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Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Under Japanese GAAP)

January 29, 2024

Company name: Macnica Holdings, Inc.
 Listing: Prime Market of Tokyo Stock Exchange
 Securities code: 3132
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 Scheduled date to file quarterly securities report: February 14, 2024
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: None
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine months ended December 31, 2023 (April 1, 2023 to Dec 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2023	800,303	4.2	51,310	13.3	48,793	19.5	35,158	20.0
December 31, 2022	768,004	37.8	45,294	78.5	40,829	66.2	29,289	64.3

Note: Comprehensive income For the nine months ended December 31, 2023: 41,708 million yen [18.8%]
 For the nine months ended December 31, 2022: 35,114 million yen [54.9%]

	Net income per share	Potential post-adjustment net income value per share
Nine months ended	Yen	Yen
December 31, 2023	580.33	—
December 31, 2022	471.99	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	516,847	239,611	44.7
March 31, 2023	517,620	207,762	38.6

Reference: Equity As of December 31, 2023: 231,172 million yen
 As of March 31, 2023: 199,792 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	65.00	—	75.00	140.00
Fiscal year ending March 31, 2024	—	80.00	—		
Fiscal year ending March 31, 2024 (Forecast)				110.00	190.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024

(April 1, 2023 to March 31, 2024)

(% indicate changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Mill yen	%	Mil yen	%	Mil yen	%	Millions of yen	%	
Full year	1,100,000	6.9	66,000	7.1	62,800	10.5	42,200	2.9	696.87

Note: Revisions of the forecast most recently announced: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: None

Excluded: None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes (Please refer to page 10 for the details.)

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of December 31, 2023	60,857,382 shares
As of March 31, 2023	60,857,382 shares

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

As of December 31, 2023	258,481 shares
As of March 31, 2023	300,365 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2023	60,583,505 shares
Nine months ended December 31, 2022	62,055,206 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Disclaimer regarding forward-looking statements and other special notes)

Forward-looking statements in this document such as financial forecasts are based on certain assumptions that are available to management and considered to be reasonable at the time of publication. The Group does not guarantee the achievement of projections. Actual performance may differ materially from these projections due to various factors. Please see "I. Quarterly Financial Results, (3) Outlook and Forecast" on page 4 for more information regarding the assumptions used and matters to be noted when relying on profit projections.

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1. Quarterly Financial Results

(1) Operating Results

During the first three quarters of the fiscal year under review, the Japanese economy continued in gradual recovery mode due mainly to increased inbound demand, despite concerns over rising prices. In the global economy the outlook remains uncertain amid further instability in international affairs, with the Chinese economy stagnating, exchange rate fluctuations and trade friction between the US and China.

In the Electronics industry, to which we belong, the tight supply of semiconductors and electronic components has passed its peak and demand has entered an adjustment phase. Against this backdrop, the industrial equipment market, with capital investment in FA (factory automation) equipment and machine tools for digital transformation (DX) in the manufacturing industry, remained firm. In addition, governments around the world have taken the lead supporting capital investment in plants and equipment to secure semiconductor supplies for the future, and long-term demand for semiconductor manufacturing equipment is expected. In the automotive market, semiconductor supply shortages have been resolved and production numbers recover, as the movement toward advanced control systems for improved safety and automation, such as ADAS (Advanced Driver Assistance Systems), and trend to electric vehicles (EVs) for decarbonization accelerate, while semiconductor content per vehicle increases. In the IT industry, the investment environment for companies remains favorable. In addition to investment in DX and other themes, IT investment expanded in line with business scale due to normalization of economic activities in Japan and overseas. Regarding security, incidents exploiting supply chain weaknesses, such as a company's own business partners, have reaffirmed the risks of cyberattack. In particular, the increase in information assets held by companies and their lack of management has led to increased attention to Attack Surface Management (ASM) services that discover and manage information assets and detect and assess vulnerabilities and other risks.

As a result, net sales for the third quarter came to 800,303 million yen, up 4.2% YoY, operating income was 51,310 million yen, up 13.3% YoY, ordinary income was 48,793 million yen, up 19.5% YoY, and net income attributable to owners of the parent was 35,158 million yen, up 20.0% YoY.

Results by segment are as follows.

ICs, Electronic Devices and Other Business

In this segment, the supply situation of semiconductor business has been improving. Under such circumstances, in the industrial equipment market, the Group's focus market, sales of FA equipment and industrial robots for the purpose of upgrading and automating production were firm, while capital investment in various semiconductor production equipment was restrained due to stagnant demand for memory and other cutting-edge semiconductors. In the automotive market, against the backdrop of the shift to EVs due to the global trend toward decarbonization and more advanced automation and electrification, an increase in the semiconductor content installed in vehicles led to growth mainly in other standard ICs. Demand for memory for the telecom infrastructure and computers markets declined, affected by a drop in demand for servers for China. In the computers market, demand for products for generative AI increased. In addition, the ongoing expansion of market share also contributed to the increase. As a result, net sales and operating income in this business segment for the period under review were 713,630 million yen, up 2.3% YoY, and 46,123 million yen, up 13.1% YoY, respectively.

Network business

In this segment, sales of endpoint security-related products grew substantially as awareness of the importance of security measures for client terminals became more widespread due to work style reforms and the spread of remote working. Cloud applications and data analysis infrastructure products grew against the spread of cloud technology and data utilization by enterprises and government agencies. In addition, overseas network business, particularly in Southeast Asia, also grew substantially. In domestic business, the cost of sales ratio increased, especially for new projects, due to the sharp depreciation of the yen during the period. As a result, net sales in this business segment for the period under review were 86,691 million yen, up 22.6% YoY, and operating income was 5,187 million yen, up 14.9% YoY.

Reference: Consolidated Net Sales by Product

		Apr 1–Dec 31 2022	Apr 1–Dec 31 2023	Y/Y change (%)
		Millions of yen	Millions of yen	
IC, Electronic Devices and Other Businesses		697,323	713,630	2.3
	IC	637,073	645,294	1.3
	PLD	75,037	88,173	17.5
	ASIC	17,234	15,268	(11.4)
	ASSP	99,433	98,894	(0.5)
	Analog	202,592	194,058	(4.2)
	Memory	86,792	36,660	(57.8)
	Other Standard IC	155,982	212,238	36.1
	Electronic Devices	45,594	39,732	(12.9)
	Other	14,654	28,603	95.2
Network Business		70,681	86,673	22.6
	Hardware	12,822	11,517	(10.2)
	Software	44,760	61,697	37.8
	Service	13,098	13,458	2.7
Total		768,004	800,303	4.2

Note: Amounts are sales to external customers, excluding internal sales or transfers.

(2) Financial Position

Total assets amounted to 516,847 million yen at the end of the third quarter, down 772 million yen from the end of the previous consolidated fiscal year.

Current assets decreased by 3,826 million yen compared to the end of the previous fiscal year. This was mainly due to decreases of 8,702 million yen in cash and deposits, 5,544 million yen in notes, accounts receivable and contract assets, despite increases of 6,494 million yen in electronically recorded receivables, 2,797 million yen in other current assets and 1,135 million yen in product.

Fixed assets increased by 3,054 million yen compared to the end of the previous financial year, mainly due to an increase of 2,851 million yen in investment securities, despite a decrease of 639 million yen in other fixed assets.

Current liabilities decreased by 32,393 million yen compared to the end of the previous financial year, mainly due to decreases of 11,212 million yen in notes & accounts payable, 29,470 million yen in short-term loans payable, 6,094 million yen in accrued income taxes, despite an increase of 17,980 million yen in other current liabilities.

Long-term liabilities decreased by 227 million yen compared to the end of the previous financial year. This was mainly due to a decrease of 231 million yen in other long-term liabilities.

Net assets increased by 31,848 million yen compared to the end of the previous financial year. This was mainly due to increases of 25,768 million yen in retained earnings, and 5,552 million yen in foreign currency translation.

Cash Flows

Cash and cash equivalents at the end of the third quarter decreased by 8,707 million yen from 37,492 million yen at the end of the previous fiscal year to increase by 28,785 million yen.

[Cash flows from operating activities]

Net cash provided by operating activities increased by 37,007 million yen (previous year: 14,695 million yen). This was mainly due to the recording of Income before income taxes of 50,178 million yen and a decrease in notes and accounts receivable, despite a corporate tax payment.

[Cash flows from investing activities]

Net cash used in investing activities decreased by 3,378 million yen (previous corresponding period: decrease of 88 million yen). This was mainly due to disbursement of loans, purchases of property and equipment and shares of affiliate.

[Cash flows from financing activities]

Net cash used in financing activities decreased by 43,943 million yen (previous corresponding period: decrease of 19,144 million yen). This was mainly due to a net decrease in short-term loans, cash dividends paid, and dividends paid to non-controlling interests.

(3) Outlook and Forecast

There is no change to the full-year consolidated earnings forecast announced in the "Notice of Revision of Earnings Forecast" on July 31, 2023.

Dividends have been revised based on the Company's earnings situation.

For details, please refer to the "Notice of Revision (Dividend Increase) of Dividend Forecast" announced today.

2. FY2023 Q3 Financial Results**(1) Consolidated Balance Sheet**

	(Millions of yen)	
	As of March 31, 2023	As of December 31, 2023
ASSETS		
Current assets		
Cash and deposits	37,571	28,868
Notes, accounts receivable and contract assets	194,108	188,564
Electronically recorded receivables	9,531	16,026
Product	218,905	220,041
Other	31,541	34,339
Allowance for doubtful accounts	(578)	(586)
Total current assets	491,080	487,253
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	2,040	2,191
Tools, furniture and fixtures, net	1,526	1,731
Machinery, equipment and vehicles, net	141	120
Land	3,062	3,062
Other, net	1,256	1,330
Total tangible fixed assets	8,027	8,436
Intangible fixed assets		
Goodwill	1,576	1,179
Other	6,407	5,767
Total intangible fixed assets	7,983	6,947
Investments and other assets		
Investment securities	3,909	6,760
Other	6,619	7,450
Total investments and other assets	10,529	14,210
Total fixed assets	26,540	29,594
Total Assets	517,620	516,847

	(Millions of yen)	
	As of March 31, 2023	As of December 31, 2023
LIABILITIES		
Current liabilities		
Notes & accounts payable	186,838	175,625
Short-term loans payable	46,039	16,568
Accrued income taxes	13,524	7,429
Accrued bonuses	7,481	3,926
Provision for directors' bonuses	108	67
Other current liabilities	44,772	62,752
Total current liabilities	298,764	266,370
Long-term liabilities		
Long-term debt	8,000	8,000
Liability for retirement benefits	1,410	1,413
Other long-term liabilities	1,684	1,452
Total long-term liabilities	11,094	10,866
Total liabilities	309,858	277,236
NET ASSETS		
Shareholders Equity		
Paid-in capital	14,040	14,040
Additional paid-in capital	37,066	36,807
Retained earnings	132,857	158,626
Treasury share	(872)	(714)
Total shareholders' equity	183,091	208,759
Other Comprehensive Income		
Unrealized holding gains on securities	333	432
Gain (loss) on deferred hedge	38	98
Translation adjustments	16,329	21,882
Total comprehensive income	16,701	22,413
Non-controlling interests	7,969	8,438
Total net assets	207,762	239,611
Total Liabilities & Net Assets	517,620	516,847

(2) Consolidated Statements of Income

	(Millions of yen)	
	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	768,004	800,303
Cost of sales	675,986	698,951
Gross profit	92,018	101,352
Selling, general & administrative expenses	46,723	50,041
Operating income	45,294	51,310
Non-operating income		
Interest income	83	180
Equity in net gain of affiliates	36	28
Other	575	310
Total non-operating income	695	520
Non-operating expenses		
Interest expense	1,217	1,582
Foreign exchange losses	2,446	150
Loss on transfer of receivables	1,285	433
Product compensation expenses	85	748
Other	124	123
Total non-operating expenses	5,160	3,037
Ordinary income	40,829	48,793
Extraordinary income		
Proceeds from sale of investment securities	1,574	914
Gain on exchange of investment securities investment securities	503	—
Gain on sales of shares of subsidiaries and associates	—	902
Other	92	7
Total extraordinary income	2,170	1,824
Extraordinary losses		
Loss on valuation of investment securities	775	389
Other	46	50
Total extraordinary losses	821	439
Income before income taxes	42,178	50,178
Corporate, inhabitant and enterprise taxes	11,312	14,590
Total corporate tax	11,312	14,590
Net income	30,866	35,587
Net income attributable to non-controlling interests	1,576	428
Net income attributable to owners of parent	29,289	35,158

	(Millions of yen)	
	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net income	30,866	35,587
Other comprehensive income		
Unrealized holding gains on securities	(1,023)	89
Gain (loss) on deferred hedge	1,160	59
Translation adjustments	4,110	5,960
Other comprehensive income of entities under equity method	1	11
Total comprehensive income	4,248	6,121
Comprehensive income	35,114	41,708
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of parent	33,685	40,869
Comprehensive income attributable to non-controlling interests	1,429	838

(3) Consolidated Statements of Cash Flow

	(Millions of yen)	
	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Operating Activities		
Income before income taxes	42,178	50,178
Depreciation and amortization	2,509	2,655
Interest and dividend income	(203)	(233)
Interest expense	1,217	1,582
Equity in net loss of affiliates	(36)	(28)
Loss (gain) on translation	(248)	(699)
Proceeds from sale of investment securities	(1,574)	(914)
Gain on exchange of investment securities	(503)	—
Loss on valuation of investment securities	775	389
Gain on sales of shares of subsidiaries and associates	—	(902)
Change in notes and accounts receivable	(42,599)	5,517
Change in inventories	(50,826)	3,967
Changes in trade payable	79,769	(14,075)
Other	(3,801)	12,093
Sub-total	<u>26,655</u>	<u>59,529</u>
Interest and dividends received	182	237
Interest paid	(1,145)	(1,594)
Corporate tax payment (refund)	(10,996)	(21,164)
Net cash provided by (used in) operating activities	<u>14,695</u>	<u>37,007</u>
Investing Activities		
Disbursement of loans	(507)	(938)
Proceeds from collection of loans	456	481
Purchases of property and equipment	(767)	(1,131)
Proceeds from sales of property and equipment	1	7
Purchases of intangible assets	(908)	(556)
Purchases of investment securities	(919)	(739)
Proceeds from sales of investment securities	2,474	164
Purchases of shares of affiliate	—	(1,133)
Gain on sale of shares of affiliate	—	485
Other	81	(18)
Net cash provided by (used in) investing activities	<u>(88)</u>	<u>(3,378)</u>

	(Millions of yen)	
	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Financing Activities		
Change in short-term loans	2,243	(32,083)
Repayment of long-term debt	(2,171)	—
Proceeds from issuance of common shares	29	29
Purchase of treasury shares	(4,876)	(3)
Decrease (increase) in deposits for purchase of treasury shares	(1,124)	—
Cash dividends paid	(7,696)	(9,373)
Dividends paid to non-controlling interests	(952)	(1,118)
Proceeds from purchases of shares of the affiliate not resulting in change in scope of consolidation	(4,114)	(848)
Other	(482)	(547)
Net cash provided by (used in) financing activities	(19,144)	(43,943)
Translation adjustments on cash and cash equivalents	1,111	1,607
Net increase (decrease) in cash and cash equivalents	(3,425)	(8,707)
Cash and cash equivalents at beginning of the year	25,099	37,492
Cash and cash equivalents at year end	21,673	28,785

(4) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Changes in accounting policies: Tax expenses)

The Company adopted a method for reasonably estimating the effective tax rate after applying tax effect accounting to income before taxes for the consolidated fiscal year, including the quarter under review, and multiplying quarterly income before income taxes by the estimated effective tax rate.

(Segment Information)

Previous Consolidated Third Quarter (April 1 - December 31, 2022)

Sales and profit (loss) by segment

(Millions of yen)

	Reportable segment			Other	Total
	ICs, electronic devices and other business	Network business	Sub-total		
Sales					
1) Sales to external customers	697,323	70,681	768,004	—	768,004
2) Internal sales, segment transfers	—	11	11	—	11
Total	697,323	70,692	768,015	—	768,015
Operating income by segment	40,779	4,514	45,294	—	45,294

Income (loss) by segment & financial statements (reconciliation)

(Millions of yen)

Income	Amount
Total segment income	45,294
Elimination of intersegment income	0
Operating income in the consolidated statement of income	45,294

Impairment losses on fixed assets, information concerning goodwill by reportable segment

Not applicable

Current Consolidated Third Quarter (April 1 - December 31, 2023)

Sales and profit (loss) by segment

(Millions of yen)

	Reportable segment			Other	Total
	ICs, electronic devices and other business	Network business	Sub-total		
Sales					
1) Sales to external customers	713,630	86,673	800,303	—	800,303
2) Internal sales, segment transfers	—	18	18	—	18
Total	713,630	86,691	800,322	—	800,322
Operating income by segment	46,123	5,187	51,310	—	51,310

Income (loss) by segment & financial statements (reconciliation)

(Millions of yen)

Income	Amount
Total segment income	51,310
Elimination of intersegment income	0
Operating income in the consolidated statement of income	51,310

Impairment losses on fixed assets, information concerning goodwill by reportable segment

Not applicable