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[Summary]

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

February 7, 2024

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 **February 7, 2024**
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 Third Quarter of the Year Ending March 31, 2024 (April 1, 2023 - December 31, 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	%
Nine Months ended												
December 31, 2023	37,501	(6.3)	3,265	(51.1)	2,515	(58.6)	1,962	(62.1)	1,962	(62.1)	2,416	(55.1)
December 31, 2022	40,029	18.3	6,680	90.0	6,075	86.8	5,174	—	5,174	—	5,386	—

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine Months ended				
December 31, 2023	85.00		—	
December 31, 2022	225.32		—	

(Note) The figures for the third 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 third 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		%	
As at								
December 31, 2023	63,773		25,916		25,916		40.6	
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				
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	%	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 : **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)

December 31, 2023	23,128,605	March 31, 2023	23,128,605
December 31, 2023	68,513	March 31, 2023	592
December 31, 2023	23,091,925	December 31, 2022	22,965,351

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 Nine Months ended December 31, 2023

(1) Operating Environment and Results of Operations

Regarding the world economy in the third quarter of the reporting period (April to December 2023), as the tight money policy taken by European and American central banks resulted in promoting calming down of inflation, interest rates were not additionally raised since the autumn of 2023. Against such a backdrop, while the American economy trended firm supported by strong personal consumption, a stagnant mood spread in the European economy as it was adversely affected by the tight money policy. In China, the situation where the economic recovery lacked strength continued due to such factors as deterioration of the real estate market and stagnant consumption.

In the automotive application market, the Company's primary business domain, the adjustment of inventories at the Tier 1 customers (i.e., the manufacturers who supply parts to finished car manufacturers), which had increased under the restricted supply due to COVID-19 pandemic and other factors, proceeded gradually. In addition, demand for products from major smartphone manufacturers trended firm.

As a consequence, the Company's sales during the third quarter (October to December 2023) amounted to ¥12,835 million on a consolidated basis. A decline was marked compared to the sales of ¥13,066 million posted in the second quarter (July to September) of the fiscal year under review: This was because, while sales to mobile communication application marked an increase, those to automotive application manufacturers declined due to the strike by the UAW (United Automobile Workers). Sales in the third quarter under review (April to December) on a consolidated basis stood at ¥37,501 million. Compared with the previous year, a 6.3% decline was posted in relation to the same quarters of the previous year, owing to the decreased demand for the products for smartphones, base stations, personal computers, and others.

Operating income for the third quarter (October to December) stood at ¥1,400 million, posted an increase over ¥1,228 million operating income registered in the second quarter (July to September), resulting in posting an increase for two quarters in a row. Reasons were that the inventory adjustment additionally made during the period from September 30 through December 31, 2023 was limited (inventories were reduced by ¥1,277 million during the period from March 31 through September 30, 2023) and that sales of highly-profitable products to mobile communication application increased. When compared with the previous year, operating income in the third quarter under review (April to December 2023) amounted to ¥3,265 million, down 51.1% 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, in addition to the ¥1,329 million nonrecurring receipt of insurance reported in the third quarter of the previous year, 2022. Income before income tax stood at ¥2,515 million (down 58.6% from the same quarters of the previous year), and net income for the quarter at ¥1,962 million (down 62.1% from the same quarters of the previous year).

The average foreign exchange rate during the cumulative period to the third quarter under review was ¥142.76 to the U. S. dollar (¥135.40 in the same quarters of the previous year).

(2) Financial Condition

As at the third quarter-end (December 31, 2023), total assets stood at ¥63,773 million, a ¥424 million decrease from the previous fiscal year-end, reflecting the following factors: an increase of ¥1,170 million in Cash and cash equivalents, an increase of ¥783 million in Intangible assets, an increase of ¥548 million in Property, plant and equipment, a decrease of ¥166 million in Trade receivables, a decrease of ¥1,409 million in Inventories, and a decrease of ¥1,516 million in Other current assets including Advances paid and Consumption taxes refund receivables. Total liabilities amounted to ¥37,857 million, a ¥2,300 million decrease from the previous fiscal year-end, owing mainly to a ¥203 million increase in Lease liabilities, a ¥1,067 million decrease in Trade and other payables, and a ¥1,336 million decrease in Loans and borrowings. Equity attributable to the Owners of the parent stood at ¥25,916 million, a ¥1,876 million increase from the year earlier, because of a decrease of ¥77 million in Share premium due to the adaption of the Performance-linked Share-based Compensation Plan and record of both ¥2,416 million in Comprehensive income and ¥462 million in Dividends declared.

As a result, the ratio of equity attributable to the Owners of the parent was 40.6%, 3.2 percentage points higher than the previous fiscal year-end of 37.4%.

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

There is no change from the Consolidated Financial Forecasts announced on 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 nine months ended December 31, 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 nine months ended December 31, 2022, the balance at the beginning of the period for Retained earnings decreased by ¥15 million.

3. Consolidated Financial Statements for the Nine Months ended December 31, 2023**(1) Consolidated Statements of Financial Position**

(Millions of yen)

	March 31, 2023	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	10,288	11,458
Trade receivables	12,863	12,696
Inventories	12,830	11,420
Income taxes refundable	1	98
Derivative assets	—	158
Others	4,264	2,747
Total current assets	40,247	38,579
Non-current assets:		
Property, plant and equipment	17,503	18,051
Intangible assets	336	1,119
Investments accounted for using the equity method	2,840	2,693
Other financial assets	1,057	1,233
Deferred tax assets	1,699	1,579
Others	512	514
Total non-current assets	23,949	25,193
Total assets	64,197	63,773
Liabilities		
Current liabilities:		
Loans and borrowings	1,281	2,895
Lease liabilities	575	643
Trade and other payables	8,714	7,646
Derivative liabilities	48	—
Provisions	5	4
Income taxes payable	358	186
Others	794	912
Total current liabilities	11,777	12,289
Non-current liabilities:		
Loans and borrowings	23,694	20,743
Lease liabilities	1,701	1,837
Deferred tax liabilities	14	2
Employee benefits	2,154	2,216
Provisions	551	505
Deferred government grants	22	16
Others	241	247
Total non-current liabilities	28,380	25,568
Total liabilities	40,157	37,857
Equity		
Equity attributable to Owners of the parent:		
Share capital	5,596	5,596
Share premium	3,368	3,290
Other components of equity	575	1,029
Retained earnings	14,499	15,999
Total equity attributable to Owners of the parent	24,039	25,916
Total equity	24,039	25,916
Total liabilities and equity	64,197	63,773

(2) Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Nine Months ended December 31, 2022	Nine Months ended December 31, 2023
Net sales	40,029	37,501
Cost of sales	27,433	26,893
Gross profit	12,596	10,607
Selling, general and administrative expenses	5,760	6,120
Research and development expenses	1,316	1,347
Other operating income	1,690	253
Other operating expenses	528	126
Operating income	6,680	3,265
Financial income	33	45
Financial expenses	743	645
Share of loss of investments accounted for using the equity method	(91)	(150)
Gain on change in equity	196	—
Income before income tax	6,075	2,515
Income tax expenses	900	552
Net income for the period	5,174	1,962
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	74	171
Income tax relating to items that will not be reclassified	(10)	(44)
Subtotal	63	126
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	138	323
Share of other comprehensive income of entities accounted for using equity method	9	4
Subtotal	148	327
Other comprehensive income for the period, net of income tax	211	454
Comprehensive income for the period	5,386	2,416
Net income attributable to:		
Owners of the parent	5,174	1,962
Comprehensive income attributable to:		
Owners of the parent	5,386	2,416
		(Yen)
Earnings per share:		
Basic earnings per share	225.32	85.00

(3) Consolidated Statements of Changes in Equity

Nine Months ended December 31, 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 December 31, 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				—	5,174	5,174	5,174
Other comprehensive income							
Net change in financial assets measured at fair value through other comprehensive income	63			63		63	63
Exchange differences on translation of foreign operations		138		138		138	138
Share of other comprehensive income of entities accounted for using equity method			9	9		9	9
Total comprehensive income for the period	63	138	9	211	5,174	5,386	5,386
Transactions with owners, recorded directly in equity							
Dividends declared				—	(425)	(425)	(425)
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	—	—	—	—	(425)	(2,572)	(2,572)
Balance as at December 31, 2022	86	317	9	413	13,457	22,835	22,835

Nine Months ended December 31, 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		12		12
Purchase of treasury shares			(90)	(90)
Total transactions with owners	—	12	(90)	(77)
Balance as at December 31, 2023	5,596	3,382	(91)	3,290

	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				—	1,962	1,962	1,962
Other comprehensive income							
Net change in financial assets measured at fair value through other comprehensive income	126			126		126	126
Exchange differences on translation of foreign operations		323		323		323	323
Share of other comprehensive income of entities accounted for using equity method			4	4		4	4
Total comprehensive income for the period	126	323	4	454	1,962	2,416	2,416
Transactions with owners, recorded directly in equity							
Dividends declared				—	(462)	(462)	(462)
Share-based payment transactions				—		12	12
Purchase of treasury shares				—		(90)	(90)
Total transactions with owners	—	—	—	—	(462)	(540)	(540)
Balance as at December 31, 2023	176	838	14	1,029	15,999	25,916	25,916

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine Months ended December 31, 2022	Nine Months ended December 31, 2023
Operating activities:		
Income before income tax	6,075	2,515
Depreciation and amortisation	2,331	2,428
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	91	150
Loss/(gain) on change in equity	(196)	—
Government grant income	(71)	(29)
Decrease/(increase) in trade receivables	(1,116)	497
Decrease/(increase) in inventories	(1,162)	1,597
Decrease/(increase) in consumption tax/value-added tax receivables	133	615
Increase/(decrease) in trade payables	(793)	174
Increase/(decrease) in accounts payable - other	315	291
Increase/(decrease) in accrued bonus	(448)	(529)
Decrease/(increase) in derivative assets	(267)	(158)
Increase/(decrease) in derivative liabilities	(466)	(48)
Increase/(decrease) in provisions	(141)	(55)
Interest and dividend income	(28)	(41)
Interest expense	393	406
Interest and dividends received	28	41
Interest paid	(261)	(338)
Income tax refunded/(paid), net	(1,311)	(806)
Other, net	(268)	(287)
Net cash provided by/(used in) operating activities	2,846	6,423
Investing activities:		
Purchase of property, plant and equipment	(2,327)	(2,128)
Purchase of intangible assets	(22)	(750)
Purchase of other financial assets	(5)	(5)
Proceeds from sales of property, plant and equipment	6	2
Proceeds from sales of other financial assets	33	2
Other, net	5	(6)
Net cash provided by/(used in) investing activities	(2,310)	(2,886)
Financing activities:		
Proceeds from long-term loans and borrowings	790	1,197
Repayment of long-term loans and borrowings	(946)	(4,276)
Net increase/(decrease) in short-term loans and borrowings	—	1,596
Repayments of lease liabilities	(376)	(405)
Dividends paid	(409)	(444)
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	(3,057)	(2,422)
Net increase/(decrease) in cash and cash equivalents	(2,521)	1,114
Cash and cash equivalents at beginning of year	10,362	10,288
Net effect of currency translation on cash and cash equivalents	64	55
Cash and cash equivalents at end of period	7,905	11,458

(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 nine months ended December 31, 2022, figures were revised retrospectively based on the new classification of type of products.

(Millions of Yen)

	Nine Months ended December 31, 2022		Nine Months ended December 31, 2023		Increase/(decrease)	
	Amount	Composition (%)	Amount	Composition (%)	Amount	Change (%)
Quartz crystal units	28,591	71.4	26,922	71.8	(1,668)	(5.8)
Crystal oscillators	7,352	18.4	6,528	17.4	(824)	(11.2)
Others	4,085	10.2	4,050	10.8	(35)	(0.9)
Total	40,029	100.0	37,501	100.0	(2,528)	(6.3)