

## Financial Report for the 9-month Period Ended September 30, 2018 (Consolidated - Japanese Standards)

November 1, 2018

Company name: DAITRON CO., LTD.  
 Stock exchange listing: 1st Section of the Tokyo Stock Exchange  
 Code number: 7609 URL: <http://www.daitron.co.jp/>  
 Representative: Isayuki Mae, President and COO  
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 Scheduled date of submitting quarterly statement: November 14, 2018  
 Scheduled date of starting dividend payment: —  
 Support explanatory material for quarterly settlement: Prepared  
 Explanatory meeting for quarterly settlement: None

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

### 1. Financial results for 9-month period ended September 30, 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	%
3Q/2018	42,632	11.4	2,465	22.0	2,520	22.9	1,755	23.0
3Q/2017	38,275	16.9	2,021	28.7	2,051	36.5	1,426	54.5

Note: Comprehensive income 3Q/2018: 1,708 million yen (7.9%) 3Q/2017: 1,583 million yen (115.9%)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
3Q/2018	158.39	—
3Q/2017	129.21	—

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
3Q/2018	37,086	16,665	44.9	1,502.85
FY2017	35,383	15,492	43.8	1,397.97

(Reference) Shareholders' equity 3Q/2018: 16,662 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	—	20.00	—		
FY2018 (forecast)				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
Full year	58,500	13.2	3,200	26.9	3,200	23.9	2,200	17.8	198.49

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

#### \* 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)
  - 3Q 2018 : 11,155,979 shares
  - FY 2017 : 11,155,979 shares
- ② number of treasury stocks at period-end
  - 3Q 2018 : 68,709 shares
  - FY 2017 : 75,903 shares
- ③ average number of shares during period (cumulative)
  - 3Q 2018 : 11,082,617 shares
  - 3Q 2017 : 11,041,783 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.

(Acquisition method for the quarterly settlement support explanatory material)

The quarterly settlement support explanatory material will be put on the Company website as soon as possible after the announcement of the accounts.

**[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)
    - (Segment information, etc.)

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

### (1) Discussion regarding operating results

The Japanese economy during this consolidated cumulative third quarter remained solid in general with the employment and income environments improved and the production activities continuously gradually expanded.

The global economy continued uncertain about the future with the concerns over the impacts of the escalated trade friction associated with the US protectionist trade policy and the geopolitical risks in some regions.

In our electronics industry, both domestic and overseas demand for electronic components and production equipment for various scenes grew with increased use of electric/electronic parts in vehicles and industrial robots in production sites.

In these circumstances, the Group worked for 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 this consolidated cumulative third quarter: net sales 42,632 million yen (up 11.4% from the same term last year); operating income 2,465 million yen (up 22.0%); ordinary income 2,520 million yen (up 22.9%); and quarterly net income attributable to parent shareholders 1,755 million yen (up 23.0%).

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, lenses and lights of "Image-Related Equipment and Parts" for production equipment for semiconductors and auto electronic parts; connectors of "Electronic Components & Assembly Products" for production equipment for the semiconductors and robot industries; and large uninterruptible power systems (UPS) for data centers, respectively. In the manufacturing equipment business, electronic components manufacturing equipment for production of laser diodes and electronic parts recorded good sales.

Consequently, net sales of this segment totaled 35,392 million yen (up 12.0% from the same term last year) with a segmental (operating) income of 1,067 million yen (down 6.2%) due to the increases in Cost of sales and Selling, general and administrative expenses.

#### - 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 for production of semiconductor wafers and those of electronic components manufacturing equipment for production of laser diodes and electronic components remained strong, respectively. 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 sales of underwater connectors and cable harnesses.

Consequently, the total sales including inter-segmental sales amounted to 7,327 million yen (up 20.2% from the

same term last year), and sales to outside customers amounted to 2,612 million yen (up 30.0%), with a segmental (operating) income of 1,059 million yen (up 114.8 %).

- Overseas Subsidiaries

As for this segment, sales of "Semiconductor/FPD Manufacturing Equipment" and "Electronic Components Manufacturing Equipment" in the North American market and "Semiconductors" in the Chinese market increased, but not sufficiently enough to make up for the decrease in "Electronic Components & Assembly Products" and "Image-Related Equipment and Parts" decreased in general.

Consequently, net sales of this segment totaled 4,627 million yen (down 0.6%) with a segmental (operating) income of 362 million yen (down 21.1%).

(2) Discussion regarding financial conditions

(Assets)

Current assets at the end of the current period amounted to 30,359 million yen (up 1,333 million yen from the previous fiscal-end), primarily due to the increases in Cash and deposits by 1,184 million yen and Goods and products by 1,080 million yen, respectively, despite the decrease in Work in process by 1,327 million yen. Fixed assets amounted to 6,727 million yen (up 369 million yen), primarily due to the increase in Tangible fixed assets by 357 million yen.

Consequently, the total assets stood at 37,086 million yen, up 1,703 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the current period amounted to 17,350 million yen (up 645 million yen from the previous fiscal-end), primarily due to the decrease in Allowance for bonuses by 438 million yen and Electronically recorded monetary obligation by 240 million yen. Fixed liabilities amounted to 3,069 million yen (down 124 million yen).

Consequently, the total liabilities stood at 20,420 million yen, up 530 million yen from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of the current period amounted to 16,665 million yen (up 1,172 million yen from the previous fiscal-end), primarily due to the inclusion of Quarterly net income belonging to parent shareholders of 1,755 million yen and the payment of Surplus dividend of 554 million yen.

Consequently, the shareholders' equity ratio stood at 44.9%, up 1.1 point from that at the end of the previous fiscal year.

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

The consolidated business forecast has not changed from the one announced in the "Financial Report for the 6-month Period Ended June 30, 2018" on August 1, 2018. Please note that the business forecast is based on information available at the date of announcement of this material, and the actual results may differ depending on various factors. If there arises a possibility of revising the forecast, the Company will disclose it as soon as possible.

## 2. Quarterly Consolidated Financial Statements and Main Notes

### (1) Consolidated Balance Sheet

(Unit: thousand yen)

	at December 31, 2017	at September 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	5,124,988	6,309,826
Notes and accounts receivable - trade	11,948,266	11,304,899
Electronically recorded monetary claims	5,295,514	6,370,760
Goods and products	2,028,015	3,108,858
Work in process	3,030,345	1,703,187
Raw materials	328,130	358,046
Other current assets	1,270,803	1,203,691
Allowance for doubtful accounts	(341)	(188)
Total current assets	29,025,722	30,359,083
Fixed assets		
Tangible fixed assets	4,149,677	4,507,057
Intangible fixed assets	79,406	103,304
Investments and other assets		
Other investments and other assets	2,135,178	2,125,533
Allowance for doubtful accounts	(6,692)	(8,492)
Total investments and other assets	2,128,486	2,117,040
Total fixed assets	6,357,569	6,727,403
Total assets	35,383,291	37,086,486

	at December 31, 2017	at September 30, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	6,535,324	6,593,783
Electronically recorded monetary obligation	6,522,875	6,763,414
Short-term loans payable	310,962	370,696
Long-term loans payable due within one year	239,996	239,996
Accrued Income taxes, etc.	476,617	606,270
Allowance for bonuses	91,445	529,749
Other allowance	58,108	69,678
Other current liabilities	2,461,169	2,177,351
Total current liabilities	<u>16,696,499</u>	<u>17,350,939</u>
Fixed liabilities		
Long-term loans payable	311,678	206,681
Liabilities pertaining to employees' retirement benefits	2,791,080	2,775,880
Asset retirement obligation	46,943	47,506
Other fixed liabilities	44,139	39,634
Total fixed liabilities	<u>3,193,841</u>	<u>3,069,702</u>
Total liabilities	<u>19,890,341</u>	<u>20,420,641</u>
Net assets		
Shareholders' equity		
Common stock	2,200,708	2,200,708
Capital surplus	2,542,815	2,556,016
Retained earnings	10,550,928	11,752,127
Treasury stock	(57,946)	(52,458)
Total shareholders' equity	<u>15,236,506</u>	<u>16,456,393</u>
Accumulated other comprehensive income		
Difference from evaluation of other investment securities	663,209	593,022
Deferred gains or losses on hedges	(489)	(3,567)
Foreign currency translation adjustments	(26,571)	(37,268)
Accumulated adjustment pertaining to employees' retirement benefits	(383,070)	(346,102)
Total accumulated other comprehensive income	<u>253,077</u>	<u>206,084</u>
Minority interests	3,366	3,366
Total net assets	<u>15,492,950</u>	<u>16,665,844</u>
Total liabilities and net assets	<u>35,383,291</u>	<u>37,086,486</u>

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

(Consolidated Statement of Income)

(Unit: thousand yen)

	9 months Ended September 30, 2017	9 months Ended September 30, 2018
Net sales	38,275,168	42,632,459
Cost of sales	29,744,897	33,415,461
Gross profit	8,530,271	9,216,998
Selling, general and administrative expenses	6,509,246	6,751,572
Operating income	2,021,024	2,465,425
Non-operating income		
Interest income	1,820	1,735
Dividend income	12,301	18,048
Insurance dividend	13,735	6,194
Foreign exchange profit	22,924	—
Subsidy income	—	59,032
Other non-operating income	21,936	16,969
Total non-operating income	72,718	101,980
Non-operating expenses		
Interest expense	15,592	10,217
Loss on sale of trade notes	1,216	1,195
Sales discount	9,905	10,961
Foreign exchange loss	—	17,841
Other non-operating losses	15,928	7,048
Total non-operating expenses	42,643	47,265
Ordinary income	2,051,099	2,520,140
Extraordinary income		
Gain on sale of fixed assets	1,434	3,531
Total extraordinary income	1,434	3,531
Extraordinary losses		
Loss on sale and retirement of fixed assets	1,108	3,573
Total extraordinary losses	1,108	3,573
Net income before taxes and adjustments	2,051,425	2,520,099
Income, inhabitants and enterprise taxes	765,285	941,713
Income taxes-deferred	(140,556)	(176,965)
Total income taxes	624,729	764,748
Quarterly net income	1,426,696	1,755,351
Quarterly net income attributable to parent shareholders	1,426,696	1,755,351

(Consolidated Statement of Comprehensive Income)

(Unit: thousand yen)

	9 months Ended September 30, 2017	9 months Ended September 30, 2018
Quarterly net income	1,426,696	1,755,351
Other comprehensive income		
Difference from evaluation of other securities	155,459	(70,186)
Deferred gains or losses on hedges	(4,717)	(3,077)
Foreign currency translation adjustments	(29,126)	(10,697)
Adjustment pertaining to employees' retirement benefits	35,466	36,967
Total other comprehensive income	157,081	(46,993)
Quarterly comprehensive income	1,583,778	1,708,357
(breakdown)		
Quarterly comprehensive income pertaining to parent stock	1,583,778	1,708,357
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

[9 months Ended September 30, 2017]

a. Information on the amounts of net sales and profits by report segment

(Unit: thousand yen)

	Report Segment			
	Domestic Sales Companies	Domestic Manufacturing Companies	Overseas Subsidiaries	Total
<b>Net sales</b>				
- Sales to outside customers	31,609,862	2,009,804	4,655,502	38,275,168
- Inter-segmental sales or transfer	1,354,582	4,086,816	166,672	5,608,072
<b>Total</b>	<b>32,964,444</b>	<b>6,096,620</b>	<b>4,822,175</b>	<b>43,883,240</b>
<b>Segment income</b>	<b>11377,511</b>	<b>493,014</b>	<b>459,834</b>	<b>2,090,360</b>

	Adjustment (*1)	Amount on Consolidated Financial Statements (*2)
<b>Net sales</b>		
- Sales to outside customers	—	38,275,168
- Inter-segmental sales or transfer	(5,608,072)	—
<b>Total</b>	<b>(5,608,072)</b>	<b>38,275,168</b>
<b>Segment income</b>	<b>(69,335)</b>	<b>2,201,024</b>

(Notes) 1. Adjustment in Segment income of (69,335) thousand yen includes the inter-segmental transaction elimination of (600) thousand yen and Corporate allocation not allocated to each Report Segment of (68,735) 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.

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

[9 months Ended September 30, 2018]

a. 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	35,392,397	2,612,277	4,627,785	42,632,459
- Inter-segmental sales or transfer	1,482,033	4,715,518	191,987	6,389,540
<b>Total</b>	36,874,431	7,327,796	4,819,772	49,021,999
<b>Segment income</b>	1,067,046	1,059,198	362,879	2,489,125

	Adjustment (*1)	Amount on Consolidated Financial Statements (*2)
<b>Net sales</b>		
- Sales to outside customers	—	42,632,459
- Inter-segmental sales or transfer	(6,389,540)	—
<b>Total</b>	(6,389,540)	42,632,459
<b>Segment income</b>	(23,699)	2,465,425

(Notes) 1. Adjustment in Segment income of (23,699) thousand yen includes the inter-segmental transaction elimination of 8,751 thousand yen and Corporate allocation not allocated to each Report Segment of (32,450) 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.