Financial Results Briefing for the Second Quarter of FY2024

(Ending March 31, 2024)

November 29, 2023
DAISHINKU CORP. (Code: 6962)

Director, Senior Managing Executive Officer,
General Manager of Marketing & Sales Division,
Shimpei Hasegawa

Topics of Financial Results for the Second Quarter of FY2024

- **“Decrease in revenues and profits”**
  amid a sluggish market environment
- **“Double-digit increase in revenues”**
  year-on-year in the automotive electronics field
- **Photolithography sales ratio of “Over 20%”**
  for the first time
- **Dividend remains unchanged at “28 yen (annual)”**

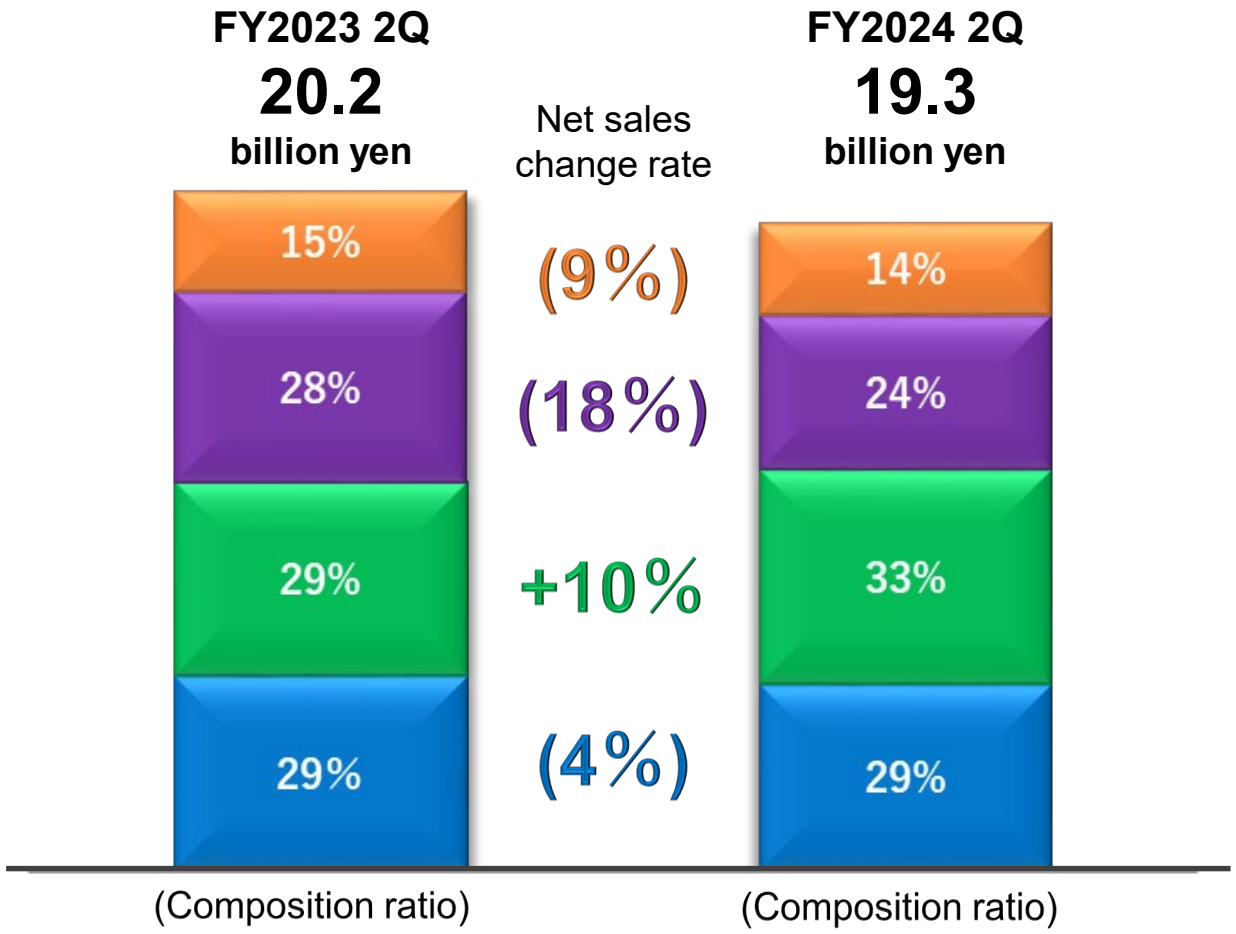
Performance Report for the Second Quarter of FY2024

Lower revenues and profits

Unit：Million yen	FY2023 2Q	FY2024 2Q	YoY Change Increase/Decrease	YoY Change Rate of change
Net sales	20,292	**19,332**	(960) ↓	(4.7%)
Operating profit	2,810	**901**	(1,909) ↓	(67.9%)
Ordinary profit	4,751	**1,977**	(2,774) ↓	(58.4%)
Profit attributable to owners of parent	2,986	**1,391**	(1,595) ↓	(53.4%)
USD average rate (yen)	134.03	**141.06**	7.03 ↑	

Sales by Market (YoY Change)

Double-digit increase in revenues for automotive electronics applications



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

IE

Sluggish demand due to restrained capital expenditures

CE

Weak sales mainly for PC applications since 2H of the previous year due to a reactionary fallback from COVID-19-induced demand

AE

Steady growth in sales as the impact of semiconductor shortages begins to ease

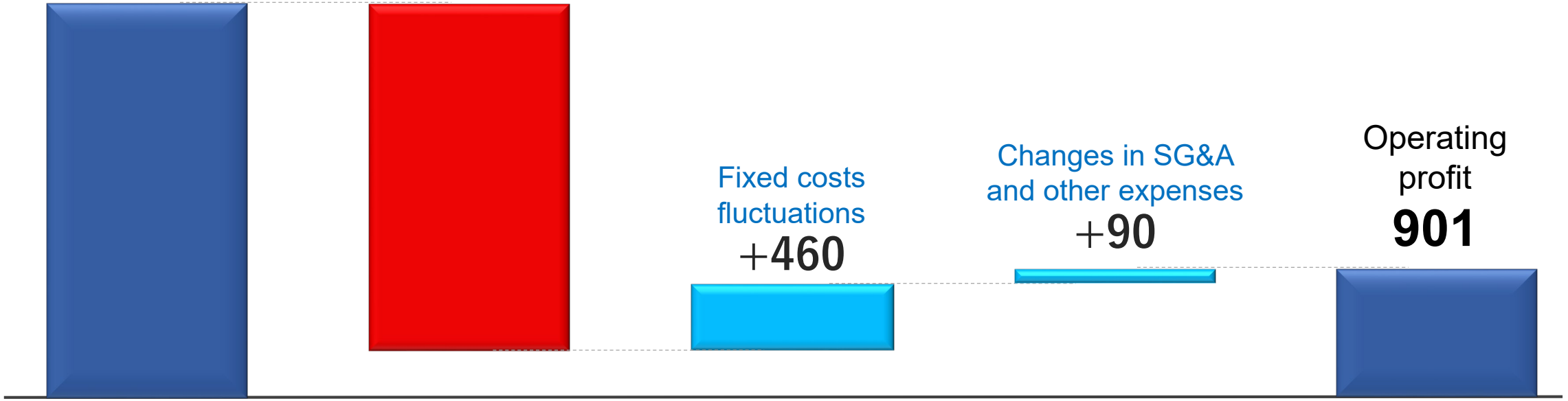
TC

Stagnant growth in final demand despite signs of recovery with progress in inventory adjustments

Operating Profit Analysis (YoY Change)

Unit: Million yen

FY2023 2Q → (1,909) → FY2024 2Q



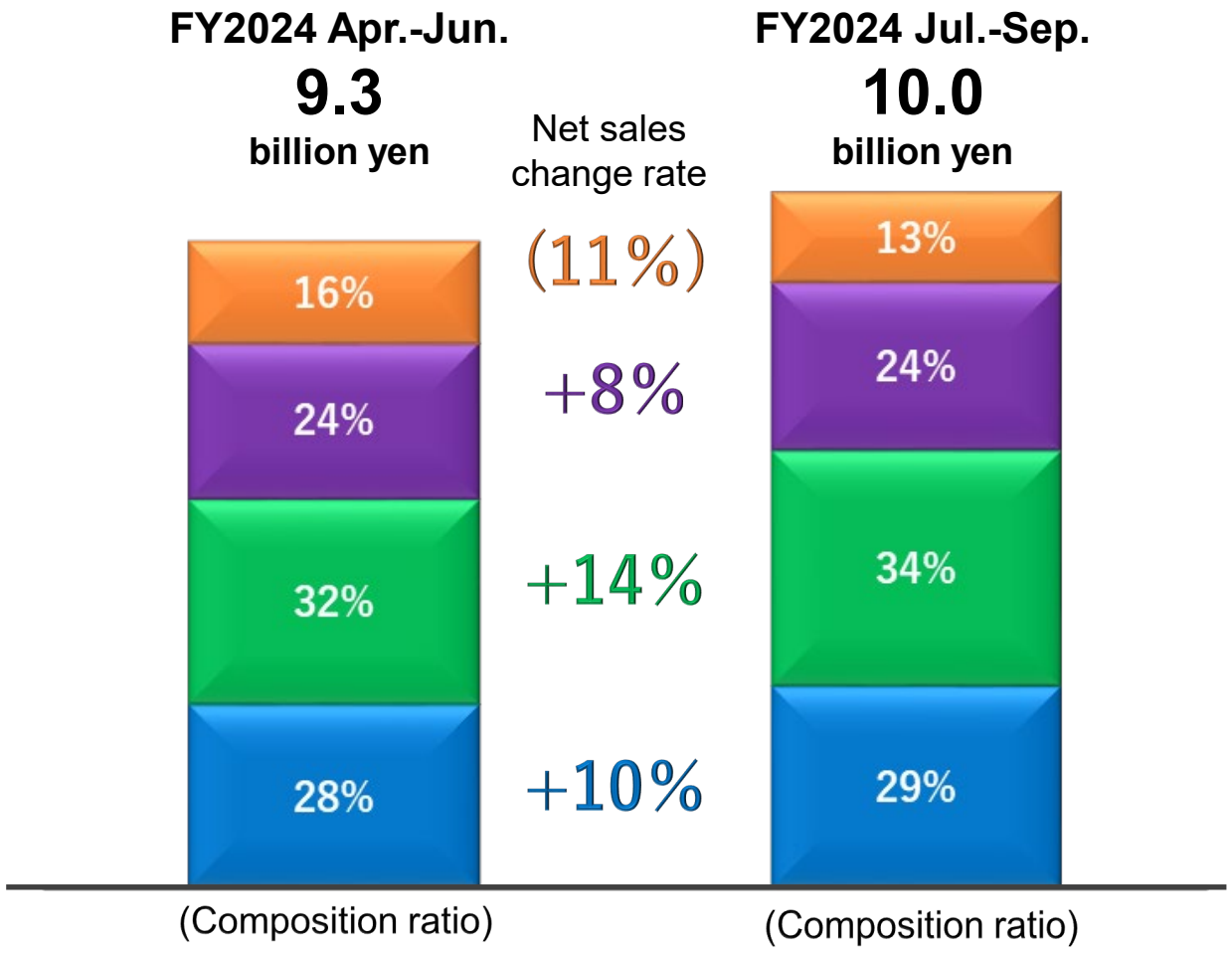
Quarterly Performance Report for FY2024

Higher revenues and lower profit
(Operating profit)

Unit：Million yen	FY2024 Apr.-Jun.	FY2024 Jul.-Sep.	QoQ Change Increase/Decrease	QoQ Change Rate of change
Net sales	9,318	**10,014**	696 ↑	7.5%
Operating profit	518	**383**	(135) ↓	(26.1%)
Ordinary profit	1,052	**925**	(127) ↓	(12.1%)
Profit attributable to owners of parent	439	**952**	513 ↑	116.9%

Sales by Market (QoQ Change)

**Strong sales for AE applications,
and double-digit increase in revenues for TC applications**



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IE

Continued restraint in capital expenditures and adjustment of parts inventory

CE

Recovery trend for PC-related applications

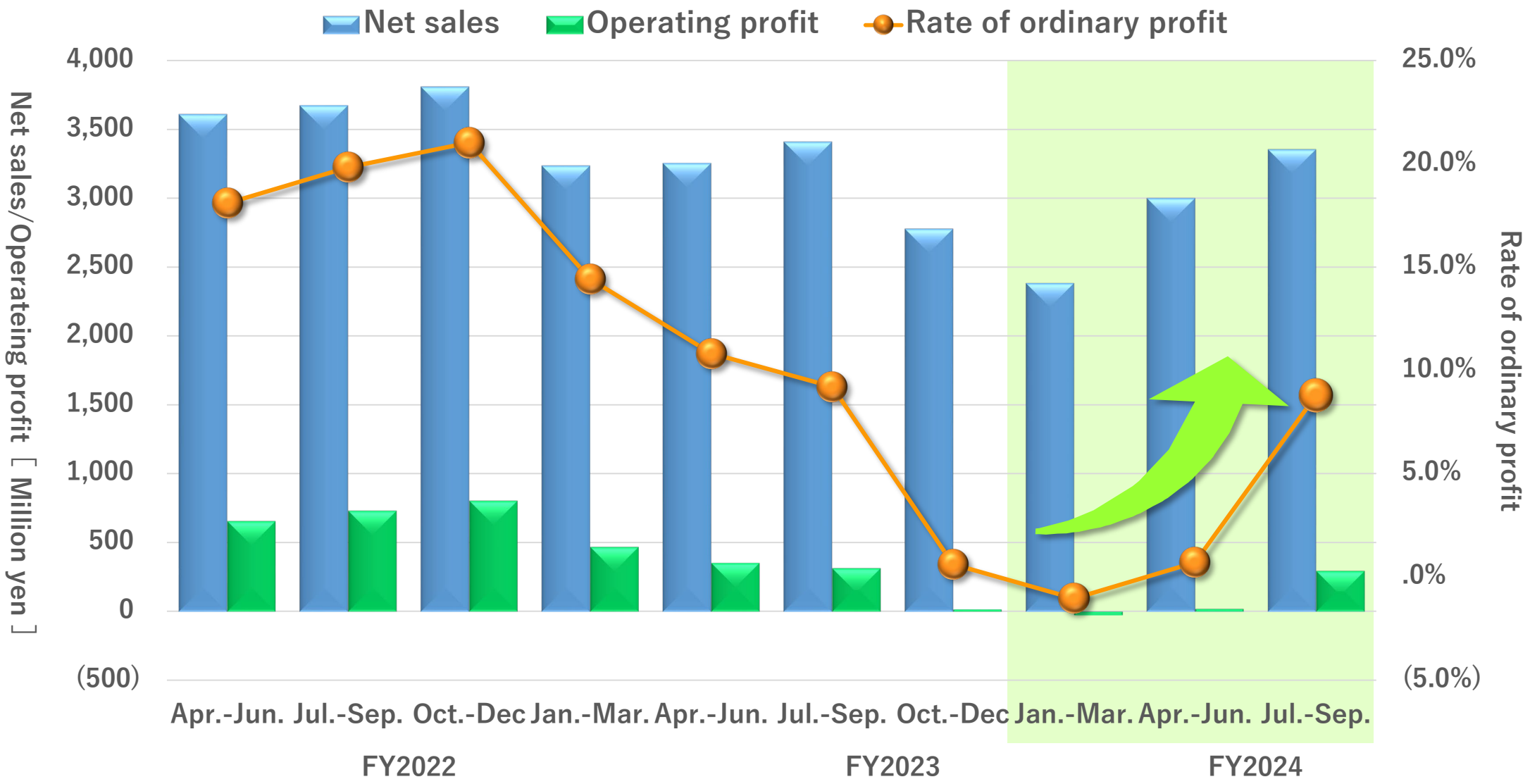
AE

Steady growth with double-digit increase in revenues continuing from 1Q

TC

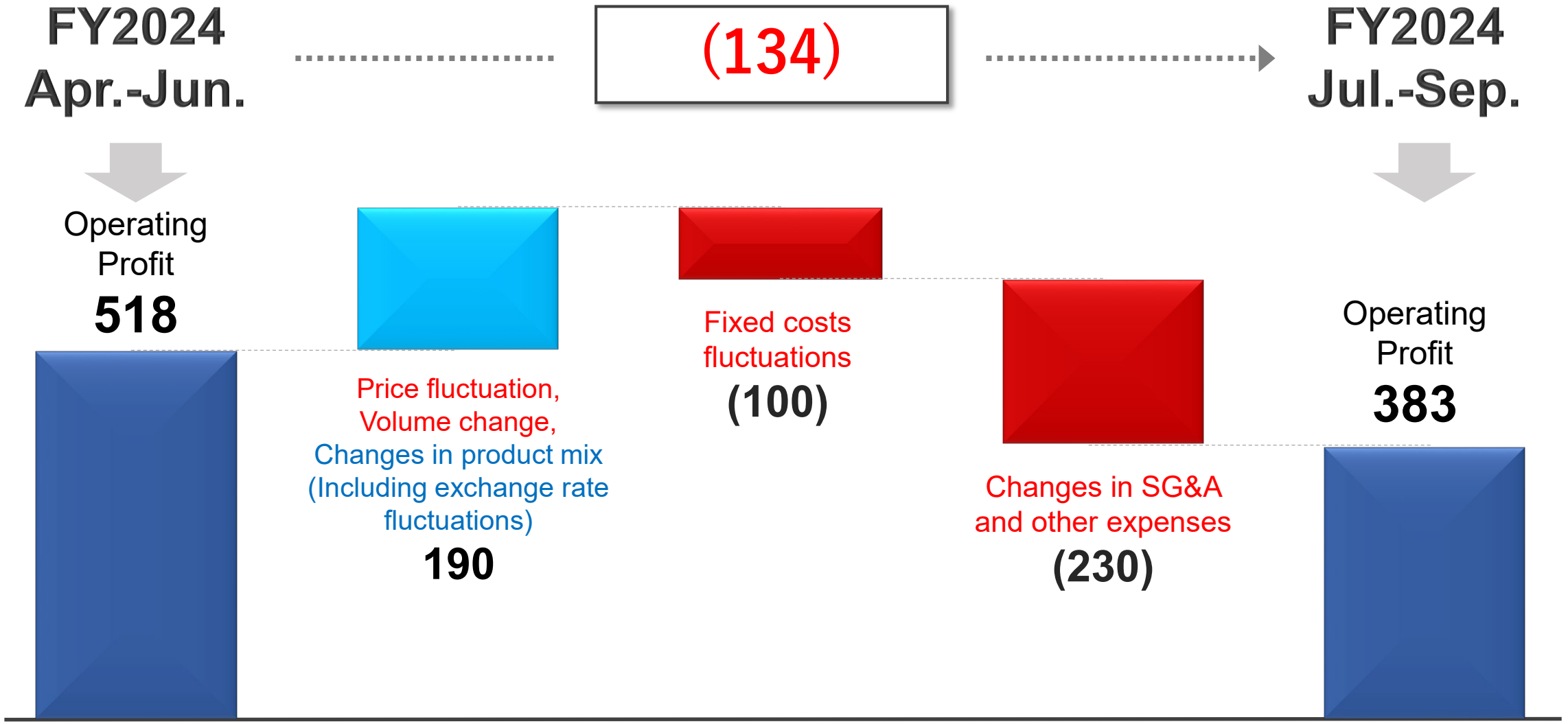
Recovery trend for high-end models of smartphones in China

Taiwan Segment



Operating Profit Analysis (QoQ Change)

Unit: Million yen



Capital Expenditures / Depreciation / R&D Expenses

Unit: Million yen

YoY Change

	FY2023 2Q	FY2024 2Q	Increase/ Decrease
Capital Expenditures	3,576	**2,229**	(1,347)
Depreciation	1,890	**1,859**	(31)
R&D Expenses	1,071	**1,073**	2

QoQ Change

	FY2024 Apr.-Jun.	FY2024 Jul.-Sep.	Increase/ Decrease
Capital Expenditures	767	**1,462**	695
Depreciation	910	**949**	39
R&D Expenses	503	**570**	67

Major capital expenditures

- Photolithography-related equipment
- Core systems, etc.

Full Year Forecast for FY2024

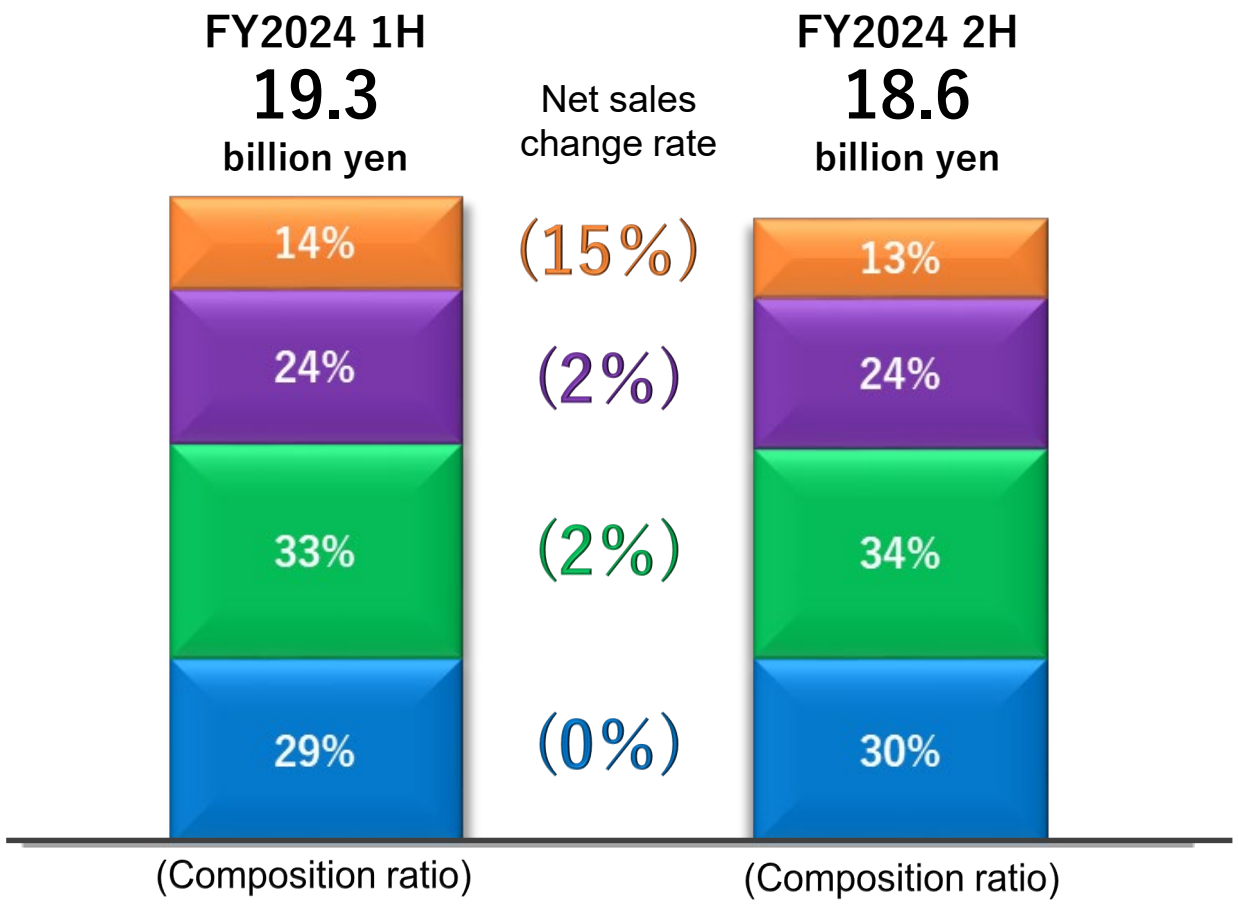
Upward revision

Unit: Million yen	FY2023	FY2024 1H results	FY2024 2H forecast	FY2024 Full year forecast
Net sales	38,430	19,332	18,668	**38,000**
Operating profit	4,210	901	599	**1,500**
Ordinary profit	5,106	1,977	(277)	**1,700**
Profit attributable to owners of parent	3,208	1,391	(291)	**1,100**
ROE	9.3%	-	-	**3.0%**
ROIC	4.1%	-	-	**1.4%**
USD average rate (JPY)	135.50	141.06	145.00	**143.03**

*Assuming average exchange rate of 150.00 yen for Nov.-Dec., 140.00 yen for Jan.-Mar., and 135.00 yen at the end of the fiscal year.

Sales by Market (1st Half Results vs 2nd Half Forecast)

Decreased revenues due to seasonal factors



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IE

Continued adjustment in 2H

CE

Slow market growth due to a seasonal factor (Chinese New Year) in Greater China, despite the gradual recovery trend in the market

AE

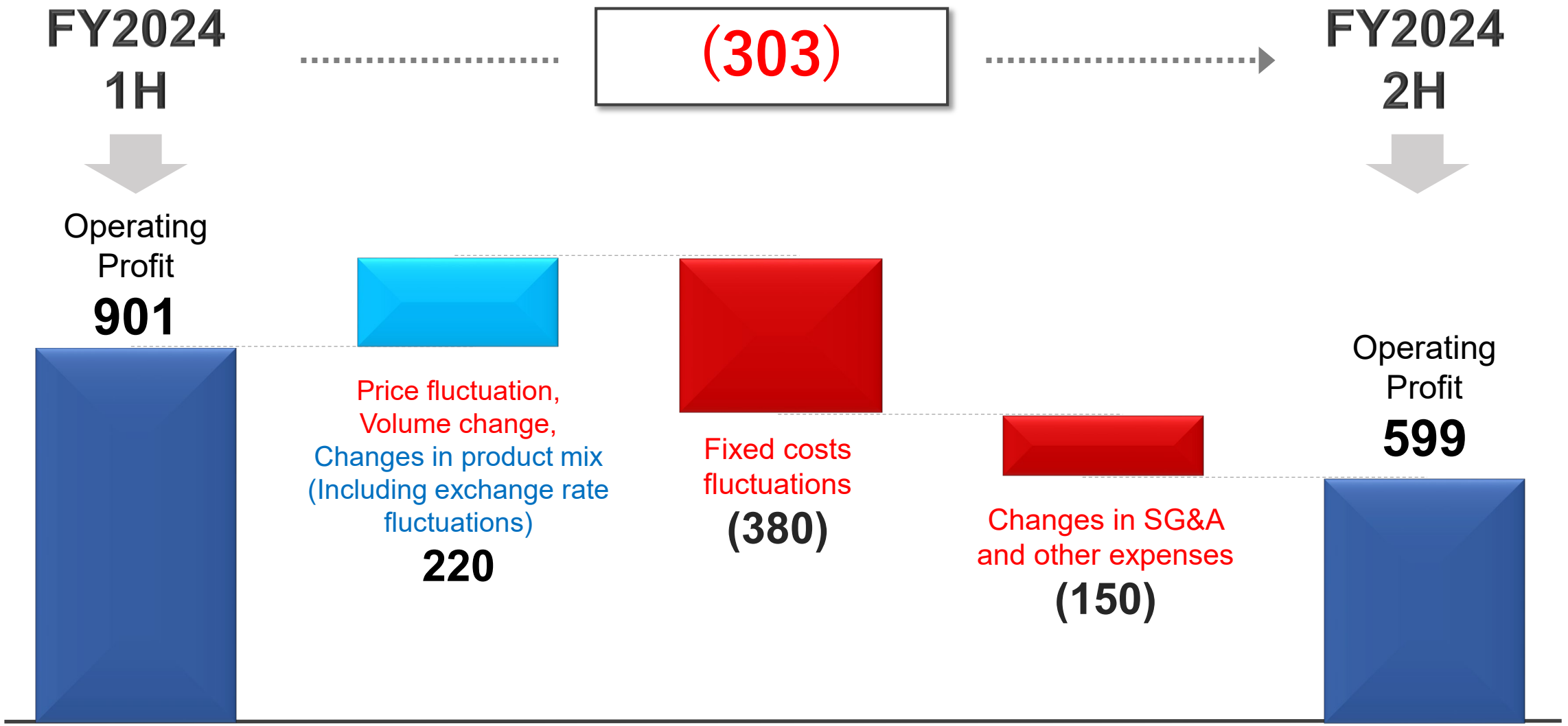
Slow market growth in 3Q due to a seasonal factor (Christmas holidays) in Europe and the US

TC

Slow market growth due to a seasonal factor (Chinese New Year) in Greater China

Operating Profit Analysis (1st Half Results vs 2nd Half Forecast)

Unit: Million yen



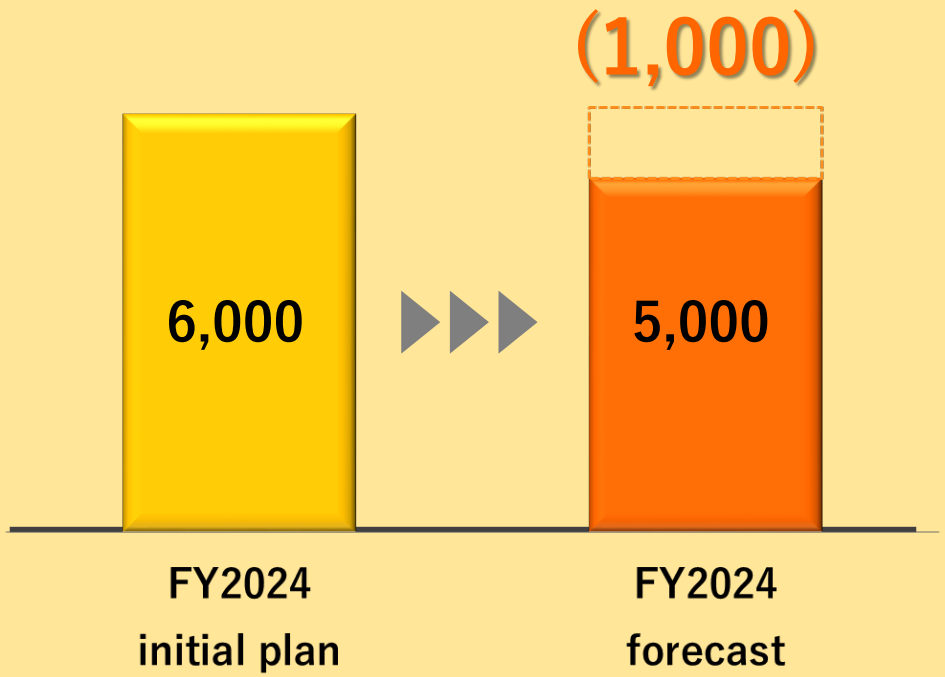
Capital Expenditures / Depreciation / R&D Expenses (Full Year Plan)

Unit: Million yen

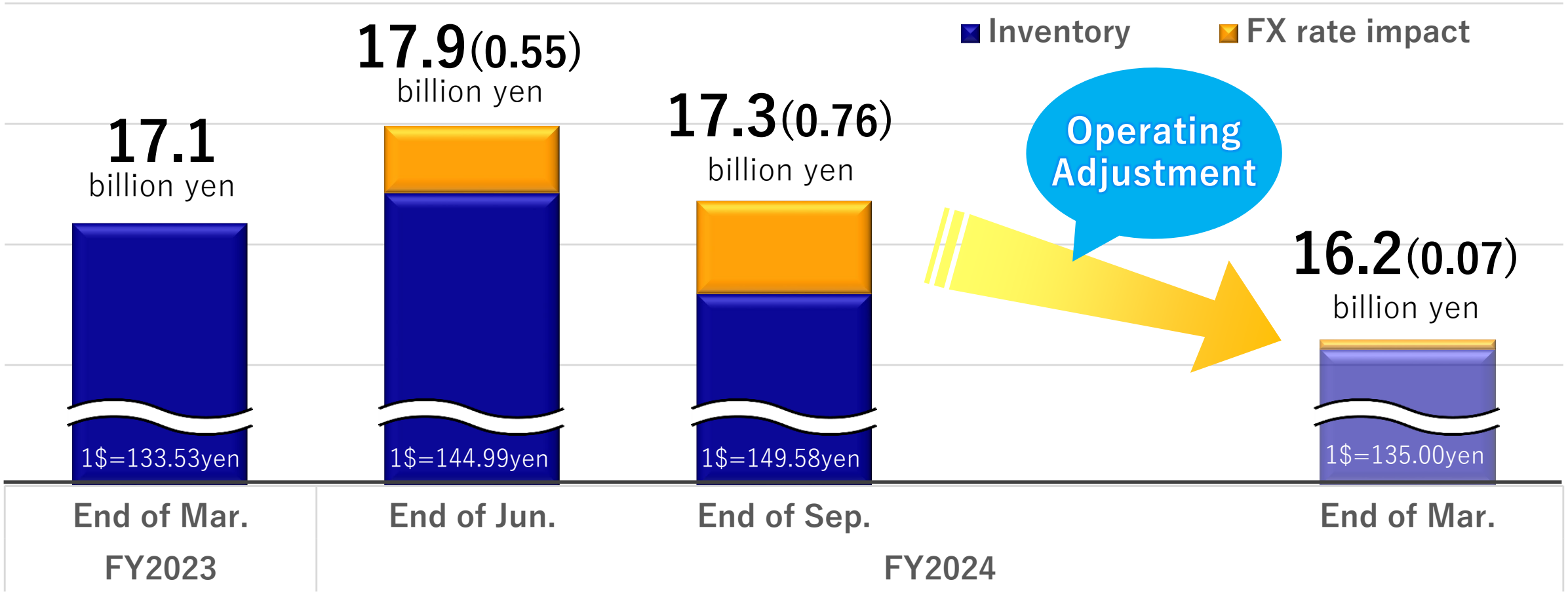
	FY2023	FY2024	Increase/ Decrease
Capital Expenditures	5,913	**5,000**	(913)
Depreciation	3,993	**4,100**	107
R&D Expenses	2,205	**2,300**	95

In light of market environment trends, shift some expenses for production increase equipment, labor-saving equipment, and infrastructure-related equipment to the next fiscal year or later

Unit: Million yen



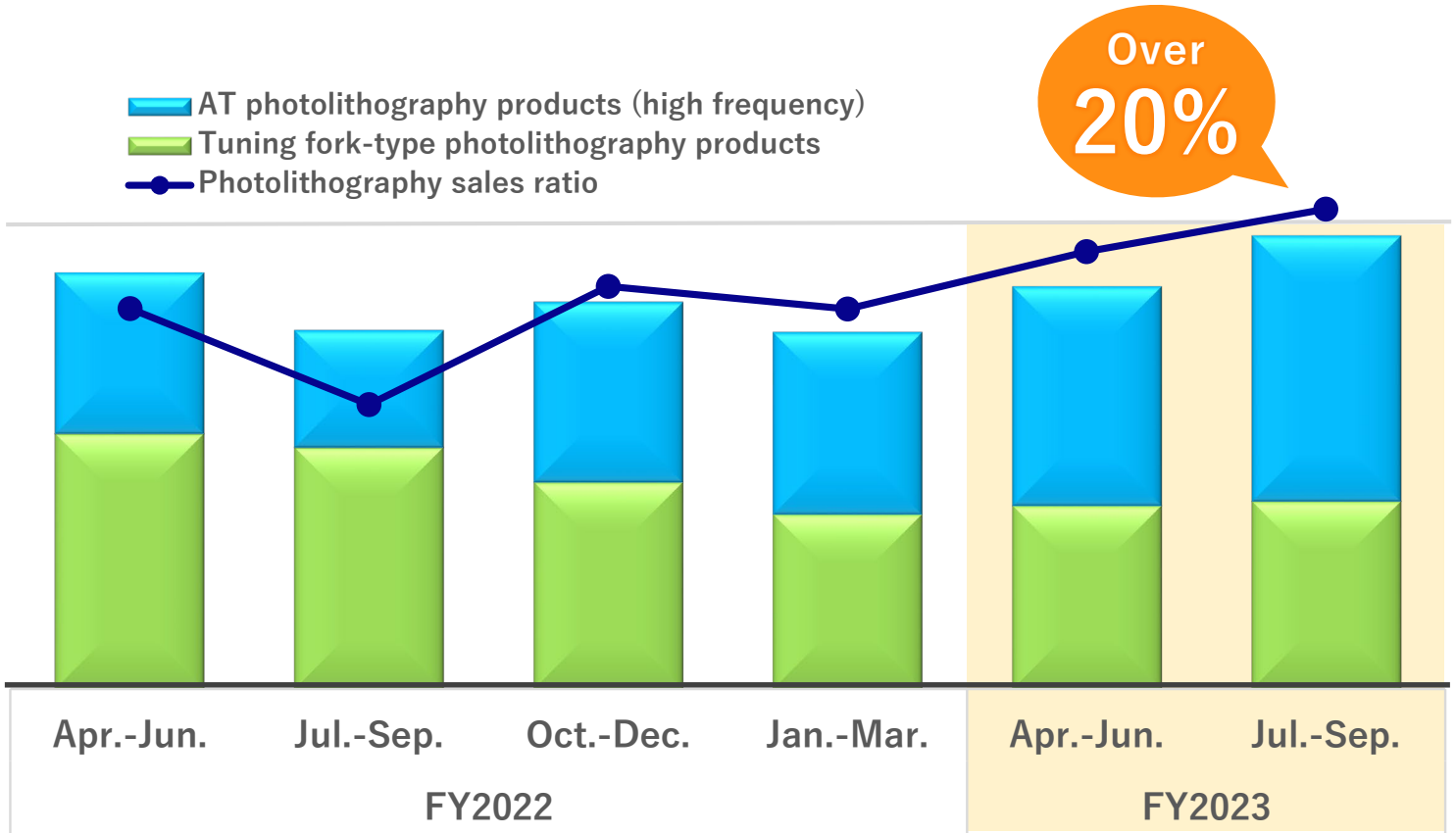
Inventory Trends

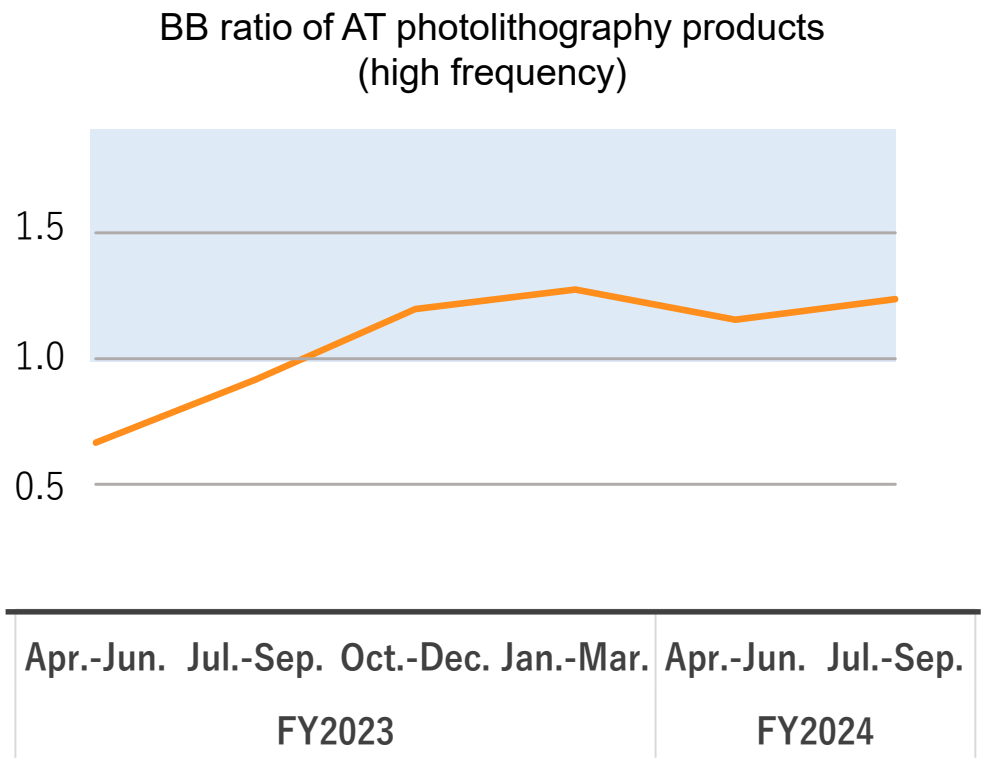


* ( ) is the amount of FX rate impact

Quarterly Trends of Photolithography Product Sales Ratio

Photolithography product sales ratio: Achieved 20% level for the first time; expected to exceed 20% for the full fiscal year





* Figures are the quarterly averages of monthly BB ratios.

Market Outlook for Next Term

Telecommunications

Inventory adjustments for communication modules will also be completed in addition to smartphones.
The market will continue to be on a recovery track.

1H 

2H 

Automotive Electronics

Inventory adjustments will be completed for European automotive electronics manufacturers.
The market will remain strong.

1H 

2H 

Consumer Equipment

Demand for PCs and SSDs is expected to increase.
The market will recover slowly.

1H 

2H 

Industrial Equipment

The performance will be weak for FA equipment.
The performance is expected to grow for smart meter-related applications.

1H 

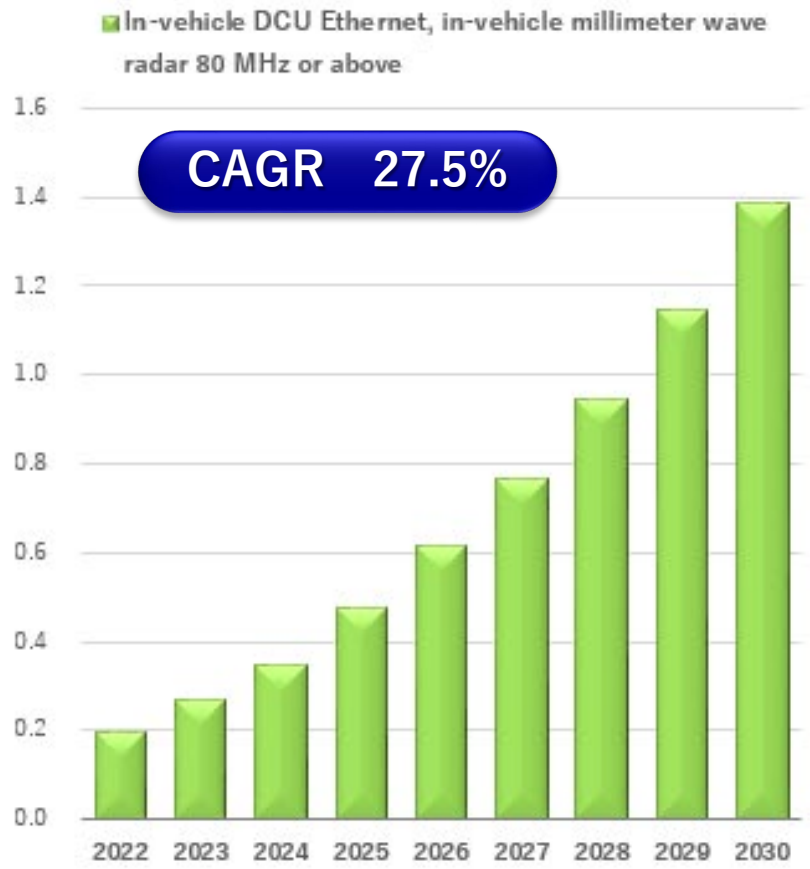
2H 

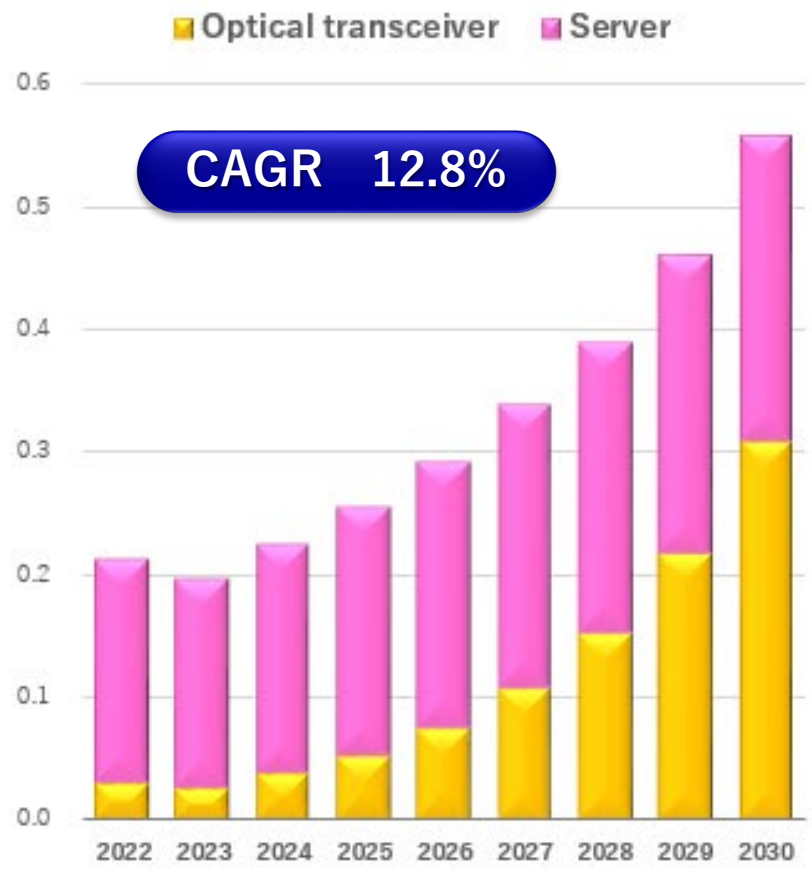
Trend for Higher Frequency

Market Size of High-frequency Crystal Devices

Trends in the volume of high-frequency crystal devices (76.8 MHz or above)

Unit: Billion of pieces





* Trends in the volume of crystal devices: Our estimates based on market trend forecasts of Techno System Research Co., Ltd. and Fuji Chimera Research Institute, Inc.

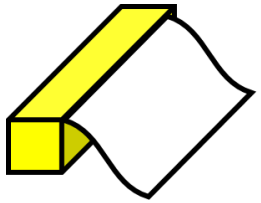
Trend Forecast of Communication Frequencies

■Current ■Future

	2010s	2020s	2030s
Cellular	4 G	5 G	6 G
Applicable product Crystal resonators with dedicated temperature sensor	38.4 MHz	76.8 MHz 153.6 MHz	153.6 MHz 307.2 MHz
Core Network	100G	400/800G	1.6/3.2T
Applicable product Differential oscillator	156.25 MHz	312.5/320 MHz 400/625 MHz	1.25 GHz
Wi-Fi	Wi-Fi 5	Wi-Fi 6/6E/7	Next generation Wi-Fi
Applicable product Crystal resonators	38.4 MHz 40/48 MHz	76.8 MHz 80/96 MHz	153.6 MHz 192 MHz

Higher Crystal Frequencies

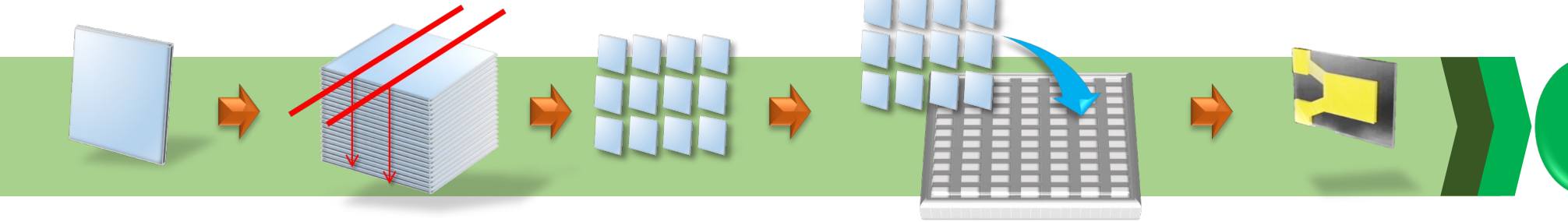
As the frequency becomes higher, the thickness of crystal blanks becomes thinner.

Crystal frequencies	76.8MHz	153.6MHz	307.2MHz	Higher frequencies
Thickness of a crystal blank 	22μm (0.022mm)	11μm (0.011mm)	5μm (0.005mm)	Thinner → Higher technical capability ● Manufacture of crystal blanks themselves ● Assembly of crystal devices
Familiar examples showing the image of thickness	Plastic bag from a convenience store: Approx. 25μm thick 	Food film: Approx. 10μm thick 	Red blood cell: diameter Approx. 6-8 μm 	

Photolithography Technology for High Frequencies

Machine processing

Crystal wafer → Blocking & cutting → Dicing → Mounting on a vapor deposition pallet → Electrode formation (individual pieces)



Limited ability to support high frequencies

Variations: Large

The degree of difficulty of processing: High

Variations: Large

Photolithography processing

To the assembly process

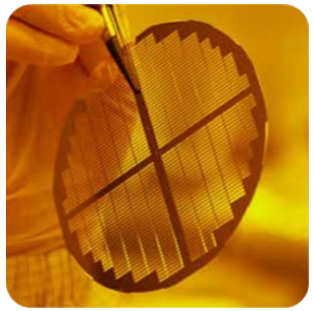
Crystal wafer → *Processing using a semiconductor process* → Light exposure (pattern transfer) → Electrode formation (crystal wafer)

Suitable for high frequencies

Initiatives for Higher Frequencies

Increasing the size of crystal wafers and synthetic quartz crystals

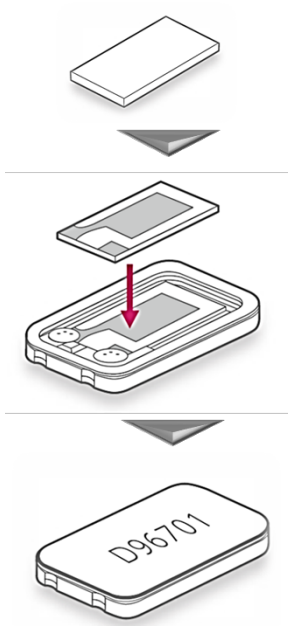
Successful pulling of synthetic quartz crystals for 6 inch



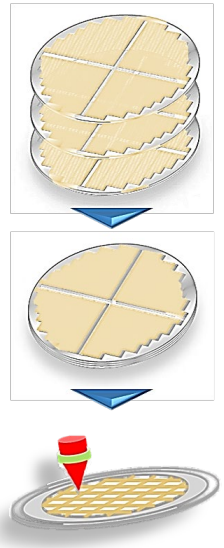
Mass production of 6 inch wafers on the horizon

Responding to higher precision

Machine processing

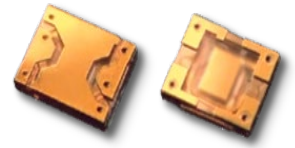


Photolithography processing

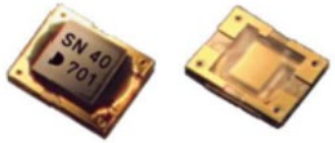


Arkh series Mold oscillators

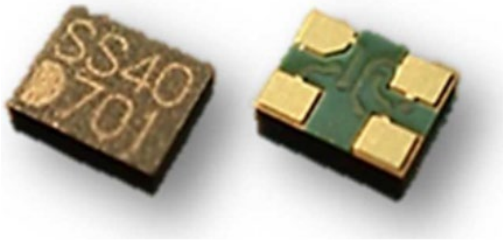
Arkh resonators



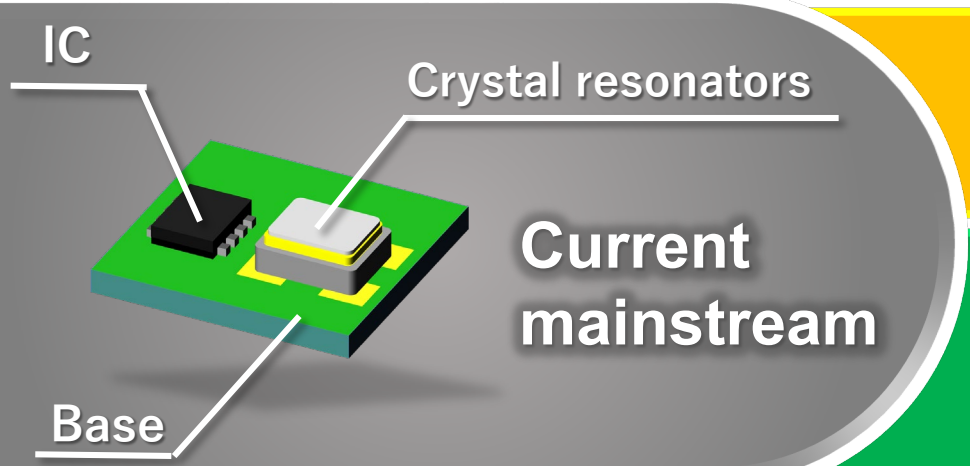
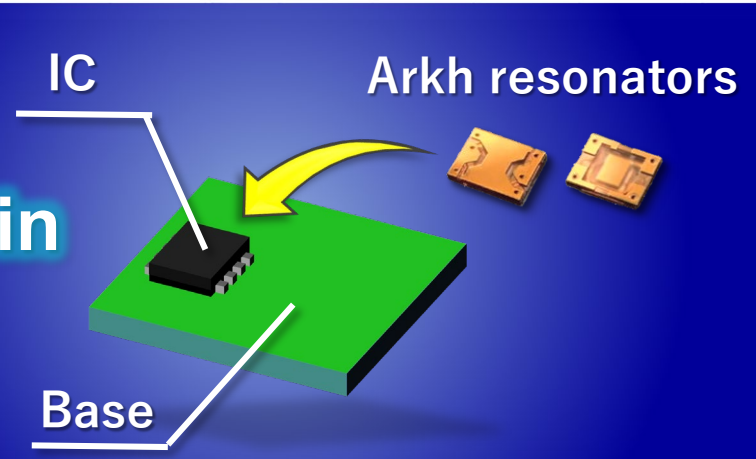
Arkh oscillators



Mold oscillators



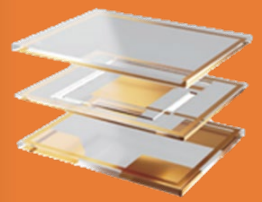
Built-in IC of Arkh Series

Current mainstream	Comparison	Built-in IC
	Image of board mounting	
Necessary / Neutral	Mounting space	Not necessary / Very good
Necessary / Neutral	Circuit design by customer	Not necessary / Very good
Long / Neutral	Wiring (related to the effect of noise)	Short / Very good

The Arkh series, which has advantages in supporting higher frequencies and smaller sizes, is ideal for built-in ICs.

Progress of the Arkh Series

Higher communication frequencies → **Address with photolithography products** → **The Arkh series is an ideal solution.**



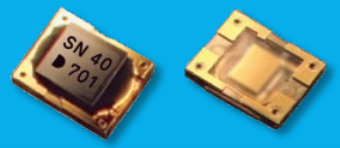
Photolithography

three-layer structure

KDS original products

Arkh resonators

Arkh oscillators



- Compatible with 76.8MHz / 153.6MHz / 156.25MHz / 307.2MHz
- Customer evaluations, factory audits, and regular meetings are being implemented in sequence.

- ☐ Major U.S. chipset manufacturers
- ☐ European and U.S. automotive semiconductor manufacturers
- ☐ Major smartphone manufacturers

Long-term Management Strategy “OCEAN+2 Strategy”

*Established November 2019

“OCEAN+2 Strategy”
7 basic strategies

One	▶ Single supplier
Cost	▶ Challenge to lower cost area
Element	▶ Core technology; growth and cutting/polishing of crystal
Alliance	▶ Alliance
Niche	▶ Advantage of being a survivor
+1	▶ New crystals
+2	▶ New devices

Forward-looking statements, such as performance forecasts for this fiscal year, are calculated based on information currently available and contain uncertainties. Actual performance may differ significantly from forward-looking statements due to changes in business conditions and other factors.

In addition, we do not undertake any obligation to update and publish any forward-looking statements after the issuance of this material, except as required by applicable laws and regulations.