ANNUAL REPORT 2020

Report for the Fiscal Year Ended March 31, 2020

FINANCIAL SECTION

Nihon Dempa Kogyo Co., Ltd. and Consolidated Subsidiaries

CONTENTS

SIX-YEAR SUMMARY

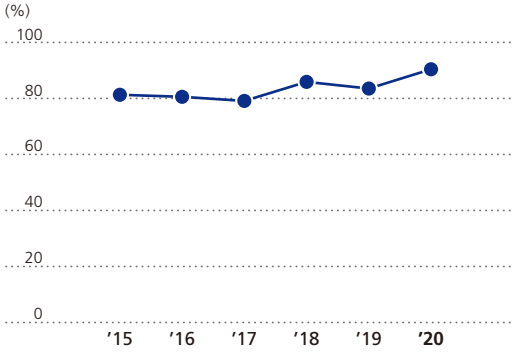
Nihon Dempa Kogyo Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31

	Millions of yen						Thousands of U.S. dollars (Note)
	2020	2019	2018	2017	2016	2015	**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**

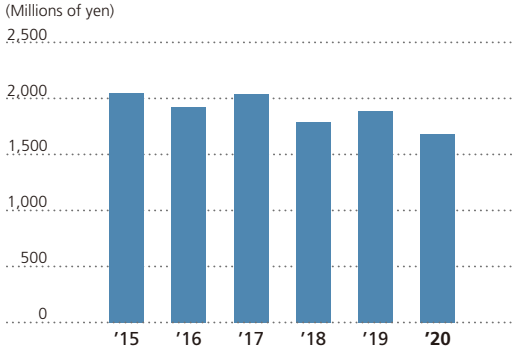
	Yen						U.S. dollars (Note)
Per Share Data:							
Net income/(loss):							
Basic	**¥(443.79)**	¥(12.80)	¥(519.87)	¥31.16	¥16.17	¥(29.00)	**$(4.07)**
Diluted	**—**	—	—	—	—	—	**—**
Cash dividends applicable to the period	**0**	0	10.00	20.00	20.00	20.00	**0**

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.

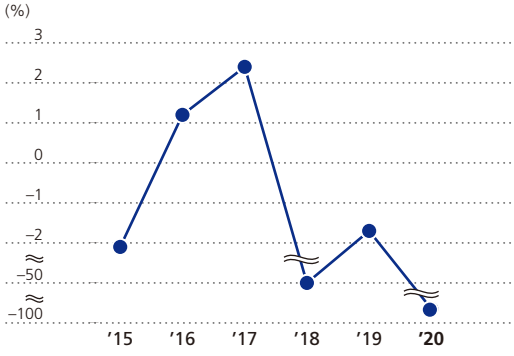
Cost of Sales/Net Sales



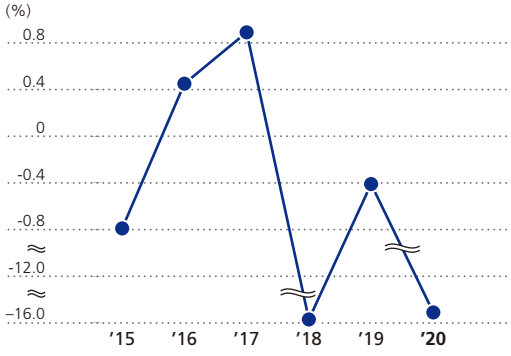
R&D Expenses



ROE



ROA



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.

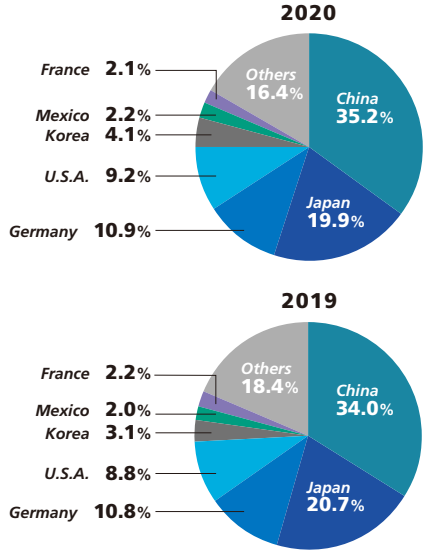
In consumer applications, which generate just over 10% of consolidated net sales, sales decreased year on year for optical products, owing to the shrinking market for single-lens reflex cameras.

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 were 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 stabilise 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.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Nihon Dempa Kogyo Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
ASSETS	***2020***	*2019*	***2020***
Current assets:			
Cash and cash equivalents (Note 5)	**¥10,060**	¥8,231	**$92,437**
Trade receivables (Note 6)	**9,906**	10,605	**91,022**
Inventories (Note 7)	**12,936**	14,401	**118,864**
Income taxes refundable	**6**	14	**55**
Derivative assets (Note 29)	**49**	8	**450**
Others (Note 8)	**2,520**	3,885	**23,155**
Total current assets	**35,479**	37,146	**326,003**
Non-current assets:			
Property, plant and equipment (Note 9)	**17,266**	21,104	**158,651**
Intangible assets (Note 10)	**228**	259	**2,095**
Other financial assets (Note 11)	**803**	1,508	**7,378**
Deferred tax assets (Note 27)	**529**	535	**4,860**
Others (Note 12)	**240**	230	**2,205**
Total non-current assets	**19,067**	23,638	**175,199**
Total assets	**¥54,547**	¥60,784	**$501,212**

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars
	2020	*2019*	***2020***
Current liabilities:			
Loans and borrowings (Note 15)	**¥24,560**	¥17,213	**$225,673**
Lease liabilities (Note 15)	**479**	27	**4,401**
Trade and other payables (Note 13)	**7,520**	8,627	**69,098**
Derivative liabilities (Note 29)	**33**	112	**303**
Provisions (Note 32)	**2,003**	346	**18,404**
Income taxes payable	**145**	103	**1,332**
Others (Note 14)	**1,800**	920	**16,539**
Total current liabilities	**36,542**	27,351	**335,771**
Non-current liabilities:			
Loans and borrowings (Note 15)	**7,987**	14,805	**73,389**
Lease liabilities (Note 15)	**1,297**	55	**11,917**
Deferred tax liabilities (Note 27)	**348**	248	**3,197**
Employee benefits (Note 16)	**2,661**	3,198	**24,450**
Provisions (Note 32)	**106**	113	**973**
Deferred government grants	**22**	48	**202**
Others	**230**	237	**2,113**
Total non-current liabilities	**12,655**	18,707	**116,282**
Total liabilities	**49,198**	46,059	**452,062**
Equity:			
Share capital (Note 17)	**10,649**	10,649	**97,849**
Share premium (Note 17)	**3,068**	3,069	**28,190**
Other components of equity (Note 17)	**(1,716)**	(873)	**(15,767)**
Retained earnings	**(6,652)**	1,880	**(61,122)**
Total equity attributable to owners of the Company	**5,349**	14,725	**49,150**
Total equity	**5,349**	14,725	**49,150**
Total liabilities and equity	**¥54,547**	¥60,784	**$501,212**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Nihon Dempa Kogyo Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen		*Thousands of U.S. dollars*
	2020	*2019*	***2020***
Net sales (Note 19)	**¥ 39,468**	¥ 42,498	**$ 362,657**
Cost of sales (Notes 20, 24 and 25)	**(35,696)**	(35,497)	**(327,997)**
Gross profit	**3,771**	7,001	**34,650**
Selling, general and administrative expenses (Notes 21, 24 and 25)	**(5,922)**	(6,255)	**(54,415)**
Research and development expenses (Notes 22, 24 and 25)	**(1,684)**	(1,884)	**(15,473)**
Other operating income (Note 23)	**423**	2,217	**3,886**
Other operating expenses (Notes 23 and 25)	**(4,875)**	(672)	**(44,794)**
Operating (loss)/income	**(8,286)**	406	**(76,137)**
Financial income (Note 26)	**210**	201	**1,929**
Financial expenses (Note 26)	**(568)**	(665)	**(5,219)**
Loss before income tax	**(8,644)**	(56)	**(79,426)**
Income tax expenses (Note 27)	**(64)**	(194)	**(588)**
Net loss for the period	**(8,709)**	(251)	**(80,023)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plan	**176**	96	**1,617**
Financial assets measured at fair value through other comprehensive income	**(64)**	(88)	**(588)**
Income tax relating to items that will not be reclassified	**(5)**	0	**(45)**
Subtotal	**106**	9	**973**
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(683)**	(164)	**(6,275)**
Cash flow hedges	**28**	(53)	**257**
Income tax relating to items that may be reclassified	**(117)**	—	**(1,075)**
Subtotal	**(773)**	(218)	**(7,102)**
Other comprehensive loss for the period, net of income tax	**(666)**	(209)	**(6,119)**
Total comprehensive loss for the period	**¥ (9,376)**	¥ (460)	**$ (86,152)**
Net loss attributable to:			
Owners of the Company	**¥ (8,709)**	¥ (251)	**$ (80,023)**
Total Comprehensive loss attributable to:			
Owners of the Company	**¥ (9,376)**	¥ (460)	**$ (86,152)**
	Yen		*U.S. dollars*
Earnings per share (Note 28)**:**			
Basic loss per share	**¥(443.79)**	¥ (12.80)	**$(4.07)**

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Nihon Dempa Kogyo Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen										
	Share capital	*Additional paid-in capital**	*Treasury shares**	*Share premium**	*Financial assets measured at fair value through other comprehensive income***	*Exchange differences on translation of foreign operations***	*Cash flow hedges***	*Other components of equity***	*Retained earnings*	*Attributable to owners of the Company*	*Total equity*
Balance at April 1, 2018	¥10,649	¥11,353	¥(2,790)	¥ 8,562	¥ 29	¥ (596)	¥ —	¥ (567)	¥(3,458)	¥15,186	¥15,186
Total comprehensive income for the period											
Net loss				—				—	(251)	(251)	(251)
Other comprehensive income											
Remeasurement of defined benefit plan				—				—	96	96	96
Net change in financial assets measured at fair value through other comprehensive income				—	(87)			(87)		(87)	(87)
Exchange differences on translation of foreign operations				—		(164)		(164)		(164)	(164)
Cash flow hedges				—			(53)	(53)		(53)	(53)
Total comprehensive loss for the period	—	—	—	—	(87)	(164)	(53)	(305)	(154)	(460)	(460)
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Changes in treasury shares, net			(0)	(0)				—		(0)	(0)
Transfer to retained earnings from share premium		(5,493)		(5,493)				—	5,493	—	—
Total contributions by and distributions to owners	—	(5,493)	(0)	(5,493)	—	—	—	—	5,493	(0)	(0)
Total transactions with owners	—	(5,493)	(0)	(5,493)	—	—	—	—	5,493	(0)	(0)
Balance at March 31, 2019	¥10,649	¥ 5,859	¥(2,790)	¥ 3,069	¥ (58)	¥ (761)	¥(53)	¥ (873)	¥ 1,880	¥14,725	¥14,725
Total comprehensive income for the period											
Net loss				**—**				**—**	**(8,709)**	**(8,709)**	**(8,709)**
Other comprehensive income											
Remeasurement of defined benefit plan				**—**				**—**	**176**	**176**	**176**
Net change in financial assets measured at fair value through other comprehensive income				**—**	**(69)**			**(69)**		**(69)**	**(69)**
Exchange differences on translation of foreign operations				**—**		**(801)**		**(801)**		**(801)**	**(801)**
Cash flow hedges				**—**			**28**	**28**		**28**	**28**
Total comprehensive loss for the period	**—**	**—**	**—**	**—**	**(69)**	**(801)**	**28**	**(843)**	**(8,532)**	**(9,376)**	**(9,376)**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Changes in treasury shares, net			**(0)**	**(0)**				**—**		**(0)**	**(0)**
Total contributions by and distributions to owners	**—**	**—**	**(0)**	**(0)**	**—**	**—**	**—**	**—**	**—**	**(0)**	**(0)**
Total transactions with owners	**—**	**—**	**(0)**	**(0)**	**—**	**—**	**—**	**—**	**—**	**(0)**	**(0)**
Balance at March 31, 2020	**¥10,649**	**¥ 5,859**	**¥(2,790)**	**¥ 3,068**	**¥(128)**	**¥(1,563)**	**¥(25)**	**¥(1,716)**	**¥(6,652)**	**¥ 5,349**	**¥ 5,349**

	Thousands of U.S. dollars										
	Share capital	*Additional paid-in capital**	*Treasury shares**	*Share premium**	*Financial assets measured at fair value through other comprehensive income***	*Exchange differences on translation of foreign operations***	*Cash flow hedges***	*Other components of equity***	*Retained earnings*	*Attributable to owners of the Company*	*Total equity*
Balance at April 1, 2019	$97,849	$53,836	$(25,636)	$28,199	$ (532)	$ (6,992)	$(486)	$ (8,021)	$ 17,274	$135,302	$135,302
Total comprehensive income for the period											
Net loss				**—**				**—**	**(80,023)**	**(80,023)**	**(80,023)**
Other comprehensive income											
Remeasurement of defined benefit plan				**—**				**—**	**1,617**	**1,617**	**1,617**
Net change in financial assets measured at fair value through other comprehensive income				**—**	**(634)**			**(634)**		**(634)**	**(634)**
Exchange differences on translation of foreign operations				**—**		**(7,360)**		**(7,360)**		**(7,360)**	**(7,360)**
Cash flow hedges				**—**			**257**	**257**		**257**	**257**
Total comprehensive loss for the period	**—**	**—**	**—**	**—**	**(634)**	**(7,360)**	**257**	**(7,746)**	**(78,397)**	**(86,152)**	**(86,152)**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Changes in treasury shares, net			**(0)**	**(0)**				**—**		**(0)**	**(0)**
Total contributions by and distributions to owners	**—**	**—**	**(0)**	**(0)**	**—**	**—**	**—**	**—**	**—**	**(0)**	**(0)**
Total transactions with owners	**—**	**—**	**(0)**	**(0)**	**—**	**—**	**—**	**—**	**—**	**(0)**	**(0)**
Balance at March 31, 2020	**$97,849**	**$53,836**	**$(25,636)**	**$28,190**	**$(1,176)**	**$(14,361)**	**$(229)**	**$(15,767)**	**$(61,122)**	**$ 49,150**	**$ 49,150**

** The figures in the share premium column are calculated by totalling additional paid-in capital and treasury shares.*
*** The figures in the other components of equity column are calculated by totalling financial assets measured at fair value through other comprehensive income, exchange differences on translation of foreign operations and cash flow hedges.*

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nihon Dempa Kogyo Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen		*Thousands of U.S. dollars*
	2020	*2019*	***2020***
Operating activities:			
Loss before income tax	**¥ (8,644)**	¥ (56)	**$(79,426)**
Depreciation and amortisation	**3,697**	3,469	**33,970**
Gain on sales of land use right	**—**	(1,035)	**—**
Gain on sales of property, plant and equipment	**(1)**	(915)	**(9)**
Impairment losses of property, plant and equipment, and goodwill	**3,932**	396	**36,129**
Gain on sales of other financial assets	**(94)**	(132)	**(863)**
Impairment losses of other financial assets	**45**	176	**413**
Gain on receipt of subsidies	**(31)**	(58)	**(284)**
Decrease in trade receivables	**564**	393	**5,182**
Decrease/(increase) in inventories	**1,224**	(650)	**11,246**
Decrease in trade payables	**(1,138)**	(405)	**(10,456)**
Decrease in accrued bonuses	**(61)**	(30)	**(560)**
(Increase)/decrease in derivative assets	**(41)**	214	**(376)**
(Decrease)/increase in derivative liabilities	**(49)**	30	**(450)**
Increase/(decrease) in provisions	**1,649**	(179)	**15,152**
Interest and dividend income	**(82)**	(68)	**(753)**
Interest expense	**311**	252	**2,857**
Interest and dividends received	**74**	68	**679**
Interest paid	**(303)**	(210)	**(2,784)**
Income tax paid, net	**(65)**	(55)	**(597)**
Other, net	**(39)**	412	**(358)**
Net cash provided by operating activities	**948**	1,615	**8,710**
Investing activities:			
Purchase of property, plant and equipment	**(2,143)**	(3,404)	**(19,691)**
Purchase of intangible assets	**(43)**	(85)	**(395)**
Purchase of other financial assets	**(8)**	(704)	**(73)**
Proceeds from sales of land use right	**2,685**	1,214	**24,671**
Proceeds from sales of property, plant and equipment	**121**	145	**1,111**
Proceeds from sales of other financial assets	**591**	546	**5,430**
Other, net	**0**	0	**0**
Net cash provided by/(used in) investing activities	**1,204**	(2,286)	**11,063**
Financing activities:			
Proceeds from long-term loans and borrowings	**—**	13,500	**—**
Repayment of long-term loans and borrowings	**(9,836)**	(10,603)	**(90,379)**
Net increase/(decrease) in short-term loans and borrowings	**10,348**	(825)	**95,084**
Repayment of lease liabilities	**(532)**	—	**(4,888)**
Cash dividends paid	**(1)**	(3)	**(9)**
Purchase and sales of treasury shares, net	**(0)**	(0)	**(0)**
Net cash (used in)/provided by financing activities	**(23)**	2,067	**(211)**
Net increase in cash and cash equivalents	**2,129**	1,395	**19,562**
Cash and cash equivalents at beginning of year	**8,231**	6,851	**75,631**
Net effect of currency translation on cash and cash equivalents	**(299)**	(16)	**(2,747)**
Cash and cash equivalents at end of year (Note 5)	**¥10,060**	¥ 8,231	**$ 92,437**

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

1. Reporting Entity

Nihon Dempa Kogyo Co., Ltd. ("NDK" or the "Company") is a company domiciled in Japan. The main activities of the Company and its subsidiaries (collectively, the "Group") are the production and sales of crystal-related products such as crystal devices. The consolidated financial statements of the Company as of and for the years ended March 31, 2020 and 2019 comprise those of the Group.

2. Basis of Preparation

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee.

The consolidated financial statements were authorised for issue by Hiromi Katoh, Representative Director and President on July 31, 2020.

(b) Basis of Measurement

The consolidated financial statements are presented in Japanese yen, which is the functional currency of NDK, and figures of less than one million yen are omitted.

As stated in Note 3 "Significant Accounting Policies", the Group's consolidated financial statements have been prepared on the historical cost basis except for the following certain assets and liabilities:

- Financial instruments measured at fair value.
- Defined benefit assets and liabilities are recognised as the present value of the defined benefit obligation, less the fair value of the plan assets.

The translations of Japanese yen amounts into U.S. dollars are included solely for the convenience of the reader as supplementary information, using the prevailing exchange rate at March 31, 2020, which was ¥108.83 to U.S.$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Accounting policies have been consistently applied by the Group entities and are consistent with those used in the previous year unless otherwise stated.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and estimates made by management in the application of IFRS that have a significant effect on the amounts recognised in the consolidated financial statements are as follows:

- Estimate of useful lives and residual values of property, plant, equipment and Intangible assets (refer to Notes 9 and 10)
- Accounting for and valuation of provisions (refer to Note 32)
- Devaluation of inventories (refer to Note 7)
- Valuation of trade and other receivables (refer to Notes 6, 8 and 29)
- Utilisation of tax losses and deductions (refer to Note 27)
- Planning and valuation premises upon which impairment tests are based (refer to Notes 9 and 10)
- Measurement of defined benefit obligations (refer to Note 16)
- Determining lease terms of right-of-use assets and lease liabilities (refer to Note 30)

(Economic impact of COVID-19)

As for the global economic situation, there is strong concern that economic activities will be stagnant due to the global pandemic of COVID-19. While individual countries are considering taking stimulus measures to prevent an economic recession, the effects of such stimulus measures are uncertain since it is not clear how long the COVID-19 pandemic will last.

Even in the Crystal Market where the Group belongs, on a medium-to-long-term basis, we can expect a growing demand for crystal devices due to the spread of 5G smartphones currently in full swing and the spread of ADAS devices in the Automotive Crystal Market. However, on a short-term basis, there is concern that demand for crystal devices will decrease due to the impact of COVID-19.

As a result, the impact of COVID-19 on the Group is uncertain. Therefore, consolidated financial statements have been prepared (including an assessment of the going concern premise and an assessment of planning and valuation premises upon which impairment tests are based) according to the following assumptions.

(Demand side)

- Consumer sentiment will drop, and demand for automobile and electrical devices will decrease.
- COVID-19 pandemic is expected to decrease in intensity in the first half of the fiscal year, and demand is expected to recover from the second half of the fiscal year.

(Supply side)

- The Group does not expect any other suspension of production activities at production plants after the authorisation date of the consolidated financial statements.

(c) Change in Classification

(Consolidated Statements of Financial Position)

"Lease liabilities" contained in "Loans and borrowings" which were presented in "Current liabilities" and "Non-current liabilities" for the fiscal year ended March 31, 2019 are separately presented from the fiscal year ended March 31, 2020 since their importance has increased due to the adoption of IFRS 16 (Leases). To reflect this change, consolidated statements of financial position for the fiscal year ended March 31, 2019 have been reclassified.

As a result, "Loans and borrowings" of ¥17,240 million in "Current liabilities" for the fiscal year ended March 31, 2019 is reclassified as "Loans and borrowings" of ¥17,213 million and "Lease liabilities" of ¥27 million. And "Loans and borrowings" of ¥14,861 million in "Non-current liabilities" for the fiscal year ended March 31, 2019 is reclassified as "Loans and borrowings" of ¥14,805 million and "Lease liabilities" of ¥55 million.

(Consolidated statements of cash flows)

"Loss on disposal of property, plant and equipment" which was separately presented in "Operating activities" for the fiscal year ended March 31, 2019 is included in "Others" from the fiscal year ended March 31, 2020, in order to improve the clarity of presentation of the consolidated financial statements. To reflect this change, comparative consolidated statements of cash flows for the fiscal year ended March 31, 2019 have been reclassified.

As a result, "Loss on disposal of property, plant and equipment" of ¥5 million in "Operating activities" for the fiscal year ended March 31, 2019 is reclassified as "Others".

(d) Change in Significant Accounting Policies

From the year ended March 31, 2020, the Group has applied the following accounting policies.

IFRS 16 (Leases)

(Transitional treatment)

As a transitional measure upon the adoption of IFRS 16, the Group applies this standard retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial applica-

tion, and the comparative information for prior periods is not restated.

As a practical expedient, the Group has not conducted any reassessment, as of the date of initial application, as to whether a contract is, or contains, a lease. Therefore, the group has applied IFRS 16 to all contracts entered into before April 1, 2019 and identified as a lease based on IAS 17 "Leases" ("IAS 17") and IFRIC 4 "Determining Whether an Arrangement Contains a Lease".

Leases classified as operating leases under IAS 17 for the year ended March 31, 2019 are recognised as a right-of-use asset and lease liabilities at the date of initial application, except for short-term leases that have a lease term of 12 months or less and leases for which the underlying asset is of low value. These lease liabilities at the time of transition are measured at the discounted present value of the total lease payments remaining at the date of initial application using the incremental borrowing rate at the date of initial application. In addition, right-of-use assets are measured at the amount of the measurement of lease liabilities at the date of initial application, adjusted by prepaid lease payments.

For leases classified as finance leases under IAS 17 for the year ended March 31, 2019, the carrying amount of right-of-use assets and lease liabilities is calculated as the carrying amount of lease assets and lease liabilities based on IAS 17 at the start of application.

As a result, at the date of initial application of IFRS 16, the Group additionally recognised right-of-use assets of ¥1,207 million (included in "Property, plant, and equipment" in the Consolidated Statements of Financial Position) and lease liabilities of ¥1,240 million. The weighted average of the incremental borrowing rates applied for the calculation of lease liabilities recognised at the date of initial application is 0.5%.

The following is a breakdown of the difference between the total minimum future lease payments under non-cancelable operating leases as of March 31, 2019 and the lease liabilities recognised in the consolidated statement of financial position at the date of initial application.

	Millions of yen
(a) Total minimum future lease payments under operating leases disclosed as of March 31, 2019	755
Discounted present value of (a)	749
Finance leases payable recognised as of March 31, 2019	83
Short-term leases and low-value asset leases not recognised as lease liabilities	(2)
Amount adjusted for extension and termination options that can be reasonably and reliably executed	493
Amount of lease liabilities recognised in the consolidated statement of financial position at the date of initial application	1,323

We have exercised the following practical expedients at the application of IFRS 16 to leases:
- Application of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

3. Significant Accounting Polices

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are those entities controlled by the Group. In case that the Group has exposure or right to variable returns from its involvement with the entity and ability to use its power to affect those returns, it controls that entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Scope of consolidation

The scope of consolidation, including NDK, comprises 15 consolidated companies as of March 31, 2020 and 14 consolidated companies as of March 31, 2019 respectively. Suzhou NDK Co., Ltd. established during the fiscal year ended March 31, 2020 is additionally included in the scope of consolidation.

All domestic and overseas subsidiaries are consolidated for the years ended March 31, 2020 and 2019.

(b) Foreign Currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into functional currencies at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated into functional currencies at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into functional currencies at the foreign exchange rates effective at the dates the fair values were determined.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, other than those for which the functional currency is Japanese yen, are translated into the presentation currency (Japanese yen) at the foreign exchange rates effective at the consolidated statement of financial position date. The revenues and expenses of foreign operations are translated into Japanese yen at the average rates of exchange for the period unless the exchange rates fluctuate significantly. Foreign exchange differences arising on translation are recognised in other comprehensive income.

The exchange rates for major currencies against Japanese yen for the years ended March 31, 2020 and 2019 were as follows:

		Yen			
		Year-end rate		*Average rate*	
		2020	*2019*	***2020***	*2019*
U.S.A.	US$	**¥108.83**	¥110.99	**¥109.10**	¥110.69
U.K.	GBP	**133.32**	144.98	**138.51**	145.68
Italy, Germany	EUR	**119.55**	124.56	**121.14**	128.43
China	RMB	**15.31**	16.47	**15.66**	16.53
Hong Kong	HK$	**14.04**	14.14	**13.96**	14.12
Malaysia	MYR	**25.18**	27.21	**26.19**	27.21
Singapore	SG$	**76.37**	81.88	**79.47**	81.67

(c) Financial Instruments

Financial assets

(i) Initial recognition and measurement

The Group initially recognises trade and other receivables at the date

they are originated. Other financial assets are initially recognised at the transaction date when the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, all financial assets are measured at fair value, but those that are not classified as financial assets measured at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition of the financial assets. However, trade receivables that do not contain significant financial components are measured at the transaction price. Transaction costs of financial assets measured at fair value through profit or loss are recognised in profit or loss.

(ii) Classification and subsequent measurement

The Group classifies the financial assets held as follows:

1) Financial assets measured at amortised cost

Financial assets held by the Group are measured at amortised cost if both of the following conditions are met:

- The financial asset is held in a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal amount outstanding.

After initial recognition, the carrying amounts of financial assets measured at amortised cost are recognised using the effective interest method. Both the amortisation using the effective interest method and the gains or losses on derecognition of the financial assets measured at amortised cost are recognised in profit or loss for the period.

2) Debt instruments measured at fair value through other comprehensive income

Financial assets held by the Group are classified as debt instruments measured at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are measured at fair value after initial recognition, and changes in the fair value are recognised as other comprehensive income. If the Group derecognises these financial assets, the cumulative gain or loss recognised in other comprehensive income is reclassified to profit or loss.

3) Equity instruments measured at fair value through other comprehensive income

The Group has made an irrevocable election to present subsequent changes in the fair value of certain equity instruments in other comprehensive income, and classifies them in equity instruments measured at fair value through other comprehensive income.

These financial assets are measured at fair value after initial recognition, and changes in the fair value are recognised as other comprehensive income. If the Group derecognises these financial assets, the cumulative gain or loss recognised in other comprehensive income is reclassified to retained earnings.

Dividends from equity instruments measured at fair value through other comprehensive income are recognised in profit or loss.

4) Financial assets measured at fair value through profit or loss

Financial assets that are not classified above are classified as financial assets measured at fair value through profit or loss. These financial assets are measured at fair value after initial recognition, and changes in their fair value are recoginised in profit or loss.

(iii) Impairment of financial assets

With respect to impairment of financial assets measured at amortised cost, the Group recognises a loss allowance for expected credit losses on such financial assets. At each reporting date, the Group assesses whether the credit risks on the financial assets have increased significantly since initial recognition. If credit risk on a financial asset has not increased significantly since initial recognition, the loss allowance for that financial asset is measured at an amount equal to the 12-month expected credit losses. If credit risk on a financial asset has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime expected credit losses. However, regarding trade receivables and others that do not contain significant financial components, the loss allowance on them is always measured at an amount equal to the lifetime expected credit losses. The amounts of these measurements are recognised as profit or loss. In the event of reducing impairment loss after the recognition of impairment loss, the decrease in impairment loss is recognised in profit or loss.

(iv) Derecognition of financial assets

The Group derecognises financial assets if contractual right to cash flows from financial assets expires or right to receive cash flows from financial assets is transferred and all risks and rewards of ownership of the financial assets are transferred substantially.

Financial liabilities

The Group initially recognises all financial liabilities on trading day when the Group becomes a party to the contractual provisions. The financial liabilities except for derivatives are measured at fair value deducting transaction costs that are directly attributable to the issue of the financial liabilities. After initial recognition, they are measured at amortised cost using the effective interest method. The Group derecognises the financial liabilities when the obligation specified in the contract is discharged or cancelled or expires.

Offset of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when the Group has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments and hedge accounting

(i)Derivatives

While the Group uses forward exchange contracts and currency swap to hedge its currency risk, it uses interest rate swap to hedge its interest-rate risk. Derivatives are initially recognised at fair value on the contract date. After initial recognition, they are measured at fair value of the end of the period. The changes in the fair value of the derivative is recognised immediately in profit or loss when the derivatives are not designated as hedging instrument or the portion of changes in the fair value of the derivatives is not effective.

(ii) Hedge accounting

The Group designates interest rate swap as a hedge instrument and accounts the swap as cash flow hedges. At the inception of designated hedging relationships, the Group documents risk management objectives and strategies about hedge instruments and hedge items to which hedge accounting is applied. The effect of a hedge is evaluated continuously from starting the hedge. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in other components of equity. The amounts accumulated in other components of equity are reclassified to profit or loss in the same period or periods during which the hedge items affect profit or loss.

(d) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is based primarily on the moving-average cost for raw materials and first-in, first-out cost for finished products, semi-fin-

ished products and work in process. For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs.

(e) Property, Plant and Equipment

(i) Owned assets

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses (refer to Significant Accounting Polices (h)).

Cost includes expenditures that are directly attributable to the acquisition of the asset, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

(ii) Subsequent expenditure

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are expensed in profit or loss as incurred.

(iii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the following estimated useful lives:

- Buildings and structures 3-50 years
- Machinery and vehicles 2-15 years
- Furniture and fixtures 2-20 years

Property, plant and equipment are depreciated from the date they are available for use.

No depreciation is provided on land and construction in progress. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the net identifiable assets acquired. Goodwill is measured at cost less accumulated impairment losses (refer to Significant Accounting Polices (h)). Goodwill is subject to an annual impairment test and is subject to an impairment write-down, if applicable. Impairments of goodwill are not reversed.

(ii) Other intangible assets

Other intangible assets are measured at cost, less accumulated amortisation, and any accumulated impairment losses (refer to Significant Accounting Polices (h)), unless useful lives are indefinite. Other intangible assets mainly include software and patents.

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

Other development expenditure is expensed in profit or loss as incurred.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed in profit or loss as incurred.

(v) Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets other than goodwill, unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives are as follows:

- Software 3-5 years
- Patents 12 years

(g) Leases

(The policy is applied on or after April 1, 2019)

At inception of a contract, the Group determines whether the contract is, or contains, a lease. The group deems that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group reviews the following matters in assessment of whether or not a contract conveys the right to control the use of an identified asset:

- Whether the use of an identified asset is included in the contract.
- Whether the Group has the right to receive almost all the economic benefits from the use of the asset over the entire period of usage.
- Whether the Group has the right to give instructions on the use of the asset.

Leases are recognised as right-of-use assets and lease liabilities at the lease commencement date. The group elects not to recognise the right-of-use asset and the lease liability for short-term leases that have a lease term of 12 months or less and leases for which the underlying asset is of low value. Lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term.

The cost of the right-of-use asset is initially measured at the amount of the initial measurement of lease liabilities adjusted by any initial direct costs, prepaid lease payments and an estimate of costs to be incurred in dismantling and removing the underlying asset. The Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term on a straight-line basis. In addition, the carrying amount of the right-of-use asset is reduced due to impairment losses, which is adjusted at remeasurement of the relevant lease liability. The right-of-use assets are contained in "Property, plant and equipment" on "Consolidated Statements of Financial Position".

In measuring lease liabilities, the Group has elected not to separate a lease component and a related non-lease component. The lease liabilities for leases are measured at the present value of the remaining of total lease payments at the commencement date of lease, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used.

The total lease payments included in the measurement of the lease liability comprise the following payments:

- Fixed lease payments.
- Amounts expected to be payable by the lessee under residual value guarantees.
- The exercise price of a purchase option.
- Payments of penalties for terminating the lease.

Lease liabilities are subsequently measured by increasing the carrying amounts to reflect interest on the lease liabilities and by reducing the carrying amounts to reflect lease payments made. They are remeasured, with a corresponding adjustment to the related right-of-use asset, when there is a change in future lease payments following a contract renegotiation, a change of an index or rate or a reassessment of options.

(The policy was applied before March 31, 2019)

For the year ended March 31, 2019, leases in terms of which the Group assumes substantially all the risks and rewards of ownership of leased assets are classified as finance leases. All other leases are classified as operating leases.

Plant and equipment acquired by way of finance leases are stated

at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the leases, less accumulated depreciation and impairment losses (refer to Significant Accounting Policies (h)). The future lease payments are recorded as financial obligations.

Leased assets are depreciated over their estimated useful lives except where subsequent transfer of title is uncertain, in which case they are depreciated over their estimated useful lives or the respective lease term, whichever is shorter.

Lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments for operating leases are recognised in profit or loss on a straight-line basis over the lease term.

(h) Impairment of Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGUs on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Provisions

Provisions are recognised in the consolidated statements of financial position when the Group has a legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a financial expense.

(i) Asset retirement obligation

In accordance with a contractual obligation to a landlord to dismantle and remove leasehold improvements from a leased office at the end of the lease contract, a provision for asset retirement obligation is recognised.

(ii) Settlement for products sold

The Group makes a provision for settlement for products sold regarding the damage incurred by customers attributed to the Group's products.

(iii) Business structural reform

The Group makes a provision to cover estimated future losses related to business structural reform.

(j) Employee Benefits

(i) Defined benefit plans

The Group's net obligation with respect to defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the consolidated statement of financial position date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. Adjustment by the remeasurement of the Group's net obligation with respect to defined benefit pension plans is recognised immediately in other comprehensive income, and is reclassified to retained earnings.

(ii) Defined contribution plans

The employees of the Company and certain subsidiaries are provided defined contribution plans based on local practices and regulations. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred. In addition, the Company participates in a defined benefit multi-employer plan. The Company accounts for the plan as if it were a defined contribution plan because sufficient information on the Company's share of the defined benefit obligation and plan assets in the plan is not available to use defined benefit accounting.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid as a bonus or vacation pay if the Group has a present legal or constructive obligation to pay this amount, and the obligation can be estimated reliably.

(iv) Termination benefits

The group provides termination benefits when terminating the employment of an employee or group of employees before the normal retirement date, or provides termination benefits as a result of an offer made in order to encourage voluntary redundancy. When the group is demonstrably committed to the termination (when the Group has a detailed formal plan for the termination and when there is no realistic possibility of withdrawal), the group recognises the termination benefits as expenses.

(k) Revenue recognition

With the adoption of IFRS 15, the Group recognises revenue based on the following five-step approach.

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognise revenue when the entity satisfies a performance obligation.

The main activities of the Group are the integrated manufacture and sale of quartz crystal units, crystal devices, ultrasonic transducers and synthetic quartz crystals. The revenue recorded in these businesses is recorded as sales according to the contract with the customer.

For sales of the Group's products, because the customer obtains control over the products upon delivery, when the significant risks and rewards of ownership have been transferred to the buyer, the performance obligation is judged to have been satisfied and revenue is therefore recognised upon delivery of the products. Also, revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates, returned products and other items.

The consideration promised in product sales contracts is received mainly within one year from the time the product is delivered to the customer. The contracts with customers do not contain a significant financial component.

(l) Government Grants

Government grants related to certain investments are measured at fair value and are recognised in the consolidated statements of financial position initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to the grants. Grants that compensate the Group for expenses incurred are recognised as other operating income in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised as other operating income in profit or loss on a systematic basis over the useful life of the asset.

(m) Financial Income and Expenses

Financial income and expenses mainly comprise interest income, dividend income, interest expense on borrowings calculated using the effective interest method, foreign exchange gains and losses, and changes in the fair value of financial assets measured at fair value through profit or loss.

Interest income is recognised in profit or loss as it accrues, taking into account the effective yield on the asset. Dividend income is recognised in profit or loss on the date that the dividend is declared. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(n) Income Taxes

Income taxes comprise current and deferred taxes. Income taxes are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or other comprehensive income.

Current taxes are the expected taxes payable on the taxable income for the year, using tax rates enacted or substantially enacted at the consolidated statement of financial position date, and any adjustment to taxes payable in respect of previous years.

Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred taxes recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the consolidated statement of financial position date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Segment Information

An operating segment is a component that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components of the Group.

The main activities of the Group are the integrated manufacture and sale of quartz crystal units, crystal devices, ultrasonic transducers and synthetic quartz crystals and there is no separate operating segment whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Therefore, the Group has a single reportable segment.

(p) New Standards and Interpretations Not Yet Adopted

The IASB has issued some standards, interpretations and amendments to existing standards whose application is not yet mandatory and which have not yet been applied by the Group ahead of time. These standards and interpretations are not expected to have significant effects on future consolidated financial statements of the Group.

4. Segment Information

General information

The main activities of the Group are the integrated manufacture and sale of quartz crystal units, crystal devices, ultrasonic transducers and synthetic quartz crystals, and there are no separate operating segments. Therefore, the Group has a single reportable segment.

Information about products and services

Net sales by type of products are as follows:

	Millions of yen						*Thousands of U.S. dollars*
	2020		*2019*		*Increase/ (decrease)*		***2020***
	Amount	*Composition (%)*	*Amount*	*Composition (%)*	*Amount*	*Change (%)*	*Amount*
Quartz crystal units	**¥24,499**	**62.1**	¥25,362	59.7	¥ (863)	(3.4)	**$225,112**
Crystal devices	**11,147**	**28.2**	12,650	29.8	(1,503)	(11.9)	**102,425**
Others	**3,821**	**9.7**	4,484	10.5	(663)	(14.8)	**35,109**
Total	**¥39,468**	**100.0**	¥42,498	100.0	¥(3,030)	(7.1)	**$362,657**

Information about geographical areas

Sales by geographical areas and non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts are as set out below. Sales by geographical areas are categorised by country or areas of customers and non-current assets are based on the geographical location of the assets.

	Millions of yen								
	2020								
	Japan	*China*	*Germany*	*U.S.A.*	*Korea*	*Mexico*	*France*	*Others*	*Total*
Net sales	**¥7,858**	**¥13,893**	**¥4,301**	**¥3,643**	**¥1,633**	**¥867**	**¥806**	**¥6,462**	**¥39,468**
Non-current assets	**13,539**	**1,995**	**—**	**95**	**—**	**—**	**—**	**1,891**	**17,521**

	Millions of yen								
	2019								
	Japan	*China*	*Germany*	*U.S.A.*	*Korea*	*Mexico*	*France*	*Others*	*Total*
Net sales	¥ 8,782	¥14,443	¥4,616	¥3,728	¥1,317	¥863	¥919	¥7,827	¥42,498
Non-current assets	17,725	1,664	—	180	—	—	—	1,818	21,389

	Thousands of U.S. dollars								
	2020								
	Japan	*China*	*Germany*	*U.S.A.*	*Korea*	*Mexico*	*France*	*Others*	*Total*
Net sales	**$72,204**	**$127,657**	**$39,520**	**$33,474**	**$15,005**	**$7,966**	**$7,406**	**$59,377**	**$362,657**
Non-current assets	**124,405**	**18,331**	**—**	**872**	**—**	**—**	**—**	**17,375**	**160,994**

Major customers

During the years ended March 31, 2020 and 2019, there were no major external customers with net sales exceeding 10% of Group's total net sales.

5. Cash and Cash Equivalents

	Millions of yen		*Thousands of U.S. dollars*
	2020	*2019*	***2020***
Cash on hand and bank deposits	**¥10,060**	¥8,231	**$92,437**
Cash and cash equivalents in the consolidated statements of cash flows	**¥10,060**	¥8,231	**$92,437**

6. Trade Receivables

	Millions of yen		*Thousands of U.S. dollars*
	2020	*2019*	***2020***
Notes receivable and electronically recorded monetary claims	**¥ 491**	¥ 587	**$ 4,511**
Accounts receivable	**9,453**	10,057	**86,860**
A loss allowance	**(38)**	(39)	**(349)**
Total	**¥9,906**	¥10,605	**$91,022**

7. Inventories

	Millions of yen		*Thousands of U.S. dollars*
	2020	*2019*	***2020***
Finished products	**¥ 4,823**	¥ 6,389	**$ 44,316**
Semi-finished products	**915**	880	**8,407**
Work in process	**3,195**	3,295	**29,357**
Raw materials and supplies	**4,002**	3,835	**36,772**
Total	**¥12,936**	¥14,401	**$118,864**
Write-down of inventories recognised as an expense*	**¥ 1,680**	¥ 1,919	**$ 15,436**
Reversal of write-down*, **	**¥ (1,915)**	¥ (3,289)	**$ (17,596)**

** Write-down and the reversal of write-down of inventories are included in cost of sales.*

*** Since it is not possible for the Company to track individual utilisation of the inventory allowance, the total amount of write-down recognised at the previous year-end is reversed to cost of sales in the current period.*

**** There were no inventories pledged as security as of March 31, 2020 and 2019.*

8. Other Current Assets

	Millions of yen		*Thousands of U.S. dollars*
	2020	*2019*	***2020***
Prepaid expenses	**¥ 241**	¥ 206	**$ 2,214**
Other receivables	**277**	1,841	**2,545**
Advance payments	**41**	24	**376**
Consumption tax/ value-added tax receivables	**1,712**	1,514	**15,730**
Others	**246**	297	**2,260**
Total	**¥2,520**	¥3,885	**$23,155**

9. Property, Plant and Equipment

	Millions of yen					
	2019					
	Land	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Construction in progress	Total
Cost:						
At April 1	¥3,686	¥ 30,282	¥ 77,326	¥ 5,625	¥ 2,860	¥119,781
Additions	—	356	1,386	286	252	2,281
Disposals	—	(3,810)	(3,917)	(293)	(33)	(8,054)
Currency translation differences	0	(83)	(339)	(12)	(17)	(452)
Transfers and others	—	77	2,030	1	(2,118)	(8)
At March 31	¥3,687	¥ 26,822	¥ 76,487	¥ 5,607	¥ 942	¥113,547
Accumulated depreciation and impairment losses:						
At April 1	¥ —	¥(21,785)	¥(68,696)	¥(4,894)	¥ (785)	¥ (96,162)
Depreciation for the year	—	(953)	(2,164)	(253)	—	(3,371)
Impairment losses	—	(232)	(162)	(1)	—	(396)
Disposals	—	2,929	3,910	256	16	7,113
Currency translation differences	—	58	304	11	0	373
Transfers and others	—	(0)	(690)	(2)	691	(0)
At March 31	¥ —	¥(19,983)	¥(67,499)	¥(4,883)	¥ (76)	¥(92,443)
Net book value	¥3,687	¥ 6,839	¥ 8,987	¥ 723	¥ 865	¥ 21,104

	Millions of yen							Thousands of U.S. dollars
	2020							**2020**
	Land	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Construction in progress	Right-of-use assets	Total	Total
Cost:								
At April 1	**¥3,687**	**¥ 26,822**	**¥ 76,487**	**¥ 5,607**	**¥ 942**	**¥ —**	**¥113,547**	**$1,043,342**
Adjustment for the application of IFRS 16	**—**	**—**	**(89)**	**(82)**	**—**	**1,379**	**1,207**	**11,090**
At April 1 (after adjustment)	**¥3,687**	**¥ 26,822**	**¥ 76,398**	**¥ 5,525**	**¥ 942**	**¥1,379**	**¥114,755**	**$1,054,442**
Additions	**—**	**358**	**922**	**226**	**497**	**1,093**	**3,099**	**28,475**
Disposals	**(60)**	**(690)**	**(7,697)**	**(814)**	**(0)**	**(107)**	**(9,370)**	**(86,097)**
Currency translation differences	**(13)**	**(185)**	**(1,095)**	**(62)**	**(28)**	**(61)**	**(1,447)**	**(13,295)**
Transfers and others	**—**	**23**	**522**	**27**	**(587)**	**—**	**(13)**	**(119)**
At March 31	**¥3,613**	**¥ 26,328**	**¥ 69,050**	**¥ 4,902**	**¥ 824**	**¥2,304**	**¥107,023**	**$ 983,396**
Accumulated depreciation and impairment losses:								
At April 1	**¥ —**	**¥(19,983)**	**¥(67,499)**	**¥(4,883)**	**¥ (76)**	**¥ —**	**¥ (92,443)**	**$ (849,425)**
Adjustment for the application of IFRS 16	**—**	**—**	**46**	**48**	**—**	**(95)**	**—**	**—**
At April 1 (after adjustment)	**¥ —**	**¥(19,983)**	**¥(67,453)**	**¥(4,835)**	**¥ (76)**	**¥ (95)**	**¥ (92,443)**	**$ (849,425)**
Depreciation for the year	**—**	**(707)**	**(2,136)**	**(238)**	**—**	**(543)**	**(3,626)**	**(33,318)**
Impairment losses	**(941)**	**(1,783)**	**(708)**	**(45)**	**(124)**	**(329)**	**(3,932)**	**(36,129)**
Disposals	**—**	**590**	**7,665**	**792**	**—**	**37**	**9,086**	**83,488**
Currency translation differences	**—**	**125**	**957**	**57**	**2**	**14**	**1,158**	**10,640**
Transfers and others	**—**	**—**	**(39)**	**—**	**40**	**—**	**0**	**0**
At March 31	**¥ (941)**	**¥(21,756)**	**¥(61,714)**	**¥(4,269)**	**¥(157)**	**¥ (916)**	**¥ (89,757)**	**$ (824,745)**
Net book value	**¥2,671**	**¥ 4,571**	**¥ 7,335**	**¥ 632**	**¥ 666**	**¥1,387**	**¥ 17,266**	**$ 158,651**

Notes: 1. Depreciation is included in cost of sales, selling, general and administrative expenses, research and development expenses and other operating expenses in the consolidated statements of comprehensive income.
2. There were no restrictions on title, on property, plant and equipment pledged as security as of March 31,2020 and 2019.

Leased assets

The carrying amount of leased machinery and vehicles was ¥42 million as of March 31, 2019. The carrying amount of leased furniture and fixtures was ¥33 million as of March 31, 2019.

Property, plant and equipment acquired under finance leases for the years ended March 31, 2019 amounted to ¥19 million.

Construction in progress

During the years ended March 31, 2020 and 2019, the Group acquired new production lines under construction for crystal units and crystal oscillators. The cost of acquisition was ¥666 million ($6,119 thousand) and ¥865 million as of March 31, 2020 and 2019, respectively.

Impairment losses

The Group is grouping assets or groups of assets by company and business location based on the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). Idle assets which are not expected to be used in the future are grouped by individual asset units.

During the year ended March 31, 2019, impairment losses were recognised in other operating expenses. The loss was recognised mainly for the crystal units' production equipment for mobile market and the optical device related facilities in our subsidiary, Furukawa NDK Co., Ltd., both of which were idled due to reviewing and restructuring the production system.

During the year ended March 31, 2020, based on the forecast of a sales decrease for mobile markets which have been unprofitable, impairment losses were recognised for corporate assets of Hakodate NDK Co., Ltd. which mainly produces crystal units for mobile markets. The losses were also recognised for assets which would be unnecessary due to the factory relocation of Suzhou NDK Co., Ltd. In addition, impairment losses were recognised for manufacturing equipment of Furukawa NDK Co., Ltd., Suzhou NDK Co., Ltd. and the newly established Suzhou NDK Co., Ltd., which mainly produce units and crystal devices for the automotive market. This is because sales for the automotive market is expected to decrease due to Covid-19. These losses were recognised in other operating expenses and cost of sales on the consolidated statements of comprehensive income. Impairment losses for the year ended March 31, 2020 and 2019 were as follows:

			Millions of yen	*Thousands of U.S. dollars*
			2020	***2020***
Location	*Asset/Asset group*	*Category*	*Total*	*Total*
Furukawa NDK Co., Ltd. (Osaki-city, Miyagi, Japan)	Crystal units and Crystal oscillators	Land, Building, Machinery and others	**¥1,180**	**$10,842**
Hakodate NDK Co., Ltd. (Hakodate-city, Hokkaido, Japan)	Corporate assets	Land, Building and others	**¥1,884**	**$17,311**
Suzhou NDK Co., Ltd. (Suzhou, Jiangsu Province, China)	Crystal units and Crystal oscillators	Machinery and others	**¥ 413**	**$ 3,794**
	Idle assets	Machinery	**¥ 78**	**$ 716**
Newly established Suzhou NDK Co., Ltd. (Suzhou, Jiangsu Province, China)	Crystal units and Crystal oscillators	Building and others	**¥ 376**	**$ 3,454**
Total			**¥3,932**	**$36,129**

Note: The recoverable amount of the asset group was measured at value in use or fair value less costs of disposal. Value in use was calculated using the discounted present value of future cash flows. The pre-tax discount rate used in the calculation was from 8.0% to 14.3%. The fair value less costs of disposal was based on the estimated amount on disposal after deducting the costs of disposal.

			Millions of yen
			2019
Location	*Asset/Asset group*	*Category*	*Total*
Sayama Plant (Sayama-city, Saitama, Japan)	Idle assets	Machinery and others	**¥163**
Furukawa NDK Co., Ltd. (Osaki-city, Miyagi, Japan)	Idle assets	Building and others	**¥233**
Total			**¥396**

Note: The recoverable amount of the asset group was measured at fair value less costs of disposal. The fair value less costs of disposal was based on the estimated amount on disposal after deducting the costs of disposal.

10. Intangible Assets

	Millions of yen				
	2019				
	Computer software	*Goodwill*	*Patents*	*Others*	*Total*
Cost:					
At April 1	¥ 693	¥ 1,356	¥ 35	¥ 46	¥ 2,131
Additions	50	—	—	43	94
Disposals	(97)	—	—	—	(97)
Currency translation differences	4	—	—	0	4
Transfers and others	—	—	—	11	11
At March 31	¥ 650	¥ 1,356	¥ 35	¥101	¥ 2,144
Accumulated amortisation and impairment losses:					
At April 1	¥(501)	¥(1,341)	¥(22)	¥ (15)	¥(1,879)
Amortisation for the year	(92)	—	(2)	(2)	(97)
Disposals	97	—	—	—	97
Currency translation differences	(4)	—	—	—	(4)
At March 31	¥(500)	¥(1,341)	¥(25)	¥ (17)	¥(1,884)
Net book value	¥ 150	¥ 15	¥ 9	¥ 84	¥ 259

	Millions of yen					Thousands of U.S. dollars
	2020					2020
	Computer software	Goodwill	Patents	Others	Total	Total
Cost:						
At April 1	¥ 650	¥ 1,356	¥ 35	¥101	¥ 2,144	$ 19,700
Additions	30	—	—	2	33	303
Disposals	(48)	—	—	—	(48)	(441)
Currency translation differences	(5)	—	—	(0)	(5)	(45)
Transfers and others	53	—	—	(46)	7	64
At March 31	¥ 681	¥ 1,356	¥ 35	¥ 57	¥ 2,131	$ 19,580
Accumulated amortisation and impairment losses:						
At April 1	¥(500)	¥(1,341)	¥(25)	¥ (17)	¥(1,884)	$(17,311)
Amortisation for the year	(66)	—	(2)	(2)	(71)	(652)
Disposals	48	—	—	—	48	441
Currency translation differences	4	—	—	—	4	36
At March 31	¥(514)	¥(1,341)	¥(28)	¥ (19)	¥(1,903)	$(17,485)
Net book value	¥ 167	¥ 15	¥ 6	¥ 38	¥ 228	$ 2,095

Note: Amortisation is included in cost of sales, selling, general and administrative expenses and research and development expenses.

11. Other financial assets

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Securities and mutual funds	¥603	¥1,207	$5,540
Golf and resort club memberships	101	108	928
Security deposit	98	100	900
Long-term other receivable	—	92	—
Total	¥803	¥1,508	$7,378

12. Other Non-current Assets

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Long-term prepaid expenses	¥ 26	¥ 25	$ 238
Insurance premium reserve	205	197	1,883
Others	7	7	64
Total	¥240	¥230	$2,205

13. Trade and Other Payables

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Trade accounts payable	¥3,470	¥4,690	$31,884
Accrued expenses	3,286	2,936	30,193
Other payables	764	1,000	7,020
Total	¥7,520	¥8,627	$69,098

14. Other Current Liabilities

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Accrued vacation pay	¥ 443	¥461	$ 4,070
Advance received	1,269	289	11,660
Others	87	169	799
Total	¥1,800	¥920	$16,539

15. Loans and Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

Loans and borrowings at March 31, 2020 and 2019 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Short-term loans and borrowings:			
Unsecured bank loans	**¥16,861**	¥ 6,508	**$154,929**
Long-term loans and borrowings maturing within one year:			
Unsecured bank loans	**7,698**	10,704	**70,734**
Lease liabilities	**479**	27	**4,401**
Total	**¥25,039**	¥17,240	**$230,074**
Long-term loans and borrowings:			
Unsecured bank loans	**¥ 7,987**	¥14,805	**$ 73,389**
Lease liabilities	**1,297**	55	**11,917**
Total	**¥ 9,285**	¥14,861	**$ 85,316**

The maturities of long-term loans and borrowings at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
The second year	**¥4,856**	¥ 7,672	**$44,620**
The third year	**2,576**	4,075	**23,669**
The fourth year	**1,090**	2,229	**10,015**
The fifth year	**80**	881	**735**
Thereafter	**681**	3	**6,257**
Total	**¥9,285**	¥14,861	**$85,316**

The following table indicates the effective interest rates and maturity dates of interest-bearing financial liabilities at the consolidated statement of financial position date.

	Effective interest rate (weighted average)	Millions of yen		
		Carrying amount		
As of March 31, 2020		Within one year	More than one year	Total
Short-term loans and borrowings:				
Unsecured bank loans with fixed rates	**1.66%**	**¥16,861**	**¥ —**	**¥16,861**
Long-term loans and borrowings:				
Unsecured bank loans with fixed rates*	**0.57**	**4,765**	**5,622**	**10,388**
Unsecured bank loans with floating rates	**0.43**	**2,932**	**2,365**	**5,298**
Lease liabilities	**0.52**	**479**	**1,297**	**1,777**

	Effective interest rate (weighted average)	Millions of yen		
		Carrying amount		
As of March 31, 2019		Within one year	More than one year	Total
Short-term loans and borrowings:				
Unsecured bank loans with fixed rates	1.12%	¥6,508	¥ —	¥ 6,508
Long-term loans and borrowings:				
Unsecured bank loans with fixed rates*	0.51	7,141	9,754	16,896
Unsecured bank loans with floating rates	0.44	3,562	5,051	8,613
Lease liabilities	2.31	27	55	83

	Thousands of U.S. dollars		
	Carrying amount		
As of March 31, 2020	Within one year	More than one year	Total
Short-term loans and borrowings:			
Unsecured bank loans with fixed rates	**$154,929**	**$ —**	**$154,929**
Long-term loans and borrowings:			
Unsecured bank loans with fixed rates*	**43,783**	**51,658**	**95,451**
Unsecured bank loans with floating rates	**26,941**	**21,731**	**48,681**
Lease liabilities	**4,401**	**11,917**	**16,328**

**Long-term loans and borrowings in interest rate swap that is substantially fixed rates is included in unsecured bank loans with fixed rates.*

The Group's exposure to foreign currency and liquidity risks are described in Note 29.

16. Employee Benefits

Defined benefit plans

The Company and certain subsidiaries provide defined benefit plans for their employees. Benefits are dependent on the levels of wages and salaries at the times of retirement or termination, lengths of service and certain other factors. The defined benefit obligations are recognised on the basis of actuarial assumptions of discount rate and others. As a result, they are exposed to risk by movement of these assumptions.

The following table reconciles the funded status of the defined benefit plans to the amounts recognised in the consolidated statements of financial position:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Present value of funded obligations	**¥ 7,375**	¥ 7,667	**$ 67,766**
Fair value of plan assets	**(6,743)**	(6,778)	**(61,959)**
	631	889	**5,798**
Present value of unfunded obligations	**2,030**	2,308	**18,652**
Net liabilities recognised in the consolidated statements of financial position	**¥ 2,661**	¥ 3,198	**$ 24,450**

Movement in present value of the defined benefit obligations:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Defined benefit obligations at April 1	**¥9,976**	¥10,056	**$91,665**
Benefits paid by the plan	**(428)**	(452)	**(3,932)**
Benefits paid by the Group	**(379)**	(174)	**(3,482)**
Current service costs**	**536**	546	**4,925**
Interest cost**	**29**	29	**266**
Actuarial gains***	**(328)**	(28)	**(3,013)**
Defined benefit obligations at March 31	**¥9,405**	¥ 9,976	**$86,419**

** The weighted-average duration of the defined benefit obligation was 9 years as of March 31, 2020, and 10 years as of March 31, 2019.*

*** Current service costs and interest cost (net interest after deducting interest income on plan assets) are included in cost of sales, selling, general and administrative expenses and research and development expenses.*

**** Actuarial (gains)/losses arose from changes in financial assumptions and others.*

Movement in fair value of plan assets:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Fair value of plan assets at April 1	**¥6,778**	¥6,607	**$62,280**
Contributions paid to the plan*	**526**	536	**4,833**
Benefits paid by the plan	**(428)**	(452)	**(3,932)**
Interest income	**19**	19	**174**
Return on plan assets, excluding interest income	**(151)**	67	**(1,387)**
Fair value of plan assets at March 31	**¥6,743**	¥6,778	**$61,959**

** The Company and certain subsidiaries expect to pay ¥414 million ($3,804 thousand) in contributions to defined benefit plans for the year ending March 31, 2021.*

The target of the management of plan assets is to secure needed total earnings in the long term to sustain the payment of pension and lump-sum benefits in the future, paying attention to medium-term risk of downward market trends.

The Group designs an optimal portfolio to achieve this target, attempts to maintain asset allocations based on this portfolio and reviews the necessity of rebalancing the portfolio as needed.

Plan assets consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Pension investment fund trust*	**¥4,937**	¥5,023	**$45,364**
Life insurance company general accounts**	**1,564**	1,525	**14,371**
Others	**241**	229	**2,214**
Total plan assets	**¥6,743**	¥6,778	**$61,959**

** The components of the pension investment fund trust were Domestic bonds 66%, Domestic equities 10%, Foreign-currency equities 10% and Foreign-currency bonds & others 14% as of March 31, 2020, and Domestic bonds 64%, Domestic equities 12%, Foreign-currency equities 14% and Foreign-currency bonds & others 10% as of March 31, 2019. There are no quoted market prices in an active market for the pension investment fund trust, but the investments in the pension investment fund trust include stocks and bonds listed in active markets.*

*** Life insurance company general accounts are group pension general accounts which are guaranteed certain assumed interest rates and return of principal. There are no quoted market prices in an active market.*

Principal actuarial assumptions used to determine pension obligations as of March 31, 2020 and 2019 are as follows:

	2020	2019
Discount rate	**0.4%**	0.3%

Note: Other actuarial assumptions include mortality rate, turnover rate, future salary growth rate, and others.

Changes of the discount rate would have affected the defined benefit obligation by the amounts shown below. This analysis assumes that all variables other than the discount rate remain constant.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Discount rate - 0.1% increase	**¥(87)**	¥(101)	**$(799)**
Discount rate - 0.1% decrease	**¥ 88**	¥ 102	**$ 808**

Defined contribution plans

In addition to the preceding plans, the Company and a majority of its subsidiaries, overseas and domestic, sponsor defined contribution plans based on local practices and regulations. The Group's contributions were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Contributions paid to the plans	**¥1,057**	¥1,171	**$9,712**

Note: Contributions are included in cost of sales, selling, general and administrative expenses and research and development expenses.

Multi-employer plan

The Company participates in the welfare pension fund for the Tokyo Electrical Industry Corporate Pension Fund Organization, a multi-employer defined benefit plan.

For the multi-employer defined benefit plan, sufficient information is not available to use defined benefit accounting since it is not possible to calculate the amount of plan assets corresponding to the Company's contributions. Therefore, the Company accounts for the plan as if it were a defined contribution plan, and the contributions are included in cost of sales, selling, general and administrative expenses and research and development expenses.

The contributions paid to the plan are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Contributions paid to the plan	**¥137**	¥144	**$1,258**

Notes: 1. Contributions are calculated by multiplying the standard salary of each member by a defined contribution rate. In case the plan is underfunded, future contributions to the plan may increase.
2. Assets contributed to the plan may be used to provide benefits to employees of other participating employers. If the other participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. The Company expects to pay ¥124 million ($1,139 thousand) in contributions to the plan for the year ending March 31, 2021.

The latest available information for the multi-employer plan as a whole which is not in accordance with IAS 19 Employee Benefits is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2019	As of March 31, 2018	**As of March 31, 2019**
Fair value of plan assets	**¥127,216**	¥130,908	**$1,168,942**
Actuarial benefit obligation in the plan	**141,568**	146,380	**1,300,817**
Net	**¥ (14,351)**	¥ (15,471)	**$ (131,866)**
Surplus	**¥ (828)**	¥ 4,850	**$ (7,608)**
General reserve	**3,363**	(1,486)	**30,901**
Unamortised past service obligation	**(16,886)**	(18,834)	**(155,159)**
Total	**¥ (14,351)**	¥ (15,471)	**$ (131,866)**
Amortisation method of past service obligation	**The amounts of principal and interest are amortised equally for 20 years**	The amounts of principal and interest are amortised equally for 20 years	
Ratio of contributions by the Company to the plan as a whole	**2.88%**	2.83%	

Note: In case of withdrawing from the plan, the Company may be required to pay the amount of unfunded obligations proportional to the Company's ratio of contributions to the plan as a whole.

Termination benefits

The Company and certain subsidiaries paid additional compensation to employees for early retirement recorded as an expense in cost of sales or other operating expenses.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Expense recognised in consolidated statements of comprehensive income	**¥2,327**	¥8	**$21,381**

17. Share Capital

	Number of shares	
	2020	2019
Class of shares *	**Ordinary shares**	Ordinary shares
Number of authorised shares	**40,000,000**	40,000,000
Number of outstanding shares **		
At April 1	**20,757,905**	20,757,905
Increase or decrease	**—**	—
At March 31	**20,757,905**	20,757,905
Number of treasury shares		
At April 1	**1,133,154**	1,132,818
Number of purchased or sold shares less than a full trading unit	**414**	336
At March 31	**1,133,568**	1,133,154

** Ordinary shares have no par value.*
*** Outstanding shares are fully paid.*

Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity.

Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

Other components of equity

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are the amounts of the cumulative net change in the fair value of financial assets measured at fair value through other comprehensive income until the assets are derecognised.

Translation differences for foreign operations

This reserve is used for translation differences arising on the consolidation of financial statements of foreign subsidiaries.

Cash flow hedge

This reserve is the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges.

18. Dividends

Payments of dividends in the year ended March 31, 2019:
On June 22, 2018, no dividend was proposed to shareholders at the annual general meeting.

Payments of dividends in the year ended March 31, 2020:
On June 21, 2019, no dividend was proposed to shareholders at the annual general meeting.
On July 31, 2020, no dividend will be proposed to shareholders at the annual general meeting.

19. Sales

Disaggregation of Revenue

The main activities of the Group are the integrated manufacture and sale of quartz crystal units, crystal devices, ultrasonic transducers and synthetic quartz crystals. The revenue from these businesses is recorded as sales in accordance with the contracts with the customers.

Disaggregation of revenue from contracts with customers are presented in "Information about products and services" of Note 4 "Segment Information".

Liabilities from Contracts with Customers

Liabilities from Contracts with Customers are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	March 31 2020	*March 31 2019*	***March 31 2020***
Contract Liabilities	**¥238**	¥289	**$2,186**

Notes: 1. Contract liabilities are mainly advance payments received from customers as payment for products.
2. The amounts of revenue recognised for the year ended March 31, 2020 and 2019 that were included in the advances received balance at the beginning of the period are ¥113 million ($1,038 thousand) and ¥184 million, respectively.

Transaction Price Allocated to the Remaining Performance Obligations

The aggregate amount of transaction price allocated to the remaining performance obligation from contracts with some customers and the expected duration for recognition of that amount as revenue are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	March 31 2020	*March 31 2019*	***March 31 2020***
Within one year	**¥ 66**	¥ 38	**$ 606**
Over one year	**171**	250	**1,571**
	¥238	¥289	**$2,186**

The Group applies the practical expedient of omitting the disclosure of information on the remaining performance obligations whose original expected duration is less than one year, since there is no transaction with an individual contractual period exceeding one year except as above. In addition, there are no significant amounts in consideration from contracts with customers that are not included in transaction prices.

20. Cost of Sales

	Millions of yen		*Thousands of U.S. dollars*
	2020	*2019*	***2020***
Raw materials	**¥14,717**	¥16,421	**$135,229**
Subcontract fees	**403**	484	**3,703**
(Increase) in products and work-in-process	**1,508**	(159)	**13,856**
Personnel expenses (refer to Note 24)	**9,808**	10,797	**90,122**
Depreciation and amortisation (refer to Note 25)	**2,877**	2,931	**26,435**
Electricity	**2,177**	2,379	**20,003**
Impairment losses of PPE	**1,970**	—	**18,101**
Others	**2,233**	2,641	**20,518**
Total	**¥35,696**	¥35,497	**$327,997**

21. Selling, General and Administrative Expenses

	Millions of yen		*Thousands of U.S. dollars*
	2020	*2019*	***2020***
Personnel expenses (refer to Note 24)	**¥3,181**	¥3,291	**$29,229**
Depreciation and amortisation (refer to Note 25)	**460**	240	**4,226**
Commissions	**347**	376	**3,188**
Shipping charges	**589**	679	**5,412**
Travel	**239**	296	**2,196**
Welfare	**159**	172	**1,460**
Rent	**24**	236	**220**
Tax and dues	**189**	201	**1,736**
Repair expenses	**122**	125	**1,121**
Others	**609**	634	**5,595**
Total	**¥5,922**	¥6,255	**$54,415**

Note: As a result of the adoption of IFRS 16, ¥235 million ($2,159 thousand), which was previously recorded as travel, welfare, rent and others, is recorded as depreciation and amortisation for the year ended March 31, 2020. As a transitional measure upon the adoption of IFRS 16, the Group applies this standard retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, and the comparative information for prior periods is not restated.

22. Research and Development Expenses

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Personnel expenses (refer to Note 24)	**¥1,016**	¥1,066	**$9,335**
Depreciation and amortisation (refer to Note 25)	**210**	214	**1,929**
Materials	**320**	428	**2,940**
Others	**136**	174	**1,249**
Total	**¥1,684**	¥1,884	**$15,473**

23. Other Operating Income and Expenses

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Rental income*	**¥ 73**	¥ 94	**$ 670**
Gain on sales of property, plant and equipment ("PPE")**	**1**	915	**9**
Government grants***	**174**	58	**1,598**
Insurance claim income****	**49**	—	**450**
Gain on sales of land use right*****	**—**	1,035	**—**
Other income	**123**	113	**1,130**
Total other operating income	**¥ 423**	¥2,217	**$ 3,886**
Loss on disposal of PPE	**¥ 90**	¥ 5	**$ 826**
Impairment losses of PPE	**1,962**	396	**18,028**
Depreciation of temporarily idle fixed assets	**82**	20	**753**
Settlement for products sold	**2**	25	**18**
Structural reform expenses******	**2,500**	—	**22,971**
Loss due to accident*******	**42**	—	**385**
Other expenses	**195**	224	**1,791**
Total other operating expenses	**¥4,875**	¥ 672	**$44,794**

** Rental income occurred mainly due to renting a part of a factory at subsidiaries in China for the year ended March 31, 2020 and 2019.*

*** Gain on sales of PPE occurred mainly due to subsidiary factory sales in China for the year ended March 31, 2019.*

**** Grants mainly include accounts received from national and local public entities for employment and investments in facilities and benefits received through low-interest loans using the lending system of the Bank of Japan, which are recognised in the periods when the related expenses are recognised.*

***** Insurance claim income for the damaged inventory affected by typhoon No.19 in October 2019.*

****** Gain on sales of land use right occurred because the land use right at subsidiaries in China was returned to the government for the year ended March 31, 2019.*

******* Structural reform expenses mainly include 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.*

******** Loss on disposal of inventory affected by typhoon No.19 in October 2019.*

24. Personnel Expenses and Number of Employees

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Wages and salaries	**¥11,249**	¥12,145	**$103,363**
Pension expenses	**1,741**	1,871	**15,997**
Termination benefits	**2,327**	8	**21,381**
Fringe benefits (excluding expenses related to defined benefit plans) and others	**1,015**	1,129	**9,326**
Total	**¥16,333**	¥15,155	**$150,078**

25. Depreciation and Amortisation Expenses

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Property, plant and equipment:			
Cost of sales	**¥2,865**	¥2,917	**$26,325**
Selling, general and administrative expenses	**409**	165	**3,758**
Research and development expenses	**200**	205	**1,837**
Other operating expenses	**150**	81	**1,378**
Subtotal—depreciation expenses	**¥3,626**	¥3,371	**$33,318**
Intangible assets and goodwill:			
Cost of sales	**¥ 11**	¥ 14	**$ 101**
Selling, general and administrative expenses	**50**	74	**459**
Research and development expenses	**9**	9	**82**
Subtotal—amortisation expenses	**¥ 71**	¥ 97	**$ 652**
Total depreciation and amortisation expenses	**¥3,697**	¥3,469	**$33,970**

26. Financial Income and Expenses

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Interest income:			
Financial assets measured at amortised cost	**¥ 45**	¥ 47	**$ 413**
Dividend income:			
Financial assets measured at fair value through other comprehensive income	**14**	15	**128**
Financial assets measured at fair value through profit or loss	**22**	6	**202**
Gain on sales of other financial assets			
Financial assets measured at fair value through profit or loss	**94**	132	**863**
Gain arising from changes in the fair value of derivative financial instruments:			
Financial assets measured at fair value through profit or loss	**27**	—	**248**
Others	**5**	—	**45**
Total financial income	**¥210**	¥201	**$1,929**
Interest expense:			
Unwind of discount	**¥ 0**	¥ 0	**$ 0**
Financial liability measured at amortised cost	**303**	252	**2,784**
Interest expense on lease liabilities	**8**	—	**73**
Loss on impairment of other financial assets			
Financial assets measured at fair value through profit or loss	**45**	176	**413**
Loss arising from changes in the fair value of derivative financial instruments:			
Financial assets measured at fair value through profit or loss	**—**	13	**—**
Foreign exchange losses, net	**208**	218	**1,911**
Others	**2**	4	**18**
Total financial expenses	**¥568**	¥665	**$5,219**

27. Income Taxes

Deferred tax assets and liabilities are attributable to the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Deferred tax assets:			
Accrued bonus	**¥ 11**	¥ 17	**$ 101**
Loss from devaluation of inventories	**18**	24	**165**
Impairment losses of PPE and intangible assets	**—**	139	**—**
Elimination of unrealised gains on inventories	**41**	51	**376**
Depreciation and amortisation	**11**	15	**101**
Tax losses carried forward	**409**	651	**3,758**
Others	**81**	86	**744**
Subtotal	**¥ 575**	¥ 985	**$ 5,283**
Offset by deferred tax liabilities within each entity	**¥ (45)**	¥(450)	**$ (413)**
Deferred tax assets	**¥ 529**	¥ 535	**$ 4,860**
Deferred tax liabilities:			
Depreciation and amortisation	**¥(101)**	¥(137)	**$ (928)**
Unrealised gains on other financial assets	**(46)**	(44)	**(422)**
Gain on sales of land use right and PPE	**—**	(405)	**—**
Others	**(246)**	(111)	**(2,260)**
Subtotal	**¥(393)**	¥(699)	**$(3,611)**
Offset by deferred tax assets within each entity	**¥ 45**	¥ 450	**$ 413**
Deferred tax liabilities	**¥(348)**	¥(248)	**$(3,197)**
Net deferred tax assets	**¥ 181**	¥ 286	**$ 1,663**

Deferred tax assets have not been recognised in respect of the following items:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Deductible temporary differences	**¥19,958**	¥16,994	**$183,386**
Tax losses	**18,141**	16,132	**166,691**
Total	**¥38,100**	¥33,126	**$350,087**

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. The deductible temporary differences and part of tax losses do not expire under current tax legislation. The tax losses carried forward for the Company and certain subsidiaries have the following schedule of expiration:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
The first year	**¥ 1,242**	¥ 3,279	**$ 11,412**
The second year	**538**	1,242	**4,943**
The third year	**1,824**	538	**16,760**
The fourth year	**2,257**	1,824	**20,738**
The fifth year and after	**14,626**	11,498	**134,393**

Deferred tax liabilities have not been recognised for temporary differences associated with investments in foreign subsidiaries of ¥79 million ($725 thousand) and ¥158 million at March 31, 2020 and 2019, respectively, as the Company has determined that the profits concerned will not be distributed in the foreseeable future.

Movement in net deferred tax assets during the year is as follows:

	Millions of yen								
	Balance March 31, 2018	Recognised in profit or loss	Recognised directly in equity	Recognised in other comprehensive income	Balance March 31, 2019	Recognised in profit or loss	Recognised directly in equity	Recognised in other comprehensive income	Balance March 31, 2020
Accrued bonus	¥ 34	¥ (16)	¥—	¥—	¥ 17	**¥ (6)**	**¥—**	**¥ —**	**¥ 11**
Loss from devaluation of inventories	163	(139)	—	—	24	**(5)**	**—**	**—**	**18**
Change in fair value of other financial assets	(10)	(35)	—	0	(44)	**3**	**—**	**(5)**	**(46)**
Impairment losses of PPE and intangible assets	4	135	—	—	139	**(139)**	**—**	**—**	**—**
Elimination of unrealised gains on inventories	63	(12)	—	—	51	**(9)**	**—**	**—**	**41**
Depreciation and amortisation	(139)	17	—	—	(122)	**31**	**—**	**—**	**(90)**
Tax losses carried forward	329	321	—	—	651	**(241)**	**—**	**—**	**409**
Gain on sales of land use right and PPE	—	(405)	—	—	(405)	**405**	**—**	**—**	**—**
Others	4	(29)	—	—	(25)	**(20)**	**—**	**(117)**	**(163)**
Total	¥ 449	¥(164)	¥—	¥ 0	¥ 286	**¥ 18**	**¥—**	**¥(123)**	**¥ 181**

Note: The difference between total of "Recognised in profit or loss" and "Deferred tax expenses/(benefits)" is due to exchange rate fluctuations.

	Thousands of U.S. dollars				
	Balance March 31, 2019	Recognised in profit or loss	Recognised directly in equity	Recognised in other comprehensive income	Balance March 31, 2020
Accrued bonus	$ 156	**$ (55)**	**$—**	**$ —**	**$ 101**
Loss from devaluation of inventories	220	**(45)**	**—**	**—**	**165**
Change in fair value of other financial assets	(404)	**27**	**—**	**(45)**	**(422)**
Impairment losses of PPE and intangible assets	1,277	**(1,277)**	**—**	**—**	**—**
Elimination of unrealised gains on inventories	468	**(82)**	**—**	**—**	**376**
Depreciation and amortisation	(1,121)	**284**	**—**	**—**	**(826)**
Tax losses carried forward	5,981	**(2,214)**	**—**	**—**	**3,758**
Gain on sales of land use right and PPE	(3,721)	**3,721**	**—**	**—**	**—**
Others	(229)	**(183)**	**—**	**(1,075)**	**(1,497)**
Total	$ 2,627	**$ 165**	**$—**	**$(1,130)**	**$ 1,663**

Income taxes are composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Current tax expenses:			
Current year	**¥ 93**	¥ 47	**$ 854**
Deferred tax expenses/ (benefits):			
Origination and reversal of temporary differences	**(2,843)**	190	**(26,123)**
Benefit of tax losses recognised	**222**	(307)	**2,039**
Effect of unrecognised tax losses or temporary differences	**2,592**	265	**23,816**
Total	**(29)**	147	**(266)**
Total income tax expenses	**¥ 64**	¥ 194	**$ 588**

Note: Current tax expenses include the previously unrecognised tax losses, and it decreased the current tax expenses by ¥0 million ($0 thousand) and ¥23 million at March 31, 2020 and 2019, respectively.

Reconciliation between tax expense and the product of accounting profit or loss multiplied by the applicable tax rate is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Loss before income taxes	**¥(8,644)**	¥ (56)	**$(79,426)**
Taxes at the Company's domestic tax rate*	**(2,705)**	(17)	**(24,855)**
Expenses not deductible for tax purposes	**66**	55	**606**
Non-taxable income	**(1)**	(1)	**(9)**
Impact of different tax rates in other countries	**148**	(100)	**1,359**
Effect of unrecognised tax losses or temporary differences	**2,592**	265	**23,816**
Others	**(35)**	(6)	**(321)**
Total income tax expenses	**¥ 64**	¥ 194	**$ 588**

** The Company is subject to a number of income taxes that, in the aggregate, result in an applicable tax rate in Japan of approximately 31.3% and 31.3% for the years ended March 31, 2020 and 2019, respectively.*

28. Earnings per Share

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Net loss attributable to ordinary shareholders	**¥(8,709)**	¥(251)	**$(80,023)**

	Number of shares	
	2020	2019
Weighted-average number of shares outstanding	**19,624,598**	19,624,946

	Yen		U.S. dollars
	2020	2019	**2020**
Basic loss per share	**¥(443.79)**	¥(12.80)	**$(4.07)**

Notes: 1. Basic loss per share is calculated by dividing the net loss for the period attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the period.
2. Diluted earnings loss per share is not disclosed because there are no potential ordinary shares which have dilutive effects.

29. Financial Instruments

Exposure to credit, liquidity, interest rate and currency risk arises in the normal course of the Group's business.

Credit risk

Credit risk is the risk of financial loss which the Group faces if a customer or the counterparty of a financial instrument cannot fulfil their contractual obligation.

Management has a credit policy of risk management in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount based on reports by credit research companies. The Group does not require collateral in respect of financial assets at the consolidated statement of financial position date.

Financial transactions of cash and cash equivalents and derivative financial instruments are with creditworthy financial institutions, so management estimates that the credit risk of these accounts is insignificant. A loss allowance is measured at the same amount of expected credit loss incurred within twelve months for financial assets measured at amortised cost without trade receivables. However, depending on future economic conditions, past performance and so on, a loss allowance can be anticipated, treated as of no importance, and not appropriated.

At the consolidated statement of financial position date, there were no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statements of financial position. The maximum exposure to credit risk at the consolidated statement of financial position date was:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Trade receivables	**¥9,906**	¥10,605	**$91,022**

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Domestic	**¥3,165**	¥ 3,671	**$29,082**
Asia	**4,139**	4,268	**38,031**
Europe	**1,646**	1,839	**15,124**
North America	**955**	825	**8,775**
Total	**¥9,906**	¥10,605	**$91,022**

The Group recognises a loss allowance to financial assets measured at amortised cost including trade receivables through measurement of expected credit loss in view of collectability, significant increase of credit risk and so on. On the other hand, no trade receivables of the Group include significant financial components, so a loss allowance is measured at an amount equal to the lifetime expected credit loss without giving consideration to significant increase of credit risk. All trade receivables are regarded as one group, because they are receivables from corporate customers and their characteristics of credit risk are almost the same. A loss allowance of trade receivables is estimated by the provision ratio which takes the historical credit loss experience and future conditions into account.

The group regards trade receivables as the default under the following conditions:

- Significant financial difficulty of the counterparty
- It is probable that the counterparty will enter bankruptcy or other financial reorganisation

If trade receivables become the default, they are regarded as credit-impaired financial assets and measured individually based on a consideration of past performance of credit loss, future collectable amount and so on for each individual receivable.

The amount of the allowance for trade receivables is recognised unless the Group is convinced that it is impossible to recover the amount of trade receivables. In case the Group estimates that it cannot expect to recover the financial assets, the gross carrying amount of the financial assets is written off directly. Credit-impaired financial assets at March 31, 2020 and 2019 are ¥25 million ($229 thousand) and ¥25 million, respectively.

The movement in the allowance for doubtful receivables during the year was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
At April 1	**¥39**	¥54	**$358**
Provision used during the year	**5**	—	**45**
Reversal	**(3)**	(0)	**(27)**
Uncollectibility	**(0)**	(15)	**(0)**
Currency translation differences	**(2)**	1	**18**
At March 31	**¥38**	¥39	**$349**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by holding appropriate reserves, ensuring that it has access to credit facilities at financial institutions, and continuously monitoring forecasts and actual cash flows.

The maturity profile of financial assets and liabilities is also reconciled on a regular basis.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

	Millions of yen							
March 31, 2020	*Carrying amount*	*Contractual cash flows*	*Within one year*	*The second year*	*The third year*	*The fourth year*	*The fifth year*	*Thereafter*
Non-derivative financial liabilities:								
Short-term loans and borrowings	**¥16,861**	**¥(17,141)**	**¥(17,141)**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Long-term loans and borrowings with fixed rates*	**10,388**	**(10,469)**	**(4,811)**	**(3,031)**	**(1,737)**	**(888)**	**—**	**—**
Long-term loans and borrowings with floating rates	**5,298**	**(5,323)**	**(2,949)**	**(1,550)**	**(724)**	**(100)**	**—**	**—**
Lease liabilities	**1,777**	**(1,805)**	**(487)**	**(311)**	**(130)**	**(108)**	**(83)**	**(683)**
Trade and other payables	**7,746**	**(7,746)**	**(7,520)**	**—**	**—**	**—**	**—**	**(225)**
Derivative financial liabilities:								
Forward exchange contracts	**7**	**(7)**	**(7)**	**—**	**—**	**—**	**—**	**—**
Interest rate swap	**25**	**(25)**	**(25)**	**—**	**—**	**—**	**—**	**—**
Total	**¥42,105**	**¥(42,519)**	**¥(32,943)**	**¥(4,892)**	**¥(2,593)**	**¥(1,097)**	**¥(83)**	**¥(908)**

	Millions of yen							
March 31, 2019	*Carrying amount*	*Contractual cash flows*	*Within one year*	*The second year*	*The third year*	*The fourth year*	*The fifth year*	*Thereafter*
Non-derivative financial liabilities:								
Short-term loans and borrowings	¥ 6,508	¥ (6,581)	¥ (6,581)	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans and borrowings with fixed rates*	16,896	(17,030)	(7,210)	(5,000)	(2,534)	(1,507)	(777)	—
Long-term loans and borrowings with floating rates	8,613	(8,669)	(3,592)	(2,701)	(1,550)	(724)	(100)	—
Lease liabilities	83	(86)	(29)	(24)	(16)	(7)	(6)	(3)
Trade and other payables	8,860	(8,860)	(8,627)	—	—	—	—	(232)
Derivative financial liabilities:								
Forward exchange contracts	21	(21)	(21)	—	—	—	—	—
Interest rate swap	53	(53)	(53)	—	—	—	—	—
Currency swap	37	(37)	(37)	—	—	—	—	—
Total	¥41,074	¥(41,340)	¥(26,153)	¥(7,727)	¥(4,100)	¥(2,239)	¥(883)	¥(235)

	Thousands of U.S. dollars							
March 31, 2020	*Carrying amount*	*Contractual cash flows*	*Within one year*	*The second year*	*The third year*	*The fourth year*	*The fifth year*	*Thereafter*
Non-derivative financial liabilities:								
Short-term loans and borrowings	**$154,929**	**$(157,502)**	**$(157,502)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Long-term loans and borrowings with fixed rates*	**95,451**	**(96,195)**	**(44,206)**	**(27,850)**	**(15,960)**	**(8,159)**	**—**	**—**
Long-term loans and borrowings with floating rates	**48,681**	**(48,911)**	**(27,097)**	**(14,242)**	**(6,652)**	**(918)**	**—**	**—**
Lease liabilities	**16,328**	**(16,585)**	**(4,474)**	**(2,857)**	**(1,194)**	**(992)**	**(762)**	**(6,275)**
Trade and other payables	**71,175**	**(71,175)**	**(69,098)**	**—**	**—**	**—**	**—**	**(2,067)**
Derivative financial liabilities:								
Forward exchange contracts	**64**	**(64)**	**(64)**	**—**	**—**	**—**	**—**	**—**
Interest rate swap	**229**	**(229)**	**(229)**	**—**	**—**	**—**	**—**	**—**
Total	**$386,887**	**$(390,691)**	**$(302,701)**	**$(44,950)**	**$(23,826)**	**$(10,079)**	**$(762)**	**$(8,343)**

** Long-term loans and borrowings with fixed rates include long-term loans and borrowings whose rates are practically fixed by interest rate swap transactions.*

At March 31, 2020, the Group had ¥19,395 million ($178,213 thousand) of total lines of credit, of which ¥13,991 million ($128,558 thousand) was used and ¥1,404 million ($12,900 thousand) was unused and available for borrowing on an uncommitted basis.

At March 31, 2019, the Group had ¥18,711 million of total lines of credit, of which ¥6,508 million was used and ¥3,311 million was unused and available for borrowing on an uncommitted basis.

Interest rate risk

The Company controls and monitors debt financing of the Group and prohibits entering into a debt contract without obtaining approval from the head office for the terms and amount.

The Company has a policy of considering economic conditions at the time of the contract and future economic conditions when selecting fixed or floating interest rates. Also, the Company consistently monitors the effectiveness of their selection. The Group uses interest rate swaps to hedge the risk of cash flow fluctuations.

Sensitivity analysis for variable rate instruments

A 0.1% fluctuation in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Effect in millions of yen			
	0.1% increase		0.1% decrease	
March 31, 2020	*Equity*	*Loss*	*Equity*	*Profit*
Variable rate instruments*	**¥(15)**	**¥(15)**	**¥15**	**¥15**

	Effect in millions of yen			
	0.1% increase		0.1% decrease	
March 31, 2019	*Equity*	*Loss*	*Equity*	*Profit*
Variable rate instruments*	¥(10)	¥(10)	¥10	¥10

	Effect in thousands of U.S. dollars			
	0.1% increase		0.1% decrease	
March 31, 2020	*Equity*	*Loss*	*Equity*	*Profit*
Variable rate instruments*	**$(137)**	**$(137)**	**$137**	**$137**

** These instruments except long-term loans and borrowings whose rates are practically fixed by interest rate swap transactions.*

Foreign currency risk

The Group experiences foreign currency risk mainly on sales that are denominated in a currency other than yen. The currency giving rise to this risk is primarily the U.S. dollar. The Group economically hedges at least 80% of all trade receivables denominated in a foreign currency. The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than four months. In respect of other monetary assets and liabilities held in currencies other than yen, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Foreign currency risks also arise on loan payables and are economically hedged by currency swaps.

Changes in the fair value of forward exchange contracts and currency swaps that economically hedge monetary assets and liabilities, firm commitments or forecasted transactions, in foreign currencies and for which no hedge accounting is applied are recognised in the consolidated statements of comprehensive income. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of "Financial Income and Expenses" (refer to Note 26).

Exposure to currency risk

The Group's exposure to main foreign currency risk was as follows based on thousands of original amounts:

March 31, 2020	*US$*	*GBP*	*EUR*	*RMB*	*MYR*	*SG$*	*HK$*
Trade receivables	**30,379**	**8**	**2,468**	**47,270**	**1,980**	**—**	**0**
Trade payables	**(534)**	**(317)**	**(129)**	**(45,221)**	**(414)**	**—**	**—**
Short-term loans and borrowings	**(4,000)**	**—**	**—**	**—**	**—**	**—**	**—**
Gross consolidated statement of financial position exposure	**25,844**	**(308)**	**2,339**	**2,049**	**1,565**	**—**	**0**
Estimated forecast sales	**11,154**	**—**	**703**	**8,102**	**—**	**—**	**—**
Estimated forecast purchases	**(2,201)**	**—**	**—**	**(33,000)**	**—**	**—**	**—**
Gross exposure	**8,953**	**—**	**703**	**(24,898)**	**—**	**—**	**—**
Forward exchange contracts	**(55,334)**	**—**	**(4,382)**	**200,239**	**—**	**—**	**—**
Net exposure	**(20,536)**	**(308)**	**(1,340)**	**177,390**	**1,565**	**—**	**0**

March 31, 2019	*US$*	*GBP*	*EUR*	*RMB*	*MYR*	*SG$*	*HK$*
Trade receivables	33,891	29	2,247	42,683	2,643	—	—
Trade payables	(1,005)	(316)	(161)	(54,558)	(2,532)	(0)	—
Short-term loans and borrowings	(19,000)	—	—	—	—	—	—
Gross consolidated statement of financial position exposure	13,885	(287)	2,085	(11,874)	110	(0)	—
Estimated forecast sales	10,200	—	590	6,876	—	—	—
Estimated forecast purchases	(1,750)	—	—	(35,000)	—	—	—
Gross exposure	8,450	—	590	(28,124)	—	—	—
Forward exchange contracts	(41,137)	—	(3,332)	98,881	—	—	—
Net exposure	(18,801)	(287)	(656)	58,882	110	(0)	—

Note: The significant exchange rates applied during the years are described in Note 3 (b) (ii).

Sensitivity analysis

A 10% appreciation of the yen against the U.S. dollar at March 31 would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Effect in millions of yen	
March 31, 2020	*Equity*	*Loss*
US$	**¥(445)**	**¥(445)**

	Effect in millions of yen	
March 31, 2019	*Equity*	*Loss*
US$	¥(603)	¥(603)

	Effect in thousands of U.S. dollars	
March 31, 2020	*Equity*	*Loss*
US$	**$(4,088)**	**$(4,088)**

A 10% depreciation of the yen against the U.S. dollar at March 31 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Risk of equity instrument price fluctuations

The Group owns listed securities and mutual funds and is exposed to the risks of price fluctuations of equity instruments. The Group regularly conducts financial evaluations of market prices and issuers and conducts ongoing reviews of the holdings of these shares.

Sensitivity analysis for equity instrument price fluctuations

A 10% fluctuation of the market price of listed securities and mutual funds at March 31 would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Effect in millions of yen			
	10% increase		*10% decrease*	
March 31, 2020	*Equity*	*Profit*	*Equity*	*Loss*
Listed securities and mutual funds	**¥35**	**¥13**	**¥(36)**	**¥(13)**

	Effect in millions of yen			
	10% increase		*10% decrease*	
March 31, 2019	*Equity*	*Profit*	*Equity*	*Loss*
Listed securities and mutual funds	¥92	¥62	¥(95)	¥(64)

	Effect in thousands of U.S. dollars			
	10% increase		*10% decrease*	
March 31, 2020	*Equity*	*Profit*	*Equity*	*Loss*
Listed securities and mutual funds	**$321**	**$119**	**$(330)**	**$(119)**

Fair Value

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statements of financial position, are as follows:

	Millions of yen	
March 31, 2020	*Carrying amounts*	*Future value*
Assets measured at fair value:		
Other financial assets	**¥ 705**	**¥ 705**
Derivative assets	**49**	**49**
Assets measured at amortised cost:		
Cash and cash equivalents	**10,060**	**10,060**
Trade and other receivables	**10,184**	**10,184**
Other financial assets	**98**	**98**
Liabilities measured at fair value:		
Derivative liabilities	**33**	**33**
Liabilities measured at amortised cost:		
Trade and other payables	**7,746**	**7,746**
Loans and borrowings	**32,548**	**32,556**

	Millions of yen	
March 31, 2019	*Carrying amounts*	*Future value*
Assets measured at fair value:		
Other financial assets	¥ 1,315	¥ 1,315
Derivative assets	8	8
Assets measured at amortised cost:		
Cash and cash equivalents	8,231	8,231
Trade and other receivables	12,447	12,447
Other financial assets	192	192
Liabilities measured at fair value:		
Derivative liabilities	112	112
Liabilities measured at amortised cost:		
Trade and other payables	8,860	8,860
Loans and borrowings	32,019	32,026

	Thousands of U.S. dollars	
March 31, 2020	*Carrying amounts*	*Future value*
Assets measured at fair value:		
Other financial assets	**$ 6,477**	**$ 6,447**
Derivative assets	**450**	**450**
Assets measured at amortised cost:		
Cash and cash equivalents	**92,437**	**92,437**
Trade and other receivables	**93,577**	**93,577**
Other financial assets	**900**	**900**
Liabilities measured at fair value:		
Derivative liabilities	**303**	**303**
Liabilities measured at amortised cost:		
Trade and other payables	**71,175**	**71,175**
Loans and borrowings	**299,071**	**299,145**

Basis for determining fair value

• Other financial assets measured at fair value

The fair values of other financial assets are mainly based on quoted market price.

• Derivative assets and liabilities

The fair values of derivative financial instruments were estimated based on quotes from financial institutions.

• Assets measured at amortised cost and trade and other payables

The fair value of assets measured at amortised cost and trade and other payables approximate fair values because they are settled in the short term. Therefore, it is regarded as fair values.

• Loans and borrowings

The carrying amounts of short-term loans and borrowings approximate fair value because they are settled in the short term. The fair value of long-term loans and borrowings is estimated based on the discounted amounts of future cash flows using the Group's current borrowing rates for similar liabilities and classified as level 2.

Fair value hierarchy

For financial instruments that are measured at fair value, the Company classifies fair value measurements into a three-level fair value hierarchy by reference to the observability and significance of the inputs used in making the measurement.

• Level 1

Quoted prices in active markets for identical assets or liabilities

• Level 2

Not Level 1 and observable inputs for the assets or liabilities

• Level 3

Unobservable inputs for the assets or liabilities that are not based on observable market data

The Group recognises transfers between the levels at the consolidated statement of financial position date.

The details of financial assets or liabilities continuously designated at fair value at the end of the reporting period were as follows:

	Millions of yen				Thousands of U.S. dollars			
March 31, 2020	*Level 1*	*Level 2*	*Level 3*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets measured at fair value through profit or loss:								
Mutual funds	**¥135**	**¥ —**	**¥ —**	**¥135**	**$1,240**	**$ —**	**$ —**	**$1,240**
Golf memberships	**—**	**97**	**—**	**97**	**—**	**891**	**—**	**891**
Derivative assets	**—**	**49**	**—**	**49**	**—**	**450**	**—**	**450**
Financial assets measured at fair value through other comprehensive income:								
Securities	**225**	**—**	**242**	**468**	**2,067**	**—**	**2,223**	**4,300**
Golf memberships	**—**	**4**	**—**	**4**	**—**	**36**	**—**	**36**
Total assets	**¥360**	**¥151**	**¥242**	**¥754**	**$3,307**	**$1,387**	**$2,223**	**$6,928**
Financial liabilities measured at fair value through profit or loss:								
Derivative liabilities	**¥ —**	**¥ 33**	**¥ —**	**¥ 33**	**$ —**	**$ 303**	**$ —**	**$ 303**
Total liabilities	**¥ —**	**¥ 33**	**¥ —**	**¥ 33**	**$ —**	**$ 303**	**$ —**	**$ 303**

Note: There is no transfer for Level 1, Level 2 and Level 3.

	Millions of yen			
March 31, 2019	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets measured at fair value through profit or loss:				
Securities and mutual funds	¥674	¥ —	¥ —	¥ 674
Golf memberships	—	103	—	103
Derivative assets	—	8	—	8
Financial assets measured at fair value through other comprehensive income:				
Securities	310	—	221	532
Golf memberships	—	4	—	4
Total assets	¥985	¥116	¥221	¥1,324
Financial liabilities measured at fair value through profit or loss:				
Derivative liabilities	¥ —	¥ 58	¥ —	¥ 58
Financial liabilities designated as hedge instruments:				
Derivative liabilities	—	53	—	53
Total liabilities	¥ —	¥112	¥ —	¥ 112

Note: There is no transfer between Level 1 and Level 2.

Financial assets for which fair value measurement is based on level 1 input are measured at unadjusted market prices in active markets where there are sufficient volume and frequency of transactions.

Financial assets and liabilities for which fair value measurement is based on level 2 input are measured at market price of the assets and liabilities in inactive markets. Forward exchange contracts and foreign currency swap contracts are measured based on observable market data, such as foreign currency exchange rates and interest rates provided by financial institutions.

Financial assets for which fair value measurement is based on level 3 input comprise unlisted stock, and significant input which is not observable is amount of net investment per equity. Fair value is measured using an appropriate appraisal method based on the best information available such as amount of net investment. The amount of net investment per equity for the financial assets was ¥349 million ($3,206 thousand) and ¥318 million as of March 31, 2020 and 2019, respectively. An increase makes fair value increase, and a decrease makes fair value decrease.

Fair value of financial assets for which fair value measurement is based on level 3 is measured using an appraisal method of the target assets and liabilities decided by responsible departments which follow measuring policies and procedures admitted by appropriate authorities. The result is confirmed and approved by the general manager of the financial department. There is no significant variation for the year ended March 31, 2020 and 2019.

Equity instrument measured at fair value through other comprehensive income

The Group holds securities of corporations based on business relationship. These equity instruments are assigned as financial assets measured at fair value through other comprehensive income for the purpose of maintaining and strengthening relationships with them.

The major issues and fair values

	Millions of yen		Thousands of U.S. dollars
	2020	*2019*	***2020***
Listed securities:			
Resona Holdings, Inc.	**¥ 88**	¥130	**$ 808**
Mitsubishi UFJ Financial Group	**48**	66	**441**
Nisshinbo Holdings Inc.	**46**	62	**422**
Others	**41**	51	**376**
Unlisted securities:			
Daiei Real Estate & Development Co., Ltd.	**205**	184	**1,883**
Others	**37**	37	**339**
Total	**¥468**	¥532	**$4,300**

Derecognised equity instrument measured at fair value through other comprehensive income

There is no derecognised equity instrument measured at fair value through other comprehensive income for the year ended March 31, 2020 and 2019.

Dividend received

Breakdown of dividend received recognised by equity instrument measured at fair value through other comprehensive income is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Financial instrument in derecognition during the year	**¥—**	¥—	**$ —**
Financial instrument at March 31	**14**	15	**128**
Total	**¥14**	¥15	**$128**

Offset of financial assets and liabilities

Financial assets and liabilities hold authority which has legal force to set-off recognised amounts. If they intended to carry out achievement of assets and settlement of liabilities at the same time or to settle by net, they are set-off on the consolidated financial statement of financial position and indicated net basis.

The set-off amount on the consolidated financial statement of financial position is not significant for the year ended March 31, 2020 and 2019.

Cash flow hedge

The Group used interest rate swaps to hedge the risk of cash flow fluctuation due to interest fluctuation for loans and borrowings, and this is designated as a cash flow hedging instrument of cash flow hedge. But hedge accounting is no longer applied because a hedging relationship does not provide for evaluation of hedge effectiveness.

The cash flow hedge reserve recognising until discontinuation of hedge accounting recovers into profit or loss for maturity of the hedged item.

Information about items designated as heading instrument

The amount of items designated as hedging instrument is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Interest rate risk			
Interest rate swap			
Nominal amount	**¥—**	¥6,300	**$—**
Nominal amount over one year	**—**	4,900	**—**
Average fixed rate	**—**	0.77%	**—**
Carrying amount(liabilities)	**—**	53	**—**
The change in fair value of hedging instrument used as basis to recognise hedge ineffectiveness	**10**	(63)	**91**
Line item in the consolidated financial statements of financial position where the hedging instrument is included	**Derivative liabilities**	Derivative liabilities	**Derivative liabilities**

Information about items designated as hedged item

The amount of items designated as hedged items is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Interest rate risk			
Bank loans with floating rates			
The change in fair value of hedged item used as basis to recognise hedge ineffectiveness	**¥(10)**	¥ 63	**$ (91)**
Cash flow hedge reserve for continuous hedge	**—**	(53)	**—**
Cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied	**(25)**	—	**(229)**

Effect that hedge accounting has had on the consolidated statements of comprehensive income

Effect that hedge accounting has had on the consolidated statements of comprehensive income is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Interest rate risk			
Interest rate swap			
The hedging profit or loss recognised in other comprehensive income during reporting period	**¥10**	¥(63)	**$ 91**
The amount reclassified from cash flow hedge reserve to profit or loss as reclassification adjustments	**17**	10	**156**
Line item in the consolidated statements of comprehensive income where the reclassification adjustments is included	**Financial expenses**	Financial expenses	**Financial expenses**

Fluctuation of other components of equity

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
At April 1	**¥(53)**	¥ —	**$(486)**
Change in fair value:			
Interest rate risk of bank loans with floating rates	**10**	(63)	**91**
Amount reclassified to profit or loss	**17**	10	**156**
At March 31	**¥(25)**	¥(53)	**$(229)**

Capital management

The Group aims to maximise its corporate value by balancing the return on capital and a healthy financial position of the Group using equity and debt financing. The main indexes that the Group uses for capital management are ROE, which the Group defines as net income divided by total equity, and the Debt/Equity Ratio, which the Group defines as total liabilities divided by total equity.

For the years ended March 31, 2020 and 2019, ROE amounted to (86.8)% and (1.7)%, and the Debt/Equity Ratio amounted to 919.7% and 312.8%, respectively.

From time to time, the Company purchases its own shares on the market; the timing of these purchases depends on market prices. There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Reconciliation table for financial liabilities arising from financing activities

Changes in major liabilities related to financial activities are as follows:

	Millions of yen					
				Non-cash item		
As of March 31, 2020	*Opening balance*	*Change in accounting policy*	*Investing activities of cash flow*	*Fluctuation in exchange rates*	*Fluctuation in the conclusion of the lease contract and correct*	*Ending Balance*
Short-term loans and borrowings	**¥ 6,508**	**¥ —**	**¥10,348**	**¥ 4**	**¥ —**	**¥16,861**
Long-term loans and borrowings	**25,531**	**—**	**(9,836)**	**—**	**—**	**15,694**
Lease liabilities	**—**	**1,323**	**(532)**	**(54)**	**1,041**	**1,777**
Total	**¥32,040**	**¥1,323**	**¥ (21)**	**¥(50)**	**¥1,041**	**¥34,333**

	Millions of yen			
			Non-cash item	
As of March 31, 2019	*Opening balance*	*Investing activities of cash flow*	*Fluctuation in exchange rates*	*Ending Balance*
Short-term loans and borrowings	¥ 7,274	¥ (825)	¥59	¥ 6,508
Long-term loans and borrowings	22,621	2,910	—	25,531
Total	¥29,895	¥2,085	¥59	¥32,039

	Millions of yen					
				Non-cash item		
As of March 31, 2020	*Opening balance*	*Change in accounting policy*	*Investing activities of cash flow*	*Fluctuation in exchange rates*	*Fluctuation in the conclusion of the lease contract and correct*	*Ending Balance*
Short-term loans and borrowings	**$ 59,799**	**$ —**	**$ 95,084**	**$ 36**	**$ —**	**$154,929**
Long-term loans and borrowings	**234,595**	**—**	**(90,379)**	**—**	**—**	**144,206**
Lease liabilities	**—**	**12,156**	**(4,888)**	**(496)**	**9,565**	**16,328**
Total	**$294,404**	**$12,156**	**$ (192)**	**$(459)**	**$9,565**	**$315,473**

30. Leases

(For the year ended March 31, 2019)

Operating Leases

The Group leases office space and motor vehicles as operating leases. The lease contracts contain renewal options for various periods of time. Total operating lease expenses recognised in profit or loss were ¥252 million for the year ended March 31, 2019. These operating lease expenses are recorded as selling, general and administrative expenses.

(For the year ended March 31, 2020)

The Group has entered into leases mainly for real estate, such as office space and company housing, and facility. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Information on leases, with the Group as the lessee, is as follows.

Profit and loss related to leases

March 31, 2020	Millions of yen	Thousands of U.S. dollars
Depreciation charge for right-of-use assets:		
Buildings and structures	**¥509**	**$4,677**
Machinery and vehicles	**18**	**165**
Furniture and fixtures	**15**	**137**
Total	**¥543**	**$4,989**
Interest expense on lease liabilities	**8**	**73**
Expense relating to short-term leases	**55**	**505**
Expense relating to low-value-asset leases	**1**	**9**
Income from sub-leasing right-of-use assets	**51**	**468**

Cash outflow for leases

March 31, 2020	Millions of yen	Thousands of U.S. dollars
Total cash outflow for leases	**¥(598)**	**$(5,494)**

Extension options and termination options

Many of the lease contracts for real estates and facilities have an extension option and a termination option, which may be exercised by the Group, and the Group exercises such options, as necessary.

Most options are extension options that span one year or the same period as the underlying contract or options for early termination following advanced written notification from one party of one month to six months.

Additions to Right-of-Use Assets

Additions to right-of-use assets are detailed in Note 9.

Carrying amount of Right-of-Use Assets

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Carrying amount of Right-of-Use Assets:			
Buildings and structures	**¥1,297**	¥1,190	**$11,917**
Machinery and vehicles	**56**	55	**514**
Furniture and fixtures	**34**	37	**312**
Total	**¥1,387**	¥1,284	**$12,744**

Maturity Analysis of Lease Liabilities

The maturity analysis of lease liabilities is detailed in Note 29.

31. Related Party Transactions

Compensations to the members of the board of directors is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Short-term employee benefits	**¥91**	¥115	**$836**

32. Provisions

	Millions of yen				Thousands of U.S. dollars
	2020				**2020**
	Asset retirement obligation	Settlement for products sold	Structural reforms	Total	Total
At April 1	**¥52**	**¥ 407**	**¥ —**	**¥ 459**	**$ 4,217**
Provision made during the year	**—**	**2**	**1,837**	**1,839**	**16,897**
Provision used during the year	**—**	**(170)**	**—**	**(170)**	**(1,562)**
Current period reversal amount	**—**	**(13)**	**—**	**(13)**	**(119)**
Unwind of discount	**0**	**0**	**—**	**0**	**0**
Exchange differences	**—**	**(5)**	**—**	**(5)**	**(45)**
At March 31	**¥52**	**¥ 219**	**¥1,837**	**¥2,109**	**$19,378**

Asset retirement obligation

The Company made a provision for asset retirement obligation in respect of the Company's obligation to the landlord to dismantle and remove leasehold improvements from a leased office at the end of the lease contract. Considering the long-term nature of the liability, the major uncertainties are the cost that will be incurred and the time the lease contract ends. The Company has estimated the cost using an estimate provided by a third party and the lease period take into consideration that of the Company's former office and the useful life of the furniture and fixtures attached to the office. The provision has been calculated using a discount rate of 0.8%.

Settlement for products sold

The Company made a provision for settlement for products sold regarding the damage incurred by customers attributed to the Company's products. The provision has been determined based on management's estimate of the likely settlement amount. The provision has been calculated using a discount rate of 0.3%.

Structural reforms

The Group made a provision for the expected amount of costs that will be incurred in the future in the process of business structural reforms.

During the year ended March 31, 2020, there was an estimated amount of economic compensation to employees due to the factory relocation of Suzhou NDK Co., Ltd. The compensation is planned to be paid during the year ended March 31, 2021.

33. Events after the Reporting Period

Company Split (Absorption-type Split) for SAW Filter Business and the Transfer of Subsidiary (stock transfer)

The Company announced at the board of directors meeting held on May 26, 2020, its decision to conduct an absorption-type company split to form NDK SAW Devices Co., Ltd. ("NSD"), a wholly owned subsidiary of the Company, to take over the Company and Hakodate NDK Co., Ltd. ("Hakodate NDK") business related to the development and manufacturing of SAW filters, effective as of July 1, 2020.

And, the Company had negotiated with JIC Technology Investment Co. Ltd. ("JICT") regarding the establishment of a joint venture company, by spinning off the development and manufacturing business of SAW filter products which is currently being operated by the Company and Hakodate NDK. As a result, the Company decided to transfer to Jiaxing Jiawang Investment Partnership (Limited Partnership), which is an investment subsidiary of JICT, a portion of the shares of NSD, a wholly owned subsidiary of the Company, and

has entered into a stock transfer agreement to achieve this.

Following the transfer of shares, NSD will be excluded from consolidated subsidiaries and will become an equity-method affiliate.

(a) Outline of the absorption-type company split

(i) Schedule

Resolution by the Board of Directors (NDK)	May 26, 2020
Conclusion of Contract for Split (each company)	May 28, 2020
General Meeting of Shareholders Resolution (Hakodate NDK)	June 30, 2020
General Meeting of Shareholders Resolution (NSD)	June 30, 2020
Effective Date	July 1, 2020

Note: Since this absorption-type company split is a simplified company-level split based on Article 784, Paragraph 2 of the Companies Act, no shareholders meeting will be held to approve the absorption-type company split.

(ii) Method of the absorption-type company split

The Company and Hakodate NDK will be the splitting companies and NSD will be the succeeding entity.

(iii) Details of allocation relating to the absorption-type split

No shares or other assets will be allocated as a result of the absorption-type split.

(iv) Outline of companies involved in the absorption-type company split

	Splitting Company (As of March 31, 2020)	*Splitting Company (As of March 31, 2020)*	*Succeeding Company (As of May 19, 2020)*
Company Name	Nihon Dempa Kogyo Co., Ltd.	Hakodate NDK Co., Ltd.	NDK SAW Devices Co., Ltd.
Details of Business	Integrated production and sales of crystal-related products such as crystal devices (e.g. crystal units, crystal oscillators, crystal filters), ultrasonic transducers, synthetic quartz and crystal blanks.	Manufacture and design of crystal devices such as crystal units, crystal oscillators, and surface acoustic wave (SAW) devices.	Manufacturing design and sales of surface acoustic wave (SAW) devices.
End of Financial	March 31	March 31	December 31
Financial position and business results for the previous financial year (March 2020)			
Financial Year	March 2020 (consolidated)	March 2020 (non-consolidated)	—
Net Assets	¥ 5,349 million	¥2,294 million	¥1 million
Total Assets	¥54,547 million	¥4,868 million	¥1 million

Note: The successor company was established on May 19, 2020, and there is no previous business year. Therefore, in point 4. Financial position and business results for the previous financial year (ended March 31, 2019), the net assets and total assets only refer to figures at the date of its establishment.

(v) Outline of the business divisions to be split from the Company

1) Business description of the divisions to be split

Business related to the development and manufacturing of SAW filters

2) Business results of the business divisions to be split (Fiscal year ended March 31, 2020)

- Divisions split off from the Company Net Sales ¥993 million
- Divisions split off from Hakodate NDK Net Sales ¥833 million

Note: The above sales figures are for the entire SAW business in the fiscal year ended March 31, 2020 and may differ from the sales figures transferred to NSD under the contract.

3) Assets and liabilities of business divisions to be split (as of September 30, 2019)

Assets		*Liabilities*	
Line Item	*Book Value*	*Line Item*	*Book Value*
Current Assets	¥152 million	Current Liabilities	—
Non-Current Assets	¥812 million	Non-Current Liabilities	—
Total Assets	¥964 million	Total Liabilities	—

Note: The table lists the total amount of assets and liabilities split from The Company and Hakodate NDK. In addition, the amount is an estimated amount based on the current position as of the end of September 2019, and the actual amount of assets and liabilities to be split may change from the above.

(b) Reason for Transfer of shares

The Company succeeded in commercialising SAW filters using lithium niobate in 1979, and since then the Company has been working to develop, produce, and sell SAW filters. The SAW filter is a device that extracts only the necessary signals from a diverse range of radio waves in the air and is an important device that is installed in information communication devices such as mobile phones. Recently, to respond to the expanding demand in the Chinese market, The Company has been examining the prospects of business development through new partnerships.

JICT is a leading technology investment company in China and is familiar with the electronic device market including SAW filters. The Company determined that it was desirable to develop a business strategy together with JICT to secure competitiveness in the global market with a focus on the Chinese market, and therefore decided to move forward on this transaction. Going forward, while leveraging the technological capabilities of the Company and the capital and sales capabilities of JICT, we will work together to contribute to the development of the SAW filter market and the information and communication society.

(c) Outline of Subsidiary from Which Stock Is to be Transferred

Company Name	NDK SAW Devices Co., Ltd.	
Details of Business	Manufacturing design and sales of surface acoustic wave (SAW) devices	
Investment Ratio	100% own by the Company	
Relationship between the Company and the New Company	Capital Relationship	100% wholly owned subsidiary of the Company
	Personnel Relationship	One director concurrently holds a position on the board of the new company
	Transactional Relationship	Not applicable

(d) Outline of the Company Receiving Stock Transfer

Company Name	Jiaxing Jiawang Investment Partnership (Limited Partnership)	
Details of Business	Business Investment , Investment Management	
Relationship between NDK and the New Company	Capital Relationship	Not applicable
	Personnel Relationship	Not applicable
	Transactional Relationship	Not applicable
	Applicable Relationships with Other Parties	Not applicable

Note: The actual transferee is expected to be a newly established subsidiary of Jiaxing Jiawang Investment Partnership (Limited Partnership)

(e) Date of Transfer

Date of share transfer agreement	June 3, 2020
Stock transfer execution date	August 31, 2020 (planned), December 31, 2020 (planned)

(f) Number of shares transferred, transfer price and number of shares owned by the Company before and after transfer

Stock transfer on August 31, 2020 (planned)

Number of shares owned before the transfer	10,000 Shares (100%)
Number of shares to be transferred	5,100 Shares (51%)
Transfer price	Total (Approximate amount) ¥3,500 million
Number of shares owned after the transfer	4,900 Shares (49%)

Note: The Company will have a voting rights share of 25% due to the share transfer to be executed on December 31, 2020 (planned). The number of shares owned before the transfer, the number of shares transferred, the transfer price, and the number of shares owned after the transfer will change depending on the number of shares issued and the number of shares allocated to NSD until December 31, 2020. Therefore, as the conditions are known the Company will make a prompt and timely disclosure.

Issuance of Class Shares through Third Party Allotment, Reduction of Amounts of Capital Stock and Legal Capital Surplus and Appropriation of Surplus, Partial Amendment to the Articles of Incorporation, and Reduction of Amounts of Capital Stock and Legal Capital Surplus on Issuance of Class Shares

The Board of Directors of the Company, at its meeting held on, June 19, 2020, passed a resolution for the two items below.

- The Company enters into a class share subscription agreement (the "Subscription Agreement") with Japan Industrial Solutions Fund II (the "Planned Allottee") to issue a total of ¥5,000 million of the Class A Shares through third party allotment to the Planned Allottee (the "Capital Increase through Third Party Allotment", for details, please see "(a) The Capital Increase through Third Party Allotment" below).
- The Company will submit, to the 79th ordinary general meeting of shareholders scheduled to be held on July 31, 2020 (the "Ordinary General Meeting of Shareholders"), agendas regarding (1) the reduction of the amounts of capital stock and legal capital surplus, the transfer of such amounts to other capital surplus, and the cover of a deficit in retained earnings brought forward with other capital surplus after the transfer (the "Cover of Deficit" for details, please see "(b) Cover of Deficit" below; (2) the partial amendments to the Articles of Incorporation relating to the creation of the provisions for the Class A Shares, etc. (the "Amendments to the Articles of Incorporation" for details, please see "(c) Partial Amendments to the Articles of Incorporation" below); (3) the Capital Increase through Third Party Allotment ; and (4) the reduction of the amounts of capital stock and legal capital surplus after the Capital Increase through Third Party Allotment and the transfer of such amounts to other capital surplus to be conducted as of October 1, 2020, as the effective date, on the condition that the Capital Increase through Third Party Allotment be effected (the "Reduction of the Amount of Capital Stock, etc.", for details, please see "(d) Reduction of the Amount of Capital Stock, etc." below)

  Each of the above agenda items was approved at the Ordinary General Meeting of Shareholders as originally proposed.

(a) The Capital Increase through Third Party Allotment
(i) Overview of the Offering

Payment period	From August 1, 2020 to September 30, 2020 (Note)
Number of shares to be issued	5,000 shares of Class A Shares
Issue price	¥1 million per share
Total issue price	¥5,000 million For the estimated amount less the estimated issuance expenses, please see "(iii) Amounts, Usage and Scheduled Timing of Use of the Funds to be Procured" below.
Method of subscription or allotment (Planned Allottee)	All of the Class A Shares will be allotted to Japan Industrial Solutions Fund II through third party allotment.
Others	There are no provisions regarding so called preferred dividends with respect to the Class A Shares. The Class A Shareholders may receive dividends in the amount per Class A Share, pari passu with common shareholders, equivalent to the amount obtained by multiplying the amount of the dividends per a common share by the amount obtained by dividing the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by 1.40 by the acquisition price as set forth in (ii) 2) below. The right to request acquisition in exchange for common shares is attached to the Class A Shares. Although the Terms and Conditions of Class A Shares provides that, in principle, on or after August 1, 2020, each Class A Shareholder may at any time request the Company to acquire, in exchange for common shares, all or part of the Class A Shares, in accordance with the provisions of the Subscription Agreement, the Class A Shareholders may, only after July 1, 2023, exercise the right to request acquisition in exchange for common shares. In case of occurrence of the Conversion Restriction Removal Event (defined in (ii) 2) below), the Class A Shareholders may exercise the right to request acquisition in exchange for common shares of the Company even before July 1, 2023. The number of common shares delivered in case of exercise of the right to request acquisition in exchange for common shares attached to the Class A Shares shall be the number obtained by dividing the amount obtained by multiplying the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by 1.40 by the number of the Class A Shares concerning the exercise request, by the acquisition price as set forth in (ii) 2) below. The Company may at any time on and after August 1, 2020 acquire all or part of the Class A Shares in exchange for money. The amount of money to be delivered when the call options for money attached to the Class A shares are exercised will be, in principle, the amount calculated by multiplying the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by the redemption factors as set forth in (ii) 3) below by the number of the Class A Shares in respect of the Redemption for Money. Although there are no voting rights or restrictions on transfer of the Class A Shares, pursuant to the Subscription Agreement, unless the Transfer Restriction Removal Event (defined in (ii) 4) below) occurs or unless approved by the Board of Directors of the Company, the Planned Allottee may not transfer the Class A Shares to a third party during the period until June 30, 2023 (inclusive). The issuance of the Class A Shares is subject to the condition that approval of the following proposals is obtained at the Ordinary General Meeting of Shareholders : (a) the Cover of Deficit; (b) the Amendments to the Articles of Incorporation; (c) the Capital Increase through Third Party Allotment; (d) the Reduction of the Amount of Capital Stock, etc.; and (e) the election of one person designated by the Planned Allottee as an outside director of the Company (the Election of Outside Director")

Note: With respect to the Capital Increase through Third Party Allotment, it was resolved that the payment period under the Companies Act shall be from August 1, 2020 to September 30, 2020. The resolution for such payment period was made because, regarding the satisfaction of a part of the conditions precedent for the payment obligation of the Planned Allottee related to the Class A Shares as set forth in the Subscription Agreement, the timing cannot be confirmed in advance . In addition, the Company and the Planned Allottee are in agreement that, in principle, the payment will be made on the date on which three (3) business days elapse after the date on which all of the conditions precedent are satisfied or waived (which is limited to a date during the payment period).

(ii) Overview of the Class A Shares

1) Dividends of Surplus

There are no provisions with respect to the Class A Shares regarding so called the preferred dividends. The Class A shareholders are entitled to receive dividends in cash per Class A Share, pari passu with common shareholders equivalent to the amount obtained by multiplying the amount of the dividends per a common share by the amount obtained by dividing the amount obtained by multiplying the Amount Equivalent to Paid-in Amount of the Class A Shares by 1.40 by the acquisition price.

2) Right to Request Acquisition in Exchange for Common Shares

The rights to request acquisition in exchange for common shares are attached to the Class A Shares. Although the Terms and Conditions of the Class A Shares allow the Class A Shareholders to request that the Company, at any time on or after August 1, 2020, acquire all or part of the Class A Shares with common shares of the Company as consideration, the Planned Allottee is entitled to exercise the right to request acquisition in exchange for common shares only on or after July 1, 2023 in accordance with the provision of the Subscription Agreement. However, in case of occurrence of an event outlined below (the "Conversion Restriction Removal Event"), the Planned Allottee is entitled to exercise the right to request acquisition in exchange for common shares of the Company even before July 1, 2023.

a) If indebtedness of the Company under the loan agreement, etc. executed by the Company is accelerated (except the case where the creditors agree to maintain the outstanding balance of loans or suspension with respect to the relevant loan agreement, etc.);
b) If there is a breach (limited to material breach) of any of the obligations or representations and warranties under the Subscription Agreement;
c) If the Company does not file an annual securities report or quarterly report pursuant to the Financial Instruments and Exchange Act by the statutory deadline;
d) If the total amount of the net asset of the Company on the non-consolidated balance sheet as of the year end for each fiscal year ending on or after March 31, 2021 falls below a certain amount; and
e) If the amount of EBITDA of the Company for each fiscal year ending on or after March 31, 2022 calculated based on the following formula ("EBITDA") falls under a certain standard.
(Formula of EBITDA)

Gross profit - Selling, general and administrative expenses - Research and development expenses + Depreciation and amortisation (total of the figures recorded in cost of sales, selling, general and administrative expenses, and research and development expenses)+ Impairment losses (total of the figures recorded in cost of sales, selling, general and administrative expenses) (all of these are on a consolidated basis).

The number of common shares to be delivered when the rights to request acquisition in exchange for common shares attached to the Class A Shares are exercised will be the number obtained by multiplying the amount obtained by multiplying the Amount Equivalent to Paid in Amount per Class A Share by 1.40 by the number of the Class A Shares subject to the exercise request, and dividing that product by the acquisition price. The acquisition price is ¥363 (the "Initial Acquisition Price") and the acquisition price will not be amended. The Initial Acquisition Price is the amount obtained by multiplying the average value of the Volume Weighted Average Price (the "VWAP") in ordinary trading of the common shares of the Company, published by the Tokyo Stock Exchange, Inc. (the "TSE"), over 30 consecutive trading days prior to today by 90%.

3) Call Option for Money

Any time on or after August 1, 2020 upon arrival of the date determined separately by the Company's Board of Directors (the "Date of Redemption for Money"), the Company may acquire all or part of Class A Shares (in the case of a partial acquisition, limited to the case in which the number of shares to be acquired will be the whole number multiple of 1,000 shares) in exchange for monetary consideration to the extent permit ted by laws and regulations by giving a written notice (which shall be irrevocable) to the Class A Shareholders at least 10 days in advance of the Date of Redemption for Money (the date on which such written notice has been conducted shall be hereinafter referred to as the "Notice Date").

The amount of money to be delivered when the call options for money attached to the Class A shares are exercised will be the amount calculated by multiplying the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by the following redemption factors by the number of the Class A Shares in respect of the Redemption for Money (provided, however, if the Date of Redemption for Money is after July 1, 2023, the aforementioned amount or the amount obtained by multiplying the total amount of common shares distributed in exchange for the acquisition of the relevant Class A Shares calculated by deeming that the Request for Acquisition in Exchange for Common Shares is conducted as of the notice date with respect to the Class A Shares in respect of the relevant Redemption for Money by the closing price of common shares of the Company at the TSE on the date prior to the notice date, whichever higher).

Until June 30, 2021	1.13
From July 1, 2021 to June 30, 2022	1.25
From July 1, 2022 to June 30, 2023	1.38
From July 1, 2023 to June 30, 2024	1.52
From July 1, 2024 to June 30, 2025	1.68
From July 1, 2025 onward	1.85

4) Voting Rights and Restrictions on Transfer

Unless otherwise specified, no voting rights at general meetings of shareholders shall be attached to the Class A Shares. Although there are no restrictions on the transfer of Class A Shares, pursuant to the Subscription Agreement, unless the event summarised below (the "Transfer Restriction Removal Event") occurs or unless approved by the Board of Directors of the Company, the Planned Allottee may not transfer the Class A Shares to a third party during the period until June 30, 2023 (inclusive).

a) If indebtedness of the Company under the loan agreement, etc. executed by the Company is accelerated (except the case where the creditors agree to maintain the outstanding balance of loans or agree on suspension with respect to the relevant loan agreement, etc.);
b) If there is a breach (limited to material breach) of any of the obligations or representations and warranties under the Subscription Agreement;
c) If the Company does not file an annual securities report or quarterly report pursuant to the Financial Instruments and Exchange Act by the statutory deadline;
d) If the total amount of the net asset of the Company on the non-consolidated balance sheet as of the year end for each fiscal year ending on or after March 2021 falls below a certain amount; and
e) If the amount of EBITDA of the Company for each fiscal year ending on or after March 31, 2022 falls under a certain standard.

(iii) Amounts, Usage and Scheduled Timing of Use of the Funds to be Procured

1) Amounts of funds to be procured

Total amount to be paid in	¥5,000 million
Estimated issuance expenses	¥ 100 million
Estimated retained balance	¥4,900 million

Note: The "Estimated issuance expenses" is the amount equivalent to registration and license tax, legal fees and financial advisory fees.

2) Specific usage of funds to be procured

Specific usage	*Amount*	*Scheduled timing of use*
Investment for renovations increases in production and replacement of manufacturing facilities inside and outside Japan	¥3,350 million	October 2020 through September 2023
Investment related to research development and technology	360 million	October 2020 through September 2023
Other investments for maintaining existing manufacturing system	1,060 million	October 2020 through September 2023
Investment for construction of the new Suzhou plant	130 million	October 2020 through March 2021

(iv) Outline of the Planned Allottee

Name	Japan Industrial Solutions Fund II	
Location	2-2-2 Marunouchi, Chiyoda-ku, Tokyo	
Grounds, etc. for incorporation	Limited Partnership Act for Investment	
Purpose of formation	Acquisition, etc. of securities	
Partnership formation date	October 27, 2016	
Total amount of investment	¥105 billion	
Overview of limited liability partners	Development Bank of Japan Inc. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd.	
Overview of operating partner *(Mugen Sekinin Kumiaiin)* (General Partner)	Name	Japan Industrial Solutions Co., Ltd.
	Location	2-2-2 Marunouchi, Chiyoda-ku, Tokyo
	Name and title of representative	Yuichi Hiromoto, President & CEO
	Description of business	Investment businesses etc.
	Capital	¥100,000,000
Relationships of the Company with the said fund and the operating partner	Relationship between the Company and the said fund	No direct or indirect contribution has been made to the said fund by the Company, parties concerned with the Company, or companies of the Company.
	Relationship between the Company and the operating partner	There are no capital, personal, or transactional relationships to be stated between the Company and the said company.

Note: 1. Overview of limited liability partners describes the major limited liability partners. Capital contribution ratio of the limited liability partners is not shown as it is not disclosed by the Planned Allottee.
Note: 2. In the Subscription Agreement, the Planned Allottee has made representations and warranties to the effect that the Planned Allottee and its unlimited liability partners have no relationships whatsoever with antisocial forces, and at the same time the Company obtained oral confirmation by the Planned Allottee that its limited liability partners do not fall under the antisocial forces. In addition, the Company has determined that, through the confirmation of the corporate history, officers, major shareholders and the status of establishment of the internal control system, etc. described in the annual securities report of each major limited liability partner of the Planned Allottee and through interviews of operating partners of the Planned Allottee, the Planned Allottee and its major limited liability partners have no relationships whatsoever with antisocial forces, and submitted a confirmation letter to that effect to the TSE.

(b) Cover of Deficit

(i) Purpose of the Cover of Deficit

The amounts of capital stock and legal capital surplus and appropriation of surplus will be conducted in order to cover such deficit and coordinate the system to be able to provide an early resumption of dividends

(ii) Detail of the Reduction of the Amount of Capital Stock and Legal Capital Surplus

After implementing the reduction of the amounts of capital stock and legal capital surplus in accordance with the provisions of Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act, the Company will transfer the reduced amounts of capital stock and legal capital surplus reduced to other capital surplus.

1) Amount of capital stock to be reduced
The ¥10,649,469,744 of capital stock is to be reduced by ¥5,053,178,087 to ¥5,596,291,657

2) Item and amount of capital surplus to be reduced
Legal capital surplus
The ¥2,504,760,057 of legal capital surplus is to be reduced by ¥2,504,760,057 to ¥0

3) Item and amount of surplus to be increased
Other capital surplus
¥7,557,938,144

(iii) Detail of the Appropriation of Surplus

After transferring other capital surplus to retained earnings brought forward in accordance with the provisions of Article 452 of the Companies Act, the Company will cover a deficit

1) Item and amount of surplus to be reduced
Other capital surplus ¥7,538,730,814

2) Item and amount of surplus to be increased
Retained earnings brought forward ¥7,538,730,814

(iv) Schedule for the Cover of Deficit

1) Resolution of the Board of Directors	June 19, 2020
2) Public notice with respect to statements of objection by creditors	June 25, 2020
3) Final deadline for statements of objection by creditors	July 25, 2020
4) Date of the resolution at the Ordinary General Meeting of Shareholders	July 31, 2020
5) Effective date	July 31, 2020

(v) Impact on the financial results

The Cover of Deficit is a process of transferring to the accounts in the "net assets section" and will not change the amount of profit or loss and net assets of the Company, and there will be no impact on the operating results.

(c) Partial Amendments to the Articles of Incorporation

(i) Reasons for Amendments to the Articles of Incorporation

In order to allow the Class A Shares to be issued, we will create the Class A Shares as a new class of shares of the Company and establish new provisions regarding the Class A Shares in the Articles of Incorporation. The Articles of Incorporation will increase the total number of authorised common shares and the class shares in preparation for the issuance of common shares by exercising the right to request acquisition in exchange for common shares, which is attached to the Class A Shares.

The Amendments to the Articles of Incorporation is subject to the condition that necessary approval of the following proposals is obtained at the Ordinary General Meeting of Shareholders: 1) the Cover of Deficit, 2) the Capital Increase through Third Party Allotment, 3) the Reduction of the Amount of Capital Stock, etc. and 4) the Election of Outside Director.

(ii) Schedule for Amendments to the Articles of Incorporation

1) Resolution of the Board of Directors	June 19, 2020
2) Resolution at the Ordinary General Meeting of Shareholders	July 31, 2020
3) Effective date	July 31, 2020

(d) The Reduction of the Amount of Capital Stock, etc.

(i) Purpose of the Reduction of the Amount of Capital Stock, etc.

In order to establish a healthy financial position early and prepare for an agile and flexible capital policy in the future, the Company decided on the Reduction of the Amount of Capital Stock, etc. in conjunction with the issuance of the Class A Shares and to transfer the amount to other capital surplus which constitutes the distributable amount.

The Reduction of the Amount of Capital Stock, etc. is subject to the conditions that the payment with respect to the Capital Increase through Third-Party Allotment is made, and that necessary approval of the following proposals is obtained at the Ordinary General Meeting of Shareholders: 1) the Cover of Deficit, 2) the Amendments to the Articles of Incorporation, 3) the Capital Increase through Third-Party Allotment and 4) the Election of Outside Director.

(ii) Detail of the Reduction of the Amount of Capital Stock, etc.

After implementing the reduction of the amounts of capital stock and legal capital surplus in accordance with the provisions of Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act, the Company will transfer the reduced amounts of capital stock and legal capital surplus reduced to other capital surplus.

1) Amount of capital stock to be reduced

The ¥8,096,291,657 of capital stock after the Cover of Deficit and the Capital Increase through Third-Party Allotment is to be reduced by ¥2,500,000,000 to ¥5,596,291,657

2) Item and amount of capital surplus to be reduced

Legal capital surplus

The ¥2,500,000,000 of capital stock after the Cover of Deficit and the Capital Increase through Third-Party Allotment is to be reduced by ¥2,500,000,000 to ¥0

3) Item and amount of surplus to be increased

Other capital surplus

¥5,000,000,000

(iii) Schedule for the Reduction of the Amount of Capital Stock, etc.

1) Resolution of the Board of Directors	June 19, 2020
2) Public notice with respect to statements of objection by creditors	June 25, 2020
3) Final deadline for statements of objection by creditors	July 25, 2020
4) Date of the resolution at the Ordinary General Meeting of Shareholders	July 31, 2020
5) Effective date	October 1, 2020 (scheduled)

(iv) Impact on the financial results

The Reduction of the Amount of Capital Stock, etc. is a process of transferring to the accounts in the net assets section and will not change the amount of profit or loss and net assets of the Company, and there will be no impact on the operating results.

Signing of an agreement regarding a loan agreement

In June 2020, the Company and Furukawa NDK Co., Ltd., a wholly-owned subsidiary of the Company, have signed an agreement with all financial institutions with which they have transactions to maintain the balance of the loan until the end of September 2023, while maintaining the terms of the existing loan agreement (balance of loans as of the end of March 2020 was ¥32,555 million) excluding the repayment date.

34. List of Significant Consolidated Subsidiaries

Entity	*Place of incorporation*	*Principal activities*	*Ownership interest*
Furukawa NDK Co., Ltd.	Japan	Manufacturing	100.0%
Hakodate NDK Co., Ltd.	Japan	Manufacturing	100.0%
Niigata NDK Co., Ltd.	Japan	Manufacturing	100.0%
NDK Holdings USA, Inc.	U.S.A.	Holding company	100.0%
NDK America, Inc.	U.S.A.	Sales	100.0%
NDK Crystal Asia Pte. Ltd.	Singapore	Sales	100.0%
NDK Europe Ltd.	United Kingdom	Sales	100.0%
NDK Electronics (HK) Limited	Hong Kong	Sales	100.0%
Asian NDK Crystal Sdn. Bhd.	Malaysia	Manufacturing	100.0%
NDK Quartz Malaysia Sdn. Bhd.	Malaysia	Manufacturing	100.0%
Suzhou NDK Co., Ltd.	China	Manufacturing	100.0%
(Newly established) Suzhou NDK Co., Ltd.	China	Manufacturing	100.0%
Suzhou NDK Trading Co., Ltd.	China	Sales	100.0%
NDK-Electronics Shanghai Co., Ltd.	China	Sales	100.0%

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Independent Auditor's Report

To the Board of Directors of Nihon Dempa Kogyo Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Nihon Dempa Kogyo Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 33 "Events after the Reporting Period" to the consolidated financial statements.

1. At the board of directors meeting held on May 26, 2020, the Company decided to conduct an absorption-type company split to form NDK SAW Devices Co., Ltd. ("NSD"), a wholly owned subsidiary of the Company, to take over the Company and Hakodate NDK Co., Ltd. business related to the development and manufacturing of SAW filters. Also, the Company decided to transfer 51% of the shares of NSD to Jiaxing Jiawang Investment Partnership (Limited Partnership), which is an investment subsidiary of JIC Technology investment Co., Ltd., and has entered into a stock transfer agreement to achieve this.

2. At the board of directors meeting held on June 19, 2020 the Company decided to enter into a class share subscription agreement (the"Subscription Agreement") with Japan Industrial Solutions Fund II (the "Planned Allottee") to issue a total of ¥5,000 million of the Class A Shares through third party allotment to the Planned Allottee, subject to the approval at the ordinary general meeting of shareholders scheduled to be held on July 31, 2020. The issuance was approved at the meeting of shareholders as originally proposed.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(b) to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan

Y. Yamamoto

Yoshiteru Yamamoto
Designated Engagement Partner
Certified Public Accountant

Shisei Ido

Shisei Ido
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
7.31. 2020

Crystal Bridge to the Future

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