



March 29, 2022

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### **Re: Acquisition and Cancellation of Class A Shares**

Nihon Dempa Kogyo Co., Ltd. (“NDK” or “we”) hereby announces that the Board of Directors of NDK, at its meeting held today, passed a resolution to acquire all of the Class A Shares issued by NDK (total amount of issue price: 5 billion yen) in exchange for cash from Japan Industrial Solutions Fund II (the “Class Shareholder”) in accordance with the provision of Article 6-2, Paragraph 6 of NDK’s Articles of Incorporation (call options, the consideration for which is cash) (the “Call Option for Money”) and cancel the shares on condition of the acquisition thereof in accordance with the provision of Article 178 of the Companies Act.

#### 1. Reason for Acquisition and Cancellation of Class A Shares

In the past, a difficult business environment continued to surround NDK. For example, in the fiscal year ended March 31, 2018, NDK recorded significant impairment losses mainly on its production facilities for smartphone devices resulting from a significant imbalance of demand versus supply for crystal devices in the smartphone market, and, in order to address such situation, NDK offered voluntary early retirement at non-consolidated operations, and as a result, had to record expenses associated with structural reforms. Furthermore, there was the impact of the COVID-19 pandemic in the fiscal year ended March 31, 2020. However, even in such business environment, owing to the full-scale increase in demand for 5G, and the increase in the number of devices relating to ADAS (Advanced Driver Assistance Systems) installed in automobiles in the automotive market, where NDK holds a large share, as well as the existing trend for more compact devices, the demand for highly accurate and highly reliable crystal device products, in relation to which NDK has competitive advantages, was expected to increase even more. In light of such circumstances, NDK has worked to establish a strong management structure that ensures steady progress in pursuing NDK’s growth strategies and stable profit, by formulating, as described in the “Notice concerning NDK’s Mid-Term Management Plan” dated June 19, 2020, the mid-term management plan that covers the period from FY 2020 to FY 2022 (the “Former Mid-Term Management Plan”), which centers on the following important measures: (A) implementing structural reforms focusing on drastic reduction of fixed costs; (B) reviewing the sales mix of existing products and business portfolios; (C) selectively injecting resources into the upstream process where NDK has competitive advantages; (D) improving productivity in the downstream process (assembly); and (E) improving NDK’s financial position.

Then, the business environment surrounding NDK changed, i.e., while large-scale monetary easing and aggressive government spending have been implemented in major countries in order to respond to the impact of the COVID-19 pandemic, and the automotive market, the primary business domain of the NDK group companies (the “Group”), is on a recovery trend, the shortage of semiconductors and other parts has affected production by finished car manufacturers. Under such circumstances, orders from Tier 1 customers (manufacturers who supply parts to finished car manufacturers) have remained high. Consequently, in automotive applications, which account for nearly half of the Group’s sales, consolidated net sales for the first nine months of this fiscal year (the fiscal year ending March 31, 2022) have increased over 30% year on year. In addition, in mobile communication applications, which account for approximately 20% of sales, profitability has been improved significantly due to a decline in sales of unprofitable products, an increase in sales of profitable products such as 76.8MHz crystal units with built-in thermistors and ultra-compact components for 5G smartphones, and an increase in sales unit price.

Taking into account the improvement of the business environment surrounding NDK as described above and the status of improvement of results and financial position after the previous fiscal year (the fiscal year ended March 31, 2021), NDK formulated the mid-term management plan that covers the period from FY2022 (the fiscal year ending March 31, 2023) to FY2024 (the fiscal year ending March 31, 2025) (the “New Mid-Term Management Plan”) as disclosed in the “Notice Concerning Formulation of New Medium-Term Management Plan” dated March 10, 2022. NDK financed 5,000,000,000 yen by issuing 5,000 shares of Class A Shares to Japan Industrial Solutions Fund II on August 5, 2020 as part of “(E) improving NDK’s financial position,” which is one of the aforementioned important measures under the Former Mid-Term Management Plan. However, in order to establish a healthy financial position through, among others, the redemption of the Class A Shares and the implementation of the capital increase through public offering as stated in the New Mid-Term Management Plan, NDK determined, as of today, to acquire from the Class Shareholder, and to cancel, all of the Class A Shares of NDK remaining as of May 26, 2022 in conjunction with the implementation of the fund raising by way of the issuance of new shares through public offering (public offering) and the disposal of treasury stock through public offering (public offering) (for details, please see the notice “Re: Issuance of New Shares, Disposal of Treasury Stock and Secondary Offering of Shares and Reduction of Amounts of Capital Stock and Legal Capital Surplus Concurrently with Issuance of New Shares” dated today).

NDK will conduct the currently planned redemption of the Class A Shares by way of acquisition of the Class A Shares in exchange for money on a day separately specified by the Board of Directors of NDK pursuant to the provision of the Call Option for Money. With respect to the acquisition price per share, the later the time of actual acquisition of the Class A Shares by the Call Option for Money occurs, the greater will be the amount of the acquisition price per share. Therefore, NDK believes that the redemption of all of the Class A Shares at an early stage based on the determination stated herein will contribute to NDK’s establishing a healthy financial position. For details of such Class A Shares, please see the notice “Re: Issuance of Class Shares through Third Party Allotment, Reduction of Amounts of Capital Stock and Legal Capital Surplus and Appropriation of

Surplus, Partial Amendment to the Articles of Incorporation, and Reduction of Amounts of Capital Stock and Legal Capital Surplus on Issuance of Class Shares” dated June 19, 2020.

## 2. Details of Acquisition of Class A Shares

(1)	Class of shares to be acquired	Class A Shares
(2)	Total number of shares to be acquired	5,000 shares
(3)	Consideration for acquisition	Money
(4)	Acquisition price per share	1,250,000 yen
	(Note) The above acquisition price is the amount calculated by multiplying the amount equivalent to the paid-in amount per Class A Share (1,000,000 yen) by the redemption coefficient of 1.25.	
(5)	Total amount of acquisition price of shares	6,250,000,000 yen
(6)	Acquisition date	May 26, 2022
(7)	Party from which shares are to be acquired	Japan Industrial Solutions Fund II

In addition, acquisition of the Class A Shares is subject to the completion of payment for the issuance of new shares and the disposal of treasury stock through public offering resolved at a meeting of the Board of Directors held today.

## 3. Details of Cancellation of Class A Shares

(1)	Class of shares to be cancelled	Class A Shares
(2)	Total number of shares to be cancelled	5,000 shares
(3)	Effective date of cancellation	May 26, 2022

This cancellation of the Class A Shares is subject to the condition that NDK acquires the Class A Shares in accordance with 2. above.

## 4. Impact on operating results

The impact of the acquisition and cancellation of the Class A Shares on NDK’s and its consolidated performance is immaterial.

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