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Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

July 29, 2024

Company name: Macnica Holdings, Inc.
Listing: TSE Prime
Securities code: 3132
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Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: None
Holding of quarterly financial results briefing: None

1. Consolidated financial results for the three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

Yen rounded down to millions, % indicate year-on-year change

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	256,330	(8.0)	12,047	(41.7)	11,947	(39.1)	8,030	(40.9)
June 30, 2023	278,562	15.4	20,653	68.4	19,611	73.9	13,580	72.8

Note: Comprehensive income For the three months ended June 30, 2024: 16,310 million yen [(23.1)%]
For the three months ended June 30, 2023: 21,214 million yen [33.1%]

	Net income per share	Potential post-adjustment net income value per share
Three months ended	Yen	Yen
June 30, 2024	133.88	—
June 30, 2023	224.25	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	576,181	265,530	43.8
March 31, 2024	552,244	256,420	44.2

Reference: Equity as of June 30, 2024: 252,560 million yen; as of March 31, 2024: 244,314 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2024	—	80.00	—	120.00	200.00
Fiscal year ending March 31, 2025	—				
Fiscal year ending March 31, 2025 (Forecast)		105.00	—	35.00	—

Note: 1. Revisions to the forecast of cash dividends most recently announced: None

2. The Company resolved at its Board of Directors meeting to conduct a 1-for-3 share split of the Company's common shares, effective October 1, 2024. The annual dividend for the year ending March 31, 2025 (forecast) takes the share split into account and the annual dividend per share is shown as "-". Without taking into account the share split, the year-end dividend for the year ending March 31, 2025 (forecast) would be 105 yen per share and the annual dividend would be 210 yen per share.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2025

(April 1, 2024, to March 31, 2025) % 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
First half ending	Mill yen	%	Mill yen	%	Mill yen	%	Mill yen	%	yen
Sept 30, 2024 (cumulative)	495,000	(9.5)	26,000	(31.6)	24,200	(34.0)	16,800	(35.0)	280.07
Fiscal year ending March 31, 2025	1,100,000	6.9	64,000	0.4	60,500	(2.4)	42,000	(12.6)	233.39

Note: 1. Revisions of the forecast most recently announced: None

2. Net income per share for the year ending March 31, 2025 (full year) takes into account the share split noted in section 2: Cash dividends. Net income per share for the year ending March 31, 2025 (full year) without taking into account the share split would be 700.17 yen.

Notes

(1) Significant changes in the scope of consolidation during the period: None
Newly included: None
Excluded: None

(2) Adoption of accounting procedures specific to the quarterly consolidated financial statements: Yes (Please refer to page 10 for 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: Yes
(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 June 30, 2024	60,857,382 shares
As of March 31, 2024	60,857,382 shares

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

As of June 30, 2024	872,790 shares
As of March 31, 2024	872,110 shares

(iii) Average number of shares outstanding during the period

Three months ended June 30, 2024		59,984,795 shares
Three months ended June 30, 2023		60,556,917 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Disclaimer regarding forward-looking statements and other special notes

Forward-looking statements in this document such as financial forecasts are based on assumptions available to management and considered 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" 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 quarter of the year under review, the Japanese economy was affected by high prices, but corporate earnings recovered moderately. In the global economy, the outlook remains uncertain amid further instability in international conditions, including trade friction between the US and China and fluctuations in exchange rates.

In the electronics industry, to which we belong, demand for high-performance servers is increasing due to rising demand for generative AI. In the industrial equipment market, a wide range of sectors, including FA equipment, machine tools, medical equipment and measuring equipment, entered an adjustment phase affected by inventory adjustments, despite signs of market recovery. In the automotive market, semiconductor volume per vehicle is increasing due to advanced control systems for improved safety and automation, and the shift to EVs (electric vehicles) for decarbonization.

In the IT industry, the environment for IT investment by companies remains favorable. With regard to security, there has been significant news coverage of ransomware and other cyber-attacks, and an increasing number of companies view this as a management issue in the short to medium term. In particular, attacks that exploit weaknesses in the supply chains of companies' subsidiaries or business partners, which have relatively low levels of security, have caused extensive damage, such as the leakage of personal information or the suspension of business operations, and attention is increasingly focusing on Attack Surface Management (ASM) services, which detect and manage the vulnerability and risk of information assets.

For the Group to further expand its business and increase its corporate value in the future, it is essential to acquire human capital such as human resources and engineers with technical knowledge and expertise in semiconductors and electronic devices as well as sales skills in ICs, electronic devices, etc. Therefore, in January 2024, a wholly owned subsidiary of the Company (Macnica, Inc.) conducted a tender offer for the shares of Glosel Co., Ltd. and made it a specified subsidiary from March 2024. By enhancing human capital within the Group, we will expand our semiconductor business and new businesses and create business synergies.

As a result of the above, net sales for the first quarter of the current financial year amounted to 256,330 million yen, down 8.0% YoY (year on year), operating income was 12,047 million yen, down 41.7% YoY, due partly to a decline in the relatively high-profit margin business for industrial equipment, ordinary income was 11,947 million yen, down 39.1% YoY, and net income attributable to owners of the parent amounted to 8,030 million yen, down 40.9% YoY.

Results by segment are as follows.

ICs, Electronic Devices and Other Business

In this business segment, the automotive market continued to grow with semiconductor volume per vehicle increasing due to advanced control systems for improved safety and automation, such as ADAS (Advanced Driver Assistance Systems), and the continuing trend toward EV (Electric Vehicles) for decarbonization. In addition, the revenue from automotive applications increased due to the consolidation of Glosel Co., Ltd.. The computer market grew with sales of memory for servers increasing in line with rising demand for generative AI. In the industrial equipment market, however, despite corporate willingness to invest in plant and equipment, inventory adjustments affected a wide range of markets, including semiconductor production equipment, factory automation equipment, industrial robots, and medical equipment.

As a result, net sales and operating income in this business segment for the period under review were 218,702 million yen, down 12.6% YoY, and 8,684 million yen, down 52.6% YoY, respectively.

Network business

In this business segment, the importance of security measures for client terminals has become widely recognized, and major domestic companies that have already introduced security solutions are expanding the target audience within the group, leading to significant growth in endpoint security-related products. In addition, sales of data analysis-related products and cloud security gateway-related products have grown

significantly due to large-scale projects at government agencies and financial institutions. In addition, the overseas network business, mainly in Southeast Asia, has also grown.

As a result, net sales in this business segment for the period under review were 37,634 million yen, up 32.3% YoY, and operating income was 3,363 million yen, up 44.0% YoY.

Reference: Consolidated Net Sales by Product

			Apr 1 – June 30 2023	Apr 1 – June 30 2024	Y/Y change (%)
			Millions of yen	Millions of yen	
IC, Electronic Devices and Other Businesses			250,127	218,702	(12.6)
	IC		228,323	194,495	(14.8)
		PLD	31,310	18,071	(42.3)
		ASIC	7,648	4,127	(46.0)
		ASSP	33,234	26,946	(18.9)
		Analog	71,784	58,319	(18.8)
		Memory	13,923	18,083	29.9
		Other Standard IC	70,423	68,947	(2.1)
	Electronic Devices		15,092	17,270	14.4
	Other		6,710	6,936	3.4
Network Business			28,434	37,628	32.3
	Hardware		3,741	3,572	(4.5)
	Software		20,330	29,464	44.9
	Service		4,363	4,591	5.2
Total			**278,562**	**256,330**	**(8.0)**

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

(2) Financial Position

Total assets at the end of the current consolidated first quarter were 576,181 million yen, an increase of 23,936 million yen compared to the end of the previous consolidated fiscal year.

Current assets increased by 22,923 million yen compared to the end of the previous fiscal year. This was due to an increase of 12,229 million yen in cash and deposits and 17,307 million yen in inventories, with a decrease of 7,178 million yen in other current assets.

Fixed assets increased by 1,013 million yen compared to the end of the previous fiscal year, due to increases of 498 million yen in other tangible fixed assets and 540 million yen in investments and other assets.

Current liabilities increased by 14,606 million yen compared to the end of the previous fiscal year, due to increases of 4,983 million yen in notes and accounts payable, 10,520 million yen in short-term loans payable and 5,747 million yen in other current liabilities, despite decreases of 4,750 million yen in accrued corporate taxes and 1,911 million yen in accrued bonuses.

Long-term liabilities increased by 220 million compared to the end of the previous fiscal year. This was due

to increases of 29 million yen in liability for retirement benefits and 190 million yen in other long-term liabilities.

Net assets increased by 9,110 million yen compared to the end of the previous fiscal year. This was due to an increase of 832 million yen in retained earnings, 7,498 million yen in currency translation adjustments and 864 million yen in non-controlling interests, despite a decrease of 84 million yen in valuation on securities.

Cash Flows

Cash and cash equivalents at the end of the consolidated first quarter increased by 12,224 million yen to 50,848 million yen, compared to 38,623 million yen at the end of the previous fiscal year.

[Cash flow from operating activities]

Cash flow provided by operating activities increased by 8,951 million yen, compared to an increase of 13,213 million yen in the same quarter of the previous year. This was mainly due to the recording of Income before income taxes of 11,873 million yen and a decrease in other current assets, despite an increase in inventories.

[Cash flow from investing activities]

Cash flow used in investing activities decreased by 941 million yen, compared to a decrease of 1,527 million yen in the same quarter of the previous year. This was mainly due to disbursement of loans, and purchases of property and equipment.

[Cash flow from financing activities]

Cash flow provided by financing activities increased by 2,041 million yen, compared to a decrease of 16,786 million yen in the same quarter of the previous year, due to a net increase in short-term loans, despite cash dividends paid.

(3) Outlook

Regarding our outlook, the electronics industry expects a recovery in capital investment, despite inventory adjustments for semiconductors and electronic components. In the IT industry, security-related products are expected to remain strong due to demand for changes in working styles. In addition, we expect data analysis-related products to grow as awareness of the effectiveness of using data in the process of utilizing digital technology grows. Under these conditions, the first half and full year forecasts for the year ending March 31, 2025, remain unchanged from those stated in the Summary Financial Statements (Consolidated) for the Year Ended March 31, 2024, published on May 7, 2024. If it becomes necessary to revise the forecast, this will be announced promptly.

2. FY2024 Q1 Financial Results

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
ASSETS		
Current assets		
Cash and deposits	38,710	50,939
Notes, accounts receivable and contract assets	194,361	195,181
Electronically recorded receivables	13,129	12,904
Product	234,001	251,309
Other	39,005	31,827
Allowance for doubtful accounts	(459)	(489)
Total current assets	518,749	541,673
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	2,290	2,350
Tools, furniture and fixtures, net	1,795	1,847
Machinery, equipment and vehicles, net	141	173
Land	3,558	3,558
Other, net	1,241	1,739
Total tangible fixed assets	9,027	9,669
Intangible fixed assets		
Goodwill	1,049	922
Other	5,995	5,872
Total intangible fixed assets	7,044	6,795
Investment securities		
Investments and other assets	8,223	8,303
Other	9,219	9,760
Allowance for doubtful accounts	(21)	(21)
Investments and other assets	17,421	18,042
Total fixed assets	33,494	34,507
Total Assets	552,244	576,181

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
LIABILITIES		
Current liabilities		
Notes & accounts payable	151,126	156,110
Short-term loans payable	60,587	71,108
Accrued income taxes	9,641	4,891
Accrued bonuses	5,946	4,035
Provision for directors' bonuses	83	99
Other current liabilities	63,673	69,420
Total current liabilities	291,058	305,665
Long-term liabilities		
Long-term debt	3,000	3,000
Liability for retirement benefits	386	415
Other long-term liabilities	1,378	1,569
Total long-term liabilities	4,765	4,985
Total liabilities	295,824	310,650
NET ASSETS		
Shareholders’ Equity		
Paid-in capital	14,040	14,040
Additional paid-in capital	36,764	36,764
Retained earnings	171,537	172,370
Treasury share	(5,714)	(5,716)
Total shareholders' equity	216,627	217,458
Other Comprehensive Income		
Unrealized holding gains on securities	501	416
Gain (loss) on deferred hedge	(93)	(92)
Translation adjustments	27,279	34,778
Total comprehensive income	27,686	35,102
Non-controlling interests	12,106	12,970
Total net assets	256,420	265,530
Total Liabilities & Net Assets	552,244	576,181

(2) Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	278,562	256,330
Cost of sales	241,959	224,774
Gross profit	36,602	31,556
Selling, general & administrative expenses	15,949	19,508
Operating income	20,653	12,047
Non-operating income		
Interest income	40	142
Dividend income	2	52
Foreign exchange gains	―	35
Other	85	186
Total non-operating income	129	416
Non-operating expenses		
Interest expense	681	394
Share of loss of entities accounted for using equity method	2	4
Foreign exchange losses	182	―
Loss on transfer of receivables	233	107
Other	72	10
Total non-operating expenses	1,171	517
Ordinary income	19,611	11,947
Extraordinary income		
Gain on sales of non-current assets	1	7
Proceeds from sale of investment securities	2	―
Other	0	―
Total extraordinary income	4	7
Extraordinary losses		
Loss on disposal of fixed assets	37	2
Loss on valuation of investment securities	98	2
Loss on termination of ESOP trust	―	74
Other	0	0
Total extraordinary losses	136	80
Income before income taxes	19,479	11,873
Corporate, inhabitant and enterprise taxes	5,735	3,396
Total corporate tax	5,735	3,396
Net income	13,744	8,477
Net income attributable to non-controlling interests	164	446
Net income attributable to owners of parent	13,580	8,030

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net income	13,744	8,477
Other comprehensive income		
Unrealized holding gains on securities	172	(111)
Gain (loss) on deferred hedge	(183)	1
Translation adjustments	7,461	7,906
Other comprehensive income of entities under equity method	19	36
Total comprehensive income	7,469	7,832
Comprehensive income	21,214	16,310
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of parent	20,486	15,445
Comprehensive income attributable to non-controlling interests	727	864

(3) Consolidated Statements of Cash Flow

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Operating Activities		
Income before income taxes	19,479	11,873
Depreciation and amortization	870	911
Interest and dividend income	(43)	(194)
Interest expense	681	394
Equity in net loss of affiliates	2	4
Loss (gain) on translation	(614)	(398)
Loss on disposal of fixed assets	37	2
Loss on valuation of investment securities	98	2
Loss on termination of ESOP trust	—	74
Change in notes and accounts receivable	(2,860)	3,437
Change in inventories	583	(11,820)
Changes in trade payable	(10,624)	4,621
Other	18,267	8,594
Sub-total	25,878	17,503
Interest and dividends received	55	168
Interest paid	(681)	(400)
Corporate tax payment (refund)	(12,039)	(8,320)
Net cash provided by (used in) operating activities	13,213	8,951
Investing Activities		
Disbursement of loans	(109)	(505)
Proceeds from collection of loans	163	418
Purchases of property and equipment	(397)	(350)
Proceeds from sales of property and equipment	2	9
Purchases of intangible assets	(157)	(307)
Purchases of investment securities	(79)	(30)
Proceeds from sales of investment securities	2	—
Purchases of shares of affiliate	(922)	(172)
Other	(29)	(2)
Net cash provided by (used in) investing activities	(1,527)	(941)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Financing Activities		
Change in short-term loans	(12,170)	9,432
Repayment of long-term debt	—	(148)
Purchase of treasury shares	(1)	(1)
Cash dividends paid	(4,440)	(7,024)
Dividends paid to non-controlling interests	—	(0)
Other	(174)	(216)
Net cash provided by (used in) financing activities	(16,786)	2,041
Translation adjustments on cash and cash equivalents	2,294	2,172
Net increase (decrease) in cash and cash equivalents	(2,805)	12,224
Cash and cash equivalents at beginning of the year	37,492	38,623
Cash and cash equivalents at year end	34,686	50,848

(4) Notes to Consolidated Financial Statements

Changes in accounting policies

Application of Accounting Standards for Corporate, Inhabitant and Enterprise Taxes

The Accounting Standards for Corporate, Inhabitant and Enterprise Taxes (ASBJ Statement No.27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standards 2022") have been adopted since the beginning of the first quarter ended June 30, 2024.

The amendment to categories in which Corporate, Inhabitant and Enterprise Taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standards 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No.28, October 28, 2022; hereinafter referred to as the "Revised Implementation Guidance 2022"). This change in accounting policies has no impact on the quarterly consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted since the beginning of the first quarter ended June 30, 2024. This change in accounting policies was applied retrospectively. Hence, the quarterly consolidated financial statements for the same quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year have been modified retrospectively. This change in accounting policy has no impact on the consolidated financial statements of the same quarter in the previous fiscal year or the consolidated financial statements for the previous fiscal year.

Adoption of accounting procedures specific to the quarterly consolidated financial statements

Tax expenses

The Company adopted a procedure 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

1. Previous Consolidated First Quarter (April 1, 2023 – June 30, 2023)

(1) Sales and profit (loss) by segment (Millions of yen)

	Reportable segment			Other	Total
	ICs, electronoic devices and other business	Network business	Sub-total		
Sales					
1) Sales to external customers	250,127	28,434	278,562	—	278,562
2) Internal sales, segment transfers	—	14	14	—	14
Total	250,127	28,449	278,576	—	278,576
Operating income by segment	18,318	2,335	20,653	—	20,653

(2) Income (loss) by segment & financial statements (reconciliation) (Millions of yen)

Income	Amount
Total segment income	20,653
Elimination of intersegment income	0
Operating income in the consolidated statement of income	20,653

(3) Impairment losses on fixed assets, information concerning goodwill by reportable segment
Not applicable

2. Current Consolidated First Quarter (April 1, 2024 – June 30, 2024)

(1) Sales and profit (loss) by segment (Millions of yen)

	Reportable segment			Other	Total
	ICs, electronoic devices and other business	Network business	Sub-total		
Sales					
1) Sales to external customers	218,702	37,628	256,330	—	256,330
2) Internal sales, segment transfers	—	5	5	—	5
Total	218,702	37,634	256,336	—	256,336
Operating income by segment	8,684	3,363	12,047	—	12,047

(2) Income (loss) by segment & financial statements (reconciliation) (Millions of yen)

Income	Amount
Total segment income	12,047
Elimination of intersegment income	0
Operating income in the consolidated statement of income	12,047

(3) Impairment losses on fixed assets, information concerning goodwill by reportable segment
Not applicable

Notes on significant changes in shareholders' equity
Not applicable

Notes on going concern assumption
Not applicable