

Fiscal Year Ended March 2020 Materials for Financial Results Briefing

May 22, 2020



Daiwabo Holdings Co., Ltd.

(Stock code: **3107**)

This document is for the financial results briefing that was scheduled to be held on May 22, 2020.

Owing to the spread of COVID-19 infections and the state of emergency declared by the government, we decided to cancel the financial results briefing in consideration of the health and safety of participants and related parties.

- 1. Settlement of Accounts for the Fiscal Year Ended March 2020**
- 2. Business Outlook for the Fiscal Year Ending March 2021**
- 3. Priority Measures for the Fiscal Year Ending March 2021**

[References]

- Corporate profile
- Introduction to IT Infrastructure Distribution Business
- Charts for Performance Trend

Settlement of Accounts for the Fiscal Year Ended March 2020

Fiscal year ended March 2020 (April 1, 2019 - March 31, 2020)

The sales and profits of IT Infrastructure Distribution Business increased greatly and we achieved record-high consolidated results

IT Infrastructure Distribution Business

We are reaching the peak of PC replacement demand in association with the end of Windows 7 support in January 2020

In addition, while IT investment is booming in association with productivity improvements due to work style reform and work environment maintenance, we grasped the demand trend of the country accurately to achieve our highest ever sales and profit results

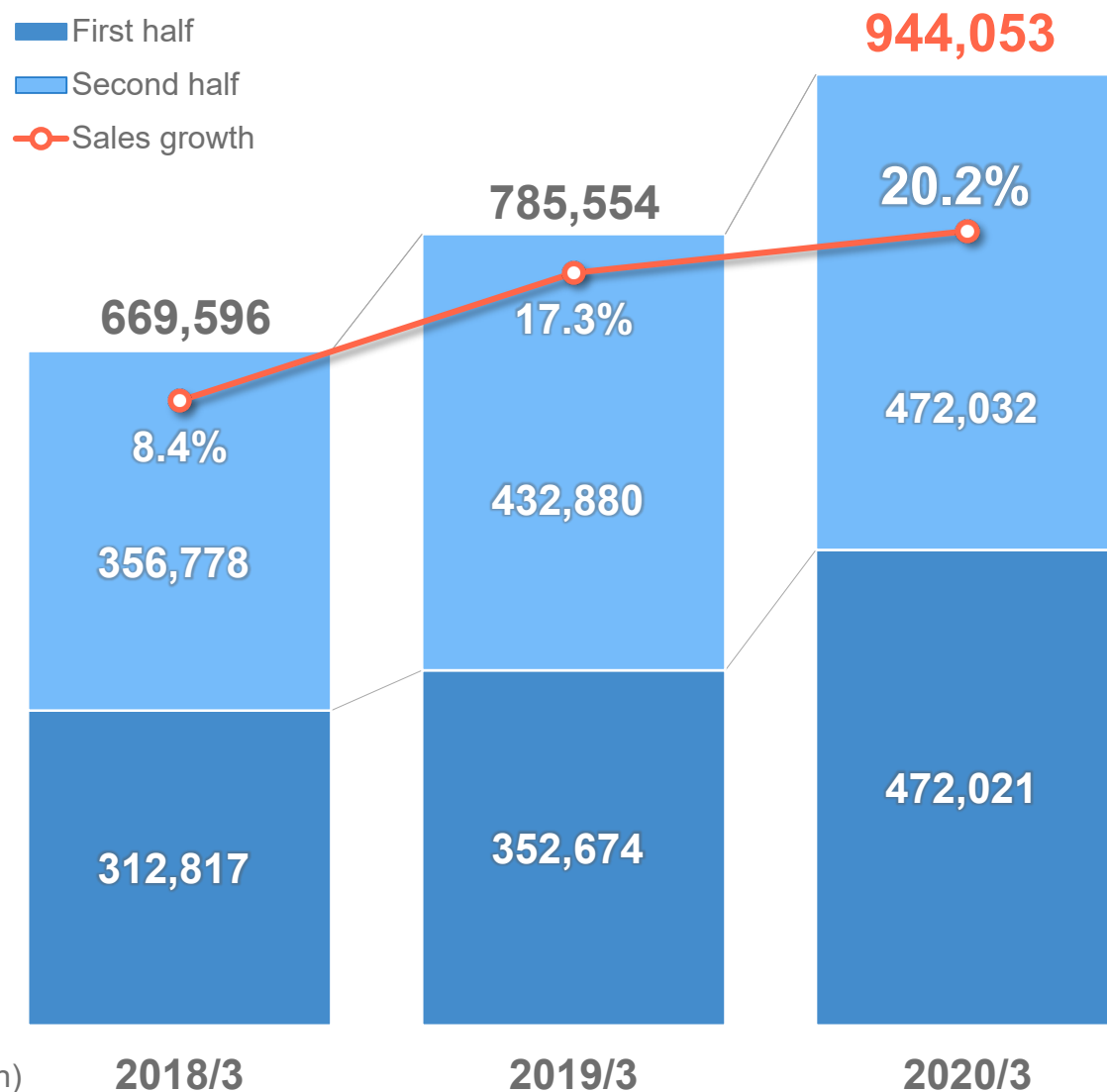
Fiber Business

Although orders for sterilization-related products increased and construction materials and industrial materials trended strongly, overall demand was sluggish

Industrial Machinery Business

Orders decreased as more time was needed to conclude contracts due to customers' cautious attitudes towards capital investment

Sales Trend



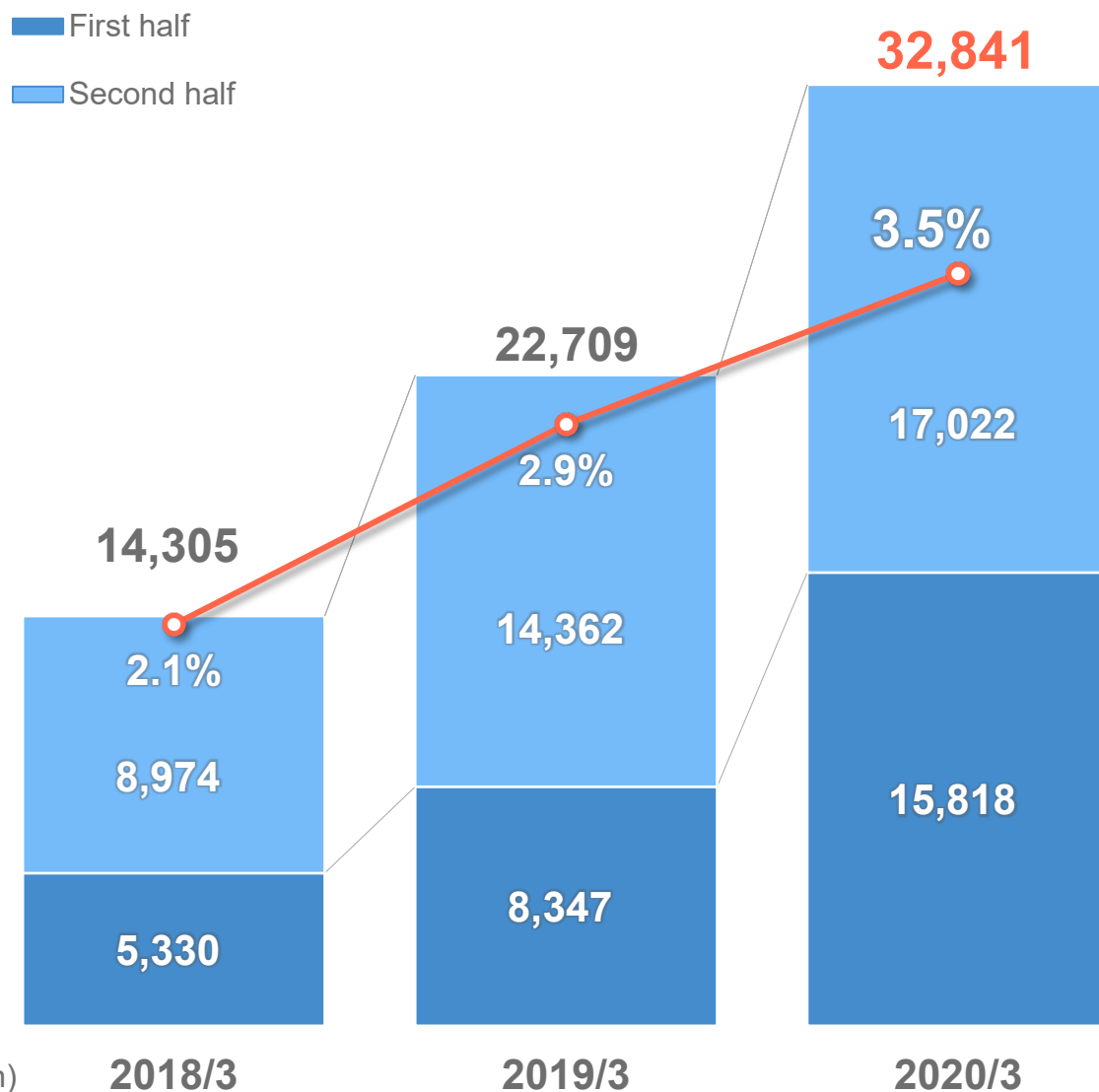
Record high results for
three consecutive terms

+ 20.2% compared to the
previous term

1st half **+ 33.8%** / 2nd half **+ 9.0%**

(Million yen)

Operating Profit Trend



Record high results for **four consecutive terms**

+ 44.6% compared to the previous term

1st half **+ 89.5%** / 2nd half **+ 18.5%**

Improvement of **0.6%** in operating profit margin

(Million yen)

Consolidated Operating Results for the Fiscal Year Ended March 2020

(Million yen)	2019/3	2020/3	Change	Compared to previous term	Full-term plan (Adjusted February 7)	Compared to plan
Net sales	785,554	944,053	+158,499	+20.2%	943,700	+0.0%
Operating profit	22,709	32,841	+10,131	+44.6%	31,300	+4.9%
Ordinary profit	22,840	33,195	+10,354	+45.3%	31,300	+6.1%
Profit Attributable to Owners of Parent	16,775	21,178	+4,403	+26.2%	20,000	+5.9%
Basic Earnings per share (yen)	872.35	1,101.37				
				2019/3	2020/3	
Return on equity (ROE)				21.1%	22.3%	
Return on assets (ROA)				7.3%	10.0%	
Operating profit margin				2.9%	3.5%	

Consolidated Financial Position and Cash Flow for the Year Ended March 2020

(Million yen)	2019/3	2020/3	Change	Major reasons for change
Total assets	335,888	328,813	(7,075)	Decrease in trade receivables, etc.
Net assets	87,191	104,741	+17,549	Increase in retained earnings
Capital adequacy ratio	25.7%	31.6%		
Net assets per share (yen)	4,492.56	5,400.55		

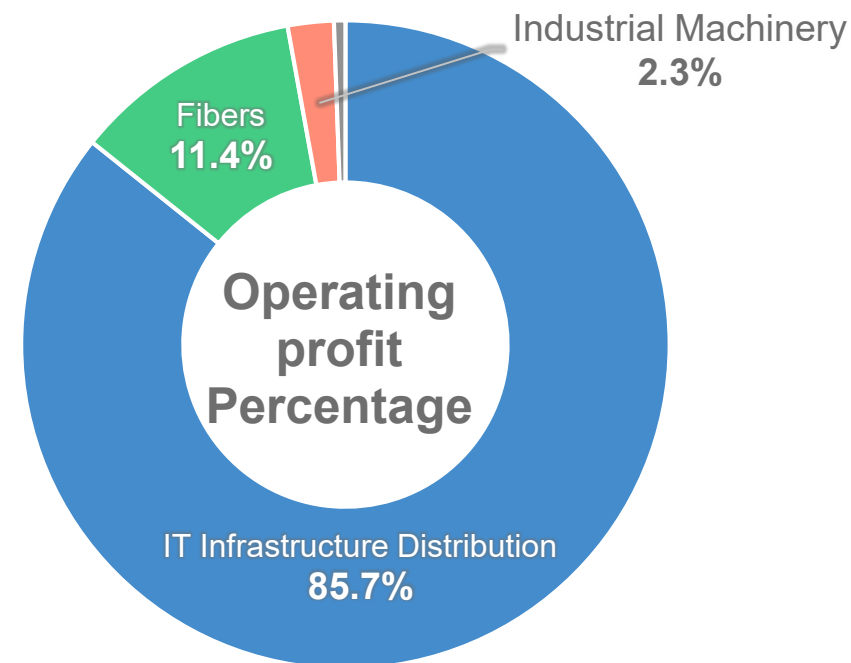
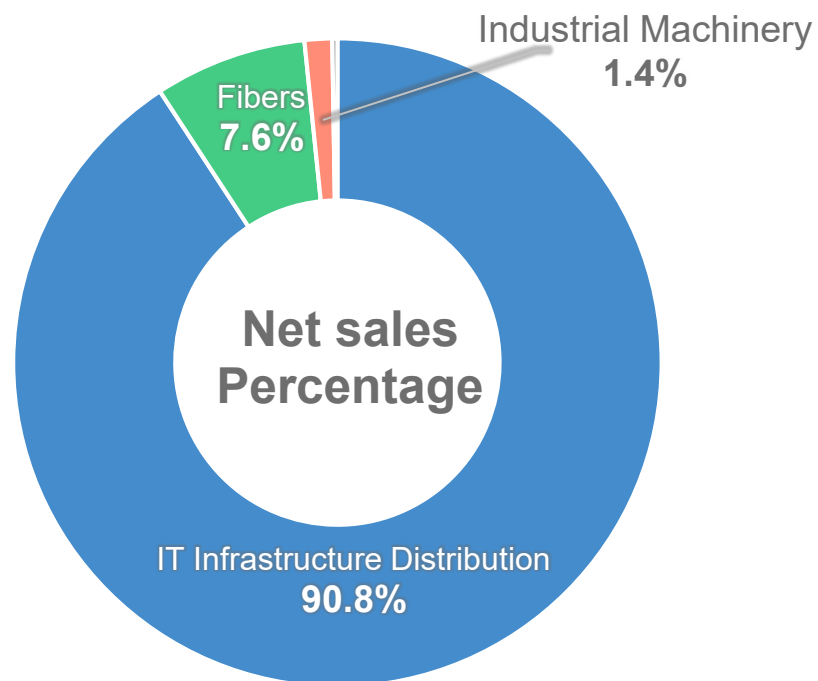
(Million yen)	2019/3	2020/3
Cash flow from operating activities	10,129	18,487
Cash flow from investing activities	(1,218)	(4,343)
Cash flow from financing activities	(5,433)	(6,733)
Cash and cash equivalents at end of term	24,180	31,574

Operating Results by Segment for the Fiscal Year Ended March 2020

(Million yen)		2019/3	2020/3	Change	Compared to previous term
Net sales	IT Infrastructure Distribution	693,957	857,008	+163,051	+23.5%
	Fibers	75,088	71,670	(3,417)	(4.6%)
	Industrial Machinery	13,900	12,988	(911)	(6.6%)
	Others	2,608	2,385	(223)	(8.6%)
	Total	785,554	944,053	+158,499	+20.2%
Operating profit	IT Infrastructure Distribution	17,420	28,161	+10,740	+61.7%
	Fibers	4,018	3,737	(280)	(7.0%)
	Industrial Machinery	1,066	753	(313)	(29.4%)
	Others	201	186	(15)	(7.8%)
	(Adjustment)	2	3		
Total	22,709	32,841	+10,131	+44.6%	

* From the current fiscal year, we changed the allocation method of headquarters expenses in accordance with the increase in employees of the holding company
Segment income for the previous fiscal year is based on the revised calculation method

Segment Mix

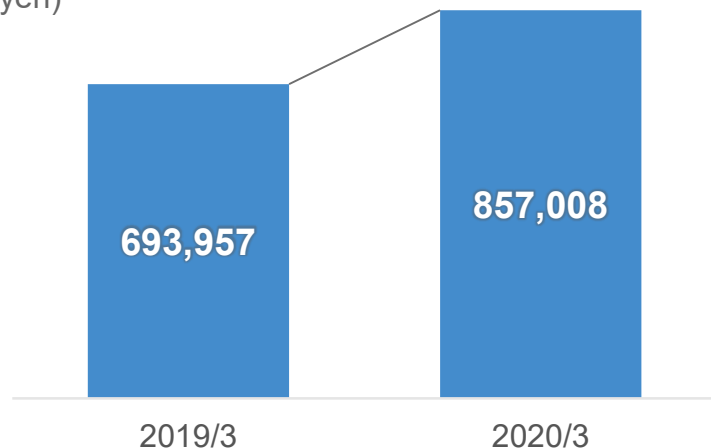


	2019/3	2020/3
IT Infrastructure Distribution	88.3%	90.8%
Fibers	9.6%	7.6%
Industrial Machinery	1.8%	1.4%

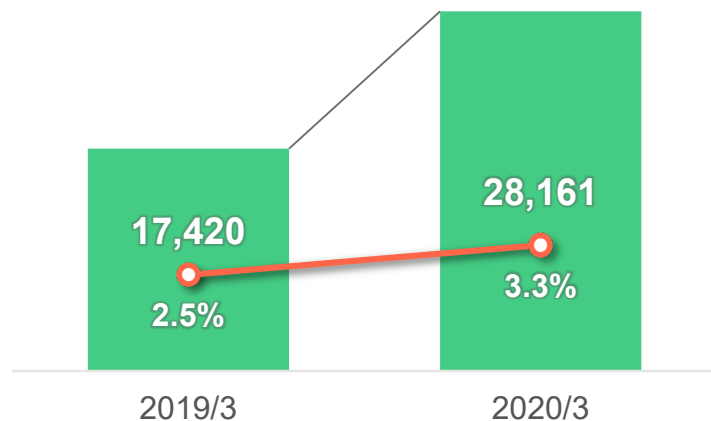
	2019/3	2020/3
IT Infrastructure Distribution	76.7%	85.7%
Fibers	17.7%	11.4%
Industrial Machinery	4.7%	2.3%

IT Infrastructure Distribution Business

(Million yen)



■ Net sales ■ Operating profit
■ Operating profit margin



Net sales	857,008 million yen (+23.5% compared to previous term)
Operating profit	28,161 million yen (+61.7% compared to previous term)
Number of PCs shipped	3.995 million units (+53.4% compared to previous term)
Number of servers shipped	60,000 units (+3.5% compared to previous term)

While IT investment by companies remained strong, we grasped replacement demand associated with the end of support for Windows 7 accurately and sales increased due to combined proposals including peripheral devices such as PCs and software.
The impact of the spread of COVID-19 infections on results for this fiscal year is limited

Review of the business

Corporate Market

IT investment needs increased because of improved productivity due to work style reform and the development of work environments so demand from companies, especially in the manufacturing and service industries, trended well nationwide
Sales to educational institutions, government agencies and local governments also exceeded those of last term and drove results

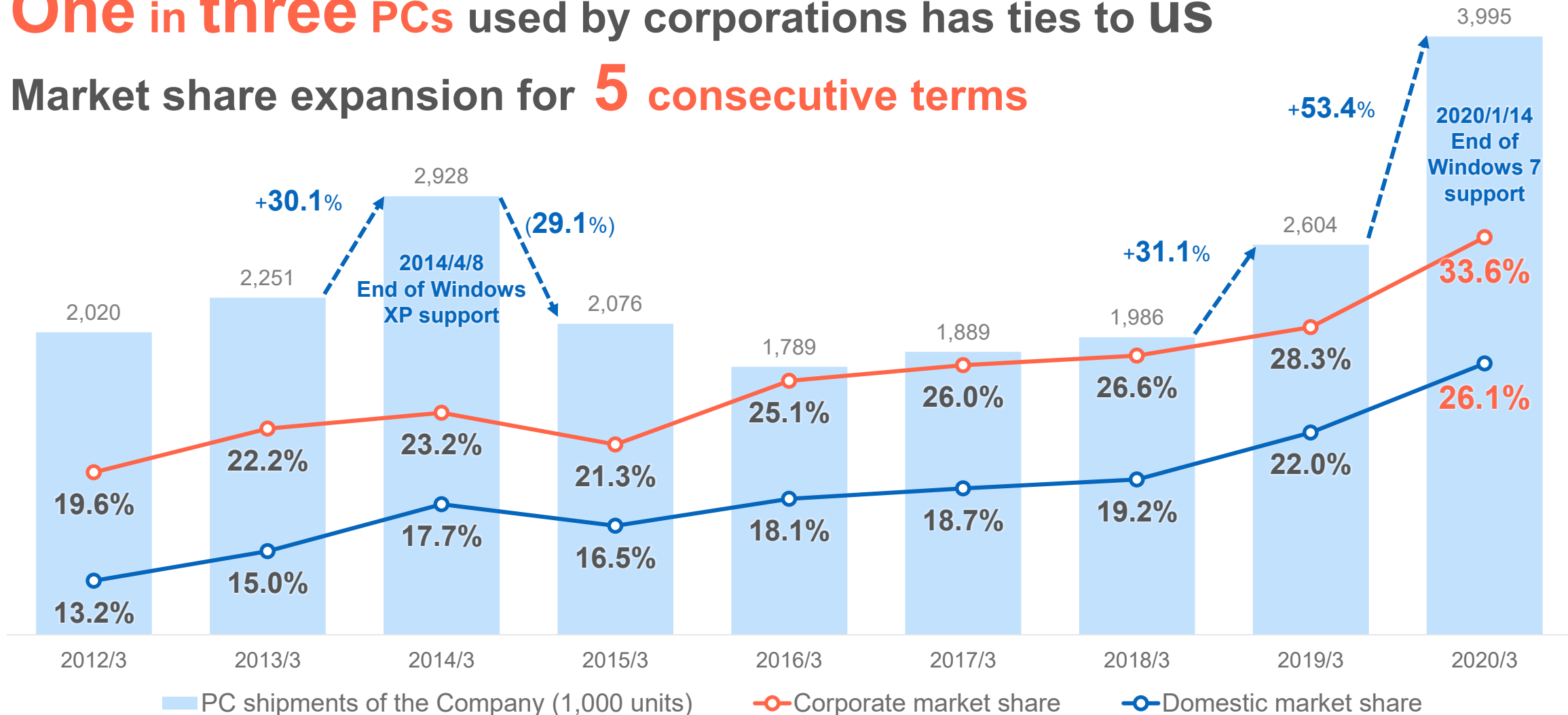
Retail Market

Although sales of PCs and software were strong at mass merchandisers and web retailers, sales of AV equipment and home appliances were sluggish

Trend in Domestic PC Market Share

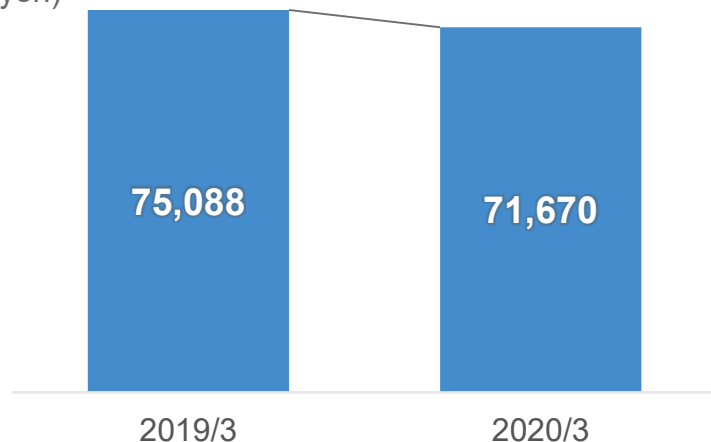
One in three PCs used by corporations has ties to US

Market share expansion for **5 consecutive terms**

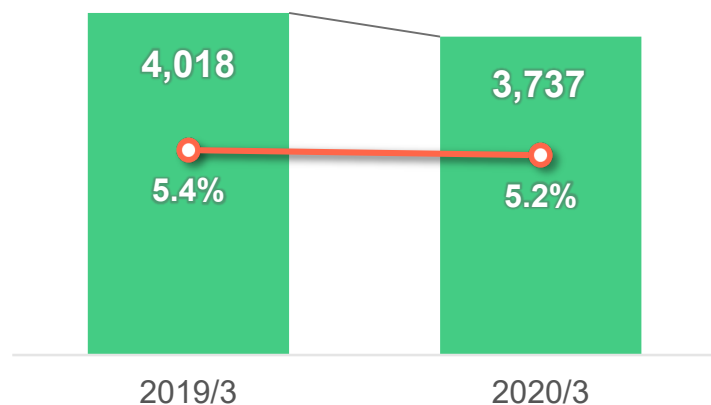


* Calculated based on the results of a survey by MM Research Institute

(Million yen)



■ Net sales ■ Operating profit
 ■ Operating profit margin



Net sales **71,670** million yen (-4.6% compared to previous term)

Operating profit **3,737** million yen (-7.0% compared to previous term)

In a difficult market environment affected by a decline in overall demand, although orders for sterilization-related products increased and construction materials and industrial materials trended strongly, sales and income declined

Review of the business

Synthetic Fibers and Rayon Divisions

Although we struggled in terms of income due to poor sales of products including raw cotton for disposable diapers and cosmetics, demand for sterilization-related products has expanded.

In the rayon sector, sales for clothing were sluggish

Industrial Material Division

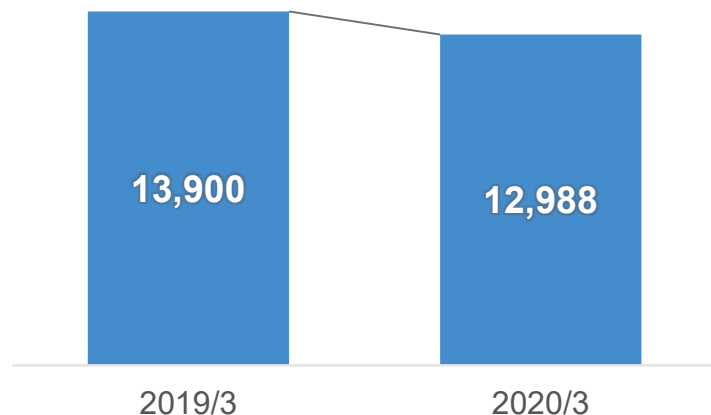
While sales of tents and heavy fabrics were slow, demand for construction materials such as soundproof sheets and industrial materials such as disaster-prevention materials and filters for semiconductor manufacturers expanded.

Clothing Products Division

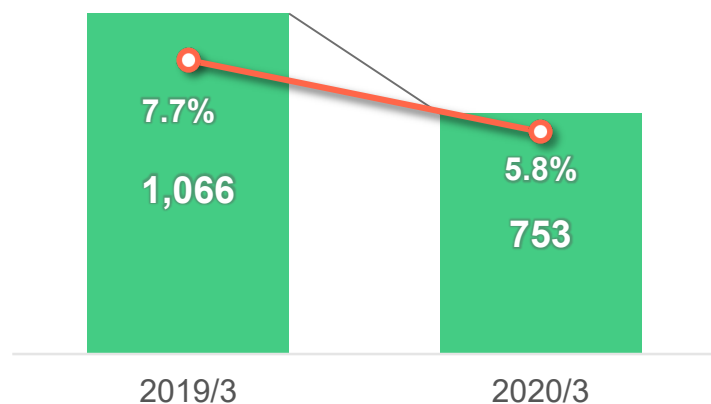
While consumption of clothing fell due to the warm winter and a decline in inbound customers, we strengthened proposals of new functional materials, but at term-end, orders were reduced or delayed due to the impact of COVID-19 and other factors.

Industrial Machinery Business

(Million yen)



■ Net sales ■ Operating profit
 ■ Operating profit margin



Net sales **12,988** million yen (-6.6% compared to previous term)

Operating profit **753** million yen (-29.4% compared to previous term)

Customers tend to make prudent decisions on capital investment with the impact of trade friction between the United States and China drawing out. It takes time to conclude contracts, leading to a decline in orders
 Moreover, the spread of COVID-19 infections has started to affect customers' capital investments and delivery deadlines

Review of the business

Machine Tools Division

While total orders announced by the Japan Machine Tool Builders' Association during the April to March period decreased by 35% compared with the previous term, the company's orders decreased 32.5% compared with the previous term due to the postponement of capital investment by customers.

We focused on sales of vertical lathes/turning centers, our mainstay product, mainly in the aircraft, railway and metal materials sectors

Automatic Machinery Division

Although needs for labor saving and efficiency improvement are connecting to inquiries due to work style reform, customers are taking an increasingly cautious attitude toward trends in the Chinese economy and orders were held to a slight increase compared with the previous term

Consolidated Balance Sheet for the Fiscal Year Ended March 2020

(Summary of Accounts P5)

(Million yen)	2019/3	2020/3	Change	Major reasons for change
< Assets >				
Current assets	280,347	276,285	(4,061)	
Cash and deposits	24,246	31,600	+7,353	
Notes and accounts receivable	209,049	196,390	(12,658)	Decrease in association with lower 4Q sales compared to previous term
Goods and products	31,719	33,341	+1,621	
Property, plant and equipment	42,167	39,522	(2,645)	Impairment of assets
Intangible fixed assets	2,422	3,403	+981	
Goodwill	767	387	(380)	Amortization of O-M Ltd. goodwill
Others	1,654	3,016	+1,361	Construction of DIS core system
Investments and other assets	10,951	9,601	(1,349)	
Total assets	335,888	328,813	(7,075)	

Consolidated Balance Sheet for the Fiscal Year Ended March 2020

(Summary of Accounts P6)

(Million yen)	2019/3	2020/3	Change	Major reasons for change
< Liabilities and net assets >				
Current liabilities	217,720	192,514	(25,206)	
Notes payable and accounts payable	179,200	158,067	(21,133)	Decrease due to a difference in settlement under the impact of the last day of the previous term falling on a holiday
Short-term loans payable	15,945	12,608	(3,336)	Repayment of borrowings
Non-current liabilities	30,976	31,558	+582	
Long-term loans payable	18,439	19,027	+587	
Total liabilities	248,696	224,072	(24,624)	
Total net assets	87,191	104,741	+17,549	Increase in retained earnings
Total liabilities and net assets	335,888	328,813	(7,075)	
Total loans	34,384	31,635	(2,749)	

Consolidated Income Statement for the Fiscal Year Ended March 2020

(Summary of Accounts P7)



(Million yen)	2019/3		2020/3		Change	Compared to previous term
	Results	Percentage	Results	Percentage		
Net sales	785,554		944,053		+158,499	+20.2%
Gross profit	67,811	8.6%	81,476	8.6%		
Selling, general and administrative expenses	45,101	5.7%	48,634	5.2%		
Operating profit	22,709	2.9%	32,841	3.5%	+10,131	+44.6%
Ordinary profit	22,840	2.9%	33,195	3.5%	+10,354	+45.3%
Profit attributable to owners of parent	16,775	2.1%	21,178	2.2%	+4,403	+26.2%

Business Outlook for the Fiscal Year Ending March 2021

- ❑ Because it is difficult to estimate the impacts due to COVID-19 infections rationally, our results forecast for the fiscal year ending March 2021 remains undetermined as of the present time.
- ❑ From now on, we will ascertain the impacts on results carefully and make a prompt announcement when calculation of the results forecast becomes possible.

< The assumed external environment due to the spread of COVID-19 infections >

Main opportunities

- Working at home and other telework demand [\(details below\)](#)
- Acceleration of the “GIGA School concept” based on the emergency economic countermeasures [\(details below\)](#)
- Increased demand for sterilizing sheets and raw cotton and nonwoven fabrics for sanitary materials, etc.
- Functional product sales channel expansion
- Increased food, confectionery, and sanitary product-related demand in Automatic Machinery Division due to increased household demand

IT Infrastructure Distribution Business

Fiber Business

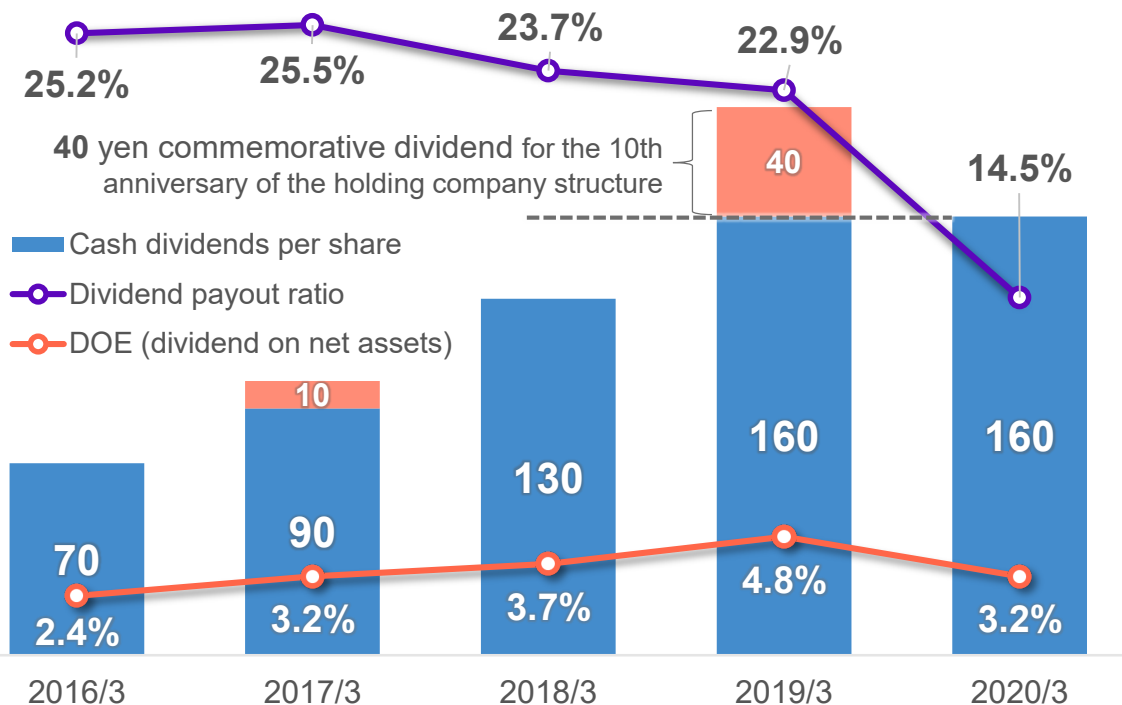
Industrial Machinery Business

Main threats

- Blows to the supply chain due to insufficient supply of IT-related products and parts, etc.
- Concerns over decreases in IT investment due to negative impacts on domestic corporate results
- Slump in consumption due to voluntary restraint on going out
- Recession in overseas markets
- Decreased heavy fabric and building-related demand due to the suspension of construction work
- Stagnation of airplane industry due to travel restrictions
- Delays in machinery deliveries and reviews of corporate equipment plans

Approach to Income Distribution Based on the External Environment

- Based on the uncertain external environment, we recognize the need to secure internal reserves from the following perspectives
 - ▶ Retained earnings will be used for investments in **new growth strategies** such as strengthening systems to improve the productivity of the entire IT supply chain
 - ▶ Securement of working capital in readiness for contingencies



- We plan to maintain an ordinary dividend of 160 yen per share as the dividend for the fiscal year ended March 2020 as initially planned.
- We will make a prompt announcement about the dividend for next term when calculation of a reasonable forecast becomes possible.

(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

- **A wide range of social contribution management centered on IT infrastructure distribution**
- **Active business development that uses a revenue basis**
- **A period to challenge new business creation**

Period covered FY ended March 2019 - FY ending March 2021
(Developed in May 2018)

Basic policy

**Further expansion of the
IT Infrastructure
Distribution Business**

**Strengthening of
profitability in the Fiber
and Industrial Machinery
Business**

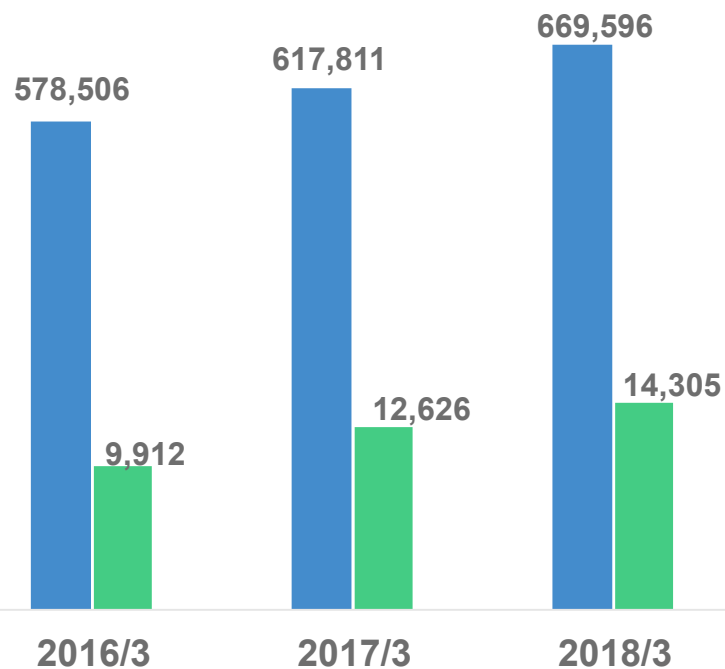
**Improvement of
consolidated corporate
value by promoting a
corporate strategy**

Progress on the Medium-Term Management Plan

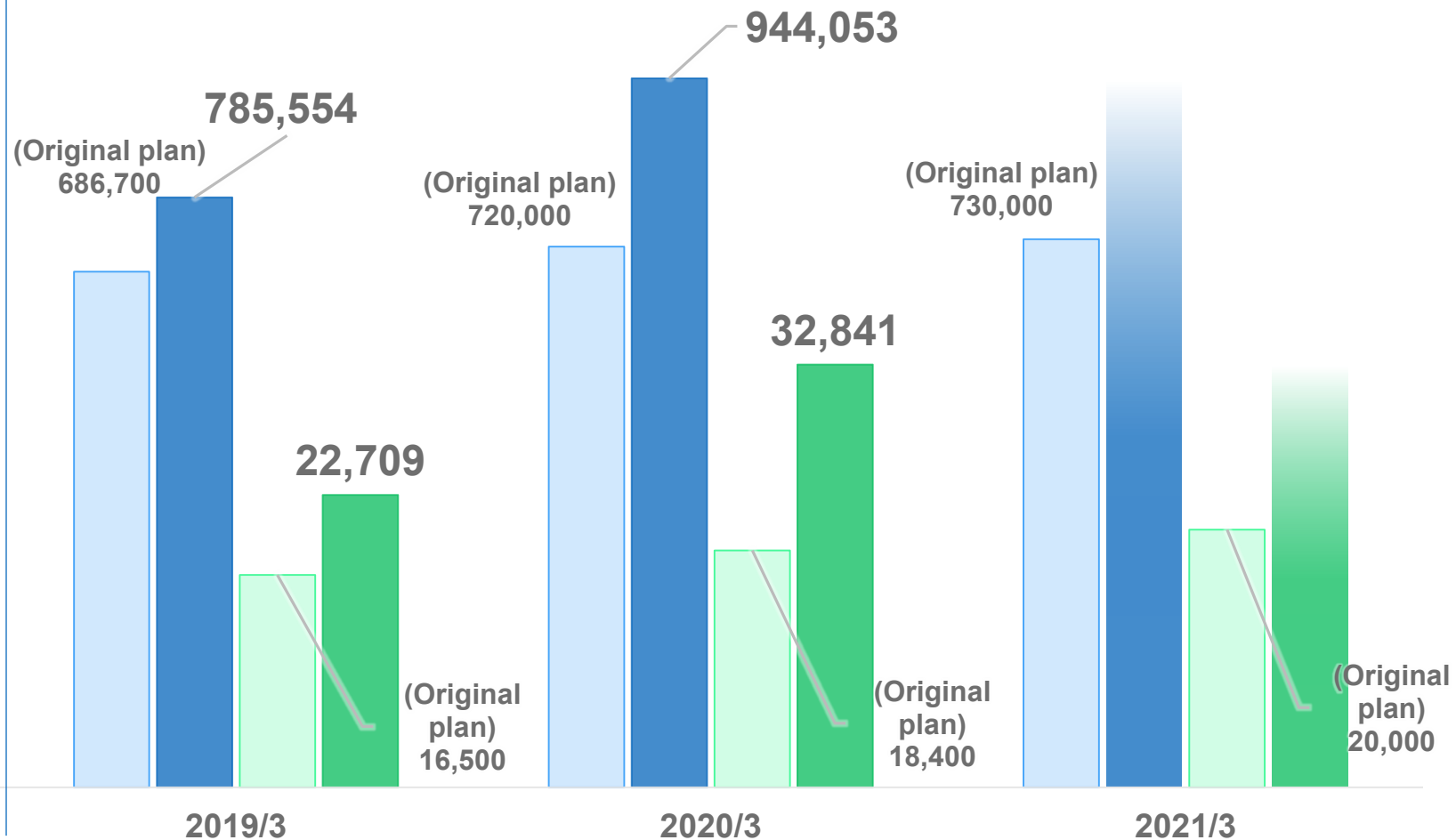
(Million yen)

Innovation 21 Phase II (Results)

- Net sales
- Operating profit



Innovation 21 Phase III



Priority Measures for the Fiscal Year Ending March 2021

IT Infrastructure Distribution Business

Corporate Market

- Expansion of sales of PCs, tablets, smartphones, etc., as priority products, promote the renewal of existing old OS devices and capture ICT demand including mobile environments in association with the expansion of telework demand
- Contributions to the development of the subscription-based business market by strengthening the iKAZUCHI lineup and improving convenience while corporate IT expenditure shifts to the construction of cloud environments and IT services

Corporate Market (Education Sector)

- Strengthening of appeals to our products and services to meet the growing demand for cloud services and mobile routers for learning management suitable for home learning, not just use at school, because the GIGA school concept will accelerate due to the emergency economic measures against COVID-19 infections
- Focus on planning measures such as online training and seminars with actual devices based on cooperation with manufacturers as demand for post-introduction maintenance and training is also expected to increase in association with an increase in the number of terminal users

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
- Strengthening of our handling of 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
- New proposals and expansion of sales channels in high-value-added sectors of cosmetics applications such as antiperspirant sheets and face masks
- Development of new functional materials for rayon and enhancement of sustainability proposals

Industrial Material Division

- Rollout of new products that meet customer needs by capitalizing on demand for filters in growing sectors
- Strengthening of marketing capabilities in mesh belt business, centered on overseas markets
- Business restructuring by consolidating production bases

Clothing Products Division

- Expansion of sales channels in the sportswear sector
- Promotion of customer proposals for proprietary products that combine functional materials with reduced environmental load
- Expansion of sales of functional lifestyle products such as deodorizers

Industrial Machinery Business

Machine Tools Division

- Strengthening of after-sales service by enhancing the service business system
- Support for the introduction of equipment based on the handling of trial cutting at Harima Technical Center
- Strengthening of our business structure for the railway industry

Automatic Machinery Division

- Development of automatic supply devices and utilization of human cooperation robots
- Strengthening of the service system in the Kanto region

Efforts Towards Acceleration of 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

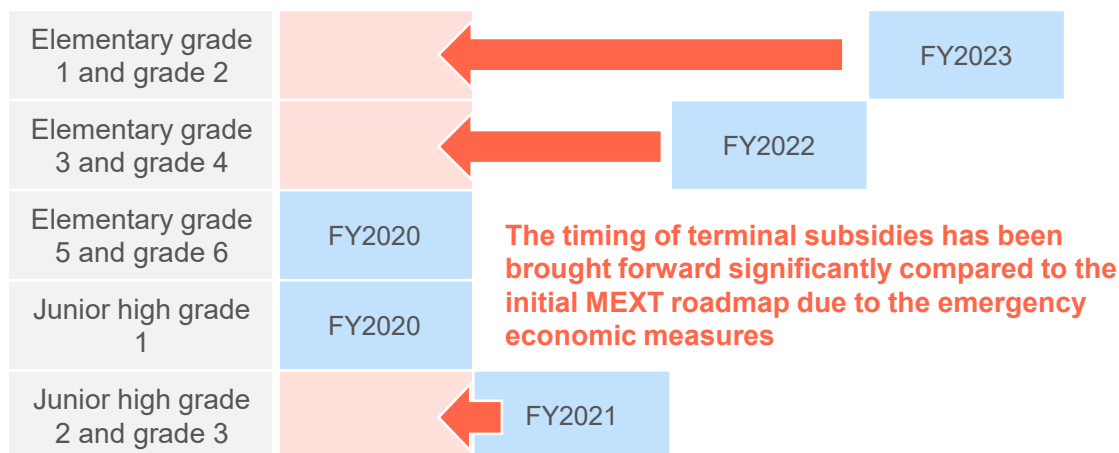
1. Establishment communications networks within schools
129.6 billion yen
2. Provision of one terminal per student [national, public and private elementary and junior high schools]
 → Subsidy of 45,000 yen per terminal **102.2** billion yen

FY2020 supplementary budget
 → **Emergency economic measures against infectious diseases (April 2020)**
“Guarantee of learning based on acceleration of the GIGA School concept”

229.2
billion yen

Of which, early realization of “one terminal per student”
195.1 billion
 Subsidies for terminals of about **300** billion yen

Early realization of the provision of one terminal per student



	Number of students	Current number of units	Assumed number of units required
Elementary grades 1 to 4	4.25 million students	690,000 units	3.56 million units
Elementary grades 5 to 6	2.17 million students	350,000 units	1.82 million units
Junior high grades 1 to 3	3.25 million students	570,000 units	2.68 million units
Total	9.67 million students	1.61 million units	8.06 million units

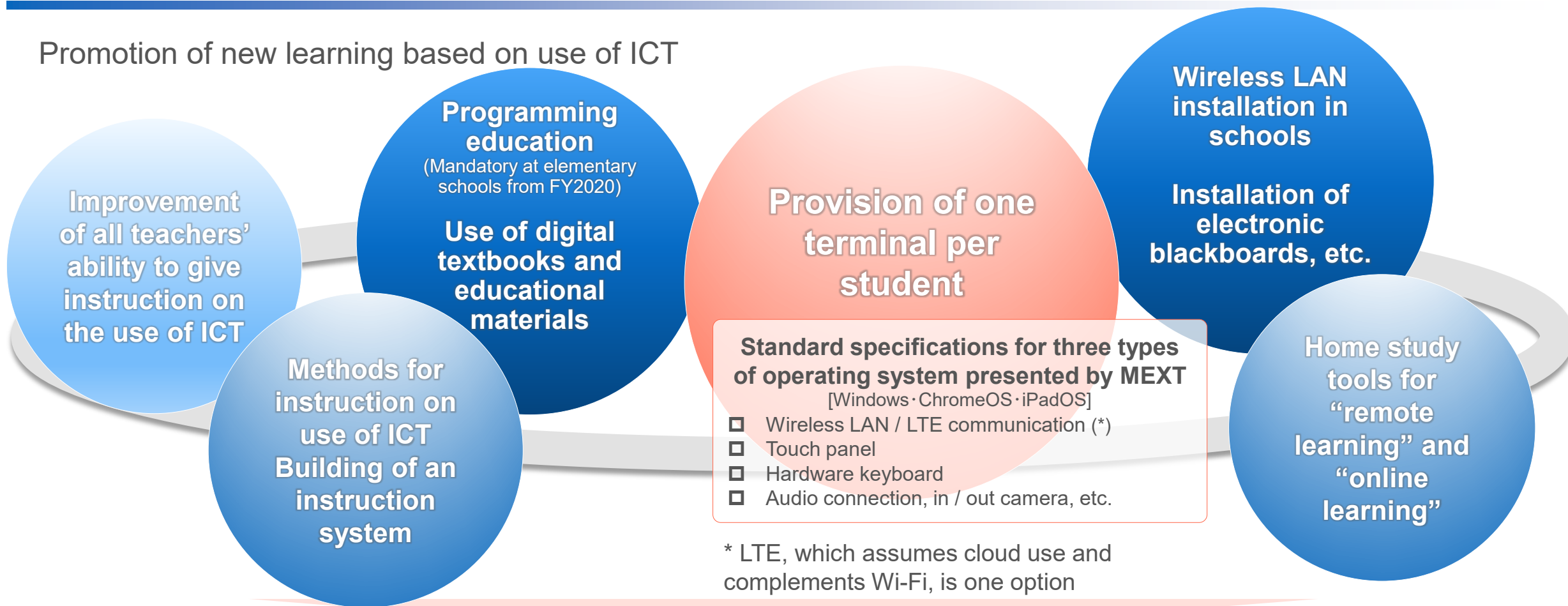
* Calculated using the MEXT Roadmap and MEXT Statistical Abstract (assumed estimates)

The provision of terminals on the scale of 8 to 9 million units will be accelerated nationwide

* 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

Efforts Towards Acceleration of the GIGA School Concept

Promotion of new learning based on use of ICT



- ❑ **Optimal recommendations for end users** are enabled regardless of OS due to the strengths of independent multi-vendors
- ❑ **Total support from product introduction, education and training, proposals for use and operational support in all areas nationwide** due to strong cooperation with cooperating manufacturers and sales partners nationwide

Efforts Towards Acceleration of the GIGA School Concept

DIS School Innovation Project

FY2013-2014

Implementation of **empirical research on the use of ICT in ordinary classrooms** based on largest scale industry-academia-government collaboration

32 schools in 21 local government areas

Accumulation of examples of ICT use and know-how in the most appropriate situations based on regional characteristics and school size

School Innovation seminars

- Holding of simulated seminars in all areas nationwide enabling experience of learning styles using ICT in ordinary classrooms
- Step-by-step introduction of methods for use of ICT in accordance with the state of introduction at each school based on the use of existing hardware

DIS education ICT website

- DIS empirical research case studies and educational ICT-related articles
- Service and support

One-stop service

Proposals of superior products

Kitting, setting, installation

Extended warranty, data recovery, maintenance

Support for training programs for teachers

Continuous efforts by educational teams

DIS

Promotion

Dealers

Boards of Education, schools, etc.

Focus on the early realization of the **GIGA School concept** through sales partners nationwide

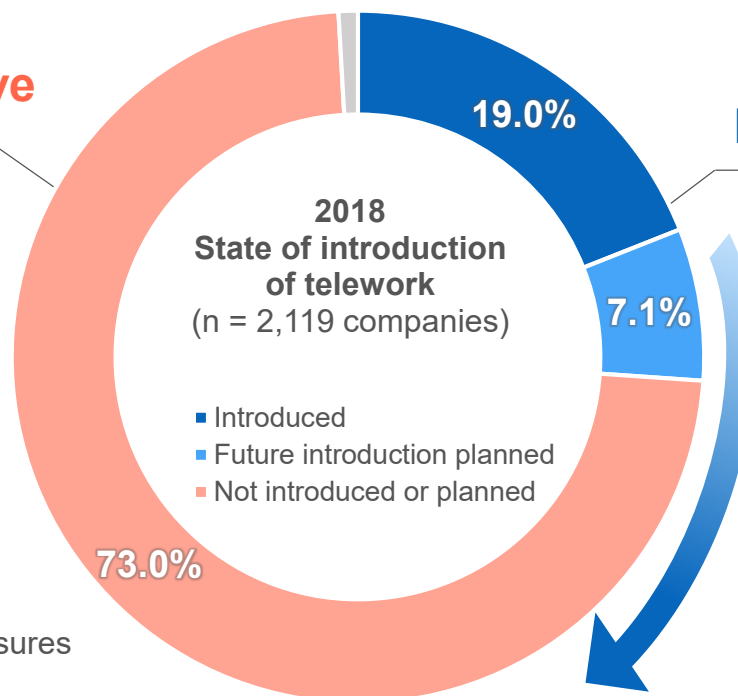
Efforts Aimed at the Diffusion and Expansion of Telework

Promotion of the introduction of telework through subsidies is active

The rate of introduction at companies with less than 300 workers is **14.5%**

→ Expand subsidized projects aimed at small to medium-sized corporations

- Ministry of Health, Labour and Welfare
“Subsidies to support the promotion of work style reform”
 - Telework course
 - Telework course for infectious disease countermeasures
- Tokyo
“Subsidies for business continuity emergency measures (telework)”
“Telework for the first time”
“Female support subsidies for use of telework / working”



Introduction of telework is essential

Perspective of **work style reform**



Perspective of **countermeasures against infectious diseases and BCP**

So far

- Centered on work at individual level
- Teams continuing long-term
- Everybody goes to the office
- Work executed by employees alone

From now on

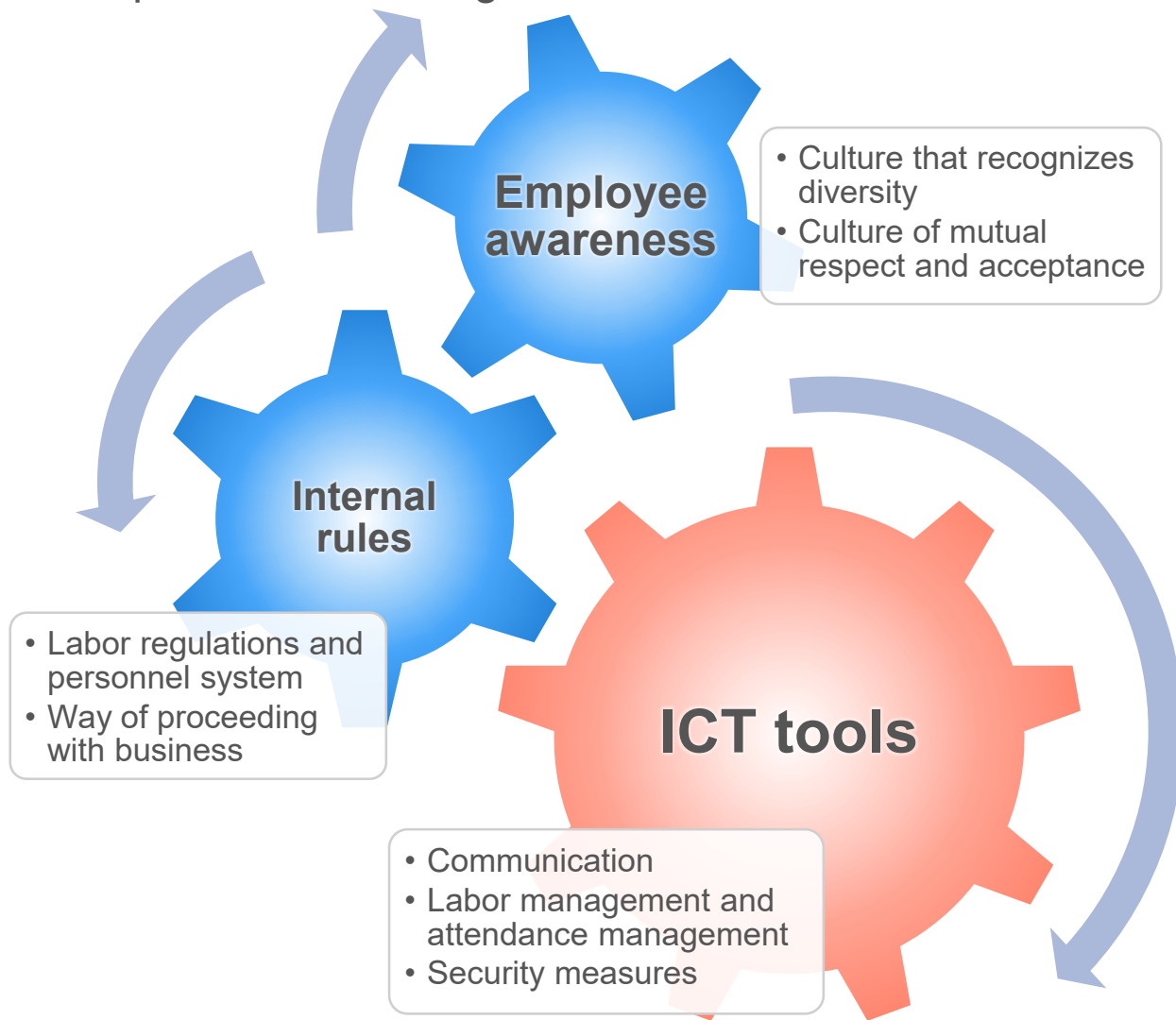
- Tasks executed in teams
- Flexible and agile organizations
- Teamwork regardless of location
- Joint work internally, with partners or with customers

Changing work styles

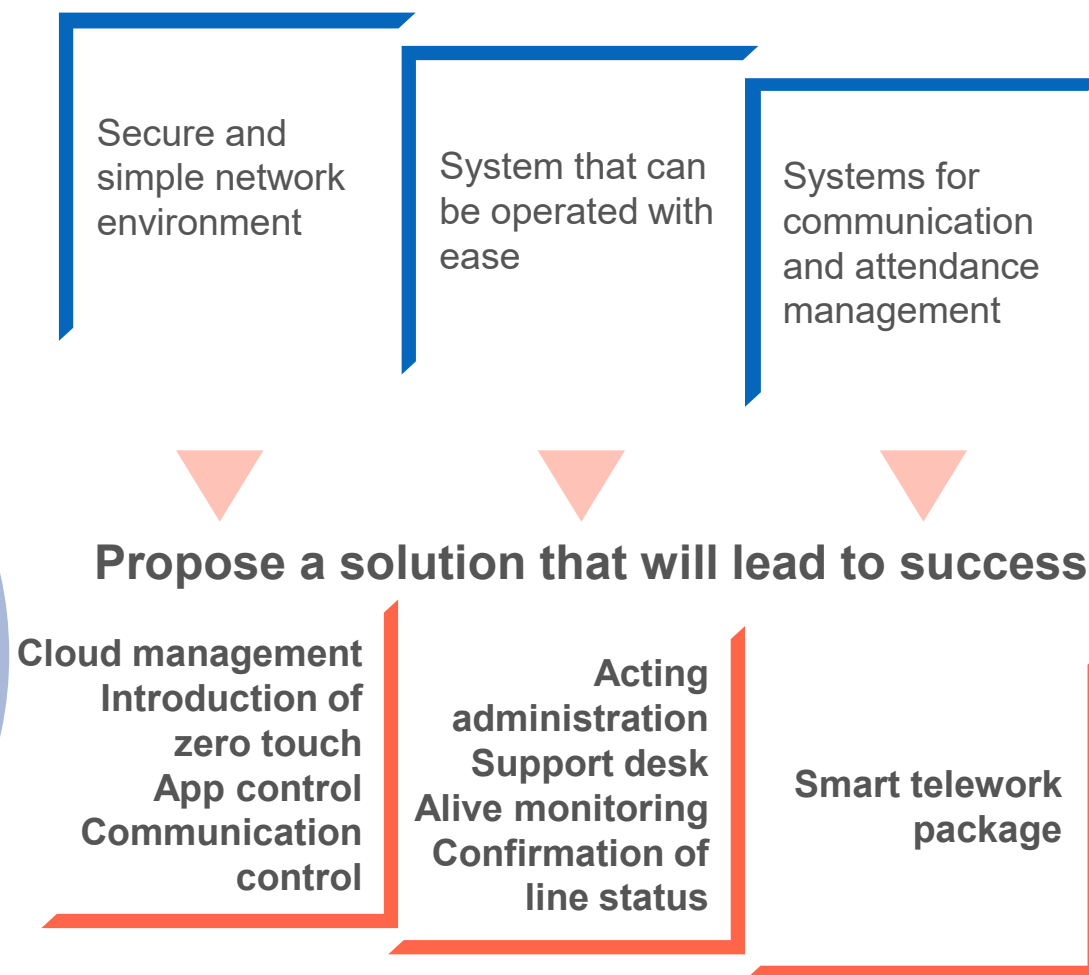
Source: Ministry of Internal Affairs and Communications “2018 Telecommunication Usage Trend Survey”

Efforts Aimed at the Diffusion and Expansion of Telework

The 3 points for realizing telework



3 issues for the establishment of a telework ICT environment



Efforts Aimed at the Diffusion and Expansion of Telework

Smart telework package

A package combining a set of the mobile PC and systems required to trial telework
Provided preconfigured for immediate use



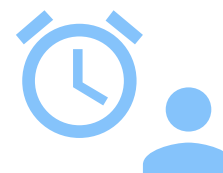
PC

Select a model



Video conference system

Select system



Attendance management system

Select system



Telework insurance

Cover PC for 1 year

Provides partial compensation for the costs of handling lost or leaked data or unauthorized access during telework

Joined the **Telework Introduction Promotion Consortium** (May 2019)

Taking on **a role as a multi-vendor** by proposing optimal packages

Supporting the introduction of telework based on knowhow cultivated as an IT distributor and a sales system with 93 bases nationwide

Diffusion and Expansion of Subscriptions Based on iKAZUCHI

iKAZUCHI is a **subscription management** portal for sales partners

Diversification of services
Evolution by combination

By managing and operating
on a subscription basis
(continuous billing system),
it is easy to start with no
waste

Subscription-oriented approach that
balances long-term evolution and
operation



Continuous monthly, yearly or pay-as-you-go cycle with automatic updates

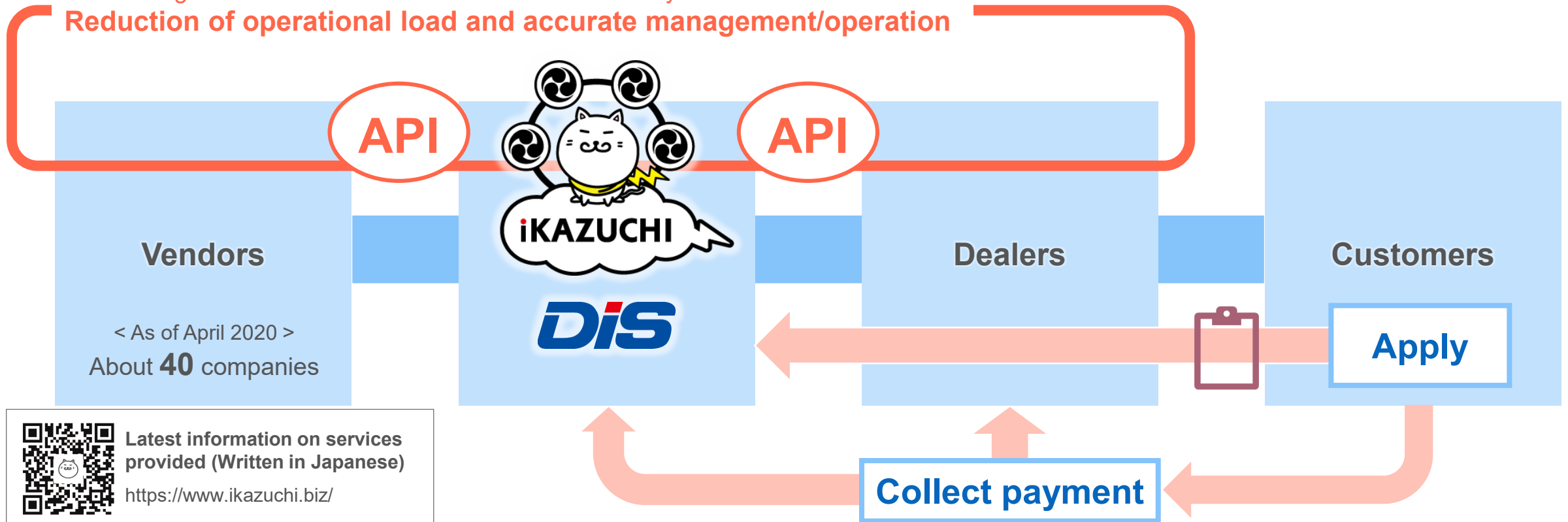
- Integrated management of multiple services
- Real-time management at the individual customer level
- Accommodation of various payment cycles
- Provision of information to end users

Promoting subscription business strongly by providing sales partners with an environment to handle and manage subscription-style services, which tend to become complex, centrally

Diffusion and Expansion of Subscriptions Based on iKAZUCHI

Connecting the iKAZUCHI API to each manufacturer's system

Reduction of operational load and accurate management/operation



Latest information on services provided (Written in Japanese)

<https://www.ikazuchi.biz/>

- ❑ **The role and mission of distributors** is to centrally manage multiple manufacturers and services
- ❑ We implement a variety of support mechanisms to help your business penetrate
→ As a "**base for business promotion**", iKAZUCHI bridges diverse IT market models

Diffusion and Expansion of Subscriptions Based on iKAZUCHI

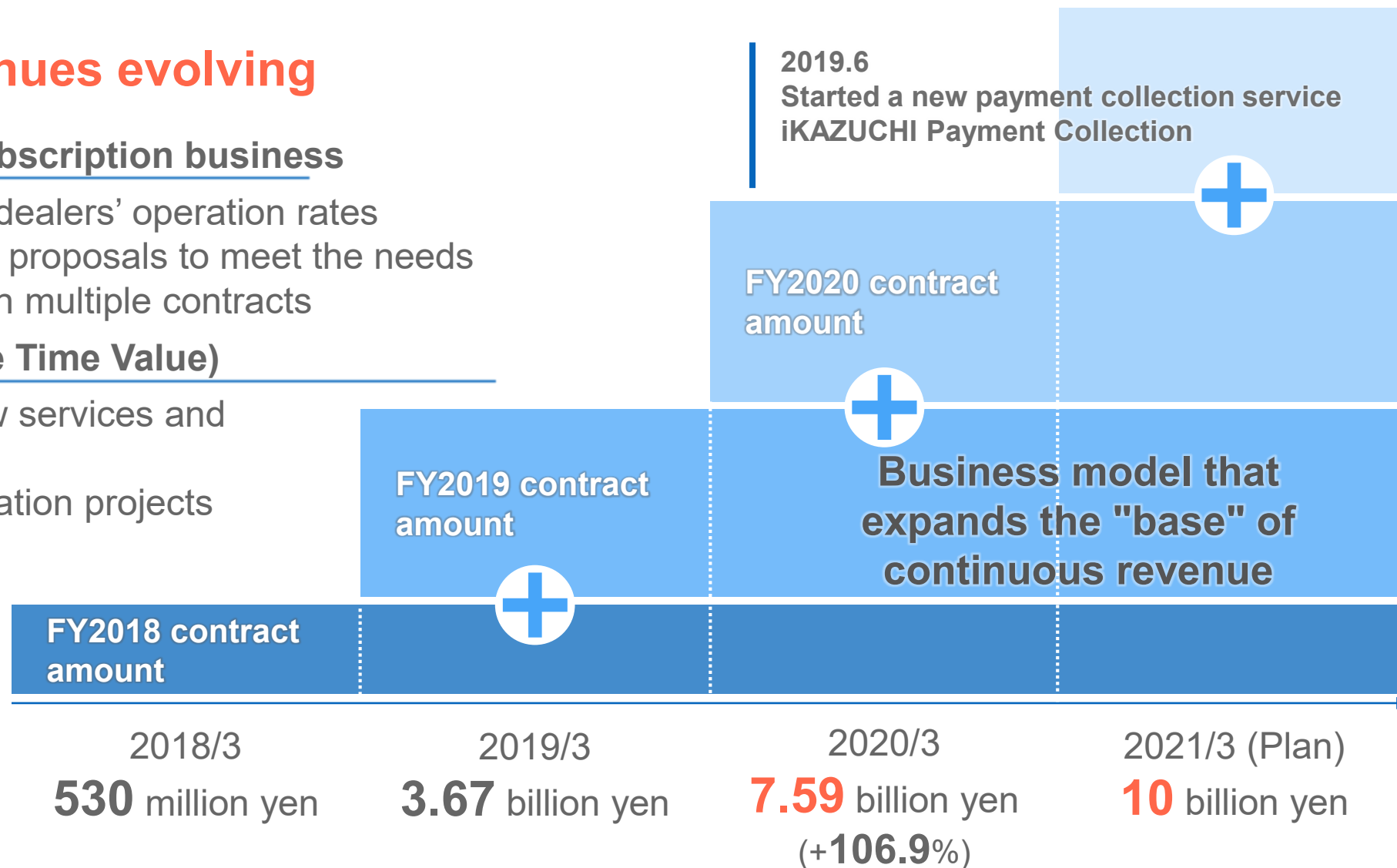
iKAZUCHI continues evolving

Expansion of the subscription business

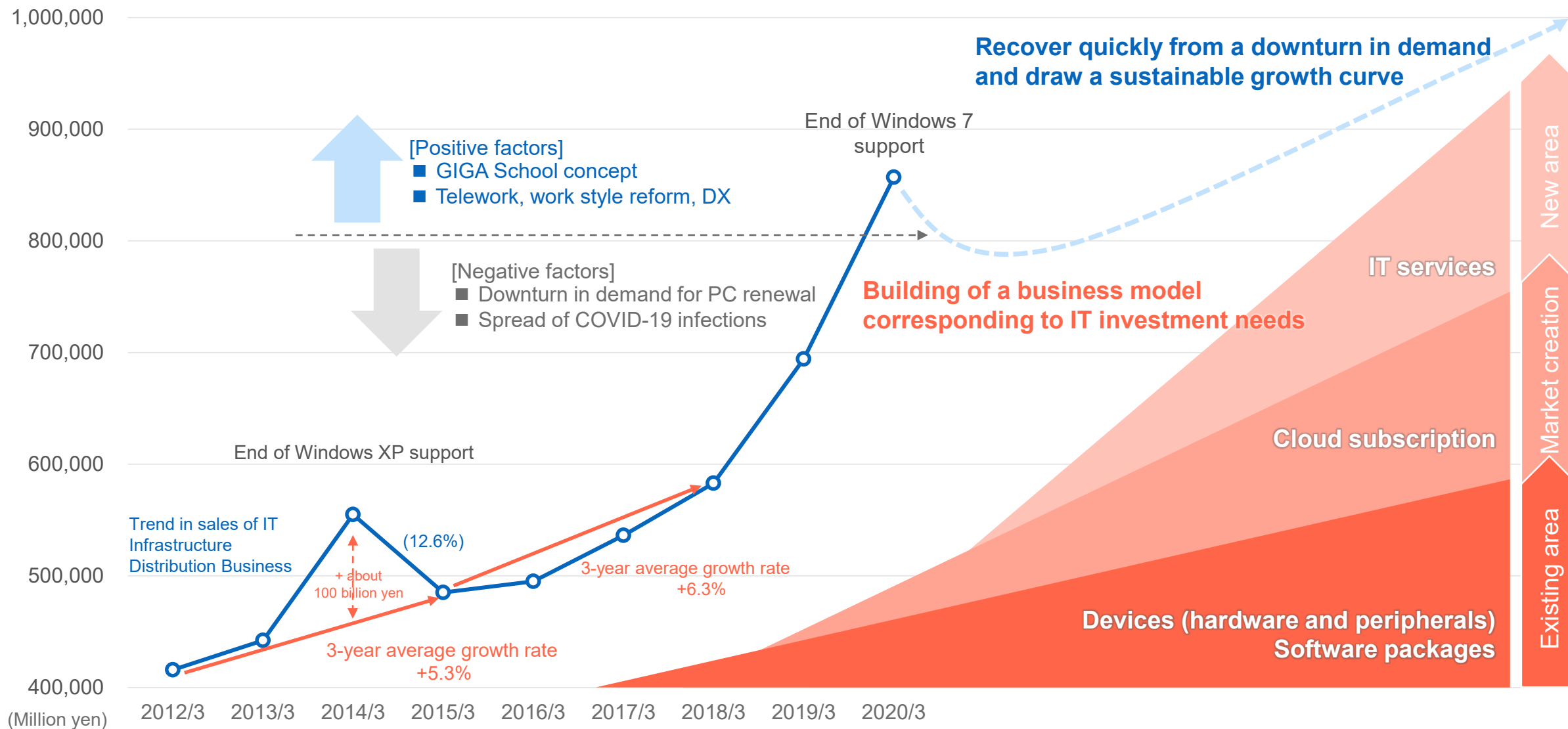
- Improvement of dealers' operation rates
- Strengthening of proposals to meet the needs of customers with multiple contracts

Increase of LTV (Life Time Value)

- Provision of new services and functions
- Vendor collaboration projects



IT Infrastructure Distribution Business Growth Strategy



| [References] Corporate profile

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.

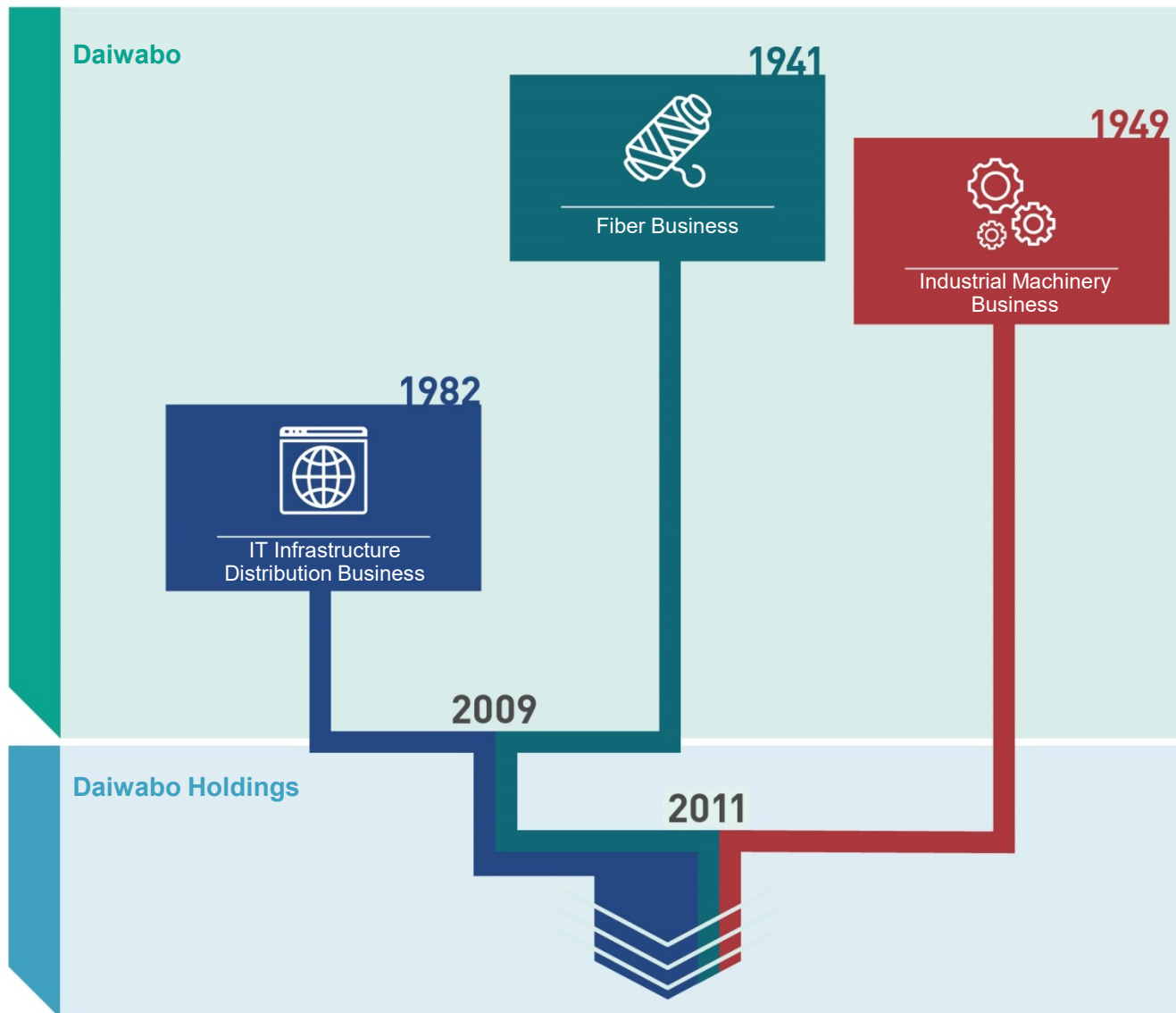
< Overseas bases >

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.

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**

Head Office	6-8, Kyutaromachi 3-chome, Chuo-ku, Osaka, 541-0056	
Established	April 1, 1941	
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 Securities Code 3107 / Business Type: Wholesale < JPX Nikkei Index 400 composite >	
Business Profile	IT Infrastructure Distribution Business	Sales of computers, peripherals and software and logistics services Installation and maintenance of and repair services for computer equipment
	[Core company]  DAIWABO INFORMATION SYSTEM CO., LTD.	
	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	Hotel Business, Engineering Business

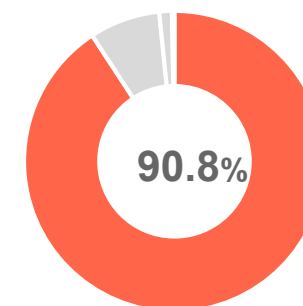
Overview of Major Business Segments

IT Infrastructure Distribution Business

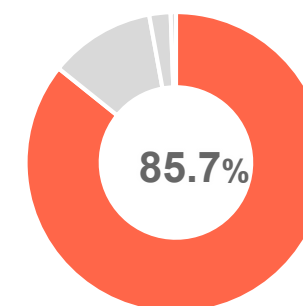
Japan's largest distributor of IT-related products

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

Percentage of Sales



Percentage of Operating Profit



Fiber Business

Synthetic Fibers and Rayon Divisions

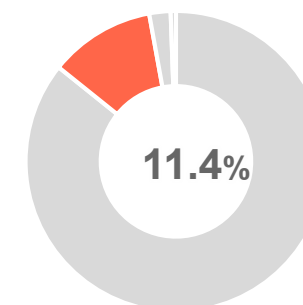
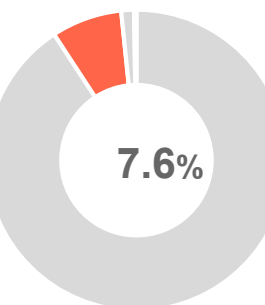
It offers fiber materials and products such as synthetic fiber cotton for use as hygiene materials including paper diapers, and highly biodegradable rayon

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



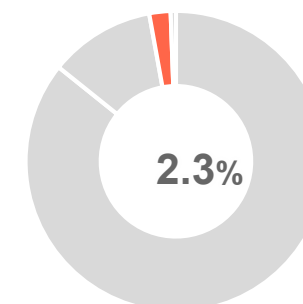
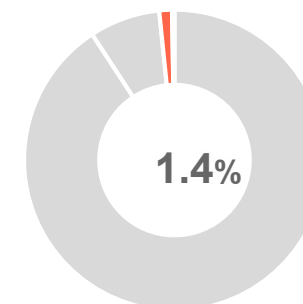
Industrial Machinery Business

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



(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
 - Men and women: "FILA" "T&C" "Prince" "silvia & silvester"
 - Kids: "Champion" "Hanes" "Wilson"

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

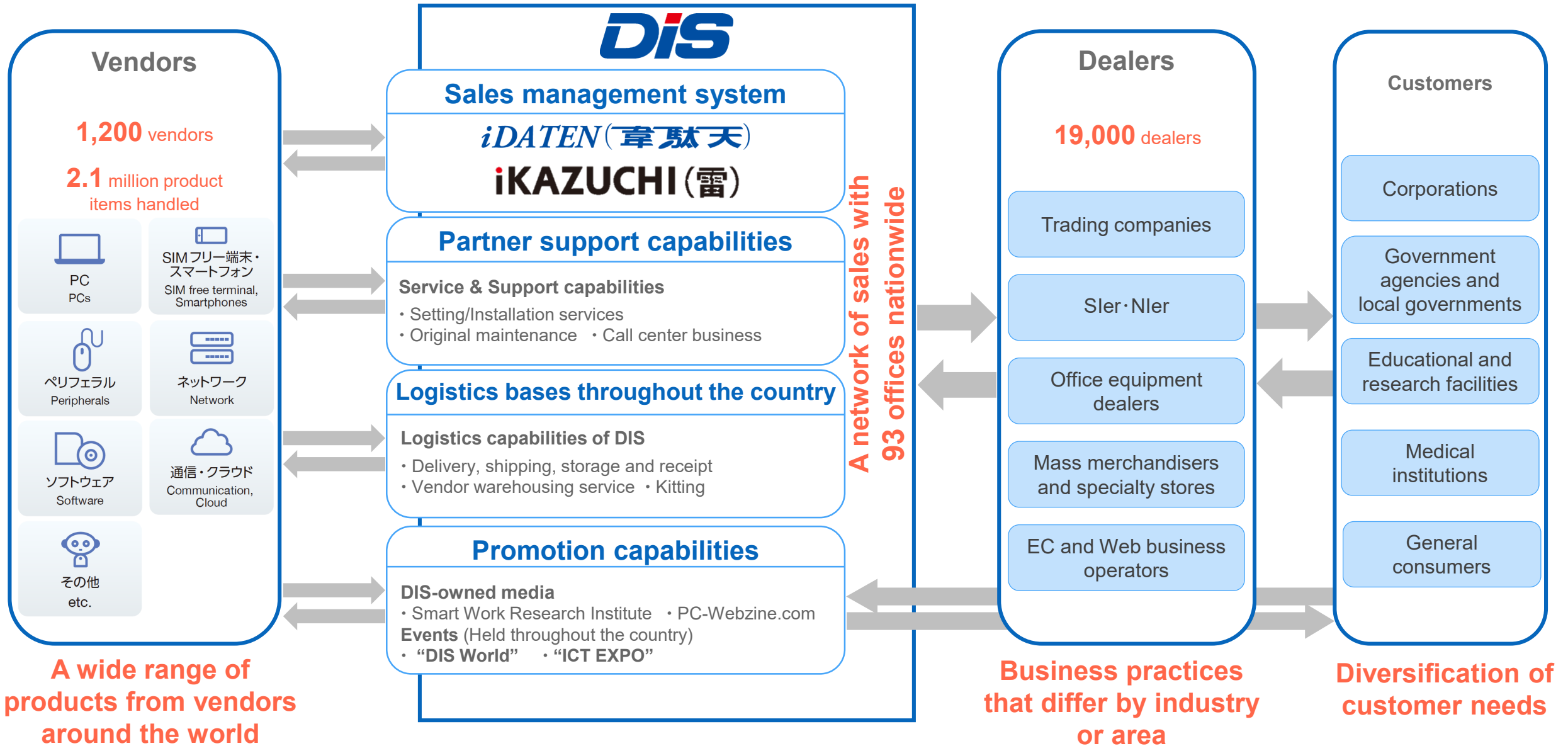
Automatic machinery



- ❑ 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

[References] Introduction to IT Infrastructure Distribution Business

IT Infrastructure Distribution Business - Business Structure -



IT Infrastructure Distribution Business - Three Strengths -



Dealers

- They can have products, services and information of various vendors and offer them in the best mix
- From an extensive inventory, DIS can quickly and reliably deliver to customers across the country on behalf of dealers
- They can make proposals that meet increasingly sophisticated user needs through the holding of trade shows and other events nationwide and the sales/technical support system of DIS that has strong ties to local communities



Vendors

- Through the supply chain management of DIS, which has been developed over many years, they can share information on demand and needs across the country and reflect them in production plans and promotions
- By using the DIS logistics center as a warehouse for vendors, they can meet a wide range of needs such as kitting before shipment and combination of products from other companies
- When entering the Japanese market from overseas, they can establish a domestic sales and distribution network by cooperating with DIS

IT Infrastructure Distribution Business - Origin and History -



1982 Founded DIS

- DIS started with only 10 staff by leveraging the knowhow for which Daiwabo Co., Ltd. developed a monitoring system for production sites in house using PCs
- It shifted from system development and sales to sales of PCs and other information equipment

1983-1984 Accelerated development of multiple offices

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

1998 Started the operation of DIS-NET

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

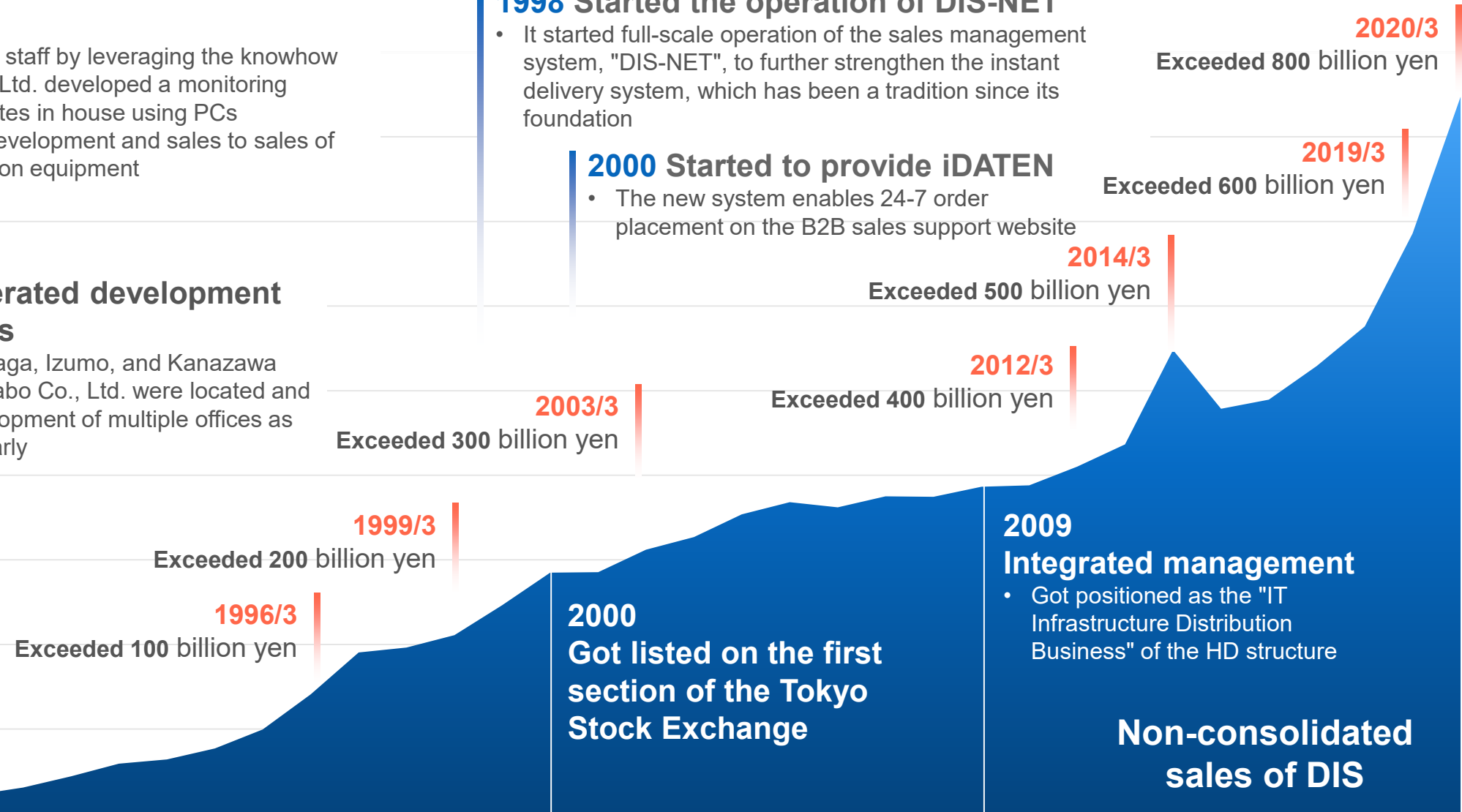
2000 Started to provide iDATEN

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

2009 Integrated management

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

Non-consolidated sales of DIS



Kansai Center (Kobe City)

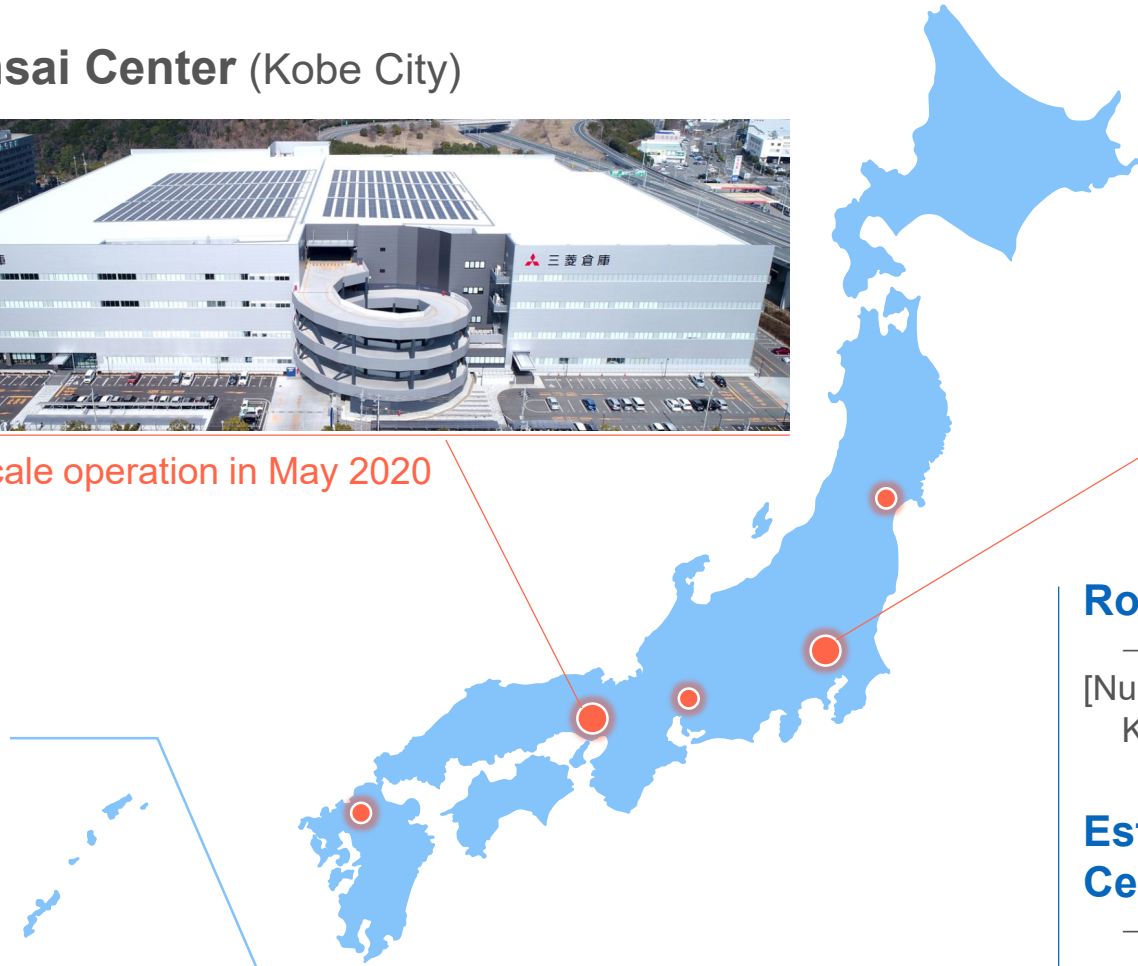


Full-scale operation in May 2020

Kanto Central Center (Yoshimi-machi, Saitama Prefecture)



Full-scale operation in June 2016



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

Robot storage system

- Optimization of work efficiency and space [Number of robots in operation]
- Kanto Central: 45 robots; Kansai: 30 robots



Established together with Kitting Center

- Arrival of goods > work > prompt handling of shipment

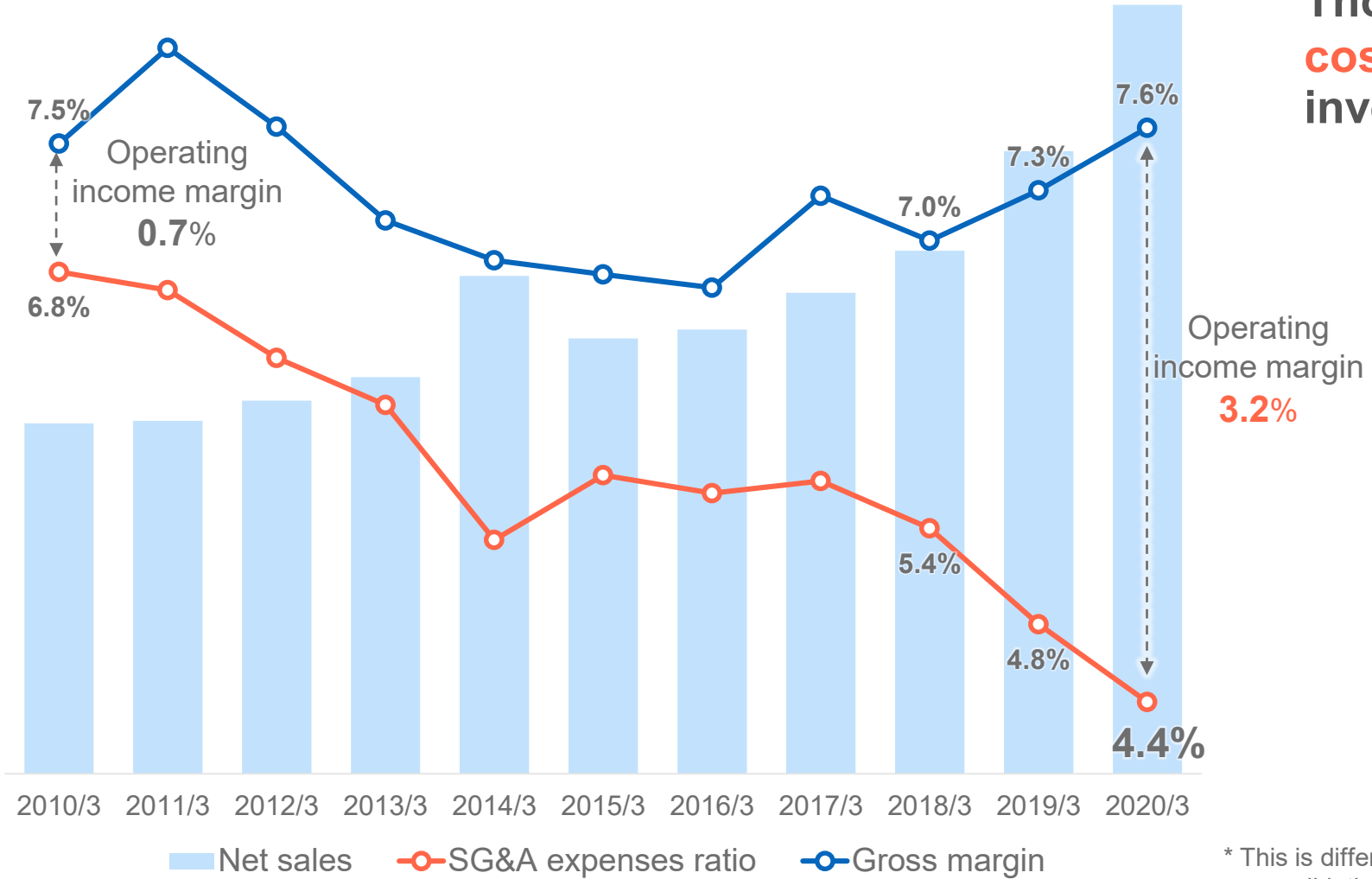
Truck reservation reception system

- Sharing of incoming and outgoing information and vehicle equalizing



IT Infrastructure Distribution Business - DIS-NET = Engine for Growth -

(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



Products/Service packages

iDATEN

One of the largest B2B comprehensive sales support sites in the IT industry
It offers product search, quotation, order placement and delivery date confirmation functions to roughly 19,000 dealers

iDATEN PLUS

It provides iDATEN's order placement function to dealers

iDATEN EX2

An EC construction service that allows dealers to use their original website design and sell their products along with products provided by DIS

Subscription

iKAZUCHI

A subscription management portal intended for dealers, which suits a variety of charging systems, including monthly, yearly and pay-as-you-go systems mainly used for cloud business

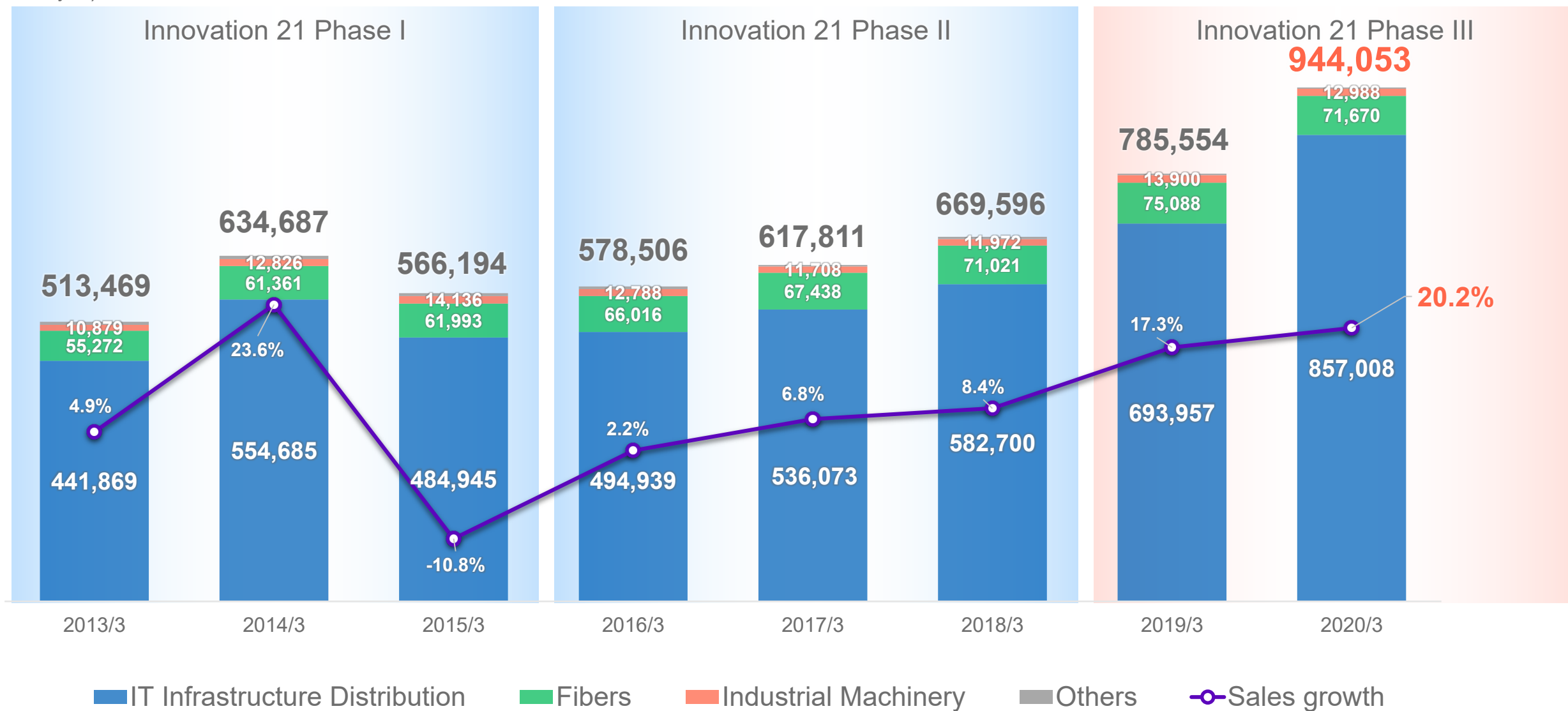
IT Infrastructure Distribution Business - Topics -

-
- 2020.05.12** **Concluded a distributor agreement for Mist Systems products** and started supplying AI-driven wireless LAN systems through a nationwide sales network
 - 2020.04.08** **Provided an HYCU backup service free of charge until June 30** and supported Japanese companies dealing with an increase in remote workers
 - 2020.03.18** **Concluded a distributor agreement with Supermicro** and started handling Supermicro products domestically in Japan
 - 2020.03.04** **Provided “Meraki Managed Services” free of charge to dealers for one year** to support dealers considering the introduction of telework
 - 2020.01.31** **Concluded a distributor agreement with Works Mobile Japan** and posted the business version of LINE “LINE Works” on “iKAZUCHI”
 - 2020.01.15** **Concluded a distributor agreement with BlueCat** to promote DNS solutions for the hybrid cloud era
 - 2019.12.05** **Started providing “Meraki Managed Services”** to support the operational management of “Cisco Meraki”
 - 2019.09.13** **Concluded a distributor agreement with HYCU**
Began handling the data protection software “HYCU Data Protection for Nutanix” for Nutanix domestically in Japan
 - 2019.06.21** **Started providing “IBM Cloud” to solution providers**
 - 2019.06.19** **Started providing “iKAZUCHI Payment Collection,” a subscription fee collection service**
This service reduces dealers’ billing work significantly through continuous billing
 - 2019.05.28** Joined the **Telework Introduction Promotion Consortium** to support the promotion of telework at small to medium-sized corporations nationwide through a community-based sales system
 - 2019.05.14** **Concluded the first distributor agreement with Nokia in Japan** to enable the provision of Nokia products and solutions through about 19,000 dealers
 - 2019.04.19** **Strengthened VMware product sales in the Software-Defined sector** to support the introduction of “VMware SD-WAN by VeloCloud” nationwide
 - 2019.04.11** **Collaborated with Nutanix to promote the Nutanix Enterprise Cloud OS** and deployed Nutanix certified workers to promote the hybrid cloud nationwide

[References] Charts for Performance Trend

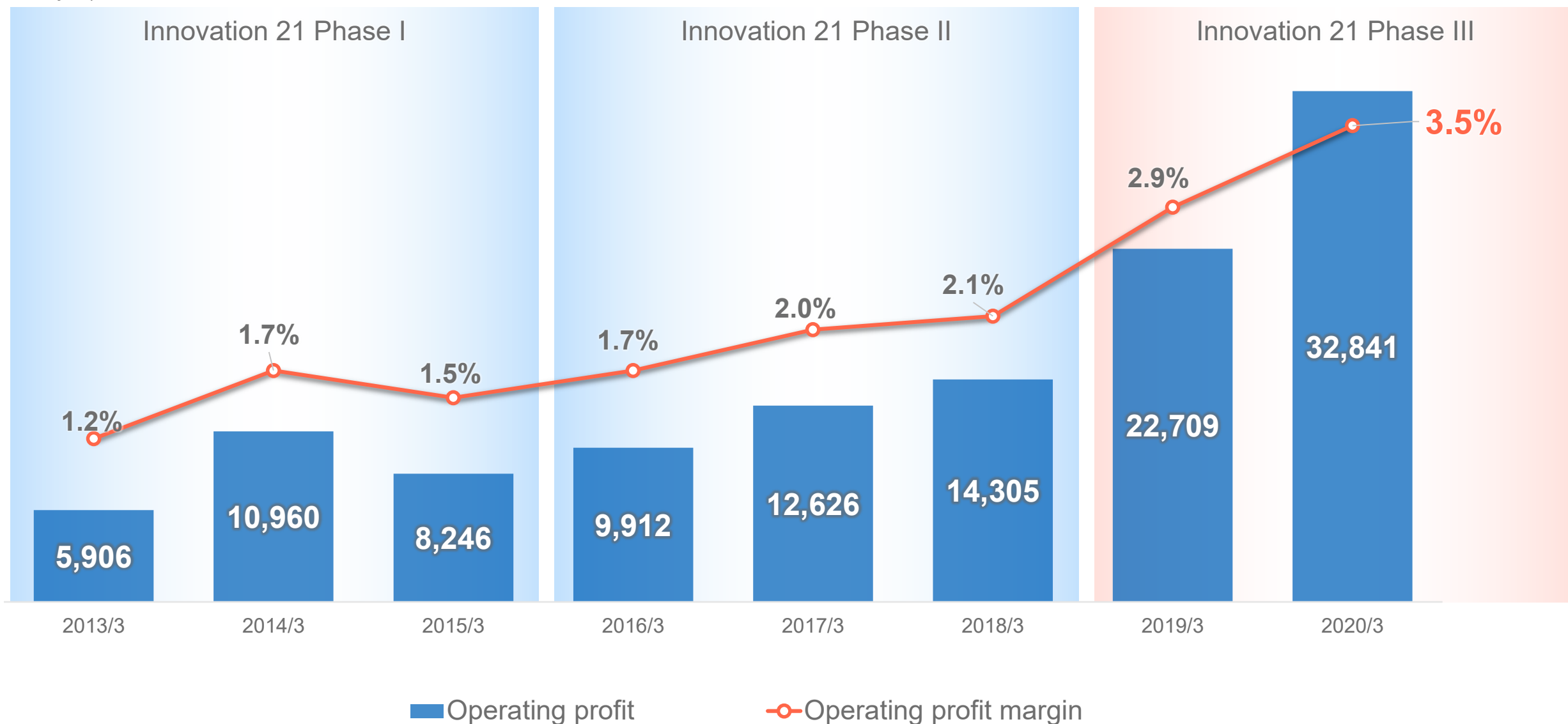
Consolidated net sales

(Million yen)



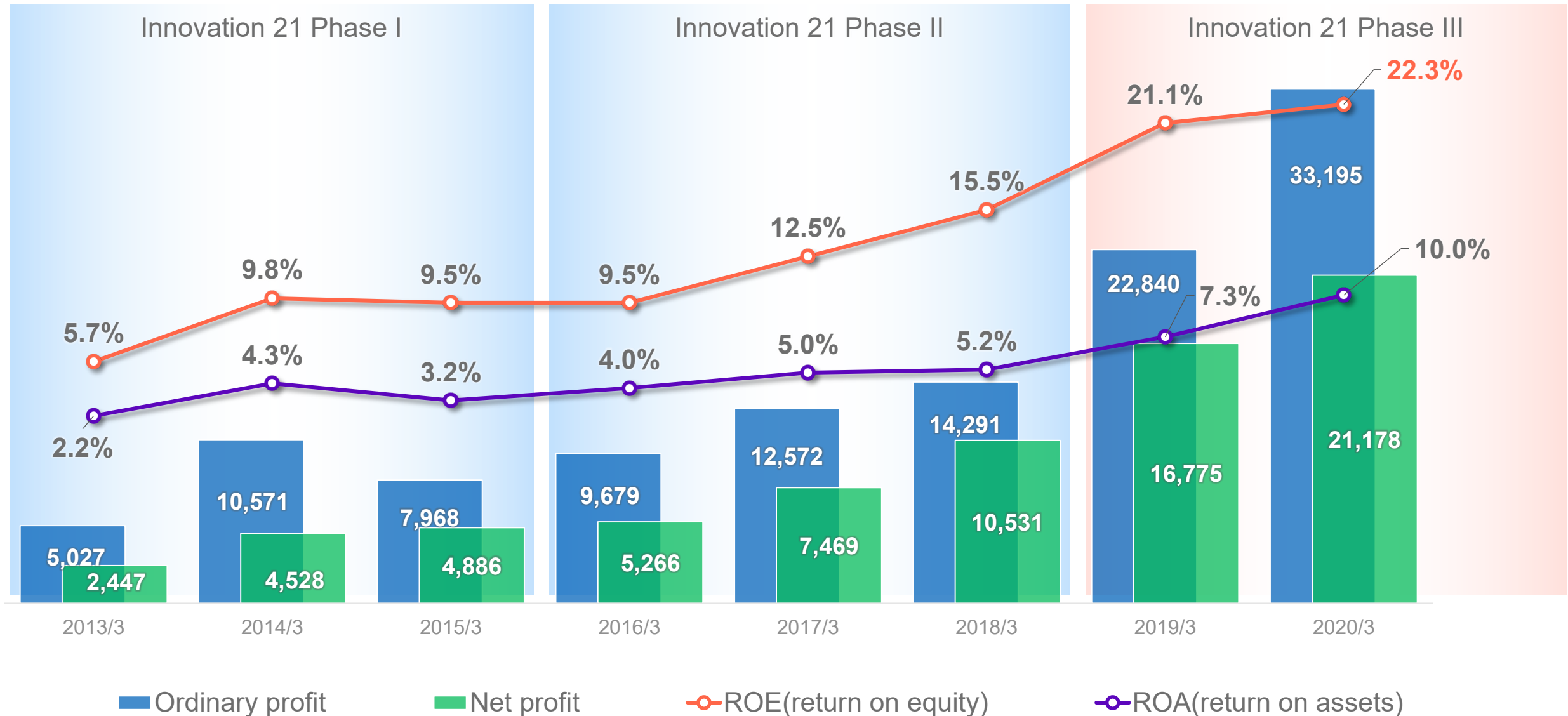
Consolidated operating profit

(Million yen)



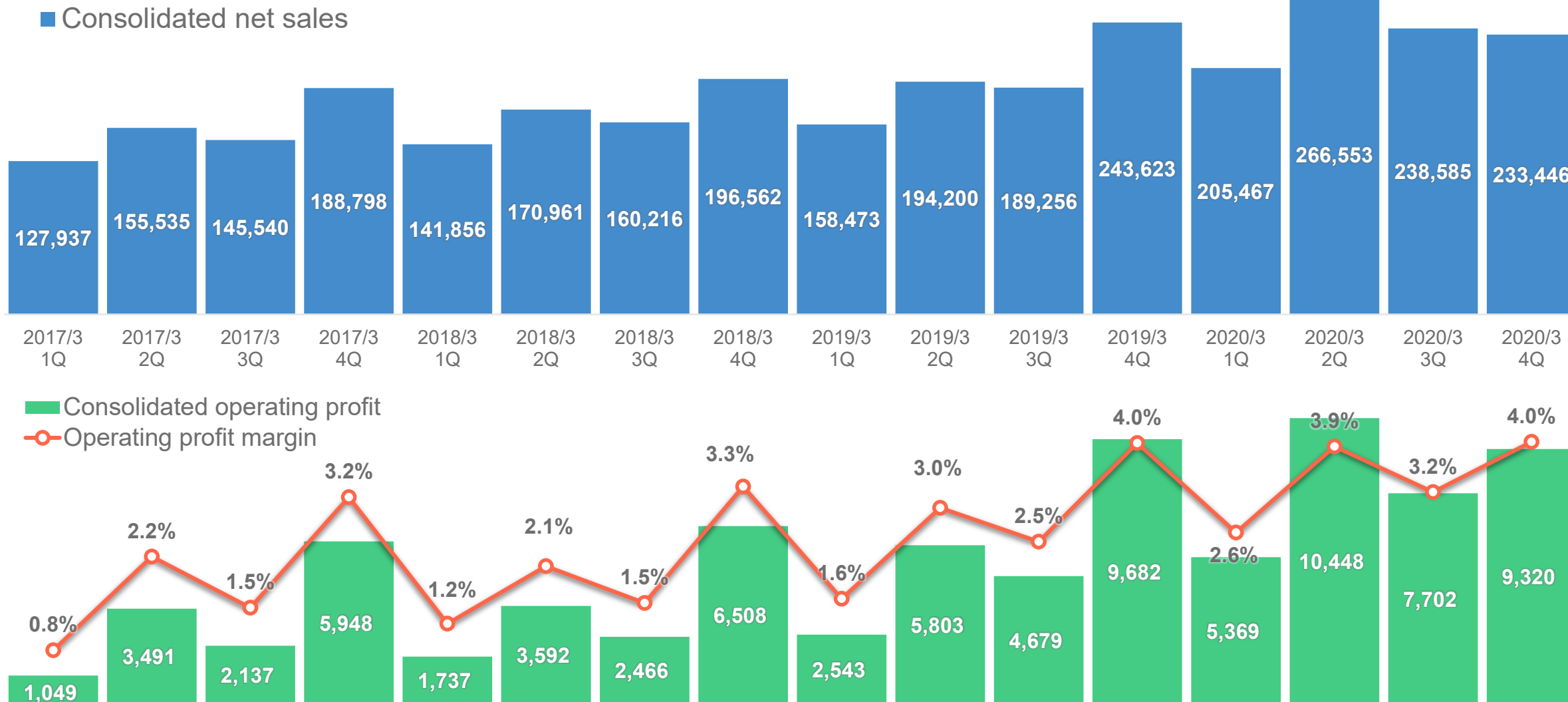
Consolidated Ordinary Profit and Consolidated Current Net Income

(Million yen)



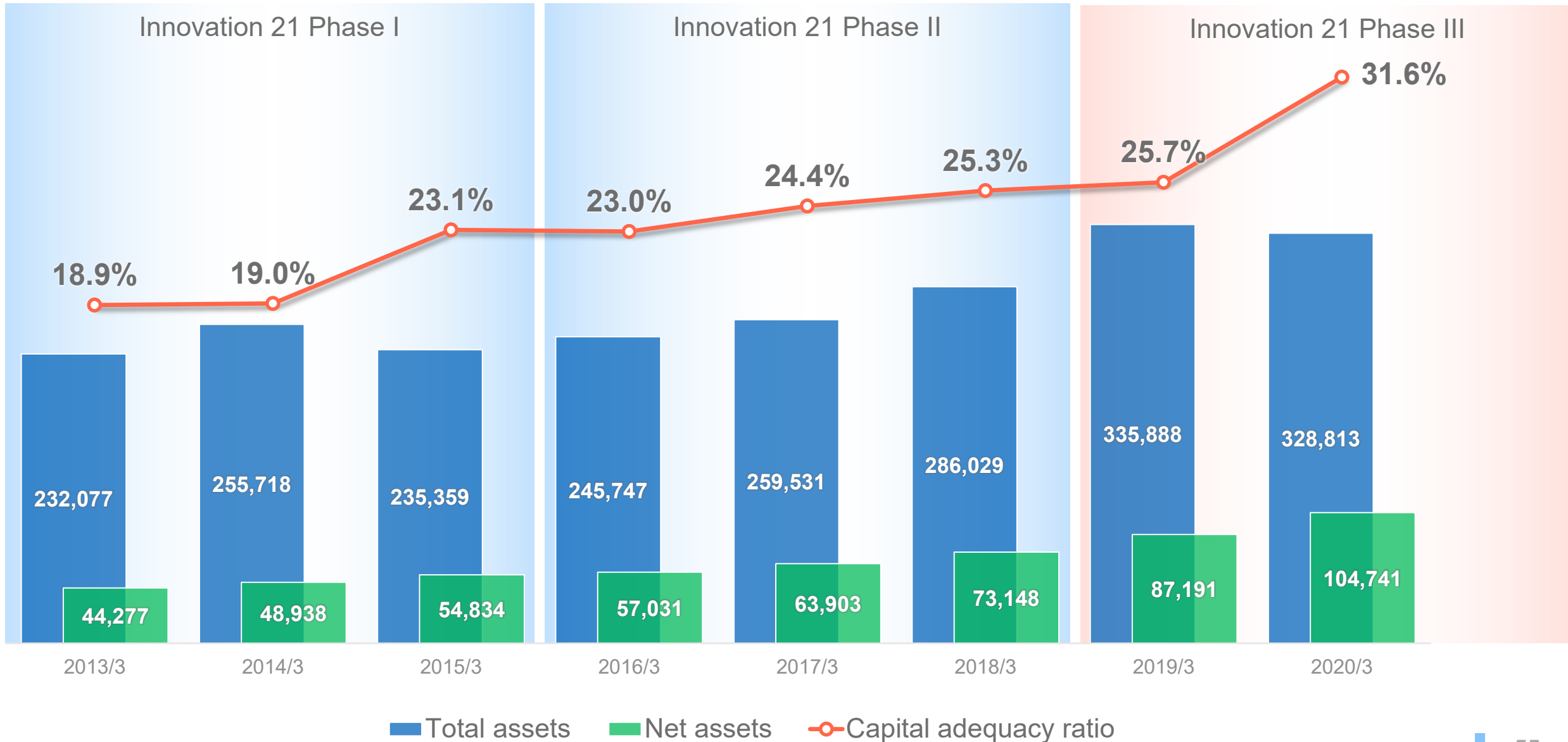
Quarterly Results

(Million yen)



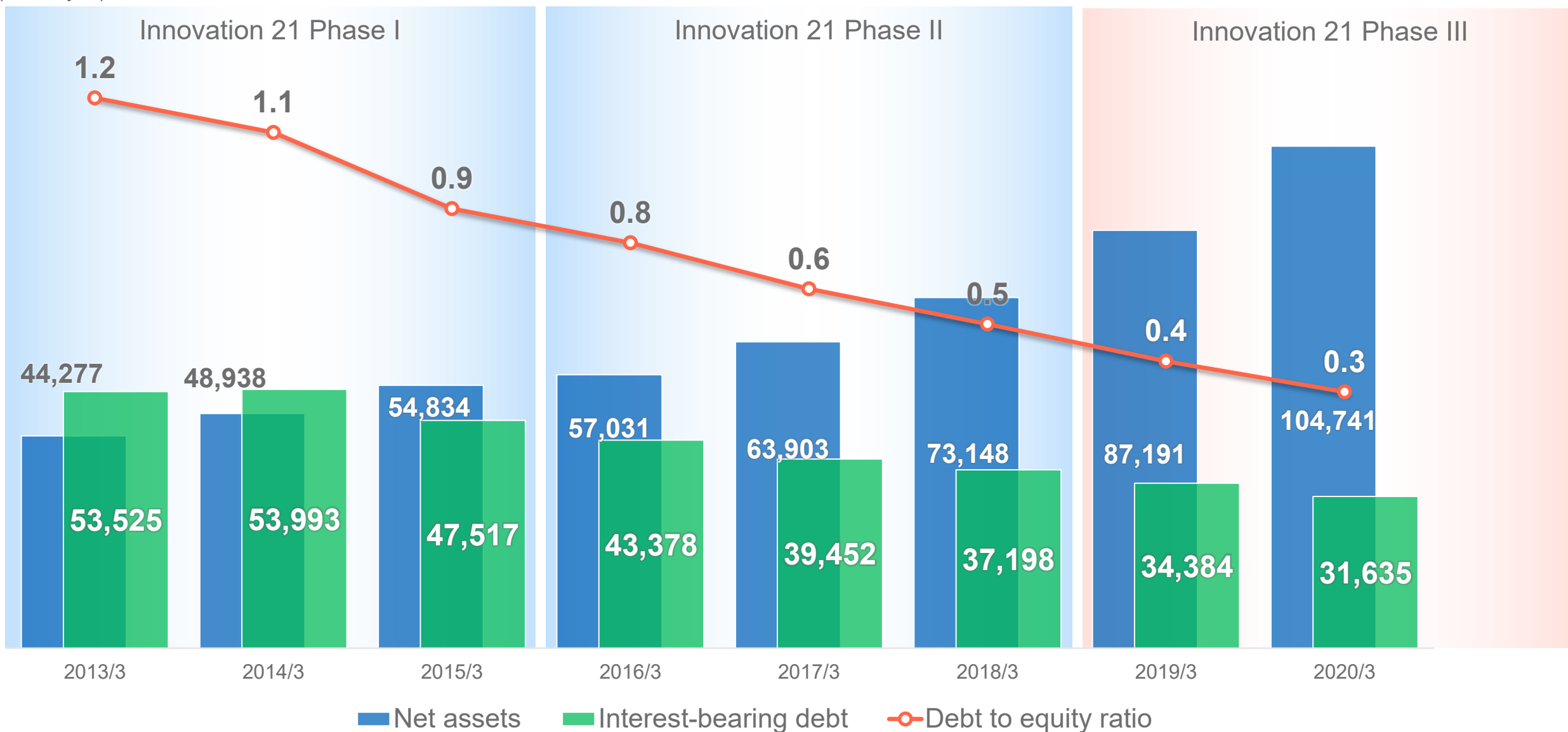
Consolidated Total Assets, Consolidated Net Assets and Capital Adequacy Ratio

(Million yen)



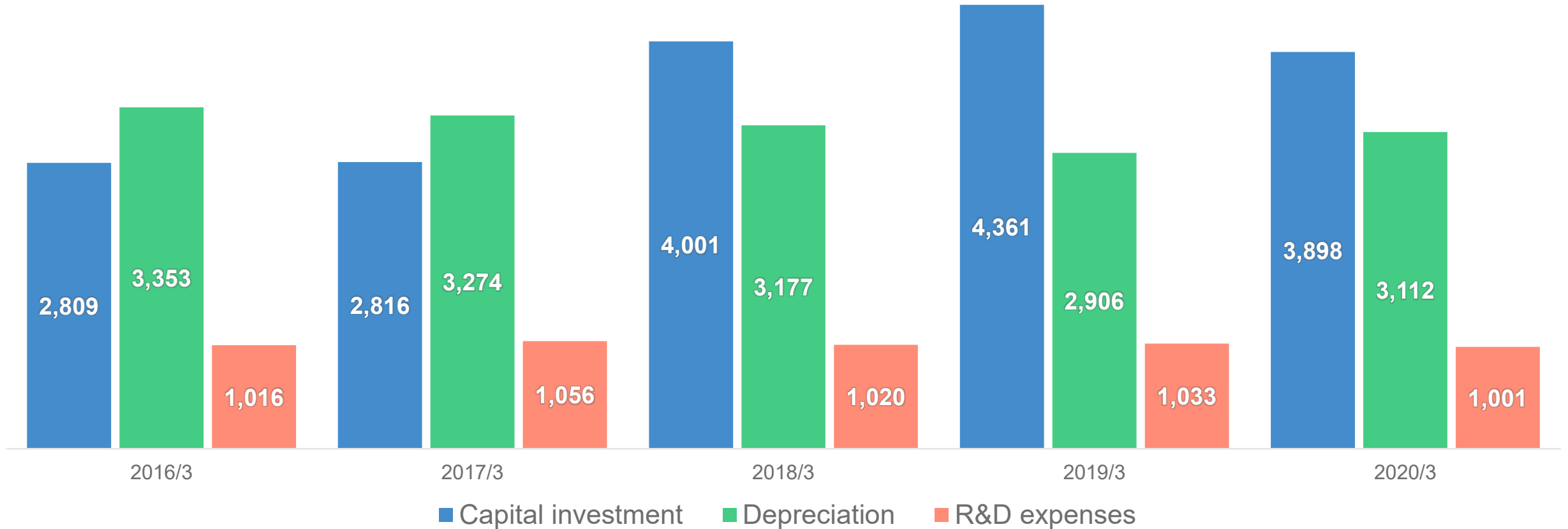
Interest-bearing debt and D/E ratio

(Million yen)



Capital Investment, Depreciation and R&D Expenses

(Million yen)



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



Daiwabo Holdings Co., Ltd.

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