

FY 2020

Full-Year Earnings Report



Daitron Co., Ltd.

Securities Code: 7609

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



Change in Full-Year Earnings

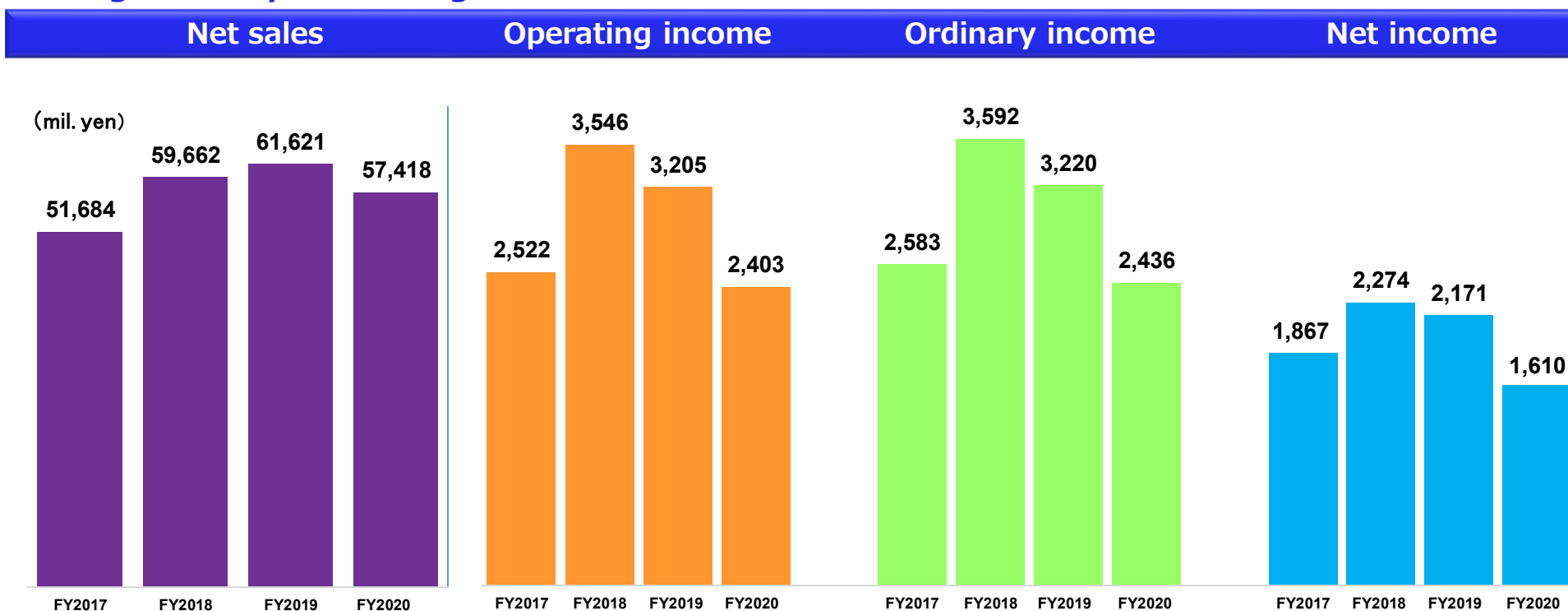


■ FY 2020 earnings

Net Sales ¥57,418 mil.
(93.2% y/y)

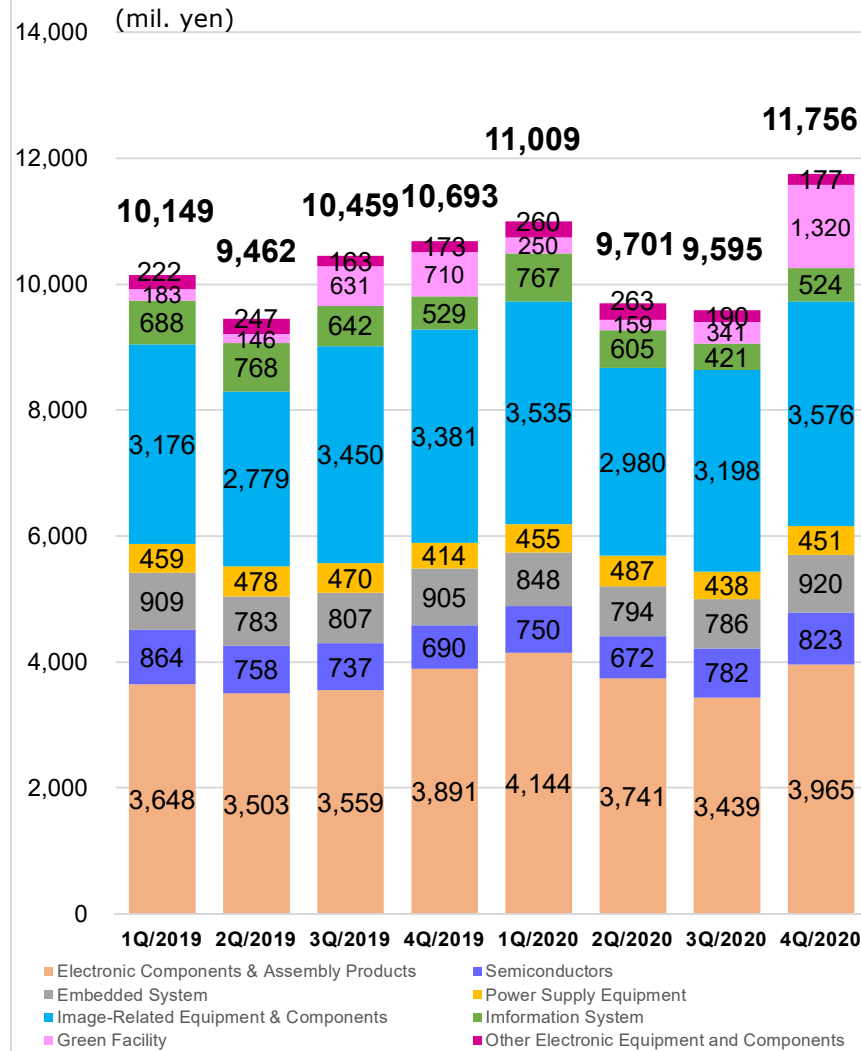
- Operating income ¥2,403 mil.
(75.0% y/y)
- Ordinary income ¥2,436 mil.
(75.7% y/y)
- Net income ¥1,610 mil.
(74.2% y/y)

Change in full-year earnings

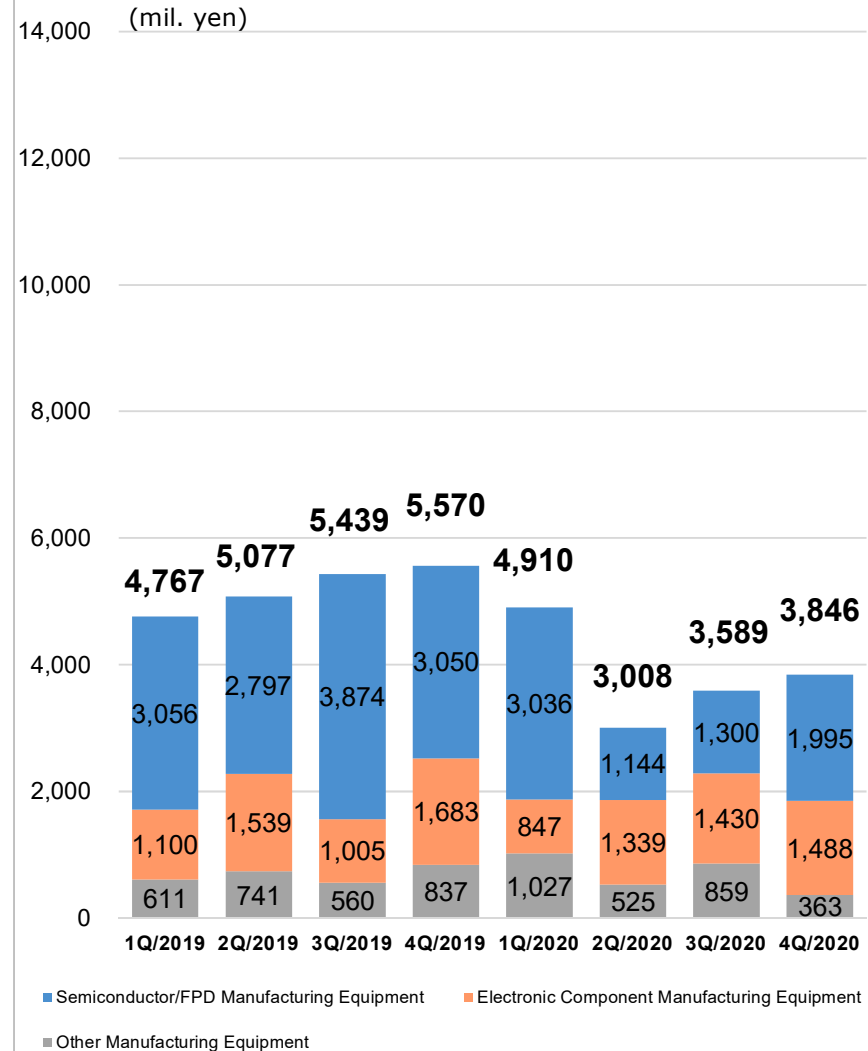


Product Segment Quarterly Performance Change **Daitron**

Electronic Equipment & Components



Manufacturing Equipment



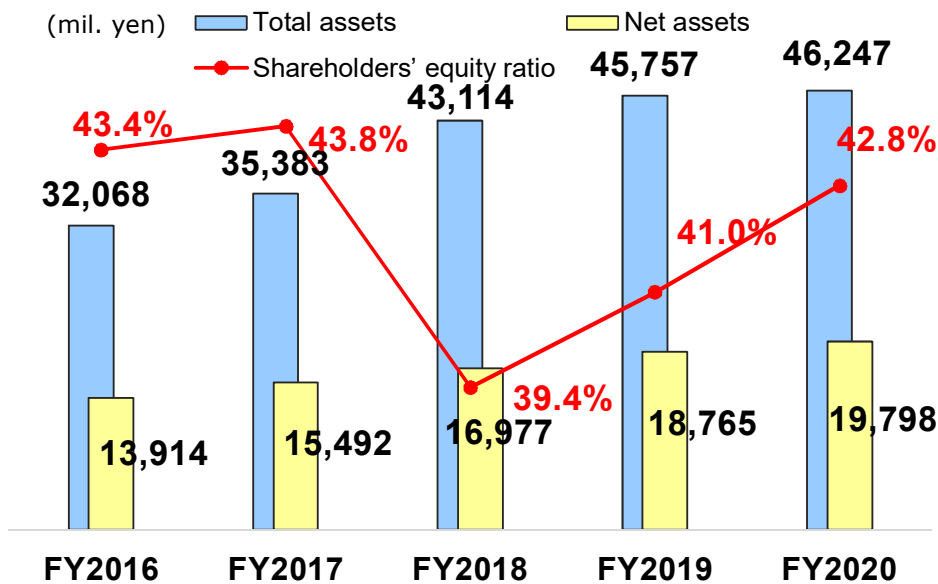
Consolidated financial position

Total assets
¥46,247 mil.
 (up ¥489 mil.)

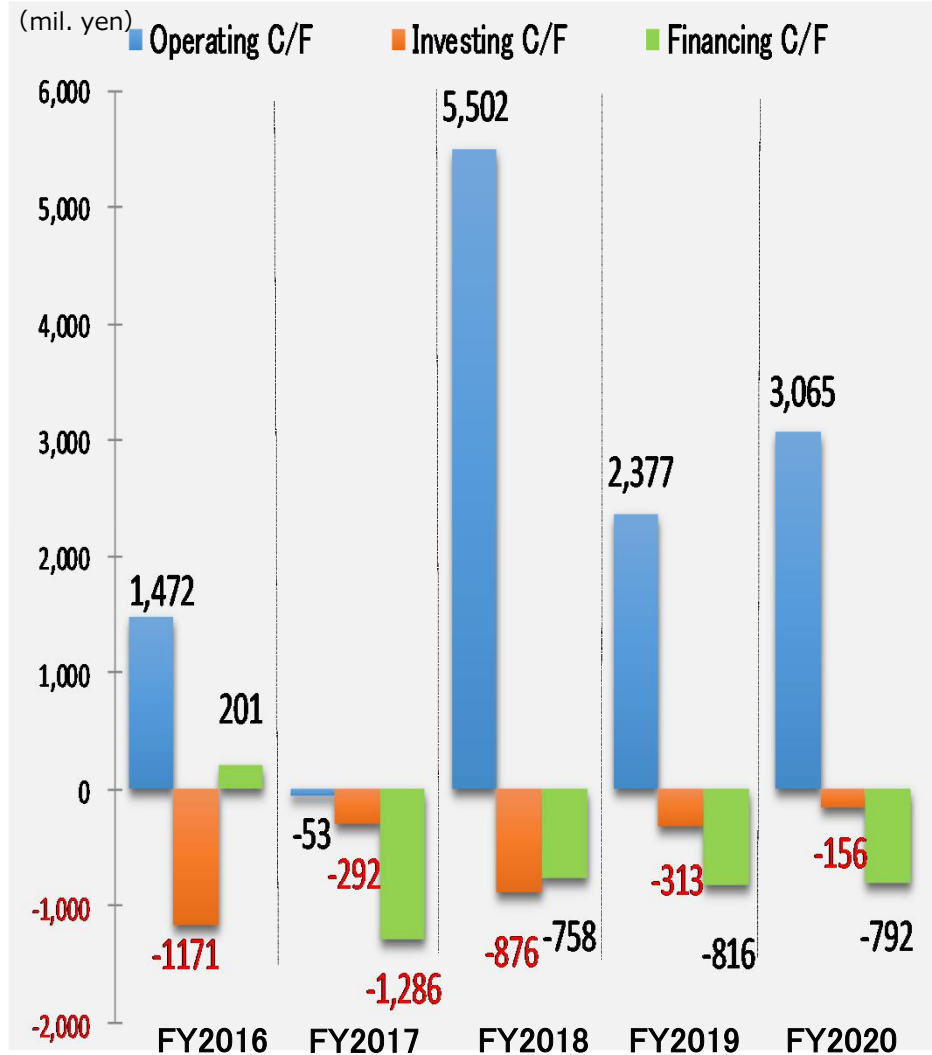
Liabilities
¥26,448 mil.
 (down ¥543 mil.)

Net assets
¥19,798 mil.
 (up ¥1,032 mil.)

Total assets · Net assets · Equity ratio



Consolidated cash flows

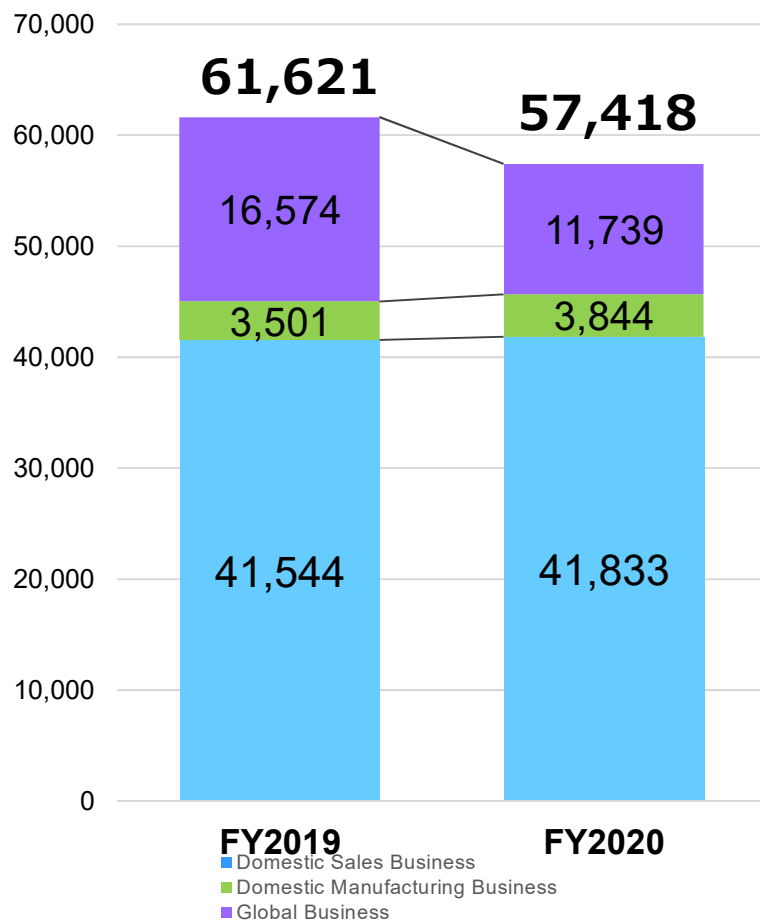


General Changes by Report Segment



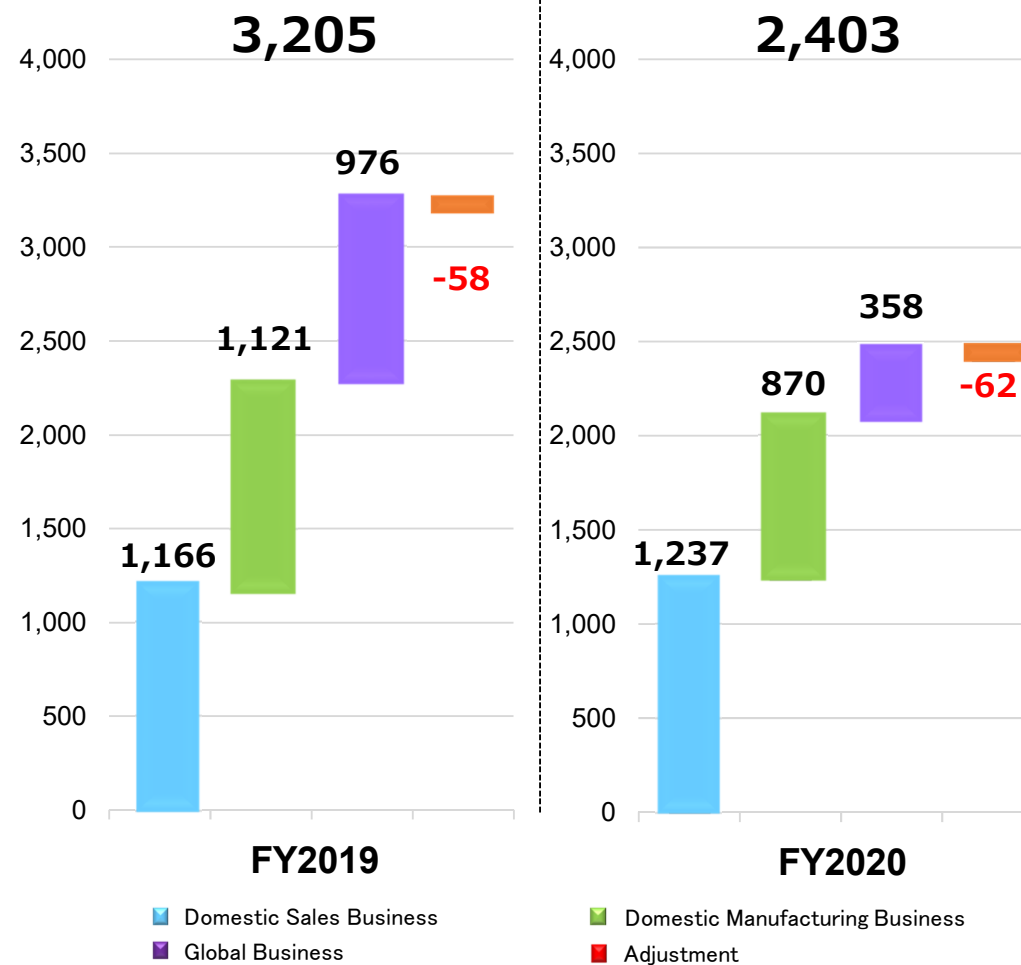
(mil. yen)

Net sales



(mil. yen)

Operating income



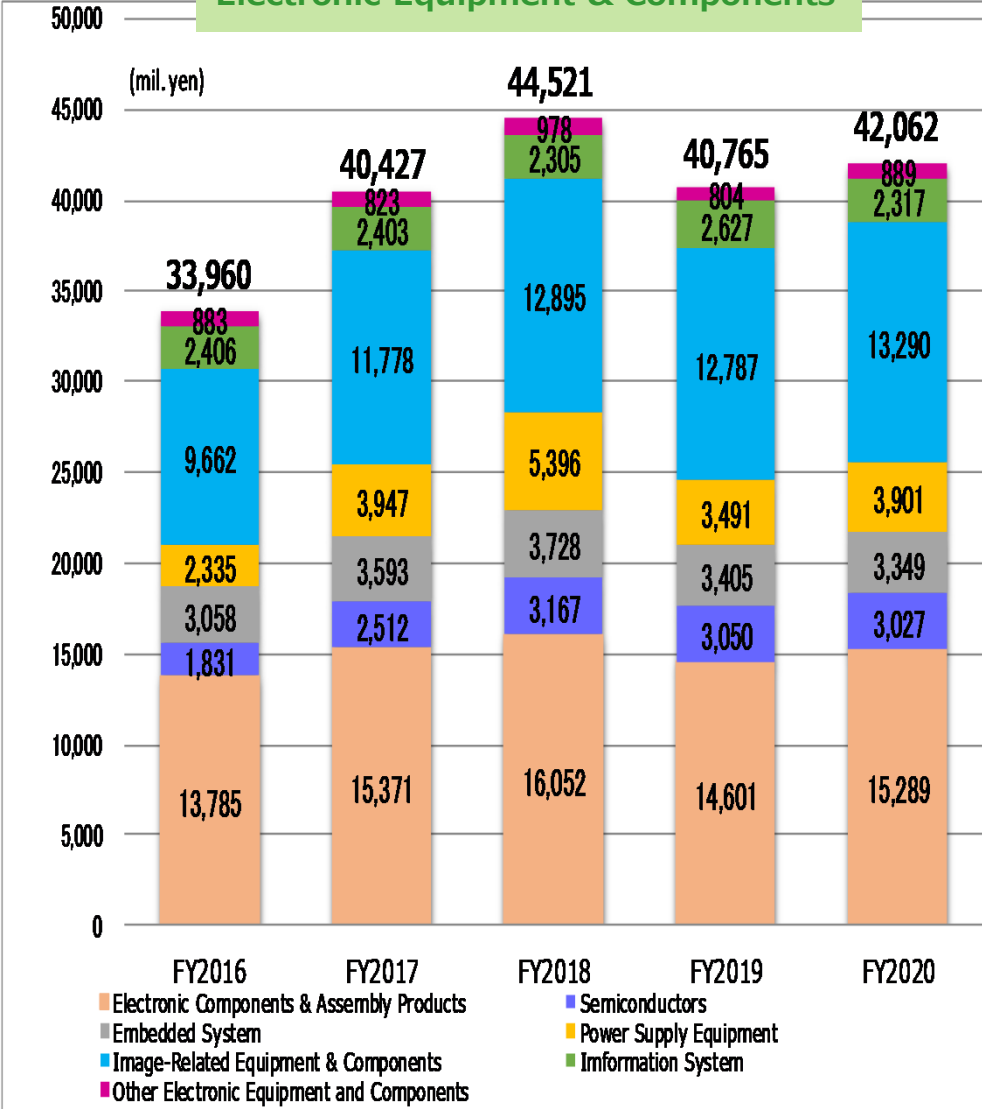
(Note)

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.

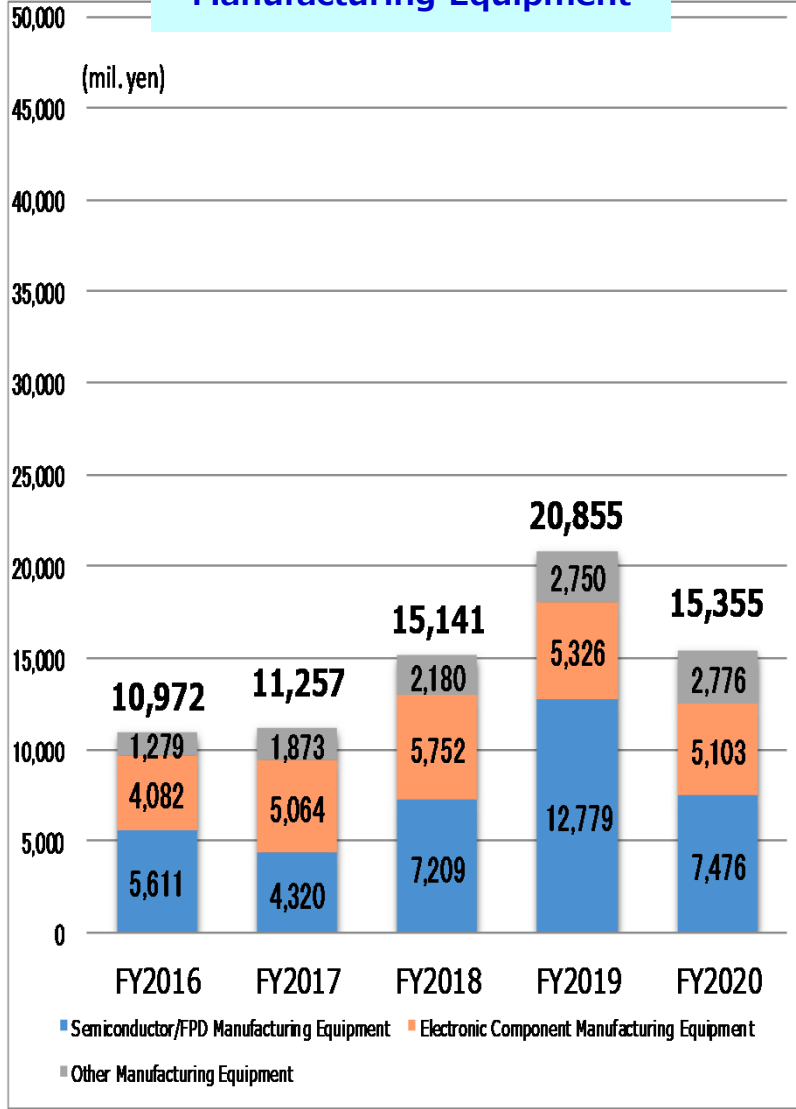
Product Segment Performance Change



Electronic Equipment & Components



Manufacturing Equipment



Business Structure of the Company 2020 performance **Daitron**

Business	By product segment	Sales composition ratio	Gross profit margin	Original product ratio	Overseas sales ratio
Electronic Equipment & Components	Electronic Components & Assembly Products	26.6% (23.7% 2019)	22.7% (23.8% 2019)	20.4% (21.9% 2019)	North America 1.5% (2.1% 2019)
	Semiconductors	5.3% (4.9% 2019)	17.4% (18.7% 2019)		
	Embedded System	5.8% (5.5% 2019)	15.2% (14.2% 2019)		
	Power Supply Equipment (including Green Facility)	6.8% (5.7% 2019)	24.5% (28.8% 2019)		Europe 0.4% (0.8% 2019)
	Image-Related Equipment & Components	23.2% (20.8% 2019)	14.3% (14.8% 2019)		
	Information System	4.0% (4.3% 2019)	26.1% (23.8% 2019)		
	Other Electronic Equipment and Components	1.6% (1.3% 2019)	9.5% (6.2% 2019)		
Manufacturing Equipment	Semiconductor/FPD Manufacturing Equipment	13.0% (20.7% 2019)	20.6% (18.3% 2019)		Asia 18.5% (24.3% 2019)
	Electronic Component Manufacturing Equipment	8.9% (8.6% 2019)	28.5% (30.2% 2019)		
	Other Manufacturing Equipment	4.8% (4.5% 2019)	15.1% (16.2% 2019)		
Total		100.0%	20.0% (20.3% 2019)	20.4% (21.9% 2019)	20.5% (27.1% 2019)

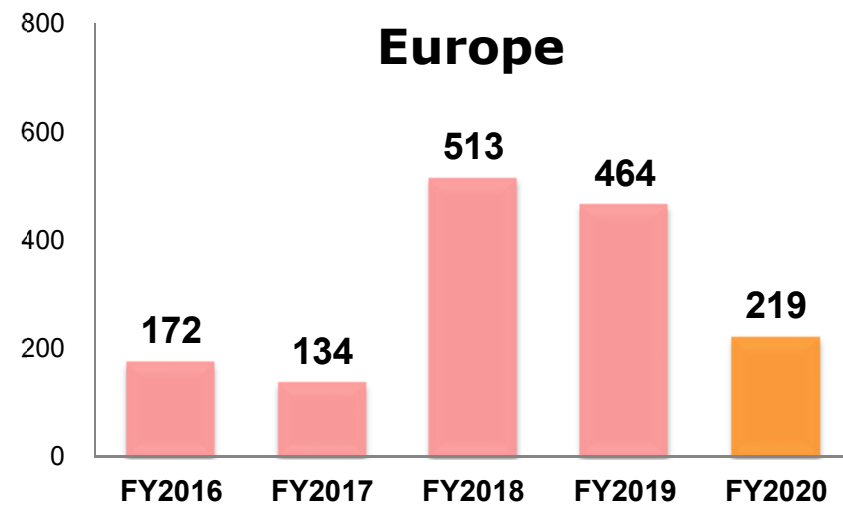
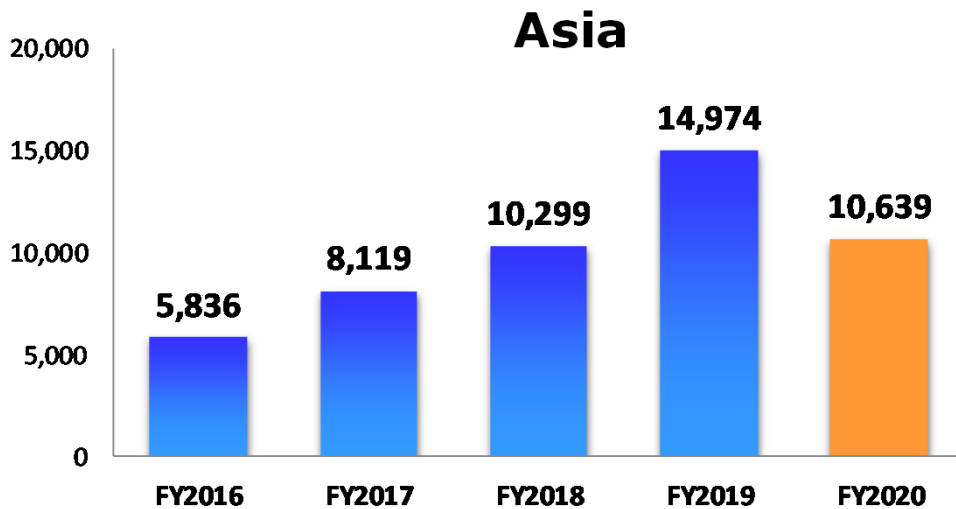
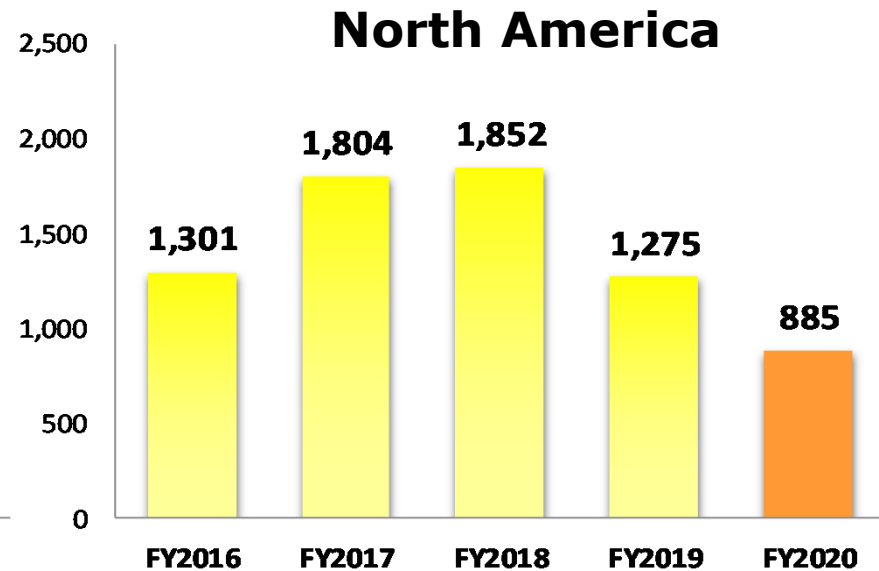
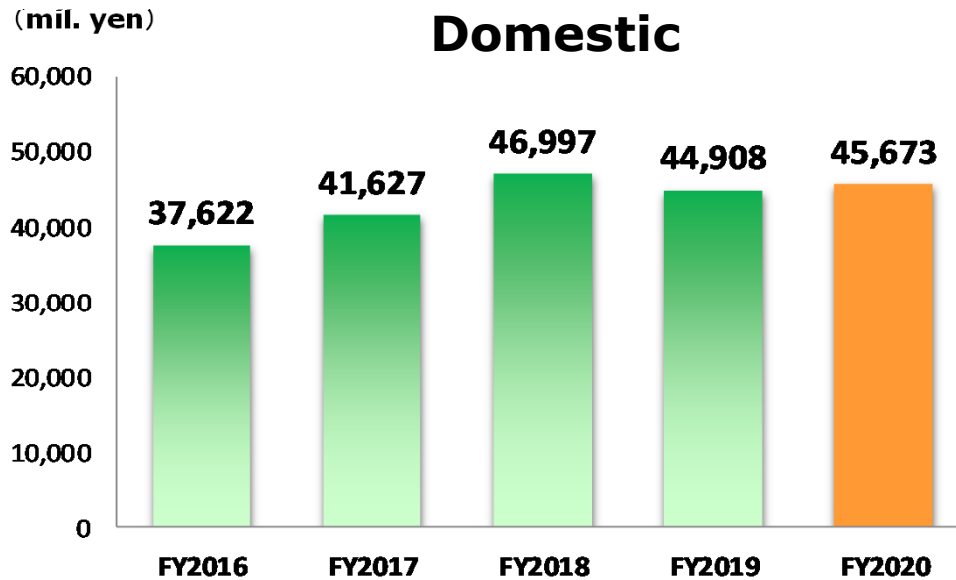
 shows the product segments including the Company's original products.

Year-on-year net sales by area

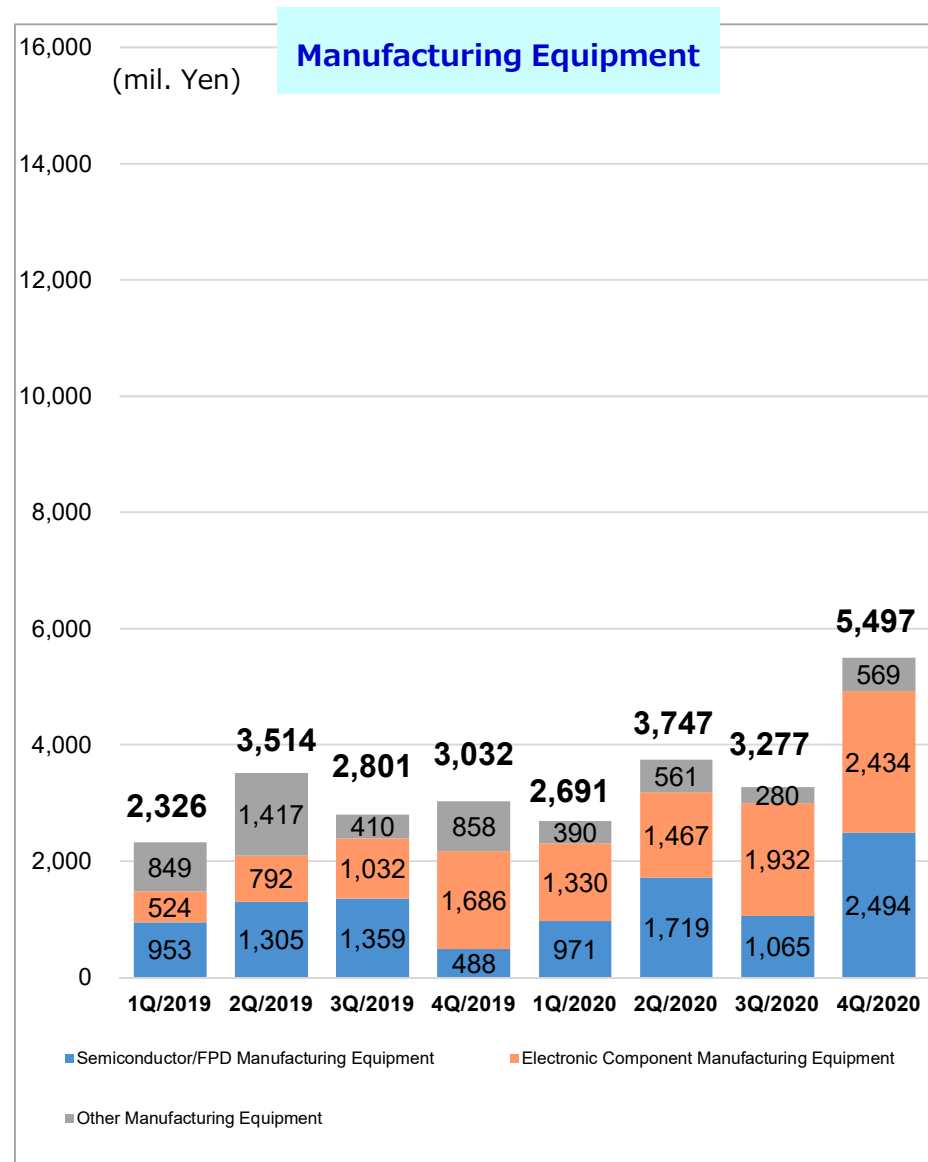
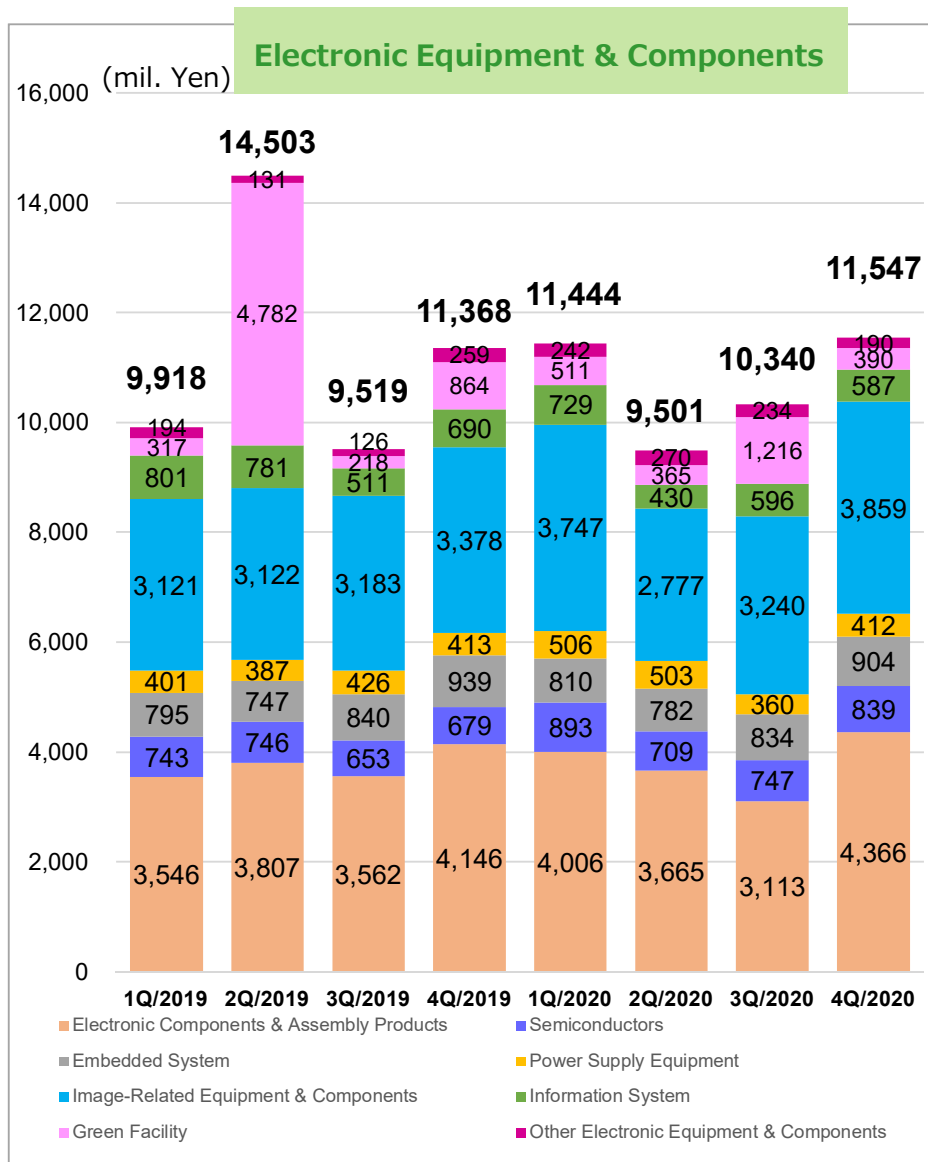


(mil. yen)	FY 2019	FY 2020	Difference
Domestic	44,908	45,673	765
Overseas The figures in parentheses are sales ratio	16,713 (27.1%)	11,744 (20.5%)	△4,969 (△6.6pt)
North America	1,275	885	△390
Europe	464	219	△245
Asia	14,974	10,639	△4,335
Total	61,621	57,418	△4,203

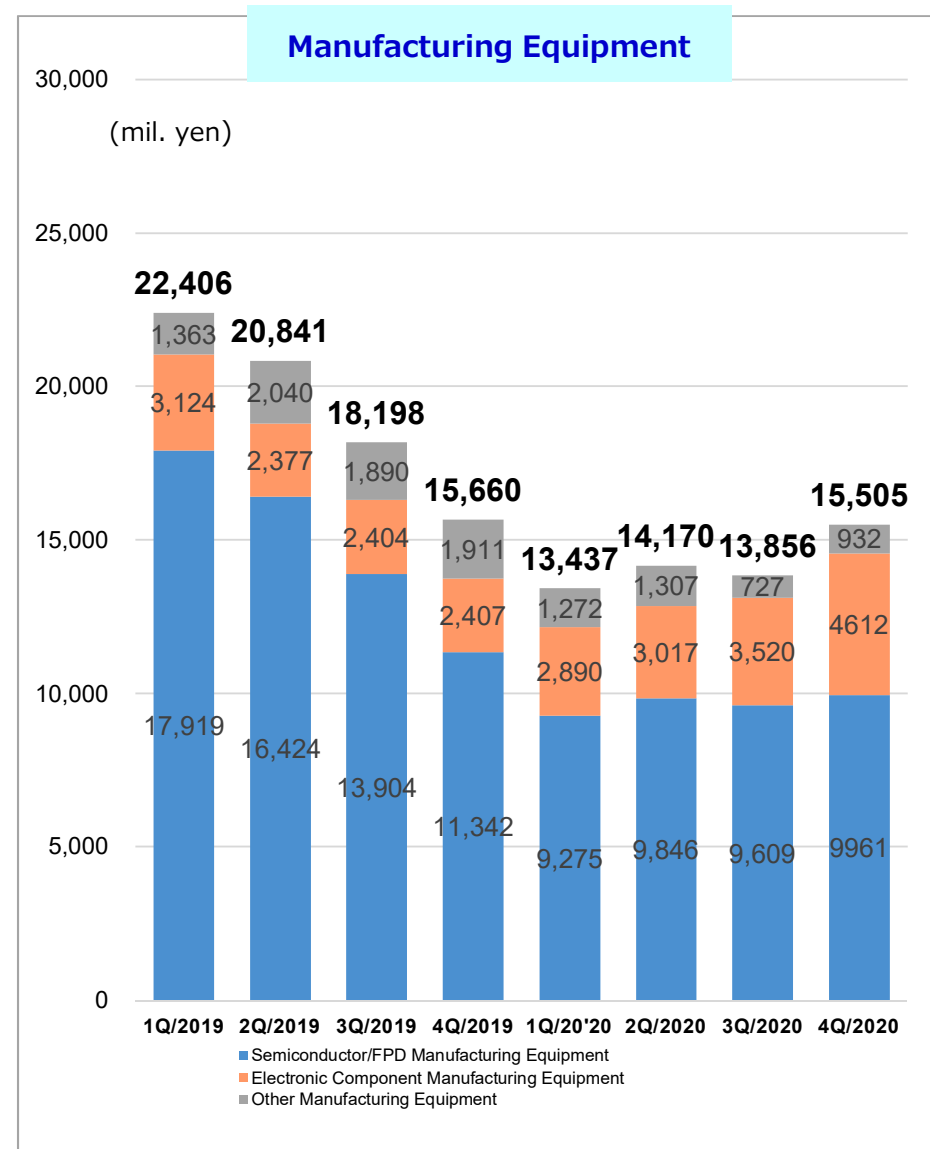
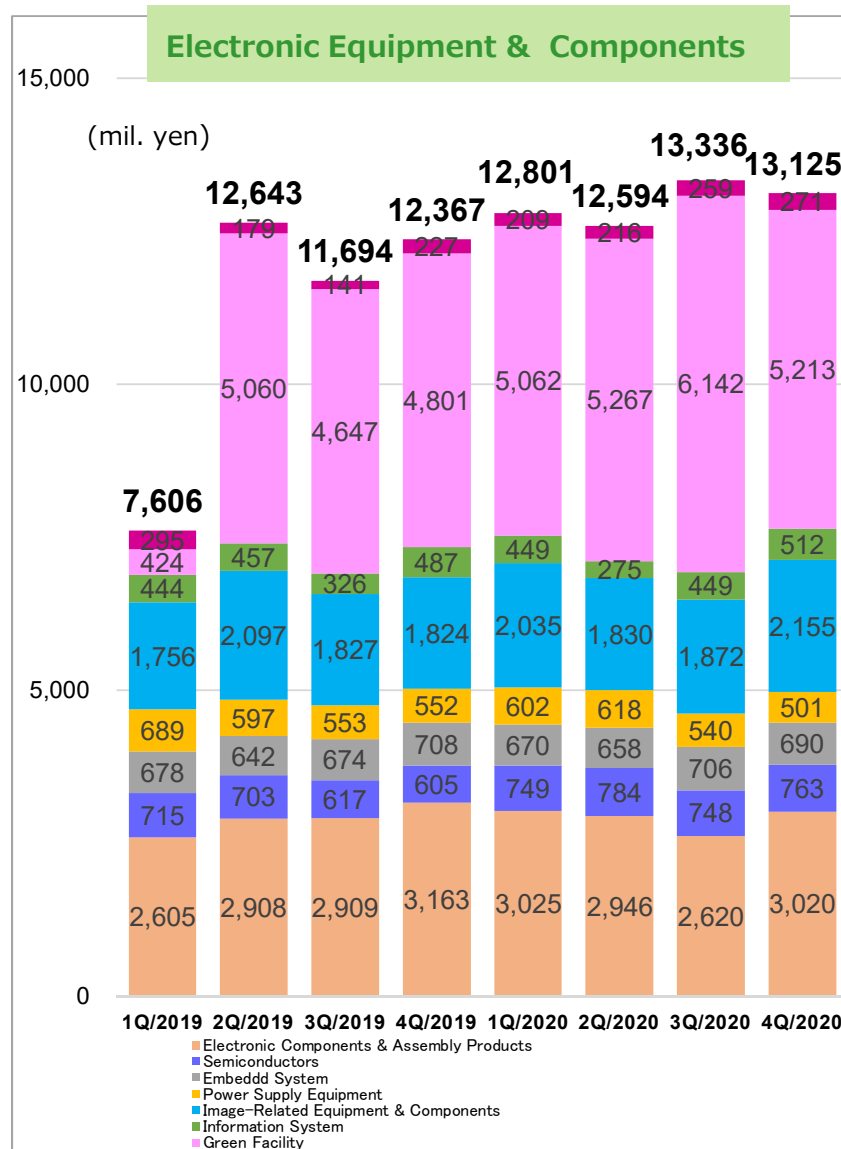
Sales Change by area



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



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



* Including backlogs of orders for delivery in or after 2022 of approximately 3,780 million yen in Electronic Equipment and Components, and approximately 3,432 million yen in Manufacturing Equipment.

Consolidated Performance Forecast (full-year) **Daitron**

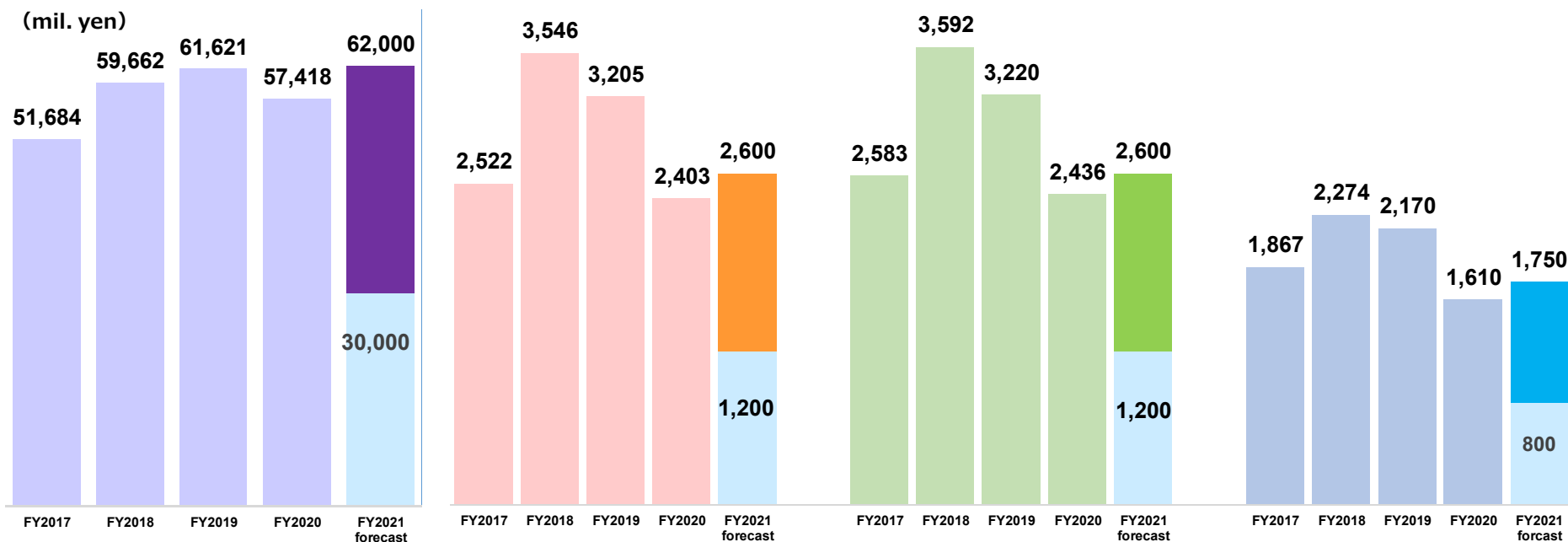
■ **Net sales** ¥62,000mil.
(108.0% y/y)

■ **Operating income** ¥2,600 mil.
(108.2% y/y)

■ **Ordinary income** ¥2,600 mil.
(106.7% y/y)

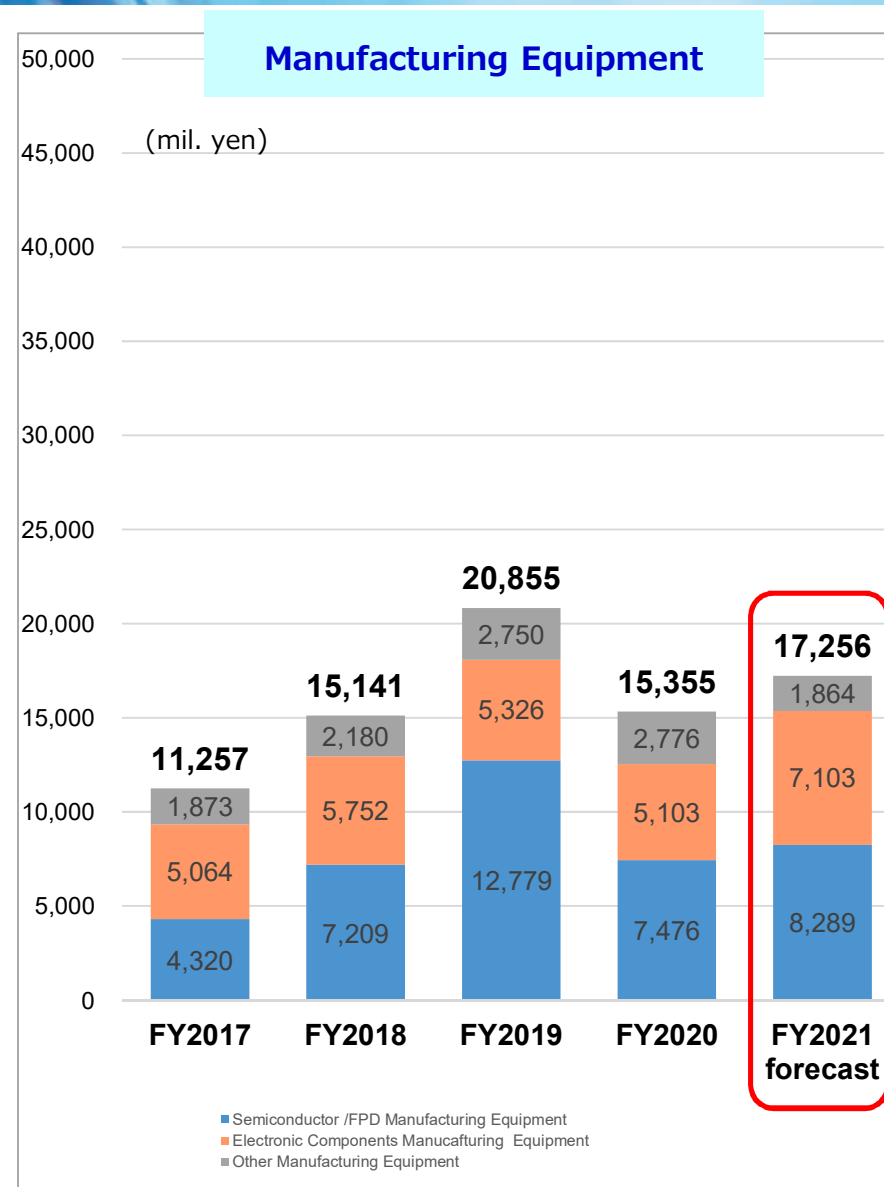
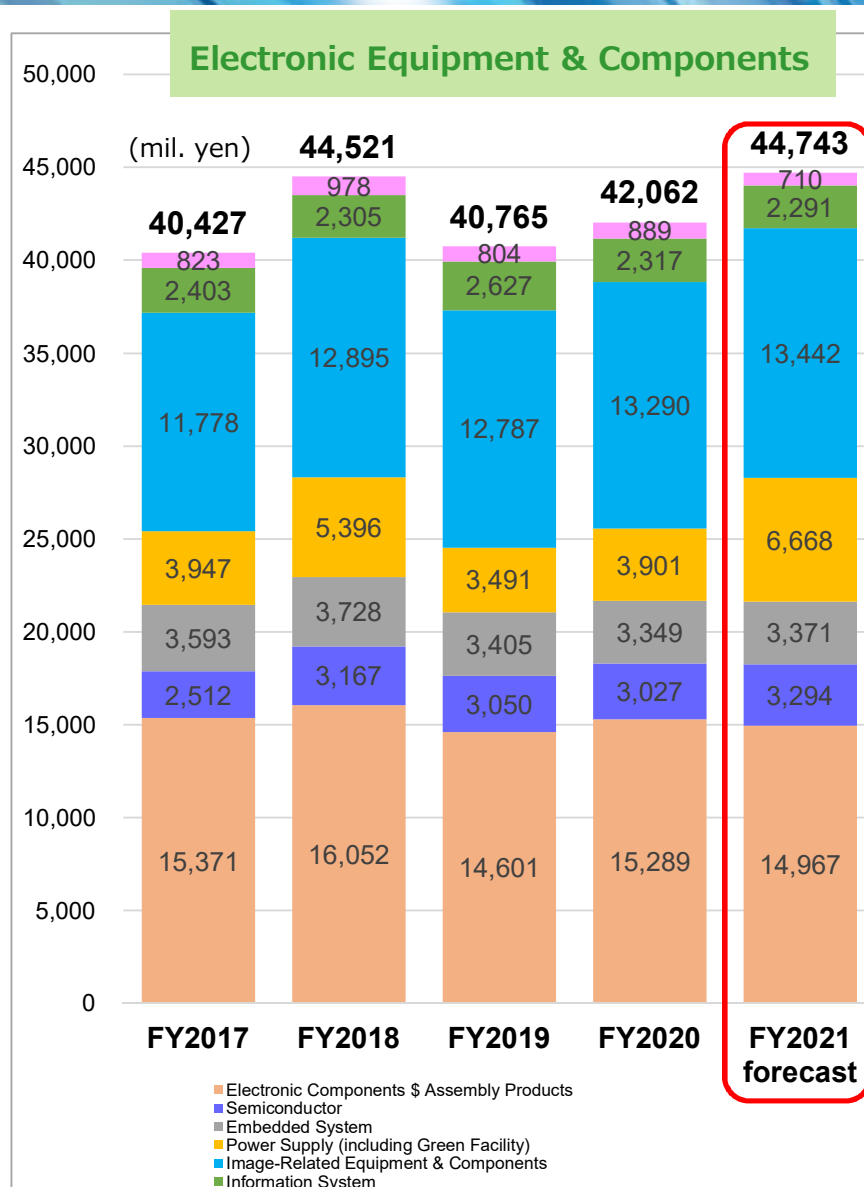
■ **Net income** ¥1,750 mil.
(108.6% y/y)

Net sales Operating income Ordinary income Net income



Figures shown as represent the forecast for the second quarter.

Performance Change and Forecast by Product Segment



■ Our measures

- Established a response team
- Established guidelines on introduction of reduced work hours, staggered work hours & telecommuting, postponement of 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

- While affected by economic deterioration associated with the pandemic, PC and datacenter related demand increased with the spread of telecommuting & online education in addition to the increased demand for 5G 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	40.2%
FY 2021 forecast	25	30	55		34.9%

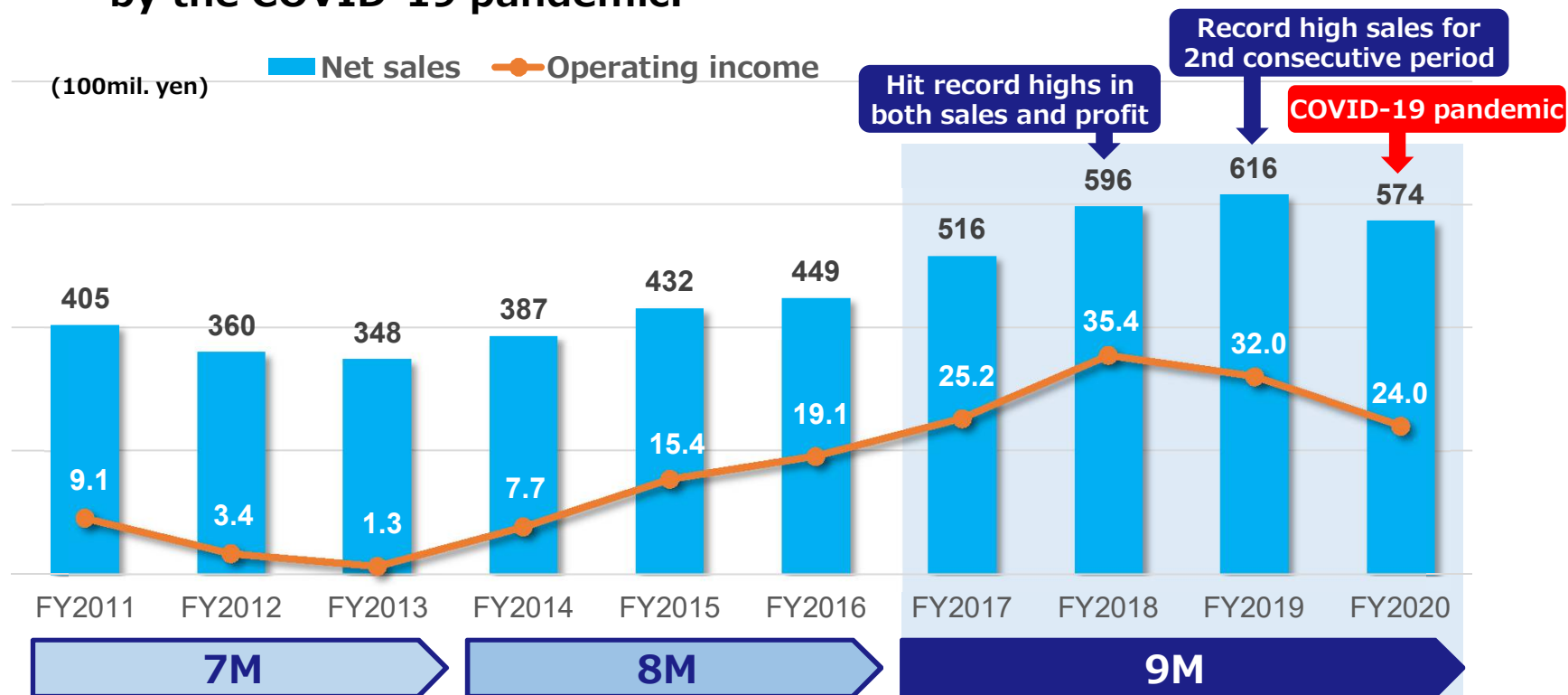
※ Started paying interim dividends from FY 2017

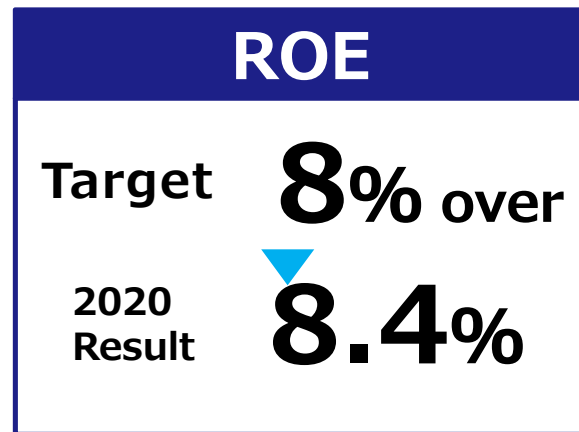
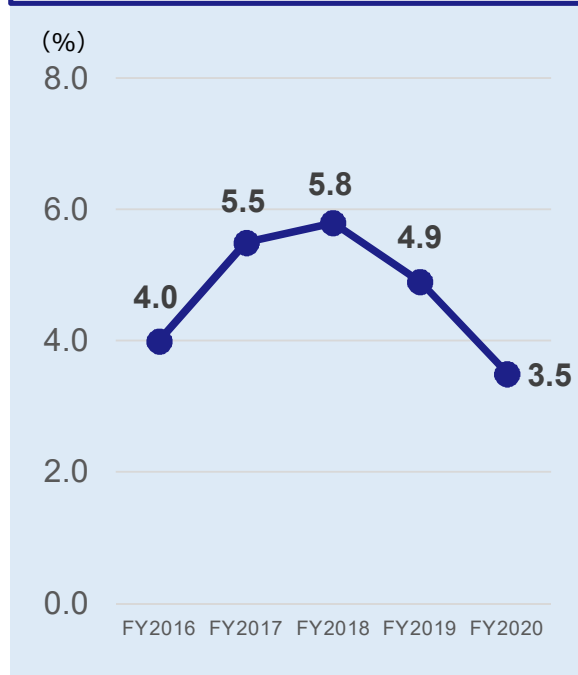
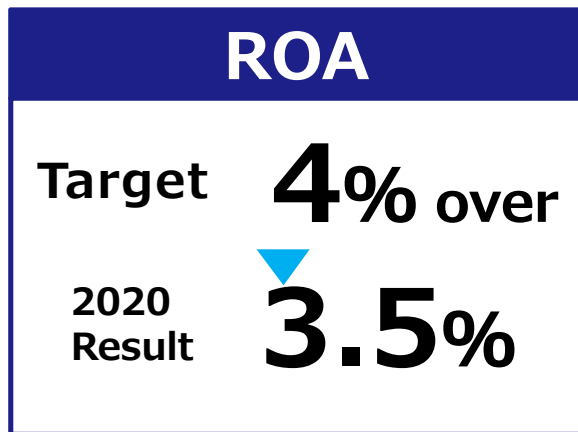
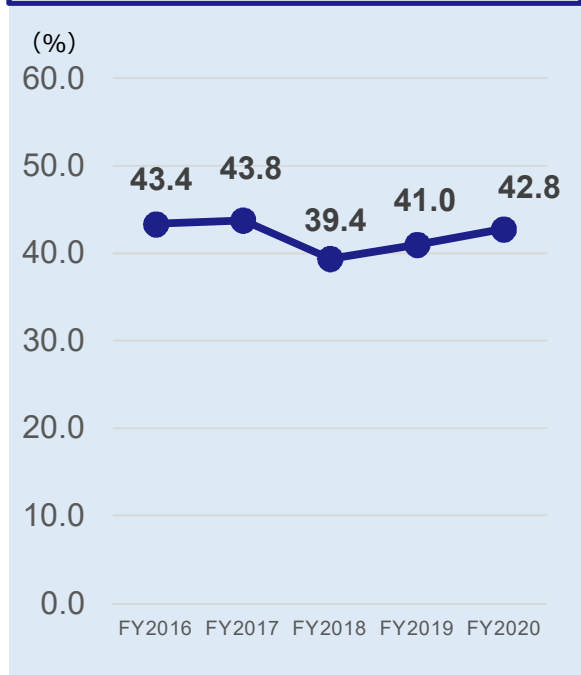
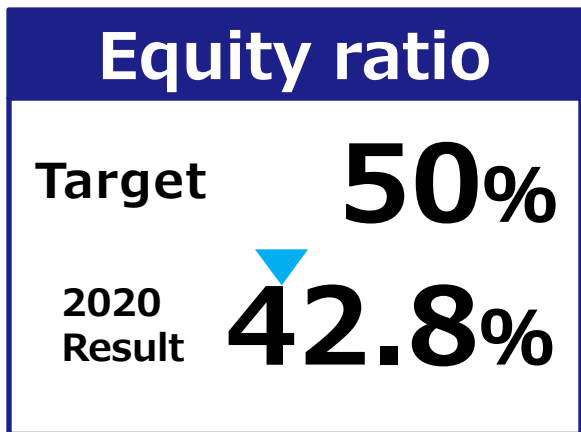
Evaluation of 9th Mid-Term Management Plan (9M)

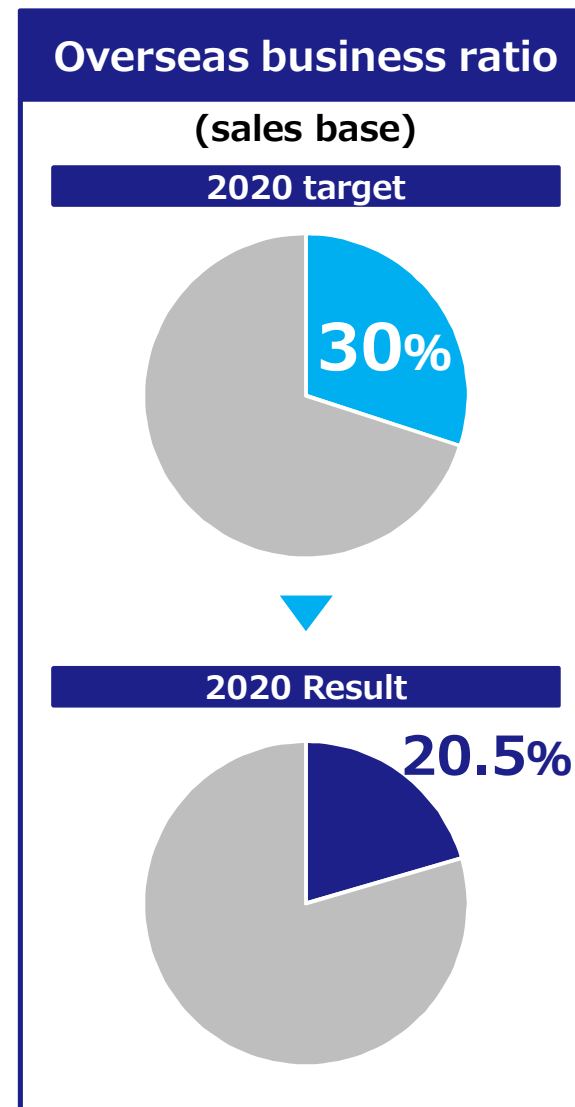
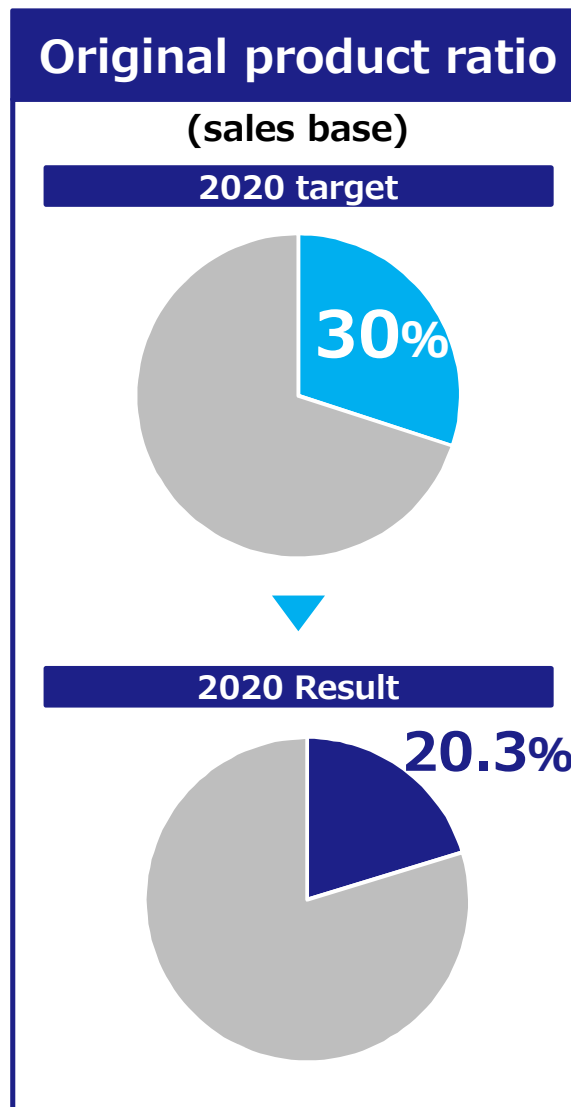
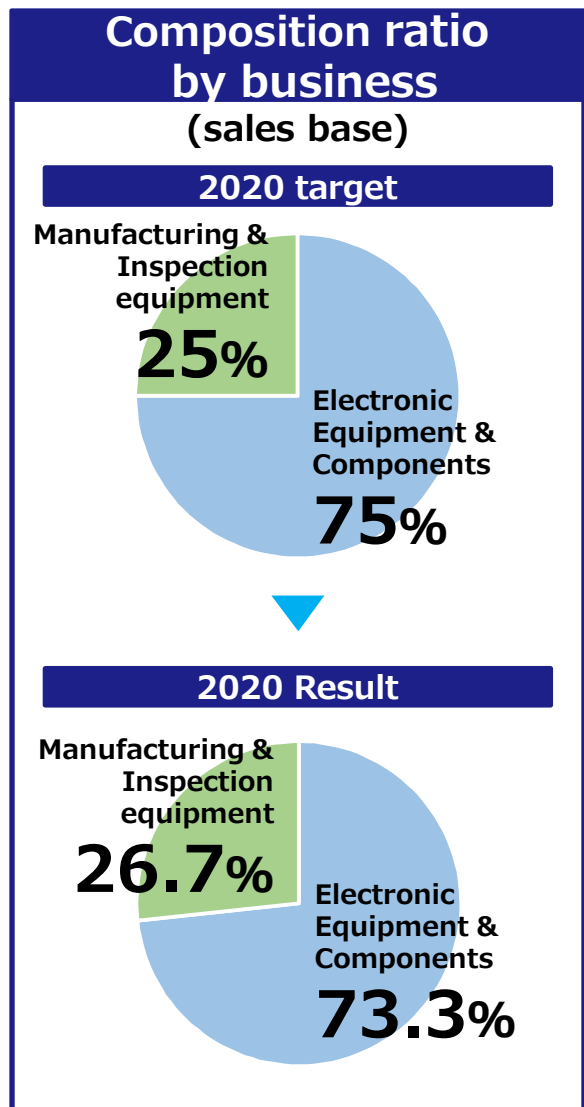
We aimed at further growth beyond record performance in both sales and profits through sustained growth.

As a result ...

- the Daitron Group continued to grow smoothly up to 2019
- our earnings and profits decreased in 2020 affected by the COVID-19 pandemic.







【 Main results 】

Basic policy	Seek to maximize the three-company merger synergy under the new structure pursuing the combined manufacturing and sales policy
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Basic policy	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

▶ Certainly carried forward the moves toward a combined manufacturing and sales unit including information sharing between the trading division (M&S Company) and the manufacturing division (D&P Company), though maximizing of the merger synergy was still only half complete

▶ Steadily expanded activities in new growing markets such as automotive, medical, and robotics, as well as the green facility business

▶ Steadily increased production cooperation with suppliers, M&S-D&P joint products planning, and the number of promotion projects despite the unachieved original product ratio target

▶ Steadily improved the overseas sales ratio with the organizational power strengthened by establishing the Global Business Division as an independent division. Improved profit stabilization through efforts to expand e-business

▶ Expanded the network by establishing new locations (Sendai and Hanoi). Expanded merchandise and exhibition cooperation through projects -> Customers increased

▶ Strengthened the function of D&P Company as the basic factory with Chubu Second Factory starting operations. Started operations of Daito Tec, as a new subsidiary

▶ Enhanced the personnel system including enhanced employee education and introduction of an age 65 mandatory retirement system. Personnel interchanges still need to be accelerated

10th Mid-Term Management Plan (10M)



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

Our Company will aim to provide a comfortable and safe work environment, respecting our employees' needs for self-esteem and encouraging every individual to achieve their fullest potential.

Our Company will do its utmost to satisfy its customers, shareholders, and suppliers.

Our Company will strive to maintain a global outlook and continue to conquer challenges in technological innovations to provide high value-added products for our customers.

Our Company is committed to being a good corporate citizen and actively participating in those communities where we are represented.

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

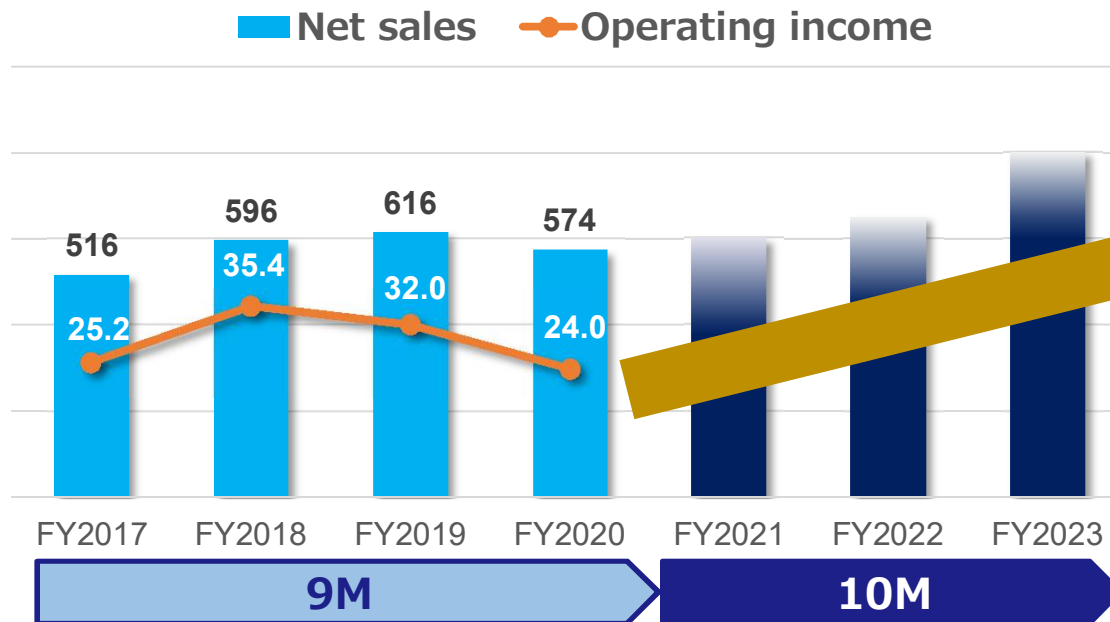
- A company that contributes to society as a technology-based company with technical and sales capabilities developed from a global point of view
- A company that introduces innovations and realizes high productivity based on diversity
- A company that its employees feel happy to work for and proud of
- 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**

◆ Basic Idea ◆

- 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
- Estimate an annual **SGA increase by around 3-5%** to promote investments forming the foundation of sustained growth (in human resources, technology development, etc.)



**Toward
sustained
expansion**

Outline of 10M 2) Target Management Indices **Daitron**

Equity ratio
Target **50%**



ROA
Target **6%**



ROE
Target **12%**



Result of 9M
2020 Result **42.8%**
Target **50%**



Result of 9M
2020 Result **3.5%**
Target **4% over**



Result of 9M
2020 Result **8.4%**
Target **8% over**



*For "ROA" and "ROE", the target levels are raised based on the 9M results
For "Equity ratio", the same target level as in 9M is set

Basic Strategic Policy ①

Promote business structure reform!

Basic Strategic Policy ②

Maximize the merger synergy !

Basic Strategic Policy ③

Define focus areas and markets to accelerate growth !

Basic Strategic Policy ④

Increase power toward sustained growth !

◆ Basic Strategic Policy ① ◆

Promote business structure reform!



History of past 10 years

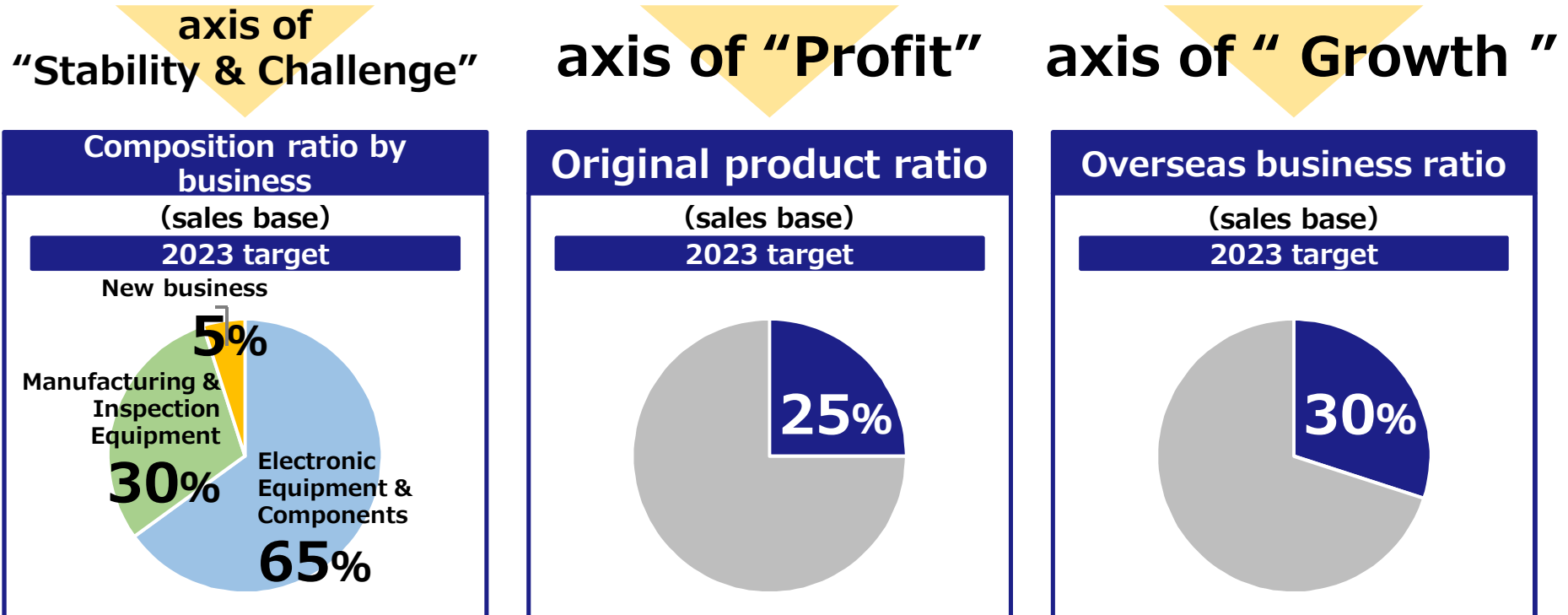
Pursued the three axes of “Stability”, “Profit”, and “Growth” based on the three KPIs (key performance indicators), or business structure related indices, aiming for a reform into a business structure that enables stable and sustained growth not affected by the business cycle or demand in the electronics industry including the silicon cycle

Future effort

- To promote business structure reform continuously pursuing the three KPIs
- To establish an axis of “Challenge” as a new target to further “new business creation”

Outline of 10M 4) Basic Strategic Policy ① **Daitron**

Three KPIs for business structure reform

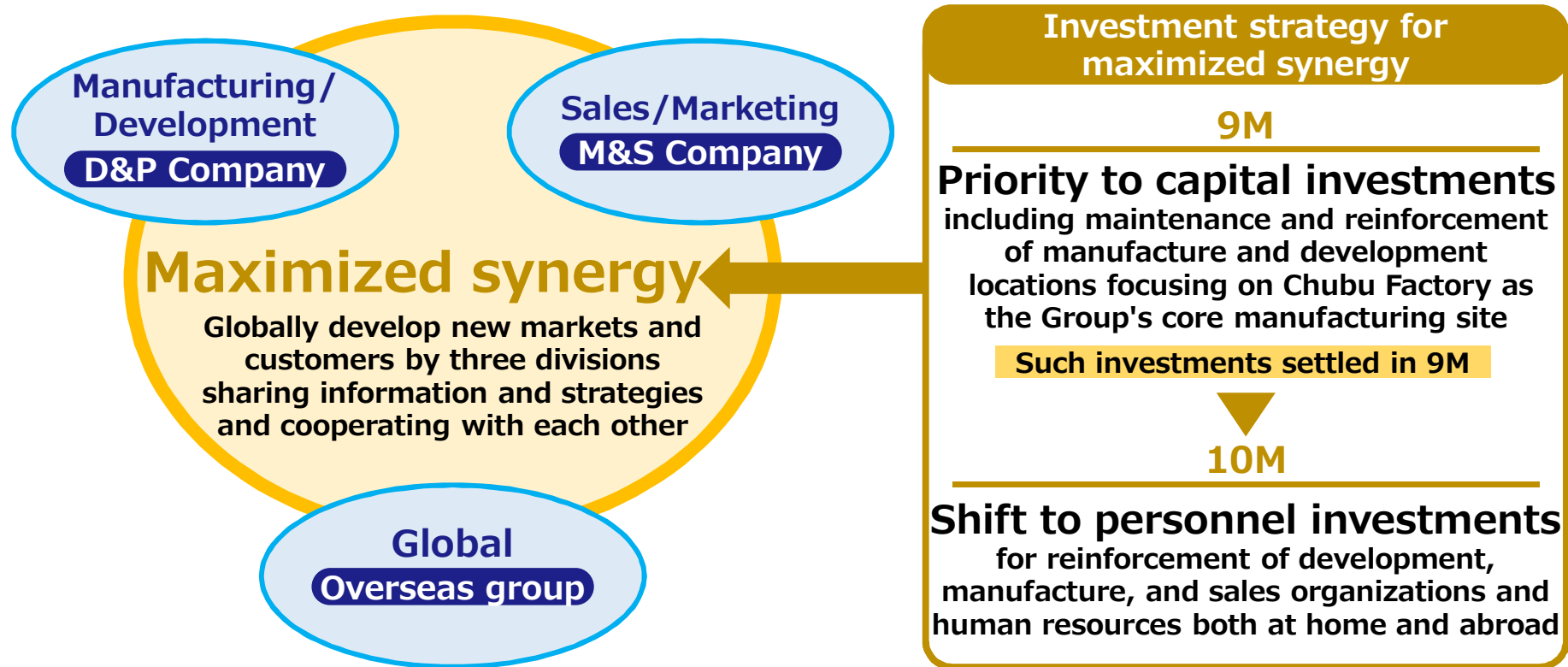


- [Composition ratio by business] ▶▶▶▶▶ A new target of "Sales composition ratio of 5%" set as a KPI to measure the results of new business creation (the principal part of the sales of this category at present is those of the Green Facility Dept. expanded through the efforts up to the previous period)
- [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] ▶▶▶▶▶ Both the counting method and the target value are same as the conventional ones

◆ Basic Strategic Policy ② ◆

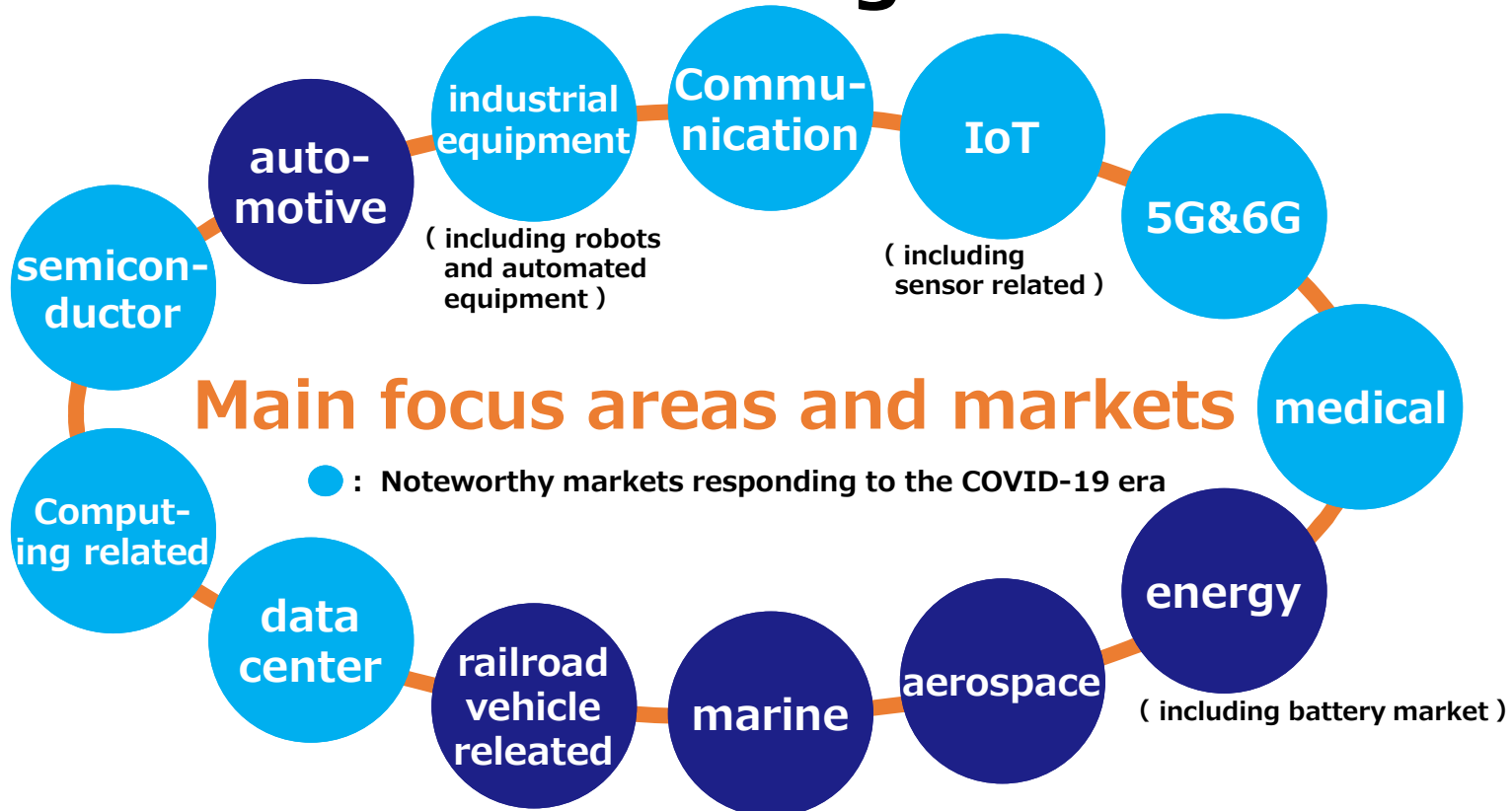
Maximize the merger synergy!

Build the one and only corporate group globally combining the “manufacturing” and “sales” functions through aggressive efforts to maximize the merger (synergy) continued from 9M!



◆ Basic Strategic Policy ③ ◆

Define focus areas and markets to accelerate growth!



◆ Basic Strategic Policy ④ ◆

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

1 Reinforcement and steady growth of domestic business

Increase **marketing power** !

- Further strengthening and deepening of relations with focus customers

- Strengthening of customer base:

- Response focusing on customers expected to grow and expand

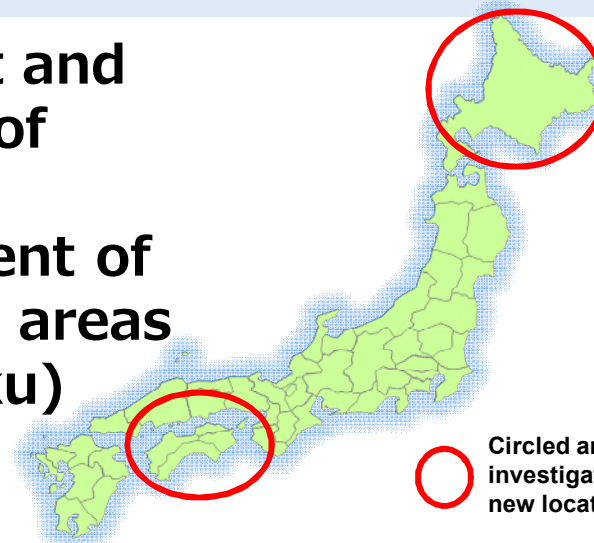
- Deepening of relations with customers:

- 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** !

● Selection of focus customers/markets to deepen/develop, and working more actively on them

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

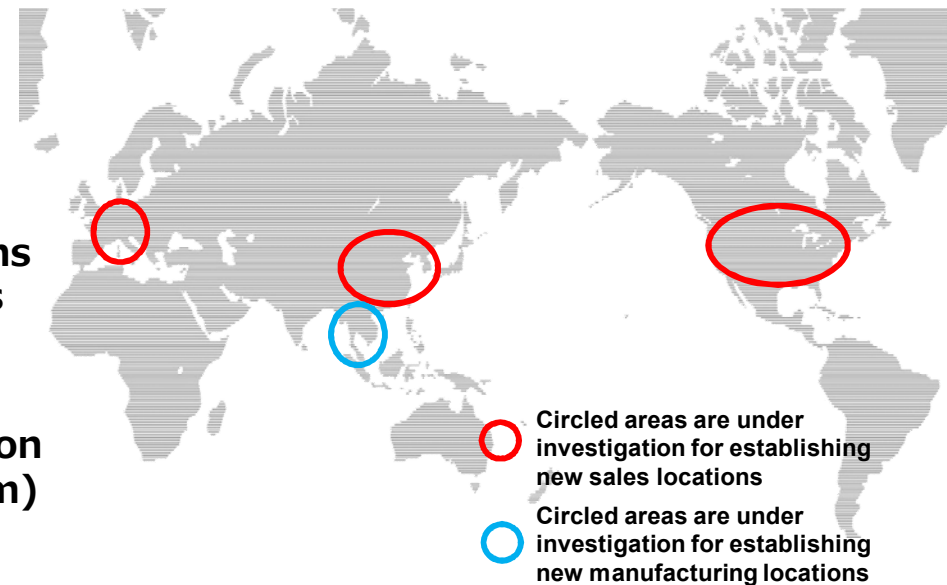
● Expanding overseas network

【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 !

● Strengthening of production system

- 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 product business

Increase manufacturing power !

- Strengthening of systems centering on Chubu Factory 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 traneless UPS, next power supply development
- Expansion of original products in collaboration with partner companies

[Example of electronic parts business original product]



underwater connectors



KIRARI-NINJA-DS



IoT sensor



Inverter traneless UPS

5 Cultivation of new business

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.



6

Reform of business support function

Increase the power of corporate divisions!

● 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>>

IR Team, Business Management Dept.

TEL: +81-6-6399-5952

FAX: +81-6-6399-5962

E-mail: info.ir@daitron.co.jp