

## Financial Report for the 3-month Period Ended March 31, 2017 (Consolidated - Japanese Standards)

Company name: DAITRON CO., LTD.  
 Stock exchange listing: 1st Section of the Tokyo Stock Exchange  
 Code number: 7609 URL: <http://www.daitron.co.jp/>  
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Scheduled date of submitting quarterly statement: May 15, 2017

Scheduled date of starting dividend payment: —

Support explanatory material for quarterly settlement: None

Explanatory meeting for quarterly settlement: None

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

### 1. Financial results for 3-month period ended March 31, 2017(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 belonging to parent shareholders |        |
|---------|-----------|-------|------------------|--------|-----------------|--------|---|--------|
|         | Mil. yen  | %     | Mil. yen         | %      | Mil. yen        | %      | Mil. yen  | %      |
| 1Q/2017 | 12,013    | 8.8   | 561              | 10.2   | 592             | 22.1   | 427   | 63.7   |
| 1Q/2016 | 11,040    | (4.8) | 510              | (11.0) | 485             | (13.6) | 261   | (33.4) |

Note: Comprehensive income 1Q/2017: 432 million yen (259.3%) 1Q/2016: 120 million yen (-74.4%)

|         | Quarterly net income per share | Diluted quarterly net income per share |
|---------|--------------------------------|--|
|         | Yen                            | Yen                                    |
| 1Q/2017 | 38.62                          | —                                      |
| 1Q/2016 | 23.51                          | —                                      |

Note: Diluted quarterly net income per share is not shown because there existed no potential common stocks.

#### (2) Financial standing

|         | Total assets | Net assets  | Shareholders' equity ratio | Net assets per share |
|---------|--------------|-------------|----------------------------|----------------------|
|         | Million yen  | Million yen | %                          | Yen                  |
| 1Q/2017 | 33,578       | 13,940      | 41.5                       | 1,263.31             |
| FY2016  | 32,068       | 13,914      | 43.4                       | 1,252.94             |

(Reference) Shareholders' equity 1Q/2017: 13,936 million yen FY2016: 13,911 million yen

### 2. Dividend payments

|                   | Annual dividend payment (Yen) |        |        |            |       |
|-------------------|-------------------------------|--------|--------|------------|-------|
|                   | 1Q end                        | 2Q end | 3Q end | fiscal end | Total |
| FY2016            | —                             | 0.00   | —      | 30.00      | 30.00 |
| FY2017            | —                             |        |        |            |       |
| FY2017 (expected) |                               | 15.00  | —      | 15.00      | 30.00 |

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

### 3. Consolidated earnings forecast for fiscal 2017 ending December 31, 2017

(Figures shown in percentages indicate the year-on-year rates of increase/decrease.)

|                    | Net sales |     | Operating income |        | Ordinary income |        | Quarterly net income belonging to parent shareholders |      | Net income per share |
|--------------------|-----------|-----|------------------|--------|-----------------|--------|---|------|----------------------|
|                    | Mil.yen   | %   | Mil.yen          | %      | Mil.yen         | %      | Mil.yen   | %    | Yen                  |
| 2Q<br>(cumulative) | 23,500    | 7.5 | 900              | (16.9) | 900             | (10.5) | 660   | 14.5 | 59.75                |
| Full year          | 47,500    | 5.7 | 1,920            | 0.5    | 1,920           | 3.0    | 1,350   | 10.9 | 122.29               |

(Note) Revision of the most recently announced operating estimates: None

As released on February 8, 2017, the Company purchased its own shares. Net income per share in the Consolidated earnings forecast for is calculated including such shares purchased.

#### \* Notes

(1) Change in significant subsidiaries (change in specific subsidiaries that entails a change in the scope of consolidation) during the quarter: None

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

(3) Change in accounting principles/estimates or restatement:

① Change associated with revision in accounting principles, etc: None

② Other change in accounting principles: None

③ Change in accounting estimates: None

④ Restatement: None

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

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

1Q 2017 : 11,155,979 shares

FY 2016 : 11,155,979 shares

② number of treasury stocks at period-end

1Q 2017 : 124,027 shares

FY 2016 : 53,027 shares

③ average number of shares during period (cumulative)

1Q 2017 : 11,061,930 shares

1Q 2016 : 11,103,637 shares

\* This Quarterly Financial Report is not subject to the quarterly review procedures.

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

(Note on mentions of the future )

Please note that the statements concerning the future contained in this Report, including 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.

**[Contents of Appendix]**

1. Qualitative information on accounts for the current quarter
  - (1) Discussion regarding operating results
  - (2) Discussion regarding financial conditions
  - (3) Discussion regarding forecast information such as consolidated earnings forecast
2. Quarterly Consolidated Financial Statements and Notes
  - (1) Consolidated Balance Sheet
  - (2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
    - Consolidated Statement of Income
    - Consolidated Statement of Comprehensive Income
  - (3) Notes regarding Quarterly Consolidated Financial Statements
    - (Notes regarding premises of going concern)
    - (Notes for significant change in the amount of shareholders' equity)
    - (Change in significant subsidiaries during the quarter)
    - (Additional information)
    - (Segment information, etc.)

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

### (1) Discussion regarding operating results

The Japanese economy during this quarter remained on a gradual recovery trend in general with the employment and income environments improved.

The global economy continued uncertain about the future with the concerns about the impacts of the protectionist policies of the new US administration and the UK's exiting issue from EU.

In our electronics industry, production activities and facility investments remained firm in the automobile industry, industrial robot, and IoT related fields.

In these circumstances, the Group worked on sales expansion of original products, development of new markets, and expansion of overseas operations under the 9th Mid-Term Management Plan for the four years starting 2017 toward 2020.

Consequently, the Group obtained the following results in the current first quarter: net sales 12,013 million yen (up 8.8% from the same term last year); operating profit 561 million yen (up 10.2 million yen); ordinary income 592 million yen (up 22.1%); and net income belonging to parent shareholders 427 million yen (up 63.7%).

The outline of segmental performance is as shown below.

The Company merged Daitron Technology Co., Ltd. and Daito Denso Co., Ltd., which was its wholly-owned consolidated subsidiaries, as of January 1, 2017.

With this merger, the names of the Report Segments have been changed as from the current first quarter, from the former "Domestic Sales Companies" to "Domestic Sales Business," and from "Domestic Manufacturing Companies" to "Domestic Manufacturing Business," respectively.

In addition, the expense allocation standards were reviewed and the calculation method for report segment income was changed. On account of this, in the year-on-year comparison of each segment, the amounts of the same term in the previous year recalculated based on the new expense allocation standards were used.

#### - Domestic Sales Business

As for this segment, both sales and profits exceeded those of the previous year buoyed by the good sales of cameras and lenses of "Image-Related Equipment and Parts" for production facilities for electronic parts and semiconductors, contactless IC card systems of "Information Systems" for certification systems for security, and uninterruptible power systems (UPS) for data centers, respectively.

Consequently, net sales of this segment totaled 10,016 million yen (up 7.4% from the same term last year) with a segmental (operating) income of 405 million yen (up 186.3%).

#### - Domestic Manufacturing Business

In this segment, as for the performance of the equipment business operation dealing with manufacturing equipment, both sales and profits fell below those of the previous year with the sales to electronic parts

manufacturers decreased. As for the component business operation dealing with electronic equipment and components, both sales and profits fell below those of the previous year with the sales of harnesses and connectors decreased.

Consequently, net sales of this segment totaled 635 million yen (down 9.1% from the same term last year), and the total sales including inter-segmental sales amounted to 1,766 million yen (down 23.9%), with a segmental (operating) income of 75 million yen (down 77.2 million yen).

#### - Overseas Subsidiaries

As for this segment, both sales and profits exceeded those of the previous year supported by the good sales of the "Electronic Components & Assembly Products" and "Electronic Components Manufacturing Equipment" in the North American market as well as the increased sales of the "Electronic Components & Assembly Products," "Semiconductors," and "Image-Related Equipment and Parts" in the Chinese and Southeast Asian markets in the Chinese and Southeast Asian markets.

Consequently, net sales of this segment totaled 1,361 million yen (up 34.6%) with a segmental (operating) income of 113 million yen (up 141.3 million yen).

## (2) Discussion regarding financial conditions

### (Assets)

Current assets at the end of this quarter amounted to 27,470 million yen (up 1,481 million yen from the previous fiscal-end), primarily due to the increases in Cash and deposits by 872 million yen, Work in process by 365 million yen, and Advance payment included in Other current assets by 335 million yen, respectively. Fixed assets amounted to 6,108 million yen (up 28 million yen), as a result of the increase in Investments and other assets by 58 million yen despite the decrease in Tangible fixed assets by 23 million yen.

Consequently, the total assets stood at 33,578 million yen, up 1,509 million yen from the end of the previous fiscal year.

### (Liabilities)

Current liabilities at the end of this quarter amounted to 16,442 million yen (up 1,497 million yen from the previous fiscal-end), primarily due to the increases in Notes and accounts payable by 1,006 million yen and Advance received included in Other current liabilities by 712 million yen. Fixed liabilities amounted to 3,195 million yen (down 13 million yen).

Consequently, the total liabilities stood at 19,638 million yen, up 1,484 million yen from the end of the previous fiscal year.

### (Net assets)

Total net assets at the end of this quarter amounted to 13,940 million yen (up 25 million yen from the previous fiscal-end), primarily due to the Quarterly net income belonging to parent shareholders of 427 million yen and Surplus dividend of 333 million yen and Purchase of treasury stock of 73 million yen.

Consequently, the shareholders' equity ratio stood at 41.5%, down 1.9 point from that in the end of the previous fiscal year.

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

There is no change from the consolidated earnings forecasts contained in the Financial Report for the 12-month Period Ended December 31, 2016 announced on February 7, 2017. Please note that the forecasts were prepared based on information available at the date of announcement of this Report, and that actual results may differ materially depending on various factors that may arise in the future. When there arises any possibility of revising the forecasted earnings, it will be disclosed as soon as possible.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheet

(Unit: thousand yen)

|   | at December 31, 2016 | at March 31, 2017 |
|---|----------------------|-------------------|
| <b>Assets</b>                           |                      |                   |
| Current assets                          |                      |                   |
| Cash and deposits                       | 6,757,712            | 7,629,853         |
| Notes and accounts receivable - trade   | 10,720,663           | 10,712,973        |
| Electronically recorded monetary claims | 4,207,404            | 3,961,517         |
| Goods and products                      | 1,651,418            | 1,708,763         |
| Work in process                         | 1,052,211            | 1,417,499         |
| Raw materials                           | 329,788              | 329,357           |
| Other current assets                    | 1,273,131            | 1,710,885         |
| Allowance for doubtful accounts         | (2,782)              | (296)             |
| Total current assets                    | 25,989,547           | 27,470,553        |
| Fixed assets                            |                      |                   |
| Tangible fixed assets                   | 4,096,067            | 4,073,060         |
| Intangible fixed assets                 | 81,071               | 73,991            |
| Investments and other assets            |                      |                   |
| Other investments and other assets      | 1,908,581            | 1,967,686         |
| Allowance for doubtful accounts         | (6,569)              | (6,700)           |
| Total investments and other assets      | 1,902,011            | 1,960,986         |
| Total fixed assets                      | 6,079,150            | 6,108,038         |
| Total assets                            | 32,068,697           | 33,578,591        |

|   | at December 31, 2016 | at March 31, 2017 |
|---|----------------------|-------------------|
| <b>Liabilities</b>  |                      |                   |
| Current liabilities   |                      |                   |
| Notes and accounts payable - trade                                  | 5,864,912            | 6,871,008         |
| Electronically recorded monetary obligation                         | 4,832,972            | 4,249,499         |
| Short-term loans payable  | 100,000              | 590,000           |
| Long-term loans payable due within one year                         | 978,901              | 962,236           |
| Accrued Income taxes, etc.  | 378,810              | 293,014           |
| Allowance for bonuses   | 73,706               | 424,570           |
| Other allowance   | 78,095               | 66,407            |
| Other current liabilities   | 2,637,797            | 2,986,030         |
| Total current liabilities   | <u>14,945,194</u>    | <u>16,442,767</u> |
| Fixed liabilities   |                      |                   |
| Long-term loans payable   | 451,674              | 416,675           |
| Liabilities pertaining to employees' retirement benefits            | 2,652,744            | 2,679,728         |
| Asset retirement obligation   | 46,208               | 46,391            |
| Other fixed liabilities   | 58,163               | 52,843            |
| Total fixed liabilities   | <u>3,208,790</u>     | <u>3,195,639</u>  |
| Total liabilities   | <u>18,153,985</u>    | <u>19,638,406</u> |
| Net assets  |                      |                   |
| Shareholders' equity  |                      |                   |
| Common stock  | 2,200,708            | 2,200,708         |
| Capital surplus   | 2,482,918            | 2,482,918         |
| Retained earnings   | 9,181,548            | 9,275,653         |
| Treasury stock  | (20,764)             | (94,249)          |
| Total shareholders' equity  | <u>13,844,410</u>    | <u>13,865,031</u> |
| Accumulated other comprehensive income                              |                      |                   |
| Difference from evaluation of other investment securities           | 481,544              | 526,298           |
| Deferred gains or losses on hedges                                  | 3,046                | (2,022)           |
| Foreign currency translation adjustments                            | (10,269)             | (56,490)          |
| Accumulated adjustment pertaining to employees' retirement benefits | (407,386)            | (395,997)         |
| Total accumulated other comprehensive income                        | <u>66,935</u>        | <u>71,788</u>     |
| Minority interests  | 3,366                | 3,366             |
| Total net assets  | <u>13,914,712</u>    | <u>13,940,185</u> |
| Total liabilities and net assets                                    | <u>32,068,697</u>    | <u>33,578,591</u> |



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

(Consolidated Statement of Income)

(Unit: thousand yen)

|   | 3 months Ended<br>March 31, 2016 | 3 months Ended<br>March 31, 2017 |
|---|----------------------------------|----------------------------------|
| Net sales   | 11,040,241                       | 12,013,349                       |
| Cost of sales   | 8,546,666                        | 9,312,669                        |
| Gross profit  | 2,493,574                        | 2,700,680                        |
| Selling, general and administrative expenses          | 1,983,531                        | 2,138,755                        |
| Operating income                                      | 510,043                          | 561,924                          |
| Non-operating income                                  |                                  |                                  |
| Interest income                                       | 907                              | 565                              |
| Dividend income                                       | 935                              | 1,256                            |
| Insurance dividend                                    | 13,029                           | 13,735                           |
| Foreign exchange profit                               | —                                | 29,062                           |
| Other non-operating income                            | 4,852                            | 8,257                            |
| Total non-operating income                            | 19,725                           | 52,878                           |
| Non-operating expenses                                |                                  |                                  |
| Interest expense                                      | 6,143                            | 6,052                            |
| Loss on sale of trade notes                           | 841                              | 472                              |
| Foreign exchange loss                                 | 32,835                           | -                                |
| Commission paid                                       | -                                | 10,645                           |
| Other non-operating losses                            | 4,105                            | 4,635                            |
| Total non-operating expenses                          | 43,926                           | 21,806                           |
| Ordinary income                                       | 485,842                          | 592,996                          |
| Extraordinary income                                  |                                  |                                  |
| Gain on sale of fixed assets                          | 305                              | 1,397                            |
| Total extraordinary income                            | 305                              | 1,397                            |
| Extraordinary losses                                  |                                  |                                  |
| Loss on sale and retirement of fixed assets           | 1                                | 99                               |
| Total extraordinary losses                            | 1                                | 99                               |
| Net income before taxes and adjustments               | 486,147                          | 594,293                          |
| Income, inhabitants and enterprise taxes              | 311,751                          | 268,357                          |
| Income taxes-deferred                                 | (86,619)                         | (101,256)                        |
| Total income taxes                                    | 225,131                          | 167,100                          |
| Quarterly net income                                  | 261,015                          | 427,193                          |
| Quarterly net income belonging to parent shareholders | 261,015                          | 427,193                          |

(Consolidated Statement of Comprehensive Income)

(Unit: thousand yen)

|   | 3 months Ended | 3 months Ended |
|---|----------------|----------------|
|   | March 31, 2016 | March 31, 2017 |
| Quarterly net income  | 261,015        | 427,193        |
| Other comprehensive income  |                |                |
| Difference from evaluation of other securities                            | (106,221)      | 44,754         |
| Deferred gains or losses on hedges  | 3,436          | (5,068)        |
| Foreign currency translation adjustments                                  | (42,519)       | (46,221)       |
| Adjustment pertaining to employees' retirement benefits                   | 4,537          | 11,389         |
| Total other comprehensive income  | (140,767)      | 4,852          |
| Quarterly comprehensive income  | 120,247        | 432,046        |
| (breakdown)   |                |                |
| Quarterly comprehensive income pertaining to parent stock                 | 120,247        | 432,046        |
| Quarterly comprehensive income pertaining to non-controlling shareholders | —              | —              |

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

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

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

(Change in significant subsidiaries during the quarter) N.A.

Daitron Technology Co., Ltd. and Daito Denso Co., Ltd., which were the Company's consolidated subsidiaries, though not corresponding to specified subsidiaries, have been excluded from the scope of consolidation as they disappeared during the current first quarter by an absorption-type merger whose surviving company is the Company.

(Additional information)

- Application of the Application Guidelines concerning Realizability of Deferred Tax Assets

The Company has applied the Application Guidelines concerning Realizability of Deferred Tax Assets (Corporate Accounting Standards Application Guidelines No.26, March 28, 2016) as from the current quarter.

(Segment information, etc.)

Segment information

**[3 months Ended March 31, 2016]**

1. Information on amounts of net sales and profits by Report Segment

(Unit: thousand yen)

|                                     | Report Segment          |                                 |                       |            |
|-------------------------------------|-------------------------|---------------------------------|-----------------------|------------|
|                                     | Domestic Sales Business | Domestic Manufacturing Business | Overseas Subsidiaries | Total      |
| <b>Net sales</b>                    |                         |                                 |                       |            |
| - Sales to outside customers        | 9,329,723               | 699,299                         | 1,011,217             | 11,040,241 |
| - Inter-segmental sales or transfer | 284,318                 | 1,622,131                       | 24,539                | 1,930,988  |
| <b>Total</b>                        | 9,614,041               | 2,321,431                       | 1,035,756             | 12,971,230 |
| <b>Segment income</b>               | 141,547                 | 331,445                         | 46,848                | 519,841    |

|                                     | Adjustment (*1) | Amount on Consolidated Financial Statements (*2) |
|-------------------------------------|-----------------|--|
| <b>Net sales</b>                    |                 |  |
| - Sales to outside customers        | —               | 11,040,241                                       |
| - Inter-segmental sales or transfer | (1,930,988)     | —  |
| <b>Total</b>                        | (1,930,988)     | 11,040,241                                       |
| <b>Segment income</b>               | (9,798)         | 510,043  |

(Notes) 1. Adjustment in Segment income of (9,798,000) yen includes the inter-segmental transaction elimination of 13,595 thousand yen and Corporate allocation not allocated to each Report

Segment of (23,393,000) yen. The main portion of Corporate allocation is Selling, general and administrative expenses not attributable to Report Segments.

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

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

**[3 months Ended March 31, 2017]**

1. Information on amounts of net sales and profits by Report Segment

(Unit: thousand yen)

|                                     | Report Segment          |                                 |                       |            |
|-------------------------------------|-------------------------|---------------------------------|-----------------------|------------|
|                                     | Domestic Sales Business | Domestic Manufacturing Business | Overseas Subsidiaries | Total      |
| <b>Net sales</b>                    |                         |                                 |                       |            |
| - Sales to outside customers        | 10,016,272              | 635,580                         | 1,361,496             | 12,013,349 |
| - Inter-segmental sales or transfer | 410,857                 | 1,130,584                       | 31,908                | 1,573,350  |
| <b>Total</b>                        | 10,427,130              | 1,766,165                       | 1,393,405             | 13,586,700 |
| <b>Segment income</b>               | 405,289                 | 75,481                          | 113,062               | 593,833    |

|                                     | Adjustment (*1) | Amount on Consolidated Financial Statements (*2) |
|-------------------------------------|-----------------|--|
| <b>Net sales</b>                    |                 |  |
| - Sales to outside customers        | —               | 12,013,349                                       |
| - Inter-segmental sales or transfer | (1,573,350)     | —  |
| <b>Total</b>                        | (1,573,350)     | 12,013,349                                       |
| <b>Segment income</b>               | (31,908)        | 561,924  |

(Notes) 1. Adjustment in Segment income of (31,908,000) yen includes the inter-segmental transaction elimination of (8,778,000) yen and Corporate allocation not allocated to each Report Segment of (23,129,000) yen. The main portion of Corporate allocation is Selling, general and administrative expenses not attributable to Report Segments.

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

2. Matters regarding Change in Report Segment

(Change in Report Segment names, etc.)

The Company effected an absorption-type merger with Daitron Technology Co., Ltd. and Daito Denso Co., Ltd., which were its wholly-owned consolidated subsidiaries, as of January 1, 2017. With this merger, the names of the Report Segments have been changed as from the current first quarter, from the former "Domestic Sales Companies" to "Domestic Sales Business," and from "Domestic Manufacturing Companies" to "Domestic Manufacturing Business," respectively. In addition, for more appropriate evaluation of the performance by the respective Report Segments, the Company has reviewed the allocation standards for Selling, general and administrative expenses not attributable to Report Segments, and changed the calculation method for Report Segment income.

The Segment Information for the previous first quarter is prepared and disclosed based on the

segment names and allocation standards after change.

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