

# First Half Results for Fiscal Year 2014 (ending March 2014)

## Nihon Dempa Kogyo Co., Ltd.

**【Note】**

Statements made in this presentation with respect to our current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about our future performance. These statements are based on management's assumptions and beliefs in light of information currently available to it. We caution that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not rely on the belief that it is our obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Risks and uncertainties that might affect us include, but are not limited to; fluctuation of currency exchange rates, overall supply and customer demand in the industry, product development and production capacities, performance of affiliated companies, and other risks and uncertainties.

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- 1. FY2014 1<sup>st</sup> Half Results**
- 2. Market trends and our products**
- 3. Forecast for the full year FY2014**

# Summary of FY2014 1<sup>st</sup> Half Results



(Million yen)

	<b>FY2013 1st Half</b>	<b>FY2014 1st Half</b>	<b>Change</b>
<b>Net sales</b>	<b>25,727</b>	<b>25,572</b>	<b>▲ 155</b>
<b>Operating income</b>	<b>696</b>	<b>312</b>	<b>▲ 384</b>
<b>Income before tax</b>	<b>594</b>	<b>198</b>	<b>▲ 396</b>
<b>Net income</b>	<b>565</b>	<b>173</b>	<b>▲ 392</b>
<b>Total comprehensive income</b>	<b>▲ 174</b>	<b>657</b>	<b>831</b>

## <Net sales>

Although the sales for automotive and fixed radio communication were higher than the previous year, the sales for mobile communication and AV/OA were lower than it (especially in FY2014 1Q), and the overall sales dropped slightly.

## <Income>

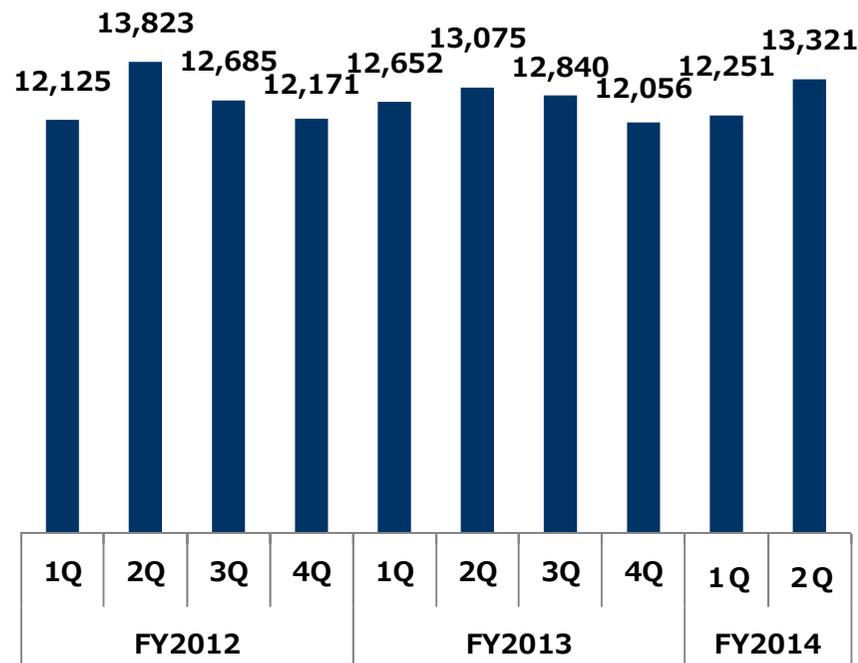
The profit was lower than the previous year, mainly due to a fall in price for mobile communication and a reduction in quantity and price of optical products for cameras.

# Quarterly Results

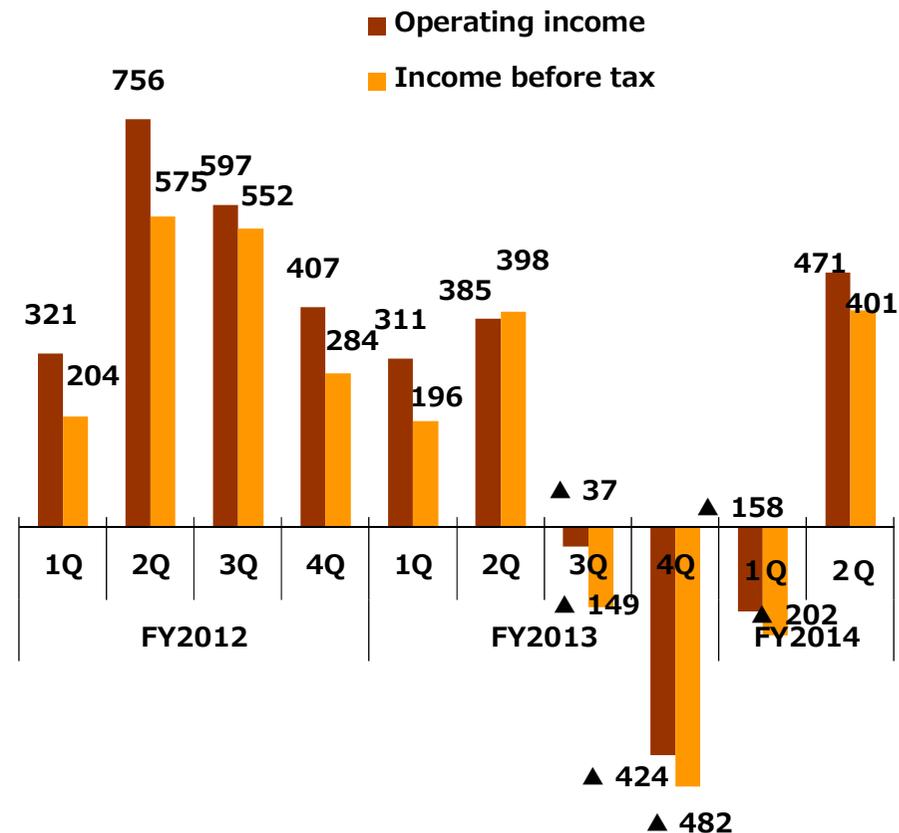


In FY2014 2Q (Jul.- Sept.), the sales recovered to the same level as the previous year. The profit returned to the black, mainly due to products for fixed communication and AV/OA.

### Net sales (Million yen)



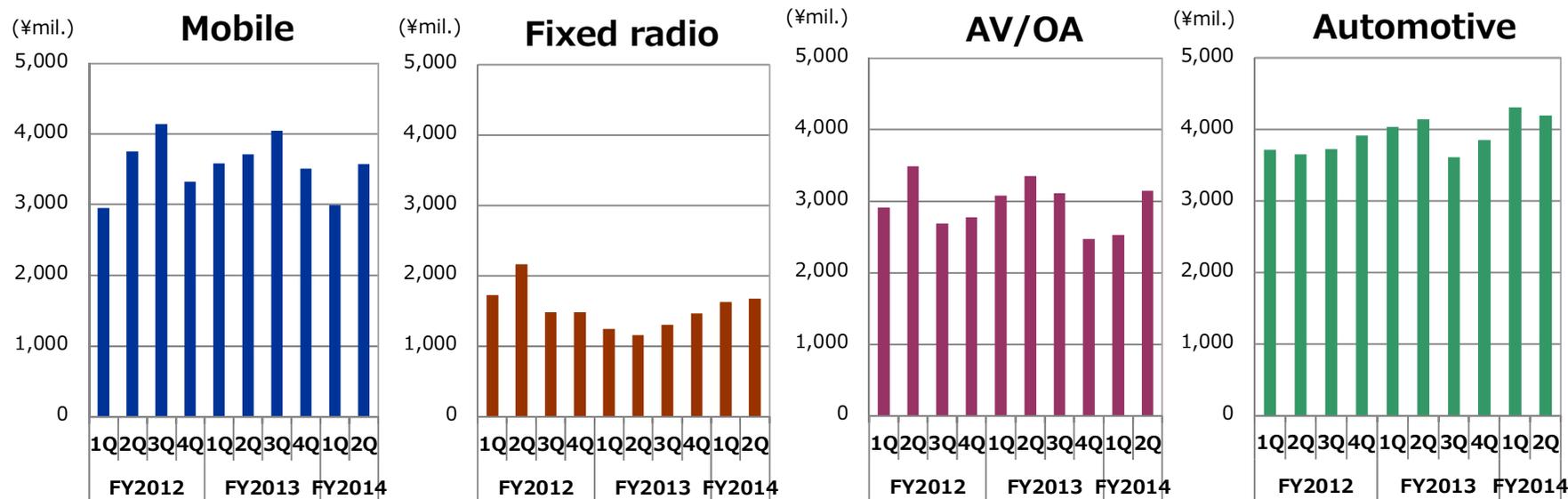
### Income (Million yen)



# Sales trend of main applications



- ◆ Mobile communication : In FY2014 Q2 (Jul.- Sept.), sales recovered mainly for smart phones.
- ◆ Fixed radio Communication : Sales for the communication infrastructure, such as base stations for mobile phones are on the increase, from the bottom figure of FY2013 2Q.
- ◆ AV/OA : In FY2014 2Q (Jul. – Sept.), sales for home electrical appliances, such as game consoles, recovered.
- ◆ Automotive : In FY2014 first half(Apr. – Sept.), the sales recovered.



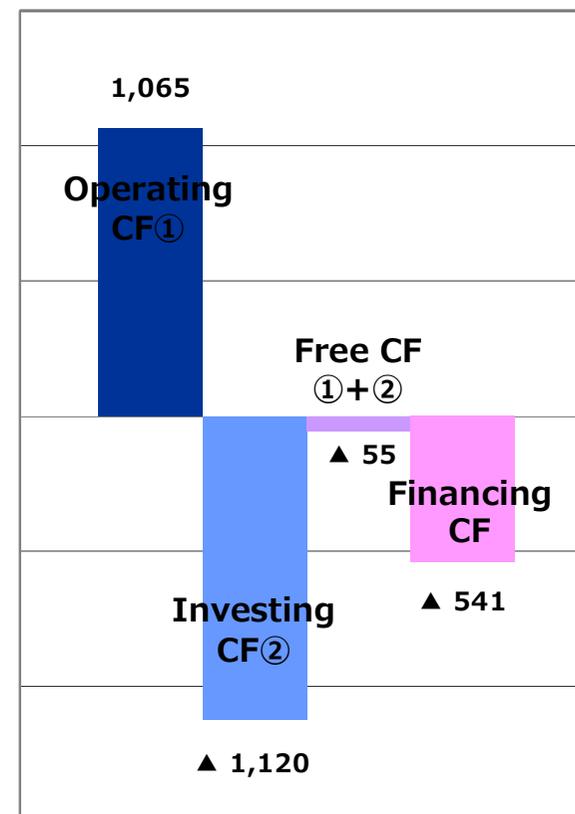
# Summary of Cash Flow



(Million yen)

	FY2013 1st Half	FY2014 1st Half
Income before income taxes	532	198
Depreciation and amortization	1,601	1,912
Change in working capital	▲ 210	▲ 1,045
<b>I. Operating activities</b>	<b>1,923</b>	<b>1,065</b>
Purchase of property, plant and equipment	▲ 3,339	▲ 1,230
Others	145	110
<b>II. Investing activities</b>	<b>▲ 3,194</b>	<b>▲ 1,120</b>
<b>Free cash flow</b>	<b>▲ 1,271</b>	<b>▲ 55</b>
Increase in debt	1,496	▲ 344
Cash dividends paid	▲ 195	▲ 196
<b>III. Financing activities</b>	<b>1,301</b>	<b>▲ 541</b>
Net decrease(▲)/increase in cash and cash equivalents	30	▲ 596
Cash and cash equivalents at beginning of year	8,796	11,812
Net effect of currency translation	▲ 190	196
Cash and cash equivalents at end of year	8,636	11,412

Cash Flow of 1st half FY2014



# Capital investment & R&D expenses

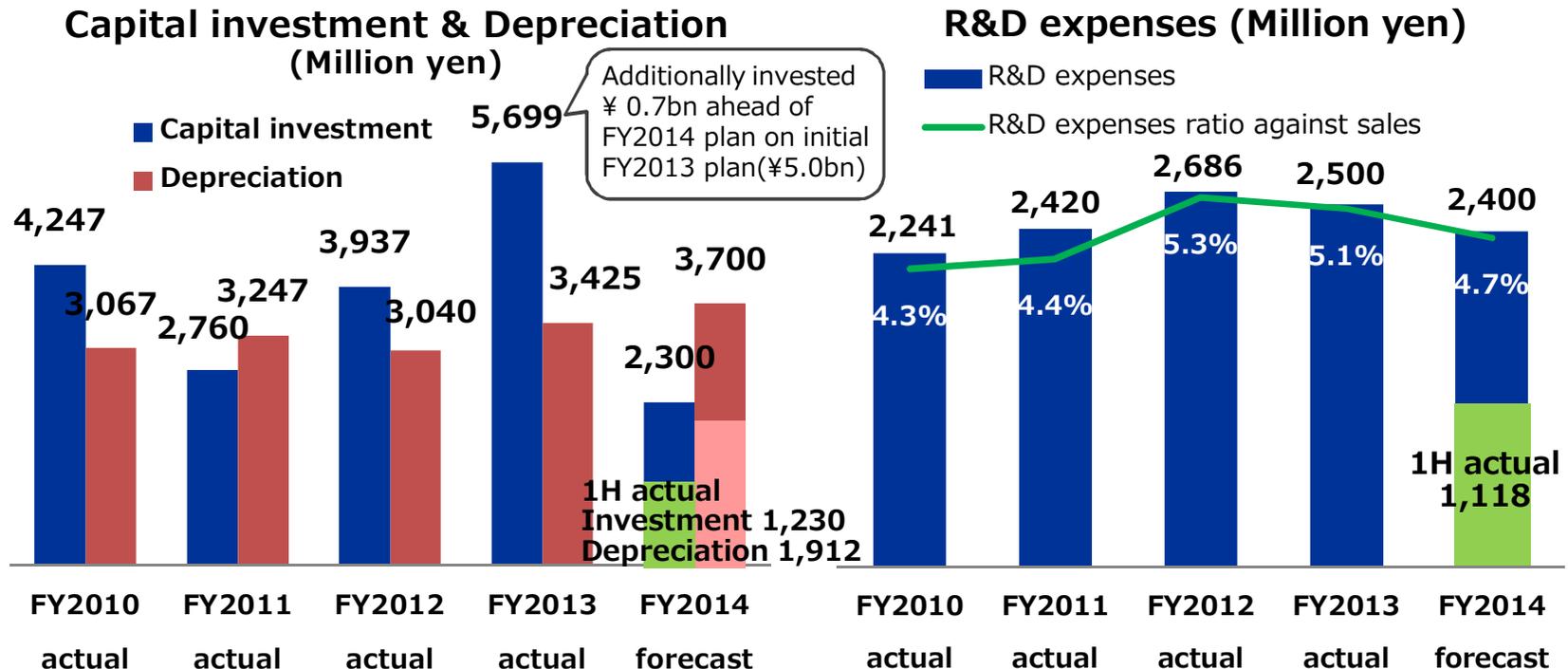


## 【 Capital investment 】

¥2.3 billion expected for FY2014 as originally planned

## 【 R&D expenses 】

¥2.4 billion expected for FY2014 as originally planned



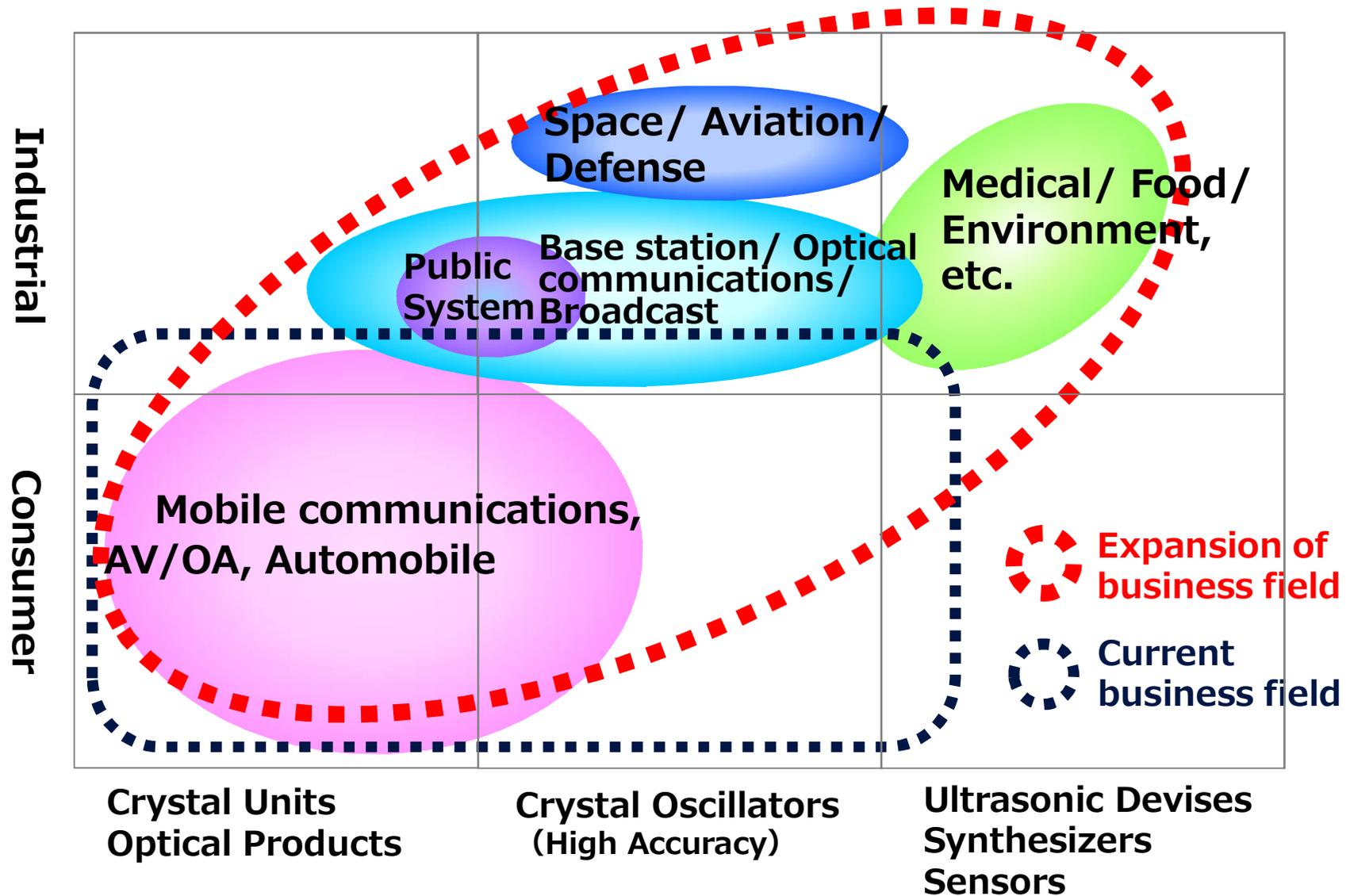
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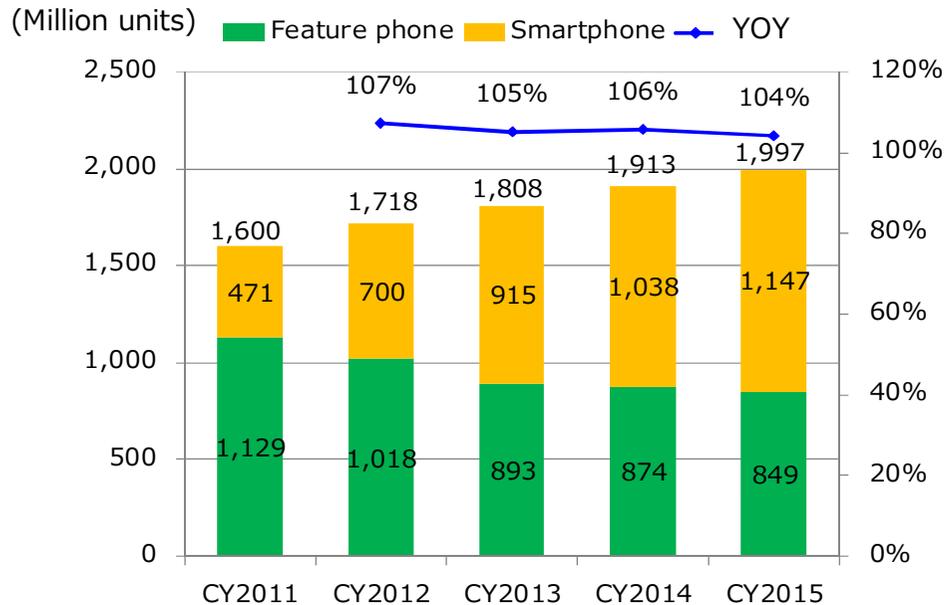
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# Business portfolio target



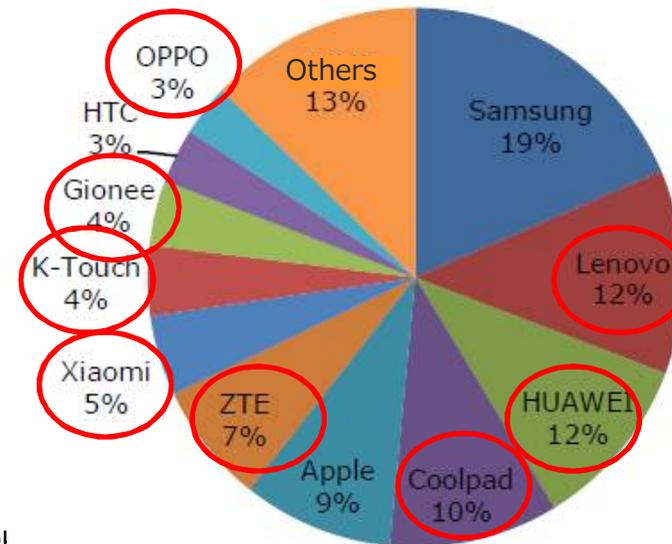
# [Mobile communications market]

## ◆ Global mobile phone market trend



Reference : Goldman Sachs, TSR and estimation of NDI

## ◆ Brand market share of mobile phones in China (1Q 2013)



Reference: TRI

- The mobile phone market is expected to grow continuously, but growth rate will fall along with the popularization.
- In 2013, the number of smartphones will exceed feature phones.
- The growing market of smartphones is crossing over from the developed countries to China or the developing nations.



- The market share of local makers will increase in China.
- Design simplification and price reduction will progress.

# [Mobile communications market] New product : Crystal unit with a built-in temperature sensor



## Demands for chipsets due to simplification of design

- As for the chipset, unification of multiple chips is further developed and optimum functions for it is expected.
- Compact and thin, responding to space saving due to high density packaging.

### Crystal unit with a built-in temperature sensor (2016 and 1612 size)

- World's lowest-profile (height 0.65mm)
- Contributing to customers freedom for design

Developed  
in FY2014

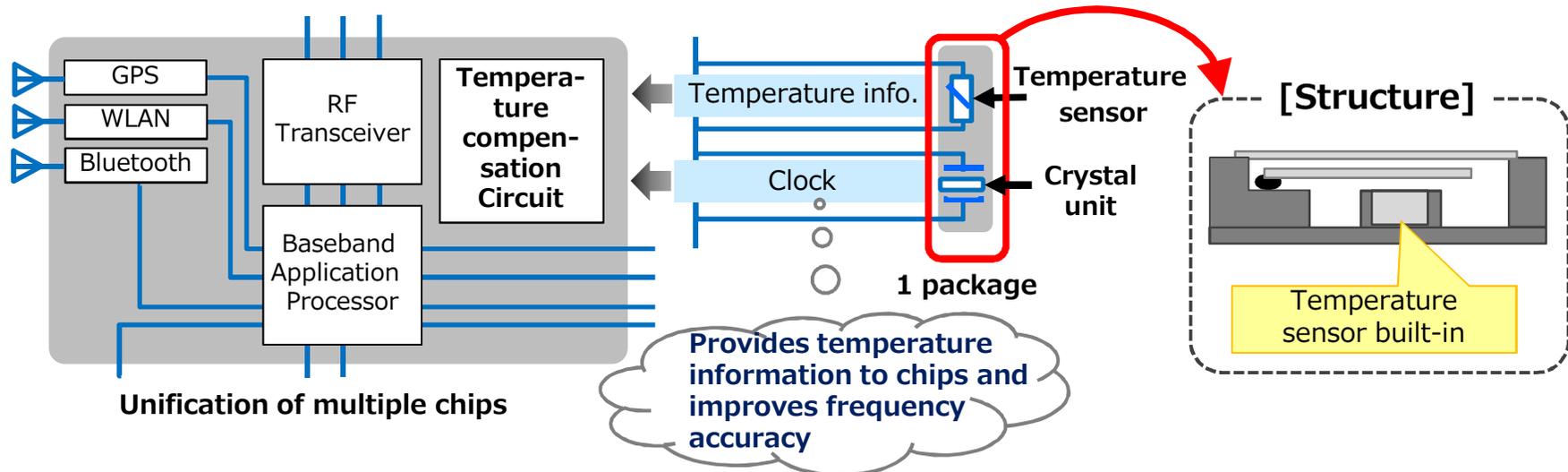


NX2016SF  
(size:2.0×1.6×0.65mm)

Under  
development



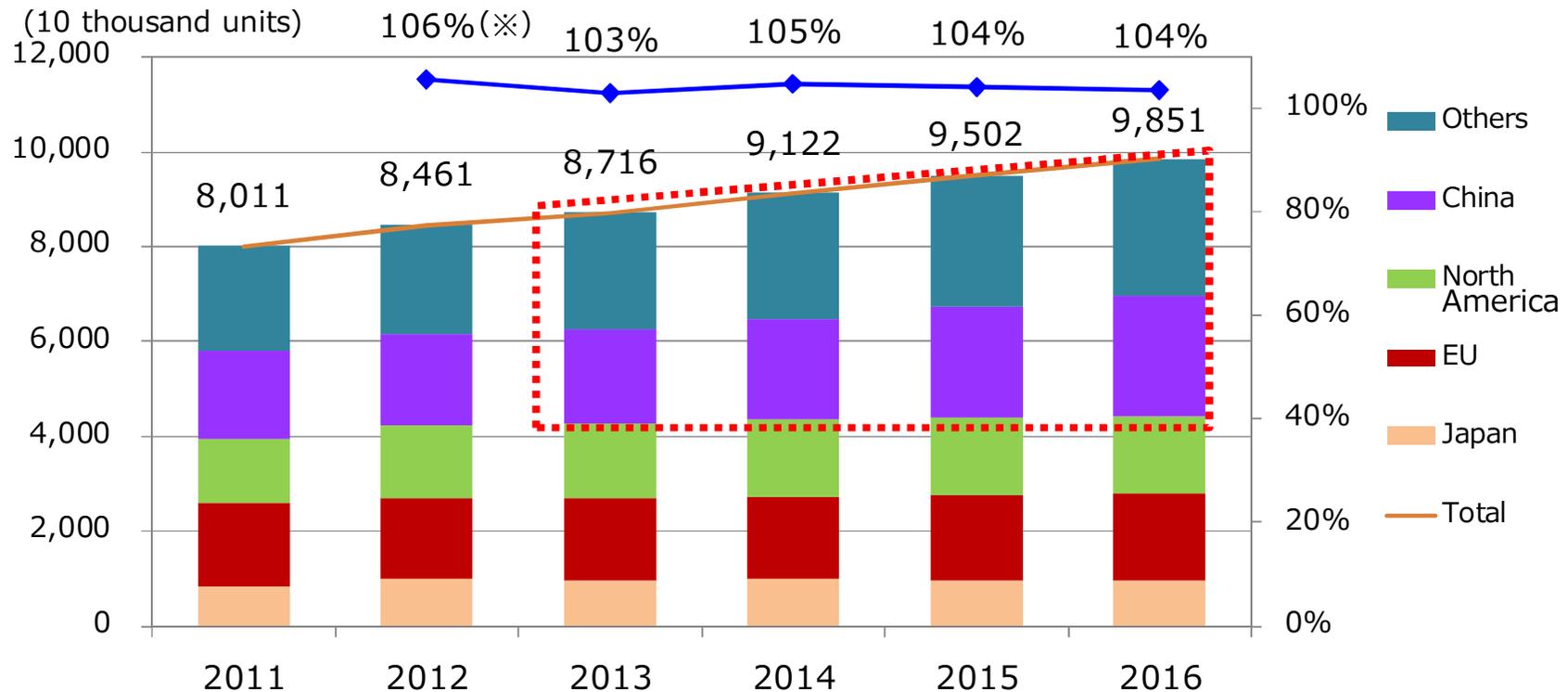
NX1612SB  
(size:1.6×1.2×0.65mm)



# [Automotive market] Towards a stable growth



## ◆ Worldwide sales volume of automobile



(※) In 2012, Japanese makers have recovered from production reduction due to the earthquake disaster and the flood in Thailand.

Reference : Fuji chimera

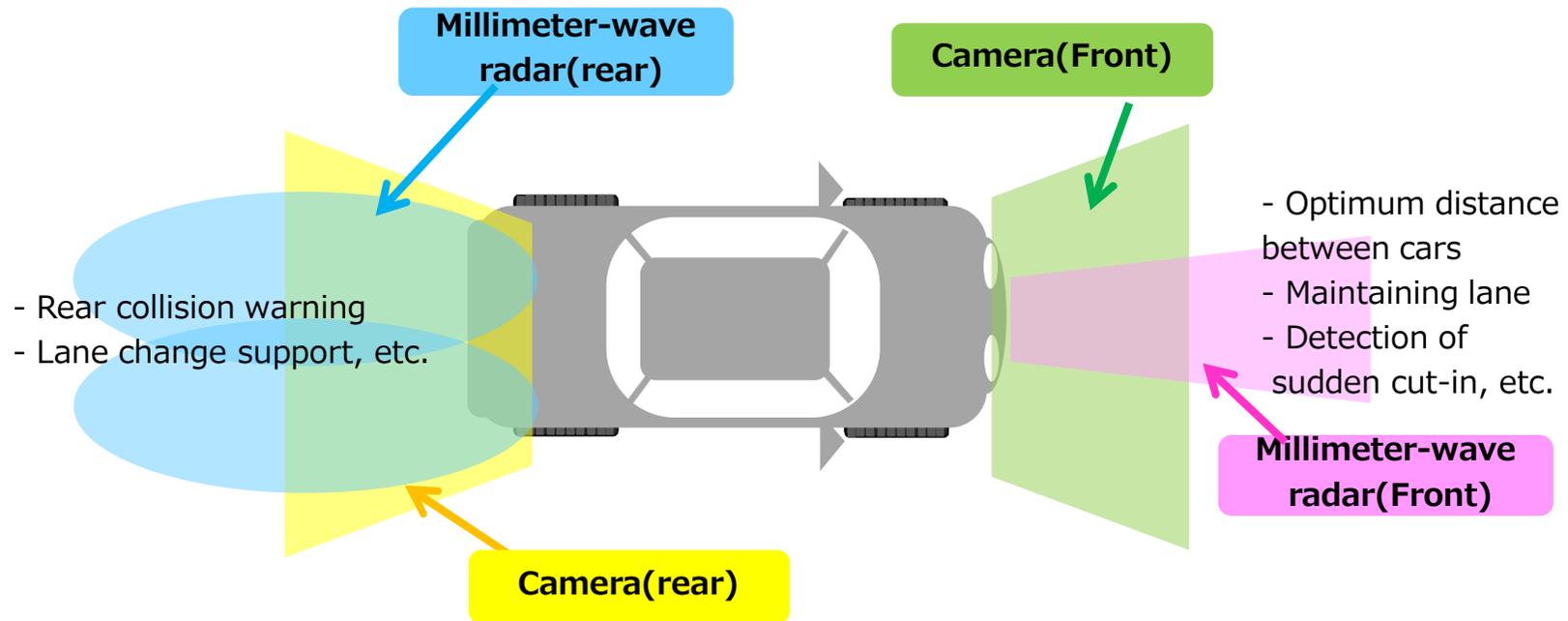
- The sales of automobiles overall expected to be a stable growth
- Strong growth in China and other developing nations

# [Automotive market]

Expanding market / Purpose : collision-free car



◆ Vehicle control technology leading to future “automatic drive” is practically applied.



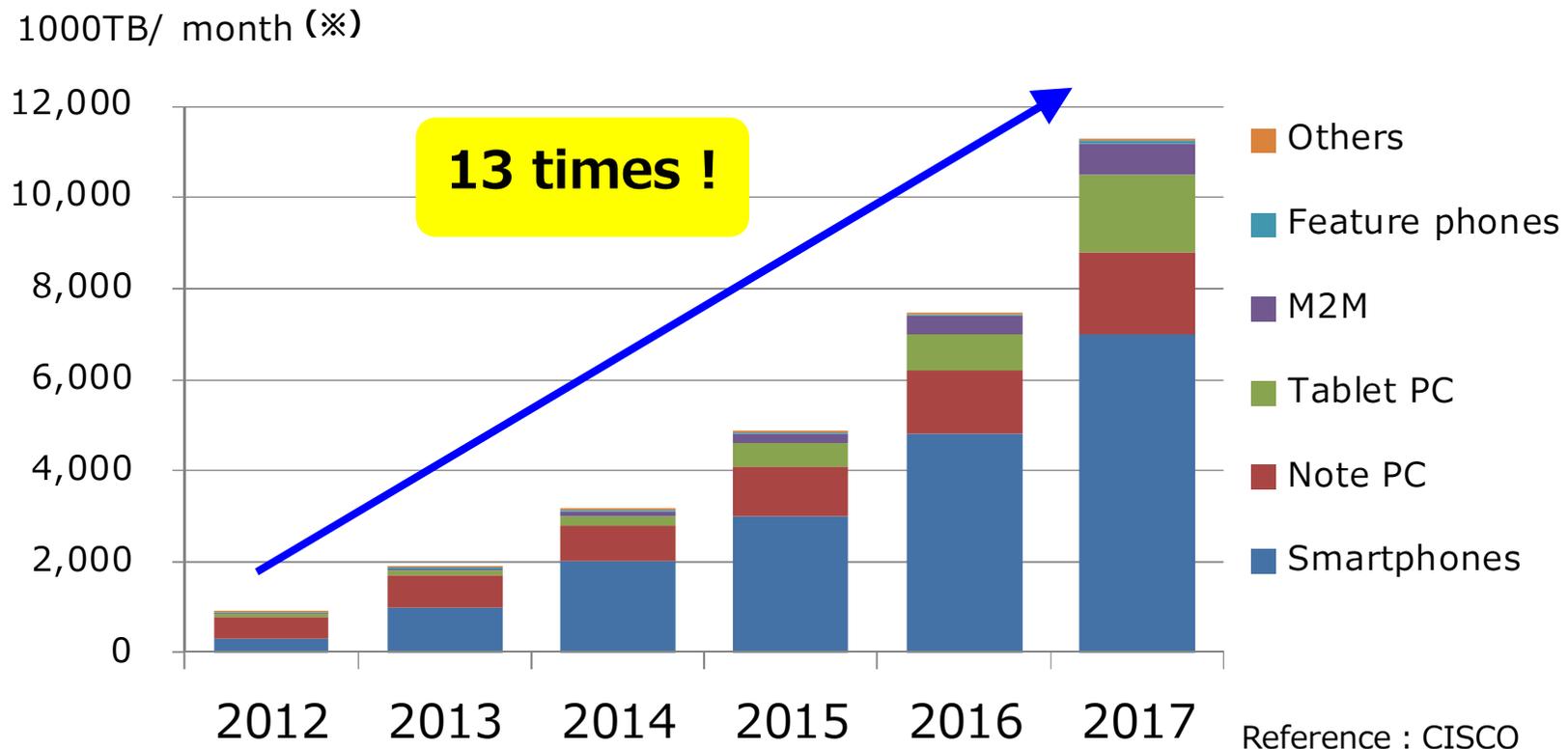
- Crystal units are used for them and expansion of market is expected.
- Crystal oscillators and SAW devices are expected to increase in demand for advanced control system working with map information using GPS, etc.

# [Fixed radio communications market] Increase in data traffic



## ◆ Explosive increase in mobile data traffic

⇒ Increase in base stations and optical communication apparatus



(※) TB(terabyte) : a trillion ( 12 times of 10)

# [Fixed radio communications market] New products: Arbitrary Output Frequency VCXO

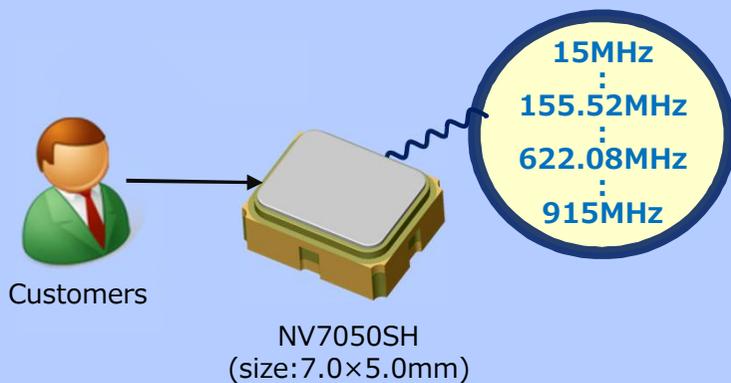


## Demands for optical communication devices

- “High accuracy”, “Low phase noise and Low jitter”, and “High reliability”
- Moreover, VCXO enables customers to select the necessary frequency
  - Advantages on the part of customers
    - (1)Reduce the items of parts and simplifies its management
    - (2)Shorten the period of development of new products

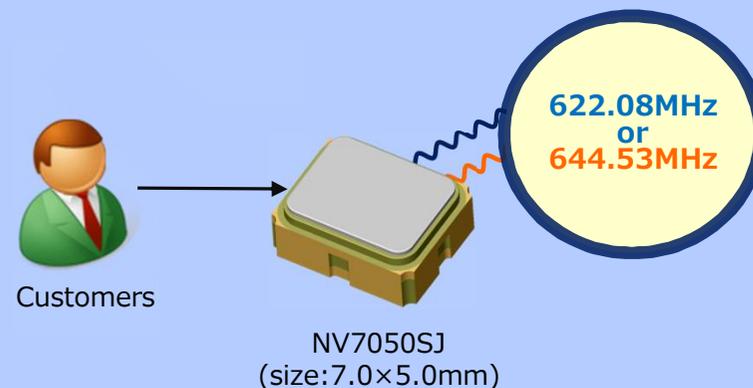
Under development

Arbitrary frequency 1 wave output  
Any Rate VCXO



Under development

Select 1 wave of two frequencies  
High frequency Selectable VCXO



# [Fixed radio communications market] Smart grid

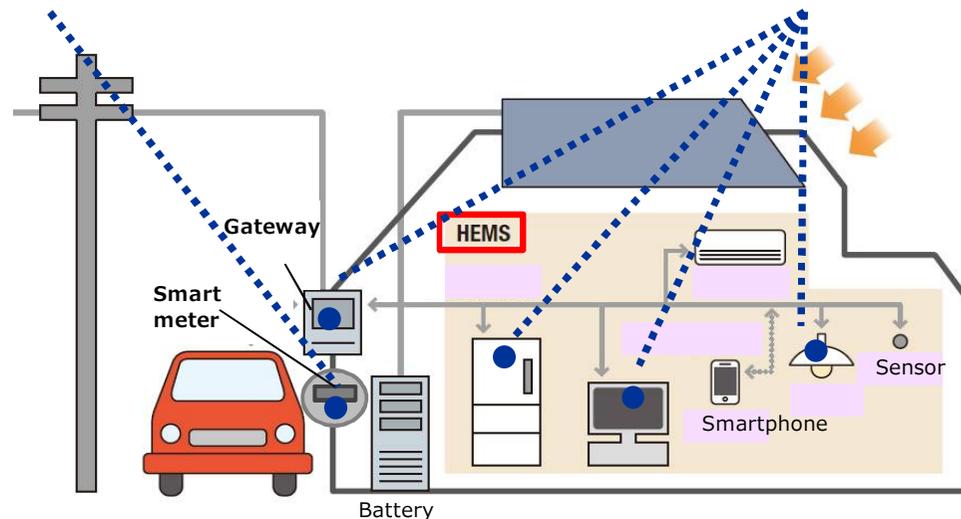
◆ Smart meter is being introduced in many countries, which is essential for realization of Smart grid.

## Smart meter

Gives information on meter-reading with an accurate time management to electric company

## HEMS (Home electronics/Gateway)

Connects home electronics with wireless communication, links to external network and optimizes energy management



**Tuning fork crystal units, crystal oscillators, clock oscillators and SAW filters are used for smart meters or HEMS.**

# [Fixed radio communications market/Smart meters] New products : clock oscillator for use in high-temperature



## Demands for attainment of accurate time management

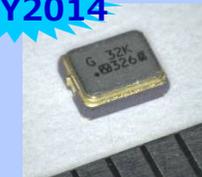
- Accurate clock source is required even under a wide temperature range environment where meters are installed.
- Moreover, the new product will correspond to low power consumption of meter.

### Low-current-consumption, 32kHz crystal clock oscillator for use in high-temperature

Developed in FY2014

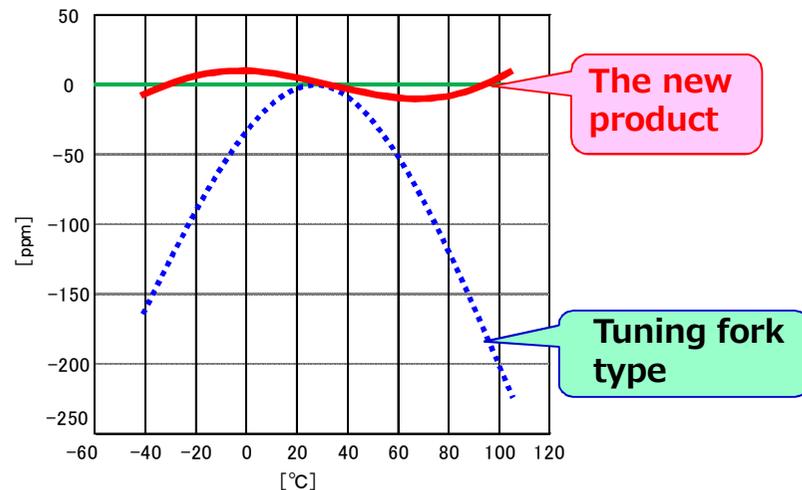
- Operating under high temperature **+105°C** (Previously, +85°C)
- Electricity consumption: **45% reduction** as compared to previously

*Utilized our propriety technology based on an AT cut crystal oscillator, featuring outstanding temperature and accuracy properties*



NZ2520SG  
(size:2.5×2.0mm)

<Relation of temperature and frequency>



The new product has more stable frequency within a wide range of temperature, compared to the tuning fork type which is generally used as a clock source.

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# Forecast for the Full year FY2014



(Million Yen)

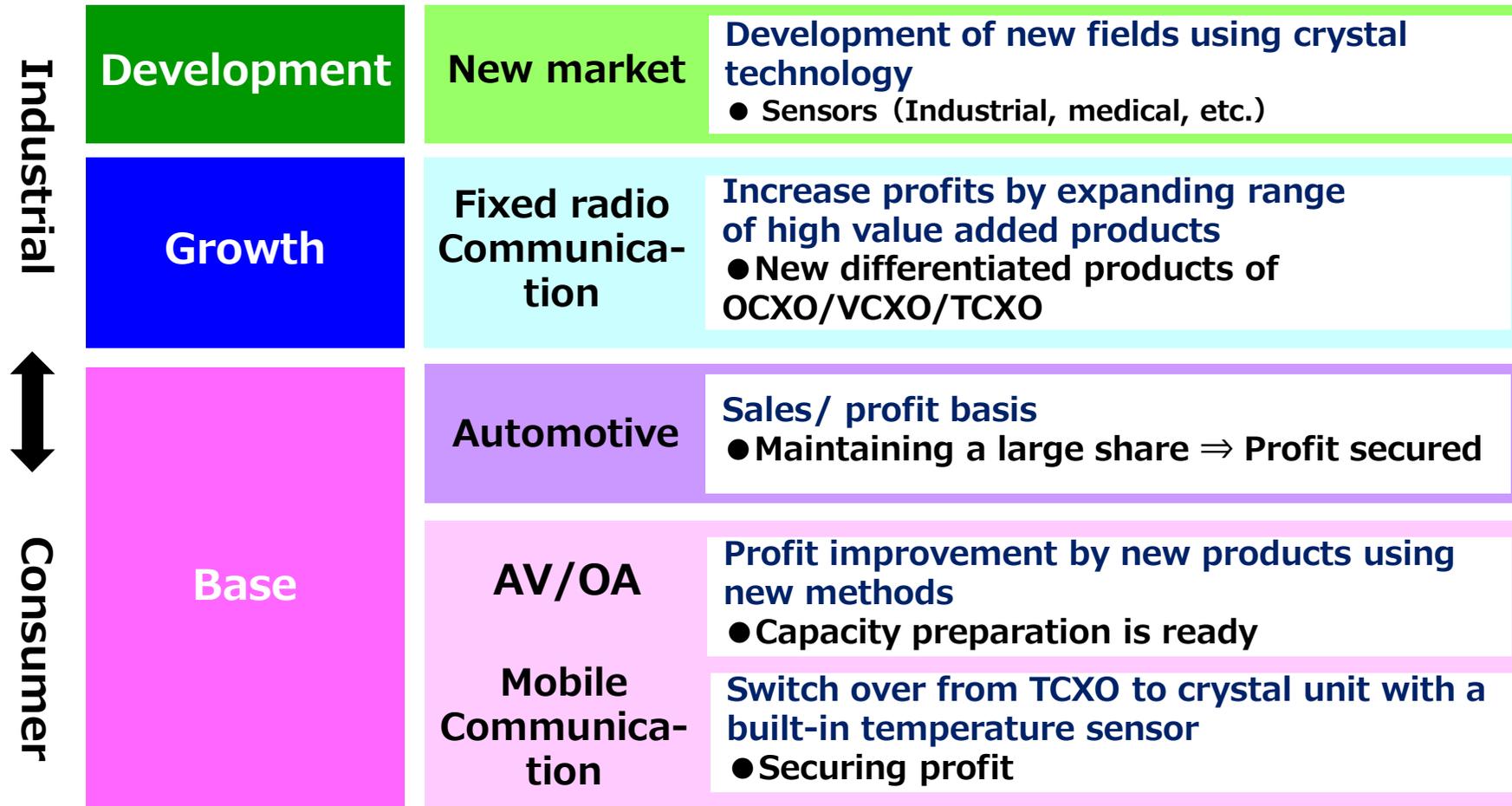
	FY2014		
	1H (Actual)	2H (Forecast)	Annual (Forecast)
Net sales	25,572	25,428	51,000
Operating income	312	388	700
Income before tax	198	302	500
Net income	173	227	400
Ratio of income before tax	0.8%	1.2%	1.0%
Exchange rate (against the U.S. dollar)	¥97.99	¥95.00	

## <Reference> Exchange rate sensitivity

Influence on net sales (Annual) ¥1 fluctuation ⇒ approx. ¥210 million

Influence on operating income (Annual) ¥1 fluctuation ⇒ approx. ¥50 million

# Preparing for next year



Change earning structure and accelerate new product development

▶▶▶ Ensure profit improvement from the next year onwards

**We are grateful for your  
continuous support.**

**IR Information Contact**

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