



[Summary]

Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2019 [IFRS]

August 6, 2018

Company Name **Nihon Dempa Kogyo Co., Ltd.** Stock Exchange Listing: **Tokyo Stock Exchange, 1st Section**
 Code **6779** URL <http://www.ndk.com/>
 Representative **Toshiaki Takeuchi, Representative Director & Chairman of the Board, President and CEO**
 Person in charge for inquiries **Hiromi Katoh, Executive Vice President and Director** Phone: **+81-3-5453-6709**
 Scheduled date to submit the Quarterly Securities Report **August 10, 2018**
 Scheduled commencement date of dividend payment **-**
 Supplemental material for quarterly financial results **: None**
 Holding of the briefing session for quarterly financial results **: None**

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

1. Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2019 (April 1, 2018 - June 30, 2018)

(1) Consolidated Operating Results (year-to-date) (% 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 the parent | | Total comprehensive income for the period | |
|--------------------|-------------|-------|------------------|---|--------------------------|---|---------------------------|---|---|---|---|---|
| | Million Yen | % | Million Yen | % | Million Yen | % | Million Yen | % | Million Yen | % | Million Yen | % |
| Three months ended | | | | | | | | | | | | |
| June 30, 2018 | 10,438 | (1.0) | (317) | - | (272) | - | (312) | - | (312) | - | (417) | - |
| June 30, 2017 | 10,541 | (1.2) | (186) | - | (195) | - | (277) | - | (277) | - | (78) | - |

| | Basic earnings per share | | Diluted earnings per share | |
|--------------------|--------------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Three months ended | | | | |
| June 30, 2018 | (15.94) | | - | |
| June 30, 2017 | (14.14) | | - | |

(2) Consolidated Financial Position

| | Total assets | Total equity | Equity attributable to owners of the parent | Equity attributable to owners of the parent ratio |
|----------------------|--------------|--------------|---|---|
| | Million Yen | Million Yen | Million Yen | % |
| As of June 30, 2018 | 59,931 | 14,769 | 14,769 | 24.6 |
| As of March 31, 2018 | 60,816 | 15,108 | 15,108 | 24.8 |

2. Dividends

| | Annual dividends per share | | | | |
|---|----------------------------|--------------------|-------------------|-----------------|--------------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| The year ended March 31, 2018 | - | 10.00 | - | 0.00 | 10.00 |
| The year ending March 31, 2019 | - | | | | |
| The year ending March 31, 2019 (Forecast) | | 0.00 | - | Undetermined | Undetermined |

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

3. Consolidated Financial Results Forecast for the Year Ending March 31, 2019 (April 1, 2018 - March 31, 2019)

(% 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 the parent | | Basic earnings per share |
|--|-------------|-------|------------------|---|--------------------------|---|---------------------------|---|---|---|--------------------------|
| | Million Yen | % | Million Yen | % | Million Yen | % | Million Yen | % | Million Yen | % | Yen |
| The six months ending September 30, 2018 | 21,300 | (4.2) | (500) | - | (600) | - | (650) | - | (650) | - | (33.12) |
| The year ending March 31, 2019 | 44,500 | 1.2 | 500 | - | 300 | - | 200 | - | 200 | - | 10.19 |

(Note) Revision of consolidated financial results 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 : **Yes**

From the first quarter of the year ending March 31, 2019, the Group has adopted the following accounting policies.

IFRS 9 (Financial Instruments)

There is no material impact on the Group's consolidated financial results for the first quarter of the year ending March 31, 2019. As a transitional measure upon the adoption of IFRS 9, the Group has adopted the method to recognise the cumulative effect of applying this standard at the date of initial application. As a result, the balance of both other components of equity and retained earnings at the beginning of this period increased by 72 million yen and 5 million yen, respectively.

IFRS 15 (Revenue from Contracts with Customers)

There is no material impact on the Group's consolidated financial results for the first quarter of the year ending March 31, 2019. As a transitional measure upon the adoption of IFRS 15, the Group has not restated the consolidated financial statements for the previous years.

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

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

(3) Number of outstanding shares (Ordinary shares)

(shares)

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

| | | | |
|---------------|------------|----------------|------------|
| June 30, 2018 | 20,757,905 | March 31, 2017 | 20,757,905 |
| June 30, 2018 | 1,132,818 | March 31, 2017 | 1,132,818 |
| June 30, 2018 | 19,625,087 | June 30, 2016 | 19,625,576 |

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

iii) Average number of shares 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 results forecast, other special notes

Forward-looking statements in this document about our future performance are based on the information we currently have and certain assumptions we consider reasonable. Due to the unforeseen circumstances, actual results may differ from such estimates.

Financial Statements

(1) Consolidated Statements of Financial Position

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

| | As of March 31, 2018 | As of June 30, 2018 |
|--|----------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | 6,851 | 8,408 |
| Trade receivables | 10,878 | 10,451 |
| Inventories | 13,740 | 14,146 |
| Income taxes refundable | 17 | 6 |
| Derivative assets | 223 | 14 |
| Others | 2,961 | 1,301 |
| Total current assets | 34,673 | 34,327 |
| Non-current assets: | | |
| Property, plant and equipment | 23,618 | 23,362 |
| Intangible assets | 251 | 242 |
| Other financial assets | 1,303 | 1,024 |
| Deferred tax assets | 655 | 660 |
| Others | 313 | 313 |
| Total non-current assets | 26,143 | 25,603 |
| Total assets | 60,816 | 59,931 |
| Liabilities | | |
| Current liabilities: | | |
| Loans and borrowings | 16,611 | 16,026 |
| Trade and other payables | 9,892 | 8,672 |
| Derivative liabilities | 28 | 178 |
| Provisions | 518 | 490 |
| Income taxes payable | 122 | 90 |
| Others | 1,096 | 1,065 |
| Total current liabilities | 28,270 | 26,522 |
| Non-current liabilities: | | |
| Loans and borrowings | 13,325 | 14,539 |
| Deferred tax liabilities | 205 | 259 |
| Employee benefits | 3,448 | 3,398 |
| Provisions | 120 | 118 |
| Deferred government grants | 100 | 86 |
| Others | 237 | 237 |
| Total non-current liabilities | 17,438 | 18,639 |
| Total liabilities | 45,708 | 45,162 |
| Equity | | |
| Equity attributable to owners of the Company: | | |
| Share capital | 10,649 | 10,649 |
| Share premium | 8,562 | 3,069 |
| Other components of equity | (640) | (671) |
| Retained earnings | (3,463) | 1,722 |
| Total equity attributable to owners of the Company | 15,108 | 14,769 |
| Total equity | 15,108 | 14,769 |
| Total liabilities and equity | 60,816 | 59,931 |

(2) Consolidated Statements of Comprehensive Income

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

| | For the Three Months Ended June 30, 2017 | For the Three Months Ended June 30, 2018 |
|---|---|---|
| Net sales | 10,541 | 10,438 |
| Cost of sales | 8,629 | 8,713 |
| Gross profit | 1,911 | 1,725 |
| Selling, general and administrative expenses | 1,640 | 1,591 |
| Research and development expenses | 465 | 463 |
| Other operating income | 94 | 62 |
| Other operating expenses | 86 | 51 |
| Operating loss | (186) | (317) |
| Financial income | 66 | 201 |
| Financial expenses | 75 | 156 |
| Loss before income tax | (195) | (272) |
| Income tax expenses | 82 | 40 |
| Net loss for the period | (277) | (312) |
| Other comprehensive income: | | |
| Items that will not be reclassified to profit or loss: | | |
| Financial assets measured at fair value through other comprehensive income | - | (15) |
| Income tax relating to items that will not be reclassified | - | (2) |
| Subtotal | - | (18) |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign operations | 165 | (71) |
| Cash flow hedges | - | (13) |
| Change in fair value of available-for-sale financial assets | 80 | - |
| Change in fair value of available-for-sale financial assets transferred to profit or loss | (45) | - |
| Income tax relating to items that may be reclassified | (1) | - |
| Subtotal | 198 | (85) |
| Other comprehensive income/(loss) for the period, net of income tax | 198 | (104) |
| Total comprehensive loss for the period | (78) | (417) |
| Net income attributable to: | | |
| Owners of the Company | (277) | (312) |
| Total comprehensive income attributable to: | | |
| Owners of the Company | (78) | (417) |
| (Yen) | | |
| Earnings per share: | | |
| Basic Loss per share | (14.14) | (15.94) |

(3) Consolidated Statements of Changes in Equity

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

| | Share Capital | Share premium | | |
|---|---------------|----------------------------|-----------------|---------------------|
| | | Additional paid-in capital | Treasury shares | Total share premium |
| Balance at April 1, 2017 | 10,649 | 11,353 | (2,789) | 8,563 |
| Total comprehensive income for the period | | | | |
| Net loss | | | | - |
| Other comprehensive income | | | | - |
| Total comprehensive loss for the period | - | - | - | - |
| Transactions with owners, recorded directly in equity | | | | |
| Contributions by and distributions to owners | | | | |
| Changes in treasury shares, net | | | (0) | (0) |
| Dividends declared | | | | - |
| Total contributions by and distributions to owners | - | - | (0) | (0) |
| Total transactions with owners | - | - | (0) | (0) |
| Balance at June 30, 2017 | 10,649 | 11,353 | (2,789) | 8,563 |

| | Other components of equity | | | Retained earnings | Attributable to owners of the Company | Total equity |
|---|-------------------------------------|---|----------------------------------|-------------------|---------------------------------------|--------------|
| | Available-for-sale financial assets | Exchange differences on translation of foreign operations | Total other components of equity | | | |
| Balance at April 1, 2017 | (49) | (975) | (1,025) | 7,046 | 25,234 | 25,234 |
| Total comprehensive income for the period | | | | | | |
| Net loss | | | - | (277) | (277) | (277) |
| Other comprehensive income | 33 | 165 | 198 | | 198 | 198 |
| Total comprehensive loss for the period | 33 | 165 | 198 | (277) | (78) | (78) |
| Transactions with owners, recorded directly in equity | | | | | | |
| Contributions by and distributions to owners | | | | | | |
| Changes in treasury shares, net | | | - | | (0) | (0) |
| Dividends declared | | | - | (196) | (196) | (196) |
| Total contributions by and distributions to owners | - | - | - | (196) | (196) | (196) |
| Total transactions with owners | - | - | - | (196) | (196) | (196) |
| Balance at June 30, 2017 | (16) | (810) | (826) | 6,572 | 24,959 | 24,959 |

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

| | Share Capital | Share premium | | |
|---|---------------|----------------------------|-----------------|---------------------|
| | | Additional paid-in capital | Treasury shares | Total share premium |
| Balance at April 1, 2018 | 10,649 | 11,353 | (2,790) | 8,562 |
| Impact of changes in accounting policy | - | - | - | - |
| Restated balance at April 1, 2018 | 10,649 | 11,353 | (2,790) | 8,562 |
| Total comprehensive income for the period | | | | |
| Net loss | | | | - |
| Other comprehensive income | | | | - |
| Total comprehensive loss for the period | - | - | - | - |
| Transactions with owners, recorded directly in equity | | | | |
| Contributions by and distributions to owners | | | | |
| Transfer to retained earnings from capital surplus | | (5,493) | | (5,493) |
| Total contributions by and distributions to owners | - | (5,493) | - | (5,493) |
| Total transactions with owners | - | (5,493) | - | (5,493) |
| Balance at June 30, 2018 | 10,649 | 5,859 | (2,790) | 3,069 |

| | 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, 2018 | (43) | (596) | - | (640) | (3,463) | 15,108 | 15,108 |
| Impact of changes in accounting policy | 72 | - | - | 72 | 5 | 78 | 78 |
| Restated balance at April 1, 2018 | 29 | (596) | - | (567) | (3,458) | 15,186 | 15,186 |
| Total comprehensive income for the period | | | | | | | |
| Net loss | | | | - | (312) | (312) | (312) |
| Other comprehensive income | (18) | (71) | (13) | (104) | | (104) | (104) |
| Total comprehensive loss for the period | (18) | (71) | (13) | (104) | (312) | (417) | (417) |
| Transactions with owners, recorded directly in equity | | | | | | | |
| Contributions by and distributions to owners | | | | | | | |
| Transfer to retained earnings from capital surplus | | | | - | 5,493 | - | - |
| Total contributions by and distributions to owners | - | - | - | - | 5,493 | - | - |
| Total transactions with owners | - | - | - | - | 5,493 | - | - |
| Balance at June 30, 2018 | 10 | (668) | (13) | (671) | 1,722 | 14,769 | 14,769 |

(4) Consolidated Statements of Cash Flows

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

| | For the Three Months Ended June 30, 2017 | For the Three Months Ended June 30, 2018 |
|---|---|---|
| Operating activities: | | |
| Loss before income tax | (195) | (272) |
| Depreciation and amortisation | 970 | 860 |
| Gain on sales of other financial assets | (45) | (132) |
| Decrease in trade receivables | 18 | 531 |
| Increase in inventories | (1,193) | (372) |
| Decrease in consumption tax/value-added tax receivables | 1,196 | 1,605 |
| Increase/(decrease) in trade payables | 217 | (395) |
| Interest and dividend income | (21) | (18) |
| Interest expense | 40 | 49 |
| Interest and dividends received | 21 | 18 |
| Interest paid | (31) | (36) |
| Income tax paid, net | (74) | (13) |
| Other, net | (178) | 56 |
| Net cash provided by operating activities | 725 | 1,881 |
| Investing activities: | | |
| Purchase of property, plant and equipment | (1,283) | (1,407) |
| Purchase of intangible assets | (21) | (15) |
| Purchase of other financial assets | (2) | (30) |
| Proceeds from sales of other financial assets | 387 | 545 |
| Other, net | (2) | (3) |
| Net cash used in investing activities | (922) | (911) |
| Financing activities: | | |
| Proceeds from long-term loans and borrowings | 4,000 | 4,000 |
| Repayment of long-term loans and borrowings | (2,443) | (2,459) |
| Net increase/(decrease) in short-term loans and borrowings | 1,000 | (973) |
| Cash dividends paid | (143) | (0) |
| Purchase and sales of treasury shares, net | (0) | - |
| Net cash provided by financing activities | 2,412 | 566 |
| Net increase in cash and cash equivalents | 2,215 | 1,536 |
| Cash and cash equivalents at beginning of year | 13,350 | 6,851 |
| Net effect of currency translation on cash and cash equivalents | 50 | 20 |
| Cash and cash equivalents at end of period | 15,616 | 8,408 |

(5) Segment Information

1. 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.

2. Information about products and services

Net sales by type of products is as follows:

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

| | For the Three Months Ended June 30, 2017 | | For the Three Months Ended June 30, 2018 | | Increase/(decrease) | |
|----------------------|---|--------------------|---|--------------------|---------------------|---------------|
| | Amount | Composition (%) | Amount | Composition (%) | Amount | Change (%) |
| Quartz crystal units | 6,274 | 59.5 | 6,182 | 59.2 | (92) | (1.5) |
| Crystal devices | 3,353 | 31.8 | 3,291 | 31.5 | (62) | (1.9) |
| Others | 913 | 8.7 | 965 | 9.3 | 51 | 5.7 |
| Total | 10,541 | 100.0 | 10,438 | 100.0 | (102) | (1.0) |