

## Financial Report for the 3-month Period Ended March 31, 2018 (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, 2018

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, 2018(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/2018	15,602	29.9	987	75.7	1,049	77.0	729	70.7
1Q/2017	12,013	8.8	561	10.2	592	22.1	427	63.7

Note: Comprehensive income 1Q/2018: 629 million yen (45.8%) 1Q/2017: 432 million yen (259.3%)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
1Q/2018	65.81	—
1Q/2017	38.62	—

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/2018	35,557	15,790	44.4	1,424.82
FY2017	35,383	15,492	43.8	1,397.97

(Reference) Shareholders' equity 1Q/2018: 15,786 million yen FY2017: 15,489 million yen

### 2. Dividend payments

	Annual dividend payment (Yen)				
	1Q end	2Q end	3Q end	fiscal end	Total
FY2017	—	15.00	—	30.00	45.00
FY2018	—	—	—	—	—
FY2018 (forecast)	—	20.00	—	30.00	50.00

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

### 3. Consolidated earnings forecast for fiscal 2018 ending December 31, 2018

(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 (cumulative)	28,500	12.2	1,350	0.2	1,400	1.2	970	0.0	87.54
Full year	56,500	9.3	2,800	11.0	2,800	8.4	1,900	1.7	171.48

(Note) Revision of the most recently announced operating estimates: Revised

#### \* Notes

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

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

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

- ① Change associated with revision in accounting principles, etc: 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 2018 : 11,155,979 shares
  - FY 2017 : 11,155,979 shares
- ② number of treasury stocks at period-end
  - 1Q 2018 : 75,970 shares
  - FY 2017 : 75,903 shares
- ③ average number of shares during period (cumulative)
  - 1Q 2018 : 11,080,047 shares
  - 1Q 2017 : 11,061,930 shares

\* This Quarterly Financial Report is not subject to an audit of a certified public accountant or audit corporation.

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

(Note on statements on 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. For the premises for and the cautions for appropriate use of the earnings forecasts, please refer to "(3) Discussion regarding forecast information such as consolidated earnings forecast" under "1. Qualitative information on accounts for the current quarter" on page 5.

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

### (1) Discussion regarding operating results

The Japanese economy during the current period remained solid in general with the employment and income environments improved and the production activities gradually but continuingly expanded.

The global economy continued uncertain about the future with the concerns over the impacts of the US protectionist policy management and the geopolitical risks in the Middle East and East Asia.

In our electronics industry, demand for electronic components and production equipment grew with increased use of electric/electronic parts in vehicles and automation in various production sites.

In these circumstances, the Group worked on sales expansion of original products, development of new markets, and expansion of overseas operations under the basic policy of the 9th Mid-Term Management Plan (2017 -2020).

Consequently, the Group obtained the following results in the current period: net sales 15,602 million yen (up 29.9% from the same term last year); operating income 987 million yen (up 75.7%); ordinary income 1,049 million yen (up 77.0%); and quarterly net income attributable to parent shareholders 729 million yen (up 70.7%).

The outline of segmental performance is as shown below:

#### - Domestic Sales Business

As for this segment, in the electronic equipment and components business, sales remained brisk in cameras and lenses of "Image-Related Equipment and Parts" for production facilities for communications and automobile electronic parts, connectors and machine assembly/wiring of "Electronic Components & Assembly Products" for production facilities for the semiconductors and robot industries, and uninterruptible power systems (UPS) for data centers, respectively. In the manufacturing equipment business, both sales and profits exceeded those of the same term last year buoyed by sales of electronic parts manufacturing equipment for production of laser diodes and semiconductor/FPD manufacturing equipment for production of semiconductors and semiconductor materials.

Consequently, net sales of this segment totaled 13,225 million yen (up 32.0% from the same term last year) with a segmental (operating) income of 490 million yen (up 21.0%).

#### - Domestic Manufacturing Business

In this segment, as for the performance of the equipment business operation dealing with manufacturing equipment, sales of semiconductor/FPD manufacturing equipment and electronic parts manufacturing equipment remained strong. As for the component business operation dealing with electronic equipment and components, both sales and profits exceeded those of the same term of the previous year supported by the good performance of sales of power supply equipment and special connectors.

Consequently, net sales of this segment totaled 837 million yen (up 31.7% from the same term last year), and the total sales including inter-segmental sales amounted to 2,376 million yen (up 34.5%), with a segmental (operating) income of 365 million yen (up 384.1%).

- Overseas Subsidiaries

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

Consequently, net sales of this segment totaled 1,539 million yen (up 13.1%) with a segmental (operating) income of 143 million yen (up 27.2%).

(2) Discussion regarding financial conditions

(Assets)

Current assets at the end of this quarter amounted to 29,255 million yen (up 229 million yen from the previous fiscal-end), primarily due to the increases in Notes and accounts receivable by 1,110 million yen and Goods and products by 518 million yen, respectively, despite the decrease in Work in process by 1,524 million yen. Fixed assets amounted to 6,302 million yen (down 55 million yen), as a result of the decrease in Investments and other assets by 24million yen.

Consequently, the total assets stood at 35,557 million yen, up 174 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of this quarter amounted to 16,593 million yen (down 103 million yen from the previous fiscal-end), primarily due to the decrease in Advance received included in Other current liabilities by 521 million yen, despite the increase in Notes and accounts payable by 492 million yen. Fixed liabilities amounted to 3,173 million yen (down 20 million yen).

Consequently, the total liabilities stood at 19,767 million yen, down 123 million yen from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of this quarter amounted to 15,790 million yen (up 297 million yen from the previous fiscal-end), primarily due to the Quarterly net income belonging to parent shareholders of 729 million yen and Surplus dividend of 332 million yen.

Consequently, the shareholders' equity ratio stood at 44.4%, up 0.6 point from that in the end of the previous fiscal year.

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

In our electronics industry, there has been good demand for electronic parts and production equipment associated with increased use of electric/electronic parts in vehicles as well as semiconductor related production equipment in the Chinese and other markets. In light of such business circumstances and the performance of the current quarter, the Company revised its business forecast for the consolidated cumulative second quarter as stated in the "Financial Report for the 12-month Period Ended December 31, 2017" announced on February 7, 2018

- Business forecast for the consolidated cumulative second quarter

	Net sales (mil. yen)	Operating income (mil. yen)	Ordinary income (mil. yen)	Net income attributable to parent shareholders (mil. yen)	Net income per share (yen)
Previous forecast (A)	28,000	1,250	1,250	850	76.71
Revised forecast (B)	28,500	1,350	1,400	970	87.54
Difference (B - A)	500	100	150	120	-
Rate of change (%)	1.8	8.0	12.0	14.1	-
(Reference) Results of 2Q, 2017	25,410	1,347	1,383	970	87.84

As for the fiscal business forecasts, there is no change from those announced on February 7, 2018 for the time being judging from the uncertainty about the future with the concerns over the impacts of the US policy management, the geopolitical risks in the Middle East and East Asia, and the exchange market.

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.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

(Unit: thousand yen)

	at December 31, 2017	at March 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	5,124,988	5,562,710
Notes and accounts receivable - trade	11,948,266	13,059,255
Electronically recorded monetary claims	5,295,514	5,541,005
Goods and products	2,028,015	2,546,021
Work in process	3,030,345	1,505,509
Raw materials	328,130	326,916
Other current assets	1,270,803	714,341
Allowance for doubtful accounts	(341)	(206)
Total current assets	29,025,722	29,255,554
Fixed assets		
Tangible fixed assets	4,149,677	4,120,129
Intangible fixed assets	79,406	77,654
Investments and other assets		
Other investments and other assets	2,135,178	2,110,931
Allowance for doubtful accounts	(6,692)	(6,692)
Total investments and other assets	2,128,486	2,104,239
Total fixed assets	6,357,569	6,302,023
Total assets	35,383,291	35,557,577

	at December 31, 2017	at March 31, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	6,535,324	7,027,375
Electronically recorded monetary obligation	6,522,875	6,335,167
Short-term loans payable	310,962	291,922
Long-term loans payable due within one year	239,996	239,966
Accrued Income taxes, etc.	476,617	508,061
Allowance for bonuses	91,445	452,940
Other allowance	58,108	45,326
Other current liabilities	2,461,169	1,692,695
<b>Total current liabilities</b>	<b>16,696,499</b>	<b>16,593,485</b>
Fixed liabilities		
Long-term loans payable	311,678	276,679
Liabilities pertaining to employees' retirement benefits	2,791,080	2,804,879
Asset retirement obligation	46,943	47,131
Other fixed liabilities	44,139	45,070
<b>Total fixed liabilities</b>	<b>3,193,841</b>	<b>3,173,759</b>
<b>Total liabilities</b>	<b>19,890,341</b>	<b>19,767,244</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	2,200,708	2,200,708
Capital surplus	2,542,815	2,542,815
Retained earnings	10,550,928	10,947,739
Treasury stock	(57,946)	(58,107)
<b>Total shareholders' equity</b>	<b>15,236,506</b>	<b>15,633,156</b>
Accumulated other comprehensive income		
Difference from evaluation of other investment securities	663,209	624,647
Deferred gains or losses on hedges	(489)	(407)
Foreign currency translation adjustments	(26,571)	(99,682)
Accumulated adjustment pertaining to employees' retirement benefits	(383,070)	(370,747)
<b>Total accumulated other comprehensive income</b>	<b>253,077</b>	<b>153,809</b>
Minority interests	3,366	3,366
<b>Total net assets</b>	<b>15,492,950</b>	<b>15,790,332</b>
<b>Total liabilities and net assets</b>	<b>35,383,291</b>	<b>35,557,577</b>

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

(Consolidated Statement of Income)

(Unit: thousand yen)

	3 months Ended March 31, 2017	3 months Ended March 31, 2018
Net sales	12,013,349	15,602,158
Cost of sales	9,312,669	12,414,274
Gross profit	2,700,680	3,187,883
Selling, general and administrative expenses	2,138,755	2,200,639
Operating income	561,924	987,244
Non-operating income		
Interest income	565	757
Dividend income	1,256	1,643
Insurance dividend	13,735	6,194
Foreign exchange profit	29,062	-
Subsidy income	-	58,648
Other non-operating income	8,257	7,469
Total non-operating income	52,878	74,713
Non-operating expenses		
Interest expense	6,052	2,985
Loss on sale of trade notes	472	391
Foreign exchange loss	-	2,693
Sales discount	3,515	3,716
Other non-operating losses	11,765	2,471
Total non-operating expenses	21,806	12,258
Ordinary income	592,996	1,049,699
Extraordinary income		
Gain on sale of fixed assets	1,397	3,531
Total extraordinary income	1,397	3,531
Extraordinary losses		
Loss on sale and retirement of fixed assets	99	43
Total extraordinary losses	99	43
Net income before taxes and adjustments	594,293	1,053,187
Income, inhabitants and enterprise taxes	268,357	451,111
Income taxes-deferred	(101,256)	(127,137)
Total income taxes	167,100	323,974
Quarterly net income	427,193	729,213
Quarterly net income belonging to parent shareholders	427,193	729,213

(Consolidated Statement of Comprehensive Income)

(Unit: thousand yen)

	3 months Ended	3 months Ended
	March 31, 2017	March 31, 2018
Quarterly net income	427,193	729,213
Other comprehensive income		
Difference from evaluation of other securities	44,754	(38,561)
Deferred gains or losses on hedges	(5,068)	82
Foreign currency translation adjustments	(46,221)	(73,111)
Adjustment pertaining to employees' retirement benefits	11,389	12,322
Total other comprehensive income	4,852	(99,268)
Quarterly comprehensive income	432,046	629,945
(breakdown)		
Quarterly comprehensive income pertaining to parent stock	432,046	629,945
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.

(Segment information, etc.)

Segment information

**[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) thousand yen includes the inter-segmental transaction elimination of (8,778) thousand yen and Corporate allocation not allocated to each Report Segment of (23,129) thousand yen. The main portion of Corporate allocation is Selling, general and administrative expenses not attributable to Report Segments.

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

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

[3 months Ended March 31, 2018]

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	13,225,067	837,273	1,539,816	15,602,158
- Inter-segmental sales or transfer	398,334	1,538,986	40,331	1,977,653
<b>Total</b>	13,623,402	2,376,260	1,580,148	17,579,812
<b>Segment income</b>	490,478	365,396	143,856	999,732

	Adjustment (*1)	Amount on Consolidated Financial Statements (*2)
<b>Net sales</b>		
- Sales to outside customers	—	15,602,158
- Inter-segmental sales or transfer	(1,977,653)	—
<b>Total</b>	(1,977,653)	15,602,158
<b>Segment income</b>	(12,487)	987,244

(Notes) 1. Adjustment in Segment income of (12,487) thousand yen includes the inter-segmental transaction elimination of (1,437) thousand yen and Corporate allocation not allocated to each Report Segment of (11,049) thousand yen. The main portion of Corporate allocation is Selling, general and administrative expenses not attributable to Report Segments.

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

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