



## Notice Regarding Implementation of Structural Reforms

November 8, 2019

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Nihon Dempa Kogyo Co., Ltd. (hereinafter "NDK") has been implementing structural reforms by restructuring the production system since FY 2018( April 1,2018 to March 31, 2019). However, since the management environment is deteriorating, NDK has resolved at the Board of Directors meeting held on November 8, 2019 to implement further fundamental structural reforms as follows.

### 1. Background to the implementation of fundamental structural reforms

Regarding the environment surrounding crystal device business, sales price has been decreasing significantly due to intensifying competition and it is considered that harsh management environment is going to continue. This has moved NDK to commence structural reforms mainly by restructuring the production system which has started in FY 2018. Since then, NDK has been reducing fixed costs by implementing structural reform by restructuring mass production lines at factories in Japan. However, the continuing China-US trade friction is one of the reasons that are pushing down the sales unexpectedly that makes NDK difficult to secure profit for FY 2019.

On the other hand, in the medium and long term perspective, 5G (next-generation high-speed communication standard) market is expected to go into full scale operations. 5G system requires higher frequency and it is expected that demand for higher-accuracy crystal devices will steadily increase. NDK also expects growing demands for crystal devices equipped per vehicle due to the expected increase of ADAS (Advanced Driver Assistance Systems) equipped on vehicles.

Under such management environment, NDK will clarify its policy to inject its resources more heavily on the up-stream process where NDK has competitive advantages that includes from cultivating high quality synthetic quartz crystals to processing wafer using microfabrication technology. NDK will also consolidate its cost-competitiveness by improving productivity in down-stream process (assembly). Moreover, in order to establish strong management structure that secures stable profit even under the current sales level, NDK has decided that it is indispensable to exercise a drastic reduction at fixed costs which has been the heavy burden on NDK. In order to achieve this cost reduction, NDK will implement structural reforms as follows.

### 2. Overview of Fundamental Structural Reforms

(1) Workforce reduction at the non-consolidated company (hereafter the "Parent company")

In addition to improving the efficiency of operation, fixed cost is planned to be reduced by offering voluntary early retirement of approximately 100 employees at the Parent company.

<Offering of voluntary early retirement >

① Number of employees :	Approximately 100
② Individuals eligible for voluntary early retirement :	Permanent employees enrolled in the Parent company who is 45 years old or older as of the date of retirement, and contract employees enrolled in the Parent company from 60 years old to the age of below 65.
③ Early retirement application period :	November 25, 2019 to December 24, 2019 (plan)
④ Retirement date :	March 15, 2020 (plan)
⑤ Other :	Individuals taking early retirement will receive prescribed retirement packages and will also receive special retirement benefits. Further, those wishing early retirement will receive reemployment support.

(2)Restructuring of global production system

NDK has been implementing the restructuring of production system since FY 2018 to cut fixed costs and improve cost-competitiveness. However, NDK recognized the necessity of taking a further step to restructure the production system in addition to the structural reforms currently in progress. NDK will carry out the necessary structural reforms including collaboration with other companies.

**3. Outlook**

NDK is expected to post approximately 700 million yen for costs such as special retirement benefits incurred by offering voluntary early retirement at the Parent company as other operating expenses for the year ended March 31, 2020. However, details such as the number of applicants of voluntary early retirement are uncertain at present. The results and details of the offering of voluntary early retirement will be announced as soon as the details are fixed.

Further, as announced on October 23, 2019 (Notice Regarding the Establishment of a New Company), NDK has determined to move its factory in Suzhou City, Jiangsu Province, China, to another location in the same city and establish a new subsidiary which will have the function to manage sales subsidiaries in China region. NDK is expected to post approximately 2 billion yen of expense incurred by factory relocation as other operating expenses for the year ended March 31, 2020. However, NDK will receive subsidy income from Suzhou City government next year as part of the expense paid this year, and will be posted as an income.

The impact on NDK's consolidated financial results for the year ending March 31, 2020 is referred at the“ Notice Regarding Posting of Other Operating Expenses, Difference between Consolidated Financial Forecasts and Results for the Six Months Ended September 30, 2019, and Revision of Consolidated Financial Forecasts for the Year Ended March 31, 2020 and Revision of Dividends Payment Forecasts” announced today.

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