



[Summary]

Consolidated Financial Results for the Third Quarter of the Year Ending March 31, 2020 [IFRS]

February 7, 2020

Company Name **Nihon Dempa Kogyo Co., Ltd.** Stock Exchange Listing: **Tokyo Stock Exchange, 1st Section**
 Code **6779** URL <https://www.ndk.com/>
 Representative **Hiromi Katoh, Representative Director and President**
 Person in charge for inquiries **Michio Aoyama, Corporate Officer and General Manager of Administration Division** Phone: **+81-3-5453-6709**
 Scheduled date to submit the Quarterly Securities Report **February 12, 2020**
 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 Third Quarter of the Year Ending March 31, 2020 (April 1, 2019 - December 31, 2019)

(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	%
Nine months ended												
December 31, 2019	29,716	(7.8)	(5,480)	-	(5,653)	-	(5,665)	-	(5,665)	-	(6,082)	-
December 31, 2018	32,231	(2.9)	(534)	-	(1,040)	-	(1,085)	-	(1,085)	-	(1,533)	-

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended				
December 31, 2019		(288.72)		-
December 31, 2018		(55.31)		-

(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 December 31, 2019	57,929	8,643	8,643	14.9
As of March 31, 2019	60,784	14,725	14,725	24.2

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, 2019	-	0.00	-	0.00	0.00
The year ending March 31, 2020	-	0.00	-		
The year ending March 31, 2020 (Forecast)				0.00	0.00

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

3. Consolidated Financial Forecast for the Year Ending March 31, 2020 (April 1, 2019 - March 31, 2020)

(% 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, 2020	39,800	(6.3)	(6,400)	-	(6,700)	-	(7,000)	-	(7,000)	-	(356.70)

(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 : **Yes**

From the first quarter of the year ending March 31, 2020, the Group has adopted the following accounting policy.

• IFRS 16 (Leases)

At inception of a contract, the Group determines whether the contract is, or contains, a lease. The lease liabilities for leases are measured at the present value of the remaining of total lease payments at the commencement date of lease, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used. In measuring lease liabilities, the Group has elected not to separate a lease component and a related non-lease component, and to recognise them as a single lease component. Lease liabilities are subsequently measured by increasing the carrying amounts to reflect interest on the lease liabilities and by reducing the carrying amounts to reflect lease payments made.

The cost of the right-of-use asset is initially measured at the amount of the initial measurement of lease liabilities adjusted by any initial direct costs and prepaid lease payments and others. The Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term on a straight-line basis.

As a transitional measure upon the adoption of IFRS 16, the Group applies this standard retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, and the comparative information for prior periods is not restated.

As a result, at the date of initial application of IFRS 16, the Group additionally recognised right-of-use assets of 1,207 million yen (included in "Property, plant, and equipment" in the Consolidated Statements of Financial Position) and lease liabilities of 1,240 million yen.

The weighted average of the incremental borrowing rates applied for the calculation of lease liabilities recognised at the date of initial application is 0.5%.

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)	December 31, 2019	20,757,905	March 31, 2019	20,757,905
ii) Number of treasury shares at the end of the period	December 31, 2019	1,133,466	March 31, 2019	1,133,154
iii) Average number of shares for the period (year-to-date)	December 31, 2019	19,624,669	December 31, 2018	19,625,005

* 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, 2019	As of December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	8,231	8,970
Trade receivables	10,605	10,526
Inventories	14,401	14,036
Income taxes refundable	14	5
Derivative assets	8	29
Others	3,885	2,375
Total current assets	<u>37,146</u>	<u>35,944</u>
Non-current assets:		
Property, plant and equipment	21,104	19,890
Intangible assets	259	245
Other financial assets	1,508	1,034
Deferred tax assets	535	567
Others	230	248
Total non-current assets	<u>23,638</u>	<u>21,985</u>
Total assets	<u>60,784</u>	<u>57,929</u>
Liabilities		
Current liabilities:		
Loans and borrowings	17,213	23,834
Lease liabilities	27	461
Trade and other payables	8,627	8,003
Derivative liabilities	112	122
Provisions	346	2,021
Income taxes payable	103	104
Others	920	914
Total current liabilities	<u>27,351</u>	<u>35,462</u>
Non-current liabilities:		
Loans and borrowings	14,805	8,922
Lease liabilities	55	1,442
Deferred tax liabilities	248	226
Employee benefits	3,198	2,864
Provisions	113	108
Deferred government grants	48	24
Others	237	235
Total non-current liabilities	<u>18,707</u>	<u>13,824</u>
Total liabilities	<u>46,059</u>	<u>49,286</u>
Equity		
Equity attributable to owners of the Company:		
Share capital	10,649	10,649
Share premium	3,069	3,068
Other components of equity	(873)	(1,290)
Retained earnings	1,880	(3,785)
Total equity attributable to owners of the Company	<u>14,725</u>	<u>8,643</u>
Total equity	<u>14,725</u>	<u>8,643</u>
Total liabilities and equity	<u>60,784</u>	<u>57,929</u>

(2) Consolidated Statements of Comprehensive Income

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

	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019
Net sales	32,231	29,716
Cost of sales	26,856	25,273
Gross profit	5,375	4,443
Selling, general and administrative expenses	4,666	4,470
Research and development expenses	1,388	1,285
Other operating income	294	403
Other operating expenses	149	4,570
Operating loss	(534)	(5,480)
Financial income	181	163
Financial expenses	687	337
Loss before income tax	(1,040)	(5,653)
Income tax expenses	45	12
Net loss for the period	(1,085)	(5,665)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	(79)	28
Income tax relating to items that will not be reclassified	0	(5)
Subtotal	(78)	22
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(321)	(464)
Cash flow hedges	(48)	24
Subtotal	(369)	(439)
Other comprehensive loss for the period, net of income tax	(448)	(416)
Total comprehensive loss for the period	(1,533)	(6,082)
Net loss attributable to:		
Owners of the Company	(1,085)	(5,665)
Total comprehensive loss attributable to:		
Owners of the Company	(1,533)	(6,082)
(Yen)		
Earnings per share:		
Basic loss per share	(55.31)	(288.72)

(3) Consolidated Statements of Changes in Equity

Nine months ended December 31, 2018

(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
Total comprehensive income for the period				
Net loss				-
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 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 share premium		(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 December 31, 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	29	(596)	-	(567)	(3,458)	15,186	15,186
Total comprehensive income for the period							
Net loss				-	(1,085)	(1,085)	(1,085)
Other comprehensive income							
Net change in financial assets measured at fair value through other comprehensive income	(78)			(78)		(78)	(78)
Exchange differences on translation of foreign operations		(321)		(321)		(321)	(321)
Cash flow hedges			(48)	(48)		(48)	(48)
Total comprehensive loss for the period	(78)	(321)	(48)	(448)	(1,085)	(1,533)	(1,533)
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 share premium				-	5,493	-	-
Total contributions by and distributions to owners	-	-	-	-	5,493	(0)	(0)
Total transactions with owners	-	-	-	-	5,493	(0)	(0)
Balance at December 31, 2018	(49)	(918)	(48)	(1,016)	950	13,652	13,652

Nine months ended December 31, 2019

(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, 2019	10,649	5,859	(2,790)	3,069
Total comprehensive income for the period				
Net loss				-
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 loss for the period	-	-	-	-
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Changes in treasury shares, net			(0)	(0)
Total contributions by and distributions to owners	-	-	(0)	(0)
Total transactions with owners	-	-	(0)	(0)
Balance at December 31, 2019	10,649	5,859	(2,790)	3,068

	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, 2019	(58)	(761)	(53)	(873)	1,880	14,725	14,725
Total comprehensive income for the period							
Net loss				-	(5,665)	(5,665)	(5,665)
Other comprehensive income							
Net change in financial assets measured at fair value through other comprehensive income	22			22		22	22
Exchange differences on translation of foreign operations		(464)		(464)		(464)	(464)
Cash flow hedges			24	24		24	24
Total comprehensive loss for the period	22	(464)	24	(416)	(5,665)	(6,082)	(6,082)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Changes in treasury shares, net				-		(0)	(0)
Total contributions by and distributions to owners	-	-	-	-	-	(0)	(0)
Total transactions with owners	-	-	-	-	-	(0)	(0)
Balance at December 31, 2019	(35)	(1,225)	(28)	(1,290)	(3,785)	8,643	8,643

(4) Consolidated Statements of Cash Flows

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

	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019
Operating activities:		
Loss before income tax	(1,040)	(5,653)
Depreciation and amortisation	2,593	2,786
Gain on sales of property, plant and equipment	(98)	(1)
Impairment losses of property, plant and equipment	-	1,884
Gain on sales of other financial assets	(132)	(94)
Impairment losses of other financial assets	313	-
(Increase)/decrease in trade receivables	(223)	8
(Increase)/decrease in inventories	(135)	238
Decrease in consumption tax/value-added tax receivables	976	108
Decrease in trade payables	(344)	(414)
Decrease in accrued bonuses	(687)	(395)
Decrease/(increase) in derivative assets	185	(21)
Increase in derivative liabilities	44	35
(Decrease)/increase in provisions	(183)	1,669
Interest and dividend income	(41)	(65)
Interest expense	165	219
Interest and dividends received	41	65
Interest paid	(130)	(207)
Income tax paid, net	(55)	(61)
Other, net	(458)	259
Net cash provided by operating activities	<u>789</u>	<u>360</u>
Investing activities:		
Purchase of property, plant and equipment	(2,904)	(1,480)
Purchase of intangible assets	(47)	(42)
Purchase of other financial assets	(704)	(8)
Proceeds from sales of land use right	-	1,114
Proceeds from sales of property, plant and equipment	145	1
Proceeds from sales of other financial assets	546	591
Other, net	(3)	(3)
Net cash used in investing activities	<u>(2,967)</u>	<u>173</u>
Financing activities:		
Proceeds from long-term loans and borrowings	13,500	-
Repayment of long-term loans and borrowings	(7,729)	(8,094)
Net (decrease)/increase in short-term loans and borrowings	(2,245)	8,847
Repayments of lease liabilities	-	(384)
Cash dividends paid	(3)	(1)
Purchase and sales of treasury shares, net	(0)	(0)
Net cash provided by financing activities	<u>3,520</u>	<u>367</u>
Net increase in cash and cash equivalents	<u>1,343</u>	<u>901</u>
Cash and cash equivalents at beginning of year	<u>6,851</u>	<u>8,231</u>
Net effect of currency translation on cash and cash equivalents	<u>(47)</u>	<u>(162)</u>
Cash and cash equivalents at end of period	<u>8,147</u>	<u>8,970</u>

(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)

	Nine Months Ended December 31, 2018		Nine Months Ended December 31, 2019		Increase/(decrease)	
	Amount	Composition (%)	Amount	Composition (%)	Amount	Change (%)
Quartz crystal units	19,405	60.2	18,658	62.8	(746)	(3.8)
Crystal devices	9,579	29.7	8,283	27.9	(1,295)	(13.5)
Others	3,246	10.1	2,774	9.3	(472)	(14.6)
Total	32,231	100.0	29,716	100.0	(2,515)	(7.8)