

Financial Report for the 9-month Period Ended September 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: November 14, 2013

Scheduled date of starting dividend payment: -

Support explanatory material for quarterly settlement: None

Explanatory meeting for quarterly settlement: None

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

1. Financial results for 9-month period ended September 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	%
3Q/2013	26,096	(3.2)	11	(96.4)	81	(81.1)	(8)	—
3Q/2012	26,973	(14.7)	334	(65.1)	432	(51.6)	242	(59.6)

Note: Comprehensive Income 3Q/2013: 229 million yen (-19.3%) 3Q/2012: 283 million yen (-43.2%)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
3Q/2013	(0.78)	—
3Q/2012	21.96	—

Note:

- Diluted quarterly net income per share in 3Q/2012 is not shown because there existed no residual stocks.
- Diluted quarterly net income per share in 3Q/2013 is not shown because it was a quarterly net loss and there existed no residual stocks.

(2) Financial standing

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
3Q/2013	24,983	11,624	46.5	1,046.48
FY2012	23,622	11,525	48.8	1,032.90

(Reference) Shareholders' equity 3Q/2013: 11,621 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)				5.00	5.00

(Note) Revision of the most recently announced dividend payment expectation: Revised

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	35,000	(3.0)	40	(88.4)	110	(76.4)	(220)	—	(19.80)

(Note) Revision of the most recently announced operating estimates: Revised

* 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) Corresponding to

(4) Number of outstanding shares (common shares)

- ① number of outstanding shares at period-end (including treasury stock)
 - 3Q 2013 : 11,155,979 shares
 - FY 2012 : 11,155,979 shares
- ② number of treasury stocks at period-end
 - 3Q 2013 : 51,170 shares
 - FY 2012 : 1,119 shares
- ③ average number of shares during period (quarterly cumulative)
 - 3Q 2013 : 11,111,796 shares
 - 1Q 2012 : 11,060,434 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.

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1. Qualitative information on accounts for the current quarter

(1) Qualitative information on consolidated business results

The Japanese economy in this cumulative quarter began to show some signs of picking up after the change of government last year such as corrected high yen and recovering share prices based on a feeling of hope for the new economic policies by the government and the large-scale monetary easing steps by the Bank of Japan. However, its future has remained unclear with the world economy slowing down under the influences of the protracted European debt problem and stagnant growth of the Chinese and other emerging economies.

Our electronics industry also had a difficult time on the whole in these economic environments, having fallen short of a full-scale recovery with general corporate facility investments continuingly restrained, though a recovery trend began to be seen in part, including the auto-related and smartphone and tablet device-related fields.

Under these circumstances, the Group had a hard time greatly affected by the continued sluggishness of industrial machinery and equipment, our major market, particularly the delay in a recovery of manufacturing equipment related market. The recovery trend which started to be seen in part of the electronic equipment and components related market also stopped short of boosting the entire performance, which substantially fell below those of the same term last year, especially in profit.

Consequently, the Group obtained the following results in the current cumulative third quarter: net sales 26,096 million yen (down 3.2% from the same term last year); operating income 11 million yen (down 96.4%); ordinary income 81 million yen (down 81.1%); and quarterly net loss 8 million yen (242 million yen profit in the same term last year).

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 first 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," CCD cameras and lens/lights of the "Image-Related Equipment & Parts," and contactless IC card systems and image information systems of the "Information System" remained steady and led the segment's performance. However, with the lowered profitability resulting

from the intensified price competition in connectors and harnesses of the "Electronic Components & Assembly Products," which are Company's main products, and lines of "Semiconductors" and "Embedded Systems," the profit of the entire segment was far below that of the same term last year.

Consequently, net sales of this segment totaled 16,654 million yen (up 6.5% from the same term last year) with a segmental (operating) profit of 151 million yen (down 60.7%).

- Manufacturing Equipment

As for this segment, the performance of the entire segment fell far below that of the same term last year with products of the "Optical Device Manufacturing Equipment," "LSI Manufacturing Equipment," "Electronic Material Manufacturing Equipment," "FPD Manufacturing Equipment," and "Energy Device Manufacturing Equipment," affected by the tendency of restrained facility investments continuing under the impact of an increasing sense of uncertainty about the future based on the European financial instability and the slowdown in economic growth of China and other newly emerging nations.

Consequently, net sales of this segment totaled 4,684 million yen (down 34.7% from the same term last year) with a segmental (operating) loss of 158 million yen (78 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., which is engaged in the manufacturing equipment business, was in great difficulty, with the LSI manufacturing equipment and optical device manufacturing equipment businesses significantly impacted by restrained facility investments.

Consequently, net sales of this segment totaled 1,703 million yen (down 12.0% from the same term last year) with a segmental (operating) profit of 9 million yen (down 95.7% from the same term last year).

- Overseas Subsidiaries

This segment was in harsh conditions due to the stagnant European economies based on financial instability, reduction in facility investments in Asia as well as the lowered profitability resulting from the intensified price competition. In such circumstances, steady performance in railroad vehicle harnesses of Daitron Inc., which operates for the North American market, and a significant recovery in the earnings from the image-related equipment of Daitron (Korea) Co., Ltd., which operates for the Korean and other East Asian markets 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 3,053 million yen (up 37.5% from the same term last year) with a segmental (operating) profit of 72 million yen (44 million loss in the same term last year).

(2) Qualitative information on consolidated financial conditions

(Assets)

Current assets at the end of this quarter amounted to 19,637 million yen (up 1,381 million yen from the previous fiscal-end) primarily due to the increases in notes and accounts receivable by 688 million yen, electronically

recorded monetary claims by 426 million yen, and other current assets by 399 million yen, respectively. Fixed assets amounted to 5,346 million yen (down 21 million yen), as a result of the decrease in tangible fixed assets by 149 million yen and decrease in intangible fixed assets by 87 million yen, and the increase in investments and other assets by 215 million yen.

Consequently, the total assets stood at 24,983 million yen, up 1,360 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of this quarter amounted to 11,374 million yen (up 2,313 million yen from the previous fiscal-end), primarily due to the increases in notes and accounts payable by 515 million yen, short-term loans payable by 507 million yen, and long-term loans payable due within one year by 797 million yen, respectively. Fixed liabilities amounted to 1,984 million yen (down 1,051 million yen), primarily due to the decrease in long-term loans payable by 1,039 million yen.

Consequently, the total liabilities stood at 13,359 million yen, up 1,261 million yen from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of this quarter amounted to 11,624 million yen (up 99 million yen from the previous fiscal-end), primarily due to the increase in difference from evaluation of other investment securities by 204 million yen.

Consequently, the shareholders' equity ratio stood at 46.5%, down 2.3 point from the end of the previous fiscal year.

(3) Qualitative information on forecasted consolidated operating results

In our electronics industry, despite a recovery trend seen in such fields as the auto-related and smartphone and tablet device-related, demand in the industrial machinery and equipment, our major market, has continued to be sluggish. The Group's electronic equipment and component business has continuously been strong, while the manufacturing equipment related business has remained in harsh condition, significantly affected by slack demand for corporate facility investments.

Based on these business circumstances, the Group closely examined the forecast for the 4Q consolidated accounting period, and revised the operating results and expected dividends stated in the Financial Report for the 12-month Period Ended December 31, 2012 announced on February 7, 2013.

For details, please refer to "Announcement of Revisions of Business Forecast and Dividend Forecast for FY 2013" announced today, November 1, 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 restatements:

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

As from the first quarter, under the revised Corporation Tax Act, the Company and its consolidated domestic subsidiaries applied the depreciation method under 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 Sep 30, 2013)
Assets		
Current assets		
Cash and deposits	5,748,734	5,417,961
Notes and accounts receivable - Trade	9,034,816	9,723,632
Electronically recorded monetary claims	487,616	913,843
Goods and products	1,325,278	1,610,299
Work in process	918,933	768,446
Raw materials	170,172	204,287
Other current assets	600,144	999,938
Allowance for doubtful accounts	(30,269)	(1,043)
Total current assets	18,255,427	19,637,365
Fixed assets		
Tangible fixed assets	3,549,686	3,400,567
Intangible fixed assets	263,460	175,981
Investments and other assets		
Other investments and other assets	1,562,221	1,805,996
Allowance for doubtful accounts	(8,105)	(36,467)
Total investments and other assets	1,554,115	1,769,529
Total fixed assets	5,367,262	5,346,077
Total assets	23,622,689	24,983,443

	Previous FY (at December 31, 2012)	Current quarter (at Sep 30, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,367,894	7,883,428
Short-term loans payable	—	507,500
Long-term loans payable due within one year	322,680	1,120,640
Accrued Income taxes, etc.	245,128	133,912
Allowance for bonuses	21,293	259,595
Other allowances	44,639	50,433
Other current liabilities	1,059,170	1,418,755
Total current liabilities	9,060,806	11,374,265
Fixed liabilities		
Long-term loans payable	1,039,970	—
Allowance for employees' retirement benefits	1,643,721	1,720,270
Asset retirement obligation	45,458	46,688
Other fixed liabilities	307, 516	217,850
Total fixed liabilities	3,036,667	1,984,809
Total liabilities	12,097,473	13,359,074
Net assets		
Shareholders' equity		
Common stock	2,200,708	2,200,708
Capital surplus	2,482,896	2,482,896
Retained earnings	6,879,879	6,759,664
Treasury stock	(1,009)	(19,329)
Total shareholders' equity	11,562,475	11,423,939
Accumulated other comprehensive income		
Difference from evaluation of other investment securities	96,123	301,045
Deferred gains or losses on hedges	718	(2,541)
Foreign currency translation adjustments	(137,466)	(101,441)
Total accumulated other comprehensive income	(40,625)	197,062
Minority interests	3,366	3,366
Total net assets	11,525,216	11,624,368
Total liabilities and net assets	23,622,689	24,983,443

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

(Consolidated Statement of Income)

(Unit: thousand yen)

	9 months Ended Sep 30, 2012	9 months Ended Sep 30, 2013
Net sales	26,973,188	26,096,607
Cost of sales	20,974,943	20,626,061
Gross profit	5,998,244	5,470,545
Selling, general and administrative expenses	5,664,149	5,458,574
Operating income	334,095	11,971
Non-operating income		
Interest income	6,136	5,687
Dividend income	7,251	7,879
Foreign exchange profit	14,398	66,905
Penalty income	80,380	—
Other non-operating income	38,616	33,819
Total non-operating income	146,782	114,292
Non-operating expenses		
Interest expense	34,882	30,425
Loss on sale of trade notes	4,171	3,326
Other non-operating losses	9,457	10,833
Total non-operating expenses	48,511	44,585
Ordinary income	432,366	81,678
Extraordinary income		
Gain on sale of fixed assets	2,118	862
Gain on sale of investment securities	—	421
Total extraordinary income	2,118	1,283
Extraordinary losses		
Loss on sale and retirement of fixed assets	600	8,446
Loss on valuation of investment securities	5,954	—
Total extraordinary losses	6,554	8,446
Net income before taxes and adjustments	427,931	74,515
Income, inhabitants and enterprise taxes	269,151	209,400
Income taxes-deferred	(84,083)	(126,219)
Total income taxes	185,068	83,181
Net income/(loss) before minority shareholders profit and loss adjustments	242,863	(8,666)
Net income/(loss)	242,863	(8,666)

(Consolidated Statement of Comprehensive Income)

(Unit: thousand yen)

	9 months Ended Sep 30, 2012	9 months Ended Sep 30, 2013
Net income/(loss) before minority shareholders profit and loss adjustments	242,863	(8,666)
Accumulated other comprehensive income		
Difference from evaluation of other investment securities	47,822	204,921
Deferred gains or losses on hedges	(2,518)	(3,259)
Foreign currency translation adjustments	(4,275)	36,025
Total accumulated other comprehensive income	41,028	237,687
Quarterly comprehensive income	283,891	229,021
(Breakdown)		
Quarterly comprehensive income pertaining to parent's shareholders	283,891	229,021
Quarterly comprehensive income pertaining to minority shareholders	—	—

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

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

(5) Segment Information, etc.

[9 months Ended September 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
Net sales					
- Sales to outside customers	15,641,202	7,175,970	1,935,507	2,220,507	26,973,188
- Inter-segmental sales or transfer	764,940	86,165	2,836,494	102,799	3,790,400
Total	16,406,142	7,262,136	4,772,002	2,323,306	30,763,588
Segment income/(loss)	385,821	78,370	230,551	(44,202)	650,540

	Adjustment (*1)	Amount on Consolidated Financial Statements (*2)
Net sales		
- Sales to outside customers	—	26,973,188
- Inter-segmental sales or transfer	(3,790,400)	—
Total	(3,790,400)	26,973,188
Segment income/(loss)	(316,444)	334,095

(Notes) 1. Adjustment in Segment income/(loss) of (316,444,000) yen includes the inter-segmental transaction elimination of 52,780,000 yen and Corporate allocation not allocated to each Report Segment of (369,225,000) yen. The main portion of Corporate allocation is Selling, general and administrative expenses not attributable to Report Segments.

2. Segmental income/(loss) is adjusted to Operating income on the quarterly Consolidated Statement of Income.

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

[9 months Ended September 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
Net sales					
- Sales to outside customers	16,654,664	4,684,708	1,703,401	3,053,832	26,096,607
- Inter-segmental sales or transfer	730,412	443,523	2,950,602	64,643	4,189,182
Total	17,385,077	5,128,232	4,654,004	3,118,475	30,285,789
Segment income/(loss)	151,492	(158,717)	9,849	(72,648)	(75,273)

	Adjustment (*1)	Amount on Consolidated Financial Statements (*2)
Net sales		
- Sales to outside customers	—	26,096,607
- Inter-segmental sales or transfer	(4,189,182)	—
Total	(4,189,182)	26,096,607
Segment income/(loss)	(63,302)	11,971

(Notes) 1. Adjustment in Segment income/(loss) of (63,302,000) yen includes the inter-segmental transaction elimination of 51,436,000 yen and Corporate allocation not allocated to each Report Segment of (114,738,000) yen. The main portion of Corporate allocation is Selling, general and administrative expenses not attributable to Report Segments.

2. Segmental income/(loss) is adjusted to Operating income 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 third 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.