

DAISHINKU CORP.

FINANCIAL RESULTS

Tokyo, May 13, 2024 - Daishinku Corp. today announced its Financial Results for the Year ended March 31, 2024.

1. Operating Results for the years ended March 31, 2023 and 2024

(1) Consolidated operating results

(Figures in % are a comparisons with the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Year ended March 31, 2024	39,343	2.4	2,135	(49.3)	3,192	(37.5)	1,876	(41.5)
Year ended March 31, 2023	38,430	(7.0)	4,210	(19.0)	5,106	(22.0)	3,208	(16.6)

Note: Comprehensive Income Year ended March 31, 2024 ; 5,068 Yen-million, Year ended March 31, 2023 ; 4,021 Yen-million

	Net income per share	Net income per share after adjustment with potential shares	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2024	58.12	-	5.0	3.7	5.4
Year ended March 31, 2023	99.41	-	9.3	6.2	11.0

ref. Investment Profit or Loss on Equity Method As of March 31, 2024 ; -Yen-million, As of March 31, 2023 ; -Yen-million

(2) Consolidated financial status

	Total assets	Net assets	Stockholders' equity ratio	Stockholders' equity per share
	Millions of Yen	Millions of Yen	%	Yen
As of March 31, 2024	91,064	47,048	42.5	1,199.24
As of March 31, 2023	83,622	43,182	42.9	1,112.24

ref. Stockholders' equity : As of March 31, 2024 ; 38,708 Yen-million, As of March 31, 2023 ; 35,901 Yen-million

(3) Consolidated statements of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalent at end
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Year ended March 31, 2024	8,243	(3,994)	1,104	24,355
Year ended March 31, 2023	5,859	(6,524)	1,298	18,437

2. Dividends

	Dividends per share					Total amount of dividends (Full Year)	Dividend payout ratio (Consolidated)	Dividend on net assets (Consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Annual			
(Results)	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year ended March 31, 2023	-	14.00	-	14.00	28.00	903	28.2	2.6
Year ended March 31, 2024	-	14.00	-	14.00	28.00	903	48.2	2.4
(Forecast)								
Year ending March 31, 2025	-	14.00	-	14.00	28.00		180.8	

3. Forecast for the fiscal year ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(Figures in % are a comparisons with the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Year ending March 31, 2025	40,000	1.7	1,500	(29.8)	1,000	(68.7)	500	(73.3)	15.49

※ Others

(1) Changes for important subsidiaries during this period : None

(2) Changes in accounting policies and changes or restatement of accounting estimates

- | | |
|--|------------|
| 1. Changes in accounting policies related to accounting standard revisions | None |
| 2. Other changes in accounting policies | Applicable |
| 3. Changes in accounting estimates | None |
| 4. Modified restatements | None |

(3) Outstanding shares (Common shares)

- | | | | |
|--|-------------------|-----------------------------|-------------------|
| 1. Number of shares outstanding (including treasury stock) | | | |
| As of March 31, 2024 : | 36,196,968 shares | As of March 31, 2023: | 36,196,968 shares |
| 2. Number of treasury stock | | | |
| As of March 31, 2024: | 3,919,393 shares | As of March 31, 2023 : | 3,918,416 shares |
| 3. Average number of shares during the period | | | |
| Year ended March 31, 2024 : | 32,278,103 shares | Year ended March 31, 2023 : | 32,279,113 shares |

ref. Summary of Non-consolidated Financial Results

Non-consolidated Results for the years ended March 31, 2023 and 2024

(1) Non-consolidated operating results

(Figures in % are a comparisons with the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Year ended March 31, 2024	29,227	(4.6)	130	(95.3)	1,144	(72.1)	873	(71.5)
Year ended March 31, 2023	30,651	(0.6)	2,754	29.1	4,107	6.8	3,059	(4.9)

	Net income per share	Net income per share after adjustment with potential shares
	Yen	Yen
Year ended March 31, 2024	27.06	-
Year ended March 31, 2023	94.78	-

(2) Non-Consolidated financial status

	Total assets	Net assets	Stockholders' equity ratio	Stockholders' equity per share
	Millions of Yen	Millions of Yen	%	Yen
As of March 31, 2024	64,176	33,106	51.6	1,025.68
As of March 31, 2023	60,957	32,772	53.8	1,015.31

ref. Stockholders' equity : As of March 31, 2024 ; 33,106 Yen-million, As of March 31, 2023 ; 32,772 Yen-million

* The forecasts are based on assumptions of the future economic environment using the data available at the time of disclosure.
Actual earnings may differ from the forecasts, due to a range of factors.

Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year Ended March 31, 2024

In the global economy, during the current fiscal year (April 1, 2023 to March 31, 2024), economic recovery tended to slow down due to soaring prices with inflation, rising policy interest rates and so on. Capital investment is sluggish especially in the manufacturing industry, and geopolitical risks persist at high level, so an outlook remains uncertain.

In this environment, DAISHINKU CORP. and its affiliates saw that noticeable adjustments due to sluggish capital investment became apparent in the industrial market, and in the consumer market, although sales were on a recovery trend, mainly for PCs, sales remained weak. On the other hand, in the telecommunications market, sales for Chinese smartphones showed a recovery trend, and in the automotive market, sales remained strong due to a recovery in automobile production as the semiconductor shortage was resolved, resulting in net sales of 39,343 million yen (up 2.4% year on year). With regard to profits, operating profit reached 2,135 million yen (down 49.3% year on year) due to the impact of lower utilization and price fluctuations of some products. Although a foreign exchange gain of 1,295 million yen was recorded as non-operating income and a gain on sale of investment securities of 988 million yen was recorded as extraordinary income, ordinary profit was 3,192 million yen (down 37.5% year on year) and profit attributable to owners of parent was 1,876 million yen (down 41.5% year on year).

(2) Overview of Cash Flows for the Current Fiscal Year

The status of consolidated cash flows for the fiscal year ended March 31, 2024 is as follows:

(Cash flows from operating activities)

Cash provided as a result of operating activities amounted to 8,243 million yen. This is mainly due to profit before income taxes.

(Cash flows from investing activities)

Cash used as a result of investing activities amounted to 3,994 million yen. This is mainly due to the purchase of property, plant and equipment.

(Cash flows from financing activities)

Cash obtained as a result of financing activities amounted to 1,104 million yen. This is mainly due to proceeds from long-term borrowings.

As a result, cash and cash equivalents at the end of the fiscal year ended March 31, 2024 increased by 5,917 million yen from the end of the fiscal year ended March 31, 2023 to 24,355 million yen.

(Reference) Changes in cash-flow-related indicators

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Equity ratio	39.8%	40.6%	40.7%	42.9%	42.5%
Market-value-based equity ratio	19.0%	29.1%	48.0%	28.1%	28.4%
Cash flow to interest-bearing debt ratio	35.6 years	9.7 years	3.2 years	5.3 years	4.1 years
Interest coverage ratio	5.7	23.7	66.7	28.0	28.0

(3) Future Outlook

In the future economic environment, there are concerns about trends in monetary policy toward inflation in various countries and other geopolitical risks, and it will likely take some time for economic activities to stabilize.

As for the environment surrounding our group, the industrial market is slowing down due to sluggish capital investment, but the communications market, including smartphones and wireless communication modules, and the consumer market, including PCs/peripheral devices, continue to show a gradual recovery trend. In the automotive market, sales are expected to remain strong due to further progress in ADAS (Advanced Driver Assistance Systems) and electrification.

In March 2024, we completed the 1st Medium-term Business Plan, "Foundation Development," under our 10-year Long-term Business Plan, "OCEAN+2 Strategy," and in April 2024, we started the 2nd Medium-term

Business Plan, "Foundation Establishment." Looking back on the 1st Medium-term Business Plan, despite the confusion caused by COVID-19, record profits were achieved in the first year, ahead of the Medium-term Business Plan, due in part to strong demand for quartz devices and the effect of price correction triggered by a shortage of products. Subsequently, our performance was affected by the end of the stay-at-home demand, rising energy costs, and lower capacity utilization due to a shortage of semiconductors, leading to a slowdown in the second and third years.

Although we failed to achieve the targets of the 1st Medium-term Business Plan, we have been making preparations for the 2nd Medium-term Business Plan by mass production of the world's largest synthetic quartz crystals for 6-inch wafers, and expanding our lineup of Arkh series and molded type oscillators, which are our original products. In addition, since the bias toward the China area has been a factor in performance fluctuations, we aim to renew the highest profit in the 2nd Medium-term Business Plan by reviewing our market portfolio and investing in products with high price competitiveness.

Regarding the long-term outlook, demand for timing devices will obviously grow mainly in "IoT," which requires wireless communication, including automated driving. We will continue to build a system that can stably supply timing devices, which are indispensable for a "connected society" by innovating our core system, promoting DX and preparing for future production innovations with completing construction of our new headquarters plant. We will also take on new challenges to realize carbon neutrality through CO₂ capturing and separation from the viewpoint of reducing CO₂ emissions, which increase in proportion to the production volume. We will endeavor to ensure "stable supply" and "environmental friendliness," which we consider as important issues, and create our new original value.

On a final note, the management vision of our group is "Honor 'human relationships' reflecting spirits that value 'Trust', the company motto and strive towards where all employees thrive." We believe that it is essential to create an environment and structure where all employees work with satisfaction and in a lively manner. We promote various efforts from the viewpoint of "motivating work" and "interesting work." We also place priority on instilling "integrity" and offer education on various occasions. Our ultimate goal is to enhance integrity on individual and organizational levels, build solid trust, and create "Team Daishinku" as a sustainable company based on a sense of unity. Regarding the consolidated performance outlook for the fiscal year ending March 2025, we forecast net sales of 40,000 million yen, operating profit of 1,500 million yen, ordinary profit of 1,000 million yen and profit attributable to owners of parent of 500 million yen. The assumed exchange rate is 1USD = 145.00 yen.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Thousands of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Assets		
Current assets		
Cash and deposits	18,517,098	24,539,199
Notes and accounts receivable - trade	9,514,449	9,646,343
Contract assets	173,175	114,681
Securities	39,854	-
Merchandise and finished goods	7,221,518	5,168,581
Work in process	5,292,225	6,165,762
Raw materials and supplies	4,660,821	5,080,355
Other	1,301,442	1,661,378
Allowance for doubtful accounts	(9,087)	(13,835)
Total current assets	46,711,499	52,362,467
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,132,878	3,016,746
Machinery, equipment and vehicles, net	13,069,856	12,201,468
Tools, furniture and fixtures, net	1,150,322	1,345,884
Land	5,920,297	5,964,533
Leased assets, net	414,984	228,664
Construction in progress	6,896,838	8,830,349
Total property, plant and equipment	30,585,178	31,587,646
Intangible assets	1,184,714	1,236,891
Investments and other assets		
Investment securities	2,812,160	2,925,984
Long-term loans receivable	1,285	1,043
Retirement benefit asset	678,734	1,134,541
Deferred tax assets	756,688	637,335
Other	919,991	1,206,512
Allowance for doubtful accounts	(27,800)	(27,800)
Total investments and other assets	5,141,060	5,877,617
Total non-current assets	36,910,953	38,702,155
Total assets	83,622,452	91,064,623

(Unit: Thousands of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,827,047	2,617,382
Short-term borrowings	2,361,569	2,376,990
Current portion of long-term borrowings	9,658,529	11,629,640
Lease obligations	254,663	140,194
Accounts payable - other	2,659,707	1,684,180
Income taxes payable	976,237	479,574
Contract liabilities	11	79
Provision for bonuses	800,654	713,786
Other	927,382	1,070,130
Total current liabilities	19,465,802	20,711,960
Non-current liabilities		
Long-term borrowings	18,390,443	19,776,032
Lease obligations	173,217	91,911
Deferred tax liabilities	1,135,633	1,939,636
Retirement benefit liability	1,048,161	1,224,331
Long-term accounts payable - other	77,838	65,912
Asset retirement obligations	27,837	28,304
Other	120,898	178,218
Total non-current liabilities	20,974,031	23,304,347
Total liabilities	40,439,833	44,016,308
Net assets		
Shareholders' equity		
Share capital	19,344,883	19,344,883
Capital surplus	7,172,364	7,172,364
Retained earnings	6,500,970	7,473,320
Treasury shares	(1,929,648)	(1,930,424)
Total shareholders' equity	31,088,569	32,060,143
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,069,484	1,257,965
Foreign currency translation adjustment	3,318,351	4,916,324
Remeasurements of defined benefit plans	425,069	474,136
Total accumulated other comprehensive income	4,812,905	6,648,425
Non-controlling interests	7,281,144	8,339,745
Total net assets	43,182,619	47,048,314
Total liabilities and net assets	83,622,452	91,064,623

(2) Consolidated Statements of Income

(Unit: Thousands of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Net sales	38,430,954	39,343,676
Cost of sales	26,788,733	29,554,753
Gross profit	11,642,221	9,788,923
Selling, general and administrative expenses	7,432,201	7,653,642
Operating profit	4,210,019	2,135,280
Non-operating income		
Interest income	76,291	176,895
Dividend income	78,406	89,823
Foreign exchange gains	809,247	1,295,672
Other	289,760	342,786
Total non-operating income	1,253,705	1,905,178
Non-operating expenses		
Interest expenses	209,573	294,165
Commission expenses	-	200,500
Cancellation penalty	-	162,000
Facility relocation expenses	-	95,105
Other	148,051	96,510
Total non-operating expenses	357,624	848,281
Ordinary profit	5,106,100	3,192,178
Extraordinary income		
Gain on sale of non-current assets	13,607	67,206
Gain on sale of investment securities	46,631	988,103
Total extraordinary income	60,239	1,055,309
Extraordinary losses		
Loss on sale of non-current assets	0	57,868
Loss on retirement of non-current assets	431	1,317
Impairment losses	38,102	65,206
Total extraordinary losses	38,533	124,391
Profit before income taxes	5,127,806	4,123,095
Income taxes - current	1,431,647	671,375
Income taxes for prior periods	-	73,418
Income taxes - deferred	145,886	499,683
Total income taxes	1,577,533	1,244,477
Profit	3,550,272	2,878,618
Profit attributable to non-controlling interests	341,473	1,002,473
Profit attributable to owners of parent	3,208,798	1,876,144

(3) Consolidated statement of comprehensive income

(Unit: Thousands of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Profit	3,550,272	2,878,618
Other comprehensive income		
Valuation difference on available-for-sale securities	(451,246)	15,446
Foreign currency translation adjustment	1,045,157	2,123,153
Remeasurements of defined benefit plans	(122,223)	51,252
Total other comprehensive income	471,687	2,189,852
Comprehensive income	4,021,959	5,068,470
Total comprehensive income attributable to :		
Shareholders of DAISHINKU Corporation	3,615,755	3,711,665
Comprehensive income attributable to non-controlling interests	406,204	1,356,805

(4) Consolidated Statement of Cash Flows

(Unit: Thousands of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	5,127,806	4,123,095
Depreciation	3,993,066	3,941,284
Amortization of long-term prepaid expenses	76,167	76,467
Impairment losses	38,102	65,206
Increase (decrease) in allowance for doubtful accounts	(969)	3,673
Increase (decrease) in provision for bonuses	75,735	(87,019)
Increase (decrease) in provision for bonuses for directors (and other officers)	(15,000)	-
Decrease (increase) in retirement benefit asset	41,368	(455,807)
Increase (decrease) in retirement benefit liability	(201,533)	380,404
Interest and dividend income	(154,697)	(266,719)
Interest expenses	209,573	294,165
Foreign exchange losses (gains)	252,538	36,421
Loss (gain) on sale of investment securities	(46,631)	(988,103)
Loss (gain) on sale of property, plant and equipment	(13,607)	(9,337)
Loss on retirement of property, plant and equipment	431	1,317
Decrease (increase) in trade receivables	951,019	905,934
Decrease (increase) in inventories	(213,946)	1,689,166
Increase (decrease) in trade payables	(2,497,969)	(29,130)
Other, net	100,537	183,490
Subtotal	7,721,990	9,864,511
Interest and dividends received	154,697	266,719
Interest paid	(202,929)	(291,571)
Income taxes paid	(1,813,914)	(1,595,834)
Net cash provided by (used in) operating activities	5,859,844	8,243,825
Cash flows from investing activities		
Payments into time deposits	(81,484)	(179,002)
Proceeds from withdrawal of time deposits	-	84,042
Purchase of securities	(40,675)	-
Proceeds from sale of securities	-	44,463
Purchase of property, plant and equipment	(5,808,475)	(4,498,628)
Proceeds from sale of property, plant and equipment	28,812	143,095
Purchase of intangible assets	(712,411)	(386,449)
Purchase of investment securities	(9,799)	(10,131)
Proceeds from sale of investment securities	81,249	1,061,703
Loan advances	(480)	(620)
Proceeds from collection of loans receivable	625	1,020
Other, net	17,745	(254,250)
Net cash provided by (used in) investing activities	(6,524,893)	(3,994,757)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(973,025)	(345,163)
Proceeds from long-term borrowings	10,575,480	12,880,000
Repayments of long-term borrowings	(6,687,622)	(10,085,961)
Repayments of lease liabilities	(106,388)	(210,941)
Dividends paid	(834,489)	(901,116)
Dividends paid to non-controlling interests	(674,472)	(231,717)
Proceeds from sale of treasury shares	23	-
Purchase of treasury shares	(964)	(776)
Net cash provided by (used in) financing activities	1,298,540	1,104,323
Effect of exchange rate change on cash and cash equivalents	(712,915)	564,488
Net increase (decrease) in cash and cash equivalents	(79,424)	5,917,879
Cash and cash equivalents at beginning of period	18,516,683	18,437,258
Cash and cash equivalents at end of period	18,437,258	24,355,138

Segment information

1. Information on the amount of net sales, profit or loss, assets, liabilities and disaggregation of revenue by reportable segments

The fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Unit: Thousands of yen)

	Reportable segments							Adjustment	Amounts recorded in consolidated quarterly financial statements
	Japan	North America	Europe	China	Taiwan	Asia	Total		
Net sales									
Revenue from contracts with customers	8,134,899	1,755,999	3,654,095	13,042,475	9,066,248	2,777,236	38,430,954	-	38,430,954
Other revenue	-	-	-	-	-	-	-	-	-
Sales to external customers	8,134,899	1,755,999	3,654,095	13,042,475	9,066,248	2,777,236	38,430,954	-	38,430,954
Intersegment sales or transfers	22,513,681	51,069	9,746	4,362,702	2,765,750	6,780,264	36,483,215	(36,483,215)	-
Total	30,648,580	1,807,068	3,663,842	17,405,177	11,831,999	9,557,501	74,914,170	(36,483,215)	38,430,954
Segment profit	2,780,712	2,307	52,890	538,980	658,520	220,808	4,254,219	(44,199)	4,210,019
Segment assets	48,925,502	957,853	1,471,131	10,961,290	25,886,795	7,664,979	95,867,552	(12,245,099)	83,622,452
Other items									
Depreciation	1,405,373	305	3,712	170,472	1,287,534	716,734	3,584,132	(20,098)	3,564,034
Impairment losses	-	-	-	-	38,102	-	38,102	-	38,102
Increase in property, plant and equipment and intangible assets	3,371,138	44,386	6,412	243,420	1,553,969	1,015,677	6,235,004	(4,942)	6,230,062

2. Information on the amount of net sales, profit or loss, assets, liabilities and disaggregation of revenue by reportable segments

The fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Unit: Thousands of yen)

	Reportable segments							Adjustment	Amounts recorded in consolidated financial statements
	Japan	North America	Europe	China	Taiwan	Asia	Total		
Net sales									
Revenue from contracts with customers	7,781,320	2,405,202	3,833,725	12,300,895	10,342,263	2,680,269	39,343,676	-	39,343,676
Other revenue	-	-	-	-	-	-	-	-	-
Sales to external customers	7,781,320	2,405,202	3,833,725	12,300,895	10,342,263	2,680,269	39,343,676	-	39,343,676
Intersegment sales or transfers	21,444,427	49,808	1,224	3,037,458	2,748,482	7,317,234	34,598,637	(34,598,637)	-
Total	29,225,748	2,455,011	3,834,949	15,338,354	13,090,746	9,997,504	73,942,314	(34,598,637)	39,343,676
Segment profit	116,550	16,904	20,910	(55,266)	1,086,041	493,515	1,678,655	456,625	2,135,280
Segment assets	52,452,147	1,103,557	1,412,156	11,722,743	29,086,839	8,330,420	104,107,864	(13,043,241)	91,064,623
Other items									
Depreciation	1,218,201	12,794	5,401	181,615	1,269,363	795,127	3,482,503	(20,082)	3,462,420
Impairment losses	13,353	-	-	-	51,852	-	65,206	-	65,206
Increase in property, plant and equipment and intangible assets	3,205,128	8,143	307	32,596	310,872	94,729	3,651,777	-	3,651,777