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

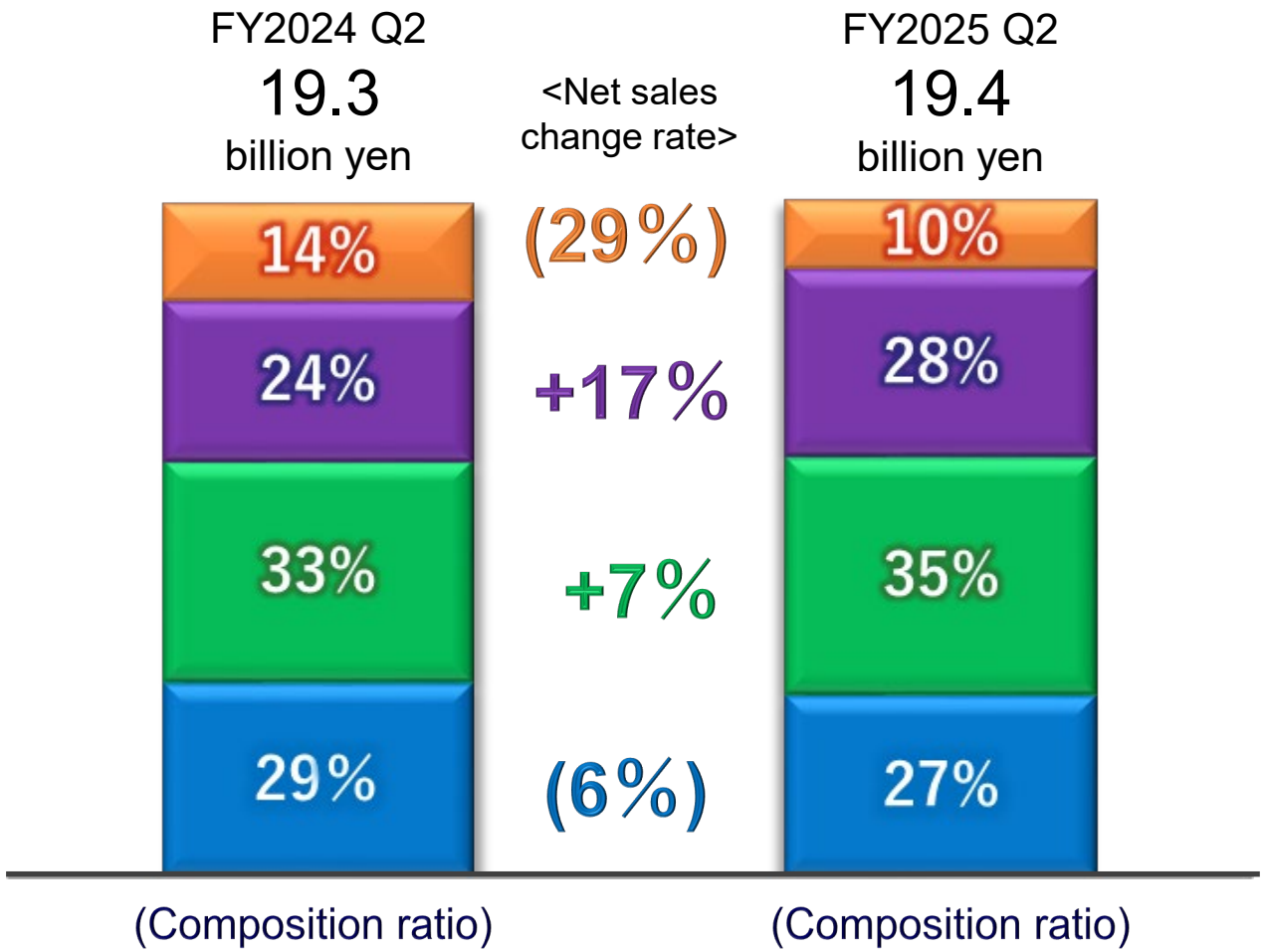
Performance Report for the Second Quarter of FY2025 (YoY change)

Higher revenue and Lower profit
(Operating profit)

Unit: Million yen	FY2024 Q2	FY2025 Q2	YoY change Increase/Decrease	YoY change Rate of change
Net sales	19,332	19,438	105 ↑	0.5%
Operating profit	901	443	(457) ↓	(50.8%)
Ordinary profit	1,977	(550)	(2,528) ↓	—
Profit attributable to owners of parent	1,391	(498)	(1,889) ↓	—
USD average rate (JPY)	141.06	152.78	11.72 ↑	—

Sales by Market (YoY Change)

Strong sales for the AM and CM applications



IM: Industrial market
AM: Automotive market
CM: Consumer market
TM: Telecommunications market

IM

Sluggish demand for FA/robot applications due to restrained capital expenditures

CM

Strong sales for PC-related applications and wearable devices, etc.

AM

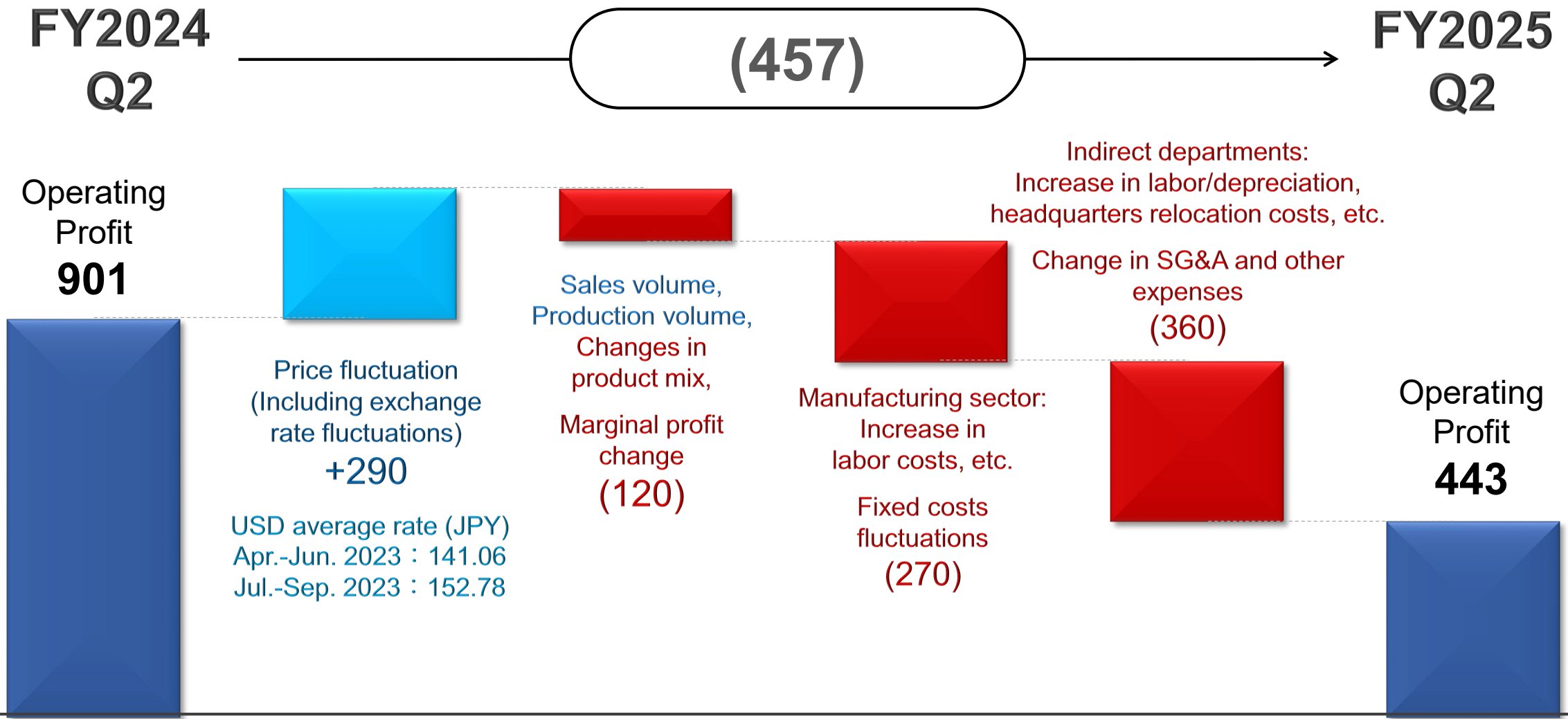
Overall strong sales despite regional differences

TM

Stagnant sales for smartphones in China

Operating Profit Analysis (YoY Change)

Unit: Million yen



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

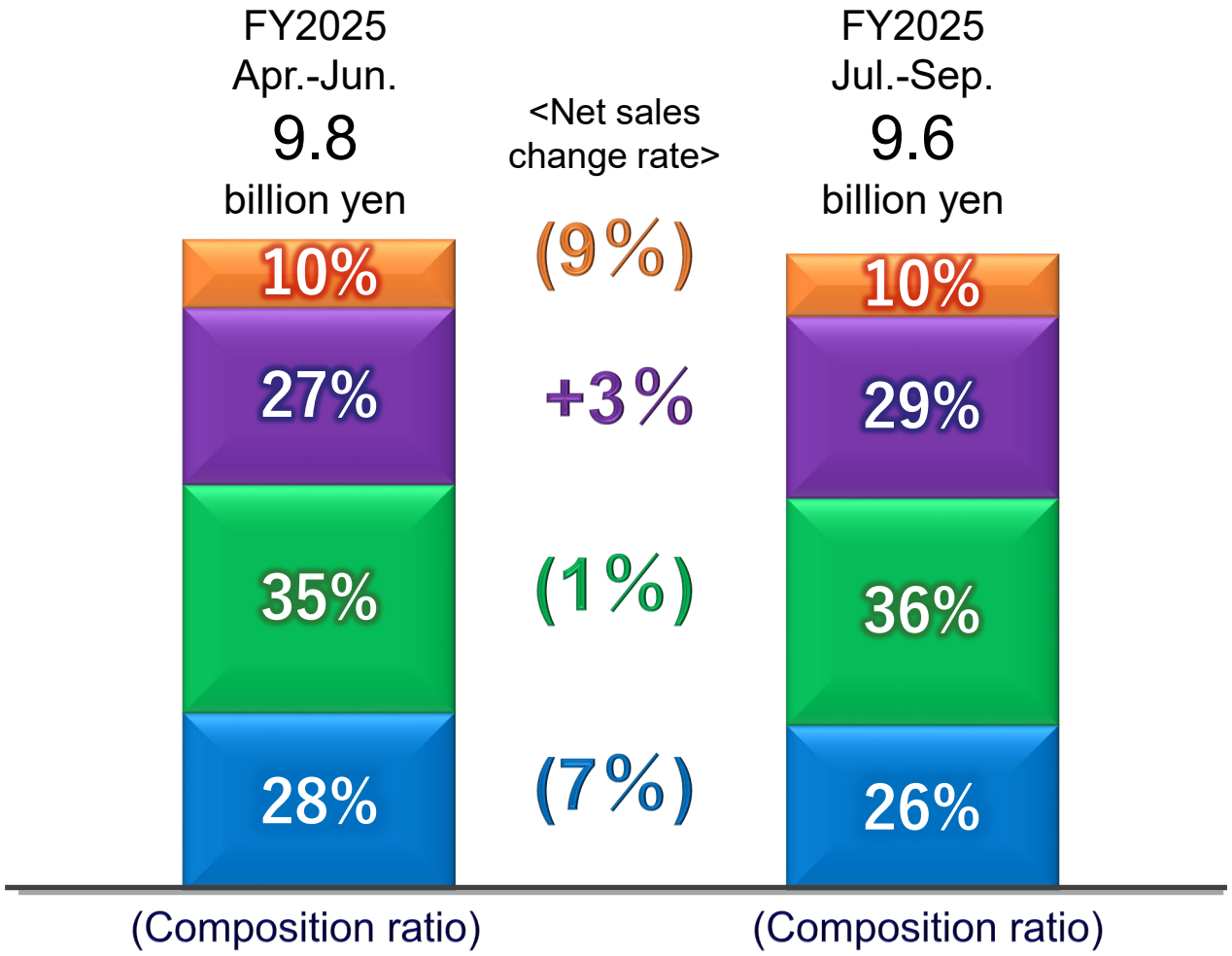
Lower revenue and profit

Unit: Million yen	FY2025 Apr.-Jun.	FY2025 Jul.-Sep.	QoQ change Increase/Decrease	QoQ change Rate of change
Net sales	9,827	9,611	(216) ↓	(2.2%)
Operating profit	416	27	(388) ↓	(93.4%)
Ordinary profit	836	(1,387)	(2,224) ↓	—
Profit attributable to owners of parent	379	(878)	(1,258) ↓	—
USD average rate (JPY)	155.85	149.71	(6.14) ↓	

Sales by Market (QoQ Change)

IM: Industrial market
AM: Automotive market
CM: Consumer market
TM: Telecommunications market

Overall sales remaining flat



IM

Continued restraint in capital expenditures and adjustment of parts inventory

CM

Strong sales for games, etc. despite stagnant sales for PC-related applications

AM

Sales remaining flat due to sluggish sales of new cars in Europe, etc.

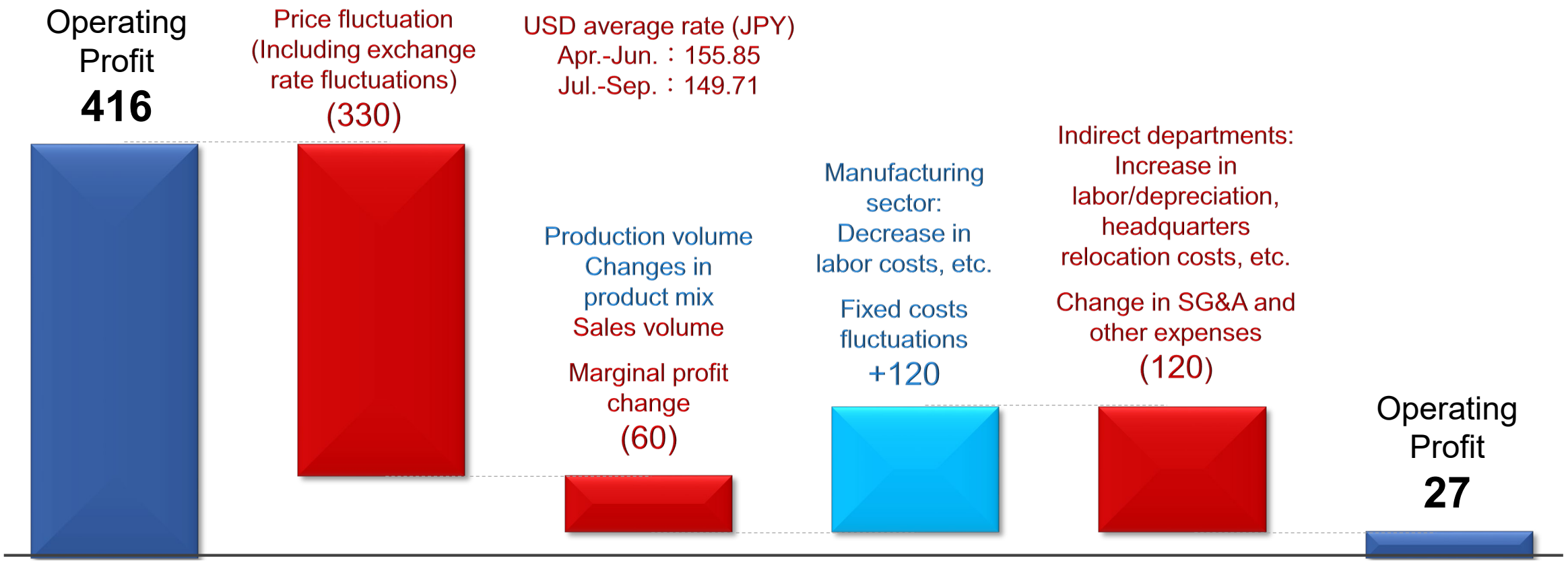
TM

Stagnant sales due to failure to supply TCXOs in response to vigorous demand

Operating Profit Analysis (YoY Change)

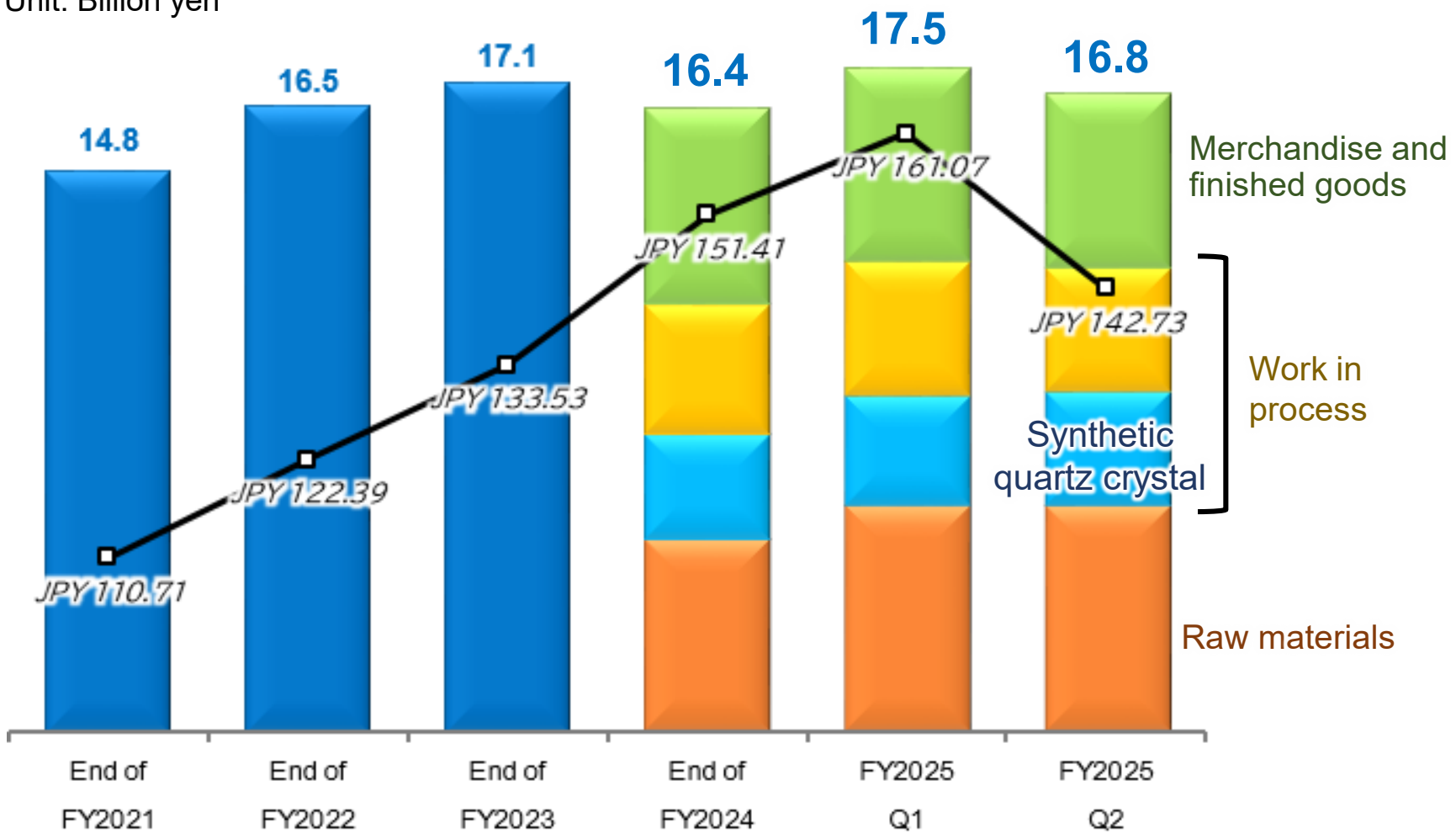
Unit: Million yen

FY2025 Apr.-Jun. → **(388) million yen** → **FY2025 Jul.-Sep.**



Inventories Trends

Unit: Billion yen



FY2025 Q2

Compared to the end of the previous fiscal year:

+450 million 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

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)

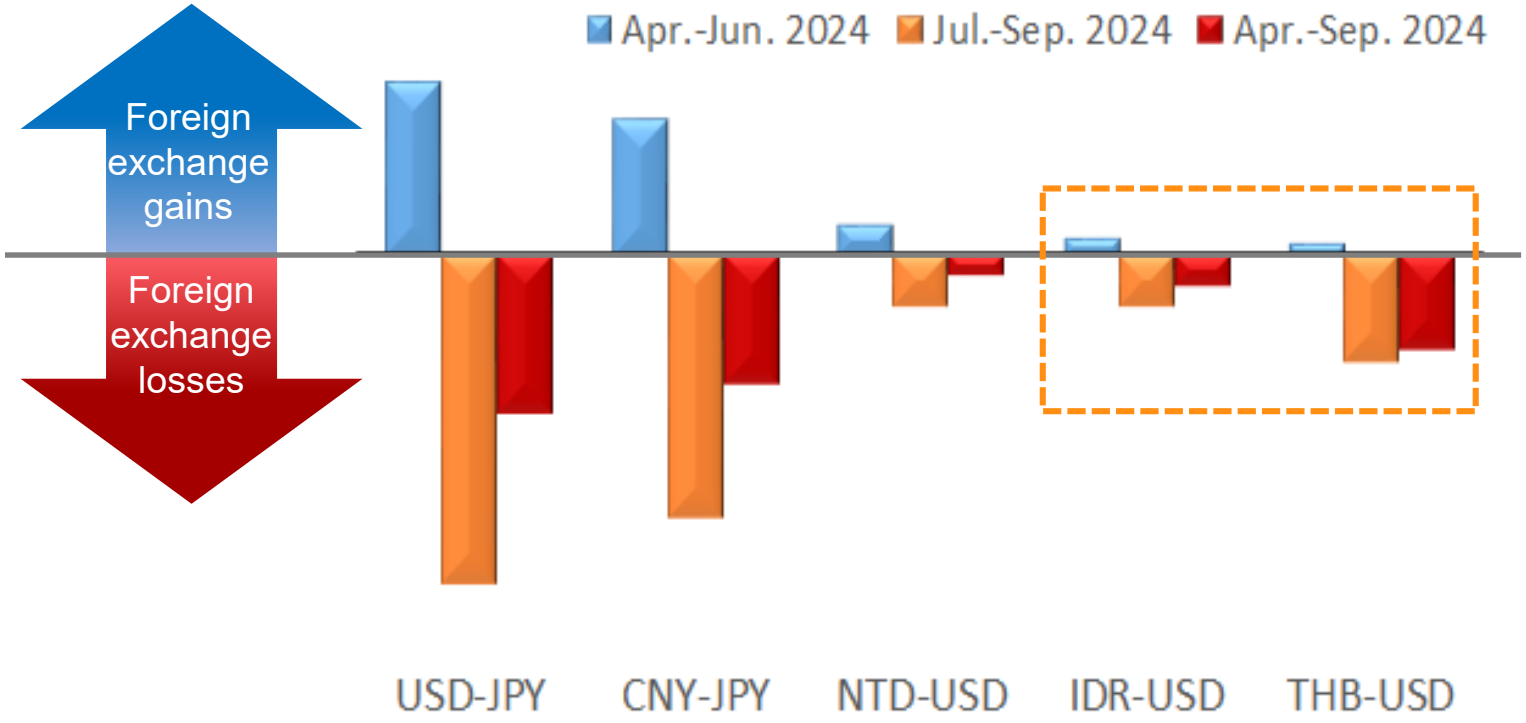
QoQ	FY2025 Apr.-Jun.	FY2025 Jul.-Sep.	Increase/ Decrease
Capital Expenditures	385	5,614	5,229
Depreciation	992	986	(6)
R&D expenses	503	534	31

Increase in capital expenditures related to the headquarters and plant

▸ Construction completed in August 2024

Non-operating expenses FX gains and losses

Comparison of FX rate impacts



- 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.

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	443	1,057	**1,500**
Ordinary profit	(550)	1,550	**1,000**
Profit attributable to owners of parent	(498)	998	**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**

Sales Forecast by Market

IM: Industrial market
AM: Automotive market
CM: Consumer market
TM: Telecommunications market

Overall strong sales despite the impact of Chinese New Year

H1→H2 Sales Forecast

TM

Despite the impact of Chinese New Year in Q4, sales for GPS/GNSS modules, etc. are expected to increase due to an increase in production of TCXOs.

AM

Although sales will be equivalent to those in the first half of the year, high-value-added products, such as crystal oscillators, are expected to increase mainly for ADAS.

CM

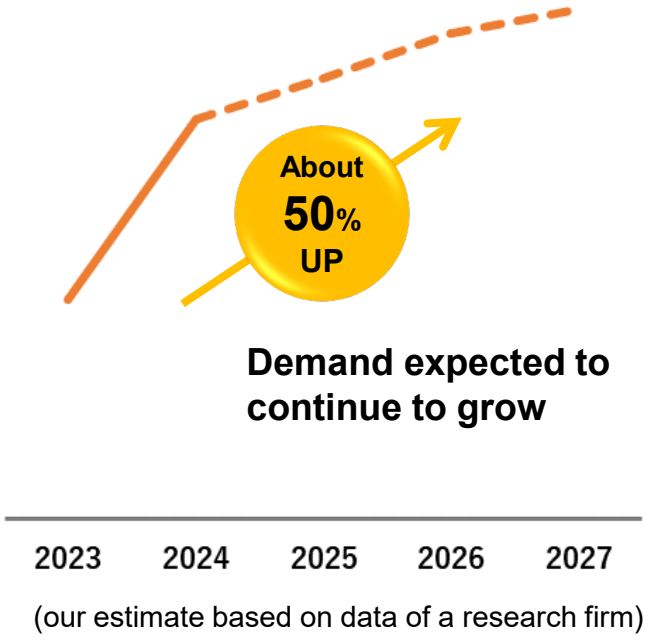
While sales for PC- and game-related applications will be strong by the end of the year, the impact of Chinese New Year is expected to become evident in Q4.

IM

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

TCXO Forecast

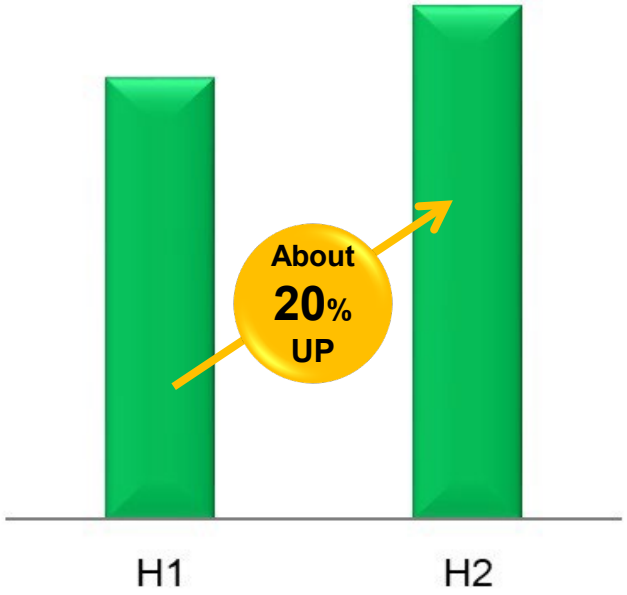
Demand volume forecast



(our estimate based on data of a research firm)

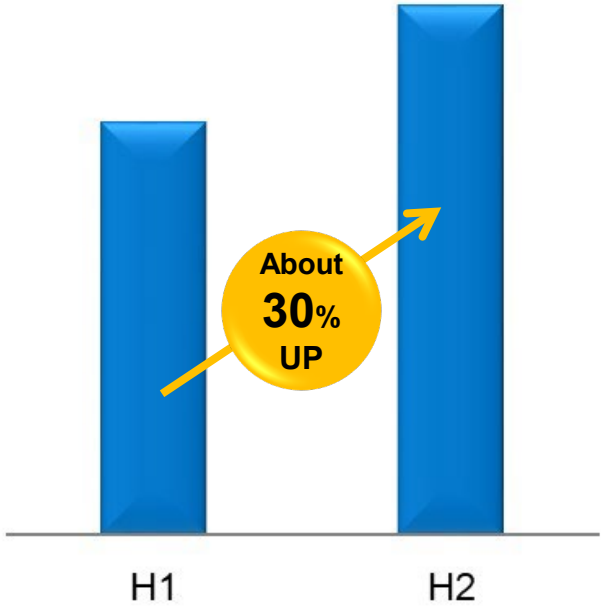
Driven by GPS/GNSS modules, automotive communication, smart meters, etc.

Sales volume
H1: result / H2: forecast



Booming for the time being Sales expected to exceed those in the first half

Production Volume
H1: result / H2: plan

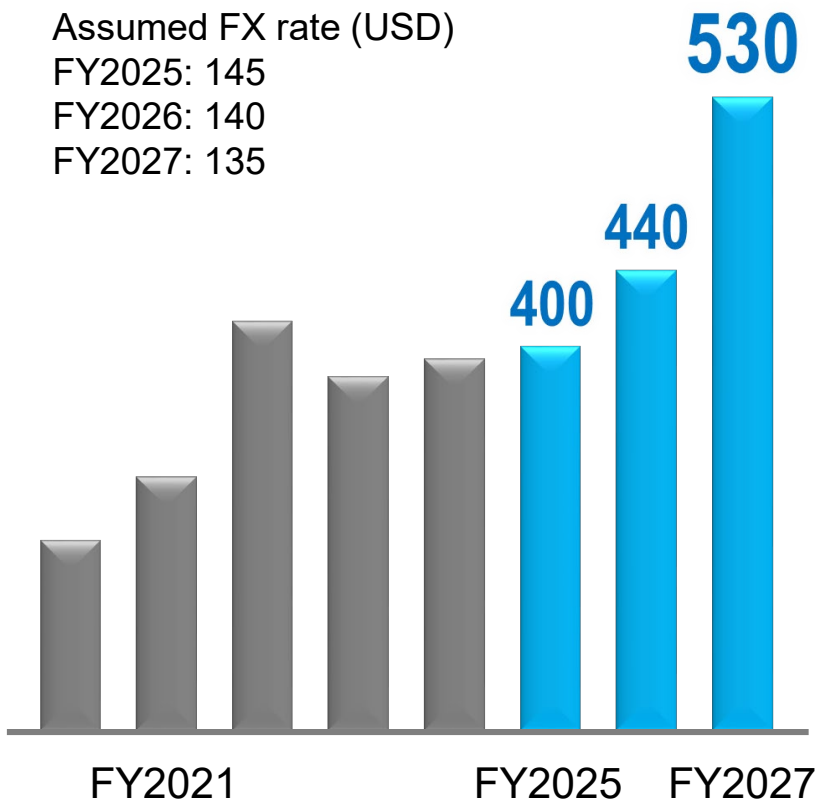


Currently increasing production Backlog of orders to be eliminated

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

Net Sales (billion yen)

Assumed FX rate (USD)
FY2025: 145
FY2026: 140
FY2027: 135



Background of expansion of net sales in FY2027

Automated driving

Generative AI Data center

Wearable devices

GPS/GNSS modules

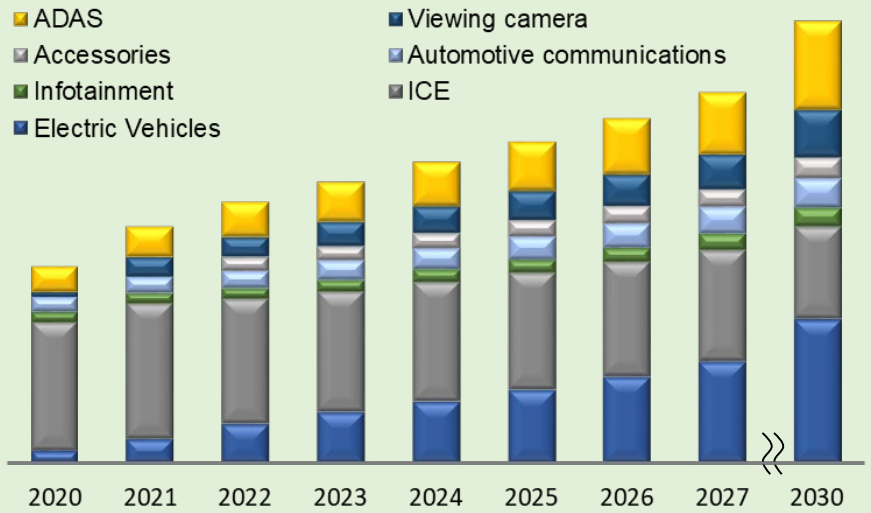
Meeting demand in key growth markets by offering a product lineup that meets the required specifications

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

Market trend

- Vehicles becoming more digital like smartphones:
  Keeping vehicles up-to-date through software updates like smartphones
- Redundant designs: Designs to maintain functionality even if one of the two systems fails
- Shift to EVs: Spread of charging stations in addition to EVs

Forecast of volume of crystal devices for AE applications



(our estimate based on data of a research firm)

Requirements for crystal devices

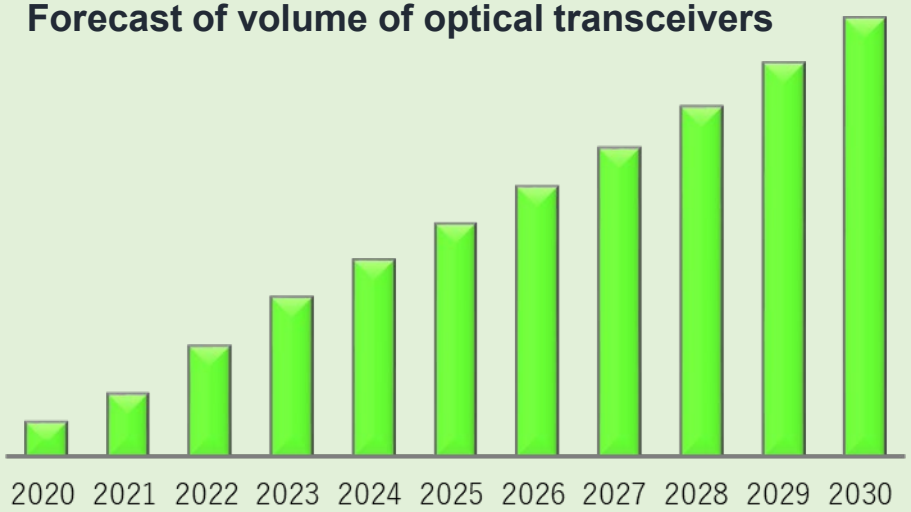
- Low noise
- High-temperature resistance
- Reliability

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



(our estimate based on data of a research firm)

Requirements for crystal devices

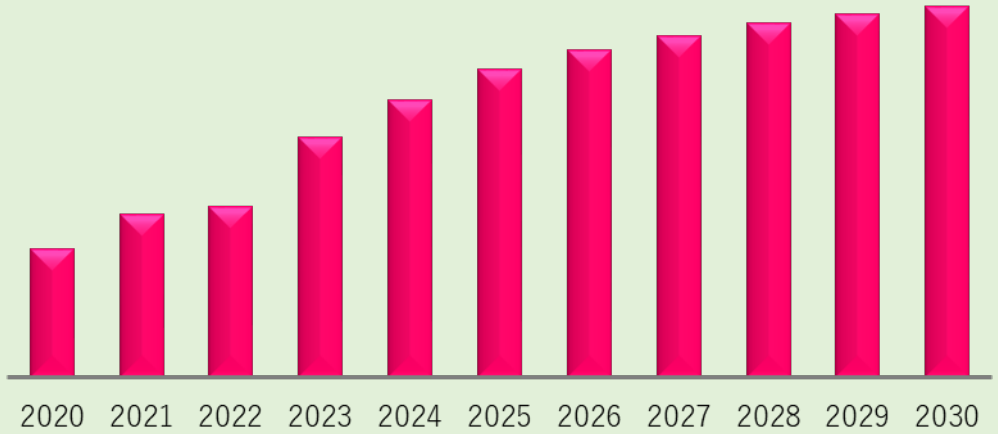
- Low noise
- High frequency
- Compact
- Reliability

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

Market trend

- MMultifunctionalization 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



(our estimate based on data of a research firm)

Requirements for crystal devices

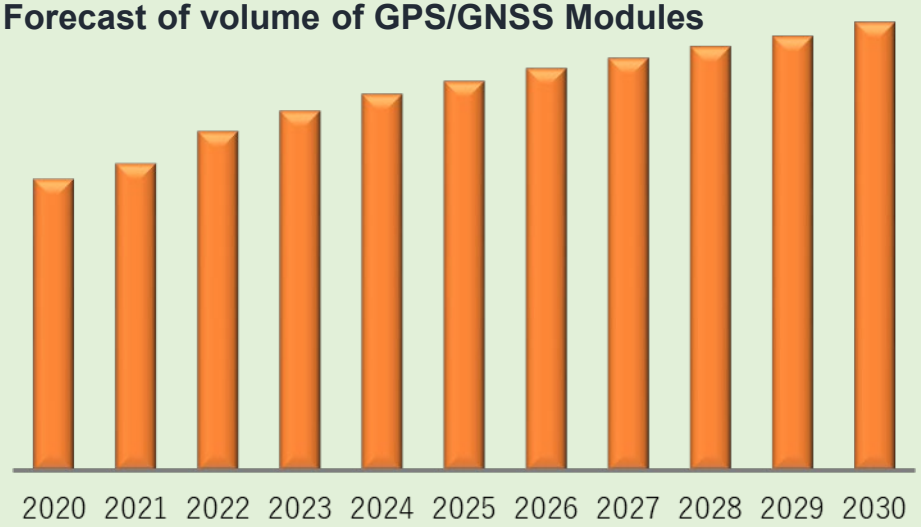
- Compact
- Thin
- Low power consumption

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

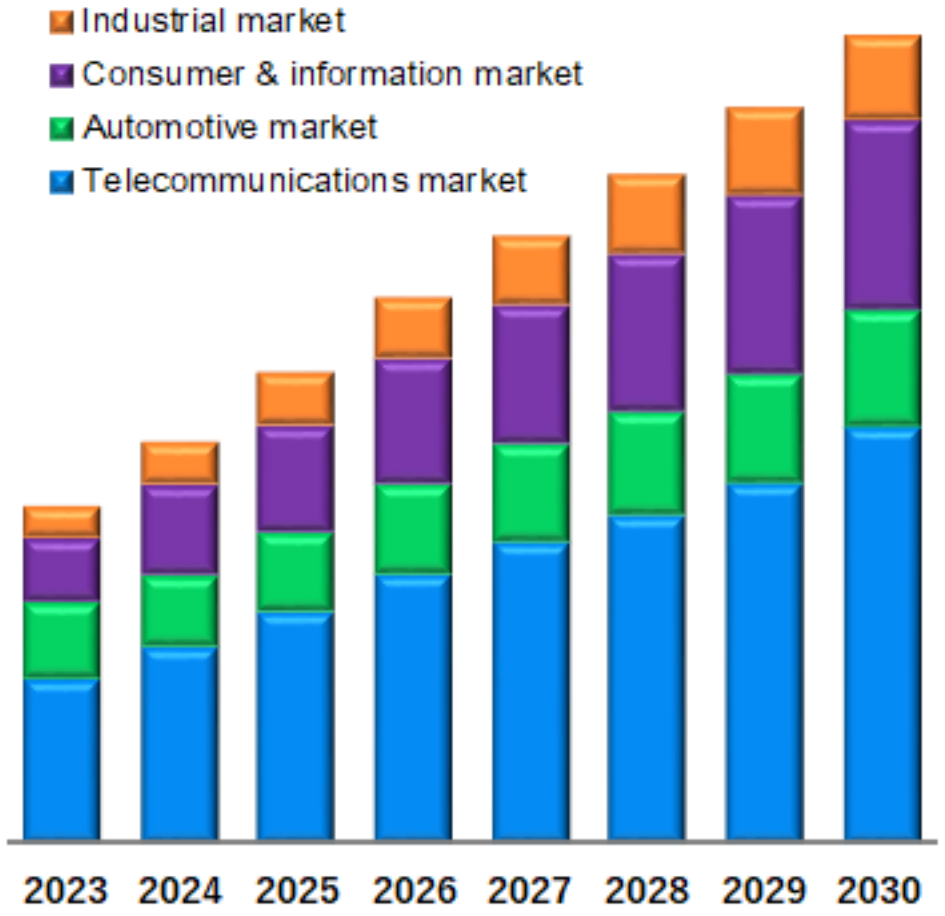


(our estimate based on data of a research firm)

Requirements for crystal devices

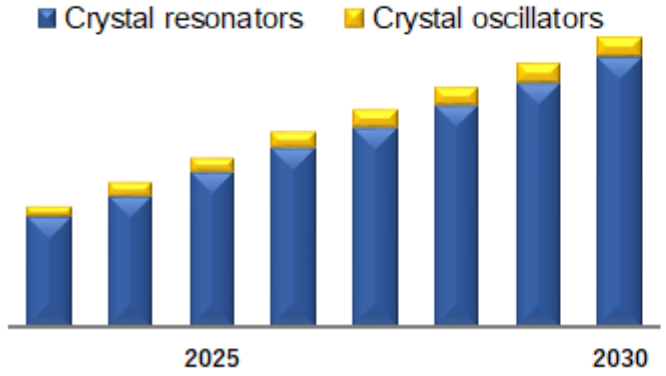
- High-temperature resistance
- Temperature drift characteristics
- Low power consumption

Forecast of volume by market in the crystal device industry

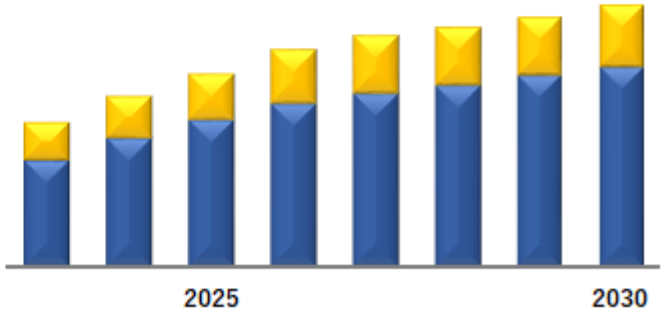


(our estimate based on data of a research firm)

Forecast in volume



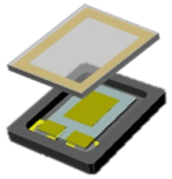
Forecast in monetary amount



(our estimate based on data of a research firm)

The percentage of crystal oscillators is expected to increase in monetary amount

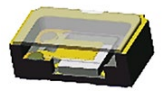
Crystal Resonators



Crystal chip
＋ Ceramic package
＋ Lid

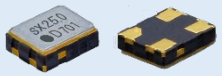
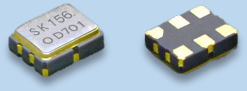
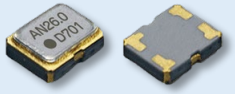
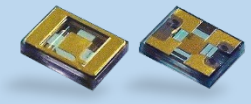
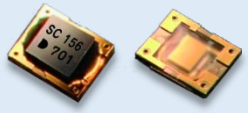
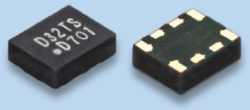
Crystal Oscillators

IC mounted in crystal resonators



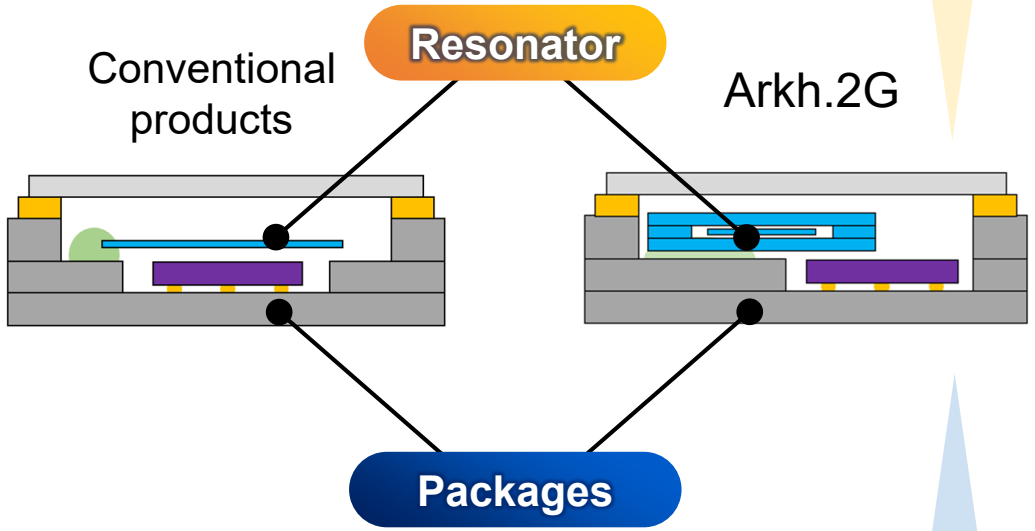
- Oscillator circuit embedded
- Removal of high-frequency noise
- Wide-range temperature compensation

Product lineup to meet the market requirements

Arkh.2G	Crystal Oscillators		Reliability, High frequency
	Differential Output Crystal Oscillators		Reliability, High frequency, Low noise, High-temperature resistance, Low power consumption
	Temperature Compensated Crystal Oscillators (TCXO)		Reliability, High frequency, High-temperature resistance, Temperature drift characteristics
Arkh.3G	Crystal Resonators		Reliability, High frequency, Compact, Thin
	Differential Output Crystal Oscillators		Reliability, High frequency, Compact, Thin
Mold RTC			Reliability, High accuracy, High-temperature resistance

Performance advantages of Arkh.2G

Installation of the Arkh series crystal resonators
Excellent reliability, including aging (changes over time) characteristics, because no adhesive is used inside the resonator element



Same appearance as that of conventional ceramic package products
Mechanical performance improved by increasing the bonding area between the resonator and the package

Capable of coping with high temperatures and narrow deviations

Arkh.2G SPXO narrow deviation products

Realized by an IC equipped with a simple temperature compensation function suitable for in-vehicle Wi-Fi and OBCs, etc.
(OBC: a charger for electric vehicle batteries)

Improvement in drift performance

Arkh.2G Temperature Compensated Crystal Oscillators (TCXO)

Sensitivity to satellite signals, such as GPS/GNSS, improved by optimal designs

Arkh.2G's price competitiveness

	Conventional products	Arkh.2G
Plant	Additional floor space required	**Accommodated within the existing space**
Facilities	Many processes	**Output increased by 3 to 5 times with a smaller footprint**
Personnel	Additional personnel required	Labor saving enabled by automation
Manufacturing process	Individual processing	Highly efficient wafer processing
Yield	Loss of parts and materials incurred	Yield almost 100%

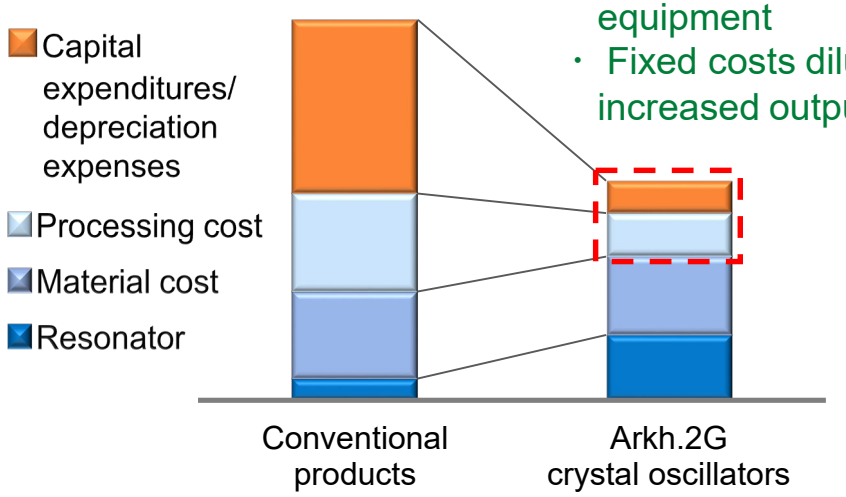
Environmental Initiatives

Improve productivity and reduce CO_2 emissions

Long-term cost (image)

Arrangements to increase production (a large amount of equipment/increase in the plant floor space)

- No additional floor space required, efficient investments using compact equipment
- Fixed costs diluted by an increased output



BCP system for Arkh.2G

Present

2 production bases in Japan (assembly)


Tottori Production Div


Tokushima Production Div

Future

8 production bases worldwide (assembly)


Tottori Production Div


Tokushima Production Div


PT.KDS INDONESIA


HARMONY ELECTRONICS (DongGuan) CO.,LTD.



HARMONY ELECTRONICS (THAILAND)CO.,LTD.


Kyushu Daishinku Corp

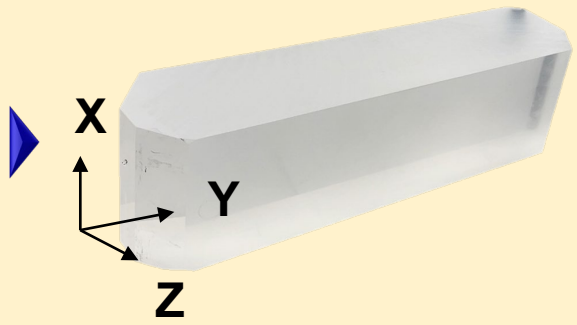

TIANJIN KDS CORP.

Assembly enabled at any production base using existing equipment

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

Synthetic quartz crystal

Lumbered



Cost reduction by increasing the Y length

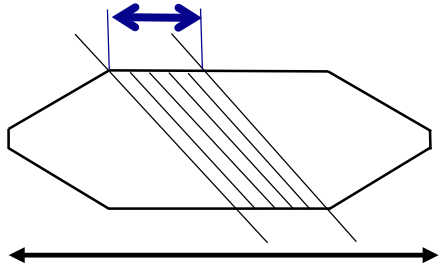
Using 8-inch seed crystals, 4-inch rough crystals

Contribution to profit in FY2027

Increase the number of wafers produced per rough crystal

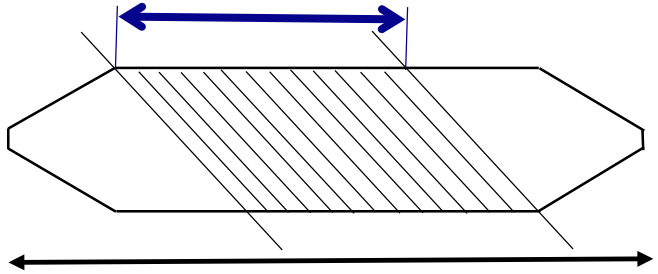
At present

Effective length



Y length

Using 8-inch seed crystals, 4-inch rough crystals



Number of wafers produced 2.6 times
(based on our calculation)

Photolithography products — Arrangements to ensure stable supply —

2nd medium-term capital expenditure plan:

15 billion yen in total over the 3 years

Photolithography
Arkh.3G
Arkh.2G

Headquarters and Plant

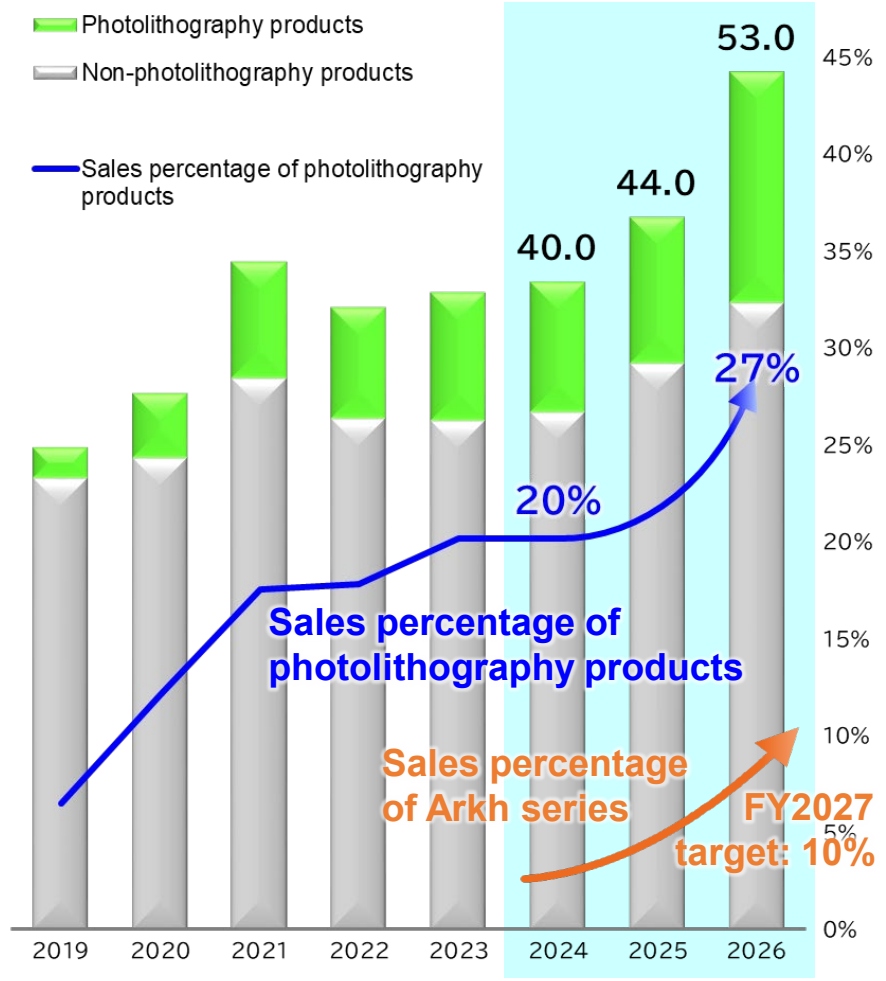
DX, etc.

Production capacity has been increasing

Space-saving equipment for a new manufacturing process
+ Use of existing assembly systems

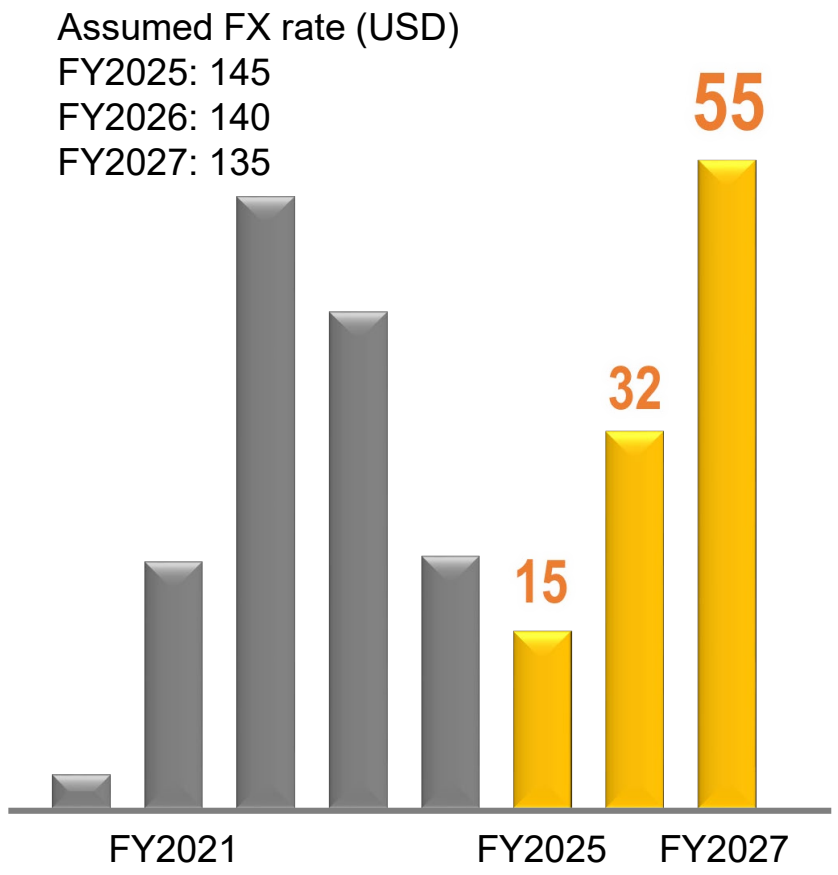
- Maximization of the output per unit area
- Reduction of energy consumption and CO_2 emissions in line with the increase in production

Net Sales Photolithography/Arkh



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

Operating profit (billion yen)



Record-high profit in FY2027

Reference: 5.19 billion yen in operating profit in FY2022

Pursuing profitability:
53 billion yen in sales

Pursuing efficiency:
maximizing output

ROIC 4.5 %
ROE 8.0 %

Stable Supply + Environmental Initiatives + Corporate Growth

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.