

First Half Results for Fiscal Year 2015 (ending March 2015)

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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Summary of FY2015 1st Half Results



(Million yen)

	FY2014 1st Half	FY2015 1st Half	Change
Net sales	25,572	24,426	▲ 1,146
Operating income	312	366	54
Income before tax	198	263	65
Net income	173	36	▲ 137
Total comprehensive income	657	936	279

<Net Sales>

Although the sales for automotive electronics and fixed radio communications were higher than the previous year, the sales for mobile communications, AV/OA and optical products were lower, and the overall sales dropped.

<Income>

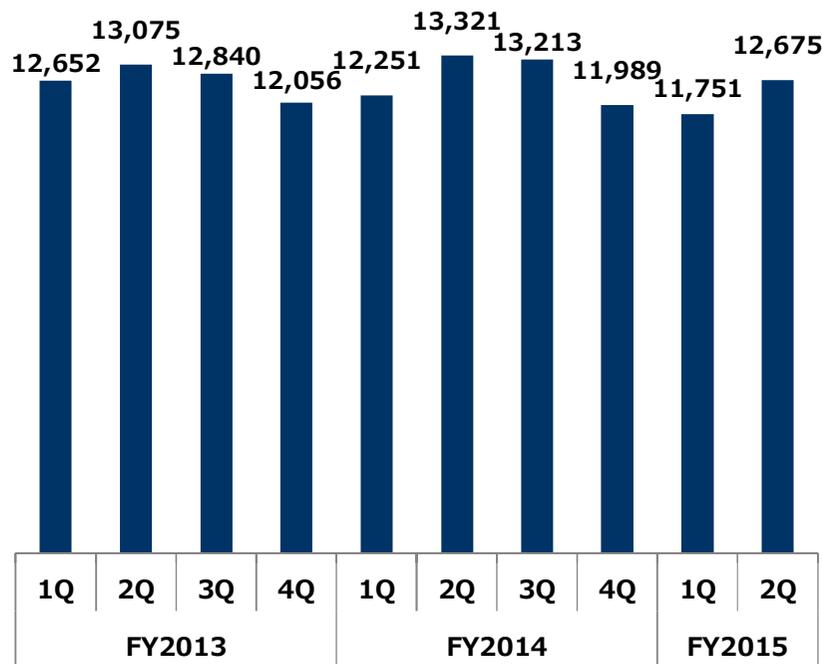
Although we sold more than what was planned in quantity, due to market reduction and fall in the unit price of the oscillators for mobile communications and market reduction of the optical products for digital camera, the operating income did not reach the forecast. However, due to the effect of profit from sales of surplus assets in affiliated company, the operating income increased slightly.

Quarterly results

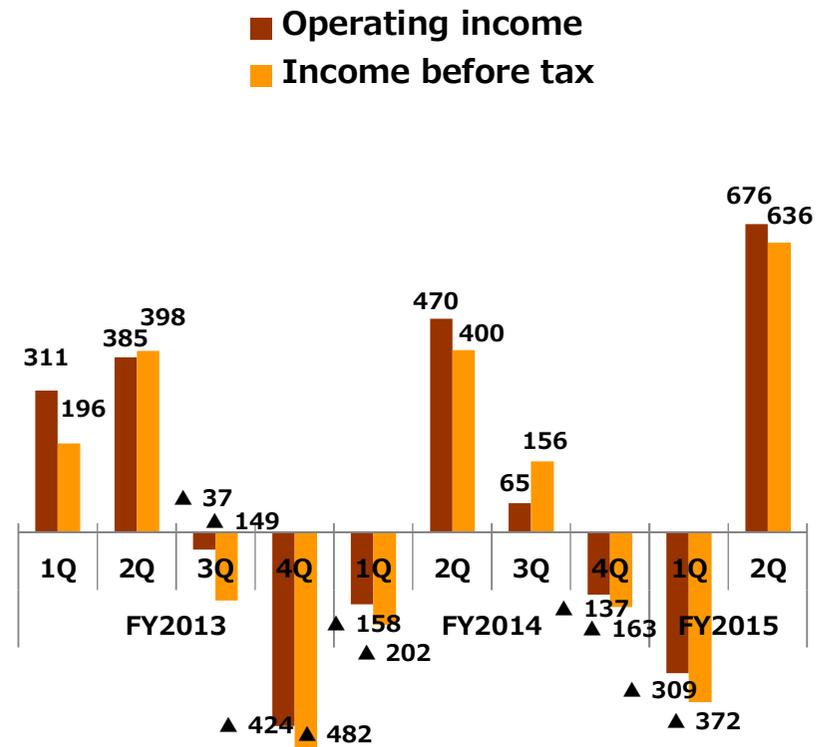


In 2Q(Jul.–Sept.), as compared to 1Q (Apr.-Jun.), the net sales increased in every market except optical products. And as for income, it increased for automotive electronics, fixed radio communications, AV/OA; the deficit in mobile communications decreased . And it turned to be profitable due to profit from sales of surplus assets of a affiliated company.

Net sales (Million yen)



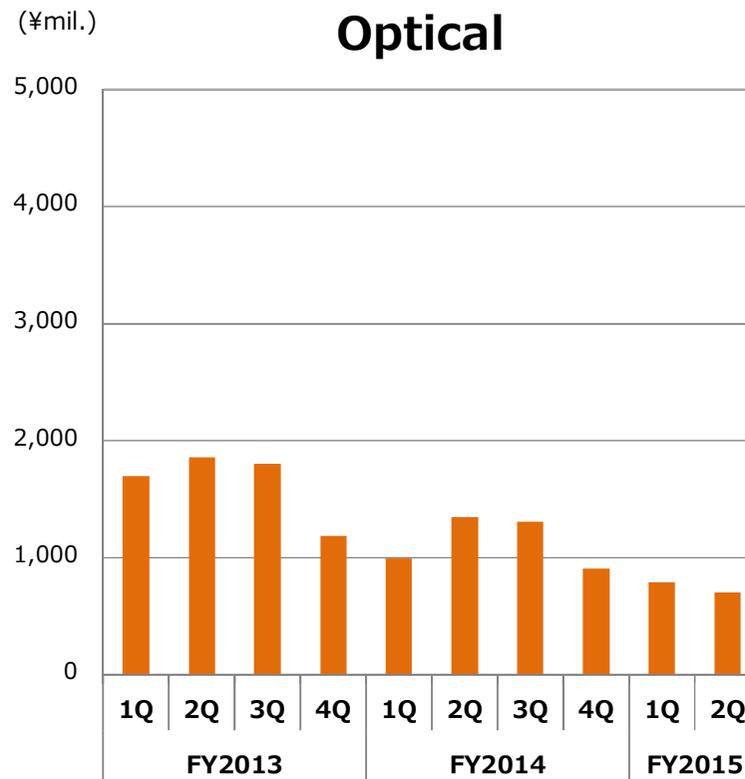
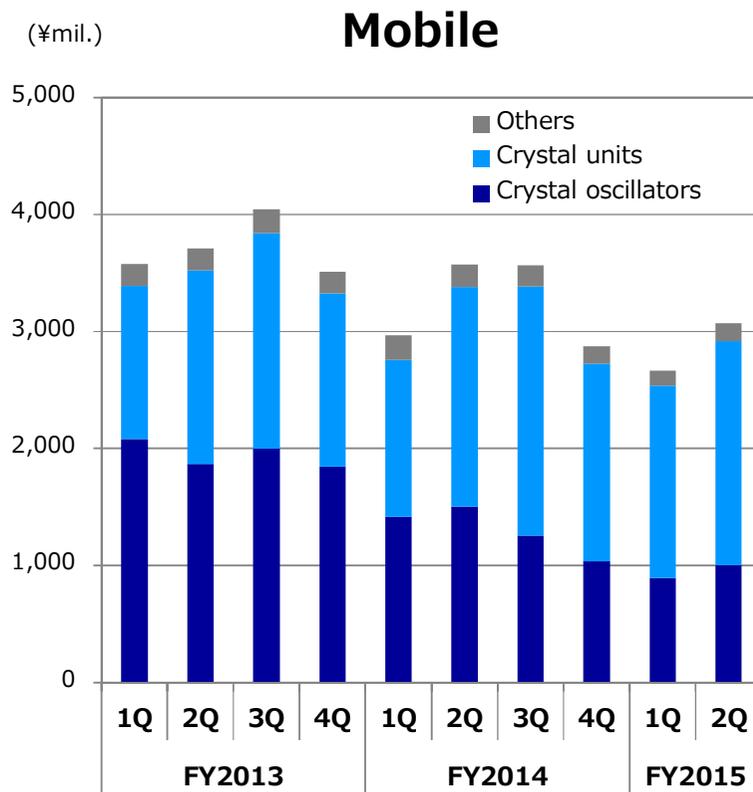
Income (Million yen)



Sales trend of main applications (Mobile communications, Optical)



- ◆ **Mobile Communications** : In the 2Q/FY2015, the sales has improved for Chinese smartphone makers and major smartphone makers, but when compared to the 2Q/FY2014, it decreased due to the decrease of oscillators.
- ◆ **Optical products** : Due to the effect of market shrinkage of digital cameras, sales decreased.

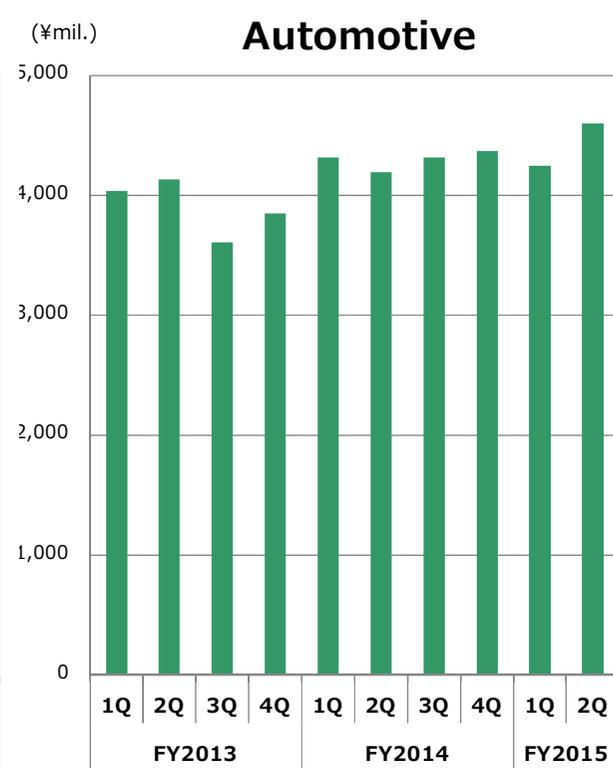
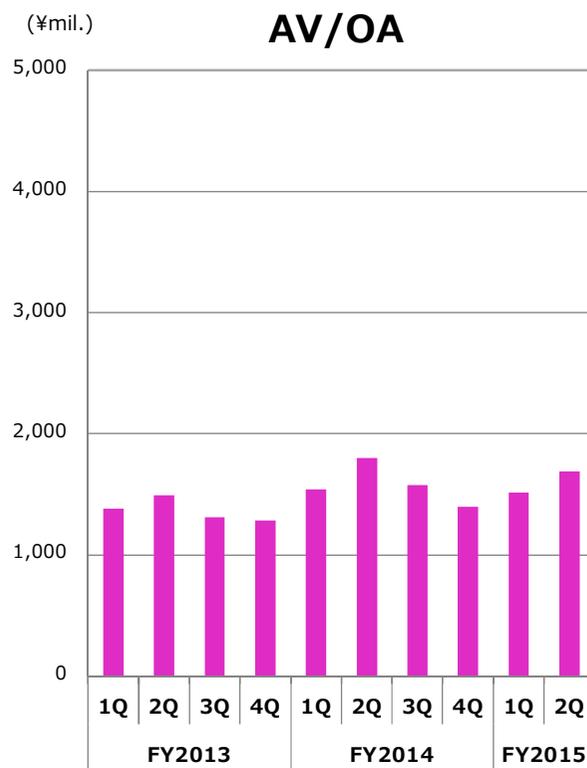
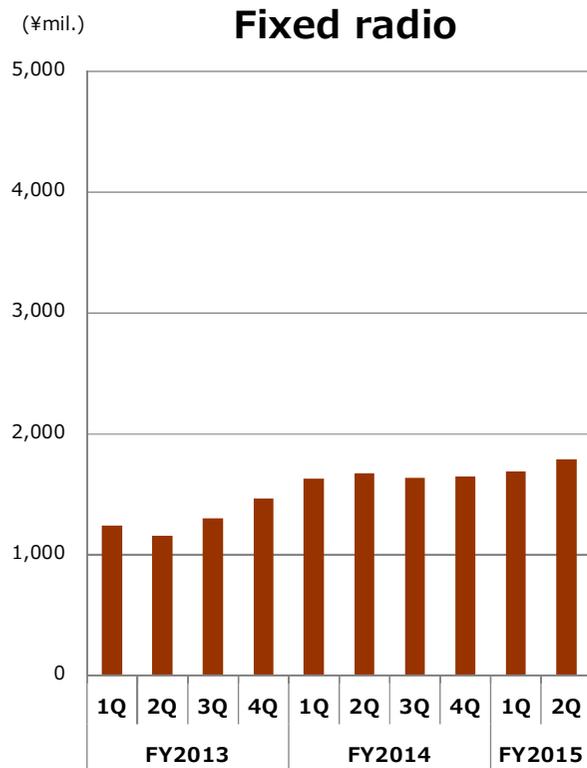


Sales trend of main applications

(Fixed radio communications, AV/OA, Automotive)



- ◆ Automotive electronics : Sales increased, due to the good demand for automobiles worldwide.
- ◆ Fixed radio communications : Sales increased mainly toward the mobile bases stations (LTE).
- ◆ AV/OA : Sales trend to recover mainly for the tablets.



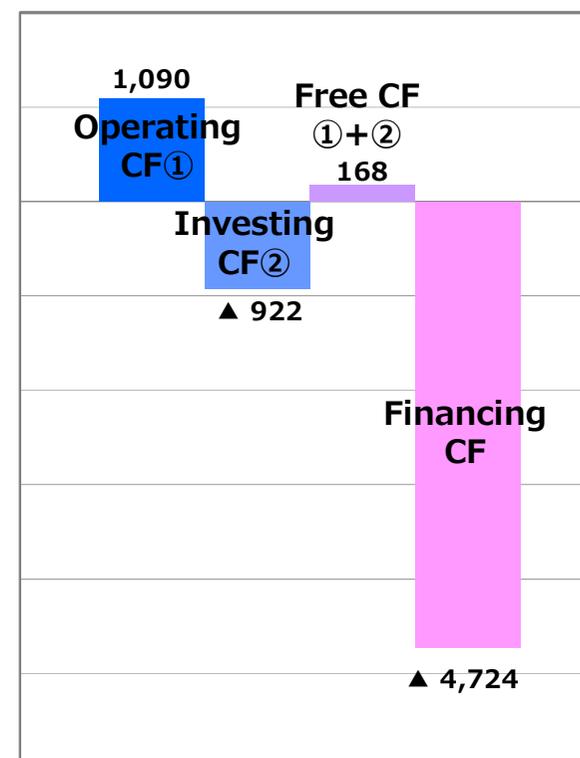
Summary of cash flow



(Million yen)

	FY2014 1st Half	FY2015 1st Half
Income before income taxes	198	263
Depreciation and amortization	1,912	1,844
Change in working capital, etc	▲ 1,045	▲ 1,017
I. Operating activities	1,065	1,090
Purchase of property, plant and equipment	▲ 1,230	▲ 1,152
Others	110	230
II. Investing activities	▲ 1,120	▲ 922
Free cash flow	▲ 55	168
Net decrease(▲)/increase in long-term debt	▲ 108	▲ 4,528
Cash dividends paid	▲ 196	▲ 195
III. Financing activities	▲ 541	▲ 4,724
Net decrease(▲)/increase in cash and cash equivalents	▲ 596	▲ 4,556
Cash and cash equivalents at beginning of year	11,812	17,727
Net effect of currency translation	196	285
Cash and cash equivalents at end of year	11,412	13,456

Cash Flow of 1st half FY2015



1st half results and forecast for the full year FY2015



<The 1st half>

We focused in improvement of profitability in TCXOs for mobile communications and optical products which were unprofitable, and begin to exert its effect from the 2nd quarter. And even though the operating income could not reach the forecast in the whole core business, it was ensured by other operating income.

<The 2nd half>

We will focus to improve the unprofitable business and the yield enhancement on automotive electronics and fixed radio communication .

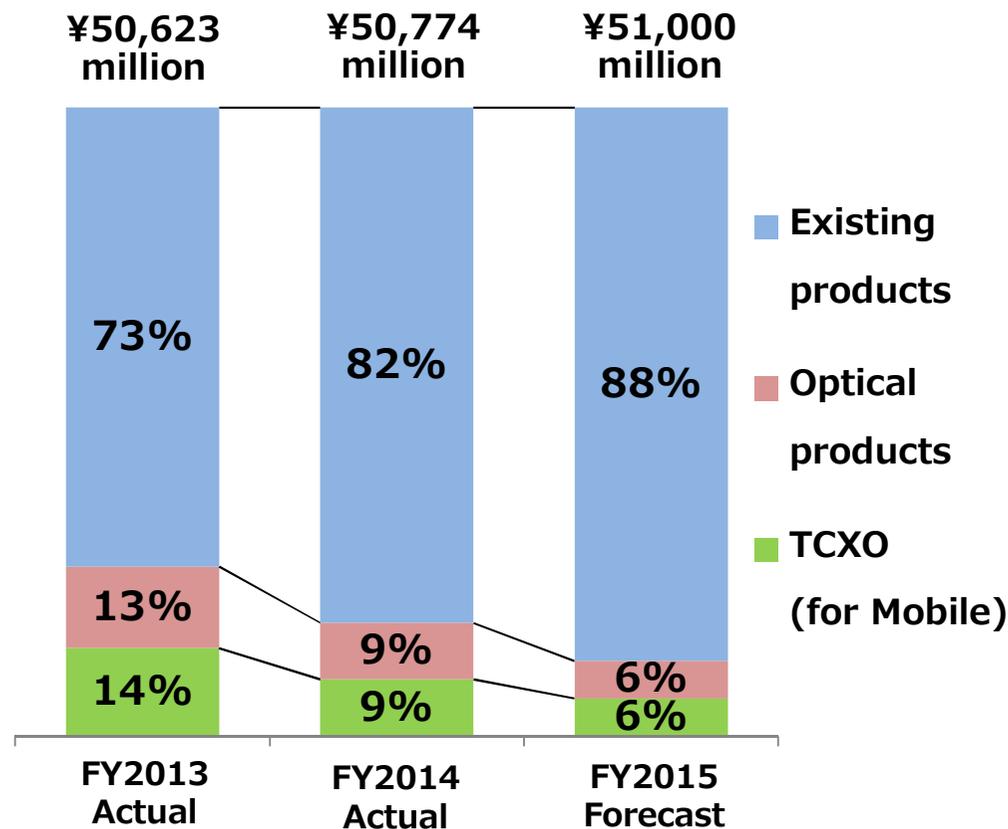
(Million Yen)	1H		2H	Annual
	Forecast	Actual	Forecast	
Net sales	24,800	24,426	26,200	51,000
Operating income	370	366	1,130	1,500
Income before tax	270	263	1,030	1,300
Net income	240	36	960	1,200

Change in Sales Structure



The sales volume in the FY2013, FY2014 and FY2015 are almost flat. In the FY2015, we will aim for income improvement by the reduction of TCXOs and optical products which have been unprofitable products.

<Sales and composition >

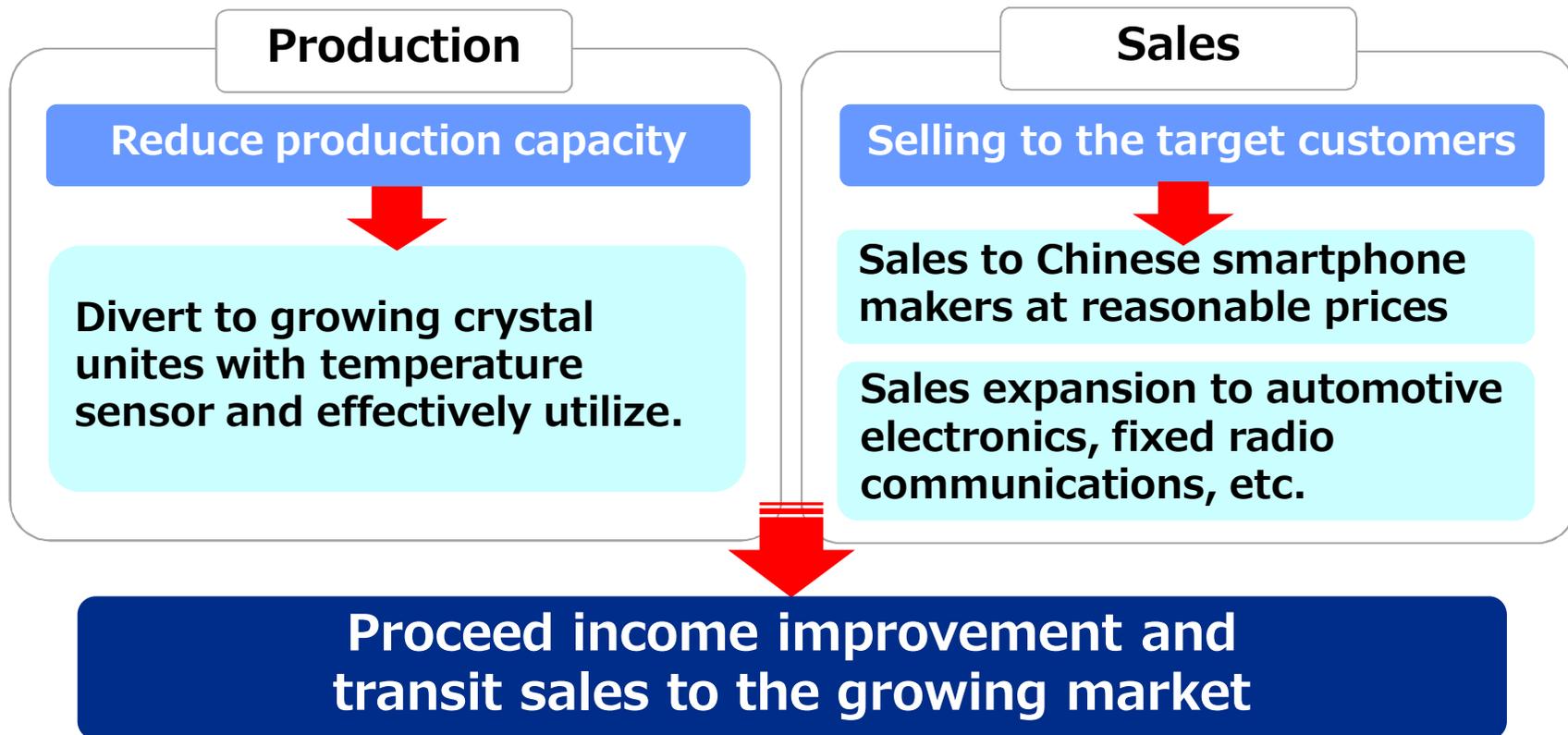


Respond to the TCXO Market



The demand for the crystal products of mobile communications trends to increase with growing smartphones market. However, the demand for TCXOs is decreasing with a big price decline and the transition from TCXOs to crystal units with temperature sensor.

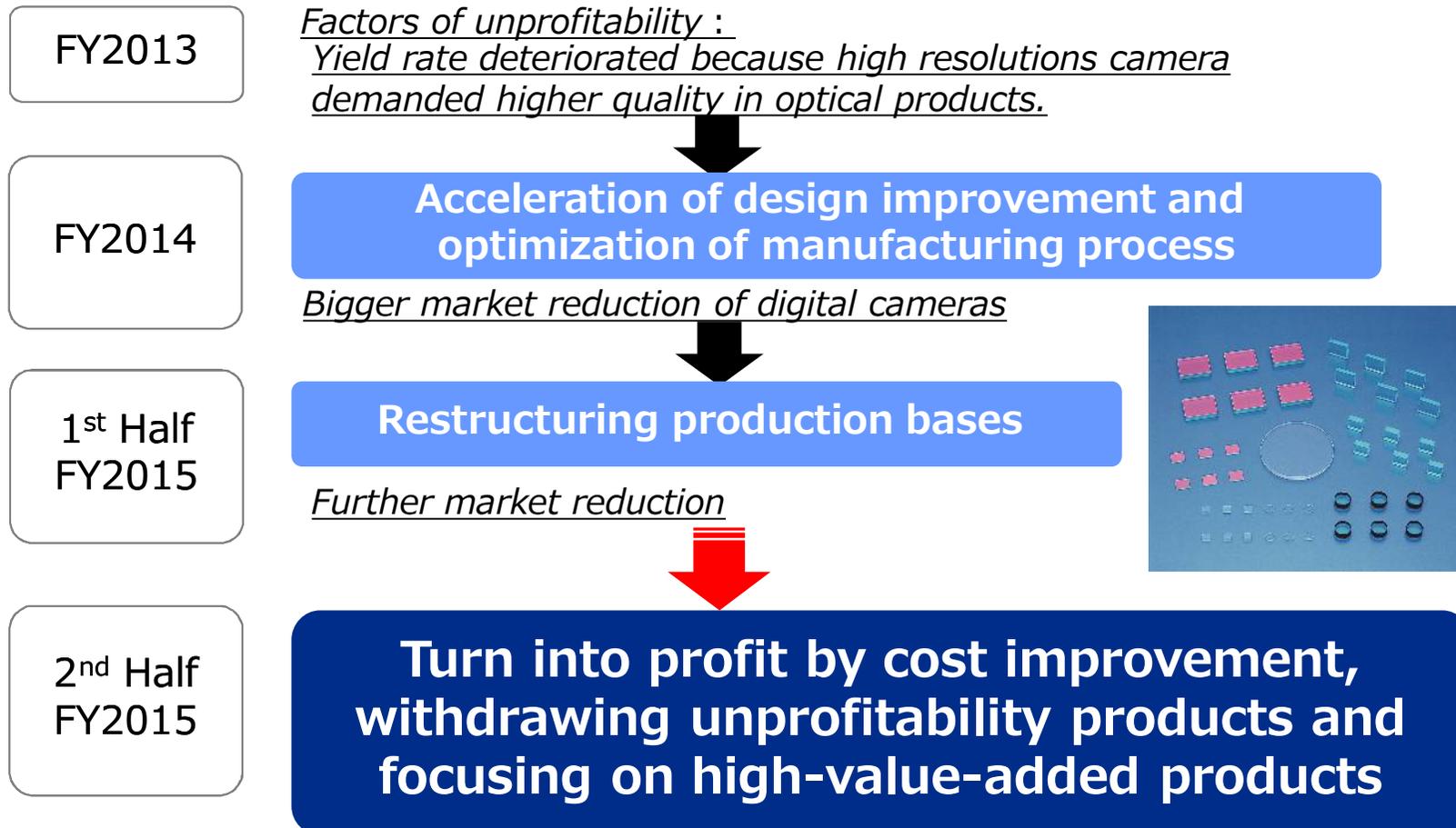
TCXO Strategy: Secure income by changing the business model in accordance with the market



Respond to the optical products market



Unprofitability has been continuing because cost improvement could not catch up with the market shrinkage of optical products.
Turning it into profit is an urgent necessity.



Capital investment & R&D expenses

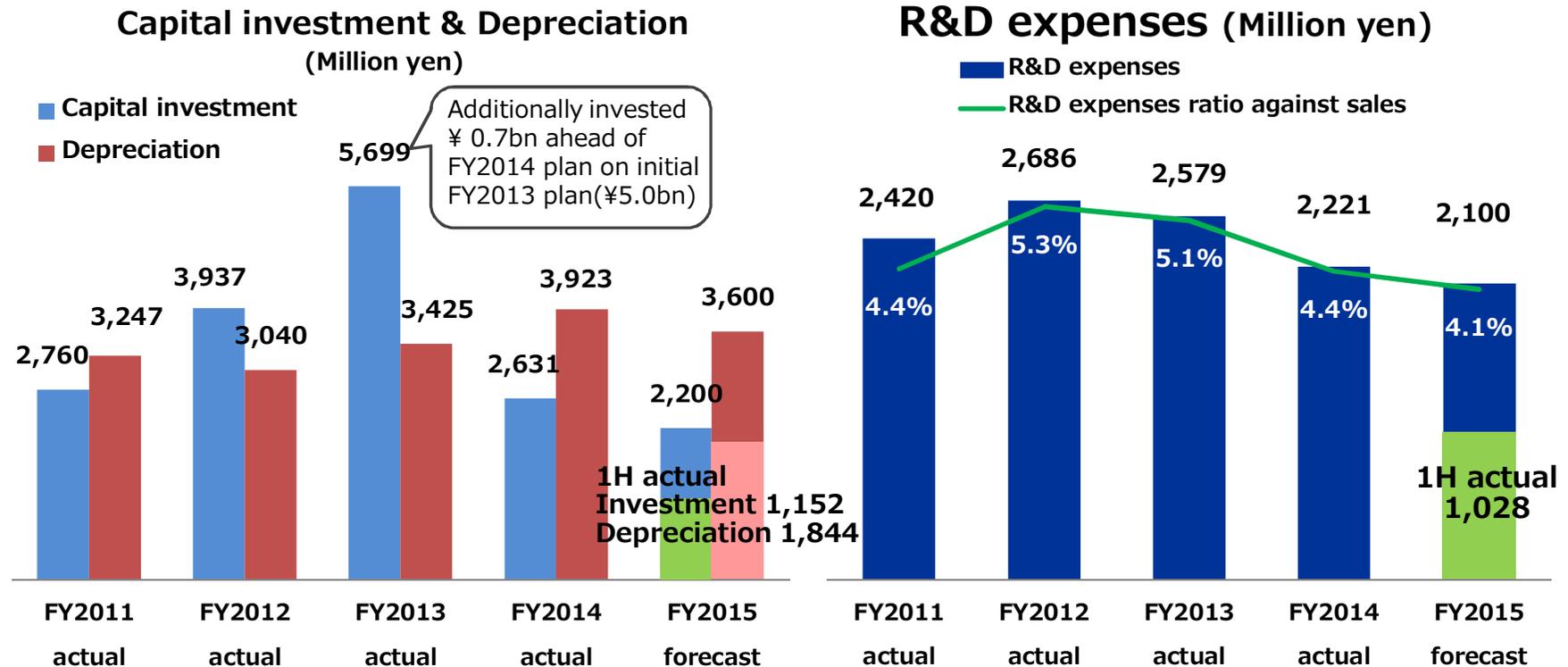


【 Capital investment 】

¥2.2 billion expected for FY2015 as originally planned

【 R&D expenses 】

¥2.1 billion expected for FY2015 as originally planned



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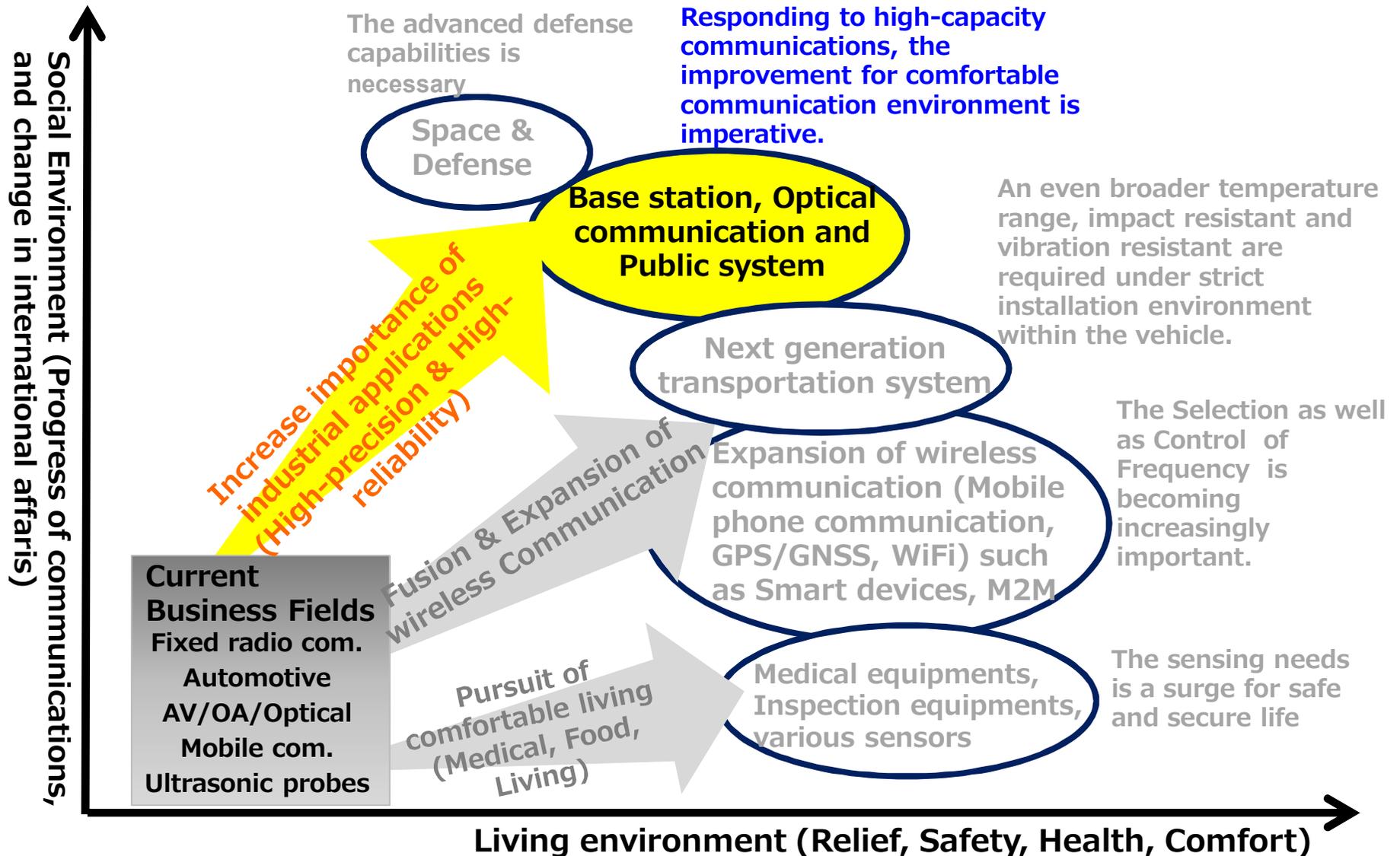


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- 2. Growth fields and our initiatives**

Growing fields relevant to crystal devices



Growing fields relevant to crystal devices



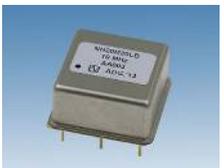
Enhance product portfolio for base stations



Base stations have become more diverse for speeding up communication, larger capacity and eliminating blind zone.

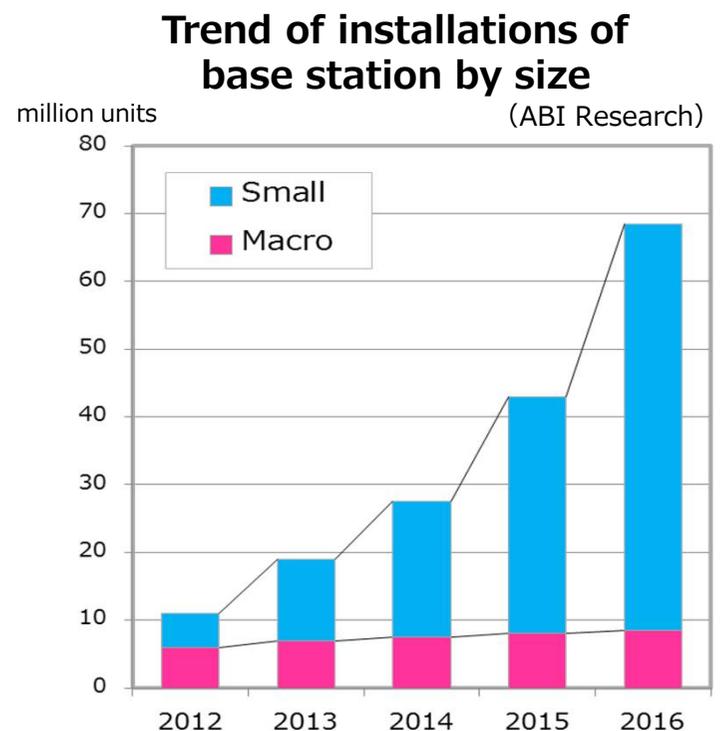
We enhance the product portfolio of high-precision oscillators to accommodate all base stations.

- For LTE Base Station : **High-precision** OCXOs are required for master clock and for macrocell
- For Femtocell : **Small, low power consumption and wide temperature range** TCXOs are required

	Master clock OCXO	Macrocell OCXO	Femtocell Small TCXO
	 <p>Under development</p>		 <p>Developed in FY2015 (next page for details)</p>
Precision	±0.03ppb	±3ppb	±500ppb
Temperature range	-40°C~+85°C	-40°C~+85°C	-40°C ~ +105°C
Power consumption	320mA	364mA	6 mA
Size	37x28 mm	20x20 mm	7x5mm

New product for base stations

Small cells type base stations (femtocell, etc.) will increase further for complementing macrocell types.
This satisfy the needs of “compact, light, low power consumption and wide temperature range” required for small cells.



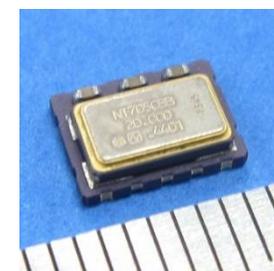
※Small : Total of Femto, Pico and Micro

Developed in FY2015

Compact TCXO (7 mm×5mm) for femtocell

Frequency temperature characteristic : Max.±500ppb
Power consumption : **Max.6mA**
Maximum operating temperature :
+85°C⇒+105°C

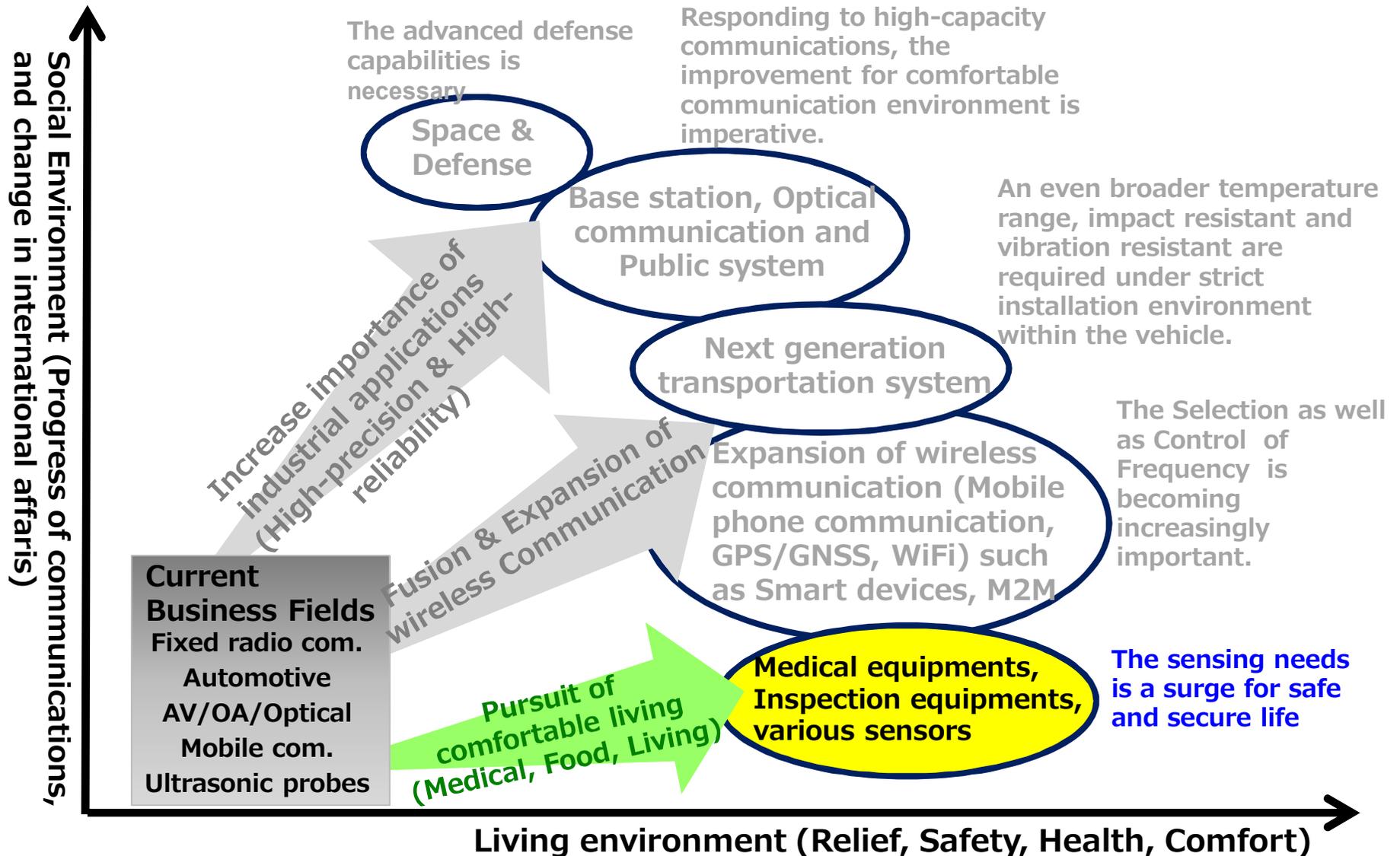
【NT7050BB】



Design of small cell base station is simplified, so mounting components will be directly affected by temperature.

Therefore, the stable performance is required for crystal oscillators at high temperature.

Growing fields relevant to crystal devices



Medical Equipment/ Various Sensors, etc.



Development and sales expansion of **ONLY 1** high value-added products that will satisfy the increasingly sensing needs for a secure, safe and comfortable life.

<Sensing Technology>

Since 1969

Ultrasonic devices



Usage Expansion (For abdominal, transvaginal, transrectal, breast, thyroid, and 3D image)

Developed in this Sept.
Compact, lightweight and high-definition 3D ultrasonic probes



Since FY2003

Various sensors

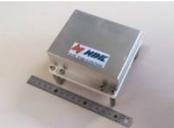
QCM system (NAPiCOS)



Crystal twin sensor



Crystal physical sensor



Millimeter wave gunn-diodes oscillator



Biosensors



Geiger-Müller counter



<Complex Technology>

Since FY2003

Synthesizer

For digital terrestrial broadcasting



Domestic market share 100%

For measuring of manufacturing line and R&D



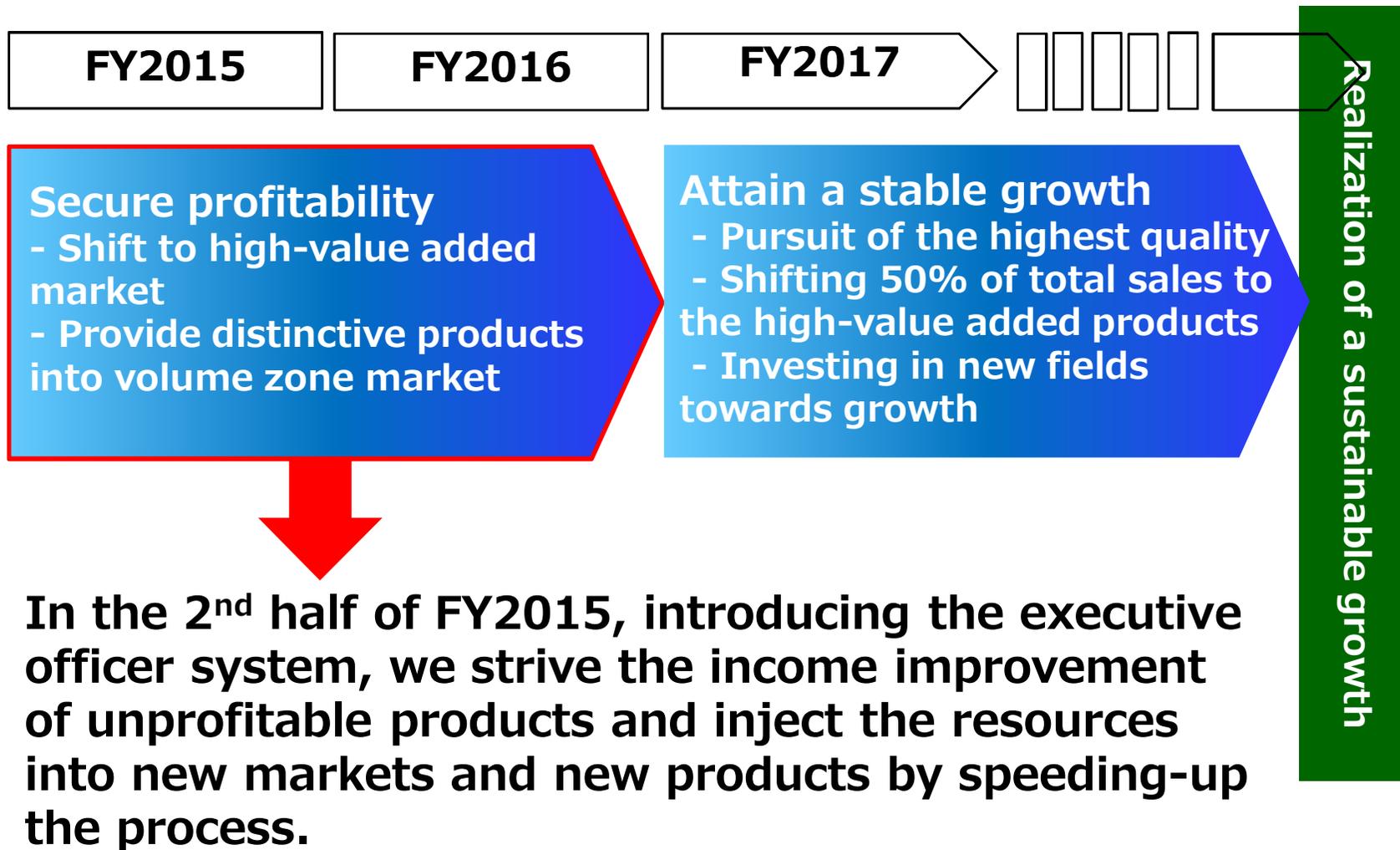
For broadcasting and public utilities



High frequency

Accelerate business development of equipment and modules

Towards Continuous Growth



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

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