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Consolidated Financial Results for the Nine Months Ended December 31, 2024 (Under Japanese GAAP)

February 3, 2025

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 nine months ended December 31, 2024

(April 1, 2024 to December 31, 2024)

(1) Consolidated operating results (cumulative)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	781,789	△2.3	33,217	△35.3	31,171	△36.1	22,631	△35.6
December 31, 2023	800,303	4.2	51,310	13.3	48,793	19.5	35,158	20.0

Note: Comprehensive income For the nine months ended December 31, 2024: 30,081 million yen [△27.9%]
For the nine months ended December 31, 2023: 41,708 million yen [18.8%]

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
December 31, 2024	125.96	—
December 31, 2023	193.44	—

Note: The Company conducted a 1-for-3 share split of its common shares, effective on October 1, 2024. Net income per share is calculated on the assumption that the share split was conducted at the beginning of the previous fiscal year. Diluted net income per share is stated as "-" because there are no latent shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2024	578,234	266,438	44.4
March 31, 2024	552,244	256,420	44.2

Reference: Equity as of December 31, 2024: 256,960 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	—	105.00	—		
Fiscal year ending March 31, 2025 (Forecast)				35.00	—

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

2. The Company conducted a 1-for-3 share split of its common shares, effective October 1, 2024. The year-end dividend for the year ending March 31, 2025 (forecast) takes the share split into account and the annual dividend per share is shown as "-". If the share split were not taken into account, 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
Fiscal year ending	Mill yen	%	Mill yen	%	Mill yen	%	Mill yen	%	yen
March 31, 2025	1,040,000	1.1	44,500	△30.2	42,000	△32.2	30,000	△37.6	166.65

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

2. Net income per share for the year ending March 31, 2025 (full year) reflects the amount adjusted for the share split noted in "1. Consolidated financial results for the nine months ended December 31, 2024." If the share split were not taken into account, net income per share for the year ending March 31, 2025 (full year) would be 499.96 yen.

Notes

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

(2) Application of accounting procedures specific to the consolidated quarterly financial statements: Yes

Note: Please see "2. Quarterly Consolidated Financial Statements and Key Notes, (4) Notes to Consolidated Financial Statements: Application of accounting procedures specific to the consolidated financial statements."

(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

Note: Please see "2. Quarterly Consolidated Financial Statements and Major Notes, (4) Notes to Consolidated Financial Statements: Changes in accounting policies."

(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, 2024	182,572,146 shares
As of March 31, 2024	182,572,146 shares

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

As of December 31, 2024	4,157,410 shares
As of March 31, 2024	2,616,330 shares

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

Nine months ended December 31, 2024	179,667,067 shares
Nine months ended December 31, 2023	181,750,515 shares

Note: The Company conducted a 1-for-3 share split of its common shares, effective October 1, 2024. The number of issued shares (common shares) is calculated assuming the share split was conducted at the beginning of the previous fiscal year.

* 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 "1. Operating Results (3) Consolidated Earnings Forecasts and Other Forward-Looking Statements" on page 4 for more information regarding the assumptions used and matters to be noted when relying on profit projections.

Attached Contents

1. Overview of Operating Results

(1) Consolidated Operating Results 2
(2) Consolidated Financial Position 3
(3) Consolidated Earnings Forecasts and Other Forward-Looking Statements 4

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets 5
(2) Consolidated Statements of Income and Comprehensive Income 7
(3) Consolidated Cash Flow Statements 9
(4) Notes to Consolidated Financial Statements 10
Changes in accounting policies 10
Application of accounting procedures specific to the consolidated financial statements 10
Segment information 11
Notes on significant changes in shareholders' equity 12
Notes on going concern assumptions 12

1. Overview of Operating Results

(1) Operating Results

During the third quarter of the current consolidated fiscal year, the Japanese economy continued to recover moderately due to a pickup in personal consumption supported by rising wages, and increased inbound demand. The outlook for the global economy remains uncertain, despite firm developments in the United States, as the economic recovery continues to lag in Europe and China.

In the electronics industry, to which we belong, demand for high-performance semiconductors (GPUs and memory) for generative AI continues to rise. In the industrial equipment market, a wide range of fields including FA equipment, machine tools, medical equipment and measuring equipment, have been affected by the stagnation of the Chinese market and inventory adjustments. In the automotive market, semiconductors per vehicle continue to increase, following the trend toward advanced control systems for improved safety and automation, and the shift to EVs (electrification) for decarbonization.

In the IT industry, the environment for IT investment by companies remains favorable. With regards to security, an increasing number of companies are viewing it as a management challenge as cyber-attacks such as ransomware have caused enormous damage, including the leakage of corporate information and business suspension. In addition, corporate IT systems have seen increases in the number of points to address following growing external connections due to cloud computing and remote working, among others. There is also growing interest in Zero Trust, which assumes that users and devices, even within internal systems, are not trusted from the beginning, and in Attack Surface Management (ASM), which evaluates and manages the risk of information assets.

In addition, for the Group to further expand its business and increase its corporate value, it is essential to acquire human capital such as human resources and engineers who have technical knowledge and expertise in semiconductors and electronic devices, as well as sales skills with ICs and electronic devices. Macnica, Inc., a wholly owned subsidiary, conducted a tender for the shares of Glosel Co., Ltd. in January 2024, 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, net sales for the third quarter were 781,789 million yen, down 2.3% YoY, and operating income was 33,217 yen million, down 35.3% YoY, due partly to a decrease in the relatively high-margin industrial equipment business, and an increase in selling, general & administrative expenses of 8,011 million yen for personnel expenses and the consolidation of Glosel Co., Ltd. Ordinary income came to 31,171 million yen, down 36.1% YoY, and net income attributable to owners of parent came to 22,631 million yen, down 35.6% YoY.

Results by segment are as follows.

ICs, Electronic Devices and Other Business

In this segment, in the automotive market, demand is growing, with semiconductors per vehicle, due to advanced control systems for improved safety and automation, including Advanced Driver Assistance Systems (ADAS), and the trend toward hybrid cars and electric vehicles (EVs) for decarbonization. The addition of revenues from Glosel Co., Ltd. has led to increases in sales for the automotive, consumer electronics, and office automation (OA) and peripherals markets compared to the previous year. In the computer market, demand increased for AI servers. In the industrial equipment market, however, despite corporate willingness to invest in plant and equipment, prolonged stagnation in the Chinese market and inventory adjustments affected a wide range of markets, including factory automation (FA) equipment, industrial robots, semiconductor manufacturing equipment and medical equipment. The telecommunications infrastructure market was sluggish as domestic capital investment remained calm. As a result, net sales in this segment amounted to 669,184 million yen, down 6.2% YoY, and operating profit to 23,939 million yen, down 48.1% YoY.

Network business

In this segment, recognition of the importance of security measures for client terminals has spread, and major domestic companies have already introduced security countermeasures and expanded users, leading to significant growth in endpoint security-related products. In addition, sales of SASE (Secure Access Service Edge) products, which provide security and network functionality on the cloud, grew significantly due to large projects at public offices and financial institutions. The overseas network business, mainly in Southeast Asia, also grew steadily. As a result, net sales in this business through the third quarter were 112,609 million yen, up 29.9% YoY, and operating income was 9,277 million yen, up 78.8% YoY.

Reference: Consolidated Net Sales by Product

			Apr 1 – Dec 31, 2023	Apr 1 – Dec 31, 2024	Y/Y change (%)
			Millions of yen	Millions of yen	
IC, Electronic Devices and Other Businesses			713,630	669,184	△6.2
	IC		645,294	591,892	△8.3
		PLD	88,173	58,696	△33.4
		ASIC	15,268	14,563	△4.6
		ASSP	98,894	76,971	△22.2
		Analog	194,058	179,305	△7.6
		Memory	36,660	44,501	21.4
		Other Standard IC	212,238	217,854	2.6
	Electronic Devices		39,732	52,952	33.3
	Other		28,603	24,339	△14.9
Network Business			86,673	112,604	29.9
	Hardware		11,517	11,098	△3.6
	Software		61,697	85,593	38.7
	Service		13,458	15,912	18.2
Total			800,303	781,789	△2.3

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

(2) Financial Position

Total assets at the end of the consolidated third quarter amounted to 578,234 million yen, an increase of 25,990 million yen compared with the end of the previous fiscal year.

Current assets increased by 23,168 million yen compared to the end of the previous fiscal year. This was mainly due to increases of 6,756 million yen in cash and deposits, 28,255 million yen in notes, accounts receivable and contract assets, respectively, despite a decrease of 4,762 million yen in electronically recorded receivables, 4,987 million yen in product, and 2,130 million yen in other current assets.

Fixed assets increased by 2,821 million yen compared to the end of the previous fiscal year. This was primarily due to increases of 116 million yen in buildings and structures, 271 million yen in machinery, equipment and vehicles, 365 million yen in goodwill, and 3,308 million yen in investment securities despite a decrease of 1,447 million yen in investments and other assets.

Current liabilities increased by 18,927 million yen compared to the end of the previous fiscal year. This was mainly due to increases of 19,380 million yen in short-term loans payable, and 17,913 million yen in other current liabilities, despite decreases of 8,250 million yen in notes & accounts payable, 8,098 million yen in accrued income taxes, and 1,966 million yen in accrued bonuses.

Long-term liabilities decreased by 2,954 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease of 3,000 million yen in long-term debt.

Net assets increased by 10,017 million yen compared to the end of the previous fiscal year. This was mainly due to increases of 9,130 million yen in retained earnings and 6,510 million yen in translation adjustments, despite an increase of 2,696 million yen in treasury shares and a decrease of 2,628 million yen in non-controlling interests.

Cash Flows

Cash and cash equivalents at the end of the current consolidated third quarter increased by 6,759 million yen to 45,382 million yen, compared to 38,623 million yen at the end of the previous fiscal year.

Cash flow from operating activities

Net cash provided by operating activities increased by 17,208 million yen, compared to an increase of 37,007 million yen in the same period of the previous year. This was mainly due to recording income before income taxes of 32,173 million yen and an increase in other current liabilities, despite an increase in notes and accounts receivable and income taxes paid.

Cash flow from investing activities

Net cash used in investing activities decreased by 10,223 million yen, compared to a decrease of 3,378 million yen in the same period of the previous year. This was mainly due to disbursements of loans, purchases of intangible assets, payments for transfer of business, and purchases of shares of affiliates.

Cash flow from financing activities

Net cash used in financing activities decreased by 1,806 million yen, compared to a decrease of 43,943 million yen in the same period of the previous year. This was mainly due to purchase of treasury shares, cash dividends paid, and cash dividends paid to non-controlling shareholders, despite a net increase in short-term loans payable

(3) Consolidated Earnings Forecasts and Other Forward-Looking Statements

There are no changes to the full-year consolidated earnings forecast announced on October 28, 2024 in the announcement “Regarding Revisions to the Earnings Forecast and Medium-Term Management Plan Targets". If it becomes necessary to revise, an announcement will be made promptly.

2. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
ASSETS		
Current assets		
Cash and deposits	38,710	45,466
Notes, accounts receivable and contract assets	194,361	222,617
Electronically recorded receivables	13,129	8,367
Product	234,001	229,014
Other	39,005	36,875
Allowance for doubtful accounts	△459	△422
Total current assets	518,749	541,918
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	2,290	2,407
Tools, furniture and fixtures, net	1,795	1,826
Machinery, equipment and vehicles, net	141	413
Land	3,558	3,559
Other, net	1,241	1,340
Total tangible fixed assets	9,027	9,547
Intangible fixed assets		
Goodwill	1,049	1,414
Other	5,995	6,070
Total intangible fixed assets	7,044	7,484
Investments and other assets		
Investment securities	8,223	11,532
Other	9,219	7,772
Allowance for doubtful accounts	△21	△20
Investments and other assets	17,421	19,283
Total fixed assets	33,494	36,315
Total Assets	552,244	578,234

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
LIABILITIES		
Current liabilities		
Notes & accounts payable	151,126	142,876
Short-term loans payable	60,587	79,967
Accrued income taxes	9,641	1,543
Accrued bonuses	5,946	3,980
Provision for directors' bonuses	83	31
Other current liabilities	63,673	81,586
Total current liabilities	291,058	309,985
Long-term liabilities		
Long-term debt	3,000	―
Liability for retirement benefits	386	436
Other long-term liabilities	1,378	1,374
Total long-term liabilities	4,765	1,810
Total liabilities	295,824	311,796
NET ASSETS		
Shareholders’ Equity		
Paid-in capital	14,040	14,040
Additional paid-in capital	36,764	36,770
Retained earnings	171,537	180,667
Treasury share	△5,714	△8,411
Total shareholders' equity	216,627	223,067
Other Comprehensive Income		
Unrealized holding gains on securities	501	146
Gain (loss) on deferred hedge	△93	△42
Translation adjustments	27,279	33,789
Total comprehensive income	27,686	33,893
Non-controlling interests	12,106	9,477
Total net assets	256,420	266,438
Total Liabilities & Net Assets	552,244	578,234

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income (Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net sales	800,303	781,789
Cost of sales	698,951	690,519
Gross profit	101,352	91,270
Selling, general & administrative expenses	50,041	58,052
Operating income	51,310	33,217
Non-operating income		
Interest income	180	499
Dividend income	53	100
Equity in net gain of affiliates	28	―
Other	257	473
Total non-operating income	520	1,073
Non-operating expenses		
Interest expense	1,582	1,374
Equity in net loss of affiliates	―	23
Foreign exchange losses	150	1,266
Loss on transfer of receivables	433	395
Product compensation expenses	748	7
Other	123	52
Total non-operating expenses	3,037	3,119
Ordinary income	48,793	31,171
Extraordinary income		
Proceeds from sale of investment securities	914	239
Gain on sales of shares of subsidiaries and associates	902	―
Gain on liquidation of subsidiaries and associates	―	279
Gain on negative goodwill	―	612
Other	7	8
Total extraordinary income	1,824	1,139
Extraordinary losses		
Loss on valuation of investment securities	389	45
Loss on termination of ESOP trust	―	74
Other	50	17
Total extraordinary losses	439	137
Income before income taxes	50,178	32,173
Corporate, inhabitant and enterprise taxes	14,590	8,478
Total corporate tax	14,590	8,478
Net income	35,587	23,695
Net income attributable to non-controlling interests	428	1,063
Net income attributable to owners of parent	35,158	22,631

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net income	35,587	23,695
Other comprehensive income		
Unrealized holding gains on securities	89	△407
Gain (loss) on deferred hedge	59	51
Translation adjustments	5,960	6,721
Other comprehensive income of entities under equity method	11	20
Total comprehensive income	6,121	6,385
Comprehensive income	41,708	30,081
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of parent	40,869	28,838
Comprehensive income attributable to non-controlling interests	838	1,243

(3) Consolidated Statements of Cash Flow

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Operating Activities		
Income before income taxes	50,178	32,173
Depreciation and amortization	2,655	2,765
Gain on negative goodwill	―	△612
Interest and dividend income	△233	△600
Interest expense	1,582	1,374
Equity in net loss (gain) of affiliates	△28	23
Loss (gain) on translation	△699	△636
Proceeds from sale of investment securities	△914	△239
Loss on valuation of investment securities	389	45
Gain on sales of shares of subsidiaries and associates	△902	―
Gain on liquidation of subsidiaries and associates	―	△279
Loss on termination of ESOP trust	―	74
Change in notes and accounts receivable	5,517	△17,488
Change in inventories	3,967	9,783
Changes in trade payable	△14,075	△9,637
Other	12,093	15,963
Sub-total	59,529	32,710
Interest and dividends received	237	593
Interest paid	△1,594	△1,283
Corporate tax payment (refund)	△21,164	△14,811
Net cash provided by (used in) operating activities	37,007	17,208
Investing Activities		
Proceeds from withdrawal of time deposits	―	5
Disbursement of loans	△938	△2,719
Proceeds from collection of loans	481	957
Purchases of property and equipment	△1,131	△1,110
Proceeds from sales of property and equipment	7	13
Purchases of intangible assets	△556	△1,499
Purchases of investment securities	△739	△86
Proceeds from sales of investment securities	164	287
Purchase of shares of subsidiaries and associates	△1,133	△1,002
Proceeds from sales of shares of subsidiaries and associates	485	―
Proceeds from liquidation of subsidiaries and associates	―	353
Payments for transfer of business	―	△2,237
Proceeds from purchases of shares of affiliates	―	△3,194
Other	△18	7
Net cash provided by (used in) investing activities	△3,378	△10,223

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Financing Activities		
Change in short-term loans	△32,083	16,079
Repayment of long-term debt	―	△265
Proceeds from issuance of common shares	29	1
Purchase of treasury shares	△3	△3,001
Cash dividends paid	△9,373	△13,476
Dividends paid to non-controlling interests	△1,118	△500
Proceeds from purchases of shares of affiliates not resulting in change in scope of consolidation	△848	△0
Other	△547	△642
Net cash provided by (used in) financing activities	△43,943	△1,806
Translation adjustments on cash and cash equivalents	1,607	1,580
Net increase (decrease) in cash and cash equivalents	△8,707	6,759
Cash and cash equivalents at the beginning of the year	37,492	38,623
Cash and cash equivalents at end of the period	28,785	45,382

(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 consolidated 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 consolidated quarterly 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 consolidated first quarter ended June 30, 2024. This change in accounting policies was applied retrospectively. Hence, the consolidated quarterly 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 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 current consolidated third quarter, and multiplying quarterly income before income taxes by the estimated effective tax rate.

Segment information

1. Previous Consolidated Third Quarter (April 1 - December 31, 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	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

(2) Income (loss) by segment & consolidated statements of income (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

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

Not applicable

2. Current Consolidated Third Quarter (April 1 - December 31, 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	669,184	112,604	781,789	—	781,789
2) Internal sales, segment transfers	—	5	5	—	5
Total	669,184	112,609	781,794	—	781,794
Operating income by segment	23,939	9,277	33,217	—	33,217

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

Income	Amount
Total segment income	33,217
Elimination of intersegment income	0
Operating income in the consolidated statement of income	33,217

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

Significant gain on negative goodwill

In ICs, electronic devices and other business, the Company acquired additional shares of consolidated subsidiary Glosel Co., Ltd. As a result, a gain on negative goodwill of 612 million yen was recorded for the current consolidated third quarter.

Notes on significant changes in shareholders' equity

Not applicable.

Notes on going concern assumption

Not applicable.