

Results for fiscal year 2014 (ended 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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- 2. Measures for FY2015**
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Summary of FY2014 results



(Million yen)

	FY2013 Annual	FY2014 Annual	Change
Net sales	50,623	50,774	151
Operating income	235	240	5
Income/(loss▲) before tax	▲ 37	191	228
Net income/(loss▲)	▲ 289	181	470
Total comprehensive income	1,307	827	▲ 480

<Net Sales>

Net sales has increased slightly compared to the previous years.

<Income>

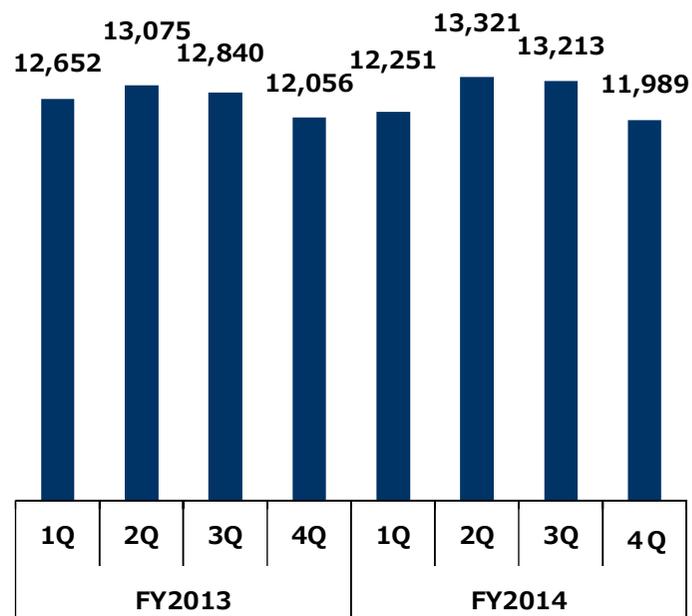
The company promoted cost reduction by improving productivity and yield production rate. However the price drop of the crystal oscillators for the mobile communication has been larger than expected, and the company could not achieve the profit target.

Quarterly results

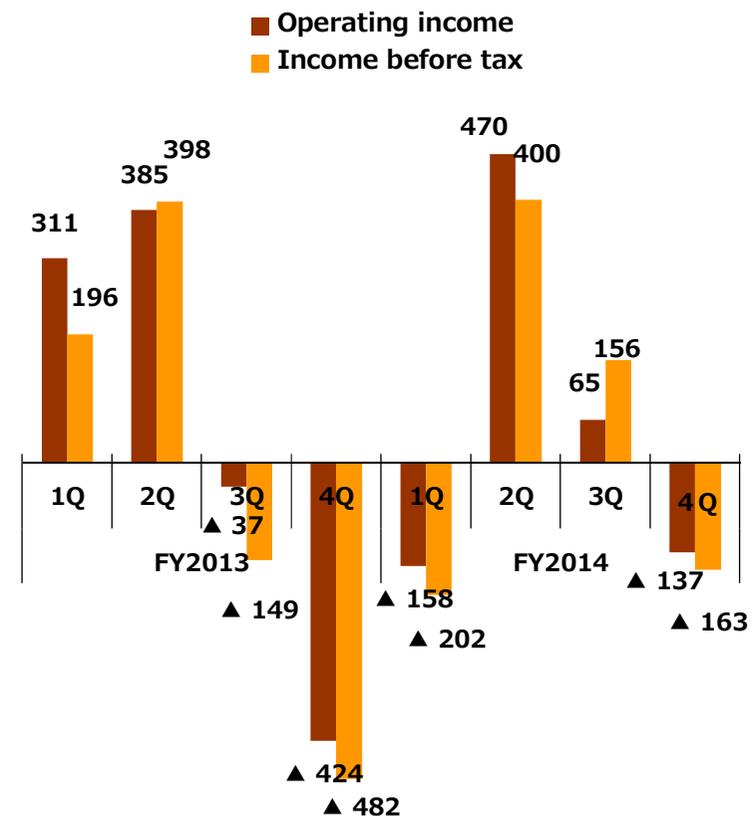


In the second half of the year, the sales for the mobile communication market and for the optical products market fell greatly, and the profit has deteriorated.

Net sales (Million yen)



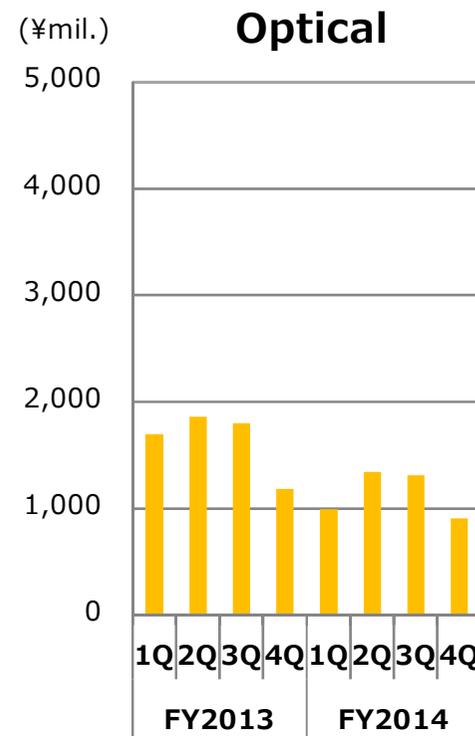
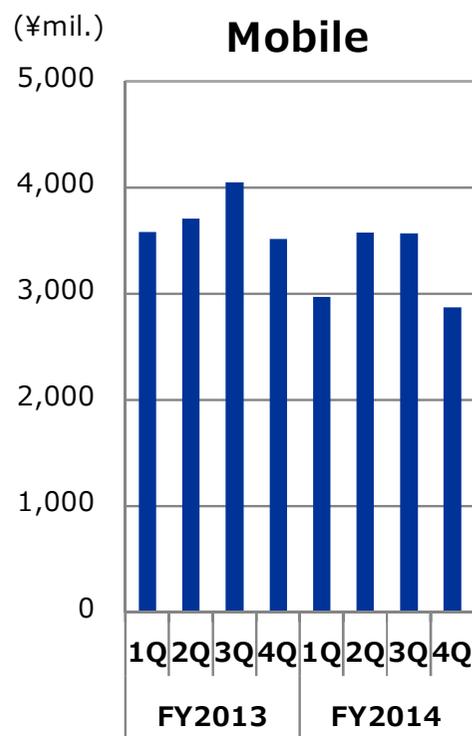
Income (Million yen)



Sales trend of main applications (Mobile communications, Optical)



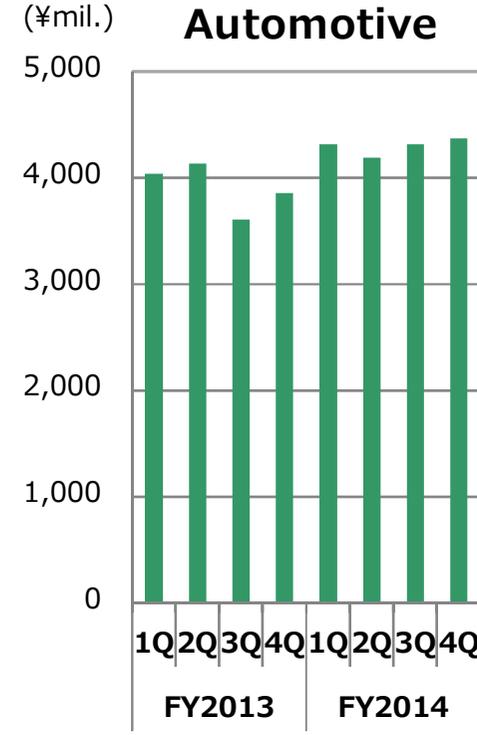
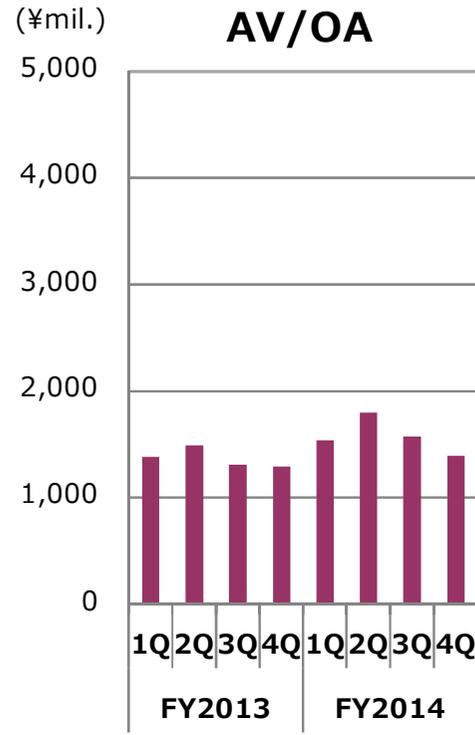
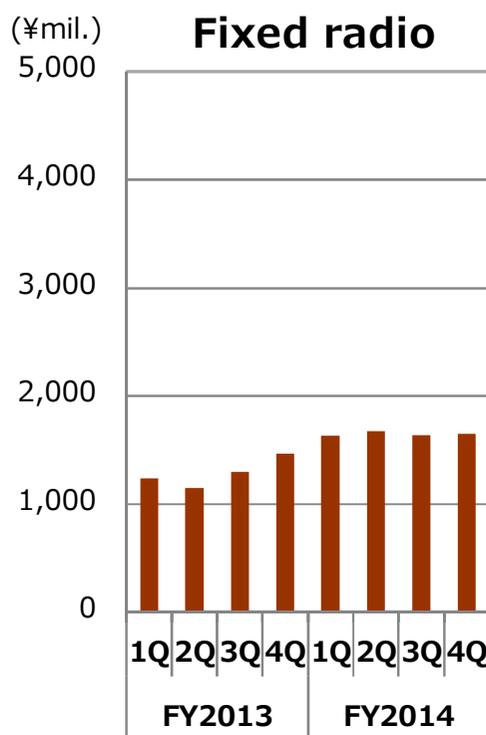
- ◆ **Mobile communications** : Sales decreased compared to the previous fiscal year due to the price drop of the crystal oscillators and the transition from crystal oscillators to crystal units.
- ◆ **Optical products** : Sales decreased compared to the previous fiscal year due to the effect of the significant reduced production in the digital camera market.



Sales trend of main applications (Fixed radio communications, AV/OA, Automotive)



- ◆ Fixed radio communications : Sales mainly toward the mobile bases stations (LTE) increased compared to the previous fiscal year.
- ◆ AV/OA : Sales mainly toward WiFi and games increased compared to the previous fiscal year.
- ◆ Automotive electronics : Sales increased compared to the previous fiscal year, due to the good demand for automobiles worldwide.

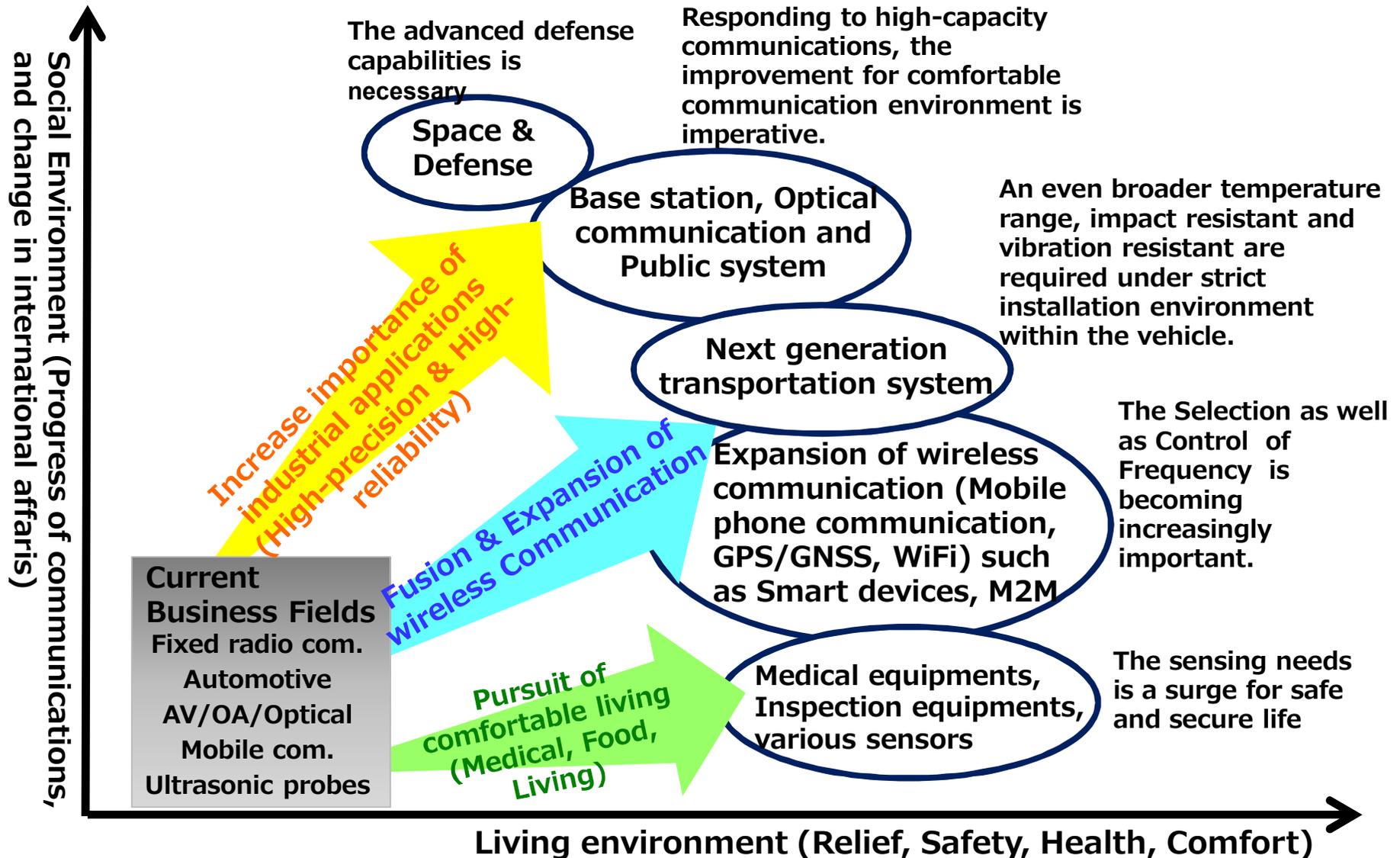


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Growing fields relevant to crystal devices



Initiatives for FY2015: Ensure profit improvement



1. Change the direction toward high value-added market and ensure profit

<Development of high value-added oscillators for industrial market>

- Ultra high-stability TCXO
- Rubidium level ultra high-stability OCXO
- Twin oscillators

<Development of ONLY 1 products with crystal technology>

- Ultrasonic devices
- Synthesizers
- Biosensors
- Products aimed toward new markets

2. Introduce differentiated products to Consumer market and improve profitability

- Crystal units
- Crystal units with built-in temperature sensor
- Tuning fork crystal units
- SAW devices
- Crystal clock oscillators

1. Results for FY2014

2. Measures for FY2015

- (1) Change the direction toward the high value-added market and ensure profit**
- (2) Introduce differentiated products to the mass production market and improve profitability**

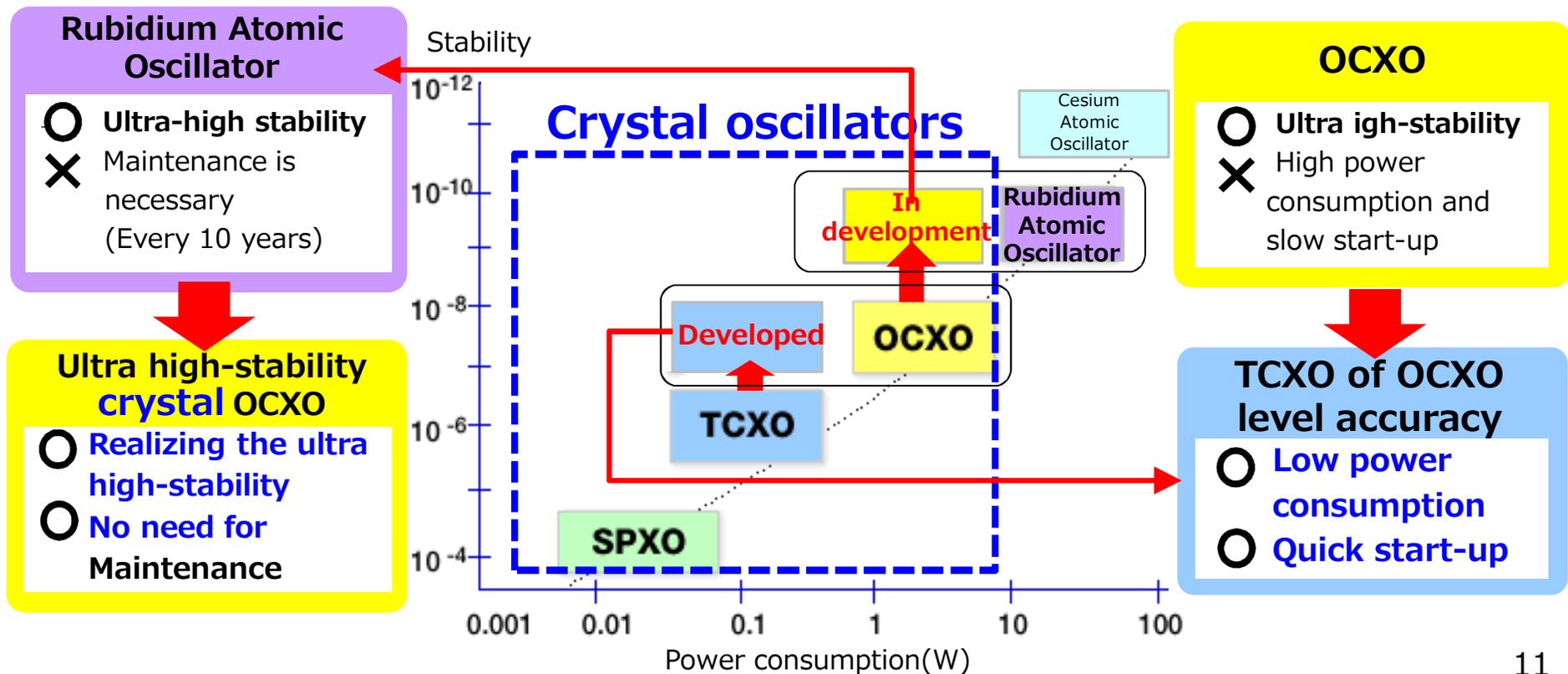
3. Forecast for FY2015

1-1) Development of high value-added oscillators for industrial market①



<Ultra high stability oscillators with extraordinary technologies>

- High-stability TCXO of OXCO level
- Ultra-high-stability crystal OCXO of Rubidium level



1-1) Development of high value-added oscillators for industrial market②

<Product lineup expansion of high value-added oscillators >

- Increase in sales and profits of new products (Twin OCXO/TCXO, VCXO, etc.)
- Developing small-sized, low-noise, low-cost VCXOs
- Shifting toward high value-added products development

Product development that suits each needs

Needs	Ultra high accuracy	Low power consumption/ high accuracy	Small/high accuracy
Products	OCXO 	TCXO  	
Precision	±0.05ppb	±25ppb	±100ppb
Power consumption	1600mW	70mW	12mW
Size	37x28 mm	14x9mm	5x3mm

【 Reference 】 For smart phones 2.0×1.6mm 500ppb

1-2) Development of ONLY 1 products①

Ultrasonic devices



<Increase in sales and development for wide range of application>

- Custom-made 3D Linear Mechanical
- Development of USB probes for simple medical needs in Africa, India, China and underpopulated areas
- Downsizing, thinning and price-competitive
- Probes for health care

Synthesizers



<Expanding customers and applications by increasing product lineup>

- Sales of standard designed synthesizers to global customers
- Developing and producing distinctive products with high precision and high value-added

1-2) Development of ONLY 1 products②

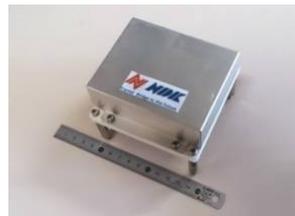


Biosensors for industrial use



<For medical tests >
 Influenza antigen, allergen, livestock stress, etc.
 <For food tests>
 Taste sensors, food poisoning, etc.

Crystal physical sensor



Examples)
 Measurement of earthquakes, detection of resources, etc.

Millimeter wave gunn-diodes oscillator



Examples)
 Trespass detection, respiration detection for nursing beds in hospitals, etc.

Geiger-Müller counter

Developed in FY2014



Compact and accurate measuring devices for gamma rays that is released by Cesium 137, etc. in dosimetry spaces

	Precision	Price	Size
Geiger-Müller tube	◎	◎	◎
Scintillation detector	◎	△	△

Price: ◎ Low cost ⇔ △ Expensive, Size: ◎ Compact ⇔ △ Large

1. Results for FY2014

2. Measures for FY2015

- (1) Change the direction toward the high value-added market and ensure profit
- (2) Introduce differentiated products to the mass production market and improve profitability

3. Forecast for FY2015

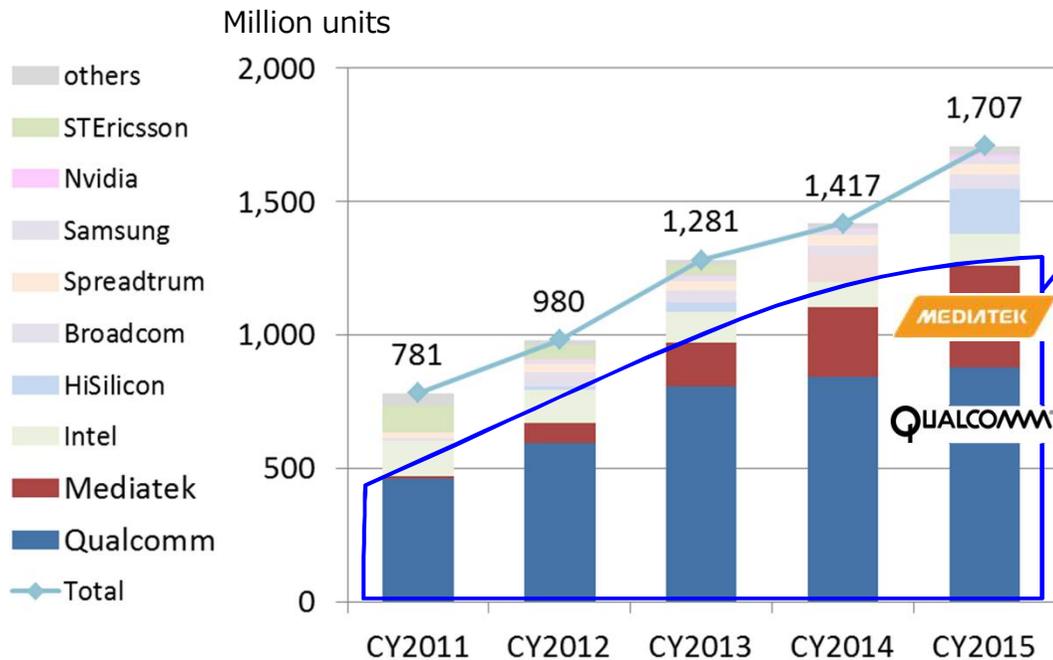
2-1) Consumer market : Smartphones ①

Back ground

Demand increase for crystal units with a built-in temperature sensor to replace TCXO, with multiple chips intergration

< Development of ultra-compact (1612 size) crystal units with a built-in temperature sensor >

<3G(W-CDMA,etc.)/4G(LTE) Chipset maker forecast>



Reference : Navian

Qualcomm and Mediatek are expected to hold 75% market share in CY2015 in the mainstream communication methods like 3G/4G

They use crystal units with a built-in temperature sensor
➡ Further demand increase

Progress in miniaturization
 2520→2016 ➡ **to 1612**

2-1) Consumer market : Smartphones②



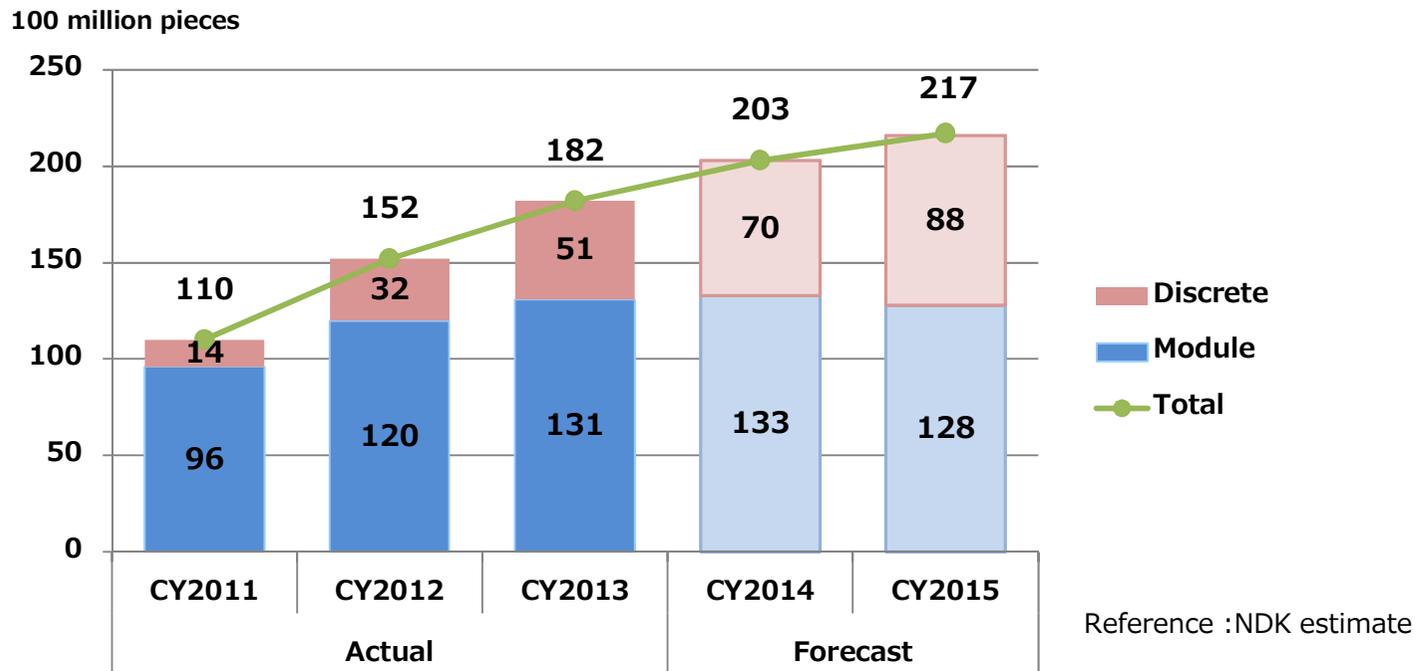
Back ground

LTE Multibanding (Current 45 Bands)/Multi modes (TDD / FDD, 3G/LTE/GSM/...)of Smartphones by GPS / Wi-Fi / Digital TV...

Sudden increase in demand of SAW devices

<Sales expansion of SAW Device for smartphones>

<Demand estimation of the SAW Devices in the mobile market>



2-2) Consumer market : Smart devices^①



Back
ground

Increase in demand of ultra-compact and flat devices
for Module/Wearable products

< Development of ultra-compact(1610 size)
tuning fork crystal units >

Development of even smaller compact and flat products than 2012
size products for smartphones



2-2) Consumer market : Smart devices②



Back ground

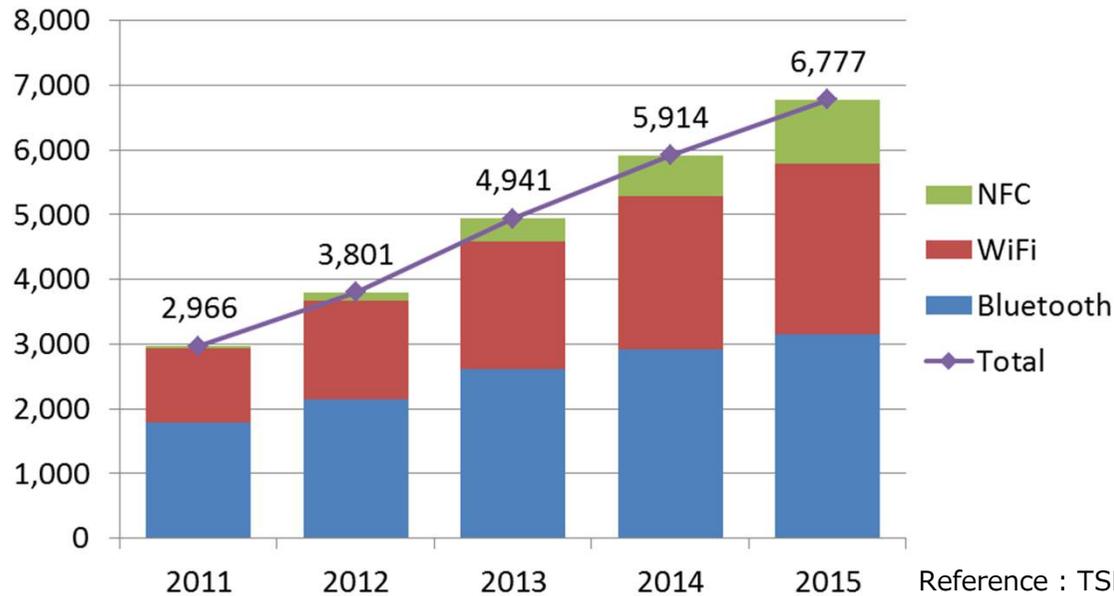
Increase in demand for short distance wireless (WiFi, Bluetooth, NFC, etc. to be connected whenever and wherever

< Expansion of crystal units lineup : ultra compact (1612 size) by new technology >

- Toward specified product of commoditized WiFi, Bluetooth
- Adopting new technology

< Trends of short distance wireless (WiFi,Bluetooth,NFC) equipments >

Million pieces



WiFi and Bluetooth are mounted in large numbers into various devices such as smartphones. And demand for ultra-compact devices will further increase as the wearable devices and M2M devices will become widely used.

Reference : TSR

2-3) Consumer market : Automotive



Back ground

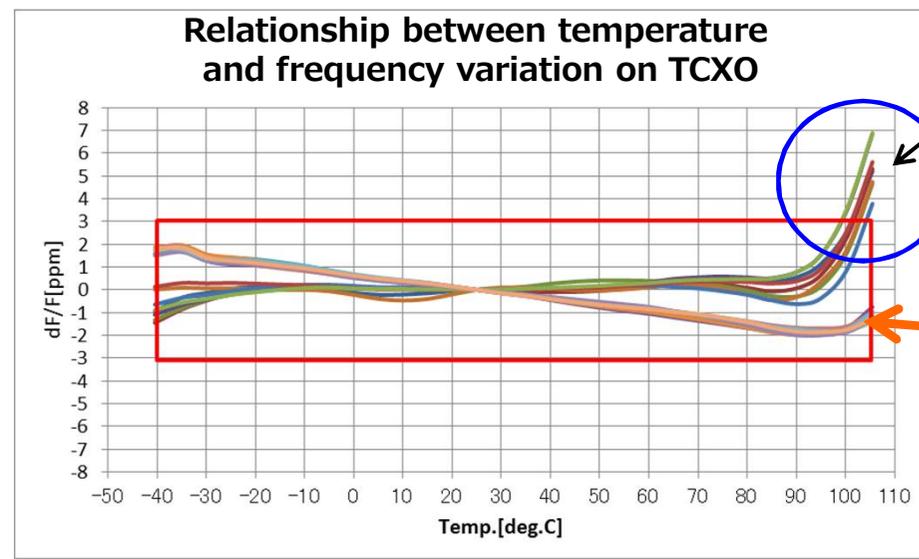
Increase in systems using communication and video for automotive market
→ Demand will vary not only for crystal units

< Expansion of products lineup for automotive specifications >

Introduction of high-stability TCXO that meets the automotive requirements for Telematics, Advanced driver assistance system, entertainment

<Frequency temperature coefficient standard of TCXO for automotive (NT2520SB):
Max.±3ppm(-40 to +105°C.)>

<Application of automotive TCXO>



Competitor's product

Our TCXO for automotive

The frequency variation is low at high temperature (105°C)

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Capital investment & R&D expenses

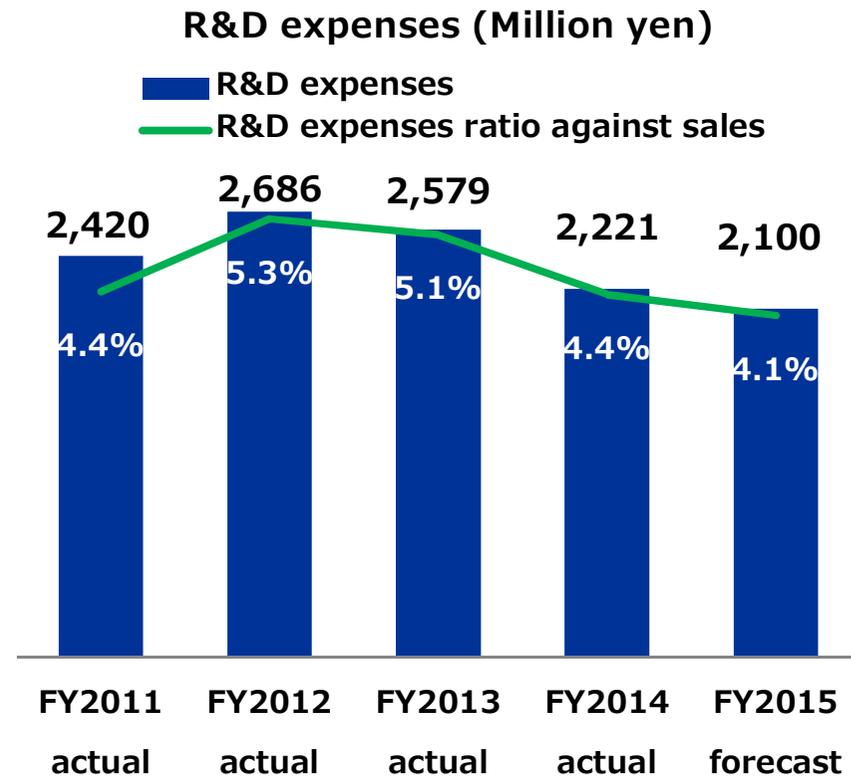
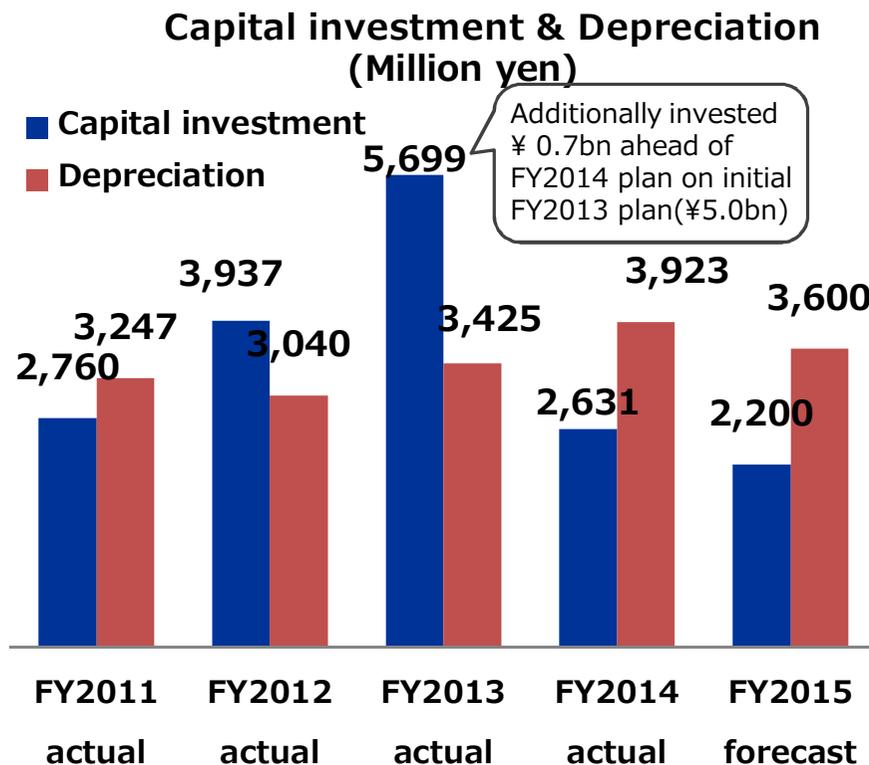


【 Capital investment 】

¥2.2 billion expected for FY2015 (Full use of existing facilities)

【 R&D expenses 】

The budget for new capital investment could be limited to ¥2.1 billion for FY 2015, since the investments are mainly toward new technology and new products already under development



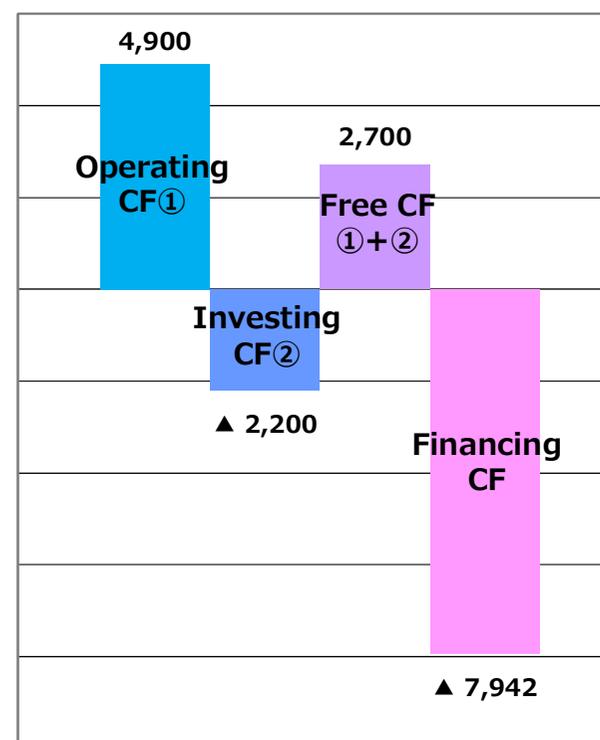
Summary of cash flow



(Million yen)

	FY2014 Results	FY2015 Forecast
Income/(loss▲) before income taxes	191	1,300
Depreciation and amortization	3,923	3,600
Change in working capital, etc	▲ 894	0
I. Operating activities	3,220	4,900
Purchase of property, plant and equipment	▲ 2,631	▲ 2,200
Others	35	0
II. Investing activities	▲ 2,596	▲ 2,200
Free cash flow	624	2,700
Net decrease(▲)/increase in long-term debt	5,273	▲ 7,550
Cash dividends paid	▲ 392	▲ 392
III. Financing activities	4,877	▲ 7,942
Net decrease(▲)/increase in cash and cash equivalents	5,501	▲ 5,242
Cash and cash equivalents at beginning of year	11,812	17,727
Net effect of currency translation	413	0
Cash and cash equivalents at end of year	17,727	12,485

Cash Flow forecast of FY2015



Forecast for the year FY2015

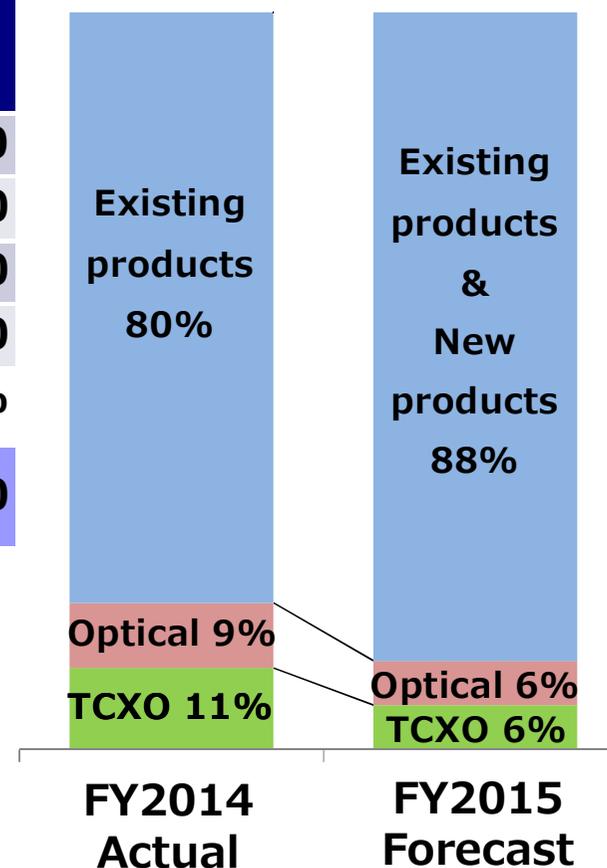


	(Million Yen)	
	FY2014 Actual	FY2015 Forecast
Net sales	50,774	51,000
Operating income	240	1,500
Income/(loss▲) before tax	191	1,300
Net income/(loss▲)	181	1,200
Ratio of income before tax	0.4%	2.5%
Exchange rate (against the U.S. dollar)	¥100.00	¥100.00

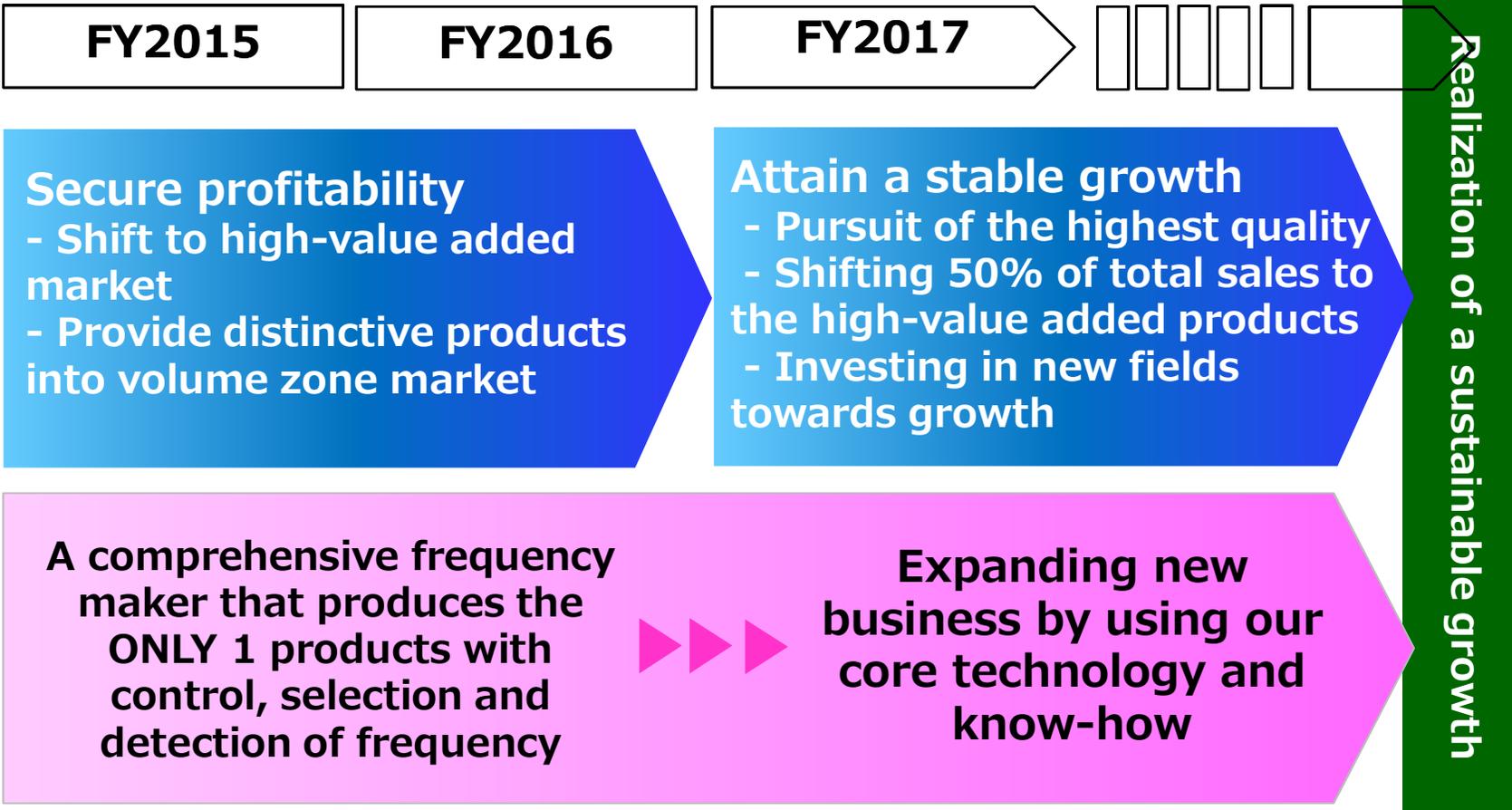
<Reference>

- Influence on net sales (Annual) ¥1 fluctuation
⇒ approx.¥210 million
- Influence on operating income (Annual) ¥1 fluctuation
⇒ approx.¥50 million

<Change s of sales composition >



Towards Continuous Growth



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

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