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[Summary]

Consolidated Financial Results for the Third Quarter of the Year Ending March 31, 2023 [IFRS]

February 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 **February 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 Third Quarter of the Year Ending March 31, 2023 (April 1, 2022 - December 31, 2022)

(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	
Nine Months ended	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
December 31, 2022	40,029	18.3	6,680	90.0	6,075	86.8	5,172	76.7	5,172	76.7	5,384	53.4
December 31, 2021	33,842	19.5	3,517	26.1	3,251	34.4	2,927	56.5	2,927	56.5	3,508	65.4

	Basic earnings per share		Diluted earnings per share	
Nine Months ended	Yen		Yen	
December 31, 2022	225.23		-	
December 31, 2021	149.18		75.24	

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
As at	Million Yen	Million Yen	Million Yen	%
December 31, 2022	62,194	22,849	22,849	36.7
March 31, 2022	61,220	20,037	20,037	32.7

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, 2022	-	0.00	-	5.00	5.00
Fiscal year ending March 31, 2023	-	10.00	-		
Fiscal year ending March 31, 2023 (Forecast)				10.00	20.00

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

The above chart concerns common stock dividends. Please see "(Reference) Dividends on Class A Shares" below for information on class shares (unlisted) that have different rights from common stock issued by the Company.

3. Consolidated Financial Forecast for the Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% 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, 2023	52,100	14.7	7,600	46.7	6,700	36.2	5,700	4.5	5,700	4.5	247.77

(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 : **None**

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

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

(3) Number of issued shares (Ordinary shares)

(shares)

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

December 31, 2022	23,128,605	March 31, 2022	20,757,905
December 31, 2022	512	March 31, 2022	1,133,805
December 31, 2022	22,965,351	December 31, 2021	19,624,150

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.

(Reference) Dividends on Class A Shares

Dividends per share related to Class A Shares with different rights from those of common shares are as follows:

Class A Shares	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, 2022	-	0.00	-	19,283.75	19,283.75
Fiscal year ending March 31, 2023	-	-	-		
Fiscal year ending March 31, 2023 (forecast)				-	-

(Note)

The number of Class A Shares in issue as of March 31, 2022 was 5,000 shares; the total amount of dividends on the class shares was ¥96 million for the fiscal year ended March 31, 2022. They were initially issued on August 5, 2020, all of which were acquired by the Company in exchange for money and canceled on May 26, 2022, based on the resolution made at the Board of Directors' meeting dated March 29, 2022. Hence, Class A shares will incur no dividends in the fiscal year ending March 2023.

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1. Qualitative Information on the Financial Results for the Nine Months Ended December 31, 2022

(1) Operating Environment and Results of Operations

During the third quarter of the reporting period (April to December 2022), the world economy witnessed rising inflation worldwide due to soaring prices of energy, food and others, and to cope with inflation, Europe and the United States continued raising interest rates: As a result, concerns grew about worldwide economic slowdown. On the other hand, as some economic indicators have begun suggesting slowdown of inflation, attention is now focused on the timing of terminating interest rate hikes.

In the automotive market, the Company's primary business domain, the prolonged shortage of semiconductors on a worldwide scale became a hindrance to the recovery of the number of cars manufactured. In China, the "Zero-COVID" policy which aimed at containment of the novel coronavirus infection caused the logistic confusion in Shanghai for two months up to the end of May 2022. In November 2022, the lockdown of Zhengzhou, Henan Province also caused a substantial decline in the operating ratio in the main factory of an EMS manufacturer, which engages in the commissioned production of smartphones on a worldwide scale. The "Zero-COVID" policy has subsequently been removed.

Under such circumstances, in automotive applications, which account for nearly half of the Company's net sales, the orders from Tier 1 customers, i.e., manufacturers who supply parts to finished car manufacturers, remained at a high level as they were preparing for the recovery of production after the full recovery from the semiconductor shortage: As a result, consolidated net sales for the fiscal year under review increased by over 20% year on year. Recently, however, some of the Tier 1 customers promoted inventory adjustment due to prolonged shortage of semiconductors, which resulted in the decline in the value of orders received in the third quarter (October to December 2022) compared with the second quarter (July to September 2022). In mobile communications applications, which account for around 20% of net sales, sales increased by slightly less than 10% compared with the same quarter of the previous year: Although there was the negative impact of lower demand from Chinese smartphone manufacturers and the lockdown in Zhengzhou City, sales of 76.8MHz crystal units with built-in thermistors and ultra-compact crystal units for high-end smartphones increased, in addition to the trends of yen's depreciation. In industrial equipment applications, which represent about 10% of the sales, net sales of crystal oscillators for data centers increased year on year. In addition, net sales for IoT and Factory Automation (FA) applications also increased year on year.

As a result, consolidated net sales for the third quarter under review recorded ¥40,029 million, an 18.3% increase year on year from ¥33,842 million, including the effects of exchange rate fluctuations, which marked an increase of about ¥3.6 billion year on year.

Regarding profit and loss, the Company reported insurance claim income of about ¥1.3 billion in other operating income, since its Malaysian factories, which were flooded in the heavy rain of December 2021, received about ¥400 million and ¥900 million in the second and third quarter of the fiscal year ending March 2023, respectively, as the insurance claim. At the same time, however, a loss of about ¥300 million was reported as other operating expense resulting from the disaster.

As a result, in the third quarter under review, the Company reported an operating income of ¥6,680 million, a 90.0% increase year on year from ¥3,517 million, including the exchange rate fluctuations (a profit increase of about ¥1 billion year on year). Income before income taxes amounted to ¥6,075 million, up 86.8% year on year from ¥3,251 million, affected by its reporting of about ¥300 million in foreign exchange loss as financial expense, net income of ¥5,172 million, up 76.7% year on year from ¥2,927 million.

In the third quarter under review, the average foreign exchange rate was ¥135.40 to the U.S. dollar (compared with ¥111.38 in the same quarter of the previous year).

(2) Financial Condition

As of the third quarter-end (December 31, 2022), total assets stood at ¥62,194 million, a ¥974 million increase from the previous fiscal year-end, reflecting the following factors: an increase of ¥1,432 million in Trade receivables, an increase of ¥1,289 million in Inventories, an increase of ¥856 million in Property, plant and equipment, a decrease of ¥320 million in Consumption taxes refund receivables in Other current assets, and a decrease of ¥2,457 million in Cash and cash equivalents. Total liabilities amounted to ¥39,344 million, a ¥1,837 million decrease from the previous fiscal year-end, owing mainly to a ¥480 million increase in Lease liabilities, a ¥466 million decrease in Derivative liabilities, a ¥665 million decrease in Income taxes payable and a ¥1,051 million decrease in Trade and other payables. Equity attributable to the Owners of the parent stood at ¥22,849 million, a ¥2,811 million increase from the year earlier, reflecting the following factors: a ¥2,146 million decrease in Share premium due to issuance of new shares, disposal of treasury shares and cancellation of Class A shares; Comprehensive income of ¥5,384 million; and Dividends declared of ¥425 million.

As a result, the ratio of equity attributable to the Owners of the parent was 36.7%, 4.0 percentage points higher than the previous fiscal year-end of 32.7%.

(3) Consolidated Financial Forecasts for the Year Ending March 31, 2023

The Consolidated Financial Forecasts announced on September 22, 2022 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, 2023" released today (February 7, 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

Not applicable

3. Consolidated Financial Statements for the Nine Months Ended December 31, 2022**(1) Consolidated Statements of Financial Position**

(Millions of yen)

	March 31, 2022	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	10,362	7,905
Trade receivables	12,287	13,719
Inventories	11,790	13,080
Income taxes refundable	3	39
Derivative assets	-	267
Others	3,531	3,005
Total current assets	37,974	38,017
Non-current assets:		
Property, plant and equipment	16,791	17,648
Intangible assets	167	135
Investments accounted for using the equity method	2,762	2,876
Other financial assets	1,039	1,114
Deferred tax assets	1,917	1,897
Others	566	503
Total non-current assets	23,245	24,176
Total assets	61,220	62,194
Liabilities		
Current liabilities:		
Loans and borrowings	1,261	1,280
Lease liabilities	407	582
Trade and other payables	8,650	7,598
Derivative liabilities	466	-
Provisions	687	391
Income taxes payable	953	287
Others	714	935
Total current liabilities	13,141	11,077
Non-current liabilities:		
Loans and borrowings	24,022	23,949
Lease liabilities	1,443	1,747
Deferred tax liabilities	0	2
Employee benefits	2,140	2,178
Provisions	163	122
Deferred government grants	31	24
Others	239	241
Total non-current liabilities	28,040	28,267
Total liabilities	41,182	39,344
Equity		
Equity attributable to Owners of the parent:		
Share capital	5,596	5,596
Share premium	5,515	3,368
Other components of equity	201	413
Retained earnings	8,724	13,470
Total equity attributable to Owners of the parent	20,037	22,849
Total equity	20,037	22,849
Total liabilities and equity	61,220	62,194

(2) Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Nine Months Ended December 31, 2021	Nine Months Ended December 31, 2022
Net sales	33,842	40,029
Cost of sales	24,837	27,433
Gross profit	9,005	12,596
Selling, general and administrative expenses	4,774	5,760
Research and development expenses	1,120	1,316
Other operating income	1,394	1,690
Other operating expenses	987	528
Operating income	3,517	6,680
Financial income	199	33
Financial expenses	386	743
Share of loss of investments accounted for using the equity method	(77)	(91)
Gain on change in equity	-	196
Income before income tax	3,251	6,075
Income tax expenses	324	903
Net income for the period	2,927	5,172
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	14	74
Income tax relating to items that will not be reclassified	(4)	(10)
Subtotal	10	63
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	380	138
Share of other comprehensive income of entities accounted for using equity method	-	9
Cash flow hedges	5	-
Income tax relating to items that may be reclassified	184	-
Subtotal	570	148
Other comprehensive income for the period, net of income tax	581	211
Comprehensive income for the period	3,508	5,384
Net income attributable to:		
Owners of the parent	2,927	5,172
Comprehensive income attributable to:		
Owners of the parent	3,508	5,384
		(Yen)
Earnings per share:		
Basic earnings per share	149.18	225.23
Diluted earnings per share	75.24	-

(3) Consolidated Statements of Changes in Equity

Nine Months ended December 31, 2021

(Millions of yen)

	Share Capital	Share premium		
		Additional paid-in capital	Treasury shares	Total share premium
Balance at April 1, 2021	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				-
Cash flow hedges				-
Total comprehensive income for the period	-	-	-	-
Balance at December 31, 2021	5,596	8,305	(2,790)	5,515

	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	Cash flow hedges	Total other components of equity			
Balance at April 1, 2021	(39)	(715)	(18)	(773)	3,213	13,552	13,552
Comprehensive income for the period							
Net income				-	2,927	2,927	2,927
Other comprehensive income							
Net change in financial assets measured at fair value through other comprehensive income	10			10		10	10
Exchange differences on translation of foreign operations		565		565		565	565
Cash flow hedges			5	5		5	5
Total comprehensive income for the period	10	565	5	581	2,927	3,508	3,508
Balance at December 31, 2021	(28)	(150)	(12)	(191)	6,141	17,060	17,060

Nine Months ended December 31, 2022

(Millions of Yen)

	Share Capital	Share premium		
		Additional paid-in capital	Treasury shares	Total share premium
Balance 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 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 at April 1, 2022	23	178	-	201	8,724	20,037	20,037
Comprehensive income for the period							
Net income				-	5,172	5,172	5,172
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	5,172	5,384	5,384
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 at December 31, 2022	86	316	9	413	13,470	22,849	22,849

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine Months Ended December 31, 2021	Nine Months Ended December 31, 2022
Operating activities:		
Income before income tax	3,251	6,075
Depreciation and amortisation	2,221	2,331
Gain on sales of property, plant and equipment	(13)	(5)
Loss on impairment of property, plant and equipment, and intangible assets	242	16
Share of loss of investments accounted for using equity method	77	91
Loss/(gain) on change in equity	-	(196)
Government grant income	(1,157)	(71)
Decrease/(increase) in trade receivables	(878)	(1,116)
Decrease/(increase) in inventories	(301)	(1,162)
Decrease/(increase) in consumption tax/value-added tax receivables	442	133
Increase/(decrease) in trade payables	249	(793)
Increase/(decrease) in accounts payable - other	360	315
Increase/(decrease) in accrued bonus	(406)	(448)
Decrease/(increase) in derivative assets	-	(267)
Increase/(decrease) in derivative liabilities	(174)	(466)
Increase/(decrease) in provisions	(0)	(141)
Interest and dividend income	(73)	(28)
Interest expense	376	393
Interest and dividends received	73	28
Interest paid	(357)	(261)
Income tax refunded/(paid), net	(16)	(1,311)
Other, net	(722)	(268)
Net cash provided by/(used in) operating activities	3,195	2,846
Investing activities:		
Purchase of property, plant and equipment	(1,930)	(2,327)
Purchase of intangible assets	(27)	(22)
Purchase of other financial assets	(8)	(5)
Proceeds from sales of property, plant and equipment	27	6
Proceeds from sales of other financial assets	100	33
Other, net	(9)	5
Net cash provided by/(used in) investing activities	(1,848)	(2,310)
Financing activities:		
Proceeds from long-term loans and borrowings	-	790
Repayment of long-term loans and borrowings	(3,800)	(946)
Net increase/(decrease) in short-term loans and borrowings	(882)	-
Repayments of lease liabilities	(326)	(376)
Dividends paid	-	(409)
Proceeds from issuance of shares	-	2,797
Purchase of treasury shares	-	(6,250)
Proceeds from disposal of treasury shares	-	1,337
Net cash provided by/(used in) by financing activities	(5,009)	(3,057)
Net increase/(decrease) in cash and cash equivalents	(3,662)	(2,521)
Cash and cash equivalents at beginning of year	16,707	10,362
Net effect of currency translation on cash and cash equivalents	227	64
Cash and cash equivalents at end of period	13,272	7,905

(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 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.

(b) Information about products and services

Net sales by type of products are as follows:

(Millions of Yen, Figures less than a million yen are omitted)

	Nine Months Ended December 31, 2021		Nine Months Ended December 31, 2022		Increase/(decrease)	
	Amount	Composition (%)	Amount	Composition (%)	Amount	Change (%)
Quartz crystal units	23,121	68.3	28,591	71.4	5,469	23.7
Crystal devices	7,904	23.4	7,916	19.8	11	0.1
Others	2,816	8.3	3,522	8.8	705	25.1
Total	33,842	100.0	40,029	100.0	6,186	18.3