

Financial results briefing

Financial Results for the 2Q of Fiscal Year Ending March 31, 2023

November 30, 2022

DAISHINKU CORP. (Code: 6962)

President, Minoru Iizuka

Performance Report for the 2Q of Fiscal Year Ended March 31, 2023

**Lower revenues but higher profits
(Record profits in 1H)**

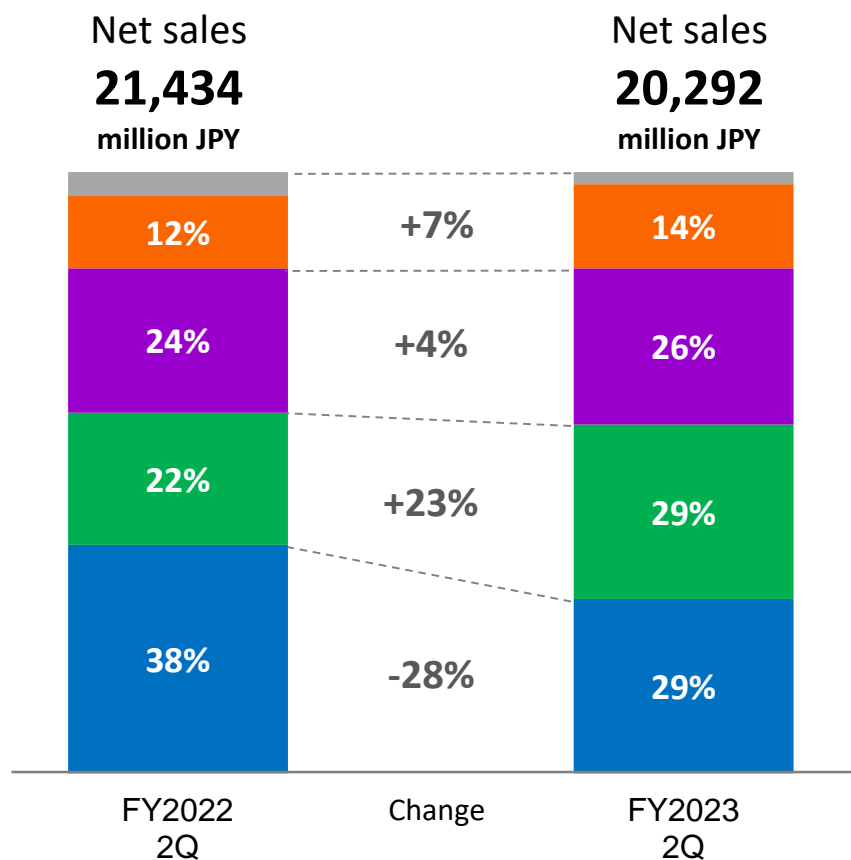
Unit: Million JPY

	FY2022 2Q	FY2023 2Q	YoY Change		
Net sales	21,434	20,292	-1,142	↓	-5.3%
Operating income	2,762	2,810	+48	↑	+1.7%
Ordinary income	3,042	4,751	+1,709	↑	+56.2%
Profit attributable to owners of parent	1,773	2,986	+1,213	↑	+68.4%
USD average rate (JPY)	109.81	134.03	+24.22	↑	

Sales by Application (YoY Change)

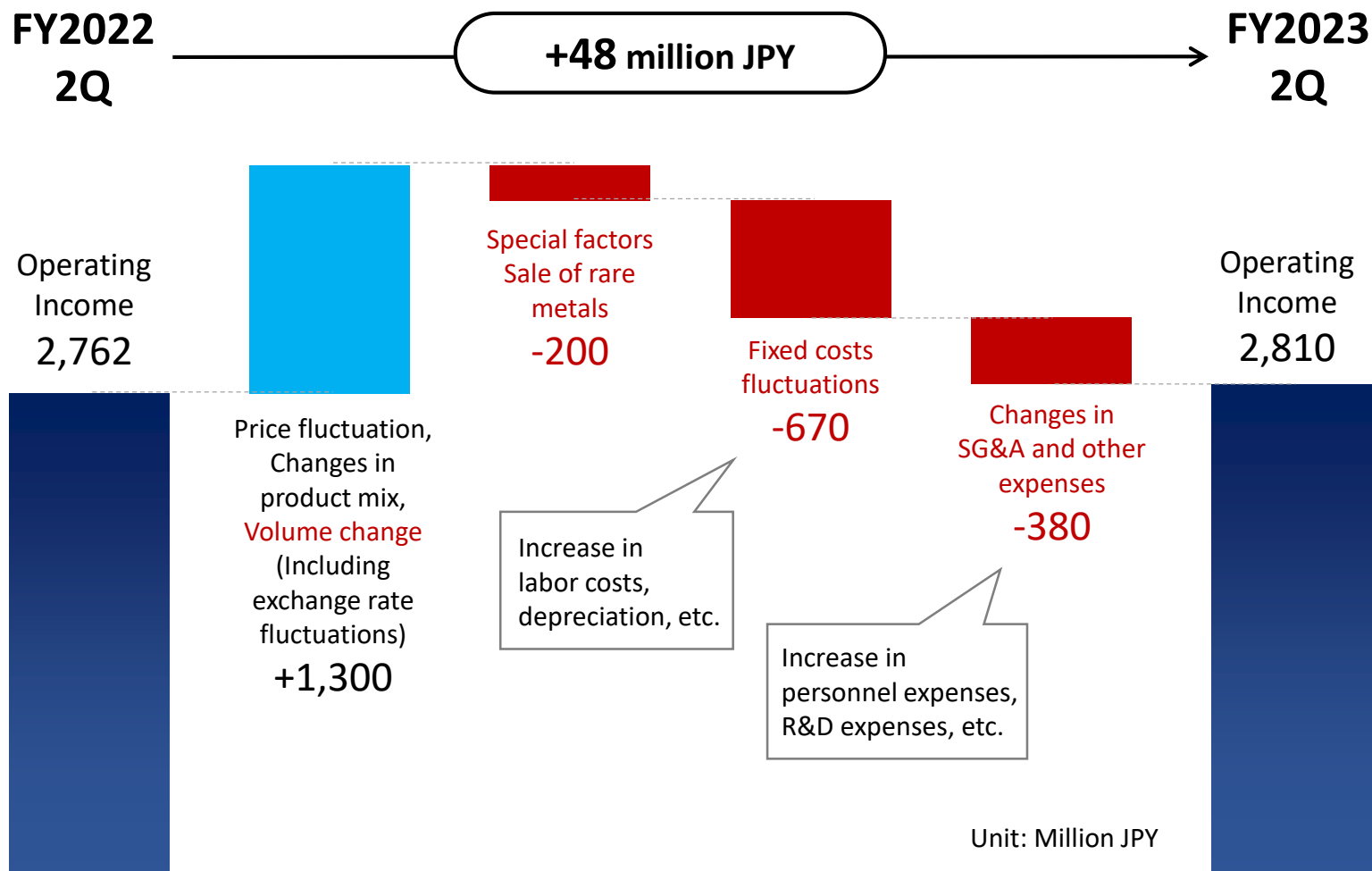
China telecoms market slowdown

IE: Industrial Equipment
CE: Consumer Equipment
AE: Automotive Electronics
TC: Telecommunications



IE	FA/robots performed well
CE	Lull in demand related to teleworking and staying home
AE	Impact of price corrections Proliferation of ADAS
TC	Smartphone/telecoms modules sold poorly in the Chinese market.

Operating Income Analysis (YoY Change)



Quarterly Performance Report

Lower revenues and profits

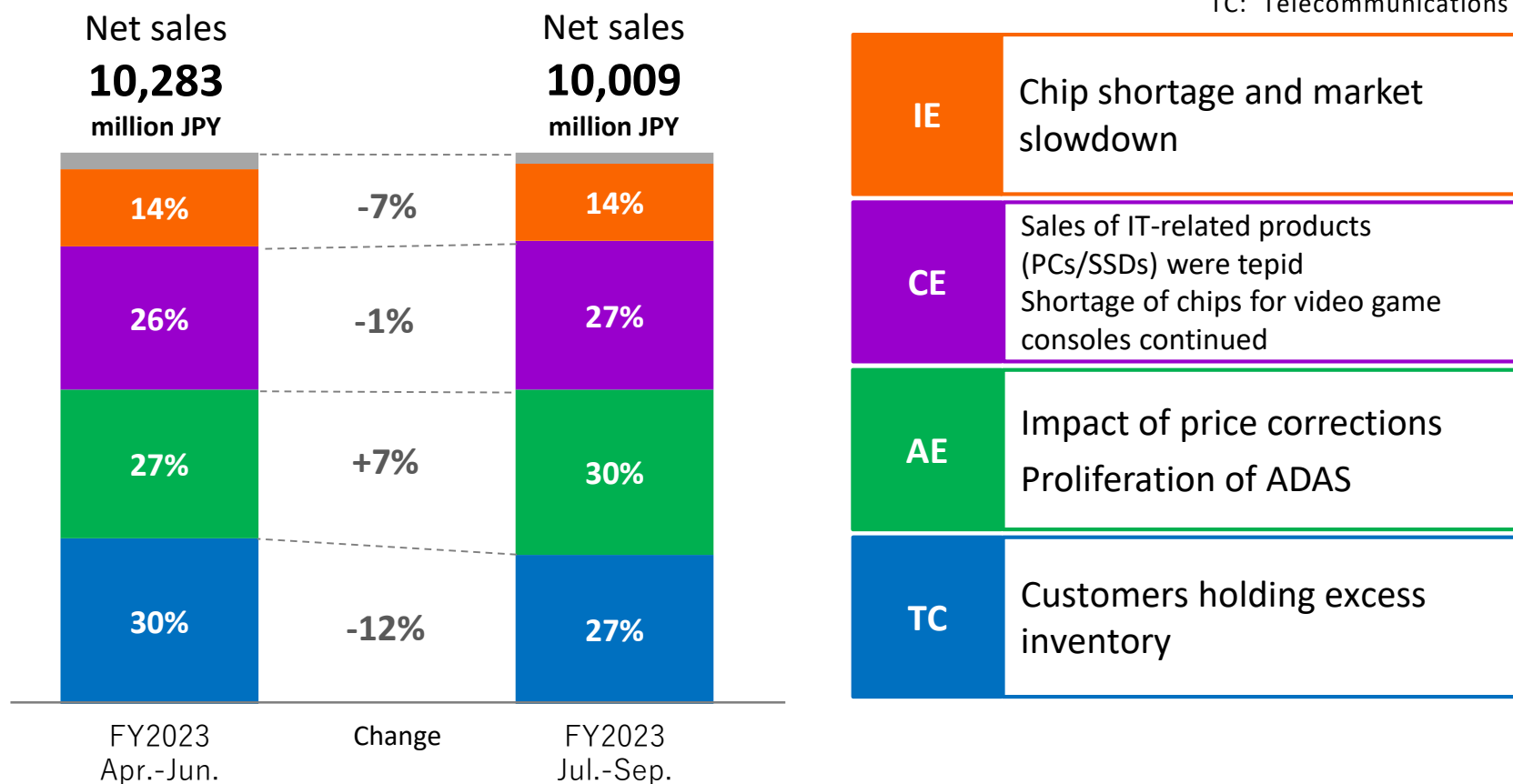
Unit: Million JPY

	FY2023 Apr.-Jun.	FY2023 Jul.-Sep.	QoQ Change		
Net sales	10,283	10,009	-274	↓	-2.7%
Operating income	1,625	1,185	-440	↓	-27.1%
Ordinary income	3,019	1,732	-1,287	↓	-42.6%
Profit attributable to owners of parent	2,015	971	-1,044	↓	-51.8%
USD average rate (JPY)	129.73	138.27	+8.54	↑	-

Sales by Application (QoQ Change)

Customers holding excess inventory

IE: Industrial Equipment
CE: Consumer Equipment
AE: Automotive Electronics
TC: Telecommunications



Operating Income Analysis (QoQ Change)

**FY2023
Apr.-Jun.**

Operating
Income
1,625

-440 million JPY

**FY2023
Jul.-Sep.**

Operating
Income
1,185

Volume change,
Changes in
product mix,
Price fluctuation
(Including
exchange rate
fluctuations)
-390

Fixed costs
fluctuations
-20

Changes in
SG&A and other
expenses
-20

Increase in
labor costs,
depreciation,
etc.

Increase in
R&D
expenses,
etc.

Unit: Million JPY

Capital Expenditures / Depreciation / R&D Expenses

Unit: Million JPY

YoY Change	FY2022 2Q	FY2023 2Q	Change
Capital Expenditures	2,666	3,576	+910
Depreciation	1,659	1,890	+231
R&D Expenses	1,042	1,071	+29

Main Capital Expenditures

- Photolithography-related facilities
- Crystal resonators with thermistor
- Core systems, etc.

QoQ Change	FY2023 Apr.-Jun.	FY2023 Jul.-Sep.	Change
Capital Expenditures	1,549	2,027	+478
Depreciation	924	966	+42
R&D Expenses	509	562	+53



Clean room at Tokushima plant

Full Year Forecast

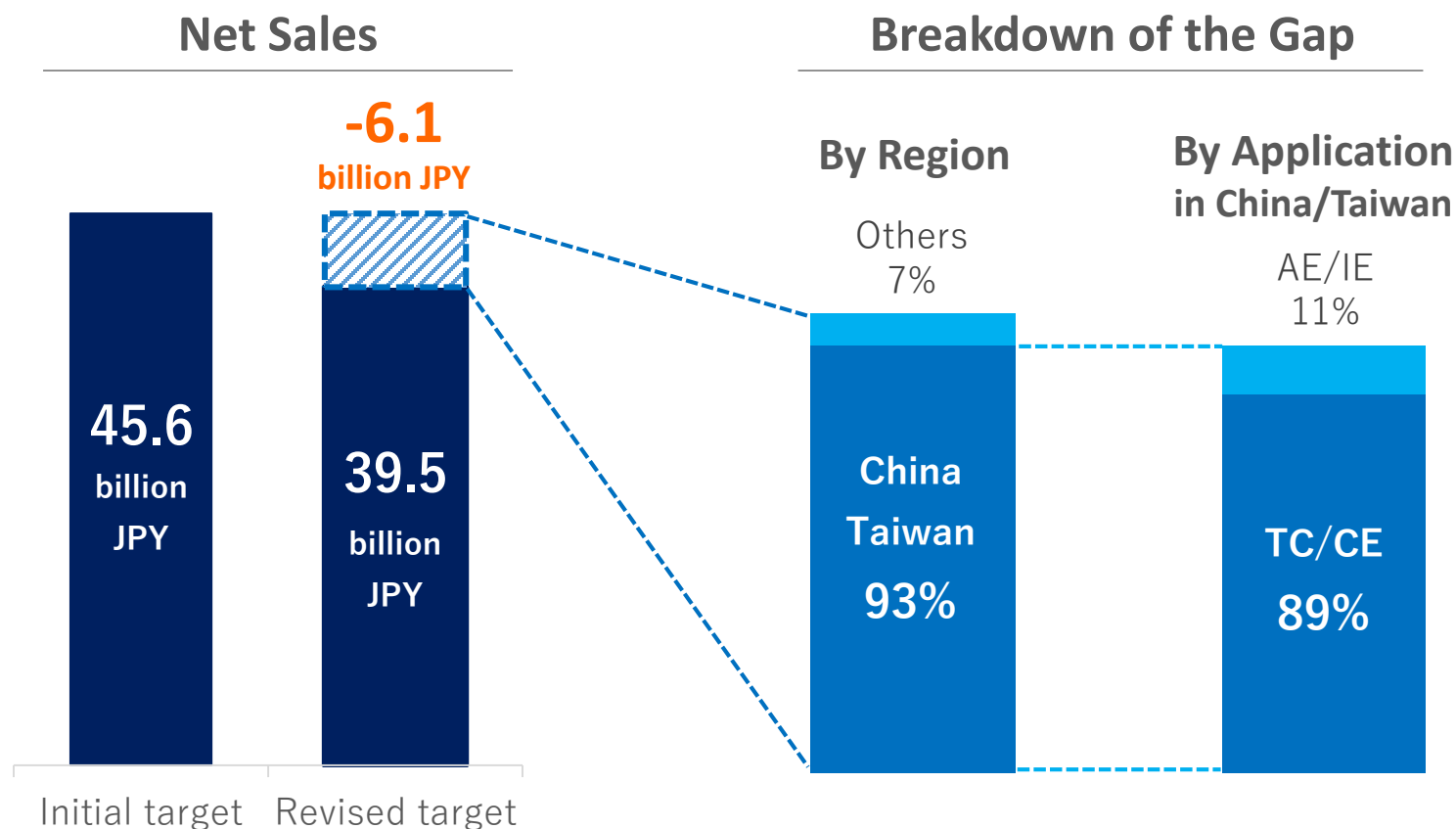
Downward revision

Unit: Million JPY

	FY2022	FY2023		
		1H Results	2H Forecast	Full Year Forecast
Net sales	41,306	20,292	19,208	39,500
Operating income	5,194	2,810	1,190	4,000
Ordinary income	6,547	4,751	649	5,400
Profit attributable to owners of parent	3,848	2,986	414	3,400
ROE*	12.6% (8.8%)	-	-	9.9% (7.3%)
ROIC*	6.6% (6.4%)	-	-	4.0% (4.0%)
*() Excluding the impact of foreign exchange gains				
USD average rate (JPY)	112.39	134.03	140.00	137.02

Gap with initial targets

China/Taiwan divergence the main factor

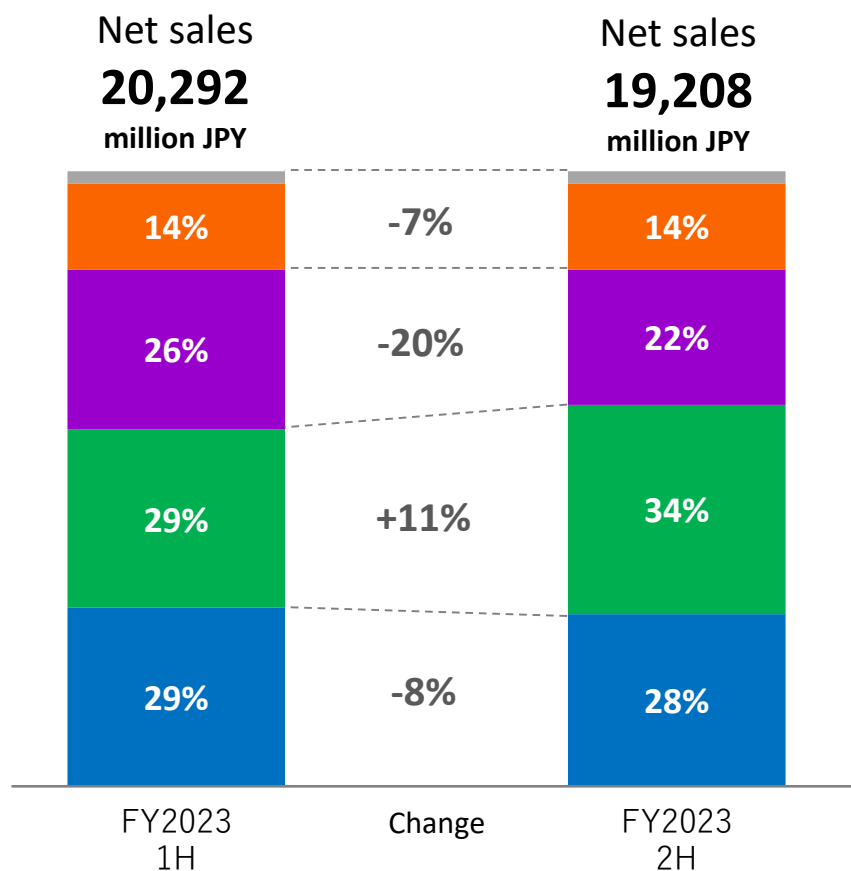


Sales by Application

(1st Half Results vs 2nd Half Forecast)

In-car market robust

IE: Industrial Equipment
CE: Consumer Equipment
AE: Automotive Electronics
TC: Telecommunications



IE	Impact of capex curtailment expected
CE	Inventory adjustment for IT-related products (PCs/SSDs)
AE	Chip shortages will continue, but sales for ADAS will grow
TC	Investment adjustment will continue due to weak final demand

Operating Income Analysis

(1st Half Results vs 2nd Half Forecast)

FY2023
1H

Operating
Income
2,810

-1,620 million JPY

FY2023
2H

Operating
Income
1,190

Capacity utilization
adjustments and
higher energy costs

Soaring of
electricity costs
-350

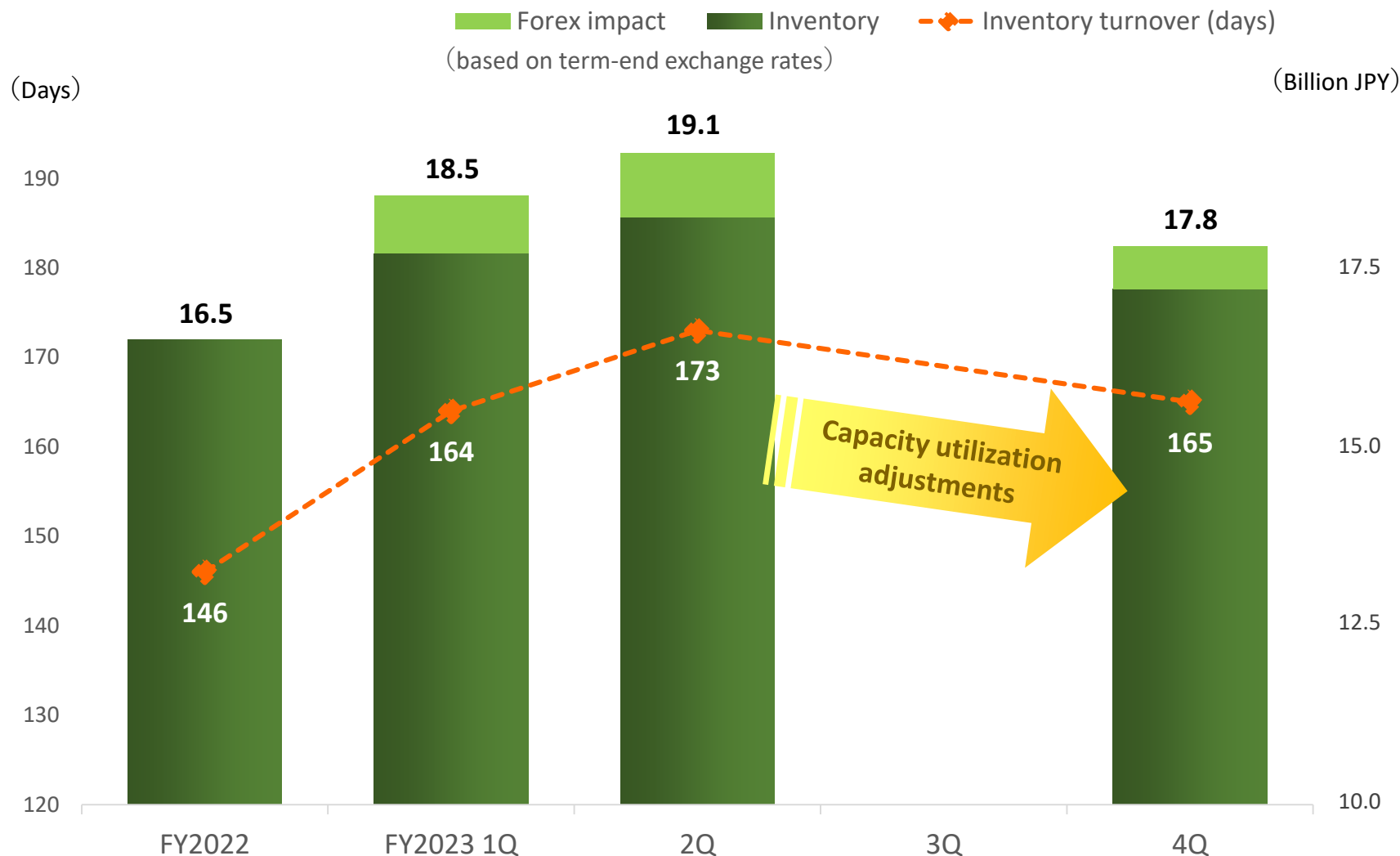
Price fluctuation
Volume change
Changes in
product mix
(Including
exchange rate
fluctuations)
-1,090

Fixed costs
fluctuations
-370

Changes in
SG&A and other
expenses
-150

Unit: Million JPY

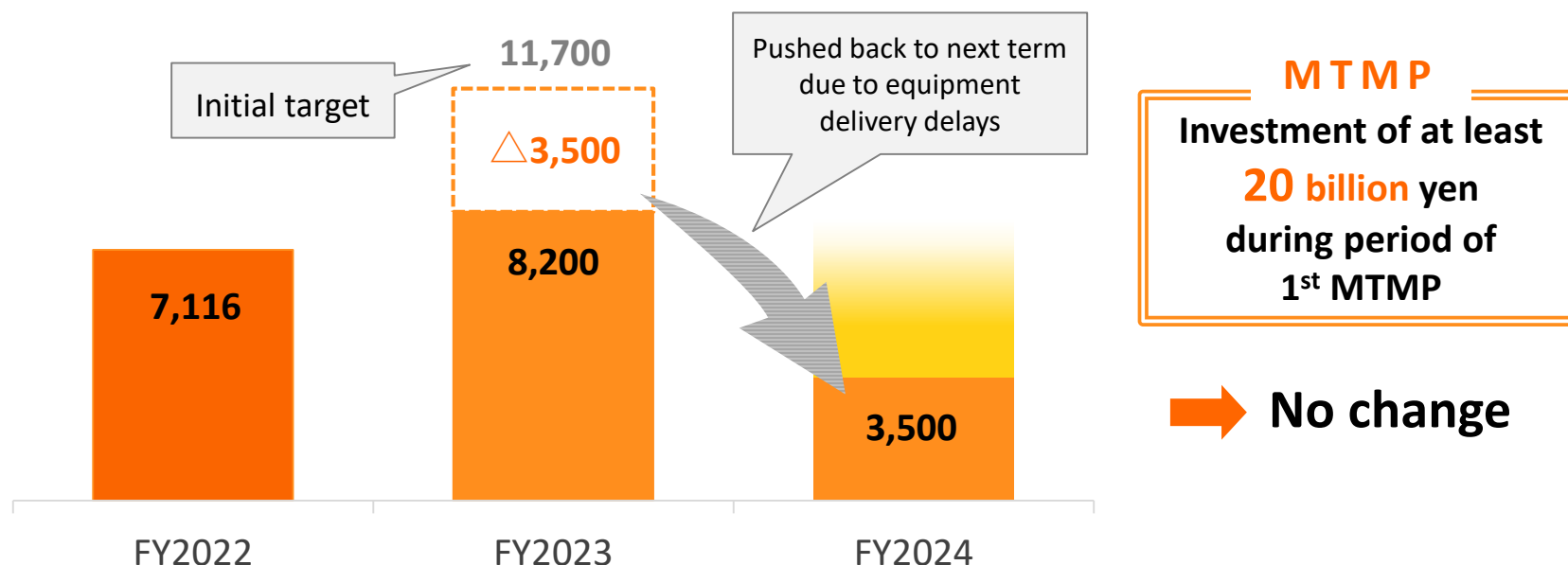
Inventory assets



Capital expenditure

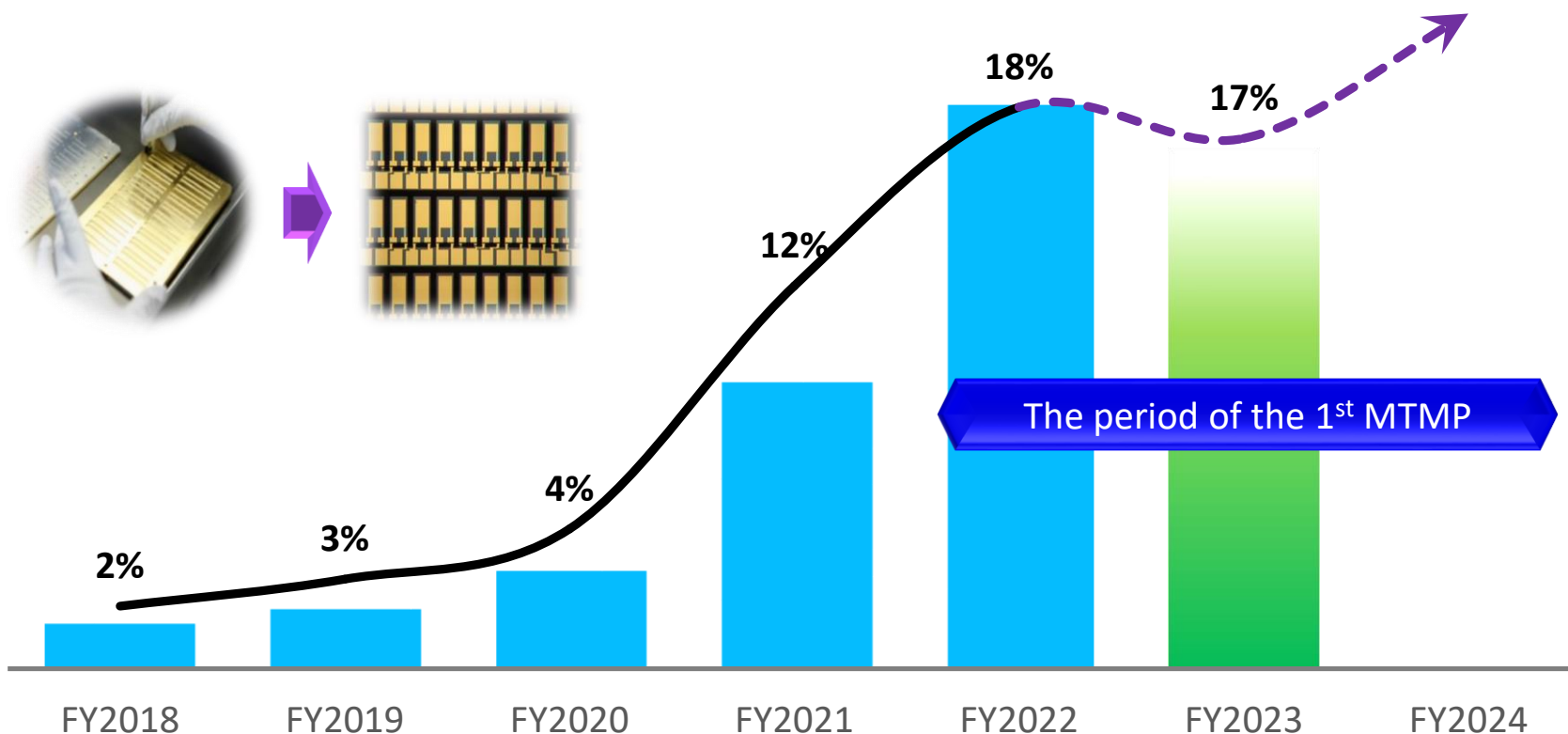
Unit: Million JPY

	FY2022	FY2023	Change
Capital Expenditures	7,116	8,200	+1,084
Depreciation	3,494	3,800	+306
R&D Expenses	2,171	2,300	+129



Photolithography sales ratio

Photolithography's share of sales will drop due to flagging China telecoms market



Market outlook for next term

Telecommunications

Smartphone production volume was on a par with the previous year, but inventories are being reduced and demand is rebounding

1H



2H



Automotive Electronics

- Chip shortages are being gradually alleviated, but are expected to continue into the first half of next term
- Volume for ADAS continues to rise, and plenty of orders are coming in

1H



2H



Consumer Equipment

Fallback from pandemic-induced demand (for telework-related products etc.) will continue

1H



2H



Industrial Equipment

Capex curtailment is a potential concern

1H



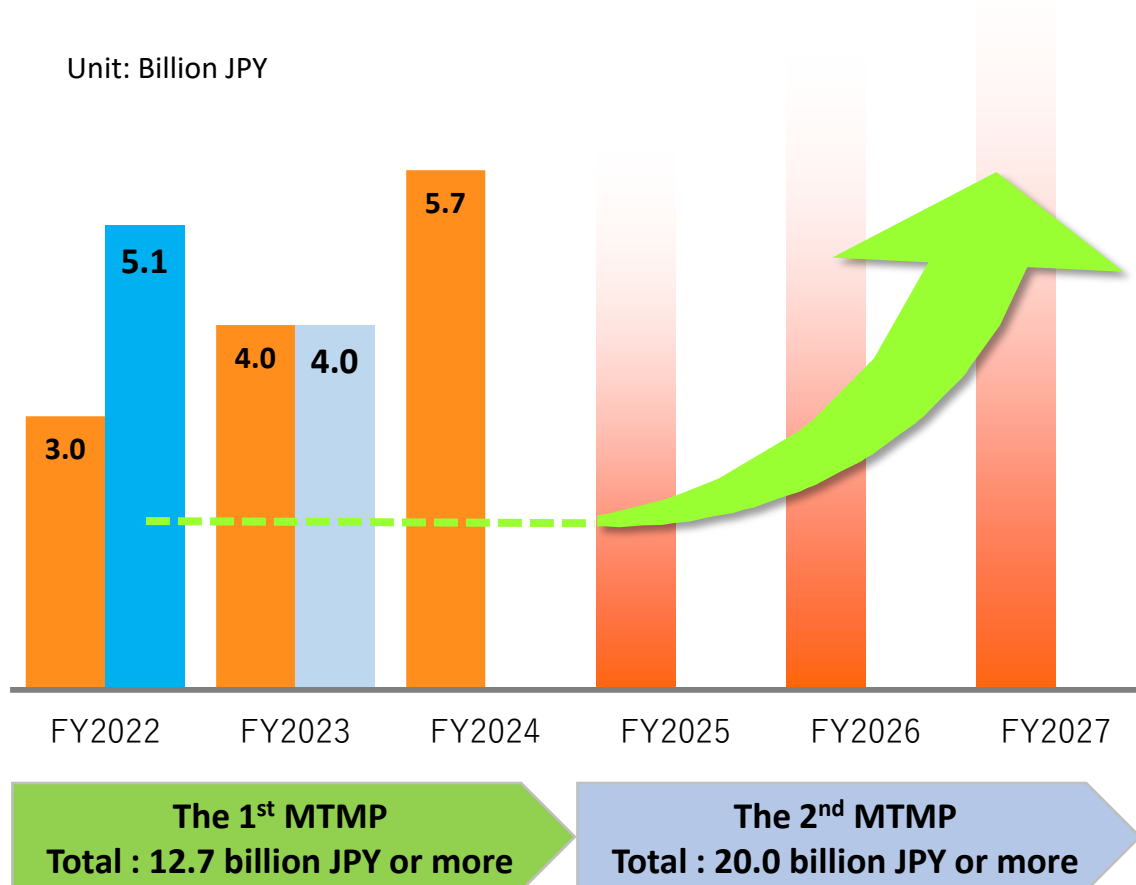
2H



The Medium-term Management Plan

Operating income

Unit: Billion JPY



External developments

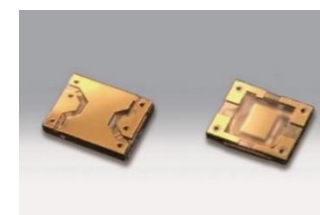
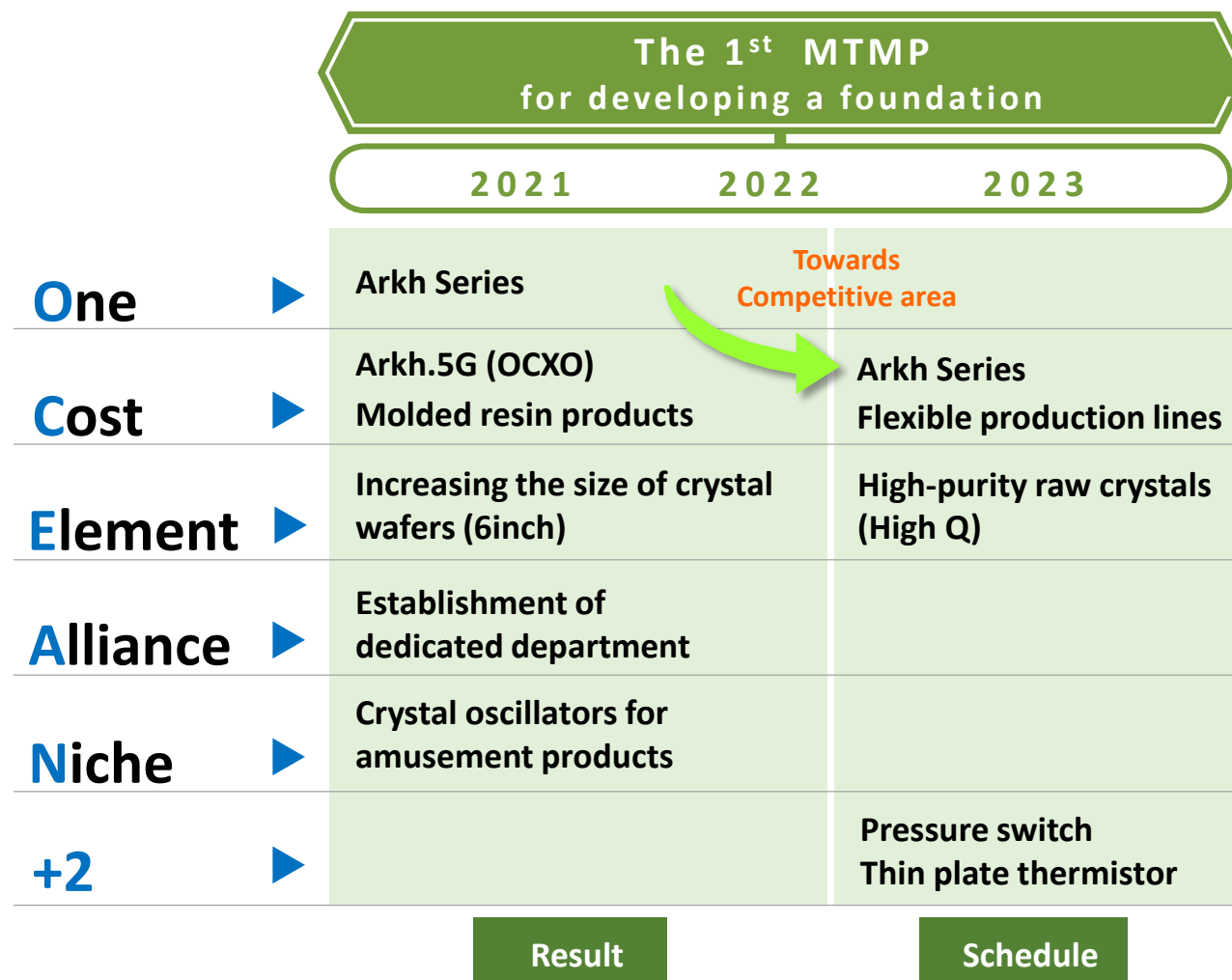
The state of world affairs

- Exchange rate trends
- US-China tension
- Russia-Ukraine tension
- Pandemic
- Recession, etc.

Electronics industry

- Inventory adjustment
- CAPEX control
- Oversupply
- Increase in data traffic
- Spread of self-driving and EV, etc.

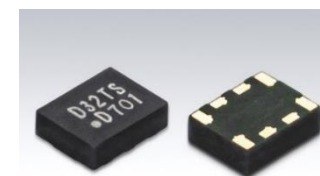
Our original growth drivers



Built-in ICs

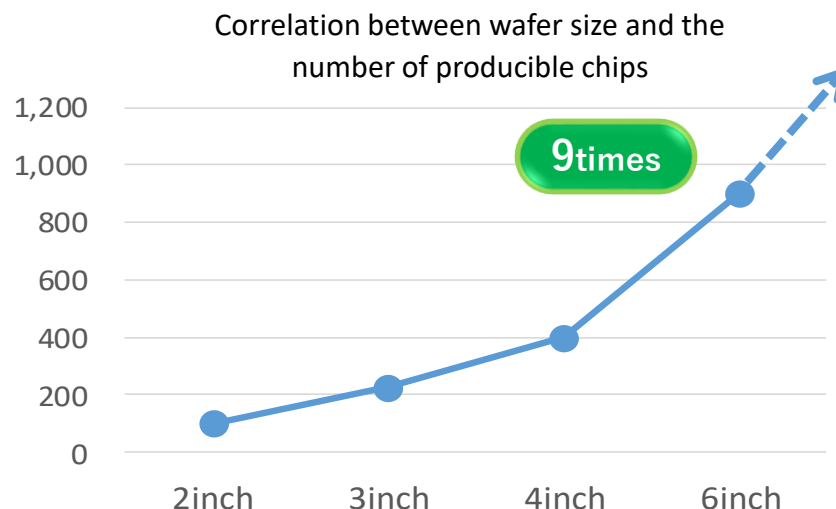
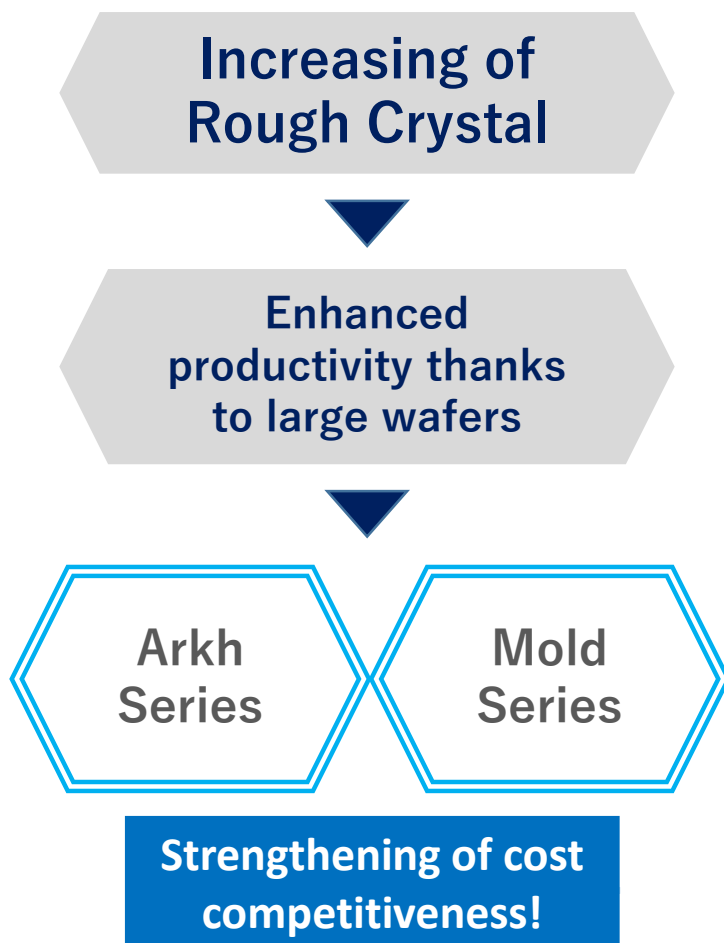


Increase in size of raw crystals to 6inch

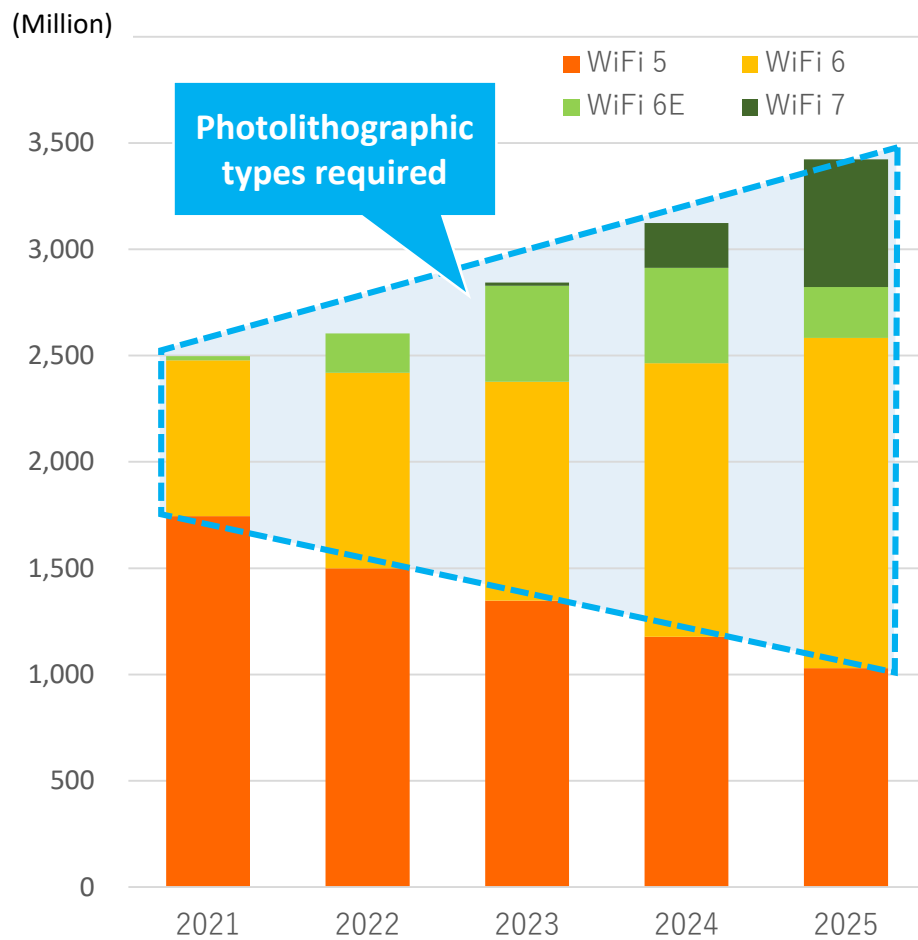


Expansion of RTC sales for automobiles

Strengthening of cost competitiveness



Wi-Fi Market



*Reference : TSR

Crystals continue to become higher frequency

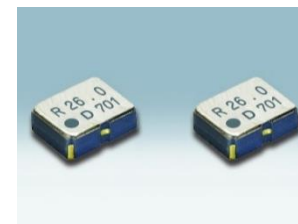
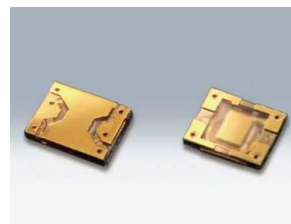
→ **Higher sales volume of photolithographic types**

KDS Photolithography Products

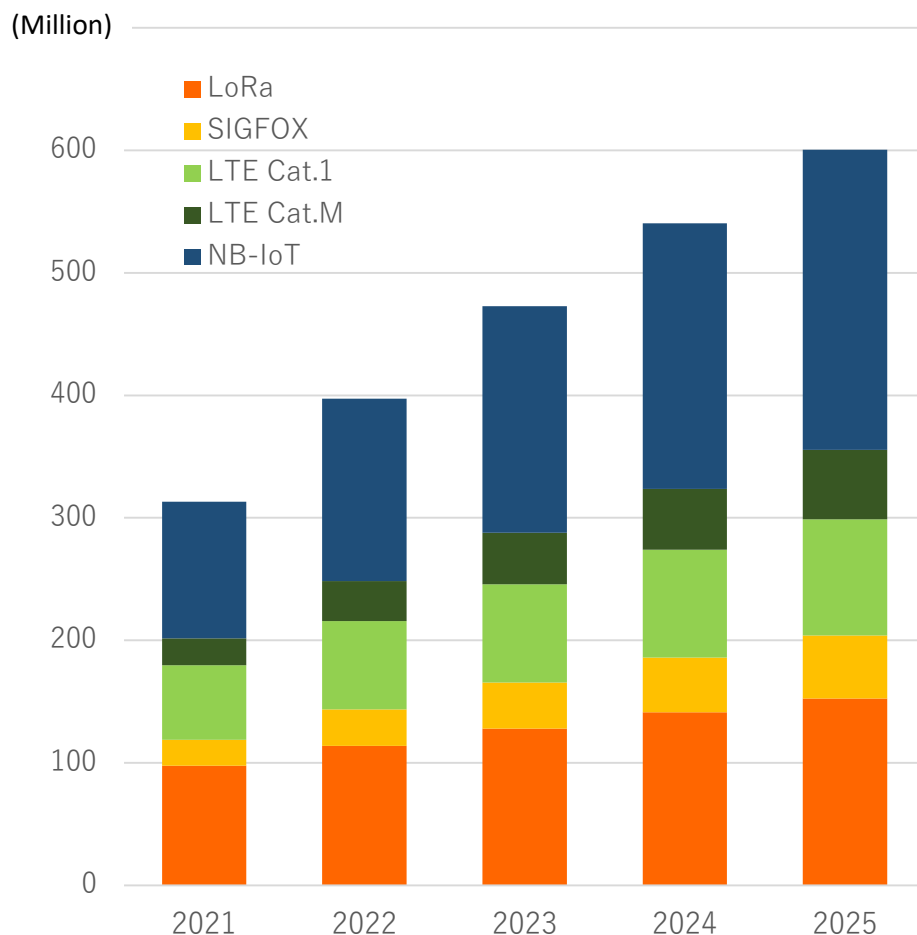
- Arkh Series
- High-frequency crystal resonator

For Automotive

- TCXO



LPWA Market

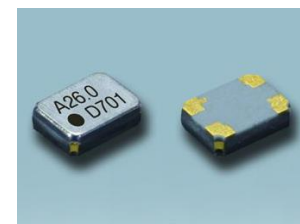
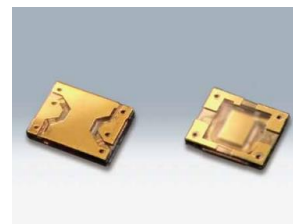


*Reference : TSR

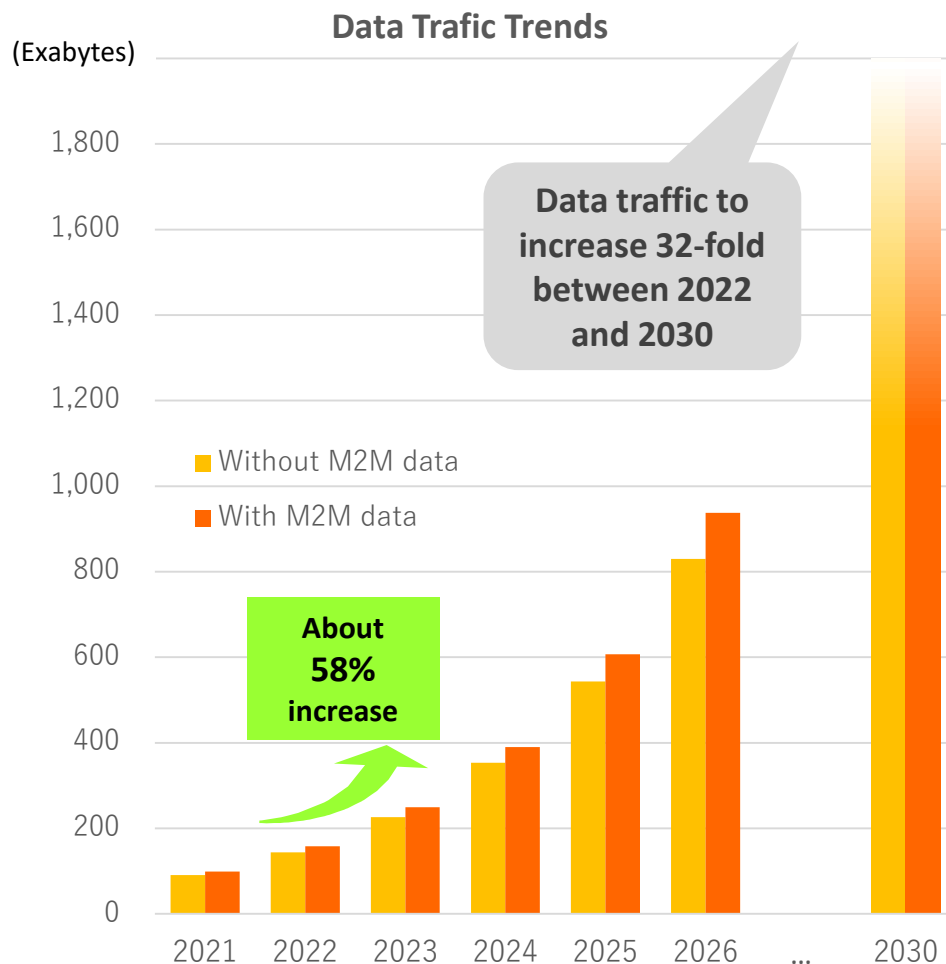
Addition of GPS function
→ **TCXO required**

KDS Photolithography Products

- TCXO
- Small tuning fork crystal resonator
- Molded oscillator



Network-related Market



*Reference : Cisco

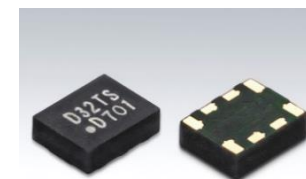
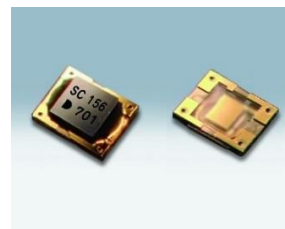
Target markets

Data center
Server / Storage
Optical transceiver, etc.

→ **Oscillators required**

KDS Photolithography Products

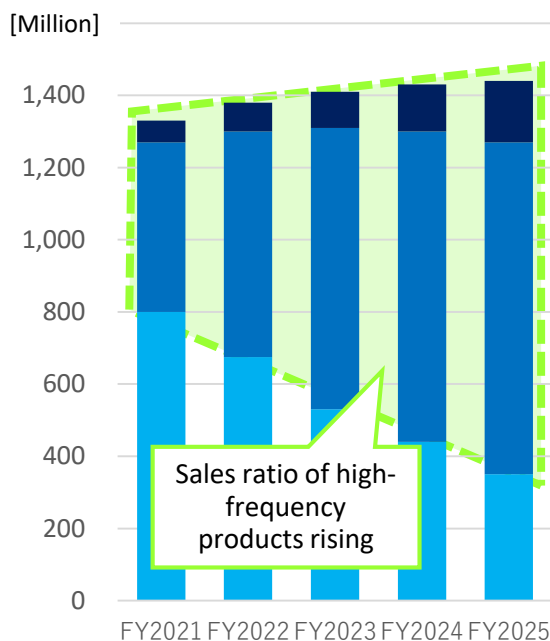
- Differential output crystal oscillator
- OCXO
- RTC
- Molded oscillator



Market trends and facility capacity



5 G market

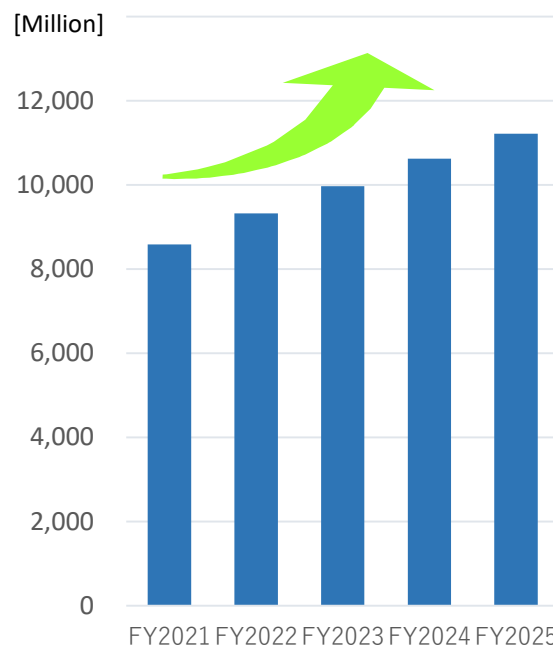


Model

High-frequency resonator (thermistor)



BLE market

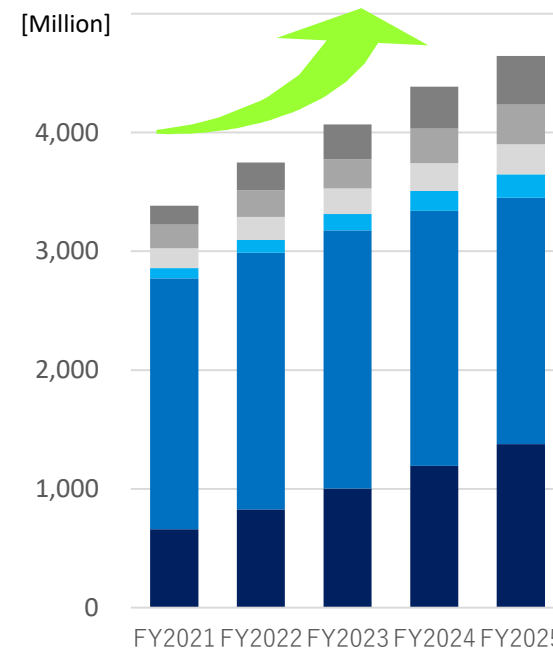


Model

Small tuning fork crystal resonator



Automotive market



Model

Small crystal resonator

Capex completed for all markets

Sales trend by geography



Europe

Expansion of the market share



Base station



Industrial equipment

India

New development



Industrial market



Automotive market

US

Expansion of the market share



Data center

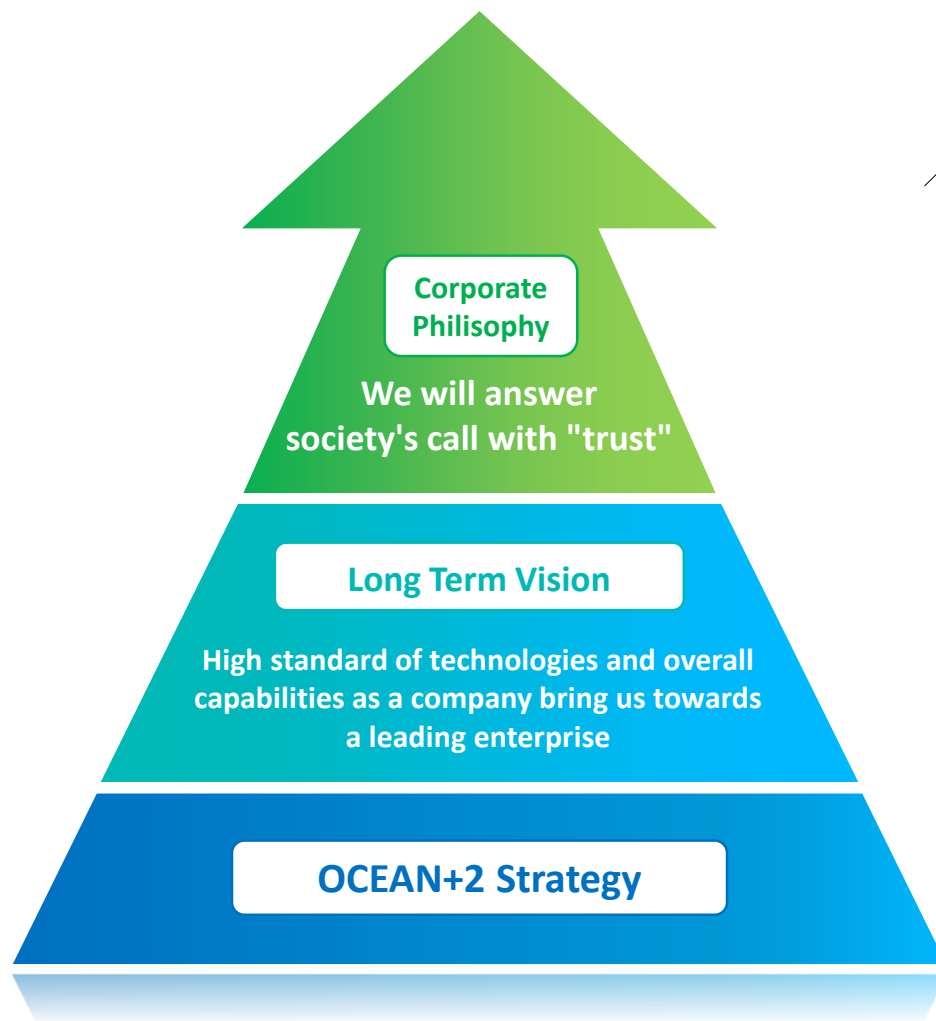


Electric Vehicle

Synthetic quartz crystal for 6 inch



Towards Sustainable growth



"OCEAN+2 Strategy" 7 Basic Strategies

- | | |
|-----------------|------------------------------------------------|
| One | ▶ Single supplier |
| Cost | ▶ Challenge to lower cost area |
| Element | ▶ Core technology:
Growth of quartz crystal |
| Alliance | ▶ Alliance |
| Niche | ▶ Advantage of being a survivor |
| +1 | ▶ New crystals |
| +2 | ▶ New devices |