Consolidated Financial Data (Unaudited) [In accordance with International Financial Reporting Standards ("IFRS")]
Murata Manufacturing Co., Ltd. and Subsidiaries

Consolidated Financial Flash Report (June 30, 2023)

Date: July 31, 2023

Company Name : Murata Manufacturing Co., Ltd.
Listing Code : 6981
(URL https://corporate.murata.com)
Phone : (075) 955-6525

The date of payout of dividends : -

Stock Exchange Listings:
Tokyo Stock Exchange
Stock Exchange of Singapore

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the three months ended June 30, 2023

(1) Operating results

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2023	367,694	(15.8)	50,111	(44.8)	62,768	(39.2)	50,098	(34.1)	109,184	(27.9)
Three months ended June 30, 2022	436,657	-	90,751	-	103,261	-	76,067	-	151,453	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2023	79.56	-
Three months ended June 30, 2022	119.39	-

* Percentage represents year-on-year changes.

(2) Financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent	Equity attributable to owners of parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of June 30, 2023	2,916,893	2,421,872	2,422,111	83.0	3,846.31
As of March 31, 2023	2,858,303	2,359,942	2,359,985	82.6	3,747.65

2. Dividends (Year ended March 31, 2023, and the year ending March 31, 2024)

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2023	-	75.00	-	75.00	150.00
2024	-				
2024 (Projected)		75.00	-	25.00	-

* No change in the projected dividends during the three months ended June 30, 2023.
* Three-for-one common stock split of Murata Manufacturing Co., Ltd. (hereinafter, the "Company") is planned to be conducted with an effective date of October 1,2023. Concerning the projected year-end dividend per share for the fiscal year ending March 31, 2024, the dividend amount based on the number of shares after the stock split is shown, and the total full-year dividend is displayed as " - ." Based on the number of shares prior to the stock split, the projected year-end dividend for the fiscal year ending March 31, 2024, is 75.00 yen for a full-year dividend of 150.00 yen per share.

3. Projected financial results for the six months ending September 30, 2023, and the year ending March 31, 2024 (Consolidated basis)

	Revenue		Operating income		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023	788,000	-	84,000	-	84,000	-	63,000	-	100.04
Year ending March 31, 2024	1,640,000	(2.8)	220,000	(26.2)	220,000	(27.3)	164,000	(32.8)	86.81

* No change in the projected financial results during the three months ended June 30, 2023.
* Percentage represents year-on-year changes.
* Three-for-one common stock split of the Company is planned to be conducted with an effective date of October 1, 2023. Projected basic earnings per share for the year ending March 31, 2024, uses the number of shares after the stock split. Based on the number of shares prior to the stock split, basic earnings per share are expected to be 260.43 yen.

4. Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2023 (changes in specific subsidiaries that caused change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates
1) Changes in accounting policies required by IFRS: None
2) Changes in accounting policies due to other reasons: None
3) Changes in accounting estimates: None

(3) Number of common shares outstanding
Number of shares outstanding, including treasury shares: 675,814,281 shares as of June 30, 2023, and March 31, 2023
Number of treasury shares: 46,090,881 shares as of June 30, 2023, and 46,090,727 shares as of March 31, 2023
Average number of shares outstanding: 629,721,650 shares for the three months ended June 30, 2023, and 637,142,584 shares for the three months ended June 30, 2022

*Notes to the projected financial results
The above projections were prepared based on estimates using information currently available.
Actual results may differ from the projections. For assumptions and other information regarding the projections, refer to "Business Results and Financial Position".

Business Results and Financial Position

(from April 1, 2023 through June 30, 2023)

1. Business Results

The global economic environment for the period under review saw a slowdown of the economic growth rate as the high levels of policy interest rates maintained by central banks in countries and the persistent inflation put downward pressure on the economy. In the U.S., although robust consumer spending and favorable employment conditions stayed, the risks of an economic downturn have increased due to the policy of monetary tightening that the Federal Reserve Board (FRB) has pursued and concerns over a credit crunch that might be caused by the failure of some banks. In Europe, amid the European Central Bank (ECB) and others continuing monetary tightening, sluggish consumption caused by high inflation has weighed on an economic recovery. In China, although service consumption is on a recovery trend after the lifting of the zero-COVID policy, the pace of the economic recovery has lost steam due to the poor performance of manufacturing, resulting from the weakness of demand at home and overseas. In Japan, whereas a recovery in inbound demand has become noticeable, the economy has recovered moderately with the sluggish growth of exports caused by poor demand overseas.

In the electronic market where Murata Manufacturing Co., Ltd. and its subsidiaries (hereinafter the “Companies”) operate, demand for parts grew for mobility due in part to an increase in the number of cars produced in the wake of a lessening of semiconductor shortages. However, demand overall declined, particularly in parts for smartphones and PCs, due to a lack of strength in the buying appetite for consumer electronic equipment.

In these circumstances, regarding revenue for the period under review, revenue of multilayer ceramic capacitors (MLCCs) decreased in a broad range of applications, mainly for computers and base stations. Additionally, revenue of connectivity modules and RF modules fell for smartphones. As a result, revenue decreased by 15.8 % year on year to 367,694 million yen despite the impact of foreign currency fluctuations (the yen depreciated by 7.80 yen year on year).

Looking at profits, operating profit was 50,111 million yen, down 44.8 % year on year, profit before tax was 62,768 million yen, down 39.2 % year on year, and profit attributable to owners of parent came to 50,098 million yen, down 34.1 % year on year. This was due to profit-decreasing factors such as a decrease in the operation rate and a fall in product selling prices, despite profit-increasing factors such as a weaker yen and a decrease in fixed costs.

	Millions of yen					
	Three months ended June 30, 2022		Three months ended June 30, 2023		Change	
		%*		%*		%
Revenue	436,657	100.0	367,694	100.0	(68,963)	(15.8)
Operating profit	90,751	20.8	50,111	13.6	(40,640)	(44.8)
Profit before tax	103,261	23.6	62,768	17.1	(40,493)	(39.2)
Profit attributable to owners of parent	76,067	17.4	50,098	13.6	(25,969)	(34.1)
Average exchange rate (Yen/U.S. dollar)	129.57	-	137.37	-	7.80	-

*Component ratio as a percentage of revenue

Revenue by Operating Segments

Revenue by Operating Segment for the period under review were as follows.

	Millions of yen					
	Three months ended June 30, 2022		Three months ended June 30, 2023		Change	
		%*		%*		%
Capacitors	202,143	46.3	169,470	46.1	(32,673)	(16.2)
Inductors and EMI filters	46,882	10.7	38,872	10.6	(8,010)	(17.1)
Components	249,025	57.0	208,342	56.7	(40,683)	(16.3)
High-Frequency Device and Communications Module	108,396	24.8	87,922	23.9	(20,474)	(18.9)
Battery and Power supply	51,276	11.8	48,015	13.0	(3,261)	(6.4)
Functional Device	24,813	5.7	20,906	5.7	(3,907)	(15.7)
Devices and Modules	184,485	42.3	156,843	42.6	(27,642)	(15.0)
Others	3,147	0.7	2,509	0.7	(638)	(20.3)
Revenue	436,657	100.0	367,694	100.0	(68,963)	(15.8)

*Component ratio as a percentage of revenue

<Components>

Revenue of Components for the period under review decreased by 16.3 % year-on-year to 208,342 million yen.

〔Capacitors〕

The Capacitors category includes MLCCs.

For the period under review, revenue of MLCCs increased for mobility, but decreased in a wide range of applications, mainly for computers and base stations.

As a result, overall revenue decreased by 16.2 % year-on-year to 169,470 million yen.

〔Inductors and EMI Filters〕

The Inductors and EMI filters category includes Inductors, EMI Suppression Filters.

For the period under review, revenue of inductors and EMI suppression filters increased for mobility. However, revenue of inductors decreased for computers and smartphones.

As a result, overall revenue decreased by 17.1 % year-on-year to 38,872 million yen.

<Devices and Modules>

Revenue of Devices and Modules for the period under review decreased by 15.0 % year-on-year to 156,843 million yen.

〔High-Frequency Device and Communications Module〕

The High-Frequency Device and Communications Module category includes Connectivity modules, Multilayer resin substrates, RF modules, SAW filters.

For the period under review, while revenue of multilayer resin substrates and SAW filters increased, revenue of connectivity modules and high-frequency modules fell for smartphones.

As a result, overall revenue decreased by 18.9 % year-on-year to 87,922 million yen.

〔Battery and Power supply〕

The Battery and Power supply category includes Lithium-ion secondary batteries, Power supplies modules.

For the period under review, revenue of lithium-ion secondary batteries decreased for power tools.

As a result, overall revenue decreased by 6.4 % year-on-year to 48,015 million yen.

〔Functional Device〕

The Functional Device category includes Sensors, Timing devices (Resonators).

For the period under review, revenue of sensors increased for mobility. However, revenue of sensors and timing devices decreased for computers and smartphones.

As a result, overall revenue decreased by 15.7 % year-on-year to 20,906 million yen.

Revenue by Application Category

Revenue by Application Category for the period under review were as follows.

	Millions of yen					
	Three months ended June 30, 2022		Three months ended June 30, 2023		Change	
		%		%		%
Communication	169,184	38.7	134,081	36.5	(35,103)	(20.7)
Mobility	91,908	21.0	99,603	27.1	7,695	8.4
Computers	68,160	15.6	45,211	12.3	(22,949)	(33.7)
Home Electronics	51,335	11.8	42,034	11.4	(9,301)	(18.1)
Industry and Others	56,070	12.9	46,765	12.7	(9,305)	(16.6)
Revenue	436,657	100.0	367,694	100.0	(68,963)	(15.8)

*Based on our estimate

〔Communication〕

For the period under review, revenue of connectivity modules, RF modules, and MLCCs decreased for smartphones, and MLCCs additionally fell for base stations.

As a result, overall revenue decreased by 20.7 % year-on-year to 134,081 million yen.

〔Mobility〕

For the period under review, revenue of MLCCs and EMI suppression filters increased mainly due to the revenue-increasing factor of a weaker yen and a recovery in the quantity of automobiles produced.

As a result, overall revenue increased by 8.4 % year-on-year to 99,603 million yen.

〔Computers〕

For the period under review, revenue of MLCCs, inductors and connectivity modules decreased for PCs.

As a result, overall revenue decreased by 33.7 % year-on-year to 45,211 million yen.

〔Home Electronics〕

For the period under review, revenue of lithium-ion secondary batteries for power tools decreased.

As a result, overall revenue decreased by 18.1 % year-on-year to 42,034 million yen.

〔Industry and Others〕

For the period under review, revenue of MLCCs for distributors and Industrial equipment decreased.

As a result, overall revenue decreased by 16.6 % year-on-year to 46,765 million yen.

2. Financial Position

Total assets at the end of the period under review increased by 58,590 million yen from the end of the previous fiscal year to 2,916,893 million yen primarily due to increases in property, plant and equipment, and other current assets, despite a decrease in cash and cash equivalents. Total liabilities fell 3,340 million yen from the end of the previous fiscal year to 495,021 million yen mainly due to a decrease in other current liabilities. Total equity increased by 61,930 million yen from the end of the previous fiscal year to 2,421,872 million yen, primarily due to increases in other components of equity and retained earnings. The ratio of equity attributable to owners of parent up by 0.4 points from the end of the previous fiscal year to 83.0 %.

Compared with the previous fiscal year, cash flows for the period under review were as follows.

<Net cash provided by operating activities>

For the period under review, cash flows from operating activities were an inflow of 59,374 million yen mainly due to profit for the period of 49,942 million yen, which is the source of cash flows, and depreciation and amortization of 42,064 million yen.

Net cash provided by cash flows from operating activities increased by 26,584 million yen from the same period of the previous fiscal year.

<Net cash used in investing activities>

For the period under review, cash flows from investing activities were an outflow of 75,682 million yen primarily due to purchase of property, plant and equipment of 72,192 million yen, aimed at boosting production capacity and construction of buildings for production in particular, despite proceeds from sale and redemption of investments of 7,100 million yen.

Net cash used in investing activities decreased by 39,665 million yen from the same period of the previous fiscal year.

<Net cash used in financing activities>

For the period under review, net cash used in financing activities was 49,688 million yen primarily due to the payment of dividends of 47,229 million yen.

Net cash used in financing activities increased by 41,426 million yen from the same period of the previous fiscal year.

3. Projected Results for the Year Ending March 31, 2024

The Companies have not revised their projected results for the year ending March 31, 2024, which were announced on April 28, 2023.

[Cautionary Statement on Forward-looking Statements]

This report contains forward-looking statements concerning the Companies' projections, plans, policies, strategies, schedules, and decisions. These forward-looking statements are not historical facts; rather, they represent the assumptions of the Companies based on information currently available and certain assumptions we deem as reasonable. Actual results may differ materially from expectations owing to various risks and uncertainties. Readers are therefore requested not to rely on these forward-looking statements as the sole basis for evaluating the Companies. The Companies have no obligation to revise any of the forward-looking statements as a result of new information, future events, or otherwise.

Risks and uncertainties that may affect actual results include, but are not limited to, the following: (1) economic conditions of the Companies' business environment, and trends, supply-demand balance, and price fluctuations in the markets for electronic devices and components; (2) price fluctuations and insufficient supply of raw materials; (3) exchange rate fluctuations; (4) the Companies' ability to provide a stable supply of new products that are compatible with the rapid technical innovation of the electronic components market and to continue to design and develop products and services that satisfy customers; (5) changes in the market value of the Companies' financial assets; (6) drastic legal, political, and social changes in the Companies' business environment; and (7) other uncertainties and contingencies.

(1) Condensed quarterly consolidated statement of financial position

(Millions of yen)

	April 1, 2022	March 31, 2023	June 30, 2023
Assets			
Current assets			
Cash and cash equivalents	512,072	469,406	422,966
Trade receivables	358,395	270,239	280,339
Inventories	465,139	574,632	589,133
Other financial assets	66,872	43,014	51,204
Other current assets	33,346	50,321	79,649
Total current assets	1,435,824	1,407,612	1,423,291
Non-current assets			
Property, plant and equipment	1,084,161	1,146,222	1,175,976
Right-of-use assets	41,041	49,845	53,116
Goodwill	114,722	123,247	132,213
Intangible assets	42,030	39,375	39,475
Other financial assets	43,210	39,248	40,306
Deferred tax assets	31,704	42,952	38,254
Other non-current assets	11,389	9,802	14,262
Total non-current assets	1,368,257	1,450,691	1,493,602
Total assets	2,804,081	2,858,303	2,916,893

(Millions of yen)

	April 1, 2022	March 31, 2023	June 30, 2023
Liabilities			
Current liabilities			
Bonds and borrowings	99	60,534	60,611
Trade payables	93,842	65,597	65,039
Lease liabilities	6,843	7,729	7,970
Other financial liabilities	49,952	59,857	56,830
Income taxes payable	55,318	12,755	15,489
Deferred income	673	854	863
Provisions	2,136	2,859	2,940
Other current liabilities	110,502	87,723	79,187
Total current liabilities	319,365	297,908	288,929
Non-current liabilities			
Bonds and borrowings	110,979	51,464	51,618
Lease liabilities	28,703	35,500	38,971
Other financial liabilities	2,562	2,707	2,920
Deferred income	13,621	19,093	19,451
Retirement benefit liability	66,949	70,251	70,449
Provisions	6,470	9,102	9,179
Deferred tax liabilities	12,082	9,031	10,027
Other non-current liabilities	3,361	3,305	3,477
Total non-current liabilities	244,727	200,453	206,092
Total liabilities	564,092	498,361	495,021
Equity			
Share capital	69,444	69,444	69,444
Capital surplus	121,004	121,116	121,160
Retained earnings	2,099,426	2,246,258	2,249,127
Other components of equity	3,343	56,661	115,876
Treasury shares	(53,538)	(133,494)	(133,496)
Equity attributable to owners of parent	2,239,679	2,359,985	2,422,111
Non-controlling interests	310	(43)	(239)
Total equity	2,239,989	2,359,942	2,421,872
Total liabilities and equity	2,804,081	2,858,303	2,916,893

(2) Condensed quarterly consolidated statement of profit or loss and condensed quarterly consolidated statement of comprehensive income

Condensed quarterly consolidated statement of profit or loss

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Revenue	436,657	367,694
Cost of sales	(257,508)	(223,980)
Gross profit	179,149	143,714
Selling, general and administrative expenses	(60,094)	(61,088)
Research and development expenses	(30,528)	(32,731)
Other income	2,674	1,341
Other expenses	(450)	(1,125)
Operating profit	90,751	50,111
Finance income	13,006	13,181
Finance costs	(496)	(524)
Profit before tax	103,261	62,768
Income tax expense	(27,303)	(12,826)
Profit for the period	75,958	49,942
Profit attributable to:		
Owners of parent	76,067	50,098
Non-controlling interests	(109)	(156)
Profit for the period	75,958	49,942
Earnings per share		
Basic earnings per share	119.39	79.56

Condensed quarterly consolidated statement of comprehensive income

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit for the period	75,958	49,942
Other comprehensive income, net of tax		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(1,131)	1,376
Total of items that will not be reclassified to profit or loss	(1,131)	1,376
Items that may be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	0	7
Exchange differences on translation of foreign operations	76,626	57,859
Total of items that may be reclassified to profit or loss	76,626	57,866
Total other comprehensive income, net of tax	75,495	59,242
Comprehensive income for the period	151,453	109,184
Comprehensive income attributable to:		
Owners of parent	151,504	109,313
Non-controlling interests	(51)	(129)
Comprehensive income for the period	151,453	109,184

(3) Condensed quarterly consolidated statement of changes in equity

For the three months ended June 30, 2022

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other components of equity	Treasury shares	Total		
Balance as of April 1, 2022	69,444	121,004	2,099,426	3,343	(53,538)	2,239,679	310	2,239,989
Profit for the period	-	-	76,067	-	-	76,067	(109)	75,958
Other comprehensive income	-	-	-	75,437	-	75,437	58	75,495
Comprehensive income	-	-	76,067	75,437	-	151,504	(51)	151,453
Purchase of treasury shares	-	-	-	-	(43,556)	(43,556)	-	(43,556)
Disposal of treasury shares	-	-	-	-	-	-	-	-
Dividends	-	-	(44,788)	-	-	(44,788)	(66)	(44,854)
Share-based payment transactions	-	37	-	-	-	37	-	37
Transfer from other components of equity to retained earnings	-	-	5	(5)	-	-	-	-
Other	-	(3)	-	-	-	(3)	-	(3)
Balance as of June 30, 2022	69,444	121,038	2,130,710	78,775	(97,094)	2,302,873	193	2,303,066

For the three months ended June 30, 2023

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other components of equity	Treasury shares	Total		
Balance as of April 1, 2023	69,444	121,116	2,246,258	56,661	(133,494)	2,359,985	(43)	2,359,942
Profit for the period	-	-	50,098	-	-	50,098	(156)	49,942
Other comprehensive income	-	-	-	59,215	-	59,215	27	59,242
Comprehensive income	-	-	50,098	59,215	-	109,313	(129)	109,184
Purchase of treasury shares	-	-	-	-	(2)	(2)	-	(2)
Disposal of treasury shares	-	0	-	-	0	0	-	0
Dividends	-	-	(47,229)	-	-	(47,229)	(67)	(47,296)
Share-based payment transactions	-	44	-	-	-	44	-	44
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Balance as of June 30, 2023	69,444	121,160	2,249,127	115,876	(133,496)	2,422,111	(239)	2,421,872

(4) Condensed quarterly consolidated statement of cash flows

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Cash flows from operating activities		
Profit for the period	75,958	49,942
Depreciation and amortization	41,076	42,064
Impairment losses	-	30
Finance income and finance costs	(12,510)	(12,657)
Income tax expense	27,303	12,826
Loss (gain) on sale and retirement of fixed assets	154	244
Decrease (increase) in inventories	(56,424)	(1,945)
Decrease (increase) in trade receivables	37,861	5,393
Decrease (increase) in other assets	(31,317)	(22,957)
Increase (decrease) in trade payables	5,212	(1,666)
Increase (decrease) in other liabilities	(10,554)	5,490
Other	13,425	(205)
Subtotal	90,184	76,559
Income taxes paid	(57,394)	(17,185)
Net cash provided by operating activities	32,790	59,374
Cash flows from investing activities		
Net decrease (increase) in time deposits	9,907	(7,989)
Purchase of property, plant and equipment	(41,953)	(72,192)
Proceeds from sale of property, plant and equipment	864	218
Purchase of intangible assets	(1,117)	(1,849)
Purchase of investments	(24,598)	(3,135)
Proceeds from sale and redemption of investments	20,035	7,100
Interest and dividends received	643	2,069
Other	202	96
Net cash provided by (used in) investing activities	(36,017)	(75,682)
Cash flows from financing activities		
Proceeds from long-term borrowings	133	217
Purchase of treasury shares	(43,556)	(2)
Repayments of lease liabilities	(2,564)	(2,374)
Interest paid	(274)	(233)
Dividends paid	(44,788)	(47,229)
Other	(65)	(67)
Net cash provided by (used in) financing activities	(91,114)	(49,688)
Effect of exchange rate changes on cash and cash equivalents	7,676	19,556
Net increase (decrease) in cash and cash equivalents	(86,665)	(46,440)
Cash and cash equivalents at beginning of period	512,072	469,406
Cash and cash equivalents at end of period	425,407	422,966

(5) Notes to condensed quarterly consolidated financial statements

(Going concern assumption)

None

(Reporting entity)

Murata Manufacturing Co., Ltd. (hereinafter, the “Company”) is a stock company based in Japan. The Companies’ condensed quarterly consolidated financial statements are composed of financial statements of the Company and its subsidiaries.

The Companies mainly develop, manufacture and sell electronic components and related products. The Companies’ business is divided into three operating segments: Components (Capacitors, Inductors, EMI suppression filters, etc.), Devices/Modules (RF modules, SAW Filters, Lithium-ion secondary batteries, Sensors, etc.), and Others (Medical products, Solution business, etc.).

(Basis of preparation)

(i) Statement of compliance with International Financial Reporting Standards (IFRS) and matters relating to first-time adoption

The Companies’ condensed quarterly consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” pursuant to the provisions of Article 93 of the “Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Order No. 64 of 2007), as the Companies meet the requirements of a “specified company complying with designated international accounting standards” as stipulated in Article 1-2 of the said regulation.

The Companies first applied IFRS in the first quarter of the current fiscal year (April 1, 2023 to March 31, 2024), with the date of transition to IFRS being April 1, 2022. In transitioning to IFRS, IFRS 1, “First-time Adoption of International Financial Reporting Standards” has been adopted, and the impact of the transition to IFRS on the Company’s financial position, results of operations and cash flows is described in Note “First-time Adoption.”

(ii) Basis of measurement

As described in note “(Significant accounting policies),” the condensed quarterly consolidated financial statements of the Companies have been prepared on the historical cost basis, except for certain financial instruments, etc. measured at fair value.

(iii) Functional currency and presentation currency

The condensed quarterly consolidated financial statements of the Companies are presented in Japanese yen, which is the functional currency of the Company, and figures less than one million yen are rounded to the nearest million yen.

(Significant accounting policies)

(i) Basis of consolidation

(1) Subsidiaries

A subsidiary is an entity that is controlled by the Companies. The Companies control an entity when they are exposed or have rights to variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity.

The financial statements of subsidiaries are included in the scope of consolidation from the date on which the Companies obtain control of the subsidiary until the date on which the Companies lose the control.

If any accounting policies applied by a subsidiary differ from those applied by the Companies, adjustments are made to the subsidiary's financial statements where needed. Receivables and payables balances and intragroup transactions, as well as unrealized gains or losses arising from transactions within the Companies, are eliminated in the preparation of the condensed quarterly consolidated financial statements.

Comprehensive income of subsidiaries is attributed to the owners of the parent company and the noncontrolling interests, even if the noncontrolling interests results in a negative balance.

Changes in ownership interests in subsidiaries that do not result in the loss of control are accounted for as equity transactions, and gains and losses resulting from the loss of control are recognized in profit or loss when control is lost.

(2) Affiliated companies

Affiliated companies are those entities in which the Companies have significant influence, but not control, over the financial and operating policies. If the Companies hold 20% or more and up to 50% of the voting rights of another entity, the Companies are presumed to have significant influence over the entity.

Affiliated companies are accounted for by the equity method from the date the Companies obtain significant influence until the date they lose the significant influence.

If any accounting policies applied by an affiliated company differ from those applied by the Companies, adjustments are made to the affiliated company's financial statements where needed.

(ii) Business combinations

Business combinations are accounted for using the acquisition method. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are, in principle, measured at fair value at the acquisition date.

If the sum of the consideration transferred in the business combination, the amount of any noncontrolling interests in the acquiree, and the fair value of any equity interests in the acquiree previously held by the Companies exceeds the net amount of identifiable assets acquired and liabilities assumed, the excess is recognized as goodwill, and if the sum goes below the said net amount, the amount is recognized as profit. The consideration transferred is calculated as the sum of the fair value of the assets transferred, the liabilities assumed, and the equity interests issued, and it includes the fair value of any assets or liabilities arising from the arrangement of contingent consideration.

The noncontrolling interests are measured for each business combination transaction at fair value or at the noncontrolling interests' proportionate share of the acquiree's identifiable net assets.

(iii) Foreign currency translation

Based on IAS 21 "The Effects of Changes in Foreign Exchange Rates," the Companies translate foreign currency items in the following manner:

(1) Translation of foreign currency transactions

Foreign currency transactions are translated and recorded in the respective functional currency of each company of the Companies at the exchange rates prevailing on the transaction dates.

Foreign currency monetary items at the balance sheet date are translated into functional currency at the exchange rate prevailing at the end of the period, and foreign currency non-monetary items measured at fair value are translated into functional currency at the exchange rate prevailing at the date when such fair value is calculated.

Translation differences arising from the settlement and translation of monetary items are recognized as profit or loss.

(2) Translation of foreign operations

Assets and liabilities of foreign operations are translated into the presentation currency at the exchange rate prevailing at the end of the period, and income and expenses are translated into the presentation currency at the average exchange rate during the period, except in the case of significant fluctuations in exchange rates. Translation differences arising from such translation are recognized in other comprehensive income.

When a foreign operation is disposed of, the cumulative translation differences related to the foreign operation are transferred to profit or loss at the time of disposal.

The Companies have adopted the exemption provisions of IFRS 1, and the cumulative exchange differences on translating foreign operations as of the date of transition are considered to be zero and all of them are transferred to retained earnings.

(iv) Financial instruments

1. Financial assets

(1) Initial recognition and measurement

The Companies classify financial assets as financial assets measured at amortized cost, debt and equity financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss. This classification is determined at initial recognition.

The Companies recognize a financial instrument on the trade date when the Companies become a party to the contract of the financial asset.

All financial assets are measured at fair value, plus transaction cost, except for those classified as financial assets measured at fair value through profit or loss.

(a)Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met.

・Assets are held based on a business model in which assets are held for the purpose of collecting contractual cash flows.

・The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b)Financial assets measured at fair value

Financial assets other than financial assets measured at amortized cost are classified as financial assets measured at fair value.

1) Debt financial assets measured at fair value through other comprehensive income

Debt financial assets measured at fair value are classified as debt financial assets measured at fair value through other comprehensive income if both of the following conditions are met.

・Assets are held based on a business model in which the objective is achieved by both the collection and sale of contractual cash flows.

・The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2) Equity financial assets measured at fair value through other comprehensive income

Equity financial assets measured at fair value are classified as equity financial assets measured at fair value through other comprehensive income if an irrevocable election has been made at initial recognition to recognize changes in fair value in other comprehensive income rather than in profit or loss.

3) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value other than 1) and 2) are classified as financial assets measured at fair value through profit or loss.

(2) Subsequent measurement

After initial recognition, financial assets are measured based on the classification as follows.

(a)Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured using the amortized cost based on the effective interest method.

(b)Financial assets measured at fair value

1) Debt financial assets measured at fair value through other comprehensive income

Subsequent changes in the fair value of such financial assets, other than impairment gains or losses and foreign currency exchange gain or loss, are recognized in other comprehensive income until the financial assets are derecognized or reclassified. Upon derecognition of such financial assets, previously recognized other comprehensive income is reclassified to profit or loss.

2) Equity financial assets measured at fair value through other comprehensive income

Subsequent changes in the fair value of such financial assets are recognized in other comprehensive income. Dividends relating to such financial assets are recognized as part of finance income in profit or loss for the fiscal year under review.

3) Financial assets measured at fair value through profit or loss

Subsequent changes in the fair value of such financial assets are recognized in profit or loss.

(3) Derecognition of financial assets

The Companies derecognize financial assets when contractual rights to cash flows from the financial assets expire, or when the Companies transfer substantially all the risks and rewards of ownership of the financial assets. If the Companies retain control over the transferred financial asset, the Companies recognize the asset and related liability to the extent of their continuing involvement.

(4) Impairment of financial assets

For financial assets measured at amortized cost, allowance for doubtful accounts is recognized for expected credit losses.

At the end of each period, the Companies assess whether the credit risk associated with each financial asset has increased significantly since initial recognition, and if the credit risk has not increased significantly since initial recognition, the Companies recognize expected credit losses for 12 months as allowance for doubtful accounts. On the other hand, if the credit risk has increased significantly since initial recognition, an amount equal to the expected credit losses for the entire period is recognized as allowance for doubtful accounts. However, for trade receivables and contract assets that do not contain a significant financial component, allowance for doubtful accounts is always recognized in an amount equal to the expected credit losses for the entire period, regardless of whether the credit risk has increased significantly since initial recognition.

The Companies determine whether credit risk has increased significantly based on changes in the risk of default occurrence, and in making this determination, the Companies consider downgrades of internal credit ratings, deterioration in the business performance of counterparties, and information on the elapse of due dates, etc.

Expected credit losses are recognized at the present value of the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive.

The Companies estimate expected credit losses on financial assets in a manner that reflects the following:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- Time value of money
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

In case of being affected by significant economic fluctuations, etc., necessary adjustments are made to the expected credit losses measured above.

The carrying amount of a financial asset is directly reduced if the Companies do not have a reasonable expectation of recovering the entirety or a portion of a financial asset.

2. Financial liabilities

(1) Initial recognition and measurement

The Companies classify financial liabilities as either financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost. This classification is determined at initial recognition.

The Companies initially recognize the debt securities issued on the date of their issuance. All other financial liabilities are initially recognized on the date of the transaction in which the Companies become a party to the contract for the financial instruments.

All financial liabilities are initially measured at fair value, except for financial liabilities measured at amortized cost, which are measured at the amount net of directly attributable transaction costs.

(2) Subsequent measurement

After initial recognition, financial liabilities are measured based on the classification as follows.

(a)Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at initial recognition to be measured at fair value through profit or loss.

Subsequent changes in the fair value of such financial liabilities are recognized in profit or loss.

(b)Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured using the amortized cost based on the effective interest method after initial recognition.

Amortization using the effective interest method and gains and losses associated with derecognition are recognized in profit or loss for the fiscal year under review as part of finance costs.

(3) Derecognition of financial liabilities

The Companies derecognize a financial liability when it is extinguished, which is when the obligation identified in the contract is discharged, cancelled, or expired.

3. Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are offset and presented net in the condensed quarterly consolidated statement of financial position only when the Companies have the legal right to offset the balances and have the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

4. Fair value of financial instruments

The fair value of financial instruments traded in an active market at each reporting date is determined by reference to quoted prices in a market or prices provided by dealers. The fair value of financial instruments for which there is no active market is determined using appropriate valuation techniques.

5. Derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date the derivative contract is entered into and are remeasured at fair value at the end of each quarterly period after initial recognition.

The Companies use forward exchange contracts to fix cash flows related to recognized financial assets and liabilities and future transactions.

There are no derivatives to which hedge accounting is applied for the above derivatives.

(v) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn on demand, and short-term investments with maturities of three months or less at the time of acquisition that are readily convertible into cash and are only exposed to an insignificant risk of changes in value.

(vi) Inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs required for completion and estimated selling expenses. Cost is determined primarily based on the periodic average method and includes purchase costs, processing costs, and all costs incurred to reach the current location and condition.

(vii) Property, plant, and equipment

The acquisition cost includes costs directly related to the acquisition of the asset, demolition and removal, and restoration costs. The cost model is used for measurement after initial recognition, and the assets are stated at acquisition cost, less accumulated depreciation and accumulated impairment losses. Depreciation of each asset other than land and construction in progress is recognized on a straight-line method over their respective estimated useful lives.

The estimated useful lives of major asset items are as follows.

Buildings: 10 to 50 years

Machinery and equipment, tools, dies, furniture and fixtures, and autos and trucks: 4 to 17 years

Estimated useful lives, residual values, and depreciation methods are reviewed at each fiscal year end, and any changes are applied prospectively as changes in accounting estimates.

(viii) Goodwill and intangible assets

(1) Goodwill

The Companies initially measure goodwill as the fair value of the consideration for transfer, including the recognized amount of any noncontrolling interests in the acquiree measured as of the acquisition date, less the net amount of identifiable assets acquired and liabilities assumed as of the acquisition date.

Goodwill is not amortized, but tested for impairment each period or whenever an indication of impairment exists. Goodwill impairment losses are recognized in the condensed quarterly consolidated statement of income and are not subsequently reversed.

Goodwill is stated at acquisition cost, less accumulated impairment losses, in the condensed quarterly consolidated statement of financial position.

(2) Intangible assets

Intangible assets acquired individually are measured at acquisition cost at initial recognition. Intangible assets acquired in a business combination are measured at fair value as of the acquisition date. The cost model is used for measurement after initial recognition, and the intangible assets are stated at acquisition cost, less accumulated amortization and accumulated impairment losses.

Research and development expenses incurred within the Companies are expensed as incurred, except for expenditures for development activities that meet all of the following capitalization requirements:

- Technical feasibility of completing the intangible asset so that it is available for use or sale
- Intent to complete and use or sell the intangible asset
- Ability to use or sell the intangible asset
- How the intangible asset generates probable future economic benefits
- Availability of adequate technical, financial, and other resources required to complete the development and use or sell the intangible asset
- Ability to reliably measure expenditures attributable to intangible assets during the development period

Intangible assets with definite useful lives are amortized using straight-line method over their estimated useful lives. The estimated useful lives of intangible assets are as follows.

Software: 3 to 10 years

Technology: 5 to 13 years

Estimated useful lives, residual values, and depreciation methods are reviewed at each fiscal year end, and any changes are applied prospectively as changes in accounting estimates.

(ix) Leases

In the case of becoming the lessee under a lease contract, right-of-use assets and lease liabilities are recognized at the commencement of the lease. The initial measurement of the lease liabilities is measured at the present value of the total lease payments not paid as of the commencement date, and right-of-use assets are measured at acquisition cost, adjusted for initial direct costs incurred by the lessee, such as lease payments paid up to the commencement date, to the amount of lease liabilities initially measured.

After the commencement date, right-of-use assets are depreciated using a straight-line method over the lease term and depreciation is charged to cost of sales; selling, general and administrative expenses; and research and development expenses in the condensed quarterly consolidated statements of income. For lease liabilities, lease payments are allocated between interest expense and repayment of the lease liabilities based on the interest method, with interest expense recorded in finance costs in the condensed quarterly consolidated statement of profit or loss.

However, for short-term leases with a lease term of 12 months or less and leases with a small underlying asset, the right-of-use assets and lease liabilities are not recognized and the total lease payments are recognized as expenses over the lease term either by a straight-line method or on another regular basis.

(x) Impairment of non-financial assets

The carrying amount of the Companies' non financial assets, excluding inventories and deferred tax assets, etc., is evaluated for any indication that the assets may be impaired, and if any indication of impairment exists, the recoverable amount of such assets is estimated. For goodwill and intangible assets with indefinite useful lives or not yet available for use, the recoverable amount is estimated at the same time each year, regardless of whether there is any indication of impairment.

The recoverable amount of an asset or cash-generating unit is recognized at the higher of its value in use or its fair value, less costs to dispose of. In calculating value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the time value of money and the risks inherent in the asset.

Assets that are not tested individually in impairment testing are consolidated into the smallest cash-generating unit that, through continuous use, generates cash inflows that are generally independent of the cash inflows of other assets or asset groups. When testing goodwill for impairment, the cash-generating units to which goodwill is allocated are integrated so that impairment is tested to reflect the smallest unit to which the goodwill relates. Goodwill acquired in a business combination is allocated to the cash-generating unit or group of cash-generating units that are expected to benefit from the synergies of the integration.

The Companies' corporate assets do not generate independent cash inflows. When there is any indication that corporate assets may be impaired, the recoverable amount of the cash-generating unit to which the corporate assets are attributed is estimated.

An impairment loss is recognized in profit or loss when the carrying amount of the cash-generating unit or group of cash-generating units exceeds its estimated recoverable amount. Impairment losses recognized in relation to a cash-generating unit or group of cash-generating units are allocated first to reduce the carrying amount of goodwill allocated to that unit and then proportionately to the carrying amount of other assets within that unit.

No impairment losses related to goodwill are reversed. For other assets, previously recognized impairment losses are evaluated at end of each period to determine whether there is any indication that the loss will decrease or disappear. If the estimates used to determine the recoverable amount change, the impairment losses are reversed. Impairment losses are reversed up to the carrying amount of the asset after deducting the required depreciation and amortization from the carrying amount if no impairment loss had been recognized.

(xi) Employee benefits

Short-term employee benefits are not discounted, but are charged to expense when the related services are rendered.

For bonuses and paid leave costs, the Companies have a legal or constructive obligation to pay them and recognize as a liability the amount estimated to be paid under those plans when reliable estimates can be made.

The obligation for long-term employee benefits other than post-employment benefits is calculated by discounting to present value the amount of future benefits earned by employees for services rendered in prior and current fiscal years.

The Companies operate both defined benefit plan and defined contribution plan as retirement benefit plans for employees. The net asset or liability for a defined benefit plan is calculated as the present value of the defined benefit plan obligation less the fair value of the plan assets. The asset ceiling for this calculation is limited to the present value of available future economic benefits in the form of a return from the plan or a reduction in future contributions.

The Companies calculate the present value of defined benefit plan obligation and related current service cost and past service cost using the projected unit credit method.

The discount rate is calculated based on the market yield of high-quality corporate bonds at the end of the period corresponding to the discount period, setting the discount period based on the period up to the expected date of benefit payments each fiscal year in the future. The liability or asset for a defined benefit plan is calculated as the present value of the defined benefit plan obligation less the fair value of the plan assets.

The remeasurement of the net amount of defined benefit liability or asset is recognized in a lump sum in other comprehensive income in the period in which it occurs and is immediately reclassified from other components of equity to retained earnings.

Past service cost is accounted for as profit or loss in the period in which it is incurred.

The cost of defined contribution retirement benefits is recognized as an expense when contributions are made.

(xii) Stock-based compensation

The Company has introduced a restricted compensation plan for Directors (excluding directors serving as Audit and Supervisory Committee members and Outside Directors) and executive officers as equity-settled stock-based compensation.

The consideration for services received is measured at the fair value of the Company's shares at the date of grant and recognized as an expense from the date of grant over the vesting period, with the corresponding amount recognized as an increase in equity.

(xiii) Provisions

Provisions are recognized when, as a result of past events, the Companies have a present legal or constructive obligation, it is probable that an outflow of economic resources will be required in order to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the time value of money is significant, estimated future cash flows are discounted to present value using a pre-tax interest rate that reflects the time value of money and the risks inherent in the liability. The unwinding of the discount due to passage of time is recognized as finance costs.

(xiv) Revenue recognition

The Companies recognize revenue from contracts with customers, excluding interest and dividend income and other income under IFRS 9 "Financial Instruments," by applying the following steps as prescribed in IFRS 15 "Revenue from Contracts with Customers."

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Companies sell electronic components that comprise the Companies' operating segments (Components, Devices and Modules, and Others) and related products. With regard to the sales of products, the Companies recognize revenue at the time of delivery of a product since they consider that the customer obtains control over the product and performance obligations are satisfied at the time of delivery of the product. In addition, revenue is recognized at the amount of consideration promised in the contract with the customer, less discounts, rebates, returned goods, etc.

(xv) Finance income and finance costs

Finance income consists primarily of interest income, dividend income, foreign currency exchange gain, and changes in the fair value of financial assets measured at fair value through profit or loss.

Interest income is recognized as earned using the effective interest method. Dividend income is recognized when the right to receive dividends is established.

Finance costs consist primarily of interest expense, foreign currency exchange loss, and changes in the fair value of financial assets measured at fair value through profit or loss.

Interest expense is recognized as incurred using the effective interest method.

(xvi) Government grants

Government grants are recognized at fair value when there is a reasonable assurance that the Companies will comply with the conditions attaching to it, and that the grant will be received.

Government grants relating to assets are recognized as deferred income and are recognized in profit or loss on a systematic basis over the estimated useful life of the assets to which the grants relate.

Government grants relating to costs are recognized in profit or loss over the period in which the Companies recognize expenses for which the grants are intended to compensate.

(xvii) Income taxes

Income tax expense consists of current and deferred income taxes. They are recognized in profit or loss, except when they arise from items recognized directly in other comprehensive income or equity, or from business combinations.

Current income taxes are measured at the amount expected to be paid to or refunded from the tax authorities. Tax rates and tax laws used in the calculation of tax amounts are those in effect or substantially in effect at the end of the period.

Deferred taxes are recognized on temporary differences that are differences between the tax basis amount of assets and liabilities and their carrying amounts on accounting basis at the end of the period, loss carryforwards and tax credit carryforwards.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

・Temporary differences arising from the initial recognition of goodwill

・Temporary differences arising from the initial recognition of assets or liabilities arising from transactions that neither affect accounting profit nor taxable income (loss) for tax purposes, except for business combination transactions

・With respect to deductible temporary differences related to investments in subsidiaries, affiliated companies, and interests in jointly controlled arrangements, if it is probable that the temporary differences will not reverse in the foreseeable future or it is less probable that the taxable income for which the temporary differences are to be used will be earned.

・With respect to the taxable temporary differences related to investments in subsidiaries, affiliate, and interests in a jointly controlled arrangement, if the timing of reversal of the temporary differences is controllable and it is probable that the temporary difference will not reverse within a foreseeable period of time

Deferred tax liabilities are, in principle, recognized for all taxable temporary differences, and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable income will be earned to allow for the use of the deductible temporary differences in the future.

The carrying amount of deferred tax assets is reviewed each period and the carrying amount is reduced to the extent that it is probable that sufficient taxable income will not be earned to allow for the full or partial use of the deferred tax assets. Unrecognized deferred tax assets are reviewed each period and recognized to the extent that it becomes probable that the deferred tax assets will be recovered through future taxable income.

Deferred tax assets and liabilities are measured at the tax rates and by the tax laws expected to apply in the period in which the asset is realized or the liability is settled, based on tax rates and tax laws in effect or substantially in effect as of the end of the period.

Deferred tax assets and liabilities are offset when the entity has a legally enforceable right to set off current tax assets and current tax liabilities and they are imposed by the same tax authority on the same taxable entity, or on the different taxable entities, but the entities have an intention to settle current tax liabilities and current tax assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

For uncertain tax positions for income taxes, a reasonably estimated amount is recognized as an asset or liability if it is probable that the tax position will be incurred based on the interpretation of the tax law.

Income tax expense in the condensed quarterly consolidated statements of income is calculated based on the estimated annual effective tax rate.

The Companies applies the temporary exception under “International tax reform - Pillar 2 Model Rules (amendments of IAS 12)”, issued on May 2023.

(xviii) Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to common shares of the parent entity by the weighted average number of common shares outstanding during the period (adjusted for treasury stock). Diluted earnings per share is calculated by adjusting the effects of all dilutive potential shares.

(xix) Treasury stock

Treasury stock is measured at cost and deducted from equity. No gain or loss is recognized associated with the purchase, sale, or cancellation of treasury stock of the Company. Any difference between the carrying amount and the consideration received from the sale is recognized as equity.

(Significant accounting estimates and judgments)

In preparing the condensed quarterly consolidated financial statements in accordance with IFRS, management is required to make judgments, estimates, and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and their underlying assumptions are continuously reviewed. The effects of a change in any accounting estimate are recognized in the period of the change and future periods.

The judgments and estimates made by management that have a significant effect on the amounts reported in the condensed quarterly consolidated financial statements are as follows:

- Fair value of financial instruments ((5) Notes to condensed quarterly consolidated financial statements, “(Significant accounting policies) (iv) Financial instruments”)
- Evaluation of inventories ((5) Notes to condensed quarterly consolidated financial statements, “(Significant accounting policies) (vi) Inventories”)
- Impairment of non-financial assets ((5) Notes to condensed quarterly consolidated financial statements, “(Significant accounting policies) (x) Impairment of non-financial assets”)
- Measurement of defined benefit plan obligations ((5) Notes to condensed quarterly consolidated financial statements, “(Significant accounting policies) (xi) Employee benefits”)
- Measurement of provisions ((5) Notes to condensed quarterly consolidated financial statements, “(Significant accounting policies) (xiii) Provisions”)
- Recoverability of deferred tax assets ((5) Notes to condensed quarterly consolidated financial statements, “(Significant accounting policies) (xvii) Income taxes”)

(Segment Information)

Operating Segment Information

The Companies mainly develop, manufacture and sell electronic components and related products.
Operating segments of the Companies are classified based on the business strategies of the Companies, and the Companies recognized three segments that are the Components, Devices and Modules, and Others.

		Millions of yen			
		Three months ended June 30, 2022		Three months ended June 30, 2023	
Components	Revenue to:		%		%
	Unaffiliated customers	249,025		208,342	
	Intersegment	2,930		2,146	
	Total revenue	251,955	100.0	210,488	100.0
	Operating profit (loss)	88,055	34.9	52,499	24.9
Devices and Modules	Revenue to:		%		%
	Unaffiliated customers	184,485		156,843	
	Intersegment	2		4	
	Total revenue	184,487	100.0	156,847	100.0
	Operating profit (loss)	2,449	1.3	(199)	(0.1)
Others	Revenue to:		%		%
	Unaffiliated customers	3,147		2,509	
	Intersegment	17,041		12,729	
	Total revenue	20,188	100.0	15,238	100.0
	Operating profit (loss)	247	1.2	(2,189)	(14.4)
Eliminations and Corporate	Revenue to:		%		%
	Unaffiliated customers	-		-	
	Intersegment	(19,973)		(14,879)	
	Total revenue	(19,973)	-	(14,879)	-
	Operating profit (loss)	-	-	-	-
Consolidated	Revenue to:		%		%
	Unaffiliated customers	436,657		367,694	
	Intersegment	-		-	
	Total revenue	436,657	100.0	367,694	100.0
	Operating profit	90,751	20.8	50,111	13.6

Notes: 1. Major products and businesses included in the operating segment
(1) Components: Capacitors, Inductors, and EMI suppression filters
(2) Devices and Modules: RF modules, SAW filters, Lithium-ion secondary batteries, and Sensors
(3) Others: Machinery manufacturing, Medical products, and Solutions business

Notes: 2. Intersegment transactions are based on market prices.

(Significant subsequent events)

None

(First-time adoption)

The Companies have disclosed condensed quarterly consolidated financial statements in accordance with IFRS since the first quarter of the current fiscal year (April 1, 2023 to June 30, 2023). The most recent consolidated financial statements prepared in accordance with Generally Accepted Accounting Standards in the United States (“U.S. GAAP”) relate to the fiscal year ended March 31, 2023 and the date of transition to IFRS is April 1, 2022.

(1) Exemption provisions of IFRS 1

IFRS requires companies applying IFRS for the first time (“first-time adopter”) to apply the standards required by IFRS retrospectively, in principle. However, IFRS 1 stipulates, for some of the standards required by IFRS, those to which exception provisions are compulsorily applied and those to which exemption provisions are voluntarily applied. The effect of the application of these provisions is adjusted in retained earnings or other components of equity at the date of transition to IFRS. The exemption provisions adopted by the Companies in transitioning from U.S. GAAP to IFRS are as follows.

・Business combinations

A first-time adopter is allowed to elect not to retrospectively apply IFRS 3 “Business Combinations” to the business combinations that took place before the date of transition to IFRS. The Companies elected, by applying this exemption provision, not to retrospectively apply IFRS 3 to the business combinations that took place before the date of transition. As a result, the amount of goodwill arising from the business combinations before the date of transition is recognized at the carrying amount as of the date of transition based on U.S. GAAP.
In addition, an impairment test with regard to goodwill was conducted as of the date of transition, regardless of any indication of impairment.

・Cumulative exchange differences on translating foreign operations

Under IFRS 1, an option is allowed whereby cumulative translation differences of foreign operations as of the date of transition to IFRS may be assumed to be nil. The Companies elected to assume such cumulative translation differences to be nil as of the date of transition to IFRS.

・Designation of previously recognized financial instruments

IFRS 1 permits judgements regarding classification under IFRS 9 “Financial Instruments” based on the facts and circumstances as of the date of transition, rather than on the facts and circumstances existing at the time of initial recognition. In addition, it is permitted to designate equity financial assets as financial assets measured at fair value through other comprehensive income based on facts and circumstances existing at the date of transition.

The Companies have made judgments regarding classification under IFRS 9 based on facts and circumstances existing at the date of transition and have designated certain equity financial assets as financial assets measured at fair value through other comprehensive income.

・Fair value measurement of financial instruments at initial recognition

The Companies have elected to apply prospectively the provisions of IFRS 9 on fair value measurement and recognition of gains or losses on initial recognition of financial assets and liabilities.

(2) Compulsory exceptions under IFRS 1

IFRS 1 prohibits retrospective application of IFRS with respect to “estimates,” “derecognition of financial assets and financial liabilities,” “hedge accounting,” “noncontrolling interests,” and “classification and measurement of financial instruments.” Thus the Companies apply IFRS to these items from the date of transition and onwards.

(3) Reconciliations

The reconciliations required to be disclosed on first-time adoption of IFRS are as follows:
In the reconciliations, “Reclassification” includes items that do not affect retained earnings and comprehensive income, while “Adjustment of recognition and measurement” includes items that affect retained earnings and comprehensive income.

Reconciliation of equity as of the transition date (April 1, 2022)

(Millions of yen)

Accounts under U.S. GAAP	U.S. GAAP	Reclassification	Adjustment of recognition and measurement	IFRS	Notes	Accounts under IFRS
(Assets)						(Assets)
Current assets						Current assets
Cash	370,388					
Short-term investments	174,074					
	544,462	(32,390)	-	512,072	A	Cash and cash equivalents
Marketable securities	23,979	(23,979)				
		66,872	-	66,872	A	Other financial assets
Trade notes receivable	0					
Trade accounts receivable	360,517					
Allowance for doubtful notes and accounts	(2,207)					
	358,310	(117)	202	358,395		Trade receivables
Inventories	464,723	-	416	465,139		Inventories
Prepaid expenses and other	43,732	(10,386)	-	33,346		Other current assets
Total current assets	1,435,206	-	618	1,435,824		Total current assets
Property, plant and equipment						Non-current assets
Land	81,213					
Buildings	789,142					
Machinery and equipment, tools, dies, furniture and fixtures, and autos and trucks	1,530,121					
Construction in progress	89,723					
Accumulated depreciation	(1,405,460)					
	1,084,739	(4,386)	3,808	1,084,161		Property, plant and equipment
Operating lease right-of-use assets	31,863	9,498	(320)	41,041	A	Right-of-use assets
Total property, plant and equipment	1,116,602					
Investments and other assets						
Investments	34,618	8,412	180	43,210	A	Other financial assets
Intangible assets	47,141	(5,111)	-	42,030	A	Intangible assets
Goodwill	118,014	-	(3,292)	114,722	B	Goodwill
Deferred income taxes	26,562	-	5,142	31,704		Deferred tax assets
Other	31,028	(8,413)	(11,226)	11,389	C	Other non-current assets
Total investments and other assets	257,363					
				1,368,257		Total non-current assets
Total assets	2,809,171	-	(5,090)	2,804,081		Total assets

(Millions of yen)

Accounts under U.S. GAAP	U.S. GAAP	Reclassification	Adjustment of recognition and measurement	IFRS	Notes	Accounts under IFRS
(Liabilities)						(Liabilities)
Current liabilities						Current liabilities
		99	-	99		Bonds and borrowings
Trade accounts payable	93,842	-	-	93,842		Trade payables
Accrued payroll and bonuses	63,997	(63,997)			A	
Income taxes payable	59,228	(3,910)	-	55,318		Income taxes payable
Accrued expenses and other	97,816	(47,864)	-	49,952	A	Other financial liabilities
		-	673	673	E	Deferred income
		2,136	-	2,136	A	Provisions
		104,206	6,296	110,502	A,D	Other current liabilities
Current operating lease liabilities	6,375	493	(25)	6,843	A	Lease liabilities
Total current liabilities	321,258	(8,837)	6,944	319,365		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds	109,901					
Long-term debt	1,078					
	110,979	-	-	110,979		Bonds and borrowings
Termination and retirement benefits	64,566	3,710	(1,327)	66,949	C	Retirement benefit liability
Deferred income taxes	13,233	-	(1,151)	12,082		Deferred tax liabilities
Noncurrent operating lease liabilities	25,627	3,076	-	28,703		Lease liabilities
Other	9,596	(7,034)	-	2,562	A	Other financial liabilities
		397	13,224	13,621	E	Deferred income
		6,470	-	6,470	A	Provisions
		2,218	1,143	3,361		Other non-current liabilities
Total long-term liabilities	224,001	8,837	11,889	244,727		Total non-current liabilities
Total liabilities	545,259	-	18,833	564,092		Total liabilities
(Equity)						(Equity)
Murata Corporation's shareholders' equity						
Common stock	69,444	-	-	69,444		Share capital
Capital surplus	121,004	-	-	121,004		Capital surplus
Retained earnings	2,024,368	-	75,058	2,099,426	G	Retained earnings
Unrealized gains (losses) on securities	(43)					
Pension liability adjustments	(1,963)					
Foreign currency translation adjustments	104,324					
Accumulated other comprehensive income (loss):	102,318	(102,318)				
		102,318	(98,975)	3,343	C, F	Other components of equity
Treasury stock, at cost	(53,538)	-	-	(53,538)		Treasury shares
Total Murata Corporation's shareholders' equity	2,263,596	-	(23,917)	2,239,679		Equity attributable to owners of parent
Noncontrolling interests	316	-	(6)	310		Non-controlling interests
Total equity	2,263,912	-	(23,923)	2,239,989		Total equity
Total liabilities and equity	2,809,171	-	(5,090)	2,804,081		Total liabilities and equity

Reconciliation of equity as of June 30, 2022

(Millions of yen)

Accounts under U.S. GAAP	U.S. GAAP	Reclassification	Adjustment of recognition and measurement	IFRS	Notes	Accounts under IFRS
(Assets)						(Assets)
Current assets						Current assets
Cash	348,908					
Short-term investments	100,436					
	449,344	(23,937)	-	425,407	A	Cash and cash equivalents
Marketable securities	28,060	(28,060)				
		61,900	-	61,900	A	Other financial assets
Trade notes receivable	2					
Trade accounts receivable	346,781					
Allowance for doubtful notes and accounts	(2,704)					
	344,079	(385)	(57)	343,637		Trade receivables
Inventories	540,551	-	(1,155)	539,396		Inventories
Prepaid expenses and other	80,695	(9,518)	(4,515)	66,662		Other current assets
Total current assets	1,442,729	-	(5,727)	1,437,002		Total current assets
Property, plant and equipment						Non-current assets
Land	81,716					
Buildings	816,312					
Machinery and equipment, tools, dies, furniture and fixtures, and autos and trucks	1,567,291					
Construction in progress	89,823					
Accumulated depreciation	(1,448,980)					
	1,106,162	(5,098)	3,770	1,104,834		Property, plant and equipment
Operating lease right-of-use assets	34,336	10,454	(397)	44,393	A	Right-of-use assets
Total property, plant and equipment	1,140,498					
Investments and other assets						
Investments	34,154	8,457	235	42,846	A	Other financial assets
Intangible assets	50,262	(5,356)	-	44,906	A	Intangible assets
Goodwill	128,782	-	(3,676)	125,106	B	Goodwill
Deferred income taxes	21,798	-	3,701	25,499		Deferred tax assets
Other	32,016	(8,457)	(11,605)	11,954	C	Other non-current assets
Total investments and other assets	267,012					
				1,399,538		Total non-current assets
Total assets	2,850,239	-	(13,699)	2,836,540		Total assets

(Millions of yen)

Accounts under U.S. GAAP	U.S. GAAP	Reclassification	Adjustment of recognition and measurement	IFRS	Notes	Accounts under IFRS
(Liabilities)						(Liabilities)
Current liabilities						Current liabilities
Short-term borrowings	1	210	-	211		Bonds and borrowings
Trade accounts payable	101,936	-	-	101,936		Trade payables
Accrued payroll and bonuses	45,760	(45,760)			A	
Income taxes payable	23,412	-	(1,668)	21,744		Income taxes payable
Accrued expenses and other	116,457	(55,413)	-	61,044	A	Other financial liabilities
		-	686	686	E	Deferred income
		2,846	-	2,846	A	Provisions
		88,121	135	88,256	A	Other current liabilities
Current operating lease liabilities	7,207	697	(60)	7,844	A	Lease liabilities
Total current liabilities	294,773	(9,299)	(907)	284,567		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds	109,913					
Long-term debt	1,099					
	111,012	-	-	111,012		Bonds and borrowings
Termination and retirement benefits	64,739	4,007	(1,355)	67,391	C	Retirement benefit liability
Deferred income taxes	15,157	-	(1,461)	13,696		Deferred tax liabilities
Noncurrent operating lease liabilities	27,192	3,057	-	30,249		Lease liabilities
Other	9,809	(7,148)	-	2,661	A	Other financial liabilities
		404	13,351	13,755	E	Deferred income
		6,675	-	6,675	A	Provisions
		2,304	1,164	3,468		Other non-current liabilities
Total long-term liabilities	227,909	9,299	11,699	248,907		Total non-current liabilities
Total liabilities	522,682	-	10,792	533,474		Total liabilities
(Equity)						(Equity)
Murata Corporation's shareholders' equity						
Common stock	69,444	-	-	69,444		Share capital
Capital surplus	121,038	-	-	121,038		Capital surplus
Retained earnings	2,054,781	-	75,929	2,130,710	G	Retained earnings
Unrealized gains (losses) on securities	(69)					
Pension liability adjustments	(2,054)					
Foreign currency translation adjustments	181,299					
Accumulated other comprehensive income (loss):	179,176	(179,176)				
		179,176	(100,401)	78,775	C,F	Other components of equity
Treasury stock, at cost	(97,094)	-	-	(97,094)		Treasury shares
Total Murata Corporation's shareholders' equity	2,327,345	-	(24,472)	2,302,873		Equity attributable to owners of parent
Noncontrolling interests	212	-	(19)	193		Non-controlling interests
Total equity	2,327,557	-	(24,491)	2,303,066		Total equity
Total liabilities and equity	2,850,239	-	(13,699)	2,836,540		Total liabilities and equity

Reconciliation of equity as of March 31, 2023

(Millions of yen)

Accounts under U.S. GAAP	U.S. GAAP	Reclassification	Adjustment of recognition and measurement	IFRS	Notes	Accounts under IFRS
(Assets)						(Assets)
Current assets						Current assets
Cash	318,557					
Short-term investments	162,456					
	481,013	(11,607)	-	469,406	A	Cash and cash equivalents
Marketable securities	12,240	(12,240)				
		43,014	-	43,014	A	Other financial assets
Trade notes receivable	272,894					
Allowance for doubtful notes and accounts	(2,276)					
	270,618	(261)	(118)	270,239		Trade receivables
Inventories	575,026	-	(394)	574,632		Inventories
Prepaid expenses and other	69,193	(18,906)	34	50,321		Other current assets
Total current assets	1,408,090	-	(478)	1,407,612		Total current assets
Property, plant and equipment						Non-current assets
Land	85,649					
Buildings	846,923					
Machinery and equipment, tools, dies, furniture and fixtures, and autos and trucks	1,609,043					
Construction in progress	135,966					
Accumulated depreciation	(1,529,644)					
	1,147,937	(5,181)	3,466	1,146,222		Property, plant and equipment
Operating lease right-of-use assets	40,261	10,193	(609)	49,845	A	Right-of-use assets
Total property, plant and equipment	1,188,198					
Investments and other assets						
Investments	30,365	8,440	443	39,248	A	Other financial assets
Intangible assets	44,387	(5,012)	-	39,375	A	Intangible assets
Goodwill	126,839	-	(3,592)	123,247	B	Goodwill
Deferred income taxes	31,885	-	11,067	42,952		Deferred tax assets
Other	42,999	(8,440)	(24,757)	9,802	C	Other non-current assets
Total investments and other assets	276,475					
				1,450,691		Total non-current assets
Total assets	2,872,763	-	(14,460)	2,858,303		Total assets

(Millions of yen)

Accounts under U.S. GAAP	U.S. GAAP	Reclassification	Adjustment of recognition and measurement	IFRS	Notes	Accounts under IFRS
(Liabilities)						(Liabilities)
Current liabilities						Current liabilities
		60,534	-	60,534		Bonds and borrowings
Trade accounts payable	65,597	-	-	65,597		Trade payables
Current portion of bonds	59,981	(59,981)				
Accrued payroll and bonuses	54,984	(54,984)			A	
Income taxes payable	14,184	(1,429)	-	12,755		Income taxes payable
Accrued expenses and other	101,922	(42,065)	-	59,857	A	Other financial liabilities
		-	854	854	E	Deferred income
		2,859	-	2,859	A	Provisions
		81,583	6,140	87,723	A,D	Other current liabilities
Current operating lease liabilities	6,929	668	132	7,729	A	Lease liabilities
Total current liabilities	303,597	(12,815)	7,126	297,908		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds	49,968					
Long-term debt	1,496					
	51,464	-	-	51,464		Bonds and borrowings
Termination and retirement benefits	63,261	4,727	2,263	70,251	C	Retirement benefit liability
Deferred income taxes	10,601	-	(1,570)	9,031		Deferred tax liabilities
Noncurrent operating lease liabilities	32,626	2,874	-	35,500		Lease liabilities
Other	8,738	(6,031)	-	2,707	A	Other financial liabilities
		355	18,738	19,093	E	Deferred income
		9,102	-	9,102	A	Provisions
		1,788	1,517	3,305		Other non-current liabilities
Total long-term liabilities	166,690	12,815	20,948	200,453		Total non-current liabilities
Total liabilities	470,287	-	28,074	498,361		Total liabilities
(Equity)						(Equity)
Murata Corporation's shareholders' equity						
Common stock	69,444	-	-	69,444		Share capital
Capital surplus	121,116	-	-	121,116		Capital surplus
Retained earnings	2,186,040	-	60,218	2,246,258	G	Retained earnings
Unrealized gains (losses) on securities	(49)					
Pension liability adjustments	2,267					
Foreign currency translation adjustments	157,187					
Accumulated other comprehensive income (loss):	159,405	(159,405)				
		159,405	(102,744)	56,661	C,F	Other components of equity
Treasury stock, at cost	(133,494)	-	-	(133,494)		Treasury shares
Total Murata Corporation's shareholders' equity	2,402,511	-	(42,526)	2,359,985		Equity attributable to owners of parent
Noncontrolling interests	(35)	-	(8)	(43)		Non-controlling interests
Total equity	2,402,476	-	(42,534)	2,359,942		Total equity
Total liabilities and equity	2,872,763	-	(14,460)	2,858,303		Total liabilities and equity

Reconciliation of profit or loss and comprehensive income for the three months ended June 30, 2022

(Millions of yen)

Accounts under U.S. GAAP	U.S. GAAP	Reclassification	Adjustment of recognition and measurement	IFRS	Notes	Accounts under IFRS
Net sales	436,657	-	-	436,657		Revenue
Operating expense						
Cost of sales	(256,492)	(602)	(414)	(257,508)	D	Cost of sales
				179,149		Gross profit
Selling, general and administrative	(60,878)	(990)	1,774	(60,094)	D	Selling, general and administrative expenses
Research and development	(30,674)	-	146	(30,528)	D	Research and development expenses
		2,816	(142)	2,674	A,E	Other income
		(450)	-	(450)	A	Other expenses
Operating income	88,613	774	1,364	90,751		Operating profit
Other income (expense)						
Interest and dividend income	648	13,109	(751)	13,006	A	Finance income
Interest expense	(172)	(1,768)	1,444	(496)	A	Finance costs
Foreign currency exchange gain (loss)	12,000	(12,000)				
Other (net)	115	(115)			A	
Income before income taxes	101,204	-	2,057	103,261		Profit before tax
Income taxes						
Current income tax	(22,695)					
Deferred income tax	(3,403)					
	(26,098)	-	(1,205)	(27,303)		Income tax expense
Net income	75,106	-	852	75,958		Profit for the period
						Profit attributable to:
Net income (loss) attributable to noncontrolling interests	(95)	-	(14)	(109)		Non-controlling interests
Net income attributable to Murata Corporation	75,201	-	866	76,067		Owners of parent

(Millions of yen)

Accounts under U.S. GAAP	U.S. GAAP	Reclassification	Adjustment of recognition and measurement	IFRS	Notes	Accounts under IFRS
Net income	75,106	-	852	75,958		Profit for the period
Other comprehensive income (loss), net of tax:						Other comprehensive income, net of tax
						Items that will not be reclassified to profit or loss
Unrealized gains (losses) on securities	(26)	26				
		-	(1,131)	(1,131)		Financial assets measured at fair value through other comprehensive income
Pension liability adjustments	(91)	-	91	-	C	Remeasurements of defined benefit plans
						Items that may be reclassified to profit or loss
		(26)	26	0		Financial assets measured at fair value through other comprehensive income
Foreign currency translation adjustments	77,032	-	(406)	76,626		Exchange differences on translation of foreign operations
Other comprehensive income (loss)	76,915	-	(1,420)	75,495		Total other comprehensive income, net of tax
Comprehensive income	152,021	-	(568)	151,453		Comprehensive income
						Comprehensive income attributable to:
Less: Comprehensive income (loss) attributable to noncontrolling interests	(38)	-	(13)	(51)		Non-controlling interests
Comprehensive income attributable to Murata Corporation	152,059	-	(555)	151,504		Owners of parent

Reconciliation of profit or loss and comprehensive income for the fiscal year ended March, 2023

(Millions of yen)

Accounts under U.S. GAAP	U.S. GAAP	Reclassification	Adjustment of recognition and measurement	IFRS	Notes	Accounts under IFRS
Net sales	1,686,796	-	-	1,686,796		Revenue
Operating expense						
Cost of sales	(1,010,948)	(914)	(1,400)	(1,013,262)	C	Cost of sales
				673,534		Gross profit
Selling, general and administrative	(253,722)	(412)	(1,703)	(255,837)	C	Selling, general and administrative expenses
Research and development	(124,239)	-	(421)	(124,660)	C	Research and development expenses
		15,282	(5,819)	9,463	A,E	Other income
		(3,649)	(620)	(4,269)	A	Other expenses
Operating income	297,887	10,307	(9,963)	298,231		Operating profit
Other income (expense)						
Interest and dividend income	6,512	2,481	(1,205)	7,788	A	Finance income
Interest expense	(335)	(1,957)	(1,044)	(3,336)	A	Finance costs
Foreign currency exchange gain (loss)	992	(992)				
Other (net)	9,839	(9,839)			A	
Income before income taxes	314,895	-	(12,212)	302,683		Profit before tax
Income taxes						
Current income tax	(71,932)					
Deferred income tax	10,432					
	(61,500)	-	2,465	(59,035)		Income tax expense
Net income	253,395	-	(9,747)	243,648		Profit for the period
						Profit attributable to:
Net income (loss) attributable to noncontrolling interests	(295)	-	(3)	(298)		Non-controlling interests
Net income attributable to Murata Corporation	253,690	-	(9,744)	243,946		Owners of parent

(Millions of yen)

Accounts under U.S. GAAP	U.S. GAAP	Reclassification	Adjustment of recognition and measurement	IFRS	Notes	Accounts under IFRS
Net income	253,395	-	(9,747)	243,648		Profit for the period
Other comprehensive income (loss), net of tax:						Other comprehensive income, net of tax
						Items that will not be reclassified to profit or loss
Unrealized gains (losses) on securities	(6)	6				
		-	(10)	(10)		Financial assets measured at fair value through other comprehensive income
Pension liability adjustments	4,230	-	(9,313)	(5,083)	C	Remeasurements of defined benefit plans
						Items that may be reclassified to profit or loss
		(6)	14	8		Financial assets measured at fair value through other comprehensive income
Foreign currency translation adjustments	52,873	-	445	53,318		Exchange differences on translation of foreign operations
Other comprehensive income (loss)	57,097	-	(8,864)	48,233		Total other comprehensive income, net of tax
Comprehensive income	310,492	-	(18,611)	291,881		Comprehensive income
						Comprehensive income attributable to:
Less: Comprehensive income (loss) attributable to noncontrolling interests	(285)	-	(2)	(287)		Non-controlling interests
Comprehensive income attributable to Murata Corporation	310,777	-	(18,609)	292,168		Owners of parent

Notes to equity and comprehensive income

A. Reclassification

The following items are the main items that have been reclassified in the above reconciliation and have no effect on equity and comprehensive income.

(1) Time deposits with maturities of more than three months from the date of acquisition, which were included in “Short-term investments” under U.S. GAAP, are included in “Other financial assets” under IFRS.

(2) “Other financial assets,” “Other financial liabilities” and “Provisions” are presented separately in accordance with IFRS presentation rules.

(3) “Accrued payroll and bonuses,” which was separately presented under U.S. GAAP, is included in “Other current liabilities” based on IFRS presentation rules.

(4) Based on the IFRS treatment of lessee leases, right-of-use assets and lease liabilities are recognized for all significant lessee leases and presented as “Right-of-use assets” and “Lease liabilities.” In addition, the balance of leasehold interests in land is reclassified from “Intangible assets” to “Right-of-use assets.”

(5) “Other income,” “Other expenses,” “Finance income” and “Finance costs” are presented separately based on IFRS presentation rules. In addition, certain items included in non-operating income (loss) as “Other - net” under U.S. GAAP have been reclassified to these separate line items.

B. Goodwill

Under U.S. GAAP, for the goodwill impairment test, the fair value of a reporting unit, including goodwill, is compared to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the difference is recognized as a goodwill impairment loss up to the carrying amount of goodwill allocated to that reporting unit.

On the other hand, under IFRS, if the carrying amount of a cash-generating unit or group of cash-generating units, including goodwill, exceeds its recoverable amount, the excess amount is recognized as an impairment loss. For an impairment loss incurred for a cash-generating unit or group of cash-generating units, including goodwill, the goodwill is impaired first and the remaining amount, if any, is recognized against other assets within the unit as impairment losses.

At the date of transition, each cash-generating unit or group of cash-generating units was tested for impairment and an impairment loss of “goodwill” was recognized at the date of transition to IFRS as the recoverable amount was less than the carrying amount, including goodwill.

C. Post-employment benefit

Under U.S. GAAP, the portion of past service cost and actuarial gains and losses arising from a defined benefit pension plan and a lump-sum retirement pension plan that are not recognized as components of retirement benefit expenses for the fiscal year under review is recognized in accumulated other comprehensive income, net of tax. The amount recognized in accumulated other comprehensive income is recognized in profit or loss as a component of retirement benefit expenses over a certain period in the future.

Under IFRS, past service cost is recognized in profit or loss as incurred. In addition, the remeasurement of the net amount of defined benefit liability or asset is recognized in full as other comprehensive income in the period in which it occurs and is immediately reclassified from other components of equity to retained earnings. If a defined benefit pension plan becomes overfunded, the asset ceiling is the present value of available future economic benefits in the form of a return from the plan or a reduction in future contributions.

D. Levies

Under U.S. GAAP, property tax falling under levies is recognized upon payment. Under IFRS, such levies are recorded in “Other current liabilities” and recognized in profit or loss when the event giving rise to the obligation occurs.

E. Government grant income

Under IFRS, government grants are recorded in “Deferred income” and recognized systematically in profit or loss over the estimated useful lives of the related assets, while they were recognized in full as revenue under U.S. GAAP.

F. Exchange differences on translating foreign operations

Under IFRS 1, an option is allowed whereby cumulative exchange differences on translating foreign operations as of the date of transition to IFRS may be assumed to be nil. The Company have adopted the said exemption provision and transferred the entire amount of cumulative exchange differences on translating foreign operations at the date of transition to IFRS to retained earnings.

G. Reconciliation of retained earnings

The effect of the reconciliation from U.S. GAAP to IFRS on retained earnings (after tax effect) is as follows:

(Millions of yen)

	April 1, 2022	June 30, 2022	March 31, 2023
Goodwill	(3,292)	(3,292)	(3,292)
Post-employment benefit	(9,613)	(9,954)	(17,049)
Levies	(4,297)	(2,077)	(4,217)
Government grant income	(9,690)	(10,876)	(13,876)
Exchange differences on translating foreign operations	104,324	104,324	104,324
Other	(2,374)	(2,196)	(5,672)
Total	75,058	75,929	60,218

Reconciliation of consolidated statement of cash flows for the three months ended June 30, 2022, and fiscal year ended March 31, 2023

There are no material differences between the consolidated statement of cash flows presented under U.S. GAAP and the consolidated statement of cash flows presented under IFRS.

Other

July 31, 2023
Murata Manufacturing Co., Ltd.
Listing Code: 6981
(URL https://corporate.murata.com)

Flash Report (Three months ended June 30, 2023)

Selected Financial Data - Consolidated basis

		Three months ended June 30, 2022	Three months ended June 30, 2023	Growth ratio
Revenue	Millions of yen	436,657	367,694	% (15.8)
Operating profit	<%>*2 Millions of yen	<20.8> 90,751	<13.6> 50,111	(44.8)
Profit before tax	<%>*2 Millions of yen	<23.6> 103,261	<17.1> 62,768	(39.2)
Profit attributable to owners of parent	<%>*2 Millions of yen	<17.4> 76,067	<13.6> 50,098	(34.1)
Total assets	Millions of yen	2,836,540	2,916,893	2.8
Total equity	Millions of yen	2,303,066	2,421,872	5.2
Ratio of equity attributable to owners of parent	%	81.2	83.0	-
Basic earnings per share	Yen	119.39	79.56	(33.4)
Diluted earnings per share	*3 Yen	-	-	-
Equity attributable to owners of parent per share	Yen	3,629.46	3,846.31	-
Capital expenditures	Millions of yen	38,547	53,056	37.6
Depreciation and amortization	<%>*2 Millions of yen	<9.4> 41,076	<11.4> 42,064	2.4
Research and development expenses	<%>*2 Millions of yen	<7.0> 30,528	<8.9> 32,731	7.2
Number of employees	*4	<44,738> 78,076	<39,355> 73,630	(5.7)
Average exchange rates Yen/US dollar	Yen	129.57	137.37	-

*1 Condensed quarterly consolidated financial statements are prepared in accordance with IFRS.
*2 Ratio to revenue
*3 Diluted earnings per share are not stated since there were no potential dilutive securities.
*4 Figures in parentheses indicate the number of employees in foreign countries.

Orders, Backlogs, and Sales

(1) Orders and Backlogs by Operating Segment

<Orders>

	Millions of yen					
	Three months ended June 30, 2022		Three months ended June 30, 2023		Change	
		%*1		%*1		%
Capacitors	197,479	46.3	164,314	45.5	(33,165)	(16.8)
Inductors and EMI filters	44,616	10.5	38,957	10.8	(5,659)	(12.7)
Components	242,095	56.8	203,271	56.3	(38,824)	(16.0)
High-Frequency Device and Communications Module	105,708	24.8	93,136	25.8	(12,572)	(11.9)
Battery and Power supply	51,168	12.0	42,784	11.9	(8,384)	(16.4)
Functional Device	25,550	6.0	19,244	5.3	(6,306)	(24.7)
Devices and Modules	182,426	42.8	155,164	43.0	(27,262)	(14.9)
Others	1,958	0.4	2,530	0.7	572	29.2
Total	426,479	100.0	360,965	100.0	(65,514)	(15.4)

*1 Component ratio

*2 Figures are based on sales prices to customers.

<Backlogs>

	Millions of yen					
	As of March 31, 2023		As of June 30, 2023		Change	
		%*1		%*1		%
Capacitors	135,868	40.0	130,712	39.3	(5,156)	(3.8)
Inductors and EMI filters	28,923	8.5	29,008	8.7	85	0.3
Components	164,791	48.5	159,720	48.0	(5,071)	(3.1)
High-Frequency Device and Communications Module	70,205	20.7	75,419	22.6	5,214	7.4
Battery and Power supply	77,388	22.8	72,157	21.7	(5,231)	(6.8)
Functional Device	21,784	6.4	20,122	6.0	(1,662)	(7.6)
Devices and Modules	169,377	49.9	167,698	50.3	(1,679)	(1.0)
Others	5,590	1.6	5,611	1.7	21	0.4
Total	339,758	100.0	333,029	100.0	(6,729)	(2.0)

*1 Component ratio

*2 Figures are based on sales prices to customers.

(2) Revenue by Operating Segment, Application and Area

1. Revenue by Operating Segment

	Millions of yen					
	Three months ended June 30, 2022		Three months ended June 30, 2023		Change	
		%*1		%*1		%
Capacitors	202,143	46.3	169,470	46.1	(32,673)	(16.2)
Inductors and EMI filters	46,882	10.7	38,872	10.6	(8,010)	(17.1)
Components	249,025	57.0	208,342	56.7	(40,683)	(16.3)
High-Frequency Device and Communications Module	108,396	24.8	87,922	23.9	(20,474)	(18.9)
Battery and Power supply	51,276	11.8	48,015	13.0	(3,261)	(6.4)
Functional Device	24,813	5.7	20,906	5.7	(3,907)	(15.7)
Devices and Modules	184,485	42.3	156,843	42.6	(27,642)	(15.0)
Others	3,147	0.7	2,509	0.7	(638)	(20.3)
Revenue	436,657	100.0	367,694	100.0	(68,963)	(15.8)

*1 Component ratio

2. Revenue by Application (based on the Company's estimate)

	Millions of yen					
	Three months ended June 30, 2022		Three months ended June 30, 2023		Change	
		%*1		%*1		%
Communication	169,184	38.7	134,081	36.5	(35,103)	(20.7)
Mobility	91,908	21.0	99,603	27.1	7,695	8.4
Computers	68,160	15.6	45,211	12.3	(22,949)	(33.7)
Home Electronics	51,335	11.8	42,034	11.4	(9,301)	(18.1)
Industry and Others	56,070	12.9	46,765	12.7	(9,305)	(16.6)
Revenue	436,657	100.0	367,694	100.0	(68,963)	(15.8)

*1 Component ratio

3. Revenue by Area

	Millions of Yen					
	Three months ended June 30, 2022		Three months ended June 30, 2023		Change	
		%*1		%*1		%
The Americas	51,894	11.9	52,995	14.4	1,101	2.1
Europe	43,511	9.9	44,905	12.2	1,394	3.2
Greater China	229,612	52.6	174,726	47.5	(54,886)	(23.9)
Asia and Others	72,064	16.5	60,872	16.6	(11,192)	(15.5)
Overseas total	397,081	90.9	333,498	90.7	(63,583)	(16.0)
Japan	39,576	9.1	34,196	9.3	(5,380)	(13.6)
Revenue	436,657	100.0	367,694	100.0	(68,963)	(15.8)

*1 Component ratio

*2 Revenue are attributed to countries or areas based on customer locations.

Quarterly Consolidated Performance

(1) Consolidated Financial Results

	Millions of yen	
	Three months ended June 30, 2022	
		% *1
Revenue	436,657	100.0
Operating profit	90,751	20.8
Profit before income tax	103,261	23.6
Profit attributable to owners of parent	76,067	17.4

	Millions of yen	
	Three months ended June 30, 2023	
		% *1
Revenue	367,694	100.0
Operating profit	50,111	13.6
Profit before income tax	62,768	17.1
Profit attributable to owners of parent	50,098	13.6

*1 Ratio to revenue

(2) Revenue by Operating Segment

	Millions of Yen							
	Three months ended June 30, 2022		Three months ended September 30, 2022		Three months ended December 31, 2022		Three months ended March 31, 2023	
		% *1		% *1		% *1		% *1
Capacitors	202,143	46.3	194,436	40.2	182,717	43.6	159,545	45.9
Inductors and EMI filters	46,882	10.7	48,291	10.0	43,386	10.3	36,765	10.6
Components	249,025	57.0	242,727	50.2	226,103	53.9	196,310	56.5
High-Frequency Device and Communications Module	108,396	24.8	147,608	30.5	114,369	27.3	83,273	23.9
Battery and Power supply	51,276	11.8	64,997	13.4	53,920	12.9	44,363	12.8
Functional Device	24,813	5.7	24,896	5.2	22,132	5.3	20,937	6.0
Devices and Modules	184,485	42.3	237,501	49.1	190,421	45.5	148,573	42.7
Others	3,147	0.7	3,339	0.7	2,454	0.6	2,711	0.8
Revenue	436,657	100.0	483,567	100.0	418,978	100.0	347,594	100.0

	Millions of Yen	
	Three months ended June 30, 2023	
		% *1
Capacitors	169,470	46.1
Inductors and EMI filters	38,872	10.6
Components	208,342	56.7
High-Frequency Device and Communications Module	87,922	23.9
Battery and Power supply	48,015	13.0
Functional Device	20,906	5.7
Devices and Modules	156,843	42.6
Others	2,509	0.7
Revenue	367,694	100.0

*1 Component ratio

(3) Revenue by Application (based on the Company's estimate)

	Millions of yen							
	Three months ended June 30, 2022		Three months ended September 30, 2022		Three months ended December 31, 2022		Three months ended March 31, 2023	
		% *1		% *1		% *1		% *1
Communication	169,184	38.7	205,047	42.4	162,587	38.8	122,426	35.2
Mobility	91,908	21.0	94,297	19.5	106,284	25.4	97,709	28.1
Computers	68,160	15.6	65,229	13.5	50,739	12.1	40,586	11.7
Home Electronics	51,335	11.8	61,947	12.8	45,575	10.9	38,974	11.2
Industry and Others	56,070	12.9	57,047	11.8	53,793	12.8	47,899	13.8
Revenue	436,657	100.0	483,567	100.0	418,978	100.0	347,594	100.0

	Millions of yen	
	Three months ended June 30, 2023	
		% *1
Communication	134,081	36.5
Mobility	99,603	27.1
Computers	45,211	12.3
Home Electronics	42,034	11.4
Industry and Others	46,765	12.7
Revenue	367,694	100.0

*1 Component ratio