

Results of Operations for Fiscal Year 2017 (Ended March 31, 2017)

Nihon Dempa Kogyo Co., Ltd.

May 18, 2017

【Note】

Statements made in this presentation with respect to our current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about our future performance. These statements are based on management's assumptions and beliefs in light of information currently available to it. We caution that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not rely on the belief that it is our obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Risks and uncertainties that might affect us include, but are not limited to, fluctuation of currency exchange rates, overall supply and customer demand in the industry, product development and production capacities, performance of affiliated companies, and other risks and uncertainties.

1. Performance in FY2017

2. Management Measures and Outlook for FY2018

**Presented by Hiromi Kato,
Director and Executive Vice President**

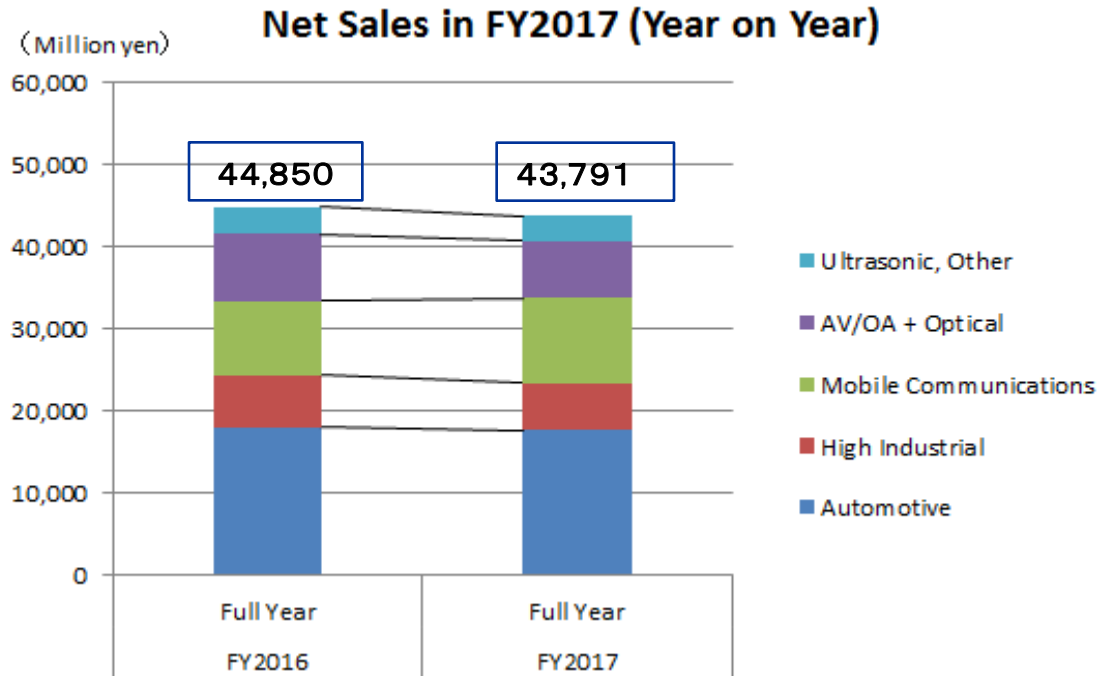
Summary of Performance in FY2017








(Million yen)

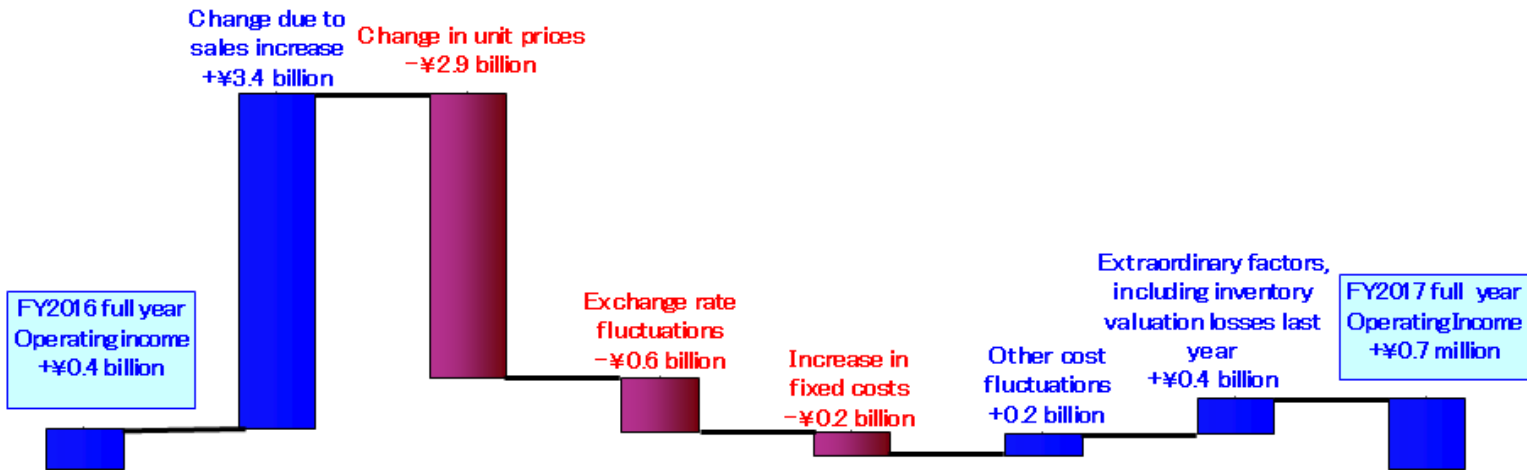
	①	②	③	③ - ①	③ - ②
	FY2016 Full Year	FY2017 Full Year Outlook as of May 12	Results for FY2017	Change YoY	Change from Outlook as of May 12
Net Sales	44,850	45,000	43,791	▲ 1,059	▲ 1,209
Operating Income	410	850	727	317	▲ 123
Income before Tax	102	750	472	370	▲ 278
Net Income	317	650	611	294	▲ 39
Total Comprehensive Income	▲ 1,414	-	▲ 72	1,342	-
Exchange Rate (against U.S. dollar)	¥120.16	¥110.00	¥109.03	¥▲11.13	¥▲0.97

FY2017: Net Sales for the Full Year



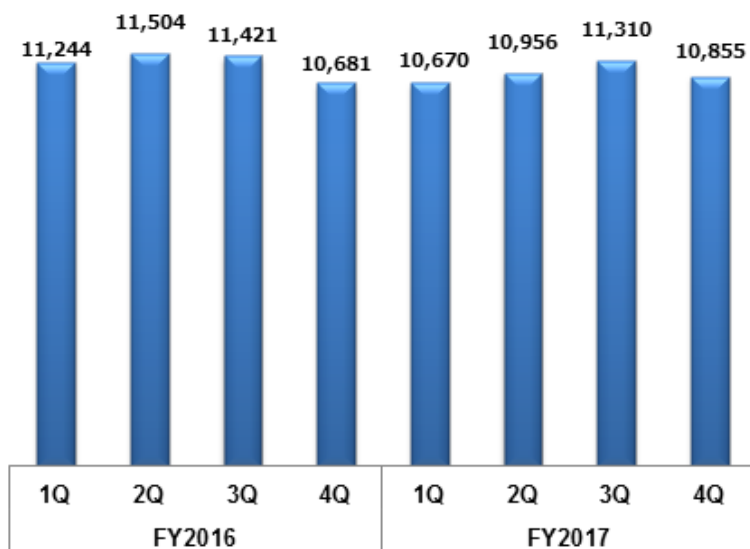
Automotive		Sales in unit terms increased, but along with the production trend toward SMDs, the average unit price decreased because of changes in the product mix and the strengthening of the yen. Sales in value terms decreased year on year.
High Industrial		After the beginning of FY2017, demand for crystal products for mobile communications base stations was weaker than expected, because of the upcoming shift to fifth-generation (5G) mobile communications systems, and sales were below the planned levels.
Mobile Communications		Sales to Chinese smartphone manufacturers expanded substantially, and production lines for SAW devices for smartphones went into operation and sales began. In addition, mass production of 1612-size TCXOs for cutting-edge smartphones began.
AV/OA + Optical		Sales to TV, PC, and camera manufacturers declined.
Ultrasonic, Other		Sales declined from the previous year due to production adjustments of customers in ultrasonic devices.

Profit Variation Analysis (FY2016→FY2017)

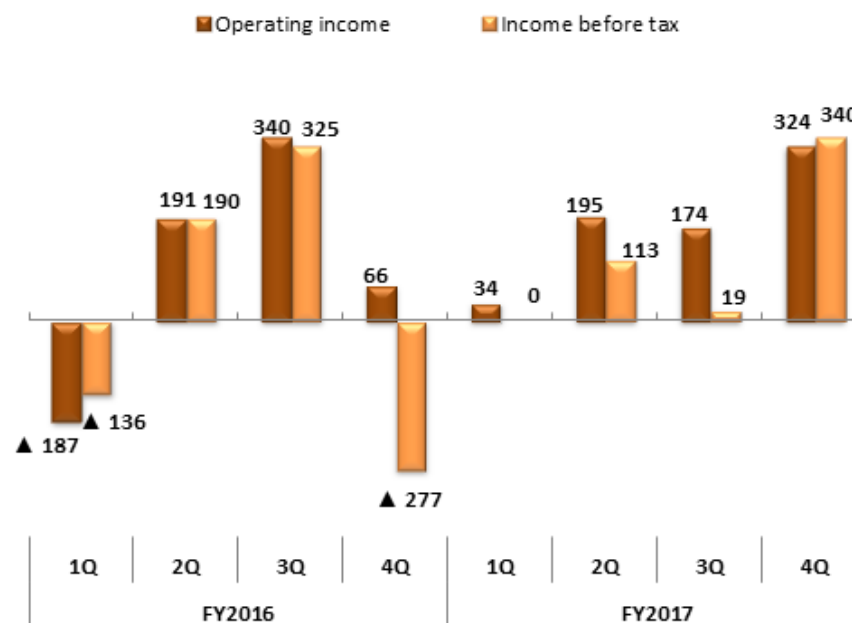


Quarterly Results

Net Sales (Million yen)



Profit (Million yen)

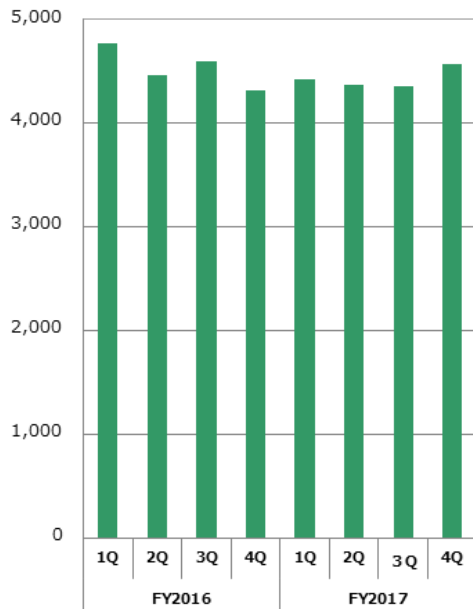


Sales Trends in Main Applications

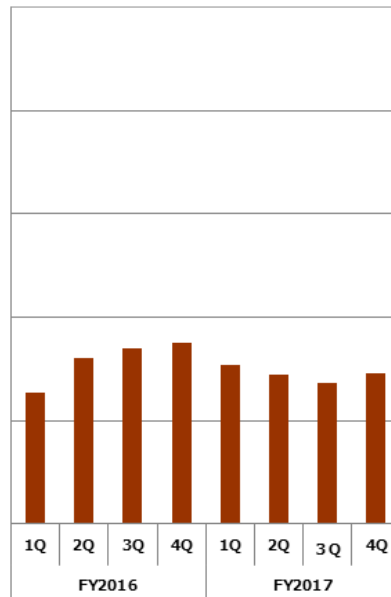


- Automotive** : Sales expanded in the fourth quarter of FY2017, because of a rise in ADAS sales.
- High industrial** : Sales expanded in the fourth quarter of FY2017 along with a rise in sales of products for high-value-added aerospace and special equipment.
- Mobile Communications** : Sales decreased in the fourth quarter compared with the third quarter due to seasonal factors.
- AV/OA + Optical** : Sales remained stagnant because of weakness in sales to TV, PC, and camera manufacturers.

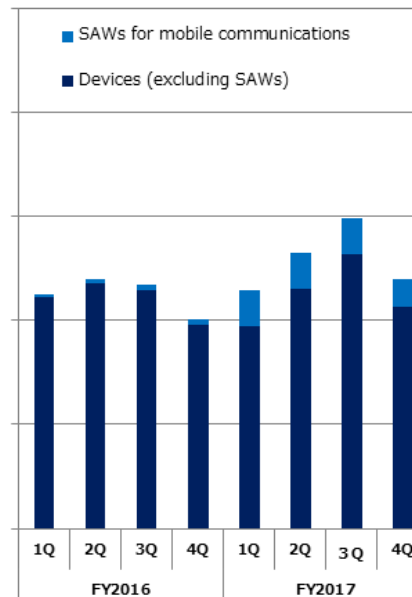
(Million yen) **Automotive**



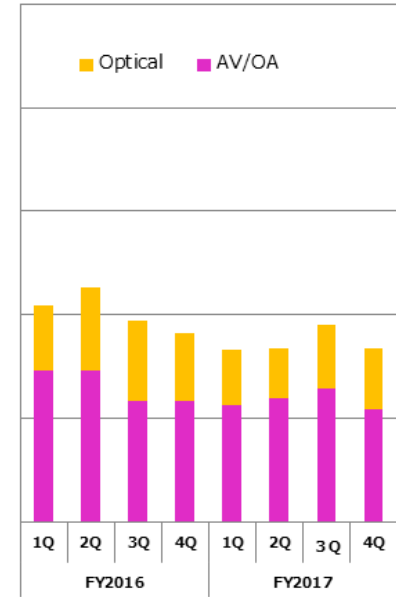
High industrial



Mobile communications



AV/OA+ Optical



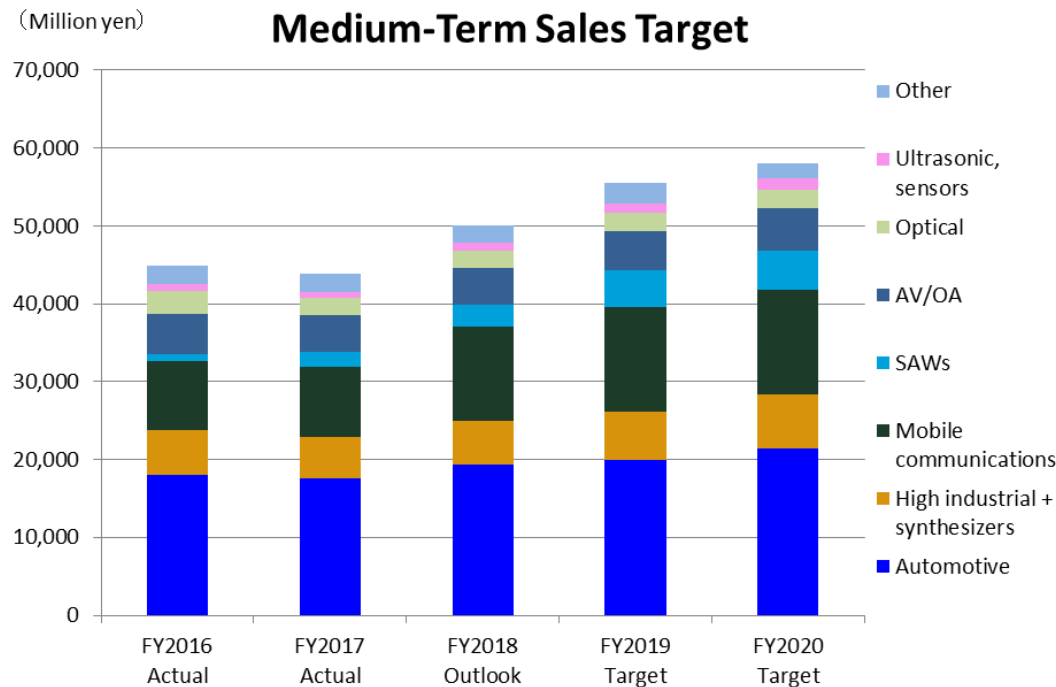
Results of Operations in FY2017



- 1. Performance in FY2017**
- 2. Management Measures and Outlook for FY2018**

Medium-Term Sales Targets

- **Automotive:** Position automotive as driver of growth strategy
- **High Industrial:** Strengthen development and sales of high-value-added products
- **Mobile Communications:** Expand sales mainly to smartphone manufacturers in North America and China
- **SAWs:** Boost sales of SAW products for mobile communications and aim for entry into the automotive market



Recover ¥50 Billion Level in Sales in FY2018!

Continue on a Growth Trajectory

Automotive Market

Position Automotive as Driver of Growth Strategy

Percentage of automobiles equipped with ADAS
2015: **9%** ⇒ 2020: **16%**



Demand for automotive crystal products is forecast to grow at **more than 10% annually**.

Develop and market highly reliable products that meet requirements of ADAS/Automotive driving specifications (Crystal oscillators, TCXOs, clock oscillators, SAW devices)

Telecommunications equipment



Automobile-mounted cameras

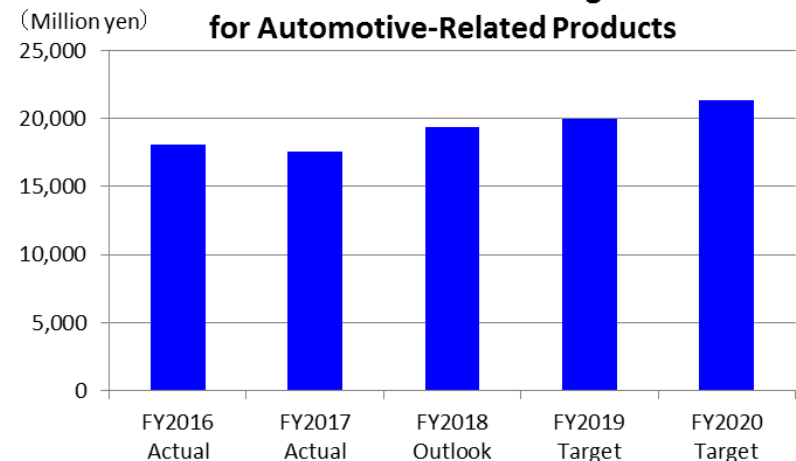


Microwave radar



Permissible error for GNSS/GPS is several centimeters

Medium-Term Sales Target for Automotive-Related Products



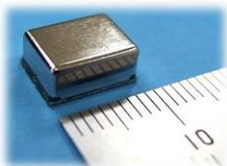
High Industrial Market

Develop and Expand Sales of High-Value-Added Products with the World's Highest Precision

【Base Station Market】

As data volumes increase, installation of compact base and spot base stations will expand rapidly.

⇒Promote development and expansion of sales of compact and high precision OCXOs



【9*7mm OCXOs】
Improve ultra-compact and activation features

【Optical Communications Market】

Along with the trends toward longer distance and higher data volume optical networks, demand is increasing for high-frequency oscillator devices that can handle high-speed transmission.

⇒New product: MVCXOs*



【MVCXOs】
Wide frequency handling capacity:
15MHz to 4,200MHz
Superior low jitter performance: 150fs rms/622MHz
*Multi-mode VCXOs

【Aerospace and Special Equipment】

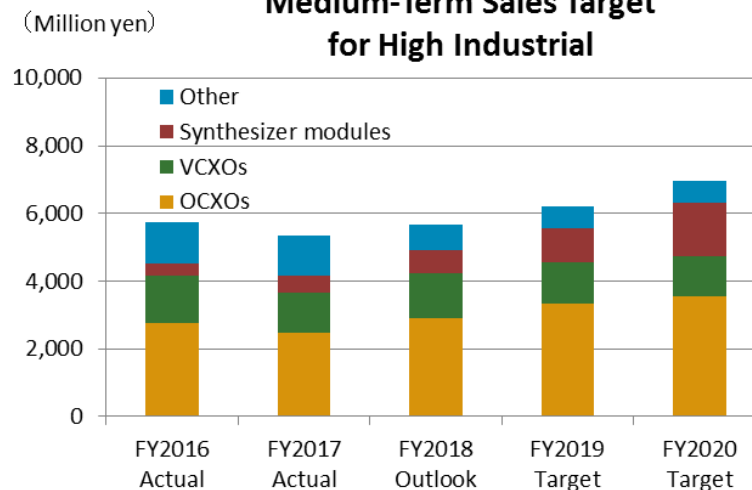
- Frequency synthesizers/module products
⇒For wireless transmission equipment, radar, etc.



【Frequency synthesizers】
Optimal for use in microwave transmission requiring low phase noise and low spurious interference

- Strengthen development and expansion of sales of wireless equipment

Medium-Term Sales Target for High Industrial

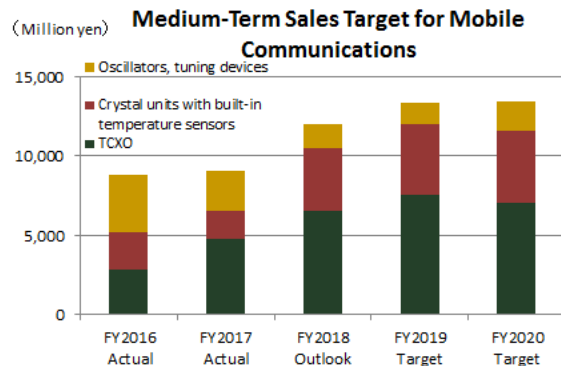
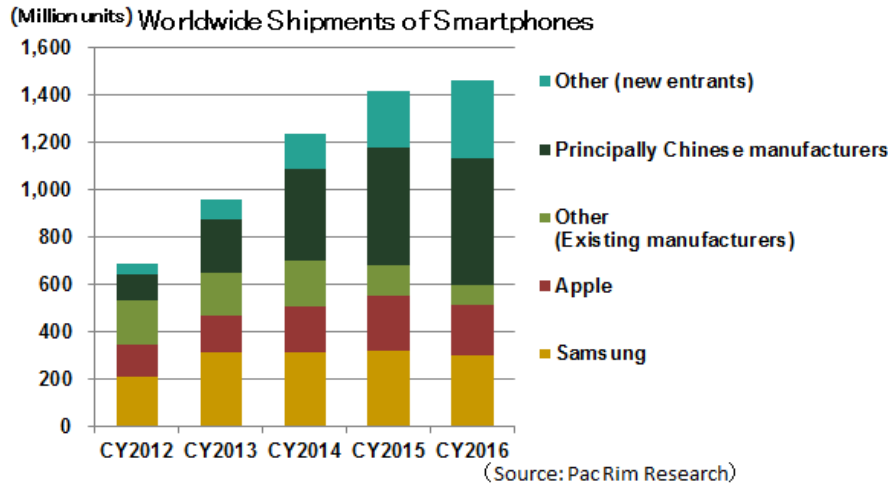


Mobile Communications Market

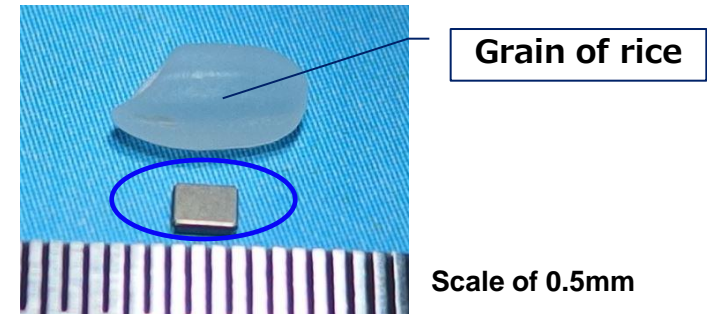
Expand Sales Mainly to Smartphone Manufacturers in North America and China

Customers: Expand sales mainly to smartphone manufacturers in North America and China

Products: Expand sales mainly of 1612-size crystal products



1612-Size TCXOs



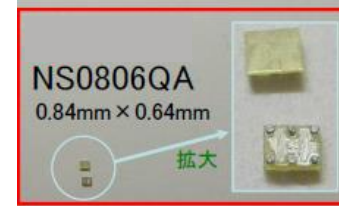
Next, 1210-size

Uses ultra-miniature processing technology that achieves a high level of precision and reliability that cannot be obtained through mechanical processing techniques

SAW Device Market

Aiming to Increase Sales to Mobile Communications and Enter the Automotive Market

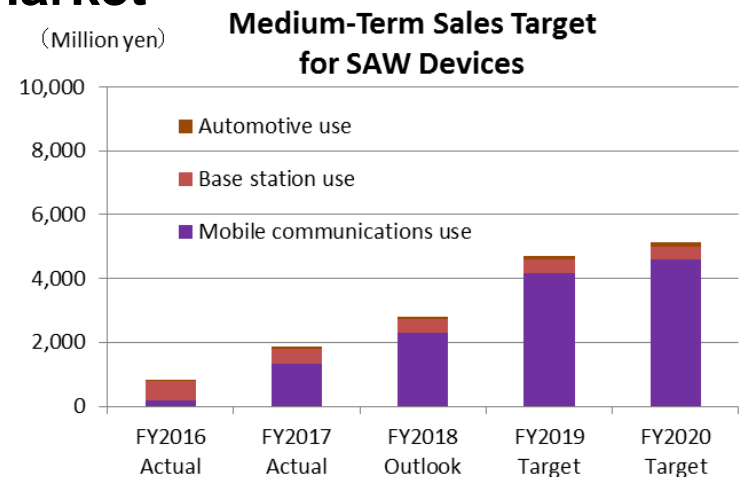
Meeting requirements for SAW devices that are more compact and low profile due to application of **NDK's original packaging (WL-CSP) technology**



■ In FY2017, continue to sell to U.S. module manufacturers

■ In FY2018, newly enter Greater China market

Proceeding with product development and obtaining certifications for full-scale entry into the automotive-related SAW business



Ultrasonic Equipment and Sensor Markets

- Step up marketing of portable compact ultrasonic equipment and 3D image probes
- Promote commercialization of sensors for food product and influenza detection
- Development and marketing of gas measurement sensors

Developing World's First Gas Measurement Sensors Jointly with JAXA

NDK's QCM sensors are helping to solve the problem of gas deposits on telescope lenses, etc. (contamination) caused by emissions from materials in satellites and probes!!



【Photograph of external view of Twin QCM Sensor】

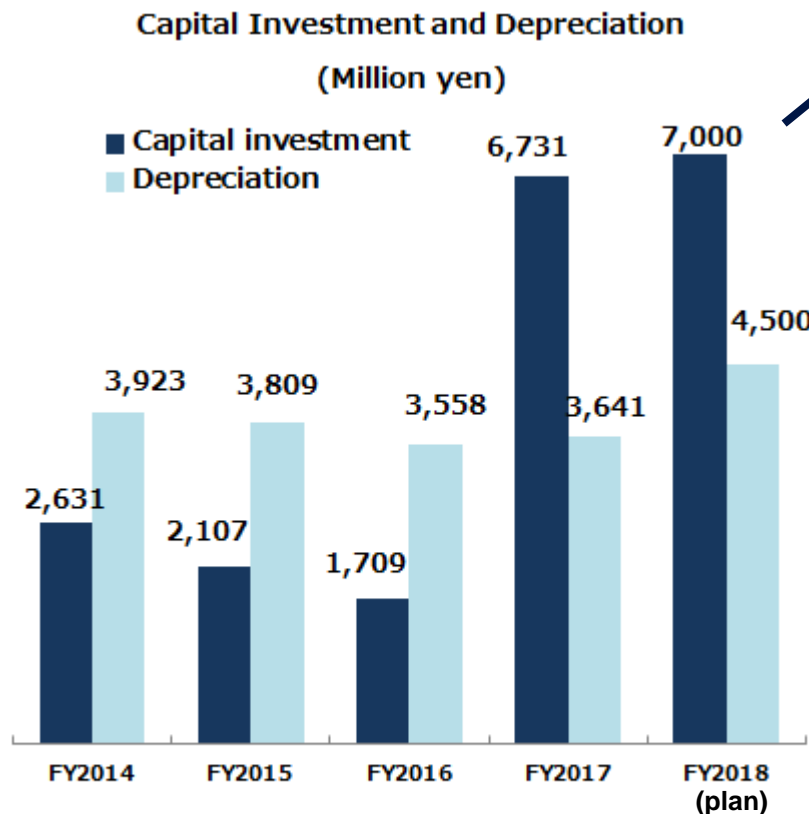


<JAXA COSMODE>

JAXA official brand. JAXA grants JAXA COSMODE to merchandises coproduced by JAXA and private businesses, and produced by and with the use and application of exclusive and non-exclusive technologies at JAXA's disposal, and JAXA registered properties. JAXA launched JAXA COSMODE to promote the progress of space development and to present to society the benefit of the space exploration sponsored and approved by Japanese government.

Capital Investment in FY2018

【 Capital Investment 】 Plans for ¥7.0 Billion in FY2018



【Capital investment in FY2018】
About 90% will be undertaken
to increase production capacity
and production efficiency

FY2018 Full Year Forecast

	(Million yen)	
	FY2017 Actual	FY2018 Outlook
Net sales	43,791	50,000
Operating income	727	1,500
Income before tax	472	1,400
Net income	611	1,100
Income before tax ratio	1.1%	2.8%
Exchange rate (against the U.S. dollar)	¥109.03	¥108.00

<Reference>

Influence on net sales (annual): ¥1 fluctuation ⇒ approx. ¥200 million

Influence on operating income (annual): ¥1 fluctuation ⇒ approx. ¥50 million

NDK is working to regain the level of ¥50 billion in net sales. Also, to reach the planned level of ¥1.5 billion in operating income, NDK is making its maximum efforts. We look forward to your continuing support in the years ahead.

Thank you

**For investor relations related inquiries,
please contact:**

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