

Financial Report for the 6-month Period Ended June 30, 2015 (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 12, 2015

Scheduled date of starting dividend payment: —

Support explanatory material for quarterly settlement: Prepared

Explanatory meeting for quarterly settlement: Held (for institutional investors and analysts)

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

1. Financial results for 6-month period ended June 30, 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	%
2Q/2015	22,005	16.8	949	313.8	948	315.8	660	284.9
2Q/2014	18,835	9.6	229	—	228	585.7	171	—

Note: Comprehensive Income 2Q/2015: 888 million yen (548.7%) 2Q/2014: 137 million yen (-25.4%)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
2Q/2015	59.47	—
2Q/2014	15.45	—

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/2015	27,905	12,883	46.2	1,159.92
FY2014	27,312	12,161	44.5	1,094.87

(Reference) Shareholders' equity 2Q/2015: 12,880 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	—	0.00			
FY2015 (expected)			—	20.00	20.00

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

3. Consolidated operating estimates 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
Full year	43,000	11.1	1,350	74.3	1,350	56.7	860	34.1	77.44

(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 current cumulative quarter: None

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

(3) Change in accounting principles and 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 “(3) Change in accounting principles and estimates or restatement” under “2. Matters regarding summary information” on page 6 of the attached material.

(4) Number of outstanding shares (common shares)

- ① number of outstanding shares at period-end (including treasury stock)
 - 2Q 2015 : 11,155,979 shares
 - FY 2014 : 11,155,979 shares
- ② number of treasury stocks at period-end
 - 2Q 2015 : 51,367 shares
 - FY 2014 : 51,184 shares
- ③ average number of shares during period (quarterly cumulative)
 - 2Q 2015 : 11,104,755 shares
 - 2Q 2014 : 11,104,796 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.

(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 10, 2015.

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

[Contents of Appendix]

1. Qualitative information on accounts for the current cumulative quarter
 - (1) Explanation on business results
 - (2) Explanation on financial conditions
 - (3) Explanation on future outlook information such as forecasted consolidated operating results
2. Matters regarding summary information (Notes)
 - (1) Change in significant subsidiaries during the quarter
 - (2) Application of accounting procedures specially applicable to preparation of quarterly consolidated financial statements
 - (3) Change in accounting principles and estimates or restatement
 - (4) Additional Information
3. Quarterly Consolidated Financial Statements
 - (1) Consolidated Balance Sheet
 - (2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
 - Consolidated Statement of Income
 - Consolidated cumulative second quarter
 - Consolidated Statement of Comprehensive Income
 - Consolidated cumulative second quarter
 - (3) Consolidated Statement of Cash Flows
 - (4) Notes to Quarterly Consolidated Financial Statements
 - (Notes regarding premise of a going concern)
 - (Notes for significant change in the amount of shareholders' equity)
 - (Segment Information, etc.)

1. Qualitative information on accounts for the current quarter

(1) Explanation on consolidated business results

The Japanese economy during this cumulative 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 the growth recession of China and other newly emerging countries and the destabilizing factors including the Greek debt issue 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 communication and the auto-related markets.

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

Consequently, the Group obtained the following results in the current cumulative second quarter: net sales 22,005 million yen (up 16.8% from the same term last year); operating profit 949 million yen (up 313.8%); ordinary income 948 million yen (up 315.8%); and quarterly net income 660 million yen (up 284.9%).

The outline of segmental performance is as follows:

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, as from the previous quarter, the previous two segments, "Electronic Equipment and Components" and "Manufacturing Equipment," were integrated and renamed "Domestic Sales Companies," and the previous "Domestic Subsidiaries" was 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 demands continuing from the second half of 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 active 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 18,742 million yen (up 19.2% from the same term last year) with a segmental (operating) income of 307 million yen (13 million yen profit in the same term last year).

- Domestic Manufacturing Companies

In this segment, due to the good performance in semiconductor manufacturing equipment for facility investments in communication devices such as smartphones and tablet terminals as well as the growth in processing and inspection equipment, etc. with LED demand increased, the results of Daitron Technology Co., Ltd., dealing with manufacturing equipment, exceeded those of the same term last year both in sales and profits. Additionally, with the increased business amounts in the air defense field and the active production in measuring equipment, etc., such as harnesses and special connectors, and switching power supplies, etc., the results of Daito Denso Co., Ltd., dealing with electronic equipment and components, 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 stayed almost the same as in the same term last year.

Consequently, net sales of this segment totaled 1,052 million yen (up 0.8% from the same term last year) with a segmental (operating) income of 456 million yen (up 186.6 million yen).

- Overseas Subsidiaries

As for this segment, despite the decreased sales of "Power Supply Equipment" in the Chinese market, supported by the good sales of "Electronic Components & Assembly Products" and "Semiconductors," etc. and the improved profit in the US market in "Electronic Components & Assembly Products," especially the profit exceeded greatly that of the same term last year.

Consequently, net sales of this segment totaled 2,211 million yen (up 7.2%) with a segmental (operating) income of 144 million yen (up 400.5 million yen).

(2) Discussion regarding financial conditions

- Assets, liabilities, and net assets

(Assets)

Current assets at the end of this quarter amounted to 22,597 million yen (up 398 million yen from the previous fiscal-end), primarily due to the increase in notes and accounts receivable by 586 million yen and electronically recorded monetary claims by 436 million yen, respectively, with all the decrease in cash and deposits by 794 million yen. Fixed assets amounted to 5,308 million yen (up 194 million yen), as a result of the increases in tangible fixed assets by 5 million yen and investments and other assets by 207 million yen, with all the decrease in intangible fixed assets by 17 million yen, respectively.

Consequently, the total assets stood at 27,905 million yen, up 593 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of this quarter amounted to 11,828 million yen (down 112 million yen from the previous fiscal-end), primarily due to the decrease in notes and accounts payable by 1,673 million yen, despite the increase in electronically recorded obligations by 1,550 million yen. Fixed liabilities amounted to 3,193 million yen (down 16 million yen).

Consequently, the total liabilities stood at 15,021 million yen, down 129 million yen from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of this quarter amounted to 12,883 million yen (up 722 million yen from the previous fiscal-end), primarily due to the increase in earned surplus by 493 million yen and difference from evaluation of investment securities by 210 million yen, respectively.

Consequently, the shareholders' equity ratio stood at 46.2%, up 1.7 point from the end of the previous fiscal year.

- Cash flow

The balance of cash and cash equivalents at the end of this cumulative second quarter (hereinafter called "Fund") stood at 5,297 million yen, down 794 million yen from the previous fiscal-end.

The status of each cash flow during this period and their factors are as follows:

(Cash flows from operating activities)

The Fund decreased 475 million yen (137 million yen increase in the same term last year) as a result of operating activities: the major increasing factors are the increase in net income before taxes and adjustments of 950 million yen, and the major decreasing factor are the increases in account receivable of 1,008 million yen and inventories of 293 million yen, respectively.

(Cash flows from investing activities)

The Fund decreased 104 million yen (46 million yen decrease in the same term last year) as a result of investing activities: the major decreasing factor is the acquisition of tangible fixed assets of 97 million yen.

(Cash flows from financing activities)

The Fund decreased 221 million yen (152 million yen decrease in the same term last year) as a result of financing activities: the major decreasing factors are dividends paid of 165 million yen and repayments of long-term loans payable of 33 million yen.

(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. Globally, with all the growth recession of China and other newly emerging countries and the destabilizing factors including the Greek debt issue in European countries continuing, the world economy remained on a gradual recovery trend in general with the US economy continuing on a recovery path.

Our electronics industry is also expected to stay on a gradual recovery trend supported by an increased corporate appetite for investment in auto-related and other fields in spite of the slowing smartphone demand.

Based on such business circumstances and the performance in these cumulative two quarters, the Company revised its consolidated earnings forecast and dividend forecast for fiscal 2015 contained in the "Financial Report for the 3-month Period Ended March 31, 2015" announced on May 7, 2015.

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 previous 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 (ii) 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.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	Previous FY (at December 31, 2014)	Current quarter (at June 30, 2015)
Assets		
Current assets		
Cash and deposits	6,122,205	5,327,252
Notes and accounts receivable - Trade	10,590,343	11,176,696
Electronically recorded monetary claims	1,768,084	2,204,616
Goods and products	1,780,364	1,927,006
Work in process	844,181	995,001
Raw materials	469,139	471,179
Other current assets	626,787	499,482
Allowance for doubtful accounts	(1,873)	(3,901)
Total current assets	22,199,232	22,597,335
Fixed assets		
Tangible fixed assets	3,252,791	3,257,961
Intangible fixed assets	84,778	66,986
Investments and other assets		
Other investments and other assets	1,843,461	2,051,003
Allowance for doubtful accounts	(67,691)	(67,657)
Total investments and other assets	1,775,769	1,983,346
Total fixed assets	5,113,339	5,308,293
Total assets	27,312,572	27,905,629

	Previous FY (at December 31, 2014)	Current quarter (at June 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,241,765	6,567,961
Electronically recorded monetary obligations	1,723,576	3,274,515
Short-term loans payable	100,000	100,000
Long-term loans payable due within one year	66,660	66,660
Accrued Income taxes, etc.	222,606	266,301
Allowance for bonuses	58,564	81,884
Other allowances	35,911	60,609
Other current liabilities	1,492,154	1,410,894
Total current liabilities	11,941,239	11,828,827
Fixed liabilities		
Long-term loans payable	905,565	872,235
Liabilities pertaining to employees' retirement benefits	2,085,776	2,141,310
Asset retirement obligation	47,570	47,931
Other fixed liabilities	170,766	131,550
Total fixed liabilities	3,209,678	3,193,027
Total liabilities	15,150,917	15,021,854
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	7,770,771
Treasury stock	(19,335)	(19,483)
Total shareholders' equity	11,941,230	12,434,893
Accumulated other comprehensive income		
Difference from evaluation of other investment securities	356,199	566,346
Deferred gains or losses on hedges	(5,362)	(1,912)
Foreign currency translation adjustments	1,372	38,065
Accumulated adjustment pertaining to employees' retirement benefits	(135,151)	(156,983)
Total accumulated other comprehensive income	217,058	445,515
Minority interests	3,366	3,366
Total net assets	12,161,655	12,883,774
Total liabilities and net assets	27,312,572	27,905,629

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

(Consolidated Statement of Income)

(Unit: thousand yen)

	6 months Ended June 30, 2014	6 months Ended June 30, 2015
Net sales	18,835,311	22,005,796
Cost of sales	14,887,850	17,109,376
Gross profit	3,947,461	4,896,420
Selling, general and administrative expenses	3,717,869	3,946,465
Operating income	229,591	949,954
Non-operating income		
Interest income	3,206	2,599
Dividend income	8,147	9,398
Insurance dividend	11,095	11,909
Other non-operating income	21,265	14,622
Total non-operating income	43,715	38,529
Non-operating expenses		
Interest expense	16,460	9,609
Loss on sale of trade notes	2,648	2,219
Foreign exchange loss	18,896	17,510
Other non-operating losses	7,260	10,968
Total non-operating expenses	45,265	40,308
Ordinary income	228,042	948,175
Extraordinary income		
Gain on sale of fixed assets	18,957	4,479
Gain on sale of investment securities	—	0
Total extraordinary income	18,957	4,479
Extraordinary losses		
Loss on sale and retirement of fixed assets	140	433
Valuation loss on securities	—	1,780
Total extraordinary losses	140	2,213
Net income before taxes and adjustments	246,859	950,441
Income, inhabitants and enterprise taxes	129,622	329,121
Income taxes-deferred	(54,327)	(39,061)
Total income taxes	75,295	290,059
Net income before minority shareholders profit and loss adjustments	171,563	660,382
Net income	171,563	660,382

(Consolidated Statement of Comprehensive Income)

(Unit: thousand yen)

	6 months Ended June 30, 2014	6 months Ended June 30, 2015
Net income before minority shareholders profit and loss adjustments	171,563	660,382
Accumulated other comprehensive income		
Difference from evaluation of other investment securities	(1,390)	210,146
Deferred gains or losses on hedges	(651)	3,450
Foreign currency translation adjustments	(32,501)	36,692
Adjustment pertaining to employees' retirement benefits	—	(21,832)
Total accumulated other comprehensive income	(34,543)	228,457
Quarterly comprehensive income	137,020	888,839
(Breakdown)		
Quarterly comprehensive income pertaining to parent's shareholders	137,020	888,839
Quarterly comprehensive income pertaining to minority shareholders	—	—

(3) Consolidated Statement of Cash Flows

(Unit: thousand Yen)

	6 months Ended June 30, 2014	6 months Ended June 30, 2015
Cash flows from operating activities		
Net income before taxes and adjustments	246,859	950,441
Depreciation and amortization	148,890	115,534
Interest and dividend income	(11,354)	(11,997)
Interest expense	16,460	9,609
(Gain)/Loss on sale and retirement of fixed assets	(18,817)	(4,045)
(Gain)/Loss on sale of investment securities	—	(0)
(Gain)/Loss on valuation of investment securities	—	1,780
Decrease/(increase) in accounts receivable	(1,458,342)	(1,008,423)
Decrease/(increase) in inventories	(551,760)	(293,828)
Decrease/(increase) in advance payment	265,398	73,988
Increase/(decrease) in trade notes and accounts payable	1,713,767	(129,835)
Increase/(decrease) in advance received	(223,228)	51,673
Increase/(decrease) in allowances	82,630	48,017
Others	31,551	4,130
Sub-total	242,055	(192,954)
Interest and dividend received	11,127	12,264
Interest paid	(16,341)	(10,067)
Income tax and other taxes paid	(98,974)	(284,484)
Net cash provided by/(used in) operating activities	137,866	(475,242)
Cash flows from investing activities		
Payment for purchase of tangible fixed assets	(60,123)	(97,636)
Proceeds from sale of tangible fixed assets	34,514	4,628
Payment for purchase of investment securities	(9,996)	(9,823)
Others	(10,815)	(1,794)
Net cash provided by/(used in) investing activities	(46,421)	(104,626)
Cash flows from financing activities		
Net increase/(decrease) in short-term loans payable	100,000	—
Repayment of long-term loans payable	(161,340)	(33,330)
Dividends paid	(55,812)	(165,751)
Others	(35,231)	(22,801)
Net cash provided by/(used in) financing activities	(152,383)	(221,883)
Effect of exchange rate changes on cash and cash equivalents	(26,959)	(6,798)
Increase/(decrease) in cash and cash equivalents	(87,897)	(794,952)
Cash and cash equivalents at beginning of period	5,581,441	6,092,205

Cash and cash equivalents at quarter end

5,493,543

5,297,252

(4) Notes to Quarterly Consolidated Financial Statements

(Notes regarding premise of a going concern)

N.A.

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

N.A.

(Segment Information, etc.)

[6 months Ended June 30, 2014]

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	15,727,982	1,043,910	2,063,418	18,835,311
- Inter-segmental sales or transfer	604,176	2,060,273	72,029	2,736,479
Total	16,332,159	3,104,184	2,135,448	21,571,791
Segment income	13,934	159,444	28,943	202,322

	Adjustment (*1)	Amount on Consolidated Financial Statements (*2)
Net sales		
- Sales to outside customers	—	18,835,311
- Inter-segmental sales or transfer	(2,736,479)	—
Total	(2,736,479)	18,835,311
Segment income/(loss)	27,269	229,591

(Notes) 1. Adjustment in Segment income of 27,269 thousand yen includes the Inter-segmental transaction elimination of 40,918 thousand yen and Corporate allocation not allocated to each Report Segment of (13,649) 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 and the 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.

[6 months Ended June 30, 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	18,742,546	1,052,168	2,211,081	22,005,796
- Inter-segmental sales or transfer	623,632	3,249,585	82,360	3,955,577
Total	19,366,179	4,301,754	2,293,441	25,961,374
Segment income	307,860	456,933	144,871	909,665

	Adjustment (*1)	Amount on Consolidated Financial Statements (*2)
Net sales		
- Sales to outside customers	—	22,005,796
- Inter-segmental sales or transfer	(3,955,577)	—
Total	(3,955,577)	22,005,796
Segment income/(loss)	40,288	949,954

- (Notes) 1. Adjustment in Segment income of 40,288 thousand yen includes the Inter-segmental transaction elimination of 64,705 thousand yen and Corporate allocation not allocated to each Report Segment of (24,416) 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 and the 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 previous cumulative second quarter (6 months ended June 30, 2015) disclosed was prepared based on the new report segment classification after change.

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

As from the previous 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.

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