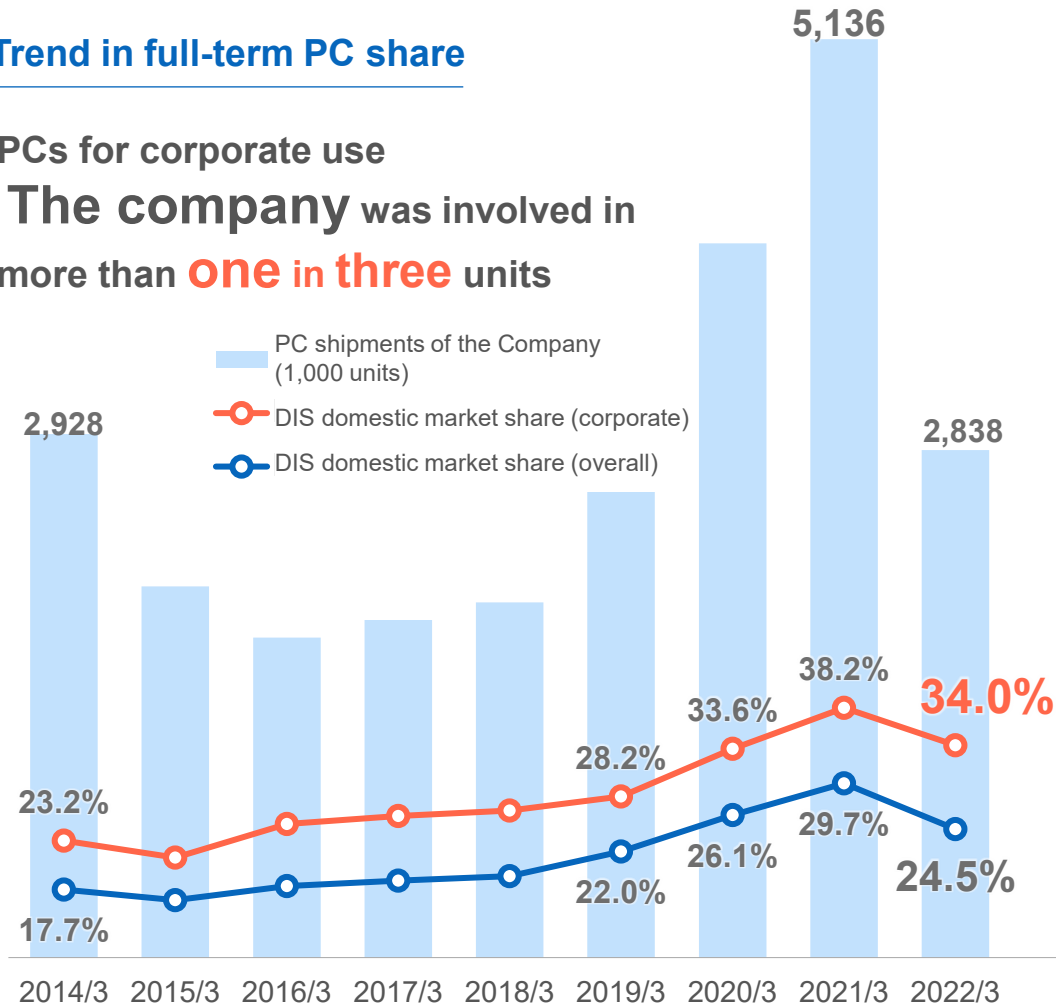
- Although sales to mass retailers increased, EC sales declined due to the stagnation of personal consumption, and sales were at the same level as last year.

Domestic PC Market Share and Product Category Composition

Trend in full-term PC share

PCs for corporate use

The company was involved in more than **one in three** units

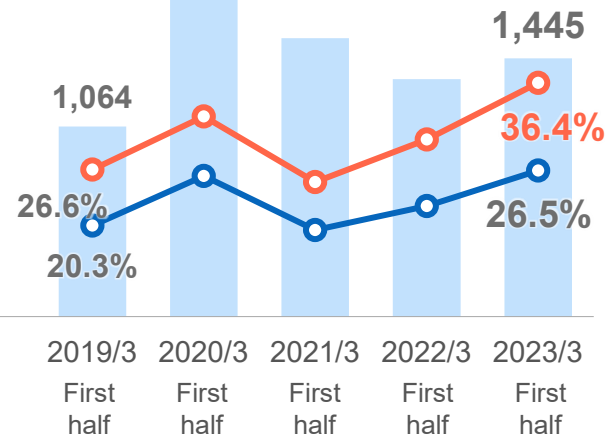


Trend in First half results

Domestic PC market share

For corporations **36.4%**
Overall **26.5%**

Number of PCs shipped **+8.7%**



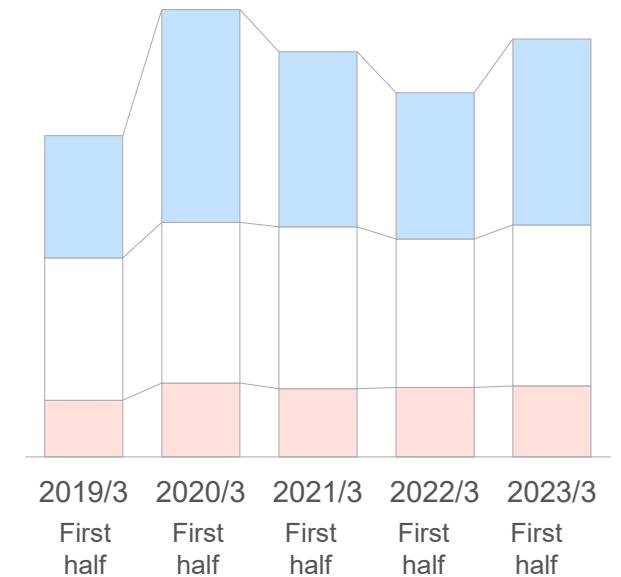
Transaction volume by DIS category

Compared with previous year

PC main units* **+27.0%**

Peripherals, services, etc. **+8.4%**

Software **+2.4%**



* Calculated based on the results of a survey by MM Research Institute
(As the figure for the first half 2023/3 is based on the survey company's preliminary results, the official figure for share may change)

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

Results for Subscription Business

Subscription handling volume (DIS non-consolidated)

First half 2022/3

34,244

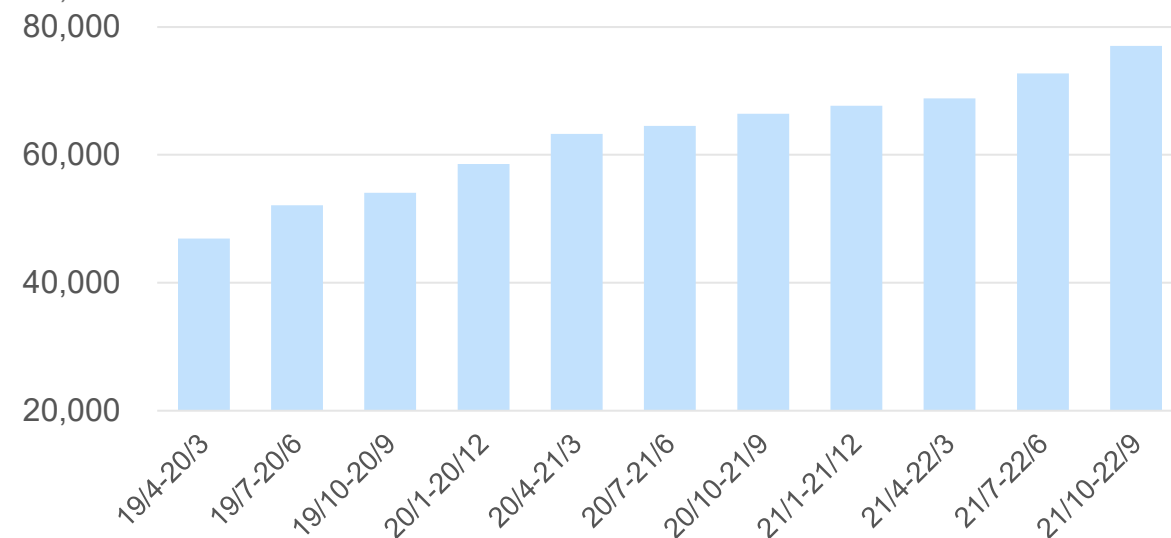
+21.3%

First half 2023/3

41,546

▶ Total for last 12 months **78,102**

■ Trend in total transaction volume for 12 months (considering annual charges, etc.)



Subscriptions

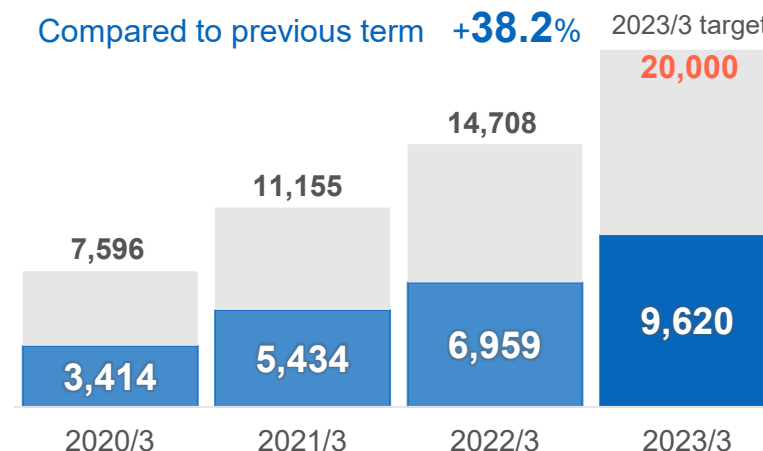
Defined as products and services where ongoing revenue can be expected as long as users do not terminate their contracts, regardless of billing type (monthly, annual, pay-as-you-go, etc.)

iKAZUCHI handling volume

Total sales to dealers through the “iKAZUCHI” subscription management portal

(Million yen)

Compared to previous term **+38.2%** 2023/3 target



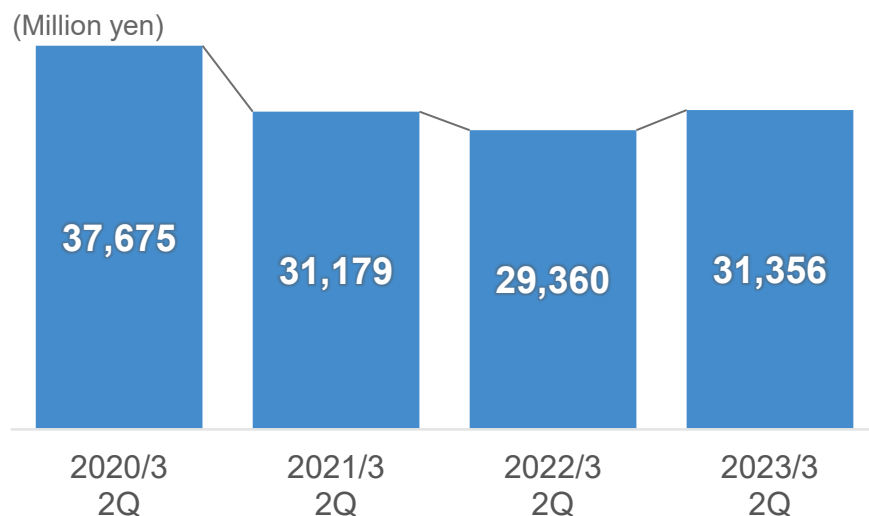
Number of supported vendor services

88 vendors
181 services
(2022/3)

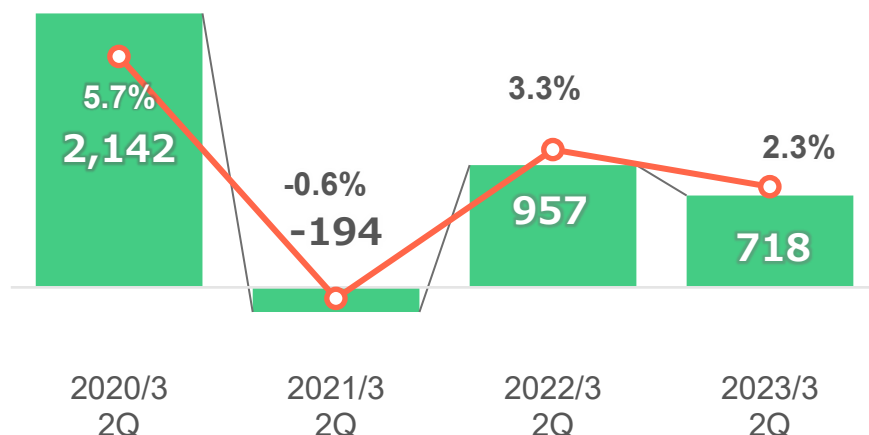
100 vendors
197 services
(2022/9)



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



■ Net sales ■ Operating profit ■ Operating profit margin



Net sales

31,356 million yen (+6.8% compared to previous term)

Operating profit

718 million yen (-25.0% compared to previous term)

Review of the business

Synthetic Fibers and Rayon Divisions

■ Sales of cosmetics and antiperspirant sheets increased due to the relaxation of restrictions on movement and the impact of extreme heat. Sales of low environmental impact rayon increased were strong, but raw cotton for sanitary materials and nonwoven fabrics struggled, resulting in increased sales and decreased profits.

Industrial Material Division

■ Sales of automotive rubber sponges were sluggish due to a shortage of semiconductors, but cartridge filters trended firmly and synthetic canvas recovered, resulting in increased sales and profits.

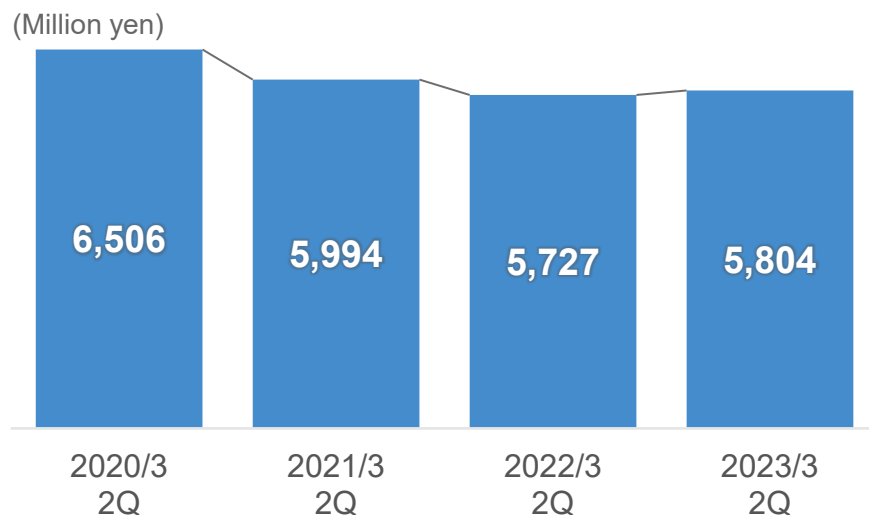
Clothing Products Division

■ Although there were signs of a recovery in demand, such as strong sales to the United States and a pickup in domestic clothing consumption, sales and profits decreased under the impact of high raw material prices and the sudden depreciation of the yen.

[Reference] Reflecting the effects of inappropriate transactions in 2Q of 2021/3 (disclosed December 11, 2020)

	2021/3 2Q	
	Impact	When impact is excluded
Net sales	-640 million yen	31,819 million yen
Operating profit	-1,994 million yen	1,800 million yen

Industrial Machinery Business

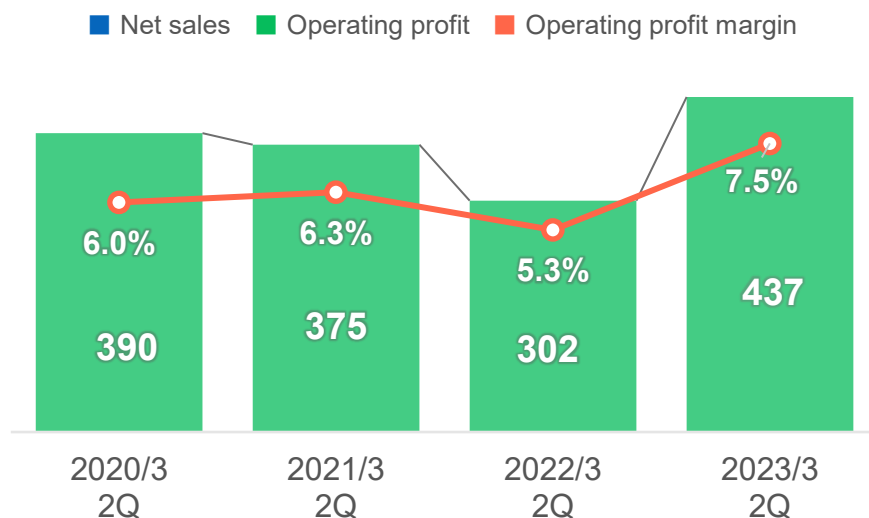


Net sales

5,804 million yen (+1.3% compared to previous term)

Operating profit

437 million yen (+44.8% compared to previous term)



Review of the business

Machine Tools Division

- While total orders received from April to September as reported by the Japan Machine Tool Builders' Association increased 14% compared to the previous term, domestically, orders received increased 23.3% compared to the previous term due to capital investment using subsidies and the recovery of products for China.
- Sales and profits increased due to the expansion of shipments and sales of services to a wide range of industries, including the energy industry, where there is demand for wind power generation and efficient gas turbines, semiconductors, construction equipment and medical equipment.

Automatic Machinery Division

- Orders increased 20.0% compared to the previous term in response to diversifying user needs.
- Although orders were on a recovery trend, sales and profits decreased due to a decrease in unit shipments and being unable to cover the results of the previous year.

Consolidated Balance Sheet for the 2nd Quarter of the Fiscal Year Ending March 2023 (Summary of Accounts P3-4)

(Million yen)	2022/3	2022/9	Change		2022/3	2022/9	Change
Current assets	304,134	315,109	+10,974	Current liabilities	191,564	200,683	+9,118
Cash and deposits	46,963	51,123	+4,160	Notes payable and accounts payable	161,859	164,382	+2,522
Notes and accounts receivable	202,408	198,082	-4,326	Short-term loans payable	12,589	14,952	+2,363
Goods and products	38,478	46,767	+8,289	Non-current liabilities	28,465	25,489	-2,976
Property, plant and equipment	38,272	38,142	-129	Long-term loans payable	14,895	12,011	-2,883
Intangible fixed assets	2,462	2,271	-191	Total liabilities	220,030	226,172	+6,142
Investments and other assets	11,333	10,864	-469	Total net assets	136,173	140,216	+4,043
				Treasury stock	-2,123	-4,704	-2,581
Total assets	356,203	366,388	+10,185	Total liabilities and net assets	356,203	366,388	+10,185

Cash and deposits	46,963	->	51,123	+4,160
Goods and products	38,478	->	46,767	+8,289
Total loans	27,484	->	26,964	-519

Consolidated Profit Statement for the 2nd Quarter of the Fiscal Year Ending March 2023 (Summary of Accounts P5)

(Million yen)	2022/3 2Q		2023/3 2Q		Change	Compared to previous term
	Results	Percentage	Results	Percentage		
Net sales	350,668		409,246		+58,577	+16.7%
Gross profit	29,699	8.5%	31,444	7.7%		
Selling, general and administrative expenses	19,893	5.7%	20,480	5.0%		
Operating profit	9,806	2.8%	10,963	2.7%	+1,156	+11.8%
Ordinary profit	9,883	2.8%	11,212	2.7%	+1,328	+13.4%
Extraordinary profit	342		58			
Extraordinary loss	0		44			
Quarterly profit attributable to owners of parent	7,015	2.0%	7,670	1.9%	+654	+9.3%

Extraordinary profit Gain on sales of fixed assets (**26** million yen), gain on sales of investment securities (**25** million yen)

Extraordinary loss Disposal of fixed assets in association with office relocation (**44** million yen)

Business Outlook for the Full Term of the Fiscal Year Ending March 2023

Business Forecast for the Full Term of the Fiscal Year Ending March 2023

(Million yen)	2022/3 (Results)		2023/3 (Forecast)		Change	Compared to previous term
	Amount	Percentage	Amount	Percentage		
Net sales	763,838		830,000		+66,161	+8.7%
IT Infrastructure Distribution	691,281		754,820		+63,538	+9.2%
Fibers	58,289		62,060		+3,770	+6.5%
Industrial Machinery	11,610		12,480		+869	+7.5%
Operating profit	24,059	3.1%	27,360	3.3%	+3,300	+13.7%
IT Infrastructure Distribution	21,651	3.1%	23,700	3.1%	+2,048	+9.5%
Fibers	1,617	2.8%	2,760	4.4%	+1,142	+70.7%
Industrial Machinery	656	5.7%	890	7.1%	+233	+35.7%
Ordinary profit	24,554	3.2%	27,500	3.3%	+2,945	+12.0%
Profit attributable to owners of parent	16,988	2.2%	18,600	2.2%	+1,611	+9.5%

Focus Measures in IT Infrastructure Distribution Business

Acquisition of share in each category in IT device distribution

- Securing of superiority through delivery deadline handling in association with the semiconductor shortage and strategic products
- Strengthening of IT equipment lineup and handling of diverse forms of purchasing
- Improvement of market share in the education market through the use of GIGA School terminals

Implementation and strengthening of high-level support functions

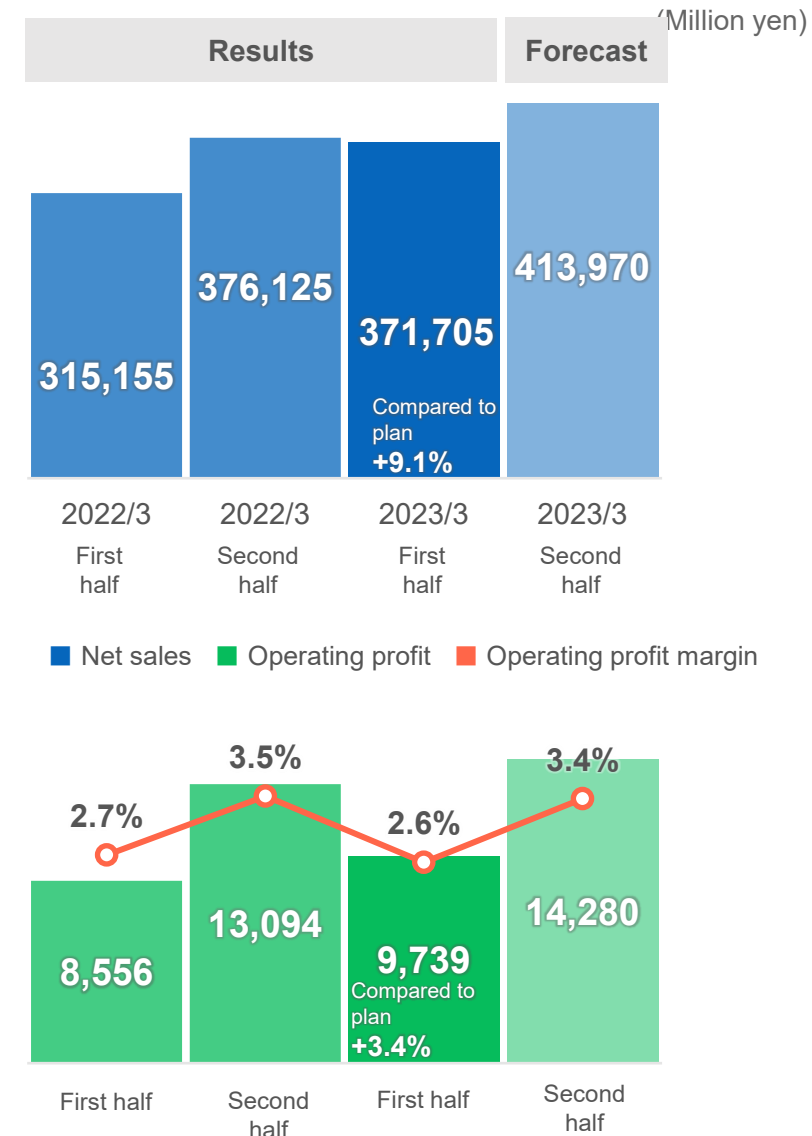
- Strengthening of the support system for increasingly sophisticated IT infrastructure and deepening of cooperation with core manufacturers
- Differentiation through the development of engineering groups and development of original services

Branding as a cloud distributor

- Functional expansion of iKAZUCHI and strengthening of branding
- Acquisition of IT infrastructure migration demand through the promotion of IaaS / PaaS

Productivity improvements in the supply chain as a whole

- Continuous investment in information systems, such as the strengthening of sales activities by use of RPA and BI tools, and support for tactical development by use of SFA
- Promotion of low-cost operations through the use of e-commerce



Subscription management portal

Handling of billing formats including monthly, yearly or pay-as-you-go
Real-time management at the individual customer level

Integrated management of multiple services

Provision of information to end users

Supporting the subscription businesses of dealers nationwide



iKAZUCHI posting service

100 vendors / 197 services

(As of September 2022)



Collaboration

Business infrastructure and system infrastructure

Security and management

Design and creative work

Human resources

Sales and marketing



Vendors

DIS

Dealers

Customers

Added value

- ✓ Streamlining of service issue and billing management through automatic cooperation, etc.
- ✓ Realize the handling of more customers through dealers
- ✓ Expansion of promotions

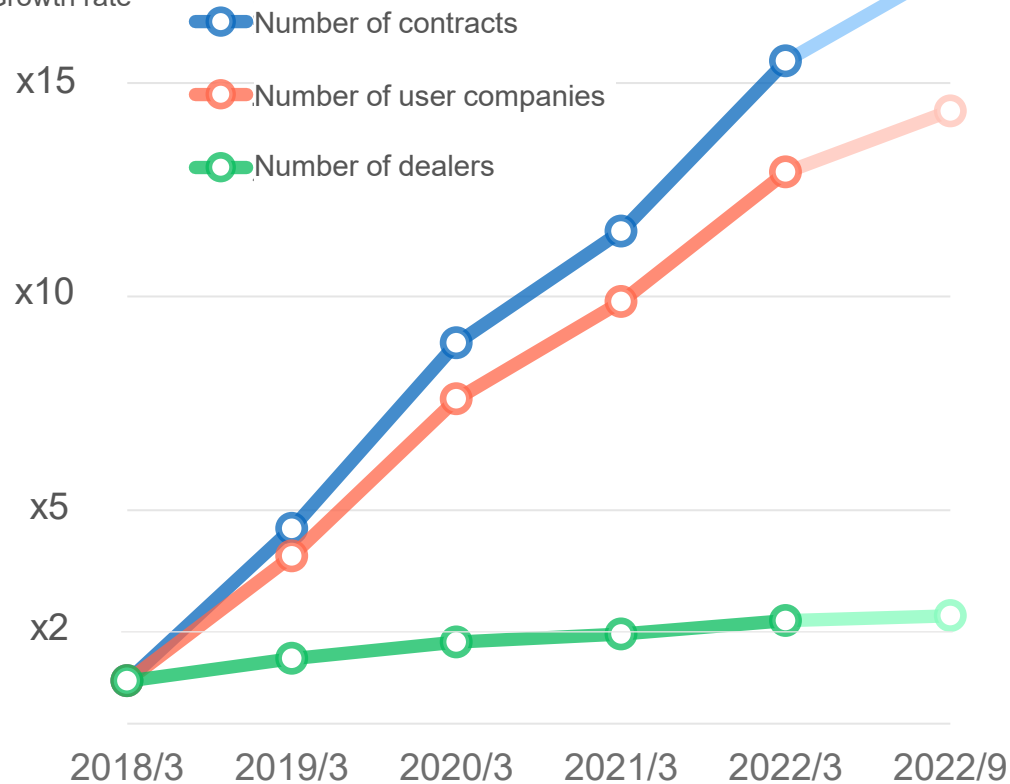
- ✓ Strengthening of proposal capabilities and competitiveness by the expansion of posted services and provided functions
- ✓ Building of ongoing contractual relationships
- ✓ Promotion of composite proposals by improving the efficiency of subscription sales

- ✓ Centralized management of multiple vendors and various billing formats
- ✓ Realize the handling of more customers with real-time contract management
- ✓ Expansion of sales by improving the efficiency of subscription sales

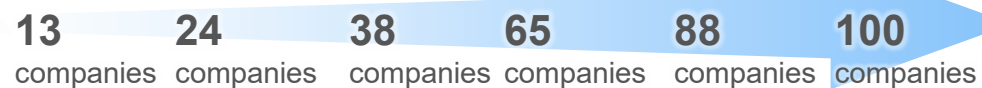
- ✓ Grasp the state of contracts for multiple services and implement license changes in an integrated way
- ✓ Aggregation of payment Destinations and payment timing
- ✓ Contributions to results through more efficient use of subscriptions

Establish a stable earnings base with iKAZUCHI

Compared to 2018/3
Growth rate



Number of handling vendors

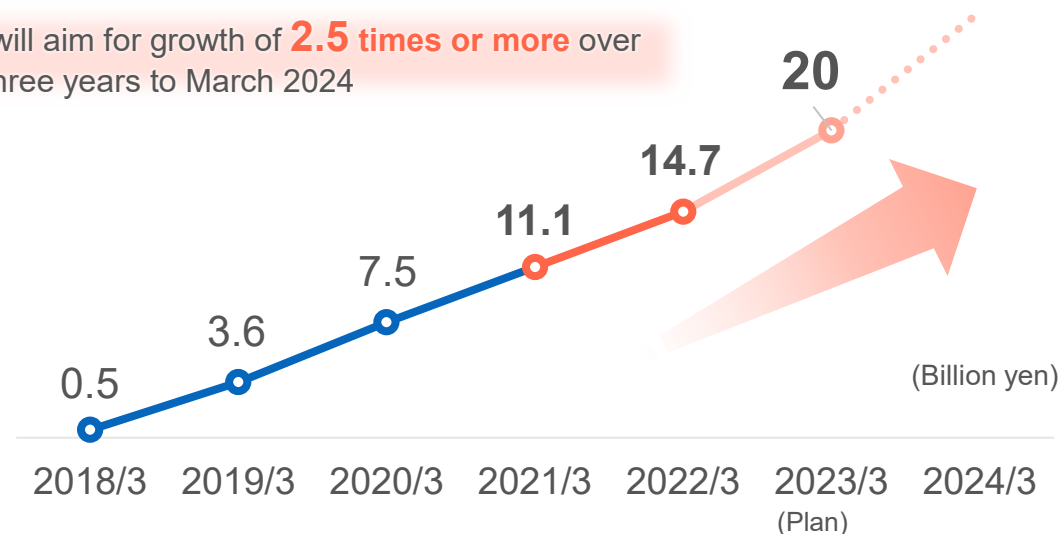


We use our “multi-vendor” strength to create added value that would not be possible with a single vendor

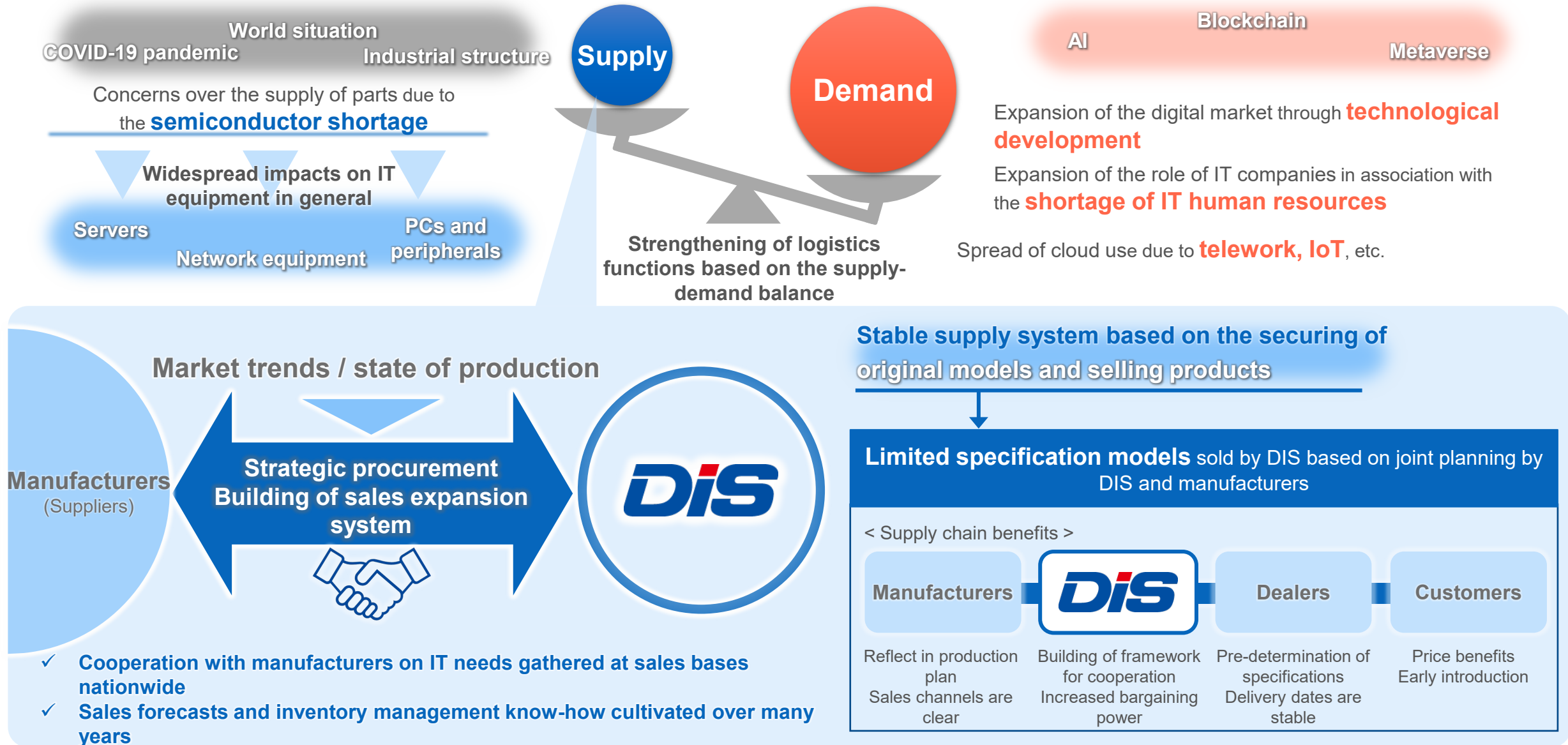


iKAZUCHI handling volume

DIS will aim for growth of **2.5 times or more** over the three years to March 2024



Securing of Superiority through Strategic Products





Matching the “diversification of customer needs” and “diversification of technology” efficiently to develop nationwide

Evolve the partner business and build a new business model that realizes customers' objectives using IT by combining “strengths”

Focus Measures in Fiber Business

(Million yen)

Reform into a company satisfying to work at centered on ESG

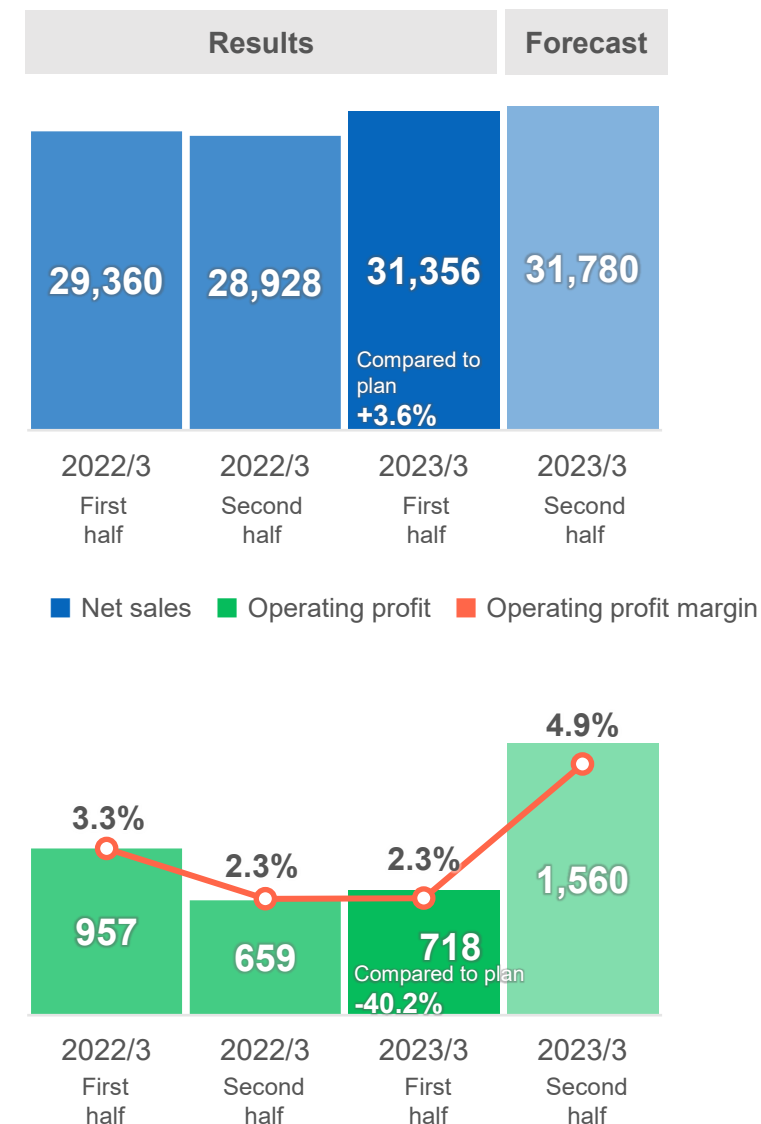
- ▶ Thorough implementation of compliance management by systematizing the entire company and strengthening the audit and check system focusing on actual sites
- ▶ Improvement of work environments based on a review of personnel systems, the introduction of new systems, expansion of employee education and continuous implementation of development-type personnel rotations

Strengthening of the development of unique materials based on the deep plowing of fiber strategy

- ▶ Efficient R&D activities with awareness of the establishment of a cross-business research system and maximization of the development results of the Daiwabo Group
- ▶ Contributions to a sustainable society through the creation of environmentally conscious products based on the company's core technologies

Business activities conscious of invested fund efficiency

- ▶ Expansion of sales of synthetic cotton, nonwoven fabric and rayon using R&D of functional and sustainable materials
- ▶ Acquisition of demand related to filters with an integrated production system established by consolidation of industrial material factories



[Fiber Business] Continuous Structural Reform



Daiwa Spinning

Strengthening of R&D functions

Integration of R&D systems in each field into Harima Laboratory

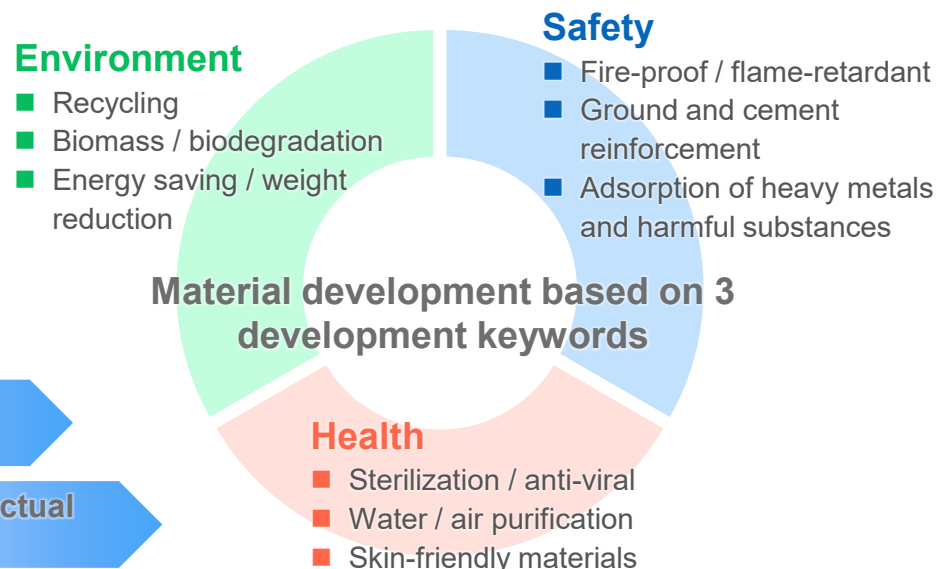
Consolidation of production bases

Completion of the relocation and consolidation of plants in Industrial Material Division

Build an integrated production system for filters with strong demand

30% increase in production capacity

Reorganization of operating companies



Industry-government-academia cooperation

Market needs

Core technologies / intellectual property

April 2020

Daiwa Spinning Co., Ltd. becomes a core business company through the merger of business subsidiaries of each division

March 2021

Dissolution of Hong Kong subsidiary and closing of overseas offices

May 2021

Sorting out of non-fiber divisions (termination of hotel business)

September 2021

Sorting out of non-fiber divisions (reduction in scale of engineering business)

October 2021

Merger between subsidiaries of Clothing Products Division

March 2022

Transfer of shares of subsidiary of Clothing Products Division

June 2022

Transfer of shares of subsidiary of Industrial Material Division

Focus Measures in Industrial Machinery Business

(Million yen)

Business expansion into potential markets in machine tools

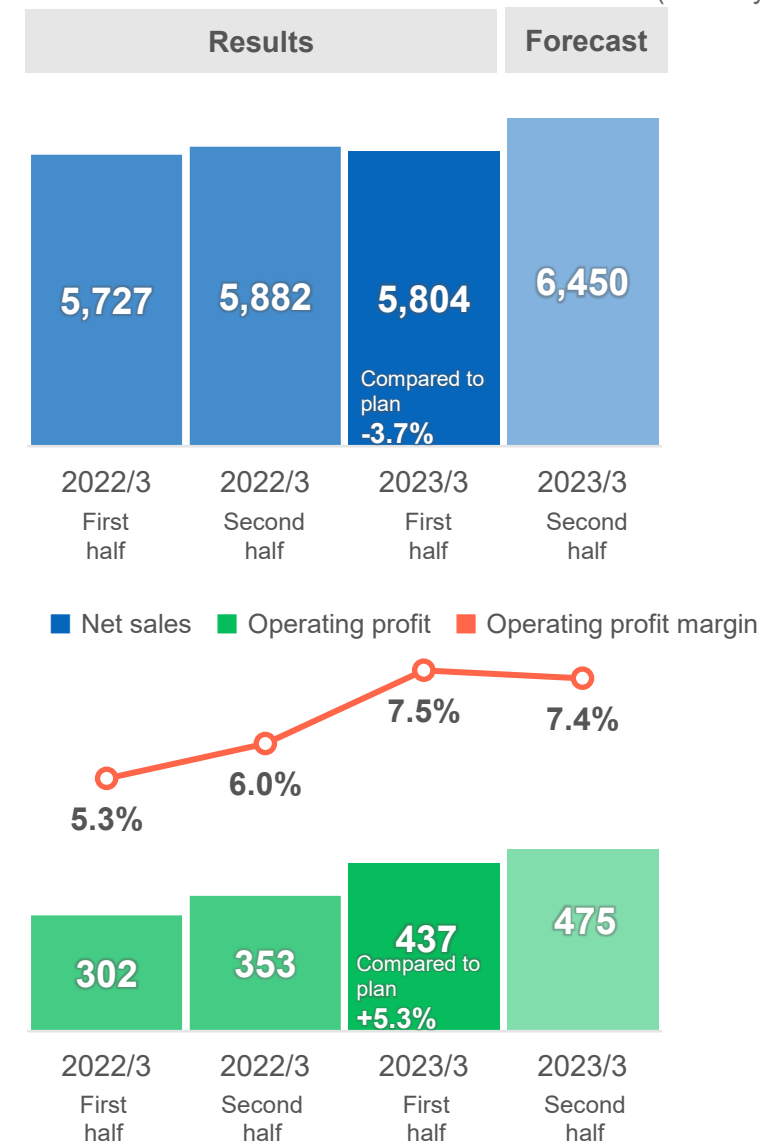
- ▶ Development of new models related to energy, where renewal demand can be expected, and improvement of proposal capabilities using subsidy adoption
- ▶ Local sales promotion centered on the energy, semiconductor and medical device industries in the strong Chinese market

Capture of demand for packaging machine automation in automatic machinery

- ▶ Strengthening of sales promotion activities through exhibitions, etc., towards the expansion of orders for carton supply equipment and the home-cooking market, where demand is expanding
- ▶ Improvement of profitability by establishing the effectiveness of product risk management, cost reductions and the strengthening of functions

Improvement of profitability by strengthening services

- ▶ Expansion of service structure through alliances with service companies and the implementation of technical education
- ▶ Strengthening of service proposals such as remodeling by following up on the state of operation of delivered machines



- Period **Fiscal year ended 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

State of Progress of the Medium-Term Management Plan < Profit Indicator >

(Million yen)	2021/3	2022/3		2023/3		2024/3
	(Results)	(Initial plan)	(Results)	(Initial plan)	(Results forecast)	(Plan)
Net sales	1,043,534	820,000	763,838	830,000	830,000	875,000
Operating profit	35,028	28,500	24,059	28,600	27,360	31,400
Operating profit margin	3.4%	3.5%	3.1%	3.5%	3.3%	3.6%

< Image of the trend in net sales >

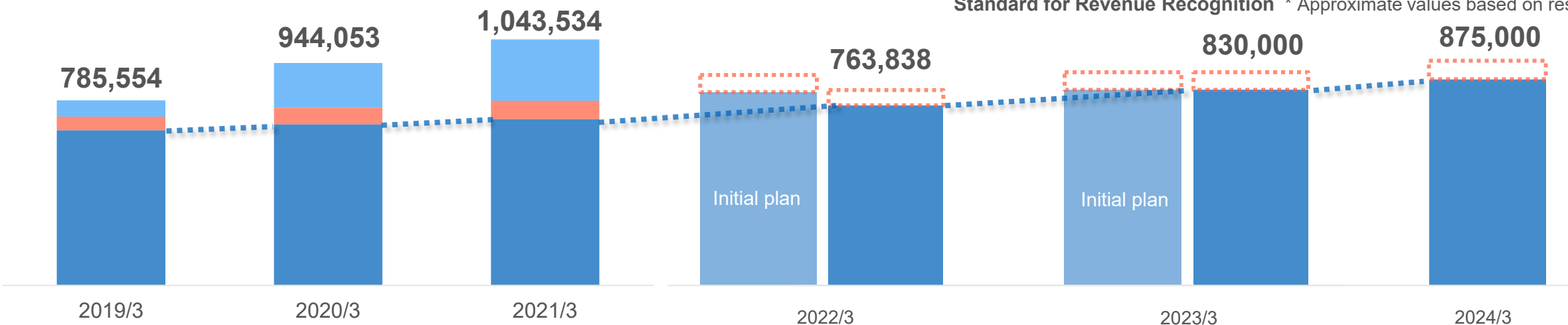
-> Application of the Accounting Standard for Revenue Recognition

■ Net sales in association with concentrated terminal demand *

Approximate values based on certain conditions
(Windows updates, The GIGA School concept, telework demand, etc.)

■ Approximate impact values from application of the Accounting

Standard for Revenue Recognition * Approximate values based on results



State of Progress of the Medium-Term Management Plan

< Group Management Indicators >

ROE 14% or higher

Return on equity
< Return on shareholder's equity >

Result for 2022/3
12.9%

Forecast for
2023/3
13.1%

**Aim for
achievement in
the final year**

>

Cost of
shareholders' equity

8.6%

(Company recognition of
the current situation)

ROIC 11~12% level maintenance

Return on invested capital
* Operating profit after tax / (net assets + interest-bearing debt)
< Return on invested capital >

Result for 2022/3
10.4%

Forecast for
2023/3
11.0%

**Aim to maintain
11 ~ 12%**

>

WACC
Weighted average capital
cost

7.0%

(Company recognition of the
current situation)

**Sustainable
improvement of
corporate value**

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>BY2022 dividend forecast Interim 30 yen + At the end of BY 30 yen</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>Acquisition of about 3 billion yen of treasury stock Total shares acquired About 1.64 million shares / 1.7% Acquisition period 2022/5/13 - 2022/10/13</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>

Shareholder Return

Dividend per share

Acquisition of treasury stock

Dividend Ratio

Total payout ratio

BY2021

Interim
30 yen
At the end of BY
30 yen
Annual
60 yen

About **2.0 billion yen** (2021/5/14 to 8/31)

33.7%

45.4%

BY2022 (forecast)

Interim
30 yen
At the end of BY
30 yen
Annual
60 yen

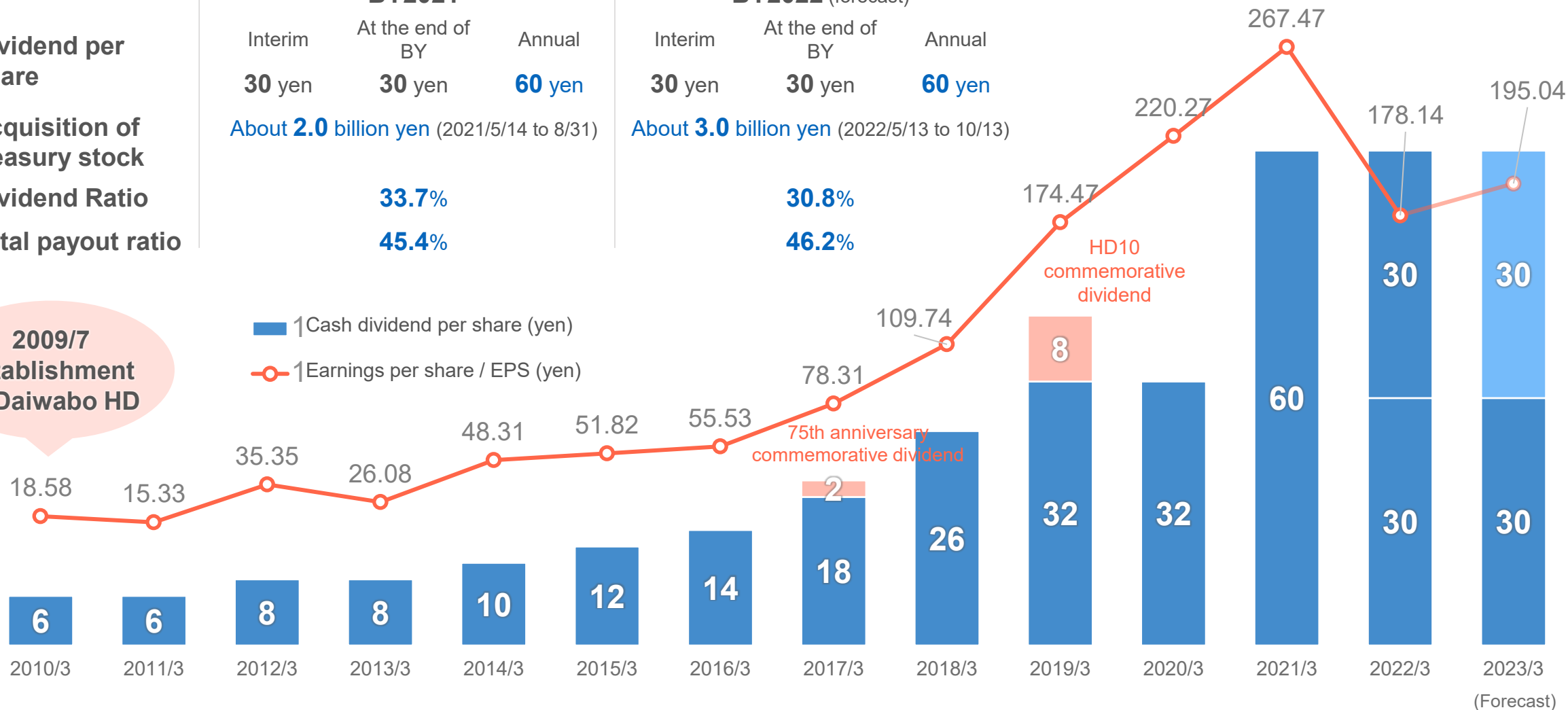
About **3.0 billion yen** (2022/5/13 to 10/13)

30.8%

46.2%

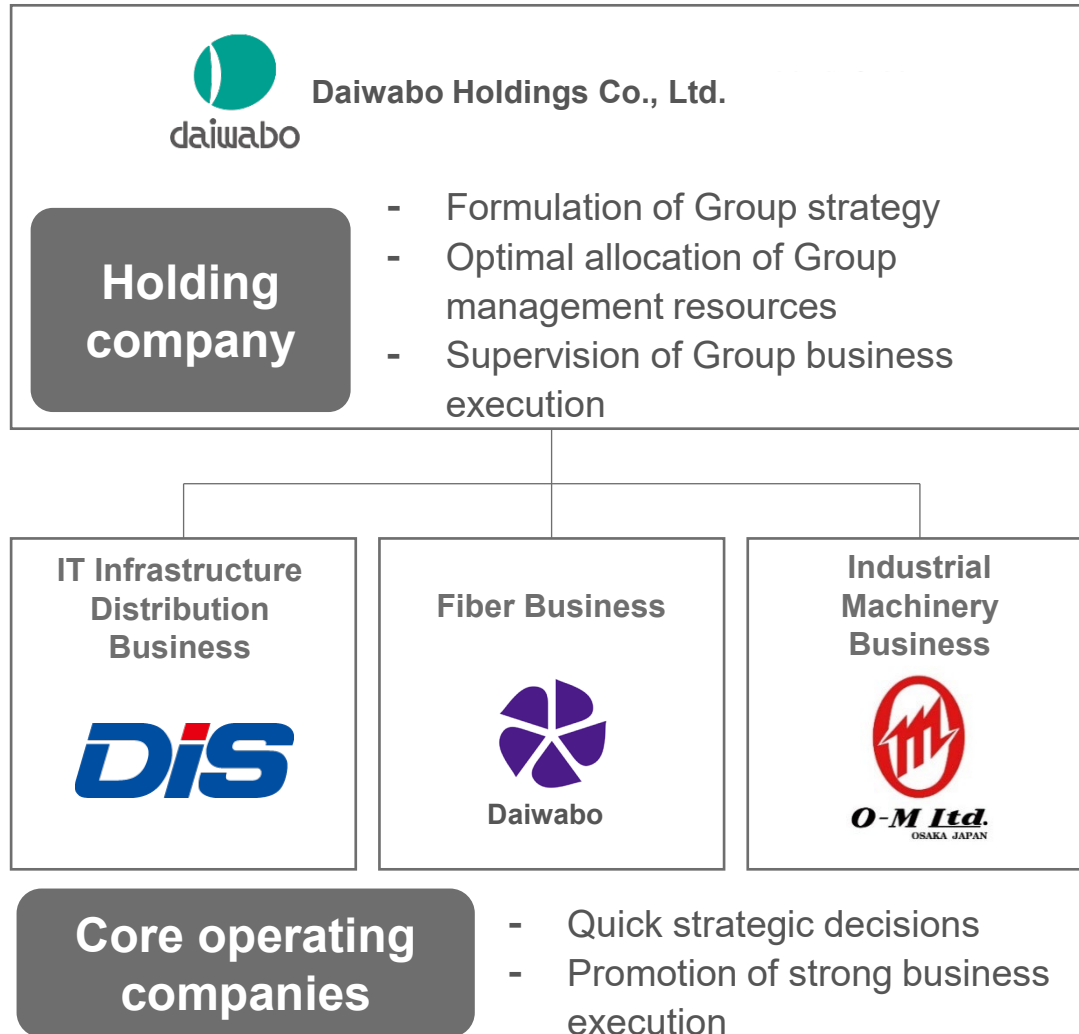
2009/7
Establishment
of Daiwabo HD

■ 1 Cash dividend per share (yen)
○ 1 Earnings per share / EPS (yen)



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

Clarification of each group company's responsibility and authority



Securing of independence and diversity of Board of Directors

Ratio of independent Outside Directors: **57%** (3 inside and 4 independent outside directors)

Ratio of female Directors **29%**

Introduction of a stock-based remuneration system for Directors

- [Purpose] Incentive for the improvement of medium to long-term corporate value
Increase motivation for the achievement of results targets
Further promote profit sharing with shareholders
- [Subjects] Board of Directors of Daiwabo Holdings Co., Ltd. (excluding Outside Directors)
Executive Directors of core operating companies
- [System] Executive remuneration BIP trust

Response to the recommendations of the TCFD

- **January:** Announced a CO₂ emissions reduction target
- **April:** Declared support for the recommendations of the TCFD and joined the TCFD Consortium
- **June:** Disclosed information based on the recommendations of the TCFD



Main risks		Main initiatives assumed
Policy / legal	Increased costs such as carbon prices	Transition to low-carbon energy
Technology	Increase in R&D costs	Cooperation with external research institutions
Acute	Interruption of operations due to disaster	Strengthening of BCP measures
Main opportunities		Main initiatives assumed
Products and services	Provision of products and services that contribute to mitigation of and adaptation to climate change	Formulation of purchasing plans in anticipation of future IT demand
		Expansion of sales of biodegradable materials and disaster-prevention and disaster-reduction products
		Development of energy-saving, hydraulic-free, automated products, etc.

ESG external evaluation

We received a rating of BBB in an MSCI ESG evaluation in 2022



Of the five GPIF ESG indices, we have been included in the two below

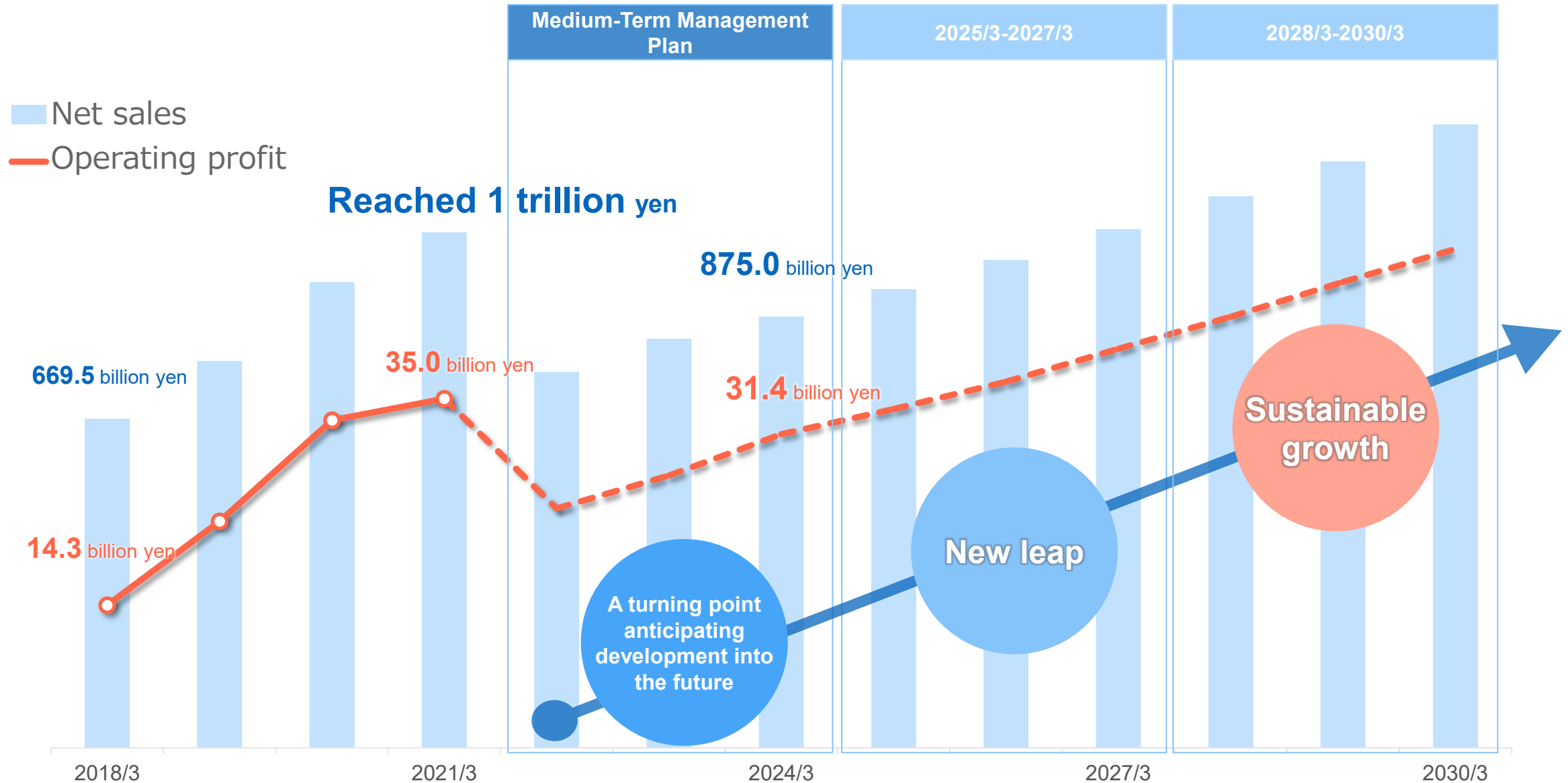
2022 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN) *2



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Medium to Long-Term Growth Image



References

- Application of the Accounting Standard for Revenue Recognition
- Corporate Profile
- Charts for Performance Trend

Difference between Medium-Term Management Plan and Results Forecast

(Disclosed May 12, 2022)

Operating profit (million yen)

- IT Infrastructure Distribution Business
- Fiber Business
- Industrial Machinery Business

2023/3 Results forecast [A]

23,700

2,760

890

2023/3 Medium-Term Management Plan [B]

23,700

4,000

950

[A]/[B]

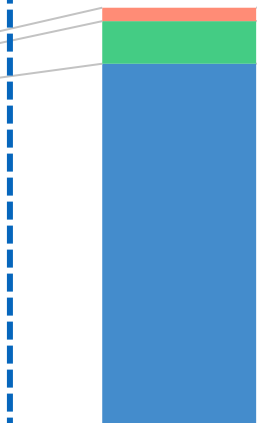
±0.0%

-31.0%

-6.3%



2022/3
Results



2023/3
Results forecast



2023/3
Medium-Term
Management Plan

IT Infrastructure Distribution Business

- Revenue is expected to increase due to orders received and focusing on growth areas, but the profit forecast is maintained at the same level assuming increased man-hours for proposals and adjustments due to the semiconductor shortage

Fiber Business

- The profit forecast was lowered against the Medium-Term Management Plan due to continuing high prices of raw material and fuel and a delay in the recovery of demand

Industrial Machinery Business

- Although we expect to secure sales overall, the profit forecast has been lowered slightly based on soaring raw material prices and orders for automatic machinery

Application of the Accounting Standard for Revenue Recognition

We have applied Accounting Standard No. 29, “**Accounting Standard for Revenue Recognition**” from the fiscal year ended March 2022, and have mainly changed the sales recording method for some transactions of IT Infrastructure Distribution Business.

(Approximate estimates: billion yen)		2022/3 (result)	2023/3 (forecast)	Change
Net sales	[1] Old standard	828.7	891.0	+62.2 +7.5%
	[2] New standard	763.8	830.0	+66.1 +8.7%
	[2] - [1]	-6.48	-6.10	
Operating profit		24.0	27.3	+3.3 +13.7%
Operating profit margin	[1] Old standard	2.9%	3.1%	
	[2] New standard	3.1%	3.3%	

< 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)



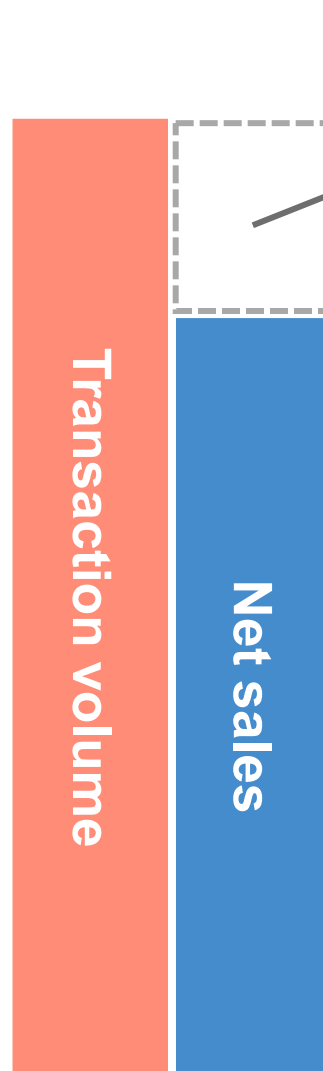
[New standard]: Record sale of the **net amount** of sales consideration (A-B)



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 ended March 2022)

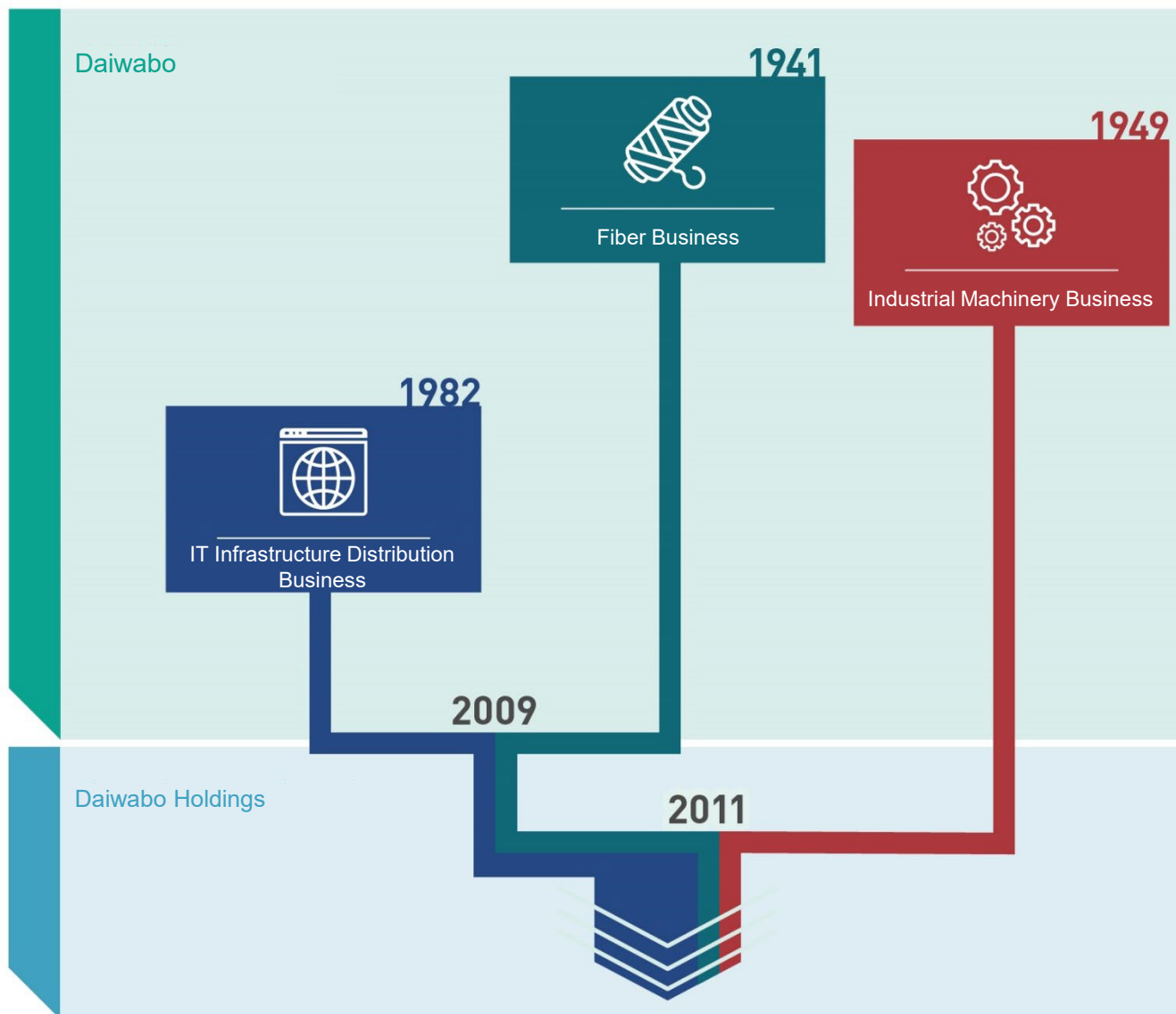
The company records as net sales the net amount of sales consideration for “agency transactions” under the accounting standards for some maintenance and warranty services, software sales due to iKAZUCHI, etc.

Net sales

Net Sales

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

History of the Group



- 1941. 4** **Daiwabo** is established through the merger of four companies: Kinka Boseki, Hinode Boshoku, Izumo Seishoku and Wakayama Boshoku
- 1949. 5** ▶ Daiwabo is listed on the first section of the Tokyo Stock Exchange
- 1949. 7** Daiwabo spins off its Shinji Plant to establish Daiwa Machinery Co., Ltd. (currently **O-M Ltd.**).
-> Subsequently Daiwa Machinery Co., Ltd., merges with Osaka Kikai Seisakusho, a manufacturer of machine tools and spinning machines, for O-M Ltd. to be born in 1960
- 1971.11** ▶ O-M Ltd. is listed on the first section of the Tokyo Stock Exchange
- 1982. 4** As part of new business development, Daiwabo establishes **Daiwabo Information System Co., Ltd.** to advance into information-related business
- 2000. 9** ▶ Daiwabo Information System Co., Ltd. is listed on the first section of the Tokyo Stock Exchange
- 2009. 3** Daiwabo and DIS integrate their management structures
- 2009. 7** Daiwabo changes its name to **Daiwabo Holdings Co., Ltd.** and newly establishes **Daiwa Spinning Co., Ltd.** as the core company in its Fiber Business
- 2011. 7** Daiwabo Holdings Co., Ltd. and O-M Ltd. integrate their management structures => **Formed the current structure with 3 core businesses**

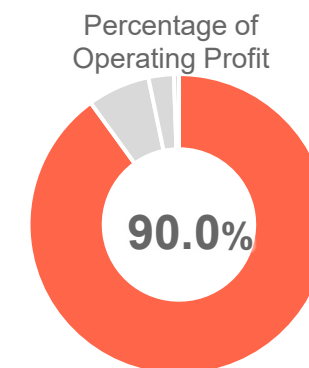
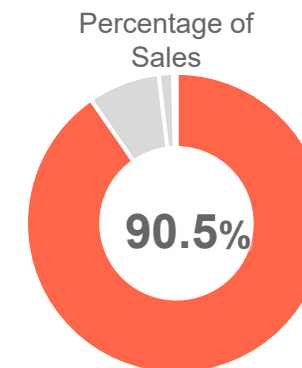
Overview of Business Segments

IT Infrastructure Distribution Business

Japan's largest distributor of IT-related products

It has a large network of business partners through sales activities at 94 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 1,300 vendors around the world including PCs



Fiber Business

Synthetic Fibers and Rayon Divisions

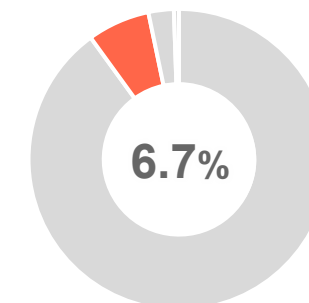
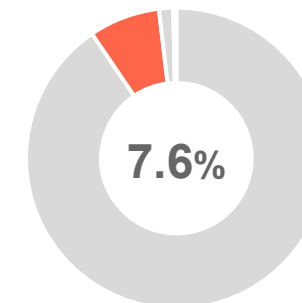
It offers fiber materials and products such as synthetic fiber cotton for use as hygiene materials including paper diapers, and highly biodegradable rayon

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



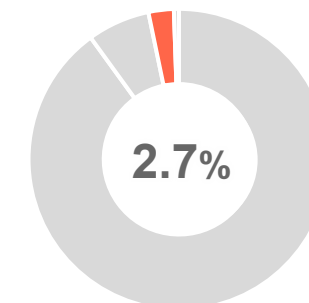
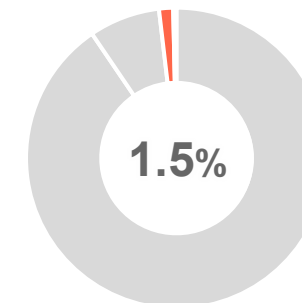
Industrial Machinery Business

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



(BY2021 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

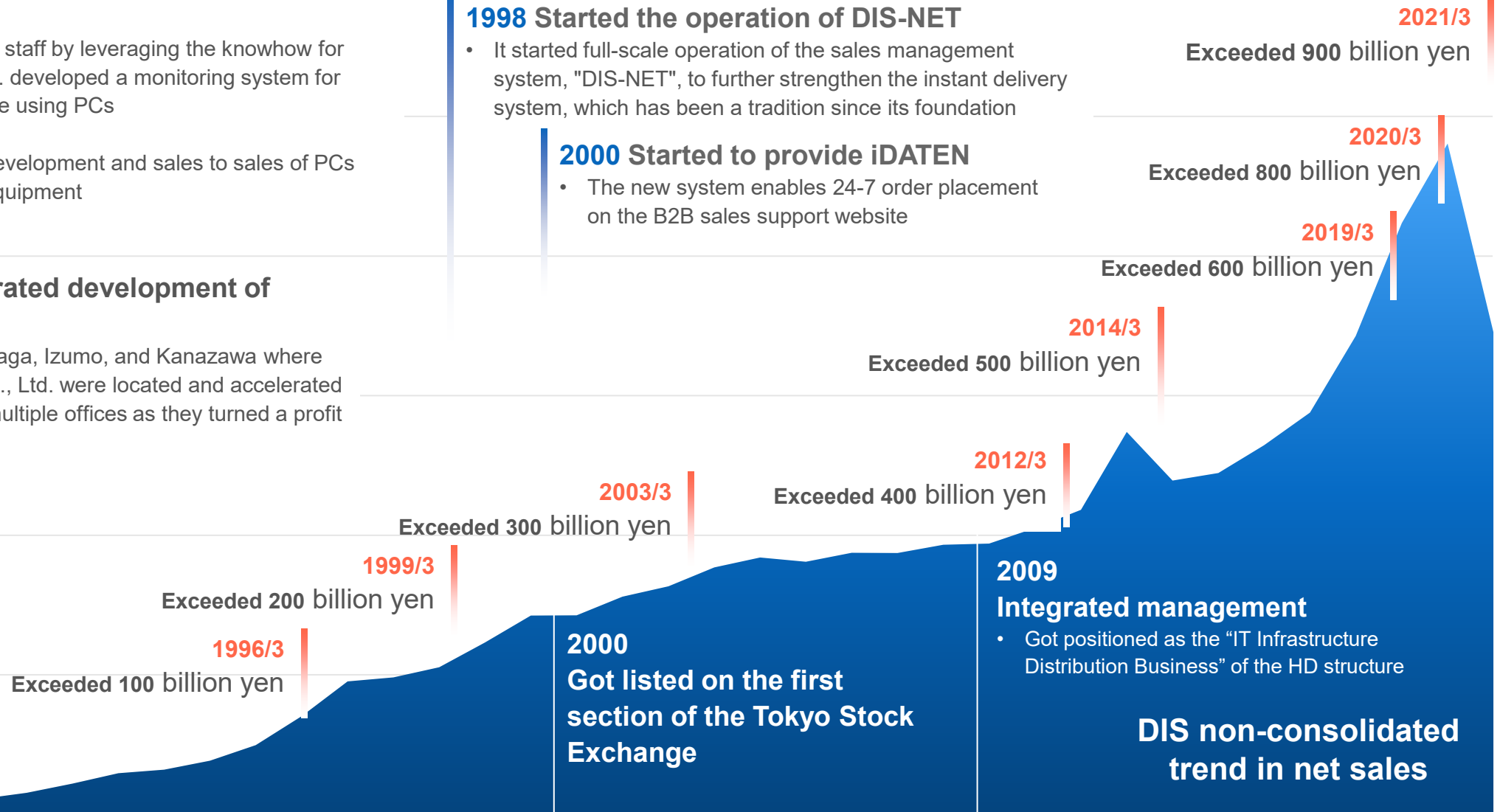
- It opened offices in Saga, Izumo, and Kanazawa where plants of Daiwabo Co., Ltd. were located and accelerated the development of multiple offices as they turned a profit early

1998 Started the operation of DIS-NET

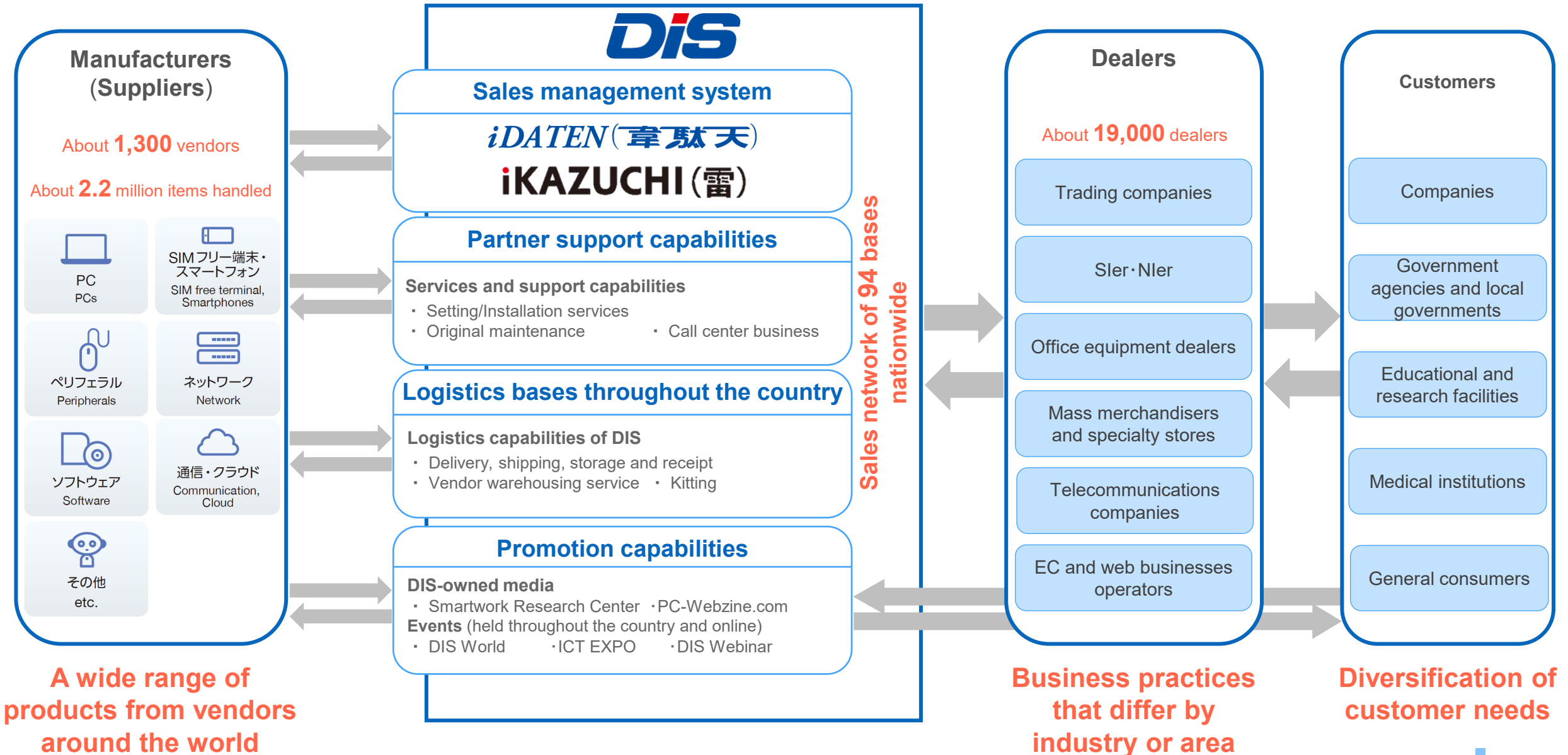
- It started full-scale operation of the sales management system, "DIS-NET", to further strengthen the instant delivery system, which has been a tradition since its foundation

2000 Started to provide iDATEN

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

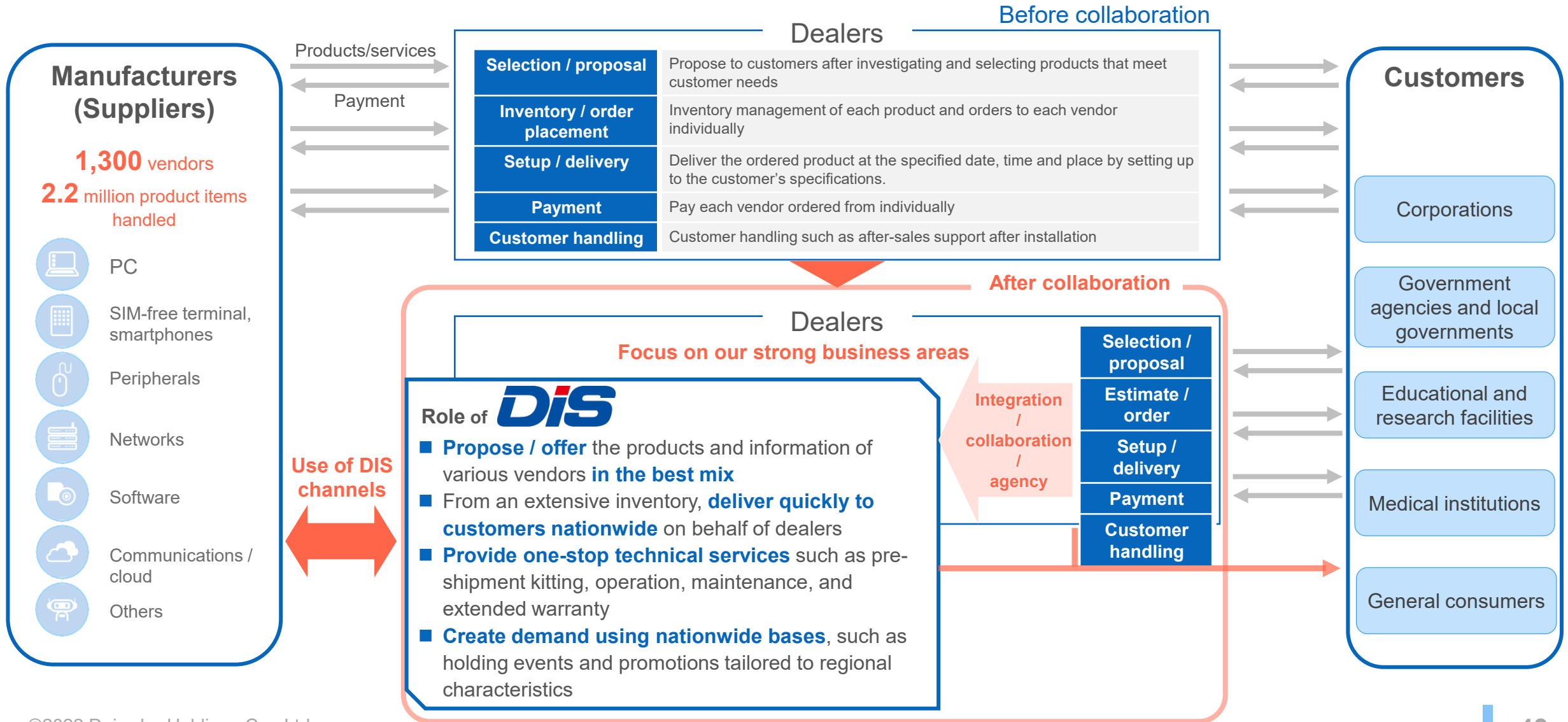


The Business Structure of IT Infrastructure Distribution Business



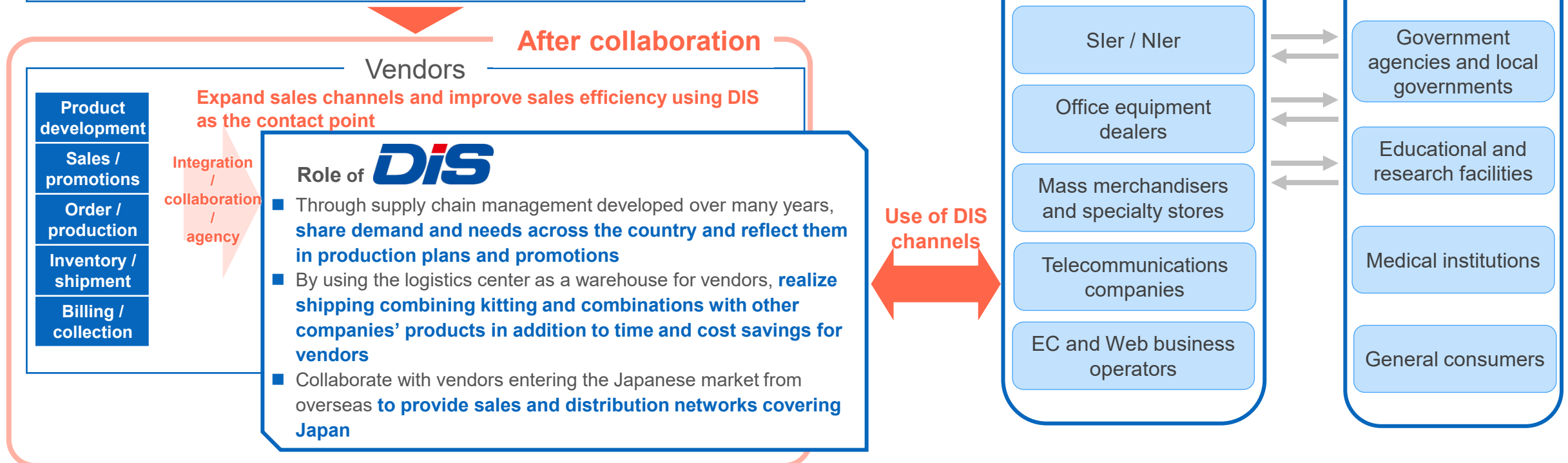
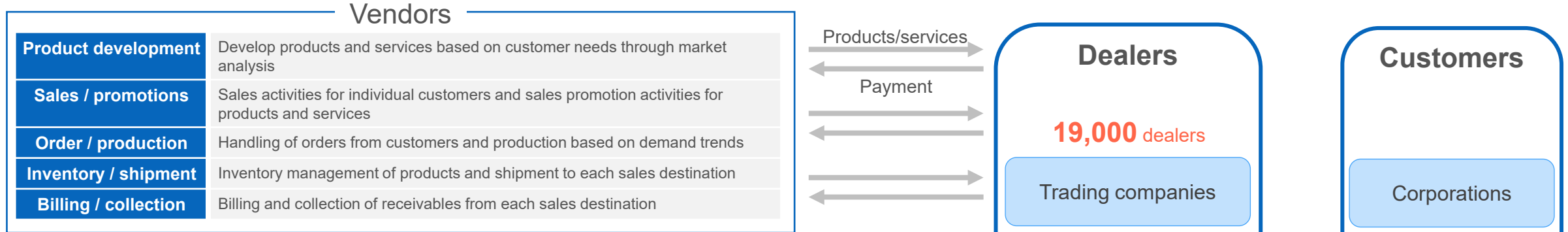
Value added by distributors

Dealers × **DiS**



Value added by distributors

Manufacturers (Suppliers) × **DiS** Before collaboration



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

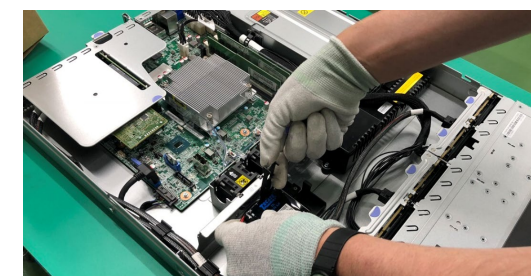
Established together with Kitting Center

-> Arrival of goods > work > prompt handling of shipment

PCs and tablets : **240,000** annually (2022/3)
Kitting results

Truck reservation reception system

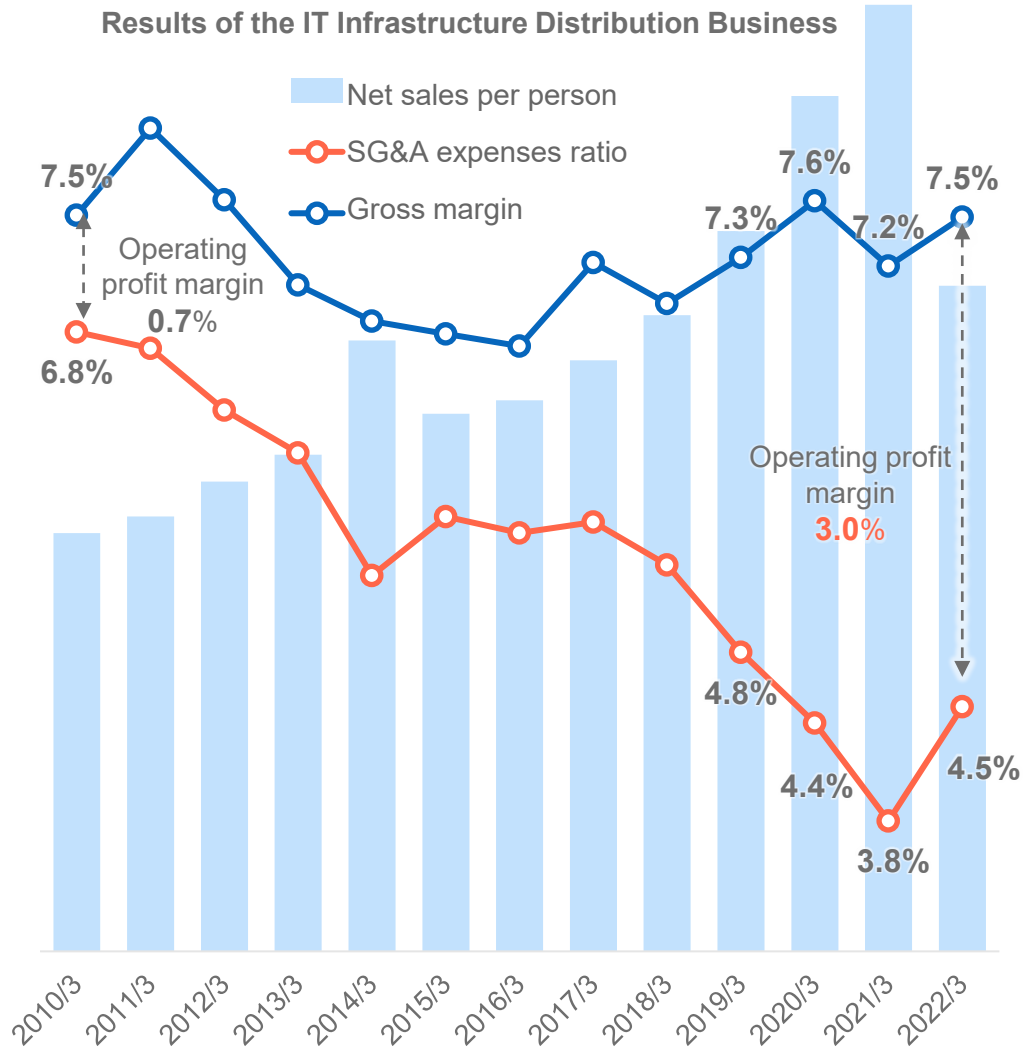
-> Sharing of incoming and outgoing information and vehicle equalizing



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

Greater Sales Efficiency and Low-Cost Operation

Results of the IT Infrastructure Distribution Business



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

Strengthening of sales activities

Sales expansion based on tactics
Greater efficiency of routine work

Ongoing system investment



Expansion of e-commerce ratio

Productivity improvements including suppliers

Manufacturers (Suppliers)
1,300 vendors

EDI

DIS

EDI

iDATEN (韋駄天)

iKAZUCHI (雷)
Subscription management portal

Dealers

19,000 dealers

Greater logistics efficiency

Control of distribution costs
Optimization of inventory locations



Core system

Distribution Centers



Customers

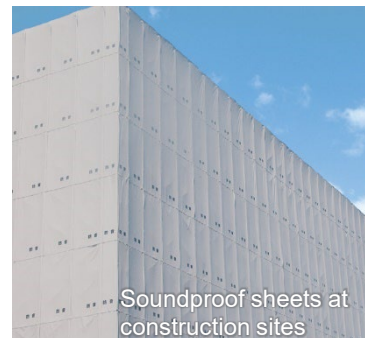
Fiber Business - Product Examples -

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 using 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 **7,500** 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 picture 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

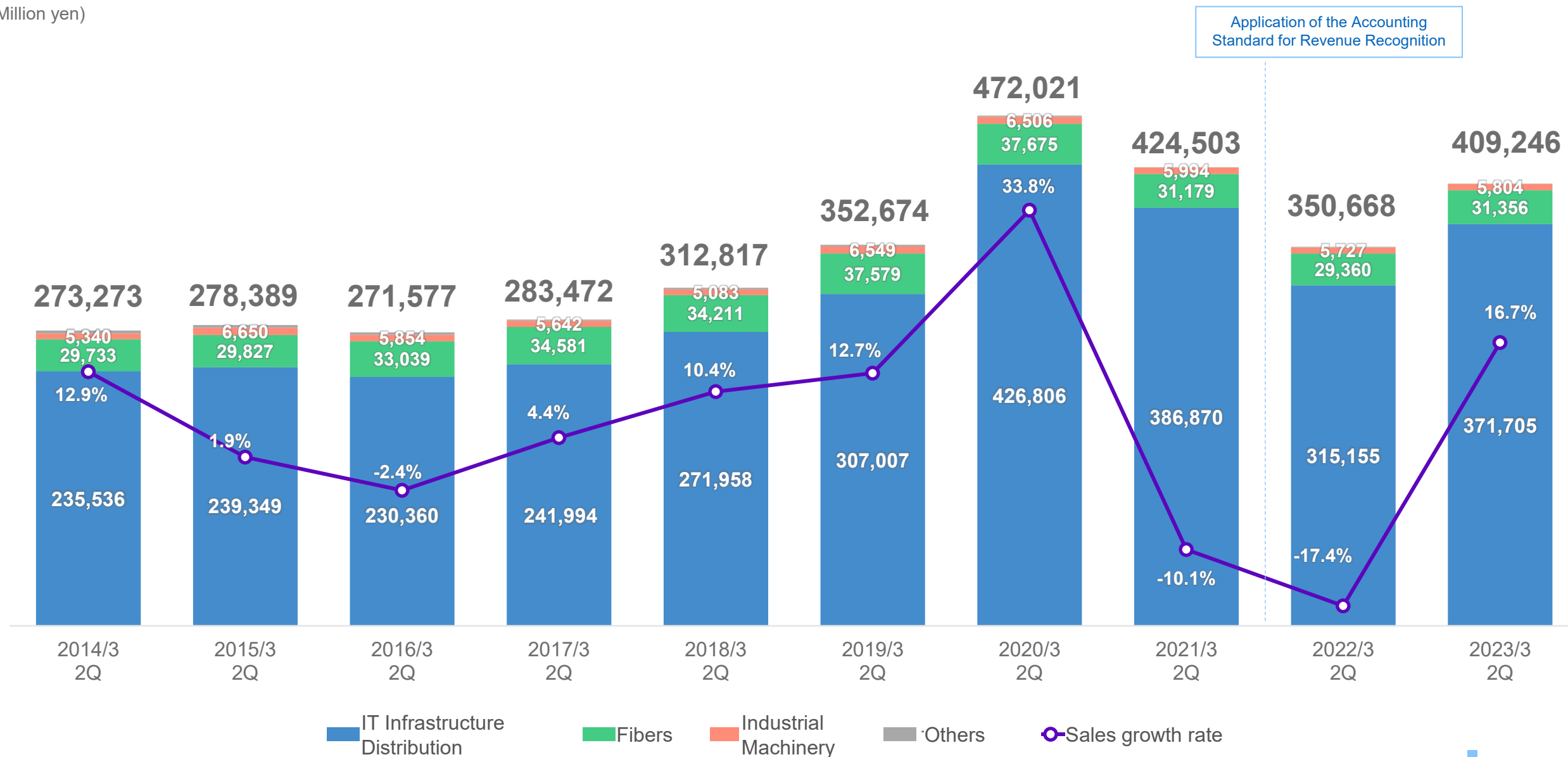
Automatic machinery



- ❑ 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

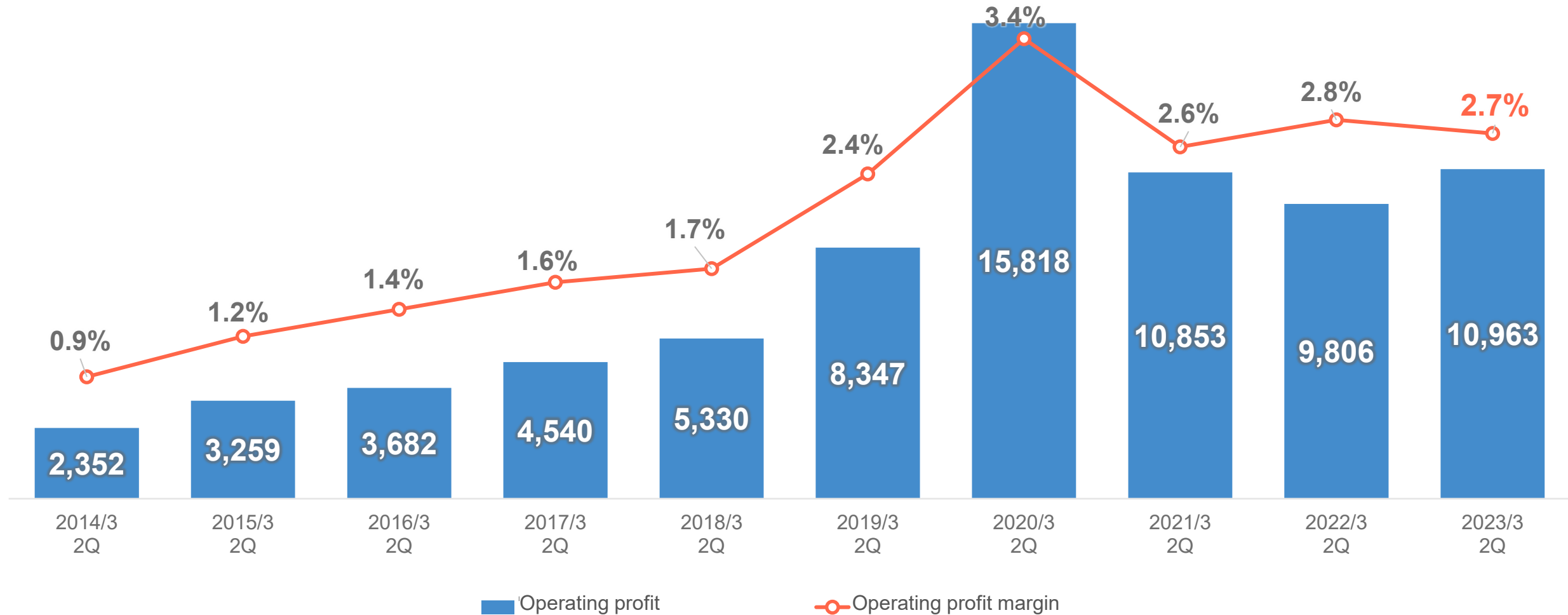
Consolidated Net Sales (2Q Cumulative)

(Million yen)



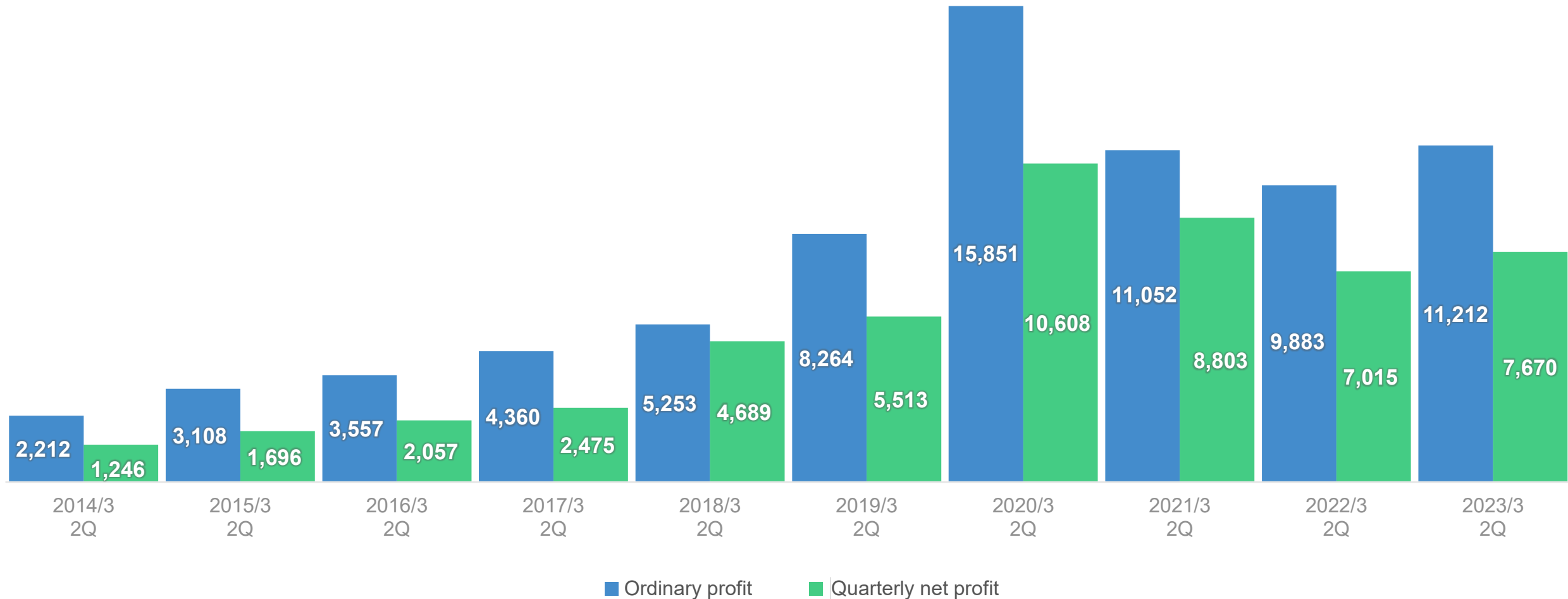
Consolidated Operating Profit (2Q Cumulative)

(Million yen)



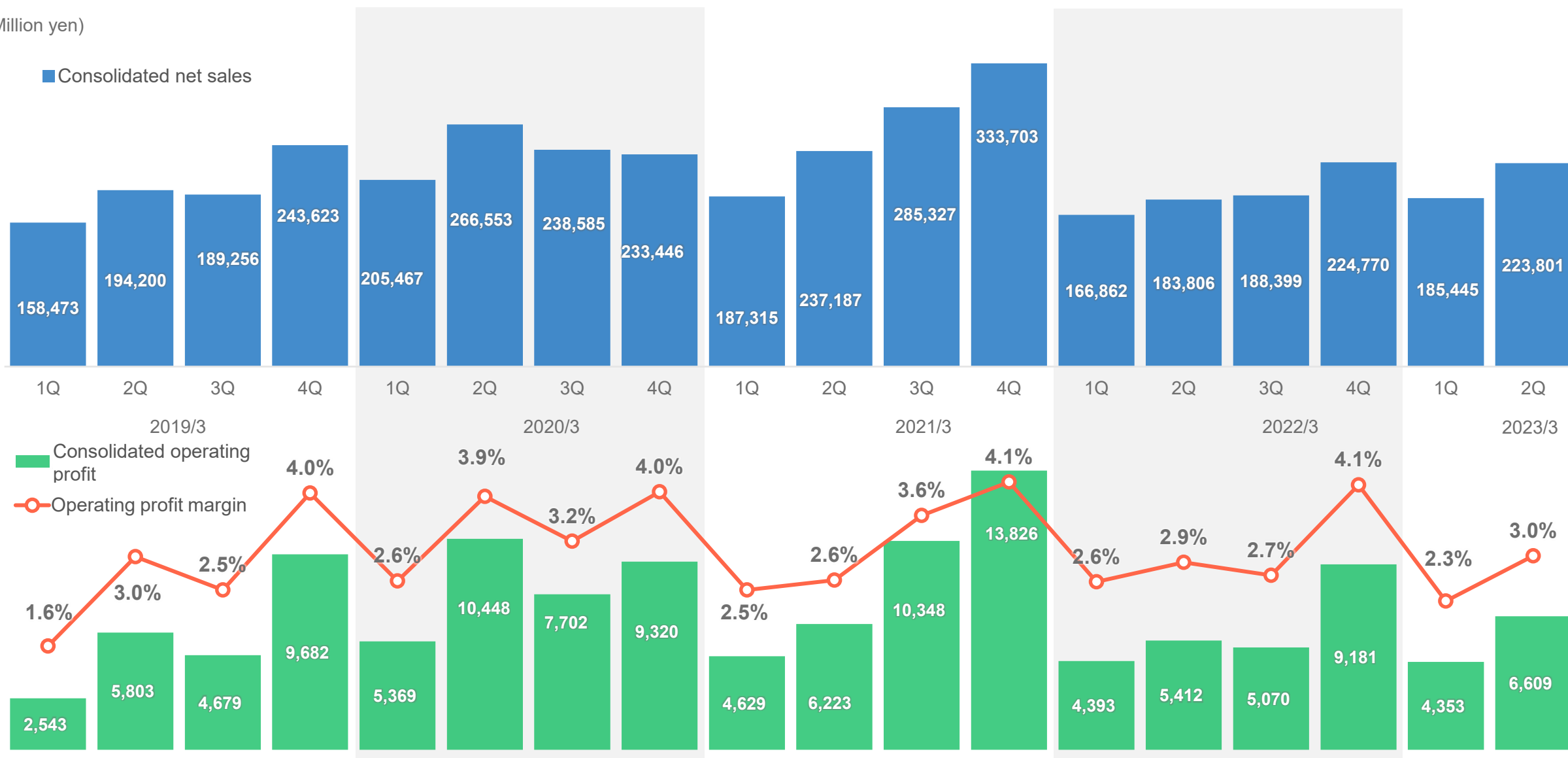
Consolidated Ordinary Profit and Consolidated Quarterly Net Profit (2Q Cumulative)

(Million yen)



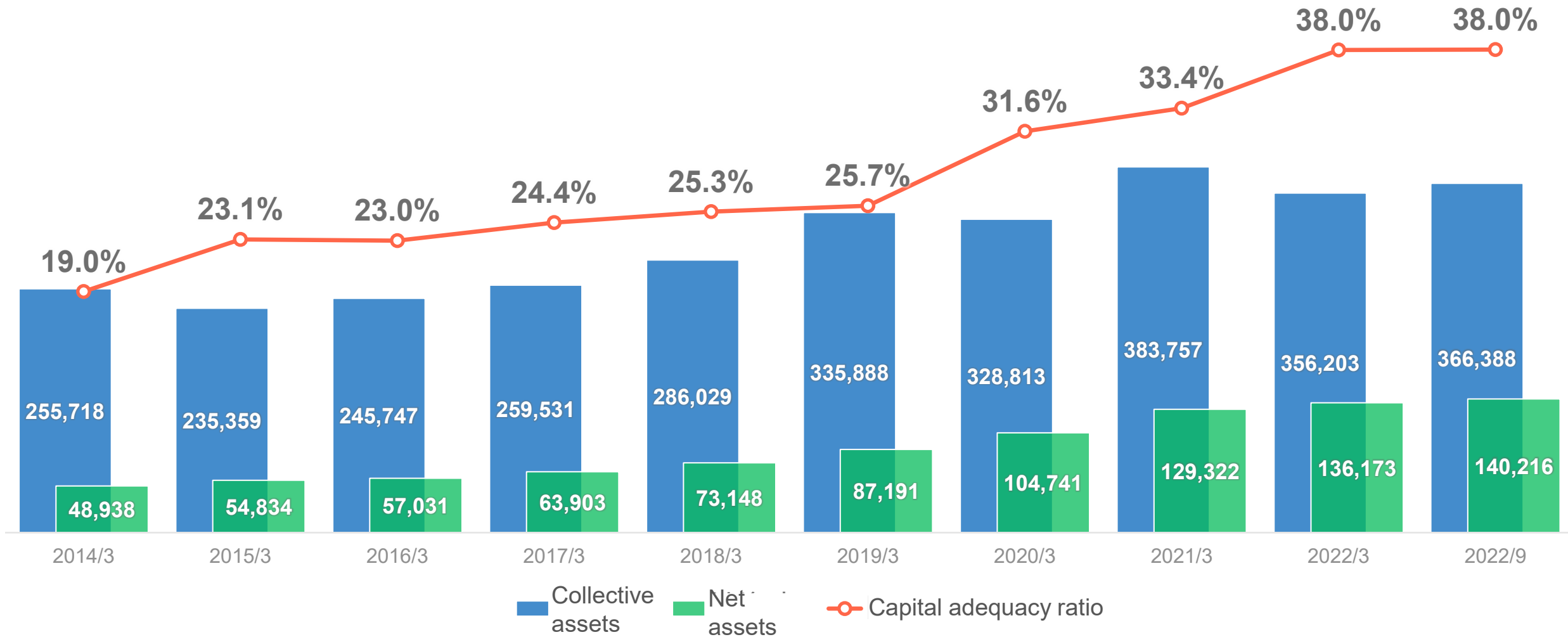
Quarterly Results

(Million yen)



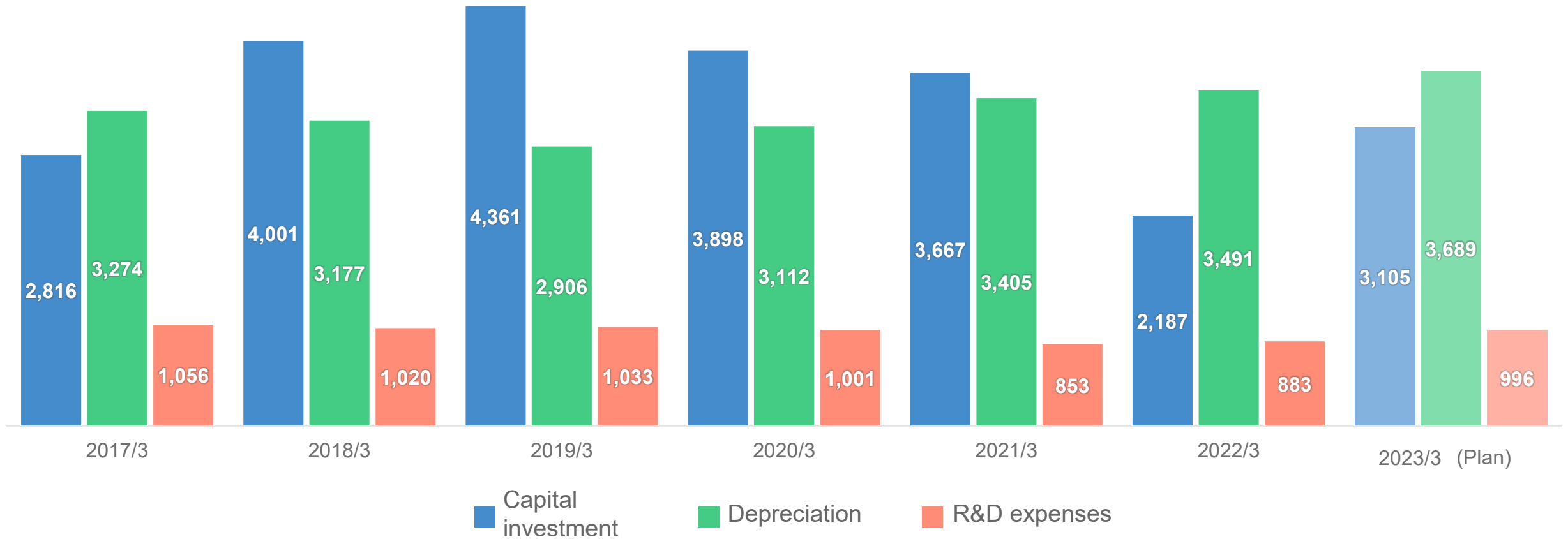
Consolidated Total Assets, Consolidated Net Assets and Capital Adequacy Ratio

(Million yen)



Capital Investment, Depreciation and R&D Expenses

(Million yen)





Daiwabo Holdings Co., Ltd.

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



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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