



Brief of (Consolidated) Settlement of Accounts (based on Japanese standards) for Business Year 2022 ended in March 2023

May 15, 2023
TSE

Name of the Company Daiwabo Holdings Co., Ltd. Listed on:
Code No. 3107 URL <https://www.daiwabo-holdings.com/>
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Planned date of the Ordinary General Meeting of Shareholders: June 29, 2023
Planned Payment startup Date of Dividends: June 30, 2023
Planned Submission Date of the Securities report: June 29, 2023
Support Documentation to be made available : Yes
Explanatory Meeting to be held : Yes

(Any fractional sum of less than a million yen is disregarded.)

1. Consolidated performance for business year 2022 (April 1, 2022 - March 31, 2023)

(1) Consolidated operating results (% indicates the rate of change as compared to the preceding year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
BY2022	903,918	18.3	27,944	16.1	28,608	16.5	19,059	12.2
BY2021	763,838	-	24,059	-31.3	24,554	-31.4	16,988	-33.9

(Note) Comprehensive income: BY2022 16,491 million yen, (-6.9%) BY2021 17,707 million yen, (-36.0%)

	Net earnings per share	Fully diluted EPS	Return on equity	Return on assets	Operating profit margin
	yen sen	yen sen	%	%	%
BY2022	202.79	-	13.7	7.5	3.1
BY2021	178.14	-	12.9	6.6	3.1

Reference data: Equity in net income of affiliates: BY2022 96 million yen BY2021 22 million yen

(Note) The company has been applying the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., since the start of the previous consolidated business year and the figures related to the business year ended March 2022 are those calculated following application of the accounting standard, etc. Further, because application of this standard, etc., has caused a large impact on net sales, the change in net sales against the previous year is not given for the business year ended March 2022. The change calculated assuming said accounting standards, etc., were applied to the term ended March 2021 would be a decrease of 21.6%.

(2) Consolidated financial status

	Collective assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen sen
BY2022	406,688	143,961	35.2	1,529.95
BY2021	356,203	136,173	38.0	1,422.20

Reference data: Net worth equity capital BY2022 142,994 million yen BY2021 135,255 million yen

(3) Consolidated cash flows

	Cash flow due to operating activities	Cash flow due to investment activities	Cash flow due to financial activities	Balance of cash and cash equivalents at the end of BY
	million yen	million yen	million yen	million yen
BY2022	16,958	-1,628	-10,335	51,923
BY2021	28,165	-2,926	-10,724	46,728

2. Dividend status

	Annual dividend					Total Value of Dividends (Total)	Dividend Ratio (consolidated)	Dividend on equity ratio (consolidated)
	At the end of 1st quarter	At the end of 2nd quarter	At the end of 3rd quarter	At the end of BY	Total			
	yen sen	yen sen	yen sen	yen sen	yen sen	million yen	%	%
BY2021	—	30.00	—	30.00	60.00	5,706	33.7	4.4
BY2022	—	30.00	—	32.00	62.00	5,801	30.6	4.2
BY2023 (forecast)	—	32.00	—	32.00	64.00		29.5	

3. Estimated consolidated performance for business year 2023 (April 1, 2023 - March 31, 2024)

(% indicates the rate of change as compared to the preceding year or the corresponding quarter of the preceding year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
At the end of 2nd quarter (cumulative)	438,300	7.1	12,450	13.6	12,650	12.8	8,480	10.6	90.22
Full-term	950,000	5.1	30,700	9.9	31,000	8.4	20,420	7.1	217.26

* Comments

- (1) Important subsidiary movement during this term (movement within subsidiaries affecting the overall consolidation size): Nil
 New companies: - companies (company names): ; Excluded companies: - (company names):
- (2) Modification of accounting policy, accounting estimate change, and restated modification
 [1] Modification of accounting policy required by a change or changes made to accounting standards : Yes
 [2] Modification of accounting policy required by any cause other than the foregoing [1] : Nil
 [3] Accounting estimate change : Nil
 [4] Restated modification : Nil

(3) Number of outstanding shares (of common stock)

[1] Number of outstanding shares (including treasury stock) at the end of BY	BY2022	96,356,460 shares	BY2021	96,356,460 shares
[2] Number of treasury stock at the end of BY	BY2022	2,892,570 shares	BY2021	1,253,110 shares
[3] Average number of shares outstanding during the BY	BY2022	93,990,123 shares	BY2021	95,367,496 shares

Reference data: Overview of non-consolidated performance

Non-consolidated performance for business year 2022 (April 1, 2022 - March 31, 2023)

(1) Non-consolidated operating results

(% indicates the rate of change as compared to the preceding year.)

	Operating revenue		Operating profit		Ordinary profit		Net profit	
	million yen	%	million yen	%	million yen	%	million yen	%
BY2022	11,835	-25.0	10,604	-27.7	10,568	-27.6	9,998	-45.5
BY2021	15,781	2.0	14,675	3.8	14,588	3.0	18,348	33.7

	Net earnings per share		Fully diluted EPS	
	yen sen		yen sen	
BY2022	106.37		—	
BY2021	192.40		—	

(2) Non-consolidated financial status

	Collective assets		Net assets		Capital adequacy ratio	Net assets per share	
	million yen		million yen		%	yen sen	
BY2022	113,156		78,501		69.4	839.91	
BY2021	114,182		77,013		67.4	809.79	

Reference data: Net worth equity capital BY2022 78,501 million yen BY2021 77,013 million yen

* This brief of the settlement of accounts is not subject to auditing by a certified public accountant or audit corporation.

* Explanation of the appropriate use of results forecasts and other special notes

(Notes on statements concerning the future, etc.)

Results forecasts and other statements concerning the future published in this document are based on the information that the company currently possesses and certain conditions that the company judges to be reasonable, and actual results, etc., may differ greatly due to various factors. If you want to know the conditions required by such projected figures and make use of such forecasts, please heed the warnings given in "(4) Future outlook" in "1. Operating results briefing etc." on page 3 of the document attached to this report.

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1. Operating results briefing etc.

(1) Operating results briefing for this term

During the current business year, the Japanese economy experienced a moderate recovery as economic activity normalized gradually following the easing of restrictions on activities due to COVID-19, but the outlook for the economy remained uncertain due to rapid currency fluctuations and soaring raw material and energy costs.

As for the environment surrounding the company group, procurement costs rose in the IT industry due to the weak yen, but delays in the delivery of IT equipment in general due to the shortage of semiconductors were resolved gradually and demand remained firm centered on companies and government offices. In addition, in the fibers industry overall, the difficult market environment continued and we were also affected by the high prices of raw materials and fuels. Although concerns over soaring raw material prices continued in the industrial machinery industry too, the order environment trended towards recovery, centered on the Chinese market.

As a result, consolidated results for the period under review saw net sales of 903,918 million yen (up 18.3% compared to the same period of the previous term), operating profit of 27,944 million yen (up 16.1% compared to the same period of the previous term) and ordinary profit of 28,608 million yen (up 16.5% compared to the same period of the previous term). Within this, we recorded profit on the sale of fixed assets of 26 million yen, profit on the sale of investment securities of 25 million yen, and profit on the sale of shares in related companies of 6 million yen as extraordinary profit, and loss on the sale or disposal of fixed assets of 194 million yen, product warranty costs of 89 million yen, and an impairment loss of 191 million yen as extraordinary loss, with profit attributable to owners of parent ending at 19,059 million yen (up 12.2% compared to the same period of the previous term).

Segment results were as follows.

(IT Infrastructure Distribution Business)

In the corporate market, communication with partners was activated by the promotion of community-based sales at sales offices throughout the country, and sales mainly of PCs and network equipment exceeded those of last year due to the stable acquisition of orders for medium to large-sized projects in the corporate, government and education sectors. In addition, the number of contracts for subscription products through “iKAZUCHI” increased, and sales of cloud services centered on software expanded. In education, the introduction of terminals for high school students and terminals for elementary and junior high school also trended well.

In the consumer market, although sales of PCs to the EC market increased, sales of peripherals, etc., stagnated, but sales to mass retailers exceeded the previous year overall due to PC and new product proposals.

As a result of the above, the net sales of this business were 828,997 million yen (up 19.9% compared to the same period of the previous term) and operating profit was 25,394 million yen (up 17.3% compared to the same period of the previous term).

(Fiber Business)

In the Synthetic Fibers and Rayon Divisions, sales of functional rayon remained strong, but we faced a hard battle in terms of profits due to soaring raw material and fuel prices. In the Industrial Material Division, revenue increased due to the establishment of a system for increased cartridge filter production and the expansion of sales of construction sheets under the impact of vigorous building demand. In the Clothing Products Division, a partial recovery was apparent in domestic clothing sales, but the market environment remained challenging due to rising costs.

As a result of the above, the net sales of this business were 61,980 million yen (up 6.3% compared to the same period of the previous term) and operating profit was 1,499 million yen (down 7.3% compared to the same period of the previous term).

(Industrial Machinery Business)

In the Machine Tools Division, sales increased in a wide range of industries, including construction equipment and medical equipment, in addition to the energy industry, where there is demand for wind power generation and high-efficiency gas turbines, and the semiconductor industry, which has responded to a global shortage of semiconductors by increasing production. As for the order environment, orders expanded as brisk activity continued centered on the wind power industry in the Chinese market. In the Automatic Machinery Division, both sales and profits declined compared to the same period of the previous year in association with unit shipments declining on the same basis.

As a result of the above, the net sales of this business were 12,170 million yen (up 4.8% compared to the same period of the previous term) and operating profit was 886 million yen (up 35.2% compared to the same period of the previous term).

(2) Overview of the financial situation for the term

Assets increased by 50,485 million yen compared to the end of the previous term to 406,688 million yen due to increases in notes and accounts receivable, and liabilities increased by 42,696 million yen compared to the end of the previous term to 262,726 million yen due to increases in notes and accounts payable, etc. Net assets increased by 7,788 million yen compared to the end of the previous term to 143,961 million yen due to an increase in retained earnings, etc.

(3) Overview of consolidated cash flows

Against net profit before income taxes, etc., of 28,191 million yen, cash flow due to operating activities was impacted by increasing factors such as an increase in purchasing liabilities, but income ended at 16,958 million yen (increase in expenditure

of 11,207 million yen compared to previous term) due to decreasing factors such as increases in accounts receivables and inventory assets.

Cash flow due to investment activities ended with expenditure of 1,628 million yen (increase in income of 1,298 million yen compared to previous term) due to decreasing factors such as expenditure due to the acquisition of fixed assets.

Cash flow due to financial activities ended with expenditure of 10,335 million yen (increase in income of 389 million yen compared to previous term) due to decreasing factors such as expenditure due to the payment of dividends and expenditure due to the acquisition of treasury stock.

As a result of the above, the balance of cash and cash equivalents at term-end increased by 5,195 million yen compared to the end of the previous term to 51,923 million yen, and the balance of borrowings at term-end decreased by 1,385 million yen compared to the end of the previous term to 26,099 million yen.

(Unit: million yen)

	Previous term	Current term	Change
Cash flow due to operating activities	28,165	16,958	-11,207
Cash flow due to investment activities	-2,926	-1,628	1,298
Cash flow due to financial activities	-10,724	-10,335	389
Conversion difference	180	200	19
Change in cash and cash equivalents	14,695	5,195	-9,499
Balance of cash and cash equivalents at the start of BY	32,033	46,728	14,695
Balance of cash and cash equivalents at the end of BY	46,728	51,923	5,195
Balance of loans at the end of BY	27,484	26,099	-1,385

(4) Future outlook

With regard to the future economic outlook, the recovery is expected to continue, but uncertainty is also forecast to continue for the time being due to concerns over impacts due to the prolongation of soaring raw material prices and energy costs, as well as sudden currency fluctuations, etc.

In such circumstances, we apprehend the period subject to the company group's Medium-Term Management Plan (BY2021 - BY2023) as "A turning point anticipating development into the future," and raise "The creation of next generation growth drivers," "Contributions to the creation of a new society as a leading company" and "Reform of management foundations" as the group's basic policies. We will work on the improvement of corporate value based on our growth strategy aimed at the next era and the implementation of social contributions through business.

With regard to results for the term ending March 2024, we expect net sales of 950,000 million yen, operating profit of 30,700 million yen, ordinary profit of 31,000 million yen and profit attributable to owners of parent of 20,420 million yen.

(5) Basic policy on profit distribution and dividends for this term and next term

The company has positioned dividends as an important issue in management and has a basic policy of returning profits continuously and stably in consideration of its financial situation and earnings trend.

The company will enhance opportunities for returns by paying dividends of surplus funds twice a year as an interim dividend and as a term-end dividend. In addition to investments aimed at the sustainable growth of existing business, we will use retained earnings for growth investment in new areas where market expansion is expected. Further, we consider the acquisition of treasury stock to be one of the measures for returning profits to shareholders and will consider the flexible implementation of such measures in accordance with the market environment.

Based on the above policy, we are planning to pay a dividend of 32 yen per share as the term-end dividend for the current term. By doing so, we plan to pay an annual dividend of 62 yen per share, in combination with the interim dividend of 30 yen per share.

Also, with regard to dividends next term, we are planning to pay an annual dividend of 64 yen per share (an interim dividend of 32 yen per share and a term-end dividend of 32 yen per share).

2. Basic way of thinking concerning the selection of accounting standards

Many of the stakeholders in the company group are Japanese shareholders, creditors and business partners, and we have little need for fund procurement from overseas so we apply Japanese standards as our accounting standards.

3. Consolidated financial statements and significant notes**(1) Consolidated balance sheet**

(Unit: million yen)

	Previous consolidated business year (Ended March 31, 2022)	Current consolidated business year (Ended March 31, 2023)
Assets		
Current assets		
Cash and deposits	46,963	52,123
Notes receivable	5,353	3,718
Accounts receivable	179,381	212,956
Electronically recorded monetary claims	17,673	23,181
Goods and products	38,478	39,273
Work in progress	3,053	3,725
Raw materials and supplies	2,059	2,049
Others	11,467	17,322
Allowance for doubtful accounts	-297	-163
Total current assets	304,134	354,188
Fixed assets		
Property, plant and equipment		
Buildings and structures	24,875	24,484
Accumulated depreciation	-16,186	-16,023
Buildings and structures (net)	8,688	8,460
Machinery, equipment and vehicles	45,542	46,202
Accumulated depreciation	-35,786	-37,276
Machinery, equipment and vehicles (net)	9,756	8,926
Land	18,385	18,029
Construction in progress	40	312
Others	6,692	5,653
Accumulated depreciation	-5,291	-4,254
Others (net)	1,401	1,398
Total property, plant and equipment	38,272	37,127
Intangible fixed assets		
Others	2,462	2,081
Total intangible fixed assets	2,462	2,081
Investments and other assets		
Investment securities	6,314	6,488
Retirement benefit assets	496	527
Bankruptcy rehabilitation claims, etc.	126	57
Deferred tax assets	2,048	3,655
Others	2,473	2,620
Allowance for doubtful accounts	-126	-57
Total investments and other assets	11,333	13,291
Total fixed assets	52,068	52,500
Total assets	356,203	406,688

(Unit: million yen)

	Previous consolidated business year (Ended March 31, 2022)	Current consolidated business year (Ended March 31, 2023)
Assets		
Current assets		
Notes payable and accounts payable	161,859	192,594
Short-term loans payable	12,589	12,869
Accrued corporate tax, etc.	727	6,077
Allowance for bonuses	2,476	2,879
Allowance for executive bonuses	185	246
Allowance for product warranties	138	195
Others	13,587	17,020
Total current liabilities	191,564	231,884
Non-current liabilities		
Long-term loans payable	14,895	13,230
Deferred tax liabilities	2,691	2,665
Allowance for executive stock benefits	-	75
Retirement benefit liabilities	6,677	10,764
Deposits received	2,898	2,999
Others	1,302	1,107
Total fixed liabilities	28,465	30,842
Total liabilities	220,030	262,726
Net assets		
Shareholders' equity		
Capital	21,696	21,696
Capital surplus	7,937	7,951
Retained earnings	106,053	119,449
Treasury stock	-2,123	-5,137
Total shareholders' equity	133,564	143,959
Accumulated other comprehensive income		
Other valuation difference on securities	1,499	1,559
Deferred hedge gain or loss	325	-201
Exchange translation adjustment account	-748	-208
Accumulated adjustments related to retirement benefits	615	-2,114
Total accumulated other comprehensive income	1,691	-965
Non-controlling interests	917	966
Total net assets	136,173	143,961
Total liabilities and net assets	356,203	406,688

(2) Consolidated profit statement and consolidated statement of comprehensive income

(Consolidated profit statement)

(Unit: million yen)

	Previous consolidated business year (From April 1, 2021 to March 31, 2022)	Current consolidated business year (From April 1, 2022 to March 31, 2023)
Net sales	763,838	903,918
Cost of sales	699,697	833,395
Gross profit	64,141	70,523
Selling, general and administrative expenses	40,081	42,579
Operating profit	24,059	27,944
Non-operating income		
Interest income	26	30
Dividend income	170	197
Sales support funding	667	568
Subsidy income	126	333
Investment gain on equity method	22	96
Others	177	235
Total non-operating income	1,190	1,462
Non-operating expenses		
Interest paid	164	158
Loss on reduction of fixed assets	-	211
Finance charge	101	38
Foreign exchange loss	80	-
Others	349	389
Total non-operating expenses	695	798
Ordinary profit	24,554	28,608
Extraordinary profit		
Gain on sale of fixed assets	62	26
Gain on sale of investment securities	414	25
Gain on sales of shares of subsidiaries and associates	27	6
Others	23	-
Total extraordinary profit	527	58
Extraordinary loss		
Loss on sale of fixed assets	141	194
Impairment loss	2	191
Product warranty costs	-	89
Others	20	-
Total extraordinary loss	163	475
Net income before income taxes, etc.	24,917	28,191
Corporate tax, inhabitant tax and business tax	6,714	9,304
Corporate tax adjustment amount	1,201	-214
Total corporate tax, etc.	7,915	9,089
Net profit	17,001	19,101
Profit attributable to non-controlling interests	13	42
Profit attributable to owners of parent	16,988	19,059

(Consolidated statement of comprehensive income)

(Unit: million yen)

	Previous consolidated business year (From April 1, 2021 to March 31, 2022)	Current consolidated business year (From April 1, 2022 to March 31, 2023)
Net profit	17,001	19,101
Other comprehensive income		
Other valuation difference on securities	-346	59
Deferred hedge gain or loss	69	-527
Exchange translation adjustment account	553	550
Adjustments related to retirement benefits	354	-2,728
Share of other comprehensive income of entities accounted for using equity method	74	36
Total other comprehensive income	706	-2,610
Comprehensive income	17,707	16,491
(Breakdown)		
Comprehensive income attributable to owners of parent	17,646	16,403
Comprehensive income attributable to non-controlling interests	61	88

(3) Statement of changes in consolidated shareholders' equity, etc.

Previous consolidated business year (from April 1, 2021 to March 31, 2022)

(Unit: million yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the start of BY	21,696	7,863	97,816	-123	127,253
Cumulative impact due to change in accounting policy			-129		-129
Balance at the start of BY reflecting change in accounting policy	21,696	7,863	97,686	-123	127,123
Change during term					
Change in equity due to acquisition of shares of consolidated subsidiaries		74			74
Dividend of surplus			-8,621		-8,621
Profit attributable to owners of parent			16,988		16,988
Acquisition of treasury stock				-2,000	-2,000
Change during term of items other than shareholders' equity (net)					
Total change during term	-	74	8,366	-2,000	6,440
Balance at the end of BY	21,696	7,937	106,053	-2,123	133,564

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Other valuation difference on securities	Deferred hedge gain or loss	Exchange translation adjustment account	Accumulated adjustments related to retirement benefits	Total accumulated other comprehensive income		
Balance at the start of BY	1,837	255	-1,322	262	1,033	1,035	129,322
Cumulative impact due to change in accounting policy							-129
Balance at the start of BY reflecting change in accounting policy	1,837	255	-1,322	262	1,033	1,035	129,192
Change during term							
Change in equity due to acquisition of shares of consolidated subsidiaries							74
Dividend of surplus							-8,621
Profit attributable to owners of parent							16,988
Acquisition of treasury stock							-2,000
Change during term of items other than shareholders' equity (net)	-338	69	573	353	658	-118	540
Total change during term	-338	69	573	353	658	-118	6,981
Balance at the end of BY	1,499	325	-748	615	1,691	917	136,173

Current consolidated business year (from April 1, 2022 to March 31, 2023)

(Unit: million yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the start of BY	21,696	7,937	106,053	-2,123	133,564
Change during term					
Dividend of surplus			-5,663		-5,663
Profit attributable to owners of parent			19,059		19,059
Acquisition of treasury stock				-3,220	-3,220
Disposal of treasury stock		13		206	219
Change during term of items other than shareholders' equity (net)					
Total change during term	-	13	13,396	-3,013	10,395
Balance at the end of BY	21,696	7,951	119,449	-5,137	143,959

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Other valuation difference on securities	Deferred hedge gain or loss	Exchange translation adjustment account	Accumulated adjustments related to retirement benefits	Total accumulated other comprehensive income		
Balance at the start of BY	1,499	325	-748	615	1,691	917	136,173
Change during term							
Dividend of surplus							-5,663
Profit attributable to owners of parent							19,059
Acquisition of treasury stock							-3,220
Disposal of treasury stock							219
Change during term of items other than shareholders' equity (net)	60	-527	539	-2,729	-2,656	49	-2,607
Total change during term	60	-527	539	-2,729	-2,656	49	7,788
Balance at the end of BY	1,559	-201	-208	-2,114	-965	966	143,961

(4) Statement of consolidated cash flows

(Unit: million yen)

	Previous consolidated business year (From April 1, 2021 to March 31, 2022)	Current consolidated business year (From April 1, 2022 to March 31, 2023)
Cash flow due to operating activities		
Net income before income taxes, etc.	24,917	28,191
Depreciation expenses	3,491	3,381
Gain or loss on sale of property, plant and equipment (- indicates gain)	-62	-26
Gain or loss on sale or disposal of property, plant and equipment (- indicates gain)	141	194
Impairment loss	2	191
Amortization of goodwill	6	-
Profit or loss on sale of investment securities (- indicates profit)	-414	-32
Change in allowance for doubtful accounts (- indicates decrease)	150	-202
Change in allowance for bonuses (- indicates decrease)	-742	409
Change in allowance for executive bonuses (- indicates decrease)	-91	61
Change in allowance for product warranties (- indicates decrease)	32	56
Change in retirement benefit liabilities (- indicates decrease)	-354	120
Change in retirement benefit assets (- indicates increase)	-12	-30
Change in allowance for executive stock benefits (- indicates decrease)	-	75
Interest income and dividend income	-196	-227
Interest paid	164	158
Change in accounts receivable (- indicates increase)	44,127	-37,109
Change in inventory assets (- indicates increase)	-3,728	-1,305
Change in accounts payable (- indicates decrease)	-26,824	30,566
Change in accrued consumption taxes, etc. (- indicates decrease)	-3,301	2,803
Change in other current assets (- indicates increase)	4,828	-5,778
Change in other current liabilities (- indicates decrease)	-1,637	1,233
Change in other fixed liabilities (- indicates decrease)	153	22
Equity method investment gain or loss (- indicates gain)	-22	-96
Others	211	-877
Sub-total	40,838	21,781
Interest and dividends received	178	216
Interest paid	-165	-158
Corporate tax, etc., paid	-12,685	-4,742
Others	-	-137
Cash flow due to operating activities	28,165	16,958
Cash flow due to investment activities		
Expenditure due to depositing of fixed-term deposits	-210	-
Expenditures due to the acquisition of property, plant and equipment	-2,715	-1,653
Revenue due to the sale of property, plant and equipment	114	108
Expenditures due to the acquisition of intangible fixed assets	-411	-368
Expenditures due to the acquisition of investment securities	-228	-19
Revenue due to the sale of investment securities	617	35
Others	-92	268
Cash flow due to investment activities	-2,926	-1,628

(Unit: million yen)

	Previous consolidated business year (From April 1, 2021 to March 31, 2022)	Current consolidated business year (From April 1, 2022 to March 31, 2023)
Cash flow due to financial activities		
Net change in short-term loans payable (- indicates decrease)	911	-740
Revenue due to long-term loans payable	6,500	4,800
Expenditures due to repayments of long-term loans payable	-7,312	-5,534
Dividends paid	-8,593	-5,649
Dividends paid to non-controlling interests	-8	-8
Change in treasury stock (- indicates increase)	-2,000	-3,000
Others	-221	-202
Cash flow due to financial activities	-10,724	-10,335
Translation adjustments related to cash and cash equivalents	180	200
Change in cash and cash equivalents (- indicates decrease)	14,695	5,195
Balance of cash and cash equivalents at the start of BY	32,033	46,728
Balance of cash and cash equivalents at the end of BY	46,728	51,923

(5) Notes on the consolidated financial statements

(Notes on the going concern assumption)

Not applicable

(Notes on substantial changes in the amount of shareholders' equity)

The company acquired 1,639,000 shares of treasury stock based on a resolution of the meeting of the Board of Directors held on May 12, 2022. In addition, the Company disposed of 116,400 shares of treasury stock on December 1, 2022, based on a resolution of the meeting of the Board of Directors held on November 9, 2022 in association with contributions to the performance-based stock compensation plan. Due to this acquisition, etc., the capital surplus increased by 13 million yen and treasury stock increased by 3,013 million yen during the current consolidated business year to finish at 7,951 million yen and 5,137 million yen respectively at the end of the current consolidated business year.

(Modification of accounting policy)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as "Implementation Guidance") from the start of the current consolidated accounting period, and will apply the new accounting policy established in the Implementation Guidance in accordance with the transitional handling established in Article 27-2 of the Implementation Guidance into the future. It should be noted that there will be no impact on the consolidated financial statements as a result.

(Changes in presentation methods)

(Consolidated balance sheet)

Because "Electronically recorded monetary claims," which were included in "Notes receivable" under "Current assets" in the previous consolidated business year, have increased in monetary importance, it was decided to report them separately from the current consolidated business year. The consolidated financial statements for the previous consolidated business year have been rearranged to reflect this change in presentation method.

As a result, the 23,027 million yen presented in "Notes receivable" under "Current assets" in the consolidated balance sheet for the previous consolidated business year has been rearranged as "Notes receivable" of 5,353 million yen and "Electronically recorded monetary claims" of 17,673 million yen.

(Consolidated profit statement)

Because "Gain on sales of shares of subsidiaries and associates," which was included in "Other" under "Extraordinary profit" in the previous consolidated business year, has increased in monetary importance, it was decided to report it separately from the current consolidated business year. The consolidated financial statements for the previous consolidated business year have been rearranged to reflect this change in presentation method.

As a result, the 50 million yen presented in "Other" under "Extraordinary profit" in the consolidated profit statement for the previous consolidated business year has been rearranged as "Gain on sales of shares of subsidiaries and associates" of 27 million yen and "Other" of 23 million yen.

(Additional information)

(Estimate in accounting terms of the impact of the expansion of COVID-19 infections)

There are no significant changes to assumptions including the time COVID-19 infections will be brought under control stated in the securities report for the previous business year in the current consolidated business year.

(Revision of the Retirement Allowance Regulations, etc.)

The meeting of the Board of Directors held on March 17, 2022 resolved to make partial revisions to the Retirement Allowance Regulations and Defined Benefit Corporate Pension Plan Regulations of Daiwabo Information Systems Co., Ltd., and DIS Service & Solutions Co., Ltd., consolidated subsidiaries of the company, and these came into effect on October 1, 2022. Retirement allowance obligations will increase by 3,949 million yen in association with the revision of these systems. This increase in retirement allowance obligations falls under past service costs so the costs will be amortized over five years using the straight-line method in accordance with the accounting policies established by the two companies.

(Segment information, etc.)

a. Segment information

1. Overview of reporting segments

The reporting segments of the company allow the acquisition of separated financial information from among the constituent units of the company and are subject to regular consideration in order for the Board of Directors to determine the allocation of management resources and evaluate results.

The company has adopted a group management structure based on a pure holding company system and the various operating companies under the holding company's umbrella formulate comprehensive strategies and develop business activities in Japan and overseas for the products and services that they handle.

Consequently, the company is composed of segments classified by products and services based on operating companies and has established the three segments of IT Infrastructure Distribution Business, Fiber Business and Industrial Machinery Business.

IT Infrastructure Distribution Business sells computers, peripherals, etc. Fiber Business manufactures and sells synthetic fibers, nonwovens, industrial materials and related products, fabric, knitting and secondary products. Industrial Machinery Business manufactures and sells machine parts for production equipment and casting parts.

2. Method for calculating the amounts of net sales, profit or loss, assets and other items for each reporting segment

The accounting processing method of reported business segments is to use the amounts based on the accounting standards adopted for the preparation of the consolidated financial statements.

In addition, reporting segment profits are figures on an operating profit base and internal sales or transfers between segments are based on market prices, etc.

3. Information on the amounts of net sales, profit or loss, assets and other items for each reporting segment

Previous consolidated business year (from April 1, 2021 to March 31, 2022)

(Unit: million yen)

	Reporting segments				Others (Note) 1	Total	Adjustment (Notes) 2, 4	Amount recorded in the consolidated financial statements (Notes) 3
	IT Infrastructure Distribution Business	Fiber Business	Industrial Machinery Business	Total				
Net sales								
Net sales to external customers	691,281	58,289	11,610	761,181	2,657	763,838	-	763,838
Internal sales or transfers between segments	233	202	-	435	942	1,378	-1,378	-
Total	691,515	58,491	11,610	761,617	3,600	765,217	-1,378	763,838
Segment profit	21,651	1,617	656	23,924	130	24,054	4	24,059
Segment assets	259,616	58,007	13,335	330,959	2,232	333,192	23,011	356,203
Other items								
Depreciation expenses	1,154	1,802	518	3,475	16	3,491	-	3,491
Impairment loss	-	2	-	2	-	2	-	2
Investment in companies accounted for using the equity method	-	688	-	688	-	688	-	688
Change in property, plant and equipment and intangible fixed assets	445	1,474	263	2,183	4	2,187	-	2,187

(Notes) 1. The "Others" classification is a segment for business not included in the reporting segments and includes insurance agency business, engineering business, etc.

2. The adjustment of segment profit is mainly for the deletion of transactions between segments.

3. Segment profit is adjusted with the operating profit of the consolidated profit statement.

4. The amount of adjustment of segment assets is 23,011 million yen, mainly company-wide assets and including deposits and long-term investment assets (investment securities), etc.

5. Depreciation expenses include amortization related to long-term prepaid expenses.

Current consolidated business year (from April 1, 2022 to March 31, 2023)

(Unit: million yen)

	Reporting segments				Others (Note) 1	Total	Adjustment (Notes) 2, 4	Amount recorded in the consolidated financial statements (Notes) 3
	IT Infrastructure Distribution Business	Fiber Business	Industrial Machinery Business	Total				
Net sales								
Net sales to external customers	828,997	61,980	12,170	903,148	770	903,918	-	903,918
Internal sales or transfers between segments	228	16	-	245	452	698	-698	-
Total	829,226	61,997	12,170	903,394	1,223	904,617	-698	903,918
Segment profit	25,394	1,499	886	27,781	115	27,896	48	27,944
Segment assets	302,910	60,325	14,592	377,828	2,805	380,634	26,054	406,688
Other items								
Depreciation expenses	1,132	1,726	484	3,343	37	3,381	-	3,381
Impairment loss	-	191	-	191	-	191	-	191
Investment in companies accounted for using the equity method	-	772	-	772	-	772	-	772
Change in property, plant and equipment and intangible fixed assets	531	1,018	381	1,931	220	2,151	-	2,151

- (Notes)
1. The "Others" classification is a segment for business not included in the reporting segments and includes insurance agency business, engineering business, etc.
 2. The adjustment of segment profit is mainly for the deletion of transactions between segments.
 3. Segment profit is adjusted with the operating profit of the consolidated profit statement.
 4. The amount of adjustment of segment assets is 26,054 million yen, mainly company-wide assets and including deposits and long-term investment assets (investment securities), etc.
 5. Depreciation expenses include amortization related to long-term prepaid expenses.

b. Related information

Previous consolidated business year (from April 1, 2021 to March 31, 2022)

1. Information by products and services

Because we make the same disclosures in segment information, statement here is omitted.

2. Information by region

(1) Net sales

Because net sales to external customers in Japan exceed 90% of net sales in the consolidated profit statement, statement here is omitted.

(2) Property, plant and equipment

Because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet, statement here is omitted.

3. Information of each major customer

Because there is no single external customer occupying 10% or more of net sales, statement here is omitted.

Current consolidated business year (from April 1, 2022 to March 31, 2023)

1. Information by products and services

Because we make the same disclosures in segment information, statement here is omitted.

2. Information by region

(1) Net sales

Because net sales to external customers in Japan exceed 90% of net sales in the consolidated profit statement, statement here is omitted.

(2) Property, plant and equipment

Because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet, statement here is omitted.

3. Information of each major customer

Because there is no single external customer occupying 10% or more of net sales, statement here is omitted.

c. Information on impairment losses for fixed assets by reporting segment

Previous consolidated business year (from April 1, 2021 to March 31, 2022)

Because we make the same disclosures in segment information, statement here is omitted.

Current consolidated business year (from April 1, 2022 to March 31, 2023)

Because we make the same disclosures in segment information, statement here is omitted.

d. Information on the balance of amortization or non-amortization of goodwill for each reporting segment

Previous consolidated business year (from April 1, 2021 to March 31, 2022)

(Unit: million yen)

	IT Infrastructure Distribution Business	Fiber Business	Industrial Machinery Business	Others	Company-wide / cancellation	Total
Current term amortization	-	-	6	-	-	6
Balance at the end of BY	-	-	-	-	-	-

Current consolidated business year (from April 1, 2022 to March 31, 2023)

Not applicable

e. Information on gain on negative goodwill for each reporting segment

Previous consolidated business year (from April 1, 2021 to March 31, 2022)

Not applicable

Current consolidated business year (from April 1, 2022 to March 31, 2023)

Not applicable

(Per share information)

	Previous consolidated business year (From April 1, 2021 to March 31, 2022)	Current consolidated business year (From April 1, 2022 to March 31, 2023)
Net assets per share	1,422 yen 20 sen	1,529 yen 95 sen
Net earnings per share	178 yen 14 sen	202 yen 79 sen

- (Notes)
1. No potentially dilutive shares exist so basic earnings per share after adjustment for potentially dilutive shares are not stated.
 2. In the calculation of net assets per share, Company shares held by the Executive Compensation BIP Trust are included in treasury stock, which is deducted from the total number of shares issued at the end of the term (116,400 shares in the current fiscal year).
 3. In the calculation of net earnings per share, Company shares held by the Executive Compensation BIP Trust are included in treasury stock, which is deducted in the calculation of the average number of shares outstanding during the term (116,400 shares in the current business year).
 4. The basis for calculation of net earnings per share is as follows.

	Previous consolidated business year (From April 1, 2021 to March 31, 2022)	Current consolidated business year (From April 1, 2022 to March 31, 2023)
Net earnings per share		
Profit attributable to owners of parent (million yen)	16,988	19,059
Amount not attributable to ordinary shareholders (million yen)	-	-
Profit attributable to owners of parent related to ordinary shares (million yen)	16,988	19,059
Average number of ordinary shares during the BY (thousand shares)	95,367	93,990

(Significant events after the reporting period)

(Business combination by acquisition of shares)

Daiwabo Information System Co., Ltd., a consolidated subsidiary of the Company, acquired all shares of Alphatec Solutions Co., Ltd., and the Company passed a resolution made at the meeting of the Board of Directors held on February 22, 2023, to make Alphatec Solutions, Co., Ltd., a consolidated subsidiary (a sub-subsidiary), and acquired all shares of the company on April 1, 2023.

1. Overview of the business combination

(1) Name and business description of the acquired company

Name of the company after acquisition Alphatec Solutions Co., Ltd.

Business description Provision of IT infrastructure and information-related application services
Sales of hardware, software and cloud services for IT systems

(2) Main reasons for combining the companies

Alphatec Solutions Co., Ltd., carries out sales across the entire IT lifecycle (from planning to design, construction, operation and maintenance) in IT infrastructure and information-related application systems, as well as sales of hardware and software in association with that. In addition, it provides services using advanced technologies, such as PCLCM (PC lifecycle management), hybrid, and security using the public cloud, to a wide range of customers, including healthcare, municipalities, manufacturing and distribution, and finance, and has established a very good reputation.

The IT industry is facing a period of significant change, and we recognize that in order to look ahead to the future and grow IT infrastructure distribution business, securing the technological capabilities able to respond to changes in the business environment through technological innovation is an important issue. We will use the technical know-how and resources of Alphatec Solutions Co., Ltd., to promote the development of services in support for sales partners, and develop high-value-added distribution business.

(3) Date of business combination

April 1, 2023

(4) Legal format of business combination

Acquisition of shares for consideration in cash

(5) Name of the company after the combination

No change

(6) Proportion of voting rights acquired

100.0% (indirect ownership)

(7) Primary basis for deciding the acquiring company

Daiwabo Information System Co., Ltd., had acquired the shares for consideration in cash.

2. Breakdown by the cost of acquisition of the acquired company and the type of consideration

These are not disclosed due to confidentiality between the parties.

3. Details and amounts of major acquisition-related expenses

These have not been confirmed at the present time.

4. Amount of goodwill generated, cause of occurrence, depreciation method and depreciation period

These have not been confirmed at the present time.

5. Amounts of assets accepted and liabilities assumed on the date of the business combination and major breakdown thereof

These have not been confirmed at the present time.

4. Others

Transfers of officers (as of June 29, 2023)

(1) Candidate for Director

Director Tetsuro Hori

* Mr. Tetsuro Hori, the candidate, meets the requirements for an Outside Director established in Article 2, Item 15 of the Companies Act.

(2) Brief personal records of the candidate for new Director

Tetsuro Hori	April 1985	Joined Tokyo Electron Ltd.
(Date of birth October 20, 1961)	April 2001	General Manager of Management Strategy Office at the same company
	June 2003	General Manager of Legal Affairs and Intellectual Property Department, and General Manager of Management Strategy Office at the same company
	June 2013	Director and Executive Officer in charge of Legal Affairs and Intellectual Property at the same company
	June 2015	Director, Managing Executive Officer and General Manager of Administration Division at the same company
	June 2016	Representative Director, Senior Managing Executive Officer and General Manager of Administration Division at the same company
	June 2017	Representative Director, Senior Managing Executive Officer and CFO at the same company
	April 2018	Director, Senior Managing Executive Officer and Special Representative at the same company
	June 2019	Managing Executive Officer and Business Reform Project Sub-Leader at the same company
	July 2022	Senior Advisor at the same company (to present)
	December 2022	Value Quest Partners Co., Ltd. Head of Operations and Legal / IP Advisor (to present)

(3) Candidate for Audit & Supervisory Board Member

Audit & Supervisory Board Member Saeko Kakuishi

* Ms. Saeko Kakuishi, the candidate, meets the requirements for an Outside Company Auditor established in Article 2, Item 16 of the Companies Act.

(4) Brief personal records of the candidate for new Audit & Supervisory Board Member

Saeko Kakuishi	October 2011	Registered as an attorney
(Date of birth May 13, 1984)	November 2012	Joined Fujikishinsei Law Office (to present)
	April 2019	Member of the Sakai City Assistance Team for Child Abuse, etc. (to present)
	March 2021	Member of the Otsu City Fair Duties Review Committee (to present)
	July 2021	Member of the Sakai City Child Care Council (to present)

(5) Audit & Supervisory Board Member scheduled to retire

Hisashi Fujiki (current Audit & Supervisory Board Member)

* Hisashi Fujiki is an Outside Corporate Auditor as established in Article 2, Item 16 of the Companies Act.

* The changes in officers were disclosed in “Notice of changes in officers” dated March 24, 2023, and “Notice of executive personnel matters at the Company” of today.

Supplementary material for the settlement of accounts for business year 2022

1. Capital investment and depreciation (Unit: million yen)

	Consolidated		
	BY2020	BY2021	BY2022
Capital investment	3,667	2,187	2,151
Depreciation	3,405	3,491	3,381

2. Interest-bearing liabilities (Unit: million yen)

	Consolidated		
	BY2020	BY2021	BY2022
Loans payable	27,321	27,484	26,099

3. R&D expenses (Unit: million yen)

	BY2020	BY2021	BY2022
Consolidated	853	883	928

4. Consolidated employees (Unit: people)

	BY2020	BY2021	BY2022
Consolidated	5,683	5,671	5,432
(overseas)	(1,555)	(1,660)	(1,510)
Non-consolidated	28	28	26

(Note) Including temporary employees, excluding seconded employees.

5. Business forecast for BY2023 (Unit: million yen)

	Consolidated					
	Net sales			Operating profit		
	First half	Second half	Full-term	First half	Second half	Full-term
IT Infrastructure Distribution Business	401,000	471,700	872,700	10,750	15,800	26,550
Fiber Business	30,400	33,280	63,680	1,080	1,875	2,955
Industrial Machinery Business	6,600	6,400	13,000	590	560	1,150
Others	300	320	620	30	15	45
Total	438,300	511,700	950,000	12,450	18,250	30,700

6. Capital investment and depreciation forecast for BY2023 (Unit: million yen)

	Consolidated		
	First half	Second half	Full-term
Capital investment	1,702	2,268	3,970
Depreciation	1,624	1,736	3,359