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# Financial Results Briefing for the Second Quarter of FY2025 (Ending March 31, 2025)

November 27, 2024  
DAISHINKU CORP. (Code: 6962)

Executive Director, General Manager of Business Unit Div.  
and General Manager of Marketing & Sales Div.  
Shimpei Hasegawa



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## [Title]

DAISHINKU CORP. Sees Strong Sales for Automotive and Consumer in the First Half, Anticipating Sales Increase Mainly for GPS Modules in the Second Half, Driven by Increased Production of TCXO

## [Lead]

The following is a transcription of DAISHINKU CORP.'s financial results presentation for the second quarter of the fiscal year ending March 31, 2025, which was given on November 27, 2024.

## [Speakers]

Shimpei Hasegawa, Managing Director, General Manager of Business Unit Div. and General Manager of Marketing & Sales Div., DAISHINKU CORP.

Kuniharu Hayashi, Senior Executive Officer, General Manager of Finance & Accounting Div., DAISHINKU CORP.

## Performance Report for the Second Quarter of FY2025 (YoY change)

### Performance Report for the Second Quarter of FY2025 (YoY change)



Higher revenue and profit (Operating profit)				
Unit: Million yen	FY2024 Q2	FY2025 Q2	YoY change	
			Increase/Decrease	Rate of change
Net sales	19,332	19,438	106 ↑	0.5%
Operating profit	901	916	15 ↑	1.6%
Ordinary profit	1,977	(78)	(2,055) ↓	-
Profit attributable to owners of parent	1,391	(187)	(1,578) ↓	-
USD average rate (JPY)	141.06	152.78	11.72 ↑	

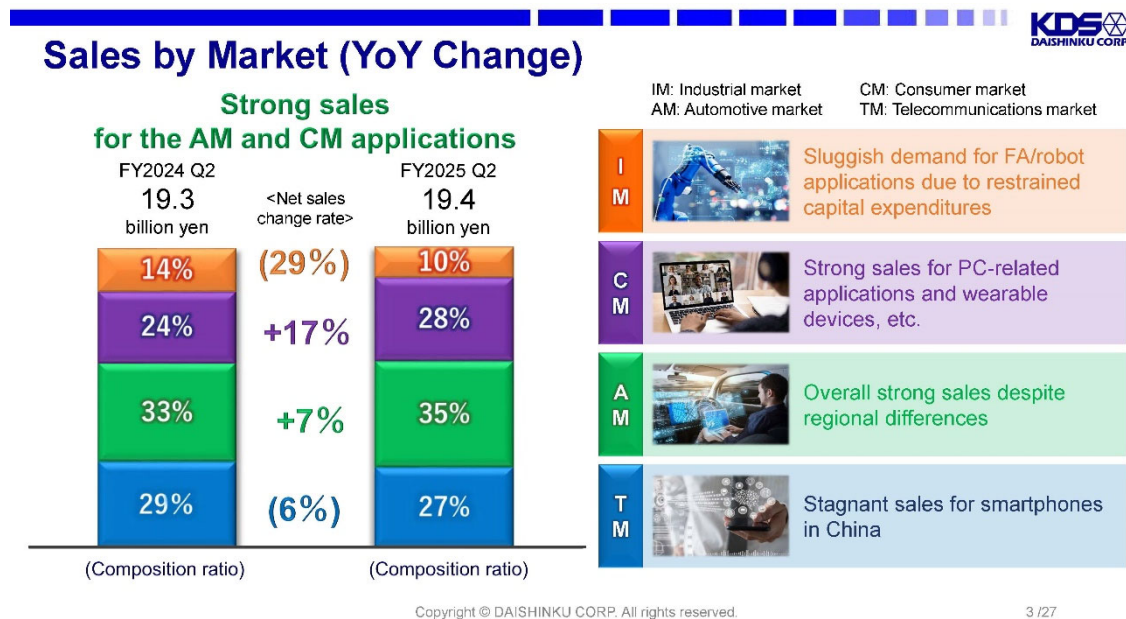
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**Shimpei Hasegawa (hereafter, Hasegawa):** I am Shimpei Hasegawa, Executive Director, General Manager of Business Unit Division and General Manager of Marketing & Sales Division. Thank you very much for taking the time to attend our financial results briefing today. Now, let me move straight on to the explanation.

These are the results for FY2025 H1. Net sales were JPY19,438 million, operating profit was JPY916 million, ordinary profit was minus JPY78 million, and profit attributable to owners of parent was minus JPY187 million, so there was an increase in net sales and operating profit YoY.

## Sales by Market (YoY Change)



This is a breakdown of sales by market. The YoY sales growth rate was a decrease of 6% in the telecommunications market, an increase of 7% in the automotive market, an increase of 17% in the consumer market, and a decrease of 29% in the industrial market.

In the telecommunications market, growth was sluggish, particularly for smartphones for the Chinese market. Smartphones mainly use chips from two companies, Company Q and Company M, but the installation ratio of Company Q chips decreased in H1. On the other hand, the installation ratio of Company M chips increased, but the main markets for Company M chips, which are the middle-end and low-end markets, are seeing an increasing move towards ODM.

Because more and more EMS manufacturers are adopting products from Chinese competitors, price competition is becoming more intense year by year. For this reason, we believe that we should not be focusing too much on this market.

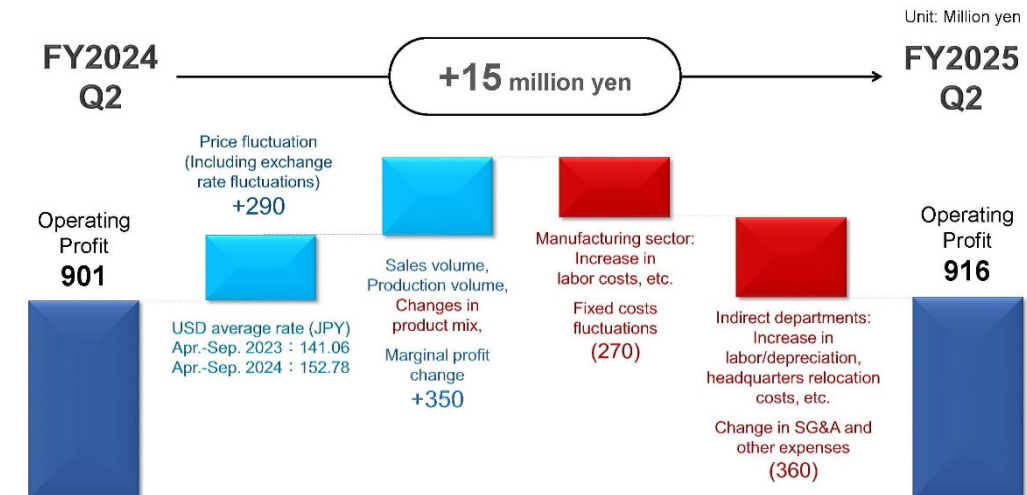
In the automotive market, although there were regional differences, overall, the market remained strong, particularly driven by the U.S. market.

In the consumer market, demand for PC-related applications and wearable devices was strong.

In the industrial market, demand for factory automation and robot applications was sluggish due to restrained capital expenditures. In particular, sales of customers exporting to China were sluggish, and the adjustment of customers' inventories has taken longer than initially expected.

## Operating Profit Analysis of Increase/Decrease (YoY Change)

### Operating Profit Analysis of Increase/Decrease (YoY Change)



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This is an analysis of the YoY change in operating profit. From operating profit of JPY901 million in FY2024 H1, there were increases of JPY290 million due to price fluctuations including exchange rate fluctuations, JPY350 million due to changes in marginal profit resulting from increased sales and production volumes, and a decrease of JPY270 million due to changes in fixed costs from factors such as increased labor costs.

In addition, there was an increase in labor and depreciation costs, and this year there were also costs associated with the relocation of the headquarters, resulting in a decrease of JPY360 million in SG&A and other expenses.

As a result, operating profit for FY2025 H1 was JPY916 million, an increase of JPY15 million YoY.

## Performance Report for the Second Quarter of FY2025 (QoQ change)

### Performance Report for the Second Quarter of FY2025 (QoQ change)



#### Lower revenue and profit

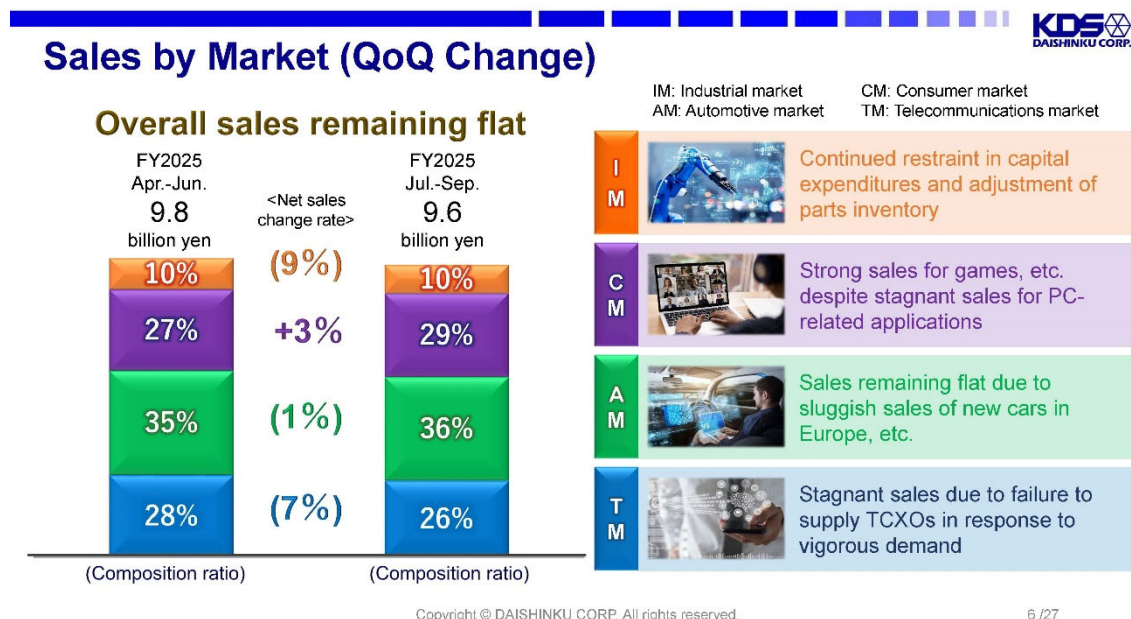
Unit: Million yen	FY2025 Apr.-Jun.	FY2025 Jul.-Sep.	QoQ change	
			Increase/Decrease	Rate of change
Net sales	9,827	9,611	(216) ↓	(2.2%)
Operating profit	584	331	(253) ↓	(43.2%)
Ordinary profit	1,004	(1,083)	(2,087) ↓	—
Profit attributable to owners of parent	662	(849)	(1,511) ↓	—
USD average rate (JPY)	155.85	149.71	(6.14) ↓	

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These are the results for Q2 alone. Net sales were JPY9,611 million, operating profit was JPY331 million, ordinary profit was minus JPY1,083 million, and profit attributable to owners of parent was minus JPY849 million, so sales and profits both decreased QoQ.

## Sales by Market (QoQ Change)



This is a breakdown of sales by market. QoQ sales growth in the telecommunications market was down 7%, the automotive market was down 1%, the consumer market was up 3%, and the industrial market was down 9%.

In the telecommunications market, demand for smartphones for the Chinese market continued to be slow, as it was in Q1. Meanwhile, demand for TCXOs for telecommunications modules and other applications was very strong, but due to a lack of our production capacity, sales in the telecommunications market as a whole were sluggish.

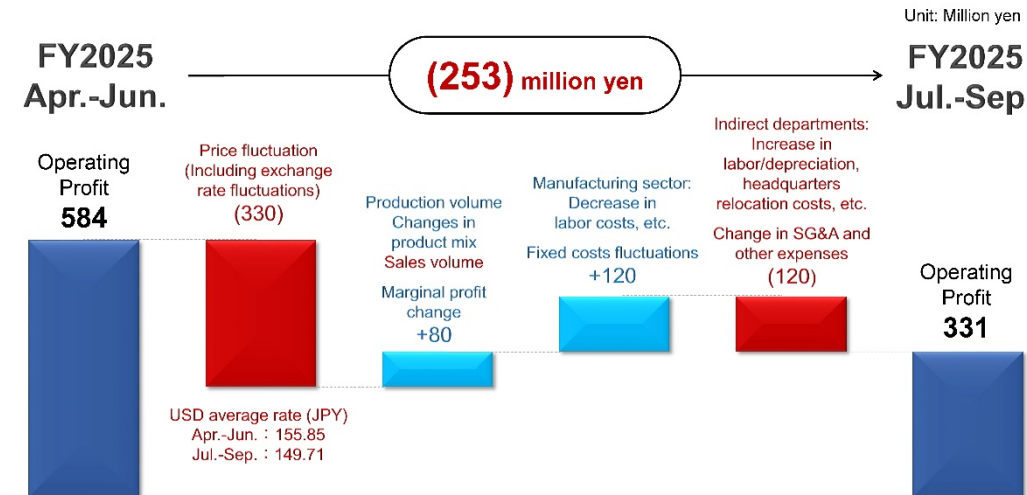
In the automotive market, sales remained flat due to factors such as sluggish sales of new car sales in Europe.

In the consumer market, sales of PC-related applications were slow compared to Q1, but sales for games were strong.

In the industrial market, there was a continued restraint on capital expenditures and adjustment of parts inventory. In particular, in Q1, a backlog of shipments from Q4 of the previous year was carried over, and this resulted in pushing back the QoQ sales for Q2.

## Operating Profit Analysis of Increase/Decrease (QoQ Change)

### Operating Profit Analysis of Increase/Decrease (QoQ Change)



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This is an analysis of the changes in operating profit QoQ. Operating profit for the period from April to June 2024 was JPY584 million, but this was reduced by JPY 330 million due to price fluctuations including exchange rate fluctuations, and increased by JPY80 million due to changes in marginal profit caused by changes in production volume and product mix. There was an increase of JPY120 million due to changes in fixed costs, such as a decrease in labor costs, and a decrease of JPY120 million due to fluctuations in SG&A and other expenses, such as an increase in the cost related to the relocation of the headquarters.

As a result, operating profit for the period from July to September 2024 was JPY331 million, a decrease of JPY253 million QoQ.

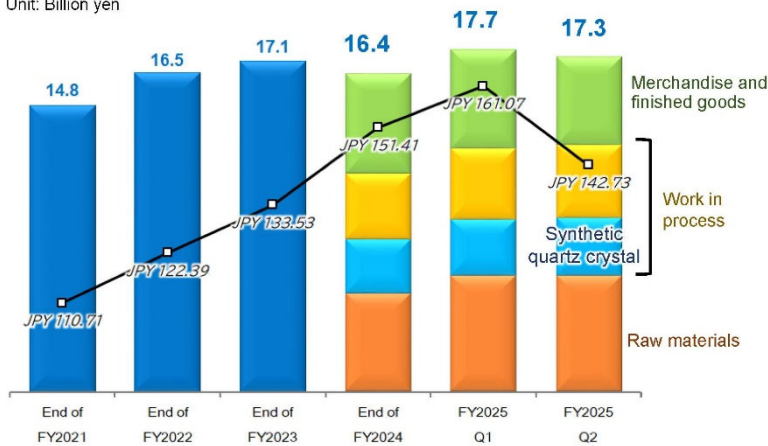


## Inventories Trends

### Inventories Trends



Unit: Billion yen



**FY2025 Q2**  
Compared to the end of  
the previous fiscal year:  
**+ 0.9 billion yen**

- Merchandise and finished goods reduced as planned
- Increase in work in progress (parts and materials) toward an increase in production of TCXOs in Q2 and beyond
- Increase in raw materials due to advance ordering in response to surging prices of parts and materials

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These are the inventories trends. Inventories at the end of FY2025 Q2 were JPY17.3 billion, an increase of JPY0.9 billion compared to the end of FY2024.

We were able to reduce the amount of merchandise and finished goods in line with our plan, but the amount of work in process increased as we prepare for an increase in TCXO production from Q2 onwards.

The amount of raw materials also increased as we made advance procurements to address the sharp rise in the cost of components.

## Capital Expenditures/Depreciation/R&D Expenses

### Capital Expenditures/Depreciation/R&D Expenses



Unit: Million yen

YoY	FY2024 Q2	FY2025 Q2	Increase/ Decrease
Capital Expenditures	2,229	5,999	3,770
Depreciation	1,859	1,978	119
R&D expenses	1,073	1,037	(36)

QoQ	FY2025 Apr.-Jun.	FY2025 Jul.-Sep.	Increase/ Decrease
Capital Expenditures	385	5,614	5,229
Depreciation	992	986	(6)
R&D expenses	503	534	31

Increase in capital expenditures  
related to the headquarters and plant



► Construction completed in August 2024

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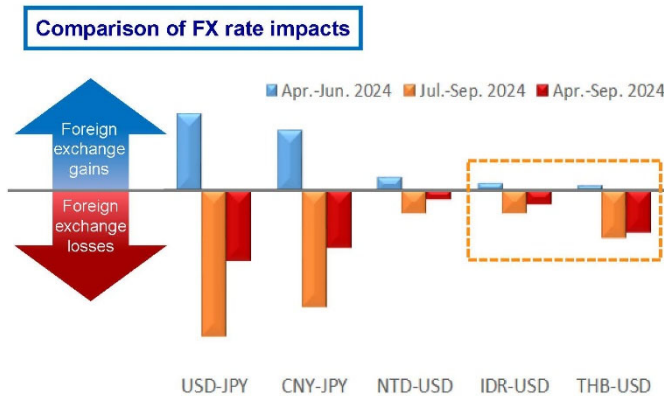
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Capital expenditures in Q2 were JPY5,999 million, an increase of JPY3,770 million YoY. Depreciation was JPY1,978 million, an increase of JPY119 million YoY, while R&D expenses were JPY1,037 million, a decrease of JPY36 million YoY.

On a QoQ basis, capital expenditures in Q2 (July–September) were JPY5,614 million, an increase of JPY5,229 million. Most of this increase was attributable to the new headquarters and plant, which was completed in August this year. Depreciation was JPY986 million, a decrease of JPY6 million QoQ, while R&D expenses were JPY534 million, an increase of JPY31 million QoQ.

## Non-operating expenses FX gains and losses

### Non-operating expenses FX gains and losses



- FX rate compared to that at the end of Mar. 2024
- Depreciation of yen at the end of Jun. → FX gains
- Appreciation of yen at the end of Sep. → FX losses

<Changes in the USD-JPY rate trends>

End of Mar. 2024	End of Jun. 2024	End of Sep. 2024
JPY151.41	JPY161.07	JPY142.73

- For Asian currencies, fluctuations between the end of June and the end of September were greater than those between the end of March and the end of June in 2024. The impacts due to the FX fluctuations also expanded.

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This quarter, we incurred foreign exchange losses as non-operating expenses. In Q1, we posted foreign exchange gains due to the depreciation of the yen, but in Q2, we incurred foreign exchange losses that exceeded the gains in Q1.

In particular, for Asian currencies, fluctuations between the end of June and the end of September were greater than those between the end of March and the end of June in 2024, and the impacts due to foreign exchange fluctuations expanded.

## Earnings Forecast

### Earnings Forecast



No change from the plan at the beginning of the fiscal year

Unit: Million yen	FY2025 H1	FY2025 H2	FY2025 Full Year Forecast
Net sales	19,438	20,562	40,000
Operating profit	916	584	1,500
Ordinary profit	(78)	1,078	1,000
Profit attributable to owners of parent	(187)	687	500
Capital Expenditures	5,999	1,301	7,300
Depreciation	1,978	2,522	4,500
R&D expenses	1,037	1,463	2,500
USD average rate (JPY)	152.78	145.00	145.00

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This is the full-year forecast for FY2025. There are no changes from the initial plan, with full-year net sales at JPY40,000 million, operating profit at JPY1,500 million, ordinary profit at JPY1,000 million, and profit attributable to owners of parent at JPY500 million.

## Sales Forecast by Market



These are sales forecasts for each market for the second half of the year.

The telecommunications market will be affected by the Chinese New Year in Q4 as usual, but we expect to see an increase in sales for GPS modules, among others, as we will be increasing production of TCXOs from the second half.

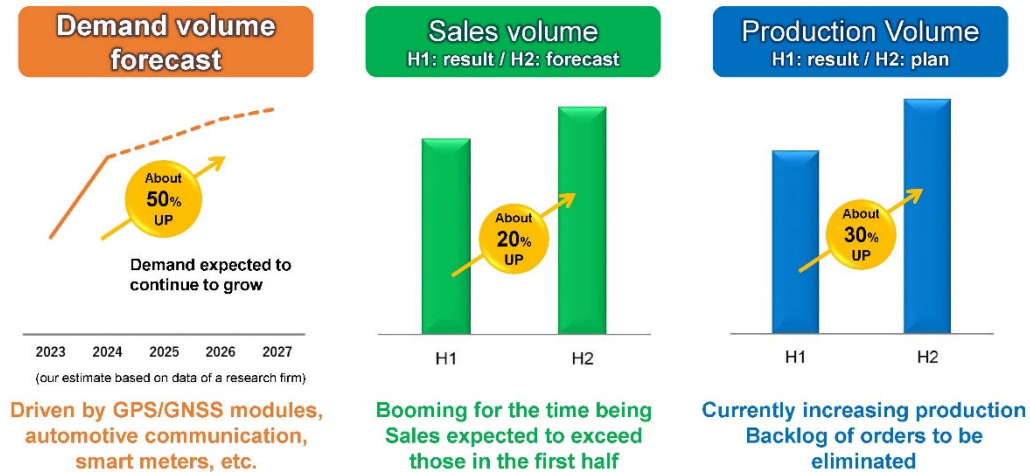
In the automotive market, although sales will be at the same level as those in the first half of the year, high-value-added products, such as crystal oscillators, are expected to increase mainly for ADAS.

In the consumer market, while sales for PC-and game-related applications will be strong by the end of the year, the impact of Chinese New Year is expected to become evident in Q4.

In the industrial market, notably, the FA/robot market has been stagnant and is expected to recover in the next fiscal year and beyond.

## TCXO Forecast

### TCXO Forecast

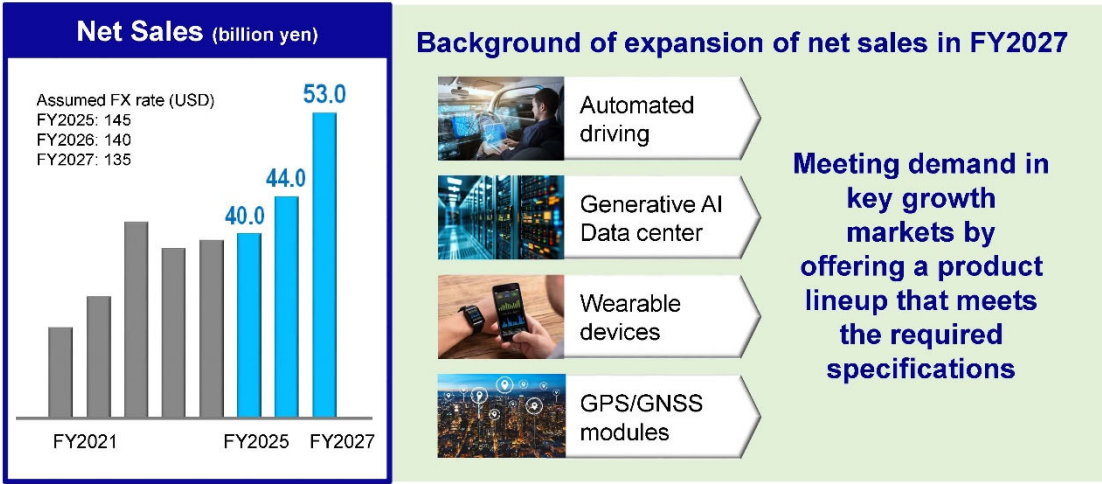


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This is the forecast for TCXO. We expect demand for TCXO to continue to grow. Compared to FY2024, demand is expected to increase by around 50% in FY2028. We think that the markets for GPS modules, automotive communication, and smart meters will be the driving force behind this growth.

As for the current situation, demand for TCXO was very strong in the first half. However, because our production capacity was not enough, a large number of orders were carried over to the second half. In the second half, we will increase production capacity by about 30% compared to the first half, and we expect sales volume to increase by about 20% compared to the first half.



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This is our 2nd Medium-term Business Plan. We plan to increase sales to JPY40 billion for FY2025, or the current fiscal year, to JPY44 billion for FY2026, and to JPY53 billion for FY2027, the final year of the 2nd Medium-term Business Plan.

We believe that the growth in sales in FY2027 will be driven by the growth of markets such as automated driving, generative AI, wearable devices, and GPS modules.

We intend to expand our market share by ensuring that we meet demand in key growth markets by offering a product lineup that meets the required specifications.

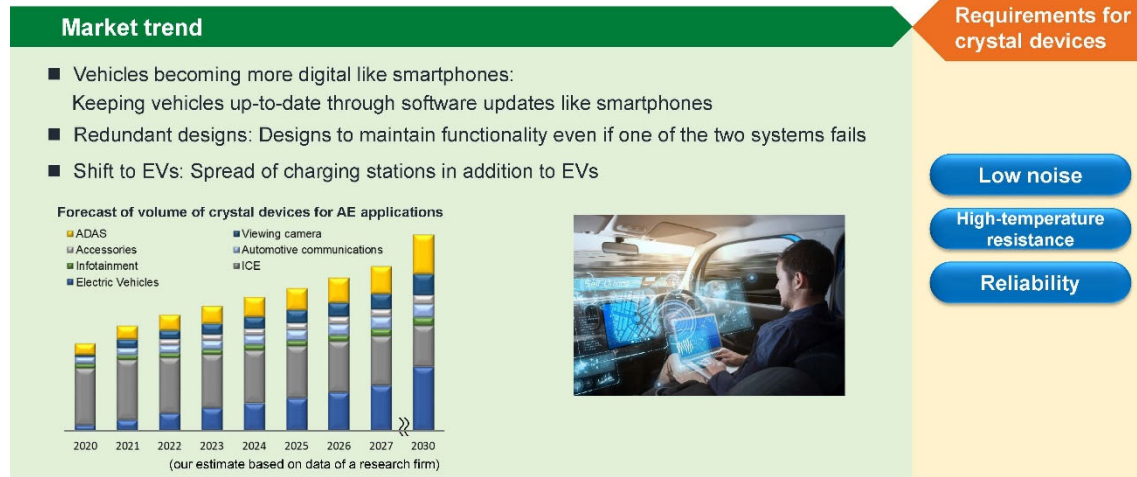


## Automated driving — Number of crystal devices installed to double due to redundant designs

### Key Growth Markets



## Automated driving — Number of crystal devices installed to double due to redundant designs —



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In the automotive market, vehicles will continue to become more like smartphones. Car functions will be kept up-to-date through software updates like smartphones, and this trend will progress even further going forward. This means that cars will have more telecommunication functions, and so the number of crystal devices used for telecommunication will increase.

There is also a trend towards redundant design for ADAS and automated driving. In a redundant design, even if one system fails, there is another system to ensure functionality. And to implement this design, you will need twice as many crystal devices. Furthermore, as the shift to EV progresses, crystal devices will be used not only in cars, but also in EV charging stations and other equipment, so demand for crystal devices in these fields will also increase.



Generative AI and Data center — Spread of AI and explosive growth in demand for servers —

Key Growth Markets

Generative AI and Data center — Spread of AI and explosive growth in demand for servers —

Market trend

■ Robust server infrastructure required in line with the evolution of AI

■ Increase in the number of optical transceivers capable of supporting faster processing

■ Real-time responses enabled by the shift from cloud AI to edge AI

Forecast of volume of optical transceivers

Year	Volume (Estimated)
2020	1
2021	2
2022	4
2023	8
2024	15
2025	25
2026	40
2027	65
2028	100
2029	150
2030	220

(our estimate based on data of a research firm)

Requirements for crystal devices

Low noise

High frequency

Compact

Reliability

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Robust server infrastructure will be required in line with the evolution of AI, and there will be an increase in the number of optical transceivers capable of supporting faster processing.

## Wearable devices — Full-scale spread of smartwatches and smart glasses —

Key Growth Markets

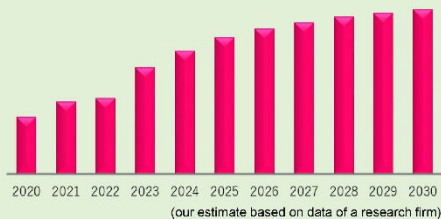


### Wearable devices — Full-scale spread of smartwatches and smart glasses —

#### Market trend

- Multifunctionalization of wearable devices
- Expansion of AR-/VR-related applications and the healthcare market
- Need for miniaturization of electronic devices to secure the battery space for all-day operation

Forecast of volume of smartwatches



#### Requirements for crystal devices

Compact

Thin

Low power consumption

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As for the wearable device market, multi-functionalization of these devices is progressing. The market is expanding in AR-/VR-related applications and in the healthcare market.

There is a growing need for miniaturization of electronic devices to secure the battery space for all-day operation. This will increase the demand for our company's specialty, compact and thin devices.

## GPS/GNSS modules — Expansion in drones, smart meters, and e-bikes —

Key Growth Markets

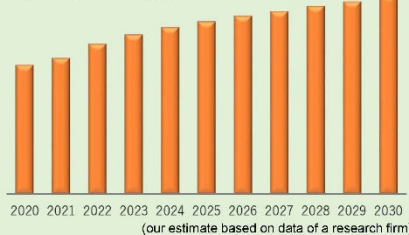


### GPS/GNSS modules — Expansion in drones, smart meters, and e-bikes —

#### Market trend

- Growth of drone services, such as delivery to depopulated areas and inspections at height
- Expansion of demand for smart meters due to the global spread of next-generation power transmission networks
- Installation in e-bikes for tracking in addition to vessels, aircraft, and vehicles

Forecast of volume of GPS/GNSS Modules



#### Requirements for crystal devices

High-temperature resistance

Temperature drift characteristics

Low power consumption

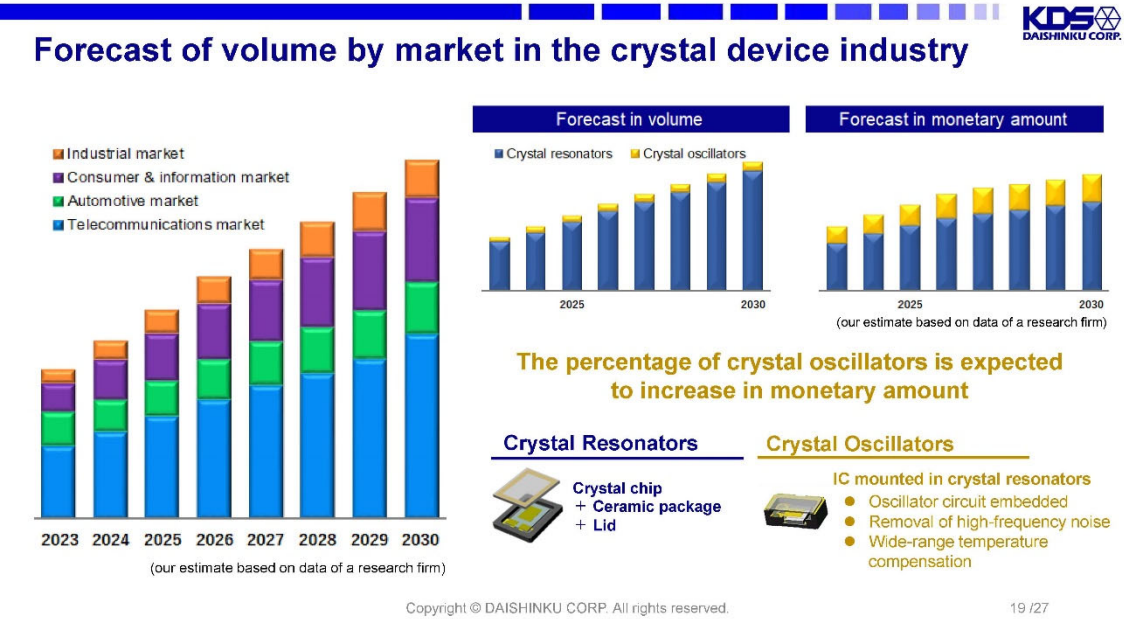
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This is the GPS/GNSS modules market. Drone services, including deliveries to depopulated areas and inspections at height, are growing. Furthermore, there is expansion of demand for smart meters due to the global spread of next-generation power transmission networks. The GPS modules are also installed in e-bikes for tracking, in addition to vessels, aircraft, and vehicles.

As a result of these factors, we believe that demand for TCXO will continue to increase going forward.

Forecast of volume by market in the crystal device industry



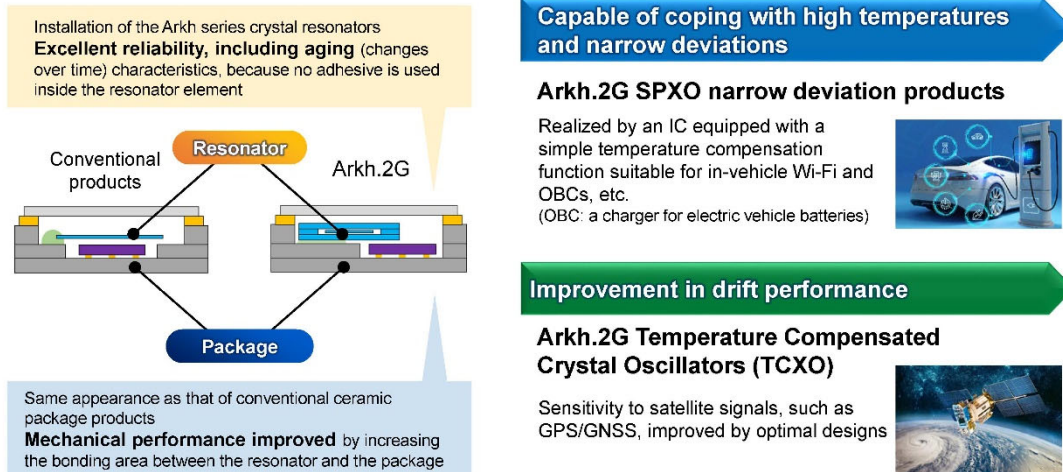
## Product lineup to meet the market requirements

Product Line	Product Type	Image	Reliability	High frequency	Low noise	High-temperature resistance	Low power consumption	High-temperature resistance	Temperature drift characteristics
Ark.2G	Crystal Oscillators		Yes	Yes					
	Differential Output Crystal Oscillators		Yes	Yes	Yes	Yes	Yes		
	Temperature Compensated Crystal Oscillators (TCXO)		Yes	Yes		Yes		Yes	Yes
Ark.3G	Crystal Resonators		Yes	Yes	Yes				
	Differential Output Crystal Oscillators		Yes	Yes	Yes	Yes	Yes		
Mold RTC			Yes	Yes		Yes			

In the growing markets I mentioned earlier, the characteristics that will be required in the future include high frequency, reliability, high-temperature resistance, compact, and thin. We will prepare products that can respond to these performance requirements of the growing markets, centering on the Arkh series.

## Performance advantages of Arkh.2G

### Performance advantages of Arkh.2G



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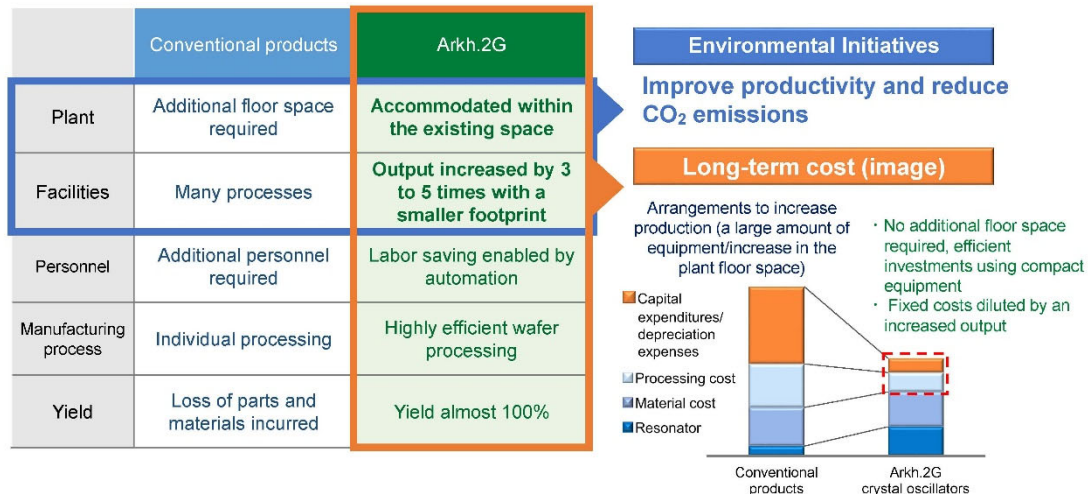
With regard to the 2nd Medium-term Business Plan, we will focus on the oscillator in the Arkh series that installs Arkh.3G, a completed resonator, inside of the Arkh.2G package.

Unlike conventional oscillators that install crystal chips inside the package, the Arkh.2G does not use any adhesive inside the resonator element, so it has excellent reliability, including aging characteristics.

As shown in the diagram on the left, the resonator is the second layer. Since this part does not come into direct contact with the package, we can increase the area where the adhesive is applied. This improves mechanical performance.

## Ark.2G's price competitiveness

### Ark.2G's price competitiveness



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The most outstanding feature of this product is its excellent price competitiveness.

Going forward, demand for crystal oscillators is set to increase, but with conventional products, there are so many processes involved and we need to put in facility for each process. The current plant will not be able to accommodate this, so we will have to expand the floor space. Also, since there will be more equipment, we will need more people to operate them.

In contrast, since the Ark.2G uses the highly productive Arkh.3G as a resonator inside, it is possible to achieve 3 to 5 times the output within the same plant floor space as before.

Also, because this is produced at wafer level, we will be able to automate many of the processes and realize labor saving. Compared to the investment required to increase production of conventional products, we can reduce capital expenditures, investment in expanding the plant floor space, and depreciation expenses.

In addition, if we can produce more products within the same floor space as before, the fixed costs will be diluted, so if you compare the investment in conventional products with the investment in Ark.2G, we can lower the cost, as shown in the graph on the right. Furthermore, we believe that producing more output within the same floor space will not only improve productivity, but also will help reduce and curb CO<sub>2</sub> emissions per product.



## BCP system for Arkh.2G

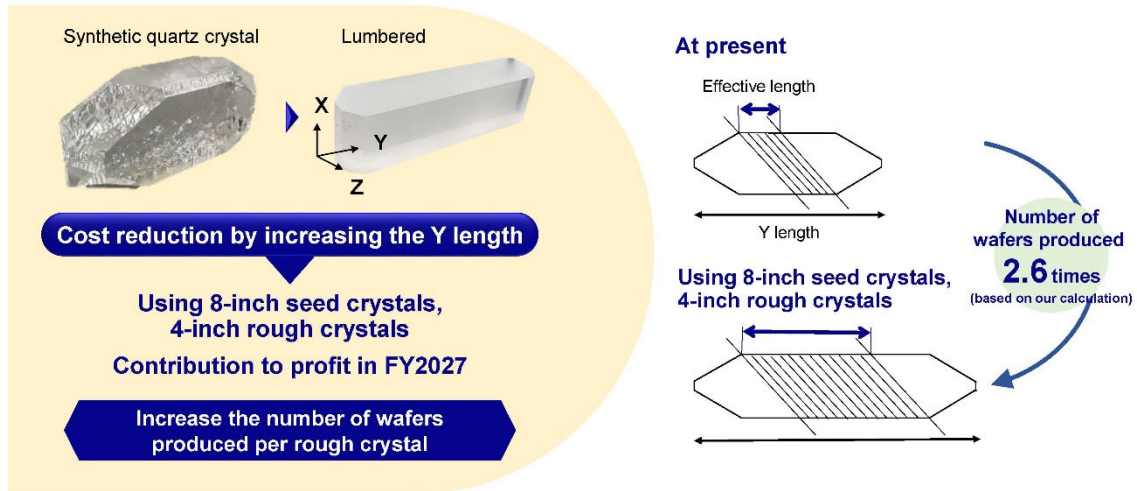


In recent years, geopolitical risks have been increasing, and the need for BCP has become more evident. With our Arkh.2G, the design is very simple, with completed oscillator and IC mounted on a package. Therefore, assembly can be done at any of our bases around the world using existing equipment. We have eight production bases around the world, including in Japan, the ASEAN nations, and China, so we can produce in the area where our customers prefer.



## Photolithography wafers —Arrangements to reduce the cost of Arkh.2G —

### Photolithography wafers — Arrangements to reduce the cost of Arkh.2G —



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We are also working to reduce the cost of all photolithography products, including the Arkh series. The photo on the lefthand side of the slide shows an actual synthetic quartz crystal, and as you can see, it comes in a hexagonal shape. When you try to make wafers of a uniform size, this slanted part cannot be used because the size will be different.

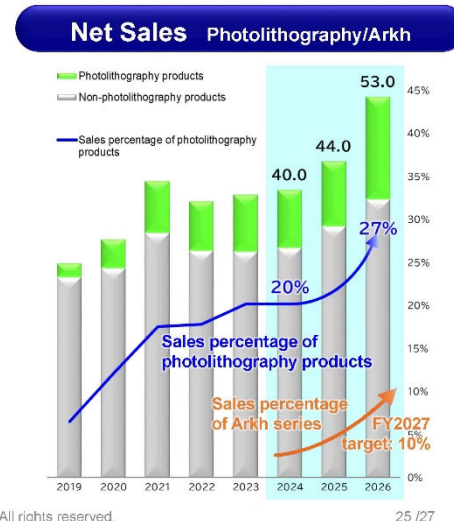
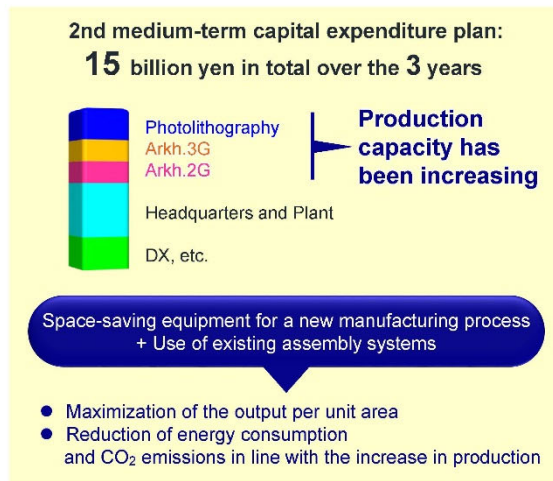
It would be the most efficient if it were possible to cut this area straight, but in order to achieve the optimal temperature characteristics, there is a specific angle at which the crystal must be cut. As a result, the area that can actually be cut into wafers, known as the effective length, is extremely limited within a piece of crystal.

Therefore, we are working to increase wafer yield by producing 4-inch rough crystals from 8-inch seed crystals that we are currently growing. We are currently growing seeds to make 8-inch wafers, and we have already secured enough length in the horizontal direction, the Y length.

The vertical direction is currently in the process of growth, but it has not yet reached the point where it can be made into an 8-inch size. However, since it is possible to grow a 4-inch size, we are working to increase the number of wafers that can be produced from each synthetic quartz crystal by 2.6 times by using this 8-inch seed to produce 4-inch rough crystals.

## Photolithography products—Arrangements to ensure stable supply —

### Photolithography products — Arrangements to ensure stable supply —



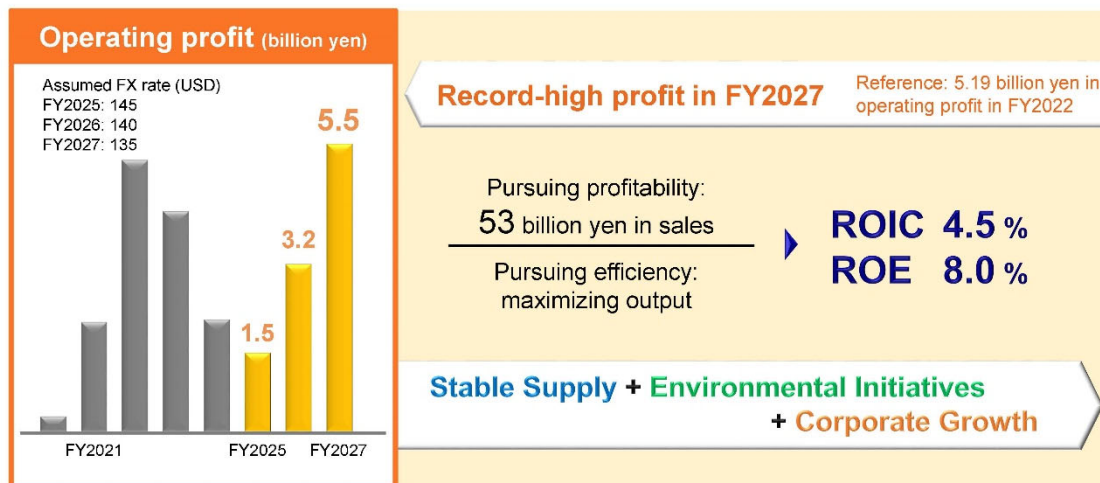
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We will continue to increase the ratio of sales of photolithography products. In FY2027, the final year of our 2nd Medium-term Business Plan, we are targeting a ratio of 27% of sales from photolithography products.

We are also targeting a ratio of 10% of sales from the Arkh series in FY2027. We are currently steadily increasing our production capacity to achieve this goal.

## 2nd Medium-term Business Plan — Final fiscal year —



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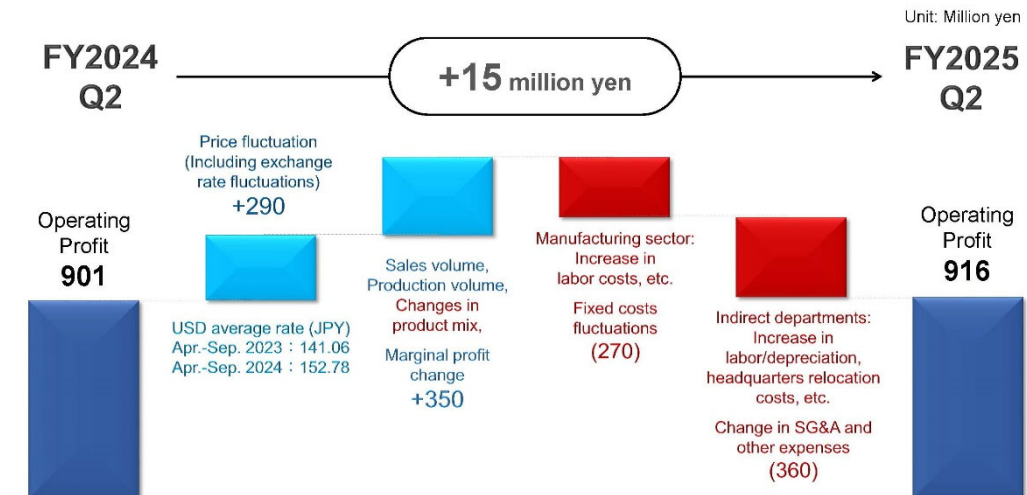
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With regard to operating profit in the 2nd Medium-term Business Plan, we are targeting JPY1.5 billion for the current FY2025, JPY3.2 billion for FY2026, and JPY5.5 billion for the final year, FY2027, and aim to achieve a record-high profit in the final year.

We will continue to pursue efficiency and profitability, and maximize ROIC, while achieving a balance between stable supply and environmental initiatives, and grow as a company. Thank you for listening.

## Q&A: About the red text in the graph

### Operating Profit Analysis of Increase/Decrease (YoY Change)



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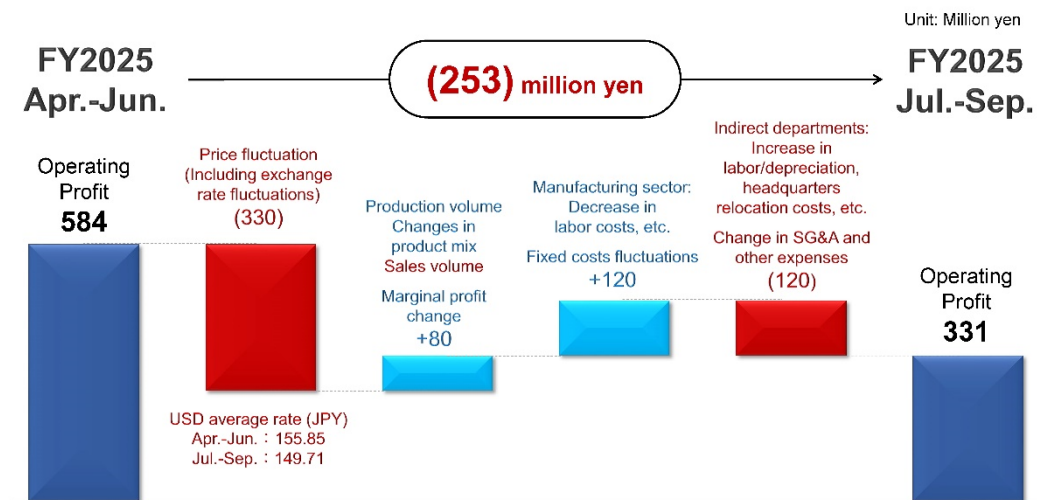
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**Participant:** I have a question about the graphs on pages 4 and 7 of the handout. On page 4, in the graph where it says: “Marginal profit change + 350,” the text “Changes in product mix” is written in red. I am assuming that this indicates that this is a negative factor, but what was the negative factor?

Similarly, on page 7, in the graph for “Marginal profit change,” “Sales volume” is written in red. Could you tell us about the negative factor within the overall plus?

**Hasegawa:** First of all, regarding the change in the product mix YoY, the biggest factor was the decrease in the installation ratio of Company Q, which I explained a little earlier in the telecommunications market section. This led to a decrease in the ratio of 76.8MHz thermistor-equipped resonators, and because the number of products with higher unit prices decreased and the number of products with lower unit prices increased among the same model, the change in product mix resulted in a negative impact.

## Operating Profit Analysis of Increase/Decrease (QoQ Change)



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Regarding the QoQ decrease in sales volume, there was a temporary equipment problem with tuning-fork-type crystal resonators, and the volume decreased slightly in Q2.

## **Q&A: Reasons for retaining the earnings forecast**

**Participant:** I would like to ask about your decision to leave your earnings forecast unchanged. I understand that progress in the first half of the year has been very good. So, I would like to know how much of an advantage you had over your first half plan, and also, the background as to why you have decided to leave your full-year forecast unchanged, because I think this demonstrates that you are cautious about the second half of the year.

**Hasegawa:** The background to the decision to retain the full-year forecast is that, in the second half of the year, there will be an increase in expenses due to the depreciation of the new headquarters building, which was completed in August, and the second plant in Thailand, which will be starting its operations. In addition, we are looking at the exchange rate simply at 145 yen to the U.S. dollar for the second half of the year, so we are being a little cautious about these things.

**Participant:** How does the actual results for the first half of the year compare with the plan?

**Hasegawa:** For the first half of the year, the actual profit was slightly higher than the plan due to the impact of exchange rates, but due to the problems I mentioned earlier and changes in the market, sales would have been slightly lower if the same exchange rates had been applied as in the plan.

## **Q&A: Progress of Arkh.2G**

**Participant:** I imagine that there are various developments regarding Arkh.2G. You mentioned that you are focusing on the automotive industry, but I think that you probably have a good idea of what the next three to five years will be like in that industry, so could you tell us about your impression?

Also, at the last briefing, you mentioned that you were receiving inquiries about the product for the telecommunications industry, so could you tell us about your plans for that?

**Hasegawa:** Regarding Arkh.2G, we are continuing to expand sales to automobile manufacturers. But as you mentioned earlier, the fact is that it takes a long time for automobile manufacturers to adopt new products. For this reason, we expect to see some sales during the 2nd Medium-term Business Plan, but full-scale sales to automobile manufacturers will probably begin after this 2nd Medium-term Business Plan.

We are aiming for a 10% sales ratio for the Arkh series, and TCXO Arkh.2G should contribute to the sales under the 2nd Medium-term Business Plan.

The TCXO market itself is growing steadily, and the market is currently very active. For our company, despite the shortage of our production capacity this fiscal year, Arkh.2G has a high investment efficiency and we can increase the quantity. Furthermore, unlike products for automobile manufacturers, we can expand sales of TCXO in a relatively short period of time. We are aiming to expand this area under the 2nd Medium-term Business Plan.

We are currently receiving a lot of inquiries about Arkh.3G for telecommunications. Not all of these will lead to sales, and some of them will end up being unused, but we are currently receiving a lot of inquiries and there are a lot of movement. So we are expecting sales of this product during the 2nd Medium-term Business Plan.

**Participant:** You mentioned that the adoption of TCXO Arkh.2G may be decided in a short period of time. Are you talking about GPS modules being installed in vehicles such as cars?

**Hasegawa:** That's right.

## **Q&A: Progress on sales of the Arkh.3G series**

**Participant:** In the Arkh.3G series, you are pursuing a built-in IC package, and I think you said that you are receiving more inquiries in response to the trend toward faster speeds. You didn't mention anything relating to that today, but how is the progress?

And also, could you please talk about the current progress toward acquiring sales of Arkh.3G series?

**Hasegawa:** As you have just mentioned, the final goal of the Arkh.3G series is built-in IC.

As I mentioned before, we have been receiving inquiries. However, the timing of adoption has been delayed slightly, and since the adoption of the built-in ICs may be after the 2nd Medium-term Business Plan, we have omitted this matter from today's explanation. So, it does not mean that we are not getting any more inquiries, but that there has been a slight delay in the timing.

As for the overall situation of the Arkh series, we have been trying to expand its sales for quite some time, but because the shape of the product is completely different from our previous products, it has not been easy to get it into the market.

However, recently we have been receiving more new inquiries regarding the product. Arkh series is very compact and excels in high frequencies, and we think that these functions of our products have finally started to match market demands.

When you look at the Arkh.2G from the outside, it looks exactly the same as our existing products, so it's very easy for our customers to use them. We want to establish a solid position in the market with the Arkh.2G, and aim to achieve our ultimate goal of built-in ICs with Arkh.3G alone.

**Participant:** What is the reason for the delay and pushback? Is the main reason that, because the package is different, it takes courage for the users to adopt it, resulting in more time needed for evaluation? Or are there other reasons?

Also, please tell us why you have been receiving more inquiries recently. I think that, as the requirements at the frequency level increase, the fact that the fundamental frequency is high is probably a factor contributing to the increasing number of positive evaluations from users. What do you think about this?



**Hasegawa:** Firstly, as for the reasons of the increase, I think that the demand for miniaturization is simply increasing, and the frequency used by customers has become higher as a result of miniaturization, and with that, the products we offer are finally matching the demands of customers.

As customers increasingly adopt smaller products, we see more opportunities and thus receive more inquiries.

As for the question, “Why is there a delay in built-in ICs?” it is not because customers have stopped using them, but because the development of ICs on their side is delayed.

## **Q&A: Increasing the production of TCXO**

**Participant:** Regarding your stance on TCXO, you said before that it was difficult to decide how far to go given the competitive environment with Chinese manufacturers. I think that you probably didn't invest enough in the previous term, and that's why you're in this situation.

This time, you said rather clearly that demand will increase and you will increase your capacity, so in that sense it seems like there is a change in policy. Is that because you are confident about your Arkh TCXO? Is there any risk in giving the TCXO another push this time?

**Hasegawa:** Regarding the increase in production in the second half of this fiscal year, we are not purchasing new facility to increase production, but rather we are increasing production by utilizing existing facility. You have pointed out, "Why did you not increase production last term and delay it until this term?" The reason for this is that we had underestimated the market growth.

At last year's briefing, I mentioned that there was a huge increase in demand for TCXOs for satellite communications. At that time, I thought that the demand for TCXOs for satellite communications was only temporary, or that Chinese manufacturers would ramp up production and we would end up with excess capacity.

However, during this fiscal year in China, there was a fire involving a battery on an electric bike, a kind of a bicycle equipped with a battery, and this has led to talk of making it compulsory to install GPS modules in electric bikes.

Given this background, demand for GPS modules has increased more rapidly than we had expected. This is one of the reasons why we were unable to increase production in time.

We think that demand for GPS modules for tracking applications will continue to increase. In addition to the applications we have already mentioned, there are also talks about the possibility of attaching GPS trackers to parcels in the future, so we expect demand for GPS modules for tracking applications to increase.

When this happens, we can use the Arkh.2G to meet the increased demand, since this offers high investment efficiency while reducing costs.

## Q&A: Sales forecast of industrial products



**Participant:** In your second-half plan, the arrow for sales for industrial is pointing downward. The arrow was also pointing downward in the first half, so you seem to be assuming that sales will keep on falling.

Other parts manufacturers are not doing well either, but I have the impression that the decline is starting to slow down a little. Does this mean that, for your industrial equipment, there is still a lot of inventory left on the customer side, and that the decline has not hit bottom yet?

**Hasegawa:** Perhaps the expression on this slide may not have been that good, but as a whole company, we are expecting sales amounts to reach their peak in Q3.

As for the consumer market, the first half of the year was very good, so if you compare the first and second halves, the second half will be lower. The majority of sales in this consumer market are in the China and Taiwan regions, so as in the previous years, they are inevitably affected by the Chinese New Year and sales will drop in the second half, which is why it appears this way on the slide.

As for the industrial market, we expect the negative trend to continue for the rest of the current fiscal year.

## **Q&A: Sales forecast by market**

**Participant:** This question overlaps with the previous one, but compared to the first half of the year, the second half sales is expected to increase by JPY 1.1 billion, even with the assumption of a strong yen at JPY 145 to the U.S. dollar. Looking at the arrows you just showed us, I get the impression that the upside in the telecommunications market will drive the overall increase. Is this understanding correct?

Also, I think that consumer sales will fall significantly in Q4 due to the Chinese New Year. Can we expect the increase in telecommunications sales to more than make up for this?

**Hasegawa:** As you mentioned, the most effective thing we can do in the telecommunications market is to increase the production of TCXOs.

The market will not be more active in the second half than in the first half, but because we left many orders outstanding in the first half, we expect to see an increase in telecommunications sales in the second half by ensuring that we fulfill these orders in the second half.

Also, the peak in smartphone sales is usually in Q3, so this will also have an impact when looking at the second half.

In the consumer market, the angle of the arrow may have sent unfavorable message, but PC-related and games are strong up to Q3.

Since our sales weight for telecommunications and automotive is large, the positive impact of these two markets will be greater than the negative impact of consumer and industrial.

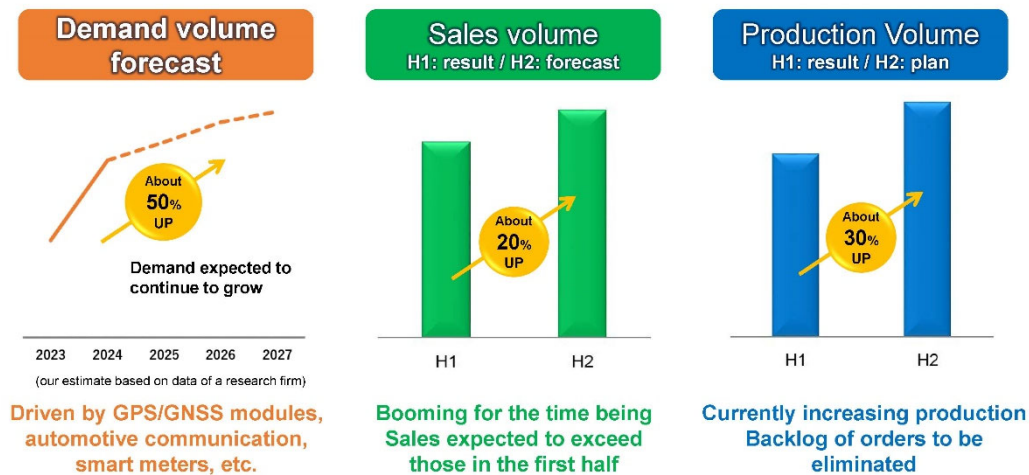
**Participant:** The statement, “sales will be equivalent to those in the first half of the year” gives me the impression that sales will remain flat, but should we assume that the total sales figure itself will increase, including the fact that the product mix will improve?

**Hasegawa:** There are yearly seasonal factors for automotive as well, but sales to customers in Europe and the U.S. will decline slightly in Q3 and pick up in Q4.

Also, as you mentioned, the sales ratio of crystal oscillators will increase, so the change in the product mix will also have an impact.

## Q&A: Growth forecasts for the TCXO market

### TCXO Forecast



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**Participant:** This is regarding the TCXO market you showed us in the graph. Looking at the demand forecast line graph on the left of the slide, it seems that there was considerable growth between 2023 and 2024, and the growth is expected to continue steadily after that. What is the current market situation like? Could you give us some more details, including of your competitors?

Also, could you tell us more about how your company is responding to the background to this growing demand and to the further growth, including whether you intend to keep up with these trends or not?

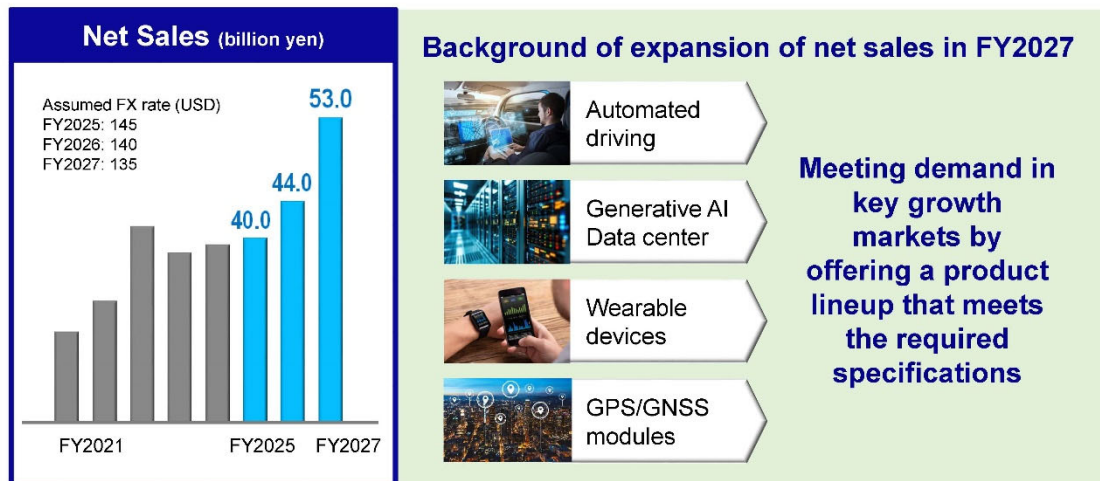
**Hasegawa:** TCXO has grown significantly from the previous term to the current term, largely driven by the increase of GPS modules.

Whether GPS modules will continue to increase at this pace is not the only factor. For example, for automotive communication and UWB applications, resonators with thermistor are mainly used for now, but some chipset manufacturers use TCXO. The fact that our products are used in these applications is also one of the reasons for the increase.

Another factor is smartphones. Although there was a time when the focus shifted from TCXO to thermistor, the installation rate of TCXO is increasing in order to improve the accuracy of GNSS/GPS. In addition to GPS, there will be an increase in new applications from the next fiscal year onwards, so we are anticipating expansion.

## Q&A: Medium- to long-term earnings forecasts

### 2nd Medium-term Business Plan — Sales targets and market trends —



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**Participant:** I have a question about the medium- to long-term earnings forecast. As indicated in the medium-term business plan, the sales are JPY40 billion this fiscal year and increase 10% YoY in the next fiscal year, and possibly a little more considering the positive impact of foreign exchange rates. I think that the TCXO you mentioned earlier will be the driving force here.

Which applications and products, specifically, do you expect to contribute most in the next year?

**Hasegawa:** I think that the main area of growth from this fiscal year to the next fiscal year is the elimination of the negative factors that occurred this fiscal year.

As I mentioned earlier, this fiscal year saw a decrease in high-frequency thermistor-equipped resonators due to a change in the installation ratio of Company Q, and the industrial market saw a further decline from the previous fiscal year, but I expect that these issues will be resolved in the next fiscal year. Because of this, we are expecting an increase in revenue. In addition, we are also anticipating new demand, including an increase in TCXO sales.

The automotive market has been growing steadily for the past few years, and in addition to the market growth, we expect to increase our market share as well.

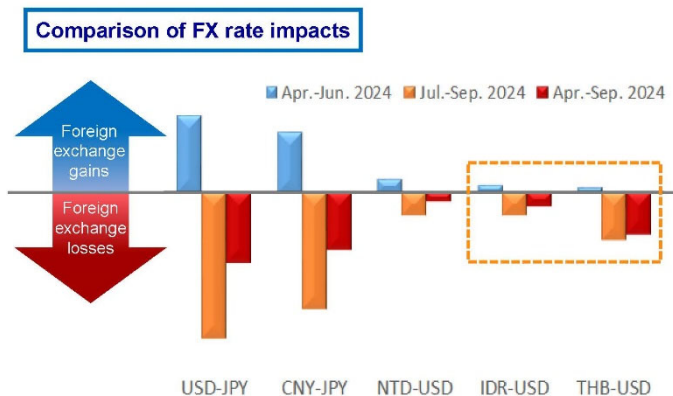
**Participant:** The adoption rate of Company Q's chipsets has been decreasing, but what is the background to the recovery expected next year?

**Hasegawa:** I mentioned that Company Q's adoption rate decreased in the first half of the year, but looking at the first and second halves of the year, Company Q's adoption rate is expected to recover to a certain extent in the second half.

Company Q's adoption rate is not expected to drastically increase next fiscal year, but should return to the usual level.

## Q&A: Foreign exchange losses

### Non-operating expenses FX gains and losses



- FX rate compared to that at the end of Mar. 2024
- Depreciation of yen at the end of Jun. → FX gains
- Appreciation of yen at the end of Sep. → FX losses

<Changes in the USD-JPY rate trends>

End of Mar. 2024	End of Jun. 2024	End of Sep. 2024
JPY151.41	JPY161.07	JPY142.73

- For Asian currencies, fluctuations between the end of June and the end of September were greater than those between the end of March and the end of June in 2024. The impacts due to the FX fluctuations also expanded.

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**Participant:** I would like to ask about foreign exchange. I believe that the impact of foreign exchange losses in this period was very large, even when comparing it to past financial results. I think the sharp fall in August had an impact, but is it correct to assume that this was of a one-off nature?

**Hasegawa:** If you look at the current dollar-yen exchange rate, you can probably get the idea that this kind of exchange loss has already been resolved. Also, I think another reason is that the appreciation of the yen against Asian currencies was moving in a rather unusual way compared to the U.S. dollar-yen exchange rate. Mr. Hayashi from Finance & Accounting Division will give you some more information on this.

**Kuniharu Hayashi:** To answer your question whether this is of a one-off nature, yes, it is of a one-off nature. It is a foreign exchange loss arising from the revaluation of foreign currency denominated assets and liabilities using the exchange rate of a single day, September 30, so you can consider it to be of a one-off nature.