

Financial Report for the 3-month Period Ended March 31, 2015 (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, 2015

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, 2015 (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/2015	11,598	19.0	573	208.1	562	211.2	391	258.0
1Q/2014	9,749	15.6	186	—	180	460.0	109	181.4

Note: Comprehensive Income 1Q/2015: 470 million yen (—%) 1Q/2014: 36 million yen (77.8%)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
1Q/2015	35.28	—
1Q/2014	9.85	—

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/2015	30,030	12,465	41.5	1,122.21
FY2014	27,312	12,161	44.5	1,094.87

(Reference) Shareholders' equity 1Q/2015: 12,461 million yen FY2014: 12,158 million yen

2. Dividend payments

	Annual dividend payment (Yen)				
	1Q end	2Q end	3Q end	fiscal end	Total
FY2014	—	0.00	—	15.00	15.00
FY2015	—				
FY2015 (expected)		0.00	—	15.00	15.00

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

3. Consolidated earnings forecast for fiscal 2015 ending December 31, 2015

(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)	23,000	22.1	740	222.3	740	224.5	480	179.8	43.22
Full year	43,000	11.1	1,000	29.1	1,000	16.1	670	4.5	60.33

(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: None

④ Restatement: None

(Note) For the detail, please refer to p.3 of the attached material "(3) Change in accounting principles, accounting estimates, and revised and restatements" under "2. Matters regarding summary information (Notes)."

(4) Number of outstanding shares at period-end (common shares)

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

1Q 2015 : 11,155,979 shares

FY 2014 : 11,155,979 shares

② number of treasury stocks at period-end

1Q 2015 : 51,184 shares

FY 2014 : 51,184 shares

③ average number of shares during period (cumulative)

1Q 2015 : 11,104,795 shares

1Q 2014 : 11,104,797 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 mentions of the 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.

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1. Qualitative information on accounts for the current quarter

(1) Discussion regarding operating results

The Japanese economy during this quarter remained on a gradual recovery trend in general with corporate earnings improved mainly in export industries backed by the government's economic policy and the monetary relaxation policy by the Bank of Japan. Globally, with all China's growth recession and the sense of stagnation in European countries continuing, the world economy remained on a gradual recovery trend in general with the US economy continuing on a recovery path.

In our electronics industry, the business remained strong in the auto-related and the communication markets including the smartphone's.

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 11,598 million yen (up 19.0% from the same term last year); operating profit 573 million yen (up 208.1 million yen); ordinary income 562 million yen (up 211.2%); and quarterly net income 391 million yen (up 258.0%).

The outline of segmental performance is as shown below.

In our group-wide efforts on the strategic themes of "Enhancement and expansion of original products," "Enhancement and expansion of overseas operations," "Cultivation and lateral expansion of existing markets/customers," and "Development of new markets/customers," the Company integrated the Electronics Operation and the Machinery Operation to promote the development of new markets and the lateral expansion of existing markets.

With this integration, the previous two segments, "Electronic Equipment and Components" and "Manufacturing Equipment," are integrated and renamed "Domestic Sales Companies," and the previous "Domestic Subsidiaries" is also renamed "Domestic Manufacturing Companies," as the manufacturing function to seek to strengthen and extend original products. With "Overseas Subsidiaries" in addition to these, which is working to accelerate the Group's global business, the Company's business segments are now classified into three segments.

The year-on-year comparisons of the results of respective segments are made with the figures of the same term of the previous year transferred to the new report segments after the change.

- Domestic Sales Companies

As for this segment, "Semiconductors and FPD Manufacturing Equipment" and "Electronic Components Manufacturing Equipment" remained strong buoyed by the recovery trend of facility investment demand continuing from the previous year in addition to the strong sales in harnesses of the "Electronic Components & Assembly Products," switching power supplies of the "Power Supply Equipment," and CCD cameras and peripherals of "Image-Related Equipment and Parts" supported by the activated corporate production, the results considerably exceeded those of the same term last year both in sales and profits.

Consequently, net sales of this segment totaled 9,983 million yen (up 21.2% from the same term last year) with a segmental (operating) income of 280 million yen (up 214.6% from the same term last year).

- Domestic Manufacturing Companies

In this segment, due to the good performance in semiconductor processing equipment for communication devices and the growth in inspection equipment, etc. with LED demand increased, the results of Daitron Technology Co., Ltd. exceeded those of the same term last year both in sales and profits. Additionally, with the production in the air defense field and measuring equipment, etc. activated, harnesses and special

connectors, and switching power supplies, etc. remained strong, and the results of Daito Denso Co., Ltd. also exceeded those of the same term last year considerably both in sales and profits. However, the sales in this segment are mainly from inter-segmental transactions, and the sales to external customers fell below the results of the same term last year.

Consequently, net sales of this segment totaled 511 million yen (down 6.0% from the same term last year) with a segmental (operating) income of 190 million yen (up 193.8 million yen).

- Overseas Subsidiaries

As for this segment, supported by the increased demand in electronic parts, etc. for communication and other equipment in Asia, both sales and profits exceeded those of the same term last year with the good sales by Daitron (H.K.) Co., Ltd. in connectors and harnesses, etc. of the "Electronic Equipment and Components," and by Daitron (Malaysia) Sdn. Bhd. in "Semiconductors & FPD Manufacturing Equipment."

Consequently, net sales of this segment totaled 1,104 million yen (up 13.9%) with a segmental (operating) income of 78 million yen (up 203.5 million yen).

(2) Discussion regarding financial conditions

(Assets)

Current assets at the end of this quarter amounted to 24,901 million yen (up 2,702 million yen from the previous fiscal-end), primarily due to the increases in cash and deposits by 1,420 million yen, notes and accounts receivable by 447 million yen, respectively. Fixed assets amounted to 5,129 million yen (up 15 million yen), as a result of the decreases in tangible fixed assets by 27 million yen, intangible fixed assets by 9 million yen, and investments and other assets by 53 million yen, respectively.

Consequently, the total assets stood at 30,030 million yen, up 2,717 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of this quarter amounted to 14,414 million yen (up 2,473 million yen from the previous fiscal-end), primarily due to the increase in Electronically recorded obligation by 2,867 million yen. Fixed liabilities amounted to 3,150 million yen (down 59 million yen).

Consequently, the total liabilities stood at 17,565 million yen, up 2,414 million yen from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of this quarter amounted to 12,465 million yen (up 303 million yen from the previous fiscal-end), primarily due to the increase in earned surplus by 225 million yen.

Consequently, the shareholders' equity ratio stood at 41.5%, down 3.0 point from the end of the previous fiscal year.

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

The Japanese economy is expected to remain on a gradual recovery trend due to the effects of the government's economic policy and the monetary relaxation policy by the Bank of Japan.

In our electronics industry as well, it is expected that corporate production in auto-related and other fields will continue active.

Based on such business circumstances and the performance in this quarter, the Company revised its consolidated earnings forecast for the 2nd quarter of fiscal 2015 contained in the "Financial Report for the

12-month Period Ended December 31, 2014” announced on February 5, 2015.

The earnings forecasts for the whole fiscal 2015 have not been revised at this point of time.

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, change in accounting estimates, and revised and restatements:

(Application of accounting standards, etc. for employees' retirement benefits)

As from the current quarter, the Company: (i) applied the Accounting Standards for Retirement Benefits (Corporate Accounting Standards No.26, May 17, 2014; hereinafter called “Retirement Benefits Accounting Standards”) and the Application Guideline of the Accounting Standards for Retirement Benefits (Corporate Accounting Standards Application Guideline No.25, March 26, 2015; hereinafter called “Retirement Benefits Application Guideline”) to the provisions stated in the body of Paragraph 35 of the Retirement Benefits Accounting Standards and that of Paragraph 67 of the Retirement Benefits Application Guideline; (ii) reviewed the calculation method for retirement benefit obligations and service costs; (iii) changed the period attribution method for expected retirement benefits from the period fixed amount based method to the benefit calculation formula based method; and (iv) changed the discount rate calculation method from the one based on the number of years approximated to the average remaining service years of employees to the one using a single weighted average discount rate reflecting the expected payment period of retirement benefits and the amount by such period.

There will be no effect of this change on the consolidated quarterly financial statements.

(4) Additional information

(Effect of changes in corporate tax rates, etc.)

The Act for Partial Revision of the Income Tax Act (Act No. 9 of 2015) and the Act for Partial Revision of the Local Tax Act (Act No. 2 of 2015) were promulgated on March 31, 2015, and lowered tax rates, etc. will be applicable as from the consolidated accounting period commencing on April 1, 2015 or later. With this revision, the effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities will be lowered from the previous 38.0% to: (i) 35.6% for temporary differences expected to disappear in the accounting year commencing on January 1, 2015; (ii) 33.1% for temporary differences expected to disappear in the accounting year commencing on January 1, 2016; and (iii) 32.3% for temporary differences expected to disappear in the accounting year commencing on January 1, 2017 or later.

The effect of this tax rate change will be minor.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	at December 31, 2014	at March 31, 2015
Assets		
Current assets		
Cash and deposits	6,122,205	7,542,568
Notes and accounts receivable - Trade	10,590,343	11,038,046
Electronically recorded monetary claims	1,768,084	2,036,982
Goods and products	1,780,364	2,031,551
Work in process	844,181	1,288,314
Raw materials	469,139	375,399
Other current assets	626,787	591,714
Allowance for doubtful accounts	(1,873)	(3,245)
Total current assets	22,199,232	24,901,330
Fixed assets		
Tangible fixed assets	3,252,791	3,224,834
Intangible fixed assets	84,778	75,278
Investments and other assets		
Other investments and other assets	1,843,461	1,896,710
Allowance for doubtful accounts	(67,691)	(67,597)
Total investments and other assets	1,775,769	1,829,112
Total fixed assets	5,113,339	5,129,225
Total assets	27,312,572	30,030,555

	at December 31, 2014	at March 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,241,765	6,948,815
Electronically recorded monetary obligation	1,723,576	4,590,637
Short-term loans payable	100,000	770,000
Long-term loans payable due within one year	66,660	66,660
Accrued Income taxes, etc.	222,606	259,799
Allowance for bonuses	58,564	335,428
Other allowance	35,911	41,213
Other current liabilities	1,492,154	1,402,028
Total current liabilities	<u>11,941,239</u>	<u>14,414,583</u>
Fixed liabilities		
Long-term loans payable	905,565	888,990
Liabilities pertaining to employees' retirement benefits	2,085,776	2,102,921
Asset retirement obligation	47,570	47,750
Other fixed liabilities	170,766	111,088
Total fixed liabilities	<u>3,209,678</u>	<u>3,150,660</u>
Total liabilities	<u>15,150,917</u>	<u>17,565,243</u>
Net assets		
Shareholders' equity		
Common stock	2,200,708	2,200,708
Capital surplus	2,482,896	2,482,896
Retained earnings	7,276,961	7,502,211
Treasury stock	(19,335)	(19,335)
Total shareholders' equity	<u>11,941,230</u>	<u>12,166,481</u>
Accumulated other comprehensive income		
Difference from evaluation of other investment securities	356,199	435,393
Deferred gains or losses on hedges	(5,362)	(422)
Foreign currency translation adjustments	1,372	22,198
Accumulated adjustment pertaining to employees' retirement benefits	(135,151)	(161,704)
Total accumulated other comprehensive income	<u>217,058</u>	<u>295,465</u>
Minority interests	3,366	3,366
Total net assets	<u>12,161,655</u>	<u>12,465,312</u>
Total liabilities and net assets	<u>23,312,572</u>	<u>30,030,555</u>

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

(Consolidated Statement of Income)

(Unit: thousand yen)

	3 months Ended March 31, 2014	3 months Ended March 31, 2015
Net sales	9,749,101	11,598,872
Cost of sales	7,717,644	9,107,978
Gross profit	2,031,456	2,490,893
Selling, general and administrative expenses	1,845,367	1,917,557
Operating income	186,089	573,336
Non-operating income		
Interest income	2,256	1,551
Dividend income	806	896
Insurance dividend	11,095	11,909
Other non-operating income	12,101	5,843
Total non-operating income	26,261	20,201
Non-operating expenses		
Interest expense	8,770	4,704
Loss on sale of trade notes	1,645	1,083
Foreign exchange loss	17,381	21,583
Other non-operating losses	3,858	3,886
Total non-operating expenses	31,656	31,259
Ordinary income	180,693	562,278
Extraordinary income		
Gain on sale of fixed assets	17,510	177
Total extraordinary income	17,510	177
Extraordinary losses		
Loss on sale and retirement of fixed assets	109	46
Total extraordinary losses	109	46
Net income before taxes and adjustments	198,093	562,409
Income, inhabitants and enterprise taxes	163,890	285,428
Income taxes-deferred	(75,233)	(114,841)
Total income taxes	88,656	170,587
Net income before minority shareholders profit and loss adjustments	109,436	391,822
Net income	109,436	391,822

(Consolidated Statement of Comprehensive Income)

(Unit: thousand yen)

	3 months Ended	3 months Ended
	March 31, 2014	March 31, 2015
Net income before minority shareholders profit and loss adjustments	109,436	391,822
Other comprehensive income		
Difference from evaluation of other securities	(41,448)	79,193
Deferred gains or losses on hedges	(3,159)	4,940
Foreign currency translation adjustments	(28,693)	20,825
Adjustment pertaining to employees' retirement benefits	—	(26,552)
Total other comprehensive income	(73,301)	(78,406)
Quarterly comprehensive income	36,135	470,229
(breakdown)		
Quarterly comprehensive income pertaining to parent stock	36,135	470,229
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 by report segment

(Unit: thousand yen)

	Report Segment			
	Domestic Sales Companies	Domestic Manufacturing Companies	Overseas Subsidiaries	Total
Net sales				
- Sales to outside customers	8,235,686	543,902	969,511	9,749,101
- Inter-segmental sales or transfer	280,228	948,044	44,977	1,273,250
Total	8,515,915	1,491,946	1,014,489	11,022,351
Segment income	89,268	64,694	25,809	179,772

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

(Notes) 1. Adjustment in Segment income of 6,316 thousand yen includes the inter-segmental transaction elimination of 14,828 thousand yen and Corporate allocation not allocated to each Report Segment of (8,511) thousand yen. The main portion of Corporate allocation is Selling, general and administrative expenses not attributable to Report Segments.

2. Segmental income 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.

[3 months Ended March 31, 2015]

a. Information on the amounts of net sales and income by report segment

(Unit: thousand yen)

	Report Segment			
	Domestic Sales Companies	Domestic Manufacturing Companies	Overseas Subsidiaries	Total
Net sales				
- Sales to outside customers	9,983,351	511,065	1,104,454	11,598,872
- Inter-segmental sales or transfer	349,985	1,359,601	48,604	1,758,191
Total	10,333,337	1,870,666	1,153,059	13,357,063
Segment income	280,826	190,081	78,342	549,251

	Adjustment (*1)	Amount on Consolidated Financial Statements (*2)
Net sales		
- Sales to outside customers	—	11,598,872
- Inter-segmental sales or transfer	(1,758,191)	—
Total	(1,758,191)	11,598,872
Segment income	24,084	573,336

(Notes)1. Adjustment in Segment income of 24,084 thousand yen includes the inter-segmental transaction elimination of 38,098 thousand yen and Corporate allocation not allocated to each Report Segment of (14,014) thousand yen. The main portion of Corporate allocation is Selling, general and administrative expenses not attributable to Report Segments.

2. Segmental income is adjusted to Operating income on the quarterly Consolidated Statement of Income.

b. Matters on change, etc. in Report Segment

(Change in Report Segment Classification)

In our group-wide efforts on the strategic themes of “Enhancement and expansion of original products,” “Enhancement and expansion of overseas operations,” “Cultivation and lateral expansion of existing markets/customers,” and “Development of new markets/customers,” the Company integrated the Electronics Operation and the Machinery Operation to promote the development of new markets and the lateral expansion of existing markets.

With this integration, the previous two segments, “Electronic Equipment and Components” and “Manufacturing Equipment,” are integrated and renamed “Domestic Sales Companies,” and the previous “Domestic Subsidiaries” is also renamed “Domestic Manufacturing Companies,” as the manufacturing function to seek to strengthen and extend original products. With “Overseas Subsidiaries” in addition to these, which is working to accelerate the Group’s global business, the Company’s business segments are now classified into three segments.

The segment information for the current period disclosed was prepared based on the new report segment classification after change.

(Application of accounting standards, etc. regarding employees' retirement benefits)

As from the current quarter, the Company: (i) applied the Accounting Standards for Retirement Benefits (Corporate Accounting Standards No.26, May 17, 2014; hereinafter called "Retirement Benefits Accounting Standards") and the Application Guideline of the Accounting Standards for Retirement Benefits (Corporate Accounting Standards Application Guideline No.25, March 26, 2015; hereinafter called "Retirement Benefits Application Guideline") to the provisions stated in the body of Paragraph 35 of the Retirement Benefits Accounting Standards and that of Paragraph 67 of the Retirement Benefits Application Guideline; (ii) reviewed the calculation method for retirement benefit obligations and service costs; (iii) changed the period attribution method for expected retirement benefits from the period fixed amount based method to the benefit calculation formula based method; and (iv) changed the discount rate calculation method from the one based on the number of years approximated to the average remaining service years of employees to the one using a single weighted average discount rate reflecting the expected payment period of retirement benefits and the amount by such period.

There will be no effect of this change on the segment income.

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