

## Financial Report for the 9-month Period Ended September 30, 2014 (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, 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 9-month period ended September 30, 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	%
3Q/2014	28,268	8.3	436	—	475	482.2	352	—
3Q/2013	26,096	(3.2)	11	(96.4)	81	(81.1)	(8)	—

Note: Comprehensive Income 3Q/2014: 229 million yen (-19.3%) 3Q/2013: 283 million yen (-43.2%)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
3Q/2014	31.72	—
3Q/2013	(0.78)	—

Note:

- 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.
- Diluted quarterly net income per share in 3Q/2014 is not shown because there exist no residual stocks.

#### (2) Financial standing

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
3Q/2014	26,229	11,928	45.5	1,073.85
FY2013	23,766	11,630	48.9	1,047.04

(Reference) Shareholders' equity 3Q/2014: 11,924 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	—	0.00	—		
FY2014 (expected)				10.00	10.00

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

### 3. Consolidated operating estimates 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
Full year	38,500	10.3	550	296.6	570	125.6	400	—	36.02

(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: 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)

3Q 2014 : 11,155,979 shares

FY 2013 : 11,155,979 shares

② number of treasury stocks at period-end

3Q 2014 : 51,184 shares

FY 2013 : 51,170 shares

③ average number of shares during period (quarterly cumulative)

3Q 2014 : 11,104,796 shares

3Q 2013 : 11,111,796 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) Explanation on future prospects such as 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) Explanation on business results

The Japanese economy in this cumulative quarter stayed on a gradual recovery trend with improved corporate profits mainly in the export industry as well as recovered facility investments on the background of the government's economic policies and the monetary easing steps by the Bank of Japan despite the impacts of a backlash from the surge in consumer spending in anticipation of a consumption tax hike.

Globally, with all the concerns about the influence of the political instability in Ukraine and the Middle East while the US economy remained steady, the economy was on a trend of expansion.

Our electronics industry was also on a recovery trend mainly in auto-related, and smart phone and tablet device related fields.

Under these circumstances, the Group improved greatly in both sales and profit as a result of active efforts in the four strategic themes of the 8<sup>th</sup> Three-Year Management Plan starting in the current year: "Enhancement and expansion of original products," "Enhancement and expansion of overseas operations," "Development of new markets/customers," and "Cultivation and lateral expansion of existing markets/customers," also influenced by the economic environments as stated above.

Consequently, the Group obtained the following results in the current cumulative third quarter: net sales 28,268 million yen (up 8.3% from the same term last year); operating income 436 million yen (11 million yen profit in the same term last year); ordinary income 475 million yen (up 482.2%); and quarterly net profit 352 million yen (8 million yen loss in the same term last year).

The outline of segmental performance is as follows:

#### - Electronic Equipment and Components

As for this segment, with corporate production activities activated, net sales exceeded that of the same term in the previous year as the connectors and harnesses of the "Electronic Components & Assembly Products" remained strong in auto-related and semiconductor manufacturing equipment-related markets, and computer peripherals of "Embedded Systems" also did well in built-in monitor and manufacturing equipment markets in the industrial machinery and equipment markets, our main markets, while in profit the performance fell below the last year's due to the increase in advance investment in new businesses.

Consequently, net sales of this segment totaled 18,687 million yen (up 12.2% from the same term last year) with a segmental (operating) profit of 111 million yen (down 26.3%).

#### - Manufacturing Equipment

As for this segment, after a harsh business environment continued for a while, with corporate facility investments remaining on a recovery trend, orders increased significantly though this increase has not made a great contribution to net sales in the current quarter yet, which is a positive sign of earnings recovery. Under such circumstances, the Electronic Material Manufacturing Equipment remained in a severe condition despite the recovering orders, while buoyed by the increased demand for production facilities for smart phone and tablet terminals in the LSI Manufacturing Equipment, and the generally good performance of LED manufacturing equipment of the Optical Device Manufacturing Equipment, net sales of the entire segment exceeded that of the same term last year, and in profit, too, it led to compressed loss.

Consequently, net sales of this segment totaled 4,909 million yen (up 4.8% from the same term last year) with a segmental (operating) loss of 50 million yen (158 million yen loss in the same term last year).

- Domestic Subsidiaries

In this segment, as for Daito Denso Co., Ltd., which is engaged in the electronic equipment and component business, harness & assembly, etc. remained strong with corporate production activities activated and both sales and profit greatly exceeded the performance of the same term last year, while Daitron Technology Co., which is engaged in the manufacturing equipment business, continued to be in a difficult condition in sales, in spite of increasing orders supported by recovering corporate facility investments. In such conditions net sales in this segment fell below those of the same term last year, while in profit the result significantly exceeded the last year's as a result of reviewing manufacturing costs and compressing selling, general and administrative expenses.

Consequently, net sales of this segment totaled 1,565 million yen (down 8.1% from the same term last year) with a segmental (operating) profit of 269 million yen (9 million yen profit in the same term last year).

- Overseas Subsidiaries

As for this segment, the performance of Daitron (H.K.) Co., Ltd. and Daitron (Shanghai) Co., Ltd. improved due to the increased smart phone & tablet terminal related investments in Asia and production transfers of Japanese businesses. However, with Daitron Inc.'s performance affected by the temporary production decline in railroad vehicle harnesses based on the US customer's production plan, the profit of the entire segment significantly fell short of that of the same term last year, though the sales slightly exceeded the previous year's.

Consequently, net sales of this segment totaled 3,160 million yen (up 1.7% from the same term last year) with a segmental (operating) profit of 62 million yen (down 14.1%).

(2) Explanation on financial conditions

(Assets)

Current assets at the end of this cumulative quarter amounted to 21,207 million yen (up 2,715 million yen from the previous fiscal-end) primarily due to the increases in notes and accounts receivable by 1,767 million yen and electronically recorded monetary claims by 487 million yen, respectively. Fixed assets amounted to 5,022 million yen (down 251 million yen), as a result of the decreases in tangible fixed assets by 94 million yen, intangible fixed assets by 53 million yen, and investments and other assets by 103 million yen, respectively.

Consequently, the total assets stood at 26,229 million yen, up 2,463 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of this quarter amounted to 11,287 million yen (up 1,173 million yen from the previous fiscal-end), primarily due to the increases in notes and accounts payable by 1,525 million yen. Fixed liabilities amounted to 3,014 million yen (up 992 million yen), primarily due to the increase in long-term loans payable by 922 million yen.

Consequently, the total liabilities stood at 14,301 million yen, up 2,166 million yen from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of this quarter amounted to 11,928 million yen (up 297 million yen from the previous fiscal-end), primarily due to the retained earnings by 296 million yen.

Consequently, the shareholders' equity ratio stood at 45.5%, down 3.4 point from the end of the previous fiscal year.

(3) Explanation on forecasted operating results

As for the future outlook of the Japanese economy, as the export industry, etc. are expected to remain steady and facility investment related demands are likely to stay on a recovery trend, it is expected to expand gradually in general with all the weakness in personal consumption.

Based on such business circumstances and the performance during this cumulative quarter, the Group revised its business forecast and dividend forecast contained in the Financial Report for the 6-month Period Ended June 30, 2014 announced on August 1, 2014.

For the details, please refer to the Announcement of Revisions of Business Forecast for FY 2014 announced today, November 4, 2014.

Based on these business circumstances and the performance of the cumulative third quarters, the Group closely examined the forecast for the 2Q consolidated accounting period, and revised the operating results and expected dividends stated in the Financial Report for the 6-month Period Ended June 30, 2014 announced on August 1, 2014.

For details, please refer to "Announcement of Revisions of Business Forecast and Dividend Forecast for FY 2014" announced today, November 4, 2014.

2. Matters regarding summary information (Notes)

- (1) Change in significant subsidiaries during this cumulative period: N.A.
- (2) Application of accounting procedures especially applicable to preparation of quarterly consolidated financial statements: N.A.
- (3) Change in accounting principles/estimates and restatements: N.A.

### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

(Unit: thousand yen)

	Previous FY (at Dec 31, 2013)	Current quarter (at Sep 30., 2014)
Assets		
Current assets		
Cash and deposits	5,611,441	5,317,814
Notes and accounts receivable - Trade	9,009,210	10,776,231
Electronically recorded monetary claims	945,276	1,432,525
Goods and products	1,366,500	1,695,409
Work in process	743,521	999,914
Raw materials	222,179	330,603
Other current assets	594,358	656,501
Allowance for doubtful accounts	(904)	(1,868)
Total current assets	18,491,584	21,207,133
Fixed assets		
Tangible fixed assets	3,332,978	3,238,370
Intangible fixed assets	146,578	92,971
Investments and other assets		
Other investments and other assets	1,831,125	1,758,655
Allowance for doubtful accounts	(36,163)	(67,321)
Total investments and other assets	1,794,961	1,691,334
Total fixed assets	5,274,518	5,022,676
Total assets	23,766,103	26,229,809

	Previous FY (at Dec 31, 2013)	Current quarter (at Sep 30., 2014)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	7,642,959	9,168,895
Short-term loans payable	100,000	507,500
Long-term loans payable due within one year	1,039,970	66,660
Accrued Income taxes, etc.	97,284	268,337
Allowance for bonuses	49,666	353,648
Other allowances	38,431	55,277
Other current liabilities	1,145,460	867,033
Total current liabilities	10,113,772	11,287,350
Fixed liabilities		
Long-term loans payable	—	922,230
Allowance for employees' retirement benefits	1,758,353	1,854,666
Asset retirement obligation	46,862	47,393
Other fixed liabilities	216,557	189,923
Total fixed liabilities	2,021,773	3,014,213
Total liabilities	12,135,546	14,301,564
<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	6,987,951
Treasury stock	(19,329)	(19,335)
Total shareholders' equity	11,355,523	11,652,221
Accumulated other comprehensive income		
Difference from evaluation of other investment securities	330,905	325,512
Deferred gains or losses on hedges	118	(9,652)
Foreign currency translation adjustments	(59,357)	(43,201)
Total accumulated other comprehensive income	271,667	272,658
Minority interests	3,366	3,366
Total net assets	11,630,556	11,928,245
Total liabilities and net assets	23,766,103	26,229,809

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

(Consolidated Statement of Income)

(Unit: thousand yen)

	9 months Ended Sep 30, 2013	9 months Ended Sep 30, 2014
Net sales	26,096,607	28,268,049
Cost of sales	20,626,061	22,252,855
Gross profit	5,470,545	6,015,194
Selling, general and administrative expenses	5,458,574	5,578,288
Operating income	11,971	436,905
Non-operating income		
Interest income	5,687	5,440
Dividend income	7,879	10,450
Foreign exchange profit	66,905	12,289
Other non-operating income	33,819	47,505
Total non-operating income	114,292	75,686
Non-operating expenses		
Interest expense	30,425	22,298
Loss on sale of trade notes	3,326	3,411
Other non-operating losses	10,833	11,355
Total non-operating expenses	44,585	37,065
Ordinary income	81,678	475,526
Extraordinary income		
Gain on sale of fixed assets	862	19,357
Gain on sale of investment securities	421	—
Total extraordinary income	1,283	19,357
Extraordinary losses		
Loss on sale and retirement of fixed assets	8,446	163
Total extraordinary losses	8,446	163
Net income before taxes and adjustments	74,515	494,720
Income, inhabitants and enterprise taxes	209,400	318,580
Income taxes-deferred	(126,219)	(176,087)
Total income taxes	83,181	142,493
Net income/(loss) before minority shareholders profit and loss adjustments	(8,666)	352,227
Net income/(loss)	(8,666)	352,227

(Consolidated Statement of Comprehensive Income)

(Unit: thousand yen)

	9 months Ended Sep 30, 2013	9 months Ended Sep 30, 2014
Net income/(loss) before minority shareholders profit and loss adjustments	(8,666)	352,227
Accumulated other comprehensive income		
Difference from evaluation of other investment securities	204,921	(5,392)
Deferred gains or losses on hedges	(3,259)	(9,771)
Foreign currency translation adjustments	36,025	16,155
Total accumulated other comprehensive income	237,687	990
Quarterly comprehensive income	229,021	353,217
(Breakdown)		
Quarterly comprehensive income pertaining to parent's shareholders	229,021	353,217
Quarterly comprehensive income pertaining to minority shareholders	—	—

(3) Notes to Quarterly Consolidated Financial Statements

- Notes regarding the premise of a going concern: N.A.

- Notes on significant change in the amount of shareholders' equity: N.A.

- Segment Information, etc.

1. [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
<b>Net sales</b>					
- Sales to outside customers	16,654,664	4,684,708	1,703,401	3,053,832	26,096,607
- Inter-segmental sales or transfer	627,391	138,331	2,950,602	64,643	3,780,968
<b>Total</b>	17,282,056	4,823,040	4,654,004	3,118,475	29,877,576
<b>Segment income/(loss)</b>	151,492	(158,717)	9,849	72,648	75,273

	Adjustment (*1)	Amount on Consolidated Financial Statements (*2)
<b>Net sales</b>		
- Sales to outside customers	—	26,096,607
- Inter-segmental sales or transfer	(3,780,968)	—
<b>Total</b>	(3,780,968)	26,096,607
<b>Segment income/(loss)</b>	(63,302)	11,971

(Notes) 1. Adjustment in Segment income/(loss) of (63,302) thousand yen includes the inter-segmental transaction elimination of 51,436 thousand yen and Corporate allocation not allocated to each Report Segment of (114,738) thousand 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.

**2. [9 months Ended September 30, 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	18,687,046	4,909,452	1,565,315	3,106,234	28,268,049
- Inter-segmental sales or transfer	769,704	191,881	3,287,704	97,281	4,346,571
<b>Total</b>	19,456,751	5,101,334	4,853,020	3,203,515	32,614,621
<b>Segment income/(loss)</b>	111,586	(50,647)	269,337	62,416	392,693

	Adjustment (*1)	Amount on Consolidated Financial Statements (*2)
<b>Net sales</b>		
- Sales to outside customers	—	28,268,049
- Inter-segmental sales or transfer	(4,346,571)	—
<b>Total</b>	(4,346,571)	28,268,049
<b>Segment income/(loss)</b>	44,212	436,905

(Notes) 1. Adjustment in Segment income/(loss) of 44,212 thousand yen includes the inter-segmental transaction elimination of 64,876 thousand yen and Corporate allocation not allocated to each Report Segment of (20,664) thousand 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.