

<b>Translation</b>
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**Consolidated Financial Results  
for the Fiscal Year Ended December 31, 2018  
(Japanese GAAP)**

**February 7, 2019**

Company name: DAITRON CO., LTD.  
 Stock exchange listing: 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 General Shareholders Meeting: March 28, 2019  
 Scheduled date of commencing dividend payment: March 29, 2019  
 Scheduled date of filing securities report: March 29, 2019  
 Support explanatory material for financial results: Yes  
 Explanatory meeting for financial results: Yes (for institutional investors and analysts)

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

**1. Consolidated financial results for the fiscal year 2018 (January 1, 2018 to December 31, 2018)**

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

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Fiscal 2018	59,662	15.4	3,546	40.6	3,592	39.1
Fiscal 2017	51,684	15.0	2,522	32.0	2,583	38.6

	Net income attributable to owners of parent		Net income per share	Diluted net income per share
	Million yen	%	Yen	Yen
Fiscal 2018	2,274	21.8	205.25	—
Fiscal 2017	1,867	53.5	169.15	—

(Note) Comprehensive income: FY 2018: 2,019 million yen (-1.7%) FY 2017: 2,054 million yen (102.7%)

	Return on equity (%)	Ordinary income to total assets (%)	Operating income to net sales (%)
	%	%	%
Fiscal 2018	14.0	9.2	5.9
Fiscal 2017	12.7	7.7	4.9

(Reference) Equity in earnings(losses) of affiliates: Fiscal 2018: - million yen Fiscal 2017: - million yen

(Note) The diluted net income per share is not presented because there were no potential shares.

**(2) Consolidated Financial Position**

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2018	43,114	16,977	39.4	1,530.94
Fiscal 2017	35,383	15,492	43.8	1,397.97

(Reference) Shareholder's equity: Fiscal 2018 16,973 million yen Fiscal 2017 15,489 million yen

**(3) Consolidated Cash Flows**

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Period-end cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
Fiscal 2018	5,502	(876)	(758)	8,923
Fiscal 2017	(53)	(292)	(1,286)	5,094

**2. Dividends**

	Annual dividends				
	1Q end	2Q end	3Q end	Fiscal end	Total
	yen	yen	yen	yen	yen
Fiscal 2017	—	15.00	—	30.00	45.00
Fiscal 2018	—	20.00	—	35.00	55.00
Fiscal 2019 (forecast)	—	25.00	—	35.00	60.00

	Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Million yen	%	%
Fiscal 2017	497	26.6	3.2
Fiscal 2018	609	26.8	3.6
Fiscal 2019 (forecast)		26.6	

**3. Consolidated Forecasts for FY2019 (January 1, 2019 to December 31, 2019)**

(Percentages indicate year-on-year changes.)

	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.)	30,500	7.0	1,550	(7.9)	1,600	(7.6)	1,100	(7.1)	99.21
Full year	62,500	4.8	3,550	0.1	3,600	0.2	2,500	9.9	225.48

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatement

- ① Changes in accounting policies associated with the revisions of accounting standards, etc: None
- ② Changes in accounting policies other than above ①: None
- ③ Changes in accounting estimates: None
- ④ Restatement: None

(3) Number of outstanding shares (common shares)

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

FY 2018 : 11,155,979 shares

FY 2017 : 11,155,979 shares

- ② Number of treasury shares at the end of period

FY 2018 : 68,719 shares

FY 2017 : 75,903 shares

- ③ Average number of shares during the period

FY 2018 : 11,083,787 shares

FY 2017 : 11,042,846 shares

**(Reference) Summary of Non-consolidated Financial Results****1. Non-consolidated Financial Results for the Fiscal Year 2018 (Jan. 1, 2018 to Dec. 31, 2018)****(1) Non-consolidated Operating Results**

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

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
FY 2018	54,710	17.1	3,017	55.5	3,214	55.6
FY 2017	46,737	20.2	1,940	229.8	2,066	107.4

	Net income		Net income per share	Diluted net income per share
	Million yen	%	Yen	Yen
FY 2018	2,012	(50.0)	181.60	—
FY 2017	4,028	440.1	364.78	—

(Note) - The diluted net income per share is not presented because there were no potential shares.

**(2) Non-consolidated Financial Position**

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2018	40,960	16,168	39.5	1,458.30
FY 2017	33,425	14,992	44.9	1,353.14

(Reference) Shareholders' equity:

FY 2018 : 16,168 million yen FY 2017 : 14,992 million yen

※ Financial result reports are exempt from audit conducted by certified public accountants or an audit corporation.

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

[Note for statements concerning the future, etc.]

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

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

The Company is scheduled to hold an explanatory meeting for institutional investors and analysts on February 14, 2019. The material to be used on the day is to appear on the Company's website as soon as possible after the meeting.

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1. General conditions of operating results, etc.

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

① Operating results in the current period

The Japanese economy during this consolidated accounting year 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 prolonged trade friction with China associated with the US protectionist trade policy.

In our electronics industry, both domestic and overseas demand for electronic equipment and components and related 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 9th Mid-Term Management Plan (2017 -2020).

Consequently, the Group obtained the following results in the current period: net sales 59,662 million yen (up 15.4% from the same term last year); operating income 3,546 million yen (up 40.6%); ordinary income 3,592 million yen (up 39.1%); and net income attributable to parent shareholders 2,274 million yen (up 21.8%).

The outline of segmental performance is as follows:

- 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" and connectors and harnesses of "Electronic Components & Assembly Products" for production equipment for semiconductors, auto electronic parts, and industrial robots as well as large uninterruptible power systems (UPS) for data centers, respectively.

Consequently, net sales of this segment totaled 50,128 million yen (up 17.4% from the same term last year) with a segmental (operating) income of 1,727 million yen (up 31.0%).

- Domestic Manufacturing Business

In this segment, as for the performance of the equipment business operation dealing with manufacturing equipment, sales of semiconductor manufacturing equipment for 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, net sales of this segment totaled 9,872 million yen (up 13.7% from the same term last year), total sales including inter-segmental sales amounted to 3,362 million yen (up 22.1%), with the segmental (operating) income of 1,371 million yen (up 91.0%).

#### - Overseas Subsidiaries

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

Consequently, net sales of this segment totaled 6,172 million yen (down 1.1% from the same term last year) with a segmental (operating) income of 479 million yen (down 16.9 million yen).

#### ② Outlook for Next Period

As for the future prospect, the Japanese economy is expected to remain weak with sluggish consumer spending, etc., despite corporate earnings and facility investments continuously improving gradually.

The global economy is expected to continue uncertain about the future with the trade friction between the US and China associated with the US trade policy expected to be prolonged.

In the electronics industry, demand for electronic components and production equipment intended for automated production is likely to remain firm for the domestic and overseas auto industries, where electronized and electrically-powered vehicles are becoming more and more popular, while regarding the trend of production activities, a sense of uncertainty is increasing affected by the global economy.

Under these circumstances, the Group estimates its full-year net sales at 62,500 million yen, operating income 3,550 million yen, ordinary income 3,600 million yen, and net income attributable to parent shareholders 2,500 million yen.

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

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

### ① Assets, liabilities, and net assets

#### (Assets)

Current assets at the end of the current year amounted to 36,582 million yen (7,557 million yen up from the previous fiscal-end) mainly due to the increases in Cash and deposits by 3,828 million yen and Electronically recorded monetary claims by 1,883 million yen. Fixed assets stood at 6,531 million yen (up 174 million yen) mainly due to the increases in Investments and other assets by 338 million yen despite the decreases in Other assets by 338 million yen.

Consequently, total assets amounted to 43,114 million yen, 7,731 million yen up from the end of the previous fiscal year.

#### (Liabilities)

Current liabilities stood at 23,132 million yen (up 6,436 million yen from the previous fiscal-end) mainly due to the increase in Electronically recorded monetary liabilities by 3,416 million yen. Fixed liabilities stood at 3,004 million yen (down 189 million yen).

Consequently, total liabilities amounted to 26,137 million yen, 6,247 million yen up from the end of the previous fiscal year.

#### (Net Assets)

Total net assets at the end of this year amounted to 16,977 million yen (1,484 million yen up from the previous fiscal-end) mainly due to Net income attributable to owners of parent by 2,274 million yen and payment of Dividend of surplus by 554 million yen.

Consequently, shareholders' equity ratio stood at 39.4%, down 4.4 point from the end of the previous fiscal year. This decline is due to the effect of the above increases in assets and liabilities.

### ② Cash flow

The balance of cash and cash equivalents at the end of this period (hereinafter called "Fund") stood at 8,923 million yen, up 3,828 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 5,502 million yen (53 million yen decrease in the same term of the previous year) as a result of operating activities: the major increasing factors are the increases in Net income before taxes and adjustments by 3,484 million yen and in Trade notes and accounts payable by 4,002 million yen, and the major decreasing factors are the increase in Accounts receivable by 2,612 million yen.

#### (Cash flows from investing activities)

The Fund decreased 876 million yen (292 million yen decrease in the previous year) as a result of investing activities: the major decreasing factor is Payment for purchase of tangible fixed assets by 822 million yen



(Cash flows from financing activities)

The Fund decreased 758 million yen (1,286 million yen decrease in the previous year) as a result of financing activities: the major decreasing factors are Repayment of long-term loans payable by 239 million yen and Dividends paid by 554 million yen.

(Reference) Change in cash flow indicators

	FY2014	FY2015	FY2016	FY2017	FY2018
Shareholders' Equity Ratio (%)	44.5	45.9	43.4	43.8	39.4
Market-value Equity Ratio (%)	25.5	30.7	32.4	73.1	31.6
Interest-bearing Debts to Cash Flow Ratio (years)	1.7	2.5	1.1	—	0.1
Interest Coverage Ratio (times)	26.2	24.2	69.6	—	332.7

(Notes) Shareholders' Equity Ratio: Shareholders' Equity/Total Assets

Market-value Shareholders' Equity: Market Capitalization/Total Assets

Interest-bearing Debts to Cash Flow Ratio: 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. Interest-bearing Debts to Cash Flow Ratio and the Interest Coverage Ratio for FY 2017 were not shown because the Cash Flow from Operating Income was negative.

## 2. Outline of Daitron Corporate Group

Our corporate group, consisting of Daitron Co., Ltd. ("the Company"), composed of M&S Company, Global Business Division, and D&P Company, and nine consolidated subsidiaries (of which seven are located overseas), is mainly engaged in the sales, manufacture, and import/export of electronic equipment and components (such as electronic parts and assembly products, semiconductors, embedded systems/boards, power-supply equipment, image-related equipment and parts, information systems, and other electronic equipment and components), manufacturing equipment (for optical devices, LSI's, flat panel displays, electronic materials, and energy devices), and other electronics products.

### (1) Domestic Sales Business Segment:

This Segment consists of M&S Company and Global Business Division of the Company.

M&S Company purchases abovementioned electronic equipment and parts and manufacturing equipment from domestic and overseas manufacturers and domestic manufacturing business segments, and sells them mainly to domestic customers and subsidiaries.

Global Business Division sells, procures, imports and exports abovementioned electronic equipment and parts and manufacturing equipment.

### (2) Domestic Manufacturing Business Segment:

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

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

Takawa Industry Co., Ltd. and Daito-Tec Co., Ltd. engage in assembly and processing of electronic equipment and components such as cable harnesses.

(3) Overseas subsidiaries Segment:

This Segment consists of seven overseas subsidiaries.

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

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

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

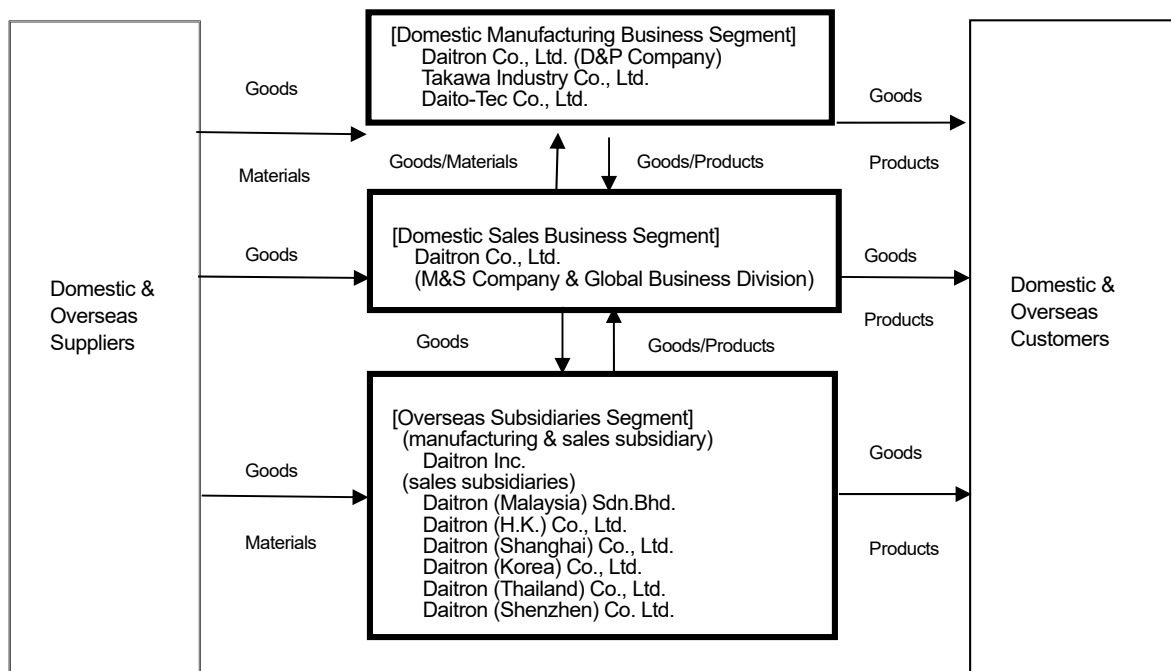
Daitron (Shanghai) Co., Ltd. engages in sales and import/export of electronic equipment and components as well as manufacturing equipment for the Chinese market.

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

Daitron (Thailand) Co., Ltd. engages in sales and import/export of electronic equipment and components as well as manufacturing equipment for the Thai and other Southeast Asian markets.

Daitron (Shenzhen) Co., Ltd. engages in consulting services concerning sales of, and sells, electronic equipment and components, etc. for the South China market.

The chart below shows the flow of our businesses.



### 3. Basic Policy regarding Choice of Accounting Standards

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

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

#### 4. Consolidated Financial Statements

##### (1) Consolidated Balance Sheet

(Unit: Thousand yen)

	As of December 31, 2017	As of December 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	5,124,988	8,953,090
Notes and accounts receivable - Trade	11,948,266	12,634,263
Electronically recorded monetary claims	5,295,514	7,179,476
Merchandise and finished goods	2,028,015	2,828,349
Work in process	3,030,345	1,881,288
Raw materials	328,130	323,398
Advance payment	910,485	2,477,028
Deferred tax assets	92,954	127,745
Other current assets	267,362	178,455
Allowance for doubtful accounts	(341)	(217)
<b>Total current assets</b>	<b>29,025,722</b>	<b>36,582,880</b>
Fixed assets		
Tangible fixed assets		
Buildings and structures	4,485,837	5,173,050
Accumulated depreciation	(2,785,290)	(2,916,190)
<b>Buildings and structures - net</b>	<b>1,700,546</b>	<b>2,256,860</b>
Machinery, equipment and vehicles	440,922	484,995
Accumulated depreciation	(346,145)	(358,330)
<b>Machinery, equipment and vehicles - net</b>	<b>94,776</b>	<b>126,664</b>
Land	2,212,104	2,102,118
Other tangible fixed assets	881,368	826,575
Accumulated depreciation	(739,120)	(685,966)
<b>Other tangible fixed assets - net</b>	<b>142,248</b>	<b>140,608</b>
<b>Total tangible fixed assets</b>	<b>4,149,677</b>	<b>4,626,251</b>
Intangible fixed assets		
Other intangible fixed assets	79,406	115,380
<b>Total intangible fixed assets</b>	<b>79,406</b>	<b>115,380</b>
Investments and other assets		
Investment securities	1,503,093	1,100,378
Long-term loans receivable from employees	1,180	946
Deferred tax assets	104,868	135,730
Other investments and other assets	526,036	559,872
Allowance for doubtful accounts	(6,692)	(6,606)
<b>Total investments and other assets</b>	<b>2,128,486</b>	<b>1,790,321</b>
<b>Total fixed assets</b>	<b>6,357,569</b>	<b>6,531,953</b>
<b>Total assets</b>	<b>35,383,291</b>	<b>43,114,834</b>

(Unit: Thousand yen)

	As of December 31, 2017	As of December 31, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	6,535,324	7,093,771
Electronically recorded monetary obligations	6,522,875	9,939,308
Short-term loans payable	310,962	360,336
Long-term loans payable due within one year	239,996	139,996
Lease obligations	18,314	10,862
Income taxes payable.	476,617	819,622
Allowance for bonuses	91,445	101,802
Allowance for product warranty	58,108	40,145
Advance received	1,326,336	3,378,335
Other current liabilities	1,116,518	1,248,723
<b>Total current liabilities</b>	<b>16,696,499</b>	<b>23,132,904</b>
<b>Fixed liabilities</b>		
Long-term loans payable	311,678	171,682
Lease obligations	22,039	14,621
Net defined benefit liability	2,791,080	2,748,484
Asset retirement obligations	46,943	47,693
Other fixed liabilities	22,100	22,100
<b>Total fixed liabilities</b>	<b>3,193,841</b>	<b>3,004,581</b>
<b>Total liabilities</b>	<b>19,890,341</b>	<b>26,137,485</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	2,200,708	2,200,708
Capital surplus	2,542,815	2,556,016
Retained earnings	10,550,928	12,271,669
Treasury stock	(57,946)	(52,481)
<b>Total shareholders' equity</b>	<b>15,236,506</b>	<b>16,975,912</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	663,209	362,484
Deferred gains or losses on hedges	(489)	(1,278)
Foreign currency translation adjustment	(26,571)	(75,442)
Remeasurements of defined benefit plans	(383,070)	(287,692)

Total accumulated other comprehensive income	253,077	(1,930)
Non-controlling interests	3,366	3,366
Total net assets	15,492,950	16,977,348
Total liabilities and net assets	35,383,291	43,114,834

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

(Consolidated Statement of Income)

(Unit: Thousand yen)

	For the fiscal year Ended December 31, 2017	For the fiscal year Ended December 31, 2018
Net sales	51,684,327	59,662,791
Cost of sales	40,193,736	46,843,956
Gross profit	11,490,590	12,818,834
Selling, general and administrative expenses		
Salaries and bonuses	4,526,257	4,735,880
Retirement benefit expenses	291,028	329,196
Transfer to allowance for bonuses	95,714	91,090
Transfer to allowance for doubtful accounts	(836)	(123)
Transfer to allowance for product warranty	(774)	(17,963)
Depreciation	178,802	171,839
Other	3,877,921	3,962,825
Total selling, general and administrative expenses	8,968,113	9,272,744
Operating income	2,522,477	3,546,090
Non-operating income		
Interest income	2,541	2,269
Dividend income	25,866	28,227
Insurance dividend	13,735	6,194
Purchase discount	10,873	9,503
Foreign exchange gains	39,094	—
Subsidy income	643	60,800
Other non-operating income	19,371	19,128
Total non-operating income	112,125	126,122
Non-operating expenses		
Interest expense	19,350	14,011
Loss on sale of trade notes	1,597	1,559
Sales discount	13,739	14,935
Foreign exchange losses	—	40,605
Other non-operating losses	16,819	8,343
Total non-operating expenses	51,506	79,455
Ordinary income	2,583,096	3,592,757
Extraordinary income		
Gain on sale of fixed assets	1,434	3,874
Gain on sale of investment securities	13,023	113
Gain on negative goodwill	65,253	—
Total extraordinary income	79,710	3,987
Extraordinary losses		
Loss on sale and retirement of fixed assets	1,110	3,946
Impairment loss	—	*108,061

Total extraordinary losses	1,110	112,007
Income before income taxes	2,661,696	3,484,736
Income taxes-current	810,107	1,176,000
Income taxes-deferred	(16,357)	33,843
Total income taxes	793,749	1,209,843
Net income	1,867,947	2,274,892
Net income attributable to owners of parent	1,867,947	2,274,892

(Consolidated Statement of Comprehensive Income)

(Unit: Thousand yen)

	For the fiscal year Ended December 31, 2017	For the fiscal year Ended December 31, 2018
Net income	1,867,947	2,274,892
Other comprehensive income		
Valuation difference on available-for-sales securities	181,665	(300,725)
Deferred gains or losses on hedges	(3,536)	(788)
Foreign currency translation adjustment	(16,301)	(48,871)
Remeasurements of defined benefit plans	24,315	95,377
Total other comprehensive income	186,142	(255,008)
Comprehensive income	2,054,089	2,019,884
(Breakdown)		
Comprehensive income attributable to owners of parent	2,054,089	2,019,884
Comprehensive income attributable to non-controlling interests	—	—



**(3) Consolidated Statement of Changes in Net Assets**  
**[Previous Fiscal Year Ended December 31, 2017]**

(Unit: Thousand Yen)

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

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance of beginning of current period	481,544	3,046	(10,269)	(407,386)	66,935	3,366	13,914,712
Changes of items during current period							
Surplus dividends							(498,566)
Net income attributable to owners of parent							1,867,947
Purchase of treasury stock							(74,036)
Disposition of treasury stock							96,751
Net changes of items other than shareholders' equity	181,665	(3,536)	(16,301)	24,315	186,142	—	186,142
Total changes of items during the period	181,665	(3,536)	(16,301)	24,315	186,142	—	1,578,238
Balance at end of current period	663,209	(489)	(26,571)	(383,070)	253,077	3,366	15,492,950

[Current Fiscal Year Ended December 31, 2018]

(Unit: Thousand Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance of beginning of current period	2,200,708	2,542,815	10,550,928	(57,946)	15,236,506
Changes of items during current period					
Surplus dividends			(554,152)		(554,152)
Net income attributable to owners of parent			2,274,892		2,274,892
Purchase of treasury stock				(271)	(271)
Disposition of treasury stock		13,200		5,736	18,937
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	13,200	1,720,740	5,464	1,739,406
Balance at end of current period	2,200,708	2,556,016	12,271,669	(52,481)	16,975,912

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance of beginning of current period	663,209	(489)	(26,571)	(383,070)	253,077	3,366	15,492,950
Changes of items during current period							
Surplus dividends							(554,152)
Net income attributable to owners of parent							2,274,892
Purchase of treasury stock							(271)
Disposition of treasury stock							18,937
Net changes of items other than shareholders' equity	(300,725)	(788)	(48,871)	95,377	(255,008)	—	(255,008)
Total changes of items during the period	(300,725)	(788)	(48,871)	95,377	(255,008)	—	1,484,397
Balance at end of current period	362,484	(1,278)	(75,442)	(287,692)	(1,930)	3,366	16,977,348

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

(Unit: Thousand Yen)

	For the fiscal year Ended December 31, 2017	For the fiscal year Ended December 31, 2018
<b>Cash flows from operating activities</b>		
Income before income taxes	2,661,696	3,484,736
Depreciation and amortization	278,952	272,496
Interest and dividend income	(28,407)	(30,496)
Interest expense	19,350	14,011
(Gain)/Loss on sale and retirement of tangible fixed assets	(323)	71
(Gain)/Loss on sale of investment securities	(13,023)	(113)
Gain on negative goodwill	(65,253)	-
Impairment loss	-	108,061
Decrease/(increase) in accounts receivable	(2,221,090)	(2,612,011)
Decrease/(increase) in inventories	(2,238,985)	334,505
Decrease/(increase) in advance payment	100,202	(1,568,389)
Increase/(decrease) in trade notes and accounts payable	2,325,357	4,002,312
Increase/(decrease) in advance received	(293,682)	2,057,271
Others	(272,636)	265,875
Sub-total	707,429	6,328,303
Interest and dividend received	28,526	30,592
Interest paid	(22,485)	(16,542)
Income taxes paid	(767,220)	(839,528)
Net cash provided by/(used in) operating activities	(53,749)	5,502,825
<b>Cash flows from investing activities</b>		
Payment for purchase of tangible fixed assets	(297,957)	(822,240)
Proceeds from sale of tangible fixed assets	8,850	12,328
Payment for purchase of investment securities	(26,822)	(28,598)
Proceeds from sale of investment securities	15,660	398
Proceeds from purchase of subsidiary stocks with change of scope of consolidation	11,230	-
Others	(3,524)	(38,035)
Net cash provided by/(used in) investing activities	(292,564)	(876,146)
<b>Cash flows from financing activities</b>		
Net increase/(decrease) in short-term loans payable	209,456	55,549
Proceeds from long-term loans payable	100,000	-
Repayment of long-term loans payable	(978,901)	(239,996)
Cash dividends paid	(498,400)	(554,893)
Others	(118,542)	(19,369)
Net cash provided by/(used in) financing activities	(1,286,386)	(758,709)
Effect of exchange rate changes on cash and cash equivalents	(23)	(39,866)
Increase/(decrease) in cash and cash equivalents	(1,632,724)	3,828,102
Cash and cash equivalents at beginning of period	6,727,712	5,094,988
Cash and cash equivalents at end of period	5,094,988	8,923,090

(5) Notes to Consolidated Financial Statements:

(Notes on Premise of Going Concern)

There is no applicable matter to be reported.

(Significant Matters Forming the Basis of Preparing Consolidated Financial Statements)

Significant matters forming the basis of preparing consolidated financial statements are not indicated because there is no significant change from the most recent Securities Report submitted on March 30, 2018.

(Change in Presentation)

(Consolidated Balance Sheet)

The "Advance payment" included in "Other current assets" under "Current assets" in the previous consolidated accounting year is set down independently from the current consolidated accounting year because its amount exceeds five percent of the total amount of assets. To reflect this change in the presentation method, the consolidated financial statements for the previous consolidated account year are reclassified.

Consequently, 1,177,848 thousand yen presented in "Other current assets" under "Current assets" in the Consolidated Balance Sheet for the previous consolidated account year is reclassified as "Advance payment" of 910,485 thousand yen and "Other current assets" of 267,362 thousand yen.

(Consolidated Statement of Income)

The "Subsidy income" included in "Other non-operating income" under "Non-operating income" in the previous consolidated accounting year is set down independently from the current consolidated accounting year because its amount exceeds ten percent of the total amount of non-operating income. To reflect this change in the presentation method, the consolidated financial statements for the previous consolidated account year are reclassified.

Consequently, 20,014 thousand yen presented in "Other non-operating income" under "Non-operating income" in the Consolidated Statement of Income for the previous consolidated account year is reclassified as "Subsidy income" of 643 thousand yen and "Other non-operating income" of 19,371 thousand yen.

The "Commission paid" set down independently under "Non-operating expenses" in the previous consolidated accounting year is included in "Other non-operating losses" under "Non-operating expenses" in the current consolidated accounting year because its amount is ten percent or less of the total amount of non-operating expenses. To reflect this change in the presentation method, the consolidated financial statements for the previous consolidated account year are reclassified.

Consequently, "Commission paid" of 11,389 thousand yen presented under "Non-operating expenses" in the Consolidated Statement of Income for the previous consolidated account year is reclassified as "Other non-operating losses."

(Consolidated Statement of Income Related)  
 - Impairment loss

[Current Fiscal Year Ended December 31, 2018]

The Group posted an impairment loss on the following asset group:

Place	Use	Type	Impairment loss (thousand yen)
Specialized Equipment Factory, Daitron Co., Ltd. (Nishi-Tama Gun, Tokyo)	Assets for business	Land	104,624
ditto	ditto	Machinery, equipment and vehicles	2,360
ditto	ditto	Other tangible fixed assets	1,076
Total			108,061

The Group groups its organizations based on the business divisions and factories, in principle. As the profit from the business activities in the Daitron Co., Ltd. Specialized Equipment Factory which is a unit used in the grouping has continuously been negative, the book value of the asset group is reduced to the recoverable value, and the reduced amount is included in Extraordinary losses. The amounts of recoverable values are measured by true cash value, and the book values of real estates are reduced to the values calculated reasonably, while those of others to the memorandum values.

(Segment Information, etc.)

a. Segment information, etc.

1. Outline of Report Segments

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

Each company of the Group is an independent management unit and the allocation of management resources is determined and the performance is evaluated respectively by the Board of Directors of each company. In Japan, the functions are divided into manufacturing and sales, each of which the Board of Directors determines the allocation of management resources to and evaluates the performance of.

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

Below are the main goods/products and business lines by Report Segment:

[Main goods/products]

1. Electronic Equipment and Components: Electronic components & assembly products,

semiconductors, embedded systems (boards), power supply equipment, image-related equipment & components, information systems, and other electronic equipment & components

2. Manufacturing Equipment: Optical device manufacturing equipment, LSI manufacturing equipment, FPD manufacturing equipment, electronic material manufacturing equipment, and energy device manufacturing equipment

[Business lines by segment]

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

The accounting methods reported for the business segments are the same as those stated in "Notes (Significant Matters Fundamental to Prepare Consolidated Financial Statements)."

The incomes of the Report Segments are based on operating income.

The internal profits and transfers between segments are based on the current market prices.
  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, 2017]

(Unit: thousand yen)

	Report Segment				Adjustment *1	Amount reported in consolidated financial statements *2
	Domestic Sales Business	Domestic Manufacturing Business	Overseas Subsidiaries	Total		
<b>Net sales</b>						
- Sales to outside customers	42,687,911	2,754,565	6,241,850	51,684,327	—	51,684,327
- Inter-segmental sales or transfer	1,918,834	5,925,661	219,653	8,064,149	(8,064,149)	—
<b>Total</b>	44,606,745	8,680,226	6,461,504	59,748,477	(8,064,149)	51,684,327
<b>Segment income</b>	1,318,796	717,874	576,417	2,613,088	(90,610)	2,522,477
<b>Segment asset</b>	20,250,363	5,425,651	2,943,927	28,619,941	6,763,349	35,383,291
<b>Other items</b>						
<b>Depreciation</b>	29,276	149,146	20,293	198,716	80,236	278,951
<b>Increase in tangible fixed assets and intangible fixed assets</b>	129,140	112,158	33,116	274,415	65,094	339,509

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

(2) The amount of Adjustment of segment asset of (763,349,000) yen includes eliminations of inter-segmental transaction of (370,119,000) yen, and All company assets not allocated to each Report Segment of (7,133,469,000) yen. The major part of "All company assets" is surplus funds operating assets (such as cash and deposits), long-term investment funds (such as investment securities), and assets pertaining to administrative departments not attributable to the Report Segments.

(3) The amount of Adjustment of depreciation of (90,610,000) yen is depreciation pertaining to "All company assets."

(4) The amount of Adjustment of increase in tangible fixed assets and intangible fixed assets of (65,094,000) yen is 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, 2018]

(Unit: thousand yen)

	Report Segment				Adjustment *1	Amount reported in consolidated financial statements *2
	Domestic Sales Business	Domestic Manufacturing Business	Overseas Subsidiaries	Total		
<b>Net sales</b>						
- Sales to outside customers	50,128,248	3,362,246	6,172,295	59,662,791	—	59,662,791
- Inter-segmental sales or transfer	1,885,586	6,510,034	293,916	8,689,537	(8,689,537)	—
<b>Total</b>	52,013,835	9,872,281	6,466,212	68,352,329	(8,689,537)	59,662,791
<b>Segment income</b>	1,727,253	1,371,297	479,046	3,577,597	(31,506)	3,546,090
<b>Segment asset</b>	23,764,607	6,206,017	3,153,803	33,124,428	9,990,405	43,114,834
<b>Other items</b>						
<b>Depreciation</b>	40,523	144,414	21,694	206,632	65,834	272,467
<b>Increase in tangible fixed assets and intangible fixed assets</b>	29,545	787,201	24,852	841,599	65,585	907,185

(Notes) 1. (1) The amount of Adjustment of segment income of (31,506,000) yen includes eliminations of inter-segmental transaction of 30,638,000 yen, and All company expenses not allocated to each Report Segment of (62,145,000) yen. The major part of "All company expenses" is selling, general and administrative expenses not attributable to the Report Segments.

(2) The amount of Adjustment of segment asset of 9,990,405,000 yen includes eliminations of inter-segmental transaction of (473,214,000) yen, and All company assets not allocated to each Report Segment of 10,463,620,000 yen. The major part of "All company assets" is surplus funds operating assets (such as cash and deposits), long-term investment funds (such as investment securities), and assets pertaining to administrative departments not attributable to the Report Segments.

(3) The amount of Adjustment of depreciation of (90,610,000) yen is depreciation pertaining to "All company assets."

(4) The amount of Adjustment of increase in tangible fixed assets and intangible fixed assets of 65,585,000 yen is 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, 2017]

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

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

2. Information by area

(1) Net sales (Unit: thousand yen)

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

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

(2) Tangible fixed assets

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

3. Information by major customer

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

[Current Fiscal Year Ended December 31, 2018]

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

	Electronic Equipment & Components	Manufacturing Equipment	Total
Sales to outside customers	44,521,412	15,141,378	59,662,798

2. Information by area

(1) Net sales (Unit: thousand yen)

Japan	North America	Europe	Asia	Total
46,997,355	1,852,393	513,201	10,299,841	59,662,791

(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

[Current Fiscal Year Ended December 31, 2017]

There is no applicable matter to be reported.

[Current Fiscal Year Ended December 31, 2018]

	Domestic Sales Business	Domestic Manufacturing Business	Overseas Subsidiaries	All company/elimination	Total
Impairment loss	—	108,061	—	—	108,061

d. Information on depreciation of goodwill and undepreciated balance by Report Segment

There is no applicable matter to be reported.

e. Information on income upon negative goodwill by Report Segment

[Previous Fiscal Year Ended December 31, 2017]

The Company posted Gain on negative goodwill of 65,253 thousand yen in the current year as a result of making Daito-Tec Co., Ltd. its wholly-owned subsidiary as of December 25, 2018.

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

[Current Fiscal Year Ended December 31, 2018]

There is no applicable matter to be reported.

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

(Per Share Information)

	<b>Previous FY Ended Dec. 31, 2017</b>	<b>Current FY Ended Dec. 31, 2018</b>
Net assets per share	¥1,397.97	¥1,530.94
Net income per share	¥169.15	¥205.25

(Notes) 1. The diluted net income per share is not presented because there were no potential shares.

2. The basis of calculating of net income per share is as follows:

(Unit: Thousand yen)

	<b>Previous FY Ended December 31, 2017</b>	<b>Current FY Ended December 31, 2018</b>
Net income attributable to owners of parent	1,867,947	2,274,892
Amount not attributable to common shareholders	—	—
Net income attributable to owners of parent attributable to common shares	1,867,947	2,274,892
Average number of common shares during period	11,042,000 shares	11,083,000 shares

(Significant Subsequent Events)

There is no applicable matter to be reported.

## 5. Other

### Change in officers

#### (i) Change in representative directors

- Representative director scheduled to retire

Hitoshi Takamoto, Chairman and CEO

(scheduled to assume office as Senior Corporate Advisor of the Company)

#### (ii) Change in other officers

- Candidate of new Director

Shinsuke Tsuchiya, Director

(current Corporate Officer & Division Manager-Global Business Division)

Hajimu Mouri, Director

(current Corporate Officer & Division Manager-Business Administration -cum- General Manager,

Personnel & General Affairs Dept., Business Administration Div.)

- Director scheduled to retire

Noboru Nonaka, Director

(scheduled to assume office as Corporate Advisor of the Company)

- Candidate of new Corporate Auditor

Minoru Ujihara, Corporate Auditor

(current Administration Officer to Business Administration Div.)

- Corporate Auditor scheduled to retire

Hiroo Yokoyama, Standing Corporate Auditor

(scheduled to assume office as Corporate Advisor of the Company)

#### (iii) Scheduled assumption and retirement date

March 28, 2019