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[Summary]

Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2024 [IFRS]

August 7, 2023

Company Name **Nihon Dempa Kogyo Co., Ltd.** Stock Exchange Listing: **Tokyo Stock Exchange, Prime Market**
 Code **6779** URL <https://www.ndk.com/en/index.html>
 Representative **Hiromi Katoh, Representative Director and President**
 Contact person **Yuzuru Takeuchi, Senior Corporate Officer and General Manager of Administration Division** Phone: **+81-3-5453-6711**
 Scheduled date to file quarterly securities report **August 7, 2023**
 Scheduled date to commence dividend payments **-**
 Availability of supplementary material on financial results: **None**
 Holding of the briefing session for quarterly financial results: **None**

(Figures less than a million yen are omitted)

1. Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2024 (April 1, 2023 - June 30, 2023)

(1) Consolidated Operating Results (year-to-date)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Income before income tax		Net income for the period		Net income attributable to owners of the parent		Total comprehensive income for the period	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Three Months ended												
June 30, 2023	11,599	(7.2)	636	(58.9)	239	(86.1)	154	(89.0)	154	(89.0)	620	(68.3)
June 30, 2022	12,493	15.6	1,549	150.2	1,718	222.2	1,398	-	1,398	-	1,956	-

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Three Months ended				
June 30, 2023	6.67	-	-	-
June 30, 2022	61.77	-	-	-

(Note) The figures for the first quarter of the year ended March 31, 2023 are those after the retrospective application of changes in accounting policies. Because of this, percentages indicating year-on-year changes of "Net income", "Net income attributable to owners of the parent" and "Total comprehensive income" for the first quarter of the year ended March 31, 2023 are not stated.

(2) Consolidated Financial Position

	Total assets		Total equity		Equity attributable to owners of the parent		Ratio of equity attributable to owners of the parent	
	Million Yen	Million Yen	Million Yen	Million Yen	Million Yen	Million Yen	%	
As at								
June 30, 2023	64,036	24,428	24,428	24,428	24,428	24,428	38.1	
March 31, 2023	64,197	24,039	24,039	24,039	24,039	24,039	37.4	

(Note) The figures for the year ended March 31, 2023 are those after the retrospective application of changes in accounting policies.

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended					
March 31, 2023	-	10.00	-	10.00	20.00
Fiscal year ending					
March 31, 2024	-				
Fiscal year ending					
March 31, 2024 (Forecast)		10.00	-	10.00	20.00

(Note) Revision of dividends forecast from the latest announcement : **None**

3. Consolidated Financial Forecast for the Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(% figures represent the changes from the same period of the previous year)

	Net sales		Operating income		Income before income tax		Net income		Net income attributable to owners of the parent		Basic earnings per share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Six Months ending Septemeber 30, 2023	25,000	(5.7)	2,100	(48.0)	1,500	(61.8)	1,300	(61.2)	1,300	(61.2)	56.21
Fiscal year ending March 31, 2024	53,300	1.5	5,600	(32.8)	4,400	(40.9)	3,900	(36.3)	3,900	(36.3)	168.63

(Note) Revision of consolidated financial forecast from the latest announcement : **None**

Notes

(1) Significant changes in subsidiaries during this period

(Changes in "Specified Subsidiaries" accompanying changes in scope of consolidation) : **None**

(2) Changes in accounting policies and accounting estimates

i) Changes in accounting policies required by IFRS : **Yes**

ii) Changes in accounting policies other than i) : **None**

iii) Changes in accounting estimates : **None**

(Note) For details, please refer to page 3, "2. Notes to Summary Information (2) Changes in Accounting Policies, Changes in Accounting Estimates and Restatements".

(3) Number of issued shares (Ordinary shares)

(shares)

i) Number of issued shares at the end of the period (including treasury shares)

June 30, 2023	23,128,605	March 31, 2023	23,128,605
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ii) Number of treasury shares at the end of the period

June 30, 2023	768	March 31, 2023	592
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iii) Average number of shares outstanding for the period (year-to-date)

June 30, 2023	23,127,906	June 30, 2022	22,635,940
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* This summary of the business results and the attached financial statements are unaudited.

* Explanation about appropriate use of consolidated financial forecast, other special notes

Forward-looking statements in this document about our future performance are based on the information that are available to us at the time of disclosure and certain assumptions that are deemed to be reasonable. Due to unforeseen circumstances, actual results may differ significantly from such estimates.

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1. Qualitative Information on the Financial Results for the Three Months Ended June 30, 2023

(1) Operating Environment and Results of Operations

In the first quarter of the fiscal year ending March 31, 2024 (April to June 2023), there was continued concern about European and American economic slowdown, as Europe and the United States continued raising interest rates for over one year due to the deep-rooted wariness over inflation. In China, momentum for an economic recovery was not seen, in spite that the "Zero-COVID" policy aimed at containment of novel coronavirus infection was withdrawn.

In the automotive market, the Company's primary business domain, while the prolonged shortage of semiconductors began easing, the shortage continued affecting a certain part of it, and hindered the production recovery in Tier 1 customers, i.e., manufacturers who supply parts to finished car manufacturers. In addition, the number of smartphones manufactured worldwide remained sluggish, continued from the fourth quarter (January to March) of the previous year.

Under such circumstances, sales of automotive applications, which account for more than a half of the Company's net sales, continued declining up to the quarter under review, after peaking in the second quarter (July to September) of the fiscal year ended March 31, 2023, since Tier 1 customers, mainly overseas ones, continued inventory adjustment. Similarly, sales of applications for mobile communication products, industrial equipment, and consumer appliances continued decreasing up to the quarter under review.

As a result, net sales for the period under review amounted to ¥11,599 million, a 7.2% decrease year on year.

Concerning profit and losses, in the first quarter under review, the Company reported an operating income of ¥636 million, down 58.9% year on year, income before income taxes of ¥239 million, down 86.1% year on year, and net income of ¥154 million, down 89.0% year on year, as a result of the profit decline caused by smaller sales. In the period under review, the average foreign exchange rate was ¥138.11 to the U.S. dollar (compared with ¥129.04 in the same period of the previous year).

(2) Financial Condition

As at the first quarter-end (June 30, 2023), total assets stood at ¥64,036 million, a ¥160 million decrease from the previous fiscal year-end, reflecting the following factors: an increase of ¥2,262 million in Cash and cash equivalents, an increase of ¥527 million in Property, plant and equipment, a decrease of ¥760 million in Trade receivables, a decrease of ¥773 million in Inventories, and a decrease of ¥1,537 million in Consumption taxes refund receivables in Other current assets. Total liabilities amounted to ¥39,608 million, a ¥549 million decrease from the previous fiscal year-end, owing mainly to a ¥428 million increase in Derivative liabilities, a ¥181 million decrease in Income taxes payable and a ¥759 million decrease in Loans and borrowings. Equity attributable to the Owners of the parent stood at ¥24,428 million, a ¥388 million increase from the year earlier, due to the posting of ¥620 million in Comprehensive income and ¥231 million in Dividends declared.

As a result, the ratio of equity attributable to the Owners of the parent was 38.1%, 0.7 percentage points higher than the previous fiscal year-end of 37.4%.

(3) Consolidated Financial Forecasts for the Year Ending March 31, 2024

Given that the value of orders received during the period under review started to increase after bottoming out in the fourth quarter (January to March) of the fiscal year ended March 31, 2023, mainly for those of automotive applications and mobile communication applications, there is no change from the Consolidated Financial Forecasts announced on May 11, 2023.

Forward-looking statements about our future performance are based on the information available to us at the time of disclosure and certain assumptions that are deemed to be reasonable. Due to unforeseen circumstances, actual results may differ significantly from such estimates.

2. Notes to Summary Information

(1) Changes in Significant Subsidiaries During the Period

Not applicable

(2) Changes in Accounting Policies, Changes in Accounting Estimates and Restatements

(Changes in accounting policies)

The Group has adopted the standard IAS 12 "Income Taxes" (amended in May 2021 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction") from the first quarter of the year ending March 31, 2024.

Due to the application of the IAS 12, the accounting treatment was clarified for the initial recognition regarding the transactions that give rise to equal taxable and deductible temporary differences at the time of the transaction, as the asset retirement obligation and lease transactions do, and the deferred tax liabilities and deferred tax assets regarding the taxable and deductible temporary differences are each recognized in the consolidated statement of financial position.

Since the Group has adopted this standard, the consolidated financial statements for the previous year ended March 31, 2023 were revised retrospectively. As a result, in the consolidated statements of financial position as at March 31, 2023, Deferred tax assets increased by ¥34 million, Deferred tax liabilities decreased by ¥6 million, and Retained earnings increased by ¥41 million. In addition, the impact on the consolidated statements of comprehensive income for the three months ended June 30, 2022 was insignificant.

Because the cumulative effects due to the application of the above standard were reflected in the consolidated statements of changes in equity for the year ended June 30, 2022, the balance at the beginning of the period for Retained earnings decreased by ¥15 million.

3. Consolidated Financial Statements for the Three Months Ended June 30, 2023**(1) Consolidated Statements of Financial Position**

(Millions of yen)

	March 31, 2023	June 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	10,288	12,550
Trade receivables	12,863	12,103
Inventories	12,830	12,056
Income taxes refundable	1	21
Others	4,264	2,610
Total current assets	40,247	39,342
Non-current assets:		
Property, plant and equipment	17,503	18,031
Intangible assets	336	552
Investments accounted for using the equity method	2,840	2,780
Other financial assets	1,057	1,165
Deferred tax assets	1,699	1,692
Others	512	472
Total non-current assets	23,949	24,693
Total assets	64,197	64,036
Liabilities		
Current liabilities:		
Loans and borrowings	1,281	2,896
Lease liabilities	575	578
Trade and other payables	8,714	8,641
Derivative liabilities	48	477
Provisions	5	14
Income taxes payable	358	177
Others	794	848
Total current liabilities	11,777	13,634
Non-current liabilities:		
Loans and borrowings	23,694	21,318
Lease liabilities	1,701	1,691
Deferred tax liabilities	14	4
Employee benefits	2,154	2,141
Provisions	551	554
Deferred government grants	22	20
Others	241	241
Total non-current liabilities	28,380	25,973
Total liabilities	40,157	39,608
Equity		
Equity attributable to Owners of the parent:		
Share capital	5,596	5,596
Share premium	3,368	3,368
Other components of equity	575	1,041
Retained earnings	14,499	14,422
Total equity attributable to Owners of the parent	24,039	24,428
Total equity	24,039	24,428
Total liabilities and equity	64,197	64,036

(2) Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2023
Net sales	12,493	11,599
Cost of sales	8,594	8,666
Gross profit	3,898	2,933
Selling, general and administrative expenses	1,868	1,980
Research and development expenses	410	406
Other operating income	83	124
Other operating expenses	154	34
Operating income	1,549	636
Financial income	143	21
Financial expenses	132	357
Share of loss of investments accounted for using the equity method	(38)	(60)
Gain on change in equity	196	-
Income before income tax	1,718	239
Income tax expenses	320	85
Net income for the period	1,398	154
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	(5)	93
Income tax relating to items that will not be reclassified	(0)	(23)
Subtotal	(6)	70
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	550	394
Share of other comprehensive income of entities accounted for using equity method	14	0
Subtotal	565	395
Other comprehensive income for the period, net of income tax	558	465
Comprehensive income for the period	1,956	620
Net income attributable to:		
Owners of the parent	1,398	154
Comprehensive income attributable to:		
Owners of the parent	1,956	620
		(Yen)
Earnings per share:		
Basic earnings per share	61.77	6.67

(3) Consolidated Statements of Changes in Equity

Three Months ended June 30, 2022

(Millions of Yen)

	Share Capital	Share premium		
		Additional paid-in capital	Treasury shares	Total share premium
Balance as at April 1, 2022	5,596	8,305	(2,790)	5,515
Cumulative effects of changes in accounting policies				-
Restated balance as at April 1, 2022	5,596	8,305	(2,790)	5,515
Comprehensive income for the period				
Net income				-
Other comprehensive income				
Net change in financial assets measured at fair value through other comprehensive income				-
Exchange differences on translation of foreign operations				-
Share of other comprehensive income of entities accounted for using equity method				-
Total comprehensive income for the period	-	-	-	-
Transactions with owners, recorded directly in equity				
Dividends declared				-
Issuance of new shares	1,398	1,398		1,398
Share issuance costs		(31)		(31)
Transfer from share capital to share premium	(1,398)	1,398		1,398
Purchase of treasury shares			(6,250)	(6,250)
Disposal of treasury shares		(1,452)	2,790	1,337
Cancellation of treasury shares		(6,250)	6,250	-
Total transactions with owners	-	(4,936)	2,790	(2,146)
Balance as at June 30, 2022	5,596	3,369	(0)	3,369

	Other components of equity				Retained earnings	Attributable to owners of the parent	Total equity
	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Share of other comprehensive income of entities accounted for using equity method	Total other components of equity			
Balance as at April 1, 2022	23	178	-	201	8,724	20,037	20,037
Cumulative effects of changes in accounting policies				-	(15)	(15)	(15)
Restated balance as at April 1, 2022	23	178	-	201	8,708	20,021	20,021
Comprehensive income for the period							
Net income				-	1,398	1,398	1,398
Other comprehensive income							
Net change in financial assets measured at fair value through other comprehensive income	(6)			(6)		(6)	(6)
Exchange differences on translation of foreign operations		550		550		550	550
Share of other comprehensive income of entities accounted for using equity method			14	14		14	14
Total comprehensive income for the period	(6)	550	14	558	1,398	1,956	1,956
Transactions with owners, recorded directly in equity							
Dividends declared				-	(194)	(194)	(194)
Issuance of new shares				-		2,797	2,797
Share issuance costs				-		(31)	(31)
Transfer from share capital to share premium				-		-	-
Purchase of treasury shares				-		(6,250)	(6,250)
Disposal of treasury shares				-		1,337	1,337
Cancellation of treasury shares				-		-	-
Total transactions with owners	-	-	-	-	(194)	(2,340)	(2,340)
Balance as at June 30, 2022	16	728	14	760	9,911	19,638	19,638

Three Months ended June 30, 2023

(Millions of Yen)

	Share Capital	Share premium		
		Additional paid-in capital	Treasury shares	Total share premium
Balance as at April 1, 2023	5,596	3,369	(1)	3,368
Comprehensive income for the period				
Net income				-
Other comprehensive income				
Net change in financial assets measured at fair value through other comprehensive income				-
Exchange differences on translation of foreign operations				-
Share of other comprehensive income of entities accounted for using equity method				-
Total comprehensive income for the period	-	-	-	-
Transactions with owners, recorded directly in equity				
Dividends declared				-
Purchase of treasury shares			(0)	(0)
Total transactions with owners	-	-	(0)	(0)
Balance as at June 30, 2023	5,596	3,369	(1)	3,368

	Other components of equity				Retained earnings	Attributable to owners of the parent	Total equity
	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Share of other comprehensive income of entities accounted for using equity method	Total other components of equity			
Balance as at April 1, 2023	50	515	9	575	14,499	24,039	24,039
Comprehensive income for the period							
Net income				-	154	154	154
Other comprehensive income							
Net change in financial assets measured at fair value through other comprehensive income	70			70		70	70
Exchange differences on translation of foreign operations		394		394		394	394
Share of other comprehensive income of entities accounted for using equity method			0	0		0	0
Total comprehensive income for the period	70	394	0	465	154	620	620
Transactions with owners, recorded directly in equity							
Dividends declared				-	(231)	(231)	(231)
Purchase of treasury shares				-		(0)	(0)
Total transactions with owners	-	-	-	-	(231)	(231)	(231)
Balance as at June 30, 2023	120	910	10	1,041	14,422	24,428	24,428

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2023
Operating activities:		
Income before income tax	1,718	239
Depreciation and amortisation	757	784
Share of loss of investments accounted for using equity method	38	60
Loss/(gain) on change in equity	(196)	-
Decrease/(increase) in trade receivables	(613)	1,142
Decrease/(increase) in inventories	(1,275)	974
Decrease/(increase) in consumption tax/value-added tax receivables	1,107	1,599
Increase/(decrease) in trade payables	224	(487)
Increase/(decrease) in accounts payable - other	356	101
Increase/(decrease) in accrued bonus	(74)	(139)
Interest and dividend income	(13)	(14)
Interest expense	128	136
Interest and dividends received	13	14
Interest paid	(83)	(154)
Income tax refunded/(paid), net	(680)	(435)
Increase/(decrease) in derivative liabilities	324	428
Other, net	(445)	(148)
Net cash provided by/(used in) operating activities	1,286	4,102
Investing activities:		
Purchase of property, plant and equipment	(518)	(554)
Purchase of intangible assets	(22)	(226)
Proceeds from sales of property, plant and equipment	6	2
Other, net	(0)	(5)
Net cash provided by/(used in) investing activities	(533)	(784)
Financing activities:		
Proceeds from long-term loans and borrowings	-	1,176
Repayment of long-term loans and borrowings	(315)	(3,615)
Net increase/(decrease) in short-term loans and borrowings	-	1,568
Repayments of lease liabilities	(93)	(130)
Dividends paid	(169)	(187)
Proceeds from issuance of shares	2,797	-
Purchase of treasury shares	(6,250)	(0)
Proceeds from disposal of treasury shares	1,337	-
Net cash provided by/(used in) by financing activities	(2,692)	(1,187)
Net increase/(decrease) in cash and cash equivalents	(1,940)	2,129
Cash and cash equivalents at beginning of year	10,362	10,288
Net effect of currency translation on cash and cash equivalents	187	133
Cash and cash equivalents at end of period	8,609	12,550

(5) Notes to Consolidated Financial Statements

1. Going Concern Assumption

Not applicable

2. Significant Changes in Equity Attributable to Owners of the Parent

Not applicable

3. Segment Information

(a) General information

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

(b) Information about products and services

Net sales by type of products are as follows. From the first quarter of the year ending March 31, 2024, the title of type of product stated as "Crystal devices" before has changed to "Crystal oscillators" due to the reconsideration of the business management classification. Because of this, crystal filters and SAW (Surface Acoustic Wave) devices included in "Crystal devices" before have belonged to "Others" since this first quarter of the year ending March 31, 2024.

As for the information below for the three months ended June 30, 2022, figures were revised retrospectively based on the new classification of type of products.

(Millions of Yen)

	Three Months Ended June 30, 2022		Three Months Ended June 30, 2023		Increase/(decrease)	
	Amount	Composition (%)	Amount	Composition (%)	Amount	Change (%)
Quartz crystal units	8,807	70.5	8,223	70.9	(584)	(6.6)
Crystal oscillators	2,338	18.7	2,263	19.5	(75)	(3.2)
Others	1,346	10.8	1,112	9.6	(234)	(17.4)
Total	12,493	100.0	11,599	100.0	(893)	(7.2)