

February 5, 2016

## Financial Report for the 12-month period ended December 31, 2015 (Consolidated)

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 General Shareholders Meeting: March 30 2016  
 Scheduled date of starting dividend payment: March 31, 2016  
 Scheduled date of submitting financial statement: March 31, 2016  
 Support explanatory material for settlement: Prepared  
 Explanatory meeting for settlement: Held (for institutional investors and analysts)

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

### 1. Consolidated financial results for the fiscal year 2015 (January 1, 2015 to December 31, 2015)

#### (1) Operating Results (Percent figures are the year-on-year rates.)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Fiscal 2015	43,214	11.7	1,542	99.1	1,537	78.5
Fiscal 2014	38,702	10.9	774	458.6	861	240.9

	Net income		Net income per share	Full diluted net income per share
	Million yen	%	Yen	Yen
Fiscal 2015	1,131	76.5	101.91	—
Fiscal 2014	641	—	57.74	—

(Note) Comprehensive income: FY 2015: 1,185 million yen (64.2%)      FY 2014: 721 million yen (206.9%)

	Net income to shareholder's equity (%)	Ordinary income to total assets (%)	Ordinary income to net sales (%)
Fiscal 2015	8.9	5.5	3.6
Fiscal 2014	5.4	3.4	2.0

(Reference) Income from affiliates: Fiscal 2015: - million yen      Fiscal 2014: - million yen

(Note) Full diluted net income per share is not shown because there are no residual securities.

#### (2) Financial Standing

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
Fiscal 2015	28,681	13,179	45.9	1,186.64
Fiscal 2014	27,312	12,161	44.5	1,094.87

(Reference) Shareholder's equity: Fiscal 2015 13,176 million yen      Fiscal 2014 12,158 million yen

### (3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
Fiscal 2015	447	15	(278)	6,251
Fiscal 2014	722	(123)	(182)	6,092

### 2. Dividend Payments

	Annual dividend				
	1Q end	2Q end	3Q end	fiscal end	FY total
	yen	yen	yen	yen	yen
FY2014	—	0.00	—	15.00	15.00
FY2015	—	0.00	—	25.00	25.00
FY2016 (forecast)	—	0.00	—	20.00	20.00

	Total amount	Payout ratio (consolidated)	Net worth dividend ratio (consolidated)
	Million yen	%	%
FY2014	166	26.0	1.4
FY2015	277	24.5	2.1
FY2015 (forecast)		21.8	

### 3. Forecasts of financial results for FY2016 (Consolidated: January 1, 2016 to December 31, 2016)

(Percent figures are the year-on-year rates.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q (accum.)	23,000	4.5	900	(5.3)	900	(5.1)	530	(19.7)	47.73
Full year	46,500	7.6	1,650	7.0	1,650	7.3	1,020	(9.9)	91.86

**\* Notes**

(1) Transfer of major subsidiary (specific subsidiary whose transfer affects the scope of consolidation) during period:  
None

(2) Change in accounting policy or estimate, or restatement

- ① Change in accounting policy associated with amendments in accounting standards, etc: Changed
- ② Change in accounting policy other than above ①: None
- ③ Change in accounting estimate: None
- ④ Restatement: None

(Note) The details are shown on page 17 “(5) Notes on Consolidated Financial Statement (Change in Accounting Policy)” under “5. Consolidated Financial Statements” of the appendix.

(3) Number of outstanding shares (common shares)

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

FY 2015 : 11,155,979 shares

FY 2014 : 11,155,979 shares

- ② Number of treasury shares at period end

FY 2015 : 51,811 shares

FY 2014 : 51,184 shares

- ③ Average number of shares during period

FY 2015 : 11,104,484 shares

FY 2014 : 11,104,796 shares

**(Reference) Outline of non-consolidated financial results**

**1. Financial results for the 12-month period ended Dec 31, 2015 (Jan. 1, 2015 to Dec. 31, 2015)**

**(1) Operating Results (non-consolidated)**

(Percent figures are the year-on-year rates.)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
FY 2015	37,855	12.2	390	133.2	581	102.3
FY 2014	33,739	13.9	167	—	287	213.4

	Net income		Net income per share	Diluted net income per share
	Million yen	%	Yen	Yen
FY 2015	500	134.6	45.05	—
FY 2014	213	—	19.21	—

(Note) Full diluted net income per share is not shown because there are no residual securities.

**(2) Financial Standing (non-consolidated)**

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2015	24,967	10,731	43.0	966.45
FY 2014	24,323	10,328	42.5	930.07

(Reference) Shareholders' equity:

FY 2015 : 10,731 million yen

FY 2014 : 10,328 million yen

\* Representations on implementation status of audit procedures

This Financial Report is not subject to the audit procedures under the Financial Instruments and Exchange Act. The audit procedures for financial statements under the Financial Instruments and Exchange Act are not completed at the time of disclosure of this Financial Report.

\* Explanations on appropriate use of the forecasts and other special comments

[Note for statements concerning the future, etc.]

The business forecasts and any other statements concerning the future included in this Report are made based on certain information currently available to and judged reasonable by the Company, but not what the Company is committed to attaining. The actual results may differ greatly depending on various factors. For the conditions for the business forecasts and suggestions for the use of them, please refer to page 3 "Outlook for Next Period" in (1) Analysis of operating results" under "1. Operating results and financial position" of the appendix.

[Method to obtain the support explanatory material for settlement and the contents of explanatory meeting for settlement]

The Company is scheduled to hold an explanatory meeting for institutional investors and analysts on February 16, 2016. The material to be used on the day is to appear on the Company's website as soon as possible after such meeting.

## 1. Operating results and financial position

### (1) Analysis of operating results

(Operating results for the current year)

The Japanese economy during this year remained on a gradual recovery trend with the effects of government's economic policy and the monetary easing policy by the Bank of Japan, as well as improved corporate earnings mainly in export industries. The world economy remained steady on the whole due to the solid expansion of the US economy and the European recovery trend. However, with the concerns about the economic slowdown in the growth of China and other Asian emerging nations and the impact of the US monetary policy, future prospects for the world's economic environments, including Japan's, has remained unclear.

In our electronics industry, production was continuingly active mainly in the fields related to electronic equipment for automobile use in spite of the growth rates of smartphones and tablet terminals are slowing down compared with the previous years'.

Under these circumstances, supported by the increased sales of manufacturing equipment related products and original products, net sales of the Group exceeded, and profits also outstripped the previous year's result greatly.

Consequently, the Group obtained the following results in the current year: net sales 43,214 million yen (up 11.7% over the same term last year); operating income 1,542 million yen (up 99.1%); ordinary income 1,537 million yen (up 78.5%); and net income 1,131 million yen (up 76.5 %).

The outline of segmental performance is as follows:

In our group-wide efforts toward 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 current year, the previous two segments of "Electronic Equipment and Components" and "Manufacturing Equipment" were integrated into "Domestic Sales Companies," and the previous "Domestic Subsidiaries" was also renamed "Domestic Manufacturing Companies," which serve as the manufacturing function seeking to strengthen and extend original products. With the "Overseas Subsidiaries" segment 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, as sales of manufacturing equipment grew from the same term last year in addition to the good performance of computer products of "Embedded System," switching power supplies in "Power Supply Equipment," and CCD cameras and peripherals, etc. of "Image-Related Equipment and Parts," the results greatly exceeded those of the same term last year both in sales and profits.

Consequently, net sales of this segment totaled 36,770 million yen (up 13.4% from the same term last year) with a segmental (operating) income of 445 million yen (up 123.1%).

- Domestic Manufacturing Companies

In this segment, as for the performance of Daitron Technology Co., Ltd., dealing with manufacturing equipment, with the increased sales of processing and inspection equipment, etc., mainly in the Japanese and Chinese markets associated with the increased demand for semiconductor manufacturing equipment and lighting devices in the communications related device market, both the sales and profits greatly exceeded those of the same term last year. Daito Denso Co., Ltd., dealing with electronic equipment and components, also made far larger sales and profits than in the previous year with the strong sales in harnesses mainly in the aerospace and defense fields, switching power supplies in the measuring equipment and other fields, and harnesses and special connectors, etc., in other fields, respectively.

However, the sales of this segment are made mainly from inter-segmental transactions, and those to outside customers remained almost the same as the results of the same term last year.

Consequently, net sales of this segment totaled 2,114 million yen (up 0.7% from the same term last year) with a segmental (operating) income of 819 million yen (up 76.9 %).

- Overseas Subsidiaries

As for this segment, despite the increased sales in "Electronic Components & Assembly Products" and "Semiconductors," etc. in the Chinese market, the results declined both in sales and profits due to the decreased sales of "Power Supply Equipment." In the Southeast Asian market, with the sales of "Semiconductors" increased, the results grew both in sales and profits. In the US market, too, with the growth in the sales of "Electronic Components & Assembly Products," both sales and profits increased.

Consequently, net sales of this segment totaled 4,328 million yen (up 3.8%) with a segmental (operating) income of 235 million yen (up 335.1 %).

(Outlook for Next Period)

The Japanese economy is expected to remain on a gradual expansionary trend based on the expectation of the export industry remaining strong and an increase in facility investments buoyed

by the improved corporate earnings, in spite of the concerns over the weak recovery of personal consumption.

Globally, despite the concerns such as the influences of Chinese economy's growth recession and confusions caused by geopolitical risks, etc., the economy is expected to continue expanding gradually on the whole, considering the continuing domestic demand growth in the US and the European economy remaining strong though exports and facility investments of the US are a little weak due to the strong dollar and the slowdown of the emerging nations' economy.

Additionally, in the electronics industry, it is expected that product development in the IoT, medical, and auto markets, which have potential for growth, will be accelerated and that demand for electronic equipment and components as well as manufacturing equipment will expand.

In these circumstances, we expect our Group's full-year performance as follows: net sales 46,500 million yen; operating income 1,650 million yen; ordinary income 1,650 million yen; and net income attributable to parent company shareholders 1,020 million yen.

Please note that all the estimates and statements with respect to the future outlook above are forward-looking statements that reflect our views based on currently available information and that actual results may differ materially depending on various factors that may arise in the future.

## (2) Analysis of financial position

### a) Assets, liabilities, and net assets

#### (Assets)

Current assets at the end of this year amounted to 23,658 million yen (1,458 million yen up from the previous fiscal-end) mainly due to the increases in notes and accounts receivable by 592 million yen, electronically recorded monetary claims by 619 million yen, and work in process by 539 million yen. Fixed assets stood at 5,023 million yen (down 89 million yen) due to the decreases in tangible fixed assets by 80 million yen, intangible fixed assets by 2 million yen, and investments and other assets by 6 million yen.

Consequently, total assets amounted to 28,681 million yen, 1,369 million yen up from the end of the previous fiscal year.

#### (Liabilities)

Current liabilities stood at 12,305 million yen (up 363 million yen from the previous fiscal-end) mainly due to the increases in electronically recorded monetary liabilities by 1,806 million yen despite the decrease in trade notes and accounts payable by 1,540 million yen. Fixed liabilities stood at 3,196 million yen (up 12 million yen).

Consequently, total liabilities amounted to 15,502 million yen, 351 million yen up from the end of the previous fiscal year.

(Net Assets)

Total net assets at the end of this year amounted to 13,179 million yen (1,018 million yen up from the previous fiscal-end) mainly due to an increase in Retained earnings by 965 million yen.

Consequently, shareholders' equity ratio stood at 45.9%, up 1.4 point from the end of the previous fiscal year.

b) Cash flow

The balance of cash and cash equivalents at the end of this period (hereinafter called "Fund") stood at 6,251 million yen, up 158 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 increased 447 million yen (722 million yen increase in the same term last year) as a result of operating activities: the major increasing factors are increases in net income before taxes and adjustments of 1,577 million yen and trade notes and accounts payable of 290 million yen, and the decreasing factors are increases in account receivable of 1,231 million yen and inventories of 244 million yen.

(Cash flows from investing activities)

The Fund increased 15 million yen (123 million yen decrease in the same term last year) as a result of investing activities: the major increasing factor is the proceed from the sale of investment securities of 179 million yen, and the decreasing factor is payment for purchase of tangible fixed assets of 146 million yen

(Cash flows from financing activities)

The Fund decreased 278 million yen (182 million yen decrease in the same term last year) as a result of financing activities: the major decreasing factors are dividends paid of 166 million yen and repayments of long-term loans payable of 66 million yen.

(Reference) Change in cash flow indicators

	FY2011	FY2012	FY2013	FY2014	FY2015
Shareholders' Equity Ratio (%)	41.4	48.8	48.9	44.5	45.9
Market-value Shareholders' Equity (%)	17.0	16.4	18.2	25.5	30.7
Ratio of Cash Flow to Interest-Bearing Debts (years)	1.0	—	4.6	1.7	2.5
Interest Coverage Ratio (times)	40.5	—	7.1	26.2	24.2

(Notes) Shareholders' Equity Ratio : Shareholders' Equity/Total Assets

Market-value Shareholders' Equity : Market Capitalization/Total Assets

Ratio of Cash Flow to Interest-Bearing Debts : Interest-Bearing Debt/Cash Flow

Interest Coverage Ratio : Cash Flow/Interest Payments

1. All the data above are determined on the consolidated basis.

2. Market Capitalization is determined on the number of issued shares excluding treasury stocks.

3. The Cash Flow from Operating Income is used. The Interest-Bearing Debt includes all the liabilities



with interest listed on the balance sheet.

4. The Ratio of Cash Flow to Interest-Bearing Debt and the Interest Coverage Ratio for FY 2012 are not shown because the Cash Flow from Operating Income was negative.

### (3) Basic Policy on Profit Appropriation and Dividend Payments for Current and Following Periods

Since the Group looks on profit returning to shareholders as one of the most important management challenges, its basic policy for dividend payment is to pay out continued stable dividends paying attention to reinforcement of financial footing and internal reserves in addition to business performance. The target payout ratio is roughly set at 20% on a consolidated basis in comprehensive consideration of the business performance, financial standing, future business strategies, etc. of each period.

With respect to retained earnings, our intention is to make aggressive use of them for reinforcing the financial footing for a more stabilized management base as well as implementing measures toward the future business expansion.

For this period, we plan to pay out 25 yen of common year-end per-share dividend, 5 yen up from the forecast announced on August 3, 2015.

Our forecast for FY2016 performance is as shown in "Outlook for Next Period" in "(1) Analysis on operating results" under "1. Operating results and financial position" with a plan of a year-end common dividend of 20 yen per share.

### (4) Risks in Business Operations

Though there was no risk in business operations which newly arose during the current period after the most recent quarterly report and financial statements, listed below are the possible main risk factors and the other important matters concerning our Group's business operations. The Group, recognizing well enough the possibilities of the occurrence of these risks, will try its best to avoid it and respond properly to such risks once any occurred, but also considers it necessary that decisions of investing concerning our Company's stock be made after a deliberate examination of the items listed under this heading as well as all the other contents in this Report. Please note that the items below don't cover all the possibilities of risks relating to an investment in our Company's stock and that the comments included under this heading mentioning the future are as of the date this Report is issued.

#### ① Effects concerning implementing management strategies:

The Group is actively investing in building up the structure for expanding new businesses coming out ahead in the field of industrial electronics as well as partnerships with other companies including joint investments in a wide range of areas such as research and development, manufacture, and marketing, aiming to be a highly profitable company. In investments of this kind, some operations may have to be carried out even with a certain degree of risks if future growth potential can be expected, and the existence of new competitors, increased amount of investments

in development, delay in development, or a sudden change in the market, etc. may cause a disagreement with a partner regarding fund-raising, technical management, product development, or management strategies. In case this discrepancy is too big for the Company to maintain the partnership and the management plan in the relevant business is obliged to change, the investments which have been made in it up to that point of time may affect the Group's operating results and financial position.

② Effects concerning intellectual property rights:

The Group pays special attention to the protection of the technologies in products and equipment it manufactures and markets, and especially in the attribution of patent rights, trademarks and brands, has implemented such measures as will protect the Company's interests. If there should be a lawsuit over such rights with a third party at home or abroad, however, it may affect the Group's operating results and financial position.

③ Responding to customers' overseas bases and country risks:

The Group has established local subsidiaries and branches in the US, Malaysia, China (Shanghai, Hong Kong, and Shenzhen), Taiwan, South Korea, and Thailand to deal with the overseas production bases of some of its main customers moved away from home. These offices may be closed or withdrawn in case of: (1) the Group's failure to establish promptly an alternate suitable sales structure upon changes in these customers' production and/or procurement policies; (2) a sudden change in the political or economical circumstances, unexpected alteration in legislation or the tax system, or difficulty in employment and rapid rise in labor costs; or (3) the manifestation of any threat to its local staff and their families in an area where such production base is located because of any social confusion such as terrorism or war, etc. These cases may affect the Group's operating results and financial position.

④ Exchange rate fluctuations and business practice involved in overseas transactions:

The Group is aggressively accelerating expansion in global operations. In export/import, the Group seeks to hedge exchange risks by means of forward exchange contracts, etc. at the receipt/placement of orders. Nevertheless, price movements through sudden exchange rate fluctuations may affect the Group's operating results and financial position. In addition, it is a common practice in transactions with foreign companies that payments are delayed, which may cause a problem in securing the collection of receivables in due course though the Group has implemented many different measures to avoid such a situation. In that case, too, it may affect the Group's operating results and financial position.

⑤ Quality control, product liability, and warranty

The Group carries a wide variety of products from electronic equipment and components to manufacturing equipment paying due attention to quality control in both the distribution process from purchase to shipment and the manufacturing process from development to manufacture with ISO9001 quality control management system introduced. However, it is possible that some trouble such as a malfunction or failure in manufacturing equipment, electronic equipment or components may come up and cause a problem to customers' production line resulting in a loss upon them. If such a situation should arise, it may affect the Group's operating results and financial position due to lowered reliability of its products or a damage claim.

⑥ Dealing contract:

The Group may assume responsibilities for recall compensation, confidentiality, legal compliance, and management of environmentally damaging substances in a basic dealing agreement for stable and continuous business transactions. It has taken measures to request its suppliers, with greatest care, to make a similar agreement, too, including these responsibilities as necessary, but in case it should incur liability for damages, it may affect the Group's performance. Additionally, in individual dealings, there are cases where the Group, for the purpose of maintaining and expanding its business opportunities as a trader, makes arrangements for part of goods in preparation for requests from customers to deliver products on shorter lead times, but in case of failing to sell out such goods because of an adverse market climate or obsolescence due to technological innovations, such residual inventories may affect the Group's operating results and financial position.

⑦ Influences of market fluctuation:

Our electronics markets, above all those of semiconductors, flat panel displays, and optical devices, are expected to continue to grow further as they are key devices in the development of IT/digital appliances moving forward. However, since our main customers also belong to this industry, a market shrink due to adjustments of demand/supply gap or a decrease in capital investments with sudden deterioration in domestic/ overseas economy may significantly affect the Group's operating results and financial position.

⑧ Maintaining marketing rights:

The Group acts as an agent for not only domestic but also overseas advanced manufacturers, providing cutting-edge products for many companies both at home and overseas. It strives to ensure their long-lasting stability while extending its marketing rights by acquiring new agency, but in case such an agency contract dissolves as a result of supplying manufacturer's M&A or changes in sales policy, etc., it may affect the Group's operating results and financial position.

⑨ Restrictions regarding the Foreign Exchange and Foreign Trade Control Law:

Exporting such products as electronic equipment and components and manufacturing equipment that the Group deals in, as well as certain technologies relating to manufacturing equipment, is subject to notification to and permission of the Minister of Economy, Trade and Industry under the Foreign Exchange and Foreign Trade Control Law, as necessary. The Company has established its regulations regarding security export control to ensure thorough control, but in the event that a criminal penalty should be imposed as a result of violation of any of these, it may affect the Group's operating results and financial position.

⑩ Impact of natural disasters, etc.:

The Group has been working on necessary measures for safety and business continuity and early recovery as preparation for possible natural disasters such as big earthquakes including Tokai and Tonankai earthquakes, typhoons, and floods, as well as fires or infectious diseases including a bird flu and other new types of flu. However, since the Group and many of its customers and suppliers operate globally, not only in Japan, it is difficult to completely avoid all the risks on the occurrence of natural disasters, fires, infectious diseases, etc., and if such event should occur on an unexpected scale, it may affect the Group's operating results and financial position because in such cases

business activities such as sales and production may be shrunk.

## 2. Outline of Daitron Corporate Group

Our corporate group, consisting of Daito Electron Co., Ltd. (“the Company”) and 11 consolidated subsidiaries (of which seven are located overseas), is mainly engaged in the sale, manufacture, and import/export of electronic equipment and components (such as electronic parts and assembly products, semiconductors, embedded systems/boards, power-supply equipment, image-related equipment and parts, information systems, and other electronic equipment and components), manufacturing equipment (for optical devices, LSI's, flat panel displays, electronic materials, and energy devices), and other electronics products.

### (1) Domestic sales company:

The Company, as the domestic sales company of the Group, purchases abovementioned electronic equipment/components and manufacturing equipment from its suppliers and subsidiaries, and sells them to its domestic and overseas customers and subsidiaries.

### (2) Domestic manufacturing companies:

The Company has three domestic consolidated manufacturing subsidiaries.

Daitron Technology Co., Ltd. engages in development, manufacture, and sales of manufacturing equipment for optical devices, flat panel displays, and electronic materials, etc.

Daito Denso Co., Ltd. engages in design, fabrication, and sales of electronic equipment and components such as harnesses, underwater connectors, and power supply equipment.

Takawa Industry Co., Ltd. engages in manufacturing and assembly of electronic equipment and components such as cable harnesses.

### (3) Overseas subsidiaries:

The Company has seven consolidated subsidiaries overseas.

Daitron Inc. engages in manufacture, sales, and import/export of electronic equipment and components, and sales and import/export of manufacturing equipment for the North American market.

Daitron (Malaysia) Sdn. Bhd. engages in sales and import/export of electronic equipment and components as well as manufacturing equipment for the Malaysian and other Southeast Asian markets.

Daitron (H.K.) Co., Ltd. engages in sales, procurement, and import/export of electronic equipment and components, etc. for the Hong Kong and South Chinese markets.

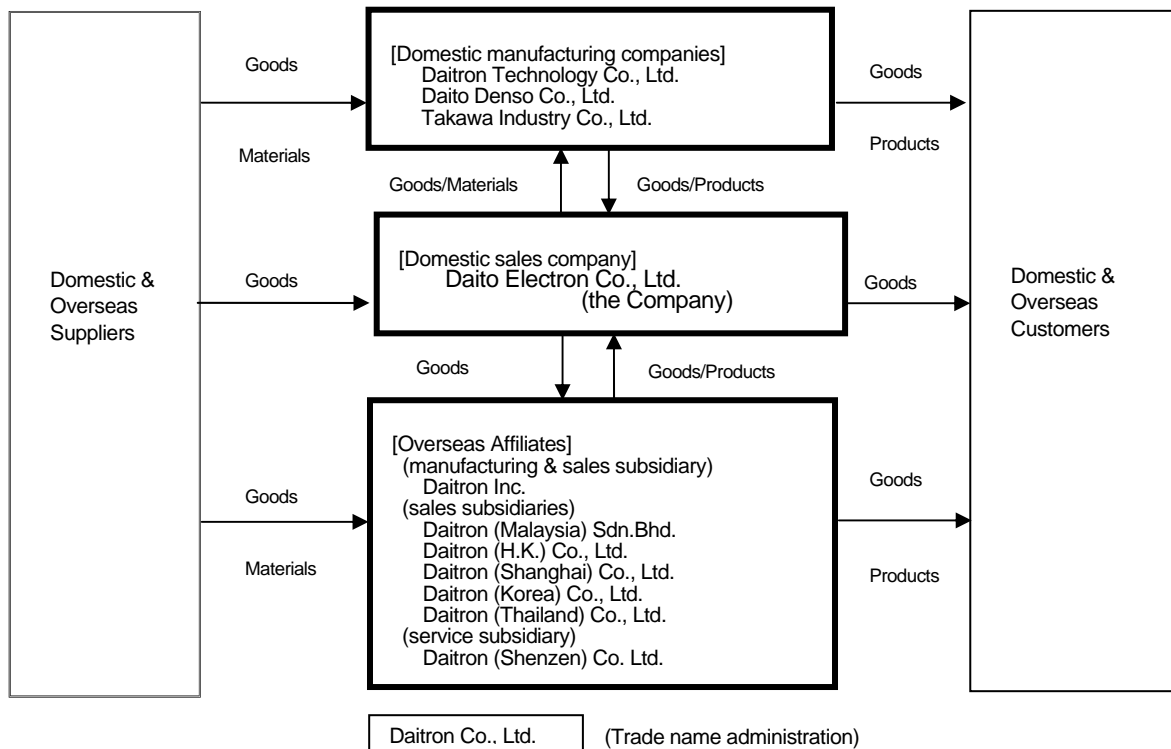
Daitron (Shanghai) Co., Ltd. engages in sales and import/export of electronic equipment and components as well as manufacturing equipment for the Chinese market.

Daitron (Korea) Co., Ltd. engages in sales, procurement, and import/export of electronic equipment and components for the Korean and other East Asian markets.

Daitron (Thailand) Co., Ltd. engages in sales and import/export of electronic equipment and components as well as manufacturing equipment for the Thai and other Southeast Asian markets.

Daitron (Shenzhen) Co., Ltd. engages in consulting services concerning sales of electronic equipment and components, etc. for the South China market.

The chart below shows the flow of our businesses.



### 3. Management Policy

#### (1) Basic Management Policy

The Group has, in addition to the "Daitron Spirits" stating its Foundation Spirit, Creed, and Management Philosophy, adopted a management policy based on the four viewpoints of shareholder satisfaction, customer satisfaction, supplier satisfaction, and employee satisfaction, as well as valuing legal compliance and contribution to society as our basic corporate attitude.

Additionally, it is also our basic policy to pursue "a line of a fully integrated manufacturing and sales unit" as an engineering trading company with the manufacturing function leading to more added value and improved profitability, on top of the marketing capabilities and the logistics function as a trading firm.

The Group will always take the lead ahead of the rest of the industry in predicting the trend of the changing business environment, and seek to maintain and further expand the growth line we have followed by providing products and services with high added value and cost competitiveness and capitalizing on its strengths of "Organization as a fully integrated manufacturing and sales unit," "Foresight and marketing ability of an engineering trading company," "Industry-leading logistics service," and "Trusted customer assets and a large number of accounts."

#### (2) Medium- and Long-term Management Strategies and Challenges to Address

The Group is currently faced with the three major challenges: (i) sluggish and shrinking domestic market; (ii) such voices as trading firms are not necessary any longer with EMS (contract design, manufacture, etc. services for electronic equipment) rising; (iii) intensifying cost competition due to the rise of companies in newly emerging Asian nations.

To stand against these challenges and create a new Daitron Group, the Group established the 8th Three-Year Management Plan for fiscal 2014-2016.

In this 8th Three-Year Management Plan, under the slogan of "Shift from Quantity to Quality - Toward a highly profitable company in a global niche," the Company is going to promote operations aiming to be an "excellent company" that meets all its stakeholders' expectations with corporate value increased in the medium- and long-term.

The Group's business strategies are: first, to seek speedier management to respond to rapid changes in business environments; and the second, to accelerate "business structure change" while judging properly how growing markets and shrinking ones are changing. Especially as for the business structure change, we are aiming to establish a constitution to secure stable earnings by aggressively developing new businesses based on new business bases and advancing into new markets.

Below are the four themes we are working on as future business strategies:

(i) Enhancement and expansion of original products: Pursuing its unique "integrated manufacturing and sales strategy," the Group is going to further enhance and expand its high-value added original products developed based on the proper understanding of customer needs, to improve customer satisfaction and the market presence of the "Daitron" brand.

(ii) Enhancement and expansion of overseas business: Based on the facts that the original brand power is becoming sufficient to expand business with overseas customers with original products of the Daitron brand beefed up, and that overseas sales network is extending throughout the world including North America and Europe, in addition to Asia, the Group is going to further accelerate overseas operations.

(iii) Cultivation and vertical development of existing markets and customers: The environments and needs of the Group's existing markets and customers, which constitute significant management foundations of what the Group is, are also changing gradually. We are going to cultivate and vertically develop business with them making full use of the seeds of technologies and the supplier network the Company has built up.

As efforts in "vertical development" of our existing markets and customers, we are concentrating more efforts on specific areas related to power devices, high-brightness LEDs, power supplies and secondary cells, highly functional parts and assembly products, aiming to stably expand existing markets and customers.

(iv) Development of new markets and customers: The domestic business environment is greatly changing with changes in the structure of the electronics industry, rapid shrinkage in

part of the markets, increased overseas transfers of production/development sectors. To secure profit in such changing circumstances, it is essential to develop new markets and customers. The Group is going to seek to create new business models overseas according to the market environment of respective locations, in addition to further promoting the development of new domestic markets and customers in such areas as LED lighting, uninterruptible power systems, and photovoltaic power related systems.

The Group is going to work together on the abovementioned challenges by pursuing the "integrated manufacturing and sales strategy," its basic policy as an engineering trading company, aiming to be a highly profitable corporate group.

#### 4. Basic Policy regarding Choice of Accounting Standards

In consideration of the time-series comparability and intercorporate comparability of consolidated financial statements, the Group is going to prepare its consolidated financial statements in accordance with the Japanese standards for the time being.

As for the application of the International Financial Reporting Standards (IFRS), the Group is going to respond appropriately allowing for the domestic and international situation.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheet

(Unit: thousand yen)

	at December 31, 2014	at December 31, 2015
<b>Assets</b>		
Current assets		
Cash and deposits	6,122,205	6,281,111
Notes and accounts receivable - Trade	10,590,343	11,182,946
Electronically recorded monetary claims	1,768,084	2,387,438
Goods and products	1,780,364	1,604,495
Work in process	844,181	1,383,590
Raw materials	469,139	339,710
Deferred tax assets	144,249	102,495
Other current assets	482,538	380,216
Allowance for doubtful accounts	(1,873)	(3,820)
<b>Total current assets</b>	<b>22,199,232</b>	<b>23,658,183</b>
Fixed assets		
Tangible fixed assets		
Buildings and structures	3,688,891	3,693,317
Accumulated depreciation	(2,498,899)	(2,592,826)
<b>Buildings and structures - net</b>	<b>1,189,991</b>	<b>1,100,491</b>
Machinery, equipment and vehicles	349,270	365,230
Accumulated depreciation	(291,136)	(301,807)
<b>Machinery, equipment and vehicles - net</b>	<b>58,134</b>	<b>63,422</b>
Land	1,840,398	1,840,398
Other tangible fixed assets	836,828	851,848
Accumulated depreciation	(672,561)	(683,570)
<b>Other tangible fixed assets - net</b>	<b>164,266</b>	<b>168,271</b>
<b>Total tangible fixed assets</b>	<b>3,252,791</b>	<b>3,172,584</b>
Intangible fixed assets		
Other intangible fixed assets	84,778	81,866
<b>Total intangible fixed assets</b>	<b>84,778</b>	<b>81,866</b>
Investments and other assets		
Investment securities	1,131,126	1,120,538
Long-term loans receivable from employees	2,116	1,716
Deferred tax assets	87,557	133,220
Other investments and other assets	622,660	580,947
Allowance for doubtful accounts	(67,691)	(67,074)
<b>Total investments and other assets</b>	<b>1,775,769</b>	<b>1,769,348</b>



Total fixed assets	5,113,339	5,023,798
Total assets	27,312,572	28,681,982

	at December 31, 2014	at December 31, 2015
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	8,241,765	6,701,389
Electronically recorded monetary claims	1,723,576	3,530,209
Short-term loans payable	100,000	100,000
Long-term loans payable due within one year	66,660	66,660
Lease obligations	43,181	44,928
Accrued Income taxes, etc.	222,606	291,006
Allowance for bonuses	58,564	57,095
Allowance for product warranty	35,911	39,845
Advance received	618,977	573,051
Other current liabilities	829,996	900,873
Total current liabilities	<u>11,941,239</u>	<u>12,305,058</u>
Fixed liabilities		
Long-term loans payable	905,565	838,905
Lease obligations	87,210	71,996
Deferred tax liability	461	—
Liabilities pertaining to employees' retirement benefits	2,085,776	2,215,662
Asset retirement obligation	47,570	48,292
Other fixed liabilities	83,094	22,100
Total fixed liabilities	<u>3,209,678</u>	<u>3,196,956</u>
Total liabilities	<u>15,150,917</u>	<u>15,502,014</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	8,242,070
Treasury stock	(19,335)	(19,882)
Total shareholders' equity	<u>11,941,230</u>	<u>12,905,793</u>
Accumulated other comprehensive income		
Difference from evaluation of other investment securities	356,199	422,229
Deferred gains or losses on hedges	(5,362)	(1,176)
Foreign currency translation adjustments	1,372	6,194
Accumulated adjustment pertaining to employees' retirement benefits	(135,151)	(156,439)
Total accumulated other comprehensive income	<u>217,058</u>	<u>270,807</u>
Minority interests	<u>3,366</u>	<u>3,366</u>

Total net assets	12,161, 655	13,179, 967
Total liabilities and net assets	27,312,572	28,681,982

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

(Consolidated Statement of Income)

(Unit: thousand yen)

	12 months Ended December 31, 2014	12 months Ended December 31, 2015
Net sales	38,702,579	43,214,024
Cost of sales	30,405,093	33,744,199
Gross profit	8,297,485	9,469,825
Selling, general and administrative expenses		
Salaries and bonuses	3,765,999	4,046,871
Retirement benefit expenses	236,792	243,096
Transfer to allowance for bonuses	48,300	49,558
Transfer to allowance for doubtful accounts	31,966	2,065
Transfer to allowance for product warranty	—	3,934
Depreciation	195,174	160,440
Other selling, general and administrative expenses	3,244,604	3,421,427
Total selling, general and administrative expenses	7,522,838	7,927,394
Operating income	774,647	1,542,430
Non-operating income		
Interest income	7,104	4,623
Dividend income	19,268	22,611
Insurance dividend	11,095	11,909
Penalty income	—	10,255
Purchase discount	7,748	7,077
Foreign exchange profit	52,509	—
Other non-operating income	34,725	23,395
Total non-operating income	132,452	79,873
Non-operating expenses		
Interest expense	27,043	19,578
Loss on sale of trade notes	4,131	3,648
Sales discount	7,807	11,364
Other non-operating losses	—	42,536
Other non-operating losses	6,870	8,122
Total non-operating expenses	45,853	85,250
Ordinary income	861,246	1,537,053
Extraordinary income		
Gain on sale of fixed assets	19,942	5,305
Gain on sale of investment securities	—	61,512
Total extraordinary income	19,942	66,818
Extraordinary losses		

Loss on sale and retirement of fixed assets	283	698
Loss on valuation of investment securities	—	1,780
Impairment loss	—	23,431
Total extraordinary losses	283	25,910
Net income before taxes and adjustments	880,905	1,577,960
Income, inhabitants and enterprise taxes	284,022	501,878
Income taxes-deferred	(44,353)	(55,599)
Total income taxes	239,668	446,278
Net income before minority shareholders profit and loss adjustments	641,237	1,131,681
Net income	641,237	1,131,681
Other comprehensive income		
Difference from evaluation of other investment securities	25,294	66,029
Deferred gains or losses on hedges	(5,481)	4,186
Foreign currency translation adjustments	60,730	4,821
Adjustment pertaining to employees' retirement benefits	—	(21,287)
Total accumulated other comprehensive income	80,542	53,749
Comprehensive income	721,779	1,185,430
(breakdown)		
Comprehensive income pertaining to parent stock	721,779	1,185,430
Comprehensive income pertaining to minority shareholders	—	—

### (3) Consolidated Statement of Changes in Shareholders' Equity and Others

[Previous Fiscal Year Ended December 31, 2014]

(Unit: thousand Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	2,200,708	2,482,896	6,691,248	(19,329)	11,355,523
Changes during current period					
Surplus dividend			(55,524)		(55,524)
Net income			641,237		641,237
Purchase of treasury stock				(5)	(5)
Changes during current period in items other than shareholders' equity -net					
Total changes during current period	—	—	585,712	(5)	585,707
Balance at end of current period	2,200,708	2,482,896	7,276,961	(19,335)	11,941,230

	Accumulated other comprehensive income					Minority Interest	Total net assets
	Difference from evaluation of other investment securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Accumulated adjustment pertaining to employees' retirement benefits	Accumulated other comprehensive income		
Balance at beginning of current period	330,905	118	(59,357)	—	271,667	3,366	11,630,556
Changes during current period							
Surplus dividend							(55,524)
Net income							641,237
Purchase of treasury stock							(5)
Changes during current period in items other than shareholders' equity -net	25,294	(5,481)	60,730	(135,151)	(54,609)		(54,609)
Total changes during current period	25,294	(5,481)	60,730	(135,151)	(54,609)	—	531,098
Balance at end of current period	356,199	(5,362)	1,372	(135,151)	217,058	3,366	12,161,655

[Current Fiscal Year Ended December 31, 2015]

(Unit: thousand Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	2,200,708	2,482,896	7,276,961	(19,335)	11,941,230
Changes during current period					
Surplus dividend			(166,571)		(166,571)
Net income			1,131,681		1,131,681
Purchase of treasury stock				(546)	(546)
Changes during current period in items other than shareholders' equity -net					
Total changes during current period	—	—	965,109	(546)	964,562
Balance at end of current period	2,200,708	2,482,896	8,242,070	(19,882)	12,905,793

	Accumulated other comprehensive income					Minority Interest	Total net assets
	Difference from evaluation of other investment securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Accumulated adjustment pertaining to employees' retirement benefits	Accumulated other comprehensive income		
Balance at beginning of current period	356,199	(5,362)	1,372	(135,151)	217,058	3,366	112,161,655
Changes during current period							
Surplus dividend							(166,571)
Net income							1,131,681
Purchase of treasury stock							(546)
Changes during current period in items other than shareholders' equity -net	66,029	4,186	4,812	(21,287)	53,749	—	53,749
Total changes during current period	66,029	4,186	4,812	(21,287)	53,749	—	1,018,312
Balance at end of current period	422,229	(1,176)	6,194	(156,439)	270,807	3,366	13,179,967

**(4) Consolidated Statement of Cash Flows**

(Unit: thousand Yen)

	12 months Ended December 31, 2014	12 months Ended December 31, 2015
<b>Cash flows from operating activities</b>		
Net income before taxes and adjustments	880,905	1,577,960
Depreciation and amortization	272,158	233,891
Interest and dividend income	(26,372)	(27,235)
Interest expense	27,043	19,578
(Gain)/Loss on sale of investment securities	—	(61,512)
(Gain)/Loss on valuation of investment securities	—	1,780
(Gain)/Loss on sale and retirement of tangible fixed assets	(19,658)	(4,607)
Impairment loss	—	23,431
Decrease/(increase) in accounts receivable	(2,320,480)	(1,231,105)
Decrease/(increase) in inventories	(714,562)	(244,143)
Decrease/(increase) in advance payment	25,897	49,678
Increase/(decrease) in trade notes and accounts payable	2,246,899	290,531
Increase/(decrease) in advance received	145,985	(35,478)
Others	373,180	275,650
Sub-total	890,996	868,422
Interest and dividend received	25,181	27,204
Interest paid	(27,534)	(18,479)
Income tax and other taxes paid	(166,553)	(429,747)
Net cash provided by/(used in) operating activities	722,090	447,399
<b>Cash flows from investing activities</b>		
Payment for purchase of tangible fixed assets	(123,395)	(146,374)
Proceeds from sale of tangible fixed assets	36,052	8,106
Payment for purchase of investment securities	(23,141)	(23,614)
Proceeds from sale of investment securities	—	179,045
Others	(12,800)	(1,814)
Net cash provided by/(used in) investing activities	(123,284)	15,349
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans payable	1,000,000	—
Repayment of long-term loans payable	(1,067,745)	(66,660)
Dividends paid	(55,959)	(166,020)
Others	(58,914)	(45,940)
Net cash provided by/(used in) financing activities	(182,619)	(278,620)
Effect of exchange rate changes on cash and cash equivalents	94,578	(25,222)
Increase/(decrease) in cash and cash equivalents	510,764	158,906
Cash and cash equivalents at beginning of period	5,581,441	6,092,205



Cash and cash equivalents at period end

\*6,092,205

\*6,251,111

**(5) Notes on Consolidated Financial Statements:**

(Notes regarding Premise of Going Concern)

There is no applicable matter.

(Significant Matters Fundamental to Prepare Consolidated Financial Statements)

Not indicated because there is no significant change from the most recent Securities Report submitted on March 30, 2015

(Change in Accounting Policy)

- Application of accounting standards, etc. concerning employees' retirement benefits

With the application of the provisions of the main clause of Paragraph 35 of the Accounting Standards concerning Retirement Benefits (Corporate Accounting Standards No.26, May 17, 2012; hereinafter "Retirement Benefits Accounting Standards") and of the main clause of Paragraph 67 of the Application Guidelines for the Accounting Standards concerning Retirement Benefits (Corporate Accounting Standards Application Guidelines No.25, March 26, 2015; hereinafter "Retirement Benefits Application Guidelines") as from the current accounting year, the Company reviewed the calculation methods for retirement benefit obligations and the service costs, and changed the attribution method for the estimated amount of retirement benefits from the service period basis to the projected benefit basis, as well as the determination method for discount rates from the one using the rates based on the number of the years approximated to the employees' average remaining service years to the one using a single weighted average rate reflecting the expected payment period for retirement benefits and the amount by expected payment period.

There is no effect of these changes on the consolidated financial statements.

(Segment Information, etc.)

**a. Segment information, etc.**

1. Outline of Report Segments

The Group's Report Segments are those segments subject to regular reviews for the Board of Directors to determine the allocation of management resources and evaluate the performance whose financial data is available separately from the other constituent units of the Group.

Each company of the Group is an independent management unit and the allocation of management resources is determined and the performance is evaluated respectively by the Board of Directors of each company.

As seen above, consisting of segments by location, the Group has three Report Segments:

“Domestic sales companies,” “Domestic manufacturing companies,” and “Overseas Subsidiaries.”

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 current year, the previous two segments “Electronic Equipment and Components” and “Manufacturing Equipment” were integrated into “Domestic Sales Company,” and the previous “Domestic Subsidiaries” was also renamed “Domestic Manufacturing Companies,” as the manufacturing function seeking 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 in the previous year shown here is made based on the classification of the new Report Segments after the change.

Below are the main goods/products and business lines by Report Segment:

[Main goods/products]

1. Electronic Equipment and Components: Electronic components & assembly products, semiconductors, embedded systems (boards), power supply equipment, image-related equipment & components, information systems, and other electronic equipment and components
2. Manufacturing Equipment: Optical device manufacturing equipment, LSI manufacturing equipment, FPD manufacturing equipment, electronic material manufacturing equipment, and energy device manufacturing equipment

[Business lines by Report Segment]

1. Domestic Sales Companies: Purchase from domestic and overseas suppliers and affiliates of and sale to domestic and overseas customers and affiliates of electronic equipment & components in general, manufacturing equipment in general as shown above
2. Domestic Manufacturing Companies: Development, manufacturing, and sale of electronic components, assembly products, power supply equipment, image-related equipment & components, optical device manufacturing equipment, FPD manufacturing equipment, electronic material manufacturing equipment, etc.
3. Overseas Subsidiaries: Sale and import/export of the above products for overseas markets, and manufacturing and sale of electronic components and assembly products.

2. Calculation method for net sales, income or loss, assets, and other items by Report Segment:  
The accounting methods for the reported business segments are the same as those stated in “Significant Matters Fundamental to Prepare Consolidated Financial Statements.”

The incomes of the Report Segments are based on operating income.

The internal profits and transfers between segments are based on the current market prices.

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

With the application of the provisions of the main clause of Paragraph 35 of the Accounting Standards concerning Retirement Benefits (Corporate Accounting Standards No.26, May 17, 2012; hereinafter “Retirement Benefits Accounting Standards”) and of the main clause of Paragraph 67 of the Application Guidelines for the Accounting Standards concerning Retirement Benefits (Corporate Accounting Standards Application Guidelines No.25, March 26, 2012; hereinafter “Retirement Benefits Application Guidelines”) as from the current accounting year, the Company reviewed the calculation methods for retirement benefit obligations and the service costs, and changed the attribution method for the estimated amount of retirement benefits from the service period basis to the projected benefit basis, as well as the determination method for discount rates from the one using the rates based on the number of the years approximated to the employees' average remaining service years to the one using a single weighted average rate reflecting the expected payment period for retirement benefits and the amount by expected payment period.

There is no effect of these changes on segment income.

3. Information concerning the amounts of net sales, income or loss, assets, and other items of each Report Segment

[Previous Fiscal Year Ended December 31, 2014]

(Unit: thousand yen)

	Report Segment				Adjustment *1	Amount reported in consolidated financial statements *2
	Domestic sales companies	Domestic manufacturing companies	Overseas Subsidiaries	Total		
<b>Net sales</b>						
- Sales to outside customers	32,433,816	2,099,273	4,169,489	38,702,579	—	38,702,579
- Inter-segmental sales or transfer	1,306,149	4,841,177	133,020	6,280,347	(6,280,347)	—
<b>Total</b>	33,739,965	6,940,450	4,302,510	44,982,926	(6,280,347)	38,702,579
<b>Segment income</b>	199,632	463,289	54,139	717,061	57,586	774,647
<b>Segment assets</b>	13,795,902	5,942,133	2,284,236	22,022,273	5,290,299	27,312,572
<b>Other</b>						
- Depreciation	150,152	112,794	6,269	269,216	2,942	272,158
- Increases in tangible fixed assets and intangible fixed assets	44,353	65,455	23,016	132,826	10,405	143,231

(Notes) 1. The details of the Adjustment are as follows:

- (1) The amount of Adjustment of segment income of 57,586 thousand yen includes eliminations of inter-segmental transaction of 89,673 thousand yen, and All company expenses not allocated to each Report Segment of (32,087 thousand yen). The major part of "All company expenses" is selling, general and administrative expenses not attributable to the Report Segment.
- (2) The amount of Adjustment of Segment assets of 5,290,299 thousand yen includes elimination of inter-segmental transaction of (2,613,571 thousand yen) and "All company assets" not allocated to each Report Segment of 7,903,870 thousand yen. The major part of "All company assets" is composed of surplus fund operating capital (cash and deposits, etc.) and long-term investment capital (investment securities, etc.) not attributable to the Report Segment, and assets pertaining to administrative departments, etc.
- (3) The amount of Adjustment of depreciation of 2,942 thousand yen is depreciation pertaining to All company assets.
- (4) The amount of Adjustment of Increases in tangible fixed assets and intangible fixed assets of 10,405 thousand yen) is the amount of the increase in All company assets.

2. Segment income is adjusted with the operating income in the Consolidated Statement of Income.

[Current Fiscal Year Ended December 31, 2015]

(Unit: thousand yen)

	Report Segment				Adjustment *1	Amount reported in consolidated financial statements *2
	Domestic sales companies	Domestic manufacturing companies	Overseas Subsidiaries	Total		
<b>Net sales</b>						
- Sales to outside customers	36,770,934	2,114,618	4,328,471	43,214,024	—	43,214,024
- Inter-segmental sales or transfer	1,084,992	6,094,494	147,963	7,327,450	(7,327,450)	—
<b>Total</b>	<b>37,855,927</b>	<b>8,209,112</b>	<b>4,476,435</b>	<b>50,541,475</b>	<b>(7,327,450)</b>	<b>43,214,024</b>
<b>Segment income</b>	<b>445,421</b>	<b>819,467</b>	<b>235,566</b>	<b>1,500,455</b>	<b>41,975</b>	<b>1,542,430</b>
<b>Segment assets</b>	<b>14,534,486</b>	<b>6,638,518</b>	<b>2,083,604</b>	<b>23,256,608</b>	<b>5,425,373</b>	<b>28,681,982</b>
<b>Other</b>						
- Depreciation	101,955	97,275	16,244	215,476	18,415	233,891
- Increases in tangible fixed assets and intangible fixed assets	28,375	104,086	26,597	159,059	21,402	180,461

(Notes) 1. The details of the Adjustment are as follows:

- (1) The amount of Adjustment of segment income of 41,975 thousand yen includes eliminations of inter-segmental transaction of 97,308 thousand yen, and All company expenses not allocated to each Report Segment of (55,333) thousand yen. The major part of "All company expenses" is selling, general and administrative expenses not attributable to the Report Segment.
  - (2) The amount of Adjustment of Segment assets of 5,425,373 thousand yen includes elimination of inter-segmental transaction of (2,345,700 thousand yen) and All company assets not allocated to each Report Segment of 7,771,073 thousand yen. The major part of "All company assets" is composed of surplus fund operating capital (cash and deposits, etc.) and long-term investment capital (investment securities, etc.) not attributable to the Report Segment, and assets pertaining to administrative departments, etc.
  - (3) The amount of Adjustment of depreciation of 18,415 thousand yen is depreciation pertaining to All company assets.
  - (4) The amount of Adjustment of Increases in tangible fixed assets and intangible fixed assets of 21,402 thousand yen is the amount of the increase in All company assets.
2. Segment income is adjusted with the operating income in the Consolidated Statement of Income.

**b. Relevant information****[Previous Fiscal Year Ended December 31, 2014]**

## 1. Information by product and service (Unit: thousand yen)

	Electronic Equipment & Components	Manufacturing Equipment	Total
Sales to outside customers	30,711,584	7,990,995	38,702,579S

## 2. Information by area

## (1) Net sales (Unit: thousand yen)

Japan	North America	Europe	Asia	Total
32,320,696	1,144,284	92,112	5,415,485	38,702,579

(Note) Net sales are based on customers' locations and classified by country or area.

## (2) Tangible fixed assets

The amount of tangible fixed assets located in Japan accounts for more than 90% of the amount of the same item in the consolidated balance sheet, and therefore is not shown here.

## 3. Information by major customer

There is no outside customer that purchased 10% or more of net sales in the Consolidated Statement of Income.

**[Current Fiscal Year Ended December 31, 2015]**

## 1. Information by product and service (Unit: thousand yen)

	Electronic Equipment & Components	Manufacturing Equipment	Total
Sales to outside customers	31,804,261	11,409,762	43,214,024

## 2. Information by area

## (1) Net sales (Unit: thousand yen)

Japan	North America	Europe	Asia	Total
36,474,293	1,394,918	94,971	5,249,841	43,214,024

(Note) Net sales are based on customers' locations and classified by country or area.

## (2) Tangible fixed assets

The amount of tangible fixed assets located in Japan accounts for more than 90% of the amount of the same item in the consolidated balance sheet, and therefore is not shown here.

3. Information by major customer

There is no outside customer that purchased 10% or more of net sales in the Consolidated Statement of Income.

**c. Information on impairment loss of fixed assets by Report Segment**

**[Previous Fiscal Year Ended December 31, 2014]**

There is no applicable matter.

**[Current Fiscal Year Ended December 31, 2015]**

(Unit: thousand yen)

	Domestic sales company	Domestic manufacturing companies	Overseas Subsidiaries	Total	Domestic sales company
Impairment loss	23,431	—	—	—	23,431

**d. Information on depreciation of goodwill and undepreciated balance by Report Segment**

There is no applicable matter.

**e. Information on income upon negative goodwill by Report Segment**

There is no applicable matter.

**(Per Share Data)**

	Previous FY Ended Dec. 31, 2014	Current FY Ended Dec. 31, 2015
Net assets per share	¥1,094.87	¥1,186.64
Net income per share	¥57.74	¥101.91

(Notes) 1. Fully diluted net income per share is not shown here because there are no residual securities.

2. The bases of calculation of net income per share are as follows:

(Unit: thousand yen)

	Previous FY Ended December 31, 2014	Current FY Ended December 31, 2015
Net income per share		
Net income	641,237	1,131,681
Amount not applicable to common shareholders	—	—
Net income applicable to common shares	641,237	1,131,681
Average number of common shares during period (thousand shares)	11,104	11,104

## (Significant Subsequent Events)

(Absorption-type merger of wholly owned subsidiaries and partial amendment to Articles of Incorporation associated with change in trade name)

The Company resolved at the board of directors meeting held on February 5, 2016 to merge its wholly owned consolidated subsidiaries Daitron Technology Co., Ltd. and Daito Denso Co., Ltd., and concluded a merger agreement as of such date. It also resolved to submit the subject of partial amendments to the Articles of Incorporation including the change in the trade name to the 64th general meeting of shareholders, which is scheduled to be held on March 30, 2016.

After this merger, the Company is to change its trade name from Daito Electron Co., Ltd. to Daitron Co., Ltd.

### 1. Outline of merger

#### (1) Name and description of business to be merged

Absorbing company name	Daito Electron Co., Ltd.
Description of business	Sale and import/export of electronic equipment & components and manufacturing equipment
Absorbing company name	Daitron Technology Co., Ltd.
Description of business	Development, manufacture, and sale of manufacturing equipment
	Daito Denso Co., Ltd.
	Design, manufacture, and sale of electronic equipment & components

#### (2) Date of merger

January 1, 2017 (planned)

#### (3) Legal form of merger

Absorption-type merger, in which Daito Electron Co., Ltd. is to survive, and Daitron Technology Co., Ltd. and Daito Denso Co., Ltd. are to be absorbed.

#### (4) Name of the company after merger

Daitron Co., Ltd. (to be changed from Daito Electron Co., Ltd. as of January 1, 2017)

#### (5) Other matters related to the outline of transaction (including purpose of transaction)

The Company, having promoted functional management by separate companies with domestic manufacturing subsidiaries under its umbrella which engage in the manufacture of electronic equipment and components and manufacturing equipment, decided to merge them for the purpose of further enhancing its corporate value by integrating and activating the information, technologies, and know-how. Since both of them are the Company's wholly owned subsidiaries, this merger will involve no issuance of shares or money, etc.



## 2. Outline of accounting procedures to be taken

Pursuant to the Accounting Standard for Business Combination (Corporate Accounting Standards No.21, September 13, 2013) and the Application Guidelines on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures (Corporate Accounting Standards Application Guidelines No.10, September 13, 2013), the Company will perform the accounting procedures for transactions under common control.

### **(Omission of Disclosure)**

Notes to lease transactions, financial instruments, securities, derivative transactions, asset retirement obligation, and relevant party information are not shown because there is not great necessity for disclosing them in this Financial Report.