

## Financial Report for the 6-month Period Ended June 30, 2013 (Consolidated - Japanese Standards)

Company name: DAITO ELECTRON CO., LTD.  
 Stock exchange listing: 1st Sections of the Tokyo Stock Exchange  
 Code number: 7609 URL: <http://www.daitron.co.jp/>  
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Scheduled date of submitting quarterly statement: August 14, 2013

Scheduled date of starting dividend payment: —

Support explanatory material for quarterly settlement: None

Explanatory meeting for quarterly settlement: Held

(Figures less than a million yen are rounded down.)

### 1. Financial results for 6-month period ended June 30, 2013 (Consolidated)

#### (1) Operating results (Cumulative)

(Figures shown in percentages indicate the year-on-year rates of increase/decrease.)

	Net sales		Operating income		Ordinary income		Quarterly net income	
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%
2Q/2013	17,191	(7.9)	(25)	—	33	(90.1)	0	(99.6)
2Q/2012	18,666	(13.9)	284	(66.8)	337	(60.9)	154	(78.7)

Note: Comprehensive Income 2Q/2013: 183 million yen (-9.6%) 2Q/2012: 203 million yen (-70.7%)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
2Q/2013	0.06	—
2Q/2012	13.99	—

Note: Diluted quarterly net income per share is not shown because there existed no potential common stocks.

#### (2) Financial standing

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2Q/2013	25,084	11,579	46.1	1,042.40
FY2012	23,622	11,525	48.8	1,032.90

(Reference) Shareholders' equity 2Q/2013: 11,575 million yen FY2012: 11,521 million yen

### 2. Dividend payments

	Annual dividend payment (Yen)				
	1Q end	2Q end	3Q end	fiscal end	Total
FY2012	—	0.00	—	10.00	10.00
FY2013	—	0.00	—	—	—
FY2013 (expected)	—	0.00	—	10.00	10.00

(Note) Revision of the most recently announced dividend payment expectation: None

### 3. Consolidated operating estimates for fiscal 2013 ending December 31, 2013

(Figures shown in percentages indicate the year-on-year rates of increase/decrease.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Mil.yen	%	Mil.yen	%	Mil.yen	%	Mil.yen	%	Yen
Full year	37,000	2.6	520	50.4	500	7.1	270	47.7	24.30

(Note) Revision of the most recently announced operating estimates: None

#### \* Notes

(1) Change in significant subsidiaries (change in specific subsidiaries that entails a change in the scope of consolidation) during the quarter: None

(2) Application of accounting procedures specially applicable to preparation of quarterly consolidated financial statements: None

(3) Change in accounting principles/estimates or restatement:

- ① Change associated with revision in accounting principles, etc: Changed
- ② Other change in accounting principles: None
- ③ Change in accounting estimates: Changed
- ④ Restatement: None

(Note)

(4) Number of outstanding shares (common shares)

- ① number of outstanding shares at period-end (including treasury stock)
  - 1Q 2013 : 11,155,979 shares
  - FY 2012 : 11,155,979 shares
- ② number of treasury stocks at period-end
  - 1Q 2013 : 51,139 shares
  - FY 2012 : 1,119 shares
- ③ average number of shares during period (quarterly cumulative)
  - 1Q 2013 : 11,115,344 shares
  - 1Q 2012 : 11,036,043 shares

#### \* Representation on implementation status of the quarterly review procedures

This Quarterly Financial Report is not subject to the quarterly review procedures under the Financial Instruments and Exchange Act, and the review procedures for quarterly financial statements under the Act have not been completed at the time of disclosure of this Report.

#### \* Explanations on appropriate use of the earnings forecasts and other special comments

(Note on references to future)

Please note that the statements concerning the future contained in this Report, including the earnings forecasts, are based on information obtained by the Company to date and given assumptions considered reasonable, but not a commitment to achieve them. In addition, the actual results may differ to a great extent depending on various factors that may arise in the future. For the preconditions for the earnings forecasts and notes for using them, please refer to "(3) Qualitative information on forecasted consolidated operating results" under "1. Qualitative information on accounts for the current cumulative quarter" shown on page 3 of Appendix.

(Method of acquiring support explanatory material for quarterly settlement and explanatory meeting for quarterly settlement)

The Company is scheduled to hold an explanatory meeting for institutional investors and analysts on August 7.

The support explanatory material for quarterly settlement will be shown on our website as soon as possible after such meeting.

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## 1. Qualitative information on accounts for the current quarter

### (1) Qualitative information on consolidated business results

Though the Japanese economy in this cumulative quarter began to show some signs of picking up such as the high yen being corrected and rising share prices based on a feeling of hope for money-easing and financial policies under the new political administration, its future continued to be unclear with destabilizing factors such as the slowdown of the world economy under the influences of the protracted European debt problem and stagnant growth of emerging economies.

Our electronics industry also had a very difficult time in such an economic environment, having fallen short of a full-scale recovery with facility investments continuingly restrained on the whole, though a recovery trend began to be seen in part, including the auto and renewable energy-related fields.

Under these circumstances, the Group's business results substantially fell below those of the same term last year especially in profit under the impact of the continuingly sluggish demand in the industrial machinery and equipment market, which is our major market.

Consequently, the Group obtained the following results in the current cumulative second quarter: net sales 17,191 million yen (down 7.9% from the same term last year); operating loss 25 million yen (284 million yen operating profit in the same term last year); ordinary income 33 million yen (down 90.1%); and quarterly net income 0 million yen (down 99.6%).

The outline of segmental performance is as follows:

Daito Electron Co., Ltd. (the Company) transferred as of January 1, 2013, (i) its EM Business Dept., which had engaged in the manufacture of the Company's electronic material manufacturing equipment, to one of its domestic subsidiaries Daitron Technology Co., Ltd., and (ii) the Power Supply Business Dept., which had engaged in the manufacture of electronic equipment and components (power supply equipment), to another domestic subsidiary Daito Denso Co., Ltd.

With these transfers, the Report Segments of the two departments are changed: the EM Business Dept., which was included in "Manufacturing Equipment," and the Power Supply Business Dept., which was included in "Electronic Equipment and Components," are both included in "Domestic Subsidiaries" as from the previous quarter.

Segmental year-on-year comparisons are made with figures of the previous year reclassified into new Report Segments after the above transfers, respectively.

#### - Electronic Equipment and Components

As for this segment, despite the impact of production adjustments and inventory adjustments by industrial machinery and equipment manufacturers, our major customers, switching power supplies and uninterruptible power systems of the "Power Supply Equipment," and CCD cameras and lens/lights of the "Image-Related Equipment & Parts" remained steady and led the segment's performance. However, with low demands for other product lines including connectors and harnesses of the "Electronic Components & Assembly Products," which are Company's main products, and ASSP (Application Specific Standard Product) of "Semiconductors" significantly affected by the lowered profitability resulting from stagnant corporate production activities and the intensified price competition, the profit of the entire segment was below that of the same term last year, though sales stayed at almost the same level.

Consequently, net sales of this segment totaled 10,700 million yen (up 3.1% from the same term last year) with

a segmental (operating) profit of 61 million yen (down 77.1%).

- Manufacturing Equipment

As for this segment, though products of the "Optical Device Manufacturing Equipment" including LED inspection equipment did well in general, the performance of the entire segment fell far short of that of the same term last year with products of the "FPD Manufacturing Equipment" and photovoltaic manufacturing equipment of the "Energy Device Manufacturing Equipment" affected by the tendency of restrained facility investments continuing under the impact of an increasing sense of uncertainty based on the slowdown in economic growth of China and other newly emerging nations.

Consequently, net sales of this segment totaled 3,273 million yen (down 42.1% from the same term last year) with a segmental (operating) loss of 92 million yen (148 million yen profit in the same term last year).

- Domestic Subsidiaries

In this segment, Daito Denso Co., Ltd., which is engaged in the electronic equipment and component business, remained steady though affected by the sluggish production activities of industrial machinery and equipment manufacturers, etc., while Daitron Technology Co., Ltd. was in great difficulty, with the semiconductor and optical device manufacturing equipment business significantly affected by restrained facility investments, with all the solid performance in the high functional connector business dealing with underwater connectors, etc. and the electronic material manufacturing equipment business.

Consequently, net sales of this segment totaled 1,143 million yen (down 4.1% from the same term last year) with a segmental (operating) loss of 13 million yen (129 million yen profit in the same term last year).

- Overseas Subsidiaries

This segment was in harsh conditions due to the stagnant European economies, reduction in facility investments and production in Asia as well as the lowered profitability resulting from the intensified price competition. In such circumstances, as the earnings from railroad vehicle harnesses of Daitron Inc., which operates for the North American market, grew significantly, and the image equipment of Daitron (Korea) Co., Ltd., which operates for the Korean and other East Asian markets, also improved, they contributed greatly to the performance of this segment, and therefore the performance of the entire segment greatly exceeded that of the same term last year.

Consequently, net sales of this segment totaled 2,074 million yen (up 44.1% from the same term last year) with a segmental (operating) profit of 53 million yen (35 million loss in the same term last year).

(2) Qualitative information on consolidated financial conditions

(a) Assets, liabilities, and net assets

(Assets)

Current assets at the end of this quarter amounted to 19,709 million yen (up 1,453 million yen from the previous fiscal-end) primarily due to the increases in notes and accounts receivable by 308 million yen, electronically recorded monetary claims by 349 million yen, and goods and products by 297 million yen, respectively. Fixed assets amounted to 5,374 million yen (up 7 million yen), as a result of the decrease in tangible fixed assets by 79 million yen and decrease in intangible fixed assets by 54million yen, and the increase in investments and

other assets by 141 million yen.

Consequently, the total assets stood at 25,084 million yen, up 1,461 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of this quarter amounted to 10,671 million yen (up 1,610 million yen from the previous fiscal-end), primarily due to the increases in notes and accounts payable by 1,031 million yen and other current liabilities by 629 million yen, respectively. Fixed liabilities amounted to 2,833 million yen (down 202 million yen), primarily due to the decrease in long-term loans payable by 161 million yen.

Consequently, the total liabilities stood at 13,505 million yen, up 1,407 million yen from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of this quarter amounted to 11,579 million yen (up 53 million yen from the previous fiscal-end), primarily due to the increase in difference from evaluation of other investment securities by 145 million yen.

Consequently, the shareholders' equity ratio stood at 46.1%, down 2.7 point from the end of the previous fiscal year.

b) Cash flow

The balance of cash and cash equivalents at the end of this quarter (hereinafter called "Fund") stood at 5,867 million yen, up 148 million yen over the previous fiscal-end.

Below is the status of each cash flow in this cumulative second quarter and the factors.

(Cash flows from operating activities)

As a result of operating activities, the Fund increased 393 million yen (891 million yen decrease in the same term last year). The main increasing factors are 966 million yen increase in accounts receivable and 599 million yen increase in advance received, and the main decreasing factors are 591 million yen decrease in trade notes and accounts payable, and 291 million yen increase in inventory.

(Cash flows from investing activities)

As a result of investing activities, the Fund decreased 78 million yen (83 million yen decrease in the same term last year). The main decreasing factor is 74 million yen payments for purchase of tangible fixed assets.

(Cash flows from financing activities)

As a result of financing activities, the Fund decreased 234 million yen (411 million yen decrease in the same term last year). The main decreasing factor is 161 million yen repayments of long-term borrowings and 111 million yen dividend payments.

(3) Qualitative information on forecasted consolidated operating results

As for the forecasts of the consolidated operating results, there has been no change from those contained in the Financial Report for the 12-month Period Ended December 31, 2012 announced on February 7, 2013.

2. Matters regarding summary information (Notes)

(1) Change in significant subsidiaries during this cumulative period: N.A.

(2) Application of accounting procedures specially applicable to preparation of quarterly consolidated financial statements: N.A.

(3) Change in accounting principles and estimates, and revised and restatements:

(Change in accounting principles difficult to distinguish from changes in accounting estimates)

As from the first quarter, under the revised the Corporation Tax Act, the Company and its domestic subsidiaries applied the depreciation method based on the Corporation Tax Act after revision for tangible fixed assets acquired on or after January 1, 2013).

The impact of this change on the profits and losses will be minor.

### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

(Unit: thousand yen)

	Previous FY (at December 31, 2012)	Current quarter (at June 30, 2013)
Assets		
Current assets		
Cash and deposits	5,748,734	5,897,363
Notes and accounts receivable - Trade	9,034,816	9,343,183
Electronically recorded monetary claims	487,616	837,185
Goods and products	1,325,278	1,623,128
Work in process	918,933	952,113
Raw materials	170,172	156,743
Other current assets	600,144	901,042
Allowance for doubtful accounts	(30,269)	(1,527)
Total current assets	18,255,427	19,709,233
Fixed assets		
Tangible fixed assets	3,549,686	3,470,349
Intangible fixed assets	263,460	208,608
Investments and other assets		
Other investments and other assets	1,562,221	1,732,973
Allowance for doubtful accounts	(8,105)	(37,014)
Total investments and other assets	1,554,115	1,695,959
Total fixed assets	5,367,262	5,374,916
Total assets	23,622,689	25,084,150

	Previous FY (at December 31, 2012)	Current quarter (at June 30, 2013)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	7,367,894	8,399,832
Short-term loans payable	—	100,000
Long-term loans payable due within one year	322,680	322,680
Accrued Income taxes, etc.	245,128	75,787
Allowance for bonuses	21,293	32,194
Other allowances	44,639	52,595
Other current liabilities	1,059,170	1,688,170
<b>Total current liabilities</b>	<b>9,060,806</b>	<b>10,671,259</b>
<b>Fixed liabilities</b>		
Long-term loans payable	1,039,970	878,630
Allowance for employees' retirement benefits	1,643,721	1,682,522
Asset retirement obligation	45,458	46,513
Other fixed liabilities	307, 516	226,191
<b>Total fixed liabilities</b>	<b>3,036,667</b>	<b>2,833,857</b>
<b>Total liabilities</b>	<b>12,097,473</b>	<b>13,505,116</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	2,200,708	2,200,708
Capital surplus	2,482,896	2,482,896
Retained earnings	6,879,879	6,768,946
Treasury stock	(1,009)	(19,317)
<b>Total shareholders' equity</b>	<b>11,562,475</b>	<b>11,433,234</b>
<b>Accumulated other comprehensive income</b>		
Difference from evaluation of other investment securities	96,123	241,256
Deferred gains or losses on hedges	718	(11,567)
Foreign currency translation adjustments	(137,466)	(87,254)
<b>Total accumulated other comprehensive income</b>	<b>(40,625)</b>	<b>142,433</b>
<b>Minority interests</b>	<b>3,366</b>	<b>3,366</b>
<b>Total net assets</b>	<b>11,525,216</b>	<b>11,579,033</b>
<b>Total liabilities and net assets</b>	<b>23,622,689</b>	<b>25,084,150</b>

**(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income**  
(Consolidated Statement of Income)

(Unit: thousand yen)

	6 months Ended June 30, 2012	6 months Ended June 30, 2013
Net sales	18,666,964	18,666,806
Cost of sales	14,595,207	14,595,207
Gross profit	4,071,757	4,071,757
Selling, general and administrative expenses	3,787,440	3,787,440
Operating income	284,316	(25,304)
Non-operating income		
Interest income	3,590	3,365
Dividend income	5,782	6,446
Foreign exchange profit	17,224	52,218
Penalty income	29,200	—
Other non-operating income	30,506	27,901
Total non-operating income	86,303	89,932
Non-operating expenses		
Interest expense	23,653	20,844
Loss on sale of trade notes	3,148	2,366
Other non-operating losses	6,395	8,157
Total non-operating expenses	33,197	31,369
Ordinary income	337,422	33,258
Extraordinary income		
Gain on sale of fixed assets	2,127	232
Gain on sale of investment securities	—	421
Total extraordinary income	2,127	653
Extraordinary losses		
Loss on sale and retirement of fixed assets	406	347
Loss on valuation of investment securities	168	—
Total extraordinary losses	574	347
Net income before taxes and adjustments	338,974	33,564
Income, inhabitants and enterprise taxes	169,908	95,772
Income taxes-deferred	(14,718)	(62,823)
Total income taxes	184,627	32,948
Net income before minority shareholders profit and loss adjustments	154,347	615
Net income	154,347	615

(Consolidated Statement of Comprehensive Income)

(Unit: thousand yen)

	6 months Ended June 30, 2012	6 months Ended June 30, 2013
Net income before minority shareholders profit and loss adjustments	154,347	615
Accumulated other comprehensive income		
Difference from evaluation of other investment securities	46,197	145,132
Deferred gains or losses on hedges	(2, 620)	(12,286)
Foreign currency translation adjustments	5,189	50,212
Total accumulated other comprehensive income	48,767	183,058
Quarterly comprehensive income	203,114	183,674
(Breakdown)		
Quarterly comprehensive income pertaining to parent's shareholders	203,114	183,674
Quarterly comprehensive income pertaining to minority shareholders	—	—

**(3) Consolidated Statement of Cash Flows**

(Unit: thousand Yen)

	6 months Ended June 30, 2012	6 months Ended June 30, 2013
<b>Cash flows from operating activities</b>		
Net income before taxes and adjustments	338,974	33,564
Depreciation and amortization	177,852	206,736
Interest and dividend income	(9,372)	(9,812)
Interest expense	23,653	20,844
(Gain)/Loss on sale and retirement of fixed assets	(1,720)	114
(Gain)/Loss on sale of investment securities	—	(421)
(Gain)/Loss on valuation of investment securities	168	—
Decrease/(increase) in accounts receivable	(420,075)	(591,547)
Decrease/(increase) in inventories	19,581	(291,569)
Decrease/(increase) in advance payment	441,628	(285,742)
Increase/(decrease) in trade notes and accounts payable	(408,818)	966,548
Increase/(decrease) in advance received	(938,022)	599,416
Increase/(decrease) in allowances	91,338	56,865
Others	4,371	(35,965)
Sub-total	(680,441)	669,032
Interest and dividend received	9,326	11,026
Interest paid	(25,373)	(21,568)
Income tax and other taxes paid	(194,710)	(265,183)
Net cash provided by/(used in) operating activities	(891,198)	393,307
<b>Cash flows from investing activities</b>		
Payment for purchase of tangible fixed assets	(77,082)	(74,088)
Proceeds from sale of tangible fixed assets	4,779	731
Payment for purchase of investment securities	(9,746)	(9,989)
Proceeds from sale of investment securities	—	10,115
Others	(1,351)	(5,283)
Net cash provided by/(used in) investing activities	(83,400)	(78,514)
<b>Cash flows from financing activities</b>		
Net increase/(decrease) in short-term loans payable	(26,831)	100,000
Repayment of long-term loans payable	(190,596)	(161,340)
Proceeds from sale of treasury stock	28,253	—
Dividends paid	(164,995)	(111,133)
Others	(57,215)	(61,625)
Net cash provided by/(used in) financing activities	(411,385)	(234,098)
Effect of exchange rate changes on cash and cash equivalents	8,143	67,934
Increase/(decrease) in cash and cash equivalents	(1,377,841)	148,628
Cash and cash equivalents at beginning of period	7,294,920	5,718,734
Cash and cash equivalents at quarter end	5,917,079	5,867,363



(4) Notes regarding the premise of a going concern: N.A.

(5) Notes for significant change in the amount of shareholders' equity: N.A.

(6) Segment Information, etc.

**[6 months Ended June 30, 2012]**

a. Information on the amounts of net sales and income/(loss) by report segment

(Unit: thousand yen)

	Report Segment				
	Electronic Equipment & Components	Manufacturing Equipment	Domestic Subsidiaries	Overseas Subsidiaries	Total
<b>Net sales</b>					
- Sales to outside customers	10,382,750	5,652,321	1,192,280	1,439,612	18,666,964
- Inter-segmental sales or transfer	509,527	43,184	1,819,896	83,580	2,456,189
<b>Total</b>	10,892,278	5,695,505	3,012,176	1,523,192	21,123,153
<b>Segment income/(loss)</b>	266,808	148,072	129,346	(35,612)	508,614

	Adjustment (*1)	Amount on Consolidated Financial Statements (*2)
<b>Net sales</b>		
- Sales to outside customers	—	18,666,964
- Inter-segmental sales or transfer	(2,456,189)	—
<b>Total</b>	(2,456,189)	18,666,964
<b>Segment income/(loss)</b>	(224,298)	284,316

(Notes) 1. Adjustment in Segment income/(loss) of (224,298) thousand yen includes the inter-segmental transaction elimination of 33,761 thousand yen and Corporate allocation not allocated to each Report Segment of (258,059) thousand yen. The main portion of Corporate allocation is Selling, general and administrative expenses not attributable to Report Segments.

2. Adjustments are made in the difference between Segment income/(loss) and Operating income/(loss) on the quarterly Consolidated Statement of Income.

b. Information on Impairment loss on fixed assets or Goodwill, etc. by Report Segment: N.A.

**[6 months Ended June 30, 2013]**

a. Information on the amounts of net sales and income/(loss) by report segment

(Unit: thousand yen)

	Report Segment				
	Electronic Equipment & Components	Manufacturing Equipment	Domestic Subsidiaries	Overseas Subsidiaries	Total
<b>Net sales</b>					
- Sales to outside customers	10,700,647	3,273,191	1,143,001	2,074,948	17,191,789
- Inter-segmental sales or transfer	538,059	426,561	1,957,894	37,653	2,960,169
<b>Total</b>	11,238,707	3,699,753	3,100,895	2,112,602	20,151,958
<b>Segment income/(loss)</b>	61,144	(92,104)	(13,731)	53,305	8,614

	Adjustment (*1)	Amount on Consolidated Financial Statements (*2)
<b>Net sales</b>		
- Sales to outside customers	—	17,191,789
- Inter-segmental sales or transfer	(2,960,169)	—
<b>Total</b>	(2,960,169)	17,191,789
<b>Segment income/(loss)</b>	(33,919)	(25,304)

(Notes) 1. Adjustment in Segment income/(loss) of (33,919) thousand yen includes the inter-segmental transaction elimination of 36,377 thousand yen and Corporate allocation not allocated to each Report Segment of 70,296 thousand yen. The main portion of Corporate allocation is Selling, general and administrative expenses not attributable to Report Segments.

2. Adjustments are made in the difference between Segment income/(loss) and Operating income/(loss) on the quarterly Consolidated Statement of Income.

b. Matters regarding changes in Report Segments, etc.

Daito Electron Co., Ltd. (the Company) transferred as of January 1, 2013, (i) its EM Business Dept., which had engaged in the manufacture of the Company's electronic material manufacturing equipment, to one of its domestic subsidiaries Daitron Technology Co., Ltd., and (ii) the Power Supply Business Dept., which had engaged in the manufacture of electronic equipment and components (power supply equipment), to another domestic subsidiary Daito Denso Co., Ltd.

With these transfers, the Report Segments of the two departments are changed: the EM Business Dept., which was included in "Manufacturing Equipment," and that of the Power Supply Business Dept., which was included in "Electronic Equipment and Components," are both included in "Domestic Subsidiaries" as from the current quarter.

The segment information for this second cumulative quarter disclosed herein is prepared based on the new Report Segments after the above business transfers, respectively.

c. Information on Impairment loss on fixed assets or Goodwill, etc. by Report Segment: N.A.