

FY 2020

1Q Financial Material



Daitron Co., Ltd.

Securities Code: 7609

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



Quarterly Performance Change

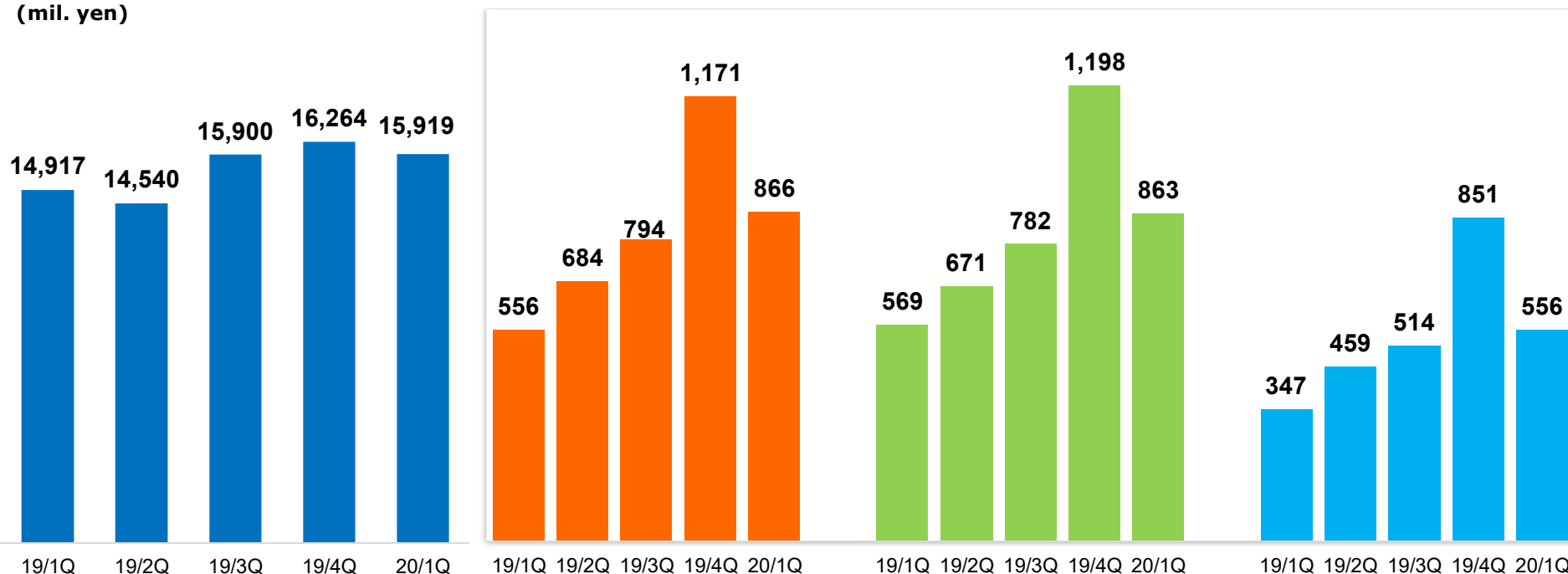


- 1 Q cumulative performance
 - Operating income **¥ 866 mil.**
(155.7% y/y)
 - Ordinary income **¥ 863 mil.**
(151.7% y/y)
 - Net income **¥ 556 mil.**
(160.3% y/y)
- Net sales ¥15,919 mil.**
(106.7% y/y)

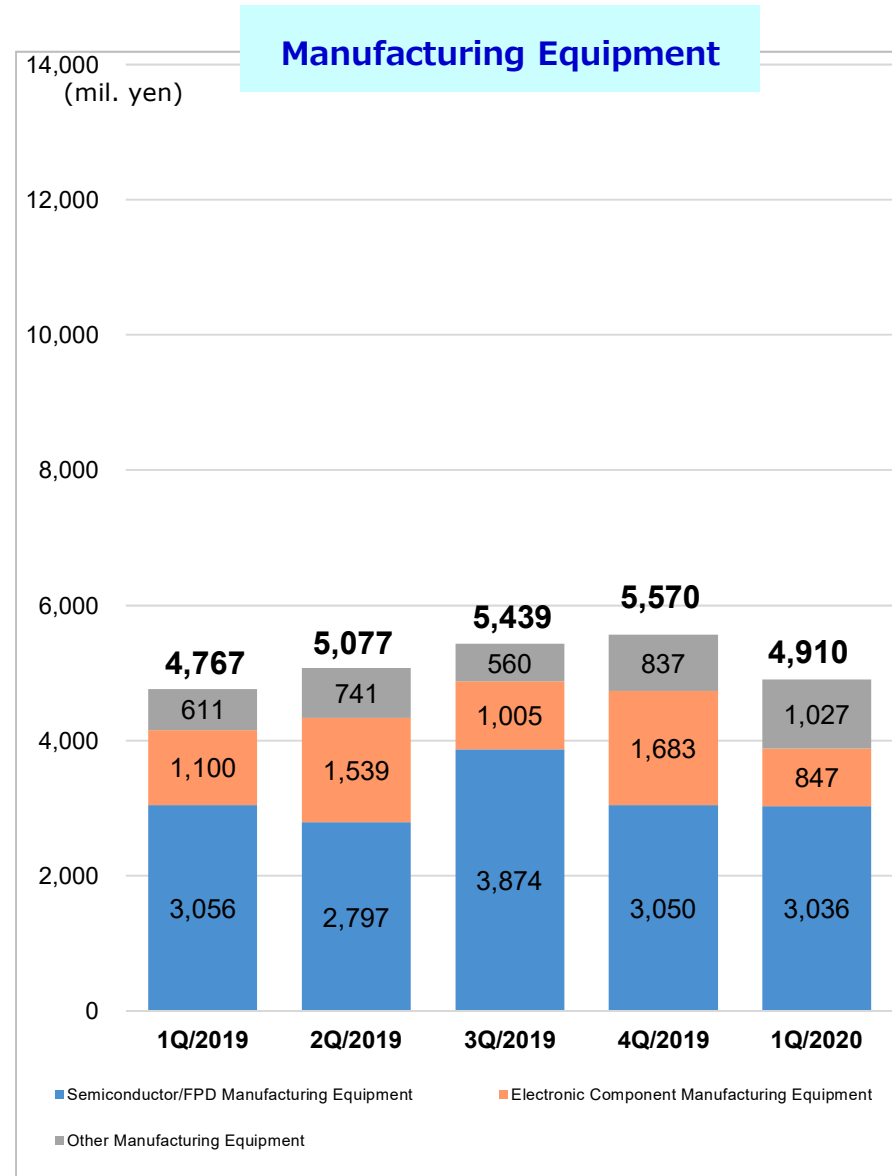
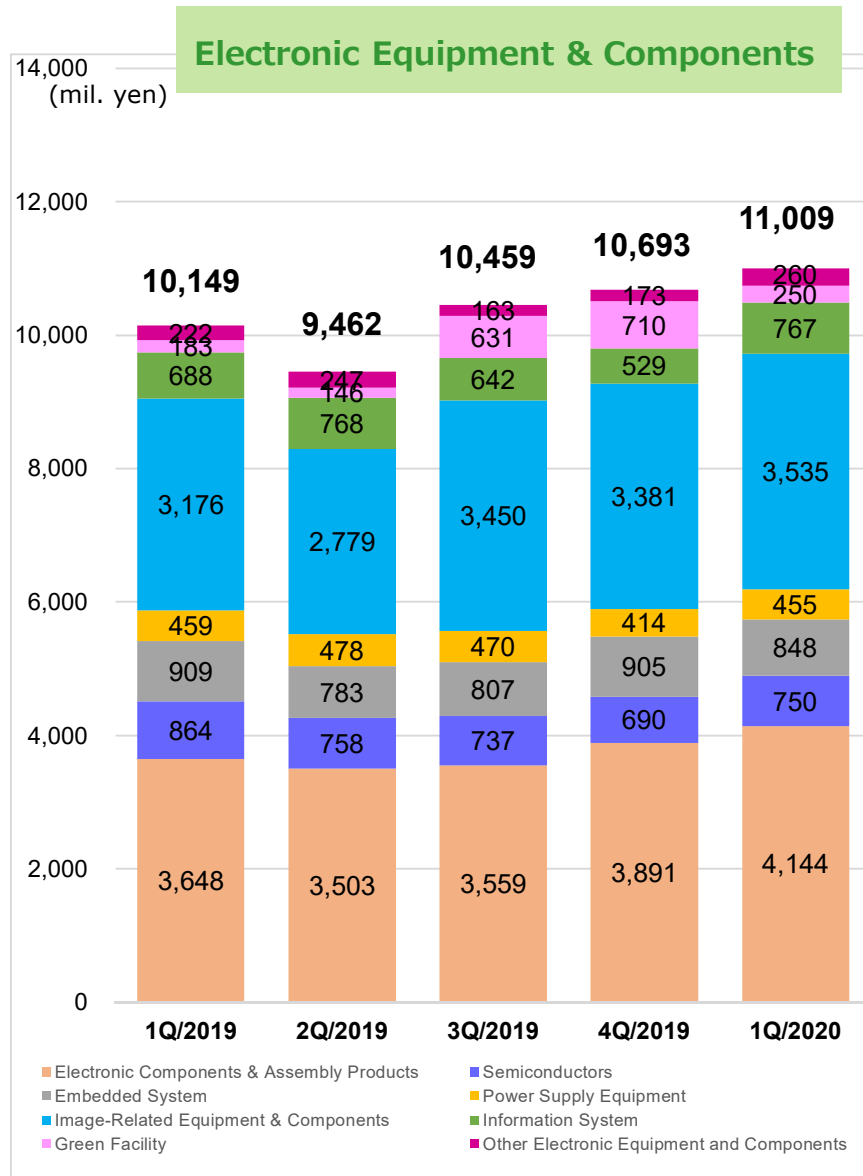
Graph of quarterly performance change

Net sales	Operating income	Ordinary income	Quarterly net income
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(mil. yen)



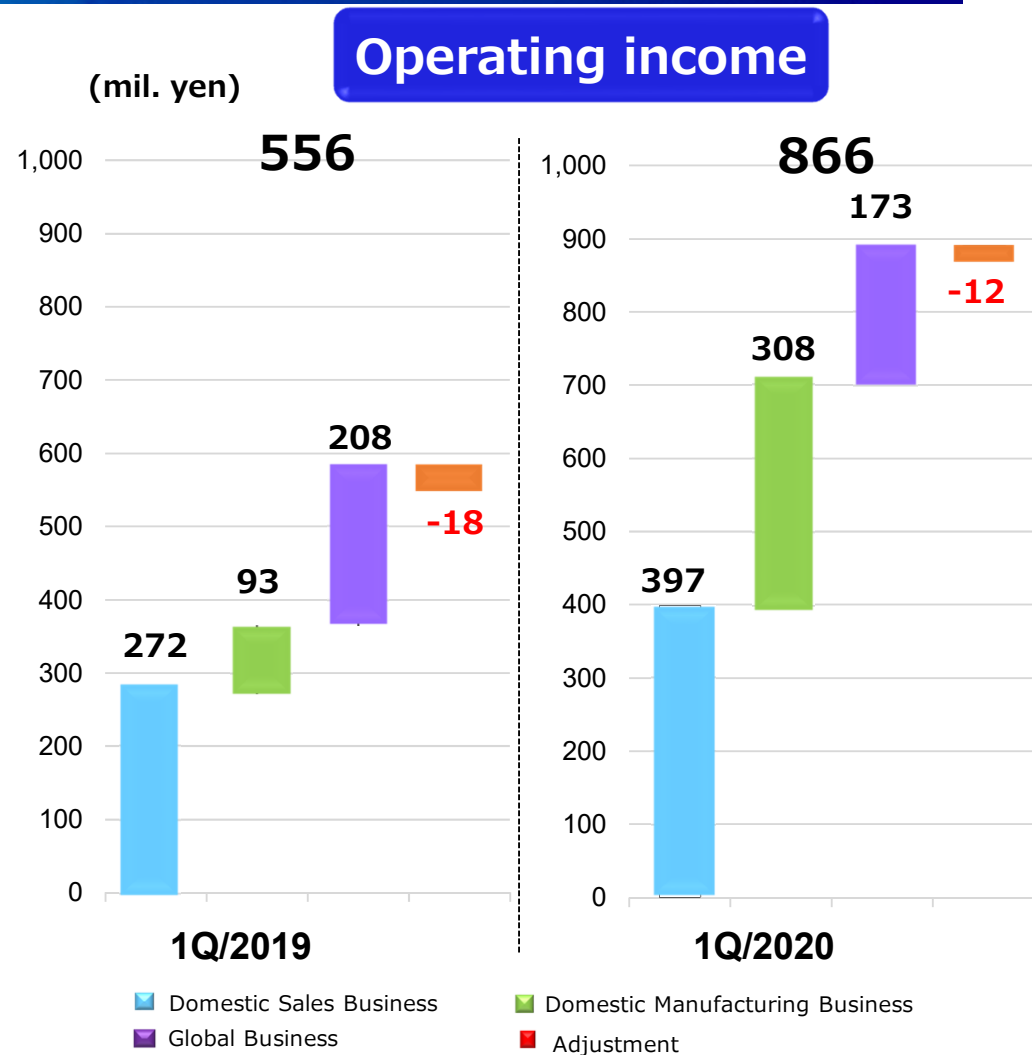
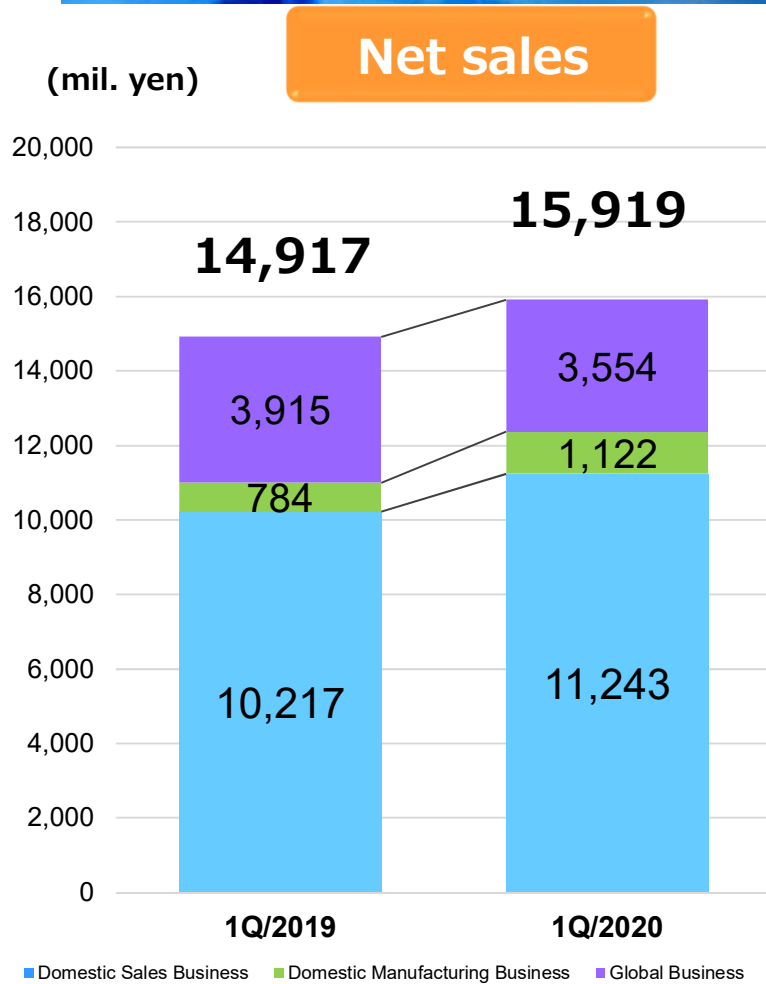
Product Segment Quarterly Performance Change



Consolidated Financial Position Comparison (y/y) **Daitron**

(mil. yen)	FY 2019	1Q/2020	Difference
Total assets	45,757	44,920	△837
Total liabilities	26,992	26,279	△713
Shareholders' equity	18,762	18,637	△125
Net assets	18,765	18,640	△125
Equity ratio	41.0%	41.5%	0.5pt
Net asset per share (yen)	1,691.87	1,680.58	△11.29

General Change by Report Segment



(Note)

Adjustments in segment income or loss include the inter-segmental transaction elimination and corporate allocation not allocated to each report segment. The main portion of corporate allocation is selling, general and administrative expenses not attributable to report segments.

Business Structure of the Company 1Q/2020 performance



Business	By product segment	Sales composition ratio	Gross profit margin	Original product ratio	Overseas sales ratio
Electronic Equipment & Components	Electronic Components & Assembly Products	26.0% (24.5% 1Q/2019)	25.0% (24.8% 1Q/2019)	18.1% (17.9% 1Q/2019)	North America 1.5% (2.8% 1Q/2019)
	Semiconductors	4.7% (5.8% 1Q/2019)	18.1% (20.0% 1Q/2019)		
	Embedded System	5.3% (6.1% 1Q/2019)	14.6% (12.1% 1Q/2019)		
	Power Supply Equipment (including Green Facility)	4.5% (4.3% 1Q/2019)	29.3% (26.3% 1Q/2019)		Europe 0.4% (2.1% 1Q/2019)
	Image-Related Equipment & Components	22.2% (21.3% 1Q/2019)	14.9% (15.1% 1Q/2019)		
	Information System	4.8% (4.6% 1Q/2019)	24.4% (25.5% 1Q/2019)		
	Other Electronic Equipment and Components	1.6% (1.4% 1Q/2019)	11.6% (-7.3% 1Q/2019)		
Manufacturing Equipment	Semiconductor/FPD Manufacturing Equipment	19.1% (20.5% 1Q/2019)	18.8% (15.5% 1Q/2019)	Asia 20.5% (22.2% 1Q/2019)	
	Electronic Component Manufacturing Equipment	5.3% (7.4% 1Q/2019)	24.4% (29.5% 1Q/2019)		
	Other Manufacturing Equipment	6.5% (4.1% 1Q/2019)	11.8% (15.9% 1Q/2019)		
Total		100.0%	19.8% (19.4% 1Q/2019)	18.1% (17.9% 1Q/2019)	22.5% (27.1% 1Q/2019)

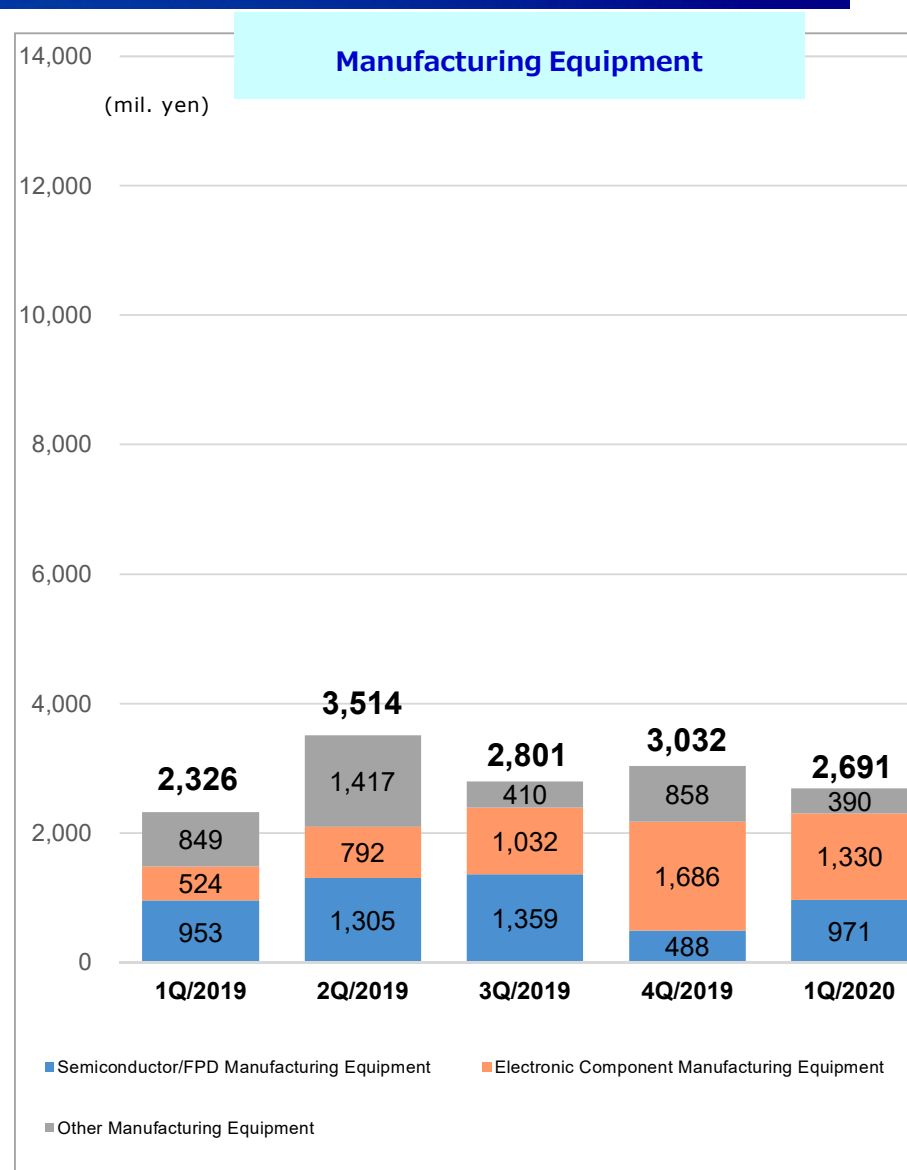
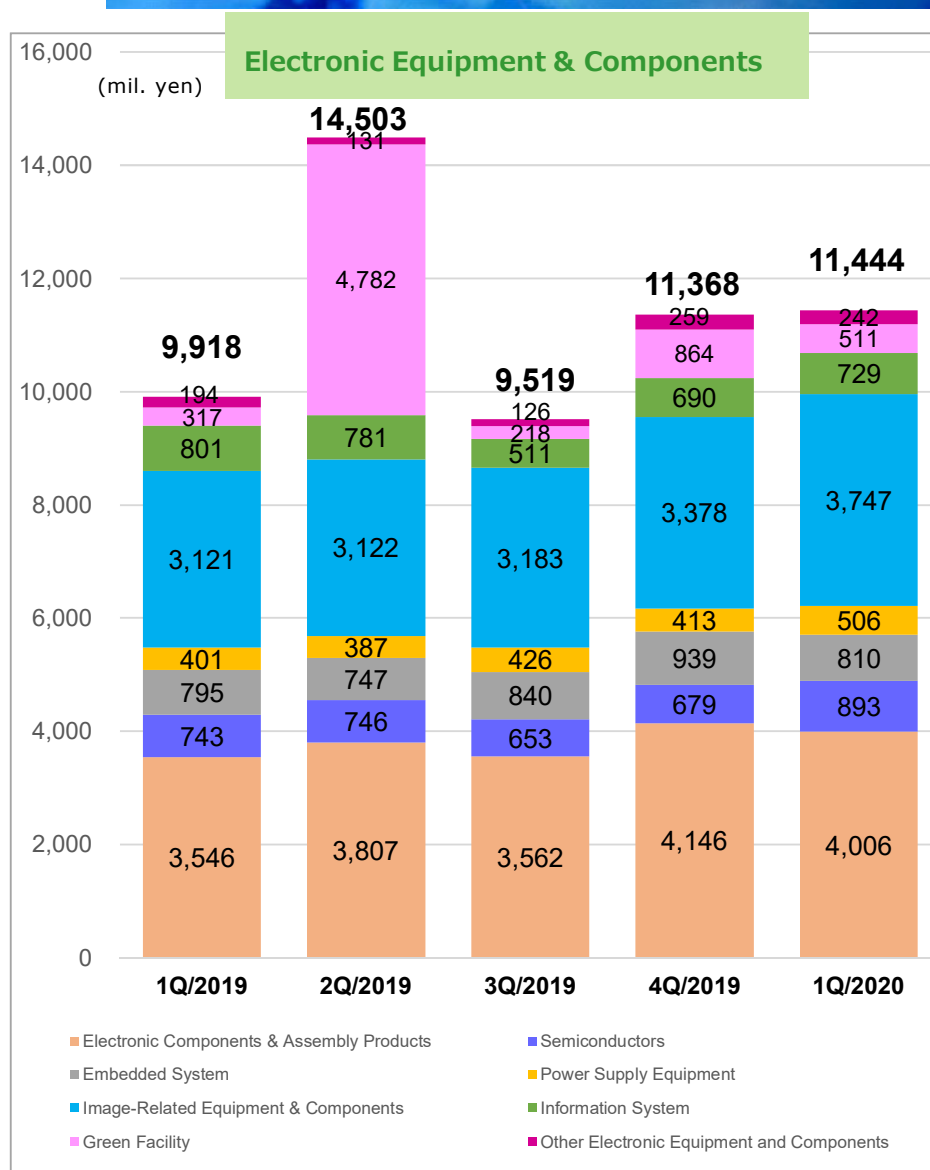
 shows the product segments including the Company's original products.

Year-on-year net sales by area

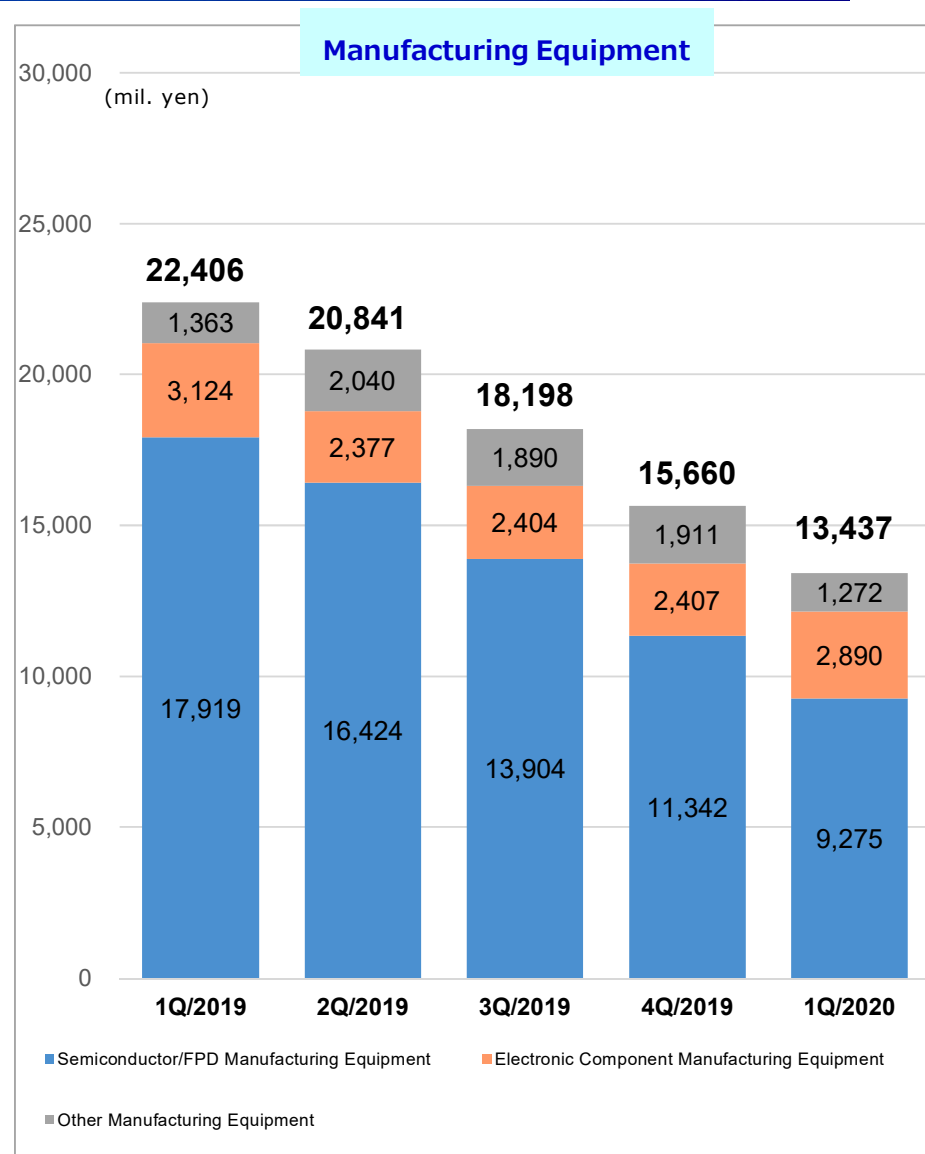
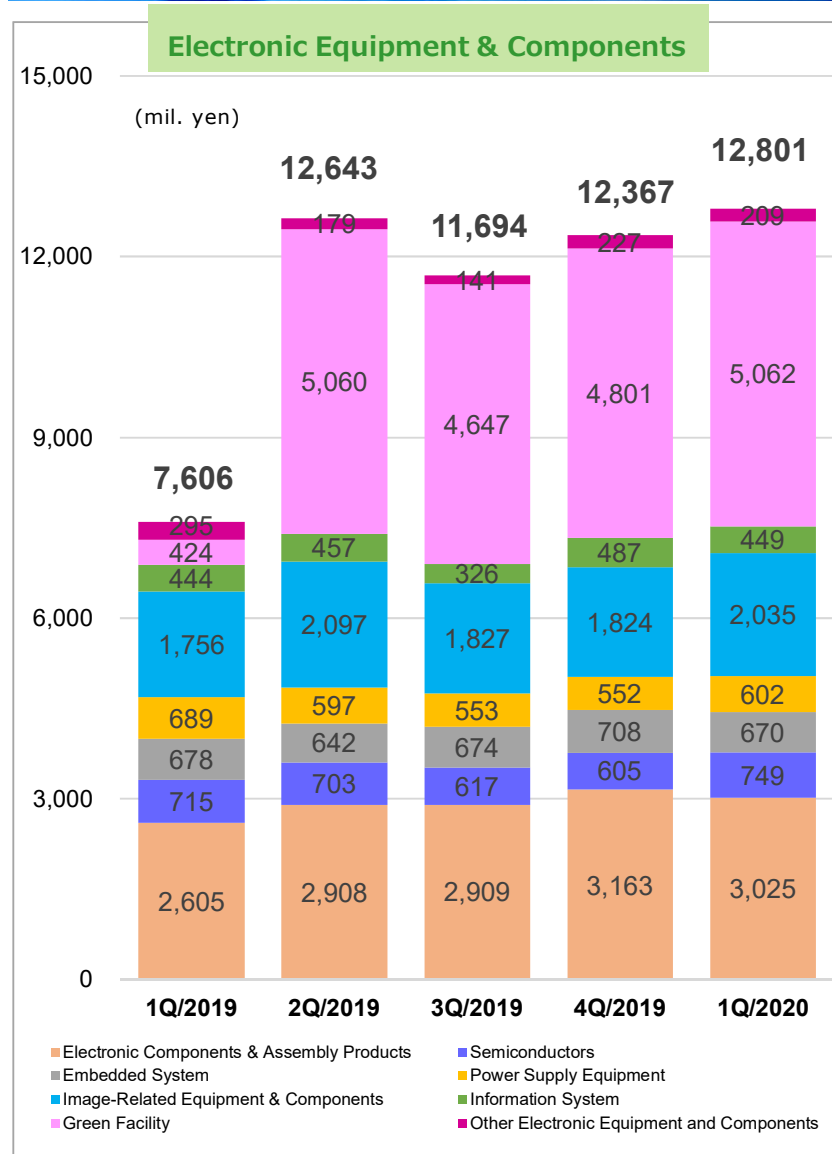


(mil. yen)	1Q/2019	1Q/2020	Difference
D o m e s t i c	10,868	12,344	1,476
O v e r s e a s The figures in parentheses are sales ratio	4,049 (27.1%)	3,575 (22.5%)	△474 (△4.6pt)
N o r t h A m e r i c a	418	245	△173
E u r o p e	314	62	△252
A s i a	3,316	3,268	△48
T o t a l	14,917	15,919	1,002

Quarterly Order Change (by product segment)



Quarterly Order Backlog Change (by product segment) **Daitron**



* Including backlogs of orders for delivery in or after 2021 of approximately 3,673 million yen in Electronic Equipment and Components, and approximately 2,907 million yen in Manufacturing Equipment.

Since it is difficult at present to calculate the estimated amount of the effects of the spread of the new coronavirus (COVID-19) on its business performance, the Group has determined to withdraw as uncertain for the time being its consolidated business forecast and dividend forecast for Fiscal 2020 ending December 2020, as announced on February 6, 2020.

The business forecast and dividend forecast will be calculated and announced anew when they can be calculated. For detailed information, please refer to the Announcement Regarding Consolidated Business Forecast and Dividend Forecast for Fiscal 2020 announced on May 8, 2020.

Dividend



(yen)	2Q end (interim)	Period-end	Annual dividend (interim + period-end)	Initial forecast	Payout ratio
FY 2016	0	30	30	20	27.4%
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 forecast	uncertain	uncertain	uncertain		uncertain

- Started paying interim dividends from FY 2017
- The dividend forecast for FY 2020 is not determined yet.

The 9th Mid-Term Management Plan (9M)



1 New Group Statement

Creator for the ***NEXT***

An expression of determination to create new values capitalizing on the Group network as a company leading the electronics industry

External message

An expression of intent to "grasp markets from a global viewpoint to create and provide values one step ahead of customer needs"

Internal message

An expression of a spirit of "always creating a next proposal and seeking a stage for further growth"

N : Network

E : Engineering

X : (Synergy)

T : Trading

2 9M slogan

**Toward further growth
under the "combined
manufacturing and
sales policy."**

3 Ideal

- **Unique company with manufacturing and sales functions combined**

 - Being "reliable" for customers and offering a "sense of security" to suppliers

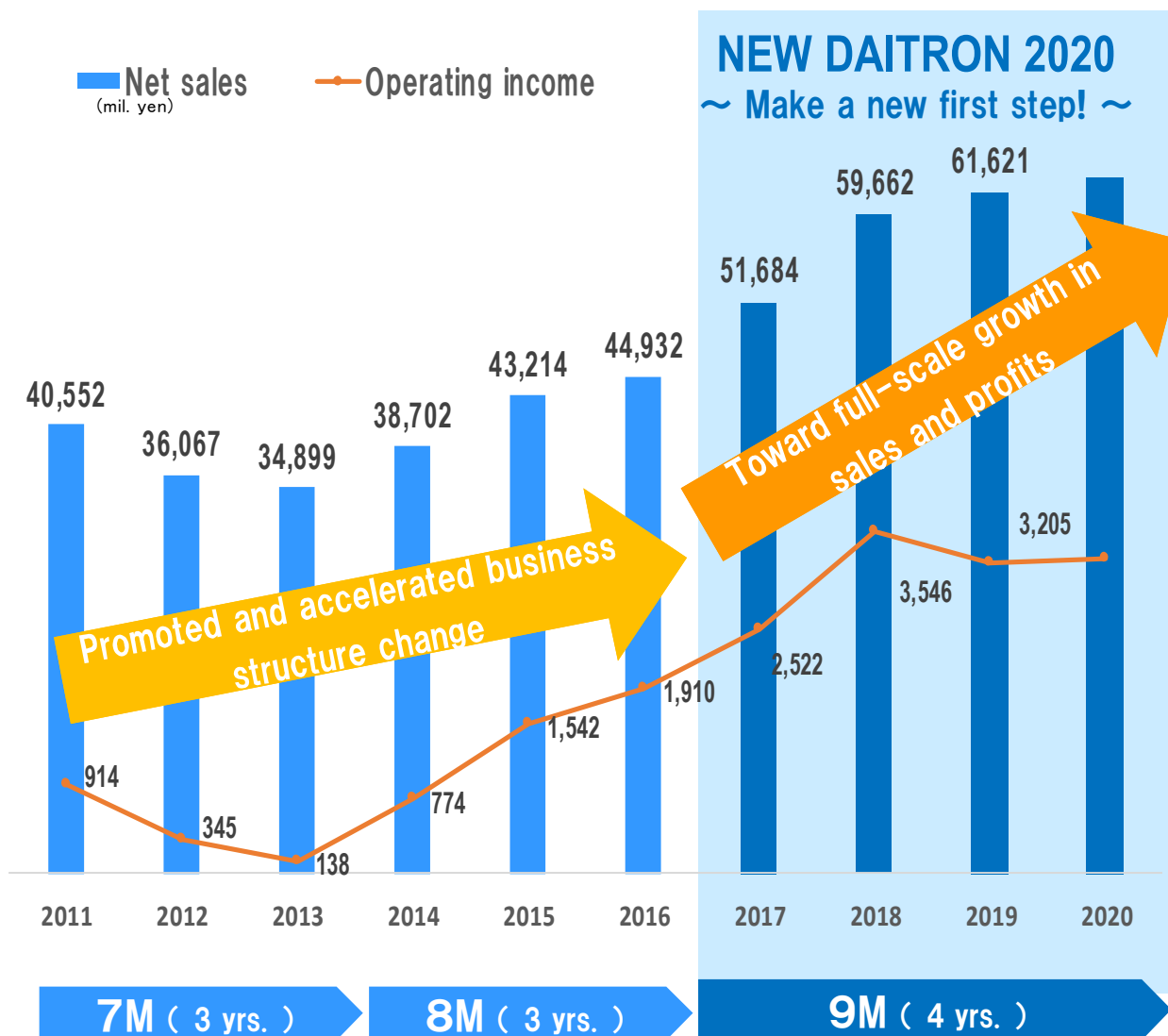
 - Having "dynamism" of a trader and "potentiality and soundness" of a manufacturer

- **Company with distinctive technologies and products 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**

1) Numerical targets (consolidated)



【 2020 numerical targets 】

Aim at further continued growth beyond record performance both in sales and profits by achieving sustainable growth

【 Target management indexes 】

Equity ratio

50%

41% 2019

ROA

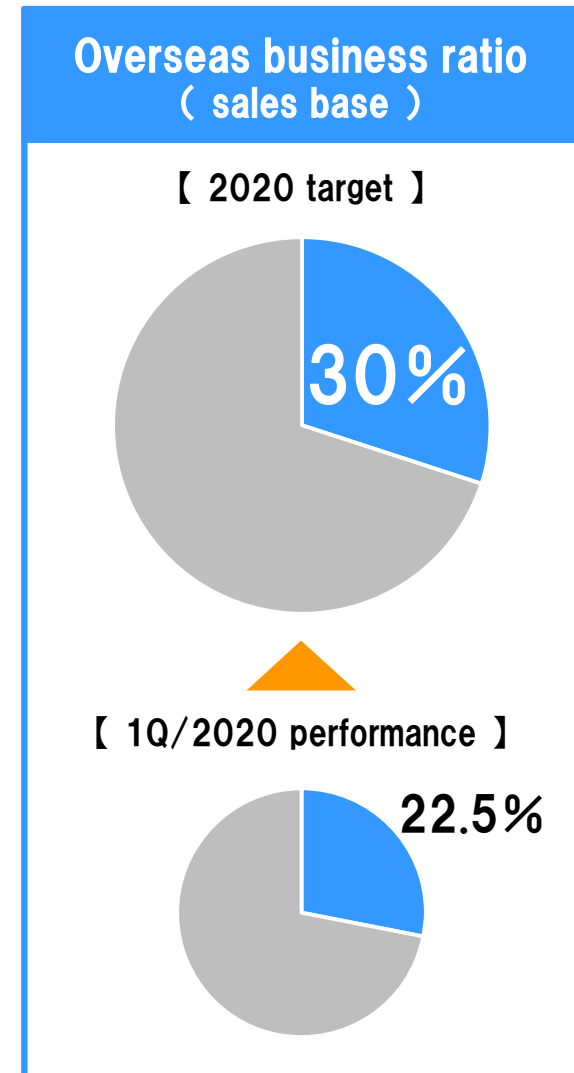
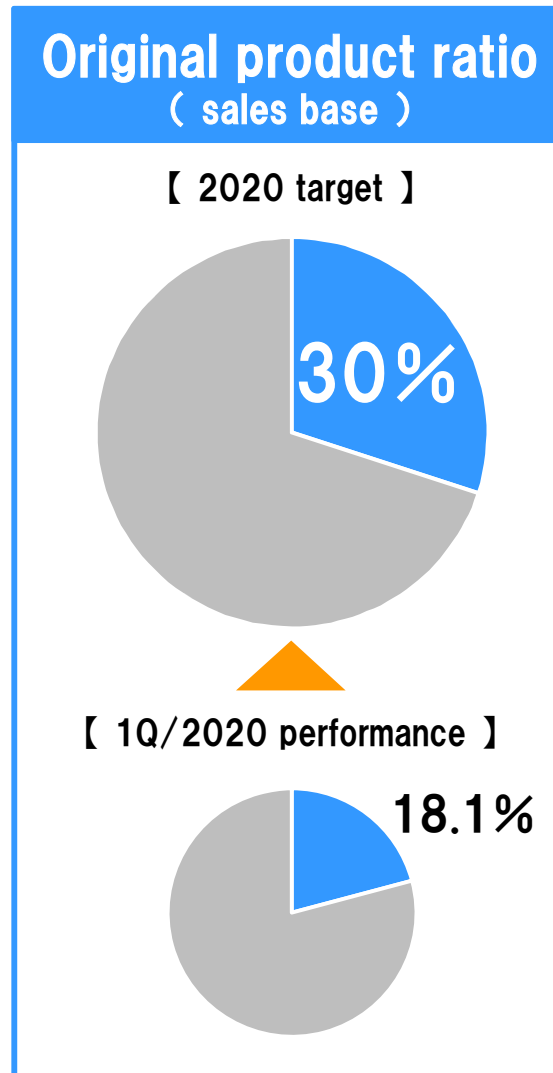
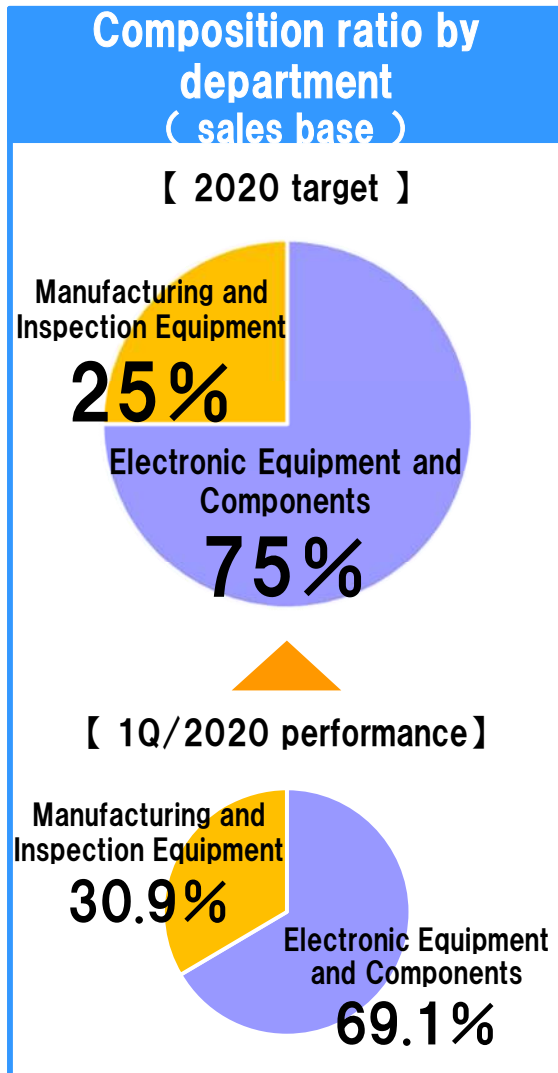
4% or above

4.9% 2019

ROE

8% or above

12.2% 2019



【Basic Policy】

To seek the maximized effect (synergy) of three-company merger under the new frame based on the combined manufacturing and sales policy toward the realization of its long-term vision (basic idea)



【Basic Strategies】

- ① Promotion of growth-focused business reconstruction**
- ② Reinforcement of original product development**
- ③ Enhancement of overseas operations**
- ④ Improvement in marketing and sales capabilities**
- ⑤ Strengthened integration of production divisions**
- ⑥ Reinforcement of organizational and personnel strengths**

Point of basic strategy in 2020 (9M final year) – 1

1. Promotion of growth-focused business reconstruction

- (1) Automotive ⇒ ADAS & EV related business expansion
- (2) Medical ⇒ Pharmaceutical industry & consumables related business expansion
- (3) Robotics ⇒ Sales promotion in diversifying new fields
(service, nursing care, agriculture, etc.)

2. Reinforcement of original product development

- (1) Brushing up of the original technology/current lines ⇒ Added value increase
- (2) Reinforcement of new product development (new field)
⇒ Productive activities of D&P Product Development Div.
- (3) Enhancement of quasi original lines by strengthened cooperation with suppliers

3. Enhancement of overseas operations

- (1) Expansion of parts business
- (2) Development of business unique to respective localities
- (3) Reinforcement of business cooperation between overseas bases

Point of basic strategy in 2020 (9M final year) – 2

4. Improvement in marketing and sales capabilities

- (1) Improvement in profit ratio by developing competitive suppliers (products)
- (2) Strengthening of relations by selling customers' products
- (3) Improvement in added value by multiple (systematic) sales

5. Strengthened integration of production divisions

- (1) Improvement in earning power of Equipment Factory and Specialized Equipment Factory
- (2) Reinforcement of the manufacturing function of group companies (Merger of Daito-Tec and Takawa Industry)
- (3) Increase in added value by improved productivity (improvement in profit ratio)

6. Reinforcement of organizational and personnel strengths

- (1) Personnel development and revitalization through job rotation and career path system
- (2) Reinforcement of risk management
- (3) Operation of new personnel system ⇒ 65-year retirement, enhancement of evaluation system, sophistication of education

【Basic strategy - 1】

Promote reconstruction of businesses with high-growth potential **Daitron**

Develop markets
regarded as promising



Automotive



Medical



Infrastructure



Robotics



Aerospace

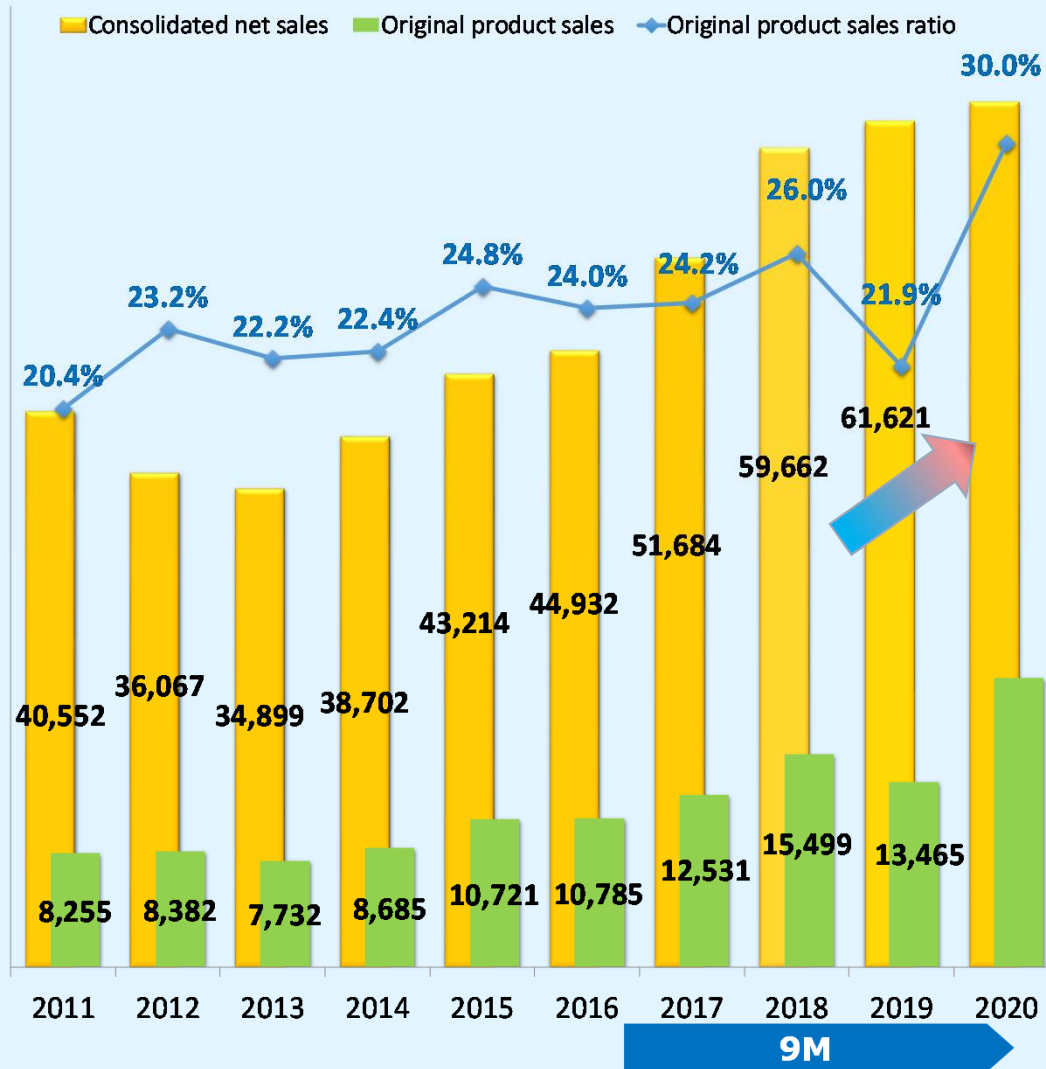
Promotion of
business
reconstruction

**Stable
growth
foundation**

[Basic strategy - 2]

Reinforcement of original product development **Daitron**

(mil. yen)



Original product ratio
(sales base)
Aim at 30% in 2020

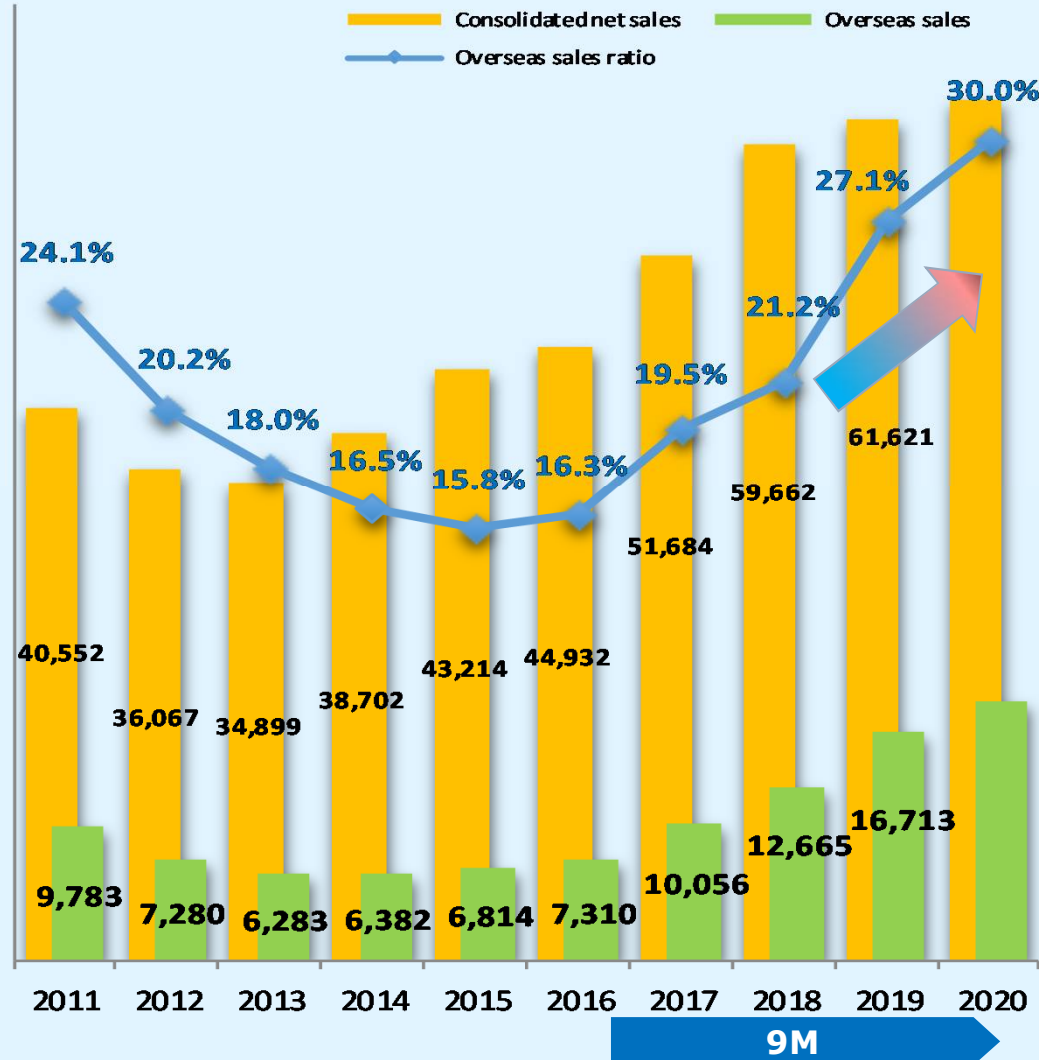
Strategic point

- Brush-up of original technologies & present product lines
- Reinforcement of new products development (new field)
- Enhancement of quasi-original lines by reinforced coordination with suppliers

[Basic strategy - 3] Enhancement of overseas operations



(mil. yen)



Overseas sales ratio
(sales base)
Aim at 30% in 2020

Strategic point

- Expansion of business with local companies
- Expansion of electronic parts business
- Expansion of business of selling products by overseas manufacturers to overseas customers
- Promotion of business unique to respective localities
- Enhancement of network

【Basic strategy - 4】

Improvement in marketing and sales capabilities

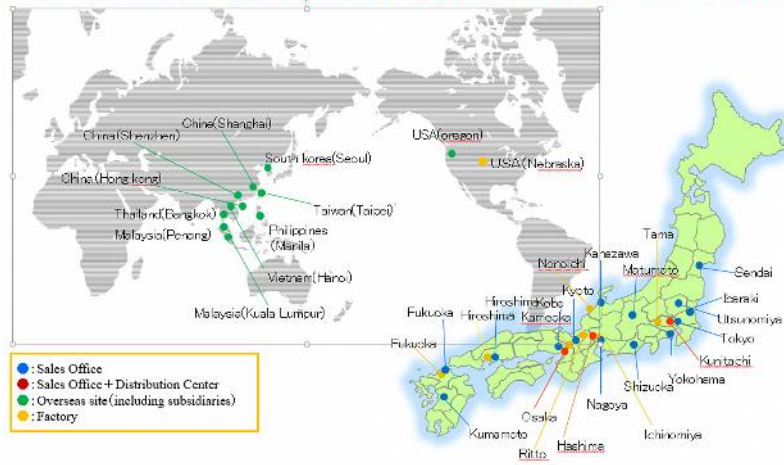


Strategic point 1

Expansion of domestic and overseas sales networks

- 【 Japan 】 - Tohoku District: Sendai (established as of January 1, 2019)
- Shikoku District
- 【 Overseas 】 - Hanoi, Vietnam (established as of May 1, 2019)
- India (under investigation)
- Europe (under investigation)

24 domestic locations (incl.8factories)&12 overseas locations (incl.1factory)



Strategic point 2

Strengthening of presence in the existing markets

- Efforts aiming for complex business relationships with customers

■ Previous

Daitron

Business in limited specific products/goods

Customer (purchaser)

■ New efforts in recent years

Toward the construction of complex business relationships

Daitron

Toward comprehensive business ranging from electronic equipment/parts to manufacturing equipment

Partner company

As a customer

Cultivation of competitive suppliers (Turning customers into suppliers)

As a supplier

Acceleration of product development for enhanced Daitron brand power

As a development partner

IoT Exhibition (IoT)



Automotive Engineering Exhibition (Automotive)



【Basic strategy - 5】

Strengthened integration of production divisions



Chubu Factories

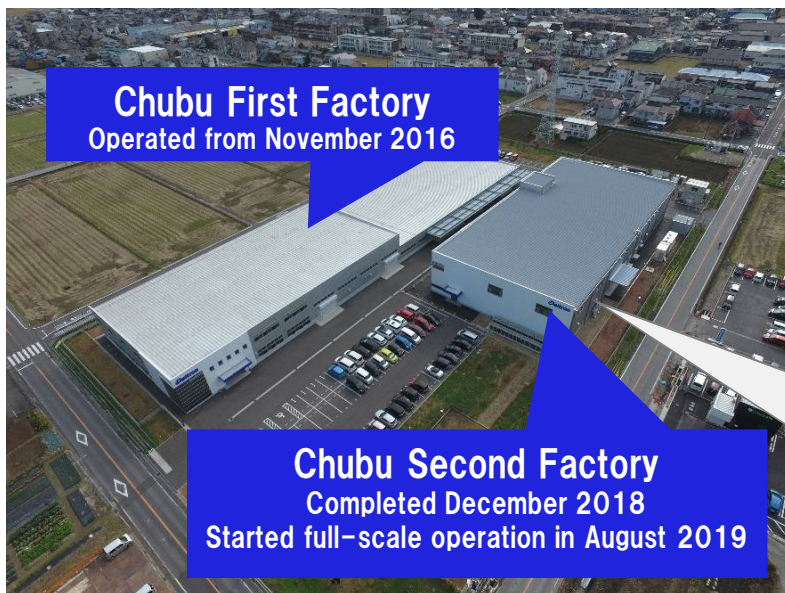
(Ichinomiya city, Aichi)

Newly established as a core factory of Daitron Group



Toward core manufacturing and development site

- Enhanced profitability by improved productivity
 - ⇒ Concentration and streamlining of production system (Chubu Factories)
 - ⇒ Introduction of production control system (management side)
- Reinforcement of the manufacturing function of group companies
 - ⇒ Merger of Daito-Tec and Takawa Industry



【 First Factory 】

For electronic equipment and components production

>> Operated from November 2016

【 Second Factory 】 For manufacturing equipment related production

>> Started full-scale operation in August 2019

Toward a technology-based company

New Daitron Group is going to seek original evolution by the maximized effect of three-company merger as a technology-based company in the electronics industry under the combined manufacturing and sales policy.

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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