

We will answer society's call with “Trust”

— This is our policy

We, DAISHINKU CORP., have been committed to maintaining the following three types of trust since our founding: trusted people, trusted products, and trusted company.

Under this policy, we will continue to be a company that meets the expectations of society in terms of harmony with the environment, provision of new services, and continuous profit generation.

On Publishing the Integrated Report

Since 2016, we have issued the CSR Report to share with stakeholders our initiatives to enhance corporate value and realize a sustainable society. Yet, starting in 2023, we have decided to issue the Integrated Report instead to share with you our value creation story based on the 10-year Long-term Business Plan “OCEAN+2 Strategy” along with our initiatives to address social issues through our business activities, covering both financial and non-financial information.

It is our hope that this Integrated Report will help you understand the details of our initiatives, including the environment surrounding the Company, our future vision, and the value we will create.

Cautionary note on forward-looking statements

This report includes forecasts and other forward-looking statements about DAISHINKU's corporate plans, strategies, and financial performance, based on information available to the Company as of the publication date. Therefore, these forward-looking statements entails risks and uncertainties. Readers should be aware that fluctuations in various factors could result in outcomes that differ materially from those presented in these statements.

Reportable organizations

DAISHINKU CORP. and its consolidated subsidiaries in Japan and overseas.

Reporting period

April 1, 2022 to March 31, 2023
(including some information outside of this reporting period)

Published

November 2023

Contents

1 Corporate Overview

- 3** Our Vision
- 5** Our History of Change
- 7** Risks, Opportunities and Material Issues
- 9** Company Profile

2 Value Creation Story

- 13** Message from the President
- 15** 10-year Long-term Business Plan “OCEAN+2 Strategy”
- 17** Value Creation Story from a Growth Perspective

3 Capital for Value Creation

- 31** Human Capital Strategy
- 39** Financial Capital Strategy

4 Management Foundation Underpinning Sustainable Growth

- 41** Environmental Initiatives
- 45** Corporate Governance
- 47** Compliance / Risk Management
- 49** Directors and Officers
- 51** Message from an Outside Director
- 53** Message from the Chair of the Audit and Supervisory Committee
- 55** Digital Transformation (DX) Initiatives

5 Financial Information / Corporate Information

- 57** Financial Data
- 60** Stock-related Information
- 61** Environment-related Information

Our Corporate Motto: "Trust"

Our Vision

Evolving from management philosophy to corporate philosophy

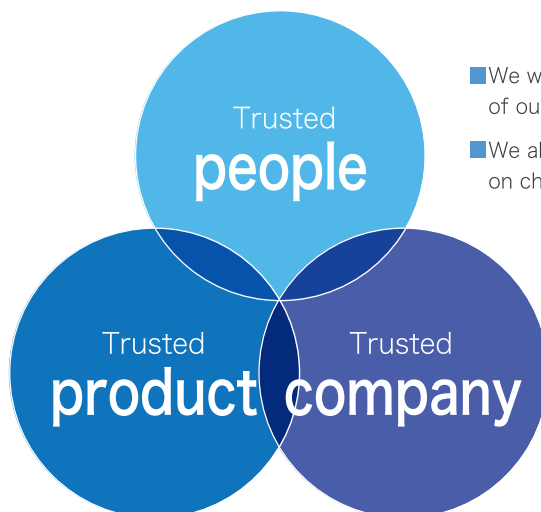
We have so far been engaged in our business under the management philosophy of "Reliance is the policy we offer for all our customers worldwide." From this fiscal year ended March 31, 2023 onward, we have evolved this management philosophy into the corporate philosophy of "We will answer society's call with trust" with the aim of contributing not only to our customers but also our employees and the rest of our stakeholders, as well as the sustainability of our planet and society. We will work toward achieving various visions as a sustainable company, placing this new corporate philosophy at the top of the "pyramid of trust."

Pyramid of Trust



Three Types of Trust

- We always create the best products and services.
- We provide new value and help realize a safe, affluent society.



- We work with a sincere attitude in consideration of our connection with society.
- We always have a dream and continue to take on challenges.

- We work to be in harmony with the environment and enhance corporate governance.
- We aim to contribute to society in a sustainable manner by continuously generating profits.

The Three Blues



"Challenge" Blue

Kindness and boldness we create new waves with.



"Growth" Blue

Deep blue ocean we embark into that is uncharted.



"Trust" Blue

Skies we go beyond to reach out to the world.

We categorize our corporate color blue into three distinct attributes: Challenge Blue, Growth Blue, and Trust Blue, collectively designating them as the Three Blues.

Our initiatives for value creation based on the 10-year Long-term Business Plan "Ocean+2 Strategy" outlined in this report are linked to these Three Blues. Each initiative is marked with the corresponding icon presented above.



Kazuo Hasegawa,
the Founder of the Company



Calligraphy written by the Founder

Our History of Change

Net sales
(Millions of yen)

50,000

40,000

30,000

20,000

10,000

0

1965 1970 1975 1980 1985 1990 1995



Monument commemorating the place of establishment / Kakogawa, Hyogo

Plaza Accord

CB radio boom

Absence of a leader in the quartz crystal device industry

Asian

Release of quartz crystal clocks and watches on the market

Widespread adoption of video devices, home video game consoles, and other consumer equipment

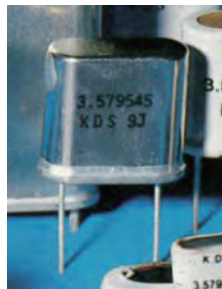
- **1959** Founded as Daiwa Shinku Kogyosho
- **1965** Started mass production of crystal resonator parts

- **1974** Established Ichikawa Plant (current Kanzaki Plant) to start mass production of synthetic quartz crystals
- **1977** Established DAISHINKU (AMERICA) CORP. to start the Company's first overseas sales
- **1989** Established PT. KDS INDONESIA to start the Company's first overseas production

Early mass-produced crystal resonators



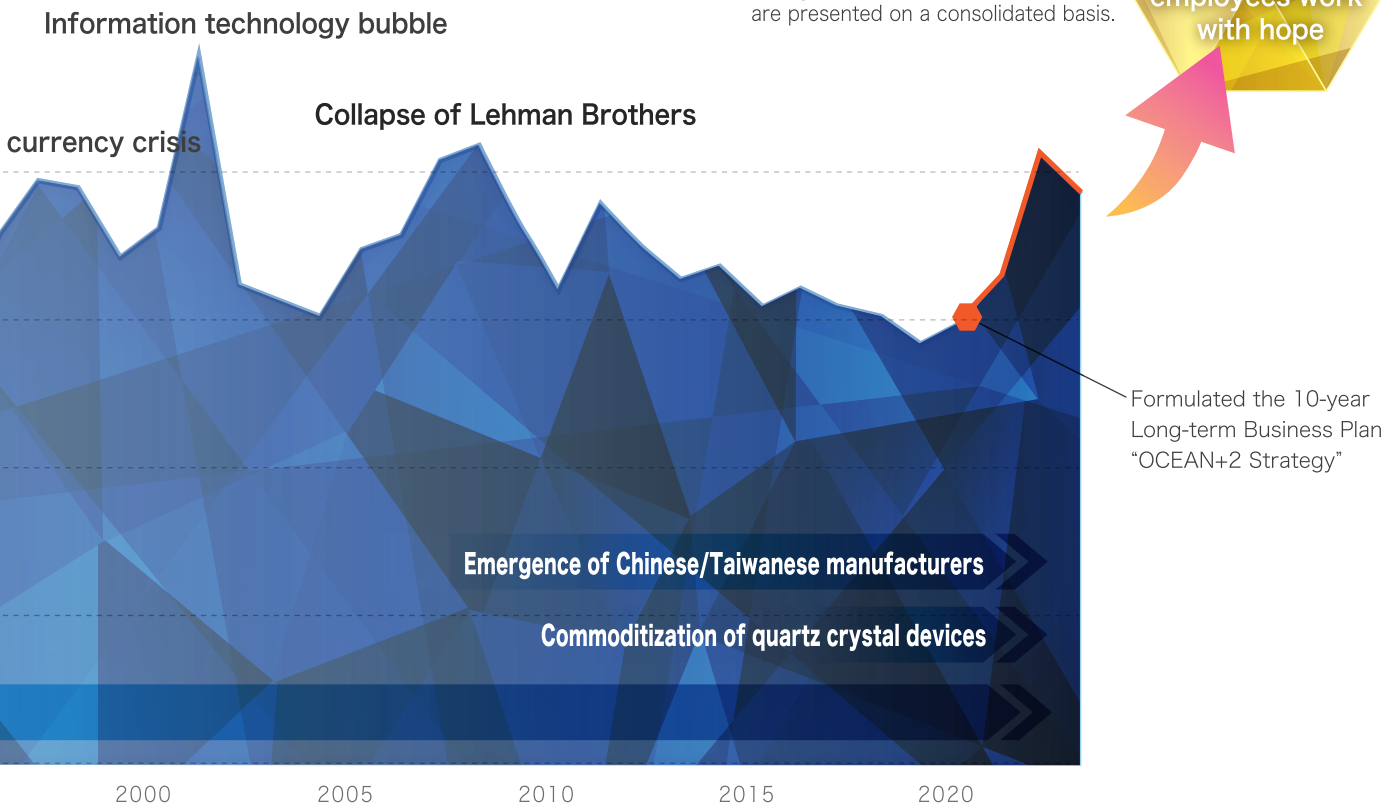
Model: 18/U



Model: 6/W



Team members involved in the production startup of synthetic quartz crystals



Enhanced presence of mobile phones/digital products → Widespread adoption of smartphones → Toward a “connected” society

1995 Expanded the floor space of the Tottori Production Division to fully launch the telecommunication business

2003 Increased sales of optical low-pass filters and crystal resonator DSX321G



Tottori Production Division

2012 Started domestic production by the photolithography method

2017 Developed the Arkh.3G series



2019 Formulated the 10-year Long-term Business Plan “OCEAN+2 Strategy”

2022 Mass-produced synthetic quartz crystals for 6-inch wafers



Synthetic quartz crystals for 6-inch wafers

Risks, Opportunities and Material Issues

To ensure our growth as a sustainable company, we will leverage our strengths to address material issues, striking a balance between stable supply in our business domain and environmental initiatives in the environmental domain. For example, the Arkh series, which enables fully-automatic production, and enlarged quartz crystal wafers, which significantly improve production efficiency, along with other inherent strengths of the Company, contribute to addressing various challenges arising from the shortage of workforce.

As these initiatives are linked to the 10-year Long-term Business Plan "OCEAN+2 Strategy" and our conventional businesses, the Company's growth will lead to the realization of our management vision and long-term vision.



strengths and initiatives **Material issues** **Future we aspire to**

OCEAN+2 Strategy 7 basic strategies

- O**ne Single supplier
- C**ost Challenge to lower cost area
- E**lement Core technology: growth and cutting/polishing of crystal
- A**lliance Alliance
- N**iche Advantage of being a survivor
- +1** New crystals
- +2** New devices

Conventional businesses

Work with **pleasure** Work with **comfort**

Growth **Trust**

Purpose
technologies that are indispensable to society

Philosophy
call with "Trust"

Sustainability in the business domain

- Technological innovation and value creation
- Sound supply chain

Stable supply

Sustainability in the environmental domain

- Response to environmental (reduction of CO₂) concerns

Environmental initiatives

Fundamentals of corporate activities

- Ingraining our corporate philosophy and purpose
- Maximization of human capital

Sustainable growth

Long-term Vision

To become a leading company always needed by customers with high standard of technologies and strong corporate capabilities, thereby achieving **a 10 billion yen operating profit**

Management Vision

With "trust" as our slogan, we aim to become a company in which all employees work with hope while nurturing the spirit of valuing "connections between people."

Company Profile

Net sales
¥38,430 million

Operating profit
¥4,210 million

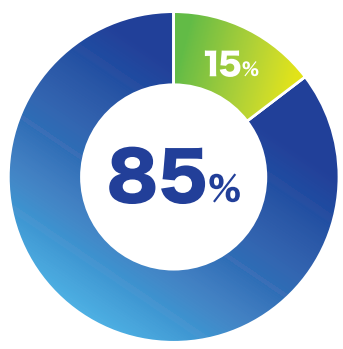
Profit attributable to owners of parent
¥3,208 million

Operating profit to net sales
11.0 %

ROE
9.3 %

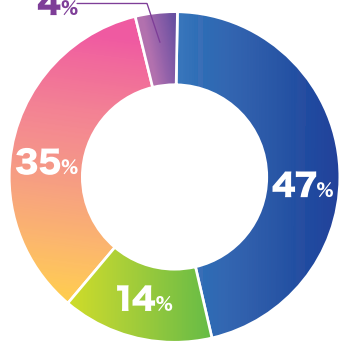
ROIC
4.1 %

Overseas sales ratio



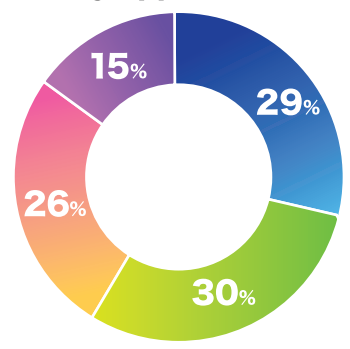
■ Japan ■ Overseas

Net sales by model



■ Crystal resonators ■ Tuning fork crystal resonators
 ■ Crystal applied products ■ Other

Percentage of sales by application



■ Telecommunications ■ Automotive
 ■ Consumer ■ Industrial

Status by region

Europe

Net sales: ¥3,654 million
 Segment profit: ¥52 million
 Sales subsidiary: DAISHINKU (DEUTSCHLAND) GmbH
 Number of employees: 21

China

Net sales: ¥13,042 million
 Segment profit: ¥538 million
 Sales subsidiaries: SHANGHAI DAISHINKU INTERNATIONAL TRADING CO., LTD.
 DAISHINKU (HK) LTD.
 Production subsidiaries: TIANJIN KDS CORP.
 HARMONY ELECTRONICS CORP. (Dong Guan)
 HARMONY ELECTRONICS CORP. (Shenzhen)
 Number of employees: 649

North America

Net sales: ¥1,755 million
 Segment profit: ¥2 million
 Sales subsidiary: DAISHINKU (AMERICA) CORP.
 Number of employees: 8

Asia

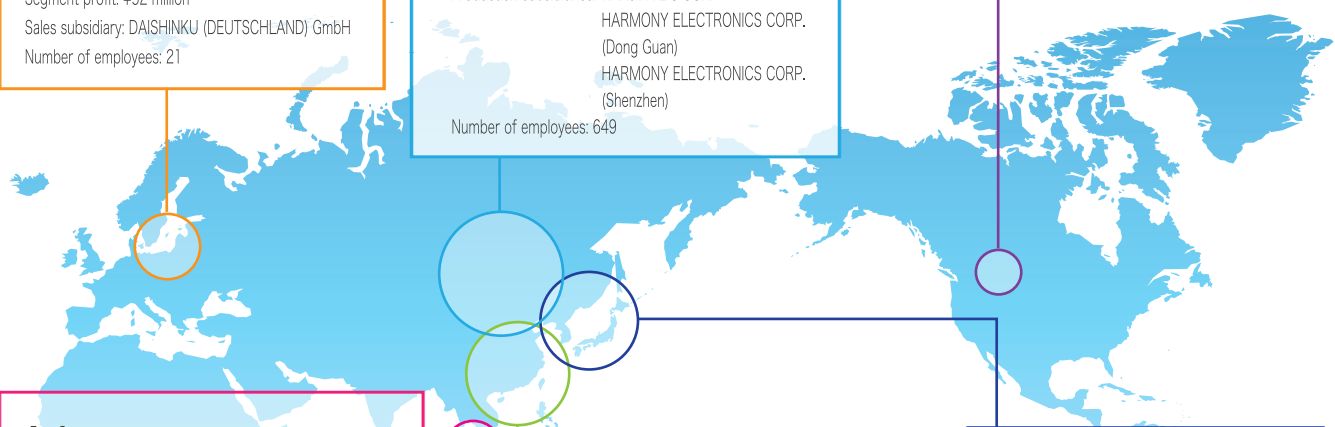
Net sales: ¥2,777 million
 Segment profit: ¥220 million
 Sales subsidiaries: DAISHINKU (SINGAPORE) PTE. LTD.
 DAISHINKU (THAILAND) CO., LTD
 Production subsidiaries: PT. KDS INDONESIA
 HARMONY ELECTRONICS (THAILAND) CO., LTD.
 Number of employees: 1,115

Taiwan

Net sales: ¥9,066 million
 Segment profit: ¥658 million
 Sales/production subsidiary: HARMONY ELECTRONICS CORP.
 Number of employees: 840

Japan

Net sales: ¥8,134 million
 Segment profit: ¥2,780 million
 Number of service offices: 3 offices
 Number of production bases: 4 bases
 Production subsidiary: Kyushu Daishinku Corp.
 Number of employees: 717





Roles and applications of crystal devices

A crystal device refers to a type of timing device, which is:

- Primarily made of artificial crystals, which can be manufactured in large, industrially stable quantities, and
- Able to continue emitting the same signal (frequency) stably even if the ambient temperature changes.

Due to these material and physical characteristics, crystal devices are most commonly used as timing devices.

The role of timing devices is to create stable reference signals required by semiconductors (and ICs). The accurate and stable reference signals provided by crystal devices enable smooth data transmission and accurate time display. Crystal devices are used in various applications that require digital control, from everyday items to industrial equipment, such as smartphones, automobiles, medical equipment, and industrial robots. Semiconductors are called the “rice of industry” because they are indispensable for the digital society, whereas crystal devices are called the “salt of industry” because they support our lives. We will continue to build our presence in the crystal device market, supporting the future of our customers and society with people, services, and digital technology.

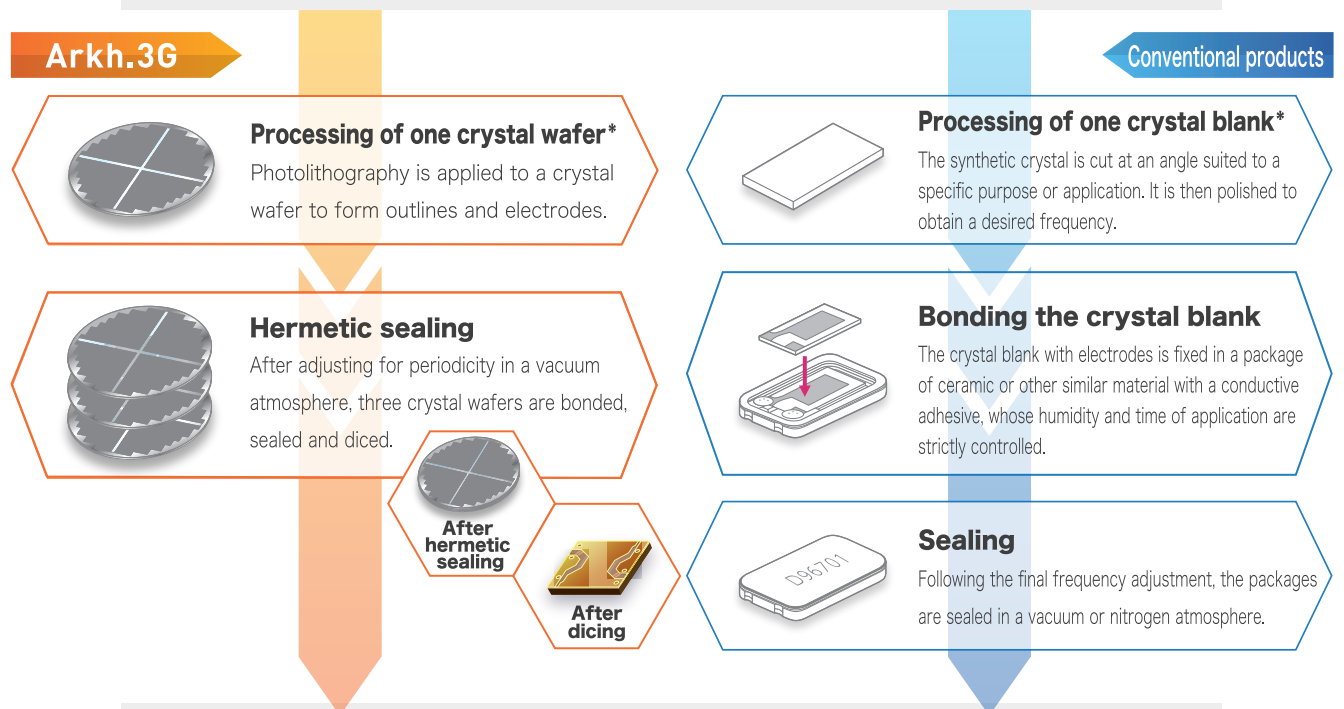
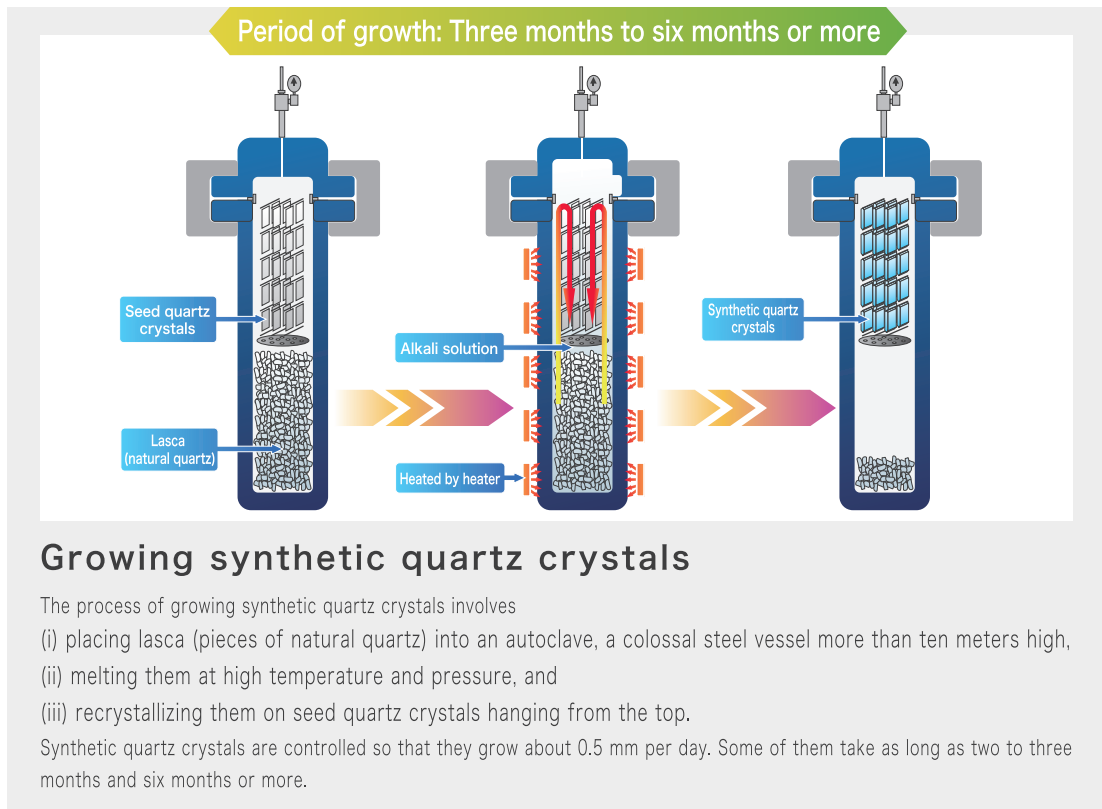
What if quartz crystal devices no longer existed?

For general automobiles, not only will all functions such as automatic driving and other driver assistance systems, smart keys, and navigation systems, be turned off, but you will not be able to even start the engine to move the automobile. Smartphones will no longer be able to make calls or get location information, wireless earphones will no longer be able to hear sounds, and batteries will quickly run out, making our lives extremely inconvenient. Quartz crystal devices are an essential reference signal source for our lives.



Company Profile

How a crystal device is made



Inspecting, packaging and shipping products

The crystal devices are inspected to check their conformity to all the required specifications, which number several dozens of items. Only the products that have passed this most stringent inspection are packaged and shipped.

*What is a crystal wafer?

A crystal wafer is a substrate (thin quartz crystal plate) cut out from a quartz crystal gemstone and used primarily in photolithography.

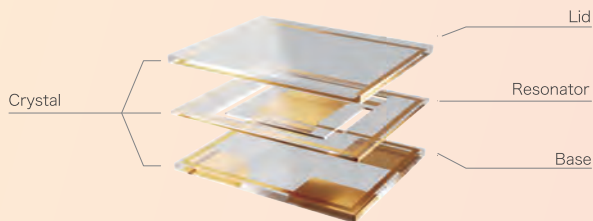
*What is a crystal blank?

A crystal blank is a quartz crystal chip processed to a size that can be mounted on a package.

Product Introduction

Ark.3G

This device has a new, unprecedented structure developed as a third-generation device following the lead-type and surface-mounting-type products. It is an ultra-compact and thin device realized by wafer-level packaging (WLP) technology. It has a three-layer structure consisting of a lid, resonator, and base made of crystal as a mother body, in contrast to the conventional structure in which crystal blank is held in a ceramic package using a conductive adhesive.



Crystal Resonators

A MHz band crystal resonator with good temperature features. Available in various package types and sizes for a wide range of applications.



Tuning fork crystal resonators

A low power consumption kHz band crystal resonator. Used for sleeping clocks and clock functions.



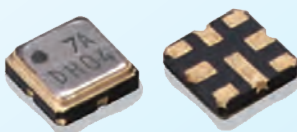
Crystal Oscillators

A driver IC-equipped device. Available in a variety of types: simple packaged crystal oscillator (SPXO), voltage controlled crystal oscillator (VCXO), temperature compensated crystal oscillator (TCXO), oven controlled crystal oscillator (OCXO), etc.



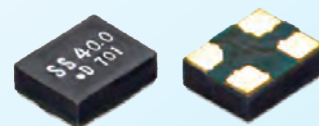
Monolithic Crystal Filters

A device featuring a frequency selective function that enables particular frequency components to pass through. Most commonly used for radio communication equipment.



Mold Oscillators

A crystal oscillator mold-packaged with a crystal resonator and IC, which can reduce the external procurement ratio and enable stable supply.



*What is a mold package?

A mold package is a product that covers a quartz crystal device with an outer shell made of insulating material such as resin. The Ark series is highly flexible in package design. Using the series as a core enables to design various package sizes.

What size is a quartz crystal device?

A quartz crystal device is a very small product used in automobiles, smartphones, personal computers, wireless earphones, and many other applications.

Although the size varies by application or model, our most miniature product is 1.0 mm × 0.8 mm. As shown on the right, it is smaller than a grain of rice and is the world's smallest and thinnest quartz crystal device.

Our product
(real size)



Rice grain
(real size)

