

# First Half Results for Fiscal year 2020 (Ending March 31, 2021)

**Nihon Dempa Kogyo Co., Ltd.**

**November 17, 2020**

[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.

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**(From April 1, 2020 to September 30, 2020)**
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- 3. Efforts to Realize the Mid-Term Management Plan**

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

# 1. First Half Results for FY2020

## Summary of Performance



(Million yen)

				①	②	③ = ① + ②
	FY2019 1H Result (Excluding temporary factors)	FY2020 1Q Result	FY2020 2Q Result	FY2020 1H Result	FY2020 1H Temporary factors	FY2020 1H Result (Excluding temporary factors)
<b>Net Sales</b>	<b>19,825</b>	<b>7,534</b>	<b>10,040</b>	<b>17,575</b>	<b>-</b>	<b>17,575</b>
<b>Operating Income/Loss</b>	<b>▲834</b>	<b>▲715</b>	<b>▲737</b>	<b>▲1,453</b>	<b>376</b>	<b>▲1,077</b>
<b>Net Income before Tax</b>	<b>▲906</b>	<b>▲820</b>	<b>▲843</b>	<b>▲1,663</b>	<b>376</b>	<b>▲1,287</b>
<b>Net Income</b>	<b>▲912</b>	<b>▲849</b>	<b>▲1,307</b>	<b>▲2,157</b>	<b>376</b>	<b>▲1,781</b>
<b>Exchange Rate</b>	<b>¥109.00</b>	<b>¥107.74</b>	<b>¥105.88</b>	<b>¥106.68</b>	<b>-</b>	<b>-</b>

<Temporary factors included in profit/loss>	FY2019 1H	FY2020 1H
Impairment losses	1,884	
Cost of structural reform		376
Temporary factors in net income/ loss	1,884	376

# 1. First Half Results for FY2020

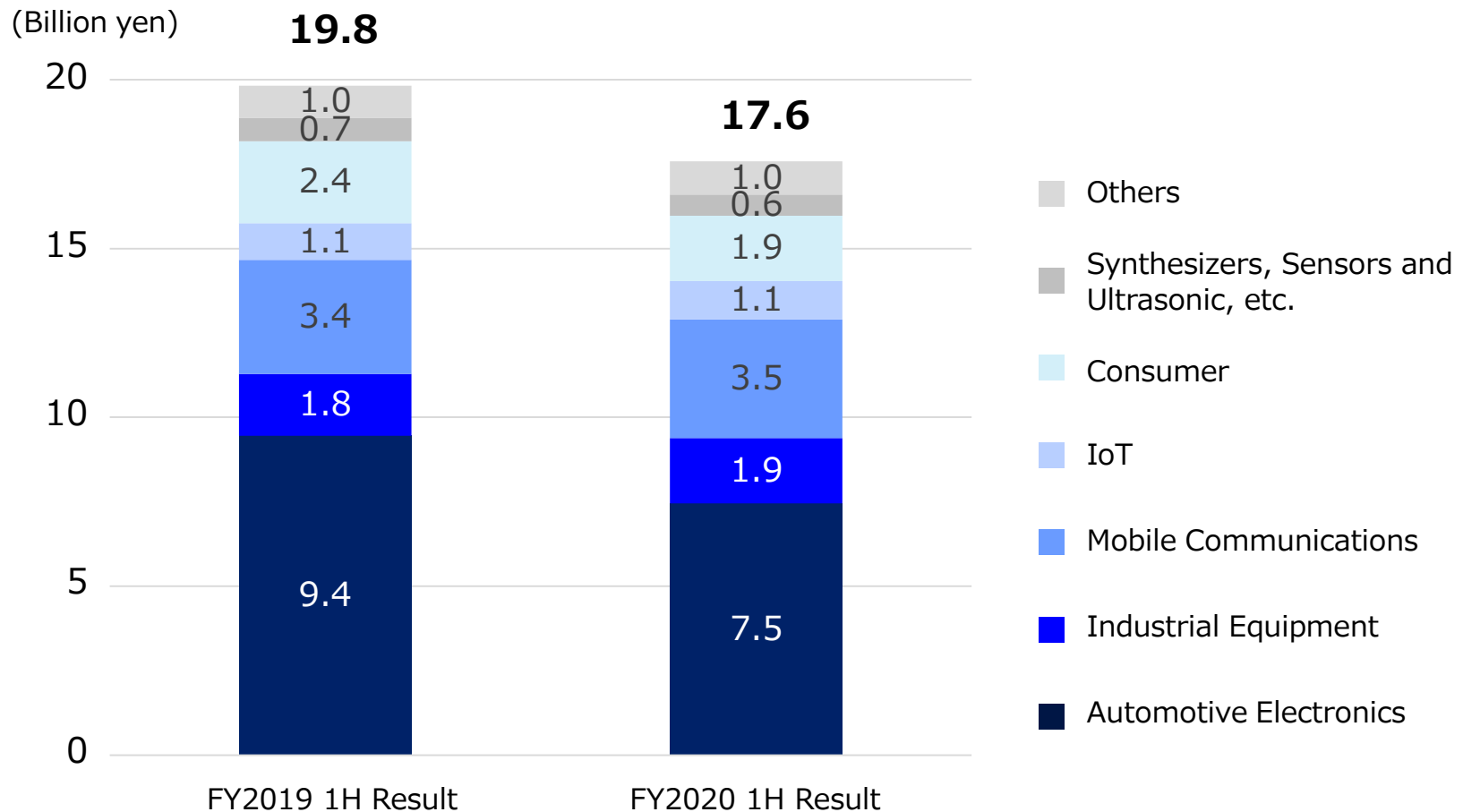
## Net Sales Year on Year



**Automotive Electronics:** There was a significant decline in earnings due to COVID-19. In the second quarter the recovery approached pre-COVID-19 levels.

**Industrial Equipment:** Earnings increased due to increased demand for OCXO targeting 5G base stations.

**Mobile Communications:** Increased sales for crystal devices targeting 5G smartphones and wireless earphones



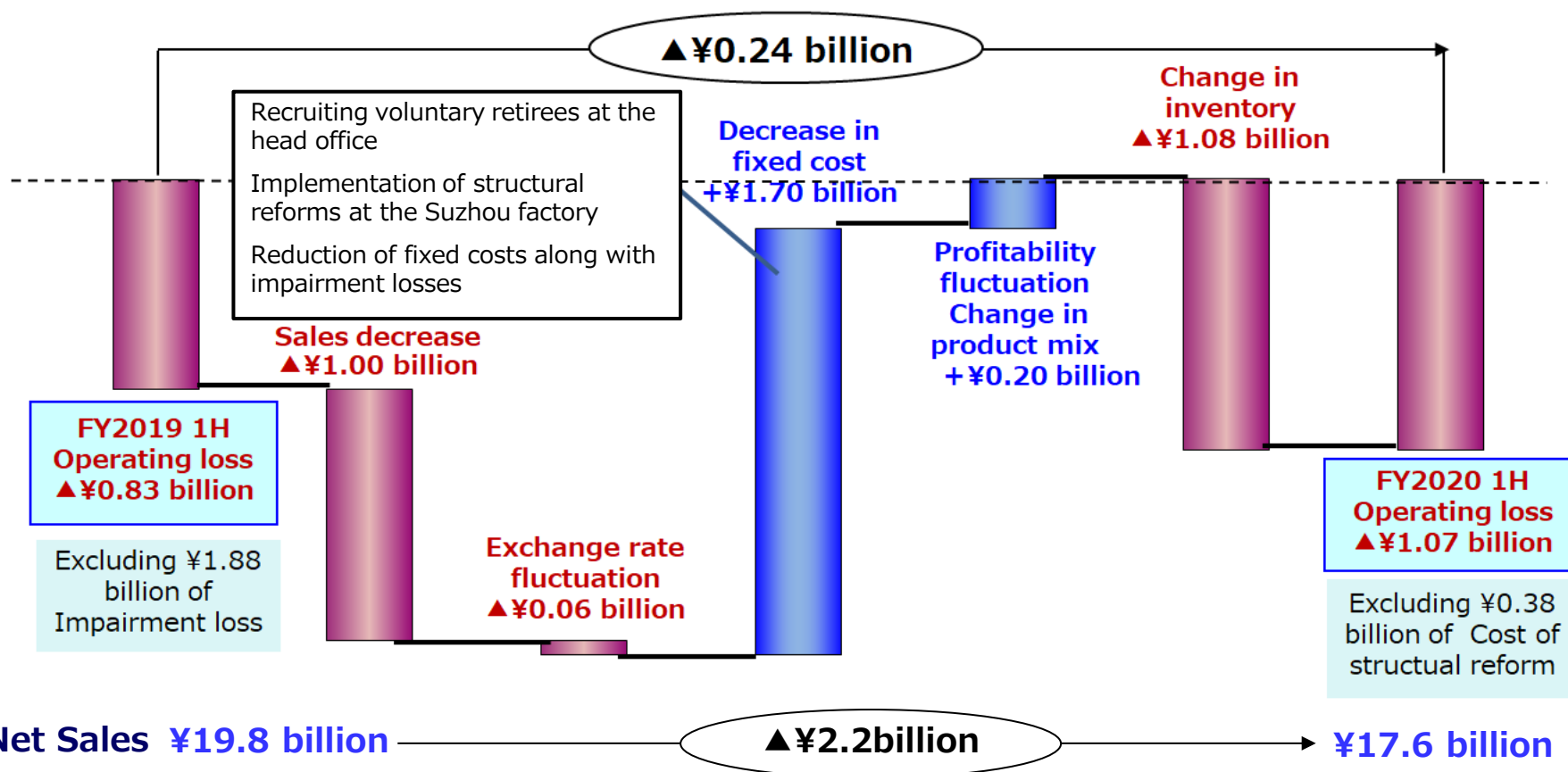
# 1. First Half Results for FY2020

## Operating Income

### Analysis of changes in profit from FY2019



- Although sales decreased by about ¥ 2.2 billion, fixed costs were drastically reduced by implementing structural reforms, and the break-even point was lowered, which resulted in suppressing expansion of losses.
- On the other hand, due to the progress on inventory reduction and the recording of inventory valuation loss, the scale of deficit expanded by an amount commensurate with these factors.



# 1. First Half Results for FY2020

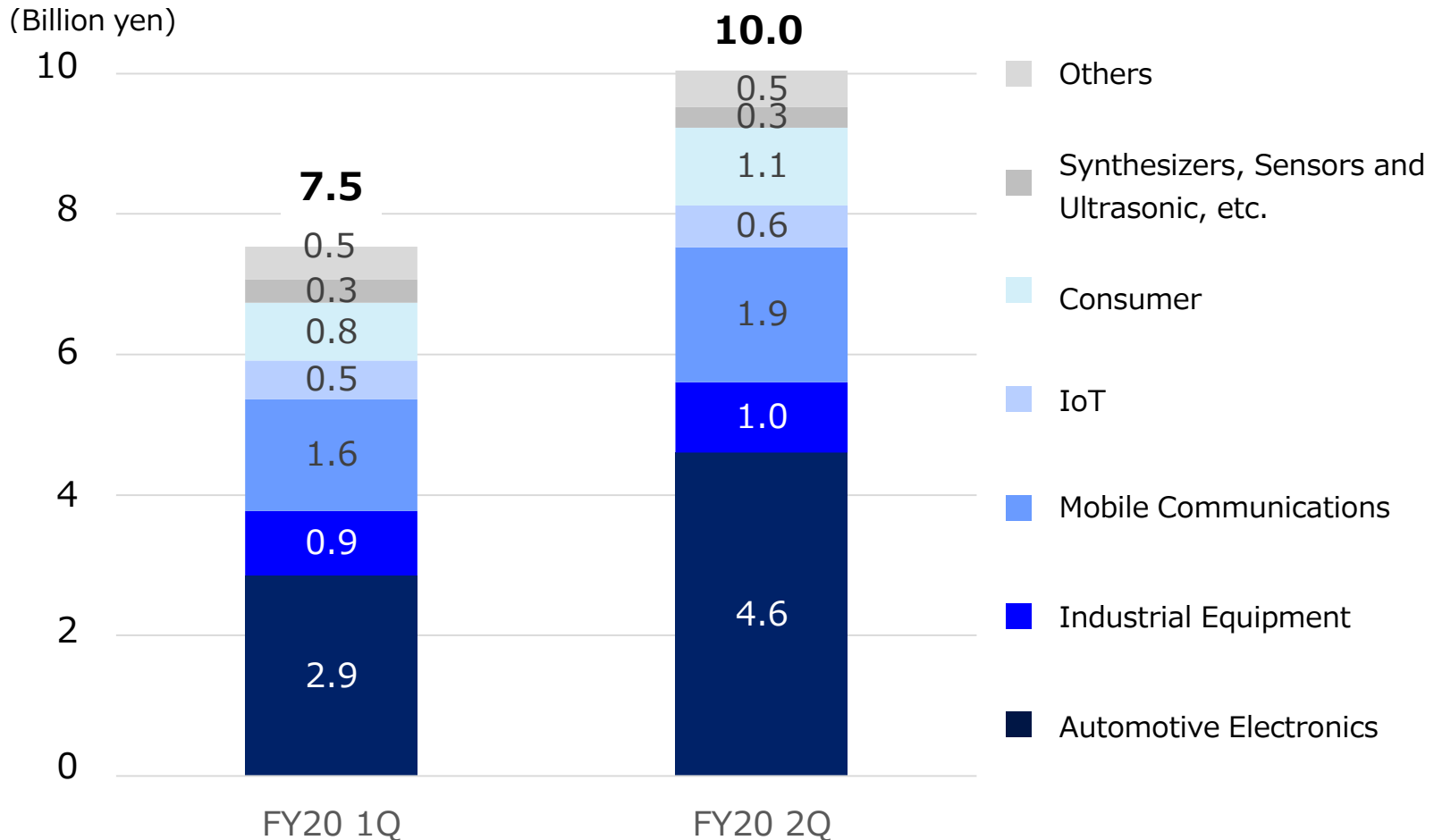
## Net Sales Changes from 1Q through 2Q



**Automotive Electronics:** Orders in the second quarter exceeded pre-COVID-19 levels

**Industrial Equipment:** Sales increased due to areas such as OCXO targeting 5G base stations

**Mobile Communications:** Increased sales of crystal units with built-in thermistors for 5G smartphones



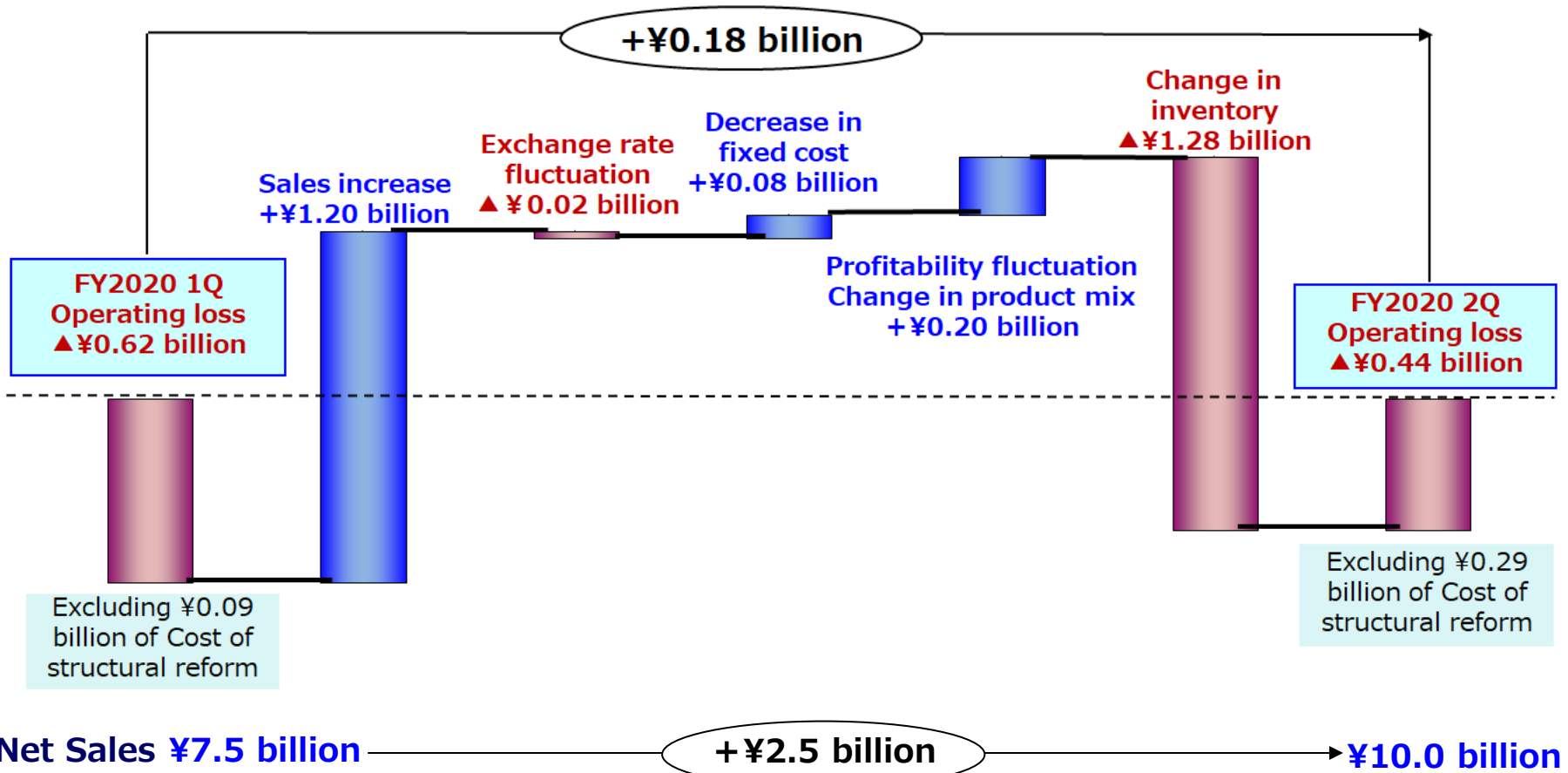
# 1. First Half Results for FY2020

## Operating Income

### Analysis of changes in profit from 1Q through 2Q



Although sales recovered significantly, the reduction in loss was limited due to the reduction of inventory that increased in the first quarter

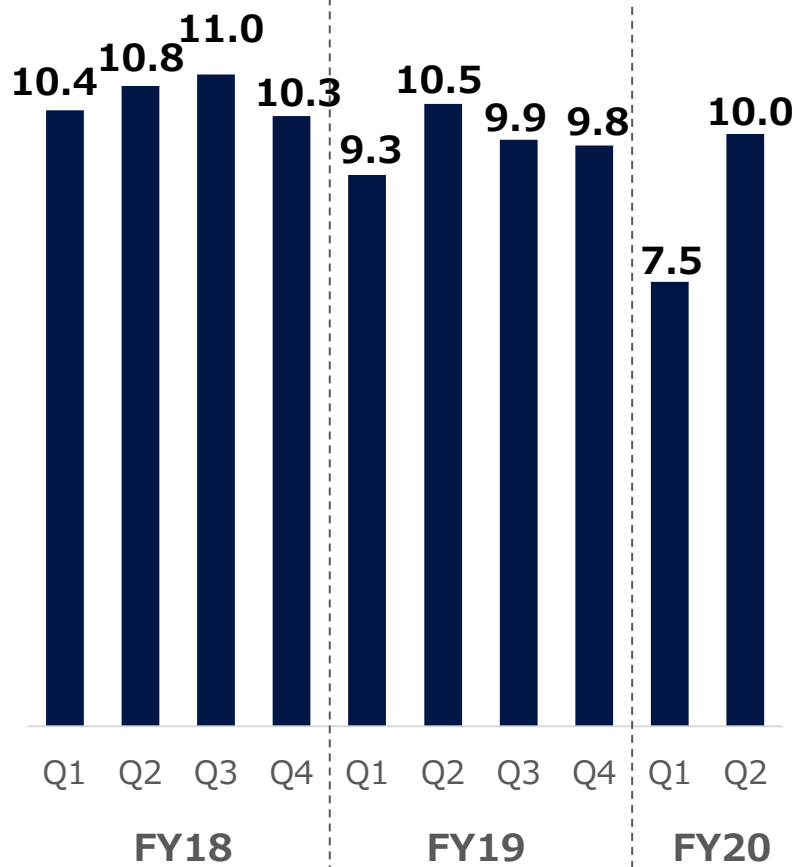


# 1. First Half Results for FY2020

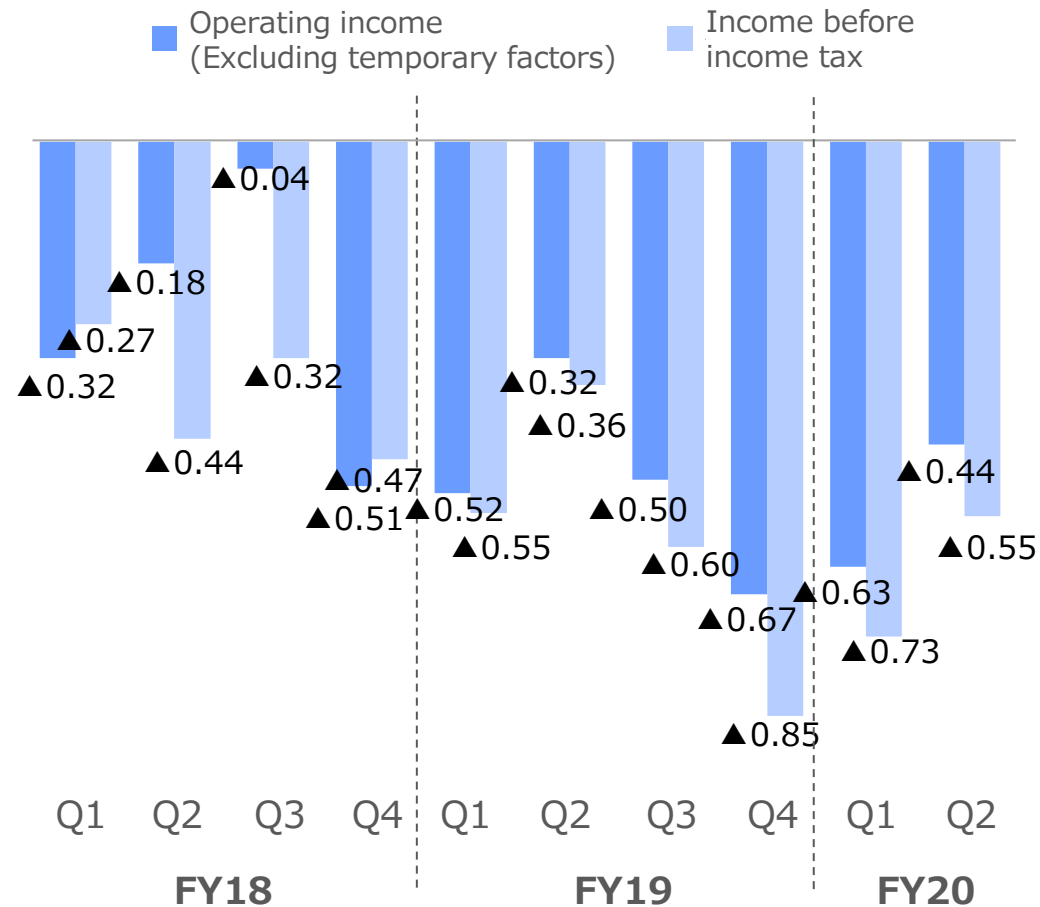
## Quarterly Results



Net Sales (Billion yen)



Profit (Billion yen, excluding temporary factors)





# 1. First Half Results for FY2020

## Net Sales by Key Application

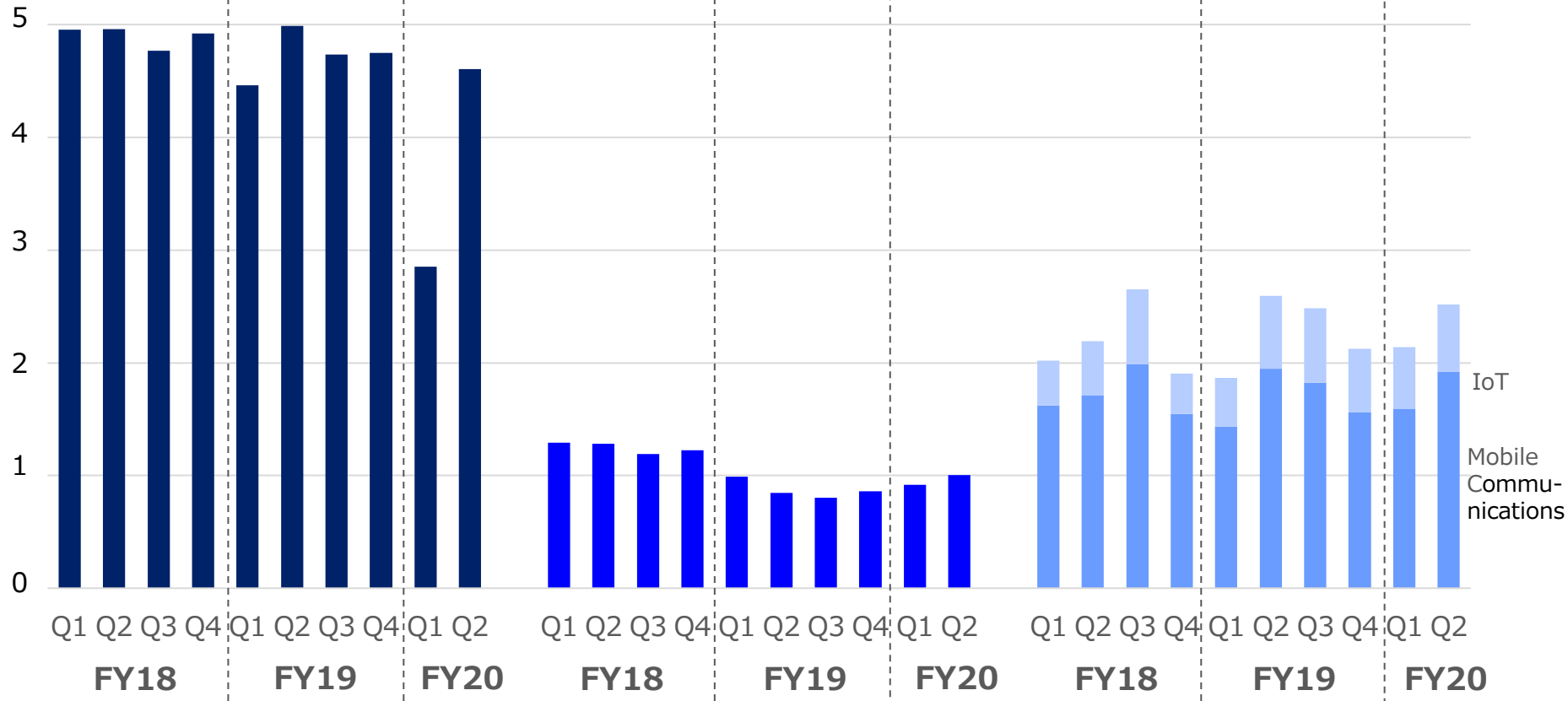


Automotive Electronics

Industrial Equipment

Mobile Communications/IoT

(Billion yen)



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## 2. Full Year Outlook for FY2020

# FY2020 Full-Year Outlook



(Million yen)	FY2020 1H Result	FY2020 2H Outlook	FY2020 Full-Year Outlook
Net Sales	17,575	20,025	37,600
Operating Income/Loss*	▲1,077	500	▲577
Operating Income/Loss	▲1,453	4,453	3,000
Net Income before Tax	▲1,663	4,163	2,500
Net Income	▲2,157	3,357	1,200
Exchange Rate (against the U.S. dollar)	¥106.68	¥105.00	

<Reference>

Impact on net sales (Full year)  
Exchange rate fluctuations of ¥1  
→Approx. ¥200 million

Impact on operating income  
(Full year)  
Exchange rate fluctuations of ¥1  
→Approx. ¥50 million

\*Operating income excluding temporary factors

<Temporary factors included in profit/loss>*	FY2020 1H Result	FY2020 2H Outlook
Income from the sale of shares in the SAW-device business		▲4,466
Cost of structural reform	376	357
<b>◆ Temporary factors included in profit under operating income</b>	<b>376</b>	<b>▲4,109</b>

\* Income shown as "▲", cost shown as a positive figure

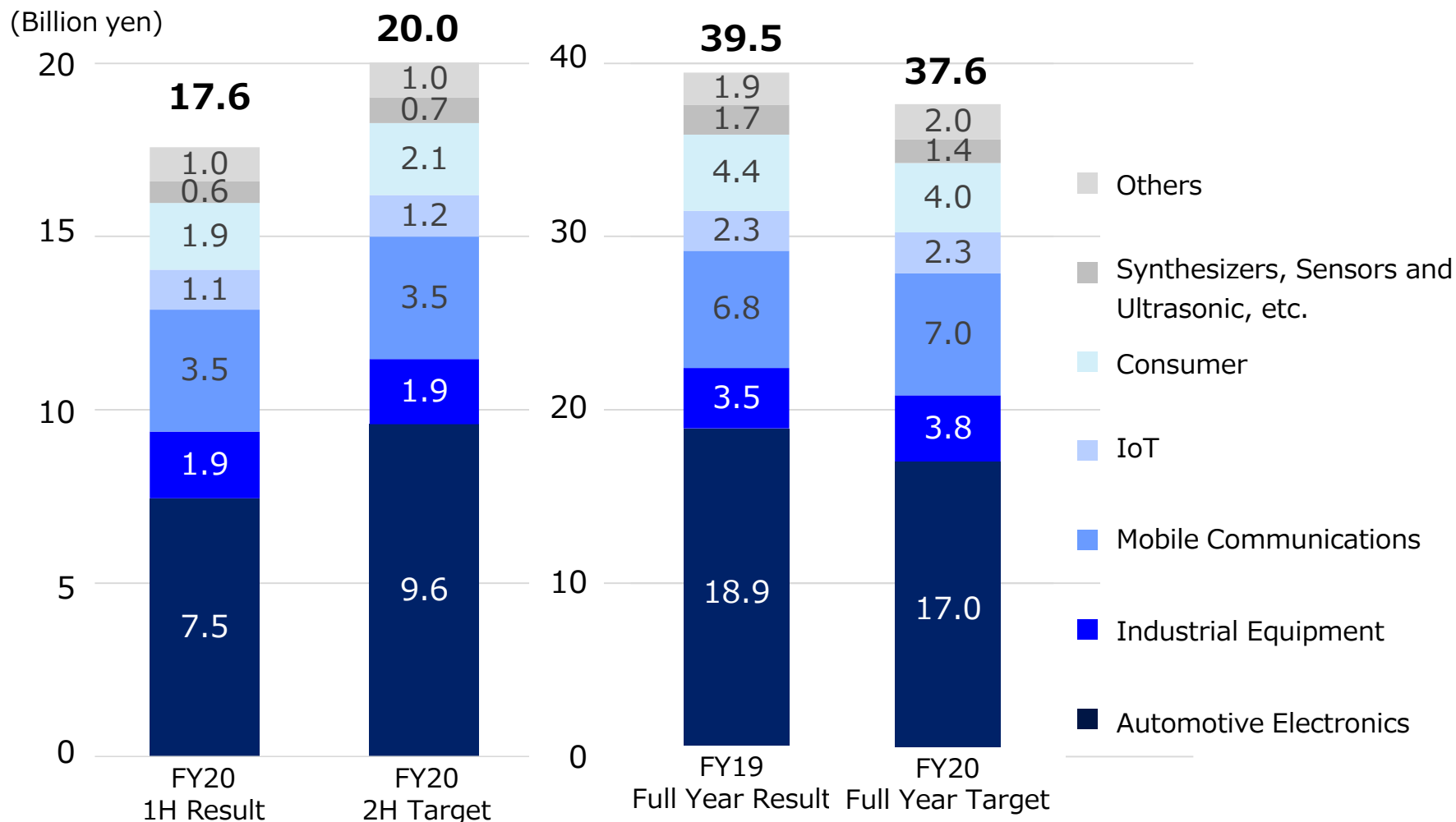
## 2. Full Year Outlook for FY2020

# FY2020 Full Year Outlook Net Sales



**Automotive Electronics:** Orders in the second quarter exceeded the pre-COVID-19 level, and sales in the second half will increase significantly.

A fire at a factory supplying ICs for TCXO and a US move to tighten restrictions on Chinese communications equipment manufacturers will have a limited impact on business performance



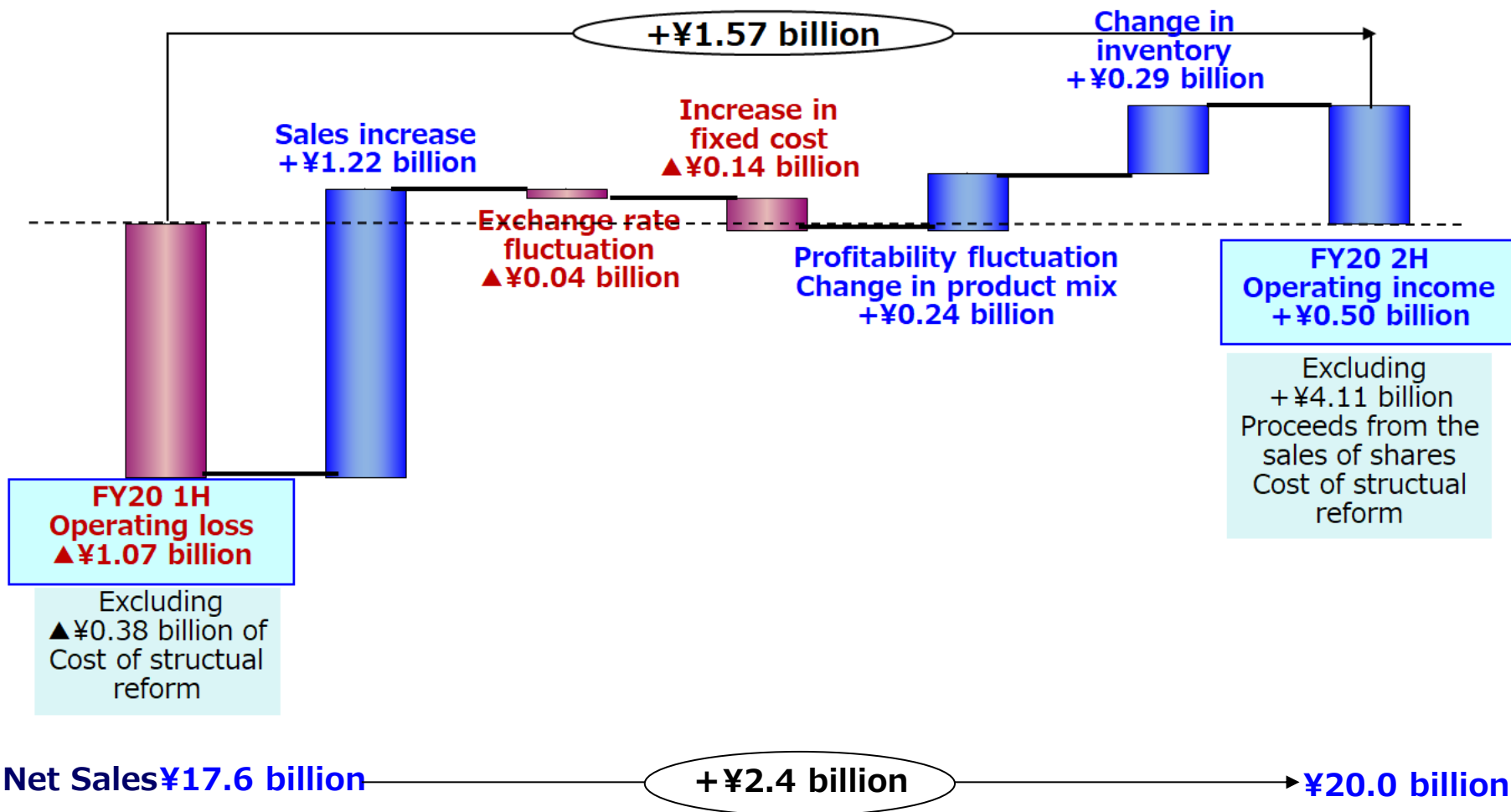
## 2. Full Year Outlook for FY2020

# Operating Income

## Analysis of changes in profit from FY20/1H through FY20/2H



In the Second Half of FY20, sales will largely recover, and the factory operation will rise. As a result, NDK will raise 0.5 billion yen of operating income even if proceeds from the sales of shares not be taken into account.



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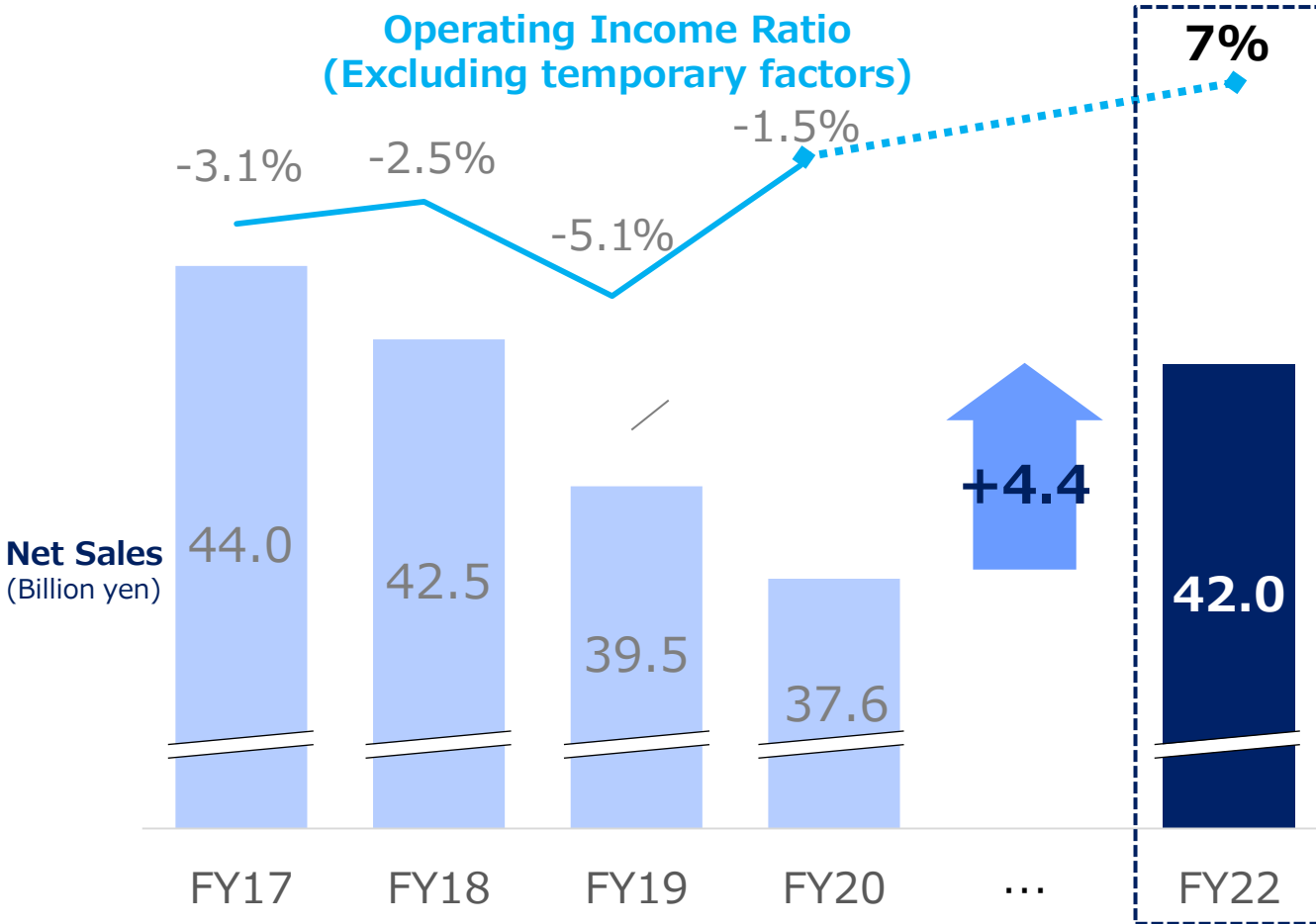
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### 3. Efforts to Realize the Mid-Term Management Plan

# Numerical Targets for Mid-Term Management Plan (FY2022)



PL (Sales/Operating Income Ratio) Targets



- Key points of the Mid-Term Management Plan
  - Excessive sales level will not be pursued
  - **Lower the break even point (BEP) by eliminating fixed costs**
  - **Increase the composition of sales for high value-added products** that can take leverage of our technological advantage

Target a 7% operating income ratio in FY2022

### 3. Efforts to Realize the Mid-Term Management Plan

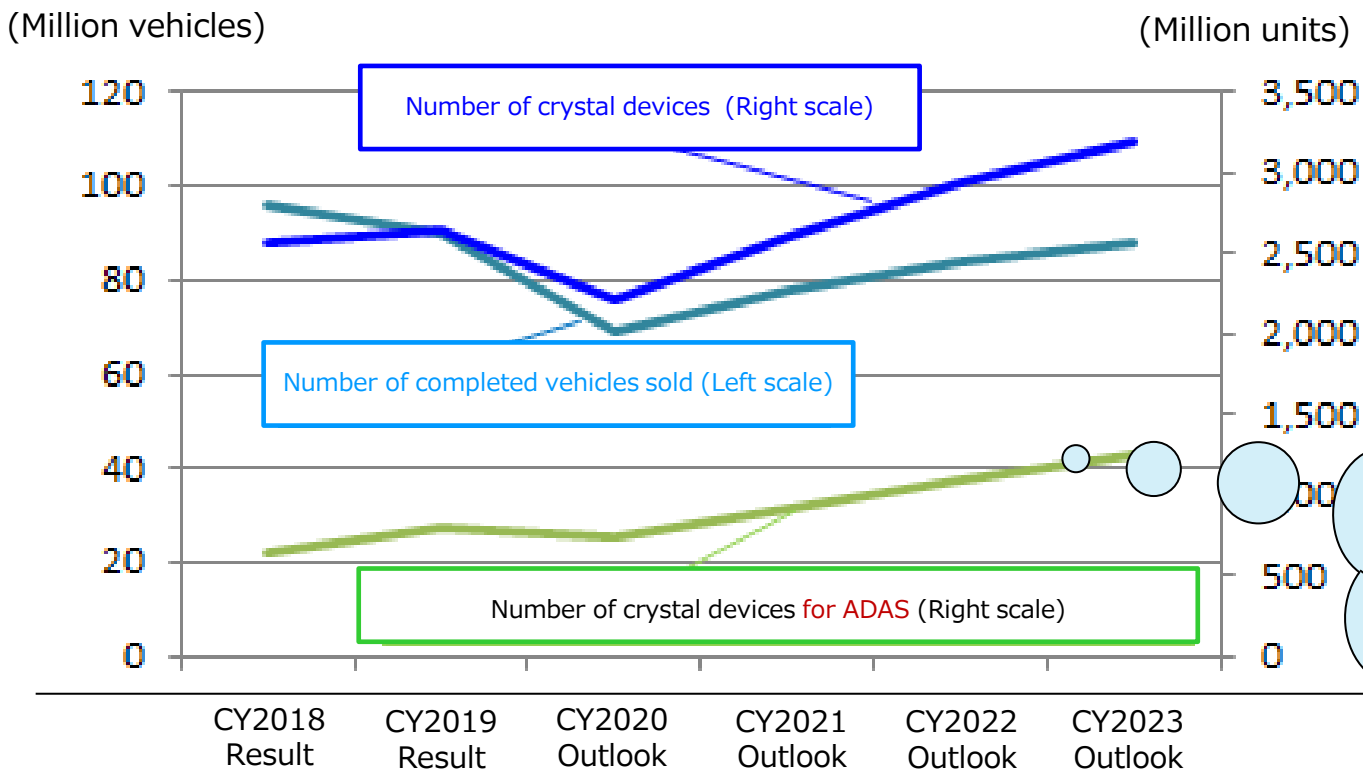
## Automotive Electronics Market

### – Respond to increasing demand in ADAS



- Due to **ADAS equipment** installed in vehicles, the number of crystal devices per vehicle will increase, which lead to a significant increase in demand for crystal devices.

Number of crystal devices per vehicle (estimated)  
CY2018: 27 units ⇒ CY2023: 36 units



NDK'S  
Global share  
**Approx.  
50%**

**Maintain a high  
share even when  
demand for ADAS use  
is increasing.**

Source: The Company's estimate



### 3. Efforts to Realize the Mid-Term Management Plan

## Industrial Equipment

### – Respond to increasing demand in 5G base stations



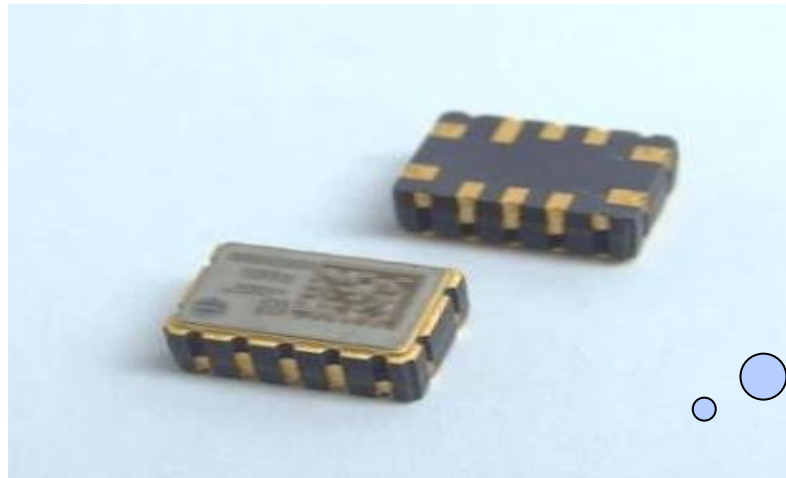
- 5G requires more numbers of small base stations  
⇒ Demand for crystal devices will steadily increase

Due to the diversity of installation locations, they are more subject to changes in the external environment (temperature, noise, and size) than ever before.

**Achieve the large-volume and low-delay communication of 5G!!**

### 7×5mm size OCXO for 5G base stations

[External appearance]



**Smallest class of OCXO in the world with strong resistance to temperature and noise.**

[Sample/Mass production]

Sample shipments began in October 2020.  
Mass production scheduled at June 2021.

### 3. Efforts to Realize the Mid-Term Management Plan

## Mobile Communications Market

### – Respond to increasing demand in 5G Smartphones



- Meet high technical requirements to deal with noise and other demands along with the high frequency of 5G
- Differentiate product by pinpointing superiority and profitability in a way that does not pursue quantity/scale

Improved capabilities in dealing with noise by increasing the frequency of the reference oscillation source inside the device from 38.4Mhz to 76.8MHz.

### 76.8MHz crystal unit with built in thermistor for 5G smartphones

**Acquired the first certification from Qualcomm**

[External appearance]



Uses high-quality raw crystals grown in-house

Processed with original photolithography processing technology

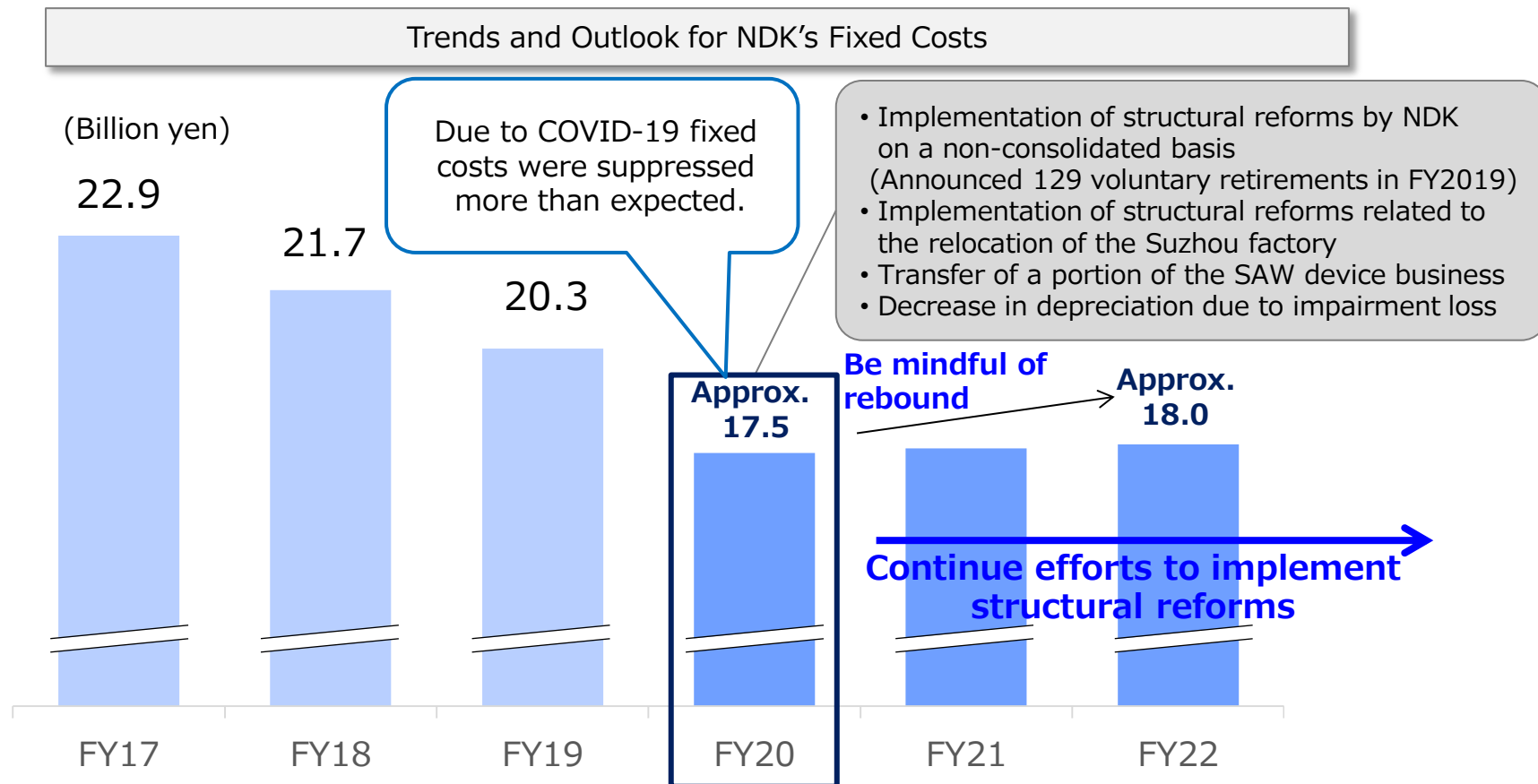
[Mass production] Mass production began in June 2020.

### 3. Efforts to Realize the Mid-Term Management Plan

## Implementation of Structural Reforms (Fixed Costs)



We have been promoting structural reform since fiscal 2018 and the target for fixed costs of ¥ 18 billion is within range this fiscal year. However, we need to pay attention to a rebound in costs due to the COVID-19 new normal and a recovery in sales.

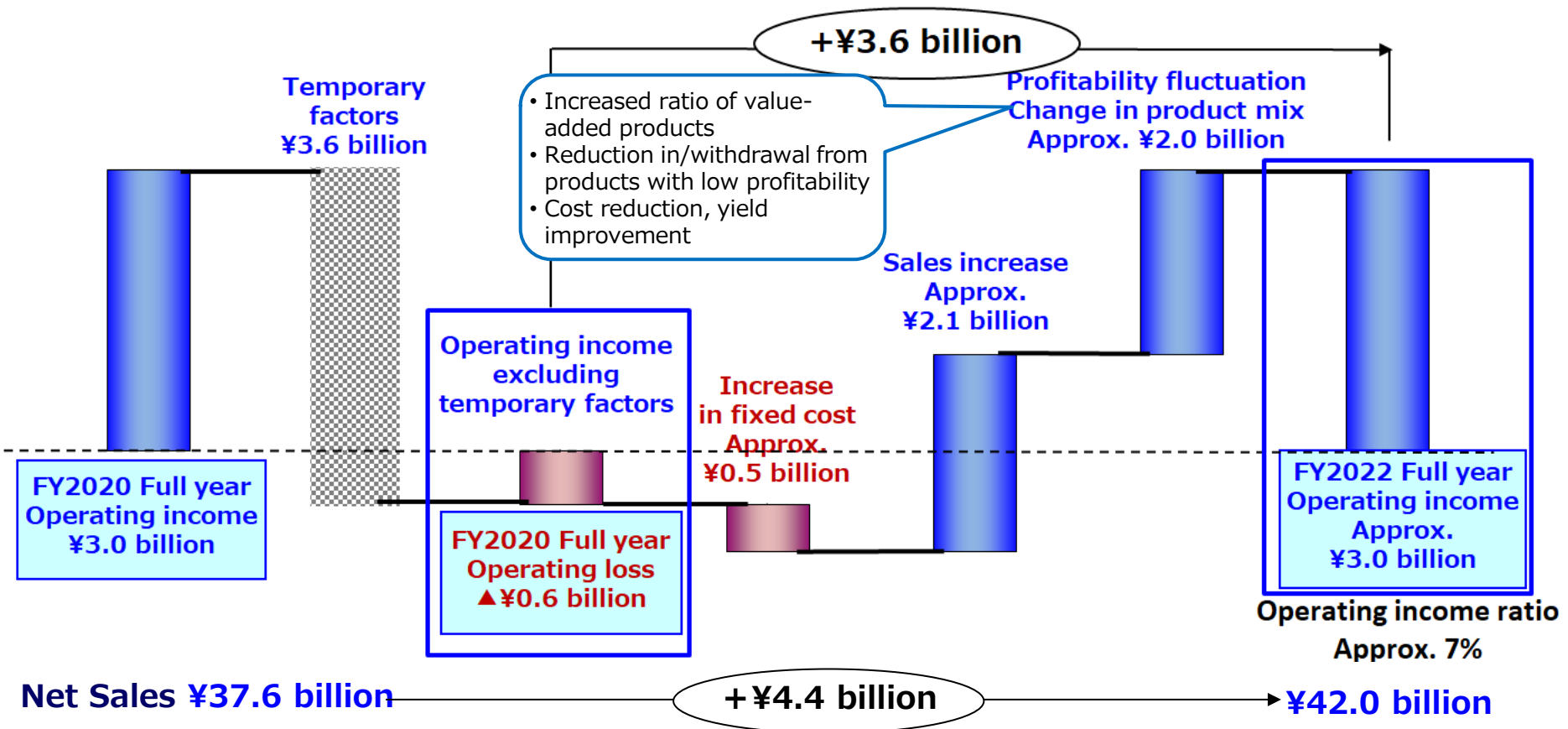


### 3. Efforts to Realize the Mid-Term Management Plan

## Toward Achieving Operating Income Target



- From fiscal 2020 through fiscal 2022 operating income is expected to improve in real terms by about ¥3.6 billion.
- Fixed costs are expected to increase by ¥0.5 billion, but an increase in sales, changes to the product mix, profitability improvement and other factors will deliver an improvement of ¥4.1 billion.

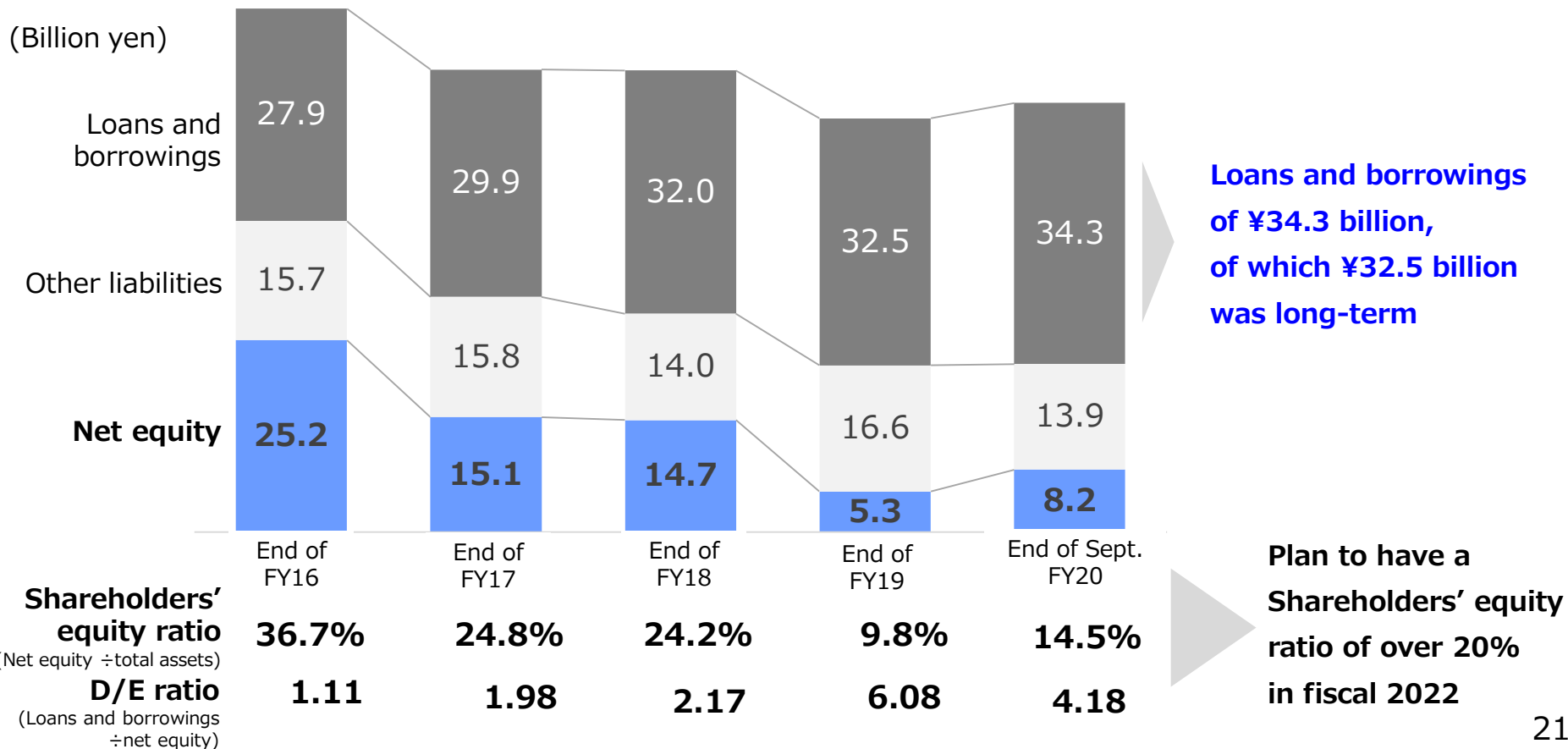


### 3. Efforts to Realize the Mid-Term Management Plan

## Financial Condition



- In August 2020, we received an investment of ¥ 5 billion from Japan Industrial Solutions Co., Ltd. (JIS).
- Reached agreement with all financial institutions with which we have a transactional relationship to maintain the balance of outstanding debt until the end of September 2023. As of the end of September 2020, loans and borrowings was ¥ 34.3 billion, of which ¥ 32.5 billion was long-term.



# Thank you everyone for your time

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

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