



May 13, 2025

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Notice on the Formulation of the Medium-term Management Plan

Nihon Dempa Kogyo Co., Ltd. (the “Company” or “we”) hereby announces that we have formulated our Medium-term Management Plan for the period from fiscal year 2025 (ending March 2026) to fiscal year 2027 (ending March 2028) and would like to hereby inform you about it.

Description of the Plan

1. Positioning of the new Medium-term Management Plan (the Third Medium-term Management Plan)

In the crystal device markets in mid-2010s, Chinese and Taiwanese manufacturers began showing their presence, and many corporations including Japanese ones effected investment in plant and equipment aggressively. This led to significant supply-demand imbalance in the crystal device markets: The Company resulted in reporting a significant amount of deficits in fiscal year 2017 and 2019.

In such circumstances, we have implemented a large-scale structural reform according to our First Medium-term Management Plan (for the period from fiscal year 2020 to fiscal year 2021). As the result that we decidedly reduced fixed costs and drastically restructured our businesses, we succeeded in building management foundation that can generate certain profitability. Simultaneously, we succeeded in differentiating ourselves from others in products used for 5G smartphones and achieved significant sales growth in the automotive application.

In the Second Medium-term Management Plan (for the period from fiscal year 2022 to fiscal year 2024) we proceeded with the reduction of interest-bearing debts, which resulted in a significant improvement of financial standing. In addition, we made another step forward in the improvement of our profit base through realization of correction of prices of automotive applications along with, in the mobile communication applications, increased sales of highly profitable products that could meet the needs for application of higher frequency in 5G smartphones. We have also been positive in investing in human resources and the digital transformation (“DX”) and are planning to start operation of the new core system in cooperation among three domestic affiliated companies.

In the Third Medium-term Management Plan (for the period from fiscal year 2025 to fiscal year 2027, the “New Medium-term Plan”), we are targeting at building our management foundation focused on high profitability and capital efficiency that is less susceptible to economic fluctuations, aiming at realization of sustainable growth. With this end in view, we will carry out investment placing emphasis on long-term growth, according to the New Medium-term Plan. Specifically, we will invest in production increase and development in such growing fields as those of AI-related products, defense and space-related products, as well as optical products (prosumer-class cameras and semiconductor manufacturing equipment) and, in

addition to those, we will be positive in investing in the research and development activities aiming at reinforcing photolithographic processing technology and ICs, investing for the transformation of existing factories into smart ones including introduction of the next-generation, high-speed lines and implementation of system development through the DX, aiming at a dramatic increase in productivity at factories, along with investing in the DX programs for increasing productivity of indirect departments and improving services rendered to customers. We will also proceed with the investment in new domains.

To realize the above-mentioned projects, it is important to raise the engagement of human resources and to properly reward them for their results. Against the background in which it is becoming more difficult to secure talented people amid the decreasing laboring population, we will endeavor to realize the competitive remuneration system and, at the same time, to further improve our human resource development programs.

The effects of the upfront investment aiming at the realization of those measures are yet to be seen during the period of the New Medium-term Plan: It is expected that the effects will appear more clearly in the next medium-term plan. Therefore, as new technologies are created one after another now and the business environment keeps changing more rapidly than we can imagine, we consider it is urgent that we make investments placing emphasis on long-term growth, although it may affect profits in the short term.

2. Business Environmental Assessment

In the automotive market, the number of crystal devices loaded in one vehicle is expected to continue increasing steadily backed by the increasing demand for the ADASs (advanced driver-assistance systems). However, as Chinese automakers are rapidly raising their presence, it is important to implement drastic countermeasures for the us whose major customers are those in Japan, Europe and America. At the same time, as more than five years have passed since 5G smartphones became available and the market has become more mature, the products for which MEMS technology is applied are entering the market. Also, it is expected that the number of installations of 5G stations, which are necessary for 5G communication, will continue to increase moderately. As growing domains, we position optical transceivers and AI servers whose demand will increase in AI data centers which are increasing the speed of communication, along with defense and space-related products and optical products (prosumer-class cameras and semiconductor manufacturing equipment). Regarding the competing manufacturers, we need to urgently beat overseas competitors which are raising their presence, taking advantage of their low costs and MEMS technologies.

3. Outline of the New Medium-term Management Plan

- 1) Period: From fiscal year 2025 (ending March 2026) to fiscal year 2027 (ending March 2028).
- 2) Four key initiatives

The New Medium-term Management Plan targets at building the corporate foundation focused on high profitability and capital efficiency that are less susceptible to economic fluctuations. To realize it, we will promote the four key initiatives listed below.

[1] Development of high value-added products and the creation of new businesses

As the communication speed is becoming higher and the frequency used is becoming higher, we will strengthen our development of the photolithographic processing technology, in which NDK's strength lies. Also, we have established a new development base in the U.K., so that we will reinforce our IC development potential and carry out product deployment with agility. Through this attempt, in the field of mobile communication applications, we will develop new products that can compete against the MEMS oscillators which have recently entered the smartphone field, and, in the field of AI-related products, we will develop high-precision crystal oscillators that will meet the needs for low phase-noise products. In addition, we will proceed with the development of new products for defense and space-

related fields along with new optical products, so that we will develop our businesses with the industrial equipment including those related to the AI, the defense/space-related products, and the optical ones as the third, fourth and fifth pillars of our business following the automotive applications and mobile communication applications. In the fields for defense and space-related businesses, since the moves for preparing for geopolitical risk have recently been activated, demand for defense and space-related products is expected to increase. To meet such needs, we are planning to reinforce the business by establishing two new development bases in Japan, adding to the existing development bases. Regarding optical products, needs have increased for optical products that are more resistant to laser beams, as the laser output of semiconductor manufacturing equipment has become higher. It is because of this that we are planning to further strengthen the semiconductor manufacturing equipment-related business, positioning it as a new growth field. In the field of mobile communications applications, in response to a request from a smartphone manufacturer to enhance GPS characteristics, our proprietary high-stability technology was highly recognized. This recognition led to the successful development of a new product, and we will use the products with significantly improved GPS characteristics to other purposes. Among new businesses, we will attempt to apply the technology we have developed engaging in the crystal business to new business domains.

[2] Dramatic increase in productivity through the DX promotion

We have set the target of a threefold increase in factory productivity in fiscal year 2030 relative to fiscal year 2023, through introducing next-generation, high-speed production lines and implementing a new system by the DX promotion. By promoting an increase of automation and autonomy of factories, we will raise the operational efficiency and the rate of equipment operation, and, in addition, we will endeavor to raise the product quality and the production yields by promoting process management making use of the AI technology and the big data. Further, in an attempt to optimize the supply chains and engineering chains, we will optimize production with the aid of the ERP system so that we will be more flexible in making products by utilizing a unified platform of the production lines. With these measures, among others, we will concentrate on increasing the indirect departments' productivity to increase sales while curbing the increase in fixed costs.

[3] Efficient distribution of capital (redistribution of managerial resources from the domains for automotive applications and mobile communication applications to those for the growth or new domains)

In order to develop the third, fourth and fifth pillars of our business following the automotive applications and mobile communication applications, we will promote the redistribution of managerial resources from the automotive application and mobile communication application domains, which are currently creating most of the NDK's cash, to the growing domains or new domains of which we can expect high profitability such as the industrial equipment including AI-related products (servers and optical transceivers), the special equipment (defense and space), and optical product (prosumer-class camera and semiconductor manufacturing equipment). Given that the automotive application and mobile communication application businesses have become more competing, we will make good use of the DX and the AI technology to build the system which allows operation at smaller fixed costs without watering down the quality of customer service, to realize higher capital efficiency.

[4] Reinforcement of our business foundation (including ESG)

We are also targeting an increase in the employee engagement through, in addition to the improvement of our human resource development programs and arrangement of the remuneration system to reward talented people, the creation of corporate culture with open communication that embraces diverse values. Simultaneously, it is our important duty for the benefit of future generations to enhance the sustainability of the global environment and, therefore, we will make efforts for the reduction of the greenhouse gas emission following the road map designed for realization of carbon neutrality in 2050. To support such engagement, we will promote our activity to cope with important risks, through reinforcement of the risk

management and the compliance system, along with reinforcement of information security, securing a sustainable supply chain and respecting human rights. In this way, we are seeking to further reinforce the group governance, while attempting to hold dialogs with stakeholders of various types.

3) Management targets

The targets we have set for fiscal year 2027 include an operating income ratio of 10% or more and the ROIC of 9% or more. According to the New Medium-term Plan, we will carry out large-scale prior investment aiming at building the corporate foundation in which emphasis is placed on high profitability and capital efficiency, to achieve long-term, sustainable growth. The effects of the upfront investment during the period of the New Medium-term Plan are yet to be seen: It is expected that the effects will appear more clearly in the next medium-term plan, and the target of the Vision 2030, i.e., realization of operating income ratio of 20% in fiscal year 2030, is aimed at.

	Fiscal year 2024	Fiscal year 2027
	Result	Target
Net sales	¥53.0 billion	¥70.0 billion or more
Operating income ratio	8.7%	10% or more
ROIC	7.7%	9% or more
ROE	6.3%	10% or more
Equity ratio	40.8%	46.0%
DE ratio	1.01 times	0.70 times

4) Shareholder return policy (cash allocation)

Regarding the shareholder return in relation to the New Medium-term Plan, the DOE is targeted at 3.0% in fiscal year 2027. This is based on the assumption that we will give priority to the appropriation of the fund of ¥20 billion (total for a period of three years) to investment in plants and equipment while at the same time the sound financial foundation will be maintained. The New Medium-term Plan positions the investment in plants and equipment as the upfront investment with the situation in 2030 and after in sight: We are determined to realize an even higher shareholder return-in the next medium-term plan.

End

New Medium-Term Management Plan FY2025 (ending March 2026) to FY2027 (ending March 2028)

**May 13, 2025
Nihon Dempa Kogyo Co., Ltd.**

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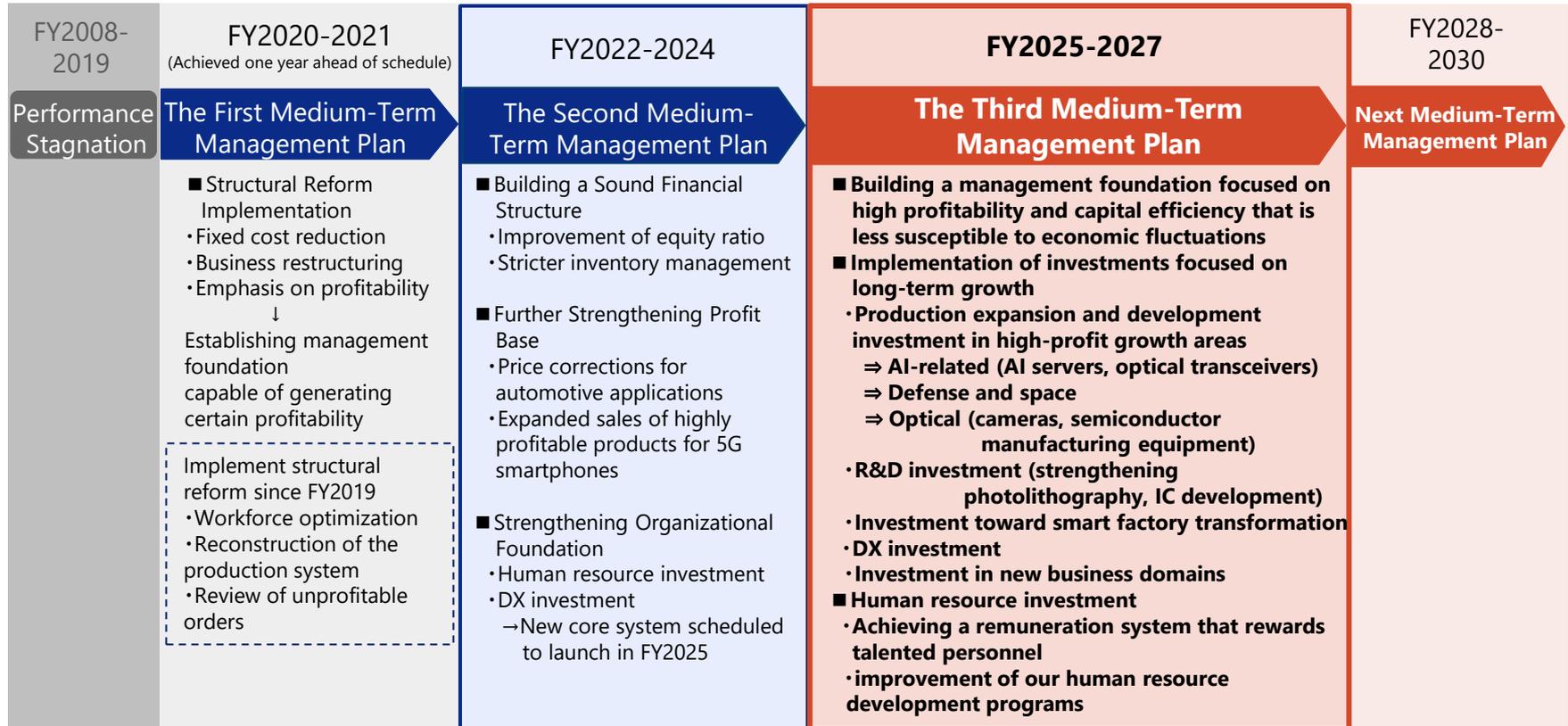
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1. Positioning of the New Medium-Term Management Plan (the Third Medium-Term Management Plan)



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New Medium-Term Management Plan



1. Positioning of the New Medium-Term Management Plan(the Third Medium-Term Management Plan) Achievements of the Previous Medium-Term Management Plan (Second Medium-Term Management Plan)



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- **Promoting the building of a management foundation for sustainable growth**
 - **Building a Sound Financial Structure**
 - ✓ **Improvement of equity ratio: 32.7% (end of March 2022)**
⇒ **40.8% (end of March 2025)**
 - ✓ **Stricter inventory management: 3.1 months (end of March 2022)**
⇒ **2.3 months (end of March 2025)***
 - **Further Strengthening of Profit Base (Improving Gross Profit Margin)**
 - ✓ Automotive applications... Price corrections
 - ✓ Mobile communications... Expanded sales of highly profitable products responding to high-frequency needs for 5G smartphones
 - ⇒ **Gross profit margin: 27.5% (FY2021) ⇒ 30.2% (FY2024)**
 - **Strengthening Organizational Foundation**
 - ✓ Human resource investment
 - ✓ DX investment... New core system scheduled to launch in FY2025

*: Calculated as how many months of the fourth quarter's monthly sales the end-of-March inventory amount represents

1. Positioning of the New Medium-Term Management Plan (the Third Medium-Term Management Plan)



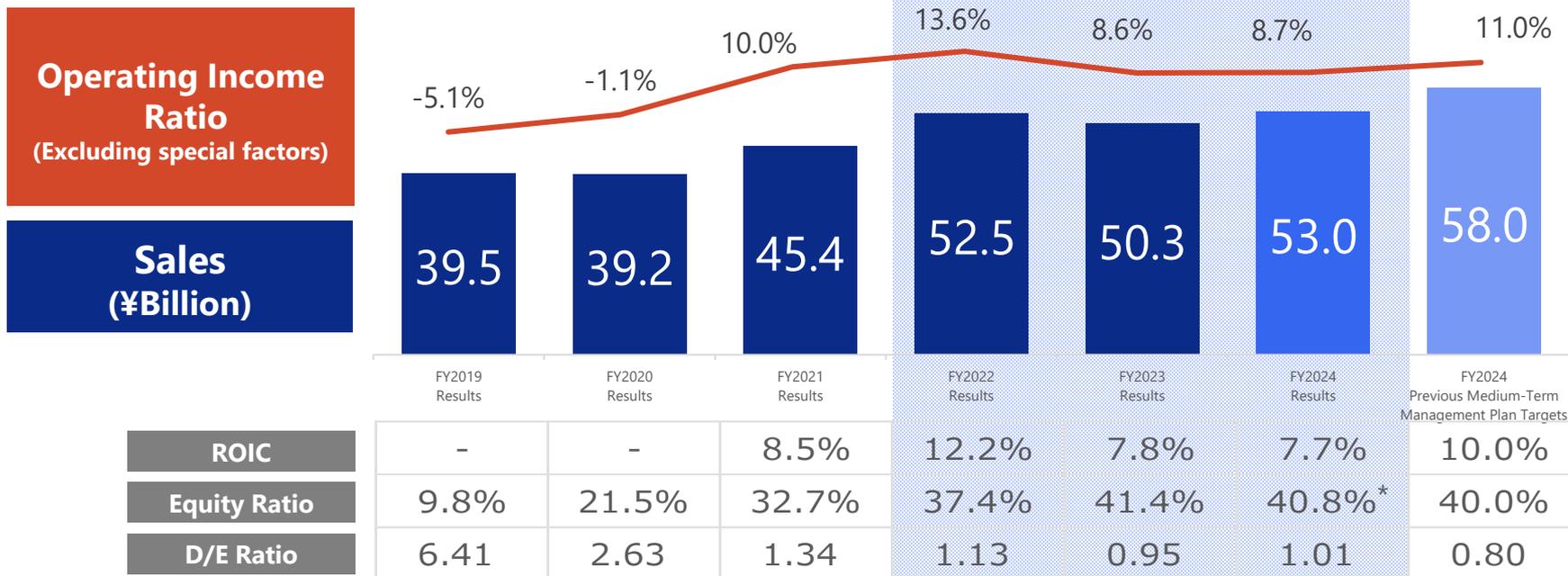
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Previous Medium-Term Management Plan (FY2022-2024) Management Targets

- Significant progress in financial soundness
- Sales and profitability targets not achieved
(Gross profit margin improvement < Increase in SG&A expense ratio)

(DX, Human Resources)

Previous Medium-Term Management Plan



ROIC	-	-	8.5%	12.2%	7.8%	7.7%	10.0%
Equity Ratio	9.8%	21.5%	32.7%	37.4%	41.4%	40.8%*	40.0%
D/E Ratio	6.41	2.63	1.34	1.13	0.95	1.01	0.80

1. Positioning of the New Medium-Term Management Plan(the Third Medium-Term Management Plan)

Overview of the New Medium-Term Management Plan (the Third Medium-Term Management Plan)

- **Building a management foundation focused on high profitability and capital efficiency that is less susceptible to economic fluctuations**
- **Implementation of investments focused on long-term growth**
 - ✓ Production expansion and development investment in high-profit growth areas (AI-related, defense and space, optical products*)
*New applications for optical products include those for semiconductor manufacturing equipment.
 - ✓ R&D investment (strengthening photolithography processing, IC development)
 - ✓ Investment toward smart factory transformation (introduction of next-generation lines and implementation of the new core system through DX)
 - ✓ DX investment (improving productivity in indirect departments, enhancing customer services, etc.)
 - ✓ Investment in new business areas
 - ✓ Human resource investment (human resource development, establishing a remuneration system that rewards talented personnel)



The effects of these upfront investments will still be in progress during the new medium-term management plan period
Considering the rapidly changing business environment, investments focused on long-term growth are urgent

2. Business Environment Assessment

■ Automotive Market

- ✓ The number of crystal devices per vehicle is expected to continue increasing
- ✓ Increasing presence of Chinese automakers

■ 5G-Related Market

- ✓ Maturation of the 5G smartphone market, entry of MEMS devices
- ✓ Moderate growth in the number of 5G base station installations

■ Growth Markets

- ✓ AI-related (AI data servers, optical transceivers)
- ✓ Defense and space
- ✓ Optical products (prosumer cameras, semiconductor manufacturing equipment)

■ Competitors

- ✓ Presence of overseas manufacturers gaining strength with low-cost and MEMS devices

Four Key Initiatives

- **Building a management foundation focused on high profitability and capital efficiency**
- **Development of high-value-added products and creation of new businesses**
 - ✓ Strengthening development of high-purity raw crystals and photolithography processing technology, which are our strength
 - ✓ Strengthening IC development (for AI-related applications, development of MEMS counter products, etc.)
 - ⇒ Established a new development base in the UK
- **Dramatic expansion of productivity through DX promotion**
 - ✓ Smart factory transformation (3x productivity*), streamlining of indirect departments

*targeting a threefold increase in factory productivity in fiscal year 2030 relative to fiscal year 2023
- **Efficient capital allocation (reallocation of management resources from automotive and mobile communications to growth/new areas)**
 - ✓ Fostering the third, fourth, and fifth pillars following automotive and mobile communications
 - ⇒ Industrial equipment including AI-related (AI data servers, optical transceivers)
 - ⇒ Defense and space, optical products (prosumer cameras, semiconductor manufacturing equipment)
- **Strengthening business foundation (ESG)**
 - ✓ Human resource development, CO2 reduction, strengthening group governance

■ Development of High-Value-Added Products and Creation of New Businesses

Automotive

Application of our mobile communications technology for V2X, which is essential for future autonomous driving technology

Mobile Communications

Development and introduction of new products (crystal units) that improve smartphone GPS characteristics

Development and introduction of products (crystal oscillators) to counter MEMS entry

Industrial Equipment (AI, Base Stations)

Development and introduction of SPXO (crystal oscillators) for AI (servers, optical transceivers)

Development and introduction of cost-competitive crystal oscillators for base stations by strengthening IC development

Special Equipment

Development of new products (QCM) for defense, space, and semiconductor processes

Optical Products

Development of new products(wave plate) for prosumer cameras and semiconductor manufacturing equipment

New Business

Application of technologies for crystal products to new fields

Establishment of new R&D bases

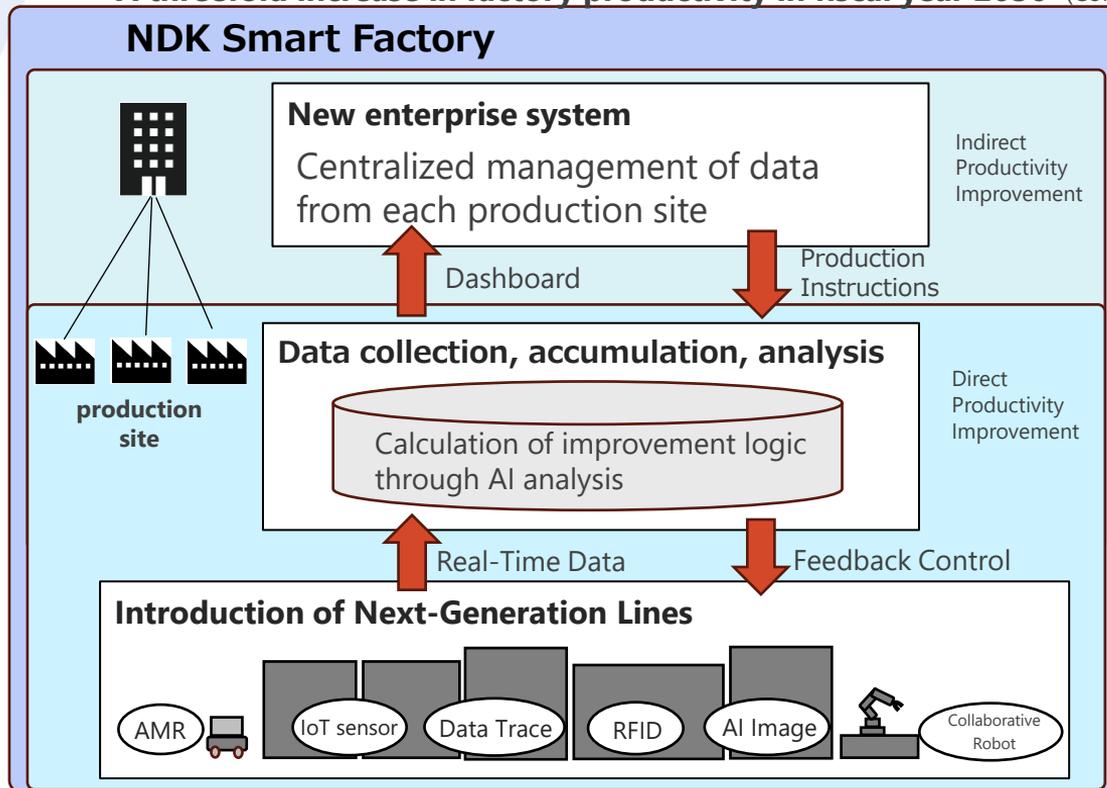
established three new bases:

UK (IC development), Japan (two locations for defense-related)

Four Key Initiatives: Dramatic Improvement in Productivity

Reform drastically labor productivity through the introduction of next-generation lines and the implementation of new systems through DX

→A threefold increase in factory productivity in fiscal year 2030 (Compared to FY2023)



■ Factory Automation/Automation

- Improvement of work efficiency and equipment utilization rate
- Quality improvement and yield enhancement through AI and big data-based process management

■ Optimization of Supply and Engineering Chain

- Optimized production with the aid of ERP system
- Flexible production
- Reduction of development lead time

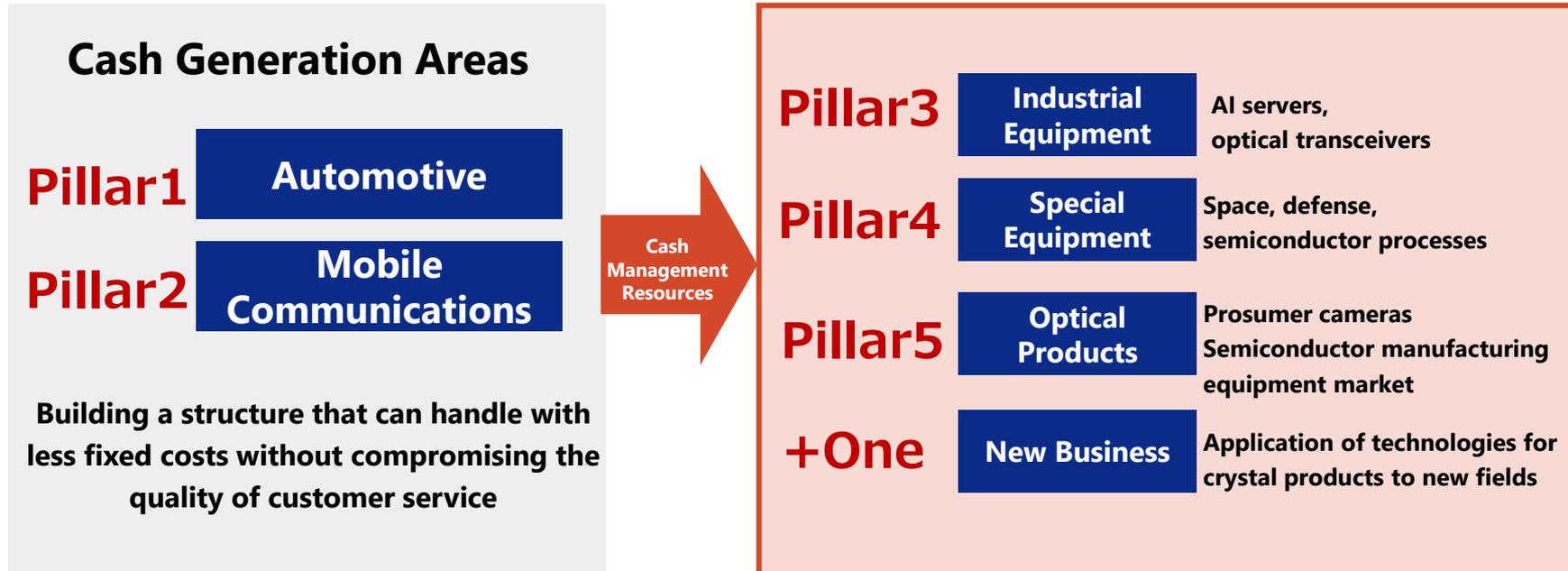
■ Decarbonization and Green Transformation (GX)

- Energy saving and consumption monitoring of production equipment

Four Key Initiatives: Efficient Capital Allocation

Five Pillars + One Plan

We aim to establish our position as a solution provider by maintaining balanced operations across our five core business pillars and the new '+One' business, while continuing to drive sustainable growth.



Four Key Initiatives: Strengthening Business Foundation (ESG)

■ Human Capital

- ✓ Enhancement of human resource development programs, realization of competitive remuneration systems
- ✓ Fostering a corporate culture with open communication that embraces diverse values
Achieving female manager ratio of 7% by FY2027
- ✓ Improving employee engagement

■ Enhancing Environmental Sustainability

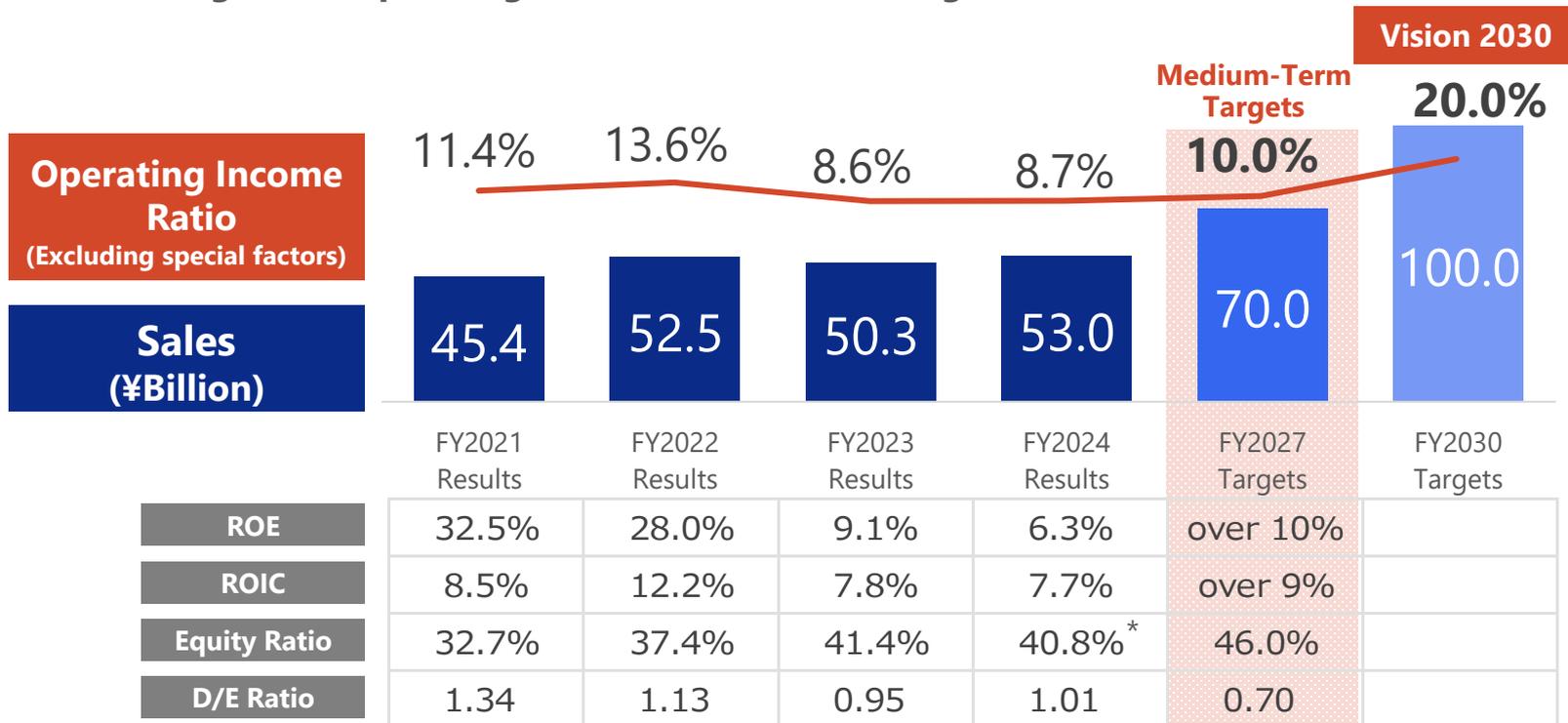
- ✓ Reducing GHG emissions toward achieving carbon neutrality by 2050
→Scope 1, 2: -42%, Scope 3: -25% (compared to FY2023)
- ✓ Developing products with lower power consumption

■ Strengthening Group Governance

- ✓ Strengthening risk management and compliance systems
- ✓ Strengthening information security
- ✓ Ensuring a sustainable supply chain and respecting human rights

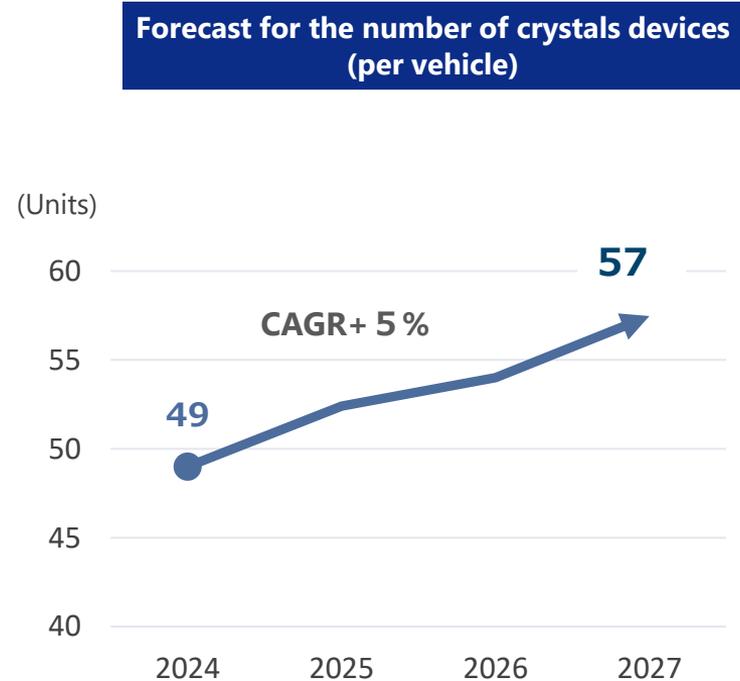
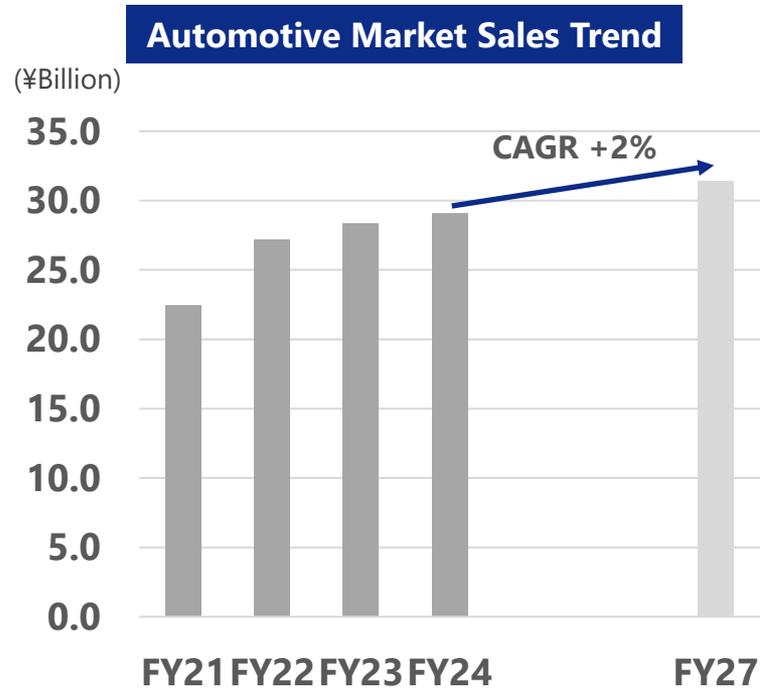
New Medium-Term Management Plan (FY2025-2027) Management Targets

- The effects of large-scale upfront investments in the new medium-term management plan will appear more clearly in the next medium-term management plan
 ⇒Aiming for an operating income ratio of 20% targeted in Vision 2030



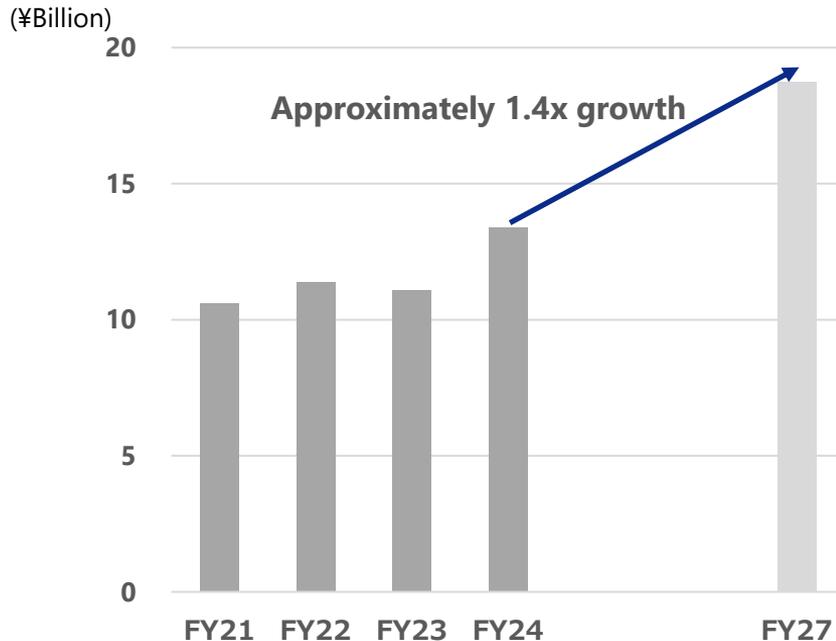
Application-Specific Strategy: Automotive

- The number of crystal devices per vehicle is expected to continue increasing (due to increased ADAS installations)
- Building a structure that can ensure customer service quality and profitability with lower fixed costs



- Introducing new products for maturing 5G smartphone market to maintain high profitability

Mobile Communications Market Sales Trend

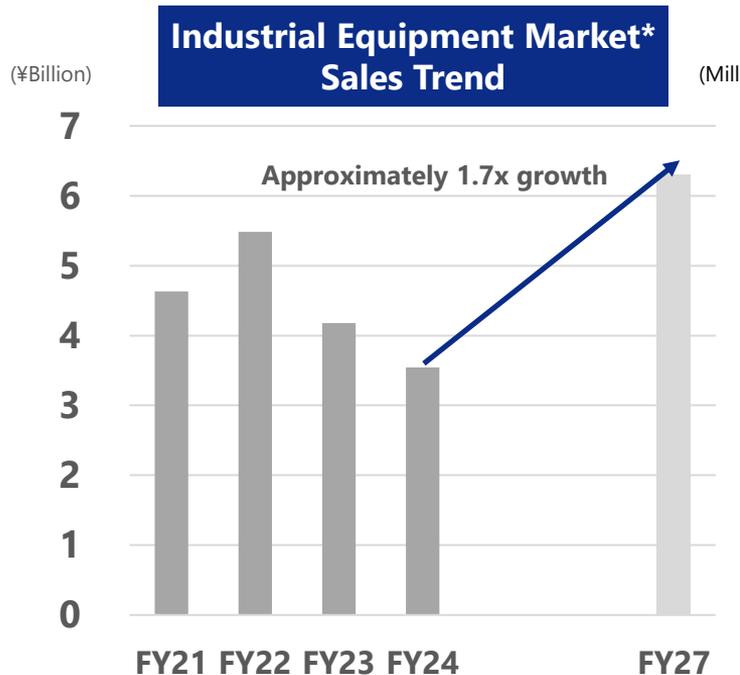


New Products for Mobile Communications

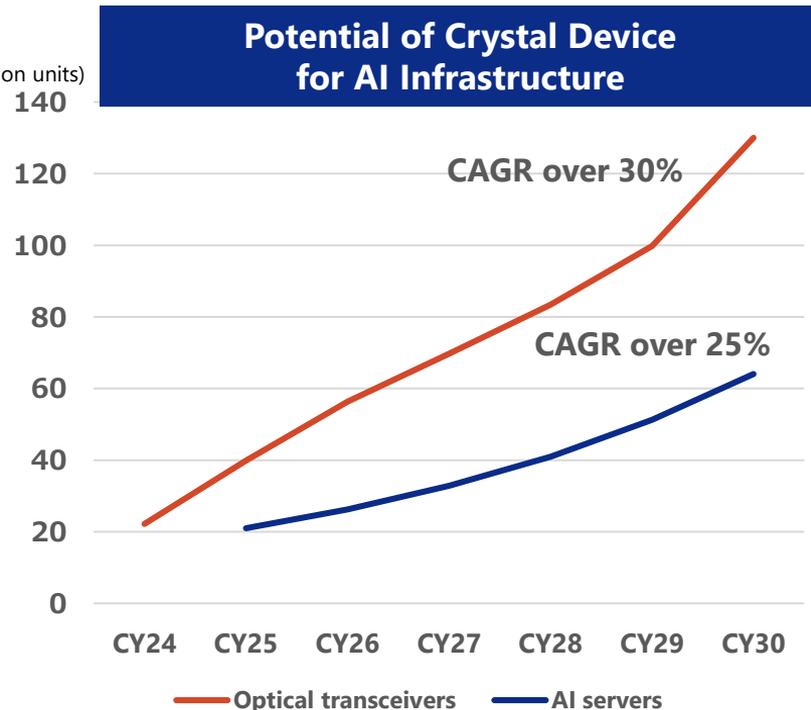
- Crystal units with built-in thermistor
 - Significantly improve the accuracy of GPS
→GPS solutions for smartphones and other applications (high-stability technology)
 - Aims to make the technology a de facto standard through open innovation strategy
 - Aims to recognize revenue starting from the fiscal year 2026
- MEMS Competing Crystal Oscillator
 - Preparing a competing product to MEMS oscillators that entered the smartphone market in 2025.
 - Aim to recognize revenue starting from the fiscal year 2026.

Application-Specific Strategy: Industrial Equipment

- Expand sales of high-profit SPXO (crystal oscillators) for optical transceivers and AI servers
- Expanding sales of competitive new products for 5G base stations to improve profitability

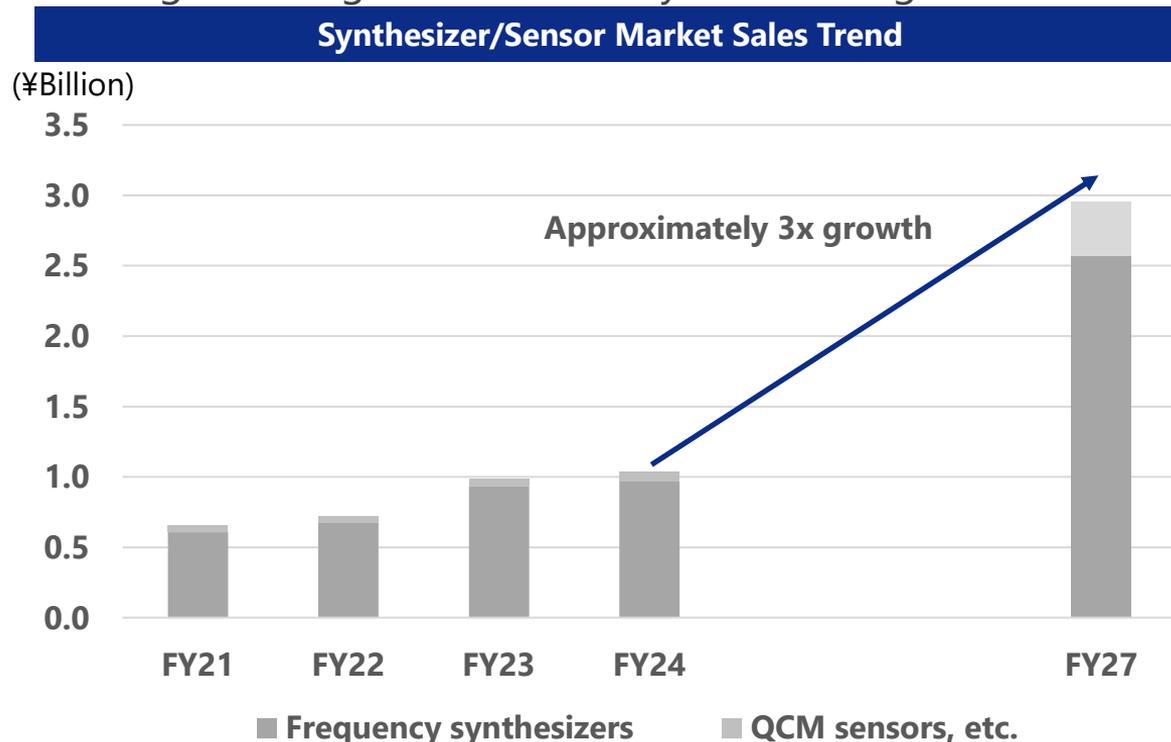


*Industrial equipment market includes AI-related, base stations, and FA



Application-Specific Strategy: Special Equipment Market

- Defense and space-related demand expected to increase as geopolitical risk preparedness becomes more active
 ⇒ Planning to strengthen business by establishing two new development bases in Japan



Frequency Synthesizer

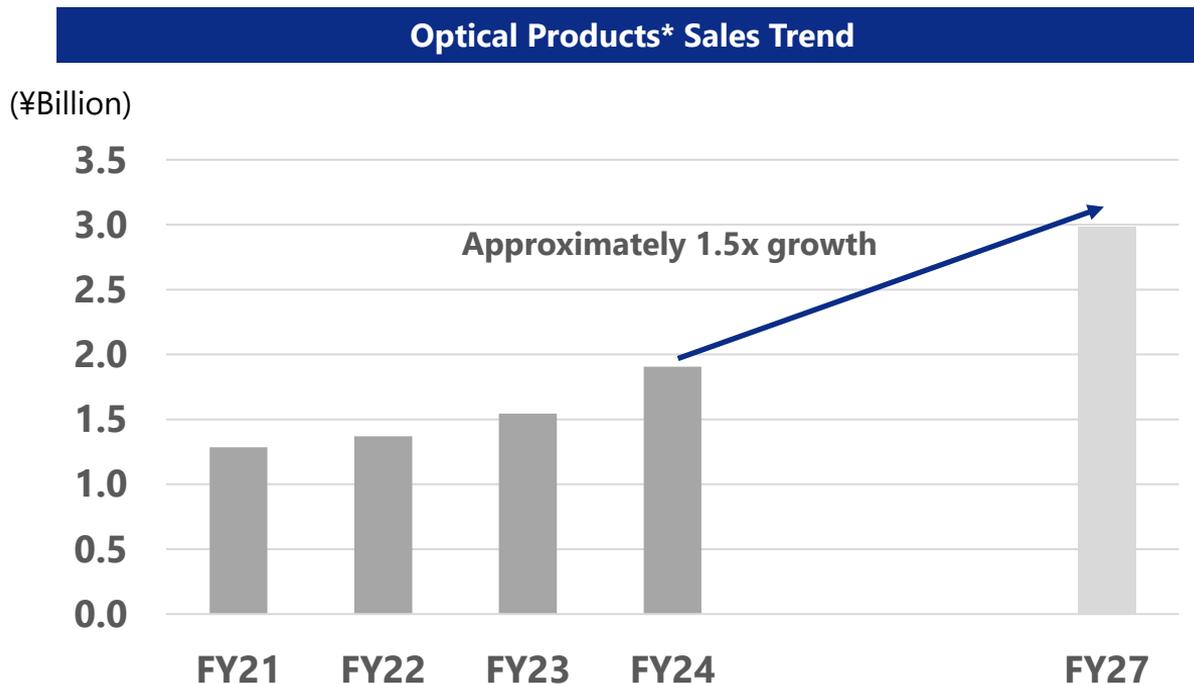


QCM Sensor



Application-Specific Strategy: Optical Products

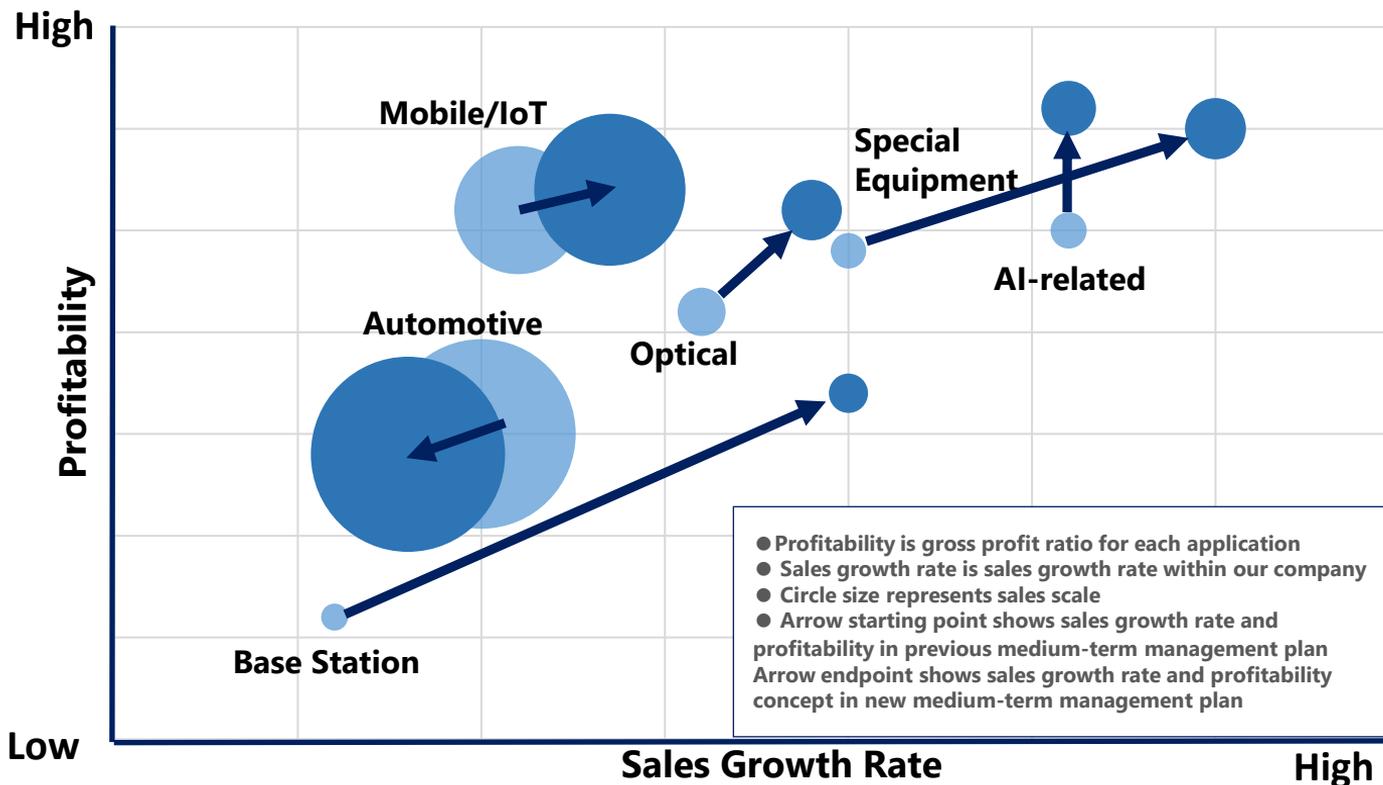
- Strengthening semiconductor manufacturing equipment business as a new growth area
⇒Increasing needs for optical products with strong laser resistance as laser power increases



*Among optical products, camera applications are included in consumer applications, semiconductor equipment in other applications

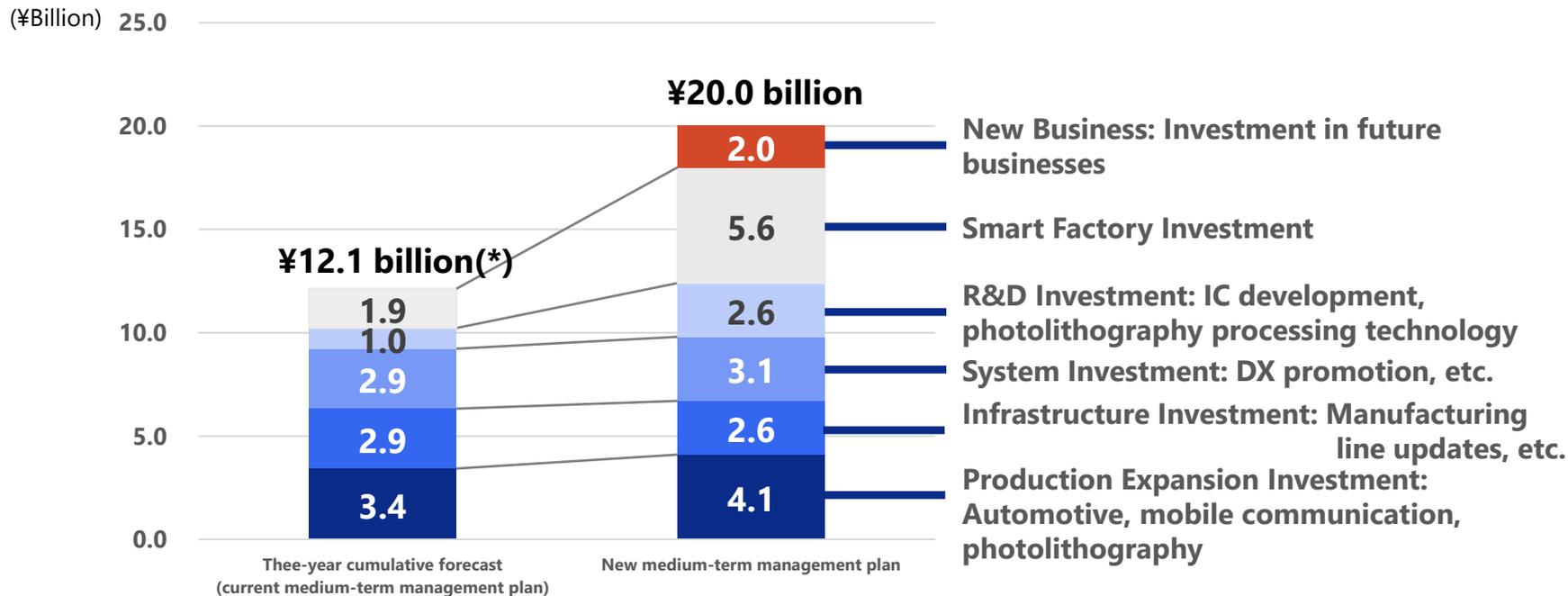
Business Portfolio Improvement (by Application)

- Portfolio improvement image from previous Medium-term Management Plan to new Medium-term Management Plan



Capital Investment

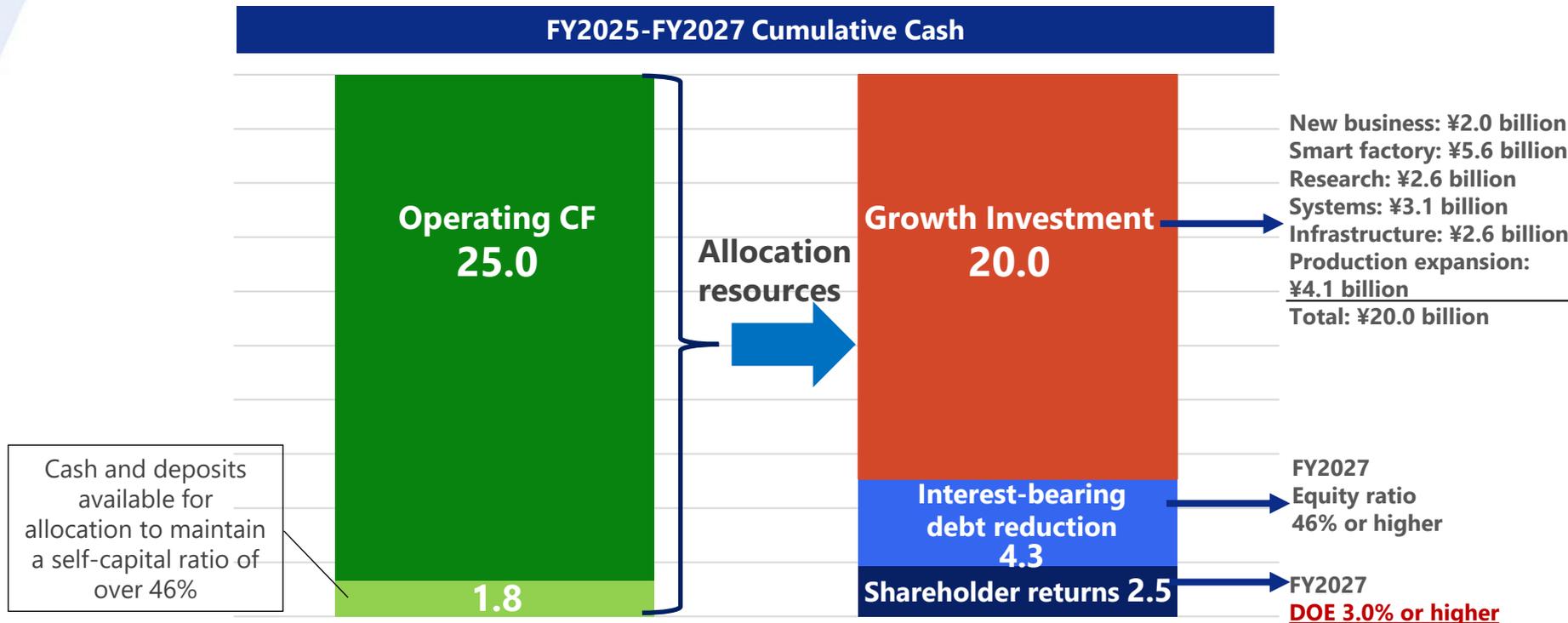
- Capital investment in the new Medium-term Management Plan is upfront investment looking ahead to 2030 and beyond
 - Planning to significantly increase investment in R&D, smart factories, and new businesses



(*) Does not include ¥1.8 billion for building and land acquisition bought back from equity-method affiliate NDK SAW devices

Capital Allocation Policy

- Shareholder returns premised on cumulative ¥20.0 billion in capital investment over three years and maintaining a sound financial base



Management Approach Focused on Capital Cost and Stock Price

- **Building a corporate foundation focused on high profitability and capital efficiency**
 - ✓ Development of high-value-added products and creation of new businesses
 - ✓ Dramatic improvement in productivity through DX promotion
 - ✓ Efficient capital allocation (reallocation of management resources to growth areas)
 - ✓ Strengthening business foundation (ESG)



- **ROIC: 9% or higher, ROE: 10.0% or higher**

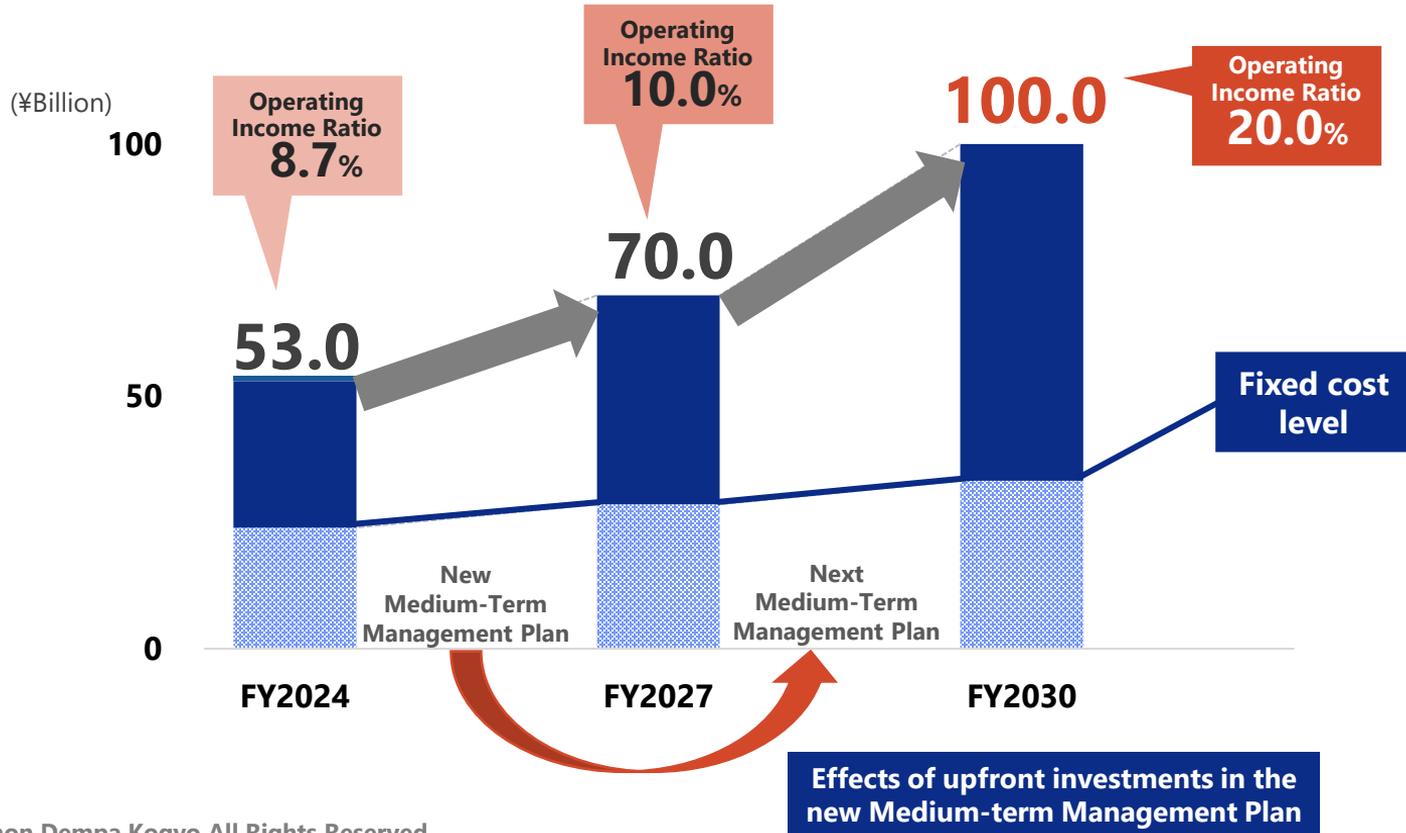


- **Enhanced shareholder returns**
 - ✓ DOE of 3.0% or higher in FY2027

• The effects of upfront investments in the new Medium-term Management Plan will be manifest in 2030 and beyond
• The next Medium-term Management Plan aims to achieve even higher shareholder returns

In Conclusion: Sales and Income Ratio Image Toward FY2030

- Aiming for sales of ¥100 billion and operating income ratio of 20% in 2030





May 13, 2025

Nihon Dempa Kogyo Co., Ltd.

[DISCLAIMER]

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These forward-looking statements are based on management's judgments using information currently available. Actual performance may differ significantly from the performance described in these forward-looking statements due to various important risk factors and uncertainties, and we ask that you do not place excessive reliance on these forward-looking statements.

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