

First Half Results for Fiscal Year 2020 (Ended March 31, 2020) and Implementation of Structural Reforms

Nihon Dempa Kogyo Co., Ltd.

November 15, 2019

[Note]

Statements made in this presentation with respect to our current plans, estimates, strategies, 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.

< Contents >

- 1. FY2020 First Half Results and FY2020 Full Year Outlook**
- 2. Implementation of Structural Reforms**

**Presented by Hiromi Katoh,
Representative Director and President**

Summary of Performance



(Million yen)

①

②

③

④ = ③ + ②

④ - ①

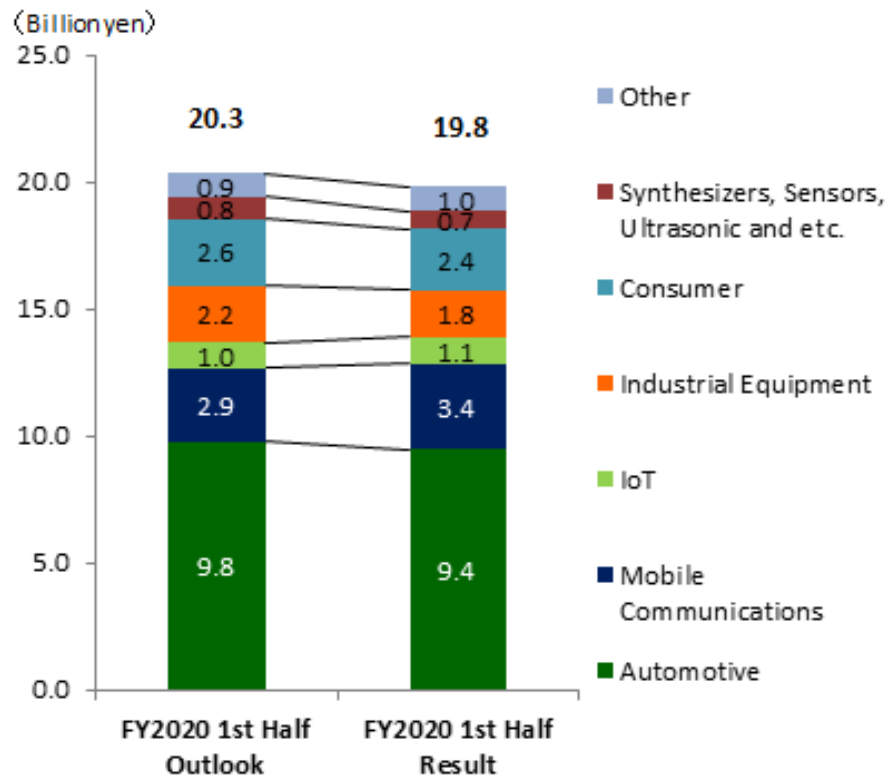
	FY2019 1 st Half Result	FY2020 1 st Half Outlook as of May 10	FY2020 1 st Half Result	Temporary Factors (*)	FY2020 1 st Half Result (exclude temporary factors)	Change from Outlook as of May 10 (exclude temporary factors)
Net Sales	21,218	20,300	19,825	0	19,825	▲475
Operating Income/ Loss	▲494	▲500	▲2,718	1,884	▲834	▲334
Income/ Loss before Tax	▲715	▲650	▲2,790	1,884	▲906	▲256
Net Income/ Loss	▲753	▲700	▲2,796	1,884	▲912	▲212
Exchange Rate (against U.S. dollar)	¥110.07	¥107.00	¥109.00		¥109.00	+¥2.00

(*) 1,884 million yen is posted as impairment losses due to the sales decrease at the mobile markets anticipated in the future which have been unprofitable.

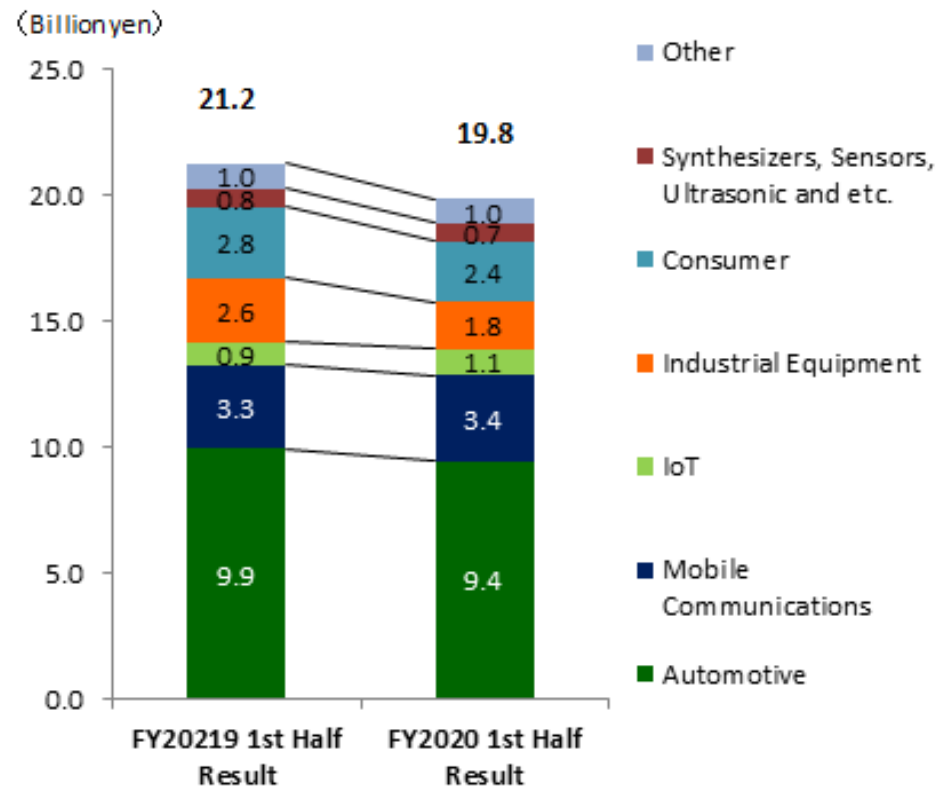
FY2020 1st Half : Net Sales Result



Net Sales for FY2020 1st Half (Outlook vs Result)

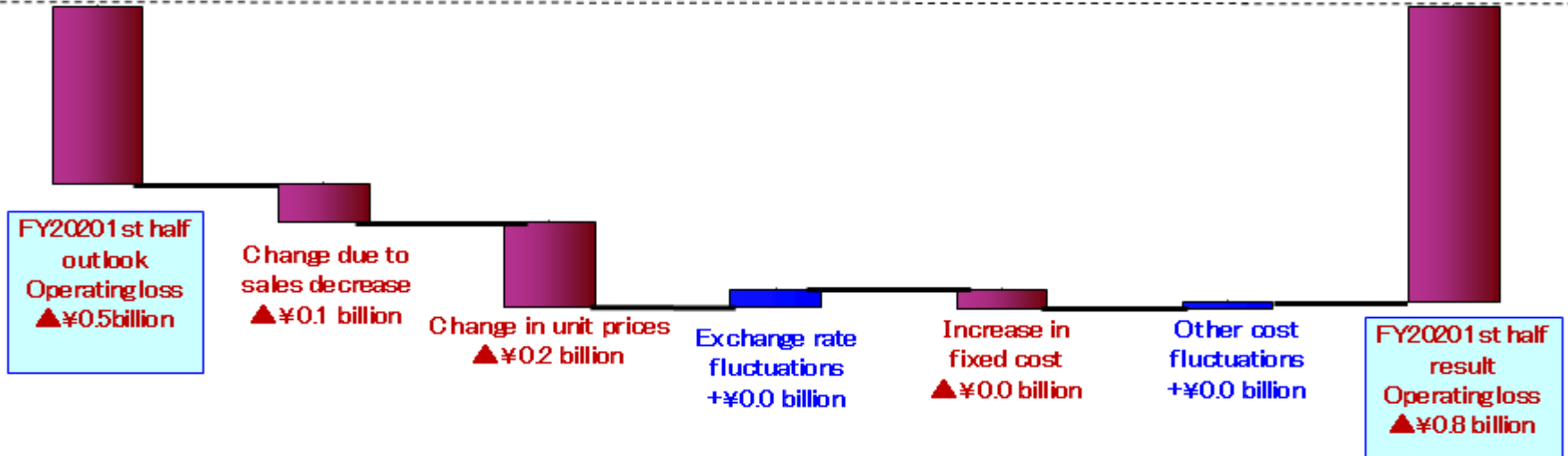


Net Sales for FY2020 1st Half (Year on Year)

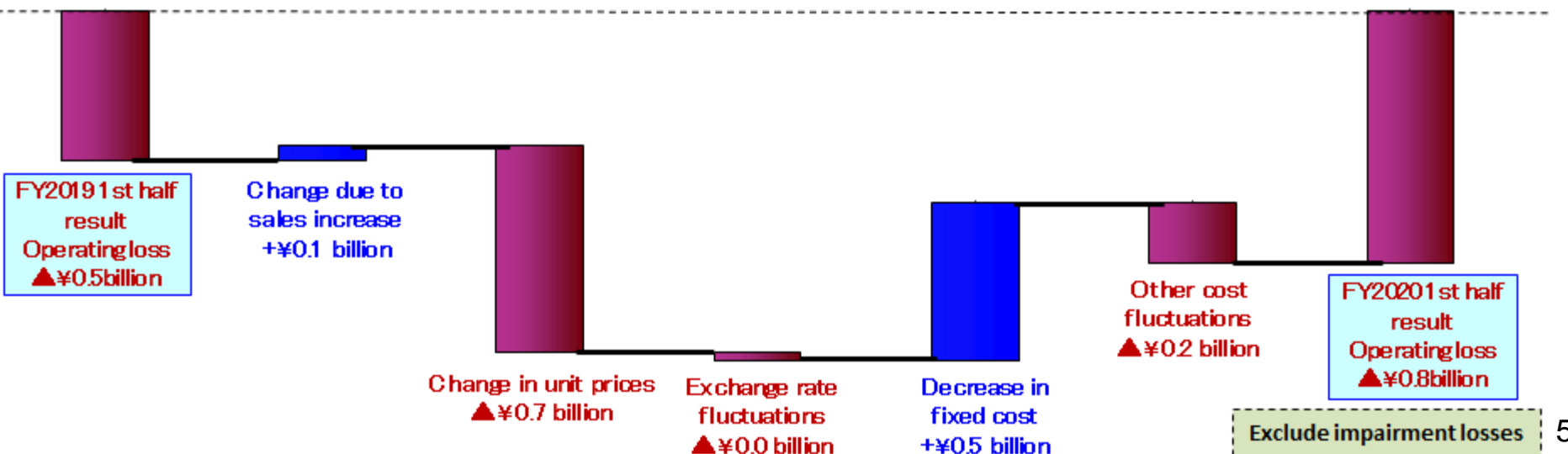


FY2020 1st Half : Profit Result

Outlook vs Result

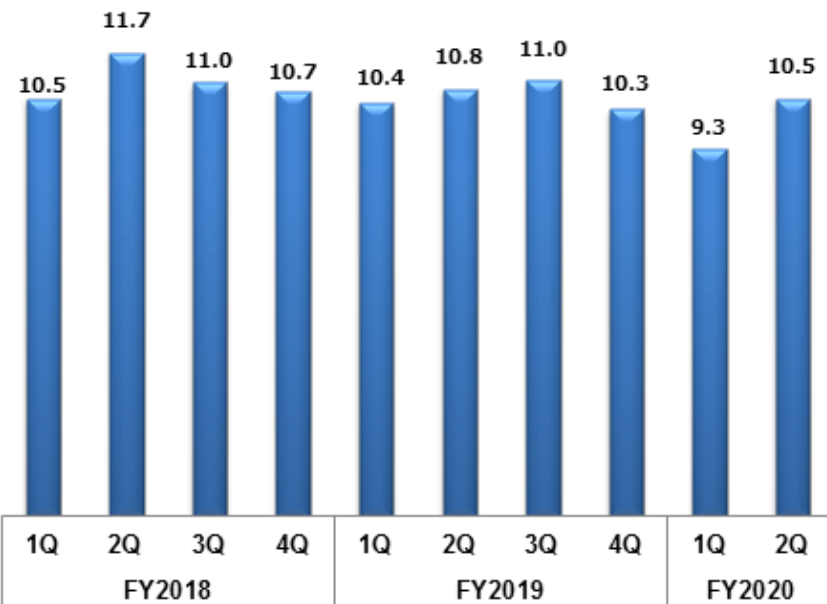


Year on Year

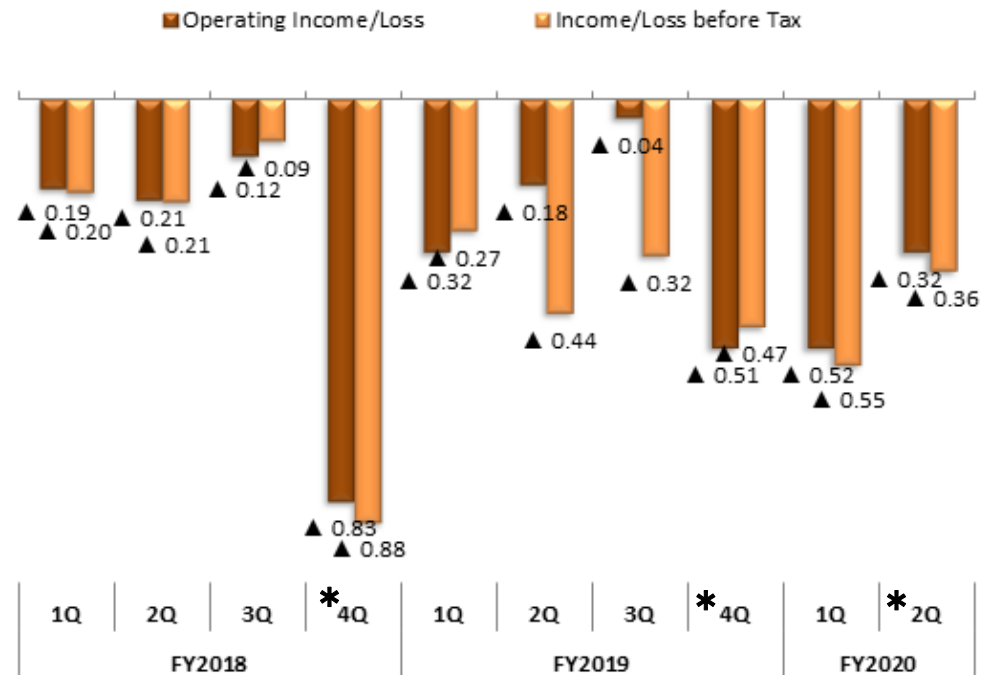


Quarterly Result

Net Sales (billion yen)

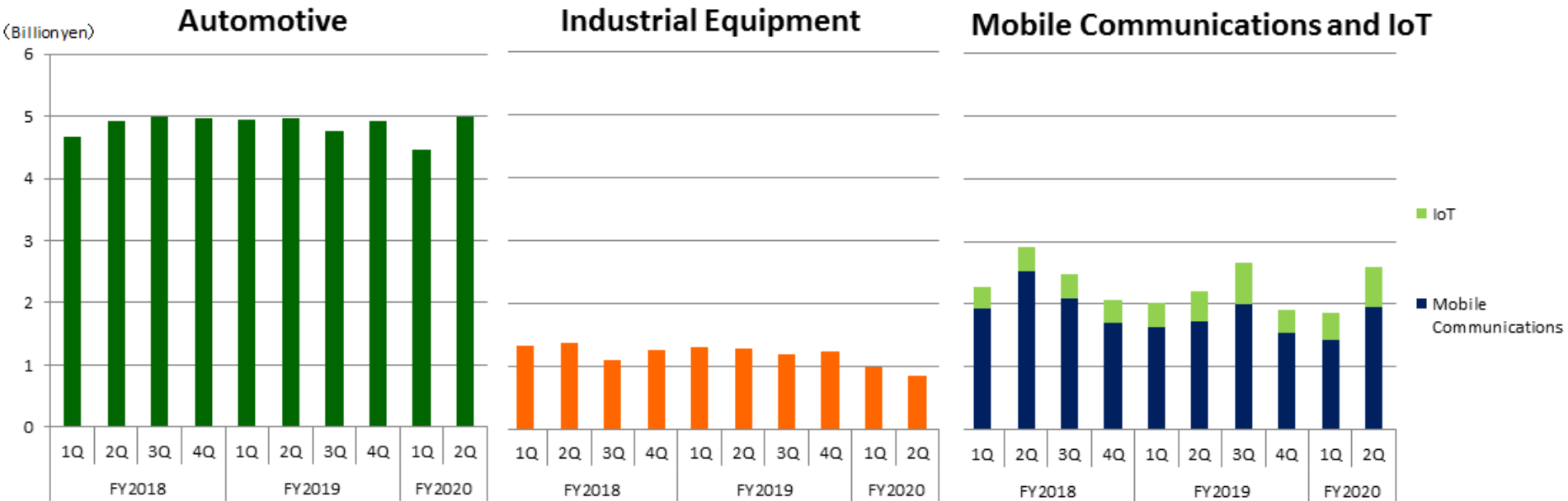


Profit (billion yen)



* Temporary factors are excluded in FY2018 4Q, FY2019 4Q, and FY2020 2Q

Sales Trends in Main Applications



FY2020 Full Year Outlook

Million yen	FY2020 1st Half Result	FY2020 2nd Half Outlook	FY2020 Full Year Outlook
Net Sales	19,825	19,975	39,800
Operating Income/ Loss	▲2,718	▲3,682	▲6,400
Income/ Loss before Tax	▲2,790	▲3,910	▲6,700
Net Income/ Loss	▲2,796	▲4,204	▲7,000
Exchange Rate (against the U.S. dollar)	109.00円	107.00円	

<Reference>

Influence on Net Sales (annual)

: ¥1 fluctuation⇒approx. ¥200 million

Influence on Operating Income (annual)

:¥1 fluctuation⇒approx. ¥50 million

<Temporary factors included in profit/ loss>

	FY2020 1st Half Result	FY2020 2nd Half Outlook
<u>Impairment losses</u>	1,884	
<u>Costs for workforce reduction</u>		700
<u>Costs for factory relocation of Suzhou NDK Co., Ltd.</u>		1,980
◆Temporary factors in Net income/ loss	1,884	2,680

< Contents >

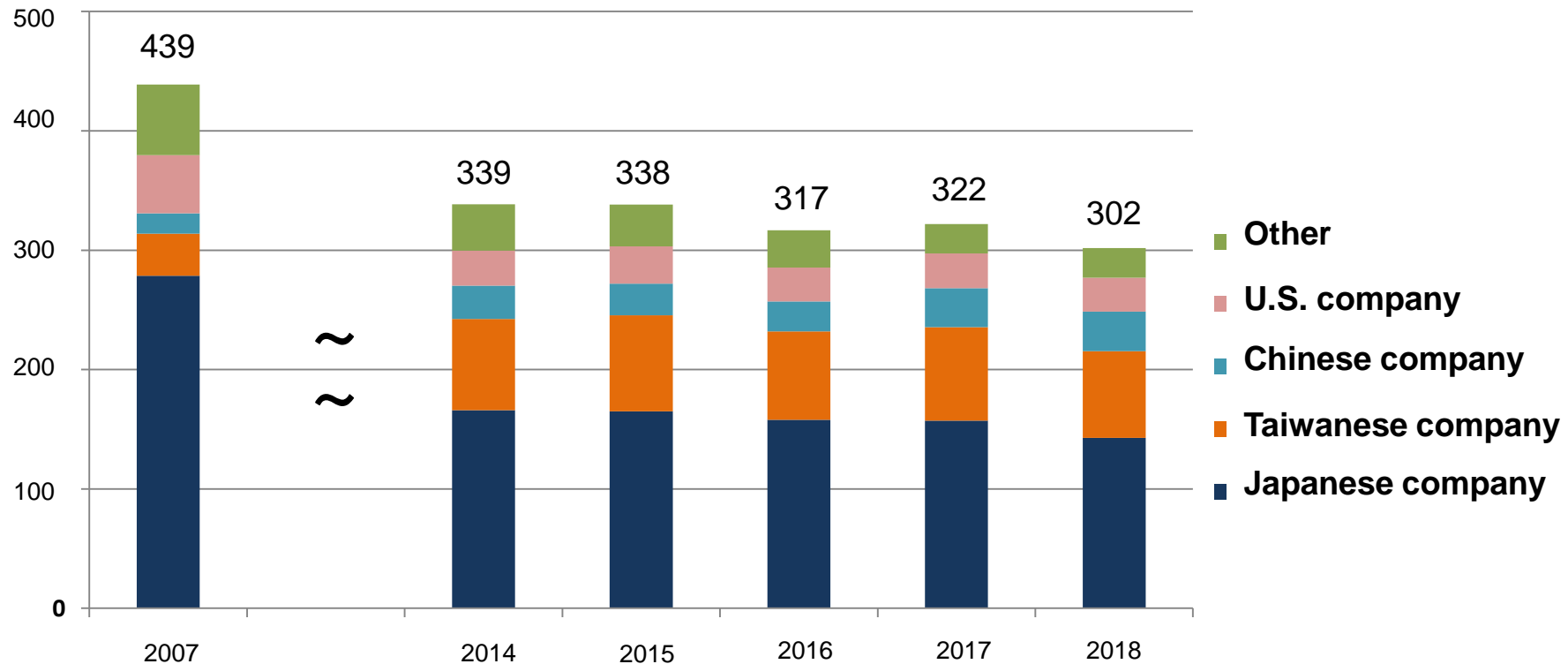
1. FY2019 First Half Results and
FY2019 Full Year Outlook

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Crystal Devices Market

Market trend for crystal devices (calendar year)

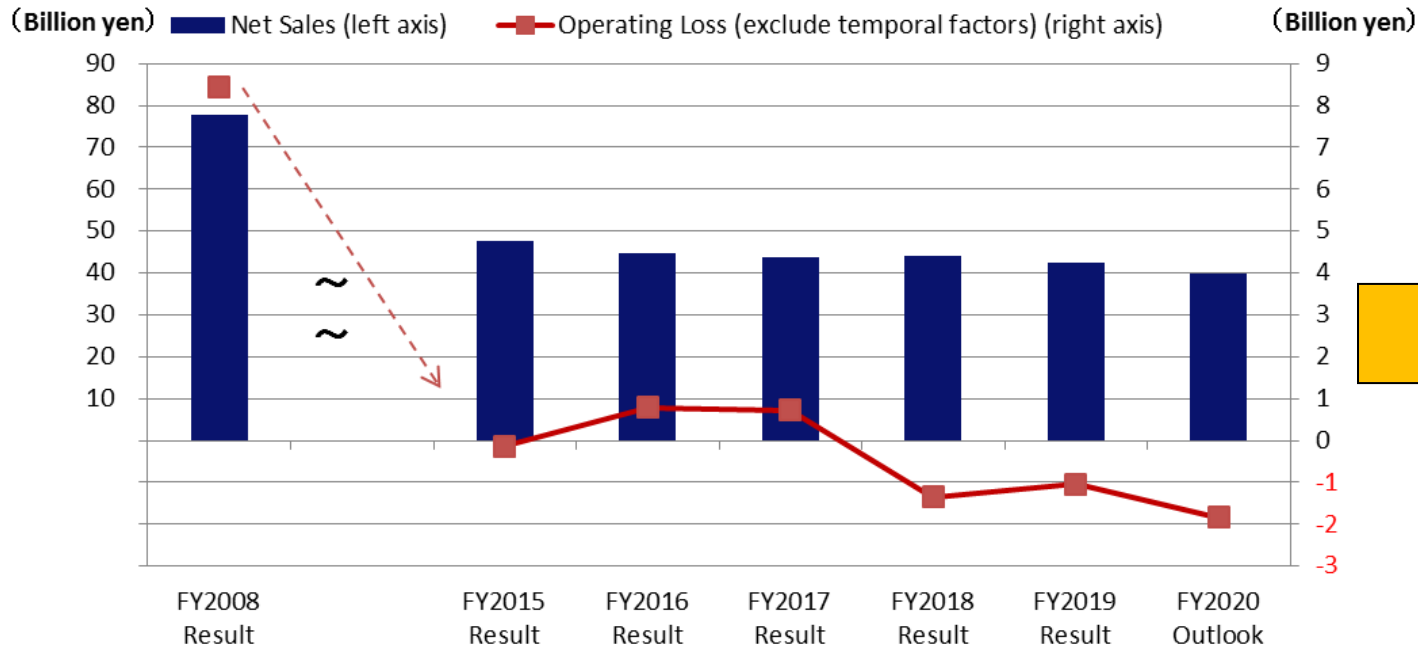
(Billion yen)



Source: QIAJ

NDK Historical Business Results

NDK Historical Business Results



**5G
ADAS**

- Differentiation at up-stream process
- Raise cost-competitiveness at down-stream process (assembly)
- Fixed costs reduction

Outline of Structural Reforms

1. Workforce reduction at the non-consolidated company (hereafter the “Parent company”)

Offering of voluntary early retirement of approximately 100 employees at the Parent company.

<Offering of voluntary early retirement>

① Number of employees :	Approximately 100
② Individuals eligible for voluntary early retirement :	Permanent employees enrolled in the Parent company who is 45 years old or older as of the date of retirement, and contract employees enrolled in the Parent company from 60 years old to the age of below 65.
③ Early retirement application period :	November 25, 2019 to December 24, 2019
④ Retirement date :	March 15, 2020
⑤ Other :	Individuals taking early retirement will receive prescribed retirement packages and will also receive special retirement benefits. Further, those wishing early retirement will receive reemployment support.

Outline of Structural Reforms

2. Restructuring of global production system

◆Up-stream process: inject resources more heavily on up-stream process from cultivating synthetic quartz crystals to wafer processing.

◆Down-stream process:

Sayama ⇒ Hakodate (Small mass-production products)

: already transferred

Furukawa ⇒ Malaysia (part of mass production lines for automotive)

: almost transferred

Furukawa ⇒ Malaysia (Tuning fork type crystal units)

: partly postponed to next term

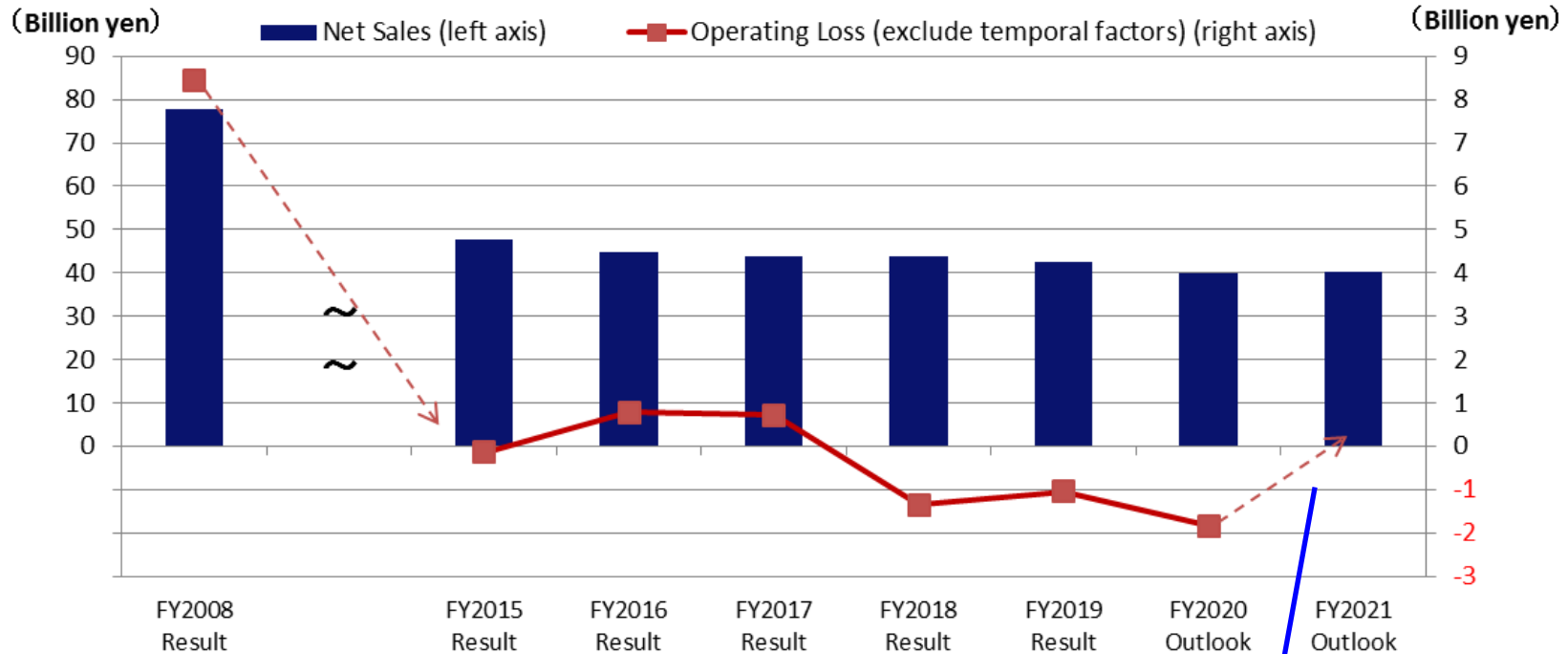


It is necessary to take a further step to restructure the production system in order to establish strong management base.



NDK will carry out the necessary structural reforms including collaboration with other companies.

NDK Historical Business Results



NDK will exercise a drastic reduction at fixed costs in order to change to a profitable cost structure even under the current sales level around 40 billion yen forecasted for this term.

- Workforce reduction at the Parent company
- Restructuring of global production system

We look forward to your continuing support in the years ahead.

Thank you

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

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