February 7, 2017

Financial Report for the 12-month period ended December 31, 2016 (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
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Tel: +81-6-6399-5041
Scheduled date of General Shareholders Meeting: March 30, 2017
Scheduled date of starting dividend payment: March 31, 2017
Scheduled date of submitting financial statement: March 31, 2017
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 2016 (January 1, 2016 to December 31, 2016)

(1) Operating Results

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

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Fiscal 2016	44,932	4.0	1,910	23.9	1,863	21.2
Fiscal 2015	43,214	11.7	1,542	99.1	1,537	78.5

	Net income attributable to owners of parent		Net income per share	Full diluted net income per share
	Million yen	%	Yen	Yen
Fiscal 2016	1,217	7.5	109.62	–
Fiscal 2015	1,131	76.5	101.91	–

(Note) Comprehensive income: FY 2016: 1,013 million yen (-14.5%) FY 2015: 1,185 million yen (+64.2%)

	Net income to shareholder's equity (%)	Ordinary income to total assets (%)	Ordinary income to net sales (%)
Fiscal 2016	9.0	6.1	4.3
Fiscal 2015	8.9	5.5	3.6

(Reference) Income from affiliates: Fiscal 2016: - million yen Fiscal 2015: - 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 2016	32,068	13,914	43.4	1,252.94
Fiscal 2015	28,681	13,179	45.9	1,186.64

(Reference) Shareholder's equity: Fiscal 2016 13,911 million yen Fiscal 2015 13,176 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 2016	1,472	(1,171)	201	6,727
Fiscal 2015	447	15	(278)	6,251

2. Dividend Payments

	Annual dividend				
	1Q end	2Q end	3Q end	fiscal end	FY total
	yen	yen	yen	yen	yen
Fiscal 2015	―	0.00	―	25.00	25.00
Fiscal 2016	―	0.00	―	30.00	30.00
Fiscal 2017 (forecast)	―	15.00	―	15.00	30.00

	Total amount	Payout ratio (consolidated)	Net worth dividend ratio (consolidated)
	Million yen	%	%
Fiscal 2015	277	24.5	2.1
Fiscal 2016	333	27.4	2.5
Fiscal 2016 (forecast)		24.7	

3. Forecasts of financial results for FY2017 (Consolidated: January 1, 2017 to December 31, 2017)

(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.)	23,500	7.5	900	(16.9)	900	(10.5)	660	(14.5)	59.44
Full year	47,500	5.7	1,920	0.5	1,920	3.0	1,350	(10.9)	121.59

*** Notes**

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

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

① Change in accounting policy associated with amendments in accounting standards, etc: Changed

② Change in accounting policy other than above ①: None

③ Change in accounting estimate: None

④ Restatement: None

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

(3) Number of outstanding shares (common shares)

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

FY 2016 : 11,155,979 shares
FY 2015 : 11,155,979 shares

② Number of treasury shares at period end

FY 2016 : 53,027 shares
FY 2015 : 51,811 shares

③ Average number of shares during period

FY 2016 : 11,103,190 shares
FY 2015 : 11,104,484 shares

(Reference) Outline of non-consolidated financial results

<u>1. Financial results for the 12-month period ended Dec 31, 2016 (Jan. 1, 2016 to Dec. 31, 2016)</u>

(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 2016	38,886	2.7	588	50.7	996	71.3
FY 2015	37,855	12.2	390	133.2	581	102.3

	Net income		Net income per share	Diluted net income per share
	Million yen	%	Yen	Yen
FY 2016	745	49.1	67.17	—
FY 2015	500	134.6	45.05	—

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

(2) Financial Standing (non-consolidated)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2016	28,320	11,262	39.8	1,014.37
FY 2015	24,967	10,731	43.0	966.45

(Reference) Shareholders' equity:

FY 2016: 11,262 million yen
FY 2015: 10,731 million yen

※ Representations on implementation status of audit procedures

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

※ Explanations on appropriate use of the forecasts and other special comments

[Note for statements concerning the future, etc.]

The business forecasts and any other statements concerning the future included in this Report are made based on certain information currently available to and judged reasonable by the Company, but not what the Company is committed to attaining. The actual results may differ greatly depending on various factors. For the conditions for the business forecasts and suggestions for the use of them, please refer to page **2** "Outlook for Next Period" in (1) Analysis of operating results" under "1. Operating results and financial position" of the appendix.

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

The Company is scheduled to hold an explanatory meeting for institutional investors and analysts on February 16, 2017. The material to be used on the day is to appear on the Company's website as soon as possible after such meeting.

[Contents of Appendix]

1. Analysis of operating results and financial position

(1) Analysis of operating results

(Operating results in current year)

The Japanese economy during the current year remained on a gradual recovery trend in general with corporate earnings and the employment/income environments improved backed by the effects of the government's economic policy and the monetary relaxation policy by the Bank of Japan.

The global business remained with a sense of uncertainty about the future with the issue of UK's withdrawal from the European Union and a deceleration trend in the economic growth of China and other newly emerging countries in Asia, with all the upward momentum of the US economy.

In our electronics industry, with the increased demand for electronic equipment and parts as well as manufacturing equipment in the automobile, industrial robot, and IoT related fields, the market remained on a growing trend.

Under such circumstances, the Company worked on the four focus management measures: "Enhancement and expansion of original products," "Enhancement and expansion of overseas operations," "Development of new markets and customers," and "Cultivation and lateral expansion of existing markets and customers."

Consequently, the Group obtained the following results in the current consolidated accounting year: net sales 44,932 million yen (up 4.0% from the previous year); operating profit 1,910 million yen (up 23.9%); ordinary income 1,863 million yen (up 21.2%); and net income belonging to parent shareholders 1,217 million yen (up 7.5%).

The outline of segmental performance is as shown below.

- Domestic Sales Companies

As for this segment, both the sales and profits exceeded those of the previous year supported by the growth in the sales of cameras and peripherals of the "Image-Related Equipment and Parts" associated with the activated organic EL related market, embedded board computers of the "Embedded System" associated with the increased demand for control equipment and measuring equipment, etc., and video conference systems of the "Information System" associated with the renewals of customers' existing equipment.

Consequently, net sales of this segment totaled 37,673 million yen (up 2.5% from the previous year) with a segmental (operating) income of 602 million yen (up 35.3%).

- Domestic Manufacturing Companies

In this segment, as for the performance of Daitron Technology Co., Ltd., dealing with manufacturing equipment, both sales and profits exceeded the previous year's results buoyed by the growth of the sales of processing and inspection equipment, etc. mainly for the Japanese and the north American markets associated with the increase in the demand for semiconductor manufacturing equipment for telecom-related devices. As for Daito Denso Co., Ltd., dealing with electronic equipment and components, both sales and profits exceeded the previous year's results with the strong sales of harnesses for the aerospace and defense fields as well as special connectors for the ships and marine field.

Consequently, net sales of this segment totaled 2,616 million yen (up 23.7% from the previous year), a large percentage of which was through the Group's domestic sales companies, and the total sales including inter-segmental sales amounted to 8,412 million yen (up 2.5%), with a segmental (operating) income of 946 million yen (up 15.5 million yen).

- Overseas Subsidiaries

As for this segment, despite the decreased sales of the "Electronic Components & Assembly Products” and the "Power Supply Equipment" mainly in the Chinese market, the performance exceeded the previous years' supported by increased sales of the “Image-Related Equipment and Parts” in the North American and the Asian markets, as well as the "Semiconductors" and the "Electronic Components Manufacturing Equipment" in the Asian market.

Consequently, net sales of this segment totaled 4,641 million yen (up 7.2% from the previous year) with a segmental (operating) income of 299 million yen (up 27.0 %).

(Outlook for Next Period)

The Company merged two of its manufacturing subsidiaries (Daitron Technology Co., Ltd. and Daito Denso Co., Ltd.) as of January 1, 2017, and started its 9th Medium-Term Management Plan from 2017. The basic policy in this Medium-Term Management Plan is to seek further growth by maximizing the synergy of the three-company merger with the five basic strategies of "Promotion of growth-focused business reconstruction," "Reinforcement of original product development," "Enhancement of overseas operations," "Improvement in sales and marketing capabilities," and "Strengthened integration of production divisions " under the "combined manufacturing and sales strategy."

As for the future prospect, the Japanese economy is expected to go on a recovery trend, though gradual, with corporate earnings and the employment/income environments improved backed by the effects of the government’s economic policy and the monetary relaxation policy by the Bank of Japan.

The global economy is expected to continue with a sense of uncertainty about the future with the slowing economic growth rates of China and other newly emerging countries, the UK's EU withdrawal issue, and the unpredictable policy management of the new US administration.

The electronics industry is also expected to remain on a recovery trend, since product development will likely be further activated in growing markets such as IoT, medical, and automobiles and the demand for electronic equipment and parts as well as manufacturing equipment will be increased.

Under these circumstances, the Group estimates its full-year net sales at 47,500 million yen, operating income 1,920 million yen, ordinary income 1,920 million yen, and net income attributable to parent shareholders 1,350 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) Analysis of financial position

a) Assets, liabilities, and net assets

(Assets)

Current assets at the end of the current year amounted to 25,989 million yen (2,331 million yen up from the previous fiscal-end) mainly due to the increases in Electronically recorded monetary claims by 1,819 million yen and Advance payment included in Other current assets by 768 million yen. Fixed assets stood at 6,079 million yen (up 1,055 million yen) due to the increases in Tangible fixed assets by 923 million yen and Investments and other assets by 132 million yen.

Consequently, total assets amounted to 32,068 million yen, 3,386 million yen up from the end of the previous fiscal year.

(Liabilities)

Current liabilities stood at 14,945 million yen (up 2,640 million yen from the previous fiscal-end) mainly due to the increases in Electronically recorded monetary liabilities by 1,302 million yen and Advance received included in Other current liabilities by 1,040 million yen. Fixed liabilities stood at 3,208 million yen (up 11 million yen).

Consequently, total liabilities amounted to 18,153 million yen, 2,651 million yen up from the end of the previous fiscal year.

(Net Assets)

Total net assets at the end of this year amounted to 13,914 million yen (734 million yen up from the previous fiscal-end) mainly due to an increase in Retained earnings by 939 million yen.

Consequently, shareholders' equity ratio stood at 43.4%, down 2.5 point from the end of the previous fiscal year.

b) Cash flow

The balance of cash and cash equivalents at the end of this period (hereinafter called “Fund”) stood at 6,727 million yen, up 476 million yen from the previous fiscal-end.

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

(Cash flows from operating activities)

The Fund increased 1,472 million yen (447 million yen increase in the previous year) as a result of operating activities: the major increasing factors are increases in Net income before taxes and adjustments by 1,863 million yen and Advance received by 1,045 million yen, and the major decreasing factor is an increase in Account receivable by 1,391 million yen.

(Cash flows from investing activities)

The Fund decreased 1,171 million yen (15 million yen increase in the previous year) as a result of investing activities: the major decreasing factor is Payment for purchase of tangible fixed assets by 1,127 million yen

(Cash flows from financing activities)

The Fund increased 201 million yen (278 million yen decrease in the previous year) as a result of financing activities: the major increasing factor is Proceeds from Long-term loans payable by 700 million yen and the major decreasing factors are Dividends paid by 276 million yen and Repayments of long-term loans payable by 174 million yen.

(Reference) Change in cash flow indicators

	FY2012	FY2013	FY2014	FY2015	FY2016
Shareholders' Equity Ratio (%)	48.8	48.9	44.5	45.9	43.4
Market-value Shareholders' Equity (%)	16.4	18.2	25.5	30.7	32.4
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 2012 are not shown because the Cash Flow from Operating Income was negative.

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

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

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

As for the dividend payment for this period, we have planned to pay out 30 yen of common year-end per-share dividend, 5 yen up from the forecast announced on November 4, 2016.

The Company has resolved to pay interim dividends from fiscal 2017 on in addition to the year-end dividends, based on the provision of its articles of incorporation: "The Company may pay interim dividends by a resolution of the Board of Directors with June 30 of each year as the record date."

The dividend payment for FY2017 is planned to be 30 yen (interim payment 15 yen and year-end payment 15 yen) per share, in consideration of the performance forecast shown in "Outlook for Next Period" in "(1) Analysis of operating results" under "1. Analysis of operating results and financial position."

(4) Risks in Business Operations, etc.

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

① Effects concerning implementing management strategies:

The Group is actively investing in building up the structure for expanding new businesses coming out ahead in the field of industrial electronics as well as partnerships with other companies including joint investments in a wide range of areas such as research and development, manufacture, and marketing, aiming to be a highly profitable company. In investments of this kind, some operations may have to be carried out even with a certain degree of risks if future growth potential can be expected, and the existence of new competitors, increased amount of investments in development, delay in development, or a sudden change in the market, etc. may cause a disagreement with a partner regarding fund-raising, technical management, product development, or management strategies. In case this discrepancy is too big for the Company to maintain the partnership and the management plan in the relevant business is obliged to change, the investments which have been made in it up to that point of time may affect the Group's operating results and financial position.

② Effects concerning intellectual property rights:

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

③ Responding to customers' overseas bases and country risks:

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

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

The Group is aggressively accelerating expansion in global operations. In export/import, the

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

⑤ Quality control, product liability, and warranty

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

⑥ Dealing contract:

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

⑦ Influences of market fluctuation:

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

⑧ Maintaining marketing rights:

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

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

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

⑩ Impact of natural disasters, etc.:

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

2. Outline of Daitron Corporate Group

Our corporate group, consisting of Daito Electron Co., Ltd. (“the Company”) and 11 consolidated subsidiaries (of which seven are located overseas), is mainly engaged in the 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.

The Company merged its wholly owned consolidated subsidiaries Daitron Technology Co., Ltd. and Daito Denso Co., Ltd. effective January 1, 2017 as the surviving company, and accordingly changed its trade name from Daito Electron Co., Ltd. to Daitron Co., Ltd. For the details please refer to (5) Notes on Consolidated Financial Statements: (Significant Subsequent Events) under "5. Consolidated Financial Statements."

(1) Domestic sales company:

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

(2) Domestic manufacturing companies:

The Company has three domestic consolidated manufacturing subsidiaries.

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

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

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

(3) Overseas subsidiaries:

The Company has seven consolidated subsidiaries overseas.

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

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

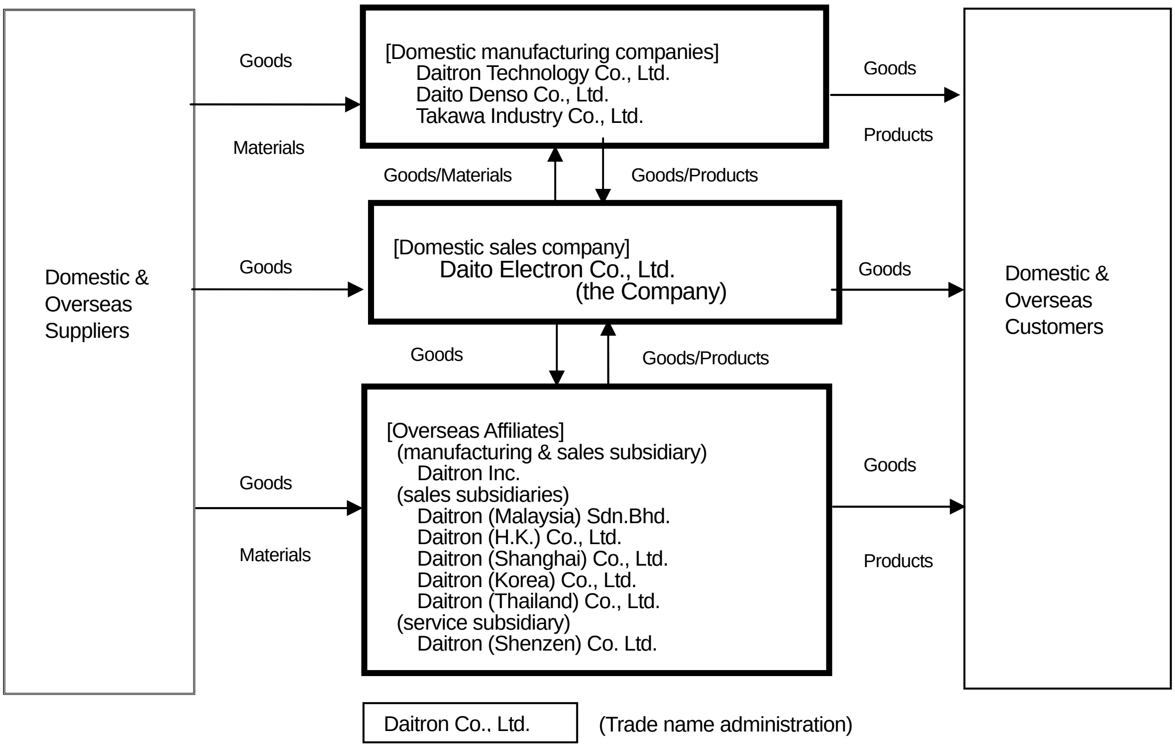
Daitron (H.K.) Co., Ltd. engages in sales, procurement, and import/export of electronic equipment and components, etc. for the Hong Kong and South Chinese markets.

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

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

Daitron (Thailand) Co., Ltd. engages in sales and import/export of electronic equipment and components as well as manufacturing equipment for the Thai and other Southeast Asian markets. Daitron (Shenzhen) Co., Ltd. engages in consulting services concerning sales of electronic equipment and components, etc. for the South China market.

The chart below shows the flow of our businesses.



3. Management Policy

(1) Basic Management Policy

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

Additionally, it is also the basic policy of the Group to make its certain presence felt as a "technology-based company in the electronic industry" under the "combined manufacturing and sales strategy" making use of its manufacturing function capable of producing higher added value and realizing enhanced profitability, on top of the marketing capabilities and the logistics service function as a trading firm.

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

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

Our electronic industry has remained in a severe situation with alliance and separation activated and the competition intensified while technological progress and advancement accelerating. Based on the understanding that the further enhanced proposing ability, more value-added production, and higher profitability are absolutely necessary to survive through such circumstances, the Company made a new start by merging its consolidated subsidiaries Daitron Technology Co., Ltd. and Daito Denso Co., Ltd. as of January 1, 2017 (and at the same time changed its trade name to Daitron Co., Ltd.). Prior to it, the Group built a new factory in Ichinomiya City, Aichi Prefecture in November 2016 as its new key factory for the purpose of integrating the production functions of Daitron Technology and Daito Denso. By these measures, the Group is now pursuing synergies maximized based on organically combination of all the functions of business administration, sales, and manufacture, to create higher added-value under the "combined manufacturing and sales policy."

Further, the Group has newly established its 9th Mid-Term Management Plan for the four years from 2017 to 2020 focusing on a long-term management perspective, in which the new Group Statement describing its long-term vision is set out and the goals to be achieved are clearly determined.

[Long-term Vision]

○ Group Statement: "Creator for the *NEXT*" ～Create new values capitalizing on the Group network as a company leading the electronic industry

○ Goals to be achieved

- "Unique company with combined manufacturing and sales capabilities"
- "Company which provides products and services distinctive and indispensable to the industry"
- "Company whose employees feel job satisfaction and are proud of working for it"

- "Organization which has united strength and moves autonomously and actively"

Under the 9th Mid-Term Management Plan with this long-term vision, the Group is going to promote business management based on the following five Business Strategies for continuingly increased sales and profits and enhanced corporate value.

[Business Strategies]

(i) Promotion of growth-focused business reconstruction: we are going to promote business reconstruction focusing on growth by developing such promising new markets as auto, medical, infrastructure, robot-related technologies, and aerospace.

(ii) Reinforcement of original product development: we are going to continuously seek to further increase profitability by developing and expanding original products of the Daitron brand as in the past.

(iii) Enhancement of overseas operations: we are going to stably increase sales mainly in electronic equipment and component related fields, expand customers in overseas markets, and expand multinational business capitalizing on the global network of the Group.

(iv) Improvement in marketing and sales capabilities: we are going to further enhance our domestic and overseas sales network and strengthen the market presence.

(v) Strengthened integration of production divisions: we are going to complete as soon as possible the production concentration on the Chubu Factory, which was newly launched as the Group's key factory, and strengthen it as the production and development center.

Based on the above Business Strategies, the Group will continue to work for high growth and high profits by evolving in its own style as a "technology-based company in the electronic industry" under the "combined manufacturing and sales policy."

4. Basic Policy regarding Choice of Accounting Standards

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

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

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	at December 31, 2015	at December 31, 2016
Assets		
Current assets		
Cash and deposits	(*1) 6,281,111	(*1) 6,757,712
Notes and accounts receivable - Trade	(*2) 11,182,946	(*2) 10,720,663
Electronically recorded monetary claims	(*2) 2,387,438	(*2) 4,207,404
Goods and products	1,604,495	1,651,418
Work in process	1,383,590	1,052,211
Raw materials	339,710	329,788
Deferred tax assets	102,495	101,782
Other current assets	380,216	1,171,349
Allowance for doubtful accounts	(3,820)	(2,782)
Total current assets	23,658,183	25,989,547
Fixed assets		
Tangible fixed assets		
Buildings and structures	3,693,317	4,346,314
Accumulated depreciation	(2,592,826)	(2,652,863)
Buildings and structures - net	1,100,491	1,693,450
Machinery, equipment and vehicles	365,230	402,109
Accumulated depreciation	(301,807)	(321,959)
Machinery, equipment and vehicles - net	63,422	80,149
Land	1,840,398	2,199,365
Other tangible fixed assets	851,841	829,612
Accumulated depreciation	(683,570)	(706,510)
Other tangible fixed assets - net	168,271	123,101
Total tangible fixed assets	3,172,584	4,096,067
Intangible fixed assets		
Other intangible fixed assets	81,866	81,071
Total intangible fixed assets	81,866	81,071
Investments and other assets		
Investment securities	(*1) 1,120,538	(*1) 1,217,251
Long-term loans receivable from employees	1,716	1,413
Deferred tax assets	133,220	162,700
Other investments and other assets	580,947	527,214
Allowance for doubtful accounts	(67,074)	(6,569)
Total investments and other assets	1,769,348	1,902,011
Total fixed assets	5,023,798	6,079,150
Total assets	28,681,982	32,068,697

	at December 31, 2015	at December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	(*2) 6,701,389	(*2) 5,864,912
Electronically recorded monetary claims	3,530,209	4,832,972
Short-term loans payable	100,000	100,000
Long-term loans payable due within one year	66,660	978,901
Lease obligations	44,928	43,604
Accrued Income taxes, etc.	291,006	378,810
Allowance for bonuses	57,095	73,706
Allowance for product warranty	39,845	78,095
Advance received	573,051	1,614,043
Other current liabilities	900,873	980,149
Total current liabilities	12,305,058	14,945,194
Fixed liabilities		
Long-term loans payable	838,905	451,674
Lease obligations	71,996	35,305
Deferred tax liability	—	758
Liabilities pertaining to employees' retirement benefits	2,215,662	2,652,744
Asset retirement obligation	48,292	46,208
Other fixed liabilities	22,100	22,100
Total fixed liabilities	3,196,956	3,208,790
Total liabilities	15,502,014	18,153,985
Net assets		
Shareholders' equity		
Common stock	2,200,708	2,200,708
Capital surplus	2,482,896	2,482,918
Retained earnings	8,242,070	9,181,548
Treasury stock	(19,882)	(20,764)
Total shareholders' equity	12,905,793	13,844,410
Accumulated other comprehensive income		
Difference from evaluation of other investment securities	422,229	481,544
Deferred gains or losses on hedges	(1,176)	3,046
Foreign currency translation adjustments	6,194	(10,269)

Accumulated adjustment pertaining to employees' retirement benefits	(156,439)	(407,386)
Total accumulated other comprehensive income	270,807	66,935
Non-controlling interests	3,366	3,366
Total net assets	13,179, 967	13,914,712
Total liabilities and net assets	28,681,982	32,068,697

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

(Consolidated Statement of Income)

(Unit: thousand yen)

	12 months Ended December 31, 2015	12 months Ended December 31, 2016
Net sales	43,214,024	44,932,361
Cost of sales	33,744,199	34,879,804
Gross profit	9,469,825	10,052,557
Selling, general and administrative expenses		
Salaries and bonuses	4,046,871	4,152,706
Retirement benefit expenses	243,096	230,545
Transfer to allowance for bonuses	49,558	60,493
Transfer to allowance for product warranty	3,934	36,977
Depreciation	160,440	142,008
Other selling, general and administrative expenses	(*1) 3,423,493	(*1) 3,519,063
Total selling, general and administrative expenses	7,927,394	8,141,794
Operating income	1,542,430	1,910,762
Non-operating income		
Interest income	4,623	2,674
Dividend income	22,611	18,869
Insurance dividend	11,909	13,029
Penalty income	10,255	—
Purchase discount	7,077	7,932
Other non-operating income	23,395	19,088
Total non-operating income	79,873	61,593
Non-operating expenses		
Interest expense	19,578	21,941
Loss on sale of trade notes	3,648	2,632
Sales discount	11,364	13,710
Foreign exchange loss	42,536	68,326
Other non-operating losses	8,122	2,200
Total non-operating expenses	85,250	108,812
Ordinary income	1,537,053	1,863,544
Extraordinary income		
Gain on sale of fixed assets	(*2) 5,305	(*2) 1,028
Gain on sale of investment securities	61,512	—
Total extraordinary income	66,818	1,028
Extraordinary losses		
Loss on sale and retirement of fixed assets	(*3) 698	(*3) 744
Loss on valuation of investment securities	1,780	—
Impairment loss	23,431	—
Total extraordinary losses	25,910	744

Net income before taxes and adjustments	1,577,960	1,863,828
Income, inhabitants and enterprise taxes	501,878	652,630
Income taxes-deferred	(55,599)	(5,883)
Total income taxes	446,278	646,747
Net income	1,131,681	1,1217,081
Net income attributable to owners of parent	1,131,681	1,1217,081
Other comprehensive income		
Difference from evaluation of other investment securities	66,029	59,315
Deferred gains or losses on hedges	4,186	4,223
Foreign currency translation adjustments	4,821	(16,464)
Adjustment pertaining to employees' retirement benefits	(21,287)	(250,946)
Total other comprehensive income	* 53,749	* (203,871)
Comprehensive income	1,185,430	1,013,209
(breakdown)		
Comprehensive income pertaining to parent stock	1,185,430	1,013,209
Comprehensive income attributable to non-controlling interests	—	—

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

[Previous Fiscal Year Ended December 31, 2015] (Unit: thousand Yen)

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

	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	356,199	(5,362)	1,372	(135,151)	217,058	3,366	12,161,655
Changes during current period							
Surplus dividend							(166,571)
Net income attributable to owners of parent							1,131,681
Purchase of treasury stock							(546)
Changes during current period in items other than shareholders' equity -net	66,029	4,186	4,821	(21,287)	53,749	—	53,749
Total changes during current period	66,029	4,186	4,821	(21,287)	53,749	—	1,018,312
Balance at period-end	422,229	(1,176)	6,194	(156,439)	270,807	3,366	13,179,967

[Current 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)
Disposition of treasury stock		21		27	48
Changes during current period in items other than shareholders' equity -net					
Total changes during current period	—	21	939,477	(881)	938,617
Balance at period-end	2,200,708	2,482,918	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

(4) Consolidated Statement of Cash Flows

(Unit: thousand Yen)

	12 months Ended December 31, 2015	12 months Ended December 31, 2016
Cash flows from operating activities		
Net income before taxes and adjustments	1,577,960	1,863,828
Depreciation and amortization	233,891	231,582
Interest and dividend income	(27,235)	(21,543)
Interest expense	19,578	21,941
(Gain)/Loss on sale of investment securities	(61,512)	—
(Gain)/Loss on valuation of investment securities	1,780	—
(Gain)/Loss on sale and retirement of tangible fixed assets	(4,607)	(284)
Impairment loss	23,431	—
Decrease/(increase) in accounts receivable	(1,231,105)	(1,391,188)
Decrease/(increase) in inventories	(244,143)	278,276
Decrease/(increase) in advance payment	49,678	(770,747)
Increase/(decrease) in trade notes and accounts payable	290,531	477,070
Increase/(decrease) in advance received	(35,478)	1,045,833
Others	275,650	323,080
Sub-total	868,422	2,057,849
Interest and dividend received	27,204	22,626
Interest paid	(18,479)	(21,136)
Income tax and other taxes paid	(429,747)	(587,303)
Net cash provided by/(used in) operating activities	447,399	1,472,035
Cash flows from investing activities		
Payment for purchase of tangible fixed assets	(146,374)	(1,127,356)
Proceeds from sale of tangible fixed assets	8,106	1,151
Payment for purchase of investment securities	(23,614)	(24,372)
Proceeds from sale of investment securities	179,045	—
Others	(1,814)	(20,788)
Net cash provided by/(used in) investing activities	15,349	(1,171,365)
Cash flows from financing activities		
Proceeds from long-term loans payable	—	700,000
Repayment of long-term loans payable	(66,660)	(174,990)
Dividends paid	(166,020)	(276,605)
Others	(45,940)	(46,526)
Net cash provided by/(used in) financing activities	(278,620)	201,878
Effect of exchange rate changes on cash and cash equivalents	(25,222)	(25,948)
Increase/(decrease) in cash and cash equivalents	158,906	476,600
Cash and cash equivalents at beginning of period	6,092,205	6,251,111
Cash and cash equivalents at period end	*6,251,111	*6,727,712

(5) Notes on Consolidated Financial Statements:

(Notes regarding Premise of Going Concern)

There is no applicable matter.

(Significant Matters Fundamental to Prepare Consolidated Financial Statements)

Not indicated because there is no significant change from the most recent Securities Report submitted on March 31, 2016.

(Change in Accounting Policy)

- Application of accounting standards, etc. for business combination

Applying as from the current consolidated accounting year the Accounting Standards for Business Combination (Corporate Accounting Standards No.21, September 13, 2013; hereinafter called “Business Combination Accounting Standards”), the Accounting Standard for Consolidated Financial Statements (Corporate Accounting Standards No.22, September 13, 2013; hereinafter called “Consolidated Accounting Standards”), and the Accounting Standard for Business Divestitures, etc. (Corporate Accounting Standards No.7, September 13, 2013; hereinafter called “Business Divestitures Accounting Standards”), the Company has changed the calculation method to that of posting as capital surplus the differences arising from a change in the equity interests of the Company in its subsidiary over which the control is continued, as well as that of posting the acquisition related expenses as those in the consolidated accounting year in which such expenses were incurred. As for the business combination implemented at or after the beginning of the current consolidated accounting year, the calculation method has been changed to the one reflecting the reviewed allocation of acquisition costs by determining the tentative accounting procedure in the consolidated financial statements for the consolidated accounting year to which the date of the business combination belongs. In addition, the presentations of net income, etc. were changed, and that of Minority interests was also changed to Non-controlling interests. To reflect these changes in presentations, the consolidated financial statements for the previous consolidated accounting year have been reclassified.

The Company applies from the current consolidated accounting year into the future the Business Combination Accounting Standards, etc. in accordance with the transitional treatments as set forth in Paragraph 58-2 (4) of the Business Combination Accounting Standards, Paragraph 44-5 (4) of the Consolidated Accounting Standards, and Paragraph 57-4 (4) of the Business Divestitures Accounting Standards.

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

(Segment Information, etc.)

a. Segment information, etc.

1. Outline of Report Segments

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

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

As seen above, consisting of segments by location, the Group has three Report Segments: "Domestic sales companies," "Domestic manufacturing companies," and "Overseas Subsidiaries."

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 Companies: Purchase from domestic and overseas suppliers and affiliates, and sell to domestic and overseas customers and affiliates, the main goods and products as shown above
2. Domestic Manufacturing Companies: 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, for overseas markets

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

The accounting methods for the reported business segments are the same as those stated in "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.

(Application of accounting standards, etc. for business combination)

Applying the Accounting Standards for Business Combination (Corporate Accounting Standards No.21, September 13, 2013; hereinafter called “Business Combination Accounting Standards”), the Accounting Standard for Consolidated Financial Statements (Corporate Accounting Standards No.22, September 13, 2013; hereinafter called “Consolidated Accounting Standards”), and the Accounting Standard for Business Divestitures (Corporate Accounting Standards No.7, September 13, 2013; hereinafter called “Business Divestitures Accounting Standards”) as from the current consolidated accounting year, the Company has changed the calculation method to that of posting as capital surplus the differences arising from a change in the equity interests of the Company in its subsidiary over which the control is continued, as well as that of posting the acquisition related expenses as the costs in the consolidated accounting year in which such expenses were incurred. As for the business combination to be implemented at or after the beginning of the current consolidated accounting year, the calculation method has been changed to the one reflecting the reviewed allocation of acquisition costs by determining the tentative accounting procedure in the consolidated financial statements for the consolidated accounting year to which the date of the business combination belongs.

The Company applies the Business Combination Accounting Standards, etc. in accordance with the transitional treatments set forth in Paragraph 58-2 (4) of the Business Combination Accounting Standards, Paragraph 44-5 (4) of the Consolidated Accounting Standards, and Paragraph 57-4 (4) of the Business Divestitures Accounting Standards from the current consolidated accounting year into the future.

There is no effect of these changes on segment income.

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

[Previous Fiscal Year Ended December 31, 2015 (Unit: thousand yen)

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

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

(1) The amount of Adjustment of segment income of 41,975 thousand yen includes eliminations of inter-segmental transaction of 97,308 thousand yen, and All company expenses not allocated to each Report Segment of (55,333) thousand yen. The major part of "All company expenses" is selling, general and administrative expenses not attributable to the Report Segment.

(2) The amount of Adjustment of Segment assets of 5,425,373 thousand yen includes elimination of inter-segmental transaction of (2,345,7000 thousand yen) and All company assets not allocated to each Report Segment of 7,771,073 thousand yen. The major part of "All company assets" is composed of surplus fund operating capital (cash and deposits, etc.) and long-term investment capital (investment securities, etc.) not attributable to the Report Segment, and assets pertaining to administrative departments, etc.

(3) The amount of Adjustment of depreciation of 18,415 thousand yen is depreciation pertaining to All company assets.

(4) The amount of Adjustment of Increases in tangible fixed assets and intangible fixed assets of 21,402 thousand yen is the amount of the increase in All company assets.

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

[Current Fiscal Year Ended December 31, 2016 (Unit: thousand yen)

	Report Segment				Adjustment *1	Amount reported in consolidated financial statements *2
	Domestic sales companies	Domestic manufacturing companies	Overseas Subsidiaries	Total		
Net sales						
- 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)	—
Total	38,886,078	8,412,663	4,824,682	52,123,423	(7,191,062)	44,932,361
Segment income	602,666	946,607	299,267	1,848,540	62,221	1,910,762
Segment assets	16,435,864	7,056,046	2,564,941	26,056,852	6,011,845	32,068,697
Other						
- Depreciation	91,418	107,599	19,175	218,194	13,387	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 62,221 thousand yen includes eliminations of inter-segmental transaction of 76,619 thousand yen, and All company expenses not allocated to each Report Segment of (14,397) thousand yen. The major part of “All company expenses” is selling, general and administrative expenses not attributable to the Report Segment.

(2) The amount of Adjustment of Segment assets of 6,011,845 thousand yen includes elimination of inter-segmental transaction of (2,026,129 thousand yen) and All company assets not allocated to each Report Segment of 8,037,975 thousand yen. The major part of “All company assets” is composed of surplus fund operating capital (cash and deposits, etc.) and long-term investment capital (investment securities, etc.) not attributable to the Report Segment, and assets pertaining to administrative departments, etc.

(3) The amount of Adjustment of depreciation of 13,387 thousand yen is depreciation pertaining to All company assets.

(4) The amount of Adjustment of Increases in tangible fixed assets and intangible fixed assets of 15,109 thousand yen is the amount of the increase in All company assets.

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

b. Relevant information

[Previous Fiscal Year Ended December 31, 2015]

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

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

2. Information by area

(1) Net sales (Unit: thousand yen)

Japan	North America	Europe	Asia	Total
36,399,836	1,395,308	96,569	5,322,309	43,214,024

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

(2) Tangible fixed assets

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

3. Information by major customer

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

[Current 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.

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

[Previous Fiscal Year Ended December 31, 2015] (Unit: thousand yen)

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

[Current Fiscal Year Ended December 31, 2016]

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

There is no applicable matter.

(Per Share Data)

	Previous FY Ended Dec. 31, 2015	Current FY Ended Dec. 31, 2016
Net assets per share	¥1,186.64	¥1,252.94
Net income per share	¥101.91	¥109.62

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

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

(Unit: thousand yen)

	Previous FY Ended December 31, 2015	Current FY Ended December 31, 2016
Net income attributable to owners of parent	1,131,681	1,217,081
Amount not attributable to common shareholders	—	—
Net income attributable to owners of parent attributable to common shares	1,131,681	1,217,081
Average number of common shares during period	11,104 thousand shares	11,103 thousand shares

(Significant Subsequent Events)

(Absorption-type merger of wholly owned subsidiaries and change in trade name)

The Company merged two of its wholly owned consolidated subsidiaries Daitron Technology Co., Ltd. and Daito Denso Co., Ltd., effective January 1, 2017 based on the resolution at the meeting of the Board of Directors held on February 5, 2016 and the merger agreement concluded as of the same date. With this merger, it also changed its trade name from Daito Electron Co., Ltd. to Daitron Co., Ltd. as of January 1, 2017.

1. Outline of transaction

(1) Name and description of business merged (at December 31, 2016)

- Absorbing company name - Description of business	Daito Electron Co., Ltd. Sale and import/export of electronic equipment & components and manufacturing equipment
- Absorbed company name - Description of business, etc.	Daitron Technology Co., Ltd. Development, manufacture, and sale of manufacturing equipment Total assets: 3,064,314 Liabilities: 1,109,126 Net assets: 1,955,183 (Unit: thousand yen)
	Daito Denso Co., Ltd. Design, fabrication, and sale of electronic equipment & components Total assets: 4,711,424 Liabilities: 2,878,236 Net assets: 1,833,188 (Unit: thousand yen)

(2) Date of merger

January 1, 2017

(3) Legal form of merger

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

(4) Company name after merger

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

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

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

2. Outline of accounting procedures performed

Pursuant to the Accounting Standard for Business Combination (Corporate Accounting Standards No.21, September 13, 2013) and the Application Guidelines on Accounting

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

(Omission of Disclosure)

Notes to lease transactions, financial instruments, securities, derivative transactions, asset retirement obligations, and relevant party information are not shown here because there is no great necessity to disclose them in the Financial Report.