

## Financial Report for the 3-month Period Ended March 31, 2014 (Consolidated - Japanese Standards)

Company name: DAITO ELECTRON CO., LTD.  
 Stock exchange listing: 1st Section of the Tokyo Stock Exchange  
 Code number: 7609 URL: <http://www.daitron.co.jp/>  
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Scheduled date of submitting quarterly statement: May 15, 2014

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 3-month period ended March 31, 2014 (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	%
1Q/2014	9,749	15.6	186	—	180	460.0	109	181.4
1Q/2013	8,433	(16.5)	(9)	—	32	(83.6)	38	(66.8)

Note: Comprehensive Income 1Q/2014: 36 million yen (-77.8%) 1Q/2013: 162 million yen (-27.3%)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
1Q/2014	9.85	—
1Q/2013	3.50	—

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
1Q/2014	25,322	11,611	45.8	1,045.30
FY2013	23,766	11,630	48.9	1,047.04

(Reference) Shareholders' equity 1Q/2014: 11,607 million yen FY2013: 11,627 million yen

### 2. Dividend payments

	Annual dividend payment (Yen)				
	1Q end	2Q end	3Q end	fiscal end	Total
FY2013	—	0.00	—	5.00	5.00
FY2014	—				
FY2014 (expected)		0.00	—	5.00	5.00

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

### 3. Consolidated earnings forecast for fiscal 2014 ending December 31, 2014

(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
2Q (cumulative)	17,700	3.0	50	—	40	20.3	(90)	—	(8.10)
Full year	36,300	4.0	430	210.1	410	62.3	60	—	5.40

(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: None

② Other change in accounting principles: None

③ Change in accounting estimates: None

④ Restatement: None

(4) Number of outstanding shares (common shares)

① number of outstanding shares at period-end (including treasury stock)

1Q 2014 : 11,155,979 shares

FY 2013 : 11,155,979 shares

② number of treasury stocks at period-end

1Q 2014 : 51,184 shares

FY 2013 : 51,170 shares

③ average number of shares during period (cumulative)

1Q 2014 : 11,104,797 shares

1Q 2013 : 11,125,961 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

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 the forecasts, please refer to "(3) Qualitative information on forecasted consolidated operating results" under "1. Qualitative information on accounts for the current quarter" shown on page 3 of Appendix.

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

### (1) Discussion regarding operating results

The Japanese economy in this quarter showed some signs of picking up such as the lower yen and high stock prices continuing from the last year and improved corporate earnings and recovered consumer spending on the back of the government's and the BOJ's economic and financial policies, while its future continued to be unclear as seen in the rising raw material prices due to the lower yen, the economic trend pending the consumption tax increase, and the slowdown in growth of emerging economies.

Our electronics industry, affected by such an economic environment, despite a recovery trend seen in some fields including the auto-related, smartphone, tablet terminal and peripherals, demand in corporate facility investments has not attained the full-scale recovery in the industrial machinery and equipment markets.

Under these circumstances, the Group's business results considerably exceeded those of the same term last year both in sales and profit with corporate production activated.

Consequently, the Group obtained the following results in the current quarter: net sales 9,749 million yen (up 15.6% from the same term last year); operating profit 186 million yen (9 million yen loss in the same term last year); ordinary income 180 million yen (up 460.0%); and quarterly net income 109 million yen (up 181.4%).

The outline of segmental performance is as follows:

#### - Electronic Equipment and Components

As for this segment, associated with activated corporate production, in addition to connectors and harnesses of the "Electronic Components & Assembly Products" and contactless IC card systems of the "Information Systems" both of which showed steady performance, videoconferencing systems of the "Information Systems" also remained strong buoyed by increased demand in equipment renewal, etc., and led the segment's performance.

Consequently, net sales of this segment totaled 6,380 million yen (up 21.6% from the same term last year) with a segmental (operating) income of 100 million yen (up 15.9%).

#### - Manufacturing Equipment

As for this segment, despite the strong performance in LCD panel manufacturing equipment of the "FPD Manufacturing Equipment" and LED manufacturing equipment of the "Optical Device Manufacturing Equipment" with demands recovering in some fields including smartphone, tablet terminal and peripherals, silicon wafer manufacturing equipment of the "Electronic Material Manufacturing Equipment" and products of the "LSI Manufacturing Equipment" had a hard time due to delayed recovery of corporate facility investments.

Consequently, net sales of this segment totaled 1,855 million yen (up 14.8% from the same term last year) with a segmental (operating) loss of 10 million yen (35 million yen loss in the same term last year).

#### - Domestic Subsidiaries

In terms of sales of this segment, Daitron Technology Co., Ltd., which is engaged in the manufacturing equipment business, stayed in a difficult condition affected by continually restrained corporate facility investments. Additionally, Daito Denso Co., Ltd., which is engaged in the electronic equipment and component business, remained steady as corporate production activities gradually recovered. However, in profit, after

reviewing manufacturing costs and cost reducing efforts, etc. the performance of this segment considerably exceeded that of the same term last year.

Consequently, net sales of this segment totaled 534 million yen (down 3.0% from the same term last year) with a segmental (operating) profit of 64 million yen (62 million yen loss in the same term last year).

- Overseas Subsidiaries

The sales of this segment remained at the almost same level affected by declined sales of electronic equipment and parts in China, despite the strong sales in the US, Korea, and Southeast Asia. However, in terms of profit, with the sales ratio in highly profitable products increased, the performance of the entire segment exceeded that of the same term last year.

Consequently, net sales of this segment totaled 969 million yen (down 4.0% from the same term last year) with a segmental (operating) profit of 25 million yen (up 153.4%).

(2) Discussion regarding financial conditions

(Assets)

Current assets at the end of this quarter amounted to 20,169 million yen (up 1,678 million yen from the previous fiscal-end), primarily due to the increases in cash and deposits by 926 million yen, notes and accounts receivable by 468 million yen, respectively. Fixed assets amounted to 5,153 million yen (down 121 million yen), as a result of the decreases in tangible fixed assets by 26 million yen, intangible fixed assets by 29 million yen, and investments and other assets by 65 million yen, respectively.

Consequently, the total assets stood at 25,322 million yen, up 1,556 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of this quarter amounted to 11,679 million yen (up 1,565 million yen from the previous fiscal-end), primarily due to the increases in notes and accounts payable by 1,223 million yen and short-term loans payable by 520 million yen, respectively. Fixed liabilities amounted to 2,031 million yen (up 10 million yen).

Consequently, the total liabilities stood at 13,711 million yen, up 1,576 million yen from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of this quarter amounted to 11,611 million yen (down 19 million yen from the previous fiscal-end), primarily due to the increase in earned surplus by 53 million yen, and the decreases in difference from evaluation of other investment securities by 41 million yen and foreign currency translation adjustments by 28 million yen, respectively.

Consequently, the shareholders' equity ratio stood at 45.8%, down 3.1 point from the end of the previous fiscal year.

(3) Discussion regarding forecast information such as consolidated earnings forecast

As for the consolidated earnings forecast, there has been no change from those contained in the "Financial Report for the 12-month Period Ended December 31, 2013" announced on February 6, 2014. Please note that the earnings forecasts are prepared based on information available at the announcement date of this material

and the actual results may differ from the forecasted one depending on various factors that may arise in the future. When any possibility of revising the earnings forecasts, arises, it will be disclosed as soon as possible.

2. Matters regarding summary information (Notes)

- (1) Change in significant subsidiaries during the quarter: N.A.
- (2) Application of accounting procedures specially applicable to preparation of quarterly consolidated financial statements: N.A.
- (3) Change in accounting principles, accounting estimates, and revised and restatements: N.A.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheet

(Unit: thousand yen)

	at December 31, 2013	at March 31, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	5,611,441	6,537,936
Notes and accounts receivable - Trade	9,009,210	9,477,225
Electronically recorded monetary claims	945,276	859,386
Goods and products	1,366,500	1,602,881
Work in process	743,521	900,643
Raw materials	222,179	322,405
Other current assets	594,358	470,601
Allowance for doubtful accounts	(904)	(1,315)
Total current assets	18,491,584	20,169,764
Fixed assets		
Tangible fixed assets	3,332,978	3,306,623
Intangible fixed assets	146,578	116,860
Investments and other assets		
Other investments and other assets	1,831,125	1,765,616
Allowance for doubtful accounts	(36,163)	(36,085)
Total investments and other assets	1,794,961	1,729,530
Total fixed assets	5,274,518	5,153,014
Total assets	23,766,103	25,322,779

	at December 31, 2013	at March 31, 2014
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	7,642,959	8,866,135
Short-term loans payable	100,000	620,000
Long-term loans payable due within one year	1,039,970	959,300
Accrued Income taxes, etc.	97,284	153,724
Allowance for bonuses	49,666	313,237
Other allowance	38,431	38,825
Other current liabilities	1,145,460	728,546
Total current liabilities	10,113,772	11,679,770
Fixed liabilities		
Allowance for employees' retirement benefits	1,758,353	1,789,130
Asset retirement obligation	46,862	47,039
Other fixed liabilities	216,557	195,676
Total fixed liabilities	2,021,773	2,031,846
Total liabilities	12,135,546	13,711,616
<b>Net assets</b>		
Shareholders' equity		
Common stock	2,200,708	2,200,708
Capital surplus	2,482,896	2,482,896
Retained earnings	6,691,248	6,745,161
Treasury stock	(19,329)	(19,335)
Total shareholders' equity	11,355,523	11,409,430
Accumulated other comprehensive income		
Difference from evaluation of other investment securities	330,905	289,457
Deferred gains or losses on hedges	118	(3,040)
Foreign currency translation adjustments	(59,357)	(88,050)
Total accumulated other comprehensive income	271,667	198,365
Minority interests	3,366	3,366
Total net assets	11,630,556	11,611,162
Total liabilities and net assets	23,766,103	25,322,779

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

(Consolidated Statement of Income)

(Unit: thousand yen)

	3 months Ended March 31, 2013	3 months Ended March 31, 2014
Net sales	8,433,056	9,749,101
Cost of sales	6,646,918	7,717,644
Gross profit	1,786,138	2,031,456
Selling, general and administrative expenses	1,795,579	1,845,367
Operating income/(loss)	(9,441)	186,089
Non-operating income		
Interest income	2,790	2,256
Dividend income	704	806
Insurance dividend	10,806	11,095
Foreign exchange profit	26,064	—
Other non-operating income	17,787	12,101
Total non-operating income	58,154	26,261
Non-operating expenses		
Interest expense	10,112	8,770
Loss on sale of trade notes	1,514	1,645
Foreign exchange loss	—	17,381
Other non-operating losses	4,819	3,858
Total non-operating expenses	16,446	31,656
Ordinary income	32,266	180,693
Extraordinary income		
Gain on sale of fixed assets	98	17,510
Gain on sale of investment securities	421	—
Total extraordinary income	520	17,510
Extraordinary losses		
Loss on sale and retirement of fixed assets	283	109
Total extraordinary losses	283	109
Net income before taxes and adjustments	32,502	198,093
Income, inhabitants and enterprise taxes	65,766	163,890
Income taxes-deferred	(72,152)	(75,233)
Total income taxes	(6,385)	88,656
Net income before minority shareholders profit and loss adjustments	38,888	109,436
Net income	38,888	109,436

(Consolidated Statement of Comprehensive Income)

(Unit: thousand yen)

	3 months Ended	3 months Ended
	March 31, 2013	March 31, 2014
Net income before minority shareholders profit and loss adjustments	38,888	109,436
Other comprehensive income		
Difference from evaluation of other securities	118,778	(41,448)
Deferred gains or losses on hedges	(6,380)	(3,159)
Foreign currency translation adjustments	11,693	(28,693)
Total accumulated other comprehensive income	124,092	(73,301)
Quarterly comprehensive income	162,980	36,135
(breakdown)		
Quarterly comprehensive income pertaining to parent stock	162,980	36,135
Quarterly comprehensive income pertaining to minority shareholders	—	—

### (3) Notes regarding Quarterly Consolidated Financial Statements

(Notes regarding premises of going concern) N.A.

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

(Segment information, etc.)

Segment information

[3 months Ended March 31, 2014]

a. Information on the amounts of net sales and profit/(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	5,246,235	1,616,619	560,447	1,009,754	8,433,056
- Inter-segmental sales or transfer	197,839	58,987	964,972	12,779	1,234,579
<b>Total</b>	<b>5,444,075</b>	<b>1,675,606</b>	<b>1,525,419</b>	<b>1,022,534</b>	<b>9,667,635</b>
<b>Segment income/(loss)</b>	<b>86,467</b>	<b>(35,294)</b>	<b>(62,830)</b>	<b>10,184</b>	<b>(1,473)</b>

	Adjustment (*1)	Amount on Consolidated Financial Statements (*2)
<b>Net sales</b>		
- Sales to outside customers	—	8,433,056
- Inter-segmental sales or transfer	(1,234,579)	—
<b>Total</b>	<b>(1,234,579)</b>	<b>8,433,056</b>
<b>Segment income/(loss)</b>	<b>(7,967)</b>	<b>(9,441)</b>

(Notes) 1. Adjustment in Segment income/(loss) of (7,967) yen includes the inter-segmental transaction elimination of 25,623 yen and Corporate allocation not allocated to each Report Segment of (33,591) 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/(loss) on the quarterly Consolidated Statement of Income.

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

**[3 months Ended March 31, 2014]**

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	6,380,467	1,855,219	543,902	969,511	9,749,101
- Inter-segmental sales or transfer	237,536	42,692	948,044	44,977	1,273,250
<b>Total</b>	6,618,003	1,897,911	1,491,946	1,014,489	11,022,351
<b>Segment income/(loss)</b>	100,188	(10,919)	64,694	25,809	179,772

	Adjustment (*1)	Amount on Consolidated Financial Statements (*2)
<b>Net sales</b>		
- Sales to outside customers	—	9,749,101
- Inter-segmental sales or transfer	(1,273,250)	—
<b>Total</b>	(1,273,250)	9,749,101
<b>Segment income/(loss)</b>	6,316	186,089

(Notes) 1. Adjustment in Segment income/(loss) of (6,316) yen includes the inter-segmental transaction elimination of 14,828 yen and Corporate allocation not allocated to each Report Segment of (8,511) 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/(loss) on the quarterly Consolidated Statement of Income.

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