

FY 2021 3 Q Financial Material

Daitron Co., Ltd.

Securities Code: 7609

Outline of Consolidated Settlement of Accounts (performance results and earnings forecasts)

Quarterly Performance Change



■ 3 Q cumulative performance

Net Sales **¥51,735 mil.**
(123.7% y/y)

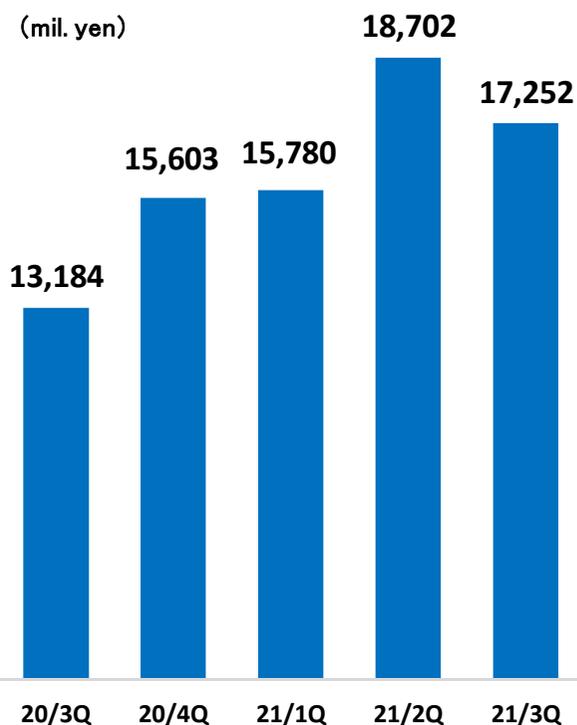
■ **Operating income** **¥ 3,043 mil.**
(184.3% y/y)

■ **Ordinary income** **¥ 3,136 mil.**
(190.9% y/y)

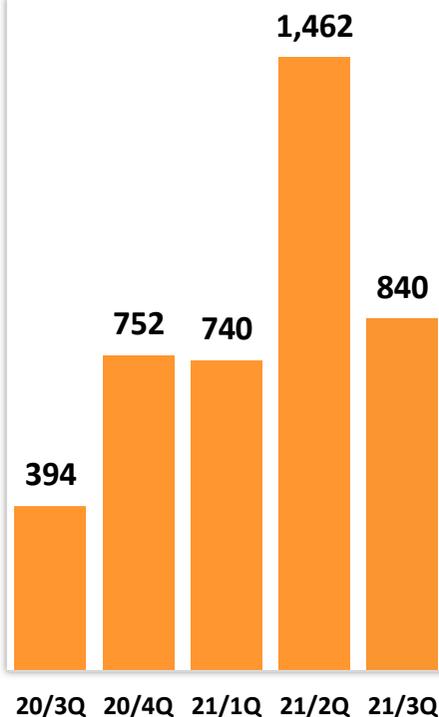
■ **Net income** **¥ 2,122 mil.**
(202.6% y/y)

Graph of quarterly performance change

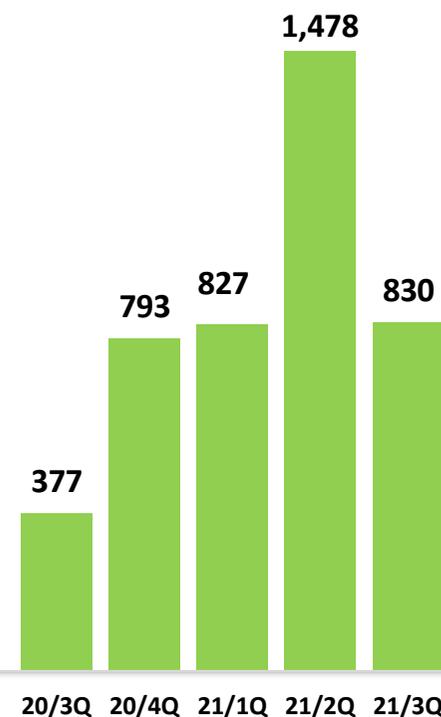
Net Sales



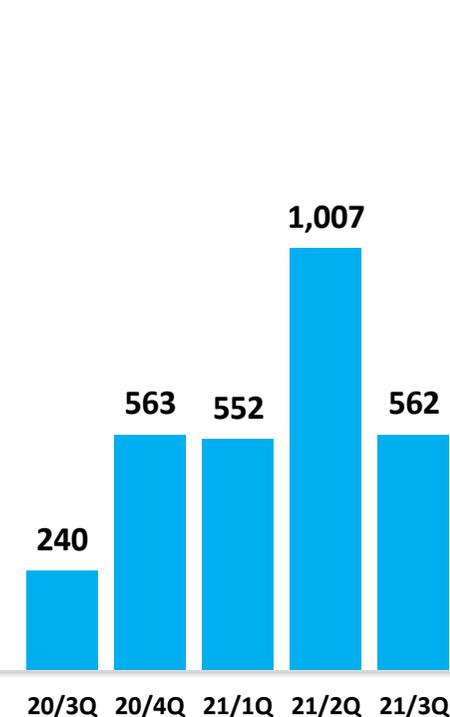
Operating income



Ordinary income



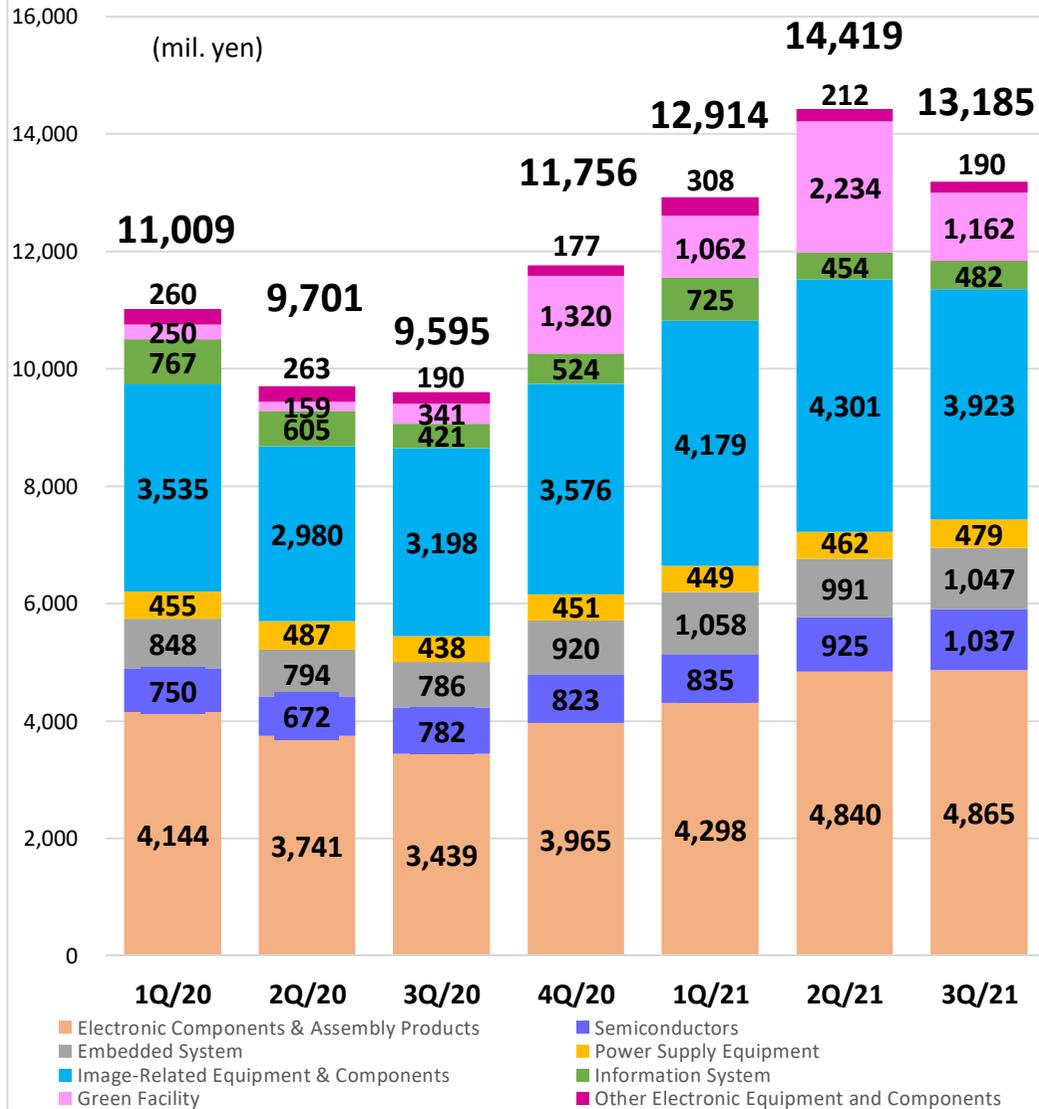
Net income



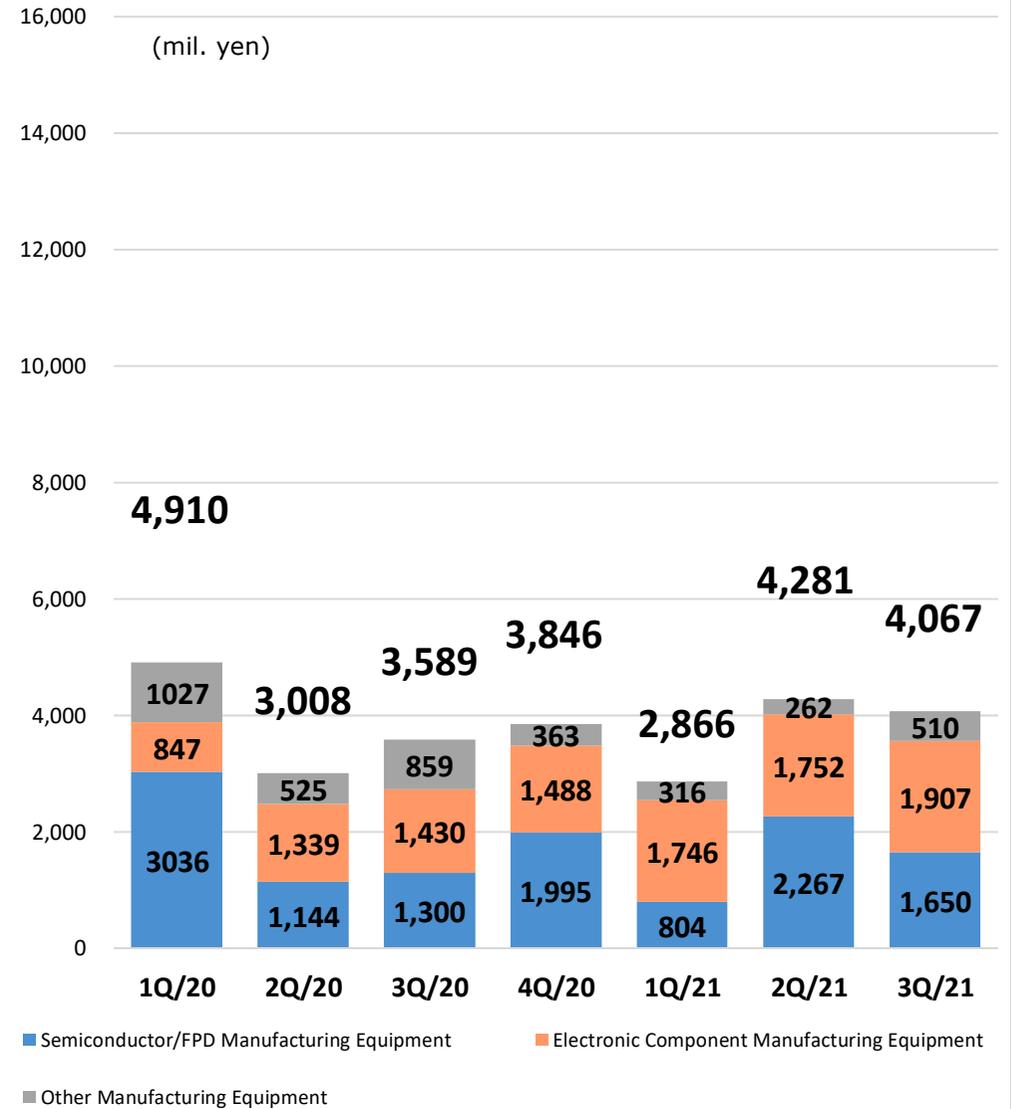
Product Segment Quarterly Performance Change



Electronic Equipment & Components



Manufacturing Equipment



Consolidated Financial Position Comparison (y/y)

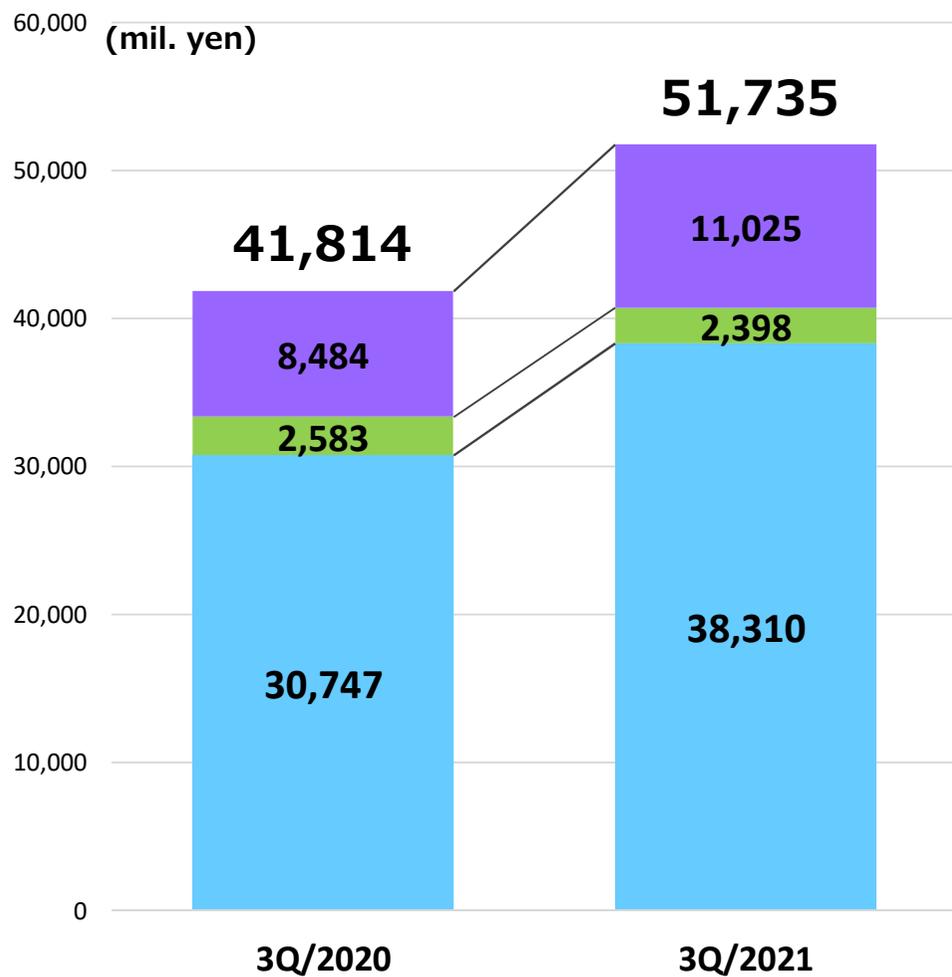


(mil. yen)	FY 2020	3Q/2021	Difference
Total assets	46,247	54,126	7,879
Total liabilities	26,448	32,600	6,152
Shareholders' equity	19,795	21,522	1,727
Net assets	19,798	21,525	1,727
Equity ratio	42.8%	39.8%	△3.0pt
Net asset per share (yen)	1,784.66	1939.39	154.73

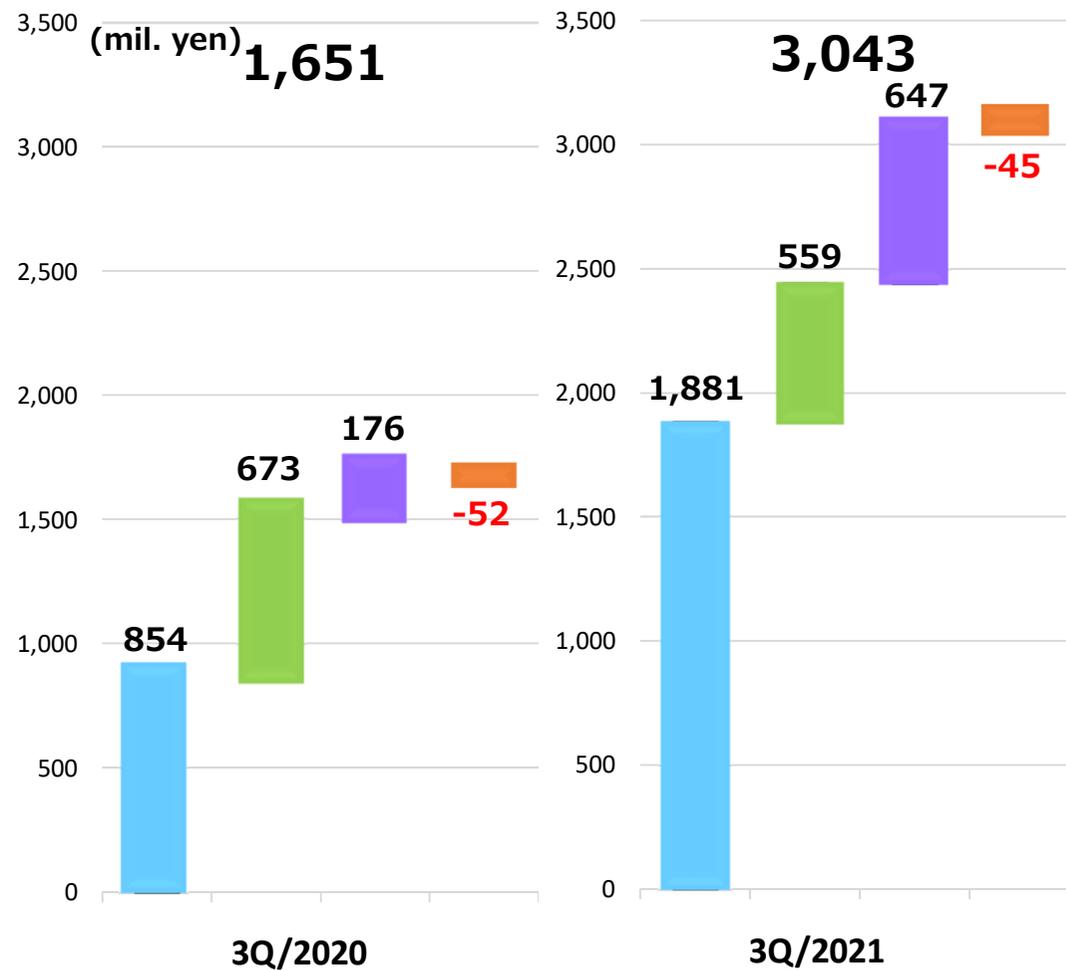
General Change by Report Segment



Net Sales



Operating income



■ Domestic Sales Business ■ Domestic Manufacturing Business ■ Global Business

■ Domestic Sales Business ■ Domestic Manufacturing Business
 ■ Global Business ■ Adjustment*

* Adjustment includes inter-segment eliminations and corporate expenses that are not allocated to individual reportable segment

Business Structure of the Company 3Q/2021 performance



Business	By product segment	Sales composition ratio	Gross profit margin	Original product ratio	Overseas sales ratio
Electronic Equipment & Components	Electronic Components & Assembly Products	27.1% (27.1% 3Q/2020)	22.0% (23.3% 3Q/2020)	15.5% (18.2% 3Q/2020)	North America 1.5% (1.6% 3Q/2020)
	Semiconductors	5.4% (5.3% 3Q/2020)	17.8% (17.4% 3Q/2020)		
	Embedded System	6.0% (5.8% 3Q/2020)	16.2% (15.0% 3Q/2020)		
	Power Supply Equipment (including Green Facility)	11.3% (5.1% 3Q/2020)	23.9% (26.8% 3Q/2020)		
	Image-Related Equipment & Components	24.0% (23.2% 3Q/2020)	13.8% (14.5% 3Q/2020)		
	Information System	3.2% (4.3% 3Q/2020)	24.8% (25.8% 3Q/2020)		
	Other Electronic Equipment and Components	1.4% (1.7% 3Q/2020)	2.9% (13.9% 3Q/2020)		
Manufacturing Equipment	Semiconductor/FPD Manufacturing Equipment	9.1% (13.1% 3Q/2020)	22.5% (19.1% 3Q/2020)	15.5% (18.2% 3Q/2020)	Europe 0.5% (0.4% 3Q/2020)
	Electronic Component Manufacturing Equipment	10.4% (8.6% 3Q/2020)	25.2% (29.2% 3Q/2020)		
	Other Manufacturing Equipment	2.1% (5.8% 3Q/2020)	21.2% (15.0% 3Q/2020)		
Total		100.0%	19.9% (20.1% 3Q/2020)	15.5% (18.2% 3Q/2020)	21.5% (20.3% 3Q/2020)

■ shows the product segments including Daitron's original products.

Year-on-year net sales by area

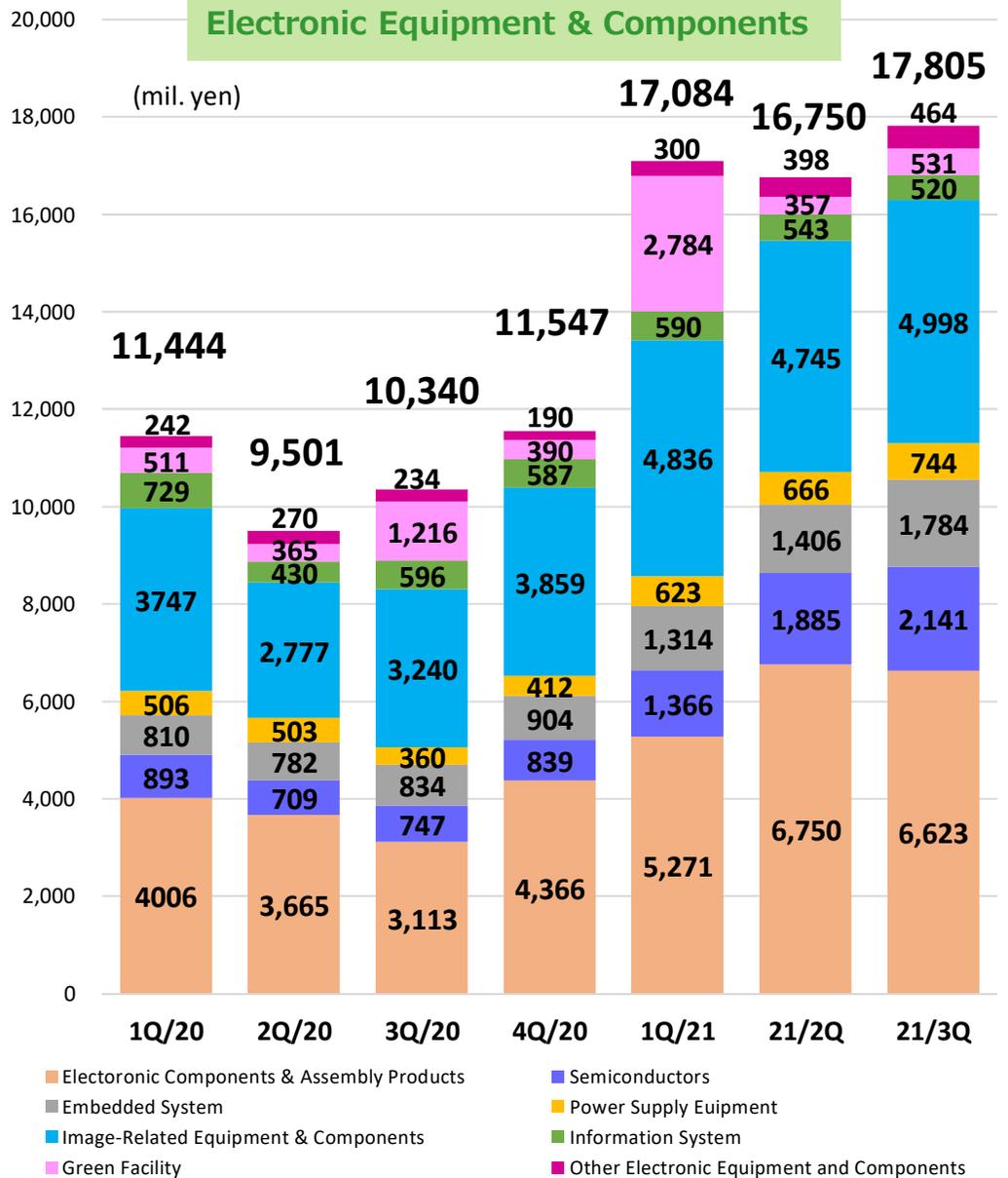


(mil. yen)	3Q/2020	3Q/2021	Difference
Domestic	33,336	40,614	7,278
Overseas The figures in parentheses are sales ratio	8,478 (20.3%)	11,120 (21.5%)	2,642 (+1.2pt)
North America	674	758	84
Europe	166	270	104
Asia	7,637	10,091	2,454
Total	41,814	51,735	9,921

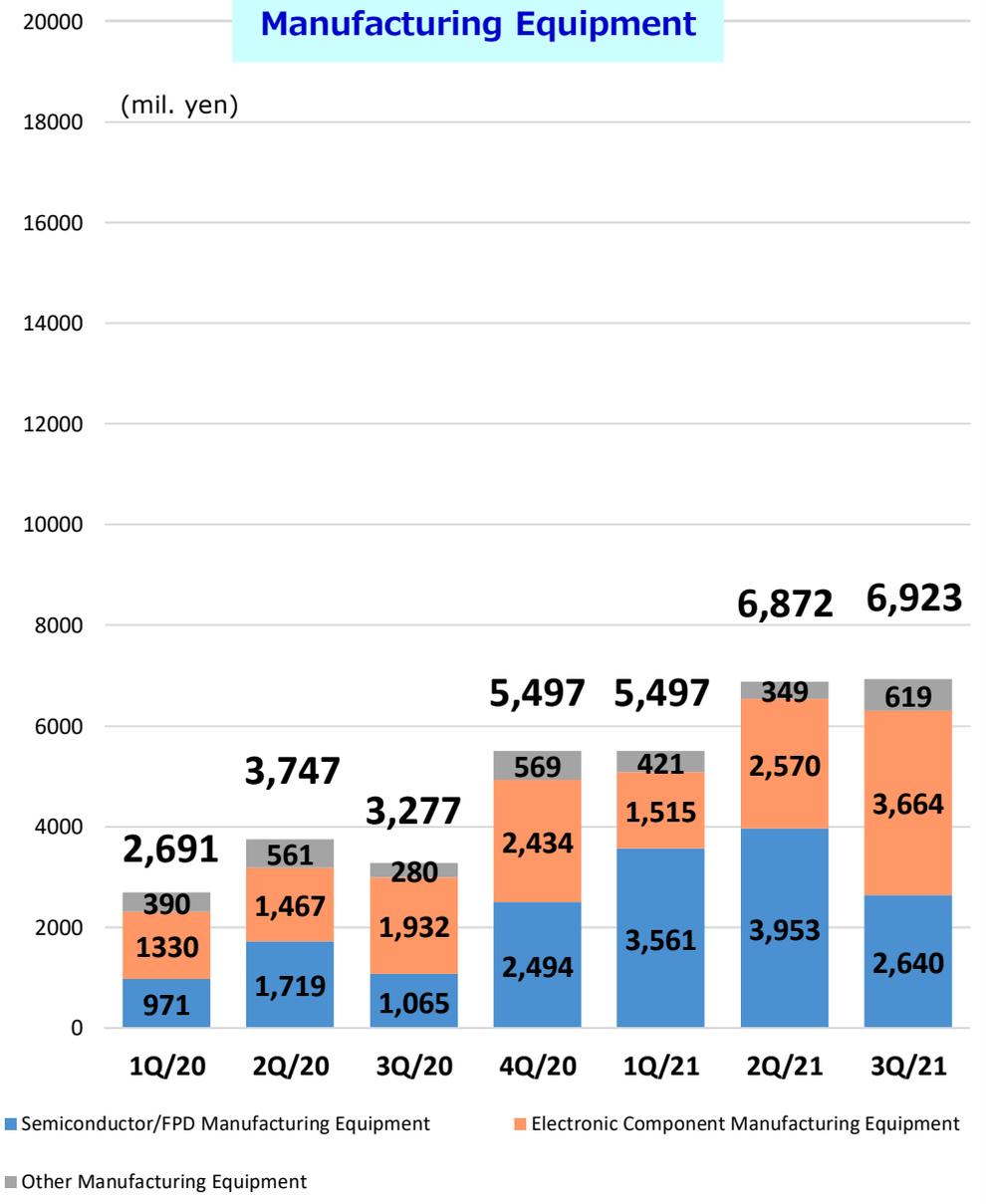
Quarterly Order Change (by product segment)



Electronic Equipment & Components



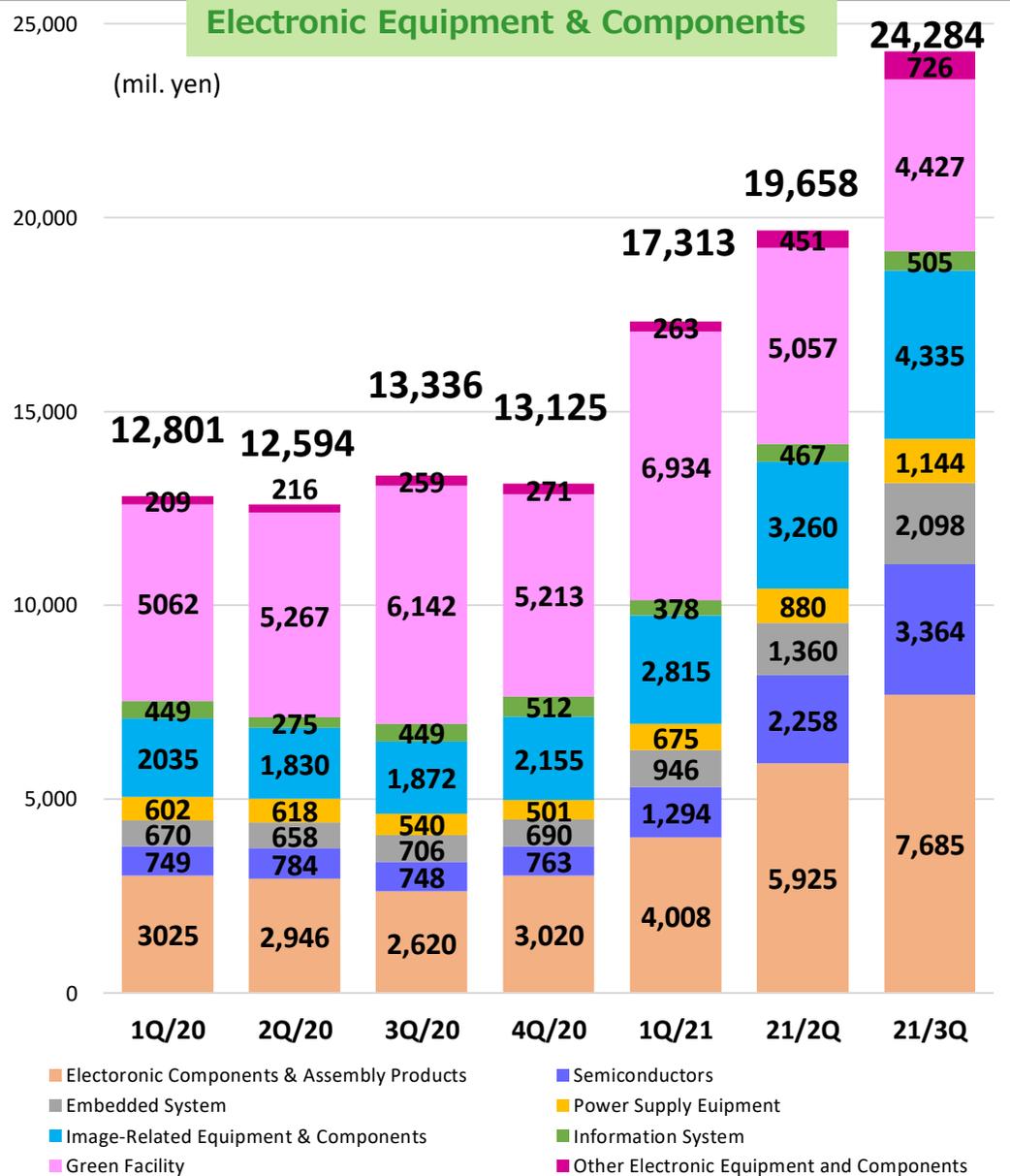
Manufacturing Equipment



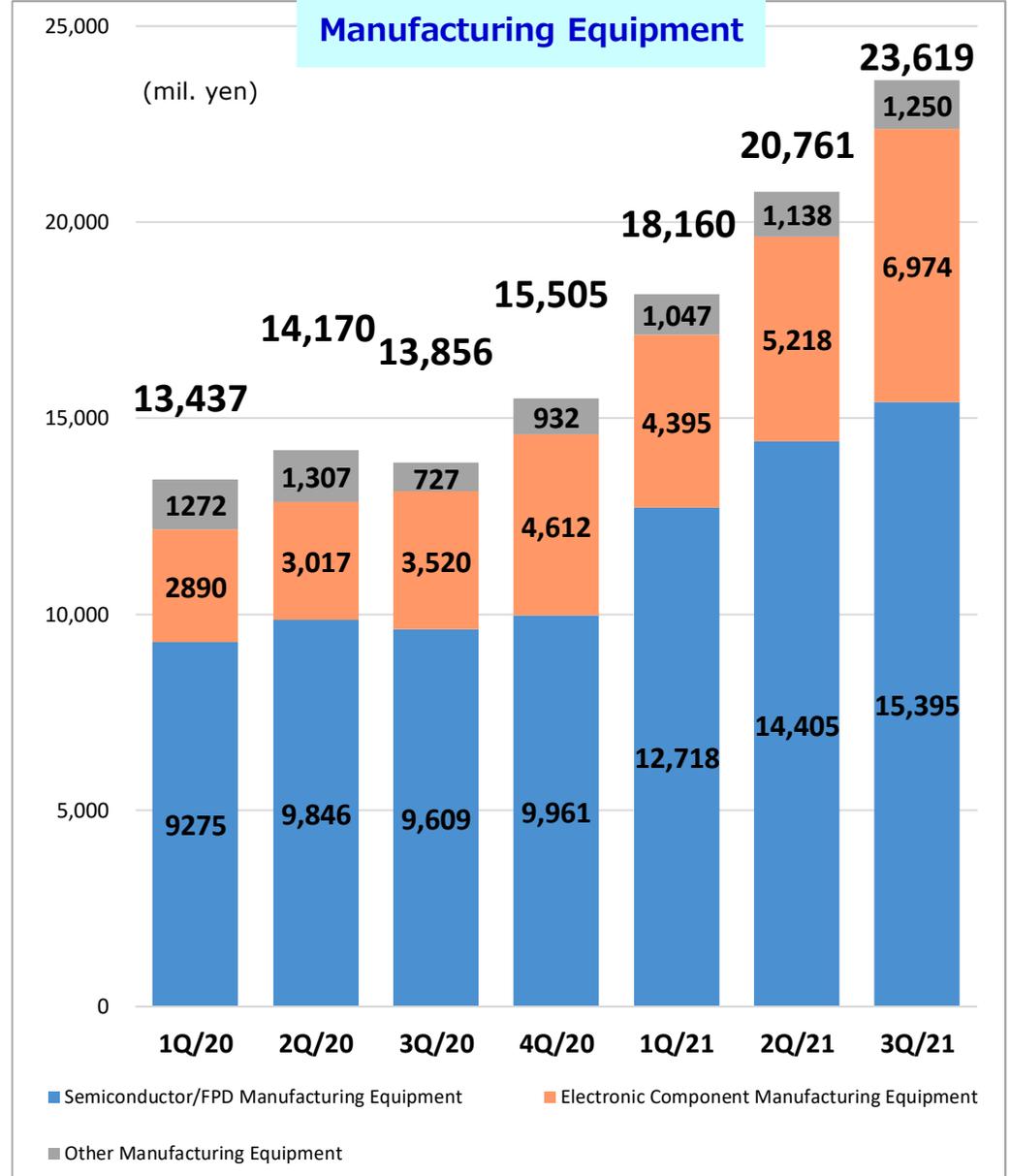
Quarterly Order Backlog Change (by product segment)



Electronic Equipment & Components



Manufacturing Equipment



Order Backlog for sales from next year onwards

• Electronic Equipment and Components 14,491 mil.yen
 • Manufacturing Equipment 18,178 mil.yen



Consolidated Performance Forecast (full-year)



■ **Net Sales** ¥68,000 mil.
(118.4% y/y)

■ **Operating income** ¥3,750 mil.
(156.0% y/y)

■ **Ordinary income** ¥3,850 mil.
(158.0% y/y)

■ **Net income** ¥2,600 mil.
(161.4% y/y)

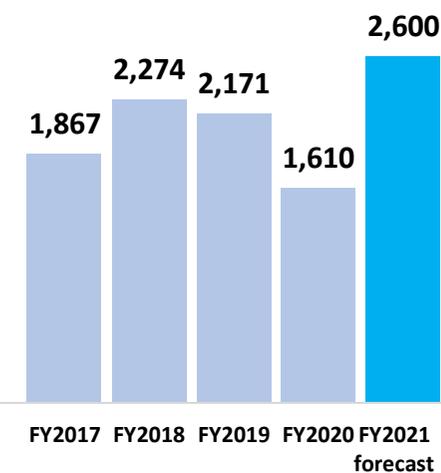
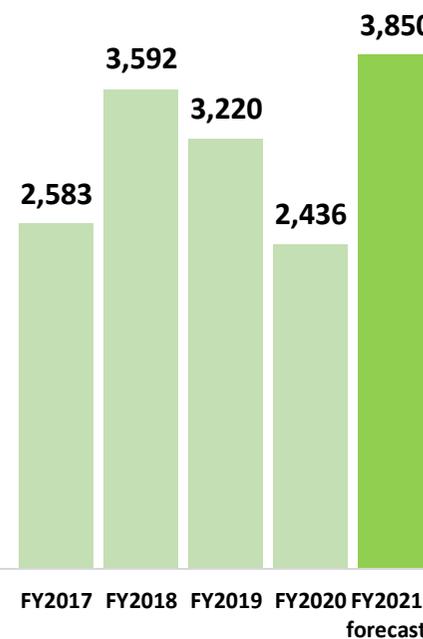
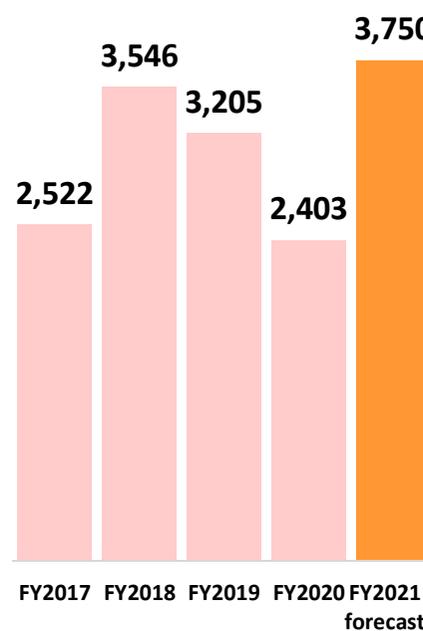
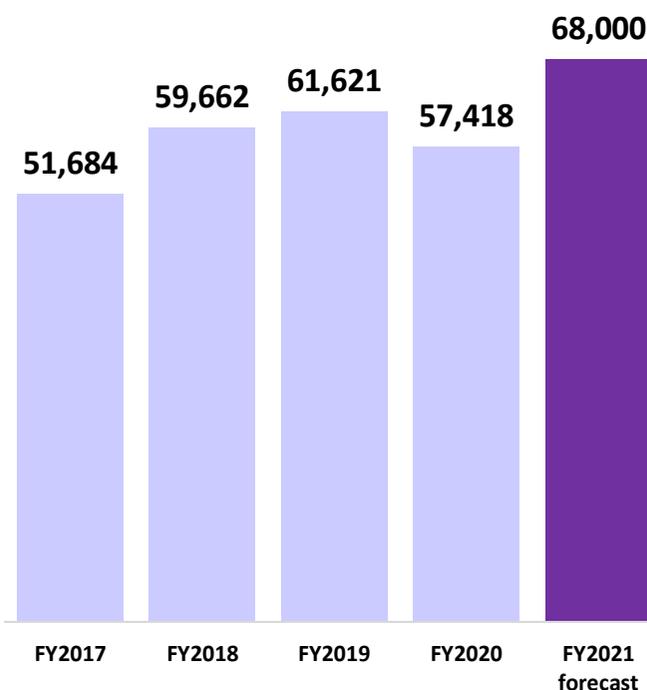
Net Sales

Operating income

Ordinary income

Net income

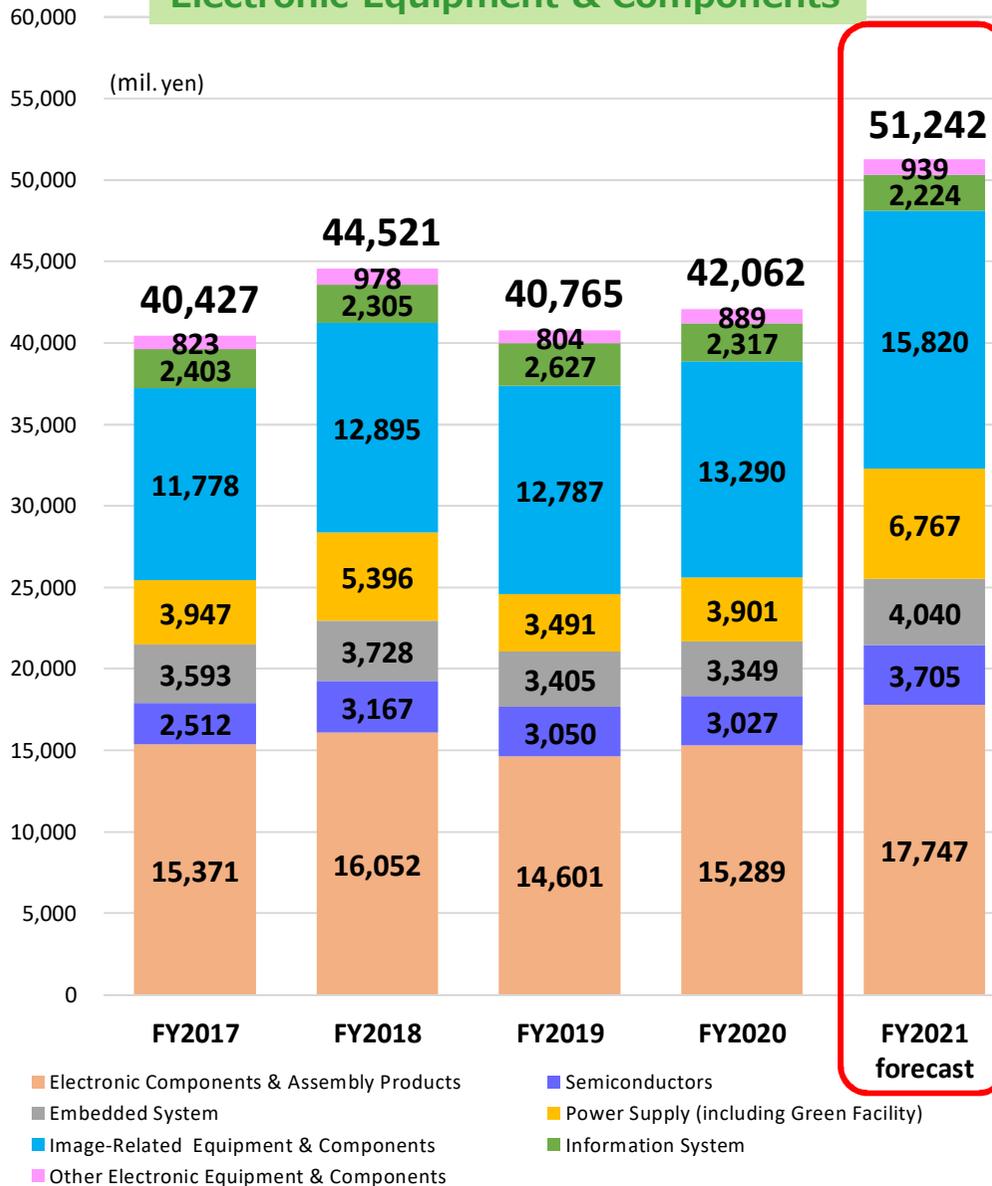
(mil. yen)



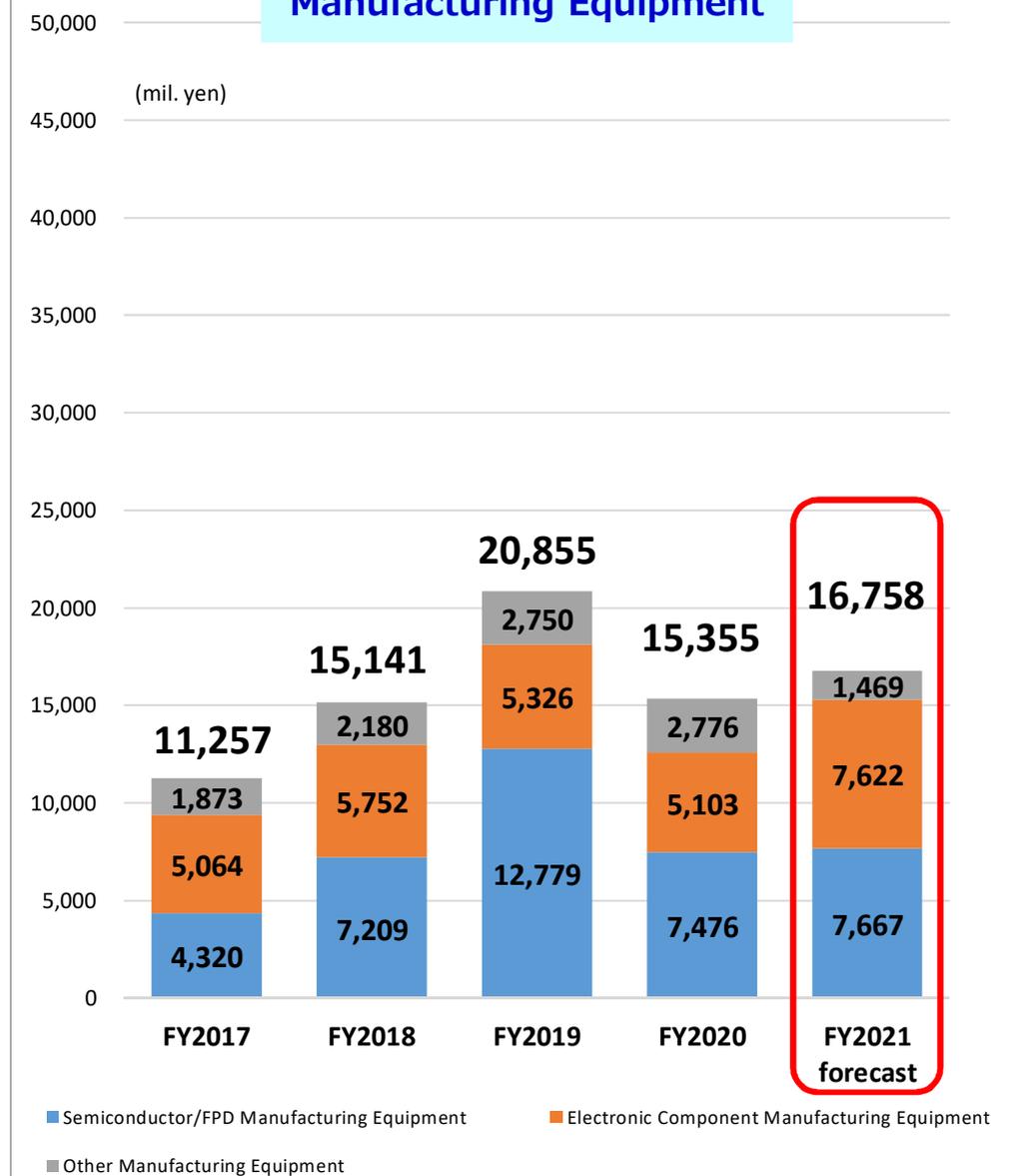
Performance Change and Forecast by Product Segment



Electronic Equipment & Components



Manufacturing Equipment



■ Our measures

- Established a response team
- Established guidelines on introduction of reduced work hours, staggered work hours & telecommuting, postponement overseas business trips & non-urgent domestic business trips, and self-restraint from hosting events & entertainment eating and drinking
- If having an infection case, give internal & external notices, and the people concerned will have PCR tests

■ Trend of electronic industry

- Though affected by economic deterioration associated with the COVID-19 pandemic, electronic equipment & components and semiconductor related demand grew with stay-at-home consumption increased and teleworking promoted.
- In addition, electronic equipment & components and semiconductor related demand remained strong for automotive and industrial equipment such as robots and 5G and IoT related products.

Dividend



(yen)	2Q end (interim)	Period-end	Annual dividend (interim + period-end)	Initial forecast	Payout ratio
FY 2017	15	30	45	30	26.6%
FY 2018	20	35	55	50	26.8%
FY 2019	25	35	60	60	30.6%
FY 2020	20	30	50	50	34.4%
FY 2021 forecast	35	*45	*80	55	34.1%

*Notes Period-end dividend detail : ordinary dividends 35.00 yen, commemorative dividends 10.00 yen
Annual dividend detail : ordinary dividends 70.00 yen, commemorative dividends 10.00 yen

10th Mid-Term Management Plan

【 FY2021~FY2023 】



Future business environment and demand trends

- ▶ “Contactless” trends and advance in other ICT-related fields will be accelerated in the COVID-19 pandemic
- ▶ Decreasing labor population, declining birthrate, and aging population will accelerate robotization and automation
 - ▶ ▶ ▶ Demand will expand for semiconductors, datacenters, sensors, and other electronic devices and manufacturing equipment

Recognition of issues toward future growth

- ▶ Reinforcement of competitiveness in the “focus markets,” where future demand is expected to expand
- ▶ Increase in the original product ratio and the overseas business ratio (continuously from 9M)
 - * Development to be strengthened particularly in the “focus markets” as original product development fields

Creator for the **NEXT**

We will create new value making use of the group Network as a Engineering Trading Company leading the electronics industry

NETWORK
ENGINEERING
X (SYNERGY)
TRADING

External message

Grasp markets from a global viewpoint to create and provide values one step ahead of customer needs

Internal message

Always create a next business and seek a stage for further growth

◆ S l o g a n ◆

**Make a leap forward in the global market
as a technology-based company**

◆ Long-Term Vision ◆

1 Corporate image to pursue

- A company that contributes to society as a technology-based company with technical and sales capabilities developed from a global point of view
- A company that introduces innovations and realizes high productivity based on diversity
- A company that its employees feel happy to work for and proud of
- A company that has the strength of solidarity with an organizational culture of working autonomously and actively

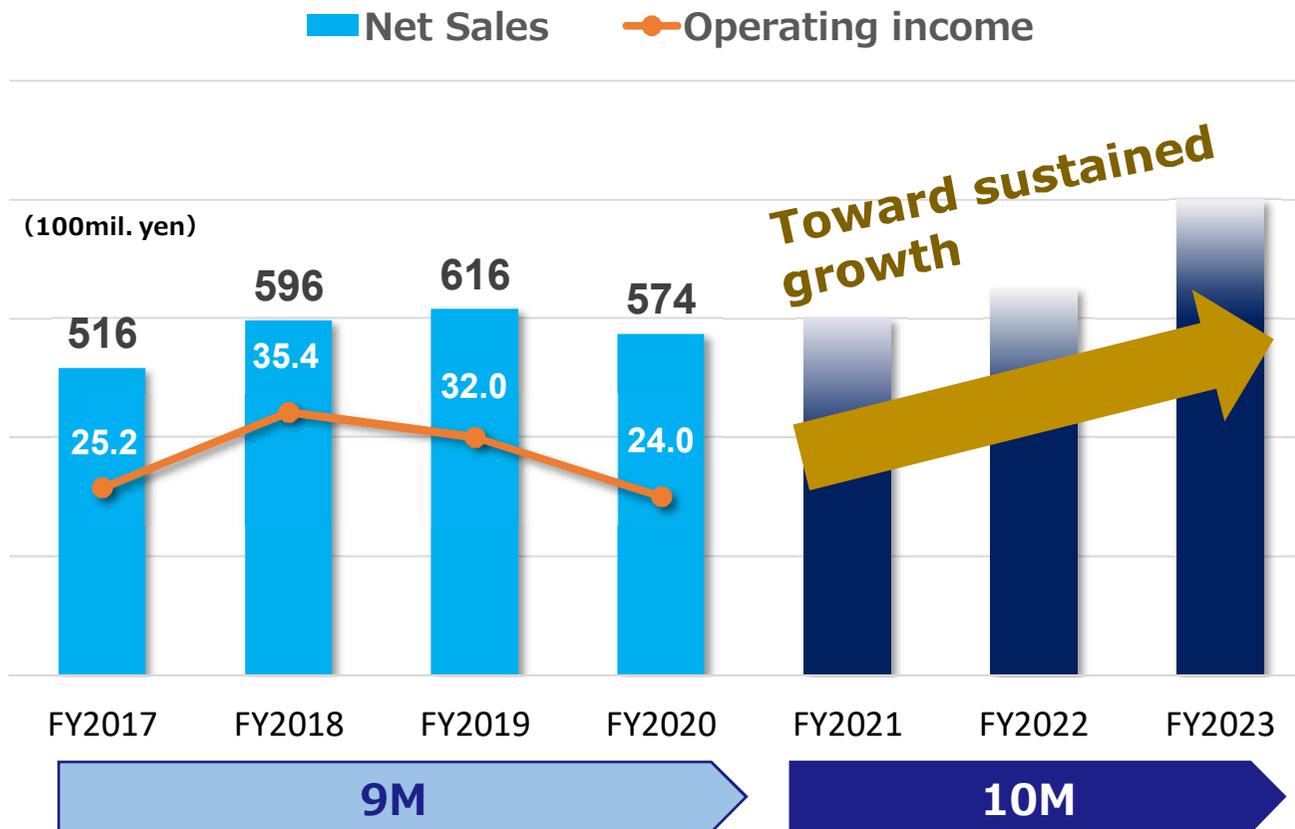
2 Long-term goal

**Aim at a
consolidated
sales **100**
billion yen
company**

Target Value



- Aim at **sustained expansion of net sales & operating income** through management focusing on growth potential
- Seek **gross profit margin of 20%** by continuous business structure reform
- Promote investments forming the foundation of sustained growth
(Capital investment in factory-based → Shift to in human resources, technology development, etc.)



Numerical Target

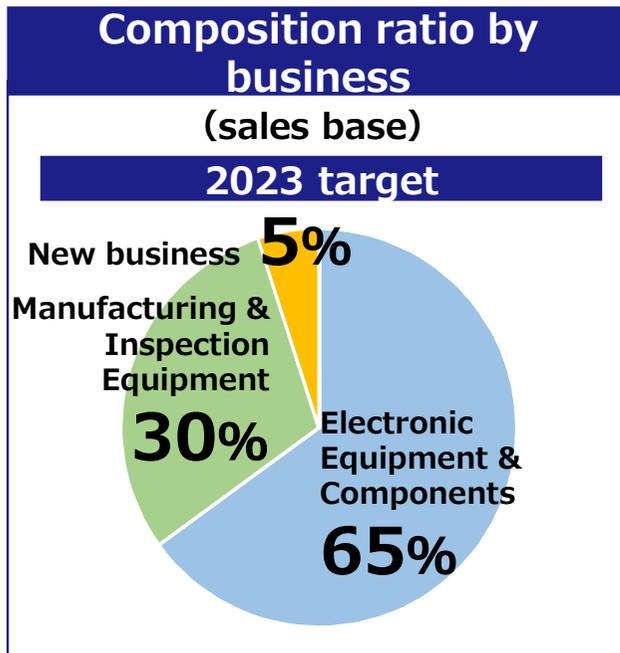
ROA
6%
ROE
12%
Equity ratio
50%

Business structure to aim for

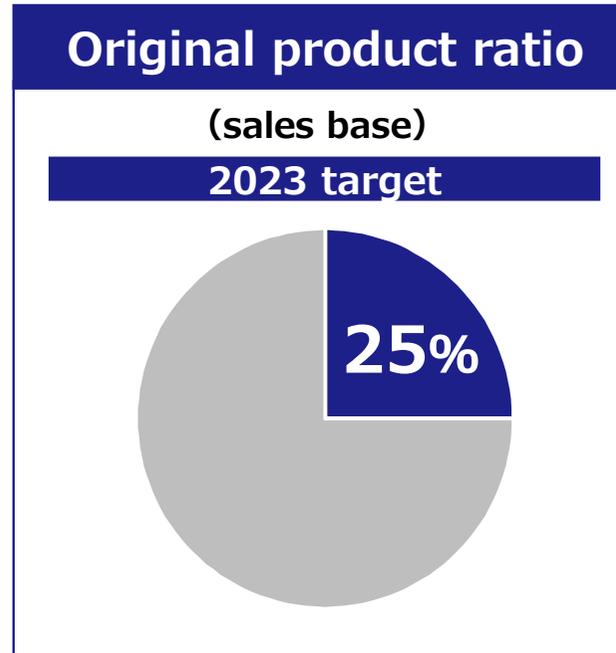


Three KPI's for business structure reform

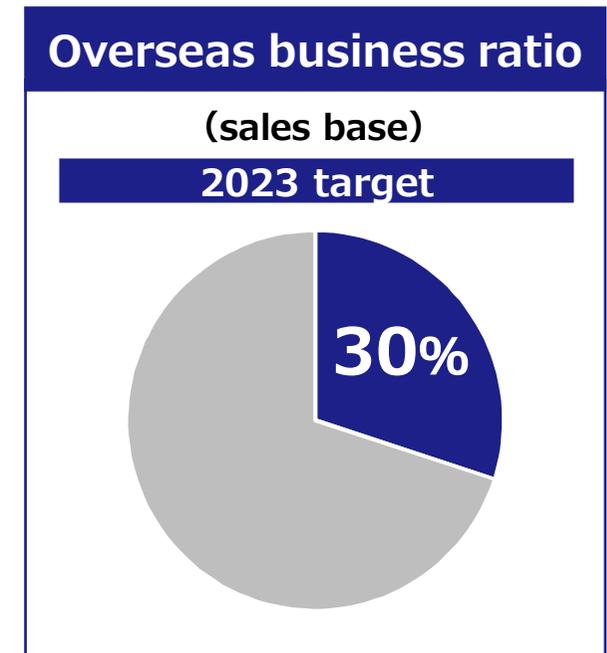
axis of
"Stability & Challenge"



axis of "Profit"



axis of "Growth"



● [Composition ratio by business]



A new target of "Sales composition ratio of 5%" set as a KPI to measure the results of new business creation (the principal part of the sales of this category at present is those of the Green Facility Dept. expanded through the efforts up to the previous period)

● [Original product ratio]



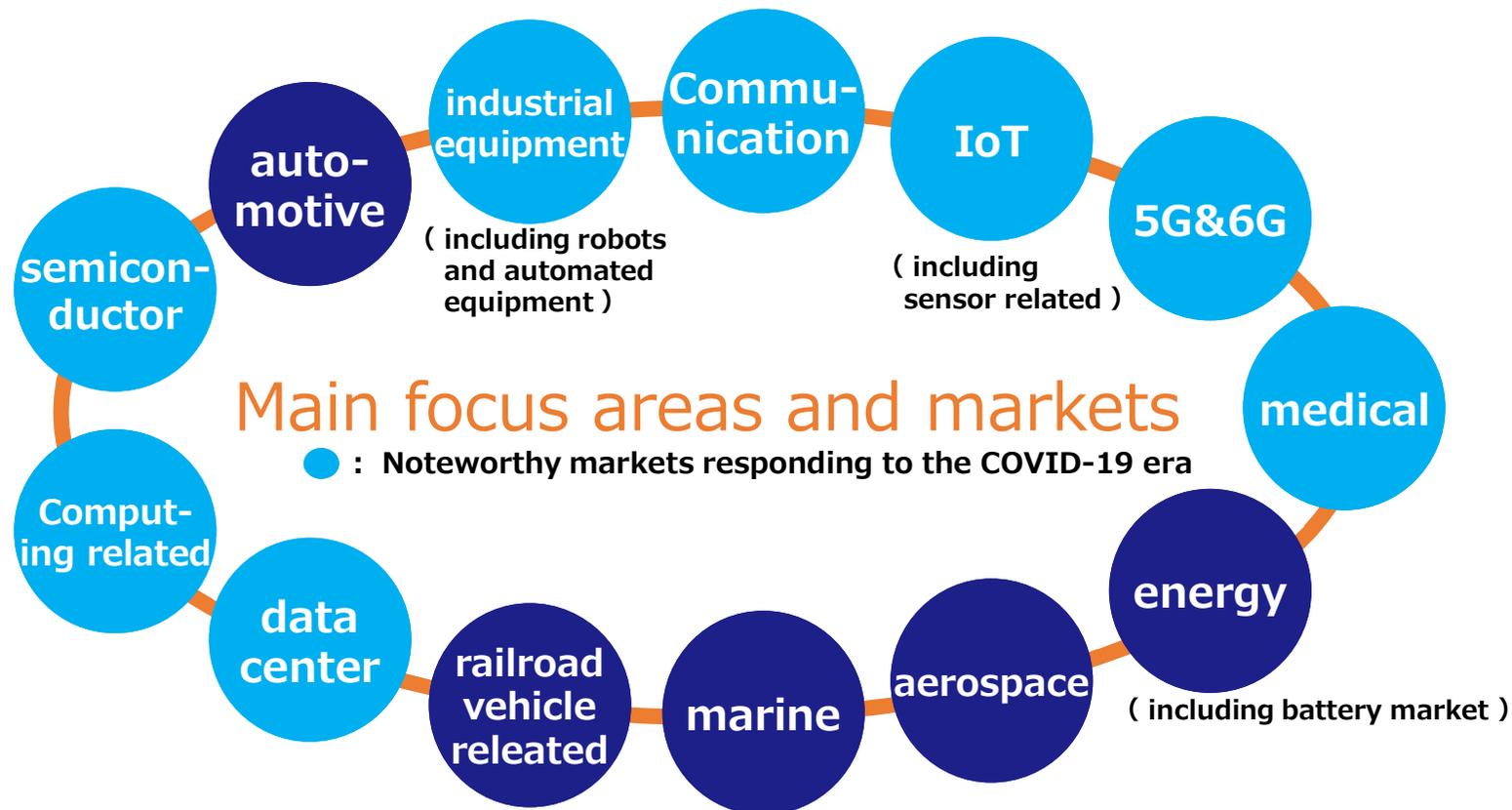
Changed the counting method into the one which includes only the Group's original products and products developed collaboratively with partner companies (Part of the imported product were conventionally classified into "Original Products," which are to be excluded from the current period on)

● [Overseas business ratio]



Sales made overseas are counted, as in the conventional way. The target value is continuously 30%

Define focus areas and markets to accelerate growth!



Increase power toward sustained growth!

Increase **marketing power** !

1 Reinforcement and steady growth of domestic business

2 Growth of overseas business

Increase **manufacturing power** !

3 Reinforcement of production system

4 Reinforcement of original product business

Increase **new business creation power** !

5 Development of new business

Increase **the power of corporate divisions** !

6 Reform of business support function

- **Further strengthening and deepening of relations with focus customers**

- **Strengthening of customer base:**
Response focusing on customers expected to grow and expand
- **Deepening of relations with customers:**
By deployment of "All-Daitron" products

- **Further strengthening of "locally based sales activities" and new development in promising areas**

- **Personnel reinforcement at and promotion to sales offices of promising locations**
- **Examination of establishment of new locations in promising areas (such as Hokkaido, Shikoku)**



 Circled areas are under investigation for establishing new locations

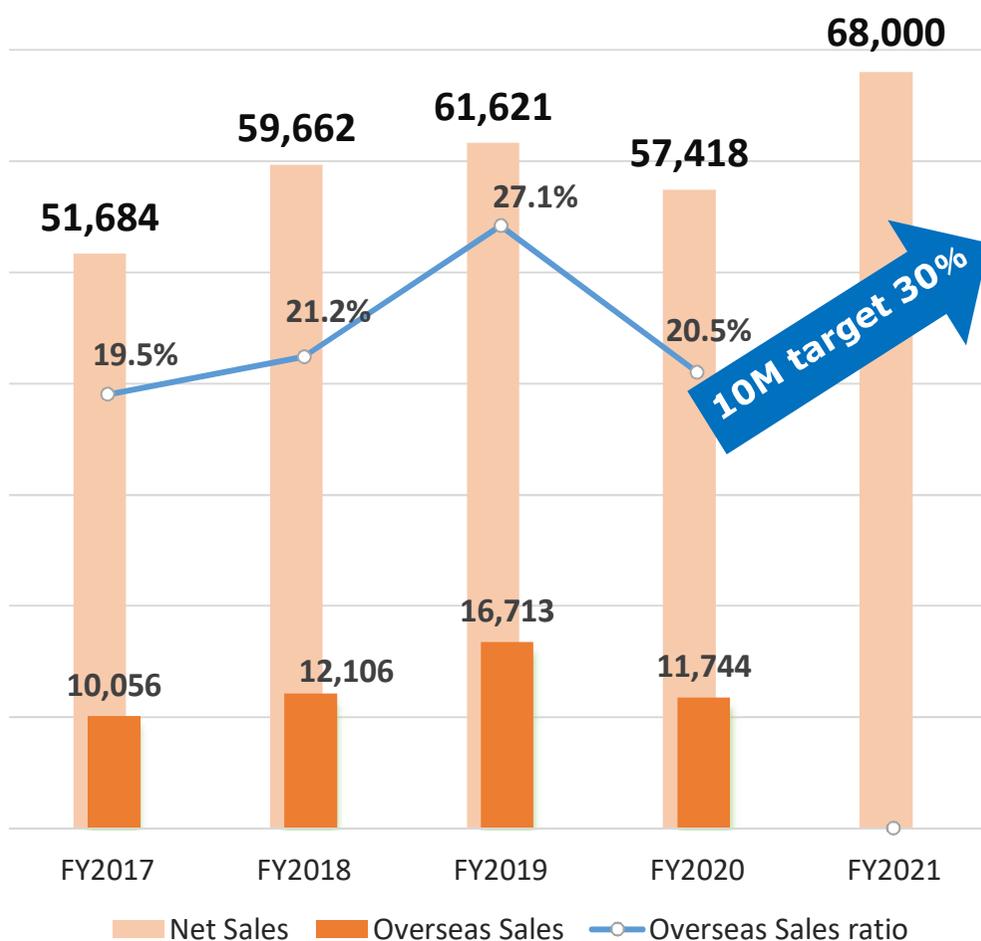
2 Growth of overseas business



Increase **marketing power** !

Changes by overseas sales ratio

(mil. yen)



● Focus customers·market development

- Image business related in Southeast Asia
- Electronic merchandise related in China
- OLED market related in Korea
- Electronic parts business related in Europe and US

● Expanding overseas network

【Sales location】

- Investigation of EU location (candidate: Germany)
- Investigation of establishing new satellite offices in US and China
- Making main Southeast Asian locations subsidiaries ⇒ for strengthened sales in Southeast Asia

【Manufacturing location】

- Investigation of manufacturing location in Southeast Asia (candidate: Vietnam)
⇒ toward next Mid-Term Plan

3 Strengthening of production system



Increase
manufacturing power !

● System strengthening focusing on Chubu Factory

- Concentrate production mainly of products requiring advanced technologies and high quality (continuously from 9M)
- Construction of cooperation system with Daito Tec

● Promotion of multifaceted cost-reduction measures

- Pursuit of profitability by factory/product/business
- Continuous cost-reduction activities through promotion of “standardization”

● Strengthening of earnings structure

- Expansion of OEM business
- Strengthening of online sales (agency operations)



Electronic equipment & parts production site (in First Factory)

Chubu Factory



Manufacturing equipment production site (in Second Factory)

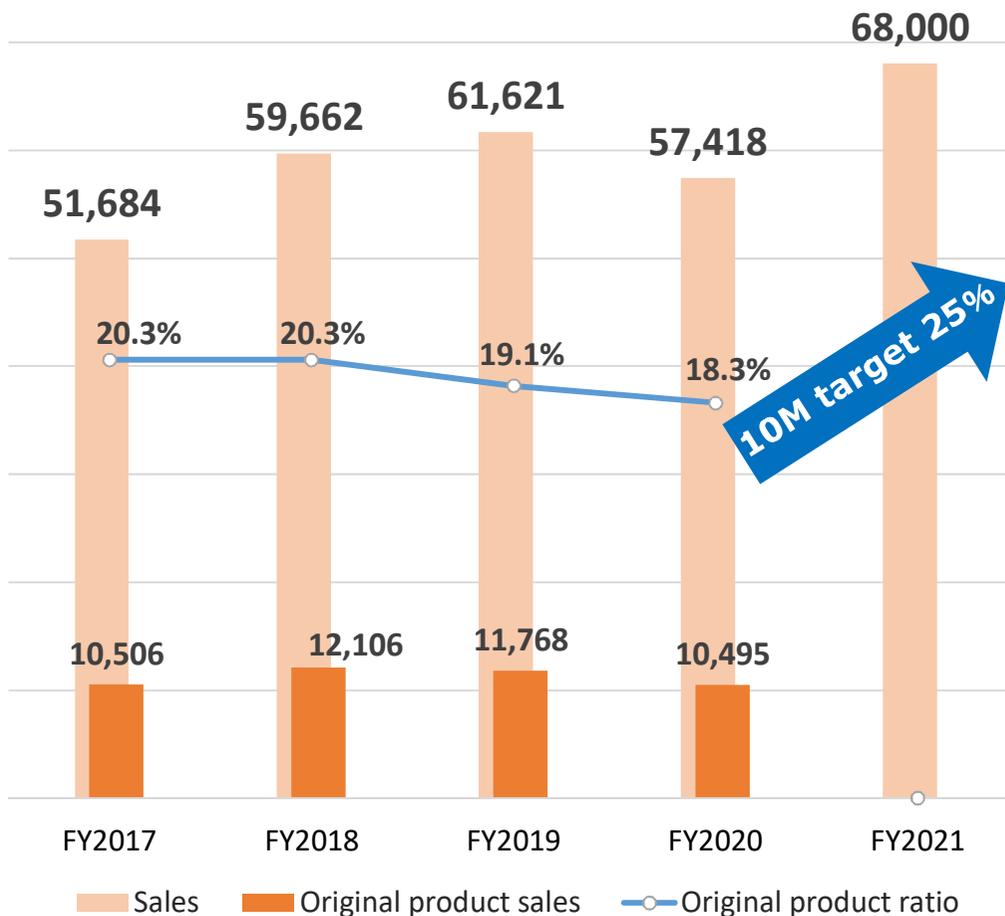
4 Strengthening of original production business



Increase
manufacturing power !

Changes by original product ratio

(mil. yen)



* Changed to a tally limited to the Daitron Group's own development and collaboration with partner companies.

- Strengthening of systems centering on technical divisions
- More emphasis on product/technology development

- Strengthening of development of “standard products” suitable for mass production/planned production
 - Promotion of development for achieving issues by segment
- [Electronic parts business]**
- ⇒ **Component** : underwater connectors
 - ⇒ **Image** : successor of KIRARI-NINJA, IoT sensor
 - ⇒ **Power Supply** : Inverter tranceless UPS, next power supply development
- Expansion of original products in collaboration with partner companies

Target 5%

Increase **new business creation power** !

● Cultivation of and groundwork for new business as new revenue base

➔ Target sales size

- Toward creation of 5 to 10 billion yen business

➔ Target area

- Markets and merchandise not worked on before
⇒ 【Candidate】
- Software · ECO-related business, etc.

➔ Approach

- To organizationally examine establishment of “new business promotion system”

Example of new business cultivated in 9M

Result of “Green Facility Dept. ”

New development activities focusing on “power supply system related market

Sales comparison (yearly average)

[8M] 0.48 bil. **380%up** [9M] 2.27 bil.



● Strengthening of "human resources power"

Seek revitalization of organization by "diversity"

- ① **Review of personnel evaluation system**
 - Stable operation of merit rating system and penetration of requirement definition document by rank
 - Job performance evaluation, promotion system, etc.
- ② **Promotion of adoption and utilization of diverse human resources**
 - Systematic hiring of new graduates (foreign human resources) and mid-career employees
 - Promotion of utilization of foreign/senior/handicapped human resources
- ③ **Enhancement of human resources development**
 - Systematization of education and training systems for developing human resources with market value
 - Enhancement of development of female managers
 - Enhancement of career path system
- ④ **Response to the COVID-19 era and working practices reform**
 - Institutional design for diverse ways of working eyeing the post COVID-19 era

● Strengthening of "corporate division"

Promotion of foundation building eyeing the next era

【IT strategy】

- ▶ Development of road map toward the next core system

【Financing strategy】

- ▶ Total assets compression and management cost reduction

【PR strategy】

- ▶ Increasing recognition of Daitron brand

【Governance】

- ▶ Further strengthening of corporate governance

Toward a technology-based company

The Daitron Group is going to evolve with its employees as a technology-based company in the electronics industry to create new value for the global market.

The Company's earnings forecasts stated in this material are prepared based on the information currently available to us.

In the electronic equipment/parts industry and the manufacturing equipment industry, which the Company belongs to, technologies change very rapidly and competition is intense.

In addition, there are various external factors that may affect directly or indirectly the performance of the Company such as the economic conditions of North America and Asian countries.

Please note that, therefore, the Company's earnings forecasts may vary from those in this material.

<<For inquiry concerning this material and our IR activities>>

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