

February 7, 2018

## Financial Report for the 12-month period ended December 31, 2017 (Consolidated)

Company name: DAITRON CO., LTD.  
 Stock exchange listing: 1st Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange  
 Code Number: 7609  
 URL: <http://www.daitron.co.jp/>  
 Representative: Isayuki Mae, President and COO  
 Contact: Hajimu Mouri, Senior Corporate Officer & Division Manager-Business Administration  
 Tel: +81-6-6399-5041

Scheduled date of General Shareholders Meeting: March 29, 2018  
 Scheduled date of starting dividend payment: March 30, 2018  
 Scheduled date of submitting financial statement: March 30, 2018  
 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 2017 (January 1, 2017 to December 31, 2017)

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

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Fiscal 2017	51,684	15.0	2,522	32.0	2,583	38.6
Fiscal 2016	44,932	4.0	1,910	23.9	1,863	21.2

	Net income attributable to owners of parent		Net income per share	Full diluted net income per share
	Million yen	%	Yen	Yen
Fiscal 2017	1,867	53.5	169.15	—
Fiscal 2016	1,217	7.5	109.62	—

(Note) Comprehensive income: FY 2017: 2,054 million yen (102.7%) FY 2016: 1,013 million yen (-14.5%)

	Net income to shareholder's equity (%)	Ordinary income to total assets (%)	Ordinary income to net sales (%)
Fiscal 2017	12.7	7.7	4.9
Fiscal 2016	9.0	6.1	4.3

(Reference) Income from affiliates: Fiscal 2017: - million yen Fiscal 2016: - 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 2017	35,383	15,492	43.8	1,397.97
Fiscal 2016	32,068	13,914	43.4	1,252.94

(Reference) Shareholder's equity: Fiscal 2017 15,489 million yen Fiscal 2016 13,911 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 2017	(53)	(292)	(1,286)	5,094
Fiscal 2016	1,472	(1,171)	201	6,727

**2. Dividend Payments**

	Annual dividend				
	1Q end	2Q end	3Q end	fiscal end	FY total
	yen	yen	yen	yen	yen
Fiscal 2016	—	0.00	—	30.00	30.00
Fiscal 2017	—	15.00	—	30.00	45.00
Fiscal 2018 (forecast)	—	20.00	—	30.00	50.00

	Total amount	Payout ratio (consolidated)	Net worth dividend ratio (consolidated)
	Million yen	%	%
Fiscal 2016	333	27.4	2.5
Fiscal 2017	497	26.6	3.2
Fiscal 2017 (forecast)		29.2	

**3. Forecasts of financial results for FY2018 (Consolidated: January 1, 2018 to December 31, 2018)**

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q (accum.)	28,000	10.2	1,250	(7.2)	1,250	(9.6)	850	(12.4)	76.71
Full year	56,500	9.3	2,800	11.1	2,800	8.4	1,900	1.7	171.48

**\* 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: None
- ② Change in accounting policy other than above ①: None
- ③ Change in accounting estimate: None
- ④ Restatement: None

(3) Number of outstanding shares (common shares)

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

FY 2017 : 11,155,979 shares

FY 2016 : 11,155,979 shares

② Number of treasury shares at period end

FY 2017 : 75,903 shares

FY 2016 : 53,027 shares

③ Average number of shares during period

FY 2017 : 11,042,846 shares

FY 2016 : 11,103,190 shares

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

**1. Financial results for the 12-month period ended Dec 31, 2017 (Jan. 1, 2017 to Dec. 31, 2017)**

**(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 2017	46,737	20.2	1,940	229.8	2,066	107.4
FY 2016	38,886	2.7	588	50.7	996	71.3

	Net income		Net income per share	Diluted net income per share
	Million yen	%	Yen	Yen
FY 2017	4,028	440.1	364.78	—
FY 2016	745	49.1	67.17	—

(Note) - With the absorption-type merger as of January 1, 2017 with Daitron Technology Co., Ltd. and Daito Denso Co., Ltd., which were the Company's wholly-owned consolidated subsidiaries, a gain on extinguishment of tie-in shares of 2,593 million yen was recorded.

- 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 2017	33,425	14,992	44.9	1,353.14
FY 2016	28,320	11,262	39.8	1,014.37

(Reference) Shareholders' equity:

FY 2017 : 14,992 million yen

FY 2016 : 11,262 million yen

※ This Financial Report is not subject to the audit procedures.

※ 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 "② Outlook for Next Period" in "(1) General conditions of operating results in the current period" under "1. General conditions of operating results, etc." in page 2 of 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 14, 2018. The material to be used on the day is to appear on the Company's website as soon as possible after the meeting.

## **[Contents of Appendix]**

1. General conditions of operating results, etc.
  - (1) General conditions of operating results in the current period
  - (2) General conditions of financial position in the current period
2. Outline of Daitron Corporate Group
3. Basic Policy regarding Choice of Accounting Standards
4. Consolidated Financial Statements and major 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) Consolidated Statement of Changes in Shareholders' Equity and Others
  - (4) Consolidated Statement of Cash Flows
  - (5) Notes regarding Quarterly Consolidated Financial Statements
    - (Notes regarding Premise of Going Concern)
    - (Significant Matters Fundamental to Prepare Consolidated Financial Statements)
    - (Additional Information)
    - (Segment Information, etc.)
    - (Per Share Data)
    - (Significant Subsequent Events)

1. General conditions of operating results, etc.

(1) General conditions of operating results in the current period

① Operating results in the current period

The Japanese economy during the current period remained on a gradual growing trend in general with corporate earnings and the employment and income environments improved.

The global economy continued uncertain about the future with the concerns over the geopolitical risks in the Middle East and East Asia, while the US and European economies remained solid.

In our electronics industry, production activities and facility investments remained firm in the automobile, industrial robots, 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 period: net sales 51,684 million yen (up 15.0% from the same term last year); operating income 2,522 million yen (up 32.0%); ordinary income 2,583 million yen (up 38.6%); and quarterly net income attributable to parent shareholders 1,867 million yen (up 53.5%).

The outline of segmental performance is as follows:

The Company merged 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 period, 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 these, 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 are used.

- Domestic Sales Business

As for this segment, supported by the increasing demand for communications and automobile electronic parts, both sales and profits exceeded those of the same term last year buoyed by the good sales of connectors of the "Electronic Components & Assembly Products," cameras, lenses, and lights of "Image-Related Equipment and Parts," and embedded board computers of the "Embedded System," respectively, for manufacturers of such production equipment, in addition to the strong sales of uninterruptible power systems (UPS) for data centers.

Consequently, net sales of this segment totaled 42,687 million yen (up 13.3% from the same term last year) with a segmental (operating) income of 1,318 million yen (up 87.5%).

- Domestic Manufacturing Business

In this segment, as for the performance of the equipment business operation dealing with manufacturing equipment, sales of semiconductor manufacturing equipment for the communications device market increased. As for the component business operation dealing with electronic equipment and components, profits fell below those of the previous year with the decreased sales ratios of special harnesses and special connectors, which are profitable, though sales stayed at almost the same level as in the same term last year.

Consequently, net sales of this segment totaled 2,754 million yen (up 5.3% from the same term last year), total sales including inter-segmental sales amounted to 8,680 million yen (up 3.2%), with the segmental (operating) income of 717 million yen (down 22.9%).

- Overseas Subsidiaries

As for this segment, both sales and profits exceeded those of the same term last 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 "Image-Related Equipment and Parts," "Electronic Components & Assembly Products," and "Semiconductors" in the Chinese, Korean, and Southeast Asian markets.

Consequently, net sales of this segment totaled 6,241 million yen (up 34.5% from the same term last year) with a segmental (operating) income of 576 million yen (up 92.6 million yen).

② Outlook for Next Period

As for the future prospect, the Japanese economy is expected to remain on a recovery trend, with corporate earnings and facility investments continuously increased backed by strong domestic and external demand.

The global economy is expected to continue firm buoyed by the economic growth of China, the US, and other countries with all concerns about the policy management of the US administration and the geopolitical risks in the Middle East and East Asia.

The electronics industry is also likely to remain firm in general, as the demand for electronic equipment and parts is expected to expand with the electronized and electrically-powered automobiles advanced and that for electronic parts and production equipment is also going to increase with facility investments toward production automation expanded, in addition to the progress of the development of products using IoT and AI technologies.

Under these circumstances, the Group estimates its full-year net sales at 56,500 million yen, operating income 2,800 million yen, ordinary income 2,800 million yen, and net income attributable to parent shareholders 1,900 million yen.

Please note that the above statements concerning the future are based on information obtained by the Company to date and that the actual results may differ to a great extent depending on various factors that may arise in the future.

(2) General conditions of financial position in the current period

① Assets, liabilities, and net assets

(Assets)

Current assets at the end of the current year amounted to 29,025 million yen (3,036 million yen up from the previous fiscal-end) mainly due to the increases in Notes and accounts receivable-trade by 1,227 million yen and Goods in process by 1,978 million yen. Fixed assets stood at 6,357 million yen (up 278million yen) mainly due to the increases in Tangible fixed assets by 53 million yen and Investments and other assets by 226 million yen.

Consequently, total assets amounted to 35,383 million yen, 3,314 million yen up from the end of the previous fiscal year.

(Liabilities)

Current liabilities stood at 16,696 million yen (up 1,751 million yen from the previous fiscal-end) mainly due to the increase in Electronically recorded monetary liabilities by 1,689 million yen. Fixed liabilities stood at 3,193 million yen (down 14 million yen).

Consequently, total liabilities amounted to 19,890 million yen, 1,736 million yen up from the end of the previous fiscal year.

(Net Assets)

Total net assets at the end of this year amounted to 15,492 million yen (1,578 million yen up from the previous fiscal-end) mainly due to Net income attributable to owners of parent by 1,867 million yen, and decreases in Dividend of surplus by 498 million yen and Purchase of treasury stock by 74 million yen.

Consequently, shareholders' equity ratio stood at 43.8%, up 0.4 point from the end of the previous fiscal year.

② Cash flow

The balance of cash and cash equivalents at the end of this period (hereinafter called "Fund") stood at 5,094 million yen, down 1,632 million yen from the previous fiscal-end.

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

(Cash flows from operating activities)

The Fund decreased 53 million yen (1,472 million yen increase in the previous year) as a result of operating activities: the major increasing factors are the increases in Net income before taxes and adjustments by 2,661 million yen and in Trade notes and accounts payable by 2,325 million yen, and the major decreasing factors are the increase in Accounts receivable by 2,221 million yen and Inventories by 2,328 million yen.

(Cash flows from investing activities)

The Fund decreased 292million yen (1,171 million yen decrease in the previous year) as a result of



investing activities: the major decreasing factor is Payment for Purchase of tangible fixed assets by 297million yen

(Cash flows from financing activities)

The Fund decreased 1,286 million yen (201 million yen increase in the previous year) as a result of financing activities: the major decreasing factors are Repayment of long-term loans payable by 978 million yen and Dividends paid by 498 million yen.

(Reference) Change in cash flow indicators

	FY2013	FY2014	FY2015	FY2016	FY2017
Shareholders' Equity Ratio (%)	48.9	44.5	45.9	43.4	43.8
Market-value Shareholders' Equity (%)	18.2	25.5	30.7	32.4	73.1
Ratio of Cash Flow to Interest-Bearing Debts (years)	4.6	1.7	2.5	1.1	—
Interest Coverage Ratio (times)	7.1	26.2	24.2	69.6	—

(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 2017 are not shown because the Cash Flow from Operating Income was negative.

## 2. Outline of Daitron Corporate Group

Our corporate group, consisting of Daitron Co., Ltd. ("the Company"), composed of M&S Company and D&P Company, and nine consolidated subsidiaries (of which seven are located overseas), is mainly engaged in the sales, 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 Business Segment:

This Segment consists of M&S Company of the Company.

M&S Company purchases abovementioned electronic equipment and parts and manufacturing equipment from the domestic and overseas Group companies and external suppliers, and sells them to the domestic and overseas Group companies and external customers.

(2) Domestic Manufacturing Business Segment:

This Segment consists of D&P Company (Equipment Business Operation and Parts Business Operation) and two consolidated subsidiaries of the Company.

D&P Company Equipment Business Operation engages in development, manufacture, and sales

of manufacturing equipment for optical devices, flat panel displays, and electronic materials, etc. D&P Company Parts Business Operation engages in design, fabrication, and sales of electronic equipment and components such as harnesses, underwater connectors, power supply equipment, etc.

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

Daito-Tec Co., Ltd. became a wholly-owned subsidiary as of December 25, 2017 to enhance the production system for electronic equipment and components such as cable harnesses.

(3) Overseas subsidiaries Segment:

This Segment consists of seven overseas subsidiaries.

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.

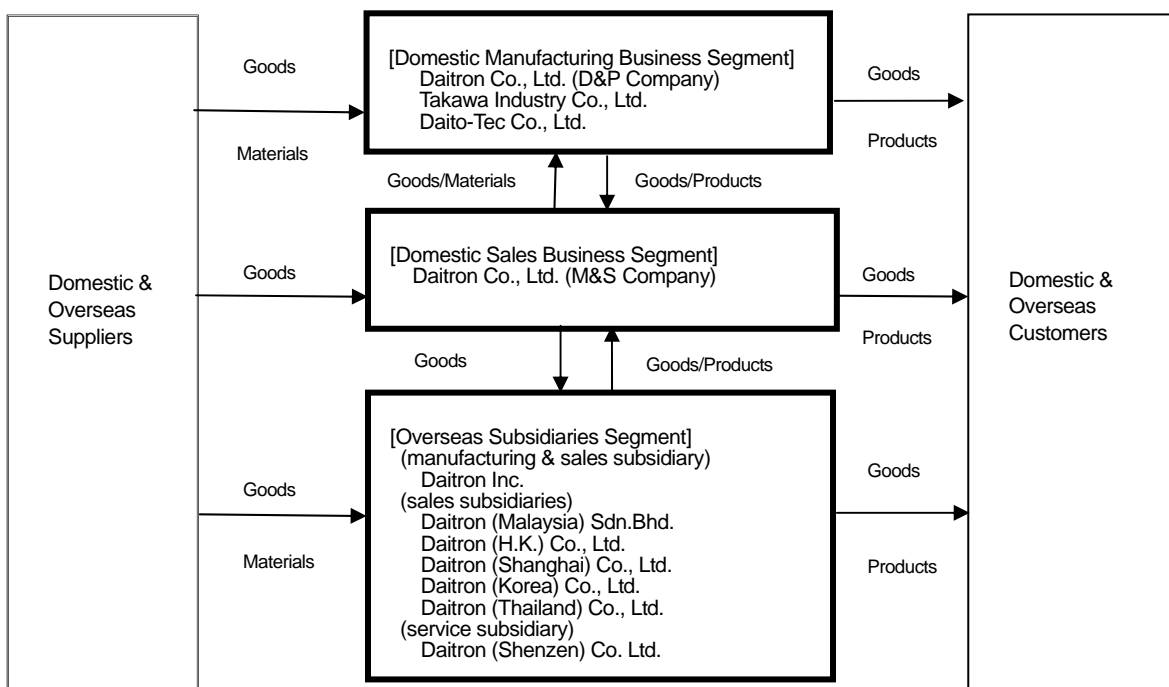
Daitron (Shanghai) Co., Ltd. engages in sales and import/export of electronic equipment and components as well as manufacturing equipment for the Chinese market.

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. 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.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheet

(Unit: thousand yen)

	at December 31, 2016	at December 31, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	6,757,712	5,124,988
Notes and accounts receivable - Trade	10,720,663	11,948,266
Electronically recorded monetary claims	4,207,404	5,295,514
Goods and products	1,651,418	2,028,015
Work in process	1,052,211	3,030,345
Raw materials	329,788	328,130
Deferred tax assets	101,782	92,954
Other current assets	1,171,349	1,177,848
Allowance for doubtful accounts	(2,782)	(341)
<b>Total current assets</b>	<b>25,989,547</b>	<b>29,025,722</b>
Fixed assets		
Tangible fixed assets		
Buildings and structures	4,346,314	4,485,837
Accumulated depreciation	(2,652,863)	(2,785,290)
<b>Buildings and structures - net</b>	<b>1,693,450</b>	<b>1,700,546</b>
Machinery, equipment and vehicles	402,109	440,922
Accumulated depreciation	(321,959)	(346,145)
<b>Machinery, equipment and vehicles - net</b>	<b>80,149</b>	<b>94,776</b>
Land	2,199,365	2,212,104
Other tangible fixed assets	829,612	881,368
Accumulated depreciation	(706,510)	(739,120)
<b>Other tangible fixed assets - net</b>	<b>123,101</b>	<b>142,248</b>
<b>Total tangible fixed assets</b>	<b>4,096,067</b>	<b>4,149,677</b>
Intangible fixed assets		
Other intangible fixed assets	81,071	79,406
<b>Total intangible fixed assets</b>	<b>81,071</b>	<b>79,406</b>
Investments and other assets		
Investment securities	1,217,251	1,503,093
Long-term loans receivable from employees	1,413	1,180
Deferred tax assets	162,700	104,868
Other investments and other assets	527,214	526,036
Allowance for doubtful accounts	(6,569)	(6,692)

Total investments and other assets	1,902,011	2,128,486
Total fixed assets	6,079,150	6,357,569
Total assets	32,068,697	35,383,291

	at December 31, 2016	at December 31, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	5,864,912	6,535,324
Electronically recorded monetary claims	4,832,972	6,522,875
Short-term loans payable	100,000	310,962
Long-term loans payable due within one year	978,901	239,996
Lease obligations	43,604	18,314
Accrued Income taxes, etc.	378,810	476,617
Allowance for bonuses	73,706	91,445
Allowance for product warranty	78,095	58,108
Advance received	1,614,043	1,326,336
Other current liabilities	980,149	1,116,518
<b>Total current liabilities</b>	<b>14,945,194</b>	<b>16,696,499</b>
<b>Fixed liabilities</b>		
Long-term loans payable	451,674	311,678
Lease obligations	35,305	22,039
Deferred tax liability	758	—
Liabilities pertaining to employees' retirement benefits	2,652,744	2,791,080
Asset retirement obligation	46,208	46,943
Other fixed liabilities	22,100	22,100
<b>Total fixed liabilities</b>	<b>3,208,790</b>	<b>3,193,847</b>
<b>Total liabilities</b>	<b>18,153,985</b>	<b>19,890,341</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	2,200,708	2,200,708
Capital surplus	2,482,918	2,542,815
Retained earnings	9,181,548	10,550,928
Treasury stock	(20,764)	(57,946)
<b>Total shareholders' equity</b>	<b>13,844,410</b>	<b>15,236,506</b>
<b>Accumulated other comprehensive income</b>		
Difference from evaluation of other investment securities	481,544	663,209
Deferred gains or losses on hedges	3,046	(489)
Foreign currency translation adjustments	(10,269)	(26,571)
Accumulated adjustment pertaining to employees' retirement benefits	(407,386)	(383,070)
<b>Total accumulated other comprehensive income</b>	<b>66,935</b>	<b>253,077</b>
<b>Non-controlling interests</b>	<b>3,366</b>	<b>3,366</b>

Total net assets	13,914,712	15,492,950
Total liabilities and net assets	32,068,697	35,383,291

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

(Consolidated Statement of Income)

(Unit: thousand yen)

	12 months Ended December 31, 2016	12 months Ended December 31, 2017
Net sales	44,932,361	51,684,327
Cost of sales	34,879,804	40,193,736
Gross profit	10,052,557	11,490,590
Selling, general and administrative expenses		
Salaries and bonuses	4,152,706	4,526,257
Retirement benefit expenses	230,545	291,028
Transfer to allowance for bonuses	60,493	95,714
Transfer to allowance for doubtful accounts	(30,813)	(836)
Transfer to allowance for product warranty	36,977	(774)
Depreciation	142,008	178,802
Other selling, general and administrative expenses	3,549,876	3,877,921
Total selling, general and administrative expenses	8,141,794	8,968,113
Operating income	1,910,762	2,522,477
Non-operating income		
Interest income	2,674	2,541
Dividend income	18,869	25,866
Insurance dividend	13,029	13,735
Purchase discount	7,932	10,873
Foreign exchange profit	—	39,094
Other non-operating income	19,088	20,014
Total non-operating income	61,593	112,125
Non-operating expenses		
Interest expense	21,941	19,350
Loss on sale of trade notes	2,632	1,597
Sales discount	13,710	13,739
Foreign exchange loss	68,326	—
Commission paid	—	11,389
Other non-operating losses	2,200	5,430
Total non-operating expenses	108,812	51,506
Ordinary income	1,863,544	2,583,096
Extraordinary income		
Gain on sale of fixed assets	1,028	1,434
Gain on sale of investment securities	—	13,023
Gain on negative goodwill	—	65,253
Total extraordinary income	1,028	79,710



Extraordinary losses		
Loss on sale and retirement of fixed assets	744	1,110
Total extraordinary losses	744	1,110
Net income before taxes and adjustments	1,863,828	2,661,696
Income, inhabitants and enterprise taxes	652,630	810,107
Income taxes-deferred	(5,883)	(16,357)
Total income taxes	646,747	793,749
Net income	1,217,081	1,867,947
Net income attributable to owners of parent	1,217,081	1,867,947
Other comprehensive income		
Difference from evaluation of other investment securities	59,315	181,665
Deferred gains or losses on hedges	4,223	(3,536)
Foreign currency translation adjustments	(16,464)	(16,301)
Adjustment pertaining to employees' retirement benefits	(250,946)	24,315
Total other comprehensive income	(203,871)	186,142
Comprehensive income	1,013,209	2,054,089
(breakdown)		
Comprehensive income pertaining to parent stock	1,013,209	2,054,089
Comprehensive income attributable to non-controlling interests	—	—

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

**[Previous Fiscal Year Ended December 31, 2016]**

(Unit: thousand Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Initial balance	2,200,708	2,482,896	8,242,070	(19,882)	12,905,793
Changes during current period					
Surplus dividend			(277,604)		(277,604)
Net income attributable to owners of parent			1,217,081		1,217,081
Purchase of treasury stock				(909)	(909)
Changes during current period in items other than shareholders' equity -net		21		27	48
Total changes during current period	—	21	939,477	(881)	938,617
Balance at period-end	2,200,708	2,482,896	9,181,548	(20,764)	13,844,410

	Accumulated other comprehensive income					Non-controlling 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	Total accumulated other comprehensive income		
Initial balance	422,229	(1,176)	6,194	(156,439)	270,807	3,366	13,179,967
Changes during current period							
Surplus dividend							(277,604)
Net income attributable to owners of parent							1,217,081
Purchase of treasury stock							(909)
Disposition of treasury stock							48
Changes during current period in items other than shareholders' equity -net	59,315	4,223	(16,464)	(250,946)	(203,871)	—	(203,871)
Total changes during current period	59,315	4,223	(16,464)	(250,946)	(203,871)	—	734,745
Balance at period-end	481,544	3,046	(10,269)	(407,386)	66,935	3,366	13,914,712

[Current Fiscal Year Ended December 31, 2017]

(Unit: thousand Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Initial balance	2,200,708	2,482,918	9,181,548	(20,764)	13,844,410
Changes during current period					
Surplus dividend			(498,566)		(498,566)
Net income attributable to owners of parent			1,867,947		1,867,947
Purchase of treasury stock				(74,036)	(74,036)
Disposition of treasury stock		59,897		36,854	96,751
Changes during current period in items other than shareholders' equity -net					
Total changes during current period	—	59,897	1,369,380	(37,182))	1,392,095
Balance at period-end	2,200,708	2,542,815	10,550,928	(57,946)	15,236,506

	Accumulated other comprehensive income					Non-controlling 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	Total accumulated other comprehensive income		
Initial balance	481,544	3,046	(10,269)	(407,386)	66,935	3,366	13,914,712
Changes during current period							
Surplus dividend							(498,566)
Net income attributable to owners of parent							1,867,947
Purchase of treasury stock							(74,036)
Disposition of treasury stock							96,751
Changes during current period in items other than shareholders' equity -net	181,665	(3,536)	(16,301)	24,315	186,142	—	186,142
Total changes during current period	181,665	(3,536)	(16,301)	24,315	186,142	—	1,578,238
Balance at period-end	663,209	(489)	(26,571)	(383,070)	253,077	3,366	15,492,950

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

(Unit: thousand Yen)

	12 months Ended December 31, 2016	12 months Ended December 31, 2017
<b>Cash flows from operating activities</b>		
Net income before taxes and adjustments	1,863,828	2,661,696
Depreciation and amortization	231,582	278,952
Interest and dividend income	(21,543)	(28,407)
Interest expense	21,941	19,350
(Gain)/Loss on sale of investment securities	—	(13,023)
(Gain)/Loss on sale and retirement of tangible fixed assets	(284)	(323)
Gain on negative goodwill	—	(65,253)
Decrease/(increase) in accounts receivable	(1,391,188)	(2,221,090)
Decrease/(increase) in inventories	278,276	(2,238,985)
Decrease/(increase) in advance payment	(770,747)	100,202
Increase/(decrease) in trade notes and accounts payable	477,070	2,325,357
Increase/(decrease) in advance received	1,045,833	(293,682)
Others	323,080	(272,636)
Sub-total	2,057,849	707,429
Interest and dividend received	22,626	28,526
Interest paid	(21,136)	(22,485)
Income tax and other taxes paid	(587,303)	(767,220)
Net cash provided by/(used in) operating activities	1,472,035	(53,749)
<b>Cash flows from investing activities</b>		
Payment for purchase of tangible fixed assets	(1,127,356)	(297,957)
Proceeds from sale of tangible fixed assets	1,151	8,850
Payment for purchase of investment securities	(24,372)	(26,822)
Proceeds from sale of investment securities	—	15,660
Proceeds from purchase of subsidiary stocks with change of scope of consolidation		11,230
Others	(20,788)	(3,524)
Net cash provided by/(used in) investing activities	(1,171,365)	(292,564)
<b>Cash flows from financing activities</b>		
Increase/(decrease) in short-term loans payable -net		209,456
Proceeds from long-term loans payable	700,000	100,000
Repayment of long-term loans payable	(174,990)	(978,901)
Dividends paid	(276,605)	(498,400)
Others	(46,526)	(118,542)
Net cash provided by/(used in) financing activities	201,878	1,286,386
Effect of exchange rate changes on cash and cash equivalents	(25,948)	(23)

Increase/(decrease) in cash and cash equivalents	476,600	(1,632,724)
Cash and cash equivalents at beginning of period	6,251,111	6,727,712
Cash and cash equivalents at period end	6,727,712	5,094,988

(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)

Significant matters fundamental to prepare consolidated financial statements are not indicated except those shown below because there is no significant change from the most recent Securities Report submitted on March 31, 2017.

- Matters regarding Scope of Consolidation

The Company has nine consolidated subsidiaries, and no unconsolidated subsidiary.

Daitron Technology Co., Ltd. and Daito Denso Co., Ltd., which were consolidated subsidiaries, have been excluded from the scope of consolidation as they ceased to exist as a result of an absorption-type merger whose existing company is the Company, are included in the scope of consolidation from the current period.

In addition, Daito-Tec Co., Ltd. as it has become a wholly-owned subsidiary

(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 period.

(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. In Japan, the functions are divided into manufacturing and sales, each of which the Board of Directors determines the allocation of management resources to and evaluates the performance of.

Consisting of segments by location and by function as seen above, the Group has three Report Segments: the Domestic Sales Business, the Domestic Manufacturing Business, and the Overseas Subsidiaries.

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 & 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 segment]

1. Domestic Sales Business: Purchase from domestic and overseas Group companies and external suppliers, and sell to domestic and overseas Group companies and external customers, the main goods and products as shown above.
2. Domestic Manufacturing Business: Develop and manufacture, and sell mainly to Domestic Sales Companies, electronic components, assembly products, power supply equipment, and image-related equipment & components of the Electronic Equipment and Components, as well as optical device manufacturing equipment, FPD manufacturing equipment, and electronic material manufacturing equipment, etc. of the Manufacturing Equipment, out of the main goods and products as shown above.
3. Overseas Subsidiaries: Sell and import/export the main goods and products as shown above, and manufacture and sell electronic components and assembly products of the Electronic Equipment and Components, to/for overseas markets.

## 2. Matters regarding changes, etc. in Report Segments

(Changes in names of Report Segments, etc.)

The Company merged 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 period, from the former "Domestic Sales Companies" to "Domestic Sales Business," and from "Domestic Manufacturing Companies" to "Domestic Manufacturing Business," respectively. In addition, to further ensure adequate evaluation of performance of the Report Segments, the expense allocation standards for those parts of selling, general and administrative expenses which are not attributable to the Report Segments were reviewed, and the calculation method for report segment incomes were changed.

The segment information for the previous year disclosed herein was prepared based on the new names and expense allocation standards.

## 3. Calculation method for net sales, income or loss, assets, and other items by Report Segment:

The accounting methods reported for the business segments are the same as those stated in “Notes (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.

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

[Previous Fiscal Year Ended December 31, 2016

(Unit: thousand yen)

	Report Segment				Adjustment *1	Amount reported in consolidated financial statements *2
	Domestic Sales Business	Domestic Manufacturing Business	Overseas Subsidiaries	Total		
<b>Net sales</b>						
- Sales to outside customers	37,673,802	2,616,621	4,641,937	44,932,361	—	44,932,361
- Inter-segmental sales or transfer	1,212,275	5,796,041	182,745	7,191,062	(7,191,062)	—
<b>Total</b>	38,886,078	8,412,663	4,824,682	52,123,423	(7,191,062)	44,932,361
<b>Segment income</b>	703,528	931,473	299,267	1,934,268	(23,506)	1,910,762
<b>Segment assets</b>	16,319,681	4,887,043	2,564,941	23,771,666	8,297,031	32,068,697
<b>Other</b>						
- Depreciation	15,555	104,307	19,175	139,038	92,543	231,582
- Increases in tangible fixed assets and intangible fixed assets	24,600	1,094,622	28,684	1,147,907	15,109	1,163,016

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

(1) The amount of Adjustment of segment income of (23,506,000) yen includes eliminations of inter-segmental transaction of 76,619,000 yen, and All company expenses not allocated to each Report Segment of (100,125,000) yen. The major part of “All company expenses” is selling, general and administrative expenses not attributable to the Report Segments.

(2) The amount of Adjustment of Segment assets of 8,297,031,000 yen includes elimination of inter-segmental transaction of (465,050,000) yen and All company assets not allocated to each Report Segment of



8,762,081,000 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 Segments, and assets pertaining to administrative departments, etc.

(3) The amount of Adjustment of depreciation of 92,543,000 yen is depreciation pertaining to All company assets.

(4) The amount of Adjustment of Increases in tangible fixed assets and intangible fixed assets of 15,109,000 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, 2017

(Unit: thousand yen)

	Report Segment				Adjustment *1	Amount reported in consolidated financial statements *2
	Domestic Sales Business	Domestic Manufacturing Business	Overseas Subsidiaries	Total		
<b>Net sales</b>						
- Sales to outside customers	42,687,911	2,754,565	6,241,850	51,684,327	—	51,684,327
- Inter-segmental sales or transfer	1,918,834	5,925,661	219,653	8,064,149	(8,064,149)	—
<b>Total</b>	44,606,745	8,680,226	6,461,504	59,748,477	(8,064,149)	51,684,327
<b>Segment income</b>	1,318,796	717,874	576,417	2,613,088	(90,610)	2,522,477
<b>Segment assets</b>	20,250,363	5,425,651	2,943,927	28,619,941	6,763,349	35,383,291
<b>Other</b>						
- Depreciation	29,276	149,146	20,293	198,716	80,236	278,952
- Increases in tangible fixed assets and intangible fixed assets	129,140	112,158	33,116	274,415	65,094	339,509

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

(1) The amount of Adjustment of segment income of (90,610,000) yen includes eliminations of inter-segmental transaction of 7,916,000 yen, and All company expenses not allocated to each Report Segment of (98,527,000) yen. The major part of “All company expenses” is selling, general and administrative expenses not attributable to the Report Segments.

(2) The amount of Adjustment of Segment assets of 6,763,349,000 yen includes elimination of inter-segmental transaction of (370,119,000) yen and All company assets not allocated to each Report Segment of 7,133,469,000 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 Segments, and assets pertaining to administrative departments, etc.

(3) The amount of Adjustment of depreciation of 80,236,000 yen is depreciation pertaining to All company assets.

(4) The amount of Adjustment of Increases in tangible fixed assets and intangible fixed assets of 65,094,000 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, 2016]

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

	Electronic Equipment & Components	Manufacturing Equipment	Total
Sales to outside customers	33,960,047	10,972,314	44,932,361

2. Information by area

(1) Net sales (Unit: thousand yen)

Japan	North America	Europe	Asia	Total
37,622,164	1,301,787	172,085	5,836,324	44,932,361

(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, 2017]

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

	Electronic Equipment & Components	Manufacturing Equipment	Total
Sales to outside customers	40,427,890	11,256,437	51,684,327

2. Information by area

(1) Net sales (Unit: thousand yen)

Japan	North America	Europe	Asia	Total
41,627,404	1,803,965	133,890	8,119,066	51,684,327

(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

There is no applicable matter.

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

[Previous Fiscal Year Ended December 31, 2016]

There is no applicable matter.

[Current Fiscal Year Ended December 31, 2017]

The Company posted Gain on negative goodwill of 65,253 thousand yen in the current year as a result of making Daito-Tec Co., Ltd. its wholly-owned subsidiary as of December 25, 2017.

Such Gain on negative goodwill (Extraordinary income) is not pertaining to any specific Report Segment.

(Per Share Data)

	<b>Previous FY Ended Dec. 31, 2016</b>	<b>Current FY Ended Dec. 31, 2017</b>
Net assets per share	¥1,252.94	¥1,397.97
Net income per share	¥109.62	¥169.15

(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)

	<b>Previous FY Ended December 31, 2016</b>	<b>Current FY Ended December 31, 2017</b>
Net income attributable to owners of parent	1,217,081	1,867,947
Amount not attributable to common shareholders	—	—
Net income attributable to owners of parent attributable to common shares	1,217,081	1,867,947
Average number of common shares during period	11,103,000 shares	11,042,000 shares

(Significant Subsequent Events)

There is no applicable matter.