



January 26, 2021

For Immediate Release

Company name: Nihon Dempa Kogyo Co., Ltd.
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and President
(Code Number: 6779, TSE First Section)
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Notice Regarding the Business Termination of Consolidated Subsidiary due to Structural Reform and Posting of Other Operating Expenses

Nihon Dempa Kogyo Co., Ltd. (hereinafter “NDK”) is proceeding with structural reforms of the Group as outlined in the “Notice Regarding Implementation of Structural Reforms” announced on November 8, 2019. At its Board of Directors meeting held January 26, 2021, NDK resolved that as of September 30, 2021, it will discontinue the business of, and then dissolve through prescribed procedures, Niigata NDK Co., Ltd. (hereinafter “Niigata NDK”), a consolidated subsidiary of NDK.

Notice

1. Background to business termination (implementation of structural reforms at NDK Group)

The NDK Group has been experiencing sustained and severe business conditions and has been in the red for three consecutive financial years from FY2017 (April 1, 2017 to March 31, 2018). Going forward, there is an urgent need to enhance cost competitiveness and reform the Group into a robust corporate structure so as to respond to growing demand for crystal devices focusing on 5G (the 5th generation mobile network systems) and ADAS (Advanced Driver Assistance Systems) equipped in automobiles.

For this reason, the Group offered employees of the Company (non-consolidated) a voluntary retirement program in FY2019, and in October 2020 transferred part of the SAW filter business. NDK is currently undertaking a comprehensive structural reform of its consolidated subsidiaries, and it is already moving forward with structural reforms, including the rationalization of personnel at its subsidiaries in China and Malaysia. For Japanese subsidiaries, NDK is conducting a review of its systems focusing on the restructuring of its production system. NDK resolved that as of September 30, 2021, it will discontinue the business of, and then dissolve through prescribed procedures, Niigata NDK.

2. Reason for business termination

NDK Niigata was established as Hawk Denshi Co., Ltd., in Niigata City in March 1970 with the aim of manufacturing crystals for taxi radio communications. In October 1990, it became a subsidiary of NDK, in October 2002, a wholly owned subsidiary, and in April 2005 changed its company name to the current name. Since then, Niigata NDK operated its business focusing on sales of wide variety of products in small quantities, but due to a decrease in small-lot product sales over recent years, the company's non-consolidated business results are expected to fall into the red for the third consecutive fiscal year. Since it was determined that it would be difficult for the company to drastically improve earnings in the future, and continuation of the company would be problematic, it was determined that its business would be terminated on September 30, 2021.

Details about the dissolution/liquidation of Niigata NDK after business termination are to be announced as soon as it is fixed.

3. Overview of the subsidiary to be terminated

(1) Company name	Niigata NDK Co., Ltd.		
(2) Location	251-1 Kawasaki Nishikanku, Niigata-city, Niigata Prefecture		
(3) Representative	Hirofumi Shinada, Representative Director and President		
(4) Business content	Manufacturing of crystal oscillators and other products		
(5) Share capital	50 million yen		
(6) Established	March 11, 1970		
(7) Major shareholder and share-holding ratio	Nihon Dempa Kogyo Co., Ltd. 100%		
(8) Number of Employees	71 (As of December 31, 2020)		
(9) Relationship between listed company (NDK) and the company concerned	Capital relationships	A 100% owned subsidiary of NDK	
	Personal relationships	The three officers of the consolidated subsidiary are: one director from NDK, one corporate officer from NDK, and one employee from NDK.	
	Business relationships	Manufactures crystal products for NDK and rents equipment from NDK.	
	Status as a related party	Consolidated subsidiary of NDK and falls under the category of related parties.	
(10) Operating results and financial position for the last three years			
Fiscal year	Ending March 2018	Ending March 2019	Ending March 2020
Net assets	334 million yen	318 million yen	265 million yen
Total assets	761 million yen	657 million yen	561 million yen
Net asset per share	5,214.78 yen	4,971.74 yen	4,133.94 yen
Net sales	1,159 million yen	1,023 million yen	916 million yen
Operating income/(loss)	46 million yen	(19) million yen	(50) million yen
Ordinary income/(loss)	48 million yen	(16) million yen	(48) million yen
Net income/(loss)	31 million yen	(16) million yen	(54) million yen
Net income/(loss) per share	481.21 yen	(243.05) yen	(837.80) yen
Dividend per share	0 yen	0 yen	0 yen

4. Schedule for business termination

September 30, 2021 (Planned)

5. Other operating expenses

NDK expects to record approximately 600 million yen as other operating expenses in the fourth quarter of the fiscal year ending March 31, 2021. This includes the impairment loss on equipment and other facilities that will cease to be used as a result of the business termination of the subsidiary (Niigata NDK), and structural reform expenses

6. Outlook going forward

Consolidated financial forecasts of the fiscal year ending March 31, 2021 is under review taking the factors not limited to this issue into consideration. If any revision to the forecast announced on November 10, 2020 is necessary, the revised forecast will be disclosed promptly.

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