

**FY 2020**

**3 Q Financial Material**



**Daitron Co., Ltd.**

**Securities Code: 7609**

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



# Quarterly Performance Change

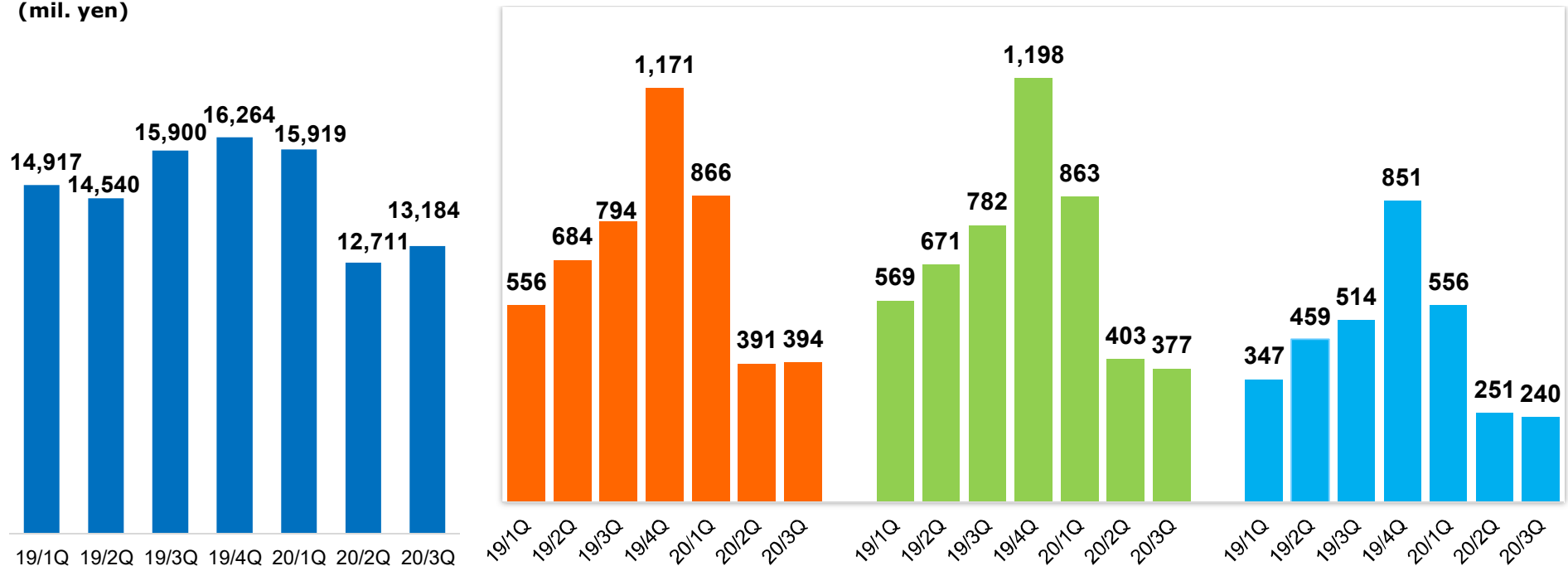


- 3 Q cumulative performance
- Operating income **¥ 1,651 mil.**  
*(81.2% y/y)*
- Net sales **¥41,814 mil.**  
*(92.2% y/y)*
- Ordinary income **¥ 1,643 mil.**  
*(81.3% y/y)*
- Net income **¥ 1,047 mil.**  
*(79.4% y/y)*

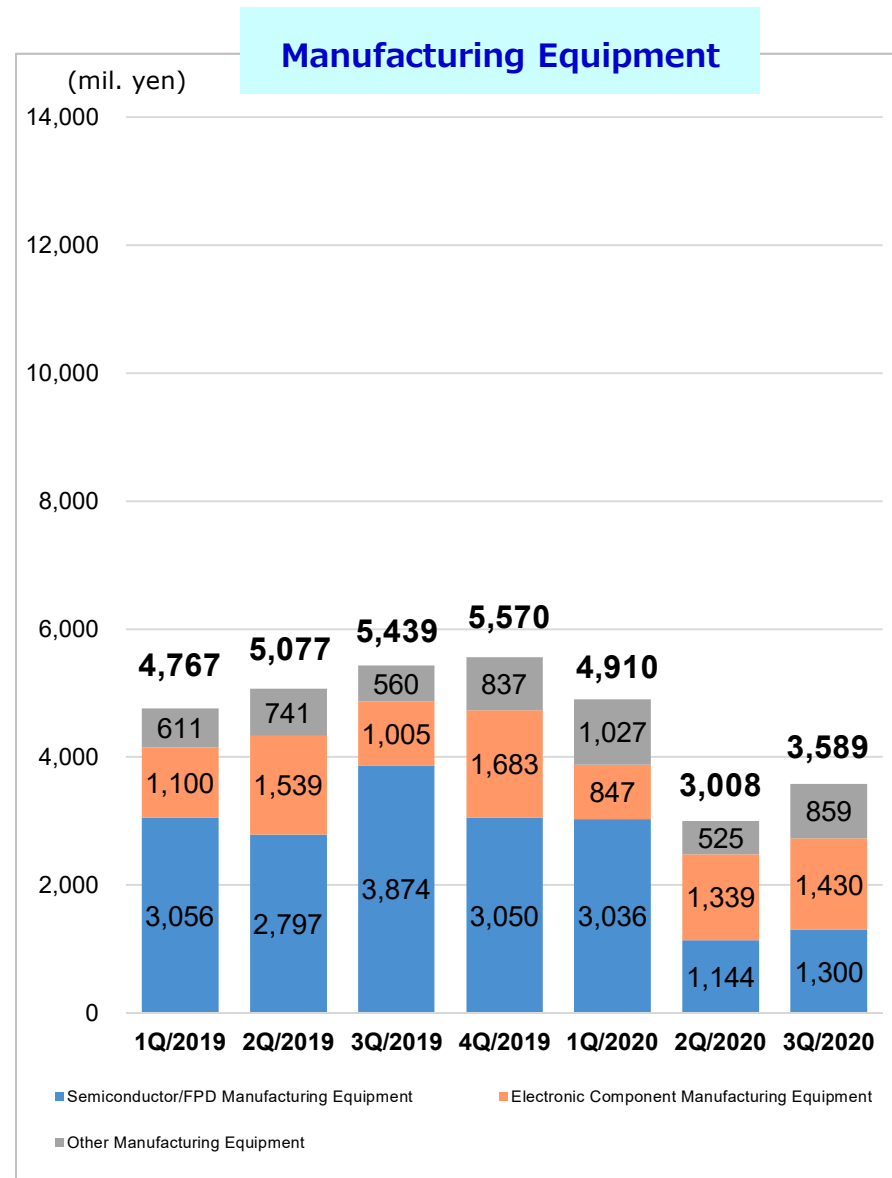
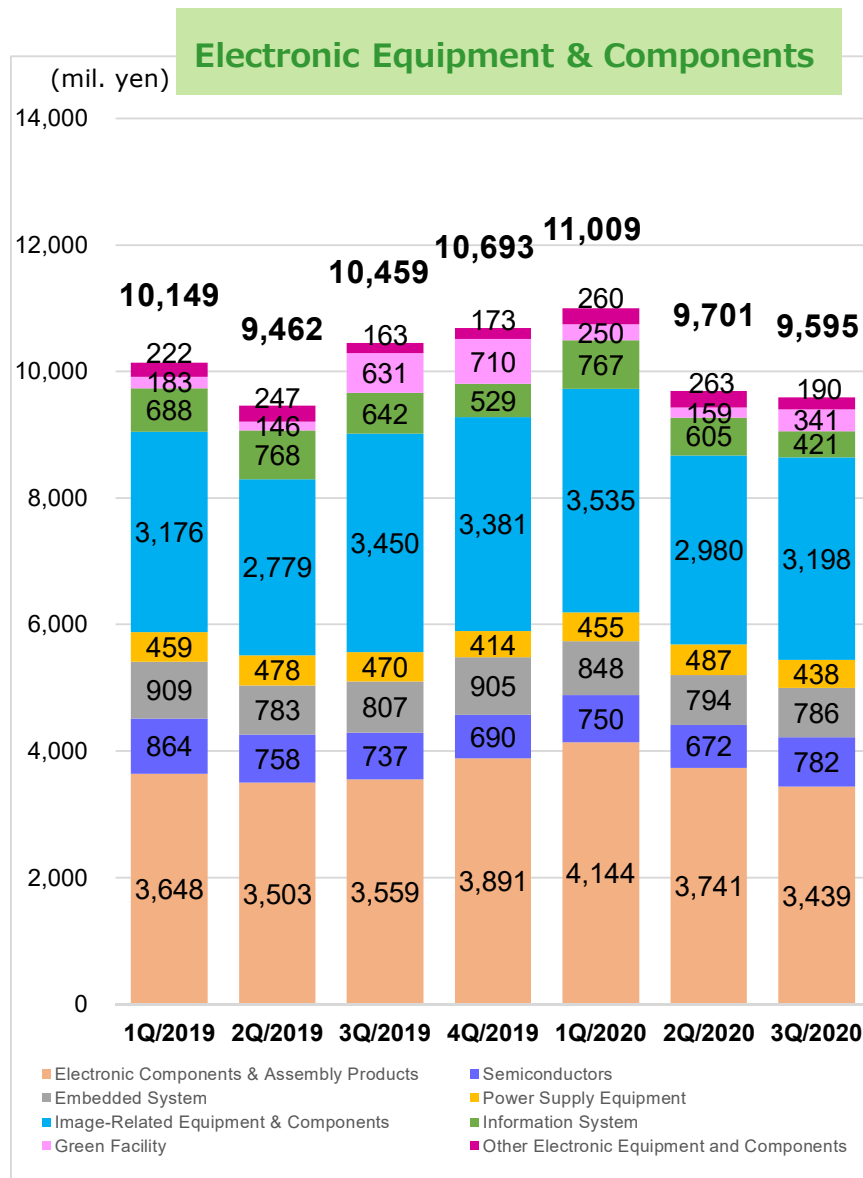
Graph of quarterly performance change

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



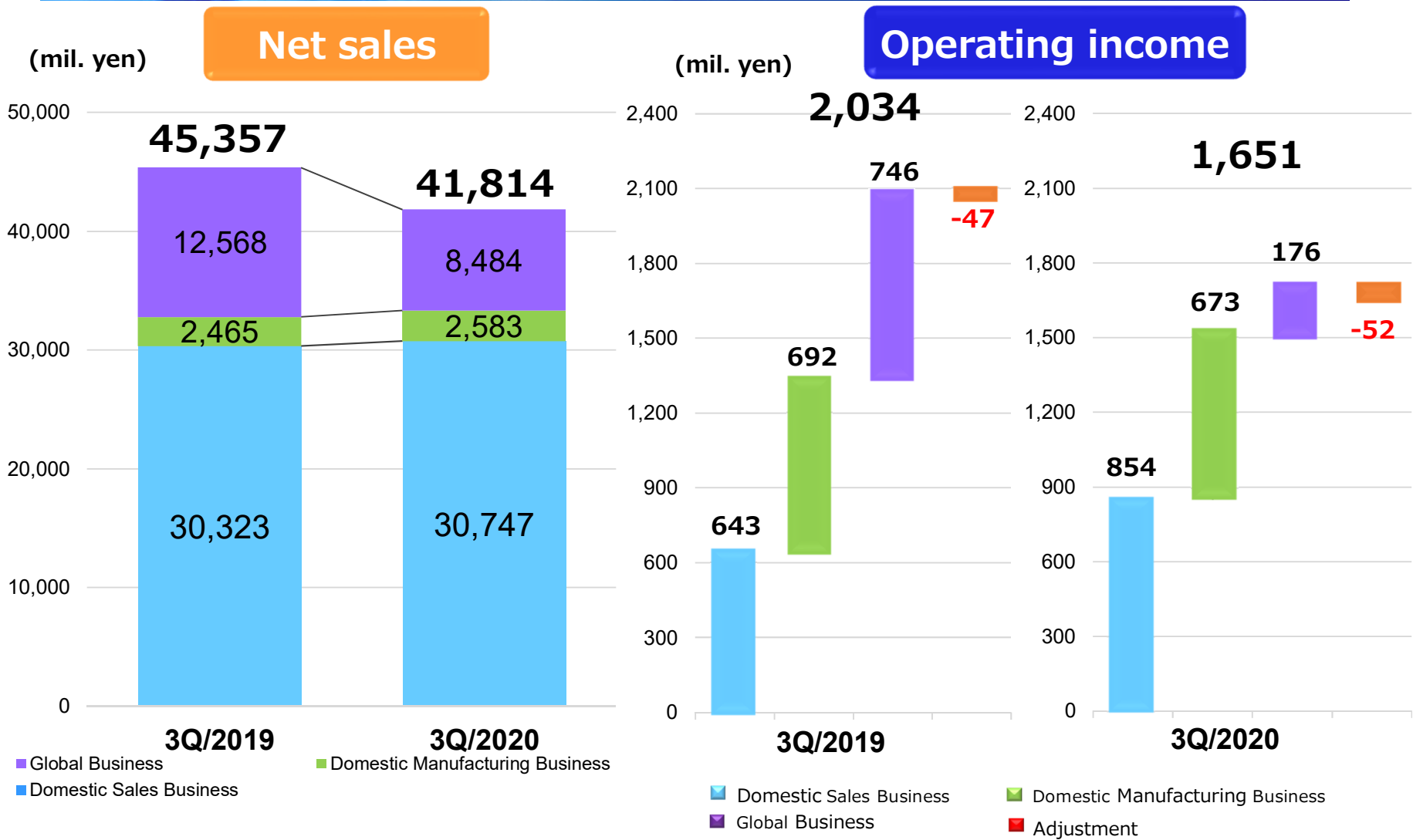
# Product Segment Quarterly Performance Change



# Consolidated Financial Position Comparison (y/y)

(mil. yen)	FY 2019	3Q/2020	Difference
Total assets	<b>45,757</b>	<b>45,899</b>	<b>141</b>
Total liabilities	<b>26,992</b>	<b>26,827</b>	<b>△165</b>
Shareholders' equity	<b>18,762</b>	<b>19,069</b>	<b>306</b>
Net assets	<b>18,765</b>	<b>19,072</b>	<b>306</b>
Equity ratio	<b>41.0%</b>	<b>41.5%</b>	<b>0.5pt</b>
Net asset per share (yen)	<b>1,691.87</b>	<b>1,719.18</b>	<b>27.31</b>

# 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 3Q/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	<b>27.1%</b> (23.6% 3Q/2019)	<b>23.3%</b> (24.1% 3Q/2019)	<b>19.9%</b> (20.8% 3Q/2019)	<b>North America</b> <b>1.6%</b> (2.4% 3Q/2019)
	Semiconductors	<b>5.3%</b> (5.2% 3Q/2019)	<b>17.4%</b> (18.5% 3Q/2019)		
	Embedded System	<b>5.8%</b> (5.5% 3Q/2019)	<b>15.0%</b> (14.1% 3Q/2019)		
	Power Supply Equipment (including Green Facility)	<b>5.1%</b> (5.2% 3Q/2019)	<b>26.8%</b> (24.3% 3Q/2019)		<b>Europe</b> <b>0.4%</b> (0.9% 3Q/2019)
	Image-Related Equipment & Components	<b>23.2%</b> (20.7% 3Q/2019)	<b>14.5%</b> (14.8% 3Q/2019)		
	Information System	<b>4.3%</b> (4.6% 3Q/2019)	<b>25.8%</b> (23.1% 3Q/2019)		
	Other Electronic Equipment and Components	<b>1.7%</b> (1.5% 3Q/2019)	<b>13.9%</b> (5.1% 3Q/2019)		
Manufacturing Equipment	Semiconductor/FPD Manufacturing Equipment	<b>13.1%</b> (21.4% 3Q/2019)	<b>19.1%</b> (17.3% 3Q/2019)	<b>Asia</b> <b>18.3%</b> (24.7% 3Q/2019)	
	Electronic Component Manufacturing Equipment	<b>8.6%</b> (8.0% 3Q/2019)	<b>29.2%</b> (29.2% 3Q/2019)		
	Other Manufacturing Equipment	<b>5.8%</b> (4.3% 3Q/2019)	<b>15.0%</b> (16.7% 3Q/2019)		
Total		<b>100.0%</b>	<b>20.1%</b> (19.7% 3Q/2019)	<b>19.9%</b> (20.8% 3Q/2019)	<b>20.3%</b> (28.0% 3Q/2019)

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

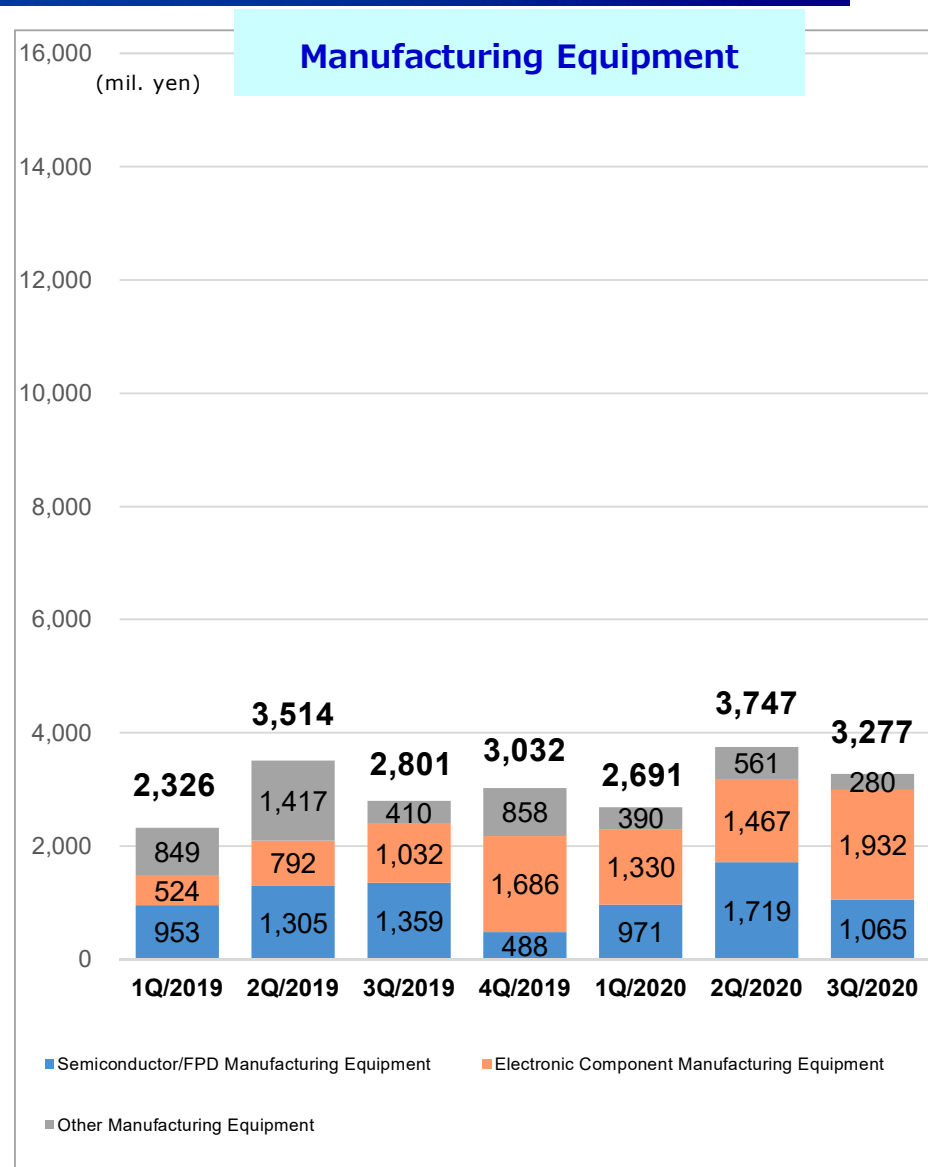
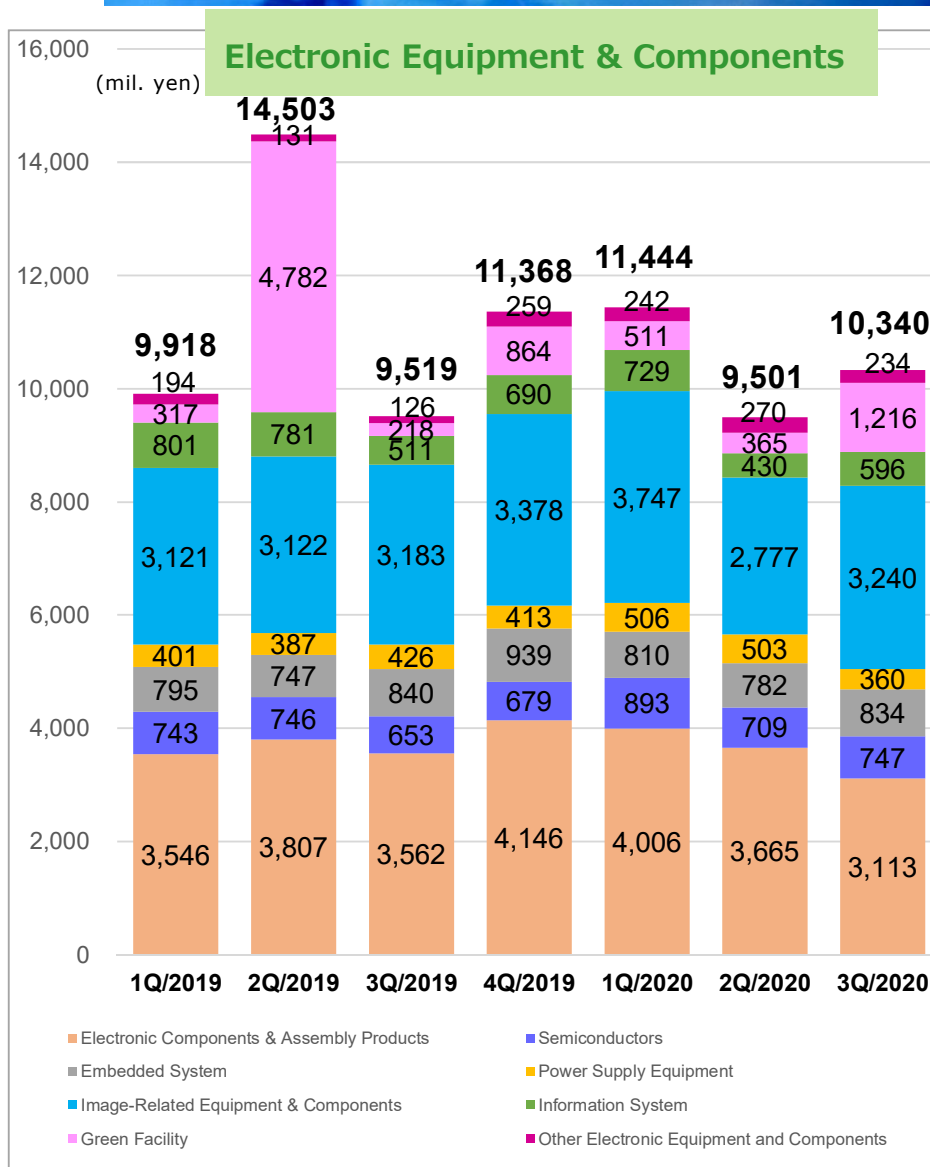
# Year-on-year net sales by area



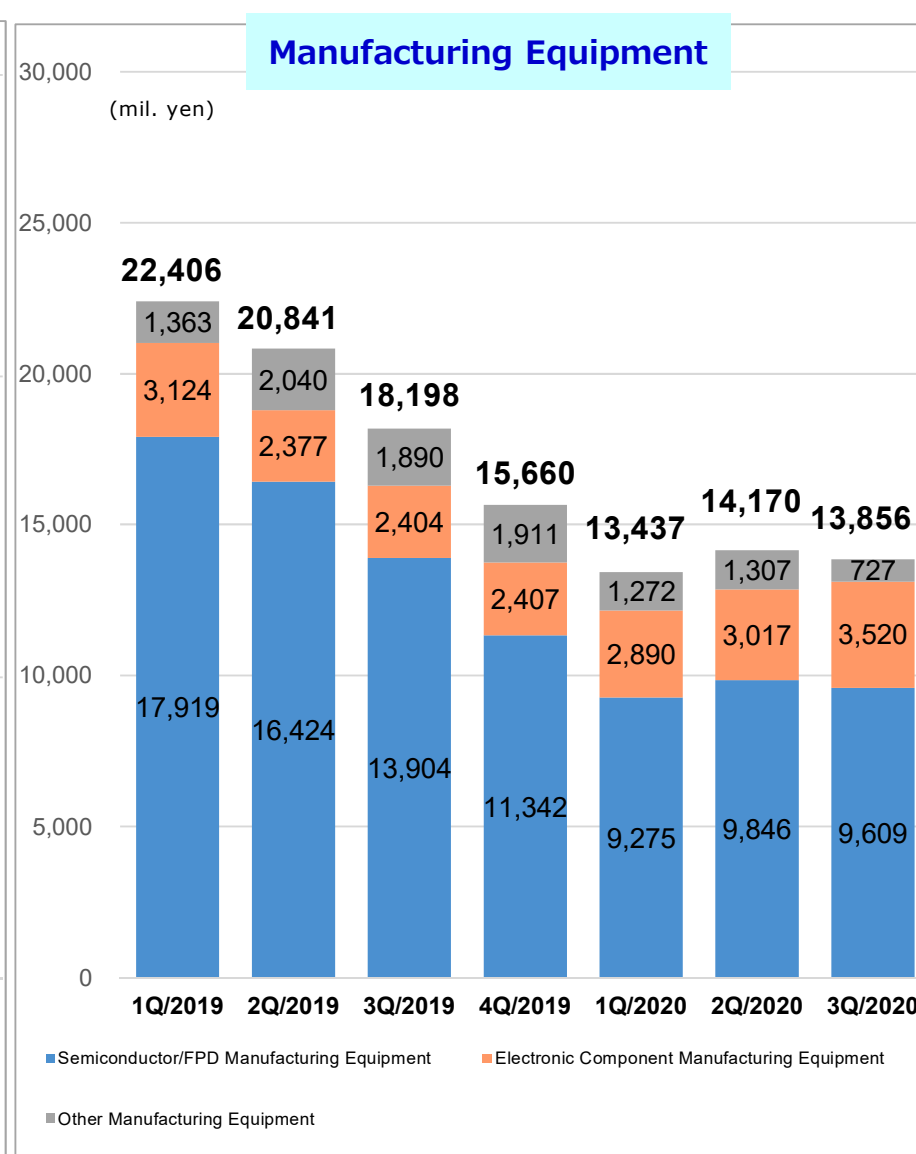
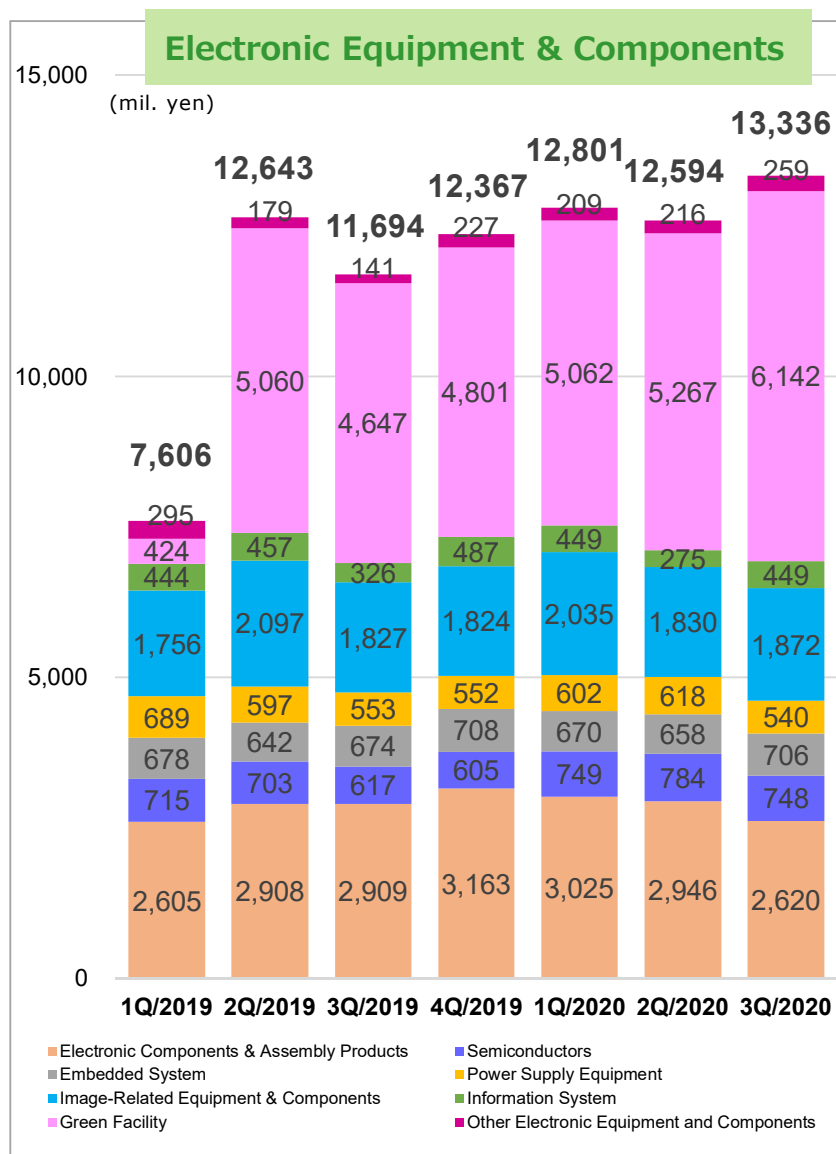
(mil. yen)	3Q/2019	3Q/2020	Difference
<b>D o m e s t i c</b>	<b>32,656</b>	<b>33,336</b>	<b>680</b>
<b>O v e r s e a s</b> The figures in parentheses are sales ratio	<b>12,700</b> ( <b>28.0%</b> )	<b>8,478</b> ( <b>20.3%</b> )	<b>△4,222</b> ( <b>△7.7pt</b> )
<b>N o r t h</b> <b>A m e r i c a</b>	<b>1,072</b>	<b>674</b>	<b>△398</b>
<b>E u r o p e</b>	<b>416</b>	<b>166</b>	<b>△250</b>
<b>A s i a</b>	<b>11,211</b>	<b>7,637</b>	<b>△3,574</b>
<b>T o t a l</b>	<b>45,357</b>	<b>41,814</b>	<b>△3,543</b>



# 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 5,552 million yen in Electronic Equipment and Components, and approximately 10,316 million yen in Manufacturing Equipment.

# Consolidated forecast for FY2020

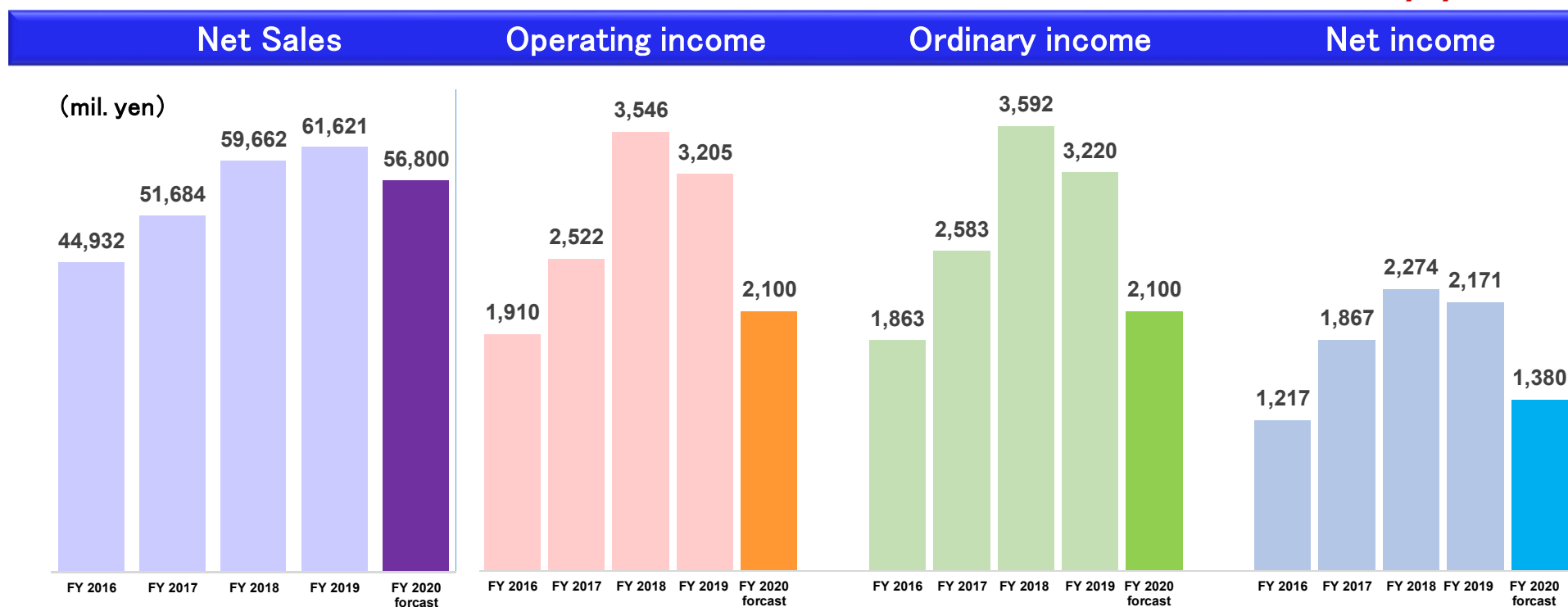


■ **Net sales** ¥56,800mil.  
(92.2% y/y)

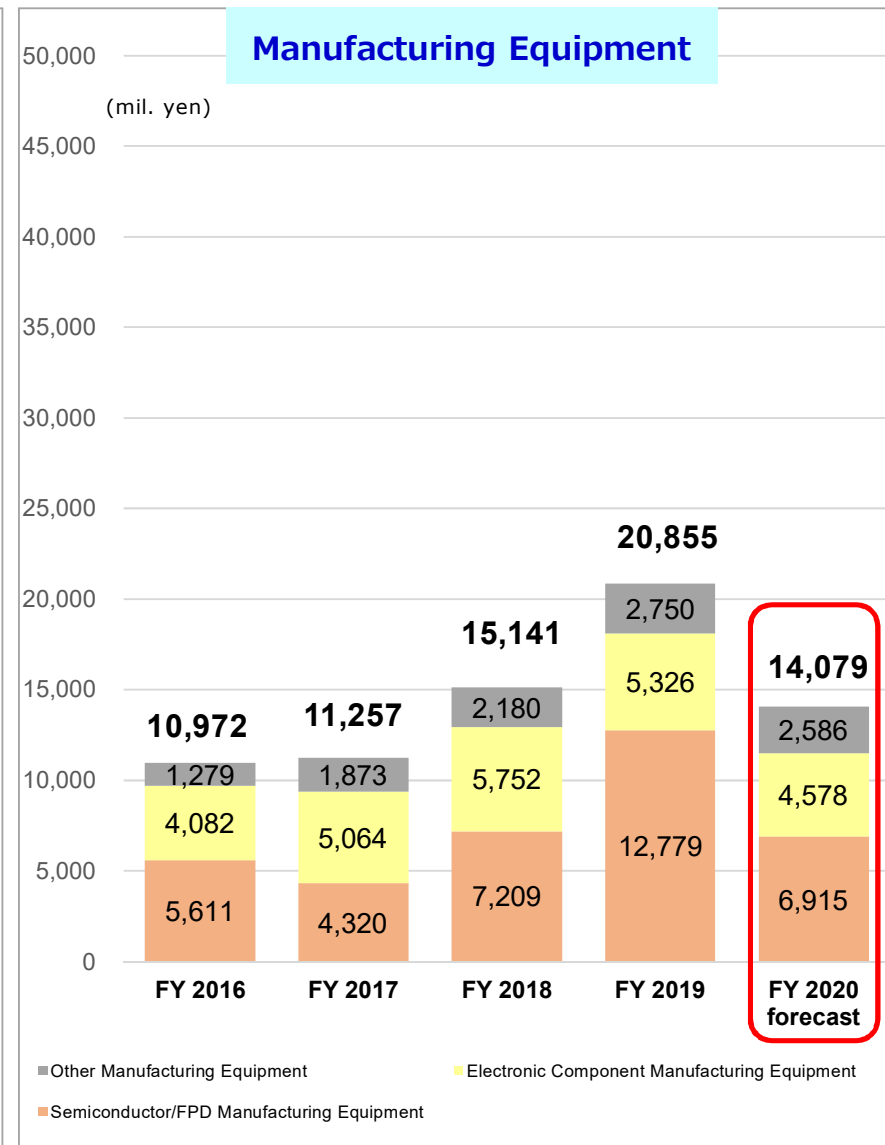
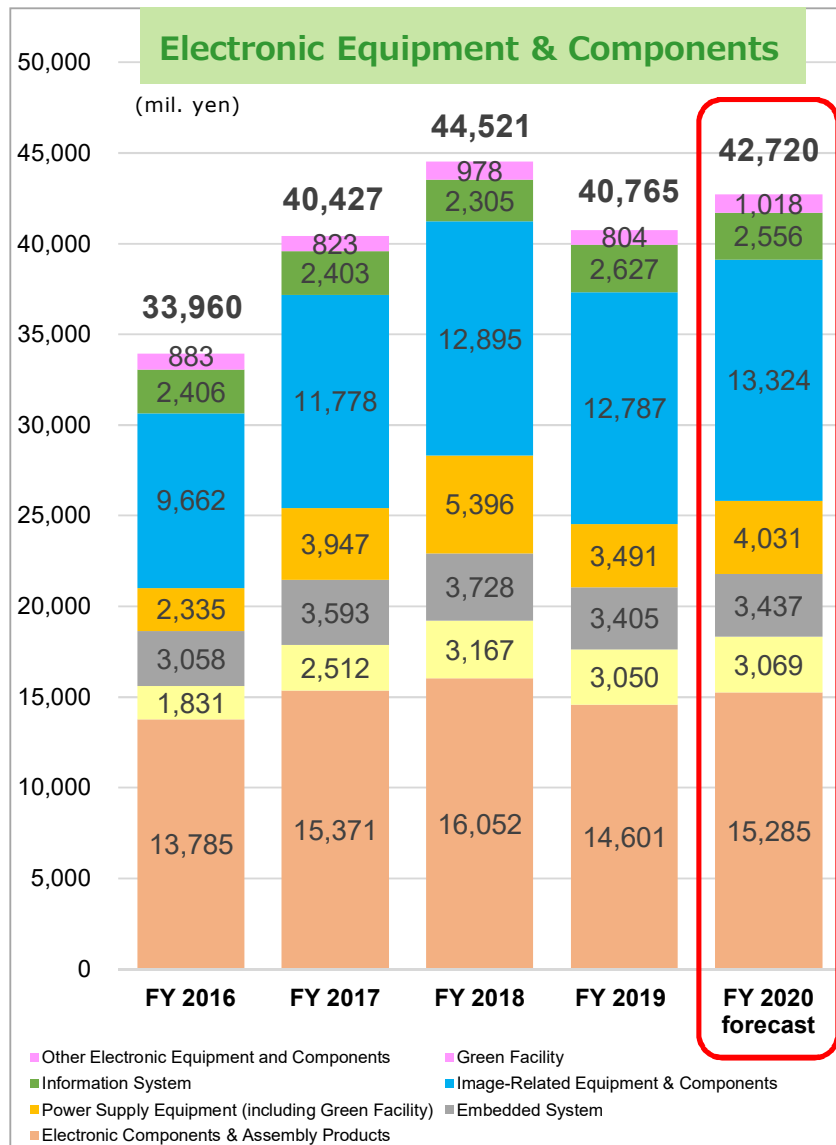
■ **Operating income** ¥2,100mil.  
(65.5% y/y)

■ **Ordinary income** ¥2,100mil.  
(65.2% y/y)

■ **Net income** ¥1,380mil.  
(63.6% y/y)



# Performance Change & Earnings Forecast by product segment **Daitron**



### ■ Response by the Group

- Establishment of guidelines for the response to the spread of the coronavirus disease (COVID-19).

### ■ Our effort for the coronavirus disease (COVID-19) spreading prevention

- Introduction of reduced working hours, staggered working hours, and teleworking.
- Postponement of non-urgent domestic and all overseas business trips.
- Voluntary restraint of sponsoring events and wining and dining entertainment.

### ■ Situation of the electronics industry the Group belongs to

- Demand for 5G, IoT, and automation related electronic parts, semiconductors, and production equipment remaining strong.
- Production activities changed inactively by the coronavirus disease (COVID-19) spreading globally.

# 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	20	30	50		40.2%

· Started paying interim dividends from FY 2017

# 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

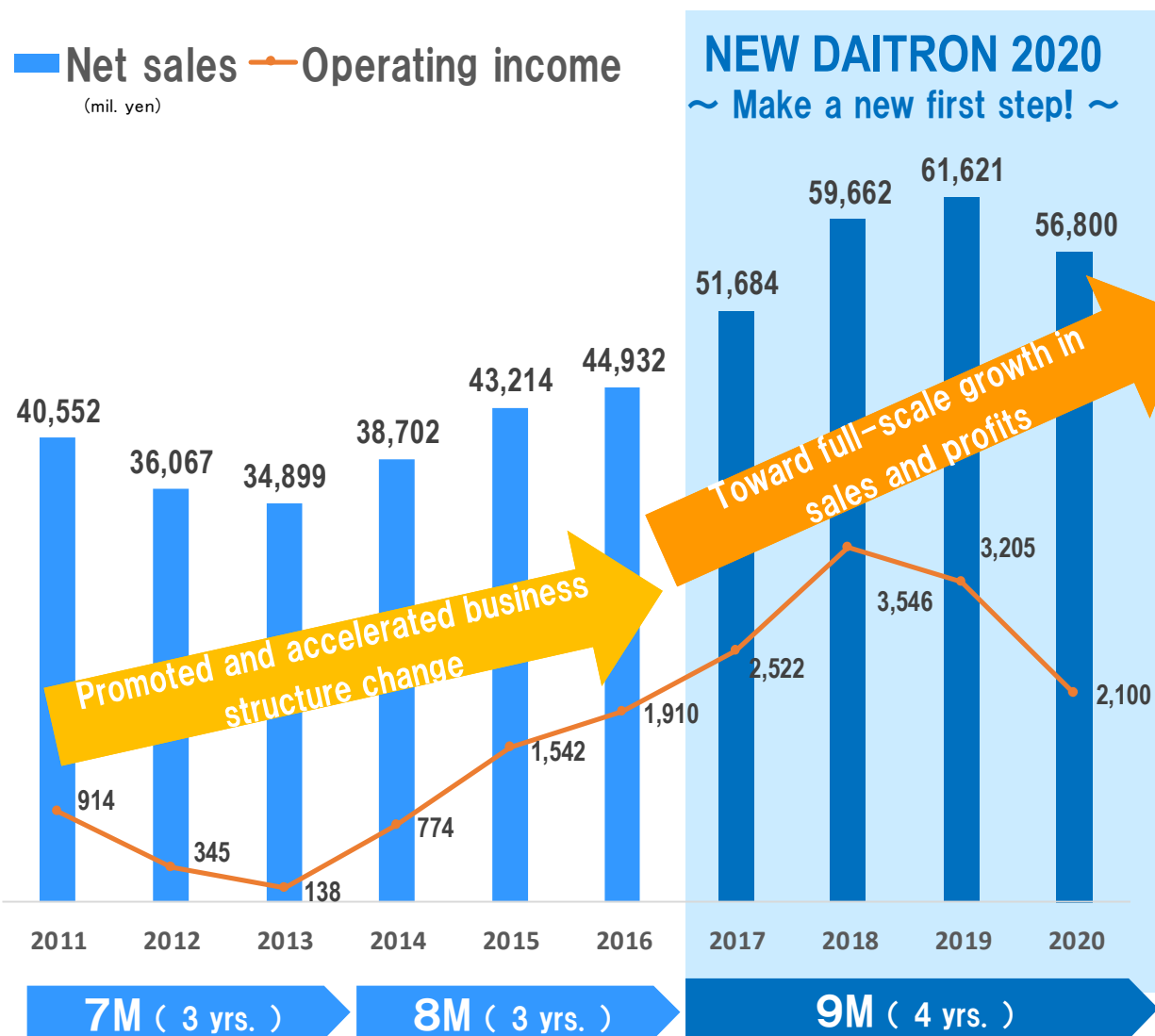
  - Having "dynamism" of a trader and "potentiality and soundness" of a manufacturer

- **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**

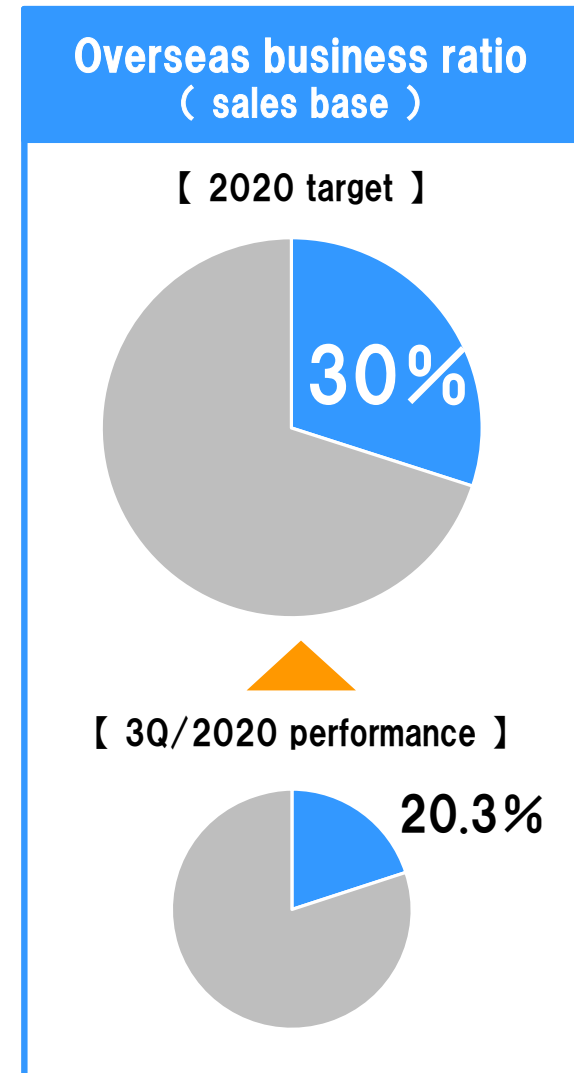
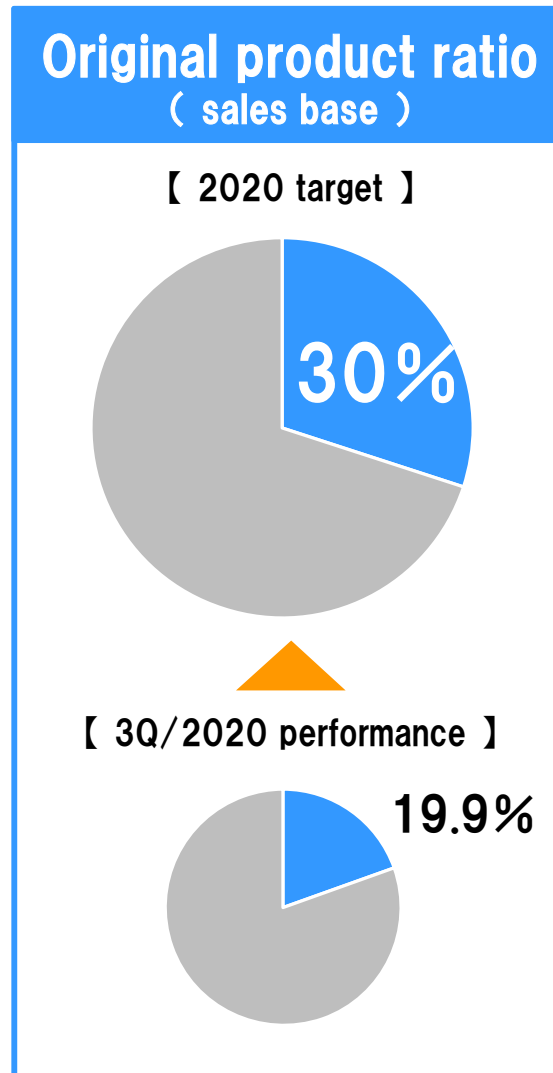
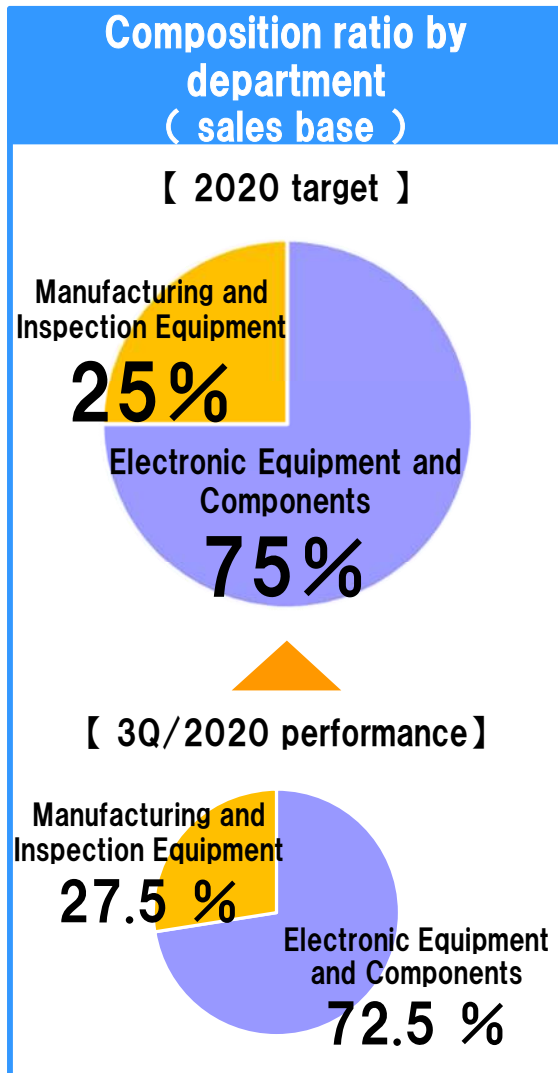
**4% or above**

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

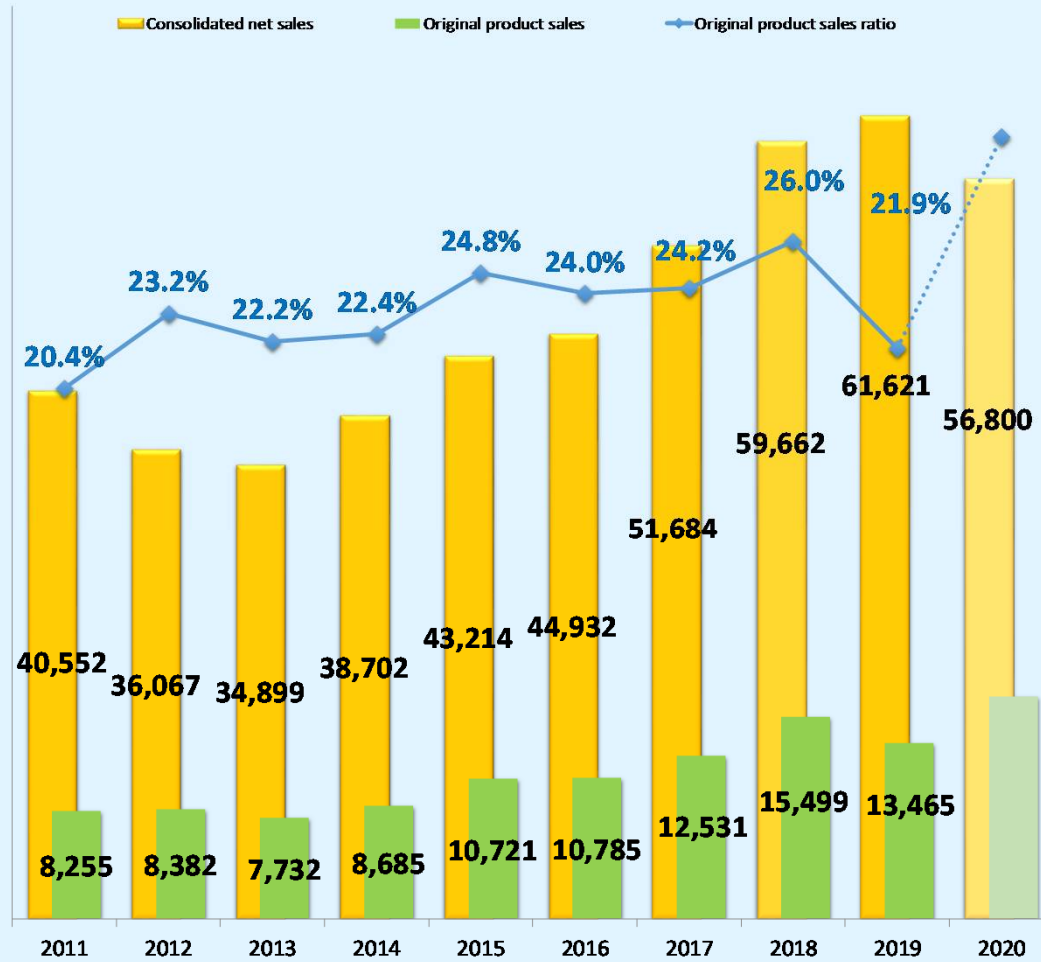
**Stable  
growth  
foundation**



# 【Basic strategy - 2】

## Reinforcement of original product development **Daitron**

(mil. yen)



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

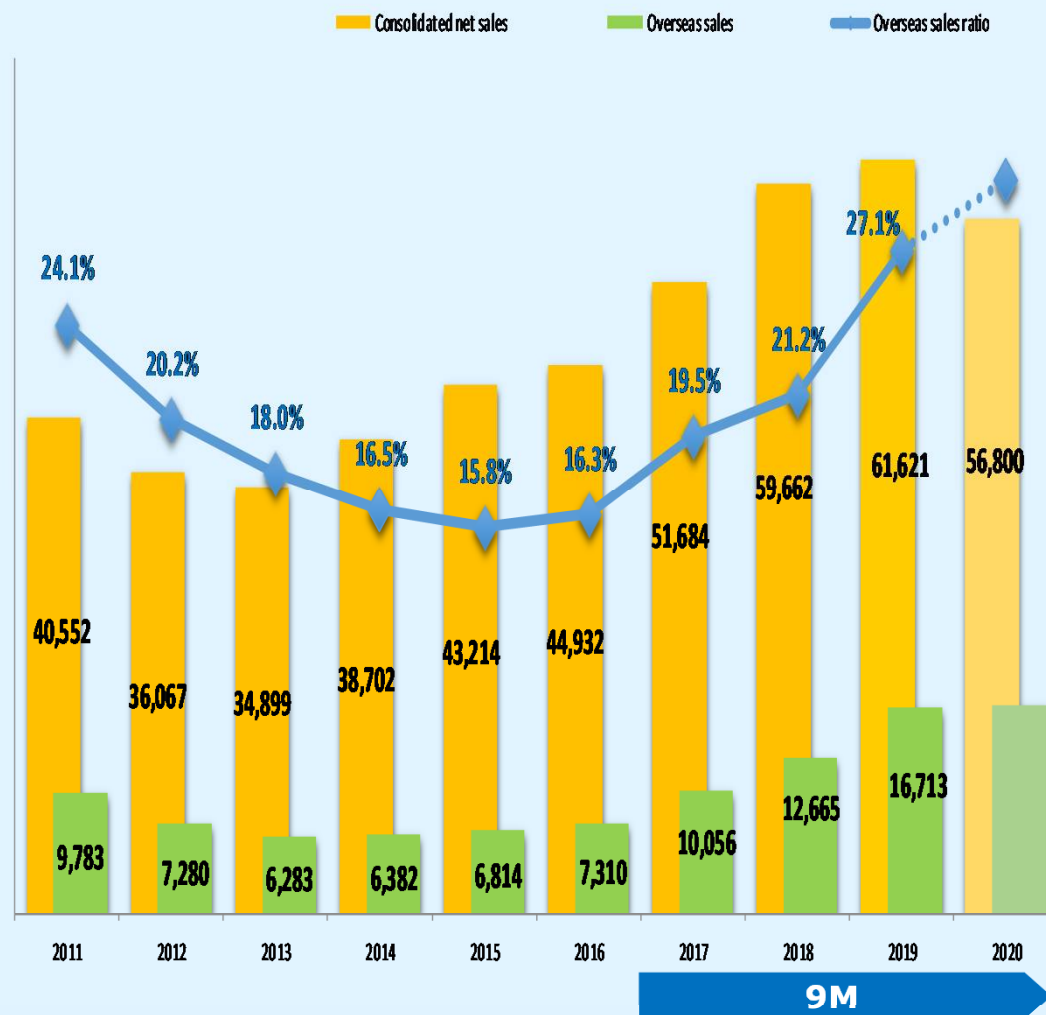
**Strategic point**

- 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

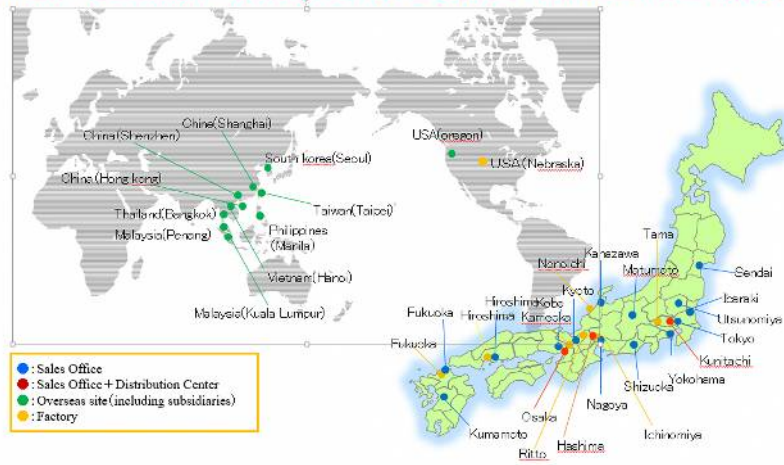


### Strategic point 1

### Expansion of domestic and overseas sales networks

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

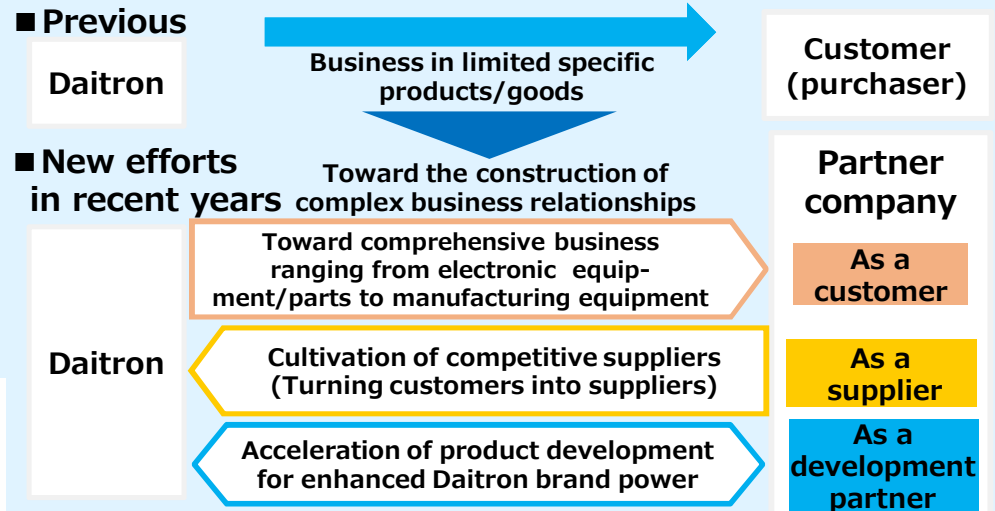
24 domestic locations (incl.8factories) & 12 overseas locations (incl.1factory)



### Strategic point 2

### Strengthening of presence in the existing markets

- Efforts aiming for complex business relationships with customers



### IoT Exhibition (IoT)



### Automotive Engineering Exhibition (Automotive)



# 【Basic strategy - 5】

## Strengthened integration of production divisions



### Chubu Factories

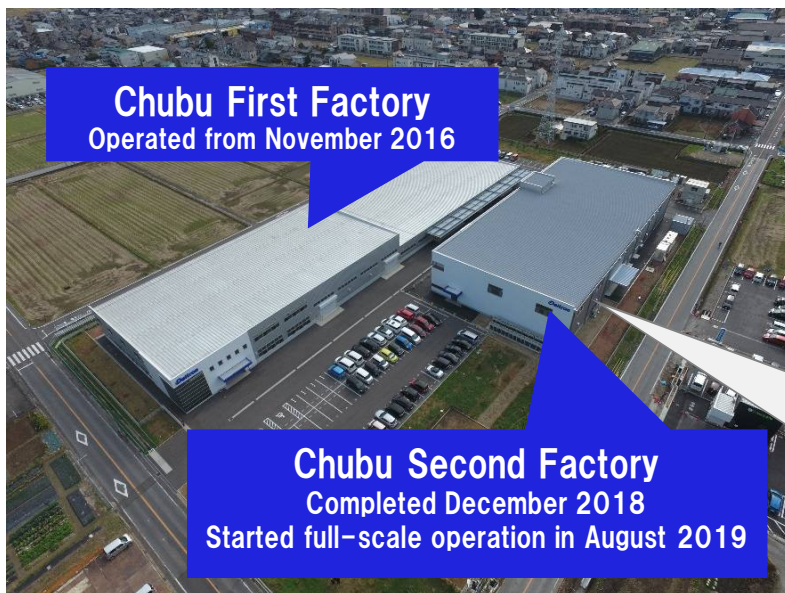
(Ichinomiya city, Aichi)

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



**Chubu First Factory**  
Operated from November 2016

**Chubu Second Factory**  
Completed December 2018  
Started full-scale operation in August 2019



Photo of Manufacturing equipment production site (Chubu Second Factory)

### 【 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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