



[Summary]

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

November 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 **November 12, 2018**
 Scheduled commencement date of dividend payment **-**
 Supplemental material for quarterly financial results **: Yes**
 Holding of the briefing session for quarterly financial results **: Yes**

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

1. Consolidated Financial Results for the Second Quarter of the Year Ending March 31, 2019 (April 1, 2018 - September 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	%
Six months ended												
September 30, 2018	21,218	(4.6)	(494)	-	(715)	-	(753)	-	(753)	-	(850)	-
September 30, 2017	22,241	2.8	(396)	-	(408)	-	(546)	-	(546)	-	(85)	-

Six months ended	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
September 30, 2018	(38.41)		-	
September 30, 2017	(27.83)		-	

(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 September 30, 2018	60,329	14,335	14,335	23.8
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	-	0.00			
The year ending March 31, 2019 (Forecast)			-	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 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)

In accordance with the adoption of IFRS 9, the Group has applied an exemption allowing comparative information for prior periods not to be restated with respect to classification and measurement (including impairment).

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.

There is no material impact on the Group's consolidated financial results for the second quarter of the year ending March 31, 2019.

• IFRS 15 (Revenue from Contracts with Customers)

As a transitional measure upon the adoption of IFRS 15, the Group has not restated the consolidated financial statements for the previous years.

There is no material impact on the Group's consolidated financial results for the second quarter of the year ending March 31, 2019.

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)

September 30, 2018	20,757,905	March 31, 2018	20,757,905
September 30, 2018	1,132,872	March 31, 2018	1,132,818
September 30, 2018	19,625,082	September 30, 2017	19,625,488

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 September 30, 2018
Assets		
Current assets:		
Cash and cash equivalents	6,851	7,555
Trade receivables	10,878	10,785
Inventories	13,740	14,400
Income taxes refundable	17	18
Derivative assets	223	28
Others	2,961	1,652
Total current assets	<u>34,673</u>	<u>34,439</u>
Non-current assets:		
Property, plant and equipment	23,618	23,035
Intangible assets	251	254
Other financial assets	1,303	1,599
Deferred tax assets	655	678
Others	313	322
Total non-current assets	<u>26,143</u>	<u>25,890</u>
Total assets	<u>60,816</u>	<u>60,329</u>
Liabilities		
Current liabilities:		
Loans and borrowings	16,611	17,337
Trade and other payables	9,892	8,235
Derivative liabilities	28	237
Provisions	518	335
Income taxes payable	122	109
Others	1,096	972
Total current liabilities	<u>28,270</u>	<u>27,229</u>
Non-current liabilities:		
Loans and borrowings	13,325	14,703
Deferred tax liabilities	205	250
Employee benefits	3,448	3,384
Provisions	120	117
Deferred government grants	100	72
Others	237	237
Total non-current liabilities	<u>17,438</u>	<u>18,764</u>
Total liabilities	<u>45,708</u>	<u>45,994</u>
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)	(664)
Retained earnings	(3,463)	1,281
Total equity attributable to owners of the Company	<u>15,108</u>	<u>14,335</u>
Total equity	<u>15,108</u>	<u>14,335</u>
Total liabilities and equity	<u>60,816</u>	<u>60,329</u>

(2) Consolidated Statements of Comprehensive Income

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

	For the Six Months Ended September 30, 2017	For the Six Months Ended September 30, 2018
Net sales	22,241	21,218
Cost of sales	18,400	17,678
Gross profit	3,840	3,540
Selling, general and administrative expenses	3,322	3,159
Research and development expenses	901	940
Other operating income	189	156
Other operating expenses	202	90
Operating loss	(396)	(494)
Financial income	85	200
Financial expenses	98	421
Loss before income tax	(408)	(715)
Income tax expenses	137	38
Net loss for the period	(546)	(753)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	-	20
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	464	(96)
Cash flow hedges	-	(18)
Change in fair value of available-for-sale financial assets	43	-
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	460	(115)
Other comprehensive income/(loss) for the period, net of income tax	460	(96)
Total comprehensive loss for the period	(85)	(850)
Net loss attributable to:		
Owners of the Company	(546)	(753)
Total comprehensive income attributable to:		
Owners of the Company	(85)	(850)
(Yen)		
Earnings per share:		
Basic Loss per share	(27.83)	(38.41)

(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 September 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			-	(546)	(546)	(546)
Other comprehensive income	(3)	464	460		460	460
Total comprehensive loss for the period	(3)	464	460	(546)	(85)	(85)
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 September 30, 2017	(53)	(510)	(564)	6,304	24,952	24,952

(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	-	-	-	-
Adjusted 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				
Changes in treasury shares, net			(0)	(0)
Transfer to retained earnings from capital surplus		(5,493)		(5,493)
Total contributions by and distributions to owners	-	(5,493)	(0)	(5,493)
Total transactions with owners	-	(5,493)	(0)	(5,493)
Balance at September 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
Adjusted balance at April 1, 2018	29	(596)	-	(567)	(3,458)	15,186	15,186
Total comprehensive income for the period							
Net loss				-	(753)	(753)	(753)
Other comprehensive income	18	(96)	(18)	(96)		(96)	(96)
Total comprehensive loss for the period	18	(96)	(18)	(96)	(753)	(850)	(850)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Changes in treasury shares, net				-		(0)	(0)
Transfer to retained earnings from capital surplus				-	5,493	-	-
Total contributions by and distributions to owners	-	-	-	-	5,493	(0)	(0)
Total transactions with owners	-	-	-	-	5,493	(0)	(0)
Balance at September 30, 2018	47	(693)	(18)	(664)	1,281	14,335	14,335

(4) Consolidated Statements of Cash Flows

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

	For the Six Months Ended September 30, 2017	For the Six Months Ended September 30, 2018
Operating activities:		
Loss before income tax	(408)	(715)
Depreciation and amortisation	1,975	1,721
Gain on sales of property, plant, and equipment	(6)	(25)
Gain on sales of other financial assets	(45)	(132)
Impairment losses of other financial assets	-	107
(Increase)/decrease in trade receivables	(1,084)	287
Increase in inventories	(1,457)	(588)
Decrease in consumption tax/value-added tax receivables	556	1,202
Increase/(decrease) in trade payables	1,089	(559)
(Increase)/decrease in derivative assets	(25)	194
(Decrease)/increase in derivative liabilities	(86)	209
Increase/(decrease) in provisions	0	(186)
Interest and dividend income	(37)	(25)
Interest expense	85	105
Interest and dividends received	37	25
Interest paid	(63)	(83)
Income tax paid, net	(64)	(45)
Other, net	(52)	(437)
Net cash provided by operating activities	412	1,053
Investing activities:		
Purchase of property, plant and equipment	(3,195)	(2,165)
Purchase of intangible assets	(42)	(40)
Purchase of investments and other assets	(429)	(704)
Proceeds from sales of property, plant and equipment	6	2
Proceeds from sales of investments and other assets	440	546
Other, net	(3)	(3)
Net cash used in investing activities	(3,224)	(2,366)
Financing activities:		
Proceeds from long-term loans and borrowings	8,500	7,500
Repayment of long-term loans and borrowings	(4,459)	(5,043)
Net decrease in short-term loans and borrowings	(4,500)	(469)
Cash dividends paid	(196)	(1)
Purchase and sales of treasury shares, net	(0)	(0)
Net cash (used in)/provided by financing activities	(655)	1,984
Net (decrease)/increase in cash and cash equivalents	(3,467)	672
Cash and cash equivalents at beginning of year	13,350	6,851
Net effect of currency translation on cash and cash equivalents	141	30
Cash and cash equivalents at end of period	10,024	7,555

(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 are as follows:

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

	For the Six Months Ended September 30, 2017		For the Six Months Ended September 30, 2018		Increase/(decrease)	
	Amount	Composition (%)	Amount	Composition (%)	Amount	Change (%)
Quartz crystal units	12,873	57.9	12,830	60.5	(42)	(0.3)
Crystal devices	7,338	33.0	6,366	30.0	(971)	(13.2)
Others	2,030	9.1	2,021	9.5	(9)	(0.5)
Total	22,241	100.0	21,218	100.0	(1,022)	(4.6)