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[Summary]

Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2023 [IFRS]

August 5, 2022

Company Name **Nihon Dempa Kogyo Co., Ltd.** Stock Exchange Listing: **Tokyo Stock Exchange, Prime Market**
 Code **6779** URL <https://www.ndk.com/en/index.html>
 Representative **Hiromi Katoh, Representative Director and President**
 Contact person **Yuzuru Takeuchi, Senior Corporate Officer and General Manager of Administration Division** Phone: **+81-3-5453-6711**
 Scheduled date to file quarterly securities report: **August 5, 2022**
 Scheduled date to commence dividend payments: **-**
 Availability of supplementary material on financial results: **None**
 Holding of the briefing session for quarterly financial results: **None**

(Figures less than a million yen are omitted)

1. Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2023 (April 1, 2022 - June 30, 2022)

(1) Consolidated Operating Results (year-to-date)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Income before income tax		Net income for the period		Net income attributable to owners of parent		Total comprehensive income for the period	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Three months ended												
June 30, 2022	12,493	15.6	1,549	150.2	1,718	222.2	1,397	198.8	1,397	198.8	1,957	157.5
June 30, 2021	10,809	43.5	619	-	533	-	467	-	467	-	760	-

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended				
June 30, 2022	61.74		-	
June 30, 2021	23.83		12.02	

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent
	Million Yen	Million Yen	Million Yen	%
As at				
June 30, 2022	62,426	19,654	19,654	31.5
March 31, 2022	61,220	20,037	20,037	32.7

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended					
March 31, 2022	-	0.00	-	5.00	5.00
Fiscal year ending					
March 31, 2023	-				
Fiscal year ending					
March 31, 2023 (Forecast)		10.00	-	10.00	20.00

(Notes) Revision of dividends forecast from the latest announcement : **None**

The above chart concerns common stock dividends. Please see "(Reference) Dividends on Class A Shares" below for information on class shares (unlisted) that have different rights from common stock issued by the Company.

3. Consolidated Financial Forecast for the Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% figures represent the changes from the same period of the previous year)

	Net sales		Operating income		Income before income tax		Net income for the period		Net income attributable to owners of parent		Basic earnings per share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Six months ending September 30, 2022	24,200	8.7	2,300	(19.0)	2,100	(19.3)	1,800	(25.9)	1,800	(25.9)	91.72
Fiscal year ending March 31, 2023	50,000	10.1	5,000	(3.5)	4,600	(6.5)	4,000	(26.7)	4,000	(26.7)	203.83

(Note) Revision of consolidated financial forecast from the latest announcement : **None**

Notes

(1) Significant changes in subsidiaries during this period

(Changes in "Specified Subsidiaries" accompanying changes in scope of consolidation) : **None**

(2) Changes in accounting policies and accounting estimates

i) Changes in accounting policies required by IFRS : **None**

ii) Changes in accounting policies other than i) : **None**

iii) Changes in accounting estimates : **None**

(3) Number of issued shares (Ordinary shares)

(shares)

i) Number of issued shares at the end of the period
(including treasury shares)

June 30, 2022	23,128,605	March 31, 2022	20,757,905
June 30, 2022	105	March 31, 2022	1,133,805
June 30, 2022	22,635,940	June 30, 2021	19,624,150

ii) Number of treasury shares at the end of the period

iii) Average number of shares outstanding for the
period (year-to-date)

* This summary of the business results and the attached financial statements are unaudited.

* Explanation about appropriate use of consolidated financial forecast, other special notes

Forward-looking statements in this document about our future performance are based on the information that are available to us at the time of disclosure and certain assumptions that are deemed to be reasonable. Due to unforeseen circumstances, actual results may differ significantly from such estimates.

(Reference) Dividends on Class A Shares

Dividends per share related to Class A Shares with different rights from those of common shares are as follows:

Class A Shares	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	0.00	-	19,283.75	19,283.75
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (forecast)		-	-	-	-

(Note)

The number of Class A Shares in issue as of March 31, 2022 was 5,000 shares; the total amount of dividends on the class shares was ¥96 million for the fiscal year ended March 31, 2022. They were initially issued on August 5, 2020, all of which were acquired by the Company in exchange for money and canceled on May 26, 2022, based on the resolution made at the Board of Directors' meeting dated March 29, 2022. Hence, Class A shares will incur no dividends in the fiscal year ending March 2023.

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1. Qualitative Information on the Financial Results for the Three Months Ended June 30, 2022

(1) Operating Environment and Results of Operations

The first quarter of the fiscal year ending March 31, 2023 (April to June 2022) witnessed a recovery in demand from the COVID-19 pandemic in the world economy, while inflation accelerated globally due to soaring energy and grain prices caused by Russia's invasion of Ukraine. While Europe and the United States have raised interest rates to cope with inflation, the U.S. GDP growth rate for the April to June period registered negative growth for the second consecutive quarter. In Europe, too, concerns about an economic slowdown have intensified. In China, economic activity stagnated due to city blockage by its "Zero-COVID" policy, with the country's economy slowing sharply. Governments are pressed to deal with inflation while keeping an eye on the economy.

In the automotive and smartphone markets, the Company's primary business domains, logistic confusion caused by the lockdown based on China's "Zero-COVID" policy affected Shanghai City for two months until the end of May. On top of that, the shortage of procuring parts, including semiconductors, became prolonged, and the demand for smartphones continued to decline in China. Under such unfavorable circumstances, in automotive applications, which account for nearly half of the Company's net sales, the orders from Tier 1 customers, i.e., manufacturers who supply parts to finished car manufacturers, remained high overall. On the sales side, despite the negative impact of logistic turmoil due to city blockage in Shanghai, consolidated net sales for the first quarter under review increased by nearly 20% compared to the same quarter of the previous year. In mobile communications applications, which account for around 20% of net sales, sales of 76.8MHz crystal units with built-in thermistors declined due to lower demand from Chinese smartphone manufacturers. Nonetheless, consolidated net sales for the first quarter decreased only slightly year on year due to sales growth in ultra-compact crystal units to other major smartphone manufacturers. In industrial equipment applications, which represent nearly 10% of the sales, net sales of crystal oscillators for data centers increased year on year. In addition, net sales for consumer, IoT and Factory Automation (FA) applications increased year on year. Substantial yen depreciation compared to the previous year's level also led to a revenue increase of around ¥950 million.

Accordingly, consolidated net sales for the first quarter under review recorded ¥12,493 million, a 15.6% increase year on year from ¥10,809 million.

Regarding income and losses, in the first quarter under review, the Company reported an operating income of ¥1,549 million, a 150.2% increase year on year from ¥619 million the year before; income before income taxes of ¥1,718 million, up 222.2% year on year from ¥533 million; and net income of ¥1,397 million, up 198.8% year on year from ¥467 million.

While an income increase of around ¥280 million was attributable to significant yen depreciation, profits increased year on year, even excluding foreign exchange factors.

(2) Financial Condition

As of the first quarter-end (June 30, 2022), total assets stood at ¥62,426 million, a ¥1,206 million increase from the previous fiscal year-end, reflecting the following factors: a decrease of ¥1,753 million in cash and cash equivalents, an increase of ¥1,656 million in inventories, an increase of ¥1,325 million in property, plant and equipment. Total liabilities amounted to ¥42,772 million, a ¥1,589 million increase from the previous fiscal year-end, owing mainly to a ¥1,044 million increase in trade and other payables, a ¥712 million increase in lease liabilities and a ¥271 million decrease in loans and borrowings. Equity attributable to the owners of the Company stood at ¥19,654 million, a ¥383 million decrease from the year earlier, reflecting the following factors: a ¥2,146 million decrease in share premium due to issuance of new shares, disposal of treasury shares and cancellation of Class A shares; comprehensive income of ¥1,957 million; and dividends declared of ¥194 million.

As a result, the ratio of equity attributable to the owners of the Company was 31.5%, 1.2 percentage points lower than the previous fiscal year-end of 32.7%.

(3) Consolidated Financial Forecasts for the Year Ending March 31, 2023

There is no change from the Consolidated Financial Forecasts announced on May 13, 2022.

Forward-looking statements about our future performance are based on the information available to us at the time of disclosure and certain assumptions that are deemed to be reasonable. Due to unforeseen circumstances, actual results may differ significantly from such estimates.

2. Notes to Summary Information

(1) Changes in Significant Subsidiaries During the Period

Not applicable

(2) Changes in Accounting Policies, Changes in Accounting Estimates and Restatements

Not applicable

Financial Statements**(1) Consolidated Statements of Financial Position**

(Millions of yen)

	March 31, 2022	June 30, 2022
Assets		
Current assets:		
Cash and cash equivalents	10,362	8,609
Trade receivables	12,287	13,480
Inventories	11,790	13,447
Income taxes refundable	3	3
Others	3,531	2,038
Total current assets	<u>37,974</u>	<u>37,579</u>
Non-current assets:		
Property, plant and equipment	16,791	18,117
Intangible assets	167	173
Investments accounted for using the equity method	2,762	2,935
Other financial assets	1,039	1,047
Deferred tax assets	1,917	2,021
Others	566	551
Total non-current assets	<u>23,245</u>	<u>24,847</u>
Total assets	<u>61,220</u>	<u>62,426</u>
Liabilities		
Current liabilities:		
Loans and borrowings	1,261	1,261
Lease liabilities	407	581
Trade and other payables	8,650	9,694
Derivative liabilities	466	790
Provisions	687	701
Income taxes payable	953	603
Others	714	823
Total current liabilities	<u>13,141</u>	<u>14,457</u>
Non-current liabilities:		
Loans and borrowings	24,022	23,751
Lease liabilities	1,443	1,981
Deferred tax liabilities	0	2
Employee benefits	2,140	2,145
Provisions	163	164
Deferred government grants	31	30
Others	239	239
Total non-current liabilities	<u>28,040</u>	<u>28,315</u>
Total liabilities	<u>41,182</u>	<u>42,772</u>
Equity		
Equity attributable to owners of the Company:		
Share capital	5,596	5,596
Share premium	5,515	3,369
Other components of equity	201	761
Retained earnings	8,724	9,927
Total equity attributable to owners of the Company	<u>20,037</u>	<u>19,654</u>
Total equity	<u>20,037</u>	<u>19,654</u>
Total liabilities and equity	<u>61,220</u>	<u>62,426</u>

(2) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022
Net sales	10,809	12,493
Cost of sales	8,133	8,594
Gross profit	2,675	3,898
Selling, general and administrative expenses	1,583	1,868
Research and development expenses	344	410
Other operating income	75	83
Other operating expenses	203	154
Operating income	619	1,549
Financial income	75	143
Financial expenses	136	132
Share of loss of investments accounted for using the equity method	(25)	(38)
Gain on change in equity	-	196
Income before income tax	533	1,718
Income tax expenses	65	321
Net income for the period	467	1,397
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	(3)	(5)
Income tax relating to items that will not be reclassified	(0)	(0)
Subtotal	(3)	(6)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	136	551
Share of other comprehensive income of entities accounted for using equity method	-	14
Cash flow hedges	1	-
Income tax relating to items that may be reclassified	157	-
Subtotal	296	566
Other comprehensive income for the period, net of income tax	292	559
Total comprehensive income for the period	760	1,957
Net income attributable to:		
Owners of the Company	467	1,397
Total comprehensive income attributable to:		
Owners of the Company	760	1,957
		(Yen)
Earnings per share:		
Basic earnings per share	23.83	61.74
Diluted earnings per share	12.02	-

(3) Consolidated Statements of Changes in Equity

Three months ended June 30, 2021

(Millions of yen)

	Share Capital	Share premium		
		Additional paid-in capital	Treasury shares	Total share premium
Balance at April 1, 2021	5,596	8,305	(2,790)	5,515
Total comprehensive income for the period				
Net income				-
Other comprehensive income				
Net change in financial assets measured at fair value through other comprehensive income				-
Exchange differences on translation of foreign operations				-
Cash flow hedges				-
Total comprehensive income for the period	-	-	-	-
Balance at June 30, 2021	5,596	8,305	(2,790)	5,515

	Other components of equity				Retained earnings	Attributable to owners of the Company	Total equity
	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total other components of equity			
Balance at April 1, 2021	(39)	(715)	(18)	(773)	3,213	13,552	13,552
Total comprehensive income for the period							
Net income				-	467	467	467
Other comprehensive income							
Net change in financial assets measured at fair value through other comprehensive income	(3)			(3)		(3)	(3)
Exchange differences on translation of foreign operations		294		294		294	294
Cash flow hedges			1	1		1	1
Total comprehensive income for the period	(3)	294	1	292	467	760	760
Balance at June 30, 2021	(42)	(421)	(16)	(480)	3,681	14,312	14,312

Three months ended June, 30 2022

(Millions of Yen)

	Share Capital	Share premium		
		Additional paid-in capital	Treasury shares	Total share premium
Balance at April 1, 2022	5,596	8,305	(2,790)	5,515
Total comprehensive income for the period				
Net income				-
Other comprehensive income				
Net change in financial assets measured at fair value through other comprehensive income				-
Exchange differences on translation of foreign operations				-
Share of other comprehensive income of entities accounted for using equity method				-
Total comprehensive income for the period	-	-	-	-
Transactions with owners, recorded directly in equity				
Dividends declared				-
Issuance of new shares	1,398	1,398		1,398
Share issuance costs		(31)		(31)
Transfer from share capital to share premium	(1,398)	1,398		1,398
Purchase of treasury shares			(6,250)	(6,250)
Disposal of treasury shares		(1,452)	2,790	1,337
Cancellation of treasury shares		(6,250)	6,250	-
Total transactions with owners	-	(4,936)	2,790	(2,146)
Balance at June 30, 2022	5,596	3,369	(0)	3,369

	Other components of equity				Retained earnings	Attributable to owners of the Company	Total equity
	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Share of other comprehensive income of entities accounted for using equity method	Total other components of equity			
Balance at April 1, 2022	23	178	-	201	8,724	20,037	20,037
Total comprehensive income for the period							
Net income				-	1,397	1,397	1,397
Other comprehensive income							
Net change in financial assets measured at fair value through other comprehensive income	(6)			(6)		(6)	(6)
Exchange differences on translation of foreign operations		551		551		551	551
Share of other comprehensive income of entities accounted for using equity method			14	14		14	14
Total comprehensive income for the period	(6)	551	14	559	1,397	1,957	1,957
Transactions with owners, recorded directly in equity							
Dividends declared				-	(194)	(194)	(194)
Issuance of new shares				-		2,797	2,797
Share issuance costs				-		(31)	(31)
Transfer from share capital to share premium				-		-	-
Purchase of treasury shares				-		(6,250)	(6,250)
Disposal of treasury shares				-		1,337	1,337
Cancellation of treasury shares				-		-	-
Total transactions with owners	-	-	-	-	(194)	(2,340)	(2,340)
Balance at June 30, 2022	16	730	14	761	9,927	19,654	19,654

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022
Operating activities:		
Income before income tax	533	1,718
Depreciation and amortisation	731	757
Share of loss of investments accounted for using equity method	25	38
Loss/(gain) on change in equity	-	(196)
Decrease/(increase) in trade receivables	(702)	(613)
Decrease/(increase) in inventories	(152)	(1,275)
Decrease/(increase) in consumption tax/value-added tax receivables	1,063	1,107
Increase/(decrease) in trade payables	(174)	224
Increase (decrease) in accounts payable - other	206	356
Increase/(decrease) in accrued bonus	(100)	(74)
Interest and dividend income	(47)	(13)
Interest expense	132	128
Interest and dividends received	47	13
Interest paid	(178)	(83)
Income tax refunded/(paid), net	(479)	(680)
Increase/(decrease) in derivative liabilities	(240)	324
Other, net	208	(445)
Net cash provided/(used in) by operating activities	871	1,286
Investing activities:		
Purchase of property, plant and equipment	(295)	(518)
Purchase of intangible assets	(1)	(22)
Proceeds from sales of property, plant and equipment	0	6
Proceeds from sales of other financial assets	2	-
Other, net	(9)	(0)
Net cash provided by/(used in) investing activities	(303)	(533)
Financing activities:		
Repayment of long-term loans and borrowings	(737)	(315)
Repayments of lease liabilities	(102)	(93)
Dividends paid	-	(169)
Proceeds from issuance of shares	-	2,797
Purchase of treasury shares	-	(6,250)
Proceeds from disposal of treasury shares	-	1,337
Net cash provided by/(used in) by financing activities	(840)	(2,692)
Net increase/(decrease) in cash and cash equivalents	(273)	(1,940)
Cash and cash equivalents at beginning of year	16,707	10,362
Net effect of currency translation on cash and cash equivalents	130	187
Cash and cash equivalents at end of period	16,564	8,609

(5) Notes to Consolidated Financial Statements for the Three Months Ended June 30, 2022

1. Going Concern Assumption

Not applicable

2. Significant Changes in Equity Attributable to Owners of the Parent

Not applicable

3. Change in Classification

(Consolidated Statements of Cash Flows)

"Increase/(decrease) in provisions", which was separately presented in "Operating activities" for the first quarter ended June 30, 2021, is included in "Others" for the first quarter ended June 30, 2022; whereas "Increase/(decrease) in accounts payable - other" and "Increase/(decrease) in derivative liabilities", which were included in "Others" in "Operating activities" are separately presented for the first quarter under review to improve the presentation clarity of the consolidated financial statements.

Reflecting this change, comparative consolidated statements of cash flows for the first quarter ended June 30, 2021 have been reclassified.

As a result, "Increase/(decrease) in provisions" of ¥4 million and "Others" of ¥170 million in "Operating activities" for the first quarter ended June 30, 2021 are reclassified as "Increase/(decrease) in accounts payable - other" of ¥206 million, "Increase/(decrease) in derivative liabilities" of ¥(240) million and "Others" of ¥208 million.

4. Segment Information

(a) General information

The main activities of the Group are the integrated manufacture and sale of quartz crystal units, crystal devices, ultrasonic transducers and synthetic quartz crystals, and there are no separate operating segments. Therefore, the Group has a single reportable segment.

(b) Information about products and services

Net sales by type of products are as follows:

(Millions of Yen, Figures less than a million yen are omitted)

	Three Months Ended June 30, 2021		Three Months Ended June 30, 2022		Increase/(decrease)	
	Amount	Composition (%)	Amount	Composition (%)	Amount	Change (%)
Quartz crystal units	7,262	67.2	8,807	70.5	1,545	21.3
Crystal devices	2,705	25.0	2,528	20.2	(176)	(6.5)
Others	841	7.8	1,156	9.3	315	37.5
Total	10,809	100.0	12,493	100.0	1,684	15.6