

ANNUAL REPORT 2020

Report for the Fiscal Year Ended March 31, 2020

Establish Solid Corporate Structure

A LEADER IN THE FIELD OF QUARTZ CRYSTAL ELECTRONIC COMPONENTS

NIHON DEMPA KOGYO

» PROFILE

Nihon Dempa Kogyo Co., Ltd. (NDK) was established in 1948 as a company specializing in the manufacturing of quartz crystal devices for frequency control, selection, and detection, and having a founding philosophy of "contributing to the prosperity of society and world peace through our service to customers." Quartz crystal devices are passive components that utilize the piezoelectric effect of crystals. Applying voltage to crystal and utilizing its vibration phenomena enables oscillation at a frequency that is highly stable and precise. Quartz crystal devices were primarily used in clocks and in the communications equipment field. However, given that microcontrollers have come to be used for so many applications, crystal devices are now used across a wide range of fields, from digital appliances through automobiles to smartphones. Looking ahead, demand for crystal devices is expected to increasingly exhibit an upward trajectory as the 5th generation communication standard "5G" system goes into full swing and the number of vehicles equipped with advanced driver assistance systems (ADAS) grows in the automotive market.

In line with these trends, demand for higher reliability, higher frequency and more compact products is projected to increase. As a result, NDK clarified its policy to focus on differentiation through various measures that extend from the development of raw crystals to the use of microfabrication technology to produce high-precision, highly reliable products that address the need for products of less than a certain size and higher than a certain frequency in its Mid-Term Management Plan announced on June 19, 2020. In order to transition to a cost structure that is profitable without relying on sales, we have presented a plan to drastically reduce fixed costs and lower the breakeven point.

From a financial perspective, NDK reported two large impairment losses in the last three years, which has significantly impaired the Company's net worth. In order to improve its financial position, NDK increased its capital by ¥5 billion by implementing a third-party allocation of shares in August 2020. At the same time, the Company reached an agreement with all the financial institutions with which it holds a transactional relationship to maintain the level of debt to the end of September 2023. In addition to securing the necessary finance to fund growth, we have taken positive step to stabilize our cash flow and opened the way to rebuild and grow our business through these means.

NDK is committed to implementing its Mid-Term Management Plan, which covers the three-year period ending FY2023. Moving forward, the Company will mobilize the efforts of all its employees to transform itself into a company that is capable of steadily earning profits. Moreover, we will contribute to the realization of a safe, secure and comfortable society by providing the highly reliable and high-precision products required in the 5G era.

PRODUCT LINEUP



Synthetic Quartz Crystals



Crystal Units



Crystal Oscillators



Low-G TCXO



Portable Ultrasonic Diagnostic Devices



Down Converters



Outgas Sensors



Frequency Synthesizers

» CONTENTS

- 1 To Our Shareholders
- 6 Business Overview
- 8 ESG
- 11 Financial Section
- 15 Corporate History / Investor Information

<https://www.ndk.com/en/index.html>

Forward-Looking Statements

Statements made in this report 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.



Toshiaki Takeuchi

Representative Director and
Chairman of the Board

A handwritten signature in black ink, appearing to read "Toshiaki Takeuchi".

Hiromi Kato

Representative Director and
President

A handwritten signature in black ink, appearing to read "Hiromi Kato".

Establish Solid Corporate Structure

Results for the Fiscal Year Ended March 31, 2020

Net loss of ¥8.7 billion posted due to restructuring charges and impairment losses

During the fiscal year ended March 31, 2020, global trade and investment was losing momentum as a result of trade friction between the United States and China. From the beginning of the year 2020, the influence of COVID-19 pandemic grew and the economic activity around the globe came to a standstill. As a result, the world economy rapidly deteriorated.

Against this backdrop, the decrease in sales for automotive applications reflected new car sales remaining in a slump around the world, especially in China, and a further weakening in demand due to COVID-19 near the end of the fiscal year under review. Despite growth in sales of products for Advanced Driver Assistance Systems (ADAS), centered on automotive cameras, sales for automotive applications declined year on year. Meanwhile, sales volume expanded for mobile communica-

cations and IoT applications, especially ultra-compact crystal units (including crystal units with built-in temperature sensors). With the additional impact of price adjustments, sales increased year on year. In consumer applications, sales declined from the previous fiscal year, reflecting lower sales of optical products, which were affected by the shrinking market for single-lens reflex cameras. On the industrial equipment market, sales were down due to the scaling back of capital investment in base stations in Europe and the United States, as well as to the start of shipments for a major project slipping into the next fiscal year. As a result, consolidated net sales declined 7.1% year on year to ¥39,468 million in the fiscal year ended March 31, 2020.

Despite efforts to reduce fixed costs that progressed largely on schedule, the Company recorded ¥2,500 million in restruc-

■ Summary of Performance in FY2020

	(Millions of yen)	①	②	③	④ = ② + ③	④ - ①
	FY2019 Result (excluding temporary factors)	FY2020 Initial Outlook as of May 10	FY2020 Result	Temporary Factors	FY2020 Result (excluding temporary factors)	Change from Outlook as of May 10 (excluding temporary factors)
Net Sales	42,498	42,500	39,468	0	39,468	(3,032)
Operating Income/Loss	(1,049)	600	(8,286)	6,288	(1,998)	(2,598)
Net Income before Tax	(1,511)	200	(8,644)	6,288	(2,356)	(2,556)
Net Income/Loss	(1,706)	100	(8,709)	6,288	(2,421)	(2,521)
Exchange Rate	¥110.69	¥107.00	¥109.10	—	¥109.10	+¥2.10
<Temporary factors included in profit/loss>					FY2019	FY2020
Impairment losses					397	3,932
Cost of structural reform					-	2,500
Grant from Suzhou government					-	(144)
Gain on sales of land use right and building of subsidiary in China					(1,852)	-
• Temporary factors in net income/loss					(1,455)	6,288
					(Millions of yen)	

turing charges, including special bonuses paid to employees at the parent who volunteered to retire early, and economic assistance given to employees affected by the transfer of a factory at Suzhou NDK Co., Ltd. Furthermore, in addition to the impact from COVID-19 on earnings, NDK recorded impairment losses

totaling ¥3,932 million, including losses separately booked for mobile-related operations. As a consequence, operating losses of ¥8,286 million were booked for the fiscal year, which excluding these special factors, would have been ¥1,998 million.

Mid-Term Management Plan (FY2021-FY2023)

In three years, NDK aims to transform into a solid corporate structure able to reliably generate profits without depending on sales

On June 19, 2020, NDK unveiled the Mid-Term Management Plan as a guide for its mid-term initiatives, policies, and direc-

tion. Along with the full-scale rollout of 5G wireless communications technology, demand for crystal devices is likely to

■ Improve Business Profit – Achieve Targets in FY2023

PL (Sales/Operating Income Ratio) Targets



Key points of the Mid-Term Management Plan

- Do not pursue excessive sales level
- Lower the break even point (BEP) by eliminating fixed costs
- Increase the composition sales of high value-added products that can take leverage of our technological advantage

FY23 Target a 7% operating income ratio

increase as the number of automobiles with ADAS expands in the automobile market. Accordingly, demand should strengthen for higher-frequency, more compact products that are even more reliable than before. Under the Mid-Term Management Plan, NDK has clarified a policy of seeking to differentiate itself with high precision and high reliability by leveraging everything from its high-quality raw crystal formation to micro-processing technology, thereby addressing needs for smaller sizes and higher frequencies. In the past, the Company pursued sales volume, and was unable to sufficiently switch back to an emphasis on profitability. With the new Mid-Term Management Plan, NDK will focus on high-value-added products that satisfy growing needs for high precision and reliability, instead of chasing sales growth with no end. To convert to a cost structure that can generate profits without relying on sales growth, NDK will drastically cut fixed costs and lower its breakeven point. Targets for the final year of the plan in fiscal 2023 are net sales of ¥42 billion and an operating income margin of 7% (operating income roughly ¥3 billion).

(1) Sweeping cuts in fixed costs

NDK outlines a reduction of ¥4 billion in its ¥22.9 billion in fixed costs in fiscal 2018 over the three years of the management plan. To cut fixed costs, the Company began to restructure its production system in fiscal 2019, and offered employees at the parent an early retirement program in fiscal 2020, resulting in the retirement of 129 employees in March 2020. In July 2020, a new human resource management system was introduced alongside the transfer of a factory at Suzhou NDK Co., Ltd.,

reducing fixed costs at this company. Furthermore, the transfer of shares in two stages in the SAW filter business will lower fixed costs ever further in the NDK Group. The recording of impairment losses in fiscal 2020 will lighten depreciation from fiscal 2021 onward.

The outcome of these measures being implemented in fiscal 2021 will become fully apparent throughout the year from the next fiscal year. We believe our target for reducing fixed costs to ¥18 billion by fiscal 2023 is already within reach. Assuming net sales of ¥42 billion, reducing fixed costs to ¥18 billion means our breakeven point is ¥36 billion, a structure that allows roughly ¥3 billion in profits to be generated in fiscal 2023.

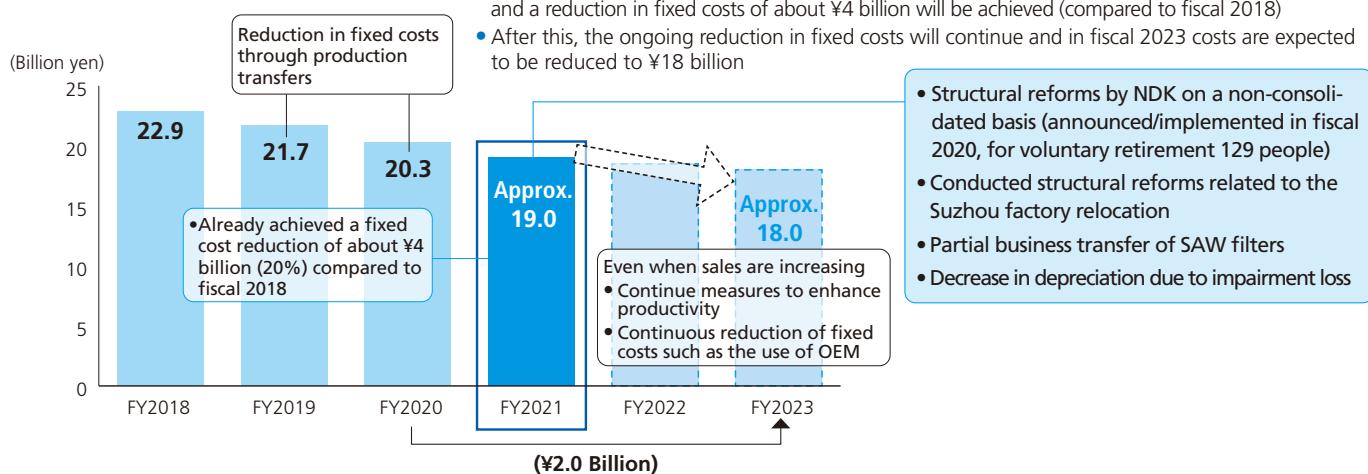
(2) Focus on high-value-added products

A world of self-driving cars may arrive at some point in the future, but for now, more automobiles are likely to feature ADAS for collision avoidance. ADAS uses cameras and radar that require crystal devices, so the number of crystal devices in each automobile should steadily increase as ADAS proliferates.

5G wireless communications infrastructure will become the de facto standard for communications in a variety of industries in the future. The high-frequency radio waves used in 5G communications are more direct, shortening the distance that the radio waves can travel compared with 4G. For 5G signals to reach users without interruption, far more 5G base stations will have to be installed than before with previous generations of wireless communications technology. As the number of base stations deployed increases, demand will steadily expand for crystal devices that satisfy needs for higher precision.

■ Improve Business Profit – Drastically Reduce Fixed Costs

Trends and Outlook for NDK's Fixed Costs



■ Stabilize Finances

Receiving external investment

- Accepted investment*1 from Japan Industrial Solutions Co., Ltd. (JIS) by issuing Class-A shares
 - Amount of investment of ¥5 billion: Used for capital investment for medium- to long-term growth

Agreement with the financial institutions we borrow from

- Based on consultations with all the financial institutions we borrow from, they agreed to maintain debt balance amount until the end of September 2023.
- Maintenance of commitment line by main bank
 - Respond to sudden demands for funding

"Securing growth capital" + "Stabilizing financial foundation (cash management)" → Opening the way to business recovery & growth

*1: Investment from "Japan Industrial Solutions Fund II Investment Business Limited Partnership" operated by JIS

The mobile communications market is also poised to expand with the release of 5G-compatible smartphones. There is more competition in crystal devices for smartphones than for those used in automotive applications and base stations, making it a tough field in terms of price competition. However, in crystal devices for high-function models, such as 5G-compatible smartphones, there are greater needs for more compact devices that are compatible with high frequencies. Achieving such compactness and higher frequencies requires crystal blanks made with photolithographic processing, and there are a limited number of manufacturers able to compete on this front. In mobile communications and IoT applications, we believe the market will be split into commodity products, with fierce price competition, and high-value-added products that demand advanced technological capabilities. A war of attrition, like that seen in the past, should be avoidable.

(3) Stabilize cash flow and improve financial position

Over the past three years, NDK recorded considerable impairment losses on two occasions, severely eroding its net assets. At the end of fiscal 2020, its shareholders' equity ratio dipped below 10%, underscoring the Company's precarious financial position. The business environment has become increasingly unstable during the COVID-19 pandemic, making it necessary to financially prepare for a temporary worsening in earnings. Moreover, NDK must invest in its future by spending on improvements to productivity amid advances in ADAS and the rollout of 5G. In these circumstances, NDK decided to accept an investment of ¥5 billion through a third-party allotment of

Class-A shares issued for this purpose, through the Japan Industrial Solutions Fund II managed by Japan Industrial Solutions Co., Ltd. (JIS). At the same time, NDK was able to reach an agreement with all of the financial institutions with which it does business to maintain outstanding loan balances until September 30, 2023. In addition to securing funds for growth investments, these arrangements have stabilized cash flows and opened the door to restoring and expanding earnings. NDK aims to increase its shareholders' equity ratio to at least 20% by the end of fiscal 2023 through fundraising and profit accumulation during the Mid-Term Management Plan.

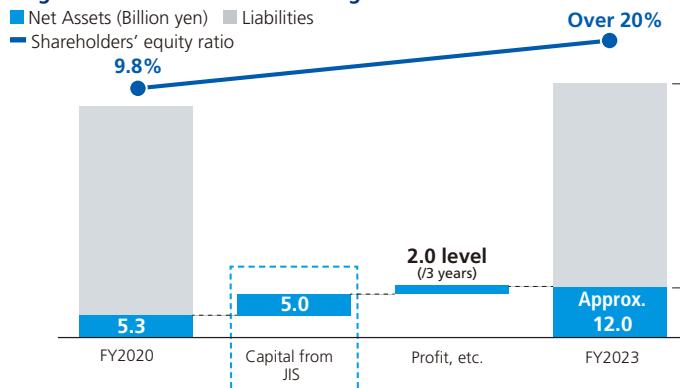
(4) Clarify investment strategy

NDK believes the source of its uniqueness and competitive advantages are raw crystal formation and photolithographic processing, two processes that are essential in the production of high-precision, high-frequency crystal devices, demand for which is likely to strengthen as the 5G market expands. Accordingly, plans call for concentrating the allocation of resources in these two processes. For assembly and other back-end processing, NDK has in the past tended to invest more in production lines for new products than for the purpose of improving productivity in mass-produced products. We believe this is why our cost competitiveness has fallen behind rivals. Looking ahead, the Company must increase efficiency in back-end processes in order to steadily improve profitability. Over the next three years, NDK will invest in back-end processes to steadily improve profitability.

■ Stabilize Finances – Improve Financial Position

- Targeting a shareholders' equity ratio of over 20% by the end of fiscal 2023 by increasing capital and accumulating three-years of profits
- Over the course of the Mid-Term Management Plan, we will prioritize business recovery set on a stable financial foundation and from fiscal 2024 we will establish "sound financial basis."

Targets under the Mid-Term Management Plan



Outlook for interest-bearing debt balance

- Over the course of the Mid-Term Management Plan, priority will be given to stabilizing the financial foundations and bringing about a recovery in business, and repayment of loans will be limited.
- Agreement reached to maintain the debt balance until September 2023

- The balance is expected to be over ¥30 billion
- The D/E ratio at the end of fiscal 2023 is assumed to be around 2.6.

From fiscal 2024 we will establish "sound financial basis"

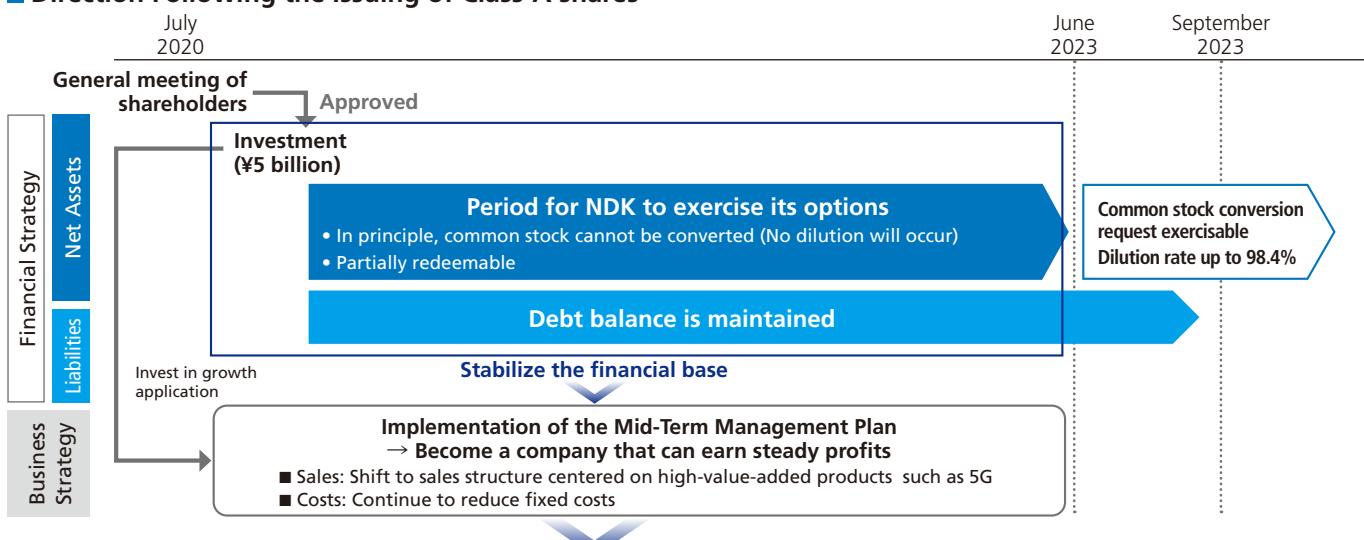
Issuance of Class-A Shares and Next Steps

Aiming to improve corporate value while targeting EPS of ¥50 in fiscal 2023

The issuance of Class-A shares for acquisition by Japan Industrial Solutions Co., Ltd. do not convey any voting rights or preferred dividends. As long as NDK remains an ongoing concern, existing shareholders will not be immediately put at a disadvantage. However, if all of the Class-A shares are converted into ordinary shares, it would be in a volume that is roughly the same as the Company's outstanding shares, and result in 98.4% dilution. With that said, the conversion to ordinary

shares cannot be executed until June 30, 2023, at the earliest in principle. NDK will therefore execute its Mid-Term Management Plan until fiscal 2023 and transform itself into a company able to reliably generate profits. By fiscal 2023, management is keen to ensure EPS of ¥50 even if 98.4% dilution occurs. Each and every employee of the NDK Group will marshal together and work as one to increase corporate value and shareholder value.

■ Direction Following the Issuing of Class-A shares



Realize "Enhanced corporate value and enhanced share value"

Fiscal 2023 target EPS (Earnings per share): Over ¥50 (After maximum dilution)

BUSINESS OVERVIEW

<h2>Principal Markets</h2> <p>Percentage of Total Sales</p> <table border="1"> <thead> <tr> <th>Market Segment</th> <th>Percentage</th> </tr> </thead> <tbody> <tr><td>Automotive Electronics</td><td>48%</td></tr> <tr><td>Mobile Communications</td><td>17%</td></tr> <tr><td>IoT</td><td>6%</td></tr> <tr><td>Industrial Equipment</td><td>9%</td></tr> <tr><td>Consumer</td><td>11%</td></tr> <tr><td>Other</td><td>5%</td></tr> <tr><td>Synthesizers, Sensors, Ultrasonic devices</td><td>4%</td></tr> </tbody> </table>	Market Segment	Percentage	Automotive Electronics	48%	Mobile Communications	17%	IoT	6%	Industrial Equipment	9%	Consumer	11%	Other	5%	Synthesizers, Sensors, Ultrasonic devices	4%	<h2>Automotive Electronics</h2>	<h2>Industrial Equipment</h2>
Market Segment	Percentage																	
Automotive Electronics	48%																	
Mobile Communications	17%																	
IoT	6%																	
Industrial Equipment	9%																	
Consumer	11%																	
Other	5%																	
Synthesizers, Sensors, Ultrasonic devices	4%																	
<h3>Number of Crystal Devices Used</h3>	<ul style="list-style-type: none"> Ultralow-priced models: 10 to 20 Economy models: 30 to 40 Luxury models: 70 to 100 	<ul style="list-style-type: none"> Mobile phone base stations Optical communications devices (each device: 1 to 10 or more) 																
<h3>Used In</h3>	<ul style="list-style-type: none"> Automobiles 	<ul style="list-style-type: none"> Mobile phone base stations Optical communications devices 																
<h3>Outline of Business Results and Outlook</h3>	<ul style="list-style-type: none"> The Company's sales decreased year on year amid weak automobile sales due to U.S.-China trade friction and the COVID-19-related economic slowdown in the second half of the fiscal year. However, we expect demand to increase for crystal products over the medium to long term owing to the spread of ADAS. Automated driving and progressive use of AI devices for communication and imaging are generating demand for new crystal devices. The Company is leveraging its expertise gained over many years to develop and propose highly reliable products required for onboard equipment. 	<ul style="list-style-type: none"> We had expected the number of base stations to rise in fiscal 2020 with installation of 5G base station going into full swing, but it was lower than fiscal 2019 due to curbed investment amid weak global economic conditions, including U.S.-China trade friction. Increases in telecommunication speed and capacity requires crystal products that have high precision, have low phase noise, and feature high frequencies. The Company is developing and selling differentiated products using its technical capabilities. 																

Mobile Communications/IoT	Consumer	Synthesizers/Sensors/Ultrasonic Devices, Other
 <ul style="list-style-type: none"> • Smartphones (2 to 5 crystal units and oscillators) • Wearable devices (1 to 5 crystal units and oscillators) 	 <ul style="list-style-type: none"> • Laptop PCs: 3 to 4 • LCD TVs: 2 to 3 • Game consoles: 3 to 5 • Digital single-lens reflex cameras: 2 to 3, and 1 for optical filter 	 <ul style="list-style-type: none"> • Frequency synthesizers • Outgas sensors • Down converters • Ultrasonic probes
<ul style="list-style-type: none"> • Smartphones • IoT devices 	<ul style="list-style-type: none"> • PCs • Flat-panel TVs • Game consoles • Digital single-lens reflex cameras 	<ul style="list-style-type: none"> • Optical product sales fell significantly with the decline in the SLR camera market. In addition, PC- and game-related sales declined based on a policy that does not meet our profit criteria.
<p>• Further progress was made to reduce the size and meet high-frequency requirements for mounted components used in smartphones and wearable devices. The smartphone market contracted just like last year, but the Company saw year-on-year sales growth owing to higher sales of high-margin, compact components. The firm took the lead in developing high-frequency 1612 thermistor crystal units used for 5G handsets and receiving certification from chipset makers.</p> <p>• Demand rose for telecommunication crystals amid the spread of IoT in various forms. Sales increased for crystal devices that measure blood sugar in real time 24 hours a day. We will continue to redouble efforts to gain certification from chipset makers.</p>	<p>• Optical product sales fell significantly with the decline in the SLR camera market. In addition, PC- and game-related sales declined based on a policy that does not meet our profit criteria.</p>	<ul style="list-style-type: none"> • In frequency synthesizers, we will enhance sales for specialized equipment and satellite base stations. • Outgas analysis systems: Commenced sales of outgas sensors developed jointly with JAXA from September 2019 to domestic/overseas space R&D agencies and companies. In addition, we will expand sales network to such non-space applications including materials manufacturers. • Down converters: We plan to sell 76/79GHz down converters used to measure onboard radar to Tier 1 auto parts makers with the cooperation of measuring instrument manufacturers that excel in onboard radar inspection. • Ultrasonic: We are enhancing sales of portable, compact ultrasound sensors able to display images on tablets to meet needs in the medical and nursing fields.

Environmental Preservation

1. Basic Environmental Philosophy

As a global enterprise, the NDK Group's corporate philosophy includes the stipulation that we will "strive to conserve the earth's environment and carry out our social responsibilities," and we recognize the importance of activities that reduce environmental impact and of establishing a recycling-oriented society. Possessing the will and sense of responsibility, we will deploy proactive and ongoing environmental preservation activities and pass on our irreplaceable Earth to future generations.

2. Basic Environmental Policy

Initiatives geared toward the preservation of the global environment are one of the major corporate management issues at NDK. We carefully assess the environmental impact of all our products and business processes through product development, design, manufacture and sale, while working to prevent environmental pollution.

For more detailed information, please refer to the sections headed Environmental Policy and ESG Activities at the following Internet address:

<https://www.ndk.com/en/environment/policy/index.html> (English)

<https://www.ndk.com/jp/environment/policy/index.html> (Japanese)

3. Green Crystal Technology

To reduce CO₂ emissions that are a contributory factor in global warming, the NDK Group formulates and promotes mid-term plans that include specific reduction targets. To meet society's environmental needs, we are also contributing to the reduction (curbing) of CO₂ emissions by fully utilizing the most advanced technologies to realize product miniaturization and weight reductions as well as lower power consumption.

Chart 1

Manufacturing

Excellence in manufacturing that takes environmental factors into account

Optimization

Contributing to energy conservation through improvement in performance and efficiency



Environment

Eliminating and reducing substances that place a burden on the environment

Social Responsibility

1. Respect for and Protection of Human Rights

We will protect human rights and respect diversity, personal characteristics and individuality and must not engage in any conduct that could lead to unfair discrimination. We will not tolerate discrimination based on, for example, race, gender, disability or political affiliation, neither will we tolerate discriminatory practices, violence, or sexual or other harassment. We prohibit the exploitation of forced labor and will not employ children under the age of 15.

The Board members and managerial staff of the NDK Group must comply with the laws and regulations of each country with regard to managing the working hours of their employees. We will make efforts to ensure that our staff's working hours, including overtime, do not exceed 60 hours per week. Furthermore, we must provide statutory holidays to our staff in compliance with the relevant laws and regulations of their respective countries.

With regard to the hiring of employees, NDK Group companies must comply with the laws and regulations of the respective countries in which they operate, present the terms and conditions of employment in writing and execute an employment contract. The wages payable to the employees of the NDK Group must not be lower than the minimum wage allowed by law in their respective countries.

NDK Group companies must permit the establishment of, and membership in, labor unions.

2. Health and Safety

We must keep our workplace environments clean and hygienic, and comply with internal rules for the appropriate use of chemicals and protective gear to guard against the risks to health and safety posed by toxic chemicals. The facilities used by management and employees of the NDK Group (e.g. dormitories, cafeterias, and restrooms) must be kept clean and hygienic. NDK Group companies must provide information on workplace health and safety in languages that both the management and employees of their companies can understand.

3. Procurement Policy

If the products manufactured or sold by the NDK Group contain substances such as tantalum, tin, tungsten, gold, and cobalt originating from the Democratic Republic of the Congo, its adjoining countries and other high-risk areas, the NDK Group will make efforts to ensure that it does not use Conflict Minerals that directly or indirectly encourage the activities of organization engaged in a risk and fraud such as 1) conflicts 2) human rights violations including child labor or 3) poor working conditions, environmental destruction or corruption.

Basic Stance on Corporate Governance

"Contributing to the prosperity of society and world peace through our service to customers"—this is our founding philosophy and it represents the origin of the spirit we bring to business, as well as being the foundation upon which we aim to fulfill our social responsibilities to create a sustainable society. In working to achieve this goal, NDK seeks to continue to be a company that is trusted and respected for all its stakeholders, and has therefore positioned corporate governance as one of its most critical management issues. With regard to corporate governance, we have developed five points that comprise our basic policy, namely, (a) always keep in mind sound management, efficiency and promptness; (b) heighten the effectiveness of the Board of Directors; (c) respect the rights of shareholders and ensure equality; (d) ensure transparency through the appropriate disclosure of information; and (e) aim to build long-term relationships so as to gain the trust of stakeholders, including parties other than shareholders.

Structure of Corporate Governance

NDK adopts the Audit & Supervisory Board system and appoints five Directors and three Audit & Supervisory Board Members. To strengthen auditing and oversight functions, we appoint three

Outside Directors who constitute the majority of directors, and two Outside Audit & Supervisory Board Members.

Additionally, to strengthen the independence, objectivity, and accountability of the Board of Directors' functions as pertain to the appointment and remuneration of Directors and Corporate Officers, the Company has established an Independent Advisory Council, positioned under the Board of Directors, that is chaired by one Independent Outside Director who reports on appointments and remuneration for Directors and Corporate Officers, and is comprised of two Independent Outside Directors and one Representative Director.

To expedite management decision making and policy implementation, NDK has introduced a Corporate Officer system. Comprised of Corporate Officers, the Board of Corporate Officers, as a general rule, meets monthly. The Board of Directors, which convenes once a month, in principle, conducts decision making with regard to items deliberated upon by the Board of Corporate Officers, as well as items with regard to legal matters, and basic policies of management and other critical items. The Board of Directors also decides upon the responsibilities of the Corporate Officers and conducts oversight on the progress Corporate Officers have made on carrying out their tasks.

Reasons for Appointments of Outside Officers

Title	Name	Status of Activities	Directors' meetings attended	Audit & Supervisory Board meetings attended
			Attendance record for the previous fiscal year	
Outside Directors	Takehiko Tatsuko	Mr. Tatsuko offers a wealth of experience and a wide range of insights as a principle member of management. Consequently, he will contribute to rational and proper decision making at the Board of Directors, appropriately raising issues and expressing his opinion on market trends, sales strategy, and quality assurance, and accurately point out issues from his broad perspectives on financial accounting, labor management and other matters.	17/17	—
	Yorihisa Suwa*1	In both the Board of Directors and the Audit & Supervisory Board, Mr. Suwa has acquired a wealth of experience in management and wide-ranging insights as a principle member of management, and as an engineer. Based on this, he will properly pose questions and offer opinions concerning business plans and performance, designs, quality assurance, and reducing costs, and also will offer his advice to assure that decision making at the Company is appropriate and adequate.	17/17	4/4
	Eiketsu Tsuchiya*2	Mr. Tsuchiya has served in corporate management at the principle investment units of multiple international financial institutions as an outside director for investment destinations and as a shareholder, and therefore possesses abundant knowledge and expertise with regard to financial and management matters. From the perspective of enhancing oversight functions of the Board of Directors, the Company has determined that he will properly carry out his duties as an Outside Director of the Company.	—	—
Outside Audit & Supervisory Board Members	Makoto Yoshitoshi*3	In both the Board of Directors and the Audit & Supervisory Board, Mr. Yoshitoshi has acquired a wealth of experience in management and wide-ranging insights. Given this, he will appropriately pose questions and offer opinions as pertains to quality assurance and risk management, as well as provide his council in order to assure that decision making at the Company is appropriate and adequate.	13/13	11/11
	Kouki Anraku*4	Mr. Anraku offers expert insights as a tax accountant and abundant experience on tax issues. The Company has therefore determined that he will appropriately implement his duties as an Outside Audit & Supervisory Board Member of the Company.	—	—

*1 Yorihisa Suwa moved from being an outside corporate auditor to take up a position as an Outside Director in June 2019.

*2 Eiketsu Tsuchiya was appointed as an Outside Director in August 2020.

*3 Makoto Yoshitoshi was appointed as an Outside Director in June 2019.

*4 Kouki Anraku was appointed as an Outside Director in July 2020.

Policy of Officer Appointments

The Representative Director considers candidates for the position of Director from the perspectives of (1) appropriate knowledge, experience and capabilities; (2) an ability to contribute to raising corporate value; and (3) ensuring diversity in the Board of Directors. Following this, designated candidates are decided upon at the Board of Directors' meetings, taking into account opinions with regard to these candidates held by the Independent Advisory Council, which has as its primary constituents Independent Outside Directors.

System of Internal Control

Regarding compliance, NDK has formed a Compliance Committee, and, by conducting compliance training for Directors and employees, works to establish and improve systems for maintaining compliance with laws and regulations. Moreover, the Company's Internal Audit Office audits compliance status and other matters, and reports its results to the Representative Director and President. In addition, NDK has introduced internal reporting systems and has put in place a framework which works to gather internal information with regard to violations of laws and other suspicious behavior as pertains to compliance, and to analyze and utilize such information.

CONTRIBUTING TO SDGs

"Contributing to the prosperity of society and world peace through our service to customers"—this is our founding philosophy and it represents the origin of the spirit we bring to business, as well as being the foundation upon which we aim to fulfill our social responsibilities to create a sustainable society. This expressed intent is consistent with the direction of the Sustainable Development Goals (SDGs).

In addition, as outlined earlier, ESG activities are efforts that contribute to SDGs. In NDK's business, specific examples include business targeting medical applications (ultrasonic equipment) that contribute to "Goal 3. Ensure healthy lives and promote well-being at all ages," and business targeting industrial equipment (crystal units, oscillators, synthesizers, etc.) that contribute to "Goal 9. Build resilient infrastructure, promote sustainable industrialization and foster innovation."

The Sustainable Development Goals are a collection of international goals adopted at a September 2015 United Nations summit. From a start in 2016, the goals are to be achieved by 2030, as part of the "2030 Agenda for Sustainable Development."

Comprised of 17 goals established to realize global sustainability, the SDGs' overarching pledge is to "leave no one behind."



CORPORATE INFORMATION

DIRECTORS, AUDIT & SUPERVISORY BOARD MEMBERS, AND CORPORATE OFFICERS

Directors

Toshiaki Takeuchi

Representative Director and Chairman of the Board

Hiromi Katoh

Representative Director and President

Takehiko Tatsuko

Outside Director

Yorihisa Suwa

Outside Director

Eiketsu Tsuchiya

Outside Director

Audit & Supervisory Board Members

Natsuhiko Sakairi

Standing Audit & Supervisory Board Member

Makoto Yoshitoshi

Outside Audit & Supervisory Board Member

Kouki Anraku

Outside Audit & Supervisory Board Member

Corporate Officers

Kouji Kubota

General Manager of Quality Assurance Division

Nobumitsu Fujiwara

Director of Suzhou NDK Co., Ltd.

Michio Aoyama

General Manager of Administration Division

Kenichi Ueki

General Manager of Engineering Division,
General Manager of Crystal Units Engineering Division

Shunichi Wakamatsu

Deputy General Manager of Engineering Division,
General Manager of Oscillators & Modules Engineering Division

Hideyuki Oikawa

General Manager of Sales & Customer Service Division

Akio Noheji

Managing Director of ANC/NQM

Kenichi Sugawara

General Manager of Corporate Production Division,
General Manager of Production Department 4

Tamahiko Masukawa

Deputy General Manager of Corporate Production Division,
General Manager of Industrial Engineering Department

Yuzuru Takeuchi

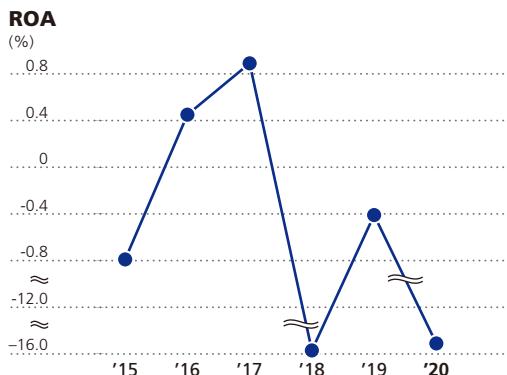
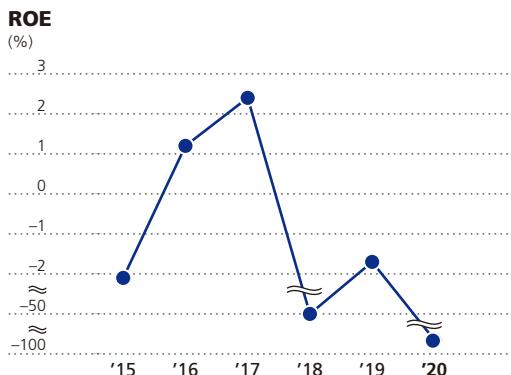
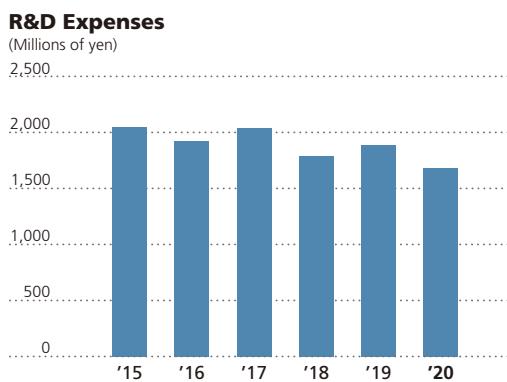
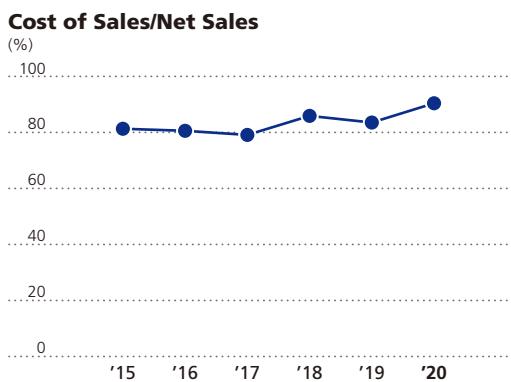
Deputy General Manager of Sales & Customer Service Division,
General Manager of Marketing & Strategy Department

SIX-YEAR SUMMARY

Nihon Dempa Kogyo Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31

	2020	2019	2018	2017	2016	2015	Thousands of U.S. dollars (Note)
	Millions of yen						2020
Net sales	¥39,468	¥42,498	¥43,952	¥43,791	¥44,850	¥47,730	\$362,657
Cost of sales	35,696	35,497	37,768	34,620	36,137	38,801	327,997
Selling, general and administrative expenses	5,922	6,255	6,642	6,479	6,718	7,713	54,415
Research and development expenses	1,684	1,884	1,787	2,035	1,921	2,133	15,473
Operating income/(loss)	(8,286)	406	(9,618)	727	410	175	(76,137)
(Loss)/Income before income tax	(8,644)	(56)	(9,640)	472	102	359	(79,426)
Net (loss)/income	(8,709)	(251)	(10,202)	611	317	(569)	(80,023)
Net (loss)/income attributable to owners of the parent	(8,709)	(251)	(10,202)	611	317	(569)	(80,023)
Total comprehensive (loss)/income for the period	(9,376)	(460)	(9,732)	(72)	(1,414)	1,319	(86,152)
Total assets	54,547	60,784	60,816	68,830	67,966	71,670	501,212
Total equity	5,349	14,725	15,108	25,234	25,700	27,507	49,150
Depreciation and amortisation	3,697	3,469	4,094	3,641	3,558	3,809	33,970
Capital expenditures	3,133	2,376	7,141	6,779	2,099	2,024	28,788
Yen							U.S. dollars (Note)
Per Share Data:							
Net income/(loss):							
Basic	¥(443.79)	¥(12.80)	¥(519.87)	¥31.16	¥16.17	¥(29.00)	\$(-4.07)
Diluted	—	—	—	—	—	—	—
Cash dividends applicable to the period	0	0	10.00	20.00	20.00	20.00	0

Notes: 1. Figures are presented in accordance with International Financial Reporting Standards. The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥108.83 to U.S.\$1.00, which was the rate prevailing on March 31, 2020.



► MANAGEMENT'S DISCUSSION AND ANALYSIS

Outlook

During the fiscal year ended March 31, 2020, the world economy rapidly deteriorated as economic activity around the globe came to a standstill since the beginning of 2020 due to the COVID-19 pandemic, in addition to the slowdown of the global trade and investment as a result of trade friction between the U.S. and China.

Against this backdrop, automotive applications, which account for nearly half of consolidated net sales, became lower demand due to the COVID-19 pandemic as well as the situation which new car sales remained stagnant in the world, especially in China. As a result, sales for automotive applications were much lower than initially forecasted in the beginning of the fiscal year. However, sales volume increased year on year for automotive cameras used in TPMS (Tire Pressure Monitoring System) and ADAS (Advanced Driver Assistance Systems). On the other hand, sales decreased from the previous fiscal year, because average sales prices were depressed by a shift in demand to small-sized products facing an intense price competition.

As for mobile communications and IoT applications, which occupy over 20% of consolidated sales, supply-demand conditions were tight for some crystal devices, owing to brisk sales of new smartphone models made by North American firms and higher-than-expected levels of production at Chinese smartphone manufacturers. As a result, sales volume increased mainly ultra-compact crystal units (including crystal units with built-in temperature sensors). Thus, net sales increased year on year, in part due to the effect of price revisions.

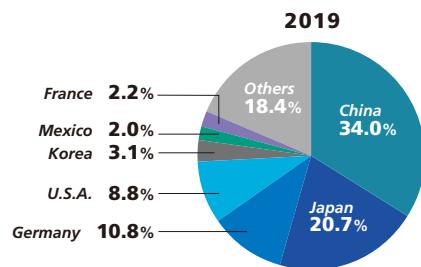
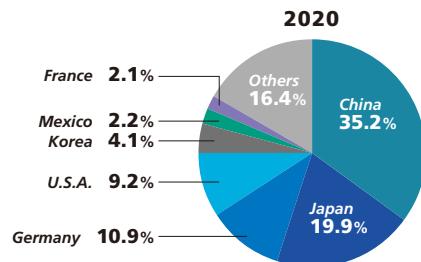
In consumer applications, which generate just over 10% of consolidated net sales, sales decreased year on year for optical products, owing to the shrinking market for single-lens reflex cameras.

In the industrial equipment market, which represents just under 10% of consolidated net sales, sales fell from the previous fiscal year due to the unexpected low demand of crystal devices, reflecting curbs on capital investment in base stations in Europe and the U.S.

As a result, consolidated net sales decreased 7.1% year on year, to ¥39,468 million.

Regarding the profits, while working to reduce fixed costs on schedule by restructuring the production system, the Group posted ¥2,500 million in structural reform expenses under other operating expenses, including the expenses for employees at Suzhou NDK Co., Ltd. due to their factory relocation and special retirement benefits for those who voluntarily retired from the Company. Under cost of sales, the Group booked ¥1,970 million in impairment losses with consideration of the impact of COVID-19. Combined with the impairment losses recorded under other operating expenses in the second quarter of September 2019, total impairment losses of ¥3,932 million was posted in the year ended March 31, 2020.

Sales by Customer-Based Geographic Area



Results of Operations

As a consequence of these factors, NDK recorded an operating loss of ¥8,286 million for fiscal year ended March 31, 2020, compared with operating income of ¥406 million in the previous fiscal year. Loss before income tax amounted to ¥8,644 million, compared with a loss of ¥56 million last year, and net losses totaled ¥8,709 million, compared with a loss of ¥251 million a year ago.

Sales by Product

Sales by product were as follows.

(1) Quartz Crystal Units

Sales of ultra-compact crystal units (crystal units with built-in temperature sensors) expanded for mobile communications applications. In automotive applications, overall sales volume increased by crystal units used in TPMS and ADAS equipment, such as automotive millimeter-wave radar systems. However, average selling prices depressed by a shift in demand to small-sized products facing an intense price competition, so sales in the automotive field decreased year-on-year. As a result, net sales were down 3.4% year on year, to ¥24,499 million.

(2) Crystal Devices

In the automotive market, sales rose for crystal oscillators in products such as vehicle-use cameras and other ADAS equipment. However, in the mobile communications market, sales declined for temperature compensated crystal oscillators (TCXOs) and oven-controlled crystal oscillators (OCXOs) for mobile phone base stations. Net sales fell 11.9% year on year, to ¥11,147 million.

(3) Others

Sales of optical products decreased due to shrinking of the single-lens reflex camera market. Net sales dropped 14.8% year on year, to ¥3,821 million.

Performance by Customer-Based Geographic Area

Performance by customer-based geographic area was as follows.

Japan

Although sales volume expanded for automotive crystal units, sales of high unit priced products declined, resulting in a decrease in sales on a monetary basis. Sales of optical products for single-lens reflex cameras also declined. As a result, net sales fell 10.5% year on year, to ¥7,858 million.

Asia

Sales increased for automotive-use crystal units and crystal oscillators, as well as for ultra-compact crystal units (including crystal units with built-in temperature sensors) for mobile communications applications. However, sales decreased for TCXOs for mobile communications and OCXOs for industrial electronics. As a result, net sales declined 3.8% year on year to ¥13,893 million in China, rose 24.0%, to ¥1,633 million in South Korea, and fell 24.7%, to ¥2,594 million in other regions.

Europe

Sales of crystal units and crystal oscillators for automotive use decreased. As a result, net sales declined 6.8% year on year, to ¥4,301 million in Germany, fell 12.3%, to ¥806 million in France, and decreased 7.9%, to ¥3,407 million in other countries.

North America

Sales of crystal units and crystal oscillators for automotive use increased. However, sales of surface acoustic wave (SAW) devices for mobile communications decreased. As a result, net sales were down 2.3% year on year, to ¥3,643 million in the U.S., and fell 49.8%, to ¥34 million in other areas.

R&D Expenses

NDK engages in R&D programs that aim to establish new technologies and manufacturing methods that will be the foundation for future products in the medium and long terms. To better meet customer crystal device needs, the Group is strengthening its R&D systems, with the Sayama Plant as its hub. As part of this we are conducting R&D to develop next-generation frequency control, selection, and detection devices as well as enhancing its design and process technologies, which form the core of its R&D.

R&D expenses on a consolidated basis during the fiscal year under review totaled ¥1,684 million.

Financial Condition

At fiscal year-end, total assets were ¥54,547 million, a decrease of ¥6,237 million from the previous fiscal year-end, reflecting an increase in cash and cash equivalents of ¥1,829 million, a decrease in inventories of ¥1,464 million, and a decline in property, plant and equipment of ¥3,837 million. Total liabilities amounted to ¥49,198 million, an increase of ¥3,138 million from the previous fiscal year-end, owing to an increase in lease liabilities of ¥1,694 million and provisions of ¥1,649 million. Equity attributable to the owners of the Company amounted to ¥5,349 million, a decrease of ¥9,376 million, mainly due to a total comprehensive loss for the period of ¥9,376 million. As a result, the ratio of equity attributable to owners of the Company was 9.8%, 14.4 of percentage points lower than at the previous fiscal year-end.

Capital Financing and Cash Flow Analysis

The Group has in the past obtained funds for working capital and capital investments from internal sources and bank loans. As noted in the Important Information about Going Concern Assumption section, however, the Group has requested assistance from its main bank and other financial institutions on the premise of management improvement, because loans and borrowings at fiscal year-end was high against liquidity on-hand and unconditional commitment lines.

To resolve this situation, management is making every effort to stabilize cash flow by implementing measures that include (1) negotiating with its financial institutions to change the terms and conditions of loans in order to shore up its financial foundation, (2) restructuring operations, (3) spinning off the SAW filter business and transferring shares to the joint venture, and (4) accepting investment by issuing class shares.

The balance of cash and cash equivalents on a consolidated basis at the end of the fiscal year under review amounted to ¥10,060 million, an increase of ¥1,829 million from the end of the previous fiscal year. Cash flow activities were as follows.

Free cash flow amounted to a positive ¥2,152 million, ¥2,824 million higher than the last fiscal year, reflecting net cash provided by operating activities of ¥948 million and net cash provided by investing activities of ¥1,204 million.

Net cash provided by operating activities totaled a positive ¥948 million, ¥667 million lower than the previous fiscal year. Negative factors entailed a decrease in trade payables of ¥1,138 million. Positive factors included impairment losses of ¥3,932 million, depreciation and amortisation of ¥3,697 million, an increase in provisions of ¥1,649 million, and a decrease in inventories of ¥1,224 million.

Net cash provided by investing activities was a positive ¥1,204 million, ¥3,491 million larger than a year earlier, with ¥2,143 million in expenditures to purchase property, plant and

equipment as a negative factor, offset by ¥2,685 million in proceeds from the sale of land use rights as a positive factor.

Net cash used in financing activities totaled a negative ¥23 million, ¥2,090 million lower than the previous fiscal year, reflecting ¥10,348 million in net increase in short-term loans and borrowings, ¥9,836 million for repayment of long-term loans and borrowings, and ¥532 million for repayments of lease liabilities.

Dividends

NDK regards returning profit to shareholders as a management priority and aims to maintain stable dividend payments while taking into account earnings, financial position, and other factors. NDK seeks to maintain a virtuous circle through a reasonable balance between the accumulation of retained earnings and shareholder dividend payments, and we are committed to further improving earnings performance by conducting R&D and capital investments that enable NDK to manufacture high-value-added and high-quality products that will effectively strengthen the Group's business structure. In the fiscal year ended March 31, 2020, we sincerely regret there will be no payment of dividends.

Important Information about Going Concern Assumption

The Group has requested assistance from its main bank and other financial institutions on the premise of management improvement, because loans and borrowings amounted to ¥32,548 million at fiscal year-end was high level against liquidity on-hand and unconditional commitment lines. In the fiscal year under review, the Group posted an operating loss of ¥8,286 million and a net loss of ¥8,709 million, calling into question its ability to remain an ongoing concern.

The Group is taking the following measures to resolve these problems and this situation.

(1) Negotiations with financial institutions to change loan terms and conditions to reinforce financial position

Management has explained its business plans for the upcoming fiscal years to all the financial institutions from which the Group has taken out loans. The Group has asked these financial institutions to maintain its outstanding loan balances as of March 2020 through September 30, 2020, and it has received the agreements from all of its financial institutions by the end of the fiscal year under review. In addition, in June 2020, the Group reached agreements with all of these financial institutions to maintain its outstanding loan balance until September

30, 2023, with existing terms and conditions for current loan contracts still in force, with the exception of the repayment date. Moreover, our main bank has agreed to maintain existing commitment lines with the Group. We therefore believe our financial position will remain stable through the end of the next fiscal year.

(2) Business restructuring

The Group has been restructuring operations with a focus on rebuilding its production system since fiscal 2019. With the business environment worsening more than anticipated, the Group decided during the fiscal year under review that it must implement even bolder restructuring measures and reduce fixed costs while improving work efficiency. As a part of these measures, the Company offered an early retirement program to employees and 129 employees took the offer. Accordingly, the Group expects fixed costs to decline from the next fiscal year onward. In the upcoming fiscal year, the Group also plans to implement any necessary measures after examining business structure reforms that include Group subsidiaries.

(3) Spin-off of SAW filter business into a joint venture

At the board of directors meeting held on May 26, 2020, it was determined that the Group establishes a joint venture to spin off the development and production regarding SAW filter business managed by NDK and its wholly owned subsidiary Hakodate NDK Co., Ltd. On June 3, 2020, NDK entered into a joint venture contract with JIC Technology Investment Co., Ltd. and agreed to transfer the business to the joint venture. In line with this agreement, NDK expects to receive an estimated ¥3.5 billion for the value of the shares transferred.

(4) Acceptance of investment by issuance of class shares

At the board of directors meeting held on June 19, 2020, it was decided to issue a total of ¥5.0 billion in class shares to Japan Industrial Solutions Co., Ltd. This fundraising was approved by the ordinary general meeting of shareholders held on July 31, 2020, which also included related amendments to the Articles of Incorporation. The Group expects to receive these funds during the second quarter of 2020.

Through these measures, the Group is making every effort to stabilise its cash flow.

In addition to these measures, full assistance and understanding of cooperation have been received from its main bank, thus, the Group has determined there will have been no major concerns about cash flow for the 12 months beginning from the end of the fiscal year under review, and does not see any critical uncertainties that would affect its status as a going concern.

CORPORATE HISTORY

- 1948** • Founded as Nanbu Shoko Co., Ltd.
- 1949** • Started crystal unit production and sales
- 1950** • Changed the Company's name to Nihon Dempa Kogyo Co., Ltd.
• Transferred the Company's registered Head Office to Oyamacho in Shibuya-ku (Tokyo)
- 1954** • Relocated to newly constructed Head Office and plant in Shibuya-ku, Tokyo
- 1960** • Started crystal oscillator production
- 1962** • Started construction of Sayama Plant in Sayama, Saitama Prefecture
- 1963** • Started mass production of synthetic quartz crystals
• Began trading of NDK stock on the OTC market
- 1964** • Opened Kansai Sales Office for sales in Osaka
- 1970** • Established production affiliate Hawk Denshi Co., Ltd., in Niigata Prefecture (converted to a subsidiary in 1990 and renamed Niigata NDK Co., Ltd., in 2005)
- 1975** • Opened representative sales office in California, U.S.A.
- 1976** • Established subsidiary Furukawa NDK Co., Ltd., in Miyagi Prefecture
- 1979** • Established subsidiary Asian NDK Crystal Sdn. Bhd. in Selangor, Malaysia
• Established NDK America, Inc., in California, U.S.A., and dissolved representative sales office
- 1985** • Completed main building at the Sayama Plant
- 1986** • Opened Chubu Sales Office for sales in Aichi Prefecture
• Established production subsidiary Malaysian Quartz Crystal Sdn. Bhd. in Selangor, Malaysia (now NDK Quartz Malaysia Sdn. Bhd.)
- 1988** • Established NDK Electronics Singapore Pte. Ltd. (Currently, NDK Crystal Asia Pte. Ltd.)
• Established sales subsidiary NDK Europe Ltd. in the United Kingdom
- 1989** • Established production subsidiary Hakodate NDK Co., Ltd., in Hakodate, Hokkaido
- 1990** • Relocated Head Office functions to Shinjuku-ku, Tokyo
• Listed NDK stock on the Second Section of the Tokyo Stock Exchange
- 1994** • Established production subsidiary Suzhou NDK Co., Ltd., in Suzhou, China
• Established sales subsidiary NDK Italy Srl as a subsidiary of NDK Europe Ltd., which is a subsidiary of the parent company
• ISO 9001 certification obtained
- 1995** • Established sales subsidiary NDK Electronics (HK) Limited in Hong Kong
- 1998** • QS-9000 certification obtained
• Listed on the First Section of the Tokyo Stock Exchange
- 1999** • ISO 14001 certification obtained
- 2001** • Opened NDK Europe Ltd., German Office, for sales (functions transferred to NDK Germany GmbH upon the establishment of that company as a subsidiary of the parent company in 2008, opened and transferred functions to the German Office in March 2014, commenced NDK Germany GmbH liquidation procedures in April 2014)
- 2002** • Established production subsidiary NDK Crystal, Inc., in Illinois, U.S.A.
• Established NDK Holdings USA, Inc., in Illinois, U.S.A. as an umbrella holding company holding 100% of the shares in NDK America, Inc., and NDK Crystal, Inc.
• Established sales subsidiary NDK-Electronics Shanghai Co., Ltd.
- 2003** • Established NDK Crystal Asia Pte. Ltd. in Singapore as a sales subsidiary of Asian NDK Crystal Sdn. Bhd., which is a subsidiary of the parent company
- 2004** • Opened Chitose Technical Center in Chitose, Hokkaido
- 2005** • Head Office functions relocated to Sasazuka, Shibuya-ku, Tokyo
- 2008** • Quality Assurance Laboratory certified for the ISO/IEC 17025:2005 international laboratory management standard
• Obtained approval as a specified exporter from Tokyo Customs
- 2009** • Completed Laboratory ATOM, a new research facility, within the Sayama Plant
• Established Suzhou NDK Trading Co., Ltd., in Suzhou, China as a subsidiary of Suzhou NDK Co., Ltd., which is a subsidiary of the parent company
- 2010** • NDK became the first company in Japan to adopt IFRS
- 2014** • Subsidiary NDK Italy Srl subsumed in a merger with subsidiary NDK Europe Ltd.
• ISO13485 certification obtained
- 2015** • Head Office functions relocated to Sasazuka, Shibuya-ku, Tokyo (within the same area before relocation)
- 2016** • Subsidiary NDK Crystal, Inc. merged with subsidiary NDK Holdings U.S.A., Inc. and went into liquidification.
- 2019** • Established Suzhou NDK Co., Ltd., a subsidiary in Suzhou, China
- 2020** • Established NDK SAW Devices Co., Ltd., a subsidiary in Hakodate, Hokkaido

INVESTOR INFORMATION (As of May 31, 2020)

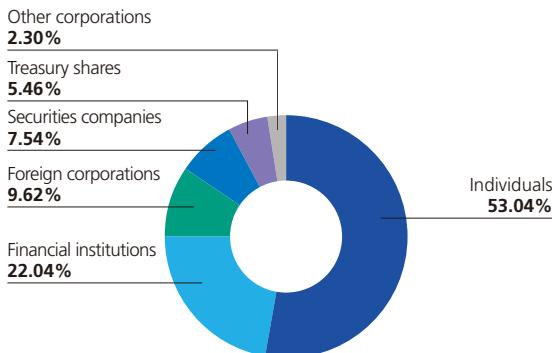
Date of Foundation : 1948

Share Capital : ¥10,649 million

Number of Shares of Common Stock : 20,757,905 shares

Number of Shareholders : 9,383

Distribution of Ownership among Shareholders: (On a number of shares basis)



Major Shareholders:

Shareholding Name	Number of Shares Held (Thousands)	Ratio
Resona Bank, Ltd.	667	3.40%
Toshiaki Takeuchi	623	3.17%
Saitama Resona Bank, Ltd.	610	3.10%
The Master Trust Bank of Japan, Ltd. (Trust Account)	565	2.88%
Japan Trustee Services Bank, Ltd. (Trust Account)	564	2.87%
Hiroshi Takeuchi	528	2.69%
Marusan Securities Co., Ltd.	438	2.23%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	366	1.86%
INTERNATIONAL CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	362	1.84%
MUFG Bank, Ltd.	318	1.62%

Notes: 1. The above list of major shareholders excludes treasury shares.

2. Shareholding ratios are calculated with the outstanding shares excluding treasury shares.

Stock Listing : First Section of the Tokyo Stock Exchange

Fiscal Year-End : March 31

General Meeting of Shareholders : July



Crystal Bridge to the Future

Merkmal Keio Sasazuka Bldg., 1-47-1,
Sasazuka, Shibuya-ku, Tokyo 151-8569, Japan
Phone: 81-3-5453-6711
Facsimile: 81-3-5453-6733
URL: <http://www.ndk.com/en/>