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[Summary]

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

November 8, 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 **November 8, 2023**
Scheduled date to commence dividend payments **December 11, 2023**
Availability of supplementary material on financial results: **Yes**
Holding of the briefing session for quarterly financial results: **Yes**

(Figures less than a million yen are omitted)

1. Consolidated Financial Results for the Second Quarter of the Year Ending March 31, 2024 (April 1, 2023 - September 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	%
Six Months ended												
September 30, 2023	24,665	(6.9)	1,864	(53.9)	1,419	(63.9)	1,190	(64.5)	1,190	(64.5)	1,989	(50.8)
September 30, 2022	26,501	19.0	4,041	42.3	3,927	50.9	3,352	—	3,352	—	4,047	—

Six Months ended	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
September 30, 2023	51.51		—	
September 30, 2022	146.48		—	

(Note) The figures for the second 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 second quarter of the year ended March 31, 2023 are not stated.

(2) Consolidated Financial Position

As at	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	%
September 30, 2023	65,687	25,716	25,716	39.1
March 31, 2023	64,197	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	—	10.00			
Fiscal year ending March 31, 2024 (Forecast)			—	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	%	
Fiscal year ending March 31, 2024	49,400	(5.9)	3,800	(54.4)	2,600	(65.1)	2,200	(64.1)	2,200	(64.1)	95.21

(Note) Revision of consolidated financial forecast from the latest announcement : **Yes**

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)

September 30, 2023	23,128,605	March 31, 2023	23,128,605
September 30, 2023	68,426	March 31, 2023	592
September 30, 2023	23,107,919	September 30, 2022	22,883,493

ii) Number of treasury shares at the end of the period

iii) Average number of shares outstanding for the period (year-to-date)

* 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 Six Months ended September 30, 2023

(1) Operating Environment and Results of Operations

In the second quarter of the reporting period (April to September 2023) European and American countries continued the tight monetary policy to cope with inflation; however, the American economy trended firm supported by strong personal consumption while, in Europe, heightened interest rates increased pressure on the economy downward. In China, at the same time, concern about economic slowdown increased due to such factors as deterioration of the real estate market: Consequently, the uncertain outlook for the world economy remained unchanged.

In the automotive application market, the Company's primary business domain, the shortage of semiconductors, which had been prolonged, eventually began easing and, at the same time, adjustment of inventory at the Tier1 customers (i.e., the manufactures who supply parts to finished car manufacturers), which had been increasing under the restricted supply due to COVID-19 pandemic and other factors, proceeded gradually. In addition, production for new models of the leading manufacturer of smartphones has begun.

As a consequence, the Company's sales during the second quarter (July to September 2023) increased over the first quarter (April to June 2023) centering at automotive and mobile communication applications. However, for the second quarter under review (April to September 2023), sales to mobile communication, industrial equipment and consumer appliance applications were smaller than in the same quarters of the previous year, due to the slow demand for the products for smartphones, base stations, personal computers, and others.

As a result, sales in the second quarter under review totaled ¥24,665 million (down 6.9% from the same quarters of the previous year).

Operating profit for the second quarter under review stood at ¥1,864 million (down 53.9% from the same quarters of the previous year), income before income taxes ¥1,419 million (down 63.9% from the same quarters of the previous year) and net income for the quarters ¥1,190 million (down 64.5% from the same quarters of the previous year), due to decreased sales, increased personnel expenses and expenses for DX promotion, along with the effect of the reduction of inventories. The average foreign exchange rate during the second quarter under review was ¥141.31 to the U.S. dollar (¥133.46 in the same period of the previous year).

(2) Financial Condition

As at the second quarter-end (September 30, 2023), total assets stood at ¥65,687 million, a ¥1,490 million increase from the previous fiscal year-end, reflecting the following factors: an increase of ¥2,710 million in Cash and cash equivalents, an increase of ¥880 million in Property, plant and equipment, an increase of ¥489 million in Trade receivables, a decrease of ¥1,142 million in Consumption taxes refund receivables in Other current assets, and a decrease of ¥1,277 million in Inventories. Total liabilities amounted to ¥39,971 million, a ¥186 million decrease from the previous fiscal year-end, owing mainly to a ¥322 million increase in Trade and other payables, a ¥213 million increase in Derivative liabilities, a ¥182 million increase in Lease liabilities and a ¥958 million decrease in Loans and borrowings. Equity attributable to the Owners of the parent stood at ¥25,716 million, a ¥1,676 million increase from the year earlier, because of a decrease of ¥81 million in Share premium due to the adaption of the Performance-linked Share-based Compensation Plan and record of both ¥1,989 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 39.1%, 1.7 percentage points higher than the previous fiscal year-end of 37.4%.

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

The Consolidated Financial Forecasts (April 1, 2023 - March 31, 2024) announced on May 11, 2023 have been revised. Regarding the revisions to the consolidated financial forecasts, please refer to "Notice Concerning Revisions to Financial Forecasts for the Fiscal Year Ending March 31, 2024" released today (November 8, 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 six months ended September 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 six months ended September 30, 2022, the balance at the beginning of the period for Retained earnings decreased by ¥15 million.

3. Consolidated Financial Statements for the Six Months ended September 30, 2023**(1) Consolidated Statements of Financial Position**

(Millions of yen)

	March 31, 2023	September 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	10,288	12,999
Trade receivables	12,863	13,353
Inventories	12,830	11,552
Income taxes refundable	1	0
Others	4,264	2,341
Total current assets	40,247	40,247
Non-current assets:		
Property, plant and equipment	17,503	18,384
Intangible assets	336	778
Investments accounted for using the equity method	2,840	2,739
Other financial assets	1,057	1,269
Deferred tax assets	1,699	1,784
Others	512	484
Total non-current assets	23,949	25,440
Total assets	64,197	65,687
Liabilities		
Current liabilities:		
Loans and borrowings	1,281	2,939
Lease liabilities	575	631
Trade and other payables	8,714	9,036
Derivative liabilities	48	262
Provisions	5	3
Income taxes payable	358	446
Others	794	759
Total current liabilities	11,777	14,078
Non-current liabilities:		
Loans and borrowings	23,694	21,076
Lease liabilities	1,701	1,827
Deferred tax liabilities	14	4
Employee benefits	2,154	2,161
Provisions	551	557
Deferred government grants	22	19
Others	241	245
Total non-current liabilities	28,380	25,892
Total liabilities	40,157	39,971
Equity		
Equity attributable to Owners of the parent:		
Share capital	5,596	5,596
Share premium	3,368	3,286
Other components of equity	575	1,375
Retained earnings	14,499	15,458
Total equity attributable to Owners of the parent	24,039	25,716
Total equity	24,039	25,716
Total liabilities and equity	64,197	65,687

(2) Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six Months ended September 30, 2022	Six Months ended September 30, 2023
Net sales	26,501	24,665
Cost of sales	18,122	18,002
Gross profit	8,378	6,663
Selling, general and administrative expenses	3,777	4,044
Research and development expenses	866	880
Other operating income	609	176
Other operating expenses	302	50
Operating income	4,041	1,864
Financial income	22	29
Financial expenses	281	368
Share of loss of investments accounted for using the equity method	(51)	(105)
Gain on change in equity	196	—
Income before income tax	3,927	1,419
Income tax expenses	575	229
Net income for the period	3,352	1,190
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	(12)	193
Income tax relating to items that will not be reclassified	0	(52)
Subtotal	(12)	140
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	693	654
Share of other comprehensive income of entities accounted for using equity method	14	4
Subtotal	707	658
Other comprehensive income for the period, net of income tax	695	799
Comprehensive income for the period	4,047	1,989
Net income attributable to:		
Owners of the parent	3,352	1,190
Comprehensive income attributable to:		
Owners of the parent	4,047	1,989
		(Yen)
Earnings per share:		
Basic earnings per share	146.48	51.51

(3) Consolidated Statements of Changes in Equity

Six Months ended September 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)	2,789	(2,146)
Balance as at September 30, 2022	5,596	3,369	(0)	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, 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				—	3,352	3,352	3,352
Other comprehensive income							
Net change in financial assets measured at fair value through other comprehensive income	(12)			(12)		(12)	(12)
Exchange differences on translation of foreign operations		693		693		693	693
Share of other comprehensive income of entities accounted for using equity method			14	14		14	14
Total comprehensive income for the period	(12)	693	14	695	3,352	4,047	4,047
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 September 30, 2022	11	871	14	897	11,865	21,728	21,728

Six Months ended September 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				—
Share-based payment transactions		8		8
Purchase of treasury shares			(90)	(90)
Total transactions with owners	—	8	(90)	(81)
Balance as at September 30, 2023	5,596	3,378	(91)	3,286

	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				—	1,190	1,190	1,190
Other comprehensive income							
Net change in financial assets measured at fair value through other comprehensive income	140			140		140	140
Exchange differences on translation of foreign operations		654		654		654	654
Share of other comprehensive income of entities accounted for using equity method			4	4		4	4
Total comprehensive income for the period	140	654	4	799	1,190	1,989	1,989
Transactions with owners, recorded directly in equity							
Dividends declared				—	(231)	(231)	(231)
Share-based payment transactions				—		8	8
Purchase of treasury shares				—		(90)	(90)
Total transactions with owners	—	—	—	—	(231)	(313)	(313)
Balance as at September 30, 2023	191	1,170	13	1,375	15,458	25,716	25,716

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months ended September 30, 2022	Six Months ended September 30, 2023
Operating activities:		
Income before income tax	3,927	1,419
Depreciation and amortisation	1,538	1,596
Gain on sales of property, plant and equipment	(5)	(0)
Loss on impairment of property, plant and equipment, and intangible assets	16	—
Share of loss of investments accounted for using equity method	51	105
Loss/(gain) on change in equity	(196)	—
Government grant income	(33)	(27)
Decrease/(increase) in trade receivables	(813)	138
Decrease/(increase) in inventories	(1,634)	1,606
Decrease/(increase) in consumption tax/value-added tax receivables	624	1,164
Increase/(decrease) in trade payables	(235)	(27)
Increase/(decrease) in accounts payable - other	339	200
Increase/(decrease) in derivative liabilities	98	213
Increase/(decrease) in provisions	—	(1)
Interest and dividend income	(18)	(23)
Interest expense	261	271
Interest and dividends received	18	23
Interest paid	(172)	(245)
Income tax refunded/(paid), net	(854)	(241)
Other, net	(883)	47
Net cash provided by/(used in) operating activities	2,026	6,219
Investing activities:		
Purchase of property, plant and equipment	(982)	(1,370)
Purchase of intangible assets	(22)	(465)
Purchase of other financial assets	—	(5)
Proceeds from sales of property, plant and equipment	2	1
Proceeds from sales of other financial assets	28	0
Other, net	(5)	(6)
Net cash provided by/(used in) investing activities	(980)	(1,846)
Financing activities:		
Proceeds from long-term loans and borrowings	814	1,188
Repayment of long-term loans and borrowings	(630)	(3,950)
Net increase/(decrease) in short-term loans and borrowings	—	1,584
Repayments of lease liabilities	(238)	(254)
Dividends paid	(169)	(211)
Proceeds from issuance of shares	2,797	—
Purchase of treasury shares	(6,250)	(90)
Proceeds from disposal of treasury shares	1,337	—
Net cash provided by/(used in) by financing activities	(2,338)	(1,735)
Net increase/(decrease) in cash and cash equivalents	(1,293)	2,637
Cash and cash equivalents at beginning of year	10,362	10,288
Net effect of currency translation on cash and cash equivalents	283	73
Cash and cash equivalents at end of period	9,353	12,999

(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 six months ended September 30, 2022, figures were revised retrospectively based on the new classification of type of products.

(Millions of Yen)

	Six Months ended September 30, 2022		Six Months ended September 30, 2023		Increase/(decrease)	
	Amount	Composition (%)	Amount	Composition (%)	Amount	Change (%)
Quartz crystal units	18,832	71.1	17,616	71.4	(1,215)	(6.5)
Crystal oscillators	4,877	18.4	4,396	17.8	(480)	(9.9)
Others	2,791	10.5	2,652	10.8	(138)	(5.0)
Total	26,501	100.0	24,665	100.0	(1,835)	(6.9)